

## CHAPTER I

### AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

#### 1.1 Introduction

This chapter discusses the financial position of the Government of Chhattisgarh, based on the analysis of the information contained in the Finance Accounts. The analysis is based on the trends in the receipts and expenditure, the quality of expenditure and the financial management of the State Government. In addition, the chapter also contains a section on the analysis of indicators of financial performance of the Government based on certain ratios and indices developed on the basis of the information contained in the Finance Accounts and other information furnished by the State Government. Some of the terms used in this chapter are described in *Appendix I*.

The apportionment of assets and liabilities of the composite State of Madhya Pradesh (MP) immediately prior to the ‘appointed day’ (1 November 2000) as also the other financial adjustments between the successor State of Chhattisgarh and Madhya Pradesh are being done in each case in accordance with the provisions of the Act, *ibid*. The actual progress achieved in this direction is indicated in *Appendix IA*.

#### 1.2 Financial position of the State

In the Government accounting system, comprehensive accounting of the fixed assets like land and buildings etc., 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 by the Government. Exhibit I gives an abstract of such liabilities and the assets as on 31 March 2002. While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the Government of India (GOI), receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances.<sup>1</sup> The liabilities of the Government of Chhattisgarh as on 31 March 2002 were Rs.7421 crore against the assets of Rs.2842 crore on that date.

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<sup>1</sup> *In case of Chhattisgarh, the figures for the year 2000-01 in each of the Exhibits and the tables are for five months only i.e., from 01 November 2000 to 31 March 2001. Hence, a comparison with the corresponding figures of previous years has not been possible.*

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**EXHIBIT I**

**SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF CHHATTISGARH AS ON 31 MARCH 2002**

*(Rupees in crore)*

As on 31.03.2001	Liabilities	As on 31.03.2002	
<b>1941.33</b>	<b>Internal Debt</b>		<b>2549.96</b>
1167.40	Market Loans bearing interest	1422.87	
1.43	Market Loans not bearing interest	1.23	
193.82	Loans from other Institutions	209.77	
--	Ways and Means Advances		
--	Overdrafts from Reserve Bank of India		
578.68	Special Security Issued to NSS fund of Central Government	916.09	
<b>2903.18</b>	<b>Loans and Advances from Central Government</b>		<b>3105.14</b>
132.51	Pre 1984-85 Loans	119.05	
916.46	Non-Plan Loans	898.89	
1803.40	Loans for State Plan Schemes	2034.05	
15.93	Loans for Central Plan Schemes	15.28	
34.88	Loans for Centrally Sponsored Plan Schemes	37.87	
<b>40.00</b>	<b>Contingency Fund</b>		<b>40.02</b>
<b>1024.64</b>	<b>Small Savings, Provident Funds, etc.</b>		<b>1109.93</b>
<b>324.90</b>	<b>Deposits</b>		<b>501.49</b>
<b>62.47</b>	<b>Reserve Funds</b>		<b>196.60</b>
<b>(-)94.37</b>	<b>Suspense and Miscellaneous Balances</b>		<b>(-) 81.65</b>
<b>6202.15</b>			<b>7421.49</b>
	<b>Assets</b>		
<b>1705.10</b>	<b>Gross Capital Outlay on Fixed Assets -</b>		<b>2181.36</b>
(-)2.27	Investments in shares of Companies, Corporations, etc.	15.30	
1707.37	Other Capital Outlay	2166.06	
<b>138.34</b>	<b>Loans and Advances -</b>		<b>184.35</b>
--	Loans for Power Projects	5.13	
138.84	Other Development Loans	180.75	
(-)0.50	Loans to Government servants and Miscellaneous loans	(-) 1.53	
--	Reserve fund Investment		
<b>40.00</b>	<b>Appropriation to Contingency Fund</b>	-	-
<b>1.53</b>	<b>Advances</b>		<b>(-) 1.70</b>
<b>226.75</b>	<b>Remittance Balance</b>		<b>241.41</b>
<b>119.69</b>	<b>Cash -</b>		<b>210.89</b>
(-)29.65	Cash in Treasuries and Local Remittances	0.10	
(-)163.22	Deposits with Reserve Bank	(-)111.62	
4.89	Departmental Cash Balance including permanent cash imprest	4.69	
307.67	Cash Balance Investments	317.72	
<b>3970.74</b>	<b>Deficit on Government Account</b>		<b>4579.40</b>
(-)273.08	(i) Revenue Deficit of the current year/period	568.66	
--	(ii) Miscellaneous Govt. Account	--	
4243.82	(iii) Accumulated deficit	3970.74	
	(iv) Appropriation to Contingency Fund	40.00 <sup>3</sup>	
--	<b>Inter State Settlement</b>		<b>25.78</b>
<b>6202.15</b>			<b>7421.49</b>

<sup>2</sup> Figures for the year 2000-01 is yet to be appropriated

<sup>3</sup> The appropriation to contingency fund is closed to Government Account in 2000-01 hence the appropriation to contingency fund has been taken under the head 'deficit on Government account' this year

## EXHIBIT II

## ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2001-02

(Rupees in crore)

Receipts			Disbursements					
2000-01 (1 November 2000 to 31 March 2001)		2001-02	2000-01 (November 2000 to 31 March 2001)		2001-2002			
					Non-Plan	Plan	Total	
		<b>Section-A: Revenue</b>						
<b>1882.92</b>	<b>I.</b>	<b>Revenue receipts</b>	<b>4375.69</b>	<b>1609.84</b>	<b>I. Revenue expenditure</b>	<b>3927.91</b>	<b>1016.44</b>	<b>4944.35</b>
749.69		-Tax revenue	1993.13	<b>477.02</b>	<b>General Services</b>	<b>1736.97</b>	<b>9.26</b>	<b>1746.23</b>
				<b>738.69</b>	<b>Social Services</b>	<b>1316.17</b>	<b>598.58</b>	<b>1914.75</b>
288.23		-Non-tax revenue	722.38	250.08	-Education, sports, Arts and Culture	570.14	125.30	695.44
				77.12	-Health and Family Welfare	126.87	104.67	231.54
509.94		-State's share of Union Taxes	1175.80	69.03	-Water Supply, Sanitation Housing and Urban Development	63.47	134.20	197.67
108.67		-Non-Plan grants	180.88	2.65	-Information and Broadcasting	7.46	0.01	7.47
				186.20	-Welfare of Scheduled Castes/Scheduled Tribes/Other Backward Classes	351.47	151.34	502.81
161.23		-Grants for State Plan Scheme	148.03	7.96	-Labour and Labour Welfare	13.66	7.46	21.12
				145.40	-Social Welfare and Nutrition	182.28	75.48	257.76
65.16		-Grants for Central and Centrally sponsored Plan Schemes	155.47	0.25	Others	0.82	0.12	0.94
				<b>347.20</b>	<b>Economic Services</b>	<b>741.98</b>	<b>408.60</b>	<b>1150.58</b>
				173.75	-Agriculture and Allied Activities	353.34	114.03	467.37
				75.30	-Rural Development	110.04	232.49	342.53
				--	-Special Areas Programme	--	--	--
				33.31	-Irrigation and Flood Control	62.50	21.85	84.35
				4.29	-Energy	64.38	18.05	82.43
				11.02	-Industries and Minerals	15.34	19.88	35.22
				45.82	-Transport	129.72	1.66	131.38
				0.03	-Science, Technology and Environment	0.02	--	0.02
				3.68	-General Economic Services	6.64	0.64	7.28
				<b>46.93</b>	<b>Grant-in-aid and contribution</b>	<b>132.79</b>	<b>--</b>	<b>132.79</b>
	<b>II.</b>	<b>Revenue deficit carried over to Section B</b>	<b>568.66</b>	<b>273.08</b>	<b>II- Revenue surplus carried over to Section B</b>			
<b>1882.92</b>		<b>Total - A</b>	<b>4944.35</b>	<b>1882.92</b>	<b>Total</b>	<b>3927.91</b>	<b>1016.44</b>	<b>4944.35</b>
		<b>Section-B</b>						
<b>(-) 44.57</b>	<b>III</b>	<b>Opening cash balance including permanent advances and cash balance investment</b>	<b>119.69</b>		<b>III. Opening over draft from RBI</b>			
	<b>IV</b>	<b>Miscellaneous Capital Receipts</b>		<b>8.47</b>	<b>IV. Capital outlay</b>			
				<b>43.66</b>	<b>General Services</b>	<b>--</b>	<b>20.08</b>	<b>20.08</b>
				0.60	<b>Social Services</b>	<b>2.49</b>	<b>103.97</b>	<b>106.46</b>
				2.05	Education, sports, Arts and culture	--	2.05	2.05
				22.54	Health and Family Welfare	--	12.41	12.41
				--	Water supply, sanitation, Housing and Urban development	2.49	53.69	56.18
				18.44	Information and Broad Casting	--	--	--
				--	Welfare of SC, ST and OBC	--	34.86	34.86
				0.03	Social Welfare and Nutrition	--	0.84	0.84
				<b>168.38</b>	Other Social Services	--	0.12	0.12
				0.24	<b>Economic Services</b>	<b>18.43</b>	<b>331.28</b>	<b>349.71</b>
				95.61	Agriculture and allied activities	1.30	17.57	18.87
				52.64	Rural Development	--	22.45	22.45
				--	Irrigation and flood control	0.07	204.12	204.19
				0.99	Energy	--	--	--
				18.90	Industry and Mineral	0.05	2.87	2.92
					Transport	16.84	84.28	101.12
					General Economic Services	0.16	--	0.16
				<b>220.51</b>	<b>Total</b>	<b>20.92</b>	<b>455.33</b>	<b>476.25</b>

**EXHIBIT II (Continued)**

Receipts				Disbursements			
2000-01			2001-02	2000-01		2001-02	
--	V	Inter State Settlement	5.57		V. Inter State settlement	--	31.35
1.31	VI	Recoveries of Loans and Advances	3.51	3.74	VI. Loans and Advances disbursed		49.52
--		--From Power Projects	--	0.28	--For Power Projects	5.13	
0.78		--From Government Servants	2.38	3.46	--To Government Servants	1.36	
0.53		--From others	1.13	--	--To others	43.03	
<b>273.08</b>	<b>VII</b>	<b>Revenue Surplus brought down</b>		<b>--</b>	<b>VII. Revenue deficit brought down</b>		<b>568.66</b>
<b>347.82</b>	<b>VIII</b>	<b>Public debt receipt</b>	<b>994.61</b>	<b>189.49</b>	<b>VIII. Repayment of public debt</b>		<b>184.02</b>
205.67		--Internal debt other than ways and means advances and overdraft	653.75	18.76	--Internal debt other than ways and means advances and overdraft	45.12	
--		--Net transactions under Ways and means advances including overdraft	--	108.51	--Net transactions under Ways and means advances including overdraft	--	
142.15		--Loans and advances from Central Government	340.86	62.22	--Repayment of loans and advances to Central Government	138.90	
	<b>IX</b>	<b>Appropriation to Contingency Fund</b>		<b>40.00</b>	<b>IX. Appropriation to Contingency Fund</b>	<b>--</b>	
<b>40.00</b>	<b>X</b>	<b>Amount transferred to Contingency Fund</b>	<b>--</b>		<b>X. Expenditure from Contingency Fund</b>		<b>(-) 0.02</b>
<b>2009.12</b>	<b>XI</b>	<b>Public Account receipts</b>	<b>5620.09</b>	<b>2053.32</b>	<b>XI. Public Account disbursements</b>		<b>5222.80</b>
181.82		--Small Savings and Provident Funds	428.45	131.70	--Small Savings and Provident Funds	343.16	
49.44		--Reserve funds	149.42	--	--Reserve Funds	15.29	
1112.63		--Suspense and Miscellaneous	2784.30	1218.93	--Suspense and Miscellaneous	2771.58	
300.85		--Remittance	1355.85	374.72	--Remittances	1370.52	
364.38		--Deposits and Advances	902.07	327.98	--Deposits and Advances	722.25	
--	<b>XII</b>	<b>Closing Overdraft from Reserve Bank of India</b>	<b>--</b>	<b>119.69</b>	<b>XII. Cash Balance at end of the year</b>		<b>210.89</b>
				(-) 29.65	Cash in treasuries and local remittances	0.10	
				(-) 163.22	--Deposits with Reserve Bank	(-) 111.62	
				4.89	--Departmental cash Balance including permanent cash imprest	4.69	
				307.67	--Cash Balance Investment and Investment of Earmarked Funds	317.72	
<b>2626.76</b>		<b>Total</b>	<b>6743.47</b>	<b>2626.76</b>	<b>Total</b>		<b>6743.47</b>

## EXHIBIT III

## SOURCES AND APPLICATION OF FUNDS

(Amount in crore of rupees)

2000-01 (November 2000 to 31 March 2001)		Sources	2001-02		
Amount	Per cent		Amount	Per cent	
1882.92	87	Revenue receipts	4375.69	78	
1.31	--	Recoveries of Loans and Advances	3.51	--	
158.32	7	Increase in Public debt	810.59	15	
135.96	6	Receipts from Public account	--	411.96	07
50.12	--	a. Increase in Small Savings	85.29		
36.40		b. Increase in Deposits and Advances	179.82		
49.44		c. Increase in Reserve funds	134.13		
		d. Effect of remittances transactions	--		
		e. Suspense & Misc.	12.72		
		Decrease in closing cash balance			
<b>2178.51</b>	<b>100</b>	<b>Total</b>	<b>5601.75</b>	<b>100</b>	
		<b>Application</b>			
1609.84	74	Revenue expenditure	4944.35	88	
3.74	--	Lending for development and other purposes	49.52	01	
220.51	10	Capital expenditure	476.25	09	
--	--	Net effect of Contingency Fund transactions	(-) 0.02		
180.16	8	Application From Public Account	14.67		
106.29	--	a. Net effect of Suspense and Miscellaneous transactions			
--	--	b. Miscellaneous Government Account			
73.87	--	c. Effect of Remittance transactions	14.66		
164.26	8	Increase in closing cash balance	91.20	02	
		Inter State Settlement	25.78		
<b>2178.51</b>	<b>100</b>	<b>Total</b>	<b>5601.75</b>	<b>100</b>	

## Explanatory Notes for Exhibits I, II and III :

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on government account, as shown in Exhibit I, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and others pending settlement etc.
4. There was a difference of Rs.11.32 crore (credit) between the figures reflected in the accounts i.e. Rs.11162.37 lakh (credit) and that intimated by Reserve Bank of India Rs.11049.20 lakh (credit) regarding "Deposits with Reserve Bank" included in the cash balance. After close of 31 March 2002 accounts, the net difference to be reconciled was Rs.1.13 crore (credit).

**EXHIBIT IV**

**AN ANALYSIS OF STATE GOVERNMENT FINANCES**

(Rupees in crore)

2000-01 (November 2000 to 31 March 2001)	Part A. Receipts	2001-02
<b>1883(84)</b>	<b>1. Revenue Receipts</b>	<b>4376 (81)</b>
750 (40)	(i) Tax Revenue	<b>1993 (46)</b>
354 (47)	Taxes on Sales, Trade, etc.	940 (47)
123 (16)	State Excise	314 (16)
62 (8)	Stamps and Registration fees	121 (6)
61(8)	Taxes on Goods and Passengers	196 (10)
150 (21)	Other Taxes	422 (21)
288 (15)	(ii) Non Tax Revenue	<b>722 (16)</b>
199 (69)	Mining and Metallurgical Industries	454 (63)
46 (16)	Forestry and Wild Life	98 (14)
43 (15)	Others	170 (5)
510 (27)	(iii) State's share in Union taxes and duties	<b>1176 (27)</b>
335 (18)	(iv) Grants in aid from GOI	<b>485 (11)</b>
--	<b>2. Misc. Capital Receipts</b>	-- --
<b>1883</b>	<b>3. Total revenue and Non Debt capital receipts (1+2)</b>	<b>4376</b>
<b>01</b>	<b>4. Recovery of Loans and Advances</b>	<b>04</b>
--	<b>4 (a). Inter State Settlement</b>	<b>05</b>
<b>348 (16)</b>	<b>5. Public Debt Receipts</b>	<b>995 (18)</b>
206 (59)	Internal Debt (Excluding. Ways & Means Advances & Overdrafts)	654 (66)
142 (41)	Net transactions under ways and means advances and overdraft	--
	Loans and Advances from Government of India <sup>4</sup>	341 (34)
<b>2232</b>	<b>6. Total receipt in the Consolidated fund (3+4+4(a)+5)</b>	<b>5380</b>
<b>40</b>	<b>7. Contingency Fund receipts</b>	
<b>2009</b>	<b>8. Public Account receipts</b>	<b>5620</b>
<b>4281</b>	<b>9. Total receipts of the State (6+7+8)</b>	<b>11000</b>
	<b>Part B. Expenditure / Disbursement</b>	
<b>1610 (88)</b>	<b>10. Revenue expenditure</b>	<b>4945 (90)</b>
295 (18)	Plan	1016 (21)
1314 (82)	Non Plan	3928 (79)
477 (30)	General Services (incl. interest payments)	1746 (35)
739 (46)	Social Services	1915 (39)
347 (22)	Economic Services	1150 (23)
47 (2)	Grants-in-aid and Contributions	133 (3)

Contd..

<sup>4</sup> Includes ways and means advances from GOI.

Chapter I An overview of the finances of the State Government

2000-01			2001-02	
221(12)		<b>11. Capital Expenditure</b>		<b>476 (9)</b>
222 (100)		Plan	455 (96)	
(-) 01		Non Plan	21 (4)	
08 (4)		General Services	20 (4)	
44 (20)		Social Services	106 (22)	
168 (76)		Economic Services	350 (74)	
	<b>04</b>	<b>12. Disbursement of Loans and Advances</b>		<b>50 (1)</b>
		<b>12(a) Inter State Settlement</b>		<b>31</b>
	<b>1835</b>	<b>13. Total expenditure (10+11+12+12[a])</b>		<b>5502</b>
	<b>190</b>	<b>14. Repayment of Public Debt</b>		<b>184</b>
19 (10)		Internal Debt (excluding Ways & Means Advances and Overdrafts)	45 (24)	
109 (57)		Net transactions under Ways and Means Advances and Overdraft	--	
62 (33)		Loans and Advances from Government of India <sup>S</sup>	139 (76)	
	<b>40</b>	<b>15. Appropriation to Contingency Fund</b>		<b>(-) 0.02</b>
	<b>2065</b>	<b>16. Total disbursement out of Consolidated Fund (13+14+15)</b>		<b>5686</b>
		<b>17. Contingency Fund disbursements</b>		<b>--</b>
	<b>2053</b>	<b>18. Public Account disbursements</b>		<b>5223</b>
	<b>4118</b>	<b>19. Total disbursement by the State (16+17+18)</b>		<b>10909</b>
		<b>Part C. Deficits</b>		
	<b>(-) 273</b>	<b>20. Revenue deficit (1-10)</b>		<b>569</b>
	<b>(-) 49</b>	<b>21. Fiscal deficit (3+4+4[a]-13)</b>		<b>1117</b>
	<b>(-)335</b>	<b>22. Primary deficit (21-23)</b>		<b>386</b>
		<i>Part D. Other data</i>		
	<b>286</b>	<b>23. Interest payments (included in revenue exp.)</b>		<b>731</b>
	<b>--</b>	<b>24. Arrears of Revenue (Percentage of Tax &amp; non-Tax Revenue Receipts)</b>		<b>0.01</b>
	<b>37</b>	<b>25. Financial assistance to local bodies etc.</b>		<b>177</b>
	<b>01</b>	<b>26. Ways and Means Advances/Overdraft availed (days)</b>		<b>--</b>
	<b>--</b>	<b>27. Interest on WMA/Overdraft</b>		<b>--</b>
	<b>10782</b>	<b>28. Gross State Domestic Product (GSDP)</b>		<b>30265</b>
	<b>6255</b>	<b>29. Outstanding debt (year-end)</b>		<b>7463</b>
	<b>--</b>	<b>30. Outstanding guarantees* (year-end)</b>		<b>466</b>
	<b>--</b>	<b>31. Maximum amount guaranteed (year-end)</b>		<b>508</b>
	<b>60</b>	<b>32. Number of incomplete projects</b>		<b>59</b>
	<b>1449</b>	<b>33. Capital blocked in incomplete projects</b>		<b>1597</b>

**Notes :** (i) Figures in brackets represent percentages, rounded to total of each sub-heading

\* Rs.9710 crore retained in Madhya Pradesh for apportionment between the successor States of MP and Chhattisgarh.

<sup>S</sup> Includes ways and means advances from GOI.

### **1.3 Financial operations of the State Government**

**1.3.1** Exhibit II gives the details of the receipts of, and disbursements made by, the State Government during the year. The revenue expenditure (Rs.4945 crore) during the year 2001-02 exceeded the revenue receipts (Rs.4376 crore), resulting in a revenue deficit of Rs.569 crore. The Revenue receipts comprised tax revenue (Rs.1993 crore), non-tax revenue (Rs.722 crore), State's share of Union taxes and duties (Rs.1176 crore) and grants-in-aid from the Central Government (Rs.485 crore). The main sources of tax revenue were Sales taxes (47 *per cent*), State excise (16 *per cent*) and Stamps and Registration fees (6 *per cent*) and taxes on goods and passengers (10 *per cent*). Non-tax revenue came mainly from Mining and Metallurgical Industries (63 *per cent*) and Forestry and Wild Life (14 *per cent*).

**1.3.2** The capital receipts comprised of Rs.4 crore from recoveries of loans and advances and Rs.995 crore from public debt. Against this, the expenditure was Rs.476 crore on capital outlay, Rs.50 crore were on disbursement of loans and advances and Rs.184 crore on repayment of public debt. The receipts in the Public Account amounted to Rs.5620 crore, against which the disbursements of Rs.5223 crore were made. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was an increase in the cash balance by Rs.91 crore at the end of the year.

**1.3.3** The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs, with reference to the information contained in Exhibits II and time series data for the period from November 2000 to 31 March 2002 presented in Exhibit IV.

### **1.4 Sources and application of funds**

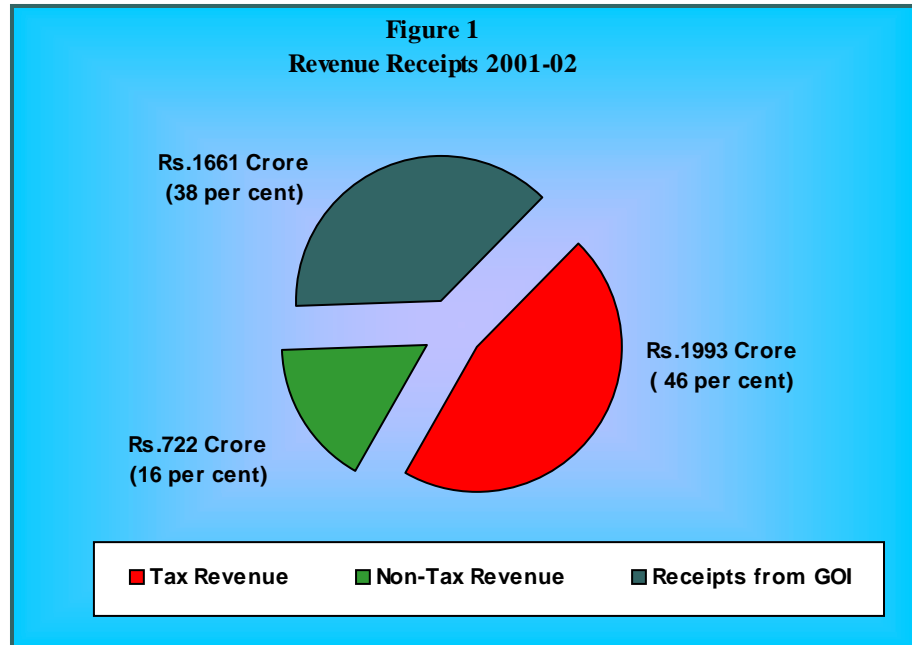
**1.4.1** Exhibit III gives the position of sources and applications of funds during the period. The main sources of funds include the revenue receipts of the Government, recoveries of the loans and advances, public debt and the receipts from the Public Account. These funds are applied mainly on revenue and capital expenditure and lending for developmental purposes. It would be seen that the revenue receipts constitute the most significant source of funds for the State Government; while its relative share decreased from 87 *per cent* in 2000-01 to 78 *per cent* during 2001-02. The net receipts from the Public Account increased from 6 *per cent* to 7 *per cent* during 2001-02. The receipt from the public debt increased from 7 *per cent* in 2000-01 to 15 *per cent* during 2001-02.

**1.4.2** The funds were mainly applied for revenue expenditure and its share was 88 *per cent*, higher than the share of the revenue receipts (78 *per cent*) in the total receipts of the State Government. This led to Revenue deficit of Rs.569 crore during the period. The percentage of capital expenditure declined from 10 *per cent* to 8.5 *per cent* not commensurate with the combined shares of 22 *per cent* of Public debt and Receipts from Public Account in total receipts.



## 1.5 Revenue receipts

**1.5.1** The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India (GOI). Their relative shares are shown in Figure 1. The revenue receipts constituted 78 *per cent* of total resources of the Government during 2001-02.



### 1.5.2 Tax revenue

This constitutes the major component (46 *per cent*) of the revenue receipts. Exhibit IV shows that the relative contribution of sales tax was 47 *per cent* during the period, while that of State excise was 16 *per cent*, Stamps and registrations fees was 6 *per cent* and Taxes on goods and passengers was 10 *per cent* while other taxes constituted the remaining 21 *per cent* of tax revenue receipts.

### 1.5.3 Non-tax revenue

Non-tax revenue was a significant source and its share in the revenue receipts was 16 *per cent* during the period. Main contribution (63 *per cent*) was from Mining and Metallurgical Industries and (14 *per cent*) from Forestry and Wild Life.

### 1.5.4 State's share of Union taxes and duties and grants-in-aid from the Central Government

The State's share of Union taxes (Central excise duties, Income tax and Corporation taxes) was 27 per cent and that of grants-in-aid from the GOI was 11 per cent. As a percentage of revenue receipts (both taken together), it was 38 per cent during the period indicating a significant dependence on central receipts.

## 1.6 Revenue expenditure

1.6.1 The revenue expenditure accounted for most (90 per cent) of the total expenditure of the State Government. The non-Plan component constituted 79 per cent of revenue expenditure while the Plan expenditure was only 21 per cent.

1.6.2 Sector-wise expenditure shows that while the expenditure on General Services (including interest payment) was 35 per cent (Rs.1746 crore) and social services 39 per cent (Rs.1915 crore) while expenditure on Economic Services was only 23 per cent (Rs.1150 crore).

### 1.6.3 Interest payments

Interest payments were Rs.731 crore during the period and comprised 14.8 per cent of the revenue expenditure. This is further discussed in the section on financial indicators (paragraph 1.11.3 (ii))

### 1.6.4 Financial assistance to local bodies and other institutions

The quantum of assistance provided to different local bodies etc., during the period was as follows:

	<i>(Rupees in crore)</i>	
	<b>2000-01 (1 November to 31 March 2001)</b>	<b>2001-02</b>
Education	32.38	85.75
Water Supply, Sanitation, Housing and Urban Development	4.91	8.76
Public Undertakings	00.13	2.03
CSEB	--	64.25
Agriculture and allied activities	--	15.58
Science & Technology	--	0.02
<b>Total</b>	<b>37.42</b>	<b>177.39</b>
Assistance as a percentage of revenue expenditure	2.32	3.58

A major portion (48 per cent) of the assistance has been accounted for by educational institutions.

## 1.7 Capital expenditure

**1.7.1** Capital expenditure normally leads to asset creation. In addition, financial assets arise from money invested in institutions or undertakings outside Government i.e. public sector undertakings (PSUs), corporations etc. and loans and advances. Exhibit IV shows that the capital expenditure has been on Economic and Social Services on the Plan side with Rs.21 crore on non plan side further 96 per cent of the capital expenditure is on plan side.

### Loans and Advances by the State Government

**1.7.2** 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 November 2000 to March 2002 is given below :

*(Rupees in crore)*

	2000-01 (1 November to 31 March 2001)	2001-02
Opening balance (provisional)	135.91	138.34
Amount advanced during the year	3.74	49.52
Repayments received during the year	1.31	3.51
Closing balance	138.34	184.35
Net addition	2.43	46.01
Interest received	0.03	0.03

## 1.8 Quality of expenditure

**1.8.1** Government spends money for different activities ranging from maintenance of law and order and other regulatory functions to various developmental activities. Government expenditure is broadly classified into Plan and non-Plan and Revenue and Capital. While the Plan and Capital expenditure are usually associated with asset creation, the Non-Plan and Revenue expenditure are identified with expenditure on establishment, maintenance and services. By definition, therefore, in general the Plan and Capital expenditure can be viewed as contributing to the quality of expenditure.

**1.8.2** Wasteful public expenditure, diversion of funds and blockage of funds in incomplete projects would impinge negatively on the quality of expenditure. Similarly, funds transferred to Deposit heads in the Public Account after booking them as expenditure, can also be considered as a negative factor in judging the quality of expenditure; since any expenditure not actually incurred in a current year should be excluded from the figures of the expenditure of that year. Another possible indicator is the increase in the expenditure on General Services to the detriment of Economic and Social services.

**1.8.3** The following table lists out the trend in these indicators:

	<b>2000-01 (1 November 2000 to 31 March 2001)</b>	<b>2001-02</b>
1. Plan expenditure as a percentage of total expenditure (Revenue + Capital)	28	27
2. Capital expenditure (per cent)	12	09
3. Expenditure on General Services including interest payments as a percentage of total expenditure (Revenue + Capital)	26	32
4. Unspent balances under Deposits heads, booked as expenditure (Rs. in crore)	43	146

It would be seen that the share of Plan expenditure was *27 per cent* during the period. The share of capital expenditure to the total expenditure was only *9 per cent* which does not augur well for the development of the State.

Substantial funds (Rs.146 crore) were parked in Civil Deposits without the expenditure having actually been incurred. The expenditure on General Services at the same time has been on the increase. Though the list of completed and ongoing projects have been called for from the State Government, no reply has been received (May 2003).

The above trend of expenditure reflects adversely on the quantity of expenditure and may lead to blockage of funds, time and cost over runs and non fulfillment of plan objectives

## **1.9 Financial management**

The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure in its operations. Subsequent chapters of this report deal extensively with these issues especially as these relate to the expenditure management in the Government, based on the findings of test audit. Some other parameters, which can be segregated from the accounts and other related financial information of the Government, are discussed in this section.

### **1.9.1 Investments and returns**

Investments are made out of the capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The sector-wise details of investments made and the number of concerns involved were as under:

(Rupees in crore)

Sector	During 2000-01 (November 2000 to 31 March 2001)		During 2001-02	
	Number of concerns	Amount invested	Number of concerns	Amount invested
Statutory Corporations	2	(-) 1.68	7	4.18
Government Companies	--	--	--	--
Joint Stock Companies	--	--	--	--
Co-operatives and Banks	9	(-) 0.58	15	11.11
<b>Total</b>	<b>11</b>	<b>(-) 2.26</b>	<b>22</b>	<b>15.29</b>

The amount of dividend declared/interest received and credited to Government was Rs. 5 crore during 2001-02.

The investments made by the composite State of Madhya Pradesh in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operative Institutions aggregating to Rs.1628 crore are yet to be apportioned between the successor States.

### 1.9.2 Financial results of irrigation projects

The financial results of 6 major and medium irrigation projects with revenue expenditure of Rs.73.43 crore during the period showed that the revenue realised (Rs.38.20 crore) from these projects during 2001-02 was only 52 per cent of the revenue expenditure.

### 1.9.3 Ongoing projects

As on 31 March 2002, there were 59 ongoing projects with a cumulative investment of Rs.1597.59 crore. The complete list of ongoing and incomplete projects was awaited.

### 1.9.4 Arrears of revenue

Other than the Stamp duty and Registration fees, details of revenue outstanding in the various departments though called for is still awaited. Arrears of revenue, in Stamp duty and registration fees as on 31 March 2002 were as under:

Revenue Head	Amount of		Remarks
	Arrears as on 31 March 2002	Outstanding for more than five years as on 31 March 2002	
	<i>(Rupees in crore)</i>		
Stamp duty and registration fees	0.40	0.18	Rs.0.24 crore intimated for recovery as arrears of land revenue, recoveries of Rs.0.16 crore stayed by judicial authorities/Government

### 1.9.5 Ways and means advances and overdraft

Under an agreement with the Reserve Bank of India, the State Government had to maintain with the Reserve Bank a minimum daily cash balance of Rs.0.72 crore. If the balance fell below the agreed minimum on any day, the

deficiency had to be made good by taking ways and means advances (WMA)/special ways and means advances from the Bank. Besides, overdraft (OD) is also resorted to by the Bank whenever necessary. Recourse to WMA/OD means a mismatch between the receipts and expenditure of the Government, and hence reflects adversely on the financial management in Government.

It is seen that during 2001-02 the Government did not take any ways and means advances which is a positive indicator that needs to be sustained.

### 1.9.6 Deficits

**1.9.6.1** Deficits in Government account represent gaps between the receipts and expenditure. The nature of deficit is an important indicator of prudent financial management. Further, the ways of financing the deficit and the application of the funds raised in this manner are important pointers of the fiscal prudence of the Government. The discussion in this section relates to two concepts of deficit *viz.*, Revenue Deficit and Fiscal Deficit.

**1.9.6.2** Revenue deficit is the excess of revenue expenditure over revenue receipts. Fiscal deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received). The following exhibit gives a break-up of the deficit in Government account:

*(Rupees in crore)*

CONSOLIDATED FUND					
Receipts	Amount			Disbursements	Amount
Revenue	4376	Revenue deficit: 569		Revenue	4945
Misc. capital receipts	--			Capital	476
Inter State Settlement	05			Inter State Settlement	31
Recovery of loans & advances	04			Loans & advances disbursement	50
<b>Sub Total</b>	<b>4385</b>	<b>Gross fiscal deficit: 1117</b>		<b>Sub Total</b>	<b>5502</b>
Public debt	995			Public debt repayment	184
<b>Total</b>	<b>5380</b>	<b>A: Deficit in Consolidated Fund : 306</b>		<b>Total</b>	<b>5686</b>
CONTINGENCY FUND					
Account transferred to Contingency Fund	--			Expenditure from Contingency Fund	--
		<b>B. Surplus/Deficit in Contingency Fund : Nil</b>			
PUBLIC ACCOUNT					
Small savings, PF etc.	429			Small savings, PF etc.	343
Deposits & advances	902			Deposits & advances	722
Reserve funds	149			Reserve funds	15
Suspense & misc.	2784			Suspense & misc.	2772
Remittances	1356			Remittances	1371
<b>Total Public Account</b>	<b>5620</b>	<b>C: Surplus in Public Account : 397</b>		<b>Total</b>	<b>5223</b>
<b>Increase in cash balance {C-(A+B) }= 397-306=91</b>					

The gross fiscal deficit of Rs.1117 crore was partly offset by net proceeds of Rs.811 crore from the public debt and net and inflow of Rs.397 crore from Public Account led to increase in cash balance by Rs.91 crore.

### 1.9.6.3 Guarantees given by the State Government

Guarantees are given by the State Government for due 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. Exhibit-IV shows that amount of guarantees given to Joint Stock Companies, Co-operatives Banks and Societies and to Municipalities, Corporations and Townships by the government during the period 2001-02 was Rs.508 crore. The amount outstanding as on 31st March 2002 was Rs.466 crore. As regards the guarantees of Rs.9710 crore given by the erstwhile composite State of MP prior to 01 November 2000, the 'appointed day', these are yet to be apportioned between the successor States of MP and Chhattisgarh.

## 1.10 Public debt

**1.10.1** The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as on 31 March 2002 are given in the following table:

*(Rupees in crore)*

Year	Internal debt	Loans and advances from Central Government	Total public debt (A)	Other liabilities <sup>5</sup> (B)	Total liabilities (A+B)	Ratio of debt to GSDP
2000-01	1941	2903	4844	1411	6255	0.24 <sup>6</sup>
2001-02	2550	3105	5655	1808	7463	0.25

**Note :** All the assets and liabilities of the combined State of Madhya Pradesh and Chhattisgarh as on 31 October 2000 have not been apportioned as of 31 March 2002.

**1.10.2** The amount of funds raised through Public debt, the amount of repayment and net funds available are given in the following table:

<sup>5</sup> Other liabilities include small savings, provident funds, reserve funds and deposits.

<sup>6</sup> The ratio Debt/GSDP has been calculated by taking GSDP figure of Rs.26061.43 crore.

(Rupees in crore)

	2000-01 (1 November 2000 to 31 March 2001)	2001-02
Internal Debt		
-Receipt	209	654
-Repayment (principal + intt.)	193	302
-Net funds available ( per cent)	16(8) <sup>7</sup>	352 (54) <sup>7</sup>
Loans & advances from GOI		
- Receipt during the period	142	341
- Repayment	235	501
- Net funds available	(-) 93	(-) 160
(per cent)	(-)(65)	(-) (47)
Other liabilities		
- Receipt during the period	536	1154
- Repayment	450	1961
- Net funds available (per cent)	86 (16)	(-) 807 (-) (70)

It is seen from the above table that the bulk of borrowed funds were utilised in discharging the repayment obligations and other liabilities. The net funds available for investment was (-) Rs.615 crore leaving no funds under this head for developmental investment.

## 1.11 Indicators of the financial performance

**1.11.1** A Government may either wish to maintain its existing level of activity or increase it's the activity. For maintaining its current level of activity it would be necessary to know how far the means of financing are available and sustainable. Similarly, if Government wishes to increase its level of activity it would be pertinent to examine its availability flexibility the means of financing and finally, Government's increased vulnerability in the process. State Governments continue to increase the level of their activity principally through Five Year Plans which translate into Annual development plans which are provided for in the state budget. Broadly, it can be stated that while non-Plan expenditure goes to maintain the existing level of activity<sup>8</sup>, Plan expenditure entails expansion of activity. Both these activities require resource mobilization, thereby increasing Government's vulnerability. In short, financial health of a Government can be described in terms of sustainability, flexibility and vulnerability. These terms are defined as follows:

### (i) Sustainability

Sustainability is the degree to which a Government can maintain its existing programmes and meet existing creditor requirements without increasing the debt burden.

<sup>7</sup> Percentage of net funds available have been worked out based on receipts excluding ways and means and advances to the extent repaid during the year.

<sup>8</sup> There are exceptions to this, notably, the transfer from Plan to non-Plan at the end of the Plan period.



**(ii) Flexibility**

Flexibility is the degree to which a Government can increase its financial resources to respond to rising commitments by either expanding its revenue base or increasing its debt burden.

**(iii) Vulnerability**

Vulnerability is the degree to which a Government becomes dependent on and therefore vulnerable to sources of funding outside its control or influence, both domestic and international.

**(iv) Transparency**

There is also the issue of financial information provided by the Government. This consists of Annual Financial Statement (Budget) and the Accounts. As regards the budget, the important parameters are timely presentation indicating the efficiency of budgetary process and the accuracy of the estimates. As regards accounts, timeliness in submission, for which milestones exist and completeness of accounts, would be the principal criteria.

**1.11.2** Information available in Finance Accounts can be used to determine sustainability, flexibility, and vulnerability that can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in *Appendix I*. Exhibit V indicates the behaviour of these indices/ratios for the period.

**EXHIBIT V**

**FINANCIAL INDICATORS FOR GOVERNMENT OF CHHATTISGARH**

2000-01 (November 2000 to 31 March 2001)		2001-02
	<b>Sustainability</b>	
343	BCR (Rupees in crore)	105
(-) 335	Primary Deficit (Rupees in crore)	386
0.15	Interest Ratio	0.16
0.56	Capital outlay/Capital receipts	0.46
0.12	Total Tax receipts/GSDP	0.10
0.07	State Tax Receipts/GSDP	0.07
--	Return on Investment ( <i>per cent</i> )	33
	<b>Flexibility</b>	
343	BCR (Rupees in crore)	105
0.23	Capital repayments/Capital borrowings	0.18
0.07	State tax receipts/GSDP	0.10
0.24	Debt/GSDP	0.25
	<b>Vulnerability</b>	
(-) 273	Revenue Deficit (Rupees in crore)	569*
50	Fiscal Deficit (Rupees in crore)	1117*
(-) 335	Primary deficit (PD) (Rupees in crore)	386
-	PD/FD	0.34
--	RD/FD	0.50
--	Outstanding Guarantees/Revenue receipts	0.11
0.36	Assets/Liabilities	0.38

\* *The year ended with a revenue as well as fiscal deficit*

**Notes**

1. Fiscal deficit has been calculated as: Revenue expenditure + Capital expenditure + Net loans and advances + Inter State Settlement – Revenue receipts – non-loan Capital receipts – Inter State Settlement.
2. In the ratio Capital outlay vs. Capital receipts, the denominator has been taken as Internal loans + Loans and Advances from Government of India + Net receipts from small savings, PF etc., + Repayments received from loans advanced by the State Government – Loans advanced by State Government.
3. Working sheet for Financial indicators is given in **Appendix-II**

**1.11.3** The implications of these indices/ratios regarding the financial health of the State Government are discussed in the following paragraphs :

**(i) Balance from current revenues (BCR)**

BCR is defined as revenue receipts minus Plan assistance grants minus non-Plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting Plan expenditure. Exhibit V shows that the State Government had a positive BCR during the period, and could contribute Rs.105 crore from current revenues to finance its Plan expenditure.

**(ii) Interest ratio**

Interest ratio is defined as:

$$\frac{\text{Interest payments} - \text{Interest receipts}}{\text{Total revenue receipts} - \text{Interest receipts}} .$$

The higher the ratio, lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. A rising interest ratio has adverse implications on the sustainability since it points out to the increasing interest burden. The Government of Chhattisgarh has started with a significant interest ratio of 0.16.

**(iii) Capital outlay/capital receipts**

This ratio would indicate to what extent the capital receipts are applied for capital formation. a ratio of less than one would not be sustainable in the long run in as much as it indicates that a part of the capital receipts is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surpluses as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement in the performance. The current ratio of 0.46 indicated that a little less than half of the capital receipts were applied for capital formation. While the rest of the capital receipts were diverted for unproductive/revenue expenditure.

**(iv) Tax receipts Vs Gross State Domestic Product (GSDP)**

Tax receipts consist of State taxes and State's share of Central taxes. Tax receipts suggest sustainability. But the ratio of tax receipts to GSDP would have implications for the flexibility as well. While a low ratio would imply that the Government can tax more, and hence high flexibility, a high ratio may not only point to the limits of this source of finance but also its inflexibility. This indicates that the State has the option of improving its resources mobilisation by widening and increasing its tax base rather than taking recourse to increasing borrowings to meet its deficit. For Chhattisgarh, the own tax-GSDP and the overall tax-GSDP ratios were 0.07 and 0.10 respectively for the period 2001-02.

**(v) Capital repayments Vs Capital borrowings**

This ratio would indicate the extent to which the capital borrowings are available for investment after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment. The ratio during the period was 0.18, indicating that 18 *per cent* of the capital borrowings were not available for capital formation.

**(vi) Debt Vs Gross State Domestic Product (GSDP)**

The GSDP is the total internal resource base of the State Government, which can be used to service debt. An increasing ratio of Debt/GSDP would signify a reduction in the Government's ability to meet its debt obligations and therefore increasing risk for the lender. For Chhattisgarh this ratio was 0.25.

**(vii) Revenue deficit Vs Fiscal deficit**

The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the part of revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since Fiscal deficit represents the aggregate of all the borrowings, the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus, the higher the ratio, the worse-off the State because that would indicate that the debt burden is increasing without adding to the repayment capacity of the State. The ratio was 0.50.

**(viii) Primary deficit Vs Fiscal deficit**

Primary deficit is the fiscal deficit minus interest payments. Primary deficit represents the net borrowings needed after discharging interest liability for current activities of the Government (considering that interest payments are the results of past actions of the Government). During the period, State Government had a primary deficit of Rs.386 crore and fiscal deficit of Rs.1117 crore.

**(ix) Guarantees Vs Revenue Receipts**

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure and should therefore be compared with the ability of the Government to pay *vis-à-vis* its revenue receipts. Thus, the ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. In case of Chhattisgarh, the ratio was 0.11 and guarantees amounting to Rs.9709.60 crore have been retained in Madhya Pradesh accounts, pending apportionment between the successor States of MP and Chhattisgarh.

**(x) Assets Vs Liabilities**

This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than 1 would be a contra-indicator. As explained in paragraph 1.2, the government accounts capture mostly the financial assets and liabilities. However, the trend of even this ratio would be an important indicator of the quality of financial management. Exhibit V shows that this ratio was 0.38. A more realistic picture would, however, be available only after the assets and liabilities are fully apportioned between the successor States of Chhattisgarh and Madhya Pradesh.

**(xi) Budget**

There was no delay in submission of budgetary estimates and their approval. The details are given in the following table :

Preparation	Month of submission	Month of approval
Vote on account	March 2001	March 2001
Budget	March 2001	April 2001
Ist Supplementary	July 2001	July 2001
2 <sup>nd</sup> Supplementary	December 2001	December 2001
3 <sup>rd</sup> Supplementary	February 2002	February 2002

Chapter II of this report carries a detailed analysis of variations in the budget estimates and the actual expenditure as also of the quality of budgetary procedures and control over expenditure.

**(xii) Accounts**

There were no significant delays in the submission of accounts by the treasuries/departments during the period.

**1.11.4 Conclusion**

The new State of Chhattisgarh comprising 16 districts of the erstwhile composite State of Madhya Pradesh came into existence on 01 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 Government will emerge only after completion of this process. A few pointers are discernible. The (new) State had a revenue deficit of Rs.569 crore during the period 2001-02 as against a surplus of Rs.273 crore in the previous year. Further the debt GSDP ratio is likely to increase once the apportionment process of liabilities between Madhya Pradesh and Chhattisgarh is completed.