Chapter I

FINANCES OF THE STATE GOVERNMENT

Profile of Goa

Goa was incorporated with the Indian Union as a Union Territory with Legislative Assembly in 1962. It was granted Statehood on 30 May 1987. As indicated in **Appendix 1.1**, in the last 10 years, the density of population in Goa has increased from 258 persons per sq km to 394 persons per sq km.

As indicated in **Appendix 1.1** the State's population increased from 0.13 crore in 2001 to 0.15 crore in 2011 recording a decadal growth of 8.17 *per cent*. During 2012-13 the percentage of population below poverty line was two *per cent* as compared to all-India average of 21.92 *per cent*. The State's literacy rate increased from 82.01 *per cent* (as per 2001 census) to 87.40 *per cent* (as per 2011 census).

The social indicators *viz*., literacy rate, rate of infant mortality and life expectancy were higher than the all India average (**Appendix 1.1-Part A**).

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 State's economy as it indicates the standard of living of the State's population. The trends in the annual growth rate of India's GDP and that of the State's GSDP at current prices are indicated below:

Annual growth rate of GDP and GSDP at current prices

Year	2008-09	2009-10	2010-11	2011-12 (AE)	2012-13 (QE)*
India's GDP (₹ in crore)	5303567	6108903	7266967	8353495	9461013
Growth rate of GDP (*percentage*)	15.75	15.18	18.96	14.95	13.26
State's GSDP (₹ in crore)$	25414	29126	33562	35932	34965
Growth rate of GSDP (*percentage*)	29.90	14.61	15.23	7.06	(-)2.69

**QE-Quick Estimates, AE-Advance Estimates*
$ figures revised due to revision of GSDP figures

In the years 2009-10 to 2012-13, the State's GSDP growth rates at current prices were lower than that of India's GDP. The GSDP reduced from ₹ 35,932 crore in 2011-12 to ₹ 34,965 crore in 2012-13. The fall in GSDP was attributed to significant reduction in revenue from mining and quarrying activities which affected the income of the population dependent on mining. This impacted the economy of the State as a whole. Another consequence of the slowdown was that the tax and non-tax revenue realisation was lower than budgeted figures.

1.1 Introduction

This chapter is based on the audit of Finance Accounts and makes an assessment of the State's fiscal position as on 31 March 2013. It provides a broad perspective of the finances of the State during 2012-13 and analyses critical changes observed in the major fiscal aggregates in relation to the previous year, keeping in view the overall trends during the last five years. The structure and form of Government accounts is depicted in **Appendix 1.1 Part B**. The methodology adopted for assessment of the fiscal position and norms/ceilings prescribed by the Goa Fiscal Responsibility and Budgetary Management (FRBM) Act, 2006 and Rules, 2007 of the State are given in **Appendix 1.2.**

1.1.1 Summary of current year's fiscal operations

A summary of the State Government's fiscal transactions during 2012-13 *vis-à-vis* the previous year is presented in **Table 1.1** below. **Appendix 1.3** provides details of receipts and disbursements as well as the overall fiscal position during the 2012-13.

Table 1.1 Summary of current year's fiscal operations

(₹ in crore)

2011-12	Receipts	2012-13	2011-12	Disbursements	2012-13		
Section-A: Revenue					Non-Plan	Plan	Total
5780.73	**Revenue receipts**	**5845.43**	**5483.50**	**Revenue expenditure**	**4810.98**	**1250.36**	**6061.34**
2551.02	Tax revenue	2939.66	1632.58	General services	1846.74	13.23	1859.97
2313.54	Non-tax revenue	1832.90	1249.88	Social services	788.57	737.10	1525.67
680.59	Share of Union taxes/duties	777.21	1771.53	Economic services	1622.61	290.30	1912.91
235.58	Grants from Government of India	295.66	829.51	Grant-in-aid and Contributions	553.06	209.73	762.79
Section –B: Capital and others							
-	Misc Capital receipts	-	1183.77	Capital Outlay	1.39	940.88	942.27
15.59	Recoveries of Loans and Advances	14.57	9.42	Loans and Advances disbursed	2.77	1.21	3.98
536.51	Public Debt receipts*	1537.49	278.29	Repayment of Public Debt	-	339.06	339.06
-	Contingency Fund	-	-	Contingency Fund	-	-	-
7550.47	Public Account receipts	7290.32	7057.22	Public Account disbursements	-	-	7655.66
1147.31	Opening Cash Balance	1018.41	1018.41	Closing Cash Balance	-	-	703.91
15030.61	**Total**	**15706.22**	**15030.61**	**Total**			**15706.22**

(Source: Finance Accounts of the State)
** Includes ₹ 300 crore (market loan) raised during the year 2011-12. Thus, Public debt receipts during the year 2012-13 was ₹ 1,237.49 crore.*

The following are the major changes in fiscal transactions during 2012-13 over the previous year:

- Revenue receipts grew by ₹ 64 crore (1.11 *per cent*) mainly due to increase in tax revenue by ₹ 389 crore (15.24 *per cent*), share of

Union taxes and duties by ₹ 96 crore (14.09 *per cent*) and ₹ 60 crore (25.42 *per cent*) in grants from the Government of India (GoI); offset by a decrease of non-tax revenue by ₹ 480 crore (20.75 *per cent*).

- Revenue expenditure increased by ₹ 577 crore (10.52 *per cent*) mainly due to increase in expenditure on Social welfare and Nutrition (₹ 178 crore), Interest payments (₹ 96 crore), Education, Sports, Art and Culture (₹ 92 crore), Energy (₹ 87 crore), and Pension and other benefits (₹ 79 crore).
- Public Debt receipt increased by ₹ 1,000 crore (186.21 *per cent*) and Repayment of Public Debt increased by ₹ 61 crore (21.94 *per cent*).
- Public Account receipts decreased by ₹ 260 crore (3.44 *per cent*) and Public Account disbursements increased by ₹ 599 crore (8.48 *per cent*) respectively.
- Cash balances of the Government at the end of the year 2012-13 (₹ 703.91 crore) decreased by ₹ 314 crore (30.84 *per cent*). Of the above, ₹ 194.25 crore was invested in GoI Treasury bills.

1.1.2 Fiscal reforms path in Goa

The State Government enacted Fiscal Responsibility and Budget Management Act (FRBM) in 2006. Enacting the FRBM Act was important, as the State was experiencing a very high level of fiscal deficit since 1999-00 and had a large stock of debt. The outstanding debt of the State relative to GSDP increased from 30.80 *per cent* in 1999-00 to 38 *per cent* in 2005-06. Further, the Twelfth Finance Commission (TFC), as part of its fiscal restructuring plan required the states to pass Fiscal Responsibility Legislation (FRL), to phase out the revenue deficits and reduce fiscal deficits to three *per cent* of GSDP by 2008-09.

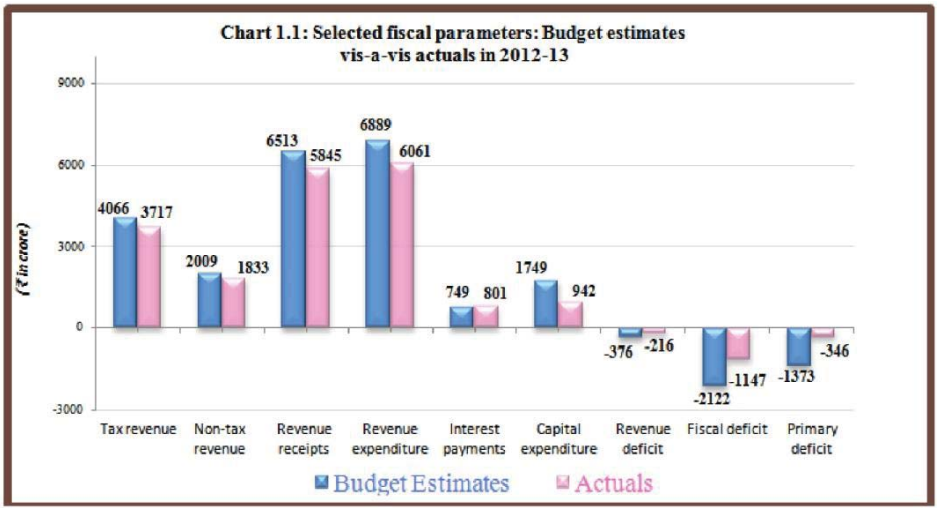
The FRBM Rules enacted in 2007 required the State Government to prepare Medium Term Fiscal Plan (MTFP) indicating three years rolling targets to ensure fiscal stability and sustainability while ensuring efficient provision of public services. Accordingly, the State Government presented the MTFP for the period 2007-08 to 2010-11 which was laid in the Legislature in February 2009.

However, the rolling targets for the years 2011-12 to 2013-14 in respect of fiscal indicators specified in the FRBM rules, 2007 has not been prepared by the Finance Department (Debt Management), Government of Goa (January 2014).

1.1.3 Budget estimates vis-à-vis actuals

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

Chart 1.1 presents the budget estimates and actuals of some important fiscal parameters for the year 2012-13.



(Source: Annual Financial Statement and Finance Accounts)

The State's revenue receipts and revenue expenditure during 2012-13 were estimated at ₹ 6,513 crore and ₹ 6,889 crore respectively. The State's revenue receipts were, however, less than the budget estimate by ₹ 668 crore (10.26 *per cent*) due to less receipts in tax revenue as well as Grants-in-aid and contributions from GoI. The State's tax revenue (inclusive of State's share of Union taxes and duties) was less than the budget estimates by ₹ 349 crore (8.58 *per cent*). Further, the share of non-tax revenue was less than the budget estimate by ₹ 176 crore (8.76 *per cent*). Revenue expenditure and capital expenditure were also less than the budget estimates by ₹ 828 crore (12.01 *per cent*) and ₹ 807 crore (46.14 *per cent*) respectively. Interest payments were more than the budget estimates by ₹ 52 crore (6.94 *per cent*).

While the revenue deficit (₹ 216 crore) was less than the budget estimates (₹ 376 crore) by ₹ 160 crore. The fiscal deficit (₹ 1,147 crore) and primary deficit (₹ 346 crore) were also less than budget estimates (₹ 2,122 crore) and (₹ 1,373 crore) by ₹ 975 crore (45.94 *per cent*) and ₹ 1,027 crore (74.80 *per cent*) respectively.

1.2 Resources of the State

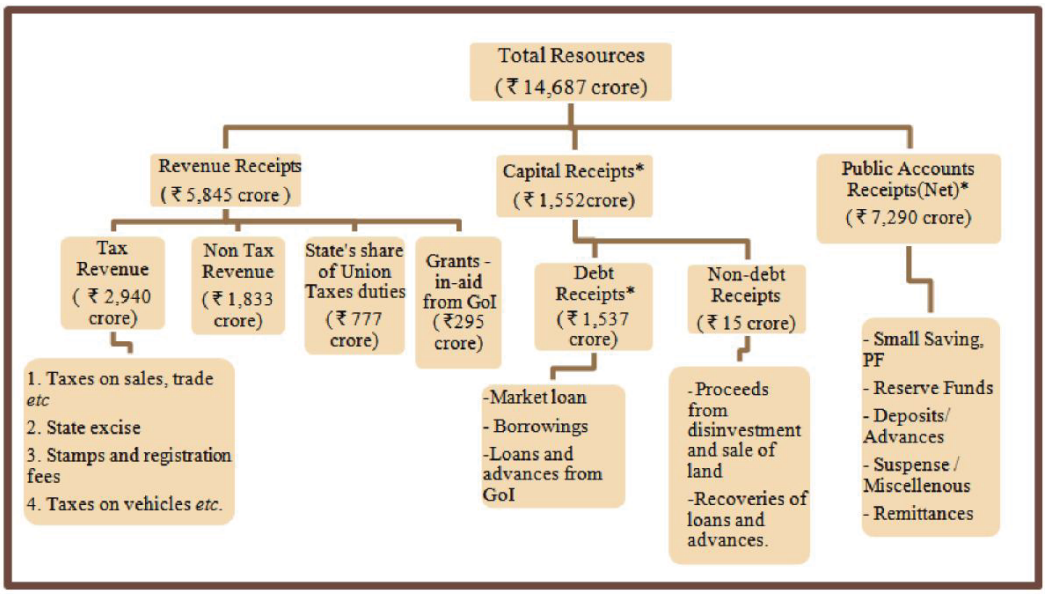
1.2.1 Resources of the State as per Finance Accounts

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 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.

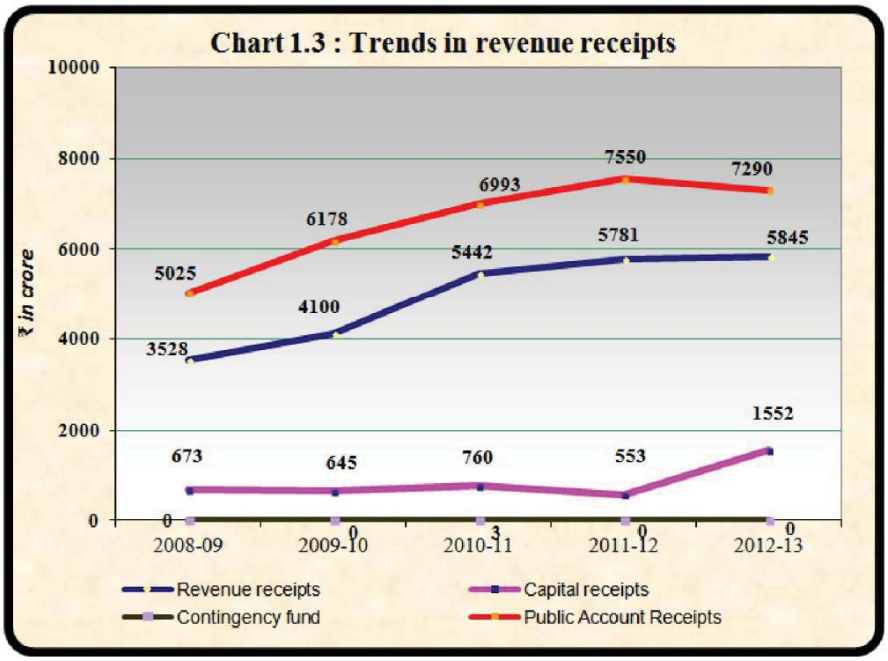
The components of the State's receipts have been categorised in **Chart 1.2**.

Chart 1.2: Components and sub-components of resources

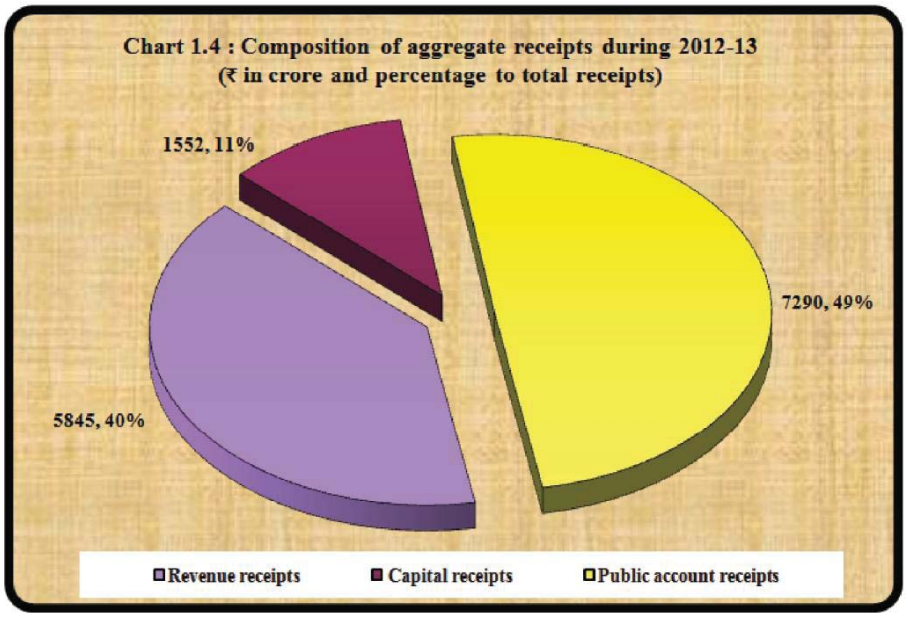


** refer note below Table 1.1*
(Source: Finance Accounts of the State)

Chart 1.3 depicts the trends in various components of receipts during 2008-13, while **Chart 1.4** depicts the composition of resources of the State during the year 2012-13.



(Source: State Finance Accounts of the respective years)



(Source: Finance Accounts of the State)

Revenue receipts formed 40 *per cent* of the total receipts during 2012-13 (details provided in **paragraph 1.3)**. While, the capital receipts and public account receipts constituted 11 *per cent* and 49 *per cent* of the total receipts respectively.

Capital receipts increased by 131 *per cent* from ₹ 673 crore in 2008-09 to ₹ 1,552 crore in 2012-13. During 2012-13, the capital receipts accounted for 10.56 *per cent* of the total receipts. Debt receipts, which was the main constituent of capital receipts, increased by ₹ 1,000 crore (186.21 *per cent*) from ₹ 536.51 crore in 2011-12 to ₹ 1,537.49 crore in 2012-13. The debt receipts during the current year includes ₹ 300 crore drawn as market loan during 2011-12. The amount was adjusted to the proper head 6003-Internal debt of the State by making a transfer entry in September 2012. Apart from debt receipts, capital receipts include non-debt receipts such as recovery of loans and advances and receipts through sale of land *etc.* In the year 2012-13, non-debt capital receipts showed a negative growth of 6.25 *per cent* over the previous year. Further details are provided in **Paragraph 1.4.**

On an average, Public account receipts constituted 54 *per cent* of the total receipts during 2008-2013. Net Public Account receipts which was ₹ 5,025 crore in 2008-09 increased to ₹ 7,290 crore in 2012-13. During 2012-13, the Public Account receipts reduced by 3.44 *per cent* as compared to previous year. The decrease was mainly under Suspense and Miscellaneous (10.82 *per cent*) offset by an increase in Reserve Fund (83.92 *per cent*). Analysis of Reserve Funds is provided in **Paragraph 1.9.3**.

1.2.2 Funds transferred to State implementing agencies outside the State budget

The GoI has been transferring sizeable quantum of funds directly to the State implementing agencies[1] for implementation of various schemes/programmes in social and economic sectors for human and social development of the population. As these funds are not routed through the State Budget/State Treasury System, the Annual Finance Accounts do not capture the flow of these funds and to that extent, the State's receipts and expenditure as well as other fiscal variables/parameters derived from them are understated.

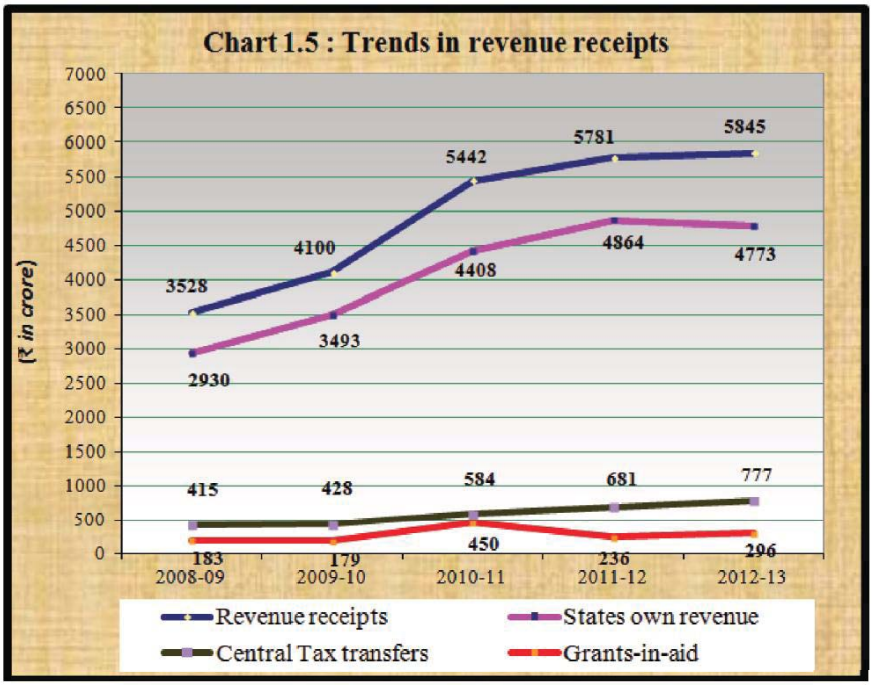
During the year 2012-13 the GoI directly transferred ₹ 282.49 crore to the State implementing agencies. Major recipients of these funds were State Health Society, Goa (₹ 12.52 crore), Goa Medical College (₹ 12.24 crore), District Rural Development Agency, North Goa (₹ 7.21 crore), Sarva Shiksha Abhiyan Society, (₹ 6.71 crore), Institute of Hotel Management, Catering Technology and Applied Nutrition, Goa (₹ 6.12 crore) and District Collector, North Goa (₹ Five crore).

Since these funds are generally not being spent fully by the implementing agencies in the same financial year in which they are given, unspent balances remain in their bank accounts. Unless uniform accounting practices are followed by all these implementing agencies and proper documentation is maintained with timely reporting of expenditure, it will be difficult to monitor the end use of these direct transfers. The State Government has to put in place an appropriate mechanism to ensure a complete picture of the resources under its control.

1.3 Revenue receipts

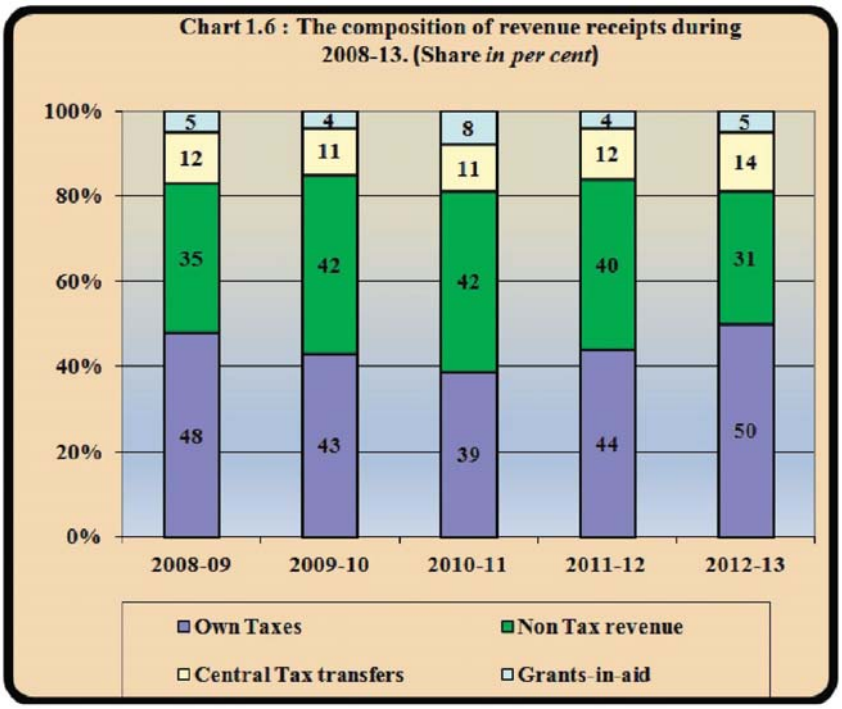
Statement 11 of the Finance Accounts details the revenue receipts of the Government. These consist of the State's own Tax and non-Tax revenues, Central Tax transfers and grants-in-aid from GoI. The trends of revenue receipts over the period 2008-13 are presented in **Chart 1.5** and also in **Appendix 1.4**.

[1] State implementing agencies include any organisations/institutions including non-Governmental organisations which are authorised by the State Government to receive funds from the Government of India for implementing specific programmes in the State.



(Source: State Finance Accounts of the respective years)

The composition of revenue receipts over the period 2008-13 are presented in **Chart 1.6.**



(Source: State Finance Accounts of the respective years)

The revenue receipts have shown a progressive increase from ₹ 3,528 crore in 2008-09 to ₹ 5,845 crore in 2012-13. On an average, 83 *per cent* of the revenue came from State's own resources during the period

2008-13. The balance was from transfers from GoI in the form of State's share of Taxes and grants-in-aid and contributions.

State's own resources consist of Tax revenue and non-Tax revenue. The share of Tax revenue in revenue receipts was between 39 and 50 *per cent* during 2008-13. Non-Tax revenue as a *per cent* of revenue receipts had increased from 35 *per cent* in 2008-09 to 42 *per cent* in 2010-11. The share of non-Tax revenue then reduced to 40 *per cent* and 31 *per cent* in 2011-12 and 2012-13 respectively.

During 2003-04 to 2011-12, the State's compound growth rate of revenue receipts (17.21 *per cent*) was less than that of other General Category States (17.48 *per cent*). This growth rate for the period 2003-04 to 2012-13 further decreased to 15.30 *per cent* **(Appendix 1.1)**.

The trends in revenue receipts relative to GSDP at current prices are presented in **Table 1.2.**

Table 1.2: Trends of revenue receipts relative to GSDP

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Receipts (RR) *(₹in crore)*	**3528**	**4100**	**5442**	**5781**	**5845**
State's Own Taxes *(₹in crore)*	1694	1762	2139	2551	2940
Rate of growth of RR *(per cent)*	19.85	16.21	32.73	6.22	1.11
Rate of growth of own taxes*(per cent)*	24.65	4.01	21.39	19.26	15.24
RR/GSDP *(per cent)*	13.88	14.08	16.21	16.09	16.72
Buoyancy ratio's[2]					
Revenue Buoyancy w.r.t. GSDP	0.66	1.11	2.15	0.88	-0.41
State's own taxes buoyancy w.r.t. GSDP	0.82	0.27	1.40	2.73	-5.67
Gross State Domestic Product (GSDP)[¥]	**25414**	**29126**	**33562**	**35932**	**34965**
Growth rate of GSDP	29.90	14.61	15.23	7.06	-2.69

(Source: Finance Accounts for the years 2008-09 to 2012-13)

[¥] *GSDP figures changed due to revision*

The rate of growth of revenue receipts has been fluctuating during the last five years and accounted for 1.11 *per cent* growth during the current year over 2011-12. The increase in revenue receipts during 2012-13 as compared to previous year was due to the net effect of increase in State's own Tax revenue by 15.24 *per cent* (₹ 389 crore), Grants from GoI by 25.42 *per cent* (₹ 60 crore) the States' share of Union Taxes and duties by 14.09 *per cent* (₹ 96 crore), offset by a decrease in non-Tax revenue by 20.75 *per cent* (₹ 480 crore).

The reduction in growth rate of Revenue receipts in 2012-13 (1.11 *per cent*) as compared to previous year (6.22 *per cent*) was mainly due to lesser receipts under Non-ferrous mining and metallurgical industries by ₹ 614 crore (64 *per cent*), Sales Tax by ₹ 76 crore (five *per cent*) and under Goa Tax on infrastructure Act by ₹ 13 crore (34 *per cent*).

[2] 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*.

Revenue buoyancy, which is directly proportionate to growth of revenue receipts and GSDP, widely fluctuated during the period due to fluctuations in the growth rate of revenue receipts. During 2008-11, the higher growth rate of revenue receipts relative to GSDP increased the revenue buoyancy ratio. The revenue buoyancy ratio decreased to 0.88 during 2011-12 and further to (-) 0.41 in 2012-13.

The ratio of State's own Tax buoyancy with reference to GSDP gradually increased from 0.82 in 2008-09 to 2.73 in 2011-12. The buoyancy of own Tax ratio with respect to GSDP in 2012-13 decreased sharply to (-) 5.67 mainly due to decrease in receipt of ₹ 614 crore under non-ferrous mining and metallurgical industries.

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, collection of Central Tax receipts, Central assistance for Plan Schemes *etc.*, the 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 State's actual Tax and non-Tax receipts for the year 2012-13 *vis-a-vis* assessment made by Thirteenth Finance Commission (XIII FC) and Budget estimates are given in **Table 1.3**

Table 1.3: Revenue receipts relative to XIII FC and budget estimates

(₹ in crore)

	XIII FC projection	Budget Estimates	Actuals
Tax revenue	2932.12	3023.28	2939.66
Non-tax revenue	774.61	2009.22	1832.90

The tax revenue and non-tax revenue of the State in 2012-13 fell short of the projection made in the budget estimates by 2.75 *per cent* and 8.76 *per cent* respectively. However, non-tax revenue exceeded the XIII FC projection by ₹ 1,058 (136.51 *per cent*).

1.3.1.1 Tax revenue

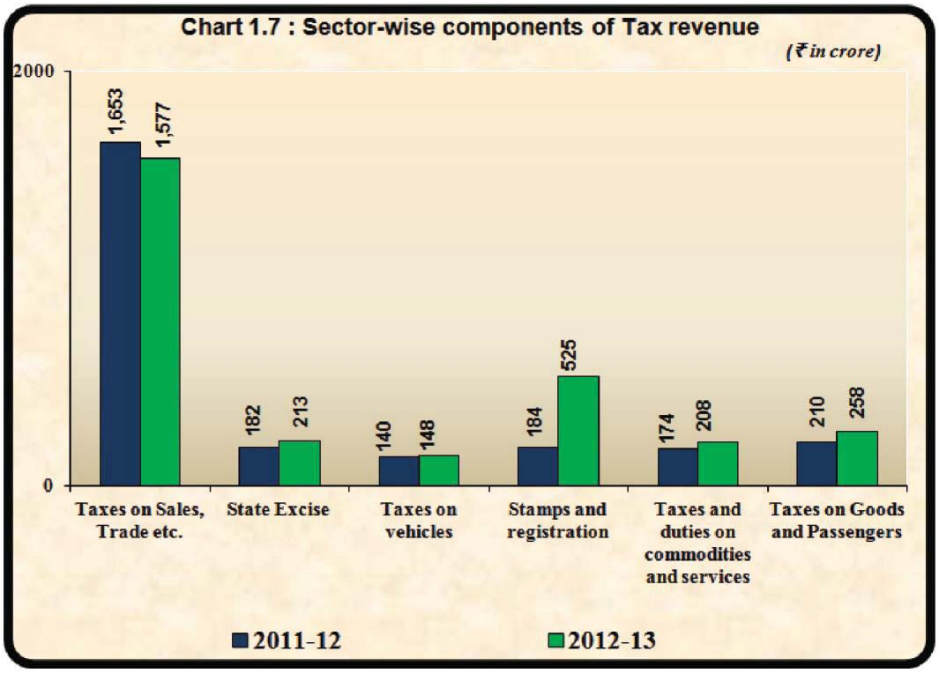
The components of State's resource mobilisation during the period 2008-13 are presented in **Table 1.4.** The sector-wise components of Tax revenue are shown in **Chart 1.7** and average percentage of State's own Tax revenue is shown in **Chart 1.8.**

Table 1.4: Components of State's resource mobilisation

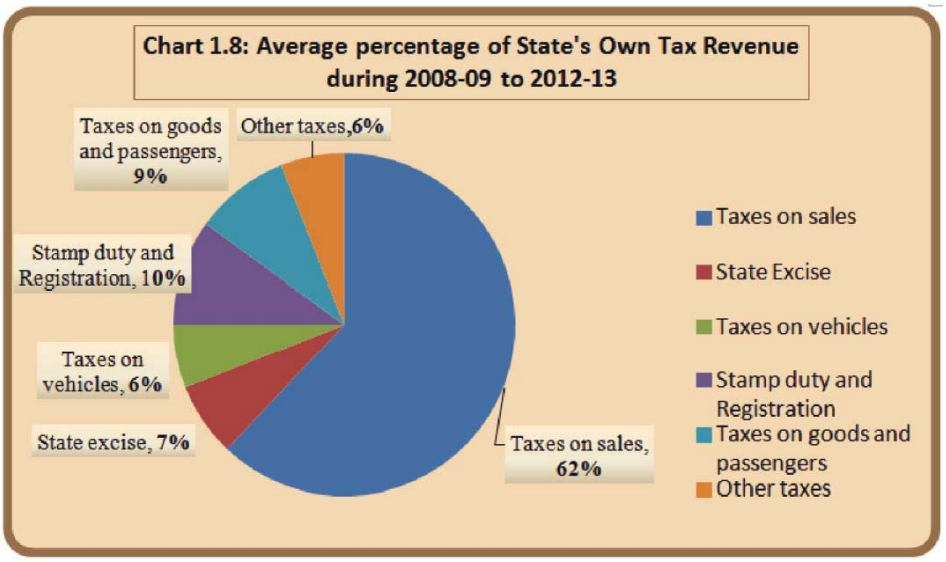
(₹ in crore)

State's Own Tax Revenue	2008-09	2009-10	2010-11	2011-12	2012-13
Taxes on sales, trades *etc.*	1132	1142	1380	1653	1577
State Excise	89	104	139	182	213
Taxes on vehicles	90	105	130	140	148
Stamp duty and Registration fees	115	111	152	184	525
Land revenue	9	11	8	8	11
Taxes on goods and passengers	157	161	172	210	258
Other Taxes	102	128	158	174	208
Total	1694	1762	2139	2551	2940

(Source: State Finance Accounts of the respective years)



(Source: State Finance Accounts of the respective years)



(Source: Finance Accounts of the respective years)

The Tax revenue in 2012-13 increased by ₹ 389 crore (15.24 *per cent)* over the previous year. The increase over the previous year was mainly under (a)Stamps and registration fees by ₹ 340 crore (184.78 *per cent*), (b) Taxes on goods and passengers by ₹ 47 crore (22.38 *per cent*), (c) Other Taxes and duties on commodities and services by ₹ 35 crore (20.23 *per cent*) due to more receipts under 'Entertainment Tax' and 'Luxury Tax' and (d) State Excise by ₹ 31 crore (17.03 *per cent*) due to receipt of more Excise duty on 'Malt liquor', Foreign liquors, spirits and licences *etc.* which was offset by a decrease in collection under Sales Tax by ₹ 76 crore (4.60 *per cent*) mainly due to less Tax collection under 'State Sales Tax Act' and 'Value Added Tax'.

During 2003-04 to 2011-12, the compound growth rate of Tax revenue (17.34 *per cent*) was less than the growth rate of other General Category States (17.44 *per cent*). This growth rate for the period 2003-04 to 2012-13 further decreased to 17.10 *per cent* **(Appendix 1.1)**.

1.3.1.2 Non-Tax revenue

The non-Tax revenue of the State decreased sharply by 20.75 *per cent* (₹ 480 crore) from 2,313.54 crore in 2011-12 to 1,832.90 crore in 2012-13. The decrease over the previous year was mainly under (a) Non-ferrous mining and metallurgical industries (₹ 614 crore) due to less receipts from mineral concession fees and royalties, (b) Ports and light houses (₹ 26.85 crore) due to less collections in barge Tax, port dues, wharfage, tonnage, rentals *etc.,* (c) Major and medium irrigation (₹ 7.66 crore) due to less receipts under ' Salauli project' and 'Anjunem project' which was offset by increase in Power (₹ 139.47 crore) and higher collection of fees proceeds towards Casino operation under 'Other Administrative Services' (₹ 22.80 crore).

During 2003-04 to 2011-12, the compound growth rate of non-Tax revenue (15.61 *per cent*) was higher than the growth rate of other General Category States (12.64 *per cent*). This growth rate for the period 2003-04 to 2012-13 however decreased to10.86 *per cent* **(Appendix 1.1)**.

1.3.2 Grants-in-aid from Government of India

The grants-in-aid from GoI increased by 25.50 *per cent* from ₹ 235.58 crore in 2011-12 to ₹ 295.66 crore in 2012-13. The increase was mainly under Non-Plan grants (194.82 *per cent*) and Centrally Sponsored Plan Schemes (55.73 *per cent*), State Plan Schemes (4.99 *per cent*) offset by a decrease under Central Plan Schemes (47.29 *per cent*), as shown in **Table 1.5**.

Table 1.5: Grants-in-aid from Government of India

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Grants for State Plan schemes	120.03	88.18	352.85	148.38	155.79
Non-Plan grants	18.02	26.60	13.66	10.05	29.63
Grants for Central Plan Schemes	10.82	29.41	14.00	9.62	5.07
Grants for Central and Centrally Sponsored Schemes	34.25	35.12	69.05	67.53	105.17
Total	**183.12**	**179.31**	**449.56**	**235.58**	**295.66**
Percentage of increase(+)/decrease (-) over previous year	23.35	-2.08	150.71	-47.59	25.50
Total grants as a percentage of Revenue Receipts	5.20	4.37	8.26	4.07	5.06

(Source: Finance Accounts of the State)

The increase under grants from State Plan Schemes (₹ 7.41 crore) was mainly under (a) JNNURM (₹ 10 crore), (b) Block grants for State Plan Schemes (₹ 6 crore) and (c) National Social Assistance (₹ two crore) offset by decrease under Basic minimum services (₹ eight crore).

The increase under Non-Plan Grants (₹ 19.58 crore) was mainly due to increase under (a) TFC grants for infant mortality (₹14.84 crore), (b) TFC grants for modernisation of building (₹10 crore) offset by a decrease under TFC grants for Panchayat Raj institutions (₹ 5.20 crore).

The decreases under Central Plan Schemes (₹ 4.55 crore) were mainly under (a) Assistance for Integrated Forest Protection in Goa (₹ 1.23 crore) and (b) Integrated Development of Infrastructure for Heritage (₹ 7.93 crore) offset by an increase in Centre of Excellence (₹ 1.26 crore).

The increase under Centrally Sponsored Plan (₹ 37.64 crore) was under (a) Rashtriya Krishi Vikas Yojana (₹ 10.49 crore), (b) creation of awareness about consumer rights (₹ 10.01 crore), (c) Integrated Child Development Scheme (₹ 5.86 crore) and (d) Mid-day meals scheme (₹ 5.40 crore).

1.3.3 Central Tax transfers

The XIII FC had recommended the State's share of Central Taxes to be increased to 32 *per cent* from 30.50 *per cent* as 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 0.26 and 0.27 *per cent,* respectively. The Central Tax transfers stood at ₹ 777.21 crore in 2012-13 registering a growth of 14.20 *per cent* over the previous year (₹ 680.59 crore).

The increase was mainly under Service Tax (₹ 32.24 crore), Taxes on income other than Corporation Tax (₹ 31.07 crore), Excise duties (₹ 11.43 crore), Corporation Tax (₹ 11.30 crore) and Customs Duty (₹ 11.14 crore).

1.3.4 Loss of revenue due to evasion of Taxes, write off/waivers

Two hundred and three cases of evasion of Taxes/duties were detected by the Commissioner of State Excise during 2012-13 as against 509 cases detected during the previous year. Investigation/assessments of 159 cases were completed and 333 cases were pending as on March 2013. During the year, losses amounting to ₹ 58.60 lakh in 68 cases were written off by competent authorities as detailed below:

Table 1.6: Cases of loss of revenue

Sl. No.	Name of Department/Office	No. of Cases	Amount *(In ₹)*
1.	Administrative Medical Officer, E.S.I. Scheme	2	290277
2.	Principal, Government Polytechnic, Mayem-Bicholim	1	19089
3.	Director, Fisheries	31	3606000
4.	Director General of Police	3	1885000
5.	Director, Agriculture	1	19991
6.	Director, Printing & Stationary	30	39490
	Total	**68**	**5859847**

(Source: Information furnished by concerned Departments)

1.3.5 Revenue arrears

The arrears of revenue as on 31 March 2013 in respect of some principal heads of revenue as furnished by the Departments amounted to ₹ 1,076.85 crore as indicated in **Table 1.7.**

Table 1.7: Revenue arrears

(₹ in crore)

Head of Revenue	Amount of arrears as on 31 March 2013	Arrears more than three years old	Cases pending in court		Revenue arrears pending recovery	Amount of arrears as on 31 March 2009
			No.	Amount		
Commercial Taxes	641.93	330.75	1285	12.93	629.00	174.67
State Excise	1.09	0.04	-	-	1.09	0.66
Taxes on vehicles	10.77	4.09	20	0.11	10.66	7.59
Chief Engineer – Water Resources Department						
i) Water Tax	1.34	1.03	147	0.03	1.31	1.02
ii) Water Charges	25.01	34.08	-	-	25.01	38.55
iii) Rent on shops	2.90	2.48	3	0.01	2.89	2.08
iv) Hire charges of machinery	0.34	0.34	-	-	0.34	0.35
Chief Engineer - Public Works Department						

i) Rent of Building/ Shops ii) Water charges, meter rent and sewerage charges	0.51 27.22	0.23 10.44	- 3232	- 8.85	0.51 18.37	0.34 15.68
Chief Electrical Engineer[@] Energy charges	 335.97	 208.84	 7034	 11.25	 324.72	 149.27
Agriculture	0.34	0.20	4	-	0.34	3.15
Printing & Stationery	0.90	-	-	-	0.90	1.74
Tourism	0.91	0.27	10	0.27	0.63	0.52
Director General of Police	0.19	0.09	1	0.03	0.16	-
Collector, South Goa Land Tax Revenue recovery cases	 0.16 27.21	 0.13 19.53	 - 1654	 - 0.18	 0.16 27.03	 - -
River Navigation Department Barge Tax	0.06	0.06	1	0.06	-	0.56
Total	**1076.85**	**612.30**	**13391**	**33.72**	**1043.13**	**396.18**

(Source: Information furnished by concerned Departments)

The arrears of revenue increased by 171.80 *per cent* during the last five years from ₹ 396.18 crore in 2008-09 to ₹ 1,076.85 crore at the end of 2012-13, which accounted for 22.56 *per cent* of the State's own resources during the year. Of the total outstanding arrears in 2012-13, ₹ 612.30 crore was outstanding for more than three years and only ₹ 1,043.13 crore was pending recovery. The Government should ensure the speedy recovery of huge arrears of revenue.

1.3.6 Optimisation of the XIII FC grants

The XIII FC was constituted by the President of India under Article 280 of the Constitution on 13 November 2007 to give recommendations on specified aspects of Centre-State fiscal relations during 2010-15 (award period) The XIII FC, as per the terms of reference, has three constitutionally mandated tasks namely, the distribution of net revenues from the divisible pool of Taxes, grants-in-aid to the needy States and measures for supplementing the States' resources for devolution to local bodies.

The various purposes and the details of grants released during the period 2010-13 are given in **Table 1.8.**

Table 1.8: The details of grants released and disbursed

(₹in crore)

Sl. No.	Purpose for which grant is released	2010-13		
		Amount to be released by GoI as per recommendation of XIII FC	Actual Releases	Shortfall in release of grants
1	**Local Bodies**			
	(a) Grants to PRIs	29.59	8.83	20.76
	(b) General Performance Grant to PRIs	11.12	--	11.12
	(c) Grants to ULBs	26.71	5.48	21.23
	(d) General Performance Grant to ULBs	11.08	--	11.08

[@] Excluding information pertaining to Divisions – I (Panaji),

2	**Disaster Relief Fund**			
	(i) Disaster Relief Fund	7.00	4.56	2.44
	(ii) Capacity Building	3.00	2.00	1.00
3	**Improving outcome grants**			
	(iii) Improvement in Justice Delivery	9.00	3.00	6.00
	(iv) Statistical Systems Improvement	1.20	0.40	0.80
	(v) Employee and Pension Data Base	5.00	2.50	2.50
	(vi) Incentive grant for UID	1.20	0.20	1.00
	(vii) District Innovation Fund	1.00	--	1.00
4	**Environment Related Grants**			
	a) Forest	18.44	11.53	6.91
	b) Water Sector Management	4.00	--	4.00
5	**Elementary Education**	6.00	2.00	4.00
6	**Roads and Bridges**	19.00	10.00	9.00
7	**State Specific grants**	100.00		
	Infant mortality rate (2012-13)		14.84	85.16
	Total	**253.34**	**65.34**	**188.00**

(Source: Information furnished by Government of Goa)

As of March 2013, the State Government received financial assistance of ₹ 65.34 crore against the recommended amount of ₹ 253.34 crore. Of the above the State could utilise only 18.23 *per cent* towards local bodies and 29.19 *per cent* of the total amount in other areas indicated above.

In the above cases where there were short releases, the first transfer/installment was to be released during 2010-11 without any condition and the subsequent installments were to be released on fulfillment of certain conditions as detailed against each in the **Table 1.9.** As the State did not fulfill the conditions stipulated by the XIII FC, subsequent installments of ₹ 188 crore were not released.

Table: 1.9 : Conditions for release of XIII FC grants

Transfer	Condition for release of subsequent installment
Grants to PRIs/ULBs	Submission of UCs of previous grants
General performance grants to PRIs/ULBs	Fulfillment of conditions stipulated by XIII FC
Improvement of Justice delivery	To be released after the State puts in place a State Litigation Policy.
Capacity building	Submission of perspective plan for handling disaster response as envisaged in Disaster management Act.
Database for Government Employees and Pensioners	Database to be completed in three years. Balance to be released after the State certifies that it has created a database.
State Specific grant	To be withheld for the period during which a State is in violation of the agreement. If a State is in violation for only the part of a year, its grants to be reduced to a proportionate extent.
Water Sector management	To be released after setting up of an independent water regulatory authority by 2011-12 by the State
District Innovation fund	To be released after the State puts in detailed guidelines and notifies the authority at the district level which would sanction the projects under the scheme

1.4 Capital receipts

The trends and composition of Capital receipts during the years 2008-13 are presented in **Table 1.10**.

Table 1.10 Trends in growth and composition of Capital receipts

(₹ in crore)

Sources of State's Receipts	2008-09	2009-10	2010-11	2011-12	2012-13
Capital Receipts	**673**	**645**	**760**	**553**	**1552**
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	10	13	15	16	15
Public Debt Receipts	663	632	745	537	1537
Growth rate of debt capital receipts *(per cent)*	31.28	-4.67	17.87	-27.91	186.22
Non-debt capital receipts	10	13	15	16	15
Growth rate of non-debt capital receipts *(per cent)*	66.66	30	15.38	6.66	-6.25
Growth rate of GSDP* *(per cent)*	29.90	14.61	15.23	7.06	-2.69
Rate of growth of CR (per cent)	***31.70***	***-4.16***	***17.82***	***-27***	***180.65***

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

** Figures revised due to revision of GSDP figures.*

Capital receipts of the State increased by 131 *per cent* from ₹ 673 crore in 2008-09 to ₹ 1,552 crore in 2011-12. As Public debt receipts form almost 98-99 *per cent* of Capital receipts, the growth rate of Capital receipt of the State reflected a similar trend as debt Capital receipt. Debt receipts, which was the main constituent of capital receipts, increased by ₹ 1,000 crore from the previous year.

The trends in the Public debt receipts during the period 2010-13 are given in **Table 1.11.**

Table 1.11: Public Debt Receipts

(₹in crore)

	2010-11	2011-12	2012-13
Market borrowings	2160	2761	3756
National Small Savings Fund	3060	3033	3010
Loans from other financial institution	387	432	520
Total internal debt	**6057**	**6226**	**7286**
Loans and advances from GoI	**556**	**646**	**784**
Total Public debt receipts	**6613**	**6872**	**8070**

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

Internal Debt and Loans and Advances from GoI are the two components of debt receipts whose share was 90 *per cent* and 10 *per cent* of the total debt receipts respectively. In 2012-13, internal debt and Loans and Advances increased by 17 *per cent* and 21 *per cent* over the previous year. The increase in Loans and advances was mainly due to loans taken for 'externally aided projects'.

Apart from debt receipts, capital receipts include non-debt receipts such as recovery of loans and advances and receipts through sale of land, *etc.*

In the year 2012-13, non-debt capital receipts showed a negative growth of 6.25 *per cent* over the previous year.

1.5 Public Account receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances *etc.* which do not form part of the Consolidated fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State legislature. Here the Government acts as a banker/trustee for the public money. The balance after disbursements is the fund available with the government for use.

The trends of Public Account Receipts over the period 2008-13 are presented in **Table 1.12**.

Table 1.12: Trends in respect of Public Account Receipts

(₹ in crore)

Resources under various heads	2008-09	2009-10	2010-11	2011-12	2012-13
Public Account Receipts					
a. Small Savings, Provident Fund *etc.*	243	349	294	320	332
b. Reserve Fund	149	163	221	111	206
c. Deposits and Advances	202	252	286	294	349
d. Suspense and Miscellaneous	2100	2796	3481	3631	3238
e. Remittances	2331	2618	2711	3194	3165
Total	**5025**	**6178**	**6993**	**7550**	**7290**

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

Public Account receipts increased by 45 *per cent* over the period 2008-13 and constituted 49.63 *per cent* of the total receipts during 2012-13. Public Account receipts which was ₹ 5,025 crore in 2008-09 increased to ₹ 7,290 crore in 2012-13. However, during 2012-13, Public Account receipts reduced by 3.44 *per cent* as compared to previous year. The decrease was mainly under Suspense and Miscellaneous (10.82 *per cent*).

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 the public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure especially directed towards development and social sectors.

1.6.1 Growth and composition of expenditure

The total expenditure and its compositions during the years 2008-09 to 2012-13 are presented in the **Table 1.13.**

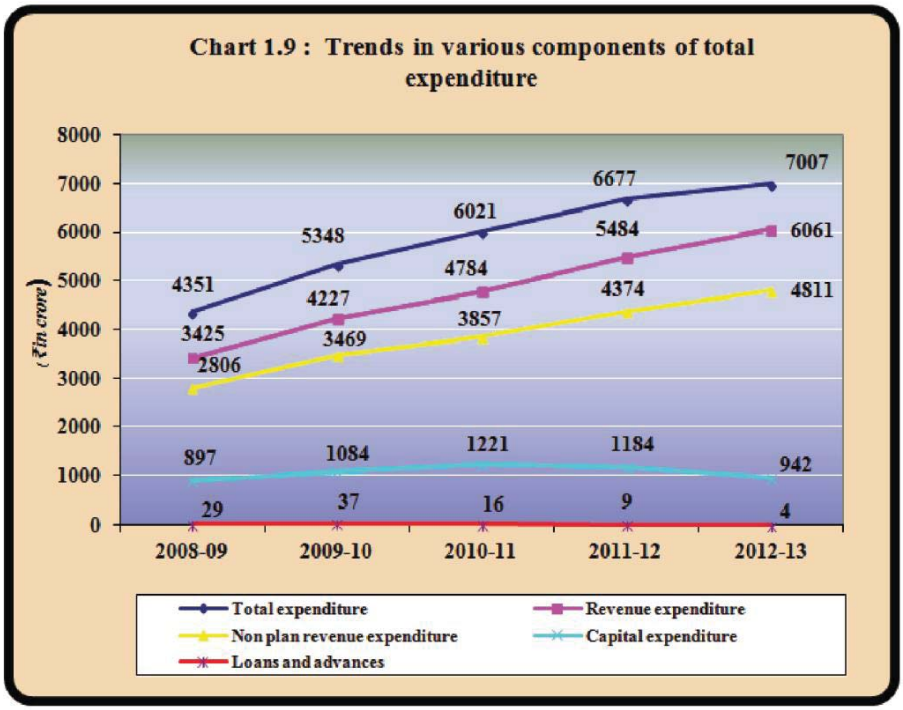
Table 1.13: Total expenditure and its composition

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Total Expenditure	**4351**	**5348**	**6021**	**6677**	**7007**
Revenue Expenditure	3425	4227	4784	5484	6061
of which, Non-Plan Revenue Expenditure	*2806*	*3469*	*3857*	*4374*	*4811*
Percentage of revenue expenditure to total expenditure	78.71	79.03	79.45	82.13	86.50
Capital Expenditure	897	1084	1221	1184	942
Percentage of capital expenditure to total expenditure	20.61	20.26	20.27	17.73	13.44
Loans and Advances	29	37	16	9	4

(Source : Finance Accounts of the State)

Chart 1.9 presents the trends in total expenditure over a period of last five years (2008-13) and its composition both in terms of 'economic classification' and 'expenditure by activities' are depicted in **Charts 1.10 and 1.11** respectively.



(Source: Finance Accounts of the State)

Total expenditure

The total expenditure of the State increased at an average growth rate of 15.26 *per cent* from ₹ 4,351 crore in 2008-09 to ₹ 7,007 crore in 2012-13. The total expenditure, its annual growth rate, the ratio of expenditure to the GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.14**.

During 2003-04 to 2011-12, the compound growth rate of total expenditure (15.73 *per cent*) was higher than the growth rate of other

General Category States (14.15 *per cent*). This growth rate decreased to 14.48 *per cent* for the period 2003-04 to 2012-13**(Appendix 1.1)**.

Table 1.14: Total expenditure – basic parameters

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Total expenditure (TE)	4351	5348	6021	6677	7007
Rate of growth of TE *(per cent)*	24.63	22.91	12.58	10.89	4.94
Revenue receipts (RR)	3528	4100	5442	5781	5845
Rate of growth of RR *(per cent)*	19.83	16.21	32.73	6.22	1.11
TE/GSDP ratio *(per cent)**	17.12	18.36	17.94	18.58	20.04
RR /TE ratio *(per cent)*	81.08	76.66	90.38	86.58	83.42
Buoyancy of total expenditure with reference to :					
GSDP (ratio)*	0.82	1.57	0.83	1.54	-1.84
RR (ratio)	1.24	1.41	0.38	1.75	4.46

(Source: Finance Accounts of the State)
** GSDP figures changed due to revision*

The increase of ₹ 330 crore (4.94 *per cent*) in total expenditure in 2012-13 over the previous year was mainly on account of an increase of ₹ 577 crore in revenue expenditure, offset by a decrease of ₹ 242 crore in capital expenditure and of ₹ five crore in disbursement of loans and advances.

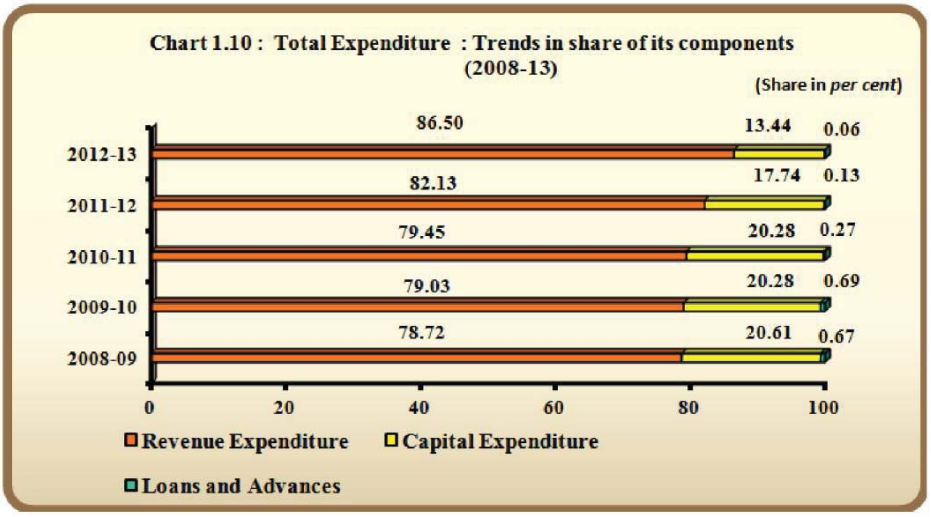
The ratio of total expenditure to GSDP increased from 17.12 *per cent* in 2008-09 to 20.04 *per cent* in 2012-13, mainly due to decrease in the growth rate of GSDP as compared to total expenditure. The ratio of revenue receipts to total expenditure increased from 81.08 *per cent* in 2008-09 to 90.38 *per cent* in 2010-11. However, it gradually decreased to 83.42 *per cent* in 2012-13, which shows that 83.42 *per cent* of the total expenditure was met from revenue receipts.

The ratio of buoyancy of total expenditure with reference to GSDP increased from 0.82 in 2008-09 to 1.54 in 2011-12, but decreased sharply to a negative figure of 1.84 in 2012-13. This indicated that the total expenditure increased by 1.84 *per cent* for each one *per cent* decline in GSDP.

The ratio of buoyancy of total expenditure with reference to revenue receipts rose to 1.41 during the period 2009-10 and declined to 0.38 during 2010-11. The buoyancy ratio then increased to 1.75 in 2011-12 and further to 4.46 in 2012-13 because growth rate of total expenditure was higher than the growth rate of revenue receipts.

Of the total expenditure during 2012-13, Non-Plan expenditure contributed 69 *per cent* while Plan expenditure was 31 *per cent*. Of the increase of ₹ 330 crore in total expenditure in 2012-13, the Non-Plan expenditure accounted for 132 *per cent,* while the contribution of Plan expenditure was less by 31 *per cent.*

During 2003-04 to 2011-12, the compound growth rate of capital expenditure (18.67 *per cent*) was higher than the growth rate of other General Category States (16.83 *per cent*). This growth rate for the period 2003-04 to 2012-13, however, decreased to 13.52 *per cent* **(Appendix 1.1)**.



(Source:-Finance Accounts of the State)

Revenue expenditure

Revenue expenditure constituted 86.50 *per cent* of the total expenditure in 2012-13 **(Chart 1.10)**. The increase in revenue expenditure during 2012-13 over the previous year was mainly on (a) Social Welfare and Nutrition (₹ 178 crore),(b) Interest payments (₹ 96 crore),(c) Education, Sports, Arts and Culture (₹ 92 crore),(d) Energy (₹ 87 crore),(e) Pension and other Retirement Benefits (₹ 79 crore),(f) Administrative services (₹ 51 crore) and (g) Health and Family Welfare (₹ 34 crore).

Capital expenditure

Capital expenditure constituted 13.44 *per cent* of the total expenditure in 2012-13 **(Chart 1.10)**. The decrease of ₹ 242 crore (20.43 *per cent*) in capital expenditure during 2012-13 was mainly on account of decrease in expenditure on Irrigation and flood control (₹ 84 crore), Transport (₹ 81crore), General services (₹ 68 crore), Water supply, sanitation, Housing and Urban Development (₹ 54 crore), Agriculture and Allied Activities (₹ 17 crore) and Health and Family Welfare (₹ 12 crore).

Loans and advances

Loans and advances constituted less than one *per cent* of the total expenditure in 2012-13 **(Chart 1.10)**. The decrease of ₹ 5.44 crore in disbursement of loans and advances during 2012-13 was due to less disbursement of loans to Government servants (₹ one crore), Social services (₹ one crore), and Tourism (₹ one crore).

Trends in total expenditure in terms of activities

In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, grants-in-aid and loans and advances. Relative shares of these components in the total expenditure are indicated in **Table1.15** and **Chart 1.11**.

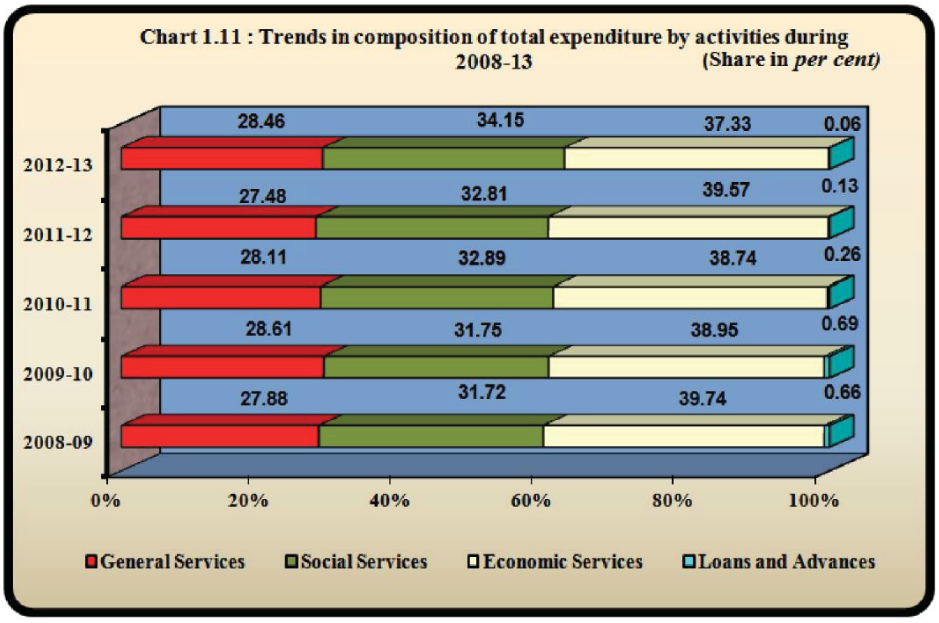
Table 1.15: Components of expenditure – relative shares

(in per cent)

	2008-09	2009-10	2010-11	2011-12	2012-13
General Services	**27.88**	**28.61**	**28.11**	**27.48**	**28.46**
of which, Interest Payments	11.69	10.90	10.79	10.55	11.43
Social Services	**31.72**	**31.75**	**32.89**	**32.81**	**34.15**
Economic Services	**39.74**	**38.95**	**38.74**	**39.57**	**37.33**
Loans and Advances	**0.66**	**0.69**	**0.26**	**0.13**	**0.06**

(Source: Finance Accounts of the State)

It may be seen from **Table 1.15** that the movement of the relative shares of the above components of expenditure indicated that shares of General Services and Social Services, increased during the year 2012-13 over the previous year. These increases were offset by decreases in Economic Services, grants-in-aid and loans and advances.



The shares of General Services in total expenditure increased mainly on account of Interest payments (₹ 96 crore), Pension and other related benefits (₹ 79 crore), and Administrative services (₹ 51crore), whereas the share of Social Services increased mainly due to Social Welfare and Nutrition (₹ 178 crore),Education, Sports, Arts and Culture (₹ 92 crore) and Health and Family Welfare (₹ 34 crore),

The decrease in the share of Economic Services during the period 2012-13 was mainly due to Irrigation and Flood control (₹ 84 crore), Transport (₹ 81 crore), and Agriculture and Allied Activities (₹ nine crore). The decrease in grants-in-aid was mainly due to decrease under the head 'Art and Culture' and 'Urban Development'.

The decrease in the share of Loans and advances was mainly due to less release of loans to Agriculture and Allied Activities and to Government servants over the previous year.

Incidence of revenue expenditure

The bulk of total expenditure goes towards revenue expenditure. Revenue expenditure is incurred to maintain the current level of services and payment for past obligations and as such, does not result in any addition to the State's infrastructure and service network. Revenue expenditure had the predominant share of around 86.50 *per cent* in the total expenditure during 2012-13. The overall revenue expenditure, its rate of growth, the ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in **Table1.16.**

Table 1.16: Revenue expenditure – basic parameters

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Expenditure (RE), *of which*	**3425**	**4227**	**4784**	**5484**	**6061**
Non-Plan Revenue Expenditure (NPRE)	2806	3469	3857	4373	4811
Plan Revenue Expenditure (PRE)	619	758	927	1110	1250
Rate of Growth of					
RE (*per cent*)	23.29	23.41	13.17	14.63	10.52
NPRE (*per cent*)	26.85	23.62	11.18	13.40	10.02
PRE (*per cent*)	9.36	22.45	22.29	19.74	12.61
Revenue Expenditure as percentage to TE	78.71	79.03	79.45	82.13	86.50
NPRE/GSDP (*per cent*)*	11.04	11.91	11.49	12.17	13.76
NPRE as percentage of TE	64.49	64.86	64.05	65.50	68.66
NPRE as percentage of RR	79.53	84.60	70.87	75.66	82.31
Buoyancy of Revenue Expenditure with					
GSDP (ratio)*	0.779	1.603	0.865	2.072	-3.909
Revenue Receipts (ratio)	1.174	1.444	0.402	2.348	9.503

(Source : Finance Accounts of the State)
** GSDP figures changed due to revision*

The revenue expenditure in 2012-13 increased by ₹ 577 crore (10.52 *per cent*) over the previous year. The buoyancy ratio of revenue expenditure with reference to both GSDP and revenue receipts fluctuated widely. The revenue expenditure was less (12.01 *per cent*) than the assessment made by the State Government in its budget estimates for the year 2012-13.

Plan Revenue Expenditure

The Plan Revenue Expenditure increased by ₹ 140 crore (12.61 *per cent*) during 2012-13, mainly due to increase in expenditure under Social Welfare and Nutrition (₹ 174 crore), Education, Sports, Arts and Culture (₹ 34 crore), Health and Family Welfare (₹ nine crore) and Agriculture and Allied Activities (₹ seven crore).

Non-Plan Revenue Expenditure

The Non-Plan Revenue Expenditure (NPRE) in 2012-13 constituted a dominant share of 79.37 *per cent* in the revenue expenditure and increased by ₹ 438 crore (10 *per cent*) over the previous year. The variations in NPRE under the major heads indicate increase in expenditure under Interest payments (₹ 96 crore), Education, Sports, Arts and Culture (₹ 78 crore), Pension and other retirement benefits (₹ 77 crore), Police (₹ 32 crore), Health and Family Welfare (₹ 25 crore), offset

by a decrease in expenditure under Water supply, Sanitation, Housing and Urban Development (₹ 15 crore).

The NPRE as percentage of revenue receipts increased from 79.53 *per cent* in 2008-09 to 84.60 *per cent* in 2009-10 but reduced to 70.87 *per cent* in 2010-11. However, it increased from 75.66 in 2011-12 to 82.31 during 2012-13 indicating that 82.31 *per cent* of the revenue receipts were used to meet the NPRE.

The NPRE as a percentage of GSDP (13.76 *per cent*) was higher than the normative assessment of XIII FC (8.33 *per cent*).

1.6.2 Committed expenditure

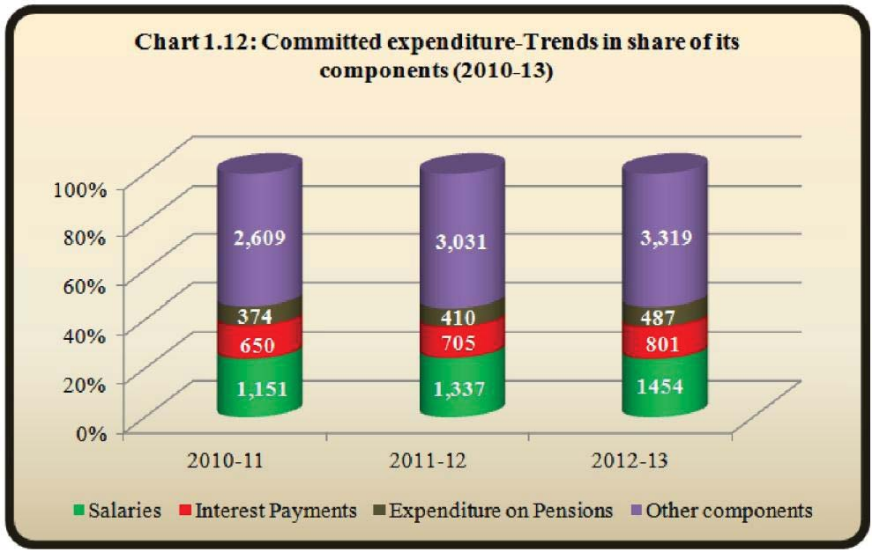
The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages and pensions. **Chart 1.12** and **Table 1.17** present the trends in the expenditure on these components during 2008-13.

Table 1.17: Components of Committed expenditure

(₹ in crore)

Components of Committed Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13 BE	2012-13 Actuals
Salaries & Wages of which						
Non-Plan Head	*670.83*	*903.88*	*967.89*	*1097.27 (18.98)*	*1338.67 (20.55)*	*1196.83 (20.47)*
*Plan Head***	*131.44*	*166.60*	*182.73*	*239.30 (4.14)*	*334.53 (5.14)*	*257.50 (4.41)*
Total	802.27 (22.74)	1070.48 (26.11)	1150.62 (21.14)	1336.57 (23.12)	1673.20 (25.69)	1454.33* (24.88)
Interest Payments	510.00 (14.46)	583.00 (14.22)	650.36 (11.95)	705.17 (12.20)	748.62 (11.49)	800.71 (13.70)
Pensions	219.71 (6.23)	349.65 (8.53)	373.81 (6.87)	410.30 (7.10)	508.12 (7.80)	487.41 (8.34)
Total Committed expenditure	**1531.98 (43.42)**	**2003.13 (48.85)**	**2174.79 (39.96)**	**2452.04 (42.41)**	**2929.94 (44.98)**	**2742.45 (46.91)**
Other Components	1893.02 (53.66)	2224.34 (52.83)	2608.99 (47.94)	3031.46 (52.44)	3889.06 (59.71)	3318.89 (56.78)
Total Revenue Expenditure	**3425.00**	**4227.47**	**4783.78**	**5483.50**	**6889**	**6061.34**
Revenue Receipts	**3528.00**	**4100.27**	**5441.94**	**5780.73**	**6513**	**5845.43**

(Source : Finance Accounts of the State)
Figures in parentheses indicate percentage to Revenue Receipts
**Salaries : ₹ 1,436.57 crore + Wages : ₹ 17.76 crore (Finance Accounts)*
*** Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes*



(Source: Finance Accounts of the State)

Salaries and Wages

The average annual growth in salaries and wages during 2008-13 was 20.32 *per cent*. The expenditure on salaries and wages (including grants-in-aid component) increased by ₹ 117.76 crore (8.81 *per cent*) from ₹ 1,336.57 crore in 2011-12 to ₹ 1,454.33 crore in 2012-13. Salaries and wages were 24.88 *per cent* of the revenue receipts.

During 2003-04 to 2011-12, the compound growth rate of salary and wages (16.99 *per cent*) was higher than the growth rate of other General Category States (14.18 *per cent*). This growth rate for the period 2003-04 to 2012-13 however decreased to 16.05 *per cent* **(Appendix 1.1)**.

Pension payments

The expenditure on pension payments increased at an average annual growth of 30.46 *per cent* from ₹ 219.71 crore in 2008-09 to ₹ 487.41 crore in 2012-13. The increase in pension payments of ₹ 77.11 crore (18.79 *per cent*) during 2012-13 over the previous year was due to higher expenditure on Superannuation and retirement allowances, gratuity, family pensions and pensions to employees of State aided educational institutions. The pension payments during 2012-13 (₹ 487.41 crore) was less than the normative assessments made in the budget estimates by ₹ 20.71 crore.

During 2003-04 to 2011-12, the compound growth rate of pension (17.48 *per cent*) was lower than the growth rate of other General Category States (18.36 *per cent*). This growth rate for the period 2003-04 to 2012-13 however increased to 17.62 *per cent* **(Appendix 1.1)**.

In order to limit future pension liabilities, the Government had introduced the Defined Contribution Pension Scheme for employees recruited after 05 August 2005. An amount of ₹ 94.39 crore towards employee's contribution and employer's share was deposited during 2012-13 under the head '8342-Other Deposits, 117-Defined Contribution Pension

Scheme for Government employees. The State Government's liability on this account as on 31 March 2013 was ₹ 298.56 crore.

The Directorate of Accounts stated (January 2014) that 18,804 employees of the State Government of Goa were registered under New Pension Scheme and an amount of ₹ 11.42 crore has been transferred to National Securities Depository Limited (Pension Fund Manager) as on 31 March 2013. The process for transfer of balance funds to the Fund Manager was stated to be under consideration.

Interest payments

The expenditure on interest payments increased at an average annual growth of 14.26 *per cent* from ₹ 510 crore in 2008-09 to ₹ 801 in 2012-13, primarily due to an increase in debt liabilities. However, relative to revenue receipts, interest payments declined from 14.46 *per cent* in 2008-09 to 11.95 *per cent* in 2010-11 and increased to 13.70 *per cent* during 2012-13.

During 2012-13, the State Government raised open market loans of ₹ 1,150 crore at an average interest rate of 8.90 *per cent*. The Government also borrowed ₹ 87.04 crore from National Small Savings fund, ₹ 133.85 crore from the National Bank for Agriculture and Rural Development and other institutions and ₹ 166.61 crore from GoI during the year.

The increase in interest payments by ₹ 95.54 crore in 2012-13 over the previous year was mainly due to more interest on market loan (₹ 46 crore), interest on special securities issued to the National Small Savings Fund of the Central Government and other debts (₹ 15 crore), interest on State Provident Fund (₹ 18 crore) and interest on deposits (₹ 16 crore).

Subsidies

Subsidies during the years 2008-09 to 2012-13 are presented in the **Table 1.18**.

Table 1.18: Subsidies

(₹in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13	2012-13
					BE	Actuals
Subsidies	55.16 (1.56)	58.12 (1.41)	72.02 (1.32)	102.59 (1.77)	129.74 (2.14)	132.34 (2.26)
Total Revenue Expenditure	3425	4227	4784	5484	6174	6061
Revenue Receipts	3528	4100	5442	5781	6053	5845

(Source : Finance Accounts of the State)
Figures in parentheses indicate percentage to Revenue Receipts

Table 1.18 indicates that expenditure under subsidies increased by 28.99 *per cent* from ₹ 102.59 crore in 2011-12 to ₹ 132.34 crore in 2012-13. During the current year, subsidies constituted 2.26 *per cent* of Revenue receipts and about 2.18 *per cent* of the total revenue expenditure. The major recipients of subsidy include Agriculture and Allied Activities (₹ 86.79 crore) and Transport (₹ 32.57 crore).

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

The quantum of assistance provided by way of grants and loans to local bodies and others during 2012-13 relative to the previous years is presented below:

Table 1.19: Financial assistance to local bodies and other institutions

(₹ in crore)

Sl No.	Institutions	2008-09	2009-10	2010-11	2011-12	2012-13
1	Educational Institutions (Aided Schools, Aided Colleges, Universities *etc.*)	318.17	411.90	530.61	516.61	607.70
2	Municipal Corporations and Municipalities	50.38	63.67	78.36	71.56	53.97
3	Zilla Parishads and Other Panchayati Raj Institutions	51.17	60.85	74.22	34.80	72.73
4	Other Institutions	28.64	53.78	52.88	212.82	61.55
	Total	**448.36**	**590.20**	**736.07**	**835.79**	**795.95**
	Assistance as per percentage of RE	13.09	13.96	15.39	15.24	13.13

(Source : Finance Accounts of the State)

It would be seen from **Table 1.19** that the financial assistance by the Government increased from ₹ 448.36 crore in 2008-09 to ₹ 795.95 crore in 2012-13. As compared to previous year, the assistance in 2012-13 decreased by 4.77 *per cent*.

Financial assistance to local bodies (₹ 72.73 crore) and other institutions (₹ 723.22 crore) constituted 13.13 *per cent* of the revenue expenditure during 2012-13.

1.6.3.1 State Finance Commission

The Second State Finance Commission (SSFC) was set up in August 2005 to recommend devolution of powers, functions, responsibilities and resources to Urban Local Bodies (ULBs). The Commission recommended (December 2007) devolution of all the 11 functions to ULBs for economic development and social justice as listed in the Goa Municipalities Act, 1968. Of the 11 functions to be devolved to the ULBs only eight functions and one activity in one function have been transferred as of September 2013. In addition to this, the function of Urban Poverty Alleviation and the activity of Solid Waste Management under Public Health and Sanitation not envisaged in the Act have also been transferred to ULBs.

Similarly, the SSFC recommended devolution of all the 28 functions and 74 activities to Village Panchayats (VPs) and 25 functions and 47 activities to Zilla Panchayats (ZPs) for economic development and social justice as listed in Schedule I and II of the Goa Panchayat Raj Act, 1994 respectively.

The Government constituted a committee of Group of Ministers (February 2013) to study/examine the recommendations of the SSFC on

activity mapping and prepare explanatory memorandum on the recommendations of the SSFC. The report of the committee is awaited (November 2013). The recommendations of the SSFC are yet to be approved though the five year period as envisaged by the Commission ended in March 2012.

The Third State Finance Commission for the period from 2012-13 to 2016-17 has not been constituted till date (January 2013).

1.6.3.2 Audit arrangements

The audit of ULBs and VPs is carried out by the CAG under section 14 of CAG's (Duties, Powers and Conditions of Service) Act, 1971. The Government of Goa has entrusted Technical Guidance and Supervision over accounts and audit of Local Bodies to the CAG in November 2006. By virtue of section 194 of the Goa Panchayat Raj Act, 1994, the CAG is the sole auditor for ZPs. The audit is conducted under section 20 (1) of the CAG's DPC Act, 1971.

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 the expenditure (*i.e.* adequate provisions for providing public services); efficiency of expenditure use and effectiveness (assessment of outlay-outcome relationships for select services).

1.7.1 Adequacy of public expenditure

The expenditure responsibilities relating to the social sector and the economic infrastructure assigned to the State Governments are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health *etc*. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if it is below the respective national average. An analysis of the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure during 2009-10 and 2012-13 has been indicated in **Table 1.20**.

Table 1.20: Fiscal priority of the State in 2009-10 and 2012-13

Fiscal priority by the State	AE/ GSDP	DE#/AE	SSE/ AE	CE/ AE	Education, sports, art and culture/ AE	Health and family welfare/AE
*General Category States Average (Ratio) 2009-10	17.06	66.05	35.73	14.96	16.19	4.24
Goa's Average (Ratio) 2009-10	18.36	70.77	31.80	20.26	14.56	5.53
General Category Average (Ratio) 2012-13	15.93	65.79	32.77	13.23	17.23	4.47
Goa Average (Ratio) 2012-13	20.04	71.49	34.15	13.44	16.12	6.05

(Source: For GSDP, information collected from Ministry of Statistics and Programme Implementation)

*General Category States exclude three states *i.e.* Delhi, Goa and Puducherry

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

Development Expenditure includes Development Revenue Expenditure, Development Capital expenditure and Loans and Advances disbursed

As shown in **Table 1.20**, the comparison of fiscal priority given to different categories of expenditure of the State in 2009-10 and 2012-13 (Third year of the XIII FC Award period) is given below.

- The ratios of AE to GSDP in 2009-10 and 2012-13 (18.36 *per cent* and 20.04 *per cent*) were higher in the State as compared to the ratio of other General Category States (17.06 *per cent* and 15.93 *per cent*). This means that General Category States were spending less as a proportion of their GSDP when compared to Goa.
- The Government has given adequate fiscal priority to Development expenditure[3]. Development expenditure as a proportion of aggregate expenditure in the State was higher than the General Category State's average in 2009-10 and 2012-13. Development expenditure consists of both economic and social service sector expenditure. The social sector expenditure as a proportion of aggregate expenditure in the State remained lower than that of the General Category States in 2009-10 but increased during 2012-13. As observed from the above table, adequate priority needs to be given to education sector as the ratio under this sector was below the General Category States average during 2009-10 and 2012-13.
- Priority to capital expenditure has been given by the State Government in 2009-10 and 2012-13, as the ratio of capital expenditure to aggregate expenditure has been higher than the average ratio of General Category States.

[3]The expenditure data is segregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances are categorised 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.

- Significant improvement was observed in the ratio of expenditure on Health and Family welfare to AE which increased from 5.53 *per cent* in 2009-10 to 6.05 *per cent* in 2012-13, indicating that priority given to these areas in Goa was higher than that in other General Category States.

1.7.2 Efficiency of expenditure use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public[4] and merit goods[5]. Apart from improving the allocation towards development expenditure, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table 1.21** and **Chart 1.13** present the trends in DE relative to the AE of the State during the current year *vis-à-vis* budget estimates of the current year and the actual expenditure during the previous years.

Table 1.21: Development Expenditure

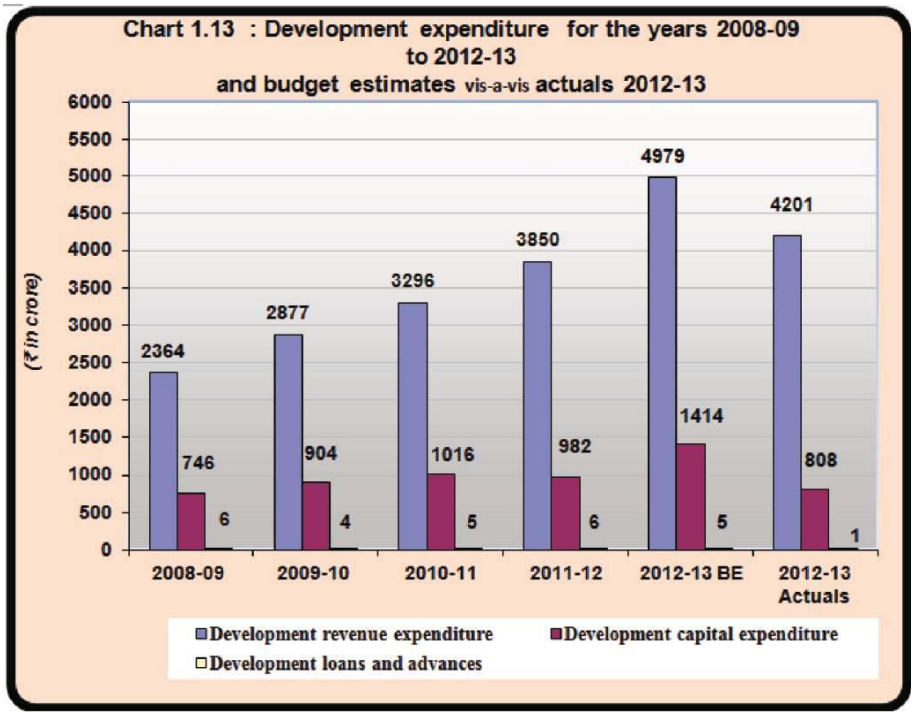
(₹ in crore)

Components of Development Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13	
					BE	Actuals
Development Expenditure (a to c)	3116 (71.60)	3785 (70.80)	4317 (71.70)	4838 (72.45)	6398 (73.95)	5010 (71.50)
a. Development Revenue Expenditure	2364 (54.30)	2877 (53.80)	3296 (54.74)	3850 (57.66)	4979 (57.55)	4201 (59.95)
b. Development Capital Expenditure	746 (17.10)	904 (16.90)	1016 (16.87)	982 (14.71)	1414 (16.34)	808 (11.53)
c. Development Loans and Advances	6 (0.20)	4 (0.10)	5 (0.080)	6 (0.08)	5 (0.05)	1 (0.01)

(Source : Finance Accounts of the State)
Figures in the parentheses indicate as percentage of total expenditure

[4]*Core public* goods are those which all citizens enjoy in common in the sense that each individual's consumption of such goods leads to no subtractions from any other individual's consumption of those goods, e.g. enforcement of law and order, security and protection of citizen's rights; pollution free air and other environmental goods and road infrastructure *etc*.

[5]*Merit goods* are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of concept of need, rather than ability and willingness to pay the Government and therefore wishes to encourage their consumption. Examples of such goods includes the provision of free or subsidised food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation *etc*.



(Source: Finance Accounts of the State)

Development revenue expenditure

The development revenue expenditure increased by ₹ 351 crore (9.11 *per cent*) from ₹ 3,850 crore in 2011-12 to ₹ 4,201 crore in 2012-13. The increase was under Social Services (₹ 254 crore) and Economic Services (₹ 97 crore). The actual development revenue expenditure in 2012-13 was less than the State's projection in the budget by ₹ 778 crore.

Development capital expenditure

The development capital expenditure decreased by ₹ 174 crore (17.71 *per cent*) from ₹ 982 crore in 2011-12 to ₹ 808 crore in 2012-13. The decrease under Economic Services was ₹ 122 crore (mainly under Transport and Irrigation and flood control) and under Social Services it was ₹ 52 crore (mainly under Water Supply, Sanitation, Housing and Urban Development and Health and Family Welfare). The actual development capital expenditure was also less than the State's projection in the budget of 2012-13 by ₹ 606 crore.

Development loans and advances

Development loans and advances decreased by ₹ five crore during the year 2012-13. The actual development loans and advances were less than the State's projections in the budget of 2012-13 by ₹ four crore.

Table 1.22 provides the details of capital expenditure and the component of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table 1.22: Efficiency of expenditure use in selected Social and Economic Services

(in per cent)

Social/Economic Infrastructure	2011-12		2012-13	
	Share of CE to TE	Share of salaries in RE	Share of CE to TE	Share of salaries in RE
Social Services (SS)				
Educations, Sports, Arts and Culture	6.77	26.56	7.27	24.53
Health and Family Welfare	5.75	70.51	2.60	71.91
Water supply, Sanitation, Housing and Urban Development	28.79	9.17	22.22	12.69
Total (SS)	**11.87**	**34.24**	**7.83**	**29.53**
Economic Services (ES)				
Agriculture & Allied Activities	11.38	36.28	7.77	39.77
Irrigation and Flood Control	71.66	36.78	56.33	39.03
Power & Energy	12.88	11.80	14.10	11.84
Transport	60.51	23.18	51.03	29.37
Total (ES)	**28.12**	**18.16**	**23.75**	**19.35**
Total (SS+ES)	**21.09**	**25.93**	**16.14**	**24.70**

(Source: Finance Accounts of the State for the year 2011-12 and 2012-13)
TE: Total expenditure in the concerned sub sector; CE: Capital Expenditure; RE: Revenue Expenditure

The trends presented in **Table 1.22** reveal that development capital expenditure as a percentage to total expenditure decreased from 21.09 in 2011-12 to 16.14 in 2012-13. The percentage of capital expenditure on Social Services to the total expenditure decreased from 11.87 in 2011-12 to 7.83 in 2012-13. The decrease was mainly seen under Water Supply, Sanitation, Housing and Urban Development and Health and Family Welfare. The percentage of capital expenditure on Economic Services to the total expenditure decreased from 28.12 in 2011-12 to 23.75 in 2012-13. The decrease was mainly seen under Transport and Agriculture and Allied Activities.

The share of salaries in revenue expenditure decreased from 25.93 *per cent* in 2011-12 to 24.70 *per cent* in 2012-13.The share of salaries in revenue expenditure on Social services decreased from 34.24 *per cent* in 2011-12 to 29.53 *per cent* in 2012-13. The decrease was mainly under Education, Sports, Art and Culture. The share of salaries in revenue expenditure on Economic Services increased from 18.16 *per cent* in 2011-12 to 19.35 *per cent* in 2012-13.The increase was mainly under Transport, Agriculture and allied activities.

1.8 Analysis of Government expenditure and investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In

addition, in a transition to complete dependence on market-based resources, the State Government needs to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* previous years.

1.8.1 Financial results of irrigation works

Irrigation works have not been declared as commercial undertakings in the State of Goa. Hence, the financial results in respect of irrigation works have not been worked out. However, the Government incurred expenditure of ₹ 56.09 crore on maintenance of irrigation projects in the State during 2012-13, which was ₹ 22.90 crore more than the maintenance expenditure during the previous year (₹ 33.19 crore). However, there was an increase in the salary component from ₹ 16.89 crore in 2011-12 to ₹ 25.77 crore in 2012-13.

1.8.2 Incomplete projects

As of 31 March 2013, there were 127 incomplete projects valuing more than ₹ one crore each, on which ₹ 1,721 crore had already been expended. Department-wise information of the incomplete projects is given in **Table 1.23.**

Table 1.23: Department-wise Profile of Incomplete Projects

(*₹in crore*)

Department	Number of incomplete projects	Initial budgeted cost	Revised total cost of projects	Cost over run	Cumulative actual expenditure as on 31.3.2013
Public Works Department	126	323.29	Not available	Not available	184.31
Water Resources Department (i) Tillari Irrigation Project	1	217.22	1612.15	1394.93	1536.75
Total	**127**	**540.61**	**1612.15**	**1394.93**	**1721.06**

(Source: Finance Accounts of the State and information received from Goa Tillari Irrigation Development Corporation)

The Tillari Irrigation project, a joint venture of the Government of Maharashtra and the Government of Goa, which commenced in 1986 remained incomplete mainly due to insufficient budgetary support and is expected to be completed in March 2014.

1.8.3 Investments and returns

As of 31 March 2013, Government had invested ₹ 445.72 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.24**). The average return on this investment was 0.27

per cent in the last five years while the Government paid average interest rate of 7.66 *per cent* on its borrowings during 2008-13.

Table 1.24: Return on investment

Investment/Return/Cost of Borrowings	2008-09	2009-10	2010-11	2011-12	2012-13
Investment at the end of the year *(₹ in crore)*	329.66	362.75	382.16	401.17	445.72
Return *(₹ in crore)*	0.89	1.15	0.19	1.48	1.73
Return *(per cent)*	0.27	0.32	0.04	0.36	0.39
Average rate[6] of interest on Govt. borrowing *(per cent)*	7.64	7.79	7.62	7.59	7.69
Difference between interest rate and return *(per cent)*	7.37	7.47	7.58	7.23	7.30

(Source : Finance Accounts of the State)

The increase in investments ₹ 44.55 crore during 2012-13 was mainly attributable to increased capital contributions to the Kadamba Transport Corporation (₹ 30 crore), Goa State Scheduled Caste and Other Backward Classes Development Corporation (₹ 1.66 crore), Goa State Scheduled Tribe Finance and Development Corporation (₹ eight crore) and Goa State Co-operative Bank and Societies (₹ 4.89 crore).

Departmental commercial undertakings

There are two Departmentally managed quasi-commercial undertakings *viz.,* the Electricity Department and the River Navigation Department in the State. **Table 1.25** depicts the Department-wise position of the investments made by the Government up to the year for which *proforma* accounts have been audited, net profits/loss as well as return on capital invested in these undertakings.

Table 1.25: Summarised financial statement of Departmentally managed quasi-commercial undertakings

(₹in crore)

Sl. No.	Name of the under-taking	Period of accounts audited	Amount invested by Govern-ment	Turn-over/ income	Net profit/ loss	Accumu-lated profit/ loss	Interest on capital	Total return	Percent-age of return on capital
1	Electricity Department	2006-07	639.87	737.95	152.27	584.46	--	152.27	23.80
2	River Navigation Department	2005-06	108.29	1.07	(-)10.53	106.68	0.41	(-)10.12	Nil

An amount of ₹ 748.16 crore had been invested by the State Government in the Electricity Department and the River Navigation Department at the end of the financial year up to which their accounts were finalised.

[6]Interest payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100

The River Navigation Department (RND) was incurring losses every year and the accumulated loss as at the end of the year 2005-06 was ₹ 106.68 crore against the total investment of ₹ 108.29 crore. The Government needs to liquidate the arrears of account of these Departmental undertakings. The Government also needs to review the working of RND so as to wipe out its losses in the short run and to make itself sustaining in the medium to long term. Though this was reported in Audit Reports since 2008-09, no Action Taken Report has been received from the State Government.

1.8.4 Loans and advances by State Government

In addition to investments in co-operative societies, corporations and companies, the Government has also been providing loans and advances to many of these institutions/organisations. **Table 1.26** presents the outstanding loans and advances as on 31 March 2013, interest receipts *vis-à-vis* interest payments during the last three years.

Table-1.26: Average interest received on loans advanced by the State Government

(₹ in crore)

Quantum of loans/interest receipts/cost of borrowings	2010-11	2011-12	2012-13
Opening Balance	114.54	115.76	109.59
Amount advanced during the year	15.92	9.42	3.98
Amount repaid during the year	14.70	15.59	14.57
Closing Balance	**115.76**	**109.59**	**99.00**
of which Outstanding balance for which terms and conditions have been settled	--	--	--
Net addition	(+)1.22	(-) 6.17	(-)10.59
Interest Receipts	1.87	1.85	7.17
Interest receipts as percentage of outstanding Loans and advances	1.62	1.64	6.87
Interest payments as percentage of outstanding fiscal liabilities of the State Government.	7.23	7.35	7.13
Difference between interest payments and interest receipts (*per cent*)	(-)5.61	(-) 5.71	(-) 0.26

(Source: Finance Accounts of the State)

As could be seen from the above table, the total outstanding loans and advances as on 31 March 2013 was ₹ 99.00 crore. The amount of loans disbursed decreased from ₹ 9.42 crore in 2011-12 to ₹ 3.98 crore in 2012-13. Out of the total amount of loans and advances paid during the year, ₹ 1.20 crore went to Economic Services. Under the Economic Services, the loans went to Agriculture and Allied Activities. Recovery of loans and advances decreased from ₹ 15.59 crore in 2011-12 to ₹ 14.57 crore during the current year, mainly on account of less recoveries from loans to Government servants (₹ 1.09 crore) and loans for economic services (₹ 0.02 crore).

However, interest received against these loans increased from 1.64 *per cent* in 2011-12 to 6.87 *per cent* in 2012-13. Interest spread of Government borrowings was negative during the period 2010-13 which

indicated that the State's borrowings were more expensive than the loans advanced by it.

1.8.5 Cash balances and investment of cash balances

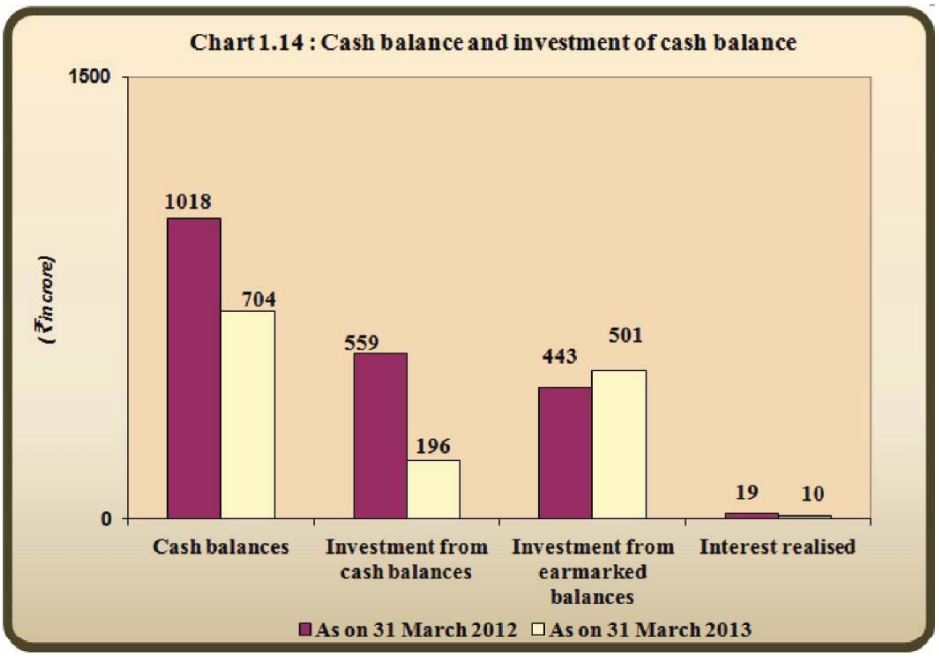
Table 1.27 and **Chart 1.14** depict the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.27: Cash balances and investment of cash balances

(₹ in crore)

Particulars	As on 31 March 2012	As on 31 March 2013	Increase (+)/ Decrease(-)
Cash in treasuries	--	--	--
Deposits with Reserve Bank of India	**14.75**	**4.52**	**(-)10.23**
Remittances in transit-Local	--	--	--
Cash with the Departmental officers	**1.48**	**1.48**	--
Permanent advance for contingent expenditure with Departmental officers	**0.17**	**0.21**	**0.04**
Investments from cash balances (a to d)	**558.63**	**196.48**	**(-)362.15**
a. GoI Treasury Bills	557.10	194.25	(-)362.85
b. GoI Securities	--	--	--
c. Other Securities, if any specify	--	--	--
d. Other Investments	1.53	2.23	0.7
Funds-wise break-up of investment from earmarked balances (a to c)	**443.38**	**501.22**	**57.84**
a. General and other Reserve Funds	156.98	176.71	19.73
b. Sinking Fund	286.40	324.51	38.11
c. Miscellaneous Deposits	--	--	--
Total Cash Balances	**1018.41**	**703.91**	**(-)314.50**
Interest Realised	*19.28*	*10.48*	*8.80*

(Source : Finance Accounts of the State)



(Source: Finance Accounts of the State)

The cost of holding surplus cash balances was high. The interest received on investment of cash balances in 'RBI Investment in Treasury Bills' was 5.33 *per cent* during 2012-13, while average interest paid by Government on its borrowings during the year was 7.69 *per cent*.

The State Government's cash balances at the close of the year 2012-13 (₹ 704 crore) decreased by 31 *per cent* over the previous year. Of the above, ₹ 196 crore were invested in GoI Treasury Bills which earned an interest of ₹ 10.48 crore during the year and ₹ 501 crore were invested in earmarked funds. Due to large surplus cash balance during 2012-13, the State Government did not avail of any ways and means advances or overdrafts from the RBI for maintenance of its minimum cash balance.

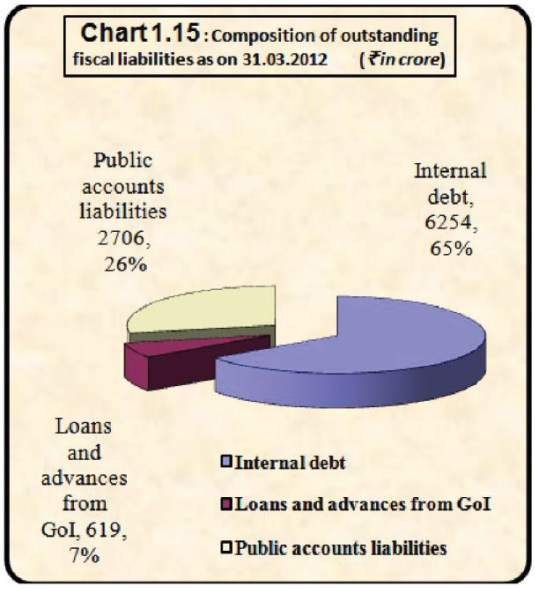
1.9 Assets and Liabilities

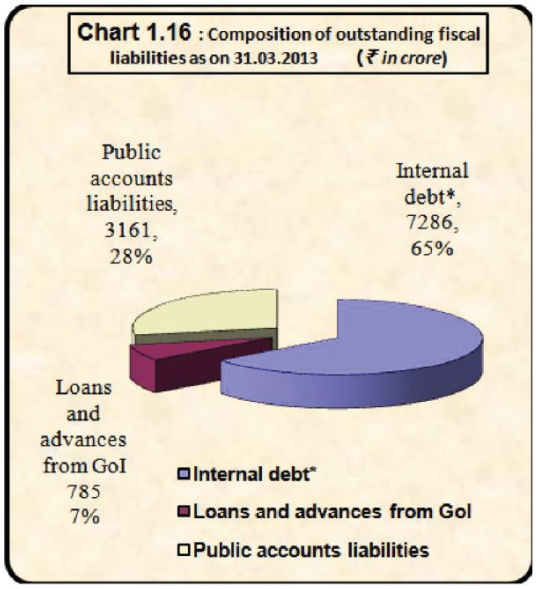
1.9.1 Growth and composition of assets and liabilities

In the existing cash-based Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.3 Part B** gives an abstract of such liabilities and the assets as on 31 March 2013, compared with the corresponding position as on 31 March 2012. While the liabilities consist mainly of internal borrowings, loans and advances from the GoI, receipts from the Public Account and Reserve Funds, the assets mainly comprise the capital outlay and loans and advances given by the State Government and cash balances.

1.9.2 Fiscal liabilities

The composition of fiscal liabilities during the year 2012-13 *vis-à-vis* the previous year is presented in **Charts 1.15** and **1.16**





(Source: Finance Accounts of the State)
*refer note below table 1.1 and paragraph 1.5.1

Table 1.28 gives the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP, to revenue receipts and to the State's own resources as also the buoyancy of fiscal liabilities with reference to these parameters.

Table 1.28: Fiscal liabilities – basic parameters

	2008-09	2009-10	2010-11	2011-12	2012-13
Fiscal Liabilities *(₹ in crore)*	7058	8075	8985	9579	11232#
Rate of Growth (*per cent*)	12.22	14.40	11.26	6.61	17.26
Ratio of Fiscal Liabilities to					
GSDP (*per cent*)*	27.77	27.72	26.77	26.65	32.12
Revenue Receipts (*per cent*)	200.05	196.95	165.10	165.69	192.16
Own Resources (*per cent*)	240.88	231.17	203.83	196.93	235.32
Buoyancy of Fiscal Liabilities with reference to :					
GSDP (ratio)	0.409	0.986	0.739	0.936	-6.412
Revenue Receipts (ratio)	0.616	0.888	0.344	1.061	15.587
Own Resources (ratio)	0.050	0.062	0.055	0.033	0.073

(Source: Finance Accounts of the State)
**GSDP figures changed due to revision*
 # refer note below table 1.1 and paragraph 1.5.1

The overall fiscal liabilities of the State increased at an average annual rate of 14.78 *per cent* during the period 2008-13. With the announcement of the economic stimulus recommended by XIII FC, fiscal deficit limit was raised to 3.5 and four *per cent* of GSDP during the years 2008-09 and 2009-10 respectively. This resulted in growth of fiscal liabilities at 12.22 *per cent* and 14.40 *per cent* in 2008-09 and 2009-10 respectively. The growth rate decreased from 11.26 *per cent* in 2010-11 to 6.61 *per cent* in

2011-12 and increased to 17.26 *per cent* in 2012-13 mainly due to open market borrowings.

Of the total fiscal liabilities during 2012-13, the share of public debt was maximum (72 *per cent)*, followed by small savings, provident fund[7] *etc.* (14 *per cent)*, deposits[8] (11 *per cent)* and reserve funds (three *per cent).* Fiscal liabilities increased by ₹ 1,653 crore from ₹ 9,579 crore in 2011-12 to ₹ 11,232 crore in 2012-13, mainly due to increase in Public Debt (₹ 1,199 crore), Small Savings and Provident Funds (₹ 150 crore), Deposits (₹ 192 crore) and Reserve Funds (₹ 111 crore).

1.9.3 Transactions 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 Account). These funds are fed by contributions or grants from the Consolidated Fund of India or State or from outside agencies. The contributions are treated as expenditure under the Consolidated Fund. These form debits to the Consolidated Fund. The expenditure relating to the fund is initially accounted under the Consolidated Fund itself for which the vote of the legislature is obtained. At the end of the year, at the time of closure of accounts, the expenditure relating to the fund is transferred to Public Account under the concept of gross budgeting through an operation of deduct entry in accounts. This forms credit to the Fund. The funds may be further classified as 'Funds carrying interest' and 'Funds not carrying interest'. During the year 2012-13 there were three reserve funds earmarked for specific purposes, are shown in the **Table 1.29**.

Table 1.29: Reserve funds

(₹ in crore)

Classification	Opening balance	Receipt	Payment	Closing balance
8121- State Disaster Response fund	16.55	2.69	0.71	18.53
8222- Sinking funds	286.39	38.12	--	324.51
8235- Guarantee Redemption fund	143.53	18.87	--	162.40
Total	**446.47**	**59.68**	**0.71**	**505.44**

(Source: Finance Accounts of the State)

The total accumulated balance in these funds was ₹ 505.44 crore and the investment out of this balance was ₹ 501.22 crore (99 *per cent*) as on 31 March 2013.

[7] Small Savings and Provident Fund include State Provident Fund and Pension Funds which are liable to be repaid by the Government to the subscribers and depositors.

[8] Deposits include Security Deposits, Deposits from Government Companies, Corporations *etc.*, Defined Contribution Pension Scheme for Government Employees and Civil Deposits, which are liable to be repaid by the Government to the subscribers and depositors.

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.

The maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years as given in the Statement 9 of the Finance Accounts (Volume II), are summarised in **Table 1.30.**

Table 1.30: Guarantees given by the Government of Goa

(₹ in crore)

Guarantees	2010-11	2011-12	2012-13
Maximum amount guaranteed	341.62	305.08	259.54
Outstanding amount of guarantees	170.02	173.19	122.67
Percentage of maximum amount guaranteed to total revenue receipt	6.27	5.27	4.44

(Source: Finance Accounts of the State)

The FRBM Act, 2006 specified that the Government should cap the total outstanding guarantees within the specified limit under the Goa State Guarantees Act, 1993. The Goa Legislature had fixed a limit of ₹ 800 crore on the outstanding guarantees in March 2005. The outstanding guarantees at ₹ 122.67 crore during 2012-13 were well within the ceiling limit specified by the Legislature. The outstanding guarantee during 2012-13 was 0.35 *per cent* of the GSDP.

The State has set up a Guarantee Redemption Fund during 2003-04 with the objective of meeting the payment of obligations arising out of the guarantees issued by the State Government on behalf of State level bodies The State Government has exempted the borrowing institutions from the payment of guarantee fees. The amount invested against this fund as on 31 March 2013 was ₹ 162.40 crore. No guarantee was invoked during 2012-13.

1.10 Debt management

1.10.1 Debt sustainability

Apart from the magnitude of debt of the State Government, it is important to analyze various indicators that determine the debt sustainability of the State.

The debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the 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 a balance between costs of additional borrowings and returns from such borrowings. It means that rise in fiscal deficit should match the increase in capacity to service the debt.

This section assesses the sustainability of debt of the State Government in terms of debt stabilisation, sufficiency of non-debt receipts, net availability of borrowed funds, burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.31** analyses the debt sustainability of the State according to these indicators for the period of three years beginning from 2010-11.

Table 1.31: Debt sustainability: indicators and trends

Indicators of debt sustainability	2010-11	2011-12	2012-13
Debt Stabilisation (₹ *in crore*)* (Quantum Spread + Primary Deficit)	700.50	(-) 175.53	(-) 1340.30
Sufficiency of non-debt receipts (Resource Gap) *(₹ in crore)*	(-) 669.00	(-) 316.00	(-) 267.00
Net Availability of Borrowed Funds *(₹ in crore)*	260.00	(-) 111.18	851.50
Burden of Interest Payments(IP/RR) (in *per cent*)	11	12	14

(Source: Finance Accounts of the State)

** figures changed due to revision in GSDP figures*

Debt stabilisation

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

Table 1.31 reveals that the sum of quantum spread and primary deficit during 2010-11was positive which indicated the tendency towards debt stabilisation. However, during 2011-12 and 2012-13 the primary deficit together with quantum spread turned negative, indicating unsustainable levels of public debt. The State can stabilise debt-GSDP ratio by containing/reducing primary deficit to meet the fiscal deficit cap (normal) of three *per cent* of GSDP as laid down under section (5) of Goa FRBM Act 2006, and Rules 2007.

Sufficiency of non-debt receipts

Another indicator of debt sustainability is the adequacy of the incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

Negative resource gap indicates the non-sustainability of debt while the positive resource gap indicates the capacity of the State to sustain the debt. The details for the last three years have been shown in the table indicated below:

Table 1.32: Sufficiency of incremental non-debt receipts

(₹in crore)

Sl. No.		2010-11	2011-12	2012-13
1	Incremental Non debt Receipts	1344	340	63
2	Incremental Interest Payments	67	55	96
3	Incremental Primary expenditure	608	601	234
Resource Gap		(-)669	(-) 316	(-)267

(Source: Finance Accounts of the State)

The above table reveals that the resource gap was negative during the period 2010-13. During the year 2012-13, negative indicator in Debt Stabilisation and the negative Resource Gap (₹ 267 crore) was a matter of concern. This was a result of insufficiency of the incremental non-debt receipt (₹ 63 crore) to meet the incremental primary expenditure (₹ 234 crore) and incremental interest payments (₹ 96 crore). This meant that the State had to depend on borrowed funds for meeting current revenue and capital expenditure indicating the continuing risk of non-sustainability of debt. The State needs to step up its resource mobilisation and prune unproductive expenditure to maintain debt stability.

Net availability of borrowed funds

Net availability of borrowed funds is defined as the ratio of debt redemption (Principal+Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption. **Table 1.31** reveals that the net availability of borrowed funds which was negative in 2011-12, turned positive during 2012-13.

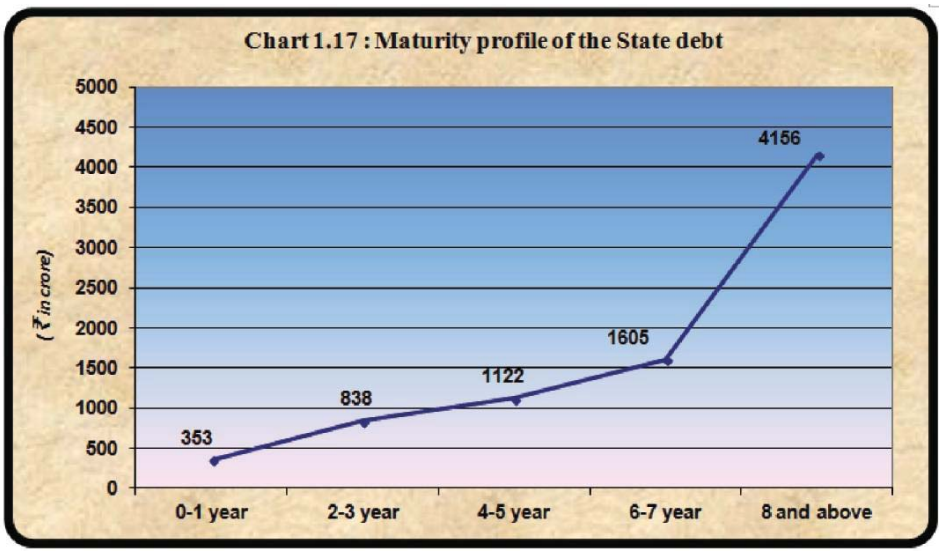
The Finance Accounts for the year 2012-13 revealed that during the year, Government raised internal debt of ₹ 1,370.89 crore, GoI loans of ₹ 166.60 crore and other obligations of ₹ 888.05 crore. It also repaid internal debt of ₹ 310.99 crore, GoI loans of ₹ 28.07 crore and discharged other obligations of ₹ 434.27 crore and paid interest of ₹ 800.71 crore resulting in net increase in debt receipts by ₹ 851.50 crore during the year.

Table 1.33: Maturity profile of State debt

(₹ in crore)

Maturity Profile (in years)	Amount	*Per cent*
0 – 1	352.60	4.37
2 – 3	838.12	10.38
4 – 5	1121.95	13.89
6 – 7	1605.17	19.88
8 and above	4007.06	49.63
Loans pertaining to Ex-Union Territory	149.49	1.85
Total	**8074.39**	**100.00**

(*Source: Finance Accounts of the State)*



(Source Finance Accounts of the State)

The maturity of the State debt as per **Table 1.33** and **Chart 1.17** indicates that nearly 28.64 *per cent* of the total State debt is repayable within the next five years while the remaining 71.36 *per cent* is payable after five years. It further indicates that the liability of the State to repay the debt would be ₹ 2,312.67 crore during the period 2016-17 and ₹ 5,761.72 crore during 2018-20 which would put a strain on the Government budget during that period and may cause the State to borrow further to repay those loans.

1.10.2 Study on Open Market Borrowings of Government

Introduction

A study on Open Market Borrowings (OMB) for the period from 2008-09 to 2012-13 of the State was conducted to draw linkage between market borrowings and capital formation, and there from study the regular revenue generation within the State for servicing of debts and repayment of principal. Records relating to OMB of the State Government as maintained in the Finance Department were reviewed during April to July 2013. The observations from the study are detailed in the following paragraphs:

There are two types of borrowings resorted to by the State Government, *viz*.,

a) Specific purpose borrowings like borrowings from National Bank for Agriculture and Rural Development (NABARD) for Rural Infrastructure Development Fund (RIDF) works and borrowings from GoI for externally aided projects, which have one to one correspondence with specific plan schemes.

b) General purpose borrowings like market borrowings and small saving loans that do not have one to one correspondence with any particular scheme but are used to finance budget in general and annual plan in particular. Open Market borrowings are controlled by the Central Government and managed by the Reserve Bank of India.

According to Article 293 (3) of the Constitution, a State may not raise any loan without the consent of the Central Government if they are indebted to the Central Government.

Table 1.34: Details of OMB for the period from 2008-09 to 2012-13

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Gross borrowing ceiling limit fixed by GoI	909	999	889	981	1359
Total outstanding OMB	1881	2399	2610	2761	3756
OMB raised	500	600	300	250	1150[9]
Repayment of OMB made during the year	96	82	89	99	155
Net OMB raised	404	518	211	151	995
Interest paid on OMB	122	158	190	212	258
Interest payment as a percentage of OMB raised	24.40	26.33	63.33	84.80	22.43
Net availability of OMB	282	360	21	-61	737
Percentage of net availability of OMB to OMB raised	56.40	60.00	7.00	-24.40	64.08

(Source: Finance Accounts of the State)

It is seen from the above that:

- The OMB increased continuously from ₹ 500 crore in 2008-09 to ₹ 1,150 crore during 2012-13.
- The repayments of OMB increased from ₹ 96 crore in 2008-09 to ₹ 155 crore in 2012-13 except for a marginal decrease during 2009-10.
- Interest paid on market loans also increased from ₹ 122 crore in 2008-09 to ₹ 258 crore in 2012-13.
- The net availability of borrowed funds to OMB raised, has decreased from 56.40 *per cent* in 2008-09 to (-) 24.40 *per cent* in 2011-12 but increased to 64.08 *per cent* in 2012-13 due to more OMBs raised during the year.

Overall position

The Ministry of Finance, GoI fixes the annual borrowing ceilings for States as per the fiscal deficit targets recommended by the Finance Commission. Debt sustainability refers to the sufficiency of liquid assets to meet current/committed obligations. Debt sustainability indicators of the State are as shown in **Table 1.35** below:

Table-1.35: Debt sustainability indicators

(₹ in crore)

Description	2008-09	2009-10	2010-11	2011-12	2012-13
Total liabilities	7058	8075	8985	9579	11232
Total public debt	5623	6078	6614	6872	8070
Total outstanding OMB	1881	2399	2610	2761	3756

[9] Includes ₹ 300 crore drawn during 2011-12.Thus, actual OMB during 2012-13 was ₹ 850 crore

Description	2008-09	2009-10	2010-11	2011-12	2012-13
GSDP	25414	29126	33562	35932	34965
Percentage of OMB to total liabilities	26.65	29.71	29.04	28.82	33.44
Percentage of OMB to total public debt	33.45	39.47	39.46	40.18	46.54
OMB raised as a percentage of Fiscal deficit	61.50	48.58	53.19	28.40	100.26
Weighted average interest rate on OMB-financial year wise	7.80	8.23	8.32	8.97	8.80
Interest paid on OMB[10]	122	158	190	212	258
Gross interest payments on total liabilities	510	583	650	705	801
Primary surplus(+) / deficit(-)	(-) 303	(-) 652	(+) 86	(-) 175	(-) 346
Revenue surplus(+)/deficit (-)	(+) 103	(-) 127	(+) 658	(+) 297	(-) 216
Fiscal deficit[11]	(-)813	(-)1235	(-)564	(-)880	(-)1147
Total public debt to GSDP (in *per cent*)	22.12	20.86	19.70	19.12	23.08

(Source: Finance Accounts of the State)

During the period 2008-09 to 2012-13 the total liabilities, total public debt and total outstanding OMB of the State increased by 59.13 *per cent*, 43.52 *per cent* and 99.68 *per cent* respectively. The total outstanding OMB at the end of year increased from ₹ 1,881 crore (2008-09) to ₹ 3,756 crore (2012-13). The percentage of OMB to total liabilities increased from 26.65 to 33.44 and the percentage of OMB to total public debt also increased from 33.45 to 46.54 during the five year period ending on 31 March 2013.

The OMB raised as a percentage of fiscal deficit increased from 28.40 *per cent* in 2011-12 to 100.26 *per cent* during 2012-13.

The State incurred fiscal deficit during the entire review period *i.e.,* 2008-13. The fiscal deficit has to be maintained within three *per cent* of the GSDP according to the Goa FRBM Act 2006, and Rules 2007. The State was not able to rein in the fiscal deficit to within three *per cent* during the years 2008-09 (3.20 *per cent*), 2009-10 (4.24 *per cent*) and 2012-13 (3.28 *per cent*).

Investment in Intermediary Treasury Bills

Surplus cash balance beyond ₹ 19.00 lakh in the Consolidated Fund of the State is automatically invested in 14-day intermediate Treasury Bills (TBs) by the Reserve Bank of India in multiples of ₹ 1.00 lakh.

The interest earned on the investments in 14-days intermediate TBs (5.00 *per cent* to 8.50 *per cent*) was lower than the interest rate of market borrowings (7.24 *per cent* to 9.23 *per cent*) during the five year period.

Audit observed that there was no proper assessment of fund requirements, in the absence of which the Government invested the borrowed funds in intermediate TBs with periods ranging from 1 month to 6 months. Thus, improper assessment of fund requirements, excessive market borrowings and investment of excess funds in intermediate Treasury Bills resulted in

[10] Major Head 2049-sub major head 01- minor head 101 of the Finance Account.
[11] The excess of total disbursements from the Consolidated Fund of the State (excluding repayment of debt) over total receipt into the Fund (excluding the debt receipts), during a financial year.

an avoidable interest burden of ₹ 1.82 crore during the period 2008-13 as detailed in **Appendix 1.5.**

Maturity Profile of Market Borrowings

The maturity profile of borrowings showed that up to 2012-13, all issues of the State Development Loans (SDL) had a maturity of 10 years. The tenure profile of market loan raised during 2008-09 to 2012-13 is given below:

Table 1.36: Amount of OMB raised during 2008-09 to 2012-13

Details	Amount of loan raised *(₹in crore)*					
	2008-09	2009-10	2010-11	2011-12	2012-13	Total
< one year	Nil	Nil	Nil	Nil	Nil	Nil
1 – 3 years	Nil	Nil	Nil	Nil	Nil	Nil
5 – 7 years	Nil	Nil	Nil	Nil	Nil	Nil
> 7 years	500.00	600.00	300.00	250.00	1150.00	2800.00
Total loan raised during the year	500.00	600.00	300.00	250.00	1150.00	2800.00
Total outstanding on 31 March	1881	2399	2610	2761	3756	-
Percentage of loan raised during the year to total outstanding	26.58	25.01	11.49	9.05	30.61	-

(Source: Finance Accounts of the State)

During the period 2008-13, the State did not prefer to take short term and medium term borrowings from the market but resorted to long term borrowings (ten year tenure) from the market. These loans were borrowed for purpose of State development.

Weighted Average Maturity of Loans

The trends in the maturity profile of the stock and flow in the recent years for the State Government dated securities are shown below:

Table 1.37: Weighted average maturity of OMBs

Year	Issued During the year	Outstanding Stock[12]
	Weighted Average Maturity (years)	
1	2	3
2008-09	9.78	6.62
2009-10	9.55	6.82
2010-11	9.07	6.42
2011-12	9.61	6.37
2012-13	9.64	6.57

(Source: Finance Accounts of the State)

The weighted average maturity (years) of loans issued was 9.78 as at the end of 2008-09 and decreased marginally to 9.64 at the end of 2012-13. The weighted average maturity (years) of outstanding stock of loans was 6.62 as at the end of 2008-09 and decreased marginally to 6.57 at the end of 2012-13.

[12] The Market Borrowings does not include matured loans of ₹ 20.15 lakh

Position of Market Borrowings

The position of the opening balances, borrowings/repayments together with closing balances, of open market loans is presented below:

Table 1.38: Trends in growth of market borrowings

(₹in crore)

Year	Opening Balance	Borrowings during the year	Repayments during the year	Closing Balance	Net Borrowings
2008-09	1477	500	96	1881	404
2009-10	1881	600	82	2399	518
2010-11	2399	300	89	2610	211
2011-12	2610	250	99	2761	151
2012-13	2761	1150	155	3756	995
Total		**2800**			

(Source: Finance Accounts of the State)

Maturity profile of loans under OMB

An analysis of the redemption profile during the period 2013-21 of market borrowings is given in the following table:

Table 1.39: Maturity Trend of market loans

Maturity Year	Maturity Amount *(₹in crore)*	As a percentage of Outstanding Market Loans
2013-14	109	2.90
2014-15	133	3.54
2015-16	165	4.39
2016-17	149	3.96
2017-18	400	10.64
2018-19	500	13.31
2019-20	600	15.97
2020-21	300	7.98

Source: Finance Accounts of the State

As can be seen from the above, on an average, about 7.83 *per cent* of outstanding loans needs to be repaid every year though the pressure on repayment increases significantly during 2017-18 to 2019-20.

Interest rate profile

The interest rate profile of open market borrowings during the period 2008-13 is detailed in the **Table 1.40.**

Table 1.40: Interest rate profile

Rate of interest (*per cent*)	Market loans raised during the year *(₹in crore)*					
	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Below 5	-	-	-	-	-	-
5 – 5.99	-	-	-	-	-	-
6 – 6.99	-	-	-	-	-	-
7 – 7.99	200	100	-	-	-	300
8 – 8.99	300	500	300	200	850	2150
9 – 9.99	-	-	-	350	-	350
10 – 10.99	-	-	-	-	-	-
Total	500	600	300	550	850	2800
Weighted average interest rate	7.80	8.23	8.32	8.97	8.80	8.48

(Source: Finance Accounts of the State)

The average interest rate on market borrowings has gradually increased from 7.80 *per cent* as of 2008-09 to 8.97 *per cent* at the end of 2011-12. The State borrowed an amount of ₹ 2,800 crore during the period 2008-13 at an average interest rate of 8.48 *per cent*.

Development Loans

The State Government raises development loans from two sources, *viz.*, under OMB and loans from financial institutions. The loans from financial institutions are project based and part of overall borrowings programme. Loans are to be raised for the purpose of formation of productive assets. The details of total developmental loans raised and application of the same to developmental capital expenditure during the period 2008-2013 is given in **Table 1.41**:

Table 1.41: Developmental expenditure incurred against total developmental loans raised

(₹in crore)

Period	Market loans	Loans from financial institutions/ bank	Total developmental loans raised 2+3	Developmental capital expenditure	Excess/short (-) raising of development loans over developmental expenditure (4-5)
1	2	3	4	5	6
2008-09	500	109	609	746	(-)137
2009-10	600	116	716	904	(-)188
2010-11	300	114	414	1016	(-)602
2011-12	250	74	324	982	(-)658
2012-13	1150	114	1264	808	456
Total	**2800**	**527**	**3327**	**4456**	**(-)1129**

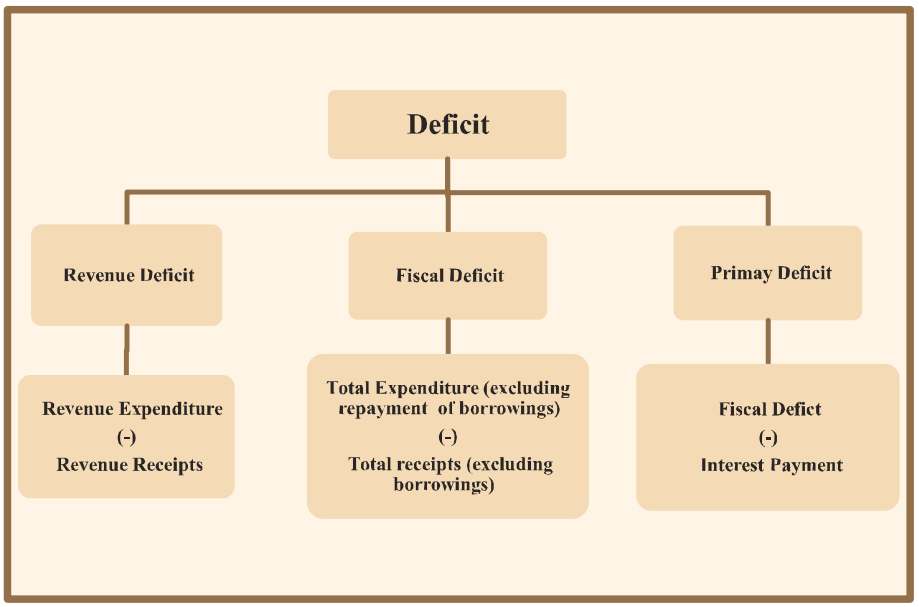
(Source: Finance Accounts of the State)

It was observed that during 2008-09 to 2012-13, 84 *per cent* of developmental loans were raised through OMB. During the years 2008-09 to 2011-12, the development capital expenditure of the State Government was ₹ 3,648 crore and the developmental loan raised was ₹ 2,063 crore (57 *per cent*) indicating that the purpose of raising the loan to finance the formation of productive assets was achieved. However, during 2012-13, though the State Government raised ₹ 1,264 crore as developmental loans but incurred development expenditure of only ₹ 808 crore.

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. **Chart 1.18** gives an indication of the various kinds of deficits that occur if the Government borrows excessively to balance the budget.

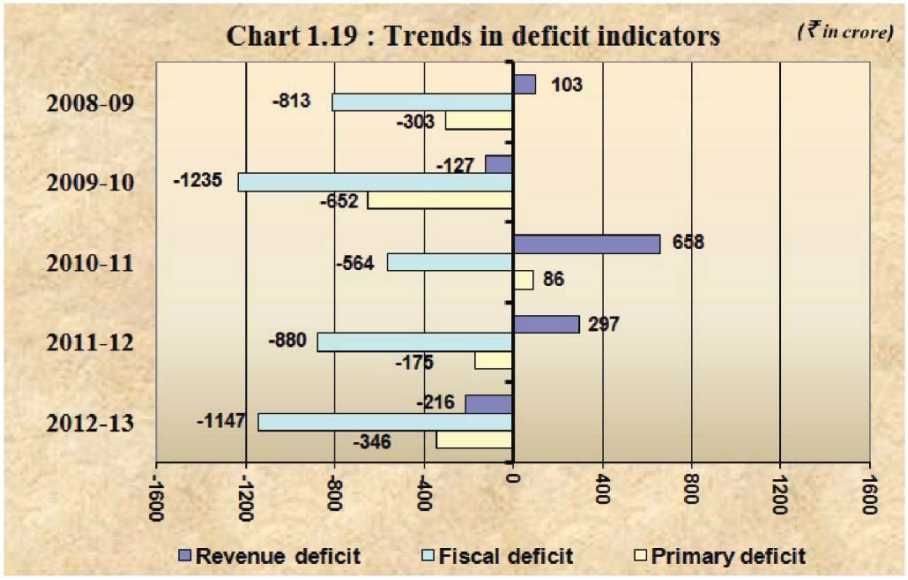
Chart 1.18: Type of deficits



The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits.

1.11.1 Trends in deficits

Charts 1.19 and 1.20 present the trends in deficit indicators over the period 2008-13.



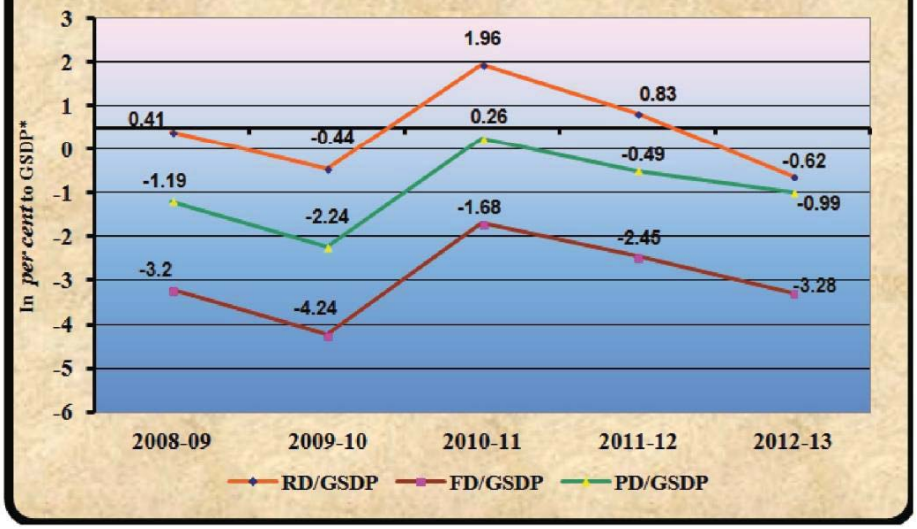
(Source: Finance Accounts of the State)

The revenue surplus of ₹ 103 crore during 2008-09 turned into revenue deficit of ₹ 127 crore during 2009-10, mainly due to sharp increase in revenue expenditure by 23 *per cent* against an increase of revenue receipts of only 16 *per cent*. The revenue surplus of ₹ 658 crore in 2010-11 had reduced to ₹ 297 crore in 2011-12 which was mainly due to a sharp decrease in growth rate of revenue receipts (6.22 *per cent)* as against the increase in revenue expenditure (14.63 *per cent*) over the previous year. During 2012-13, the revenue surplus turned into revenue deficit mainly due to sharp increase in revenue expenditure by 10.52 *per cent* against the increase of revenue receipts by only 1.11 *per cent.*

The fiscal deficit of ₹ 880 crore during 2010-11 increased to ₹ 1,147 crore in 2012-13. The revenue deficit (₹ 513 crore), decreased in capital expenditure (₹ 242 crore) and decrease in non-debt capital receipts (₹ four crore) increased the fiscal deficit by ₹ 267 crore over the previous year.

The primary deficit increased from ₹ 303 crore to ₹ 652 crore during the period 2008-10 but resulted in a primary surplus during 2010-11. The primary surplus of ₹ 86 crore in 2010-11 turned to a primary deficit of ₹ 175 crore in 2011-12 and further increased to ₹ 346 in 2012-13, due to increase in fiscal deficit (₹ 267 crore) and increase in interest payments(₹ 96 crore) during the year.

Chart 1.20 : Trends in deficit indicators relative to GSDP



** figures changed due to revision in GSDP figures.*

1.11.2 Decomposition and financing pattern of fiscal deficit

Fiscal deficit normally represents the net incremental liabilities of the Government or its additional borrowings. The shortfall could be met either by additional public debt (internal or external) or by the use of surplus funds from Public Account. The financing patterns of the fiscal deficit during the period 2008-09 to 2012-13 are reflected in the **Table 1.42.**

Table 1.42: Components of fiscal deficit and its financing pattern

(₹ in crore)

	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
	Decomposition of Fiscal Deficit (a)	**813**	**1235**	**564**	**880**	**1147**
1	Revenue Deficit/Surplus	(+) 103	(-) 127	(+)658	(+) 297	(-) 216
2	Net Capital Expenditure	897	1084	1221	1184	942
3	Net Loans and Advances	19	24	01	(-) 7	(-) 11
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	404	517	211	151	995
2	Loans from GoI	5	(-) 160	1	62	139
3	Loans from Financial Institutions	87	97	325	45	65
4	Ways and Means	-	-	-	-	-
5	Small Savings, PF *etc.*	166	252	155	171	150
6	Deposits and Advances	106	137	170	157	192
7	Suspense and Miscellaneous	(-) 37	91	-	101	(-) 699
8	Remittances	-	71	5	(-) 4	(-) 178
9	Reserve Fund	148	155	128	67	169
10	Contingency Fund	-	(-) 3	3	-	-
11	**Total (1 to 10) (b)**	**879**	**1157**	**998**	**750**	**833**
12	Increase(+)/Decrease(-) in cash balance**(a) - (b)**	(-) 66	(+) 78	(-)434	(+) 130	(+) 314
13	**Overall Deficit**	**813**	**1235**	**564**	**880**	**1147**

(Source: Finance Accounts of the State)

The fiscal deficit of ₹ 880 crore during 2011-12 increased to ₹ 1,147 in 2012-13. This was mainly due to increase in revenue deficit by ₹ 513 crore, decrease in non-debt capital receipts (₹ four crore) and decrease in capital expenditure (₹ 242 crore).

The fiscal deficit increased by ₹ 267 crore during 2012-13 mainly on account of borrowings. The fiscal deficit (₹ 1,147 crore) in 2012-13 increased as compared to the previous year and constituted 3.28 *per cent* of GSDP, which has exceeded the three *per cent* limit projected by the XIII FC.

During the year 2011-12, the fiscal deficit was mainly financed from small savings, market borrowings and deposits whereas during 2012-13, the fiscal deficit was mainly met by market borrowings, deposits and advances and Loans from GoI and from financial institutions. As could be seen from **Table 1.43** during the period 2012-13, there was an overall increase in cash balance after financing the fiscal deficit.

Table 1.43: Receipts and disbursements under components financing the fiscal deficit during 2012-13

(₹ in crore)

	Particulars	Receipts	Disbursements	Net
1	Market Borrowings	1150	155	995[$]
2	Loans from GoI	167	28	139
3	Loans from Financial Institutions	220	155	65
4	Small Savings, PF *etc.*	332	182	150
5	Deposits and Advances	348	156	192
6	Suspense and Miscellaneous	3238	3937	-699
7	Remittances	3165	3343	-178
8	Reserve Funds	206	37	169

9	Contingency Fund	-	-	-
10	Appropriation to/ from Contingency Fund	-	-	-
11	**Total (1 to 10) (b)**	**8826**	**7993**	**833**
12	Increase(+)/Decrease (-) in Cash Balance (a)–(b)			(+)314
13	**Overall deficit (11+12) (a)**			**1147**

(Source : Finance Accounts of the State)

$ refer note below table 1.1 and paragraph 1.5.1

1.11.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, the persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit shown in **Table 1.44** indicates the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.44: Primary deficit/surplus – bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expen-diture	Loans and Advances	Primary Expend-iture (3+4+5)	Primary revenue deficit(-)/ surplus(+) (2-3)	Primary deficit (-)/ surplus (+) (2-6)
1	2	3	4	5	6	7	8
2008-09	3538	2915	897	29	3841	623	(-) 303
2009-10	4113	3644	1084	37	4765	469	(-) 652
2010-11	5457	4134	1221	16	5371	1323	(+) 86
2011-12	5797	4779	1184	9	5972	1018	(-) 175
2012-13	5860	5260	942	4	6206	600	(-) 346

(Source: Finance Accounts of the State)

As could be seen from the table above, the primary deficit of ₹ 175 crore in 2011-12 increased to ₹ 346 crore during 2012-13. During the period 2008-13, non-debt receipts of the State were enough to meet the primary revenue expenditure requirements in the revenue account. However, except for the year 2010-11, non-debt receipts were not enough to meet the primary expenditure resulting in primary deficit. The capital expenditure as a percentage to primary expenditure[13] decreased from 23.35 *per cent* during 2008-09 to 15.17 *per cent* during 2012-13.

[13] Primary expenditure of the State defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year

1.12 Conclusion

Pattern of receipt and expenditure

Revenue receipts increased by 1.11 *per cent* over the previous year, mainly due to increase in Tax revenue (15.24 *per cent*), share of Union Taxes and duties (14.09 *per cent*) and 25.42 *per cent* in grants from the GoI; offset by a decrease of non-Tax revenue by 20.75 *per cent.*(**Paragraph 1.3**).

The revenue expenditure increased by 10.52 *per cent* over the previous year and constituted 86.50 *per cent* of the total expenditure during 2012-13. Non-Plan Revenue Expenditure (NPRE) during the year constituted 79.37 *per cent* of the revenue expenditure. The NPRE as a percentage of GSDP (13.76 *per cent*) was higher than the normative assessment of XIII FC (8.33 *per cent*). The Plan revenue expenditure and NPRE in 2012-13 increased by 12.61 *per cent* and 10.02 *per cent* respectively over the previous year (**Paragraph 1.6.1**).

Expenditure under subsidies in 2012-13 increased by 28.99 *per cent* over the previous year and constituted 2.18 *per cent* of revenue expenditure (**Paragraph 1.6.2**).

Capital expenditure, which constituted 13.44 *per cent* of the total expenditure, decreased during 2012-13 by 20.43 *per cent* (₹ 242 crore) over the previous year (**Para 1.6.1**).

The expenditure of ₹ 1,454.33 crore on salaries and wages (including the grants-in-aid component) contributed to 24.88 *per cent* of the total revenue receipts. The Pension payments during 2012-13 (₹ 487.41) was less than the normative assessments made in the budget estimates by ₹ 20.71 crore (**Paragraph 1.6.2**).

Financial assistance to local bodies and other institutions (₹ 795.95 crore) constituted 13.13 *per cent* of the revenue expenditure during 2012-13 (**Paragraph 1.6.3**).

Deficits

The revenue surplus (₹ 297 crore) in 2011-12 turned into revenue deficit (₹ 216 crore) during 2012-13 mainly due to sharp increase in revenue expenditure by 10.52 *per cent* against the increase of revenue receipts by only 1.11 *per cent*. The fiscal deficit (₹ 1,147 crore) increased by ₹ 267 crore as compared to previous year and constituted 3.28 *per cent* of GSDP, which has exceeded the normative assessment of three *per cent* projected by the XIII FC. The primary deficit also decreased significantly during 2012-13. **(Paragraph 1.11.1, 1.11.2 and 1.11.3)**.

Debt management

The sum of quantum spread and primary deficit during 2012-13 was negative indicating unsustainable levels of public debt. The State can stabilise debt-GSDP ratio by containing/reducing primary deficit to meet

the fiscal deficit cap (normal) of three *per cent* of GSDP as laid down under Goa FRBM Act, 2006 and Rules 2007 (**Paragraph 1.10**).

Market loans

Improper assessment of fund requirements, excessive market borrowings and investment of excess funds in intermediate Treasury Bills resulted in an avoidable interest burden of ₹ 1.82 crore during the period 2008-13 **(Paragraph 1.10.2)**.

Review of Government investments

The average return on the State Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives varied between 0.04 *per cent* and 0.39 *per cent* in the past five years while the Government paid an average interest of 7.59 *per cent* to 7.79 *per cent* on its borrowings **(Paragraph 1.8.3)**.

Prudent cash management

Cash balances of the State at the close of the year 2012-13 (₹ 704 crore) decreased by 31 *per cent* over 2011-12. The cost of holding surplus cash balances was high. In 2012-13, the interest received on investment of cash balances in 'RBI Investment in Treasury Bills' was only 5.33 *per cent* while the Government borrowed at an average rate of 7.69 *per cent* **(Paragraph 1.8.5)**.

Oversight of funds transferred directly from the GoI to the State implementing agencies

GoI directly transferred ₹ 282.49 crore to the State implementing agencies during 2012-13. As such, these funds were not reflected in the State budget, thus, ran the risk of improper utilisation by the implementing agencies **(Paragraph 1.2.2)**.

1.13 Recommendations

- Fiscal stability and sustainability while ensuring efficient provision of public services in 2011-12 and 2012-13 could not be assessed as the Government had not prepared the MTFP for the period 2011-12 to 2013-14. The Government may take immediate steps to prepare the MTFP for the year 2014-15 to 2016-17 in keeping with the FRBM Rules 2007.

- The Government should make efforts for release of subsequent installment from the XIII Finance Commission after fulfillment of specified conditions stipulated by the XIII FC.

- The Government needs to step up the recovery of the huge arrears of revenue.

- The Government should take steps to ensure better value for money in investments. Otherwise, high-cost borrowed funds will continue to be invested in projects with low financial returns. Projects which are

justified on account of low financial but high socio-economic returns may be identified and prioritised with full justification for channeling high-cost borrowings there.

- The Government should ensure proper accounting of the funds transferred directly to State implementing agencies and the updated information should be validated by the Directorate of Accounts, Government of Goa for proper monitoring of the expenditure incurred by the implementing agencies.

- A well thought out debt repayment strategy for borrowed funds will have to be worked out by the Government to ensure that its debt sustainability improves in the coming years.