CHAPTER II

Finances of the State

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2.1 Introduction

This chapter provides a broad perspective of the finances of the State, analyses trends during the five-year period from 2018-19 to 2022-23, debt sustainability of the State and key Public Account transactions based on the Finance Accounts of the State.

2.2 Major Changes in key fiscal aggregates in 2022-23 *vis-à-vis* 2021-22

Major changes in key fiscal aggregates of the State during the financial year 2022-23, compared to the previous year, are given in **Table 2.1**.

Table 2.1: Changes in key fiscal aggregates in 2022-23 compared to 2021-22

Revenue Receipts	✓ Revenue receipts of the State increased by 9.76 *per cent* ✓ Own Tax receipts of the State increased by 17.62 *per cent* ✓ Own Non-tax receipts increased by 30 *per cent* ✓ State's Share of Union Taxes and Duties increased by 8.99 *per cent* ✓ Grants-in-aid from Government of India decreased by 3.87 *per cent*
Revenue Expenditure	✓ Revenue expenditure increased by 6.03 *per cent* (*would be 7.57 per cent considering misclassification between Revenue and Capital expenditure*) ✓ Revenue expenditure on General Services increased by 0.97 *per cent* ✓ Revenue expenditure on Social Services increased by 12.78 *per cent* (*would be 3.49 per cent considering misclassification between Social & Economic services and Revenue & Capital expenditure*) ✓ Revenue expenditure on Economic Services decreased by 4.25 *per cent* (*would increase by 39.95 per cent considering misclassification between Economic & Social services and Revenue & Capital expenditure*) ✓ Expenditure on Grants-in-aid and Contributions increased by 15.25 *per cent*
Capital Receipts	✓ Debt Capital Receipts decreased by 9.46 *per cent* ✓ Non-debt Capital Receipts increased by 41.38 *per cent*

Capital Expenditure	✓ Capital expenditure increased by 25.88 *per cent* (*would be 7.40 per cent considering misclassification between Revenue and Capital expenditure*) ✓ Capital expenditure on General Services increased by 20.18 *per cent* (*would be 20.10 per cent considering misclassification between Revenue and Capital expenditure*) ✓ Capital expenditure on Social Services increased by 33.82 *per cent* (*would be 1.41 per cent considering misclassification between Social & Economic services and Revenue & Capital expenditure*) ✓ Capital expenditure on Economic Services increased by 19.99 *per cent* (*would be 11.35 per cent considering misclassification between Economic & Social services and Revenue & Capital expenditure*)
Loans and Advances	✓ Disbursement of Loans and Advances decreased by 48.73 *per cent* ✓ Recoveries of Loans and Advances increased by 41.38 *per cent*
Public Debt	✓ Public Debt Receipts decreased by 9.46 *per cent* ✓ Repayment of Public Debt decreased by 5.62 *per cent*
Public Account	✓ Public Account Receipts increased by 5.03 *per cent* ✓ Disbursement from Public Account increased by 3.74 *per cent*
Cash Balance	✓ Cash balance decreased by 1.73 *per cent*

Source: Finance Accounts
Note 1: Revenue Expenditure (RE) of ₹ 3,232 crore in 2022-23 was incorrectly booked as Capital Expenditure (CE)
Note 2: During 2022-23, Revenue Expenditure of ₹ 13,716 crore in the Public Distribution System, misclassified in Social Services (SS) instead of Economic Services (ES). Similarly, in the Pradhan Mantri Aawas Yojana, ₹ 1,792 crore was misclassified in ES instead of SS.

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

2.3 Sources and Application of Funds

Table 2.2 below compares the sources and application of funds of the State during 2022-23 with 2021-22.

Table 2.2: Details of Sources and Application of funds during 2021-22 and 2022-23

Parameters	Particulars	2021-22	2022-23	Increase/Decrease (*percentage shown in brackets*)
		(₹ in crore)		
Sources	Opening Cash Balance with RBI	32,246	32,602	356 (1.10)
	Revenue Receipts	1,78,159	1,95,544	17,385 (9.76)
	Recoveries of Loans and Advances	58	82	24 (41.38)
	Misc. Capital Receipts	0	0	0 (-)
	Public Debt Receipts (Net)	46,041	40,475	(-)5,566 (-12.09)
	Contingency Fund	0	180	180 (-)
	Public Account Receipts (Net)	4,895	8,701	3,806 (77.75)
	Total	**2,61,399**	**2,77,584**	**16,185 (6.19)**
Application	Revenue Expenditure	2,10,159	2,22,839	12,680 (6.03)
	Capital Expenditure	17,484	22,009	4,525 (25.88)
	Contingency Fund Disbursement	52	(-)48	(-)100 (-192.31)
	Disbursement of Loans and Advances	1,102	565	(-)537 (-48.73)
	Appropriation to Contingency Fund	0	180	180 (-)
	Closing Cash Balance with RBI	32,602	32,039	(-)563 (-1.73)
	Total	**2,61,399**	**2,77,584**	**16,185 (6.19)**

Source: Finance Accounts

Note: 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.

A. Sources of Funds:

Revenue Receipts, in the shape of State's own revenue (₹ 85,805 crore) and Central tax transfer and grants (₹ 1,09,739 crore), emerged as a major contributor to the State's resources during 2022-23. Contribution of Revenue Receipts in the total resources of the State, increased to 70.44 *per cent* in the current year from 68.16 *per cent* in the PY. Share of Net Public Debt Receipts[7], which is mainly backed by market borrowings and loans & advances from GoI, decreased to 14.58 *per cent* from 17.61 *per cent* in the PY. The relative share of the other two major components, namely, opening cash balance with RBI and Net Public Account Receipts[8] changed to 11.74 and 3.13 *per cent* respectively from 12.34 and 1.87 *per cent* in the PY. Share of contribution through Contingency Fund accounted for 0.06 *per cent* in the current year. The contribution through non-debt capital receipts, in the form of recovery of loans and advances, increased to 0.03 *per cent* from 0.02 *per cent* in the PY.

B. Application of Funds:

Out of the total resources mobilised in the current year, 45.01 *per cent* was spent on committed expenditure (₹ 1,24,948 crore) comprising salaries and

[7] Difference between the borrowings received and repayment on borrowings
[8] Difference between the receipt from Public Accounts and disbursement from Public Accounts

wages (48.26 *per cent*), interest payments (32.03 *per cent*) and expenditure on pensions (19.71 *per cent*). From the balance, after accounting for capital expenditure (7.93 *per cent*), disbursement of loans and advances (0.20 *per cent*), contingency fund disbursement (-0.02 *per cent*), appropriation to contingency fund (0.06 *per cent*) and closing cash balance with RBI (11.54 *per cent*), Government was left with 35.27 *per cent* (₹ 97,891 crore) of its gross mobilisation for spending revenue expenditure on various purposes.

Charts 2.1 and **2.2** give the details of receipts into and expenditure from the Consolidated Fund during 2022-23 in terms of percentages.

Chart 2.1: Composition of Resources

(in *per cent*)

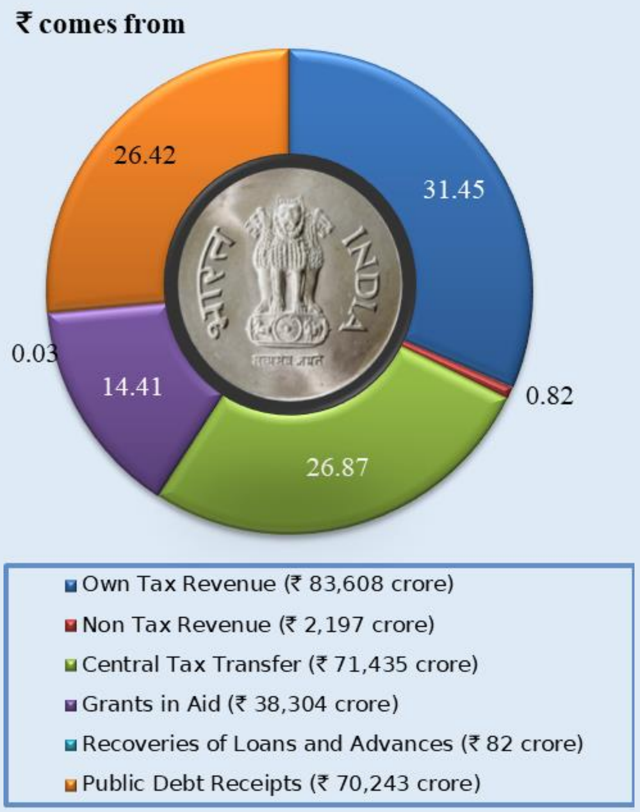
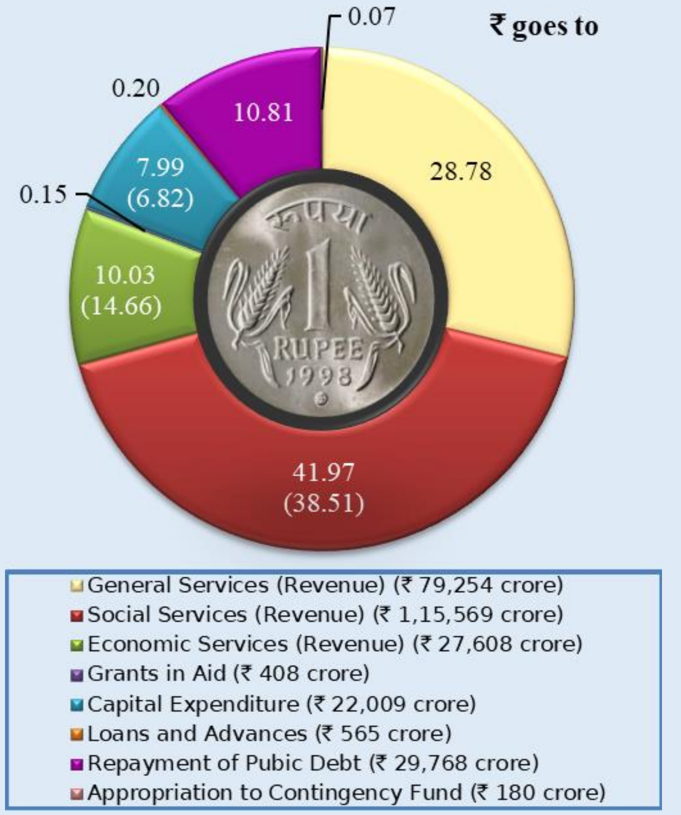


Chart 2.2: Application of Resources

(in *per cent*)



Source: Finance Accounts

Note 1: Revenue Expenditure (RE) of ₹3,232 crore (Social Sector: ₹2,411 crore and Economic Sector: ₹821 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.

*Note 2: During 2022-23, Revenue Expenditure of ₹ 13,716 crore in the Public Distribution System, misclassified in Social Services (SS) instead of Economic Services (ES). Similarly, in the Pradhan Mantri Aawas Yojana, ₹1,792 crore misclassified in ES instead of SS; Revised percentage shares in the application of resources have been shown in brackets (**Chart 2.2**).*

Analysis revealed that:

- Revenue Expenditure was primarily met out of the Revenue Receipts, with Public Debt also being a contributor;
- In General Services (Revenue) expenditure, Interest Payments comprised 50.49 *per cent;*

- Beside Repayment of Public Debt (10.81 *per cent*), Interest Payments constituted 14.53 *per cent*, thereby taking overall Repayments to 25.34 *per cent* of the total expenditure in Consolidated Fund;
- The deficit in Consolidated fund was mainly financed through Public Debt Receipts (₹ 70,243 crore) while the remaining deficit was financed from the available balances held in Public Accounts.

Audit Impact

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

- Share of Social Services (Revenue) would be changed to 38.51 *per cent* instead of 41.97 *per cent*.
- Share of Economic Services (Revenue) would increase to 14.66 *per cent* instead of 10.03 *per cent*.
- Share of Capital Expenditure would decrease to 6.82 *per cent* instead of 7.99 *per cent.*

2.4 Resources of the State

The resources of the State are described below:

1. **Revenue Receipts** consist of State's own revenue comprising own tax revenue and non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).
2. **Capital Receipts** (debt and non-debt 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.

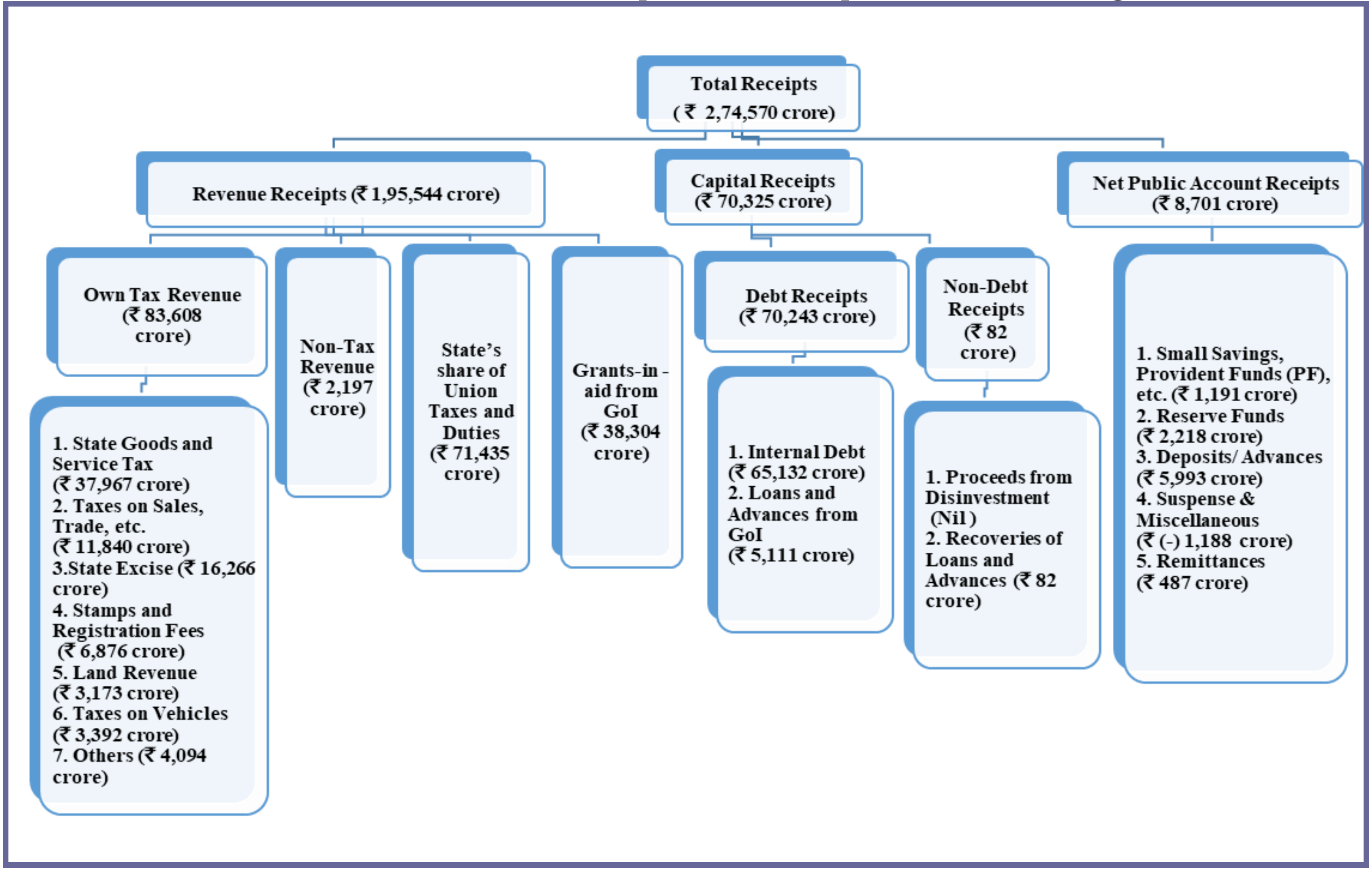
   Both revenue and capital receipts form part of the Consolidated Fund of the State.
3. **Net Public Accounts receipts:** There are receipts and disbursements in respect of certain transactions, such as, small savings & provident funds, reserve funds, deposits, suspense, remittances, etc. which do not 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 2022-23 is given in **Chart 2.3**.

Chart 2.3: Composition of receipts of the State during 2022-23



Source: Finance Accounts

In total receipts during 2022-23, contribution from Revenue Receipts, Capital Receipts and Net Public Account Receipts were 71.22, 25.61 and 3.17 *per cent* respectively, details of which have been discussed in subsequent paragraphs.

2.5 Revenue Receipts

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 (2018-23).

Table 2.3: Trend in Revenue Receipts

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Receipts (RR) (₹ in crore)	1,45,975	1,42,914	1,48,394	1,78,159	1,95,544
Rate of growth of RR (in *per cent*)	11.20	(-)2.10	3.83	20.06	9.76
Tax Revenue (₹ in crore)	1,16,508	1,08,717	1,05,024	1,36,623	1,55,043
Own Tax Revenue (₹ in crore)	*60,732*	*60,669*	*60,287*	*71,082*	*83,608*
State's share of Union Taxes and Duties (₹ in crore)	*55,776*	*48,048*	*44,737*	*65,541*	*71,435*
Non-Tax Revenue (₹ in crore)	3,657	3,213	5,198	1,690	2,197

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Grants-in-aid from Government of India (₹ in crore)	25,810	30,984	38,172	39,846	38,304
Own Revenue (Own Tax and Non-tax Revenue) (₹ in crore)	64,389	63,882	65,485	72,772	85,805
Rate of growth of Own Revenue (in *per cent*)	15.31	(-)0.79	2.51	11.13	17.91
Gross State Domestic Product (₹ in crore) (2011-12 Series)	11,02,054	11,79,097	11,55,821	13,63,926	15,54,992
Rate of growth of GSDP (in *per cent*)	13.07	6.99	(-)1.97	18.00	14.01
RR/GSDP (in *per cent*)	13.25	12.12	12.84	13.06	12.58
Buoyancy Ratios[9]					
Revenue Buoyancy w.r.t GSDP	0.86	-*	-*	1.11	0.70
State's Own Revenue Buoyancy w.r.t GSDP	1.17	-*	-*	0.62	1.28

Source: Finance Accounts
**Buoyancy Ratio was not calculated as the growth of GSDP/State's Own Revenue/Revenue Receipts were negative.*

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

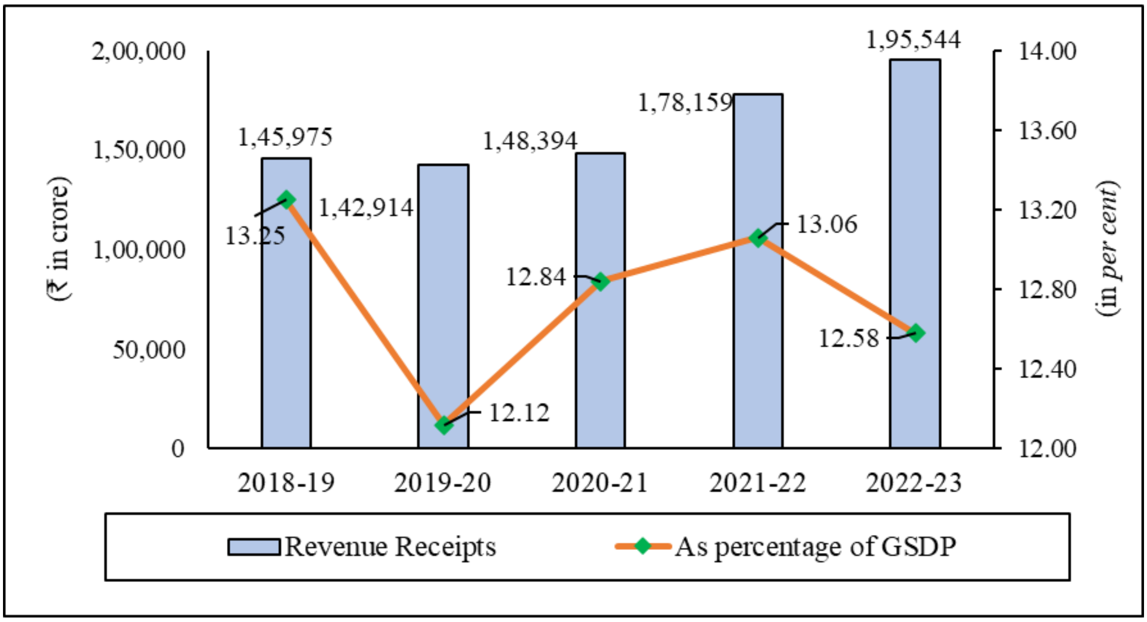
- Revenue Receipts increased by ₹ 17,385 crore (9.76 *per cent*) during 2022-23 over the previous year backed by increase in State's own tax revenue by ₹ 12,526 crore (17.62 *per cent*), State's share of Union Taxes and Duties by ₹ 5,894 crore (8.99 *per cent*), Non-tax revenue by ₹ 507 crore (30 *per cent*), which were set-off by decrease in Grants-in-aid from GoI by ₹ 1,542 crore (3.87 *per cent*). Revenue Receipts grew at average growth rate of 8.55 *per cent* from 2018-19 to 2022-23.
- About 44 *per cent* of the Revenue Receipts during 2022-23 came from the State's own resources, while Central tax transfers and Grants-in-aid together contributed 56 *per cent*. This is indicative of the fact that West Bengal's fiscal position is largely influenced by Central transfers.
- During 2018-19 and 2022-23, State's Own Revenue Buoyancy with respect to GSDP was more than one, implying that the growth of State's Own Revenue exceeded the growth of the GSDP.
- Revenue buoyancy with respect to GSDP measures the percentage change in the revenue receipts to the percentage change in GSDP. As GSDP grows, the ability of the State Government to mobilise its own revenue should also increase. As can be seen from **Table 2.3** above, Revenue buoyancy during 2018-19 and 2022-23 remained lower than one representing that revenue receipts have not kept pace with the rate at which GSDP grew. However, during 2021-22, revenue collection of the State was in tandem with the GSDP.

[9] Buoyancy indicates the 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*.

- 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 and May 2021), impacted the actual receipts under different components of revenue.

Trends of Revenue Receipts are shown in **Chart 2.4.**

Chart 2.4: Trends of Revenue Receipts

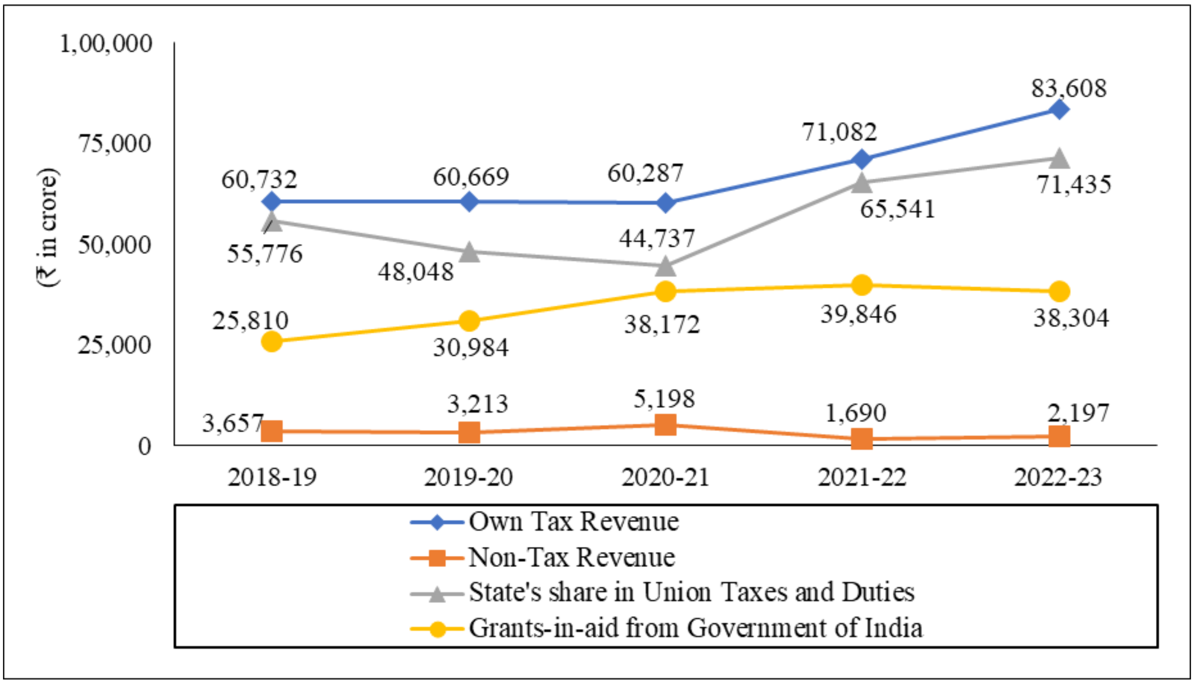


Source: Finance Accounts

Chart 2.4 shows that Revenue Receipts, as a percentage of GSDP, decreased to 12.58 in 2022-23, from the level of 13.25 in 2018-19, which indicates that the growth of Revenue Receipts was not commensurate with the growth of GSDP.

Trends in composition of Revenue Receipts are given in **Chart 2.5** wherein it shows that OTR and State's share in Union Taxes and Duties continuously increased during 2021-22 and 2022-23 after a dip in collection during 2020-21 owing to the effect of COVID-19 Pandemic.

Chart 2.5: Trends of components of Revenue Receipts



Source: Finance Accounts

2.5.2 State's Own Resources

2.5.2.1 Own Tax Revenue

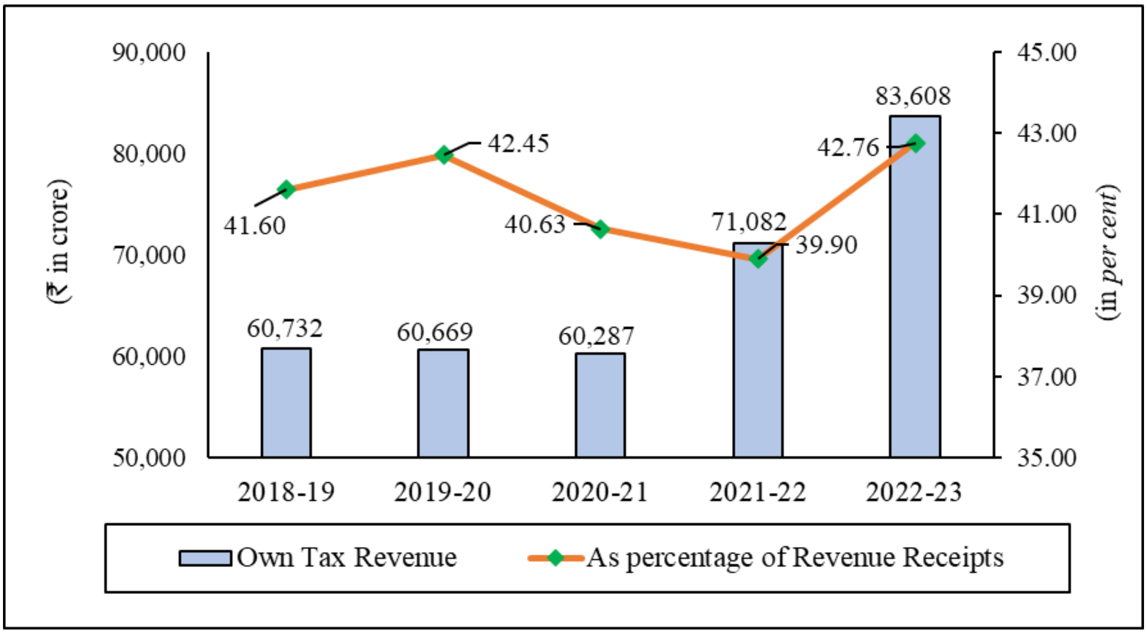
State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

The gross collections in respect of major tax and non-tax revenue and their relative share in GSDP during 2018-23 are given in ***Appendix 2.1***.

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

Trends of Own Tax Revenue and analysis of its components during the period 2018-23 are shown in **Chart 2.6** and **Table 2.4** respectively.

Chart 2.6: Trends of Own Tax Revenue during 2018-23



Source: Finance Accounts

Table 2.4: Components of State's Own Tax Revenue

(₹ in crore)

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	Sparkline
Sales Tax	7,813	7,161	9,394	9,951	11,840	
SGST	27,067	27,308	26,013	31,271	37,967	
State Excise	10,622	11,232	10,666	13,542	16,266	
Taxes on Vehicles	2,563	2,601	2,336	2,647	3,392	
Stamps and Registration Fees	5,620	6,026	5,528	7,366	6,876	
Land Revenue	2,847	2,728	2,756	2,743	3,173	
Taxes on Goods and Passengers[10]	435	34	322	5	0	
Other Taxes	3,765	3,579	3,272	3,557	4,094	
Total	**60,732**	**60,669**	**60,287**	**71,082**	**83,608**	
Percentage increase over the previous year	15.20	(-)0.10	(-)0.63	17.91	17.62	

Source: Finance Accounts

OTR as a percentage of Revenue Receipts increased to the highest level of 42.76 *per cent,* during 2022-23, from the level of 39.90 *per cent* during 2021-22 (**Chart 2.6**). Revenue collection dropped during 2020-21 owing to

[10] Revenue collection under taxes on goods and passengers being 'Nil' in 2022-23, was due to this tax being subsumed in GST.

imposition of full/partial lockdowns for COVID-19 pandemic. The easing of lockdown restrictions and lifting of preventive measures from July 2021 had a positive impact on the collection of State's OTR during 2021-22. Higher collection of revenues helped to raise the OTR collections by 17.62 *per cent* during 2022-23 over 2021-22. This may be corroborated from the fact that collection from five major components of OTRs out of six i.e., SGST, Sales Tax, State Excise, taxes on Vehicles and Land Revenue increased by 21.41, 18.98, 20.12, 28.15 and 15.68 *per cent*, respectively, over 2021-22 (**Table 2.4**). This was partly counter balanced by a decrease in collection from Stamps duties and Registration fees by 6.65 *per cent*. Nevertheless, collection from this component was much higher than the pre-pandemic period, since, effective 9 July 2021, the State Government had allowed rebate of two *per cent* in stamp duty, for registration of sale or lease of land, houses or flats, as well as reduction of rates of registration of immovable properties by 10 *per cent*.

Arrears of revenue

The arrears of revenue indicate delayed realisation of revenue due to the Government. Tax revenue raised but not realised, in respect of principal taxes, at the end of 2022-23, is shown in **Table 2.5**.

Table 2.5: Tax Revenues raised but not realised in respect of principal taxes

Sl. No.	Head of Revenue	Amount outstanding as on 31 March 2023 (₹ in crore)
1	Agricultural Income Tax	28
2	Rural Employment & Primary Education Cess on Tea Estate	50
3	Stamps and Registration Fees	105
4	State Excise	21
5	VAT, Central Sales Tax	9,942
6	Electricity Duty	110
7	Entertainment Tax and Luxury Tax	62
Total		**10,318**

Source: MTFPS 2023-24

The MTFPS, presented with the Budget 2023-24, revealed that, at the end of 2022-23, arrears in realisation of revenue were ₹ 10,318 crore. Against these arrears, there was no dispute regarding realisation of ₹ 2,781 crore, of which cases exceeding one to two years involved ₹ 16 crore, two to five years ₹ 1,560 crore, five to 10 years ₹ 716 crore and more than 10 years ₹ 489 crore. The circumstances under which the revenue of ₹ 2,781 crore had not been realised were not explained in the MTFPS. It was, however, mentioned in the MTFPS, that a Task Force had been constituted to look into all such cases. As mentioned above, undisputed arrears, on account of revenue lying unrealised for periods ranging between one year and more than 10 years, adversely affects both, the revenue receipts, as well as the revenue deficit.

2.5.2.2 Non-Tax Revenue

Components of State's non-tax revenue (NTR), for the period from 2018-19 to 2022-23, are given in **Table 2.6**.

Table 2.6: Components of State's Non-Tax Revenue

(₹ in crore)

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	Sparkline
Interest Receipts	806	321	2,824	306	318	
Dividend and Profits	47	82	2	158	165	
Other Non-Tax Receipts, *of which*	2,804	2,810	2,372	1,226	1,714	
(i) Major and Medium Irrigation	16	15	4	5	10	
(ii) Road Transport and Roads & Bridges	74	64	62	67	136	
(iii) Urban Development	22	26	29	61	58	
(iv) Education, Sports, Art and Culture	63	63	30	55	94	
(v) Non-Ferrous Mining	326	215	173	195	331	
(vi) Others or Misc.	2,303	2,427	2,074	843	1,084	
Total	**3,657**	**3,213**	**5,198**	**1,690**	**2,197**	
Percentage increase over the previous year	17.32	(-)12.14	61.78	(-)67.49	30.00	

Source: Finance Accounts

During 2022-23, West Bengal's collection of NTR (₹ 2,197 crore) is lowest amongst the 18 General States[11] (GS) of India, despite increase in collection of ₹ 507 crore (30 *per cent*) over 2021-22. Its contribution to Revenue receipts increased to 1.12 *per cent* from 0.95 *per cent* in 2021-22. This was mainly due to increase in collection of: (i) mineral concession fees, rents, and royalties, by ₹ 137 crore and (ii) fees, fines and forfeitures by the Police, by ₹ 75 crore.

2.5.2.3 Accounting of interest receipts on unspent state scheme funds lying outside the State Exchequer

The State Finances Audit Report for the year ended March 2022 had highlighted that interest on state scheme funds, amounting to ₹ 380.50 crore[12], was lying in the savings accounts of the commercial banks and had not been

[11] States other than North Eastern & Himalayan States (erstwhile General Category States)

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

accounted as Non-Tax Revenue of the State for the financial year 2021-22.

Audit noticed that no such mechanism has yet been framed (March 2023) for accounting of interest receipts on the unspent funds towards state schemes lying outside the state exchequer in the savings bank accounts of the DDOs. Resultantly, the State's revenue receipts remained understated to that extent. Further, the possibility of diversion/misappropriation of interest receipts could not be ruled out.

2.5.2.4 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 budget presented by the State Government indicates projections/estimations of revenue and expenditure for a particular fiscal year. Deviations from budget estimates are indicative of non-attainment/non-optimisation of desired fiscal objectives, due to a variety of factors, some of which are within the control of the Governments while some are beyond its control. **Table 2.7** presents the Tax and non-Tax receipts *vis-à-vis* assessment of 15th FC and Budget projections during 2022-23.

Table 2.7: Tax and non-tax revenue *vis-à-vis* projections during 2022-23

Resources	15th FC projections	Budget Estimates	Actual	Percentage variation of actual over	
	(₹ in crore)			15th FC projections	Budget estimates
Own Tax revenue	74,997	79,347	83,608	11.48	5.37
Non-tax revenue	3,584	6,672	2,197	(-)38.70	(-)67.07

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

As seen from the table, the actuals of Own Tax revenue were higher than the budget estimates and the 15th FC projection by five and 11 *per cent* respectively. The increase in OTR with respect to Budget Estimates was primarily owing to the collection from SGST, being at ₹ 37,967 crore, against the budget estimates of ₹ 36,114 crore. However, in the case of Non Tax Revenue, they were substantially lower than the budget estimates and 15th FC projection, by 67 and 39 *per cent,* respectively, indicating non-attainment of the desired objectives.

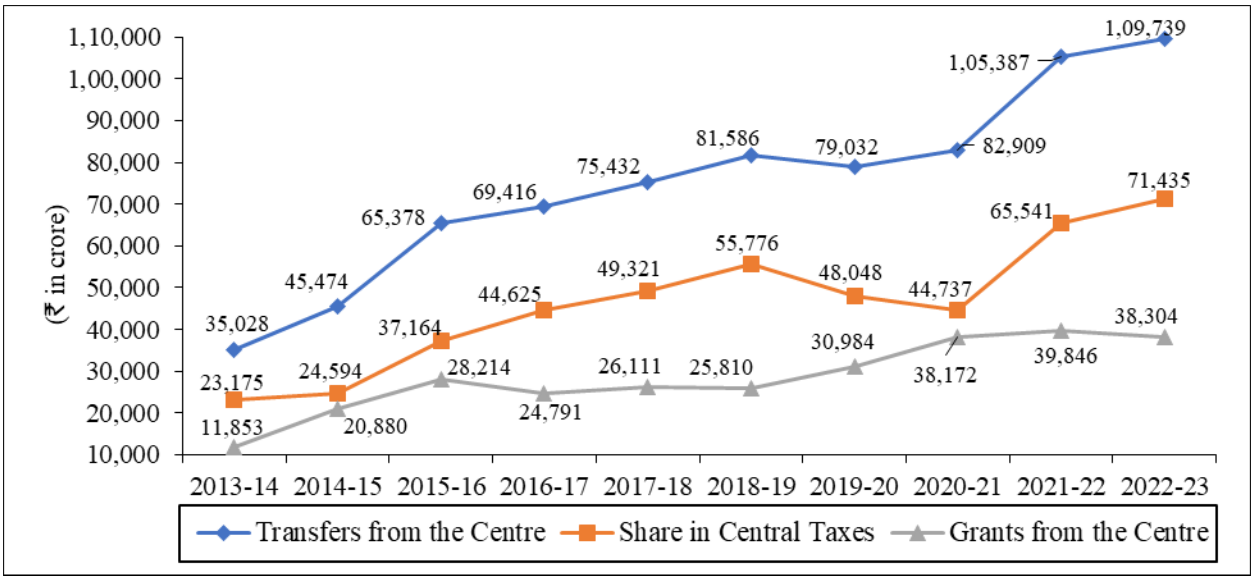
It was observed that both the OTR and NTR, with respect to GSDP, being at 5.38 and 0.14 *per cent*, respectively, were lower than the GS's average of 6.60 and 1.04 *per cent*. The above ratio suggests that the revenue collection mechanism of the State Government needs to be strengthened, to augment its revenue.

2.5.3 Transfers from the Centre

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.

Trends in transfers from the Centre for the last ten years are shown in **Chart 2.7**.

Chart 2.7: Trends in transfers from Centre



Source: Finance Accounts

2.5.3.1 Central Tax Transfer

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 2022-23, Central transfers increased to ₹ 1,09,739 crore from ₹ 1,05,387 crore in 2021-22, mainly due to increase in devolution of Central tax transfer by ₹ 5,894 crore.

The Fifteenth Finance Commission (15th FC) recommended that the States' share of Central taxes is to be decreased to 41 *per cent* during 2020-21 to 2025-26 from 42 *per cent* of sharable proceeds recommended by the Fourteenth Finance Commission (14th FC) during 2015-16 to 2019-20. In addition to above, West Bengal's share in the net proceeds of Central taxes (divisible pool) was revised to 7.523 *per cent* of sharable proceeds under 15th FC from 7.324 *per cent* (in case of taxes other than service tax) and 7.423 *per cent* (in respect of service tax) during 14th FC.

Trends in components of Central Tax Transfers are shown in **Table 2.8**.

Table 2.8: Central Tax Transfers **(₹ in crore)**

Head	2018-19	2019-20	2020-21	2021-22	2022-23
Central Goods and Services Tax (CGST)	13,766	13,635	13,282	19,025	20,187
Integrated Goods and Services Tax (IGST)	1,099	0	0	0	0
Corporation Tax	19,397	16,383	13,508	18,165	23,946
Taxes on Income other than Corporation Tax	14,285	12,837	13,849	19,791	23,383
Customs	3,954	3,046	2,368	4,892	2,808
Union Excise Duties	2,627	2,117	1,502	2,715	881
Service Tax	511	0	195	880	112
Other Taxes[13]	137	30	33	73	118
Total Central Tax transfers	**55,776**	**48,048**	**44,737**	**65,541**	**71,435**
Percentage increase over the previous year	13.09	(-)13.86	(-)6.89	46.50	8.99
Percentage of total Central tax transfers to Revenue Receipts	38.21	33.62	30.15	36.79	36.53

Source: Finance Accounts

During 2022-23, Central Tax Transfers, with respect to the GSDP of the State (4.59 *per cent*), were higher than the GS's average (3.43 *per cent*). The Central tax transfers, at ₹ 71,435 crore, in 2022-23, increased by 8.99 *per cent* (₹ 5,894 crore) over the previous year. Increases in the transfer of sharable proceeds from direct taxes and indirect taxes were attributable to this rise. In direct taxes, increase was mainly noticed under (a) Corporation Tax by ₹ 5,781 crore (31.82 *per cent*) and (b) Taxes on Income other than Corporation tax by ₹ 3,592 crore (18.15 *per cent*). In the case of indirect taxes, the growth was on account of increase in transfers under CGST by ₹ 1,162 crore (6.11 *per cent*), set off by decreases in (i) Customs by ₹ 2,084 crore (42.60 *per cent*) and (ii) Union Excise Duties by ₹ 1,834 crore (67.55 *per cent*).

2.5.3.2 Grants-in-aid from Government of India

During 2022-23, Grants-in-aid (GIA) from GoI, with respect to GSDP (2.46 *per cent*), were higher than the GS's average (1.99 *per cent*). Trends of GIA from GoI and its components, are shown in **Table 2.9**.

Table 2.9: Grants-in-aid from Government of India

(₹ in crore)

Head	2018-19	2019-20	2020-21	2021-22	2022-23
Grants for Centrally Sponsored Schemes	15,688	16,963	17,604	11,077	9,858
Finance Commission Transfers	4,189	6,025	12,351	23,517	19,824
Other Transfer/Grants to States/Union Territories with Legislature	5,933	7,996	8,217	5,252	8,622
Total Grants	**25,810**	**30,984**	**38,172**	**39,846**	**38,304**
Percentage increase over the previous year	(-)1.15	20.05	23.20	4.39	(-)3.87
Percentage of GIA to Revenue Receipts	17.68	21.68	25.72	22.37	19.59

Source: Finance Accounts

Grants from Government of India decreased by ₹ 1,542 crore (3.87 *per cent*) over the previous year, to ₹ 38,304 crore in 2022-23. This was mainly due to decrease in Finance Commission Transfers, reasons for which have been discussed in succeeding paragraph.

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

Grants 'in kind' from GoI

LMMHA[14] issued by the CGA[15], GoI stipulated that value of the material received as aid to the State Government is to be credited in the functional Major Head '1601-Grants-in-aid from the Central Government'. The PFMS portal of the MoHFW[16] showed that GoI had, during 2022-23, issued 47 sanctions, amounting to ₹ 194.88 crore, being the cost adjustment of vaccine supplies 'in kind', given to the GoWB. State Government, during 2022-23, issued necessary sanction orders, enabling credit of ₹ 194.88 crore in the State accounts.

(a) Grants for Centrally Sponsored Schemes

During 2022-23, the State Government received ₹ 9,858 crore in connection with the grants for Centrally Sponsored Schemes, of which the major inflows were as under:

- Pradhan Mantri Poshan Shakti Nirman (PM-POSHAN) (₹ 1,489 crore; an increase of 6.81 *per cent* from ₹ 1,394 crore in 2021-22);
- Samagra Shiksha (₹ 1,522 crore; an increase of 16.18 *per cent* from ₹ 1,310 crore in 2021-22);
- Anganwadi Services (₹ 1,223 crore; an increase of 83.08 *per cent* from ₹ 668 crore in 2021-22);
- Swach Bharat Mission (Rural) (₹ 406 crore; an increase of 200.74 *per cent* from ₹ 135 crore in 2021-22);
- Indira Gandhi National Old Age Pension Scheme (IGNOAPS) (₹ 381 crore; an increase of 58.09 *per cent* from ₹ 241 crore in 2021-22).

Single Nodal Agency (SNA)- As per the newly introduced procedure of the GoI (March 2021), release of funds under Centrally Sponsored Schemes (CSSs) is being operated through SNAs with effect from 1 July 2021. In the State of West Bengal, 79 CSSs were found to be operative, under 25 Departments, in the SNA mode. Since the actual payments/expenditure from SNA accounts are not routed through the Treasury, hence, detailed vouchers, in support of the actual expenditure, were not available at the Treasury.

The PFMS Report of 2022-23 revealed that, in the current year, GoI had released ₹ 12,512 crore to GoWB, of which, the central share, transferred from the State Treasury to SNA, stood at ₹ 12,108 crore. With the release of the state share of ₹ 12,447 crore, the total amount released by the Treasury, to SNA, aggregated to ₹ 24,555 crore. At the end of 31 March 2023, the cumulative balance in the SNA's Bank Account was ₹ 15,656 crore. In respect of four CSSs[17], the accumulated balance in the SNA exceeded ₹ 1,000 crore.

[14] List of Major and Minor Heads of Accounts
[15] Controller General of Accounts
[16] Ministry of Health and Family Welfare
[17] (i) Jal Jeevan Mission- ₹ 2,444 crore, (ii) Urban Rejuvenation Mission-500 Cities- ₹ 2,402 crore, (iii) Pradhan Mantri Awas Yojna (Rural) - ₹ 2,254 crore and (iv) PM-POSHAN- ₹ 1,542 crore

(b) Fifteenth Finance Commission Transfers

During 2022-23, GoI released Fifteenth Finance Commission (15th FC) grants of ₹ 19,338 crore, against the allocation of ₹ 20,520 crore. The released grants included Post Devolution Revenue Deficit grants of ₹ 13,587 crore, local bodies grants of ₹ 4,795 crore[18] and grants for State disaster response and mitigation of ₹ 956 crore. Release of grants by GoI, *vis-à-vis* the allocations, recommended by 15th FC, during the year 2022-23, are detailed in **Table 2.10.**

Table 2.10: Release of 15th FC grants with respect to the allocation during 2022-23

Sl. No.	Grants recommended by the 15th FC	Allocation	Actual release	Short/Non release
		(₹ in crore)		
1.	Post Devolution Revenue Deficit Grants	13,587.00	13,587.00	-
2.	Grants to Local Bodies			
	(i) Grants to RLBs (Tied grants)	2,026.80	1,975.71	51.09
	(ii) Grants to RLBs (Untied grants)	1,351.20	1,317.14	34.06
	(iii) Grants to ULBs for Non-Million Plus Cities (Tied grants)	604.80	302.40	302.40
	(iv) Grants to ULBs for Non-Million Plus Cities (Untied grants)	403.20	201.60	201.60
	(v) Grants to ULBs for Million Plus Cities in respect of Air Quality Improvement	219.00	171.60	47.40
	(vi) Grants to ULBs for Million Plus Cities in respect of Service level benchmarks for urban drinking water supply, sanitation and solid waste management	437.00	Nil	437.00
	(vii) Health Grant for Local Bodies	829.00	826.72	2.28
3.	Grants for Disaster			
	(i) State Disaster Response Fund (SDRF)	849.60	849.60	-
	(ii) State Disaster Mitigation Fund (SDMF)	212.40	106.20	106.20
	Total	**20,520.00**	**19,337.97**	**1,182.03**

Source: 15th FC Report and Departmental records

Details of 15th FC grants have been described below:

(A) Post Devolution Revenue Deficit Grants

15th FC, based upon its assessment of the revenue and expenditures of the State, calculated pre-devolution revenue deficits. The post-devolution revenue deficit (PDRD) was derived from the assessed devolution of taxes, based on the horizontal devolution formula, factoring the weightages assigned for each

[18] Excluded ₹ 487 crore received during 2022-23, earmarked for the year 2021-22 in connection with 'Non-Million plus cities'

criterion[19], as mentioned in the 15th FC Report. States which still had shown a revenue deficit after apportioning PDRD, were recommended PDRD grants. Being a revenue deficit State, the 15th FC recommended PDRD grants of ₹ 45,128 crore to West Bengal during 2020-25 (**Table 2.11**). These grants were provided in a manner, so that the revenue deficit tapered off in successive years.

Table 2.11: Details of PDRD Grants recommended for the period 2020-25

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

Source: 15th FC Report

Table 2.11 shows that, around 80 *per cent* of the total grants were awarded for the first three years. As the grants will be substantially lower in the next two years (2023-24 and 2024-25), the State, therefore, needs to augment its own sources of revenue and/or reduce expenditure, to maintain the revenue balance. The PDRD grants provided to West Bengal, upto 2022-23, and the actual Revenue Deficit registered, are shown in **Table 2.12**.

Table 2.12: Details of receipt of PDRD Grants

Name of FC	Year	PDRD Grants	Actual Revenue Deficit
		(₹ in crore)	
14th FC	2015-16	8,449	9,095
	2016-17	3,311	16,086
15th FC	2020-21	5,013	29,527
	2021-22	17,607	32,000
	2022-23	13,587	27,295

Source: FC Reports and Finance Accounts

Thus, the State Government had failed to contain the RD, despite receipt of PDRD grants from GoI. Recurring RD by the State also reduced the fiscal space available for undertaking capital expenditure (spending towards creation of assets).

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

As shown in **Table 2.10**, there was a short receipt of grants, amounting to ₹ 1,182 crore, from the GoI.

- In regard to untied grants, the 15th FC had not mentioned any conditionalities for release. However, reasons for short receipt of un-

[19] Population (15 *per cent*), Area (15 *per cent*), Forest and ecology (10 *per cent*), Income distance (45 *per cent*), Tax and fiscal efforts (2.50 *per cent*) and demographic performance (12.50 *per cent*)

tied grants amounting to ₹ 236 crore, for Local Bodies, were not on record.

- Finance Department, despite pursuance, did not furnish reasons for short/non-receipt of tied grants/SDMF, amounting to ₹ 946 crore, from the GoI.

(C) Avoidable payment of Interest

The 15th FC provided that the States should release grants to local bodies within 10 working days of this being credited to the State Government's account by the Government of India. Any delay in the release of above grants would attract penal interest, as per the effective rate of interest on market borrowings/State Development Loans for the previous year.

It was observed that 15th FC grants of ₹ 4,063.80 crore[20] had been released with delays ranging between 10 and 78 days, due to which, GoWB had to pay interest of ₹ 14.54 crore[21] during 2022-23.

(D) Pending Interest Payment

It was observed that GoWB had not paid interest of ₹ 6.03 crore till July 2023, despite delayed release[22] of Health grants (₹ 1,273.50 crore[23]) to Local Bodies during 2021-23. The interest outstanding for the year 2022-23 was ₹ 0.68 crore.

The Finance Department did not furnish reasons for payment/pending payment of interest for on account of delayed disbursements by GoWB, despite being called for (September 2023).

(c) Other Transfer/Grants to States

In the category 'Other Transfer/Grants to States', the State received GIA of ₹ 8,622 crore. Major schemes where grants were received were: (i) Compensation for loss of revenue on account of GST (₹ 8,228 crore; an increase of 81.59 *per cent* from ₹ 4,531 crore in 2021-22) and (ii) Rehabilitation package for Bangladeshi Enclaves (₹ 108 crore; an increase of 35 *per cent* from ₹ 80 crore in 2021-22).

2.6 Capital Receipts

Capital Receipts comprise of 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, constitute the net capital receipts.

Trends of Capital Receipts and their components, during 2018-19 to 2022-23, are shown in **Table 2.13**.

[20] RLB grants of ₹ 3,247.45 crore *plus* ULB grants of ₹ 816.35 crore
[21] RLBs: ₹ 9.99 crore and ULBs: ₹ 4.55 crore
[22] Delay ranged from six to 42 days over the stipulated period of 10 days
[23] ₹ 828.07 crore during 2021-22 and ₹ 445.43 crore during 2022-23

Table 2.13: Trends in the growth and composition of capital receipts

(₹ in crore)

Sources of State's Receipts	2018-19	2019-20	2020-21	2021-22	2022-23
Capital Receipts	**71,693**	**75,766**	**75,579**	**77,639**	**70,325**
Public debt receipts	70,197	75,699	75,429	77,581	70,243
Public debt repayment	45,786	40,413	26,890	31,540	29,768
Net Public Debt Receipts (1)	**24,411**	**35,286**	**48,539**	**46,041**	**40,475**
Growth rate (in *per cent*)	17.75	44.55	37.56	(-)5.15	(-)12.09
Miscellaneous Capital Receipts	692	30	0	0	0
Recovery of Loans and Advances	804	67	150	58	82
Non-debt Capital Receipts (2)	**1,496**	**67**	**150**	**58**	**82**
Capital Expenditure (3)	23,717	15,971	13,034	17,484	22,009
Disbursement of Loans and Advances (4)	865	1,266	2,277	1,102	565
Net Capital Receipts (1+2-3-4)	**1,325**	**18,116**	**33,378**	**27,513**	**17,983**
Rate of growth of Net Capital Receipts (in *per cent*)	(-)17.65	1,267.25	84.25	(-)17.57	(-)34.63
Rate of growth of Capital Receipts (in *per cent*)	56.00	5.68	(-)0.25	2.73	(-)9.42
Rate of growth of GSDP (in *per cent*)	13.07	6.99	(-)1.97	18.00	14.01
Buoyancy of Net Public Debt Receipts w.r.t. GSDP (in *per cent*)	1.36	6.37	-*	(-)0.29	(-)0.86

Source: Finance Accounts

**Buoyancy Ratio was not calculated as GSDP growth was negative.*

Net Capital Receipts increased to ₹ 17,983 crore in 2022-23, from ₹ 1,325 crore in 2018-19. As compared to the previous year, there was decrease in net Capital Receipts by ₹ 9,530 crore. This was mainly due to increase in capital expenditure by ₹ 4,525 crore and decrease in net public debt receipts by ₹ 5,566 crore.

During the last four years *i.e.*, 2018-19 to 2021-22, 48.39 *per cent* of the Public Debt Receipts were utilised for repayment of Public Debt taken in earlier years, while the remaining 51.61 *per cent* was utilised for other purposes. However, during 2022-23, 42.38 *per cent* of the Public Debt receipts were utilised towards repayment of Public Debt taken in earlier years.

Debt Receipts had a predominant share in Capital Receipts and contributed more than 99.50 *per cent* during 2019-20 to 2022-23. The recovery towards Loans and Advances was very meagre during the period, amounting to less than one *per cent* of the outstanding Loans and Advances, as at the end of 2022-23.

Non-debt capital receipts, in the shape of recoveries of loans & advances and Miscellaneous Receipts, increased by 41.05 *per cent*, to ₹ 82 crore, due to more recovery of loans from Public Sector Enterprises/Bodies/Authorities. However, the level of recovery is negligible from the level of 2018-19 when ₹ 804 crore was recovered. This indicates that there is an urgent need to assess the essentiality of services being rendered by loanee entities and initiate necessary measures so that recoveries are improved.

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.

Growth and composition of expenditure

Table 2.14 gives the trend of total expenditure and its composition during the period 2018-23. The expenditure under various sectors, in respect of revenue and capital and their relative share in GSDP, during 2018-23, are given in ***Appendix 2.1***.

Table 2.14: Total expenditure and its composition

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
	(₹ in crore)				
Total Expenditure (TE)	1,80,956	1,79,812	1,93,232	2,28,745	2,45,413
Revenue Expenditure (RE)	1,56,374	1,62,575	1,77,921	2,10,159	2,22,839
Capital Expenditure (CE)	23,717	15,971	13,034	17,484	22,009
Loans and Advances	865	1,266	2,277	1,102	565
As a percentage of GSDP					
TE/GSDP	16.42	15.25	16.72	16.77	15.78
RE/GSDP	14.19	13.79	15.39	15.41	14.33
CE/GSDP	2.15	1.35	1.13	1.28	1.42
Loans and Advances/GSDP	0.08	0.11	0.20	0.08	0.04

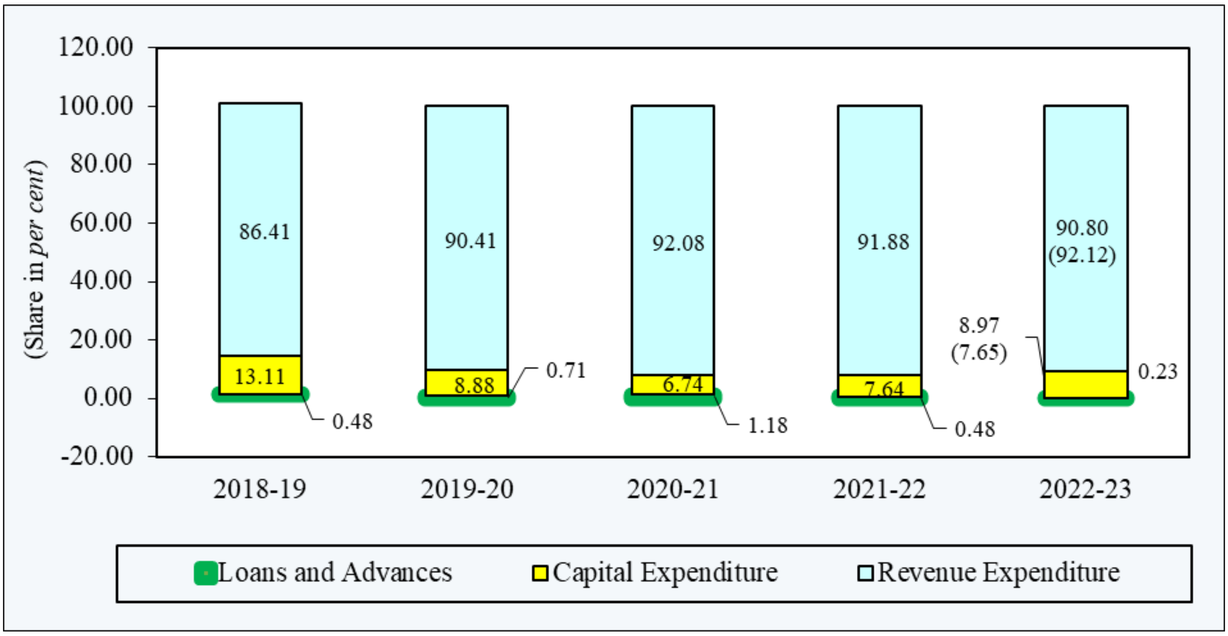
Source: Finance Accounts

Audit Impact: *Revenue Expenditure (RE) of ₹3,232 crore in 2022-23 was incorrectly booked as Capital Expenditure (CE), details of which has been shown in* ***Para 3.3.2****. The actual RE during 2022-23, as depicted in* ***Table 2.14*** *would thus be ₹2,26,071 crore instead of ₹2,22,839 crore. Similarly, the actual CE, during 2022-23, would be ₹18,777 crore, instead of ₹22,009 crore.*

The State's total expenditure (TE) consists of Revenue Expenditure (RE), Capital Expenditure (CE) and disbursement of loans and advances. Five years trend analysis showed that the TE during the current year increased by 35.62 *per cent* over 2018-19, while its ratio with GSDP decreased by 0.64 *per cent* indicating that the growth of TE was slower than the growth of GSDP. This is corroborated from the fact that CE, as a percentage of GSDP, reduced by 0.73 *per cent*, while RE, as a percentage of GSDP, remained almost the same. This trend was not indicative of appropriate fiscal management, as investment in Capital Assets is considered to be an indicator of growth of any State economy. Payment of Loans and Advances to GSDP reduced from 0.08 to 0.04 *per cent* in the aforesaid period. The increase in TE, during 2022-23, by 7.29 *per cent* over the PY, was owing to mainly enhanced RE under the *Lakshmir Bhandar* scheme (by ₹ 6,215 crore) and Interest Payments (by ₹ 3,346 crore).

Chart 2.8 presents the trends in share of components of Total Expenditure (TE) during the period 2018-23.

Chart 2.8: Total Expenditure: Trends in share of its components



Source: Finance Accounts
*Note: Shares of Revenue Expenditure (RE) and Capital Expenditure (CE) in Total Expenditure would be changed (as shown in brackets) during 2022-23, if the misclassification of ₹ 3,232 crore from RE to CE, as pointed out by Audit and mentioned in the Audit Impact below **Table 2.14**, is factored in.*

As evident from **Chart 2.8**, Capital Expenditure (CE) had decreased significantly during 2018-21, with its share as a percentage of Total Expenditure (TE) decreasing from 13.11 *per cent* in 2018-19 to 6.74 *per cent* in 2020-21. The share of CE, however, increased from 7.64 *per cent* in 2021-22, to 8.97 *per cent* in 2022-23. However, it remained below the level of 13.11 *per cent* of the FY 2018-19, indicating that the enhancement of CE was not commensurate with the enhancement of TE.

Table 2.15 gives the relative share of various sectors in expenditure while **Chart 2.9** presents TE by activities during 2018-23.

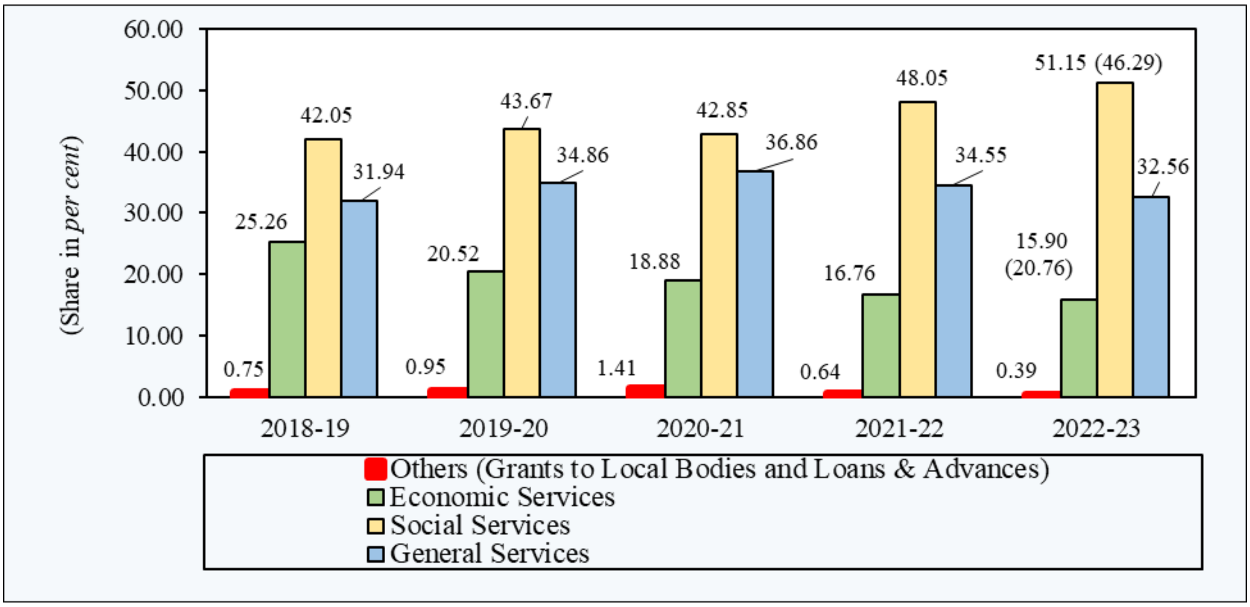
Table 2.15: Relative share of various sectors of expenditure

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
	(in crore)				
General Services	57,792	62,679	71,230	79,040	79,909
Social Services	76,088	78,528	82,797	1,09,912	1,25,521
Economic Services	45,722	36,889	36,479	38,337	39,010
Others (Grants to Local Bodies and Loans and Advances)	1,354	1,716	2,726	1,456	973

Source: Finance Accounts

Audit Impact: *During 2022-23, revenue expenditure, in the form of food subsidies (₹ 13,201 crore) and procurement & supply of ration (₹ 515 crore), was misclassified in the Head of Accounts (HoA) '2235' under Social Services (SS) instead of the HoA '2408' under Economic Services (ES). Similarly, revenue expenditure of ₹ 1,792 crore, under the scheme 'Pradhan Mantri Aawas Yojana (Rural)', was misclassified in the HoA '2505' under ES, instead of the HoA '2216' under SS. Resultantly, the relative shares of expenditure under SS and ES would be ₹ 1,13,597 crore and ₹ 50,934 crore, instead of ₹ 1,25,521 crore and ₹ 39,010 crore, respectively (**Table 2.15**).*

Chart 2.9: Total expenditure - Expenditure by activities



Source: Finance Accounts

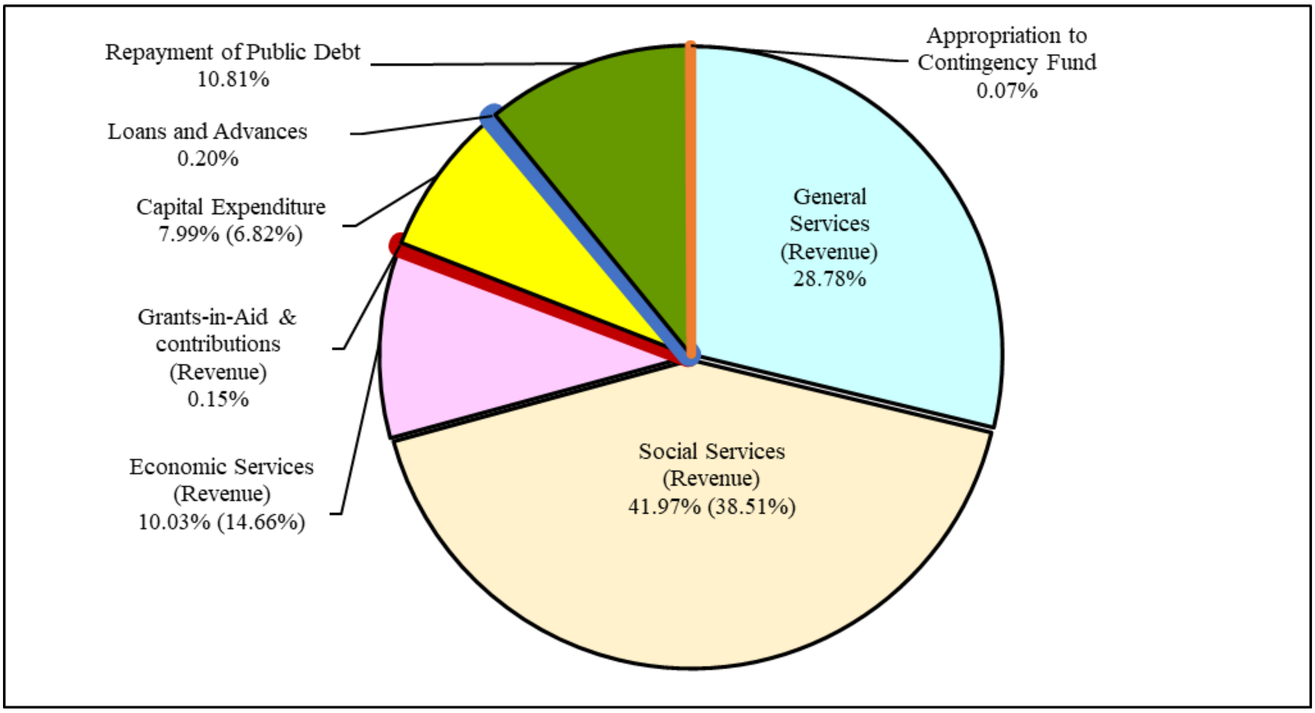
*Note: Shares of expenditures on Social and Economic Services with respect to the Total Expenditure would be changed (as shown in brackets) during 2022-23 if the misclassification between RE & CE and misclassification of RE among Social and Economic sectors, as pointed out by Audit and mentioned in Audit Impact below **Table 2.15**, is factored in.*

Expenditure under Social Services (SS) constituted a major portion of the State's Expenditure. As can be seen from **Chart 2.9** above, around 42 to 51 *per cent* of the total expenditure was covered under this sector during 2018-23. In the current year, the relative share of this sector increased to 51.15 *per cent,* from the PY's level of 48.05 *per cent*. Enhancement of expenditure under the scheme '*West Bengal Lakshmir Bhandar*[24]' under SS, from ₹ 5,765 crore to ₹ 11,980 crore, was the main reason for this. The increase in the relative share of SS expenditure was counterbalanced by decrease in expenditure under Economic Services (ES) and General Services (GS). Reduction in the relative shares of expenditure in ES and GS, from 16.76 and 34.55 *per cent,* respectively, in FY 2021-22, to 15.90 and 32.56 *per cent,* in FY 2022-23, indicated that expenditure in these sectors remained compressed.

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

Chart 2.10 presents the total expenditure out of the Consolidated Fund during 2022-23.

Chart 2.10: Total Expenditure out of the Consolidated Fund during 2022-23



Source: Finance Accounts

*Note: The shares of Capital Expenditure and expenditures on social and economic sectors in Revenue section would be changed (as shown in brackets) if the misclassification between RE & CE and misclassification of RE among Social and Economic sectors, as mentioned in Audit Impact below **Table 2.14** and **Table 2.15** respectively, is factored in.*

2.7.1 Funds transferred to deposit accounts

During 2022-23, an expenditure amounting to ₹ 32,195 crore[25] (13.84 *per cent* of the expenditure of ₹ 2,32,701 crore) were made from 79 head of accounts by book transfer of the funds in the deposit accounts of State PSUs/Development Authorities/Autonomous Bodies/Societies/Local Bodies (***Appendix 2.2***). Since the actual payments/expenditure from deposit accounts were not routed through the treasury, the detailed vouchers in support of the actual expenditure were not available.

Therefore, audit could not examine the regularity, the extent of occurrence, appropriate classification of expenditures and the purpose for which the funds, were actually utilised.

2.8 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and to make payments for past obligations.

[25] Including ₹ 5,200 crore for Capital Expenditure

Revenue Expenditure comprises of wages and salaries, interest payments, pensions, expenditure on operation and maintenance of capital works, subsidies and transfers to local bodies, co-operatives, Non-Government Organizations (NGOs) and others. Expenditure is also classified into various functional categories such as General Services, Social Services and Economic Services. Expenditure on Social and Economic Services is incurred to create physical infrastructure and human resource development and is, therefore, considered productive, whereas expenditure on General Services and debt servicing, is considered unproductive.

The overall revenue expenditure, its rate of growth, its ratio to the total expenditure, its buoyancy *vis-à-vis* GSDP and the revenue receipts during 2018-23, are shown in **Table 2.16**.

Table 2.16: Revenue Expenditure- Basic Parameters

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
	(₹ in crore)				
Total Expenditure (TE)	1,80,956	1,79,812	1,93,232	2,28,745	2,45,413
Revenue Expenditure (RE)	1,56,374	1,62,575	1,77,921	2,10,159	2,22,839
Rate of Growth of RE (*per cent*)	10.84	3.97	9.44	18.12	6.03
Revenue Expenditure as percentage of TE	86.42	90.41	92.08	91.87	90.80
RE/GSDP (*per cent*)	14.19	13.79	15.39	15.41	14.33
RE as percentage of RR	107.12	113.76	119.90	117.96	113.96
Rate of Growth of GSDP (*per cent*)	13.07	6.99	(-)1.97	18.00	14.01
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.83	0.57	-*	1.01	0.43
Revenue Receipts (ratio)	0.97	-*	2.46	0.90	0.62

Source: Finance Accounts
**Buoyancy Ratios of RE with GSDP (for 2020-21) and RR (for 2019-20) were not calculated as growth of GSDP and RR for those years, was negative.*
Note: Revenue Expenditure (RE) of ₹ 3,232 crore in 2022-23 was incorrectly booked as Capital Expenditure (CE). The rate of growth of RE during 2022-23 would be 7.57 instead of 6.03 per cent, if the misclassification between RE and CE is factored in. RE as a percentage of TE would also be changed to 92.12, instead of 90.80.

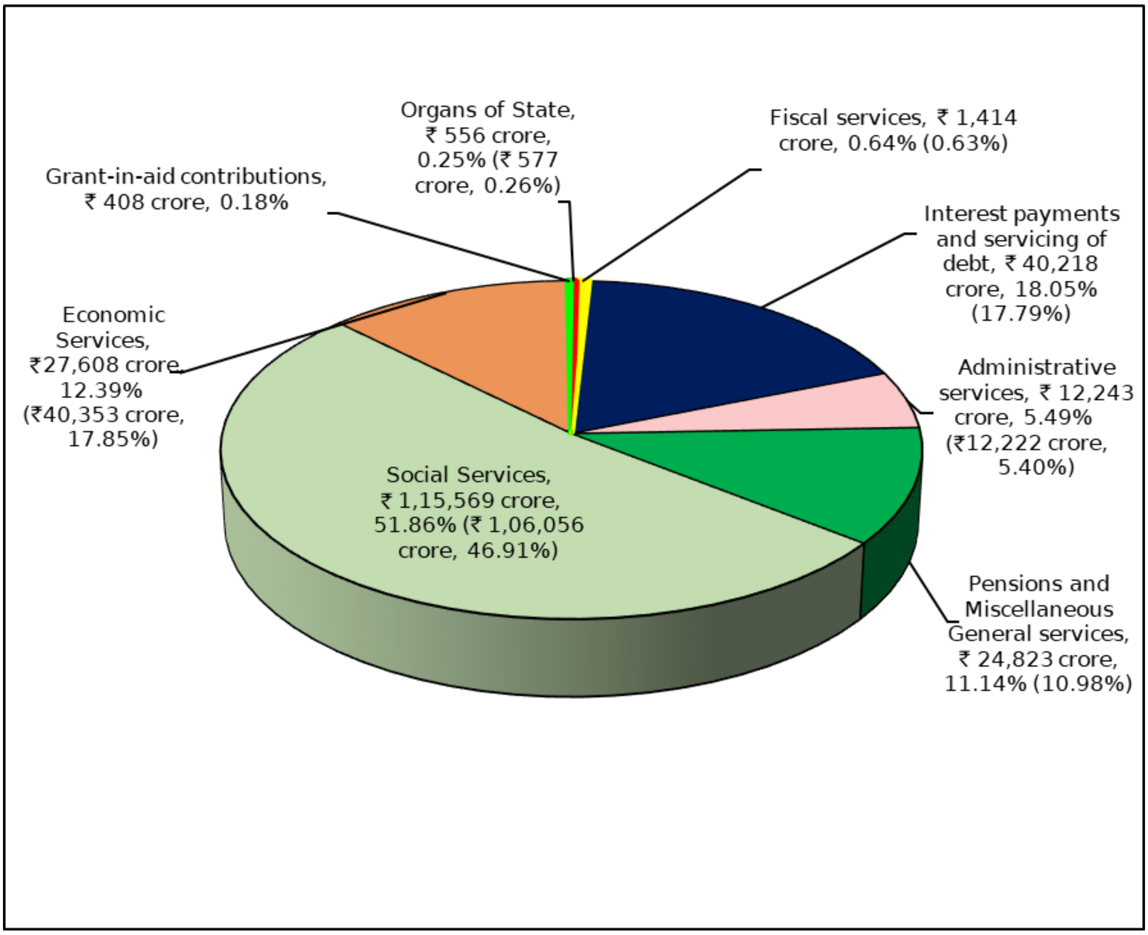
Revenue Expenditure (RE) constituted a significant portion (86 to 92 per *cent*) of the total expenditure during 2018-23, growing at an average annual rate of 9.68 *per cent*. Its share in total expenditure (TE), in the current year, however, decreased by 1.07 *per cent* over the previous year.

The trend of RE as a ratio of GSDP, over the last five years has been almost constant (about 14 to 15 per cent of GSDP), indicating less elasticity of revenue expenditure in terms of GSDP. In contrast, the ratio of state's revenue receipts to GSDP has been decreasing from 13.25 *per cent* to 12.58 *per cent* (**Table 2.3**). These trends may lead to increase in the revenue deficit.

During 2018-23, the excess of RE over RR ranged between 7.12 and 19.90 *per cent* (**Table 2.16**), leading to Revenue Deficits (RDs). RDs were financed through borrowing which, in turn, adversely affected creation of assets and wealth generation.

The sector-wise distribution of Revenue Expenditure, during 2022-23, is shown in **Chart 2.11**.

Chart 2.11: Sector-wise distribution of revenue expenditure during 2022-23



Source: Finance Accounts

Note: Changes in the amount and percentage of the sector-wise share of RE would be changed (as shown in bracket) if the misclassification between RE & CE and misclassification of RE among Social and Economic sectors, as mentioned in Audit Impact, below ***Table 2.14*** *and* ***Table 2.15*** *and misclassification of ₹21 crore between the HoAs '2015' and '2055', under the General sector, are factored in.*

2.8.1 Major changes in Revenue Expenditure

Revenue Expenditure (₹ 2,22,839 crore) increased by 6.03 *per cent* (₹ 12,680 crore) over the previous year. Increase in Social Services by 12.78 *per cent* (₹ 13,094 crore), followed by increase in General Services by one *per cent* (₹ 759 crore) and increase in Grants-in aid and contributions by 15 *per cent* (₹ 54 crore), set off by decrease in Economic Services by 4.26 *per cent* (₹ 1,227 crore), contributed to this growth.

Under Social Services, major increases were noticed in: (i) Social Welfare and Nutrition by ₹ 7,694 crore (22 *per cent*), (ii) Education, Sports, Art and Culture by ₹ 3,699 crore (10 *per cent*) and (iii) Water Supply, Sanitation, Housing and Urban Development by ₹ 2,433 crore (25 *per cent*).

Under General Services, major increases were noticed in Interest Payments by ₹ 3,346 crore (9.12 *per cent*), set off by decrease in payments of Pension by ₹ 2,052 crore (7.69 *per cent*).

Under Economic services, a major decrease was noticed in Rural Development by ₹ 3,270 crore (23 *per cent*), which was partially offset by increases in Agriculture and Allied Activities by ₹ 1,269 crore (16 *per cent*) and Energy by ₹ 398 crore (25 *per cent*).

Significant variations noticed in the major heads of account, during 2022-23, *vis-à-vis* 2021-22, are shown in **Table 2.17**.

Table 2.17: Variations in Revenue Expenditure during 2022-23, compared to 2021-22

Major Heads of Account	2021-22	2022-23	Increase (+)/Decrease (-)
	(₹ in crore)		
2235-Social Security and Welfare	31,127	39,747	8,620
2202-General Education	36,340	40,163	3,823
2217-Urban Development	8,026	10,543	2,517
2515-Other Rural Development Programmes	7,177	8,076	899
2408-Food, Storage and Warehousing	249	675	426
2501-Special Programmes for Rural Development	618	1,030	412
2225-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	4,190	4,400	210
2055-Police	9,375	9,545	170
2505-Rural Employment	6,658	2,072	(-)4,586
2210-Medical and Public Health	14,448	13,249	(-)1,199
2015-Elections	599	(-)455	(-)1,054

Source: Finance Accounts

Note: During 2022-23, ₹ 13,716 crore was wrongly booked under '2235' instead of '2408'; Similarly, ₹ 1,792 crore booked under '2505' instead of '2216'; ₹ 21 crore booked under '2015' in lieu of '2055'. As a result, increase in expenditure under '2408' and '2055' would be changed to ₹ 14,142 crore and ₹ 191 crore respectively; and increase under '2235' would be changed to decrease of ₹ 5,096 crore. On the contrary decrease under '2505' would be changed to ₹ 6,378 crore. Apart from this, there had been misclassification of Revenue Expenditure amounting to ₹ 9,907 crore within different Minor heads and Detailed heads, under the same Major Head/Sector. Thus, there was misclassification under Revenue Expenditure aggregating to ₹ 25,436 crore.

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

- Expenditure on 'Women's Welfare' increased to ₹ 10,530 crore, an increase of 65.44 *per cent* from ₹ 6,365 crore in 2021-22;
- Expenditure on 'Pradhan Mantri Poshan Shakti Nirman' increased to ₹ 1,918 crore, an increase of 92.18 *per cent* from ₹ 998 crore in 2021-22;
- Expenditure on 'Assistance to Local Bodies, Corporations, Urban Development Authorities' increased to ₹ 3,183 crore, an increase of 51.86 *per cent* from ₹ 2,096 crore in 2021-22;
- Expenditure on 'Assistance to Zilla Parishad/District Level Panchayats' increased to ₹ 1,781 crore, an increase of 50.55 *per cent* from ₹ 1,183 crore in 2021-22;

- Expenditure on 'National Rural Employment Guarantee Scheme' decreased to ₹ 85 crore, a decrease of 94.49 *per cent* from ₹ 1,544 crore in 2021-22.
- During the FY 2022-23, ₹ 265 crore was incurred as expenditure under Elections. However, due to reimbursement of ₹ 720 crore from GoI in regard to expenditure incurred on Lok Sabha Elections in 2019-20, the same was booked as reduction of expenditure. This resulted in the booked expenditure being negative at ₹ 455 crore, as mentioned in **Table 2.17** above.

2.8.2 Committed expenditure

The committed expenditure of the State Government on the revenue account consists of interest payments; expenditure on salaries and wages; and pensions. It has first charge on Government resources. Upward trends in committed expenditure leave the Government with lesser flexibility for development expenditure.

Apart from the above, there are certain items of *inflexible expenditure*, which cannot be ordinarily altered or varied or are statutorily required on an annual basis, unlike for variable transactions such as capital expenditure etc. For example, the following items may be considered as inflexible expenditure:

(i) Devolution to Local Bodies- Statutory devolution to Local Bodies for pay and allowances (devolution/transfer for capital expenditure);

(ii) Statutory requirements of contribution to Reserve Funds- Contribution to Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF), State Disaster Mitigation/Response Fund (SDMF/SDRF), etc.;

(iii) Recoupment of Contingency Fund- Amount recouped within the year;

(iv) Transfers of cess to Reserve Funds/Other Bodies, which are statutorily required.

A trend analysis of the Committed and Inflexible Expenditure and its components, during the period 2018-23, is shown in **Table 2.18** and the share of committed expenditure within the revenue expenditure, is shown in **Chart 2.12.**

Table 2.18: Components of Committed and Inflexible Expenditure

Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
	(₹ in crore)				
Salaries & Wages	41,541	48,567	56,660	59,379	60,306
Of which, Grants-in-aid salary[26]	23,574	27,815	32,592	33,978	34,214
Expenditure on Pensions	16,063	17,462	21,394	26,676	24,624
Interest Payments	28,911	31,668	33,782	36,672	40,018
Total	**86,515**	**97,697**	**1,11,836**	**1,22,727**	**1,24,948**

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

Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
	(₹ in crore)				
Components of Inflexible Expenditure					
Statutory devolution to local bodies	489	450	450	354	408
Contribution to Reserve Funds	2,538	2,445	2,888	3,391	3,422
Recoupment of Contingency Fund	0	0	12	0	180
Transfer of cess to reserve fund/other body	1,477	708	32	47	137
Total	**4,504**	**3,603**	**3,382**	**3,792**	**4,147**
As a *percentage* of Revenue Receipts (RR)					
Committed Expenditure					
Salaries & Wages	28.46	33.98	38.18	33.33	30.84
Expenditure on Pensions	11.00	12.22	14.42	14.97	12.59
Interest Payments	19.81	22.16	22.76	20.59	20.46
Total	**59.27**	**68.36**	**75.36**	**68.89**	**63.89**
Inflexible Expenditure	3.09	2.52	2.28	2.13	2.12
As a *percentage* of Revenue Expenditure (RE)					
Salaries & Wages	26.57	29.87	31.85	28.26	27.06
Expenditure on Pensions	10.27	10.74	12.02	12.69	11.05
Interest Payments	18.49	19.48	18.99	17.45	17.96
Total	**55.33**	**60.09**	**62.86**	**58.40**	**56.07**
Inflexible Expenditure	2.88	2.22	1.90	1.80	1.86
Non-committed Revenue Expenditure (NCRE) (₹ in crore)	69,859	64,878	66,085	87,432	97,891
NCRE *w.r.t.* RE (in *per cent*)	44.67	39.91	37.14	41.60	43.93
NCRE *w.r.t.* TE (in *per cent*)	38.61	36.08	34.20	38.22	39.89
Subsidies (₹ in crore)	13,403	9,709	12,377	16,660	17,087
Subsidies as *percentage* of NCRE	**19.19**	**14.97**	**18.73**	**19.06**	**17.46**

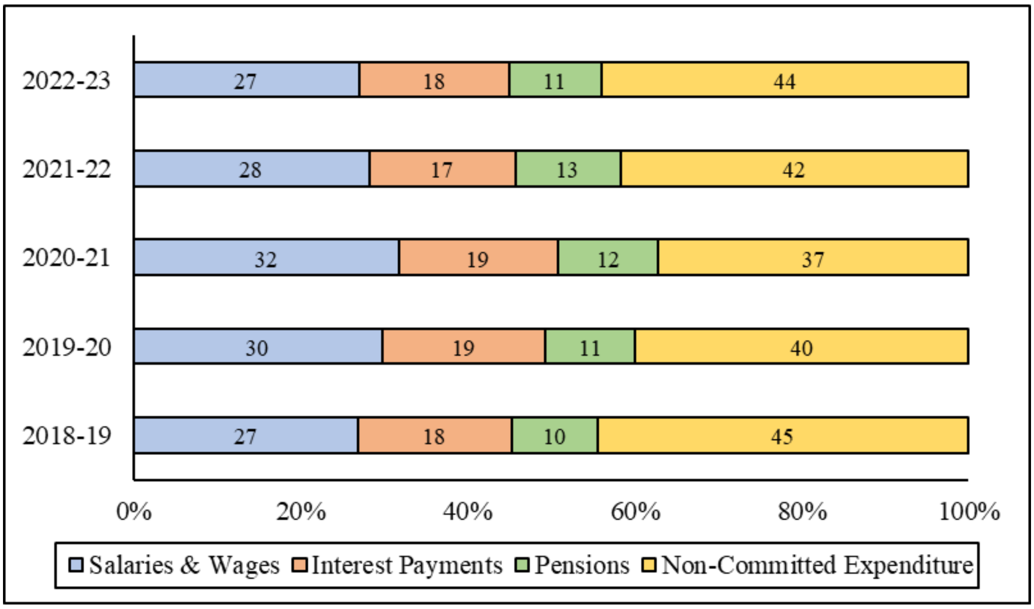
Source: Finance Accounts

As can be seen from **Table 2.18** above, committed expenditure constituted 55 to 63 *per cent* of the Revenue Expenditure during 2018-23, while it accounted for over 59 to 75 *per cent* of the Revenue Receipts of the State during the same period. Though the share of expenditure, available for utilisation out of the Revenue Expenditure, after meeting the committed expenditure, progressed to 44 *per cent* in the current year, from 37 *per cent* in 2020-21, it remained almost constant over the last two years. In the Committed Expenditure during 2018-23, the share of Salaries and Wages constituted 48 to 51 *per cent*, while the share of expenditure on Pension and Interest payments was 18 to 22 *per cent* and 30 to 33 *per cent*, respectively.

Inflexible expenditure, as a percentage of Revenue Receipts, decreased to 2.12 *per cent* during 2022-23 from 3.09 *per cent* during 2018-19. Decline in the share of transfer of cess to reserve funds, was the major reason.

Non-committed revenue expenditure (NCRE), in the current year, witnessed an increase of 11.96 *per cent* over 2021-22, due to expenditure on subsidies (₹ 17,087 crore) and state sponsored schemes like *Kanyashree* (₹ 1,567 crore), *Lakshmir Bhandar* (₹ 11,980 crore) and *Swasthya Sathi* (₹ 2,500 crore).

Chart 2.12: Share of Committed Expenditure in Revenue Expenditure



Source: Finance Accounts

Salaries and Wages

The share of salaries in Revenue Expenditure varied between 27 and 32 *per cent* during 2018-23. Of the total salaries, Grants-in-Aid salaries hovered between 56-57 *per cent*. During the year 2022-23, the share of salaries in RE decreased by one *per cent* to 27 *per cent*. The increase during the year 2022-23 was ₹ 927 crore (1.56 *per cent*) compared to an increase of 2,719 crore (4.80 *per cent*) during 2021-22. Revision of pay with effect from 1 January 2020, pursuant to the West Bengal Services (Revision of Pay and Allowance) Rules[27], 2019, contributed to the significant increase in salary expenditure during 2020-21. Expenditure on Salary grew at a CAGR of 9.77 *per cent*, during the period 2018-23.

Interest Payments

Expenditure on Interest Payments (₹ 40,018 crore) grew by ₹ 3,346 crore (9.12 *per cent*) from the previous year (₹ 36,672 crore) due to increase in interest payment on Market loans by 10.58 *per cent* (₹ 2,881 crore). Interest Payments grew at a CAGR of 8.47 *per cent* during the period 2018-23. Buoyancy of Interest Payments *vis-a-vis* Revenue Receipts in the current year compared

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

with 2018-19 remained at 1.13, implying that the increase in Interest Payments is much higher than the growth of Revenue Receipts. Interest payments during 2022-23 constituted interest on: (i) internal debt (₹ 35,354 crore; 88.35 *per cent*), (ii) other obligations (₹ 2,084 crore; 5.21 *per cent*), (iii) small savings, provident fund *etc.,*(₹ 1,724 crore; 4.30 *per cent*), (iv) Loans and Advances from the Central Government (₹ 374 crore; 0.93 *per cent*), (v) external debt (₹ 311 crore; 0.78 *per cent*) and (vi) Reserve Funds (₹ 169 crore; 0.42 *per cent*).

The interest on internal debt increased by seven *per cent* to ₹ 35,354 crore in 2022-23 from ₹ 33,042 crore in 2021-22, on account of increase in payment of interest on market loans by ₹ 2,881 crore (10.58 *per cent*). The interest on Loans and Advances from Central Government decreased by ₹ 42 crore from ₹ 416 crore in 2021-22 to ₹ 374 crore in 2022-23, mainly on account of decrease in interest of Loans for State Plan scheme (17 *per cent*).

The West Bengal Non-Government Educational Institutions and Local Authorities (Control of Provident Fund of Employees) Act, 1983 and the Rules made thereunder, provide for accounting of the Provident Fund of the Staff of Non-Government Educational Institutions and Local Authorities, under Interest-bearing Deposits (Major Head-8336) of the Public Account of the Government of West Bengal. Government is liable to provide interest on this Provident Fund at the same rate at which a State Government Employee subscribing to the West Bengal Services Provident Fund is entitled on the balance of his provident fund account. However, the interest expenditure on such Provident Funds is budgeted by the Finance Department, without actual calculation of interest payable/paid on the closing balances of the individual Provident Fund accounts.

Besides this, GoWB paid interest of ₹ 4 crore for making repayment of Cash Credit Loans (CCLs) (availed through off budget route), taken during 2009-11 for funding the 'Potato Procurement 2010' scheme. The interest outgo on CCLs was booked in the Accounts as grants-in-aid, instead of interest payment. As such, the actual interest payment of ₹ 40,018 crore was understated by ₹ 4 crore, with consequent overstatement of grants-in-aid. This ratio of interest payments to revenue receipts, would, therefore, be 20.47 *per cent,* instead of 20.46 *per cent.*

Pensions

Expenditure on Pensions, in Revenue Expenditure, varied between 10 and 13 *per cent*, during 2018-23. Pension payments grew at a CAGR of 11.27 *per cent* during this period. During 2022-23, the expenditure on Pensions decreased by 7.69 *per cent* (₹ 2,052 crore) over 2021-22.

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 2022-23, the State Government transferred ₹ 13.08 crore in the Public Account (including Government's contribution of ₹ 7.65 crore) of which

₹ 12.96 crore was further transferred to NSDL (National Securities Depositories Limited)/Trustee Bank[28].

2.8.3 Subsidies

Expenditure on subsidies, for the period from 2018-19 to 2022-23, is shown in **Table 2.19**.

Table 2.19: Expenditure on subsidies during 2018-23

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Subsidies (₹ in crore)	13,403	9,709	12,377	16,660	17,087
Subsidies for Food & Supplies Department (₹ in crore)	10,584	6,794	9,149	12,757	13,201
Subsidies as a percentage of Revenue Receipts	9.18	6.79	8.34	9.35	8.74
Subsidies as a percentage of Revenue Expenditure	8.57	5.97	6.96	7.93	7.67
Subsidies as a percentage of Total Expenditure	7.41	5.40	6.41	7.28	6.96
Subsidies as a percentage to Revenue Deficit	128.89	49.38	41.92	52.06	62.60
Subsidies for Food & Supplies Department as percentage to total Subsidy	78.97	69.98	73.92	76.57	77.26

Source: Finance Accounts

Details of payments of subsidy are shown in **Appendix-II** of the Finance Accounts. As can be seen from **Table 2.19** above, there was a sharp downward trend of subsidies in 2019-20 from the level of 2018-19. However, there was a sharp increase in subsidies by ₹ 4,283 crore (34.60 *per cent*) in 2021-22, followed by an increase of ₹ 427 crore (2.56 *per cent*) during 2022-23. This was mainly due to enhanced supply of subsidised rice valuing ₹ 12,796 crore, to APL/BPL families in the TPDS[29], from ₹ 12,314 crore in 2021-22.

It was noticed that, over the last several years, significant portion of subsidies were spent to provide either subsidized electricity to consumers or subsidy to State Transport Undertakings. During 2022-23, the outflows of subsidy, in the Power and Transport sectors, were ₹ 1,610 crore and ₹ 946 crore, respectively.

Misclassification of expenditure of 'Subsidy' as 'Grants-in-Aid'

In the following two schemes (**Table 2.20**), GoWB budgeted ₹ 226.50 crore under the detailed head of account '31-Grants-in-Aid', though the expenditure was in the nature of 'Subsidies'.

[28] An intermediary, which provides day to day banking of the funds and banking facilities in accordance with the provisions of the guidelines and directions issued by Pension Fund Regulatory and Development Authority (PFRDA)

[29] Targeted Public Distribution System

Table 2.20: Details of expenditure in the nature of subsidies during 2022-23

Sl. No.	Salient features of the scheme	Name of executing department	Expenditure incurred (₹ in crore)
1.	**MAA scheme:** For providing quality cooked meals to the poor and needy citizens of the State, GoWB launched this scheme in February 2021. Under this scheme, cooked meals are served by Urban Local Bodies with the contribution ₹ 5 by the beneficiary and subsidy of ₹ 10 by the State Government. For this purpose, ₹ 90 crore was provided in the budget.	Urban Development and Municipal Affairs	39.78
2.	**West Bengal Incentive Scheme:** In connection with disbursement of incentive/subsidy for encouraging the setting up of new enterprises and expansion of existing enterprises, ₹ 136.50 crore was provided in the budget.	Micro and Small Scale Enterprises and Textiles	33.83
Total			**73.61**

Source: Appropriation Accounts

Thus, subsidies shown in the accounts remained understated by ₹ 74 crore, with consequent overstatement of Grants-in-Aid.

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

The quantum of assistance, provided by way of grants to local bodies and other institutions during 2018-23, is presented in **Table 2.21**.

Table 2.21: Financial Assistance to Local Bodies and other Institutions

(₹ in crore)

Financial Assistance to Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
(A) Local Bodies					
Municipal Corporations and Municipalities	4,787	4,529	5,166	5,965	8,022
Panchayati Raj Institutions	11,678	13,466	11,285	11,494	12,897
Total (A)	**16,465**	**17,995**	**16,451**	**17,459**	**20,919**
(B) Other Institutions					
Educational Institutions (Universities)	1,345	7,507	8,447	7,419	10,436
Development Authorities	295	0	0	0	0
Other Autonomous Bodies	1,403	0	0	0	0
Co-operative Institutions	214	249	147	176	367
Public Sector Undertakings (PSUs)	1,117	298	179	181	499
Non-Government Organisations (NGOs)	19,461	23,244	27,048	28,408	28,796
Others[30]	17,289	12,329	10,859	26,323	35,064
Total (B)	**41,124**	**43,627**	**46,680**	**62,507**	**75,162**
Total (A+B)	**57,589**	**61,622**	**63,131**	**79,966**	**96,081**

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

Financial Assistance to Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
GIA for creation of Capital assets (C)	**10,014**	**8,249**	**10,450**	**10,371**	**5,229**
GIA given in kind (D)	**0**	**0**	**0**	**0**	**195**
Total (A+B+C+D)	**67,803**	**69,871**	**73,581**	**90,037**	**1,01,505**
Assistance as percentage of Revenue Expenditure	43	43	41	43	46
GIA on Salary	23,574	27,815	32,592	33,978	34,214
GIA for non-salary	34,215	33,807	30,539	45,688	61,867

Source: Finance Accounts

Financial assistance of ₹ 1,01,505 crore was provided by the State Government to local bodies and other institutions by way of grants[31] in 2022-23 which comprises 41.36 *per cent* of the total expenditure of the State. Out of the total assistance, salary expenditure constituted 33.71 *per cent,* followed by expenditure on non-salary, capital assets and grants-in kind at 60.95, 5.15 and 0.19 *per cent,* respectively. The quantum of assistance grew at a CAGR of 10.61 *per cent,* between 2018-19 and 2022-23, whereas, in the same period, RE grew at a CAGR of 9.26 *per cent.* Assistance in the current year, with respect to 2021-22, also grew at a rate of 12.74 *per cent,* compared to the growth of the RR (9.76 *per cent*) and RE (6.03 *per cent*). These trends indicate increased dependency on transfers to local bodies and other institutions from the State finances.

Out of the total devolution of ₹ 20,919 crore to local bodies during 2022-23, salary expenditure constituted ₹ 2,691 crore[32] (12.86 *per cent*). Besides this, grants-in-kind, amounting to ₹ 195 crore, received from GoI for cost adjustment of vaccine supplies, were also accounted for in the accounts of the State Government.

To implement the 'Potato Procurement 2010' scheme, GoWB, during 2009-11, raised CCL, through Government controlled Public Sector Enterprises, via the off-budget route. During 2022-23, Government had borne its commitments on account of principal (₹ 12 crore) and interest (₹ 4 crore) from its budget by way of grants (₹ 16 crore). Thus, the total assistance of ₹ 1,01,505 crore, shown in the accounts, was overstated by ₹ 16 crore, with an understatement of principal repayment of debt (₹ 29,768 crore) and interest payments (₹ 40,018 crore) by ₹ 12 crore and ₹ 4 crore, respectively.

As can be seen from **Table 2.21**, 12.92 and 15.74 *per cent* of the RE, during 2022-23, was incurred on NGOs and Others, respectively, who are not accountable to the Government and do not come under the ambit of Audit.

The Public Sector Undertakings, Autonomous Bodies and Authorities had arrear of accounts as of March 2023, as discussed in **Paras 4.12** and **5.12**. Release of financial assistance, without insisting on rendering timely accounts,

[31] Includes grants given for creation of capital assets and grants given in kind.
[32] ₹ 1,243 crore for PRIs and ₹ 1,448 crore for ULBs

is detrimental to public accountability and indicates poor financial management.

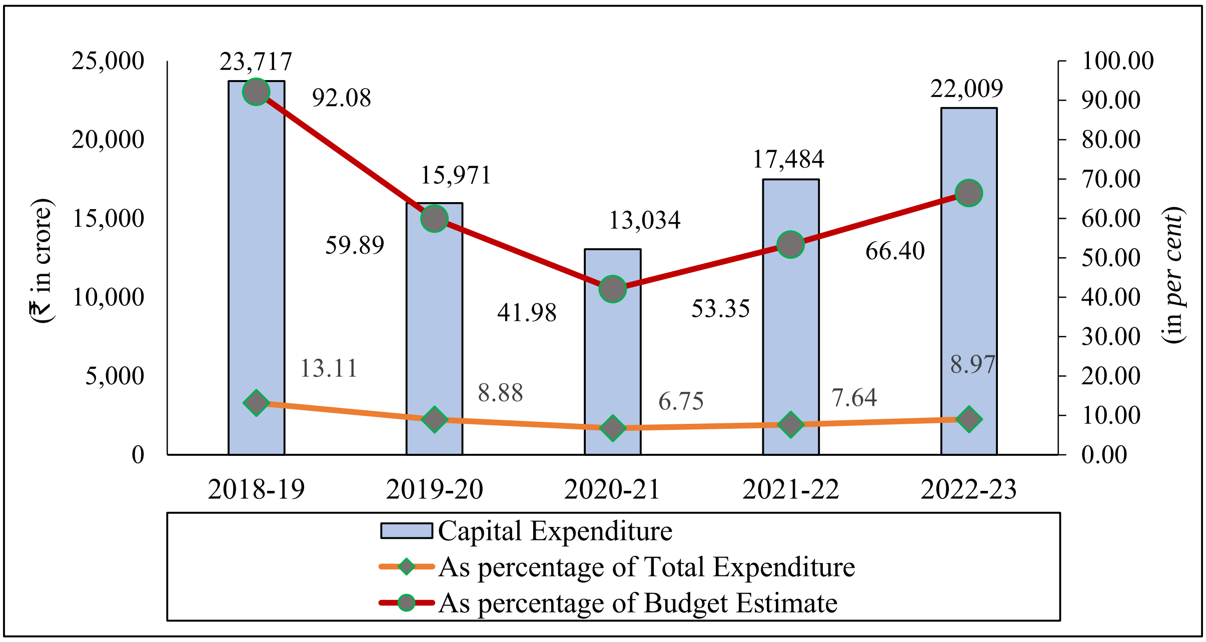
2.8.5 Transfer of State scheme funds to Bank Accounts

The Government transferred ₹ 23,982 crore as expenditure under different heads for the 11 State sponsored schemes (***Appendix 2.3***). As funds were drawn from the Treasury and transferred into the bank accounts of the concerned Department/PSUs for further disbursement to the payees/beneficiaries, hence, required audit checks as regards to these payments could not be carried out.

2.9 Capital Expenditure

Capital Expenditure (CE) involves expenditure towards the creation of assets such as roads, bridges, irrigation canals and other infrastructure works. Such expenditure enhances the State's productive capacity, and results in a higher rate of economic growth. The CE of the State and its contribution to Total Expenditure for 2018-23, is shown in **Chart 2.13**.

Chart 2.13: Capital expenditure in the State



Source: Finance Accounts

Note: Revenue Expenditure (RE) of ₹ 3,232 crore in 2022-23 was incorrectly booked as Capital Expenditure (CE). Actual CE during 2022-23 would be ₹18,777 crore instead of ₹22,009 crore. Hence, during 2022-23, CE as a percentage of TE would be 7.65 per cent instead of 8.97 per cent.

Chart 2.13 shows that, in the current year, capital expenditure, as a percentage of total expenditure, increased by 1.33 *per cent* over 2021-22, though the quantum of expenditure increased by ₹ 4,525 crore (25.88 *per cent*). The lower increase of 1.33 *per cent* is attributable to the increase in revenue expenditure of ₹ 12,680 crore, relative to the increase in total expenditure by ₹ 16,668 crore.

In the current year, the actual CE was lesser than the CE, estimated in the budget by 33.60 *per cent* (₹ 11,135 crore). CEs are generally funded from the state's revenue balance and from non-debt capital receipts. As the state is running predominantly in revenue deficit and had negligible capital receipts, hence, funding of CEs are dependent on borrowings.

GoI, under the 'Scheme for Special Assistance to States for Capital Expenditure' has been providing 50-year interest free loans to the State since 2020-21. The intent of these loans was to enhance the State's capital investment. Upto 2022-23, loans amounting to ₹ 5,219 crore[33] had been provided to the State. However, even after accounting for these loans, the State's CE, with respect to GSDP (1.42 *per cent*) during 2022-23, remained below the GS's average (2.13 *per cent*).

The booking of Capital Expenditure (₹ 22,009 crore) has also to be viewed in the light of the fact that ₹ 3,231.57 crore was incorrectly booked under capital section, instead of the revenue section (**Table 1.8** and **Para 3.3.2**). Out of ₹ 3,231.57 crore, expenditure of ₹ 2,280.65 crore, in the nature of Grants-in-Aid, was misclassified as Capital Expenditure (CE) (**Para 2.9.2**).

2.9.1 Major changes in Capital Expenditure

Major changes in CE, during 2022-23, *vis-à-vis* 2021-22, are shown in **Table 2.22**.

Table 2.22: Capital Expenditure during 2022-23 compared to 2021-22

Major Heads of Accounts	2021-22	2022-23	Increase (+)/Decrease (-)
	(₹ in crore)		
4217-Capital Outlay on Urban Development	1,957	4,025	2,068
4210-Capital Outlay on Medical and Public Health	1,091	2,186	1,095
4859-Capital Outlay on Telecommunication and Electronic Industries	1	670	669
5054-Capital Outlay on Roads and Bridges	4,079	4,525	446
4215-Capital Outlay on Water Supply and Sanitation	3,643	2,399	(-)1,244

Source: Finance Accounts

Note: During 2022-23, Revenue Expenditure of ₹ 2,306 crore was incorrectly booked under '4217' as Capital Expenditure. Thus, increase in expenditure of ₹ 2,068 crore would be reversed to decrease in expenditure of ₹ 238 crore.

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

- CE for the scheme 'AMRUT[34]' increased to ₹ 2,281 crore, an increase of 358 *per cent* from ₹ 498 crore;
- Expenditure on 'Establishment of new Medical Colleges attached with District/Referral Hospitals' increased to ₹ 887 crore, an increase of 180.70 *per cent* from ₹ 316 crore;

[33] ₹ 630 crore for the FY 2020-21; ₹ 933 crore for 2021-22 and ₹ 3,656 crore for 2022-23
[34] Atal Mission for Rejuvenation and Urban Transformation

- Expenditure on 'Development and upgradation of Infrastructure' relating to Information Technology increased to ₹ 670 crore from the 'Nil' expenditure in the PY;
- Roads and Bridges led by CE for 'Road Works', witnessed a significant outlay of ₹ 2,948 crore during 2021-22. In the current year, CE on 'Special Infrastructure Projects under Road Works' increased to ₹ 1,248 crore from the level of ₹ 652 crore during 2021-22 which led to consistent increase in CE under Roads and Bridges.
- CE for the scheme 'Piped water supply for Rural areas' decreased to ₹ 1,140 crore, a reduction of 44.09 per cent from ₹ 2,039 crore;

2.9.2 Misclassification of Grants-in-aid as Capital Expenditure

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

The Centrally Sponsored Scheme AMRUT was introduced (June 2015) by GoI, with the aim of improving basic infrastructure, by developing sewerage connections, greenery and reduction of pollution. As per para 7.6 of the AMRUT guidelines, funds were to be provided to ULBs through the States. Accordingly, these grants are in the nature of pass-through grants and are to be booked as revenue expenditure in the books of the State Government.

During 2022-23, GoWB booked ₹ 2,280.65 crore in AMRUT, which included the Central share of ₹ 930.25 crore and State share of ₹ 1,350.40 crore. Audit noticed that the sanctioned amount had been released to SUDA[35] for subsequent transfer of funds to ULBs for implementation of projects. As the funds are meant for creation of assets by the ULBs, the expenditure was to be booked as revenue expenditure. However, departing from the provision contained in IGAS-2, the funds were budgeted[36] and booked as capital expenditure. Consequently, capital expenditure was overstated by ₹ 2,280.65 crore, with corresponding understatement of revenue expenditure and revenue deficit.

The practice of booking of Grants-in-aid as Capital Expenditure, instead of as revenue expenditure in contravention of IGAS-2, was continued, despite being pointed out in the 'State Finances Audit Reports' for the years 2016-17, 2017-18, 2019-20, 2020-21 and 2021-22.

2.9.3 Quality of Capital Expenditure

Return on investment in share capital invested in the PSUs and history of repayment of loans given to various bodies are important determinants of quality of capital expenditure (CE).

[35] State Urban Development Agency

[36] Being Central share of ₹ 514 crore and State share of ₹ 157.50 crore

(i) Quality of investments and loans in the companies, corporations and other bodies

As of 31 March 2023, the State Government's investment stood at ₹ 19,832 crore mainly on Government Companies (₹ 16,980 crore; 85.62 *per* cent), Statutory Corporations (₹ 902 crore; 4.55 *per cent*) and Co-operatives (₹ 759 crore; 3.83 *per cent*). During 2022-23, the total investment made by the Government was ₹ 1,127 crore with the major investments being in WBSEDCL[37] (₹ 670 crore), WBPDCL[38] (₹ 103 crore), WBHDCL[39] (₹ 79 crore) and WBSIDCL[40] (₹ 45 crore). The position of return on investments[41] during 2018-23 is given in **Table 2.23**.

Table 2.23: Return on Investment

Sl. No.	Investment/return/cost of borrowings	2018-19	2019-20	2020-21	2021-22	2022-23
1	Investment at the end of the year (₹ in crore)	17,427	18,154	18,288	18,705	19,832
2	Average Investment*	16,656	17,791	18,221	18,497	19,269
3	Return (₹ in crore)	47	82	2	158	165
4	Return (*per cent*) [(3)/(2)*100]	0.28	0.46	0.01	0.85	0.86
5	Interest Payment on Government Borrowings	28,911	31,668	33,782	36,672	40,018
6	Outstanding Liabilities	3,93,300	4,33,475	4,86,430	5,36,478	5,85,169
7	Average Outstanding Liabilities*	3,77,131	4,13,388	4,59,953	5,11,454	5,60,824
8	Average rate of interest on Government Borrowings (per cent) [(5)/(7)*100]	7.67	7.66	7.34	7.17	7.14
9	Difference between interest rate and return (per cent) [8-4]	7.38	7.20	7.33	6.32	6.28
10	Difference between interest on Government borrowings and return on investment [5-3]	28,864	31,586	33,780	36,514	39,853

Source: Finance Accounts
**Calculated as average of closing balances of previous year and current year*

The State Government earned a meagre return of ₹ 165.02 crore in 2022-23 on its investment of ₹ 19,832 crore in various Corporations/Companies/Co-operatives. Dividends were received only from State Government PSUs (₹ 164.68 crore) and Co-operative Banks & Societies (₹ 0.34 crore). The return on investment was negligible at 0.86 *per cent* during 2022-23, far lower than the average rate of interest (7.14 *per cent*) paid by the Government on its borrowings.

[37] West Bengal State Electricity Distribution Company Limited
[38] West Bengal Power Development Corporation Limited
[39] West Bengal Highway Development Corporation Limited
[40] West Bengal Small Industries Development Corporation Limited
[41] In Statutory Corporations, Government Companies, Co-operative Societies and Banks

(ii) Loans and Advances by State Government

In addition to investments in co-operative societies, corporations and companies, Government also provided loans to many of these institutions/organisations. Besides this, Government provided advances to Government servants for the purpose of House Building, Marriage, Illness and for the purchase of Motor Conveyances and Computer. **Table 2.24** presents the outstanding loans and advances, as on 31 March 2023, along with interest receipts, during the five-year period from 2018-19 to 2022-23.

Table 2.24: Quantum of loans disbursed and recovered during the last five years

Quantum of loans disbursed and recovered	2018-19	2019-20	2020-21	2021-22	2022-23
	(₹ in crore)				
Opening Balance of loans outstanding	12,718	12,779	13,979	16,106	17,150
Amount advanced during the year	865	1,267	2,277	1,102	565
Amount recovered during the year	804	67	150	58	82
Closing Balance of the loans outstanding	12,779	13,979	16,106	17,150	17,633
Net addition	61	1,200	2,127	1,044	483
Interest received	548	122	118	97	49

Source: Finance Accounts

- Out of the total loans and advances during 2022-23 (₹ 565 crore), Social Services accounted for ₹ 302 crore (53.45 *per cent)*, Economic Services for ₹ 261 crore (46.19 *per cent*) and the remaining ₹ 1 crore to Government Servants. Within the Social Services, KMC[42] received major share of ₹ 286 crore for the implementation of KEIIP[43] project and in Economic Services it was for Government Companies (₹ 189 crore) and Statutory Corporations (₹ 69 crore).
- Government was providing loans to Government Companies/Statutory Corporations and Autonomous Bodies, whose annual accounts were in arrears (**Para 4.12**).
- Against the estimation of ₹ 185 crore, actual recovery was only ₹ 82 crore (44.32 *per cent*). Interest received on loans decreased from ₹ 548 crore in 2018-19 to ₹ 49 crore in 2022-23 despite increase in outstanding loans from ₹ 12,779 crore to ₹ 17,633 crore in the aforesaid period.
- The interest in arrears, as at the end of March 2022, in respect of loans maintained by AG(A&E), was ₹ 9,724 crore. During 2022-23, the interest received was ₹ 49 crore, which works out to 0.50 *per cent* of the interest due of the loans maintained by AG(A&E).
- In respect of loan accounts maintained by AG(A&E), recovery of Loans and Advances, aggregating ₹ 17,669 crore (Principal: ₹ 7,648 crore and Interest: ₹ 10,021 crore), was overdue, as on 31 March 2023.
- WBPDCL stated that cash crunch and non-receipt of dues from

[42] Kolkata Municipal Corporation
[43] Kolkata Environmental Improvement Investment Program

WBSEDCL owing to MFCA[44] (₹ 2,936 crore as on 31 July 2023) and LPSC[45] (₹ 1,432 crore as on 31 March 2023) were the reasons behind withholding the repayment.

- The principal and interest payment in arrears, in respect of loans maintained by State Government, were not available.
- Indian Government Accounting Standards (IGAS-3) require disclosure of loans that were sanctioned without specific terms and conditions governing such loans. Out of 167 loans valued at ₹ 563 crore, sanctioned by the State Government during 2022-23, 16 loans, valued at ₹ 287 crore (50.98 *per cent*), were sanctioned without specifying any terms and conditions, like schedule of repayment, rate of interest, number of instalments, etc. Such non-issuance of terms and conditions were also noticed against 97 and 84 loans, out of 186 and 185 loans, sanctioned during 2020-21 and 2021-22, respectively.

The meagre recovery of loans, as well as sanction of loans without specifying terms and conditions, was being pointed out in the State Finances Audit Report since 2008-09.

Such significant arrears of principal and interest against disbursed loans and advances require formulation of a specific policy for addressing this issue. Moreover, Government kept releasing funds to many PSUs, without taking into account the meagre recovery and, on many occasions, even ignoring non-submission of accounts. This dilutes the accountability mechanism in the utilisation of these loans by these PSUs.

(iii) Capital Expenditure from Public Account

The 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 local bodies/government agencies, for the specified purposes. The Entry Tax, collected in the State, are initially credited in the WBCETF. The balances in the WBCETF are deducted when the expenditure is incurred under various heads of the Consolidated Fund.

The WBCETF, operated under the Public Works Department (PWD), had a negative balance of ₹ 378.04 crore, at the beginning of the year. During 2022-23, no amount was transferred to WBCETF, from the Capital Outlay Major Head (5054), to set right the negative balance. Instead, ₹ 210.70 crore was disbursed from this fund. Resultantly, the closing balance in WBCETF continued to remain adverse at ₹ 588.74 crore.

Such disbursement from WBCETF and non-contribution to the WBCETF, was indicative of the accounting procedure being defective.

[44] Monthly Fuel Cost Adjustment
[45] Late Payment Surcharge

(iv) Parking of funds for Capital Expenditure in Deposit Accounts

GoI has been providing grants to the GoWB, in regard to the central sector scheme 'Rehabilitation package for the returnees and upgradation of infrastructure of Bangladeshi enclaves and Coochbehar district', since 2015-16.

Scrutiny revealed that, as of August 2023, funds amounting to ₹ 23.32 crore, had remained parked in the Personal Deposit Account (Head of Account '8443-106') of the District Magistrate, Coochbehar. The above fund relates to unspent CE of the above scheme, which was disbursed during 2015-23.

Parking of the funds in the Deposit Account not only overstated the CE, but also affected the quality of expenditure.

(v) Drawal of capital expenditure funds by the Non-Government DDOs

West Bengal Treasury Rule (WBTR) stipulated that, non-government DDOs may draw funds related to grants-in-aid, contribution, etc. from the Treasury.

However, in contravention of these provisions, non-Government DDOs had drawn funds related to capital expenditure of ₹ 4,100 crore[46], from the Treasuries. List of such DDOs, who had drawn funds amounting to ₹ 10 crore and above for the capital expenditure, are shown in ***Appendix 2.4***.

2.10 Expenditure priorities

Enhancing human development levels requires States to step up their expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective average of General States[47] average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better.

The expenditure priorities of the State, in regard to some key areas, is shown in **Table 2.25**.

Table 2.25: Expenditure priority of the State with regard to Health, Education and Capital expenditure

Particulars	TE/GSDP	DE/TE	CE/TE	Education/ TE	Health/TE
	(in *per cent*)				
General States (GS) Average (2017-18)	16.13	67.82	15.56	15.17	5.09
West Bengal	16.46	66.39	12.05	15.06	5.52
General States Average (2022-23)	15.79	67.28	15.22	14.85	5.68
West Bengal	15.78	67.27	9.20	16.77	6.87

Source: Finance Accounts and MoSPI data

Note: TE: Total Expenditure, CE: Capital Expenditure(including loans & advances) and DE: Development Expenditure

[46] Only those cases had been considered where DDOs had drawn ₹ 1 crore and above (other than GIA)

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

Analysis of the expenditure priorities of the State revealed the following:

- TE as a percentage to GSDP, dropped to 15.78, from the level of 16.46 during 2017-18, indicating that the growth of Government expenditure was not commensurate with the growth of GSDP.

- The share of capital expenditure was lower in the State compared to the GS average, affecting physical capital formation, with a cascading impact on economic growth in the long run.

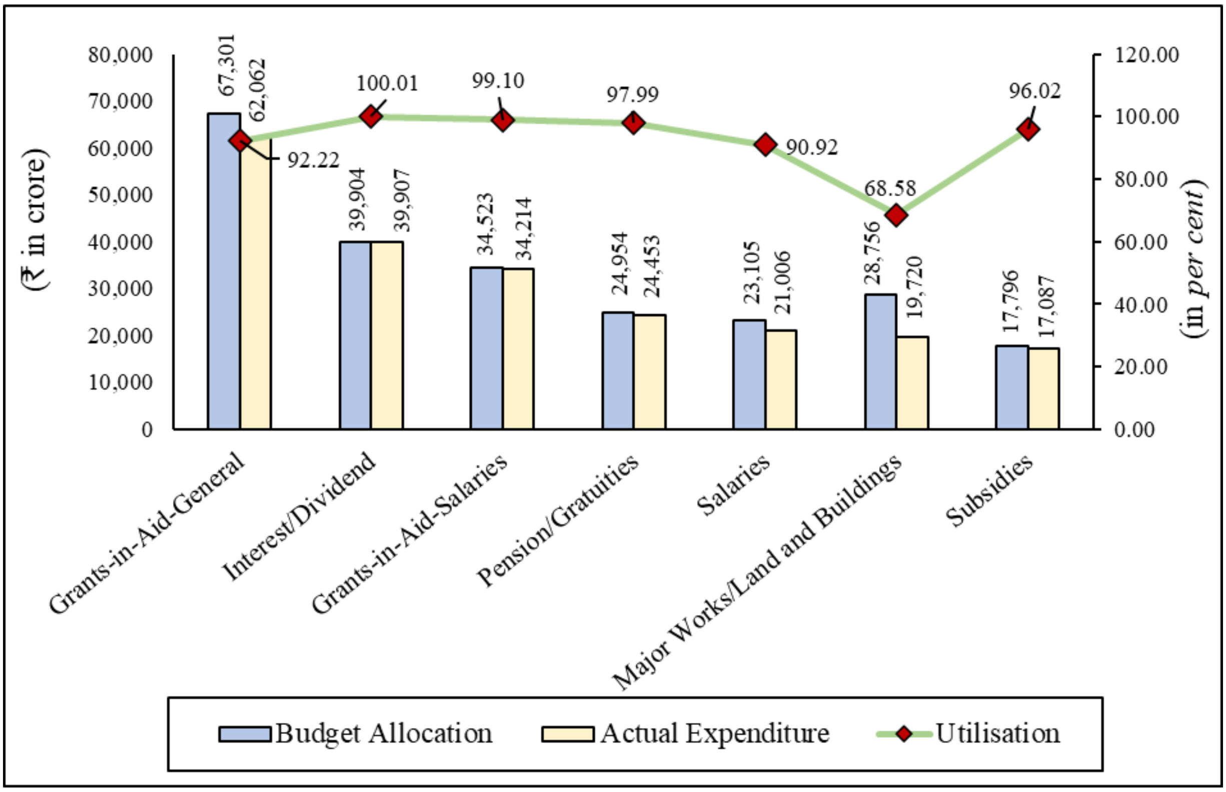
- The DE/TE ratio of the State was almost similar to the GS but shorter than the levels of neighboring states like Bihar (72.74 *per cent*), Jharkhand (71.53 *per cent*) and Odisha (68.74 *per cent*).

- The share of expenditure on Education and Health in the State, as a proportion of the total expenditure, was higher than the corresponding GS average, during 2022-23. As a percentage of the GSDP, the expenditure on health remained at 1.08 *per cent,* which, was lower than Bihar (1.57 *per cent*), Jharkhand (1.34 *per cent*) and Odisha (1.59 *per cent*).

2.10.1 Object head-wise expenditure

The 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) during 2022-23, are given in **Chart 2.14**.

Chart 2.14: Object Head-wise Expenditure *vis-à-vis* budget authorisation during 2022-23



Source: VLC data and Finance Accounts (2022-23)

As can be seen from the above chart, expenditure marginally exceeded the budgetary allocation under the object head 'Interest/Dividend' and in one object head 'Major Works/Lands & Buildings', the utilisation was below 69 *per cent* of the budget. The total expenditure during 2022-23 was ₹ 2,45,413 crore. Out of this, Grants-in-Aid-General, Interest/Dividend and Grants-in-Aid salaries, accounted for 25.29, 16.26 and 13.94 *per cent*, respectively.

2.11 Contingency Fund

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.

During 2022-23, out of the advances of ₹ 66.75 crore, the un-recouped balances stood at ₹ 9.33 crore. Considering the unrecouped balances of ₹ 1.70 crore for the year 2020-21, the aggregate unrecouped balances at the end of 2022-23 stood at ₹ 11.03 crore. Of this balance, Revenue Expenditure constituted ₹ 3.94 crore and Capital Expenditure: ₹ 7.09 crore. As a result, Revenue and Fiscal Deficits remained understated by ₹ 3.94 crore and ₹ 11.03 crore, respectively (**Table 1.8**).

In pursuance of the CF of West Bengal (Amendment) Act, 2022, with effect from 1 April 2022, the corpus of the CF of West Bengal has been raised to ₹ 200 crore, from the earlier corpus of ₹ 20 crore. Therefore, in effect, the balance in the CF, at the end of 2022-23, stood at ₹ 188.97 crore.

2.12 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/trustee for custody of public money, since these transactions are mere pass-through transactions.

2.12.1 Net balances in the Public Account

Net balances in the Public Account, where the Government acts as a banker or trustee, are used by the Government for meeting its expenditure and, thus, become liabilities of the State. The net transactions under the Public Account, covering the period 2018-19 to 2022-23, are indicated in **Table 2.26.**

Table 2.26: Component-wise net balances in Public Account

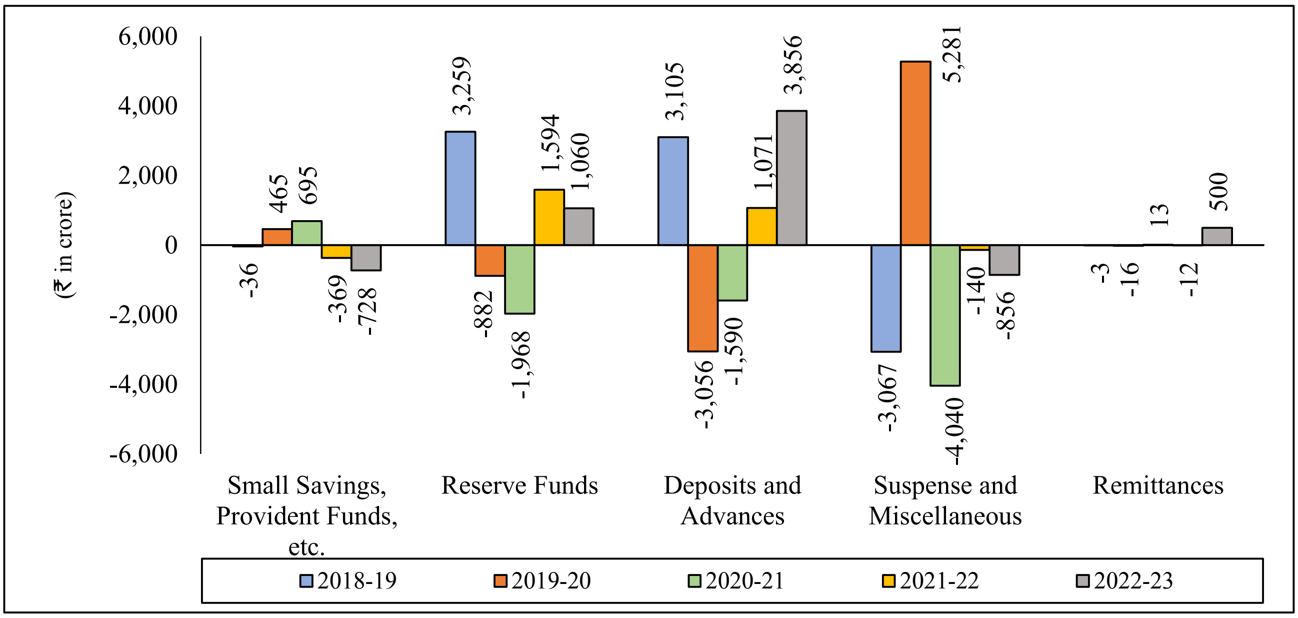
Sector	Sub Sector	2018-19	2019-20	2020-21	2021-22	2022-23
		(₹ in crore)				
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	1,128	1,593	2,288	1,919	1,191
J. Reserve Funds	(a) Reserve Funds bearing Interest	215	887	774	325	1,103
	(b) Reserve Funds not bearing Interest	2,199	645	(-)1,210	833	1,115
K. Deposits and Advances	(a) Deposits bearing Interest	3,373	2,749	3,340	3,276	3,159
	(b) Deposits not bearing Interest	2,339	(-)93	(-)2,274	(-)1,139	2,834
	(c) Advances	0	0	0	0	0
L. Suspense and Miscellaneous	(a) Suspense	139	182	(-)227	(-)52	71
	(b) Other Accounts	(-)1,572	3,666	35	(-)280	(-)687
	(c) Miscellaneous	0	0	0	0	(-)572
M. Remittances	(a) Money Orders, and other Remittances	0	0	0	0	490
	(b) Inter- Governmental Adjustment Account	2	(-)14	(-)1	(-)13	(-)3
Total		**7,823**	**9,615**	**2,725**	**4,869**	**8,701**
Percentage increase over the previous year		71.37	22.91	(-)71.66	78.68	78.70

Source: Finance Accounts

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

The yearly changes in composition of Public Account balances are depicted in **Chart 2.15**.

Chart 2.15: Yearly changes in composition of Public Account balances



Source: Finance Accounts

Net Public Accounts Receipts increased by ₹ 3,832 crore (79 *per cent*) over 2021-22 mainly owing to increase in the net inflow of balances under Deposits not bearing interest (by ₹ 3,973 crore[48]) and Reserve Funds (by ₹ 1,060 crore) partially *offset* by net outflow in the balance on Suspense and Miscellaneous (₹ 856 crore) and Small Savings, Provident Funds, etc. (₹ 728 crore). Net availability of funds in Deposits, Reserve Funds and Remittances had a major share in financing the fiscal deficit. The details of Reserve Funds have been discussed in **Paragraph 2.12.3**, while details of Suspense, Remittances and Deposits & Advances have been discussed in **Chapter IV** of this Report.

2.12.2 Adverse balance in Deposit Accounts

As per WBTR, the balances at the credit shown in the pass book of each local fund account, are to be verified by the Administrator, at the end of the financial year. The balances are to be verified with reference to the Treasury figure and a certificate of balance is to be forwarded to the AG (A&E), West Bengal, through the Treasury, by the 15 May of the next financial year. Audit noticed that balances of ₹ 8,776 crore and ₹ 3,309 crore, under the major heads '8448-deposit of local funds' and '8449-other deposits-00-120-miscellaneous deposits' respectively, had appeared in deposit accounts, without confirmation and reconciliation.

WBTR stipulates that no local body or Administrator of a Local Fund Account shall be allowed to overdraw the balance at his credit in his account, without obtaining prior special permission from the Government. However, it was

[48] Mainly due to increase in the deposits of local funds (by ₹ 2,512 crore)

observed that the above balances also included a negative balance of ₹ 1,244 crore, which indicated overdrawal of funds compared to the deposit balances (***Appendix 2.5***).

2.12.3 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. The contributions are treated as expenditure under the Consolidated Fund. The expenditure relating to the fund is initially accounted for under the Consolidated Fund itself for which the vote of the Legislature is obtained. At the end of the year, at the time of closure of accounts, expenditure relating to the fund is transferred to the Public Account. The funds may further be classified as 'Funds bearing interest' and 'Funds not bearing interest'.

The fund balances lying in Reserve Funds, as on 31 March 2023, are shown in **Table 2.27**.

Table 2.27: Detail of Reserve Funds

Sl. No.	Name of Reserve Fund	Balance as on 31 March 2023 (₹ in crore)
A	**Reserve Funds bearing Interest**	**3,354**
1.	State Disaster Response Fund (SDRF)	2,388
2.	State Disaster Mitigation Fund (SDMF)	660
3.	State Compensatory Afforestation Fund (SCAF)	306
B	**Reserve Funds not bearing Interest**	**13,611**
1.	Sinking Funds	12,139
2.	Roads and Bridges Fund	193
3.	Development and Welfare Funds	174
4.	General and other Reserve Funds	1,105
	Grand Total	**16,965**

Source: Finance Accounts

Against the gross accumulated balance of ₹ 16,965 crore lying in these funds, an amount of ₹ 13,611 crore was under 15 non-interest-bearing Reserve Funds and ₹ 3,354 crore was under three Interest-bearing Reserve Funds. There were no inoperative reserve funds in 2022-23. Out of the total accumulated balance in these funds, ₹ 13,419 crore (79.10 *per cent*) was invested.

An analysis of certain major reserve funds, having a bearing on the liability position of the Government, its funding and expenditure, is given below.

2.12.3.1 Consolidated Sinking Fund

As per the recommendations 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 0.50 *per cent* of the outstanding liabilities[49] at the end of the previous year to the CSF. During 2022-23,

[49] Internal Debt and Public Account

GoWB's contribution was ₹ 1,037.38 crore, of which the Government's contribution to CSF was only ₹ 200 crore and interest earned on the investment from CSF was ₹ 837.38 crore. This, however, fell short of the prescribed contribution of ₹ 2,545.28 crore[50]. As a result, Revenue and Fiscal deficits remained understated by ₹ 1,507.90 crore (**Table 1.8**). The closing balance of ₹ 12,139 crore, at the end of 31 March 2023, in the CSF, was invested.

2.12.3.2 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, contributions are to be transferred to the Public Account, under the Major Head 8121-122-SDRF.

As on 31 March 2023, a balance of ₹ 2,387.59 crore was lying in the fund, of which ₹ 200 crore had remained invested. Contributions to the SDRF were affected through book adjustment, without any actual cash involvement. The residual amount of ₹ 2,187.59 crore remained un-invested. Such non-investment was against the spirit of the SDRF. Moreover, as the transfer of funds was affected through book adjustment, the residual amount of ₹ 2,187.59 crore merely remained as book balance in the Accounts, which was against the principle of cash basis of accounting.

Para 3.1 of the SDRF guidelines provides that the SDRF shall be used for meeting the expenditure for providing relief to the victims of specified natural calamities.

Scrutiny revealed that, during 2018-23, relief material worth ₹ 154 crore, was utilized for distribution of clothing/materials[51] from the MLA quota, on the occasions of *Eid/Durga Puja,* i.e. for purposes other than relief to victims of natural calamities. The involvement for the current year was ₹ 48 crore.

2.12.3.3 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. The State Government had constituted the GRF in January 2015. The closing balance in the fund, as of March 2023, stood at ₹ 857.04 crore. During 2022-23, the State Government contributed ₹ 50 crore against the required contribution of ₹ 84.42 crore[52].

The guidelines of GRF, *inter alia,* stipulated that guarantee commission (GC) collected, was to be transferred to the fund. In the current year, GC of ₹ 9.90 crore, received by the State Government was, however, not transferred to the GRF. Non-transfer of GC led to understatement of the balances in the GRF by ₹ 9.90 crore, during 2022-23.

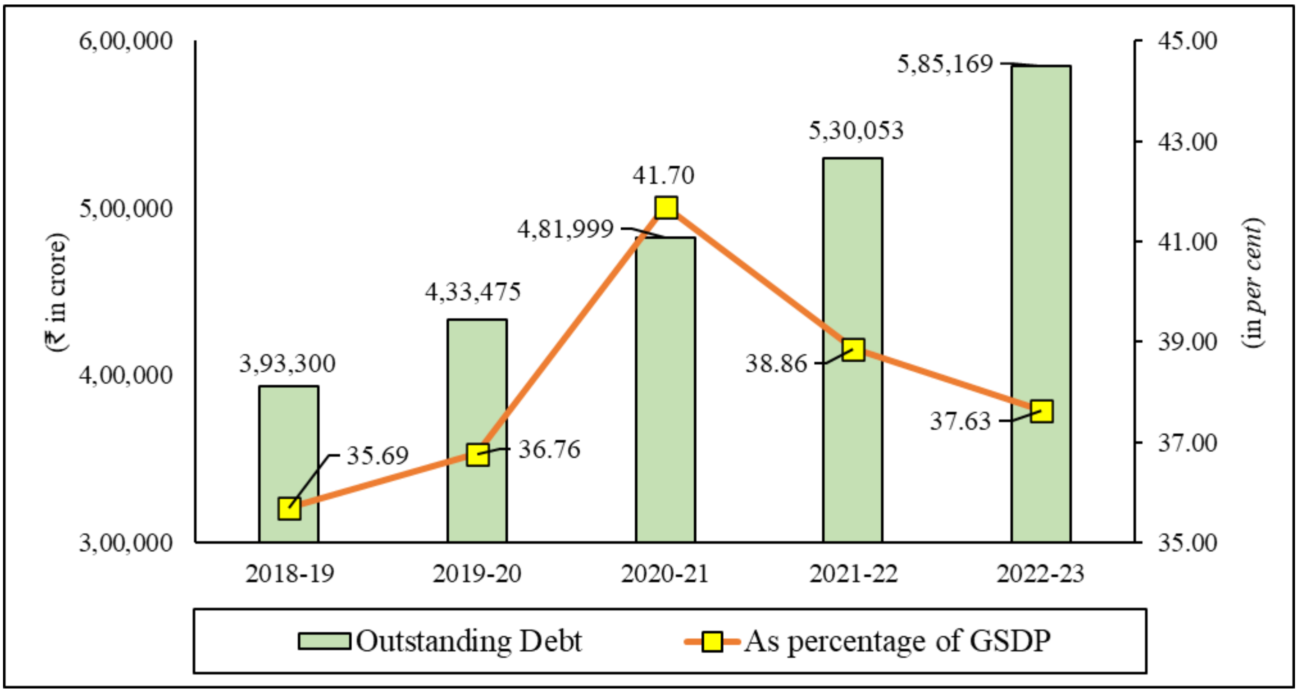
2.13 Debt Management

Debt Management is the process of establishing and executing a strategy for

[50] Based on 0.50 *per cent* of outstanding liabilities of ₹ 5,09,055.45 crore at the end of March 2022
[51] Handloom saree, woollen blanket, children garments, lungi, dhoti, tarpaulins etc.
[52] Based on 0.50 *per cent* of the outstanding guarantees (₹ 16,885 crore) as on 31 March 2022

managing the Government's debt, in order to raise the required amount of funding, achieve its risk and cost objectives and to meet any other sovereign debt management goals that the Government may have set through enactment or any other budget announcements. The total outstanding debt and its percentage to GSDP, during the period 2018-19 to 2022-23, are depicted in **Chart 2.16.**

Chart 2.16: Outstanding Debt and its percentage to GSDP



Source: Finance Accounts

Note: The Debt to GSDP ratios during 2020-21 and 2021-22 were 42.09 and 39.33 per cent respectively. However, the effective debt to GSDP ratios were arrived at after exclusion of GST compensation of ₹ 4,431 crore and ₹ 6,425 crore received during 2020-21 and 2021-22 respectively as back-to-back loan under debt receipts from the outstanding overall debt.

As seen from the **Chart 2.16,** the outstanding debt and its *per cent* to GSDP had been on an increasing trend, from 35.69 *per cent* during 2018-19 to 41.70 *per cent* during 2020-21. Thereafter, it decreased from 38.86 *per cent* during 2021-22, to 37.63 *per cent* during 2022-23. However, during the entire period of five years, it had exceeded the targets[53] prescribed in WBFRBM Act. This was mainly due to increase in the internal debt of the State.

Debt with respect to GSDP of the State (37.63 *per cent*) was higher than the GS's average (26.31 *per cent*).

2.13.1 Debt profile: Components

The total debt of the State Government typically comprises of the internal debt of the State (Market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), Loans and Advances from the GoI and public account liabilities. The component-wise liability trends of the State for the period of

[53] 34.33 *per cent* during 2018-19 and 34.30 *per cent* during 2019-23

five years beginning from 2018-19, are shown in **Table 2.28.**

Table 2.28: Component-wise liability trends

(₹ in crore)

Components of Fiscal Liability	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Total Liabilities*	**3,93,300**	**4,33,475**	**4,86,430**	**5,36,478**	**5,85,169**
(I) Public Debt	**3,40,422**	**3,75,708**	**4,24,247**	**4,70,289**	**5,10,763**
(a) Internal Debt	3,26,064	3,60,464	4,04,017	4,42,866	4,79,797
(b) Loans from GoI	14,358	15,244	20,230	27,423	30,966
(II) Liabilities on Public Account	**52,878**	**57,767**	**62,183**	**66,189**	**74,406**
(a) Small Savings, Provident Funds, etc.	15,637	17,230	19,518	21,436	22,627
(b) Reserve Funds bearing Interest	265	1,151	1,926	2,251	3,154
(c) Reserve Funds not bearing Interest	595	350	637	263	392
(d) Deposits bearing Interest	16,839	19,588	22,928	26,204	29,363
(e) Deposits not bearing Interest	19,542	19,448	17,174	16,035	18,870
Rate of growth of outstanding total liabilities (in *per cent*)	8.96	10.21	12.22	10.29	9.08
Gross State Domestic Product (GSDP)	11,02,054	11,79,097	11,55,821	13,63,926	15,54,992
Liabilities/GSDP (in *per cent*)	35.69	36.76	41.70#	38.86#	37.63
Borrowings and Other Liabilities (as per Statement 6 of Finance Accounts)					
Total Receipts	1,61,383	1,81,007	1,86,034	1,97,690	1,91,796
Total Repayments	1,29,044	1,40,832	1,33,079	1,47,642	1,43,105
Net funds available	32,339	40,175	52,955	50,048	48,691
Repayments/Receipts (in per cent)	79.96	77.80	71.53	74.68	74.61

Source: Finance Accounts

**Outstanding Total Liabilities refer to the cumulative balance of Public Debt and other Liabilities.*

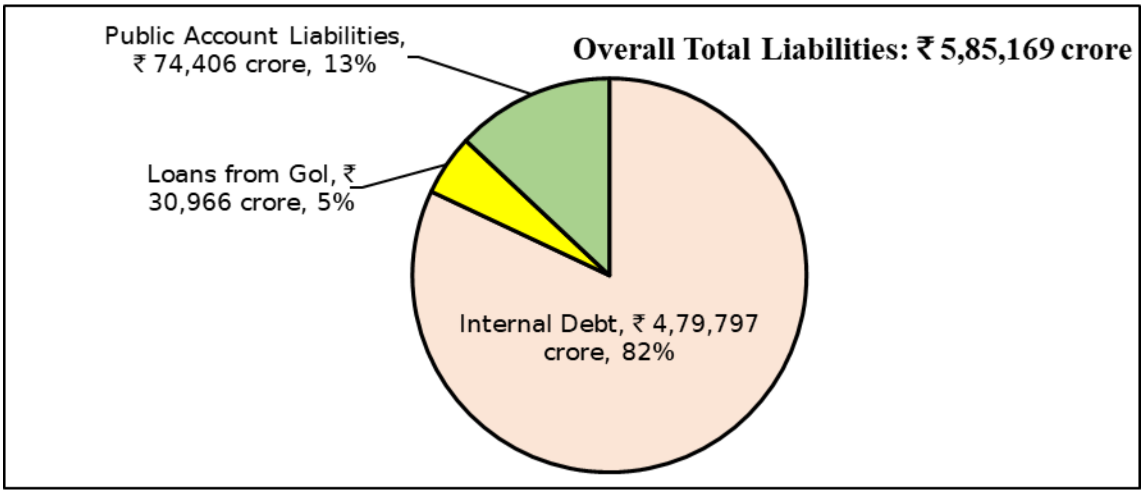
#Liabilities to GSDP ratios during 2020-21 and 2021-22 were 42.09 and 39.33 per cent respectively. However, the effective liabilities to GSDP ratios were arrived at after exclusion of GST compensation of ₹ 4,431 crore and ₹ 6,425 crore received during 2020-21 and 2021-22 respectively as back-to-back loan under total debt receipts from the outstanding total liabilities.

Public Debt increased by ₹ 1,70,341 crore (50.04 *per cent*) during the period 2018-23, wherein Internal Debt increased by ₹ 1,53,733 crore (47.15 *per cent*) and Loans from GoI increased by only ₹ 16,608 crore (115.67 *per cent*). Public Account Liabilities, during the afore mentioned period, increased by ₹ 21,528 crore (40.71 *per cent*).

During the period 2018-23, the borrowed funds were mostly utilized for debt repayment and filling the gap on the Revenue account, which reduced the productivity of the borrowed funds.

The break-up of outstanding total liabilities, at the end of 2022-23, is shown in **Chart 2.17**.

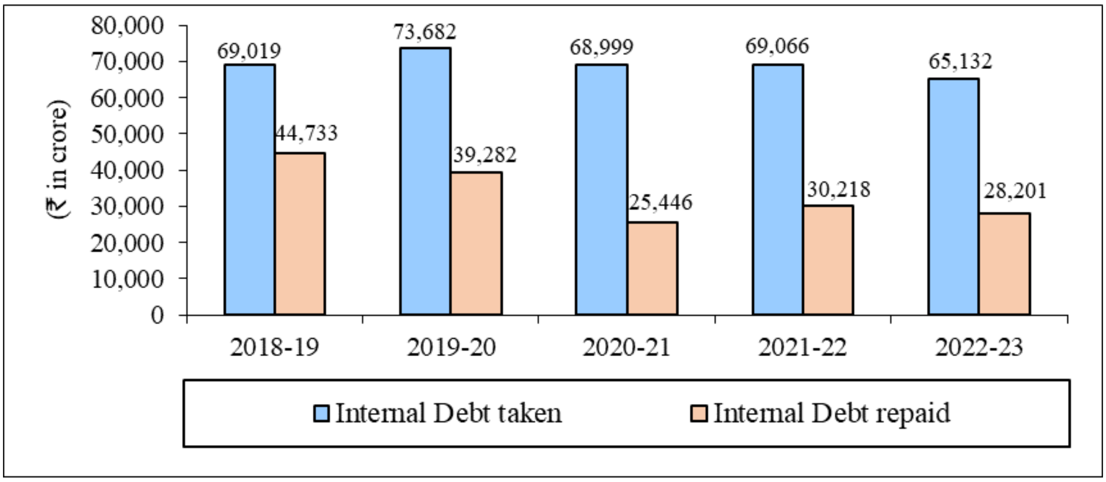
Chart 2.17: Break-up of Outstanding Total Liabilities at the end of 2022-23



Source: Finance Accounts

Chart 2.18 depicts the quantum of internal debt taken *vis-à-vis* the internal debt repaid, during the period of five years, i.e. 2018-23.

Chart 2.18: Internal debt taken *vis-à-vis* repaid



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

Internal debt, which primarily consist of market borrowings, is raised through issue of State Development Loans (SDLs), loans from financial institutions and special securities issued to NSSF. It accounted for 81.99 *per cent* of the total outstanding debt in the current year.

As on 31 March 2023, market borrowings (₹ 4,28,134 crore) formed a major portion (89.23 *per cent*) of the outstanding internal debt (₹ 4,79,797 crore) of the State Government, with interest rates ranging from 6.35 to 14 *per cent.* State Government paid an interest of ₹ 35,354 crore on Internal Debt. **Chart 2.18** shows that the internal debt taken, rose steadily during the period 2018-20 and during 2020-22. During 2022-23, the internal debt repaid decreased by 6.67 *per cent,* whereas the internal debt taken decreased by only 5.69 *per cent,* over 2021-22. This led to increase in the availability of borrowed funds for utilisation out of internal debt, from 56.25 *per cent* in 2021-22, to 56.70 *per cent* in 2022-23. The ratio of 56.70 *per cent* would be changed to 56.68 *per cent* if the principal repayment of ₹ 12 crore by GoWB, against the CCL raised by PSUs through the off-budget route, is factored in. This implied that a large portion of the internal debt taken in the current year has been used to repay the debts taken in earlier years. Higher repayment from internal debt led to contraction of productive expenditure.

2.13.2 Off-budget borrowings

Off-budget borrowing refer 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 grants/appropriations. 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 resources through market borrowings, on behalf of the State Government. However, the State Government has to repay and service the debt from its budget.

Audit noticed that GoWB had repaid off-budget borrowings, amounting ₹ 16 crore, which had been raised during 2009-11, through two State Public Sector Undertakings, by means of Cash Credit Loan (CCL) (**Table 2.29**). Though these entities had borrowed funds for financing various Government schemes, the expenditure on account of such borrowings was not disclosed in the budget or in the Finance Accounts of the State.

Table 2.29: Details of repayment of off-budget borrowing during 2022-23

Sl. No.	Loans raised by	Department involved	Loans raised for	Principal repaid	Interest paid	Total repayment
				(₹ in crore)		
1.	West Bengal State Co-operative Marketing Federation Limited (BENFED)	Agriculture Marketing	Potato Procurement 2010	7.18	2.16	9.34
	West Bengal State Consumers' Co-operative Federation Limited (CONFED)			4.96	1.49	6.45
Total				**12.14**	**3.65**	**15.79**

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

Against the total repayment (₹ 16 crore) of CCL, Principal and Interest of ₹ 12 crore and ₹ 4 crore respectively, were repaid through Grants-in-aid, as mentioned in **Paragraphs 2.8.4** and **2.8.2**. Thus, the repayment of borrowings of the above two entities were direct liabilities of the State Government, despite being raised through the off-budget route.

Further, it was noticed during audit scrutiny that, at the end of 2022-23, repayment of ₹ 20 crore towards principal, was due upto March 2023, from two entities (BENFED: ₹ 12 crore and CONFED: ₹ 8 crore). Thus, the overall outstanding debt (₹ 5,85,169 crore) of the State would increase by ₹ 20 crore to ₹ 5,85,189 crore. Interest estimated at ₹ 4 crore (BENFED: ₹ 2 crore and CONFED: ₹ 2 crore), was also pending from these entities. An exhaustive position of outstanding liabilities could not be arrived at, since the State

Government had not disclosed the off-budget liabilities in its budget documents/annual financial statements. Consequently, the actual impact on the overall outstanding debt and its comparison *vis-à-vis* the GSDP, remained unassessed.

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

2.13.3 Composition of fiscal deficit and its financing pattern

The financing pattern of fiscal deficit has undergone a compositional shift, as reflected in **Table 2.30.** The breakdown of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above the revenue and non-debt receipts.

Table 2.30: Components of fiscal deficit and its financing pattern

(₹ in crore)

	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Composition of Fiscal Deficit		**33,485**	**36,831**	**44,688**	**50,528**	**49,787**
1	Revenue Deficit	10,399	19,661	29,527	32,000	27,295
2	Net Capital Expenditure	23,025	15,971	13,034	17,484	22,009
3	Net Loans and Advances	61	1,199	2,127	1,044	483
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	30,431	40,882	50,180	45,199	42,500
2	Loans from GOI	125	886	4,986	7,193	3,543
3	Special Securities issued to NSSF	(-)6,125	(-)6,340	(-)6,340	(-)6,340	(-)6,340
4	Loans from Financial Institutions	(-)20	(-)143	(-)287	(-)11	772
5	Small Savings, PF, etc.	1,128	1,593	2,288	1,919	1,191
6	Deposits and Advances	5,712	2,656	1,066	2,137	5,993
7	Suspense and Miscellaneous	(-)1,433	3,848	(-)192	(-)332	(-)1,188
8	Remittances	2	(-)14	(-)1	13	487
9	Reserve Fund	2,414	1,532	(-)436	1,158	2,218
10	Contingency Fund	(-)1	(-)11	5	(-)52	228
11	Appropriation to Contingency Fund	0	0	0	0	(-)180
12	**Overall Deficit**	**32,233**	**44,889**	**51,269**	**50,884**	**49,224**
13	Increase (-)/Decrease (+) in cash balance	1,252	(-)8,058	(-)6,581	(-)356	563
14	**Fiscal Deficit (12+13)**	**33,485**	**36,831**	**44,688**	**50,528**	**49,787**

Source: Finance Accounts

Table 2.30 shows that there has been an increasing trend in the Fiscal Deficits since 2018-19. During 2022-23, however, the Fiscal Deficit (FD) decreased over the previous year by ₹ 741 crore (1.47 *per cent*). A high level of FD is good for the economy if the borrowings which financed the FD are used for creation of productive assets like highways, roads & bridges and other infrastructure projects that boost economic growth and result in job creation. However, in 2022-23, the capital expenditure was ₹ 22,009 crore, representing 44.21 *per cent* of the FD. Improvement of this ratio, from 34.60 *per cent* in

2021-22, is indicative of the progression in creation of productive assets from the PY's level, though it remained much lower compared to the ratio of 68.76 *per cent* in 2018-19. Thus, there is a need to augment capital expenditure, in order to accelerate growth and promote equitable growth.

Borrowed funds, used for meeting revenue expenditure, create liability for future years, without creating any assets. It is evident that substantial amount of market borrowings (64.22 *per cent* in 2022-23) continued to be committed to finance the deficit on the Revenue Account, thereby restricting asset creation in the State. Borrowing to meet Revenue Deficit, year after year, would not augur well for the State Finances in the long run, since a substantial portion of the interest payment obligations would have to be met in the ensuing years. Using borrowed funds for meeting current consumption and repayment of interest on outstanding debt, is not sustainable.

The financing pattern of the fiscal deficit, for the year 2022-23, is shown in **Table 2.31**.

Table 2.31: Financing pattern of fiscal deficit during 2022-23

Particulars		Receipts	Disbursements	Net
		(₹ in crore)		
1	Market Borrowings	63,000	20,500	42,500
2	Loans from GOI	5,111	1,568	3,543
3	Special Securities issued to NSSF	0	6,340	(-)6,340
4	Loans from Financial Institutions	2,133	1,361	772
5	Small Savings, PF, etc.	5,204	4,013	1,191
6	Deposits and Advances	1,12,926	1,06,933	5,993
7	Suspense and Miscellaneous	1,72,121	1,73,309	(-)1,188
8	Remittances	(-)118	(-)605	487
9	Reserve Fund	3,422	1,204	2,218
10	Contingency Fund	180	(-)48	228
11	Appropriation to Contingency Fund	0	180	(-)180
12	**Overall Deficit**	**3,63,979**	**3,14,755**	**49,224**
13	Increase (-)/Decrease (+) in cash balance			563*
14	**Fiscal Deficit**			**49,787**

Source: Finance Accounts
**Cash balance as on 01 April 2022 and 31 March 2023 were ₹ 32,602 crore and ₹ 32,039 crore respectively.*

During 2022-23, a major component of borrowings continued to be the Market borrowings. Further, the Fiscal Deficit (₹ 49,787 crore), which comprised of the Revenue Deficit (54.82 *per cent*), Net Capital Expenditure (44.21 *per cent*) and Net Loans and Advances (0.97 *per cent*) in 2022-23, was financed from the net Market borrowings, to the extent of 85.36 *per cent*. Again, 51.79 and 1.14 *per cent* of the net inflow from market borrowings was used to finance net Capital Expenditure and net Loans & Advances, respectively.

2.14 Debt Sustainability Analysis

Debt sustainability analysis has been carried out on the basis of fiscal and debt parameters, compliance of macro-fiscal parameters to the respective FRBM targets and the Domar approach. The results of the analysis are given in the following paragraphs:

(A) Debt sustainability refers to the ability of the State to service its debt obligation now and in future. Analysis of variations in debt sustainability indicators are given in **Table 2.32**.

Table 2.32: Trends in Debt Sustainability Indicators

Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt* (as on 31 March of the year) (₹ in crore)	3,40,422	3,75,708	4,24,247$	4,70,289$	5,10,763
Rate of Growth of Outstanding Public Debt (*per cent*)	7.72	10.37	12.92	10.85	8.61
GSDP (₹ in crore)	11,02,054	11,79,097	11,55,821	13,63,926	15,54,992
Rate of Growth of GSDP (*per cent*)	13.07	6.99	(-)1.97	18.00	14.01
Debt@/GSDP (in *per cent*)	35.69	36.76	41.70	38.86	37.63
Fiscal Deficit/GSDP (*per cent*)	3.04	3.12	3.87	3.70	3.20
Interest Payment^ (₹ in crore)	28,911	31,668	33,782	36,672	40,018
Average interest Rate on Outstanding Public Debt[54] (in *per cent*)	8.13	8.05	7.79	7.51	7.35
Interest payments to Revenue Receipts (*per cent*)	19.81	22.16	22.76	20.59	20.46
Percentage of Public Debt Repayment to Public Debt Receipts	65.23	53.39	35.65	40.65	42.38
Net Debt available to the State# (₹ in crore)	(-)2,268	6,472	17,374	12,469	4,435
Net Debt available as *per cent* to Debt Receipts	(-)3.23	8.55	23.03	16.07	6.31
Debt Stabilisation (Quantum spread[55] + Primary Deficit) (₹ in crore)	12,234	(-)9,132	(-)52,338	35,519	24,254

Source: Finance Accounts

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

$ The effective outstanding public debt would be ₹ 4,19,816 crore and ₹ 4,63,864 crore as GST compensation of ₹ 4,431 crore and ₹ 6,425 crore given to the State during 2020-21 and 2021-22 respectively 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.

@ Sum of balances outstanding under Public Debt and Public Accounts

^ On Public Debt and Public Accounts liabalities

#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 shown in **Table 2.32** revealed the following:

- Outstanding Public debt of the Government of West Bengal has grown on an average at a rate of 10.09 *per cent* annually between 2018-19 to 2022-23;
- A falling debt-GSDP ratio can be considered as leading towards stability.

[54] Average Interest Rate = {Interest Payments on Public Debt/[(Opening Balance of Public Debt + Closing Balance of Public Debt)/2]}*100

[55] Quantum spread = Debt*(GSDP growth rate – Average Interest Rate)/100. If the Quantum Spread together with primary deficit is zero, debt-GSDP ratio would be constant, or debt would stabilize eventually. If it is negative, debt-GSDP would be rising and in case if it is positive, debt-GSDP would eventually tally.

Debt-GSDP ratio rose from 35.69 *per cent* in 2018-19 to 41.70 *per cent* in 2020-21 which cannot be considered as leading towards stability. In 2022-23, the ratio however, went down to 37.63 *per cent*. It, however, remained above the target of 34.30 *per* cent, stipulated in WBFRBM (Amendment) Act 2020;

- Fiscal Deficit to GSDP ratio was above the targets of WBFRBM Act during 2018-21 but remained below the targets during 2021-23.
- The ratio of Interest Payment to Revenue Receipts increased to 20.46 *per cent* in 2022-23 from 19.81 *per cent* in 2018-19 despite decrease in average interest on public debt to 7.35 *per cent* from 8.13 *per cent*. The increase in ratio indicates the interest burden on Revenue Receipts. Further, this ratio, in the current year, was above the ceiling of 19.75 *per cent* prescribed in the Fiscal Policy Strategy Statement (FPSS), placed along with the budget for 2022-23;
- The percentage of public debt repayment to public debt receipts is in an increasing trend during 2021-23, which indicates increased tendency in utilization of borrowed funds for the purpose of repayment on earlier borrowings;
- Net debt available to the State as *per cent* to Debt Receipts decreased to 6.31 *per cent* from 23.03 *per cent* in 2020-21, due to decrease in the availability of net debt, from ₹ 17,374 crore to ₹ 4,435 crore;
- Compared to previous year, quantum spread together with Primary Deficit decreased which led to debt stabilisation at a lower level. This is because of lesser growth of GSDP though Primary Deficit was on fall. This indicates the sustainability of debt being at lower levels compared to PY.

(B) An analysis on debt sustainability was carried out based on a study by American Economist, E.D. Domar[56]. The Domar model states that the necessary premise for ensuring stability of public indebtedness is that the interest rates for government loans should not exceed the growth rate of GDP.

The dynamics of public debt, depending on the interest rate, growth rate of GSDP and the primary budget balance, are as follows:

g-r (g – real economic growth rate; r – real interest rate)	**s< 0 (primary deficit)**	**s> 0 (primary surplus)**
g-r> 0 (strong economic growth)	Public debt as percentage of GSDP should converge to a stable level greater than zero.	Public debt as percentage of GSDP should converge to a stable level less than zero leading to public savings.
g-r< 0 (slow economic growth)	Public debt as percentage of GSDP should increase indefinitely, without converging to a stable level.	Undefined situation.

Note: Real Growth Rate calculated for GSDP at constant prices; Real Interest Rate calculated as interest rate minus inflation.

[56] Domar model does not take into account maturity profile, composition, cost and risk characteristics of debt stock.

The results of applying the above parameters, in the case of West Bengal, are shown in **Table 2.33**.

Table 2.33: Debt Sustainability Analysis based on Domar Model

Year	Real Growth (g)	Real Interest (r)	g-r (Domar gap)	Primary Deficit (-)/Surplus (+) (s) (₹ in crore)	Results
2018-19	6.32	3.03	3.29	(-)4,574	As g-r> 0 and s< 0; Public Debt as percentage of GSDP converged to a stable level greater than zero.
2019-20	3.11	3.45	(-)0.34	(-)5,163	As g-r< 0 and s< 0; Public Debt as percentage of GSDP should increase indefinitely, without converging to a stable level.
2020-21	(-)6.65	(-)0.91	(-)5.74	(-)10,906	
2021-22	10.76	2.41	8.35	(-)13,856	As g-r> 0 and s< 0; Public Debt as percentage of GSDP should converge to a stable level greater than zero.
2022-23	8.41	0.25	8.16	(-)9,769	

Source: Ministry of Statistics and Programme Implementation, Government of India; Table 2.32 and Finance Accounts

Note: Real Growth Rate calculated for GSDP at constant prices (base year: 2011-12); Real Interest Rate calculated as interest rate minus inflation

Note: During 2021-22 and 2022-23, Domar Gap was positive along with primary deficit which indicates stable economic condition. During 2021-22, real growth was highest (10.76 per cent) due to low base of 2020-21 (COVID year) resulting in significant positive Domar Gap (8.35 per cent).

2.14.1 Utilisation of Borrowed Funds

Borrowed funds should ideally be used for capital creation and developmental activities. Utilisation of borrowed funds and trends of their utilization, during 2018-23, are shown in **Table 2.34** and **Chart 2.19**, respectively.

Table 2.34: Utilisation of borrowed funds

Year	2018-19	2019-20	2020-21	2021-22	2022-23
	(₹ in crore)				
Total Borrowings* (1)	70,197	75,699	75,429	77,581	70,243
Repayment of earlier borrowings (Principal)# (2) (*percentage*)	45,786 (65)	40,413 (53)	26,889 (36)	31,540 (41)	29,768 (42)
Net capital expenditure (3) (*percentage*)	23,025 (33)	15,971 (21)	13,034 (17)	17,484 (23)	22,009 (31)
Net loans and advances (4) (*percentage*)	61 (0)	1,200 (2)	2,127 (3)	1,044 (1)	483 (1)
Portion of Revenue expenditure met out of net available borrowings (5) = (1-2-3-4) (*percentage*)**	1,325 (2)	18,115 (24)	33,379 (44)	27,513 (35)	17,983 (26)

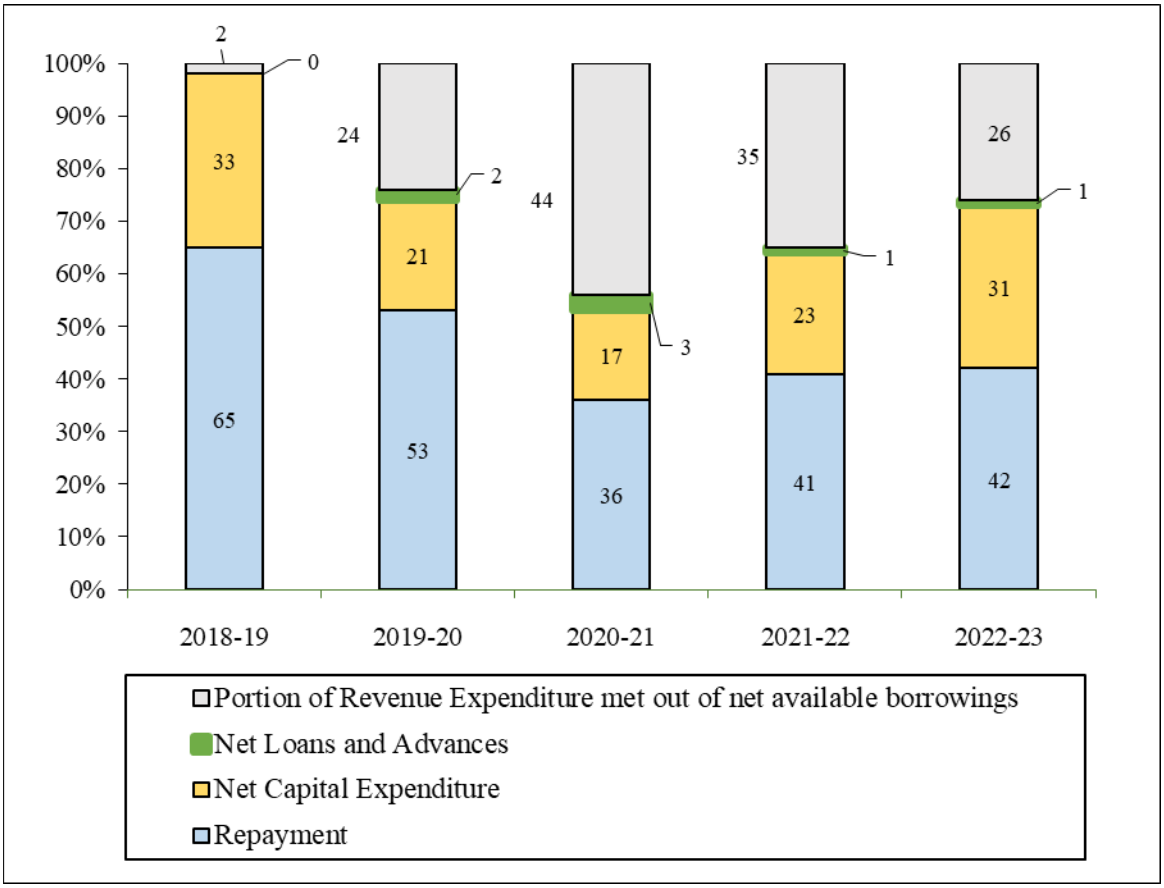
Source: Finance Accounts

Represents total Public Debt Receipts during the year;

#*Represents total Public Debt Repayments during the year*

*** 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. On the contrary, portion of RE met out of net available borrowings would be changed to ₹21,215 crore owing to this misclassification.*

Chart 2.19: Trends of Utilisation of borrowed funds



Source: Finance Accounts

As can be seen from **Chart 2.19**, there was little scope for utilisation of borrowed funds for developmental activities during 2018-20, since a significant portion of the borrowed funds was used to repay the borrowings (53 to 65 *per cent*) made in earlier years. In the current year, the involvement on repayment from borrowings increased to 42 *per cent* from 41 *per cent* in 2021-22, which led to decrease in the portion of revenue expenditure met out of borrowings, to 26 *per cent,* from 35 *per cent* in 2021-22. Nevertheless, utilisation of borrowed funds on revenue expenditure, capital expenditure and disbursement of loans and advances, being 58 *per cent* in the current year, remained less than the figure of 64 *per cent* in 2020-21.

As is evident from **Chart 2.19**, the State could utilise only 31.33 *per cent* (₹ 22,009 crore) of the borrowed funds for net capital expenditure during 2022-23, which represented a decline from the range of 32.80 *per cent* during 2018-19. Utilisation of borrowed funds for meeting commitment on net loans and advances, in the current year, was only 0.69 *per cent* (₹ 483 crore).

Apart from meeting its capital expenditure and repayments, as outlined above, the State utilised ₹ 17,983 crore (35 *per cent*) for discharging its Interest payment liabilities, which represented around 44.94 *per cent* of total interest payment (₹ 40,018 crore). Thereby, commitments on account of repayments (Principal: ₹ 29,768 crore *plus* Interest: ₹ 17,983 crore) were ₹ 47,751 crore, which was about 67.98 *per cent* of the total borrowings. Utilisation of borrowed funds for meeting repayment of borrowings, is not sustainable.

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

2.14.2 Debt Profile: Maturity and Repayment

The debt maturity and repayment profile indicates the commitments on part of the Government for debt repayment or debt servicing in future years. The debt maturity profile of the State is shown in **Table 2.35**.

Table 2.35: Maturity Profile of repayment of Public debt of the State

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	21,672	4.24
2 – 3	47,244	9.25
4 – 5	63,182	12.37
6 – 7	58,276	11.41
8 and above	2,42,081	47.40
Others[57]	78,308	15.33
Total	**5,10,763**	**100.00**

Source: Finance Accounts

In the ensuing five and seven years, debt maturity will be 25.86 and 37.27 *per cent* respectively of the total outstanding debt. The debt maturity would be much higher in the coming years, given the fact that maturity details for ₹ 78,308 crore (15.33 *per cent* of total debt) are not available.

Market borrowings formed a significant portion of the debt repayments. This may be viewed in the light that, during 2022-23, repayment of principal and interest outgo for this purpose were ₹ 20,500 crore and ₹ 30,120 crore, respectively, which constituted nearly 68.87 and 75.27 *per cent* of the total principal repayment (₹ 29,768 crore) and interest payments (₹ 40,018 crore). The present debt liabilities, owing to repayment of market borrowings, in the next 10 years from 2023-24, are shown in **Table 2.36**.

Table 2.36: Repayment schedule of Market Borrowing (including interest) during next 10 years i.e. upto 2032-33

Year	Principal	Interest	Total
	(₹ in crore)		
2023-24	21,000	32,712	53,712
2024-25	21,900	31,189	53,089
2025-26	24,000	29,388	53,388
2026-27	34,431	27,437	61,868
2027-28	25,411	24,936	50,347
2028-29	24,300	22,679	46,979
2029-30	32,000	20,872	52,872

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

Year	Principal	Interest	Total
	(₹ in crore)		
2030-31	24,000	18,425	42,425
2031-32	22,390	17,035	39,425
2032-33	18,500	15,316	33,816
Total	**2,47,932**	**2,39,989**	**4,87,921**

Source: Information furnished (September 2023) by Finance Department, GoWB

From the period of April 2023 to March 2033, the State would have to repay market borrowings amounting to ₹ 4,87,921 crore, of which the portions of principal and interest are 50.81 and 49.19 *per cent*, respectively. At the end of the third, fifth and seventh years, the cumulative outgo for repayment of market borrowings, would be ₹ 1,60,189 crore, ₹ 2,72,404 crore and ₹ 3,72,255 crore, respectively. The outgo on account of repayment of market borrowings, along with interest, may go up further, given the trend of increased tendency in the State's borrowing requirements in the last five years, as shown in **Para 2.14.1**. An increase in further borrowings, in the ensuing years, cannot be ruled out, which may be much more than the figures indicated above and would pose fiscal stress in the State Finances.

The State Government requires to mobilise additional revenue resources and formulate a well thought out debt strategy to meet this debt burden. Unless there is a definite plan to meet this liability, the resources available for development will shrink.

2.14.3 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended by the State Government. WBCGA[58] 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. The Finance Department acts as the tracking authority in respect of guarantees. The outstanding guarantees, including interest (₹ 16,885 crore) (**Table 2.37**) at the beginning of 2022-23, stood at 11.38 *per cent* of the total Revenue Receipts of the second preceding year (₹ 1,48,394 crore in 2019-20) and were, thus, well within the ceiling of the WBCGA.

Table 2.37: Guarantees given by the State Government

(₹ in crore)

Guarantees	2018-19	2019-20	2020-21	2021-22	2022-23
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	1,06,049	1,18,143	1,31,378	1,28,623	1,33,555
Maximum amount guaranteed	16,050	14,228	15,292	15,129	10,300
Outstanding amount of guarantees including interest	6,623	8,212	7,821	16,885	17,677

Source: Finance Accounts

[58] West Bengal Ceiling on Government Guarantee Act

The outstanding guarantees, including interest amounting to ₹ 17,677 crore, at the end of the year 2022-23, included guarantees extended to 28 institutions/companies, under various sectors[59].

Further, in terms of Section 10 of the West Bengal Finance Act, 2002, the loanees for whom the State Government had provided guarantees to the financial institutions, were required to pay guarantee commission, at the rate of one *per cent* (minimum) on the total amounts guaranteed. In the current year, the State Government had received guarantee commission of ₹ 9.90 crore, against the receivable commission of ₹ 22.60 crore. Short receipt of guarantee commission understated the revenue receipts by ₹ 12.70 crore.

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

- WBSEDCL had approached the Finance Department through Power Department, to waive the guarantee commission of ₹ 58.84 crore, due at the end of 2022-23. In reply, the Power Department had stated that the Finance Department was not empowered to give relaxation to the provision of WBCGA, passed by the WBLA[60].
- DPL[61] stated that guarantee commission of ₹ 121.76 crore, at the end of 2022-23, could not be made by the company, due to acute financial crisis; and
- WBPDCL stated that shortage of cash flows had led to its inability to pay the outstanding guarantee commission of ₹ 6.00 crore, at the end of 2022-23.

2.15 Management of Cash Balances

As per 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 limits for ordinary WMA to the State Government, are revised by the RBI, from time to time. During 2022-23, no WMA was availed by the GoWB.

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 2022-23 are shown in **Table 2.38**.

[59] Power (₹ 9,098 crore against 8 guarantees), Finance (₹ 5,950 crore against 9 guarantees), Food & Supplies (₹ 1,330 crore against 1 guarantee), Cooperation (₹ 1,094 crore against 3 guarantees), Backward Classes Welfare (₹ 124 crore against 5 guarantees), Tribal Development (₹ 16 crore against 1 guarantee) and Higher Education (₹ 65 crore against 1 guarantee)

[60] West Bengal Legislative Assembly

[61] Durgapur Projects Limited

Table 2.38: Cash Balances and their investment **(₹ in crore)**

Particulars	Opening balance on 1 April 2022	Closing balance on 31 March 2023
A. General Cash Balance		
Cash in treasuries	0.14	0.12
Deposits with Reserve Bank of India	6.90	(-)13.88
Deposits with other Banks	0.00	0.00
Remittances in transit - Local	0.00	0.00
Total	**7.04**	**(-)13.76**
Investments held in Cash Balance investment account	20,359.69	18,631.60
Total (A)	**20,366.73**	**18,617.84**
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	2.65	2.75
Investment in earmarked funds	12,233.16	13,418.85
Total (B)	**12,235.45**	**13,421.24**
Total (A + B)	**32,602.18**	**32,039.08**
Interest realised	95.34	111.86

Source: Finance Accounts

The cash balance of the State Government, at the end of the current year, decreased by ₹ 563 crore (1.73 *per cent*), from ₹ 32,602 crore in 2021-22, to ₹ 32,039 crore in 2022-23. This was mainly due to the decrease in cash balance investments by ₹ 1,728 crore, offset by the increase in investment in earmarked funds by ₹ 1,186 crore. The State Government earned an interest of ₹ 112 crore on these investments, during 2022-23.

Out of the investment of ₹ 13,419 crore in earmarked funds, ₹ 12,139 crore had been invested in the CSF, ₹ 857 crore in GRF, ₹ 200 crore in SDRF and ₹ 223 crore in Other Funds, at the end of the year.

The cash balance investments of the State, during the five-year period 2018-19 to 2022-23, are given in **Table 2.39**.

Table 2.39: Cash Balance Investment Account (Major Head-8673)

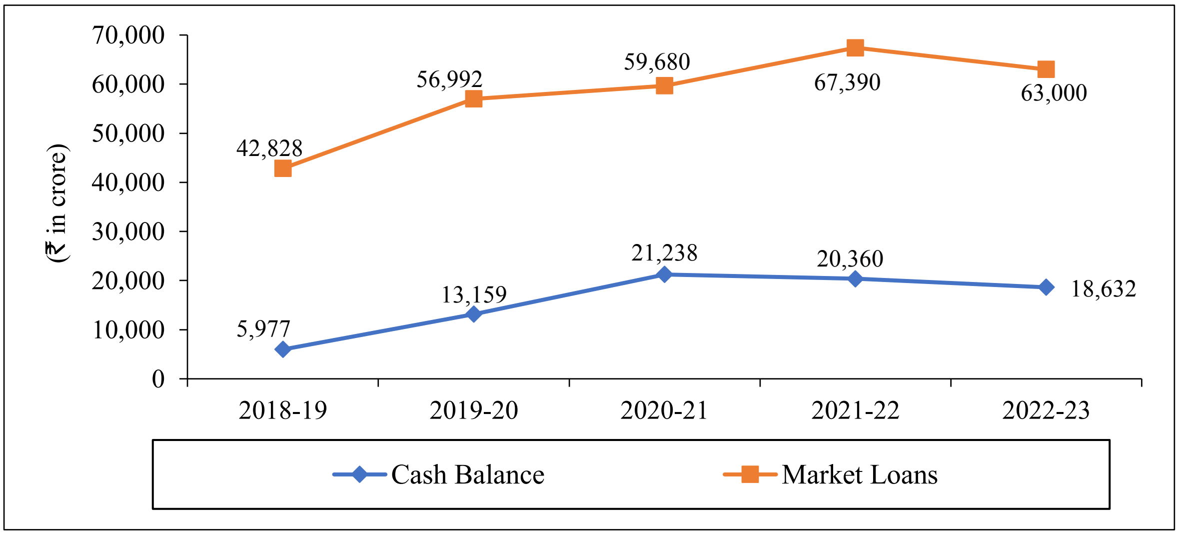
Year	Opening Balance	Closing Balance	Increase (+)/Decrease (-)	Interest earned
	(₹ in crore)			
2018-19	8,570	5,977	(-)2,593	164.84
2019-20	5,977	13,159	7,182	97.33
2020-21	13,159	21,238	8,079	62.87
2021-22	21,238	20,360	(-)878	95.34
2022-23	20,360	18,632	(-)1,728	111.86

Source: Finance Accounts

Trend analysis of the cash balance investments of the State Government, during 2018-23, revealed that investments had increased significantly during 2018-21 and had, thereafter, been on a decreasing trend. At the end of 2022-23, the cash balance investment balance stood at ₹ 18,632 crore, a decrease of 8.49 *per cent* over the PY.

Chart 2.20 compares the balances available in the cash balance investment account and the market loans taken by the State, during 2018-23. Market loans were taken at higher interest rates, whereas investment in treasury bills had yielded interest at lower rates.

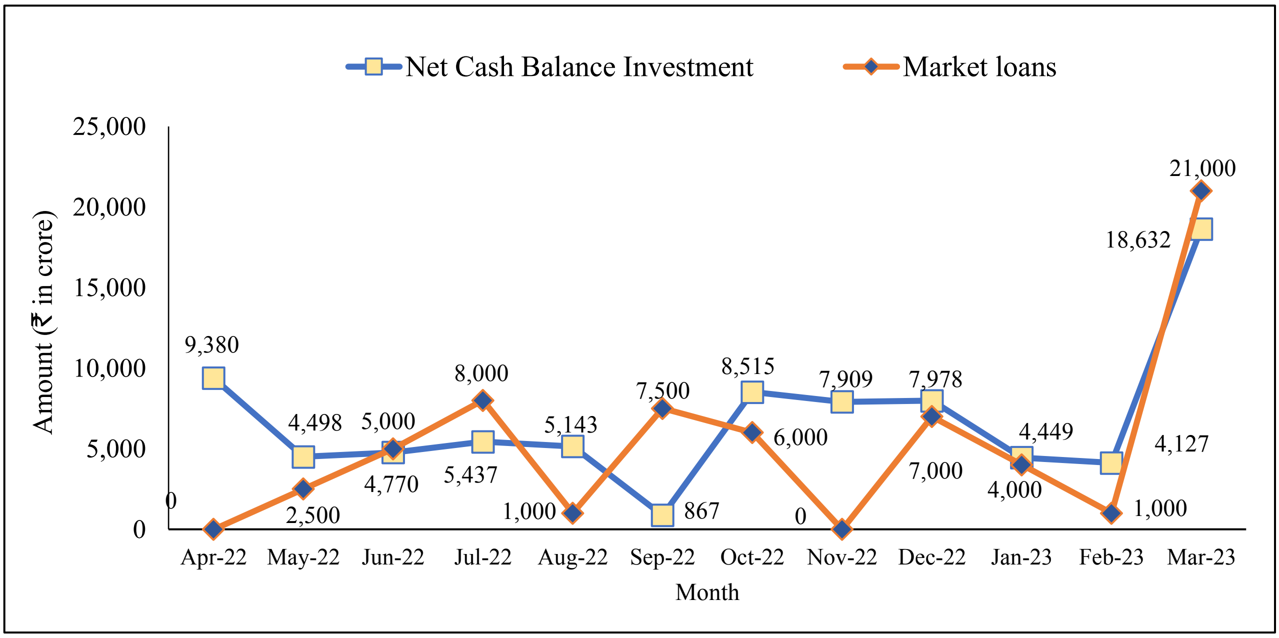
Chart 2.20: Market loans raised *vis-à-vis* Investments held in the Cash Balance Investment Account



Source: Finance Accounts

Chart 2.21 compares the month-wise Cash Balance Investment Account, with the market loans obtained by the State.

Chart 2.21: Month-wise movement of Cash Balances Investment account and market loans, during 2022-23



Source: Finance Accounts 2022-23 and figures given by the O/o The Accountant General (A&E), West Bengal

Chart 2.21 indicates that the State Government had taken recourse to market loans during the months of May, August, October, December, January and February in the current fiscal, despite having sufficient cash balances. Thus, borrowings could have been avoided to the extent of availability of balances, in the cash balance investment account.

2.16 Salient Features

Table 2.40: Key Parameters

Positive Indicators	Parameters requiring close watch
Share of Capital Expenditure in the Total Expenditure increased to 8.97 *per cent* from 7.64 *per cent* in 2021-22.	Interest payments relative to Revenue Receipts, at 20.46 *per cent,* crossed the target of 19.75 *per cent* set out in the FPSS presented with the budget as per WBFRBM Act.
Revenue Deficit to GSDP decreased to 1.76 *per cent* from 2.35 *per cent* in 2021-22.	Percentage of Debt Repayment to Debt Receipts increased to 42.38 from 40.65 in 2021-22.
Fiscal Deficit to GSDP decreased to 3.20 *per cent* from 3.70 *per cent* in 2021-22.	Recovery of interest receipts against outstanding loans and advances from Statutory Corporations, Government Companies and Autonomous Bodies, decreased from ₹ 97 crore in 2021-22, to ₹ 49 crore in 2022-23, despite increase in the outstanding loans of these entities, from ₹ 16,106 crore to ₹ 17,150 crore, in the aforesaid period.
Debt to GSDP decreased to 37.63 *per cent* from 38.86 *per cent* in 2021-22.	
Committed expenditure to Revenue Receipts decreased to 63.89 *per cent* from 68.89 *per cent* in 2021-22.	

2.17 Conclusions

- The State had a revenue deficit of ₹ 27,295 crore, despite receipt of PDRD grants of ₹ 13,587 crore from the GoI, based upon the recommendations of the 15th FC.
- The returns from investments of ₹ 19,832 crore, as of 31 March 2023, in Companies/Corporations, were negligible (₹ 165 crore).
- The net debt available to the State, during 2022-23, from the Public Debt Receipts, after repayment of Public Debt and Interest Payment, decreased by 64.43 *per cent*, to ₹ 4,435 crore.
- The cash balance of the State, at the end of 2022-23, decreased by 1.73 *per cent*, to ₹ 32,039 crore.

2.18 Recommendations

1. *State Government may carry out regular and periodical monitoring of revenues which were in arrears and rationalize expenditure, in order to achieve a Revenue Surplus.*
2. *In the backdrop of reducing post-devolution revenue deficit grants, the State Government may take measures to augment its own revenue and/or reduce expenditure in order to maintain the revenue balance.*
3. *Capital expenditure may be increased significantly, for infrastructure creation, to provide stimulus for economic growth.*
4. *The Government may consider laying down a definitive plan/strategy for recovery of loans and advances.*
5. *State Government may keep the cash balance position in mind, while taking decisions on raising market loans.*