

CHAPTER-I

FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

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

Box 1.1

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

Statement No. 2 contains the summarised statement of capital outlay showing progressive expenditure to the end of 2003-04.

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

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

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

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

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

Statement No. 8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2004.

Statement No. 9 shows the revenue and expenditure under different heads for the year 2003-04 and as a percentage of total revenue/expenditure.

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

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

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

Statement No. 13 depicts the detailed capital expenditure incurred during and to the end of 2003-04.

Statement No. 14 shows the details of investment of the State Government in Statutory Corporations, Government Companies, Other Joint Stock Companies, Cooperative Banks and Societies etc. upto the end of 2003-04.

Statement No. 15 depicts the capital and other expenditure to the end of 2003-04 and the principal sources from which the funds were provided for that expenditure.

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

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

Statement No. 18 provides the detailed account of loans and advances given by the Government of Chhattisgarh, the amount of loans repaid during the year, the balance as on 31 March 2004, and the amount of interest received during the year.

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

1.2 Trend of Finances with reference to Previous year

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

(Rupees in crore)

2002-03	Sl.No.	Major Aggregates	2003-04
Part-A Receipts			
5417	1	Revenue Receipts (2+3+4)	5959
2327	2	Tax Revenue	2588
957	3	Non-Tax Revenue	1124
2133	4	Other Receipts	2247
19	5	Non-Debt Capital Receipts	11
19	6	Of which, Recovery of Loans	11
5436	7	Total Receipts (1+5)	5970
Part-B Expenditure			
4291	8	Non-Plan Expenditure (9+11)	5091
4260	9	On Revenue Account	5059
810	10	Of which, Interest Payments	1054
31	11	On Capital Account	32
30	12	Of which Loans disbursed	30
2118	13	Plan Expenditure (14+15)	3083
1270	14	On Revenue Account	1541
848	15	On Capital Account	1542
29	16	Of which Loans disbursed ¹	528
6409	17	Total Expenditure (8+13)	8174
Part-C Deficit			
973	18	Fiscal Deficit (17-1-5)	2204
113	19	Revenue Deficit (9+14-1)	641
163	20	Primary Deficit (+) / Surplus (-) (18 - 10)	1150

¹ Loans and advances include adjustments of Inter State settlements

1.3 Summary of Receipts and Disbursement for the year

Table 1 Summarises the finances of the State Government of Chhattisgarh for the year 2003-04 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and Public Account receipts and disbursements made during the year as emerging from Statement 1 of Finance Accounts and other detailed statements.

**Table 1: SUMMARY OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR 2003-04**

(Rupees in crore)

2002-03	Receipts	2003-04	2002-03	Disbursements	2003-04		
Section-A : Revenue							
					Non-Plan	Plan	Total
5417	I. Revenue receipts	5959	5530	I. Revenue Expenditure	5059	1541	6600
2327	Tax revenue	2588	1839	General Services	2152	2	2154
957	Non-tax revenue	1124	2086	Social Services	1366	903	2269
1350	Share of Union Taxes/ Duties	1570	1443	Economic Services	1281	636	1917
783	Grants from Govt. of India	677	162	Grants-in-aid/ Contributions	260	--	260
Section-B Capital							
--	II. Misc. Capital Receipts		820	II. Capital Outlay	2	1014	1016
19	III. Recoveries of Loans and Advances²	11	59	III. Loans and Advances disbursed²	30	528	558
1613	IV. Public Debt Receipts	2432	413	IV. Repayment of Public debt	778	--	778
6924	V. Public account receipts	7071	6644	V. Public account disbursements	6824	--	6824
211	Opening Balance	718	718	Closing Balance	415	--	415
14184	Total	16191	14184	Total	13108	3083	16191

² Loans and advances include adjustments of inter state settlements

1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in major fiscal aggregates of receipts and expenditure from the statements of the Finance Accounts for the year 2003-04.

The key indicators adopted for the purpose are (i) Resources by volume and sources, (ii) Application of resources, (iii) Assets and Liabilities and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilization efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

The reporting parameters are depicted in the Box 1.2.

Box 1.2 Reporting Parameters
<p>Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The new GSDP series with 1993-94 as base as published by the Bureau of Economics and Statistics Department of the State Government has been used.</p> <p>For tax revenues, non-tax revenues, revenue expenditure etc, buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP</p> <p>For most series a trend growth during 2001-2004 has been indicated. The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in Appendix 1.5.</p>

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

Box 1.3 State Government Funds and the Public Account	
<p>Consolidated Fund</p> <p>All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund titled the 'Consolidated Fund of the State' established under Article 266(1) of the Constitution of India.</p>	<p>Contingency Fund</p> <p>Contingency Fund of the State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure pending authorisation by Legislature. Approval of the legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.</p>

Public Account

Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the related disbursements are made from it.

1.5 State Finances by key Indicators**1.5.1 Resources by volume and sources**

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

Table 2 shows that the total receipts of the State Government for the year 2003-04 were Rs.15,473 crore. Of these, the revenue receipts of the State Government were Rs.5,959 crore only, constituting 39 *per cent* of the total receipts. The balance of receipts came from borrowings and public account receipts.

TABLE 2 - RESOURCES OF CHHATTISGARH (2003-04)

		<i>(Rupees in crore)</i>
I	Revenue Receipts	5959
II	Capital Receipts	2443
	(a) Miscellaneous Receipts	--
	(b) Recovery of Loans and Advances	11
	(c) Public Debt Receipts	2432
III	Public Account Receipts	7071
	(a) Small Savings, Provident Funds, etc	474
	(b) Reserve Fund	158
	(c) Deposits and Advances	771
	(d) Suspense and Miscellaneous	3612
	(e) Remittances	2056
Total Receipts		15473

Table 3 gives the trend of growth in receipts from various sources and GSDP. While revenue receipts grew by 36 *per cent* from 2001-02 the debt receipts grew by 144 *per cent*.

TABLE 3: SOURCES OF RECEIPTS: TRENDS

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts		Receipt from Public Account	Total receipts	Gross State Domestic Product
		Non-debt receipts	Debt Receipts			
2000-01 ³	1883	01	348	2009	4241	10782
2001-02	4376	09	995	5620	11000	29518 ⁴
2002-03	5417	19	1613	6924	13973	29715 ⁴
2003-04	5959	11	2432	7071	15473	32321

1.5.2 Revenue receipts

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

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

TABLE 4: REVENUE RECEIPTS-BASIC PARAMETERS

	2001-02*	2002-03	2003-04
Revenue Receipts (RR) in crore	4376	5417	5959
Own taxes (<i>per cent</i>)	45.6	43.0	43.4
Non-Tax Revenue (<i>per cent</i>)	16.5	17.7	18.9
Central Tax Transfers (<i>per cent</i>)	26.9	24.9	26.3
Grants-in-aid (<i>per cent</i>)	11.0	14.5	11.4
Rate of Growth (<i>per cent</i>)	-*	23.8	10.0
Revenue Receipts/ GSDP (<i>per cent</i>)	14.8	18.2	18.4
GSDP Growth (<i>per cent</i>)	-*	0.667	8.77 ⁵
Revenue Buoyancy (ratio)	-*	35.7	1.14

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

Revenue receipts of the State increased from Rs.5,417 crore in 2002-03 to Rs.5,959 crore in 2003-04. The increase in the revenue receipts in 2003-04 was primarily due to 16 *per cent* increase in states share in Union Taxes and Duties from Government of India, 18 *per cent* increase in non-tax revenue and 11 *per cent* increase in tax revenue. An average of 62 *per cent* of the revenue had come from State's own resources. Grants-in-aid and central tax transfers together contributed nearly 38 *per cent* of the total revenue. The main sources

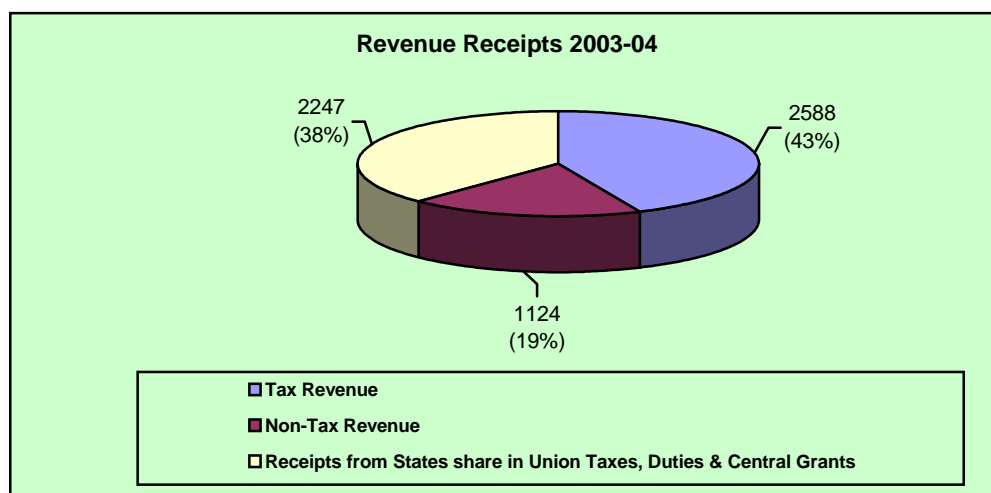
³ (1 Nov.2000 to 31st March 2001)

⁴ GSDP figure for the year 2001-02 & 2002-03 have been revised by the State Government as Rs.29,517.90 & Rs.29,714.68 crore respectively

⁵ Rate of growth of GSDP calculated using revised figure of GSDP (2001-02) Rs.29,517.90 crore (2002-03)-Rs.29,714.68 crore as stated by State Government.

of tax revenue were sales tax (50 per cent), State Excise (15 per cent), taxes on goods and passengers (nine per cent), Stamps and Registration fees (seven per cent) etc. Non-tax revenue came mainly from Mining and Metallurgical Industries (56 per cent) and Forestry and Wild life (13 per cent). The revenue buoyancy continued to be greater than one signifying a positive trend in revenue receipts vis-à-vis GSDP.

(Rupees.in crore)



1.5.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2004 in respect of some principal heads of revenue amounted to Rs.130.12 crore, of which Rs.58.44 crore (45 per cent) were outstanding for more than five years.

Arrears were mainly in respect of Commercial Tax (Rs.96.57 crore), Taxes on Vehicles (Rs.4.06 crore), State Excise (Rs.20.25 crore) and Stamps and Registration Fees (Rs.1.51 crore), Taxes on duties of electricity (Rs.7.73 crore). The arrears of revenue registered an increasing trend and formed four per cent of the total tax and non-tax receipts. The deterioration in the position of the arrears of revenue reflected slackening revenue realisation efforts of the State Government.

1.6 Application of resources

1.6.1 Trend of Growth

Statement 12 of the Finance Accounts depicts total expenditure comprising detailed revenue expenditure by minor heads and major head wise capital expenditure. The total expenditure of the State increased from Rs.5,502 crore in 2001-02 to Rs.8,174 crore in 2003-04.

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

TABLE 5: TOTAL EXPENDITURE - BASIC PARAMETERS

	2001-02	2002-03	2003-04
Total Expenditure (TE) in crore	5502	6409	8174
Rate of Growth (per cent)	--	16.5	27.5
TE/GSDP (per cent)	18.6	21.6	25.3
Revenue Receipts/TE (per cent)	79.5	84.5	72.9
Buoyancy of Total Expenditure with			
GSDP (ratio)	--	24.74	3.14⁶
Revenue Receipts (ratio)	--	0.693	2.75

The revenue receipts financed around 73 per cent of total expenditure and balance was met through borrowings.

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

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

	2001-02	2002-03	2003-04
General Services	32.1	29.0	26.6
Social Services	36.7	34.7	30.0
Economic Services	27.3	32.9	33.3
Grants-in-aid	2.4	2.5	3.2
Loans and advances ⁷	1.5	0.9	6.8

The relative share of interest payments in total expenditure has been on the rise over the years, due to sharp increase in the interest payments. Of the total expenditure, the non-developmental expenditure during 2003-04 (General services including interest payments) accounted for 27 per cent, the developmental expenditure (on Social services and Economic services) accounted for 63 per cent and loan and advances and Grants-in-aid accounted for 10 per cent.

1.6.2 Incidence of revenue expenditure

Revenue expenditure had the predominant share in total expenditure. Revenue expenditure is usually incurred to maintain the current level of assets and services. Overall revenue expenditure, its rate of growth, ratio of revenue

⁶ GSDP growth calculated taking revised figures of GSDP for 2001-02, 2002-03 as Rs.29,517.90 crore Rs.29,714.68 crore respectively

⁷ Includes Inter- state settlement

expenditure to State's GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts is indicated in Table 7 below:

TABLE 7: REVENUE EXPENDITURE - BASIC PARAMETERS

	2001-02	2002-03	2003-04
Revenue Expenditure (Rupees in crore)	4945	5530	6600
Rate of Growth (<i>per cent</i>)	--	11.8	19.3
RE/GSDP (<i>per cent</i>)	16.8	18.6	20.4
RE as <i>per cent</i> of TE	89.9	86.3	80.7
RE as <i>per cent</i> of Revenue Receipts	113.0	102.0	110.8
Buoyancy of revenue expenditure with			
GSDP (ratio)	--	17.7	2.2
Revenue Receipts (ratio)	--	0.497	1.93

Revenue expenditure of the State increased from Rs.4,945 crore in 2001-02 to Rs.6,600 crore in 2003-04. The non-plan component constituted 77 *per cent* of revenue expenditure while the plan expenditure was only 23 *per cent*. Sector wise expenditure shows that while the expenditure on general services (including interest payment) was 33 *per cent* (Rs.2,154 crore), social services was 34 *per cent* (Rs.2,269 crore) and expenditure on economic services was only 29 *per cent* (Rs.1,917 crore).

Revenue expenditure accounted for 43 *per cent* of the total funds available during 2003-04. This was marginally higher than the share of revenue receipts (39 *per cent* of the total receipts) of the State Government which led to revenue deficit. The ratio of revenue expenditure to revenue receipts declined from 113 *per cent* in 2001-02 to 102 *per cent* in 2002-03, but has increased to 111 *per cent* in 2003-04 and revenue deficit also declined from Rs.568.66 crore to Rs.112.70 crore in 2002-03 and increased to Rs.641.10 crore in 2003-04.

1.6.3 High salary and Pension expenditure

Salaries and pension payments alone consumed nearly 42 *per cent* of the revenue receipts of the State. This expenditure decreased from Rs.2,284 crore in 2001-02 to Rs.2,214 crore in 2002-03, but has increased to 2,518 crore in 2003-04 as indicated in Table 8 below:

TABLE 8

(Rupees in crore)

Heads	2001-02	2002-03	2003-04
Salary and pension expenditure	2283.56	2213.66	2517.69
As percentage of Revenue Receipts	52.2	40.9	42.3
As percentage of Revenue Expenditure	46.2	40.0	38.1

Government of Chhattisgarh is in the process of introducing a Contributory Pension Scheme covering all employees who were appointed on or after 1st November 2004.

1.6.4 Interest Payments

In absolute terms, interest payments have increased steadily from Rs.731 crore in 2001-02 to Rs.1,054 crore in 2003-04 primarily due to continued reliance on borrowings for financing the fiscal deficit.

TABLE 9

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

1.7 Expenditure by allocative priorities

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

TABLE 10: QUALITY OF EXPENDITURE (PER CENT TO TOTAL EXPENDITURE)⁸

	2001-02	2002-03	2003-04
Plan expenditure	28.2	33.0	37.7
Capital expenditure ⁹	10.1	13.7	19.3
Developmental expenditure	64.0	67.6	63.4

Plan expenditure increased from 28 *per cent* of total expenditure in 2001-02 to 38 *per cent* in 2003-04. Capital expenditure increased from 10 *per cent* in 2001-02 to 19 *per cent* in 2003-04.

In 2003-04, out of the developmental expenditure (Rs.5,180 crore), social services accounted for 47 *per cent* (Rs.2,454 crore) General Education, Health and Family Welfare and Water Supply and Sanitation consumed 63 *per cent* of the expenditure on social sector.

⁸ Total expenditure includes expenditure on loans and advances and inter state settlement

⁹ Includes loans and advances and inter-state settlement.

TABLE 11 SOCIAL SECTOR EXPENDITURE (*Rupees in crore*)

	2001-02	2002-03	2003-04
General Education	697	750	969
Medical and Public Health	244	272	292
Water Supply and Sanitation	254	281	287
Total	1195	1303	1548

Similarly the expenditure of Economic Services accounted for (Rs.2,725 crore) 53 *per cent* of the developmental expenditure. Of which, Irrigation and Flood Control (Rs.550 crore), and Transport (Rs.484 crore) and Power (Rs.208 crore) accounted for 46 *per cent* of the expenditure on this sector.

TABLE 12 ECONOMIC SECTOR EXPENDITURE

(Rupees in crore)

	2001-02	2002-03	2003-04
Energy	82	86	208
Irrigation and Flood Control	289	525	550
Transport	233	428	484
Total	604	1039	1242

1.7.1 *Financial assistance to local bodies and other institutions*

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

The quantum of assistance provided to different bodies during the period November 2000 to March 2004 was as follows:

TABLE 13

(Rupees in crore)

Sl. No.	Assistance for	2000-01	2001-02	2002-03	2003-04
1.	Education	32.38	86.75	89.94	118.06
2.	Power/Energy	--	64.25	65.00	88.27
3.	Water Supply/Sanitation/ Housing & Urban Development	4.91	8.76	34.91	28.09
4.	Agriculture and allied activities	--	15.60	16.46	12.16
5.	Any other developmental activity	0.13	2.03	4.96	0.86
	<i>Total</i>	<i>37.42</i>	<i>177.39</i>	<i>211.27</i>	<i>247.44</i>
	Assistance as a percentage of revenue receipts		4.01	3.9	4.2
	Percentage of assistance to revenue expenditure	--	3.6	3.8	3.7

Grants-in-aid rules and sanctions issued by Departments provide that grant for a specific purpose should be utilised in full during the financial year. Balance amount, if any, should be returned to the Government at the earliest. However, the grant released during the year 2003-04 to various institutions/bodies were not utilised in full. Out of the total release of Rs.247.44 crore, an amount of Rs.122.59 crore remained unspent during the year and the percentage of saving ranged between two and 100 *per cent*. Department wise breakup of non- utilisation of grants is given in **Appendix 1.6**

As per instructions, the grantee institution is required to submit the utilisation certificate (UC) for grant received. Scrutiny of records revealed that 225 UCs amounting to Rs.207.74 crore (**Appendix 1.7**) were outstanding as of August 2004 for the grants sanctioned during the period 2000-01 to 2003-04.

Annual accounts and details of Financial Assistance utilised for the period 2001-04 were awaited from 15 grantee institutions.

1.8 Assets and Liabilities

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

Appendix 1.1 presents an abstract of such liabilities and the assets as on 31 March 2004, compared to the corresponding position on 31 March 2003. The liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Fund.

The assets comprise mainly the capital expenditure and loans and advances given by the State Government.

The liabilities of Government of Chhattisgarh depicted in the Finance Accounts, however, do not include the pension and other retirement benefits payable to serving/retired State employees and guarantees/letters of comforts issued by the State Government. **Appendix 1.1 to 1.4** depict the comparison of the State Government finances between 2002-03 and 2003-04.

1.8.1 Financial results of irrigation works

The financial results of major and medium irrigation projects with revenue expenditure of Rs.87.02 crore during the period showed that the revenue realised (Rs.44.85 crore) from projects during 2003-04 was only 52 per cent of the revenue expenditure incurred on projects.

1.8.2 Incomplete projects

As on 31 March 2004, there were atleast 70 ongoing projects with a cumulative investment of Rs.2,437.87 crore. The complete list of ongoing and incomplete projects was awaited.

1.8.3 Investments and returns

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

TABLE 14: RETURN ON INVESTMENT

<i>(Rupees in crore)</i>		
Year	Investment at the end of the year	Return
2001-2002	15.29	5.00
2002-2003	35.94	25.57
2003-2004	56.94	34.82

The amount of dividend declared/interest received and credited to Government was Rs.34.82 crore during 2003-2004. It includes the return on investments made by the composite State of Madhya Pradesh in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operative Institutions aggregating to Rs.1,620 crore which are yet to be apportioned between the successor States. The percentage of return can be worked out only after apportioning between the States.

1.8.4 Loans and advances by the State Government

The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, co-operatives, non-Government institutions, etc., for developmental and non-developmental activities. The position for the period from April 2001 to March 2004 is given below:

TABLE 15: LOANS ADVANCED BY THE STATE GOVERNMENT

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

1.8.5 Management of cash balances

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

Under an agreement with the Reserve Bank, the Government of Chhattisgarh has to maintain with the Bank a minimum balance of Rs.0.72 crore on each day with effect from 1st November 2000. The Bank informs the Government by telegram of its daily balance with the bank at the close of each working day. If this balance falls below the agreed minimum on weekly settling days, the deficiency is made good by taking Ways and Means Advances (WMA) (Normal and Special) from the Reserve Bank of India or by selling Government of India Treasury Bills. The normal WMA carries the interest rate of six *per cent*. Besides, Overdraft (OD) is also resorted to by the State Government whenever necessary. It is observed that during 2003-04 the Government did not utilise any Ways and Means Advances.

1.8.6 Undischarged liabilities

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

It would be observed that the overall fiscal liabilities of the State increased from Rs.7,421 crore in 2001-02 to Rs.11,144 crore in 2003-04. These liabilities as ratio to GSDP increased from 25 *per cent* in 2001-02 to 34 *per cent* in 2003-2004 and stood at 1.87 times of its revenue receipts.

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

TABLE 16: FISCAL LIABILITIES-BASIC PARAMETERS

	2001-02	2002-03	2003-04
Fiscal Liabilities (Rupees in crore)	7421	9245 ¹⁰	11144
Rate of growth (<i>per cent</i>)	*	24.6	20.5 ¹¹
Ratio of fiscal liabilities to			
GSDP (<i>per cent</i>)	25.1	31.1	34.5
Revenue Receipts (<i>per cent</i>)	169.6	170.7	187.0
Buoyancy of Fiscal Liabilities to ¹²			
GSDP (ratio)	*	36.88	2.34
Revenue Receipts (ratio)	*	1.03	2.05

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

Contingent liabilities

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. Statement 6 of the Finance Accounts shows that amount of guarantees given to Joint Stock Companies, Co-operative banks and societies and to Municipalities, Corporations and Townships by the Government upto March 2004 was Rs.807 crore. The guarantees outstanding as on 31st March 2004 was Rs.295 crore. As regards the guarantees of Rs.9,710 crore given by the composite State of MP prior to 01 November 2000, Rs.43 crore have been apportioned and remaining guarantees of Rs.9,667 crore are yet to be apportioned between the successor States of Madhya Pradesh and Chhattisgarh.

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

¹⁰ *Opening balance shown in Finance Accounts 2003-04 as Rs.9,245 crore instead of Rs.8,910 crore due to apportionment of fund under MP Re-organisation Act 2000*

¹¹ *Fiscal liabilities for year 2002-03 revised in the Finance Account for the year 2003-04 as Rs.9,245 crore*

¹² *Calculated by taking the figure of fiscal liability of 2002-03 as Rs.9,245 crore*

TABLE 17
DEBT SUSTAINABILITY
INTEREST RATE AND GSDP GROWTH (IN PER CENT)

	2001-02	2002-03	2003-04
Weighted Interest Rate	*	9.7	10.3 ¹³
GSDP Growth	*	0.667	8.77 ¹⁴
Interest spread	*	(-) 9.03	-1.53

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

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

TABLE 18: NET AVAILABILITY OF BORROWED FUNDS

(Rupees in crore)

	2001-02	2002-03	2003-04
Internal Debt			
(a) Receipts	653.75	1179.19	1977.60
(b) Repayments (Principal+ Interest [including sinking fund])	341.51	417.09	588.53
(c) Net funds available (a-b)	312.24	762.10	1389.07
(d) Net funds available (<i>per cent</i>) NFA x 100/Receipts	48	65	70
Loans and Advances from Government of India			
(e) Receipts	340.86	434.12	454.39
(f) Repayments (Principal + Interest)	501.13	754.39	1096.61
(g) Net funds available (e-f)	(-) 160.27	(-) 320.27	(-) 642.22
(h) Net funds available (<i>per cent</i>)	(-) 47	(-) 74	(-) 141
Total Public Debt			
(i) Receipts	994.61	1613.31	2431.99
(j) Repayments (Principal + Interest)	842.64	1171.48	1685.14
(k) Net funds available (i-j)	151.97	441.83	746.85
(l) Net funds available (<i>per cent</i>)	15.3	27.4	30.7

¹³ Weighted interest rate calculated by taking fiscal liabilities Rs.9,244.80 crore instead of Rs.8,909.54 crore for 2002-03.

¹⁴ GSDP growth calculated by taking revised figure of Rs.29,714.68 for the year 2002-03 respectively

1.9 Management of deficits

1.9.1 Fiscal imbalances

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

The revenue deficit (Statement 1 of Finance Account) of the State, which is the excess of its revenue expenditure over revenue receipts, decreased from Rs.569 crore in 2001-02 to Rs.113 crore in 2002-03 but again increased to Rs.641 crore in 2003-04. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, also decreased from Rs.1,117 crore in 2001-02 to Rs.973 crore in 2002-03 and again increased to Rs.2,204 crore in 2003-04. State Finances also reflected a trend of decrease in primary deficit from Rs.386 crore in 2001-02 to Rs.163 crore in 2002-03 and shows a steep increase to Rs.1,150 crore in 2003-04 as indicated in Table 19.

TABLE 19: FISCAL IMBALANCES – BASIC PARAMETERS

	2001-02	2002-03	2003-04
Revenue Deficit (Rupees in crore)	569	113	641
Fiscal Deficit (Rupees in crore)	1117	973	2204
Primary (Deficit (+)/ Surplus (-) (Rupees in crore)	386	163	1150
RD/GSDP (<i>per cent</i>)	1.9	0.3	2.0
FD/GSDP (<i>per cent</i>)	3.8	2.9	6.8
PD/GSDP (<i>per cent</i>)	1.3	0.5	3.6
RD/FD (<i>per cent</i>)	50.9	11.6	29.1

The ratio of revenue deficit to fiscal deficit has decreased from 51 *per cent* in 2001-02 to 12 *per cent* in 2002-03 and increased to 29 *per cent* in 2003-04. As proportion to GSDP, revenue deficit had increased to two *per cent* in 2003-04 and fiscal deficit to seven *per cent*. Existence of Revenue deficit indicated that the revenue receipts of the State were not able to meet its revenue expenditure and Government had to borrow funds to meet its current obligations. The table also shows that the deficits are increasing much faster than GSDP. It also indicated of an asset-liability mis-match.

1.10 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 20 below presents a summarized position of Government finances over 2001-2004, with reference to certain key indicators that help assess the

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

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources with increase in GSDP. Revenue receipts comprise not only the tax and non-tax resources of the State but also the transfers from Union Government. It indicates the sum total of the resources which the State has access to, for which there is no direct services, provisions, obligations, recovery of users charges for the social and economic services provided by it and its entitlement from the central pool of resources. These ratios, showed a continuous improvement during 2001-04 indicating mobilisation of resources and its sustainability.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilization. The ratio of revenue expenditure to total expenditure has gone down in 2003-04 as compared to 2002-03, capital expenditure as percentage to total expenditure has increased to 19 per cent in 2003-04.

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

Fiscal Indicators	2001-02	2002-03	2003-04
I-Resources Mobilisation			
Revenue Receipts/ GSDP	14.8	18.2	18.4
Revenue Buoyancy (ratio)		35.7	1.14 ¹⁵
Own Tax/GSDP	6.8	7.8	8.0
II-Expenditure Management			
Total Expenditure/GSDP	18.6	21.6	25.3
Revenue Receipts/Total Expenditure	79.5	84.5	72.9
Revenue Expenditure/Total Expenditure	89.9	86.3	80.7
Capital Expenditure (including disbursement of loans & advances & inter-State settlement) /Total expenditure	10.1	13.7	19.3
Developmental Expenditure (revenue +capital)/Total Expenditure	64.0	67.6	63.4
Buoyancy of TE with RR	*	69.3	275
Buoyancy of RE with RR	*	49.7	193.3
III-Management of Fiscal Imbalances			
Revenue deficit (Rs. in crore)	569	113	641
Fiscal deficit (Rs. in crore)	1117	973	2204
Primary Deficit (Rs. in crore)	386	163	1150
Revenue Deficit/ Fiscal Deficit	50.9	11.6	29.1
IV-Management of fiscal liabilities			
Fiscal Liabilities (FL)/ GSDP	25.1	31.1	34.5
FL/RR	169.6	170.7	187

¹⁵ GSDP growth calculated by taking revised figures of 2001-02 & 2002-03

* Not taken as the state was created in November 2000

Buoyancy of FL with RR	*	1.03	2.05
Buoyancy of FL with own receipts	*	1.17	1.57
Interest spread	*	(-) 9.03	(-) 1.53
Net funds available	15.3	27.4	30.7
V-Other Fiscal Health Indicators			
Return on Investment	32.7	71.1	61.2
BCR	105	612	414
Financial Assets/ Liabilities	0.38	0.47	0.49

* *Not taken as the state was created in November 2000*

The revenue and fiscal deficit are showing an increasing trend alongwith the decrease in return on investment.

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