
CHAPTER I

FINANCES OF THE STATE GOVERNMENT

1. Profile of Bihar

Bihar is a landlocked State, bounded by West Bengal in the east, Uttar Pradesh in the west, Jharkhand in the south and a long international border with Nepal in the north. It is the twelfth largest State in India in terms of geographical size (94163 sq. km) and the third largest by population. The State of Bihar has 38 districts.

Economy of Bihar is primarily agrarian and the State does not possess any significant mineral wealth. As indicated in *Appendix 1.1*, the density of population has increased from 881 persons per sq. km (2001) to 1102 persons per sq. km (2011). Bihar has higher poverty levels as compared to the all-India average. However, the State has shown higher economic growth for the period 2004-05 to 2013-14 as the compound annual growth rate (CAGR) of its Gross State Domestic Product has been 17.93 *per cent* as compared to 15.49 *per cent* amongst the General Category States¹. During this period, its population also grew by 13.96 *per cent* against the average growth² of 12.94 *per cent* in General Category States. The per capita income CAGR for the period 2004-05 to 2013-14 in Bihar at 16.23 *per cent* has been higher than that of the General Category States at 14.88 *per cent*.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the economy of the State as it indicates the standard of living of the State's population. The trends in annual growth of India's Gross Domestic Product (GDP) and State's GSDP at current prices (2004-05 base year) are given in **Table 1.1**.

Table 1.1: Gross State Domestic Product

Year	2009-10	2010-11	2011-12	2012-13	2013-14
India's GDP (₹ in crore)	6108903	7248860	8391691	9388876	10472807
Growth rate of GDP (percentage) of India	15.18	18.66	15.77	11.88	11.54
State's GSDP (₹ in crore)	162923	203555	243269	296153	343054
Growth rate of GSDP (percentage) of State	14.51	24.94	19.51	21.74	15.84

(Source: Economics and Statistics Data of Central & State Government)

¹ States other than 11 states termed as Special Category States (Arunachal Pradesh, Assam, Jammu & Kashmir, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand).

² The all India average of General Category States has been calculated on the basis of figures provided by 16 General Category States (excluding Delhi, Goa and Puducherry).

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Bihar during the current year. It analyses the significant changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years. The structure and form of Government accounts have been explained in *Appendix 1.2 Part A* and the layout of the Finance Accounts is depicted in *Appendix 1.2 Part B*. This analysis has been made based on the Finance Accounts of the State and information obtained from the State Government. In order to comply with the recommendation of the Thirteenth Finance Commission (ThFC), the State Government enacted the Bihar Fiscal Responsibility and Budget Management (Amendment) Act, 2010 (FRBM) as given in *Appendix 1.3 Part A*. The methodology adopted for assessment of the fiscal position and norms/ceilings prescribed by the FRBM (Amendment) Act, 2010 are given in *Appendix 1.3 Part B*.

1.1.1 Summary of fiscal transactions

Table 1.2 presents the summary of the State Government's fiscal transactions during the current year (2013-14) *vis-à-vis* the previous year (2012-13), while *Appendix 1.4* provides details of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.2: Summary of Fiscal Operations in 2013-14

(₹ in crore)

Receipts	2012-13	2013-14	Disbursements	2012-13	2013-14		
Section-A: Revenue					Non-Plan	Plan	Total
Revenue Receipts	59566.66	68918.65	Revenue Expenditure	54466.15	43381.02	19096.21	62477.23
Tax revenue	16253.08	19960.68	General services	18645.11	21896.37	122.10	22018.47
Non-tax revenue	1135.27	1544.83	Social services	23107.37	12680.96	13713.89	26394.85
Share of Union Taxes/Duties	31900.39	34829.11	Economic services	12709.96	8799.84	5260.22	14060.06
Grants from Government of India	10277.92	12584.03	Grants-in-aid and Contributions	3.71	3.85	0.00	3.85
Section-B: Capital & Others							
Misc. Capital Receipts	0.00	0.00	Capital outlay	9584.52	96.64	13904.36	14001.00
Recoveries of Loans and Advances	24.70	15.03	Loans and Advances disbursed	2085.95	109.83	697.55	807.38
Public debt receipts	9553.96	9907.09	Repayment of Public Debt	3069.96			3119.56
Inter State Settlement	0.00	0.00	Inter State Settlement	0.00			0.00
Contingency Fund	2250.00	1450.43	Contingency Fund	2250.00			1450.43
Public Account receipts	27066.21	33457.78	Public Account disbursements	24798.82			29452.57
Opening Cash Balance	1509.45	3715.58	Closing Cash Balance	3715.58			6156.39
Total	99970.98	117464.56	Total	99970.98			117464.56

(Source: Finance Accounts of the State for the year 2013-14)

The significant changes during 2013-14 over the previous year are given below:

- Revenue receipts during the year increased by 15.70 *per cent* (₹ 9351.99 crore). The increase was due to increase in own tax revenue by 22.81 *per cent* (₹ 3707.60 crore) and State's share of Union taxes and duties by 9.18 *per cent* (₹ 2928.72 crore).
- State's own tax revenue (₹ 19960.68 crore) exceeded the ThFC assessment (₹ 11933.07 crore) by 67.27 *per cent* (₹ 8027.61 crore) and below the Budget estimate (₹ 20962.70 crore) by 4.78 *per cent* (₹ 1002.02 crore). The increase in own tax revenue was mainly due to increase in Taxes on Goods and Passengers by 125.10 *per cent* (₹ 2417.00 crore), Stamps Duty and Registration fees by 24.80 *per cent* (₹ 539.00 crore), State Excise by 30.37 *per cent* (₹ 738.00 crore), Taxes on vehicles by 24.37 *per cent* (₹ 164.00 crore).
- Non-tax revenue (NTR) (₹ 1544.83 crore) increased by 36.08 *per cent* (₹ 409.56 crore) over the previous year. However, the NTR was 54.78 *per cent* (₹ 1871.25 crore) below the Budget estimate (₹ 3416.08 crore) and 27.56 *per cent* (₹ 587.66 crore) below the assessment made by ThFC (₹ 2132.49 crore). The increase in non-tax revenue was mainly owing to increase in contributions and recovery towards pension and other retirement benefits by ₹ 249.14 crore and ₹ 102.36 crore in Interest Receipts.
- Revenue expenditure (₹ 62477.23 crore) during the year increased by 14.71 *per cent* (₹ 8011.08 crore). The increase was mainly due to increase in expenditure on General Services by 18.09 *per cent* (₹ 3373.36 crore), Social Services by 14.23 *per cent* (₹ 3287.48 crore) and Economic Services by 10.62 *per cent* (₹ 1350.10 crore). However, Revenue expenditure during the year was 14.72 *per cent* (₹ 10780.39 crore) below the budget estimate (₹ 73257.62 crore) for the year 2013-14.
- During the year, the Non-Plan expenditure (revenue and capital) increased by 15.43 *per cent* (₹ 5810.83 crore) and the Plan expenditure (revenue and capital) increased by 25.08 *per cent* (₹ 6616.73 crore), when compared with the year 2012-13.
- Recoveries of loans and advances decreased by 39.15 *per cent* (₹ 9.67 crore). Similarly disbursements of loans and advances decreased by 61.29 *per cent* (₹ 1278.57 crore). This resulted in a net decrease in disbursements by ₹ 1288.24 crore over the previous year.
- Capital expenditure increased by 46.08 *per cent* (₹ 4416.48 crore) during the year.
- Public Account receipts increased by 23.61 *per cent* (₹ 6391.57 crore) whereas disbursements increased by 18.77 *per cent* (₹ 4653.75 crore). This resulted in a net increase in the Public Account by ₹ 1737.82 crore over the previous year.
- The receipts under Public Debt increased by 3.70 *per cent* (₹ 353.13 crore) whereas its repayment increased by 1.62 *per cent* (₹ 49.60 crore) resulting into net increase in Public Debt by ₹ 303.53 crore.

- The net impact of these transactions led to an increase of cash balance by 65.69 *per cent* (₹ 2440.81 crore) at the end of the year.

1.1.2 Review of the fiscal situation

The Government of Bihar had enacted the Bihar Fiscal Responsibility and Budget Management Act, 2006. FRBM Act 2006 was amended in the year 2010 and named as “The Bihar Fiscal Responsibility and Budget Management (Amendment) Act, 2010”.

In compliance to this Act, State Government had prepared (February 2014) Medium Term Fiscal Plan (MTFP) with projection for the period 2013-14. In line with the recommendation of the Thirteenth Finance Commission (ThFC), the State was to eliminate revenue deficit and contain the fiscal deficit as a percentage of Gross State Domestic Product (GSDP) within three *per cent*.

Section (12) of FRBM Act 2006 stipulates that the State Government will make rules for carrying out the provisions of this Act by issue of notification. But no rules have been framed under the Act till September 2014.

Table 1.3: Review of the Fiscal Situation

Fiscal variables	2013-14				
	ThFC targets for the State	Targets as prescribed in FRBM Act	Targets proposed in the Budget	Projections made in Five Year Fiscal plan/MTFP	Actuals
Revenue Deficit(-)/ Surplus (+) (₹ in crore)	0.00	0.00	6808.85	6808.85	6441.42
Fiscal Deficit/ GSDP (in <i>per cent</i>)	3.00	3.00	2.79	2.79	1.88
Ratio of total outstanding debt of the Government to GSDP (in <i>per cent</i>)	43.00	43.00	21.18	20.96	25.34

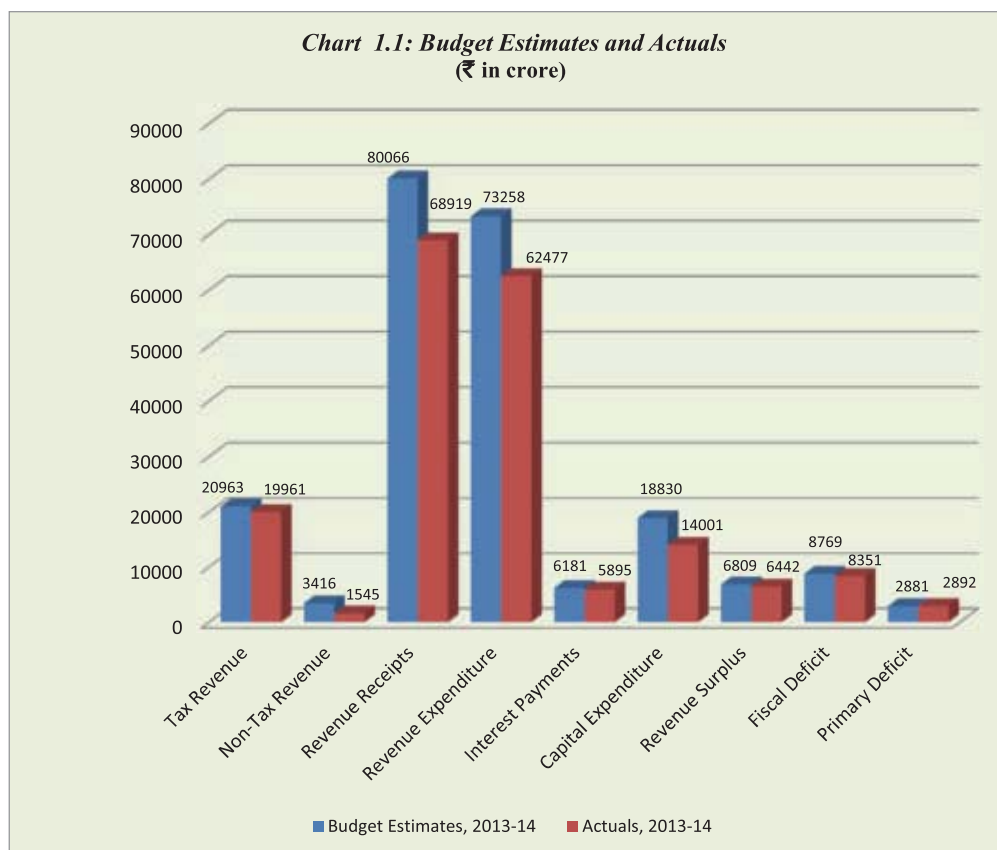
(Source: ThFC, FRBM Act, Budget and MTFP figures for the year 2013-14)

The State Government had revenue surplus since 2008-09 to 2013-14. The fiscal deficit as a percentage of GSDP was well within the limit prescribed in the FRBM Act.

1.1.3 Budget estimates and actuals

The budget presented by the State Government provides descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the Budget Estimate are indicative of non-attainment and non-optimisation of the desired fiscal objectives.

A **Chart 1.1**: representing the Budget Estimates and actuals for some important Fiscal Parameters for the year 2013-14 are depicted below. The details of actual *vis-à-vis* Budget Estimates are also given in **Appendix 1.5**.



(Source: Budget and State Finance Accounts for the year 2013-14)

The above chart indicates that during 2013-14 the following variations in the actuals against the BE took place as discussed below:

- Revenue receipts were lower than the projections made in the Budget Estimate by ₹ 11147 crore (14 per cent) mainly as a result of decrease in non-tax revenue by ₹ 1871 crore (55 per cent) and Tax revenue by ₹ 1002 crore (five per cent) as compared to Budget Estimate.
- Revenue expenditure and capital expenditure were less than the Budget Estimate by ₹ 10780 crore (15 per cent) and ₹ 4829 crore (26 per cent) respectively. The variation in revenue expenditure was due to less expenditure of ₹ 117.09 crore under General services, ₹ 24.21 crore under Social services and ₹ 54.90 crore under Economic services.
- Revenue surplus was less than the Budget Estimate by ₹ 367 crore (five per cent) mainly due to decrease in revenue receipts by ₹ 11147 crore than the projections made in the Budget Estimate and decrease of ₹ 10781 crore in revenue expenditure over the projection made in the Budget Estimate.
- Fiscal deficit was less by ₹ 418 crore over the projections made in the Budget Estimates (₹ 8769 crore) mainly due to increase in revenue surplus by ₹ 1341 crore than that of previous year.
- Primary deficit increased by ₹ 11 crore over the projection made in the Budget Estimate.

1.1.4 Gender Budgeting

Gender Budgeting was introduced by the State Government in 2008-09. Gender Budget of the State discloses the expenditure proposed to be incurred on schemes which are designed to benefit women fully or partly.

The year wise allocations in the gender budget document and utilisation thereof are detailed in **Table 1.4:**

Table 1.4: Gender budgetary allocation and utilisation during 2008-14

(₹ in crore)

Year	Outlay Under			Expenditure under			Percentage of utilisation
	Category 1	Category 2	Total	Category 1	Category 2	Total	
2008-09	1115.85	3727.01	4842.86	907.27	1765.22	2672.49	55
2009-10	1949.14	2321.89	4271.03	1506.80	2115.98	3622.78	85
2010-11	1805.72	3481.91	5287.63	1678.78	3478.52	5157.30	98
2011-12	2189.85	5979.44	8169.29	2005.04	3996.16	6001.20	73
2012-13	2622.80	6488.48	9111.28	1907.51	5923.77	7831.28	86
2013-14	3130.60	8250.00	11380.60	2569.54	6387.67	8957.21	79

(Source: Information furnished by the State Government)

(Category 1- Budgetary allocation for schemes designed to benefit women to the extent of 100 per cent of allocation. Category 2- Budgetary allocation for schemes designed to benefit women to the extent of 30 per cent of allocation.)

It can be seen from the table that the funds earmarked for the benefit of women were utilised from 55 per cent to 98 per cent during the period.

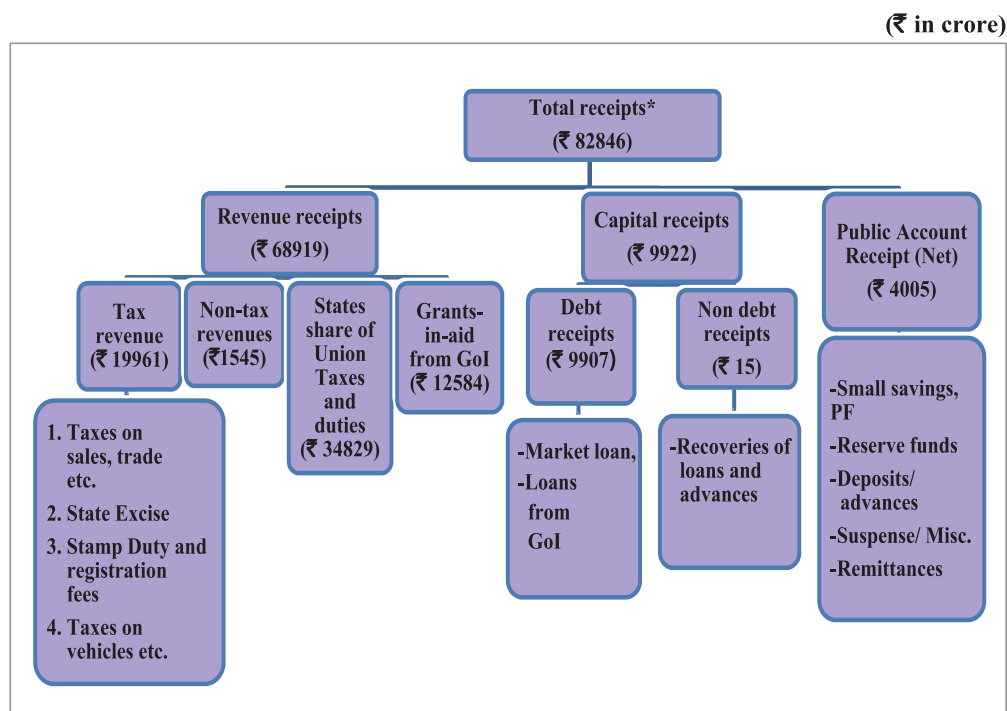
However, for the proper implementation, monitoring and evaluation of the schemes being carried out under gender budgeting, the State Government has not constituted any dedicated gender budgeting cell at the State level. The State Government was also not in a position to provide details of beneficiaries of gender budgeting. In the absence of details of beneficiaries, it could not be ascertained whether the gender budgeting was serving as a tool for upliftment of the women in the State.

1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, 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, the funds available in the Public Accounts after disbursement is also utilised by the Government to finance its deficit. **Table 1.2** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.2** depicts the trend in various components of the receipts of the State during 2013-14.

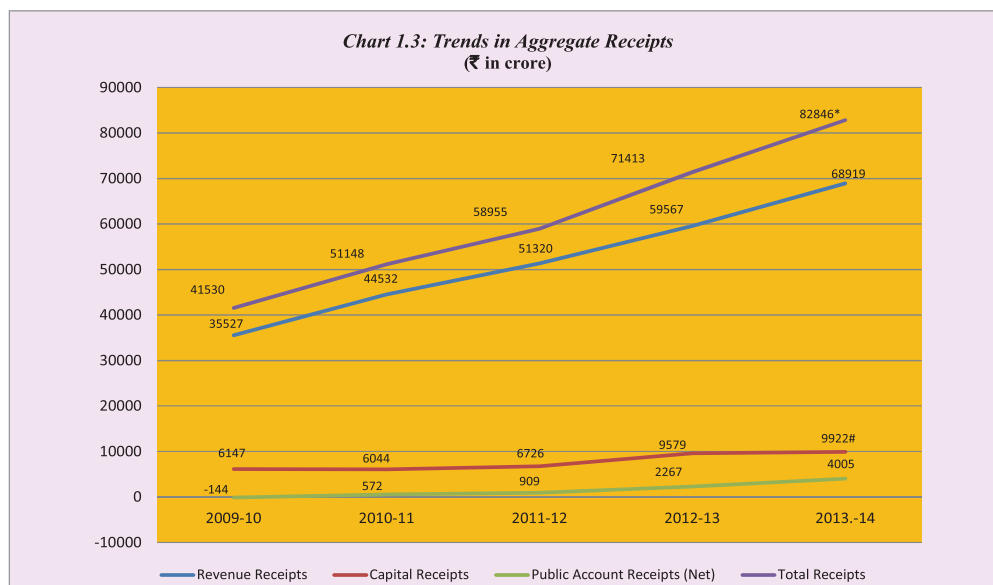
Chart 1.2: Components and Sub-components of resources



(Source: Finance Accounts of the State for the year 2013-14)

* Total receipts include Revenue receipts, Capital receipts and Public Account receipts (net).

The **Chart-1.3** depicts the trend of receipts during 2009-14 and **Chart 1.4** indicates the composition of these receipts during 2013-14.



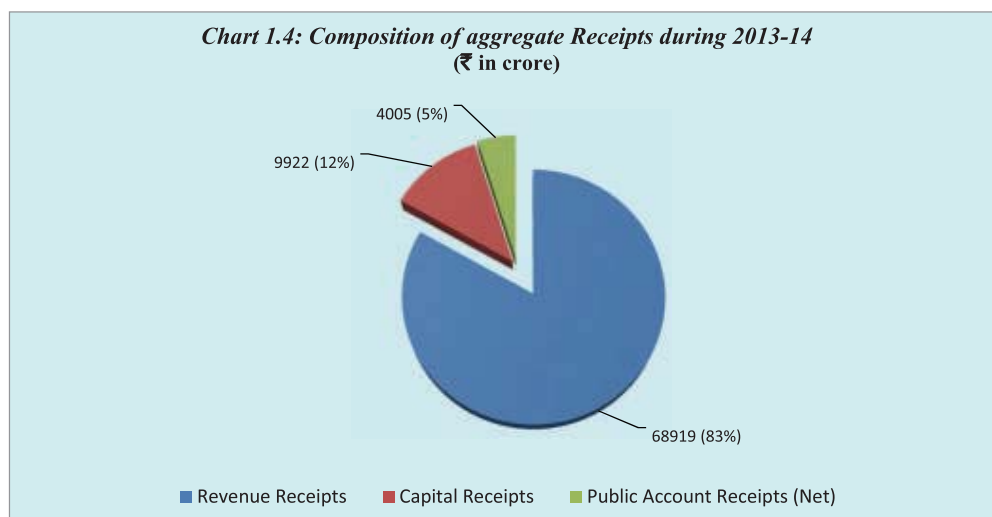
(Source: Finance Accounts of the State for the respective years)

* Total receipts include Revenue receipts, Capital receipts and Public Account receipts (Net).

Capital receipts include Public Debt Receipts, Recovery of Loans and Advances and Inter State Settlement.

Total receipts increased by 99 *per cent* from ₹ 41530 crore in 2009-10 to ₹ 82846 crore in 2013-14. Further, there was an increase of receipts over the previous year by ₹ 11433 crore (16 *per cent*).

The following chart depicts the status of composition of receipts during 2013-14 as a percentage to the total receipts (₹ 82846 crore):



(Source: Finance Accounts of the State for the year 2013-14)

The share of revenue receipts in total receipts during 2013-14 was at 83 *per cent* and it increased by 16 *per cent* from ₹ 59567 crore in 2012-13 to ₹ 68919 crore in 2013-14.

The share of Capital receipts in total receipts during 2013-14 was 12 *per cent* and it increased by four *per cent* from ₹ 9579 crore in 2012-13 to ₹ 9922 crore in 2013-14.

Public Account Receipts represent the receipts for which the Government acts as banker /trustee for the Public money. It would be seen from the chart above that on an average, it constituted five *per cent* of the total receipts during 2013-14. During 2013-14, there was 77 *per cent* growth in Public Account Receipts (Net) as compared to the previous year.

1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

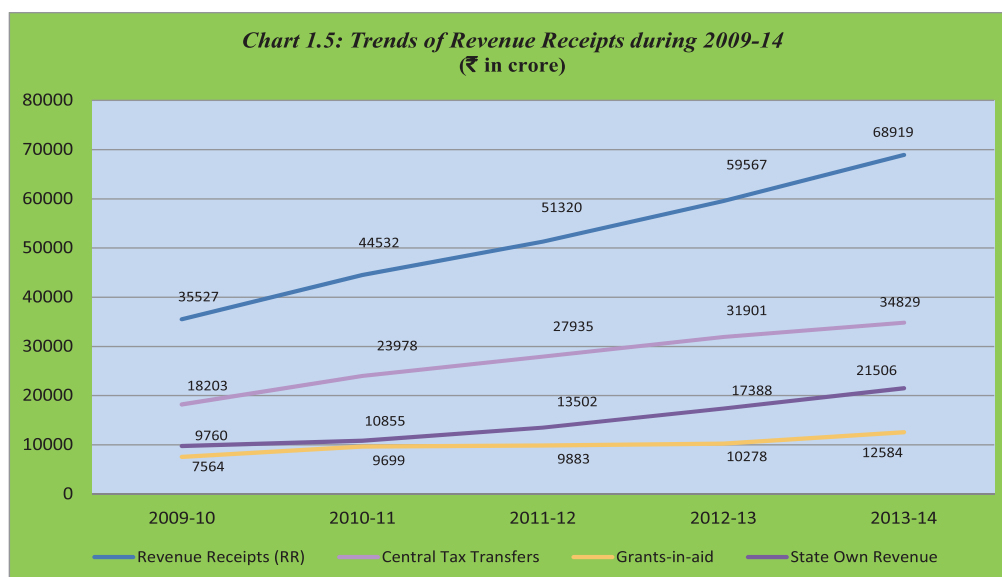
GoI has been transferring a sizeable quantum of funds directly to the State implementing agencies³ for implementation of various schemes/programmes in social and economic sectors, which are recognised as critical. As in the present mechanism these funds are not routed through the State Budget/State Treasury System and these are not reflected in the accounts of the Government. As such, the Annual Finance Accounts of the State do not provide a complete picture of the resources under the control of the State Government. To present the holistic picture on availability of aggregate resources, funds directly transferred to State Implementing Agencies are presented in **Appendix 1.6**.

³ State implementing agencies include any organisation/institution including Non-Governmental organisation which is authorised by the State Government to receive funds from Government of India for implementing specific programmes in the State.

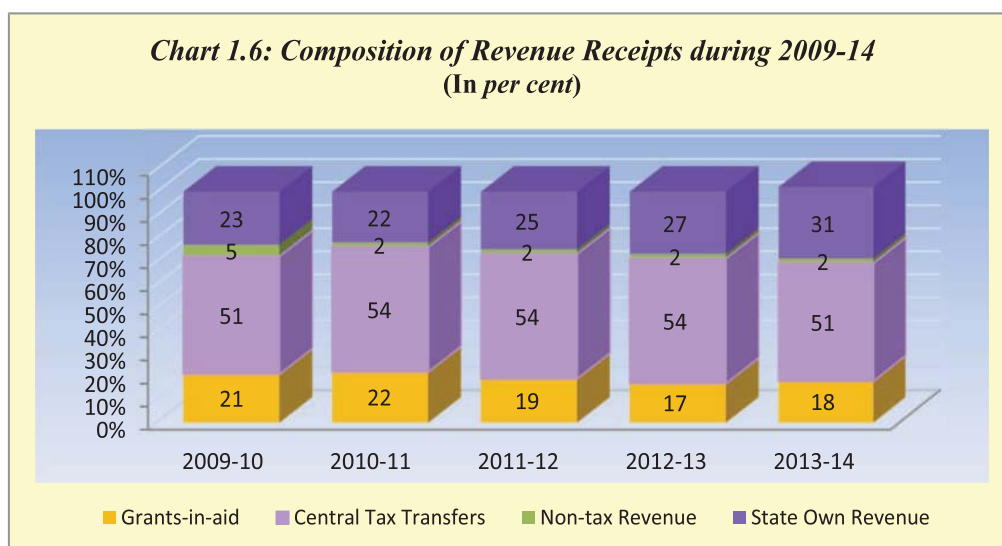
During the year 2013-14 the GoI directly transferred ₹ 9464.50 crore to the State implementing agencies which was more than the previous year by 14 *per cent*. The major recipients were District Rural Development Agencies (DRDA) (₹ 4606.37 crore i.e. 49 *per cent*), Bihar Shiksha Pariyojana Parishad (₹ 2610.13 crore i.e. 28 *per cent*) and Pradhan Mantri Gram Sadak Yojna (₹ 725.72 crore i.e. eight *per cent*).

1.3 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The State's revenue receipts consist of its own tax and non-tax revenue, central tax transfers and grants-in-aid from GoI. The trends and composition of revenue receipts over the period 2009-14 are presented in *Appendix 1.7* and also depicted in **Charts 1.5** and **1.6** respectively.



(Source: Finance Accounts of the State for the respective years)



(Source: Finance Accounts of the State for the respective years)

The **Charts 1.5** and **1.6** indicate the following:

- Revenue receipts showed progressive increase from ₹ 35527 crore in 2009-10 to ₹ 68919 crore in 2013-14. The share of GIA from the GoI decreased from 21 *per cent* in 2009-10 to 18 *per cent* in 2013-14.
- State's own resources consist of tax revenue and non-tax revenue. The share of tax revenue in revenue receipt ranged between 22 to 31 *per cent* during 2009-14. The State had achieved a high growth of Central Tax Transfer, which was 54 *per cent* from 2010-11 to 2012-13 except during 2009-10 and 2013-14 when it was 51 *per cent*. Non-Tax Revenue as a percentage of Revenue Receipt had five *per cent* in 2009-10 but came down and remained constant at two *per cent* from 2010-11 to 2013-14.

The trends of revenue receipts relative to GSDP are presented in **Table 1.5**.

Table 1.5: Trends in Revenue Receipts relative to GSDP

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Receipts (RR) (₹ in crore)	35527	44532	51320	59567	68919
Rate of growth of RR (<i>per cent</i>)	7.72	25.35	15.24	16.07	15.70
State's own tax (₹ in crore)	8090	9870	12612	16253	19961
Rate of growth of State's own tax (<i>per cent</i>)	31.05	22.00	27.78	28.87	22.81
GSDP (₹ in crore)	162923	203555	243269	296153	343054
Rate of growth of GSDP (<i>per cent</i>)	14.51	24.94	19.51	21.74	15.84
R R/GSDP (<i>per cent</i>)	21.81	21.88	21.10	20.11	20.09
Buoyancy Ratios⁴					
Revenue Buoyancy w.r.t. GSDP	0.53	1.02	0.78	0.74	0.99
State's own tax buoyancy w.r.t. GSDP	2.14	0.88	1.42	1.33	1.44

(Source: Finance Accounts of the State for the respective years)

The growth rate of revenue receipts of the State was in double digits during the period 2009-14 except in 2009-10 (7.72 *per cent*). It declined from 25.35 *per cent* in 2010-11 to 15.70 *per cent* in 2013-14.

The State's own tax buoyancy ratio with reference to GSDP ranged between 0.88 *per cent* and 2.14 *per cent* during the year 2009-10 and 2013-14.

1.3.1 State's Own Resources

As the State's share in Central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources was assessed in terms of its own resources comprising own tax and non-tax sources.

The State's actual tax and non-tax revenues (NTR) for the year 2013-14 *vis-a-vis* assessment made by ThFC and State Government Budget projection are given in **Table 1.6** below:

Table 1.6: Projections and Actual receipt during 2013-14

	ThFC Projection	Budget projections	Actuals
Tax revenue	11933.07	20962.70	19960.68
Non-tax revenue	2132.49	3416.08	1544.83

(Source: State Finance Accounts, Budget and ThFC figures for 2013-14)

⁴ 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 at 0.6 implies that revenue receipts tend to increase by 0.6 percentage points, if the GSDP increases by one per cent.

Though the State's tax revenue during 2013-14 exceeded the ThFC projections by ₹ 8027.61 crore and was less than the budget projections by ₹ 1002.02 crore, the non-tax revenue was alarmingly less than the projections of the ThFC and the State's budget projections by ₹ 587.66 crore and ₹ 1871.25 crore respectively which indicates unrealistic budget projections by the State. The Non Tax Revenue collection during 2013-14 was higher than the previous year by ₹ 409.56 crore, mainly owing to increase in contributions and recovery towards pension and other retirement benefits ₹ 249.14 crore and Interest receipts ₹ 102.36 crore.

1.3.1.1 Tax Revenue

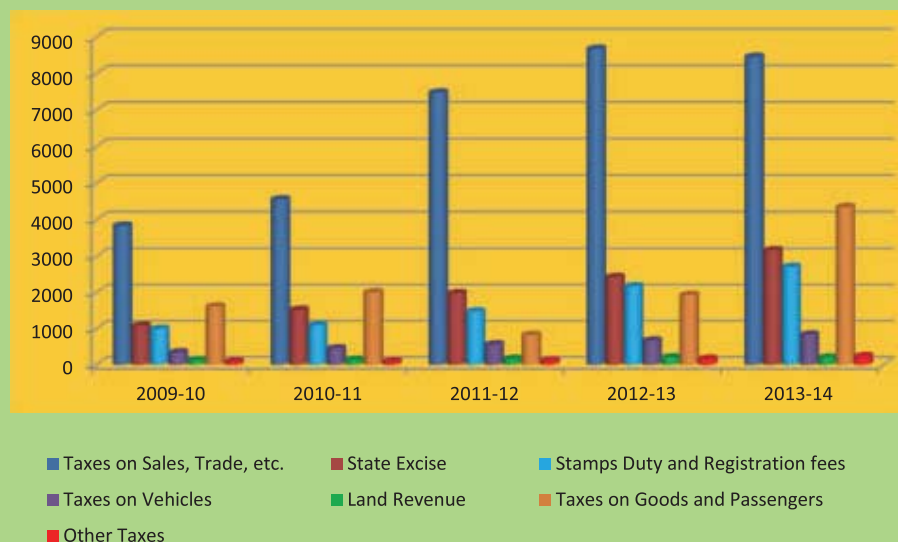
The tax revenues of the State increased by 147 per cent from ₹ 8090 crore in 2009-10 to ₹ 19961 crore during 2013-14. Major components of increase are shown in **Table 1.7** and **Chart 1.7**.

Table 1.7: Components of State's Own Tax Resources during 2009-14

	2009-10	2010-11	2011-12	2012-13	2013-14	(₹ in crore) Percentage of increase over previous year
Taxes on Sales, Trade, etc.	3839	4557	7476	8671	8453	(-) 3
State Excise	1082	1523	1981	2430	3168	30
Stamps Duty and Registration fees	998	1099	1480	2173	2712	25
Taxes on Vehicles	345	456	569	673	837	24
Land Revenue	124	139	168	205	202	(-) 1
Taxes on Goods and Passengers	1613	2006	828	1932	4349	125
Other Taxes	89	90	110	169	240	42
Total	8090	9870	12612	16253	19961	23

(Source: Finance Accounts of the State for the respective years)

Chart 1.7: Major Component of Tax Revenue during 2009-14
(₹ in crore)



(Source: Finance Accounts of the State for the respective years)

Appendix 1.7 presents the time series data on the State Government finances during 2009-14. A perusal of the components of tax revenue in the **Appendix** reveals that:

- The revenue from taxes on sales, trade etc. comprised the major share of tax revenue and it decreased from 48 *per cent* in 2009-10 to 42 *per cent* 2013-14.
- The share of State Excise increased from 13 *per cent* in 2009-10 to 16 *per cent* in 2013-14.
- The share of Stamps Duty and Registration Fees increased from 12 *per cent* in 2009-10 to 14 *per cent* in 2013-14.
- The share of Taxes on Vehicles remained constant at four *per cent* from 2009-10 to 2013-14 except 2010-11.
- The share of Taxes on Goods and Passengers also increased from 20 *per cent* in 2009-10 to 22 *per cent* in 2013-14.
- The share of Other Taxes remained constant at one *per cent* during 2009-14.

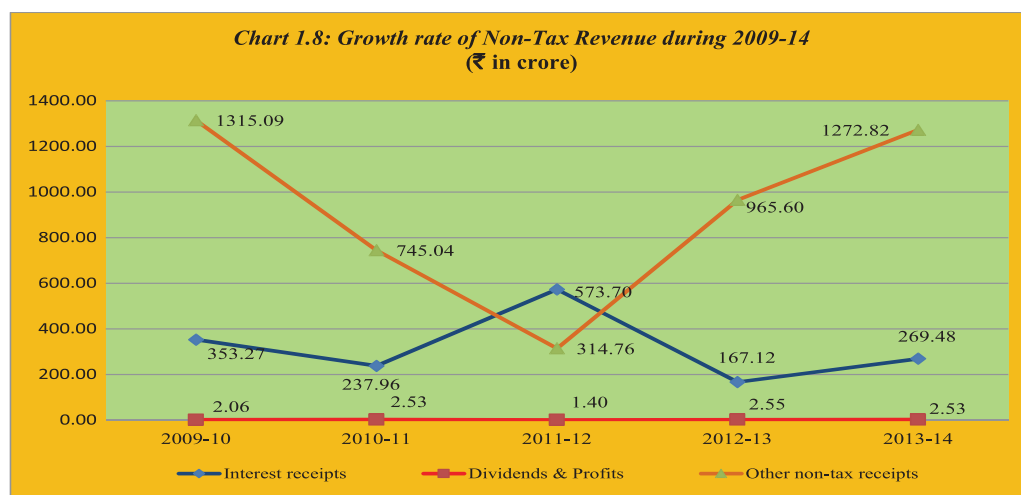
1.3.1.2 Non-Tax Revenue

Non-Tax Revenue (₹ 1545 crore) constituted 2.24 *per cent* of total revenue receipts during 2013-14. NTR collection was higher by ₹ 410 crore than the previous year. Comparative study of various component of Non-tax Revenue from 2009-10 to 2013-14 is shown in **Table 1.8** and **Chart 1.8**. Analysis of Non-Tax Revenue Receipts revealed that there was an increase in contributions and recoveries towards Pension and other Retirement benefits (₹ 249 crore) and in Interest receipts (₹ 102 crore).

Table 1.8: Growth rate of Non-Tax Revenue

Revenue Head (NTR)	2009-10	2010-11	2011-12	2012-13	2013-14	(₹ in crore) Percentage increase over previous year
Interest receipts	353.27	237.96	573.70	167.12	269.48	61.25
Dividends & Profits	2.06	2.53	1.40	2.55	2.53	(-) 0.78
Other non-tax receipts	1315.09	745.04	314.76	965.60	1272.82	31.82
Total	1670.42	985.53	889.86	1135.27	1544.83	36.08

(Source: Finance Accounts for the State for the respective years)



(Source: Finance Accounts of the State for the respective years)

1.3.2 Grants-in-aid from GoI

Grants-in-aid from GoI increased from ₹ 7564.16 crore in 2009-10 to ₹ 12584.03 crore in 2013-14 as shown in **Table 1.9**.

Table 1.9: Grants-in-aid from GoI

Particulars	(₹ in crore)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Non-Plan Grants	2256.20	1924.78	2562.62	2412.58	3288.13
Grants for State Plan Schemes	3720.97	5456.95	5065.39	5051.97	6238.39
Grants for Central Plan Schemes	137.71	175.70	95.78	35.69	136.65
Grants for Centrally Sponsored Schemes	1449.28	2141.13	2159.19	2777.68	2920.86
Grants for Special Plan Schemes	0.00	0.00	0.00	0.00	0.00
Total	7564.16	9698.56	9882.98	10277.92	12584.03
Percentage of increase over previous year	(-) 5.00	28.22	1.90	4.00	22.44
Revenue Receipts	35527	44532	51320	59567	68919
Total grants as a percentage of Revenue Receipts	21.29	21.78	19.26	17.25	18.26

(Source: Finance Accounts of the State for the respective years)

The increase of GoI Grants by ₹ 2306.11 crore in 2013-14 over the previous year was due to increase in Grants-in-aid for Centrally Sponsored Schemes (₹ 143.18 crore), Grants for non-plan (₹ 875.55 crore) and Central Plan Schemes (₹ 100.96 crore). The grants-in-aid as a percentage of revenue receipts has been declined in 2011-12 and 2012-13 but increased in 2013-14 which indicates dependency upon the Grants from GoI.

1.3.3 Debt waiver under the debt consolidation and relief facilities

The ThFC had framed a scheme of debt relief of central loans called the Debt consolidation and relief facilities based on the fiscal performance of the State linked to the reduction of deficits in the States. The ThFC had extended this facilities to few States which includes GoB. Under this scheme, GoB availed Debt consolidation and relief facilities during 2013-14, as interest relief of ₹ 12.60 crore on National Small Savings Fund loan from GoI.

1.3.4 Central Tax transfers

The ThFC had recommended the State's share of Central Taxes to be increased to 32 *per cent* from 30.50 *per cent* recommended by Twelfth Finance Commission. The State's share in the net proceeds of Central Tax (excluding Service Tax) and net proceeds of Service Tax has been fixed at 10.917 and 11.089 *per cent* respectively. The share of Union Taxes received during 2013-14 (₹ 34829.11 crore) was less (by ₹ 3151.87 crore) than the estimate (₹ 37980.98 crore). However there was an increase in State's share of Union Taxes and duties by ₹ 2929 crore over previous year mainly under Corporation Tax (₹ 255 crore), Taxes on income other than Corporation Tax (₹ 853 crore), Service Tax (₹ 1016 crore) and Customs (₹ 382 crore).

1.3.5 Optimisation of the ThFC Grants

The ThFC had recommended ₹ 2800.04 crore as transfer to the State during 2013-14. The actual release of fund and utilisation of the transfer to the State on the recommendation of the ThFC are summarised in the **Table 1.10**.

Table 1.10: Position of the transfer and expenditure

(₹ in crore)					
Sl. No.	Transfers	Recommendation of ThFC	Actual release	Expenditure	Unutilized Grants
1.	Basic Grant (ULB)	108.86	111.35	111.35	0.00
2.	Performance Grants (ULB)	74.36	0.00	0.00	0.00
3.	Basic Grant (PRI)	740.77	757.75	757.75	0.00
4.	Performance Grant (PRI)	506.04	371.52	371.52	0.00
5.	Roads & Bridges	119.00	119.00	119.00	0.00
6.	Elementary education	946.00	946.00	946.00	0.00
7.	Disaster relief	295.41	295.41	295.41	0.00
8.	Environment (Forest) related grant	9.60	4.06	4.06	0.00
9.	Reduction in the Infant Mortality Rate	0.00	10.38	0.00	10.38
Total		2800.04	2615.47	2605.09	10.38

(Source: Information furnished by Government of Bihar)

Analysis of above information pertaining to releases made by GoI in pursuance of ThFC recommendations during 2013-14 and its utilisation under the respective heads of accounts by the State Government showed that against release of ₹ 2615.47 crore, ₹ 2605.09 crore (99.60 *per cent*) was expended during 2013-14 leaving unspent balance of ₹ 10.38 crore. The entire amount of GIA of ₹ 10.38 crore for reduction in the Infant Mortality Rate remained unutilised.

1.4 Capital Receipts

Capital Receipt increased from ₹ 6148 crore in 2009-10 to ₹ 9922 crore (61 *per cent*) in 2013-14. The trends in growth and composition of Capital Receipts are given in **Table 1.11**.

Table 1.11: Trends in growth and composition of receipts

(₹ in crore)					
Sources of State's Receipts	2009-10	2010-11	2011-12	2012-13	2013-14
Capital Receipts (CR)	6148	6044	6726	9579	9922
Miscellaneous Capital Receipts	Nil	Nil	Nil	Nil	Nil
Loans and advances from GoI	764.32	781.53	826.56	508.02	549.66
Recovery of Loans and Advances	13	12	23	25	15
Public Debt Receipts	6134	6032	6628	9554	9907
Rate of growth of public debt receipts	03	(-) 2	10	44	04
Rate of growth of non-debt capital receipts	-	-	-	-	-
GSDP	162923	203555	243269	296153	343054
Rate of growth of GSDP	14.51	24.94	19.51	21.74	15.84
Rate of growth of CR (<i>per cent</i>)	04	(-) 2	11	42	04

(Source: Finance Accounts of the State for the respective years)

1.4.1 Recoveries of loans and advances

Recovery of loans and advances decreased by 39.15 *per cent* from ₹ 24.70 crore in 2012-13 to ₹ 15.03 crore in 2013-14. The recovery mainly consists of loans for co-operatives ₹ 0.65 crore, other loans ₹ 0.30 crore and loans to Government Servants ₹ 14.08 crore.

1.4.2 Debt Receipts from internal sources

Public debt receipts increased from ₹ 9554 crore in 2012-13 to ₹ 9907 crore (four *per cent*) in 2013-14 which mainly consists of Market loan ₹ 6500 crore, loans from Financial Institutions ₹ 1471 crore and special securities issued to National Small Savings Fund of Central Government ₹ 1386 crore and loans for State Plan Schemes ₹ 550 crore.

1.5 Public Account Receipts (Net)

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 and the Government is acting as a banker. The balance after disbursement is the fund available with the Government for use. **Table 1.12** below depicts the components of Public Account Receipts (Net) during the period 2009-14.

Table 1.12: Components of Public Account Receipts (Net)

						(₹ in crore)
Resources under various heads	2009-10	2010-11	2011-12	2012-13	2013-14	
Public Account Receipts (Net)						
a. Small Savings, Provident Fund etc.	(-) 262.86	252.70	(-) 2.13	(-) 215.64	(-) 297.90	
b. Reserve Fund	98.31	183.72	572.36	530.89	698.58	
c. Deposits and Advances	(-) 134.15	50.94	932.91	2199.05	3668.40	
d. Suspense and Miscellaneous	99.53	4.91	(-) 556.93	(-) 266.52	(-) 44.86	
e. Remittances	54.82	79.96	(-) 36.82	19.52	(-) 19.01	
Total	(-) 144.35	572.23	909.39	2267.39	4005.21	

(Source: Finance Accounts of the State for the respective years)

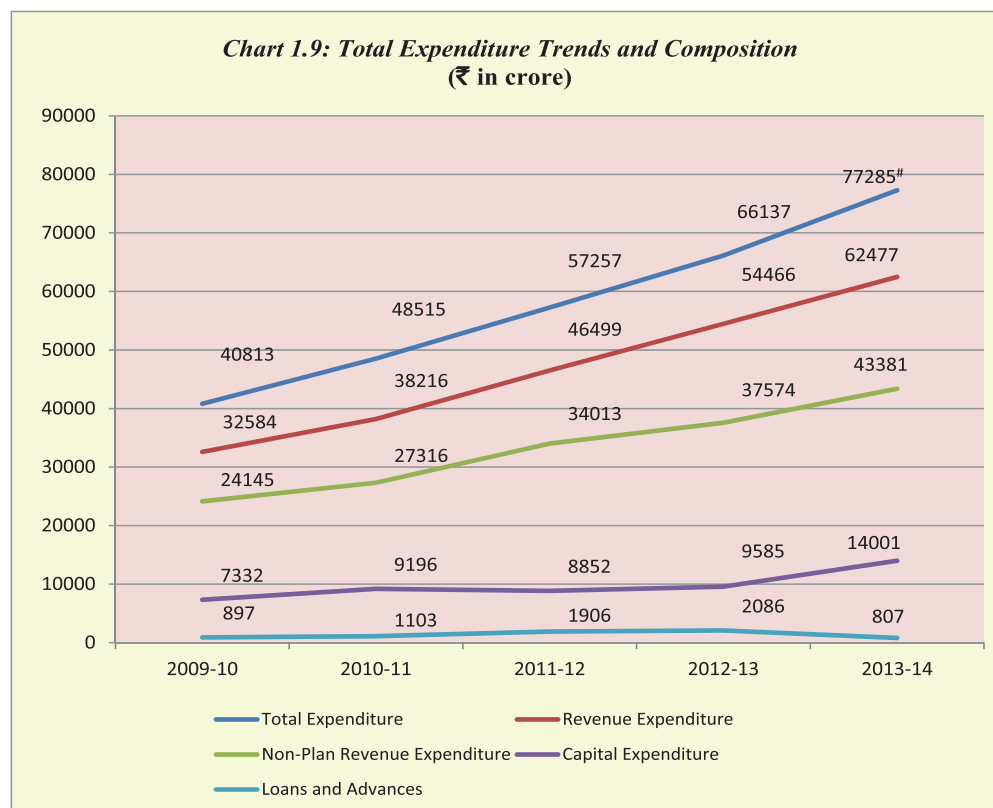
Public Account Receipts (Net) increased from ₹ (-) 144.35 crore in 2009-10 to ₹ 4005.21 crore in 2013-14. Major increase in Public Account Receipts was due to increase in deposit and advances ₹ 3802.55 crore and ₹ 600.27 crore in Reserve fund during 2013-14.

1.6 Application of resources

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

1.6.1 Growth and Composition of Expenditure

Chart 1.9 presents the trends in total expenditure over a period of five years (2009-14).



(Source: Finance Accounts of the State for the respective years)

[#] Total expenditure does not include public debt repayment

- The total expenditure comprising revenue expenditure, capital expenditure and loans and advances, increased from ₹ 40813 crore in 2009-10 to ₹ 77285 crore in 2013-14.
- The increase of ₹ 11148 crore in total expenditure in 2013-14 over the previous year was mainly due to increase of ₹ 8011 crore (15 per cent) in revenue expenditure and ₹ 4416 crore (46 per cent) in capital expenditure.
- Major Capital expenditure increased on Food Storage and Warehousing from ₹ 34.72 crore in 2012-13 to ₹ 404.05 crore in 2013-14 (1064 per cent), on Power Projects from ₹ 173.63 crore in 2012-13 to ₹ 1897.48 crore in 2013-14 (993 per cent) and on Water Supply and Sanitation ₹ 258.37 crore in 2012-13 to ₹ 618.15 crore in 2013-14 (139 per cent).
- Major revenue expenditure increased in Medical and Public Health from ₹ 151.72 crore in 2012-13 to ₹ 1752.69 crore (1055 per cent), Water Supply and Sanitation from ₹ 301.58 crore to ₹ 514.23 crore in 2013-14 (71 per cent) and Roads & Bridges from ₹ 822.84 crore to ₹ 1375.10 crore in 2013-14 (67 per cent).

1.6.2 Revenue expenditure

Revenue expenditure is incurred to maintain the current level of services and make payment for past obligations and as such does not result in any addition to the State's infrastructure and services network. Trends in Revenue expenditure-basic parameters are given below **Table 1.13**.

Table 1.13: Revenue expenditure-basic parameters

	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue expenditure (RE), of which (₹ in crore)	32584	38216	46499	54466	62477
Non-Plan revenue expenditure (NPRE)	24145	27316	34012	37574	43381
Plan revenue expenditure (PRE)	8439	10900	12487	16892	19096
Rate of Growth of					
RE (<i>per cent</i>)	14.28	17.28	21.67	17.13	14.71
NPRE (<i>per cent</i>)	13.72	13.13	24.51	10.47	15.45
PRE (<i>per cent</i>)	15.92	29.16	14.56	35.28	13.05
Revenue expenditure as percentage of TE	79.84	78.77	81.21	82.35	80.84
NPRE/GSDP (<i>per cent</i>)	14.82	13.42	13.98	12.69	12.65
NPRE as percentage of TE	59.16	56.30	59.40	56.81	56.13
NPRE as percentage of RR	67.96	61.34	66.27	63.08	62.94
Buoyancy of revenue expenditure with					
GSDP (ratio)	0.98	0.69	1.11	0.79	0.93
Revenue receipts (ratio)	1.85	0.68	1.42	1.07	0.94

(Source: Finance Accounts of the State for the respective years)

Revenue Expenditure

It would be seen from the above table that the Revenue expenditure increased during 2013-14 by ₹ 8011 crore (14.71 *per cent*) over the previous year and was 80.84 *per cent* of the total expenditure.

Non-plan revenue expenditure

The non-plan revenue expenditure (NPRE) during 2013-14 increased by ₹ 5807 crore (15.45 *per cent*) mainly due to increase in the expenditure under Social Welfare and Nutrition services by ₹ 610.44 crore (231 *per cent*), Transport by ₹ 552.55 crore (67 *per cent*) and Water Supply, Sanitation, Housing and Urban Development by ₹ 151.04 crore (22 *per cent*) as detailed in **Appendix 1.4**.

The NPRE (₹ 43381 crore) was less than the normative projection made in the budget estimates (₹ 53082 crore) by 18 *per cent*. Further, the share of NPRE to total expenditure declined from 59 *per cent* in 2009-10 to 56 *per cent* in 2013-14.

Plan revenue expenditure

The plan revenue expenditure (PRE) during 2013-14 increased by ₹ 2204 crore (13.05 *per cent*) mainly due to increase in the expenditure under Energy by ₹ 48.93 crore (4573 *per cent*), Transport by ₹ 2.79 crore (498 *per cent*) and Irrigation and Flood Control by ₹ 73.58 crore (116 *per cent*) as detailed in **Appendix 1.4**.

1.6.3 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and

subsidies. **Table 1.14** and **Chart 1.10** present the trends in the expenditure on these components during 2009-14.

Table 1.14: Components of Committed Expenditure during 2009-14

(₹ in crore)

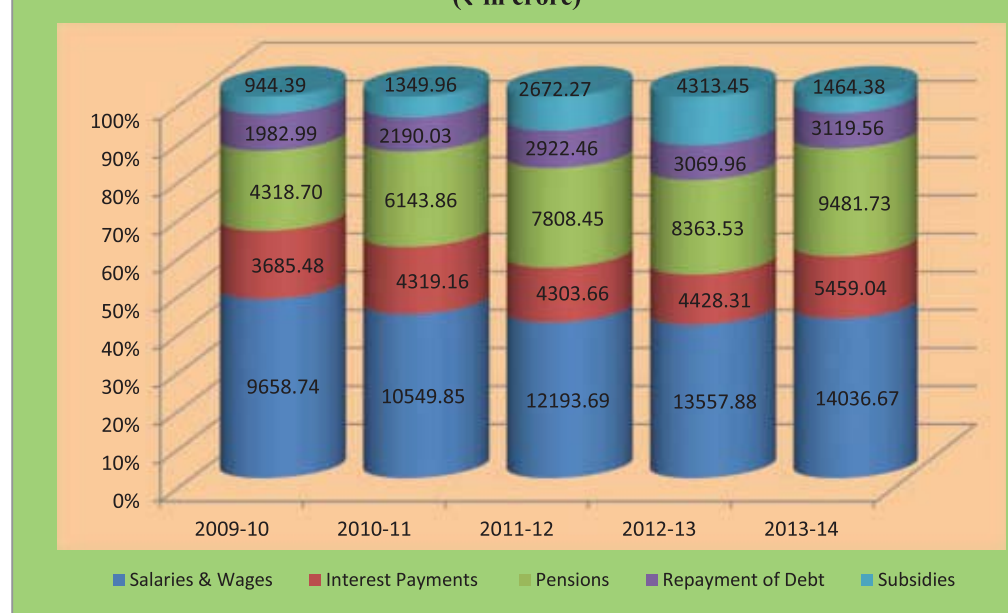
Sl. No.	Components of Committed Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14	
						BE	Actual Expenditure
1	Salaries & wages of which	9658.74 (27.19)	10549.85 (23.69)	12193.69 (23.76)	13557.88 (22.76)	17676.17	14036.67 (20.37)
1(a)	Non-Plan head	9001.42 (25.34)	9954.35 (22.35)	11494.50 (22.40)	12865.06 (21.60)	16836.92	13315.36 (19.32)
1(b)	Plan head	657.32 (1.85)	595.51 (1.34)	699.19 (1.36)	692.82 (1.16)	839.25	721.31 (1.05)
2	Interest Payments	3685.48 (10.37)	4319.16 (9.70)	4303.66 (8.39)	4428.31 (7.43)	5887.97	5459.04 (7.92)
3	Expenditure on Pensions	4318.70 (12.16)	6143.86 (13.80)	7808.45 (15.22)	8363.53 (14.04)	11274.04	9481.73 (13.76)
4	Repayment of Debt	1982.99 (20.53)	2190.03 (20.76)	2922.46 (23.97)	3069.96 (5.15)	3238.73	3119.56 (4.53)
5	Subsidies	944.39 (2.66)	1349.96 (3.03)	2672.27 (5.21)	4313.45 (7.24)	0.00	1464.38 (2.12)
6	Total (1+2+3+4+5)	20590.30 (57.96)	24552.86 (55.13)	29900.53 (58.26)	33733.13 (56.63)	38076.91	33561.38 (48.70)
7	Other Components (8-6)	11993.87 (33.76)	13663.06 (30.68)	16598.96 (32.34)	20733.02 (34.81)	35180.71	28915.85 (41.96)
8	Revenue Expenditure	32584.17	38215.92	46499.49	54466.15	73257.62	62477.23
9	Revenue Receipts	35526.83	44532.32	51320.17	59566.66	80066.47	68918.65

Figures in the parentheses indicate percentage of Actual Expenditure to Revenue Receipts

(Source: Finance Accounts of the State for the respective years and Budget for the year 2013-14)

Chart 1.10: Components of Committed Expenditure

(₹ in crore)



(Source: Finance Accounts of the State for the respective years)

Expenditure on Salaries

Expenditure on salaries as a percentage of revenue receipts decreased from 22.76 *per cent* in 2012-13 to 20.37 *per cent* in 2013-14. The expenditure of ₹ 14036.67 crore on salaries was higher than ThFC assessment (₹ 10891.89 crore) by ₹ 3144.78 crore but were lower than the budget estimates (₹ 17676.17 crore) by ₹ 3639.50 crore.

Expenditure on pension payment

Expenditure on Pension payment grew from ₹ 4318.70 crore in 2009-10 to ₹ 9481.73 crore in 2013-14 i.e. an increase of ₹ 5163.03 crore (120 *per cent*), pension payments alone accounted for 14 *per cent* of revenue receipts of the State during the year and increased by ₹ 1118.20 crore (13 *per cent*) over the previous year.

Interest Payments

Expenditure on interest payments (₹ 5459.04 crore) was 23.28 *per cent* higher than the last year. The percentage of interest payment to revenue receipts decreased from 10.37 *per cent* in 2009-10 to 7.92 *per cent* in 2013-14. Interest payments (₹ 5459.04 crore) during 2013-14 were within the assessment made by ThFC (₹ 5528.62 crore) and the budget estimates (₹ 5887.97 crore).

Expenditure on Repayment of Debt

Expenditure on Repayment of Debt as a percentage of revenue receipts decreased from 20.53 *per cent* in 2009-10 to 4.53 *per cent* in 2013-14. This expenditure was marginally below the Budget estimates (₹ 3238.73 crore) by ₹ 119.17 crore (3.68 *per cent*).

Subsidies

In any welfare State, it is not uncommon to provide subsidies/subventions to disadvantaged sections of the society. Subsidies are dispensed not only explicitly but also implicitly by providing subsidised public services to the people. Budgetary support to financial institutions, inadequate returns on investments and poor recovery of user charges from social and economic services provided by the Government fall in the category of implicit subsidies.

The total subsidies during the current year was ₹ 1464.38 crore which was 66.05 *per cent* lower than previous year and constituted 2.12 *per cent* of revenue receipt. Of this, ₹ 405.92 crore was provided for reimbursement of AMG/MMG/VAT⁵/Deferred Amount/Capital subsidy/Diesel Generator set subsidy etc., ₹ 326.94 crore for Rastriya Krishi Vikas Yojana (RKVY),

⁵ AMG- Annual Minimum Guarantee, MMG- Monthly Minimum Guarantee, VAT- Value Added Tax.

₹ 144.30 crore for promotion of Agricultural Mechanisation and ₹ 114.48 crore for promotion of Organic farming. During 2013-14, subsidy for Rastriya Krishi Vikas Yojana was higher by ₹ 275.04 crore compared to previous year.

Implicit Subsidies

The State Government incurred expenditure on implicit subsidies which are enumerated in the **Table 1.15** below:

Table 1.15: Implicit Subsidies given in 2013-14

(₹ in crore)

Sl. No.	Name of the Scheme	Expenditure
1.	Chief Minister Uniform Scheme (Elementary Education)	374.61
2.	Chief Minister Girls Uniform Scheme (Elementary Education)	224.90
3.	Chief Minister Girls Uniform Scheme (Secondary Education)	119.50
4.	Chief Minister Uniform Scheme (Secondary+2 Education)	35.98
5.	Chief Minister Boys Bicycle Yojana (Secondary Education)	139.67
6.	Chief Minister Girls Bicycle Yojana (Secondary Education)	140.67
7.	Chief Minister Boys Bicycle Yojana (Secondary Education for SCs)	26.69
8.	Chief Minister Girls Bicycle Yojana (Secondary Education for SCs)	23.76
Total		1085.78

(Source: Information furnished by Education Department of Government of Bihar)

It would be seen from the **Table 1.15** that during 2013-14, the State Government incurred an expenditure of ₹ 1085.78 crore for providing uniform and bicycle to the students of Primary and Secondary Education.

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

The status of assistance provided by the Government by way of GIA to Local bodies and other institutions during the period 2009-14 is presented in the **Table 1.16** below:

Table 1.16: Financial Assistance to Local Bodies and other institutions

(₹ in crore)

Financial Assistance to Institutions	2009-10	2010-11	2011-12	2012-13	2013-14
Educational Institutions (Aided Schools, Aided Colleges, Universities)	613.07	1940.11	5581.07	8331.34	8420.44
Municipal Corporations and Municipalities	997.68	690.21	557.30	873.56	1009.88
Zila Parishad and other Panchayati Raj Institutions	1395.22	1515.34	2534.41	2595.15	3506.69
Development Agencies	984.13	394.24	3029.74	3079.26	5683.72
Hospitals and other Charitable Institutions	33.44	53.67	25.00	0.00	67.12
Other Institutions	356.33	28.25	2716.16	2574.43	247.16
Total	4379.87	4621.82	14443.68	17453.74	18935.01
Assistance as per percentage of RE	13.44	12.09	31.06	32.05	30.31

(Source: Finance Accounts of the State for the respective years)

An analysis of the above table reveals that the financial assistance during 2013-14 increased to ₹18935 crore from ₹ 17454 crore in 2012-13. The increase of ₹ 1481 crore (eight *per cent*) over the previous year was primarily due to increase in assistance to Educational Institutions (₹ 89 crore), Municipal Corporations and Municipalities (₹ 136 crore) and Development agencies (₹ 2604 crore). The assistance to other Institutions however, decreased by ₹ 2327 crore.

1.7 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz., adequacy of expenditure

(i.e. adequate provisions for providing Public Services), efficiency of expenditure, use and effectiveness of expenditure (assessment of outlay-outcome relationship for selected services).

1.7.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to social sector and economic infrastructure are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like, education, health etc.

Table 1.17 analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure during 2013-14.

Table 1.17: Fiscal Priority and Fiscal capacity of the State in 2010-11 and 2013-14

Fiscal Priority by the State	(In per cent)					
	AE/ GSDP	DE#/ AE	SSE/ AE	CE/ AE	Edn/ AE	Health/ AE
General Category States Average (Ratio) 2010-11*	15.78	65.09	36.88	13.49	17.48	4.37
Bihar's Average (Ratio) 2010-11	23.83	67.64	33.31	18.96	16.99	3.44
General Category State Average (Ratio) 2013-14	15.92	66.45	37.56	13.62	17.20	4.51
Bihar's Average (Ratio) 2013-14	22.53	69.77	36.56	18.12	19.47	3.33
* As per cent of GSDP AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure, Edn: Education # DE includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.						

(Source: State Finance Accounts of respective years, Directorate of Economics and Statistics, Government of Bihar for GSDP)

1.7.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads⁶ for social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods⁷. Apart from improving the allocation towards development expenditure⁸, particularly in view of the fiscal space being created on account of the decline in the expenditure debt servicing in the recent years, the efficiency of expenditure use is also reflected in the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on the operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure, the better would be quality of expenditure.

⁶ Development heads include Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

⁷ Core public goods are goods which all citizens enjoy in common in the sense that each individual's consumption of such a goods leads to no subtractions from any other individual's consumption of that goods, e.g. enforcement of law and order, security and protection of rights; pollution free air and other environmental goods and road infrastructure, etc. Merit goods are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay to the Government and therefore, wishes to encourage their consumption. Examples of such goods include the provision of free or subsidized food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation, etc.

⁸ The analysis of expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorized into Social Services, Economic Services and General Services. Broadly, the Social and Economic Services constitute development expenditure, while expenditure on General Services is treated as non-development expenditure.

The status of efficiency of expenditure and its use in selected services is depicted in the **Table 1.18**.

Table 1.18: Efficiency of Expenditure and its use in selected Services

(Percentage)

Sector	2012-13		2013-14	
	Ratio of CE to TE	In RE share of S&W	Ratio of CE to TE	In RE share of S&W
Social Services (SS)				
General Education	2.00	35.77	4.67	33.52
Health and Family Welfare	23.45	79.64	17.88	74.76
Water Supply, Sanitation, & Housing and Urban Development	10.92	8.90	17.69	7.87
Total (SS)	5.87	36.80	8.51	34.09
Economic Services (ES)				
Agriculture & Allied Activities	2.81	14.76	13.00	14.93
Irrigation and Flood Control	67.97	65.89	63.39	56.27
Power & Energy	5.15	0.00	36.96	0.00
Transport	80.05	24.59	74.76	15.44
Total (ES)	40.49	15.70	48.29	14.40
Total (SS+ES)	20.23	30.27	26.33	27.90

TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages.

(Source: Finance Accounts of the State for the respective years)

Analysis on the sector wise expenditure and its relation to developmental indices indicates that capital expenditure of these selected socio-economic services as a percentage of the total expenditure on these heads increased from 20.23 *per cent* in 2012-13 to 26.33 *per cent* in 2013-14, which auger well for the State. Share of salaries and wages in revenue expenditure of these heads decreased from 30.27 *per cent* in 2012-13 to 27.90 *per cent* in 2013-14, which indicated a positive shift in the State finances.

In the selected services, the percentage of capital expenditure on Social Services to total expenditure increased from 5.87 *per cent* in 2012-13 to 8.51 *per cent* in 2013-14. The percentage of capital expenditure on the selected Economic Services to total expenditure increased from 40.49 *per cent* in 2012-13 to 48.29 *per cent* in 2013-14. However, decrease observed was mainly under Health and Family Welfare in Social Services and Irrigation and Flood Control and Transport in Economic Services.

The share of salary and wages in revenue expenditure on the selected social services decreased from 36.80 *per cent* in 2012-13 to 34.09 *per cent* in 2013-14 while the share of salary and wages in revenue expenditure on the selected Economic Services decreased from 15.70 *per cent* in 2012-13 to 14.40 *per cent* in 2013-14. The decrease observed was mainly under General Education (2.25 *per cent*), Health and Family Welfare (4.88 *per cent*) and Water Supply, Sanitation & Housing and Urban Development (1.03 *per cent*) in the Social Services and Irrigation and Flood Control (9.62 *per cent*) and Transport (9.15 *per cent*) in the Economic Services.

1.8 Financial Analysis of Government Expenditure and Investments

1.8.1 Incomplete projects

The blocking of funds on incomplete works (including works stopped due to litigation) impinges negatively on the quality of expenditure. The department-wise information pertaining to incomplete projects as on 31 March 2014 is given in **Table 1.19**. Altogether, 227 schemes/projects (estimated cost ₹ 3129.86 crore)

were due for completion up to March 2014, but remained incomplete resulting in blocking of ₹ 1273.67 crore. The physical progress of incomplete works ranged between zero to 98 per cent as of March 2014^s.

Table 1.19: Department-wise Profile of Incomplete Projects

(₹ in crore)

Department/Project	No. of Incomplete Projects	Estimated cost	Progressive expenditure upto March 2014
Water Resources	82	2196.90	955.42
Public Health Engineering	69	353.23	131.54
Road Construction	40	432.33	113.50
Building Construction	21	97.90	35.36
Local Area Engineering Organisation	9	19.38	6.09
Rural Work	5	20.89	23.08
National Highways	1	9.23	8.68
Total	227	3129.86	1273.67

(Source: Finance Accounts of the State for the year 2013-14)

Delay in completion of works invites the risk of cost escalation. Besides, due to delay in completion of the projects, the intended benefits from the projects could not be achieved. Thus, works need to be completed in time to avoid time and cost overruns.

1.8.2 Investments and returns

As of 31 March 2014, the State Government had invested ₹ 2867.18 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operative Institutions as indicated in **Table 1.20**.

Table 1.20: Return on Investment

Investment/Return/Cost of Borrowings	2009-10	2010-11	2011-12	2012-13	2013-14
Investment at the end of the year (₹ in crore)	856.18	905.24	920.82	941.17	2867.18
Return (₹ in crore)	2.06	2.53	1.40	2.55	2.53
Return (per cent)	0.24	0.28	0.15	0.27	0.09
Average rate of interest ⁹ on Government borrowing (per cent)	6.48	6.87	6.35	5.79	6.28
Difference between interest rate and return (per cent)	6.24	6.59	6.20	5.52	6.19

(Source: Finance Accounts of the State for the respective years)

There was return of ₹ 2.53 crore only against the investment of ₹ 2867.18 crore during 2013-14.

As may be seen from **Table 1.20** above, the average return on these investments was 0.21 per cent while the Government paid average interest rate of 6.35 per cent on its borrowings during 2009-14. Gap between the interest rate on borrowings and the rate of return on investment increased by 0.35 per cent in 2010-11 compared to 2009-10 but decreased progressively during 2011-12 and 2012-13 by 0.39 per cent and 0.68 per cent respectively. However, this gap has increased by 0.67 per cent in 2013-14 again.

Of ₹ 2867.18 crore invested by the State Government up to 2013-14 in the share capital of different entities, ₹ 2344.79 crore in 48 Government companies, ₹ 382.90 crore in 16 co-operative institutions, ₹ 105.63 crore in three statutory

^s Appendix-X of the Finance Accounts for the year 2013-14.

⁹ Average rate of interest = Interest Payment*100/Fiscal Liabilities.

corporations, ₹ 30.19 crore in one Rural Bank, ₹ 3.68 crore in nine other joint stock companies and partnerships. Government invested ₹ 1926.01 crore during the year. Out of this ₹ 1924.08 crore was invested in Government companies.

1.8.3 Loans and advances by the State Government

In addition to the investments in Co-operative Institutions, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organisations.

Table 1.21 presents the outstanding loans and advances as on 31 March 2014 and interest receipts *vis-à-vis* interest payments during the last three years.

Table 1.21: Average Interest received on Loans Advanced by the State Government
(₹ in crore)

Amount of Loans/Interest Receipts/ Cost of Borrowings	2011-12	2012-13	2013-14
Opening Balance	16642.19	18525.76	20587.01
Amount advanced during the year	1906.08	2085.95	807.38
Amount repaid during the year	22.51	24.70	15.03
Closing Balance	18525.76	20587.01	21379.36
Net addition	1883.57	2061.25	792.35
Interest Receipts	573.70	167.12	269.48
Interest receipts as percentage of outstanding Loans and advances	3.10	0.81	1.26
Interest payments as percentage of outstanding fiscal liabilities of the State Government.	6.35	5.79	6.28
Difference between interest receipts and interest payments (<i>per cent</i>)	(-) 3.25	(-) 4.98	(-) 5.02

(Source: Finance Accounts of the State for the respective years)

The quantum of loans advanced decreased from ₹ 2085.95 crore in 2012-13 to ₹ 807.38 crore in 2013-14. Repayments also decreased from ₹ 24.70 crore in 2012-13 to ₹ 15.03 crore in 2013-14. The difference between the interest payments and interest receipts increased from 4.98 *per cent* in 2012-13 to 5.02 *per cent* in 2013-14 due to less recovery of interest receipts.

1.8.4 Cash Balances and Investment of Cash balances

Table 1.22 depicts the cash balances and investments made by the State Government during the year.

Table 1.22: Cash Balances and Investment of Cash balances
(₹ in crore)

Particulars	As on 31 March 2013	As on 31 March 2014	Increase/ Decrease
Cash Balances	3715.58	6156.39	2440.81
Investments from Cash Balances (a to d)	2074.37	4038.80	1964.43
a. GoI Treasury Bills	0.00	0.00	0.00
b. GoI Securities	2069.72	4034.15	1964.43
c. Securities of other State Government	4.65	4.65	0.00
d. Other Investments	0.00	0.00	0.00
Fund-wise break-up of Investment in Earmarked balances (a and b)	931.48	1367.75	436.27
a. Famine Relief Fund	0.10*	0.10*	0.00
b. Sinking Fund	931.38	1367.65	436.27
Interest Realised	128.42	233.07	104.65

*No increase, figures adopted by rounding of 0.0961

(Source: Finance Accounts of the State for the respective years)

Cash balances increased from ₹ 3715.58 crore to ₹ 6156.39 crore during the year. Further, the State Government's investments in GoI securities increased from ₹ 2069.72 crore to ₹ 4034.15 crore as on 31 March 2014. The investment in

earmarked balances increased by ₹ 436.27 crore in the year ending 31 March 2014. Interest of ₹ 233.07 crore realised on investment during 2013-14 was higher by ₹ 104.65 crore than the interest realised (₹ 128.42 crore) during 2012-13.

1.9 Assets and Liabilities

1.9.1 Growth and composition of assets and liabilities

In the existing Government accounting system, accounting of fixed assets like lands and buildings owned by the Government is not done in a comprehensive manner. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of expenditure incurred. **Appendix 1.8** gives an abstract of such liabilities and assets as on 31 March 2014 compared with the corresponding position as on 31 March 2013.

Total liabilities are the liabilities under the Consolidated Fund and Public Accounts of the State. Consolidated fund liabilities consist of internal debt and loans and advances from GoI. It also includes borrowings by Public Sector Undertakings and special purpose vehicles and other equivalent instruments where liability for repayment rests with the State Government.

1.9.2 Fiscal Liabilities

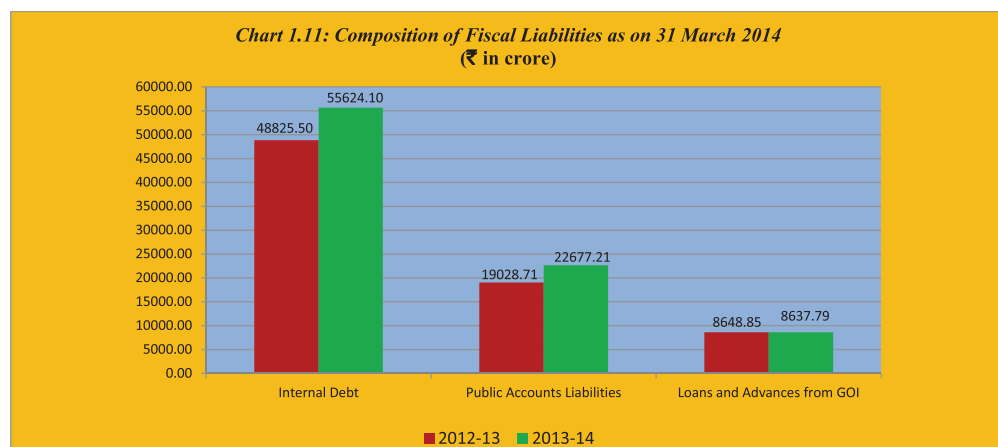
The trends in outstanding Fiscal liabilities of the State are presented in **Table 1.23**.

Table 1.23: Outstanding Fiscal Liabilities¹⁰

Year	2009-10	2010-11	2011-12	2012-13	2013-14
Amount (₹ in crore)	58689.91	62858.01	67811.84	76503.07	86939.10
Growth Rate	6.75	7.10	7.88	12.82	13.64
Ratio of fiscal liabilities to					
GSDP	0.360	0.309	0.279	0.258	0.253
Revenue receipts	1.652	1.412	1.321	1.284	1.261
Own resources	6.013	5.791	5.022	4.400	4.043
Buoyancy ratio of fiscal liabilities to					
GSDP	0.465	0.285	0.404	0.590	0.861
Revenue receipts	0.875	0.280	0.517	0.798	0.869
Own resources	0.203	0.633	0.323	0.445	0.576

(Source: Finance Accounts of the State for the respective years)

Fiscal liabilities of the State increased from ₹ 58689.91 crore in 2009-10 to ₹ 86939.10 crore in 2013-14. The composition of the fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Chart 1.11**.



(Source: Finance Accounts of the State for the respective years)

¹⁰ Market loan, Loans and advances from GoI, Loans from Small Savings, PF, etc and other obligation

As can be seen from **Table 1.23** above the overall fiscal liabilities of the State increased from ₹ 76503.07 crore in 2012-13 to ₹ 86939.10 crore in 2013-14. The growth rate of fiscal liabilities increased from 12.82 *per cent* in 2012-13 to 13.64 *per cent* in 2013-14. However, the ratio of fiscal liabilities to GSDP decreased from 36 *per cent* in 2009-10 to 25.33 *per cent* during 2013-14 and was lower than norm as recommended by ThFC of 43 *per cent*. It was also significantly lower than the FRBM target of 43 *per cent* for the current year. The liabilities stood at 1.26 times the revenue receipts and 4.04 times the State's own resources at the end of 2013-14. The buoyancy of these liabilities with respect to GSDP during the year was 0.861 as compared to 0.590 during preceding year. The decreasing trend of ratio of fiscal liabilities to GSDP indicates the State's capability to discharge its liabilities.

1.9.3 Transaction under Reserve Fund

Reserves and Reserve Funds are created for specific and well defined purposes under the sector 'J' in the accounts of the State Government (Public Accounts). These funds are fed by contributions or grants from the consolidated fund of India or State or from outside agencies. The funds may be further classified as "Fund carrying interest" and 'Funds not carrying interest'. Generally the reserve funds are classified under the following three categories based on the sources from which they are fed.

- Funds accumulated from grants made by another Government and at times aided by public subscriptions, example: Fund formed from subventions from the Central Road Fund.
- Funds accumulated from sums set aside by the Union/State from the Consolidated Fund of India or Consolidated Fund of State, as the case may be, to provide reserves for expenditure to be incurred by them for particular purposes e.g. Depreciation Fund.
- Funds accumulated from the contributions made by outside agencies to the State Government.

As per Finance Accounts, six Reserve funds¹¹ have been created and maintained in the accounts of the State Government.

State Disaster Response Fund

Opening balance of this fund as on 1 April 2013 was ₹ 1792.38 crore. During the year an amount of ₹ 387.21 crore was received and ₹ 124.90 crore was disbursed from the State Disaster Response Fund leaving a balance of ₹ 2054.69 crore as on 31 March 2014. It was observed that out of ₹ 387.21 crore, only ₹ 124.90 crore (32 *per cent*) was utilised during the year indicating unnecessary provision.

Sinking Fund

Opening balance as on 1 April 2013 was ₹ 931.38 crore and during the year a sum of ₹ 436.27 crore was invested in Sinking Fund-Investment Account. The closing balance in Sinking Fund as on 31 March 2014 was ₹ 1367.65 crore.

1.9.4 Contingent liabilities

• Status of Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. No law

¹¹ State Disaster Response Fund, Sinking Fund, Famine Relief Fund, Development and Welfare Funds, General and other Reserve Fund & Depreciation/Renewal Reserve Funds. No transactions were made in remaining funds during the year. Hence no comments.

under Article 293 of the Constitution has been passed by the State legislature laying down the limit within which the Government may give guarantees on the security of the Consolidated Fund of the State. The position of guarantees given by the State Government for the last three years is shown in **Table 1.24**.

Table-1.24: Guarantees given by the Government

(₹ in crore)			
Guarantees	2011-12	2012-13	2013-14
Maximum amount guaranteed	2049.03	2046.44	2586.84
Outstanding amount (Principal) of guarantees	1092.34	1089.23	1090.23
Percentage of maximum amount guaranteed to total revenue receipts	3.99 (51320)	3.44 (59567)	3.75 (68919)
(Figures in brackets indicate revenue receipts)			

(Source: Finance Accounts of the State for the respective years)

From the scrutiny of statement No. 9 of Finance Account it was observed that the Government did not furnish the status/information about the guarantees given by the State Government during the year 2013-14 and maximum amount guaranteed at the end of March 2014 has been increased by ₹ 540.40 crore from that of previous year. The outstanding amount of ₹ 1090.23 crore of guarantees as on 31 March 2014 was mainly in respect of Bihar State Food and Civil Supplies Corporation (₹ 500 crore), Bihar State Electricity Board (₹ 194.68 crore), Bihar State Financial Corporation (₹ 127.47 crore) and credit co-operative (₹ 157.89 crore). Further, the State Government had not yet established a guarantee redemption fund by charging guarantee fees for the discharge of any liability as was recommended by Twelfth FC.

• Off-Budget Borrowings

Government companies/corporations borrow funds from the market/financial institutions for implementation of various State Plan programmes projected outside the State budget. The borrowings of many of these concerns may sometimes turn out to be the liabilities of the State Government termed as ‘off-budget borrowings’. The State Government informed that it did not resort to any off budget borrowings during 2009-14.

1.9.5 Analysis of Borrowings of Government including Market Borrowings

The cash balances and the borrowings made by the State during 2009-14 are given in **Table 1.25**.

Table-1.25: Details of borrowings and cash balances

(₹ in crore)				
Year	Fiscal Deficit	Total Borrowings (including market borrowings)	Excess of borrowings over fiscal deficit	Cash Balance of March
2009-10	5273	6842	1569	2291
2010-11	3971	6871	2900	2735
2011-12	5914	7660	1746	1509
2012-13	6545	10850	4305	3716
2013-14	8351	30249	21898	6156

(Source: Finance Accounts of the State for the respective years)

It would be seen from the above that borrowings exceeded the fiscal deficit by ₹ 1569 crore, ₹ 2900 crore, ₹ 1746 crore, ₹ 4305 crore and ₹ 21898 crore during the years 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 respectively, despite huge cash balances in these years. The huge cash balance ranged between

₹ 1509 crore and ₹ 6156 crore during 2009-14 could be attributed to the borrowings made in excess of fiscal deficits, as indicated in **Table 1.25**.

1.10 Debt Management

Fiscal deficit is usually financed by way of borrowings by the State. The rate of growth of debt, the debt repayment liability, Public debt repayment, reliance on debt for financing current expenditure (not Capital expenditure) the debt liability on account of loans raised by the SPV on the strength of Government guarantee and the commitments on account of debt servicing are depicted as under:

- **Debt Profile**

A time series analysis of previous five years showing the per capita debt is given below **Table 1.26**.

Table 1.26: Debt Profile: Indicators and Trends

(₹ in crore)

Indicators of Debt Profile	2009-10	2010-11	2011-12	2012-13	2013-14
Net Availability of borrowed funds [§]	28	71	651	4263	4977
Burden of Interest Payments (IP/RR Ratio)	0.10	0.10	0.10	0.10	0.10

(Source: Finance Accounts of the State for the respective years)

Net availability of borrowed funds increased from ₹ 4263 crore in 2012-13 to ₹ 4977 crore in 2013-14.

As per Statement No.6 of Finance Accounts for the year 2013-14, the Government raised internal debt of ₹ 9357 crore, loans and advances from GoI ₹ 550 crore, other liabilities ₹ 20342 crore and repaid internal debts of ₹ 2559 crore, loans and advances to GoI ₹ 561 crore, discharged other liabilities worth ₹ 16694 crore and also repaid interest on internal debt worth ₹ 4226 crore, interest on loans and advances from Central Government ₹ 434 crore and interest on small saving, provident fund etc. worth ₹ 790 crore.

- **Debt Sustainability**

Apart from the magnitude of debt of the State Government, it is important to analyze the various indicators that determine the debt sustainability¹² of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization¹³; sufficiency of non-debt receipts¹⁴; Non-availability of

[§] Net availability of borrowed funds=Total receipts under Public Debt and Other Liabilities-(Repayment of Public Debt and Other Liabilities +Interest Payment under Non-plan MH2049)

¹² The Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with return from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.

¹³ A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GSDP ratio is likely to be stable provided balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate-interest rate) and quantum spread (Debt multiplied by rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually starts falling.

¹⁴ Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and incremental expenditure.

borrowed funds¹⁵, burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of the State Government securities.

Table 1.27 analyses the debt sustainability of the state according to these indicators for the period 2009-14.

Table 1.27: Debt Sustainability: Indicators and Trends

(₹ in crore)					
Indicators of Debt Sustainability	2009-10	2010-11	2011-12	2012-13	2013-14
Debt Stabilisation (Quantum Spread + Primary Surplus)	(-) 226.39	9449.84	7910.80	8318.02	5419.37
Sufficiency of non-debt receipts (Resource Gap)	(-)1524.00	3372.00	(-) 1485.07	282.02	1331.24
Net Availability of borrowed funds	28.00	71.00	651.00	4263.00	4977.00
Burden of Interest Payments (IP/RR Ratio)	0.10	0.10	0.10	0.10	0.10
Maturity Profile of State Debt (in years)*					
Zero to one year (2014)				1198.64 (3.83)	
One to three years (2015-2017)				2396.76 (7.66)	
Three to five years (2018-2019)				7488.93 (23.94)	
Five to seven years (2020-2021)				4319.00 (13.81)	
More than seven years (2022 and thereafter)				15881.00 (50.76)	
Total market borrowing				31284.33 (100.00)	
* The table contains maturity profile of market loans only for which year of maturity was available in Finance Accounts for the year 2013-14.					
# Figures in bracket indicate per cent of repayment due.					

(Source: Finance Accounts of the State for the respective years)

The status of each indicator was as under:

If the quantum spread together with primary deficit is zero, the debt-GSDP ratio would be constant or debt would stabilise eventually. The quantum spread together with the primary surplus increased from ₹ 7910.80 crore in 2011-12 to ₹ 8318.02 crore in 2012-13 which indicates that the sustainability of the debt has increased, but it decreased in 2013-14.

The maturity profile of the State's debt as per **Table 1.27** indicated that nearly 35.43 per cent of the total debts were repayable within the next five years, while the remaining 64.57 per cent were payable thereafter. State was liable to repay debts of ₹ 7488.93 crore during the period 2018-19, ₹ 4319 crore during 2020-21 and ₹ 15881 crore during 2022 and after that. The State will have to improve its debt sustainability to generate funds for repayment of loans in the coming years. A well-planned debt repayment strategy will have to be worked out by the Government to ensure that no additional borrowings, which mature in these critical years, are made.

1.10.1 Debt consolidation and relief facility

As per the ThFC recommendations, benefit of interest relief on loan availed from NSSF and the write-off of outstanding loan by Government of India and State specific grants would be made available to the States on bringing the necessary amendments/enactments of FRBM Act to include targets for debt-GSDP ratio for the period from 2011-12 to 2014-15. The State Government was able to maintain the debt-GSDP ratio within the limits of 44.6 in 2012-13 and 43.0 in 2013-14 set in the FRBM Act 2006 as amended in 2010. Government of Bihar availed Debt

¹⁵ Defined as the ratio of the debt redemption (Principal plus Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

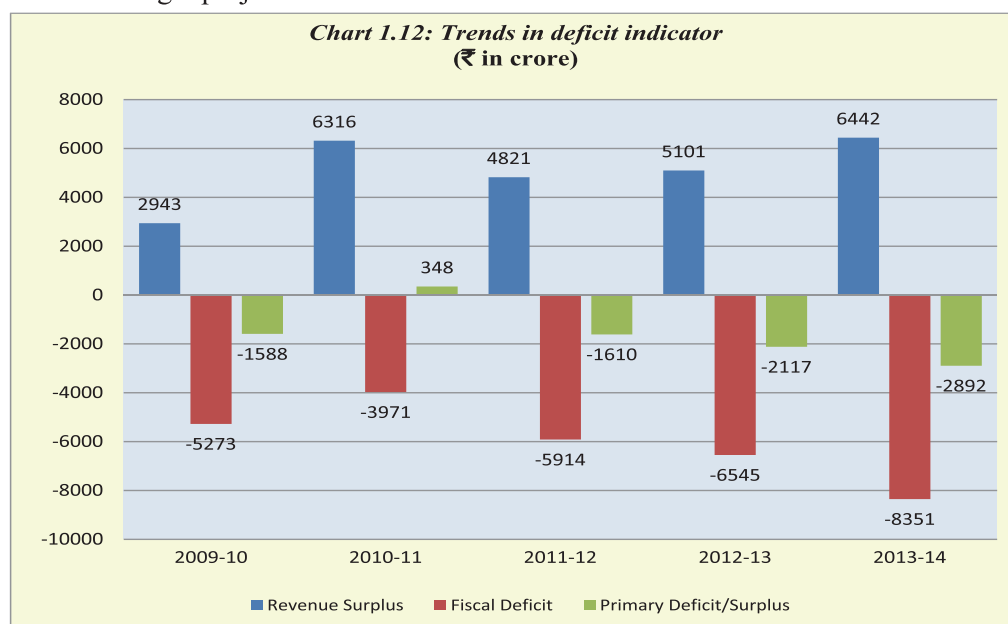
consolidation and relief facilities during 2013-14, as ₹ 12.60 crore interest relief on NSSF loan from GoI.

1.11 Fiscal Imbalances

Three key fiscal parameters-revenue, fiscal and primary deficits, indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of the deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section represents the trend, nature, magnitude and the manner of financing of these deficits and the assessment of the actual levels of revenue and fiscal deficits *vis-a-vis* targets set for the financial year 2013-14 under FRBM Act/Rules.

1.11.1 Trends of Deficits

The State achieved revenue surplus in 2009-10 and remained in revenue surplus thereafter. **Chart 1.12** indicates that the actual surplus increased by ₹ 280 crore in 2012-13 and ₹ 1341 crore in 2013-14 compared to the previous year. The revenue surplus of ₹ 6442 crore during 2013-14 was less than the States' Budget projection of ₹ 6809 crore.



(Source: Finance Accounts of the State for the respective years)

Table 1.28: Trends in deficit indicators over the period 2009-14

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue surplus/GSDP	0.018	0.031	0.020	0.017	0.019
Fiscal deficit/GSDP	(-) 0.032	(-) 0.020	(-) 0.024	(-) 0.022	(-) 0.024
Primary surplus/GSDP	(-) 0.010	0.002	(-) 0.007	(-) 0.007	(-) 0.008

(Source: Finance Accounts of the State for the respective years)

It would be seen from the **Chart 1.12 & Table 1.28** that during the year, the revenue surplus increased by ₹ 1341 crore whereas fiscal deficit increased from ₹ 6545 crore in 2012-13 to ₹ 8351 crore in 2013-14. The ratio of fiscal deficit to GSDP (0.024) was however well within three *per cent* as laid down in its FRBM Act and projections recommended by the ThFC for the year 2013-14.

Further, the primary deficits of ₹ 2117 crore (2012-13) increased to ₹ 2892 crore (2013-14).

1.11.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of fiscal deficit has undergone a compositional shift as reflected in the **Table 1.29**.

Table 1.29: Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)						
	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Composition of Fiscal Deficit		(-) 5273.01	(-) 3970.31	(-) 5914.90	(-) 6545.26	(-) 8351.92
1	Revenue Deficit/ Revenue Surplus	2942.66	6316.40	4820.68	5100.51	6441.42
2	Net Capital Expenditure	(-) 7332.09	(-) 9195.94	(-) 8852.01	(-) 9584.52	(-)14001.00
3	Net Loans and Advances	(-) 883.58	(-) 1090.77	(-) 1883.57	(-) 2061.25	(-) 792.34
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	2501.91	1707.78	2593.90	5763.88	5346.77
2	Loans from GoI	(-) 49.35	316.03	361.08	23.30	(-) 11.07
3	Special Securities Issued to NSSF	1472.52	1533.39	505.56	292.87	631.52
4	Loans from Financial Institutions	226.32	285.20	244.96	403.96	820.31
5	Small Savings, PF etc.	(-) 262.86	252.70	(-) 2.13	(-) 215.55	(-) 297.90
6	Deposits and Advances	(-) 134.15	50.94	932.91	2199.05	3668.40
7	Suspense and Miscellaneous	(-) 290.89	1830.68	1238.71	(-) 1936.34	(-) 2007.59
8	Remittances	(-) 54.82	79.96	(-) 36.82	19.51	(-)19.01
9	Reserve Fund	(-) 41.69	23.72	335.93	275.94	262.31
10	Inter State Settlement	-	-	74.02	-	-
11	Overall Surplus/Deficit	(-) 1906.02	6080.37	6248.12	6826.62	8393.74
12	Increase / decrease in cash balance#		(-) 2110.06	333.22	281.36	41.82
13	Gross Fiscal Deficit		3970.31	5914.90	6545.26	8351.92

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

Cash balance (Deposit with Reserve bank and remittance in treasury)

(Source: Finance Accounts of the State for the respective years)

Table 1.30: Receipts and Disbursements financing the fiscal deficit during 2013-14

(₹ in crore)				
Sl. No.	Particulars	Receipts	Disbursements	Net
1	Market Borrowings	6500.00	1153.23	5346.77
2	Loans from GoI	549.66	560.73	(-) 11.07
3	Special Securities Issued to National Small Savings Fund	1386.49	754.97	631.52
4	Loans from Financial Institutions	1470.94	650.63	820.31
5	Small Savings, PF etc.	1072.30	1370.20	(-) 297.90
6	Deposits and Advances	18609.37	14940.97	3668.40
7	Suspense and Miscellaneous	122952.12	124959.71	(-) 2007.59
8	Remittances	12373.58	12392.59	(-)19.01
9	Reserve Funds	823.48	561.17	262.31
10	Inter State Settlement			-
11	Overall surplus (-) deficit (+)			8393.74
12	Increase / decrease in cash balance			41.82
13	Gross Fiscal Deficit			8351.92

(Source: Finance Accounts of the State for the year 2013-14)

The fiscal deficit, which represents the borrowing of the Government and its resource gap increased from ₹ 6545.26 crore in 2012-13 to ₹ 8351.93 crore in

2013-14 but was less than that projected in the Budget estimate (₹ 8769.45 crore). During 2012-13 fiscal deficit was 68.29 *per cent* of Capital Expenditure but it was decreased to 59.65 *per cent* during 2013-14. It would be seen from the **Table 1.30** that during 2013-14, there was increase in Loans from GoI, Special Securities issued to NSSF, Loans from Financial Institutions, Deposits and Advances, Suspense and Miscellaneous, Remittances and Reserve Fund but decrease in Market Borrowings and Small Savings, PF etc.

1.11.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit¹⁶ and capital expenditure (including loans and advances) indicate the quality of deficit in the States' Finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) was not having any asset backup. The bifurcation of the primary deficit (**Table 1.31**) indicates the extent to which the deficit was on account of enhancement in capital expenditure which might be desirable to improve the productive capacity of the State's economy.

Table 1.31: Primary deficit/Surplus – Bifurcation of factors

(₹ in crore)

Year	Non-debt receipts ¹⁷	Primary Revenue Exp- enditure ¹⁸	Capital Exp- enditure	Loans and Advances	Primary Exp- enditure	Primary revenue deficit (-) / surplus (+)	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2009-10	35540	28899	7332	897	37128	6641	(-)1588
2010-11	44544	33897	9196	1103	44196	10647	(+)348
2011-12	51343	42195	8852	1906	52953	9148	(-)1610
2012-13	59592	50038	9585	2086	61709	9554	(-)2117
2013-14	68934	57018	14001	807	71826	11916	(-)2892

(Source: Finance Accounts of the State for the respective years)

Table above indicates that the Government had a primary revenue surplus of ₹ 6641 crore in 2009-10 which increased to ₹ 10647 crore in 2010-11 and decreased to ₹ 9148 crore and ₹ 9554 crore in 2011-12 and 2012-13 respectively. However, the primary revenue surplus increased in 2013-14 to ₹ 11916 crore once again. The details indicate that non-debt receipts were enough to meet the primary revenue expenditure and part of these receipts were utilized to meet capital expenditure. Though the State had primary surplus of ₹ 348 crore in 2010-11, it turned into primary deficit of ₹ 2892 crore in 2013-14.

¹⁶ Primary revenue deficit is defined as the gap between non-interest revenue expenditure of the State and its non-debt receipts and indicates the extent to which the non-debt receipts are able to meet the primary expenditure incurred under revenue account.

¹⁷ Non-debt receipts is the aggregate of Revenue receipts and recovery of loans and advances.

¹⁸ Primary revenue expenditure is the difference between revenue expenditure and interest payment.

1.12 Conclusion and Recommendations

Review of fiscal situation

- The growth of GSDP during 2013-14 was 15.84 per cent against the India's Gross Domestic Product (GDP) of 11.54 per cent.
The Government should maintain the growth of GSDP.
- The State had a Revenue Surplus of ₹ 6441.42 crore during 2013-14. During the current year, Fiscal Deficit was increased to ₹ 1806.00 crore. It was 1.88 per cent of GSDP, well within the ceiling (three per cent) recommended by the ThFC. Further, Fiscal Deficit to GSDP ratio decreased from 2.2 per cent in 2012-13 to 2.4 per cent in 2013-14.

Transfer of funds to State Implementing Agencies

- During 2013-14, GoI directly transferred ₹ 9464.50 crore to the State implementing agencies which was more than the previous year by 14 per cent. The major recipients were District Rural Development Agencies (DRDA) (₹ 4606.37 crore i.e. 49 per cent), Bihar Shiksha Pariyojana Parishad (₹ 2610.13 crore i.e. 28 per cent) and Pradhan Mantri Gram Sadak Yojna (₹ 725.72 crore i.e. eight per cent).

A system should be put in place to ensure proper accounting and monitoring of the use of funds directly transferred by Government of India to State Implementing Agencies.

Resource mobilisation

- While the Revenue Receipts (₹ 68918.65 crore) of the State grew at 15.70 per cent during 2013-14 over the previous year, these were less than the Budget Estimate by ₹ 11147.82 crore.

The Government should make efforts to achieve its own target of receipts given in the Budget document.

Quality of expenditure

- Social Sector Expenditure as a proportion of Aggregate Expenditure in the State was less than average of General Category States during 2013-14.
- Capital Expenditure (CE) increased to ₹ 14001 crore in 2013-14 from ₹ 9585 crore in 2012-13, while, the percentage of Capital Expenditure on the selected Economic Services to total expenditure increased from 40.49 per cent in 2012-13 to 48.29 per cent in 2013-14. However, decrease was observed mainly under Health and Family Welfare in Social Services and Irrigation and Flood Control and Transport in Economic Services.

Government should give more priority to Social Sector Expenditure with emphasis on Health Sector so that it could be at par with General Category States.

- Every year, huge amount of loans was given by the Government to different institutions/organisations of the State but its recovery was negligible leading to a huge balance of repayments in arrears of ₹ 21379.36 crore at the end of March 2014.

Government should take steps to recover the outstanding loans from the institutions/organisations not repaying the principal and interest of loans received by them from the Government.

Fiscal Liabilities

- Fiscal liabilities of the State increased from ₹ 58689.91 crore in 2009-10 to ₹ 86939.10 crore in 2013-14. During the year, the revenue surplus increased by ₹ 1341 crore whereas fiscal deficit increased from ₹ 6545 crore in 2012-13 to ₹ 8351 crore in 2013-14. The ratio of fiscal deficit to GSDP (0.024) was, however, well within three *per cent* as laid down in its FRBM Act and projections recommended by the ThFC for the year 2013-14. The State Government had not yet established a Guarantee Redemption fund.

The State should set up a Guarantee Redemption fund for the discharge of any liability.