CHAPTER I

OVERVIEW

Chapter I Overview

1.1 Introduction

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

1.2 Profile of the State

West Bengal is located in the eastern region of India along the Bay of Bengal. In terms of geographical area, it is the thirteenth largest State of India while population wise, it is the fourth largest. The State's population was 9.13 crore (2011 census) and recorded a decadal growth of about 14 *per cent* (2001-11). As per population projections for India and States (2011-2036) by the National Commission on Population, Ministry of Health & Family Welfare (July 2020), the projected population of the State in the year 2024 stands at 9.96 crore. The State has 23 districts and one autonomous region (Gorkhaland Territorial Administration). General and financial data relating to the State is given in ***Appendix 1.1.***

1.3 Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised goods and services produced within the boundaries of the State in a given period of time.

The GSDP, at current prices of 2023-24, was ₹ 17,00,939 crore (₹ 15,31,758 crore in 2022-23), with a growth rate of 11.04 *per cent* over the previous year (PY). The GSDP growth rates in respect of the Agriculture, Industries and Services sectors, were 5.77, 5.03 and 16.18 *per cent*, respectively, in FY 2023- 24, over the previous year.

The per capita GSDP of the State is ₹ 1,71,184, against the National per capita GDP of ₹ 2,11,725 at current prices of 2024. The per capita income of the State is ₹ 1,54,119 against India's per capita income of ₹ 1,84,205, in 2023-24. A profile of the State, with demographics and other details, is given in ***Appendix 1.1.***

1.3.1 Gross State Value Added (GSVA)

Gross State Value Added (GSVA): GSVA is the value of goods and services produced by industry sector, manufactured around a region in an economy i.e., it is total value of output product without intermediary costs that went into production.

Gross Value Added (GVA) is considered a better indicator of economic growth compared to Gross Domestic Product (GDP), as it ignores the impact of taxes and subsidies. From a policy maker's perspective, it is therefore vital to have a comparison of the GVA and GSVA data for better analysis and making policy interventions.

The trends in the annual growth of nation's GDP and GVA and that of the State, at current prices, are indicated in **Table 1.1** and the trends in growth rate of GSDP with respect to GSVA at current prices are depicted in **Chart 1.1**.

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

(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
INDIA					
GDP (2011-12 Series)	2,01,03,593	1,98,54,096	2,35,97,399	2,69,49,646	2,95,35,667
Gross Value Added (GVA)	1,83,81,117	1,82,10,997	2,16,35,584	2,46,59,041	2,67,62,147
Growth rate of GDP over the previous year (in *per cent*)	6.37	(-)1.24	18.85	14.21	9.60
Growth rate of GVA over the previous year (in *per cent*)	7.02	(-)0.93	18.81	13.97	8.53
Per Capita GDP (in ₹)	1,49,915	1,46,480	1,72,422	1,94,879	2,11,725
WEST BENGAL					
GSDP (2011-12 Series)	11,79,127	11,41,802	13,29,238	15,31,758	17,00,939
Gross State Value Added (GSVA)	11,02,672	10,75,756	12,51,945	14,49,148	16,13,323
Growth rate of GSDP over the previous year (in *per cent*)	6.99	(-)3.17	16.42	15.24	11.04
Growth rate of GSVA over the previous year (in *per cent*)	7.40	(-)2.44	16.38	15.75	11.33
Per Capita GSDP (in ₹)	1,21,232	1,16,664	1,35,080	1,54,905	1,71,184

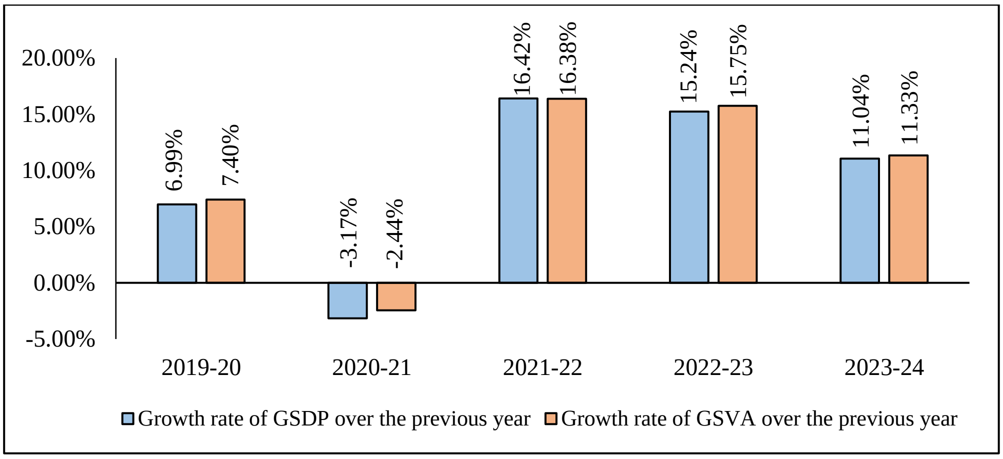
Note: In respect of GDP, GVA, GSDP and GSVA, the figures shown against 2023-24, 2022-23, 2021-22 and 2020-21, are Provisional Estimates (PE), 1st Revised Estimates (RE), 2nd RE and 3rd RE, respectively, while the data for 2019-20 is final figure.

Source: Data released by the Ministry of Statistics and Programme Implementation (MoSPI), Government of India dated 1 August 2024 (for GSDP) and 1 December 2024 (for GDP)

As seen from the **Table 1.1,** both - the GSDP, as well as the national GDP- in aggregate, had experienced a contraction (negative growth) in 2020-21, owing to the COVID-19 pandemic. Except 2021-22, West Bengal's GSDP growth rate at current prices was more than that of India's growth rate in all the years upto 2023-24. In line with the GSDP growth, the Per Capita GSDP growth rate (10.51 *per cent*) was higher than the growth rate of Per Capita GDP (8.64 *per cent*) in the FY 2023-24. Similarly, the GSVA growth rate was more than that of the nation in all the years except in FYs 2020-21 and 2021-22. GSDP (at current prices), however, grew at a CAGR[1] of 9.59 *per cent* between 2019-20 and 2023-24 while the GDP grew at a CAGR of 10.10 *per cent*.

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

Chart 1.1: Growth rate of GSDP vs GSVA (2019-20 to 2023-24)



Source: The figures of GSVA at current prices and GSDP at current prices, for West Bengal, for the period 2011-12 to 2023-24 (as on 1 August 2024), released by the Ministry of Statistics and Programme Implementation (MoSPI), Government of India

The sectoral contribution of GSVA and the trends in sectoral growth from 2019-20 to 2023-24, are indicated in **Table 1.2** and **Chart 1.2,** respectively.

Table 1.2: Sectoral Contribution: GSVA

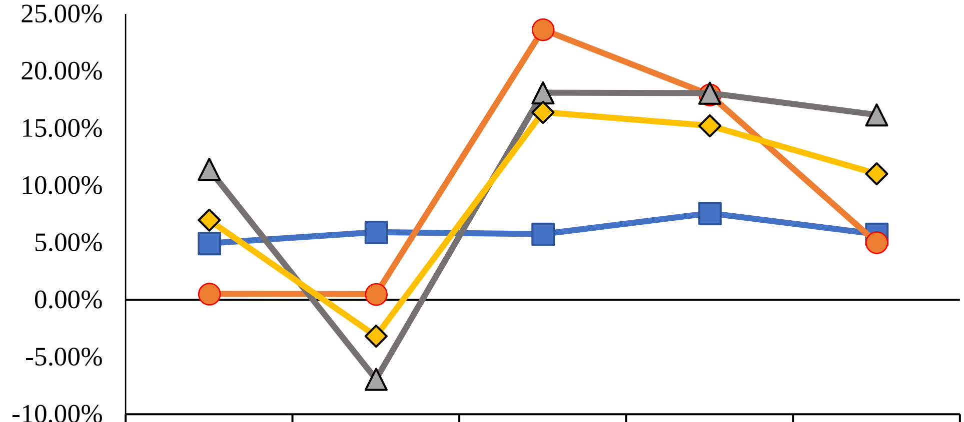
(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Gross State Value Added (GSVA)	11,02,672	10,75,756	12,51,945	14,49,148	16,13,323
Agriculture Sector/ GSVA (in *per cent*)	22.26	24.17	21.96	20.41	19.40
Industry Sector/GSVA (in *per cent*)	21.93	22.59	24.00	24.46	23.08
Services Sector/GSVA (in *per cent*)	55.81	53.24	54.03	55.13	57.53

Source: The figures of GSVA at current prices, for West Bengal, for the period 2011-12 to 2023-24 (as on 1 August 2024), released by the Ministry of Statistics and Programme Implementation (MoSPI), Government of India

[1] Compound Annual Growth Rate

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



	2019-20	2020-21	2021-22	2022-23	2023-24
Agriculture Sector	4.95%	5.93%	5.75%	7.58%	5.77%
Industry Sector	0.52%	0.51%	23.64%	17.96%	5.03%
Services Sector	11.44%	-6.94%	18.12%	18.09%	16.18%
GSDP	6.99%	-3.17%	16.42%	15.24%	11.04%

Agriculture Sector   Industry Sector   Services Sector   GSDP

Source: The figures of GSDP by economic activity, at current prices, for West Bengal, for the period 2011-12 to 2023-24 (as on 1 August 2024), released by the Ministry of Statistics and Programme Implementation (MoSPI), Government of India

Table 1.2 shows that the services sector, the contribution of which ranged between 53 to 58 *per cent* of the GSVA during 2019-24, is the main driver of economic growth. The rebound of contact-based[2] services, driven by pent-up demand, ease of mobility restrictions, were largely responsible for the comeback of the services sector in 2021-22, to the pre-pandemic levels. The sector maintained upside growth during 2021-22 and in 2022-23 (**Chart 1.2**). However, the growth of the sector, in the current year (CY), declined by 1.91 *percentage* points, from the level of growth during 2022-23. The decline in growth of trade, repair, hotels and restaurants and transport, storage, communication & services related to broadcasting contributed to deceleration in growth of services sector observed in 2023-24 over the previous year.

The Industry sector contributed around 22 to 24 *per cent* to the GSVA (**Table 1.2)**. This sector had a robust rate of growth, at 23.64 *per cent* (**Chart 1.2**), during 2021-22, on account of release of 'pent-up' demand after COVID. This growth rate, however, declined to 17.96 *per cent* in 2022-23 and then to 5.03 *per cent* in 2023-24. Contraction in the growth rates of the Construction and Manufacturing sectors, by 23.21 and 7.40 *percentage* points, respectively, contributed to this decline. The steep decline in the rate of growth of the Industry sector affects the overall economic development of the State.

The Agricultural sector contributed around 19 to 24 *per cent* of the GSVA. This sector grew continuously since 2019-20, before falling by 1.81 *per cent*

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

in 2023-24. The decline in the growth rates of Fishing & Aquaculture by 18.13 *percentage* points contributed to this.

1.4 Basis and Approach to State Finances Audit Report

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

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

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

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

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

1.5 Overview of the structure of Government Accounts and Budgetary Processes

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

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

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

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

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

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

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

1.5.1 Budget Documents

Article 202 of the Constitution mandates that a statement of estimated receipts and expenditures of the Government, in respect of every financial year, be presented before the House or Houses of the Legislature of the State. This ‘Annual Financial Statement’ constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

Revenue Receipts consist of Tax Revenue, Non-Tax Revenue, share of Union Taxes/Duties, and grants from Government of India.

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

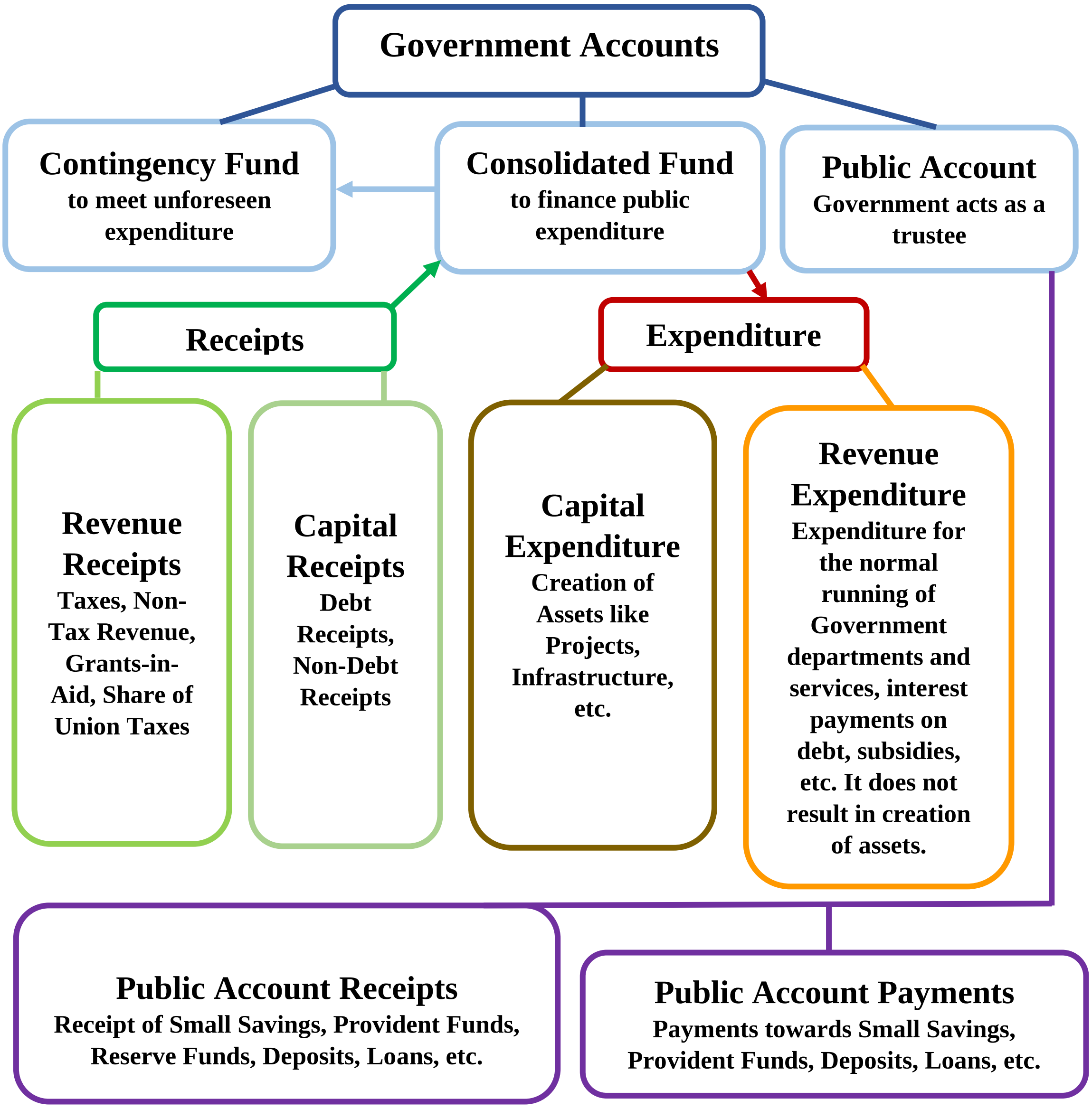
The **Capital Receipts** consist of:

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

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

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

Chart 1.3: Structure of Government Accounts



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

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

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

1.5.2 Budgetary Processes

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

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

1.6 Snapshot of Finances

Table 1.3 provides the details of actual financial results, *vis-à-vis* the Budget Estimates, for the year 2023-24, along with the actuals of 2022-23.

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

Sl. No.	Components	2022-23 (Actuals)	2023-24 (Budget Estimate)	2023-24 (Actuals)	Percentage of Actuals to BE	Percentage of Actuals to GSDP
		(₹ in crore)				
1	Tax Revenue	1,55,043	1,65,439	1,74,958	105.75	10.29
i)	Own Tax Revenue	83,608	88,595	89,986	101.57	5.29
ii)	Share of Union taxes/duties	71,435	76,844	84,972	110.58	5.00
2	Non-Tax Revenue	2,197	6,377	3,238	50.78	0.19
3	Grants-in-aid and Contributions	38,304	40,821	22,072	54.07	1.30
4	**Revenue Receipts (1+2+3)**	**1,95,544**	**2,12,637**	**2,00,268**	**94.18**	**11.77**
5	Recovery of Loans and Advances	82	146	1,456	997.26	0.09

Sl. No.	Components	2022-23 (Actuals)	2023-24 (Budget Estimate)	2023-24 (Actuals)	Percentage of Actuals to BE	Percentage of Actuals to GSDP
		(₹ in crore)				
6	Miscellaneous Capital Receipts	0	0	0	-	0.00
7	Non-Debt Receipts (4+5+6)	1,95,626	2,12,783	2,01,724	94.80	11.86
8	Borrowings and other Liabilities*	49,966	65,834	53,992	82.01	3.17
9	**Total Receipts (7+8)**	**2,45,592**	**2,78,617**	**2,55,716**	**91.78**	**15.03**
10	**Revenue Expenditure**	**2,22,839**	**2,43,561**	**2,25,959**	**92.77**	**13.28**
11	Interest Payments	40,018	42,763	42,621	99.67	2.51
12	Capital Expenditure	22,009	34,026	28,963	85.12	1.70
13	Loan and advances	565	1,034	794	76.79	0.05
14	**Total Expenditure (10+12+13)**	**2,45,413^**	**2,78,621**	**2,55,716**	**91.78**	**15.03**
15	**Revenue Deficit (10-4)**	**27,295**	**30,924**	**25,691**	**83.08**	**1.51**
16	**Fiscal Deficit (14-7)**	**49,787**	**65,839**	**53,992**	**82.01**	**3.17**
17	**Primary Deficit (16-11)**	**9,769**	**23,076**	**11,371**	**49.28**	**0.67**

Source: Finance Accounts
**Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.*
^Excluding Appropriation to Contingency Fund of ₹ 180 crore
**Revenue Expenditure (RE) of ₹ 908 crore in 2023-24 was incorrectly booked as Capital Expenditure (CE). Actual RE during the FY 2023-24 would thus be ₹ 2,26,867 crore instead of ₹ 2,25,959 crore. Similarly, actual CE during the FY 2023-24 would be ₹ 28,055 crore instead of ₹ 28,963 crore.*

Actual Revenue Receipts were higher than the previous year's receipts by ₹ 4,724 crore (2.42 *per cent*). This increase was primarily due to increased collection in the State's share of Union Taxes and Duties by ₹ 13,537 crore (mainly on account of increase in the State's share of Taxes on Income other than Corporation Tax by ₹ 6,072 crore and GST[3] by ₹ 5,601 crore) and State's Own Tax Revenue (OTR) over the PY by ₹ 6,378 crore, mainly in the case of SGST[4] (by ₹ 2,933 crore) and State Excise (by ₹ 1,642 crore). Increased collection of State's Non-Tax Revenue (NTR) by ₹ 1,041 crore, over the PY, also contributed to this hike. The higher Revenue Receipts were counter-balanced by significant fall in the receipts of Grants-in-Aid from the Government of India (by ₹ 16,232 crore).

The actual Revenue Expenditure was more than PY's Revenue Expenditure by ₹ 3,120 crore (1.40 *per cent*), mainly due to enhanced expenditure under the *Lakshmir Bhandar* scheme (by ₹ 1,625 crore; 13.56 *per cent*). Capital Expenditure fell short of the BEs by 14.89 *per cent* but exceeded the expenditure of PY by 31.60 *per cent*. This increase over the FY 2022-23, was mainly on account of significant enhancement of expenditure for infrastructure projects under 'Rural Development' and 'Roads & Bridges'.

The Revenue Deficit was less than the BEs by 16.92 *per cent*, as the State's share of Union Taxes & Duties and OTR, were higher than the BEs, by 10.58 and 1.57 *per cent*, respectively. This apart, Revenue Expenditure being lower than BEs, resulted in lesser than anticipated Revenue Deficit.

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

The Fiscal Deficit was also less than the BEs by 18 *per cent*, mainly as Capital Expenditure was lower than the BEs by 14.89 *per cent*. This, combined with lower Revenue Deficit over the BE, resulted in lower than anticipated Fiscal Deficit over the BE.

1.7 Snapshot of Assets and Liabilities of the Government

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

Table 1.4: Summarised position of Assets and Liabilities

Liabilities					**Assets**				
Components		**2022-23**	**2023-24**	***Per cent* increase**	**Components**		**2022-23**	**2023-24**	***Per cent* increase**
		(₹ in crore)					**(₹ in crore)**		
Consolidated Fund									
A	Internal Debt	4,79,797	5,23,402	9.09	A	Gross Capital Expenditure	1,90,633	2,19,596	15.19
B	Loans and Advances from GoI	30,966	37,181	20.07	B	Loans and Advances	17,633	16,971	(-)3.75
					C	Appropriation to Contingency Fund	180	0	(-)100.00
Contingency Fund		200	200	0.00	**Contingency Fund**		11	53	381.82
Total		**5,10,963**	**5,60,783**	9.75	**Total**		**2,08,457**	**2,36,620**	13.51
Public Account									
A	Small Savings, Provident Funds, etc.	22,627	23,872	5.50	A	Advances	29	29	0.00
B	Deposits	48,232	53,921	11.80	B	Remittance	(-)1	(-)1	0.00
C	Reserve Funds	16,965	21,103	24.39	C	Suspense and Miscellaneous	(-)4,047	(-)3,138	22.46
D	Remittances	-	-	-	**Cash balance**[5]		32,039	37,988	18.57
Total		**87,824**	**98,896**	12.61	**Total**		**28,020**	**34,878**	24.47
					Deficit in Revenue Account		3,62,310	3,88,181	7.14
Total		**5,98,787**	**6,59,679**	10.17	**Total**		**5,98,787**	**6,59,679**	10.17

Source: Finance Accounts

During 2023-24, the Liabilities of the Government increased by 10.17 *per cent* (₹ 60,892 crore). The internal debt constituted around 79.34 *per cent* of the total liabilities of the State Government. Outstanding balances of Market loans, which contributed around 91 *per cent* of the Internal debt during 2023-24, increased by ₹ 48,910 crore (11.42 *per cent*) over the PY. Further, balances of Deposits under the Public Account, which contributed 8.17 *per cent* of the liabilities, increased by ₹ 5,689 crore (11.80 *per cent*). The above two components primarily contributed to the increase in the liabilities of the Government.

[5] Includes investment in Earmarked Fund of ₹ 13,419 crore and ₹ 14,240 crore at the end of 2022-23 and 2023-24, respectively

On the Assets side, the cumulative Capital Expenditure constituted only 33.29 *per cent* of the total assets of the State Government. 9.74 *per cent* of the cumulative Capital Expenditure consisted of investments of the State Government in PSUs, Co-operative Banks & Societies and Statutory Corporations. The balance 90.26 *per cent*, comprised of cumulative expenditure for creation of infrastructure for transport sector, power, health, public works etc. The cash balance position of the State, which accounted for around six *per cent* of the Assets, increased by ₹ 5,949 crore over the PY, because of increase in the investment of cash balance by the State Government which has been discussed in **Paragraph 2.15** of the Report.

1.8 Fiscal Balance: Achievement of Deficit and Total Debt Targets

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

The WBFRBM (Amendment) Act, 2011, was amended in March 2020, followed by amendments in February 2021, March 2022 and March 2024, with the amended Act being renamed as the 'WBFRBM (Amendment) Acts, 2020, 2021, 2022 and 2024', effective from the 2019-20, 2020-21, 2021-22 and 2023-24 respectively. The amendments effected in sub-section (2) of section 4 of the WBFRBM Act, 2010, are explained in the succeeding paragraph.

As per the WBFRBM (Amendment) Act, 2011, Revenue Deficit (RD) was to be eliminated from the FY 2014-15. Accordingly, in the MTFPSs from the FY 2014-15 to FY 2020-21, the targets in regard to RD, with respect to GSDP, were fixed as 'Nil'. However, in the MTFPSs for the FYs 2021-22, 2022-23 and 2023-24, the targets for RD were fixed as 1.77, 1.65 and 1.80 *per cent* respectively. The target set for RD, relative to the GSDP, in clause (b) of the Principal Act, stands omitted from the WBFRBM (Amendment) Acts, 2020, 2021, 2022 and 2024.

The WBFRBM Act, and its amendments effected from time to time, envisaged that the State Government shall limit Fiscal Deficit (FD) as a percentage of the GSDP, to 3.34 *per cent* in 2019-20 and, thereafter, five *per cent* each for the years 2020-21 and 2021-22. In November 2022 and March 2024, sub-section (2) under section 4 of the WBFRBM Act, 2010, was amended and renamed as WBFRBM (Second) Amendment Act, 2022 and WBFRBM Amendment Act, 2024, respectively, wherein the maximum FD, as a percentage of the GSDP, was fixed at four and 3.50 *per cent*, for the FYs 2022-23 and 2023-24 respectively.

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

A trend analysis of the targets relating to key fiscal parameters, prescribed in the MTFPS for the year 2019-20, WBFRBM (Amendment) Acts 2020, 2021, 2022 and 2024, applicable for the financial years 2019-20 to 2023-24, *vis-à-vis* achievements thereagainst, is given in **Table 1.5**.

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

Fiscal Parameters		Achievement *vis-à-vis* targets				
		2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Deficit with respect to GSDP (in *per cent*)	Target	0	0	1.77	1.65	1.80
	Achievement	1.67 ✗	2.59 ✗	2.41 ✗	1.78 ✗	1.51 ✓
Fiscal Deficit with respect to GSDP (in *per cent*)	Target	3.34	5.00	5.00	4.00	3.50
	Achievement	3.12 ✓	3.91 ✓	3.80 ✓	3.25 ✓	3.17 ✓
Ratio of total outstanding debt to GSDP (in *per cent*)	Target	34.30	34.30	34.30	34.30	34.30
	Achievement	36.76 ✗	42.60 ✗	40.36 ✗	38.20 ✗	37.91 ✗

Source: MTFPSs 2019-20 to 2023-24, WBFRBM (Amendment) Acts 2020, 2021 & 2022 and Finance Accounts (2019-24)

Note 1: '✓' denotes target achieved, '✗' denotes target not achieved.

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

- The Revenue Deficit of the State was not eliminated, despite the target of 'Zero' set in MTFPS 2018-21. 15th FC, after assessing the revenue and expenditure of the State, recommended post-devolution Revenue Deficit (PDRD) grants of ₹ 8,353 crore, for the year 2023-24. It was noted that despite receipt of PDRD grants, the State registered RD of ₹ 25,691 crore (1.51 *per cent* of GSDP) in the FY 2023-24 which was however, within the target of 1.80 *per cent* as per the MTFPS. During the last five years from 2019-20 to 2023-24, RD grew at a CAGR of 6.92 *per cent.*
- Fiscal Deficit (₹ 53,992 crore), in FY 2023-24, increased by 8.45 *per cent*, in comparison to the preceding year (₹ 49,787 crore). FD, as a percentage of GSDP, was within the target of 3.50 *per cent*, set in the WBFRBM Amendment Act, 2024. However, FD as a percentage of GSDP increased from 3.12 *per cent* in the FY 2019-20 to 3.17 *per cent* in the current FY.
- Ratio of RD to FD slightly decreased to 47.58 *per cent* in the FY 2023-24, from 54.82 *per cent* in the FY 2022-23, which was still very high, indicating that most of the State's borrowings were used to finance the Revenue Deficit.
- In the FY 2023-24, Outstanding debt (₹ 6,44,817 crore) grew by 10.19 *per cent* (₹ 59,648 crore) over the previous year (₹ 5,85,169 crore).

During the last five years the ratio of OD to GSDP was above the limits set in the WBFRBM (Amendment) Act, 2020.

1.8.1 Targets of fiscal variables in the 15th FC and Budget – achievement there-against

Table 1.6 shows the targets specified for major fiscal variables during the FY 2023-24, in the 15th FC Report, as well as in the Budget documents, and the actuals there-against.

Table 1.6: Targets *vis-à-vis* achievements in respect of major fiscal aggregates for the FY 2023-24

Fiscal Variables	Targets as prescribed by 15th FC	Targets in the Budget	Actuals	Variation of actuals over	
				Targets of 15th FC	Targets in Budget
Revenue Deficit/GSDP (in *per cent*)	1.20	1.80	1.51	(-) 0.31	(+) 0.29
Fiscal Deficit/ GSDP (in *per cent*)	3.00	3.83	3.17	(-) 0.17	(+) 0.66
Outstanding Debt/GSDP (in *per cent*)	42.20	37.67	37.91	(+) 4.29	(-) 0.24

Source: Recommendations of 15th FC, MTFPS 2023-24 and Finance Accounts 2023-24

Note: (+) denotes 'Achievement' and (-) denotes non-achievement or short-achievement

- The 15th FC, in its Report, mentioned that the State could not meet the target set for RD, and the shortfall in revenue would be met by an equivalent provision of PDRD grant. **Table 1.6,** however, shows that the State continued to register Revenue Deficit, in deviation from the estimations of the FC and thereby undermining the fiscal consolidation path suggested by the 15th FC.
- The Fiscal Deficit, with respect to the target set in the Budget, was achieved but remained higher than the target set by the 15th FC, by 0.17 *per cent*.
- Regarding the ratio of Debt to GSDP, it was noted that the actuals were lower than the target of the 15th FC, by 4.29 *per cent* but higher than the target set in the State Budget by 0.24 *per cent*.

1.8.2 Medium Term Fiscal Policy

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

Table 1.7 indicates the variation between the projections made for 2023-24, in the MTFP presented to the State Legislature, along with the Actuals of the year 2023-24.

Table 1.7: Actuals *vs.* Projections in the MTFP for 2023-24

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2023-24)	Variation
		(₹ in crore)		(in *per cent*)
1	Own Tax Revenue	88,595	89,986	1.57
2	Non-Tax Revenue	6,377	3,238	(-) 49.22
3	Share of Central Taxes	76,844	84,972	10.58
4	Grants-in-aid from GoI	40,821	22,072	(-) 45.93
5	Revenue Receipts (1+2+3+4)	2,12,637	2,00,268	(-) 5.82
6	Revenue Expenditure	2,43,561	2,25,959*	(-) 7.23
7	Revenue Deficit (5-6)	(-)30,924	(-)25,691	16.92
8	Fiscal Deficit (-)	(-)65,839	(-)53,992	17.99
9	Debt-GSDP ratio (*per cent*)	37.67	37.91	(-) 0.64

Source: Finance Accounts, MTFPS 2023-24
**Actual figure would be ₹2,26,867 crore if ₹908 crore, incorrectly booked as Capital Expenditure is considered. Resultantly, variation of actuals w.r.t. MTFPS would be (-)6.85 per cent.*

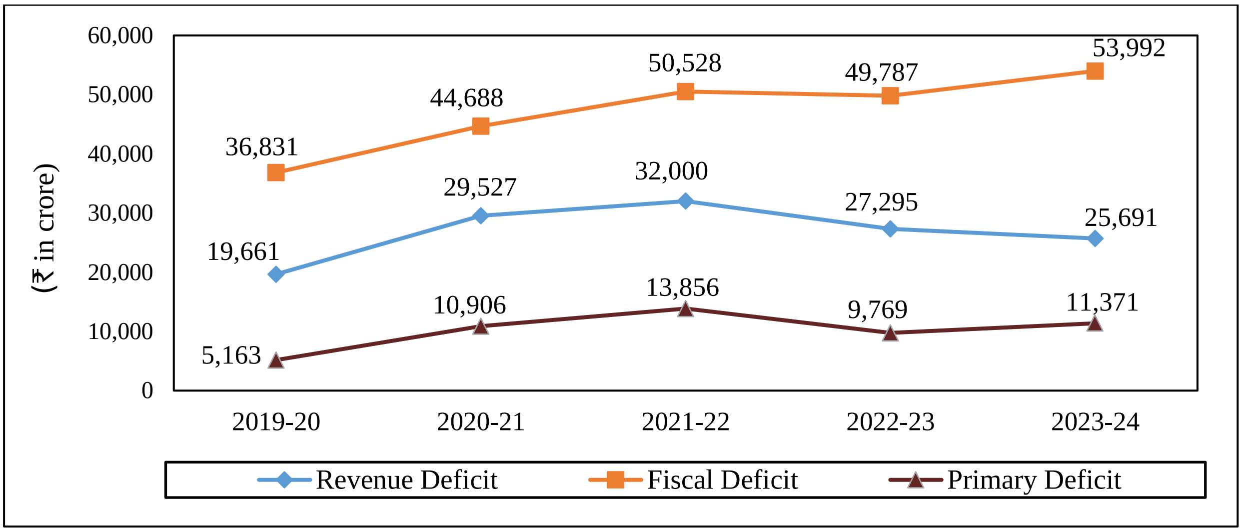
As may be seen from **Table 1.7**, two (Non-Tax Revenue and Grants-in-Aid from GoI) out of the four revenue variables, were lower than the projections made in MTFPS. Of these, collection of State's Non-Tax Revenue and share of Grants-in-aid from GoI were significantly lower than the projection, by 49.22 and 45.93 *per cent* respectively. Following the WBFRBM (Amendment) Act 2011, RD was to be eliminated from the FY 2014-15 onwards. However, the State set a target of ₹ 30,924 crore via the MTFPS for RD, which was achieved, along with FD targets set. In case of the ratio of Debt to GSDP, it was slightly higher than the target set. Variations in the above fiscal variables have been discussed in subsequent sections of this Report.

1.8.3 Fiscal Parameters

The three key fiscal parameters – Revenue, Fiscal and Primary Deficits - indicate the extent of overall fiscal imbalances during a specified period.

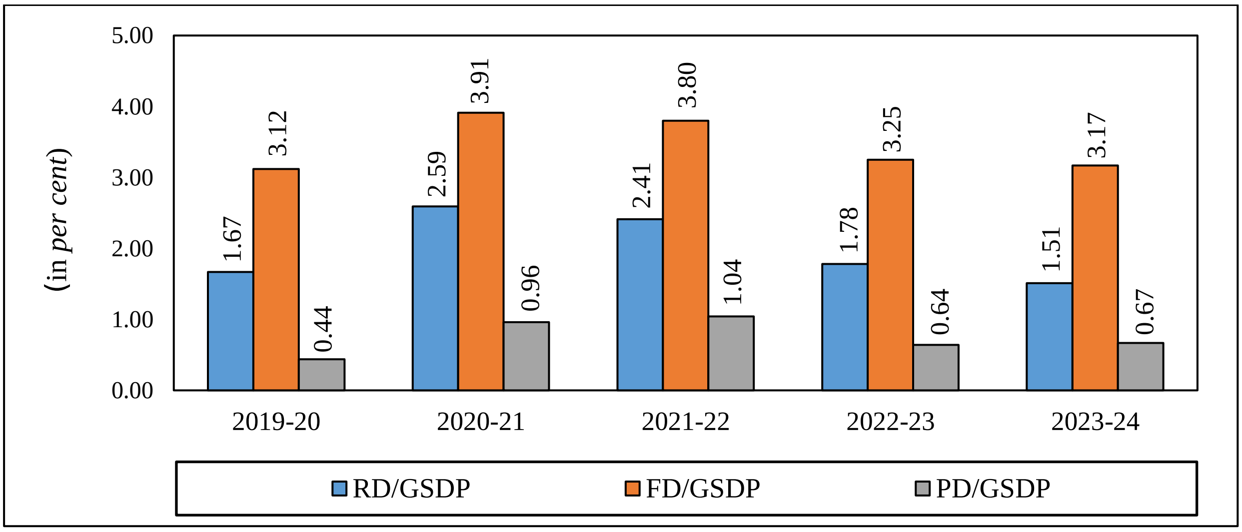
Charts 1.4 and **1.5** present the trends in deficit parameters and trends relative to GSDP, respectively, over the period 2019-24.

Chart 1.4: Trends in deficit parameters



Source: Finance Accounts

Chart 1.5: Trends in Deficit relative to GSDP



Source: Finance Accounts

During the FY 2023-24, Revenue Expenditure grew by 1.40 *per cent*, whereas Revenue Receipts grew by 2.42 *per cent*, which led to decrease in the Revenue Deficit by 5.88 *per cent*, to ₹ 25,691 crore, from the level of ₹ 27,295 crore during the FY 2022-23. Revenue Receipts and Revenue Expenditure have been discussed in detail in **Chapter II** of this Report.

The State had a Fiscal Deficit of ₹ 53,992 crore during the FY 2023-24, representing 3.17 *per cent* of the GSDP and 21.11 per cent of the Total Expenditure. Increase in Capital Expenditure by ₹ 6,954 crore (31.60 *per cent*) over the FY 2022-23, led to enhanced FD.

Primary Deficit (PD) increased by 16.40 *per cent* to ₹ 11,371 crore, as the growth of expenditure was more than that of receipts over the FY 2022-23, widening the gap of deficit.

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

The borrowings of the State Government are governed by Article 293(1) of the Constitution of India, under which the State Governments can borrow money within the territory of India, upon security of the Consolidated Fund of the State. Such borrowings are regulated under Article 293(3) of the Constitution of India, under which the State is required to obtain consent of the GoI. The State Government is, therefore, required to obtain consent from Ministry of Finance, Government of India, for raising open market borrowings (OMBs).

In line with the recommendations of the 15th FC, GoI had fixed the borrowing limit of the State, for the FY 2023-24, at 3.00 *per cent* of the estimated GSDP. The State was also eligible for additional borrowing of 0.50 *per cent* of GSDP, linked to the performance of the power sector. Against the GoI's permissible limit of borrowing of ₹ 1,06,688 crore for the FY 2023-24, GoWB has availed OMBs of ₹ 69,910 crore.

1.9 Impact of certain transactions on major fiscal indicators during the FY 2023-24

Scrutiny of certain major transactions during the FY 2023-24 revealed that RD and FD were affected by certain accounting adjustments (some of them are brought out in Notes to Finance Accounts) and through post audit analysis which are detailed in **Table 1.8.**

Table 1.8: Impact on revenue and fiscal deficits owing to certain major transactions during the FY 2023-24

Particulars	Impact on Revenue Deficit (Understated)	Impact on Fiscal Deficit (Understated)	Paragraph Reference
	(₹ in crore)		
Short contribution to Consolidated Sinking Fund	1,644.68	1,644.68	2.12.3.1
Non-transfer of Cess to the specific fund	1,543.47	1,543.47	4.2
Misclassification between Capital and Revenue Expenditure	908.17	-	3.3.2
Non-recoupment of Contingency Fund drawal	0.32	52.98	2.11
Non-payment of interest despite delayed transfer of central share to the Single Nodal Agencies	1.35	1.35	2.5.3.2(a)
Total	**4,097.99**	**3,242.48**	

Source: Finance Accounts and Audit Analysis

As may be seen from **Table 1.8**, there was understatement of RD and FD, by ₹ 4,098 crore and ₹ 3,242 crore, respectively. Thus, the State's actual RD and FDs stood at ₹ 29,789 crore and ₹ 57,234 crore, respectively, instead of ₹ 25,691 crore and ₹ 53,992 crore (as mentioned in **Paragraph 1.7.3**).

1.10 Post Audit– Total Outstanding Debt

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

Table 1.9: Components of Outstanding Debt/Liabilities as on 31 March 2024

Borrowings and other liabilities, as per Finance Accounts	Amount (₹ in crore)
Internal Debt (A)	**5,23,402**
Market Loans bearing interest	4,77,044
Bonds	2
Loans from Financial Institutions	8,379
Special Securities issued to the National Small Savings Fund of the Central Government	37,977
Loans and Advances from the Central Government (B)	**37,181**
Other Loans for States Schemes	25,876
Pre-1984-85 Loans	5
Non-Plan Loans	3,277
Loans for State/Central Plan Schemes	8,023
Liabilities under the Public Accounts (C)	**84,234**
Small Savings, Provident Funds, etc.	23,872
Reserve Funds	6,441
Deposits	53,921
Total (A+B+C)	**6,44,817**

Source: Finance Accounts

Out of the total outstanding debt/liabilities, as on 31 March 2024, Internal Debt constituted 81.17 *per cent,* followed by liabilities under the Public Account at 13.06 *per cent* and loans & advances from Central Government at 5.77 *per cent*.

GoWB did not disclose the off-budget liabilities in their budget documents/ annual financial statements and also intimated that there was no off-budget borrowing during the FY 2023-24. However, there were some borrowings, prior to 2023-24, by the Government for meeting its own commitments on various schemes, which were not routed through the budget as well as the accounts, and thus remained outside legislative control. These borrowings were raised on behalf of the State Government, through Government owned or controlled public sector enterprises or societies.

GoWB, during 2009-11, raised Cash Credit Loans (CCLs) through two State Public Sector Undertakings[6], for implementation of the scheme 'Potato Procurement 2010', in shape of off-budget borrowings. These borrowings were raised from the West Bengal Central Co-operative Bank. GoWB, during 2023-24, repaid ₹ 12.15 crore as principal and ₹ 2.43 crore as interest, to these entities, which was accounted for as Grants-in-Aid. At the end of 2023-24, repayment of ₹ 12.15 crore, towards principal, was due upto March 2024, from these two entities. Thus, Outstanding Debt/Liabilities of ₹ 6,44,817 crore, as on 31 March 2024, shown in the Finance Accounts, remained understated by ₹ 12.15 crore. This position of outstanding off-budget liability emerged from audit scrutiny, on a test basis. The State Government did not disclose all its off-budget liabilities in its budget documents/annual financial statements. Details of off-budget borrowings have been discussed in **Chapter II** of this Report.

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