

## CHAPTER I

### Finances of the State Government

#### Summary

During 2004-05, the revenue deficit was Rs. 123 crore, which was Rs.18 crore (12 *per cent*) less than that of the previous year. The fiscal deficit during the year increased by Rs.105 crore (23 *per cent*) compared with the previous year's fiscal deficit of Rs.445 crore.

Revenue receipts increased from Rs.1623 crore in 2003-2004 to Rs.1820 crore in 2004-05. Tax revenues of the State Government increased by Rs.147 crore from Rs. 710 crore during the previous year to Rs.857 crore during 2004-05. About 87 *per cent* of revenue receipts came from its own sources while Central tax transfers and grants in aid from the Central Government together contributed about 13 *per cent*.

Revenue Expenditure also increased from Rs.1764 crore in 2003-04 to Rs.1943 crore during 2004-05 an increase of Rs.179 crore. The increase in expenditure was mainly due to more expenditure under General Education (Rs. 48.13 crore), Medical and Public Health (Rs. 10.68 crore), Pension and other Retirement benefits (Rs. 30.24 crore), more expenditure under Information and Publicity etc., (Rs. 12.47 crore). Interest payments increased steadily from Rs.212 crore in 2000-01 to Rs.323 crore during 2004-05 due to continued reliance on borrowings to meet its fiscal deficit. Interest payments constituted 18 *per cent* of revenue expenditure during the year. Developmental expenditure during the year however, increased by Rs.211 crore from Rs.1455 crore during 2003-04 to Rs.1666 crore during 2004-05.

Balance from current revenue (BCR) plays an important role in plan expenditure. It was consistently negative upto 2002-03; however, it improved during 2003-05 and was on the positive side.

Fiscal Liabilities for the State increased from Rs.2531 crore in 2000-01 to Rs.4350 crore in 2004-05. The ratio of Assets to Liabilities of the State increased from 0.73 in 2003-04 to 0.74 in 2004-05. It indicated that one-fourth of State's fiscal liabilities ceased to have an asset back-up.

## **1.1 Introduction**

The Finance Accounts of the Government of Goa 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 layout of the Finance Accounts is depicted in Box 1.

### **Box 1**

#### **Lay out of Finance Accounts**

Statement No. 1 presents the Summary of transactions of the State Government – receipts and expenditure, revenue and capital, public debt receipts and disbursements etc., in the consolidated fund, contingency fund and public account of the state.

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

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

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

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

Statement No. 6 gives the Summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporation, local bodies and other institutions.

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

Statement No. 8 depicts the Summary of balances under consolidated fund, contingency fund and public account as on 31 March 2005.

Statement No. 9 shows the revenue and expenditure under different heads for the year 2004-2005 as a percentage of total revenue/expenditure.

Statement No. 10 indicates the distribution between the charge 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 non plan, State plan and centrally sponsored schemes separately and capital expenditure major head wise.

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

Statement No. 14 shows the details of investment of the State Government in statutory corporations, government companies, other joint stock companies, cooperative banks and societies etc. up to the end of 2004-05.

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

Statement No. 16 gives the detailed account of receipts 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 Goa.

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

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

## 1.2 Trend of Finances with reference to previous year

Finances of the State Government during the current year compared to the previous year were as under:

*(Rupees in crore)*

2003-04	Sl. No	Major Aggregates	2004-05
<b>1623</b>	<b>1.</b>	<b>Revenue Receipts (2+3+4)</b>	<b>1820</b>
710	2.	Tax Revenue	857
725	3.	Non-Tax Revenue	729
188	4.	Other Receipts*	234
<b>7</b>	<b>5.</b>	<b>Non-Debt Capital Receipts</b>	<b>6</b>
7	6.	Of which, recovery of Loans	6
<b>1630</b>	<b>7.</b>	<b>Total Receipts (1+5)</b>	<b>1826</b>
<b>1483</b>	<b>8.</b>	<b>Non-Plan Expenditure (9+11)</b>	<b>1581</b>
1480	9.	On Revenue Account	1578
321	10.	Of which interest Payments	323
3	11.	On Capital Account	3
3	12.	Of which, loans disbursed	2
<b>592</b>	<b>13.</b>	<b>Plan Expenditure (14+15)</b>	<b>795</b>
284	14.	On Revenue Account	365
308	15.	On Capital Account	430
7	16.	Of which, Loans disbursed	5
<b>2075</b>	<b>17.</b>	<b>Total Expenditure (8+13)</b>	<b>2376</b>
<b>445</b>	<b>18.</b>	<b>Fiscal Deficit (17-1-5)</b>	<b>550</b>
<b>141</b>	<b>19.</b>	<b>Revenue Deficit (9+14-1)</b>	<b>123</b>
<b>124</b>	<b>20.</b>	<b>Primary Deficit (18-10)</b>	<b>227</b>

\* Includes assignment of Union Taxes and grants in aid from GOI

### 1.3 Summary of Receipts and Disbursements for the year

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

**Table 1: SUMMARY OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2004-2005**

(Rupees in crore)

2003-04	Receipts	2004-05	2003-04	Disbursements	2004-2005		
<b>Section-A: Revenue</b>							
					<b>Non-Plan</b>	<b>Plan</b>	<b>Total</b>
<b>1623.12</b>	<b>I. Revenue receipts</b>	<b>1820.02</b>	<b>1763.59</b>	<b>I. Revenue expenditure</b>	<b>1578.02</b>	<b>365.18</b>	<b>1943.20</b>
710.26	Tax revenue	856.53	581.66	General services	626.57	6.25	632.82
724.73	Non-tax revenue	729.26	564.25	Social Services	419.30	248.42	667.72
135.58	Share of Union Taxes/Duties	162.07	617.68	Economic Services	532.15	110.51	642.66
52.55	Grants from Govt. of India	72.16		Grants-in-aid / Contributions			
<b>Section-B: Capital</b>							
-	<b>II. Misc. Capital Receipts</b>	-	<b>301.42</b>	<b>II. Capital Outlay</b>	<b>0.45</b>	<b>425.55</b>	<b>426.00</b>
6.55	<b>III. Recoveries of Loans and Advances</b>	5.58	9.83	<b>III. Loans and Advances disbursed</b>	2.50	4.96	7.46
791.73	<b>IV. Public Debt Receipts</b>	701.63	362.65	<b>IV. Repayment of Public Debt</b>	-	230.13*	230.13
3239.35	<b>V. Public Account Receipts</b>	3156.76	3217.60	<b>V. Public Account Disbursements</b>	-	2971.25	2971.25
-	<b>VI. Net receipts from Contingency Fund</b>	1.17	1.17	<b>VI. Expenditure from Contingency Fund</b>	-	0.22	0.22
37.35	<b>Opening Balance</b>	41.84	41.84	<b>Closing Balance</b>	-	148.74	148.74
<b>5698.10</b>	<b>Total</b>	<b>5727.00</b>	<b>5698.10</b>	<b>Total</b>	<b>1580.97</b>	<b>4146.03</b>	<b>5727.00</b>

\* includes net ways and means advances and overdraft

### 1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in major fiscal aggregates of receipts and expenditure from the Statements of the Finance Accounts for the year 2004-05 and wherever necessary, show these in the light of time series data and periodic comparisons (*Appendix 1.1 to 1.4*).

The key indicators adopted for the purpose are (i) Resources by volumes 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 Box 1.2

**Box 1.2**

**Reporting Parameters**

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 of the GSDP at current market prices. The New GSDP series as indicated in the Budget at a Glance by the Finance Department of the State Government have been used.

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.

The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in *Appendix 1.5*.

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

**Box 1.3 - State Government Funds and the Public Account**

Consolidated Fund	Contingency Fund	Public Account
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.	The 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 for meeting 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, in order to recoup the advances from the Contingency Fund.	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.

**State Finances by key Indicators**

**1.5 Resources by volumes and sources**

Resources of the State Government consist of revenue receipts and capital receipt. Revenue receipts consist of tax and 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 as well as accruals from the Public Account.

Table 2 shows that the total receipts of the State Government for the year 2004-05 were Rs.5686 crore. Of these, revenue receipts were Rs. 1820 crore, constituting 32 per cent of the total receipts. The balance of the receipts came from borrowings and public account receipts.

**Table 2 – Resources of Goa**

		<i>(Rupees in crore)</i>
<b>I</b>	<b>Revenue Receipts</b>	<b>1820</b>
<b>II</b>	<b>Capital Receipts</b>	<b>708</b>
	<i>a</i> Miscellaneous Receipts	-
	<i>b</i> Recovery of Loans and Advances	6
	<i>c</i> Public Debt Receipts	702
<b>III</b>	<b>Public Account Receipts</b>	<b>3157</b>
	<i>a</i> Small Savings, Provident Fund, etc.	118
	<i>b</i> Reserve Fund	28
	<i>c</i> Deposits and Advances	93
	<i>d</i> Suspense and Miscellaneous (CSS Account, RBI (CAO) suspense, PAO suspense etc.)	1430
	<i>e</i> Remittances (PWD, Forest)	1488
<b>IV</b>	<b>Receipts from Contingency Fund</b>	<b>1</b>
	<b>Total Receipts</b>	<b>5686</b>

The revenue receipts, capital receipts under different heads and GSDP during 2004-2005 are indicated in Table 3.

**Table 3 – Sources of Receipts: Trends**

Year	Revenue Receipts	Capital Receipts			Contingency Fund Receipts	Total Receipts	Gross State Domestic product
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account			
2000-01	1483	11	347	2132	165	4138	7761
2001-02	1873	6	397	2464	190	4930	8925
2002-03	1833	7	497	2755	14	5106	9947
2003-04	1623	7	792	3239	-	5661	9290*
2004-05	1820	6	702	3157	1	5686	10219

\* GSDP figures for 2003-04 have been revised by the State Government as Rs. 9290 crore.

### 1.5.1 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. Overall revenue receipts, their annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and its buoyancy are indicated in Table 4.

Table 4: Revenue Receipts – Basic Parameters

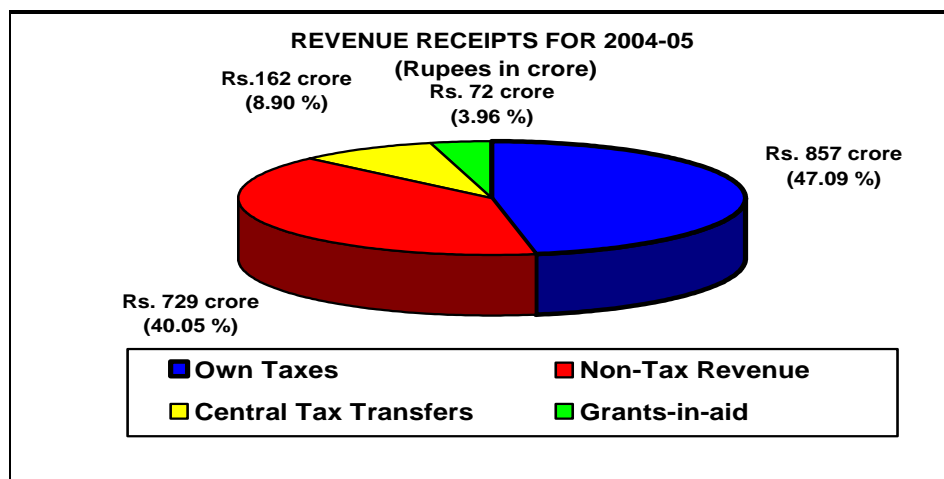
	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Receipts (Rupees in crore)	1483	1873	1833	1623	1820
Own taxes (in <i>per cent</i> )	34.73	30.38	32.84	43.75	47.09
Non-Tax Revenue (in <i>per cent</i> )	53.67	60.65	56.68	44.67	40.05
Central Tax Transfers (in <i>per cent</i> )	7.08	5.77	6.27	8.38	8.90
Grants-in-aid (in <i>per cent</i> )	4.52	3.15	4.20	3.20	3.96
Rate of Growth (in <i>per cent</i> )	20.77	26.3	(-) 2.14	(-) 11.46	12.14
Revenue Receipts/GSDP(in <i>per cent</i> )	19.11	20.99	18.43	17.47	17.81
GSDP Growth ( <i>per cent</i> )	15.01	15.00	11.45	(-) 6.61*	10.00
Revenue Buoyancy	1.38	1.75	#	#	1.21
Own Tax Buoyancy	0.83	0.70	0.51	#	2.07

Revenue receipts of the State increased from Rs. 1483 crore in 2000-01 to Rs.1820 crore in 2004-2005. There was an increase in revenue receipts by Rs. 197 crore in the current year compared to the previous year. There were significant inter year variations in the growth rates. The increase of Rs. 147 crore in the tax revenue during the year 2004-2005 was mainly on account of increase in Sales Tax by Rs.65 crore. There was also an increase of Rs. 20 crore in grants in aid from Government of India during the year. Similarly the State's share of Union taxes also increased by Rs. 26 crore in 2004-2005. Significant variations were noticed in growth rate of non tax revenue receipts during the year 2004-05 as it has decreased to 40.05 *per cent* of total revenue receipt during the year compared with 44.67 *per cent* in previous year.

About 87 *per cent* of the revenue had come from the State's own resources. Central tax transfers and grants-in-aid together contributed 13 *per cent* of the total revenue. During 2004-05, sales tax was the major source of State's own tax revenue having contributed 66 *per cent* of the tax revenues followed by taxes on goods and passengers (12 *per cent*), State excise (seven *per cent*) and taxes on vehicles (seven *per cent*). Of non-tax revenue sources, sale of power (80 *per cent*) was the principal contributor. During the year the receipts under sale of power were Rs. 584.66 crore which were Rs. 7.49 crore less over the previous year.

\* GSDP figures for 2003-04 have been revised by the State Government as Rs. 9290 crore.

# Growth in Revenue Receipts during 2002-03 and 2003-04 was negative as also GSDP growth during 2003-04 was negative.



### 1.5.2 Analysis of arrears of revenue

The arrears of revenue increased by 60 *per cent* in five years from Rs. 205 crore in 2000-01 to Rs. 322 crore at the end of 2004-05. In 2004-05, arrears were 18 *per cent* of the State's own resources. Of this, Rs. 66 crore were outstanding for a period of more than three years. Arrears were mainly in respect of taxes on sales, trade, etc. (Rs. 94 crore), power (Rs.199 crore) and water charges, meter rent (Rs. 23 crore). The increasing arrears of revenue showed a slackening of the revenue realising efforts of the State Government.

## 1.6 Application of resources

### 1.6.1 Trend of Growth

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. The total expenditure of the State increased from Rs.1907 crore in 2000-01 to Rs. 2376 crore in 2004-2005.

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

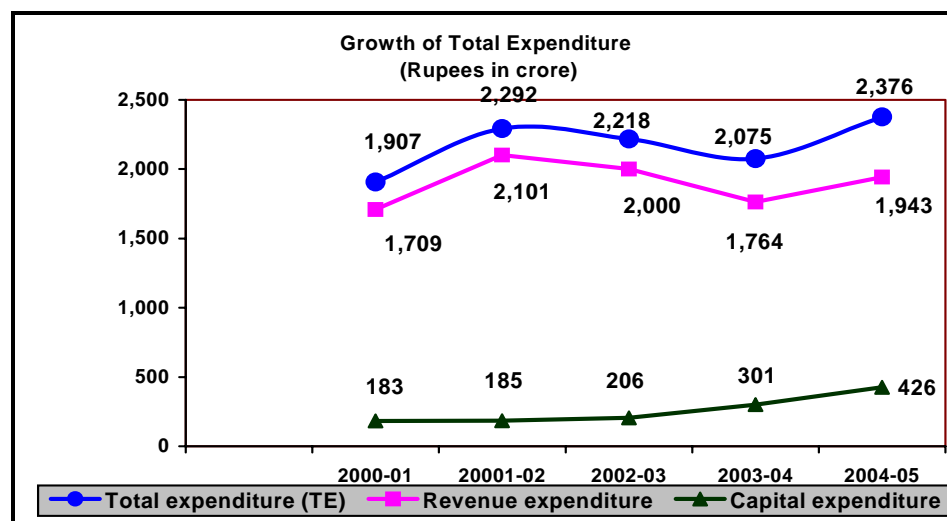
**Table 5: Total Expenditure – Basic Parameters**

	2000-01	2001-02	2002-03	2003-04	2004-05
Total Expenditure (Rupees in crore)	1907	2292	2218	2075	2376
Rate of Growth (in <i>per cent</i> )	21.16	20.19	(-) 3.23	(-) 6.45	14.51
TE/GSDP (in <i>per cent</i> )	24.57	25.68	22.30	22.34	23.25
Revenue Receipts/TE (in <i>per cent</i> )	77.77	81.72	82.64	78.22	76.60
RE as <i>per cent</i> to Revenue Receipts	115.24	112.17	109.11	108.69	106.76
<b>Buoyancy of Total Expenditure with</b>					
GSDP	1.41	1.35	*	*	1.45
Revenue Receipts	1.02	0.77	*	*	1.20

\* Total Expenditure had a negative growth.



There was an increasing trend in the ratio of revenue receipts to total expenditure during 2000-2003, whereas a declining trend was noticed during 2003-05. Ratios further indicated that only 77 per cent of State's total expenditure was met from its current revenue and the balance financed mostly from borrowings.

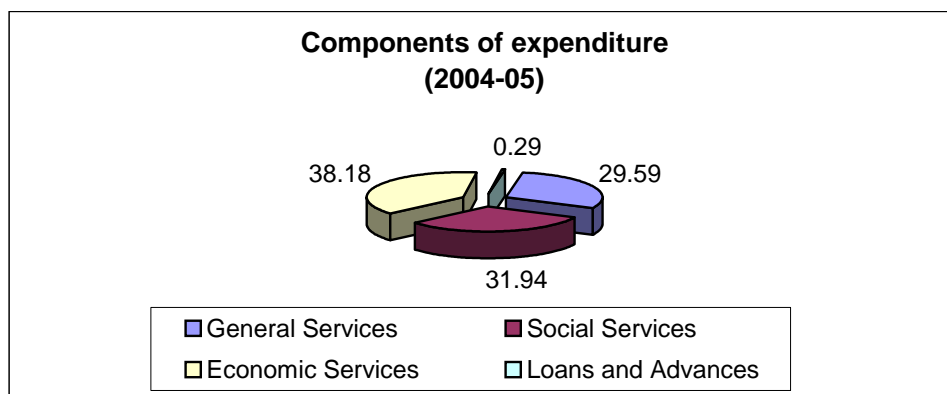


In terms of the activities, the total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services and loans and advances. The relative shares of these components in total expenditure are indicated in Table 6.

**Table 6: Components of expenditure – Relative Share (in per cent)**

	2000-01	2001-02	2002-03	2003-04	2004-05
General Services including interest payments	41.06	47.43	41.75	29.40	29.59
Social Services	26.53	22.86	27.28	31.47	31.94
Economic Services	31.62	29.45	30.43	38.65	38.18
Loans and advances	0.79	0.26	0.54	0.48	0.29

While the expenditure on General Services, which was on increasing trend upto 2001-02, has been declining with effect from 2002-03. However for the year 2004-05 there was marginal increase of relative share of General Services including interest.



### 1.6.2 Incidence of Revenue expenditure

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

**Table 7: Revenue Expenditure – Basic Parameters**

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Expenditure (Rupees in crore)	1709	2101	2000	1764	1943
Rate of Growth ( <i>in per cent</i> )	18.93	22.94	(-) 4.81	(-) 11.80	10.15
RE/ GSDP ( <i>in per cent</i> )	22.02	23.54	20.11	18.99*	19.01
RE as <i>per cent</i> of TE	89.62	91.67	90.17	85.01	81.78
RE as <i>per cent</i> to Revenue Receipts	115.24	112.17	109.11	108.69	106.76

Revenue expenditure of the State increased from Rs.1709 crore in 2000-01 to Rs.1943 crore in 2004-2005 and registered a growth of Rs. 179 crore during the year 2004-05. This was because of increase in expenditure under Social sector like Education, Sports, Arts and Culture, Social Welfare, Water Supply & Sanitation etc., Information and Publicity (IFFI) etc., to the extent of Rs. 104 crore, and increased expenditure under pension and other General Services (Rs. 30 crore).

The ratio of revenue expenditure to revenue receipts declined from 115.24 *per cent* in 2000-01 to 106.76 *per cent* in 2004-05. Notwithstanding the fact that the State utilized its revenue receipts for plan expenditure also. The expenditure on Salaries (Rs. 433.44 crore), Interest payments (Rs. 322.99 crore) and Pensions (Rs. 140.34 crore) together consumed 49 *per cent* of total revenue receipts of the State during the year.

### 1.6.3 Expenditure on pension and gratuity payments

Pension payments increased by 58 *per cent* from Rs. 89 crore in 2000-01 to Rs. 140.34 crore in 2004-2005. It increased by Rs. 27.01 crore during the year

\* GSDP figures for 2003-04 have been revised by the State Government as Rs. 9290 crore.

2004-05 due to increase in number of pension cases and dearness relief to the pensioners. Year-wise details are as under.

Table 8

Year	Expenditure (Rupees in crore)	Percentage to total revenue
2000-2001	89.00	6
2001-2002	118.67	6.3
2002-2003	140.54	7.7
2003-2004	113.33	7
2004-2005	140.34	7.7

#### 1.6.4 Interest payments

The Eleventh Finance Commission (August 2000) recommended that as a medium term objective, States should endeavour to keep interest payment as a percentage of revenue receipts pegged at 18 to 20 *per cent*. In case of Goa interest payments as a percentage of revenue receipts increased steadily from 14 *per cent* in 2000-01 to 20 *per cent* in 2003-04. However it decreased to 18 *per cent* in 2004-05. Interest payments as a percentage of Revenue Expenditure increased from 12 *per cent* in 2000-01 to 18 *per cent* in 2003-04. However this also decreased to 17 *per cent* in 2004-05. Further if the receipts on account of power are excluded, as there was an equally high level of revenue expenditure against these receipts, the interest payments as a percentage of revenue receipts during 2004-05 would be 26 *per cent* with reference to revenue receipts and 21 *per cent* to that of revenue expenditure.

Table 9

Year	Interest Payment (Rupees in crore)	Percentage of interest payment with reference to	
		Revenue Receipts	Revenue Expenditure
2000-2001	212	14	12
2001-2002	261	14	12
2002-2003	292	16	15
2003-2004	321	20	18
2004-2005	323	18	17

In absolute terms, interest payments increased steadily by 52 *per cent* from Rs. 212 crore in 2000-01 to Rs.323 crore in 2004-05 primarily due to continued reliance on borrowings for financing the fiscal deficit for plan schemes.

### 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 is deemed to be 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 of total expenditure)**

	2000-01	2001-02	2002-03	2003-04	2004-05
Plan Expenditure	17.39	16.10	19.67	28.33	33.35
Capital Expenditure	9.67	8.09	9.34	14.58	17.98
Developmental Expenditure	58.62	52.45	58.02	70.46	70.33

Out of the developmental expenditure (Rs.1666 crore), social services (Rs. 759 crore) accounted for 46 per cent during the year. General Education (Rs. 354 crore), Health and Family Welfare (Rs.119 crore) and Water supply, Sanitation, Housing and Urban Development (Rs.185 crore) consumed nearly 87 per cent of the expenditure on social sector.

**Table 11: Social Sector Expenditure**

*(Rupees in crore)*

	2000-01	2001-02	2002-03	2003-04	2004-05
General Education	233	247	286	292	354
Medical and Public Health	86	89	97	109	119
Water Supply, Sanitation, Housing and Urban Development	144	120	136	145	185
<b>Total</b>	<b>463</b>	<b>456</b>	<b>519</b>	<b>546</b>	<b>658</b>

Similarly, the expenditure on Economic Services (Rs.907 crore) accounted for 54 per cent of the developmental expenditure. Power (Rs.508 crore), Irrigation and Flood Control (Rs.74 crore) and Transport (Rs.163 crore) accounted for 82 per cent of the expenditure on Economic sector.

**Table 12: Economic Sector Expenditure**

*(Rupees in crore)*

	2000-01	2001-02	2002-03	2003-04	2004-05
Power	393.08	429.15	420.30	472.09	507.80
Irrigation and flood control	70.54	61.38	44.10	54.07	74.20
Transport	73.59	88.84	100.06	131.04	163.04
<b>Total</b>	<b>537.21</b>	<b>579.37</b>	<b>564.46</b>	<b>657.20</b>	<b>745.04</b>

### **1.7.1 Financial Assistance to local bodies and other institutions**

#### **Extent of assistance**

Autonomous bodies and authorities perform non-commercial functions of public utility services. These bodies and authorities receive substantial financial assistance from the Government. The 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 salaries of teaching and non-teaching staff, maintenance of educational institutions, construction and maintenance of schools and other development works of municipalities and local bodies.

The quantum of assistance provided to different bodies during the period of five years ending 2004-2005 was as follows:

**Table 13**

*(Rupees in crore)*

Sr. No.	Bodies/authorities, etc.	2000-01	2001-02	2002-03	2003-04	2004-05
1.	Universities and Educational Institutions	129.90	115.22	170.67	162.36	153.60
2.	Municipal Corporations and Municipalities	7.25	14.55	21.29	17.72	16.96
3.	Zilla Panchayats and Panchayati Raj Institutions	3.84	10.50	24.44	24.87	32.75
4.	Development Agencies	1.96	4.80	-	-	-
5.	Other Institutions (including statutory bodies)	13.51	11.17	9.48	9.54	15.02
	<b>Total</b>	<b>156.46</b>	<b>156.24</b>	<b>225.88</b>	<b>214.49</b>	<b>218.53</b>
6.	Percentage increase(+)/ decrease (-) over previous year	(-) 4.69	(-)0.14	(+ )44.57	(-) 5.04	(+ ) 1.88
7.	Assistance as a percentage of revenue receipts	10.55	8.35	12.32	13.22	12.01
8.	Percentage of assistance to revenue expenditure	9.15	7.43	11.29	12.16	11.25

### **Delay in furnishing utilisation certificates**

The General Financial rules which are followed by the Government of Goa require that where grants are given for specific purposes, certificates of utilisation are to be obtained by the Departmental officers from the grantees and after verification, these should be forwarded to the Director of Accounts within 18 months from the date of sanction of the grant unless specified otherwise.

Of 2795 utilisation certificates due in respect of grants-in-aid of Rs.108.95 crore paid upto the end of March 2005, only 233 utilisation certificates for Rs.21.38 crore were furnished by the concerned Departments to the Director of Accounts by 30 September 2005 and 2562 certificates for Rs.87.57 crore were in arrears. Department-wise and year-wise break up is given in *Appendix 1.6*

### **Delay in submission of accounts by Autonomous Bodies**

The status of submission of accounts by the autonomous bodies and submission of Audit Reports thereon to the State Legislature as of June 2005 is given below.

**Table 14**

Sr. No.	Name of the Body/Authority	Entrustment of audit	Year for which Accounts due	Year upto which Accounts received	Year upto which Audit Report issued	Year upto which Audit Report laid in the legislature
1.	Goa Tillari Irrigation Development Corporation	1.4.2004 to 31.3.2008	2003-2004 2004-2005	2002-03	2002-03	2000-2001
2.	Goa State Commission for Backward Classes	1.4.2004 to 31.3.2009	2004-2005	2003-04	2003-04	2000-2001
3.	Goa University	1.4.2005 to 31.3.2010	2003-2004 2004-2005	2002-03	2002-03	2001-2002
4.	Goa Khadi & Village Industries Board	1.4.2003 to 31.3.2008	2004-05	2003-04	2002-03	2000-2001
5.	Goa Housing Board	1.4.2002 to 31.3.2007	2004-05	2003-04	2003-04	2001-2002

### **1.7.2 Misappropriation and defalcations**

State Government reported 22 cases involving Rs. 76.85 lakh on account of misappropriation and defalcation of Government money till 2004-05 on which final action pending at the end of June 2005. The Department-wise, year-wise and category-wise break-up of pending cases is given in the *Appendices 1.7 & 1.8*.

### **1.7.3 Write off of losses**

During the year 2004-05 losses amounting to Rs. 6.55 lakh in 55 cases were written off by competent authorities. The losses mainly pertained to theft of cash (Rs. 1.89 lakh) planting materials, vegetable seeds, linen and spoilt medicines (Rs. 2.13 lakh). The Department wise details of write off are given in *Appendix 1.9*.

## **1.8 Assets & Liabilities**

Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings etc., owned by the Government. However, 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 the Finance Accounts, show the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. *Appendix 1.1* presents an abstract of such liabilities and the assets as on 31 March 2005, compared with the corresponding position on 31 March 2004. While 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 ratio of assets to liabilities of the State declined sharply from 0.76 in 2000-2001 to 0.63 in 2001-02. There was an improvement in this ratio and it remained stable at 0.74 from 2002-03 to 2004-05. It indicated that 26 *per cent* of liabilities are without an asset back up. The liabilities of Government of Goa depicted in the Finance Accounts, however, do not include the pension and other retirement benefits payable to serving/retired Government employees. *Appendix 1.4* depicts the Time Series Data on State Government Finances for the period 2000-2005.

### 1.8.1 Incomplete projects

As on 31 March 2005, there were 12 incomplete projects in which Rs.464.18 crore were blocked. The major projects involved were (i) Tillari Irrigation Projects (Rs. 408.16 crore); (ii) Construction of Amona Khandola bridge (Rs.30.73 crore), (iii) Construction, repairs and strengthening of various roads of Village Panchayats (Rs.8.44 crore), (iv) Laying of pipelines in vulnerable stretches of Selauli Irrigation Project (Rs.7.07 crore) and (v) Rural Water Supply Scheme (Rs.5.42 crore). Blockage of funds resulted in investment of own as well as borrowed funds without any return.

### 1.8.2 Investments and returns

As on 31 March 2005, the Government had invested Rs.220.93 crore in Statutory Corporations, Joint Stock Companies and Co-operatives. The Government's return on this investment was meagre (less than one *per cent*) as indicated in table 15 below. Of this, nine Government companies with capital employed<sup>β</sup> amounting to Rs.619 crore upto 2004-2005, were incurring losses and their accumulated losses amounted to Rs.204.47 crore as per the latest accounts furnished by these companies (*Appendix 7.2*).

**Table 15: Return on Investment**

*(Rupees in crore)*

Year	Investment at the end of the year	Return	Percentage of return	Rate of interest on Government borrowing ( <i>per cent</i> )
2000-2001	133.51	0.25	0.19	9.07
2001-2002	182.12	0.44	0.24	9.47
2002-2003	189.81	0.19	0.10	9.25
2003-2004	202.93	0.03	0.01	8.95
2004-2005	220.93	0.27	0.12	7.89

<sup>β</sup> Capital employed represents the average of the aggregate of the opening and closing balances of paid up capital, bonds and debentures, reserves and surplus, borrowings (including refinance) and deposits.

### 1.8.3 Loans and advances by the State Government

In addition to its investment, the Government has also been providing loans and advances to many bodies. Total outstanding balance of the loans advanced was Rs.49.66 crore as on 31 March 2005 (Table 16). Overall interest received against these advances declined from 4.99 in 2000-01 to 4.91 *per cent* during 2004-2005.

**Table 16: Average Interest Received on Loans Advanced by the State Government**

*(Rupees in crore)*

	2000-01	2001-02	2002-03	2003-04	2004-05
Opening Balance	35.23	39.30	38.90	44.50	47.78
Amount advanced during the year	15.43	5.85	12.20	9.83	7.46
Amount repaid during the year	11.36	6.25	6.60	6.55	5.58
<b>Closing Balance</b>	<b>39.30</b>	<b>38.90</b>	<b>44.50</b>	<b>47.78</b>	<b>49.66</b>
Net Addition (+) / Reduction (-)	(+) 4.07	(-) 0.40	(+) 5.60	(+) 3.28	(+) 1.88
Interest Received (Rupees in crore)	1.86	1.47	1.70	1.65	2.44
Interest received as <i>per cent</i> to outstanding Loans and advances	4.99	3.76	4.08	3.45	4.91
Average rate of interest paid by the State	9.07	9.47	9.25	8.95	7.89
Difference between interest paid and received	(-) 4.08	(-) 5.71	(-) 5.17	(-) 5.5	(-) 2.98

### 1.8.4 Commercial activities

#### **Lack of accountability for use of public funds in Departmental commercial undertakings**

Activities of quasi-commercial nature are performed by certain Departmental undertakings of the Government. These undertakings prepare *proforma* annual accounts in the prescribed format showing the results of financial operation so that the Government can assess the results of their working. The Heads of Departments in the Government are to ensure that the undertakings, which are funded through budgetary release, prepare the accounts in time and submit the same to the Accountant General for audit.

As of March 2005, there were two Departmental undertakings with the Government of Goa. Rupees 440.46 crore had been invested by the State Government in these two undertakings at the end of the financial year



upto which their accounts were completed. The Department-wise position of preparation of accounts in respect of these undertakings was as follows:

Table 17

Department	No. of undertakings under the Department	Accounts not finalised (name of undertakings)	Year upto which accounts finalised	Investment as per last accounts (Rupees in crore)
Inland Water Transport	1	River Navigation Department	2003-04	92.57
Power	1	Chief Electrical Engineer	2003-04	347.89
<b>Total</b>				<b>440.46</b>

### 1.8.5 Management of cash balances

It is generally desirable that 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) from Reserve Bank of India has been put in place. The State had a WMA limit of Rs.65 crore. During the year, the State Government used this mechanism for 221 days as against 249 days in the previous year besides resorting to borrowings of Rs.133 crore from the market. States also resort to overdraft over and above the WMA limits for meeting resources mismatch. The amount availed under WMA decreased by Rs. 38.14 crore as compared to the previous year. The State Government availed of overdraft facilities on 7 occasions for 12 days during the year for Rs.37.30 crore as against Rs.112.92 crore in the previous year. No overdraft, was outstanding at the end of March 2005 as against Rs.12.15 crore at the end of the previous year.

Table 18: Ways and Means and Overdrafts of the State and Interest paid thereon

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
<b>Ways and Means Advances</b>					
Taken in the Year	243.25	309.87	619.21	536.74	498.60
Outstanding	9.35	28.25	53.41	53.61	-
Interest Paid	0.55	0.78	2.18	1.34	1.13
<b>Overdraft</b>					
Taken in the Year	25.44	128.10	137.80	112.92	37.30
Outstanding	-	11.04	33.59	12.15	-
Interest Paid	0.09	0.17	0.19	0.23	0.05
No. of Days State was in Overdraft	16	36	34	21	12

### 1.8.6 Undischarged Liabilities

#### Fiscal liabilities – public debt

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 an act of Legislature. However, the State Government had not passed any law to limit its borrowings. Statement 4 read with Statements 16 and 17 of the Finance Accounts show the year-end balances under Debt, Deposit and Remittances heads from which the liabilities are worked out.

It would be observed that the overall fiscal liabilities of the State increased from Rs. 2531 crore in 2000-01 to Rs. 4350 crore in 2004-2005. This included Rs. 409.35 crore being loan given by GOI to the erstwhile Union Territory of Goa, Daman and Diu. These liabilities as ratio to GSDP increased from 41.31 per cent in 2003-04 to 42.57 per cent in 2004-05 and stood at 2.39 times of its revenue receipts and 2.74 times of its own resources comprising its own tax and non-tax revenue.

Table 19 below gives the fiscal Liabilities of the State, its rate of growth, the ratios of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities.

**Table 19: Fiscal Imbalances–Basic Parameters**

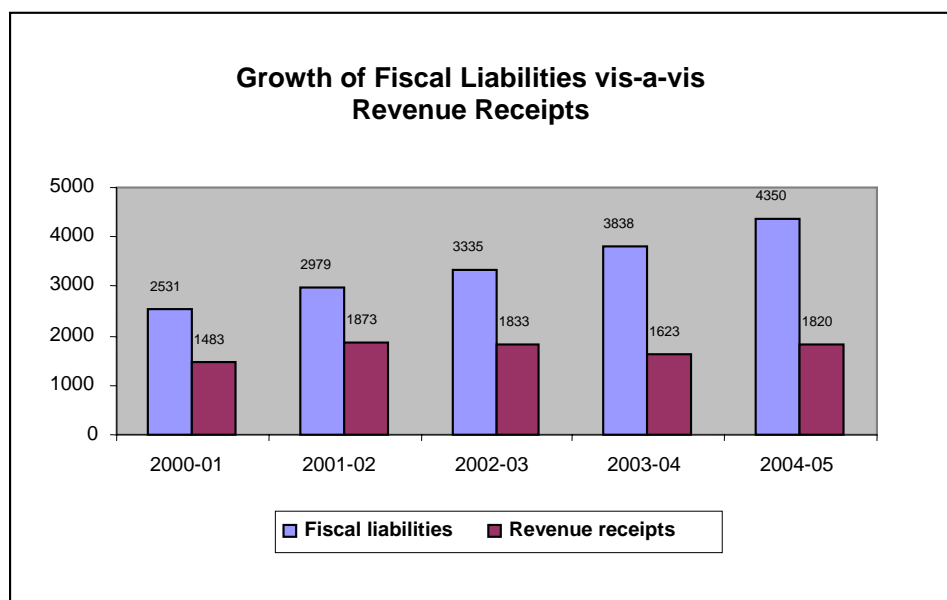
	2000-01	2001-02	2002-03	2003-04	2004-05
Fiscal Liabilities (Rs. in crore)	2531	2979	3335	3838 <sup>o</sup>	4350
Rate of growth ( <i>in per cent</i> )	18.05	17.70	11.95	15.08	13.34
<b>Ratio of Fiscal Liabilities to</b>					
GSDP ( <i>in per cent</i> )	32.6	33.4	33.5	41.31*	42.57
Revenue Receipts ( <i>in per cent</i> )	170.7	159.1	181.9	236.48	239.01
Own Resources ( <i>in per cent</i> )	193.1	174.7	203.2	267.46	274.27
<b>Buoyancy of Fiscal Liabilities to</b>					
GSDP	1.20	1.18	1.04	#	1.33
Revenue Receipts	0.87	0.67	#	#	1.10
Own Resources	0.90	0.59	#	#	1.27

The Goa State Infrastructure Development Corporation (GSIDC) was formed by the State Government to finance as well as to undertake various developmental and infrastructure projects in the State. The Corporation raises funds from the market mainly from banks and financial institutions. The State Government not only guarantees the loans but also repays the Corporation in instalments by way of annuity payments. The Corporation raised Rs. 60 crore from the market during the year and thus the outstanding loan liability as at 31 March 2005 was Rs. 221.79 crore though these borrowings have been used for financing the State Government Projects. These borrowings do not feature in the budget or the State Government Accounts as commented previously in the Audit Report (Para 1.8.6 (ii) of the C & AG's Report 2003-04).

<sup>o</sup> Figures for the year 2003-04 changed due to proforma correction.

\* GSDP figures for 2003-04 have been revised by the State Government as Rs. 9290 crore.

# Growth of Revenue Receipts and own Resources during 2002-03 and 2003-04 was negative as also GSDP growth during 2003-04 was negative.



### 1.8.7 Guarantees

In addition to these liabilities, the Government had guaranteed loans to its various Corporations and others, which in 2004-05 stood at Rs.719.32 crore. As per article 293(1) of the Constitution, the Government may give guarantees within such limits as may be fixed by State Legislature. The State Legislature in March 2005, fixed a ceiling limit of Rs.800 crore for the purpose. The guarantees are in the nature of contingent liabilities of the State, in the event of non-payment of loans, there may be an obligation on the State to honour these commitments. Currently, the fiscal liabilities are more than two times of the revenue receipts of the State.

Debt sustainability with reference to weighted interest rate, GSDP growth rate and interest spread is indicated in Table 20.

**Table 20: Debt Sustainability – Interest Rate and GSDP Growth (in per cent)**

	2000-01	2001-02	2002-03	2003-04	2004-05
Weighted Interest Rate	9.07	9.47	9.25	8.95	7.89
GSDP Growth	15.01	15.00	11.45	(-) 6.61	10.00
Interest spread	5.94	5.53	2.20	(-) 15.56	2.11

Another important indication of debt sustainability is net availability of the funds after payment of the principal on account of the earlier contracted liabilities and interest thereon. Table 21 below gives the position of the receipts and repayments of internal debt over the last five years. The net funds available on account of the internal debt and loans and advances from Government of India after providing for the interest and repayments showed wide inter year variations and declined to six *per cent* in 2002-03. However

the position improved in 2003-04 and 2004-05 as net availability of funds increased from six *per cent* from 2002-03 to 38 *per cent* in 2004-05.

**Table 21: Net Availability of Borrowed Funds (Rupees in crore)**

	2000-01	2001-02	2002-03	2003-04	2004-05
<b>Internal Debt*</b>					
Receipts	127	126	181	273	151
Repayments (Principal + Interest)	83	126	197	202	246
Net Funds Available	44	-	(-) 16	71	(-) 95
Net Funds Available ( <i>per cent</i> )	35	-	-	26	-
<b>Loans and Advances from Government of India</b>					
Receipts	210	241	269	519	551
Repayments (Principal + Interest)	136	145	226	409	191
Net Funds Available	74	96	43	110	360
Net Funds Available ( <i>per cent</i> )	35	40	16	21	65
<b>Total</b>					
Receipts	337	367	450	792	702
Repayments (Principal + Interest)	219	271	423	611	437
Net Funds Available	118	96	27	181	265
Net Funds Available ( <i>per cent</i> )	35	26	6	23	38

\* Internal debt excluding ways and means advances

Out of loans and advances of Rs.191 crore repaid during 2004-05, repayment of Rs.77.79 crore was carried out under Debt Swap Scheme.

The State Government raised market loans of Rs.133 crore during 2004-05 with an average rate of interest of 6.76 *per cent*. As on 31 March 2005, 40 *per cent* of the existing market loans of the State Government carried the interest rate exceeding 10 *per cent*. Thus, the effective cost of borrowings on their past loans was much higher than the rate at which they were able to raise resources at present from the market. The maturity profile of the State Government market loans indicate that nearly 36 *per cent* of the total market loans are repayable within the next five years while the remaining 64 *per cent* loans are required to be repaid after 5 to 10 years.

## **1.9 Management of deficits**

### **1.9.1 Fiscal imbalances**

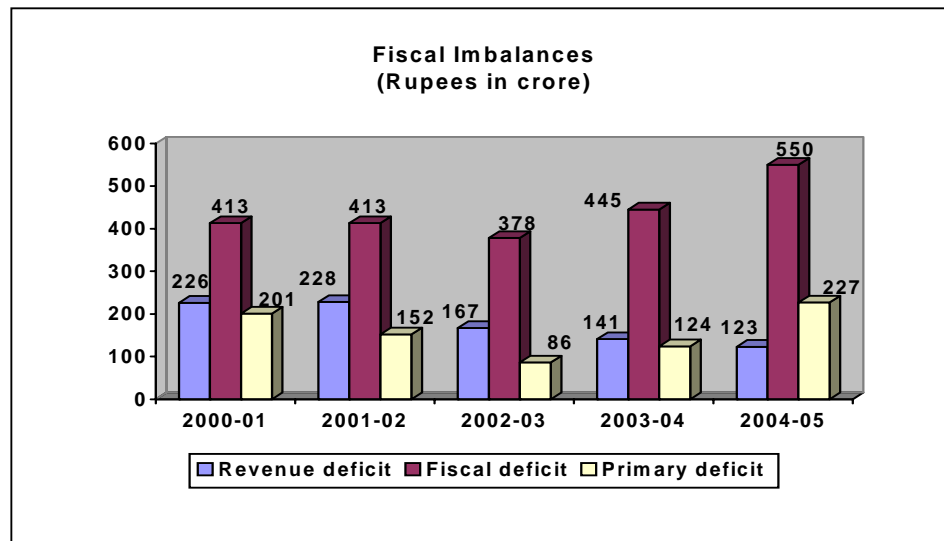
The deficits in Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources so raised are applied, are important pointers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

The revenue deficit (Statement-1 of the Finance Accounts) of the State, which is the excess of its revenue expenditure over revenue receipts, declined from

Rs.226 crore in 2000-01 to Rs. 123 crore in 2004-05. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap increased from Rs.413 crore in 2000-01 to Rs. 550 crore in 2004-05. This however, does not take into account the expenditure of Rs.111.85 crore incurred by the Goa State Infrastructure Development Corporation on behalf of Government of Goa including the expenditure of Rs. 64.60 crore on International Film Festival of India. Had this been taken into account fiscal deficit would have been Rs.662 crore. The State's primary deficit increased from Rs.201 crore in 2000-01 to Rs. 227 crore in 2004-05.

Table 22: Fiscal Imbalances – Basic Parameters

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue deficit (Rs. in crore)	226	228	167	141	123
Fiscal deficit (Rs. in crore)	413	413	378	445	550
Primary Deficit (Rs. in crore)	201	152	86	124	227
RD/GSDP (in per cent)	2.91	2.55	1.68	1.52*	1.20
FD/GSDP (in per cent)	5.32	4.63	3.80	4.79*	5.38
PD/GSDP (in per cent)	2.59	1.70	0.86	1.33*	2.22
RD/FD (in per cent)	54.72	55.21	44.18	31.69	22.36



The ratio of revenue deficit to fiscal deficit came down from 55 per cent in 2000-01 to 22 per cent in 2004-05. As proportion to GSDP, revenue deficit had decreased to 1.20 per cent in 2004-05 from 2.91 per cent in 2000-01 and fiscal deficit increased to 5.38 per cent compared with the previous year's fiscal deficit of 4.79 per cent.

\* GSDP figures for the year 2003-04 have been revised by the State Government as Rs. 9290 crore.

## 1.10 Fiscal Ratios

The finances of a State should be sustainable and flexible. Table 23 below presents a summarized position of Government finances over 2000-2005, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important facets.

Various ratios concerning the expenditure management of the State indicate the quality of its expenditure and the sustainability of these in relation to its resource mobilization. The ratio of revenue expenditure to total expenditure during the current year was 81.78 *per cent* against 85.01 *per cent* in 2003-04. The ratio of both capital expenditure and developmental expenditure to total expenditure which declined in 2001-2002 as compared to earlier years has shown increase in 2002-03 and 2003-04. However development expenditure showed a marginal decrease in 2004-05 over the previous year.

**Table 23: Ratios of Fiscal Efficiency**

<b>Fiscal Ratios</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>
<b>Resources Mobilization</b>					
Revenue Receipts/GSDP ( <i>per cent</i> )	19.11	20.99	18.43	17.47	17.81
Revenue Buoyancy	1.38	1.75	#	#	1.21
Own Tax/GSDP ( <i>per cent</i> )	6.64	6.38	6.05	7.64	8.39
<b>Expenditure Management</b>					
Total Expenditure/GSDP	24.57	25.68	22.30	22.34	23.25
Revenue Receipts/ Total Expenditure	77.77	81.72	82.64	78.22	76.60
Revenue Expenditure/Total Exp.	89.62	91.67	90.17	85.01	81.78
Capital Expenditure/ Total exp	9.67	8.09	9.34	14.58	17.98
Developmental Expenditure/ Total Expenditure (RE+CE)	58.62	52.45	58.02	70.46	70.33
Buoyancy of TE with RR	1.02	0.77	#	#	1.20
<b>Management of Fiscal Imbalances</b>					
Revenue deficit (Rs in crore)	226	228	167	141	123
Fiscal deficit (Rs in crore)	413	413	378	445	550
Primary Deficit (Rs in crore)	201	152	86	124	227
Revenue Deficit/Fiscal Deficit	54.72	55.21	44.18	31.69	22.36
<b>Management of Fiscal Liabilities</b>					
Fiscal Liabilities/GSDP	32.6	33.4	33.5	41.31	42.57
Fiscal Liabilities/RR	170.7	159.1	181.9	236.48	239.01
Buoyancy of FL with RR	0.87	0.67	#	#	1.10
Buoyancy of FL with OR	0.90	0.59	#	#	1.27
Interest Spread	5.94	5.52	2.20	(-) 15.56	2.11
Net Funds Available	35	26	6	23	38
<b>Other Fiscal Health Indicators</b>					
Return on Investment (Percentage)	0.19	0.24	0.1	0.01	0.12
BCR (Rs in crore)	(-) 128.44	(-)88.24	(-)18.48	109.65	191.33
Financial Assets/Liabilities	0.76	0.63	0.74	0.73	0.74

# Growth in Revenue Receipts as well as in State's Resources during 2002-03 and 2003-04 was negative as also GSDP growth during 2003-04 was negative.

Tax Revenues did increase during the year over the previous year. Borrowings as well as total liabilities also increased.

The Debt/GSDP ratio increased over a period of five years from 32.6 in 2000-01 to 42.57 in 2004-05. If the borrowings of GSIDC are taken into account, the ratio would be varying from 32.6 in 2000-01 to 44.74 in 2004-05. Further, due to increase in borrowings the fiscal deficit also increased from Rs. 413 crore to Rs. 550 crore. If the expenditure of Rs. 111.85 crore incurred by GSIDC on Government of Goa projects were considered, the fiscal deficit would increase to Rs. 662 crore. These are the matters of concern, which need to be addressed.