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PAPER TITLE

West Bengal Public Finances:
An Analytical Perspective

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WP NO 7

CENTRE FOR TRAINING AND RESEARCH IN PUBLIC FINANCE AND POLICY
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West Bengal Public Finances: An Analytical Perspective

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Abstract

The dismal state of government finance of West Bengal is frequently being highlighted by the media in the last couple of years. This report looks into the actual state of finances of the West Bengal Government over the last decade - according to the media reports which is 'precarious' - from a purely 'statistical view point'.

Keywords: Revenue Account, Capital Account, Fiscal Performance, Resource Gap

JEL Classification: E6, H0, H5, H6, H7

1. Introduction

It is reported that West Bengal government's finances are the worst among five highly-indebted states of India. The total debt burden of West Bengal is close to rupees two lakh crores implying that the debt burden of every citizen of the state is more than twenty thousand rupees (The Times of India, May 30, 2011) which indeed is an alarming figure. The Revenue deficit of the state is the highest among the five highly-indebted states of Uttar Pradesh, Maharashtra, West Bengal, Andhra Pradesh and Gujarat. For the year 2009-10, revenue deficit (difference between revenue earnings and revenue expenditure) of the state stood at a staggering Rs 17,940 crore as compared to Rs 7,123 crore for Maharashtra. According to a report published in Business Line (July 12,

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2011), “there is little doubt that West Bengal is reeling under huge debt burden, to the extent that its annual interest payment is greater than the development expenditure”. Datta (2010) in fact points out that not only has West Bengal performed poorly in most parameters compared to the bigger states, its performance in this area is even worse than the so-called backward states. That West Bengal government is on the bankruptcy is well pointed out by these statistics. As such, it is not unusual for one to want to go deeper into the state of public finances of the nation’s fourth most populous states in order to see how different indices of state finances have fared over the last ten years or so as to get a clearer picture of the actual plight of government finances. This paper essentially is motivated by this need and tries to analyze the behaviour of various macro-economic indicators in context of state finances so as to provide a some what candid exposition of West Bengal in terms of state finances.

The paper proceeds as follows: section 2 outlines the basic structure of state budgets defining important concepts related to revenue account and capital account as well as highlights the indicators used to measure fiscal performance and resource gap of state governments in general. Section 3 analyzes the trend of West Bengal government’s finances based on select indicators of public finance. Section 4 concludes giving some policy implications.

2. Public Finances: Some basic ideas

2.1 Structure of State budgets

Before exploring the trends of government finance of West Bengal over the last decade, one must concisely discuss about the basic structure of the state budget from which different components are used in our analysis. To this end, we begin by highlighting the major heads of the state budget in accordance to Reserve Bank of India’s guidelines.

Any budget, whether state or federal, is broadly split into two components or what one may call two parallel accounts, namely, the Revenue Account and the Capital Account. We begin by briefly discussing the components of each of these accounts.

2.1.1 Revenue Account

Revenue receipts broadly consist of tax receipts and non-tax receipts. Total tax revenue consists of state's own tax revenue and the part of central tax receipts that is shared by the states. Non-tax revenue, similarly, comprises of state's own non-tax revenue and grants from the centre that are received by the state. The pool of state's own tax revenue is formed primarily through three broad sources, namely, taxes on income, taxes on property and capital and taxes on commodity and services. Each of these categories can be classified further. Taxes on income is the sum total of agricultural income tax and taxes on professionals, trades, callings and employment. Taxes on property and capital transaction include land revenue, stamps and registration fees and urban property tax. Taxes on commodities and services – which forms the maximum proportion of total tax receipts – comprises mainly of Sales tax (the major components of which are State Sales Tax and Central Sales Tax), State Excise duties, taxes on vehicles, taxes on goods and passengers, electricity duties, entertainment tax and other miscellaneous tax items. Apart from state's own tax revenue earnings, the state also has a fixed share of central tax receipts as decided by the Union Finance Commissions from time to time. The items of central tax in which the state has a claim include: corporation tax, income tax, estate duty, wealth tax, other taxes on income and expenditure, union customs duties, union excise duties and service tax. Strictly speaking, the economic performance of the state, particularly in the fiscal front, can be adjudged only on the basis of state's own tax revenue because of the fact that it is on this component that the state itself has the full control upon and as such it serves as an indicator of the "tax effort" of the state. State's own non-tax revenue, like own tax revenue, can also be further classified into six major heads: interest receipts, dividends and profits, earnings from general services, earnings from social services (education, sports, art, public welfare, urban development etc.), earnings from fiscal services and earnings from economic services (crop husbandry, animal husbandry, fisheries, forestry and wildlife, plantations, major and minor irrigation projects etc). And lastly, grants from centre basically comprise of grants on account of Central Plan Scheme, State Plan Schemes, Special plan schemes, centrally sponsored schemes as well as non-plan grants. Revenue Expenditure, on the other hand, comprises of three major categories: development expenditure, non-development expenditure (majority of which is "committed" or fixed in nature) and grants in aid and contributions made by the state government. Expenditure on development activities essentially includes expenditure on social services as well as economic services. Non-development expenditure mainly comprise of expenditure on account of wages and salaries of

government employees, pensions and interest payments on public debt. The latter being an expenditure of fixed nature cannot be adjusted spontaneously by the government in response to economic crisis and as such it is the development expenditure which tends to fluctuate at such times hampering the overall level of development of the state.

2.1.2 Capital Account

Total Capital receipts consist of the following major categories: external debt, internal debt, loans and advances from the centre, recovery of loans and advances, inter-state settlement, contingency fund, small savings and provident funds, reserve funds, deposits and advances, suspense and other miscellaneous items like deposits with RBI, appropriation to contingency fund, other miscellaneous capital receipts, and remittances. Total capital disbursements on the other hand is the sum total of the following items: Total Capital outlay (development and non-development capital expenditure), discharge of internal debt, repayment of loans to the centre on account of various loans and grants received towards central plan schemes, state plan schemes, centrally sponsored schemes etc, loans and advances by the state governments, inter-state settlements, contingency funds, small savings and provident funds, reserve funds, deposits and advances, suspense and other miscellaneous items.

2.2 Indicators of Fiscal Performance

To analyze the trend and current scenario of government finances of the country one must first identify a parsimonious set of fiscal indicators which would aptly reflect the condition of finances of the state. On a gross level, to understand the total receipts of the state one might use the indices like Total revenue receipts and total capital receipts as a proportion of Net State Domestic Product (NSDP). A more micro level analysis however would call for performance of different components of, especially, the revenue receipts as a percentage of NSDP, like movement of total tax revenue, own tax revenue, non-tax revenue etc. The yearly fluctuation as well as the comparative position of the state in terms of revenue receivables can be analyzed using these indices. On the expenditure side, apart from looking at the NSDP-share of revenue and capital expenditure, the nature of committed expenditure can be analyzed by observing the behaviour of Non-Development expenditure/ NSDP and consequently how infrastructural and development expenditure is affected by taking the ratio of Development expenditure/NSDP. A

further micro-level exploration would call for computation of indices of social sector expenditure, expenditure on wages and salaries and expenditure towards interest payments on public debt as percentage shares of NSDP. We essentially use all these indices (and even some more) in the next section for our analysis.

2.3 Measures of Resource Gap

According to the Reserve Bank of India, there is no single criterion to measure the resource gap in the Government finances. In the context of Indian public finance, the traditional approach while measuring the resource gap takes into consideration revenue account gap, capital account gap and overall gap. Of late, researchers have also used two other measures of resource gap, namely, gross fiscal deficit (GFD) and a variant of GFD viz, primary deficit which reflects the current operations of the Government finances. As such, in this study we frequently use all these concepts to analyze the resource gap of state finance of West Bengal. The precise definitions of these concepts are given below.

- Revenue Deficit (RD) = Revenue Receipts – Revenue Expenditure
- Capital Account Deficit (CAD) = Capital Receipts – Capital Disbursements
- Conventional Deficit = RD + CAD
- Gross Fiscal Deficit (GFD) = Revenue Expenditure + [Capital Disbursements – (Discharge of Internal Debt) + Repayment of Loans to Centre + Recoveries of Loans and Advances] – Revenue Receipts
- Gross Primary Deficit (GPD) = GFD – Interest payments

3. Exploring trends in Public Finance of West Bengal

3.1 Receipts

We begin by highlighting some features of the revenue account of the state as it stands today. Total revenue receipts (Table 1) remained constant between 2000 and 2002 (with a slight decline in revenue receipts in 2002); however, since 2003, revenue receipts have grown to more than Rs. 47,000 crores according to budget estimates of 2010. However, the growth rate of total revenue receipts have not remained constant throughout with growth rates fluctuating between 8 and 20 percent. As mentioned earlier, two major components of total revenue receipts are tax receipts

and non-tax receipts (Table 2). The ratio of tax receipts to non-tax receipts was around 2.3 in 2000 which registered a steady increase till 2004 (4.5) before decline sharply to 2.5 in 2005 and again increasing to more than 3 in 2006. However, the ratio dropped again to 2.3 during the global crisis period. The growth rate of tax revenue has also experienced major fluctuations over the last decade. The rate of growth of tax revenue was remarkably high (around 20 percent) in the pre-crisis period; there was a sharp decline in 2008 and thereafter growth rate of tax revenue has increased steadily to around 23 percent in 2010. Non-tax revenue has also experienced similar fluctuations in growth rate with at times the absolute level of non-tax revenue actually falling below that of the previous period. In 2001, non-tax revenue had fallen compared to 2000 by almost 15 percent. Year 2005 and 2008 were two significant fiscal years in which growth rate of non-tax revenue was more than 70 percent. In 2009, non-tax revenue fell in absolute terms before rising significantly again in 2010.

What about state's own tax and own non-tax revenue? State's own tax revenue has increased steadily between 2000 and 2010 (Table 3) from Rs. 6,000 crore to Rs. 20,000 crore. However, state's own non-tax revenue unlike state's own tax revenue seems to have fluctuated quite a bit. Years 2001 and 2002 should quite low state's own non-tax revenue. It remained around Rs. 1,500 crore between 2004 and 2007 before hitting Rs 5,000 crore mark in 2008 and again dropping to around Rs 3,000 crore in 2009 and 2010 (Table 4). State's share in central taxes, like state's own tax revenue, has also registered a steady increase during our analysis period (Table 3). However, Grants received from Centre seems to have fluctuated – initially falling and then registering a continuous increase since 2005 (Table 4).

Movement of total receipts as a percentage share of Net State domestic product (NSDP) is shown in figure 4. It is observed that this figure has remained between 50 to 60 percent between 2005 and 2009 with exception of 2006 when the ratio was actually around 80 percent. State's own tax revenue as a percentage of NSDP was highest in 2004 at around 5.2 percent and thereafter it has registered a steady decline and currently it is around 4.6 percent (Figure 6). Break up of state's own tax revenue shows that ratio of total sales tax to NSDP has remained consistently at the highest level (around 3 percent) whereas total income tax as a percentage of NSDP has remained at the lowest level between 2000 and 2009 (Figure 7). Non-tax revenue as a percentage of NSDP

has shown considerable fluctuations throughout reaching the highest level (3.6 percent) in 2008 (Figure 5).

3.2 Expenditure

Total Revenue expenditure, according to budget estimates of 2010, currently stand at about Rs. 64,000 Crores. The figure was around Rs. 22,000 crores in 2000 and has increased steadily since then (Table 1). Two major components of revenue expenditure are development expenditure and non-development expenditure. According 2010 budget estimates development expenditure stands around Rs. 47,000 crore while non-development expenditure stands around Rs. 27,000 crore (Table 6). However, it is observed that while non-development expenditure has increased steadily at an average growth rate of 11.32 percent throughout our analysis period (although budget estimates of 2010 show non-development expenditure is expected to fall), development expenditure was initially falling till 2002, before starting to increase in 2003. The average per annum growth rate of development expenditure has been around 11.73 percent. The ratio of development to non-development expenditure was higher than 1 for most of the years with 2002 and 2004 being two unusual years when development expenditure fell short of non-development expenditure in absolute terms. Since 2005 this ratio has been increasing markedly. The current share of development expenditure to total revenue expenditure is around 35 percent according to 2010 budget estimates and that of non-development expenditure is around 22 percent. Figures for year 2000 for these categories were 32 percent and 20 percent respectively. It is also found that variation in share of development expenditure in total revenue expenditure is relatively higher compared to non-development expenditure.

Figures 8 and 9 show movement of total revenue expenditure as a percentage of NSDP and movement of development and non-development expenditure as percentages of NSDP respectively. Figure 8 shows that total revenue expenditure as a proportion of NSDP has remained more or less constant between 2005 and 2009 at a level of slightly more than 15 percent. Figure 9 shows that development expenditure as a proportion of NSDP declined till 2002, thereafter it remained almost constant at a level of 8 percent till 2006-07 before registering an increasing trend from 2007 onwards. Non-development expenditure as a proportion of NSDP however has showed comparatively less fluctuations, it remaining within the band of 6.5 and 8

percent through 2000 and 2009. It is expected, as a major portion of non-development expenditure is “committed” in nature.

We now come to the analysis of the break-up of the non-development expenditure (Table 7) so as to understand the structure of committed expenditure of West Bengal. Throughout our analysis period, interest on outstanding public debt, administrative expenses and pensions have accounted to almost 95 percent of non-development expenditure. The ratio of interest (interest on loans from centre, interest on internal debt, interest on small savings and provident fund etc.), administrative expenses and pension to total revenue receipts seems to exhibit a declining trend. This ratio was around 82 percent 2002 but has fallen to almost 51 percent in 2010. Figure 10 shows the movement of the ratio of aggregate non-development expenditure (of which interest, administrative expenses and pensions have been analyzed separately) to total revenue receipts.

For analyzing the trends of development and non-development expenditure in more details we focus on the movement of social expenditure (including expenditure on social services, rural development and food storage and warehousing under revenue expenditure, capital outlay and loans and advances by the State Government) and expenditure on wages and salaries as two representative-indices of the two categories (Table 8 and 9). Social Sector expenditure has registered an increasing trend since 2003-04. The average growth rate of social sector expenditure has been around 14 percent. Expenditure on wages and salaries also shows an increasing trend since 2002-03 and has consistently accounted for more than 30 percent (with the exception of 2008-09) of total revenue expenditure. The average growth rate of expenditure on wages and salaries has been approximately 10 percent. The ratio of social sector expenditure to expenditure on wages and salaries has been over one for all years other than years 2002, 2003 and 2004 during which social sector expenditure actually fell short of expenditure on wages and salaries. For all other years, the ratio has varied between 1 and 1.4. Figure 9 shows the movement of Social Sector expenditure and Expenditure on wages and salaries as percentages of NSDP. It is observed that social sector expenditure as proportion of NSDP was lower than wages and salaries for years 2002 and 2003 and was almost equal in 2004. Thereafter, West Bengal government has managed to keep level of social expenditure higher compared to wages and salaries and the difference between the two has shown an increasing trend over the years.

One interesting statistic that one might want to look at this juncture may be the following: at a glance what is share of revenue receipts that is used to pay wages and salaries and interest receipts and what is the amount that remains for development expenditure? Table 10 precisely answers this question. The ratio in question has remained consistently above 75 percent since 2005 reaching 87 percent in 2009. This means, on an average, for every rupee earned as revenue, 80 paise is used up in repaying interest on public debt and paying wages and salaries. Which means, roughly, 20 paise is left for meeting development and other expenditures.

What about investment expenditure of the state government? Denoted as capital outlay, investment towards capital items has been less than 1 percent of NSDP for almost all the years between 2000 and 2009. The lowest capital outlay as a percentage of NSDP recorded over this period was 0.4 percent in 2003 and according to 2009-10 revised estimates it stands at a level of slightly more than 1 percent.

3.3 Resource Gap

Table 13 shows various indices of resource gaps which are often used to understand the actual state of government finances viz., gross fiscal deficit, revenue deficit, conventional deficit and primary deficit. The gross fiscal deficit of West Bengal currently stands around Rs. 22,000 crore as per budget estimates of 2010. The corresponding figure for revenue deficit is approximately around Rs. 16, 500 crore. Conventional deficit, which is the sum of revenue and capital account deficit, however, seems to be negative, essentially meaning that West Bengal has registered a conventional surplus according to 2010 budget estimates with the surplus being more than Rs. 400 crore (which also is indicative of West Bengal having a capital account surplus). Gross primary deficit currently is above Rs. 8,000 crores.

How have these figures behaved over time? Average growth rates of both gross fiscal deficit and revenue deficit have been around 18 percent between 2005 and 2010. One point worth mentioning is that between 2008 and 2009, gross fiscal deficit more than doubled (from Rs 13,000 crore to Rs 27,000 crore); also revenue deficit increased considerably by around Rs. 9,000 crore in a year's time during the same time period. Figure 10 complements table 13 to

show how two primary indicators of resource gap have moved with respect to NSDP. It is observed that till 2007 both gross fiscal deficit and revenue deficit as proportions of NSDP showed a somewhat declining trend, reaching the lowest level of 4 percent and 3 percent respectively in 2007. However, ever since then both these indicators have increased considerably (with revenue deficit as a percentage of NSDP actually being greater than gross fiscal deficit in 2008). Currently, the figures stand at around 7.5 percent and 6.5 percent respectively, which indeed is quite alarming.

4. Concluding Remarks

To briefly summarize, according to 2009-10 revised estimates, the statistical picture of West Bengal's public finance is somewhat like this: West Bengal's gross fiscal deficit as proportion of NSDP and revenue deficit as a proportion of NSDP is the highest among non-special category states according to RBI reports. Own-tax revenue as a percentage of NSDP is around 4.5 percent which is also the lowest among non-special category states. Total revenue receipts as a percentage of NSDP is close to 11 percent which is also lowest among non-special category states. Starved of resources, the state government could not do much for development (Live Mint, July 2, 2011). It exhibited dismal performance in development expenditure, which is the key for economic progress of the state. Development expenditure as a percentage of NSDP is around 10 percent and West Bengal ranks at 3 from the bottom (among non-special category states) in this category. Moreover, as we have found out, 80 percent of the revenue earnings of West Bengal are used up in meeting committed expenditures like wages and salaries of government employees and interest payments on outstanding public debt. The lack of resources also led to a lack of investment (particularly in capacity building) by the state government throughout the last decade. West Bengal government's capital outlay was slightly more than a mere 1 percent of NSDP in 2009-10. Bhandari and Debroy (2009) have discussed problems of infrastructural underdevelopment of the state in details. Coming to the question of public debt, West Bengal's debt-to-income ratio in 2009-10 was 42.8 percent, while corresponding figures for Karnataka and Tamil Nadu were 24 percent and 25 percent respectively (The Financial Express, May 20, 2011). Highlighting such a dire state of finances of government of West Bengal, Union Finance Minister Pranab Mukherjee has recently mentioned that West Bengal could be heading towards a debt trap by 2014.

How can this situation be improved? In the following lines, this report tries to highlight a few issues which demands careful attention of the state government. Needless to say, the issues that we discuss below are merely indicative. We make no attempt to provide an exhaustive policy prescription for improving West Bengal's fiscal health.

West Bengal Government's revenue collection needs to be improved considerably. Tax departments must be modernised, leveraging tools of information and technology to improve tax compliance and reduce tax leakages. Abhirup Sarkar (Rediff.com, 2010) is of the opinion that low tax revenue figures (especially state sales tax) of West Bengal despite it being the state through which entire trade in the north-eastern region is routed clearly shows that corruption is rampant in collection of state sales tax. That introduction of Value Added Tax (VAT) did not bring buoyancy in revenue collection also bears testimony of this fact. As such, the state government needs to devise a tax mechanism which would reduce the corruption associated with tax collection to the minimum level if not eliminate it altogether. The proposed Goods and Services Tax (GST) that is supposed to replace VAT in 2012 also needs careful scrutiny in this context; particularly the question whether GST would be able to bring the much desired buoyancy in tax collection of West Bengal is an issue which needs much attention. Another issue that must be highlighted in this context is that policy makers have throughout ignored that formal sector (the sector which is taxed) has declined completely in the last two decades and has added to the grim state of public finances of the state. Revival of the formal sector and also devising appropriate mechanism to tax agriculture - which is the prime occupation of the majority of people of the state - is utmost important in improving the collection of revenue receipts. Apart from these, two obvious measures which must be mentioned are: one, state government should improve efficiency in the working of state departments and two, it must also enthusiastically nurture and promote industrial activity with providing careful attention to questions of land acquisition and related issues, as this will increase the level of revenue collection. The role of the central government also needs to be mentioned in the context of supporting West Bengal. Given that state finances of West Bengal are almost in shambles, it is high time also for the central government and the Planning Commission to take active role in re-structuring West Bengal by providing adequate resources and financial support to state to regain its lost glory.

Appendix

Table 1: Revenue Account

(Rs. Crore)

Year	Revenue Receipts	Revenue Expenditure
2000	14,522	22,103
2001	14,538	23,394
2002	14,525	23,160
2004	19,918	28,146
2005	23,726	31,117
2006	25,828	34,161
2007	30,167	38,314
2008	36,904	51,613
2009	39,416	62,470
2010	47,572	64,014

Note: Figures of 2009 and 2010 are Revised Estimates and Budget Estimates respectively.

Source: State Finances of Reserve Bank of India and own calculation.

Table 2: Tax and Non-Tax Revenue

(Rs. Crore)

Year	Tax Revenue	Non-Tax Revenue
2000	10,153	4,369
2001	10,823	3,714
2002	11,633	2,892
2004	16,309	3,609
2005	17,057	6,669
2006	20,200	5,628
2007	23,855	6312
2008	25,741	11,163
2009	28,567	10,850
2010	35,214	12,359

Note: Figures of 2009 and 2010 are Revised Estimates and Budget Estimates respectively.

Source: State Finances of Reserve Bank of India and own calculation.

Table 3: Major Heads of Tax Revenue

(Rs. Crore)

Year	Share in Central Taxes	State's Own Tax Revenue
2000	4,236	5,917
2001	4,318	6,505
2002	4,586	7,046
2004	6,385	9,924
2005	6,669	10,388
2006	8,505	11,695
2007	10,729	13,126
2008	11,322	14,419
2009	11,650	16,917
2010	15,206	20,008

Note: Figures of 2009 and 2010 are Revised Estimates and Budget Estimates respectively.

Source: State Finances of Reserve Bank of India and own calculation.

Table 4: Major Heads of Non-Tax Revenue

(Rs. Crore)

Year	Grants from Centre	State's Own Non Tax Revenue
2000	3154.5	1214.5
2001	2,938.70	775.9
2002	2,238.00	654.3
2004	2,263.00	1,346
2005	5,650.00	1,019
2006	4,379.00	1,249
2007	4,839.00	1,473
2008	6,197.00	4,966
2009	7,677.00	3,173
2010	8,841.00	3,518

Note: Figures of 2009 and 2010 are Revised Estimates and Budget Estimates respectively.

Source: State Finances of Reserve Bank of India and own calculation.

Table 5: Major heads of State's Own Tax Revenue

(Rs. Lakhs)

Year	Taxes on Income	Stamps and Registration fees	Total Sales Tax	State Sales Tax	Central Sales Tax	State Excise	Taxes on Vehicles	Taxes and duties on electricity	Entertainment Tax
2000	20,984	47401.00	367142.00	335035.00	29437.00	46161.00	28253.00	16019.00	4969.00
2001	21,672	55539.00	380246.00	347393.00	30266.00	51243.00	20865.00	35476.00	5028.00
2002	22,559	72041.00	419151.00	363076.00	52310.00	56685.00	24940.00	14542.00	3239.00
2004	23,908	100654.00	571630.00	505358.00	62998.00	67156.00	52766.00	26965.00	4239.00
2005	25,065	117759.00	610877.00	537884.00	71397.00	74346.00	53756.00	38246.00	4483.00
2006	26,592	125857.00	707902.00	626289.00	79920.00	81736.00	50897.00	52635.00	2841.00
2007	29,246	141696.00	806046.00	724863.00	79754.00	93547.00	53207.00	50669.00	3007.00
2008	32,511	150949.00	895509.00	812210.00	82102.00	108294.00	60801.00	58752.00	3819.00
2009	35,762	188686	1038791	942164	95,239	140783	74,178	64,627	4,801

Table 6: Major Heads of Revenue Expenditure

(Rs. Crore)

Year	Development Expenditure	Non-Development Expenditure	Grants-in-Aids and Contributions	Compensation and Assignments to local bodies and Panchayati Raj Institutions
2000	15,555	9,759	-	22,050
2001	14,953	11,296	-	26,118
2002	12,451	12,625	-	23,172
2003	14,875	14,437	-	-
2004	15,329	15,737	25,220	-
2005	17,247	16,377	33,412	-
2006	19,137	17,983	37,606	-
2007	22,698	18,935	43,103	-
2008	34,730	20,921	42,764	-
2009	37,699	28,881	44,519	-
2010	42,133	27,325	50,169	-

Note: Figures of 2009 and 2010 are Revised Estimates and Budget Estimates respectively. Source: State Finances of Reserve Bank of India and own calculation

Table 7: Break-Up of Non-Development Expenditure

(Rs. Lakhs)

	2002	2004	2005	2006	2007	2008	2009	2010
A. Organs of State	16,200	24,690	24,043	29,848	27,450	29,173	60,523	54,240
B. Fiscal Services (i to ii)	44,946	46,496	48,642	51,567	58,834	62,939	1,01,543	1,09,658
i) Collection of Taxes and Duties	42,864	44,302	46,347	49,152	56,170	60,150	97,085	1,06,327
ii) Other Fiscal Services	2,082	2,194	2,295	2,415	2,664	2,789	4,459	3,331
C. Interest Payments and Servicing of Debt (1 + 2)	7,81,047	9,76,725	9,96,876	11,17,888	11,59,356	12,74,099	13,98,352	15,21,849
1. Appropriation for Reduction or Avoidance of Debt	14,400	14,400	21,600	30,000	21,000	67,200	73,200	1,20,000
2. Interest Payments (i to iv)	7,66,647	9,62,325	9,75,276	10,87,888	11,38,356	12,06,899	13,25,152	14,01,849
i) Interest on Loans from the Centre	3,17,881	2,43,989	1,60,582	1,81,170	1,71,051	1,18,918	1,50,629	98,398
ii) Interest on Internal Debt	3,87,259	5,93,644	7,05,406	8,12,454	8,71,464	9,91,332	10,74,000	11,95,325
of which:								
(a) Interest on Market Loans	84,292	1,34,549	1,56,851	1,62,858	1,71,273	3,00,176	3,83,112	4,89,853
(b) Interest on NSSF	-	3,36,696	4,47,081	5,48,141	6,14,138	6,07,573	6,11,366	6,23,382
iii) Interest on Small Savings, Provident Funds, etc.	34,049	39,995	37,177	38,434	36,019	41,763	48,700	54,500
iv) Others	27,457	84,698	72,111	55,831	59,823	54,886	51,823	53,626
D. Administrative Services (i to v)	1,73,530	1,87,056	1,99,609	2,33,159	2,38,871	2,65,750	4,04,139	3,96,073
i) Secretariat – General Services	5,774	5,960	6,199	6,543	7,358	8,201	13,668	15,033
ii) District Administration	6,083	6,437	6,781	7,372	8,161	8,991	12,757	14,182
iii) Police	1,12,881	1,18,089	1,25,575	1,38,942	1,48,106	1,66,902	2,34,385	2,47,667
iv) Public Works	16,140	18,489	21,680	40,406	31,186	32,704	41,289	42,105
v) Others ++	32,652	38,081	39,374	39,895	44,061	48,952	1,02,040	77,087
E. Pensions	2,40,815	3,33,585	3,64,150	3,55,269	3,99,540	4,43,279	8,99,125	6,25,377
F. Miscellaneous General Services	2,266	2,475	1,451	2,397	2,607	2,303	2,837	2,720

Note: Figures of 2009 and 2010 are Revised Estimates and Budget Estimates respectively.

Source: State Finances of Reserve Bank of India and own calculation.

Table 8: Social Sector Expenditure

(Rs. Crore)

Year	Social Sector Expenditure
2000-01	9,623
2001-02	9,581
2002-03	8,463
2003-04	9,008
2004-05	9,732
2005-06	11,445
2006-07	13,142
2007-08	16,192
2008-09	19,467
2009-10	29,566
2010-11	32,531

Note: Figures of 2009 and 2010 are Revised Estimates and Budget Estimates respectively.

Source: State Finances of Reserve Bank of India and own calculation.

Table 9: Expenditure on Wages and Salaries

(Rs. Crore)

	Expenditure on Wages and Salaries	Wages and Salaries/ Revenue Expenditure
2000-01	9,600	43.4
2001-02	9,297	39.7
2002-03	9,270	40.0
2003-04	9,451	36.7
2004-05	9,801	34.8
2005-06	10,190	32.7
2006-07	10,876	31.8
2007-08	12,206	31.9
2008-09	13,769	26.7
2009-10	21,321	34.1
2010-11	23,213	36.3

Note: Figures of 2009 and 2010 are Revised Estimates and Budget Estimates respectively. *Source:* State Finances of Reserve Bank of India and own calculation.

Table 10: Expenses on wages and salaries and interest payments as percentage of revenue receipts

(Rs. Crore)

	Expenditure on Wages and Salaries	Gross Interest payment	Revenue Receipts	Expenditure on wages and interest payment as percentage of revenue receipts
2005-06	10,190	9,753	23726	84.05
2006-07	10,876	10,879	25828	84.23
2007-08	12,206	11,384	30167	78.19
2008-09	13,769	12,069	36904	70.01
2009-10	21,321	13,252	39417	87.71
2010-11	23,213	14,018	47573	78.26

Note: Figures of 2009 and 2010 are Revised Estimates and Budget Estimates respectively.

Source: State Finances of Reserve Bank of India and own calculation.

Table 11A: Capital Receipts (2000-05)

(Rs. Lakhs)

Item	2000	2001	2002	2003	2005
TOTAL CAPITAL RECEIPTS (I to XIII)	12,22,644	12,71,418	15,24,402	1,06,94,572	1,10,18,834
TOTAL CAPITAL RECEIPTS (Includes Public Accounts on a net basis)*					19,34,857
I. External Debt #					-
II. Internal Debt (1 to 8)	9,36,132	12,71,418	13,00,788	32,57,715	15,19,141
III. Loans and Advances from the Centre (1 to 6)	1,53,877	1,67,193	2,56,844	1,37,087	58,396
IV. Recovery of Loans and Advances (1 to 12)	9,324	16,795	21,336	9,103	63,133
V. Inter-State Settlement					-
VI. Contingency Fund	28	-59	-23	22	401
VII. Small Savings, Provident Funds, etc. (1+2)	52,255	38,955	18,730	1,06,678	1,12,968
VIII. Reserve Funds (1 to 4)	685	4,332	16,568	32,842	1,60,029
IX. Deposits and Advances (1 to 4)	64,282	40,073	34,858	12,47,685	9,48,006
X. Suspense and Miscellaneous (1 to 4)	-38	27,228	-1,19,528	57,28,703	79,13,976
XI. Appropriation to Contingency Fund					
XII. Miscellaneous Capital Receipts					
of which: Disinvestment					
XIII. Remittances	6,099	-1,455	-5,171	1,74,737	2,42,785

* : Sum of Items I to XIII where Items V to XI, XIII and II(3) are on a net basis while Items II(6) and X(2 and 3) are excluded. Items II (6) and X (2 and 3) have been taken as financing items for overall surplus/deficit.

Note: Figures of 2009 and 2010 are Revised Estimates and Budget Estimates respectively.

Source: State Finances of Reserve Bank of India and own calculation.

Table 11B: Capital Receipts (2006-10)

Item	(Rs. Lakhs)				
	2006	2007	2008	2009	2010
TOTAL CAPITAL RECEIPTS (I to XIII)	1,94,79,724	1,66,40,922	1,80,72,486	1,98,31,471	1,93,75,186
TOTAL CAPITAL RECEIPTS (Includes Public Accounts on a net basis)*	13,07,203	17,26,326	23,65,846	30,50,090	28,65,171
I. External Debt #	-	-	-	-	-
II. Internal Debt (1 to 8)	10,61,937	27,54,213	24,85,541	35,52,393	36,03,221
III. Loans and Advances from the Centre (1 to 6)	62,097	65,430	39,965	44,624	68,888
IV. Recovery of Loans and Advances (1 to 12)	23,790	49,664	5,61,583	14,232	6,334
V. Inter-State Settlement	-	-	-	-	-
VI. Contingency Fund	175	716	634	143	-
VII. Small Savings, Provident Funds, etc. (1+2)	1,19,456	1,25,807	1,43,037	3,24,808	3,25,023
VIII. Reserve Funds (1 to 4)	95,157	1,00,160	1,71,543	1,50,707	1,87,695
IX. Deposits and Advances (1 to 4)	9,41,167	21,33,262	22,73,445	30,57,414	27,86,666
X. Suspense and Miscellaneous (1 to 4)	1,68,38,829	1,10,46,428	1,18,64,570	1,21,82,594	1,18,92,644
XI. Appropriation to Contingency Fund	-	-	-	-	-
XII. Miscellaneous Capital Receipts	-	-	-	-	-
of which: Disinvestment	-	-	-	-	-
XIII. Remittances	3,37,117	3,65,243	5,32,168	5,04,555	5,04,715

* : Sum of Items I to XIII where Items V to XI, XIII and II(3) are on a net basis while Items II(6) and X(2 and 3) are excluded. Items II (6) and X (2 and 3) have been taken as financing items for overall surplus/deficit.

Note: Figures of 2009 and 2010 are Revised Estimates and Budget Estimates respectively.

Source: State Finances of Reserve Bank of India and own calculation.

Table 12A: Capital Disbursements (2000-03)

(Rs. Lakhs)

Items	2000	2001	2002	2003
TOTAL CAPITAL DISBURSEMENTS (I to IV)	4,63,734	4,68,427	4,55,548	97,94,607
I. Total Capital Outlay	1,32,280	1,26,554	78,435	75,611
II. Discharge of Internal Debt	29,722	50,776	77,627	21,54,664
III. Repayment of Loans to the Centre	90,798	1,06,061	1,63,209	57,560
IV. Loans and Advances by State Governments	2,10,934	1,85,036	1,36,277	3,05,634

Note: Figures of 2009 and 2010 are Revised Estimates and Budget Estimates respectively.

Source: State Finances of Reserve Bank of India and own calculation.

Table 12B: Capital Disbursements (2005-08)

(Rs. Lakhs)

Items	2005	2006	2007	2008	2009	2010
TOTAL CAPITAL DISBURSEMENTS (I to XII)	1,02,57,828	1,86,52,286	1,58,44,865	16598076	1,75,04,496	1,76,78,953
TOTAL CAPITAL DISBURSEMENTS (Excluding Public Accounts)\$	9,47,054	7,04,185	8,32,964	9,31,979	10,23,115	11,78,938
I. Total Capital Outlay	1,65,274	2,01,822	2,68,772	3,70,530	3,92,936	5,40,879
II. Discharge of Internal Debt	6,07,566	3,03,888	16,51,248	13,36,701	13,81,959	14,34,051
III. Repayment of Loans to the Centre	82,311	87,547	93,113	75,175	85,706	50,373
IV. Loans and Advances by State Governments	1,18,859	1,31,726	1,06,212	75,964	62,514	53,635
V. Inter-State Settlement	–	–	–	–	–	–
VI. Contingency Fund	195	698	728	47	–	–
VII. Small Savings, Provident Funds, etc.	84,197	88,067	93,912	1,07,504	2,11,696	2,43,250
VIII. Reserve Funds	1,47,167	97,905	1,28,085	1,83,620	1,70,999	1,86,021
IX. Deposits and Advances	10,72,165	8,51,862	20,54,319	21,50,355	28,11,537	27,83,385
X. Suspense and Miscellaneous	77,36,780	1,65,76,066	1,10,96,560	1,17,93,388	1,18,82,594	1,18,82,644
XI. Appropriation to Contingency Fund	–	–	–	–	–	–
XII. Remittances	2,43,314	3,12,705	3,51,916	5,04,791	5,04,555	5,04,715

Note: Figures of 2009 and 2010 are Revised Estimates and Budget Estimates respectively. Source: State Finances of Reserve Bank of India and own calculation

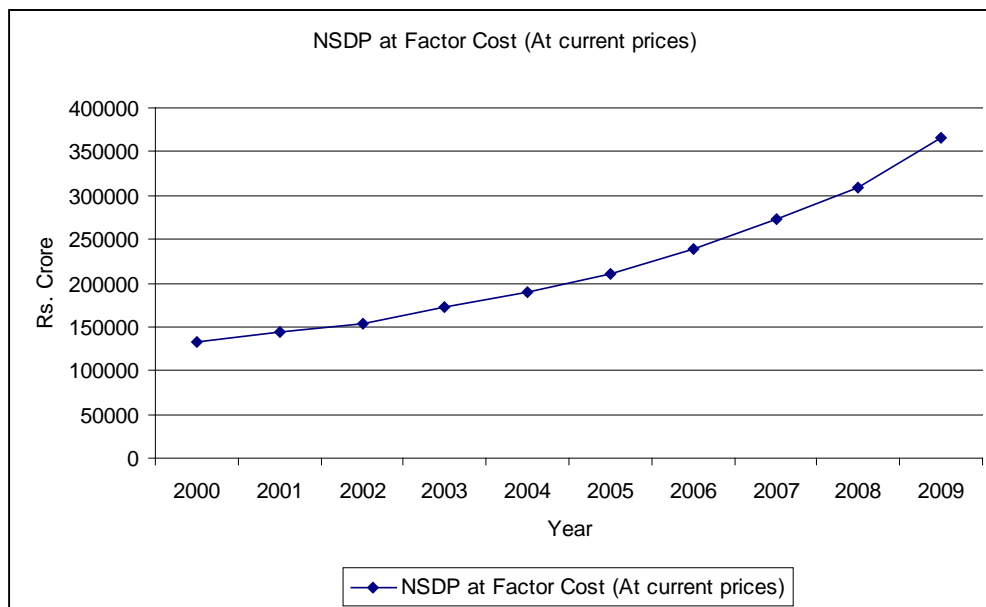
Table 13: Indicators of Resource Gap

(Rs. Crore)

Year	Gross Fiscal Deficit	Revenue Deficit	Conventional deficit (+)/Surplus(-)	Gross Primary Deficit (+)/ Surplus (-)
2000	10,920	7,581	-7.8	-
2001	11,804	8,856	826.2	-
2002	10,569	8,635	-2,053.20	-
2004	10,653	8,228	817	-
2005	9,601	7,391	-2487	-152
2006	11,431	8,333	2303	552
2007	11,400	8147	-787	16
2008	13,558	14,709	-370	1,489
2009	27,466	23,054	2784	14,214
2010	22,323	16,441	-421	8,305

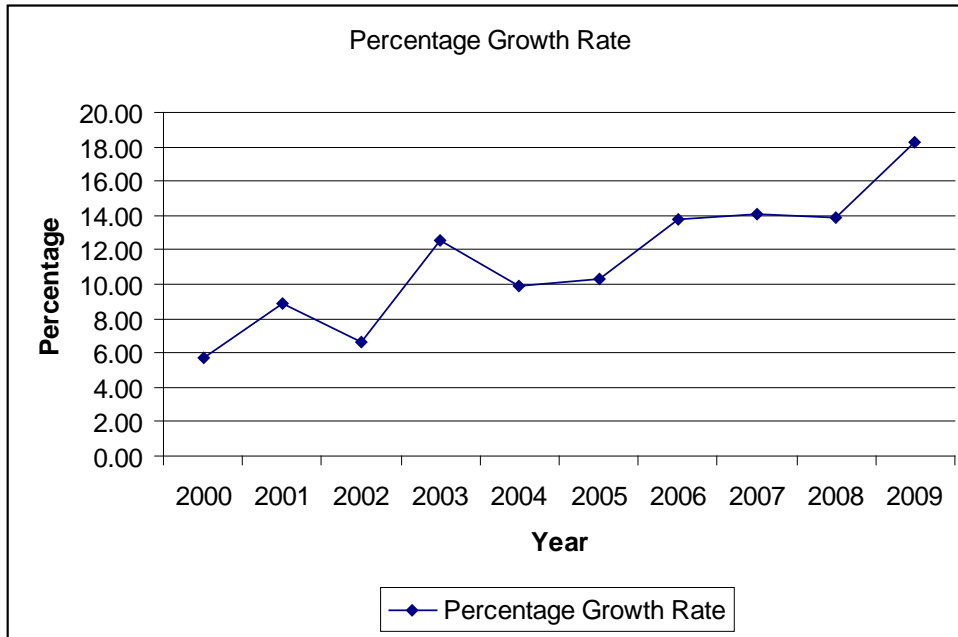
Note: Figures of 2009 and 2010 are Revised Estimates and Budget Estimates respectively.

Source: State Finances of Reserve Bank of India and own calculation

Figure 1: Movement of Net State Domestic Product (NSDP) of West Bengal

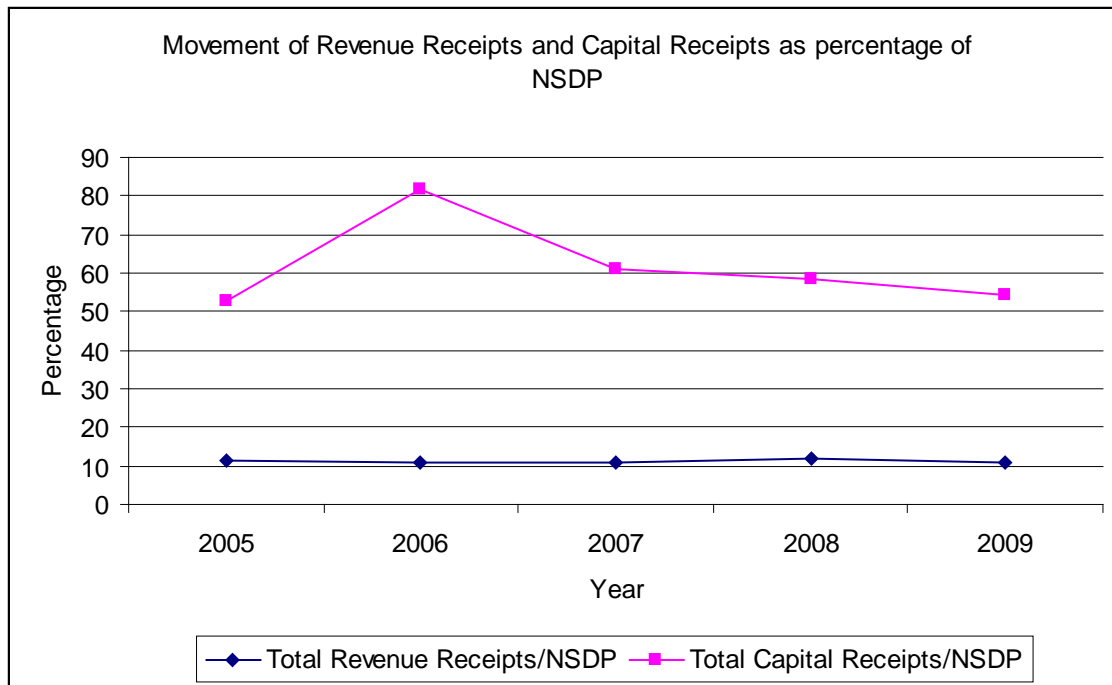
Source: Central Statistics Office (CSO) website and own calculation.

Figure 2: Growth rate of NSDP



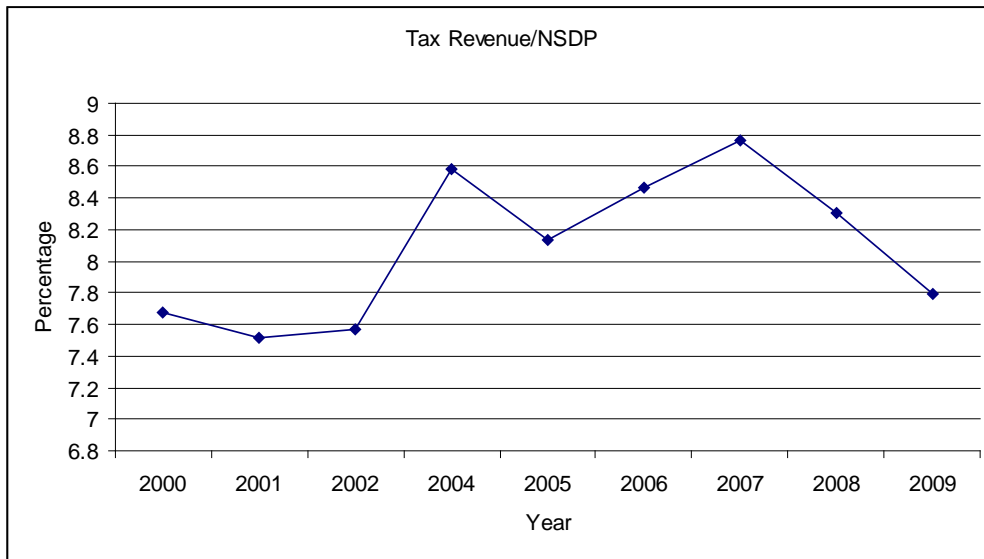
Source: Central Statistics Office (CSO) website and own calculation.

Figure 3: Total Revenue Receipts/NSDP and Total Capital Receipts/NSDP



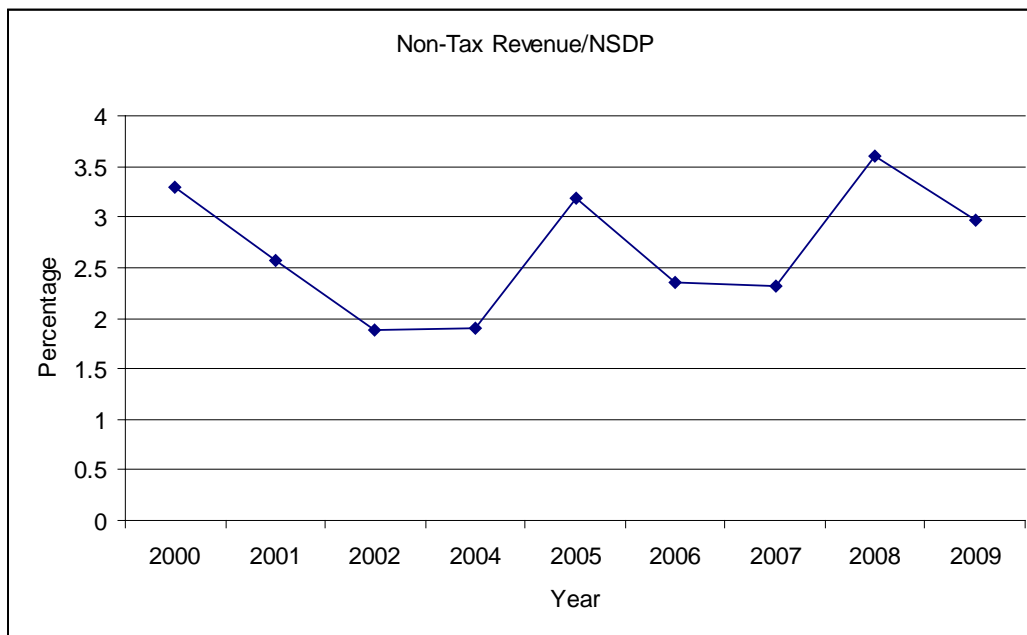
Source: RBI State Finances and own calculation.

Figure 4: Tax Revenue/NSDP



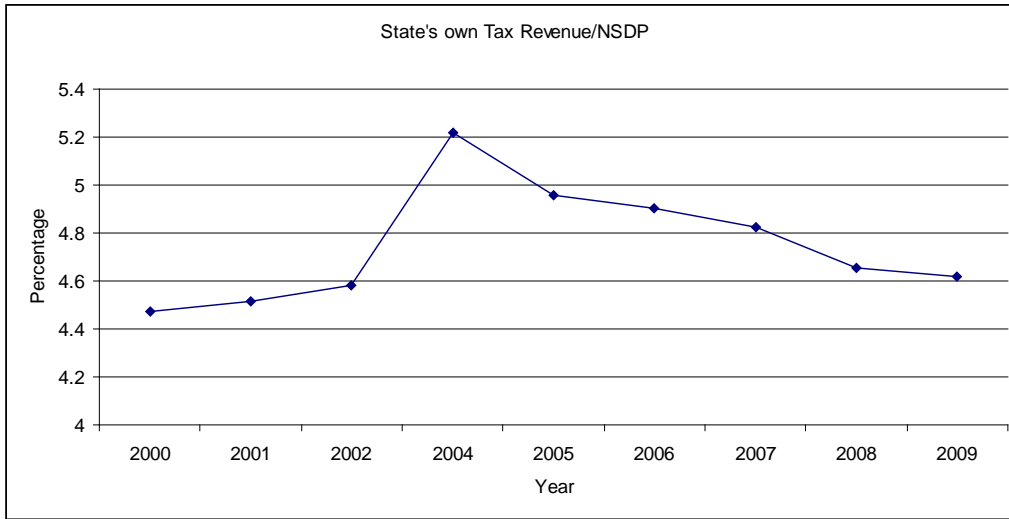
Source: RBI State Finances and own calculation.

Figure 5: Non-Tax Revenue/NSDP



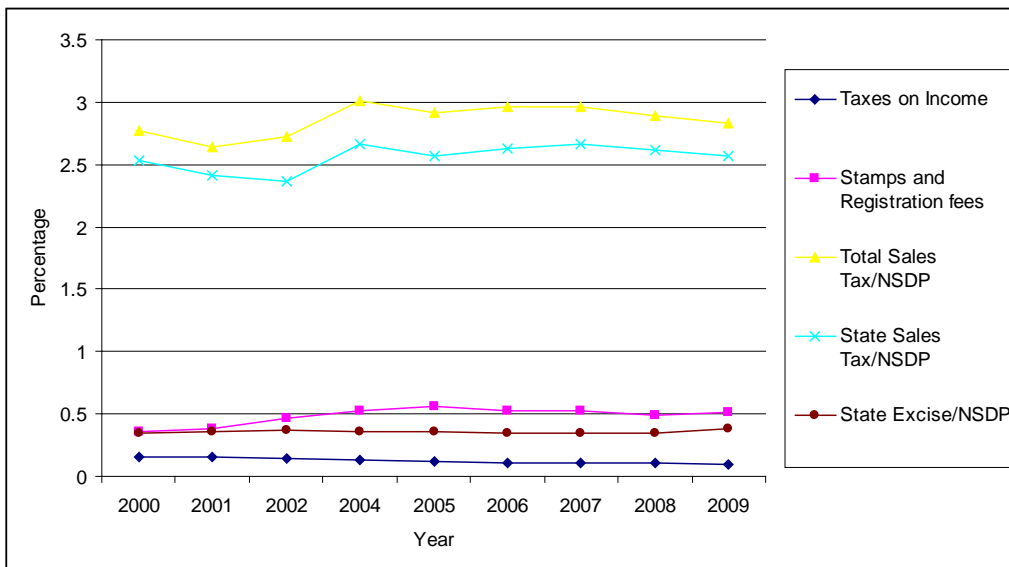
Source: RBI State Finances and own calculation.

Figure 6: State's own Tax Revenue/NSDP



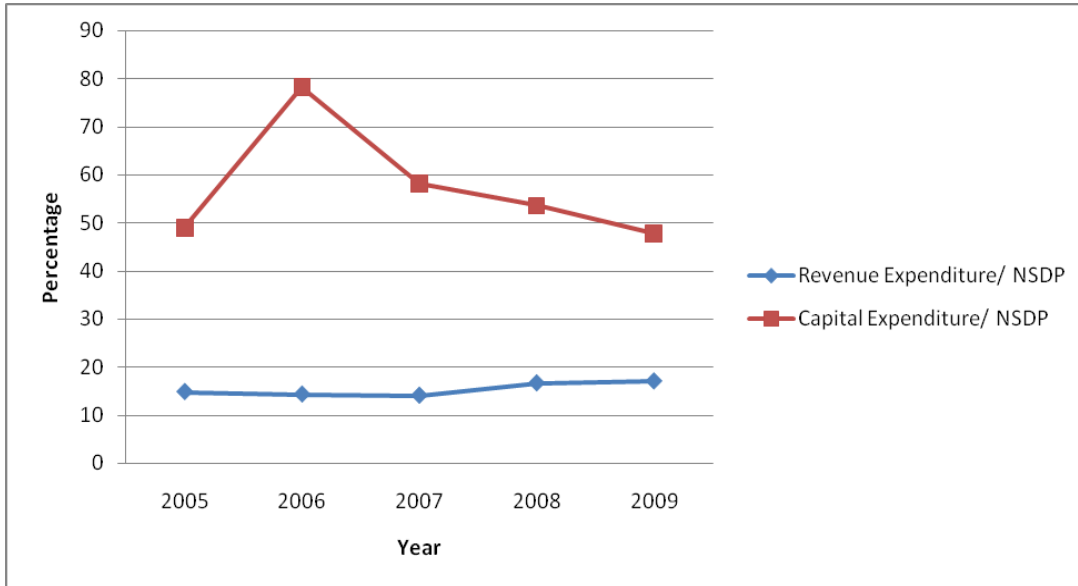
Source: RBI State Finances and own calculation.

Figure 7: Movement of major components of State's Own Tax Revenue as a percentage of NSDP



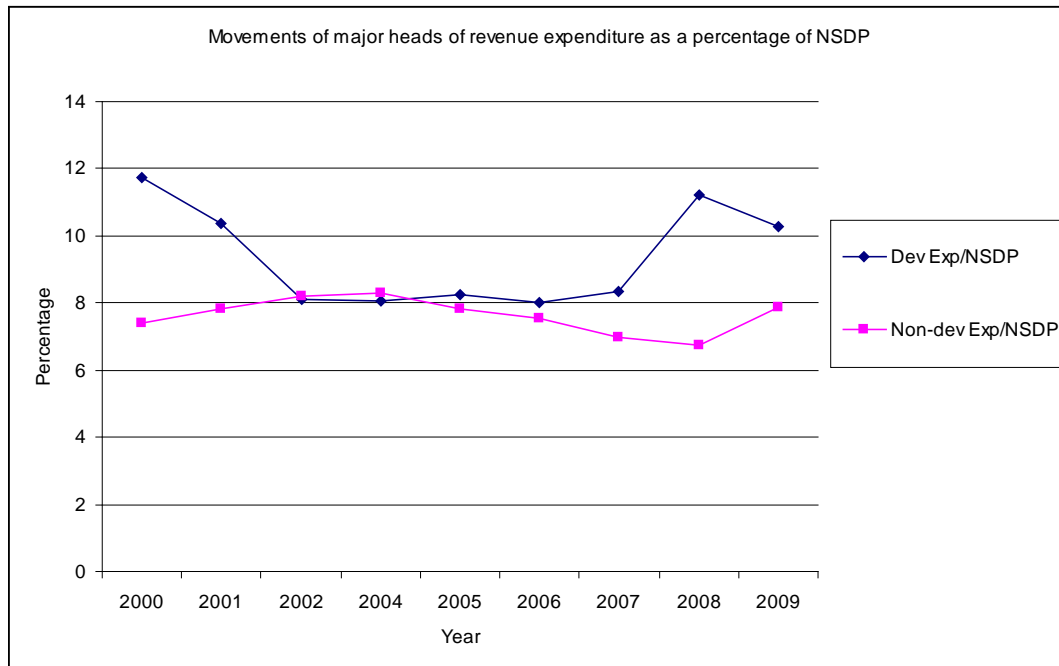
Source: RBI State Finances and own calculation.

Figure 8: Total Revenue Expenditure and Capital Expenditure as a percentage of NSDP



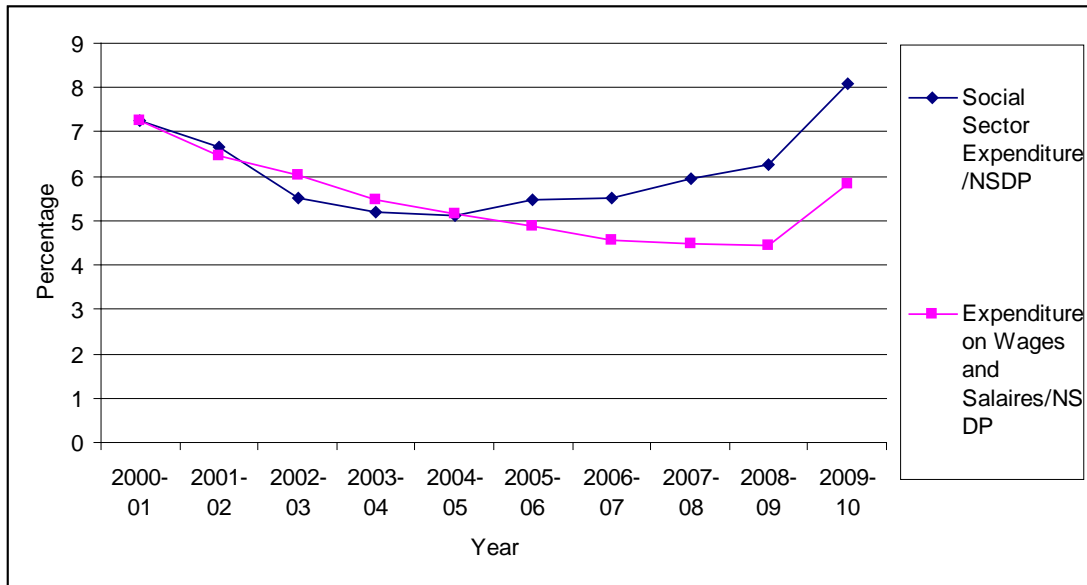
Source: RBI State Finances and own calculation.

Figure 9: Development and Non-Development Expenditure as a percentage of NSDP



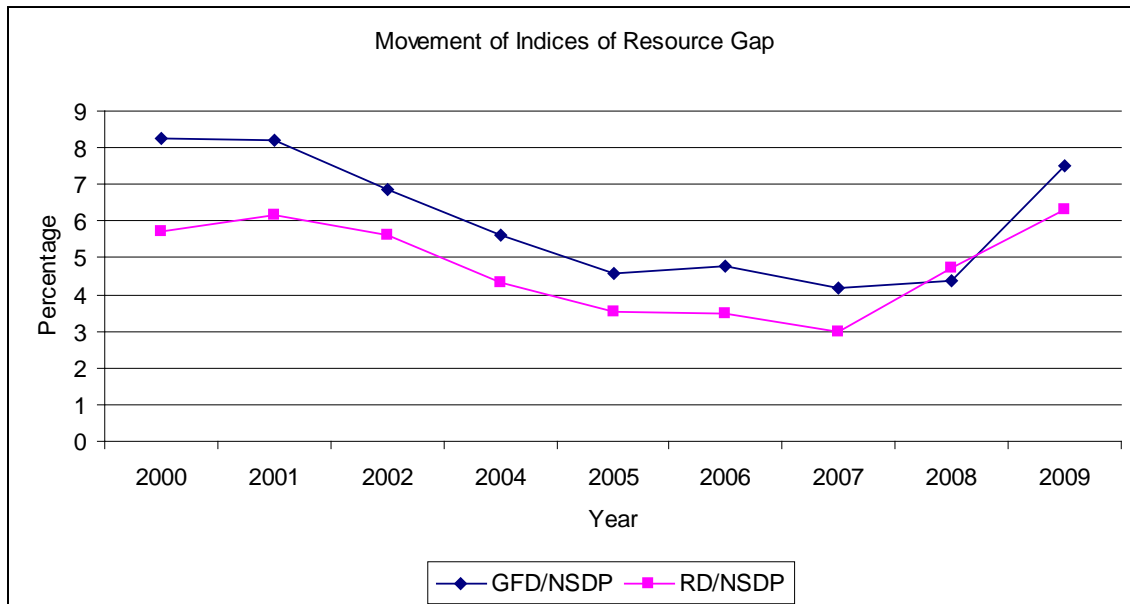
Source: RBI State Finances and own calculation.

Figure 10: Movement of Social Sector Expenditure/NSDP and Expenditure of Wages and Salaries/ NSDP



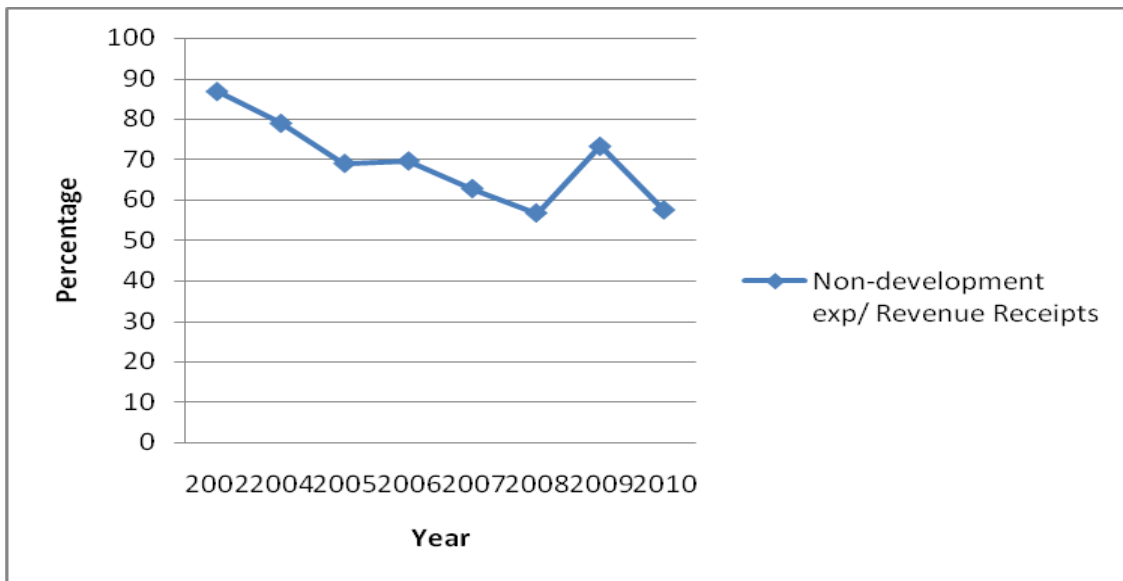
Source: RBI State Finances and own calculation.

Figure 11: Movement of Gross Fiscal Deficit and Revenue Deficit as a percentage of NSDP



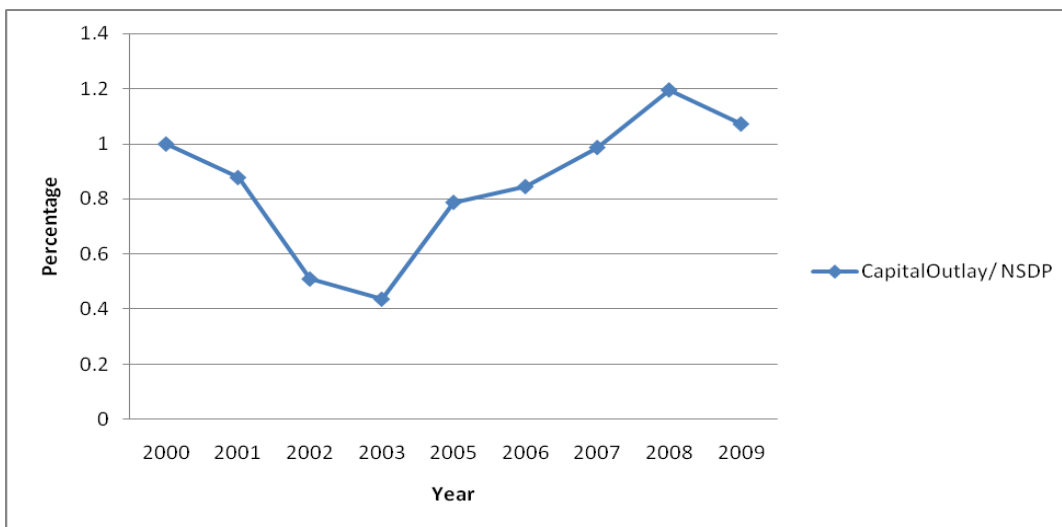
Source: RBI State Finances and own calculation.

Figure 12: Movement of Non-development expenditure/ Total revenue receipts



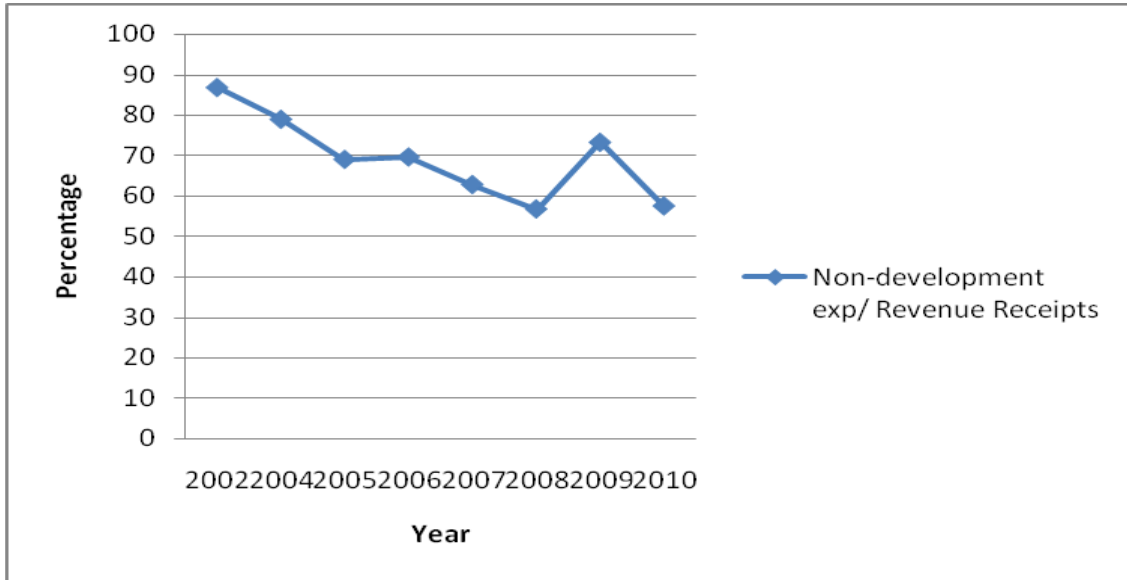
Source: RBI State Finances and own calculation

Figure 13: Movement of Total Capital Outlay/ NSDP



Source: RBI State Finances and own calculation

Figure 14: Movement of Non-development Expenditure as a percentage of Revenue Receipts



Source: RBI State Finances and own calculation

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