CHAPTER-I
AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

This chapter discusses the financial position of the State Government, based on the analysis of the information contained in the Finance Accounts. The analysis is based on the trends in the receipts and expenditure, the quality of expenditure and the financial management of the State Government. In addition, the chapter also contains a section on the analysis of indicators of financial performance of the Government, based on certain ratios and indices developed on the basis of the information contained in the Finance Accounts and other information furnished by the State Government. Some of the terms used in this chapter are described in the Appendix (Part A) to this Chapter.

1.2 Financial position of the State Government

1.2.1 In the Government accounting system, comprehensive accounting of the fixed assets like land and buildings etc., owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. An abstract of such liabilities and the assets as on 31 March 2001 compared with the corresponding position on 31 March 2000 is given in the table below:

Table-1.1

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF SIKKIM AS ON 31 MARCH 2001

As on 31.03.2000		Liabilities		As on 31.03.2001
			(Rupees in crore)	
250.74		Internal Debt		278.10
	185.81	Market Loans bearing interest	210.81	
	27.01	Loans from LIC	23.44	
	37.92	Loans from other institutions	43.85	
239.56 *		Loans and Advances from Central Government-		248.65
	8.24	Pre 1984-85 Loans	7.69	
	47.88	Non-Plan Loans	43.98	
	152.19	Loans for State Plan Schemes	171.19	
	6.25	Loans for Central and Centrally Sponsored Plan Schemes	7.04	
	25.00	Ways and Means Advances	18.75	
0.90		Contingency Fund		1.00
185.72		Small Savings, Provident Funds, etc.		202.61
6.29		Deposits		12.45
19.73		Reserve Funds		24.50
30.98		Remittance Balances		47.38
437.41		Surplus on Government Accounts		536.70
	436.01*	Last year balance	437.41	
	(-) 0.46	Less adjustment		
	1.86	Add Revenue Surplus	99.29	
1171.33				1351.39
As on 31.03.2000		**Assets**		**As on 31.03.2001**
1083.93		Gross Capital Outlay on Fixed Assets-		1234.85
	44.54	Investments in shares of Companies, Corporation, etc.	54.37	
	1039.39	Other Capital Outlay	1180.48	
9.95		Loans and Advances-		8.81
	5.13	Other Development Loans	4.70	
	4.82	Loans to Government servants and Miscellaneous loans	4.11	
-		Reserve Fund Investments		
0.19		Advances		0.19
7.09		Suspense and Miscellaneous Balances		12.72
70.17		Cash		94.82
		Cash in Treasuries and Local Remittances		
	67.63	Deposits with other Bank	53.25	
	2.55	Departmental Cash Balance	0.32	
	(-) 0.01	Cash Balance Investments	25.00	
-		Earmarked Funds Invested	16.25	
1171.33				1351.39

1.2.2 While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public account and Reserve funds, the assets comprise mainly the capital

* ***Difference of Rs. 0.32 crore from 1999-2000 accounts is due to proforma correction made during 2000-01. The amount was wrongly booked under MH 6004-04-Loans for Centrally Sponsored Plan Schemes instead of MH 1601-Grants-in-aid from Central Government.***

outlay, loans and advances given by the State Government and the cash balances.

1.2.3 It would be seen from the Table-1.1 that while the liabilities grew by 11 per cent, the assets grew by 15 per cent during 2000-01.

1.3 Sources and applications of fund

1.3.1 The table below gives the position of sources and application of funds during the current and the preceding year.

Table-1.2
SOURCES AND APPLICATIONS OF FUND

(Rupees in crore)

1999-2000		Sources		2000-2001
1511.83	1.	Revenue receipts		862.60
1.07	2.	Recoveries of Loans and Advances		1.46
132.71	3.	Increase in Public debt other than overdraft		36.46
42.49	4.	Net receipts from Public Account		38.59
		Increase in Small Savings	16.89	
		Increase in Deposits and Advances	6.16	
		Increase in Reserve Funds	4.77	
		Net effect of Suspense and Miscellaneous transactions	(-) 5.63	
		Net effect of remittance transactions	16.40	
	5.	Net effect of contingency fund transaction		0.10
1688.10		**TOTAL**		**939.21**
1999-2000		**Application**		**2000-2001**
1509.97	1.	Revenue expenditure		763.31
1.14	2.	Lending for development and other purposes		0.33
94.34	3.	Capital expenditure		150.92
0.10	4.	Net effect of contingency fund transaction		-
82.55	5.	Increase in Cash Balance		24.65
1688.10		**TOTAL**		**939.21**

1.3.2 The main sources of funds include revenue receipts of the Government, recoveries of loans and advances, public debt and the receipts from Public Account. These are applied mainly on revenue and capital expenditure and the lending for developmental purposes. It would be seen that the revenue receipts constitute the most significant source of fund for the State Government. While their relative share went up from 89.56 per cent in 1999-2000 to 91.84 per cent during 2000-2001, the share of recoveries of loans and advances also went up from 0.06 per cent to 0.16 per cent. The receipts from the Public Account also increased their share from 2.52 per cent in 1999-2000 to 4.11 per cent in 2000-2001. On the other hand, receipts from the public debt decreased significantly from 7.86 per cent to 3.88 per cent. The decrease in revenue receipts and expenditure as compared with previous year was due to corresponding decreases in respect of State Lotteries.

1.3.3 The funds were mainly applied for revenue expenditure, whose share not only went down from 89.45 per cent (1999-2000) to 81.27 per cent (2000-2001), but was also lower than the share of revenue receipts (91.84 per cent) in the total receipts of the State Government. This led to a Revenue Surplus. A notable change during the year was that while the percentage of capital expenditure went up significantly from 5.59 per cent to 16.07 per cent, lending for development purposes decreased from 0.07 per cent to 0.04 per cent.

1.4 Financial operation of the State Government

Improved tax revenue and increased Grants-in-aid from GOI resulted in Revenue Surplus

1.4.1 Table-14 at the end of this chapter gives the details of the receipts and disbursements made by the State Government. The revenue receipts (Rs.862.60 crore) during the year was more than the revenue expenditure (Rs.763.31 crore) resulting in a revenue surplus of Rs. 99.29 crore. The revenue receipts comprised tax revenue (Rs.65.39 crore), non-tax revenue (Rs. 289.02 crore), Union Taxes and Duties assigned to State (Rs.72.20 crore) and grants-in-aid from the Central Government (Rs.435.99 crore). The main sources of tax revenue were Taxes on Income other than Corporation Tax (29.50 per cent) and Sales Tax (37.47 per cent) and State Excise duties (26.93 per cent). Non-tax revenue came mainly from general services (87 per cent).

1.4.2 The capital receipts comprised Rs.1.46 crore from recoveries of loans and advances and Rs.69.12 crore from public debt. Against this, the expenditure was Rs.150.92 crore on capital outlay, Rs. 0.33 crore on disbursement of loans and advances and Rs. 32.66 crore on repayment of public debt. The receipts in the Public Account amounted to Rs.823.70 crore against which disbursements of Rs.785.10 crore were made. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was an increase in the cash balance from Rs. 70.17 crore at the beginning of the year to Rs. 94.82 crore at the end of the year.

1.4.3 The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs with reference to the information contained in table under paragraph 1.3 and the time series data for five years period from 1996-97 to 2000-2001, presented in the table given below:

Table-1.3

TIME SERIES DATA ON STATE GOVERNMENT FINANCES

	1996-97	1997-98	1998-99	1999-2000	2000-2001
	(Rupees in crore)				
Part A. Receipts					
I. Revenue Receipts	**1157.59**	**1299.47**	**1440.66**	**1511.83**	**862.60**
(a) Tax Revenue	29.91 (2.58)	36.50 (2.81)	46.76 (3.25)	49.07(3.25)	65.39 (7.58)
Taxes on Income other than Corporation Tax	8.21 (27.45)	9.06 (24.82)	18.33 (39.20)	17.84 (36.36)	19.29 (29.50)
Sales Tax	8.23 (27.52)	12.71 (34.82)	13.06 (27.92)	13.64 (27.80)	24.50 (37.47)
State Excise	10.54 (35.24)	10.81 (29.62)	11.86 (25.36)	13.39 (27.29)	17.61 (26.93)
Tax on Vehicles	1.22 (4.08)	1.54 (4.22)	1.51 (3.23)	1.69 (3.44)	1.54 (2.35)
Stamp and Registration fees	0.42 (1.40)	0.37 (1.01)	0.51(1.09)	0.62 (1.26)	0.50 (0.76)
Land Revenue	0.16 (0.53)	0.96 (2.63)	0.12(0.26)	0.54 (1.10)	0.22 (0.34)
Other Taxes and Duties on Commodities and Services	1.13 (3.78)	1.05 (2.88)	1.37 (2.93)	1.35 (2.75)	1.73 (2.65)
(b) Non-Tax Revenue	829.34 (71.64)	929.83 (71.55)	1020.91 (70.86)	1042.75 (68.97)	289.02 (33.51)
(c) State's share in Union taxes	73.34 (6.33)	79.91(6.15)	92.21 (6.40)	99.54 (6.58)	72.20 (8.37)
(d) Grants-in-aid from GOI	225.00 (19.44)	253.24(198.49)	280.78 (19.49)	320.47 (21.20)	435.99 (50.54)
II. Capital Receipts	**81.29**	**104.62**	**206.99**	**229.38**	**148.87**
Market Borrowing	17.83 (21.93)	20.45 (19.56)	42.00 (20.29)	82.76 (36.08)	32.94 (22.13)
Loans and advances from GOI	37.37 (45.97)	41.29 (39.46)	53.54 (25.86)	63.97 (27.89)	36.18 (24.30)
Other Receipts (Public Accounts)	26.09 (32.10)	42.88 (40.98)	111.45 (53.85)	82.65 (36.03)	79.75 (53.57)
Part B. Expenditure	**1213.02**	**1365.42**	**1587.36**	**1604.31**	**914.23**
I. Revenue Expenditure	**1118.86 (92.24)**	**1258.19 (92.15)**	**1495.60 (94.22)**	**1509.97 (94.12)**	**763.31 (83.49)**
Plan	125.18 (11.19)	116.32 (9.25)	159.77 (10.68)	134.60 (8.91)	155.93 (20.43)
Non-Plan	993.68 (88.81)	1141.86 (90.75)	1335.83 (89.32)	1375.37 (91.10)	607.38 (79.57)
General Services	876.01 (78.29)	986.90 (78)	1127.77 (75.41)	1143.87 (75.75)	406.01 (53.19)
Economic Services	117.94	127.84 (10)	155.63 (10.40)	169.84 (11.25)	164.81 (21.59)
Social Services	124.91	143.45 (11)	212.21 (14.19)	196.26 (13.00)	192.49 (25.22)
Interest Payment	32.98	40.94	52.47	67.92	78.67
Fin. Assistance to Local bodies etc.	2.47	3.08	2.17	3.49	8.39
Loans and advances given	1.23	1.80	1.08	1.14	0.33
II. Capital Expenditure	**94.16 (7.76)**	**107.23 (7.85)**	**91.76 (5.78)**	**94.34 (5.88)**	**150.92 (16.51)**
Plan	94.16 (100)	107.23 (100)	91.76 (100)	94.34 (100)	150.92 (100)
Non- plan	-	-	-	-	-
General Services	5.35 (5.68)	6.59 (6.15)	4.60 (5.01)	3.87 (4.10)	4.45 (2.96)
Economic Services	61.52 (65.34)	67.58 (63.02)	57.44 (62.60)	54.29 (57.55)	96.15 (63.71)
Social Services	27.29 (28.98)	33.06 (30.83)	29.72 (32.39)	36.18 (38.35)	50.32 (33.34)
Part C. Deficits					
Revenue Deficit (-)/Surplus (+)	(+) 38.73	(+) 41.28	(-) 54.94	(+) 1.86	(+) 99.29
Fiscal Deficit	55.90	67.02	146.86	92.55	50.51
Budgetary Deficit (-)/Surplus (+)	(-) 55.43	(-) 65.95	(-) 146.70	(-) 92.48	(-) 51.64
Part D. Other data					
Ways and Means Advances (days)	-	-	-	-	-
Interest on WMA	-	-	-	-	-
GSDP	553	651	755 (P)	817 (Q)	NA
Outstanding Debt (year end)	312.90	356.69	503.67	676.34	729.37
Outstanding guarantees (year end)	13.73	21.78	21.07	21.57	104.61
Guarantees given during the year	10.00	8.05	-	0.50	83.04
Number of incomplete projects	62	66	69	57	95
Capital blocked in incomplete projects	4.57	9.84	96.26	20.71	12.55
Arrears of Revenue	NA	NA	NA	0.80	1.07

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

Note-II: *Non-tax revenue for the year 2000-2001 includes gross receipt of Rs. 240.60 crore from State Lotteries before adjustment of expenditure of Rs. 223.39 crore. (P) – Provisional Estimate, (Q) – Quick Estimate.*

Note-III: *The reduction in revenue receipts and revenue expenditure during 2000-01 was due to corresponding reduction in receipts and expenditure pertaining to State Lotteries.*

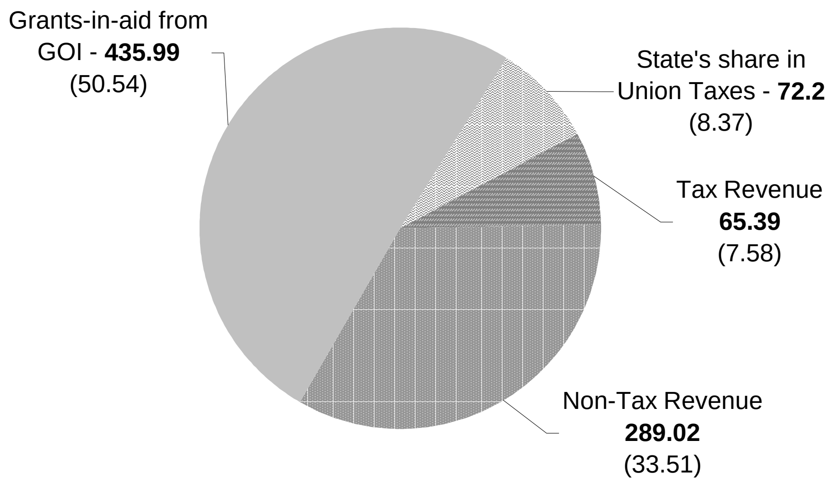
1.5 Revenue receipts

1.5.1 The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India (GOI). Their relative shares are shown in the chart below. The decrease in revenue receipts during 2000-01 was due to reduction in gross receipts from State lotteries, which in turn was on account of introduction of lottery prohibition bill.

Chart-1.1

Revenue Receipts 2000-2001

(Rupees in crore)



Note: Figures in bracket indicate percentage.

Tax Revenue

Sales Tax performed better in comparison to Income Tax and State Excise during the year

1.5.2 The share of tax revenue in revenue receipts increased from 2.58 per cent in 1996-97 to 7.58 per cent in 2000-2001. However, the tax revenue constituted a mere 6 per cent of GSDP till 1999-2000 (GSDP for 2000-01 not available yet) having remained stagnant at that level from 1997-98 onwards. Table-1.3 under paragraph 1.4.3 shows that the relative contribution of Taxes on Income other than Corporation Tax came down from 36.36 per cent in 1999-2000 to 29.50 per cent in 2000-2001 and State Excise from 27.29 per cent in 1999-2000 to 26.93 per cent in 2000-2001. On the other hand, Sales Tax increased from 27.80 per cent in 1999-2000 to 37.47 per cent in 2000-2001.

Non-tax Revenue

Grants-in-aid from GOI financed 63 per cent of the total Government expenditure (net of lotteries)

1.5.3 Non-tax revenue constituted 33.51 per cent of the total revenue receipts as compared to 68.97 per cent in 1999-2000. This was due to decrease of gross receipt from State Lotteries. On the other hand, grants-in-aid from GOI increased to 50.54 per cent of the total revenue receipts in 2000-2001 from a mere 19.44 per cent in 1996-97 and financed 63 per cent of the total Government expenditure comprising capital outlay and revenue expenditure (net of lotteries).

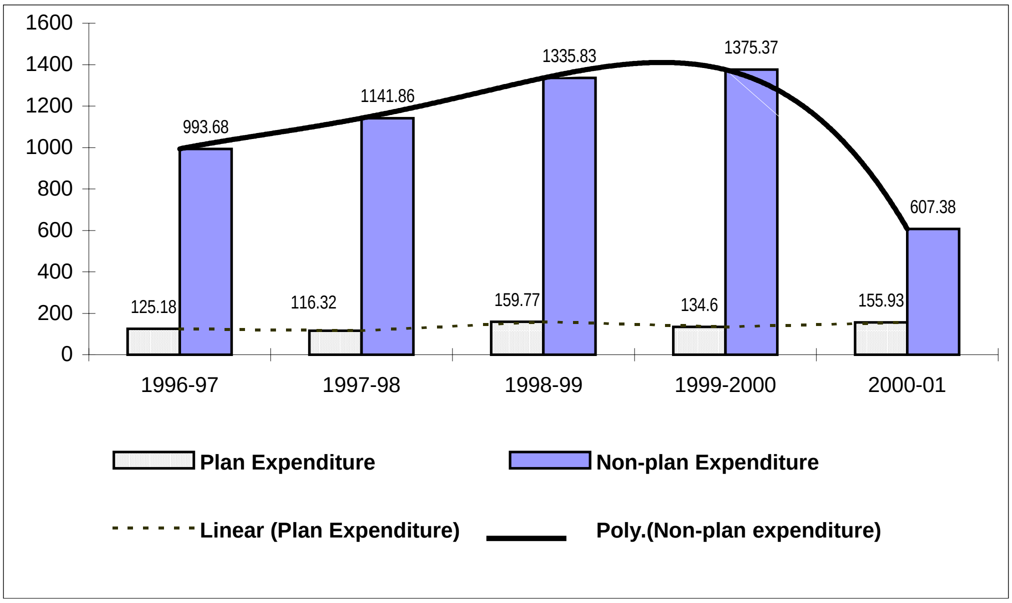
1.6 Revenue expenditure

1.6.1 Revenue expenditure, which accounted for most (83.49 per cent) of the expenditure of State Government, decreased by Rs.746.66 crore during 2000-2001. This decrease was the net result of Rs.767.99 crore decrease in Non-Plan side of revenue expenditure offset by Rs.21.33 crore increase in Plan expenditure. The decrease was mainly due to reduction in expenditure on State Lotteries. Non-plan revenue expenditure constituted a major slice of the total revenue expenditure during the 5 years 1996-2001 and ranged between 80 and 91 per cent. Trend analysis shows that the share of revenue expenditure varied between 83.49 to 94.22 per cent of the total expenditure during 1996-2001.

Chart-1.2

Growth of Plan and Non-plan Revenue Expenditure

(Rupees in crore)



1.6.2 Sector-wise analysis shows that while the expenditure on General Services decreased by 53.65 per cent from Rs. 876.01 crore in 1996-97 to Rs. 406.01 crore in 2000-2001, expenditure on Social Services and Economic Services increased by 54.10 and 39.74 per cent respectively. As a proportion of total expenditure, the share of General Services decreased from 75.75 per cent in 1999-2000 to 53.19 per cent in 2000-2001. The share of Social Services increased from 13.00 per cent to 25.22 per cent and that of Economic Services increased from 11.25 per cent to 21.59 per cent.

Spiraling interest payments

1.6.3 Interest payments increased steadily by 138.54 per cent from Rs. 32.98 crore in 1996-97 to Rs. 78.67 crore in 2000-2001. This is further discussed in the section on financial indicators.

Financial assistance to local bodies and other institutions

1.6.4 The quantum of assistance provided to different local bodies, etc., during the period of five years ending 2000-2001 was as follows:

Table-1. 4

Years	1996-97		1997-98		1998-99		1999-2000		2000-2001	
	Grants	**loans**	**Grants**	**loans**	**Grants**	**loans**	**Grants**	**loans**	**Grants**	**loans**
	(Rupees in crore)									
Universities and Educational Institutions	1.24	-	1.23	-	1.37	-	1.49	-	2.27	-
Municipal Corporations and Municipalities	-	-	-	-	-	-	-	-	-	-
Zilla Parishads and Panchayati Raj Institutions	-	-	-	-	-	-	-	-	-	-
Development Agencies	0.54	-	0.44	-	0.44	-	1.44	-	1.87	
Hospitals and Other Charitable Institutions	-	-	-	-	-	-	-	-		
Other Institutions	0.69	0.24	1.41	0.77	0.36	0.01	0.56	-	4.25	-
TOTAL	**2.47**	**0.24**	**3.08**	**0.77**	**2.17**	**0.01**	**3.49**	**-**	**8.39**	**-**
Percentage of growth over previous year	533.33	-	24.70	220.83	(-) 29.54	(-) 98.70	(+) 60.83	-	(+) 140.40	-
Assistance as a percentage of revenue expenditure	0.22	0.02	0.24	0.06	0.14	-	0.23	-	1.07	-

1.6.5 The quantum of assistance paid to local bodies etc. jumped from Rs.2.47 crore in 1996-97 to Rs.8.39 crore in 2000-2001, an increase of 239.68 per cent.

Loans and Advances by the State Government

Interest on Government loans not received

1.6.6 The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, co-operatives, non- government institutions, etc., for developmental and non-developmental activities. The position for the last five years was as under:

Table-1.5

	1996-97	1997-98	1998-99	1999-00	2000-01
	(Rupees in crore)				
Opening balance	8.17	8.64	9.72	9.87	9.94
Amount advanced during the year	1.23	1.80	1.08	1.14	0.33
Amount repaid during the year	0.76	0.72	0.92	1.07	1.46
Closing balance	8.64	9.22	9.87	9.94	8.81
Net addition	0.47	1.08	0.15	0.07	(-) 1.13

1.6.7 The interest was not received in any of the years and credited in Government account.

1.7 Capital Expenditure

1.7.1 Capital expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government i.e. Public Sector Undertakings (PSUs), corporations, etc. and loans and advances. During 2000-2001, the capital expenditure increased by Rs.56.58 crore as compared to 1999-2000. Its share in total expenditure has gone up from 7.76 per cent in 1996-97 to 16.51 per cent in 2000-2001. Table-1.3 under paragraph 1.4.3 shows that major portion of the capital expenditure has been on Economic and Social Services and on the plan side only.

1.8 Quality of Expenditure

1.8.1 Government spends money for different activities ranging from maintenance of law and order and regulatory functions to various developmental activities. Government expenditure is broadly classified into Plan and Non-plan and Revenue and Capital. While the Plan and Capital expenditure are usually associated with asset creation, the Non-plan and Revenue expenditure are identified with expenditure on establishment, maintenance and services. By definition, therefore, in general, the Plan and Capital expenditure can be viewed as contributing to the quality of expenditure.

1.8.2 Wastage in public expenditure, diversions of funds and funds blocked in incomplete projects would also impinge significantly on the quality of expenditure. Similarly, funds transferred to Deposit heads in the Public Account, after booking them as expenditure, can also be considered in judging the quality of expenditure. As the expenditure was not actually incurred in the concerned year, it should be excluded from the figures of expenditure for that year. Another possible indicator is the increase in the expenditure on General Services, to the detriment of Economic and Social Services.

1.8.3 The following table lists out the trend in these indicators:

Table-1.6

Years	1996-97	1997-98	1998-99	1999-00	2000-01
1. Plan expenditure as a percentage of: (i) Revenue expenditure (ii) Capital expenditure	 11 100	 9 100	 11 100	 9 100	 20 100
2. Capital expenditure as a percentage of total expenditure*	8	8	6	6	17
3. Expenditure on General Services as a percentage of: (i) Revenue (ii) Capital	 78 6	 78 6	 75 5	 76 4	 53 3
4. Amount of wastages and diversion of funds mentioned in the Audit Report ***(Rs. in crore)***	0.43	1.06	3.26	5.94	2.37
5. Non-remunerative expenditure on incomplete projects. ***(Rs. in crore)***	4.57	9.84	96.20	20.59	12.55
6. Unspent balance under deposit heads, booked as expenditure at the time of their transfer to the deposit head	NA	NA	NA	NA	NA

**** Total expenditure = Revenue expenditure + Capital expenditure.***

1.8.4 It would be seen that the share of plan expenditure on the revenue side has increased in 2000-2001 as compared to previous year and the share of capital expenditure has also increased from 6 per cent in the year 1999-2000 to 17 per cent in the year 2000-2001. The expenditure on General Services had declined on both the capital and revenue side in 2000-2001 as compared to the previous year. The table also shows that substantial amount remained blocked in incomplete projects and substantial amount of wastage and diversion of fund were brought out in the Audit Report. This, in turn, affected the quality of expenditure incurred by the Government.

1.9 Financial Management

1.9.1 The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this report deal extensively with these issues, based on the findings of test audit, especially as they relate to the expenditure management in the Government. Some other parameters which can be segregated from the accounts and other related financial information of the Government are discussed in this section.

Return on Government investments far below the cost of its borrowings

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

Table-1.7

Sector	Number of concerns	Amount invested as on 31.03.2000	Amount invested during 2000-2001
		(Rupees in crore)	
(1) Statutory Corporations	11	36.61	4.86
(2) Government Companies	13	11.85	0.65
(3) Joint Stock Companies	-	-	-
(4) Co-operative Institutions and Bank	06	5.90	4.29
TOTAL	**30**	**54.36**	**9.80**

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

Table-1.8

Year	Investment at the end of the year	Return	Percentage of Return	Rate of interest on Government borrowing *(%)*
	(Rupees in crore)			
1996-97	34.73	1.38	4	13.85 and 13.75
1997-98	37.79	1.59	4	13.05
1998-99	41.76	1.23	3	12.50
1999-2000	44.54	0.72	2	12.25 and 11.85
2000-2001	54.36	0.0158	0.03	12

1.9.4 Thus, while the Government was raising high cost borrowings from the market, its investments in Government companies etc., fetched insignificant returns. As on 31 March 2001, 2 of the Government companies were running under loss and the accumulated loss was Rs.0.60 crore upto March 2001.

Incomplete Projects

1.9.5 As of 31 March 2001, there were 95 incomplete projects in which Rs.12.56 crore were blocked. This showed that the Government was spreading its resources thinly, which failed to yield any return.

Arrears of revenue

1.9.6 The arrears of revenue in respect of Land Revenue, Animal Husbandry, Printing and Stationery and Urban Development and Housing Departments pending collection, increased by 34 per cent during the year. Information relating to major revenue earning departments was not furnished. An overall assessment of the arrears in collection was thus not possible. However, comparing the arrears of revenue in respect of the four departments for the years 1999-2000 and 2000-2001, an increase of 34 per cent was seen. The overall deterioration in the position of arrears of revenue showed a slackening of the revenue efforts of the State Government.

Ways and means advances and overdraft

1.9.7 The State Government has not entered into any agreement with the Reserve Bank of India (RBI) for carrying out the general banking business of the Government which is carried out by the State Bank of Sikkim. Since the transactions of Sikkim Government are not conducted by the RBI, the State Government has not taken any Ways and Means Advances from the RBI. To avoid delay/non-accountal of Central assistance released by the Government of India (GOI), the State Government should reconsider the feasibility of taking up the matter with RBI for entering into an agreement.

Deficit

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

1.9.9 The Revenue Deficit is the excess of revenue expenditure over revenue receipts. The Fiscal Deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received). Primary Deficit is fiscal deficit less interest payments.

1.9.10 The following table gives a break-up of the deficit in Government account:

Table-1.9

(a) CONSOLIDATED FUND

Receipt	Amount		Disbursement	Amount
	(Rupees in crore)			
Revenue	862.60	Revenue Surplus : 99.29	Revenue	763.31
Misc. Capital Receipts	-		Capital	150.92
Recovery of Loans and advances	1.46		Loans and advances disbursement	0.33
Sub total	864.06	Gross fiscal deficit: 50.51	Sub total	914.57
Public debt	69.12		Public debt repayment	32.66
TOTAL	**933.18**	**A: Deficit CF : 14.04**		**947.22**

(b) CONTINGENCY FUND

	(Rupees in crore)			
Recoupment	0.10	Net effect in contingency fund : 0.10	Advances	-

(c) PUBLIC ACCOUNT

	(Rupees in crore)			
Small savings, PF etc.	52.61		Small saving PF etc.	35.72
Deposits and advances	15.60		Deposits and advances	9.44
Reserve funds	11.53		Reserve funds	6.76
Suspense and Misc.	485.68		Suspense and Misc.	491.31
Remittances	258.26		Remittances	241.86
Total Public Account	823.68	B (i) deficit in Consolidated Fund financed out of surplus in Public Account Fund (38.59) (ii) Increase in cash balance (24.65)		785.09

1.9.11 The Table-1.9 shows that the Fiscal Deficit of Rs. 50.51 crore was financed by the net proceeds of Public Debt (Rs. 36.46 crore), and partly by the surplus (Rs.38.59 crore) from Public Account. Table-1.15 shows that fiscal deficit was on an increasing trend during 1996-97 to 1998-99 whereafter it declined from a level of Rs.146.86 crore in 1998-99 to Rs. 92.55 crore and Rs.50.51 crore in 1999-2000 and 2000-2001 respectively.

Application of the borrowed funds (Fiscal Deficit)

1.9.12 The Fiscal Deficit represents total net borrowings of the Government. These borrowings are applied for meeting the Revenue Deficit (RD), for making Capital Expenditure (CE) and for giving loans to various bodies for development and other purposes. The relative proportions of these applications would indicate the financial prudence of the State Government and also the sustainability of its operations because continued borrowing for revenue expenditure would not be sustainable in the long run. The following table shows the positions in respect of the Government of Sikkim for the last five years:

Table-1.10

Ratio	1996-97*	1997-98*	1998-99	1999-2000*	2000-2001*
RD/FD	(-) 0.69	(-) 0.62	0.37	(-) 0.02	(-) 1.97
CE/FD	1.68	1.60	0.62	1.02	2.99
Net loans/ FD	0.01	0.02	0.01	-	(-) 0.02
TOTAL	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**

***** ***During these years there was no Revenue deficit.***

Guarantees given by the State Government

1.9.13 Guarantees are given by the State Government for due discharge of certain liabilities like repayment of loans, share capital, etc., raised by the statutory corporations, Government companies and co-operative institutions etc., and payment of interest and dividend by them. They constitute contingent liability of the State. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limits within which Government may give guarantees on the security of the Consolidated Fund of the State. The guaranteed sum outstanding at the end of each year during 1996-2001 are indicated in the time series data (Table-1.3).

1.10 Public debt

1.10.1 The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table. Compared to 1996-97, the total liabilities of the Government had grown by 132.40 per cent. This was on account of 136.83 per cent growth in internal debt, 72.15 per cent growth in loans and advances from GOI and 266.82 per cent growth in other liabilities. During 2000-2001, Government borrowed Rs. 32.94 crore from the open market at the interest rate of 12 per cent per annum.

Table-1.11

Year	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities	Total liabilities	Ratio of debt to GSDP
	(Rupees in crore)					
1996-97	117.43	144.44	261.87	60.88	322.75	0.58
1997-98	133.31	163.21	296.52	72.14	368.66	0.57
1998-99	170.67	187.25	357.92	161.10	514.02	0.68
1999-2000	250.74	239.88	490.62	211.75	702.37	0.86
2000-2001	278.10	248.65	526.75	223.32	750.08	NA

Very high outstanding debt as a percentage of GSDP

1.10.2 The State's outstanding debt as a percentage of GSDP has been rising. It was as high as 86 per cent in 1999-2000, the latest year for which GSDP figures were available, having risen from 57 per cent in 1997-98.

Debt service touching almost 100 per cent of gross borrowing

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

Table-1.12

	1996-97	1997-98	1998-99	1999-00	2000-01
	(Rupees in crore)				
Internal Debt Receipt	17.83	20.45	42.00	82.76	32.94
Repayment (Principal+Interest)	20.70	21.44	24.47	26.70	35.41
Net funds available (Per cent)	(-) 2.87	(-) 0.99	17.53 (42)	56.06 (68)	(-)2.47
Loans and Advances from GOI Receipt during the year	37.37	41.29	53.53	63.97	36.18
Repayment (Principal+Interest)	33.39	40.32	48.60	34.68	55.97
Net fund available (Per cent)	3.98 (11)	0.97 (2)	4.93 (9)	29.29 (46)	(-) 19.79
Other liabilities Receipt during the year	26.09	42.88	111.45	83.10	79.75
Repayment	22.54	37.48	34.88	32.01	51.95
Net fund available (Per cent)	3.55 (14)	5.40 (13)	76.57 (69)	51.09 (61)	27.80

1.10.4 Considering that the outstanding debt had been increasing year after year, the net availability of funds through public borrowings was not increasing proportionately. The total borrowings of Rs.148.87 crore were almost exclusively used for debt servicing which amounted to Rs.143.33 crore. In fact, in respect of internal debt and loans and advances from GOI, the debt service exceeded 100 per cent of gross borrowings as shown in the table, implying a net outflow of sources. This was a serious cause for concern, as debt service in such a situation begins to displace other productive expenditure.

1.11 Indicators of the financial performance

1.11.1 A Government may either wish to maintain its existing level of activity or increase its level of activity. For maintaining its current level of activity, it would be necessary to know how far the means of financing are sustainable. Similarly, if Government wishes to increase its level of activity it would be pertinent to examine the flexibility of the means of financing and Government's increased vulnerability in the process. All the State Governments continued to increase the level of their activity principally through Five Year Plans which translate to annual development plans and are provided for in the State Budget. Broadly, it can be stated that Non-plan expenditure represents Government maintaining the existing level of activity, while plan expenditure entails expansion of activity. Both these activities require resource mobilisation increasing Government's vulnerability. In short, financial health of a Government can be described in terms of sustainability, flexibility and vulnerability. These terms are defined as follows:

(i) Sustainability

Sustainability is the degree to which a Government can maintain existing programmes and meet existing creditor requirements without increasing the debt burden.

(ii) Flexibility

Flexibility is the degree to which a Government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden.

(iii) Vulnerability

Vulnerability is the degree to which a Government becomes dependent on and therefore vulnerable to sources of funding outside its control or influence, both domestic and international.

(iv) Transparency

There is also the issue of financial information provided by the Government. This consists of Annual Financial Statement (Budget) and the Accounts. As regards the Budget, the important parameters are timely presentation indicating the efficiency of budgetary process and the accuracy of the estimates. As regards accounts, timeliness in submission, for which milestones exist and completeness of accounts would be the principal criteria.

1.11.2 Information available in Finance Accounts can be used to flesh out Sustainability, Flexibility and Vulnerability that can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in the Appendix (Part B). Table-1.15 indicates the behaviour of these indices/ratios over the period from 1996-97 to 2000-2001. The implications of these indices/ratios for the state of the financial health of the State Government are discussed in the following paragraphs.

1.11.3 The behaviour of the indices/ratios is discussed below:

(i) Balance from Current Revenues (BCR)

BCR is defined as revenue receipts minus plan assistance grants minus Non-plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting plan expenditure. The Table-1.15 shows that the State Government had negative BCR in all the preceding five years and negative balance increased steeply in 1996-97 and 2000-2001. This shows that State was not able to generate surplus from current revenues and its dependence on borrowings for meeting the plan expenditure increased significantly.

(ii) Interest ratio

The higher the ratio, the lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. In case of Sikkim, the ratio has significantly increased by six basic points from 0.03 to 0.09 during 1996-97 to 2000-2001. Due to rising interest ratio, availability of funds for programme spending decreased indicating a strain on the sustainability.

(iii) Capital outlay/Capital receipts

This ratio would indicate to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term in as much as it indicates that a part of the capital receipt is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement in the performance. In case of Sikkim, the ratio has been more than one during the period from 1996-97 to 1997-98. However, it declined sharply from 1.03 in 1997-98 to 0.50 in 1999-2000 and increased to 1.53 in 2000-2001. This positive trend, however, should be seen in the context of negligible rate of return on investments and large number of incomplete works (as discussed in respective paras) showing that the capital was not effectively deployed to generate increased revenue.

(iv) Return on Investment (ROI)

The ROI is the ratio of the earning to the capital employed. A high ROI suggests sustainability. The table under paragraph 1.21 presents the return on Government's investments in statutory corporations, Government companies, joint stock companies and co-operative institutions. It shows that the ROI in case of Government of Sikkim has been negligible and has decreased from 4 per cent in 1996-97 to 0.03 per cent in 2000-2001. The low ROI suggests that the investments in the Public Sector Undertakings (PSUs) were used to finance their loss, rather than generate surplus.

(v) Capital repayments Vs Capital borrowings

This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital borrowing. The lower the ratio, the higher would be the availability of capital for investment. In case of Sikkim Government, this ratio has increased from 0.09 in 1999-2000 to 0.47 in 2000-2001. This indicated lesser amount of funds being available on investment.

(vi) Revenue deficit/Fiscal deficit

The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings, the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure.

Thus, higher the ratio, worse off is the State because it would indicate that the debt burden is increasing without improving the repayment capacity of the State. During 1996-97 to 1997-98 and 1999-2000 to 2000-2001 there was no revenue deficit. During 2000-2001 the ratio has been (-)1.97.

(vii) Primary deficit Vs Fiscal deficit

Primary deficit is the fiscal deficit minus interest payments. This means that less the value of the ratio, less is the availability of funds for capital investment. During 2000-2001 the ratio became (-)0.56. The interest payment accounted for 81.15 per cent of the net borrowings, which was therefore not available for capital investment.

(viii) Guarantees Vs Revenue receipts

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of a State Government and should therefore be compared with the ability of the Government to pay viz., its revenue receipts. Thus, the ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. In case of Sikkim, this ratio has increased from 0.01 in 1999-2000 to 0.12 indicating a huge increase in the risk exposure of the State Government revenue to outstanding guarantee and indicated the vulnerability of the revenue of the State to such liabilities.

(ix) Assets Vs Liabilities

This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than 1 would be a contra indicator. Since 1995-96, this ratio is moving in the negative direction indicating the trend of insolvency.

(x) Budget

There was no delay in submission of the budget and their approval. The details are given in the following table:

Table-1.13

Preparation	Month of submission	Month of approval
Vote on accounts	March 2000	March 2000
Budget	June 2000	June 2000
Supplementary-I	November 2000	November 2000
Supplementary-II	March 2001	March 2001

Chapter II of this Report carries a detailed analysis of variations in the budget estimates and the actual expenditure as also of the quality of budgetary procedure and control over expenditure. It indicates defective budgeting and inadequate control over expenditure, as evidenced by persistent resumption (surrenders) of significant amounts every year vis-à-vis the final modified grant. Significant variations (excess/saving) between the final modified grant and actual expenditure were also persistent.

(xi) Accounts

During 1999-2001, delay in submission of monthly compiled accounts by Public Works Division ranged from 2 days to 104 days. The delay in submission of monthly accounts by the Chief Pay and Accounts Office ranged from 12 days to 76 days.

1.12 Conclusion

1.12.1 The State was not able to generate surplus from current revenue as evident from the steep increase in negative BCR, which resulted in increased dependence on borrowing for meeting the plan expenditure. Even the borrowed funds were inefficiently employed as seen from insignificant return on investment. Increase in interest ratio indicates constraint on the development expenditure of the Government due to increase in the expenditure on account of interest payment.

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Table – 1.14

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2000-2001

Receipts				Disbursement					
Section-A : Revenue		*(Rupees in crore)*				*(Rupees in crore)*			
1999-00			**2000-01**	**1999 -00**		**Non-Plan**	**Plan**	**Total**	**2000-01**
1511.83	**I. Revenue Receipts**		**862.60**	**1509.97**	**I. Revenue Expenditure**				**763.31**
49.07	-Tax revenue	65.39		1143.87	**General Services**	403.60	2.41	406.01	
1042.75	-Non-tax revenue	289.02			**Social Services**				
99.54	-State's share of Union Taxes	72.20		110.41	-Education, Sports, Art and Culture	76.35	37.43	113.78	
16.13	-Non-Plan grants	148.40		33.65	-Health and Family Welfare	19.62	12.11	31.73	
				27.52	-Water Supply, Sanitation, Housing and Urban Development	9.27	16.20	25.47	
				1.57	-Information and Broadcasting	0.91	0.95	1.86	
268.55	-Grants for State Plan Scheme	238.66		2.03	-Welfare of Scheduled Castes, Scheduled tribes and Other Backward Classes.	0.57	2.92	3.49	
35.79	-Grants for Central and Centrally sponsored Plan Schemes	48.93		0.76	-Labour and Labour Welfare	0.52	0.29	0.81	
				19.02	-Social Welfare and Nutrition	6.07	7.83	13.90	
				1.30	-Others	1.45	-	1.45	
					Economic Services				
				54.22	-Agriculture and Allied Activities	26.72	33.09	59.81	
				8.34	-Rural Development	0.02	11.19	11.21	
				-	-Special Areas Programmes	-	-	-	
				6.21	-Irrigation and Flood Control	0.83	15.65	16.48	
				27.84	-Energy	21.01	4.86	25.87	
				6.47	-Industry and Minerals	4.65	3.68	8.33	
				33.89	-Transport	32.19	0.72	32.91	
				1.07	-Science, Technology and Environment	-	1.04	1.04	
				31.80	-General Economic Services	3.59	5.57	9.16	
-	**II. Revenue Deficit carried over to Section B**		**-**	**1.86**	**II. Revenue Surplus carried over to Section B**		**-**		**99.29**
1511.83	**Total**		**862.60**	**1511.83**					**862.60**
	Section B								
(-)12.38	**III. Opening Cash balance including Permanent Advances and Cash Balance Investment**		**70.17**	**94.34**	**III. Capital Outlay**				**150.92**
				3.87	**General Services**	-	4.46	4.46	
					Social Services				
				3.40	-Education, Sports, Art and Culture	-	20.31	20.31	
				1.69	-Health and Family Welfare	-	2.99	2.99	
				25.66	-Water Supply, Sanitation	-	17.72	17.72	
				2.79	-Housing and Urban Development	-	8.02	8.02	
				1.00	-Welfare of SC,ST and OBC	-	1.29	1.29	

Receipts				Disbursement					
1999-00	**Section-B**		**2000-01**	**1999-00**		**Non-Plan**	**Plan**	**Total**	**2000-01**
-	**IV Miscellaneous Capital receipts**	**-**			**Economic Services**				
				1.56	-Agriculture and Allied Activities	-	5.33	5.33	
				0.71	-Rural Development	-	1.08	1.08	
				5.61	-Special Areas Programmes	-	6.62	6.62	
				0.02	-Irrigation and Flood Control	-	3.07	3.07	
				26.45	-Energy	-	32.35	32.35	
				2.01	-Industry and Minerals	-	3.77	3.77	
				17.18	-Transport	-	40.25	40.25	
				1.31	-General Economic Services	-	3.66	3.66	
1.07	**V. Recoveries of loans and Advances**		**1.46**	**1.14**	**IV Loans and Advances disbursed**				**0.33**
	From Government Servants	1.03			-To Government Servants			0.33	
	From others	0.43			-To Others			-	
1.86	**VI. Revenue surplus brought down**		**99.29**		**V. Revenue deficit brought down**	**-**			**-**
146.73	**VII. Public debt receipts**		**69.12**	**14.02**	**VI. Repayment of Public Debt**				**32.66**
	-External debt	--			-External debt	-		-	
	-Internal debt other than Ways and Means Advances and Overdraft	32.94			-Internal debt other than Ways and Means Advances and Overdraft			5.58	
	-Ways and Means Advances	--			-Ways and Means Advances			-	
	-Loans and Advances from Central Government	36.18			-Repayment of Loans and advances to Central Government			27.08	
-	**VIII. Amount transferred to Contingency Fund**		0.10		**VII Expenditure from Contingency Fund**				-
788.97	**IX. Public Account Receipts**		**823.68**	**746.48**	**VIII. Public Account Disbursements**				**785.09**
	-Small Savings and Provident funds	52.61			-Small savings and Provident Funds			35.73	
	-Reserve funds	11.53			-Reserve Funds			6.76	
	-Suspense and Miscellaneous	485.68			-Suspense and Miscellaneous			491.31	
	-Remittance	258.26			-Remittance			241.86	
	-Deposits and Advances	15.60			-Deposits and advances			9.44	
				70.17	**IX. Cash Balance at end**				**94.82**
					-Cash in Treasuries and Local Remittances			**52.69**	
					-Deposits with other Bank			0.56	
					-Departmental Cash Balance including permanent advances			16.57	
					-Cash Balance Investment			25.00	
926.25	**TOTAL**		**1063.82**	**926.25**	**TOTAL**				**1063.82**

Table – 1.15

Financial indicators for Government of Sikkim

	1996-97	1997-98	1998-99	1999-00	2000-01
	(Rupees in crore)				
Sustainability BCR ***(Rs. in crore)***	(-) 13.33	(-) 58.80	(-) 153.64	(-) 167.87	(-) 180.76
Primary Deficit (PD) ***(Rs. in crore)***	22.92	26.08	95.31	24.63	(-) 28.16
Interest Ratio	0.03	0.03	0.04	0.04	0.09
Capital outlay/Capital receipt	1.16	1.03	0.44	0.5	1.53
Total Tax receipt/GSDP	0.17	NA	0.18	0.18	NA
State Tax receipts/GSDP	0.05	NA	0.06	0.06	NA
Return on Investment ratio	0.04	0.04	0.03	0.02	0.0003
Flexibility BCR ***(Rs. in crore)***	(-) 13.33	(-) 58.80	(-) 153.64	(-) 167.87	(-) 180.76
Capital repayment/Capital borrowings	0.47	0.43	0.34	0.095	0.47
State tax receipt/GSDP	0.05	0.06	0.06	0.06	NA
Debt/GSDP	0.58	0.57	0.68	0.86	NA
Vulnerability Revenue Deficit (RD) ***(Rs. in crore)***	* 38.73	* 41.28	54.94	*1.86	*99.29
Fiscal Deficit (FD) ***(Rs. in crore)***	55.90	67.02	146.86	92.55	50.51
Primary Deficit (PD) ***(Rs. in crore)***	22.92	26.08	95.31	24.63	(-) 28.16
PD/FD	0.41	0.39	0.64	0.27	(-) 0.56
RD/FD	(-) 0.69	(-) 0.62	0.37	(-) 0.02	(-) 1.97
Outstanding Guarantees/Revenue receipt	0.01	0.02	0.01	0.01	0.12
Assets/Liabilities	2.31	2.23	1.79	1.59	1.66

******* ***During these years, there were Revenue Surplus.***

Note: 1. ***Fiscal deficit has been calculated as: Revenue Expenditure + Capital Expenditure + Net Loans and Advances - Revenue Receipts - Non-loan Capital receipts.***

2. ***In the ratio Capital outlay Vs Capital receipts, the denominator has been taken as internal loans- Loans and Advances from Government of India + Net Receipts from Small Savings, PF etc., + Repayments received from loans advanced by the State Government-Loans advanced by State Government.***

Explanatory Notes

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.

APPENDIX

(Ref: Paragraph No.1.1)

Part A. Government Accounts

I. Structure: The accounts of the State Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund

All receipts of the state Government from revenues, loans and recoveries of loans go into the Consolidated Fund of the State, constituted under Article 266(1) of the Constitution of India. All Expenditure of the Government is incurred from this Fund from which no amount can be withdrawn without authorisation from the State Legislature. This part consists of two main divisions, namely, Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Capital Receipts, Capital Expenditure, Public Debt and Loans, etc.)

Part II:Contingency Fund

The Contingency Fund created under Article 267 (2) of the Constitution of India in the nature of an imprest is placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorisation from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorised by the Legislature during the year was Rs. 1.00 crore.

Part III: Public Account

Receipts and disbursements in respect of small savings, provident funds, deposits, reserve funds, suspense, remittances, etc., which do not form part of the Consolidated Fund, are accounted for in Public Account and are not subject to vote by the State Legislature.

II. Form of Annual Accounts

The accounts of the State Government are prepared in two volumes viz., the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure with appropriate classification in the Government accounts. The Appropriation Accounts present the details of expenditure by the State Government vis-à-vis the amounts authorised by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

Part B. List of Indices/ratios and basis for their calculation

(Ref: Paragraph No. 1.11.2)

Indices/ratios		Basis for calculation
Sustainability		
Balance from the Current Revenue	BCR	Revenue Receipts minus all Plan grants (under Major Head 1601-02,03,04 and 05) and Non-Plan revenue expenditure.
Primary Deficit		Fiscal Deficit minus interest payments.
Interest Ratio		
Capital Outlay Vs Capital Receipts	Capital Outlay Capital Receipts	Capital expenditure as per Statement No.2 of the Finance Accounts. Internal Loans (excluding ways and means advances) + Loans and advances from Government of India + Net receipts from small savings, PF etc. + Repayments received on loans advanced by the State Government – Loans advanced by the State Government.
Total Tax Receipts Vs GSDP	Total Tax Receipts GSDP	State Tax receipts plus State's share of Union Taxes.
State Tax Receipts Vs GSDP	State Tax Receipts	Statement No.1 of Finance Accounts.
Flexibility		
Balance from Current Revenue	BCR	As above.
Capital repayments Vs Capital borrowings	Capital Repayments	Disbursements under Major heads 6003 and 6004 minus repayments on account of ways and means advances/overdraft under both the major heads.
	Capital Borrowings	Addition under Major Heads 6003 and 6004 minus addition on accounts of ways and means advances/overdraft under both the major heads.
State Tax Receipts Vs GSDP		As above.
Debt Vs GSDP	Debt	Borrowings and other obligations at the end of the year (Statement No.3 of Finance Accounts).
Vulnerability		
Revenue Deficit		Paragraph No.1.9.8 of the Audit Report.
Fiscal Deficit		-do-
Primary Deficit Vs Fiscal Deficit	Primary Deficit	As above.
Outstanding guarantees including letters of comfort Vs Revenue receipts of the Government	Outstanding guarantees Revenue Receipts	Paragraph No. 1.4.3 of the Audit Report. Table-1.14.
Assets Vs Liabilities	Assets and Liabilities Debt	Paragraph No. 1.2 of the Audit Report. Borrowings and other obligations at the end of the year (Statement No. 3 of the Finance Accounts).