

CHAPTER- I

In Summary

Large Revenue and Fiscal Deficit year after year indicate continued macro imbalances in the State. In Rajasthan both the Revenue and Fiscal Deficit, which have been rising until 2002-03 except declined marginally in 2000-01. The ratio of revenue receipts to total expenditure stood at 67.71 *per cent* in 2002-03. Revenue of the State consist mainly of its own tax and non-tax revenue, Central Tax Transfers and Grants-in-aid from Government of India. Overall revenue receipts increased from Rs 8579 crore in 1998-99 to Rs 13082 crore in 2002-03 at an average trend of 10.50 *per cent* per annum. There were, however, significant inter year variations in the growth rates. During the current year revenue receipts grew by 7.64 *per cent*. This was due to 10.26 *per cent* increase in tax revenue and 4.04 *per cent* increase in non-tax revenue. Arrears of revenue were high at Rs 2249 crore and represented 29 *per cent* of tax and non-tax revenue receipts. On an average around 60 *per cent* of the revenue came from the State's own resources.

Overall expenditure of the State increased from Rs 13810 crore in 1998-99 to Rs 19321 crore in 2002-03 at an average trend rate of 10 *per cent* per annum. The rate of growth in expenditure increased from 6.73 *per cent* in 2001-02 to 7.51 *per cent* in 2002-03. This was due to increase in expenditure on interest payments, power, relief on account of natural calamities and urban development etc. The proportion of developmental expenditure declined from 65.35 *per cent* in 1998-99 to 59.64 *per cent* in 2002-03. Revenue expenditure which constituted 88.07 *per cent* of total expenditure grew at a trend rate of 12.97 *per cent* over the period with a growth of 6.69 *per cent* in 2002-03. Interest payments increasing steadily by 92 *per cent* from Rs 2243 crore in 1998-99 to Rs 4300 crore in 2002-03 primarily due to continued reliance on borrowings for financing the fiscal deficit.

Although it is not uncommon for a State to borrow for increasing its social and economic infrastructure and for creating additional income generating assets, an increasing ratio of fiscal liabilities to Gross State Domestic Product (GSDP) and revenue receipts together with a growing revenue deficit indicated that the state is gradually getting into a debt trap. As generation of additional internal resources and curtailment of non-development expenditure are the best means available, implementation of Medium Term Fiscal Reforms Programme by the State Government by signing the Memorandum of Understandings (MOU) with Government of India on 25 March 2003 is a step in the right direction. As per MOU the revenue deficit in proportion of revenue receipts was to be reduced by 5 *per cent* with 1999-2000 as base year. The actual revenue deficit which was to be restricted to 27 and 22 *per cent* during 2001-02 and 2002-03 however rose from 21 *per cent* during 2000-01 to more than 30 *per cent* during 2001-02 and 2002-03.

1.1 Introduction

The Finance Accounts of the Government of Rajasthan are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State Government. The lay out of the Finance Accounts is depicted in Box 1.

Box 1

Lay out of Finance Accounts

Statement No. 1 presents the summary of transactions of the State Government –receipts and expenditure, revenue and capital, public debt receipts and disbursements etc. in the Consolidated Fund, Contingency Fund and Public Account of the State.

Statement No. 2 contains the summarised statement of capital outlay showing progressive expenditure to the end of 2002-03.

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

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

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

Statement No. 6 gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, local bodies and other institutions.

Statement No. 7 gives the summary of cash balances and investments made out of such balances.

Statement No. 8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2003.

Statement No. 9 shows the revenue and expenditure under different heads for the year 2002-03 as a percentage of total revenue/expenditure.

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

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

Statement No. 12 provides accounts of revenue expenditure by minor heads under non-plan, State plan and Centrally sponsored schemes separately and capital expenditure major head-wise.

Statement No. 13 depicts the detailed capital expenditure incurred during and to the end of 2002-03.

Statement No. 14 shows the details of investment of the State Government in statutory corporations, government companies, other joint stock companies, cooperative banks and societies etc. up to the end of 2002-03.

Statement No. 15 depicts the capital and other expenditure to the end of 2002-03 and the principal sources from which the funds were provided for that expenditure.

Statement No. 16 gives the detailed account of receipts, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.

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

Statement No. 18 provides the detailed account of loans and advances given by the Government of Rajasthan, the amount of loan repaid during the year, the balance as on 31 March 2003, and the amount of interest received during the year.

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

1.2 Trend of Finances with reference to previous year

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

(Rupees in crore)

2001-02	Sl. No.	Major Aggregates	2002-03
12,153	1.	Revenue Receipts (2+3+4)	13,082
5,671	2.	Tax Revenue	6,253
1,508	3.	Non-Tax Revenue	1,569

4,974	4.	Other Receipts	5,260
69	5.	Non-Debt Capital Receipts	125
69	6.	Of which Recovery of Loans	125
12,222	7.	Total Receipts (1+5)	13,207
13,922	8.	Non-Plan Expenditure (9+11+12)	14,904
13,763	9.	On Revenue Account	14,744
3,878	10.	Of which, Interest Payments	4,300
73	11.	On Capital Account	71
86	12.	On Loans disbursed	89
4,049	13.	Plan Expenditure (14+15+16)	4,417
2,186	14.	On Revenue Account	2,272
1,745	15.	On Capital Account	1,956
118	16.	On Loans disbursed	189
17,971	17.	Total Expenditure (8+13)	19,321
5,749	18.	Fiscal Deficit (17-7)	6,114
3,796	19.	Revenue Deficit (9+14-1)	3,934
1,871	20.	Primary Deficit (+)/Surplus(-) (18-10)	1,814

1.3 Summary of Receipts and Disbursements for the year

Table-1 summarises the finances of the State Government of Rajasthan for the year 2002-03 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and public accounts receipts and disbursements made during the year as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table 1 SUMMARY OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2002-03 (Rupees in crore)

2001-02	Receipts	2002-03	2001-02	Disbursements	2002-03		
Section-A: Revenue							
					Non-Plan	Plan	Total
12,153.29	I. Revenue receipts	13,081.86	15,948.98	I. Revenue expenditure	14,743.64	2,272.14	17,015.78
5,671.17	Tax revenue	6,253.34	7,176.72	General Services	7,593.26	52.22	7,645.48
1,508.46	Non-tax revenue	1,569.00	6,404.58	Social Services	5,360.20	1,225.42	6,585.62
2,882.36	Share of Union Taxes/Duties	3,063.10	2,349.15	Economic Services	1,790.06	994.50	2,784.56
2,091.30	Grants from Government of India	2,196.42	18.53	Grants-in-aid / Contributions	0.12	-	0.12
Section-B: Capital							
-	II. Miscellaneous Capital Receipts	-	1,817.81	II. Capital Outlay	71.01	1,956.52	2,027.53
69.24	III. Recoveries of Loans and Advances	125.23	204.10	III Loans and Advances disbursed	#	-	277.80
5,978.86	IV. Public debt receipts*	7,686.49	1,023.83	IV. Repayment of Public Debt	#	-	3,056.04
27,770.69	V. Public account receipts	34,592.19	26,893.18	V. Public account disbursements	#	-	33,315.28
(-) 162.95	Opening Balance	(-) 78.77	(-) 78.77	Closing Balance	#	-	(-) 285.43
45,809.13	Total	55,407.00	45,809.13	Total			55,407.00

Note : Minus expenditure is because of recoveries on capital account.

* Includes net ways and means advances and overdraft also.

Bifurcation of plan and non- plan not available.

1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2002-03. Wherever necessary the observations, show these trends in the light of time series data and periodic comparisons. Major fiscal aggregates such as tax and non-tax revenue, revenue and capital expenditure, internal debt and loans and advances etc. have been presented as percentages to the GSDP at current market prices. For tax revenues, non-tax revenues, revenue expenditure etc., buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP. The key indicators adopted for the purpose are (i) resources by volumes and sources, (ii) application of resources, (iii) assets and liabilities, and (iv) management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilization efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

In addition, the section also contains a paragraph on indicators of financial performance of the Government. Some of the terms used here are explained in [Appendix- I](#).

1.5 Non-fulfilment of assurances to the extent pronounced in the Budget speech

At the time of presentation of budget for the year 2002-03, the Finance Minister had made certain assurances in his budget speech. The observations on fulfilment of the assurances are as under:

- Against the target for realisation of revenue of Rs. 14,312.47 crore only Rs. 13,081.86 crore were realised. There was a shortfall of Rs 1,230.61 crore (9 per cent). The shortfall was mainly due to short realisation of Tax Revenue of Rs 1,053.45 crore¹ and Non-tax Revenue of Rs 140.67 crore².
- The Revenue expenditure incurred was Rs 17,015.78 crore against Rs 18,214.38 crore targeted. The shortfall of Rs 1,198.60 crore was mainly due to incurring lesser expenditure (ranging between seven and 43 per cent) on the following socio-economic services:

Table 2

(Rupees in crore)

Name of service	Assurance given in Budget speech	Actual expenditure	Shortfall (In per cent)
Elementary and Secondary	3,413.00	2,982.20	430.80 (13)

1. Rs 10,369.89 crore (-) Rs 9,316.44 crore.

2. Rs 1,709.67 crore (-) Rs 1,569.00 crore.

Education			
Higher Education	255.65	227.94	27.71 (11)
Technical Education	64.62	37.06	27.56 (43)
Central Road Fund	150.00	101.16	48.84 (33)
Medical and Public Health and Family Welfare	1,054.56	913.03	141.53 (13)
Water Supply and Sanitation	1,477.83	1,367.02	110.81 (7)

1.6 State Finances by key Indicators

1.6.1 Resources by volumes and sources

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

Table 3 shows that the total receipts of the State Government for the year 2002-03 were Rs 55,485 crore. Revenue receipts were Rs 13,082 crore and constituted only 24 *per cent* of total receipts. The balance of receipts came from borrowings and Public Account receipts.

Table 3 – Resources of Rajasthan

	(Rupees in crore)
<i>I. Revenue Receipts</i>	<i>13,082</i>
<i>II. Capital Receipts</i>	<i>7,811</i>
<i>a</i> Miscellaneous Receipts	-
<i>b</i> Recovery of Loans and Advances	125
<i>c</i> Public Debt Receipts	7,686
<i>III. Public Account Receipts</i>	<i>34,592</i>
<i>a</i> Small Savings, Provident Fund, etc.	1,918
<i>b</i> Reserve Fund	837
<i>c</i> Deposits and Advances	29,787
<i>d</i> Suspense and Miscellaneous	19
<i>e</i> Remittances	2,031
<i>Total Receipts</i>	<i>55,485</i>

1.6.2 Revenue receipts

The Revenue Receipts of the State consist mainly of its own tax and non-tax revenues, central tax transfers and grants-in-aid from Government of India. Overall revenue receipts, their annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and their buoyancy are indicated below:

Table 4: Revenue Receipts – Basic Parameters (Values: Rupees in crore and others in *per cent*)

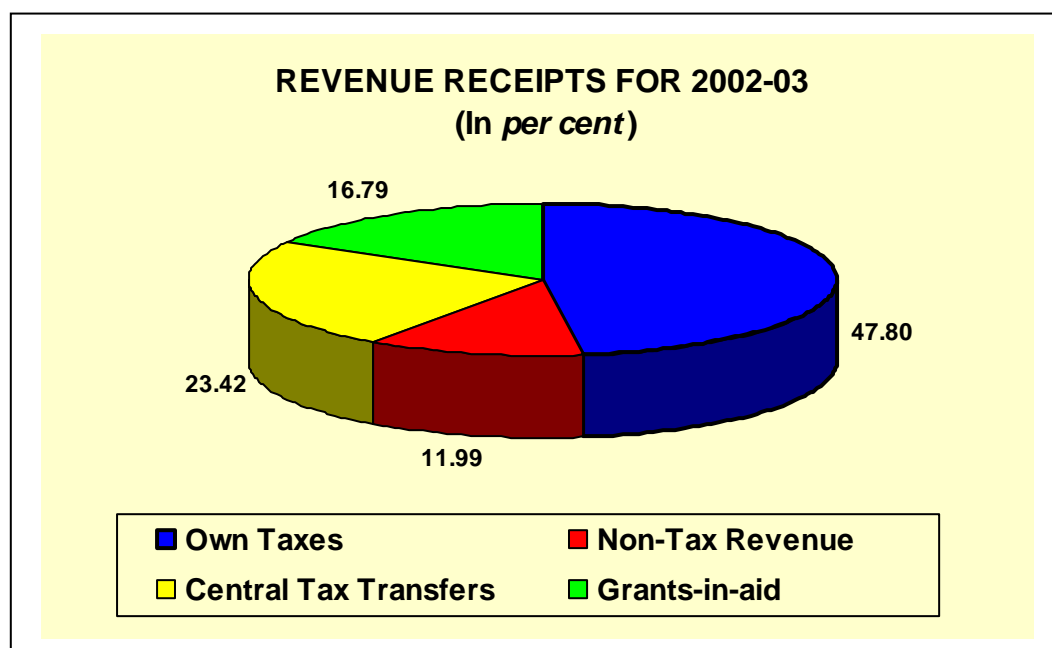
	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue Receipts	8,579	9,790	12,402	12,153	13,082	11,201
Own taxes	45.92	46.28	42.73	46.66	47.80	45.88
Non-Tax Revenue	15.78	16.08	13.61	12.41	11.99	13.97
Central Tax Transfers	22.89	22.32	22.88	23.72	23.42	23.05
Grants-in-aid	15.41	15.32	20.78	17.21	16.79	17.10
Rate of Growth	2.08	14.12	26.68	(-) 2.01	7.64	10.50**
Revenue Receipts/GSDP	11.76	12.47	15.58	13.54	14.97	13.72
Revenue Buoyancy	0.160	1.871	18.712	*	*	1.661
GSDP Growth	12.98	7.55	1.43	12.72	(-) 2.62	6.32**

* Rate of growth of Revenue Receipts and GSDP was negative.

** Average trend rate of growth with base year of 1997-98.

Revenue receipts of the State increased from Rs 8,579 crore in 1998-99 to Rs 13,082 crore in 2002-03 at an average trend rate of 10.50 *per cent* per annum. There were, however, significant inter year variations in the growth rate. The increase in tax revenue during the year over 2001-02 was mainly on Sales Tax (Rs 369 crore), Taxes on goods and passengers (Rs 107 crore),

Taxes on Vehicles (Rs 80 crore) and Union Excise Duties (Rs 67 crore).



While on an average around 60 per cent of the revenue came from the State's own resources, central tax transfers and grants-in-aid together continued to contribute nearly 40 per cent of the total revenue. Sales tax was the major source of State's own tax revenue having contributed 55 per cent of the tax revenue followed by State Excise (18 per cent), Taxes on Vehicles (10 per cent), Stamp and Registration fees (eight per cent) etc. Of non-tax revenue sources, interest receipts (39 per cent), and non-ferrous mining and metallurgical industries (29 per cent) were the principal contributors. The increase under Interest Receipts (Rs 23.26 crore), however, was neutralised by higher interest payments (Rs 422 crore) during the year mainly due to more interest payment on Internal Debt (Rs 134.78 crore) and Interest on Loans and Advances from Central Government (Rs 278.58 crore) in comparison to previous year.

The arrears of revenues increased by 61 per cent from Rs 1,393 crore in 1999-2000 to Rs 2,249 crore at the end of 2002-03. Of these, Rs 262.75 crore was outstanding for a period of more than 5 years. Arrears were mainly in respect of Taxes on Sales, Trade, etc. (Rs 1,635.34 crore), State Excise (Rs 208.90 crore), Taxes on Immovable property other than Agricultural land (Rs 87.12 crore) and Sale of Land and Property (Rs 67.08 crore). The increase in arrears of revenue indicated a slackening of the revenue realizing efforts of the State Government.

The source of revenue receipts under different heads and GSDP during 1998-2003 is indicated in Table 5.

Table 5 – Sources of Receipts: Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic Product
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account		
1998-99	8,579	80	3,996	17,349	29,984	72,974
1999-00	9,790	120	5,267	21,681	36,858	78,481

2000-01	12,402	124	4,204	25,677	42,407	79,600
2001-02	12,153	69	5,979	27,771	45,972	89,727
2002-03	13,082	125	7,686	34,592	55,485	87,372

1.7 Application of resources

1.7.1 Trend of Growth

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure major head wise. The total expenditure of the State increased from Rs 13,810 crore in 1998-99 to Rs 19,321 crore in 2002-03 at an average trend rate of 10.00 per cent per annum. The rate of growth of total expenditure was slightly lower than the rate of growth of revenue receipts during this period. Despite this, revenue receipts could cover only about 68 per cent of total expenditure in 2002-03 leaving the balance to be financed from borrowings.

Total expenditure of the State, its trend and annual growth, ratio of expenditure to the State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts is indicated in Table-6 below:

Table 6: Total Expenditure – Basic Parameters (Value: Rupees in crore and others in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Total Expenditure	13,810	15,271	16,838	17,971	19,321	16,642
Rate of Growth	16.60	10.58	10.26		7.51	10.00*
TE/GSDP	18.92	19.46	21.15	20.03	22.11	20.39
Revenue Receipts/TE	62.12	64.11	73.65	67.63	67.71	67.04
Buoyancy of Total Expenditure with						
GSDP	1.279	1.402	7.197	0.529	**	1.582
Revenue Receipts	7.971	0.749	0.385	***	0.983	0.952

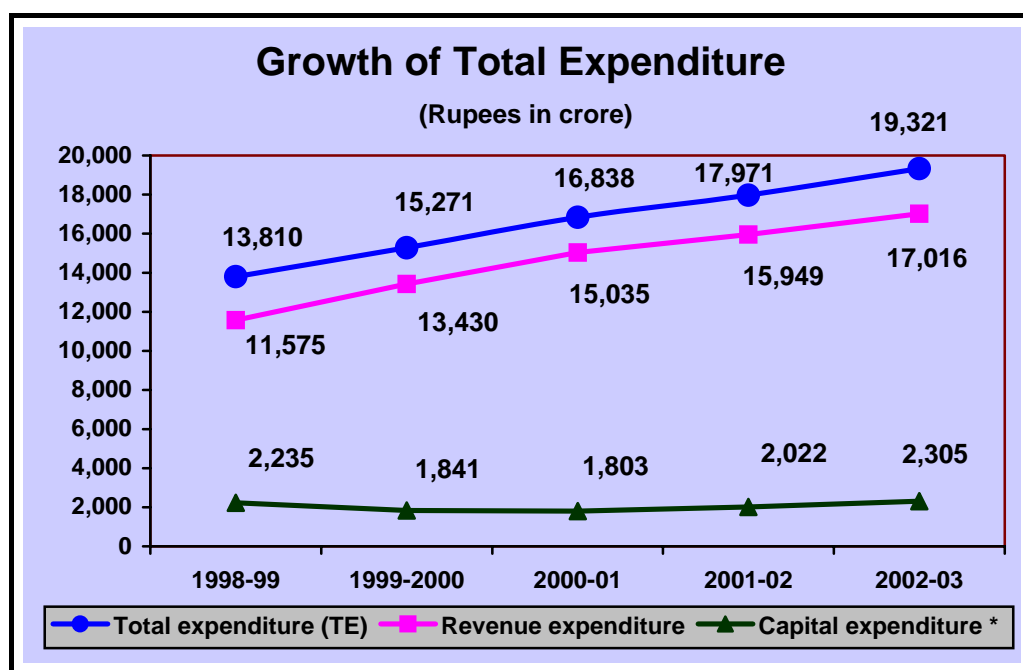
* Average trend rate of growth.

** Rate of growth of GSDP was negative in 2002-03.

*** Rate of growth of Revenue Receipts was negative in 2001-02.

The total expenditure during the year increased by Rs 1350 crore in comparison to previous year. Revenue expenditure increased by Rs 1066.80 crore (mainly due to more expenditure on interest payment: Rs 422.15 crore, power: Rs 343.89 crore, relief on account of natural calamities: Rs 144.36 crore and Urban Development: Rs 122.31 crore). Capital expenditure increased by Rs 209.73 crore (mainly due to more expenditure³ on district and other roads: Rs 147.16 crore, urban water supply scheme: Rs 38.72 crore and rural water supply schemes: Rs 90.48 crore). The ratio of revenue receipts to total expenditure indicated that approximately only 68 per cent of the State's total expenditure was met from its current revenue, leaving the balance to be financed from borrowings.

3. Capital outlay on Roads and Bridges and Water Supply and Sanitation.



* Including Loans and Advances received from State Government.

In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services and loans and advances. The relative share of these components in the total expenditure is indicated in Table 7.

Table 7: Components of expenditure – Relative Share (in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
General Services	33.34	38.52	39.19	40.09	39.78	38.18
Social Services	40.31	38.88	39.92	39.34	37.97	39.29
Economic Services	22.94	20.37	18.30	19.34	20.81	20.35
Grants-in-aid	0.20	0.11	0.10	0.09	*	0.10
Loans and advances	3.21	2.12	2.49	1.14	1.44	2.08
Total	100.00	100.00	100.00	100.00	100.00	100.00

* Only 0.0006 per cent

The movement of relative share of these components of expenditure indicated that while the share of social services and economic services in total expenditure declined from 40.31 and 22.94 per cent in 1998-99 to 37.97 and 20.81 per cent respectively during 2002-03, the relative share of general services increased from 33.34 per cent in 1998-99 to 39.78 per cent in 2002-03.

1.7.2 Incidence of Revenue expenditure

Revenue expenditure had the predominant share in total expenditure. Revenue expenditure is usually incurred to maintain the current level of assets and services. Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts is indicated in Table 8 below:

Table 8: Revenue Expenditure – Basic Parameters (Value: Rupees in crore and others in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue Expenditure	11,575	13,430	15,035	15,949	17,016	14,601
Rate of Growth	28.81	16.03	11.95	6.08	6.69	12.97 ¹
RE/ GSDP	15.86	17.11	18.89	17.78	19.48	17.89
RE as per cent of TE	83.82	87.94	89.29	88.75	88.07	87.73
RE as per cent to Revenue Receipts	134.92	137.18	121.23	131.24	130.07	130.35
Buoyancy of Revenue Expenditure with						
GSDP	2.220	2.124	8.382	0.478	*	2.052
Revenue Receipts	13.836	1.135	0.448	**	0.875	1.235

* Rate of growth of GSDP was negative in 2002-03.

** Rate of growth of revenue receipts was negative in 2001-02.

1. Average trend rate of growth with base year of 1997-98.

Revenue expenditure of the State increased from Rs 11,575 crore in 1998-99 to Rs 17,016 crore in 2002-03 at an average trend rate of 12.97 per cent per annum. The increase in the revenue expenditure during the year was mainly due to more expenditure on interest payments (Rs 422 crore), power (Rs 344 crore), relief on account of natural calamities (Rs 144 crore) and urban development (Rs 122 crore).

Revenue expenditure accounted for 88 per cent of total funds available during 2002-03. This was higher than the share of revenue receipts (68 per cent of total receipts) of the State Government, which led to revenue deficit. Though the ratio of revenue expenditure to revenue receipts declined from 134.92 per cent in 1998-99 to 130.07 per cent in 2002-03, dependence of the State on borrowings, for meeting its current expenditure continued primarily due to the fact that salaries (Rs 5,099 crore), interest payments (Rs 4,300 crore) and pensions (Rs 1,683 crore) alone consumed 85 per cent of total revenue receipts of the State.

1.7.3 Expenditure on Salary and Pension Payments

The expenditure on salaries and pension payments increased from Rs 4861 crore and Rs 1337 crore in 1999-2000 to Rs 5099 crore and Rs 1683 crore in 2002-03 respectively. While expenditure on salaries and pension payments during 2002-03 accounted for 39 and 13 per cent of the revenue receipts, it was 30 and 10 per cent of revenue expenditure respectively. The State Government has not constituted any fund to meet the huge pension liabilities of the retired State employees.

1.7.4 Interest payments

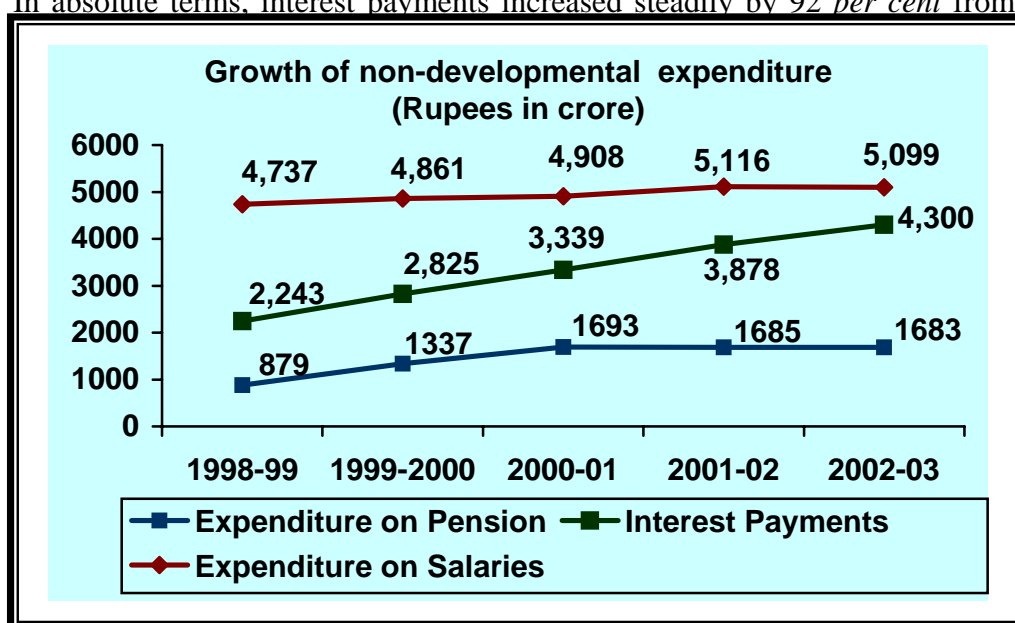
The Eleventh Finance Commission recommended (July 2000) that as a medium term objective, states should endeavour to limit interest payment as a ratio to revenue receipts to 18 to 20 per cent. It was, however, observed that interest payments as percentage of revenue receipts ranged between 26 and 33 during the period 1998-2003.

Table 9

Year	Interest Payment	Percentage of interest payment with reference to
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	(Rupees in crore)	Revenue Receipts	Revenue Expenditure
1998-1999	2,243	26	19
1999-2000	2,825	29	21
2000-2001	3,339	27	22
2001-2002	3,878	32	24
2002-2003	4,300	33	25

In absolute terms, interest payments increased steadily by 92 per cent from Rs 2,243 crore in 1998-99 to Rs 4,300 crore in 2002-03 primarily due to continued reliance on borrowings for financing the fiscal deficit. In fact the ratio of interest payments to Revenue Receipts and total expenditure steadily



increased during the period 1998-2003. Higher interest payments, increasing year after year, left lesser funds for expenditure on primary education, health and social welfare schemes.

1.7.5 Subsidies by the Government

Though the finances of the State are under strain, State Government has been paying subsidies to the various *Nigams*, Corporations etc. During the last five years, State Government paid subsidies under various schemes as under:

Table 10

(Rupees in crore)

Sl. No.	Particulars	1998-99	1999-2000	2000-01	2001-02	2002-03
1.	Power Sector	278.43*	458.14*	2.25*	-	422.64**
2.	Others	19.16	10.38	10.26	7.58	9.82
	Total	297.59	468.52	12.51	7.58	432.46
1.	Percentage Increases (+)/ Decreases (-) over previous years	1258	57	(-) 97	(-) 39	5605
2.	Percentage of subsidy with total expenditure***	2.23	3.13	1	1	2.27

* Rajasthan State Electricity Board.

** Rajasthan Renewable Energy Corporation Limited (Rs 19.92 crore), Rajasthan Rajya Vidyut Utpadan Nigam Limited (Rs 24.30 crore), Rajasthan Rajya Vidyut Prasaran Nigam Limited (Rs 132.30 crore), Jaipur Vidyut Vitran Nigam Limited (Rs

81.28 crore), Jodhpur Vidyut Vitran Nigam Limited (Rs 1.25 crore) and Ajmer Vidyut Vitran Nigam Limited (Rs 163.59 crore).

*** Total Expenditure excludes Loans and Advances.

1. In 2000-01 and 2001-02 only 0.08 and 0.04 *per cent* respectively.

During the current year, subsidies constituted 2.39 *per cent* of the total expenditure out of which 98 *per cent* was paid to Power Sector alone.

1.8 Expenditure by Allocative Priorities

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

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

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Plan Expenditure	24.05	20.91	19.53	22.13	22.20	21.71
Capital Expenditure	13.41	10.15	8.43	10.23	10.64	10.47
Developmental Expenditure	65.35	60.53	59.71	59.35	59.64	60.69

* Total expenditure excludes expenditure on loans and advances.

All the three components of expenditure show a relative decline during 1998-2003. Plan expenditure declined from 24.05 *per cent* of total expenditure in 1998-99 to 22.20 *per cent* in 2002-03. Similarly, capital expenditure also declined from 13.41 *per cent* in 1998-99 to 10.64 *per cent* in 2002-03. There was also a decline in the share of developmental expenditure from 65.35 *per cent* in 1998-99 to 59.64 *per cent* in 2002-03.

Out of the developmental expenditure (Rs 11,357 crore), social services (Rs 7,337 crore) accounted for 65 *per cent* of the developmental expenditure during the year. General Education, Health and Family Welfare, Water Supply and Sanitation and Urban Development consumed nearly four-fifths (84 *per cent*) of the expenditure on Social sector.

Similarly, the expenditure on Economic Services (Rs 4,020 crore) accounted for 35 *per cent* of the developmental expenditure. Of which, Agriculture and Allied Activities (Rs 519 crore), Rural Development (Rs 623 crore), Irrigation and Flood Control (Rs 1,130 crore), Energy (Rs 996 crore) and Transport (Rs 548 crore) accounted for 95 *per cent* of the expenditure on Economic sector.

1.8.1 Department's failure to utilise allotted Central assistance resulted in non-receipt of further assistance of Rs 10.05 crore

During test-check (May 2001 to December 2002) of the records of 10 District Rural Development Agencies⁴ (DRDAs) it was observed that Central share released by Government of

4. Tonk, Alwar, Dausa, Barmer, Karauli, Sirohi, Churu, Udaipur, Banswara and Bharatpur.

India during 1998-2002 was not fully utilised within the stipulated period and funds in excess of limit prescribed by the Government of India were carried forward in the next year. Besides, State Government did not release its matching share. These factors resulted in non-release of Central assistance amounting to Rs 10.05 crore⁵ during 1998-2002 under various schemes.

The matter was referred to State Government during October 2001-April 2003; reply has not been received (November 2003).

1.8.2 Despite availability of Central grant of Rs 1.72 crore no training was imparted to the newly elected representatives of PRIs defeating the very purpose of the Scheme

During test-check (October 2002) of the records of Panchayati Raj Department, Jaipur it was observed that the Central grant of Rs 1.72 crore for training of newly elected representatives of Panchayati Raj Institutions (PRIs) was lying unutilised with State Government. No training was imparted to newly elected representatives of PRIs within first two years of their tenure (not even thereafter) for want of State share. Unutilised funds were also not refunded to Government of India as per conditions (March 2000) of the sanction.

The matter was referred to the State Government in January 2003; reply has not been received (November 2003).

1.8.3 Irregular debit of transportation charges to Calamity Relief Fund

According to Government of India (GOI) guidelines (July 2001) of Food for Work Programme, the transportation, handling and commission charges of wheat were to be borne by the State Government. It was observed that expenditure of Rs 10.12 crore on transportation etc. charges was debited to Calamity Relief Fund in contravention of GOI guidelines.

1.8.4 Financial Assistance to Local Bodies and others

Autonomous bodies and authorities including local bodies and other institutions registered under the State Cooperative Societies Act, Companies Act, 1956 etc. are granted substantial financial assistance by the State Government to implement various programmes.

The quantum of assistance provided to different bodies, during the period of five years ending 2002-03 was as follows:

Table 12

(Rupees in crore)

S.No.	Bodies/authorities, etc.	1998-99	1999-2000	2000-01	2001-02	2002-03
1.	Universities and Educational Institutions	139.89	141.66	148.10	247.53	182.96
2.	Municipal Corporations and Municipalities	8.57	6.39	416.42	460.91	460.56
3.	Zila Parishads and Panchayati Raj Institutions	768.21	918.90	1,082.48	1,413.71	1,167.76
4.	Development Agencies	8.29	1.52	3.13	39.35	247.88
5.	Hospitals and other Charitable Institutions	11.00	3.42	30.16	14.04	7.22

5. Tonk: Rs 2.13 crore, Alwar: Rs 0.64 crore, Dausa: Rs 1.01 crore, Barmer: Rs 0.93 crore, Banswara: Rs 1.51 crore, Bharatpur: Rs 0.71 crore, Karauli: Rs 0.42 crore, Sirohi : Rs 0.49 crore, Churu: Rs 1.16 crore, Udaipur: Rs 1.05 crore.

6.	Other Institutions	799.24	967.03*	596.70*	415.65	797.69
	Total	1,735.20	2,038.92	2,276.99	2,591.19	2,864.07
	Percentage increase (+) / decrease (-) over previous year	19	18	12	14	11
	Assistance as a percentage of revenue receipts	20	21	18	21	22
	Percentage of assistance to revenue expenditure	15	15	15	16	17

* Aggregate figure of the amount of assistance paid to various institutions for various purposes.

1.8.5 Delay in furnishing of utilisation certificates

Out of 11,266 utilisation certificates due in respect of grants aggregating Rs 2,646.55 crore paid during April 1993 to March 2002, 10,613 utilisation certificates for Rs 2,614.46 crore had been furnished by 31 March 2003 and 653 certificates for Rs 32.09 crore were in arrears. Department-wise break-up of outstanding utilisation certificates is given in [Appendix-II](#).

In the absence of these certificates it could not be ascertained whether the recipients had utilised the grants for the purposes for which these were given.

1.8.6 Misappropriation and defalcation of Government funds

As per Rule 20 of General Financial and Accounts Rules Part-I cases of misappropriation, defalcation and theft, etc. of the Government money/ property reported to/detected by Audit upto the end of March 2003 on which final action was pending at the end of September 2003 were as under:

Particulars	Number of cases	Amount (Rupees in crore)
Cases reported upto March 2001 and outstanding at the end of September 2001	1484	17.34
Cases reported during 2001-02 and 2002-03	221	4.44
Cases disposed of between October 2001 and September 2003	361	1.98
Cases reported upto March 2003 and outstanding at the end of September 2003	1344	19.80 ⁶

The extent of delay in finalisation of 1344 cases pending with 61 offices as on 30 September 2003 was as under:

S. No.	Particulars	Number of cases	Amount (Rupees in crore)
1.	Cases more than 10 years old	496	4.41
2.	Cases between 7 and 10 years old	217	2.51
3.	Cases between 5 and 7 years old	191	3.05
4.	Cases between 3 and 5 years old	163	2.23
5.	Cases upto 3 years old	277	7.60
	Total	1344	19.80

6. Does not include money value in respect of 96 cases for want of information from the departments.

Thirty seven *per cent* of the cases are pending for more than 10 years, as such recovery etc. of these amounts is difficult. Out of these cases 598 cases: Rs 6.35 crore (44 *per cent*) are pending for recovery and 385 cases: Rs 2.91 crore (29 *per cent*) pending for departmental enquiry. Department-wise pendency was as under:

S. No.	Department	Number of cases	Amount (Rupees in crore)
1.	Revenue	64	0.36
2.	Education	323	1.73
3.	Works	597	8.41
4.	Medical	120	1.75
5.	Others	240	7.55
	Total	1344	19.80

Keeping in view the measures suggested by the Public Accounts Committee (1986-87), the Government issued instructions to the Heads of Department concerned in December 1986 and reiterated in August 1995 to initiate action on the pending embezzlement cases and intimate progress to the Accountant General.

No concrete steps have yet been taken to settle these cases. The Government needs to take suitable steps for finalising the cases in a time-bound manner.

1.9 Assets and Liabilities

The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings etc., owned by the Government. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of expenditure. Statement 16 read with details in Statement 17 of Finance Accounts show the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. **Exhibit-I** presents an abstract of such liabilities and the assets as on 31 March 2003, compared with the corresponding position on 31 March 2002. While the liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Fund, the assets comprise mainly the capital expenditure and loans and advances given by the State Government. The liabilities of Government of Rajasthan depicted in the Finance Accounts, however, do not include the pension, other retirement benefits payable to serving/retired State employees, guarantees/letters of comforts issued by the State Government. **Exhibit-IV** depicts the Time Series Data on State Government Finances for the period 1998-2003.

1.9.1 Financial results of irrigation works

The financial results of 5 major and 12 medium irrigation projects with a capital outlay of Rs 2,977.41 crore at the end of March 2003 showed that revenue realised (Rs 12.40 crore) from these projects during 2002-03 was only 0.42 *per cent* of the capital outlay which was not sufficient to cover even the direct working expenses. After meeting the working and maintenance expenditure (Rs 65.33 crore) and interest charges (Rs 289.56 crore), the schemes suffered a net loss of Rs 342.49 crore.

1.9.2 Incomplete projects

As per information received from the State Government, as of 31 March 2003, there were 531 incomplete projects in which Rs 2,277 crore were blocked for periods ranging from five to 41 years.

1.9.3 Investments and returns

As on 31 March 2003, Government had invested Rs 3,268.03 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives. Government's return on this investment was meagre (less than one *per cent*) as indicated in Table-13 below. Of these, three statutory corporations, 12 rural banks, 10 government companies and seven joint stock companies with an aggregate investment of Rs 1,926.72 crore upto 2002-03 were incurring losses and their accumulated losses amounted to Rs 1,574.70 crore as per the accounts furnished by these companies upto 2001-02 ([Appendix-III](#)). The negligible returns on investment as compared to high cost of borrowing with interest upto 12.50 *per cent* led to implicit subsidy.

Table 13: Return on Investment (Rupees in crore)

Year	Investment at the end of the year	Return	Percentage of return	Rate of interest on Government borrowing (<i>per cent</i>)
1998-1999	2,517.65	8.00	0.32	12.15 and 12.50
1999-2000	2,560.08	5.29	0.21	11,11.85 and 12.25
2000-2001	2,596.35	5.57	0.21	10.50, 10.82, 10.52 and 12.00
2001-2002	2,936.76	4.78	0.16	8.00, 8.30, 9.45 and 10.35
2002-2003	3,268.03	8.26	0.25	6.75, 6.80, 6.95 and 7.80

1.9.4 Loans and advances by State Government

In addition to its investment, Government has also been providing loans and advances to many of these bodies. Total outstanding balance of the loans advanced was Rs 2,954 crore as on 31 March 2003 (Table 14). Overall, interest received against these advances declined to 2.95 *per cent* during 2002-03. Further, in most cases, Government orders sanctioning the loans did not specify the terms and conditions for these loans.

Table 14: Average Interest Received on Loans Advanced by the State Government (Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Opening Balance	1,802	2,165	2,369	2,664	2,801 ⁷
Amount advanced during the year	443	324	419	204	278
Amount repaid during the year	80	120	124	69	125
Closing Balance	2,165	2,369	2,664	2,799	2,954
Net Addition (+) / Reduction (-)	363	204	295	135	153
Interest Received (Rupees in crore)	213	238	108	83	85
Interest received as <i>per cent</i> to outstanding Loans and advances	10.74	10.50	4.29	3.04	2.95
Average rate of interest paid by the State	10.33	10.43	10.45	10.50	10.02
Difference between interest paid and received	+ 0.41	+ 0.07	- 6.16	- 7.46	- 7.07

1.9.5 Lack of accountability in departmental commercial undertakings

7. Proforma correction regarding prior period adjustments due to conversion of investment into loans amounting to Rs. 2.45 crore.

Activities of quasi-commercial nature are performed by the departmental undertakings of certain Government departments. These undertakings are to prepare *pro forma* accounts in the prescribed format annually showing the results of financial operation so that the Government can assess the results of their working. The Heads of Departments in Government are to ensure that the undertakings prepare the accounts and submit the same to Accountant General

for audit. As of March 2003, there were 12⁸ such undertakings. Two out of these did not prepare the accounts for two years and six for one year. Rs 3,411.66 crore had been invested by the State Government in these 12 undertakings at the end of financial year upto which their accounts were finalised.

It has been repeatedly commented in the Audit Reports of the State about the failure of the Heads of Departments and the management of the undertakings for timely preparation of the *pro forma* accounts. Neither did Government initiate action against the management for their failure to prepare accounts nor did it take any effective initiative to set right the position. As a result, accountability of the management and Government in respect of the public funds spent by these undertakings was not ensured.

The department-wise position of arrears (upto November 2003) in preparation of *pro forma* accounts were as follows:

Table 15

Department	Number of undertakings	Accounts not finalised	Year from which accounts were due	Investment as per last audited account* (Rs in crore)
Home	7	Jail Manufacture, Ajmer	2001-02 ⁹	0.61
		Jail Manufacture, Alwar	2001-02	0.26
		Jail Manufacture, Bikaner	2002-03	0.57
		Jail Manufacture, Jaipur	2002-03	1.19
		Jail Manufacture, Jodhpur	2002-03	0.95
		Jail Manufacture, Kota	-	0.25
		Jail Manufacture, Udaipur	2002-03	0.71

8. This does not include:

Scheme for purchase and sale of pumping sets and Rajasthan Ground Water Department, Jodhpur which were declared non-commercial with effect from December 1987. However, the *pro forma* accounts of these departmental undertakings from 1975-76 to 1987-88 and 1974-75 to 1987-88 respectively were pending.

* Investment represents the balance of fixed capital account and current account of the Government on the last day of the financial year up to which accounts had been finalised.

9. Accounts of Jail Manufacture, Ajmer for the year 2001-02 have just been received (20 November 2003) and audit is being provided.

Forest	2	Departmental Trading of Forest Coupes	2002-03	-#
		<i>Patta Tendu</i> Scheme	2001-02	-#
State Enterprises	2	Sodium Sulphate Works, Didwana	-	-
		Government Salt Works, Didwana	-	-#
Public Health Engineering	1	Rajasthan Water Supply and Sewerage Management Board, Jaipur	2002-03	3407.12
	12	Total		3411.66

During the course of audit it was noticed that eight out of twelve undertakings incurred losses for more than five years and the accumulated losses were Rs 2,735 crore against a total investment of Rs 3,412 crore.

The lack of accountability displayed by the failure to prepare the accounts by the management of these undertakings is a matter of concern as large amount of public funds are involved in these cases. The Government should also re-examine the justification for continued release of budgetary funds to the undertakings without assessing their financial performance.

1.9.6 Management of cash balances

It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mis-matches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India has been put in place. During the year, the State has used this mechanism for 206 days as against 141 days last year although it raised borrowings of Rs 2,383 crore from the market on five occasions. In addition, the volume of Ways and Means Advances taken by the State was much higher this year. Resort to overdraft, which is over and above the WMA limits, is all the more undesirable. The State used the Overdraft facilities for 150 days during the year as against 168 days last year.

Table 16: Ways and Means and Overdrafts of the State and Interest paid thereon

(Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Ways and Means Advances						
Taken in the Year	1,862.83	3,848.08	3,445.78	2,635.01	4,893.81	3,337.10
Outstanding	239.12	395.35	374.67	446.24	235.70	338.22
Interest Paid	2.84	20.17	22.75	20.67	23.68	18.02
Overdraft						
Taken in the Year	1,984.86	2,344.81	2,684.96	5,370.54	4,656.06	3,408.25
Outstanding	645.88	535.05	-	625.09	-	361.20
Interest Paid	1.42	6.52	4.74	4.28	6.19	4.63
Number of Days State was in Overdraft	79	96	103	168	150	119

1.9.7 Undischarged Liabilities

Capital investment of the Government is nil as the remittances from the undertakings were more than the amount invested by the Government.

Fiscal liabilities – public debt and guarantees

The Constitution of India provides that State may borrow within the territory of India, upon the security of its Consolidated Fund, within such limits as may, from time to time, be fixed by an act of Legislature. However, no such law was passed by the State to lay down any such limit. However, State Government through a resolution had decided (May 1999) that its total debt (excluding other liabilities) and outstanding amount of guarantees as on the last day of any financial year will not be more than double the estimated receipts in its consolidated fund. Statement 4 read with Statements 16 and 17 of Finance Accounts show the year-end balances under Debt, Deposit and Remittances heads from which the liabilities are worked out.

It was, however, observed that the overall fiscal liabilities of the State increased from Rs 24,170 crore in 1998-99 to Rs 45,871 crore in 2002-03 at an average growth rate of 18.59 *per cent*. These liabilities as ratio to GSDP increased from 33.1 *per cent* in 1998-99 to 52.5 *per cent* in 2002-03 and stood at 3.51 times of its revenue receipts and 5.86 times of its own resources comprising its own tax and non-tax revenue. Table 17 below gives the fiscal Liabilities of the State, its rate of growth, ratio of these liabilities to GSDP revenue receipts and own resources and buoyancy of these liabilities with respect to these parameters.

Table 17: Fiscal Imbalances–Basic Parameters (Rupees in crore and Ratios in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Fiscal Liabilities	24,170	30,011	33,874	39,970	45,871	34,779
Rate of growth	25.49	24.17	12.87	18.00	14.76	18.59
Ratio of Fiscal Liabilities to						
GSDP	33.1	38.2	42.6	44.5	52.5	42.6
Revenue Receipts	281.7	306.5	273.1	328.9	350.6	305.5
Own Resources	456.6	491.6	484.7	556.8	586.4	510.8
Buoyancy of Fiscal Liabilities to						
GSDP	1.964	3.202	9.028	1.415	*	2.943
Revenue Receipts	12.239	1.712	0.482	(-) 8.963	1.931	1.771
Own Resources	3.961	1.575	0.890	6.584	1.648	1.760

* Rate of Growth of GSDP was negative in 2002-2003

In addition to these liabilities, Government had guaranteed loans of its various Corporations and others, which in 2002-03 stood at Rs 14,968 crore. The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment of loans, there may be an obligation on the State to honour these commitments. Currently, the fiscal liabilities including the contingent liabilities exceed four times the revenue receipts of the State. The direct fiscal liabilities of the State have grown much faster as compared to its rate of growth of GSDP, revenue receipts and own resources. On average for each one *per cent* increase in GSDP the direct fiscal liabilities of the State have increased by 2.943 *per cent*.

Increasing liabilities had raised the issue of sustainability of State Government finances. Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP.

Debt sustainability with reference to weighted interest rate, GSDP growth rate and interest spread is indicated in Table-18.

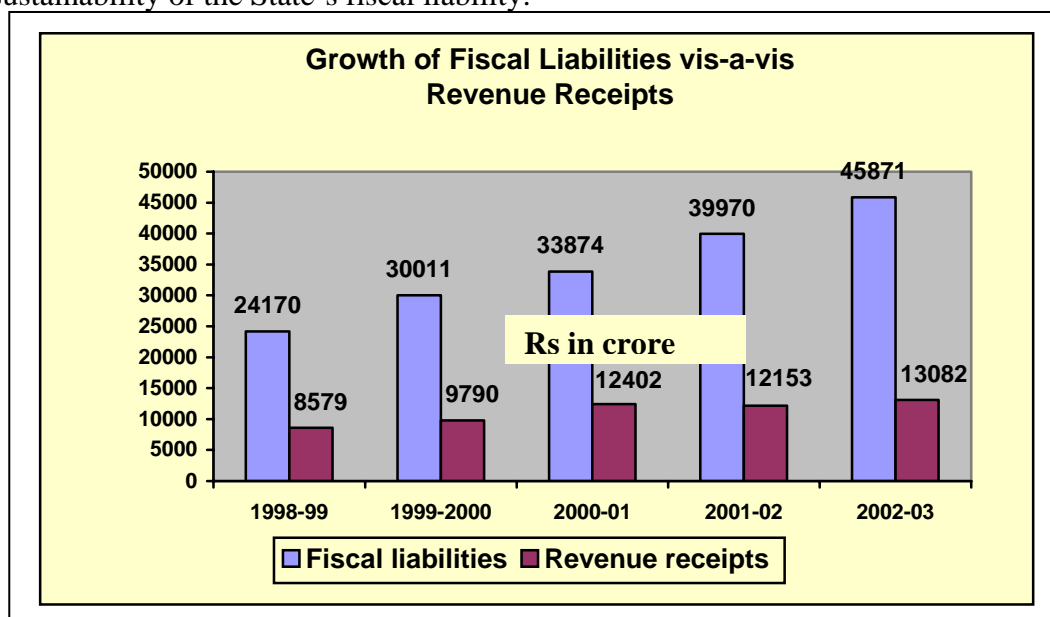
Table 18: Debt Sustainability – Interest Rate and GSDP Growth (in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Weighted Interest Rate	10.33	10.43	10.45	10.50	10.02	10.35

GSDP Growth	12.98	7.55	1.43	12.72	- 2.62	6.32
Interest spread	2.65	- 2.88	- 9.03	2.22	- 12.64	- 4.03

In the case of Rajasthan the weighted interest rate is higher than the rate of growth of GSDP indicating unsustainability of the State's fiscal liability.

Another important indication of debt sustainability is net availability of funds after payment of



the principal on account of the earlier contracted liabilities and interest. Table 19 below gives the position of the receipts and repayments of internal debt over the last five years. The net funds available on account of the internal debt and loans and advances from Government of India after providing for the interest and repayments ranged between 26.8 per cent and 42.5 per cent during 1998-2003.

Table 19: Net Availability of Borrowed Funds (Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Internal Debt*						
Receipts	1,175	1,867	1,510	1,609	2,701	1,772
Repayments (Principal + Interest)	702	896	1,084	1,322	1,436	1,088
Net Funds Available	473	971	426	287	1,265	684
Net Funds Available (<i>per cent</i>)	40.3	52.0	28.2	17.8	46.8	38.6
Loans and Advances from Government of India						
Receipts	1,859	2,485	2,644	3,673	4,787	3,090
Repayments (Principal + Interest)	1,263	1,606	1,957	2,334	3,757	2,184
Net Funds Available	596	879	687	1,339	1,030	906
Net Funds Available (<i>per cent</i>)	32.1	35.4	26.0	36.5	21.5	29.3
Total Public Debt						
Receipts	3,034	4,352	4,154	5,282	7,488	4,862
Repayments (Principal + Interest)	1,965	2,502	3,041	3,656	5,193	3,272
Net Funds Available	1,069	1,850	1,113	1,626	2,295	1,590
Net Funds Available (<i>per cent</i>)	35.2	42.5	26.8	30.8	30.6	32.7

* Internal debt excluding ways and means advances and overdrafts from RBI/GOI.

The State Government raised market loans of Rs 2,383.41 crore during the year. The average rate of market borrowing (Rs 2,383 crore) during the year was 7.22 per cent whereas the State

Government borrowed Rs 3,397.93 crore from National Small Saving Fund at the rate 10.50 *per cent per annum* from Government of India. Further the State Government failed to use the option of raising market borrowing at competitive rates through auctions by RBI. As on 31 March 2003, 68 *per cent* of the existing market loans of the State Government carried interest rate exceeding 10 *per cent*. Thus, the effective cost of borrowings on their past loans is much higher than the rate at which they are able to raise resources at present from the market. The maturity profile of the State Government market loans indicate that nearly one-fourth of the total market loans are repayable within the next five years while the remaining three-fourth loans are required to be repaid within five to 10 years.

1.10 Recommendations of Eleventh Finance Commission

1.10.1 Medium Term Fiscal Reforms Programme (MTFRP)

Eleventh Finance Commission (EFC) in its report lays down broad parameters of fiscal correction in the State Sector. Each State was required to draw up the Medium Term Fiscal Reforms Programme (MTFRP) to achieve the objective of zero revenue deficit. The MTFRP was to form the basis of a Memorandum of Understandings (MOU) entered into between the State and Ministry of Finance. Further, the EFC recommended an Incentive Fund from which grants were to be released to States based on their fiscal performance. On the basis of the recommendations of the EFC, the Government of India (GOI) created Fiscal Reforms Facility (2000-01 to 2004-05) to motivate the States to undertake MTFRP. Release from the Incentive Fund was to be based on achieving a minimum improvement of five percentage points in the revenue deficit as a proportion of its revenue receipts each year till 2004-05 over the base year 1999-2000.

Test-check of records of Finance Department revealed that State Government formulated its MTFRP in March 2003 and an MOU had been signed by the Rajasthan Government with GOI only in March 2003. GOI released Rs 171.68 crore during 2001-02 towards incentive fund pertaining to their share for the year 2000-01. The main impact of this programme will be felt in the coming years.

Further, according to MOU (25 March 2003), the revenue deficit as a proportion of Revenue Receipts was to be reduced by five *per cent* each year from 1999-2000 (base year). Accordingly, the revenue deficit of 37 *per cent* during 1999-2000 was to be restricted to 32 *per cent*, 27 *per cent* and 22 *per cent* of revenue receipts during years 2000-01 to 2002-03. The actual revenue deficit, however, after a dip in 2000-01 (21 *per cent*), rose steeply and was higher than 30 *per cent* during 2001-02 and 2002-03.

1.11 Management of deficits

1.11.1 Fiscal imbalances

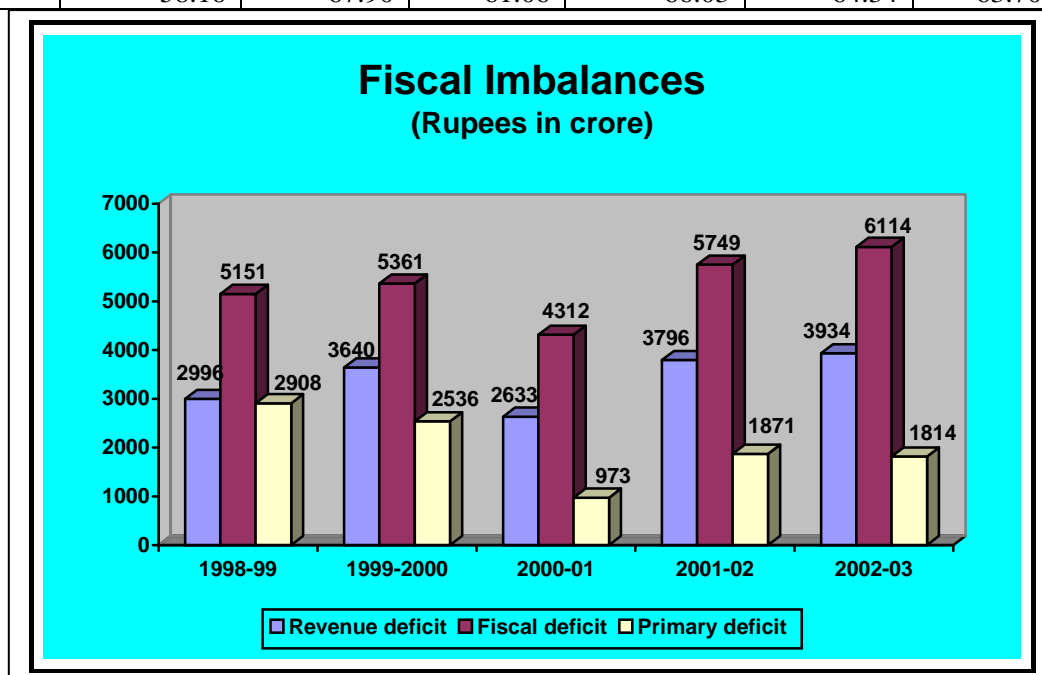
The deficits in Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government.

Further, the ways in which the deficit is financed and the resources so raised are applied are important pointers to the fiscal health.

The revenue deficit (Statement 1 of Finance Account) of the State, which is the excess of its revenue expenditure over revenue receipts, increased from Rs 2,996 crore in 1998-99 to Rs 3,934 crore in 2002-03. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, also increased from Rs 5,151 crore in 1998-99 to Rs 6,114 crore in 2002-03. The primary deficit declined from Rs 2,908 crore in 1998-99 to Rs 1,814 crore in 2002-03 as indicated in Table 20.

Table 20: Fiscal Imbalances – Basic Parameters (Value: Rupees in crore and Ratios in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue deficit	2,996	3,640	2,633	3,796	3,934	3,400
Fiscal deficit	5,151	5,361	4,312	5,749	6,114	5,337
Primary Deficit	2,908	2,536	973	1,871	1,814	2,020
RD/GSDP	4.11	4.64	3.31	4.23	4.50	4.16
FD/GSDP	7.06	6.83	5.42	6.41	7.00	6.54
PD/GSDP	3.98	3.23	1.22	2.09	2.08	2.48
RD/FD	58.16	67.90	61.06	66.03	64.34	63.70



Persistent revenue deficit indicated that the revenue receipts of the State were not able to meet its revenue expenditure and Government had to borrow to meet its current obligations. The ratio of revenue deficit to fiscal deficit has also increased from 58.16 per cent in 1998-99 to 64.34 per cent in 2002-03. As a proportion of GSDP, revenue deficit increased from 4.11 per cent in 1998-99 to 4.50 per cent in 2002-03 and fiscal deficit marginally decreased from 7.06 per cent in 1998-99 to 7 per cent in 2002-03.

1.12 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 21 below presents a summarized position of Government Finances over 1998-2003, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important facets.

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of revenue receipts indicates the nature of the tax regime and the State's increasing access to resources with increase in GSDP. Revenue receipts comprises not only the tax and non-tax resources of the State but also the transfers from Union Government. These ratios, show a continuous improvement during 1998-2001, depict a significant deceleration in 2001-02. Though these ratios again increased during the current year.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resources mobilisation. The ratio of revenue expenditure to total expenditure has shown an increase while its capital expenditure and developmental expenditure as percentage to total expenditure has declined in 2002-03 in comparison to 1998-99. Both its revenue and total expenditure when compared to its revenue receipts and revenue expenditure have shown comparatively higher buoyancy. All these indicate State's increasing dependence on borrowings for meeting its revenue expenditure and inadequate expansion of its developmental activities.

Table 21: Ratios of Fiscal Efficiency (in per cent)

Fiscal Ratios	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Resources Mobilisation						
Revenue Receipts/GSDP	11.76	12.47	15.58	13.54	14.97	13.72
Revenue Buoyancy	0.160	1.871	18.712	- 0.158	- 2.912	1.661
Own Tax/GSDP	5.40	5.77	6.66	6.32	7.16	6.30
Expenditure Management						
Total Expenditure/GSDP	18.92	19.46	21.15	20.03	22.11	20.39
Revenue Receipts/ Total Expenditure	62.12	64.11	73.65	67.63	67.71	67.04
Revenue Expenditure/Total Expenditure	83.82	87.94	89.29	88.75	88.07	87.73
Capital Expenditure/Total Expenditure	13.41	10.15	8.43	10.23	10.64	10.47
Developmental Expenditure/Total Expenditure (RE+CE)	65.35	60.53	59.71	59.35	59.64	60.69
Buoyancy of TE with RR	7.971	0.749	0.385	- 3.351	0.983	0.952
Buoyancy of RE with RR	13.836	1.135	0.448	- 3.028	0.875	1.235
Management of Fiscal Imbalances						
Revenue deficit (Rs in crore)	2,996	3,640	2,633	3,796	3,934	3,400
Fiscal deficit (Rs in crore)	5,151	5,361	4,312	5,749	6,114	5,337
Primary Deficit (Rs in crore)	2,908	2,536	973	1,871	1,814	2,020
Revenue Deficit/Fiscal	58.16	67.90	61.06	66.03	64.34	63.70

Fiscal Ratios	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Deficit						
Management of Fiscal Liabilities						
Fiscal Liabilities/GSDP	33.1	38.2	42.6	44.5	52.5	42.6
Fiscal Liabilities/RR	281.7	306.5	273.1	328.9	350.6	305.5
Buoyancy of FL with RR	12.239	1.712	0.482	- 8.963	1.931	1.771
Buoyancy of FL with OR	3.961	1.575	0.890	6.584	1.648	1.760
Interest Spread	2.65	- 2.88	- 9.03	2.22	- 12.64	- 4.03
Net Fund Available	35.2	42.5	26.8	30.8	30.6	32.7
Other Fiscal Health Indicators						
Return on Investment	0.32	0.21	0.21	0.16	0.25	0.23
BCR (Rs in crore)	- 2,543	- 3,015	- 1,998	- 2,692	- 3,045	- 2,659
Financial Assets/Liabilities	0.74	0.67	0.63	0.59	0.56	0.64

It is not uncommon for a State to borrow for increasing its social and economic infrastructure support and creating additional income generating assets. However, increasing ratio of fiscal liabilities to GSDP and revenue receipts together with a growing revenue deficit indicate that the state is gradually getting into a debt trap. In fact the ratio of fiscal liabilities to GSDP had crossed 50 per cent in the current even without including the state's contingent liability. The average interest paid by the State on its borrowings during 1998-2003 has also exceeded the rate of growth of its GSDP, violating the cardinal rule of debt sustainability. There has also been a decline in net availability of funds from its borrowings due to a larger portion of these funds being used for debt servicing. The State's low return on investment and its outstanding advances indicated an implicit subsidy. High cost funds were being allocated to these investments, which yielded very little to the State. This indicated that either the State has to generate more revenue out of its existing assets or it needs to provide from its current revenues for servicing its debt obligations. The Balance from Current Revenues (BCR) of the State has also continued to be negative. The negative BCR reduced the availability of resources to fund for additional infrastructure support and other revenue generating investment. The ratio of its assets to its liabilities had declined to 0.56 indicating that the State's fiscal liabilities had ceased to have an asset back-up. All these indicate continuing deterioration of the State's fiscal situation.

EXHIBIT-I

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF RAJASTHAN

		(Rupees in crore)	
As on 31 March 2002	Liabilities	As on 31 March 2003	
9667.23	Internal Debt-	11877.13	
	7551.82 Market Loans bearing interest	9816.18	
	9.34 Market Loans not bearing interest	9.28	
	115.01 Loans from Life Insurance Corporation of India	109.80	
	86.58 Loans from the General Insurance Corporation of India	99.92	
	683.40 Loans from the National Bank for Agriculture and Rural Development	886.75	
	50.41 Loans from the National Cooperative Development Corporation	42.69	
	724.43 Loans from other Institutions, etc.	676.81	
	446.24 Ways and Means Advances from RBI	235.70	
625.09	Overdrafts from Reserve Bank of India	-	
17651.22	Loans and Advances from Central Government	20696.86	
	556.62 Pre 1984-85 Loans	507.30	
	11318.63 Non-Plan Loans	14669.57	

	5448.98	Loans for State Plan Schemes	5357.98	
	0.99	Loans for Central Plan Schemes	0.95	
	158.00	Loans for Centrally Sponsored Plan Schemes	161.06	
	168.00	Ways and Means Advances from GOI	-	
35.00		Contingency Fund		35.00
8630.05		Small Savings, Provident Funds, etc.		9568.44
3058.63		Deposits		3312.12
337.68		Reserve Funds		416.84
-		Suspense and Miscellaneous Balances		-
70.39*		Deposits with Reserve Bank		288.41*
11.22*		Cash in Treasuries and Local Remittances		-
40086.51		Total		46194.80
As on		Assets		As on
31 March 2002				31 March 2003
20798.48		Gross Capital Expenditure		22823.56
	2936.76	Investments in shares of Companies, Corporations, etc.	3268.03@	
	17861.72	Other Capital Expenditure	19555.53	
2799.14		Loans and Advances		2954.16
	1900.43	Loans for Power Projects	2038.99**	
	614.20	Other Development Loans	598.58@	
	284.51	Loans to Government Servants and Miscellaneous loans	316.59	
-		Reserve Fund Investments		-
1.20		Advances		1.95
29.03		Remittance Balances		30.20
43.66		Suspense and Miscellaneous Balances		35.87
2.84		Cash		2.98
	-	Cash in Treasuries and Local Remittances	0.27	
	2.11	Departmental Cash Balance	1.98	
	0.56	Permanent Advances	0.56	
	0.17	Cash Balance Investments	0.17	
16412.16		Deficit on Government Accounts		20346.08
	3795.69	(i) Revenue Deficit of the Current Year	3933.92	
	12616.47	(ii) Accumulated deficit upto preceding year	16412.16	
40086.51		Total		46194.80

EXHIBIT-II

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2002-03

(Rupees in crore)

2001-02	Receipts		2002-03	2001-02	Disbursements		2002-03		
					Non-Plan	Plan	Total		
12153.29	I.	Section-A: Revenue	13081.86		I.	Revenue Expenditure			
5671.17		Revenue receipts		7176.72		General Services	7593.26	52.22	7645.48
		Tax revenue	6253.34	6404.58		Social Services	5360.20	1225.42	6585.62
1508.46		Non-tax revenue	1569.00	3430.98		Education, Sports, Art and Culture	3155.25	155.29	3310.54
				973.22		Health and Family Welfare	699.43	199.55	898.98
2882.36		State's share of Union Taxes and Duties	3063.10	1232.50		Water Supply, Sanitation, Housing and Urban Development	805.97	593.20	1399.17
				8.07		Information and Broadcasting	8.51	0.03	8.54
1008.26		Non-Plan grants	813.64	109.73		Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	30.47	69.08	99.55
				36.39		Labour and Labour Welfare	36.34	0.98	37.32
342.08		Grants for State Plan Schemes	616.52	603.89		Social Welfare and Nutrition	614.61	207.29	821.90
				9.80		Others	9.62	-	9.62
740.96		Grants for Central Plan Schemes and Special Plan	766.26	2349.15		Economic Services	1790.06	994.50	2784.56
				524.08		Agriculture and Allied Activities	406.05	100.74	506.79

* Included on liabilities side as the balances were in negative.

@ Proforma correction regarding prior period adjustment account due to conversion of investment into loans amounting to Rs 2.45 crore.

** Includes Rs 0.04 crore booked under major head 6853 (Industry and Minerals Sector).

Audit Report (Civil) for the year ended 31 March 2003

2001-02	Receipts	2002-03	2001-02	Disbursements	2002-03		
					Non-Plan	Plan	Total
	Schemes		410.36	Rural Development	133.99	316.40	450.39
			-	Special Areas Programmes	-	-	-
			777.17	Irrigation and Flood Control	735.04	15.18	750.22
			318.70	Energy	268.13	394.70	662.83
			52.48	Industry and Minerals	49.22	15.76	64.98
			191.48	Transport	156.67	99.78	256.45
			3.20	Science, Technology and Environment	2.16	1.39	3.55
			71.68	General Economic Services	38.80	50.55	89.35
			18.53	Grants-in-aid and Contributions	0.12	-	0.12
3795.69	II. Revenue deficit carried over to Section-B	3933.92					
15948.98	Total	17015.78	15948.98	Total	14743.64	2272.14	17015.78
(-162.95)	III. Section-B – Others Opening Cash balance including Permanent Advances and Cash Balance Investments	(-) 78.77	1817.81	II. Capital Expenditure General Services	71.01	1956.52	2027.53
			27.20		10.13	31.45	41.58
			664.94	Social Services	60.86	689.93	750.79
			24.54	Education, Sports, Art and Culture	-	19.32	19.32
			23.87	Health and Family Welfare	-	14.05	14.05
			519.10	Water Supply, Sanitation, Housing and Urban Development	60.86	591.03	651.89
			0.37	Information and Broadcasting	-	0.18	0.18
			70.14	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	-	47.33	47.33
			26.70	Social Welfare and Nutrition	-	17.21	17.21
			0.22	Others	-	0.81	0.81
			1125.67	Economic Services	0.02	1235.14	1235.16
			21.04	Agriculture and Allied Activities	-	12.17	12.17
			177.03	Rural Development	-	172.15	172.15
			32.32	Special Areas Programmes	-	36.57	36.57
			403.81	Irrigation and Flood Control	-	380.26	380.26
			333.00	Energy	-	333.50	333.50
			0.35	Industry and Minerals	-	1.14	1.14
			149.94	Transport	-	291.38	291.38
			-	Science, Technology and Environment	-	0.03	0.03
			8.18	General Economic Services	0.02	7.94	7.96

(Rupees in crore)

Receipts			Disbursements		
2001-02		2002-03	2001-02		2002-03
69.24	IV. Recoveries of Loans and Advances	125.23	204.10	III. Loans and Advances disbursed	277.80
2.31	From Power Projects 4.29		92.50	For Power Projects 142.85	
27.23	From Government 38.31		75.70	To Government 70.72	
39.70	From Others 82.63		35.90	Servants	
				To Others 64.23	
			3795.69	IV. Revenue deficit brought down	3933.92
5978.86	V. Public Debt Receipts	7686.49	1023.83	V. Repayment of Public Debt	3056.04
1609.09	Internal debt other than Ways and Means Advances and Overdraft 2701.24		296.67	Internal debt other than Ways and Means Advances and Overdraft 280.80	
696.66	Net transactions under Ways and Means Advances including Overdraft -		-	835.63*	
3673.11	Loans and Advances from Central Government 4985.25		727.16	Net transactions under Ways and Means Advances including Overdraft 1939.61	
				Repayment of Loans and Advances to Central Government	
27770.69	VI. Public Account Receipts	34592.19	26893.18	VI. Public Account disbursements	33315.28
1915.63	Small Savings, Provident Funds, etc. 1917.69		937.73	Small Savings, Provident Funds, etc. 979.30	
334.07	Reserve Funds 837.09		325.13	Reserve Funds 757.94	
59.17	Suspense and Miscellaneous 19.59		320.92	Suspense and Miscellaneous 11.81	
1723.53	Remittances 2031.02		1725.51	Remittances 2032.17	
23738.29	Deposits and Advances 29786.80		23583.89	Deposits and Advances 29534.06	
			(-) 78.77	VII. Cash Balance at end	(-) 285.43
			(-) 11.22	Cash in Treasuries and Local Remittances 0.27	
			(-) 70.39	Deposits with Reserve Bank (-)288.41	
			2.67	Departmental Cash Balance 2.54	
			0.17	Including permanent Advances 0.17	
				Cash Balance Investment	
33655.84	Total	42325.14	33655.84	Total	42325.14

EXHIBIT-III SOURCES AND APPLICATION OF FUNDS

(Rupees in crore)

2001-02	Sources	2002-03
12153.29	Revenue receipts	13081.86
69.24	Recoveries of Loans and Advances	125.23
4955.03	Increase in Public Debt	4630.45
877.51	Net receipts from Public Account	1276.91
	977.90 Increase in Small Savings, Provident Funds, etc. 938.39	
	154.40 Net effect in Deposits and Advances 252.74	
	8.94 Net effect in Reserve Funds 79.15	
	(-) 261.75 Net effect of Suspense and Miscellaneous transactions 7.78	

* Represents receipts: Rs 9549.87 crore and disbursements: Rs 10385.50 crore.

-	(-) 1.98	Net effect of Remittance transactions	(-) 1.15	
		Decrease in closing cash balance		206.66
18055.07		Total		19321.11
2001-02		Application		2002-03
15948.98		Revenue expenditure		17015.78
204.10		Lending for development and other purposes		277.80
1817.81		Capital expenditure		2027.53
84.18		Increase in closing cash balance		-
18055.07		Total		19321.11

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 deficit on Government account, as shown in Exhibit-I, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlement etc.
4. There was a difference of Rs 0.43 crore (net Debit) between the figures reflected in the accounts and that intimated by the RBI under "Deposit with Reserve Bank". Following reconciliation and subsequent adjustments, a difference of Rs 0.05 crore (net Debit) remained to be reconciled as of May 2003.

EXHIBIT-IV
TIME SERIES DATA ON STATE GOVERNMENT FINANCES
(Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Part A. Receipts					
1. Revenue Receipts	8579	9790	12402	12153	13082
(i) Tax Revenue	3939(46)	4531(46)	5300(43)	5671(47)	6253(48)
Faxes on Sales, Trade, etc.	2059(52)	2425(54)	2821(53)	3009(54)	3438(55)
State Excise	990(25)	961(21)	1119(21)	1110(20)	1142(18)
Taxes on Vehicles	364(9)	455(10)	511(10)	566(10)	646(10)
Other Taxes	526(14)	690(15)	849(16)	926(16)	1027(17)
(ii) Non-Tax Revenue	1354(16)	1574(16)	1688(14)	1508(12)	1569(12)
(iii) State's share of Union taxes and duties	1964(23)	2185(22)	2837(23)	2883(24)	3063(23)
(iv) Grants-in-aid from GOI	1322(15)	1500(16)	2577(20)	2091(17)	2197(17)
2. Miscellaneous Capital Receipts	-	-	-	-	-
3. Total revenue and Non-debt Capital Receipts (1+2)	8579	9790	12402	12153	13082
4. Recoveries of Loans and Advances	80	120	124	69	125
5. Public Debt Receipts	3976	5267	4204	5979	7686
Internal Debt (excluding Ways & Means Advances and Overdraft)	1175(30)	1867(35)	1510(36)	1609(27)	2701(35)
Net transactions under Ways and Means Advances and Overdraft	838(21)	45(1)	-	697(12)	-
Loans and Advances from Government of India [§]	1963(49)	3355(64)	2694(64)	3673(61)	4985(65)
6. Total receipts in the Consolidated Fund (3+4+5)	12635	15177	16730	18201	20893
7. Contingency Fund Receipts	-	-	-	-	-
8. Public Account Receipts	17349	21681	25677	27771	34592
9. Total receipts of the State (6+7+8)	29984	36858	42407	45972	55485
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	11575	13430	15035	15949	17016
Plan	1443(12)	1643(12)	1885(13)	2186(14)	2272(13)
Non-Plan	10132(88)	11787(88)	13150(87)	13763(86)	14744(87)
General Services (excluding Interest payments)	2316(20)	2858(21)	3239(22)	3299(21)	3345(20)
Interest Payments	2243(19)	2825(21)	3339(22)	3878(24)	4300(25)
Social Services	4923(43)	5486(41)	6128(41)	6405(40)	6586(39)
Economic Services	2065(18)	2243(17)	2312(15)	2349(15)	2785(16)
Grants-in-aid and Contributions	28(-)	18(-)	17(-)	18(-)	@
11. Capital Expenditure	1792	1517	1384	1818	2027
Plan	1772(99)	1482(98)	1322(98)	1745(96)	1956(96)
Non-Plan	20(1)	35(2)	62(2)	73(4)	71(4)
General Services	45(2)	199(13)	21(1)	27(1)	41(2)
Social Services	644(36)	451(30)	593(43)	665(37)	751(37)
Economic Services	1103(62)	867(57)	770(56)	1126(62)	1235(61)
12. Disbursement of Loans and Advances	443	324	419	204	278
13. Total (10+11+12)	13810	15271	16838	17971	19321
14. Repayments of Public Debt	503	985	1211	1024	3056
Internal Debt (excluding Ways and Means Advances and Overdraft)	155(31)	178(18)	186(15)	297(29)	281(9)
Net transactions under Ways and Means Advances and Overdraft	-	-	556(46)	-	836(27)
Loans and Advances from Government of India [§]	348(69)	807(82)	469(39)	727(71)	1939(64)
15. Appropriation to Contingency Fund	-	-	-	-	-
16. Total disbursement out of Consolidated Fund (13+14+15)	14313	16256	18049	18995	22377
17. Contingency Fund disbursements	-	-	-	-	-
18. Public Account disbursements	15910	20125	24530	26893	33315
19. Total disbursement by the State (16+17+18)	30223	36381	42579	45888	55692
Part C. Deficits					
20. Revenue Deficit (1-10)	2996	3640	2633	3796	3934
21. Fiscal Deficit (3+4-13)	5151	5361	4312	5749	6114
22. Primary Deficit (21-Interest Payment)	2908	2536	973	1871	1814
Part D. Other data					
23. Balance from Current Revenue (BCR)	(-)2543	(-)3015	(-)1998	(-)2692	(-)3045
24. Arrears of Revenue	208[*](4)	1393(23)	1333(19)	1532(21)	2249(29)
25. Ways and Means Advances/Overdraft availed (days)	219	349	349	309	356
26. Interest on Ways and Means Advances/Overdraft	4	27	27	25	30
27. Gross State Domestic Product (GSDP)**	72974	78481	79600	89727	87372
28. Outstanding Debt (year end)	24170	30011	33874	39970	45871
29. Outstanding guarantees including interest (year end)	9203	11270	11954	12912	14968
30. Maximum amount guaranteed (year end)	12061	14288	16746	19117	21887
31. Number of incomplete projects	407	510	423	300	531
32. Capital blocked in incomplete projects	2662	3632	2670	1760	2277

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