

## CHAPTER-I

### Finances of the State Government

#### SUMMARY

*The revenue deficit decreased by 10 per cent from Rs.1576 crore in 2002-03 to Rs.1421 crore in the current year, while the fiscal deficit increased substantially by 27 per cent from Rs.2816 crore in 2002-03 to Rs.3573 crore in 2003-04 mainly because of large amount of loans advanced to Power Corporation (GRIDCO) for making payment towards purchase of power from NTPC, necessitating increased borrowings.*

*During the current year, the growth rate in revenue receipts declined sharply from 20 per cent during 2002-03 to 12 per cent owing to less receipt of grants in aid from Central Government. Arrears of revenue were high at Rs.1986 crore as against Rs.1410 crore during 2002-03 and represented 45 per cent of State's own resources as against 37 per cent in 2002-03.*

*On an average 44 per cent of revenue had come from State's own resources. The Central tax transfers and grants-in-aids together contributed nearly 56 per cent of the total revenue during 1999-2004.*

*Overall expenditure of the State increased from Rs.9734 crore in 1999-2000 to Rs.13286 crore in 2003-04 at an average trend rate of nine per cent per annum while the proportion of development expenditure in total expenditure declined from 68 per cent in 1999-2000 to 54 per cent in 2003-04. Revenue expenditure, which constituted 82 per cent of total expenditure, grew at a trend rate of 8.79 per cent per annum over the five-year period with the lowest growth of 1.35 per cent in 2002-03. Interest payment increased steadily by 131 per cent from Rs.1238 crore in 1999-2000 to Rs.2860 crore in 2003-04 primarily due to continued reliance on borrowings for financing fiscal deficit. The interest payment constituted 26 per cent of revenue expenditure during the year and consumed 30 per cent of revenue receipts.*

*Although it is common for a State to borrow for widening its infrastructure and creating income generating assets, an ever increasing ratio of fiscal liabilities to Gross State Domestic Product (GSDP) together with revenue deficit could lead the State finances into a debt trap. In Orissa, the ratio of fiscal liabilities to GSDP crossed 65 per cent indicating the unsustainability of debt in the long run. Positive steps are needed to contain the ever increasing fiscal liabilities by generating more revenues and curtailing non-development expenditure.*

## **1.1 Introduction**

The Finance Accounts of the Government of Orissa are laid out in 19 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 layout of the Finance Accounts is depicted in Box 1.

### **Box 1**

#### **Layout 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 2003-04.

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

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

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

Statement No. 6: gives the summary of guarantees given by the State 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 of such balances.

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

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

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

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

Statement No. 12: provides accounts of revenue expenditure by minor heads under Non-Plan, State Plan, Central Plan and Centrally Sponsored Plan schemes separately and capital expenditure by major head-wise.

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

Statement No. 14: shows the details of investment of the State Government in statutory corporations, Government companies, joint stock companies, co-operative banks and societies etc. up to the end of 2003-04.

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

Statement No. 16: gives the detailed account of receipts, disbursements and balances under heads of account relating to debt, contingency fund and public account.

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

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

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

## 1.2 Trend of Finances with reference to previous year at a glance

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

(Rupees in crore)

2002-03	Sl. No.	Major Aggregates	2003-04
<b>8439</b>	<b>1.</b>	<b>Revenue Receipts (2+3+4)</b>	<b>9440</b>
2872	2.	Tax Revenue	3302
961	3.	Non-Tax Revenue	1094
4606	4 .	Other Receipts	5044
<b>177</b>	<b>5.</b>	<b>Non-Debt Capital Receipts</b>	<b>273</b>
177	6.	Of which Recovery of Loans	273
<b>8616</b>	<b>7.</b>	<b>Total Receipts (1+5)</b>	<b>9713</b>
<b>8642</b>	<b>8.</b>	<b>Non-Plan Expenditure (9+11)</b>	<b>10588</b>
8444	9.	On Revenue Account	9218
2886	10.	Of which, Interest Payments	2860
198	11.	On Capital Account	1370
117	12.	Of which, Loans disbursed	1322
<b>2790</b>	<b>13.</b>	<b>Plan Expenditure (14+15)</b>	<b>2698</b>
1571	14.	On Revenue Account	1643
1219	15.	On Capital Account	1055
226	16.	Of which, Loans disbursed	250
<b>11432</b>	<b>17.</b>	<b>Total Expenditure (8+13)</b>	<b>13286</b>
<b>(-) 2816</b>	<b>18.</b>	<b>Fiscal Deficit (17-1-5)</b>	<b>(-) 3573</b>
<b>(-) 1576</b>	<b>19.</b>	<b>Revenue Deficit (9+14-1)</b>	<b>(-) 1421</b>
<b>(+) 70</b>	<b>20.</b>	<b>Primary Deficit (+)/Surplus (-) (18-10)</b>	<b>(-) 713</b>

## 1.3 Summary of Receipts and Disbursements for the year

Table 1 summarises the finances of the State Government of Orissa for the year 2003-04 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 2003-04

(Rupees in crore)

2002-03	Receipts	2003-04	2002-03	Disbursements	2003-04		
SECTION-A: Revenue					Non-Plan	Plan	Total
<b>8438.77</b>	<b>I. Revenue receipts</b>	<b>9440.24</b>	<b>10014.68</b>	<b>I. Revenue expenditure</b>	<b>9217.59</b>	<b>1643.57</b>	<b>10861.16</b>
2871.84	Tax revenue	3301.73	4805.26	General Services	5148.10	10.57	5158.67
961.17	Non-tax revenue	1094.55	3459.55	Social Services	2808.71	900.90	3709.61
2805.58	Share of Union Taxes/Duties	3327.68	1602.78	Economic Services	1107.31	664.04	1771.35
1800.18	Grants from Government of India	1716.28	147.09	Grants-in-aid / Contributions	153.47	68.06	221.53
SECTION-B: Capital							
-Nil-	II. Misc. Capital Receipts	Nil	1074.08	II Capital Outlay	48.05	804.90	852.95
177.19	III. Recoveries of Loans and Advances	273.07	343.24	III Loans and Advances disbursed	1322.41	249.60	1572.01

2002-03	Receipts	2003-04	2002-03	Disbursements	2003-04		
4819.31	IV. Public debt receipts	5879.14	2688.66	IV Repayment of Public Debt*	2727.27#		2727.27
7149.65	V. Public account receipts	7656.70	6637.80	V Public account disbursements	7082.59#		7082.59
Nil	Receipts to Contingency Fund	0.27	0.34	VI. Expenditure from Contingency Fund	7.33#		7.33
<b>69.63</b>	<b>Opening Balance</b>	<b>(-) 104.25</b>	<b>(-) 104.25</b>	<b>Closing Balance</b>			<b>41.86</b>
<b>20654.55</b>	<b>Total</b>	<b>23145.17</b>	<b>20654.55</b>	<b>Total</b>			<b>23145.17</b>

Note: \* Includes net ways and means advances and overdraft also  
# 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 and Finance Accounts for the year 2003-04 show these in the light of time series data and periodic comparisons based on the statements of the major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and loans and advances etc. have been presented as percentages to the Gross State Domestic Product (GSDP) at current market prices. For tax revenues, non-tax revenues, revenue expenditure etc.; buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP. The key indicators adopted for the purpose are (i) Resources by volumes and sources, (ii) Application of resources, (iii) Assets and Liabilities and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilisation 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.

In addition, the section also contains a paragraph on indicators of financial performance of the Government. Some of the terms used here are explained in Appendix-I. The other statements of Liabilities and Assets, Receipts and Payments, Sources and Application of funds and Time Series Data are given in Appendix II to V.

### *1.5 Resources by volumes and sources*

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of Union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise miscellaneous capital receipts like proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources viz. market loans, borrowings from financial institutions/commercial banks etc. and loans and advances from Government of India (GOI) as well as accruals from Public Accounts.

Table 2 shows that the total receipts of the State Government for the year 2003-04 was Rs.23249 crore of which, the revenue receipts of the State

Government was Rs.9440 crore only, constituting 41 *per cent* of the total receipts. The balance of receipts came from borrowings and Public Account receipts.

**Table 2 – Resources of Orissa**

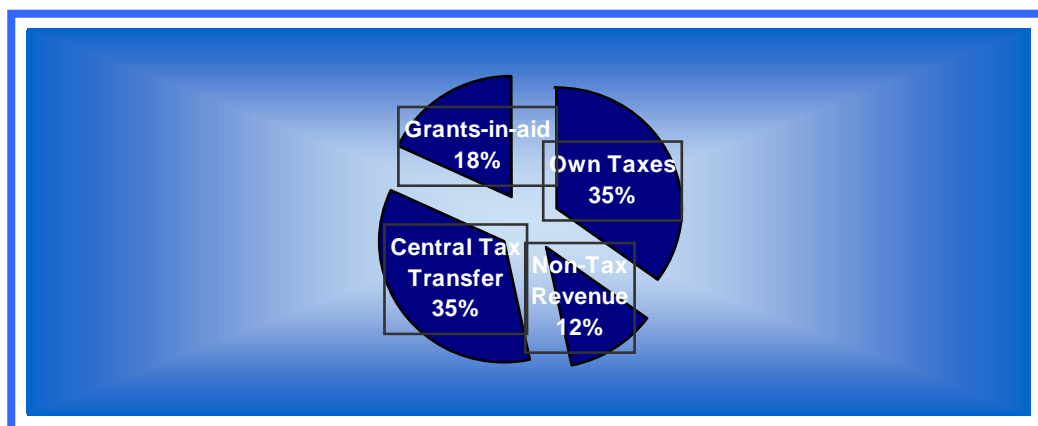
	(Rupees in crore)
<b>I. Revenue Receipts</b>	<b>9440</b>
<b>II. Capital Receipts</b>	<b>6152</b>
a) <i>Miscellaneous Receipts</i>	NIL
b) <i>Recovery of Loans and Advances</i>	273
c) <i>Public Debt Receipts</i>	5879
<b>III. Public Account Receipts</b>	<b>7657</b>
a) <i>Small Savings, Provident Fund, etc.</i>	1675
b) <i>Reserve Fund</i>	530
c) <i>Deposits and Advances</i>	3733
d) <i>Suspense and Miscellaneous</i>	131
e) <i>Remittances</i>	1588
<b>Total Receipts</b>	<b>23249</b>

### 1.5.1 Revenue receipts

Statement-11 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts of the State consist mainly of its own tax and non-tax revenues, central tax transfers and grants-in-aid from GOI. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the GSDP and its buoyancy are indicated in Table 3.

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

	1999-2000	2000-01	2001-02	2002-03	2003-04
	(Rupees in crore)				
Revenue Receipts	5885	6902	7048	8439	9440
Own taxes	1704	2184	2467	2872	3302
Non-Tax Revenue	717	685	692	961	1094
Central Tax Transfers	1748	2604	2647	2806	3328
Grants-in-aid	1716	1429	1240	1800	1716
	(in <i>per cent</i> )				
Rate of Growth	29.23	17.28	2.12	19.74	11.86
Revenue Receipts/GSDP	15.23	17.82	16.62	18.89	18.31
GSDP Growth	8.57	0.26	9.49	5.38	15.38
Revenue Buoyancy	3.41	67.43	0.22	3.67	0.77



Revenue receipts of the State increased from Rs.5885 crore in 1999-2000 to Rs.9440 crore in 2003-04 at an average trend rate of 14.53 *per cent* per annum. There were, however, significant inter-year variations in the growth rates with lowest growth of 2.12 *per cent* during 2001-02. The increase in the Own Tax revenue during the year over 2002-03 was mainly on Taxes on Sales, Trades etc. (Rs.259 crore), Taxes on goods and passengers (Rs.64 crore), Taxes on Duties and Electricity (Rs.28 crore) and State Excise (Rs.10 crore).

While on an average around 44 *per cent* of the revenue had come from the State's own resources during 1999-2004, central tax transfers and grants-in-aid together continued to contribute nearly 56 *per cent* of the total revenue. Sales Tax was the major source of State's own tax revenue having contributed 56 *per cent* of the tax revenue followed by State Excise (8 *per cent*), Taxes on Vehicles (9 *per cent*), Other Taxes (13 *per cent*) etc. Of non-tax revenue sources, Non-Ferrous Mining and Metallurgical Industries (50 *per cent*), Dividends and Profits (13 *per cent*) and Interest Receipts (15 *per cent*) were principal contributors.

The arrears of revenues increased by 85 *per cent* from Rs.1074 crore in 1999-2000 to Rs.1986.29 crore at the end of 2003-04. Of these, Rs.362.25 crore (18.24 *per cent*) were outstanding for a period of more than five years and pertained to Industrial Water Rate (Rs.45.23 crore), State Excise (Rs.9.18 crore), Police (Rs.8.02 crore), Sales Tax (Rs.297.04 crore) and Steel and Mines (Rs.2.78 crore). The position of arrears of revenue showed a deterioration.

The source of receipts under different heads and the GSDP at current prices during 1999-2004 is indicated in Table 4.

**Table 4 – Sources of Receipts: Trends**

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic Product
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account		
1999-2000	5885	103	2682	6557	15227	38629
2000-01	6902	77	3589	6175	16743	38728
2001-02	7048	132	3273	6813	17266	(P) 42403
2002-03	8439	177	4760	7150	20585	(Q) 44684
2003-04	9440	273	5879	7657	23249	(A) 51557

P=Provisional Estimates

Q=Quick Estimates

A=Advance Estimates

## 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.9734 crore in 1999-2000 to Rs.13286 crore in 2003-04 at an average trend rate of 9.10 *per cent* per annum.

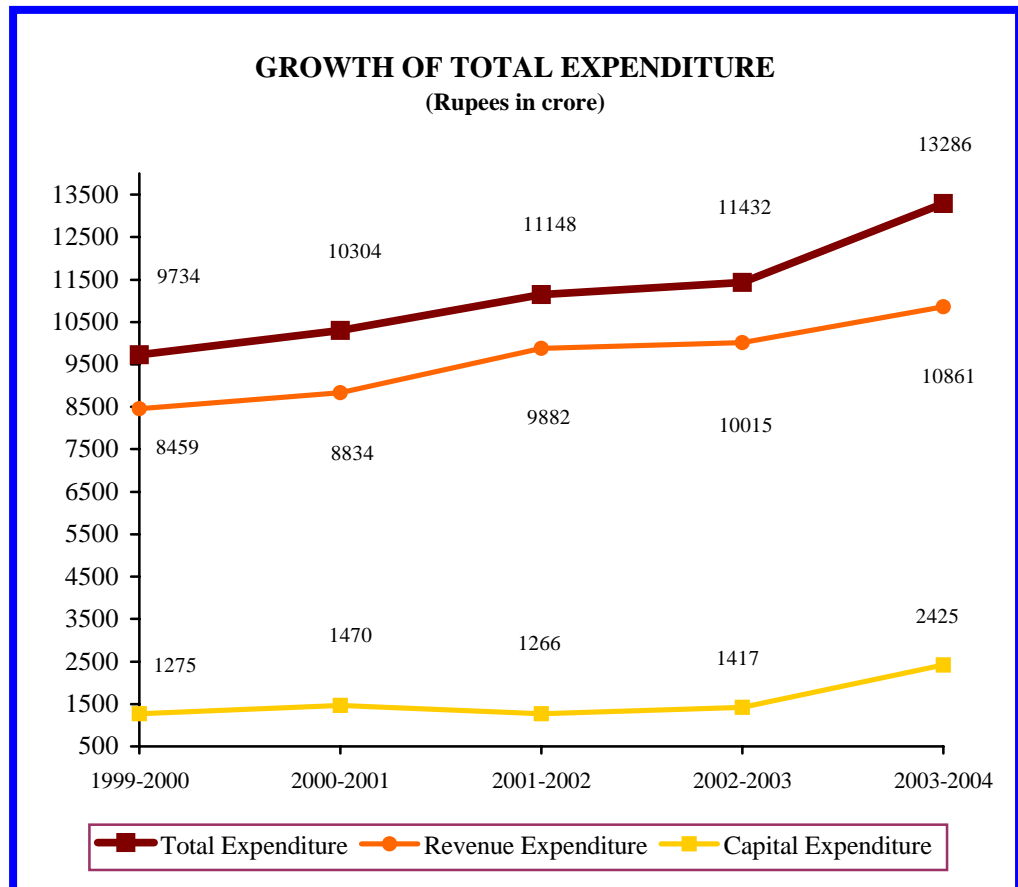
Total expenditure of the State, its trend and annual growth, ratio of expenditure

to the State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table-5.

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

	1999-2000	2000-01	2001-02	2002-03	2003-04
Total Expenditure (TE)	9734	10304	11148	11432	13286
Rate of Growth	20.49	5.86	8.19	2.55	16.22
TE/GSDP	25.20	26.61	26.29	25.58	25.77
Revenue Receipts/TE	60.46	66.98	63.22	73.82	71.05
<b>Buoyancy of Total Expenditure with</b>					
GSDP	2.391	22.84	0.863	0.474	1.054
Revenue Receipts	0.701	0.339	3.872	0.129	1.367

There was upward trend in the ratio of revenue receipts to total expenditure from 60.46 per cent in 1999-2000 to 71.05 per cent in 2003-04, indicating that approximately 71 per cent of the State's total expenditure was met from its current revenue, leaving the balance to be financed from borrowings.



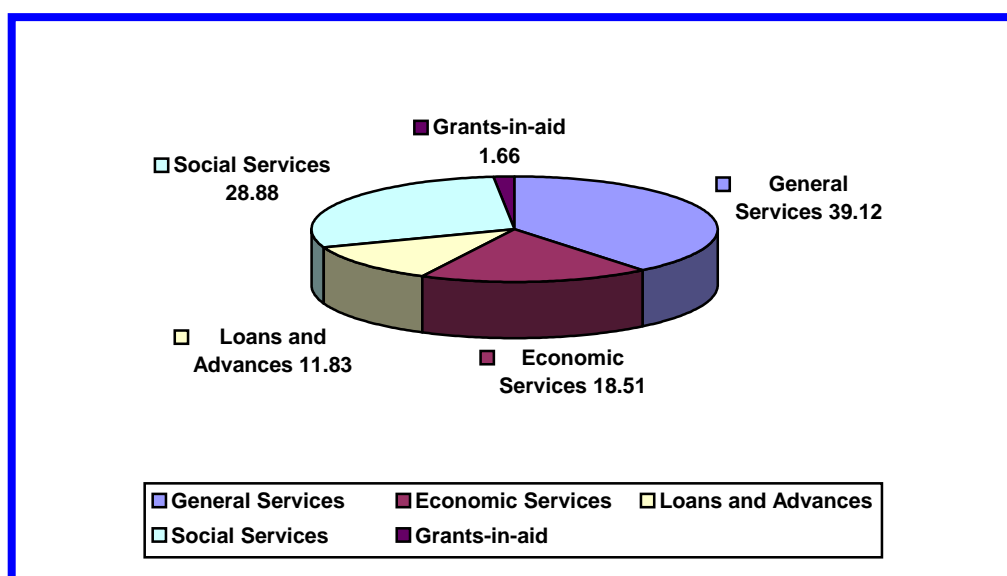
In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments,

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)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Services	29.82	39.42	44.92	42.21	39.12
Social Services	41.61	31.43	30.56	31.67	28.88
Economic Services	23.46	21.53	19.77	21.83	18.51
Grants-in-aid	0.22	1.45	1.35	1.29	1.66
Loans and advances	4.89	6.17	3.40	3.00	11.83
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

The movement of relative share of these components of expenditure indicated that while the share of economic services in total expenditure declined from 23.46 per cent in 1999-2000 to 18.51 per cent in 2003-04, the relative share of general services increased from 29.82 per cent in 1999-2000 to 39.12 per cent in 2003-04. In case of Social Services, the relative share declined from 41.61 per cent in 1999-2000 to 28.88 per cent in 2003-04.



### 1.6.2 Incidence of Revenue expenditure

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

	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue Expenditure (RE)	8459	8834	9882	10015	10861
Rate of Growth	24.09	4.43	11.86	1.35	8.45
RE/GSDP	21.90	22.81	23.30	22.41	21.07
RE as per cent of TE	86.90	85.73	88.64	87.60	81.75
RE as per cent to Revenue Receipts	143.74	127.99	140.21	118.68	115.05
<b>Buoyancy of Revenue Expenditure with</b>					
GSDP	2.812	17.298	1.250	0.250	0.549
Revenue Receipts	0.824	0.257	5.608	0.068	0.712



Revenue expenditure of the State increased from Rs.8459 crore in 1999-2000 to Rs.10861 crore in 2003-04 at an average trend rate of 8.79 *per cent* per annum. Rate of growth of revenue expenditure was in its maximum in 1999-2000 at 24.09 *per cent* and then it had declined sharply to 4.43 *per cent* in 2000-01 and again went up to 11.86 *per cent* in 2001-02 and during 2002-03, the growth rate reached to the lowest of 1.35 *per cent*. The increase in the revenue expenditure during the year was mainly due to more expenditure on Crop Husbandry (Rs.169 crore), Social Security and Welfare (Rs.149 crore), Relief on Account of Natural Calamities (Rs.139 crore) and Pension and other Retirement Benefits (Rs.129 crore) in comparison to the previous year.

Revenue expenditure accounted for 82 *per cent* of total expenditure during 2003-04. Though the ratio of revenue expenditure to revenue receipts declined from 143.74 *per cent* in 1999-2000 to 115.05 *per cent* in 2003-04, yet dependence of the State on borrowings, for meeting its current expenditure continued primarily due to the fact that salaries (Rs.4203 crore), interest payments (Rs.2860 crore) and pensions (Rs.1143 crore) alone consumed 87 *per cent* of total revenue receipts of the State during the year.

***High salary expenditure***

Salaries alone accounted for nearly 45 *per cent* of the revenue receipts of the State during 2003-04. The expenditure on salaries increased from Rs.3887 crore in 1999-2000 to Rs.4203 crore in 2003-04 as indicated in the Table 8 below:

**Table 8**

(Rupees in crore)

Heads	1999-2000	2000-01	2001-02	2002-03	2003-04
Salary expenditure	3887	3803	3736	3929	4203
As percentage of GSDP	10	10	9	9	8
As percentage of Revenue Receipts	66	55	53	41	45

***Huge expenditure on pension payments***

Pension payments increased by 66 *per cent* from Rs.688 crore in 1999-2000 to Rs.1143 crore in 2003-04. Year-wise breakup of expenditure incurred on pension payments during the years 1999-2000 to 2003-04 was as under:

**Table 9**

Year	Expenditure (Rupees in crore)	Percentage to total revenue
1999-2000	688	12
2000-01	832	12
2001-02	1003	14
2002-03	1030	12
2003-04	1143	12

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 liabilities towards pension of the retired State employees. Considering the rate at which pension liabilities are increasing, reforms in the existing pension schemes assume critical importance.

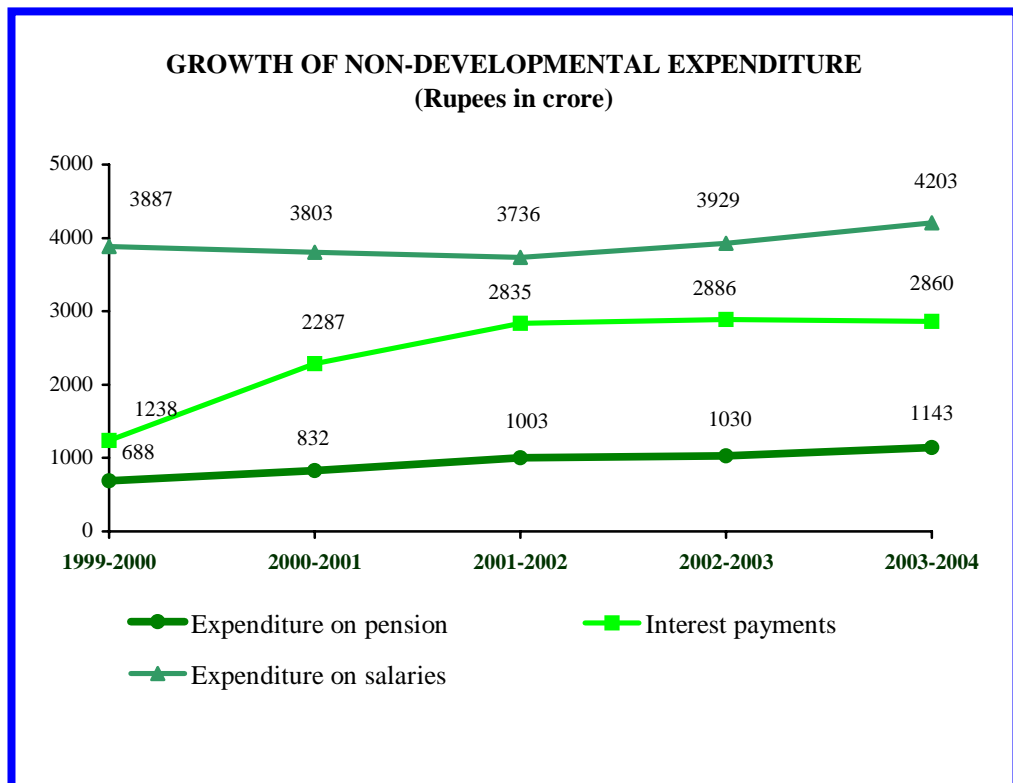
**Interest payments**

The Eleventh Finance Commission recommended (August 2000) that as a medium term objective, States should endeavour to keep interest payment as a ratio to revenue receipts at 18 *per cent*. It was however observed that Interest payments, as percentage of revenue receipts, ranged between 21 and 40 during the last five years as below.

**Table 10**

Year	Interest Payment	Percentage of interest payment with reference to	
	(Rupees in crore)	Revenue Receipts	Revenue Expenditure
1999-2000	1238	21	15
2000-01	2287	33	26
2001-02	2835	40	29
2002-03	2886	34	29
2003-04	2860	30	26

In absolute terms, interest payments increased by 131 *per cent* from Rs.1238 crore in 1999-2000 to Rs.2860 crore in 2003-04 primarily due to continued reliance on borrowings for financing the fiscal deficit. The decrease in interest payments during 2003-04 was due to decreased interest rate on Small Savings, Provident Funds, etc. (Rs.314 crore) off set by increased interest on Internal Debt (Rs.210 crore) and interest on GOI loans (Rs.34 crore).



## 1.7 Expenditure by Allocative Priorities

The actual expenditure of the State in the nature of plan expenditure, capital expenditure and developmental expenditure emerging from Statement 12 of Finance Accounts reflects the allocative priorities of the State. Higher the ratio of these components to total expenditure, better is deemed to be the quality of expenditure. Table 11 below gives the percentage share of these components of expenditure in State's total expenditure\*.

**Table 11: Quality of expenditure (per cent to total expenditure\*)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Plan Expenditure	28.12	27.16	24.41	23.12	20.90
Capital Expenditure	8.63	8.63	8.24	9.69	7.28
Developmental Expenditure	68.42	56.44	52.10	55.16	53.75

\*Total expenditure excludes expenditure on loans and advances.

All the three components of expenditure show a relative decline during 1999-2004. Plan expenditure declined from 28.12 per cent of total expenditure in 1999-2000 to 20.90 per cent in 2003-04. Similarly, capital expenditure declined from 8.63 per cent in 1999-2000 to 7.28 per cent in 2003-04. There was also a decline in the share of developmental expenditure. The average share of expenditure on these components was significantly below the level achieved in 1999-2000.

Out of the developmental expenditure (Rs.6296 crore), Social Services (Rs.3837 crore) accounted for 61 per cent of the developmental expenditure during the year. General Education, Medical and Public Health and Water Supply and Sanitation consumed 66 per cent of the expenditure on Social Sector.

**Table 12: Social Sector Expenditure (Rupees in crore)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Education	1896	1715	1717	1857	1852
Medical and Public Health	346	383	387	425	429
Water Supply and Sanitation	243	221	251	249	258
<b>Total</b>	<b>2485</b>	<b>2319</b>	<b>2355</b>	<b>2531</b>	<b>2539</b>

Similarly, the expenditure on Economic Services (Rs.2459 crore) accounted for 39 per cent of the developmental expenditure. Of which, Agriculture and Allied activities (Rs.699 crore), Irrigation and Flood Control (Rs.579 crore) and Rural Development (Rs.459 crore) accounted for 71 per cent of the expenditure on Economic Sector.

**Table 13: Economic Sector Expenditure (Rupees in crore)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Agriculture and Allied activities	597	574	506	559	699
Irrigation and flood control	706	647	645	698	579
Rural Development	511	412	448	469	459
<b>Total</b>	<b>1814</b>	<b>1633</b>	<b>1599</b>	<b>1726</b>	<b>1737</b>

## 1.8 Financial assistance to local bodies and other institutions

In 2003-04, Government provided financial assistance of Rs.964.82 crore by way of grants and loans to various non-Government bodies/Institutions. Category-wise details are given below:

Sl. No.	Category of bodies/Institutions	Amount of assistance paid (Rupees in crore)
1.	Educational Institutions (aided schools, private colleges, universities)	278.41
2.	District Rural Development Agency	154.16
3.	Municipalities, Corporations, District Council, Development Authorities etc.	65.72
4.	Panchayati Raj Institutions viz. Panchayat Samities, Zilla Parishads and Gram Panchayats	142.95
5.	Co-operative Societies and Institutions	1.47
6.	Integrated Tribal Development Agencies (ITDAs)	62.43
7.	Non-Government Organisations	3.80
8.	Other Institutions	203.15
9.	Western Orissa Development Council (WODC)	50.00
10.	Command Area Development Authority (CADA)	2.73
<b>Total</b>		<b>964.82</b>

The financial assistance of Rs.964.82 crore provided during the year 2003-04 formed 8.88 *per cent* of total revenue expenditure (Rs.10861 crore) of the Government.

### 1.8.1 Outstanding Utilisation Certificates (UCs)

Audit of 157 institutions/autonomous bodies conducted during the year 2003-04 revealed that Utilisation Certificates (UCs) for an amount of Rs.570.74 crore relating to 138 units (106 Panchayat Samities: Rs.508.57 crore, eight DRDAs: Rs.23.92 crore, seven ITDAs: Rs.14.30 crore and 17 others: Rs.23.95 crore) were outstanding as detailed in the Appendix-VI. This included Rs.367.51 crore for which year-wise details were not available. It was also seen that the pendency of the UCs was mainly due to release of grants as a matter of routine without insisting on furnishing of UCs for the grants given earlier as stipulated in the sanction orders.

### 1.8.2 Audit of Autonomous Bodies

During the year ended 31 March 2004, Audit of accounts of 157 autonomous bodies (Departments of Panchayati Raj: 123, School and Mass Education:10, Scheduled Tribe and Scheduled Caste Development: 8, Higher Education: 1, Water Resources: 4, Housing and Urban Development: 6, Health and Family Welfare: 1, Information and Technology: 1 and Industries: 3) was conducted under Section-14 of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971. During the period covered by audit, the bodies received financial assistance of Rs.1223.62 crore. Important points noticed during audit are brought out in the following paragraphs.

### **1.8.3 Unspent balance of grants**

The financial rules of Government required that the grants should be utilised within the financial year during which they were sanctioned or within one year from the date of sanction. The unspent balances were to be refunded to Government immediately thereafter unless permitted by Government for utilisation in subsequent years. The bodies or the authorities did not follow these provisions and the unspent balances were being carried over to subsequent years as a matter of routine. There was unspent balance of Rs.376.46 crore at the end of the year in respect of 134 bodies for which audit was conducted as detailed in Appendix-VII. However, the position of unspent balance was not available in respect of 23 bodies for want of analysis in the cash book. It was noticed that the above institutions were not maintaining the prescribed register of Grants-in-aid to record the expenditure incurred sanction-wise and scheme-wise for each year against funds received. As a result, the periods to which the unspent balances related and reasons for non-utilisation were not available.

### **1.8.4 Outstanding advances**

According to Orissa Zilla Parishad and Panchayat Samiti Accounting Procedure Rules, 1961, payment of advances was generally prohibited except in case of works expenditure and amount so advanced were to be regularly and promptly adjusted. However, advances aggregating to Rs.128.25 crore were outstanding in the accounts audited (109 Panchayat Samities: Rs.50.13 crore<sup>1</sup> and 36 other bodies/ authorities: Rs.78.12 crore). The position of outstanding advances in respect of 12 bodies could not be ascertained for want of relevant records. Stringent measures were called for either to adjust or recover these amounts in order to avert possible loss with lapse of time.

## **1.9 Misappropriations, defalcations etc.**

Cases of misappropriation, losses etc. of Government money reported to audit up to the end of March 2004 and on which final action was pending at the end of June 2004 were as follows

<b>(Rupees in lakh)</b>			
		<b>Number of cases</b>	<b>Amount</b>
i)	Cases reported up to the end of March 2003 but outstanding at the end of June 2003	2101	1472.27*
ii)	Cases reported during April 2003 to March 2004	23	7.83
iii)	Cases disposed of till June 2004	31	4.70
iv)	Cases reported up to March 2004 but outstanding as of June 2004	<b>2093</b>	<b>1475.40</b>

\* The outstanding balance at the end of June 2003 was Rs.1471.80 lakh. However, this was enhanced to Rs.1472.27 lakh after revaluation.

<sup>1</sup> Up to 1998-99: 1 (Rs.0.22 crore), 1999-2000: 1 (Rs.0.13 crore), 2000-01: 1 (Rs.0.30 crore), 2001-02: 8 (Rs.1.62 crore) and 2002-03: 98 (Rs.47.86 crore).

Department-wise analysis of the outstanding cases is given in the Appendix-VIII. The periods for which these were pending are given below:

		Number of Cases	Amount (Rupees in lakh)
i)	Over five years (1948-49 to 1998-99)	1939	1165.32
ii)	Exceeding three years but within five years (1999-2000 to 2000-01))	88	162.86
iii)	Upto three years (2001-02 to 2003-04)	66	147.22
<b>Total</b>		<b>2093</b>	<b>1475.40</b>

The reasons for which the cases were outstanding are as follows:

		Number of Cases	Amount (Rupees in lakh)
i)	Awaiting departmental and criminal investigation	620	467.95
ii)	Departmental action initiated but not finalised	806	737.86
iii)	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	40	9.65
iv)	Awaiting orders for recovery or write off	491	135.81
v)	Pending in the courts of law	136	124.13
<b>Total</b>		<b>2093</b>	<b>1475.40</b>

## 1.10 Assets and Liabilities

The Government accounting system does not attempt a comprehensive accounting of fixed assets i.e. land, buildings etc. of the Government. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure. Statement 16 read with details in Statement 17 of Finance Accounts show the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. Appendix-II presents an abstract of such liabilities and the assets as on 31 March 2004, compared with the corresponding position on 31 March 2003. While the liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Fund, the assets comprise mainly the capital expenditure and loans and advances given by the State Government. The liabilities of Government of Orissa depicted in the Finance Accounts, however, do not include the pension and other retirement benefits payable to serving/retired State employees, guarantees/ letters of comforts issued by the State Government. Appendix-V depicts the time series data on State Government finances for the period 1999-2004.

### 1.10.1 Financial results of irrigation works

The financial results of 11 major and 41 medium irrigation projects with a capital expenditure of Rs.2350.64 crore at the end of March 2004 showed that the revenue realised from these projects during 2003-2004 (Rs.12.81 crore) was only 0.54 *per cent* of the capital expenditure and these were not sufficient to cover even the direct working expenses (Rs.47.05 crore). After meeting the

working and maintenance expenditure (Rs.47.24 crore) and interest charges (Rs.159 crore), the schemes suffered a net loss of Rs.193.67 crore. The loss was substantial (Rs.166.33 crore) in all the major irrigation projects.

### **1.10.2 Incomplete projects**

As on 31 March 2004, there were 31 (major 14 and medium 17) incomplete projects in which Rs.4742 crore were blocked. Of these, 29 projects were incomplete for periods ranging from five to 10 years (10: Rs.380.77 crore), 10 to 15 years (five: Rs.541.83 crore), 15 to 20 years (two: Rs.57.86 crore) and more than 20 years (12: Rs.3710.96 crore). This showed that the Government was spreading its resources thinly, which failed to yield any return. Reasons for incomplete projects were paucity of funds, works left incomplete by contractors, change in site/design of the project(s), defective planning etc.

### **1.10.3 Investments and returns**

As on 31 March 2004, Government had invested Rs.1556.63 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. Government's return on this investment was meagre (less than one *per cent*) during 2001-02 as indicated in Table 15 below.

**Table 15: Return on Investment** (Rupees in crore)

Year	Investment at the end of the year	Return	Percentage of return	Weighted rate of interest on Government borrowing ( <i>per cent</i> )
1999-2000	1379.19	111.15	8.06	7.01
2000-01	1408.82	37.91	2.69	10.35
2001-02	1473.20	8.77	0.60	10.95
2002-03	1519.39	152.22	10.02	9.85
2003-04	1556.63	138.06	8.86	8.83

### **1.10.4 Loans and advances by State Government**

In addition to its investment, Government had also been providing loans and advances to many of these bodies. Total outstanding balance of the loans advanced was Rs.3831 crore as on 31 March 2004 (Table 16). Overall, interest received against these advances stood at 5.06 *per cent* during 2003-04. The difference between interest paid and interest received is negative during last five years. Further, in most cases, Government orders sanctioning the loans did not specify the terms and conditions for these loans.

An amount of Rs.40.05 crore (Principal: Rs.32.24 crore and interest: Rs.7.81 crore) was due for recovery at the end of 2003-04 in respect of loans and advances to Municipalities, Local Bodies, Corporations and Loans under State Aid to Industries Act for which detailed accounts are maintained in Accounts office.

In case of Loans and Advances, detailed accounts are maintained by Departmental Officers; five out of 25 departments informed (August 2004) that recovery of Rs.42.38 crore was due as on 31 March 2004.

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

	1999-2000	2000-01	2001-02	2002-03	2003-04
Opening Balance	1186	1560	2119	2366	2532
Amount advanced during the year	476	636	379	343	1572
Amount repaid during the year	102	77	132	177	273
<b>Closing Balance</b>	<b>1560</b>	<b>2119</b>	<b>2366</b>	<b>2532</b>	<b>3831</b>
Net Addition (+) / Reduction (-)	374	559	247	166	1299
Interest received (Rupees in crore)	15	10	18	68	161
Interest received as <i>per cent</i> to outstanding loans and advances	1.09	0.54	0.80	2.78	5.06
Average weighted rate of interest paid by the State	7.01	10.35	10.95	9.85	8.83
Difference between interest paid and received	(-) 5.91	(-) 9.80	(-) 10.15	(-) 7.07	(-) 3.77

### 1.10.5 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. Orissa had the WMA limit of Rs.185 crore from 1 April 2002 and Rs.215 crore from 3 March 2003. During the year, the State has used this mechanism for 150 days only as against 169 days last year although it raised borrowings of Rs.2101 crore from the market on six occasions. Resort to overdraft, which is over and above the WMA limits, is all the more undesirable. The State used the overdraft facilities on 171 days during the year as against 188 days last year.

**Table 17: Ways and Means and Overdrafts of the State and Interest paid thereon****(Rupees in crore)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
<b>Ways and Means Advance</b>					
Taken in the Year	1867	2137	1355	2000	3204
Outstanding	206	179	179	239	Nil
Interest Paid	6.54	11.71	11.59	10.88	12.19
<b>Overdraft</b>					
Taken in the Year	1868	3828	5393	4723	3809
Outstanding	Nil	833	1064	210	Nil
Interest Paid	3.07	4.13	8.32	8.75	8.42
Number of Days State was in Overdraft	141	203	252	188	171

### 1.10.6 Undischarged Liabilities

#### *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 in 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 overall fiscal liabilities of the State increased from Rs.20289 crore in 1999-2000 to Rs.34014 crore in 2003-04 at an average growth rate of 16.93 *per cent*. These liabilities as ratio to GSDP increased



from 52.52 *per cent* in 1999-2000 to 65.97 *per cent* in 2003-04 and stood at 3.60 times of its revenue receipts and 7.74 times of its own resources comprising its own tax and non-tax revenue. Table 18 below gives the fiscal liabilities of the State, its rate of growth and ratio of these liabilities to GSDP revenue receipts and own resources and buoyancy of these liabilities with respect to these parameters.

**Table 18: Fiscal Imbalances–Basic Parameters (Rupees in crore and Ratios in *per cent*)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Fiscal Liabilities	20289	23911	27853	30735	34014
Rate of growth	34.75	17.85	16.49	10.35	10.67
<b>Ratio of fiscal liabilities to</b>					
GSDP	52.52	61.74	65.69	68.78	65.97
Revenue Receipts	344.76	346.44	395.19	364.20	360.32
Own Resources	838.04	833.43	881.70	801.85	773.75
<b>Buoyancy of fiscal liabilities to</b>					
GSDP	4.056	69.657	1.737	1.924	0.694
Revenue Receipts	1.189	1.033	7.794	0.524	0.899
Own Resources	1.884	0.965	1.631	0.485	0.726

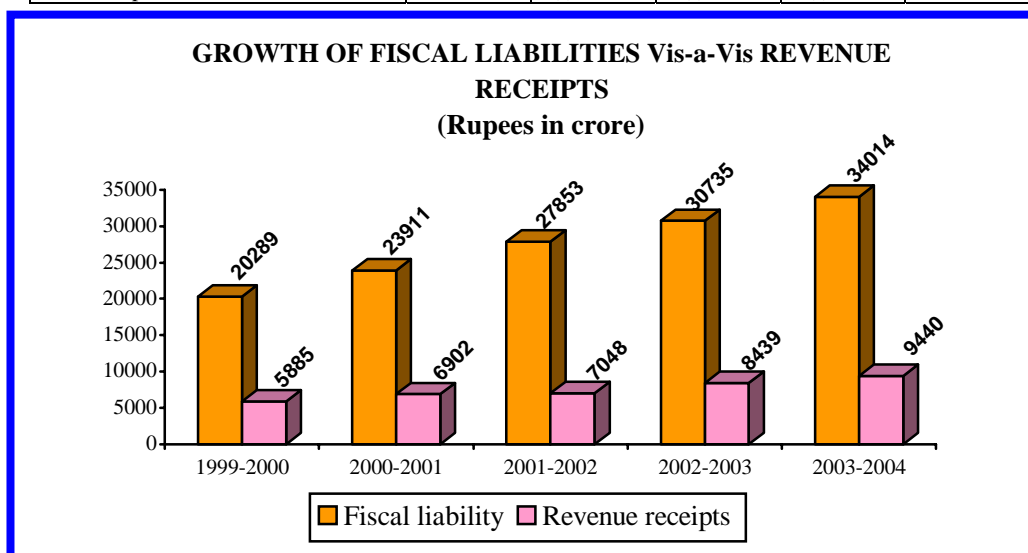
In addition to these liabilities, Government had guaranteed loans of its various Corporations and others, which in 2003-04 stood at Rs.9343 crore. The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment of loans, there may be an obligation on the State to honour these commitments. Currently, the fiscal liabilities including the contingent liabilities exceed four times the revenue receipts of the State. The direct fiscal liabilities of the State have grown much faster as compared to its rate of growth of GSDP.

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, GSDP growth rate and interest spread is indicated in Table 19.

**Table 19: Debt Sustainability – Interest Rate and GSDP Growth (in *per cent*)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Weighted interest rate	7.01	10.35	10.95	9.85	8.83
<b>GSDP growth</b>	8.57	0.26	9.49	5.38	15.38
Interest spread	1.56	(-) 10.09	(-) 1.46	(-) 4.47	6.55



Another important indication of debt sustainability is net availability of the funds after repayment of the principal of earlier loans and payment of interest. Table 20 below gives the position of the receipts and repayments of internal debt over the last five years. The net funds available on account of the internal debt and loans and advances from GOI after providing for the interest and repayments varied from 1.54 *per cent* to 48.45 *per cent* during 1999-2004. The net funds available declined to the lowest level of 1.54 *per cent* of total fresh loans during 2001-02.

**Table 20: Net Availability of Borrowed Funds (Rupees in crore)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
<b>Internal Debt</b>					
Receipts*	1129	1044	1687	2296	4338
Repayments (Principal+ Interest)	675	867	987	1298	1834
Net Funds Available	454	177	700	998	2504
Net Funds Available ( <i>per cent</i> )	40.21	16.95	41.49	43.47	57.72
<b>Loans and Advances from Government of India</b>					
Receipts*	1253	1489	973	1769	1141
Repayments (Principal+ Interest)	553	1405	1632	2062	2509
Net Funds Available	700	84	(-) 659	(-) 293	(-) 1368
Net Funds Available ( <i>per cent</i> )	55.87	5.64	(-) 67.73	(-) 16.56	(-) 119.89
<b>Total Public Debt</b>					
Receipts*	2382	2533	2660	4065	5479
Repayments (Principal+ Interest)	1228	2272	2619	3360	4343
Net Funds Available	1154	261	41	705	1136
Net Funds Available ( <i>per cent</i> )	48.45	10.30	1.54	17.34	20.73

\* Internal debt excluding ways and means advances and overdraft

## Management of deficits

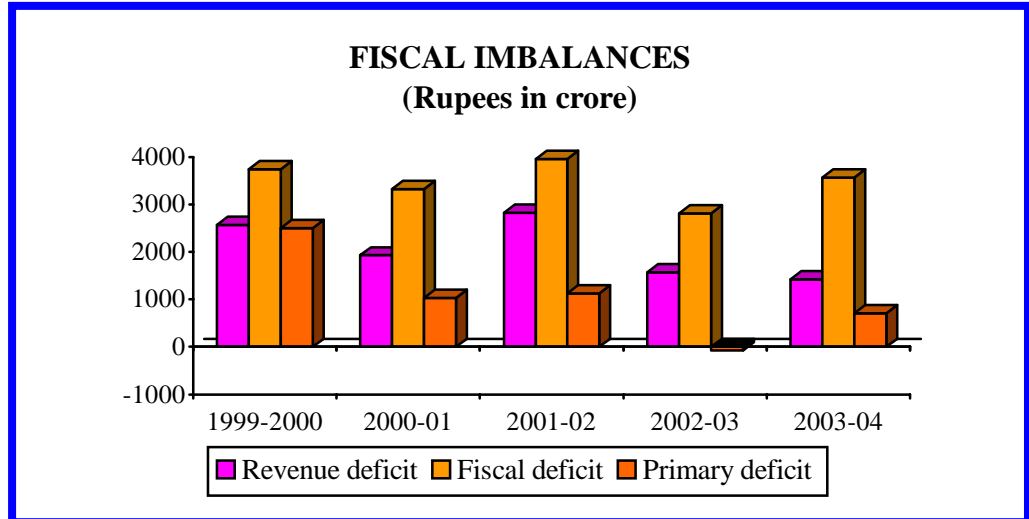
### 1.11 Fiscal imbalances

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 Accounts) of the State, which is the excess of its revenue expenditure over revenue receipts, decreased from Rs.2574 crore in 1999-2000 to Rs.1421 crore in 2003-04. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, marginally decreased from Rs.3746 crore in 1999-2000 to Rs.3573 in 2003-04. The State also had a primary deficit decreasing from Rs.2508 crore in 1999-2000 to Rs.713 crore in 2003-04 as indicated in Table 21.

**Table 21: Fiscal Imbalances – Basic Parameters (Value: Rupees in crore and Ratios in *per cent*)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue deficit	(-) 2574	(-) 1932	(-) 2834	(-) 1576	(-) 1421
Fiscal deficit	(-) 3746	(-) 3325	(-) 3968	(-) 2816	(-) 3573
Primary Deficit (-)/ Surplus (+)	(-) 2508	(-) 1038	(-) 1133	(+) 70	(-) 713
RD/GSDP	7	5	7	4	3
FD/GSDP	10	9	9	6	7
PD/GSDP	6	3	3	0.16	1.38
RD/FD	69	58	71	56	40



Persistent revenue deficit indicated that the revenue receipts of the State were not able to meet its revenue expenditure and Government had to borrow funds to meet its current obligations. The ratio of revenue deficit to fiscal deficit has decreased from 69 per cent in 1999-2000 to 40 per cent in 2003-04. As proportion of GSDP, revenue deficit had decreased to three per cent and fiscal deficit to seven per cent in 2003-04.

### 1.12 Implementation of Orissa Fiscal Reform Programme to improve the financial position of the State

To improve the financial position of the State, a Memorandum of Understanding (MOU) was signed (October 2001) between the Government of Orissa and the GOI to implement a mutually agreed reform programme as per a fixed time schedule. The programme included measures to raise revenue and to reduce expenditure so as to eliminate the revenue deficit by March 2005. It also aimed to stabilise, through structural adjustments and policy reforms, the State Government's fiscal situation so as to overcome the frequent ways and means difficulties that it has experienced in the recent past and to generate greater investable resources for development and poverty reduction programmes.

#### *Aim of Memorandum of Understanding*

The broad aim was to achieve a minimum improvement of five per cent in the revenue deficit (Surplus) as a proportion of revenue receipt each year till 2004-05. The base year was 1999-2000. The achievement against target was as follows.

	Revenue Deficit as per cent of Revenue Receipt (As recommended by Eleventh Finance Commission)				
	1999-2000	2000-01	2001-02	2002-03	2003-04
Target	33.43	28.43	23.43	18.43	13.43
Achievement	43.74	28	40	18.68	15.05

From the above figures it was evident that the State was still behind the committed target.

### Resource Mobilisation Measures

It had been agreed that a tax revenue target of six *per cent* of GSDP should be achievable in the medium term by tax and inefficiencies in tax collection. The targets and achievements under Sales Tax being the major tax contributor during the last four years were as below:

(Rupees in crore)

Sl. No.	Category of Revenue		2000-01	2001-02	2002-03	2003-04
1.	Sales Tax	Target	1425	1485	1665	1766.50
		Achievement	1342.12	1402.33	1605	1863.97
2.	State Excise	Target	170	225	300	300.00
		Achievement	135.31	197.46	246	256.37
3.	Major Vehicle Tax	Target	180	220	260	280.61
		Achievement	178.17	216.37	258	280.03
4.	Electricity duty	Target	135	160	160	200.00
		Achievement	146.71	136.96	172	200.43
5.	Stamp and Registration Fees	Target	120	130	140	159.50
		Achievement	108.52	109.76	136	153.07
6.	Land Revenue	Target	56	65	85	80.00
		Achievement	53.26	84.48	82	103.00
7.	Royalty from forest	Target	110	100	97	90.00
		Achievement	84.29	87.95	97	48.64
8.	Mining Royalty ( <i>Non-Ferrous Mining and Metallurgical</i> )	Target	350	367.57	385.28	466.51
		Achievement	360.33	378.56	443.58	552.06

Effective measures to achieve the targets in respect of State Excise and Royalty from Forest are necessary.

### Expenditure Compression Measures

In the MOU it was agreed to take measures for restructuring/ downsizing the administration and reducing establishment cost. The progress is however not encouraging. Test check revealed as under.

#### *Downsizing the Civil Service and reducing the salary cost*

The State has a very high employee population ratio of 1.61 *per cent*. This ratio is targeted to be reduced to one *per cent*. To start with, the staff strength existing as at the beginning of 1999-2000 was targeted to be reduced by 20 *per cent* by 2004-05.

The staff strength and the expenditure on salaries (including the staff paid out of Government grants-in-aid and their salaries) for 2000-01, 2001-02 and 2002-03 are indicated below.

Year	Staff Strength*		Percentage of decrease
	Sanctioned (in numbers)	Men-in-position (in numbers)	
1999-2000	580122	535332	
2000-01	556302	502160	6.20
2001-02	538801	479437	4.53
2002-03	536893	477352	0.43
2003-04	Not Available	Not Available	Not Available

\* Ref: Orissa Budget at a Glance 2003-04 and 2004-05

Though Government did achieve some staff reduction, the impact on expenditure was not substantial.

### **Reduction of Subsidies**

Government's objective was to reduce the explicit subsidy. The position at the end of fiscal year 2003-04 in case of major subsidies is analysed below.

(Rupees in crore)		
Year	Food subsidy	Water rate subsidy
1999-2000	100.00	15.00
2000-01	56.00	29.50
2001-02	46.97	--
2002-03	40.95	32.00
2003-04 (RE)	55.22	10.00

From the above data it is evident that the achievement has been far short of the target of elimination of all subsidies by 2004-05.

### **1.13 Fiscal Ratios**

The finances of a State should be sustainable, flexible and non-vulnerable. Table 22 below presents a summarised position of Government Finances over 1999-2004, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications highlight areas of concern and capture its important facets.

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources with increase in GSDP. Revenue receipts comprise not only the tax and non-tax resources of the State but also the transfers from Union Government. It indicates sum total of the resources which the State has access to, for which there is no direct services provision obligations recovery of users charges for the social and economic services provided by it and its entitlement from the central pool of resources. These ratios show a continuous improvement during 1999-2004 indicating mobilisation of resources and its sustainability.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resources mobilisation. The ratio of revenue expenditure to total expenditure decreased from 86.90 *per cent* in 1999-2000 to 81.75 *per cent* in 2003-04. But its capital expenditure and developmental expenditure as percentage to total expenditure has declined during 1999-2004. Both its revenue and total expenditure when compared to its revenue receipts and revenue expenditure have shown comparatively higher buoyancy. All these indicate State's increasing dependence on borrowings for meeting its revenue expenditure and inadequate expansion of its developmental activities.

**Table 22: Ratios of Fiscal Efficiency (in per cent)**

Fiscal Ratios	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Revenue Receipts/GSDP	15.23	17.82	16.62	18.89	18.31	17.46
Revenue Buoyancy	3.41	67.43	0.22	3.67	0.77	2.06
Own Tax/GSDP	4.41	5.64	5.81	6.43	6.41	5.80
Total Expenditure/GSDP	25.20	26.61	26.29	25.58	25.77	25.88
Revenue Receipts/ Total Expenditure	60.46	66.98	63.22	73.82	71.05	67.11
Revenue Expenditure/Total Expenditure	86.90	85.73	88.64	87.60	81.75	85.95
Capital Expenditure/Total expenditure.	8.63	8.63	8.24	9.69	7.28	8.49
Developmental Expenditure/ Total Expenditure (RE+CE)	68.42	56.44	52.10	55.16	53.75	57.17

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
<b>Fiscal Ratios</b>						
Buoyancy of TE with RR	0.701	0.339	3.872	0.129	1.367	0.626
Buoyancy of RE with RR	0.824	0.257	5.608	0.068	0.712	0.605
<b>Deficits</b>						
Revenue Deficit ( <i>Rupees in crore</i> )	(-) 2574	(-) 1932	(-) 2834	(-) 1576	(-) 1421	(-) 2067
Fiscal Deficit ( <i>Rupees in crore</i> )	(-) 3746	(-) 3325	(-) 3968	(-) 2816	(-) 3573	(-) 3486
Primary Deficit ( <i>Rupees in crore</i> )	(-) 2508	(-) 1038	(-) 1138	70	(-) 713	(-) 1064
Revenue Deficit/Fiscal Deficit	69	58	71	56	40	59
<b>Management of Liabilities</b>						
Fiscal Liabilities (FL)/GSDP	52.52	61.74	65.69	68.78	65.97	63.33
Fiscal Liabilities/Revenue Receipts	344.76	346.44	395.19	364.20	360.32	361.31
Buoyancy of FL with Revenue Receipt	1.189	1.033	7.794	0.524	0.899	1.165
Buoyancy of FL with Own Resources	1.884	0.965	1.631	0.485	0.726	1.602
Interest Spread	1.56	(-)10.09	(-) 1.46	(-) 4.47	6.55	(-) 2.36
Net Fund Available	20.12	48.45	10.30	1.54	17.34	19.55
<b>Other Fiscal Health Indicators</b>						
Return on Investment	8.06	2.69	0.60	10.02	8.87	6.05
BCR ( <i>Rupees in crore</i> )	(-) 1581	(-) 1069	(-) 1945	(-) 1410	(-) 1228	(-) 1447
Financial Assets/Liabilities	0.58	0.56	0.52	0.52	0.52	0.54

\* With negative growth in Revenue Receipts, buoyancy became negative.

It is common for a State to borrow for increasing its social and economic infrastructure support and creating additional income generating assets. However, during the last five years, the State Finances showed a generally increasing ratio of fiscal liabilities to GSDP and revenue receipts together with a large revenue deficit which indicated that the State was getting into a debt trap. It is to be noted that the fiscal liabilities as a proportion of GSDP and Revenue Receipts showed a marginal improvement in 2003-04 over 2002-03. But the higher buoyancy of the debt both with regard to its revenue receipts and own resource indicate its increasing unsustainability. The average interest paid by the State on its borrowings during 1999-2004 has also exceeded the rate of growth of its GSDP, violating the cardinal rule of debt sustainability. There has also been a decline in net availability of funds from its borrowings due to a larger portion of these funds being used for debt servicing. The State's low return on investment and use of high cost borrowing for investments indicates an implicit subsidy. The ratio of State's financial assets to liabilities remained static at 0.52 during past three years indicating that 48 per cent of the liabilities were without asset back up. This indicates that either the State has to generate more revenue from out of its existing assets or need to provide from its current revenues for servicing its debt obligations. The balance from 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 to fund for additional infrastructure support and other revenue generating investment.