

## CHAPTER - I

### FINANCES OF THE STATE GOVERNMENT

#### *Profile of Goa*

Goa was liberated from the Portuguese Rule and incorporated with the Indian Union as a Union Territory with Legislative Assembly in 1962. It was granted Statehood on 30 May 1987. Goa has a land area of 3,702 sq. km. and a coastline of 104 km. It has two districts, 12 talukas and 359 villages, with a population density of 394 persons compared to the all India average of 382 persons per sq.km. It has one of the highest literacy rates (87.40 *per cent*) among the States of the country. Besides, the infant mortality rate (11 per thousand) and the population living below the poverty line (two *per cent*) is very low as compared to the all India average. For the period 2001-02 to 2009-10, the Compound Annual Growth Rate (CAGR) of the Gross State Domestic Product (GSDP) of Goa was 17.55 *per cent* which was higher than the growth of GSDP of other General Category States. During 2001-11, the population growth rate in Goa was 8.17 *per cent* as compared to 17.56 *per cent* of other general categories states (**Appendix 1.1**).

#### **1.1 Introduction**

This chapter is based on the audit of Finance Accounts and makes an assessment of the Goa Government's fiscal position as on 31 March 2011. It provides a broad perspective of the finances of the Government of Goa during 2010-11 and analyses critical changes observed in the major fiscal aggregates in relation to the previous year, keeping in view the overall trends during the last five years. The structure and form of Government accounts is depicted in **Appendix 1.1 Part B**. The methodology adopted for assessment of the fiscal position and norms/ceilings prescribed by the Goa Fiscal Responsibility and Budgetary Management (GFRBM) Act, 2006 and Rules, 2007 of the State are given in **Appendix 1.2**.

##### *1.1.1 Summary of Current Year's Fiscal Transactions*

A summary of the State Government's fiscal transactions during 2010-11 *vis-à-vis* the previous year is presented in **Table 1.1** below. **Appendix 1.3** provides details of receipts and disbursements as well as the overall fiscal position during the 2010-11.

Table 1.1 Summary of Current Year's Fiscal Operations

(₹ in crore)

2009-10	Receipts	2010-11	2009-10	Disbursements	2010-11		
Section-A: Revenue			Non-Plan			Plan	Total
4100.27	Revenue receipts	5441.94	4227.47	Revenue expenditure	3856.67	927.11	4783.78
1762.34	Tax revenue	2139.57	1350.91	General services	1469.29	17.75	1487.04
1731.20	Non-tax revenue	2268.60	962.54	Social services	654.50	456.32	1110.82
427.42	Share of Union taxes/duties	584.21	1327.82	Economic services	1185.73	228.46	1414.19
179.31	Grants from Government of India	449.56	586.20	Grants-in-aid and Contributions	547.15	224.58	771.73
Section-B: Capital and others							
--	Misc Capital receipts	--	1084.08	Capital Outlay	6.06	1215.14	1221.20
12.74	Recoveries of Loans and Advances	14.70	37.22	Loans and Advances disbursed	12.19	3.73	15.92
631.99	Public Debt receipts	744.80	177.69	Repayment of Public Debt	--	207.99	207.99
0.06	Contingency Fund	2.99	2.99	Contingency Fund	--	--	--
6177.89	Public Account receipts	6993.45	5471.44	Public Account disbursements	♣	♣	6535.32
791.58	Opening Cash Balance	713.64	713.64	Closing Cash Balance	♣	♣	1147.31
11714.53	Total	13911.52	11714.53	Total			13911.52

(Source: Finance Accounts for the years 2009-10 and 2010-11)

♣ Bifurcation of Plan and Non-Plan not available.

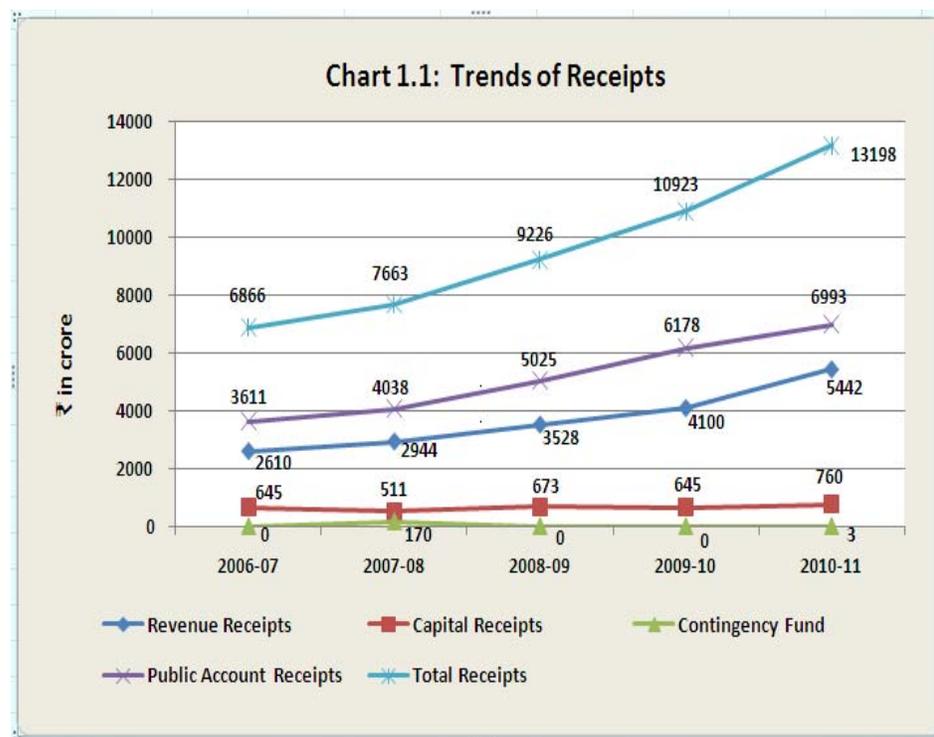
The following are the major changes in fiscal transactions during 2010-11 over the previous year:

- Revenue receipts grew by ₹ 1,342 crore (32.72 per cent) over the previous year, mainly due to increase in tax revenue by ₹ 377 crore (21.40 per cent), non-tax revenue by 537 crore (31.04 per cent), share of Union taxes and duties by ₹ 157 crore (36.68 per cent) and an increase of ₹ 270 crore in grants from the Government of India (150.71 per cent). It was also higher by (35 per cent) than the Medium Term Fiscal Policy Statement (MTFPS) (₹ 4,030 crore) for the year 2010-11.
- Revenue expenditure increased by ₹ 556 crore (13.15 per cent) over the previous year mainly due to increase in expenditure on Education, Sports, Art and Culture (₹ 167 crore), Energy (₹ 64 crore), Health and Family Welfare (₹ 57 crore) and Interest payments (₹ 68 crore).
- Public Debt receipt increased by 17.84 per cent (₹ 113 crore) and repayment of Public Debt increased by 17.05 per cent (₹ 30 crore) over the previous year.
- Public Account receipts and disbursements increased by 13.20 per cent (₹ 816 crore) and 19.44 per cent (₹ 1,064 crore) respectively over the previous year.
- Cash balances of the Government at the end of the year 2010-11 (₹ 1,147.31 crore) increased by ₹ 434 crore (60.76 per cent) over the previous year. Of the above ₹ 830 crore was invested in Treasury bills.

## 1.2 Resources of the State

### 1.2.1 Resources of the State as per Annual Finance Accounts

Revenue<sup>1</sup> and capital<sup>2</sup> are the two streams of receipts that constitute the resources of the State Government. **Table 1.1** presents the receipts and disbursements of the State during 2010-11, as recorded in its Finance Accounts 2010-11 while **Chart 1.1** and **Table 1.2** depicts the trends in various components of the aggregate receipts of the Government during 2006-11.

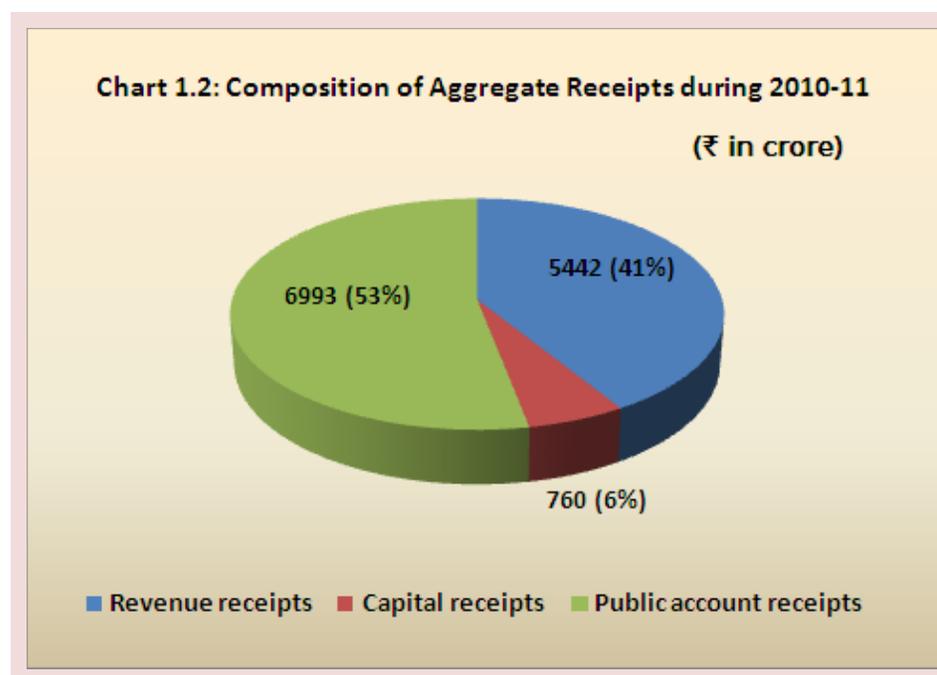


(Source: State Finance Accounts of the respective years)

<sup>1</sup> Revenue receipts consist of tax revenues, non-tax revenues, State's share of Union taxes and duties and grants-in-aid from GOI

<sup>2</sup> Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestment, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from the Public Account.

**Chart 1.2** depicts the composition of resources of the Government during 2010-11.



**Table 1.2 Trends in growth and composition of aggregate receipts**

(₹ in crore)

Sources of State's Receipts	2006-07	2007-08	2008-09	2009-10	2010-11
<b>I. Revenue Receipts</b>	<b>2610</b>	<b>2944</b>	<b>3528</b>	<b>4100</b>	<b>5442</b>
<b>II. Capital Receipts</b>	<b>645</b>	<b>511</b>	<b>673</b>	<b>645</b>	<b>760</b>
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	6	6	10	13	15
Public Debt Receipts	639	505	663	632	745
Growth rate of debt capital receipts	-8.45	-20.97	31.28	-4.67	17.87
Non-debt capital receipts	6	6	10	13	15
Growth rate of non-debt capital receipts	-14.28	0	66.66	30	15.38
Growth rate of GSDP*	14.26	17.48	15.57	15.76	15.42
<b>Rate of growth of CR (per cent)</b>	<b>-8.38</b>	<b>-20.77</b>	<b>31.70</b>	<b>-4.16</b>	<b>17.82</b>
<b>III. Contingency Fund</b>	<b>0</b>	<b>170</b>	<b>0</b>	<b>0</b>	<b>3</b>
<b>IV. Public Account Receipts</b>	<b>3611</b>	<b>4038</b>	<b>5025</b>	<b>6178</b>	<b>6993</b>
a. Small Savings, Provident Fund etc.	136	152	243	349	294
b. Reserve Fund	33	38	149	163	221
c. Suspense and Miscellaneous	113	155	2100	2796	3481
d. Remittances	1567	1687	2331	2618	2711
e. Deposits and Advances	1762	2006	202	252	286
<b>Total Receipts</b>	<b>6866</b>	<b>7663</b>	<b>9226</b>	<b>10923</b>	<b>13198</b>

Source: Finance Accounts of the State for the respective years and Central Statistical Organisation.

\* Figures revised due to revision of GSDP figures with base year 2004-05.

The total receipts of the State increased by ₹ 6,332 crore (92 per cent) from ₹ 6,866 crore in 2006-07 to ₹ 13,198 crore in 2010-11. The share of revenue receipts in total receipts of the State increased from 38 per cent in 2006-07 to 41 per cent in 2010-11 and share of capital receipts (including public debt receipt) decreased from 9.39 per cent in 2006-07 to 5.75 per cent in 2010-11. The share of public account receipts was 53 per cent in 2006-07 and 2010-11.

The growth of capital debt receipts improved significantly from (-) 4.16 per cent in 2009-10 to 17.82 per cent in 2010-11, while growth of non-debt capital receipts decreased from 30 per cent in 2009-10 to 15.38 per cent in 2010-11.

Public Account receipts increased by 94 per cent over the period 2006-11. As compared to 2009-10, the increase during 2010-11 was 13.19 per cent, which was mainly under Deposits and Advances, Remittances, Suspense and Miscellaneous and Reserve Funds.

### ***1.2.2 Funds transferred to State Implementing Agencies outside the State Budget***

The Government of India (GOI) has been transferring funds directly to State implementing agencies<sup>3</sup> for the implementation of various schemes/programmes in social and economic sectors for human and social development of the population. As these funds are not routed through the State Budget/State Treasury System, the Annual Finance Accounts do not capture the flow of these funds and to that extent, the State's receipts and expenditure as well as other fiscal variables/parameters derived from them are understated.

During the year 2010-11 the GOI directly transferred ₹ 467.53 crore to State implementing agencies. Major recipients of these funds were (i) Goa Government (₹ 397.80 crore), Goa Electronics Ltd. (₹ 13.89 crore), District Rural Development Agency, (₹ 12.90 crore) and State Health Society, Goa (₹ 8.77 crore). Out of ₹ 397.80 crore transferred to the Goa Government, ₹ 263.16 crore was for irrigation and other centrally assisted projects, ₹ 11.32 crore for Midday meal scheme, ₹ 12.21 crore for Integrated Child Development Schemes, ₹ 8.70 crore for Jawaharlal Nehru National Urban Renewal Mission (JNNURM), ₹ 8.30 crore for National Rural Health Mission etc.

Since the funds are generally not being spent fully by the implementing agencies in the same financial year in which they are given, there remain unspent balances in the bank accounts of these implementing agencies. The aggregate amount of unspent balances in the accounts of the implementing

---

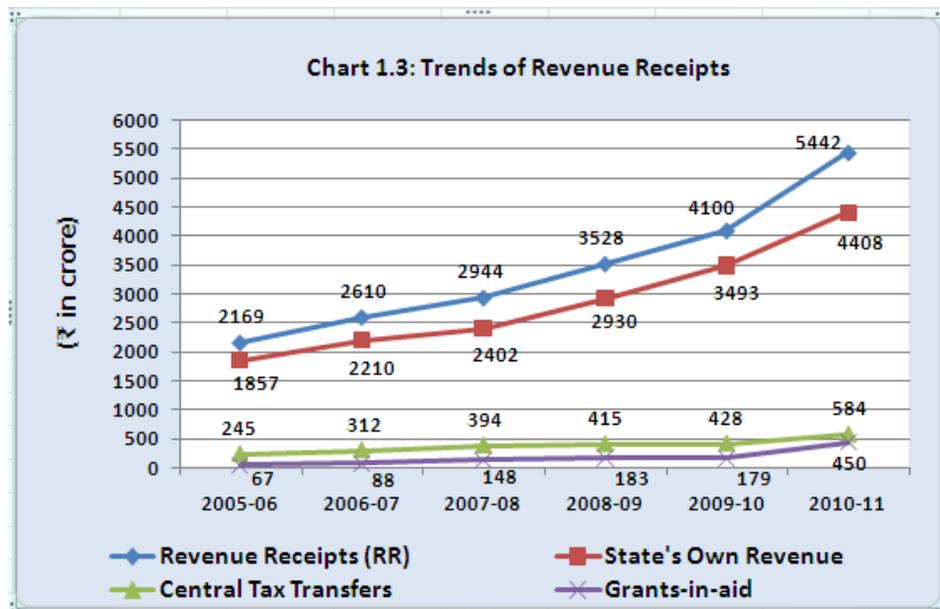
<sup>3</sup> State implementing agencies include any organizations/institutions including non-Governmental organizations which are authorized by the State Government to receive funds from the Government of India for implementing specific programmes in the State, e.g. Goa Sarva Siksha Abhiyan Society, State Health Society for NRHM etc.

agencies, kept outside Government accounts (in bank accounts) was not readily ascertainable.

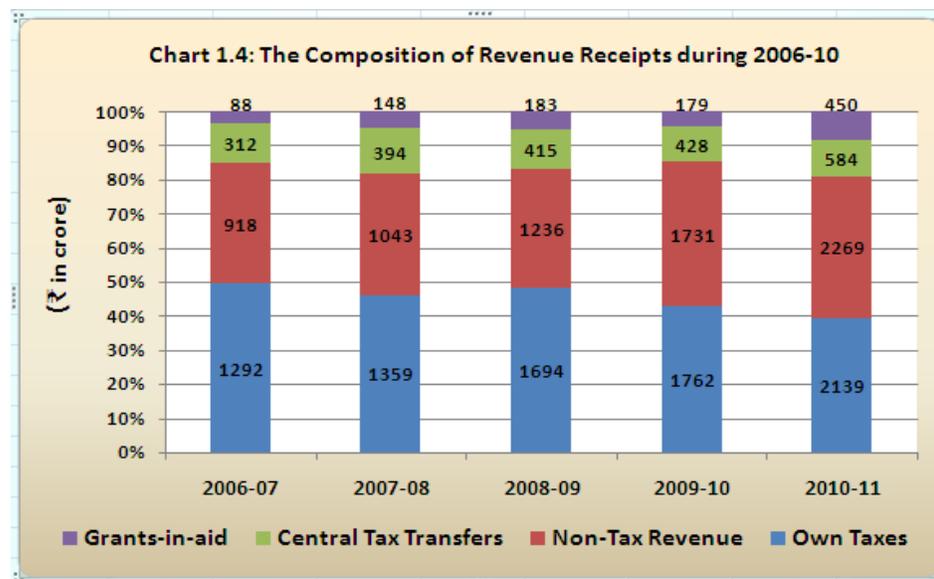
Further, direct transfers from the Union to State implementing agencies without routing them through the State budget run the risk of improper utilization of funds by these agencies. Unless uniform accounting practices are diligently followed by all these agencies, with proper documentation and timely reporting of expenditure, it would be difficult to monitor the end use of these direct transfers.

### 1.3 Revenue Receipts

**Statement 11** of the Finance Accounts details the revenue receipts of the Government. These consist of the State’s own tax and non-tax revenues, Central tax transfers and grants-in-aid from GOI. The trends of revenue receipts over the period 2006-11 are presented in **Chart 1.3** and also in **Appendix 1.4**.



The composition of revenue receipts over the period 2006-11 are presented in **Chart 1.4**.



The revenue receipts showed a progressive increase over the period 2006-11. The increase of 32.72 *per cent* in Revenue Receipt during 2010-11 over the receipts during 2009-10 was on account of increase in the States' own taxes (21.40 *per cent*), non-tax revenue (31 *per cent*), Central tax transfers (36.68 *per cent*). There was substantial increase in grants from GOI (150.71 *per cent*).

During 2001-02 to 2009-10, the compound annual growth rate of revenue receipts (10.29 *per cent*) was less than the growth rate of other General Category States (15.20 *per cent*). This growth rate for the period 2001-02 to 2010-11 increased to 12.58 *per cent* (**Appendix 1.1**).

Revenue receipts at ₹ 5,442 crore was higher (35 *per cent*) than the assessments made by the State Government in the Medium Term Fiscal Policy Statement (MTFPS) for the year 2010-11.

The trends in revenue receipts relative to GSDP at current prices are presented in **Table 1.3**.

**Table-1.3: Trends of Revenue Receipts relative to GSDP**

	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Revenue Receipts (RR) (₹ in crore)</b>	<b>2610</b>	<b>2944</b>	<b>3528</b>	<b>4100</b>	<b>5442</b>
States' own taxes (₹ in crore)	1292	1359	1694	1762	2139
Rate of growth of RR (per cent)	20.33	12.80	19.85	16.21	32.73
RR/GSDP (per cent)	15.84	15.21	15.77	15.84	18.21
<b>Buoyancy ratio's</b>					
Revenue Buoyancy w.r.t. GSDP	1.42	0.73	1.27	1.02	2.12
State's own taxes buoyancy w.r.t. GSDP	1.25	0.29	1.58	0.25	1.39
<b>Gross State Domestic Product (GSDP) ₹</b>	<b>16467</b>	<b>19346</b>	<b>22358</b>	<b>25882</b>	<b>29873</b>
Growth rate of GSDP	14.25	17.48	15.56	15.76	15.42

(Source: Finance Accounts for the years 2006-07 to 2010-11)

‡ Figures differ from that reported in previous report due to revision of GSDP figures (base year 2004-05).

The increase in revenue receipts during 2010-11 (32.72 per cent) as compared to previous year was due to the increase in tax revenue by 21.40 per cent (₹ 377 crore), Non-tax revenue by 31 per cent (₹ 537 crore) and the State's share of Union taxes and duties by 36.68 per cent (₹ 157 crore).

The State's own tax buoyancy with reference to GSDP had decreased from 1.25 in 2006-07 to 0.29 in 2007-08. Though, it increased to 1.58 in 2008-09 it decreased to 0.25 in 2009-10. Thereafter, it increased to 1.39 in 2010-11 mainly because of the increase in tax revenue (21.40 per cent) which was more as compared to the increase in GSDP (15.42 per cent).

#### **Grants-in-aid from the Government of India**

The grants-in-aid from GOI increased substantially by 151 per cent from ₹ 179.31 crore in 2009-10 to ₹ 449.57 crore in 2010-11. The increase was mainly under State Plan Schemes (300 per cent) and Central and Centrally Sponsored Schemes by 97 per cent, while the grants under Non-Plan grants and Central Schemes decreased by 49 per cent and 52 per cent respectively in 2010-11 (Table-1.4).

**Table 1.4: Grants-in-aid from Government of India**

	2006-07	2007-08	2008-09	2009-10	2010-11
Grants for State Plan schemes	49.18	82.70	120.03	88.18	352.85
Non-Plan grants	20.21	22.15	18.02	26.60	13.66
Grants for Central Schemes	4.53	11.07	10.82	29.41	14.00
Grants for Central and Centrally Sponsored Schemes	14.57	32.53	34.25	35.12	69.05
<b>Total</b>	<b>88.49</b>	<b>148.45</b>	<b>183.12</b>	<b>179.31</b>	<b>449.56</b>
Percentage of increase/decrease over previous year	33.01	67.76	23.35	-2.08	150.71

(Source: Finance Accounts)

The decrease under Non-Plan grants (₹ 12.94 crore) was mainly due to decrease under grants for National Calamity Contingency Fund (₹ 4 crore) and Twelfth Finance Commission (TFC) Grants for maintenance of building (₹ 5 crore), set off by an increase in TFC grants for Panchayat Raj Institution (₹ 2.41 crore).

Increases under Central and Centrally Sponsored schemes (₹ 33.93 crore) were mainly in Family Welfare Programme (₹ 4.21 crore), feeding for school children (6-11 years) Midday meals (₹ 6.35 crore) set off by a decrease in grants for development of inland fisheries statistics (₹ 1.51 crore).

Decrease under Central Plan schemes (₹ 15.41 crore) were mainly due to decrease in grants for Integrated development of infrastructure for heritage and hinterland (₹ 18.71 crore), Goa State Illness Society (₹ 0.75 crore) set off by increase in grants for Centre of excellence (₹ 4.10 crore).

The increase under State Plan schemes (₹ 264.67 crore) was mainly due to increase in block grants for state plan schemes (₹ 250 crore), TFC grants for maintenance of forest (₹ 4.01 crore) set off by a decrease under rural roads (₹ 2.90 crore) and slum clearance (₹ 4.94 crore).

### *Central tax transfers*

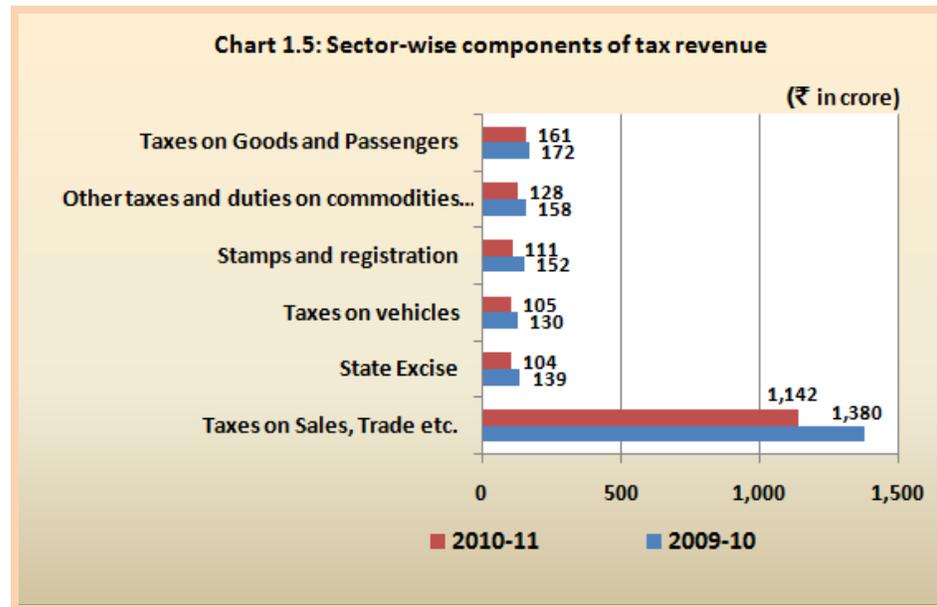
Central tax transfers increased by 37 per cent from ₹ 427 crore in 2009-10 to ₹ 584 crore in 2010-11. The increase was mainly under Customs duty (₹ 42 crore), Union excise duties (₹ 26 crore), Corporation tax (₹ 52 crore), taxes on income other than Corporation tax (₹ 23 crore) and Service tax (₹ 13 crore).

#### *1.3.1 State's Own Resources*

As the State's share in Central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, collection of Central tax receipts, Central assistance for Plan Schemes, etc., the State's performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The gross collection in respect of major taxes and duties as well as the components of non-tax receipts *vis-a-vis* the expenditure incurred on their collection and the percentage of such expenditure to the gross collection during the years from 2008-09 to 2010-11 are presented in **Appendix 1.5**.

### *Tax Revenue*

The tax revenues exceeded the projections made in the MTFPS by 1.37 per cent. The sector-wise components of tax revenue during the period 2009-10 to 2010-11 are shown in **Chart 1.5**.



The tax revenue increased by ₹ 377 crore (21.40 per cent) over the previous year. The increase over the previous year was mainly under (a) Taxes on sales by 21 per cent (₹ 238 crore), (b) Stamp duty and registration fees by 37 per cent (₹ 41 crore), (c) State excise by 34 per cent (₹ 35 crore) due to collection of more receipts as excise duty on liquor and spirits (d) other taxes 23 per cent (₹ 30 crore) mainly due to more collection of Entertainment tax and Luxury tax.

During 2001-02 to 2009-10, the compound annual growth rate of tax revenue (15.18 per cent) was higher than the growth rate of other General Category States (14.53 per cent). This growth rate for the period 2001-02 to 2010-11 further increased to 15.85 per cent (**Appendix 1.1**).

The tax revenue as a percentage of GSDP (7.16 per cent) was less than the normative assessment of Thirteenth Finance Commission (ThFC) (8.01 per cent) and projected in the MTFPS (8.81 per cent).

### **Non-tax revenue**

The non-tax revenue of the State increased by 31 per cent (₹ 537 crore) from ₹ 1,731 crore in 2009-10 to ₹ 2,269 crore in 2010-11, mainly due to (a) a sharp increase in receipts from Non-ferrous mining and metallurgical industries by 237 per cent (₹ 691 crore), (b) more receipts for major and medium irrigation by 124 per cent (₹ 13.10 crore), (c) more receipts of registration fees under Ports and light houses by 65 per cent, (₹ 13.04 crore), set off by decrease in receipts booked under 'Miscellaneous General Services' 'other receipts' by 92 per cent (₹ 240.43 crore).

During 2001-02 to 2009-10, the compound annual growth rate of non-tax revenue (5.41 per cent) was less than the growth rate of other General

Category States (13.87 per cent). This growth rate for the period 2001-02 to 2010-11 increased to 7.99 per cent (**Appendix 1.1**).

**Table 1.5: Revenue receipts relative to ThFC and State's projections**

(₹ in crore)			
	Assessments made by ThFC	Projections in MTFPS	Actuals
Tax revenue	2162	2109	2140
Non-tax revenue	658	826	2269
GSDP	26995	23945	29873

**Table 1.5** shows that the actual realisation of tax revenue during 2010-11 was higher than the projections made in the MTFPS but lower than normative assessment of ThFC. The non-tax revenue of the Government was much higher than the amount assessed in both the MTFPS (175 per cent) as well as the ThFC projection (245 per cent). The components under which the non-tax revenue increased were under (a) Non-ferrous mining and metallurgical industries (₹ 691 crore) and (b) Power development scheme in Goa (₹ 28 crore).

### 1.3.2 Loss of Revenue due to Evasion of Taxes, Write off/Waivers

Two hundred and nineteen cases of evasion of taxes/duties were detected by the Commissioner of State Excise during the year. Investigations/assessments of 157 cases were completed and 62 cases were pending as on 31 March 2011.

During the year 2010-11, losses amounting to ₹ 1.49 crore in 300 cases were written off by competent authorities as detailed below:

**Table 1.6 Cases of loss of revenue**

Sl. No.	Name of Department/Office	No. of Cases	Amount (In ₹)
1	Electricity department	123	14250022
2	Principal, Goa College of Music	1	2095
3	Administrative Medical Officer, E.S.I. Scheme	4	19531
4	Director, Animal Husbandry & Veterinary Services	39	114600
5	Director, Printing & Stationery	36	103220
6	Commissioner of Excise	1	171055
7	Director General of Police	1	6000
8	Director, Industries Trade and Commerce	95	227246
		<b>30300</b>	<b>14893769</b>

### 1.3.3 Revenue arrears

The arrears of revenue as on 31 March 2011 in respect of some principal heads of revenue as furnished by the departments amounted to ₹ 621.20 crore as indicated in **Table 1.7**.

Table 1.7: Revenue arrears

(₹ in crore)

Head of Revenue	Amount of arrears as on 31 March 2011	Arrears more than three years old	Cases pending in court		Amount involved in cases pending due to other reasons	Amount of arrears as on 31 March 2007
			No.	Amount		
Commercial Taxes	460.27	150.17	1278	16.04	444.23	285.12
State Excise	1.25	0.14	1	0.06	1.19	0.37
Taxes on vehicles	11.56	4.71	-	-	11.56	6.90
Chief Engineer – Water Resources Department						
i) Water Tax	1.21	0.91	147	0.03	1.18	-
ii) Water Charges	31.50	24.18	-	-	31.50	14.72
iii) Rent on shops	2.50	1.81	9	0.04	2.46	1.16
iv) Hire charges of machinery	0.35	0.35	-	-	0.35	0.36
Chief Engineer - Public Works Department						
i) Rent of Building/Shops	0.64	0.38	-	-	0.64	0.43
ii) Water charges, meter rent and sewerage charges	19.08	8.86	2727	7.57	11.51	29.43
Chief Electrical Engineer <sup>@</sup> Energy charges	89.91	-	4510	23.57	66.34	190.40
Agriculture	0.20	0.20	4	-	0.20	3.09
Printing & Stationery	1.71	0.36	-	-	1.71	-
Tourism	0.74	0.25	9	0.28	0.46	-
Director General of Police	0.28	0.04	6	0.08	0.20	0.33
<b>Total</b>	<b>621.20</b>	<b>192.36</b>	<b>8691</b>	<b>47.67</b>	<b>573.53</b>	<b>532.31</b>

The arrears of revenue increased by 16.70 *per cent* during the last five years from ₹ 532.31 crore in 2006-07 to ₹ 621.20 crore at the end of 2010-11, which accounted for 14.09 *per cent* of the State's own resources during the year. Of the total outstanding arrears in 2010-11, ₹ 192.36 crore was outstanding for more than three years and only ₹ 47.67 crore was pending in the Revenue Recovery courts.

## 1.4 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising the public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure especially directed towards development and social sectors.

### 1.4.1 Growth and Composition of Expenditure

The total expenditure and its compositions during the years 2006-07 to 2010-11 are presented in the **Table 1.8**.

<sup>@</sup> Excluding information pertaining to Divisions – I (Panaji), III (Ponda), V, XI (Verna), VI (Mapusa) and XVII (Mapusa).

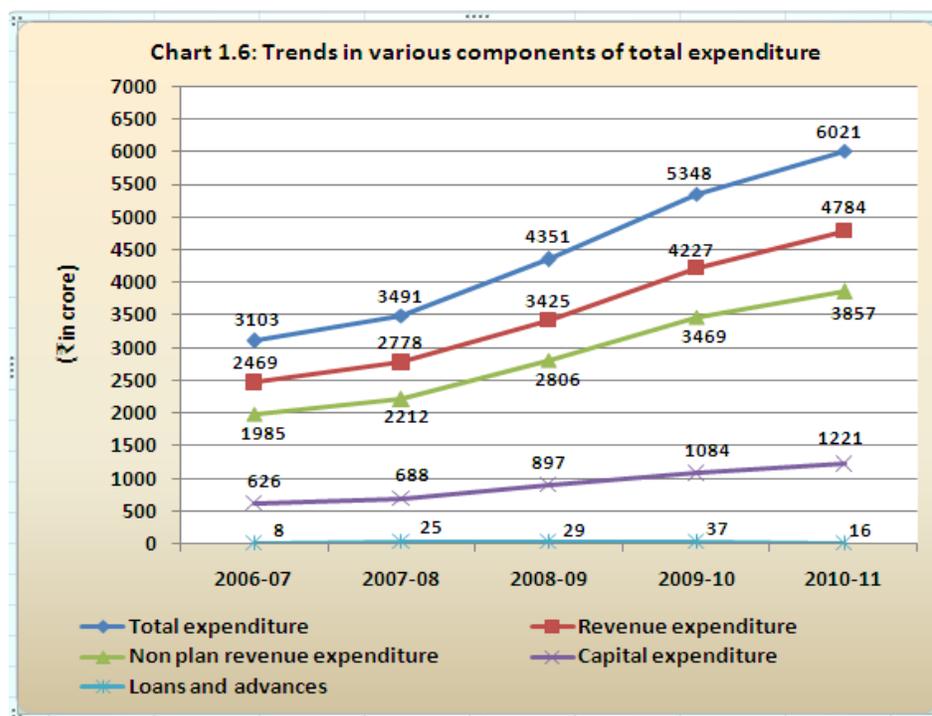
**Table 1.8: Total expenditure and its composition**

	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Total Expenditure</b>	<b>3103</b>	<b>3491</b>	<b>4351</b>	<b>5348</b>	<b>6021</b>
Revenue Expenditure	2469	2778	3425	4227	4784
<i>Of which, Non-Plan Revenue Expenditure</i>	<i>1985</i>	<i>2212</i>	<i>2806</i>	<i>3469</i>	<i>3857</i>
Capital Expenditure	626	688	897	1084	1221
Loans and Advances	8	25	29	37	16

(₹ in crore)

(Source: Finance Accounts)

**Chart 1.6** presents the trends in total expenditure over a period of the last five years (2006-11) and its composition both in terms of ‘economic classification’ and ‘expenditure by activities’ and depicted in **Charts 1.7 and 1.8** respectively.



(Source: Finance Accounts of respective years)

### **Total expenditure**

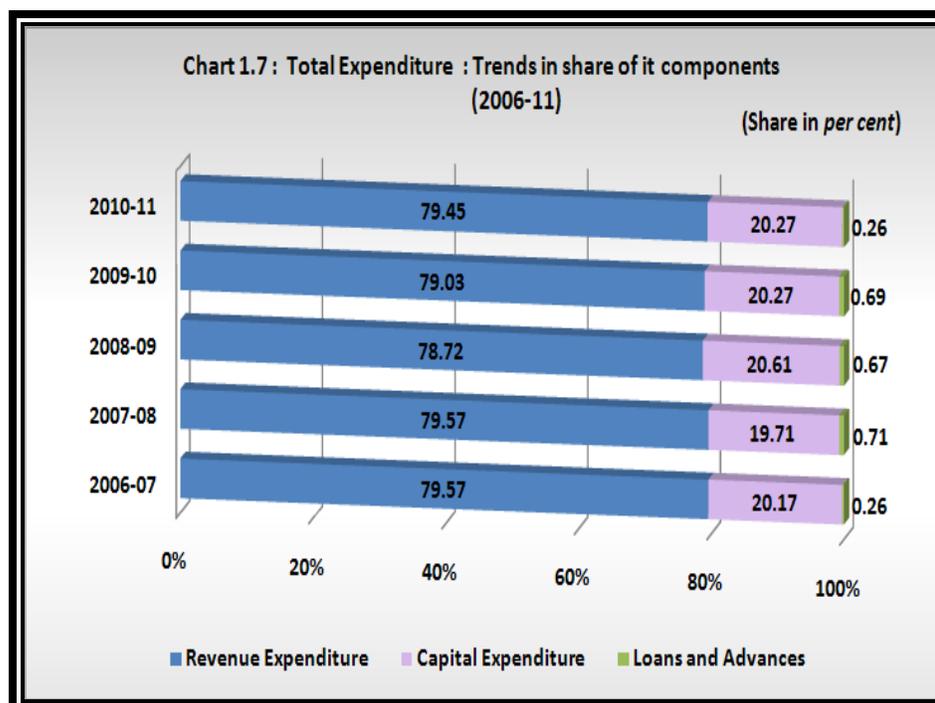
The total expenditure of the State increased at an average growth rate of 23.50 per cent from ₹ 3,103 crore in 2006-07 to ₹ 6,021 crore in 2010-11. The total expenditure, its annual growth rate, the ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.9**. During 2001-02 to 2009-10, the compound annual growth rate of total expenditure (11.17 per cent) was less than the growth rate of other General Category States (13.53 per cent). This growth rate for the period 2001-02 to 2010-11 further increased to 11.33 per cent (**Appendix 1.1**).

Table 1.9: Total expenditure – basic parameters

	2006-07	2007-08	2008-09	2009-10	2010-11
Total expenditure (TE) (₹ in crore)	3103	3491	4351	5348	6021
Rate of growth (per cent)	11.70	12.50	24.63	22.91	12.58
TE/GSDP ratio (per cent)*	18.84	18.04	19.46	20.66	20.15
RR /TE ratio (per cent)	84.11	84.33	81.08	76.66	90.38
Buoyancy of Total Expenditure with reference to :					
GSDP (ratio)	0.820	0.715	1.582	1.453	0.816
RR (ratio)	0.575	0.977	1.241	1.413	0.384

\*(Figures changed due to change in GSDP figures)

The increase of ₹ 673 crore (12.58 per cent) in total expenditure in 2010-11 over the previous year was mainly on account of an increase of ₹ 556 crore in revenue expenditure, ₹ 137 crore in capital expenditure, set off by a decrease of ₹ 21 crore in disbursement of loans and advances.



### Revenue expenditure

Revenue expenditure constituted 79.45 per cent of the total expenditure (Chart 1.7). The increase in revenue expenditure was mainly on (a) Education, Sports, Arts and Culture (₹ 167 crore), (b) Pension and other Retirement Benefits (₹ 30 crore), (c) Interest Payment (₹ 68 crore), (d) Police (₹ 33 crore), (e) Medical and Public Health (₹ 57 crore), (f) water supply, sanitation, housing and urban development (₹ 31 crore) and (g) Social Welfare and Nutrition (₹ 19 crore).

### *Capital expenditure*

Capital expenditure constituted 20.27 *per cent* of the total expenditure. The increase of ₹ 137 crore (13 *per cent*) in capital expenditure during 2010-11 was mainly on account of increase in the Government's share capital contribution (₹ 1,117 crore) on Power, (₹ 1,011 crore) on water supply sanitation, housing and urban development, Co-operation (₹ 51 crore) and Industry and minerals (₹ 133 crore).

### *Loans and advances*

The component of Loans and advances in total expenditure was negligible. The disbursement of loans and advances (₹ 4.51 crore) to General, Social and Economic sectors during 2010-11 was mainly on Education, Sports, Arts and Culture (₹ 2.20 crore).

There was an increase in the buoyancy ratio of total expenditure with reference to revenue receipts during the period 2006-10. The ratio which rose to 1.413 during 2009-10, indicating increase in expenditure at a pace greater than receipts, however, declined to 0.384 during 2010-11. This was due to decrease in the rate of growth of total expenditure as compared to the previous year, whereas the rate of growth of revenue receipts increased as compared to the previous year.

The buoyancy of total expenditure with reference to GSDP was less than one during 2006-07 and 2007-08, due to the combined effect of decrease in the rate of growth in expenditure along with a sharp rise in GSDP during these years. This indicated a relative fall in the State's propensity to spend, with the increase in GSDP. However, this ratio rose to 1.582 during 2008-09 but once again declined to less than one during 2010-11, due to a decrease in the rate of growth of total expenditure as compared to the rate of growth of GSDP.

Non-Plan expenditure constituted 64 *per cent* of the total expenditure during 2010-11, while Plan expenditure was 36 *per cent*. Of the increase of ₹ 673 crore in total expenditure, Plan expenditure shared 45 *per cent*, while Non-Plan expenditure contributed 55 *per cent*.

During 2001-02 to 2009-10, the compound annual growth rate of capital expenditure (24.73 *per cent*) was higher than the growth rate of other General Category States (22.61 *per cent*). This growth rate for the period 2001-02 to 2010-11 however, decreased to 23.33 *per cent* (**Appendix 1.1**).

### *Trends in total expenditure in terms of activities*

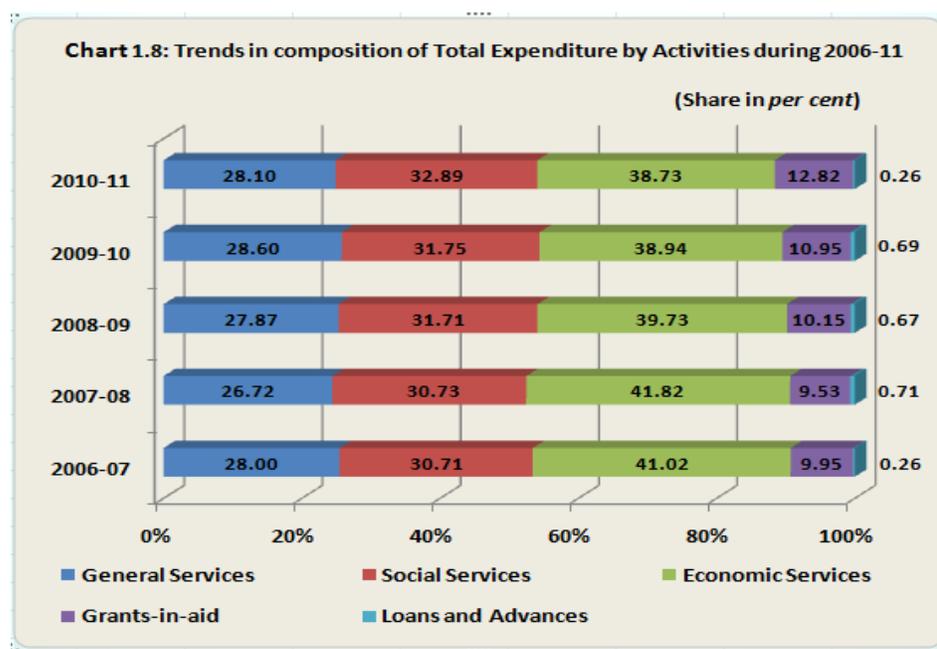
In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, grants-in-aid and loans and advances. Relative shares of these components in the total expenditure are indicated in **Table 1.10** and **Chart 1.8**.

**Table-1.10: Components of expenditure – relative shares**

	(in per cent)				
	2006-07	2007-08	2008-09	2009-10	2010-11
<b>General Services</b>	<b>28.00</b>	<b>26.72</b>	<b>27.87</b>	<b>28.60</b>	<b>28.10</b>
<i>Of which, Interest Payments</i>	13.76	12.80	11.69	10.90	10.79
<b>Social Services</b>	<b>30.71</b>	<b>30.73</b>	<b>31.71</b>	<b>31.75</b>	<b>32.89</b>
<b>Economic Services</b>	<b>41.02</b>	<b>41.82</b>	<b>39.73</b>	<b>38.94</b>	<b>38.73</b>
<b>Grants-in-aid</b>	<b>9.95</b>	<b>9.53</b>	<b>10.15</b>	<b>10.95</b>	<b>12.82</b>
<b>Loans and Advances</b>	<b>0.25</b>	<b>0.71</b>	<b>0.66</b>	<b>0.69</b>	<b>0.26</b>

(Source: Finance Accounts of the State)

The movement of the relative shares of the above components of expenditure indicated that the shares of Social Services and grants-in-aid in the total expenditure increased during 2010-11 over the previous year. These increases were set off by decrease in the respective shares of General Services and Economic Services and loans and advances.



The expenditure in General services increased by ₹ 162 crore over the previous year due to increase in Interest Payments (₹ 68 crore), Police (₹ 33 crore), Pension and other Retirement Benefits (₹ 30 crore) and District Administration (₹ 33 crore). However, the share of General services in total expenditure decreased due to increase in share of other services. The share of Social Services increased mainly due to Education, Art, Sports and Culture (₹ 167 crore), Social Welfare and Nutrition (₹ 19 crore), Water Supply & Sanitation, Housing and Urban Development (₹ 32 crore) and Health and Family Welfare (₹ 57 crore). The decrease in the share of Economic Services was mainly on account of Science, Technology and Environment (₹ 0.23 crore) and Forestry & Wildlife (₹ 0.76 crore).

The increase in grants-in-aid was mainly on account of Twelfth Finance Commission (TFC) grants for maintenance of forest (₹ 9 crore), Grants for

Centre of Excellence (₹ 4 crore) and Rashtriya Krishi Vikas Yojana (₹ 7 crore).

Though the share of Economic Services in total expenditure decreased, there was increase in expenditure on Economic Services, mainly on account of increase in expenditure on Transport (₹ 15 crore), Rural Development (₹ 10 crore) and Agriculture and Allied Activities (₹ 17 crore).

### *Incidence of revenue expenditure*

Revenue expenditure is incurred to maintain the current level of services and payment for past obligations and as such, does not result in any addition to the State's infrastructure and service network. Revenue expenditure had the predominant share of around 79.45 *per cent* in the total expenditure during 2010-11. The overall revenue expenditure, its rate of growth, the ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in **Table 1.11**.

**Table 1.11: Revenue expenditure – basic parameters**

	(₹ in crore)				
	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Revenue Expenditure (RE), of which</b>	<b>2469</b>	<b>2778</b>	<b>3425</b>	<b>4227</b>	<b>4784</b>
Non-Plan Revenue Expenditure (NPRE)	1985	2212	2806	3469	3857
Plan Revenue Expenditure (PRE)	484	566	619	758	927
<b>Rate of Growth of</b>					
RE ( <i>per cent</i> )	12.68	12.51	23.29	23.41	13.17
NPRE ( <i>per cent</i> )	11.76	11.43	26.85	23.62	11.18
PRE ( <i>per cent</i> )	16.62	16.94	9.36	22.45	22.29
Revenue Expenditure as percentage to TE	79.56	79.57	78.71	79.03	79.45
NPRE/GSDP ( <i>per cent</i> )	12.05	11.43	12.55	13.40	12.91
NPRE as percentage of TE	63.97	63.36	64.49	64.86	64.05
NPRE as percentage of RR	76.05	75.13	79.53	84.60	70.87
<b>Buoyancy of Revenue Expenditure with</b>					
GSDP (ratio)	0.889	0.715	1.495	1.485	0.854
Revenue Receipts (ratio)	0.624	0.977	1.174	1.444	0.402

(Source: Finance Accounts of the State)

The revenue expenditure increased by ₹ 556 crore (13.15 *per cent*) over the previous year and was more than the assessment made by the State Government in its MTFPS (26.06 *per cent*). However, it decreased (4.37 *per cent*) with respect to the projections made in the budget estimates for the year 2010-11.

### *Plan Revenue Expenditure*

The Plan Revenue Expenditure increased by 22.29 *per cent* (₹ 169 crore) during the year, mainly due to increase in expenditure under Education, Art, Sports and Culture (₹ 71 crore), Health and Family Welfare (₹ 12 crore), Water Supply Sanitation, Housing and Urban Development (₹ 5 crore), Social Welfare and Nutrition (₹ 10 crore), Agriculture and Allied Activities (₹ 15 crore) and General Economic Services (₹ 5 crore).

### Non-Plan Revenue Expenditure

The Non-Plan Revenue Expenditure (NPRE) constituted a dominant share of 81 *per cent* in the revenue expenditure and increased by ₹ 388 crore (11 *per cent*) over the previous year. The variations in NPRE under the major heads indicate increase in expenditure under General Services (₹ 131 crore), Education, Sports, Art and Culture (₹ 96 crore), Social Welfare and Nutrition (₹ 9 crore), Water Supply, Sanitation, Housing and Urban Development (₹ 27 crore), Health and Family Welfare (₹ 45 crore).

#### 1.4.2 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.12** present the trends in the expenditure on these components during 2006-11.

**Table 1.12: Components of committed expenditure**

Components of Committed Expenditure	2006-07	2007-08	2008-09	2009-10	2010-11	
					BE	Actuals
Salaries & Wages, <i>of which</i>	471.50 (18.07)	578.53 (19.65)	802.27 (22.74)	1070.48 (26.11)	1165.62 (23.29)	1150.62 (21.14)
<i>Non-Plan Head</i>	391.87	467.39	670.83	903.88	933.41	967.89
<i>Plan Head</i>	79.63	111.14	131.44	166.60	232.21	182.73
Interest Payments	427.00 (16.36)	447.00 (15.18)	510.00 (14.46)	583.00 (14.22)	647.66 (12.94)	650.36 (11.95)
Expenditure on Pension	150.28 (5.76)	144.36 (4.90)	219.71 (6.23)	349.65 (8.53)	500.00 (9.99)	373.81 (6.87)
Subsidies	39.72 (1.52)	36.28 (1.23)	55.17 (1.56)	58.12 (1.42)	68.98 (1.38)	72.02 (1.32)
Other components	1380.50 (52.89)	1571.83 (53.39)	1837.85 (52.09)	2166.22 (52.83)	2620.51 (52.37)	2536.97 (46.62)
<b>Total Revenue Expenditure</b>	<b>2469.00</b>	<b>2778.00</b>	<b>3425.00</b>	<b>4227.47</b>	<b>5002.77</b>	<b>4783.78</b>
<b>Revenue Receipts</b>	<b>2610.00</b>	<b>2944.00</b>	<b>3528.00</b>	<b>4100.27</b>	<b>5003.74</b>	<b>5441.94</b>

Figures in parenthesis indicate percentage of revenue receipts.

(Source: Finance Accounts for the years 2006-07 to 2010-11 and Budget Estimates for 2010-11).

### Salaries and Wages

The average annual growth in salaries and wages during 2006-11 was 36 *per cent*. The expenditure on salaries and wages (including grants-in-aid component) increased by ₹ 81 crore (7.48 *per cent*) from ₹ 1,070 crore in 2009-10 to ₹ 1,151 crore in 2010-11 which contributed 21 *per cent* of the total Revenue Receipts.

During 2001-02 to 2009-10, the compound annual growth rate of salary and wages (14.99 *per cent*) was higher than the growth rate of other General Category States (11.45 *per cent*). This growth rate for the period 2001-02 to 2010-11 decreased to 14.14 *per cent* (**Appendix 1.1**).

### Pension payments

The expenditure on pension payments had increased at an average annual growth rate of 37 *per cent* from ₹ 150 crore in 2006-07 to ₹ 374 crore in 2010-11.

The increase in pension payments of ₹ 24.16 crore (6.90 *per cent*) during 2010-11 over the previous year was mainly due to more expenditure on account of Gratuities and Pensions to employees of State aided educational institutions.

During 2001-02 to 2009-10, the compound annual growth rate of pension (14.44 *per cent*) was less than the growth rate of other General Category States (14.09 *per cent*). This growth rate for the period 2001-02 to 2010-11 further decreased to 13.57 *per cent* (**Appendix 1.1**).

**Table 1.13** below shows actual pension payments with reference to assessment made by TFC/ThFC and projections of the State Government.

**Table 1.13: Pension payments *vis-à-vis* TFC/ThFC assessment and State's projections**

(₹ in crore)

Year	Projection in MTFPS	Assessment made by TFC/ThFC	Actuals
2009-10	168.03	199.22	349.65
2010-11	179.58	193.55	373.81

The pension payments during 2009-10 and 2010-11 were higher than the normative assessments made by TFC/ThFC and projections of the State Government under MTFPS. In order to limit future pension liabilities, the Government had, however, introduced the Defined Contribution Pension Scheme for employees recruited with effect from 5 August 2005.

The expenditure on Pension and Other Retirement Benefits to State Government Employees during the year was ₹ 373.81 crore (7.81 *per cent* of RE). An amount of ₹ 55.86 crore towards employee's contribution and employer's share was deposited during 2010-11 under the head '8342-Other Deposits, 120 – 'Miscellaneous Deposit'. The State Government's liability on this account as on 31 March 2011 was ₹ 142.55 crore. Out of these deposits, no investments were made by the State Government till 31 March 2011. Therefore, the main objective of introducing the Defined Contribution Pension Scheme to limit future pension liabilities was defeated.

### Interest payments

Interest payments increased by 52 *per cent* from ₹ 427 crore in 2006-07 to ₹ 650.36 crore in 2010-11, primarily due to increase in debt liabilities. However, relative to revenue receipts, interest payments revealed a declining trend from 16.36 *per cent* in 2006-07 to 11.95 *per cent* in 2010-11.

**Table 1.14: Interest payments vis-à-vis TFC/ThFC assessments and State's projections**

Year	Projection in MTFPS	Assessment made by TFC/ThFC	(₹in crore)
			Actuals
2009-10	560.80	531.01	582.62
2010-11	612.99	694.60	650.36

During 2009-10 the interest payments were higher than the projections in the MTFPS and the assessments made by TFC/ThFC (**Table 1.14**). However, during 2010-11 it exceeded the projection in the MTFPS but was lower than the assessment made by the ThFC.

During 2010-11, the State Government raised open market loans of ₹ 300 crore at an average interest rate of 8.31 *per cent*. The Government also borrowed ₹ 417 crore from the National Small Savings fund and other institutions and ₹ 28 crore from GOI during the year.

The increase in interest payments over the previous year was ₹ 68 crore and was mainly due to more interest on market loan (₹ 37 crore), interest on special securities issued to the National Small Savings Fund of the Central Government (₹ 10 crore), interest on State Provident Fund (₹ 14 crore) and interest on deposits (₹ 7 crore).

### Subsidies

Expenditure under subsidies increased by 24 *per cent* from ₹ 58.12 crore in 2009-10 to ₹ 72.02 crore in 2010-11. The subsidies as a percentage of revenue receipts decreased from 1.42 *per cent* in 2009-10 to 1.32 *per cent* in 2010-11. During the current year, subsidies constituted about 1.19 *per cent* of the total expenditure; the major areas which received subsidy include Transport (23 *per cent*) and Agriculture and Allied Activities (62 *per cent*).

#### 1.4.3 Financial assistance by State Government to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during 2010-11 relative to the previous years is presented below:

**Table 1.15: Financial assistance to local bodies and other institutions***(₹ in crore)*

Financial Assistance to Institutions	2006-07	2007-08	2008-09	2009-10	2010-11
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	206.82	232.32	318.17	411.90	530.61
Municipal Corporations and Municipalities	40.39	43.77	50.38	63.67	78.36
Zilla Parishads and Other Panchayati Raj Institutions	41.98	35.68	51.17	60.85	74.22
Other Institutions	24.81	32.16	28.64	53.78	52.88
<b>Total</b>	<b>314.00</b>	<b>343.93</b>	<b>448.36</b>	<b>590.20</b>	<b>736.07</b>
Assistance as percentage of revenue expenditure	12.72	12.38	13.09	13.96	15.39

*(Source: Directorate of Accounts).*

It would be seen that the financial assistance to local bodies and other institutions by the Government increased from ₹ 314 crore in 2006-07 to ₹ 736 crore in 2010-11. During 2010-11, more financial assistance was given to Educational institutions (₹ 119 crore) mainly due to increase in salary and maintenance grants to aided schools, colleges and Goa University, financial assistance for Sports and Youth Affairs etc.

## 1.5 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects *viz.*, adequacy of the expenditure (*i.e.* adequate provisions for providing public services); efficiency of expenditure use and effectiveness (assessment of outlay-outcome relationships for select services).

### 1.5.1 Adequacy of public expenditure

The expenditure responsibilities relating to the social sector and the economic infrastructure assigned to the State Governments are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if it is below the respective national average. An analysis of the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure during 2007-08 and 2010-11 has been indicated in **Table 1.16** below.

**Table 1.16: Fiscal Priority of the State in 2007-08 and 2010-11**

Fiscal Priority by the State	AE/ GSDP	DE <sup>#</sup> /AE	SSE/ AE	CE/AE	Education, Sports, Art and Culture/ AE	Health and Family Welfare/ AE
General Category States Average (Ratio) 2007-08	16.85	64.28	32.54	16.14	14.64	3.98
Goa's Average (Ratio) 2007-08	18.04	73.38	30.85	19.70	13.00	4.66
General Category Average (Ratio) 2010-11	16.65	64.42	36.75	13.27	17.42	4.35
Goa's Average (Ratio) 2010-11	20.15	71.68	32.93	20.27	16.01	5.76

AE: Aggregate Expenditure; DE: Development Expenditure  
SSE: Social Sector Expenditure; CE: Capital Expenditure.  
# Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

As shown in **Table 1.16** the comparison of fiscal priority given to different categories of expenditure of the State in 2007-08 and 2010-11 (first year of the ThFC award period) is given below:

- The ratios of AE to GSDP in 2007-08 and 2010-11 (18.04 *per cent* and 20.15 *per cent*) were much higher in the State as compared to other General Category States (16.85 *per cent* and 16.65 *per cent*). This means that Goa is spending more as a proportion of its GSDP when compared to other General Category States.
- Government has given adequate fiscal priority to Development Expenditure in 2007-08 and 2010-11, but the priority in Social Sector Expenditure was less in these years (30.85 *per cent* and 32.93 *per cent* respectively) as compared to their ratios to AE of other General Category States.
- The ratio of CE to AE in 2007-08 and 2010-11 (19.70 *per cent* and 20.27 *per cent*) were higher as compared to the ratio of other General Category States (16.14 *per cent* and 13.27 *per cent*). Increased priority to physical capital formation will further increase the growth prospects of the State by creating durable assets.
- Less priority was given to education, sports, art and culture. The ratio of expenditure on education, sports, art and culture to AE was lower in 2007-08 and 2010-11 (13.00 *per cent* and 16.01 *per cent*) as compared to that in other General Category States (14.64 *per cent* and 17.42 *per cent*).
- Health and family welfare was given higher priority in Goa than in other General Category States in 2007-08 and 2010-11.

### 1.5.2 Efficiency of expenditure use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods. Apart from

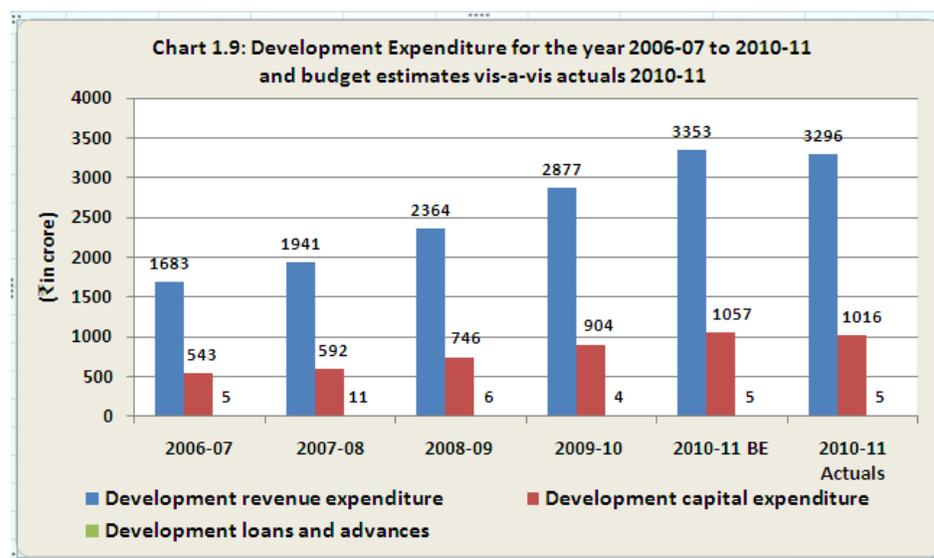
improving the allocation towards development expenditure<sup>4</sup>, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table 1.17** and **Chart 1.9** present the trends in DE relative to the AE of the State during the current year *vis-à-vis* budget estimates of the current year and the actual expenditure during the previous years.

**Table 1.17: Development expenditure**

Components of Development Expenditure	2006-07	2007-08	2008-09	2009-10	2010-11	
					BE	Actuals
<b>Development Expenditure (a to c)</b>	2159.1 (71.90)	2471.1 (72.90)	3044.4 (71.60)	3785 (70.80)	4415 (65.16)	4317 (71.70)
a. Development Revenue Expenditure	1683 (54.20)	1941 (55.60)	2364 (54.30)	2877 (53.80)	3353 (49.48)	3296 (54.74)
b. Development Capital Expenditure	543 (17.50)	592 (17.00)	746 (17.10)	904 (16.90)	1057 (15.60)	1016 (16.87)
c. Development Loans and Advances	5 (0.20)	11 (0.30)	6 (0.20)	4 (0.10)	5 (0.07)	5 (0.08)

Figures in parenthesis indicates percentage of total expenditure

Source: Finance Accounts and Annual Financial statement (Budget) of the State Government.



<sup>4</sup> The analysis of the expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances are categorized into Social Services, Economic Services and General Services. Broadly, the Social and Economic Services constitute development expenditure, while expenditure on General Services is treated as non-development expenditure.

### Development revenue expenditure

The development revenue expenditure increased by 14.56 per cent (₹ 419 crore) from ₹ 2,877 crore in 2009-10 to ₹ 3,296 crore in 2010-11. There was increase in expenditure under Social Services (₹ 287 crore) and Economic Services (₹ 133 crore). The actual development revenue expenditure was less than the State's projection in the budget by ₹ 57 crore.

### Development capital expenditure

The development capital expenditure increased by 12.38 per cent (₹ 112 crore) from ₹ 904 crore in 2009-10 to ₹ 1,016 crore in 2010-11. The increase was under Economic Services mainly in Irrigation and flood control (₹ 23 crore) and Transport (₹ 92 crore) set off by a decrease under Social Services by ₹ 5 crore. The actual development capital expenditure was less than the State's projection in the budget by ₹ 41 crore.

### Development loans and advances

Development loans and advances in 2010-11 increased by ₹ one crore over the previous year. The actual development loans and advances achieved the target of the State's projections in the budget.

**Table 1.18** provides the details of capital expenditure and the component of revenue expenditure incurred on the maintenance of the selected social and economic services.

**Table 1.18: Efficiency of expenditure use in selected Social and Economic Services**

*(in per cent)*

Social/Economic Infrastructure	2009-10		2010-11	
	Share of CE to TE	In RE, the share of	Share of CE to TE	In RE, the share of
		Salaries		Salaries
<b>Social Services (SS)</b>				
General Education	8.87	27.67	8.95	24.20
Health and Family Welfare	7.00	73.95	4.55	72.35
Water supply, sanitation, housing and urban development	30.14	11.30	24.64	9.48
<b>Total (SS)</b>	<b>12.42</b>	<b>31.83</b>	<b>10.38</b>	<b>29.66</b>
<b>Economic Services (ES)</b>				
Agriculture & Allied Activities	14.01	54.74	13.16	47.10
Irrigation and Flood Control	73.33	41.25	73.22	34.49
Power & Energy	17.59	15.17	18.02	13.98
Transport	60.70	24.72	65.66	22.75
<b>Total (ES)</b>	<b>33.30</b>	<b>21.86</b>	<b>34.74</b>	<b>20.29</b>
<b>Total (SS+ES)</b>	<b>23.92</b>	<b>27.01</b>	<b>23.56</b>	<b>25.33</b>
TE: Total expenditure in the concerned sub sector; CE: Capital Expenditure; RE: Revenue Expenditure; S & W: Salaries and Wages.				

*(Source: Finance Accounts for the year 2009-10 and 2010-11)*

The trends presented in **Table 1.18** reveal that development capital expenditure as a percentage to total expenditure decreased from 23.92 in 2009-10 to 23.56 in 2010-11 and the share of salary and wages in revenue expenditure decreased from 27.01 *per cent* in 2009-10 to 25.33 *per cent* in 2010-11.

The percentage of capital expenditure on Social Services to the total expenditure decreased sharply from 12.42 in 2009-10 to 10.38 in 2010-11. The decrease was mainly seen under Water Supply, Sanitation, Housing and Urban Development. The percentage of capital expenditure on Economic Services to the total expenditure increased from 33.30 in 2009-10 to 34.74 in 2010-11. The increase was mainly seen under Transport and Energy.

The share of salary and wages in revenue expenditure on Social Services decreased from 31.83 *per cent* in 2009-10 to 29.66 *per cent* in 2010-11. This was mainly due to decrease of expenditure on salary and wages under Education, Sports, Art and Culture and Water Supply, Sanitation, Housing and Urban Development.

The share of salary and wages in revenue expenditure on Economic Services decreased marginally from 21.86 *per cent* in 2009-10 to 20.29 *per cent* in 2010-11 mainly due to decrease under Agriculture and Allied Activities and Energy.

## **1.6 Financial analysis of Government Expenditure and Investments**

In the post GFRBM framework, the State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market-based resources, the State Government needs to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* previous years.

### **1.6.1 Financial results of irrigation works**

Irrigation works have not been declared as commercial undertakings in the State of Goa. Hence, the financial results in respect of irrigation works have not been worked out. However, the Government incurred expenditure of ₹ 39.82 crore on maintenance of irrigation projects in the State during the year, which was ₹ 14.61 crore more than the maintenance expenditure during the previous year (₹ 25.21 crore). There was also an increase in the salary component, which increased from ₹ 11.70 crore in 2009-10 to ₹ 12.25 crore in 2010-11.

### 1.6.2 Incomplete projects

Department-wise information pertaining to incomplete projects as on 31 March 2011 is given in **Table 1.19**.

**Table 1.19: Department-wise Profile of Incomplete Projects**

(₹ in crore)					
Department	Number of Incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects	Cost Over Run	Cumulative Actual Expenditure as on 31.3.2011
Public Works Department <sup>®</sup>	92	35.66	Not available	Not available	21.15
Water Resources Department (i) Tillari Irrigation Project	1	217.22	1612.15	1394.93	912.06
<b>Total</b>	<b>93</b>	<b>252.88</b>	<b>-</b>	<b>-</b>	<b>933.21</b>

(Source: Information furnished by concerned departments)

As per information received from the departments, as of 31 March 2011, there were 93 incomplete projects costing more than ₹ one crore each, on which ₹ 933 crore had already been expended. The Tillari Irrigation project, a joint venture of the Government of Maharashtra and the Government of Goa, which commenced in 1986 was incomplete mainly due to insufficient budgetary support and was expected to be completed in May 2013.

### 1.6.3 Investment and returns

As of 31 March 2011, Government had invested ₹ 382.16 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operative Banks (**Table 1.20**). The average return on this investment was 0.17 per cent in the last five years while the Government paid an average interest rate of 7.69 per cent on its borrowings during 2006-11.

**Table 1.20: Return on Investment**

Investment/Return/Cost of Borrowings	2006-07	2007-08	2008-09	2009-10	2010-11
Investment at the end of the year (₹ in crore)	266.06	299.17	329.66	362.75	382.16
Return (₹ in crore)	0.40	0.33	0.89	1.15	0.19
Return (per cent)	0.15	0.11	0.27	0.32	0.04
Average rate of interest on Government borrowings (per cent)	7.97	7.46	7.64	7.79	7.62
Difference between interest rate and rate of return (per cent)	7.82	7.35	7.37	7.47	7.58

(Source: Finance Accounts of the State)

The increase in investments of ₹ 19.41 crore during 2010-11 was mainly attributable to additional capital contributions to the Kadamba Transport Corporation (₹ 9.50 crore), Goa State Scheduled Tribes Finance and Development Corporation Ltd. (₹ 4.90 crore), Co-operative Banks and Societies (₹ 5.00 crore).

<sup>®</sup> Includes information furnished by Works Division-II, V, VII, IX, XIII, XIV, XV, XVI, XVII, XXIII and XVIII.

### 1.6.4 Departmental commercial undertakings

There are two departmentally managed quasi-commercial undertakings viz., the Electricity Department and the River Navigation Department in the State. The department-wise position of the investments made by the Government upto the year for which *proforma* accounts have been finalised, net profits/loss as well as return on capital invested in these undertakings are given in **Appendix 1.6**. It was observed that:

An amount of ₹ 635.52 crore had been invested by the State Government in the Electricity Department and the River Navigation Department at the end of the financial year upto which their accounts were finalised. As per the accounts for the year 2005-06, the Electricity Department earned a net profit amounting to ₹ 94.43 crore against a capital investment of ₹ 536.97 crore, thereby yielding a rate of return of 17.59 per cent.

The River Navigation Department was incurring losses every year and the accumulated deficit as at the end of the year 2004-05 was ₹ 96.15 crore as against the total investment of ₹ 98.55 crore. The Government needs to review its working so as to wipe out its losses in the short run and to make itself sustaining in the medium to long term. Though this was reported in Audit Reports for the year 2008-09 and 2009-10, no Action Taken Report has been received from the State Government.

### 1.6.5 Loans and advances by State Government

In addition to investments in co-operative societies, corporations and companies, the Government has also been providing loans and advances to many of these institutions/organizations. **Table 1.21** presents the outstanding loans and advances as on 31 March 2011, interest receipts *vis-à-vis* interest payments during the last three years.

**Table 1.21: Average Interest Received on Loans Advanced by the State Government**

	(₹ in crore)				
Quantum of Loans/Interest Receipts/ Cost of Borrowings	2006-07	2007-08	2008-09	2009-10	2010-11
Opening balance	50.38	52.74	71.15	90.05	114.54
Amount advanced during the year	8.14	24.59	28.67	37.22	15.92
Amount repaid during the year	5.78	6.18	9.77	12.73	14.70
Closing balance	52.74	71.15	90.05	114.54	115.76
<i>Of which</i> outstanding balance for which terms and conditions have been settled	--	--	--	--	--
Net addition	(+ 2.36)	(+ 18.41)	(+ 18.90)	(+ 24.49)	(+ 1.22)
Interest receipts	2.03	2.19	2.07	1.90	1.87
Interest receipts as percentage of average outstanding loans and advances	3.94	3.54	2.57	1.86	1.62
Interest payments as percentage of outstanding fiscal liabilities of the State Government	7.50	7.11	7.23	7.38	7.23
Difference between interest payments and interest receipts ( <i>per cent</i> )	(-) 4.03	(-) 3.57	(-) 4.66	(-) 5.52	(-) 5.61

(Source: Finance Accounts of the State)

The total outstanding loans and advances as on 31 March 2011 was ₹ 115.76 crore (**Table 1.21**). The amount of loans disbursed during the year decreased from ₹ 37.22 crore in 2009-10 to ₹ 15.92 crore in 2010-11. Out of the total amount of loans and advances paid during the year, ₹ 2.41 crore went to Social Services and ₹ 1.51 crore to Economic Services. However, recovery of loans and advances increased from ₹ 12.73 crore to ₹ 14.70 crore during the current year, mainly on account of more recoveries from Urban development (₹ 0.13 crore) and Loans to Government Servants (₹ 5 crore).

### 1.6.6 Cash balances and investment of cash balances

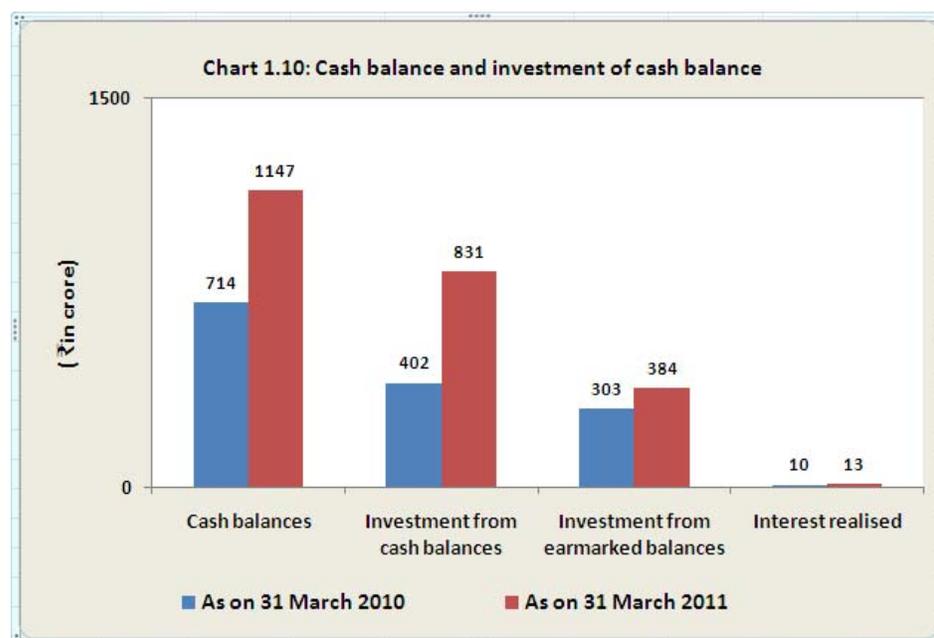
**Table 1.22 and Chart 1.10** depict the cash balances and investments made by the State Government out of cash balances during the year.

**Table 1.22: Cash balances and investment of cash balances**

(₹ in crore)

Particulars	As on 31 March 2010	As on 31 March 2011	Increase (+)/ Decrease(-)
Cash in treasuries	--	--	--
Deposits with Reserve Bank	6.41	(-) 69.20	(-) 75.61
Remittances in transit-Local	--	--	--
Cash with the departmental officers	1.48	1.48	--
Permanent advance for contingent expenditure with departmental officers	0.15	0.16	0.01
<b>Investments from cash balances (a to d)</b>	<b>402.12</b>	<b>831.08</b>	<b>428.96</b>
a. GOI Treasury Bills	400.02	829.81	429.79
b. GOI Securities	2.10	--	(-)2.10
c. Other Securities, if any specify	--	--	--
d. Other Investments	--	1.27	1.27
<b>Funds-wise break-up of investment from Earmarked balances (a to c)</b>	<b>303.49</b>	<b>383.79</b>	<b>80.30</b>
a. General and other Reserve Funds	104.84	133.20	28.36
b. Sinking Fund	198.65	250.59	51.94
c. Miscellaneous Deposits	--	--	--
<b>Total Cash Balances</b>	<b>713.65</b>	<b>1147.31</b>	<b>433.66</b>
Interest Realized	9.97	12.86	2.89

(Source : Finance Accounts of the State)



As seen from above, the interest amount realized from Government of India treasury bills was more by ₹ 3 crore as compared to the previous year. The State Government's cash balances at the end of the current year amounted to ₹ 1,147 crore which showed an increase by 60.76 per cent (₹ 433.66 crore) over the previous year. Of the above ₹ 830 crore was invested in Government of India treasury bills and ₹ 384 crore was invested in earmarked funds. However the balance with Reserve Bank of India was (-) ₹ 69.20 crore as on 31 March 2011. No ways and means advances were taken from Government of India during the year.

#### 1.6.6.1 Outstanding balances under the head 'Cheques and Bills'

This head is an intermediary accounting head for initial record of transactions which are to be cleared eventually. When a cheque is issued, the functional head is debited and the Major Head-8670-Cheques and Bills is credited. On clearance of the cheque by the bank, the minus credit is given to Major Head 8670-Cheques and Bills by crediting the Major Head-8675-Deposits with Reserve Bank and thereby reducing the cash balance of the Government. Thus, the outstanding balance under the Major Head 8670-Cheques and Bills represents the amount of unencashed cheques.

As on 31 March 2011, there was an outstanding balance (cumulative) of ₹ 326.96 crore and to this extent, the Government cash balance of (-) ₹ 69.20 crore (Deposits with the Reserve Bank of India) stood overstated.

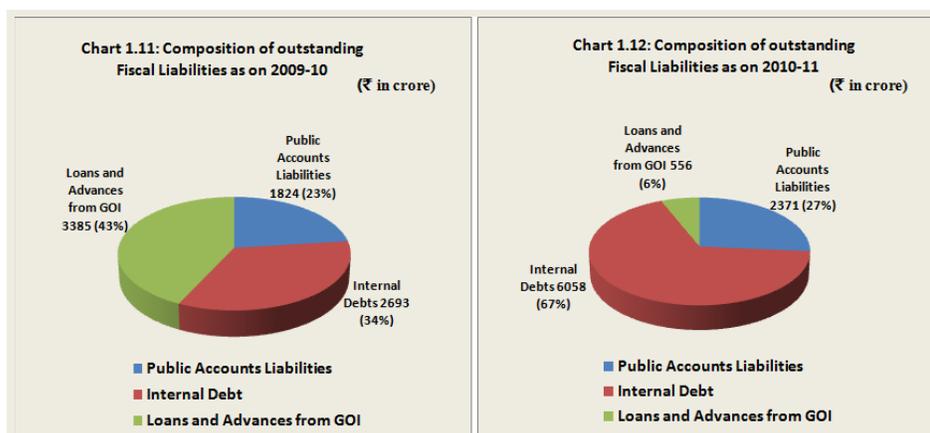
## 1.7 Assets and Liabilities

### 1.7.1 Growth and composition of assets and liabilities

In the existing cash-based Government accounting system, comprehensive accounting of fixed assets like land and buildings 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. **Appendix 1.3 Part-B** gives an abstract of such liabilities and the assets as on 31 March 2011, compared with the corresponding position on 31 March 2010. While the liabilities in **Appendix 1.3 Part-B** consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets mainly comprise the capital outlay and loans and advances given by the State Government and cash balances.

### 1.7.2 Fiscal liabilities

The composition of fiscal liabilities during the current year vis-a-vis the previous year is presented in **Charts 1.11** and **1.12**.



**Table 1.23** gives the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP, to revenue receipts and to the State's own resources as also the buoyancy of fiscal liabilities with reference to these parameters.

**Table-1.23: Fiscal liabilities – basic parameters**

	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Fiscal Liabilities (₹ in crore)*</b>	5694	6289	7058	8075	8985
<b>Rate of Growth (per cent)</b>	13.47	10.44	12.22	14.40	11.26
<b>Ratio of Fiscal Liabilities to</b>					
<b>GSDP (per cent)</b>	34.57	32.50	31.56	31.19	30.07
<b>Revenue Receipts (per cent)</b>	218.16	213.62	200.05	196.95	165.10
<b>Own Resources (per cent)</b>	440.71	462.76	416.64	458.28	419.85
<b>Buoyancy of Fiscal Liabilities with reference to :</b>					
<b>GSDP (ratio)</b>	0.944	0.597	0.785	0.914	0.730
<b>Revenue Receipts (ratio)</b>	0.662	0.816	0.616	0.888	0.344
<b>Own Resources (ratio)</b>	0.030	0.022	0.029	0.031	0.026

(\* Figure in 2009-10 varies due to corrections)

The overall fiscal liabilities of the State increased at an average annual rate of 14.44 *per cent* during the period 2006-11. The growth rate decreased from 14.40 *per cent* in 2009-10 to 11.26 *per cent* in 2010-11. During 2010-11, the debt to GSDP ratio at 30.07 *per cent* was lower than the assessment of ThFC (33 *per cent*) and projections made in MTFPS (33.20 *per cent*). These liabilities were about 1.6 times the revenue receipts and four times the State's own resources at the end of 2010-11. The buoyancy of these liabilities with respect to GSDP during 2010-11 was 0.730.

Of the total fiscal liabilities, the share of public debt was maximum (74 *per cent*), followed by small savings<sup>5</sup>, provident fund (14 *per cent*), deposits<sup>6</sup> (10 *per cent*) and reserve funds (2 *per cent*). Fiscal liabilities increased by ₹ 910 crore from ₹ 8,075 crore in 2009-10 to ₹ 8,985 crore in 2010-11, mainly due to increase in Public Debt (₹ 537 crore), Reserve Fund (₹ 48 crore), Deposits (₹ 170 crore) and Small Savings and Provident Funds (₹ 155 crore).

The State Government set up a Consolidated Sinking Fund for amortization of open market loans. As on 31 March 2011, the outstanding balance in the Sinking Fund was ₹ 250.59 crore.

### 1.7.3 Status of guarantees – contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended.

The maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years as given in the Statement 9 of the Finance Accounts (Vol-II), are at **Table 1.24**.

**Table-1.24: Guarantees given by the Government of Goa**

Guarantees	(₹ in crore)		
	2008-09	2009-10	2010-11
Maximum amount guaranteed	602.80	602.60	341.62
Outstanding amount of guarantees	165.66	147.84	170.02
Percentage of maximum amount guaranteed to total revenue receipt	17.09	14.70	6.27

(Source: Finance Accounts of the State)

The GFRBM Act, 2006 specified that the Government should cap the total outstanding guarantees within the specified limit under the Goa State Guarantees Act, 1993. The Goa Legislature had fixed a limit of ₹ 800 crore on the outstanding guarantees in March 2005. The outstanding guarantees at

<sup>5</sup> Small Savings and Provident Fund include State Provident Fund and Insurance and Pension Funds which are liable to be repaid by the Government to the subscribers and depositors.

<sup>6</sup> Deposits include Security Deposits, Deposits from Government Companies, Corporations *etc.*, Defined Contribution Pension Scheme for Government Employees and Civil Deposits, which are liable to be repaid by the Government to the subscribers and depositors.

₹ 170 crore during 2010-11 were well within the ceiling limit specified by the Legislature. The outstanding guarantees during 2010-11 were 0.56 per cent of the GSDP.

The State has set up a Guarantee Redemption Fund during 2003-04 with the objective of meeting the payment of obligations arising out of the guarantees issued by the State Government on behalf of state level bodies. The amount invested against this fund as on 31 March 2011 was ₹ 125.90 crore.

The State Government has exempted the borrowing institutions from the payment of guarantee fees. No guarantee was invoked during 2010-11.

## 1.8 Debt Sustainability

Apart from the magnitude of debt of State Government, it is important to analyze various indicators that determine the debt sustainability of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization; sufficiency of non-debt receipts; net availability of borrowed funds; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.25** analyzes the debt sustainability of the State according to these indicators for the period of three years beginning from 2008-09.

**Table-1.25: Debt sustainability: indicators and trends**

Indicators of debt sustainability	2008-09	2009-10	2010-11
Debt Stabilization (₹ in crore) (Quantum Spread + Primary Deficit)	2.65	(-)213.70	715.85
Sufficiency of non-debt receipts (Resource Gap) (₹ in crore)	(-)276.00	(-)422.00	(-)669.00
Net Availability of Borrowed Funds (₹ in crore)	260.00	261.00	260.00
Burden of Interest Payments (IP/RR Ratio) (in per cent)	0.15	0.14	0.11

(Source: Finance Accounts of the State)

### Debt Stabilisation

A necessary condition for stability states that if the rate of growth of the economy exceeds the interest rate or cost of public borrowings, the debt-GSDP ratio is likely to be stable provided the primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate *minus* interest rate) and quantum spread (Debt multiplied by rate spread), the debt sustainability condition states that if the quantum spread together with primary deficit is zero, the debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

**Table 1.25** reveals the emergence of positive sum of quantum spread and primary deficit in 2008-09 which turned negative in 2009-10. However the

emergence of positive sum of quantum spread and a primary deficit in the current year indicates the improvement towards the debt stabilization.

### Sufficiency of Non-Debt Receipts

For debt stability and its sustainability, the incremental non-debt receipts of the State should be adequate to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

The persistent negative resource gap indicates the non-sustainability of debt while the positive resource gap strengthens the capacity of the State to sustain the debt. During 2008-09 to 2010-11 there was a negative resource gap indicating the risk of non-sustainability of debt.

### Net availability of borrowed funds

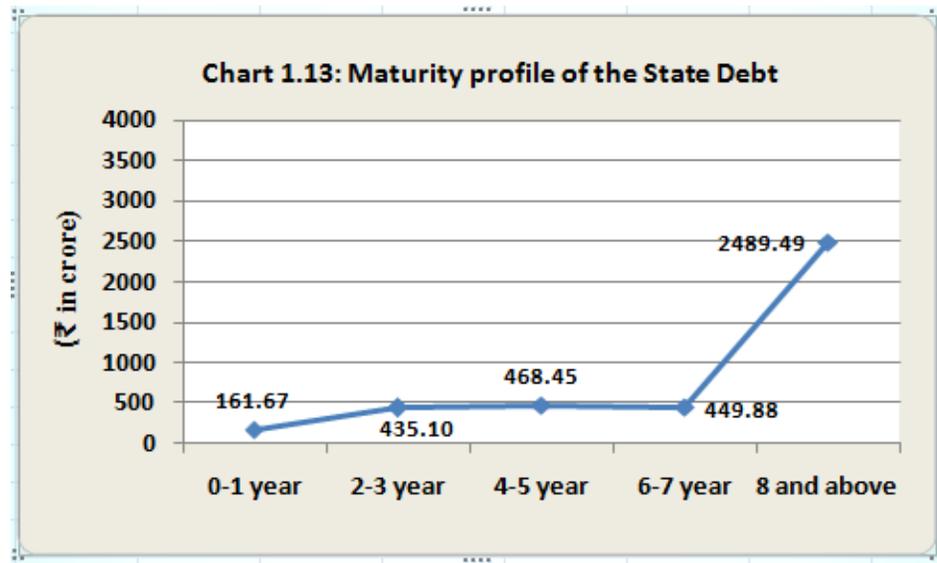
Net availability of borrowed funds is defined as the ratio of debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption.

During 2010-11, Government raised internal debt of ₹ 717 crore, Government of India loans of ₹ 28 crore and other obligations of ₹ 294 crore. Government repaid internal debt of ₹ 182 crore, GOI loans of ₹ 26 crore and discharged other obligations of ₹ 139 crore and paid interest of ₹ 650 crore resulting in net increase in debt receipts by ₹ 42 crore during the year.

**Table 1.26: Maturity profile of State debt**

(₹ in crore)		
Maturity Profile (in years)	Amount	Per cent
0 – 1	161.67	4.04
2 – 3	435.10	10.87
4 – 5	468.45	11.70
6 – 7	449.88	11.23
8 and above	2340.00	58.43
Loans pertaining to Ex-Union Territory	149.49	3.73
<b>Total</b>	<b>4004.59</b>	<b>100.00</b>

(Source: Finance Accounts of the State)



The maturity of the State Debt as per **Table 1.26** and **Chart 1.13** indicates that nearly 26.61 *per cent* of the total State debt is repayable within the next five years while the remaining 73.39 *per cent* is payable in more than five years. It further indicates that the liability of the State to repay the debt would be ₹ 468.45 crore during the period 2014-16 and ₹ 2,939.37 crore from 2016-17 onwards which would put a strain on the Government budget during that period. The State may have to borrow further to repay those loans.

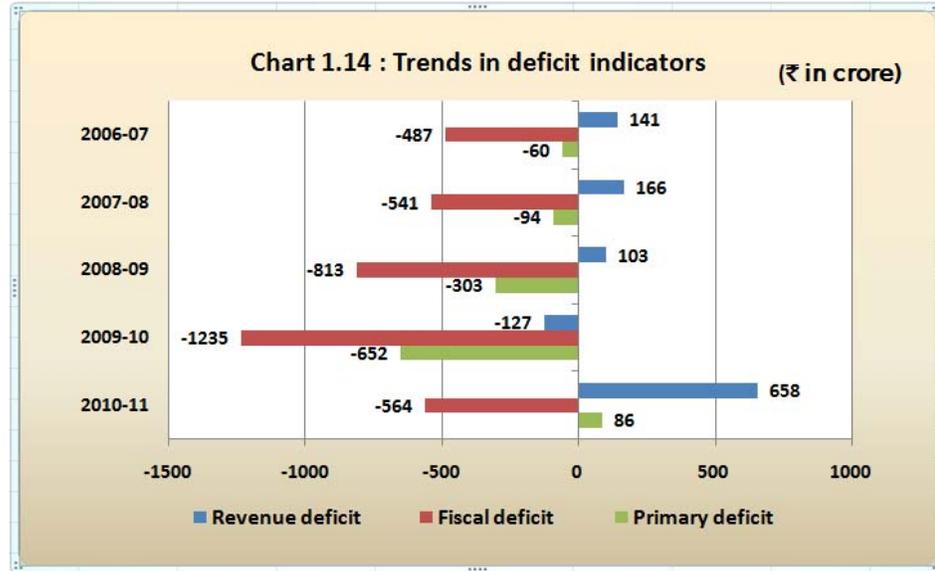
A well thought out debt repayment strategy will have to be worked out by the Government to ensure that no additional borrowings, which mature in these critical years, are made.

## 1.9 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits vis-a-vis targets sets under GFRBM Act/rules for the financial year 2010-11.

### 1.9.1 Trends in deficits

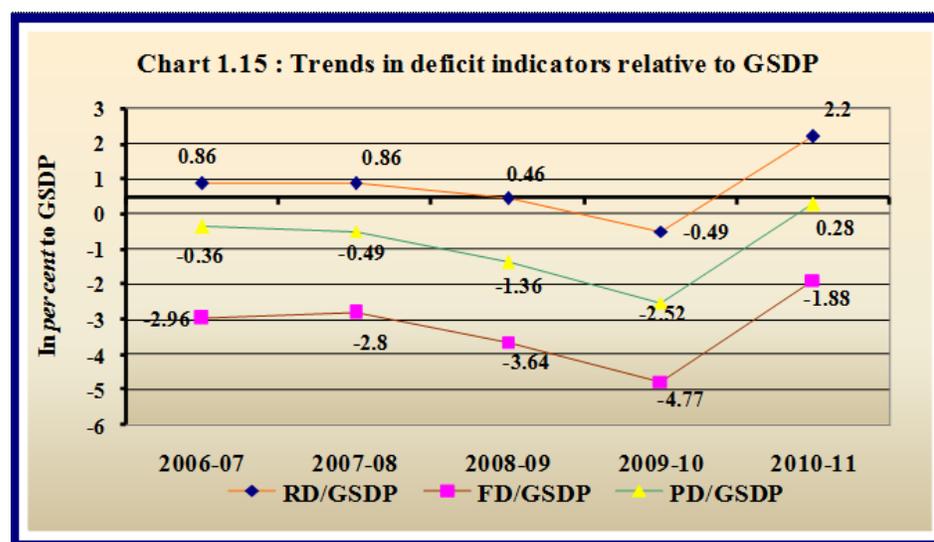
**Charts 1.14 and 1.15** present the trends in deficit indicators over the period 2006-11:



**Chart 1.14** shows that revenue surplus of ₹ 141 crore in 2006-07 had increased to ₹ 166 crore during 2007-08. However, the revenue surplus decreased to ₹ 103 crore in 2008-09 and into revenue deficit of ₹ 127 crore in 2009-10, mainly due to a sharp increase in revenue expenditure by 23 per cent as against an increase in revenue receipts of only 16 per cent. However, during 2010-11, the State achieved a revenue surplus of ₹ 658 crore mainly due to a sharp increase in revenue receipts by 33 per cent as against increase in revenue expenditure by 13 per cent.

The fiscal deficit of ₹ 1,235 crore during 2009-10 decreased to ₹ 564 crore, which was mainly due to revenue surplus (₹ 658 crore) and increase in net capital expenditure (₹ 137 crore) over the previous year. It constituted 1.88 per cent of GSDP, which was within the limit of 3 per cent projected by the ThFC.

There was an increase of ₹ 67 crore in interest payments over the previous year. However, the primary deficit took a turnaround from ₹ 652 crore in 2009-10 and resulted in a primary surplus of ₹ 86 crore during 2010-11 mainly due to sharp decrease of ₹ 671 crore in fiscal deficit.



### 1.9.2 Decomposition and financing pattern of fiscal deficit

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 1.27**.

**Table 1.27: Components of fiscal deficit and its financing pattern**

		(₹ in crore)				
Particulars		2006-07	2007-08	2008-09	2009-10	2010-11
<b>Decomposition of Fiscal Deficit</b>		<b>487</b>	<b>541</b>	<b>813</b>	<b>1235</b>	<b>564</b>
1	Revenue Deficit/Surplus	(+) 141	(+) 166	(+) 103	(-) 127	(+) 658
2	Net Capital Expenditure	626	688	897	1084	1221
3	Net Loans and Advances	2	19	19	24	01
<b>Financing Pattern of Fiscal Deficit*</b>						
1	Market Borrowings	81	369	404	517	211
2	Loans from GOI	508	74	5	(-) 160	1
3	Loans from Financial Institutions	(-) 23	(-) 7	87	97	325
4	Ways and Means	-	-	-	-	--
5	Small Savings, PF etc.	59	89	166	252	155
6	Deposits and Advances	51	69	106	137	170
7	Suspense and Miscellaneous	(-) 49	90	(-) 37	91	--
8	Remittances	(-) 1	51	-	71	5
9	Reserve Fund	32	35	148	155	128
10	Contingency Fund	-	-	-	(-) 3	3
11	Increase(-)/Decrease(+) in cash balance	(-) 171	(-) 229	(-) 66	(+) 78	(-) 434
<b>12</b>	<b>Overall Deficit</b>	<b>487</b>	<b>541</b>	<b>813</b>	<b>1235</b>	<b>564</b>

\*All these figures are net of disbursements/outflows during the year

(Source: Finance Accounts of the State)

The large fiscal deficit during 2009-10 was the combined effect of revenue deficit and large net capital expenditure. This reduced by ₹ 671 crore during 2010-11 due to the increase in revenue. The net capital expenditure as a percentage of the fiscal surplus increased from 128 per cent during 2006-07 to 216 per cent in 2010-11. During 2009-10, capital expenditure was lower at 87 per cent of fiscal deficit, as a part of it was met out of revenue.

### 1.9.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, the persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit shown in **Table 1.28** indicates the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

**Table 1.28: Primary deficit/surplus – bifurcation of factors**

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary revenue deficit(-)/surplus(+)	Primary deficit (-)/surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2006-07	2616	2042	626	8	2676	574	(-) 60
2007-08	2950	2331	688	25	3044	619	(-) 94
2008-09	3538	2915	897	29	3841	623	(-) 303
2009-10	4113	3644	1084	37	4765	469	(-) 652
2010-11	5457	4134	1221	16	5371	1323	(+) 86

(Source: Finance Accounts of the State)

During the period 2006-11, non-debt receipts of the State were enough to meet the primary revenue expenditure<sup>7</sup> requirements in the revenue account. However, except for the current year, non-debt receipts were not enough to meet the primary expenditure resulting in primary deficit.

The capital expenditure as a percentage to primary expenditure decreased from 23.39 *per cent* during 2006-07 to 23.35 *per cent* during 2008-09. However, it remained constant at 22.73 *per cent* during 2009-10 and 2010-11.

## 1.10 Conclusion

### Pattern of Revenue and Expenditure

The revenue receipts increased during the year by 33 *per cent* over the previous year due to increase in tax revenue (21 *per cent*), non-tax revenue (31 *per cent*) and Central tax transfers (37 *per cent*). The revenue receipts were higher by 35 *per cent* than the MTFPS for the year 2010-11. The non-tax revenue of the Government was higher than the projections made in the ThFC by 245 *per cent* and MTFPS by 175 *per cent* (**Paragraph 1.3**).

<sup>7</sup> Primary expenditure of the State defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year.

The growth rate of the State's own taxes was much higher than that of the GSDP of the State.

The revenue expenditure increased by 13 *per cent* over the previous year and constituted 79.45 *per cent* of the total expenditure during 2010-11. The NPRE constituted 81 *per cent* of the revenue expenditure. The Plan revenue expenditure and NPRE increased by 22 *per cent* and 11 *per cent* respectively over the previous year.

Capital expenditure, which constituted 20 *per cent* of the total expenditure, increased during 2010-11 by 13 *per cent* over the previous year (**Paragraph 1.4.1**).

The expenditure on salaries and wages was 21 *per cent* of the total Revenue receipts during 2010-2011. During 2001-02 to 2009-10, the compound annual growth rate of salary and wages (14.99 *per cent*) was higher than the growth rate of other General Category States (11.45 *per cent*). However, the growth rate for the period 2001-02 to 2010-11 decreased to 14.14 *per cent*.

Expenditure under subsidies increased by 24 *per cent* over the previous year and constituted 1.19 *per cent* of total expenditure during the current year (**Paragraph 1.4.2**).

Financial assistance to local bodies and other institutions (₹ 736 crore), constituted 15 *per cent* of the revenue expenditure during 2010-11. (**Paragraph 1.4.3**).

Despite being reported in the previous Audit Report for the years 2008-09 and 2009-10, the State Government did not take any action to wipe off the losses of the State-run "River Navigation Department". The department registered an accumulated deficit of ₹ 96.15 crore against the total investment of ₹ 98.55 crore at the end of 2004-05 (**Paragraph 1.6.4**).

The growth rates of the revenue receipts (33 *per cent*) and revenue expenditure (13 *per cent*) over the previous year increased. As against a revenue deficit of ₹ 127 crore during 2009-10, the state achieved a revenue surplus of ₹ 658 crore during 2010-11. The fiscal deficit (₹ 564 crore) also decreased as compared to the previous year and constituted 1.88 *per cent* of GSDP, which was within the limit (three *per cent*) (**Paragraph 1.9.1**).

### **Debt Management**

During 2010-11, the fiscal liabilities (₹ 8,985 crore) increased over the previous year. The fiscal liabilities to GSDP ratio at 30.07 *per cent* was lower than the assessment of 33 *per cent* made by the ThFC. These liabilities were about 1.6 times the revenue receipts (**Paragraph 1.7.2**).

The emergence of a positive sum of quantum spread and primary deficit in 2010-11 indicated an improvement towards debt stabilization. The persistent

negative resource gap in the State during 2008-09 to 2010-11 indicated the risk of non-sustainability of debt (**Paragraph 1.8**).

### **Review of Government investments**

The average return on the State Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives varied between 0.04 to 0.32 *per cent* in the past three years while the Government paid an average interest of 7.62 to 7.79 *per cent* on this investment (**Paragraph 1.6.3**).

### **Prudent cash management**

Cash balances of the State at the close of the year 2010-11 (₹ 1,147.31 crore) increased by 61 *per cent* over 2009-10 (**Paragraph 1.6.6**).

### **Oversight of funds transferred directly from the GOI to the State implementing agencies**

GOI directly transferred ₹ 467.53 crore to the State implementing agencies during 2010-11. Funds transferred directly from the GOI to State implementing agencies resulted in non-monitoring of the expenditure incurred by them on various schemes as these funds are not reflected in the State budget. This also inhibits the requirement of transparency in fiscal operations and thus bypasses accountability (**Paragraph 1.2.2**).

## **1.11 Recommendation**

- In view of the large revenue arrears, being 14.09 *per cent* of the State's own resources, the government needs to step up the recovery of revenue arrears.
- The Government should take steps to ensure better value for money in investments. Otherwise, high-cost borrowed funds will continue to be invested in projects with low financial returns. Projects which are justified on account of low financial but high socio-economic returns may be identified and prioritized with full justification for channeling high-cost borrowings there.
- The Government should ensure proper accounting of the funds transferred to State implementing agencies and the updated information should be validated by the Directorate of Accounts, Government of Goa for proper monitoring of the expenditure incurred by the implementing agencies.
- The Government needs to review the working of quasi-commercial undertakings so as to wipe out the losses in the short run and to make itself sustaining in the medium to long term.
- A well thought out debt repayment strategy on borrowed funds will have to be worked out by the Government to ensure that no additional borrowings, which mature in the next eight critical years, are made.