

Chapter I

FINANCES OF THE STATE GOVERNMENT

Profile of Goa

Goa was liberated from the Portuguese rule and 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.

The State has shown higher economic growth in the past decade as the Compound Annual Growth Rate of its Gross State Domestic Product (GSDP) for the period 2002-03 to 2011-12, has been 16.64 *per cent* against 13.09 *per cent* of the General Category States. During this period, the population growth rate of the State (8.17 *per cent*) was lower than that of the General Category States (13.90 *per cent*) and higher *per capita* income in the State was on account of higher GSDP growth rate.

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

1.1 Introduction

This chapter is based on the audit of Finance Accounts and makes an assessment of the Goa Government's fiscal position as on 31 March 2012. It provides a broad perspective of the finances of the Government of Goa during 2011-12 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**.

1.2 Summary of current year's fiscal transactions

A summary of the State Government's fiscal transactions during 2011-12 *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 2011-12.

Table 1.1 Summary of current year's fiscal operations(*₹ in crore*)

2010-11	Receipts	2011-12	2010-11	Disbursements	2011-12		
Section-A: Revenue					Non-Plan	Plan	Total
5441.94	Revenue receipts	5780.73	4783.78	Revenue expenditure	4373.29	1110.21	5483.50
2139.57	Tax revenue	2551.02	1487.04	General services	1617.89	14.69	1632.58
2268.60	Non-tax revenue	2313.54	1110.82	Social services	750.42	499.46	1249.88
584.21	Share of Union taxes/duties	680.59	1414.19	Economic services	1501.11	270.42	1771.53
449.56	Grants from Government of India	235.58	771.73	Grant-in-aid and Contributions	503.87	325.64	829.51
Section –B: Capital and others							
--	Misc Capital receipts	--	1221.20	Capital Outlay	1.56	1182.21	1183.77
14.70	Recoveries of Loans and Advances	15.59	15.92	Loans and Advances disbursed	3.91	5.51	9.42
744.80	Public Debt receipts*	536.51	207.99	Repayment of Public Debt	278.29	--	278.29
2.99	Contingency Fund	--	--	Contingency Fund	--	--	--
6993.45	Public Account receipts*	7550.47	6535.32	Public Account disbursements	--	--	7057.22
713.64	Opening Cash Balance	1147.31	1147.31	Closing Cash Balance	--	--	1018.41
13911.52	Total	15030.61	13911.52	Total			15030.61

(Source: Finance Accounts of the State)

* During 2011-12, the Government of Goa raised market loans of ₹ 550 crore, out of which only ₹ 250 crore was reflected in Finance Accounts under 6003-Public debt, 101- market loans. The balance amount of ₹ 300 crore was lying in 8658-Suspense Accounts, 110- Reserve Bank Suspense (under Public Account receipts). The amount has been transferred to the proper head by making a transfer entry in 2012-13 (September 2012). Public debt receipts was thus, understated by ₹ 300 crore and Public account receipts overstated by ₹ 300 crore. The said amount has been reckoned for calculation of other variables such as, liabilities, Debt-GSDP ratio, net availability of borrowed funds etc.

The following are the major changes in fiscal transactions during 2011-12 over the previous year:

- Revenue receipts grew by ₹ 339 crore (6.22 per cent) over the previous year, mainly due to increase in tax revenue by ₹ 411 crore (19.20 per cent), non-tax revenue by 45 crore (1.98 per cent), share of Union taxes and duties by ₹ 97 crore (16.60 per cent), set off by a decrease of ₹ 214 crore (47.55 per cent) in grants from the Government of India (GoI).
- Revenue expenditure increased by ₹ 700 crore (14.63 per cent) over the previous year mainly due to increase in expenditure on Energy (₹ 281 crore), Education, Sports, Art and Culture (₹ 81 crore), Agriculture and allied activities (₹ 59 crore), Interest payments (₹ 55 crore) and Health and Family Welfare (₹ 48 crore).
- Public Debt receipt decreased by 27.91 per cent (₹ 208 crore) and repayment of Public Debt increased by 33.65 per cent (₹ 70 crore) over the previous year.

- Public Account receipts and disbursements increased by 7.96 *per cent* (₹ 557 crore) and 7.98 *per cent* (₹ 522 crore) respectively over the previous year.
- Cash balances of the Government at the end of the year 2011-12 (₹ 1,018.41 crore) decreased by ₹ 129 crore (11.24 *per cent*) over the previous year. Of the above, ₹ 559 crore was invested in GoI Treasury bills.

1.3 Fiscal reforms path in Goa

The Government of Goa 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 30.8 *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.

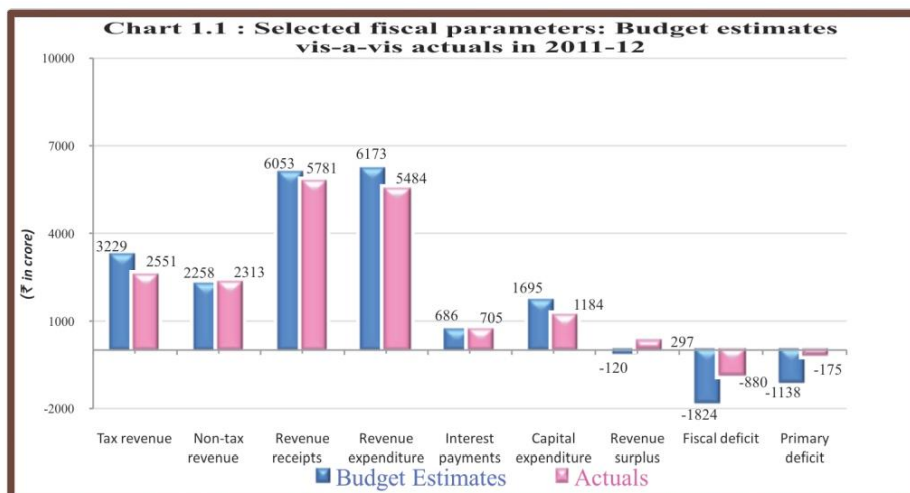
However, the rolling targets for the years 2011-12 to 2013-14 in respect of fiscal indicators specified in the FRBM rules, 2007 has not been prepared by the Finance Department (Debt Management), Government of Goa (March 2013).

1.4 Budget 2011-12

1.4.1 Actuals vis-à-vis budget estimates

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 2011-12.



(Source: Annual Financial Statement and Finance Accounts)

The State's revenue receipts and revenue expenditure during 2011-12 were estimated at ₹ 6,053 crore and ₹ 6,173 crore respectively. The State's revenue receipts were, however, less than the budget estimate by ₹ 272 crore (four *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 estimate by ₹ 678 crore (21 *per cent*), while the share of non-tax revenue exceeded the budget estimate by ₹ 55 crore (two *per cent*). Revenue expenditure and capital expenditure were also less than the budget estimates by ₹ 689 crore (11 *per cent*) and ₹ 511 crore (30 *per cent*) respectively. Interest payments were more than the budget estimates by ₹ 19 crore (three *per cent*). As against a projection for revenue deficit (₹ 120 crore) made in the budget estimates, a revenue surplus of (₹ 297 crore) was attained during 2011-12.

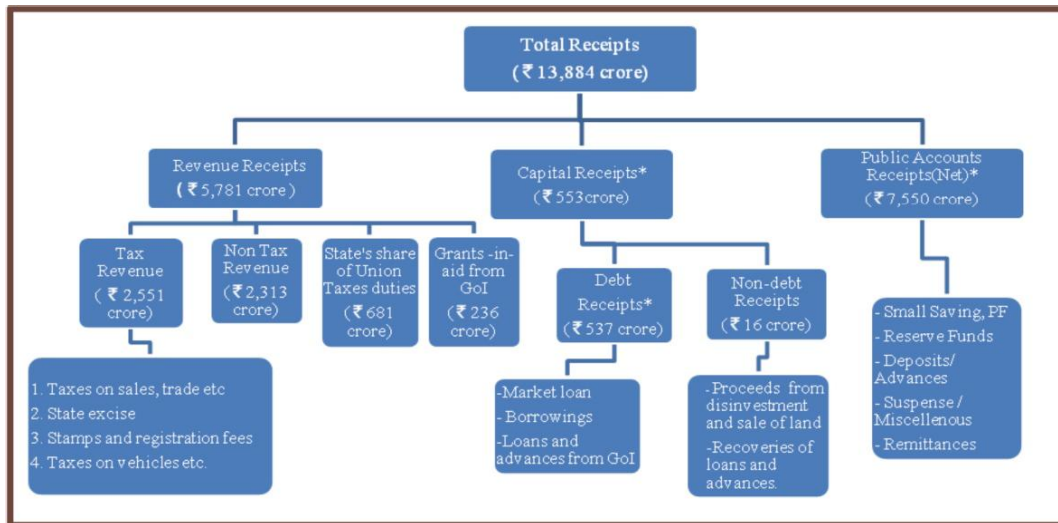
While the fiscal deficit had been contained, it was less than the budgeted level by ₹ 944 crore. The primary deficit of ₹ 175 crore was also less than the budget estimates by ₹ 963 crore.

1.5 Resources of the State

1.5.1 Resources of the State as per Finance Accounts

The progress of the Government's programmes depends on its resources and the quantum of resources in any particular financial year determines the expenditure threshold of the Government.

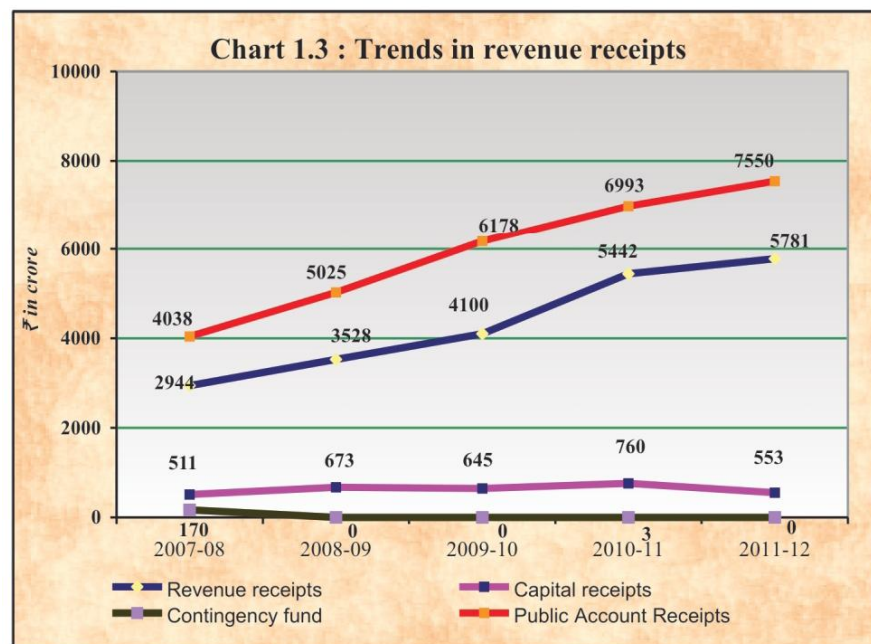
The components of the State's receipts have been categorised in **Chart 1.2**

Chart 1.2: Components and sub-components of resources

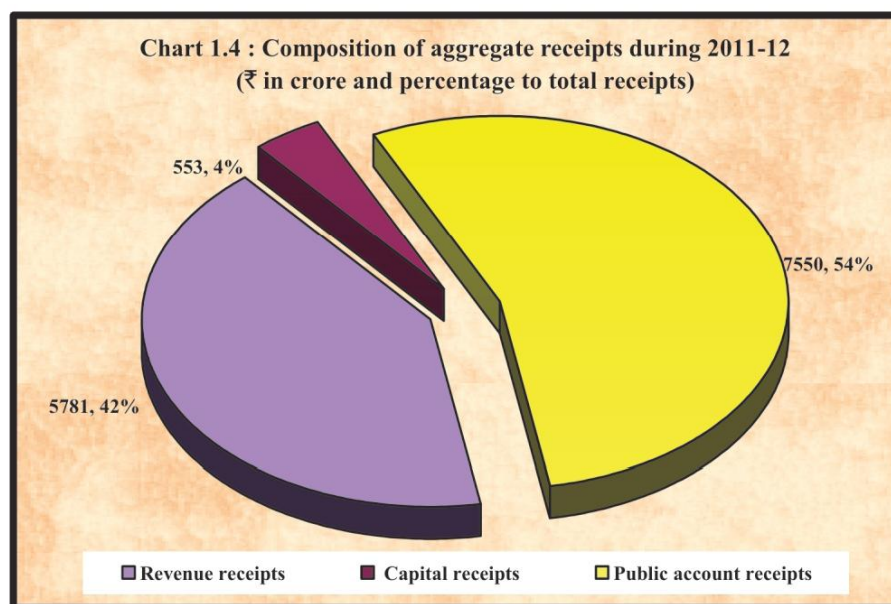
* refer note below Table 1.1

(Source: Finance Accounts of the State)

Chart 1.3 depicts the trends in various components of receipts during 2007-12, while **Chart 1.4** depicts the composition of resources of the State during the year 2011-12.



(Source: State Finance Accounts of the respective years)



(Source: Finance Accounts of the State)

Revenue receipts formed 42 *per cent* of the total receipts during 2011-12 (details provided in **paragraph 1.6**). While, the capital receipts and public account receipts constituted four *per cent* and 54 *per cent* of the total receipts respectively.

Market borrowing is one of the measures taken by the State Government to fulfill its development goals. The State Government raises market loans (internal debt) through Reserve Bank of India (RBI). On receipt of advice from RBI, Central Accounts Section-Nagpur, the Director of Accounts, Government of Goa clears the amount kept in Suspense head “8658-Suspense Accounts: 110 RBI Suspense-Central Accounts Section” by means of a minus credit by per contra credit to the head “6003 - Internal debt of the State: 101- Market loans”.

During 2011-12, the Government of Goa raised a market loan of ₹ 550 crore¹ as State Development Loan. These loans were to be booked in the Finance Accounts under Major head 6003-Public debt. It was observed in audit that out of ₹ 550 crore, only 250 crore was shown as receipts under Public debt, while the balance of ₹ 300 crore remained in 8658-Suspense Account, 110-Reserve Bank Suspense. It was further observed that the RBI, in its quarterly statement of outstanding debt balances of the Government of Goa as on March 2012, reflected a closing balance of Market loans bearing interest as ₹ 3,061.19 crore. However, the Finance Accounts of the Government of Goa reflected an amount of ₹ 2,761.19 crore. Incidentally, the Director of Accounts confirmed (September 2012) to the RBI, the closing balance as being ₹ 3,061.19 crore, leading to a differential of ₹ 300 crore that remained unreconciled till March 2012. This also resulted in understatement of Public debt (as Capital receipts) to that extent. Further, keeping of Public debt amount in the 8658-Suspense

¹ September 2011 (₹ 200 crore at 8.65 *per cent*), November 2011 (₹ 130 crore at 9.20 *per cent*), November 2011 (₹ 70 crore at 9.19 *per cent*), December 2011 (₹ 100 crore at 9.02 *per cent*) and March 2012 (₹ 50 crore at 9.23 *per cent*)

account at the end of the year resulted in understatement of the States' fiscal liabilities, as discussed under **paragraph 1.10.2**.

1.5.2 Funds transferred to State implementing agencies outside the State budget

The (GoI) has been transferring funds directly to State implementing agencies² for the 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 2011-12 the GoI directly transferred ₹ 422.23 crore to State implementing agencies. Major recipients of these funds were Goa Government (₹ 341.15 crore), State Health Society (₹ 12.43 crore), Sarva Shiksha Abhiyan Society, (₹ 10.79 crore) and State Water and Sanitation Mission (SWSM), (₹ 5.00 crore). Out of ₹ 341.15 crore transferred to the Goa Government, ₹ 263.30 crore was for the Finance Department, ₹ 28 crore for the Agriculture Department and ₹ 17.68 crore for the Directorate of Social Welfare for implementation of various schemes.

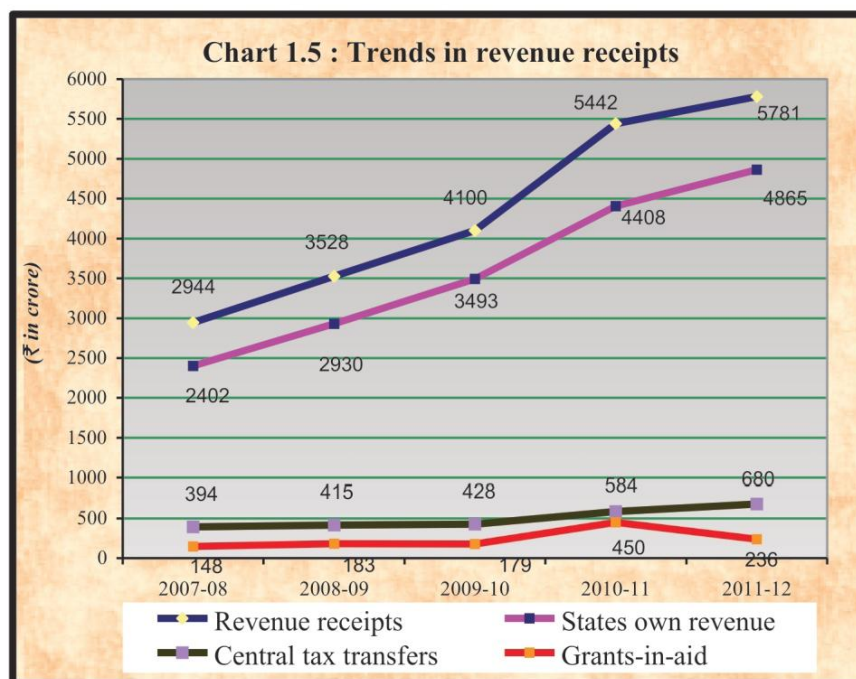
Since the funds are generally not being spent fully by the implementing agencies in the same financial year in which they are given, unspent balances remain in the bank accounts of these implementing agencies. The aggregate amount of unspent balances in the accounts of the implementing agencies, kept outside Government accounts (in bank accounts) was not readily ascertainable.

Further, direct transfers from the Union to State implementing agencies without routing them through the State budget run the risk of improper utilisation of funds by these agencies. Unless uniform accounting practices are diligently followed by all these agencies, with proper documentation and timely reporting of expenditure, it would be difficult to monitor the end use of these direct transfers.

1.6 Revenue receipts

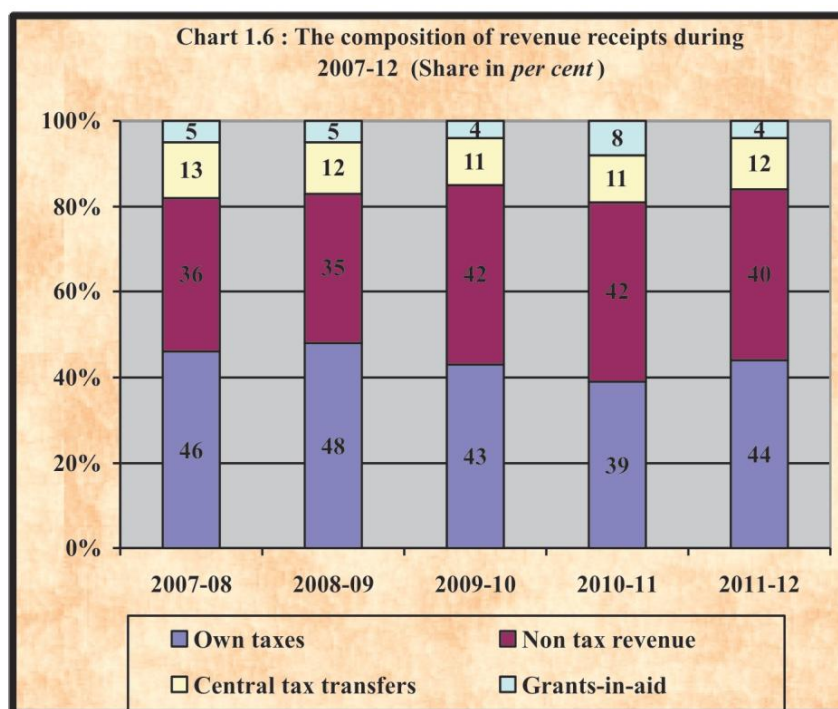
Statement 11 of the Finance Accounts details the revenue receipts of the Government. These consist of the State's own tax and non-tax revenues, Central tax transfers and grants-in-aid from GoI. The trends of revenue receipts over the period 2007-12 are presented in **Chart 1.5** and also in **Appendix 1.4**.

² State implementing agencies include any organisations/institutions including non-Governmental organisations which are authorized by the State Government to receive funds from the Government of India for implementing specific programmes in the State, e.g. Goa Sarva Siksha Abhiyan Society, State Health Society for NRHM etc.



(Source: State Finance Accounts of the respective years)

The composition of revenue receipts over the period 2007-12 are presented in **Chart 1.6**.



(Source: State Finance Accounts of the respective years)

The revenue receipts have shown a progressive increase from ₹ 2,944 crore in 2007-08 to ₹ 5,781 crore in 2011-12. On an average, 83 per cent of the revenue came from State's own resources during the period

2007-12. 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 48 *per cent* during 2007-12. Non-tax revenue as a *per cent* of revenue receipts had decreased from 36 *per cent* in 2007-08 to 35 *per cent* in 2008-09. The percentage increased to 42 in 2009-11. It further decreased to 40 *per cent* in 2011-12.

During 2002-03 to 2010-11, the State's compound growth rate of revenue receipts (14.57 *per cent*) was less than that of other General Category States (16.86 *per cent*). This growth rate for the period 2002-03 to 2011-12 further decreased to 13.61 *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

	2007-08	2008-09	2009-10	2010-11	2011-12
Revenue Receipts (RR) (₹ in crore)	2944	3528	4100	5442	5781
States' own taxes (₹ in crore)	1359	1694	1762	2139	2551
Rate of growth of RR (<i>per cent</i>)	12.80	19.85	16.21	32.73	6.22
Rate of growth of own taxes (<i>per cent</i>)	5.18	24.65	4.01	21.39	19.26
RR/GSDP (<i>per cent</i>)	15.21	15.77	14.07	16.71	13.00
Buoyancy ratio's³					
Revenue Buoyancy w.r.t. GSDP	0.73	1.27	0.53	2.77	0.17
State's own taxes buoyancy w.r.t. GSDP	0.29	1.58	0.13	1.81	0.52
Gross State Domestic Product (GSDP)⁴	19346	22358	29126	32563	44460
Growth rate of GSDP	17.48	15.56	30.27	11.80	36.53

(Source: Finance Accounts for the years 2007-08 to 2011-12)

^y Corrected GSDP figures as intimated by Government of Goa for 2009-10 and 2010-11 adopted

The increase in revenue receipts during 2011-12 (6.22 *per cent*) as compared to previous year was due to the net effect of increase in tax revenue by 19.20 *per cent* (₹ 411 crore), non-tax revenue by 1.98 *per cent* (₹ 45 crore), the States' share of Union taxes and duties by 16.60 *per cent* (₹ 97 crore), set off by a decrease in Grants from GoI by 47.55 *per cent* (₹ 214 crore).

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 2007-09, the higher growth rate of revenue receipts relative to GSDP increased the revenue buoyancy ratio. Revenue buoyancy ratio, which was lowest at 0.53 in 2009-10, increased to 2.77 in 2010-11 due to high increase in the growth rate of revenue receipts. During 2011-12, the revenue buoyancy

³ 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 0.3 implies that revenue receipts tend to increase by 0.3 percentage points, if the GSDP increases by one *per cent*

ratio decreased sharply to 0.17. This was on account of decrease in growth rate of revenue receipts and increase in growth rate of GSDP from that of previous year.

The ratio of State's own tax buoyancy with reference to GSDP gradually increased from 0.29 in 2007-08 to 1.58 in 2008-09. The buoyancy of own tax ratio with respect to GSDP was lowest in 2009-10. However, it increased to 1.81 in 2010-11 but again decreased to 0.52 in 2011-12 mainly because the growth rate of tax revenue (19.26 *per cent*) was lower than the growth rate of GSDP (36.53 *per cent*).

Grants-in-aid from Government of India

The grants-in-aid from GoI decreased by 47.59 *per cent* from ₹ 449.56 crore in 2010-11 to ₹ 235.58 crore in 2011-12. The decrease was mainly under State Plan Schemes (58 *per cent*), Central Plan Schemes (31 *per cent*), Non-Plan grants (26 *per cent*) and Centrally Sponsored Plan Schemes (2 *per cent*) as shown in (Table 1.3).

Table 1.3: Grants-in-aid from Government of India

	2007-08	2008-09	2009-10	2010-11	2011-12
Grants for State Plan schemes	82.70	120.03	88.18	352.85	148.38
Non-Plan grants	22.15	18.02	26.60	13.66	10.05
Grants for Central Schemes	11.07	10.82	29.41	14.00	9.62
Grants for Central and Centrally Sponsored Schemes	32.53	34.25	35.12	69.05	67.53
Total	148.45	183.12	179.31	449.56	235.58
Percentage of increase/decrease over previous year	67.76	23.35	2.08	150.71	47.59

(Source: Finance Accounts of the State)

The decrease under grants from State Plan Schemes (₹ 204 crore) was due to decrease under (a) Block grants for State Plan Schemes (₹ 192 crore), (b) TFC grants for heritage (₹ 6 crore) and (c) Development of Western Ghats (₹ 0.95 crore). The decrease under Non-Plan Grants (₹ 3.61 crore) was reduced mainly due to decrease under modernisation of the State Police Force (₹ 2 crore).

The decreases under Centrally Sponsored Plan Schemes (₹ 1.52 crore) were mainly under (a) Career oriented programme (₹ 0.98 crore), (b) Family welfare programme (₹ 0.97 crore) set off by increase in grants under Rashtriya Krishi Vikas Yojana (₹ 17.71 crore). The decrease under Central Plan Schemes (₹ 4.38 crore) was under (a) Centre of Excellence (₹ 4.68 crore) and (b) National Service Scheme (₹ 0.12 crore) set off by an increase in grants under Integrated Development of Infrastructure for Heritage (₹ 1.62 crore).

Central tax transfers

Central tax transfers increased by 16.49 *per cent* from ₹ 584.21 crore in 2010-11 to ₹ 680.59 crore in 2011-12. The increase was mainly under Corporation Tax (₹ 39.55 crore), Customs Duty (₹ 15.86 crore), taxes on income other than Corporation Tax (₹ 15.41 crore) and Service Tax (₹ 22.94 crore).

1.6.1 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 gross collection in respect of major taxes and duties as well as the components of non-tax receipts and the percentage of such expenditure to the gross collection during the years from 2009-10 to 2011-12 are presented in **Appendix 1.5**.

The State's actual tax and non-tax receipts for the year 2011-12 *vis-a-vis* assessment made by XIII Finance Commission and Budget estimates are given in **Table 1.4**

Table 1.4: Revenue receipts relative to XIII FC and budget estimates

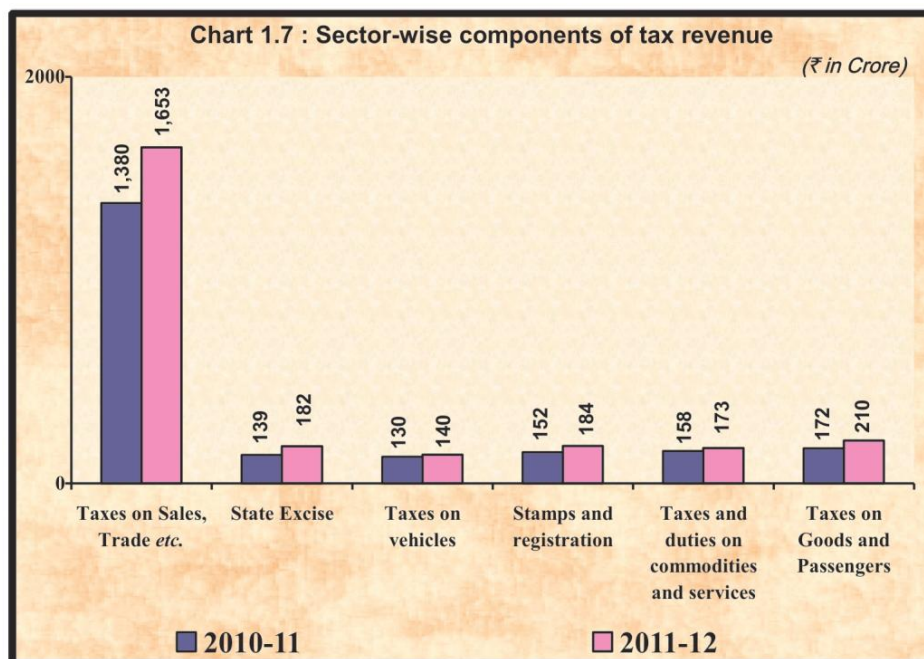
(₹ in crore)

	XIII FC projection	Budget Estimates	Actuals
Tax revenue	2516.44	3228.63	2551.02
Non-tax revenue	713.39	2258.12	2313.54

The tax revenue of the State in 2011-12 fell short of the projection made in the budget estimates by ₹ 678 crore but exceeded the XIII FC projection by ₹ 35 crore. However, non-tax revenue exceeded the budget estimates and XIII FC projection by ₹ 55 crore and ₹ 1,600 crore respectively.

Tax revenue

The tax revenue exceeded the projections made in the XIII FC projections by 1.37 *per cent*. The sector-wise components of tax revenue during the period 2010-11 to 2011-12 are shown in **Chart 1.7**.



(Source: State Finance Accounts of the respective years)

The tax revenue increased by ₹ 411 crore (19.20 *per cent*) over the previous year. The increase over the previous year was mainly under (a) taxes on Sales, Trade *etc.* by ₹ 273 crore (19.77 *per cent*) due to more tax collection under 'Value Added Tax', (b) State excise by ₹ 43 crore (30.80 *per cent*) due to receipt of more excise duty on 'Malt liquor', medicinal and toilet preparation containing alcohol, opium *etc.*, Foreign liquors, spirits *etc.*, (c) stamps and registration fees by ₹ 32 crore (21 *per cent*) due to more collection of Stamp Duty and Registration fee and (d) taxes on vehicles by ₹ 10 crore (7.69 *per cent*) due to more receipts under the 'Indian Motor Vehicles Act' and 'State Motor Vehicles Taxation Act.'

During 2002-03 to 2010-11, the compound growth rate of tax revenue (17.17 *per cent*) was more than the growth rate of other General Category States (16.74 *per cent*). This growth rate for the period 2002-03 to 2011-12 increased to 17.40 *per cent* (**Appendix 1.1**).

The tax revenue as a percentage of GSDP (5.73 *per cent*) was much below the normative assessment of XIII FC (8.15 *per cent*).

Non-tax revenue

The non-tax revenue of the State marginally increased by 1.98 *per cent* (₹ 45 crore) from 2,268.60 crore in 2010-11 to 2,313.54 crore in 2011-12. The increase over the previous year was mainly under (a) Power (₹ 31.43 crore), (b) Water supply and sanitation (₹ 16.51 crore), and receipt of more sale proceeds of 'Lottery tickets' booked under 'Miscellaneous General Services' (₹ 7.61 crore).

During 2002-03 to 2010-11, the compound growth rate of non-tax revenue (10.26 *per cent*) was less than the growth rate of other General

Category States (12.84 *per cent*). This growth rate for the period 2002-03 to 2011-12 further decreased to 9.30 *per cent* (**Appendix 1.1**).

The non-tax revenue as a percentage of GSDP (5.20 *per cent*) was higher the normative assessment of XIII FC (2.31 *per cent*).

1.6.2 Loss of revenue due to evasion of taxes, write off/waivers

Five hundred and nine cases of evasion of taxes/duties were detected by the Commissioner of State Excise during 2011-12 as against 219 cases detected during the previous year. Investigations/assessments of 220 cases were completed and 289 cases were pending as on 31 March 2012. During the year, losses amounting to ₹ 8.69 lakh in 58 cases were written off by competent authorities as detailed below:

Table 1.5: Cases of loss of revenue

Sl. No.	Name of Department/Office	No. of Cases	Amount (In ₹)
1.	Dean, Goa Dental College & Hospital	1	12032
2.	Director, Animal Husbandry & Veterinary Services	22	128400
3.	General Administration Department	1	3600
4.	Director, Health Services	26	217569
5.	Director, Agriculture	2	18257
6.	State Director of Craftsman Training	1	192748
7.	Administrative Medical Officer, E.S.I. Scheme	3	219111
8.	Additional Principal Chief Conservator of Forests	1	66692
9.	Director of Accounts	1	10350
	Total	58	868759

(Source: Information furnished by concerned Departments)

1.6.3 Revenue arrears

The arrears of revenue as on 31 March 2012 in respect of some principal heads of revenue as furnished by the Departments amounted to ₹ 728.61 crore as indicated in **Table 1.6**.

Table 1.6: Revenue arrears

Head of Revenue	Amount of arrears as on 31 March 2012	Arrears more than three years old	Cases pending in court		Revenue arrears pending recovery	Amount of arrears as on 31 March 2008
			No.	Amount		
Commercial Taxes	561.31	204.92	1247	18.27	543.04	216.56
State Excise	0.93	0.07	-	-	0.93	0.27
Taxes on vehicles	7.24	2.20	24	0.07	7.17	7.51
Chief Engineer – Water Resources Department						
i) Water Tax	1.20	0.97	147	0.03	1.17	1.00

(₹ in crore)

ii) Water Charges	30.40	32.45	-	-	30.40	41.46
iii) Rent on shops	2.75	2.01	3	0.01	2.74	1.89
iv) Hire charges of machinery	0.34	0.22	-	-	0.34	0.35
Chief Engineer - Public Works Department						
i) Rent of Building/ Shops	0.42	0.20	2	-	0.42	0.42
ii) Water charges, meter rent and sewerage charges	21.82	10.19	2404	5.60	16.22	15.03
Chief Electrical Engineer ^a						
Energy charges	73.58	-	3319	18.62	54.96	168.09
Agriculture	0.20	0.20	4	-	0.20	3.15
Printing & Stationery	0.55	-	-	-	0.55	1.61
Tourism	0.30	0.18	9	0.26	0.04	0.53
Director General of Police	0.25	0.15	1	0.02	0.23	-
Collector, South Goa						
Land Tax	0.22	0.18	-	-	0.22	-
Revenue recovery cases	27.10	15.98	1466	0.09	27.01	-
Total	728.61	269.92	8626	42.97	685.64	457.87

(Source: Information furnished by concerned Departments)

The arrears of revenue increased by 59.13 *per cent* during the last five years from ₹ 457.87 crore in 2007-08 to ₹ 728.61 crore at the end of 2011-12, which accounted for 14.98 *per cent* of the State's own resources during the year. Of the total outstanding arrears in 2011-12, ₹ 269.92 crore was outstanding for more than three years and only ₹ 685.64 crore was pending recovery.

1.7 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.

1.7.1 Growth and composition of expenditure

The total expenditure and its compositions during the years 2007-08 to 2011-12 are presented in the **Table 1.7**.

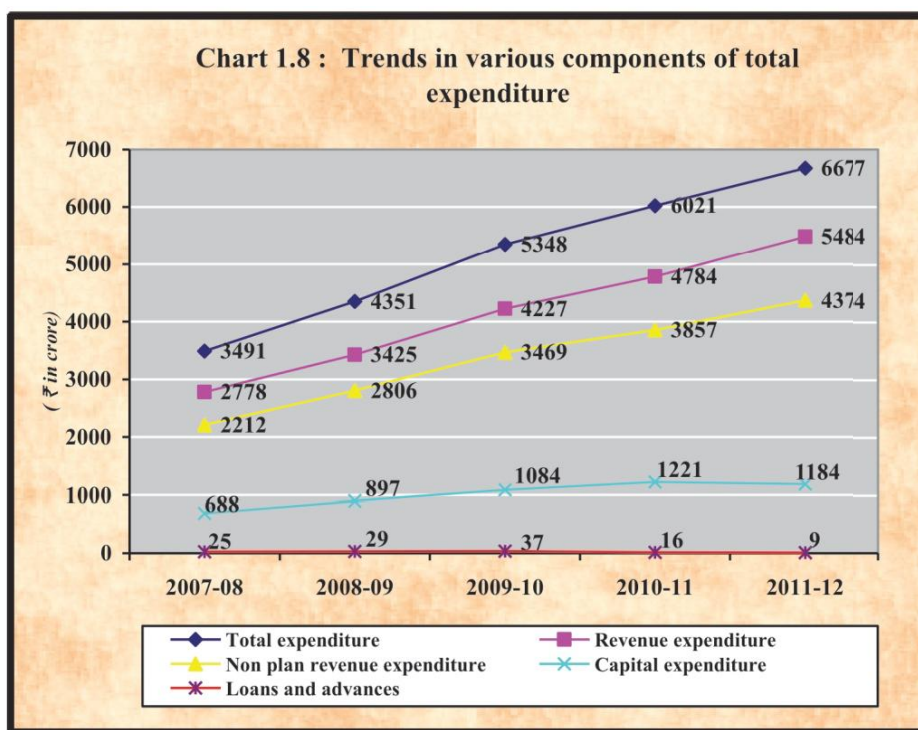
^a Excluding information pertaining to Divisions – I (Pauaji), III (Pouda), IV (Margao) and XIV (Verna)

Table 1.7: Total expenditure and its composition(*₹ in crore*)

	2007-08	2008-09	2009-10	2010-11	2011-12
Total Expenditure	3491	4351	5348	6021	6677
Revenue Expenditure	2778	3425	4227	4784	5484
<i>of which, Non-Plan Revenue Expenditure</i>	<i>2212</i>	<i>2806</i>	<i>3469</i>	<i>3857</i>	<i>4373</i>
Percentage of revenue expenditure to total expenditure	79.57	78.71	79.03	79.45	82.13
Capital Expenditure	688	897	1084	1221	1184
Percentage of capital expenditure to total expenditure	19.70	20.61	20.26	20.27	17.73
Loans and Advances	25	29	37	16	9

(Source : Finance Accounts of the State)

Chart 1.8 presents the trends in total expenditure over a period of last five years (2007-12) and its composition both in terms of ‘economic classification’ and ‘expenditure by activities’ are depicted in **Charts 1.9** and **1.10** respectively.



(Source: Finance Accounts of the State)

Total expenditure

The total expenditure of the State increased at an average growth rate of 22.81 per cent from ₹ 3,491 crore in 2007-08 to ₹ 6,677 crore in 2011-12. 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 1.8**.

During 2002-03 to 2010-11, the compound growth rate of total expenditure (13.30 *per cent*) was less than the growth rate of other General Category States (14.58 *per cent*). This growth rate decreased to 13.03 *per cent* for the period 2002-03 to 2011-12 (**Appendix 1.1**).

Table 1.8: Total expenditure – basic parameters

(₹ in crore)

	2007-08	2008-09	2009-10	2010-11	2011-12
Total expenditure (TE)	3491	4351	5348	6021	6677
Rate of growth (<i>per cent</i>)	12.50	24.63	22.91	12.58	10.89
Revenue receipts	2944	3528	4100	5442	5781
Rate of growth RR (<i>per cent</i>)	12.79	19.83	16.21	32.73	6.22
TE/GSDP ratio (<i>per cent</i>)*	18.04	19.46	18.36	18.49	15.01
RR /TE ratio (<i>per cent</i>)	84.33	81.08	76.66	90.38	86.58
Buoyancy of total expenditure with reference to :					
GSDP (ratio)*	0.715	1.582	0.756	1.066	0.298
RR (ratio)	0.977	1.241	1.413	0.384	1.749

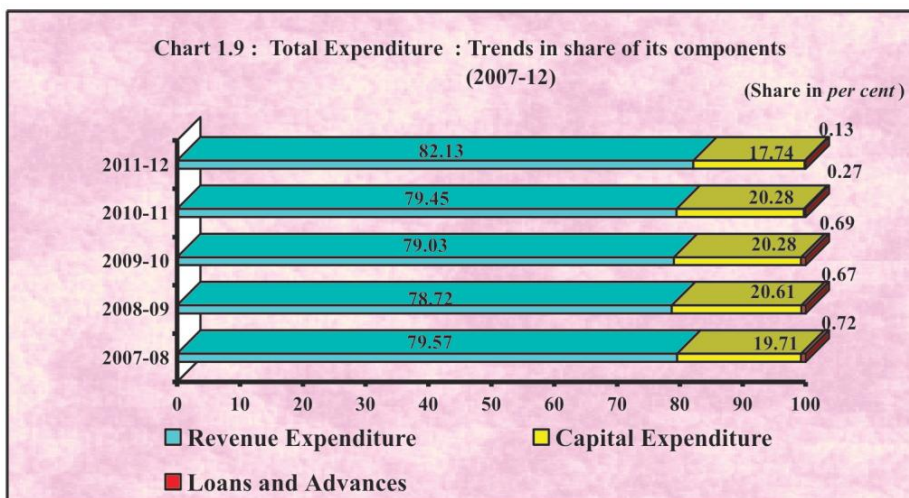
(Source: Finance Accounts of the State)

*Corrected GSDP figures as intimated by Government of Goa for 2009-10 and 2010-11 adopted

The increase of ₹ 656 crore (10.89 *per cent*) in total expenditure in 2011-12 over the previous year was mainly on account of an increase of ₹ 700 crore in revenue expenditure, set off by a decrease of ₹ 37 crore in capital expenditure and of ₹ seven crore in disbursement of loans and advances.

The ratio of total expenditure to GSDP decreased from 19.46 *per cent* in 2008-09 to 15.01 *per cent* in 2011-12, mainly due to increase in the GSDP at a faster rate as compared to total expenditure. The ratio of revenue receipts to total expenditure decreased from 84.33 *per cent* in 2007-08 to 76.66 *per cent* in 2009-10. However, it gradually increased to 90.38 *per cent* in 2010-11, but decreased to 86.58 *per cent* in 2011-12, which shows that 86.58 *per cent* of the total expenditure was met from revenue receipts.

The buoyancy of total expenditure with reference to GSDP increased from 0.715 in 2007-08 to 1.582 in 2008-09, but decreased to 1.066 in 2010-11. However, it further decreased to 0.298 in 2011-12. This indicated that for each one *per cent* increase in GSDP, total expenditure grew by 0.298 *per cent*.



(Source: Finance Accounts of the State)

Revenue expenditure

Revenue expenditure constituted 82.13 *per cent* of the total expenditure (**Chart 1.9**). The increase in revenue expenditure was mainly on (a) Energy (₹ 281.29 crore), (b) Education, sports, arts and culture (₹ 81 crore), (c) Agriculture and allied activities (₹ 59 crore), (d) Interest Payments (₹ 55 crore), (e) Health and family welfare (₹ 48 crore), (f) Water supply and sanitation (₹ 41 crore), (g) Pension and other Retirement Benefits (₹ 41 crore), and (h) Transport (₹ 21 crore).

Capital expenditure

Capital expenditure constituted 17.73 *per cent* of the total expenditure (**Chart 1.9**). The decrease of ₹ 37 crore (3.04 *per cent*) in capital expenditure during 2011-12 was mainly on account of decrease in expenditure on Transport (₹ 38 crore), Public works (₹ 27 crore), Power (₹ 22 crore) and Education, sports, arts and culture (₹ 17 crore).

Loans and advances

Loans and advances constituted less than one *per cent* of the total expenditure (**Chart 1.9**). The decrease of ₹ 6.50 crore in disbursement of loans and advances during 2011-12 was mainly in loans to Government servants (₹ eight crore) set off by an increase in loans under agriculture and allied activities (₹ one crore).

The buoyancy of total expenditure with reference to revenue receipts rose to 1.41 during the period 2009-10 from 0.97 in 2007-08 indicating increase in expenditure at a pace greater than that of receipts. However, the ratio declined to 0.38 during 2010-11 but again increased to 1.74 during 2011-12.

During the period 2007-12, the buoyancy of total expenditure with reference to GSDP was less than one except during the period 2008-09 and 2010-11, when it was 1.582 and 1.066 respectively. The decrease was due to the combined effect of low rate of growth in expenditure along with a high rate of growth in GSDP during these years (except 2008-09

and 2010-11). This indicated a relative fall in the State's propensity to spend, with the increase in GSDP.

Of the total expenditure during 2011-12, Non-Plan expenditure contributed 66 *per cent* while Plan expenditure was 34 *per cent*. Of the increase of ₹ 656 crore in total expenditure in 2011-12, the Plan expenditure accounted for 23 *per cent*, while Non-Plan expenditure contributed 87 *per cent* of the same.

During 2002-03 to 2010-11, the compound growth rate of capital expenditure (24.91 *per cent*) was higher than the growth rate of other General Category States (21.25 *per cent*). This growth rate for the period 2002-03 to 2011-12, however, decreased to 21.45 *per cent* (Appendix 1.1).

Trends in total expenditure in terms of activities

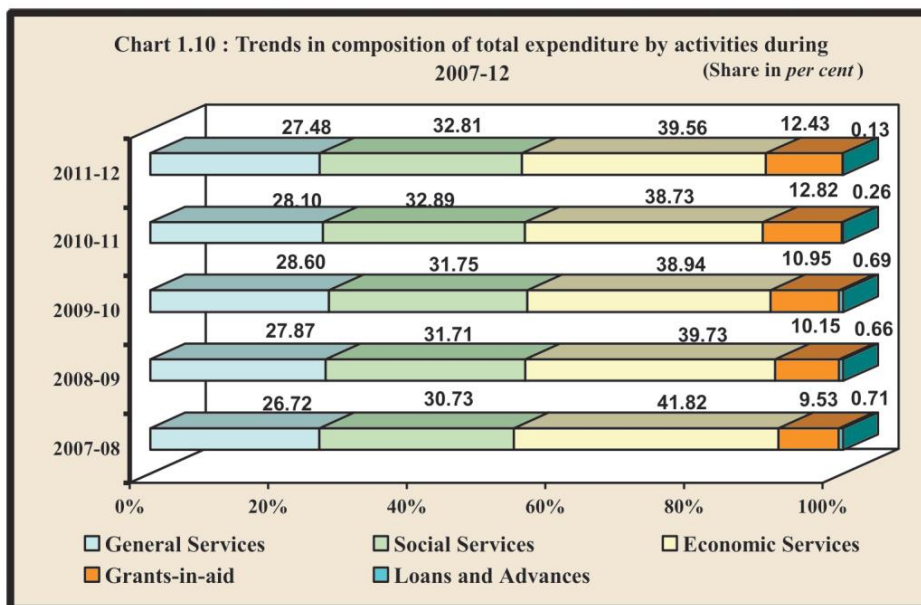
In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, grants-in-aid and loans and advances. Relative shares of these components in the total expenditure are indicated in Table 1.9 and Chart 1.10.

Table-1.9: Components of expenditure – relative shares

	<i>(in per cent)</i>				
	2007-08	2008-09	2009-10	2010-11	2011-12
General Services	26.72	27.87	28.60	28.10	27.48
<i>of which, Interest Payments</i>	12.80	11.69	10.90	10.79	10.55
Social Services	30.73	31.71	31.75	32.89	32.81
Economic Services	41.82	39.73	38.94	38.73	39.56
Grants-in-aid	9.53	10.15	10.95	12.82	12.43
Loans and Advances	0.71	0.66	0.69	0.26	0.13

(Source: Finance Accounts of the State)

It may be seen from Table 1.9 that the movement of the relative shares of the above components of expenditure indicated that except for Economic Services, there was decrease in the shares of General Services, Social Services, grants-in-aid and loans and advances during 2011-12 over the previous year.



The shares of General Services in total expenditure decreased mainly due to decrease in Stamps and Registration (₹ 0.64 crore) and Jails (₹ 0.32 crore). The decrease in the share of Social Services decreased mainly due to Education, sports, arts and culture (₹ 16.55 crore), Labour and labour welfare (₹ 3.84 crore) and Information and broadcasting (₹ 2.11 crore).

The increase in the share of Economic Services during the period 2011-12 was mainly due to Energy (₹ 281.29 crore), Agriculture and allied activities (₹ 59.02 crore) and Transport (₹ 21.14 crore). The decrease in grants-in-aid was mainly due to decrease under the head 'Block grants for State Plan Schemes' (₹ 191.68 crore), set off by an increase under the head 'Grants towards contribution to State Disaster Response Fund' (₹ 2.16 crore).

The decrease in the share of Loans and advances was mainly due to less release of loans to Government servants over the previous year by ₹ eight crore.

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 82.13 *per cent* in the total expenditure during 2011-12. 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 **Table 1.10**.

Table 1.10: Revenue expenditure – basic parameters

(₹ in crore)

	2007-08	2008-09	2009-10	2010-11	2011-12
Revenue Expenditure (RE), of which	2778	3425	4227	4784	5484
Non-Plan Revenue Expenditure (NPRE)	2212	2806	3469	3857	4374
Plan Revenue Expenditure (PRE)	566	619	758	927	1110
Rate of Growth of					
RE (per cent)	12.51	23.29	23.41	13.17	14.63
NPRE (per cent)	11.43	26.85	23.62	11.18	13.40
PRE (per cent)	16.94	9.36	22.45	22.29	19.74
Revenue Expenditure as percentage to TE	79.57	78.71	79.03	79.45	82.13
NPRE/GSDP (per cent)*	11.43	12.55	11.91	11.84	9.83
NPRE as percentage of TE	63.36	64.49	64.86	64.05	65.50
NPRE as percentage of RR	75.13	79.53	84.60	70.87	75.66
Buoyancy of Revenue Expenditure with					
GSDP (ratio)*	0.715	1.495	0.773	1.116	0.400
Revenue Receipts (ratio)	0.977	1.174	1.444	0.402	2.348

(Source : Finance Accounts of the State)

*Corrected GSDP figures as intimated by Government of Goa for 2009-10 and 2010-11 adopted

The revenue expenditure increased by ₹ 700 crore (14.63 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 (11.17 per cent) than the assessment made by the State Government in its budget estimates for the year 2011-12.

Plan Revenue Expenditure

The Plan Revenue Expenditure increased by ₹ 183 crore (19.74 per cent) during the year, mainly due to increase in expenditure under education, sports, arts and culture (₹ 72.21 crore), agriculture and allied activities (₹ 46.85 crore), health and family welfare (₹ 32.49 crore) and social welfare and nutrition (₹ 14.40 crore).

Non-Plan Revenue Expenditure

The Non-Plan Revenue Expenditure (NPRE) constituted a dominant share of 79.75 per cent in the revenue expenditure and increased by ₹ 517 crore (13.40 per cent) over the previous year. The variations in NPRE under the major heads indicate increase in expenditure under General Services (₹ 148.57 crore), Energy (₹ 276 crore), Water supply, Sanitation, Housing and Urban Development (₹ 38.40 crore), Health and Family Welfare (₹ 15.59 crore) set off by a decrease in expenditure under Social Welfare and Nutrition (₹ 7.47 crore).

The NPRE as percentage of revenue receipts increased from 75.13 per cent in 2007-08 to 84.60 per cent in 2009-10 but reduced to 75.66 per cent in 2011-12, indicating that 75.66 per cent of the revenue receipts were used to meet the NPRE.

The NPRE as a percentage of GSDP (9.83 per cent) was higher than the normative assessment of XIII FC (7.99 per cent).

Subsidies

Subsidies during the years 2007-08 to 2011-12 are presented in the **Table 1.11**.

Table 1.11: Subsidies

	2007-08	2008-09	2009-10	2010-11	(₹ in crore)	
					2011-12 BE	2011-12 Actuals
Subsidies	36.27 (1)	55.16 (2)	58.12 (1)	72.02 (1)	129.74 (2)	102.59 (2)
Total Revenue Expenditure	2778	3425	4227	4784	6174	5484
Revenue Receipts	2944	3528	4100	5442	6053	5781

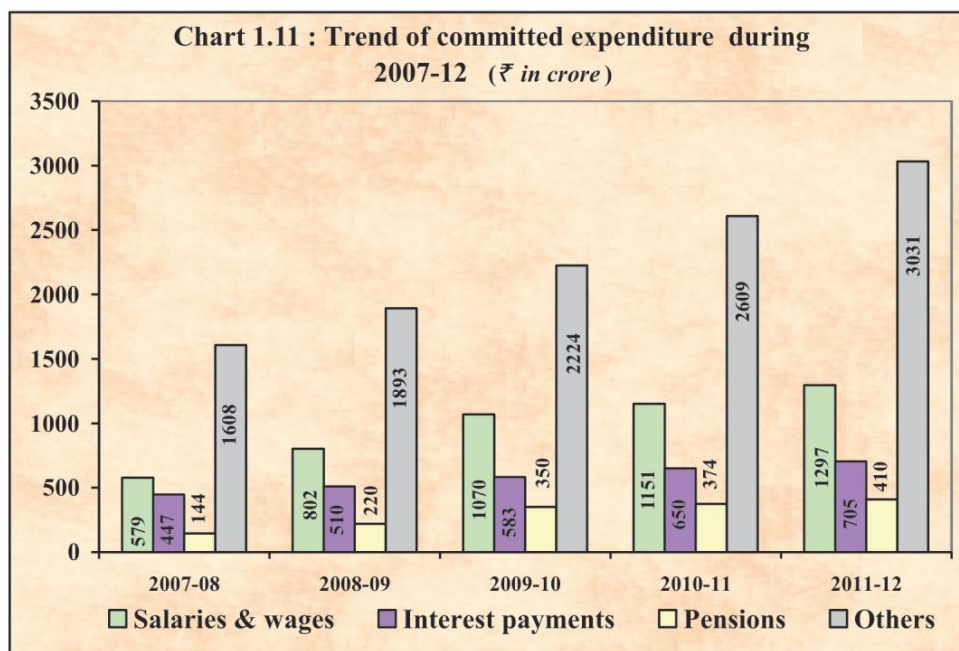
(Source : Finance Accounts of the State)

Figures in parentheses indicate percentage to Revenue Receipts

Table 1.11 indicates that expenditure under subsidies increased by 42 *per cent* from ₹ 72.02 crore in 2010-11 to ₹ 102.59 crore in 2011-12. The subsidies as a percentage of revenue receipts remained at one *per cent* during the period 2009-11. During the current year, subsidies constituted about two *per cent* of the total revenue expenditure. The major recipients of subsidy include Marine fisheries (₹ 13.51 crore), Dairy development (₹ 2.05 crore), and Co-operatives (₹ 1.72 crore).

1.7.2 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 1.11** and **Table 1.12** present the trends in the expenditure on these components during 2007-12.



(Source: Finance Accounts of the State)

Table 1.12 Components of Committed expenditure

(₹in crore)

Components of Committed Expenditure	2007-08	2008-09	2009-10	2010-11	2011-12	2011-12
					BE	Actuals
Salaries & Wages						
Non-Plan Head	467.39	670.83	903.88	967.89	1162.52 (19.21)	1097.27 (18.98)
Plan Head**	111.14	131.44	166.60	182.73	300.20 (4.96)	239.30 (4.14)
Total	578.53 (19.65)	802.27 (22.74)	1070.48 (26.11)	1150.62 (21.14)	1462.72 (24.16)	1336.57* (23.12)
Interest Payments	447.00 (15.18)	510.00 (14.46)	583.00 (14.22)	650.36 (11.95)	686.29 (11.34)	705.17 (12.20)
Pensions	144.36 (4.90)	219.71 (6.23)	349.65 (8.53)	373.81 (6.87)	500.00 (8.26)	410.30 (7.10)
Total Committed expenditure⁴	1169.89 (39.73)	1531.98 (43.42)	2003.13 (48.85)	2174.79 (39.96)	2649.01 (43.06)	2452.04 (42.41)
Other Components	1608.11 (54.62)	1893.02 (53.66)	2224.34 (52.83)	2608.99 (47.94)	3524.60 (58.23)	3031.46 (52.44)
Total Revenue Expenditure	2778.00	3425.00	4227.47	4783.78	6173.61	5483.50
Revenue Receipts	2944.00	3528.00	4100.27	5441.94	6053.06	5780.73

(Source : Finance Accounts of the State)

Figures in parentheses indicate percentage to Revenue Receipts

* Salaries : ₹ 1318.25 crore (Finance Accounts) + Wages : ₹ 18.32 crore (Finance Accounts)

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

Salaries and Wages

The average annual growth in salaries and wages during 2007-12 was 32.75 per cent. The expenditure on salaries and wages (including grants-in-aid component) increased by ₹ 185.95 crore (16.16 per cent) from ₹ 1,150.62 crore in 2010-11 to ₹ 1,336.57 crore in 2011-12 which contributed 23.12 per cent of the total Revenue receipts.

During 2002-03 to 2010-11, the compound growth rate of salary and wages (16.77 per cent) was higher than the growth rate of other General Category States (13.43 per cent). This growth rate for the period 2002-03 to 2011-12 further increased to 16.70 per cent (Appendix 1.1).

Pension payments

The expenditure on pension payments increased at an average annual growth of 46.05 per cent from ₹ 144.36 crore in 2007-08 to ₹ 410.30 crore in 2011-12.

The increase in pension payments of ₹ 36.49 crore (9.76 per cent) during 2011-12 over the previous year was due to more expenditure on Superannuation and retirement allowances, gratuities, family pensions and pensions to employees of State aided educational institutions. The

⁴ Differs from previous year State Finance Report figures as Subsidy has been excluded from the total Committed Expenditure

pension payments during 2011-12 (₹ 410.30 crore) was less than the normative assessments made in the budget estimates by ₹ 89.70 crore.

During 2002-03 to 2010-11, the compound growth rate of pension (12.97 *per cent*) was lower than the growth rate of other General Category States (16.89 *per cent*). This growth rate for the period 2002-03 to 2011-12 further decreased to 12.59 *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 ₹ 73.05 crore towards employee's contribution and employer's share was deposited during 2011-12 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 2012 was ₹ 204.17 crore.

The Directorate of Accounts stated (May 2012) that 16,049 employees of the State Government of Goa are 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 2012. The process for transfer of balance funds to the Fund Manager was stated to be under consideration (November 2012).

Interest payments

The expenditure on interest payments increased at an average annual growth of 14.43 *per cent* from ₹ 447 crore in 2007-08 to ₹ 705.17 in 2011-12, primarily due to an increase in debt liabilities. However, relative to revenue receipts, interest payments revealed a marginal declining trend. They declined from 15.18 *per cent* in 2007-08 to 11.95 *per cent* in 2010-11, but increased during 2011-12 (12.20 *per cent*).

During 2011-12, the State Government raised open market loans of ₹ 550 crore⁵ at an average interest rate of 9.05 *per cent*. The Government also borrowed ₹ 169.32 crore from the National Small Savings Fund and other institutions and ₹ 117.19 crore from GoI during the year.

The increase in interest payments by ₹ 54.81 crore over the previous year was mainly due to more interest on market loan (₹ 22 crore), interest on special securities issued to the National Small Savings Fund of the Central Government (₹ 2.26 crore), interest on State Provident Fund (₹ 14.67 crore) and interest on deposits (₹ 13.78 crore).

1.7.3 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 2011-12 relative to the previous years is presented below:

⁵ Refer note below Table 1.1 and paragraph 1.5.1

Table 1.13: Financial assistance to local bodies and other institutions*(₹ in crore)*

Sl No.	Institutions	2007-08	2008-09	2009-10	2010-11	2011-12
1	Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	232.32	318.17	411.90	530.61	516.61
2	Municipal Corporations and Municipalities	43.77	50.38	63.67	78.36	71.56
3	Zilla Parishads and Other Panchayati Raj Institutions	35.68	51.17	60.85	74.22	34.80
4	Other Institutions	32.16	28.64	53.78	52.88	212.82
	Total	343.93	448.36	590.20	736.07	835.79
	Assistance as per percentage of RE	12.38	13.09	13.96	15.39	15.24

(Source : Finance Accounts of the State)

It would be seen from **Table 1.13** that the financial assistance to local bodies and other institutions by the Government increased from ₹ 343.93 crore in 2007-08 to ₹ 835.79 crore in 2011-12. As compared to previous year, the assistance increased by 13.54 *per cent*.

Financial assistance to local bodies and other institutions constituted 15.24 *per cent* of the revenue expenditure during 2011-12.

1.7.3.1 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 submitted its report in December 2007 and recommended 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 on the ULBs, only eight functions and one activity in one function have been transferred as of March 2012.

Similarly, the SSFC recommended devolution of all the 28 functions and 74 activities to VPs and 25 functions and 47 activities to ZPs for economic development and social justice as listed in I and II schedules respectively of the Goa Panchayat Raj Act, 1994. The Government constituted a Group of Ministers to study the recommendations of the SSFC on the activity mapping. The report of the Group of Ministers was awaited (February 2013). The period covered by the SSFC ended in March 2012 but the Government did not take a decision on its implementation (February 2013).

The Third SSSFC for the five year period 2012-13 to 2016-17 had also not been constituted by the Government as of February 2013.

1.7.3.2 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. The CAG is the sole auditor for ZPs. The audit is conducted under section 20 (1) of the CAG's DPC Act, 1971.

1.8 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).

1.8.1 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 2008-09 and 2011-12 has been indicated in Table 1.14.

Table 1.14: Fiscal priority of the State in 2008-09 and 2011-12

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) 2008-09	17.00	67.09	34.28	16.47	15.41	3.97
Goa's Average (Ratio) 2008-09	17.12	71.59	31.83	20.61	13.92	5.58
General Category Average (Ratio) 2011-12	16.09	66.44	36.57	13.25	17.18	4.30
Goa Average (Ratio) 2011-12	15.01	72.45	32.85	17.73	15.39	6.03

(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 1.15**, the comparison of fiscal priority given to different categories of expenditure of the State in 2008-09 and 2011-12 (Second year of the XIII FC award period) is given below.

- The ratios of AE to GSDP in 2008-09 in the State (17.12 *per cent*) was higher as compared to the ratio of other General Category States (17 *per cent*). While in 2011-12, it was lower (15.01 *per cent*) than the ratio of other General Category States (16.09 *per cent*). This indicated that during 2011-12, General Category States was spending more as a proportion of their GSDP when compared to Goa.
- Development expenditure⁶ as a proportion of aggregate expenditure in the State was higher than the General Category State's average in 2008-09 and 2011-12. 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 2008-09 and 2011-12. As observed from the **Table 1.14**, adequate priority needs to be given to education sector as the ratio under this sector was below the General Category States average during 2008-09 and 2011-12.
- Priority to capital expenditure has been given by the State Government in 2008-09 and 2011-12, as the ratio of capital expenditure to aggregate expenditure has been higher than the average ratio of General Category States.
- Significant improvement was observed in the ratio of expenditure on health and family welfare to AE which increased from 5.58 *per cent* in 2008-09 to 6.03 *per cent* in 2011-12, indicating that priority given to these areas in Goa was higher than that in other General Category States.

1.8.2 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 public⁷ and merit goods⁸. 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

⁶The 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.

⁷ 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.*

⁸ 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 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.*

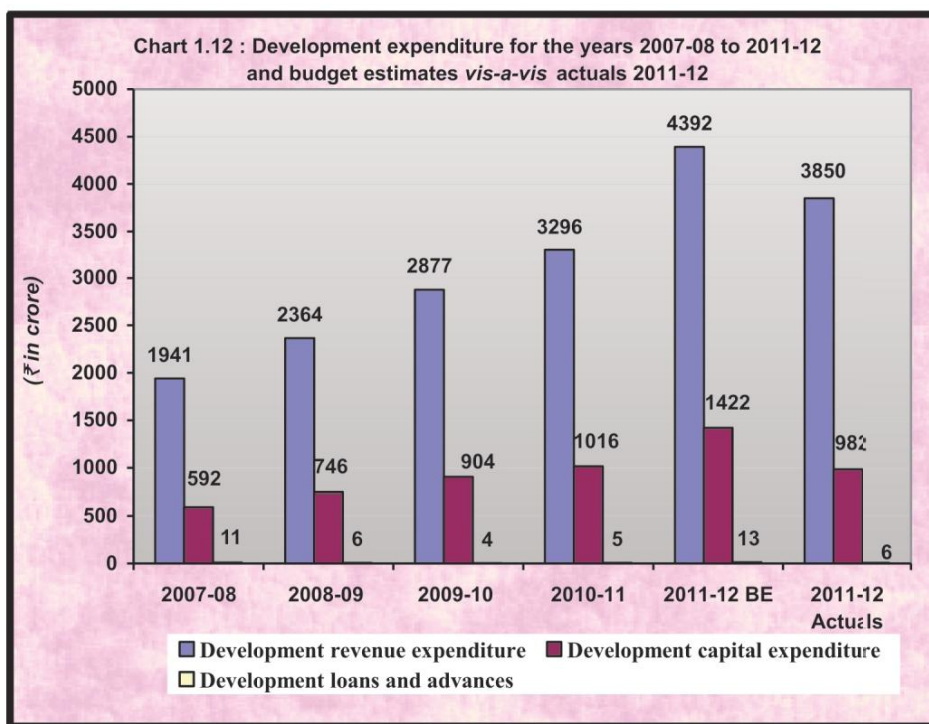
expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table 1.15** and **Chart 1.12** present the trends in DE relative to the AE 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 1.15: Development expenditure(*₹ in crore*)

Components of Development Expenditure	2007-08	2008-09	2009-10	2010-11	2011-12	
					BE	Actuals
Development Expenditure (a to c)	2544 (72.90)	3116 (71.60)	3785 (70.80)	4317 (71.70)	5827 (44.75)	4838 (72.45)
a. Development Revenue Expenditure	1941 (55.60)	2364 (54.30)	2877 (53.80)	3296 (54.74)	4392 (35.85)	3850 (57.66)
b. Development Capital Expenditure	592 (17.00)	746 (17.10)	904 (16.90)	1016 (16.87)	1422 (11.60)	982 (14.71)
c. Development Loans and Advances	11 (0.30)	6 (0.20)	4 (0.10)	5 (0.080)	13 (0.10)	6 (0.08)

(Source : Finance Accounts of the State)

Figures in the parentheses indicate as per cent to total expenditure



(Source: Finance Accounts of the State)

Development revenue expenditure

The development revenue expenditure increased by ₹ 554 crore from ₹ 3,296 crore in 2010-11 to ₹ 3,850 crore in 2011-12. The increase was under Social Services (₹ 177 crore) and Economic Services (₹ 377 crore).

The actual development revenue expenditure was less than the State's projection in the budget by ₹ 542 crore.

Development capital expenditure

The development capital expenditure decreased by ₹ 34 crore from ₹ 1,016 crore in 2010-11 to ₹ 982 crore in 2011-12. The decrease under Economic Services was ₹ 67 crore (mainly under transport, energy and irrigation and flood control) while the increase under Social Services was ₹ 33 crore (mainly under water supply, sanitation, housing and urban development and health and family welfare). The actual development capital expenditure was less than the State's projection in the budget by ₹ 440 crore.

Development loans and advances

Development loans and advances increased by ₹ one crore during the year 2011-12. The actual development loans and advances were less than the State's projections in the budget by ₹ seven crore.

Table 1.16 provides the details of capital expenditure and the component of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table 1.16: Efficiency of expenditure use in selected Social and Economic Services

Social/Economic Infrastructure	(in per cent)			
	2010-11		2011-12	
	Share of CE to TE	Share of salaries in RE	Share of CE to TE	Share of salaries in RE
Social Services (SS)				
Education, sports, arts and culture	8.95	24.20	6.77	26.56
Health and Family Welfare	4.55	72.35	5.75	70.51
Water supply, sanitation and housing and urban development	24.64	9.48	28.79	9.17
Total (SS)	10.38	29.66	11.87	34.24
Economic Services (ES)				
Agriculture & Allied Activities	13.16	47.10	11.38	36.28
Irrigation and Flood Control	73.22	34.49	71.66	36.78
Power & Energy	18.02	13.98	12.88	11.80
Transport	65.66	22.75	60.51	23.18
Total (ES)	34.74	20.29	28.12	18.16
Total (SS+ES)	23.56	25.33	21.09	25.93

(Source: Finance Accounts of the State for the year 2010-11 and 2011-12)

TE: Total expenditure in the concerned sub sector; CE: Capital Expenditure; RE: Revenue Expenditure

The trends presented in **Table 1.16** reveal that development capital expenditure as a percentage to total expenditure decreased from 23.56 in

2010-11 to 21.09 in 2011-12. The percentage of capital expenditure on Social Services to the total expenditure increased from 10.38 in 2010-11 to 11.87 in 2011-12. The increase 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 34.74 in 2010-11 to 28.12 in 2011-12. The decrease was mainly seen under Transport and Power and Energy.

The share of salaries in revenue expenditure increased from 25.33 *per cent* in 2010-11 to 25.93 *per cent* in 2011-12. The share of salaries in revenue expenditure on Social services increased from 29.66 *per cent* in 2010-11 to 34.24 *per cent* in 2011-12. The increase was mainly under Education, Sports, Art and Culture. The share of salary and wages in revenue expenditure on Economic Services decreased from 20.29 *per cent* in 2010-11 to 18.16 *per cent* in 2011-12. The decrease was under Agriculture and allied activities and Power and Energy.

1.9 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.

1.9.1 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 ₹ 33.19 crore on maintenance of irrigation projects in the State during the year, which was ₹ 6.63 crore less than the maintenance expenditure during the previous year (₹ 39.82 crore). However, there was an increase in the salary component from ₹ 12.25 crore in 2010-11 to ₹ 16.89 crore in 2011-12.

1.9.2 Incomplete projects

As of 31 March 2012, there were 85 incomplete projects valuing more than ₹ one crore each, on which ₹ 1,571 crore had already been expended. Department-wise information of the incomplete projects is given in **Table 1.17**.

Table 1.17: 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 31.3.2012
Public Works Department	80	204.64	Not available	Not available	109.59
Water Resources Department	4	9.60	--	--	5.96
(i) Tillari Irrigation Project	1	217.22	1612.15	1394.93	1455.73
Total	85	431.46	1612.15	1394.93	1571.28

(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.

1.9.3 Investments and returns

As of 31 March 2012, Government had invested ₹ 401.17 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (Table 1.18). The average return on this investment was 0.22 per cent in the last five years while the Government paid average interest rate of 7.62 per cent on its borrowings during 2007-12.

Table 1.18: Return on investment

Investment/Return/Cost of Borrowings	2007-08	2008-09	2009-10	2010-11	2011-12
Investment at the end of the year (₹ in crore)	299.17	329.66	362.75	382.16	401.17
Return (₹ in crore)	0.33	0.89	1.15	0.19	1.48
Return (per cent)	0.11	0.27	0.32	0.04	0.36
Average rate ⁹ of interest on Govt. borrowing (per cent)	7.46	7.64	7.79	7.62	7.59
Difference between interest rate and return (per cent)	7.35	7.37	7.47	7.58	7.23

(Source : Finance Accounts of the State)

The increase in investments of ₹ 19.01 crore during 2011-12 was mainly attributable to increased capital contributions to the Kadamba Transport Corporation (₹ seven crore), Goa State Scheduled Caste and Other Backward Classes Development Corporation (₹ 2.50 crore), Goa State Scheduled Tribe Finance and Development Corporation (₹ seven crore), Co-operative sugar mill (₹ 2.50 crore).

⁹Interest payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100

1.9.4 Departmental commercial undertakings

There are two Departmentally managed quasi-commercial undertakings viz., the Electricity Department and the River Navigation Department in the State. **Table 1.19** depicts the Department-wise position of the investments made by the Government up to the year for which *proforma* accounts have been finalised, net profits/loss as well as return on capital invested in these undertakings.

Table 1.19: Summarised financial statement of Departmentally managed quasi-commercial undertakings

(₹ in crore)

Sl. No.	Name of the undertaking	Period of accounts	Amount invested by Government	Turn-over/income	Net profit/loss	Accumulated profit/loss	Interest on capital	Total return	Percentage 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. As per the accounts for the year 2006-07, the Electricity Department earned a net profit amounting to ₹ 152.27 crore against a capital investment of ₹ 639.87 crore, thereby yielding a rate of return of 23.80 *per cent*.

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 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 for the year 2008-09, 2009-10 and 2010-11, no Action Taken Report has been received from the State Government.

1.9.5 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 1.20** presents the outstanding loans and advances as on 31 March 2012, interest receipts *vis-à-vis* interest payments during the last three years.

Table 1.20: Average interest received on loans advanced by the State Government

(₹ in crore)

Quantum of loans/interest receipts/cost of borrowings	2009-10	2010-11	2011-12
Opening Balance	90.05	114.54	115.76
Amount advanced during the year	37.22	15.92	9.42
Amount repaid during the year	12.73	14.70	15.59
Closing Balance	114.54	115.76	109.59
<i>of which</i> Outstanding balance for which terms and conditions have been settled	--	--	--
Net addition	(+) 24.49	(+) 1.22	(-) 6.17
Interest Receipts	1.90	1.87	1.85
Interest receipts as percentage of outstanding Loans and advances	1.86	1.62	1.64
Interest payments as percentage of outstanding fiscal liabilities of the State Government	7.38	7.23	7.35
Difference between interest payments and interest receipts (<i>per cent</i>)	(-) 5.52	(-) 5.61	(-) 5.71

(Source: Finance Accounts of the State)

As could be seen from the **Table 1.20** the total outstanding loans and advances as on 31 March 2012 was ₹ 109.59 crore. The amount of loans disbursed decreased from ₹ 15.92 crore in 2010-11 to ₹ 9.42 crore in 2011-12. Out of the total amount of loans and advances paid during the year, ₹ 2.90 crore went to Social Services and ₹ 2.61 crore to Economic Services. Under the Social services the loans were disbursed to education, sports, art and culture¹⁰ whereas under Economic Services, the loans went to Co-operatives (₹ 2.61 crore). Recovery of loans and advances increased from ₹ 14.70 crore to ₹ 15.59 crore during the current year, mainly on account of more recoveries from Loans to Government servants (₹ 1.77 crore).

However, interest received against these loans increased from 1.62 *per cent* during 2010-11 to 1.64 *per cent* only in 2011-12. Interest spread of Government borrowings was negative during 2009-12 which meant that the State's borrowings were more expensive than the loans advanced by it.

1.9.6 Cash balances and investment of cash balances

Table 1.21 and **Chart 1.13** depict the cash balances and investments made by the State Government out of cash balances during the year.

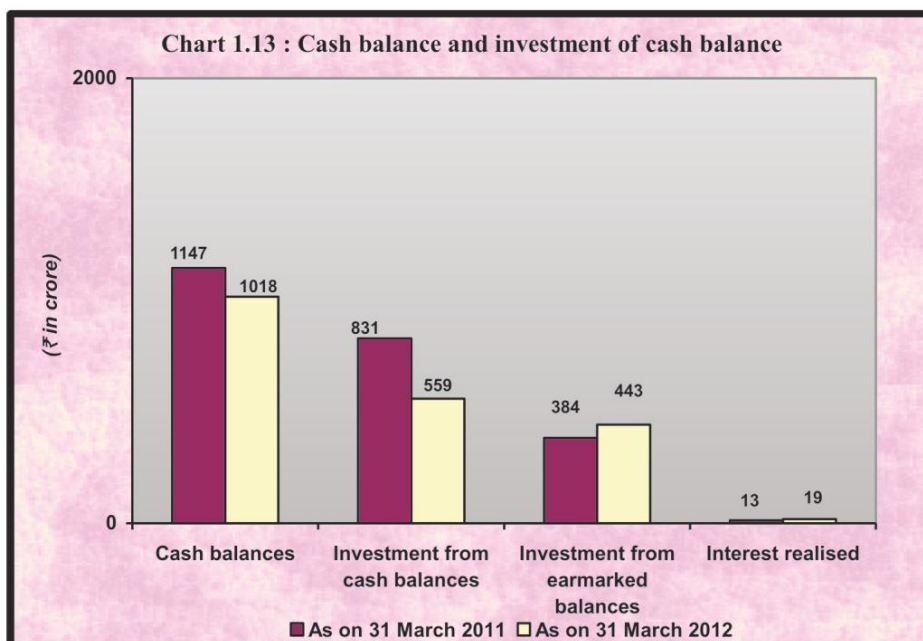
¹⁰ University and higher education (₹ 2.90 crore)

Table 1.21: Cash balances and investment of cash balances

(*₹ in crore*)

Particulars	As on 31 March 2011	As on 31 March 2012	Increase (+)/ Decrease(-)
Cash in treasuries	--	--	--
Deposits with Reserve Bank	(-) 69.20	14.75	83.95
Remittances in transit-Local	--	--	--
Cash with the Departmental officers	1.48	1.48	--
Permanent advance for contingent expenditure with Departmental officers	0.16	0.17	0.01
Investments from cash balances (a to d)	831.08	558.63	(-) 272.45
a. GoI Treasury Bills	829.81	557.10	(-) 272.71
b. GoI Securities	--	--	--
c. Other Securities, if any specify	--	--	--
d. Other Investments	1.27	1.53	0.26
Funds-wise break-up of investment from Earmarked balances (a to c)	383.79	443.38	59.59
a. General and other Reserve Funds	133.20	156.98	23.78
b. Sinking Fund	250.59	286.40	35.81
c. Miscellaneous Deposits	--	--	--
Total Cash Balances	1147.31	1018.41	(-) 128.90
Interest Realised	12.86	19.28	6.42

(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

3.45 per cent during 2011-12, while average interest paid by Government on its borrowings during the year was 7.59 per cent.

The State Government's cash balances at the close of the year 2011-12 (₹ 1,018 crore) decreased by 11.23 per cent over the previous year. Of the above, ₹ 559 crore was invested in GoI Treasury Bills which earned an interest of ₹ 19.28 crore during the year. Further, ₹ 443 crore was invested in earmarked funds. No ways and means advances or overdrafts were taken during the year.

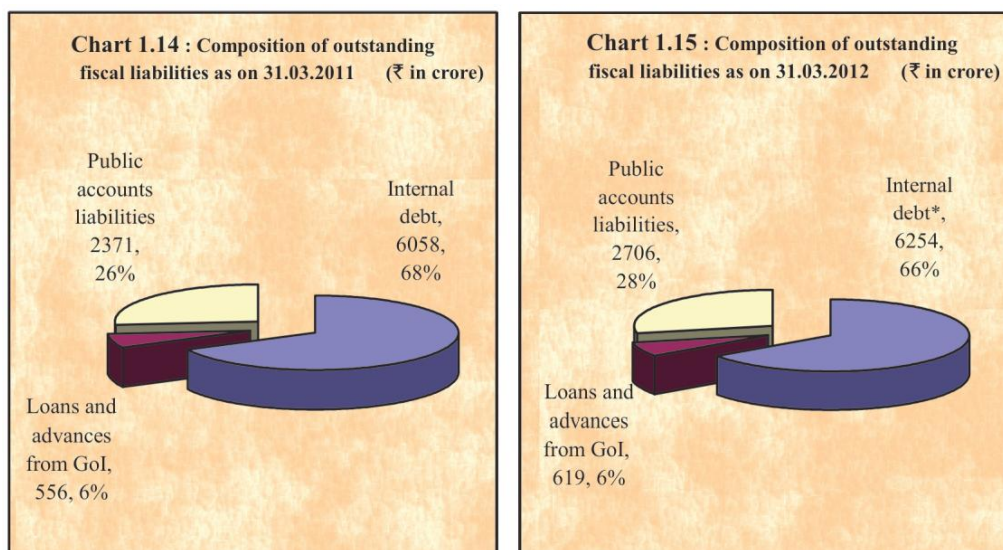
1.10 Assets and Liabilities

1.10.1 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 2012, compared with the corresponding position as on 31 March 2011. 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.

1.10.2 Fiscal liabilities

The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Charts 1.14** and **1.15**.



(Source: Finance Accounts)

*refer note below Table 1.1 and paragraph 1.5.1

Table 1.22 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 1.22: Fiscal liabilities – basic parameters

	2007-08	2008-09	2009-10	2010-11	2011-12
Fiscal Liabilities (₹ in crore)	6289	7058	8075	8985	9579 [#]
Rate of Growth (per cent)	10.44	12.22	14.40	11.26	6.61
Ratio of Fiscal Liabilities to					
GSDP (per cent)*	32.50	31.56	27.72	27.59	21.54
Revenue Receipts (per cent)	213.62	200.05	196.95	165.10	165.69
Own Resources (per cent)	462.76	416.64	458.28	419.85	375.49
Buoyancy of Fiscal Liabilities with reference to :					
GSDP (ratio)	0.597	0.785	0.476	0.954	0.180
Revenue Receipts (ratio)	0.816	0.616	0.888	0.344	1.061
Own Resources (ratio)	2.015	0.496	3.589	0.526	0.343

* Corrected GSDP figures as intimated by Government of Goa for 2009-10 and 2010-11 adopted

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 13.07 *per cent* during the period 2007-12. 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 and 14.40 *per cent* respectively. Thereafter, the growth rate decreased from 11.26 *per cent* in 2010-11 to 6.61 *per cent* in 2011-12.

Of the total fiscal liabilities, the share of public debt was maximum (72 *per cent*), followed by small savings, provident fund¹¹ *etc.* (15 *per cent*), deposits¹² (11 *per cent*) and reserve funds (2 *per cent*). Fiscal liabilities increased by ₹ 594 crore from ₹ 8,985 crore in 2010-11 to ₹ 9,579 crore in 2011-12, mainly due to increase in Public Debt (₹ 258 crore), Small Savings and Provident Funds (₹ 171 crore), Deposits (₹ 157 crore) and Reserve Funds (₹ 7 crore). The buoyancy of fiscal liabilities with respect to GSDP during 2011-12 was 0.180, indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 0.180 *per cent*.

It is important to note that market loan of ₹ 300 crore raised by the Government during 2011-12 was not booked to the proper head (6003-Internal debt of the State) in the Finance Accounts until 31 March 2012. The amount was lying in the 8658-Suspense account. Had the actual figure of internal debt (₹ 6,553 crore) of the State been taken in the Finance Accounts, the fiscal liabilities of the State would have been rightly depicted at ₹ 9,879 crore. Consequently, the growth rate *per cent* of fiscal liabilities during 2011-12 would have shot up to 9.94 *per cent* from 6.61 *per cent* and the debt to GSDP ratio from 21.54 *per cent* to

¹¹ 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

¹² 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

22.21 *per cent*. However, the debt to GSDP ratio (22.21 *per cent*) was still lower than the projections made in XIII FC (31.90 *per cent*). These liabilities were around 1.7 times the revenue receipts and four times the State's own resources at the end of 2011-12.

1.10.3 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'. There were three reserve funds earmarked for specific purposes, are shown in the **Table 1.23**.

Table 1.23: Reserve funds

(₹ in crore)

Classification	Opening balance	Receipt	Payment	Closing balance
8121- State Disaster Response fund	12.49	4.67	0.61	16.55
8222- Sinking funds	250.58	35.81	--	286.39
8235- Guarantee Redemption fund	125.90	17.63	--	143.53
Total	388.97	58.11	0.61	446.47

(Source: Finance Accounts of the State)

The total accumulated balance in these funds was ₹ 446.47 crore and the investment out of this balance was ₹ 443.38 crore (99 *per cent*) as on 31 March 2012.

1.10.4 Status of guarantees – contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended.

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 1.24**.

Table 1.24: Guarantees given by the Government of Goa*(₹ in crore)*

Guarantees	2009-10	2010-11	2011-12
Maximum amount guaranteed	602.60	341.62	305.08
Outstanding amount of guarantees	147.84	170.02	173.19
Percentage of maximum amount guaranteed to total revenue receipt	14.70	6.27	5.27

(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 ₹ 173 crore during 2011-12 were well within the ceiling limit specified by the Legislature. The outstanding guarantees during 2011-12 were 0.38 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 2012 was ₹ 143.53 crore. No guarantee was invoked during 2011-12.

1.11 Debt sustainability

Apart from the magnitude of debt of the State Government, it is important to analyse 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 1.25** analyses the debt sustainability of the State according to these indicators for the period of three years beginning from 2009-10.

Table 1.25: Debt sustainability: indicators and trends

Indicators of debt sustainability	2009-10	2010-11	2011-12
Debt Stabilisation (<i>₹ in crore</i>) (Quantum Spread + Primary Deficit)	(-) 213.70	715.85	2425.25
Sufficiency of non-debt receipts (Resource Gap) (<i>₹ in crore</i>)	(-) 422.00	(-) 669.00	(-) 316.00
Net Availability of Borrowed Funds (<i>₹ in crore</i>)	261.00	260.00	(-) 111.18
Burden of Interest Payments(IP/RR Ratio) (in <i>per cent</i>)	0.14	0.11	0.12

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 1.25 reveals that the sum of quantum spread and primary deficit since 2010-11 was positive indicating the tendency towards debt stabilisation which would eventually improve the debt sustainability position of the State in ensuing years.

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. **Table 1.25** reveals that the resource gap was negative during the period 2009-12, indicating the continuing risk of non-sustainability of debt.

During the year 2011-12, despite positive indicators in terms of debt stabilisation, the negative resource gap (*₹* 316 crore) was a matter of concern. This was a result of insufficiency of the incremental non-debt receipt (*₹* 340 crore) to meet the incremental primary expenditure (*₹* 601 crore) and incremental interest payments (*₹* 55 crore). Thus, the State needs to step up its resource mobilisation as well as 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 1.25 reveals that the net availability of borrowed funds decreased from ₹ 261 crore in 2009-10 to ₹ 260 crore in 2010-11, however, it showed a negative figure (₹ 111.18 crore) during 2011-12.

During 2011-12, Government raised internal debt of ₹ 323.61 crore, GoI loans of ₹ 212.90 crore and other obligations of ₹ 715.58 crore. It also repaid internal debt of ₹ 127.96 crore, GoI loans of ₹ 150.33 crore and discharged other obligations of ₹ 379.82 crore and paid interest of ₹ 705.16 crore resulting in net decrease in debt receipts by ₹ 111.18 crore during the year.

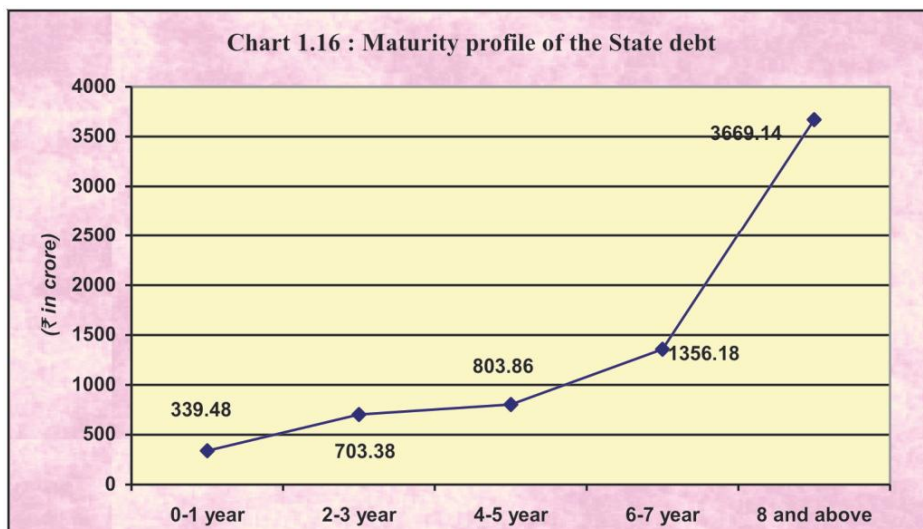
As discussed in paragraph 1.5.1, an understatement of ₹ 300 crore in Public debt receipts, if correctly depicted in the Finance Accounts, would have showed a positive figure of ₹ 188.82 crore as net availability of borrowed funds, instead of a negative figure of ₹ 111.18 crore.

Table 1.26: Maturity profile of State debt

(₹ in crore)

Maturity Profile (in years)	Amount	Per cent
0 – 1	339.48	4.94
2 – 3	703.38	10.23
4 – 5	803.86	11.70
6 – 7	1356.18	19.74
8 and above	3519.65	51.21
Loans pertaining to Ex-Union Territory	149.49	2.18
Total	6872.04	100.00

(Source: Finance Accounts of the State)



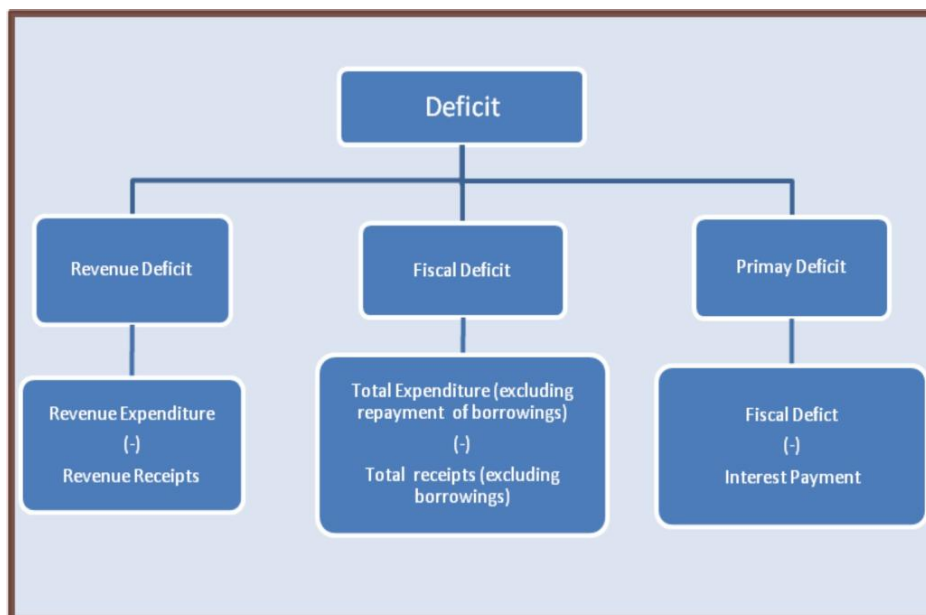
(Source : Finance Accounts of the State)

The maturity of the State debt as per **Table 1.26** and **Chart 1.16** indicates that nearly 26.87 *per cent* of the total State debt is repayable within the next five years while the remaining 73.13 *per cent* is payable in more than five years. It further indicates that the liability of the State to repay the debt would be ₹ 803.86 crore during the period 2015-17 and ₹ 1,356.18 crore during 2017-19 which would put a strain on the Government budget during that period. The State may have to borrow further to repay those loans.

1.12 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 1.17** gives an indication of the various kinds of deficits that occur if the Government borrows excessively to balance the budget.

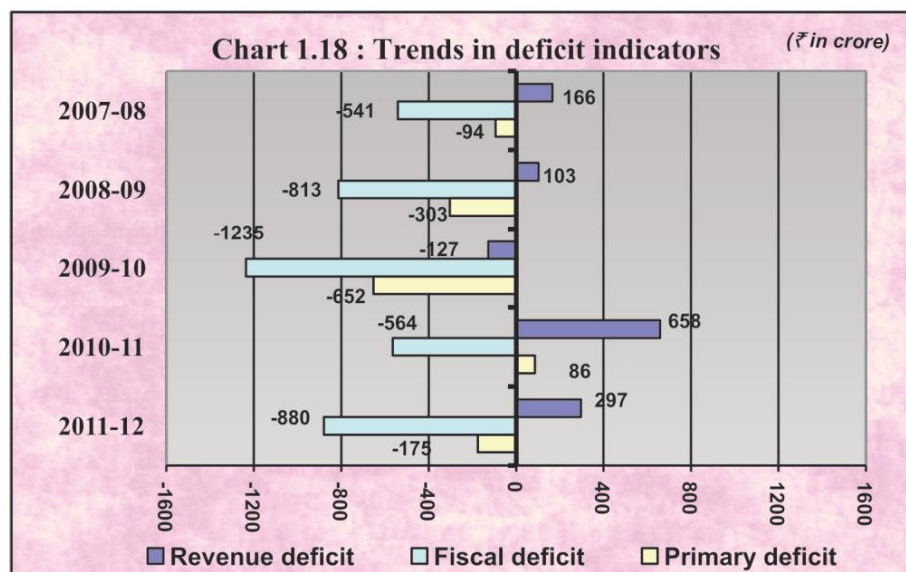
Chart 1.17: Type of deficits



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.

1.12.1 Trends in deficits

Charts 1.18 and 1.19 present the trends in deficit indicators over the period 2007-12.

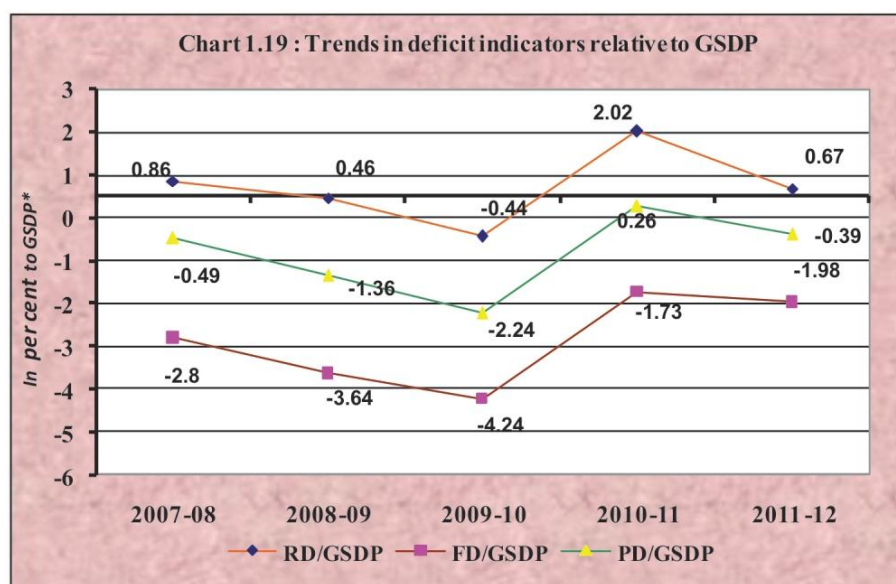


(Source: Finance Accounts of the State)

The revenue surplus of ₹ 166 crore in 2007-08 had decreased to ₹ 103 crore during 2008-09. Gradually, the revenue surplus turned into revenue deficit of ₹ 127 crore in 2009-10, mainly due to a sharp increase in revenue expenditure by 23 *per cent* as against an increase in revenue receipts of only 16 *per cent*. However, during 2010-11, the revenue deficit took a turnaround and turned into revenue surplus of ₹ 658 crore. During the 2011-12 the revenue surplus reduced to ₹ 297 crore mainly due to a sharp decrease in growth rate of revenue receipts (6.22 *per cent*) and increase in revenue expenditure (14.63 *per cent*) over the previous year.

The fiscal deficit of ₹ 564 crore during 2010-11 increased to ₹ 880 crore mainly because revenue surplus decreased by ₹ 361 crore over the previous year followed with decrease in net loans and advances disbursed (₹ 7 crore) and net capital expenditure (₹ 37 crore).

The primary deficit increased from ₹ 94 crore to ₹ 652 crore during the period 2007-10. However, it took a turnaround and 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, due to increase in fiscal deficit (₹ 316 crore) and increase in interest payments (₹ 55 crore) during the year.



* figures in 2009-10 and 2010-11 changed due to corrections

1.12.2 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 pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 1.27**.

Table 1.27: Components of fiscal deficit and its financing pattern

		(₹ in crore)				
	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
	Decomposition of Fiscal Deficit (a)	541	813	1235	564	880
1	Revenue Deficit/Surplus	(+) 166	(+) 103	(-) 127	(+) 658	(+) 297
2	Net Capital Expenditure	688	897	1084	1221	1184
3	Net Loans and Advances	19	19	24	01	(-) 7
	Financing Pattern of Fiscal Deficit*					
1	Market Borrowings	369	404	517	211	151 ^s
2	Loans from GoI	74	5	(-) 160	1	62
3	Loans from Financial Institutions	(-) 7	87	97	325	45
4	Ways and Means	-	-	-	--	--
5	Small Savings, PF etc.	89	166	252	155	171
6	Deposits and Advances	69	106	137	170	157
7	Suspense and Miscellaneous	90	(-) 37	91	--	101 ^s
8	Remittances	51	-	71	5	(-) 4
9	Reserve Fund	35	148	155	128	67
10	Contingency Fund	-	-	(-) 3	3	--
11	Total (1 to 10) (b)	770	879	1157	998	750
12	Increase(+)/Decrease(-) in cash balance (a) - (b)	(-) 229	(-) 66	(+) 78	(-) 434	(+) 130
13	Overall Deficit	541	813	1235	564	880

(Source: Finance Accounts of the State)

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

^s see note below table 1.1 and para 1.5.1

The fiscal deficit increased by ₹ 316 crore during 2011-12 mainly on account of its own borrowings. The fiscal deficit (₹ 880 crore) increased as compared to the previous year and constituted 1.97 *per cent* of GSDP, which was within the limit of three *per cent* projected by the XIII FC.

The net capital expenditure as a percentage of the fiscal deficit decreased from 216 *per cent* during 2010-11 to 135 *per cent* in 2011-12.

During the year 2010-11, the fiscal deficit was mainly financed by market borrowings, deposits and advances and Loans from financial institutions whereas during 2011-12, the fiscal deficit was mainly met from small savings, market borrowings and deposits. As could be seen from **Table 1.28** during the period 2011-12, there was an overall increase in cash balance after financing the fiscal deficit.

Table 1.28: Receipts and disbursements under components financing the fiscal deficit during 2011-12

(₹ in crore)

Particulars		Receipts	Disbursements	Net
1	Market Borrowings	250	99	151 ^s
2	Loans from GoI	212	150	62
4	Loans from Financial Institutions	74	29	45
5	Small Savings, PF <i>etc</i>	320	149	171
6	Deposits and Advances	293	136	157
7	Suspense and Miscellaneous	3630	3529	101 ^s
8	Remittances	3193	3197	(-) 4
9	Reserve Funds	112	45	67
10	Contingency Fund	--	--	--
11	Appropriation to/from Contingency Fund	--	--	--
12	Total (1 to 11) (b)	8085	7334	750
13	Increase(+)/Decrease (-) in Cash Balance (a)–(b)			(+)130
14	Overall deficit (12+13)			880

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

1.12.3 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 1.29** 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 1.29: Primary deficit/surplus – bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary revenue deficit(-)/surplus(+)	Primary deficit (-)/surplus (+)
1	2	3	4	5	6(3+4+5)	7(2-3)	8(2-6)
2007-08	2950	2331	688	25	3044	619	(-) 94
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

(Source: Finance Accounts of the State)

As could be seen from the table above, the primary surplus (₹ 86 crore) in 2010-11 turned to primary deficit (₹ 175 crore) during 2011-12. During the period 2007-12, non-debt receipts of the State were enough to meet the primary revenue expenditure requirements in the revenue account. However, except for the period 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 expenditure¹³ increased from 22.60 *per cent* during 2007-08 to 23.35 *per cent* during 2008-09. However, it came down to 19.82 *per cent* during 2011-12.

1.13 Conclusion

Pattern of receipt and expenditure

The revenue receipts increased during the year by 6.22 *per cent* over the previous year due to increase in tax revenue (19.20 *per cent*), non-tax revenue (1.98 *per cent*) and Central tax transfers (16.60 *per cent*). The tax revenue of the Government as percentage of GSDP (5.73 *per cent*) was much below the normative assessment of XIII FC (8.15 *per cent*). The

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

growth rate of the States' own taxes (19.26 *per cent*) was also lower than the growth rate of GSDP of the State (36.53 *per cent*) (**Paragraph 1.6**).

The revenue expenditure increased by 14.63 *per cent* over the previous year and constituted 82.13 *per cent* of the total expenditure during 2011-12. Non-Plan Revenue Expenditure (NPRE) during the year constituted 79.75 *per cent* of the revenue expenditure. The NPRE as a percentage of GSDP (9.83 *per cent*) was higher than the normative assessment of XIII FC (7.99 *per cent*). The Plan revenue expenditure and NPRE in 2011-12 increased by 19.74 *per cent* and 13.40 *per cent* respectively over the previous year (**Paragraph 1.7.1**).

Expenditure under subsidies in 2011-12 increased by 42 *per cent* over the previous year and constituted two *per cent* of revenue expenditure (**Paragraph 1.7.1**).

Capital expenditure, which constituted 17.73 *per cent* of the total expenditure, decreased during 2011-12 by 3.04 *per cent* (₹ 37 crore) over the previous year (**Para 1.7.1**).

The expenditure of ₹ 1,336.57 crore on salaries and wages (including the grants-in-aid component) contributed to 23.12 *per cent* of the total revenue receipts. The Pension payments during 2011-12 (₹ 410.30) was less than the normative assessments made in the budget estimates by ₹ 89.70 crore (**Paragraph 1.7.2**).

Financial assistance to local bodies and other institutions (₹ 835.79 crore) constituted 15.24 *per cent* of the revenue expenditure during 2011-12 (**Paragraph 1.7.3.3**).

Deficits

The significant gap between the growth rate of revenue receipts (6.22 *per cent*) and revenue expenditure (14.63 *per cent*) over the previous year brought down the revenue surplus to ₹ 297 crore during 2011-12. The fiscal deficit (₹ 880 crore) increased as compared to the previous year and constituted 1.97 *per cent* of GSDP, which was within the limit (three *per cent*) projected by the XIII FC. The primary surplus in 2010-11 turned to primary deficit in 2011-12 (**Paragraph 1.12**).

Debt management

During 2011-12, the Government of Goa raised market loan of ₹ 550 crore, out of which only ₹ 250 crore was reflected in Finance Accounts. The balance amount of ₹ 300 crore was lying in the Suspense Account. This led to (a) understatement of Public Debt and overstatement of Suspense Account; (b) understatement of liabilities; and (c) understatement of the net availability of borrowed funds by ₹ 188.82 crore (**Paragraphs 1.5.1, 1.10. and 1.11**).

The fiscal liabilities (₹ 9,879 crore) increased over the previous year. The fiscal liabilities to GSDP ratio at 22.21 *per cent* was lower than the norm of 31.90 *per cent* recommended by the XIII FC. These liabilities were

around 1.7 times the revenue receipts and four times the State's own resources (**Paragraph 1.10.2**).

The emergence of a positive sum of quantum spread and primary deficit since 2010-11 indicated the tendency towards debt stabilisation. However, the negative resource gap in the State during 2011-12 was a result of insufficiency of the incremental non-debt receipt to meet the incremental primary expenditure and incremental interest payments (**Paragraph 1.11**)

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 0.36 *per cent* in the past five years while the Government paid an average interest of 7.46 *per cent* to 7.79 *per cent* on its borrowings (**Paragraph 1.9.3**)

Prudent cash management

Cash balances of the State at the close of the year 2011-12 (₹ 1,018 crore) decreased by 11.23 *per cent* over 2010-11. The cost of holding surplus cash balances was high. In 2011-12, the interest received on investment of cash balances in 'RBI Investment in Treasury Bills' was only 3.45 *per cent* while the Government borrowed at an average rate of 7.59 *per cent* (**Paragraph 1.9.6**).

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

GoI directly transferred ₹ 422.23 crore to the State implementing agencies during 2011-12. As such, these funds were not reflected in the State budget, thus, ran the risk of improper utilisation by the implementing agencies (**Paragraph 1.5.2**).

1.14 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 strengthen its internal control mechanism and ensure that correct accounting procedures are diligently followed.
- 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.