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 FYs 2019-20 to 2023-24, 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 FY 2023-24 *vis-à-vis* FY 2022-23

Major changes in key fiscal aggregates of the State during FY 2023-24, compared to the previous year, are given in **Table 2.1**.

Table 2.1: Changes in key fiscal aggregates in 2023-24 compared to 2022-23

Revenue Receipts	✓ Revenue Receipts of the State increased by 2.42 *per cent* ✓ Own Tax Receipts of the State increased by 7.63 *per cent* ✓ Own Non-Tax Receipts increased by 47.38 *per cent* ✓ State's Share of Union Taxes and Duties increased by 18.95 *per cent* ✓ Grants-in-aid from Government of India decreased by 42.38 *per cent*
Revenue Expenditure	✓ Revenue Expenditure increased by 1.40 *per cent* (1.81 *per cent* considering misclassification between Revenue and Capital Expenditure) ✓ Revenue Expenditure on General Services increased by 6.34 *per cent* ✓ Revenue Expenditure on Social Services decreased by 10.85 *per cent* (9.71 *per cent* considering misclassification between Social & Economic services and Revenue & Capital Expenditure) ✓ Revenue Expenditure on Economic Services increased by 37.39 *per cent* (35.89 *per cent* considering misclassification between Economic & Social services and Revenue & Capital Expenditure) ✓ Expenditure on Grants-in-aid and Contributions increased by 76.72 *per cent*
Capital Receipts	✓ Debt Capital Receipts increased by 14.13 *per cent* ✓ Non-debt Capital Receipts increased by 1,675.61 *per cent*
Capital Expenditure	✓ Capital Expenditure increased by 31.60 *per cent* (27.47 *per cent* considering misclassification between Revenue and Capital Expenditure)

	✓ Capital Expenditure on General Services decreased by 11.91 *per cent* ✓ Capital Expenditure on Social Services increased by 3.69 *per cent* (would decrease by 1.79 *per cent* considering misclassification between Revenue & Capital Expenditure) ✓ Capital Expenditure on Economic Services increased by 58.45 *per cent* (55.27 *per cent* considering misclassification between Revenue & Capital Expenditure)
Loans and Advances	✓ Disbursement of Loans and Advances increased by 40.53 *per cent* ✓ Recoveries of Loans and Advances increased by 1,675.61 *per cent*
Public Debt	✓ Public Debt Receipts increased by 14.13 *per cent* ✓ Repayment of Public Debt increased by 1.96 *per cent*
Public Account	✓ Public Account Receipts increased by 4.21 *per cent* ✓ Disbursement from Public Account increased by 3.82 *per cent*
Cash Balance	✓ Cash balance increased by 18.56 *per cent*

Source: Finance Accounts

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

2.3 Sources and Application of Funds

Table 2.2 below compares the sources and application of funds of the State during 2023-24 with respect to 2022-23.

Table 2.2: Details of Sources and Application of funds during 2022-23 and 2023-24

Parameters	Particulars	2022-23	2023-24	Increase/Decrease (*percentage shown in brackets*)
		(₹ in crore)		
Sources	Opening Cash Balance with RBI	32,602	32,039	(-)563 (-1.73)
	Revenue Receipts	1,95,544	2,00,268	4,724 (2.42)
	Recoveries of Loans and Advances	82	1,456	1,374 (1,675.61)
	Misc. Capital Receipts	0	0	0
	Public Debt Receipts (Net)	40,475	49,820	9,345 (23.09)
	Contingency Fund	180	0	(-)180 (-100.00)
	Public Account Receipts (Net)	8,701	10,163	1,462 (16.80)
	Total	**2,77,584**	**2,93,746**	**16,162 (5.82)**
Application	Revenue Expenditure	2,22,839	2,25,959	3,120 (1.40)
	Capital Expenditure	22,009	28,963	6,954 (31.60)

Parameters	Particulars	2022-23	2023-24	Increase/Decrease (*percentage shown in brackets*)
		(₹ in crore)		
	Contingency Fund Disbursement	(-)48	42	90 (187.50)
	Disbursement of Loans and Advances	565	794	229 (40.53)
	Appropriation to Contingency Fund	180	0	(-)180 (-100.00)
	Closing Cash Balance with RBI	32,039	37,988	5,949 (18.57)
	Total	**2,77,584**	**2,93,746**	**16,162 (5.82)**

Source: Finance Accounts

Note: Revenue Expenditure (RE) of ₹ 908 crore in FY 2023-24, was incorrectly booked as Capital Expenditure (CE). Actual RE during FY 2023-24 would thus be ₹2,26,867 crore instead of ₹2,25,959 crore. Similarly, actual CE during FY 2023-24 would be ₹28,055 crore instead of ₹28,963 crore.

A. Sources of Funds:

Revenue Receipts, in the shape of State's own revenue (₹ 93,224 crore) and Central tax transfer and grants (₹ 1,07,044 crore), emerged as a major contributor to the State's resources during the FY 2023-24. Contribution of Revenue Receipts in the total resources of the State, decreased to 68.18 *per cent* in the current year from 70.44 *per cent* in the PY. Share of Net Public Debt Receipts[7], which is mainly backed by market borrowings and loans & advances from GoI, increased to 16.96 *per cent* from 14.58 *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 10.91 and 3.46 *per cent* respectively from 11.74 and 3.13 *per cent* in the PY. The contribution through Non-Debt Capital Receipts, in the form of recovery of loans and advances, increased to 0.50 *per cent* from 0.03 *per cent* in the PY.

B. Application of Funds:

Out of the total resources mobilised in the current year, 44.25 *per cent* was spent on Committed Expenditure (₹ 1,29,976 crore) comprising salaries and wages (48.47 *per cent*), interest payments (32.79 *per cent*) and expenditure on pensions (18.74 *per cent*). From the balance, after accounting for CE (9.86 *per cent*), disbursement of loans and advances (0.27 *per cent*), contingency fund disbursement (0.01 *per cent*), and closing cash balance with RBI (12.93 *per cent*), Government was left with 32.68 *per cent* (₹ 95,983 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 the FY 2023-24 in terms of percentages.

[7] Difference between the borrowings received and repayment of borrowings
[8] Difference between the receipts in Public Account and disbursements from Public Account

Chart 2.1: Composition of Resources

(in *per cent*)

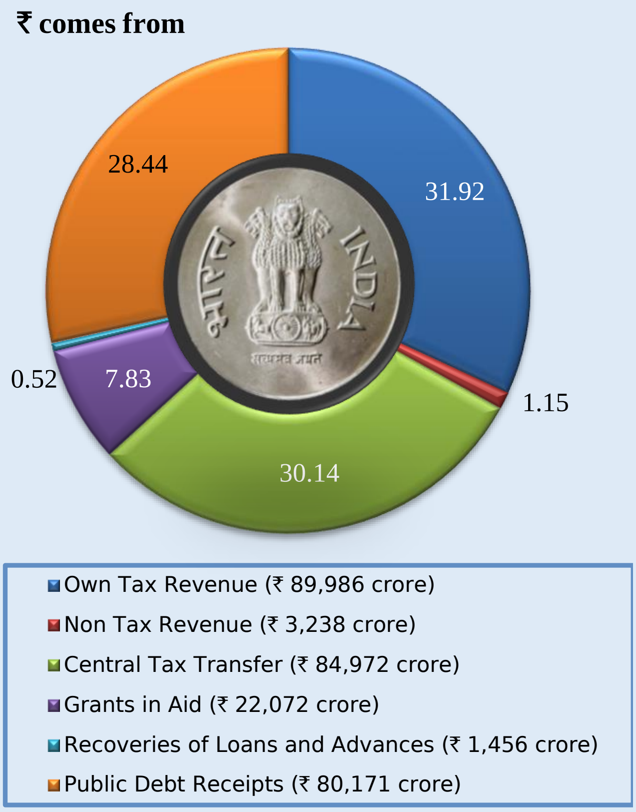
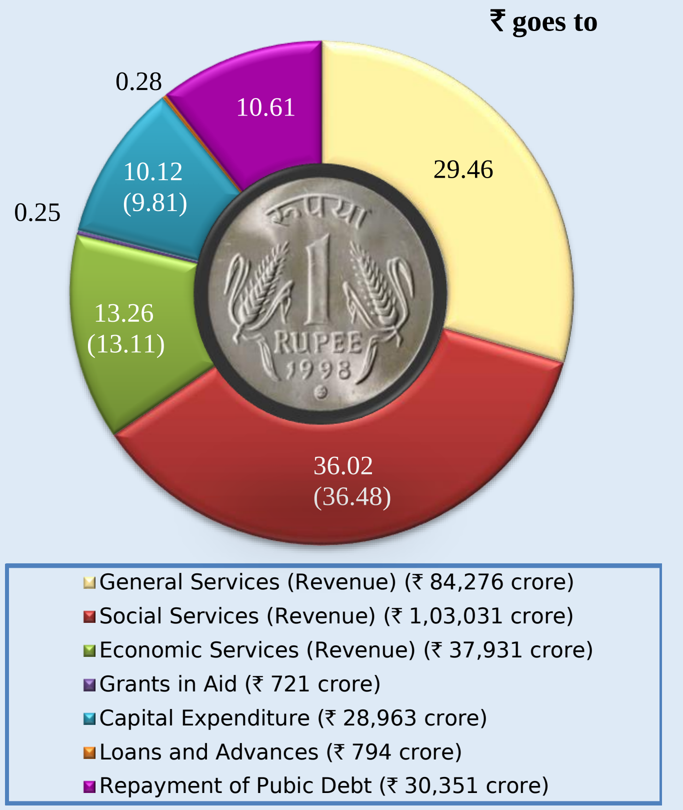


Chart 2.2: Application of Resources

(in *per cent*)



Source: Finance Accounts

*Note 1: Revenue Expenditure (RE) of ₹908 crore (Social Sector: ₹545 crore and Economic Sector: ₹363 crore) in FY 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. Details of this misclassification has been shown in **Paragraph 3.3.2.***

*Note 2: During the FY 2023-24, RE of ₹618 crore was misclassified in Social Services (SS) instead of Economic Services (ES). Similarly, ₹1,395 crore misclassified in ES instead of SS. Details of this misclassification has been shown in **Paragraph 2.7.** Revised percentage shares in the application of resources have been shown in brackets (**Chart 2.2**) after factoring the misclassification.*

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 50.57 *per cent* (₹ 42,621 crore)*;*
  - ➢ Beside Repayment of Public Debt (10.61 *per cent*), Interest Payments constituted 14.90 *per cent*, thereby taking overall Repayments to 25.51 *per cent* of the total expenditure in Consolidated Fund.

- The deficit in Consolidated fund was mainly financed through Public Debt Receipts (₹ 80,171 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 increase to 36.48 *per cent* instead of 36.02 *per cent*.
- Share of Economic Services (Revenue) would decrease to 13.11 *per cent* instead of 13.26 *per cent*.
- Share of Capital Expenditure would decrease to 9.81 *per cent* instead of 10.12 *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.

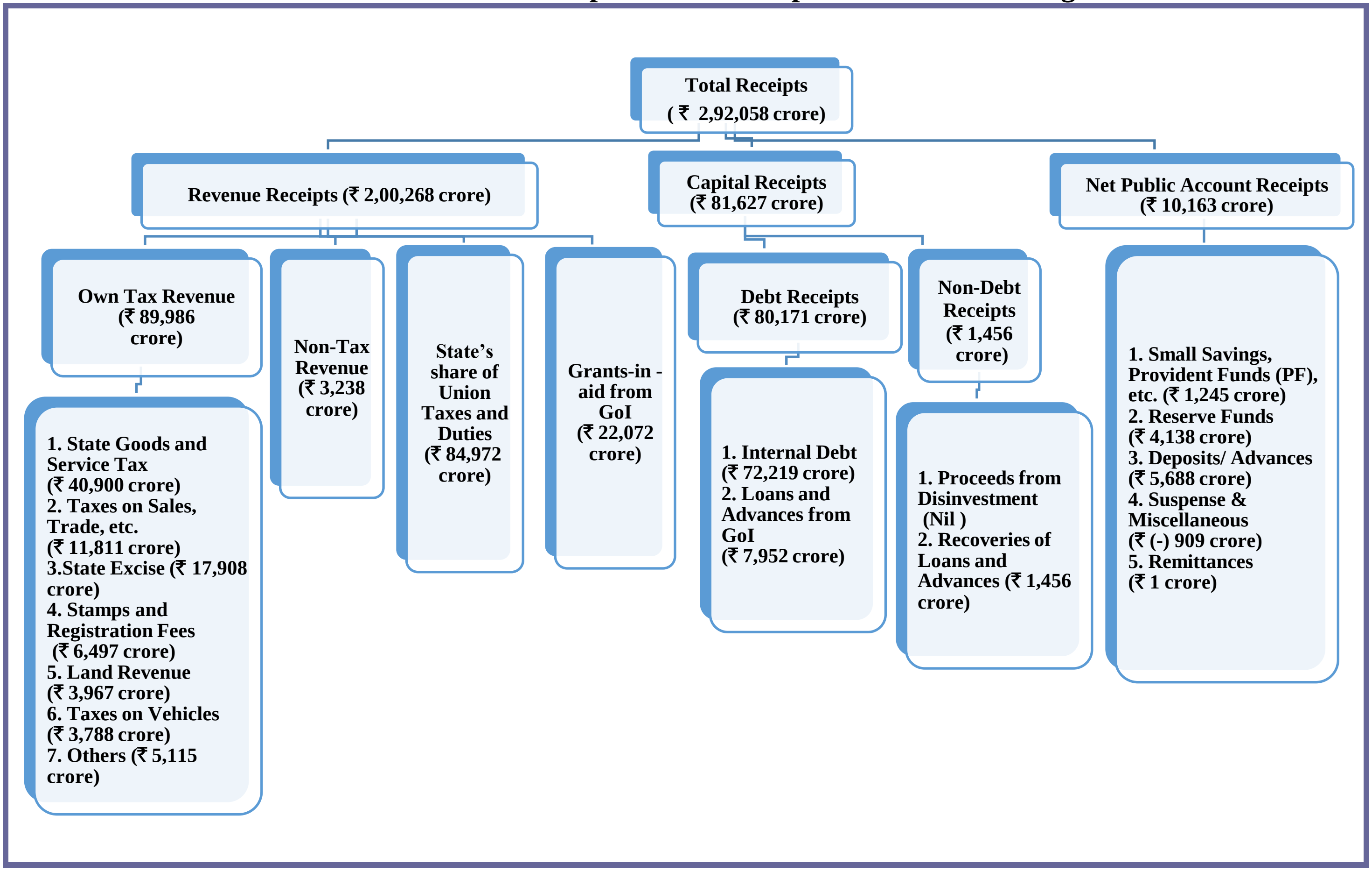
3. **Net Public Accounts Receipts:** There are receipts and disbursements in respect of certain transactions such as small savings & provident funds, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

   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 the FY 2023-24 is given in **Chart 2.3**.

Chart 2.3: Composition of receipts of the State during the FY 2023-24



Source: Finance Accounts

In total receipts during the FY 2023-24, contributions from Revenue Receipts, Capital Receipts and Net Public Account Receipts were 68.57, 27.95 and 3.48 *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 (2019-24).

Table 2.3: Trend in Revenue Receipts

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Receipts (RR) (₹ in crore)	1,42,914	1,48,394	1,78,159	1,95,544	2,00,268
Rate of growth of RR (in *per cent*)	(-)2.10	3.83	20.06	9.76	2.42
Tax Revenue (₹ in crore)	1,08,717	1,05,024	1,36,623	1,55,043	1,74,958
Own Tax Revenue (₹ in crore)	*60,669*	*60,287*	*71,082*	*83,608*	*89,986*
State's share of Union Taxes and Duties (₹ in crore)	*48,048*	*44,737*	*65,541*	*71,435*	*84,972*

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Non-Tax Revenue (₹ in crore)	3,213	5,198	1,690	2,197	3,238
Grants-in-aid from Government of India (₹ in crore)	30,984	38,172	39,846	38,304	22,072
Own Revenue (Own Tax and Non-Tax Revenue) (₹ in crore)	63,882	65,485	72,772	85,805	93,224
Rate of growth of Own Tax Revenue (in *per cent*)	(-)0.10	(-)0.63	17.91	17.62	7.63
Rate of growth of Own Revenue (in *per cent*)	(-)0.79	2.51	11.13	17.91	8.65
Gross State Domestic Product (₹ in crore) (2011-12 Series)	11,79,127	11,41,802	13,29,238	15,31,758	17,00,939
Rate of growth of GSDP (in *per cent*)	6.99	(-)3.17	16.42	15.24	11.04
RR/GSDP (in *per cent*)	12.12	13.00	13.40	12.77	11.77
Buoyancy Ratios[9]					
Revenue Buoyancy w.r.t GSDP	-*	-*	1.22	0.64	0.22
State's Own Tax Revenue Buoyancy w.r.t GSDP	-*	-*	1.09	1.16	0.69

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

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

- Revenue Receipts increased by ₹ 4,724 crore (2.42 *per cent*) in 2023-24 over the previous year backed by increase in State's share of Union Taxes and Duties by ₹ 13,537 crore (18.95 *per cent*), State's own tax revenue by ₹ 6,378 crore (7.63 *per cent*), Non-Tax Revenue by ₹ 1,041 crore (47.38 *per cent*), which were set-off by decrease in Grants-in-aid from GoI by ₹ 16,232 crore (42.38 *per cent*). Revenue Receipts grew at a CAGR of 8.80 *per cent* during 2019-20 to 2023-24.
- About 46.55 *per cent* of the Revenue Receipts in 2023-24 came from the State's own resources, while Central tax transfers and Grants-in-aid together contributed 53.45 *per cent*. This is indicative of the fact that West Bengal's fiscal position is largely dependent on Central transfers.
- In 2023-24, State's Own Tax Revenue Buoyancy with respect to GSDP decreased to 0.69 from 1.16 in the FY 2022-23. This meant that the growth of State's Own Tax Revenue did not keep pace with the growth of GSDP in the current fiscal.
- Revenue buoyancy with respect to GSDP measures the percentage change in the Revenue Receipts to the percentage change in GSDP. As can be seen from **Table 2.3** above, Revenue buoyancy during FYs 2022-23 and 2023-24 remained lower than one and kept decreasing which represents that

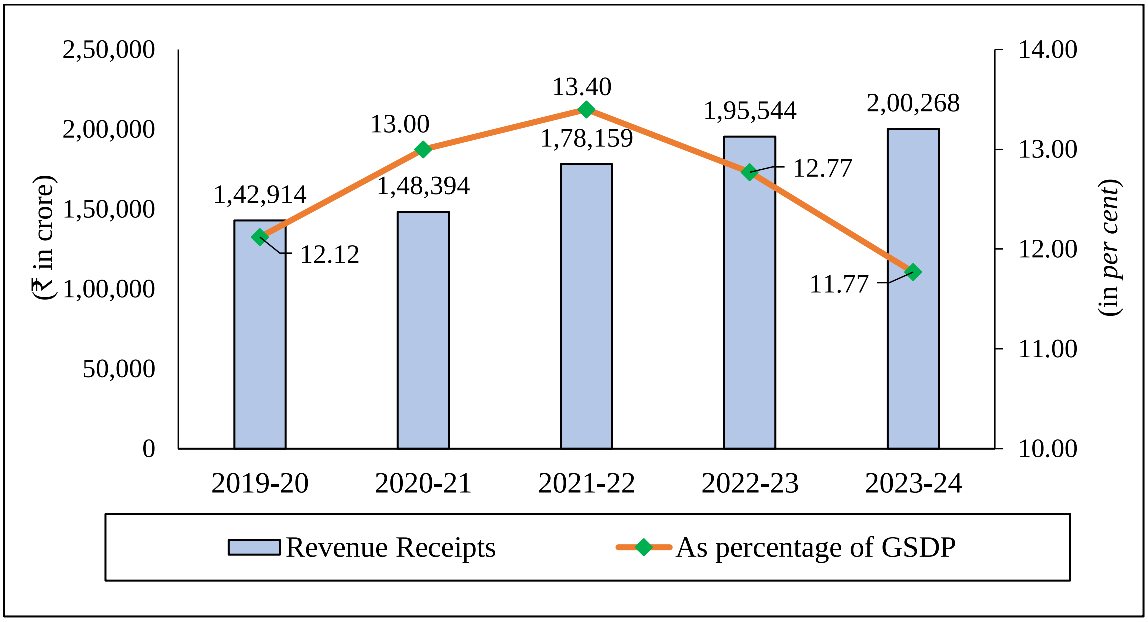
[9] Buoyancy indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one *per cent*.

Revenue Receipts have not kept pace with the rate of growth of GSDP.

- There was wide fluctuation in the revenue buoyancy of the State, as extraneous factors such as Finance Commission (FC) Award (14th FC from the FY 2014-15 to FY 2019-20 and 15th FC from the FY 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

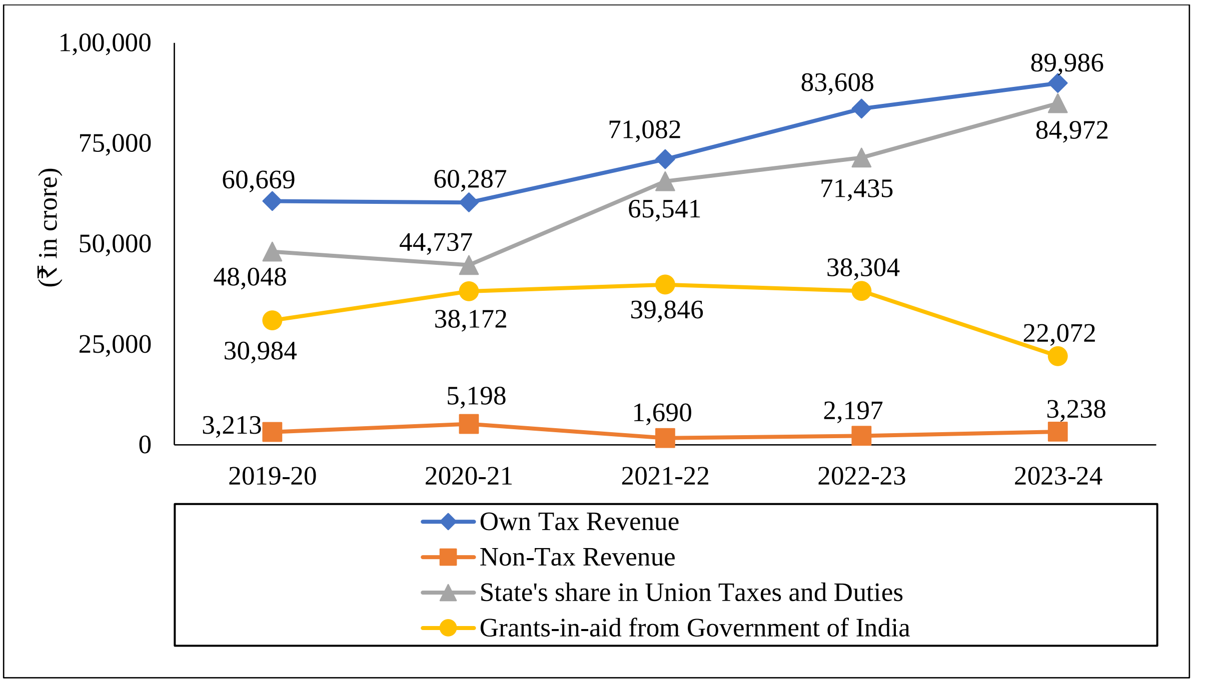


Source: Finance Accounts

Chart 2.4 shows that Revenue Receipts, as a percentage of GSDP, decreased to 11.77 in 2023-24, from the level of 13.40 in 2021-22, 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 from 2021-22 to 2023-24 after a dip in collection in 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

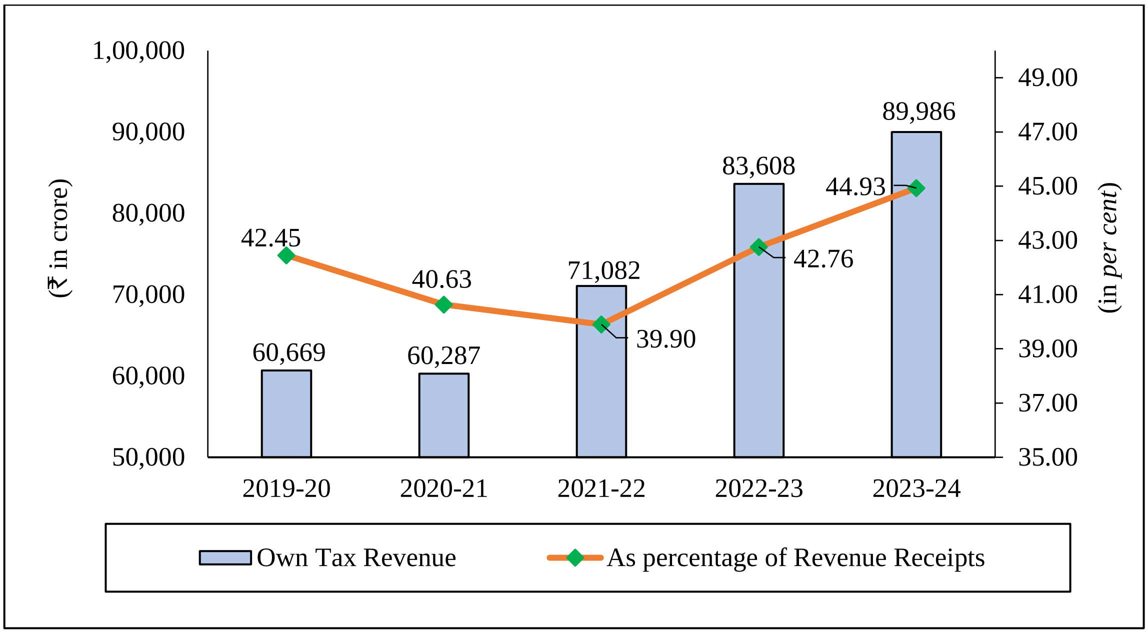
State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

The gross collections in respect of major Tax and Non-Tax Revenue and their relative share in GSDP from FYs 2019-20 to 2023-24 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 from FYs 2019-20 to 2023-24, are shown in **Chart 2.6** and **Table 2.4** respectively.

Chart 2.6: Trends of Own Tax Revenue during the FYs 19-24



Source: Finance Accounts

Table 2.4: Components of State's Own Tax Revenue

(₹ in crore)

Revenue Head	2019-20	2020-21	2021-22	2022-23	2023-24	Sparkline
Sales Tax	7,161	9,394	9,951	11,840	11,811	
SGST	27,308	26,013	31,271	37,967	40,900	
State Excise	11,232	10,666	13,542	16,266	17,908	
Taxes on Vehicles	2,601	2,336	2,647	3,392	3,788	
Stamps and Registration Fees	6,026	5,528	7,366	6,876	6,497	
Land Revenue	2,728	2,756	2,743	3,173	3,967	
Taxes on Goods and Passengers[10]	34	322	5	0	645	
Other Taxes	3,579	3,272	3,557	4,094	4,470	
Total	**60,669**	**60,287**	**71,082**	**83,608**	**89,986**	
Percentage increase over the previous year	(-)0.10	(-)0.63	17.91	17.62	7.63	

Source: Finance Accounts

OTR as a percentage of Revenue Receipts increased to the highest level of 44.93 *per cent*, during 2023-24, from the level of 42.76 *per cent* during the FY 2022-23 (**Chart 2.6**). Revenue collection dropped in the FY 2020-21 owing to 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

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

collection of revenues helped to raise the OTR collections by 7.63 *per cent* during the FY 2023-24 over the FY 2022-23. This may be corroborated from the fact that collection from three major components of OTR i.e., SGST, State Excise and Land Revenue increased by ₹ 2,933 crore (7.73 *per cent*), ₹ 1,642 crore (10.09 *per cent*) and ₹ 794 crore (25.02 *per cent*), respectively, over the FY 2022-23 (**Table 2.4**). This was partly counterbalanced by a decrease in collection from Stamp duties and Registration fees by ₹ 379 crore (5.51 *per cent*). Nevertheless, collection from this component was much higher than the pre-pandemic period, since, effective 9 July 2021 to 30 June 2024, 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 10 *per cent* reduction in circle rate for all immovable properties.

(a) 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 the FY 2023-24, 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 2024 (₹ in crore)
1	Agricultural Income Tax	28
2	Rural Employment & Primary Education Cess on Tea Estate	50
3	Stamps and Registration Fees	102
4	State Excise	22
5	VAT, Central Sales Tax	7,959
6	Electricity Duty	112
7	Entertainment Tax and Luxury Tax	62
Total		**8,335**

Source: MTFPS 2024-25

The MTFPS, presented with the Budget 2024-25, revealed that, at the end of the FY 2023-24, arrears in realisation of revenue were ₹ 8,335 crore. Against these arrears, there was no dispute regarding realisation of ₹ 1,279 crore, of which cases exceeding one to two years involved ₹ 45 crore, two to five years ₹ 37 crore, five to 10 years ₹ 1,026 crore and more than 10 years ₹ 171 crore. The circumstances under which the revenue of ₹ 1,279 crore had not been realised were not explained in the MTFPS. 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.

(b) Evasion of tax detected

The cases of evasion of tax detected, cases finalized and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. These details, as reported by the Finance Department, are depicted in **Table 2.6**.

Table 2.6: Details of evasion of tax detected by the Department

Head of revenue	Cases of evasion detected during 2017-18 to 2023-24	Against cases of tax evasion detected, no. of cases in which assessment / investigation completed and additional demand with penalty, etc. raised		No. of cases pending for finalisation as on 31 March 2024
		No. of cases	Amount of demand (₹ in crore)	
GST	37,656	28,834	18,888	8,822

Source: Departmental Information

Table 2.6 disclosed that assessment pertaining to 23.43 *per cent* cases of tax evasion detected by the Department remained outstanding at the end of the FY 2023-24.

(c) Outstanding refund cases

Promptness in disposal of refund cases is an important indicator of the performance of the Department concerned. Details of refund cases that remained outstanding in respect of Goods and Services Tax (GST), Sales Tax/VAT and State Excise, are shown in **Table 2.7**.

Table 2.7: Details of refund cases

Sl. No.	Head of revenue	Claim of outstanding at the beginning of 2023-24		Claim of outstanding at the end of 2023-24	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)
1.	GST	1,601	378	1,842	668
2.	Sales Tax/ VAT	35	24	53	13
3.	State Excise	-	-	226	96
Total		**1,636**	**402**	**2,121**	**777**

Source: Departmental Information

Table 2.7 depicted that in the current year, the total outstanding refund cases increased by 485 (29.65 *per cent*) over the PY while the amount involved against the refund cases increased by ₹ 375 crore (93.28 *per cent*). This was attributed to an increase in the balance of GST. During the FY 2023-24, refunds of ₹ 1,910 crore and ₹ 120 crore, were made under GST and Sales Tax/VAT, respectively.

2.5.2.2 *Non-Tax Revenue*

Non-Tax Revenue (NTR) of the State consists of interest earned from investment of surplus cash balances, dividends from State Public Sector Enterprises (SPSEs), collection of user charges/fees & fines etc.

Components of State's NTR, from the FYs 2019-20 to 2023-24, are given in **Table 2.8**.

Table 2.8: Components of State's NTR

(₹ in crore)

Revenue Head	2019-20	2020-21	2021-22	2022-23	2023-24	Sparkline
Interest Receipts	321	2,824	306	318	274	
Dividend and Profits	82	2	158	165	289	
Other Non-Tax Receipts, *of which*	2,810	2,372	1,226	1,714	2,675	
(i) Major and Medium Irrigation	15	4	5	10	14	
(ii) Road Transport and Roads & Bridges	64	62	67	136	90	
(iii) Urban Development	26	29	61	58	121	
(iv) Education, Sports, Art and Culture	63	30	55	94	122	
(v) Non-Ferrous Mining	215	173	195	331	585	
(vi) Others or Misc.	2,427	2,074	843	1,084	1,743	
Total	**3,213**	**5,198**	**1,690**	**2,197**	**3,238**	
Percentage increase over the previous year	(-)12.14	61.78	(-)67.49	30.00	47.38	

Source: Finance Accounts

During the FY 2023-24, West Bengal's collection of NTR (₹ 3,238 crore) was lowest amongst the General States[11] (GS) of India, despite increase in collection of ₹ 1,041 crore (47.38 *per cent*) over the FY 2022-23. In the current FY, contribution of NTR in Revenue Receipts of the State increased to 1.62 *per cent* from 1.12 *per cent* in FY 2022-23. This was mainly due to increase in collection of (i) dividends from Public Undertakings by ₹ 190 crore (198 *per cent*) and (ii) interest earned on unspent bank balances of SNAs' Accounts by ₹ 181 crore (115 *per cent*).

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

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

Audit noticed that no mechanism for accounting of these interest receipts on the unspent funds towards State schemes lying outside the State exchequer, had yet been framed (March 2024) by the Government. As a result, 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 2.9** presents the Tax and Non-Tax receipts *vis-à-vis* assessment of 15th FC and Budget projections during 2023-24.

Table 2.9: Tax and Non-Tax Revenue *vis-à-vis* projections during 2023-24

Resources	15th FC projections	Budget Estimates	Actual	Percentage variation of actual over	
	(₹ in crore)			15th FC projections	Budget estimates
Own Tax Revenue	82,888	88,595	89,986	8.56	1.57
Non-tax Revenue	3,921	6,377	3,238	(-)17.42	(-)49.22

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

As seen from the table, the actuals of OTR were higher than the 15th FC projections and budget estimates by 8.56 and 1.57 *per cent* respectively. The increase in OTR with respect to Budget Estimates was primarily due to the collection from SGST being at ₹ 40,900 crore, against the budget estimates of ₹ 37,792 crore.

However, in the case of NTR, actuals were substantially lower than the budget estimates and 15th FC projections, by 49.22 and 17.42 *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 5.29 and 0.19 *per cent*, respectively, were lower than the General State's average of 6.55 and 1.07 *per cent*. The above ratio suggests that the revenue collection mechanism of the State Government needs to be strengthened, to augment its revenue.

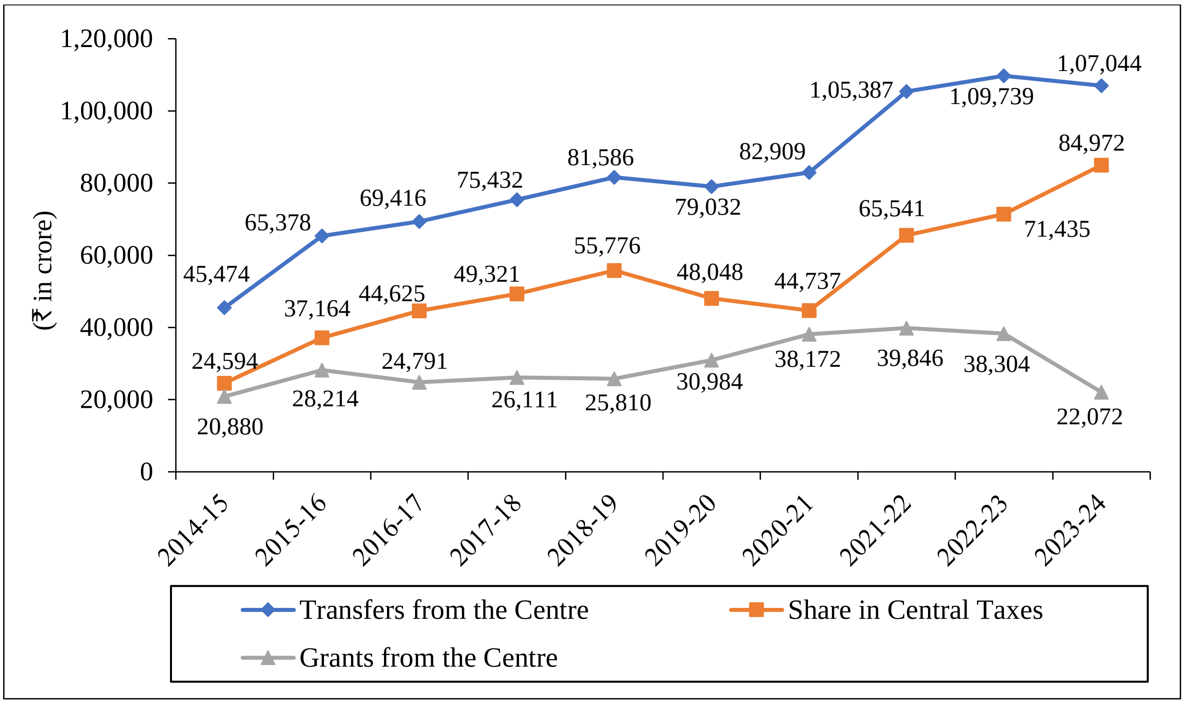
[12] ₹ 312.85 crore for Krishak Bandhu, ₹ 60.20 crore for Food & Supplies Department and ₹ 7.45 crore for Lakshmir Bhandar

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 are 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 the FY 2023-24, Central transfers decreased to ₹ 1,07,044 crore from ₹ 1,09,739 crore in the FY 2022-23, mainly due to decrease in Grants-in-Aid from the Government of India by 42.38 *per cent*.

The Fifteenth Finance Commission (15th FC) recommended that the States' share of Central taxes be fixed at 41 *per cent* during 2021-26, down from 42 *per cent* of shareable proceeds as recommended by the Fourteenth Finance Commission (14th FC) during 2016-20. In addition to the above, West Bengal's share in the net proceeds of Central taxes (divisible pool) was revised to 7.523 *per cent* of shareable proceeds under the 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 2.10**.

Table 2.10: Central Tax Transfers **(₹ in crore)**

Head	2019-20	2020-21	2021-22	2022-23	2023-24
Central Goods and Services Tax (CGST)	13,635	13,282	19,025	20,187	25,788
Corporation Tax	16,383	13,508	18,165	23,946	25,505
Taxes on Income other than Corporation Tax	12,837	13,849	19,791	23,383	29,454
Customs	3,046	2,368	4,892	2,808	2,978
Union Excise Duties	2,117	1,502	2,715	881	1,127
Service Tax	0	195	880	112	16
Other Taxes[13]	30	33	73	118	104
Total Central Tax transfers	**48,048**	**44,737**	**65,541**	**71,435**	**84,972**
Percentage increase over the previous year	(-)13.86	(-)6.89	46.50	8.99	18.95
Percentage of total Central tax transfers to Revenue Receipts	33.62	30.15	36.79	36.53	42.43

Source: Finance Accounts

During the FY 2023-24, Central Tax Transfers, with respect to the GSDP of the State (5.00 *per cent*), were higher than the average in case of other General States (3.67 *per cent*). The Central tax transfers, at ₹ 84,972 crore, in the FY 2023-24, increased by 18.95 *per cent* (₹ 13,537 crore) over the PY. Increase in the transfer of shareable proceeds from direct taxes and indirect taxes contributed to this rise. In direct taxes, increase was mainly noticed under (a) Taxes on Income other than Corporation tax by ₹ 6,071 crore (25.96 *per cent*) and (b) Corporation Tax by ₹ 1,559 crore (6.51 *per cent*). In the case of indirect taxes, the growth was on account of increase in transfers under (i) CGST by ₹ 5,601 crore (27.75 *per cent*) and (ii) Union Excise Duties by ₹ 246 crore (27.92 *per cent*), set off by decreases in Service Tax by ₹ 96 crore (85.71 *per cent*).

2.5.3.2 Grants-in-aid from Government of India

During the FY 2023-24, Grants-in-aid (GIA) from GoI, with respect to GSDP (1.30 *per cent*), were lower than the General States's average (1.40 *per cent*). Trends of GIA from GoI and its components are shown in **Table 2.11**.

Table 2.11: Grants-in-aid from Government of India

(₹ in crore)

Head	2019-20	2020-21	2021-22	2022-23	2023-24
Grants for Centrally Sponsored Schemes	16,963	17,604	11,077	9,858	7,112
Finance Commission Transfers	6,025	12,351	23,517	19,824	14,614
Other Transfer/Grants to States/Union Territories with Legislature	7,996	8,217	5,252	8,622	346
Total Grants	**30,984**	**38,172**	**39,846**	**38,304**	**22,072**
Percentage increase over the previous year	20.05	23.20	4.39	(-)3.87	(-)42.38
Percentage of GIA to Revenue Receipts	21.68	25.72	22.37	19.59	11.02

Source: Finance Accounts

Grants from Government of India decreased by ₹ 16,232 crore (42.38 *per cent*) over the previous year, to ₹ 22,072 crore in the FY 2023-24. This was mainly due to decrease in Finance Commission Transfers and Other Transfer/Grants to States, reasons for which have been discussed in succeeding paragraphs.

[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 stipulates 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 during FY 2023-24 had issued sanctions amounting to ₹ 354.86 crore, being the cost adjustment of vaccine/drugs/other consumables supplies 'in kind', given to the GoWB. State Government, during the FY 2023-24, issued necessary sanction orders, enabling credit of ₹ 354.86 crore in the State accounts.

(a) Grants for Centrally Sponsored Schemes

During the FY 2023-24, grants for Centrally Sponsored Schemes decreased by 27.85 *per cent* to ₹ 7,112 crore, details of which are as under:

- Pradhan Mantri Poshan Shakti Nirman (PM-POSHAN) (Nil grants[17]; a decrease of 100 *per cent* from ₹ 1,489 crore in the FY 2022-23);
- Samagra Shiksha (₹ 311 crore; a decrease of 79.57 *per cent* from ₹ 1,522 crore in FY 2022-23);
- Atal Mission for Rejuvenation and Urban Transformation (AMRUT) (₹ 60 crore; a decrease of 87.90 *per cent* from ₹ 496 crore in FY 2022-23);
- Flexible pool for RCH[18] and Health system functioning, National Health Programme and National Urban Health Mission (₹ 634 crore; a decrease of 30.71 *per cent* from ₹ 915 crore in FY 2022-23); and
- Pradhan Mantri Gradm Sadak Yojna (PMGSY) (₹ 99 crore; a decrease of 74.02 *per cent* from ₹ 381 crore in FY 2022-23).

Single Nodal Agency (SNA)- As per the newly introduced procedure of the GoI, release of funds under Centrally Sponsored Schemes (CSSs) is being operated through SNAs with effect from 1 July 2021. In West Bengal, 75 CSSs were found to be operating under the SNA mode. As per PFMS portal, GoWB transferred Central Share of ₹ 6,703 crore and State Share of ₹ 14,335 crore to the SNAs and charged the transfers to various expenditure heads. It was observed that an amount of ₹ 15,838 crore was lying unspent in the SNAs as of March 2024. Since the actual payments/ expenditure from SNA accounts are not routed through the Treasury, Audit could not examine the regularity, extent of occurrence, appropriate classification of expenditure and the purpose for which the funds were actually utilized.

Pursuant to GoI's directive (February 2023), from the FY 2023-24, the State Government was to transfer the Central share to the SNAs within 30 days of receipt of the fund from the GoI. In case of delay in transfer of funds beyond 30 days, penal interest at the rate of seven *per cent* per annum was to be charged and the fund along with the interest was to be transferred to the SNAs. In the FY

[14] List of Major and Minor Heads of Accounts
[15] Controller General of Accounts
[16] Ministry of Health and Family Welfare
[17] ₹ 0.03 lakh
[18] Rural Child Health

2023-24, there were delays (of one to 40 days) in transfers of Central share to the SNAs involving ₹ 24.12 crore in respect of 40 CSSs. However, the State Government did not pay interest of ₹ 1.35 crore for this delay. Non-payment of interest understated the RD and FD to that extent (**Table 1.8**).

(b) Fifteenth Finance Commission Transfers

During 2023-24, GoI released Fifteenth Finance Commission (15th FC) grants of ₹ 13,014 crore[19], against the allocation of ₹ 15,512 crore. The released grants included Post Devolution Revenue Deficit grants of ₹ 8,353 crore, local bodies grants of ₹ 3,546 crore and grants for State Disaster Response and Mitigation of ₹ 1,115 crore. Release of grants by GoI, *vis-à-vis* the allocations, recommended by 15th FC, during 2023-24, are detailed in **Table 2.12**.

Table 2.12: Release of 15th FC grants with respect to the allocation during the FY 2023-24

Sl. No.	Grants recommended by the 15th FC	Allocation	Actual release	Short/Non release
			(₹ in crore)	
1.	**Post Devolution Revenue Deficit Grants**	**8,353.00**	**8,353.00**	**-**
2.	**Grants to Local Bodies (A+B+C)**	**6,044.49**	**3,545.70**	**2,498.79**
(A)	**Grants to Rural Local Bodies (RLBs)**	**3,415.00**	**3,386.70**	**28.30**
	(i) Grants to RLBs (Tied grants)	2,049.00	2,033.23	15.77
	(ii) Grants to RLBs (Untied grants)	1,366.00	1,353.47	12.53
(B)	**Grants to Urban Local Bodies (ULBs)**	**1,759.00**	**159.00**	**1,600.00**
	(i) Grants to ULBs for Non-Million Plus Cities (Tied grants)	639.60	-	639.60
	(ii) Grants to ULBs for Non-Million Plus Cities (Untied grants)	426.40	-	426.40
	(iii) Grants to ULBs for Million Plus Cities in respect of Air Quality Improvement	231.00	159.00	72.00
	(iv) Grants to ULBs for Million Plus Cities in respect of Service level benchmarks for urban drinking water supply, sanitation and solid waste management	462.00	-	462.00
(C)	**Health Grant for Local Bodies**	**870.49**	**-**	**870.49**
	(i) Support to Diagnostic Infrastructure in the primary health care facilities of the Sub Centres	102.26	-	102.26
	(ii) Support to Diagnostic Infrastructure in the primary health care facilities of the PHCs	111.32	-	111.32
	(iii) Support to Diagnostic Infrastructure in the primary health care facilities of the Urban PHCs	27.82	-	27.82
	(iv) Financial requirement for establishing Block Level Public Health Units	72.69	-	72.69
	(v) Urban Health & Wellness Centres (UHWCs)	302.31	-	302.31
	(vi) Grants for Building-less Sub Centres, PHCs and CHCs	51.46	-	51.46

[19] This excludes grants released during FY 2023-24 to (i) RLBs (₹ 43.98 crore for FY 2021-22 and ₹ 85.15 crore for FY 2022-23), (ii) ULBs (₹422 crore for the FY 2021-22 and ₹ 941 crore for the FY 2022-23), (iii) Health (₹ 2.34 crore for the FY 2022-23) and (iv) SDMF (₹ 106.20 crore for the FY 2022-23).

Sl. No.	Grants recommended by the 15th FC	Allocation	Actual release	Short/Non release
		(₹ in crore)		
	(vii) Conversion of Rural PHCs and SCs into Health and Wellness Centre	202.63	-	202.63
3.	**Grants for Disaster**	**1,115.00**	**1,115.00**	-
	(i) State Disaster Response Fund (SDRF)	892.00	892.00	-
	(ii) State Disaster Mitigation Fund (SDMF)	223.00	223.00	-
	Total (1+2+3)	**15,512.49**	**13,013.70**	**2,498.79**

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 criterion[20], as mentioned in the 15th FC Report. States which had still shown a Revenue Deficit after apportioning devolutions, were recommended PDRD grants. Being a Revenue Deficit State, the 15th FC recommended PDRD grants of ₹ 45,128 crore to West Bengal from the FYs 2020-21 to 2024-25 (**Table 2.13**). These grants were provided in a manner so that the Revenue Deficit could taper off in successive years.

Table 2.13: 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 2.13 shows that around 99 *per cent* of the total grants were awarded in the first four years. As the grants will be substantially lower in the fifth year (FY 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 the FY 2023-24, and the actual Revenue Deficit registered, are shown in **Table 2.14**.

[20] 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*)

Table 2.14: 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
	2023-24	8,353	25,691

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 2.12**, there was a short receipt of grants, amounting to ₹ 2,499 crore, from the GoI.

- In regard to untied grants, the 15th FC had not mentioned any conditionalities for release. However, reasons for short/non-receipt of untied grants amounting to ₹ 439 crore[21], for Local Bodies, were not found on record.
- Finance Department, despite pursuance, did not furnish reasons for short/non-receipt of tied grants, amounting to ₹ 655 crore[22], 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 their 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 ₹ 3,862.63 crore[23] had been released with delays ranging between five and 83 days, due to which GoWB had to pay interest of ₹ 7.63 crore[24] during the FY 2023-24.

The Finance Department did not furnish reasons for delayed disbursements of FC grants by GoWB, despite being called for (June 2024).

(c) Other Transfer/Grants to States

In the category 'Other Transfer/Grants to States', the State received GIA of ₹ 346 crore, a decrease of nearly 96 *per cent* over the previous year. Discontinuation in release of grants for (i) 'GST compensation to the states by the GoI' and

[21] ₹ 426.40 crore for ULBs and ₹ 12.53 crore for RLBs
[22] ₹ 639.60 crore for ULBs and ₹ 15.77 crore for RLBs
[23] RLB grants of ₹ 1,836.63 crore *plus* ULB grants of ₹ 2,026.00 crore
[24] RLBs: ₹ 3.26 crore and ULBs: ₹ 4.37 crore

(ii) 'Rehabilitation package for Bangladeshi Enclaves', from the FY 2023-24, mainly led to the shortfall. During the FY 2022-23, GoWB received GIA of ₹ 8,228 crore and ₹ 108 crore, for those purposes.

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.

Trends of Capital Receipts and their components, during FYs 2019-20 to 2023-24, are shown in **Table 2.15**.

Table 2.15: Trends in the growth and composition of Capital Receipts

(₹ in crore)

Sources of State's Receipts	2019-20	2020-21	2021-22	2022-23	2023-24
Capital Receipts	**75,766**	**75,579**	**77,639**	**70,325**	**81,627**
Public debt receipts	75,699	75,429	77,581	70,243	80,171
Public debt repayment	40,413	26,890	31,540	29,768	30,351
Net Public Debt Receipts (1)	**35,286**	**48,539**	**46,041**	**40,475**	**49,820**
Growth rate (in *per cent*)	44.55	37.56	(-)5.15	(-)12.09	23.09
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	67	150	58	82	1,456
Non-debt Capital Receipts (2)	**67**	**150**	**58**	**82**	**1,456**
Capital Expenditure (3)	15,971	13,034	17,484	22,009	28,963
Disbursement of Loans and Advances (4)	1,266	2,277	1,102	565	794
Net Capital Receipts (1+2-3-4)	**18,116**	**33,378**	**27,513**	**17,983**	**21,519**
Rate of growth of Net Capital Receipts (in *per cent*)	1,267.25	84.25	(-)17.57	(-)34.64	19.66
Rate of growth of Capital Receipts (in *per cent*)	5.68	(-)0.25	2.73	(-)9.42	16.07
Rate of growth of GSDP (in *per cent*)	6.99	(-)3.17	16.42	15.24	11.04
Buoyancy of Net Public Debt Receipts w.r.t. GSDP (in *per cent*)	6.37	-*	-*	-*	2.09

Source: Finance Accounts

**Buoyancy Ratio was not calculated as the growth of GSDP/Net Public Debt Receipts were negative.*

Net Capital Receipts increased to ₹ 21,519 crore in 2023-24, an increase of 19.66 *per cent* (₹ 3,536 crore) from the level of 2022-23. This was mainly due to increase in net public debt receipts by ₹ 9,345 crore set off by increase in Capital Expenditure by ₹ 6,954 crore.

During FYs 2019-20 to 2022-23, around 43 *per cent* of the Public Debt Receipts were utilised for repayment of Public Debt taken in earlier years, while the remaining 57 *per cent* was utilised for other purposes. However, during FY 2023-24, 37.86 *per cent* of the Public Debt receipts were utilized towards repayment of Public Debt taken in earlier years.

Debt Receipts had a predominant share in Capital Receipts and contributed more than 98 *per cent* during FYs 2019-20 to 2023-24. In the FY 2023-24, it increased by 14.13 *per cent* over the PY.

Non-debt Capital Receipts, in the shape of recoveries of loans & advances and Miscellaneous Receipts, increased to ₹ 1,456 crore after an increase of ₹ 1,374 crore from the previous year's level. Significant recovery of loans from Public Sector Enterprises/Bodies/Authorities led to this increase.

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 2.16 gives the trend of total expenditure and its composition from FYs 2019-20 to FY 2023-24. The expenditure under various sectors, in respect of revenue and capital and their relative share in GSDP, from FYs 2019-20 to 2023-24, are given in ***Appendix 2.1***.

Table 2.16: Total expenditure and its composition

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
	(₹ in crore)				
Total Expenditure (TE)	1,79,812	1,93,232	2,28,745	2,45,413	2,55,716
Revenue Expenditure (RE)	1,62,575	1,77,921	2,10,159	2,22,839	2,25,959
Capital Expenditure (CE)	15,971	13,034	17,484	22,009	28,963
Loans and Advances	1,266	2,277	1,102	565	794
As a percentage of GSDP					
TE/GSDP	15.25	16.92	17.21	16.02	15.03
RE/GSDP	13.79	15.58	15.81	14.55	13.28
CE/GSDP	1.35	1.14	1.32	1.44	1.70
Loans and Advances/GSDP	0.11	0.20	0.08	0.04	0.05

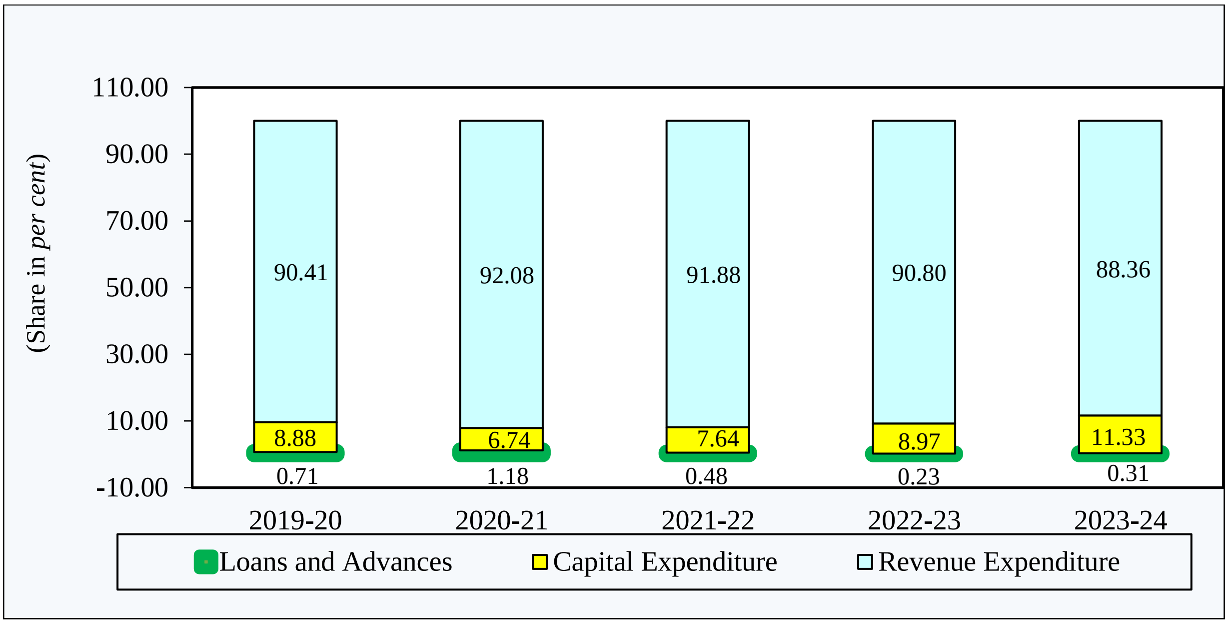
Source: Finance Accounts

Audit Impact: *Revenue Expenditure (RE) of ₹908 crore in FY 2023-24 was incorrectly booked as Capital Expenditure (CE), details of which has been shown in* ***Para 3.3.2****. The actual RE during the FY 2023-24, as depicted in* ***Table 2.16*** *would thus be ₹2,26,867 crore instead of ₹2,25,959 crore. Similarly, the actual CE, during the FY 2023-24, would be ₹28,055 crore, instead of ₹28,963 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 42.21 *per cent* over the FY 2019-20, while its ratio with GSDP decreased by 0.22 *per cent* indicating that the growth of TE was slower than the growth of GSDP. This is corroborated from the fact that RE, as a percentage of GSDP, reduced by 0.51 *per cent*. Payment of Loans and Advances to GSDP reduced from 0.11 to 0.05 *per cent* in the aforesaid period. The increase in TE, in 2023-24, by 4.20 *per cent* over the PY, was mainly due to enhanced CE under the Rural Development Programmes (by ₹ 4,112 crore) and Water Supply & Sanitation Programmes (by ₹ 3,917 crore).

Chart 2.8 presents the trends in share of components of TE from the FY 2019-20 to FY 2023-24.

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 change to 88.72 and 10.97 per cent during the FY 2023-24, if the misclassification of ₹908 crore from RE to CE, as pointed out by Audit and mentioned in the Audit Impact below ***Table 2.16****, is factored in.*

As evident from **Chart 2.8**, CE had decreased significantly during 2019-22, with its share as a percentage of TE decreasing from 8.88 *per cent* in FY 2019-20 to 7.64 *per cent* in the FY 2021-22. The share of CE, however, increased from 8.97 *per cent* in FY 2022-23, to 11.33 *per cent* in FY 2023-24.

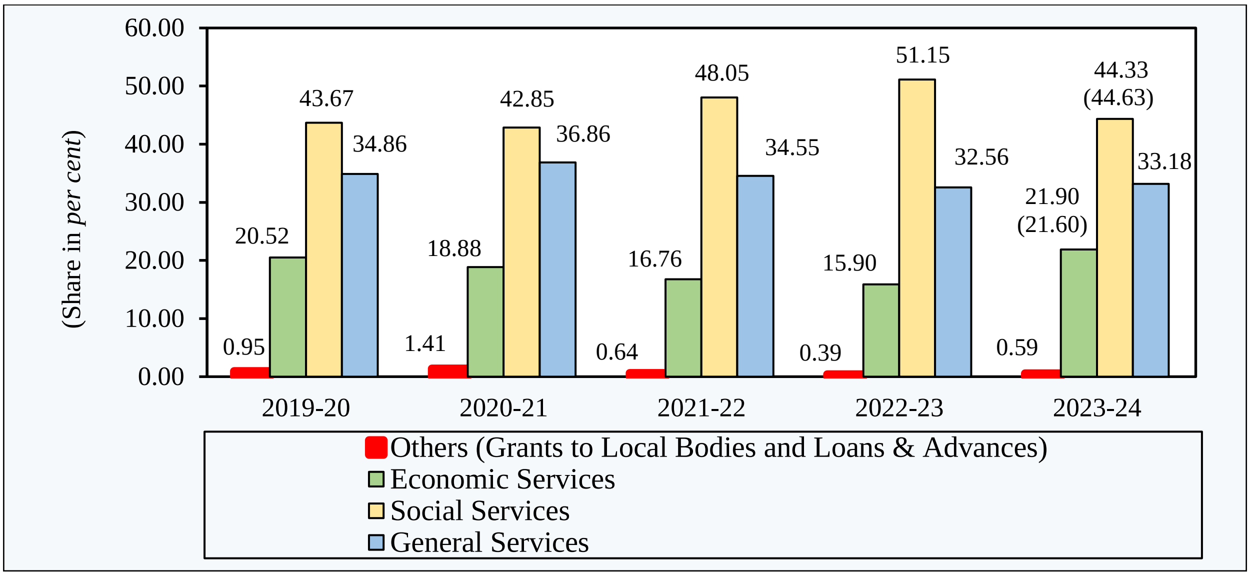
Table 2.17 gives the relative share of various sectors in expenditure while **Chart 2.9** presents TE by activities from the FYs 2019-20 to 2023-24.

Table 2.17: Relative share of various sectors of expenditure

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
	(in crore)				
General Services	62,679	71,230	79,040	79,909	84,853
Social Services	78,528	82,797	1,09,912	1,25,521	1,13,350
Economic Services	36,889	36,479	38,337	39,010	55,998
Others (Grants to Local Bodies and Loans and Advances)	1,716	2,726	1,456	973	1,515

Source: Finance Accounts

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 change (as shown in brackets) during the FY 2023-24 if the misclassification between RE & CE and misclassification of RE within the sectors (SS and ES), as pointed out by Audit and mentioned in Audit Impact below **Chart 2.2**, 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 43 to 51 *per cent* of the total expenditure was covered under this sector during FY 2019-20 to FY 2023-24. In the current year, the relative share of this sector decreased to 44 *per cent*, from the PY's level of 51 *per cent*.

The relative share of Economic Services (ES), increased to 22 *per cent* from the PY's level of 16 *per cent*. This was due to the fact that in the FY 2022-23, RE in the form of food subsidies (₹ 13,201 crore), was misclassified in the Head of Account (HoA) '2235' under SS instead of the HoA '2408' under Economic Services (ES). Such instances of misclassifications had also been noticed during the FY 2021-22 when food subsidies amounting to ₹ 12,729 crore in the HoA '2235' were booked in the SS instead of '2408' under ES. Finance Department, GoWB has given due cognizance of this misclassification and accordingly rectified the booking of food subsidies under ES in the Budget Estimates for the FY 2023-24.

Relative share of General Services expenditure remained around 33 *per cent* during last two FYs.

Issues of misclassifications effected during the FY 2023-24

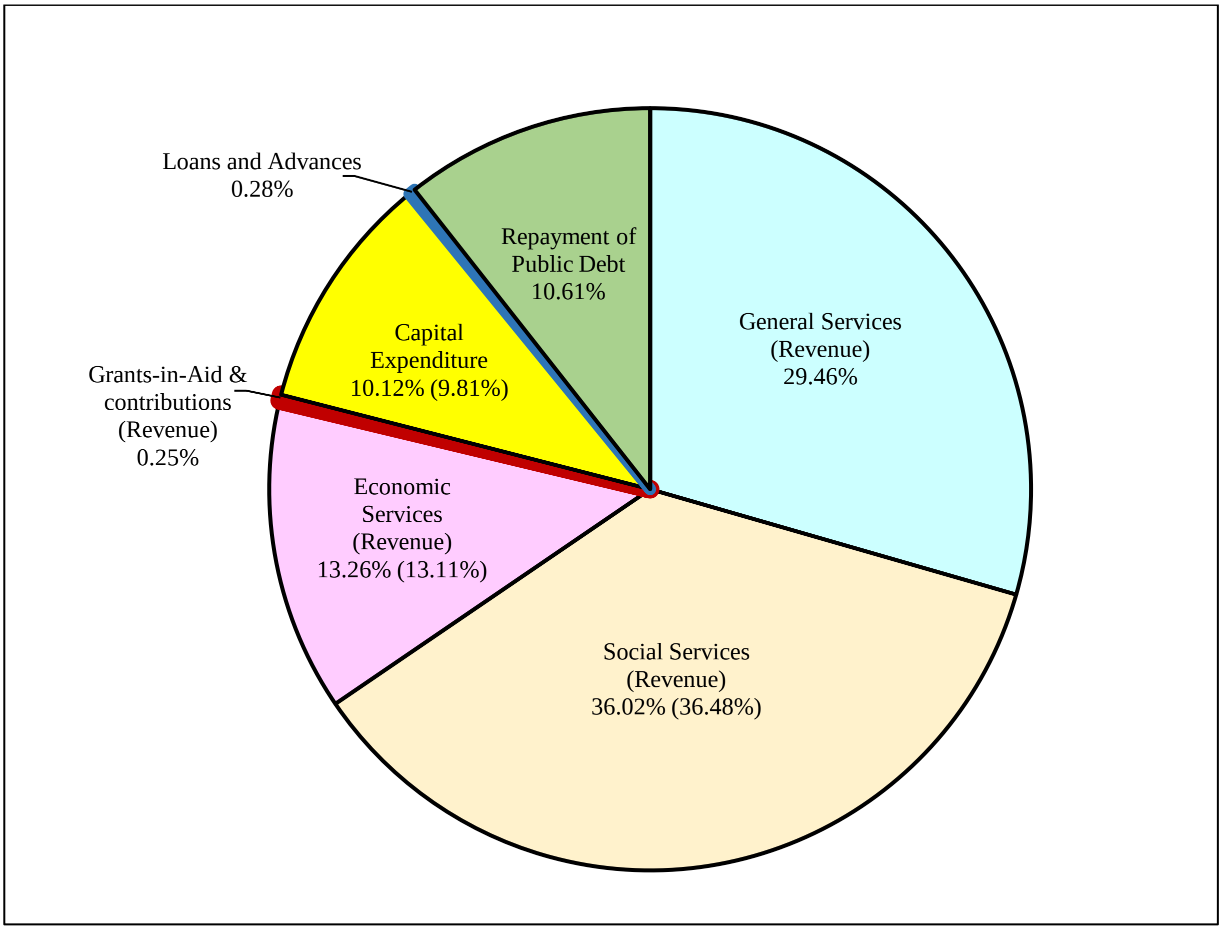
During 2023-24, Revenue Expenditure of ₹ 618 crore was misclassified in SS instead of ES. Similarly, ₹ 1,395 crore was misclassified in ES instead of SS, details of which are described below.

- In the scheme 'Nirmal Bharat Abhiyan', an expenditure of ₹ 787 crore was booked in the HoA '2515' under ES instead of the HoA '2215' under SS;

- In the scheme 'Hasir Alo', an expenditure of ₹ 315 crore was booked in the HoA '2801' under ES instead of '2235' under SS;
- An expenditure of ₹ 293 crore was booked in 'Control of Vector Borne Diseases Programme in Rural Areas' in the HoA '2515' under ES instead of '2210' under SS;
- An expenditure of ₹ 498 crore was booked in 'West Bengal Urban Employment' in the HoA '2217' under SS instead of '3475' under ES;
- In the scheme 'Solid Waste Management Mission', an expenditure of ₹ 120 crore was booked in the HoA '2217' under SS instead of '3435' under ES.

Chart 2.10 presents the total expenditure out of the Consolidated Fund during the FY 2023-24.

Chart 2.10: Total Expenditure out of the Consolidated Fund during the FY 2023-24



Source: Finance Accounts

*Note: The shares of CE and expenditures on social and economic sectors in Revenue section would change (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 2.16** and **Chart 2.2** respectively, is factored in.*

2.8 Revenue Expenditure

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

RE 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 RE, its rate of growth, its ratio to the total expenditure, from the FY 2019-20 to FY 2023-24, are shown in **Table 2.18**.

Table 2.18: Revenue Expenditure- Basic Parameters

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
	(₹ in crore)				
Total Expenditure (TE)	1,79,812	1,93,232	2,28,745	2,45,413	2,55,716
Revenue Expenditure (RE)	1,62,575	1,77,921	2,10,159	2,22,839	2,25,959
Rate of Growth of RE (*per cent*)	3.97	9.44	18.12	6.03	1.40
Revenue Expenditure as percentage of TE	90.41	92.08	91.87	90.80	88.36
RE/GSDP (*per cent*)	13.79	15.58	15.81	14.55	13.28
RE as percentage of RR	113.76	119.90	117.96	113.96	112.83
Rate of Growth of GSDP (*per cent*)	6.99	(-)3.17	16.42	15.24	11.04

Source: Finance Accounts

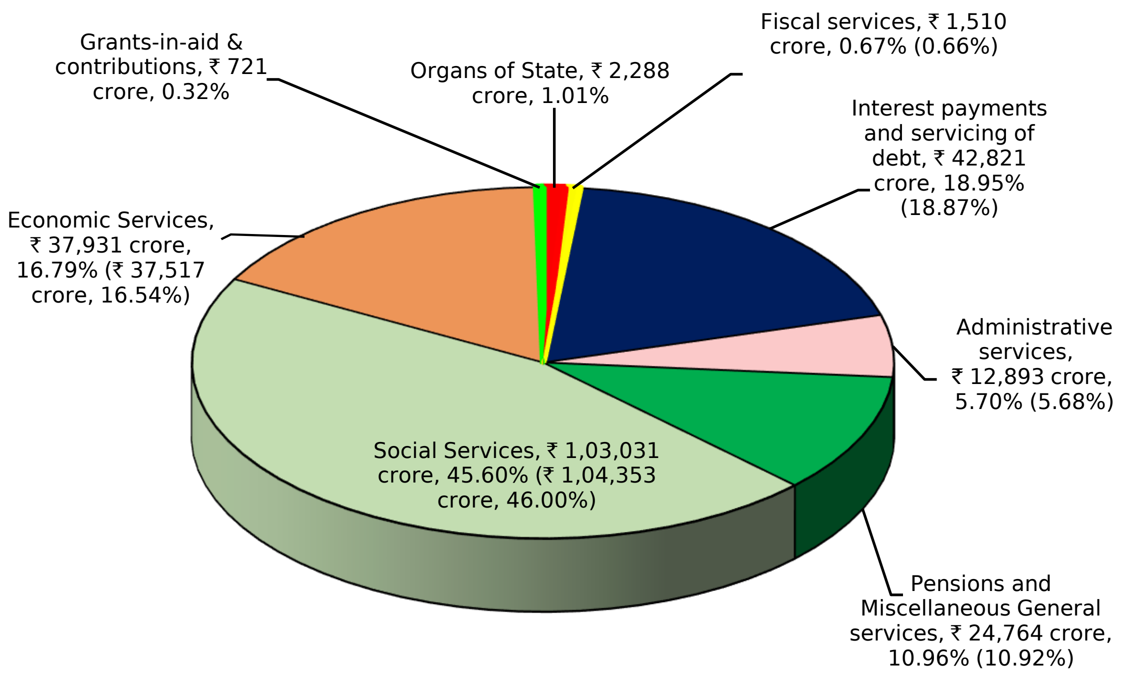
Note: Revenue Expenditure (RE) of ₹908 crore in FY 2023-24 was incorrectly booked as CE. The rate of growth of RE during the FY 2023-24 would be 1.81 instead of 1.40 per cent, if the misclassification between RE and CE is factored in. RE as a percentage of TE would also change to 88.72, instead of 88.36.

RE constituted a significant portion (88 to 92 per *cent*) of the TE during FY 2019-20 to FY 2023-24. Its share in the TE in the current year however, decreased by 2.44 *per cent* over the previous year.

The trend of RE as a ratio of GSDP, over the last five years ranged between 13 to 16 *per cent* (**Table 2.18**) whereas, the ratio of State's Revenue Receipts to GSDP hovered around 12 to 13 *per cent* (**Table 2.3**) which resulted in Revenue Deficits during the afore-mentioned period. These deficits were financed through borrowing which in turn adversely affected creation of assets and wealth generation.

The sector-wise distribution of Revenue Expenditure, during the FY 2023-24, is shown in **Chart 2.11**.

Chart 2.11: Sector-wise distribution of Revenue Expenditure during FY 2023-24



Source: Finance Accounts

Note: Changes in the amount and percentage of the sector-wise share of RE would change (as shown in bracket) if the misclassification between RE & CE as mentioned in ***Paragraph 3.3.2*** *and misclassification of RE among Social and Economic sectors, as mentioned in* ***Paragraph 2.7****, are factored in.*

2.8.1 Major changes in Revenue Expenditure

RE (₹ 2,25,959 crore) increased by 1.40 *per cent* (₹ 3,120 crore) over the previous year. Increase in ES by 37.39 *per cent* (₹ 10,322 crore), followed by increases in GS by 6.34 *per cent* (₹ 5,022 crore) and GIA and contributions by 76.72 *per cent* (₹ 313 crore), set off by decrease in SS by 10.85 *per cent* (₹ 12,538 crore), contributed to this growth.

Under ES, major increases were noticed in: (i) Agriculture and Allied Activities by ₹ 7,003 crore (75 *per cent*) and (ii) Rural Development by ₹ 1,990 crore (18 *per cent*).

Under GS, major increases were noticed in: (i) Organs of State[25] by ₹ 1,732 crore (312 *per cent*) and (ii) Interest Payments and servicing of Debt by ₹ 2,603 crore (six *per cent*).

Under SS, major decreases were noticed in: (i) Social Welfare and Nutrition by ₹ 10,903 crore (26 *per cent*) and (ii) Education, Sports, Art and Culture by ₹ 2,519 crore (six *per cent*).

Significant variations noticed in the major heads of account, during 2023-24, *vis-à-vis* 2022-23, are shown in **Table 2.19**.

Table 2.19: Variations in Revenue Expenditure during 2023-24, compared to the 2022-23

Major Heads of Account	2022-23	2023-24	Increase (+)/Decrease (-)
	(₹ in crore)		
2015-Elections	(-)455	1,055	1,510
2505-Rural Employment	2,072	3,116	1,044
2401-Crop Husbandry	6,523	7,559	1,036
2210-Medical and Public Health	13,249	14,250	1,001
2801-Power	1,965	2,884	919
2515-Other Rural Development Programmes	8,077	8,648	571
2236-Nutrition	1,275	1,798	523
2202-General Education	40,163	37,621	(-)2,542
2217-Urban Development	10,543	9,123	(-)1,420
2235- Social Security and Welfare	39,747	27,978	(-)11,769

Source: Finance Accounts

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

- During 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 in 2022-23, as mentioned in **Table 2.19** above.
- 'Assistance to Electricity Boards' increased to ₹ 2,739 crore, an increase of 71.62 *per cent* from ₹ 1,596 crore in the FY 2022-23;
- 'Pensions under Social Security Schemes' decreased to ₹ 164 crore, i.e. a decrease of 91.24 *per cent* from ₹ 1,872 crore in the FY 2022-23; and

[25] 'Organs of State' includes the Major Heads of Accounts (i) '2011- Parliament/ State/ Union Territory Legislatures', (ii) '2012- President, Vice-President/Governor/Administrator of Union Territories', (iii) '2013- Council of Ministers', (iv) '2014- Administration of Justice' and (v) '2015- Elections'.

- 'Assistance to Local Bodies, Corporations, Urban Development Authorities, Town Improvement Bodies etc.', decreased to ₹ 2,278 crore (a decrease of 28.43 *per cent* from ₹ 3,183 crore in 2022-23).

2.8.2 Committed expenditure

The Committed Expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. It has the first charge on Government resources. Upward trends in Committed Expenditure leaves 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 their components, from the FY 2019-20 to FY 2023-24, is shown in **Table 2.20** and the share of Committed Expenditure within the Revenue Expenditure, is shown in **Chart 2.12.**

Table 2.20: Components of Committed and Inflexible Expenditure

Components of Committed Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24
	(₹ in crore)				
Salaries & Wages	48,567	56,660	59,379	60,306	62,995
Of which, Grants-in-aid salary[26]	27,815	32,592	33,978	34,214	35,476
Expenditure on Pensions	17,462	21,394	26,676	24,624	24,360
Interest Payments	31,668	33,782	36,672	40,018	42,621
Total	**97,697**	**1,11,836**	**1,22,727**	**1,24,948**	**1,29,976**
Components of Inflexible Expenditure					
Statutory devolution to local bodies	450	450	354	408	721
Contribution to Reserve Funds	2,445	2,888	3,391	3,422	5,030
Recoupment of Contingency Fund	0	12	0	180	0
Transfer of cess to reserve fund/other body	708	32	47	137	540

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

Components of Committed Expenditure	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
	(₹ in crore)				
Total	**3,603**	**3,382**	**3,792**	**4,147**	**6,291**
As a *percentage* of Revenue Receipts (RR)					
Committed Expenditure					
Salaries & Wages	33.98	38.18	33.33	30.84	31.46
Expenditure on Pensions	12.22	14.42	14.97	12.59	12.16
Interest Payments	22.16	22.76	20.59	20.46	21.28
Total	**68.36**	**75.36**	**68.89**	**63.89**	**64.90**
Inflexible Expenditure	2.52	2.28	2.13	2.12	3.14
As a *percentage* of Revenue Expenditure (RE)					
Committed Expenditure					
Salaries & Wages	29.87	31.85	28.26	27.06	27.88
Expenditure on Pensions	10.74	12.02	12.69	11.05	10.78
Interest Payments	19.48	18.99	17.45	17.96	18.86
Total	**60.09**	**62.86**	**58.40**	**56.07**	**57.52**
Inflexible Expenditure	2.22	1.90	1.80	1.86	2.78
Non-Committed Revenue Expenditure (NCRE) (₹ in crore)	64,878	66,085	87,432	97,891	95,983
NCRE *w.r.t.* RE (in *per cent*)	39.91	37.14	41.60	43.93	42.48
NCRE *w.r.t.* TE (in *per cent*)	36.08	34.20	38.22	39.89	37.54
Subsidies (₹ in crore)	9,709	12,377	16,660	17,087	10,476
Subsidies as *percentage* of NCRE	**14.97**	**18.73**	**19.06**	**17.46**	**10.91**

Source: Finance Accounts

From 2019-20 to 2023-24, the Committed Expenditure ranged between 56 to 63 *per cent* of RE. In the FY 2023-24, its share out of RE and RR increased by 1.45 and 1.01 *per cent*, respectively. In the Committed Expenditure, during FYs 2019-24, 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.

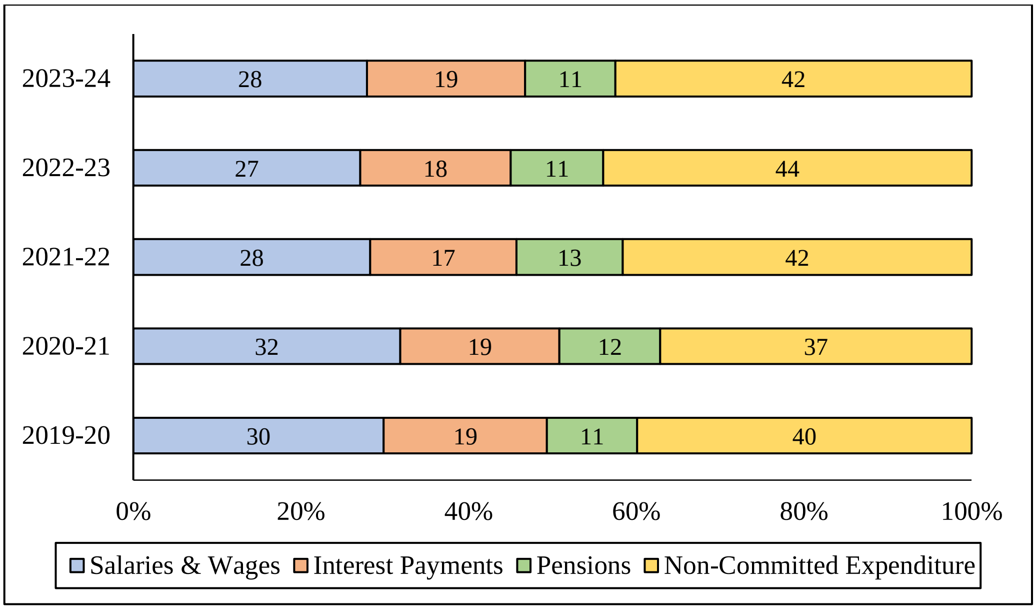
Inflexible expenditure, as a percentage of Revenue Receipts, increased to 3.14 *per cent* in the FY 2023-24 from 2.12 *per cent* in the FY 2022-23. Increase in the contribution to reserve funds by ₹1,639 crore, was mainly responsible for this hike.

NCRE, in the current year, decreased by 1.95 *per cent* (₹ 1,908 crore) over 2022-23 backed by the decrease in expenditure on subsidies by ₹ 6,611 crore. This decrease was partially counter-balanced by increased expenditure on schemes like '*Lakshmir Bhandar*[27]'(₹ 13,605 crore from ₹ 11,980 crore in FY 2022-23),

[27] A flagship program launched in February 2021, to provide monthly financial assistance to female household (₹ 1,000 to General category and ₹ 1,200 to SC/ST category) except Govt. Servants/Pensioners.

'*Krishak Bandhu*[28]'(₹ 5,635 crore from ₹ 4,994 crore in the FY 2022-23) and '*Swasthya Sathi*[29]'(₹ 2,510 crore from ₹ 2,500 crore in FY 2022-23).

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 FYs 2019-20 to 2023-24. Of the total salaries, Grants-in-Aid salaries hovered between 56-58 *per cent.* During the FY 2023-24, the share of salaries in RE increased by one *per cent* to 28 *per cent.* The increase during the FY 2023-24 was ₹ 2,689 crore (4.46 *per cent*) compared to an increase of ₹ 927 crore (1.56 *per cent*) during the FY 2022-23. Revision of pay with effect from 1 January 2020, pursuant to the West Bengal Services (Revision of Pay and Allowance) Rules[30], 2019, contributed to the significant increase in salary expenditure during 2020-21. Expenditure on Salary grew at a CAGR of 6.72 *per cent*, during FY 2019-20 to FY 2023-24.

Interest Payments

Interest Payments increased by ₹ 2,603 crore (6.50 *per cent*) from ₹ 40,018 crore in 2022-23 to ₹ 42,621 crore in 2023-24. Buoyancy of Interest Payments *vis-a-vis* Revenue Receipts in the current year remained at 2.69, implying that the increase in Interest Payments is much higher than the growth of Revenue Receipts. During FYs 2019-20 to 2023-24, Interest Payments grew at a CAGR of 7.71 *per cent.*

Interest payments during the FY 2023-24 constituted interest on: (i) Internal debt (₹ 37,288 crore; 87.49 *per cent*), (ii) Other obligations (₹ 2,208 crore; 5.18 *per cent*), (iii) Small savings, provident fund *etc.*, (₹ 1,729 crore; 4.06 *per cent*),

[28] A welfare scheme to provide financial assistance upto ₹10,000 per year to farmers.
[29] Scheme provides basic health cover for secondary and tertiary care up to ₹ 5 lakh per annum per family, premium of which is borne by the State Government.
[30] Deemed effective from 1 January 2016, without having any arrears of pay from 1 January, 2016 to 31 December, 2019

(iv) Loans and advances from the Central Government (₹ 307 crore; 0.72 *per cent*), (v) External debt (₹ 753 crore; 1.77 *per cent*) and (vi) Reserve funds (₹ 336 crore; 0.79 *per cent*).

The interest on internal debt increased by 5.47 *per cent* to ₹ 37,288 crore in 2023-24 from ₹ 35,354 crore in 2022-23, on account of increase in payment of interest on market loans by ₹ 2,504 crore (8.31 *per cent*). The interest on External Debt increased by ₹ 442 crore from ₹ 311 crore in 2022-23 to ₹ 753 crore in 2023-24, mainly on account of increase in interest of loans from ADB[31] and IBRD[32] by ₹ 272 crore and ₹ 133 crore, respectively.

Besides this, GoWB paid interest of ₹ 3 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 ₹ 42,621 crore was understated by ₹ 3 crore, with consequent overstatement of grants-in-aid.

Pensions

Expenditure on Pensions, in Revenue Expenditure, varied between 11 and 13 *per cent*, during FYs 2019-20 to 2023-24. Pension payments grew at a CAGR of 8.68 *per cent* during this period. In the current year, the expenditure on Pensions decreased by 1.07 *per cent* (₹ 264 crore) over the PY's expenditure (₹ 24,624 crore).

National Pension System

Government introduced the 'National Pension System' (NPS), a Defined Contribution Pension Scheme 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 to State Government employees.

During FY 2023-24, the State Government transferred the total contribution of ₹ 15.70 crore (including Government's contribution of ₹ 9.17 crore) in the Public Account of which ₹ 14.70 crore was further transferred to NSDL[33]. The remaining ₹ 1.00 crore was retained in the Public Account. Consequently, cash balance of the Government remained overstated to that extent.

2.8.3 Subsidies

There was a decrease in expenditure on subsidies in the FY 2023-24 as can be seen from the details given in **Table 2.21.** While subsidies as a percentage of Revenue Receipts decreased from 8.74 *per cent* in 2022-23 to 5.23 *per cent* in 2023-24, as percentage of Revenue Expenditure they decreased from 7.67 *per cent* in 2022-23 to 4.64 *per cent* in 2023-24. Major portion of the subsidies covered Food & Supplies as it constituted more than half of the total subsides.

[31] Asian Development Bank
[32] International Bank for Reconstruction and Development
[33] National Securities Depositories Limited

Table 2.21: Expenditure on subsidies during the FYs 2019-24

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Subsidies (₹ in crore)	9,709	12,377	16,660	17,087	10,476
Subsidies for Food & Supplies Department (₹ in crore)	6,794	9,149	12,757	13,201	5,995
Subsidies as a percentage of Revenue Receipts	6.79	8.34	9.35	8.74	5.23
Subsidies as a percentage of Revenue Expenditure	5.97	6.96	7.93	7.67	4.64
Subsidies as a percentage of Total Expenditure	5.40	6.41	7.28	6.96	4.10
Subsidies as a percentage to Revenue Deficit	49.38	41.92	52.06	62.60	40.78
Subsidies for Food & Supplies Department as percentage to total Subsidy	69.98	73.92	76.57	77.26	57.23

Source: Finance Accounts

Details of payments of subsidies are shown in **Appendix-II** of the Finance Accounts. As can be seen from **Table 2.21** above, there was a sharp increase in subsidies from the level of 2019-20 before falling in 2023-24. In the current year, expenditure on subsidies decreased by ₹ 6,611 crore (38.69 *per cent*). This was mainly due to reduction in supply of subsidized rice valuing ₹ 3,859 crore, to APL/BPL families in the TPDS[34], from ₹ 12,796 crore in 2022-23.

It was noticed that over the last several years a significant portion of subsidies was spent to provide either subsidized electricity to consumers or subsidy to State Transport Undertakings. During 2023-24, the outflows of subsidy, in the Power and Transport sectors, were ₹ 1,754 crore and ₹ 928 crore, respectively.

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 FYs 2019-20 to 2023-24, is presented in **Table 2.22**.

Table 2.22: Financial Assistance to Local Bodies and other Institutions

(₹ in crore)

Financial Assistance to Institutions	2019-20	2020-21	2021-22	2022-23	2023-24
(A) Local Bodies					
Municipal Corporations and Municipalities	4,529	5,166	5,965	8,022	6,186
Panchayati Raj Institutions	13,466	11,285	11,494	12,897	16,934
Total (A)	**17,995**	**16,451**	**17,459**	**20,919**	**23,120**
(B) Other Institutions					
Educational Institutions (Universities)	7,507	8,447	7,419	10,436	5,790

[34] Targeted Public Distribution System

Financial Assistance to Institutions	2019-20	2020-21	2021-22	2022-23	2023-24
Development Authorities	0	0	0	0	0
Other Autonomous Bodies	0	0	0	0	0
Co-operative Institutions	249	147	176	367	352
Public Sector Undertakings (PSUs)	298	179	181	499	267
Non-Government Organisations (NGOs)	23,244	27,048	28,408	28,796	30,642
Others[35]	12,329	10,859	26,323	35,064	39,916
Total (B)	**43,627**	**46,680**	**62,507**	**75,162**	**76,967**
Total (A+B)	**61,622**	**63,131**	**79,966**	**96,081**	**1,00,087**
Of which,					
GIA on Salary	27,815	32,592	33,978	34,214	35,476
GIA for non-salary	33,807	30,539	45,988	61,867	64,611
GIA for creation of Capital assets (C)	**8,249**	**10,450**	**10,371**	**5,229**	**3,735**
GIA given in kind (D)	**0**	**0**	**0**	**195**	**355**
Total (A+B+C+D)	**69,871**	**73,581**	**90,337**	**1,01,505**	**1,04,177**
Assistance as percentage of Revenue Expenditure	43	41	43	46	47

Source: Finance Accounts

Financial assistance of ₹ 1,04,177 crore was provided by the State Government to local bodies and other institutions by way of grants[36] in 2023-24 which comprises 40.74 *per cent* of the total expenditure of the State. Out of the total assistance, salary expenditure constituted 34.05 *per cent*, followed by expenditure on non-salary, capital assets and grants-in kind at 62.02, 3.59 and 0.34 *per cent*, respectively. The quantum of assistance grew at a CAGR of 10.50 *per cent*, between FYs 2019-20 and 2023-24, whereas, in the same period, RE and RR grew at a CAGR of 8.58 and 8.80 *per cent* respectively. Assistance in the current year, with respect to FY 2022-23, also grew at a rate of 2.63 *per cent*, compared to the growth of RE (1.40 *per cent*). These trends indicate increased dependency on transfers to local bodies and other institutions from the State finances.

To implement the 'Potato Procurement 2010' scheme, during 2009-11 the State Government raised Cash Credit Loans (CCLs) through Government controlled Public Sector Enterprises, via the off-budget route. During FY 2023-24, Government had borne its commitments on account of principal (₹ 12 crore) and interest (₹ 3 crore) from its budget by way of grants (₹ 15 crore). Thus, the total assistance of ₹ 1,04,177 crore, shown in the accounts, was overstated by ₹ 15 crore, with an understatement of principal repayment of debt (₹ 30,351 crore) and interest payments (₹ 42,621 crore) by ₹ 12 crore and ₹ 3 crore, respectively.

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

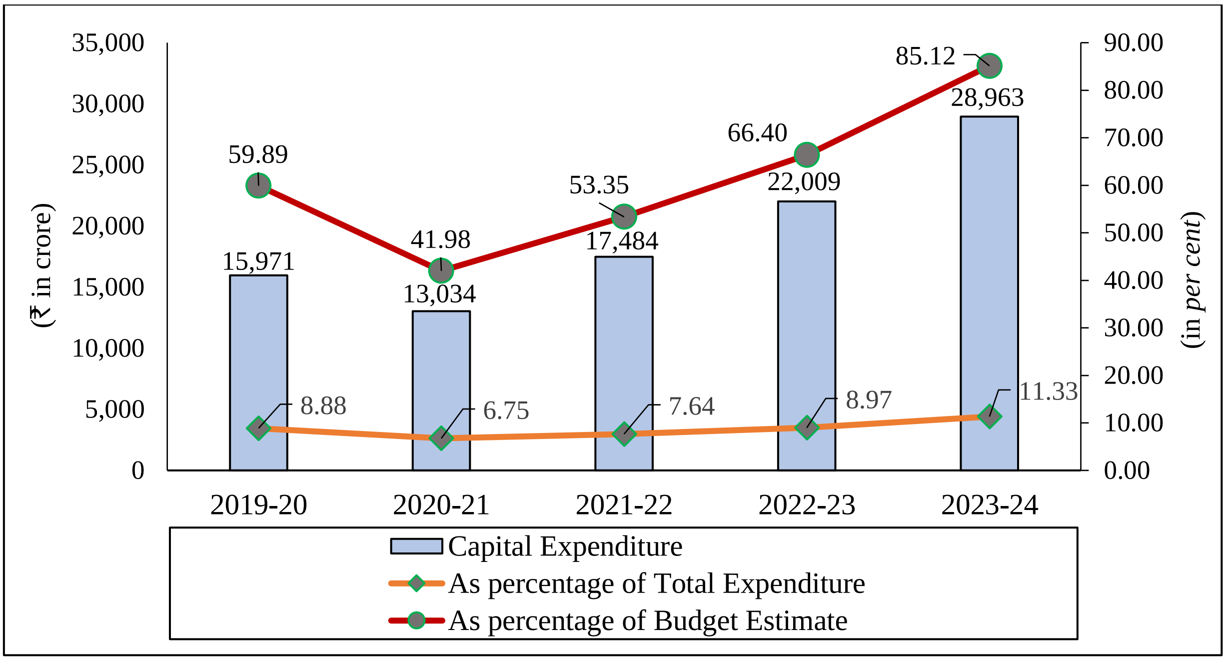
As can be seen from **Table 2.22**, 13.56 and 17.67 *per cent* of the RE, during FY 2023-24, was incurred on NGOs and Others, respectively, who are not accountable to the Government and do not come under the ambit of Audit.

The Autonomous Bodies and Authorities had arrear of accounts as of March 2024, as discussed in **Paragraph 4.11**. Release of financial assistance, without insisting on rendering of timely accounts is detrimental to public accountability and indicates poor financial management.

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 from the FY 2019-20 to 2023-24, is shown in **Chart 2.13**.

Chart 2.13: Capital Expenditure in the State



Source: Finance Accounts

Note: Revenue Expenditure (RE) of ₹908 crore in the FY 2023-24 was incorrectly booked as CE. Actual CE during the FY 2023-24 would be ₹28,055 crore instead of ₹28,963 crore. Hence, during the FY 2023-24, CE as a percentage of TE would be 10.97 per cent instead of 11.33 per cent.

Chart 2.13 shows that, in the current year, quantum of CE increased by ₹ 6,954 crore (31.60 *per cent*) though the CE as a percentage of total expenditure, increased by 2.36 *per cent* over the FY 2022-23. The higher increase of 2.36 *per cent* is attributable to the lower increase in Revenue Expenditure of ₹ 3,120 crore, relative to the increase in total expenditure by ₹ 10,303 crore.

In the current year, the actual CE was lesser than the CE, estimated in the budget by 14.88 *per cent* (₹ 5,063 crore). CEs are generally funded from the state's revenue balance and from non-debt Capital Receipts. As the State is running a Revenue Deficit and had negligible Capital Receipts hence, funding of CEs are dependent on borrowings.

In view of a higher multiplier effect of CE and in order to boost capital spending by States, 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 FY 2023-24, loans amounting to ₹ 10,235 crore[37] had been provided to the State. However, even after accounting for these loans, the State's CE, with respect to GSDP (1.70 *per cent*) in the FY 2023-24, remained below the average of General States (2.41 *per cent*).

The booking of CE (₹ 28,963 crore) has also to be viewed in light of the fact that ₹ 908.17 crore was incorrectly booked under capital section, instead of the revenue section (**Table 1.8** and **Paragraph 3.3.2**). Out of ₹ 908.17 crore, expenditure of ₹ 752.98 crore, in the nature of Grants-in-Aid, was misclassified as CE as stated in **Paragraph 3.3.2**.

2.9.1 Major changes in Capital Expenditure

Major changes in CE, during 2023-24, *vis-à-vis* 2022-23, are shown in **Table 2.23**.

Table 2.23: Major changes in CE during 2023-24 *vis-a-vis* 2022-23

Major Heads of Accounts	2022-23	2023-24	Increase (+)/ Decrease (-)
	(₹ in crore)		
4515-Capital Outlay on other Rural Development Programmes	853	4,965	4,112
4215-Capital Outlay on Water Supply and Sanitation	2,399	6,316	3,917
5054-Capital Outlay on Roads and Bridges	4,525	5,882	1,357
4801-Capital Outlay on Power Projects	1,315	2,183	868
4217-Capital Outlay on Urban Development	4,024	1,319	(-)2,705
4210-Capital Outlay on Medical and Public Health	2,186	1,346	(-)840
4859-Capital Outlay on Telecommunication and Electronic Industries	670	55	(-)615

Source: Finance Accounts

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

- 'Construction and upgradation of rural roads' under the newly introduced scheme '*Pathashree-Rastashree*' witnessed a significant outlay of ₹ 3,909 crore in the CY from the 'Nil' expenditure in the PY

[37] ₹ 630 crore for the FY 2020-21; ₹ 933 crore for FY 2021-22; ₹ 3,656 crore for FY 2022-23 and ₹ 5,016 crore for FY 2023-24

- CE for 'Piped Water Supply Schemes for Rural Areas (State Share)' increased to ₹ 2,135 crore, an increase of 286.08 *per cent* from ₹ 553 crore in the PY
- Expenditure under 'State Highways' increased to ₹ 3,769 crore, an increase of 52.53 *per cent* from ₹ 2,471 crore in the PY
- Expenditure under 'Thermal Power Generation' increased to ₹ 743 crore, an increase of 621.36 *per cent* from ₹ 103 crore in the PY
- Expenditure on 'AMRUT[38]', witnessed a significant outlay of ₹ 2,281 crore in the PY which reduced to 'Nil' in the CY
- Expenditure on 'Establishment of new Medical Colleges attached with District/Referral Hospitals' witnessed a significant outlay of ₹ 887 crore in the PY which reduced to 'Nil' in the CY
- Expenditure on 'Development and upgradation of Infrastructure' relating to Information Technology decreased to ₹ 55 crore, a reduction of 91.79 *per cent* from ₹ 670 crore in the PY.

2.9.2 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 CE.

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

As of 31 March 2024, the State Government's investment stood at ₹ 21,378 crore mainly in Government Companies (₹ 18,450 crore; 86.30 *per* cent), Statutory Corporations (₹ 902 crore; 4.22 *per cent*) and Co-operatives (₹ 796 crore; 3.72 *per cent*). During 2023-24, the total investment made by the Government was ₹ 1,546 crore with the major investments being in WBSEDCL[39] (₹ 666 crore), DPL[40] (₹ 421 crore), WBPDCL[41] (₹ 322 crore), WBHDCL[42] (₹ 16 crore), GCGSCL[43] (₹ 31 crore) and PBGB[44] (₹ 17 crore). The position of return on investments[45] during 2019-24, is given in **Table 2.24**.

Table 2.24: Return on Investment

Sl. No.	Investment/return/cost of borrowings	2019-20	2020-21	2021-22	2022-23	2023-24
1	Investment at the end of the year (₹ in crore)	18,154	18,288	18,705	19,832	21,378
2	Average Investment*	17,791	18,221	18,497	19,269	20,605
3	Return (₹ in crore)	82	2	158	165	289

[38] Atal Mission for Rejuvenation and Urban Transformation
[39] West Bengal State Electricity Distribution Company Limited
[40] Durgapur Projects Limited
[41] West Bengal Power Development Corporation Limited
[42] West Bengal Highway Development Corporation Limited
[43] Greater Calcutta Gas Supply Corporation Limited
[44] Paschim Banga Gramin Bank
[45] In Statutory Corporations, Government Companies, Co-operative Societies and Banks

Sl. No.	Investment/return/cost of borrowings	2019-20	2020-21	2021-22	2022-23	2023-24
4	Rate of return (*per cent*) [(3)/(2)*100]	0.46	0.01	0.85	0.86	1.40
5	Interest Payment on Government Borrowings	31,668	33,782	36,672	40,018	42,621
6	Outstanding Liabilities#	4,33,475	4,86,430	5,36,478	5,85,169	6,44,817
7	Average Outstanding Liabilities*	4,13,388	4,59,953	5,11,454	5,60,824	6,14,993
8	Average rate of interest on Government Borrowings (per cent) [(5)/(7)*100]	7.66	7.34	7.17	7.14	6.93
9	Difference between rate of return and interest rate (*per cent*) [4-8]	(-)7.20	(-)7.33	(-)6.32	(-)6.28	(-)5.53
10	Difference between return on investment and interest on Government borrowings [3-5]	(-)31,586	(-)33,780	(-)36,514	(-)39,853	(-)42,332

Source: Finance Accounts
#Indicate interest-bearing and non-interest bearing liabilities
**Calculated as average of closing balances of previous year and current year*

The State Government earned a meagre return of ₹ 289 crore in FY 2023-24 on its investment of ₹ 21,378 crore in various Corporations/Companies/Co-operatives. Dividends were received only from State Government PSUs (₹ 286.19 crore) and Co-operative Banks & Societies (₹ 2.81 crore). The return on investment was negligible at 1.40 *per cent* during 2023-24, far lower than the average rate of interest (6.93 *per cent*) paid by the Government on its borrowings.

(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 2.25** presents the outstanding loans and advances, as on 31 March 2024, along with interest receipts, from the FY 2019-20 to FY 2023-24.

Table 2.25: Quantum of loans disbursed and recovered during the last five years

Quantum of loans disbursed and recovered	2019-20	2020-21	2021-22	2022-23	2023-24
			(₹ in crore)		
Opening Balance of loans outstanding	12,779	13,979	16,106	17,150	17,633
Amount advanced during the year	1,267	2,277	1,102	565	794
Amount recovered during the year	67	150	58	82	1,456
Closing Balance of the loans outstanding	13,979	16,106	17,150	17,633	16,971
Net addition	1,200	2,127	1,044	483	(-)662
Interest received	122	118	97	49	73

Source: Finance Accounts

- Out of the total loans and advances disbursed during FY 2023-24 (₹ 794 crore), Social Services accounted for ₹ 186 crore (23.43 *per cent)*, Economic Services for ₹ 607 crore (76.45 *per cent*) and the remaining ₹ 1 crore was to

Government Servants. Within Social Services, KMC[46] received major share of ₹ 165 crore for the implementation of KEIIP[47] project and in Economic Services it was mainly for Government Companies (₹ 485 crore) and Statutory Corporations (₹ 106 crore).

- WBSEDCL (Distribution Company) repaid working capital loan amounting to ₹ 1,000 crore which contributed to higher recovery during 2023-24.
- The Government was providing loans to Autonomous Bodies, whose annual accounts were in arrears (**Paragraph 4.11**).
- Interest received on loans decreased from ₹ 122 crore in 2019-20 to ₹ 73 crore in 2023-24 despite an increase in outstanding loans from ₹ 13,979 crore to ₹ 16,971 crore in the aforesaid period.
- The interest in arrears (as of end of March 2023), in respect of loans maintained by AG (A&E) was ₹ 10,021 crore. During 2023-24, the interest received was ₹ 73 crore, which works out to 0.73 *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 ₹ 18,136 crore (Principal: ₹ 7,931 crore and Interest: ₹ 10,205 crore), was overdue, as on 31 March 2024. Power utilities like, WBPDCL replied that non-realisation of receivables from the WBSEDCL as per the PPA[48] led to shortage of cash flows which in turn caused non-repayment of outstanding loan of ₹ 685 crore at the end of March 2024.
- The principal and interest payment in arrears, in respect of loans maintained by the 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 117 loans valued at ₹ 793 crore, sanctioned by the State Government during the FY 2023-24, eight loans, valued at ₹ 185 crore (23.33 *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 84 and 16 loans, out of 185 and 167 loans, sanctioned during 2021-22 and 2022-23, respectively.

The meagre recovery of loans, as well as sanction of loans without specifying terms and conditions, is 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, the 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.

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[46] Kolkata Municipal Corporation
[47] Kolkata Environmental Improvement Investment Program
[48] Power Purchasing Agreement

(iii) Adverse balance in West Bengal Compensatory Entry Tax *Fund*

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 specified purposes. The Entry Tax, collected in the State is 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, which operated under the Public Works Department (PWD) had a negative balance of ₹ 588.74 crore at the beginning of the year. During the FY 2023-24, amount transferred to WBCETF was ₹ 645.33 crore, from the Capital Outlay Major Head (5054). This fund was not sufficient to set right the negative balance since ₹ 82.44 crore was disbursed from this fund. Resultantly, the closing balance in WBCETF continued to remain adverse at ₹ 25.85 crore.

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

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

During test-check, Audit noticed that as of March 2024, funds amounting to ₹ 19.85 crore, earmarked for infrastructure expenditure against six schemes that were disbursed to the following DDOs[49] during 2023-24, remained parked in the Personal Deposit Accounts (Head of Account '8443-106') (**Table 2.26**).

Table 2.26: Parking of funds for Capital Expenditure

Name of DDO	Purpose of expenditure	Amount (₹ in crore)
DM, Murshidabad	Development and welfare of minorities under MSDP	14.66
	Construction hostels for Backward Classes Welfare	0.42
	Construction of warehouse for Electronic Voting Machine (EVM) and Voter Verifiable Paper Audit Trail (VVPAT)	3.19
DM, Darjeeling	Construction of warehouse for EVM and VVPAT	0.20
	Construction of additional infrastructure in existing 408 Government schools under RIDF-XXIX	0.43
	Construction and upgradation of Rural roads under *Pathashree* scheme-II & III	0.95
Total		**19.85**

Source: Departmental Records

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

[49] Drawing and Disbursing Officers

(v) *List of incomplete capital projects*

As per Finance Accounts, there were 27 incomplete capital projects[50] which were to be completed by March 2024. Out of the total estimated cost of ₹ 507 crore, a total of ₹ 262 crore was invested in these projects by the Government. It was also noted that in respect of a project[51] having project cost of ₹ 8 crore, work could not commence upto March 2024, though it was scheduled to be completed by December 2023. Scrutiny further revealed that physical completion of work in the remaining 26 projects was (i) 76 to 99 *per cent* in respect of 10 projects (ii) 51 to 75 *per cent* against 12 (iii) one to 25 *per cent* against three and (iv) 40 *per cent* in one.

Delay in time over-runs led to cost over-runs of projects as in four out of 27 cases there was escalation in the cost by ₹ 5.55 crore (7.98 *per cent*) over the estimated cost (₹ 69.51 crore).

2.10 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective General States[52] average.

The expenditure priorities of the State, in regard to some key areas, is shown in **Table 2.27**.

Table 2.27: 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 (2018-19)	16.38	67.24	15.58	14.76	5.07
West Bengal	16.42	67.79	13.58	15.60	5.35
General States Average (2023-24)	15.66	67.93	16.50	14.36	5.71
West Bengal	15.03	66.54	11.64	15.16	6.74

Source: Finance Accounts and MoSPI data
Note: TE: Total Expenditure, CE: Capital Expenditure (including loans & advances) and DE: Development Expenditure

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

- TE as a percentage to GSDP, dropped to 15.03, from the level of 16.42 during 2018-19, indicating that the growth of Government expenditure was not commensurate with the growth of GSDP.
- The share of CE was lower in the State compared to Other General Category States, affecting physical capital formation with a cascading impact on economic growth in the long run.

[50] *Works costing ₹ 1 crore and above have only been included. Works with incomplete information, works which have not been commenced and works clubbed under broad scheme names were excluded.*

[51] *Re-construction of Sundarban Embankment at Mouza-Purbajatardeul along right bank of River Thakuran* [52] *States other than North Eastern (NE) and Himalayan States*

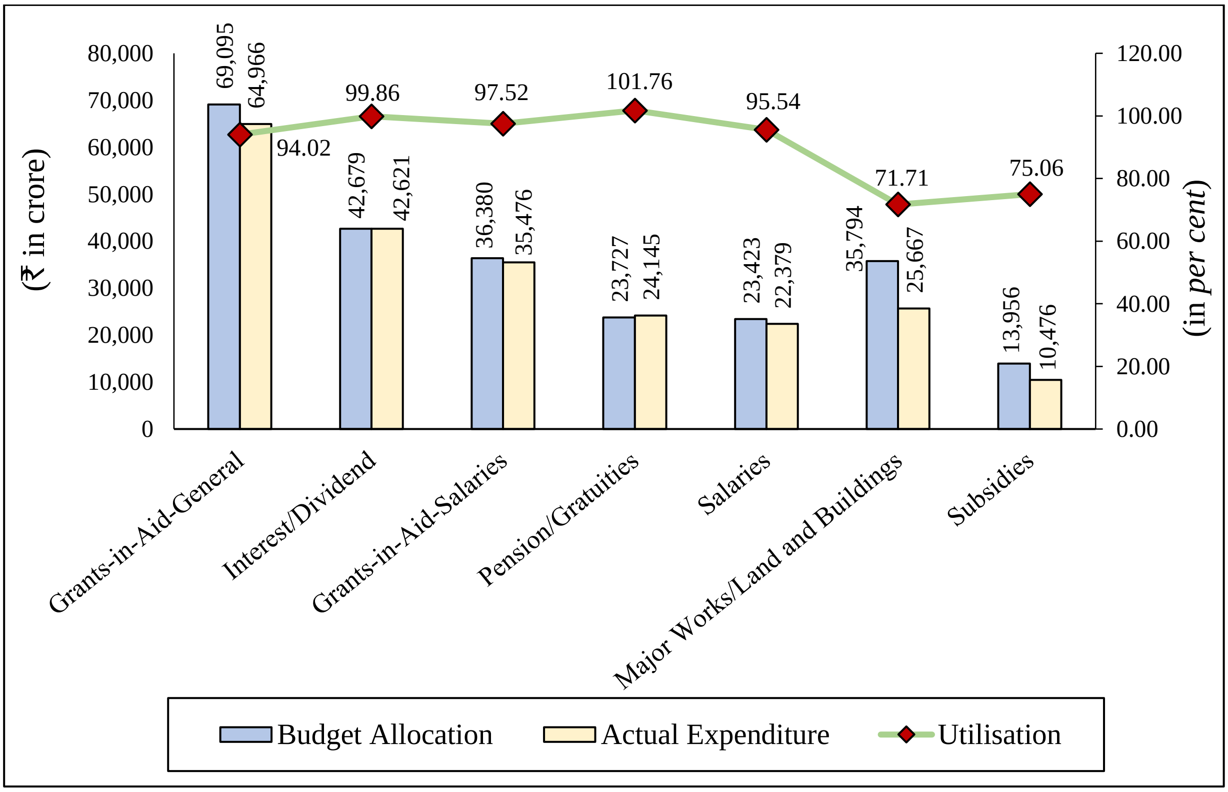
- The DE/TE ratio of the State was almost similar to the General Category States but lower than the levels of neighboring States like Bihar (71.67 *per cent*), Jharkhand (71.50 *per cent*) and Odisha (76.04 *per cent*).

- The share of expenditure on Education and Health in the State, as a proportion of the total expenditure, was higher than the corresponding General States' average, during FY 2023-24. As a percentage of the GSDP, the expenditure on health remained at 1.01 *per cent*, which was lower than Bihar (1.52 *per cent*), Jharkhand (1.20 *per cent*) and Odisha (1.86 *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 head (₹ 10,000 crore and above) level during the FY 2023-24, are given in **Chart 2.14**.

Chart 2.14: Object Head-wise Expenditure *vis-à-vis* budget authorisation during 2023-24



Source: VLC data sourced from the records of O/o the AG(A&E) WB and Finance Accounts (2023-24)

As can be seen from the above chart, expenditure marginally exceeded the budgetary allocation under the object head 'Pension/Gratuities'. In one object head 'Major Works/Lands & Buildings', the utilisation was below 72 *per cent* of the budget. The total expenditure during the FY 2023-24 was ₹ 2,55,716 crore. Out of this, Grants-in-Aid-General, Interest/Dividend and Grants-in-Aid salaries, accounted for 25.42, 16.67 and 13.87 *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.

In pursuance of the Contingency Fund (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 ₹ 20 crore. At the end of the FY 2023-24, the aggregate un-recouped balance in the fund stood at ₹ 52.98 crore comprising ₹ 0.32 crore in two Revenue head of accounts and ₹ 52.66 crore in eight Capital head of accounts. As a result, Revenue and Fiscal Deficits remained understated by ₹ 0.32 crore and ₹ 52.98 crore, respectively (**Table 1.8**). Therefore, in effect, the balance in the CF, at the end of 2023-24, stood at ₹ 147.02 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 2019-20 to 2023-24, are indicated in **Table 2.28.**

Table 2.28: Component-wise net balances in Public Account

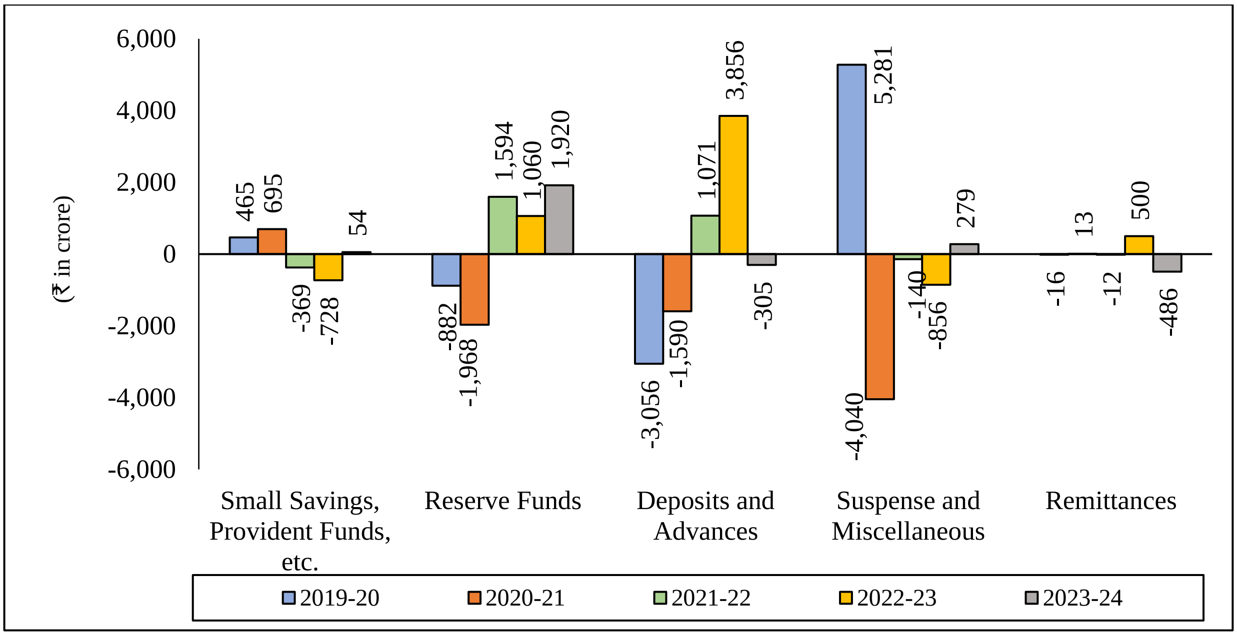
Sector	Sub Sector	2019-20	2020-21	2021-22	2022-23	2023-24
		(₹ in crore)				
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	1,593	2,288	1,919	1,191	1,245
J. Reserve Funds	(a) Reserve Funds bearing Interest	887	774	325	1,103	1,968
	(b) Reserve Funds not bearing Interest	645	(-)1,210	833	1,115	2,170
K. Deposits and Advances	(a) Deposits bearing Interest	2,749	3,340	3,276	3,159	3,516
	(b) Deposits not bearing Interest	(-)93	(-)2,274	(-)1,139	2,834	2,172
	(c) Advances	0	0	0	0	0
	(a) Suspense	182	(-)227	(-)52	71	(-)249

Sector	Sub Sector	2019-20	2020-21	2021-22	2022-23	2023-24
		(₹ in crore)				
L. Suspense and Miscellaneous	(b) Other Accounts	3,666	35	(-)280	(-)687	(-)660
	(c) Miscellaneous	0	0	0	(-)572	0
M. Remittances	(a) Money Orders, and other Remittances	0	0	0	490	0
	(b) Inter-Governmental Adjustment Account	(-)14	(-)1	(-)13	(-)3	1
Total		**9,615**	**2,725**	**4,869**	**8,701**	**10,163**
Percentage increase over the previous year		22.91	(-)71.66	78.68	78.70	16.80

Source: Finance Accounts
Note: +ve denotes debit balance and –ve denotes credit balance

The yearly changes in the composition of Public Account balances is 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 ₹ 1,462 crore (17 *per cent*) over 2022-23 mainly owing to increase in the net inflow of balances under Reserve Funds (by ₹ 1,920 crore) partially *offset* by net outflow in the balance on Deposits not bearing interest (₹ 662 crore) and Remittances (₹ 486 crore). Net availability of funds in Reserve funds, Suspense and Small Savings, Provident Funds, etc., 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

West Bengal Treasury Rules (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.

Audit noticed that under the major heads '8448-deposit of local funds' and '8449-other deposits-00-120-miscellaneous balances', there were negative balances of ₹ 1,314 crore and ₹ 3 crore respectively, which indicated overdrawal of funds compared to the deposit balances (***Appendix 2.2***).

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 2024, are shown in **Table 2.29**.

Table 2.29: Detail of Reserve Funds

Sl. No.	Name of Reserve Fund	Balance as on 31 March 2024 (₹ in crore)
A	**Reserve Funds bearing Interest**	**5,322**
1.	State Disaster Response Fund (SDRF)	3,660
2.	State Disaster Mitigation Fund (SDMF)	1,166
3.	State Compensatory Afforestation Fund (SCAF)	496
B	**Reserve Funds not bearing Interest**	**15,781**
1.	Sinking Funds	13,266
2.	Roads and Bridges Fund	193
3.	Development and Welfare Funds	1,124
4.	General and other Reserve Funds	1,198
Grand Total		**21,103**

Source: Finance Accounts

Against the gross accumulated balance of ₹ 21,103 crore lying in these funds, an amount of ₹ 15,781 crore was under 17 non-interest-bearing Reserve Funds and ₹ 5,322 crore was under three Interest-bearing Reserve Funds. There were no inoperative reserve funds in 2023-24. Out of the total accumulated balance in these funds, ₹ 14,662 crore (69.48 *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 0.5 *per cent* of the outstanding liabilities[53] at the end of the previous year to the CSF. During FY 2023-24, GoWB's total contribution was ₹ 1,126.33 crore, of which the Government's contribution to CSF was only ₹ 200 crore and interest earned on the investment from CSF was ₹ 926.33 crore. This, however, fell short of the prescribed contribution of ₹ 2,771.01 crore[54]. As a result, Revenue and Fiscal Deficits remained understated by ₹ 1,644.68 crore (**Table 1.8**). The closing balance of ₹ 13,265 crore, at the end of 31 March 2024, 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 2024, a balance of ₹ 3,659.98 crore was lying in the fund, of which ₹ 200 crore had been invested. Contributions to the SDRF were affected through book adjustment, without any actual cash involvement. The residual amount of ₹ 3,459.98 crore remained un-invested. Such non-investment was against the provisions envisaged in the guidelines on 'Constitution and Administration of the SDRF'. Moreover, as the transfer of funds was affected through book adjustment, the residual amount of ₹ 3,459.98 crore merely remained as book balance in the Accounts, which was against the principle of cash basis of accounting.

2.12.3.3 State Disaster Mitigation Fund

The Fifteenth Finance Commission had recommended opening of the State Disaster Mitigation Fund (SDMF) for mitigating disaster covered under SDRF/NDRF guidelines and the State specific local disaster, notified by the State Government. The State Government had constituted the SDMF in December 2021 under the 'Major Head 8121-130-State Disaster Mitigation Fund', keeping in view of the provisions of the Disaster Management Act, 2005.

The guidelines of SDMF, *inter alia*, stipulated that the accretions to the SDMF together with the income earned on the investments of the SDMF was to be invested in one or more of the instruments such as Central Government-dated securities, auctioned Treasury Bills and interest earning deposits and certificates of deposits with scheduled commercial Banks. The closing balance of ₹ 1,166.15 crore in the SDMF at the end of the FY 2023-24, however remained un-invested.

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[53] Internal Debt and Public Account

[54] Based on 0.5 *per cent* of outstanding liabilities of ₹ 5,54,202.99 crore at the end of March 2023

2.12.3.4 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. During the FY 2023-24, the State Government contributed ₹ 50 crore. The closing balance in the fund, as of March 2024, stood at ₹ 974.15 crore which is over the desirable level of five *per cent* of the previous year's guarantees of ₹ 17,677.10 crore.

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 ₹ 5.00 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 ₹ 5.00 crore, during 2023-24.

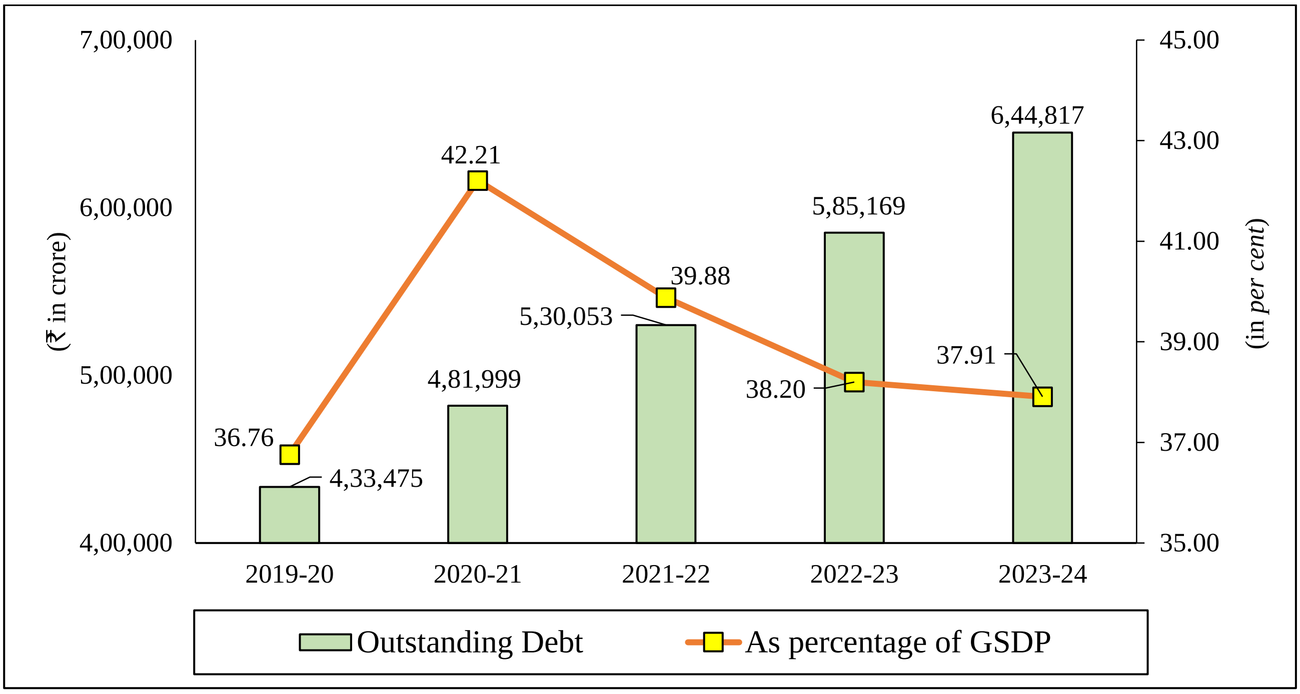
2.12.4 Non-reconciliation of balance of General Provident Funds of Group 'D' employees

The balance of General Provident Funds of Group 'D' employees of the Government of West Bengal (₹ 1,650.52 crore) is not at par with that depicted in the Accounts (₹ 443.84 crore). This needs reconciliation for a true and fair view of the Accounts as such inconsistency may lead to incorrect depiction of Government liabilities in Public Account.

2.13 Debt Management

Debt Management is the process of establishing and executing a strategy for 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 FY 2019-20 to FY 2023-24, 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 the FY21 and FY22 were 42.60 and 40.36 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 the FY21 and FY22 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 36.76 *per cent* during the FY 2019-20 to 42.21 *per cent* during the FY 2020-21. Thereafter, it decreased to 39.88 *per cent* during FY 2021-22 and to 38.20 *per cent* during FY 2022-23. In the current financial year, it further decreased to 37.91 *per cent*. However, during the entire period of five years, it had exceeded the targets[55] prescribed in WBFRBM Act. This was mainly due to an increase in the internal debt of the State.

Debt with respect to GSDP of the State (37.91 *per cent*) was much higher than the General States' average (28.07 *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 five years beginning from 2019-20, are shown in **Table 2.30.**

[55] 34.30 *per cent* during 2019-24

Table 2.30: Component-wise liability trends

(₹ in crore)

Components of Fiscal Liability	2019-20	2020-21	2021-22	2022-23	2023-24
Outstanding Total Liabilities*	**4,33,475**	**4,86,430**	**5,36,478**	**5,85,169**	**6,44,817**
(I) Public Debt	**3,75,708**	**4,24,247**	**4,70,289**	**5,10,763**	**5,60,583**
(a) Internal Debt	3,60,464	4,04,017	4,42,866	4,79,797	5,23,402
(b) Loans from GoI	15,244	20,230	27,423	30,966	37,181
(II) Liabilities on Public Account	**57,767**	**62,183**	**66,189**	**74,406**	**84,234**
(a) Small Savings, Provident Funds, etc.	17,230	19,518	21,436	22,627	23,872
(b) Reserve Funds bearing Interest	1,151	1,926	2,251	3,154	5,122
(c) Reserve Funds not bearing Interest	350	637	263	392	1,319
(d) Deposits bearing Interest	19,588	22,928	26,204	29,363	32,879
(e) Deposits not bearing Interest	19,448	17,174	16,035	18,870	21,042
Rate of growth of outstanding total liabilities (in *per cent*)	10.21	12.22	10.29	9.08	10.19
Gross State Domestic Product (GSDP)	11,79,127	11,41,802	13,29,238	15,31,758	17,00,939
Liabilities/GSDP (in *per cent*)	36.76	42.21#	39.88#	38.20	37.91
Borrowings and Other Liabilities (as per Statement 6 of Finance Accounts)					
Total Receipts	1,81,007	1,86,034	1,97,690	1,91,795	2,10,237
Total Repayments	1,40,832	1,33,079	1,47,642	1,43,105	1,50,589
Net funds available	40,175	52,955	50,048	48,691	59,648
Repayments/Receipts (in per cent)	77.80	71.53	74.68	74.61	71.63

Source: Finance Accounts

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

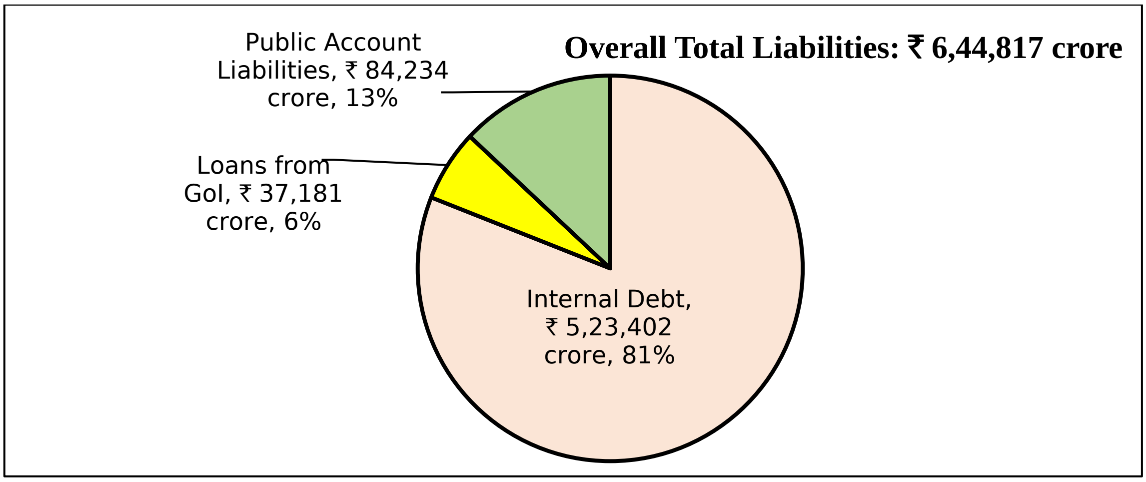
#Liabilities to GSDP ratios during the FYs 2020-21 and 2021-22 were 42.60 and 40.36 per cent respectively. However, the effective liabilities to GSDP ratios were arrived at after exclusion of GST compensation of ₹ 4,431 crore and ₹ 6,425 crore received during the FYs 2020-21 and FY 2021-22 respectively as back-to-back loan under total debt receipts from the outstanding total liabilities.

Public Debt increased by ₹ 1,84,875 crore (49.21 *per cent*) from the FY 2019-20 to FY 2023-24, wherein Internal Debt increased by ₹ 1,62,938 crore (45.20 *per cent*) and Loans from GoI increased by only ₹ 21,937 crore (143.91 *per cent*). Public Account Liabilities, during the aforementioned period, increased by ₹ 26,467 crore (45.82 *per cent*).

From FYs 2019-20 to 2023-24, 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 2023-24, is shown in **Chart 2.17**.

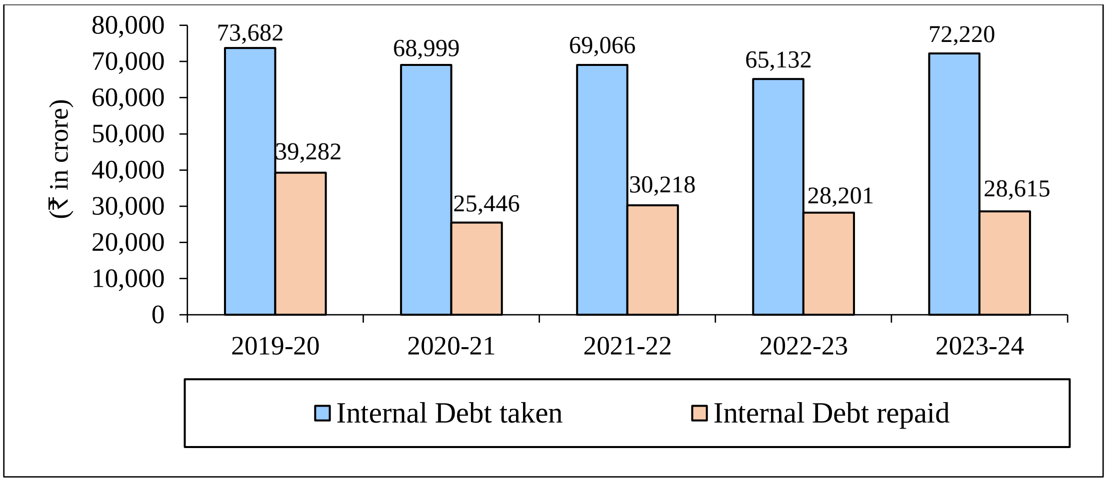
Chart 2.17: Break-up of Outstanding Total Liabilities at the end of FY 2023-24



Source: Finance Accounts

Chart 2.18 depicts the quantum of internal debt taken *vis-à-vis* the internal debt repaid, from the FY 2019-20 to FY 2023-24.

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



Source: Finance Accounts
Note: Internal debt taken and repaid included WMA of ₹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 consists 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 93.37 *per cent* of the total outstanding public debt at the end of the FY 2023-24.

As on 31 March 2024, market borrowings (₹ 4,77,044 crore) formed a major portion (91.14 *per cent*) of the outstanding internal debt (₹ 5,23,402 crore) of the State Government, with interest rates ranging from 6.35 to 14 *per cent*. The State Government paid an interest of ₹ 37,288 crore on Internal Debt in the FY 2023-24. **Chart 2.18** shows that the internal debt taken, grew during 2019-20 and during 2023-24. During 2023-24, the internal debt taken increased by 10.88 *per cent*, whereas the internal debt repaid increased by only 1.47 *per cent*, over 2022-23. This led to an increase in the availability of borrowed funds for utilisation from 56.70 *per cent*[56] in FY 2022-23, to 60.38 *per cent*[57] in FY 2023-24. This ratio of 60.38 *per cent* would change to 60.36 *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 borrowings 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 to ₹ 14.58 crore, which had been raised during 2009-11, through two State Public Sector Undertakings, by means of Cash Credit Loan (CCL) (**Table 2.31**). 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 2.31: Details of repayment of off-budget borrowing during the FY 2023-24

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	1.44	8.62
	West Bengal State Consumers' Co-operative Federation Limited (CONFED)			4.97	0.99	5.96
Total				**12.15**	**2.43**	**14.58**

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

Against the total repayment (₹ 14.58 crore) of CCL, Principal and Interest of ₹ 12.15 crore and ₹ 2.43 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 the FY 2023-24, repayment of ₹ 12.15 crore towards principal, was due upto March 2024, from two entities (BENFED: ₹ 7.18 crore and CONFED: ₹ 4.97 crore). Thus, the overall outstanding debt (₹ 6,44,817 crore) of the State would increase by ₹ 12 crore to ₹ 6,44,829 crore. Interest estimated at ₹ 1.21 crore (BENFED: ₹ 0.71

[56] (₹ 65,132 crore *minus* ₹ 28,201 crore)/ ₹ 65,132 crore*100
[57] (₹ 72,220 crore *minus* ₹ 28,615 crore)/ ₹ 72,220 crore*100

crore and CONFED: ₹ 0.50 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 2.32**. 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 2.32: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

Particulars		2019-20	2020-21	2021-22	2022-23	2023-24
Composition of Fiscal Deficit		**36,831**	**44,688**	**50,528**	**49,787**	**53,992**
1	Revenue Deficit	19,661	29,527	32,000	27,295	25,691
2	Net Capital Expenditure	15,971	13,034	17,484	22,009	28,963
3	Net Loans and Advances	1,199	2,127	1,044	483	(-)662
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	40,882	50,180	45,199	42,500	48,910
2	Loans from GOI	886	4,986	7,193	3,543	6,215
3	Special Securities issued to NSSF	(-)6,340	(-)6,340	(-)6,340	(-)6,340	(-)6,340
4	Loans from Financial Institutions	(-)143	(-)287	(-)11	772	1,035
5	Small Savings, PF, etc.	1,593	2,288	1,919	1,191	1,245
6	Deposits and Advances	2,656	1,066	2,137	5,993	5,688
7	Suspense and Miscellaneous	3,848	(-)192	(-)332	(-)1,188	(-)909
8	Remittances	(-)14	(-)1	13	487	1
9	Reserve Fund	1,532	(-)436	1,158	2,218	4,138
10	Contingency Fund	(-)11	5	(-)52	228	(-)42
11	Appropriation to Contingency Fund	0	0	0	(-)180	0
12	**Overall Deficit**	**44,889**	**51,269**	**50,884**	**49,224**	**59,941**
13	Increase (-)/Decrease (+) in cash balance	(-)8,058	(-)6,581	(-)356	563	(-)5,949
14	**Fiscal Deficit (12+13)**	**36,831**	**44,688**	**50,528**	**49,787**	**53,992**

Source: Finance Accounts

Table 2.32 shows that there has been an increasing trend in the Fiscal Deficits during FY 2019-20 to FY 2023-24[58] . During the FY 2023-24, the Fiscal Deficit (FD) increased over the previous year by ₹ 4,205 crore (8.45 *per cent*). A high level of FD is good for the economy if the borrowings which financed the FD

[58] Except in FY 2022-23

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 2023-24, the CE was ₹ 28,963 crore, representing 53.64 *per cent* of the FD. Improvement of this ratio, from 44.21 *per cent* in the FY 2022-23, is indicative of the progression in creation of productive assets from the PY's level.

Borrowed funds, used for meeting Revenue Expenditure, create liability for future years, without creating any assets. It is evident that 52.53 *per cent* of the market borrowings (₹ 48,910 crore) continued to finance the deficit on the Revenue Account (₹ 25,691 crore) in FY 2023-24 thereby limiting the scope of utilisation of borrowed funds for asset creation. 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 payment of interest on outstanding debt is not sustainable.

The financing pattern of the Fiscal Deficit, for the year FY 2023-24, is shown in **Table 2.33**.

Table 2.33: Financing pattern of Fiscal Deficit during the FY 2023-24

Particulars		Receipts	Disbursements	Net
		(₹ in crore)		
1	Market Borrowings	69,910	21,000	48,910
2	Loans from GOI	7,952	1,737	6,215
3	Special Securities issued to NSSF	0	6,340	(-)6,340
4	Loans from Financial Institutions	2,310	1,275	1,035
5	Small Savings, PF, etc.	5,184	3,939	1,245
6	Deposits and Advances	1,19,852	1,14,164	5,688
7	Suspense and Miscellaneous	1,75,843	1,76,752	(-)909
8	Remittances	0	(-)1	1
9	Reserve Fund	5,030	892	4,138
10	Contingency Fund	0	42	(-)42
11	Appropriation to Contingency Fund	0	0	0
12	**Overall Deficit**	**3,86,081**	**3,26,140**	**59,941**
13	Increase (-)/Decrease (+) in cash balance			(-)5,949*
14	**Fiscal Deficit**			**53,992**

Source: Finance Accounts

**Cash balance as on 01 April 2023 and 31 March 2024 were ₹ 32,039 crore and ₹ 37,988 crore respectively.*

During FY 2023-24, a major component of borrowings continued to be the Market borrowings. In the current year, it constituted 87.20 *per cent* of the Public Debt Receipts. Further, the Fiscal Deficit (₹ 53,992 crore), which comprised of the Revenue Deficit (47.58 *per cent*) in the FY 2023-24, was financed from the combined net balances of the Market borrowings and Loans from GoI, to the extent of 97.94 *per cent*. Again, 59.22 *per cent* of the net inflow from market borrowings was used to finance net Capital Expenditure.

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 model/approach. The results of the analysis are given in the following paragraphs:

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 2.34**.

Table 2.34: Trends in Debt Sustainability Indicators

Sl. No.	Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
		(₹ in crore)				
1.	Overall Liability or Overall Debt	4,33,475	4,86,430	5,36,478	5,85,169	6,44,817
1(i)	Rate of Growth of Overall Liability (*per cent*)	10.21	12.22	10.29	9.08	10.19
2.	Overall interest-bearing liability*	4,13,677	4,63,558	5,07,761	5,49,832	6,01,366
2.(i)	Average Overall interest-bearing liability	3,93,420	4,38,618	4,85,660	5,28,797	5,75,599
2.(ii)	Rate of Growth of Overall interest-bearing liability (*per cent*)	10.86	12.06	9.54	8.29	9.37
3.	GSDP (in nominal terms)	11,79,127	11,41,802	13,29,238	15,31,758	17,00,939
4.	Nominal GSDP growth (*per cent*)	6.99	(-)3.17	16.42	15.24	11.04
5.	Overall Debt/GSDP (*per cent*)	36.76	42.60	40.36	38.20	37.91
6.	Maturity Profile of State Development Loans (*per cent*)	100.00	100.00	100.00	100.00	100.00
6(a)	0-2 years	10.92	11.95	10.76	10.02	9.62
6(b)	2-5 years	21.84	20.24	20.83	20.05	17.64
6(c)	5-10 years	46.39	38.82	34.00	28.54	24.83
6(d)	Over 10 years	20.85	28.99	34.41	41.39	47.91
7(a)	Receipts under Public Debt and other liabilities	1,81,007	1,86,034	1,97,690	1,91,795	2,10,237
7(b)	Repayment (principal and interest) under public debt and other liabilities	1,72,500	1,66,861	1,84,314	1,83,123	1,93,210
8.	Repayment to Gross Borrowings (*per cent*)	95.30	89.69	93.23	95.48	91.90
9.	Net borrowings available as a percentage of Gross Borrowings (*per cent*)	4.70	10.31	6.77	4.52	8.10
10.	Interest Payments	31,668	33,782	36,672	40,018	42,621
11.	Effective Rate of Interest on Overall interest-bearing Debt (*per cent*)	8.05	7.70	7.55	7.57	7.40
12.	Interest payment to Revenue Receipts (*per cent*)	22.16	22.77	20.58	20.46	21.28
13.	Revenue Balance	(-)19,661	(-)29,527	(-)32,000	(-)27,295	(-)25,691

Sl. No.	Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
				(₹ in crore)		
14.	Fiscal Balance	(-)36,831	(-)44,688	(-)50,528	(-)49,787	(-)53,992
15.	Primary Revenue Balance (PRB) (13-10)	12,007	4,255	4,672	12,723	16,930
16.	Primary Balance (PB) (14+10)	(-)5,163	(-)10,906	(-)13,856	(-)9,769	(-)11,371
17.	PB/GSDP (*per cent*)	(-)0.44	(-)0.96	(-)1.04	(-)0.64	(-)0.67
18(a)	Investment at the end of the year	18,154	18,288	18,705	19,832	21,378
18(b)	Return	82	2	158	165	289
18(c)	Return on Investment (*per cent*) (on avg. investment for the year)	0.46	0.01	0.85	0.86	1.40
18(d)	Difference between effective rate of interest on overall interest-bearing debt and RoI	7.59	7.69	6.70	6.71	6.00
19.	Liquidity Management (use of financial accommodation instruments available with RBI)	15,860	8,155	193	0	0
20(a)	Interest Spread[59] on overall interest-bearing debt (*per cent*)	(-)1.06	(-)10.87	8.87	7.67	3.64
20(b)	Quantum Spread[60] (on overall interest-bearing debt) (*per cent*)	(-)4,385	(-)50,389	45,038	42,172	21,890
20(c)	Debt Stabilisation (Quantum spread + Primary balance)	(-)9,548	(-)61,295	31,182	32,403	10,519
21.	Domar Model					
21(a)	GSDP (in constant terms)	7,61,794	7,04,045	7,87,439	8,39,805	9,04,088
21(b)	Real Growth (in constant terms) (*per cent*)	3.10	(-)7.58	11.84	6.65	7.65
21(c)	Inflation based on CPI (*per cent*)	4.57	7.98	5.82	7.06	4.47
21(d)	Effective Rate of Interest on Overall interest-bearing Debt (*per cent*)	8.05	7.70	7.55	7.57	7.40
21(e)	Real effective rate of interest on Overall interest-bearing Debt (21d-21c)	3.48	(-)0.28	1.73	0.51	2.93
21(f)	Growth Interest Differential (21b-21e)	(-)0.38	(-)7.30	10.11	6.14	4.72

*Source: Finance Accounts; Note: Effective rate of interest indicates Interest paid by the State on overall debt / (opening balance of debt plus closing balance of debt/2)*100*

**Excluding non-interest-bearing liabilities such as (i) Reserve Funds not bearing interest, (ii)Deposits not bearing interest and back-to-back loan received from GoI during FYs 2020-21 and 2021-22 and (iii) 50 years' Interest free loans for 'Special Assistance to States for Capital Expenditure/Investments' received from GoI during 2020-24*

Analysis of the data shown in **Table 2.34** revealed the following:

---

[59] Difference between Nominal GSDP growth rate and Effective Rate of interest on Overall interest-bearing Debt

[60] **Quantum spread**= Interest bearing 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. If it is negative, debt-GSDP would be rising and in case it is positive, debt-GSDP would decrease.

- State did not resort to Ways and Means Advances and Overdraft facilities during the last two years.
- Year-wise analysis shows that both adverse Growth Interest Differential (GID) and Primary deficit contributed to the increase in the State's debt burden in FYs 2019-20 and 2020-21. Nominal growth, which remained positive despite the moderation observed after the significant improvement seen in FY 2021-22 together with decline in the effective interest rate succeeded in maintaining a positive GID during 2021-24. Favorable GID was sufficient to mitigate the impact caused by the Primary deficit and prevent an increase in the State's accumulated debt burden during 2021-24.
- Domar criteria shows that the GID in real terms remained favorable during post-pandemic years which suggests that economic growth was strong enough to recover cost of borrowing. Contrary to the real growth, CPI inflation which hovered between four to eight *per cent*, helped the State to keep the real interest below the real growth to have favorable GID during 2021-24.
- The debt burden of the State as measured by total liabilities to GSDP ratio remained over 37 *per cent* during 2019-24. This ratio reached a five-year high of 42.60 *per cent* in the FY 2020-21 due to an unprecedented increase in borrowing requirements together with contraction of GSDP, caused by the impact of the COVID-19 pandemic. With quick economic recovery and easing of fiscal stress, the State’s debt burden started improving in the post-pandemic years, as evident from the fact that it continued to decline till FY 2023-24 but could not reach to pre-pandemic levels. Debt burden declined almost at a constant rate of over two *per cent* in the FYs 2021-22 and 2022-23 over the previous year but witnessed a marginal decline of less than one *per cent* in FY 2023-24. This indicated that the gap between the growth rate of interest-bearing liabilities and nominal growth, which had risen to almost seven percentage points in FY 2022-23 was narrowed to less than two percentage points in 2023-24, resulting in a marginal decline in the State's debt burden. Nevertheless, debt burden of 37.91 *per cent* in the FY 2023-24, remained above the target of 34.30 *per* cent, stipulated in WBFRBM (Amendment) Act 2020. This signifies that debt burden is substantially higher compared to its economic output and indicates financial vulnerability and reduced fiscal flexibility.
- Rate of growth of overall liability decreased from 12.22 *per cent* in 2020-21 to 9.08 *per cent* in 2022-23 and further grew to 10.19 *per cent* in 2023-24, indicating higher growth of borrowing.
- Moreover, the ratio of Interest Payment to Revenue Receipts increased from 20.46 *per cent* in 2022-23 to 21.28 *per cent* in 2023-24 which was above the ceiling of 20.11 *per cent* prescribed in the Fiscal Policy Strategy Statement (FPSS) for the FY 2023-24.
- Further, substantial portion (91.90 *per cent*) of gross borrowings was being used for repayment implying that only 8.10 *per cent* of net borrowings was available for utilisation.

Going by the analysis and results as discussed above, the finances of the State of West Bengal are marked by increasing trend of liabilities which pose risk to target of debt stabilisation and debt sustainability.

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 utilisation, during FY 2019-20 to FY 2023-24, are shown in **Table 2.35** and **Chart 2.19**, respectively.

Table 2.35: Utilisation of borrowed funds

Year	2019-20	2020-21	2021-22	2022-23	2023-24
	(₹ in crore)				
Total Borrowings* (1)	75,699	75,429	77,581	70,243	80,171
Repayment of earlier borrowings (Principal)# (2) (*percentage*)	40,413 (53)	26,889 (36)	31,540 (41)	29,768 (42)	30,351 (38)
Net Capital Expenditure (3) (*percentage*)	15,971 (21)	13,034 (17)	17,484 (23)	22,009 (31)	28,963 (36)
Net loans and advances (4) (*percentage*)	1,200 (2)	2,127 (3)	1,044 (1)	483 (1)	(-)662 (-1)
Portion of Revenue Expenditure met out of net available borrowings (5) = (1-2-3-4) (*percentage*)**	18,115 (24)	33,379 (44)	27,513 (35)	17,983 (26)	21,519 (27)

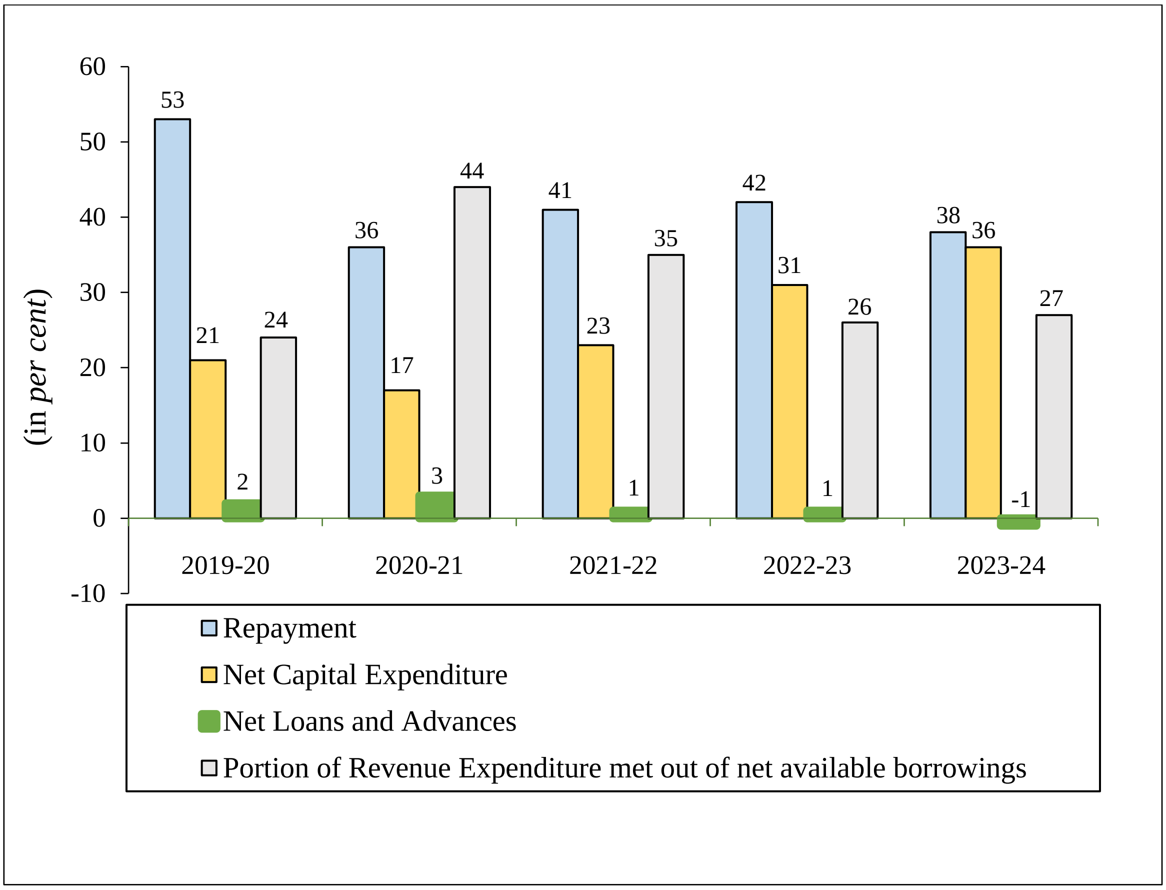
Source: Finance Accounts

**Represents total Public Debt Receipts during the year;*

#*Represents total Public Debt Repayments during the year;*

****** *Revenue Expenditure (RE) of ₹ 908 crore in FY 2023-24 was incorrectly booked as CE. Actual RE during the FY 2023-24 would thus be ₹ 2,26,867 crore instead of ₹ 2,25,959 crore. Thus, actual CE during the FY 2023-24 would be ₹ 28,055 crore instead of ₹ 28,963 crore. Further, portion of RE met out of net available borrowings would change to ₹ 22,427 crore.*

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 2019-20, since a significant portion of the borrowed funds was used to repay the borrowings (53 *per cent*) made in earlier years. In the current year, repayment from borrowings decreased to 38 *per cent* from 42 *per cent* in 2022-23, which led to increase in the portion of Revenue Expenditure met out of borrowings, to 27 *per cent*, from 26 *per cent* in 2022-23. Nevertheless, aggregate utilisation of borrowed funds on Revenue Expenditure, Capital Expenditure and disbursement of loans and advances, being 62 *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 36.13 *per cent* (₹ 28,963 crore) of the borrowed funds for net Capital Expenditure during 2023-24, which represented an increase from the level of 31.33 *per cent* during 2022-23.

Apart from meeting its Capital Expenditure and repayments, as outlined above, the State utilised ₹ 21,519 crore for discharging its Interest payment liabilities, which represented around 50.49 *per cent* of total interest payment (₹ 42,621 crore). Therefore, commitments on account of repayments (Principal: ₹ 30,351 crore *plus* Interest: ₹ 21,519 crore) were ₹ 51,870 crore, which was about 64.70 *per cent* of the total borrowings.

Prudent 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 indicate 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 2.36**.

Table 2.36: 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	21,903	3.91
2 – 3	58,435	10.42
4 – 5	49,712	8.87
6 – 7	57,010	10.17
8 and above	2,89,990	51.73
Others[61]	83,533	14.90
Total	**5,60,583**	**100.00**

Source: Finance Accounts

In the ensuing five and seven years, debt maturity will be 23.20 and 33.37 *per cent* respectively of the total outstanding Public debt. The debt maturity may be much higher in the coming years, given the fact that the information pertaining to maturity details for debt amounting to ₹ 83,533 crore (14.90 *per cent* of total debt) were not made available by the State Government.

Market borrowings formed a significant portion of the debt repayments. This may be viewed in the light that, during the FY 2023-24, repayment of principal and interest outgo for this purpose were ₹ 21,000 crore and ₹ 32,624 crore, respectively, which constituted nearly 69.19 and 76.54 *per cent* of the total principal repayment (₹ 30,351 crore) and interest payments (₹ 42,621 crore).

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[62] 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 (₹ 17,677 crore) (**Table 2.37**) at the beginning of 2023-24, stood at 9.92 *per cent* of the total Revenue Receipts of the second preceding year (₹ 1,78,159 crore in 2021-22) and were, thus, well within the ceiling of the WBCGA.

[61] Payment schedule of this amount is not being maintained by the Accountant General (A&E).
[62] West Bengal Ceiling on Government Guarantee Act

Table 2.37: Guarantees given by the State Government

(₹ in crore)

Guarantees	2019-20	2020-21	2021-22	2022-23	2023-24
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	1,18,143	1,31,378	1,28,623	1,33,555	1,60,343
Maximum amount guaranteed	14,228	15,292	15,129	10,300	10,630
Outstanding amount of guarantees including interest	8,212	7,821	16,885	17,677	16,445

Source: Finance Accounts

The outstanding guarantees including interest amounting to ₹ 16,445 crore, at the end of the year 2023-24, included guarantees extended to 26 institutions/ companies, under various sectors[63].

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 ₹ 5.00 crore, against the receivable commission of ₹ 313.92 crore. Short receipt of guarantee commission understated the Revenue Receipts by ₹ 308.92 crore.

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

- WBPDCL paid ₹ 5.00 crore out of ₹ 52.27 crore of the total outstanding Guarantee Commission. The company, in reply, stated that shortage of cash flows due to non-liquidation of receivables[64] led to its inability to pay the remaining dues.
- WBSEDCL did not pay the guarantee commission though ₹ 84.90 crore remained payable till the end of 2023-24.

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 the FY 2023-24, no WMA was availed by the GoWB.

[63] Power (₹ 8,469 crore against 9 guarantees), Finance (₹ 6,177 crore against 9 guarantees), Cooperation (₹ 1,076 crore against 1 guarantee), Backward Classes Welfare (₹ 124 crore against 4 guarantees), Tribal Development (₹ 13 crore against 1 guarantee), Higher Education (₹ 438 crore against 1 guarantee) and MSME & Textiles (₹ 148 crore against 1 guarantee)

[64] As per the Price Purchase Agreement (PPA), WBPDCL sell its entire power generated to WBSEDCL.

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 the FY 2023-24, are shown in **Table 2.38**.

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

Particulars	Opening balance on 1 April 2023	Closing balance on 31 March 2024
A. General Cash Balance		
Cash in treasuries	0.12	0.18
Deposits with Reserve Bank of India	(-)13.88	2.45
Deposits with other Banks	0.00	0.00
Remittances in transit - Local	0.00	0.00
Total	**(-)13.76**	**2.63**
Investments held in Cash Balance investment account	18,631.60	23,320.02
Total (A)	**18,617.84**	**23,322.65**
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	2.75	2.84
Investment in earmarked funds	13,418.85	14,662.27
Total (B)	**13,421.24**	**14,664.75**
Total (A + B)	**32,039.08**	**37,987.40**
Interest realised	111.86	124.13

Source: Finance Accounts

The cash balance of the State Government, at the end of the current year, increased by ₹ 5,948 crore (18.56 *per cent*), from ₹ 32,039 crore in 2022-23, to ₹ 37,987 crore in 2023-24. This was mainly due to the increase in cash balance investments of 4,688 crore (25.16 *per cent*), and investment in earmarked funds by ₹ 1,244 crore (9.27 *per cent*). The State Government earned an interest of ₹ 124 crore on these investments, during FY 2023-24.

Out of the investment of ₹ 14,662 crore in earmarked funds, ₹ 13,265 crore had been invested in the CSF, ₹ 974 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 FY 2019-20 to FY 2023-24, are given in **Table 2.39**.

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

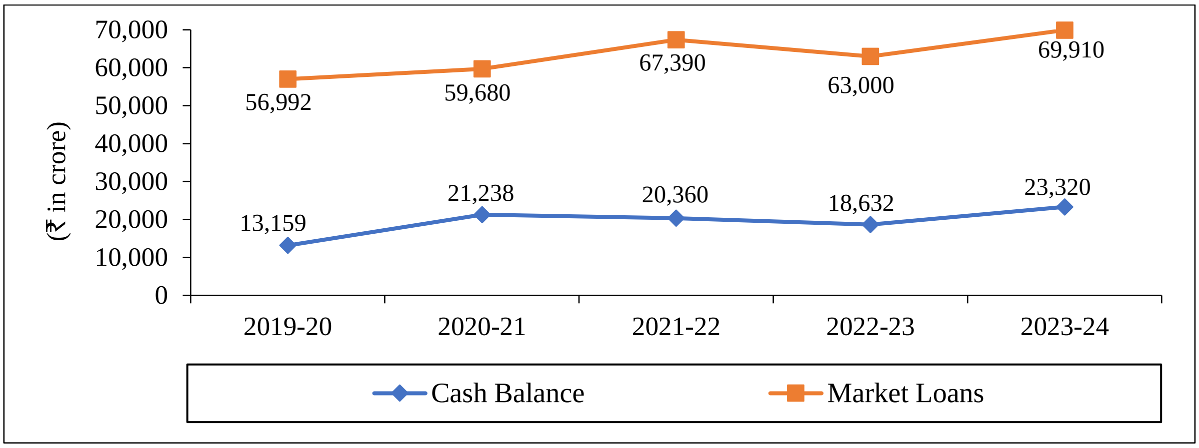
Year	Opening Balance	Closing Balance	Increase (+)/ Decrease (-)	Interest earned
	(₹ in crore)			
2019-20	5,977	13,159	7,182	97.33
2020-21	13,159	21,238	8,079	62.87
2021-22	21,238	20,360	(-)878	95.34
2022-23	20,360	18,632	(-)1,728	111.86
2023-24	18,632	23,320	4,688	124.13

Source: Finance Accounts

Trend analysis of the cash balance investments of the State Government, during 2019-24, revealed that investments had increased significantly during 2020-21 and had, thereafter, been on a decreasing trend during 2022-23 before increasing in 2023-24. At the end of 2023-24, the cash balance investment balance stood at ₹ 23,320 crore, an increase of 25.16 *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 2019-24. Market loans were taken at higher interest rates, whereas investment in treasury bills had yielded interest at lower rates.

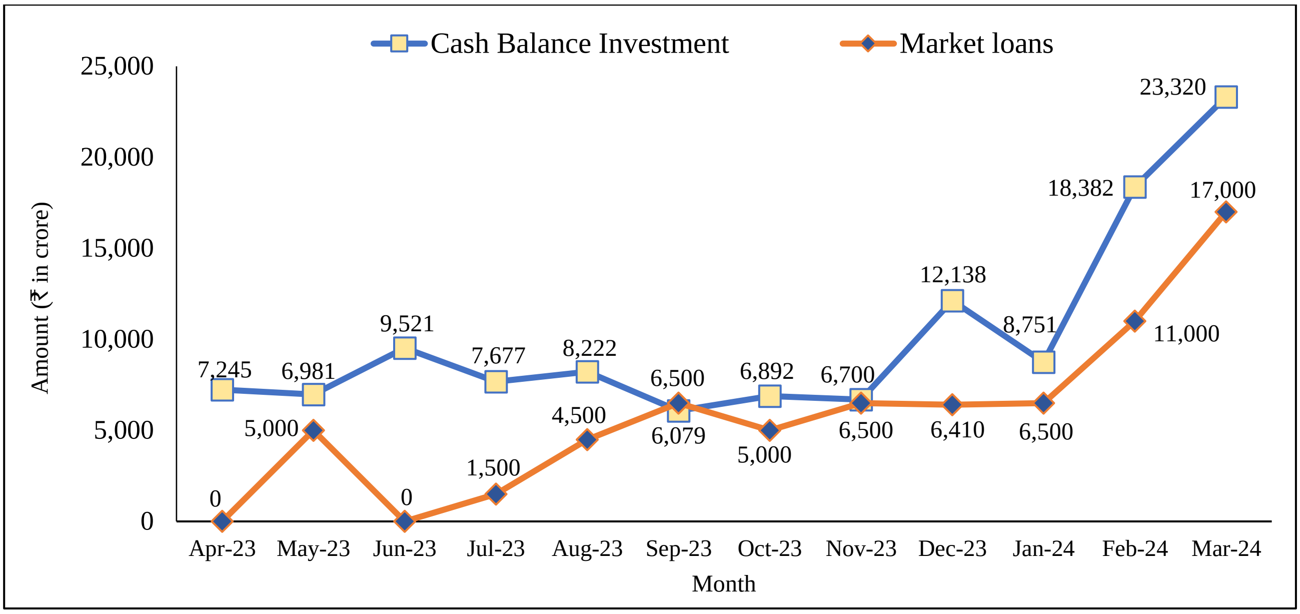
Chart 2.20: Market loans raised *vis-à-vis* Investments held in the Cash Balance Investment Account



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 2023-24



Source: Finance Accounts 2023-24 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, July and August and from October to March 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
Revenue Deficit to GSDP decreased to 1.51 *per cent* from 1.78 *per cent* in the FY 2022-23.	Debt to GSDP ratio being at 37.91 *per cent* remained above the target of 34.30 *per* cent, stipulated in WBFRBM (Amendment) Act 2020.
Fiscal Deficit to GSDP decreased to 3.17 *per cent* from 3.25 *per cent* in FY 2022-23.	Interest payments relative to Revenue Receipts, at 21.28 *per cent*, crossed the target of 20.11 *per cent* set out in the FPSS presented with the budget as per WBFRBM Act.
Repayment to Gross Borrowings decreased to 91.90 *per cent* from 95.48 *per cent* in FY 2022-23.	Committed Expenditure to Revenue Receipts increased to 64.90 *per cent* from 63.89 *per cent* in FY 2022-23.

2.17 Conclusions

- The State had a Revenue Deficit of ₹ 25,691 crore, despite receipt of PDRD grants of ₹ 8,353 crore from the GoI, based upon the recommendations of the 15th FC.

- The returns from investments of ₹ 21,378 crore, as of 31 March 2024, in Companies/Corporations, were negligible (₹ 289 crore).

2.18 Recommendations

1. *State Government may carry out regular and periodic monitoring of revenues which were in arrears and rationalize expenditure, in order to eliminate the Revenue Deficit.*
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 State Government may keep the cash balance position in mind while taking any decision on raising market loans.*