

CHAPTER I

Finances of the State Government

Summary

The financial position of Goa improved during 2002-03 with both revenue and fiscal deficits declining by Rs.61 crore (*27 per cent*) and Rs.35 crore (*8 per cent*) respectively though revenue receipts of the State suffered due to stoppage of State Lotteries in August 2002. As a result of decline in the receipts on account of State Lotteries by Rs.235.41 crore, the revenue receipts of the State decreased from Rs.1873 crore in 2001-02 to Rs.1833 crore in 2002-03. The sharp fall in the receipts of State Lotteries was however, compensated to a great extent by the increased receipts under Power sector by Rs.129.95 crore due to sale of power.

Overall revenue receipts of the State increased from Rs.1147 crore in 1998-99 to Rs.1833 crore in 2002-03 at an average trend rate of *12.67 per cent* per annum. On an average around *90 per cent* of total revenue had come from State's own resources while Central tax transfer and grants-in-aid together contributed *10 per cent*.

Overall expenditure of the State increased from Rs.1422 crore in 1998-99 to Rs.2218 crore in 2002-03 at an average trend of *13.84 per cent* per annum. The rate of growth increased from *14.77 per cent* in 1998-99 to *20.19 per cent* in 2001-02 and was negative at (-) *3.23 per cent* in 2002-03 because of less expenditure under Lotteries. The proportion of development expenditure declined from *56.43 per cent* in 1998-99 to *52.45 per cent* in 2001-02, but increased to *58.02 per cent* in 2002-03. Revenue expenditure, which constituted over *90 per cent* of total expenditure, grew at a trend rate of *13.82 per cent* over the period. Interest payments increased steadily from Rs.144 crore in 1998-99 to Rs.292 crore in 2002-03 primarily due to continued reliance on borrowings for financing fiscal deficit. The ratio of revenue receipts to total expenditure stood at *82.64 per cent* in 2002-03.

Fiscal liabilities of the State increased from Rs.1854 crore in 1998-99 to Rs.3340 crore in 2002-03 at an average rate of *16.61 per cent* during 1998-2003. State's fiscal imbalances were also increasing and a large part of the fiscal deficit was used for meeting current expenditure. Situation, however, marginally improved in 2002-03. Increasing ratios of fiscal liabilities to Gross State Domestic Product, revenue receipts and own resources indicated that the debt stock was increasingly becoming unsustainable.

Balance from current revenue (BCR), which plays an important role in plan size, was consistently negative, indicating State's continued dependence on borrowings for plan and developmental expenditure. The ratio of assets to liabilities of the State had declined from *0.99* in 1998-99 to *0.74 per cent* in 2002-03 indicating that one-fourth of the State's fiscal liabilities had 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 Accounts of the State Government. The lay out of the Finance Accounts is depicted in the 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 2002-03.

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 2003.

Statement No.9 shows the revenue and expenditure under different heads for the year 2002-2003 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 2002-2003.

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 2002-03.

Statement No.15 depicts the capital and other expenditure to the end of 2002-03 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 present 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 2003, 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 previous year were as under:

(Rupees in Crores)			
2001-02	Sl. No	Major Aggregates	2002-03
1873	1.	Revenue Receipts (2+3+4)	1833
569	2.	Tax Revenue	602
1136	3.	Non-Tax Revenue	1039
167	4.	Other Receipts	192
6	5.	Non-Debt Capital Receipts	7
6	6.	<i>Of which</i> Recovery of Loans	7
1879	7.	Total Receipts (1+5)	1840
1918	8.	Non-Plan Expenditure (9+11+12)	1772
1918	9.	On Revenue Account	1782
261	10.	Of which, Interest Payments	292
-	11.	On Capital Account	(-) 10
-	12.	Of which Loans disbursed	-
374	13.	Plan Expenditure (14+15+16)	446
183	14.	On Revenue Account	218
185	15.	On Capital Account	216
6	16.	Of which Loans disbursed	12
2292	17.	Total Expenditure (8+13)	2218
228	18.	Revenue Deficit (9+14-1)	167
413	19.	Fiscal Deficit (17-7)	378
152	20.	Primary Deficit (18-10)	86

1.3 Summary of Receipts and Disbursements for the year

Table 1 summarises the finances of the State Government of Goa for the year 2002-03 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and public accounts 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 2002-2003 (Rupees in crore)

2001-02	Receipts	2002-03	2001-02	Disbursements	2002-03		
Section-A: Revenue							
					<u>Non-Plan</u>	<u>Plan</u>	<u>Total</u>
1872.53	I. Revenue receipts	1833.01	2101.03	I. Revenue expenditure	1781.54	218.51	2000.05
569.34	Tax revenue	602.20	1080.38	General services	907.72	3.80	911.52
1136.08	Non-tax revenue	1039.17	478.27	Social Services	413.10	136.74	549.84
107.82	Share of Union Taxes/Duties	114.62	542.38	Economic Services	460.72	77.97	538.69
59.29	Grants from Govt. of India	77.02		Grants-in-aid / Contributions		-	
Section-B: Capital							
-	II. Misc. Capital Receipts	-	184.72	II. Capital Outlay	(-) 9.51	215.91	206.40
6.25	III. Recoveries of Loans and Advances	6.60	5.85	III. Loans and Advances disbursed	-	12.20 #	12.20
396.69	IV. Public Debt Receipts	497.52*	60.89	IV. Repayment of Public Debt	-	182.39 #	182.39
2463.71	V. Public Account Receipts	2754.75	2364.06	V. Public Account Disbursements	-	2692.75 #	2692.75
-	Net receipts from Contingency Fund	14.24	14.10	VI. Expenditure from Contingency Fund	-	-	-
16.49	Opening Balance	25.02	25.02	Closing Balance	-	37.35 #	37.35
4755.67	Total	5131.14	4755.67	Total	1772.03	3359.11	5131.14

Note : Minus expenditure is because of recoveries on capital account.

* Includes net ways and means advances and over draft

Bifurcation of plan and non- plan not available

1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure from the statements of the Finance Accounts for the year 2002-03 and, wherever necessary, show these in the light of time series data and periodic comparisons (*Appendix I to IV*).

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 also take 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.

For most series a trend growth during 1998-2003 has been indicated. The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in *Appendix V*.

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 entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.	Contingency Fund of 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.	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 receipts. 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 are comprise of miscellaneous capital receipts like proceeds from disinvestment, 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 Public Accounts.

Table 2 shows that the total receipts of the State Government for the year 2002-03 were Rs.5106 crore. Of these, revenue receipts were Rs.1833 crore, constituting only 30 per cent of the total receipts. The balance receipts came from borrowings, public account receipts and Contingency Fund Receipts.

Table 2 – Resources of Goa

		<i>(Rupees in crore)</i>
I	Revenue Receipts	1833
II	Capital Receipts	504
a	Miscellaneous Receipts	-
b	Recovery of Loans and Advances	7
c	Public Debt Receipts	497
III	Public Account Receipts	2755
a	Small Savings, Provident Fund, etc.	106.10
b	Reserve Fund	7.67
c	Deposits and Advances	94.32
d	Suspense and Miscellaneous	1175.93
e	Remittances	1370.73
IV	Receipts from Contingency Fund	14
Total Receipts		5106

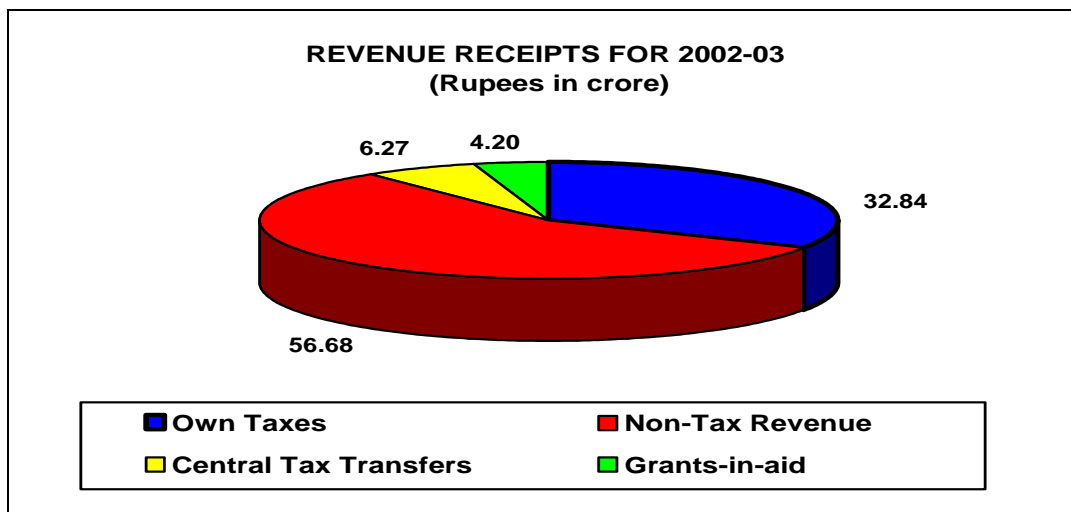
1.5.1 Revenue Receipts: Statement-11 of the Finance Accounts details the revenue receipts of the Government. Overall revenue receipts, their annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and its buoyancy is indicated in Table 3.

Table 3: Revenue Receipts – Basic Parameters (Values in Rupees crore and others in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue Receipts	1147	1228	1483	1873	1833	1533
Own taxes	31.12	37.30	34.73	30.40	32.84	33.28
Non-Tax Revenue	56.76	51.63	53.67	60.68	56.68	55.89
Central Tax Transfers	8.46	7.82	7.08	5.77	6.27	7.08
Grants-in-aid	3.66	3.26	4.52	3.15	4.20	3.70
Rate of Growth	3.52	7.06	20.77	26.23	(-) 2.08	12.67
Revenue Receipts/GSDP	18.88	18.20	19.11	20.97	17.86	19.02
Revenue Buoyancy	0.15	0.64	1.38	1.75	(-) 0.14	0.83
GSDP Growth	23.45	11.08	15.01	15.00	15.00	15.26

Revenue receipts of the State increased from Rs.1147 crore in 1998-1999 to Rs.1833 crore in 2002-2003 at an average trend rate of 12.67 per cent per annum. There were, however, significant inter year variations in the growth rates. The increase in the tax revenue during the year over 2001-2002 was mainly on account of Sales Tax (increased by Rs.37 crore). Similarly, decrease in non-tax revenue was on account of decline in receipts under State lotteries (decreased by Rs.235.41 crore).

While on an average around 90 per cent of the revenue had come from the State's own resources, central tax transfers and grants-in-aid together continued to contribute nearly 10 per cent of the total revenue. During 2002-03, Sales tax was the major source of State's own tax revenue having contributed 73 per cent of the tax revenue followed by state excise (8 per cent), taxes on vehicles (6 per cent), taxes on goods and passengers (5 per cent) etc. Of non-tax revenue sources, Power (53 per cent), State Lotteries (35 per cent) were principal contributors. The receipts under State Lotteries (Rs.366.15 crore) during the year were however neutralised by equally high expenditure (Rs.355.98 crore). Similarly, the receipts of Rs.548.35 crore under Power during the year were partially nullified by high expenditure on Power Department to the extent of Rs.370.24 crore, the net receipts being Rs.165.18 crore during the 2002-2003. Compared to previous year receipts under power increased by Rs.129.95 crore.



Besides, the arrears of revenue increased by 88 per cent in five years from Rs.189 crore in 1998-99 to Rs.296 crore at the end of 2002-03. Of these, Rs.64.19 crore were outstanding for a period of more than three years. Arrears were mainly in respect of Taxes on Sales, Trade, etc. (Rs.107.64 crore), Power (Rs.174.24 crore), Taxes on vehicles (Rs.6.48 crore). In 2002-03, amount of arrears was 18 per cent of total of tax revenue and non-tax revenue. The deterioration in the position of arrears of revenue showed a slackening of the revenue realizing efforts of the State Government.

The revenue receipts, capital receipts under different heads and GSDP during 1998-2003 are indicated in Table 4.

Table 4 – Sources of Receipts: Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic product
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account		
1998-99	1147	6	249	1538	2940	6075
1999-00	1228	5	228	1785	3246	6748
2000-01	1483	11	347	2132	3973	7761
2001-02	1873	6	397	2464	4740	8925
2002-03	1833	7	497	2755	5092	10264

Note: Debt Receipts and Total Receipts are different from those indicated in previous Audit Reports because of taking only net receipts from Ways & Means Advances instead of gross receipts.

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 head wise. The total expenditure of the State increased from Rs.1422 crore in 1998-1999 to Rs.2218 crore in 2002-2003 at an average trend rate of 13.84 *per cent* per annum. The rate of growth of total expenditure was higher than the rate of growth of revenue receipts during 1999-2001, but the position has reversed during 2001-03.

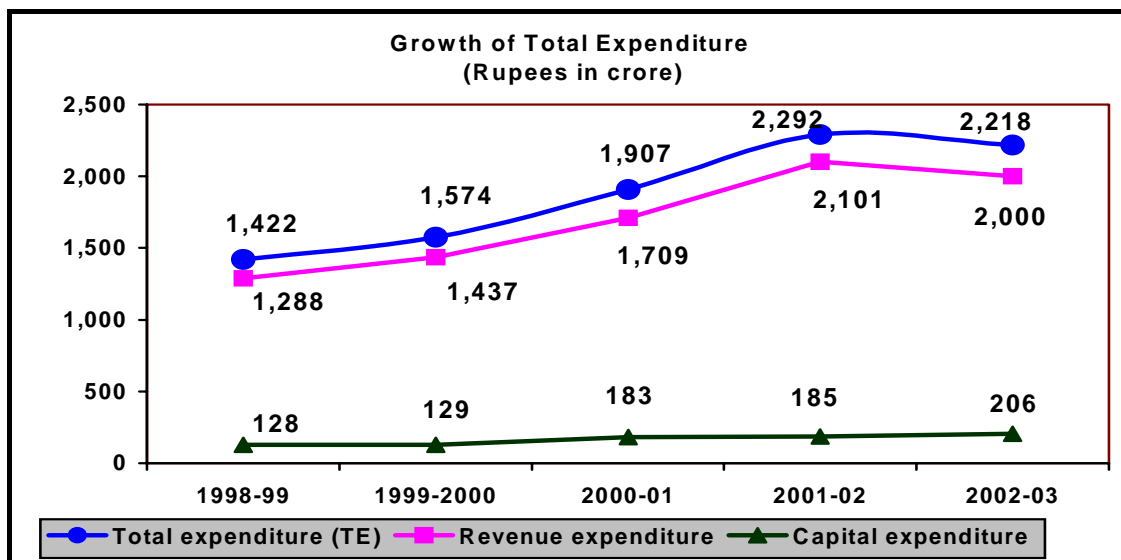
Total expenditure of the State, its trend and annual growth, ratio of expenditure to the State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table-5 below:

Table 5: Total Expenditure – Basic Parameters (Value: Rupees in crore and others in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Total Expenditure	1422	1574	1907	2292	2218	1883
Rate of Growth	14.77	10.69	21.16	20.19	(-) 3.23	**13.84
TE/GSDP	23.41	23.33	24.57	25.68	21.61	20.67
Revenue Receipts/TE	80.66	78.02	77.78	81.68	82.64	80.15
RE as per cent to Revenue Receipts	112.29	117.02	115.24	112.23	109.11	112.84
Buoyancy of Total Expenditure with						
GSDP	0.63	0.96	1.41	1.35	(-) 0.22	0.91
Revenue Receipts	4.20	1.51	1.02	0.77	1.55	1.09

** Average trend rate of growth.

There was upward trend in the ratio of revenue receipts to total expenditure from 80.66 *per cent* in 1998-1999 to 82.64 *per cent* in 2002-2003, indicating that nearly 83 *per cent* of the State's total expenditure was met from its current revenue, leaving the balance to be financed from borrowings.

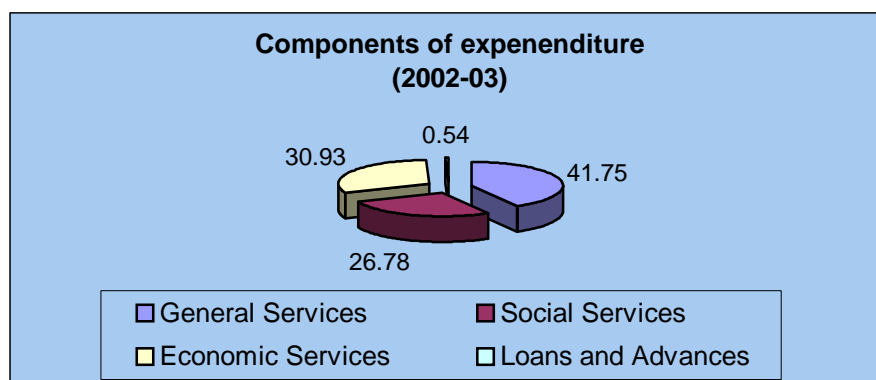


In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services and loans and advances. The relative share of these components in total expenditure is indicated in Table 6.

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

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
General Services including interest payments	43.39	39.33	41.06	47.43	41.75	42.59
Social Services	28.06	28.65	26.38	22.56	26.78	26.55
Economic Services	28.13	31.51	31.78	29.45	30.93	30.36
Loans and advances	0.42	0.51	0.78	0.26	0.54	0.50

The movement of relative share of these components of expenditure indicated that while the share of General Services including interest payments in total expenditure increased from 43.39 per cent in 1998-99 to 47.43 per cent in 2001-02, it declined to 41.75 per cent in 2002-03. The relative share of Social Service decreased from 28.06 per cent in 1998-99 to 26.78 per cent in 2002-03 and that of Economic Services increased from 28.13 per cent in 1998-99 to 31.78 per cent in 2000-01, then marginally declined to 30.93 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. Over all revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts is indicated in Table 7 below:

Table 7: Revenue Expenditure – Basic Parameters (Value: Rupees in crore and others in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue Expenditure	1288	1437	1709	2101	2000	1707
Rate of Growth	14.80	11.57	18.93	22.94	(-)-4.81	*13.82
RE/ GSDP	21.20	21.30	22.02	23.54	19.49	21.46
RE as per cent of TE	90.58	91.30	89.62	91.67	90.17	90.67
RE as per cent to Revenue Receipts	112.29	117.02	115.24	112.23	109.11	112.84
Buoyancy of Revenue Expenditure with						
GSDP	0.63	1.04	1.26	1.53	(-)-0.32	0.91
Revenue Receipts	4.20	1.64	0.91	0.87	2.31	1.09

* Average trend rate of growth.

Revenue expenditure of the State increased from Rs.1288 crore in 1998-1999 to Rs.2000 crore in 2002-2003 at an average growth rate of 13.82 per cent per annum. However, compared to previous year revenue expenditure decreased by Rs 101 crore. This was because of decline in expenditure under State lotteries to the extent of Rs 228.88 crore, which was partly set off by increase in expenditure under interest payments (Rs.31 crore), assistance to Local Bodies (Rs.70 crore), Secondary education and Higher education (Rs.36 crore) etc.

Though the ratio of revenue expenditure to revenue receipts declined from 112.29 per cent in 1998-99 to 109.11 per cent in 2002-03, dependence of the State on borrowings, for meeting its current expenditure continued primarily due to the fact that Salaries (Rs.333 crore), Interest payments (Rs.292 crore), and Pensions (Rs.141 crore) alone consumed 42 per cent of total revenue receipts of the State during the year.

(a) Expenditure on pension and gratuity payments: Pension payments have increased by 110 per cent from Rs.67.05 crore in 1998-99 to Rs.140.99 crore in 2002-2003. Year-wise details are as under.

Table 8

Year	Expenditure (Rupees in crore)	Percentage to total revenue
1998-1999	67.05	6
1999-2000	70.09	6
2000-2001	89.00	6
2001-2002	118.67	6
2002-2003	140.54	8

With the increase in the number of retirees, the pension liabilities are likely to increase further in future. The State Government has not constituted any fund to meet the fast rising pension liabilities of the retired State employees.

(b) Interest payments: The Eleventh Finance Commission (August 2000) has recommended that as a medium term objective, states should endeavour to keep interest payment as a ratio to revenue receipts to 18 per cent. It was observed that

interest payment as a ratio to revenue receipts has increased steadily from 13 *per cent* in 1998-99 to 16 *per cent* in 2002-03. The trend growth of Interest payments during the last five years was 20.37 *per cent*. If the receipts from State Lotteries and Power were excluded, as there was an equally high level of revenue expenditure against these receipts, the interest payments as a percentage of revenue receipts would be higher.

Table 9

Year	Interest Payment	Percentage of interest payment with reference to	
	(Rupees in crore)	Revenue Receipts	Revenue Expenditure
1998-1999	144	13	11
1999-2000	178	14	12
2000-2001	212	14	12
2001-2002	261	14	12
2002-2003	292	16	15

In absolute terms, interest payments increased steadily by 103 *per cent* from Rs.144 crore in 1998-99 to Rs.292 crore in 2002-03 primarily due to continued reliance on borrowings for financing the fiscal deficit for plan schemes of the State Government. Due to increase in interest payment, expenditure on primary education, irrigation schemes etc. declined during the year.

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 reflect 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 to total expenditure**)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Plan Expenditure	16.45	16.03	17.39	16.10	19.63	17.23
Capital Expenditure	9.04	8.24	9.67	8.09	9.34	8.87
Developmental Expenditure	56.43	60.47	58.83	52.45	58.02	56.49

* Total expenditure exclude expenditure on loans and advances.

Out of the developmental expenditure (Rs.1280 crore), social services (Rs.594 crore) accounted for 46 *per cent* of the developmental expenditure during the year. General Education, Health and Family Welfare and Water and Sanitation consumed nearly 87 *per cent* of the expenditure on social sector.

TABLE 11: Social Sector Expenditure

(Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
General Education	211	244	233	247	286
Medical and Public Health	73	82	86	89	97
Water Supply and Sanitation	79	87	144	120	136
Total	363	413	463	456	519

Similarly, the expenditure on Economic Services (Rs.686 crore) accounted for 54 *per cent* of the developmental expenditure. Power (Rs.420 crore), Irrigation and Flood Control (Rs.44 core) and Transport (Rs.100 crore) accounted for 82 *per cent* of the expenditure on Economic sector.

Table 12: Economic Sector Expenditure

(Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Power	243.94	328.60	393.08	429.15	420.30
Irrigation and flood control	40.51	41.97	70.54	61.38	44.10
Transport	55.61	57.56	73.59	88.84	100.06
Total	340.06	428.13	537.21	579.37	564.46

1.7.1 Financial Assistance to local bodies and other institutions

(a) Extent of assistance: Autonomous bodies and authorities perform non-commercial functions of public utility services. These bodies/authorities receive substantial financial assistance from 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 Government. The grants are given by Government mainly for salaries of teaching/non-teaching staff, maintenance of educational institutions, construction and maintenance of schools and other development works municipalities and local bodies.

The quantum of assistance provided to different Bodies etc., during the period of five years ending 2002-2003 was as follows:

Table 13 *(Rupees in crore)*

Sr. No.	Bodies/authorities, etc.	1998-99	1999-00	2000-01	2001-02	2002-03
1.	Universities and Educational Institutions	114.78	143.64	129.90	115.22	170.67
2.	Municipal Corporations and Municipalities	5.04	4.67	7.25	14.55	21.29
3.	Zila Parishads and Panchayati Raj Institutions	3.30	5.35	3.84	10.50	24.44
4.	Development Agencies	1.72	2.17	1.96	4.80	-
5.	Other Institutions (including statutory bodies)	8.60	8.33	13.51	11.17	9.48
	Total	133.17	164.16	156.46	156.24	225.88

Sr. No.	Bodies/authorities, etc.	1998-99	1999-00	2000-01	2001-02	2002-03
6.	Percentage increase(+)/ decrease (-) over previous year	(+) 6.58	(+)23	(-) 4.69	(-)0.14	(+) 44.57
7.	Assistance as a percentage of revenue receipts	11.61	13.37	10.55	8.35	12.32
8.	Percentage of assistance to revenue expenditure	10.34	11.42	9.15	7.43	11.29

(b) Delay in furnishing utilisation certificates: The financial rules of Government 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 Director of Accounts within 18 months from the date of sanction of the grant unless specified otherwise.

Of 2175 utilisation certificates due in respect of grants-in-aid of Rs.59.60 crore paid upto the end of the March 2002, only 177 utilisation certificates for Rs.13.33 crore were furnished to the Director of Accounts by 30th September 2003 and 1998 certificates for Rs.46.27 crore were in arrears. Department-wise break up is given in *Appendix VI*.

(c) 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 2003 is given below.

Table 14

Sr. No.	Name of the Body/Authority	No. of Annual accounts not furnished to A.G	Years to which these Annual Accounts belong	Audit Reports submitted upto
1.	Goa Tillari Irrigation Development Corporation	2	2001-02 & 2002-03	2000-01
2.	Goa State Commission for Backward Classes	2	2001-02 & 2002-03	1998-99
3.	Goa University	1	2002-03	2000-01
4.	Goa Khadi & Village Industries Board	1	2002-03	2000-01
5.	Goa Housing Board	1	2002-03	2001-02

1.7.2 Misappropriation, defalcations, etc.

State Government reported 20 cases involving Rs.26.11 lakh on account of misappropriation, defalcations etc. of Government money on which final action was pending at the end of June 2003. The department-wise/year-wise and category-wise break-up of pending cases is given in the *Annexure VII A & VII B*.

1.7.3 Write off of losses, etc.

During 2002-2003, Rs.58.50 lakh representing losses due to theft, fire and irrecoverable revenue, etc. were written off in 275 cases by competent authorities as

reported to Audit. The department-wise details of write off are given in the *Annexure VIII*.

1.8 Assets & 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 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-I* presents an abstract of such liabilities and the assets as on 31 March 2003, compared with the corresponding position on 31 March 2002. 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 from 0.99 *per cent* in 1998-99 to 0.63 *per cent* in 2001-02 and improved in 2002-03 to 0.74 *per cent*. However it still indicates that a large part 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, other retirement benefits payable to serving/retired State employees, guarantees/letters of comforts issued by the State Government. *Appendix - IV* depicts the Time Series Data on State Government Finances for the period 1998-2003.

1.8.1 Incomplete projects: As on 31 March 2003, there were 16 incomplete projects in which Rs.534.39 crore were blocked. This showed that the Government was spreading its resources thinly without any returns. The major projects involved were (i) Selauli Irrigation Project (Rs.151.46 crore), (ii) Tillari Irrigation Project (Rs.338.36 crore); (iii) Augmentation of Opa water supply scheme (Rs.38.65 crore); (iv) Improvement of riding quality under IRQP 2000-01 (Rs.1.20 crore); (v) Improvement of water supply to Margao (Rs.2.40 crore)

1.8.2 Investments and returns: As on 31 March 2003, Government had invested Rs.189.81 crore in Statutory Corporations, Joint Stock Companies and Co-operatives. Government's return on this investment was meagre (less than one *per cent*) as indicated in table 15 below. Of these, one statutory corporation and 14 Government companies with capital employed^β of Rs.667.57 crore upto 2002-2003 were incurring losses and their accumulated losses amounted to Rs.118.63 crore as per the accounts furnished by these companies upto 2001-02 (*Appendix XX*).

^β Capital employed represents mean of the aggregate of the opening and closing balance of paid up capital, bonds and debentures, reserves and surplus, borrowings (including refinance) and deposits.

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>)
1998-1999	131.05	0.44	0.33	12.15 and 12.50
1999-2000	132.06	0.33	0.25	11.85 and 12.25
2000-2001	133.51	0.25	0.19	10.52 and 14.00
2001-2002	182.12	0.44	0.24	8 to 14
2002-2003	189.81	0.19	0.10	7.80

1.8.3 Loans and advances by State Government: In addition to its investment, Government has also been providing loans and advances to many of these bodies. Total outstanding balance of the loans advanced was Rs.44.50 crore as on 31 March 2003 (Table 16). Overall, interest received against these advances declined from 5.35 *per cent* in 1998-99 to 4.08 *per cent* during 2002-2003

Table 16: Average Interest Received on Loans Advanced by the State Government (Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Opening Balance	31.91	32.43	35.23	39.30	38.90
Amount advanced during the year	6.40	7.91	15.43	5.85	12.20
Amount repaid during the year	5.88	5.11	11.36	6.25	6.60
Closing Balance	32.43	35.23	39.30	38.90	44.50
Net Addition (+) / Reduction (-)	(+) 3.52	(+) 2.80	(+)4.07	(-)0.40	(+)5.60
Interest Received (Rupees in crore)	1.72	1.61	1.86	1.47	1.70
Interest received as <i>per cent</i> to outstanding Loans and advances	5.35	4.76	4.99	3.76	4.08
Average rate of interest paid by the State	8.42	8.89	9.05	9.47	9.24
Difference between interest paid and received	(-)3.08	(-)4.13	(-)4.06	(-)5.71	(-)5.16

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 the departmental undertakings of certain Government departments. These undertakings prepare *pro forma* accounts in the prescribed format annually 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 by the budgetary release, prepare the accounts on timely basis and submit the same to Accountant General for audit.

As of March 2003, there were two such undertakings with the Government of Goa. Rs.311.23 crore had been invested by the State Government in these two undertakings at the end of the financial year up to 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	2000-01	64.24
Power	1	Chief Electrical Engineer	2001-02	246.99
			Total	311.23

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 mis-matches 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. Goa had the WMA limit of Rs.50 crore. During the year, State Government used this mechanism for 259 days as against only 36 days in the previous year besides the borrowings of Rs.155 crore from the market. Resort to overdraft, which is over and above the WMA limits, is all the more undesirable. State Government used the Overdraft facilities on 8 occasions for 34 days during the year. The amounts outstanding both under WMA and OD also increased as compared to the previous year. In a nutshell, management of cash requirement by the State for its day to day expenditure was poor.

Table 18: Ways and Means and Overdrafts of the State and Interest paid thereon (Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Ways and Means Advances						
Taken in the Year	25.15	29.78	243.25	309.87	619.21	245.45
Outstanding	NIL	-	9.35	28.25	53.41	30.33
Interest Paid	0.02	0.09	0.55	0.78	2.18	0.72
Overdraft						
Taken in the Year	NIL	43.28	25.44	128.10	137.80	66.92
Outstanding	-	-	-	11.04	33.59	22.31
Interest Paid	-	0.07	0.09	0.17	0.19	0.13
No. of Days State was in Overdraft	-	22	16	36	34	27

1.8.6 Undischarged Liabilities

i) **Fiscal liabilities – public debt and guarantees:** The Constitution of India provides that 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, no such law was passed from the State to lay down any such limit. Statement 4 read with Statements 16 and 17 of 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 over all fiscal liabilities of the State increased from Rs.1854 crore in 1998-1999 to Rs.3340 crore in 2002-2003 at an average growth rate of 16.61 *per cent*. These liabilities as ratio to GSDP increased from 30.52 *per cent* in 1998-1999 to 32.54 *per cent* in 2002-2003 and stood at 1.82 times of its revenue receipts and 2.04 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, ratio of these liabilities to GSDP revenue receipts and own resources and buoyancy of these liabilities with respect to these parameters.

Table 19: Fiscal Imbalances–Basic Parameters (Rupees in crore and Ratios in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Fiscal Liabilities	1854	2151	2532	2981	3340	2572
Rate of growth	18.47	16.02	17.71	17.73	12.04	16.61
Ratio of Fiscal Liabilities to						
GSDP	30.52	31.88	32.62	33.40	32.54	32.33
Revenue Receipts	161.64	175.16	170.73	159.24	182.21	169.37
Own Resources	183.93	196.98	193.14	174.84	203.53	189.94
Buoyancy of Fiscal Liabilities to						
GSDP	0.79	1.45	1.18	1.18	0.80	1.09
Revenue Receipts	5.25	2.27	0.85	0.68	(-)5.78	1.31
Own Resources	2.87	1.92	0.88	0.59	(-) 3.21	1.57

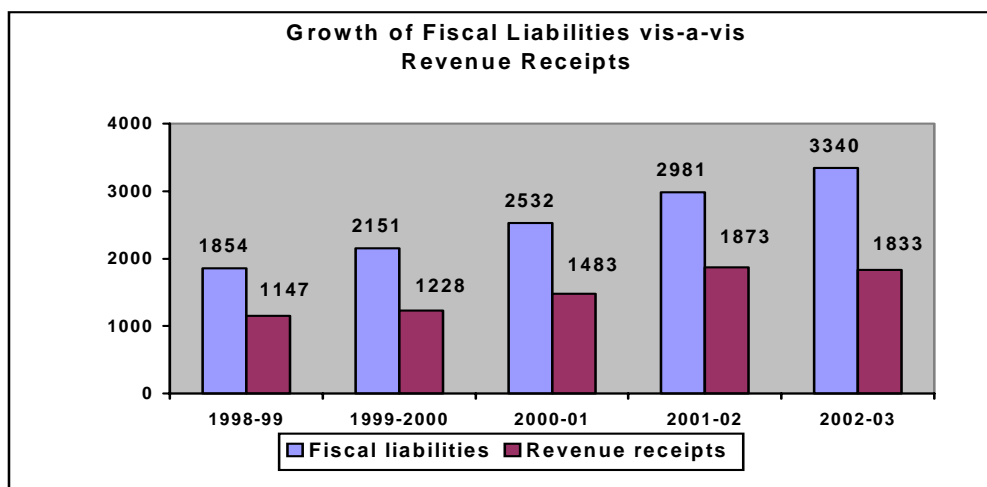
In addition to these liabilities, Government had guaranteed loans of its various Corporations and others, which in 2002-2003 stood at Rs.399.34 crore*. The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment of loans, there may be an obligation on the State to honour these commitments. Currently, the fiscal liabilities including the contingent liabilities are nearly two times of the revenue receipts of the State. The growth of direct fiscal liabilities of the State during 1999-2002 was higher than the rate of growth of GSDP but the position, improved during 2002-03. On average for each one per cent increase in GSDP, the direct fiscal liabilities of the State have gone up by 1.57 per cent.

Increasing liabilities had raised the issue of sustainability of State Government. Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP.

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

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

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Weighted Interest Rate	8.42	8.89	9.05	9.47	9.24	9.01
GSDP Growth	23.45	11.08	15.01	15.00	15.00	15.26
Interest spread	15.03	2.19	5.96	5.53	5.76	6.25



* As shown in Appendix XX. This figure will differ from that indicated in Appendix-IV (based on Finance Accounts), which excluded the outstanding figures of GSIDC and four other Corporations.

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. Table 21 below gives the position of the receipts and repayments of internal debt over the last 5 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 declined from 45 *per cent* to 6 *per cent* during 1998-2003.

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

	1998-99	1999-2k	2000-01	2001-02	2002-03	Average
Internal Debt*						
Receipts	122	97	127	126	181	131
Repayments (Principal + Interest)	27	44	83	126	197	95
Net Funds Available	95	53	44	-	(-) 16-	36
Net Funds Available (<i>per cent</i>)	78	55	35	-	-	27
Loans and Advances from Government of India						
Receipts	127	131	210	241	269	196
Repayments (Principal + Interest)	110	126	136	145	226	149
Net Funds Available	17	5	74	96	43	47
Net Funds Available (<i>per cent</i>)	13	4	35	40	16	24
Total						
Receipts	249	228	337	367	450	327
Repayments (Principal + Interest)	137	170	219	271	423	244
Net Funds Available	112	58	118	96	27	83
Net Funds Available (<i>per cent</i>)	45	25	35	26	6	25

* Internal debt excluding ways and means advances

Out of loans and advances of Rs.226 crore repaid during 2002-03, Rs.66.02 crore were adjusted under debt swap scheme.

The State Government raised market loans of Rs.155 crore during 2002-03 with an average rate of interest of 7.22 *per cent* whereas the State Government borrowed Rs.208.64 crore from National Small Saving Fund at the rate 10.5 *per annum* and Rs.60.62 crore at the rate 11.5 *per cent per annum* from Government of India during 2002-03. As on 31 March 2003, 64 *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 16 *per cent* of the total market loans are repayable within next five years while remaining 84 *per cent* loans are required to be repaid after 5 to 10 years.

ii) Off-budget borrowings: For financing the scheme of Augmentation of water supply at Opa, Assonora and Sanquelim, Government, in Public Works Department (PWD), availed a loan of Rs.112.91 crore from Goa State Infrastructure Development Corporation (GSIDC) between December 2001 and March 2003 at an interest rate of 12.50 *per cent per annum*. Concurrence of Finance Department was also obtained for the loan. GSIDC released the loan by issue of cheques directly in favour of the contractors (for the works) after due authorization of the same by the PWD authority. PWD maintained only subsidiary books for watching the expenditure against these works. Capital outlay on the projects were, however, not brought to the Government

Account. Upto March 2003, PWD paid Rs.15.32 crore towards Annuity payment which was accounted for as equity contribution of the Government to GSIDC.

This resulted in understatement of both capital expenditure and fiscal deficit of the Government, thereby giving an incorrect picture of financial position of the State. The effective fiscal deficit was, thus Rs.476 crore in 2002-03.

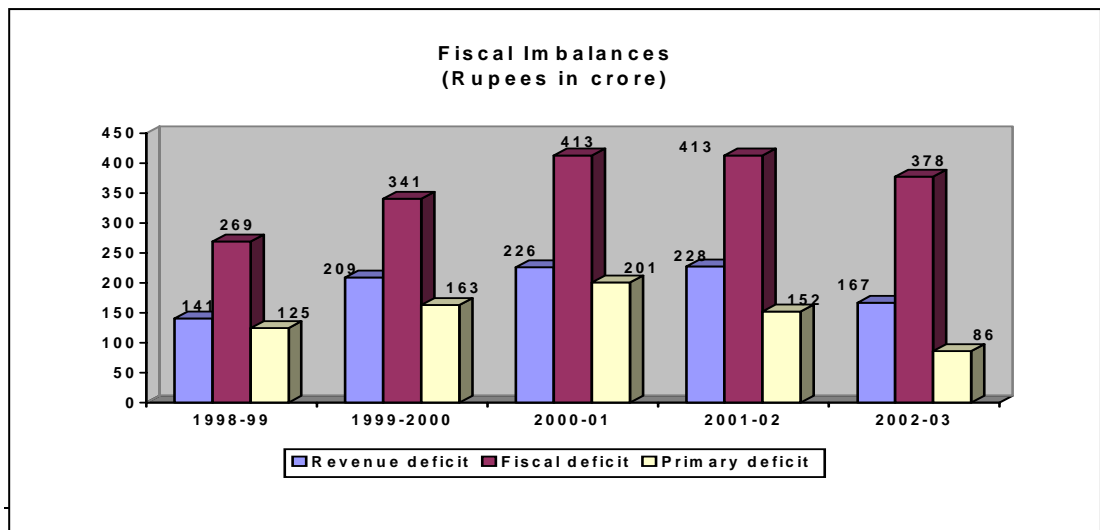
1.9 Management of deficits

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 Finance Account) of the State, which is the excess of its revenue expenditure over revenue receipts, increased from Rs.141 crore in 1998-99 to Rs.228 crore in 2001-2002 and decreased to Rs.167 crore in 2002-03. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap increased from Rs.269 crore in 1998-1999 to Rs 413 crore in 2001-02 and marginally declined to Rs.378 in 2002-2003. State had a primary deficit increasing from Rs.125 crore in 1998-1999 to Rs.201 crore in 2000-01 and gradually declined to Rs.86 crore in 2002-03 as indicated in Table 22.

Table 22 : Fiscal Imbalances – Basic Parameters (Value: Rupees in crore and Ratios in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue deficit	141	209	226	228	167	194
Fiscal deficit	269	341	413	413	378	363
Primary Deficit	125	163	201	152	86	145
RD/GSDP	2.32	3.10	2.91	2.55	1.63	2.44
FD/GSDP	4.43	5.05	5.32	4.63	3.68	4.56
PD/GSDP	2.06	2.42	2.59	1.70	0.85	1.83
RD/FD	52.42	61.29	54.72	55.21	44.17	53.53



The ratio of revenue deficit to fiscal deficit was between 55 to 61 *per cent* during 1998-2002 and it came down to 44.17 *per cent* in 2002-03. As proportion to GSDP, revenue deficit had decreased to 1.63 *per cent* in 2002-03 and fiscal deficit to 3.68 *per cent*, which indicated that fiscal position of the state improved during the current year. The State, it appears, has managed its fiscal position much better compared to the previous year.

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 1998-2003, 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 quality of its expenditure and sustainability of these in relation to its resources mobilization. The ratio of revenue expenditure to total expenditure during current year was 90.17 *per cent* against 91.67 *per cent* in 2001-02. The ratio of both capital expenditure and development expenditure to total expenditure which declined in 2001-2002 as compared to earlier years has shown increase in 2002-03.

Table 23: Ratios of Fiscal Efficiency (in *per cent*)

Fiscal Ratios	1998-99	1999- 2k	2000-01	2001-02	2002-03	Average
Resources Mobilization						
Revenue Receipts/GSDP	18.88	18.20	19.11	20.97	17.86	19.02
Revenue Buoyancy	0.15	0.64	1.38	1.75	0.14	0.83
Own Tax/GSDP	5.88	6.79	6.64	6.38	5.87	6.29
Expenditure Management						
Total Expenditure/GSDP	23.41	23.33	24.57	25.68	21.61	23.67
Revenue Receipts/ Total Expenditure	80.66	78.02	77.77	81.68	82.64	80.15
Revenue Expenditure/Total Exp.	90.58	91.30	89.62	91.67	90.17	90.67
Capital Expenditure/ Total exp	9.04	8.24	9.61	8.09	9.34	8.87
Development Expenditure/Total Expenditure (RE+CE)	56.43	60.47	58.83	52.45	58.02	56.99
Buoyancy of TE with RR	4.20	1.51	1.02	0.77	1.55	1.09
Buoyancy of RE with RR	4.20	1.64	0.91	0.87	^a 2.31	1.09
Management of Fiscal Imbalances						
Revenue deficit (Rs in crore)	141	209	226	228	167	194
Fiscal deficit (Rs in crore)	269	341	413	413	378	363
Primary Deficit (Rs in crore)	125	163	201	152	86	145
Revenue Deficit/Fiscal Deficit	52.42	61.29	54.72	55.21	44.18	53.53
Management of Fiscal Liabilities						
Fiscal Liabilities/GSDP	30.50	31.90	32.60	33.40	32.50	32.30
Fiscal Liabilities/RR	161.60	175.20	170.70	159.20	182.20	169.40
Buoyancy of FL with RR	0.62	0.57	0.59	0.63	0.55	0.59
Buoyancy of FL with OR	0.54	0.51	0.52	0.57	0.49	0.53
Interest Spread	15.03	2.19	5.96	5.53	5.76	6.25
Net Fund Available	45	25	35	26	6	25
Other Fiscal Health Indicators						
Return on Investment (Percentage)	0.33	0.25	0.19	0.24	0.10	0.22
BCR (Rs in crore)	(-)70.17	(-)126.54	(-)137.09	(-)95.14	(-)18.48	(-)89.48
Financial Assets/Liabilities	0.99	0.83	0.76	0.63	0.74	0.79

^a The growth of both revenue receipts and revenue expenditure are negative.

Government was successful in increasing the non-tax revenue receipts and curtailing the non-plan revenue expenditure during 2002-03. As a result, deficits were reduced. However, borrowings as well as total liabilities increased. Though it is not uncommon for a State to borrow for increasing its social and economic infrastructure support and creating additional income generating, persistent revenue and fiscal deficit year after year, together with low or no return on investments indicate that the State is gradually getting into a debt trap. There has also been a decline in net availability of funds for infrastructural development from its borrowings as a larger portion of these funds were being used for debt servicing. The ratio of State's total financial assets to liabilities has deteriorated indicating that a greater part of liabilities are without an asset back-up. This indicates that either the State has to generate more revenue out of its existing assets or need to provide from its current revenues for servicing its debt obligations. The balance of current revenue of the State has also continued to be negative. The BCR plays a critical role in determining its plan size and a negative BCR adversely affects the same and reduces availability of fund for additional infrastructure support and other revenue generating investment.