

CHAPTER- I FINANCES OF THE STATE GOVERNMENT

In Summary

Large Revenue and Fiscal Deficit year after year indicate continued macro level imbalances in the State. In Rajasthan while the revenue deficit remained more than Rs 2,500 crore during the last five years the Fiscal Deficit has been rising year after year until 2003-04 excepting a marginal decline in the year 2000-01. The ratio of revenue receipts to total expenditure stood at 67 *per cent* in 2003-04. Revenue of the State consisted mainly of its own tax and non-tax revenue, central tax transfers and grants-in-aid from Government of India. Overall revenue receipts increased by 58 *per cent* from Rs 9,790 crore in 1999-2000 to Rs 15,424 crore in 2003-04. There were significant inter year variations in the growth rates. During the current year revenue receipts grew by 18 *per cent*. This was due to 16 *per cent* increase in tax revenue and 32 *per cent* increase in non-tax revenue. Arrears of revenue were high at Rs 2,409 crore and represented 26 *per cent* of tax and non-tax revenue receipts. Around 60 *per cent* of the revenue during the year 2003-04 came from the State's own resources.

Overall expenditure of the State increased by 50 *per cent* from Rs 15,271 crore in 1999-2000 to Rs 22,955 crore in 2003-04. The rate of growth in expenditure increased from eight *per cent* in 2002-03 to 19 *per cent* in 2003-04. This was due to increase in expenditure on interest payments, relief on account of natural calamities, general education, power and pensions and other retirement benefits etc. Revenue expenditure constituted 82 *per cent* of total expenditure during the year. The rate of growth in Revenue expenditure increased from eight *per cent* in 2002-03 to 11 *per cent* in 2003-04. Interest payments increasing by 69 *per cent* from Rs 2,825 crore in 1999-2000 to Rs 4,777 crore in 2003-04 primarily due to continued reliance on borrowings for financing the fiscal deficit.

Though the revenue deficit, ratio of revenue expenditure to total expenditure and ratio of revenue deficit to fiscal deficit decreased and percentage of Plan, Capital and Developmental expenditure to total expenditure increased during the year, indicating a favourable trend for the State finances, other factors such as increased interest payments, outstanding fiscal liabilities, ratio of fiscal liabilities to GSDP, and reduced availability of the borrowed funds etc. were indicative of deterioration in state's fiscal situation.

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 2003-04.

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

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

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

Statement No. 6 gives the summary of guarantees given by the 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 2004.

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

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

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

Statement No. 12 provides accounts of revenue expenditure by minor heads under non-plan, State plan 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 2003-04.

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 2003-04.

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

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

Statement No. 17 presents detailed account of debt and other interest bearing obligations of the Government of 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 2004, and the amount of interest received during the year.

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

1.2 Trend of Finances with reference to previous year

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

(Rupees in crore)			
2002-03	Sl. No.	Major Aggregates	2003-04
13,082	1.	Revenue Receipts (2+3+4)	15,424
6,253	2.	Tax Revenue	7,246
1,569	3.	Non-Tax Revenue	2,072
5,260	4.	Other Receipts	6,106
125	5.	Non-Debt Capital Receipts (6+7)	164
-	6.	Miscellaneous Capital Receipts	5
125	7.	Recovery of Loans	159
13,207	8.	Total Receipts (1+5)	15,588
14,904	9.	Non-Plan Expenditure (10+12+13)	16,743
14,744	10.	On Revenue Account	16,617
4,300	11.	Of which, Interest Payments	4,777
71	12.	On Capital Account	64

89	13.	On Loans disbursed	62
4,417	14.	Plan Expenditure (15+16+17)	6,212
2,272	15.	On Revenue Account	2,231
1,956	16.	On Capital Account	3,117
189	17.	On Loans disbursed	864
19,321	18.	Total Expenditure (9+14)	22,955
6,114	19.	Fiscal Deficit (18-1-5)	7,367
3,934	20.	Revenue Deficit (10+15-1)	3,424
1,814	21.	Primary Deficit (19-11)	2,590
1.3 Summary of Receipts and Disbursements for the year			

Table-1 summarises the finances of the State Government of Rajasthan for the year 2003-04 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and public accounts receipts and disbursements made during the year as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table 1: SUMMARY OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2003-04

(Rupees in crore)

2002-03	Receipts	2003-04	2002-03	Disbursements	2003-04		
Section-A: Revenue							
					Non-Plan	Plan	Total
13,081.86	I. Revenue receipts	15,423.85	17,015.78	I. Revenue expenditure	16,617.12	2,231.17	18,848.29
6,253.34	Tax revenue	7,246.19	7,645.48	General Services	8,404.19	39.44	8,443.63
1,569.00	Non-tax revenue	2,071.64	6,585.62	Social Services	6,182.39	959.80	7,142.19
3,063.10	Share of Union Taxes/Duties	3,602.21	2,784.56	Economic Services	2,025.45	1,231.93	3,257.38
2,196.42	Grants from Government of India	2,503.81	0.12	Grants-in-aid / Contributions	5.09	-	5.09
Section-B: Capital							
Nil	II. Miscellaneous Capital Receipts	4.68	2,027.53	II. Capital Outlay	64.00	3,116.98	3,180.98
125.23	III. Recoveries of Loans and Advances	158.98	277.80	III. Loans and Advances disbursed	61.96	863.41	925.37
7,686.49	IV. Public Debt receipts*	9,025.20	3,056.04	IV. Repayment of Public Debt*	#	#	3,150.11
34,592.19	V. Public Account receipts	39,458.77	33,315.28	V. Public Account disbursements	#	#	37,843.98
(-) 78.77	Opening Cash Balance	(-) 285.43	(-) 285.43	Closing Cash Balance	#	#	(-) 162.68
55,407.00	Total	63,786.05	55,407.00	Total			63,786.05

* 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 2003-04. 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 mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

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

State Finances by key Indicators

1.5 Resources by volumes and sources

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise miscellaneous capital receipts 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 2 shows that the total receipts of the State Government for the year 2003-04 were Rs 64,072 crore, Revenue receipts were Rs 15,424 crore and constituted only 24 per cent of total receipts. The balance of receipts came from Capital receipts and Public Account receipts.

Table 2 – Resources of Rajasthan

	(Rupees in crore)
I. Revenue Receipts	15,424
II. Capital Receipts	9,189
a. Miscellaneous Receipts	5
b. Recovery of Loans and Advances	159
c. Public Debt Receipts	9,025
III. Public Account Receipts	39,459
a. Small Savings, Provident Fund, etc.	2,160
b. Reserve Fund	1,037
c. Deposits and Advances	33,741
d. Suspense and Miscellaneous	67
e. Remittances	2,454

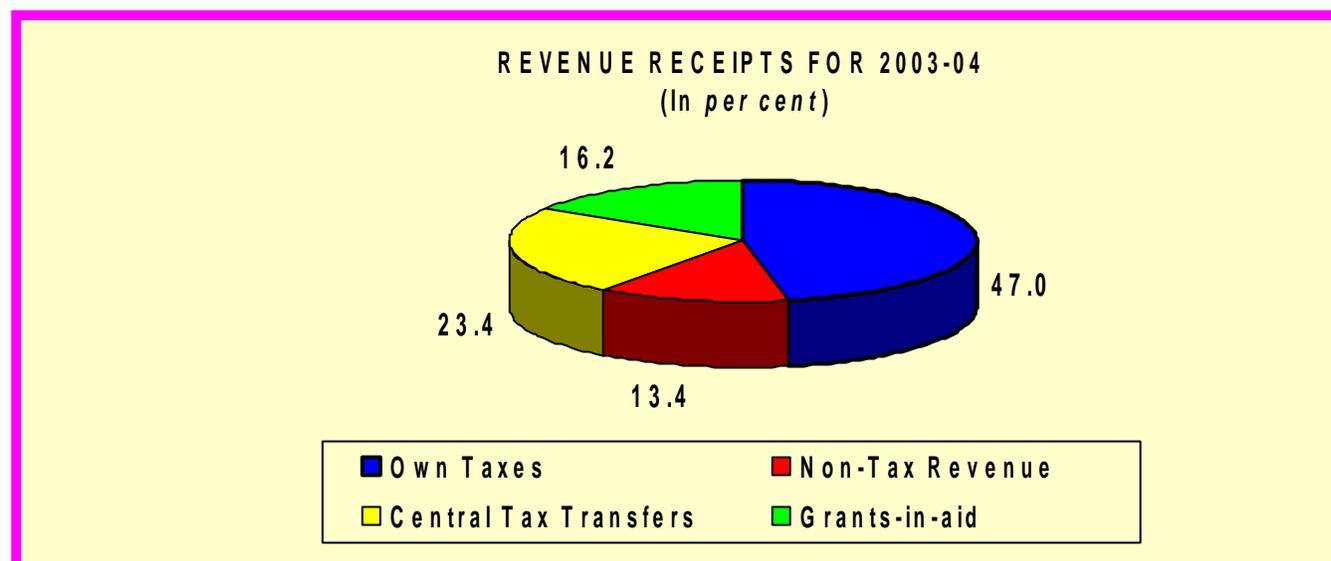
Total Receipts**64,072****1.5.1 Revenue receipts**

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

	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue Receipts	9,790	12,402	12,153	13,082	15,424
Own taxes	46.3	42.7	46.7	47.8	47.0
Non-Tax Revenue	16.1	13.6	12.4	12.0	13.4
Central Tax Transfers	22.3	22.9	23.7	23.4	23.4
Grants-in-aid	15.3	20.8	17.2	16.8	16.2
Rate of Growth	14.1	26.7	(-) 2.0	7.6	17.9
Revenue Receipts/GSDP	12.5	15.6	13.7	15.3	15.4
Revenue Buoyancy	1.9	26.7	*	*	1.0
GSDP Growth	7.5	1.0	11.5	(-)3.5	17.3

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



Revenue receipts of the State increased by 58 per cent from Rs 9,790 crore in 1999-2000 to Rs 15,424 crore in 2003-04. There were significant inter year variations in the growth rate. The increase in revenue receipts during the year over 2002-03 was mainly on Sales Tax (Rs 548 crore), Corporation Tax (Rs 305 crore), Taxes on Vehicles (Rs 258 crore), Stamps and Registration Fees (Rs 96 crore), Taxes on Income other than Corporation Tax (Rs 95 crore), Miscellaneous General Services (Rs 297 crore) and Grants-in-aid from Central Government (Rs 307 crore).

While on an average nearly 60 per cent of the revenue came from the State's own resources, central tax transfers and grants-in-aid together continued to contribute around 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 (16 per cent), Taxes on Vehicles (13 per cent) etc. Of non-tax revenue sources, Interest Receipts (33 per cent), Miscellaneous General Services (16 per cent) and Non-ferrous Mining and Metallurgical Industries (25 per cent) were the principal contributors. The increase under Interest Receipts (Rs 78 crore), however, was neutralised by higher Interest Payments (Rs 477 crore) during the year mainly due to more interest payment on Internal Debt (Rs 227 crore) and Interest on Loans and Advances from Central Government (Rs 281 crore) in comparison to previous year.

The arrears of revenues increased by 73 *per cent* from Rs 1,393 crore in 1999-2000 to Rs 2,409 crore at the end of 2003-04. Of these, Rs 418 crore were outstanding for a period of more than 5 years. Arrears were mainly in respect of Taxes on Sales, Trade, etc. (Rs 1,705 crore), State Excise (Rs 211 crore), Taxes on Immovable property other than Agricultural land (Rs 94 crore) and Miscellaneous General Services- Sale of Land (Rs 88 crore). The increase in arrears of revenue indicated a slackening of the revenue realising efforts of the State Government.

The source of total receipts under different heads and GSDP during 1999-2004 is indicated in Table 4.

Table 4 – Sources of Receipts: Trends

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic Product
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account		
1999-2000	9,790	120	5,267	21,681	36,858	78,481
2000-01	12,402	124	4,204	25,677	42,407	79,295
2001-02	12,153	69	5,979	27,771	45,972	88,422
2002-03	13,082	125	7,686	34,592	55,485	85,355
2003-04	15,424	164	9,025	39,459	64,072	1,00,094

(Rupees in crore)

1.6 Application of resources

1.6.1 Trend of Growth

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major head wise. The total expenditure of the State increased by 50 *per cent* from Rs 15,271 crore in 1999-2000 to Rs 22,955 crore in 2003-04. The growth rate of total expenditure was higher than the growth rate of revenue receipts during the year. Revenue receipts could cover only about 67 *per cent* of total expenditure in 2003-04 leaving the balance to be financed from borrowings.

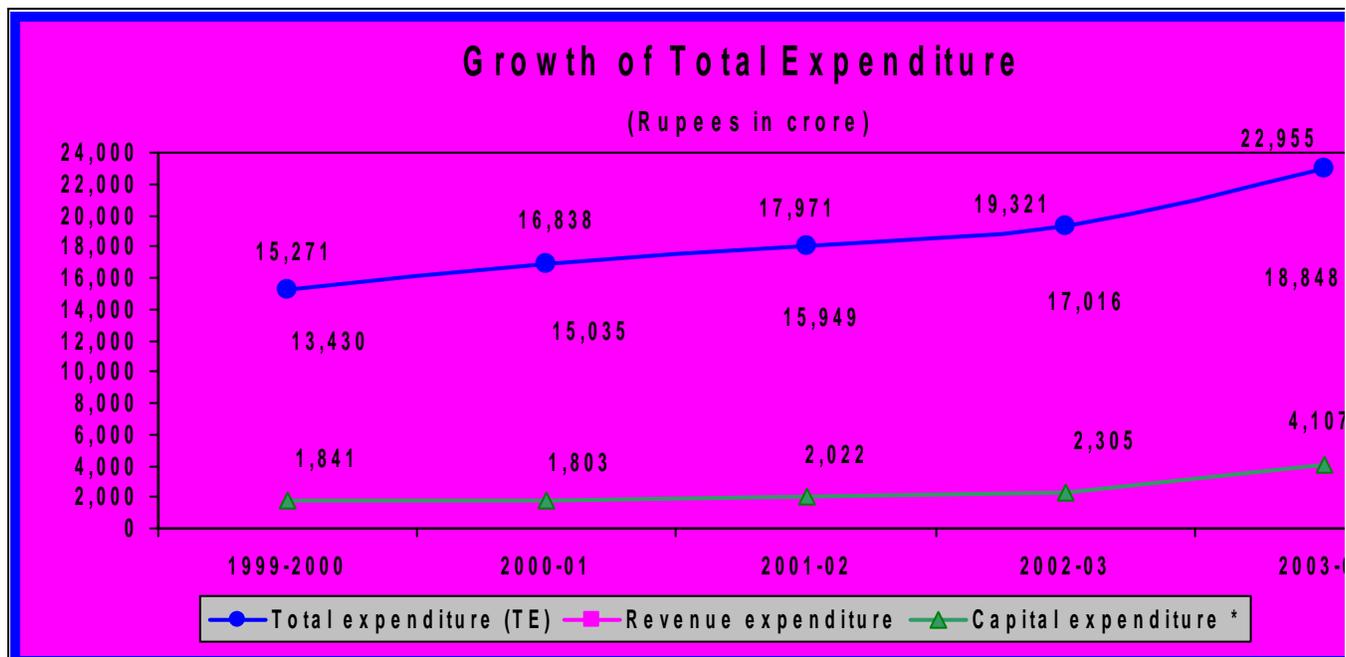
Total expenditure of the State, its rate of growth, ratio of expenditure to the State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts is indicated in Table-5 below:

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

	1999-2000	2000-01	2001-02	2002-03	2003-04
Total Expenditure	15,271	16,838	17,971	19,321	22,955
Rate of Growth	10.6	10.3	6.7	7.5	18.8
TE/GSDP	19.5	21.2	20.3	22.6	22.9
Revenue Receipts/TE	64.1	73.7	67.6	67.7	67.2
Buoyancy of Total Expenditure with					
GSDP	1.4	10.3	0.6	*	1.1
Revenue Receipts	0.8	0.4	*	1.0	1.1

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

The total expenditure during the year increased by Rs 3,634 crore in comparison to previous year. Revenue expenditure increased by Rs 1,832 crore (mainly due to more expenditure on Interest Payments: Rs 477 crore, Relief on account of Natural Calamities: Rs 489 crore, General Education: Rs 323 crore, Power: Rs 281 crore and Pensions and Other Retirement Benefits: Rs 159 crore). Capital expenditure increased by Rs 1,154 crore (mainly due to more expenditure on Major and Medium Irrigation: Rs 511 crore and Urban Development: Rs 616 crore) and loans and advances by Rs 648 crore. The ratio of revenue receipts to total expenditure indicated that approximately only 67 *per cent* of the State's total expenditure was met from its current revenue, leaving the balance to be financed from borrowings.



* Including Loans and Advances given by the 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 6.

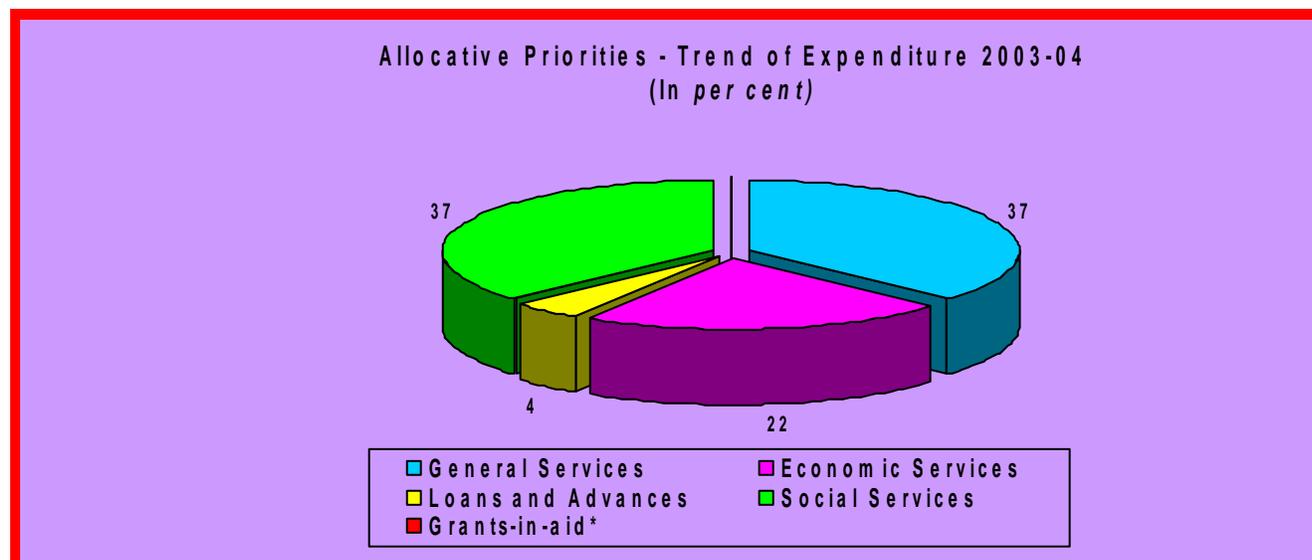
Table 6: Components of expenditure – Relative Share (in per cent)

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Services	38.5	39.2	40.1	39.8	37.0
Social Services	38.9	39.9	39.4	38.0	37.0
Economic Services	20.4	18.3	19.3	20.8	22.0
Grants-in-aid	0.1	0.1	0.1	*	*
Loans and advances	2.1	2.5	1.1	1.4	4.0
Total	100.0	100.0	100.0	100.0	100.0

* In 2002-03 and 2003-04 only 0.0006 and 0.022 per cent respectively.

The movement of relative share of these components of expenditure indicated that while the share of both general services and social services in total expenditure declined from 39 per cent in 1999-2000 to 37 per cent during 2003-04, the relative share of economic services increased from 20 per cent in 1999-2000 to 22 per cent in 2003-04.

* 0.022 per cent only.



1.6.2 Incidence of Revenue expenditure

Revenue expenditure had the predominant share in total expenditure. Revenue expenditure is usually incurred to maintain the current level of assets and services. Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts is indicated in Table 7 below:

Table 7: Revenue Expenditure – Basic Parameters (Value: Rupees in crore and others in per cent)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue Expenditure	13,430	15,035	15,949	17,016	18,848
Rate of Growth	16.0	12.0	6.1	6.7	10.8
RE/ GSDP	17.1	19.0	18.0	19.9	18.8
RE as per cent of TE	87.9	89.3	88.7	88.1	82.1
RE as per cent to Revenue Receipts	137.2	121.2	131.2	130.1	122.2
Buoyancy of Revenue Expenditure with					
GSDP	2.1	12.0	0.5	*	0.6
Revenue Receipts	1.1	0.4	*	0.9	0.6

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

Revenue expenditure of the State increased by 40 per cent from Rs 13,430 crore in 1999-2000 to Rs 18,848 crore in 2003-04. Revenue expenditure accounted for 82 per cent of total funds available during 2003-04. This was higher than the share of revenue receipts (67 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 137 per cent in 1999-2000 to 122 per cent in 2003-04, dependence of the State on borrowings, for meeting its current expenditure continued primarily due to the fact that salaries (Rs 5,563 crore), interest payments (Rs 4,777 crore) and pensions (Rs 1,842 crore) alone consumed 79 per cent of total revenue receipts of the State.

1.6.3 Expenditure on Salary and Pension Payments

The expenditure on salaries and pension payments increased from Rs 4,861 crore and Rs 1,337 crore in 1999-2000 to Rs 5,563 crore and Rs 1,842 crore in 2003-04 respectively. While expenditure on salaries and pension payments during 2003-04 accounted for 36 and 12 per cent of the revenue receipts, it was 30 and 10 per cent of revenue expenditure respectively. Expenditure on both salaries and pension payments increased by nine per cent during the year in comparison to previous year. A new defined contribution fully funded pension scheme has been introduced according to which both the State Government as well as the employees recruited on or after 1 January 2004 shall contribute 10 per cent of basic pay and dearness allowance to pension fund.

Table 8: Expenditure on Salary and Pension Payments (Value: Rupees in crore and others in per cent)

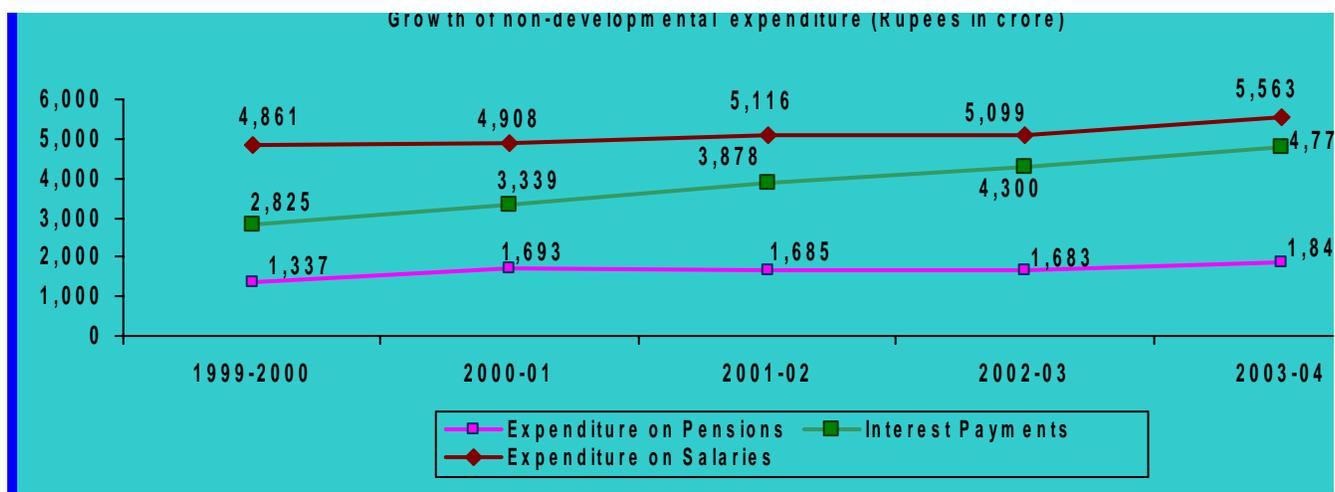
	1999-2000	2000-01	2001-02	2002-03	2003-04
Expenditure on Salary Payment	4,861	4,908	5,116	5,099	5,563
Salary as per cent of Revenue Receipts	49.7	39.6	42.1	39.0	36.1
Salary as per cent of Revenue Expenditure	36.2	32.6	32.1	30.0	29.5
Expenditure on Pension Payment	1,337	1,693	1,685	1,683	1,842
Pension as per cent of Revenue Receipts	13.7	13.7	13.9	12.9	11.9
Pension as per cent of Revenue Expenditure	10.0	11.3	10.6	9.9	9.8

1.6.4 Interest payments

The Eleventh Finance Commission recommended (July 2000) that as a medium term objective, states should endeavour to limit interest payments 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 27 and 33 during the period 1999-2004.

Table 9

Year	Interest Payments	Percentage of interest payment with reference to	
	(Rupees in crore)	Revenue Receipts	Revenue Expenditure
1999-2000	2,825	28.9	21.0
2000-01	3,339	26.9	22.2
2001-02	3,878	31.9	24.3
2002-03	4,300	32.9	25.3
2003-04	4,777	31.0	25.3



In absolute terms, interest payments increased steadily by 69 per cent from Rs 2,825 crore in 1999-2000 to Rs 4,777 crore in 2003-04 primarily due to continued reliance on borrowings for financing the fiscal deficit. In fact, the ratio of interest payments to Revenue Receipts and Revenue expenditure increased during the period 1999-2004. Higher interest payments, increasing year after year, left less funds for expenditure on Urban Development, Rural Employment, Other Rural Development Programmes, Roads and Bridges etc.

1.6.5 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	1999-2000	2000-01	2001-02	2002-03	2003-04
1.	Power Sector	458.14	2.25	-	422.64	980.16
2.	Others	10.38	10.26	7.58	9.82	20.10
	Total	468.52	12.51	7.58	432.46	1,000.26
1.	Percentage Increases (+)/ Decreases (-) over previous years	57	(-) 97	(-) 39	5605	131
2.	Subsidy as percentage of total expenditure*	3.1	**	**	2.3	4.5

* Total Expenditure excludes Loans and Advances.

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

During the current year, subsidies constituted 5 per cent of the total expenditure out of which 98 per cent was paid to Power Sector alone.

1.7 Expenditure by Allocative Priorities

The actual expenditure of the State in the nature of plan expenditure, capital expenditure and developmental expenditure emerging from Statement 12 of Finance Accounts 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*)

	1999-2000	2000-01	2001-02	2002-03	2003-04

Plan Expenditure	20.9	19.5	22.1	22.2	24.2
Capital Expenditure	10.1	8.4	10.2	10.6	14.4
Developmental Expenditure	60.5	59.7	59.4	59.6	61.4

* Total expenditure excludes expenditure on loans and advances.

All the three components of expenditure show a relative increase during 1999-2004. Plan expenditure increased from 21 *per cent* of total expenditure in 1999-2000 to 24 *per cent* in 2003-04. Similarly, capital expenditure also increased from 10 *per cent* in 1999-2000 to 14 *per cent* in 2003-04. There was slight increase in the share of developmental expenditure during the period.

Out of the developmental expenditure (Rs 13,530 crore), social services (Rs 8,479 crore) accounted for 63 *per cent* of the developmental expenditure during the year. Education, Sports, Art and Culture (Rs 3,655 crore), Health and Family Welfare (Rs 1,033 crore), Water Supply, Sanitation, Housing and Urban Development (Rs 2,188 crore) and Social Welfare and Nutrition (Rs 1,347 crore) consumed nearly whole (97 *per cent*) of the expenditure on Social sector.

Similarly, the expenditure on Economic Services (Rs 5,051 crore) accounted for 37 *per cent* of the developmental expenditure. Of which, Agriculture and Allied Activities (Rs 604 crore), Rural Development (Rs 682 crore), Irrigation and Flood Control (Rs 1,715 crore), Energy (Rs 1,226 crore) and Transport (Rs 527 crore) accounted for 94 *per cent* of the expenditure on Economic sector.

1.7.1 Non-utilisation of grant released to Zila Parishads

The Government of India (GOI) approved (February 1996) the proposals of the State Government for implementation of Information, Education and Communication Project at an estimated cost of Rs 1.79 crore under Rajiv Gandhi National Drinking Water Mission to create awareness among the people about the hazards of using unsafe water in four districts¹. Expenditure was to be shared equally between the Central and State Governments. The first instalment of Rs 44.80 lakh released by GOI in March 1996 was to be utilised within the financial year 1996-97. Second instalment was to be released only after utilisation of 50 *per cent* of the funds released as first instalment alongwith matching funds of the State Government.

The Finance Department sanctioned (31 March 1997) the transfer of Rs 89.60 lakh, inclusive of State share, to the Personal Deposit (PD) account of the *Zila Parishads* and simultaneously imposed ban on withdrawal of the amount. The concerned Treasury Officers transferred the entire amount to the *Zila Parishads* on the same day (31 March 1997).

Scrutiny of the records of *Zila Parishads* revealed that despite the ban, the *Zila Parishads* irregularly drew and advanced (May – July 1997) Rs 34.16 lakh to four Non-Governmental Organisations (NGOs²). Later on, when this came to the notice of the Department, the *Zila Parishads* were instructed (September 1997) to stop payment to these NGOs. However, by that time, these NGOs had spent Rs 8.12 lakh. Rupees 15.75 lakh were refunded (December 1997 to August 2001) by the NGOs and balance Rs 10.29 lakh still remained with them. Interest of Rs 5.75 lakh³ earned by these NGOs on the amount lying unutilised with them, has also not been remitted to the Government.

As of March 2004, thus an expenditure of only Rs 8.12 lakh was incurred for the intended purpose of the project while the balance amount of Rs 81.48 lakh remained unutilised either with *Zila Parishads* or with NGOs. Due to non-implementation of the works envisaged the second instalment also could not be availed.

The matter was referred to the Government in June 2004; reply has not been received (November 2004).

1.7.2 Irregularities in maintaining Personal Deposit accounts

Personal Deposit (PD) account is a class of deposit in Public account kept in treasury in the nature of

banking deposit and recorded in personal ledgers of the account holders.

Out of 37 treasuries, personal deposit account records of 23 treasuries of the State were reviewed. Besides, information was also received from seven other treasuries. Out of 3,840 PD accounts maintained, in 1,067 cases accounts involving Rs 615.60 crore had not been reconciled as of 31 March 2004. Important points noticed are discussed below:

Blockage of funds

Rupees 33.63 crore were blocked in PD accounts because of 118 PD accounts remaining non-operative for more than five years (Rs 1.05 crore), ban imposed by the Finance Department (Rs 27.16 crore) and Administrative Department (Rs 2.25 crore), non-refund of unutilised amount (Rs 2.60 crore) and cancellation of sanctioned works (Rs 0.57 crore). This shows that the available funds were not utilised optimally.

Diversion of funds

To achieve targets of Small Savings Organisation, District Rural Development Agencies Ajmer, Bharatpur and Dausa on the instructions of District Collectors, diverted Rs 1.80 crore from *Sahbhagita Nagar Vikas Yojana*, *Janta Awas Scheme* and Xth Finance Commission by withdrawing from PD account of the scheme and depositing the same in the Post Offices. The amount was kept there for different periods ranging from 16 days to 70 days between 30 March 2001 to 10 June 2001. The amount was transferred back (April 2001 to June 2001) to PD account. Thus, there was no achievement in real terms to that extent.

Short payment of interest to the Calamity Relief Fund

The Calamity Relief Fund scheme provides that the accretions to the fund can be invested in the Public account. If for some reasons it is not possible to invest in the manner prescribed in the scheme, the State Government should pay interest to the fund at one and half times the rate applicable to overdrafts under Overdraft Regulation Scheme of the Reserve Bank of India.

Scrutiny (November 2003) revealed that Government deposited interest amount of Rs 3.51 crore as against Rs 7.38 crore on unutilised amount (Rs 104.10 crore) of Calamity Relief Fund deposited in interest bearing PD account. Thus, interest of Rs 3.87 crore was deposited short by the State Government.

1.7.3 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 2003-04 was as follows:

(Rupees in crore)						
S. No	Bodies/authorities etc.	1999-2000	2000-01	2001-02	2002-03	2003-04
1.	Universities and Educational Institutions	141.66	148.10	247.53	182.96	196.48
2.	Municipal Corporations and Municipalities	6.39	416.42	460.91	460.56	501.39
3.	<i>Zila Parishads</i> and Panchayati Raj Institutions	918.90	1,082.48	1,413.71	1,167.76	1,172.21
4.	Development Agencies	1.52	3.13	39.35	247.88	275.13
5.	Hospitals and other Charitable Institutions	3.42	30.16	14.04	7.22	31.07
6.	Other Institutions*	967.03	596.70	415.65	797.69	1,191.98

	Total	2,038.92	2,276.99	2,591.19	2,864.07	3,368.26
	Percentage increase (+)/ decrease (-) over previous year	18	12	14	11	18
	Assistance as a percentage of revenue receipts	21	18	21	22	22
	Percentage of assistance to revenue expenditure	15	15	16	17	18

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

1.7.4 Delay in furnishing of utilisation certificates

Out of 11,989 utilisation certificates due in respect of grants aggregating Rs 2,667.83 crore paid during April 1993 to March 2003, 11,435 utilisation certificates for Rs 2,648.42 crore had been furnished by 31 March 2004 and 554 certificates for Rs 19.41 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.

1.7.5 Utilisation of funds raised by State owned statutory corporations by the State Government for boosting its ways and means position

Mention was made in para 1.10.3 and 1.14 of the Report of the Comptroller and Auditor General of India for the year ending 31 March 2001 and 31 March 2002 (Civil) - Government of Rajasthan respectively regarding funds amounting to Rs 1,719.18 crore and Rs 227.31 crore raised by the State owned statutory corporations but utilised by the State Government.

During 2002-04, the State Government directed following three corporations to raise funds from various financial institutions for various purposes such as for working capital/use for own purposes and agreed to bear the cost of raising the funds including interest payable to lending institutions as detailed below:

(Rupees in crore)

Name of Corporations	Period during which loan raised	Amount	Purpose for which loan raised	Expenditure reimbursed by the State Government	
				Interest	Arrangers' fees
Rajasthan Tourism Development Corporation Limited	December 2002	25.00 ⁴	For short term working capital for meeting out the expenses on renovation/ remodelling	2.44	-
Rajasthan State Road Transport Corporation	September 2003	74.00	For working capital	2.95	-
Rajasthan State Mines and Minerals Limited	2002-03	460.00	For own purpose	8.34	0.69
	2003-04	200.00		7.82	0.30
Total		759.00		21.55	0.99

However, funds of Rs 759.00 crore raised by these corporations during 2002-04 and placed in the Personal Deposit (PD) accounts of respective corporations were not utilised by them; instead, these were used by the State Government for boosting its ways and means position. The State Government also reimbursed Rs 22.54 crore towards interest (Rs 21.55 crore) and arrangers' fees (Rs 0.99 crore) to these corporations for further payment to lending institutions.

In response, the Government stated (September 2004) that Government Corporations have deposited their surplus fund in PD account and interest has been paid by Government on this amount. The reply is not tenable as the funds raised by the corporations for their own use were not utilised by them and Government had reimbursed the interest paid by these corporations to lending institutions alongwith arrangers' fees.

1.8 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, Deposits and Remittances 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 2004, compared with the corresponding position on 31 March 2003. While the liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the 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 1999-2004.

1.8.1 Financial results of irrigation works

The financial results of five major and 12 medium irrigation projects with a capital outlay of Rs 3,240.52 crore at the end of March 2004 showed that revenue realised (Rs 33.89 crore) from these projects during 2003-04 was only one *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 77.02 crore) and interest charges (Rs 310.93 crore), the schemes suffered a net loss of Rs 354.06 crore.

1.8.2 Incomplete projects

As per information received from the State Government, as of 31 March 2004, there were 374 incomplete projects in which Rs 2,558.96 crore were blocked. Of these, 241 projects amounting to Rs 574.95 crore remained incomplete for less than five years, 133 projects amounting to Rs 1,984.01 crore remained incomplete for periods ranging from five to 41 years.

1.8.3 Investments and returns

As on 31 March 2004, Government had invested Rs 3,700.96 crore in Statutory Corporations, Rural Banks, Government Companies, Joint Stock Companies, Partnership Concerns and Co-operative Banks/Societies. Government's return on this investment was meagre (less than one *per cent*) as indicated in Table-12 below. Of these, two statutory corporations, 12 rural banks, 11 government companies and seven joint stock companies with an aggregate investment of Rs 291.82 crore upto 2003-04 were incurring losses and their accumulated losses amounted to Rs 1,794.66 crore as per the accounts furnished by these companies upto 2003-04 ([Appendix-III](#)). The negligible returns on investment as compared to high cost of borrowing with interest upto 12.25 *per cent* led to implicit subsidy.

Table 12: 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>)
1999-2000	2,560.08	5.29	0.21	11, 11.85 and 12.25
2000-01	2,596.35	5.57	0.21	10.50, 10.82, 10.52 and 12.00
2001-02	2,936.76	4.78	0.16	8.00, 8.30, 9.45 and 10.35
2002-03	3,268.03	8.26	0.25	6.75, 6.80, 6.95 and 7.80
2003-04	3,700.96	2.44	0.07	5.85, 5.90, 6.20, 6.35, 6.40 and 8.50

1.8.4 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 3,721 crore as on 31 March 2004 (Table 13). Overall, interest received against these advances declined from 11 *per cent* in 1999-2000 to 3 *per cent* in 2003-04. Further, in most cases, Government orders sanctioning the loans did not specify the terms and conditions for these loans.

Table 13: Average Interest Received on Loans Advanced by the State Government (Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Opening Balance	2,165	2,369	2,664	2,801 ⁵	2,954
Amount advanced during the year	324	419	204	278	926
Amount repaid during the year	120	124	69	125	159
Closing Balance	2,369	2,664	2,799	2,954	3,721
Net Addition (+) / Reduction (-)	204	295	135	153	767
Interest received	238	108	83	85	115
Interest received as <i>per cent</i> to outstanding Loans and advances	10.5	4.3	3.0	3.0	3.4
Average rate of interest paid by the State	10.4	10.5	10.5	10.0	9.6
Difference between interest paid and received	(+) 0.1	(-) 6.2	(-) 7.5	(-) 7.0	(-) 6.2

1.8.5 Recoveries/adjustments of advances made at the instance of Audit

In the under-mentioned cases Rs 14.71 crore were recovered/adjusted on the basis of irregularities pointed out through draft paras issued to various departments:

(Rupees in lakh)

S. No.	Name of Department	Nature of irregularity	Amount involved	Recovery made upto November 2004	Balance recoverable	Remarks
1.	General Administration	Non-recovery of boarding and lodging charges from various occupants of Circuit Houses.	50.83	32.83	18.00	Government intimated (December 2004) that the information about rest of the recovery is being collected from the Circuit Houses.
2.	Indira Gandhi Nahar	Irregular payment on account of security deposit and electricity charges on behalf of employees.	36.26	18.08	18.18	The department intimated (November 2004) that the balance is expected to be recovered within a year's time.
3.	Public Health Engineering	Excess payment on account of escalation charges paid to two firms in respect of two works (under Fluoride Control Project) awarded by the Additional Chief Engineer, Public Health Engineering Department, Ajmer.	53.51	53.51	-	Recovery reported by the Government in July 2004.
4.	Urban Development and Housing	Mobilisation advances of Rs 12.92 crore given by various units of Rajasthan Urban Infrastructure Development Project (RUIDP) to the contractors.	1,292.00	1,292.00	-	Recovery reported by the RUIDP in December 2004.
5.	Rural Development and Panchayati Raj	Non-recovery /non- adjustment of advances given to executing agencies.	6,278.00	74.86	6,203.14	Government stated (October 2004) that the speedy action to recover/adjust the remaining amount is being taken.
	Total		7,710.60	1,471.28	6,239.32	

1.8.6 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 213 days as against 206 days last year although it raised borrowings of Rs 3,083 crore from the market on 27 occasions. In addition, the volume of WMA 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 93 days during the year as against 150 days last year.

Table 14: Ways and Means and Overdraft of the State and Interest paid thereon

(Rupees in crore)					
	1999-2000	2000-01	2001-02	2002-03	2003-04
Ways and Means Advances					
Taken in the Year	3,848.08	3,445.78	2,635.01	4,893.81	5,870.88
Outstanding	395.35	374.67	446.24	235.70	-
Interest Paid	20.17	22.75	20.67	23.68	24.59
Overdraft					
Taken in the Year	2,344.81	2,684.96	5,370.54	4,656.06	3,708.40
Outstanding	535.05	-	625.09	-	-
Interest Paid	6.52	4.74	4.28	6.19	6.33
Number of Days State was in Overdraft	96	103	168	150	93

1.8.7 Undischarged Liabilities

Fiscal liabilities – public debt and guarantees

The Constitution of India provides that State may borrow within the territory of India, upon the security of its Consolidated Fund, within such limits as may, from time to time, be fixed by an act of Legislature. However, no such law was passed 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.

It was, however, observed that the overall fiscal liabilities of the State increased by 78 per cent from Rs 30,011 crore in 1999-2000 to Rs 53,361 crore in 2003-04. These liabilities as ratio to GSDP increased from 38 per cent in 1999-2000 to 53 per cent in 2003-04 and stood at 3.46 times of its revenue receipts and 5.73 times of its own resources comprising its own tax and non-tax revenue. Table 15 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 15: Fiscal Imbalances–Basic Parameters (Rupees in crore and Ratios in per cent)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Fiscal Liabilities	30,011	33,874	39,970	45,871	53,361
Rate of growth	24.2	12.9	18.0	14.8	16.3
Ratio of Fiscal Liabilities to					
GSDP	38.2	42.7	45.2	53.7	53.3
Revenue Receipts	306.5	273.1	328.9	350.6	346.0
Own Resources	491.6	484.7	556.8	586.4	572.7
Buoyancy of Fiscal Liabilities to					
GSDP	3.2	12.9	1.6	*	0.9
Revenue Receipts	1.7	0.5	*	1.9	0.9
Own Resources	1.6	0.9	6.7	1.6	0.9

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

In addition to these liabilities, Government had guaranteed loans of its various Corporations and others, which in 2003-04 stood at Rs 17,239 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.

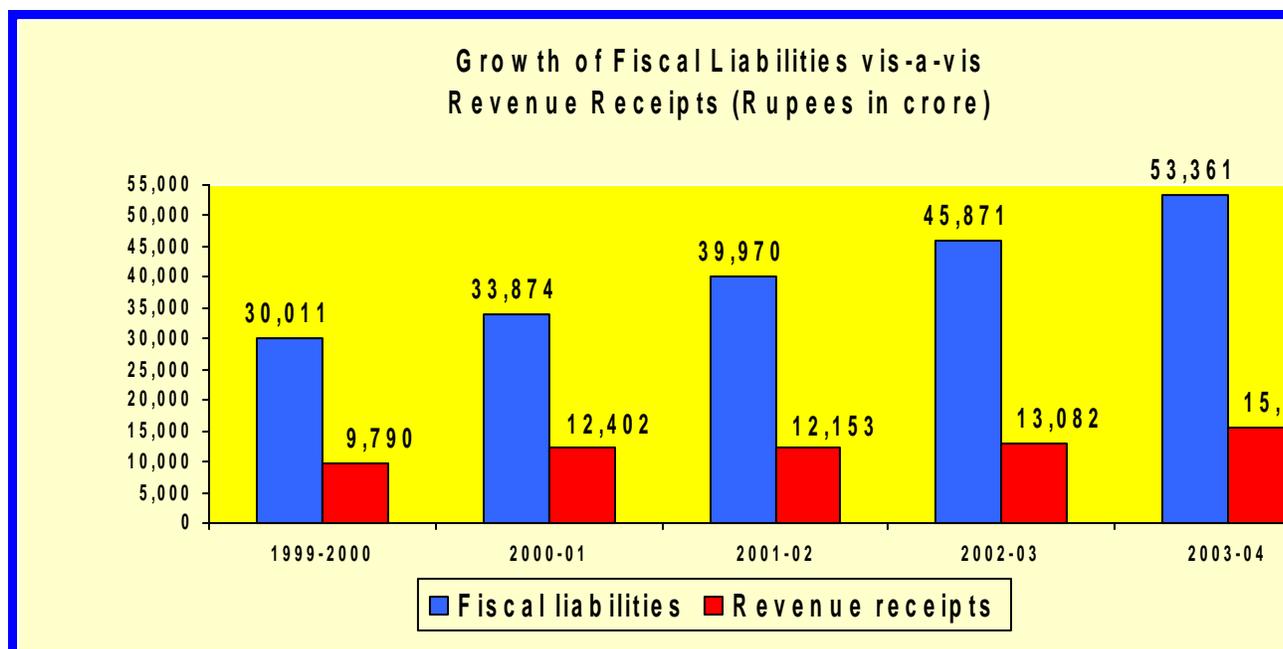
Increasing liabilities had raised the issue of sustainability of State Government finances. Fiscal liabilities

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-16.

Table 16: Debt Sustainability – Interest Rate and GSDP Growth (in per cent)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Weighted Interest Rate	10.4	10.5	10.5	10.0	9.6
GSDP Growth	7.5	1.0	11.5	- 3.5	17.3
Interest spread	- 2.9	- 9.5	1.0	- 13.5	7.7



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 17 below gives the position of the receipts and repayments of internal debt and loans and advances from Government of India 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 declined from 43 per cent (1999-2000) to 25 per cent in 2003-04 indicating only one-fourth funds were available in the current year.

Table 17: Net Availability of Borrowed Funds (Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Internal Debt*					
Receipts	1,867	1,510	1,609	2,701	3,263
Repayments (Principal + Interest)	896	1,084	1,322	1,436	1,789
Net Funds Available	971	426	287	1,265	1,474
Net Funds Available (per cent)	52.0	28.2	17.8	46.8	45.2
Loans and Advances from Government of India*					
Receipts	2,485	2,644	3,673	4,787	5,762
Repayments (Principal + Interest)	1,606	1,957	2,334	3,757	4,994
Net Funds Available	879	687	1,339	1,030	768
Net Funds Available (per cent)	35.4	26.0	36.5	21.5	13.3
Total Public Debt					
Receipts	4,352	4,154	5,282	7,488	9,025
Repayments (Principal + Interest)	2,502	3,041	3,656	5,193	6,783
Net Funds Available	1,850	1,113	1,626	2,295	2,242
Net Funds Available (per cent)	42.5	26.8	30.8	30.6	24.8

* Excluding ways and means advances and overdrafts from RBI/GOI.

The State Government raised loans of Rs 3,082.68 crore (market loans: Rs 2,713.90 crore and special

bonds: Rs 368.78 crore) during the year. The average rate of market borrowings (Rs 3,083 crore) during the year was 7 *per cent*. As on 31 March 2004, 52 *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 in more than five years.

1.9 Recommendations of Eleventh Finance Commission

1.9.1 Medium Term Fiscal Reforms Programme

Eleventh Finance Commission (EFC) in its report laid 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 proportion of its revenue receipts each year till 2004-05 over the base year 1999-2000.

State Government formulated its MTFRP in March 2003 and an MOU had been signed by the Rajasthan Government with GOI in March 2003. 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 17 *per cent* of revenue receipts during the year 2003-04. The actual revenue deficit was 22 *per cent* during the year, which was five *per cent* more than required percentage.

1.10 Management of deficits

1.10.1 Fiscal imbalances

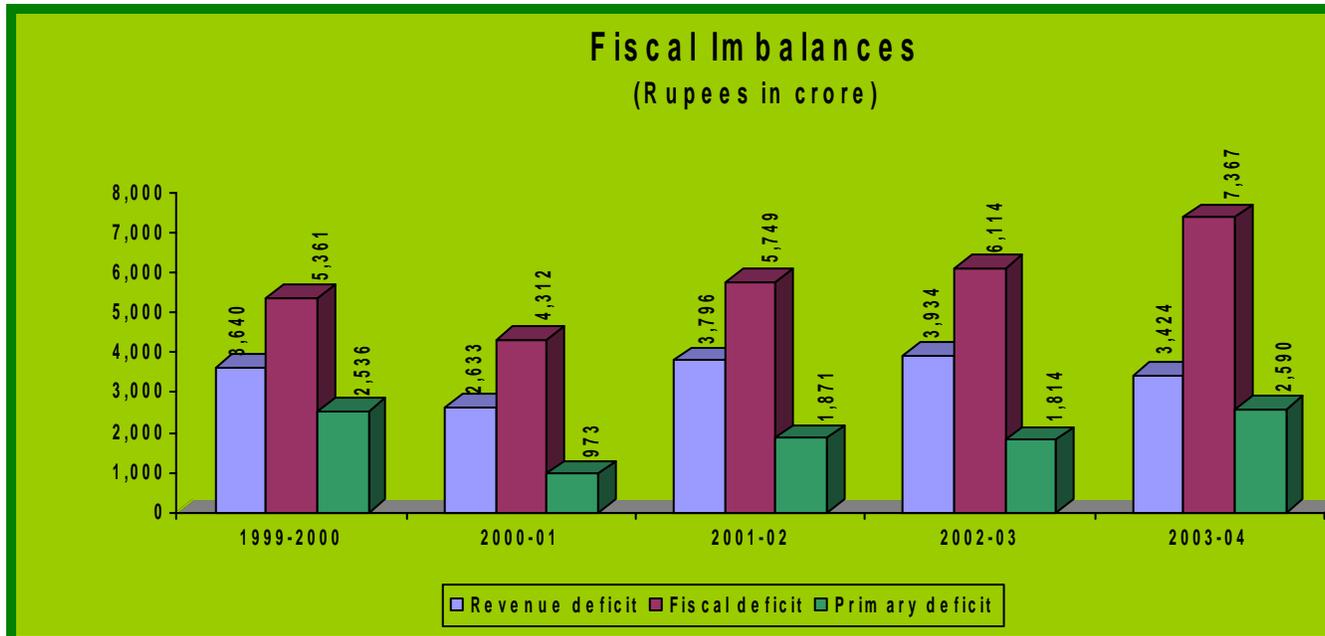
The deficits in Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources so raised are applied are important pointers to the fiscal health.

The revenue deficit (Statement 1 of Finance Accounts) of the State, which is the excess of its revenue expenditure over revenue receipts, declined from Rs 3,640 crore in 1999-2000 to Rs 3,424 crore in 2003-04. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, increased from Rs 5,361 crore in 1999-2000 to Rs 7,367 crore in 2003-04. The primary deficit also increased from Rs 2,536 crore in 1999-2000 to Rs 2,590 crore in 2003-04 as indicated in Table 18.

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

	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue deficit	3,640	2,633	3,796	3,934	3,424
Fiscal deficit	5,361	4,312	5,749	6,114	7,367
Primary deficit	2,536	973	1,871	1,814	2,590
RD/GSDP	4.6	3.3	4.3	4.6	3.4

FD/GSDP	6.8	5.4	6.5	7.2	7.4
PD/GSDP	3.2	1.2	2.1	2.1	2.6
RD/FD	67.9	61.1	66.0	64.3	46.5



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 declined from 68 per cent in 1999-2000 to 46 per cent in 2003-04. As a proportion of GSDP, revenue deficit declined from 5 per cent in 1999-2000 to 3 per cent in 2003-04 whereas fiscal deficit moved between five to seven per cent during 1999-2004.

1.11 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 19 below presents a summarized position of Government Finances over 1999-2004, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important facets.

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of 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 1999-2001; depict a significant deceleration in 2001-02. Though these ratios again increased during 2002-03, but own tax/GSDP ratio has shown decreasing trend during the 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 declined while its capital expenditure and developmental expenditure as percentage to total expenditure has increased in 2003-04 in comparison to 1999-2000.

Table 19: Ratios of Fiscal Efficiency (in per cent)

Fiscal Ratios	1999-2000	2000-01	2001-02	2002-03	2003-04
Resources Mobilisation					
Revenue Receipts/GSDP	12.5	15.6	13.7	15.3	15.4
Revenue Buoyancy	1.9	26.7	- 0.2*	- 2.2*	1.0
Own Tax/GSDP	5.8	6.7	6.4	7.3	7.2
Expenditure Management					
Total Expenditure/GSDP	19.5	21.2	20.3	22.6	22.9
Revenue Receipts/ Total Expenditure	64.1	73.7	67.6	67.7	67.2

Revenue Expenditure/Total Expenditure	87.9	89.3	88.7	88.1	82.1
Capital Expenditure/Total Expenditure	10.1	8.4	10.2	10.6	14.4
Developmental Expenditure/Total Expenditure (RE+CE)	60.5	59.7	59.4	59.6	61.4
Buoyancy of TE with RR	0.8	0.4	- 3.4*	1.0	1.1
Buoyancy of RE with RR	1.1	0.4	- 3.1*	0.9	0.6
Management of Fiscal Imbalances					
Revenue deficit (Rs in crore)	3,640	2,633	3,796	3,934	3,424
Fiscal deficit (Rs in crore)	5,361	4,312	5,749	6,114	7,367
Primary deficit (Rs in crore)	2,536	973	1,871	1,814	2,590
Revenue deficit/Fiscal deficit	67.9	61.1	66.0	64.3	46.5
Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	38.2	42.7	45.2	53.7	53.3
Fiscal Liabilities/RR	306.5	273.1	328.9	350.6	346.0
Buoyancy of FL with RR	1.7	0.5	- 9.0*	1.9	0.9
Buoyancy of FL with OR	1.6	0.9	6.7	1.6	0.9
Interest Spread	- 2.9	- 9.5	1.0	- 13.5	7.7
Net Fund Available	42.5	26.8	30.8	30.6	24.8
Other Fiscal Health Indicators					
Return on Investment	0.21	0.21	0.16	0.25	0.07
BCR (Rs in crore)	- 3,015	- 1,998	- 2,692	- 3,045	- 2,948
Financial Assets/Liabilities (Ratio)	0.67	0.63	0.59	0.56	0.56

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

Though the decrease in revenue deficit, ratio of revenue expenditure to total expenditure, percentage of expenditure on salary to revenue receipts and increase in percentage of Plan, Capital and Developmental expenditure to total expenditure during the year in comparison to previous year shows a favourable trend for the State finances; the total expenditure during the year grew by Rs 3,634 crore in comparison to the growth of revenue receipts of only Rs 2,342 crore and the Fiscal Deficit of the state increased by Rs 1,253 crore indicating overall deterioration in fiscal position of the State. The growth rate of total expenditure was higher than the growth rate of revenue receipts during the year. Revenue receipts could cover only about 67 per cent of total expenditure during the year, leaving the balance to be financed from borrowings. Salaries, interest payment and pensions alone consumed 79 per cent of total revenue receipts of the State. Interest payments increased steadily during last five years primarily due to continued reliance on borrowings for financing the fiscal deficit. Fiscal liabilities of the State increased by 78 per cent from Rs 30,011 crore in 1999-2000 to Rs 53,361 crore in 2003-04. The ratio of fiscal liabilities to GSDP increased from 38 per cent to 53 per cent during the period. Currently, the fiscal liabilities including the contingent liabilities (guarantees) exceed four times the revenue receipts of the State. The availability of net funds from its borrowings after providing the interest and repayment was only 25 per cent during the year 2003-04. This is bound to push up in future the already high interest burden, leaving very little for developmental expenditure. The State's low return (less than one per cent) on investment, huge amount lying blocked in incomplete projects, continued negative Balance from Current Revenues (BCR), low ratio of assets to its liabilities and increasing arrears of revenues showed weakness of State Government finances. All these indicated deterioration of the State's fiscal situation.

EXHIBIT-I

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF RAJASTHAN

(Rupees in crore)

As on 31 March 2003	Liabilities		As on 31 March 2004
11,877.13	Internal Debt		14,496.95
	9,816.18	Market Loans bearing interest	12,281.54
	9.28	Market Loans not bearing interest	5.70
	109.80	Loans from Life Insurance Corporation of India	103.18
	99.92	Loans from the General Insurance Corporation of India	94.94
	886.75	Loans from the National Bank for Agriculture and Rural Development	953.77
	42.69	Loans from the National Cooperative Development Corporation	35.03
	676.81	Loans from other Institutions, etc.	1,022.79
	235.70	Ways and Means Advances from RBI	-

-		Overdrafts from Reserve Bank of India		
20,696.86		Loans and Advances from Central Government		23,952.13
	507.30	Pre 1984-85 Loans	458.19	
	14,669.57	Non-Plan Loans	16,001.45	
	5,357.98	Loans for State Plan Schemes	7,329.03	
	0.95	Loans for Central Plan Schemes	0.91	
	161.06	Loans for Centrally Sponsored Plan Schemes	162.55	
	-	Ways and Means Advances from GOI	-	
35.00		Contingency Fund		35.00
9,568.44		Small Savings, Provident Funds, etc.		10,515.65
3,312.12		Deposits		3,815.69
416.84		Reserve Funds		580.79
288.41 ⁶		Deposits with Reserve Bank		344.30 ⁶
46,194.80		Total		53,740.51
As on		Assets		As on
31 March 2003				31 March 2004
22,823.56		Gross Capital Expenditure		26,004.54
	3,268.03	Investments in shares of Companies, Corporations, etc.	3,700.96	
	19,555.53	Other Capital Expenditure	22,303.58	
2,954.16		Loans and Advances		3,720.55
	2,038.99	Loans for Power Projects	2,870.89 ⁷	
	598.58	Other Development Loans	531.97	
	316.59	Loans to Government Servants and Miscellaneous loans	317.69	
		Reserve Fund Investments		-
1.95		Advances		1.56
30.20		Remittance Balances		23.89
35.87		Suspense and Miscellaneous Balances		42.38
2.98		Cash		181.62
	0.27	Cash in Treasuries and Local Remittances	1.08	
	1.98	Departmental Cash Balance	0.91	
	0.56	Permanent Advances	0.58	
	0.17	Cash Balance Investments	179.05	
20,346.08		Deficit on Government Accounts		23,765.97
	3,933.92	(i) Revenue Deficit of the Current Year	3,424.44	
	16,412.16	(ii) Accumulated deficit upto preceding year	20,346.08	..
	-	(iii) Write off from Heads of Accounts closing to balance	0.13	
		Less : Capital Receipts of current year	(-) 4.68	
46,194.80		Total		53,740.51

EXHIBIT-II

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2003-04

(Rupees in crore)

2002-03	Receipts		2003-04	2002-03	Disbursements	2003-04		
						Non-Plan	Plan	Total
13,081.86	Section-A: Revenue		15,423.85		I. Revenue Expenditure			
6,253.34	I. Revenue receipts			7,645.48	General Services	8,404.19	39.44	8,443.63
	Tax revenue	7,246.19		6,585.62	Social Services	6,182.39	959.80	7,142.19
1,569.00	Non-tax revenue	2,071.64		3,310.54	Education, Sports, Art and Culture	3,376.37	258.51	3,634.88
				898.98	Health and Family Welfare	755.06	258.83	1,013.89
3,063.10	State's share of Union Taxes and Duties	3,602.21		1,399.17	Water Supply, Sanitation, Housing and Urban Development	854.28	97.61	951.89
				8.54	Information and Broadcasting	10.84	0.11	10.95
813.64	Non-Plan grants	748.95		99.55	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	33.17	105.52	138.69
				37.32	Labour and Labour Welfare	38.55	1.27	39.82
616.52	Grants for State Plan Schemes	924.21		821.90	Social Welfare and Nutrition	1,103.25	237.95	1,341.20
				9.62	Others	10.87	-	10.87
766.26	Grants for Central, Centrally Sponsored Plan Schemes and Special Plan Schemes	830.65		2,784.56	Economic Services	2,025.45	1,231.93	3,257.38
				506.79	Agriculture and Allied Activities	432.57	123.24	555.81
				450.39	Rural Development Special Areas	129.61	325.99	455.60
				-		-	(-) 0.09	(-) 0.09 ⁸

			750.22	Programmes Irrigation and Flood Control	804.03	19.72	823.75
			662.83	Energy	336.01	607.59	943.60
			64.98	Industry and Minerals	52.83	24.16	76.99
			256.45	Transport	226.25	47.23	273.48
			3.55	Science, Technology and Environment	2.19	1.03	3.22
			89.35	General Economic Services	41.96	83.06	125.02
			0.12	Grants-in-aid and Contributions	5.09	-	5.09
3,933.92	II. Revenue deficit carried over to Section-B Total	3,424.44					
17,015.78		18,848.29	17,015.78	Total	16,617.12	2,231.17	18,848.29
	Section-B – Others		2,027.53	II. Capital Expenditure	64.00	3,116.98	3,180.98
(-) 78.77	III. Opening Cash balance including Permanent Advances and Cash Balance Investments	(-) 285.43	41.58	General Services	9.53	40.23	49.76
			750.79	Social Services	54.31	1,282.89	1,337.20
			19.32	Education, Sports, Art and Culture	-	20.20	20.20
	IV Miscellaneous Capital Receipts	4.68	14.05	Health and Family Welfare	-	19.20	19.20
			651.89	Water Supply, Sanitation, Housing and Urban Development	54.31	1,181.91	1,236.22
			0.18	Information and Broadcasting	-	0.39	0.39
			47.33	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	-	55.01	55.01
			17.21	Social Welfare and Nutrition	-	5.64	5.64
			0.81	Others	-	0.54	0.54
			1,235.16	Economic Services	0.16	1,793.86	1,794.02
			12.17	Agriculture and Allied Activities	-	48.22	48.22
			172.15	Rural Development	-	226.70	226.70
			36.57	Special Areas Programmes	-	38.32	38.32
			380.26	Irrigation and Flood Control	-	891.53	891.53
			333.50	Energy	-	282.76	282.76
			1.14	Industry and Minerals	-	23.08	23.08
			291.38	Transport	-	253.13	253.13
			0.03	Science, Technology and Environment	-	0.20	0.20
			7.96	General Economic Services	0.16	29.92	30.08

(Rupees in crore)

2002-03	Receipts	2003-04	2002-03	Disbursements	2003-04
125.23	V. Recoveries of Loans and Advances	158.98	277.80	III. Loans and Advances disbursed	925.37
4.29	From Power Projects		142.85	For Power Projects	834.56
38.31	From Government Servants		70.72	To Government Servants	48.72
82.63	From Others		64.23	To Others	42.09
			3,933.92	IV. Revenue deficit brought down	3,424.44
7,686.49	VI. Public Debt Receipts	9,025.20	3,056.04	V. Repayment of Public Debt	3,150.11
2,701.24	Internal debt other than Ways and Means Advances and Overdraft	3,263.20	280.80	Internal debt other than Ways and Means Advances and Overdraft	407.68
-	Net transactions under Ways and Means Advances including Overdraft	-	835.63	Net transactions under Ways and Means Advances including Overdraft	235.70 ⁹
4,985.25	Loans and Advances from Central Government	5,762.00	1,939.61	Repayment of Loans and Advances to Central Government	2,506.73
34,592.19	VII. Public Account Receipts	39,458.77	33,315.28	VI. Public disbursements Account	37,843.98
1,917.69	Small Savings, Provident Funds, etc.	2,160.09	979.30	Small Savings, Provident Funds, etc.	1,212.88
837.09	Reserve Funds	1,036.78	757.94	Reserve Funds	872.83
19.59	Suspense and Miscellaneous	67.45	11.81	Suspense and Miscellaneous	74.08 ¹⁰
2,031.02	Remittances	2,453.71	2,032.17	Remittances	2,447.40
29,786.80	Deposits and Advances	33,740.74	29,534.06	Deposits and Advances	33,236.79
			(-) 285.43	VII. Cash Balance at end	(-) 162.68
			0.27	Cash in Treasuries and Local	1.08
			(-) 288.41	Remittances	
			2.54	Deposits with Reserve Bank	(-) 344.30
				Departmental Cash Balance	1.49
				Including permanent Advances	
			0.17	Cash Balance Investment	179.05
42,325.14	Total	48,362.20	42,325.14	Total	48,362.20

EXHIBIT-III SOURCES AND APPLICATION OF FUNDS

(Rupees in crore)

2002-03	Sources	2003-04
13,081.86	Revenue receipts	15,423.85
-	Miscellaneous Capital Receipts	4.68
125.23	Recoveries of Loans and Advances	158.98
4,630.45	Increase in Public Debt	5,875.09
1,276.91	Net receipts from Public Account	1,614.79
	938.39 Increase in Small Savings, Provident Funds, etc.	947.21
	252.74 Net effect in Deposits and Advances	503.95
	79.15 Net effect in Reserve Funds	163.95
	7.78 Net effect of Suspense and Miscellaneous transactions	(-) 6.63
	(-) 1.15 Net effect of Remittance transactions	6.31
206.66	Decrease in closing cash balance	-
19,321.11	Total	23,077.39
2002-03	Application	2003-04

17,015.78	Revenue expenditure	18,848.29
277.80	Lending for development and other purposes	925.37
2,027.53	Capital expenditure	3,180.98
-	Increase in closing cash balance	122.75
19,321.11	Total	23,077.39

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 0.48 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 0.07 crore (net Credit) remained to be reconciled as of May 2004.

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

	1999-2000	2000-01	2001-02	2002-03	2003-04
Part A. Receipts					
1. Revenue Receipts	9,790	12,402	12,153	13,082	15,42
(i) Tax Revenue	4,531(46)	5,300 (43)	5,671(47)	6,253(48)	7,246(47)
Taxes on Sales, Trade, etc.	2,425(54)	2,821(53)	3,069(54)	3,438(55)	3,986(55)
State Excise	961(21)	1,119(21)	1,110(20)	1,142(18)	1,163(16)
Taxes on Vehicles	455(10)	511(10)	566(10)	646(10)	904(11)
Other Taxes	690(15)	849(16)	926(16)	1,027(17)	1,193(16)
(ii) Non-Tax Revenue	1,574(16)	1,688(14)	1,508(12)	1,569(12)	2,072(13)
(iii) State's share of Union taxes and duties	2,185(22)	2,837(23)	2,883(24)	3,063(23)	3,602(25)
(iv) Grants-in-aid from GOI	1,500(16)	2,577(20)	2,091(17)	2,197(17)	2,504(16)
2. Miscellaneous Capital Receipts	-	-	-	-	-
3. Total revenue and Non-debt Capital Receipts¹¹ (1+2)	9,790	12,402	12,153	13,082	15,42
4. Recoveries of Loans and Advances	120	124	69	125	15
5. Public Debt Receipts	5,267	4,204	5,979	7,686	9,02
Internal Debt (excluding Ways and Means Advances and Overdraft)	1,867(35)	1,510(36)	1,609(27)	2,701(35)	3,263(36)
Net transactions under Ways and Means Advances and Overdraft	45(1)	-	697(12)	-	-
Loans and Advances from Government of India ¹²	3,355(64)	2,694(64)	3,673(61)	4,985(65)	5,762(66)
6. Total receipts in the Consolidated Fund (3+4+5)	15,177	16,730	18,201	20,893	24,61
7. Contingency Fund Receipts	-	-	-	-	-
8. Public Account Receipts	21,681	25,677	27,771	34,592	39,45
9. Total receipts of the State (6+7+8)	36,858	42,407	45,972	55,485	64,07
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	13,430	15,035	15,949	17,016	18,84
Plan	1,643(12)	1,885(13)	2,186(14)	2,272(13)	2,231(12)
Non-Plan	11,787	13,150(87)	13,763(86)	14,744(87)	16,617(88)
General Services (excluding Interest payments)	2,858(21)	3,239(22)	3,299(21)	3,345(20)	3,667(21)
Interest Payments	2,825(21)	3,339(22)	3,878(24)	4,300(25)	4,777(25)
Social Services	5,486(41)	6,128(41)	6,405(40)	6,586(39)	7,142(38)

Economic Services	2,243(17)	2,312(15)	2,349(15)	2,785(16)	3,257(17)
Grants-in-aid and Contributions	18(-)	17 (-)	18(-)	13	5(-)
11. Capital Expenditure	1,517	1,384	1,818	2,027	3,18
Plan	1,482(98)	1,322(98)	1,745(96)	1,956(96)	3,117(98)
Non-Plan	35(2)	62 (2)	73(4)	71(4)	64(-)
General Services	199(13)	21 (1)	27(1)	41(2)	50(-)
Social Services	451(30)	593(43)	665(37)	751(37)	1,337(42)
Economic Services	867(57)	770(56)	1,126(62)	1,235(61)	1,794(56)
12. Disbursement of Loans and Advances	324	419	204	278	92
13. Total (10+11+12)	15,271	16,838	17,971	19,321	22,95
14. Repayments of Public Debt	985	1,211	1,024	3,056	3,15
Internal Debt (excluding Ways and Means Advances and Overdraft)	178(18)	186(15)	297(29)	281(9)	407(12)
Net transactions under Ways and Means Advances and Overdraft	-	556(46)	-	836(27)	236(-)
Loans and Advances from Government of India ¹²	807(82)	469(39)	727(71)	1,939(64)	2,507(80)
15. Appropriation to Contingency Fund	-	-	-	-	-
16. Total disbursement out of Consolidated Fund (13+14+15)	16,256	18,049	18,995	22,377	26,10
17. Contingency Fund disbursements	-	-	-	-	-
18. Public Account disbursements	20,125	24,530	26,893	33,315	37,84
19. Total disbursement by the State (16+17+18)	36,381	42,579	45,888	55,692	63,94
<i>Part C. Deficits</i>					
20. Revenue Deficit (1-10)	3,640	2,633	3,796	3,934	3,42
21. Fiscal Deficit (3+4-13)	5,361	4,312	5,749	6,114	7,36
22. Primary Deficit (21-Interest Payments)	2,536	973	1,871	1,814	2,59
<i>Part D. Other data</i>					
23. Balance from Current Revenues (BCR)	(-3,015)	(-1,998)	(-2,692)	(-3,045)	(-2,94)
24. Arrears of Revenue	1,393(23)	1,333(19)	1,532(21)	2,249(29)	2,409(24)
25. Ways and Means Advances/Overdraft availed (days)	349	349	309	356	30
26. Interest on Ways and Means Advances/Overdraft	27	27	25	30	3
27. Gross State Domestic Product (GSDP)¹⁴	78,481	79,295	88,422	85,355	1,00,09
28. Outstanding Debt (year end)	30,011	33,874	39,970	45,871	53,36
29. Outstanding guarantees including interest (year end)	11,270	11,954	12,912	14,968	17,23
30. Maximum amount guaranteed (year end)	14,288	16,746	19,117	21,887	24,58
31. Number of incomplete projects	510	423	300	531	37
32. Capital blocked in incomplete projects	3,632	2,670	1,760	2,277	2,55

1. Ajmer, Alwar, Banswara and Jodhpur.
2. Indian Institute of Data Interpretation and Analysis, Jaipur; Smt. Gomati Devi Jan Sewa Nidhi, Rajgarh (Alwar); Chetana Arogya Mandir and Samaj Sewa Samiti, Banswara; Marudhara Academy, Jodhpur.
3. Calculated at minimum rate of 5 per cent.
4. Refunded to Bank on 24 December 2003.
5. Proforma correction regarding prior period adjustments due to conversion of investment into loans amounting to Rs 2.45 crore.
6. Included on liabilities side as the balances were in negative.
7. Includes Rs 0.04 crore booked under major head 6853 (Industry and Minerals Sector).
8. Minus expenditure is due to deposit of unspent balance of previous years.
9. Represents receipts: Rs 9,579.28 crore and disbursements: Rs 9,814.98 crore.
10. Including Rs 0.13 crore of closed Government Account.
11. Excluding recoveries of loans and advances.
12. Includes Ways and Means Advance from GOI.
13. Only Rs 11,85,105.
14. Source: Economic Review- 2003-04. Changes due to adoption of revised GSDP figures.