

Chapter II Finances of the State

2.1 Introduction

This chapter provides a broad perspective of the finances of the State, analyses critical changes in major fiscal aggregates relative to the previous year, overall trends during the five-year period from 2015-16 to 2019-20, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State. Information was also obtained from the State Government where necessary.

2.2 Major changes in Key fiscal aggregates *vis-à-vis* 2018-19

Table 2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during the financial year, compared to the previous year.

Table 2.1: Changes in key fiscal aggregates in 2019-20 compared to 2018-19

Revenue Receipts	<ul style="list-style-type: none">✓ Revenue receipts of the State decreased by 2.10 <i>per cent</i>✓ Own Tax receipts of the State decreased by 0.10 <i>per cent</i>✓ Own Non-tax receipts decreased by 12.14 <i>per cent</i>✓ State's Share of Union Taxes and Duties decreased by 13.86 <i>per cent</i>✓ Grants-in-aid from Government of India increased by 20.05 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none">✓ Revenue expenditure increased by 3.97 <i>per cent</i>✓ Revenue expenditure on General Services increased by 8.91 <i>per cent</i>✓ Revenue expenditure on Social Services increased by 6.29 <i>per cent</i>✓ Revenue expenditure on Economic Services decreased by 10.41 <i>per cent</i>✓ Expenditure on Grants-in-aid decreased by 7.98 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none">✓ Capital expenditure decreased by 29.88 <i>per cent</i>✓ Capital expenditure on General Services decreased by 19.31 <i>per cent</i>

	<ul style="list-style-type: none"> ✓ Capital expenditure on Social Services decreased by 23.44 per cent ✓ Capital expenditure on Economic Services decreased by 33.61 per cent
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances increased by 46.47 per cent ✓ Recoveries of Loans and Advances decreased by 91.67 per cent
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 7.84 per cent ✓ Repayment of Public Debt decreased by 11.74 per cent
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts decreased by 1.59 per cent ✓ Disbursement of Public Account decreased by 2.44 per cent
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance increased by ₹ 8,058 crore (45.77 per cent) during 2019-20 compared to previous year

2.3 Sources and Application of Funds

During the year, the State Government mobilised total resources of ₹ 2,05,489 crore which were applied for various purposes. **Table 2.2** below compares the sources and application of funds of the State during 2019-20 with 2018-19.

Table 2.2: Details of Sources and Application of funds during 2018-19 and 2019-20

Parameters	Particulars	2018-19	2019-20	Increase/ Decrease
		(₹ in crore)		
Sources	Opening Cash Balance with RBI	18,859	17,607	-1,252
	Revenue Receipts	1,45,975	1,42,914	-3,061
	Recoveries of Loans and Advances	804	67	-737
	Misc. Capital Receipts	692	0	-692
	Public Debt Receipts (Net)	24,411	35,286	10,875
	Contingency Fund	0	0	0
	Public Account Receipts (Net)	7,823	9,615	1,792
	Total	1,98,564	2,05,489	6,925

Parameters	Particulars	2018-19	2019-20	Increase/ Decrease
		(₹ in crore)		
Application	Revenue Expenditure	1,56,374	1,62,575	6,201
	Capital Outlay	23,717	15,971	-7,746
	Contingency Fund Disbursement	1	11	10
	Disbursement of Loans and Advances	865	1,267	402
	Closing Cash Balance with RBI	17,607	25,665	8,058
	Total	1,98,564	2,05,489	6,925

Source: Finance Accounts

A. Sources of Funds:

Revenue Receipts in the shape of State's own revenue (₹ 63,882 crore) and Central tax transfer/grants (₹ 79,032 crore), emerged as a major contributor in the State's resources. However, contribution of Revenue Receipts in the total resources of the State decreased to 70 per cent during 2019-20 from 74 per cent in 2018-19. Net Public Debt Receipts⁷ which is backed by market borrowings and loans & advances from GoI, increased to 17 per cent from 12 per cent in 2018-19. The contribution through non-debt capital receipts in the shape of recovery of loans and advances drastically reduced to 0.03 per cent from 0.40 per cent in 2018-19. The relative share of other two major components, namely, opening cash balance with RBI and Net Public Account Receipts⁸ marginally changed to eight and five per cent respectively from 10 and four per cent in 2018-19.

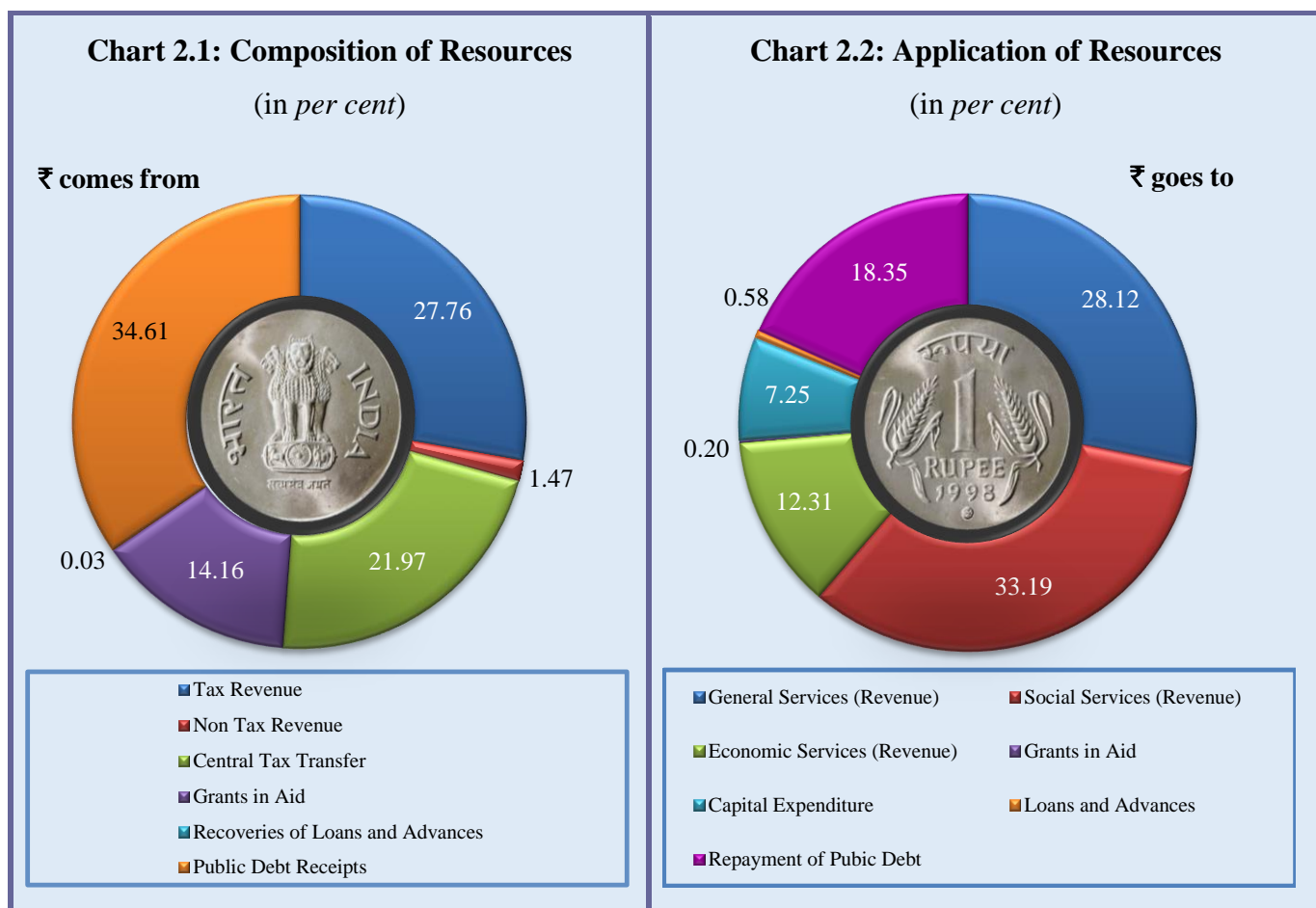
B. Application of Funds:

Out of the total resources mobilised during the year, 48 per cent was spent on committed expenditure, comprising, salaries and wages (50 per cent), interest payments (32 per cent) and expenditure on pensions (18 per cent). From the balance, after accounting for capital outlay (eight per cent), disbursement of loans and advances and contingency fund disbursement (nearly one per cent) and closing cash balance with RBI (12 per cent), Government was left with 31 per cent of its gross mobilisation to spend on various purposes under the social and economic sectors.

Charts 2.1 and **2.2** give the details of receipts into and expenditure from the Consolidated Fund during 2019-20 in terms of percentages.

⁷ Difference between the borrowings received and repayment on borrowings

⁸ Difference between the receipt from Public Accounts and disbursement from Public Accounts



Source: Finance Accounts

Analysis revealed that:

- Revenue Expenditure was primarily met out of the Revenue Receipts with Public Debt also being a contributor;
- In General Services (Revenue), Interest Payments comprised 51.13 per cent;
- Beside Repayment of Public Debt (18.35 per cent), Interest Payments constituted 14.38 per cent, thereby taking overall Repayments to 32.73 per cent of the total expenditure;
- The deficit was financed through borrowings which accounted for 34.61 per cent of total resources.

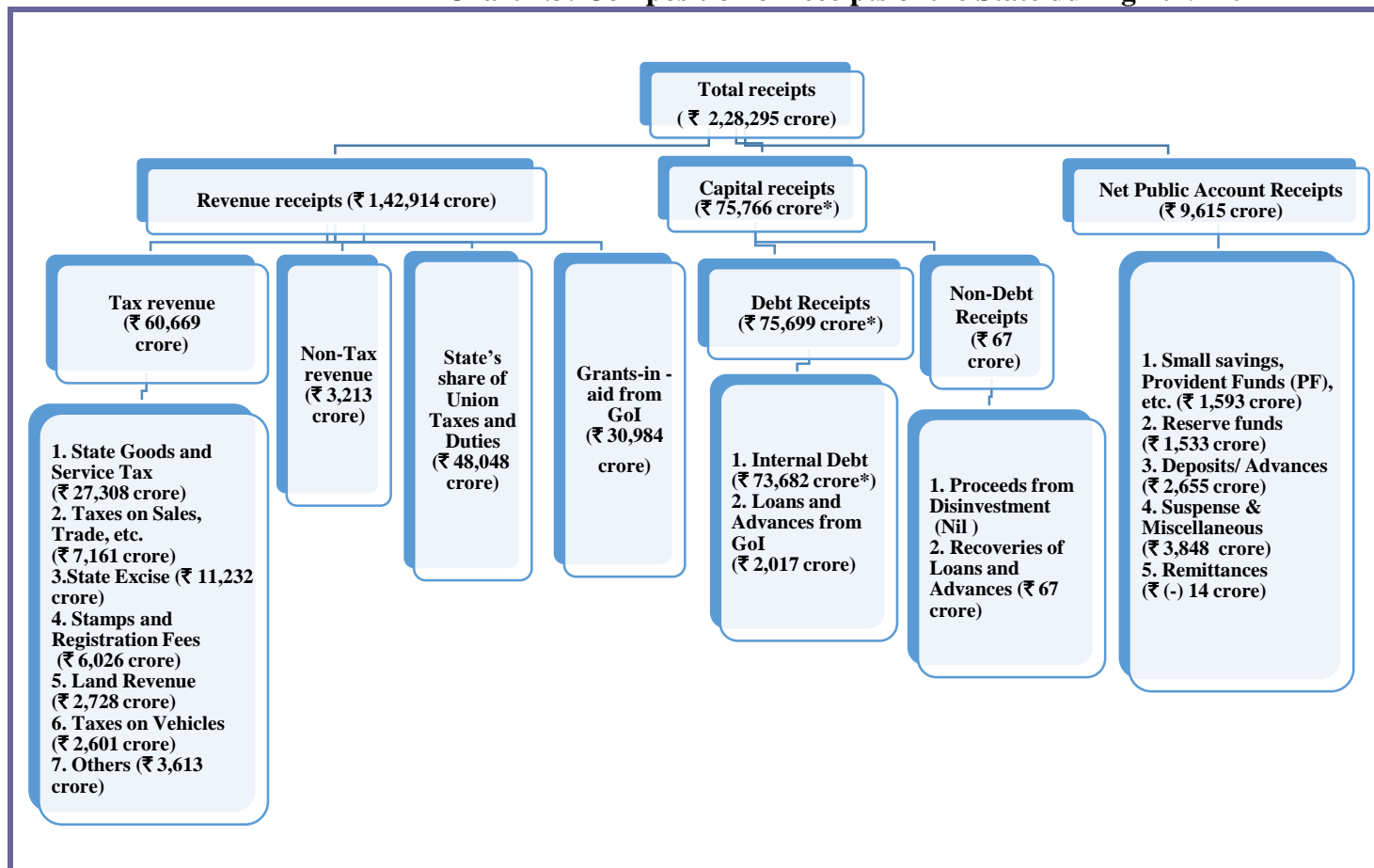
2.4 Resources of the State

Revenue Receipts and Capital Receipts are two streams of receipts that constitute resources of the State Government. **Revenue Receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI). **Capital Receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Besides, funds available in the **Public Account** after disbursements, are also utilised by the Government to finance its deficit.

Composition of receipts of the State during 2019-20 is given in **Chart 2.3**.

Chart 2.3: Composition of receipts of the State during 2019-20



Source: Finance Accounts

*including WMA of ₹ 15,860 crore in 2019-20

In total receipts during 2019-20, contribution from Revenue Receipts, Capital Receipts and Net Public Account Receipts were 62.60, 33.19 and 4.21 *per cent* respectively, details of which have been discussed in subsequent paragraphs.

2.5 State's Revenue Receipts

This paragraph analyses trends in total revenue receipts and its components. It is followed by analysis of trends in the receipts bifurcated into receipts from the Central Government and State's own receipts.

2.5.1 Trends and growth of Revenue Receipts

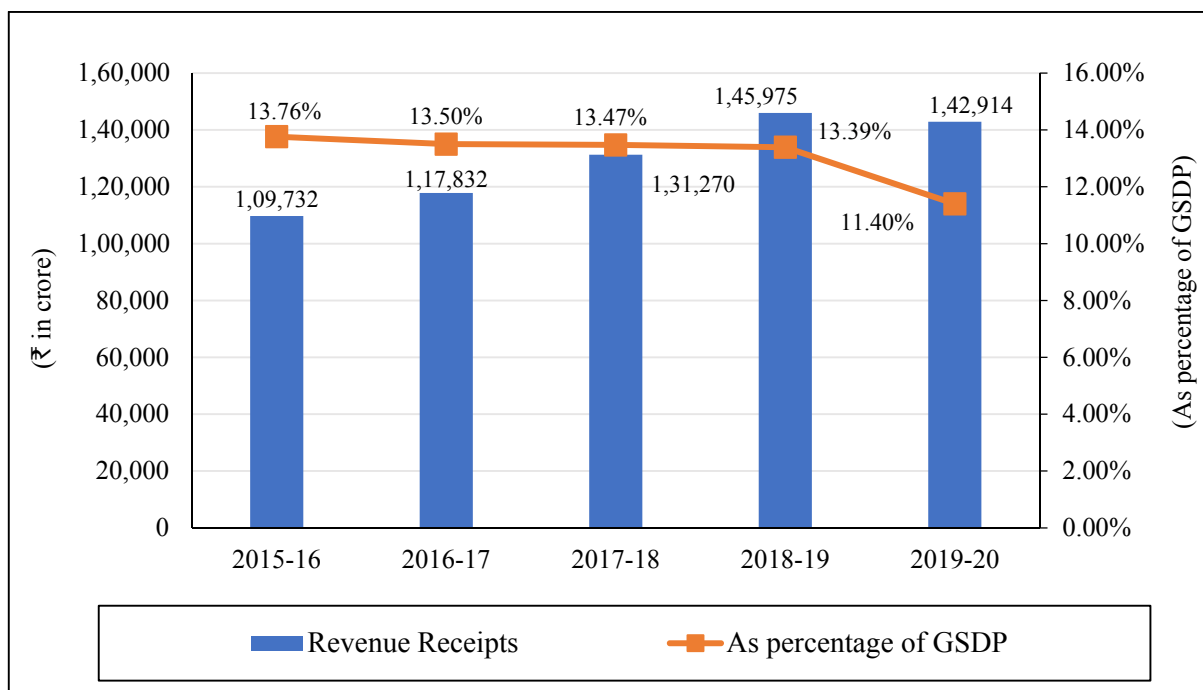
Table 2.3 shows the trend in Revenue Receipts while **Charts 2.4** and **2.5** show the trend of Revenue Receipts as well as relative share with respect to GSDP and trend of components of Revenue Receipts for the period from 2015-16 to 2019-20.

Table 2.3: Trend in Revenue Receipts

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	1,09,732	1,17,832	1,31,270	1,45,975	1,42,914
Rate of growth of RR (per cent)	26.84	7.38	11.40	11.20	-2.10
Own Tax Revenue (₹ in crore)	42,492	45,466	52,721	60,732	60,669
Non-Tax Revenue (₹ in crore)	1,862	2,950	3,117	3,657	3,213
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (per cent)	8.08	9.16	15.33	15.31	-0.79
Gross State Domestic Product (₹ in crore) (2011-12 Series)	7,97,300	8,72,527	9,74,700	10,89,898	12,53,832
Rate of growth of GSDP (per cent)	11.03	9.44	11.71	11.82	15.04
RR/GSDP (per cent)	13.76	13.50	13.47	13.39	11.40
Buoyancy Ratios⁹					
Revenue Buoyancy w.r.t GSDP	2.43	0.78	0.97	0.95	-0.14
State's Own Revenue Buoyancy w.r.t GSDP	0.73	0.97	1.31	1.30	-0.05

Source: Finance Accounts and for GSDP, figures issued by Ministry of Statistics and Programme Implementation (MoSPI), Government of India dated 29 May 2020

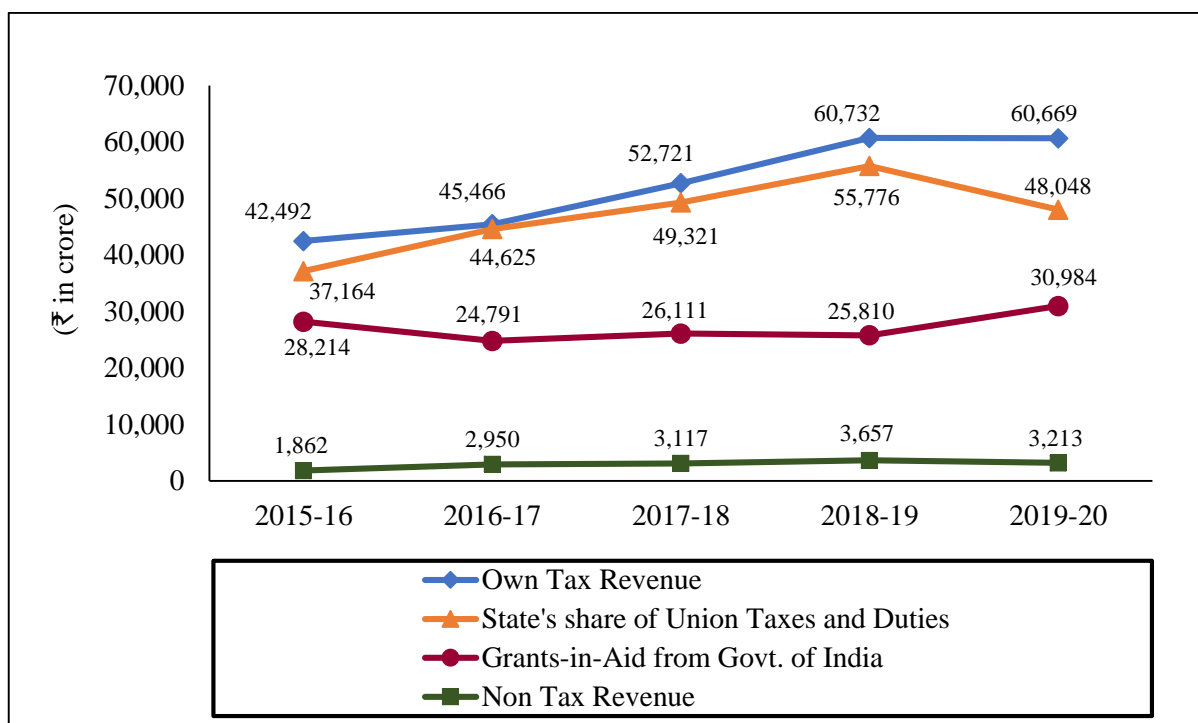
Chart 2.4: Trend of Revenue Receipts as well as relative share w.r.t. GSDP



Source: Finance Accounts and for GSDP, figures issued by Ministry of Statistics and Programme Implementation (MoSPI), Government of India dated 29 May 2020

⁹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one per cent.

Chart 2.5: Trend of components of Revenue Receipts



Source: Finance Accounts

General trends relating to Revenue Receipts of the State are as follows:

- Statement 14 of the Finance Accounts contains details of the revenue receipts of the Government. These consist of the State's own tax and non-tax revenues, Central tax transfers and Grants-in-aid from the Government of India. Revenue Receipts decreased by ₹ 3,061 crore (2.10 per cent) during 2019-20 over the previous year. State's share of Union Taxes and Duties decreased by ₹ 7,728 crore (13.86 per cent) followed by non-tax revenue by ₹ 444 crore (12.14 per cent) and tax revenue by 63 crore (0.10 per cent) set-off by increase in Grants-in-aid from GoI by ₹ 5,174 crore (20.05 per cent).
- During 2019-20, 45 per cent of the Revenue came from the State's own resources and the balance was from GoI in the form of central tax transfers and grants-in-aid. This is indicative of the fact that West Bengal's fiscal position is largely influenced by tax transfers and grants-in-aid from GoI.
- Revenue buoyancy measures the percentage change in the revenue receipts to the percentage change in GSDP. As can be seen from **Table 2.3** above, Revenue buoyancy though higher than one during 2015-16, dipped to less than one during 2016-20 indicating that Revenue Receipts remained less buoyant *vis-à-vis* GSDP. As GSDP grows, the ability of the State Government to mobilise its own revenue should also increase. **Table 2.3** also shows that the State was able to increase its own resources

during 2017-19 in tandem with GSDP. However, decrease in collection of own tax revenue and non-tax revenue during 2019-20 decreased own revenue buoyancy to a negative level.

- There was wide fluctuation in the revenue buoyancy of the State, as extraneous factors such as Finance Commission Award (14th FC impact on and from 2015-16) and implementation of GST (from 2017-18 onwards), impacted the actual receipts under different components of revenue.

2.5.2 State's Own Resources

State's share in Central taxes is determined on the basis of recommendations of the Finance Commission. Grants-in-aid from the Central Government is determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes, etc. State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

The gross collections in respect of major tax and non-tax revenue and their relative share in GSDP during 2015-20 are given in *Appendix 2.1*.

2.5.2.1 Own Tax Revenue

State's own tax revenue and its components during 2015-20 has been shown in **Table 2.4**.

Table 2.4: Components of State's own tax revenue

(₹ in crore)

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20
Sales Tax	26,050	27,983	12,999	7,813	7,161
SGST	0	0	14,964	27,067	27,308
State Excise	4,015	5,226	9,340	10,622	11,232
Taxes on Vehicles	1,707	1,870	2,317	2,563	2,601
Stamp Duties and Registration Fees	4,175	4,383	5,261	5,620	6,026
Land Revenue	2,456	2,569	2,875	2,847	2,728
Taxes on Goods and Passengers	838	934	1,532	435	34
Other Taxes	3,251	2,501	3,433	3,765	3,579
Total	42,492	45,466	52,721	60,732	60,669

Source: Finance Accounts

State's OTR maintained upward growth ranging between eight and 15 per cent during 2015-19. During 2019-20, the growth trajectory reversed as OTR dropped by 0.10 per cent (₹ 63 crore) over 2018-19. Exemption of one rupee per litre from aggregate amount of tax payable on sales of Motor Spirit (commonly

known as petrol) and High Speed Diesel, effective from 28 June 2019 to 31 March 2020, led to shortfall in collection of Sales Tax. Again, exemption of payment of Education Cess and Rural Employment Cess by Tea Estates producing green tea leaves for a period of two years (effective 1 April 2019), contributed to shortfall in collection of Land Revenue. Moreover, decline in revenue collection under taxes on goods and passengers by 97.78 per cent in 2019-20, from the levels of 2017-18, was due to this tax being subsumed in GST.

2.5.2.2 Analysis of arrears of revenue

Arrears of revenue indicate delayed realisation of revenue due to the Government. MTFPS 2021-22 revealed that at the end of 2019-20, arrears in realisation of revenue was ₹ 18,610 crore. Against this arrear, there was no dispute regarding realisation of ₹ 4,248 crore, of which cases exceeding one to two years involved ₹ 242 crore, two to five years ₹ 3,344 crore, five to 10 years ₹ 289 crore and more than 10 years ₹ 373 crore. Circumstances under which revenue of ₹ 4,248 crore could not be realised was not explained in the MTFPS. As mentioned above, undisputed arrears on account of revenue are lying unrealised for period ranging between one year and more than 10 years. Such arrears in realisation clearly affects both the revenue receipt and revenue deficit, adversely.

2.5.2.3 Details of evasion of tax detected by Department, refund cases, etc.

The cases of evasion of tax detected by the Finance Department, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Promptness in disposal of refund cases is an important indicator of the Department's performance. Details of cases of evasion of tax detected and refund cases have been shown in **Table 2.5** and **2.6** respectively.

Table 2.5: Evasion of Tax detected

Sl. No.	Head of revenue	Cases of tax evasion, detected in earlier years but pending as on 31 March 2019	Cases of tax evasion detected during 2019-20	Total	Against cases of tax evasion detected, number of cases in which assessment / investigation completed and additional demand with penalty etc., raised		No. of cases of tax evasion pending for finalisation as on 31 March 2020
					No. of cases	Amount of demand (₹ in crore)	
1.	GST	246	2,979	3,225	2,224	13,067.78	1,001
2.	Taxes/VAT on sales, Trade etc.	78	74	152	53	5.64	99

Source: Directorate of Commercial Taxes

In the current year, 69 per cent of the GST cases amounting to ₹ 13,068 crore were settled whereas in the case of VAT/ Sales tax, the achievement was 35 per cent amounting to ₹ 6 crore. Information on realisation against demands raised has not been furnished by the Department. At the end of the year, GST evasion cases pending for finalisation rose significantly by 755 (307 per cent)

over the previous year whereas in VAT/ Sales tax evasion cases, the increase was 21 (27 per cent).

Table 2.6: Details of refund cases

Sl. No.	Particulars	GST		Sales tax/VAT	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)
1.	Claims outstanding at the beginning of the year	1,121	115.77	1,074	92.94
2.	Claims received during the year	8,104	1,150.21	2,980	237.89
3.	Refunds made during the year	6,440	835.80	3,096	234.64
4.	Refunds rejected during the year	1,455	110.52	133	14.10
5.	Balance outstanding at the end of year	1,330	319.66	825	82.08

Source: Directorate of Commercial Taxes

As against the previous year, claims outstanding in respect of GST cases increased by 209 amounting to ₹ 204 crore whereas in the case of Sales Tax/VAT it reduced by 249 amounting to ₹ 11 crore.

2.5.2.4 Non Tax Revenue

Components of State's non-tax revenue for the period from 2015-16 to 2019-20 is given in **Table 2.7** below.

Table 2.7: Components of State's non-tax revenue (₹ in crore)

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20
Interest Receipts	335	1,201	1,396	806	321
Dividend and Profits	12	1	37	47	82
Other Non-Tax Receipts	1,515	1,748	1,684	2,804	2,810
a) Major and Medium Irrigation	9	7	9	16	15
b) Road Transport	83	105	124	74	64
c) Urban Development	46	37	34	22	26
d) Education	58	177	68	63	63
e) Non-Ferrous Mining	292	400	422	326	215
f) Others or Misc.	1,027	1,022	1,027	2,303	2,427
Total	1,862	2,950	3,117	3,657	3,213

Source: Finance Accounts

Non-tax revenue decreased by ₹ 444 crore (12.14 per cent) over the previous year due to short realisation on (i) interest receipts against miscellaneous loans and advances by ₹ 323 crore (99 per cent), (ii) guarantee fees by ₹ 167 crore (97.68 per cent), (iii) non-ferrous mining by ₹ 111 crore (34.05 per cent) on account of rents and royalties, (iv) interest from PSUs by ₹ 98 crore (46.89 per cent), (v) realisation of fees/fines by Police by ₹ 72 crore (28.51 per cent) and (vi) interest realised on investment of cash balances by ₹ 68 crore (41.21 per

cent) set-off by increased collection on State lotteries by ₹ 143 crore (12.98 per cent).

- **Non-crediting of Motor Transport Workers' Welfare Cess**

As per West Bengal Budget Manual (WBBM), income derived from cess imposed by law was to be credited to the Consolidated Fund.

GoWB levied Motor Transport Workers' Welfare Cess as per the West Bengal Motor Transport Workers' Welfare Cess Act, 2010¹⁰. The Act did not contain any accounting procedure to be followed. The Finance Department did not comply with conditions stated in the WBBM and changed it through administrative orders¹¹. Consequently, the cess (₹ 35.41 crore) collected during 2019-20 was directly booked under Public Account instead of 'Non-tax receipts'. Thus, Non-tax receipts were understated by ₹ 35.41 crore.

2.5.3 Transfers from the Centre

2.5.3.1 Central Tax Transfers

During the current year, central transfers of ₹ 79,032 crore decreased by ₹ 2,554 crore (3.13 per cent) from 2018-19 and constituted 55 per cent of the Revenue Receipts.

Central Tax Transfers and its components for the period from 2015-16 to 2019-20 has been shown in **Table 2.8** below.

Table 2.8: Central Tax Transfers (₹ in crore)

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Central Goods and Services Tax (CGST)	0	0	701	13,766	13,635
Integrated Goods and Services Tax (IGST)	0	0	4,980	1,099	0
Corporation Tax	11,702	14,314	15,107	19,397	16,383
Taxes on Income other than Corporation Tax	8,129	9,948	12,757	14,285	12,837
Customs	5,951	6,157	4,979	3,954	3,046
Union Excise Duties	4,958	7,031	5,204	2,627	2,117
Service Tax	6,394	7,142	5,594	511	0
Other Taxes ¹²	30	33	0	137	30
Central Tax transfers	37,164	44,625	49,321	55,776	48,048
Percentage of increase over the previous year	51	20	11	13	-14
Percentage of Central tax transfers to Revenue Receipts	34	38	38	38	34

Source: Finance Accounts

During 2019-20, Central tax transfers of ₹ 48,048 crore decreased by ₹ 7,728 crore (13.86 per cent) over the previous year. Decrease in transfer of sharable proceeds from Direct taxes and Indirect taxes attributed to this downfall. In Direct taxes, shortfall was mainly noticed under (i) Corporation tax by ₹ 3,014 crore (15.54 per cent) and (ii) taxes on income other than Corporation taxes by

¹⁰ The Act did not prescribe the accounting procedure to be followed as per the prevalent accounting principle.

¹¹ Issued by Finance Department in June 2014 and September 2016

¹² Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

₹ 1,448 crore (10.14 per cent). In case of Indirect taxes, shortfall was on account of decrease in transfer under (i) Customs by ₹ 908 crore (22.96 per cent) and (ii) Union Excise duties by ₹ 510 crore (19.41 per cent).

2.5.3.2 Grants-in-aid from GoI

Grants-in-aid from Government of India increased by ₹ 5,174 crore (20.05 per cent) over the previous year. This was owing to increase in transfer of grants under the component 'Centrally Sponsored schemes' by ₹ 1,275 crore (8.13 per cent). Major increase was noticed in the schemes for (i) NSAP¹³ by ₹ 846 crore, (ii) NHM¹⁴ by ₹ 597 crore, (iii) MGNREGA¹⁵ by ₹ 588 crore and (iv) NEM¹⁶ by ₹ 413 crore set-off by decrease under (a) PMGSY¹⁷ by ₹ 1,079 crore and (b) AMRUT¹⁸ by ₹ 311 crore.

In the component 'Finance Commission grants', major increases were noticed under (i) Basic grants for Rural Local Bodies by ₹ 962 crore, (ii) SDRF¹⁹ by ₹ 381 crore and (iii) Performance grants for Urban Local Bodies by ₹ 295 crore.

In the component 'Other transfers/grants to States with Legislature', major increases were noticed under (i) compensation for the loss of revenue on account of implementation of GST (₹ 2,382 crore), (ii) NDRF²⁰ (₹ 958 crore) owing to cyclonic storm 'Bulbul' set-off by decrease under (iii) Food Subsidy (₹ 1,638 crore).

2.5.3.3 Fourteenth Finance Commission Grants

14th FC provided grants to the States for local bodies and SDRF. Out of ₹ 23,685 crore recommended by the 14th FC, total release was ₹ 20,847 crore, leading to a shortfall of ₹ 2,838 crore (11.98 per cent). While analysing the shortfall, the following were noticed:

Shortfall in receipt of grants for Local Bodies

There was a shortfall in receipts of Local Bodies grants by ₹ 2,658 crore of which the share of basic grants and performance grants were ₹ 735 crore²¹ (4.06 per cent of the total allocation) and ₹ 1,923 crore²² (70 per cent of the total allocation) respectively.

Shortfall in receipt of grants for Disaster Relief

Pursuant to SDRF guidelines (July 2015), GoI contribution to disaster relief for West Bengal during the award period (2015-20) of the 14th FC was fixed at 75

¹³ National Social Assistance Programme

¹⁴ National Health Mission

¹⁵ Mahatma Gandhi National Rural Employment Guarantee Act

¹⁶ National Education Mission

¹⁷ Pradhan Mantri Gram Sadak Yojana

¹⁸ Atal Mission for Rejuvenation and Urban Transformation

¹⁹ State Disaster Response Fund

²⁰ National Disaster Response Fund

²¹ PRIs- ₹ 439 crore (3.44 per cent); ULBs- ₹ 296 crore (5.57 per cent)

²² PRIs- ₹ 1,150 crore (81.04 per cent); ULBs- ₹ 773 crore (58.21 per cent)

per cent of the total allocation²³. From the year 2018-19, GoI share, however, was enhanced to 90 per cent.

It was observed that against the 14th FC's mandated GoI allocation of ₹ 1,103 crore²⁴ during the period 2018-20, there was a shortfall of ₹ 183 crore (₹ 88 crore in 2018-19 and ₹ 95 crore in 2019-20). During the same period, GoWB released ₹ 29 crore in excess of its matching share which led to shortfall of ₹ 154 crore from the overall allocation (₹ 1,226 crore).

Avoidable payment of interest

Fourteenth FC recommended that the States should release grants to gram panchayats and municipalities within 15 days of its being credited to the State Government's account by the Union Government. Again, as per SDRF guidelines, the State was to transfer the Union share of SDRF along with its own share to the Public Account within 15 days of its receipt. Any delay in the release of the above two types of grants would attract penal interest at the bank rate of RBI.

It was observed that 14th FC grants of ₹ 11,879 crore (Local Bodies grants of ₹ 10,252 crore plus SDRF of ₹ 1,627 crore) were released with delays ranging between one and 189 days due to which, GoWB had to pay interest of ₹ 61.91 crore during 2015-20. Payment of interest for the fiscal 2019-20 was ₹ 15.58 crore.

The Finance Department did not furnish reasons for shortfall in receipts of Local Bodies grants and SDRF from GoI and payment of interest owing to delayed disbursements by GoWB despite pursuance.

2.6 Capital Receipts

Capital Receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market borrowings, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Trend of Capital Receipts and its composition during the period 2015-20 has been shown in **Table 2.9**.

Table 2.9: Trends in growth and composition of capital receipts

(₹ in crore)

Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Receipts	47,232	40,757	45,957	71,693	75,766
Miscellaneous Capital Receipts	653	0	0	692	0
Recovery of Loans and Advances	832	3,233	214	804	67
Net Public Debt Receipts	25,568	25,220	20,732	24,411	35,286^

²³ For 2015-16: ₹ 516 crore; 2016-17: ₹ 542 crore; 2017-18: ₹ 569 crore; 2018-19: ₹ 598 crore and 2019-20: ₹ 628 crore as per recommendation of the 14th FC

²⁴ 90 per cent of ₹ 1,226 crore (₹ 598 crore during 2018-19 plus ₹ 628 crore during 2019-20)

Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Growth rate (per cent)	8.74	-1.36	-17.80	17.75	44.55
Internal Debt*	45,088	37,005	43,718	69,019	73,682
Growth rate (per cent)	-16.24	-17.93	18.14	57.87	6.76
Loans and advances from GoI	659	519	2,025	1,178	2,017
Growth rate (per cent)	-51.65	-21.24	290.17	-41.83	71.22
Rate of growth of debt Capital Receipts (per cent)	-17.11	-17.97	21.90	53.46	7.84
Rate of growth of non-debt capital receipts (per cent)	743.75	117.71	-93.38	599.07	-95.52
Rate of growth of GSDP (per cent)	11.03	9.44	11.71	11.82	15.04
Buoyancy of Net Public Debt Receipts w.r.t. GSDP	0.79	-0.14	-1.52	1.50	2.96
Rate of growth of Capital Receipts (per cent)	-14.70	-13.71	12.76	56.00	5.68

Source: Finance Accounts and GSDP data sourced from MoSPI, Government of India dated 29 May 2020
 *including gross figures under Ways and Means Advances (WMA) of ₹ 11,139 crore in 2015-16, ₹ 1,208 crore in 2016-17, ₹ 5,395 crore in 2017-18, ₹ 25,005 crore in 2018-19 and ₹ 15,860 crore in 2019-20; ^Difference of ₹ 1 crore is due to rounding.

Capital Receipts (₹ 75,766 crore) in the current year increased by ₹ 4,073 crore (5.68 per cent) over 2018-19. This was owing to increase in market borrowings (MB) by 33 per cent. In the current year, ₹ 56,992 crore was taken as MB (as discussed in **Paragraph 2.12.3**) with a redemption period of 10 to 15 years. Its contribution in capital receipts increased to 75 per cent from 60 per cent in 2018-19. Loans and advances from GoI increased by 71 per cent to ₹ 2,017 crore whereas dependency on WMA reduced by 37 per cent to ₹ 15,860 crore.

Net Public Debt Receipts with respect to GSDP in the current year (2.96 per cent) remained more buoyant than the previous year (1.50 per cent). This was due to increase in net MB of ₹ 10,452 crore (34.35 per cent) over the increase of ₹ 5,126 crore (20.26 per cent) in 2018-19. During 2019-20, net utilisation of MB and GoI loans were ₹ 40,882 crore and ₹ 886 crore, respectively set off by repayment of NSSF loans (₹ 6,340 crore) and more repayment over receipt on loans from Financial Institutions (₹ 143 crore). The above factors helped Net Public Debt receipts to increase by 44.55 per cent to ₹ 35,286 crore.

Non-debt capital receipts in the shape of recoveries of loans and advances and Miscellaneous Receipts reduced by 91.67 per cent to ₹ 67 crore due to poor recovery of loans from Public Sector Enterprises/ Bodies/ Authorities though disbursement of loans and advances on this account increased by ₹ 401 crore in 2019-20 over that in 2018-19. This scenario pointed to the fact that there was an urgent need to assess the essentiality of services being rendered by these entities and initiate necessary measures to ensure increase in the effectiveness of their functioning.

2.6.1 State's performance in mobilisation of resources

State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. The mobilisation of resources with respect to FC projections and Budget Estimates during 2019-20 has been shown in **Table 2.10**.

Table 2.10: Tax and non-tax receipts vis-à-vis projections

Particulars	FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				FC projections	Budget estimates
(₹ in crore)					
Own Tax revenue	1,07,575	65,546	60,669	43.60	7.44
Non-tax revenue	6,048	3,987	3,213	46.88	19.41

Source: 14th FC Report, Budget Publication and Finance Accounts

As can be seen from **Table 2.10** above, there was a shortfall in State's own revenue collection. There was a huge shortfall of ₹ 46,906 crore (43.60 per cent) and ₹ 4,877 crore (7.44 per cent) respectively against the 14th FC projection and budget estimates in case of Own Tax Revenue. In case of Non-tax revenue collection, the corresponding shortfall was to the tune of ₹ 2,835 crore (46.88 per cent) and ₹ 774 crore (19.41 per cent). Short collection of State's own revenue contributed in widening the gap of revenue deficit with respect to FC projections and budget estimates.

2.7 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. This paragraph along with sub-paragraphs gives the analysis of allocation of expenditure in the State.

2.7.1 Growth and composition of expenditure

Table 2.11 gives the trend of total expenditure and its composition while **Table 2.12** gives relative share of various sectors in expenditure during the period 2015-20.

Table 2.11: Total expenditure and its composition

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
	(₹ in crore)				
Total Expenditure (TE)	1,32,108	1,46,451	1,60,414	1,80,956	1,79,812
Revenue Expenditure (RE)	1,18,827	1,33,918	1,41,077	1,56,374	1,62,575
Capital Outlay (CO)	12,420	11,336	19,368	23,717	15,971
Loans and Advances	861	1,197	-31	865	1,266
<i>As a percentage of GSDP</i>					
TE/GSDP	16.57	16.78	16.46	16.60	14.34

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
	(₹ in crore)				
RE/GSDP	14.90	15.35	14.47	14.35	12.97
CO/GSDP	1.56	1.30	1.99	2.18	1.27
Loans and Advances/GSDP	0.11	0.14	0.00	0.08	0.10

Source: Finance Accounts

State's total expenditure (TE) consists of Revenue Expenditure (RE), Capital Outlay (CO) and disbursement of loans and advances. TE during the current year reduced by ₹ 1,144 crore (0.63 per cent) over the previous year. This was mainly due to reduction of CO by ₹ 7,746 crore (32.66 per cent). With respect to GSDP, RE and CO reduced by 1.38 and 0.91 per cent respectively over that of 2018-19. During 2015-20, CO as a percentage of GSDP was the lowest at 1.27 in 2019-20. This is not encouraging as Investment in Capital Assets is considered to be an indicator of the growth of any State economy. Payment of Loans and Advances to GSDP was, however, almost the same as compared to the previous year.

Table 2.12: Relative share of various sectors of expenditure

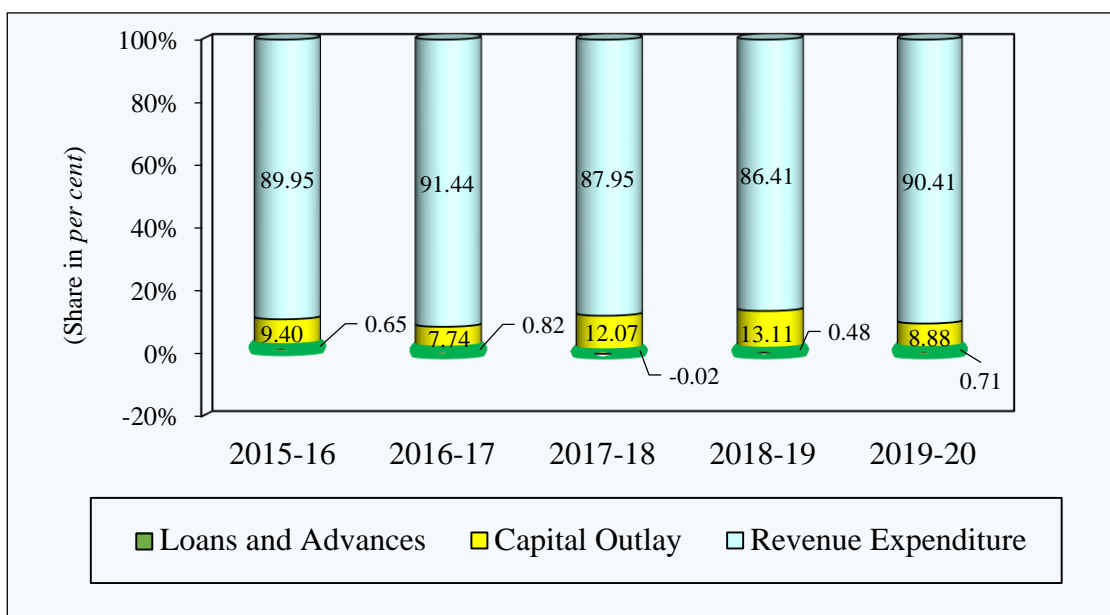
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
	(in per cent)				
General Services	35.12	34.81	33.30	31.94	34.86
Social Services	39.37	42.00	41.89	42.05	43.67
Economic Services	24.27	21.99	24.52	25.26	20.52
Others (Grants to Local Bodies and Loans and Advances)	1.24	1.20	0.29	0.75	0.95

Source: Finance Accounts

Expenditure under Social Sector constituted a major portion of the State's Expenditure. As can be seen from **Table 2.12** above, around 42 per cent of the total expenditure was in this sector during 2016-19. In the current year, the relative share of this sector increased by 1.62 per cent, indicating Government's priority on spending on social activities. During 2015-19, the relative share of expenditure on General Services decreased. However, in the current year, the share increased by nearly three per cent over the previous year, largely driven by increased interest payments and expenditure on pensions. In the case of Economic Services, the relative share decreased by nearly five per cent over the previous year to 20.52, indicating that the expenditure in this sector remained compressed.

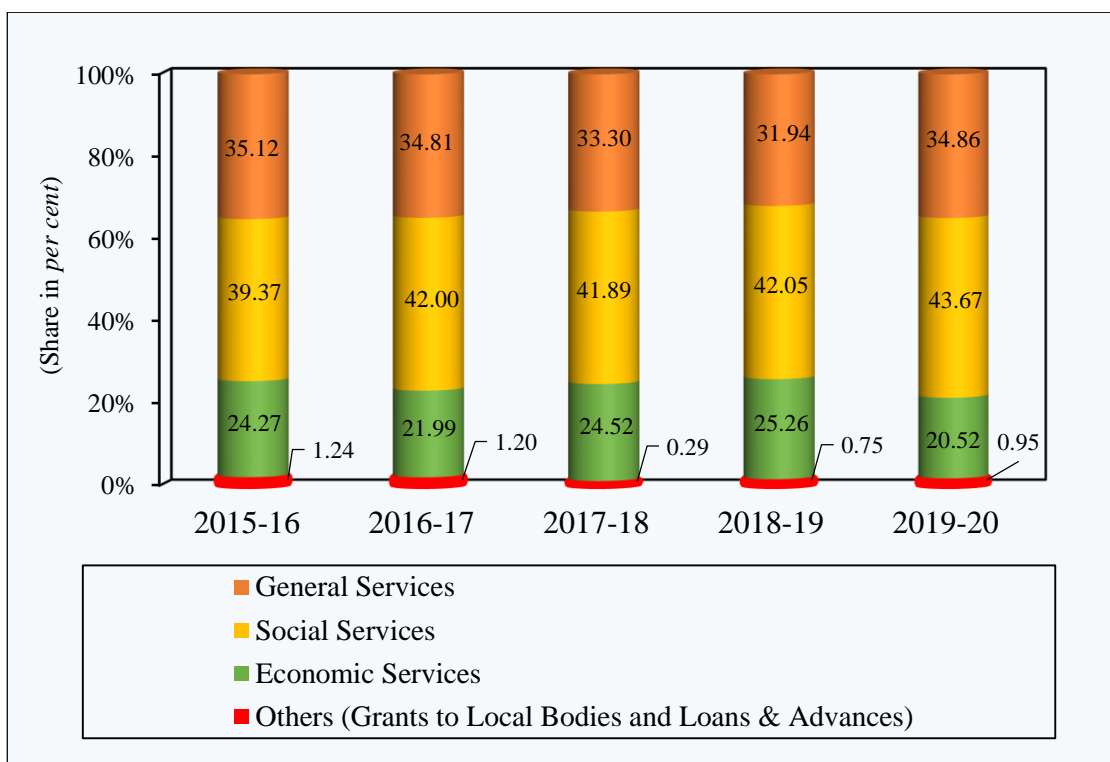
Chart 2.6 presents the trends in share of components of TE while **Chart 2.7** presents TE by activity during 2015-20. **Chart 2.8** presents the composition of expenditure during 2019-20.

Chart 2.6: Total Expenditure: Trends in share of its components



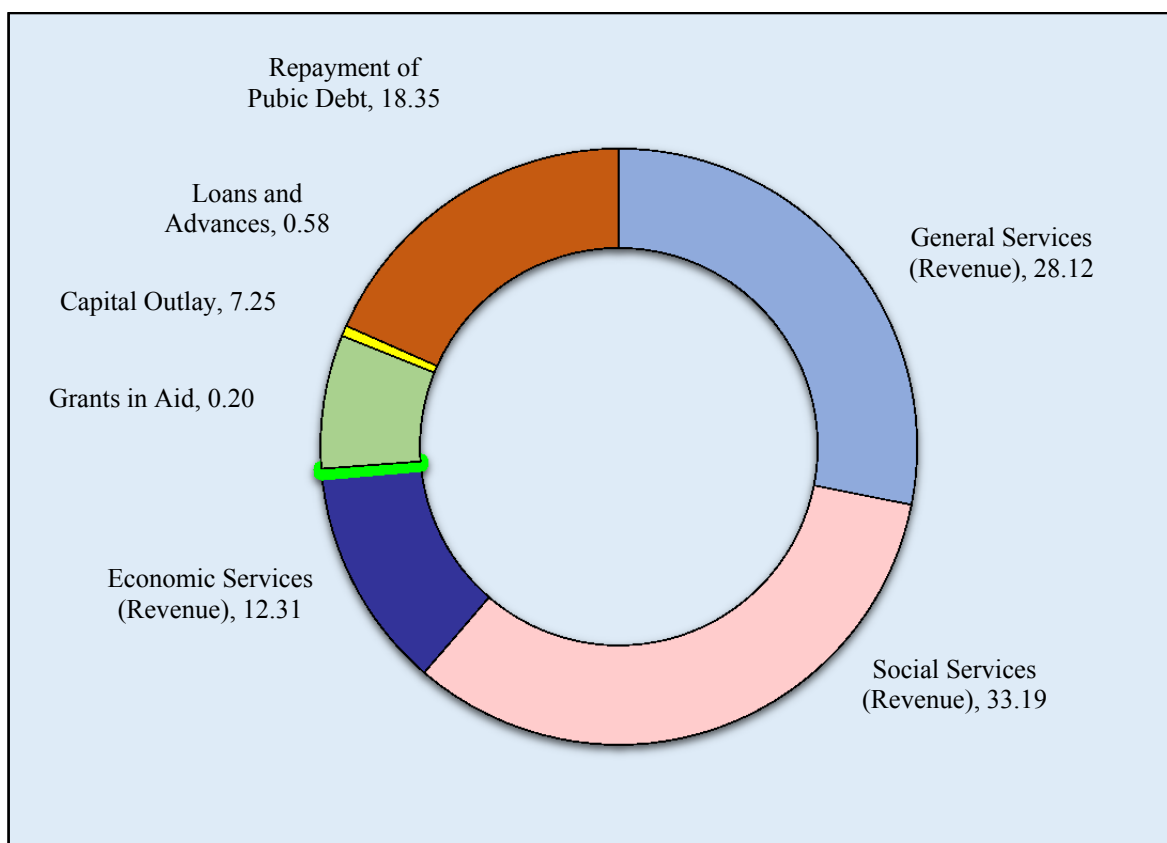
Source: Finance Accounts

Chart 2.7: Total expenditure - Expenditure by activities



Source: Finance Accounts

Chart 2.8: Composition of expenditure (in per cent)



Source: Finance Accounts

As is evident from the **Chart 2.6**, Capital Outlay (CO) had increased significantly, with its share as a percentage of Total Expenditure (TE) increasing from 7.74 per cent in 2016-17 to 12.07 per cent in 2017-18 and further to 13.11 per cent during 2018-19. During 2019-20, the share of CO, however, decreased to 8.88 per cent. This is attributable to the fact that RE with respect to TE in the current year went up to 90.41 per cent whereas during 2018-19 it was 86.41 per cent. The increase in percentage of RE was due to overall decrease of TE as a result of less mobilisation of resources. The major components of RE i.e., salary, interest payments and pensions increased by 16.91, 9.54 and 8.71 per cent over the previous year.

2.8 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payments for past obligations. **Table 2.13** gives the trend of Revenue expenditure during the period 2015-20.

Table 2.13: Revenue Expenditure – Basic Parameters

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE) (₹ in crore)	1,32,108	1,46,451	1,60,414	1,80,956	1,79,812
Revenue Expenditure (RE) (₹ in crore)	1,18,827	1,33,918	1,41,077	1,56,374	1,62,575

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Rate of Growth of RE (per cent)	14.64	12.70	5.35	10.84	3.97
Revenue Expenditure as percentage of TE	89.95	91.44	87.95	86.42	90.41
RE/GSDP (per cent)	14.90	15.35	14.47	14.35	12.97
RE as percentage of RR	108.29	113.65	107.47	107.12	113.76
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.33	1.35	0.46	0.92	0.26
Revenue Receipts (ratio)	0.55	1.72	0.47	0.97	-1.89

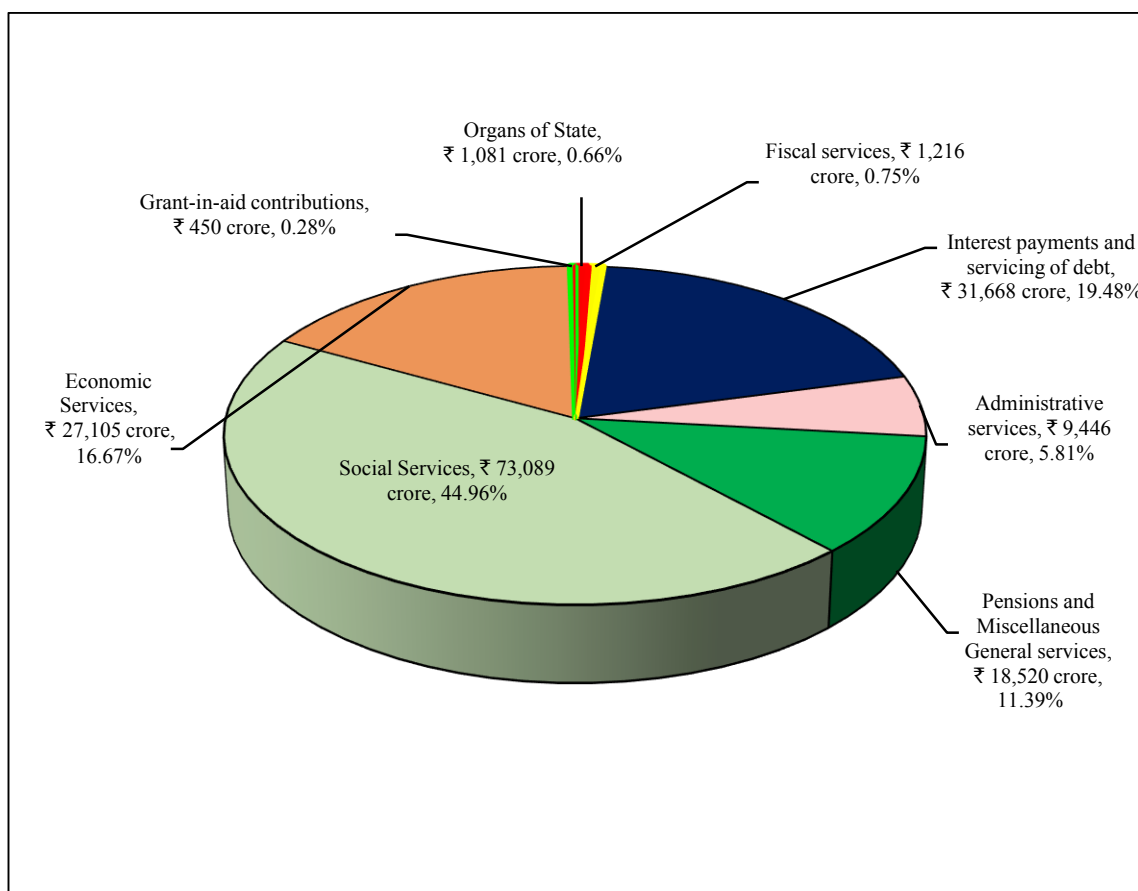
Source: Finance Accounts of respective years

Revenue Expenditure (RE) constituted a significant portion of the total expenditure. Its share in total expenditure (TE) increased by four *per cent* over the previous year. This was despite the fact that the growth of RE was not significant (four *per cent*) during 2019-20 compared to growth of 11 *per cent* in 2018-19. While analysing the last five years' data, it was observed that RE as a percentage of RR was highest during 2019-20, indicating increased Revenue Deficit. As can be seen from the above table, buoyancy of RE with GSDP though higher during 2015-17, dipped to less than one during 2017-19, indicating that RE remained less buoyant *vis-à-vis* GSDP. Buoyancy of RE *vis-à-vis* RR except during 2016-17 was above one, indicating that the growth of RE remained less buoyant than RR. During 2019-20, this ratio turned adverse as the growth of RR over the previous year turned negative by 2.10 *per cent*.

During 2015-20, the excess of RE over RR ranged between 7.12 and 13.76 *per cent* leading to Revenue Deficit (RD). RD was financed through borrowing which in turn adversely affected creation of assets and wealth generation.

Sector-wise distribution of Revenue Expenditure during 2019-20 has been shown in **Chart 2.9**.

Chart 2.9: Sector-wise distribution of revenue expenditure during 2019-20



Source: Finance Accounts

2.8.1 Major changes in Revenue Expenditure

Revenue Expenditure (₹ 1,62,575 crore) increased by four *per cent* (₹ 6,201 crore) over the previous year. Increase in General Services by nine *per cent* (₹ 5,066 crore) followed by Social services by six *per cent* (₹ 4,325 crore) set off by decrease of 10 *per cent* (₹ 3,151 crore) and eight *per cent* (₹ 39 crore) respectively in Economic services and Grants-in aid and contributions contributed to this growth.

In General Services, major increases were noticed in (i) Interest Payment by ₹ 2,757 crore (10 *per cent*), (ii) payments of Pension by ₹ 1,399 crore (nine *per cent*) and (iii) expenditure towards Police by ₹ 1,004 crore (16 *per cent*).

In Social services, major increases were noticed in (i) Education, Sports, Art and Culture by ₹ 3,514 crore (12 *per cent*), which was counter-balanced by decrease in Water Supply, Sanitation, Housing and Urban Development by ₹ 1,207 crore (15 *per cent*).

In Economic services, major reduction was noticed in Agriculture and allied activities by ₹ 3,325 crore (42 *per cent*) which was counter-balanced by increase in Rural Development by ₹ 1,438 crore (nine *per cent*).

Significant variations noticed in major heads of account during 2019-20 *vis-à-vis* 2018-19 has been shown in **Table 2.14**.

Table 2.14: Variation in Revenue Expenditure during 2019-20 compared to 2018-19

Major Heads of Account	2018-19	2019-20	Increase (+)/ Decrease (-)
	(₹ in crore)		
2202- General Education	26,644	30,590	3,946
2049- Interest Payments	28,911	31,668	2,757
2210- Medical and Public Health	7,621	9,221	1,601
2071- Pensions and Other Retirement benefits	16,063	17,462	1,399
2515- Other Rural Development Programmes	6,421	7,581	1,160
2055- Police	6,223	7,227	1,004
2245- Relief on account of Natural Calamities	682	1,683	1,001
2401- Crop Husbandry	5,662	2,345	(-) 3,317

Source: Finance Accounts

The main reasons for variation in revenue expenditure with respect to the previous year were as follows:

- Assistance to Non-Government Secondary Schools increased to ₹ 14,317 crore, an increase of 23.79 per cent from ₹ 11,566 crore in 2018-19;
- Assistance to Gram Panchayats increased to ₹ 3,794 crore, an increase of 42.47 per cent from ₹ 2,663 crore;
- Expenditure on District Police increased to ₹ 4,750 crore, an increase of 17.25 per cent from ₹ 4,051 crore;
- 'Nil' Payment under 'Krishakbandhu' scheme against payment of ₹ 4,000 crore a year ago.

2.8.2 Committed expenditure

The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. It has first charge on Government resources. Upward trend in committed expenditure leaves the Government with lesser flexibility for development expenditure.

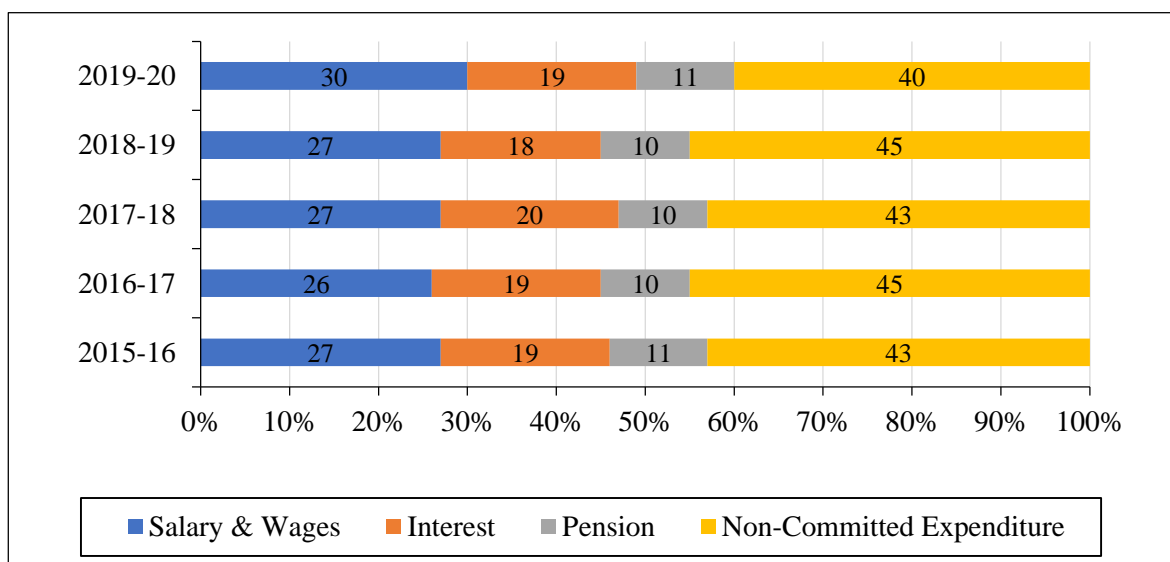
Components of Committed Expenditure and share of committed expenditure in Revenue Expenditure during the period 2015-20 has been shown in **Table 2.15** and **Chart 2.10**.

Table 2.15: Components of Committed Expenditure

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
	(₹ in crore)				
Salaries & Wages	31,931	34,688	37,803	41,541	48,567
<i>Of which, Grants-in-aid salary²⁵</i>	17,725	19,417	21,510	23,574	27,815
Expenditure on Pensions	12,860	13,945	14,588	16,063	17,462
Interest Payments	23,115	25,703	28,074	28,911	31,668
Total	67,906	74,336	80,465	86,515	97,697
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	29.10	29.44	28.80	28.46	33.98
Expenditure on Pensions	11.72	11.83	11.11	11.00	12.22
Interest Payments	21.06	21.81	21.39	19.81	22.16
Total	61.88	63.08	61.30	59.27	68.36
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	26.87	25.90	26.80	26.57	29.87
Expenditure on Pensions	10.82	10.41	10.34	10.27	10.74
Interest Payments	19.45	19.19	19.90	18.49	19.48
Total	57.14	55.50	57.04	55.33	60.09

Source: Finance Accounts

Chart 2.10: Share of Committed expenditure in total Revenue Expenditure



Source: Finance Accounts

As can be seen from **Table 2.15** above, committed expenditure constituted over 55 per cent of Revenue Expenditure during 2015-20, while it accounted for over 59 per cent of the Revenue Receipts of the State during the same period. During

²⁵ Salaries for employees of grantee bodies (e.g., aided schools and colleges), as distinct from government servants

2019-20, the share of committed expenditure with respect to Revenue Expenditure and Revenue Receipts was 60 and 68 *per cent* respectively.

- **Salaries and Wages**

Share of salaries in Revenue Expenditure varied between 25.90 and 29.87 *per cent* during 2015-20. During the year 2019-20, its share increased by 3.30 *per cent* to 29.87 *per cent*. The increase during the year 2019-20 was ₹ 7,026 crore (16.91 *per cent*) compared to an increase of ₹ 3,738 crore (9.89 *per cent*) during 2018-19. Revision of pay with effect from 1 January 2020, pursuant to West Bengal Services (Revision of Pay and Allowance) Rules²⁶, 2019 contributed to this increase. Salary Expenditure in the month of January 2020 was ₹ 3,210 crore compared to ₹ 2,963 crore in the same period of 2018-19. Expenditure on Salary grew at a CAGR of 11.05 *per cent* during the period 2015-20.

- **Interest Payments**

Interest Payments accounted for 22.16 *per cent* of Revenue Receipts during 2019-20, which was higher than the ceiling of 18.96 *per cent* prescribed in the Fiscal Policy Strategy Statement (FPSS), placed along with the budget for 2019-20. Expenditure on Interest Payments (₹ 31,688 crore) grew by ₹ 2,757 crore (9.54 *per cent*) from the previous year (₹ 28,811 crore) due to increase in interest payment on Market loans by 15.43 *per cent*.

- **Pensions**

Expenditure on Pension in Revenue Expenditure varied between 10 and 11 *per cent* during 2015-20. Pension payment grew at a CAGR of 7.95 *per cent* during this period. During 2019-20, expenditure on Pension increased by 8.71 *per cent* (₹ 1,399 crore) over 2018-19.

2.8.3 Undischarged liabilities in National Pension System

Government introduced the 'National Pension System' (NPS) for All India Service (AIS) officers and other Central Government employees on Deputation to the State recruited on or after 1 January 2004. This scheme is not applicable for State Government employees.

Finance Department, GoWB vide its Notification (April 2019) has changed the State Government's contribution to 14 *per cent* of basic pay and dearness allowance of the employee from the earlier 10 *per cent*. In line with the notification, against the required contribution of ₹ 4.57 crore during 2019-20, GoWB contributed only ₹ 4.49 crore which led to understatement of Revenue and Fiscal deficit by ₹ 0.08 crore.

During 2019-20, out of the required transfer of ₹ 7.89 crore to NSDL (National Securities Depositories Limited)/ Trustee Bank, only ₹ 7.79 crore was transferred, leaving a balance of ₹ 0.10 crore. Uncollected, unmatched and untransferred amounts, with accrued interest, represent outstanding liabilities under the Scheme.

²⁶ Deemed effective from 1 January 2016, without having any arrears of pay from 1 January, 2016 to 31 December, 2019

2.8.4 Subsidies

Expenditure on subsidies for the period from 2015-16 to 2019-20 has been shown in **Table 2.16**.

Table 2.16: Expenditure on subsidies during 2015-20

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies (₹ in crore)	5,098	9,587	11,677	13,403	9,709
Subsidies as a percentage of Revenue Receipts	4.65	8.14	8.90	9.18	6.79
Subsidies as a percentage of Revenue Expenditure	4.29	7.16	8.28	8.57	5.97

Source: Finance Accounts

Detailed payment of subsidy is shown in **Appendix-II** of the Finance Accounts. As can be seen from **Table 2.16** above, there was a steep upward trend in disbursement of subsidy from 2015-16 to 2018-19. During 2019-20, there was a sharp decrease of ₹ 3,694 crore (27.56 per cent) from ₹ 13,403 crore in 2018-19. During the last quarter of 2019-20, subsidy payment stood at ₹ 4,885 crore compared to ₹ 6,538 crore during the same period of the previous year.

In the FPSS presented along with the budget during 2019-20, it was stated that State Government's borrowing was for meeting the requirement for development expenditure by way of payment of subsidy to PSUs. However, during 2019-20, payment of subsidy with respect to borrowing reduced to 12.83 per cent from 19.10 per cent in 2018-19. Reduction in supply of subsidised rice to the APL/BPL families in the TPDS²⁷ from ₹ 10,293 crore during 2018-19 to ₹ 6,613 crore during the current year was responsible for this reduction. During 2019-20, subsidy as a percentage to revenue receipts and revenue expenditure decreased by 2.39 and 2.60 per cent respectively over the previous year. It was noticed from the Finance Accounts 2019-20 that ₹ 52.47 crore was disbursed to PSUs by way of subsidy for meeting retirement liabilities.

In the following five departments, the State Government incurred expenditure of ₹ 1,002 crore in the nature of subsidies during 2019-20 (**Table 2.17**).

Table 2.17: Details of expenditure in the nature of subsidies

Sl. No.	Scheme/Subsidy	Name of Department	Amount (₹ in crore)
1.	Grants to Kolkata Municipal Corporation/Howrah Municipal Corporation/Other Urban Local Bodies for adjustment of Energy Bills of Calcutta Electric Supply Corporation Limited/ West Bengal State Electricity Distribution Company Limited	Urban Development & Municipal Affairs	972.53

²⁷ Targeted Public Distribution System

Sl. No.	Scheme/Subsidy	Name of Department	Amount (₹ in crore)
2.	State subsidy for supply of rice to the APL/BPL families in the TPDS	Food & Supplies	42.82
3.	Subsidies for interest liabilities in respect of share croppers, small farmers and self-employed persons	Cooperation	5.84
4.	Subsidised distribution of seed planting materials	Food Processing Industries & Horticulture	0.67
5.	Subsidy on short-term credit to the small fish farmers, fish vendors and entrepreneurs in the development of pisciculture, door to door vending, setting up of small fish markets and fish-meal plants	Fisheries	0.22
Total			1,022.08

Source: Appropriation Accounts of Government of West Bengal (2019-20)

It was seen that a major portion of the subsidies was spent on payment of electricity bills to ULBs and not for social and economic activities. Though, these were in the nature of subsidies, they were not reflected as subsidies and the subsidies shown in the accounts are understated to that extent.

2.8.5 Financial assistance by the State Government to Local Bodies and Other Institutions

Financial assistance of ₹ 61,622 crore was provided by the State Government to local bodies and other institutions by way of grants in 2019-20 (Table 2.18). There was an increase in the overall quantum of assistance by ₹ 4,033 crore (seven per cent) in comparison to the previous year (₹ 57,589 crore). Assistance as a percentage of Revenue Expenditure also increased by one per cent to 38 per cent.

Table 2.18: Financial Assistance to Local Bodies etc.

(₹ in crore)					
Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
Local Bodies					
Municipal Corporations and Municipalities	3,562	3,825	4,786	4,787	4,529
Panchayati Raj Institutions	15,153	14,347	15,180	11,678	13,466
Total (A)	18,715	18,172	19,966	16,465	17,995

Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
Others					
Educational Institutions (Universities)	1,125	1,530	1,419	1,345	7,507
Development Authorities	556	382	320	295	0
Other Autonomous Bodies	86	2,137	2,008	1,403	0
Cooperative Institutions	20	211	305	214	249
Public Sector Undertakings (PSUs)	72	4,872	1,893	1,117	298
Non-Government Organisations (NGOs)	367	15,941	21,123	19,461	23,244
Others	28,519	9,430	7,931	17,289	12,329
Total (B)	30,745	34,503	34,999	41,124	43,627
Total (A+B)	49,460	52,675	54,965	57,589	61,622
Revenue Expenditure	1,18,827	1,33,918	1,41,077	1,56,374	1,62,575
Assistance as percentage of Revenue Expenditure	42	39	39	37	38

Source: Finance Accounts

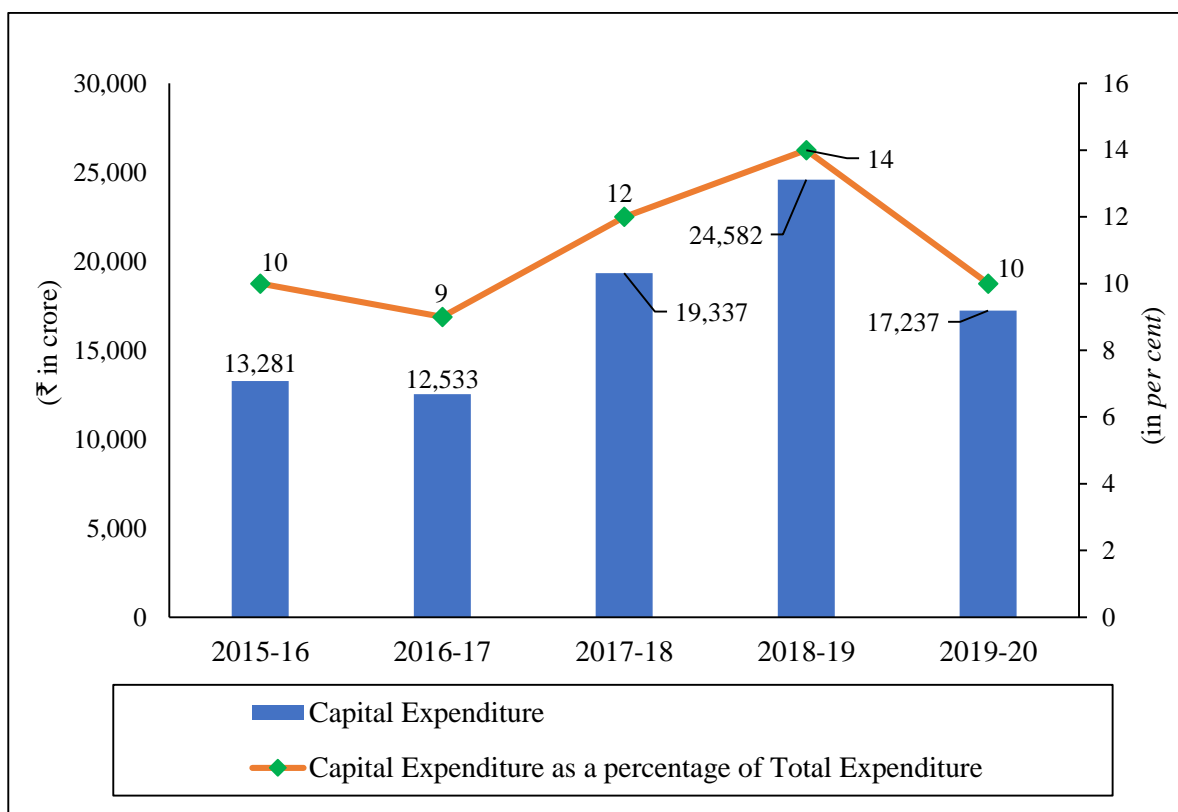
Thirty eight *per cent* of RE during 2019-20 was incurred on Financial Assistance to institutions where the State Government has no proper monitoring mechanism to ensure accountability. This is a matter of concern particularly when the State has Revenue deficit. Further out of 38 *per cent*, 37.72 *per cent* has gone to NGOs who are not accountable to the Government and do not come under the ambit of Audit.

The Public Sector Undertakings, Autonomous Bodies and Authorities had arrear of accounts as of March 2020 as discussed in **Paragraphs 2.9.3** and **4.12**. Release of financial assistance without insisting on rendering timely accounts is detrimental to public accountability and indicated poor financial management.

2.9 Capital Expenditure

Capital Expenditure of the State and its contribution to Total Expenditure for 2015-20 has been shown in **Chart 2.11**.

Chart 2.11: Capital expenditure in the State



Source: Finance Accounts

Chart 2.11 shows that in the current year, Capital Expenditure as a percentage of Total Expenditure dropped by four *per cent*. Decrease in Revenue Receipts and Recovery of Loans and Advances by ₹ 3,061 crore and ₹ 737 crore respectively over 2018-19 were the contributing factors for decrease of Capital Expenditure.

Again, the booking of Capital Expenditure (₹ 17,237 crore) has to be viewed in the light of the fact that ₹ 415.62 crore was booked under capital section instead of revenue (**Table 1.7** and **Paragraph 3.3.2**). Out of ₹ 415.62 crore, expenditure of ₹ 322.22 crore in the nature of Revenue Expenditure (RE) was misclassified as Capital Outlay (CO) (**Paragraph 2.9.1**).

2.9.1 Major changes in Capital Expenditure

Capital Expenditure comprises CO and disbursement of loans & advances. Major changes in CO during 2019-20 *vis-à-vis* 2018-19 has been shown in **Table 2.19**.

Table 2.19: Capital Outlay during 2019-20 compared to 2018-19

Major Heads of Accounts	2018-19	2019-20	Increase (+)/ Decrease (-)
	(₹ in crore)		
4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	73	256	183
4700- Capital Outlay on Major Irrigation	248	347	99

Major Heads of Accounts	2018-19	2019-20	Increase (+)/ Decrease (-)
	(₹ in crore)		
4202-Capital Outlay on Education, Sports, Art and Culture	997	430	-567
4215-Capital Outlay on Water Supply and Sanitation	1,952	1,384	-568
4210-Capital Outlay on Medical and Public Health	1,237	558	-679
4575-Capital Outlay on other Special Areas Programmes	1,868	974	-894
5054-Capital Outlay on Roads and Bridges	5,059	4,128	-931
4515-Capital Outlay on other Rural Development Programmes	2,576	356	-2,220

Source: Finance Accounts

The main reasons for variation in Capital Outlay with respect to the previous year were as follows:

- Construction works for upgradation of schools under elementary and secondary education decreased to ₹ 54 crore, a reduction of 89.39 per cent from ₹ 509 crore in 2018-19;
- Infrastructure works under Rural Water Supply decreased to ₹ 829 crore, a reduction of 29.86 per cent from ₹ 1,182 crore;
- Road works under Pradhan Mantri Gram Sadak Yojana decreased to ₹ 237 crore, a reduction of 90 per cent from ₹ 2,369 crore;
- Construction of road works under State Highways decreased to ₹ 1,955 crore, a reduction of 24.08 per cent from ₹ 2,575 crore.

It can be seen from **Table 2.18** that assistance to NGOs had increased by 19.44 per cent (₹ 3,783 crore) and the overall position of Financial Assistance increased seven per cent to ₹ 61,622 crore in 2019-20. In this backdrop, analysis of CO under three important sectors was undertaken to assess the approach adopted by the State Government. The CO during the last five years under these sectors are shown in **Table 2.20**.

Table 2.20: Capital Outlay during 2015-20 in respect of major social areas

Major Heads of Accounts	2015-16	2016-17	2017-18	2018-19	2019-20
	(₹ in crore)				
Medical and Public Health	1,839	1,242	931	1,237	558
Water Supply and Sanitation	167	116	2,095	1,952	1,384
Education	610	388	454	997	430

Source: Finance Accounts

Analysis revealed that:

- Medical and Public Health (M&PH) led by CO of ₹ 578 crore for 'Upgradation/ expansion of District, Sub-divisional and other Urban hospitals', witnessed a significant inflow of outlay during 2015-16.

Except for 2018-19, in which CO for M&PH increased due to medical education projects, there was reduction of outlay in the remaining three years. In 2019-20, CO reduced significantly by 54.89 *per cent* with respect to the previous year owing to cuts imposed on outlay in all major infrastructure projects;

- There was a surge of CO of ₹ 1,911 crore in Water Supply and Sanitation (WS&S) during 2017-18 mainly due to expenditure on the scheme 'Piped water supply schemes for rural areas'. However, from 2018-19 onwards, CO under this head registered a downward spiral. In the current year, CO in WS&S reduced by 29.10 *per cent* with respect to previous year;
- In Education, CO significantly increased during 2018-19 owing to an outlay of ₹ 290 crore for the purpose of 'Upgradation of 300 schools from Secondary to Higher Secondary'. In the current year, CO in Education reduced by 56.87 *per cent* over 2018-19.

It was observed that the expenditure on these sectors have significantly come down in 2019-20 by 29 to 57 *per cent* as compared to the PY. This indicated that there was a need to prioritise the significant areas of expenditure and accordingly align the budget so that the resources are effectively utilised.

Misclassification of grants-in-aid as Capital Outlay

As per Indian Government Accounting Standards (IGAS)-2, Grants-in-aid in the nature of pass-through grants is classified as revenue expenditure.

The Centrally Sponsored Scheme AMRUT²⁸ was introduced (June 2015) by GoI with the aim to improve basic infrastructure by developing sewerage connection, greenery and reduction of pollution. As per para 7.6 of AMRUT guidelines, funds were to be provided to ULBs through the States. Accordingly, these grants are in the nature of pass-through grants and shall be booked as revenue expenditure in the books of the State Government.

During 2019-20, GoWB booked ₹ 322.22 crore in AMRUT which includes Central share²⁹ of ₹ 164.36 crore and State share of ₹ 157.86 crore. Audit noticed that the sanctioned amount was released to SUDA³⁰ for subsequent transfer of funds to ULBs for implementation of projects. As the funds are meant for creation of assets by the ULBs, the expenditure was to be booked as revenue expenditure. However, departing from the provision contained in IGAS-2, the funds were booked as capital outlay. Consequently, capital outlay was overstated by ₹ 322.22 crore with corresponding understatement of revenue expenditure and revenue deficit.

The practice of booking of grants-in-aid as Capital Outlay instead of as revenue expenditure in contravention of IGAS-2 was continued despite being pointed out in the 'State Finances Audit Reports' for the years 2016-17 and 2017-18.

²⁸ Atal Mission for Rejuvenation and Urban Transformation

²⁹ Released by Ministry of Housing & Urban Affairs on 28 June 2019 and 9 September 2019

³⁰ State Urban Development Agency

2.9.2 Quality of capital expenditure

If the State Government keeps on making investments in loss making government companies, whose net worth is completely eroded, there are no chances of return on investment. Similarly, experience has shown the inevitability of write off of the loans given to loss making corporations and other bodies such as sugar mills, financial corporations, etc. Requisite steps have to be taken to infuse transparency in such financial operations. Analysis of investments and disbursement of loans and advances undertaken by the Government during the current year are discussed in the succeeding paragraphs.

2.9.3 Quality of investments and loans in the companies, corporations and other bodies

As of 31 March 2020, the State Government's investment stood at ₹ 18,154 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. During 2019-20, the total investment made by the Government was ₹ 727 crore with the major investments being in WBPDC³¹ (₹ 587 crore), WBHDCL³² (₹ 50 crore) and GCGSCL³³ (₹ 25 crore). The average return on this investment remained negligible (0.45 per cent). The position of return on investments³⁴ during 2015-20 is given in **Table 2.21**.

Table 2.21: Return on Investment

Investment/return/ cost of borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Investment at the end of the year (₹ in crore) (A)	13,390	14,015	15,884	17,427	18,154
Return (₹ in crore) (B)	12	1	37	47	82
Return (per cent) (B/A*100)=C	0.09	0.01	0.25	0.28	0.45
Average rate of interest on Government Borrowings (per cent) (D)	7.92	7.99	8.04	7.67	7.66
Difference between interest rate and return (per cent) (D-C)=E	7.83	7.98	7.79	7.38	7.20
Difference between interest on Government borrowings and return on investment (₹ in crore) (F)	23,103	25,702	28,037	28,864	31,586

Source: Finance Accounts

The Government earned a meagre return of ₹ 82 crore in 2019-20 on its investment of ₹ 18,154 crore in various Corporations/Companies. The return on investment was negligible at 0.45 per cent during 2019-20, far lower than the average rate of interest (7.66 per cent) paid by the Government on its borrowings.

³¹ West Bengal Power Development Corporation Limited

³² West Bengal Highway Development Corporation Limited

³³ Greater Calcutta Gas Supply Corporation Limited

³⁴ In Statutory Corporations, Government Companies, Co-operative Societies and Banks

While analysing the investments made during 2019-20, Audit noticed that in the following cases, ₹ 15.37 crore booked under the object head '54-Investment', were not actually in the nature of investment -

- Contribution (₹ 7.83 crore) to Commissioner, Commercial Taxes, West Bengal for advance user charges of GSTN (Goods and Services Tax Network) for the year 2019-20;
- Payment of outstanding dues (₹ 5.93 crore) to West Bengal Industrial Development Finance Corporation by Durgapur Chemicals Limited;
- Payment for drainage work (₹ 0.86 crore) to West Bengal Small Industries Development Corporation Limited by Sriniketan Shantiniketan Development Authority; and
- Compensation (₹ 0.75 crore) to West Bengal Transport Infrastructure Development Corporation Limited for land acquisition against Joka-BBD Bag Metro Project.

In spite of the fact that PSUs suffered recurring losses upto 2018-19, the State Government extended budgetary support in the form of fresh loans (₹ 919 crore) and investment (₹ 98 crore) to 26 loss making PSUs³⁵ (*Appendix 2.2*).

In addition to investments in co-operative societies, corporations and companies, Government also provided loans and advances to many of these institutions/organisations. **Table 2.22** presents the outstanding loans and advances as on 31 March 2020 along with interest receipts during the five-year period from 2015-16 to 2019-20.

Table 2.22: Quantum of loans disbursed and recovered during the last five years

Quantum of loans disbursed and recovered	2015-16	2016-17	2017-18	2018-19	2019-20
	(₹ in crore)				
Opening Balance of loans outstanding	14,970	14,999	12,963	12,718	12,779
Amount advanced during the year	861	1,197	-31	865	1,267*
Amount recovered during the year	832	3,233	214	804	67
Closing Balance of the loans outstanding	14,999	12,963	12,718	12,779	13,979
Net addition	29	-2,036	-245	61	1,200
Interest received	95	833	1,031	548	122

* Difference of ₹1 crore is due to rounding.

Source: Finance Accounts

³⁵ Based on available accounts submitted by PSUs

The total amount of outstanding loans and advances as on 31 March 2020 was ₹ 12,779 crore. The amount of loans disbursed during the year increased by 46.47 per cent from ₹ 865 crore in 2018-19 to ₹ 1,267 crore in 2019-20. This was due to increase in disbursement of loans for (i) Industries & Minerals by ₹ 174 crore for the purpose of salary, wages and retirement benefits and (ii) Transport Services by ₹ 176 crore for maintenance and repairs.

Out of the total amount of loans advanced during the year, Social Services received ₹ 455 crore, Economic Services received ₹ 809 crore and the remaining ₹ 2 crore was provided to Government servants. Within Social Services, Urban Development (61 per cent) received the major share; in Economic Services, the major share was given to power projects (62 per cent) followed by Transport (22 per cent) and Industry and Minerals (13 per cent).

Government loans to 12 Government Companies/Statutory Corporations/Cooperatives amounting to ₹ 973 crore in 2019-20 did not specify any terms and conditions, like schedule of repayment, rate of interest, number of instalments, etc. Government was also providing loans to Government Companies/ Statutory Corporations and Autonomous Bodies, whose annual accounts were in arrears (**Paragraph 4.12**).

Recovery of loans and advances decreased by ₹ 737 crore from ₹ 804 crore in 2018-19 to ₹ 67 crore in 2019-20 due to decrease in recovery of loans for Power Projects by ₹ 593 crore. Against the estimation, actual recovery was only 19.14 per cent. Interest received also decreased from ₹ 548 crore in 2018-19 to ₹ 122 crore in the current year mainly due to decrease in interest receipts on loans for power projects from ₹ 59 crore to ₹ 10 crore. Low recovery led to arrears of ₹ 6,054 crore on account of principal (mainly on Government Companies: ₹ 3,666 crore) and ₹ 8,941 crore on account of interest (mainly on Government Companies: ₹ 6,162 crore and Statutory Corporations: ₹ 900 crore) overdue for realisation as of 31 March 2020. None of these loans were, however, written off during the year.

Such significant arrears of principal and interest against disbursed loans and advances require formulation of a specific policy for addressing this issue. The Government may consider laying down a definitive plan/ strategy for recovery of loans and advances. Moreover, the Government kept releasing funds to many PSUs, without taking into account the meagre recovery thereof and on many occasions, even ignoring non-submission of accounts. This dilutes the accountability mechanism in utilisation of these loans by these PSUs.

Audit noticed that as per available audited 52 accounts for the financial years 2005-20 pertaining to 84 PSUs upto December 2020, repayments of ₹ 12,382 crore (Principal: ₹ 6,196 crore and Interest: ₹ 6,186 crore) were in arrears (**Table 2.23**). This assumes significance since 62 per cent of PSUs have arrear in repayments. Due to non-availability of accounts of 76 out of 84 PSUs during 2019-20, comprehensive position of outstanding repayments could not be arrived at.

Table 2.23: Status of outstanding repayments of loans disbursed by Government in respect of Public Sector Undertakings (PSUs)

Sl. No.	Accounts available upto	Number of PSUs who had submitted their Accounts	Number of PSUs against which repayments were in arrears	Outstanding Principal	Outstanding Interest
				(₹ in crore)	
1.	2019-20	8	3	742.16	165.23
2.	2018-19	52	34	4,869.59	5,524.71
3.	2017-18	10	7	335.61	370.54
4.	2016-17	4	1	4.63	0.15
5.	2015-16	3	3	106.70	12.11
6.	2014-15	1	0	NIL	NIL
7.	2012-13	2	0	NIL	NIL
8.	2011-12	1	1	26.78	25.98
9.	2010-11	1	1	2.34	4.91
10.	2007-08	1	1	26.69	47.43
11.	2005-06	1	1	81.60	34.49
Total		84	52	6,196.10	6,185.55

Source: Audited Accounts of PSUs

PSUs of Power sector like WBPDC³⁶ and DPL³⁷ stated that cash crunch did not permit them to repay the government loans. DPL also stated that they had requested the State Government to convert the loans into equity and waive off interest thereon as a part of the measure of financial restructuring owing to which no loan repayment had been made during 2018-20.

2.9.4 Capital Outlay transferred to Public Account

West Bengal Compensatory Entry Tax Fund (WBCETF) operated under Public Works Department (PWD) had a negative balance of ₹ 191.85 crore as of 31 March 2019. During 2019-20, ₹ 30.15 crore was transferred to WBCETF from one capital outlay head (Major Head-5054). Disbursement from the WBCETF stood at ₹ 275.51 crore during 2019-20. Resultantly, the closing balance in WBCETF continued to remain adverse at ₹ 437.21 crore.

Such inadequate contribution to WBCETF, which was not sufficient to cover the closing balance as on 31 March 2019 as well as disbursement during 2019-20, was indicative of the accounting procedure being defective.

2.9.5 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a

³⁶ West Bengal Power Distribution Company Limited

³⁷ Durgapur Projects Limited

particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better.

Expenditure priority of the State with respect to some key areas has been shown in **Table 2.24**.

Table 2.24: Expenditure priority of the State with regards to Health, Education and Capital expenditure
(in per cent)

Particulars	AE/GSDP	CE/AE	Education/AE	Health/ AE
General Category States (GCS) Average (2014-15)	15.99	13.98	16.54	4.92
West Bengal	15.88	8.66	18.57	5.59
General Category States Average (2019-20)	15.15	12.97	15.91	5.21
West Bengal	14.34	8.88	17.97	6.03

Source: Finance Accounts and MoSPI data

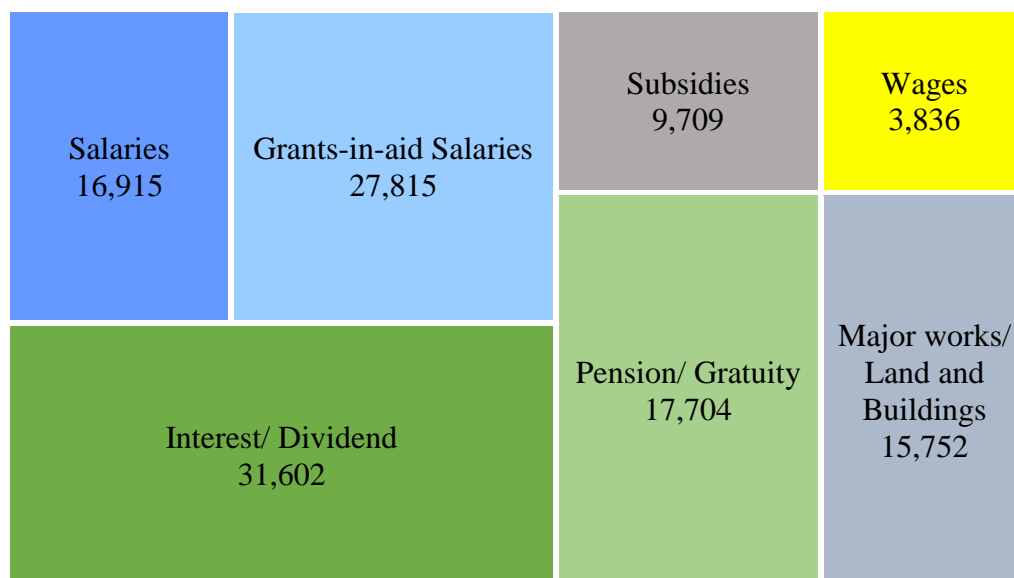
Analysis of expenditure priorities of the State revealed the following:

- The State lagged behind in the area of Capital Expenditure in comparison to other GCS. The State's expenditure on this account (8.88 per cent) was lower than Odisha (16.78 per cent), Jharkhand (14.86 per cent) and Bihar (13.52 per cent).
- In the area of Development Expenditure (₹ 1,16,680 crore), the State's performance with respect to aggregate expenditure (64.89 per cent) was lower than GCS (65.42 per cent), Odisha (73.69 per cent) and Jharkhand (69.91 per cent) but higher than Bihar (64.39 per cent). West Bengal fared favourably in its focus on Education (₹ 32,309 crore) in comparison to other GCS. As a percentage to Total Expenditure, the State's performance (17.97 per cent) was lower than that of Bihar (18.77 per cent) but higher than Jharkhand (15.04 per cent) and Odisha (14.89 per cent).
- Also, in the Health sector (₹ 10,834 crore), the State's performance was higher than the GCS. As a percentage of GSDP, expenditure remained at 0.86 per cent. The State's expenditure on this count (6.03 per cent) was higher than Bihar (5.34 per cent), Jharkhand (4.72 per cent) and Odisha (5.12 per cent).
- West Bengal laid emphasis on Social Sector spending. As a percentage of Total Expenditure, spending on this account was higher than the combined average of General Category States (GCS) by 7.20 per cent. All three neighbouring states (Bihar: 40.90 per cent; Odisha: 40.38 per cent and Jharkhand: 34.44 per cent) lagged behind West Bengal (43.93 per cent).

2.9.6 Object head wise expenditure

Finance Accounts depict transactions only up to Minor Head level. Therefore, a drill down view of the extent of expenditure (above ₹ 500 crore) incurred on the actual items at the Object head level are given in **Chart 2.12**.

Chart 2.12: Object head wise expenditure (₹ in crore)



Source: Finance Accounts

Out of a total budget allocation of ₹ 2,72,739 crore, the actual expenditure on various Object Heads during 2019-20 was ₹ 1,78,546 crore. The above seven major object heads (₹ 500 crore and above) constituted 69.08 per cent of the total expenditure.

2.10 Public Account

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. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.10.1 Net Balances in Public Account

Component-wise net balances in Public Account of the State is given in **Table 2.25**.

Table 2.25: Component-wise net balances in Public Account as of 31 March of the year

Sector	Sub-Sector	2015-16	2016-17	2017-18	2018-19	2019-20
		(₹ in crore)				
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	741	857	1,164	1,128	1,593
J. Reserve Funds	(a) Reserve Funds bearing Interest	-439	867	-978	215	887
	(b) Reserve Funds not bearing Interest	-598	1,356	133	2,199	645
K. Deposits and Advances	(a) Deposits bearing Interest	1,164	1,385	1,846	3,373	2,749
	(b) Deposits not bearing Interest	2,252	3,103	761	2,339	-93
	(c) Advances	0	0	0	0	0
L. Suspense and Miscellaneous	(a) Suspense (Dr)	-210	41	54	139	182
	(b) Other Accounts	-967	-770	1,580	-1,572	3,666
M. Remittances	(a) Money Orders, and other Remittances	-1,763	0	0	0	0
	(b) Inter-Governmental Adjustment Account	28	-23	5	2	-14
TOTAL		208	6,816	4,565	7,823	9,615

Note: +ve denotes debit balance and -ve denotes credit balances

Source: Finance Accounts

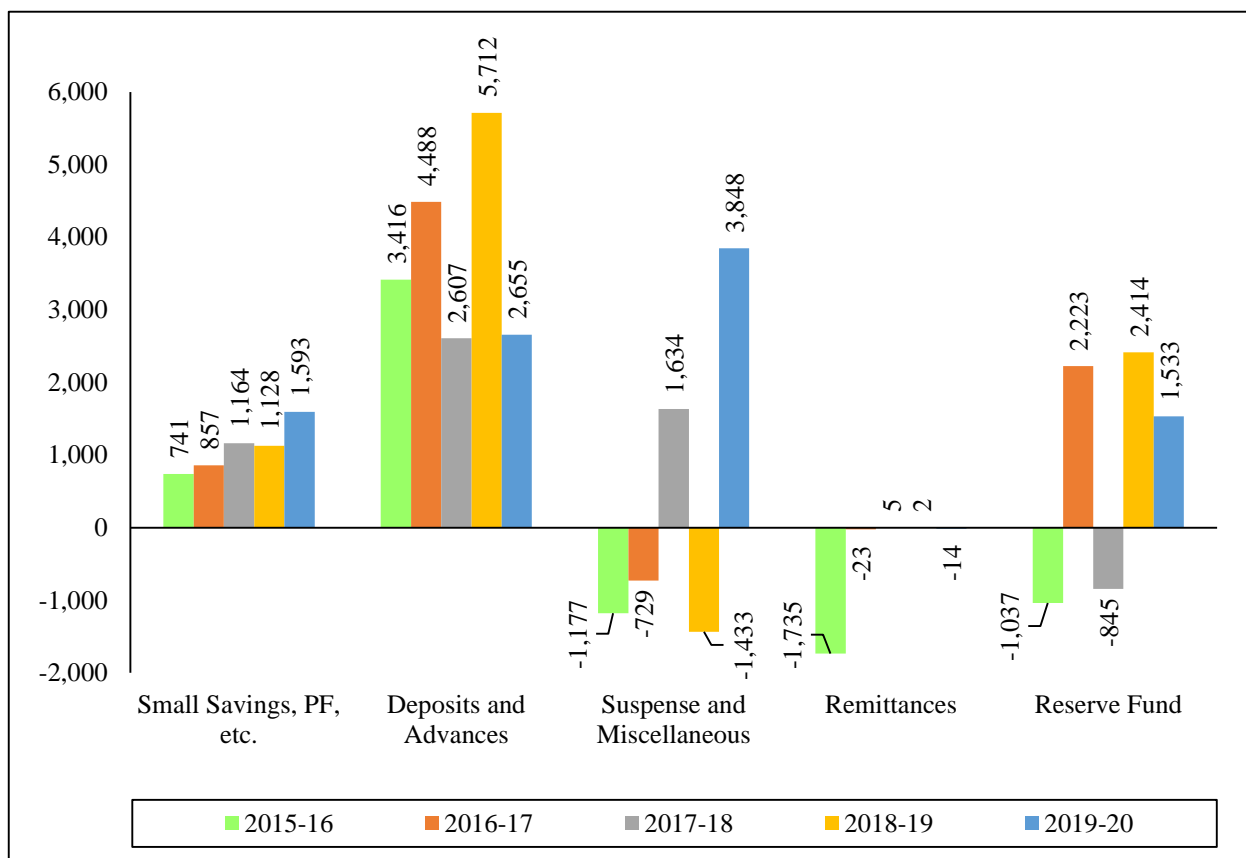
Net Public Accounts Receipts increased by ₹ 1,792 crore (22.91 per cent) over 2018-19 owing to net inflow in the balances on (i) Suspense and Miscellaneous heads (₹ 5,281 crore) and (ii) Small Savings and Provident Funds (₹ 465 crore). This was counterbalanced by net decrease in the balances on (a) Deposits and Advances (₹ 3,057 crore) and (b) Reserve Funds (₹ 881 crore).

The increase in the balance under Suspense and Miscellaneous heads was owing to un-cleared Treasury Electronic Advices of ₹ 5,218 crore in 2019-20 from ₹ 1,489 crore in the PY. Directorate of Treasuries and Accounts, in their reply (June 2021) attributed this to the decision of the Finance Department to defer payments of a large number of high value bills, against which Treasury Vouchers were generated in March 2020, to April 2020 as a part of Cash Management process during the unprecedented COVID 19 pandemic situation.

The yearly changes in composition of balances in Public Account over the five-year period 2015-20 are given in **Chart 2.13**.

Chart 2.13: Yearly changes in composition of Public Account balances

(₹ in crore)



Source: Finance Accounts of respective years

2.11 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of India/State. Against the gross accumulated balance of ₹ 14,025 crore lying in these funds as on 31 March 2020, an amount of ₹ 12,874 crore was under 17 non-interest bearing Reserve Funds and ₹ 1,151 crore was under two Interest bearing Reserve Funds. Out of the total accumulated balance in these funds, ₹ 12,524 crore (89.30 per cent) was invested.

2.11.1 Consolidated Sinking Fund

As per recommendation of the 12th Finance Commission, the State had set up the Consolidated Sinking Fund (CSF) for amortisation of loans. According to the guidelines, the State may contribute 0.5 per cent of the outstanding liabilities³⁸ at the end of the previous year. During 2019-20, GoWB's contribution was only through interest earned on investment from CSF of ₹ 849.41 crore. This, however, fell short of the prescribed contribution of ₹ 1,966.50 crore³⁹. The closing balance of ₹ 11,788.17 crore at the end of 31 March 2020 was invested.

³⁸ Public Debt and Liabilities in Public Account

³⁹ Based on 0.5 per cent of outstanding liabilities of ₹ 3,93,300 crore at the end of March 2019

2.11.2 State Disaster Response Fund

Government of India (GoI) replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 1 April 2010. In terms of the guidelines of the Fund, the contributions are to be transferred to the Public Account under Major Head 8121-122-SDRF.

As on 31 March 2020, a balance of ₹ 914.98 crore was lying in the fund, of which ₹ 183.63 crore remained invested. Contributions to the SDRF were effected through book adjustment without any actual cash involvement. The residual amount of ₹ 731.35 crore remained un-invested. Such non-investment goes against the spirit of the SDRF. Moreover, as transfer of fund was effected through book adjustment and no investment was made out of the SDRF, the residual amount of ₹ 731.35 crore merely remained as book balance in the Accounts. This also goes against the principle of cash basis of accounting which forms the cornerstone of Government Accounting.

2.11.3 Guarantee Redemption Fund

The Twelfth Finance Commission had recommended opening of the Guarantee Redemption Fund (GRF) for discharging the liability of the Government towards invocation of the guarantees extended by it. State Government had constituted the GRF in January 2015 and the closing balance as of March 2020 stood at ₹ 551.97 crore. During 2019-20, State Government did not contribute any amount against the required contribution of ₹ 32.97 crore⁴⁰.

The guidelines of GRF *inter alia* stipulated that guarantee commission collected was to be transferred to the fund. During 2014-20, guarantee commission⁴¹ of ₹ 198.72 crore earned was not transferred to the GRF. The amount of guarantee commission for 2019-20 was ₹ 3.96 crore.

Non-payment of the required contribution and non-transfer of guarantee commission resulted in understatement of revenue deficit and fiscal deficit by ₹ 36.93 crore (Refer **Table 1.7**).

2.12 Debt Management

Outstanding debt during 2015-20 increased at a CAGR of 9.09 *per cent*. During 2019-20, the outstanding debt grew at a rate of 10.21 *per cent* which exceeded the growth during 2018-19 (8.96 *per cent*). Debt as a percentage of GSDP had, however, reduced to 34.57 in 2019-20 from 36.09 in 2018-19.

2.12.1 Debt profile: Components

The details relating to total debt received, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2015-20 are given in **Table 2.26**.

⁴⁰ Based on 0.5 per cent of the outstanding guarantees (₹ 6,593.31 crore) as on 31 March 2019

⁴¹ Booked under '0075-Miscellaneous General Service-108-Guarantee Fees'

Table 2.26: Component wise debt trends

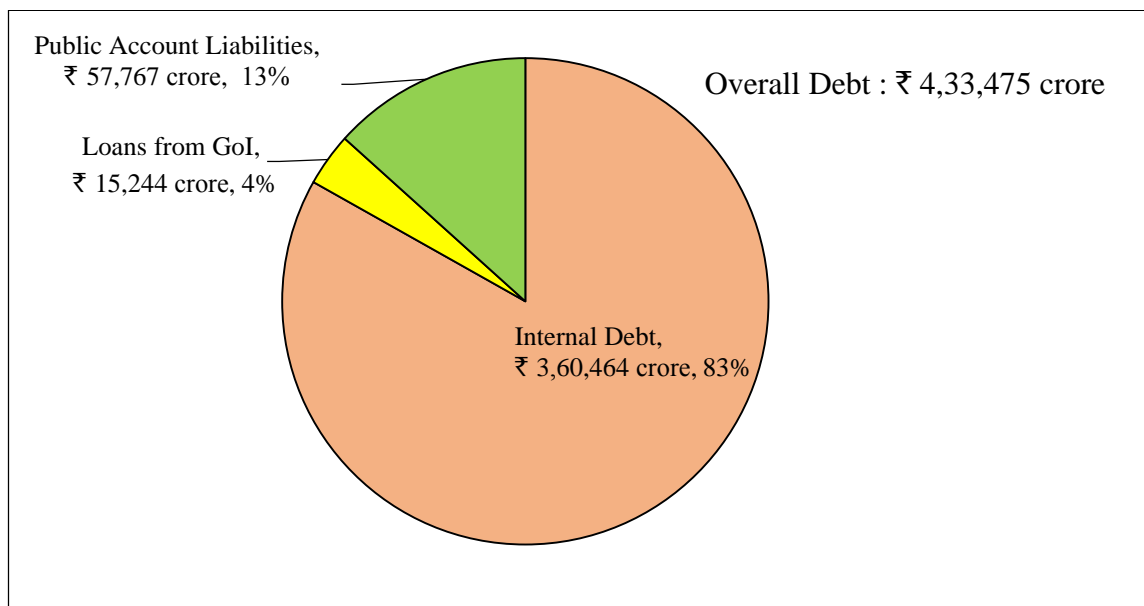
	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Overall Debt (₹ in crore)	3,06,043	3,37,682	3,60,961	3,93,300	4,33,475
Public Debt	Internal Debt (₹ in crore)				
	2,56,393	2,82,069	3,01,778	3,26,064	3,60,464
	Loans from GoI (₹ in crore)				
	13,666	13,209	14,233	14,358	15,244
Liabilities on Public Account (₹ in crore)	35,984	42,404	44,950	52,878	57,767
Rate of growth of outstanding Overall debt (percentage)	10.25	10.34	6.89	8.96	10.21
Gross State Domestic Product (GSDP) (₹ in crore)	7,97,300	8,72,527	9,74,700	10,89,898	12,53,832
Debt/GSDP (per cent)	38.38	38.70	37.03	36.09	34.57
Total Debt Receipts (₹ in crore)	1,00,761	1,04,895	1,27,580	1,61,383	1,81,017
Total Debt Repayments (₹ in crore)	72,298	73,255	1,04,301	1,29,044	1,40,832
Interest Payment (₹ in crore)	23,115	25,703	28,074	28,911	31,668
Total Debt available (₹ in crore)	28,463	31,640	23,279	32,339	40,185
Debt Repayments/Debt Receipts (percentage)	71.75	69.84	81.75	79.96	77.80

Source: Finance Accounts

Rate of growth of outstanding debt during 2019-20 surpassed its growth during 2018-19. Interest payments relative to Revenue Receipts at 22.16 *per cent* also crossed the target of 18.96 *per cent* set out in the FPSS presented with the budget as per FRBM Act. During 2018-19, this ratio was 19.81 *per cent*. Debt Repayment as a percentage of Tax Revenue had increased to 232.13 *per cent* from 212.48 *per cent* in 2018-19. The above three parameters indicate that Government's debt management was healthier in the previous year than in the current year.

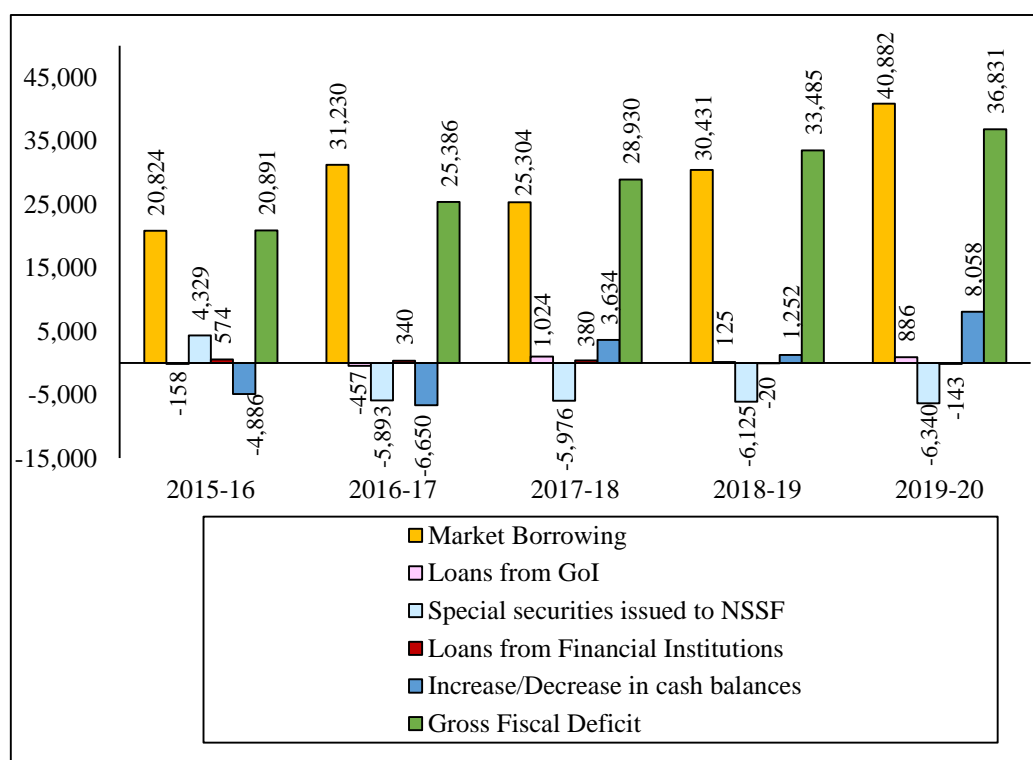
Chart 2.14 represents the break-up of outstanding debt at the end of financial year 2019-20 while component-wise debt trend during 2015-20 has been shown in **Chart 2.15**.

Chart 2.14: Break up of Outstanding Overall Debt at the end of FY



Source: Finance Accounts

Chart 2.15: Component wise debt trends (₹ in crore)



Source: Finance Accounts

2.12.2 Debt sustainability

Debt is considered sustainable if the borrower, in this case the State, is in a position to service its debt now, and in the future. Debt sustainability indicators accordingly seek to assess the credit worthiness and the liquidity position of the

borrower by examining their ability to service the debt through timely interest payments and repayment of debt out of current and regular sources of revenue.

This section assesses the sustainability of debt of the State Government in terms of debt/GSDP ratio, Fiscal Deficit, burden of interest payments (measured by ratio of interest payments to Revenue Receipts) and maturity profile of State Government debt.

The fiscal consolidation roadmap recommended by the 14th FC had set the following targets during 2019-20 relating to debt sustainability-

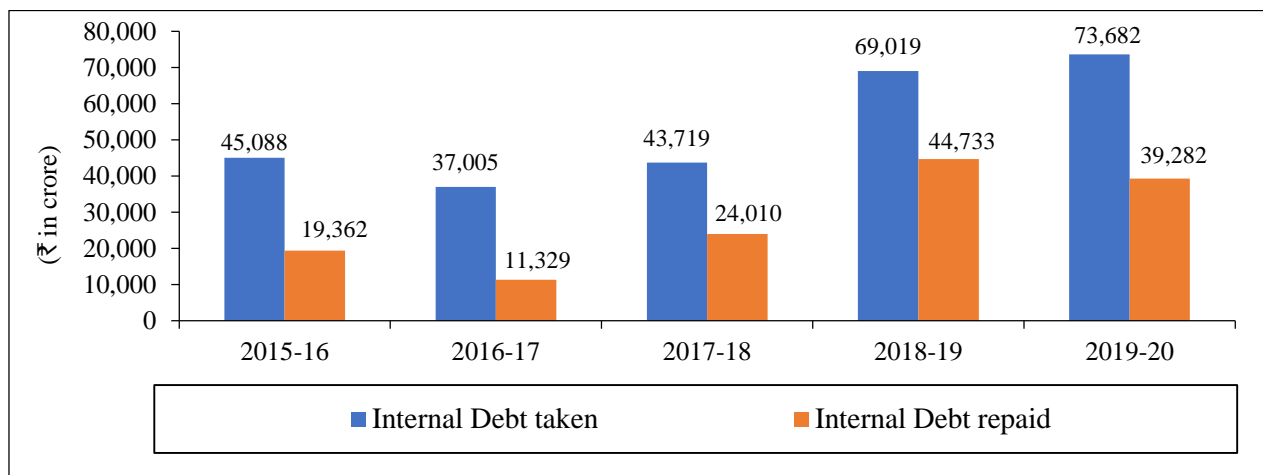
- Debt should be less than 33.46 *per cent* of GSDP; and
- Interest payments should be less than 18.01 *per cent* of Revenue Receipts.

During 2015-20, the ratio of debt to GSDP was above the projected figure recommended by the 14th FC. The ceiling set in WBFRBM Act was achieved only during 2018-19 and in 2019-20, the ratio (34.57 *per cent*) crossed the ceiling (34.30 *per cent*) set in the WBFRBM (Amendment) Act 2020.

The ratio of Interest payments to Revenue Receipts during 2016-19 was well within the projected figure recommended by the 14th FC. During 2019-20, this ratio (22.16 *per cent*) was, however, above the target set by the 14th FC (18.01 *per cent*) and WBFRBM Act (18.96 *per cent*).

Internal debt taken *vis-à-vis* repaid during 2015-20 has been shown in **Chart 2.16**.

Chart 2.16: Internal debt taken *vis-à-vis* repaid



Source: Finance Accounts

Note: Internal debt taken and repaid included WMA of ₹11,139 crore in 2015-16, ₹1,208 crore in 2016-17, ₹5,395 crore in 2017-18, ₹25,005 crore in 2018-19 and ₹15,860 crore in 2019-20.

Chart 2.16 shows that Internal Debt taken has been steadily rising from the year 2016-17. Ratio of Internal Debt Repaid to Internal Debt Taken increased to 0.53 in 2019-20 from 0.31 in 2016-17. This corroborates the fact that a large portion of internal debt taken in the current year has been used to repay the debts taken in earlier years. Higher repayment from internal debt led to contraction of productive expenditure.

2.12.3 Composition and Financing of Fiscal Deficit

Fiscal Deficit represents the total financing the State requires (predominantly by drawing on its cash and investment balances with the Reserve Bank of India and by borrowing) to meet the excess of revenue and capital expenditure (including loans and advances) over revenue and non-debt receipts. The composition and financing of fiscal deficit for the period from 2015-16 to 2019-20 has been shown in **Table 2.27**.

Table 2.27: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Composition of Fiscal Deficit	20,891	25,386	28,930	33,485	36,831
1 Revenue Deficit	9,095	16,086	9,807	10,399	19,661
2 Net Capital Outlay	11,767	11,336	19,368	23,025	15,971
3 Net Loans and Advances	29	(-2,036)	(-245)	61	1,199
Financing Pattern of Fiscal Deficit					
1 Market Borrowings	20,824	31,230	25,304	30,431	40,882
2 Loans from GOI	(-158)	(-457)	1,024	125	886
3 Special Securities issued to NSSF	4,329	(-5,893)	(-5,976)	(-6,125)	(-6,340)
4 Loans from Financial Institutions	574	340	380	(-20)	(-143)
5 Small Savings, PF, etc.	741	857	1,164	1,128	1,593
6 Deposits and Advances	3,416	4,488	2,607	5,712	2,656
7 Suspense and Miscellaneous	(-1,177)	(-729)	1,634	(-1,433)	3,848
8 Remittances	(-1,735)	(-23)	5	2	(-14)
9 Reserve Fund	(-1,037)	2,223	(-845)	2,414	1,532
10 Contingency Fund	-	-	(-1)	(-1)	(-11)
11 Overall Deficit	25,777	32,036	25,296	32,233	44,889
12 Increase(-)/Decrease(+) in cash balance	(-4,886)	(-6,650)	3,634	1,252	(-8,058)
13 Fiscal Deficit	20,891	25,386	28,930	33,485	36,831

Source: Finance Accounts

Fiscal Deficit (FD), both in quantitative terms and also in comparison to GSDP (2.94 *per cent*) increased over the previous year (2.84 *per cent*). High level of FD is good for the economy if the borrowing which financed the FD are used for creation of productive assets like highways, roads and bridges and other infrastructure projects that boost economic growth and results in job creation. Thus, there is a need to augment the capital outlay in order to accelerate growth and promote equitable growth. Reduction in the ratio of Net Capital Outlay to FD from 68.76 *per cent* in 2018-19 to 43.36 *per cent* indicates that creation of productive assets from the FD was much lower in the current year.

Borrowed funds, used for meeting revenue expenditure, create liability for future years without creating any assets. It is evident that, substantial amount of market borrowing (48.09 *per cent*) was continued to be committed to finance the deficit

on Revenue Account thereby restricting asset creation in the State. Borrowing to meet Revenue Deficit year after year would not augur well for State Finances in the long run since a substantial portion of the interest payment obligation would have to be met in the ensuing years due to borrowing.

Market borrowings continued to be the major component of borrowings during 2019-20. Revenue Deficit, Net Capital Outlay and Net Loans and Advances which contributed to 53.38, 43.36 and 3.26 *per cent* respectively of Fiscal Deficit (₹ 36,831 crore) during 2019-20, was financed from Net Market borrowings to the extent of 90.09 *per cent*. Net inflow from market borrowings was used to finance net Capital Outlay by 39.07 *per cent*.

2.12.4 Debt Profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. **Table 2.28** shows the debt maturity profile in the coming years.

Table 2.28: Debt Maturity profile of repayment of State debt

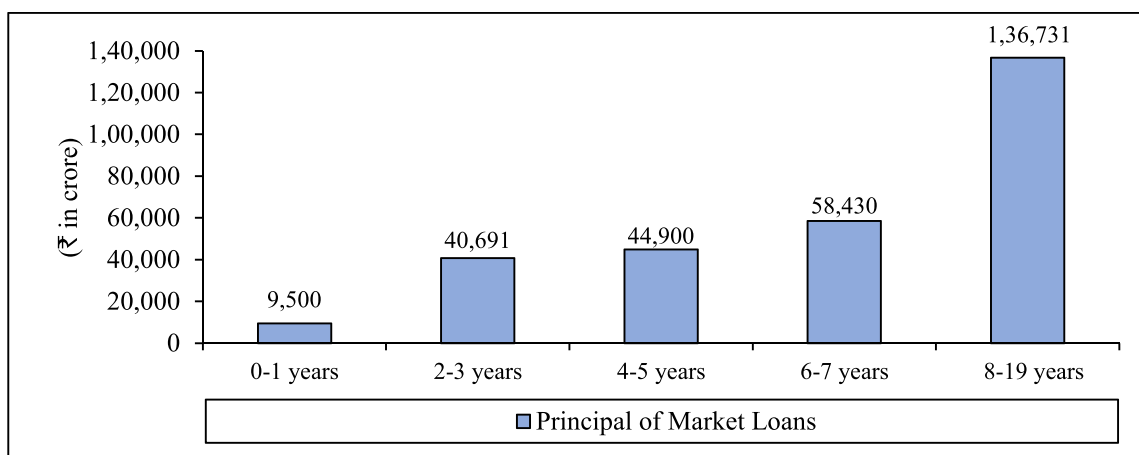
Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	10,172	2.76
1 – 3	65,707	17.85
3 – 5	82,121	22.31
5 – 7	77,650	21.10
7 and above	55,044	14.96
Others ⁴²	77,364	21.02
Total	3,68,058	100

Source: Finance Accounts

In the ensuing five and seven years, debt maturity will be 42.92 and 64.02 *per cent* respectively of total outstanding debt. Debt maturity would be much higher in the coming years given the fact that maturity details for ₹ 77,364 crore (21.02 *per cent* of total debt) are not available. **Chart 2.17** represents the schedule of principal repayment of market loans.

⁴² Payment schedule of this amount is not being maintained by the Accountant General (A&E).

Chart 2.17: Schedule of principal repayment of market loans



Source: Finance Accounts

Note: Maturity year against ₹3.26 crore is not available and hence excluded.

Market loans formed a significant portion of the debt repayments. By March 2039, the State would have to repay principal of market loans amounting to ₹ 2,90,252 crore. At the end of the first, third, fifth and seventh year, the principal repayment of market loans would be ₹ 9,500 crore, ₹ 50,191 crore, ₹ 95,091 crore and ₹ 1,53,521 crore respectively.

2.12.5 Public Debt Sustainability Analysis

Public Debt Sustainability indicators and its trends during 2015-20 have been shown in **Table 2.29** and **Chart 2.18** respectively.

Table 2.29: Public Debt sustainability indicators

Public Debt Sustainability Indicators	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Public Debt* (₹ in crore)	2,70,059	2,95,278	3,16,011	3,40,422	3,75,708
Rate of Growth of Outstanding Public Debt	10.46	9.34	7.02	7.72	10.37
GSDP (₹ in crore)	7,97,300	8,72,527	9,74,700	10,89,898	12,53,832
Rate of Growth of GSDP	11.03	9.44	11.71	11.82	15.04
Public Debt/ GSDP	0.34	0.34	0.32	0.31	0.30
Debt Maturity profile of repayment of State debt – including default history, if any	-	-	-	-	-
Average interest Rate of Outstanding Public Debt (<i>per cent</i>)	8.37	8.46	8.40	8.13	8.05
Percentage of Interest payment to Revenue Receipt	19.63	20.29	19.55	18.28	20.16
Percentage of Debt Repayment to Debt Receipt	44.11	32.79	54.68	65.23	53.39

Public Debt Sustainability Indicators	2015-16	2016-17	2017-18	2018-19	2019-20
Net Debt available to the State [#] (₹ in crore)	4,032	1,310	-4,936	-2,268	6,473
Net Debt available as <i>per cent</i> to Debt Receipts	8.81	3.49	-10.79	-3.23	8.55
Primary Surplus (+)/Deficit (-)	2,224	317	-856	-4,574	5,163
Debt Stabilisation (Quantum spread + Primary Deficit) (₹ in crore)	9,408	3,211	9,604	7,988	21,099

Source: Finance Accounts

*Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004-Loans and Advances from the Central Government.

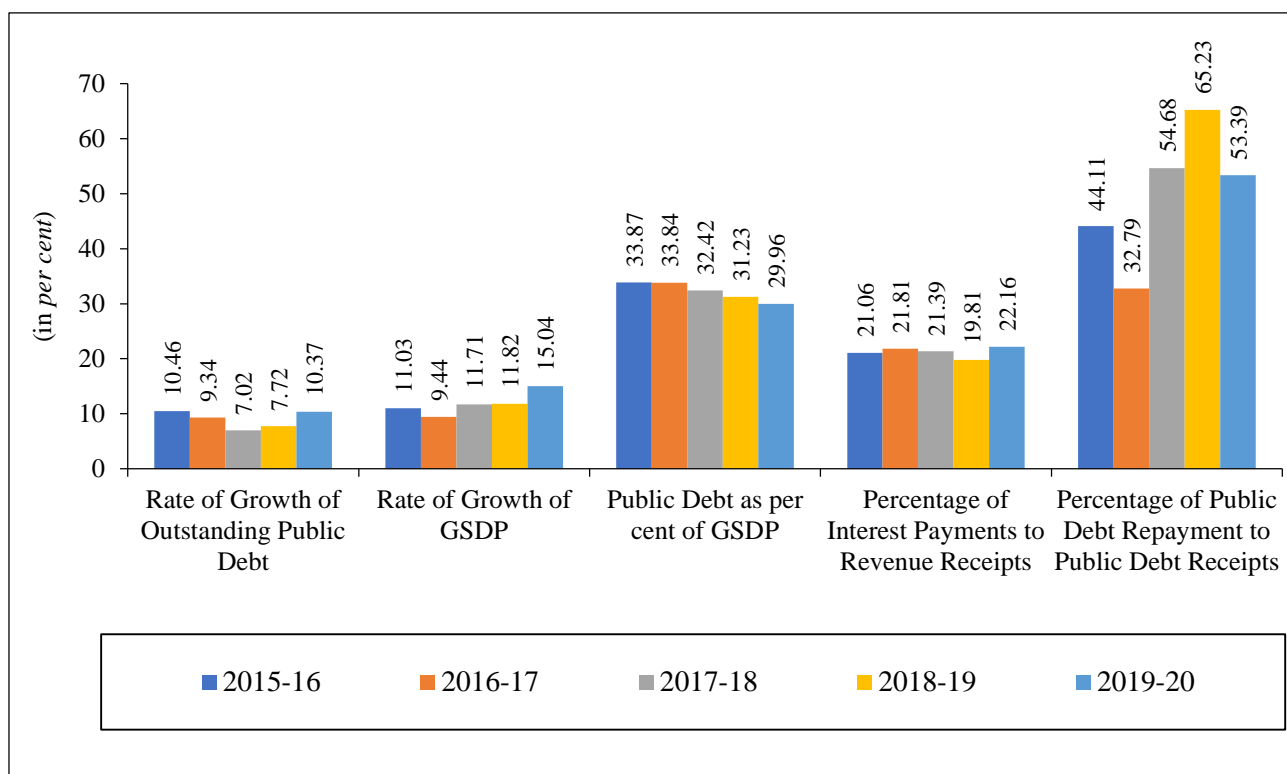
[#]Net debt available to the State Government is calculated as excess of Public debt receipts over Public debt repayment and interest payment on Public Debt.

Analysis of the data contained in **Table 2.29**, revealed the following:

- Upward increase of quantum spread⁴³ together with primary deficit, helped in decreasing Public debt-GSDP ratio though primary deficit has been on the increase since 2016-17;
- Though there was decline in the Public Debt-GSDP ratio, rate of growth of outstanding debt increased by 2.65 *per cent* over 2018-19;
- Contraction in average interest rate of outstanding public debt from the year 2016-17 though Interest payment to Revenue Receipt increased by 1.88 *per cent* over 2018-19;
- Decrease in the ratio of debt repayment to debt receipt to 53.39 in 2019-20 from 65.23 in 2018-19 as debt receipts increased by 7.84 *per cent* but debt repayments decreased by 11.74 *per cent*.

⁴³ Debt multiplied by rate spread (GSDP growth rate minus interest rate)

Chart 2.18: Trends of Public Debt Sustainability indicators



Source: Finance Accounts

2.13 Utilisation of Borrowed Funds

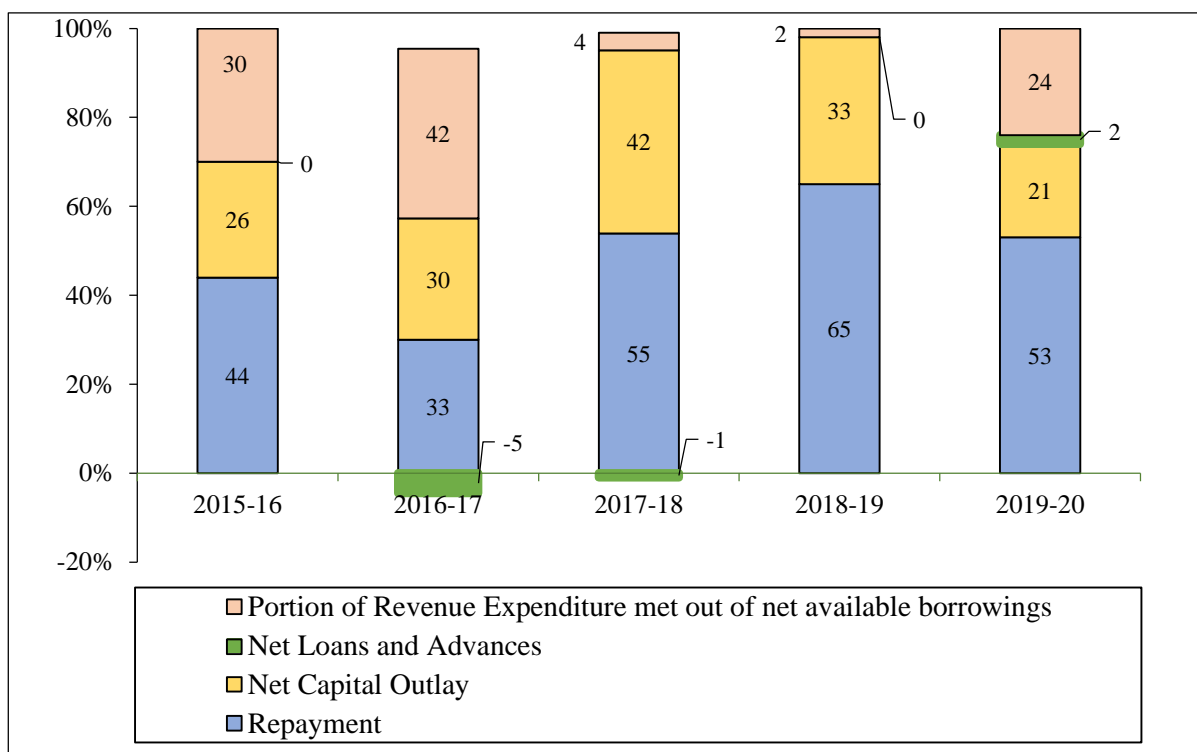
Borrowed funds should ideally be used to fund capital creation and developmental activities. Utilisation of borrowed funds and trends of its utilisation during 2015-20 have been shown in **Table 2.30** and **Chart 2.19**, respectively.

Table 2.30: Utilisation of borrowed funds

Year	2015-16	2016-17	2017-18	2018-19	2019-20
	(₹ in crore)				
Total Borrowings (1)	45,747	37,524	45,743	70,197	75,699
Repayment of earlier borrowings (Principal) (2)	20,179	12,304	25,011	45,786	40,413
Net capital outlay (3)	11,767	11,336	19,368	23,025	15,971
Net loans and advances (4)	29	-2,036	-245	61	1,200
Portion of Revenue expenditure met out of net available borrowings (5)=(1-2-3-4)	13,772	15,920	1,609	1,325	18,115

Source: Finance Accounts

Chart 2.19: Trends of Utilisation of borrowed funds



Source: Finance Accounts

In the initial two years of 2015-20, utilisation of borrowed funds on revenue expenditure, capital outlay and disbursement of loans and advances, remained 56 to 67 per cent. Funds borrowed during 2017-20 left little scope for utilisation since significant portion of borrowed funds were used to repay the borrowings (53 to 65 per cent) taken in earlier years. In the current year, the involvement on repayment from borrowing was 53 per cent (₹ 40,413 crore) which led to increase in portion of revenue expenditure met out of borrowings to 24 per cent from two per cent in 2018-19.

As can be seen from **Chart 2.19** above, the State could utilise net capital outlay to the extent of only 21 per cent (₹ 15,971 crore) in the current year out of the borrowed funds, which represented a decline from the range of 26 to 42 per cent of net capital outlay utilisation in the preceding four financial years. Utilisation of borrowed funds for meeting commitment on net loans and advances in the current year was only two per cent (₹ 1,200 crore).

Apart from meeting its capital expenditure and repayments, as outlined above, the State utilised ₹ 18,115 crore (24 per cent) for discharging its Interest payment liabilities which represented around 57 per cent of total interest payment. Thereby, commitments on account of repayments (Principal plus Interest) was ₹ 58,528 crore which was about 77 per cent of the total borrowings. Further, this amount of ₹ 18,115 crore contributed to around 92 per cent of the total revenue deficit (₹ 19,661 crore) of the State.

Utilisation of borrowed funds for meeting repayment of borrowings is not sustainable.

Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended by the State Government. WBCGA⁴⁴ 2001 stipulates 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 outstanding guarantees including interest (₹ 6,603 crore) (Table 2.31) at the beginning of 2019-20 stood at 5.03 per cent of the total Revenue Receipts of the second preceding year (₹ 1,31,270 crore in 2017-18) and was thus well within the ceiling of the WBCGA.

Table 2.31: Guarantees given by the State Government

(₹ in crore)

Guarantees	2015-16	2016-17	2017-18	2018-19	2019-20
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	65,594	77,863	98,759	1,06,049	1,18,143
Outstanding amount of guarantees including interest	8,858	7,817	8,570	6,603	8,212

Source: Finance Accounts

Out of total outstanding guarantees including interest as on 31 March 2020, share of Power Sector, State Financial Corporation and Co-operatives stood at ₹ 4,804 crore (58.50 per cent), ₹ 1,516 crore (18.46 per cent) and ₹ 943 crore (11.48 per cent) respectively.

Further, in terms of Section 10 West Bengal Finance Act, 2002, the loanees for whom the State Government had provided guarantees to the financial institutions, were required to pay guarantee commission at the rate of one per cent (minimum) on the total amounts guaranteed. Upto 2019-20, shortfall in receipt of guarantee commission was ₹ 193.66 crore as against the receivable commission of ₹ 430.23 crore, the State Government received only ₹ 236.57 crore. In the current year, the shortfall was ₹ 52.19 crore (92.95 per cent).

Short receipt of guarantee commission understated the revenue receipts by ₹ 52.19 crore.

⁴⁴ West Bengal Ceiling on Government Guarantee Act

On a review of the status of un-paid guarantee commissions of power utilities, the following were noticed:

- Guarantee commission amounting to ₹ 15.95 crore remained outstanding from WBSEDCL⁴⁵ since 2016-17. In reply, the company stated that the said commission could not be paid due to acute financial crisis being faced by the company.
- WBPDCCL expressed their inability in paying the outstanding guarantee commission of ₹ 22.02 crore at the end of 2019-20 stating shortage of cash flows; and
- DPL stated that the company is facing financial crunch and is not in a position to pay the guarantee commission of ₹ 45.09 crore due at the end of 2019-20.

2.14 Management of Cash Balances

As per the agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD). The limit for ordinary WMA to the State Government are revised by the RBI from time to time.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund and Guarantee Redemption Fund as well.

Cash balances and their investment during 2019-20 is shown in **Table 2.32**.

Table 2.32: Cash Balances and their investment (₹ in crore)

Particulars	Opening balance on 1 April 2019	Closing balance on 31 March 2020
A. General Cash Balance		
Cash in treasuries	0.37	0.17
Deposits with Reserve Bank of India	-5.82	-20.26
Total	-5.45	-20.09
Investments held in Cash Balance investment account	5,976.95	13,158.80
Total (A)	5,971.50	13,138.71

⁴⁵ West Bengal State Electricity Distribution Company Limited

B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	-0.36	-0.36
Permanent advances for contingent expenditure with department officers	2.60	2.63
Investment in earmarked funds	11,633.37	12,523.77
Total (B)	11,635.61	12,526.04
Total (A + B)	17,607.11	25,664.75
Interest realised	164.84	97.33

Source: Finance Accounts

Cash balance of the State Government at the end of the current year increased significantly by ₹ 8,058 crore from ₹ 17,607 crore in 2018-19 to ₹ 25,665 crore in 2019-20. This was mainly due to increase in investment of cash balances by ₹ 7,182 crore from ₹ 5,977 crore in 2018-19 to ₹ 13,159 crore in 2019-20. The State Government earned an interest of ₹ 97 crore on these investments during 2019-20.

Out of the investment of ₹ 12,524 crore in earmarked funds, ₹ 11,788 crore was invested in the CSF, ₹ 552 crore in GRF and ₹ 184 crore in SDRF at the end of the year.

The cash balance investments of the State during the five-year period 2015-16 to 2019-20 are given in **Table 2.33** below:

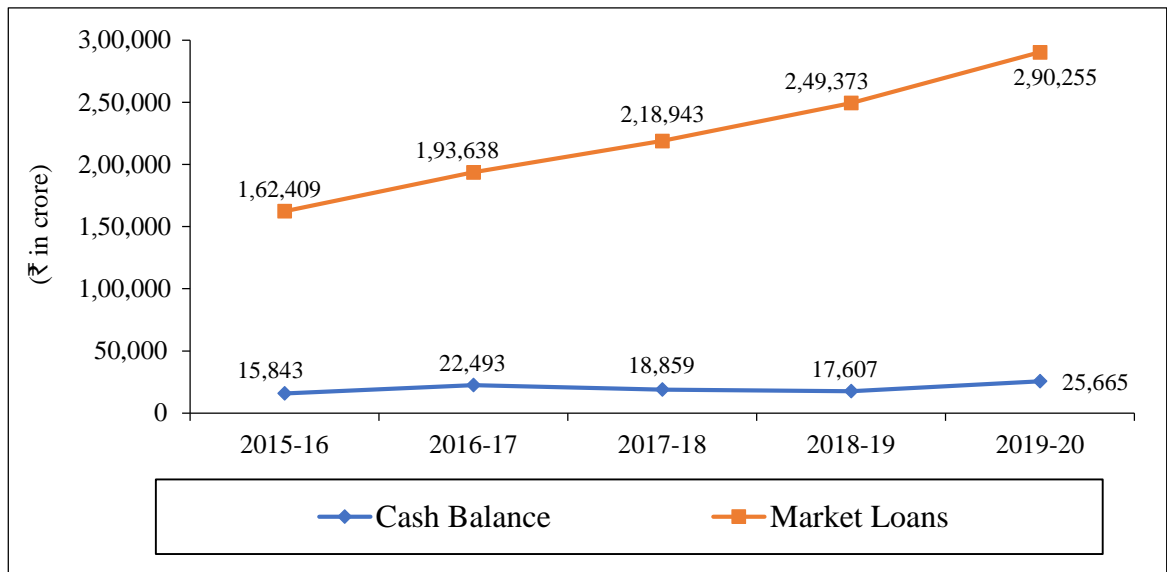
Table 2.33: Cash Balance Investment Account (Major Head-8673)

Year	Opening Balance	Closing Balance	Increase (+) /decrease (-)	Interest earned
	(₹ in crore)			
2015-16	2,725	6,853	4,128	105.18
2016-17	6,853	12,546	5,693	273.84
2017-18	12,546	8,570	-3,976	364.75
2018-19	8,570	5,977	-2,593	164.84
2019-20	5,977	13,159	7,182	97.33

Source: Finance Accounts

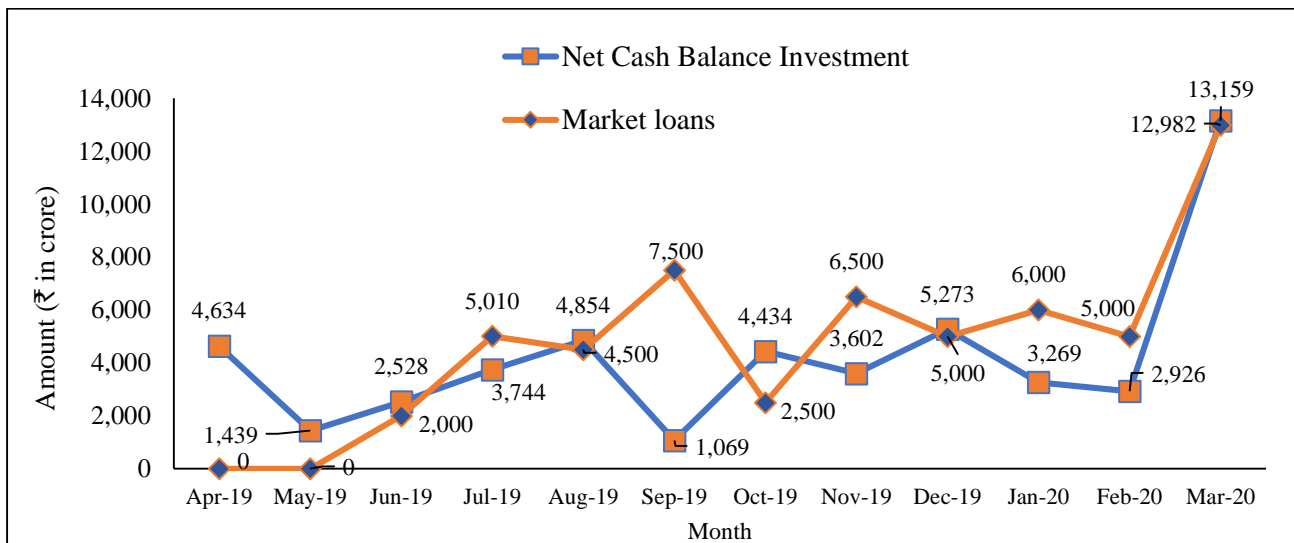
Trend analysis of the cash balance investment of the State Government during 2015-20 revealed that investment increased significantly in 2019-20 and stood at 4.82 per cent of the State budget.

Chart 2.20 compares the balances available in the cash balance investment account and the market loans taken by the State during 2015-20. Market loans were taken at higher interest rates whereas investment in treasury bills yielded interests at lower rates.

Chart 2.20: Outstanding Market loans vis-à-vis Cash Balance

Source: Finance Accounts

Chart 2.21 compares the month-wise Cash Balance Investment Account with the market loans obtained by the State.

Chart 2.21: Month wise movement of Cash Balances Investment account and market loans during 2019-20

Source: Finance Accounts

Chart 2.21 indicates that the State Government had taken recourse to market loans during the months of June, August and October during the year despite having sufficient cash balances. During the year 2019-20, the State Government raised ₹ 56,992 crore from the market while at the same time cash balance investment increased significantly from ₹ 5,977 crore in 2018-19 to ₹ 13,159 crore in 2019-20 indicating that borrowing to that extent was avoidable.

Further, borrowings are normally resorted to for investment in capital projects and creation of assets. There has been a decrease in the capital outlay of the State during 2019-20 as compared to 2018-19, as brought out in **Paragraph 2.13**.

Therefore, there appears to be little rationale for borrowing at a higher rate of interest while the cash balances were significant throughout the year.

2.15 Conclusion and Recommendations

Positive Indicators	Parameters requiring close watch
Debt to GSDP declined to 34.57 <i>per cent</i> from 36.09 <i>per cent</i> in 2018-19	Revenue Deficit to GSDP increased to 1.57 <i>per cent</i> from 0.95 <i>per cent</i> in 2018-19
	Fiscal Deficit to GSDP increased to 2.94 <i>per cent</i> from 2.84 <i>per cent</i> in 2018-19
	Committed expenditure to Revenue Receipts increased to 68 <i>per cent</i> from 59 <i>per cent</i> in 2018-19
	Capital Expenditure with respect to Total Expenditure declined to 10 <i>per cent</i> from 14 <i>per cent</i> in 2018-19
	Interest Payment to Revenue Receipts increased to 22.16 <i>per cent</i> from 19.81 <i>per cent</i> in 2018-19