

# CHAPTER I : AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

## 1.1 Introduction

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

## 1.2 Financial position of the State

1.2.1 In the Government accounting system comprehensive accounting of the fixed assets like land and buildings, etc., owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. The table below gives an abstract of such liabilities and the assets as on 31 March 2002, compared with the corresponding position on 31 March 2001:-

**Table 1.1**

(Rupees in crore)

As on 31 March 2001	Liabilities		As on 31 March 2002
...	<b>External Debt</b>		...
<b>478.33</b>	<b>Internal Debt</b>		<b>573.22</b>
375.67 <sup>(a)</sup>	Market loans bearing interest	464.09	
3.06 <sup>(a)</sup>	Market loans not bearing interest	0.12	
2.88	Loan from LIC	2.58	
96.72	Loans from other Institutions	106.43	
...	Ways and Means Advances	...	
...	Overdraft from Reserve Bank of India	...	
<b>362.91</b>	<b>Loans and Advances from Central Government</b>		
13.85	Pre 1984-85 Loans	12.83	
104.67	Non-plan Loans	102.05	
229.93	Loans for State Plan Schemes	257.31	
0.33	Loans for Central Plan Schemes	0.31	
8.12	Loans for Centrally Sponsored Plan Schemes	9.70	
6.01	Loans from NEC	6.36	
<b>6.00</b>	<b>Contingency Fund</b>		
<b>208.55</b>	<b>Small Savings, Provident Funds, etc.</b>		<b>265.96</b>
<b>332.87</b>	<b>Deposits</b>		<b>295.63</b>
<b>17.09</b>	<b>Reserve Funds</b>		<b>20.95</b>
<b>56.90</b>	<b>Remittance Balances</b>		<b>81.87</b>
<b>957.63</b>	<b>Surplus on Government Accounts</b>		<b>924.08</b>
957.63	(i) Revenue Surplus as on 31 March 2001	957.63	
...	(ii) Revenue Deficit for the year 2001-2002	33.55	
<b>2420.28</b>			<b>2556.27</b>
<b>Assets</b>			
<b>1872.72</b>	<b>Gross Capital Outlay on Fixed Assets</b>		<b>2032.56</b>
125.54	Investment in shares of Companies, Corporation etc.	140.38	
1747.18	Other Capital Outlay	1892.18	
<b>331.71</b>	<b>Loans and Advances</b>		<b>359.17</b>
207.92	Loans for power projects	237.09	
19.91	Other Development Loans	20.50	
103.88	Loans to Government Servants and miscellaneous loans	101.58	
<b>5.11</b>	<b>Investment of Earmarked Funds</b>		<b>8.90</b>
<b>1.30</b>	<b>Advances</b>		<b>1.42</b>
<b>54.06</b>	<b>Suspense and Miscellaneous Balances</b>		<b>105.16</b>
<b>6.00</b>	<b>Appropriation to Contingency Fund</b>		<b>6.00</b>
<b>149.38</b>	<b>Cash</b>		<b>43.06</b>
8.56	Cash in Treasuries and Local Remittances	6.85	
37.20	Deposits with Reserve Bank of India	(-) 17.07	
0.11	Departmental Cash Balance	0.13	
...	Permanent Advances	...	
103.51	Cash Balance Investment	53.15	
<b>2420.28</b>			<b>2556.27</b>

<sup>(a)</sup> Differs with previous figure due to transfer of Rs.3.02 crore being 11 per cent Meghalaya State Development Loan-2001 from 'Market loan bearing interest' to 'Market loan not bearing interest'.

1.2.2 While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the Government of India and receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. It would be seen from the above table that during 2001-2002 while the liabilities grew by 12 *per cent*, the assets grew by 6 *per cent* mainly as a result of decrease in cash balance by 71 *per cent* due to deficit on the Government account. This shows a deterioration in the financial condition of the Government.

### 1.3 Sources and application of fund

1.3.1 The position of sources and application of funds during the current and the preceding year is given in the table below :-

**Table 1.2**

(Rupees in crore)

2000-2001	SOURCES	2001-2002
1132.16	1. Revenue receipts	1123.38
12.71	2. Recoveries of Loans and Advances	15.54
111.34	3. Increase in Public debt other than overdraft	120.54
172.77	4. Net receipts from Public Account	(-) 6.00
	61.94 -Increase in Small Savings 57.41	
	98.74 Deposits and Advances (-) 37.36	
	(-) 1.67- Reserve Fund (Net effect) 0.07	
	-Net effect of Suspense and (-) 9.38 Miscellaneous transactions (-) 51.10	
	23.14 -Net effect of Remittance transactions 24.98	
...	5. Net effect of Contingency Fund transactions	...
...	6. Decrease in closing cash balance	106.32
<b>1428.98</b>	<b>Total</b>	<b>1359.78</b>
	<b>APPLICATION</b>	
1079.48	1. Revenue expenditure	1156.93
88.91	2. Lending for development and other purposes	43.00
226.04	3. Capital expenditure	159.85
...	4. Net effect of Contingency Fund transactions	...
34.55	5. Increase in closing cash balance	...
<b>1428.98</b>	<b>Total</b>	<b>1359.78</b>

1.3.2 The main sources of funds include the revenue receipts of the Government, recoveries of loans and advances, public debt and the receipts in the Public Account. These were applied mainly on revenue and capital expenditure and lending for developmental purposes. It would be seen that the

revenue receipts constituted the most significant source of fund for the State Government. While their relative share increased marginally from 79.23 *per cent* in 2000-2001 to 82.61 *per cent* in 2001-2002, the receipts from Public Account came down significantly from 12.09 *per cent* to (-) 0.44 *per cent*. The decline in receipts from public account was mainly due to less receipts under deposits and advances (Rs.178.79 crore) compared to preceding year (Rs.270.37 crore). The net receipts from the public debt increased from 7.79 *per cent* in 2000-2001 to 8.86 *per cent* in 2001-2002. This was mainly due to 46 *per cent* increase in receipts of loans and advances from Central Government compared to preceding year.

1.3.3 The funds were mainly applied for revenue expenditure, whose share increased from 75.54 *per cent* in 2000-2001 to 85.08 *per cent* in 2001-2002 and also was more than the share of revenue receipts (82.61 *per cent*) to the total receipts of the State Government. The share of capital expenditure and lending for development purposes came down from 15.82 to 11.76 *per cent* and 6.22 to 3.16 *per cent* respectively.

#### **1.4 Financial operation of the State Government**

1.4.1 Exhibit I gives the details of the receipts and disbursements made by the State Government. The revenue expenditure (Rs.1,157 crore) during the year exceeded the revenue receipts (Rs.1,123 crore) resulting in a revenue deficit of Rs.34 crore. The revenue receipts comprised tax revenue (Rs.136 crore), non-tax revenue (Rs.94 crore), State's share of Union taxes and duties (Rs.165 crore) and grants-in-aid from the Central Government (Rs.728 crore). The main sources of tax revenue were sales tax (60 *per cent*) and State excise (31 *per cent*). Non-tax revenue came mainly from Non-ferrous Mining and Metallurgical Industries (67 *per cent*).

1.4.2 Against receipts of Rs.16 crore from recoveries of loans and advances and Rs.156 crore from public debt, the expenditure was Rs.160 crore on capital outlay, Rs.43 crore on disbursement of loans and advances and Rs.35 crore on repayment of public debt. The receipts in the Public Account amounted to Rs.774 crore, against which disbursements of Rs.780 crore were made. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was a decrease in the cash balance from Rs.149 crore at the beginning of the year to Rs.43 crore at the end of the year.

1.4.3 The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs, with reference to the information contained in Exhibit I and the time series data for the five years' period from 1997-98 to 2001-2002 presented below:-

**Table 1.3**  
**TIME SERIES ON STATE GOVERNMENT FINANCES**

(Rupees in crore)

	1997-98	1998-99	1999-2000	2000-2001	2001-2002
<b>Part A. Receipts</b>					
<b>1 Revenue Receipts</b>	<b>697</b>	<b>833</b>	<b>944</b>	<b>1,132</b>	<b>1,123</b>
<b>(i) Tax Revenue</b>	<b>73 (11)</b>	<b>88 (11)</b>	<b>103 (11)</b>	<b>119 (11)</b>	<b>136 (12)</b>
Taxes on Sales, Trade, etc.	37 (51)	46 (52)	54 (52)	65 (55)	81 (60)
State Excise	28 (38)	33 (38)	40 (39)	41 (34)	42 (31)
Taxes on Vehicles	3 (4)	3 (4)	4 (4)	5 (4)	5 (4)
Stamps and Registration fees	2 (3)	2 (2)	3 (3)	3 (3)	3 (2)
Land Revenue	0.12 (...)	0.33 (...)	0.17 (...)	1 (1)	1 (...)
Other Taxes	2.88 (4)	3.67 (4)	1.83 (2)	4 (3)	4 (3)
<b>(ii) Non Tax Revenue</b>	<b>30 (4)</b>	<b>52 (6)</b>	<b>84 (9)</b>	<b>87 (8)</b>	<b>94 (8)</b>
<b>(iii) State's share of Union Taxes and Duties</b>	<b>287 (41)</b>	<b>301 (36)</b>	<b>342 (36)</b>	<b>164 (14)</b>	<b>165 (15)</b>
<b>(iv) Grants-in-aid from Government of India</b>	<b>307 (44)</b>	<b>392 (47)</b>	<b>415 (44)</b>	<b>762 (67)</b>	<b>728 (65)</b>
<b>2. Miscellaneous Capital Receipts</b>	...	...	...	...	...
<b>3. Total revenue and Non-debt capital receipts (1+2)</b>	<b>697</b>	<b>833</b>	<b>944</b>	<b>1,132</b>	<b>1,123</b>
<b>4. Recoveries of Loans and Advances</b>	<b>5</b>	<b>6</b>	<b>9</b>	<b>13</b>	<b>16</b>
<b>5. Public Debt Receipts</b>	<b>77</b>	<b>149</b>	<b>168</b>	<b>141</b>	<b>156</b>
Internal Debt (excluding Ways and Means Advances and Overdrafts)	38 (49)	100 (67)	117 (70)	110 (78)	110 (71)
Net transactions under Ways and Means Advances and Overdraft	...	...	...	...	...
Loans and Advances from Government of India	39 (51)	49 (33)	51 (30)	31 (22)	46 (29)
<b>6. Total receipts in the Consolidated Fund (3+4+5)</b>	<b>779</b>	<b>988</b>	<b>1,121</b>	<b>1,286</b>	<b>1,295</b>
<b>7. Contingency Fund Receipts</b>	...	...	...	...	...
<b>8. Public Accounts Receipts</b>	<b>490</b>	<b>598</b>	<b>659</b>	<b>869</b>	<b>774</b>
<b>9. Total receipts of the State (6+7+8)</b>	<b>1,269</b>	<b>1,586</b>	<b>1,780</b>	<b>2,155</b>	<b>2,069</b>
<b>Part B. Expenditure/Disbursement</b>					
<b>10. Revenue Expenditure</b>	<b>685</b>	<b>816</b>	<b>928</b>	<b>1,079</b>	<b>1,157</b>
Plan	163 (24)	186 (23)	209 (23)	274 (25)	273 (24)
Non-Plan	522 (76)	630 (77)	719 (77)	805 (75)	884 (76)
General Services (including Interest payments)	236 (34)	281 (34)	338 (37)	401 (37)	429 (37)
Social Services	254 (37)	300 (37)	356 (38)	410 (38)	436 (38)
Economic Services	195 (29)	235 (29)	234 (25)	268 (25)	292 (25)
Grants-in-aid and Contributions	...	...	...	...	...
<b>11. Capital Expenditure</b>	<b>126</b>	<b>144</b>	<b>165</b>	<b>226</b>	<b>160</b>
Plan	125.41 (100)	144 (100)	165 (100)	226 (100)	158 (99)
Non-Plan	0.47 (...)	Nil	Nil	Nil	2 (1)
General Services	5 (4)	6 (4)	9 (5)	8 (4)	6 (4)
Social Services	42 (33)	50 (35)	54 (33)	79 (35)	65 (40)
Economic Services	79 (63)	88 (61)	102 (62)	139 (61)	89 (56)

	1997-98	1998-99	1999-2000	2000-2001	2001-2002
<b>12. Disbursement of Loans and Advances</b>	17	26	69	89	43
<b>13. Total (10+11+12)</b>	828	986	1,162	1,394	1,360
<b>14. Repayments of Public Debt</b>	22	21	34	30	35
Internal Debt (excluding Ways and Means Advances and Overdrafts)	10 (45)	8 (38)	18 (53)	11 (37)	15 (43)
Net transactions under Ways and Means Advances and Overdraft	...	...	...	...	...
Loans and Advances from Government of India	12 (55)	13 (62)	16 (47)	19 (63)	20 (57)
<b>15. Appropriation to Contingency Fund</b>	...	...	...	...	...
<b>16. Total disbursement out of Consolidated Fund (13+14+15)</b>	850	1,007	1,196	1,424	1,395
<b>17. Contingency Fund disbursements</b>	...	...	...	...	...
<b>18. Public Account disbursements</b>	410	505	574	696	780
<b>19. Total disbursement by the State (16+17+18)</b>	1,260	1,512	1,770	2,120	2,175
<i>Part C. Deficits</i>					
<b>20. Revenue Surplus (+)/ Deficit (-) (1-10)</b>	(+) 12	(+) 17	(+) 16	(+) 53	(-) 34
<b>21. Fiscal Deficit (3+4-13)</b>	126	147	209	249	221
<b>22. Primary Deficit (21-23)</b>	66	78	113	135	92
<i>Part D. Other data</i>					
23. Interest Payments (included in revenue expenditure)	60	69	96	114	129
24. Arrears of Revenue (Percentage of Tax and Non-tax Revenue Receipts)	NA	NA	NA	NA	NA
25. Financial Assistance to local bodies, etc.	95	89	142	185	181
26. Ways and Means Advances/ Overdraft availed (days)	Nil	15 (2)	Nil	Nil	Nil
27. Interest on WMA/Overdraft	Nil	0.76	Nil	Nil	Nil
28. Gross State Domestic Product (GSDP) <sup>(a)</sup>	2499.37	2938.49	3292.70	3626.95 <sup>(b)</sup>	4094.67 <sup>(c)</sup>
29. Outstanding Debt (year end)	469	596	730	841	962
30. Outstanding guarantees (year end) including interest	NA	NA	NA	215	157
31. Maximum amount guaranteed (year end)	NA	NA	NA	243.07	187.51
32. Number of incomplete projects	53	64	312	190	144
33. Capital blocked in incomplete projects	18.91	6.45	NA	NA	18.77 <sup>(d)</sup>

**Note:** Figures in brackets represent percentages (rounded) to total of each sub heading.

<sup>(a)</sup> Differs with previous figures due to adoption of revised GSDP figures (current prices).

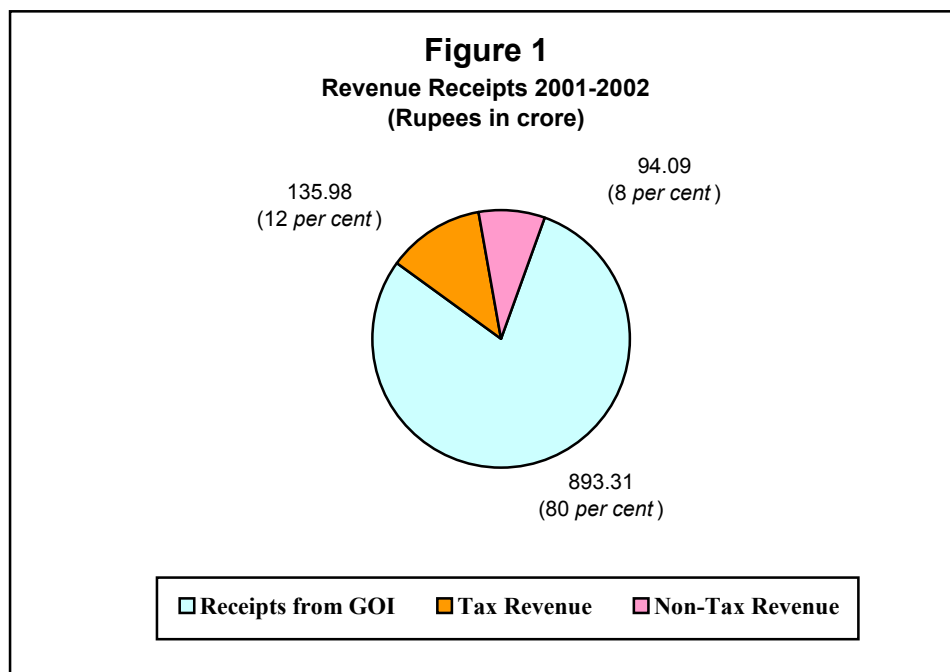
<sup>(b)</sup> Quick estimates.

<sup>(c)</sup> Advance estimates.

<sup>(d)</sup> Expenditure incurred up to March 2002 on 36 incomplete works scheduled to be completed by March 2002.

## 1.5 Revenue receipts

1.5.1 The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India. Their relative shares are shown in Figure 1. The growth rate of revenue receipts decreased by 0.78 *per cent* in 2001-2002 over previous year against 20 *per cent* increase during that year (2000-2001) mainly due to 4 *per cent* decrease in grants-in-aid from Government of India.



### *Tax revenue*

1.5.2 The table in paragraph 1.4.3 shows tax revenue constituted 11 *per cent* (average) of the revenue receipts during 1997-98 to 2001-2002. The increase in the relative share of taxes on sales, trade, etc. (5 *per cent*) to tax revenue during 2001-2002 was neutralised by decrease in the relative share under State excise (3 *per cent*).

### *Non-tax revenue*

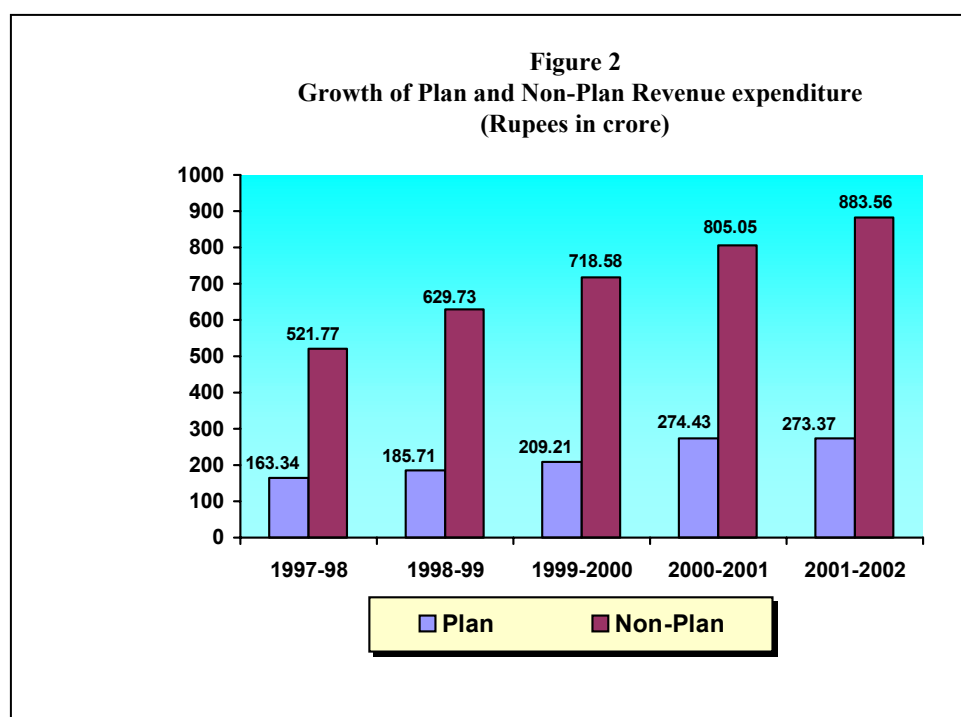
1.5.3 The non-tax revenue constituted 8 *per cent* of the revenue receipts of the Government and its share in the revenue receipts increased from 4 *per cent* as compared to 1997-98. The growth of non-tax revenue during 2001-2002 was 8 *per cent* against 4 *per cent* registered during 2000-2001. The increase was mainly due to increase of Rs.13.14 crore (from Rs.50.22 crore in 2000-2001 to Rs.63.36 crore in 2001-2002) under Non-ferrous Mining and Metallurgical Industries.

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

1.5.4 While the grants-in-aid from Government of India decreased by 4 per cent in 2001-2002 as compared to the previous year, the State's share of Union taxes and duties (Share of net proceeds assigned to State) increased by 0.38 per cent. The relative share of grants-in-aid from Government of India in the revenue receipts increased from 44 per cent in 1997-98 to 65 per cent in 2001-2002 while the State's share of Union taxes decreased by 26 per cent from 41 per cent in 1997-98 to 15 per cent in 2001-2002.

### 1.6 Revenue expenditure

1.6.1 The revenue expenditure accounted for 88 per cent of the total of revenue and capital expenditure of the State Government. The revenue expenditure increased by 7 per cent as compared to the previous year. The increase was 10 per cent on non-Plan side. The share of non-Plan expenditure during 2001-2002 was 76 per cent of revenue expenditure. The trend analysis showed the growth under non-Plan being faster than the Plan side as shown in Figure 2.



1.6.2 Sector wise analysis showed that while the expenditure on General Services increased by 82 per cent, from Rs.236 crore in 1997-98 to Rs.429 crore in 2001-2002, increases in expenditure on Social Services and Economic



Services for the corresponding period were 72 and 50 *per cent* respectively. As a proportion of total expenditure, the share of General Services increased from 34 *per cent* in 1997-98 to 37 *per cent* in 2001-2002, while under Social Services it was nearly constant between 37 and 38 *per cent*, but under Economic Services there was a decrease from 29 to 25 *per cent*.

### ***Interest payments***

1.6.3 Interest payments at Rs.129 crore during 2001-2002 increased by 13 *per cent* over previous year (Rs.114 crore) and by 115 *per cent* over 1997-98 (Rs.60 crore). While 35 *per cent* (Rs.45 crore) of interest payments related to loans and advances from Central Government, 51 *per cent* (Rs.66 crore) were on internal debt.

1.6.4 The interest payments grew at a faster pace (19 *per cent* average annual growth during 1997-2002) compared to the growth of revenue receipts (18 *per cent* average increase during 1998-2001 and 4.65 *per cent* and 0.79 *per cent* decline during 1997-98 and 2001-2002 respectively over previous year). Unless revenue receipts are accelerated, borrowings and consequently interest payments will remain a significant drift on State resources.

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

1.6.5 The quantum of assistance in the form of grants provided to different local bodies, etc. during the period of five years ending 2000-2001 was as follows:

**Table 1.4**

(Rupees in crore)

	1997-98	1998-99	1999-2000	2000-2001	2001-2002
Universities and Educational Institutions	72.23	80.73	106.42	122.14	127.51
Municipalities	1.82	1.25	1.40	3.80	2.25
Co-operative Societies	4.14	0.96	1.93	1.43	2.05
District Councils	4.72	5.30	5.26	5.32	5.27
Other institutions	12.54	0.87	26.99	52.67	43.81
<b>Total</b>	<b>95.45</b>	<b>89.11</b>	<b>142.00</b>	<b>185.36</b>	<b>180.89</b>
Percentage of growth over previous year	39	(-) 7	59	31	(-) 2
Assistance as a percentage of revenue expenditure	14	11	15	17	16

1.6.6 Compared to 2000-2001, the assistance to local bodies and others decreased during 2001-2002. During the year, the universities and educational institutions were the major beneficiaries as their share increased by 77 per cent from Rs.72.23 crore in 1997-98 to Rs.127.51 crore in 2001-2002.

### ***Loans and Advances by the State Government***

1.6.7 The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, co-operatives, non-Government institutions, etc. for developmental and non-developmental activities. The position for the last five years given below shows that compared to 1997-98, the improvement in repayment of loans and advances during 2001-2002 (208 per cent) far surpassed the increase in the amount advanced (149 per cent). As a result, the closing balance during 2001-2002 increased by 8 per cent over previous year.

1.6.8 Information about the arrears in recovery (principal and interest) as on 31 March 2002 have not been received from the departmental authorities in respect of the detailed accounts that are maintained by them.

**Table 1.5**

**(Rupees in crore)**

	1997-98	1998-99	1999-2000	2000-2001	2001-2002
Opening balance	163.52	175.74	195.77	255.51	331.71
Amount advanced during the year	17.25	25.77	68.63	88.91	43.00
Amount repaid during the year	5.04	5.74	8.89	12.71	15.54
Closing balance	175.73	195.77	255.51	331.71	359.17
Net addition	12.21	20.03	59.74	76.20	27.46
Interest received	0.34	0.36	0.42	0.55	0.49

## **1.7 Capital expenditure**

1.7.1 Capital expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government, i.e., Public Sector Undertakings (PSUs), Corporations, etc. and loans and advances. The average share of capital expenditure to total expenditure (revenue and capital) was 15 per cent during the five years' period ending March 2002. The table in Paragraph 1.4.3 shows that most of the capital expenditure was under Social and Economic Services being 40 and 56 per cent of capital expenditure respectively.

## 1.8 Quality of expenditure

1.8.1 Government spends money for different activities ranging from maintenance of law and order, regulatory functions and various developmental activities. Government expenditure is broadly classified into Plan and non-Plan and revenue and capital. While the Plan and capital expenditure are usually associated with asset creation, the non-Plan and revenue expenditure are identified with expenditure on establishment, maintenance and services.

1.8.2 Wastage in public expenditure, diversion of funds and funds blocked in incomplete projects would also impinge negatively on the quality of expenditure. Similarly, funds transferred to deposit heads in the Public Account, after booking them as expenditure, can also be considered as a negative factor in judging the quality of expenditure. As the expenditure was not actually incurred in the concerned year it should be excluded from the figures of expenditure for that year. Another possible indicator is the increase in the expenditure on General Services to the detriment of Economic and Social Services.

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

**Table 1.6**

	1997-98	1998-99	1999-2000	2000-2001	2001-2002
1. Plan expenditure as a percentage of:					
- Revenue expenditure	24	23	23	25	24
- Capital expenditure	100	100	100	100	99
2. Capital expenditure ( <i>per cent</i> of capital and revenue expenditure)	16	15	15	17	12
3. Expenditure on General Services ( <i>per cent</i> )					
- Revenue	34	34	37	37	37
- Capital	4	4	5	4	4

1.8.4 While the share of Plan expenditure on revenue account declined from 25 *per cent* in 2000-2001 to 24 *per cent* in 2001-2002, it ranged between 99 and 100 *per cent* on capital account during 1997-2002. Compared to previous year, the share of capital expenditure in the total expenditure declined by 5 *per cent* during 2001-2002. The share of General Services had increased on the revenue side from 34 *per cent* in 1997-98 to 37 *per cent* in 2001-2002. On the other hand, it was nearly constant at 4 *per cent* during 1997-2002 on the capital side (except 1 *per cent* increase in 1999-2000). It can, therefore, be said that the quality of expenditure had deteriorated during the year.

## 1.9 Financial Management

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

### *Investment and returns*

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

**Table 1.7**

**(Rupees in crore)**

Sector	Number of concerns	Amount invested <sup>(a)</sup>	
		As on 31 March 2002	During 2001-2002
(1) Statutory Corporations	2 <sup>(b)</sup>	26.52	2.25
(2) Government Companies	8	90.89	8.85
(3) Co-operative Institutions	1,438	22.97	3.74
<b>Total</b>	<b>1,448</b>	<b>140.38</b>	<b>14.84</b>

1.9.3 The details of investments and the returns realised during the last five years by way of dividend and interest were as follows:

**Table 1.8**

Year	Investment at the end of the year	Return	Percentage of return	Rate of interest on Government borrowing ( <i>per cent</i> )
	(Rupees in crore)			
1997-98	89.90	0.03	0.03	13.05
1998-99	92.86	0.03	0.03	12.15 and 12.5
1999-2000	98.36	0.60	0.61	11.85 and 12.25
2000-2001	125.54	0.0055	0.004	10.52 and 12
2001-2002	140.38	0.11	0.08	8 to 10.35

1.9.4 Thus, while the Government was raising high cost borrowings from the market, its investments in Government companies, etc. fetched insignificant returns.

<sup>(a)</sup> Figures in Chapter VIII are provisional.

<sup>(b)</sup> Excludes Meghalaya State Electricity Board.

### ***Incomplete projects***

1.9.5 As of 31 March 2002, there were 36 works on which Rs.18.77 crore was blocked. These works with estimated costs varying from Rs.0.20 crore to Rs.1.56 crore were scheduled for completion by March 2002, but remained incomplete.

### ***Ways and means advances and overdraft***

1.9.6 Under an agreement with the Reserve Bank of India, the State Government had to maintain with the Bank a minimum daily cash balance of Rs.21 lakh. If the balance fell below the agreed minimum on any day, the deficiency had to be made good by taking ways and means advances (WMA)/overdraft(OD) from the Bank. In addition, special ways and means advances are also made by the Bank whenever necessary. Recourse to WMA/OD means a mismatch between the receipts and expenditure of the Government and hence reflects poorly on the financial management by Government.

1.9.7 During 2001-2002, the State Government maintained the minimum balance throughout the year without obtaining WMA/OD.

### ***Deficit***

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

1.9.9 Revenue deficit is the excess of revenue expenditure over revenue receipts. Fiscal deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received). Primary deficit is fiscal deficit less interest payments. The following exhibit gives a break-up of the deficit in Government account during 2001-2002 and how it was financed:-

**Table 1.9**  
**OVERALL FINANCIAL TRANSACTIONS OF GOVERNMENT**

(Rupees in crore)

		CONSOLIDATED FUND(CF)			
Receipt	Amount		Disbursement	Amount	
Revenue	1,123	<b>Revenue Deficit : 34</b>	Revenue	1,157	
Miscellaneous capital receipts	Nil		Capital	160	
Recovery of loans and advances	16		Loans and advances disbursement	43	
<b>Sub Total</b>	<b>1,139</b>	<b>Fiscal Deficit: 221</b>	<b>Sub Total</b>	<b>1,360</b>	
Public debt receipts	156		Public debt repayment	35	
<b>Total</b>	<b>1,295</b>	<b>A: Deficit in CF: 100</b>	<b>Total</b>	<b>1,395</b>	
		<b>PUBLIC ACCOUNT (PA)</b>			
Small Savings, Provident Fund, etc.	86		Small Savings, Provident Fund, etc.	29	
Deposits and advances	179		Deposits and advances	216	
Reserve funds	8		Reserve funds	8	
Suspense and miscellaneous	11		Suspense and miscellaneous	62	
Remittances	490		Remittances	465	
<b>Total</b>	<b>774</b>	<b>B: Deficit in PA: 6</b>	<b>Total</b>	<b>780</b>	
		<b>Decrease in cash balance: (A + B) : 106</b>			

1.9.10 The table shows that the revenue deficit was met by borrowings. The fiscal deficit (Rs.221 crore) and deficit under Public Account (Rs.6 crore) were partly financed from the net proceeds of public debt (Rs.121 crore) and from the opening cash balance (Rs.106 crore) which resulted in decrease of Rs.106 crore in the cash balance at the end of the year. Table 1.3 in paragraph 1.4.3 shows revenue deficit only in 2001-2002 out of five years' period ending March 2002. The fiscal deficit had increased substantially (75 per cent) over the last five years. This indicated fiscal deterioration of the State.

***Application of the borrowed funds (Fiscal Deficit)***

1.9.11 Fiscal deficit (FD) represents total net borrowings of the Government. These borrowings are applied for meeting the revenue deficit (RD), for making the capital expenditure (CE) and for giving loans to various bodies for developmental and other purposes. The relative proportions of these applications would indicate the financial prudence of the State Government and also the sustainability of its operations because continued borrowing for revenue expenditure would not be sustainable in the long run.

The following table shows the position in respect of the Government of Meghalaya for the last five years.

**Table 1.10**

Ratio	1997-98	1998-99	1999-2000	2000-2001	2001-2002
RS/FD	(-) 0.10	(-) 0.12	(-) 0.08	(-) 0.21	...
RD/FD	...	...	...	...	0.15
CE/FD	1.00	0.98	0.79	0.91	0.72
Net loans/FD	0.10	0.14	0.29	0.30	0.13
<b>Total</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>

*(RS – Revenue Surplus)*

1.9.12 It would be seen that 15 *per cent* of the borrowed funds were applied during 2001-2002 for meeting revenue expenditure. This had reduced the availability of funds for capital expenditure which was the lowest during the five years' period ending March 2002 (72 *per cent* in 2001-2002 against 100 *per cent* in 1997-98). Therefore, if the revenue expenditure is not controlled, the capital formation will further suffer and borrowings will increase leading to increased debt burden.

### **Guarantees given by the State Government**

1.9.13 Guarantees are given by the State Government for due discharge of certain liabilities like repayment of loans, share capital, etc., raised by the statutory corporations, Government companies and co-operative institutions etc. and payment of interest and dividend by them. They constitute contingent liability of the State. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limits within which Government may give guarantees on the security of the Consolidated Fund of the State.

1.9.14 According to the information furnished by the Government, guarantees given by the Government and outstanding at the end of March 2002 were as under:-

**Table 1.11**

Party on whose behalf the guarantee was given	Maximum amount guaranteed	Sums guaranteed outstanding as on 31 March 2002	
		Principal	Interest
(Rupees in crore)			
Statutory Corporation	187.51	105.56	51.40

## **1.10 Public debt**

1.10.1 The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature

of the State. No law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table. During the five years' period, the total liabilities of the Government had grown by 117 per cent. This was on account of 203 per cent growth in internal debt, 39 per cent growth in loans and advances from Government of India and 141 per cent growth in other liabilities. During 2001-2002, Government borrowed Rs.88.42 crore in the open market at the interest rates of 8 to 10.35 per cent.

**Table 1.12**

(Rupees in crore)

Year	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities <sup>(a)</sup>	Total liabilities	Ratio of debt to GSDP
1997-98	188.93	279.70	468.63	238.15	706.78	0.28
1998-99	280.89	315.12	596.01	315.59	911.60	0.31
1999-2000	380.07	349.83	729.90	394.56	1124.46	0.34
2000-2001	478.33	362.91	841.24	553.40	1394.64	0.38
2001-2002	573.22	388.56	961.78	573.64	1535.42	0.37

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

**Table 1.13**

(Rupees in crore)

	1997-98	1998-99	1999-2000	2000-2001	2001-2002
Internal Debt <sup>(b)</sup>					
-Receipt	37.74	115.72	116.94	109.40	109.83
-Repayment <sup>(c)</sup>	33.20	50.24	62.32	65.57	80.47
-Net funds available (per cent)	4.54 (12)	65.48 (57)	54.62 (47)	43.83 (40)	29.36 (27)
Loans and advances from Government of India					
-Receipt during the year	39.42	48.87	50.76	31.40	45.90
-Repayment <sup>(c)</sup>	43.02	47.27	54.72	61.70	65.41
-Net funds available (per cent)	(-) 3.60	1.60 (3)	(-) 3.96	(-) 30.30	(-)19.51
Other liabilities <sup>(d)</sup>					
-Receipt during the year	136.14	178.53	193.04	342.65	241.52
-Repayment	69.05	101.09	114.08	199.66 <sup>(c)</sup>	239.15 <sup>(c)</sup>
-Net funds available (per cent)	67.09 (49)	77.44 (43)	78.96 (41)	142.99 (42)	2.37 (0.98)

(a) Other liabilities include small savings, provident funds, reserve funds, deposits and other non-interest bearing obligations.

(b) Includes ways and means advances.

(c) Principal plus interest.

(d) Small savings, provident funds, reserve funds and deposits.



1.10.3 It would be seen that very little of the borrowings (3 per cent) were available during 2001-2002 for investment and other expenditure after meeting the repayment obligations. Considering that the outstanding debt has been increasing year after year, the net availability of funds through public borrowings would be reduced further.

## **1.11 Indicators of the financial performance**

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

### **(i) Sustainability**

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

### **(ii) Flexibility**

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

### **(iii) Vulnerability**

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

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

**(iv) Transparency**

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

1.11.2 Information available in Finance Accounts can be used to flesh out Sustainability, Flexibility and Vulnerability that can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in the Appendix I-B. Exhibit II indicates the behaviour of these indices/ratios over the period from 1997-98 to 2001-2002. The implications of these indices/ratios for the state of the financial health of the State Government are discussed in the following paragraphs.

1.11.3 The behaviour of the indices/ratios is discussed below:

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

BCR is defined as revenue receipts minus Plan assistance grants minus non-Plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting Plan expenditure. Exhibit II shows that the State Government had no surplus from current revenues in the last five years and the negative balance has increased steeply. This suggested that the Government had to depend only on borrowings for meeting its Plan expenditure. The position of high and ever increasing negative BCR indicated unsustainable financial condition.

**(ii) Interest ratio<sup>(a)</sup>**

The higher the ratio the lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. In Meghalaya the ratio has risen from 0.08 in 1997-98 to 0.11 in 2001-2002 mainly due to sharp increase in interest payments compared to the rate of growth of revenue receipts as explained in paragraph 1.6.4 supra.

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

This ratio would indicate to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term inasmuch as it indicates that a part of the capital receipt was being diverted to unproductive revenue expenditure. On the contrary, a ratio of

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<sup>(a)</sup> Net interest payment ÷ (Revenue receipts – Interest receipts).

more than one would indicate that capital investments are being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government and a rising trend would mean an improvement in performance. In Meghalaya, the ratio has come down from 1.43 in 1997-98 to 0.86 in 2001-2002 indicating a worsening sustainability.

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

Tax receipts consist of State taxes and State's share of Central taxes. The latter can also be viewed as Central taxes paid by people living in the State. Tax receipts suggest sustainability, but the ratio of tax receipts to GSDP would have implications for flexibility as well. While a low ratio would imply that the Government can tax more and hence its flexibility, a high ratio may not only point to the limits of this source of finance but also its inflexibility. Exhibit II shows that in Meghalaya the ratio has shown a declining trend and has come down from 0.15 in 1997-98 to 0.07 in 2001-2002. On the other hand, the ratio of State tax receipts compared to GSDP has been constant at 0.03 during five years' period ending March 2002. This ratio suggests that the State Government had the option to raise more resources through taxation to generate revenue surplus for capital formation. Analysis of the composition of tax revenue in table 1.3 shows that the State Government heavily depended on sales tax and State excise with no significant improvement in other taxes.

***(v) Return on Investment (ROI)***

The ROI is the ratio of the earnings to the capital employed. A high ROI suggests sustainability. Exhibit II presents the return on Government's investments in the statutory corporations, Government companies and co-operative institutions. It shows that the ROI in Meghalaya has been negligible during 1997-98 to 2001-2002. Compared to 1999-2000 (0.0061), the ratio has decreased during 2001-2002 (0.0008) indicating adverse implications for sustainability.

***(vi) Capital repayments vs Capital borrowings***

This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment. In Meghalaya this ratio has been in the range of 0.15 to 0.29 during the five years' period ending March 2002. Compared to 2000-2001 (0.21), the ratio increased during 2001-2002 (0.23) indicating decrease in the availability of capital for investment.

***(vii) Debt vs Gross State Domestic Product (GSDP)***

The GSDP is the total internal resource base of the State Government, which can be used to service debt. An increasing ratio of Debt/GSDP would signify a reduction in the Government's ability to meet its debt obligations and therefore, increasing risk for the lender. In Meghalaya, this ratio has increased from 0.28 in 1997-98 to 0.37 in 2001-2002 showing reduction in the ability of Government to meet debt obligations.

***(viii) Revenue deficit/Fiscal deficit***

Revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings, the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus, the higher the ratio the worse off the State because that would indicate that the debt burden is increasing without adding to the repayment capacity of the State. In Meghalaya, there was no revenue deficit throughout the four years' period ending March 2001. But, during 2001-2002, the ratio of revenue deficit to fiscal deficit was 0.15 indicating that a part of the borrowings were applied to revenue expenditure. This is an unfavourable trend making the State finances vulnerable to external funding.

***(ix) Primary deficit vs Fiscal deficit***

Primary deficit is the fiscal deficit minus interest payments. This means that the less the value of the ratio the less the availability of funds for capital investment. In Meghalaya, this ratio has decreased from 0.54 in 2000-2001 to 0.42 in 2001-2002 indicating lesser availability of funds for capital investment.

***(x) Guarantees vs Revenue receipts***

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of a State Government and should therefore be compared with the ability of the Government to pay, viz., its revenue receipts. Thus, the ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. In Meghalaya, this ratio for the years 1997-98 to 1999-2000 could not be worked out as the State Government had not furnished data for the period. This ratio has decreased to 0.14 in 2001-2002 from 0.19 in 2000-2001 indicating marginal improvement.

**(xi) Assets vs Liabilities**

This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than 1 would be a contra indicator. This ratio has declined from 2.22 in 1997-98 to 1.57 in 2001-2002 indicating lowering of solvency of the Government.

**(xii) Budget**

The details of submission of budget and its approval are as under:-

**Table 1.14**

<b>Preparation</b>	<b>Month of submission</b>	<b>Month of approval</b>
Vote on account	March 2001	March 2001
Budget	March 2001	June 2001
Supplementary I	March 2002	March 2002

Chapter II of this Report carries a detailed analysis of variations in the budget estimates and the actual expenditure as also of the quality of budgetary procedure and control over expenditure. It indicates defective budgeting and inadequate control over expenditure, as evidenced by persistent resumption (surrenders) of significant amounts every year *vis-a-vis* the final modified grant. Significant savings between the final modified grant and actual expenditure were also persistent.

**(xiii) Accounts**

There were considerable delays in furnishing the accounts to the Accountant General (A&E) during 2001-2002 hampering their finalisation. The delay was more than 15 days in respect of 40 Forest Divisions (310 accounts), 37 Public Works (Roads and Buildings) Divisions (91 accounts), 8 Irrigation Divisions (11 accounts), 20 Public Health Engineering (RWS) Divisions (52 accounts), 9 Treasuries (61 accounts) and 3 other offices (13 accounts) adversely affecting the schedule of finalisation of the accounts for the year 2001-2002.

**Conclusion**

1.11.5 Financial condition of the State Government declined during 2001-2002 as the State witnessed deficit in revenue account during the year out of five years ending March 2002. Persistent lack of balance from current revenues and mounting interest payments indicated continued poor financial

condition of the Government. The ratio of Debt to GSDP has increased over the years indicating reduction in the ability of Government to meet debt obligations. This has adverse implication for sustainability. The Government needs to accelerate its revenue receipts and control revenue deficit and borrowings to improve its financial condition.

**EXHIBIT – I**  
**ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2001-2002**  
**(Rupees in crore)**

2000-2001	Receipts		2001-2002	2000-2001	Disbursements				2001-2002
	Section A: Revenue				I. Revenue Expenditure	Non-Plan	Plan	Total	
	I. Revenue Receipts								
118.62	Tax Revenue	135.98 <sup>(a)</sup>	<b>401.34</b>	<b>General Services</b>	<b>414.59</b>	<b>14.12</b>	<b>428.71</b>	<b>428.71</b>	
86.66	Non-Tax Revenue	94.09	<b>409.97</b>	<b>Social Services</b>	<b>299.26</b>	<b>136.67</b>	<b>435.93</b>	<b>435.93</b>	
164.20	State's Share of Union Taxes and Duties	164.83 <sup>(b)</sup>	235.53	Education, Sports, Art and Culture	184.94	63.92	248.86		
320.31	Non-Plan Grants	317.17	70.51	Health and Family Welfare	48.81	33.26	82.07		
359.78	Grants for State Plan Schemes	332.05	66.59	Water Supply, Sanitation, Housing and Urban Development	47.09	19.24	66.33		
73.79	Grants for Central Plan and Centrally Sponsored Plan Schemes	69.19	3.34	Information and Broadcasting	1.77	1.46	3.23		
8.80	Grants for Special Plan Schemes	10.07	10.30	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	2.96	3.38	6.34		
			4.22	Labour and Labour Welfare	3.85	0.65	4.50		
			17.54	Social Welfare and Nutrition	8.18	14.76	22.94		
			1.94	Others	1.66	...	1.66		
			<b>268.17</b>	<b>Economic Services</b>	<b>169.71</b>	<b>122.58</b>	<b>292.29</b>	<b>292.29</b>	
			112.00	Agriculture and Allied Activities	68.78	55.56	124.34		
			49.26	Rural Development	11.48	41.87	53.35		
			1.29	Special Areas Programmes	...	1.43	1.43		
			9.51	Irrigation and Flood Control	6.56	2.47	9.03		
			10.80	Energy	11.00	0.50	11.50		
			32.99	Industries and Minerals	26.02	13.14	39.16		
			36.05	Transport	34.98	1.16	36.14		
			0.12	Science, Technology and Environment	0.11	... <sup>(c)</sup>	0.11		
			16.15	General Economic Services	10.78	6.45	17.23		
			...	Grants-in-aid and contributions	...	...	...	...	
<b>1132.16</b>	<b>Total</b>	<b>1123.38</b>	<b>1079.48</b>	<b>Total</b>	<b>883.56</b>	<b>273.37</b>	<b>1156.93</b>	<b>1156.93</b>	
...	<b>II. Revenue Deficit carried over to Section B</b>	<b>33.55</b>	<b>52.68</b>	<b>II. Revenue Surplus carried over to Section B</b>	...	...	...		
<b>1132.16</b>	<b>Total</b>	<b>1156.93</b>	<b>1132.16</b>	<b>Total</b>	<b>883.56</b>	<b>273.37</b>	<b>1156.93</b>	<b>1156.93</b>	

(a) Excluding share of net proceeds of taxes and duties assigned to State.

(b) Share of net proceeds assigned to State.

(c) Rs.1,440

2000-2001	Receipts	2001-2002	2000-2001	Disbursements				2001-2002
	Section B: Others				Non-Plan	Plan	Total	
114.83	III. Opening Cash Balance including permanent advances and cash balance investment	149.38	...	III. Opening Overdraft from RBI	...	...	...	...
...	IV. Miscellaneous Capital Receipts	...	226.04	IV. Capital Outlay	1.57	158.28	159.85	159.85
			8.24	General Services	1.35	4.46	5.81	5.81
			78.44	Social Services	0.03	65.13	65.16	65.16
			1.53	Education, Sports, Art and Culture	...	1.22	1.22	
			9.92	Health and Family Welfare	...	10.29	10.29	
			53.08	Water Supply and Sanitation	...	52.08	52.08	
			13.91	Housing and Urban Development	0.03	1.54	1.57	
			...	Information and Broadcasting	...	...	...	
			139.36	Economic Services	0.19	88.69	88.88	88.88
			3.82	Agriculture and Allied Activities	...	4.03	4.03	
			4.14	Rural Development	...	0.22	0.22	
			9.30	Special Areas Programmes	... <sup>(d)</sup>	9.15	9.15	
			8.99	Irrigation and Flood Control	0.19	10.35	10.54	
			...	Energy	...	...	...	
			19.06	Industries and Minerals	...	14.64	14.64	
			92.13	Transport	... <sup>(e)</sup>	50.15	50.15	
			1.92	General Economic Services	...	0.15	0.15	

<sup>(d)</sup> Rs.15,031

<sup>(e)</sup> Rs.27,962



2000-2001	Receipts	2001-2002	2000-2001	Disbursements	2001-2002
12.71	<b>V. Recoveries of Loans and Advances</b>	15.54	88.91	<b>V. Loans and Advances Disbursed</b>	43.00
...	From Power Projects ...		48.66	For Power Projects 29.17	
12.37	From Government Servants 15.35		39.31	To Government Servants 13.04	
0.34	From Others 0.19		0.94	To Others 0.79	
52.68	<b>VI. Revenue Surplus brought down</b>		...	<b>VI. Revenue Deficit brought down</b>	33.55
140.80	<b>VII. Public Debt receipts</b>	155.73	29.46	<b>VII. Repayment of Public Debt</b>	35.19
109.40	Internal debt other than Ways and Means Advances and Overdraft 109.83		11.14	Internal debt other than Ways and Means Advances and Overdraft 14.94	
...	Net transactions under Ways and Means Advances including Overdraft ...		...	Net transactions under Ways and Means Advances including Overdraft ...	
31.40	Loans and Advances from Central Government 45.90		18.32	Repayment of Loans and Advances to Central Government 20.25	
868.72	<b>VIII. Public Account Receipts</b>	773.79	695.95	<b>VIII. Public Account Disbursements</b>	779.79
90.76	Small Savings and Provident Fund 85.87		28.82	Small Savings and Provident Fund 28.46	
6.34	Reserve Funds 7.92		8.01	Reserve Funds 7.85	
270.37	Deposits and Advances 178.79		171.63	Deposits and Advances 216.15	
4.26	Suspense and Miscellaneous <sup>(a)</sup> 11.07		13.64	Suspense and Miscellaneous <sup>(a)</sup> 62.17	
496.99	Remittances 490.14		473.85	Remittances 465.16	
...	<b>IX. Closing Overdraft from Reserve Bank of India</b>	...	149.38	<b>IX. Cash Balance at end</b>	43.06
			8.56	Cash in Treasuries and Local Remittances 6.85	
			37.20	Deposits with Reserve Bank (-) 17.07	
			0.11	Departmental Cash Balance including permanent advances 0.13	
			103.51	Cash Balance Investment 53.15	
1189.74	<b>Total</b>	1094.44	1189.74	<b>Total</b>	1094.44

### Explanatory Notes

1. The abridged accounts in the foregoing statement have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the surplus and deficit on Government account, as shown in Paragraph 1.2 indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation in stock figure etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payment made on behalf of the State and other pending settlement etc.
4. There was a net difference of Rs.86.96 crore between the figures reflected in the accounts {(-)Rs.17.07 crore} and that intimated by the RBI {(-)Rs.104.03 crore} due to (i) misclassification by Bank/Treasuries (Rs.108.38 crore) and (ii) non-receipt of details of adjustment made by RBI (Rs.21.42 crore).

<sup>(a)</sup> Excluding 'Other Accounts'.

**EXHIBIT – II**  
**FINANCIAL INDICATORS FOR GOVERNMENT OF MEGHALAYA**

	1997-98	1998-99	1999-2000	2000-2001	2001-2002 <sup>(a)</sup>
(1)	(2)	(3)	(4)	(5)	(6)
<b>Sustainability</b>					
BCR (Rupees in crore)	(-) 79.52	(-) 160.89	(-) 166.78	(-) 115.26	(-) 171.49
Primary Deficit (PD) (Rs.in crore)	65.55	77.85	113.35	135.90	92.30
Interest Ratio	0.08	0.08	0.09	0.09	0.11
Capital outlay/Capital receipts	1.43	0.95	1.21	1.79	0.86
Total tax receipts/GSDP	0.15	0.13	0.14	0.08	0.07
State Tax Receipts/GSDP	0.03	0.03	0.03	0.03	0.03
Return on Investment ratio	0.0003	0.0003	0.0061	0.00004	0.0008
<b>Flexibility</b>					
BCR (Rupees in crore)	(-) 79.52	(-) 160.89	(-) 166.78	(-) 115.26	(-) 171.49
Capital repayments/Capital borrowings	0.29	0.15	0.20	0.21	0.23
State Tax receipts/GSDP	0.03	0.03	0.03	0.03	0.03
Debt/GSDP <sup>(b)</sup>	0.28	0.31	0.34	0.38	0.37
<b>Vulnerability</b>					
Revenue Deficit (RD) (Rs.in crore)	Nil	Nil	Nil	Nil	33.55
Fiscal Deficit (FD) (Rs. in crore)	126.45	147.29	209.05	249.56	220.86
Primary Deficit (PD) (Rs. in crore)	65.55	77.85	113.35	135.90	92.30
PD/FD	0.52	0.53	0.54	0.54	0.42
RD/FD	Nil	Nil	Nil	Nil	0.15
Outstanding Guarantees/Revenue receipts	NA	NA	NA	0.19	0.14
Assets/Liabilities	2.22	1.96	1.78	1.65	1.57

Note:1. Fiscal deficit has been calculated as : Revenue expenditure + Capital expenditure + Net loans and advances – Revenue receipts – Capital receipts.

2. In the ratio Capital outlay vs. Capital receipts, the denominator has been taken as Internal loans + Loans and Advances from Government of India + Net receipts from Small Savings, PF etc. + Repayments received from loans advanced by the State Government – Loans advanced by State Government.

3. 'NA' – Not available.

<sup>(a)</sup> Working sheet in Appendix II.

<sup>(b)</sup> Ratios of Debt to GSDP during 1997-98 to 1999-2000 differ with previous figures due to adoption of revised GSDP figures as furnished (September 2002) by the Directorate of Economic and Statistics.