

CHAPTER I
FINANCES OF THE UNION
TERRITORY GOVERNMENT OF
PUDUCHERRY

AN OVERVIEW OF THE FINANCES OF THE UNION TERRITORY GOVERNMENT OF PUDUCHERRY

Summary

- The revenue expenditure of the Union Territory Government grew from Rs 1099 crore in 2001-02 to Rs 1794 crore in 2005-06. Of this, 64 *per cent* was under non-plan.
- Fiscal liabilities grew from Rs 945 crore in 2001-02 to Rs 1820 crore in 2005-06. During 2005-06, the net fund available (Rs 96.06 crore) out of the borrowed funds was not utilised but kept in cash balance resulting in additional interest liability.
- Return on Government investment of Rs 607 crore made in the Government companies, co-operative institutions, etc. was only Rs 1.74 crore (0.3 *per cent*).

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 money 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 Finance Accounts of the UT Government of Puducherry are laid out in sixteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund and Contingency Fund of the UT. The lay out of the Finance Accounts is depicted in **Appendix 1-Part A**.

1.1.1 Summary of receipts and disbursements

Table-1 summarises the finances of the UT Government of Puducherry for the year 2005-06 covering revenue receipts and expenditure and capital receipts and expenditure as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table-1: Summary of receipts and disbursements for the year 2005-06

(Rupees in crore)

2004-05	Receipts	2005-06	2004-05	Disbursements	2005-06		
Section-A: Revenue					Non Plan	Plan	Total
1631	Revenue receipts	1802	1573	Revenue expenditure	1148	646	1794
404	Tax revenue	479	343	General services	363	18	381
501	Non-tax revenue	511	579	Social services	275	408	683
--	Share of Union Taxes/Duties	--	648	Economic services	506	220	726
726	Grants from Government of India	812	3	Grants-in-aid and Contributions	4	--	4
Section-B: Capital							
--	Miscellaneous Capital Receipts	--	192	Capital Outlay	(-) 1 ^(A)	290	289
6	Recoveries of Loans and Advances	6	5	Loans and Advances disbursed	3	1	4
348	Public debt receipts	353	107	Repayment of Public Debt			86
--	Contingency Fund	--	--	Contingency Fund			--
148	Opening Cash Balance	256	256	Closing Cash Balance			244
2133	Total	2417	2133	Total			2417

^(A) The minus expenditure was due to issue of more stores from 'Stock' than that purchased during the year.

The increase of Rs 171 crore over the last year in revenue receipts was mainly because of increase in tax revenue and grants from GOI. There was no significant increase in the receipts under Public Debt and the overall increase in the total receipts was mainly contributed by increase in revenue receipts. There was significant increase in the revenue expenditure under General, Social and Economic services. This along with the increase in capital expenditure contributed to the increase in total expenditure of the UT Government.

1.1.2 The Fiscal responsibility and Budget Management Act has not been enacted in the UT.

1.2 Overview of fiscal situation of the Union Territory

1.2.1 Trends in fiscal aggregates

The fiscal position of the UT Government during the current year as compared to the previous year is given in **Table-2**.

Table-2

(Rupees in crore)

2004-05	Sl. No	Major Aggregates	2005-06
1631	1.	Revenue Receipts (2+3+4)	1802
404	2.	Tax Revenue (Net)	479
501	3.	Non-Tax Revenue	511
726	4.	Other Receipts	812
6	5.	Non-Debt Capital Receipts	6
6	6.	<i>Of which</i> Recovery of loans	6
1637	7.	Total Receipts (1+5)	1808
1145	8.	Non-Plan Expenditure	1150
1142	9.	On Revenue Account	1148
153	10.	<i>Of which</i> Interest payments	171
(-) 2*	11.	On Capital Account	(-) 1*
5	12.	On Loans disbursed	3
626	13.	Plan Expenditure	937
431	14.	On Revenue Account	646
195	15.	On Capital Account	290
--	16.	On Loans disbursed	1
1771	17.	Total Expenditure (13+8)	2087
58	18.	Revenue Surplus (1-9-14)	8
134	19.	Fiscal Deficit (17-1-5)	279
--	20.	Primary Deficit (19-10)	108

* The minus expenditure was due to issue of more stores from 'Stock' than that purchased during the year

The increased revenue receipts over the previous year were mainly utilised to meet increased revenue expenditure under Plan side, which was mainly responsible for increase in fiscal deficit.

1.3 Audit methodology

Audit observations on the Statements of Finance Accounts for the year 2005-06 bring out the trends in the major fiscal aggregates of receipts and expenditure, and wherever necessary, by analysing them in the light of time series data and periodic comparisons (**Appendix II**), Abstract of receipts and disbursements (**Appendix III**), Sources and application of funds

(**Appendix IV**) and Summarised financial position of Government of UT of Puducherry (**Appendix V**). Major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and fiscal deficit have been presented as percentage to the Gross State Domestic Product (GSDP) at current market prices. The New GSDP series with 1993-94 as base as published by the Director of Economics and Statistics of the UT Government have been used. For tax revenues, non-tax revenues, revenue expenditure etc, buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP. The key indicators adopted for the purpose are (i) resources by volume and sources, (ii) application of resources, (iii) assets and liabilities and (iv) management of deficits. Audit observations also take into account the cumulative impact of resource mobilisation efforts and debt servicing. The overall financial performance of the UT 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, selected indicators of financial performance of the Government are also listed in this section; some of the terms used in this context are explained in **Appendix 1-Part B**.

1.4 Union Territory finances by key indicators

1.4.1 Resources by volumes and sources

Resources of the UT Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues and grants-in-aid from the GOI. Capital receipts comprise miscellaneous capital receipts such as recoveries of loans and advances and loans and advances from GOI. The total receipts of the UT Government for the year 2005-06 were Rs 2161 crore. Of these, the revenue receipts were Rs 1802 crore, constituting 83 *per cent* of the total receipts. The balance came from borrowings (Rs 353 crore) and receipts from recovery of loans and advances (Rs 6 crore).

1.4.2 Revenue receipts

Statement-9 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax and non-tax revenues and grants-in-aid from GOI. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the GSDP and its buoyancies are indicated in **Table-3**.

Table-3: Revenue receipts - Basic parameters

	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue receipts (RR) (Rupees in crore)	1073	1185	1303	1631	1802
Own taxes (<i>per cent</i>)	25	23	27	25	27
Non-tax revenue (<i>per cent</i>)	28	35	35	31	28
Grants-in-aid (<i>per cent</i>)	47	42	38	44	45
Rate of growth of RR (<i>per cent</i>)	13.3	10.5	9.9	25.2	10.5
RR/GSDP (<i>per cent</i>)	26	24	23	25	25
Revenue buoyancy (ratio)	1.2	0.5	0.7	2.0	0.9
State's own taxes buoyancy (ratio)	(-) 0.7	0.1	1.9	1.2	1.6
Revenue buoyancy with reference to State's own taxes (ratio)	(-) 1.7	5	0.4	1.7	0.6
GSDP Growth (<i>per cent</i>)	10.8	20.1	14.2	12.4	11.5

The share of revenue receipts to GSDP remained the same at *25 per cent* during 2004-05 and 2005-06. However, the growth of revenue receipts was less than the growth of own taxes during 2005-06 due to poor growth in non-tax receipts.

While the tax revenue increased from *25 per cent* in 2004-05 to *27 per cent* in 2005-06 and there was decrease in non-tax revenue from *31 per cent* in 2004-05 to *28 per cent* in 2005-06. The major contributory factors for the increase and decrease are discussed in paragraphs 6.1.2 and 6.1.3 of Chapter VI of this Report. There was increase of Rs 86 crore in the grants from GOI mainly due to increase (Rs 164.64 crore) under UT Government Plan Schemes (Block grants). Total GOI grants also included unutilised grant (Rs 26.77 crore) for 2004-05 which was kept under the Public Account of GOI.

The arrears of revenue pending collection which was Rs 91.12 crore in 2004-05 increased to Rs 109.39 crore in 2005-06 (*20 per cent*). The arrears mainly related to Electricity Department (Rs 76.77 crore), State Excise (Rs 14.76 crore) and Commercial Tax (Rs 9.99 crore). The details and action taken to recover the arrears are discussed in paragraph 6.1.7 of Chapter VI of this Report.

1.4.3 Sources of receipts

The source of receipts under different heads as well as GSDP during 2001-06 is indicated in **Table-4**.

Table-4: Source of receipts – Trends

(Rupees in crore)

Year	Revenue receipts	Capital receipts		Total receipts	GSDP
		Non-debt receipts	Debt receipts		
2001-02	1072.59	6.24	193.34	1272.17	4188.09
2002-03	1185.49	5.88	229.96	1421.33	5031.25
2003-04	1302.52	6.22	268.40	1577.14	*5746.32
2004-05	1631.00	6.26	347.54	1984.80	**6456.68
2005-06	1801.88	6.15	353.33	2161.36	***7196.17

* : Provisional; **: Quick estimates ; *** : Advance estimates.

The total receipts is mainly contributed by revenue receipts and loan from GOI. The share of revenue receipts to total receipts ranged from 82 to 84 per cent during 2001-06. However, 38 to 47 per cent of revenue receipts is contributed by grants from GOI during these years indicating GOI assistance is the main source of income for the UT Government.

1.5 Application of resources

1.5.1 Growth of expenditure

Statement 10 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. States/UTs raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. Total expenditure of the UT increased from Rs 1225.28 crore in 2001-02 to Rs 2087.07 crore in 2005-06. Total expenditure, its annual growth rate and ratio of expenditure to the GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table-5**.

Table-5: Total expenditure – Basic parameters

	2001-02	2002-03	2003-04	2004-05	2005-06
Total expenditure (TE) (Rupees in crore)	1225.28	1304.25	1445.03	1770.69	2087.07
Rate of Growth (<i>per cent</i>)	17.6	6.4	10.8	22.5	17.9
TE/GSDP Ratio (<i>per cent</i>)	29.3	25.9	25.1	27.4	29.0
RR /TE Ratio (<i>per cent</i>)	88	91	90	92	86
Buoyancy of total expenditure with reference to :					
GSDP (ratio)	1.6	0.3	0.8	1.8	1.6
RR (ratio)	1.3	0.6	1.1	0.9	1.7

Total expenditure comprises revenue expenditure, capital expenditure and loans and advances. The total expenditure has increased at an annual average rate of 14 per cent per annum during 2001-06 with oscillations ranging from 6 per cent to 22.5 per cent. In relative terms, the capital and revenue expenditure components have increased by 142 per cent and 63 per cent respectively during the period 2001-06, however in absolute terms, increases were of the order of Rs 99 crore in capital expenditure and Rs 696 crore in revenue account during the period under report. These trends indicate that increase in capital and revenue expenditure was in the ratio of 1:7 during the last five year period. An increase of Rs 642 core in total expenditure during the last two years since 2003-04, has been reported to mainly on account of an increase of 95 per cent in Plan revenue expenditure from Rs 331 crore in 2003-04 to Rs 647 crore in 2005-06. Eighty six per cent of the total expenditure were met from its revenue receipt leaving the balance to be financed by borrowings.

Trends in total expenditure by activities: 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, grants-in-aid and loans and advances. Relative share of these components in total expenditure is indicated in **Table-6**.

Table-6: Components of expenditure – Relative share

	(in per cent)				
	2001-02	2002-03	2003-04	2004-05	2005-06
General Services	19.3	20.7	21.1	20.2	19.5
Of which interest payments	8.2	8.9	9.3	8.6	8.2
Social Services	27.9	30.7	31.5	36.3	37.2
Economic Services	52.0	48.0	46.8	43.0	42.9
Grants-in-aid	0.2	0.2	0.2	0.2	0.2
Loans and Advances	0.6	0.4	0.4	0.3	0.2

Though the share of expenditure on Social Services and Economic Services, which are considered developmental expenditure, constituted 80.1 per cent of total expenditure. The share of Social Services showed an increasing trend from 27.9 per cent in 2001-02 to 37.2 per cent in 2005-06 whereas the share of Economic Services declined from 52 per cent in 2001-02 to 42.9 per cent in 2005-06. This indicates that the Government concentrated on welfare schemes during successive years.

1.5.2 Incidence of revenue expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payment, for the past obligations and as such does not result in any addition to the infrastructure and service network of the UT. The overall

revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in **Table-7**.

Table-7: Revenue expenditure: Basic parameters

	(Rupees in crore)				
	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Expenditure (RE)	1098.72	1151.31	1293.60	1572.57	1794.42
Of which					
Non-plan Revenue Expenditure (NPRE)	852.53	879.62	962.12	1141.41	1147.88
Plan Revenue Expenditure (PRE)	246.19	271.69	331.48	431.16	646.54
Rate of Growth (<i>per cent</i>)	19.6	4.8	12.4	21.6	14.1
NPRE	22.3	3.2	9.4	18.6	0.6
PRE	11.0	10.4	22.0	30.1	49.9
NPRE/GSDP (<i>per cent</i>)	20.4	17.5	16.7	17.7	15.9
NPRE as <i>per cent</i> of TE	69.6	67.4	66.6	64.5	55.0
NPRE as <i>per cent</i> of RR	79.5	74.2	73.9	70.0	63.7
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.8	0.2	0.9	1.7	1.2
Revenue Receipts (ratio)	1.5	0.4	1.2	0.9	1.3

The rate of growth of Plan Revenue Expenditure which was 11 *per cent* in 2001-02 increased to 49.9 *per cent* in 2005-06. The rate of growth of Non-plan Revenue Expenditure, which increased from 3.2 *per cent* in 2002-03 to 18.6 *per cent* in 2004-05, declined to 0.6 *per cent* in 2005-06. The buoyancy of revenue expenditure with GSDP and revenue receipts declined in 2005-06 as compared to 2001-02 indicating the lesser growth rate of revenue expenditure as compared to GSDP and revenue receipts.

1.5.3 Committed expenditure

Expenditure on salaries

During 2005-06, the expenditure on salaries was Rs 364.24 crore (Non-plan Head - Rs 286.84 crore; Plan Head - Rs 77.62 crore). The share of salaries in revenue expenditure was 20 *per cent* during 2005-06. Besides, salaries as a percentage of GSDP and revenue receipts was 5 and 20 *per cent* respectively.

Pension payments

Table-8: Expenditure on pensions

	(Rupees in crore)				
Heads	2001-02	2002-03	2003-04	2004-05	2005-06
Expenditure on Pensions	46.67	57.24	71.82	77.33	86.68
As <i>per cent</i> of GSDP	1.1	1.1	1.2	1.2	1.2
As <i>per cent</i> of RR	4.4	4.8	5.5	4.7	4.8
As <i>per cent</i> of NPRE	5.5	6.5	7.5	6.8	7.6

Pension payment increased by 12 *per cent* from Rs 77.33 crore in 2004-05 to Rs 86.68 crore in 2005-06 mainly due to increase in number of superannuation pension and payment of two instalments of dearness relief to pensioners. Though pension payments as a percentage of GSDP and revenue receipts did not show any appreciable increase, as a percentage of Non-Plan Revenue Expenditure, it increased from 6.8 in 2004-05 to 7.6 in 2005-06.

Interest payments

Table-9: Interest payments

Year	Interest Payments (Rupees in crore)	Percentage of interest payments with reference to	
		Revenue Receipts	Revenue Expenditure
2001-02	101	9.42	9.19
2002-03	116	9.75	10.04
2003-04	134	10.33	10.40
2004-05	152	9.37	9.72
2005-06	171	9.51	9.55

The expenditure on interest was only on loan from GOI. Though GOI reduced the rate of interest on loan from 11 to 12 *per cent* in 2001-02 to 9 to 9.5 *per cent* in 2005-06, the interest payments increased from Rs 100.99 crore in 2001-02 to Rs 171.39 crore in 2005-06. Interest payments increased by nearly 12 *per cent* over the previous year mainly because of more interest payments on GOI loans for Plan and Non-plan schemes. This shows greater dependence of the UT on GOI loans.

Subsidies

The trends in the subsidies given by the UT Government are given in **Table-10**.

Table-10: Subsidies

Year	Amount (Rupees in crore)	Percentage increase (+)/ decrease (-) over previous year	Percentage of subsidy in total expenditure
2001-02	2.08	--	0.17
2002-03	3.89	87	0.30
2003-04	6.70	72	0.46
2004-05	11.07	65	0.62
2005-06	17.93	63	0.86

The amount indicated in the table represents the expenditure booked under the object head 'Subsidy' and did not include free supply of electricity to small farmers and poor people under 'One Hut One Bulb' scheme. Besides, free supply of rice, cloth, etc., made by various departments and cash incentives and subsidies paid to agriculturists are classified as 'other charges'. Subsidies ranging between Rs 1.78 crore and Rs 3.10 crore were released for 'Special Livestock Breeding Programme', 'Rural House site cum House Construction' and 'Construction of Low Cost Dwelling Units' during 2005-06.

1.6 Expenditure by allocative priorities

1.6.1 Quality of expenditure

The availability of better social and physical infrastructure in the UT reflects its quality of expenditure. Therefore ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running efficiently and effectively the existing social and economic services would determine the quality of expenditure. The higher the ratio of these components to total expenditure and GSDP the better is quality of expenditure. **Table-11** gives these ratios during 2001-06.

Table-11 – Indicators of quality of expenditure

	(Rupees in crore)				
	2001-02	2002-03	2003-04	2004-05	2005-06
Capital Expenditure	119.24	147.51	146.48	192.66	288.81
Revenue Expenditure	1098.72	1151.31	1293.60	1572.57	1794.42
<i>Of which</i>					
Social and Economic Services with					
(i) Salary & Wage Component	210.42	224.72	238.15	258.65	266.41
(ii) Non-Salary & Wage Component	662.90	674.65	758.19	968.56	1143.49
As per cent of Total Expenditure					
Capital Expenditure	9.7	11.3	10.1	10.9	13.8
Revenue Expenditure	89.7	88.3	89.5	88.8	86.0
As per cent of GSDP					
Capital Expenditure	2.8	2.9	2.5	3.0	4.0
Revenue Expenditure	26.2	22.9	22.5	24.4	24.9

While capital expenditure as a percentage of total expenditure increased from 9.7 per cent in 2001-02 to 13.8 per cent in 2005-06, the revenue expenditure declined from 89.7 per cent to 86 per cent during this period. When compared to previous year, both capital and revenue expenditure as percentage of GSDP increased marginally during 2005-06.

1.6.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities etc. have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. **Table-12** summarises the expenditure incurred by the UT Government in expanding and strengthening of social services in the State during 2001-06.

Table-12: Expenditure on Social Services

	(Rupees in crore)				
	2001-02	2002-03	2003-04	2004-05	2005-06
Education, Sports, Art and Culture					
Revenue expenditure	137.24	153.22	157.86	177.64	192.80
<i>Of which</i>					
(a) Salary & Wage component	95.70	104.61	109.30	122.30	126.36
(b) Non-salary & Wage component	41.54	48.61	48.56	55.34	66.44
Capital expenditure	6.61	14.69	12.09	16.82	38.69
Health and Family Welfare					
Revenue expenditure	79.95	77.90	81.79	93.44	107.83
<i>Of which</i>					
(a) Salary & Wage component	46.02	49.03	52.66	57.48	64.81
(b) Non-salary & Wage component	33.93	28.87	29.13	35.96	43.02
Capital expenditure	0.54	2.15	3.59	8.30	10.51
Water Supply, Sanitation, Housing and Urban Development					
Revenue expenditure	31.93	43.16	55.98	104.09	115.81
<i>Of which</i>					
(a) Salary & Wage component	4.73	4.85	4.88	5.27	5.43
(b) Non-salary & Wage component	27.20	38.31	51.10	98.82	110.38
Capital expenditure	14.61	21.84	27.21	34.25	40.84
Other Social Services					
Revenue expenditure	70.08	86.79	115.50	203.80	267.42
<i>Of which</i>					
(a) Salary & Wage component	15.90	17.02	18.59	16.22	13.77
(b) Non-salary & Wage component	54.18	69.77	96.91	187.58	253.66
Capital expenditure	0.47	1.00	0.89	5.00	3.63
Total (Social Services)					
Revenue expenditure	319.20	361.07	411.13	578.97	683.86
<i>Of which</i>					
(a) Salary & Wage component	162.35	175.51	185.43	201.27	210.36
(b) Non-salary & Wage component	156.85	185.56	225.70	377.70	473.50
Capital expenditure	22.23	39.68	43.78	64.37	93.67

The increase of revenue expenditure under 'Social Services' sector during 2001-06 was 114 *per cent*. While the increase under the components 'Education and Health' during this period were 40 *per cent* and 35 *per cent* respectively, the increase under the component 'Water Supply, Sanitation, Housing and Urban Development' was 263 *per cent*. The increase in 'Salary and Wage Components' under revenue expenditure during 2001-06 was mainly contributed by education and health components of the sector.

1.6.3 Expenditure on Economic Services

The expenditure on economic services includes all such expenditures as to promote directly or indirectly, productive capacity within the States' economy. The expenditure on Economic Services (Rs 895.13 crore) during 2005-06 accounted for 43 *per cent* of the total expenditure (**Table-13**). Of this, Agriculture and Allied Activities, Irrigation and Flood Control, Energy and Transport consumed nearly 81 *per cent* of the expenditure.

Table-13: Expenditure on Economic Sector

(Rupees in crore)					
	2001-02	2002-03	2003-04	2004-05	2005-06
(1)	(2)	(3)	(4)	(5)	(6)
Agriculture and Allied Activities					
Revenue expenditure	48.16	49.74	56.92	70.59	89.86
<i>Of which</i>					
(a) Salary & Wage Component	14.96	15.51	16.81	18.38	17.89
(b) Non-salary & Wage Component	33.20	34.23	40.11	52.21	71.97
Capital expenditure	5.75	3.43	2.77	5.84	5.49
Irrigation and Flood Control					
Revenue expenditure	11.30	13.94	13.24	18.57	17.70
<i>Of which</i>					
(a) Salary & Wage Component	6.41	6.06	6.35	7.15	4.80
(b) Non-salary & Wage Component	4.89	7.88	6.89	11.42	12.90
Capital expenditure	7.16	17.31	10.27	23.64	31.99
Power and Energy					
Revenue expenditure	408.68	407.98	428.18	448.88	450.57
<i>Of which</i>					
(a) Salary & Wage Component	14.44	15.07	16.09	17.41	18.48
(b) Non-salary & Wage Component	394.24	392.91	412.09	431.47	432.09
Capital expenditure	24.93	22.04	23.30	25.07	28.62
Transport					
Revenue expenditure	15.27	19.00	23.21	29.00	48.45
<i>Of which</i>					
(a) Salary & Wage Component	3.74	3.99	4.10	4.34	4.53
(b) Non-salary & Wage Component	11.53	15.01	19.11	24.66	43.92
Capital expenditure	15.71	21.66	22.76	25.59	54.87

(1)	(2)	(3)	(4)	(5)	(6)
Other Economic Services					
Revenue expenditure	70.71	47.64	63.66	81.20	119.44
<i>Of which</i>					
(a) <i>Salary & Wage Component</i>	8.52	8.58	9.37	10.10	10.33
(b) <i>Non-salary & Wage Component</i>	62.19	39.06	54.29	71.10	109.11
Capital expenditure	28.90	23.25	32.51	33.11	48.13
Total (Economic Services)					
Revenue expenditure	554.12	538.30	585.21	648.24	726.03
<i>Of which</i>					
(a) <i>Salary & Wage Component</i>	48.07	49.21	52.72	57.38	56.04
(b) <i>Non-salary & Wage Component</i>	506.05	489.09	532.49	590.86	669.99
Capital expenditure	82.45	87.69	91.61	113.25	169.10

The increase in revenue expenditure under Economic Sector during 2001-06 was mainly contributed by the increase under Agriculture and Transport components. These increasing trend noticed in expenditure under salaries and wages component during 2001-05 was arrested in 2005-06. The increase in capital expenditure during 2001-06 was mainly due to increased expenditure under Irrigation and Flood Control and Transport components.

1.6.4 Financial assistance to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the five year period 2001-06 is presented in **Table-14**.

Table-14: Financial assistance

	(Rupees in crore)				
	2001-02	2002-03	2003-04	2004-05	2005-06
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	9.15	8.75	12.01	10.90	45.22
Municipal Corporations and Municipalities	16.62	26.89	21.73	19.24	43.26
Commune Panchayats	12.10	11.49	14.39	8.27	31.11
Statutory Boards/Authorities	48.10	48.96	61.59	152.43	184.76
Other Institutions - Co-operatives	11.50	9.53	15.44	31.71	25.47
Other Institutions	2.80	5.24	6.50	5.59	2.28
Total	100.27	110.86	131.66	228.14	332.10
Assistance as per percentage of RE	9	10	10	14	19

The huge increase in financial assistance over 2004-05 was mainly due to grants released to Project Implementation Agency and local bodies for Tsunami relief (Rs 95 crore).

1.6.5 Delay in furnishing utilisation certificates

Of the 2075 utilisation certificates (UC) due in respect of grants and loans aggregating Rs 239.92 crore paid up to March 2005, 1550 UCs for an aggregate amount of Rs 205.17 crore were in arrears. Details of department-wise break-up of outstanding UCs are given in **Appendix VI**.

1.6.6 Non-submission of accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of the Department are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. The accounts for the year 2005-06 had not been received as of July 2006 from 50 grantees. The number of defaulting grant receiving institutions who had not furnished accounts for earlier years also are listed in **Appendix VII**.

1.6.7 Abstract of performance of the autonomous bodies

The audit of accounts of Union Territory of Puducherry Legal Services Authority has been entrusted to the Comptroller and Auditor General of India under section 19(2) of Comptroller and Auditor General of India (Duties, Powers and Conditions of Service) Act, 1971. The Separate Audit Report for the year 2004-05 was placed before the Legislature in August 2006.

1.6.8 Misappropriations, losses, defalcations, etc.

State Government reported 292 cases of misappropriation, defalcation, etc involving Government money amounting to Rs 3.93 crore up to the period March 2006 on which final action was pending. The department-wise break up of pending cases is given in **Appendix VIII**.

A specific case of misappropriation due to defective reconciliation in Electricity Department is discussed below:

Failure to analyse the reasons for difference between the remittances made by the Department and amount credited in the treasury account led to misappropriation

Receipts and Payment Rules stipulates that the remittance should be checked with bank scroll/bank receipt periodically to take remedial measures to ensure proper credit of Government money. In Electricity Department, reconciliation of remittances in treasuries was made every month centrally by obtaining the details of remittances made by revenue collection centres in various divisions and by bill collectors. However, the reconciliation was done and attested by the Controlling Officer with reference to the total remittances as per departmental records with that of credit shown in treasury accounts without analysing the cause of differences in terms of individual remittances. This system did not allow the Department to identify the delay in credit of cash remittances.

In May 2005, the Executive Engineer, Division IX, made a preliminary check on suspicion that the revenue receipts of the division were not properly brought to Government Account. This check revealed that Rs 68.14 lakh shown as remitted into Government Account during March and April 2005 were not actually credited to Government Account. On his report, the Directorate of Accounts and Treasuries conducted special audit of this division during May-June 2005. The audit disclosed that amounts aggregating to Rs 1.25 crore was remitted by the cashier of the division after a delay of three to 81 days during August 2004 to April 2005 and Rs 81.26 lakh relating to the period October 2004 to April 2005 was not remitted to Government though the cash book indicated that the amount as remitted into treasury. The cashier was suspended and legal action initiated. Till July 2006, a sum of Rs 13.87 lakh was recovered through court order.

The failure to analyse the reasons for the difference between the remittance and credit in Government account, provided scope for temporary misappropriation of Government funds by delaying the remittance and led to loss of Rs 67.39 lakh of Government revenue.

1.7 Assets and liabilities

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, Government accounts do capture the financial liabilities of Government and the assets created out of the expenditure incurred. **Appendix V** gives an abstract of such liabilities and the assets as on 31 March 2006, compared with the corresponding position on 31 March 2005. While the liabilities in this Appendix consist mainly of loans and advances from the GOI, the assets comprise mainly the capital outlay and loans and advances given by the UT Government and cash balances. **Appendix II** depicts the time series data on UT Government finances for the period 2001-06.

1.7.1 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2006 is given in the **Table-15**.

Table-15: Department-wise profile of incomplete projects

Department	Number of incomplete projects	Initial budgeted cost	(Rupees in crore)
			Cumulative actual expenditure as on 31.3.2006
Public Works	110	97.15	61.33
Electricity	10	27.13	19.99
Total	120	124.28	81.32

Of the 120 works, 42 works in which Rs 20.17 crore spent were targeted to be completed only after March 2006. Besides, in respect of four works, Rs 5.52 crore were spent as of March 2006 against the budgeted cost of Rs 1.66 crore and no revised sanction were issued for these works.

1.7.2 Investments and returns

As of 31 March 2006, Government had invested Rs 606.98 crore in Government companies and Co-operatives (**Table-16**). The return on this investment was 0.2 to 0.6 *per cent* in the last five years while the Government paid interest at the average rate of 10.2 to 11.5 *per cent* on its borrowings during 2001-06.

Table-16: Return on investment

Year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on Government borrowing	Difference between interest rate and return
	(Rupees in crore)			(per cent)	
2001-02	446.76	0.73	0.2	11.5	11.3
2002-03	476.59	2.84	0.6	11.2	10.6
2003-04	517.85	2.47	0.5	11.1	10.6
2004-05	554.12	2.79	0.5	10.7	10.2
2005-06	606.98	1.74	0.3	10.2	9.9

The financial position and working results of Government companies are discussed in Chapter VII of this Report.

1.7.3 Loans and advances by UT Government

In addition to investments in co-operative societies, corporation and companies, Government has also been providing loans and advances to many of these institutions/organisations. Total outstanding loans and advances as on 31 March 2006 was Rs 41.76 crore (**Table-17**). Interest received against these loans advanced was 5 *per cent* during 2005-06 as against 4.5 *per cent* in previous year.

Table-17: Average interest received on loans advanced by the UT Government

(Rupees in crore)					
	2001-02	2002-03	2003-04	2004-05	2005-06
(1)	(2)	(3)	(4)	(5)	(6)
Opening balance*	53.74	50.82	50.16	44.89	44.06
Amount advanced during the year	7.32	5.43	4.95	5.46	3.85
Amount repaid during the year	6.24	5.88	6.22	6.26	6.15
Closing balance*	54.82	50.37	48.89	44.09	41.76
Net addition	1.08	(-) 0.45	(-) 1.27	(-) 0.80	(-) 2.30

(1)	(2)	(3)	(4)	(5)	(6)
Interest received	3.15	1.83	1.82	1.97	2.07
Interest received as <i>per cent</i> to outstanding loans and advances	5.7	3.6	3.7	4.5	5.0
Weighted interest rate (in <i>per cent</i>) paid on borrowings by UT Government.	11.5	11.2	11.1	10.7	10.2
Difference between weighted interest paid and received (<i>per cent</i>)	5.8	7.6	7.4	6.2	5.2

* The difference between opening balance and closing balance of previous year were due to *pro forma* corrections made during the respective years.

1.8 Undischarged liabilities

1.8.1 Fiscal liabilities – Public debt and guarantees

The UT Government has no power to raise market loans. The fiscal liability of the UT Government was only public debt which comprises loans and advances from the Central Government and is reported in the Annual Financial Statements under the Consolidated Fund – Capital Accounts.

Table-18 gives the fiscal liabilities of the UT, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table-18: Fiscal liabilities – Basic parameters

	2001-02	2002-03	2003-04	2004-05	2005-06
Fiscal Liabilities (Rupees in crore)	944.75	1113.24	1312.31	1552.97	1820.28
Rate of Growth (<i>per cent</i>)	17.3	17.8	17.9	18.3	17.2
Ratio of Fiscal Liabilities to					
GSDP (<i>per cent</i>)	22.6	22.1	22.8	24.1	25.3
Revenue Receipts (<i>per cent</i>)	88.1	93.9	100.7	95.2	101.0
Own Resources (<i>per cent</i>)	165	162	163	172	184
Buoyancy of Fiscal Liabilities to					
GSDP (ratio)	1.6	0.9	1.3	1.5	1.5
Revenue Receipts (ratio)	1.3	1.7	1.8	0.7	1.6
Own Resources (ratio)	4	0.9	1.0	1.5	1.8

Overall fiscal liabilities of the UT increased from Rs 944.75 crore in 2001-02 to Rs 1820.28 crore in 2005-06. The growth rate declined from 18.3 in 2004-05 to 17.2 in 2005-06. The ratio of fiscal liabilities to GSDP also increased from 22.6 *per cent* in 2001-02 to 25.3 *per cent* in 2005-06. These liabilities stood equal to the revenue receipts and 1.8 times of the UT own resources as at the end of 2005-06. The fiscal liabilities had grown faster than the GSDP of the UT during the five years except in 2002-03. The buoyancy of these liabilities with respect to GSDP during the year was 1.5 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 50 *per cent*.

1.8.2 Status of guarantees – contingent liabilities

The Government of UT Act, 1963, does not empower the UT Governments to give guarantees; the guarantees for the purpose 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 GOI and subsequently recovered from the UT Government. Thus, the guarantees given by the GOI constitute a contingent liability to the UT Government.

As per the Statement 5 of the Finance Accounts, the maximum amount for which guarantees were given by GOI and outstanding guarantees at the end of year since 2001-02 is given in **Table-19**.

Table-19: Guarantees given by Government of India for the Government of Union Territory of Puducherry

(Rupees in crore)

Year	Maximum amount guaranteed	Outstanding amount of guarantees
2001-02	37.55	22.90
2002-03	37.55	18.38
2003-04	34.94	11.38
2004-05	22.14	8.53
2005-06	34.94	7.78

No guarantee was invoked during any of the five years.

1.8.3 Net availability of funds

Another important indicator of debt sustainability is the net availability of funds after the payment of the principal on account of earlier contracted liabilities and interest. **Table-20** below gives the position of the receipt and repayment of loans and advances from GOI over the last five years.

Table-20: Net availability of borrowed funds

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Loans and advances from GOI					
Receipts	193.34	229.96	268.40	347.54	353.33
Repayment (Principal + Interest)	155.07	177.06	203.84	259.70	257.27
Net fund available	38.27	52.90	64.56	87.84	96.06
Net fund available (<i>per cent</i>)	20	23	24	25	27

The net funds available on account of the loans and advances from the GOI after providing for interest and repayments increased from 20 *per cent* in 2001-02 to 27 *per cent* in 2005-06. Even Rs 96.06 crore which was available for use for development expenditure during 2005-06 was not utilised as there

was a cash balance of Rs 243.86 crore as of March 2006. The excess borrowing increased the interest liability without in any way contributing to the economy of the UT.

1.9 Management of deficits

The deficit in the Government accounts represents 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 raised are applied are important pointers to its fiscal health.

Table-21 given below shows the basic parameter of fiscal imbalances during the period 2001-06.

Table-21: Fiscal imbalances: Basic parameters

Parameters	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue deficit (RD) (-)/Revenue surplus (+) (Rupees in crore)	(-) 26	(+) 34	(+) 9	(+) 58	(+) 8
Fiscal deficit (FD) (Rupees in crore)	146	113	136	134	279
Primary deficit (PD) (Rupees in crore)	25	--	2	--	108
RD/GSDP (<i>per cent</i>)	0.6	--	--	--	--
FD/GSDP (<i>per cent</i>)	3.5	2.2	2.4	2.1	3.9
PD/GSDP (<i>per cent</i>)	0.6	--	--	--	1.5
RD/FD (<i>per cent</i>)	17.8	--	--	--	--

The revenue deficit indicates the excess of its revenue expenditure over revenue receipts. There was no revenue deficit during 2002-06 and the revenue surpluses during these years were mainly due to receipt of more grants than required to cover the gap in resources. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, decreased from Rs 146 crore in 2001-02 to Rs 134 crore in 2004-05 and increased to Rs 279 crore in 2005-06. As proportion to GSDP, fiscal deficit had reached 3.9 *per cent* in 2005-06. The fiscal deficit is met by borrowings from GOI.

There was no primary deficit which represents the fiscal deficit excluding interest payments during 2002-03 and 2004-05. The primary deficit of Rs 108 crore in 2005-06 indicates the inability of the Government to meet the current expenditure commitment without resorting to borrowings.

1.10 Conclusion

The growth in revenue receipts is mainly attributable to increased mobilisation of tax revenue and grants-in-aid from GOI. The Government gave priority to welfare schemes at the cost of economic improvement. The investment fetched poor return. Even the net funds available on account of loans and advances from GOI, after providing for interest and repayment was not fully utilised but kept as cash balance resulting in increase in interest liability to that extent.