

CHAPTER-I

Finances of the State Government

Summary

Large revenue and fiscal deficits year after year indicated continued macro-economic imbalances in the State. While the revenue deficit had declined from Rs. 7253 crore in 1999-2000 to Rs 5118 crore in 2002-03, it increased to Rs. 18583 crore in 2003-04. Fiscal deficit which had also reduced from Rs. 11099 crore to Rs. 9497 crore between 1999-2000 and 2002-03, it increased to Rs. 16647 crore in 2003-04. As a result, the ratio of revenue deficit to fiscal deficit increased from 65.35 *per cent* in 1999-2000 to 111.63 *per cent* in 2003-04. The increase in revenue deficit is mainly on account of write-off of power sector debt of Rs. 12277 crore.

Revenue receipts of the State increased from Rs. 21495 crore in 1999-2000 to Rs. 31638 crore in 2003-04. The moderate growth (13.72 *per cent*) in revenue receipts in 2003-04 was primarily driven by 23 *per cent* growth in the State's Share of Union Taxes.

Overall expenditure of the State increased from Rs. 32857 crore in 1999-2000 to Rs. 60783 crore in 2003-04. Revenue expenditure contributed 82.62 *per cent* of the total expenditure.

Salaries (Rs. 12965 crore), interest payments (Rs. 10124 crore), and Pensions (Rs. 2900 crore) constituted 82 *per cent* of total revenue receipts of the State during the year. Capital Expenditure had shown significant increase from 8.10 *per cent* of the total expenditure in 1999-2000 to 15.65 *per cent* in 2003-04.

Overall fiscal liabilities of the State increased from Rs. 75291 crore in 1999-2000 to Rs. 119240 crore in 2003-04. These liabilities as ratio to GSDP increased from 46.4 *per cent* in 1999-2000 to 54.8 *per cent* in 2003-04.

It is not uncommon for a State to borrow for increasing its social and economic infrastructure support and creating additional income generating assets. However, large deficits year after year, together with low or no return on investments indicate that the State is gradually getting into a debt trap. Similarly, the higher buoyancy of the debt with regard to its revenue receipts indicated increasing unsustainability. The State passed the Fiscal Responsibility and Budget management Act in February 2004 to ensure fiscal stability and sustainability aiming to reduce the revenue and fiscal deficits.

1.1 Introduction

The Finance Accounts of the Government are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State Government. The lay out of the Finance Accounts is depicted in Box 1.1.

Box 1.1

Lay out of Finance Accounts

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

Statement No. 2 contains the summarised statement of capital outlay showing progressive expenditure to the end of 2003-04.

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

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

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

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

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

Statement No.8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2004.

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

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

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

Statement No.12 provides accounts of revenue expenditure by minor heads under Non-Plan, State Plan and Centrally Sponsored Schemes separately and capital expenditure major head wise.

Statement No.13 depicts the detailed capital expenditure incurred during and to the end of 2003-04.

Statement No.14 shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, cooperative banks and societies etc. up to the end of 2003-04.

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

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

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

Statement No.18 provides the detailed account of loans and advances given by the Government, the amount of loan repaid during the year, the balance as on 31 March 2004, and the amount of interest received during the year.

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

1.2 Trend of Finances with reference to Previous year

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

(Rupees in crore)

2002-03	Sl. No	Major Aggregates	2003-04
27821	1.	Revenue Receipts (2+3+4)	31638
12767	2.	Tax Revenue	13601
1913	3.	Non-Tax Revenue	2282
13141	4.	Other Receipts	15755
219	5.	Non-Debt Capital Receipts	12498
219	6.	Of which Recovery of Loans	12498
28040	7.	Total Receipts (1+5)	44136
30110	8.	Non-Plan Expenditure (9+11+12)	53541
29364	9.	On Revenue Account	46945
7060	10.	Of which, Interest Payments	10124
433	11.	On Capital Account	5883
313	12.	Loans and advances disbursed	713
7427	13.	Plan Expenditure (14+15+16)	7242
3575	14.	On Revenue Account	3276
3361	15.	On Capital Account	3437
491	16.	Loans and advances disbursed	529
37537	17.	Total Expenditure (8+13)	60783
5118	18.	Revenue Deficit (9+14-1)	18583
9497	19.	Fiscal Deficit (17-1-5)	16647
2437	20.	Primary Deficit (+)/Surplus(-) (19-10)	6523

1.3 Summary of Receipts and Disbursements for the year

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

Table 1 : Summary of receipts and disbursements for the year 2003-04

(Rupees in crore)

2002-03	Receipts	2003-04	2002-03	Disbursements	2003-04		
Section-A: Revenue							
					Non-Plan	Plan	Total
27821.19	I. Revenue receipts	31637.96	32938.51	I. Revenue expenditure	46945.09	3276.02	50221.11
12766.90	Tax revenue	13601.22	15582.70	General services	19397.07	143.46	19540.53
1913.49	Non-tax revenue	2282.08	10308.04	Social Services	8453.01	1901.34	10354.35
10831.78	Share of Union Taxes/Duties	13272.97	5883.20	Economic Services	17738.48	1231.22	18969.70
2309.02	Grants from	2481.69	1164.57	Grants-in-aid /	1356.53	-----	1356.53

2002-03	Receipts	2003-04	2002-03	Disbursements	2003-04		
Section-A: Revenue							
				<u>Non-Plan</u>	<u>Plan</u>	<u>Total</u>	
	Govt. of India			Contributions			
Section-B: Capital							
-----	II Misc. Capital Receipts	-----	3794.38	II Capital Outlay	5883.17	3437.18	9320.35
219.11	III. Recoveries of Loans and Advances	12497.76	804.31	III Loans and Advances disbursed	713.79	528.58	1242.37
12389.57	IV Public debt receipts*	22109.53	6225.77	IV Repayment of Public Debt	8987.43	----	8987.43
---	V Contingency Fund	52.11	68.74	V Contingency Fund	85.33	----	85.33
37327.05	VI Public Account receipts	46875.31	34358.56	VI Public Account disbursements	43479.74	-----	43497.74
400.76	Opening Balance	(-)32.59	(-)32.59	Closing Balance	(-)196.25#	----	(-)196.25
78157.68	Total	113140.08	78157.68	Total	105898.30	7241.78	113140.08

* Includes net ways and means advances and overdraft also

Bifurcation of plan and non- plan not available

1.4 Audit Methodology

Audit observations on the Finance Accounts bring out trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2003-04 and wherever necessary, show these in the light of time series data (*Appendix-1.1 - 1.4*) and periodic comparisons.

The reporting parameters are depicted in Box 1.2.

Box 1.2
Reporting Parameters
<p>Major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The New GSDP series with 1993-94 as base as published by the Bureau of Economics and Statistics Department of the Government have been used.</p> <p>For tax revenues, non-tax revenues, revenue expenditure etc, buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP.</p> <p>For most series a trend growth during 1998-2003 has been indicated. The erstwhile State of Uttar Pradesh has been bifurcated into a successor State of Uttar Pradesh and Uttaranchal with effect from 9.11.2000 as per the reorganization Act. Hence indicators of the financial performance of Government take into account the Finance Accounts figures of the combined State of Uttar Pradesh and Uttaranchal upto 8.11.2000 and from 9.11.2000 with reference to successor State of Uttar Pradesh.</p> <p>The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in <i>Appendix-1.5</i>.</p>

The key indicators adopted for the purpose are (i) Resources by volumes and sources, (ii) Application of resources (iii) Assets and Liabilities, and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilization efforts, debt servicing and corrective fiscal measures. Overall financial performance of the Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

The accounts of the Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account. They are defined in Box 1.3.

Box 1.3	
Government Funds and the Public Account	
<p>Consolidated Fund</p> <p>All revenues received by the Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one Consolidated Fund entitled 'the Consolidated Fund of State' established under Article 266(1) of the Constitution of India.</p>	<p>Contingency Fund</p> <p>Contingency Fund of State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.</p>
<p>Public Account</p> <p>Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the related disbursement are made from it.</p>	

1.5 State Finances by key Indicators

1.5.1 Resources by volumes and sources

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

Table 2 shows that the total receipt of the Government for the year 2003-04 was Rs. 113121 crore. Of this, revenue receipt was Rs. 31638 crore,

constituting only 28 per cent of the total receipts. The balance came from borrowings and Public Account receipts.

Table 2 : Resources of Uttar Pradesh

		(Rupees in crore)
I Revenue Receipts		31638
II Capital Receipts		34608
<i>a</i>	<i>Miscellaneous Receipts</i>	----
<i>b</i>	<i>Recovery of Loans and Advances</i>	12498
<i>c</i>	<i>Public Debt Receipts</i>	22110
III Public Account Receipts		46875
<i>a</i>	<i>Small Savings, Provident Fund, etc.</i>	3124
<i>b</i>	<i>Reserve Fund</i>	2222
<i>c</i>	<i>Deposits and Advances</i>	12760
<i>d</i>	<i>Suspense and Miscellaneous</i>	24072
<i>e</i>	<i>Remittances</i>	4697
Total Receipts		113121

The source of revenue receipts under different heads and GSDP during 1999-2004 is indicated in Table 3.

Table 3: Sources of Receipts: Trends

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic product
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account		
1999-00	21495	263	10294	34406	66458	162243
2000-01	24743	296	9251	37567	71857	180948
2001-02	25598	366	11383	36965	74312	187141
2002-03	27821	219	12390	37327	77757	202904
2003-04	31638	12498	22110	46875	113121	217573

1.5.2 Revenue receipts

Statement-11 of the Finance Accounts details the Revenue Receipts of the Government. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and its buoyancy is indicated in Table 4.

Table 4: Revenue Receipts – Basic Parameters

	(Values Rupees in crore and others in per cent)				
	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue Receipts	21495	24743	25598	27821	31638
Own taxes*	43.74	44.38	40.35	45.89	42.99
Non-Tax Revenue*	9.36	7.86	6.98	6.88	7.21
Central Tax Transfers*	34.79	36.56	39.80	38.93	41.95
Grants-in-aid*	12.11	11.21	12.86	8.30	7.85
Rate of Growth[#]	23.68	15.11	3.46	8.68	13.72
Revenue Receipts/GSDP	13.25	13.67	13.68	13.71	14.54
Revenue Buoyancy	1.902	1.311	1.010	1.031	1.898
GSDP Growth	12.45	11.53	3.42	8.42	7.23

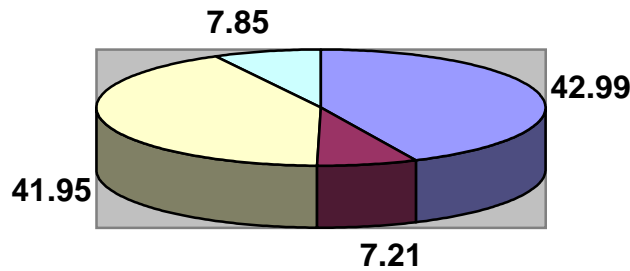
* As a percentage of revenue receipts.

[#] Revenue receipts and other parameters are not strictly comparable because of bifurcation of State in November 2001. However, since this affected all the parameters equally, relative shares and buoyancy and other derived indicators are none-the-less comparable.

Revenue receipts of the State increased from Rs. 21495 crore in 1999-2000 to Rs. 31638 crore in 2003-04. The increase during the current year over the previous year was mainly due to increase in share of Union Taxes (Rs.2411 crore), Sales Tax (Rs. 560 crore), Stamps and Registration fees (Rs. 217 crore).

While on an average only 50 per cent of the revenue had come from the State's own resources, Central tax transfers and grants-in-aid together contributed remaining 50 per cent. Sales tax was the major source of State's own tax revenue having contributed 56 per cent of the tax revenue followed by State Excise (18 per cent) and Stamp and Registration Fee (17 per cent). Of non-tax revenue sources, interest receipts (29 per cent), Education, Sports, Art and Culture (10 per cent) and Non-Ferrous Mining, and Metallurgical Industries (11 per cent) were the principal contributors.

REVENUE RECEIPTS FOR 2003-04 (In per cent)



■ Own Taxes ■ Non-tax revenue ■ tax transfer ■ Grants in aid

Relatively lower contribution of non-tax revenue to overall revenue receipts was due to poor recovery of the cost of social and economic services provided by the State. The current levels of cost recovery* in supply of merit goods and services by Government were 4.19 per cent in Public Works, 3.64 per cent in Education, Sports, Art and Culture, 3.07 per cent and 0.14 per cent in Medical and Public Health and Family Welfare respectively, 0.71 per cent in Water Supply and Sanitation and 12.18 per cent in Major and Medium irrigation.

1.6 Application of resources

1.6.1 Trend and Growth

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure major head wise. The total expenditure of the State increased from Rs. 32857 crore in 1999-2000 to Rs. 60783 crore in 2003-04. The rate of growth of total expenditure was substantially higher than the rate of growth of revenue receipts during the current year. There were sharp inter year variations in the rate of growth of expenditure ranging between 10.35 per cent in 1999-2000 to 4.63 per cent in 2002-03. Rate of growth of expenditure during 2003-04 increased to 61.93 per cent mainly due

* Cost recovery is defined as revenue receipts from these functions divided by revenue expenditure.

to increase of 300 *per cent* in revenue expenditure and capital expenditure on Economic Services from Rs. 9059 crore in 2002-03 to Rs. 27737 crore in 2003-04.

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

Table 5: Total Expenditure – Basic Parameters

(Value: Rupees in crore and others in *per cent*)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Total Expenditure	32857	35216	35875	37537	60783
Rate of Growth	10.35	7.18	1.87	4.63	61.93
TE/GSDP	20.25	19.46	19.17	18.50	27.94
Revenue Receipts/TE	65.42	70.26	71.35	74.12	52.05
Buoyancy of Total Expenditure with					
GSDP	0.831	0.623	0.547	0.550	8.566
Revenue Receipts	0.437	0.475	0.542	0.533	4.514

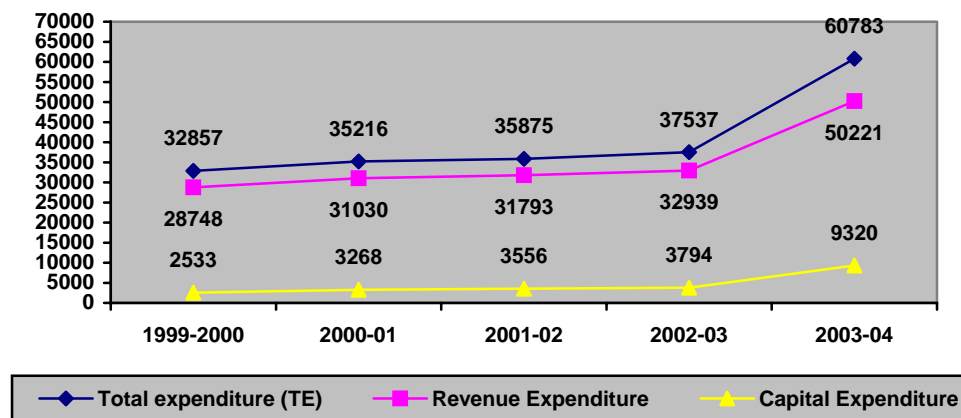
The ratio of revenue receipts to total expenditure increased from 65.42 *per cent* in 1999-2000 to 74.12 *per cent* in 2002-03 and declined to 52.05 *per cent* in 2003-04. This indicated that 52 *per cent* of the expenditure during 2003-04 was met from its current revenue, leaving the balance to be financed from borrowings.

In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services and loans and advances. The relative share of these components in total expenditure is indicated in Table 6.

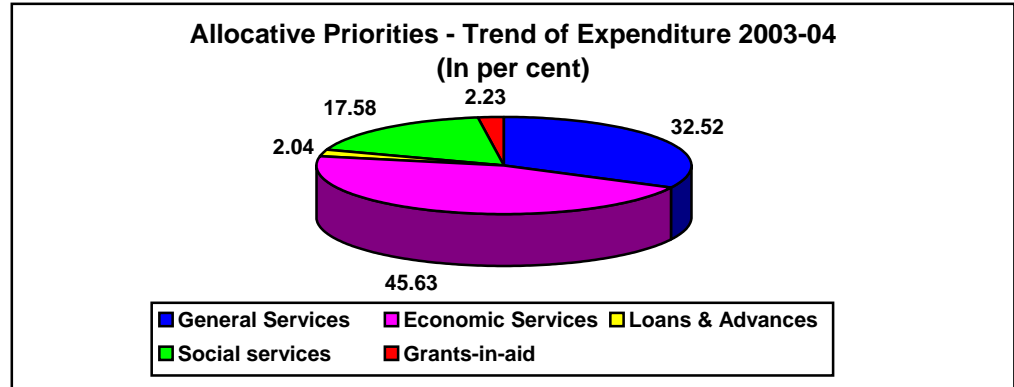
Table 6: Components of expenditure – Relative Share (in *per cent*)

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Services	41.11	43.34	45.45	42.39	32.52
Social Services	27.19	26.92	26.61	28.23	17.58
Economic Services	24.28	24.06	23.88	24.13	45.63
Grants-in-aid	2.62	3.07	2.59	3.11	2.23
Loans and advances	4.80	2.61	1.47	2.14	2.04

**GROWTH OF TOTAL EXPENDITURE
(Rupees in crore)**



The movement of relative share of these components of expenditure indicated that while the share of Economic Services in total expenditure increased from 24.28 *per cent* in 1999-2000 to 45.63 *per cent* in 2003-04, the relative share of General and Social Services decreased from 41.11 and 27.19 *per cent* in 1999-2000 to 32.52 and 17.58 *per cent* respectively in 2003-04.



1.6.2 Incidence of Revenue expenditure

Revenue expenditure had the predominant share in total expenditure. Revenue expenditure is usually incurred to maintain the current level of assets and services.

Over all revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts is indicated in Table 7 below:

Table 7: Revenue Expenditure – Basic Parameters

(Value: Rupees in crore and others in *per cent*)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue Expenditure	28748	31030	31793	32939	50221
Rate of Growth	10.25	7.94	2.46	3.60	52.47
RE/ GSDP	17.72	17.15	16.99	16.23	23.08
RE as <i>per cent</i> of TE	87.49	88.11	88.62	87.75	82.62
RE as <i>per cent</i> to Revenue Receipts	133.74	125.41	124.20	118.40	158.74
Buoyancy of Revenue Expenditure with					
GSDP	0.823	0.689	0.718	0.428	7.257
Revenue Receipts	0.433	0.525	0.712	0.415	3.824

Revenue expenditure of the State increased steeply from Rs. 28748 crore in 1999-2000 to Rs 50221 crore in 2003-04. The increase in the revenue expenditure during the current year was mainly due to more expenditure on Power (Rs. 13025 crore) and Interest Payments (Rs. 3064 crore) in comparison to previous year. The increase in the expenditure under power sector was on account of write off of loans raised by the UPSEB and electric supply companies, from the Government.

Revenue expenditure continued to exceed revenue receipts during 1999-2004, which has led to revenue deficit. During 2003-04, the revenue deficit registered an increase of 263 *per cent* over the previous year. This has led the Government to borrow more to bridge the huge gap between revenue receipt and revenue expenditure. The ratio of revenue expenditure to revenue receipts increased from 133.74 *per cent* in 1999-2000 to 158.74 *per cent* in 2003-04. The dependency of the State on borrowings, for meeting its current expenditure was further accentuated by high expenditure on salaries (Rs.

12965 crore), interest payments (Rs. 10124 crore), and pensions (Rs. 2900 crore) which together consumed 82 *per cent* of total revenue receipts of the State in 2003-04.

High salary expenditure

Salaries alone accounted for about 41 *per cent* of the revenue receipts of the State. The expenditure on salaries increased from Rs. 10858.75 crore in 1999-2000 to Rs. 12965.40 crore in 2003-04 as indicated in table 8:

Table 8 : Salary Expenditure

Heads	(Rupees in crore)				
	1999-2000	2000-01	2001-02	2002-03	2003-04
Salary expenditure*	10858.75	11464.43	10860.40	12717.07**	12965.40
As percentage to GSDP	6.79	6.34	5.80	6.27	5.95
As percentage to Revenue Receipts	50.52	46.33	42.43	45.71	40.98

* Source: State Government.

** Revised estimate.

Though salary expenses relative to GSDP and revenue receipts indicated a declining trend during 1999-2004, these have continued to be sizable.

Huge expenditure on pension payments

Pension payments increased by 40.74 *per cent* from Rs. 2060.68 crore in 1999-2000 to Rs. 2900.10 crore in 2003-04.

Year-wise breakup of expenditure incurred on pension payments during the years 1999-2000 to 2003-04 was as under:

Table 9: Pension Payments

Year	Expenditure (Rupees in crore)	Percentage to total revenue
1999-2000	2060.68	9.59
2000-01	2163.27	8.75
2001-02	2391.74	9.34
2002-03	2751.13	9.89
2003-04	2900.10	9.17

With the increase in the number of retirees, the pension liabilities are likely to increase further in future. The State Government has not constituted any fund to meet the fast rising pension liabilities of the retiring State employees. Considering the rate at which pension liabilities are increasing, reforms in the existing pension schemes assume critical importance.

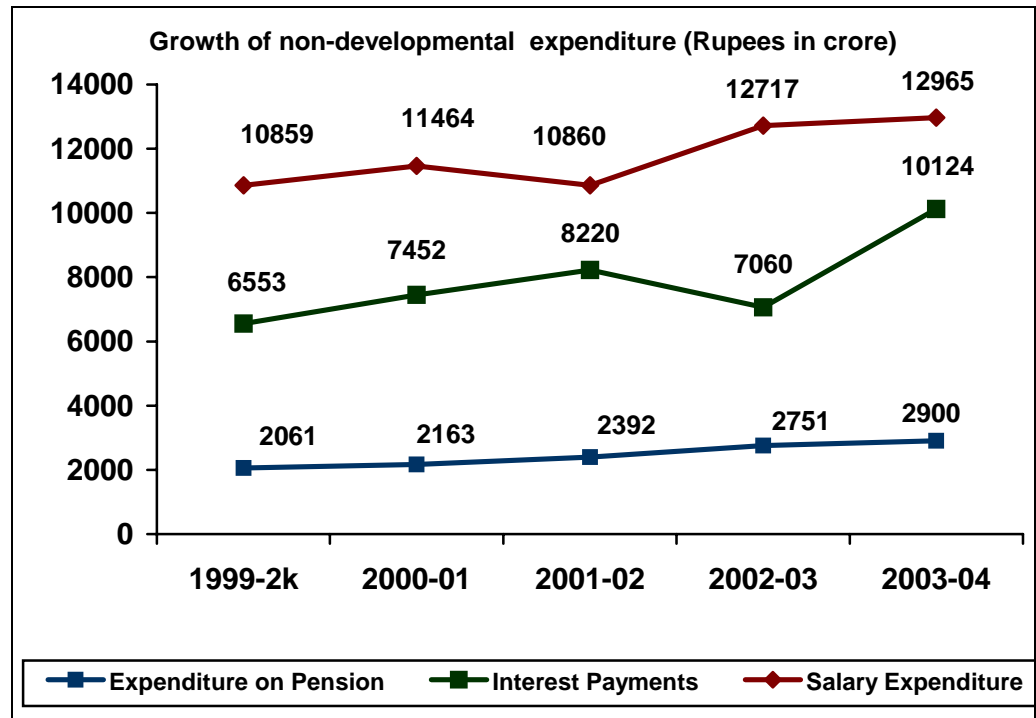
Interest payments

The Eleventh Finance Commission (August 2000) recommended that as a medium term objective, States should endeavour to keep interest payments as a ratio to revenue receipts at 18 *per cent*. It was, however, observed that interest payments as percentage of revenue receipts ranged between 25 and 32 during the last five years.

Table 10 : Interest Payments

Year	Interest Payment (Rupees in crore)	Percentage of interest payment with reference to	
		Revenue Receipts	Revenue Expenditure
1999-2000	6553	30	23
2000-01	7452	30	24
2001-02	8220	32	26
2002-03	7060	25	21
2003-04	10124	32	20

In absolute terms, interest payments significantly increased by 54 *per cent* from Rs. 6553 crore in 1999-2000 to Rs. 10124 crore in 2003-04 primarily due to continued reliance on borrowings for financing the fiscal deficit. There was, however, a decline in interest payments in 2002-03 which again increased by 43 *per cent* in 2003-04 despite the fact that interest rates have come down in the last few years.



1.7 Expenditure by Allocative Priorities

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

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

	1999-2000	2000-01	2001-02	2002-03	2003-04
Plan Expenditure	19.40	19.09	17.63	18.88	11.27
Capital Expenditure	8.10	9.53	10.06	10.33	15.65
Developmental Expenditure	54.06	52.34	51.25	53.51	64.53

* Total expenditure excludes expenditure on loans and advances.

Except Plan expenditure, which decreased from 19.40 *per cent* in 1999-2000 to 11.27 *per cent* in 2003-04, other two components of expenditure showed a relative improvement during 1999-2004.

The expenditure on Social Services (Rs 10683 crore) accounted for 28 *per cent* of the developmental expenditure. Of which, Education, Sports, Art and Culture (Rs 6316 crore), Medical and Public Health (Rs 1897 crore), and Social Welfare and Nutrition (Rs. 883 crore) accounted for 85 *per cent* of the expenditure on Social Sector.

Table 12: Social Sector Expenditure

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Education, Sports, Art and Culture	5734	6173	6088	6137	6316
Medical and Public Health	1333	1459	1377	1579	1897
Social Welfare and Nutrition	550	532	549	1234	883
Total	7617	8164	8014	8950	9096

Out of the developmental expenditure (Rs 38420 crore), Economic Services (Rs 27737 crore) accounted for 72 per cent during the year. Energy and Transport consumed nearly four fifths (77 per cent) of the expenditure on Economic Services.

Table 13 : Economic Sector Expenditure

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Energy	100	780	1091	746	19673
Transport	979	1146	783	1554	1613
Total	1079	1926	1874	2300	21286

The increase in expenditure under Energy Sector during 2003-04 was mainly due to write-off of power sector debt (Rs. 12277.40 crore) and higher capital expenditure (increase: Rs. 5902.79 crore) during the year.

1.7.1 Financial assistance to local bodies and other institutions

Autonomous bodies and authorities are set up to discharge generally non-commercial functions. These bodies/authorities are registered/ established under the respective State and Central Acts and receive substantial Government grants which are intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospitals buildings, improvement of roads and other communication facilities under municipalities and local bodies.

The quantum of assistance provided to different local bodies etc. during the period of five years ending 2003-04 was as follows:

Table 14: Financial Assistance to Local Bodies and other Institutions

(Rupees in crore)

Sl. No.	Name of institutions	1999-2000	2000-01	2001-02	2002-03	2003-04
1.	Universities and Educational Institutions	2486.06	849.06	147.42	1.64	703.08
2.	Energy	1005.14	294.01	88.56	277.57	1224.35
3.	Agriculture, Land Reform and Forestry	593.19	738.75	34.01	0.05	146.21
4.	Municipal Corporations and Municipalities	860.90	1084.63	50.89	77.40	68.73
5.	Hospitals and Charitable Institutions	300.23	390.84	60.26	37.62	244.66
6.	Development Agencies	1005.59	29.53	1300.62	---	835.46
7.	Labour and Industry	216.51	350.58	171.25	157.56	186.17
8.	Co-operative	45.03	43.86	47.18	---	5.78
9.	Animal Husbandry, Dairy Development and Fisheries	5.54	17.30	9.91	5.00	33.92
10.	Sugar and Cane	---	---	124.63	201.69	---
11.	Others	3.31	40.00	4.13	---	4.47
	Total	6887.50	3838.56	2038.86	758.53	3452.83
	Percentage of growth over previous year	(-) 20	(-) 44	(-) 47	(-) 63	355
	Assistance as percentage of revenue expenditure	24	12	7	2	7

Delay in furnishing of Utilisation Certificates

Of the 4006 utilisation certificates (UCs) due in respect of grants and loans aggregating Rs. 2653.24 crore paid upto 2002-03, 544 utilisation certificates

for Rs. 2196.02 crore were furnished and 3462 utilisation certificates for Rs. 457.22 crore were awaited as of June 2004.

Delay in submission of Accounts

Under Section 14 of the Comptroller and Auditor General’s (DPC) Act 1971, where any body or authority is substantially financed by grants or loans from the Consolidated Fund of India or of any State, the Comptroller and Auditor General shall audit all receipt and expenditure of that body or authority and report on the receipts and expenditure audited by him. Besides, under Section 15 *ibid*, Comptroller and Auditor General scrutinises the procedures by which the sanctioning authority satisfies itself as to the fulfillment of the conditions subject to which a grant or loan is given for any specific purpose from the Consolidated Fund of India or of any State to any authority or body not being a foreign State or international organization.

Accounts of 12 autonomous bodies were awaited for various years from 1993-94 as shown in table below:

Table 15 : Delay in submission of accounts

Sl. No.	Name of Department	Year from which accounts had not been furnished
1.	Education (Universities)	1997-98
2.	Industries	1996-97
3.	Dairy Development	1997-98
4.	Fisheries	1993-94
5.	Sugar Cane	1995-96
6.	Medical Education and Training	1993-94
7.	Family Welfare	1993-94
8.	Social Welfare	1997-98
9.	Zila Panchayat Parishad	1998-99
10.	Science and Technology	1997-98
11.	Energy	1993-94
12.	Area Development	1998-99

Statutory audit arrangements

Statutory Audit of Development Authorities, Municipal Corporations, Government aided Degree Colleges, Universities etc, is conducted by the Director, Local Fund Accounts. Audit of Co-operative Societies and Panchayats is conducted by the Chief Auditor, Co-operative Societies and Panchayats.

For the period 1999-2000 to 2002-03 statutory audit of Co-operative Societies was in arrears, which ranged between 62.35 *per cent* and 63.03 *per cent* as per details furnished below:

Table 16 : Statutory audit arrears

Year	No. of units	Units in arrear	Percentage
1999-2000	15500	9474	61.12
2000-2001	14101	9029	64.03
2001-2002	13295	8290	62.35
2002-2003	13665	8614	63.03

The Comptroller & Auditor General of India (CAG) also conducts audit of accounts of corporations/bodies/authorities when such audit is entrusted to him. The audit of Khadi and Village Industries Board (KVIB) Lucknow was entrusted to CAG of India. For the last six years 1998-99 to 2003-04, the KVIB has not been able to furnish its accounts for audit by the CAG.

1.7.2 Misappropriation, defalcations etc.

There were 2208 cases of misappropriation, defalcations etc. of Government money amounting to Rs. 394.29 crore which came to notice during the transaction audit of various departments and also reported by the Government. These cases pertained to the period from 1994-95 to 2003-04 and are shown below.

Table 17 : Misappropriation, defalcation cases

(Rupees in crore)			
Sl. no.	Department	No. of cases	Amount
1	Medical	281	21.82
2	Cooperative	1	0.85
3	Home guard/Police/PAC	1800	359.97
4	Education	68	9.97
5	Sports	3	0.29
6	Employment	8	0.47
7	Art and culture	4	0.60
8	Irrigation	39	0.20
9	Agriculture	3	0.09
10	Animal Husbandry	1	0.03
	Total	2208	394.29

1.8 Assets & Liabilities

The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings etc., owned by the Government. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure. Statement 16 read with details in Statement 17 of Finance Accounts shows the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. *Appendix-1.1* presents an abstract of such liabilities and the assets as on 31 March 2004, compared with the corresponding position on 31 March 2003. While the liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Fund, the assets comprise mainly the capital expenditure and loans and advances given by the State Government.

The liabilities of Government of Uttar Pradesh depicted in the Finance Accounts, however, do not include the pension, other retirement benefits payable to serving/retired State employees, guarantees/ letters of comforts issued by the State Government. *Appendix-1.4* depicts the Time Series Data on State Government Finances for the period 1999-2004.

1.8.1 Financial results of irrigation works

The financial results of 16 major irrigation projects as reported by the Government with a capital outlay of Rs 3842.04 crore at the end of March 2004 showed that revenue realized from these projects during 2003-2004 (Rs 14.28 crore) was negligible (0.37 per cent) compared to the capital outlay which was not sufficient to cover even the direct working expenses (Rs 71.62 crore) during 2003-04. After meeting the working and maintenance expenditure (Rs 72.34 crore) and interest charges (Rs 197.71 crore), the schemes suffered a net loss of Rs 256 crore.

1.8.2 Incomplete projects

As per information received from the State Government, as of 31 March 2004, there were 24 incomplete projects costing more than Rupees one crore in which Rs 2336.41 crore were blocked as shown below:

Table 18 : Incomplete Projects

(Rupees in crore)						
Sl. No.	Name of department	Number of Projects	Original estimated Cost	Revised Estimated Cost	Expenditure incurred up to March 2004	Percentage of cost escalation due to time overrun (<i>Per cent</i>)
1	Irrigation	8	1928.38	5026.16	2228.58	160.64
2	PWD	16	112.36	135.68	107.83	20.75
	Total	24	2040.74	5161.84	2336.41	181.39

Consequently, expenditure of Rs. 2336.41 crore (March 2004) on these projects remained unproductive. The cost escalation (160.64 *per cent*) was related to major and medium irrigation projects.

1.8.3 Investments and returns

As on 31 March 2004, Government had invested Rs 9412.65 crore in Statutory Corporations, Joint Stock Companies and Co-operatives. Government's return on this investment was not only meagre (less than one *per cent*), it was also on a continuous decline as indicated in Table 19 below:

Table 19: Return on Investment

(Rupees in crore)				
Year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on Government borrowing (<i>per cent</i>)
1999-2000	2413.59	5.05	0.21	9.50
2000-2001	3962.89	6.27	0.16	9.58
2001-2002	4033.27	6.24	0.15	9.49
2002-2003	9049.70*	7.26	0.08	7.22
2003-2004	9412.65 ^ψ	7.40	0.07	9.13

1.8.4 Loans and advances by State Government

In addition to its investment, Government has also been providing loans and advances to many of these bodies. Total outstanding balance of the loans advanced was Rs 7709 crore as on 31 March 2004 (Table 20). Overall, interest received against these advances increased from 0.47 *per cent* in 1999-2000 to 2.43 *per cent* in 2003-04. Actually, the recoveries of loans and advances which ranged between Rs. 219 and Rs. 366 crore during 1999-2000 to 2002-03 had gone up to Rs. 12498 crore in 2003-04 mainly due to adjustment of Rs. 12277 crore as repayment of loans raised by UPSEB, UP State Electricity Generation Corporation, UP Laghu Vidyut Evam Alparthnic Nigam and Electric Supply Companies which were written off by State Government. The recoveries made excluding repayment by these power entities were only Rs. 221 crore.

Table 20 : Interest received on loans advanced by the State Government

(Rupees in crore)					
	1999-2000	2000-01	2001-02	2002-03	2003-04
Opening Balance	16284	17596	18218	18379	18965
Amount advanced during the year	1575	918	527	805	1242

* Includes Rs. 4044.60 crore pending reconciliation.

^ψ Excludes Rs. 1834.60 crore pending reconciliation.

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Amount repaid during the year	263	296	366	219	12498
Closing Balance	17596	18218	18379	18965	7709
Net Addition (+) / Reduction (-)	1312	623	161	586	(-)11256
Interest Received (Rupees in crore)	82	39	51	42	187
Interest received as <i>per cent</i> to outstanding Loans and Advances	0.47	0.21	0.28	0.22	2.43
Average rate of interest paid by the State	9.50	9.58	9.49	7.22	9.13
Difference between interest paid and received	(-) 9.03	(-) 9.37	(-) 9.21	(-) 7.00	(-)6.70

1.8.5 Commercial activities

Lack of accountability for the use of public funds in departmental commercial undertakings

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

As of March 2004, there were 11 such undertakings under the Government of Uttar Pradesh. Of these, six* finalised their accounts upto 2003-04 and accounts of five undertakings were in arrears, as detailed below:

Table 21: Position of preparation of accounts in departmental commercial undertakings

Sl.No.	Department	Accounts not finalised (name of undertakings)	Year from which accounts are due
1	Food and Civil Supplies	Scheme for public distribution system of foodgrains	2001-02
2	Animal Husbandry	Government Live Stock and Agriculture Farms	1998-99
3	Social Welfare	Criminal Tribes Settlement Tailoring Factory (Kanpur)	1980-81
4	Health	State Pharmacy of Ayurvedic and Unani medicines	1988-89
5	Irrigation	Erection Division, Faizabad	1985-86

It would be seen that the undertaking under the Social Welfare Department had not prepared its accounts for more than 23 years whereas two undertakings under the Health and Irrigation departments had not prepared their accounts for more than 14 years.

1.8.6 Management of Cash balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mis-match in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India has been put in place. Under an agreement with the Reserve Bank of India, the State Government has to maintain with the Bank a minimum balance of Rs.4.71

* IWD: Bareilly, Kanpur and Allahabad, Meerut, Jhansi, Gorakhpur.

crore on all days. In 2003-04, this minimum balance fell short on 147 days for which Government took WMAs (Rs. 11526.87 crore) from RBI. Resort to overdraft (OD), which is over and above the WMA limits, is all the more undesirable. The State used the OD facilities for 100 days during the year. Both WMA (Rs. 11526.87 crore) and over draft (Rs. 4904.18 crore) taken during the year were fully repaid by the Government.

Table 22: Ways and Means and Overdrafts taken and interest paid thereon

	1999-2000	2000-01	2001-02	2002-03	2003-04
(Rupees in crore)					
Ways and Means Advances					
Taken during the year	5723.94	2217.57	6146.49	7663.83	11526.87
Outstanding	620.74	609.82	746.12	-----	-----
Interest paid	40.79	27.56	21.70	28.67	34.08
Overdraft					
Taken in the year	11395.94	7696.62	3282.11	3753.64	4904.18
Outstanding	1604.71	-----	-----	-----	-----
Interest paid	16.58	12.04	4.79	4.31	9.56
Number of days State was in Overdraft	237	161	88	88	100

1.8.7 Undischarged liabilities

Fiscal liabilities – public debt and guarantees

The Constitution of India provides that the State may borrow within the territory of India, upon the security of its Consolidated Fund within such limits, as may from time to time, be fixed by an Act of Legislature. A Fiscal Responsibility and Budget Management Act has been passed in February 2004, with the aim to reduce the fiscal deficit to not more than 3 *per cent* of the estimated GSDP within a period of five years. Statement 4 read with Statements 16 and 17 of Finance Accounts show the year-end balances under Debt, Deposit and Remittances heads from which the liabilities are worked out.

It would be observed that the over all fiscal liabilities of the State increased from Rs. 75291 crore in 1999-2000 to Rs. 119240 crore in 2003-04. These liabilities as ratio to GSDP increased from 46.4 *per cent* in 1999-2000 to 54.8 *per cent* in 2003-04 and stood at around four times of its revenue receipts and seven and half times its own resources comprising tax and non-tax revenue.

Table 23 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and buoyancy of these liabilities with respect to these parameters.

Table 23 : Fiscal Imbalances–Basic Parameters

	1999-2000	2000-01	2001-02	2002-03	2003-04
(Rupees in crore and Ratios in per cent)					
Fiscal Liabilities	75291	80331	92982	102485	119240
Rate of growth	20.03	6.69	15.75	10.22	16.35
Ratio of Fiscal Liabilities to					
GSDP	46.4	44.4	49.7	50.5	54.8
Revenue Receipts	350.3	324.7	363.2	368.4	376.9
Own Resources	659.7	621.5	767.4	698.1	750.7
Buoyancy of Fiscal Liabilities to					
GSDP	1.608	0.581	4.601	1.213	2.261
Revenue Receipts	0.846	0.443	4.558	1.177	1.192
Own Resources	0.928	0.505	*	0.483	1.995

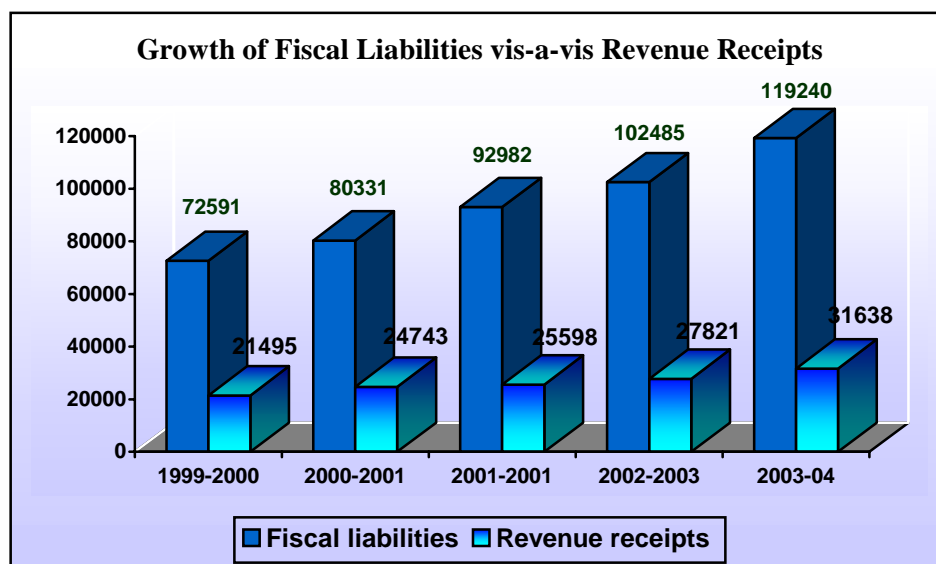
* Own resources in 2001-02 had a negative growth.

In addition to these liabilities, Government had guaranteed loans raised by various Corporations and others, which in 2003-04 stood at Rs. 3601 crore. The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment of loans, there may be an obligation on the State to honour these commitments. Currently, the fiscal liabilities including the contingent liabilities were about four times the revenue receipts of the State. The fiscal liabilities of the State have grown much faster as compared to its rate of growth of GSDP. Increasing liabilities had raised the issue of sustainability. One of the conditions of debt sustainability is the existence of a positive spread between the rate of growth of GSDP and the average interest rate.

Debt sustainability with reference to weighted interest rate, GDSP growth rate and interest spread is indicated in Table 24.

Table 24 : Debt Sustainability – Interest Rate and GSDP Growth (in per cent)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Weighted Interest Rate	9.50	9.58	9.49	7.22	9.13
GSDP Growth	12.45	11.53	3.42	8.42	7.23
Interest- spread	2.96	1.95	(-)6.06	1.20	(-)1.90



Another important indication of debt sustainability is net availability of the funds after payment of the principal on account of the earlier contracted liabilities and interest.

The Government raised market loans of Rs. 6304.27 crore during the year. The weighted average interest rate of market borrowings during the year was 9.13 per cent. The Government also borrowed Rs. 5991.74 crore from National Small Saving Fund and Rs. 3080.66 crore from Government of India. The net funds available from the internal debt and loans and advances from Government of India after providing for the interest and repayments declined from 25 per cent to 18 per cent during 1999-2004.

Table 25 given on the next page gives the position of the receipts and repayments of internal debt over the last 5 years.

Table 25: Net Availability of Borrowed Funds

	1999-2000	2000-01	2001-02	2002-03	2003-04
(Rupees in crore)					
Internal Debt*					
Receipts	3560	6734	7935	9282	19029
Repayments (Principal + Interest)	2208	2641	4467	3895	7545
Net Funds Available	1352	4093	3468	5387	11484
Net Funds Available (<i>per cent</i>)	38	61	44	58	60
Loans and Advances from Government of India					
Receipts	5834	3317	2757	3106	3081
Repayments (Principal + Interest)	4847	5080	5378	7747	10673
Net Funds Available	987	(-)1763	(-)2621	(-)4641	(-)7592
Net Funds Available (<i>per cent</i>)	17	(-)53	(-)95	(-)149	(-)246
Total Public Debt					
Receipts	9394	10051	10692	12388	22110
Repayments (Principal + Interest)	7055	7721	9845	11642	18218
Net Funds Available	2339	2330	847	746	3892
Net Funds Available (<i>per cent</i>)	25	23	8	6	18

*Internal debt excluding ways and means advances

1.9 Management of deficits

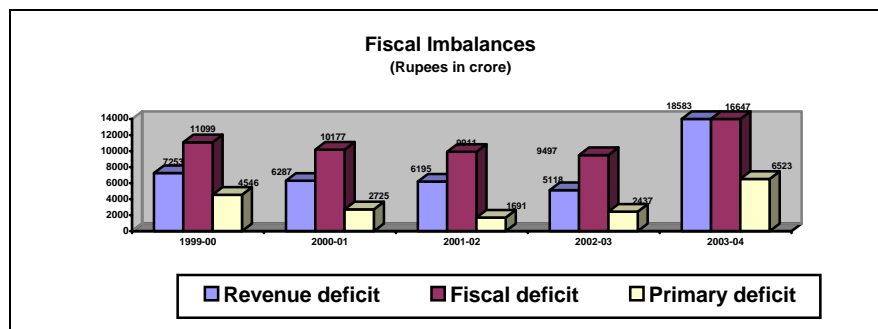
1.9.1 Fiscal imbalances

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

The Revenue deficit (Statement 1 of Finance Account) of the State is the excess of its revenue expenditure over revenue receipt. Revenue Deficit which was on a continuous decline from Rs. 7253 crore in 1999-2000 to Rs. 5118 crore in 2002-03 increased to Rs. 18583 crore in 2003-04. The fiscal deficit, which represents the total borrowings of the Government and its total resource gap increased from Rs. 11099 crore in 1999-2000 to Rs. 16647 in 2003-04. The primary deficit also increased from Rs. 4546 crore to Rs. 6523 crore during the period.

Table 26 : Fiscal Imbalances – Basic Parameters

	1999-2000	2000-01	2001-02	2002-03	2003-04
(Value: Rupees in crore and Ratios in percent)					
Revenue deficit	7253	6287	6195	5118	18583
Fiscal deficit	11099	10177	9911	9497	16647
Primary Deficit	4546	2725	1691	2437	6523
RD/GSDP	4.47	3.47	3.31	2.52	8.54
FD/GSDP	6.84	5.62	5.30	4.68	7.65
PD/GSDP	2.80	1.51	0.90	1.20	3.00
RD/FD	65.35	61.78	62.51	53.89	111.63



The ratio of revenue deficit to fiscal deficit increased from 65.35 *per cent* in 1999-2000 to 111.63 *per cent* in 2003-04. As proportion to GSDP, revenue deficit had increased from 4.47 in 1999-2000 to 8.54 in 2003-04 and fiscal

deficit from 6.84 in 1999-2000 to 7.65 *per cent*. The persistent revenue deficit indicated that the revenue receipts of the State were not able to meet its current maintenance expenditure and Government had to borrow funds to meet its current obligations.

1.10 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 27 below presents a summarized position of Government finances over 1999-2004, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important facets.

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources with increase in GSDP.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilization. The ratio of revenue expenditure to total expenditure declined to 0.52 during 2003-04 compared to 0.74 in the previous year. The percentage of Developmental expenditure to total expenditure increased from 51.25 (2001-02) to 64.53 (2003-04). The increase during 2003-04 was due to sharp increase in expenditure under Economic Sector by write off of power sector debt of Rs. 12277.40 crore by the Government. The capital expenditure as percentage to total expenditure was also highest at 15.65 *per cent* during 2003-04.

Table 27 : Ratios of Fiscal Efficiency (in *per cent*)

Fiscal Ratios	1999-2000	2000-01	2001-02	2002-03	2003-04
Resources Mobilization					
Revenue Receipts/GSDP	13.25	13.67	13.68	13.71	14.54
Revenue Buoyancy	1.902	1.311	1.010	1.031	1.898
Own Tax/GSDP	5.79	6.07	5.52	6.29	6.25
Expenditure Management					
Total Expenditure/GSDP	20.25	19.46	19.17	18.50	27.94
Revenue Receipts/ Total Expenditure	65.42	70.26	71.35	74.12	52.05
Revenue Expenditure/Total Exp.	87.49	88.11	88.62	87.75	82.62
Capital Expenditure/TE	8.10	9.53	10.06	10.33	15.65
Developmental Expenditure/TE	54.06	52.34	51.25	53.51	64.53
Buoyancy of TE with RR	0.437	0.475	0.542	0.533	4.514
Buoyancy of RE with RR	0.433	0.525	0.712	0.415	3.824
Management of Fiscal Imbalances					
Revenue deficit (Rs in crore)	(-)7253	(-)6287	(-)6195	(-)5118	(-)18583
Fiscal deficit (Rs in crore)	(-)11099	(-)10177	(-)9911	(-)9497	(-)16647
Primary Deficit (Rs in crore)	(-)4546	(-)2725	(-)1691	(-)2437	(-)6523
Revenue Deficit/Fiscal Deficit	(-)65.35	(-)61.78	(-)62.51	(-)53.89	(-)111.63
Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	46.4	44.4	49.7	50.5	54.8
Fiscal Liabilities/RR	350.3	324.7	363.2	368.4	376.9
Buoyancy of FL with RR	0.846	0.443	4.558	1.177	1.192
Buoyancy of FL with OR	0.928	0.505	(-)2.519	0.483	1.995
Other Fiscal Health Indicators					
Return on Investment	5.05	6.27	6.24	7.26	7.40
BCR [▼] (Rs in crore)	(-)5438	(-)3895	(-)4147	(-)1918	(-)15401
Financial Assets/Liabilities	0.57	0.57	0.56	0.55	0.46

[▼] Balance from the current revenues.

It is not uncommon for a State to borrow for increasing its social and economic infrastructure support and creating additional income generating assets. However, large revenue and fiscal deficit year after year, together with low or no return on investments indicated that the State is gradually getting into a debt trap. Similarly, the higher buoyancy of the debt with regard to its revenue receipts indicates its increasing unsustainability. The State's continuous declining low return on investment indicates an implicit subsidy and use of high cost borrowing for investments, which yields very little to it. The ratio of the State's financial assets to liabilities which was almost constant at 0.56 in the last four years came down to 0.46 in the current year. A greater part of liabilities are without an asset back-up. This indicates that either the State has to generate more revenue out of its existing assets or needs to provide from its current revenues for servicing its debt obligations. The balance of current revenue (BCR) of the State also continued to be negative. The BCR plays a critical role in determining its plan size and a negative BCR adversely affects the same and reduces availability of funds for additional infrastructure support and other revenue generating investment.