

CHAPTER-I

Finances of the State Government

Summary

During 2004-05 there was 21.6 *per cent* growth in revenue receipts and comparatively lower growth (7.6 *per cent*) of revenue expenditure, consequently from a revenue deficit of Rs.641 crore during 2003-04 the State achieved a revenue surplus of Rs.146 crore. Capital expenditure also increased by 26 *per cent* from Rs.1016 crore in 2003-04 to Rs.1279 crore in 2004-05. Fiscal deficit decreased from Rs.2204 crore in 2003-04 to Rs.1231 crore in 2004-05.

The substantial growth in revenue receipts during the year was due to increase of 25 *per cent* in tax revenue, 33 *per cent* in grant-in-aid and 19 *per cent* in central tax devolution. The increase in the tax revenue during the year over 2003-04 was mainly on Taxes on Sales trades etc. (Rs.375 crore), State Excise (Rs.56 crore), Stamps and Registration fees (Rs.77 crore) etc. Taxes on Sales, Trades etc., was the major source of State's own tax revenue having contributed 52 *per cent* of the tax revenue followed by State Excise (14 *per cent*), Taxes on Stamps and Registration (8 *per cent*) and Taxes on Goods and Passengers (9 *per cent*) etc. Of non-tax revenue sources, Mining and Metallurgical Industries (55 *per cent*) and Forestry and Wildlife (13 *per cent*) were the principal contributors. State's own resources comprising tax and non tax revenue contributed 62 *per cent* of revenue receipts.

Overall expenditure of the State increased from Rs.8174 crore in 2003-04 to Rs.8495 crore in 2004-05 at a growth rate of 3.9 *per cent*. Revenue expenditure, which constituted 83.6 *per cent* of total expenditure, grew at the rate of 7.6 *per cent* in 2004-05.

The areas of concern included Salaries and Pension (Rs.2653 crore) and Interest payments (Rs.1152 crore), which consumed 52 *per cent* of total revenue receipts of the State; fiscal liabilities, which increased from Rs.7421 crore in 2001-02 to Rs.12227 crore in 2004-05. These liabilities as ratio to GSDP increased from 25 *per cent* in 2001-02 to 35 *per cent* in 2004-05 and stood at 1.69 times of its revenue receipts.

1.1 Introduction

The Finance Accounts of the Government of Chhattisgarh are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital in the Consolidated Fund, Contingency Fund and the Public Account of the State Government. The lay out of the Finance Accounts is depicted in Box 1.1.

Box 1.1

Statement No.1 presents the summary of transactions of the State Government - receipts and expenditure, revenue and capital, public debt receipts and disbursements etc. in the Consolidated Fund, Contingency Fund and Public Account of the State.

Statement No. 2 contains the summarised statement of capital outlay showing progressive expenditure to the end of 2004-05.

Statement No. 3 gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.

Statement No. 4 indicates the summary of debt position of the State, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.

Statement No. 5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.

Statement No. 6 gives the summary of guarantees given by the Government for repayment of loans etc. raised by the Statutory Corporation, local bodies and other institutions.

Statement No. 7 gives the summary of cash balances and investments made out of such balances.

Statement No. 8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2005.

Statement No. 9 shows the revenue and expenditure under different heads for the year 2004-05 and as a percentage of total revenue/expenditure.

Statement No. 10 indicates the distribution between the charged and voted expenditure incurred during the year.

Statement No. 11 indicates the detailed account of revenue receipts by minor heads.

Statement No. 12 provides accounts of revenue expenditure by minor heads under plan, State plan and centrally sponsored schemes separately and capital expenditure major head wise.

Statement No. 13 depicts the detailed capital expenditure incurred during and to the end of 2004-05.

Statement No. 14 shows the details of investment of the State Government in Statutory Corporations, Government Companies, Other Joint Stock Companies, Cooperative Banks and Societies etc. upto the end of 2004-05.

Statement No. 15 depicts the capital and other expenditure to the end of 2004-05 and the principal sources from which the funds were provided for that expenditure.

Statement No. 16 gives the detailed account of receipt, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.

Statement No. 17 presents detailed account of debt and other interest bearing obligations of the Government of Chhattisgarh.

Statement No. 18 provides the detailed account of loans and advances given by the Government of Chhattisgarh, the amount of loans repaid during the year, the balance as on 31 March 2005, and the amount of interest received during the year.

Statement No. 19 gives the details of earmarked balances of reserved funds.

1.2 Trend of Finances with reference to Previous year

Financial position of the State Government during the current year as compared to that of the previous year was as under:

(Rupees in crore)

| 2003-04 | Sl.No. | Major Aggregates | 2004-05 |
|---------------------------|--------|--|---------|
| Part-A Receipts | | | |
| 5959 | 1 | Revenue Receipts (2+3+4) | 7249 |
| 2588 | 2 | Tax Revenue | 3228 |
| 1124 | 3 | Non-Tax Revenue | 1244 |
| 2247 | 4 | Other Receipts | 2777 |
| 11 | 5 | Non-Debt Capital Receipts | 15 |
| 11 | 6 | Of which, Recovery of Loans | 15 |
| 5970 | 7 | Total Receipts (1+5) | 7264 |
| Part-B Expenditure | | | |
| 5091 | 8 | Non-Plan Expenditure (9+11) | 5509 |
| 5059 | 9 | On Revenue Account | 5483 |
| 1054 | 10 | Of which, Interest Payments | 1152 |
| 32 | 11 | On Capital Account | 26 |
| 30 | 12 | Of which Loans disbursed | 23 |
| 3083 | 13 | Plan Expenditure (14+15) | 2986 |
| 1541 | 14 | On Revenue Account | 1620 |
| 1542 | 15 | On Capital Account | 1366 |
| 528 | 16 | Of which Loans disbursed ¹ | 90 |
| 8174 | 17 | Total Expenditure (8+13) | 8495 |
| Part-C Deficit | | | |
| 2204 | 18 | Fiscal Deficit (17-1-5) | 1231 |
| (-)-641 | 19 | Revenue Deficit (-) / Surplus (+) (9+14-1) | (+) 146 |
| 1150 | 20 | Primary Deficit (18 - 10) | 79 |

1.3 Summary of Receipts and Disbursement for the year

Table 1 summarises the finances of the State Government of Chhattisgarh for the year 2004-05 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and Public Account receipts and disbursements made during the year as emerging from Statement 1 of Finance Accounts and other detailed statements.

¹ Loans and advances include adjustments of Inter State settlements

**Table 1: SUMMARY OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR 2004-05**

(Rupees in crore)

| 2003-04 | Receipts | 2004-05 | 2003-04 | Disbursements | 2004-05 | | |
|----------------------------|--|--------------|--------------|--|-----------------|-------------|--------------|
| Section-A : Revenue | | | | | | | |
| | | | | | Non-Plan | Plan | Total |
| 5959 | I. Revenue receipts | 7249 | 6600 | I. Revenue Expenditure | 5483 | 1620 | 7103 |
| 2588 | Tax revenue | 3228 | 2154 | General Services | 2492 | 2 | 2494 |
| 1124 | Non-tax revenue | 1244 | 2269 | Social Services | 1376 | 1055 | 2431 |
| 1570 | Share of Union Taxes/ Duties | 1876 | 1917 | Economic Services | 1363 | 563 | 1926 |
| 677 | Grants from Govt. of India | 901 | 260 | Grants-in-aid/ Contributions | 252 | -- | 252 |
| Section-B Capital | | | | | | | |
| -- | II. Misc. Capital Receipts | | 1016 | II. Capital Outlay | 3 | 1276 | 1279 |
| 11 | III. Recoveries of Loans and Advances² | 15 | 558 | III. Loans and Advances disbursed² | 23 | 90 | 113 |
| 2432 | IV. Public Debt Receipts | 1910 | 778 | IV. Repayment of Public debt | 1152 | -- | 1152 |
| 7071 | V. Public account receipts | 9295 | 6824 | V. Public account disbursements | 8536 | -- | 8536 |
| 718 | Opening cash balance | 415 | 415 | Closing cash balance | 701 | -- | 701 |
| 16191 | Total | 18884 | 16191 | Total | 15898 | 2986 | 18884 |

1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in major fiscal aggregates of receipts and expenditure from the statements of the Finance Accounts for the year 2004-05.

The key indicators adopted for the purpose are (i) Resources by volume and sources (ii) Application of resources (iii) Assets and Liabilities and

² Loans and advances include adjustments of inter state settlements

(iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilization efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

The reporting parameters are depicted in the Box 1.2.

| Box 1. 2 |
|---|
| Reporting Parameters |
| <p>Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The new GSDP series with 1993-94 as base as published by the Bureau of Economics and Statistics Department of the State Government has been used.</p> <p>For tax revenues, non-tax revenues, revenue expenditure etc, buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP.</p> <p>The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in <i>Appendix 1.5</i>.</p> |

The accounts of the State Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account. They are defined in Box 1.3.

| Box 1.3 | |
|---|---|
| State Government Funds and the Public Account | |
| <p>Consolidated Fund</p> <p>All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund titled the 'Consolidated Fund of the State' established under Article 266(1) of the Constitution of India.</p> | <p>Contingency Fund</p> <p>Contingency Fund of the State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure pending authorisation by Legislature. Approval of the legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.</p> |
| <p>Public Account</p> <p>Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the related disbursements are made from it.</p> | |

1.5 State Finances by key Indicators

1.5.1 Resources by volume and sources

Resources of the State Government consist of revenue receipts, capital receipts and accruals from the Public Account. Revenue receipts consist of tax revenues, non-tax revenues, state's share of union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise miscellaneous capital receipts like proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources viz. market loans, borrowings from financial institutions/commercial banks etc. and loans and advances from the Government of India. The Public Account accruals comprise all credits in the Public Account excluding cash and investment of cash.

Table 2 shows that the total receipts of the State Government for the year 2004-05 were Rs.18469 crore. Of these, the revenue receipts of the State Government were Rs.7249 crore, constituting 39 *per cent* of the total receipts. The balance of receipts came from borrowings and public account receipts.

TABLE 2 - RESOURCES OF CHHATTISGARH (2004-05)

| | | <i>(Rupees in crore)</i> |
|-----------------------|---|--------------------------|
| I | Revenue Receipts | 7249 |
| II | Capital Receipts | 1925 |
| | (a) Miscellaneous Receipts | -- |
| | (b) Recovery of Loans and Advances | 15 |
| | (c) Public Debt Receipts | 1910 |
| III | Public Account Receipts | 9295 |
| | (a) Small Savings, Provident Funds, etc | 449 |
| | (b) Reserve Fund | 301 |
| | (c) Deposits and Advances | 900 |
| | (d) Suspense and Miscellaneous | 5428 |
| | (e) Remittances | 2217 |
| Total Receipts | | 18469 |

Table 3 gives the trend of growth in receipts from various sources and that of GSDP. While revenue receipts grew by 66 *per cent* from 2001-02 to 2004-05, debt receipts fluctuated by increasing 144 *per cent* from 2001-02 to 2003-04 and decreased in 2004-05 (21 *per cent* of 2003-04).

TABLE 3: SOURCES OF RECEIPTS: TRENDS

(Rupees in crore)

| Year | Revenue Receipts | Capital Receipts | | Receipt from Public Account | Total receipts | Gross State Domestic Product |
|---------|------------------|-------------------|---------------|-----------------------------|----------------|------------------------------|
| | | Non-debt receipts | Debt Receipts | | | |
| 2001-02 | 4376 | 09 | 995 | 5620 | 11000 | 29518 |
| 2002-03 | 5417 | 19 | 1613 | 6924 | 13973 | 29715 |
| 2003-04 | 5959 | 11 | 2432 | 7071 | 15473 | 32321 |
| 2004-05 | 7249 | 15 | 1910 | 9295 | 18469 | 35156 ³ |

1.5.2 Revenue receipts

Statement 11 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts of the State consist of its own taxes, non-tax revenues, central tax transfers and grants-in-aid from Government of India.

Overall revenue receipts, their annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and their buoyancies are indicated in Table 4.

TABLE 4 : REVENUE RECEIPTS-BASIC PARAMETERS

| | 2001-02* | 2002-03 | 2003-04 | 2004-05 |
|--|-------------|--------------|-------------|-------------|
| Revenue Receipts (RR) in crore | 4376 | 5417 | 5959 | 7249 |
| Own taxes (per cent) | 45.6 | 43.0 | 43.4 | 44.5 |
| Non-Tax Revenue (per cent) | 16.5 | 17.7 | 18.9 | 17.2 |
| Central Tax Transfers (per cent) | 26.9 | 24.9 | 26.3 | 25.9 |
| Grants-in-aid (per cent) | 11.0 | 14.5 | 11.4 | 12.4 |
| Rate of Growth (per cent) | -- | 23.8 | 10.0 | 21.6 |
| Revenue Receipts/ GSDP (per cent) | 14.8 | 18.2 | 18.4 | 20.6 |
| GSDP Growth (per cent) | -- | 0.667 | 8.77 | 8.77 |
| Revenue Buoyancy (ratio) overall | -- | 35.7 | 1.14 | 2.5 |
| Own tax buoyancy | - | 25.13 | 1.28 | 2.8 |

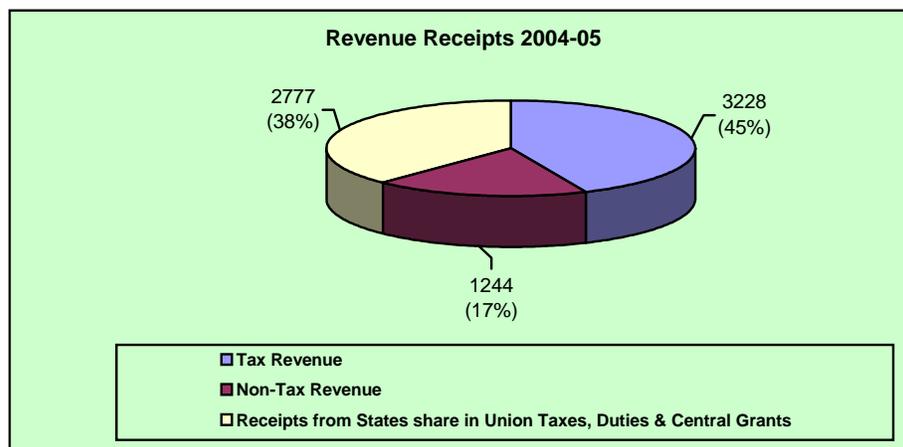
* Chhattisgarh was created on 1st November 2000. Hence the rate of growth, revenue buoyancy and GSDP growth were not determined.

Revenue receipts of the State increased from Rs.5959 crore in 2003-04 to Rs.7249 crore in 2004-05. The increase in the revenue receipts in 2004-05 was primarily due to 25 per cent increase in tax revenue, 19 per cent increase in states share in Union Taxes and Duties from Government of India and 11 per cent increase in non-tax revenue. An average of 62 per cent of the revenue had come from State's own resources. Grants-in-aid and central tax transfers together contributed nearly 38 per cent of the total revenue. The main sources of tax revenue were Taxes on sales, Trades etc. (52 per cent), State Excise (14 per cent), taxes and duties on electricity (10 per cent), taxes on goods and passengers (nine per cent), Stamps and Registration fees (eight per cent) etc. Non-tax revenue came mainly from Non-ferrous Mining and Metallurgical

³ Final figure awaited from the State Government hence calculated by considering growth rate 8.77 per cent of GSDP achieved during 2003-04.

Industries (55 per cent), Forestry and Wild life (13 per cent) and Minor Irrigation (eight per cent).

(Rupee in crore)



1.5.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2005 in respect of some principal heads of revenue amounted to Rs.175.55 crore, of which Rs.49.55 crore (28 per cent) were outstanding for more than five years.

Arrears were mainly in respect of Commercial Tax (Rs.131.45 crore), Taxes on Vehicles (Rs.3.81 crore), State Excise (Rs.19.28 crore) and Taxes on duties of electricity (Rs.19.28 crore), Stamps and Registration Fees (Rs.1.73 crore). The arrears of revenue registered an increasing trend and formed four per cent of the total tax and non-tax receipts.

1.6 Application of resources

1.6.1 Trend of Growth

Statement 12 of the Finance Accounts depicts total expenditure comprising detailed revenue expenditure by minor heads and major head wise capital expenditure. The total expenditure of the State increased from Rs.5502 crore in 2001-02 to Rs.8495 crore in 2004-05.

Total expenditure of the State, its annual growth and ratio of expenditure to the State's GSDP and to revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table 5 below:

TABLE 5: TOTAL EXPENDITURE - BASIC PARAMETERS

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---|---------|---------|---------|---------|
| Total Expenditure (TE) in crore | 5502 | 6409 | 8174 | 8495 |
| Rate of Growth (<i>per cent</i>) | -- | 16.5 | 27.5 | 3.9 |
| TE/GSDP (<i>per cent</i>) | 18.6 | 21.6 | 25.3 | 24.2 |
| Revenue Receipts/TE (<i>per cent</i>) | 79.5 | 84.5 | 72.9 | 85.3 |
| Buoyancy of Total Expenditure with | | | | |
| GSDP (ratio) | -- | 24.74 | 3.14 | 0.4 |
| Revenue Receipts (ratio) | -- | 0.693 | 2.75 | 0.2 |

The revenue receipts financed around 85 *per cent* of total expenditure and balance was met through borrowings.

In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services and loans and advances. The relative share of these components in total expenditure is indicated in Table 6.

TABLE 6: COMPONENTS OF EXPENDITURE - RELATIVE SHARE (*IN PER CENT*)

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---------------------------------|---------|---------|---------|---------|
| General Services | 32.1 | 29.0 | 26.6 | 29.7 |
| Social Services | 36.7 | 34.7 | 30.0 | 31.6 |
| Economic Services | 27.3 | 32.9 | 33.3 | 34.4 |
| Grants-in-aid | 2.4 | 2.5 | 3.2 | 3.00 |
| Loans and advances ⁴ | 1.5 | 0.9 | 6.8 | 1.3 |

The relative share of interest payments in total expenditure has been on the rise over the years, due to sharp increase in the interest payments. Of the total expenditure, the non-developmental expenditure during 2004-05 (General services including interest payments) accounted for 30 *per cent*, the developmental expenditure (on Social services and Economic services) accounted for 66 *per cent* and loans and advances and Grants-in-aid accounted for four *per cent*.

1.6.2 Incidence of revenue expenditure

Revenue expenditure had the predominant share in total expenditure. Revenue expenditure is usually incurred to maintain the current level of assets and services. Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts is indicated in Table 7 below:

⁴ Includes Inter- state settlement

TABLE 7: REVENUE EXPENDITURE - BASIC PARAMETERS

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|--------------|--------------|--------------|-------------|
| Revenue Expenditure (Rupees in crore) | 4945 | 5530 | 6600 | 7103 |
| Rate of Growth (per cent) | -- | 11.8 | 19.3 | 7.6 |
| RE/GSDP (per cent) | 16.8 | 18.6 | 20.4 | 20.2 |
| RE as per cent of TE | 89.9 | 86.3 | 80.7 | 83.6 |
| RE as per cent of Revenue Receipts | 113.0 | 102.0 | 110.8 | 97.9 |
| Buoyancy of revenue expenditure with | | | | |
| GSDP (ratio) | -- | 17.7 | 2.2 | 0.9 |
| Revenue Receipts (ratio) | -- | 0.497 | 1.93 | 0.4 |

Revenue expenditure of the State increased from Rs.4945 crore in 2001-02 to Rs.7103 crore in 2004-05. The non-plan component constituted 77 per cent of revenue expenditure while the plan expenditure was only 23 per cent. Sector wise expenditure showed that of the total revenue expenditure, general services (including interest payment) constituted 35 per cent (Rs.2494 crore), social services was 34 per cent (Rs.2431 crore) and economic services was 27 per cent (Rs.1926 crore) .

Revenue expenditure accounted for 38 per cent of the total funds available during 2004-05. This was marginally lower than the share of revenue receipts (39 per cent of the total receipts) of the State Government which led to revenue surplus (Rs.145.82 crore). The ratio of revenue expenditure to revenue receipts thus decreased from 111 per cent in 2003-04 to 98 per cent in 2004-05.

1.6.3 High salary and Pension expenditure

Salaries and pension payments alone consumed nearly 37 per cent of the revenue receipts of the State. This expenditure increased from Rs.2214 crore in 2002-03 to Rs.2653 crore in 2004-05 but there was a declining trend in terms of percentage of revenue receipts as indicated in Table 8 below:

TABLE 8

| | <i>(Rupees in crore)</i> | | | |
|---|--------------------------|----------------|----------------|----------------|
| Heads | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
| Salary and pension expenditure | 2283.56 | 2213.66 | 2517.69 | 2652.55 |
| As percentage of Revenue Receipts | 52.2 | 40.9 | 42.3 | 36.6 |
| As percentage of Revenue Expenditure | 46.2 | 40.0 | 38.1 | 37.3 |

1.6.4 Interest Payments

In absolute terms, interest payments have increased steadily from Rs.731 crore in 2001-02 to Rs.1152 crore in 2004-05 primarily due to continued reliance on borrowings for financing the fiscal deficit.

TABLE 9

| Year | Interest Payment | Percentage of interest payment with reference to | |
|---------|-------------------|--|---------------------|
| | (Rupees in crore) | Revenue Receipts | Revenue Expenditure |
| 2001-02 | 731 | 16.7 | 14.8 |
| 2002-03 | 810 | 15.0 | 14.6 |
| 2003-04 | 1054 | 17.7 | 16.0 |
| 2004-05 | 1152 | 15.9 | 16.2 |

1.7 Expenditure by allocative priorities

The actual expenditure of the State in the nature of plan expenditure, capital expenditure and developmental expenditure emerging from Statement 12 of Finance Accounts reflects the allocative priorities of the State. Higher the ratio of these components to total expenditure, the better the quality of expenditure. Table 10 below gives the percentage share of these components of expenditure in State's total expenditure.

TABLE 10: QUALITY OF EXPENDITURE (PER CENT TO TOTAL EXPENDITURE)⁵

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|----------------------------------|---------|---------|---------|---------|
| Plan expenditure | 28.2 | 33.0 | 37.7 | 35.2 |
| Capital expenditure ⁶ | 10.1 | 13.7 | 19.3 | 16.4 |
| Developmental expenditure | 64.0 | 67.6 | 63.4 | 66.0 |

Plan expenditure increased from 28 per cent of total expenditure in 2001-02 to 35 per cent in 2004-05. Capital expenditure increased from 10 per cent in 2001-02 to 16 per cent in 2004-05. However, both have decreased slightly from the levels of 2003-04.

In 2004-05, out of the developmental expenditure (Rs.5606 crore), social services accounted for 48 per cent (Rs.2687 crore), of which General Education, Health and Family Welfare and Water Supply and Sanitation consumed 66 per cent (Rs.1785 crore).

⁵ Total expenditure includes disbursement of loans and advances and inter state settlement

⁶ Includes loans and advances and inter-state settlement.

TABLE 11 SOCIAL SECTOR EXPENDITURE

(Rupees in crore)

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|------------------------------------|-------------|-------------|-------------|-------------|
| General Education | 697 | 750 | 969 | 1190 |
| Health and Family Welfare | 244 | 272 | 292 | 316 |
| Water Supply and Sanitation | 254 | 281 | 287 | 279 |
| Total | 1195 | 1303 | 1548 | 1785 |

Similarly the expenditure of Economic Services (Rs.2920 crore) accounted for 52 per cent of the developmental expenditure, of which Irrigation and Flood Control (Rs.742 crore), Transport (Rs.446 crore) and Energy (Rs.154 crore) consumed 46 per cent (Rs.1342 crore).

TABLE 12 ECONOMIC SECTOR EXPENDITURE

(Rupees in crore)

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|-------------------------------------|------------|-------------|-------------|-------------|
| Energy | 82 | 86 | 208 | 154 |
| Irrigation and Flood Control | 289 | 525 | 550 | 742 |
| Transport | 233 | 428 | 484 | 446 |
| Total | 604 | 1039 | 1242 | 1342 |

1.7.1 Assistance to local bodies and other institution.

Autonomous bodies and authorities provide public utility services on non-commercial basis. These bodies/authorities receive substantial financial assistance from the Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective State Co-operative Societies Act, Companies Act, 1956 etc. to implement various programmes of the Government. The grants are given by the Government mainly for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvements of roads and other communication facilities under municipalities and local bodies.

The quantum of assistance provided to different bodies during the year 2001-02 to 2004-05 was as follows:

Table-13

(Rupees in crore)

| Sl. No. | Assistance for | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---------|---|---------------|---------------|---------------|---------------|
| 1. | Education | 86.75 | 89.94 | 118 | 145.87 |
| 2. | Power/Energy | 64.25 | 65.00 | 88 | 146.72 |
| 3. | Agriculture | 15.60 | 16.46 | 12 | 15.13 |
| 4. | Housing & Urban Development | 8.76 | 34.91 | 28 | 17.60 |
| 5. | Any other developmental activity (food & supply and Co-operative society) | 2.03 | 4.96 | 0.86 | 27.27 |
| | <i>Total</i> | <i>177.39</i> | <i>211.27</i> | <i>247.44</i> | <i>352.59</i> |
| | Assistance as a percentage of revenue receipts | 4.01 | 3.9 | 4.2 | 4.9 |
| | Percentage of assistance to revenue expenditure | 3.6 | 3.8 | 3.7 | 5 |

Grants-in-aid rules and sanctions issued by Departments provide that grant for a specific purpose should be utilised in full during the financial year. Balance, if any, should be returned to the Government at the earliest. However, the grants released during the year 2004-05 to various institutions/bodies were not utilised in full. Out of the total release of Rs.352.59 crore, an amount of Rs.39.40 crore remained unspent during the year and the percentage of saving ranged between 10 and 100 *per cent*. Department wise breakup of non-utilisation of grants is given in **Appendix 1.6**

As per instructions, the grantee institution is required to submit the utilisation certificate (UC) for grant received. Scrutiny of records revealed that 475 UCs (2001-02:18, 2002-03:12, 2003-04:175 and 2004-05:270) amounting to Rs.553.50 crore (2001-02: Rs.2.06 crore, 2002-03 : Rs.2.47 crore, 2003-04 : Rs.196.38 crore and 2004-05 : Rs. 352.59 crore) were outstanding as of August 2005 for the grants sanctioned during the period 2001-02 to 2004-05 (**Appendix-1.7**).

Annual accounts and details of financial assistance utilised for the period of 2001-05 were awaited from 24 grantee institutions.

1.8 Assets and Liabilities

The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings etc., owned by the Government. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure. Statement 16 read with details in Statement 17 of Finance Accounts show the year-end balances

under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out.

Appendix 1.1 presents an abstract of such liabilities and the assets as on 31 March 2005, compared to the corresponding position on 31 March 2004. The liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Fund. The assets comprise mainly the capital expenditure and loans and advances given by the State Government.

The liabilities of Government of Chhattisgarh depicted in the Finance Accounts, however, do not include the pension and other retirement benefits payable to serving/retired State employees and guarantees/letters of comforts issued by the State Government. **Appendix 1.1 to 1.4** depict the comparison of the State Government finances between 2003-04 and 2004-05.

1.8.1 Financial results of irrigation works

The financial results of major and medium irrigation projects with revenue expenditure of Rs.89.45 crore during the period showed that the revenue realised (Rs.67.26 crore) from projects during 2004-05 was only 75 per cent of the revenue expenditure incurred on projects.

1.8.2 Incomplete projects

As on 31 March 2005, there were at least 71 ongoing projects with a cumulative investment of Rs.3041.54 crore. The complete list of ongoing and incomplete projects was awaited.

1.8.3 Investments and returns

Investments are made out of the capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The year-wise details of aggregated investments made to the end of the year and dividend/interest received were as under:

TABLE 14: RETURN ON INVESTMENT

| <i>(Rupees in crore)</i> | | |
|--------------------------|-----------------------------------|--|
| Year | Investment at the end of the year | Dividend/ Interest received ⁷ |
| 2001-2002 | 15.29 | 5.00 |
| 2002-2003 | 35.94 | 25.57 |
| 2003-2004 | 56.94 | 34.82 |
| 2004-05 | 87.86 | -- |

⁷ Includes dividend and interest on investments made before formation of the State.

No amount of dividend declared/interest received was credited to the Government during 2004-05.

1.8.4 Loans and advances by the State Government

The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, co-operatives, non-Government institutions, etc., for developmental and non-developmental activities. The position for the period from April 2001 to March 2005 is given below:

TABLE 15: LOANS ADVANCED BY THE STATE GOVERNMENT

| | <i>(Rupees in crore)</i> | | | |
|--|--------------------------|---------------|---------------|---------------|
| | 2001-2002 | 2002-2003 | 2003-04 | 2004-05 |
| Opening Balance | 138.33 | 184.34 | 223.58 | 770.62 |
| Amount advanced during the year | 49.52 | 57.70 | 557.68 | 113.04 |
| Amount repaid during the year | 3.51 | 18.46 | 10.64 | 14.79 |
| Closing Balance | 184.34 | 223.58 | 770.62 | 868.87 |
| Net Addition (+)/ Reduction (-) | 46.01 | 39.24 | 547.04 | 98.25 |

1.8.5 Management of cash balances

The general cash balance represents the combined balances of the Consolidated Fund, Contingency Fund and Public Account.

Under an agreement with the Reserve Bank, the Government of Chhattisgarh has to maintain with the Bank a minimum balance of Rs.72 lakh on each day with effect from 1st November 2000. The Bank informs the Government by e-mail of its daily balance with the bank at the close of each working day. If this balance falls below the agreed minimum on weekly settling days, the deficiency is made good by taking Ways and Means Advances (WMA) (Normal and Special) from the Reserve Bank of India or by selling Government of India Treasury Bills. The rate of interest charged on normal WMA is (a) Bank Rate (Currently 6 *per cent*) for the period of 1 to 90 days and (b) one *per cent* above the Bank Rate for the period beyond 90 days. Besides, Overdraft (OD) is also resorted to by the State Government whenever necessary. It was observed that during 2004-05 the Government did not utilise any Ways and Means Advances.

1.8.6 Undischarged liabilities

Fiscal liabilities

The Constitution of India provides that a State may borrow within the territory of India, upon the security of the Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of State Legislature. No law had been passed by the State Legislature laying down any such limit.

It would be observed that the overall fiscal liabilities of the State increased from Rs.7421 crore in 2001-02 to Rs.12227 crore in 2004-05. These liabilities as ratio to GSDP increased from 25 per cent in 2001-02 to 35 per cent in 2004-05 and stood at 1.69 times of the revenue receipts.

Table 16 below gives the fiscal liabilities of the State, its rate of growth, ratio to GSDP, revenue receipts and own resources and buoyancy of these liabilities with respect to these parameters.

TABLE 16: FISCAL LIABILITIES-BASIC PARAMETERS

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--------------------------------------|---------|---------|---------|---------|
| Fiscal Liabilities (Rupees in crore) | 7421 | 9245 | 11144 | 12227 |
| Rate of growth (per cent) | * | 24.6 | 20.5 | 9.7 |
| Ratio of fiscal liabilities to | | | | |
| GSDP (per cent) | 25.1 | 31.1 | 34.5 | 34.7 |
| Revenue Receipts (per cent) | 169.6 | 170.7 | 187.0 | 168.7 |
| Buoyancy of Fiscal Liabilities to | | | | |
| GSDP (ratio) | * | 36.88 | 2.34 | 1.1 |
| Revenue Receipts (ratio) | * | 1.03 | 2.05 | 0.4 |

* Not considered as the State was created on 1st November 2000

Increasing liabilities had raised the issue of sustainability of the State Government's finances. One of the indicators of sustainability of fiscal liabilities is existence of a positive spread between the rate of growth of GSDP and the weighted interest rate on fiscal liabilities. Sustainability of fiscal liabilities with reference to weighted interest rate, GSDP growth rate and interest spread is indicated in Table-17.

TABLE 17

DEBT SUSTAINABILITY

INTEREST RATE AND GSDP GROWTH (IN PER CENT)

| | 2001-02* | 2002-03 | 2003-04 | 2004-05 |
|------------------------|----------|----------|----------|---------|
| Weighted Interest Rate | | 9.7 | 10.3 | 9.86 |
| GSDP Growth | | 0.667 | 8.77 | 8.77 |
| Interest spread | | (-) 9.03 | (-) 1.53 | (-)1.09 |

* Not considered as the State was created on 1st November 2000

An important indication of sustainability of fiscal liabilities is net availability of funds after payment of the principal and interest. Table 18 below gives the position of the receipts and repayments of different components of fiscal liabilities over the last four years.

TABLE 18: NET AVAILABILITY OF BORROWED FUNDS

(Rupees in crore)

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---|------------|------------|------------|------------|
| Internal Debt | | | | |
| (a) Receipts | 653.17 | 1179.19 | 1977.60 | 1480.61 |
| (b) Repayments (Principal+ Interest [including sinking fund]) | 341.51 | 417.09 | 588.53 | 860.14 |
| (c) Net funds available (a-b) | 312.24 | 762.10 | 1389.07 | 620.47 |
| (d) Net funds available (<i>per cent</i>) NFA x 100/Receipts | 48 | 65 | 70 | 42 |
| Loans and Advances from Government of India | | | | |
| (e) Receipts | 340.86 | 434.12 | 454.39 | 429.20 |
| (f) Repayments (Principal + Interest) | 501.13 | 754.39 | 1096.61 | 1392.45 |
| (g) Net funds available (e-f) | (-) 160.27 | (-) 320.27 | (-) 642.22 | (-) 963.25 |
| (h) Net funds available (<i>per cent</i>) | (-) 47 | (-) 74 | (-) 141 | (-) 224 |
| Total Public Debt | | | | |
| (i) Receipts | 994.61 | 1613.31 | 2431.99 | 1909.81 |
| (j) Repayments (Principal + Interest) | 842.64 | 1171.48 | 1685.14 | 2252.59 |
| (k) Net funds available (i-j) | 151.97 | 441.83 | 746.85 | (-) 342.78 |
| (l) Net funds available (<i>per cent</i>) | 15.3 | 27.4 | 30.7 | (-) 17.9 |

Contingent liabilities

Guarantees are given by the State Government for discharge of certain liabilities like repayment of loans, share capital, etc., raised by the Statutory Corporations, Government Companies and Co-operative Institutions etc., and payment of interest and dividend by them. These constitute contingent liability of the State. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limits within which Government may give guarantees on the security of the Consolidated Fund of the State. Statement 6 of the Finance Accounts shows that amount of guarantees given to Joint Stock Companies, Co-operative Banks and Societies and to Municipalities, Corporations and Townships by the Government upto March 2005 was Rs.1343 crore. The guarantees outstanding as on 31st March 2005 was Rs.620 crore. As regards the guarantees of Rs.9710 crore given by the composite State of MP prior to 01 November 2000, Rs.43 crore have been apportioned and remaining guarantees of Rs.9667 crore are yet to be apportioned between the successor States of Madhya Pradesh and Chhattisgarh.

1.9 Management of deficits

1.9.1 Fiscal imbalances

The deficits in Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources so raised and applied are important pointers to the fiscal health.

The revenue deficit (Statement 1 of Finance Account) of the State, which is the excess of its revenue expenditure over revenue receipts, decreased from Rs.569 crore in 2001-02 to Rs.113 crore in 2002-03 but again increased to Rs.641 crore in 2003-04. The deficit was replaced by a revenue surplus of Rs.146 crore in 2004-05. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, also decreased from Rs.1117 crore in 2001-02 to Rs.973 crore in 2002-03 and again increased to Rs.2204 crore in 2003-04 and decreased to Rs.1231 crore in 2004-05. State Finances also reflected a trend of decrease in primary deficit from Rs.386 crore in 2001-02 to Rs.163 crore in 2002-03 and shows a steep increase to Rs.1150 crore in 2003-04 and sharp decline of Rs.79 crore in 2004-05 as indicated in Table 19.

TABLE 19: FISCAL IMBALANCES – BASIC PARAMETERS

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|---------|---------|---------|---------|
| Revenue Deficit(-)/Surplus(+) (Rupees in crore) | (-) 569 | (-) 113 | (-) 641 | (+) 146 |
| Fiscal Deficit (Rupees in crore) | 1117 | 973 | 2204 | 1231 |
| Primary Deficit (Rupees in crore) | 386 | 163 | 1150 | 79 |
| RD/GSDP(-)/RS/GSDP(+) (per cent) | (-)1.9 | (-)0.3 | (-)2.0 | (+)0.4 |
| FD/GSDP (per cent) | 3.8 | 2.9 | 6.8 | 3.5 |
| PD/GSDP (per cent) | 1.3 | 0.5 | 3.6 | 0.2 |
| RD/FD(+), RS/FD(-) (per cent) | (+)50.9 | (+)11.6 | (+)29.1 | (-)11.9 |

The ratio of revenue deficit to fiscal deficit has decreased from 51 per cent in 2001-02 to 12 per cent in 2002-03 and increased to 29 per cent in 2003-04. However, in the year 2004-05 due to revenue surplus the ratio of RS to FD was 12 per cent.

1.10 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 20 below presents a summarized position of Government finances over 2001-2005, with reference to certain key indicators that help assess the

adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important facets.

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources with increase in GSDP. These ratios showed an improving trend during 2001-05 indicating mobilisation of resources and its sustainability.

The various ratios concerning expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilization. The ratios on Fiscal imbalances show that in 2004-05, the revenue surplus funded 12 *per cent* of the fiscal deficit.

TABLE 20: RATIOS OF FISCAL EFFICIENCY (IN PER CENT)

| Fiscal Indicators | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|----------------|----------------|----------------|----------------|
| I-Resources Mobilisation | | | | |
| Revenue Receipts/ GSDP | 14.8 | 18.2 | 18.4 | 20.6 |
| Revenue Buoyancy (ratio) | * | 35.7 | 1.14 | 2.5 |
| Own Tax/GSDP | 6.8 | 7.8 | 8.0 | 9.2 |
| Own tax buoyancy | * | 25.13 | 1.28 | 2.8 |
| II-Expenditure Management | | | | |
| Total Expenditure/GSDP | 18.6 | 21.6 | 25.3 | 24.2 |
| Revenue Receipts/Total Expenditure | 79.5 | 84.5 | 72.9 | 85.3 |
| Revenue Expenditure/Total Expenditure | 89.9 | 86.3 | 80.7 | 83.6 |
| Capital Expenditure (including disbursement of loans & advances & inter-State settlement) /Total expenditure | 10.1 | 13.7 | 19.3 | 16.4 |
| Developmental Expenditure (revenue +capital)/Total Expenditure | 64.0 | 67.6 | 63.4 | 66.0 |
| Buoyancy of TE with RR | * | 69.3 | 275 | 18 |
| Buoyancy of RE with RR (<i>per cent</i>) | * | 49.7 | 193.3 | 35.2 |

| III-Management of Fiscal Imbalances | | | | |
|---|---------|----------|----------|-----------|
| Revenue deficit (-)/ surplus (+) (Rs. in crore) | (-) 569 | (-) 113 | (-) 641 | (+) 146 |
| Fiscal deficit | 1117 | 973 | 2204 | 1231 |
| Primary Deficit (Rs. in crore) | 386 | 163 | 1150 | 79 |
| Revenue Deficit/ Fiscal Deficit(+) or Revenue surplus/fiscal deficit (-) | (+)50.9 | (+)11.6 | (+)29.1 | (-) 11.9 |
| IV-Management of fiscal liabilities | | | | |
| Fiscal Liabilities (FL)/ GSDP | 25.1 | 31.1 | 34.5 | 34.8 |
| FL/RR | 169.6 | 170.7 | 187 | 168.7 |
| Buoyancy of FL with RR (ratio) | | 1.03 | 2.05 | 0.45 |
| Buoyancy of FL with own receipts (ratio) | * | 1.17 | 1.57 | 0.47 |
| Interest spread | * | (-) 9.03 | (-) 1.53 | (-) 1.09 |
| Net funds available | 15.3 | 27.4 | 30.7 | (-) 17.95 |
| V-Other Fiscal Health Indicators | | | | |
| BCR | 105 | 612 | 414 | 1255 |
| Financial Assets/ Liabilities | 0.38 | 0.47 | 0.49 | 0.57 |

* Not taken as the state was created in November 2000

Conclusion Chhattisgarh witnessed a growth of 21.6 per cent in revenue receipts and comparatively lower growth (7.6 per cent) of revenue expenditure. Consequently from a revenue deficit of Rs.641 crore during 2003-04 the State achieved a revenue surplus of Rs.146 crore. Capital expenditure also increased by 26 per cent from Rs.1016 crore in 2003-04 to Rs.1279 crore in 2004-05 and there was a decrease in fiscal deficit from Rs.2204 crore in 2003-04 to Rs.1231 crore in 2004-05.

The State of Chhattisgarh, comprising 16 districts of the composite State of MP, came into existence on 1st November 2000. The process of apportionment of pre November 2000 assets and liabilities of the composite State of Madhya Pradesh and of other financial adjustments, to be done in each case with reference to the provisions of the Madhya Pradesh Re-organisation Act, 2000 is not yet complete. A realistic picture of the financial position of the State will emerge only after completion of this process.