

CHAPTER-I

FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (*Appendix 1.1-Part A*). 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 Public Account of the State of Chhattisgarh. The layout of the Finance Accounts is depicted in *Appendix 1.1-Part B*.

1.1.1 Summary of receipts and disbursements

Table- 1.1 Summarises the finances of the Government of Chhattisgarh for the year 2007-08 covering revenue receipts and expenditure, capital receipts and expenditure and public account receipts/disbursements as emerging from **Statement-1** of the Finance Accounts and other detailed statements.

Table-1.1: Summary of Receipts and Disbursements for the Year 2007 -2008

(Rupees in crore)

Receipts				Disbursements			
2006-07		2007-08	2006-07		2007-08		
Section-A: Revenue							
11,453	I. Revenue Receipts	13,879	8,802	I. Revenue Expenditure	Non-plan	Plan	Total
					7,264	3,576	10,840
5,046	Tax Revenue	5,618	2,639	General Services	3,011	29	3,040
1,451	Non-tax Revenue	2,021	3,459	Social Services	1,843	2,274	4,117
3,199	Share of Union Taxes/ Duties	4,035	2,228	Economic Services	1,888	1,252	3,140
1,757	Grants from Govt. of India	2,205	476	Grants-in-aid and contributions	522	21	543
Section-B: Capital							
-	II-Miscellaneous Capital Receipts	27	2,198	II-Capital Outlay	30	3,101	3,131
357	III-Recoveries of Loans and Advances*	439	773	III-Loans and Advances Disbursed*	14	488	502
937	IV-Public Debt Receipts#	262	219	IV-Repayment of Public Debt#	558	--	558
-	V-Contingency Fund	3	-	V- Appropriation to Contingency Fund	--	--	--
			3	V. Contingency Fund			
13,982	VI-Public Account Receipts	17,706	13,744	VI-Public Account Disbursement	16,854	--	16,854
1,312	Opening Balance	2,300 ^s	2,302	Closing Balance	2,731	--	2,731
28,041	Total	34,616	28,041	Total	27,451	7,165	34,616

* Includes Inter State settlement of Rs 2 crore.

Excludes Ways and Means Advances and Overdraft.

^s Due to changes in Finance Account figures in the Opening Balance which was wrongly depicted in the investment of earmarked funds in the Finance Accounts of 2006-07.

Following are the significant changes during 2007-08 over the previous year:

- Revenue receipts increased by Rs 2,426 crore over the previous year. The increase was mainly contributed by tax revenue (Rs 572 crore), non-tax revenue (Rs 570 crore), State's share of union taxes and duties (Rs 836 crore) and grants-in-aid from Government of India (GOI) (Rs 448 crore).
- Revenue expenditure and capital expenditure increased by Rs 2,038 crore and Rs 933 crore respectively over the previous year.
- Recovery of loans and advances increased during current year (Rs 439 crore) compared to the previous year (Rs 357 crore).
- Public Debt receipts decreased by Rs 675 crore while its repayment increased by Rs 339 crore over the previous year.
- Public Account receipts and disbursements increased by Rs 3,724 crore and Rs 3,110 crore respectively over the previous year.
- Cash balance of the State increased by Rs 431 crore over the previous year.

1.1.2 State fiscal position by key indicators

The Fiscal position of the State Government as reflected by the key fiscal indicators during the current year as compared to the previous year is given in **Table-1.2**.

Table-1.2: Fiscal position of the State Government

		<i>(Rupees in crore)</i>	
2006-07	Sl. No.	Major Aggregates	2007-08
11,453	1	Revenue receipts (2+3+4)	13,879
5,046	2	Tax Revenue	5,618
1,451	3	Non-tax Revenue	2,021
4,956	4	Other Receipts	6,240
357	5	Non-Debt Capital Receipts	466
357	6	Of which recovery of loans*	439
	7	Miscellaneous Capital Receipt	27
11,810	8	Total Receipts (1+5)	14,345
6,226	9	Non-plan Expenditure (10+12+13)	7,308
6,194	10	On Revenue Account	7,264
1,026	11	Of which interest payments	1,140
29	12	On Capital Account	30
3	13	On Loans disbursed	14
5,547	14	Plan Expenditure (15+16+17)	7,165
2,608	15	Revenue Account	3,576
2,169	16	On Capital Account	3,101
770	17	On Loans disbursed*	488
11,773	18	Total Expenditure (9+14)	14,473
(+) 2,651	19	Revenue deficit (-)/ Surplus (+) {1-(10+15)}	(+)3,039
(+) 37	20	Fiscal Deficit (-)/Surplus (+) (1+5-18)	(-)128
(+) 1,063	21	Primary Deficit (-)/Surplus (+) (20-11)	(+)1,012

* Includes Inter State settlement of Rs two crore

An increase of 21.2 per cent (Rs 2,426 crore) in Revenue Receipts during 2007-08 in comparison to an increase of 23.2 per cent (Rs 2,038 crore) in Revenue Expenditure led to Revenue Surplus for the State which was higher

by Rs 388 crore from Rs 2,651 crore in 2006-07 to Rs 3,039 crore in 2007-08. Given the increase of Rs 388 crore in revenue surplus and an increase of Rs 109 crore in non-debt capital receipts; a decrease of Rs 271 crore in Disbursement of Loans and Advances along with an increase of Rs 933 crore in capital expenditure resulted in fiscal deficit of Rs 128 crore from a fiscal surplus of Rs 37 crore in previous year. A deterioration of Rs 165 crore in fiscal position in 2007-08 along with an increase of Rs 114 crore in interest payments resulted in decline of Rs 51 crore in primary surplus from Rs 1,063 crore in 2006-07 to Rs 1,012 crore in 2007-08.

1.2 Methodology adopted for assessment of fiscal position

The trends in the major fiscal aggregates of receipts and expenditure as emerging from the statements of Finance Accounts were analysed wherever necessary over the period 2002-08 and observations have been made on their behaviour. In its Restructuring Plan of state finances, the Twelfth Finance Commission (TFC) recommended norms/ceilings for some fiscal aggregates and also made normative projections for others. In addition, TFC also recommended that all States are required to enact a Fiscal Responsibility (FR) Act and draw their fiscal correction path accordingly for the five year period (2005-06 to 2009-10) so that fiscal position of the State could be improved as committed in their respective FR Act/Rules during medium to long run. The norms/ceilings prescribed by the TFC as well as its projections for fiscal aggregates along with the commitments/projections made by the State Government in their FR Act and in other Statements required to be laid before the legislature under the Act were used to make qualitative assessment of the trends and pattern of major aggregates during the current year. Assuming that Gross State Domestic Product (GSDP)¹ is a good indicator of the performance of the State's economy, major 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 buoyancy coefficients for tax revenue, non-tax revenues, revenue expenditure etc, with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilisation of resources, pattern of expenditure etc, are keeping pace with the change in the base or these fiscal aggregates have also been affected by factors other than GSDP. The trends in the growth of GSDP as provided by Directorate of Economic and Statistics, Government of Chhattisgarh are given in **Table-1.3**.

Table-1.3: Trends in growth of GSDP

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
GSDP (Rs in crore)	31,588	38,610	45,999	51,921	57,782	67,455 (Advanced)
Rate of Growth of GSDP (in per cent)	6.91	22.23	19.14	12.87	11.29	16.74

Source: Directorate of Economic and Statistics, Government of Chhattisgarh.

¹ GSDP is defined as the total income of the State or the market value of goods and services produced within the territory of the State using labour and all other factors of production.

The key fiscal aggregates for the purpose have been grouped under four major heads: (i) Trends and composition of Aggregates (ii) Application of Resources (iii) Assets and Liabilities and (iv) Management of Deficits (**Appendices-1.2 to 1.5**). The 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 definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in **Appendix-1.1- Part C**.

1.2.1 The Chhattisgarh Fiscal Responsibility and Budget Management (FRBM) Act, 2005

To ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent to the fiscal sustainability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework and for matters connected therewith or incidental thereto, the Chhattisgarh Fiscal Responsibility and Budget Management (FRBM) Act, 2005 was enacted. To give effect to the fiscal management principles as laid down in the Act, and /or the rules framed (February 2006) there under, the following fiscal targets were prescribed for the State Government:

- By the 31st day of March 2009, the State Government shall take appropriate measures to eliminate the revenue deficit. The State shall make every endeavor to maintain nominal revenue surplus in each financial year beginning with 2005-06 but however, under no circumstance, the State should exceed revenue deficit as below:-

Year	Amount (Rupees in crore)
2005-06	253.20
2006-07	168.80
2007-08	84.40
2008-09 and after	Zero revenue deficit;

- the State Government shall reduce fiscal deficit every year beginning with financial year 2005-06 by an amount at least equivalent to one fourth of what actual fiscal deficit as a percentage of GSDP exceeds three *per cent* in the financial year 2004-05, so that fiscal deficit is brought down to not more than three *per cent* of GSDP at the end of March 2009;
- the State Government shall not give new guarantees, in any financial year beginning with the financial year 2005-06, in excess of 1.5 *per cent* of GSDP in nominal terms or 0.5 *per cent* on risk weighted basis, whichever is lower; and
- the State Government shall not assume additional total liabilities in excess of five *per cent* of GSDP for any financial year beginning with 2005-06.

1.2.1.1 Fiscal policy statements 2007-08

As prescribed in the Act, the State Government laid a Macroeconomic Framework Statement (MFS), a Medium Term Fiscal Policy Statement

(MTFPS) and a Fiscal Policy Strategy Statement (FPSS) along with the budget before the legislature during 2007-08. The State projected in the MTFPS Non-Plan revenue expenditure (NPRE) to be Rs 7,623.19 crore, Revenue Surplus as Rs 1,801 crore, Fiscal Deficit as Rs 1,567 crore and Primary Deficit as Rs 368 crore.

1.2.1.2 Mid-term review of fiscal situation

The performance of the State during 2007-08 in terms of key fiscal targets laid down in FRBM Act 2005 is given in **Table-1.4**.

Table-1.4: Trends in Major Fiscal Parameters/Variables vis-à-vis projection for 2007-08

(Rupees in crore and others in per cent)

Fiscal variables	2007-08		
	FRBM Act	Budget Estimate	Actual
Revenue deficit (-)/Surplus (+) (Rs in crore)	(-) 84.40	1,801	3,039
Fiscal deficit (FD) (Rs in crore)	Not available-	(-) 1,567	(-) 128
FD/GSDP ratio (<i>in per cent</i>)	3.00 (by 2008-09)	2.68	0.19
Ratio of incremental Fiscal Liabilities to GSDP (<i>in Per cent</i>)	Less than five <i>per cent</i>	---	0.59
Ratio of total outstanding debt liabilities to GSDP (<i>in per cent</i>)	Not available	25.66	21.51
Ratio of Incremental guarantees to GSDP (<i>in per cent</i>)	1.5	-----	0.02

The comparative position presented in the Table above reveals that the State has achieved the targets for revenue and fiscal deficits as laid down in the FRBM Act, 2005 as well as in budget estimate for the year 2007-08. The State has achieved fiscal targets as laid down in the FRBM Act much before the timeline indicated therein with the current year ending in revenue surplus of Rs 3,039 crore and fiscal deficit of Rs 128 crore. The increase of Rs 1,238 crore in revenue surplus relative to budget estimate was mainly on account of enhanced revenue receipts (Rs 412 crore). Despite the higher projected total expenditure by the Government in budget estimate, it experienced fiscal deficit of only Rs 128 crore as compared to projected fiscal deficit (Rs 1,567 crore) due to steep increase of revenue surplus (Rs 1,238 crore) over the budget estimate of Rs 1,801 crore.

As per the FRBM Act the ratio of incremental fiscal liabilities to GSDP was not to exceed five *per cent* which were well within the limit (0.59 *per cent*) during the period. The ratio of outstanding debt liabilities to GSDP during 2007-08 was 21.51 *per cent* which was within the budget estimate of 25.66 *per cent* and the norm of 31 *per cent* by TFC to be achieved by 2009-10. As a result, the State Government received a performance linked incentive of Rs 93.26 crore as debt relief from the Government of India under Debt Consolidation and Relief Facility (DCRF) for the year 2007-08.

1.3 Trends and composition of aggregate receipts

The aggregate receipts of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenue, non-tax revenue, State's share of union taxes and duties and grants-in-aid from the GOI. 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 as well as accruals from the Public Account. **Table-1.5** shows that the total receipts of the State Government for the year 2007-08 were Rs 32,316 crore. Of these, the revenue receipts were Rs 13,879 crore, constituting 43 *per cent* of the total receipts. The balance came from capital receipts, borrowings and public account receipts.

Table-1.5: Trends in growth and composition of Aggregate Receipts

(Rupees in crore)

Sources of State's receipts	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
I Revenue Receipts	5,417	5,959	7,249	8,838	11,453	13,879
II Capital Receipts	1,632	2,443	1,925	1,252	1,294	728
Recovery of Loans and Advances*	19	11	15	18	357	439
Public Debt Receipts	1,613	2,432	1,910	1,234	937	262
Miscellaneous Capital Receipts	-	-	-	-	-	27
III Contingency Fund Receipts	-	-	-	-	-	3
IV Public Account Receipts	6,924	7,071	9,295	10,807	13,982	17,706
a. Small Savings, Provident Fund etc	375	474	449	380	409	464
b. Reserve Fund	256	158	301	247	405	353
c. Deposits and Advances	1,058	771	900	1,020	1,675	2,139
d. Suspense and Miscellaneous	3,389	3,612	5,428	6,581	7,904	10,023
e. Remittances	1,846	2,056	2,217	2,579	3,589	4,727
Total Receipts	13,973	15,473	18,469	20,897	26,729	32,316

* Including inter-state settlement

The bulk of the total receipts of the State during 2007-08 was contributed by public account receipts (55 *per cent*) followed by revenue receipts (43 *per cent*) and Capital Receipts (two *per cent*). The total receipts of the State increased from Rs 13,973 crore in 2002-03 to Rs 32,316 crore in 2007-08. The Debt capital receipts which create future repayment obligation decreased from Rs 1,613 crore in 2002-03 to Rs 262 crore in 2007-08. The recovery of loans and advances has improved by Rs 420 crore over the year 2002-03. Suspense & Miscellaneous and Deposits & Advances constitute about 57 and 12 *per cent* respectively of the total receipts under Public Account.

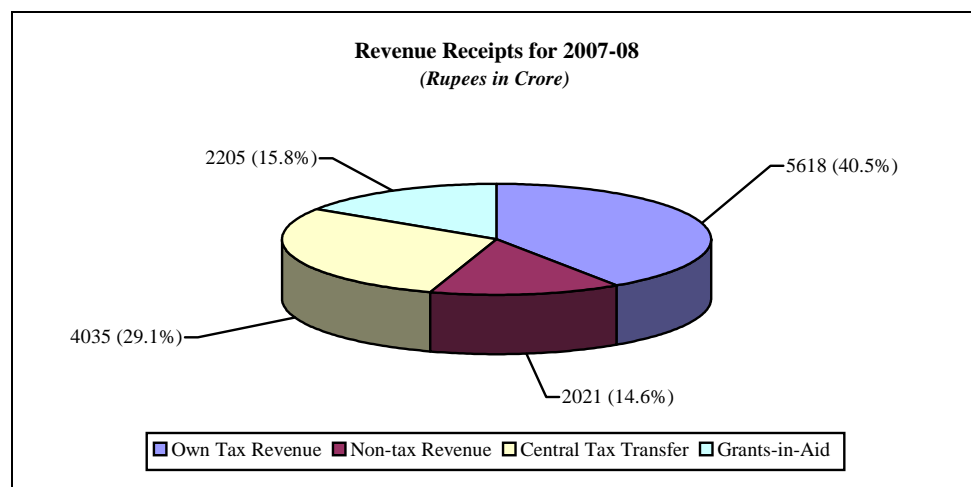
1.3.1 Revenue receipts

Statement No. 11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax and non-tax revenues, central tax transfers and grants-in-aid from the GOI. The overall revenue receipts, its annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GDP) and its buoyancies are indicated in **Table-1.6**.

Table-1.6: Revenue Receipts-Basic indicators

	<i>(Rupees in crore)</i>					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Receipts	5,417	5,959	7,249	8,838	11,453	13,879
Own taxes (<i>per cent</i>)	2,327 (43.0)	2,588 (43.4)	3,228 (44.5)	4,052 (45.8)	5,046 (44.1)	5,618 (40.5)
Non-Tax Revenue (<i>per cent</i>)	957 (17.7)	1,124 (18.9)	1,244 (17.2)	1,229 (13.9)	1,451 (12.7)	2,021 (14.6)
Central tax Transfers (<i>per cent</i>)	1,350 (24.9)	1,570 (26.3)	1,876 (25.9)	2,508 (28.4)	3,199 (27.9)	4,035 (29.1)
Grants-in-aid (<i>per cent</i>)	783 (14.5)	677 (11.4)	901 (12.4)	1,049 (11.9)	1,757 (15.3)	2,205 (15.8)
Rate of Growth of Revenue Receipts (<i>per cent</i>)	23.8	10.0	21.6	21.9	29.6	21.2
Revenue Receipts/GSDP ratio	17.15	15.43	15.76	17.02	19.82	20.58
Buoyancy of Revenue receipts	3.44	0.45	1.13	1.70	2.62	1.27
Buoyancy of Own taxes	2.42	0.5	1.29	1.98	2.17	0.68
Revenue Buoyancy with reference to State's own taxes	1.42	0.9	0.88	0.86	1.20	1.87
GSDP Growth (<i>per cent</i>)	6.91	22.23	19.14	12.87	11.29	16.74

Chart 1.1



The revenue receipts of the State increased from Rs 5,417 crore in 2002-03 to Rs 13,879 crore in 2007-08 at an annual average rate of 21 *per cent*. The revenue receipts increased by 21.2 *per cent* during 2007-08 mainly on account of increase in State's own resources, central transfers comprising of State's share in Union pool of taxes and duties and grants-in-aid from the GOI. While 55 *per cent* of the revenue receipts during 2007-08 have come from the States own resources comprising tax and non-tax revenue, the central tax transfers and grant-in-aid together contributed 45 *per cent* of the total revenue. An increase of Rs 2,426 crore in the revenue receipts in 2007-08 was primarily due to 11 *per cent* (Rs 572 crore) increase in tax revenue, 39 *per cent* (Rs 570 crore) increase in non-tax revenue and 26 *per cent* (Rs 836 crore) increase in State share in Union taxes and duties from Government of India. Revenue Buoyancy decreased from 2.62 in 2006-07 to 1.27 during 2007-08 due to rise (17 *per cent*) in rate of growth of GSDP.

Tax Revenue: The tax revenue has increased by 11 *per cent* (Rs 572 crore) during the current year (Rs 5,618 crore) over previous year (Rs 5,046 crore). **Table-1.7** below shows the trends and composition of Tax Revenue during 2002-03 to 2007-08.

Table-1.7: Tax Revenue

	<i>(Rupees in crore)</i>					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Taxes on Sales, Trade etc.	1,102	1,299	1,674	2,089	2,843	3,024
State Excise	362	402	458	635	707	843
Stamps and Registration Fees	148	171	248	313	390	463
Taxes on Goods and Passengers	252	230	287	395	302	511
Other Taxes*	463	486	561	620	804	777
Total	2,327	2,588	3,228	4,052	5,046	5,618

*The other taxes include taxes on hotel receipts, land revenue, immovable property and taxes and duties on electricity.

The revenue from taxes on sales, trade etc. and Goods and Passengers increased by Rs 181 crore and Rs 209 crore respectively over the previous year due to effective action for recovery; State Excise recorded an increase of Rs 136 crore due to increase in sale of alcohol and increase in processing fees.

Non-Tax Revenue: The main sources of non-tax revenue are non-ferrous mining and metallurgical industries 51 *per cent* (Rs 1,032 crore), forestry and wild life 13 *per cent* (Rs 258 crore), major, medium and minor irrigation six *per cent* (Rs 125 crore). Non-Tax revenue increased by 39 *per cent* (Rs 570 crore) from Rs 1,451 crore in 2006-07 to Rs 2,021 crore in 2007-08 mainly due to increase of revenue in the form of royalty in non-ferrous mining and metallurgical industries (Rs 219 crore); credit entry of Rs 271.53 crore² in the accounts (received @ Rs 93.26 crore each during 2005-06 to 2007-08 taken in 2007-08) as an incentive of debt waiver received by State Government under DCRF and sale of water for irrigation and domestic purpose from major, medium and minor irrigation projects (Rs nine crore).

The actual receipts under State's tax and non-tax revenue vis-a-vis assessment made by TFC and the State Government in its Budget estimate are given in **Table-1.8**.

Table-1.8: Actual receipts under State's tax and non-tax revenue

	<i>(Rupees in crore)</i>		
	Assessments made by TFC	Budget Estimates	Actual
State's Tax Revenue	4,415	6,028	5,618
State's Own Non-Tax Revenue	1,491	1,744	2,021

The tax revenue as well as the non-tax revenue receipts in 2007-08 exceeded normative assessments made by TFC by 27 *per cent* and by 35 *per cent* respectively. In case of tax revenue, actual realisation decreased by Rs 410 crore than the assessments made (Rs 6,028 crore) by the State Government in its Budget estimates for 2007-08 but realisation was more by Rs 277 crore in case of non-tax revenue.

² Rs 279.78 crore minus interest of Rs 8.25 crore adjusted under Major Head – 2049.

Central tax transfers: The increase in central tax transfers by Rs 836 crore (26 per cent) from Rs 3,199 crore in 2006-07 to Rs 4,035 in 2007-08 was primarily due to increase in Corporation Tax Rs 283 crore (28 per cent), Taxes on Income other than Corporation Tax Rs 253 crore (42 per cent), Customs Rs 139 crore (22 per cent) and Service Tax Rs 96 crore (31 per cent).

Grants-in-aid: The increase in Grants-in-aid by Rs 448 crore (25 per cent) from Rs 1,757 crore in 2006-07 to Rs 2,205 crore in 2007-08 was mainly due to increase of Rs 168 crore (48 per cent) in Non-Plan Grants, Rs 141 crore (17 per cent) in grants for State Plan Schemes and Rs 139 crore (25 per cent) in grants for Central Plan Schemes etc. (**Table-1.9**). Under Non-Plan grants the major contribution (Rs176.37 crore) was on account of receipts as the compensation for loss of revenue during the year due to introduction of VAT. Under Grants for State Plan Schemes, increase was in grants towards block grants Rs 22 crore and other grants Rs 130 crore. Under Central Plan schemes, increase was mainly in grants for Agriculture Rs 58 crore, Forest and wild life- Rs nine crore and Land reforms Rs three crore.

Table-1.9: Grants-in-aid from GOI

	<i>(Rupees in crore)</i>					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Grants for State Plan Schemes	263.69	308.33	441.72	525.48	856.39	997.63
Non Plan Grants	195.15	135.09	182.32	224.95	350.44	517.96
Grants for Central, Centrally Sponsored Plan Schemes and Special Plan Schemes	324.55	233.54	276.81	298.80	550.57	689.53
Total	783.39	676.96	900.85	1,049.23	1,757.40	2,205.12
Percentage of increase/ decrease over previous year	62	(-14)	33	16	67	25

Revenue Arrears: The arrears of revenue as on 31 March 2008 in respect of some principal heads of revenue amounted to Rs 381.68 crore, of which Rs 144.43 crore (38 per cent) were outstanding for more than five years.

Arrears were mainly in respect of Commercial Tax (Rs 183.29 crore), State Excise (Rs 20.35 crore), Taxes on duties of electricity (Rs 47.20 crore), Taxes on Vehicles (Rs 7.27 crore), Stamps and Registration Fees (Rs 3.06 crore), Geology and Mining (Rs 1.90 crore) and irrigation (Rs 118.61 crore).

1.4 Application of resources

1.4.1 Growth of expenditure

Statement No. 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, and extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. The total expenditure of the State increased from Rs 11,773 crore in 2006-07 to Rs 14,473 crore in 2007-08. The total expenditure of the State, its trend and annual growth, ratio of expenditure to the State's GDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in **Table-1.10**.

Table-1.10: Total Expenditure-Basic Parameters

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total Expenditure* (Rupees in crore)	6,409	8,174	8,495	9,291	11,773	14,473
Rate of Growth (<i>per cent</i>)	16.5	27.5	3.9	9.4	26.7	22.9
Revenue Expenditure (Rupees in crore)	5,530	6,600	7,103	7,457	8,802	10,840
Capital Expenditure (Rupees in crore)	820	1,016	1,279	1,497	2,198	3,131
Loans and Advance# (Rupees in crore)	59	558	113	337	773	502
TE/GSDP Ratio (<i>per cent</i>)	20.3	21.2	18.47	17.9	20.4	21.5
Revenue Receipts/TE ratio (<i>per cent</i>)	84.5	72.9	85.3	95.1	97.3	95.9
Buoyancy of Total Expenditure with						
GSDP (ratio)	2.38	1.24	0.20	0.73	2.36	1.36
Revenue Receipts (ratio)	0.69	2.75	0.18	0.4	0.90	1.08

* Total Expenditure includes Revenue Expenditure, Capital Expenditure and Loans & Advances disbursed.(Includes inter state settlement)

Includes Inter State settlement of Rs two crore.

Out of total expenditure of Rs 14,473 crore, revenue expenditure shared 75 *per cent* (Rs 10,840 crore) and capital expenditure including Loans and Advances disbursed shared 25 *per cent* (Rs 3,633 crore). The total expenditure during the current year increased by Rs 2,700 crore over the previous year of which revenue expenditure contributed Rs 2,038 crore and capital expenditure contributed Rs 933 crore (mainly on account of Rs 932 crore under Plan head) while disbursement of loans and advances decreased by Rs 271 crore. Of the total expenditure, Rs 7,308 crore was incurred under Non-Plan with an increase of Rs 1,082 crore and Rs 7,165 crore under Plan head with an increase of Rs 1,618 crore over the previous year. During the current year, 96 *per cent* (Rs 13,879 crore) of total expenditure was met from revenue receipts and the 3.2 *per cent* (Rs 464 crore) from non-debt capital receipts. The State was left with Rs 128 crore to be financed out of borrowed funds. The buoyancy of total expenditure to GSDP stood at 1.36 in 2007-08 indicating tendency to spend more than the increase in income and higher elasticity of total expenditure with respect to GSDP.

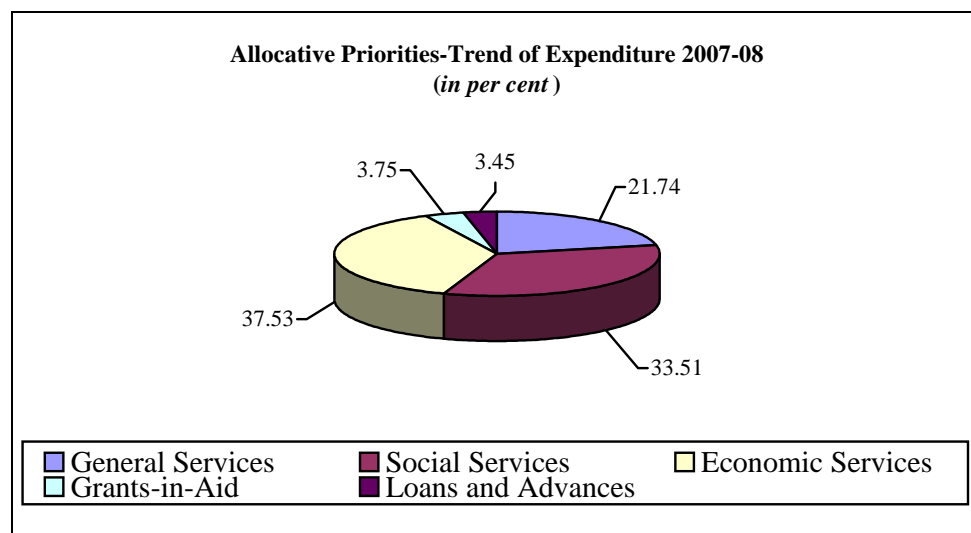
The capital expenditure of Rs 3,131 crore was less by Rs 428 crore than assessed in the budget estimate by State Government. The increase in capital expenditure by Rs 933 crore from Rs 2,198 crore during 2006-07 to Rs 3,131 crore during 2007-08 was mainly due to an increase of Rs 436 crore in Transport (Construction for Roads and Bridges), Rs 17 crore in Rural Development, Rs 122 crore in Irrigation and Flood Control and Rs five crore in Agriculture and Allied Activities.

Trends in total expenditure by activities

In terms of the activities, total expenditure could be considered as being composed of expenditure on general services, interest payments, social and economic services and loans & advances. Relative share of these components in total expenditure is indicated in **Table-1.11**.

Table-1.11: Components of Total Expenditure-Relative Share

	<i>(In per cent)</i>					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
General Services	29.0	26.6	29.7	23.8	23.05	21.74
<i>Of which Interest Payments</i>	<i>12.64</i>	<i>12.89</i>	<i>13.56</i>	<i>10.34</i>	<i>8.71</i>	<i>7.88</i>
Social Services	34.7	30.0	31.6	34.6	33.66	33.51
Economic Services	32.9	33.3	34.4	34.4	32.69	37.53
Grants-in-aid	2.5	3.2	3.0	3.6	4.04	3.75
Loans and Advances	0.9	6.8	1.3	3.6	6.6	3.45

Chart 1.2

The non-developmental expenditure during 2007-08 (general services including interest payments) accounted for 22 *per cent*, the developmental expenditure (on social and economic services) accounted for 71 *per cent* and loans and advances and Grants-in-aid accounted for seven *per cent* of the total expenditure. The share of expenditure on general services including interest payments showed a broad overall decreasing trend during 2002-08 but the share of development expenditure showed an oscillating trend and ranged between 63 and 71 *per cent* over the period. There was an increasing trend in relative share of expenditure on Grants-in-aid and loans and advances in 2002-07 which sharply decreased in 2007-08.

1.4.2 Incidence of revenue expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payment for past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and revenue receipts and its buoyancy are indicated in **Table-1.12**.

Table-1.12: Revenue Expenditure-Basic Parameters

	(Rupees in crore)					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Expenditure of which	5,530	6,600	7,103	7,457	8,802	10,840
<i>Non-Plan Revenue Expenditure (NPRE)</i>	4,260	5,059	5,483	5,449	6,194	7,264
<i>Plan Revenue Expenditure (PRE)</i>	1,270	1,541	1,620	2,008	2,608	3,576
Rate of Growth and Ratios (per cent)						
Rate of Growth of RE	11.83	19.35	7.62	4.98	18.04	23.15
Rate of Growth of NPRE	8.45	18.76	8.38	(-0.62)	13.67	17.27
Rate of Growth of PRE	24.88	21.34	5.13	23.95	29.88	37.12
NPRE/GSDP (per cent)	13.5	13.1	11.91	10.49	10.72	10.77
NPRE as per cent of TE	66.47	61.9	64.54	58.65	52.62	50.19
NPRE as per cent of RR	78.64	84.9	75.60	61.65	54.08	52.34
Buoyancy of Revenue Expenditure with:						
GSDP (ratio)	1.71	0.87	0.40	0.39	1.60	1.38
Revenue Receipts (ratio)	0.5	1.93	0.35	0.23	0.61	1.09

Revenue expenditure of the State has increased by 96 per cent from Rs 5,530 crore in 2002-03 to Rs 10,840 crore in 2007-08 of which non-plan revenue expenditure increased by 71 per cent and plan expenditure increased by 182 per cent during the period. The share of NPRE in total revenue expenditure declined from 77 per cent in 2002-03 to 67 per cent in 2007-08. An increase of Rs 1,070 crore in NPRE in 2007-08 (17.27 per cent) was mainly on account of increase in the expenditure by Rs 382 crore (15 per cent) in General Services, Rs 93 crore (five per cent) in Social Services and Rs 65 crore (14 per cent) in Grants-in-aid over the level of 2006-07. The share of plan revenue expenditure which normally covers the maintenance expenditure incurred on services has increased by Rs 2,306 crore during 2002-03 to 2007-08 keeping its share in total revenue expenditure between 23 to 33 per cent during the period. The share of plan revenue expenditure also increased by 37 per cent (Rs 968 crore) relative to 2006-07 mainly due to increase of Rs 45.31 crore in Education to all, Rs 75.95 crore under Nutritional Programme, Rs 59.92 crore under Special Component plan for schedule caste, Rs 28.61 crore as grants to Secondary Schools, Rs 25.85 crore under Rural Water Supply Programme, Rs 55.95 crore for pension under Social Security Scheme, Rs 74.12 crore under Food Subsidy and Rs 33.48 crore under Rojgar Grameen Yojna and Rs 178.79 crore under Tribal Area Sub Plan.

The actual non-plan revenue expenditure vis-a-vis assessments made by TFC and the State Government in the Budget estimates is given in **Table-1.13**.

Table-1.13: Actual non-plan revenue expenditure vis-à-vis assessments

	(Rupees in crore)		
	Assessments made by TFC	Assessments made by State Government in Budget estimate/ MTFPS	Actual
Non-plan revenue expenditure	6,452	7,623	7,264

The actual NPRE was more than the normative assessment made by TFC by Rs 812 crore and less than the assessment made by the State Government in budget estimate for the year 2007-08 by Rs 359 crore.

1.4.3 Committed expenditure

Expenditure on salaries and wages: The expenditure on salaries and wages increased from Rs 1,947 crore in 2002-03 to Rs 2,965 crore in 2007-08 as indicated in **Table-1.14**.

Table-1.14: Expenditure on Salaries and Wages

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Salary and Wages*	1,947.05	2,061.68	2,118.56	2,339.01	2,534.16	2,965.01
Of which						
<i>Non-plan Head</i>	<i>1,615.7</i>	<i>1,708.91</i>	<i>1,782.26</i>	<i>1,888.50</i>	<i>2,030.83</i>	<i>2,307.68</i>
<i>Plan Head</i>	<i>331.35</i>	<i>352.77</i>	<i>336.30</i>	<i>450.51</i>	<i>503.33</i>	<i>657.33</i>
As per cent of GSDP	6.16	5.34	4.60	4.50	4.39	4.40
As per cent of Revenue Receipts	35.94	34.6	29.22	26.46	22.13	21.36

* Source: VLC figure from A & E office.

Salaries and wages accounted for 4.40 *per cent* of State's GDP and 21.36 *per cent* of the revenue receipts during 2007-08. Seventy eight *per cent* of the total expenditure on salaries and wages was incurred under non-plan heads and 22 *per cent* under plan heads. The total salary bill relative to revenue expenditure net of interest payments and pensions was 33 *per cent* which was within the norms of 35 *per cent* recommended by TFC.

Expenditure on pension payments: Pension payments grew by 25 *per cent* from Rs 546 crore during 2006-07 to Rs 685 crore during 2007-08. Year-wise break-up of expenditure incurred on pension payments during 2002-08 is indicated in **Table-1.15**.

Table-1.15: Expenditure on Pensions

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Pensions	390.57	456.01	539.73	540.18	546.08	684.58
As per cent of GSDP	1.24	1.18	1.17	1.04	0.94	1.01
As per cent of Revenue Receipts	7.21	7.65	7.44	6.11	4.77	4.93

The expenditure on pensions (Rs 684.58 crore) during 2007-08 was much lower than the assessment made by the State Government in its Medium Term Fiscal Policy Statement (Rs 760.20 crore). The estimated yearly pension liabilities by 2016-17 have been worked out to Rs 3,514.00 crore by estimating growth @ 17 *per cent* per year in the Medium Term Fiscal Policy Statement. State Government has assumed the 17 *per cent* growth on the basis of last three years growth whereas the actual increase in pension payment was 25.36 *per cent* since last year.

Interest payments: Interest payments made and their ratio to revenue receipts and revenue expenditure during the period 2002-08 are detailed in **Table-1.16**.

Table-1.16: Interest payments

Year	Total Revenue Receipts (Rupees in crore)	Interest payments	Percentage of interest payments with reference to	
			Revenue Receipts	Revenue Expenditure
2002-03	5,417	810	15.0	14.6
2003-04	5,959	1,054	17.7	16.0
2004-05	7,249	1,152	15.9	16.2
2005-06	8,838	962	10.9	12.9
2006-07	11,453	1,026	9.0	11.7
2007-08	13,879	1,140	8.2	10.5

Interest payments increased from Rs 1,026 crore during 2006-07 to Rs 1,140 crore during 2007-08 however, the share of interest payments with respect to revenue receipts decreased from 9.0 *per cent* to 8.2 *per cent* which was well within the TFC norm of less than 15 *per cent*. The interest payments comprised of interest charges on internal debts (Rs 710 crore), loans raised from the Central Government (Rs 174 crore) and other obligations (Rs 134 crore).

Subsidy: The details of subsidies given by the State Government are given in **Table-1.17**.

Table-1.17: Subsidies

Year	Amount (Rupees in crore)	Percentage increase(+)/decrease(-) over previous year	Percentage of subsidy in total expenditure
2005-06	502.32	NA	5.41
2006-07	361.07	(-)28.12	3.07
2007-08	802.55	122.27	5.55

The subsidies increased by 122 *per cent* (Rs 442 crore) from Rs 361 crore in 2006-07 to Rs 803 crore in 2007-08. As a result the percentage of subsidy in total expenditure increased from 3.07 *per cent* in 2006-07 to 5.55 *per cent* in 2007-08. The major beneficiary sectors under various subsidy schemes during the current year include Agriculture (Food grain crops: Rs 4.93 crore; Commercial crops: Rs 29.59 crore extension and training for farmers: Rs 2.60 crore); forestry and wild life (Rs 19.53 crore); manure and fertilizers (Rs 1.03 crore) and food subsidy accounted for bulk (Rs 606 crore) of subsidies. The steep increase in subsidy during the current year was mainly on account of the decision taken by the State Government in 2007-08 to provide food grains at subsidized rates to additional BPL families and to economically weaker section of society which resulted in additional financial implication of Rs 449 crore during the year.

1.5 Expenditure by allocative priorities

1.5.1 Quality of expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore the ratio of capital expenditure to total

expenditure as well as to GSDP and the proportion of revenue expenditure being spent on running efficiently and effectively the existing social and economic services would determine the quality of expenditure. Higher the ratio of these components to total expenditure and GSDP better is the quality of expenditure. **Table-1.18** gives these ratios during 2002-08.

Table-1.18: Indicators of Quality of Expenditure

	<i>(Rupees in crore)</i>					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Capital Expenditure	820	1,016	1,279	1,497	2,198	3,131
Revenue Expenditure of which	5,530	6,600	7,103	7,457	8,802	10,840
Social and Economic Services with	3,530	4,186	4,357	4,938	5,687	7,257
<i>Salary and wage component</i>	<i>1,558</i>	<i>1,636</i>	<i>1,675</i>	<i>1,849</i>	<i>1,995</i>	<i>2,311</i>
<i>Non-Salary and wage component</i>	<i>1,972</i>	<i>2,550</i>	<i>2,682</i>	<i>3,089</i>	<i>3,692</i>	<i>4,946</i>
As per cent of Total Expenditure³						
Capital Expenditure	12.91	13.34	15.26	16.72	19.98	22.41
Revenue Expenditure	87.09	86.66	84.74	83.28	80.02	77.59
As per cent of GSDP						
Capital Expenditure	2.60	2.63	2.78	2.88	3.80	4.64
Revenue Expenditure	17.51	17.09	15.44	14.36	15.23	16.07

While the ratio of capital expenditure to total expenditure showed an increasing trend during 2002-08 and the share of revenue expenditure to total expenditure continued to decrease from 87 *per cent* in 2002-03 but revenue expenditure retained a dominant share in the total expenditure, which was 78 *per cent* in 2007-08. There was a sharp increase of 42 *per cent* (Rs 933 crore) in capital expenditure over the previous year, which was 22 *per cent* of total expenditure. Within the revenue expenditure incurred on social and economic services, the share of salary and wage component declined from 44 *per cent* in 2002-03 to 32 *per cent* in 2007-08 while the share of non-salary component increased from 56 *per cent* in 2002-03 to 68 *per cent* in 2007-08. These trends indicate the priorities being accorded by the State Government towards creating productive assets and developing social and economic infrastructure in the State.

1.5.2 Expenditure on social services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities etc. have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. **Table-1.19** summarises the expenditure incurred by the State Government in expanding and strengthening of social services in the State during 2002-08.

³ Comprises Revenue and Capital Expenditure only.

Table-1.19: Expenditure on Social Services

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Education, Sports Art and Culture						
Revenue Expenditure	744.25	932.40	1,136.41	1,224.07	1,408.07	1,810.10
Of which						
(a) Salary and Wage Component	565.22	624.13	663.56	680.91	714.08	850.19
(b) Non-Salary and Wage Component	179.03	308.27	472.85	543.16	693.99	959.91
Capital Expenditure	6.22	37.02	53.28	77.26	133.85	213.28
Health and Family Welfare						
Revenue Expenditure	251.91	258.37	277.60	292.87	341.97	395.42
Of which						
(a) Salary and Wage Component	175.62	185.71	193.60	200.68	223.58	255.24
(b) Non-Salary and Wage Component	76.29	72.66	84.00	92.19	118.39	140.18
Capital Expenditure	19.62	33.71	38.62	38.48	75.63	82.76
Water Supply, Sanitation, Housing and Urban Development						
Revenue Expenditure	233.44	243.12	228.22	311.51	577.62	635.70
Of which						
(a) Salary and Wage Component	32.31	33.33	34.72	37.25	49.98	46.97
(b) Non-Salary and Wage Component	210.13	209.79	193.50	274.26	527.64	588.73
Capital Expenditure	47.80	44.12	50.73	43.07	114.48	227.79
Other Social Services						
Revenue Expenditure	856.85	834.58	788.72	1,019.28	1,131.24	1,276.13
Of which						
(a) Salary and Wage Component	396.56	380.11	362.31	396.70	715.53	520.62
(b) Non-Salary and Wage Component	460.29	454.47	426.41	622.58	415.71	755.51
Capital Expenditure	63.18	70.61	113.09	208.51	179.01	209.29
Total (Social Services)						
Revenue Expenditure	2,086.45	2,268.47	2,430.95	2,847.73	3,458.90	4,117.35
Of which						
(a) Salary and Wage Component	1,169.71	1,223.28	1,254.19	1,315.54	1,703.17	1,673.02
(b) Non-Salary and Wage Component	916.74	1,045.19	1,176.76	1,532.19	1,755.73	2,444.33
Capital Expenditure	136.82	185.46	255.72	367.32	502.97	733.12
Grand Total	2,223.27	2,453.93	2,686.67	3,215.05	3,961.87	4,850.47

The expenditure on social services increased from Rs 2,223 crore in 2002-03 to Rs 4,850 crore in 2007-08 and it constituted 35 per cent of the total revenue and capital expenditure (Rs 13,971 crore) during 2007-08. Expenditure on education, health services and water supply, sanitation, housing & urban development etc consumed 69 per cent of the total social services expenditure during 2007-08.

The trends in revenue and capital expenditure on social services during the period 2002-08 reveal that the share of capital expenditure remained within the range of 6-15 per cent, which indicates that the revenue expenditure was dominant. Of the revenue expenditure on social services, the share of salary and wage component has declined from 56 per cent in 2002-03 to 41 per cent in 2007-08 implying more expenditure on non-salary components indicating a

move towards providing better quality of services. The non-salary and wage expenditure on social services has increased by 167 *per cent* during 2002-08 from Rs 917 crore to Rs 2,444 crore in 2007-08. Recognising the need to improve quality of education and health services, TFC recommended that non-plan expenditure under education and health and family welfare should increase by five to six *per cent* while non-salary expenditure under non-plan heads should increase by 30 *per cent* per annum during award period. The non-plan expenditure (salary & wages) in education increased by 11.98 *per cent* and in health and family welfare the increase was 0.7 *per cent* but the non-salary & wages under non plan expenditure under education grew by 24.99 *per cent* and in public health and family welfare the expenditure decreased by 7.6 *per cent* which were less than the TFC norm of 30 *per cent*.

1.5.3 Expenditure on economic services

The expenditure on economic services includes all such expenditure that promotes directly or indirectly, productive capacity within the State's economy. The expenditure on economic services (Rs 5,431 crore) during 2007-08 has accounted for 39 *per cent* of the total capital and revenue expenditure (Rs 13,971 crore). Of this, Agriculture and Allied activities, Irrigation and Flood Control, Energy and Transport consumed nearly 67 *per cent* of the total economic sector expenditure during 2007-08 (**Table-1.20**).

Table-1.20: Expenditure on Economic Services

	<i>(Rupees in crore)</i>					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Agriculture and Allied Activities						
Revenue Expenditure	656.92	1,041.06	965.57	989.88	910.73	1,438.14
Of which						
(a) <i>Salary and Wage Component</i>	253.34	269.12	271.76	349.13	362.15	398.84
(b) <i>Non-Salary and Wage Component</i>	403.58	771.94	693.81	640.75	540.58	1,039.30
Capital Expenditure	23.18	23.34	34.64	26.30	80.64	85.70
Irrigation and Flood Control						
Revenue Expenditure	158.83	132.62	120.51	123.00	136.24	148.81
Of which						
(a) <i>Salary and Wage Component</i>	54.14	58.48	59.34	68.42	75.35	87.14
(b) <i>Non-Salary and Wage Component</i>	104.69	74.14	61.17	54.58	60.89	51.03
Capital Expenditure	365.88	417.24	621.49	547.07	636.41	758.40
Power and Energy						
Revenue Expenditure	86.22	93.43	153.97	136.68	183.49	171.35
Of which						
(a) <i>Salary and Wage Component</i>	-	-	-	-	-	-
(b) <i>Non-Salary and Wage Component</i>	86.22	93.43	153.97	136.68	183.49	171.35
Capital Expenditure	-	-	-	25.00	0.02	0.00

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Transport						
Revenue Expenditure	181.70	172.04	161.62	161.65	230.52	347.33
Of which						
(a) <i>Salary and Wage Component</i>	-	-	-	24.29	44.69	26.77
(b) <i>Non-Salary and Wage Component</i>	181.70	172.04	161.62	137.36	185.83	320.56
Capital Expenditure	246.59	311.80	284.38	403.98	672.25	1,107.90
Other Economic Services						
Revenue Expenditure	359.39	478.08	523.95	678.64	767.08	1,034.56
Of which						
(a) <i>Salary and Wage Component</i>	80.46	84.91	89.87	91.80	97.51	125.93
(b) <i>Non-Salary and Wage Component</i>	278.93	393.17	434.08	586.84	669.57	908.63
Capital Expenditure	28.10	55.85	53.63	99.67	231.03	339.03
Total (Economic Services)						
Total Revenue Expenditure	1,443.06	1,917.23	1,925.62	2,089.85	2,228.06	3,140.19
Of which						
(a) <i>Salary and Wage Component</i>	387.94	412.51	420.97	533.64	579.70	638.66
(b) <i>Non-Salary and Wage Component</i>	1,055.12	1,504.72	1,504.65	1,556.21	1,648.36	2,501.51
Total Capital Expenditure	663.75	808.23	994.14	1,102.02	1,620.35	2,291.03
Grand Total	2,106.81	2,725.46	2,919.76	3,191.87	3,848.41	5,431.22

The trends in revenue and capital expenditure on economic services during the period 2002-08 reveal that the capital expenditure has consistently increased from Rs 663.75 crore (32 per cent) in 2002-03 to Rs 2,291 crore (42 per cent) in 2007-08 while revenue expenditure increased from Rs 1,443 crore (68 per cent) to Rs 3,140 crore (58 per cent) in 2007-08 but its share in the total expenditure has declined. An increase of Rs 671 crore in capital expenditure during 2007-08 over the previous year was mainly on account of increases under Transport (Rs 436 crore), Irrigation and flood control (Rs 122 crore) and Agriculture and Allied activities (Rs five crore). Of the revenue expenditure, the expenditure on salary and wages has increased from Rs 388 crore (27 per cent) in 2002-03 to Rs 639 crore (20 per cent) in 2007-08 and that of non-salary component from Rs 1,055 crore (73 per cent) to Rs 2,502 crore (80 per cent) indicating allocative priorities towards better quality and maintenance of economic services.

1.5.4 Financial assistance to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the six-year period 2002-08 is presented in **Table-1.21**.

Table-1.21: Financial Assistance to Local Bodies and Other Institutions

(Rupees in crore)

Sl. No.	Assistance for	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
1.	Education	89.94	118.06	145.87	143.00	75.91	98.86
2.	Power /Energy	65.00	88.27	146.72	165.67	572.13	135.13
3	Agriculture	16.46	12.16	15.13	22.67	25.31	16.81
4	Urban Bodies	210.22	320.09	315.16	411.35	544.84	618.15
5	Panchayat Raj Institutions	305.83	333.59	465.16	585.57	763.82	955.14
6	Other institutions	4.96	0.86	27.27	484.24	219.79	183.17
Total		692.41	873.03	1,115.31	1,812.50	2,201.80	2,007.26
Percentage increase(+)/ decrease (-) over previous year		11.43	26.09	27.75	62.51	21.48	-8.84
Assistances as a percentage of revenue receipts		12.78	14.65	15.39	20.51	19.22	14.46
Assistances as a percentage of revenue expenditure		12.52	13.23	15.70	24.31	25.01	18.52

(Source: Finance Accounts & Appropriation Accounts)

The financial assistance to local bodies and other institutions increased consistently from Rs 692.41 crore in 2002-03 to Rs 2,201.80 crore in 2006-07. There was a slight decrease during 2007-08 to Rs 2,007.26 crore primarily due to lower assistance to Power/Energy. This was attributable to a sharp increase in the assistance last year (2006-07) due to release of excess grants for free electricity supply, electrification of pump sets and for electrification work to Chhattisgarh State Electricity Board. There were significant increases in assistance to Urban bodies and Panchayat Raj institutions.

Grants-in-aid rules and sanctions issued by Departments provide that grants for a specific purpose should be utilized 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 2007-08 to various institutions/bodies were not utilised in full. Out of the total release of Rs 2,007.26 crore, departments intimated receipt of utilisation certificates for an amount of Rs 219.11 crore only (**Appendix-1.6**).

1.5.5 Delay in furnishing utilisation certificates

Against the grants of Rs 2,007.26 crore released during 2007-08 utilisation certificates for Rs 1,788.15 crore were awaited (**Appendix-1.6**). In addition 821 utilisation certificates were awaited for an amount of Rs 71.54 crore in respect of grants released upto 2006-07 (**Appendix-1.7**).

1.6 Compliance of Recommendation made by Twelfth Finance Commission and utilisation of grant

Twelfth Finance Commission (TFC) recommended grant for augmentation of consolidated fund of state for supplementing the resources of Panchayats,

Municipalities, conservation of forest etc. Government of India (GOI) released Rs 404.79 crore (2007-08) to State Government on the recommendations of the TFC for Water Supply & Sanitation, Solid Waste Management, Conservation of Forest, Maintenance of Public Buildings, Road & Bridges, Conservation of Archaeology and specific work for Education, Training and Construction work.

1.6.1 Budget provision and expenditure

Scrutiny of data provided by the Finance Department and review of Appropriation Account of Government of Chhattisgarh for the year 2007-08 revealed that out of Rs 404.79 crore released by the GOI, Rs 338.49 crore was made available to the concerned departments as shown in **Table-1.22** below:-

Table-1.22: Details of grants released and expenditure

(Rupees in crore)

Sl. No	Name of Department	Budget provision	Funds provided by Finance Department	Expenditure	
				As per Appropriation accounts	As per Department
1.	Panchayat and Rural Development	123.00	123.00	116.02	123.00
2.	Urban Administration and Development	17.60	8.80	8.80	3.84
3.	Culture and Archeology	3.17	2.13	1.18	1.18
4.	Public Works Department	111.38	97.42	38.39	38.70
5.	Forest	23.86 ⁴	24.49	21.72	21.73
6.	Police	35.78	32.65	10.95	27.17
7.	Housing and Environment (NRDA) ⁵	90.00	50.00	66.58	8.67
	Total	404.79	338.49	263.64	224.29

1.6.2 Non-utilisation of funds sanctioned under 12th Finance Commission.

Scrutiny of data provided by Urban Administration and Development Department shows that the department and Municipal Corporation, Durg under this department had received an amount of Rs 361.11 lakh and Rs 70 lakh respectively for 2007-08, under Major Head -2217 of Grant- 81 on account of Grant for maintenance of computerised data base in double entry system and for schemes of Solid Waste Management respectively, which has not been utilised in 2007-08 and reasons for non-utilisation has not been intimated by the department (July 2008).

⁴ Original =Rs 24.82 crore, (-) Re-appropriation =Rs 0.96 crore.
⁵ Naya Raipur Development Authority.

1.6.3 Non- reconciliation of funds released under 12th Finance Commission.

Scrutiny of data provided by Five out of Seven departments of State Government viz. Panchayat & Rural Development, Urban Administration and Development, Public works Department, Home Department (Police) and Housing and Environment Department (NRDA) revealed that there was a difference of Rs 39.35 crore as on March 2008 in expenditure as per Appropriation Accounts and Departmental Figures due to non-reconciliation with the figures of Accountant General (A&E) and Department.

1.6.4 Less utilisation of funds sanctioned under 12th Finance Commission.

Scrutiny of data provided by the departments shows that Public Works Departments, Urban Administration and Development Department and Housing and Environment Department (NRDA) utilised Grants less than 50 per cent against grants released by the State Government for 2007-08 under 12th Finance Commission as shown in **Table-1.23** below:

Table-1.23: Details of expenditure less than 50 per cent of grants

(Rupees in crore)

Sl. No	Name of Department	Grants Released	Actual Expenditure	Total Utilised (in percentage)
1.	Public Works Department	97.42	38.70	40
2.	Urban Administration & Development Department	8.80	3.84	44
3.	Housing & Environment Department (NRDA)	50.00	8.67	17

1.7 Assets and liabilities

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix-1.2** gives an abstract of such liabilities and the assets as on 31 March 2008, compared with the corresponding position on 31 March 2007. While the liabilities consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Appendix-1.5** depicts the time series data on the State Government finances for the period 2002-08.

1.7.1 Financial results of irrigation works

The financial results of 22 major and medium irrigation projects with capital outlay of Rs 2,521.48 crore showed that revenue realised during 2007-08 (Rs 87.66 crore) was only three per cent of the capital invested. However, the working expenses during the year were Rs 17.32 crore and the net revenue excluding interest charges was Rs 70.34 crore.

1.7.2 Incomplete projects

The information regarding completion of incomplete capital works as on 31 March 2008 relating to Water Resources Department, Public Health Engineering and Public Works is awaited from the department.

1.7.3 Investments and returns

As on 31 March 2008, the State Government had invested Rs 80.54 crore in 12 Statutory Corporations, Rs 4.63 crore in two Government Companies, Rs 202.63 crore in two Joint Stock Companies and Rs 113.15 crore in 24 Co-operative Societies (**Table-1.24**). The major corporations/companies in which the investment was made during the current year include Chhattisgarh Highway Development Company (Chhattisgarh State Public Works Department) for construction of Roads- Rs 200 crore and Rs 27 crore under Mahamaya Sugar Mills, Surguja.

Table-1.24: Return on Investment

Year	Investment at the end of the year	Return	Rate of Return	Average rate of interest on Government borrowing	Difference between interest rate and return
	(Rupees in crore)				
2002-03	35.94	25.57	--	9.72	--
2003-04	56.94	34.82	--	10.34	--
2004-05	87.86	--	--	9.85	--
2005-06	103.24	--	--	7.54	--
2006-07	159.64	--	--	7.49	--
2007-08	400.95	0.10	--	7.97	--

The return on the investment was not available since 2004-05. The investment was made by Chhattisgarh State after its formation in November 2000; hence the percentage of return cannot be assessed as the investments made prior to formation of State have not been apportioned so far between the two States.

However, the accumulated losses of major companies/corporations incurred were (i) Chhattisgarh Mineral Development Corporation Limited- Rs 0.16 crore (ii) Chhattisgarh Civil Supplies Corporation Limited- Rs 32.57 crore (iii) Chhattisgarh Infrastructure Development Corporation Limited- Rs 0.86 crore.

1.7.4 Loans and Advances by State Government

In addition to investment in Co-operatives, Corporations and Companies, Government has also been providing support in terms of loans and advances to many of these institutions/organisations. Total outstanding loans and advances as on 31 March 2008 was Rs 1,667.37 crore (**Table-1.25**). Interest received against these loans and advances was 4.22 *per cent* during 2007-08 as against 6.12 *per cent* in previous year.

Table-1.25: Average Interest received on Loans advanced by the State Government

	<i>(Rupees in crore)</i>					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Opening Balance	184.34	223.58	770.62	868.87	1,188.43	1,604.61
Amount Advanced during the year	57.70	557.68	113.04	337.48	771.13	500.28
Amount repaid during the year	18.46	10.64	14.79	17.92	354.95	437.52
Closing Balance	223.58	770.62	868.87	1,188.43	1,604.61	1,667.37
Net Addition	39.24	547.04	98.25	319.56	416.18	62.76
Interest Received	31.54	#	45.81	53.66	85.50	69.11
Interest Received as <i>per cent</i> to Loans advanced	15.46	--	5.60	5.20	6.12	4.22
Average interest rate (in <i>per cent</i>) paid on borrowings by State Government	9.72	10.34	9.85	7.54	7.49	7.97
Difference between interest paid and received (<i>per cent</i>)	5.74	--	(-)4.25	(-)2.34	(-) 1.37	(-) 3.75

Not furnished by State Government.

The decrease in loans and advances of Rs 271 crore during the year over the previous year was due to withdrawal of one time loan of Rs 500 crore given to Public Health Engineering for compensation for land acquisition which was partly offset by increase of Rs 34.37 crore to Chhattisgarh State Marketing Cooperative, Rs 75 crore to civil supply cooperatives, and Rs 18 crore under Special Component Plans and Rs 57 crore under Tribal Area Sub Plan schemes for food storage and warehousing.

1.7.5 Management of cash balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) - ordinary and special—from the Reserve Bank of India has been put in place. The State Government availed neither WMA nor overdraft during 2002-08. The Government had a large Cash Balance during 2003-04 to 2007-08 as shown in the **Table-1.26** below. During 2007-08 the closing cash balance of the State Government was Rs 2,731.19 crore of which the Government had held Rs 2,849.48 crore in Cash Balance Investment Account, Rs 26.59 crore with the departmental officers and advance for contingent expenditure and Rs 549.47 crore as investment of earmarked funds which was partly off-set by decline of Rs (-)694.35 crore in deposits with Reserve Bank of India.

Table-1.26: Details of cash balances

	<i>(Rupees in crore)</i>				
Year	2003-04	2004-05	2005-06	2006-07	2007-08
Cash Balance	415.49	701.44	1,312.49	2,300.43	2,731.19

1.8 Undischarged Liabilities

1.8.1 Fiscal liabilities

There are two sets of fiscal liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund—Capital Account. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. The Constitution of India provides that a State

may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits as may from time to time be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. Other liabilities, which are a part of public account, include deposits under small savings scheme, provident funds and other receipts.

Table-1.27 gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table-1.27: Fiscal Liabilities-Basic Parameters

	2002-03	2003-04	2004-05	2005-06 ⁶	2006-07	2007-08
Fiscal Liabilities (Rupees in crore)	9,245	11,144	12,240	13,273	14,113	14,512
Rate of Growth (<i>per cent</i>)	24.60	20.50	9.80	8.40	6.30	2.80
Ratio of Fiscal Liabilities to						
GSDP (<i>per cent</i>)	29.27	28.86	26.61	25.56	24.42	21.51
Revenue Receipt (<i>per cent</i>)	170.70	187.00	168.90	150.20	123.20	104.56
Own Resources (<i>per cent</i>)	281.52	300.20	273.70	251.30	217.20	190
Buoyancy of Fiscal Liabilities with						
GSDP (ratio)	3.55	0.92	0.51	0.65	0.56	0.17
Revenue Receipt (ratio)	1.03	2.05	0.45	0.38	0.21	0.13
Own resources (ratio)	1.17	1.57	0.48	0.46	0.27	0.16

Overall fiscal liabilities of the State increased from Rs 9,245 crore in 2002-03 to Rs 14,512 crore in 2007-08. The growth rate was 2.8 *per cent* during 2007-08 over the previous year as a result of which the ratio of fiscal liabilities to GSDP also decreased from 24.42 *per cent* in 2006-07 to 21.51 *per cent* in 2007-08. These liabilities stood at 1.05 times State's revenue receipts and 1.90 times its own resources at the end of 2007-08. The buoyancy of these liabilities with respect to GSDP showed oscillating trend but reduced from 3.55 in 2002-03 to 0.17 during the year indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 0.17 *per cent*.

The State Government has created and maintained a sinking fund since 2001-02 by transferring three *per cent* of non-refundable market loan. No expenditure has been made out of sinking fund since its creation. The total balance available at the end of March 2008 was Rs 546.90 crore. The total balance of the sinking fund was invested in the securities of the GOI.

1.8.2 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. As per Statement-6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of year since 2002-03 is given in **Table-1.28**.

Table-1.28: Guarantees given by the Government of Chhattisgarh

(Rupees in crore)

Year	Maximum amount guaranteed	Outstanding amount of Guarantees
2002-03	309	266
2003-04	807	295
2004-05	1,343	620
2005-06	1,782	855
2006-07	2,483	486
2007-08	2,495	481

⁶ Total liabilities for 2005-06 have been reassessed to Rs 13,273.18 crore due to proforma transfer of Rs 3.28 crore to Chhattisgarh from Madhya Pradesh.

Government has guaranteed loans raised by various Corporations and others, which at the end of 2007-08 stood at Rs 481 crore. The outstanding amount of guarantees is in the nature of contingent liabilities, which were about three *per cent* of revenue receipts of the State. Chhattisgarh FRBM Act (Amendment), 2006 enacted by the Legislature has prescribed that State Government shall not give new guarantees, in any financial year beginning with financial year 2005-06 in excess of 1.5 *per cent* of GSDP in nominal terms or 0.5 *per cent* of GSDP on risk weighted basis whichever is lower. During 2007-08 State Government has given guarantees worth Rs 12 crore, which is 0.02 *per cent* of GSDP.

1.9 Debt sustainability

The debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt. A prior condition for debt sustainability is the debt stabilisation in terms of debt-GSDP ratio.

1.9.1 Debt stabilisation

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GSDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate - interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. Trends in fiscal variables indicating the progress towards the debt stabilisation are indicated in **Table-1.29**.

Table-1.29: Debt Sustainability-Interest Rate and GSDP Growth

	<i>(In per cent)</i>					
<i>(In per cent)</i>	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Average Interest Rate (In per cent)	9.72	10.34	9.85	7.54	7.49	7.97
GSDP Growth (In per cent)	6.91	22.23	19.14	12.87	11.29	16.74
Interest spread (In per cent)	(-)2.81	11.89	9.29	5.33	3.8	8.77
Outstanding debt (Rs in crore)	74.21	9,245	11,144	12,240	13,273	14,113
Quantum Spread (Rs in crore)	(-)208.17	1,099.23	1,035.00	652.90	504.15	1,237.71
Primary Deficit(-)/ Surplus(+) (Rs in crore)	(-)163	(-) 1,150	(-) 79	(+) 527	(+) 1,063	(+) 1,012

The trends in **Table-1.29** reveal that quantum spread together with primary deficit was negative during 2002-03 and 2003-04 resulting in fiscal liabilities to GSDP ratio of 29 *per cent* in 2002-03 and 2003-04. The sum of quantum

spread and primary deficit remained positive since 2004-05 leading to a consistent decline in fiscal liabilities to GSDP ratio which has reached to 22 per cent in 2007-08. These trends along with the behavior of fiscal deficit-GSDP ratio during the period indicate tendency towards debt stabilisation and an improvement in the capacity of the State to sustain the debt in the ensuing years.

1.9.2 Sufficiency of non-debt receipts

Another indicator for debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

Table-1.30 indicates the resource gap as defined for the period 2002-08.

Table-1.30: Incremental receipts and expenditure

(Rupees in crore)

Period	Incremental				Resource Gap
	Non-Debt Receipts	Primary Expenditure	Interest Payments	Total Expenditure	
1	2	3	4	5 (3+4)	6 (2-5)
2002-03	1,051	828	79	907	144
2003-04	534	1,521	244	1,765	(-)1,231
2004-05	1,294	223	98	321	973
2005-06	1,592	986	(-)190	796	796
2006-07	2,954	2,418	64	2,482	472
2007-08	2,533	2,586	114	2,700	(-) 167

The persistent negative resource gap indicates the non-sustainability of debt while the positive resource gap would improve the capacity of the State to sustain the debt. **Table-1.30** reveals that incremental receipts were adequate to cover the incremental primary expenditure except in the year 2003-04 and 2007-08, thus the State experienced the negative resource gap. During subsequent years while non-debt receipts consistently increased but the incremental primary expenditure as well as interest payments was either marginal or negative resulting in positive resource gap during the period 2004-07 but during 2007-08 due to decrease in incremental non debt receipt and increase in incremental primary as well as interest payment there was a negative resource gap. These trends however indicate the improvement in the debt sustainability which is corroborated by the declining fiscal liabilities to GSDP ratio during the last four years (2004-08).

1.9.3 Net availability of borrowed funds

The debt sustainability of the State also depends on (i) the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and (ii) application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds. The solution to the Government debt problem lies in application of borrowed funds, i.e. they are (a) not being used for financing revenue expenditure; and (b) being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy in general which may result in increase in Government revenue.

Table-1.31 gives the position of the receipts and repayment of internal debt and other fiscal liabilities of the State as well as the net availability of the borrowed funds over the last five years.

Table-1.31: Net Availability of Borrowed Funds*(Rupees in crore)*

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Internal debt						
Receipt	1,179.19	1,977.60	1,480.61	1,178.07	881.84	142.31
Repayment (Principal+ Interest)	417.09	588.53	860.14	918.45	850.81	982.05
Net Fund Available	(+)762.10	(+)1,389.07	(+)620.47	(+)259.62	(+)31.03	(-)839.74
Net Fund Available (per cent)	(+)65	(+)70	(+)42	(+)22	(+)4	(-) 590
Loans and Advances from GOI						
Receipt	434.12	454.39	429.20	56.28	55.13	119.61
Repayment (Principal+ Interest)	754.39	1,096.61	1,392.45	374.14	188.89	460.41
Net Fund Available	(-)320.27	(-)642.22	(-)963.25	(-)317.86	(-)133.76	(-) 340.80
Net Fund Available (per cent)	(-)74	(-)141	(-)224	(-)565	(-)243	(-) 285
Other obligations						
Receipt	374.74	473.30	449.19	379.39	409.28	464.02
Repayment (Principal+ Interest)	430.69	577.93	650.07	520.08	604.70	668.61
Net Fund Available	(-)55.95	(-)104.63	(-)200.88	(-)140.69	(-)195.42	(-) 204.59
Net Fund Available (per cent)	(-)15	(-)22	(-)45	(-)37	(-)48	(-) 44
Total liabilities						
Receipt	1,988.05	2,905.29	2,359	1,613.74	1,346.25	725.94
Repayments	1,602.17	2,263.07	2,902.66	1,812.67	1,644.40	2,111.07
Net Fund Available	(+)385.88	(+)642.22	(-)543.66	(-)198.93	(-)298.15	(-) 1,385.13
Net Funds Available (per cent)	(+)19	(-)22	(-)23	(-)12	(-)22	(-) 191

Debt redemption ratio exceeded the unity since 2003-04 indicating that the repayments towards the discharge of past debt obligations were significantly more than the fresh debt receipts during the year. No funds were available on account of the internal debt and loans and advances from the GOI and other obligations after providing for the interest and repayment during 2007-08. During the year the Government repaid internal debt of Rs 271.71 crore, Government of India loans of Rs 286.68 crore and also discharged other obligations of Rs 412.52 crore along with interest of Rs 1,140.16 crore as a result of which no borrowed funds were available. During the year, in view of the large cash balances, the focus of the Government seems to be on discharging the past debt obligations both on account of principal and interest payments on loans raised from the market as well as from the Government of India.

1.10 Management of deficits

The deficit in Government accounts represents the gap between its receipts and expenditure. The nature of the 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 its fiscal health.

1.10.1 Trends in deficits

The trends in fiscal parameters depicting the position of fiscal equilibrium in the State are presented in **Table-1.32**.

Table-1.32: Fiscal Imbalances-Basic Parameters

(Value in Rupees in crore and ratio in per cent)

Parameters	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue surplus (+)/Deficit (-)	(-)113	(-)641	(+)146	(+)1,381	(+)2,651	(+) 3,039
Fiscal Deficit (-)/ Surplus (+)	(-) 973	(-) 2,204	(-) 1,231	(-) 435	(+)37	(-) 128
Primary Deficit (-)/ Surplus (+)	(-) 163	(-) 1,150	(-) 79	(+)527	(+)1,063	(+) 1,012
RD/GSDP	(-)0.36	(-)1.66	(+) 0.32	(+)2.66	(+)4.59	(+) 4.51
FD/GSDP	(-) 3.08	(-) 5.71	(-) 2.68	(-) 0.84	(+)0.06	(-) 0.19
PD/GSDP	(-) 0.52	(-) 2.98	(-) 0.17	(+)1.01	(+)1.84	(+) 1.50
RD/FD	11.6	29.08	*	*	*	*

(Negative figures indicate deficit)

** Realised revenue surplus during these years.*

The revenue deficit of the State which indicates the excess of its revenue expenditure over revenue receipts at Rs 113 crore in 2002-03 turned into surplus of Rs 146 crore in 2004-05 which thereafter consistently increased to Rs 3,039 crore in 2007-08. The revenue surplus during 2007-08 increased by 15 *per cent* (Rs 388 crore) over 2006-07 mainly on account of an increase of 21.2 *per cent* (Rs 2,426 crore) in Revenue Receipts in comparison to an increase of 23.2 *per cent* (Rs 2,038 crore) in Revenue Expenditure during 2007-08. The increase in revenue surplus may be assessed keeping in view the fact that 53 *per cent* of State's incremental receipts was contributed by central transfers comprising of state's share in Union taxes and duties and grants-in-aid from GOI and another Rs 271.53⁷ crore booked in the accounts as credit entry (received @ Rs 93.26 crore each during 2005-06 to 2007-08 taken in 2007-08) in lieu of debt waiver received as a performance linked incentive under DCRF.

The fiscal deficit, which represents the total borrowings of the Government and its total resource gap, decreased from Rs 973 crore in 2002-03 to fiscal surplus of Rs 37 crore in 2006-07 but it again turned into fiscal deficit of Rs 128 crore in 2007-08. The State also had a primary deficit of Rs 163 crore in 2002-03 which turned into a primary surplus of Rs 1,063 crore in 2006-07 which marginally reduced to Rs 1,012 crore in 2007-08 due to slight deterioration in fiscal deficit position of the State during 2007-08.

⁷ Rs 279.78 crore minus interest of Rs 8.25 crore adjusted under Major Head - 2049.

1.10.2 Quality of deficit/surplus

The ratio of RD to FD and the decomposition of primary deficit into primary revenue deficit⁸ and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. The ratio of RD to FD exhibits an increasing trend till 2003-04 and the revenue deficit was wiped out during 2004-05 and surplus continued till 2007-08 in revenue account of the State government.

The bifurcation of the factors resulting into primary deficit or surplus of the State during the period 2002-05 reveals (**Table-1.33**) that throughout this period, the primary deficit was on account of capital expenditure incurred and loans and advances disbursed by the State Government. During 2005-08 the non-debt receipts of the State were enough to meet the primary expenditure⁹ requirements in the revenue account, rather left some receipts to meet the expenditure under the capital account and the surplus non-debt receipts were enough to meet the expenditure requirement under capital account resulting in primary surplus since 2005-06. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table-1.33: Primary deficit/Surplus– Bifurcation of factors

(Rupees in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and Advances	Primary Expenditure	Primary Revenue deficit(-) / surplus (+)	Primary deficit(-) / surplus (+)
1	2	3	4	5	6(3+4+5)	7(2-3)	8(2-6)
2002-03	5,436	4,720	820	59	5,599	(+) 716	(-) 163
2003-04	5,970	5,546	1,016	558	7,120	(+) 424	(-) 1,150
2004-05	7,264	5,951	1,279	113	7,343	(+) 1,313	(-) 79
2005-06	8,856	6,495	1,497	337	8,329	(+) 2,361	(+) 527
2006-07	11,810	7,776	2,198	773	10,747	(+) 4,034	(+) 1,063
2007-08	14,345	9,700	3,131	502	13,333	(+) 4,645	(+) 1,012

1.11 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. **Table-1.34** presents a summarised position of Government finances over 2002-08, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlights areas of concern and captures its important facts.

⁸ Primary revenue deficit defined as gap between non interest revenue expenditure of the State and its non-debt receipts indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account.

⁹ Primary expenditure of the State defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year.

Table-1.34: Indicators of Fiscal Health

<i>(In per cent)</i>						
Fiscal indicators	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
I. Resource Mobilisation						
Revenue Receipt/GSDP	17.15	15.43	15.76	17.02	19.82	20.58
Revenue buoyancy	3.44	0.45	1.13	1.70	2.62	1.27
Own tax/GSDP	7.37	6.70	7.02	7.80	8.73	8.33
II. Expenditure Management						
Total Expenditure/GSDP	20.30	21.20	18.47	17.89	20.40	21.46
Revenue Receipts/Total Expenditure	84.50	72.90	85.30	95.10	97.30	95.90
Revenue Expenditure/Total Expenditure	86.30	80.70	83.60	80.30	74.80	74.90
Salary and Wage expenditure on Social and Economic Services/Revenue Expenditure	28.17	24.79	23.58	24.80	25.94	21.33
Non-Salary/Wage expenditure on Social and Economic Services/Revenue Expenditure	35.66	38.64	37.76	41.42	38.67	45.63
Capital Expenditure/ Total Expenditure	12.79	12.43	15.06	16.11	18.67	21.63
Development Expenditure/Total Expenditure	12.49	12.16	14.71	15.81	18.04	20.89
Buoyancy of TE with RR (in per cent)	69.30	275.24	18.10	42.75	90.30	108.02
Buoyancy of RE with RR (in per cent)	49.70	193.38	35.20	22.70	60.96	109.22
III. Management of Fiscal Imbalances						
Revenue surplus (+) deficit (-) (Rs in crore)	(-) 113	(-) 641	(+) 146	(+) 1,381	(+) 2,651	(+)3,039
Fiscal deficit (Rs in crore)	(-) 973	(-) 2,204	(-) 1,231	(-) 435	(+) 37	(-)128
Primary Deficit (Rs in crore)	(-) 163	(-) 1,150	(-) 79	(+) 527	(+) 1,063	(+)1,012
Revenue Deficit/Fiscal Deficit	0.12	0.29	0.12	3.17	(+) 71.65	23.74
Fiscal indicators						
IV. Management of Fiscal Liabilities (FL)						
Fiscal Liabilities/GSDP	29.27	28.86	26.61	25.56	24.42	21.51
Fiscal Liabilities/RR	170.70	187	168.9	150.2	123.2	104.56
Buoyancy of FL with RR	1.03	2.05	0.45	0.38	0.21	0.13
Buoyancy of FL with OR	1.17	1.57	0.48	0.46	0.27	0.16
Interest spread	(-)2.81	11.89	9.29	5.33	3.80	8.77
Net Funds Available (per cent)	(+)19	(-)22	(-)23	(-)12	(-)22	(-) 191
V. Other Fiscal Health Indicators						
Return on Investment	25.57	34.82	-	-	-	-
BCR (Rs in crore)	612	414	1,255	2,615	3,902	5,028
Financial Assets/Liabilities	0.47	0.49	0.57	0.70	0.90	0.90

The trends in ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy and accessibility of State to resources. Revenue receipts are comprised not only of the tax and non-tax resources of the State but also the transfers from Union Government. The ratio of revenue receipts to GSDP was on a rising trend since 2004-05. The ratio of revenue receipts to GSDP during the current year was 21 per cent, an increase of one percentage point over the previous year. During 2002-08 the ratio of own taxes to GSDP had showed continued improvement except in the year 2003-04 and 2007-08 when it declined marginally.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilisation efforts. The revenue expenditure as a percentage to total expenditure consistently declined but it still continued to share about 3/4th of total expenditure during 2007-08. The relatively higher buoyancy ratio of total expenditure as compared to that of revenue expenditure with respect to revenue receipts indicates the propensity of the State Government to create assets by resorting to *inter alia* capital expenditure. Increasing reliance on revenue receipts to finance the total expenditure which amounts to 96 per cent during 2007-08 indicates decreasing dependence on borrowed funds. This is

also reflected by the decreasing ratio of financial liabilities to revenue receipts. Maintaining the proportion of capital expenditure in the total expenditure at 20 *per cent* or more with inter year variations and increase in share of revenue expenditure net of subsidies on non-salary and wage items also indicates improvement in the quality of expenditure.

The prevalence of Revenue surplus and fiscal deficit being within the prescribed limits along with positive BCR throughout the period 2003-08 indicates an improvement in fiscal position of the State.

1.12 Conclusion

During 2007-08 the overall fiscal position of Chhattisgarh as reflected in terms of key parameters- revenue, fiscal and primary deficits indicates mixed trend as revenue surplus has increased while fiscal deficit position has marginally deteriorated over the previous year. The improvement in revenue surplus of the State may however be seen in view of the fact that little more than 53 *per cent* of the incremental revenue receipts of the State during 2007-08 (Rs 2,426 crore) are contributed by the central transfers comprising of State's share in central taxes and duties and grants-in-aid from the Union of India. Moreover, Rs 271.53 crore booked in the accounts as credit entry which in fact pertained to three years (2005-06 to 2007-08 but booked in 2007-08) in lieu of debt waiver received as a performance linked incentive under DCRF also resulted into a high growth rate of non tax receipts (39 *per cent*) of the State during the current year. A steep increase in capital expenditure (42 *per cent*) in 2007-08 relative to previous year led to slight deterioration in fiscal deficit position of the State during current year. The expenditure pattern of the State reveals that although the revenue expenditure exhibited a declining trend during the period 2003-08, it continued to share the dominant proportion in the total expenditure of the State which was around 75 *per cent* during 2007-08. Moreover, within the revenue expenditure, non-plan revenue expenditure in 2007-08 was significantly higher than the normative assessment of TFC for the State for the year and its four components – salaries and wages, pension liabilities, interest payments and subsidies– constituted about 77 *per cent* during 2007-08. These trends in expenditure indicate the need for changing allocative priorities. Notwithstanding these facts, State has achieved fiscal targets as laid down in its FRBM Act and/or prescribed by TFC for the year. The State of Chhattisgarh, comprising 16 districts of the composite State of Madhya Pradesh, 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 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.