

CHAPTER I
FINANCES OF THE UNION
TERRITORY GOVERNMENT

AN OVERVIEW OF THE FINANCES OF THE UNION TERRITORY GOVERNMENT

Summary

- The revenue expenditure of the Union Territory Government grew from Rs 919.07 crore in 2000-01 to Rs 1,572.57 crore in 2004-05. Of this, 73 *per cent* was under non-plan.
- Fiscal liabilities grew from Rs 805.49 crore in 2000-01 to Rs 1,552.97 crore in 2004-05. During 2004-05, the revenue surplus and the net available borrowed funds contributed to increase in cash balance by Rs 107.22 crore, indicating unnecessary borrowing to this extent and creation of consequent interest liability thereon.
- As against the weighted average rate of interest of 10.7 *per cent* paid by the Union Territory Government on its borrowings, its return on investments aggregating Rs 554.12 crore made in the Government companies, co-operative institutions, etc was only 0.5 *per cent* during 2004-05.

1.1 Introduction

The accounts of the Union Territory (UT) Government are maintained in (i) the Consolidated Fund in which receipts from revenues, loans and recoveries of loans are accounted and expenditure incurred with the authorisation from the Legislature and (ii) the Contingency Fund which is in the nature of an imprest to meet urgent unforeseen expenditure pending authorisation from the Legislature. There is no Public Account in the UT to account for moneys kept by the Government as a banker; the transactions relating thereto are included in the Public Account of the Government of India (GOI). The cash balance of the UT Government is merged in the general cash balance of the GOI.

The layout of the Finance Accounts is depicted in the box below:

Statement 1	Presents the summary of transactions in the Consolidated and Contingency Funds.
Statement 2	Contains the summarised statement of capital outlay showing progressive expenditure to the end of the financial year.
Statement 3	Contains the summarised debt position showing receipts, repayments and current balance.
Statement 4	Contains the details of loans and advances by the Government.
Statement 5	Contains details of guarantees given by the Government of India on behalf of the Government of Pondicherry.
Statement 6	Contains the summary of balances under Consolidated and Contingency Funds.
Statement 7	Contains the revenue and expenditure under different heads as a percentage of total revenue/expenditure.
Statement 8	Shows the distribution between charged and voted expenditure.
Statement 9	Contains detailed account of revenue by minor heads.
Statement 10	Contains detailed account of revenue expenditure by minor heads.
Statement 11	Contains detailed account of capital expenditure by minor heads incurred during the year and the expenditure to the end of the year.
Statement 12	Contains details of investments made in Government companies and co-operative institutions up to the end of the year.
Statement 13	Contains capital and other expenditure and the principal sources of funds for such expenditure.
Statement 14	Contains details of receipts, disbursements and balances under debt, loans and advances and Contingency Fund.
Statement 15	Contains detailed position of debt.
Statement 16	Contains details of loans and advances by Government.

1.2 Financial position of the Union Territory Government

1.2.1 The main sources of revenue for the UT Government are revenue and capital receipts which are utilised for meeting plan and non-plan expenditure including lending for development and other purposes. The gap between receipts and expenditure represents deficit/surplus in the Government Accounts. The revenue surplus/deficit is the gap between revenue receipts and the revenue expenditure and fiscal deficit is the excess of revenue and capital expenditure including net loans and advances given over the revenue receipts and non-debt miscellaneous capital receipts. The primary deficit is the fiscal deficit excluding interest payments. While revenue and fiscal deficits indicate the inadequacy of resources to meet the obligations towards revenue expenditure and the total commitment, the primary deficit indicates the inability of the Government even to meet the current expenditure commitments without resorting to borrowings.

1.2.2 The financial position of the UT Government during the current year as compared to the previous year is given in Table 1.

Table 1 - Financial position of the UT Government

(Rupees in crore)

2003-04	Serial number	Major aggregate	2004-05
1,303	1	Revenue Receipts	1,631
353	2	Tax Revenue	404
454	3	Non -Tax Revenue	501
496	4	Grants-in-aid	726
6	5	Non - Debt Capital Receipts	6
6	6	Recovery of loans	6
1,309	7	Total Receipts (1+5)	1,637
967	8	Non - Plan Expenditure	1,145
962	9	On Revenue Account	1,142
134	10	Of which Interest payments	153
5	11	On Capital Account	3*
4	12	Of which loans disbursed	5
478	13	Plan Expenditure	626
332	14	On Revenue Account	431
146	15	On Capital Account	195
1	16	Of which loans disbursed	**
1,445	17	Total Expenditure (8+13)	1,771
1,294	18	Revenue Expenditure (9+14)	1,573
151	19	Capital expenditure including loans disbursed (11+15)	198
136	20	Fiscal Deficit (17-1-5)	134
--	21	Revenue Deficit (18-1)	--
9		Revenue Surplus (1-18)	58
2	22	Primary Deficit (20-10)	***

* Total capital expenditure is less than loan disbursed due to the minus expenditure on account of issue of more stores from 'stock' than that purchased during the year

** Rs 35.65 lakh

*** Interest payments were more than fiscal deficit

1.2.3 The increase in the revenue receipts was mainly due to increase in receipt of the grants-in-aid from the GOI, which consequently increased the revenue surplus during 2004-05. The fiscal deficit was met by obtaining loans from the GOI.

1.3 Summary of receipts and disbursements

1.3.1 Table 2 summarises the state of finances of the UT Government for the year 2004-05 covering receipts and disbursements under revenue and capital, as emerging from the Finance Accounts.

Table 2 - Summary of receipts and disbursements

(Rupees in crore)

Receipts			Disbursements				
2003-04		2004-05	2003-04			2004-05	
	Section A: Revenue			Revenue Expenditure	Non-Plan	Plan	Total
	Revenue Receipts			- General Services	329.60	12.63	342.23
352.76	- Tax Revenue	404.58	294.39	- Social Services	306.04	272.93	578.97
454.34	- Non-Tax Revenue	500.72	411.13	- Economic Services	502.63	145.60	648.23
	- Share of Union Taxes/Duties	Nil	585.21	- Grants-in-aid and contributions	3.14	--	3.14
	- Grants from Government of India	725.70	2.87	Revenue surplus carried over to Section B			58.43
495.42	Revenue deficit carried over to Section B	Nil	8.92				
Nil							
1,302.52	Total	1,631.00	1,302.52	Total			1,631.00
	Section B: Capital and others						
85.60	Opening cash balance	148.38		Capital Outlay			192.66
	Miscellaneous Capital Receipts	Nil	146.48	Loans and Advances disbursed			5.46
Nil	Recoveries of Loans and Advances	6.26	4.95	Revenue Deficit brought down			--
6.22	Revenue Surplus brought down	58.43	Nil	Repayment of Loans and Advances to Central Government			106.89
8.92	Public Debt Receipts	347.54	69.33	Expenditure on Contingency Fund			--
268.40	Amount transferred to Contingency Fund	Nil	Nil	Cash balance at end			255.60
Nil	Excess of disbursement over receipt	--	148.38				
Nil							
369.14	Grand Total	560.61	369.14	Grand Total			560.61

1.3.2 The net effect of receipts and disbursements during 2004-05 was increase in the cash balance by Rs 107.22 crore.

1.4 Audit methodology

1.4.1 Pondicherry consists of four separate geographical areas located in the States of Tamil Nadu, Kerala and Andhra Pradesh and its economy is affected by the policies of neighbouring States. The growth of economy is measured by the growth of the Gross State Domestic Product (GSDP). The growth rates of the GSDP at current prices during the five year period are given in Table 3.

Table 3 – GSDP and its rate of growth

Year	2000-01	2001-02	2002-03	2003-04	2004-05
GSDP at current prices ¹ (Rupees in crore)	3,780.64	4,188.09	5,031.25	5,746.32	6,456.68
Rate of growth (In per cent)	21.2	10.8	20.1	14.2	12.4

1.4.2 Audit observations on the statements of the Finance Accounts for the year bring out the trends in major fiscal aggregate of receipts and expenditure and wherever necessary, show these in the light of periodic comparisons. Fiscal aggregates like tax and non-tax revenues, revenue and capital expenditure and fiscal liabilities have been presented as a percentage of the GSDP at current market prices. Buoyancy² estimates have been provided to indicate the responsiveness of the parameters like sources of receipts, application of funds and management of liabilities to change in the GSDP. Overall performance of the Government has been presented along with a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

1.5 Mobilisation of resources

Sources

1.5.1 Resources of the UT consist of revenue receipts (comprising tax and non-tax revenue and grants-in-aid from the GOI) and capital receipts (mainly borrowing from the GOI and recoveries of loans and advances). The UT Government is not empowered to raise finance by market borrowings. Table 4 shows the receipts from different sources for the period 2000-05.

Table 4 - Source of receipts

Year	Revenue receipts	Capital receipts		Total Receipts
		Public Debt	Recovery of loan	
2000-01	946.73	155.40	5.44	1,107.57
2001-02	1,072.59	193.34	6.24	1,272.17
2002-03	1,185.49	229.96	5.88	1,421.33
2003-04	1,302.52	268.40	6.22	1,577.14
2004-05	1,631.00	347.54	6.26	1,984.80

¹ During 2004-05, the Director of Economics and Statistics revised the GSDP for 2001-02 from Rs 4,166.71 crore to Rs 4,188.09 crore. The GSDP for 2002-03 and 2003-04 differed from the amounts shown in last year's Audit Report as the provisional and quick estimates have been updated due to actual and provisional estimates

² Buoyancy is the ratio of rate of growth of parameters to rate of growth of GSDP

Revenue receipts

1.5.2 The revenue receipts comprising tax and non-tax revenue and grants-in-aid from the GOI and their share to total revenue receipts are indicated in Table 5.

Table 5 - Revenue receipts - Basic parameters

(Rupees in crore)

Serial number	Receipts	2000-01	2001-02	2002-03	2003-04	2004-05
1.	Tax revenue	291.86(31)	268.59(25)	276.38(23)	352.76(27)	404.58(25)
2.	Non-tax revenue	255.13(27)	302.31(28)	411.90(35)	454.34(35)	500.72(31)
3.	Mobilisation from own resource (1+2)	546.99(58)	570.90(53)	688.28(58)	807.10(62)	905.30(56)
4.	Grants-in-aid	399.74(42)	501.69(47)	497.21(42)	495.42(38)	725.70(44)
5.	Revenue receipts (3+4)	946.73	1,072.59	1,185.49	1,302.52	1,631.00

(Figures in brackets denote the share as percentage of revenue receipts)

1.5.3 The improvement in the mobilisation of revenue from own resources is indicated by increase in the relative share of tax and non-tax revenues. Though no fresh taxes were levied, the tax revenue increased mainly due to increase in sale of stamps and stamp papers (Rs 3.25 crore) and increase in excise and sales tax (Rs 47.91 crore) during the year. Increase in non-tax revenue was mainly due to increased realisation on account of sale of power (Rs 34.19 crore). Ninety three *per cent* of non-tax revenue was contributed by the Electricity Department (Rs 464.48 crore).

1.5.4 Unlike States, UTs are not given the share of the Central taxes by the GOI. However, the GOI releases grants to fill the gap between receipts (tax and non-tax) and non-plan revenue expenditure. Besides, the GOI also releases grants for meeting plan expenditure. Thus, the release of the GOI grants is largely dependent on the revenue gap.

1.5.5 Table 6 indicates the rate of growth of revenue receipts, own taxes and the rate of growth of the GSDP.

Table 6 – Growth of revenue receipts and GSDP

	2000-01	2001-02	2002-03	2003-04	2004-05
1. Growth of revenue receipts (In <i>per cent</i>)	7.9	13.3	10.5	9.9	25.2
2. Growth of own taxes (In <i>per cent</i>)	12.0	(-) 8.0	2.9	27.6	14.7
3. Growth of GSDP (In <i>per cent</i>)	21.2	10.8	20.1	14.2	12.4
4. Revenue receipts Buoyancy (1÷3)	0.4	1.2	0.5	0.7	2.0
5. Own Taxes Buoyancy (2÷3)	0.6	(-) 0.7	0.1	1.9	1.2
6. Share of revenue receipts to GSDP (In <i>per cent</i>)	25	26	24	23	25

The growth of revenue receipts and own taxes had no linear relationship with the growth of the GSDP.

Arrears of revenue

1.5.6 Arrears of revenue pending collection as of March 2005 amounted to Rs 91.12 crore. Of this, Rs 59.25 crore (65 *per cent*) related to Electricity dues, Rs 15.31 crore (17 *per cent*) to State Excise and Rs 9.99 crore (11 *per cent*) to Commercial Taxes. The arrears of revenue increased from Rs 83.04 crore in 2003-04 to Rs 91.12 crore in 2004-05 (10 *per cent*). The details are discussed in Chapter VI of this Report.

Capital receipts

1.5.7 The main component of Capital receipts is Public Debt comprising borrowings from the GOI. This is used to meet plan and non-plan capital expenditure including investments and disbursement of loans and advances under various schemes. The UT Government obtained loans aggregating Rs 347.54 crore from the GOI during 2004-05. The borrowings increased year after year mainly to meet the increasing repayment liability of loans obtained during earlier years. As the GOI released grants to meet the entire revenue expenditure, the borrowings from the GOI should have been restricted to the liability towards capital expenditure and loans and advances. The increase in the cash balance by Rs 107.22 crore as of March 2005 indicated that the Government did not restrict the borrowings to the extent required for capital expenditure and loans and advances. The excess borrowing would increase the interest liability during subsequent years.

1.6 Application of resources

1.6.1 The total expenditure comprise revenue and capital expenditure and loans and advances. The growth of expenditure of the UT in relation to the GSDP and revenue receipts is given in Table 7.

Table 7 - Total expenditure - Basic parameters

	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue expenditure	919.07	1,098.72	1,151.31	1,293.60	1,572.57
Capital expenditure	107.86	119.24	147.51	146.48	192.66
Loans and advances	14.54	7.32	5.43	4.95	5.46
Total expenditure	1,041.47	1,225.28	1,304.25	1,445.03	1,770.69
Rate of growth of total expenditure (In <i>per cent</i>)	8.7	17.6	6.4	10.8	22.5
Percentage of total expenditure to the GSDP	27.5	29.3	25.9	25.1	27.4
Percentage of total expenditure to revenue receipts	110	114	110	111	109
Buoyancy of total expenditure to the GSDP	0.4	1.6	0.3	0.8	1.8

1.6.2 Overall expenditure of the Government increased from Rs 1,041.47 crore in 2000-01 to Rs 1,770.69 crore in 2004-05. The percentage of total expenditure to revenue receipts ranged between 109 and 114 during 2000-05 indicating that current revenues were not sufficient to meet the total expenditure thereby forcing the Government to resort to borrowings from the GOI.

1.6.3 The relative share of components in total expenditure is indicated in Table 8.

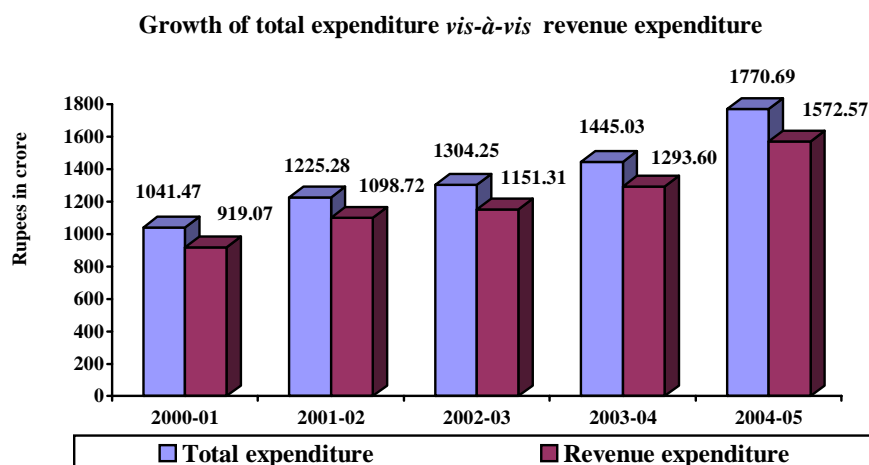
Table 8 - Components of total expenditure – Relative share

	(In <i>per cent</i>)				
	2000-01	2001-02	2002-03	2003-04	2004-05
General Services excluding interest payments	12.6	11.1	11.8	11.8	11.6
Interest payments	8.3	8.2	8.9	9.3	8.6
Social Services	32.8	27.9	30.7	31.5	36.3
Economic Services	44.7	52.0	48.0	46.8	43.0
Loans and advances	1.4	0.6	0.4	0.4	0.3
Grants-in-aid	0.2	0.2	0.2	0.2	0.2

1.6.4 Of the total expenditure, the share of General Services including interest payments ranged between 19 and 21 *per cent* during 2000-05. The remaining 79 to 81 *per cent* on Social and Economic Services and Loans and Advances, etc., are normally considered to be developmental in nature.

Revenue expenditure

1.6.5 The growth of total expenditure *vis-à-vis* revenue expenditure is given below:



It would be seen that the growth of total expenditure is mainly contributed by growth in revenue expenditure.

Incidence of revenue expenditure

1.6.6 The basic parameters of revenue expenditure are given in Table 9.

Table 9 – Revenue expenditure – Basic parameters

	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Non-plan expenditure	697.34	852.53	879.62	962.12	1,141.41
Plan expenditure	221.73	246.19	271.69	331.48	431.16
Revenue expenditure	919.07	1,098.72	1,151.31	1,293.60	1,572.57
Percentage of non-plan expenditure to total revenue expenditure	76	78	76	74	73
Rate of growth of revenue expenditure (In <i>per cent</i>)	8.7	19.6	4.8	12.4	21.6
Percentage of revenue expenditure to the GSDP	24.3	26.2	22.9	22.5	24.4
Buoyancy of revenue expenditure to the GSDP	0.4	1.8	0.2	0.9	1.7
Revenue expenditure as percentage of revenue receipts	97	102	97	99	96

1.6.7 Seventy three *per cent* of revenue expenditure in 2004-05 was non-plan expenditure. The ratio of revenue expenditure to revenue receipts indicates that there was a revenue surplus in all these years except during 2001-02.

1.7 Revenue expenditure by allocative priorities

Non-developmental revenue expenditure

1.7.1 Table 10 gives the expenditure on administration, subsidies and stipends and interest payments and their share to total revenue expenditure and tax and non-tax revenue during 2000-05.

Table 10 – Non-developmental revenue expenditure – Basic parameters

	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Administrative expenditure including pensionary charges	378.70	374.27	403.10	446.32	519.77
Subsidies and stipends	6.58	5.80	9.84	14.37	21.87
Interest payments	86.40	100.99	115.59	134.51	152.81
Total	471.68	481.06	528.53	595.20	694.45
Percentage to revenue expenditure	51	44	46	46	44
Percentage to tax and non-tax revenue	86	84	77	74	77

The amount shown under ‘Subsidies’ do not include free supply of electricity to small farmers and poor people under ‘One Hut One Bulb scheme’. Further, free supply of rice, cloth, etc., made by various departments and cash incentives and subsidies paid to agriculturalists are classified as ‘Other Charges’. If these are considered, the non-developmental revenue expenditure would be much more.

1.7.2 Thus, 77 per cent of tax and non-tax revenue was spent on non-developmental activities during 2004-05 and the share of non-developmental expenditure in revenue expenditure was 44 per cent.

Financial assistance to local bodies and other institutions

1.7.3 Table 11 gives the financial assistance paid to various autonomous bodies and other institutions during 2000-05.

Table 11 – Financial assistance to autonomous bodies and other institutions

	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Private educational institutions	5.63	9.15	8.75	12.01	10.90
Municipalities	15.06	16.62	26.89	21.73	19.24
Commune panchayats	9.75	12.10	11.49	14.39	8.27
Statutory boards/authorities	39.77	48.10	48.96	61.59	152.43
Other institutions					
(i) Co-operative institutions	14.15	11.50	9.53	15.44	31.71
(ii) Others	2.35	2.80	5.24	6.50	5.59
Total	86.71	100.27	110.86	131.66	228.14
Percentage of growth over previous year	10	16	11	19	73
Assistance as a percentage of revenue expenditure	9	9	10	10	14

1.7.4 As per financial rules, when grants are given for specific purposes, certificates of utilisation should be obtained from the grantees, verified and forwarded to the Directorate of Accounts and Treasuries (DAT) within 18 months (amended as 12 months from December 2003) from the date of sanction, unless specified otherwise. Of the 2,106 utilisation certificates aggregating Rs 152.84 crore due in respect of grants and loans released up to March 2004, only 800 utilisation certificates for Rs 59.17 crore had been received by 31 March 2005 and 1,306 certificates for an aggregate amount of Rs 93.67 crore were in arrears (**Appendix I**). Out of this, utilisation certificates for Rs 8.98 crore relates to grants and loans released during 1999-2000 and earlier years.

Misappropriation and losses

1.7.5 Cases of misappropriation of the Government money, stores etc., reported to Audit till the end of March 2005, on which final action was pending at the end of June 2005 are given in the Table 12.

Table 12 – Details of cases of misappropriation and losses

Serial number		Number of cases	Amount (Rupees in lakh)
1.	Cases reported to the end of March 2004 and outstanding at the end of June 2004	355*	310.24
2.	Cases reported during April 2004 to March 2005	5	1.18
	Total	360	311.42
3.	Cases closed during July 2004 to June 2005	69	2.03
4.	Cases outstanding at the end of June 2005	291	309.39

* The figure mentioned in the Audit Report 2003-04 was changed due to inclusion of three cases (Rs 2,170) which were omitted earlier.

The department-wise and year-wise analysis of the cases and their status as of June 2005 are indicated in **Appendix II**.

1.8 Assets and Liabilities

1.8.1 The Government accounting system does not attempt a comprehensive accounting of fixed assets i.e., land, building, etc., owned by the Government. However, the Government Accounts do capture the financial liabilities of the Government and the assets created out of the expenditure. Statements 11, 13, 15 and 16 of the Finance Accounts show the year end balances of various assets and liabilities of the Government. Table 13 presents an abstract of such liabilities and the assets as on 31 March 2005 compared with the corresponding position on 31 March 2004.

Table 13 – Assets and liabilities of the UT Government as on 31 March 2005

(Rupees in crore)

As on 31.03.2004	Liabilities	As on 31.03.2005
	Public Debt:	
	Loans and Advances from Central Government:	
765.15	Non-Plan loans	983.67
545.99	Loans for Union Territory plan schemes	568.03
--	Loans for Central plan schemes	--
1.17	Loans for Centrally sponsored schemes	1.27
1,312.31		1,552.97
0.50	Contingency Fund	0.50
	Surplus on Government Account :	
296.16	Opening balance brought forward	296.16
	Add: Pro forma Corrections	0.93 ³
	Current year's surplus	58.43
		355.52
1,608.97	Total	1,908.99
As on 31.03.2004	Assets	As on 31.03.2005
	Gross Capital Outlay:	
416.73	Investments in shares of Companies, Co-operatives, etc.,	554.12
994.97	Other Capital Outlay	1,055.18
		1,609.30
	Loans and Advances:	
3.80	Loans to Co-operatives	3.73
20.75	Other development loans	16.42
24.34	Loans to Government Servants	23.94
		44.09
148.38	Cash Balance	255.60
1,608.97	Total	1,908.99

1.8.2 The table indicates that assets amounting to Rs 1,653.39 crore comprising capital outlay and loans and advances were created mainly out of funds borrowed from the GOI and surplus on the Government Account.

Incomplete projects

1.8.3 As per the information received from the UT Government, there were 24 incomplete projects which were scheduled for completion before 31 March 2005 and in which Rs 12.69 crore were incurred as of 31 March 2005. The delay was mainly due to change in plan, design and site, encroachment and contractors' delay.

Fiscal liabilities – Public debt

1.8.4 The fiscal liabilities of the UT Government represent mainly the outstanding debt due to the GOI (Statement 15 of the Finance Accounts). Table 14 indicates the growth of fiscal liabilities during 2000-05 with reference to the growth of revenue from own sources and the GSDP.

³ Conversion of interest of Rs 93.50 lakh into interest free loan

Table 14 – Fiscal liabilities – Basic parameters

	2000-01	2001-02	2002-03	2003-04	2004-05
Fiscal liabilities (Rupees in crore)	805.49	944.75	1,113.24	1,312.31	1,552.97
Rate of growth	15.3	17.3	17.8	17.9	18.3
Percentage of fiscal liabilities-					
(i) to the GSDP	21.3	22.6	22.1	22.8	24.1
(ii) to own resources	147	165	162	163	172
Buoyancy of fiscal liabilities-					
(i) With the GSDP	0.7	1.6	0.9	1.3	1.5
(ii) With own resources	1.1	4	0.9	1.0	1.5

1.8.5 The fiscal liabilities of the UT Government increased steadily every year and its growth was faster than the growth of the GSDP except during 2000-01 and 2002-03. For one *per cent* increase in GSDP, the fiscal liabilities of the UT Government had grown by 1.5 *per cent* during 2004-05.

1.8.6 Increasing liabilities raise the issue of sustainability. One of the indicators of fiscal sustainability is the existence of positive spread between rate of growth of the GSDP and the weighted average interest rate. In the UT, the weighted interest rate on fiscal liabilities during 2000-05 exceeded the rate of growth of the GSDP only during 2001-02 as indicated in Table 15.

Table 15 – Debt sustainability – Interest rate and GSDP growth

	(In per cent)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Weighted average interest rate ⁴	11.5	11.5	11.2	11.1	10.7
GSDP Growth	21.2	10.8	20.1	14.2	12.4
Interest spread ⁵	9.7	(-) 0.7	8.9	3.1	1.7

1.8.7 Another important indicator of debt sustainability is net availability of funds after repayment of the principal on account of the earlier contracted liabilities and interest. Table 16 gives the position of receipt and repayment of debt over the last five years.

Table 16 – Net availability of borrowed funds

	(Rupees in crore)				
Loans and advances from the GOI	2000-01	2001-02	2002-03	2003-04	2004-05
Receipt	155.40	193.34	229.96	268.40	347.54
Repayment (Principal + Interest)	134.66	155.07	177.06	203.84	259.70
Net funds available	20.74	38.27	52.90	64.56	87.84
Net funds availability (In per cent)	13	20	23	24	25
Cash balance	37.18	29.99	85.60	148.38	255.60

⁴ Interest payments / [(Amount of previous year's fiscal liabilities + current year's fiscal liabilities)/2] X 100

⁵ GSDP growth *minus* weighted average interest rate

1.8.8 The net funds available on account of the loans and advances from the GOI after providing for interest and repayments steadily increased from 13 to 25 *per cent*. However, there was huge cash balance with the UT Government indicating that the borrowed funds available for development works were not actually utilised. The excess borrowing increased the interest liability without in any way contributing to the economy of the UT.

1.9 Guarantees given by the GOI

1.9.1 The Government of Union Territories Act, 1963, does not empower the UT Governments to give guarantees; the guarantees for the purposes of administration of the UT are given by the GOI under Article 292 of the Constitution. In the event of any guarantee being invoked, the payment is made initially by the GOI and subsequently recovered from the UT. Thus, the guarantees given by the GOI constitute a contingent liability to the UT Government.

1.9.2 Government of India guaranteed the repayment of loans upto a maximum of Rs 22.14 crore and payment of interest thereon on behalf of three co-operative institutions and one Government company⁶ as on 31 March 2005. The contingent liability of the guarantees stood at Rs 8.74 crore (Principal – Rs 8.53 crore; Interest – Rs 0.21 crore) as on 31 March 2005. No guarantee was invoked during the year.

1.10 Investments and returns

1.10.1 Statement 12 of the Finance Accounts showed that as on 31 March 2005, the Government had invested Rs 554.12 crore in 13 companies (10 owned by the UT Government and three owned by other States/GOI) and 365 co-operative institutions. Table 17 shows the details of investments and returns realised during the years 2000-05 by way of dividend.

⁶ (1) Pondicherry Co-operative Central Land Development Bank Limited,
(2) Pondicherry Co-operative Milk Producers' Union Limited,
(3) Pondicherry State Co-operative Housing Federation Limited and
(4) Pondicherry Adi-draavidar Development Corporation Limited

Table 17 - Return on investment

Year	Investments at the end of the year	Returns	Percentage of return	Rate of interest on amount borrowed (Weighted)
	(Rupees in crore)			
2000-01	402.71	0.23	0.1	11.5
2001-02	446.76	0.73	0.2	11.5
2002-03	*476.59	2.84	0.6	11.2
2003-04	*517.85	2.47	0.5	11.1
2004-05	554.12	2.79	0.5	10.7

* The figures mentioned in earlier reports were changed due to pro forma corrections made in the Finance Accounts

1.10.2 While the Government was raising high cost borrowings from the GOI, its investments in the Government companies and co-operative institutions fetched insignificant return. The working results of the Government companies owned by the UT Government are discussed in detail in Chapter VII of this Report. During 2004-05, only three companies paid dividend and six companies did not declare any dividend during the past five to 15 years.

1.11 Loans and advances by the UT Government

1.11.1 The Government gives loans and advances to the Government companies, corporations, local bodies, autonomous bodies, co-operatives etc., for developmental and non-developmental activities. It also disburses loans to the Government servants for construction of houses, purchase of vehicles, etc. The details of loans advanced and recovered during 2000-05 and the outstanding balances are given in Table 18.

Table 18 –Loans and advances by UT Government

	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Opening balance	50.81	53.74	50.82	50.16	44.89
Amount of advance during the year	14.54	7.32	5.43	4.95	5.46
Amount repaid during the year	5.44	6.24	5.88	6.22	6.26
Closing balance	59.91	54.82	50.37	48.89	44.09
Net addition	9.10	1.08	(-) 0.45	(-) 1.27	(-) 0.80
Interest received	1.23	3.15	1.83	1.82	1.97

1.11.2 The reduction in opening balance compared to the closing balance of previous years in all these years was due to conversion of loan into share capital. In spite of such conversions, the interest recovered constituted meagre percentage of the outstanding loan.

1.11.3 The eleven Departmental Officers who maintain detailed accounts of loans, are to confirm the balance and furnish particulars of overdue amount

to DAT. The certificate of confirmation furnished by four Heads of Department revealed that out of overdue amount of Rs 6.26 crore (Principal: Rs 3.08 crore and Interest: Rs 3.18 crore) pending recovery, Rs 4.68 crore related to 2002-03 and earlier years.

1.12 Conclusion

The growth of revenue receipts is mainly attributable to increased grants-in-aid received from the GOI. The major portion of the revenue expenditure was of non-developmental nature and the investments fetched poor returns. Even the net funds available on account of loans and advances from the GOI, after providing for interest and repayments was not fully utilised but kept as cash balance.