

# **CHAPTER I**

## **FINANCE ACCOUNTS**

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

### 1.1 Introduction

This chapter discusses the financial position of the Union Territory Government, based on the analysis of the information contained in the Finance Accounts. The analysis is based on the trends in the receipts and expenditure, the quality of expenditure and the financial management of the Union Territory Government. Some of the terms used in this chapter are described in Appendix 1.

#### EXHIBIT – I

#### SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF THE UNION TERRITORY OF PONDICHERY AS ON 31 MARCH 2002

(Rupees in crore)

| As on<br>31.03.2001 | Liabilities   | As on<br>31.03.2002 |
|---------------------|---|---------------------|
|                     | <b>Public Debt:</b>                                     |                     |
|                     | Loans and advances from Central Government:             |                     |
| 337.74              | Non-plan loans  | 453.93              |
| 465.85              | Loans for Union Territory plan schemes                  | 489.08              |
| 0.01                | Loans for central plan schemes                          | --                  |
| 1.89                | Loans for centrally sponsored schemes                   | 1.74                |
| 805.49              |   | 944.75              |
| 0.50                | <b>Contingency Fund</b>                                 | 0.50                |
| 278.39              | <b>Surplus on Government Account :</b>                  |                     |
|                     | Opening balance brought forward                         | 277.28 <sup>1</sup> |
|                     | Less : Current year's deficit                           | 26.13               |
|                     |   | 251.15              |
| <b>1084.38</b>      | <b>Total</b>  | <b>1196.40</b>      |
| As on<br>31.03.2001 | Assets  | As on<br>31.03.2002 |
|                     | <b>Gross Capital Outlay:</b>                            |                     |
| 402.71              | Investments in shares of Companies, Corporations, etc., | 446.76              |
| 584.58              | Other Capital Outlay                                    | 664.83              |
|                     |   | 1111.59             |
|                     | <b>Loans and Advances:</b>                              |                     |
| 9.11                | Loans to Co-operatives                                  | 3.93                |
| 28.63               | Other development loans                                 | 25.74               |
| 22.17               | Loans to Government Servants                            | 25.15               |
| 37.18               | <b>Cash Balance</b>                                     | 54.82               |
|                     |   | 29.99               |
| <b>1084.38</b>      | <b>Total</b>  | <b>1196.40</b>      |

<sup>1</sup> Differs from previous year due to *pro forma* corrections for Rs 1.11 crore

**EXHIBIT – II**  
**SOURCES AND APPLICATION OF FUNDS**

**(Rupees in crore)**

| <b>2000-2001</b> | <b>Sources</b>   | <b>2001-2002</b> |
|------------------|--|------------------|
| 946.73           | 1. Revenue receipts  | 1072.59          |
| 155.40           | 2. Public debt – Loans and advances from Government of India | 193.34           |
| 5.44             | 3. Recoveries of Loans and advances                          | 6.24             |
| --               | 4. Decrease in cash balance                                  | 7.19             |
| <b>1107.57</b>   | <b>Total</b>   | <b>1279.36</b>   |
| <b>2000-2001</b> | <b>Application</b>   | <b>2001-2002</b> |
| 919.07           | 1. Revenue expenditure                                       | 1098.72          |
| 48.26            | 2. Repayment of loans to Government of India                 | 54.08            |
| 14.54            | 3. Lending for development and other purposes                | 7.32             |
| 107.86           | 4. Capital expenditure                                       | 119.24           |
| 17.84            | 5. Increase in cash balance                                  | --               |
| <b>1107.57</b>   | <b>Total</b>   | <b>1279.36</b>   |

**EXHIBIT – III**  
**ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR**  
**THE YEAR 2001-2002**

**Section-A: Revenue****(Rupees in crore)**

| Receipts      |   |                | Disbursements |   |          |        |         |                |
|---------------|---|----------------|---------------|---|----------|--------|---------|----------------|
| 2000-2001     |   | 2001-2002      | 2000-2001     |   | Non-plan | Plan   | Total   | 2001-2002      |
| <b>946.73</b> | <b>I</b> Revenue receipts                           | <b>1072.59</b> | <b>919.07</b> | <b>I</b> Revenue expenditure-                           | 852.53   | 246.19 | 1098.72 | <b>1098.72</b> |
| 291.86        | -Tax revenue 268.59                                 |                |               |   |          |        |         |                |
| 255.13        | -Non-tax revenue 302.31                             |                | 208.53        | General Services  | 215.84   | 7.19   | 223.03  | 223.03         |
|               | 570.90  |                | 317.71        | Social Services-  | 182.49   | 136.70 | 319.19  | 319.19         |
|               |   |                | 131.39        | Education, Sports, Arts and Culture                     | 92.25    | 44.98  | 137.23  |                |
| 399.74        | -Grants-in-aid and Contributions : 501.69           |                | 80.41         | Health and Family Welfare Services                      | 47.68    | 32.27  | 79.95   |                |
|               |   |                | 35.84         | Water supply, Sanitation, Housing and Urban Development | 10.17    | 21.75  | 31.92   |                |
| 274.93        | Non-Plan 362.25                                     |                | 46.85         | Social Welfare and Nutrition                            | 22.15    | 25.12  | 47.27   |                |
|               |   |                | 23.22         | Others  | 10.24    | 12.58  | 22.82   |                |
|               | Plan:   |                |               |   |          |        |         |                |
| 115.10        | Union Territory Plan Schemes 126.01                 |                | 390.81        | Economic Services-                                      | 451.82   | 102.30 | 554.12  | 554.12         |
| Nil           | Central Plan Schemes Nil                            |                | 41.35         | Agriculture and Allied Activities                       | 15.91    | 32.25  | 48.16   |                |
| 9.71          | Centrally Sponsored Plan Schemes 13.19              |                | 270.22        | Energy  | 407.53   | 1.15   | 408.68  |                |
| Nil           | External Grant Assistance 0.24                      |                | 16.51         | Industry and Minerals                                   | 4.98     | 25.23  | 30.21   |                |
|               |   |                | 62.73         | Others  | 23.40    | 43.67  | 67.07   |                |
|               |   |                | 2.02          | Grants-in-aid and Contributions                         | 2.38     | --     | 2.38    | 2.38           |
| <b>Nil</b>    | <b>II</b> Revenue deficit carried over to Section B | <b>26.13</b>   | <b>27.66</b>  | <b>II</b> Revenue surplus carried over to Section B     |          |        |         | <b>Nil</b>     |
| <b>946.73</b> | <b>Total</b>  | <b>1098.72</b> | <b>946.73</b> | <b>Total</b>  |          |        |         | <b>1098.72</b> |

**Section-B: Others** (Rupees in crore)

| Receipts  |  |           |           | Disbursements   |           |        |        |           |
|-----------|--|-----------|-----------|---|-----------|--------|--------|-----------|
| 2000-2001 |  | 2001-2002 | 2000-2001 |   | Non-plan  | Plan   | Total  | 2001-2002 |
| 19.34     | III Opening cash balance   | 37.18     | Nil       | III Opening balance                                       | --        | --     | --     | Nil       |
| Nil       | IV Miscellaneous Capital Receipts                                | Nil       | 107.86    | IV Capital Outlay -                                       | (-) 1.53* | 120.77 | 119.24 | 119.24    |
|           |  |           | 9.38      | General Services  | --        | 14.57  | 14.57  |           |
|           |  |           | 24.37     | Social Services-  | --        | 22.23  | 22.23  |           |
|           |  |           | 6.53      | Education, Sports, Arts and culture                       | --        | 6.62   | 6.62   |           |
|           |  |           | 15.08     | Water supply, Sanitation, Housing and Urban Development   | --        | 14.61  | 14.61  |           |
|           |  |           | 2.76      | Others  | --        | 1.00   | 1.00   |           |
|           |  |           | 74.11     | Economic Services-  | (-) 1.53  | 83.97  | 82.44  |           |
|           |  |           | 19.93     | Energy  | (-) 1.53  | 26.46  | 24.93  |           |
|           |  |           | 28.86     | Industry and Minerals                                     | --        | 27.96  | 27.96  |           |
|           |  |           | 25.32     | Others  | --        | 29.55  | 29.55  |           |
| 5.44      | V Recoveries of Loans and Advances-<br>-From Government Servants | 6.24      | 14.54     | V Loans and advances disbursed                            | --        | 7.32   | 7.32   | 7.32      |
| 3.48      | 4.14   |           | 0.10      | - Loans for Social Services                               | --        | 0.10   | 0.10   |           |
| 1.96      | 2.10   |           | 3.94      | - Loans for Economic Services                             | --        | 0.11   | 0.11   |           |
|           |  |           | 10.50     | - Loans for Government Servants                           | --        | 7.11   | 7.11   |           |
| 27.66     | VI Revenue surplus brought down                                  | Nil       | Nil       | VI Revenue deficit brought down                           | --        | --     | --     | 26.13     |
|           | VII Public debt receipts-  |           |           | VII Repayment of Loans and Advances to Central Government | 22.21     | 31.87  | 54.08  | 54.08     |
| 155.40    | Loans and Advances from Central Government-<br>Non-plan Plan     | 193.34    | 48.26     |   |           |        |        |           |
| 94.57     | 138.40   |           |           |   |           |        |        |           |
| 60.72     | 54.94  |           |           |   |           |        |        |           |
| 0.11      | --   |           |           |   |           |        |        |           |
| Nil       | VIII Appropriation to Contingency Fund                           | Nil       | Nil       | VIII Appropriation to Contingency Fund                    | --        | --     | --     | Nil       |
| Nil       | IX Amount transferred to Contingency Fund                        | Nil       | Nil       | IX Expenditure from Contingency Fund                      | --        | --     | --     | Nil       |
| Nil       | X Excess of disbursement over receipt                            | Nil       | 37.18     | X Cash balance at end of the year                         |           |        |        | 29.99     |
| 207.84    | <b>Total</b>   | 236.76    | 207.84    | <b>Total</b>  |           |        |        | 236.76    |

\* Minus expenditure was due to issue of more materials from stock than that purchased by Electricity Department

**Explanatory notes for Exhibits I, II and III**

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.
2. Government Accounts being mainly on cash basis, the surplus on Government Accounts as shown in Exhibit - I indicates the position on cash basis as opposed to accrual basis in commercial accounting. Consequently, items payable and receivable or items like depreciation or variation in stock figures, etc., do not figure in the accounts.
3. There is no Public Account for the Union Territory (UT). The transactions pertaining to 'Debt' (other than those included in the Consolidated Fund), 'Deposits', 'Advances', 'Remittances' and 'Suspense' are accounted for in the Public Account of the Union Government.
4. The cash balance of the UT Government is merged in the general cash balance of the Government of India (GOI). The GOI had amended (September 2001) the Government of Union Territories Act, 1963 allowing the UT of Pondicherry to operate their own 'Public Account' separately. As such the cash balance of Consolidated Fund of the UT, positive or negative, should not form part of the general cash balance of GOI. However, the separation has not taken effect and the UT Government is in the process of framing rules regulating the transactions of the Public Account of the UT and the Form of Accounts in which such transactions shall be kept. The cash balance of UT Government remained merged with the balance of GOI as of 31 March 2002. The balance adopted here is *pro forma* to enable tallying of total receipts with total disbursements, represents the excess of receipts over expenditure in the UT.

EXHIBIT – IV

TIME SERIES DATA ON UNION TERRITORY GOVERNMENT FINANCES

(Rupees in crore)

|   | 1997-98        | 1998-99        | 1999-2000      | 2000-2001      | 2001-2002       |
|---|----------------|----------------|----------------|----------------|-----------------|
| <b>Part A. Receipts</b>   |                |                |                |                |                 |
| <b>1. Revenue Receipts</b>  | <b>602(87)</b> | <b>747(86)</b> | <b>877(87)</b> | <b>947(86)</b> | <b>1073(84)</b> |
| (i) Tax Revenue   | 208(35)        | 225(30)        | 261(30)        | 292(31)        | 269(25)         |
| Taxes on Sales, Trade, etc.   | 133            | 149            | 171            | 194            | 160             |
| State Excise  | 47             | 52             | 61             | 66             | 76              |
| Taxes on vehicles   | 15             | 16             | 18             | 19             | 19              |
| Stamps and Registration fees and other taxes                            | 13             | 8              | 11             | 13             | 14              |
| (ii) Non-tax Revenue  | 132(22)        | 172(23)        | 218(25)        | 255(27)        | 302(28)         |
| (iii) Grants-in-aid from Government of India                            | 262(43)        | 350(47)        | 398(45)        | 400(42)        | 502(47)         |
| <b>2. Miscellaneous Capital Receipts</b>                                | --             | --             | --             | --             | --              |
| <b>3. Total Revenue and Non debt capital receipts (1+2)</b>             | <b>602</b>     | <b>747</b>     | <b>877</b>     | <b>947</b>     | <b>1073</b>     |
| <b>4. Recoveries of Loans and Advances</b>                              | <b>3</b>       | <b>8</b>       | <b>4</b>       | <b>5</b>       | <b>6(1)</b>     |
| <b>5. Public Debt Receipts</b>  | <b>85(12)</b>  | <b>110(13)</b> | <b>130(13)</b> | <b>155(14)</b> | <b>193(15)</b>  |
| Loans and Advances from Government of India                             | 85             | 110            | 130            | 155            | 193             |
| <b>6. Total receipts in the Consolidated Fund (3+4+5)</b>               | <b>690</b>     | <b>865</b>     | <b>1011</b>    | <b>1107</b>    | <b>1272</b>     |
| <b>7. Total receipts of the Union Territory</b>                         | <b>690</b>     | <b>865</b>     | <b>1011</b>    | <b>1107</b>    | <b>1272</b>     |
| <b>Part B. Expenditure/Disbursement</b>                                 |                |                |                |                |                 |
| <b>8. Revenue Expenditure</b>   | <b>564(82)</b> | <b>689(80)</b> | <b>845(85)</b> | <b>919(84)</b> | <b>1099(86)</b> |
| Plan  | 131(23)        | 157(23)        | 207(24)        | 222(24)        | 246(22)         |
| Non-plan  | 433(77)        | 532(77)        | 638(76)        | 697(76)        | 853(78)         |
| General Services (including interest payments)                          | 138            | 174            | 196            | 208            | 223             |
| Social Services   | 209            | 247            | 302            | 318            | 319             |
| Economic Services   | 208            | 261            | 344            | 391            | 554             |
| Grants-in-aid and contributions   | 9              | 7              | 3              | 2              | 3               |
| <b>9. Capital Expenditure</b>   | <b>93(13)</b>  | <b>110(13)</b> | <b>103(10)</b> | <b>108(10)</b> | <b>119(9)</b>   |
| Plan  | 90(97)         | 110(100)       | 105(100)       | 107(99)        | 121             |
| Non-plan  | 3(3)           | \$             | (-)2           | 1(1)           | (-)2            |
| General Services  | 4              | 7              | 8              | 10             | 15              |
| Social Services   | 9              | 17             | 25             | 24             | 22              |
| Economic Services   | 80             | 86             | 70             | 74             | 82              |
| <b>10. Disbursement of Loans and Advances</b>                           | <b>11 (2)</b>  | <b>11 (1)</b>  | <b>10 (1)</b>  | <b>14 (1)</b>  | <b>7 (1)</b>    |
| <b>11. Total (8+9+10)</b>   | <b>668</b>     | <b>810</b>     | <b>958</b>     | <b>1041</b>    | <b>1225</b>     |
| <b>12. Repayments of Public Debt</b>                                    | <b>24(3)</b>   | <b>47(6)</b>   | <b>43(4)</b>   | <b>48(5)</b>   | <b>54(4)</b>    |
| Loans and Advances from Government of India                             | 24             | 47             | 43             | 48             | 54              |
| <b>13. Total disbursement out of Consolidated Fund (11+12)</b>          | <b>692</b>     | <b>857</b>     | <b>1001</b>    | <b>1089</b>    | <b>1279</b>     |
| <b>14. Total disbursement by the Union Territory</b>                    | <b>692</b>     | <b>857</b>     | <b>1001</b>    | <b>1089</b>    | <b>1279</b>     |
| <b>Part C. Deficit/Surplus</b>  |                |                |                |                |                 |
| <b>15. Revenue surplus / deficit (1-8)</b>                              | 38             | 58             | 32             | 28             | (-)26           |
| <b>16. Fiscal deficit (3+4-11)</b>                                      | 63             | 55             | 77             | 89             | 146             |
| <b>Part D. Other data</b>   |                |                |                |                |                 |
| 17. Interest payments (included in revenue expenditure)                 | 52             | 78             | 75             | 86             | 101             |
| 18. Arrears of revenue (Percentage on Tax and Non-tax Revenue Receipts) | 46(14)         | 59(15)         | 64(13)         | 68(12)         | 67(12)          |
| 19. Financial assistance to local bodies, etc.,                         | 62             | 62             | 79             | 87             | 100             |
| 20. Outstanding debt (year end)   | 548            | 611            | 698            | 805            | 945             |
| 21. Outstanding guarantees (year end)                                   | 15             | 15             | 21             | 22             | 23              |
| 22. Maximum amount guaranteed (year end)                                | 23             | 21             | 28             | 31             | 38              |
| 23. Number of incomplete projects                                       | 35             | 24             | 24             | 32             | 73              |
| 24. Capital blocked in incomplete projects                              | 27             | 23             | 22             | 30             | 39              |

Note : Figures in brackets represent percentages to total of each sub-heading

\$ : Rs 5,16,046

## **1.2 Financial position of the Union Territory Government**

Government Accounts are mainly on cash basis as opposed to accrual basis in commercial accounting. However, the Government Accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. Exhibit - I gives an abstract of such liabilities and the assets as on 31 March 2002 compared with the corresponding position on 31 March 2001. While the liabilities in this statement consist mainly of loans and advances from the GOI, the assets comprise mainly the capital outlay, loans and advances given by the Union Territory (UT) Government and the cash balance. It would be seen from Exhibit - I that the liabilities grew by 17.3 *per cent*, while the assets grew by only 10.3 *per cent* during 2001-2002.

## **1.3 Sources and application of funds**

**1.3.1** Exhibit - II gives the position of sources and application of funds during the current and the preceding year. The main sources of funds include the revenue receipts of the Government, recoveries of loans and advances and public debt. These are applied mainly on revenue and capital expenditure and lending for developmental purposes. The revenue receipts constitute the most significant source of funds for the Government and their relative share decreased marginally from 86 *per cent* in 2000-2001 to 84 *per cent* during 2001-2002. The receipts from the public debt increased from 14 *per cent* in 2000-2001 to 15 *per cent* during 2001-2002 and the receipts from recoveries of loans and advances given for developmental purposes remained static at 0.5 *per cent*.

**1.3.2** The funds were mainly applied for revenue expenditure, whose share in the total expenditure increased from 84 *per cent* in 2000-2001 to 86 *per cent* in 2001-2002. The share of capital expenditure declined marginally from 10 to 9 *per cent* and that of lending for developmental purposes also decreased marginally from 1 to 0.5 *per cent*. The position of repayment of loan, however, remained static at 4 *per cent*.

## **1.4 Financial operations of the Union Territory Government**

**1.4.1** Exhibit - III gives the details of the receipts and disbursements made by the Government. The revenue receipts (Rs 1073 crore) during the year was less than the revenue expenditure (Rs 1099 crore) resulting in a revenue deficit of Rs 26 crore. The revenue receipts comprised tax revenue



(Rs 269 crore), non-tax revenue (Rs 302 crore) and grants-in-aid from the Central Government (Rs 502 crore). The main sources of tax revenue were taxes on sales, trade, etc., (60 *per cent*), state excise (28 *per cent*) and taxes on vehicles (7 *per cent*). Ninety three *per cent* of non-tax revenue was from sale of power by Electricity Department (Rs 281.24 crore). To realise this revenue, the Department incurred an expenditure of Rs 408.68 crore.

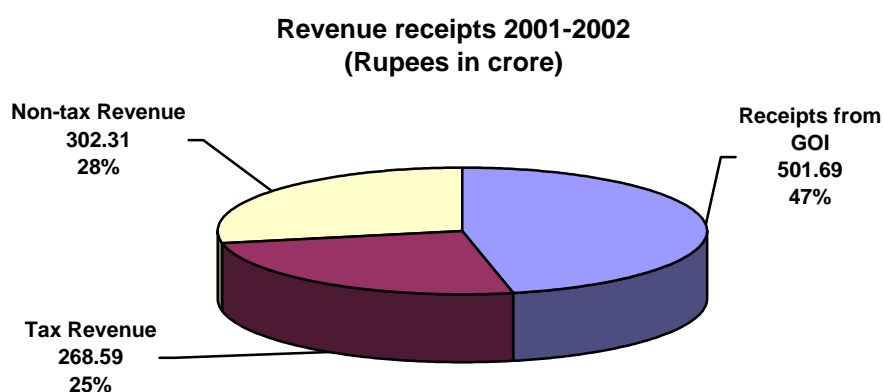
**1.4.2** The capital receipts comprised Rs 193 crore from public debt and Rs 6 crore from recoveries of loans and advances. Against this, the expenditure was Rs 119 crore on capital outlay, Rs 7 crore on disbursement of loans and advances and Rs 54 crore on repayment of public debt. There is no Public Account for the UT Government and the net effect of the transactions in the Consolidated Fund was a decrease in the cash balance from Rs 37.18 crore at the beginning of the year to Rs 29.99 crore at the end of the year.

**1.4.3** The financial operations of the Government pertaining to its receipts and expenditure are discussed in the following paragraphs, with reference to the information contained in Exhibit - III and the time series data for the five year period from 1997-98 to 2001-2002 presented in Exhibit - IV.

## 1.5 Revenue receipts

**1.5.1** The revenue receipts consist of tax and non-tax revenue and receipts from GOI. Their relative shares are shown in Figure 1. The revenue receipts grew at an average annual rate of 20 *per cent* during 1997-2002. The increase in 2001-2002 compared to 2000-2001 was 13 *per cent*.

**Figure 1**



### **1.5.2 Tax revenue**

The tax revenue which grew by 12 *per cent* in 2000-2001, declined by 8 *per cent* in 2001-2002 leading to a decline of its share in revenue receipts to 25 *per cent* in 2001-2002, compared to 31 *per cent* in 2000-2001. The decrease in tax revenue during 2001-2002 was mainly due to decrease in taxes on sales, trades, etc., (18 *per cent*). There was increase in state excise (15 *per cent*) and the taxes on vehicles remained static.

### **1.5.3 Non-tax revenue**

The share of non-tax revenue in the revenue receipts of the Government increased steadily from 22 *per cent* in 1997-98 and stood at 28 *per cent* during the current year.

### **1.5.4 Grants-in-aid from the Central Government**

These constitute the major share of the revenue receipts. The grants received from GOI for implementing Centrally Sponsored Schemes but remained unspent at the end of the year were kept under '8443 – Civil Deposits' and taken as receipt during the subsequent year. While Rs 8 crore kept under Deposit head during 2000-2001 was accounted as receipt during 2001-2002, the Government transferred Rs 12.24 crore to Deposit head at the end of 2001-2002, thereby understating the receipts of grants-in-aid. Even after such understatement of receipts, the share of grants from GOI in the revenue receipts have increased significantly from 43 *per cent* in 1997-98 to 47 *per cent* in 2001-2002. It was seen that 72 *per cent* of the grant received from GOI was to cover non-plan deficit; the Government obtained a grant of Rs 362.25 crore to cover non-plan deficit during 2001-2002, against the budgeted deficit of Rs 289 crore and actual deficit of Rs 281.63 crore. In spite of obtaining more grant than that eligible, there was a revenue deficit of Rs 26 crore during 2001-2002.

## **1.6 Revenue expenditure**

**1.6.1** Revenue expenditure accounted for most (86 *per cent*) of the expenditure of the Government and had increased by 20 *per cent* during 2001-2002, over the previous year. This does not include the expenditure met from suspense heads as discussed in Paragraph 1.11(ii) and (iii). Of the total expenditure, the non-plan revenue expenditure accounted for 78 *per cent*. Trend analysis shows that the growth in non-plan component was 97 *per cent* while the growth in plan expenditure was 88 *per cent*, in the five year period 1997-2002.

**1.6.2** Sector-wise analysis shows that while the expenditure on General Services increased by 62 *per cent* (from Rs 138 crore in 1997-98 to

Rs 223 crore in 2001-2002), the corresponding increases in expenditure on Social Services and Economic Services were 53 and 166 *per cent* respectively. As a proportion of total expenditure, the shares of General Services and Social Services decreased from 23 and 35 *per cent* in 2000-2001 to 20 and 29 *per cent* in 2001-2002. The share of Economic Services increased from 43 *per cent* in 2000-2001 to 50 *per cent* in 2001-2002.

### 1.6.3 Interest payments

Interest payments increased by 94 *per cent* from Rs 52 crore in 1997-98 to Rs 101 crore in 2001-2002. The increase was mainly due to 127 *per cent* increase in loans and advances from GOI during this period.

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

The quantum of assistance by way of grants provided to local bodies, etc., was as follows:

|   | (Rupees in crore) |           |           |           |           |
|---|-------------------|-----------|-----------|-----------|-----------|
|   | 1997-1998         | 1998-1999 | 1999-2000 | 2000-2001 | 2001-2002 |
| Private Educational Institutions                  | 4.80              | 5.41      | 6.58      | 5.63      | 9.15      |
| Municipalities                                    | 7.22              | 8.96      | 11.41     | 15.06     | 16.62     |
| Commune Panchayats                                | 8.87              | 6.74      | 8.43      | 9.75      | 12.10     |
| Statutory Boards/Authorities                      | 30.73             | 32.09     | 39.55     | 39.77     | 48.10     |
| Other Institutions                                |                   |           |           |           |           |
| (i) Co-operative Institutions                     | 6.67              | 8.22      | 11.13     | 14.15     | 11.50     |
| (ii) Others                                       | 3.71              | 0.94      | 1.56      | 2.35      | 2.80      |
| Total   | 62.00             | 62.36     | 78.66     | 86.71     | 100.27    |
| Percentage of growth over previous year           | 35                | 0         | 26        | 10        | 16        |
| Assistance as a percentage of revenue expenditure | 11                | 9         | 9         | 9         | 9         |

The amount of assistance to the local bodies, statutory boards and others increased from Rs 62 crore in 1997-98 to Rs 100.27 crore in 2001-2002 (an increase of 62 *per cent*).

### 1.6.5 Loans and advances by the Union Territory Government

The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, co-operatives, etc., for developmental and non-developmental activities. It also disburses loans to Government servants for construction of houses, purchase of vehicles, etc. The position for the last five years given below shows that there was no improvement in recovery, as a result of which the closing balance increased every year excepting the last year, where the reduction was due to *pro forma* dropping of loans due to conversion of loan into grant and capital.

(Rupees in crore)

|                                  | 1997-98 | 1998-99 | 1999-2000 | 2000-2001 | 2001-2002          |
|----------------------------------|---------|---------|-----------|-----------|--------------------|
| Opening Balance                  | 44.11   | 52.40   | 50.25     | 50.81     | 53.74 <sup>2</sup> |
| Amount advanced during the year  | 11.33   | 11.17   | 9.34      | 14.54     | 7.32               |
| Amount recovered during the year | 3.04    | 8.32    | 3.78      | 5.44      | 6.24               |
| Closing Balance                  | 52.40   | 55.25   | 55.81     | 59.91     | 54.82              |
| Net addition                     | 8.29    | 2.85    | 5.56      | 9.10      | 1.08               |
| Interest received                | 1.17    | 1.33    | 1.46      | 1.23      | 3.15               |

The recovery during 2001-2002 includes agricultural loan of Rs 0.70 crore waived by Government.

The Departmental Officers, who maintain detailed accounts for loans, are to furnish particulars of recovery to the Director of Accounts and Treasuries (DAT). While the Director of Industries and Commerce had not furnished the information, the details furnished by the remaining ten Heads of Department revealed that out of Rs 25.33 crore pending collection (Principal : Rs 14.95 crore and Interest : Rs 10.38 crore), Rs 19.38 crore related to 1999-2000 and earlier years.

Test-check of the records of Fisheries Department revealed the following:

The Department releases loans under four schemes and the respective Deputy Directors maintain region-wise loan recovery records for each scheme. The details of balances outstanding as of March 2002 as per accounts, records maintained by Deputy Directors and that compiled by Director of Fisheries (Director) are as under:-

(Rupees in lakh)

| Head of Account and Name of the Scheme   | As per Finance Accounts | As per records of Deputy Director | As per details compiled by Director of Fisheries |
|--|-------------------------|-----------------------------------|--|
| 6405-106<br>Loans for mechanisation of fishing crafts                          | 614.50                  | 567.29                            | 569.30   |
| 6405-195<br>Loans for Fishermen Co-operative Societies and other loans         | 95.25                   | 65.95                             | 7.94   |
| 6405-105<br>Loans for Fisheries, processing, preservation and marketing        | 31.14                   | 1.83                              | 1.83   |
| 6216-02-800<br>6216-03-800<br>Loans for housing and colonisation for fishermen | 22.11                   | 24.87                             | 24.87  |
| <b>Total</b>   | <b>763.00</b>           | <b>659.94</b>                     | <b>603.94</b>                                    |

- 2 Differs from previous year due to *pro forma* corrections on account of conversion of loan of Rs 10 crore as Share Capital (Rs 5 crore) and Grants-in-aid (Rs 5 crore) and conversion of interest on loan amounting to Rs 3.83 crore into interest free loan

In spite of the difference between departmental figures and accounts figures in respect of balances outstanding as well as advance released and loans repaid during 2001-2002, the Director furnished a certificate of acceptance of accounts balance communicated by DAT.

Test-check revealed that Rs 28.08 lakh released by the Director in March 2001 to State Fishermen Co-operative Federation, Pondicherry was kept undisbursed as loan for want of finalisation of list of beneficiaries and hence would not have been included in the loan records of Deputy Directors. Further, in respect of 'Loans to Fisheries, processing, preservation and marketing', the balance in respect of Yanam region alone was available in the Department. The Deputy Director (Welfare), Pondicherry stated (September 2002) that the loan records relating to the scheme were not traceable and no fresh loan or recovery was made in Pondicherry region. Besides, though the Deputy Directors reported the overdue principal and interest as of March 2002 as Rs 589.48 lakh and Rs 229.99 lakh respectively, the Director reported the figure as Rs 687.29 lakh and Rs 291.80 lakh to DAT which was incorporated in the Finance Accounts. The existence of such differences and the acceptance of accounts balance by the Director clearly indicated the poor maintenance of records by the Deputy Directors and poor monitoring. Test-check also revealed that important particulars like rate of interest, period of repayment, penal rate etc., were not recorded by the Deputy Directors.

The following additional points are noticed:

(i) The Department discontinued disbursement of loan under the schemes 'Loans for fisheries, processing, preservation and marketing' and 'Loans for housing and colonisation for fishermen' from 1997-98. The recoveries under these schemes during 1997-2002 were only Rs 5.79 lakh leaving a balance of Rs 53.25 lakh as of March 2002 and there was no recovery of interest during these years. The Deputy Director had not reported the overdue interest to the Director, indicating that from 1997-98 no demand was raised on the beneficiaries for collection of principal and interest.

(ii) The loan under the scheme 'Loans for mechanisation of fishing crafts' was disbursed to the fishermen through the Federation for purchase of boats. The loan agreement with the fishermen provided for depositing the loan amount in Savings Bank pending finalisation of formalities for the purchase of the boats and the beneficiaries are to pay interest from the date of such deposit. However, pending finalisation of beneficiary list, the loan amount was drawn and deposited with the Federation each year, resulting in non-recovery of interest till the amount was actually released to fishermen. As of June 2002, Rs 31.86 lakh, deposited with the Federation in February 2001, was not released to fishermen.

(iii) The Department recovered only Rs 61.54 lakh during 1997-2002 and Rs 6.15 crore was outstanding as of March 2002 under the scheme 'Loans

for mechanisation of fishing crafts'. The Deputy Director attributed the poor recovery of loan given for purchase of boats to difficulty in tracing the whereabouts of the boats, as the fishermen operate their boats outside the territorial waters of UT due to inadequate berthing facilities in Pondicherry. The Deputy Director assured improvement in recovery after the commencement of fishing harbour at Pondicherry which was in progress. The contention of the Deputy Director is not tenable as the agreement provided for intimation of exact location from which the boat was operated by the fishermen, failing which the boat is liable for seizure. Thus, the Department failed to monitor the fulfilment of terms and conditions of loan by the fishermen.

(iv) In respect of loans released to Co-operative Societies, the interest amount was limited to the loan amount based on the circular issued by the Pondicherry State Co-operative Bank for the loan disbursed by Village Co-operative Agricultural Societies to their members, resulting in short collection of interest. As interest was not calculated for such cases, the loss could not be quantified.

Thus, the management of loans and advances by Fisheries Department was poor. The Department failed to reconcile the outstanding loans with Government account and to evolve methods to collect the overdue amount.

## **1.7 Capital expenditure**

Capital expenditure includes expenditure on creation of assets, investment in institutions or undertakings outside Government (Public Sector Undertakings, Corporations, etc.), and extending loans and advances. The capital expenditure excluding loans and advances, which had increased by 5 *per cent* during 2000-2001 over the previous year, had increased by 10 *per cent* during 2001-2002. Exhibit - IV shows that while the share of capital outlay on Social Services declined by 4 *per cent* during 2001-2002, the share of capital outlay on General Services increased by 3 *per cent*. The share of Economic Services remained static.

## **1.8 Quality of expenditure**

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

creation and welfare activities, the non-plan component under revenue expenditure is identified with expenditure on establishment, maintenance and services. By definition, therefore, in general, the plan and capital expenditure can be viewed as contributions to the quality of expenditure. Increase in the expenditure on General Services, which is mainly non-plan, to the detriment of Economic and Social Services and funds blocked in incomplete projects would affect the quality of expenditure, in terms of benefits provided.

**1.8.2** The following table lists out the trend in these indicators :

|  | 1997-98 | 1998-99 | 1999-2000 | 2000-2001 | 2001-2002 |
|--|---------|---------|-----------|-----------|-----------|
| 1. Plan expenditure as a percentage of total expenditure**   | 32      | 31      | 31        | 30        | 29        |
| 2. Capital expenditure excluding loans as a percentage of total expenditure**  | 13      | 13      | 10        | 10        | 9         |
| 3. Expenditure on General Services as a percentage of total expenditure**  | 21      | 21      | 20        | 20        | 19        |
| 4. Amount of wastage and diversion of funds reported in Audit Reports (Rupees in crore)  | 4.38    | 7.92    | 20.98     | 18.02     | 13.82     |
| 5. Amount blocked up due to non-completion of works/ unnecessary release of funds detected during test audit (Rupees in crore) | 1.59    | 1.23    | 4.21      | 1.66      | 7.64      |
| 6. Non-remunerative expenditure on incomplete projects (Rupees in crore)**   | 27.22   | 22.90   | 22.28     | 30.34     | 39.00     |
| 7. Amount booked as expenditure but not spent during the year (Rupees in crore)  | 0.70    | 3.88    | 1.93      | 2.29      | 4.03      |

\*\* Total expenditure represents total disbursement out of Consolidated Fund

\*\* Represents cumulative expenditure on incomplete projects to the end of the year

It would be seen that the share of Plan expenditure and Capital expenditure have been declining steadily from 1997-98. The table also shows that substantial amounts remained blocked in incomplete projects and a significant amount of expenditure booked every year did not actually take place, in addition to the substantial amount of wastage and diversion of funds brought out in the Audit Reports. This, in turn, affected the quality of expenditure incurred by the Government.

## **1.9 Financial management**

The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this report deal extensively with these issues especially as they relate to the expenditure management in the

Government, based on the findings of test audit. Some other parameters which can be segregated from the accounts and other related financial information of the Government are discussed in this section.

### 1.9.1 Investments and returns

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

**(Rupees in crore)**

| Sector                    | Number     | Amount invested |                  |
|---------------------------|------------|-----------------|------------------|
|                           |            | As on 31.3.2002 | During 2001-2002 |
| Government companies      | 11         | 366.58          | 26.56            |
| Co-operative institutions | 347        | 75.18           | 8.59             |
| <b>Total</b>              | <b>358</b> | <b>441.76</b>   | <b>35.15</b>     |

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

| Year      | Investment at the end of the year | Return | Percentage of return | Rate of interest on Government borrowing (per cent per annum) |
|-----------|-----------------------------------|--------|----------------------|---|
|           | (Rupees in crore)                 |        |                      |   |
| 1997-98   | 250.58                            | 0.50   | 0.20                 | 13.0  |
| 1998-99   | 313.44                            | 0.54   | 0.20                 | 12.5  |
| 1999-2000 | 358.79                            | 0.65   | 0.20                 | 12.5  |
| 2000-2001 | 402.71                            | 0.23   | 0.05                 | 12.5  |
| 2001-2002 | 446.76*                           | 0.73   | 0.16                 | 12.0  |

\* Includes Rs 5 crore due to *pro forma* corrections

While the Government was raising high cost borrowings from GOI, its investments in Government companies, etc., fetched insignificant returns. The working results of eleven Government companies (discussed in detail in Chapter VII) revealed that ten out of eleven companies with a total investment of Rs 358.13 crore did not pay any dividend during 2001-2002; seven of these companies did not declare any dividend during the past eight to ten years.

### 1.9.2 Incomplete projects

As of 31 March 2002, there were 73 incomplete projects in which Rs 39 crore were blocked.

### 1.9.3 Arrears of revenue

According to information collected from various Government departments, the arrears of revenue pending collection which stood at Rs 46 crore in 1997-98 increased to Rs 67 crore in 2001-2002. The percentage of arrears to tax and non-tax revenue receipts decreased marginally from 14 per cent in



1997-1998 to 12 per cent during 2001-2002. The arrears mainly related to Electricity, State Excise, Commercial Taxes and Transport Departments as discussed in Chapter VI of this report. The overall deterioration in the position of arrears of revenue showed a slackening of efforts on revenue collection.

#### 1.9.4 Deficit/Surplus

1.9.4.1 Deficit/Surplus in Government account represent gap between the receipts and expenditure. The nature of deficit is an important indicator of the prudence of financial management in the Government. Further, the ways of financing the deficit and the application of the funds raised in this manner are important pointers of the fiscal prudence of the Government. The discussion in this section relates to two concepts of deficit viz., Revenue Deficit and Fiscal Deficit.

1.9.4.2 The Revenue Surplus/Deficit is the gap between the revenue receipts and the revenue expenditure. The Fiscal Deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received). The following exhibit gives a break-up of the deficit in Government Account.

**(Rupees in crore)**

| <b>Consolidated Fund</b>          |               |   |                                 |               |
|-----------------------------------|---------------|---|---------------------------------|---------------|
| <b>Receipts</b>                   | <b>Amount</b> |   | <b>Disbursements</b>            | <b>Amount</b> |
| Revenue                           | 1073          | Revenue deficit : 26                        | Revenue                         | 1099          |
| Miscellaneous<br>Capital receipts | Nil           |   | Capital                         | 119           |
| Recovery of loans<br>and advances | 6             |   | Loans and<br>advances disbursed | 7             |
| Sub total                         | 1079          | Gross Fiscal deficit : 146                  | Sub total                       | 1225          |
| Public debt                       | 193           |   | Public debt<br>repayment        | 54            |
| <b>Total</b>                      | <b>1272</b>   | <b>Deficit in<br/>Consolidated Fund : 7</b> |                                 | <b>1279</b>   |

The table shows that there was a Revenue Deficit of Rs 26 crore in 2001-2002. The capital expenditure of Rs 119 crore was financed fully by Public debt (loans and advances from GOI). Exhibit - IV reveals that the Revenue Surplus of Rs 28 crore during 2000-2001 became Revenue Deficit of Rs 26 crore during 2001-2002 and the Fiscal Deficit increased from Rs 89 crore in 2000-2001 to Rs 146 crore in 2001-2002.

#### 1.9.5 Guarantees given by the Government of India

The Government of Union Territories Act, 1963 does not empower the UT Governments to give guarantees; the guarantees for the purpose of administration of the Union Territories 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. Under this arrangement, the GOI had guaranteed, as on 31 March 2002, the repayment of loans and debentures upto a maximum of Rs 38 crore and payment of interest thereon on behalf of four Co-operative institutions and one Government company<sup>3</sup>. The contingent liability on account of the guarantees stood at Rs 23.85 crore (Principal : Rs 22.90 crore; Interest: Rs 0.95 crore) as on 31 March 2002. No guarantee was invoked during the year.

### 1.10 Public debt

The Government of Pondicherry is not empowered to raise loans in open market. The Public debt of the Government consists of only loans and advances from GOI.

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

|                               | (Rupees in crore) |         |           |           |           |
|-------------------------------|-------------------|---------|-----------|-----------|-----------|
|                               | 1997-98           | 1998-99 | 1999-2000 | 2000-2001 | 2001-2002 |
| Loans and advances from GOI : |                   |         |           |           |           |
| - Receipt during the year     | 84.94             | 110.03  | 130.11    | 155.40    | 193.34    |
| - Repayment                   | 23.87             | 46.81   | 43.00     | 48.26     | 54.08     |
| Net funds available           | 61.07             | 63.22   | 87.11     | 107.14    | 139.26    |
| (per cent)                    | (72)              | (57)    | (67)      | (69)      | (72)      |
| Outstanding debt              | 548.03            | 611.25  | 698.35    | 805.49    | 944.75    |

The net available funds for investment and other expenditure was 72 per cent of the loans and advances received. However, the outstanding debt has been on the rise over the last five years, leading to increase in debt burden.

### 1.11 Public Account transactions

The UT Government has no separate Public Account and such transactions are made under the Public Account of the Union Government. A perusal of such transactions in the Public Account (Central) prepared by the DAT revealed the following:

<sup>3</sup> Pondicherry Co-operative Central Land Development Bank Limited, Pondicherry Co-operative Milk Producers' Union Limited, Pondicherry State Co-operative Housing Federation Limited, Jayaprakash Narayan Co-operative Spinning Mills Limited, Karaikal and Pondicherry Adi-dravidar Development Corporation Limited

(i) *Pay and Accounts Office Suspense Account*

This account pertains to the expenditure incurred on payment of pension of other State pensioners, Defence and Central Government pensioners and National Highways works. The balance under this head is cleared as and when reimbursement is made by the department/Government concerned. As of March 2002, Rs 2.78 crore was pending clearance of which Rs 0.68 crore related to expenditure incurred during 1984-85 to 1998-99. Further, Rs 0.86 crore related to expenditure incurred on National Highways works which was not settled by the Ministry of Road Transport and Highways for want of audit certificates, stamped vouchers, budget allocation, etc.

(ii) *Other Suspense heads*

The suspense heads 'Cash Settlement Suspense Account', 'Departmental Adjusting Account (Suspense)' and 'Material Purchase Settlement Suspense Account' are operated to temporarily book the expenditure of the Government and cleared after providing necessary funds under the final head. Normally, the balances under these heads are to be cleared in the same year so that the expenditure incurred during the year is reflected in the accounts of the Government. However, there was a balance of Rs 3.75 crore under these suspense heads pending clearance as of March 2002 for want of funds under the respective final heads.

(iii) *8674 – Security deposits made by Government*

According to the List of Major and Minor Heads, 'Security Deposits' made by Government departments to higher courts to obtain stay order on the decree awarded by lower courts and to statutory organisations like Electricity Board, Corporations, Municipalities, etc., are to be recorded under this head. The departments, however, operated this head for booking payment of land acquisition compensation to land acquisition officers, for eventual clearance by providing funds under relevant grants and there was a balance of Rs 9.61 crore as of March 2002.