

Profile of West Bengal

West Bengal is the 13th largest State in terms of geographical area (88,752 sq. km) and the fourth largest by population. As indicated in **Appendix 1.1**, the State's population increased from 801.76 lakh in 2001 to 913.48 lakh¹ in 2011 recording a decadal growth of 13.93 per cent. The percentage of population below the poverty line was lower than the all-India average². The State's Gross State Domestic Product (GSDP) in 2015-16 at current prices was ₹ 1039923 crore. The State's literacy rate³ increased from 68.64 per cent (as per 2001 census) to 76.26 per cent (as per 2011 census). During 2015-16, the per capita income of the State⁴ stood at ₹ 111582 at current prices. General data relating to the State are given in **Appendix 1.1**.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a year. The trends in the annual growth of India's Gross Domestic Product (GDP) and that of the State's GSDP at current prices are indicated below:

Table 1.1: Growth of GSDP of the State vis-à-vis GDP of India

Year	2011-12	2012-13	2013-14	2014-15	2015-16	CAGR ⁵ (in per cent)
India's GDP (₹ in crore)	8736039	9951344	11272764	12488205	13576086	11.65
Growth rate of GDP (percentage)	20.52	13.91	13.28	10.78	8.71	
State's GSDP (₹ in crore)	553901	636697	758520	875027	1039923	17.06
Growth rate of GSDP (percentage)	20.16	14.95	19.13	15.36	18.84	

Source: For GSDP, the information as available on CSO website as on 29 July 2016.

GSDP figures for the year 2015-16 relating to Assam, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Kerala, Maharashtra, Mizoram, Nagaland, Tripura and West Bengal have been obtained from respective AGs/ Directorates of Economics & Statistics.

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of West Bengal (GoWB) during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year, keeping in view the overall trends during the last five years. The structure of Government Accounts and the layout of Finance Accounts are shown in **Appendix 1.2**. The methodology adopted

¹Source: Registrar General of India, Ministry of Home Affairs

²Source: Annual Report 2013-14, Planning Commission

³Source: Registrar General of India, Ministry of Home Affairs

⁴Source: Directorate of Economics & Statistics, Government of West Bengal

⁵Compound Annual Growth Rate (CAGR)

in analysing the trends of State Government finances has been discussed in **Appendix 1.3**.

1.1.1 Summary of Fiscal Transactions in 2015-16

Table 1.2 presents the summary of the State Government's fiscal transactions during the current year (2015-16) *vis-à-vis* those of the previous year (2014-15), while **Appendix 1.4** provides details of Receipts and Disbursements as well as overall fiscal position during the current year.

Table 1.2: Summary of Fiscal Operations in 2015-16

(₹ in crore)

Receipts			Disbursements				
	2014-15	2015-16		2014-15	2015-16		
					Non-Plan	Plan	Total
Section-A: Revenue							
Revenue Receipts	86514	109732	Revenue Expenditure	103652	80466	38361	118827
Tax Revenue	39412	42492	General Services	42712	45518	171	45689
Non-Tax Revenue	1627	1862	Social Services	40156	27880	19509	47389
Share of Union Taxes/Duties	24595	37164	Economic Services	20157	6417	18556	24973
Grants from GoI	20880	28214	Grants-in-aid and Contributions	627	650	126	776
Section-B: Capital							
Misc. Capital Receipts	-	653	Capital Outlay	9879	-#	12420	12420
Recoveries of Loans and Advances	176	832	Loans and Advances Disbursed	505	175	686	861
Public Debt Receipts*	35812	34608	Repayment of Public Debt*	12300			9040
Contingency Fund	-	-	Contingency Fund	-			-
Public Account Receipts	131865	149608	Public Account Disbursements	129352			149400
Opening Cash Balance ⁶	12278	10958	Closing Cash Balance ⁶	10957			15843
Total	266645	306391	Total	266645			306391

Source: Finance Accounts; Differences of one is due to rounding.

*Excluding net transactions under ways and means advances and overdraft

#Actual figure is ₹0.21 crore

The most significant change that occurred during 2015-16 as compared to the previous year is the quantum jump in the amount received as Shares of Union Taxes/ Duties. As recommended by the 14th Finance Commission (14th FC), the States' share in the net proceeds of the Union tax revenues has been increased to 42 *per cent* as compared to 32 *per cent* recommended by the 13th Finance Commission. This had resulted in steep increase in the Revenue Receipts by ₹ 23218 crore (26.84 *per cent*) over that of the previous year. Revenue Expenditure registered an increase of ₹ 15175 crore (14.64 *per cent*) over the previous year. Consequently, the Revenue Deficit (₹ 9095 crore) came down by 47 *per cent* from the previous year's level of ₹ 17138 crore. However, it was still higher than the Post-devolution Revenue Deficit (₹ 8449 crore), as projected by the 14th FC.

⁶Cash balance includes i) Cash in Treasuries and Local Remittances, ii) Departmental Balances, iii) Permanent Imprest, iv) Cash Balance Investments, v) Deposit with RBI and vi) Investments from Earmarked Funds.

Some other financial parameters showing significant variations during 2015-16 over those of 2014-15 are discussed below:

- During 2015-16, the Capital Outlay grew at a lower rate of 25.72 *per cent* as against the growth rate of 42.61 *per cent* posted during the previous year.
- As a result of the jump in the share of central taxes/ duties, share of Own Tax Revenue in the Revenue Receipts decreased to 38.72 *per cent* from 45.56 *per cent* during the previous year.
- Grants-in-Aid as a percentage of the Revenue Receipts increased to 25.71 *per cent* from 24.13 *per cent* last year. This was attributable to Post-devolution Revenue Deficit Grant (₹ 8449 crore) provided to the State during the year following the recommendation of the 14th FC.
- Public debt repayments decreased by ₹ 3260 crore (26.50 *per cent*) over the previous year due to decrease in repayment of market borrowings by 56.95 *per cent*.
- Market borrowings formed 68.47 *per cent* of the total public debt receipts while special securities issued to NSSF of the GoI formed 25.24 *per cent*.
- Cash balance position increased by ₹ 4886 crore (44.59 *per cent*) over the previous year due to increase in year-end cash balance investment by ₹ 4128 crore.

1.1.2 Review of the fiscal situation

As per the West Bengal Fiscal Responsibility and Budget Management (WBFRBM) Act, 2010, enacted in July 2010 and amended thereafter, the State Government was required to bring out the following fiscal documents in prescribed *pro forma* and table the same along with the Budget before the Legislative Assembly:

- Medium-Term Fiscal Policy Statement (MTFPS);
- Fiscal Policy Strategy Statement (FPSS);
- Documents in the nature of Budget in brief, containing separate statements on indicators of fiscal situation, components of State Government's liabilities and interest *i.e.* cost of borrowing, guarantees given by the State, Guarantee Redemption Fund, Statement of Assets, etc.

The fifth MTFPS and FPSS were presented before the Legislature along with the Budget for the year 2016-17 in June 2016.

The 14th FC has made a set of recommendations for enabling State Governments to meet fiscal targets as per FRBM guidelines. In accordance with the recommendations, FRBM Act was to be amended to provide a statutory flexible limit on fiscal deficit and ceiling on the sanction of new capital works to an appropriate multiple of the annual budget provision. However, as of September 2016, no such amendment was made in the Act in the State.

Major fiscal variables provided in the budget, based on the recommendations of the 14th FC along with the actuals for 2015-16 are depicted in **Table 1.3**.

Table 1.3: Targets for major fiscal variables (in per cent)

Fiscal variables	2015-16			
	14th FC targets for the State	Targets proposed in the Budget	Projections made in Five Year Fiscal plan/MTFP**	Actuals for 2015-16
Revenue Deficit/GSDP	Nil	Nil	1.03	0.87
Fiscal Deficit/GSDP	3.00	1.70	2.68	2.01
Ratio of total Outstanding Debt of the Government to GSDP	37.42	31.86	32.46	29.43

Source: 14th FC Report, WBFRBM Act, Budget Publication 2015-16 and MTFPS

**In the MTFP, RE figures for 2015-16 were mentioned

Thus, the fiscal targets prescribed for 2015-16 in the MTFPS have been achieved by the State; however targets set by the 14th FC in respect of the ratios of Revenue Deficit to GSDP and the Fiscal Deficit to GSDP were not met (**Table 1.3**).

Disclosures regarding major works and contracts, committed liabilities in respect of land acquisition charges, unpaid bills on works and supplies, statement of assets, etc., as prescribed in the WBFRBM Act, 2010, were not given in the MTFPS, thereby affecting transparency in fiscal operations of the State Government.

1.1.3 Budget Estimates vis-à-vis Actuals

Budget papers presented by the State Government provide projections or estimations of receipts and expenditure for a particular fiscal year. The deviations from budget estimates are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, some within and some beyond the control of the Government.

Budget estimates vis-à-vis actuals for the major fiscal variables for the year 2015-16 are depicted in **Appendix 1.5** and in **Table 1.4**.

Table 1.4: Budget estimate vis-a-vis actuals during 2015-16

Particulars	Budget Estimates	Actuals	Percentage variations
	₹ in crore		
Revenue Receipts	113100	109732	(-) 2.98
Tax Revenue	46497	42492	(-) 8.61
Land Revenue	3032	2456	(-) 19.00
Taxes on Sales, Trade etc.	29116	26050	(-) 10.53
Goods and Passenger	976	838	(-) 14.14
Stamps and Registration Fees	4598	4175	(-) 9.20
Tax on Vehicles	1590	1707	7.36
Non-Tax Revenue	2380	1862	(-) 21.76
Interest Receipts	1153	335	(-) 70.95
Revenue Expenditure	113100	118827	5.06
Rural Development	9806	15451	57.57
Social Welfare and Nutrition	8163	10916	33.73
Irrigation and Flood Control	1053	945	(-) 10.26
Energy	714	1066	49.30
Capital Outlay	15628	12420	(-) 20.53
Revenue Deficit (-)/Surplus(+)	-	(-) 9095	-
Fiscal Deficit(-)/Surplus(+)	(-) 15982	(-) 20891	30.72
Primary Deficit(-)/Surplus(+)	7691	2224	(-)71.08

Source: Budget publications and Finance Accounts

The following new initiatives were proposed in the budget for the year 2015- 16:

- Providing bicycles to students of Class-IX to Class-XII to prevent students' dropout after Class-VIII.
- Enhancement of annual scholarship amount from ₹ 500 to ₹ 750 under the *Kanyashree Prakalpa*.
- Covering all unorganized workers under various Social Security Schemes.
- Providing pension, health assistance, maternity and death benefits to transport workers under Social Security Package.

In order to fund the increased expenditure, following changes in tax proposals were made to raise State's own tax revenue:

- Amnesty scheme enabling unregistered dealers to obtain registration upon payment of reduced tax without interest and penalty against their self-declared turnovers for previous periods.
- Settlement of disputes pending for appeal/revision as on 31 January 2015 enabling dealers to discharge their past liabilities by paying a fixed percentage of past dues with full waiver of interest.
- Transferring all backlog cases pending with the Appellate and Revisional Board with demand upto ₹ 1 crore to Fast Track Administrative Authority thereby reducing litigation.
- Reducing Stamp Duty to six *per cent* from seven *per cent* on properties having market value up to ₹ 40 lakh.

Shortfall in actual receipts under the tax revenue over the budgetary estimates by ₹ 4005 crore was primarily due to short collections in taxes on Sales, Trade, etc. (by ₹ 3066 crore), Land Revenue (by ₹ 576 crore), Stamps and Registration Fees (by ₹ 423 crore). Non-tax revenue was also lower by ₹ 518 crore over the budgetary estimates due to inappropriate provisioning of ₹ 472 crore on account of interest relief on NSSF beyond the 13th FC award period (2010-15).

Revenue Expenditure surpassed the budgetary estimates by ₹ 5727 crore mainly due to higher expenditure on Rural Development by ₹ 5645 crore.

Capital outlay fell short of the budgetary estimates by ₹ 3208 crore due to shortfalls in allocation for Agriculture and Allied activities (by 36.87 *per cent*) followed by Irrigation and Flood Control (by 34.95 *per cent*) in economic services and Education, Sports, Art and Culture (by 26.95 *per cent*) under social services.

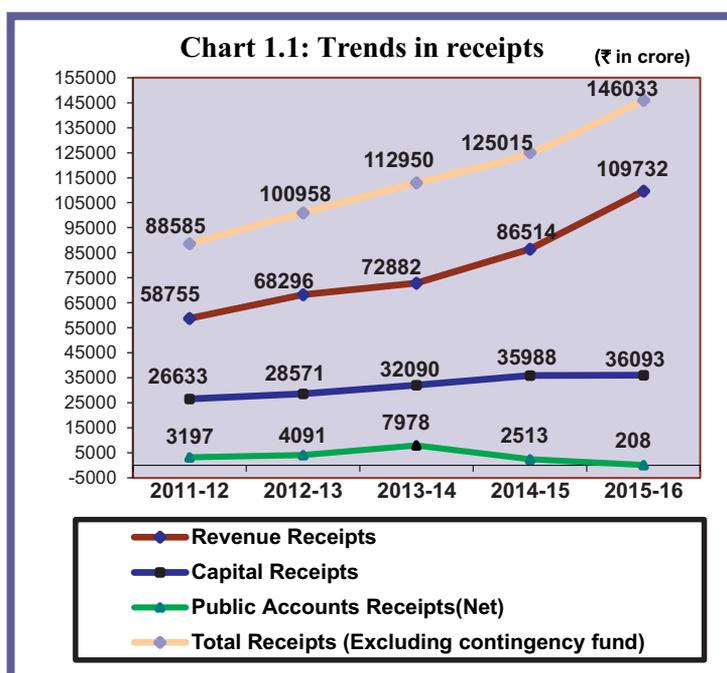
1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenue, non-tax revenue, State's share of union taxes and duties as well as grants received from the GoI. Capital Receipts comprise debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks), loans and advances from GoI and miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances. **Table 1.2** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.1** depicts the trends in various components of the

receipts of the State during the years 2011-16.

Total receipts (including net Public Account receipts) of the State grew at a CAGR of 13.31 per cent during the period 2011-12 to 2015-16. Increase of receipts in 2015-16 over the previous year was by ₹ 21018 crore (16.81 per cent excluding Contingency Fund Receipts).



Source: Finance Accounts

Revenue receipts grew at a CAGR⁷ of 16.90 per cent while capital receipts grew at a CAGR of 7.89 per cent during 2011-12 to 2015-16. The share of revenue receipts in total receipts varied between 64.52 per cent and 75.14 per cent during 2011-16 (75.14 per cent during 2015-16). The share of capital receipts in total receipts fluctuated between 24.71 per cent and 30.06 per cent during the last five years and accounted for close to 25 per cent of total receipts during 2015-16.

1.3 Revenue Receipts

The trends and composition of revenue receipts over the period 2011-16 are presented in **Appendix 1.6** and also depicted in **Charts 1.2** and **1.3**, respectively.

⁷Linear compounded annual growth rates have been used as a proxy for CAGR.

Chart 1.2 : Trends in Revenue Receipts during 2011-16

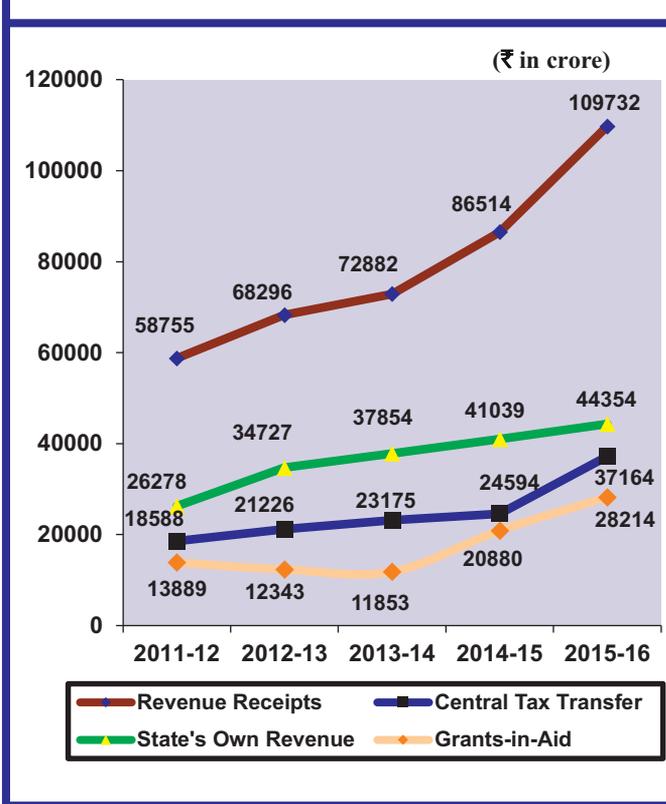
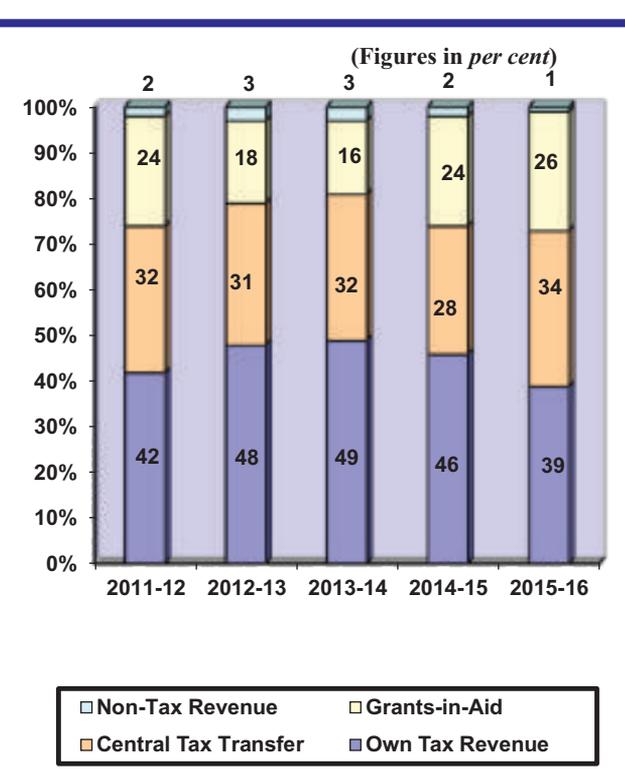


Chart 1.3 : Composition of Receipts during 2011-16



Source: Finance Accounts

Revenue Receipts have shown progressive increases during 2011-16. The increase in revenue receipts during the current year (₹ 23218 crore) over that of the previous year was due to the net effect of increase in State's share of Central taxes by 51.10 per cent (₹ 12569 crore) followed by Grants from GoI by 35.12 per cent (₹ 7334 crore) and State's Own Revenue by 8.08 per cent (₹ 3315 crore).

The trend in revenue receipts relative to GSDP is presented in Table 1.5:

Table 1.5: Trends in Revenue Receipts relative to GSDP

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Receipts (RR) (₹ in crore)	58755	68296	72882	86514	109732
Rate of growth of RR (per cent)	24.31	16.24	6.71	18.70	26.84
State's Own Tax Revenue (₹ in crore)	24938	32809	35831	39412	42492
Rate of growth of State's Own Tax Revenue (per cent)	18.03	31.56	9.21	9.99	7.81
RR/GSDP (per cent)	11.12	11.32	10.32	10.80	10.55
Buoyancy Ratios					
Revenue Receipts Buoyancy w.r.t. GSDP	1.21	1.09	0.35	1.22	1.42
State's Own Tax Buoyancy w.r.t. GSDP	0.89	2.11	0.48	0.65	0.41
Revenue Receipts Buoyancy w.r.t. State's own taxes	1.35	0.51	0.73	1.87	3.43

Source: Finance Accounts

The share of revenue receipts in GSDP came down marginally to 10.55 per cent from 10.80 per cent during 2014-15 due to slower growth rate of State's own tax revenues. The growth rate of revenue receipts (26.84 per cent) during the

current year was higher than the growth rate during 2014-15 (18.70 per cent) due to higher allocation of central taxes and Grants-in-Aid.

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. and the State's performance in mobilization of resources was assessed in terms of its own resources comprising own tax and non-tax sources. The gross collection in respect of major taxes and duties as well as collection under non-tax receipts are given in *Appendix-1.6*.

The State's actual tax and non-tax revenue for the year 2015-16 *vis-à-vis* assessment made by the 14th FC and MTFPS (2015-16) are given in **Table 1.6** :

Table 1.6: Actual Tax and Non-Tax Revenue *vis-à-vis* projections (₹ in crore)

	14 th FC projection	Budget estimates	MTFP projection ⁸	Actual
Own Tax Revenue	53963	46497	42920	42492
Non-Tax Revenue	3792	2380	2142	1862

(Source: 14thFC Report, Budget Publication 2015-16, MTFPS and Finance Accounts)

Table 1.6 shows that the actual realization of tax revenue was lower than the normative assessment of the 14th FC (by 21.26 per cent) as well as projections made in the Budget (by 8.61 per cent) and MTFP (by one per cent). The non-tax revenue of the Government also fell short of the normative assessment of the 14th FC (by 50.90 per cent) and targets set both in the budget (by 21.76 per cent) and MTFP projection (by 13.07 per cent).

During 2015-16, State's own aggregate revenue (₹ 44354 crore) was lower than the projection of 14th FC (₹ 57755 crore), Budget estimation (₹ 48877 crore) and MTFP projection (₹ 45062 crore).

1.3.1.1 Tax Revenue

Own tax revenue registered a growth of 7.81 per cent in 2015-16 over the previous year due to increases in Taxes on Vehicles (13 per cent), State excise (12 per cent), taxes/VAT on sales, trades, etc. (eight per cent), Land Revenue (eight per cent), Taxes and Duties on Electricity (seven per cent) and was partially offset by decreases under Stamp Duty and Registration Fees (one per cent) and Taxes on Goods and Passengers (two per cent).

The gross collection in respect of major taxes and duties for the period 2011-16 is given in **Table 1.7**.

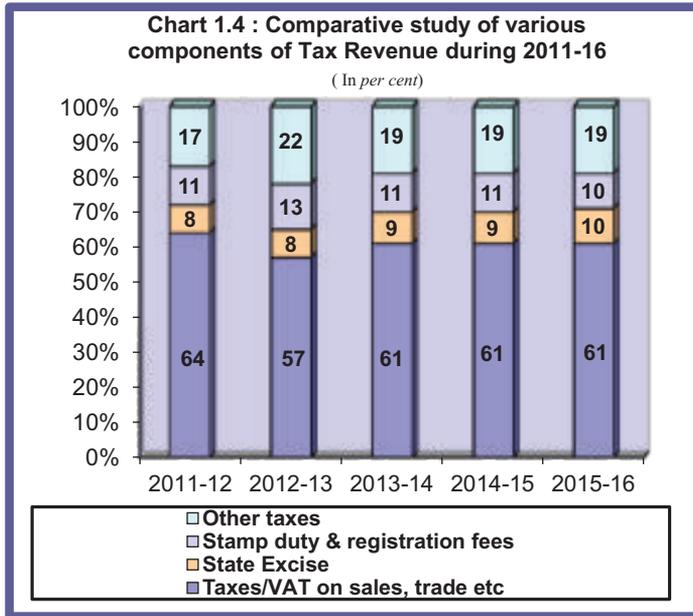
Table 1.7: Components of State's own tax revenue (₹ in crore)

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16	CAGR
Taxes/VAT on Sales, Trade etc	15888	18555	21931	24022	26050	13.16
Stamp Duty and Registration Fees	2732	4357	4053	4196	4175	11.18
State Excise	2117	2621	3018	3587	4015	17.35
Land Revenue	1872	2024	2254	2276	2456	7.02
Taxes on Vehicles	1007	1222	1351	1505	1707	14.10
Taxes on Goods and Passengers	(-1)	1284	1000	859	838	-
Taxes and Duties on Electricity	408	1837	1213	1947	2092	50.48
Other taxes	915	909	1011	1020	1159	6.09
Total	24938	32809	35831	39412	42492	14.25

Source: Finance Accounts

⁸ In the MTFPS, RE figures for 2015-16 were mentioned

Increase in taxes/VAT on sales, trades, etc. was mainly due to adoption of various measures taken under WBVAT Act, 2003, viz. simplifying VAT registration process, anti-evasion exercise through electronic mode, integrated tax monitoring, enhancement of tax rates for cigarettes exceeding 60 mm length and higher interest rates for delayed payment of VAT. Increase in receipts under the State Excise was attributable to higher receipts from foreign liquors and country spirits, while higher receipts under State Motor Vehicles Taxation Act led to higher receipts under taxes on vehicles.



Source: Finance Accounts

Note-Other taxes also include Land revenue, taxes on vehicles, goods and passenger and, Taxes and duties on electricity

1.3.1.2 Non-Tax Revenue

Table 1.8: Components of Non-Tax Revenue

(₹ in crore)

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage increase over previous year
Interest receipts	292 (21.79)	934(48.70)	986(48.74)	277(17.02)	335(17.99)	20.94
Dividends and Profit	1(0.07)	2 (0.10)	8(0.40)	6(0.37)	12(0.65)	100.00
Other non-tax receipts	1047 (78.14)	982 (51.20)	1029(50.86)	1344(82.61)	1515(81.36)	12.72
Total	1340	1918	2023	1627	1862	

Source: Finance Accounts

Figures in brackets indicate the share of the components.

Non-Tax revenue was 1.70 per cent of the revenue receipts during 2015-16. As indicated in **Table 1.8**, Non-Tax Revenue grew by ₹ 235 crore (14.44 per cent) over the previous year due to increase in collection of rents and royalties from mining and metallurgical industries (₹ 246 crore), election receipts (₹ 103 crore) and contribution of interest from investment of surplus cash balances under treasury bills (₹ 36 crore), which was partly offset by a fall in collection on account of contributions and recoveries towards pension and other retirement benefits (₹ 316 crore).

Against the 14th FC projection of ₹ 3792 crore during 2015-16, non-tax revenue was short by 50.90 per cent.

Inflated non-tax receipts

During 2015-16 it was observed that disregarding the provision⁹ contained in the General Directions to the list of major and minor heads of accounts, ₹ 41 crore being recoveries of overpayments in seven Major heads were booked as revenue receipts instead of reduction of expenditure under the concerned Service heads. This resulted in overstatement of other non-tax receipts by ₹ 41 crore.

Interest receipts include book adjustment of ₹ 87 crore receivable from various Irrigation, Navigation and Multipurpose river projects considering them as departmental commercial undertakings (DCU), though neither those units met the criteria of DCU as per Indian Government Accounting Standard (IGAS)-4, nor had the same been declared as DCU by the State. This inflated the interest receipts by ₹ 87 crore.

1.3.2 Grants-in-aid from Government of India

The trend of release of grants-in-aid by GoI under non-plan, State plan, centrally sponsored and central plan schemes is shown in **Table 1.9**.

Table 1.9: Components of Grants-in-aid

Particulars	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Non-Plan Grants	3537	4032	3790	3271	11753
Grants for State Plan Schemes	6529	5004	4149	17250	14997
Grants for Central Plan Schemes	203	150	187	365	1464
Grants for Centrally Sponsored Schemes	3620	3157	3727	(-) 6	-
Grants for Special Plan Schemes	-	-	-	-	-
Total	13889	12343	11853	20880	28214
Percentage of increase over previous year	78.06	(-) 11.13	(-) 3.96	76.16	35.12
Total grants as a percentage of Revenue Receipts	23.64	18.07	16.26	24.13	25.71

Source: Finance Accounts

During the year, Grants-in-aid from GoI increased by ₹ 7334 crore over the previous year, mainly under increase in non-plan grants (₹ 8482 crore) and grants for central plan schemes (₹ 1099 crore) and was partially *offset* by decrease under grants for State Plan schemes (₹ 2253 crore). Increases under non-plan grants and central plan grants were mainly due to release of Post-Devolution Revenue Deficit Grants (₹ 8449 crore) and special central assistance under BRGF¹⁰ (₹ 837 crore) respectively.

Consequent to the adoption of the Report of the Sub-Group of Chief Ministers on rationalization of Centrally Sponsored Schemes (CSS) constituted by NITI Aayog (October 2015), funding pattern of CASP¹¹ schemes was changed to 60:40 between the Centre and the State with effect from 2015-16. As a result, aggregate share for State Plan scheme was reduced by ₹ 2253 crore (13.06 *per cent*). Some core¹² schemes, central shares under which were significantly dropped under the new arrangement, included (a) Indira Awas Yojana (by ₹ 382 crore), (b) Mid-Day Meal (by ₹ 336 crore), (c) National Rural Drinking Water Programme (by ₹ 223 crore) and (d) Integrated Child Development Services (by ₹ 213 crore).

⁹ Para 3.10 in the General Directions to the list of major and minor heads of accounts stipulate that recoveries of overpayments were to be booked as reduction of expenditure under the concerned Service Heads.

¹⁰ Backward Region Grant Fund

¹¹ Central Assistance for State Plan

¹² Schemes which form part of the National Development Agenda

1.3.3 Central Tax Transfers

Under the recommendations of the 14th FC, share of all states in the divisible pool of central taxes and duties was increased to 42 *per cent* with effect from 2015-16 from 32 *per cent* recommended by the 13th FC.

There was an increase in central tax transfers by 51.10 *per cent* from ₹ 24595 crore in the last year (2014-15) of the 13th FC award to ₹ 37164 crore in the first year (2015-16) of the 14th FC award. The quantum jump was mainly on account of increase in share of net proceeds under corporation tax by 36.26 *per cent* (₹ 3114 crore), Service Tax by 76.33 *per cent* (₹ 2768 crore), Union Excise Duties by 120.75 *per cent* (₹ 2712 crore), Taxes on Income other than corporation tax by 32.54 *per cent* (₹ 1995 crore) and Customs Duty by 49.61 *per cent* (₹ 1973 crore).

1.3.4 Optimisation of the 14th FC grants

The status on utilisation of 14th FC grants allocated during 2015-16 is depicted in **Table 1.10**.

Table 1.10: Status on utilisation of 14th FC grants (₹ in crore)

Sl. No.	Transfer	Recommendation of the FC (Allocation for 2015-16)	Actual release by GoI	Expenditure ¹³	Unutilised amount ¹⁴
(A)	(B)	(C)	(D)	(E)	(D-E)
	Local Bodies	2169	1054	1042	12
1	Grants to PRIs	637	319	319	-
	Grants to ULBs	1532	735	723	12
2	Grants for Disaster Relief	387	387		
3	Post Devolution Revenue Deficit Grants	8449	8449		
	Total	11005	9890		

Source: 14th FC Report and departmental figures

(1) Failure to avail of 14th FC grants

As per recommendation of the 14th FC, release of second instalment of local bodies grant was binding upon receipt of the utilization certificate for the first instalment from the duly constituted Gram Panchayats and Municipalities.

Records of Finance Department showed (August 2016) that GoWB did not receive second instalments (₹ 1115 crore) of basic grants during 2015-16 as UCs for first instalment¹⁵ were not submitted in time. UCs for Rural Local Bodies (RLBs) and Urban Local Bodies (ULBs) were submitted in April 2016 and September 2016, respectively.

(2) Non release of grants to Rural Local Bodies

14th FC had recommended that basic grants would be distributed to the duly constituted Panchayats (RLBs) and Municipalities (ULBs).

¹³As per UCs received

¹⁴As deduced from UCs not received

¹⁵Received by RLBs (₹ 723.37 crore) and ULBs (₹ 318.61 crore) in August 2015

It was observed that the State did not release ₹ 12 crore to 112 Gram Panchayats under the control of GTA¹⁶, Darjeeling district since election for those bodies had not been held.

(3) Avoidable payment of interest

14th FC had recommended that the State should release the grants to the Gram Panchayats and Municipalities within 15 days of it being credited to State Government's account by the Union Government. Any delay in release of grants would attract payment of additional interest at the bank rate¹⁷ of RBI.

Audit observed that basic grants of ₹ 1042 crore (99 per cent of the GoI release) were released to Local Bodies with delays ranging between 95 and 182 days beyond the stipulated time frame (**Appendix 1.7**). Due to this delay, GoWB had to pay interest of ₹ 29 crore.

(4) Pending interest payment

As per the recommendation of 14th FC, the State Disaster Response Fund (SDRF) is shared by union and state in the ratio of 75:25. The State, along with its own share, was to transfer the fund in the Public Account within 15 days of receipt of GoI share as per the SDRF guideline. Any delay in release of fund beyond the permissible period would attract payment of interest at the bank rate of RBI.

Audit observed that the State transferred the GoI share (₹193.50 crore) in two phases with delays ranging between 12 and 156 days beyond the permissible period. However, till August 2016, GoWB did not pay ₹ 3 crore¹⁸ as interest for the periods of delay.

(5) Post Devolution Revenue Deficit Grant

Desisting from recommending specific purpose grants, 14th FC had recommended Revenue Deficit Grant (₹ 8449 crore) to West Bengal during the year 2015-16 to meet the deficits of the state.

It was observed (September 2016) that the grants were in the nature of untied funds, utilized in all sectors to augment the state exchequer.

1.4 Capital Receipts

The trends in growth and composition of capital receipts for the period 2011-16 are depicted in **Table 1.11**.

Table 1.11: Trends in growth and composition of capital receipts

Sources of State's Receipts	2011-12	2012-13	2013-14	2014-15	2015-16
Capital Receipts (CR)	26633	28571	32090	35988	36093
Misc. Capital Receipts	Nil	Nil	Nil	Nil	653
Recovery of Loans and Advances	78	280	1158	176	832
Public Debt Receipts ¹⁹	26555	28291	30932	35812	34608
<i>of which Market Loans</i>	23591	23006	24676	25192	23697
Rate of growth of Public Debt Receipts	9.76	6.54	9.34	15.78	(-) 3.36
Rate of growth of GSDP	20.16	14.95	19.13	15.36	18.84

Source: Finance Accounts

¹⁶ Gorkha Territorial Administration

¹⁷ The rate at which RBI lends money to commercial banks

¹⁸ Interest of ₹0.21 crore (for 12 days' delay in release of ₹96.75 crore) plus Interest of ₹2.79 crore (for 156 days' delay in release of ₹96.75 crore)

¹⁹ Excluding Ways and means advances from RBI

During 2015-16, capital receipts increased by 0.29 *per cent* over the previous year. This was mainly on account of increase in Special Securities issued to NSSF by ₹ 1026 crore, recovery of loans and advances by ₹ 656 crore over the previous year and disinvestment owing to Government's Equity holdings (₹ 653 crore) during the year, which was partly *offset* due to short receipt of market loans by ₹ 1495 crore and loans from GoI by ₹ 704 crore.

Inflated capital receipts

As per Indian government Financial Reporting Standard-3 and Generally Accepted Accounting Principles followed in India, receipts on account of disinvestment of Government's equity holding in PSU should be recognised only when the Government entity's right to receive payment is established.

In order to facilitate restructuring of Haldia Petrochemicals Limited (HPL), WBIDCL, a state PSU, disinvested its holding of 260 million shares of HPL during 2015-16 and deposited ₹ 653 crore into the Government accounts as disinvestment proceeds. It was seen from the Annual Report of HPL and audited balance sheet of WBIDCL that WBIDCL had held 675 million equity shares (40 *per cent* of total paid up share capital of HPL) and State Government had no equity holding in HPL. Moreover, though required under para 25 of Accounting Standard – 13, the accounts of WBIDCL did not disclose any restriction on right of ownership, realisability of investments or remittance of income and proceeds upon disposal of HPL's share by WBIDCL. Hence, the disinvestment proceeds were legitimate receipts of WBIDCL. State Government, in contravention of the accounting postulates, created budgetary provision for accounting of disinvestment proceeds and included this as its own capital receipts, though it was legitimate receipt of WBIDCL, not that of State Government.

State Government's decision to create budgetary provision for accounting disinvestment proceeds of HPL as its capital receipts without establishing its rights to receive the same led to overstatement of capital receipts and understatement Fiscal Deficit by ₹ 653 crore.

1.5 Net Public Account Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. Here the Government acts as a banker. The net accrual to the Public Account is available with the Government for partly financing the fiscal deficit. The trends and composition in net Public Account receipts for the period 2011-16 are depicted in **Table 1.12**.

Table 1.12: Trends and composition of Net Public Account Receipts

Resources under various heads	2011-12	2012-13	2013-14	2014-15	2015-16
(₹ in crore)					
Public Account Receipts					
a. Small Savings, Provident Fund, etc.	1032	945	841	1007	741
b. Reserve Fund	1296	533	1189	1268	(-) 1037
c. Deposits and Advances	1367	2944	2627	1173	3416
d. Suspense and Miscellaneous	(-) 823	(-) 559	2928	(-) 1107	(-) 1177
e. Remittances	325	228	393	172	(-) 1735
Total	3197	4091	7978	2513	208

Source: Finance Accounts

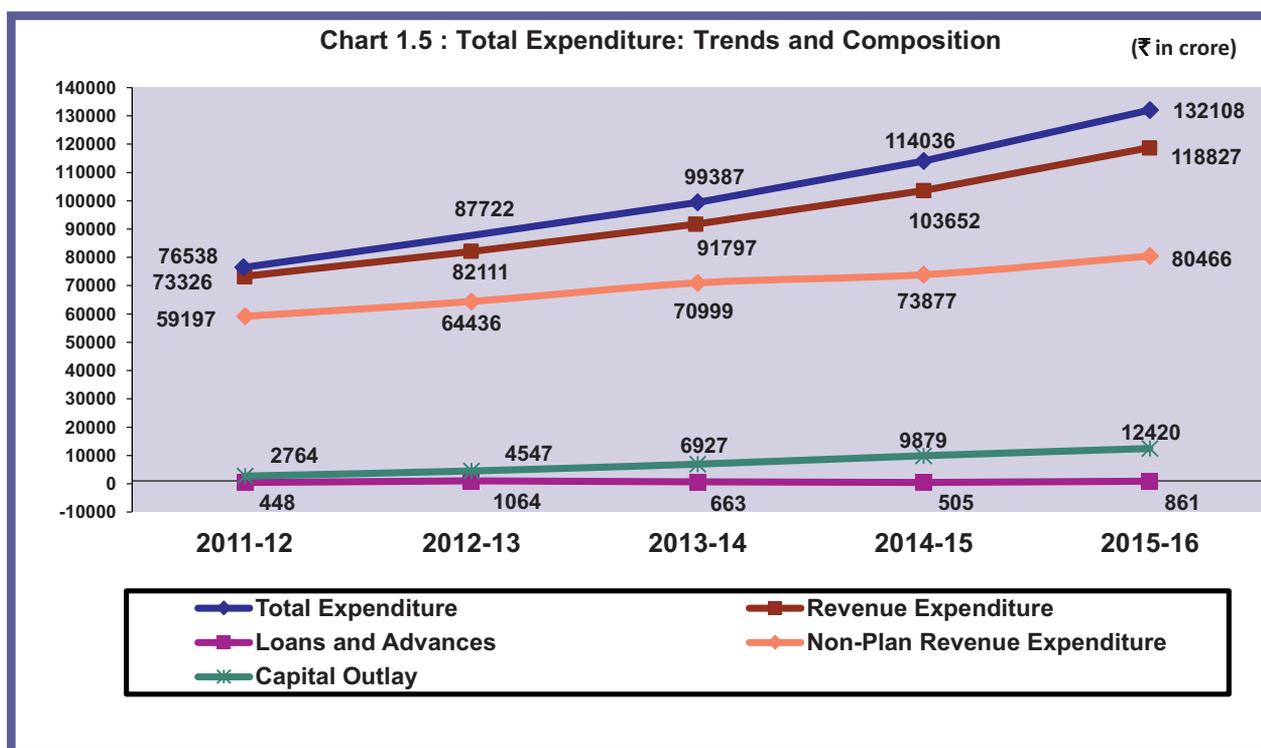
The table above shows a declining trend in the Net Public Account Receipts during the period 2013-14 to 2015-16. During 2015-16 it declined by ₹ 2305 crore over the previous year.

1.6 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted to the Government. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings.

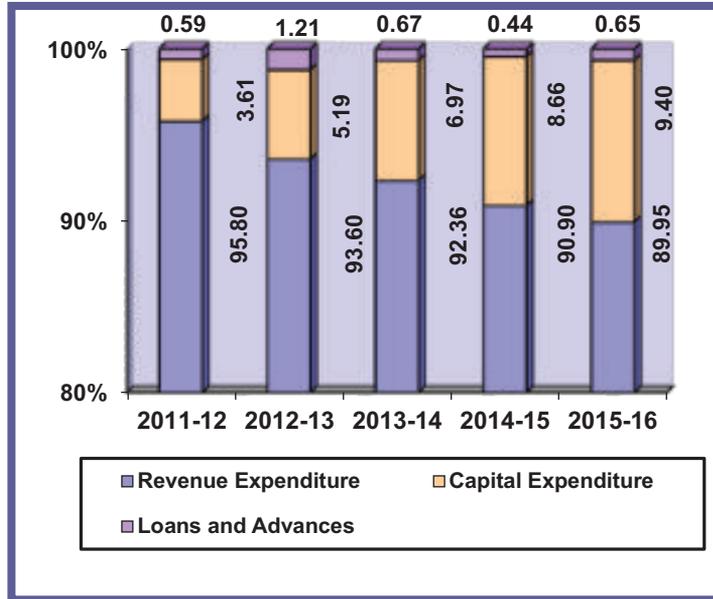
1.6.1 Growth and composition of expenditure

Chart 1.5 presents the trends in total expenditure over the period 2011-16. The composition of total and sectoral expenditure are depicted in **Charts 1.6** and **1.7**, respectively.



Source: Finance Accounts

Chart 1.6 : Total Expenditure: Trends in share of its components (in per cent)

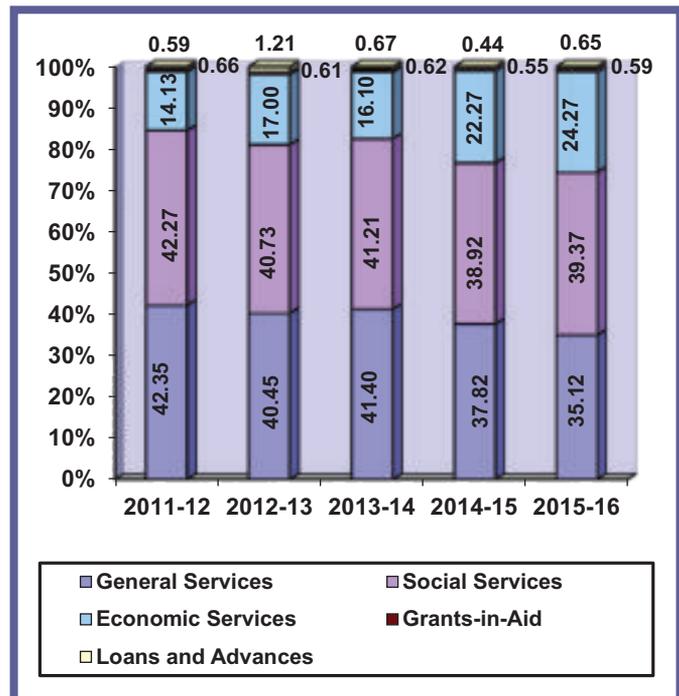


Source: Finance Accounts

Total expenditure²⁰ during 2015 -16 increased by ₹ 18072 crore (15.85 per cent) over the previous year mainly due to increases in (i) plan revenue expenditure by ₹ 8586 crore (28.84 per cent); (ii) non-plan revenue expenditure by ₹ 6589 crore (8.92 per cent) and (iii) capital outlay by ₹ 2541 crore (25.72 per cent).

Chart 1.7 : Total Expenditure : Trends by activities (in per cent)

In terms of activities, total expenditure is composed of expenditure on general services (which includes interest payments, payment of pensions and other retirement benefits as its major components), social and economic services, grants-in-aid and loans and advances.



Source: Finance Accounts

The share of expenditure on Economic Services registered 10 per cent growth during 2015-16 over 2011-12 while the share on General and Social Services declined by almost seven and three per cent, respectively.

²⁰Total expenditure shown here does not include repayment of public debt

Capital Outlays

Capital Expenditure (₹ 12420 crore) during 2015-16 increased by 25.72 per cent over the previous year (₹ 9879 crore) and constituted 9.40 per cent of Total Expenditure. This increase was mainly on infrastructure in Medical and Public Health (₹ 774 crore), Power projects (₹ 727 crore), Roads and Bridges (₹ 709 crore) and was partly offset by decrease under capital outlay on Urban Development (₹ 198 crore), Irrigation and Flood Control projects (₹ 174 crore).

Assistance of Grants-in-Aid nature booked under capital outlay

In respect of housing scheme 'Gitanjali' for economically weaker sections of society, State Government incurred expenditure during 2015-16. The guidelines of these schemes stipulated that for construction of dwelling houses, no contractor/middleman should be engaged and the work should not be executed departmentally by the Local Bodies. Instead, beneficiaries were required to construct their own houses. The dwelling houses so constructed were to be in the name of the beneficiaries with ownerships vested in them.

Government incurred ₹ 564 crore by way of grants for these schemes under Capital heads of accounts²¹, in violation of the Government Accounting Rule, 1990²², and thus inflated the capital outlay to that extent.

Assistance of grants for creation of capital assets booked under capital outlay

As per Electricity Act 2003 and Regulations made thereunder, only a licensee approved by WBERC²³ can undertake distribution of electricity and all facilities like line, infrastructure etc. from the sub-station to the metering point of the consumer and those are treated as distribution asset of the licensee. Again, as per IGAS-2, expenditure on Grants-in-Aid for the purpose of creating assets should not be debited to a capital head of account.

Government released ₹ 724 crore to WBSEDCL²⁴ (an approved licensee) for the scheme 'Sabar Ghare Alo' from BRGF. The scheme envisaged construction of sub-stations, drawing of line from distribution sub-station to the supply point and service connection to consumer. The funds were received from GoI as Grants-in-Aid and released to WBSEDCL for creation of its distribution assets but the amount was budgeted and accounted for under Capital heads of accounts²⁵ departing from the provisions of GAR and IGAS-2. As a result, capital outlay stands inflated by the same amount and revenue expenditure to the same extent deflated.

1.6.2 Revenue Expenditure

During the period 2011-12 to 2015-16, Revenue Expenditure increased at a CAGR of 12.83 per cent and was substantially higher during 2015-16

²¹ '4216-02-103-SP001-53', '4216-03-103-SP001-53' & '4216-03-789-SP001-53' in Grant number 28

²² As per Note below Rule 30(1), expenditure on temporary assets and expenditure on Grants-in-aid to Local Bodies/Institutions (for the purpose of creating assets which would belong to those Local Bodies/Institutions) cannot be classified as Capital Expenditure

²³ West Bengal Electricity Regulatory Commission

²⁴ West Bengal State Electricity Distribution Company Limited

²⁵ '4801-06-789', '4801-06-796' and 4801-06-800 in Grant number 43

(by 9.28 per cent) than the normative projections of 14th FC (₹ 108737 crore). Major areas of increased expenditure are discussed in the succeeding paragraphs.

1.6.3 Committed Expenditure

Committed Expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.13** presents the trends in the expenditure on these components during 2011-16.

Table 1.13: Components of Committed Expenditure (₹ in crore)

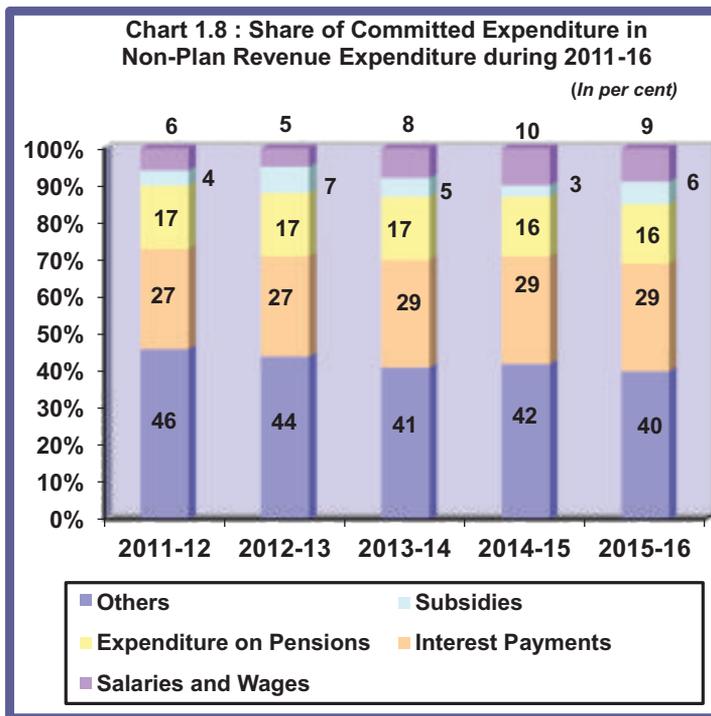
Components of Committed Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16	
					BE	Actuals
Salaries* & Wages, Of which	27031(46)	28342(41)	29309(40)	30984(36)	33693	31931(29)
Non-Plan Head	25537	26685	27678	29325		30235
Plan Head**	1494	1657	1631	1659		1696
Interest Payments	15896(27)	17571(26)	20757 (28)	21588(25)	23673	23115(21)
Expenditure on Pensions	10066(17)	11036(16)	11638 (16)	12128(14)	13825	12860(12)
Subsidies	2564(4)	4404(6)	3437(5)	1909(2)	2408	5098(5)
Total	55557	61353	65141	66609	73599	73004

Source: Finance Accounts, Voucher Level Computerisation by A.G. (A&E) and Budget Publications

Figures in the parentheses indicate percentage to revenue receipts

* It also includes the salaries paid out of grants-in-aid

**Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes



Source: Finance Accounts

Expenditure on salaries and wages

Expenditure on salaries and wages (₹ 31931 crore) grew at a CAGR of 4.25 per cent during 2011-16 and constituted 29.10 per cent of the revenue

receipts during the current year. During 2015-16, it was less than the budgetary estimates (₹ 33693 crore) by ₹ 1762 crore (5.23 per cent). Expenditure on salaries grew by 3.06 per cent (₹ 947 crore) over the previous year, mainly due to 5.03 per cent (₹ 141 crore) and 4.01 per cent (₹ 134 crore) growth in salaries for personnel of Health and Home Departments, respectively.

Pension payments

Expenditure on Pensions (₹ 12860 crore) grew at a CAGR of 6.32 per cent during 2011-16. It was, however, less than the budgetary estimates (₹ 13825 crore) by ₹ 965 crore (6.98 per cent) in 2015-16. Expenditure on pensions constituted 11.72 per cent of the revenue receipts and 10.82 per cent of the revenue expenditure during the current year. The State did not introduce the New Pension Scheme despite recommendation of both 13th and 14th FCs.

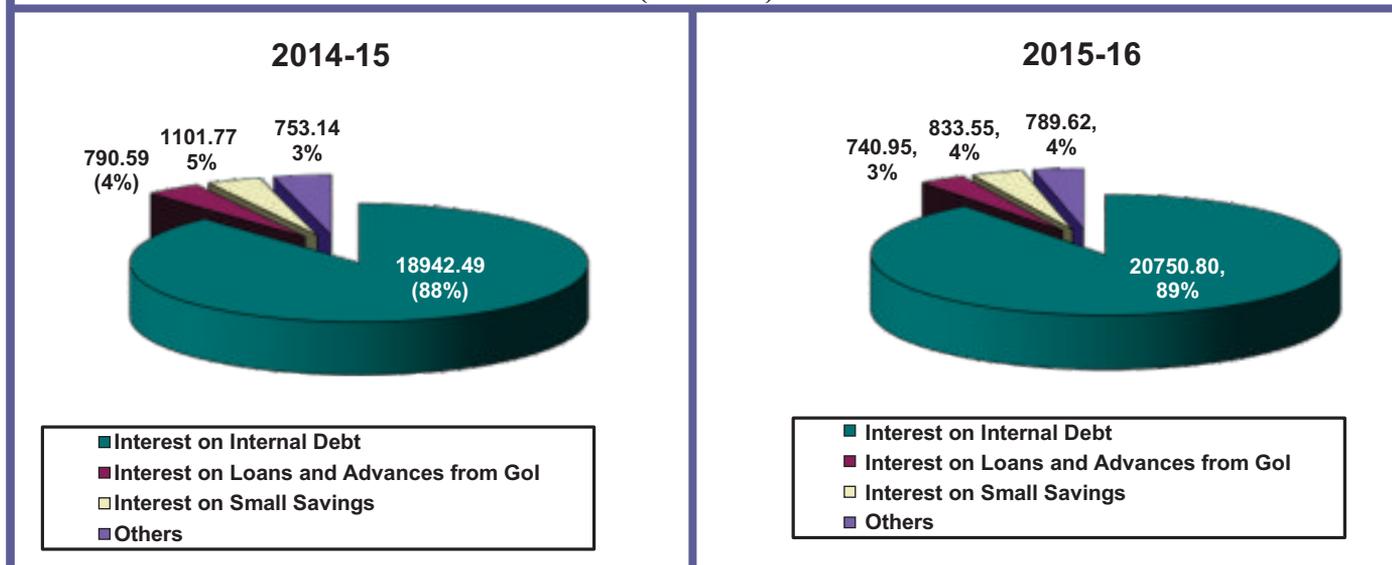
The expenditure on pension during 2015-16 was less than the 14th FC projection (₹ 14925 crore) by 13.84 per cent.

Interest payments

Expenditure on Interest Payments (₹ 23115 crore) grew at a CAGR of 9.81 per cent during 2011-16. It constituted 54.40 per cent of the Tax Revenue during 2015-16 and its proportion in the revenue expenditure decreased to 19.45 per cent from 21.68 per cent during 2011-12. As depicted in **Chart 1.9**, interest on internal debt accounted for the major share of interest payments (90 per cent in 2015-16). Interest on market loans and interest on special securities issued to NSSF constituted 53.40 per cent and 34.85 per cent, respectively, of the interest payments during 2015-16.

Against the 14th FC projection of ₹ 23333 crore during 2015-16, actual expenditure incurred on interest payments was lower by 0.93 per cent.

Chart 1.9: Major components of interest payments during 2014-15 and 2015-16
(₹ in crore)



Source: Finance Accounts;

“Others” include interest on Loans from the Government of Japan, Asian Development Bank, Reserve Funds and interest on Deposits

Interest payment on market loans as percentage of revenue receipts is depicted in **Table 1.14** :

Table 1.14: Interest payment as percentage of Revenue Receipts

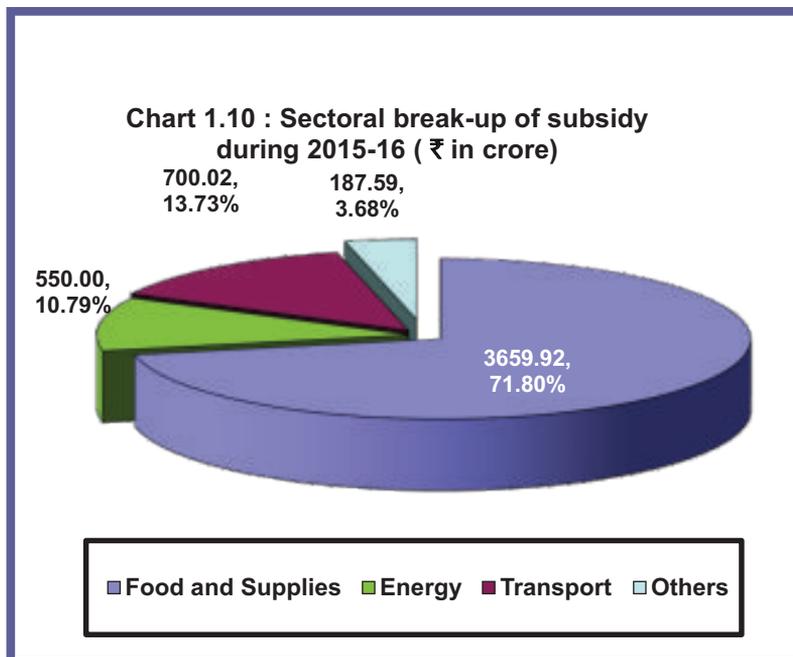
Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Interest payment on market loans (₹ in crore)	5839	7455	10345	10826	12347
Percentage of Revenue Receipts	10	11	14	13	11

Source: Finance Accounts

Payment of interest on market loans grew at a CAGR of 20.59 per cent during 2011-16. Interest payment increased by 4.65 per cent (₹ 481 crore) during 2014-15 and 14.05 per cent (₹ 1521 crore) during 2015-16 over the respective previous years.

Payment of subsidies

Expenditure on subsidies (₹ 5098 crore in 2015-16) grew at a CAGR of 18.75 per cent during the period 2011-16. The sectoral allocation of subsidies is depicted in Chart 1.10.



Source: Finance accounts

Payment of subsidy significantly increased by ₹ 3189 crore (167.05 per cent) over the previous year. Food & Supplies segment registered the highest increase by ₹ 2713 crore (286.69 per cent) due to (i) enhancement in State subsidy for supply of rice to the APL/BPL families in the TPDS²⁶ (₹ 2613 crore). In Power Sector, subsidy increased by ₹ 315 crore (133.78 per cent) over the previous year on account of higher subsidy to WBSEDCL in respect of power tariff for consumers.

Implicit subsidy

State Government incurred an expenditure of ₹ 1788 crore on implicit subsidy, which was booked as Grants-in-aid/Other charges. This includes:

- Procurement and distribution of bi-cycles to SC/ST/OBC/Minority and General Category Students (₹ 818 crore);
- Grant to Calcutta Municipal Corporation/Howrah Municipal Corporation for adjustment of Energy Bills of CESC Limited (₹ 690 crore);

²⁶ Targeted Public Distribution System

- Incentive for encouraging setting up of new enterprises and expansion of existing enterprises (₹ 167 crore);
- Electricity charges payable to WBSEDCL on account of Minor Irrigation Schemes (₹ 50 crore).

1.6.4 Financial assistance by State Government to local bodies and other institutions

Financial Assistance to Local Bodies and others

The quantum of assistance provided by way of grants-in-aid to local bodies and others during the current year relative to the previous years is presented below:

Table 1.15: Financial Assistance to Local Bodies/Institutions, etc.

Financial Assistance to Local Bodies/Institutions	2011-12	2012-13	2013-14	2014-15	2015-16
	(₹ i n c r o r e)				
Panchayati Raj Institutions (PRIs)	2670	5623	5672	12775	15153
Urban Local Bodies(ULBs)	2365	2500	2808	3960	3562
Public Sector Undertakings (PSUs)	67	89	97	64	72
Autonomous Bodies(ABs)	2332	2310	2772	1594	1787
Others	19334	17611	21817	25487	28886
Total	26768	28133	33166	43880	49460
Assistance as per percentage of Revenue Expenditure	37	34	36	42	42

Source: Finance Accounts

Table 1.15 indicates that during 2015-16, financial assistance to Local Bodies/Institutions over the previous year increased by ₹ 5580 crore (12.72 per cent). Major increase was recorded in respect of grants released to PRIs by ₹ 2378 crore (18.61 per cent) and Autonomous Bodies by ₹ 193 crore (12.11 per cent). The assistance to ULBs, however, decreased by ₹ 398 crore (10.05 per cent).

In grants for creation of capital assets to Local Bodies, Autonomous Bodies and other institutions, ₹ 3998 crore was paid during 2015-16 against ₹ 2094 crore during 2014-15.

Kolkata Metropolitan Development Authority (KMDA) is a statutory body formed under KMDA Act, 1972, for carrying out major infrastructure development in Kolkata Metropolitan Area. It is neither a Local Body/ Municipality nor an elected self-government in Kolkata Metropolitan area. Incorrect budget provision as Grants-in-aid to KMDA was made under “3604- Compensation and Assignments to Local Bodies and Panchayati Raj Institutions”. Expenditure incurred (₹ 343 crore) thereunder thus violated the guiding principles for classifications of expenditure in the accounts and led to excess exhibition of financial assistance to Local Bodies/ Institutions by the same extent during 2015-16.

1.7 Quality of Expenditure

Improvement in the quality of expenditure basically involves three aspects, viz., adequacy of expenditure (i.e. adequate provisions for providing public

services), efficiency of expenditure use and the effectiveness of the expenditure incurred (assessment of outlay-outcome relationships for selected services).

1.7.1 Adequacy of Public Expenditure

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. **Table 1.16** analyses fiscal priority of the State Government with regard to Development Expenditure (DE), Social Sector Expenditure (SSE), Capital Expenditure (CE) and expenditure under Education²⁷ and Health²⁸ sectors during 2012-13 and 2015-16.

Table 1.16: Fiscal priority of the State for 2012 -13 and 2015-16 (in per cent)

		AE/GSDP	DE [#] /AE	SSE/AE	CE/AE	Expenditure on Education / AE	Expenditure on Health / AE
2012-13	*General category States' Average (Ratio)	14.14	70.03	38.47	13.70	17.72	4.72
	West Bengal's figure (Ratio)	13.78	58.94	40.85	5.18	19.72	4.59
2015-16	*General category States' Average (Ratio)	16.05	70.63	36.29	14.89	15.63	4.45
	West Bengal's figure (Ratio)	12.70	64.29	39.43	9.40	16.30	5.95

* States other than the 11 states termed as Special Category States (Arunachal Pradesh, Assam, Jammu and Kashmir, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand). All India average of General Category States has been calculated on the basis of figures provided by 16 General Category States excluding Delhi, Goa and Puducherry.

[#]Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Development Loans and Advances disbursed

Source: Ratios relating to West Bengal were arrived at on the basis of Finance Accounts figures

AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; CE: Capital Expenditure

- The above table shows that during both the years, the ratio of aggregate expenditure to the GSDP for the State was lower compared to that of all general category States.
- Expenditure incurred on social and economic sectors taken together is considered as Developmental Expenditure. The proportion of expenditure in these sectors was lower compared to the corresponding averages of all general category States in both these years. The State incurred higher percentage of expenditure on education sector, as compared to the average spending of all general category States in both the years. Expenditure on health sector was also higher than the average spending of the general category states during 2015-16 though it was lower during 2012-13.
- Proportion of capital expenditure in aggregate expenditure (5.18 per cent and 9.40 per cent) was significantly lower compared to the general category States' average of 13.70 per cent and 14.89 per cent during 2012-13 and 2015-16, respectively.

²⁷ Education, Sports, Art and Culture sector

²⁸ Health and Family Welfare sector

Table 1.17 and Chart 1.11 present the trends in various components of development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* that budgeted and of the previous years.

Table 1.17: Development Expenditure (₹ in crore)

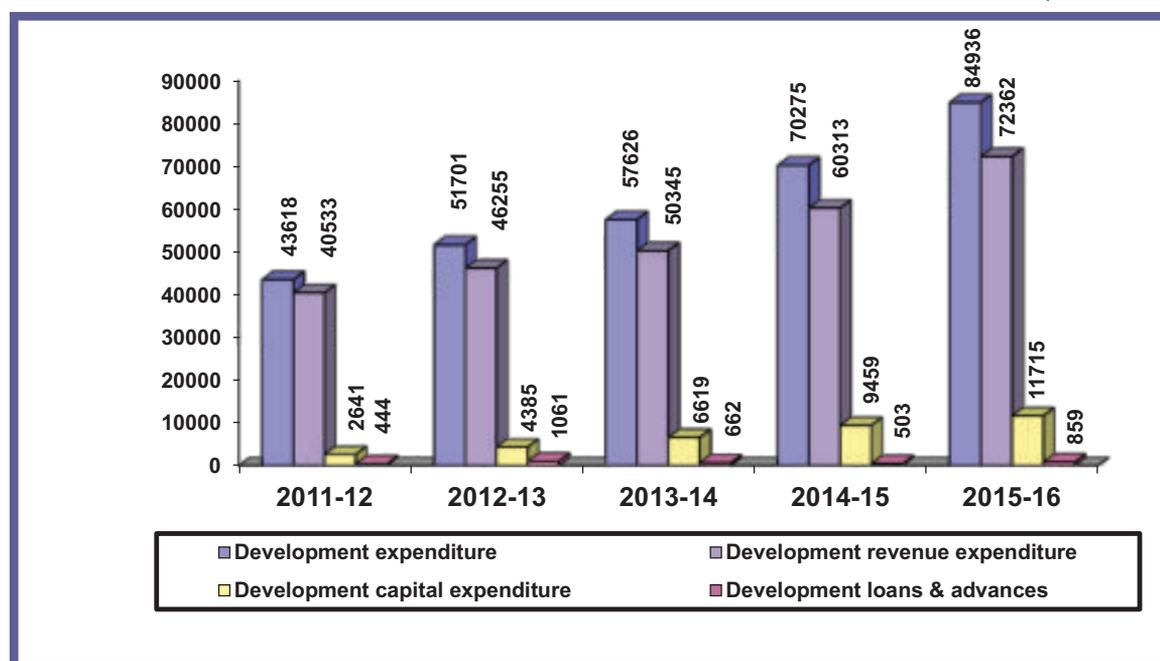
Components of Development Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16	
					BE	Actuals
Revenue Expenditure	73326 (96)	82111 (94)	91797(92)	103652(91)	113100	118827(90)
Development Revenue Expenditure	40533 (53)	46255 (53)	50345(51)	60313(54)	65639	72362(55)
Capital Expenditure	2764 (4)	4547 (5)	6927(7)	9879(9)	15628	12420(9)
Development Capital Expenditure	2641 (3)	4385 (5)	6619(7)	9459(8)	14879	11715(9)
Loans and Advances	448 (1)	1064 (1)	663(1)	505	752	861(1)
Development Loans and Advances	444 (1)	1061 (1)	662(1)	503	745	859(1)
Development Expenditure	43618 (57)	51701 (59)	57626(58)	70275(62)	81263	84936(64)
Aggregate Expenditure	76538	87722	99387	114036	129480	132108
Planned Expenditure	17216	22491	28160	39895	49957	51467
Non-planned Expenditure	59322	65231	71227	74141	79523	80641

Source: Finance Accounts and Budget Publications
 Figures in parentheses indicate percentage to aggregate expenditure

As depicted in Table 1.17, during 2015-16, the proportion of development expenditure to aggregate expenditure increased to 64.29 per cent from 56.99 per cent during 2011-12. However, development capital expenditure fell short of the budgetary estimates by 21.26 per cent during 2015-16 mainly due to significantly lower capital outlay on agriculture, irrigation and flood control in the economic sector and Education, Sports, Art & Culture in the social sector. As a whole, development expenditure during 2015-16 surpassed the budgetary estimates by ₹ 3673 crore (4.52 per cent) due to higher development revenue expenditure and loans & advances.

Chart 1.11: Trends in Development Expenditure during 2011-16

(₹ in crore)



Source: Finance Accounts

1.7.2 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 State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public services and merit goods²⁹. Apart from improving the allocation towards development expenditure, the efficiency of expenditure use is also reflected by the ratio of capital expenditure (CE) to total expenditure (TE) and proportion of revenue expenditure (RE) being spent on operation and maintenance (O&M) of the existing social and economic services. The higher the ratio of these components to total expenditure, the better would be the quality of expenditure. **Table 1.18** presents the efficiency of expenditure in selected social and economic services.

Table 1.18: Efficiency of Expenditure Use in Selected Social and Economic Services

Social/Economic Infrastructure	2014-15			2015-16		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S & W	O&M**		S&W	O &M**
<i>In per cent</i>						
Social Services (SS)						
Education, Sports, Art and Culture	2.70	74.11	0.03	2.83	74.41	0.03
Health and Family Welfare	16.70	55.56	0.30	23.39	51.40	0.24
WS, Sanitation & HUD	25.62	27.15	4.26	19.79	21.28	4.92
(Total SS)	9.52	52.55	0.63	8.88	45.58	0.77
Economic Services (ES)						
Agriculture and Allied Activities	24.53	49.59	0.41	17.01	35.03	0.29
Irrigation and Flood Control	59.07	59.14	14.39	62.89	130.65	13.96
Power and Energy	68.46	0.00	0.00	56.24	0.09	0.00
Transport	46.07	11.10	29.09	57.90	11.64	17.31
Total (ES)	20.22	17.88	2.77	21.58	14.69	1.46
Total (SS+ES)	13.46	40.97	1.35	13.79	34.92	1.01

TE: Total Expenditure; CE: Capital Expenditure (excluding loans and advances); RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance ** As could be identified, may not reflect the complete picture

Source: Finance Accounts and VLC

As would be evident from above, overall quality of expenditure improved as reflected by the ratio of CE to TE increased only marginally. However, the share of expenditure in O&M as a proportion of RE got reduced.

1.8 Financial Analysis of Government Expenditure and Investments

In the post-WBFRBM framework, the State is expected to keep its Fiscal Deficit (and borrowings) at low levels. In addition, the State Government needs to initiate measures to earn adequate returns on its investments and recover the cost of borrowed funds. This section presents the broad financial analysis of

²⁹ Core public goods are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order; security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc. Merit goods are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidised food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* the previous years.

1.8.1 Financial Results of Irrigation Works

Works in Irrigation Department are classified³⁰ as productive or unproductive according to whether the net revenue (gross revenue less working expenses) derived from each work on the expiry of 10 years from the date of closure of the construction covers or does not cover the prescribed annual interest charges on the capital invested. Revenue realised from 15 schemes during 2015-16 was only ₹ 4 crore (0.17 per cent of the capital outlay of ₹ 2301 crore). Barring Eden Canal under Medium Irrigation (Commercial), the revenue receipts of none of the 14 schemes were sufficient to cover even the direct working expenses. After meeting the working expenses and interest charges, the 15 schemes suffered a net loss of ₹ 233 crore (10.13 per cent of the capital outlay). The major loss making projects were Kangsabati Reservoir Project (₹ 59 crore), Teesta Barrage Project (₹ 45 crore) and Mayurakshi Reservoir Project (₹ 30 crore).

1.8.2 Incomplete projects

As of March 2016, there were 509 incomplete capital works³¹. A total of ₹ 3533 crore was invested in these projects by the Government.

Table 1.19: Work-wise Profile of Incomplete Projects

(₹ in crore)

Types of Works	Number	Estimated cost of works	Expenditure up to March 2016	Cases for which revised estimates were available		
				Number	Original estimates	Revised estimates
Irrigation	73	5393	800	1	1	21
Public Health	89	933	228	-	-	-
Buildings	14	94	55	-	-	-
Roads	333	3964	2450	35	703	1006
Total	509	10816	3533	36	704	1027

Source: Finance Accounts

There have been cost over-runs, since initial budgeted costs have been scaled up in the cases of time over-run. As indicated in **Table 1.19**, in 36 out of 509 cases, for which original as well as revised estimates were available, there was escalation of ₹ 323 crore (45.88 per cent) over the estimated cost.

Government attributed delays to problems associated with site selection / handing over of site, local / labour / flood problem, etc. Non-completion of these projects / works within the stipulated period not only resulted in increase of cost, but also deprived the State of the intended benefits for prolonged periods.

³⁰ If a work classified as unproductive succeeds in yielding for three successive years the prescribed return, it is transferred to the productive class. Similarly, if a work classified as productive fails to yield the prescribed return for three successive years, it is transferred to the unproductive class as per code for Irrigation & Waterways Department, Government of West Bengal.

³¹ Works costing ₹ one crore and above have only been included. Works with incomplete information, works which have not been commenced and works clubbed under broad scheme names were excluded.

1.8.3 Investment and returns

As on 31 March 2016, Government invested ₹ 13390 crore in Statutory Corporations, banks, Government companies, joint stock companies and co-operatives (Table 1.20). The average return on this investment remained negligible like in the past years.

Table-1.20: Return on Investment

Investment/Return/Cost of Borrowings	2011-12	2012-13	2013-14	2014-15	2015-16
Investment at the end of the year (₹ in crore)	11156	11521	12358	12653	13390
Return (₹ in crore)	1	2	9	6	12
Return (per cent)	0.01	0.02	0.07	0.05	0.09
Average rate of interest on Government borrowing (per cent)	8.05	8.03	8.62	8.15	7.92
Difference between interest rate and return (per cent)	8.04	8.01	8.55	8.10	7.83

Source: Finance Accounts

During 2015-16, Government earned dividend of ₹12 crore only (0.09 per cent) on its investment of ₹ 13390 crore. Like in the previous years, no dividend was received from Banks and Statutory Corporations during 2015-16 also. Further scrutiny showed that in many cases the companies having Government investment had suffered substantial losses leading to erosion of their net worth. In 16 Government companies, accumulated losses amounted to ₹ 9730 crore as per the latest accounts received. The negative net worth of these companies amounted to ₹ 7241 crore. *Appendix 1.8* shows an illustrative list of some such companies.

The possibility of any economic return on Government investments made in these companies is remote.

Short exhibition of equity investment

Due to defective³² sanction order, conversion of loan to equity of ₹ 380 crore provided to WBPDC³³ for setting up of Units 3 and 4 of Sagardighi Thermal Power Station could not be exhibited in the accounts.

Non-accounting of investment held for Special Drawing Facility (SDF)

Special Drawing Facility³⁴ is a short term credit facility provided by RBI to states on their incremental (i.e., investment less redemption/liquidation) annual investment in Consolidated Sinking Fund/Guarantee Redemption Fund at interest rate 100 basis points lower than the Repo rate.³⁵ During 2015-16, State government availed SDF for 67 days against its investment in GoI dated securities³⁶ of ₹ 430 crore (Face value) from RBI. However, from statements of Special current account of the State for CSF and GRF maintained by the RBI, it was seen that these investments were not made from those reserve funds. Though interest earned on such investment during the year was accounted for, investment of ₹ 430 crore remained unaccounted.

³² Sub-head (003) specified in the sanction order was not consistent with the sub-head (057) under which the loans were originally disbursed to WBPDC.

³³ WestBengal Power Distribution Company Limited

³⁴ Erstwhile known as special Ways & Means advances

³⁵ The rate at which RBI lends money to commercial banks against the pledge of government securities whenever the banks are in need of funds to meet their day-to-day obligations.

³⁶ (i) 8.24 % Government securities (GS) 2018, (ii) 8.08 % GS 2022 and (iii) 8.15% GS 2022.

1.8.4 Loans and advances by State Government

In addition to investments in co-operative societies, corporations and companies, Government also provided loans and advances to many of these institutions/organisations. **Table 1.21** presents the outstanding loans and advances and interest receipts *vis-à-vis* interest payments during the last five years.

Table-1.21: Average interest received on loans given by the State

(₹ in crore)

Quantum of Loans/Interest Receipts	2011-12	2012-13	2013-14	2014-15	2015-16	
					BE	Actual
Opening Balance	13982	14352	15136	14641		14970
Amount advanced during the year	448	1064	663	505	652	861
Amount repaid during the year	78	280	1158 ³⁷	176	464	832
Closing Balance	14352	15136	14641	14970		14999
<i>Of which</i>						
Outstanding balance for which terms and conditions have not been settled	1303	1302	1347	1528		1593
Net addition to outstanding loans and advances during the year	370	784	(-) 495	329		29
Interest receipts from loans and advances	163	516	274	126		95

Source: Finance Accounts

During 2015-16, out of total loans of ₹ 861 crore, ₹ 785 crore was disbursed for economic services, ₹ 73 crore for social services, and the rest ₹ 3 crore to Government Servants. Among economic services, major portion of the loan went to Power Projects³⁸ (₹ 331 crore) followed by Road Transport services³⁹ (₹ 149 crore), West Bengal Highway Development Corporation Limited (₹ 50 crore) and Kalyani Spinning Mills (₹ 27 crore), while for social services, major portion went to Kolkata Municipal Corporation (₹ 67 crore). Loan repayment increased to ₹ 832 crore during 2015-16 from ₹ 176 crore over the previous year owing to conversion of loans to equity of WBPDC (₹ 771 crore).

At the end of the year, arrears of ₹ 5660 crore on account of principal and ₹ 7974 crore on account of interest were overdue for realisation. No unrecoverable loans were, however, written off during the year.

Only six out of 167 borrowers confirmed the loan balances. Confirmation/acceptance of the outstanding balance of loans advanced (₹ 13462 crore) as at the end of March 2016 was not available for 11238 loanees. Such non-confirmation/acceptance served as a hindrance to the authentic depiction of loan balances.

Scrutiny showed that loans amounting to ₹ 898 crore relating to 17 departments remained unaltered for long periods, the oldest item being 49 years old. Fifteen

³⁷ The high recovery of loans and advances in 2013-14 was due to conversion of outstanding EAP loans into equity in favour of WBPDC for implementation of Sagardighi Thermal Power Project

³⁸ Include loans to WBPDC - ₹ 275 crore; WBSDC - ₹ 31 crore

³⁹ Include loans to CSTC - ₹ 31 crore; NBSTC - ₹ 27 crore; SBSTC - ₹ 31 crore

of these departments had outstanding loans worth more than ₹ 1 crore, as shown in **Table 1.22**. In addition, 5749 Government loans aggregating ₹ 6895 crore were sanctioned to 32 Autonomous Bodies/ Authorities, etc. by 10 departments by the end of 2015-16, though no repayments were received in respect of previous loans from these organisations.

Table 1.22: Cases of old loans without any recovery

	Name of the Department	Loans with no recovery	Period of drawal
		Amount (₹ in crore)	
1	Industrial Reconstruction	260.45	1976-77 to 2005-06
2	Public Enterprise	192.50	1975-76 to 2005-06
3	Power and Non-Conventional Energy Sources	150.51	1995-96 to 2004-05
4	Commerce and Industries	122.55	1974-75 to 2004-05
5	Urban Development	69.26	1966-67 to 1994-95
6	Micro and Small Enterprises & Textile	37.90	1974-75 to 1998-99
7	Agriculture	27.50	1984-85 to 1992-93
8	Water Resources Investigation & Development	15.23	1984-85 to 1990-91
9	Transport	8.91	1982-83 to 1989-90
10	Public Health Engineering	2.44	1983-84 to 1997-98
11	Municipal Affairs	2.23	1966-67 to 1969-70
12	Food Processing Industries and Horticulture	2.21	1988-89 to 1998-99
13	Panchayat and Rural Development	2.14	1968-69
14	Fisheries	1.73	1977-78 to 1993-94
15	Tourism	1.11	1975-76 to 1992-93
16	Housing	0.47	1965-66 to 1976-77
17	Animal Resources Development	0.43	1974-75 to 1978-79
	Total	897.57	

Source: Finance Accounts

Short exhibition of loans disbursed

Commerce & Industries department had approved (March 2010) the scheme of 'interest free bridge loan to WBIDCL for meeting the interest cost of loan to be raised from the banks/financial institutions' for the purpose of acquiring land for establishing a Land Bank, but the provisioning of budgetary estimates and issuance of subsequent grants-in-aid sanction orders under the Revenue Sector led to understatement of loans disbursed by ₹ 85 crore upto 31 March 2016.

1.8.5 Cash Balances and investment of Cash Balances

Under an agreement with the Reserve Bank of India, the State Government has to maintain with the Bank a daily minimum balance of ₹ 2.48 crore with effect from 1 May 2000. If the balance falls below the agreed minimum limit on any day, the deficiency is made good by taking normal ways and means advance/overdraft from the bank or drawing from the Special Drawing Facility of RBI. During the year 2015-16, the State Government had to resort to special, normal ways and means advances and overdraft for 67, 7 and 4 days, respectively (total 78 days). During 2015-16, the quantum of such advances was ₹ 11139 crore. The State had to pay ₹ 11 crore as interest on ways and means advances and overdrafts. Treasury bills amounting to ₹ 71405 crore and ₹ 67277 crore, respectively, were purchased and sold during the period 2015-16. An amount of ₹ 105 crore was

received as interest on investment under treasury bills during the year. The investment made out of general cash balance and earmarked funds up to end of March 2016 is shown in **Table 1.23**.

Table-1.23: Cash Balances and Investment of Cash Balances (₹ in crore)

	As on 31 March 2015	As on 31 March 2016	Increase/ Decrease
(a) General Cash Balance			
Cash in Treasuries	0.31	0.39	0.08
Deposits with Reserve Bank of India	(-)326.74	205.45	532.19
Deposits with other Banks	-	-	-
Remittances in transit – Local	-	-	-
Total	(-) 326.43	205.84	532.27
Investments held in Cash Balance investment account	2724.68	6853.14	4128.46
Total (a)	2398.25	7058.98	4660.73
(b) Other Cash Balances and Investments			
Cash with departmental officers viz. Public Works, Department Officers, Forest Department Officers, District Collectors	(-) 0.36	(-) 0.36	-
Permanent advances for contingent expenditure with departmental officers	1.92	2.37	0.45
Investment of earmarked funds	8557.52	8781.75	224.23
Total (b)	8559.08	8783.76	224.68
Grand total (a) + (b)	10957.33	15842.74	4885.41

Source: Finance Accounts

Exclusion of transactions

It was seen in audit that total receipts booked in the accounts were ₹ 217026 crore against ₹ 232546 crore reported by RBI-CAS. Similarly, against ₹ 216494 crore booked as total payments in the accounts, RBI-CAS reported ₹ 231978 crore. This resulted in short accounting of receipts and payments of ₹ 15520 crore and ₹ 15484 crore, respectively, in the accounts of financial year 2015-16, thereby affecting the completeness of accounts. As such, cash balance depicted in the Finance Accounts stood understated by ₹ 36 crore.

1.9 Assets and Liabilities

1.9.1 Growth and composition of Assets and Liabilities

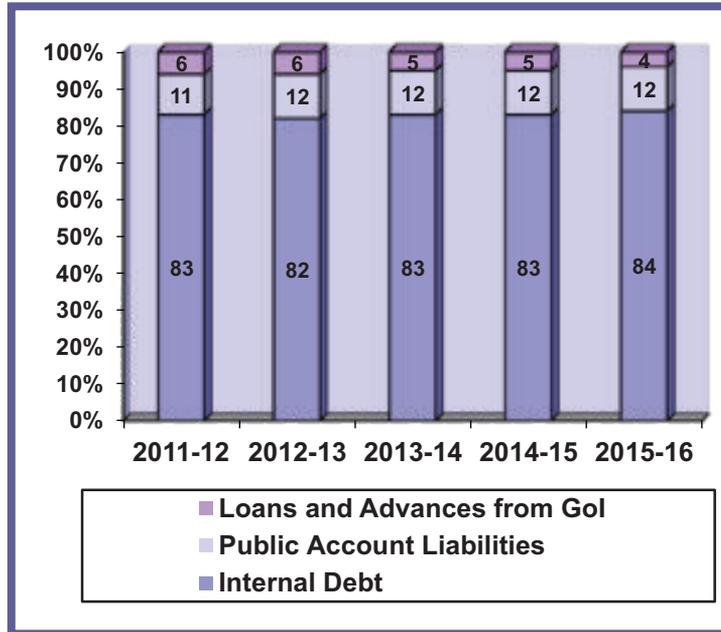
Government accounts capture the financial liabilities of the Government and assets created out of the expenditure incurred. **Appendix 1.4** gives an abstract of such assets and liabilities as on 31 March 2016, compared with the corresponding position on 31 March 2015. While the liabilities consist mainly of internal borrowings, loans and advances from the GoI, receipts from the Public Account and reserve funds, assets comprise mainly capital outlay and loans and advances given by the State Government and cash balances.

1.9.2 Fiscal Liabilities

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported under the Consolidated Fund - Capital Accounts. It includes market loans including loans from financial institutions and loans and advances from the Central Government. Other

liabilities, which are part of Public Account, include net accruals under small savings, provident funds and other accounts, reserve funds as well as deposits & advances heads.

Chart 1.12 : Composition of Outstanding Fiscal Liabilities (in per cent)



The trends in outstanding fiscal liabilities of the State are presented in *Appendix 1.6*. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year almost remained the same as depicted in **Chart 1.12**.

Source: Finance Accounts

Fiscal Liabilities of the State, their rates of growth, ratio of these liabilities to GSDP, revenue receipts and own resources are brought out in **Table 1.24**.

Table-1.24: Trend in Fiscal Liabilities of the State

(₹ in crore and ratios in percentage)

	2011-12	2012-13	2013-14	2014-15	2015-16
Fiscal Liabilities	207702	229779	251997	277579	306043
Rate of growth	10.84	10.63	9.67	10.15	10.25
Ratio of Fiscal Liabilities to					
GSDP	37.50	36.09	33.22	31.72	29.43
Revenue Receipts	353.51	336.45	345.76	320.85	278.90
Own resources	790.40	661.67	665.71	676.38	690.00

Source: Finance Accounts

The overall fiscal liabilities of the State show an increasing trend, growing at a CAGR of 10.18 *per cent* during the period 2011-12 to 2015-16. The ratio of fiscal liabilities to GSDP was below the target stipulated in the 14th FC (37.42 *per cent*) and MTFP (32.46 *per cent*); it has also been showing a declining trend over the years.

Apart from the above, there were cases where the Government did not account for outstanding liabilities amounting to ₹ 1782 crore as at the end of March 2016 on account of the following:

- Outstanding liability of ₹ 1394 crore of the State Government to Ministry of Home Affairs, GoI, in respect of the cost of deployment for CRPF personnel in the state of West Bengal remains undischarged;
- Cost of deployment of police (₹ 115 crore) from different states to West Bengal remains unpaid;
- In the SASPFUW⁴⁰ under the Labour Department, State's matching contribution against subscribers' subscription of ₹ 273 crore including interest (₹ 262 crore) on the balance at the credit of the subscribers remains due.

The liabilities depicted in the Finance Accounts stand understated by ₹ 1782 crore on account of the above.

1.9.3 Transactions under Reserve Funds

There were 41 Reserve Funds earmarked for specific purposes, out of which 18 funds were active and 23 were inactive for more than five years. As of 31 March 2016, the total accumulated credit balance in these funds was ₹ 8702 crore.⁴¹ Investment out of this balance was ₹ 8782 crore (100.92 *per cent*). Reason for exhibition of excess investment over the closing balance has been discussed in the succeeding paragraph. During the year, an amount of ₹ 2189 crore was transferred as annual contribution to various reserve funds.

Consolidated Sinking Fund

As per reports of the 12th FC and Reports of the Technical Group (RBI) on borrowings by States, the State had set up a revised model scheme for Consolidated Sinking Fund (CSF) from the financial year 2008-09. The fund is to be utilised as an amortisation fund for redemption of the outstanding liabilities of the Government, commencing from the financial year 2013-14. The corpus of the fund is built up from periodic contributions as well as income accruing to the fund from its investments – investments are to be made only in GoI securities. The contribution is to be made at the rate of at least 0.5 *per cent* of the outstanding liabilities (sum of internal debt and public account liabilities) as at the end of the previous year. Accordingly, the State Government was to contribute ₹ 1388 crore⁴² during 2015-16. However, during 2015-16, there was a contribution of only ₹ 300 crore to the fund leading to understatement of fiscal deficit by ₹ 1088 crore. The balance in the fund as of March 2016 stood at ₹ 8535 crore⁴³ after the accrued interest (₹ 673 crore) reinvested in the fund during the year.

There was a difference (₹ 1053 crore) between the closing balance of CSF as per the records of RBI-CAS, Nagpur (₹ 7482 crore⁴⁴) and Finance Accounts (₹ 8535 crore⁴⁵) due to non-reconciliation between investment value as reflected in the Finance Accounts and closing balance as reflected in the RBI-CAS records.

⁴⁰State Assisted Scheme of Provident Fund for Un-organized Workers

⁴¹₹ 8682 crore (credit) in active funds; ₹ 21 crore (credit) and ₹ 1 crore (debit) in the inoperative ones

⁴²0.5 *per cent* of the Outstanding liabilities (₹ 277579.16 crore) at the end of the year 2014-15

⁴³Actual figure ₹ 8535.47 crore before rounding off

⁴⁴Actual figure ₹ 7482.10 crore before rounding off

⁴⁵Actual figure ₹ 8535.47 crore before rounding off

Guarantee Redemption Fund (GRF)

12th Finance Commission had recommended opening of the GRF for discharging the liability of the Government towards invocation of the guarantees extended by it. As per the guidelines of the RBI (the administering authority of the fund), State Government was required to make minimum annual contributions to the Fund at the rate of one *per cent* in the first year and thereafter at the rate of 0.5 *per cent* of the outstanding guarantees at the end of the previous year. State Government had constituted the fund in January 2015 and contributed ₹ 50 crore during 2015-16. Till March 2016, State Government has contributed ₹ 96 crore in GRF at the prescribed rate of the scheme. The fund remained invested in GoI dated securities through RBI-CAS, Nagpur but interest earned and reinvested in GRF of ₹ 5.16 crore during 2014-15 and 2015-16 was not shown in fund accounts.

State Disaster Response Fund (SDRF)

In compliance with the recommendation of the 14th FC, SDRF was constituted under the Disaster Management Act, 2005 in the Public Account as an interest bearing fund with the corpus of contribution by Centre (75 *per cent*) and State (25 *per cent*). Closing balance as on March 2015 in the SDRF was transferred as opening balance for 2015-16.

It was observed that out of ₹ 847 crore⁴⁶ received as Central Share of SDRF during 2015-16, only ₹ 387 crore was transferred by State Government, leading to understatement of Revenue Deficit as well as Fiscal Deficit by ₹ 460 crore.

Against interest (₹ 22 crore) payable on actual unspent fund accumulated in SDRF during 2015-16, State credited ₹ 12 crore⁴⁷ leading to short payment of interest of ₹ 10 crore in SDRF.

West Bengal Compensatory Entry Tax Fund (WBCETF)

WBCETF was established (July 2012) to develop and facilitate trade, commerce and industry by constructing roads, transport, electricity infrastructure etc. in the state and providing finance, grants and subsidies to the local bodies/ government agencies for the specified purposes. Entry tax collected in the state was credited to the fund and actual expenditure initially accounted for under various heads in Consolidated Fund booked in WBCETF in reduction of expenditure in respective head of accounts, where it was booked initially.

During 2015-16, State government collected ₹ 838 crore as entry tax and credited the entire amount to WBCETF but adjusted expenditure of ₹ 1666 crore, already incurred in Consolidated Fund, as expenditure made out of WBCETF. Considering the opening balance of ₹ 540 crore and excess of expenditure over receipt during 2015-16 in WBCETF, closing balance as of March 2016 turned adverse at ₹ 288 crore due to the unauthorised accounting procedure adopted by the State Government.

⁴⁶ Including NDRF grant of ₹ 460 crore

⁴⁷ Earned out of investments of ₹ 137.48 crore made during 2012-13 to 2014-15

1.9.4 Contingent liabilities

Status of Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower to whom the guarantees have been extended. The West Bengal Ceiling on Government Guarantees Act, 2001 stipulated that the total outstanding Government guarantees as on the first day of April of any year shall not exceed 90 per cent of the State revenue receipts of the second preceding year. Finance department acts as the tracking authority in respect of guarantees.

The maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years as per Finance Accounts are given in Table 1.25.

Table-1.25: Guarantees given by the Government of West Bengal

(₹ in crore)

	1 April 2012	1 April 2013	1 April 2014	1 April 2015	1 April 2016
Maximum amount guaranteed	20106	18981	14818	15184	14625
Outstanding amount of guarantees	10192	8821	4550	9322	8788
Ceiling fixed by State Government Act (90 per cent of Revenue Receipt of the second preceding year)	42538	52880	61466	65594	77863
Percentage of outstanding amount guaranteed to Revenue Receipts of the second preceding year	22	15	7	14	10

Source: Finance Accounts

The outstanding Government guarantees during 2011-16 were well within the limits prescribed under the West Bengal Ceiling on Government Guarantees Act, 2001. Out of the total 474 guarantees outstanding as on 31 March 2016, Power sector alone accounted for 399 guarantees (84.18 per cent). No guarantee, however, had been invoked during 2015-16.

Further, in terms of Section 10 of West Bengal Finance Act of 2002, the loanees for whom the State Government has provided guarantees to the financial institutions, were required to pay guarantee fees at the rate of one per cent (minimum) on the total amounts guaranteed. Accordingly, during 2015-16, the State Government was to receive guarantee fees of ₹ 88 crore against which only ₹ 5 crore was received. Short receipt of ₹ 83 crore overstated the Fiscal Deficit to that extent.

1.9.5 Analysis of Borrowings of Government

As in the previous years, market loans comprised the major sources of borrowing by the State Government during 2015-16. During the year the State Government raised an amount of ₹ 24,000 crore as market loans bearing interest rates ranging between 7.97 per cent and 8.88 per cent. During 2015-16, market loans bearing interest amounting to ₹ 3176 crore were repaid leaving an

outstanding balance of ₹ 162405 crore. The total outstanding borrowing of the State Government stood at ₹ 270058 crore, which increased by 10.45 *per cent* over the previous year. Besides, ways and means advances for ₹ 11139 crore were taken from the RBI which were repaid in full during the year and an amount of ₹ 11 crore was paid as interest on this advance. The State also borrowed an amount of ₹ 8738 crore as special securities issued to NSSF and ₹ 659 crore from GoI and ₹ 1514 crore from other Financial Institutions.

1.10 Debt Management

Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability⁴⁸ of the State. This section assesses the sustainability of debt of the State Government in terms of net debt available⁴⁹, burden of interest payments on public debt (measured by the ratio of interest payments on public debt to revenue receipts) and maturity profile of State Government securities. **Table 1.26** analyses the debt sustainability of the State according to these indicators during the five-year period 2011-16.

Table 1.26: Debt Sustainability: Indicators and Trends

Sustainability Indicators of Debt*	2011-12	2012-13	2013-14	2014-15	2015-16
Rate of growth of outstanding debt (in <i>per cent</i>)	10.31	9.83	8.94	10.64	10.46
Rate of growth of GSDP (in <i>per cent</i>)	20.16	14.95	19.13	15.36	18.84
Average interest rate of outstanding debt (in <i>per cent</i>)	8.40	8.38	9.05	8.48	8.35
Interest [^] /Revenue Receipt (in <i>per cent</i>)	25.17	23.78	26.31	22.81	19.59
Debt Repayment/Debt Receipts (in <i>per cent</i>)	35.02	35.85	41.39	34.35	26.12
Net debt available to the State [#] (₹ in crore)	2100	1128	-547	3450	4047

Source: Finance Accounts

*Debt indicates Public Debt;

[^]Interest indicates interest on public debt

[#]Excess of Public debt receipt and Loans & Advances receipt over Public debt repayment, Loans & Advances disbursement and Interest payment on Public Debt

Rate of growth of outstanding debt always remained less than rate of growth of GSDP during the five year period, as shown in **Table 1.26**, and the difference between the two rates had actually increased during 2015-16. This indicates that the state government's debt level may not be unsustainable. During 2015-16, debt repayment as a percentage of debt receipts decreased by 8.23 *per cent* over the previous year indicating increasing trend of receipt on borrowed funds compared to debt repayment. However, the net debt available to state increased by ₹ 597 crore (17.30 *per cent*) over the previous year, indicating increasing availability of borrowed funds for purposes other than debt repayment. Interest payments on debt with respect to revenue receipt also depicted a healthy trend as it was reduced to 19.59 *per cent* during 2015-16 from 22.81 *per cent* during 2014-15 due to substantial increase in revenue receipt and fall of the average rate of interest, as indicated in **Table 1.26**.

⁴⁸ See glossary at page 120

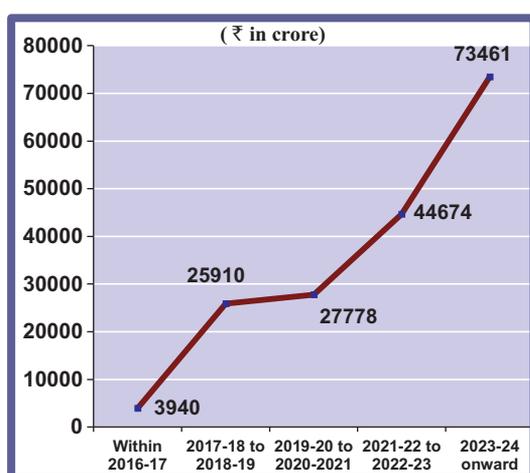
⁴⁹ See glossary at page 121

Maturity profile of the State Debt

The maturity profile of the State debt, as depicted in **Table 1.27** and **Chart 1.13**, indicates that the liability of the State would steeply rise from 2017-18 onwards which would put a strain on the State finances during those periods.

The State will have to put in place a mechanism for augmentation of resources, exploring new sources of revenue and prioritising expenditure to ensure that debts which mature in these critical years are met through an appropriate debt repayment strategy and fresh borrowings channelised for development expenditure only.

Chart 1.13 : Maturity Profile of State Debt



Source : Finance Accounts

Table 1.27 : Maturity Profile of State Debt

Period	Maturity amount of State debt (₹ in crore)	Maturity amount of Market loans (₹ in crore)	Maturity amount as % of total outstanding market loans
Details of Maturity year not available	94296	Nil	-
Less than 1 year	3940	2987	1.84
1 to 2 years	25910	24004	14.78
3 to 4 years	27778	25827	15.90
5 to 7 years	44674	42691	26.29
8 years and above	73461	66900	41.19
Total redeemable debt	270059	162409	

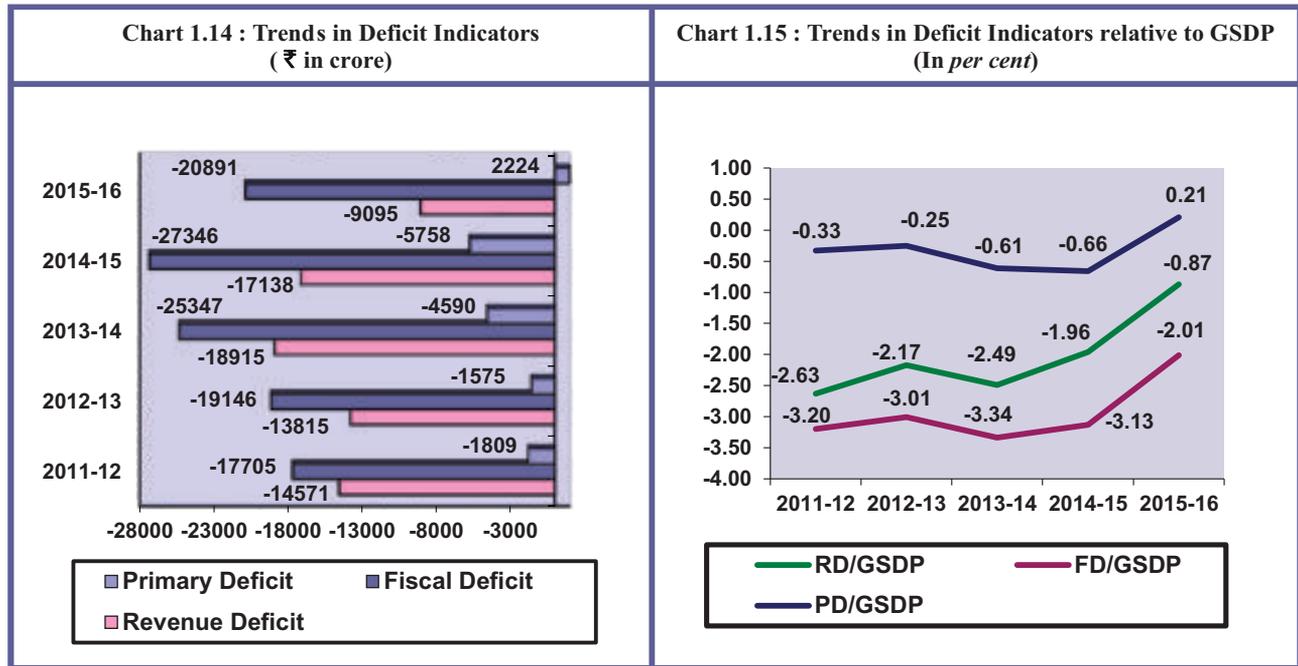
Source : Finance Accounts

1.11 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalance in Government finances. Deficit in Government accounts represents the gap between receipts and expenditure. Nature of deficit is an indicator of prudence of fiscal management of the Government. The ways in which the deficit is financed and the resources raised are utilised are important pointers to fiscal health. This section presents trends, nature, magnitude and the manner of financing of these deficits and also the assessment of actual levels of revenues and fiscal deficits for the financial year 2015-16.

1.11.1 Trends in Deficits

Charts 1.14 and **1.15** present trends in deficit indicators over the period 2011-12 to 2015-16.



Source: Finance Accounts and data furnished by Ministry of Statistics and Programme Implementation for GSDP

Decreases in revenue deficit by ₹ 8043 crore (46.93 per cent) and fiscal deficit by ₹ 6455 crore (23.60 per cent) in 2015-16 were attributable to 26.84 per cent (₹ 23218 crore) increase in revenue receipts, compared to 14.64 per cent (₹ 15175 crore) increase in revenue expenditure over the previous year.

1.11.2 Components of Fiscal Deficit and its financing pattern

Fiscal Deficit is the total borrowing requirement of the State and is the excess of revenue and capital expenditure including loans and advances over revenue and non-debt capital receipts. Decomposition of fiscal deficit shows the extent of borrowings resorted to by the State to meet its requirement of funds over and above the revenue and non-debt receipts, as reflected in **Table 1.28**.

Table 1.28: Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)

Particulars					2015-16		
	2011-12	2012-13	2013-14	2014-15			
Decomposition of Fiscal Deficit (1 to 3)							
(a)	17705 (3.20)	19146 (3.01)	25347 (3.34)	27346 (3.13)			20891 (2.01)
1 Revenue Deficit	14571 (2.63)	13815 (2.17)	18915 (2.49)	17138 (1.96)			9095 (0.87)
2 Net Capital Outlay	2764	4547	6927	9879			11767
3 Net Loans and Advances	370	784	(-)495	329			29
Financing Pattern of Fiscal Deficit (b)	Net disbursements/outflows				Receipts	Disbursement	Net
1 Market Borrowings	20800	17993	17098	18518	23697	2873	20824
2 Loans from GoI	(-)91	858	59	680	659	817	(-) 158
3 Special Securities Issued to NSSF	(-)989	(-) 49	1151	4473	8738	4410	4328
4 Loans from Financial Institutions and Bonds	(-)1859	(-) 653	(-)179	(-)159	1514	940	574
5 Ways and Means	(-) 606	-	-	0	11139	11139	0
6 Small Savings, PF, etc.	1032	945	841	1007	3216	2475	741
7 Reserve Fund	1296	533	1189	1268	2051	3088	(-)1037

Report on State Finances for the year ended 31 March 2016

	Particulars					2015-16		
		2011-12	2012-13	2013-14	2014-15			
8	Deposits and Advances	1367	2944	2627	1173	49747	46331	3416
9	Suspense and Miscellaneous	(-) 823	(-) 559	2928	(-)1107	94598	95775	(-)1177
10	Remittances	325	228	393	172	(-) 3	1732	(-)1735
11	Contingency Fund	-	1	-	-	-	-	-
12	Appropriation to/from Contingency Fund	-	-	-	-	-	-	-
13	Total (1 to 12)	20452	22241	26107	26025			25777
14	Increase (-) / Decrease (+) in Cash Balance	(-) 2747	(-) 3095	(-) 760	1321			(-) 4886
15	Overall Surplus/Deficit (13 +14)	17705	19146	25347	27346			20891

*Figures in brackets indicate the per cent to GSDP
Differences with Finance Accounts are due to rounding
Source: Finance Accounts*

It is seen from **Table 1.28** that during 2015-16, market borrowings and special securities issued to NSSF financed the major portion of the fiscal deficit. Net outflow in market borrowings increased by ₹ 2306 crore (12.45 per cent) while Special Securities issued to NSSF decreased by ₹ 144 crore (3.22 per cent) over the previous year.

1.12 Conclusion

The State did not amend the FRBMA targets of revenue and fiscal deficits as well as outstanding liabilities during 2015-16, as required by the 14th Finance Commission's recommendation. The Government was also yet to implement the New Pension Scheme for its employees. Liability on account of its contribution (as also that of the employees) to the Contributory Pension Fund Scheme for All India Service Officers from the inception of the scheme too was not worked out. The interest payable on the amounts, that have been lying in the Fund without transfer to NSDL/Trustee Bank, had not been estimated and accounted for.

The ratio of Fiscal Deficit to GSDP (2.09 per cent) was below the targets projected in MTFP (2.68 per cent) but above the targets in Budget (1.70 per cent). The fiscal deficit to GSDP was understated by 0.21 per cent due to short contribution to CSF (₹1088 crore), short transfer of SDRF (₹ 460 crore) by GoWB and incorrect accounting of disinvestment proceeds (₹ 653 crore) of WBIDCL as State's own Capital Receipts. The Committed Expenditure, which mainly consisted of payment of salaries and wages, pensions, subsidy and interest, constituted around 66.52 per cent of the Revenue Expenditure, leaving little flexibility for reduction of the revenue expenditure.

So far as capital expenditure was concerned, though there was an increase of 26 per cent in the capital outlay in the current year, its ratio to Aggregate Expenditure was only 9.40 per cent against the all India General Category States' average of 14.89 per cent. Interest payment on market loans increased by 14 per cent over the previous year.

Ratio of outstanding debt of the Government to GSDP has decreased from 34.66 per cent in 2014-15 to 25.97 per cent in 2015-16. Return on investment in Statutory Corporations, rural banks, etc. remained less than one per cent.