

Evaluation of the State Finances of Bihar

**(A Study for the XVI Finance Commission by
Asian Development Research institute, Patna)**

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GLOSSARY OF ABBREVIATIONS

ADRI	Asian Development Research Institute
AMRUT	Atal Mission for Rejuvenation and Urban Transformation
ARF	Additional Registration Fee
AT&C	Aggregate Technical and Commercial
BPSP	Bihar Panchayat Strengthening Project
BSEB	Bihar State Electricity Board
BREDA	Bihar Renewable Energy Development Agency
BRGF	Backward Regions Grant Fund
BSPHCL	Bihar State Power (Holding) Company Ltd.
BSPGCL	Bihar State Power Generation Company Ltd.
BSPTCL	Bihar State Power Transmission Company Ltd.
BSRTC	Bihar State Road Transport Corporation
BSWC	and Bihar State Warehousing Corporation
BSHPC	Bihar State Hydroelectric Power Corporation
BSFC	Bihar State Financial Corporation
BUIDCO	Bihar Urban Infrastructure Development Urban Transport Corporation
BUIDF	Bihar Urban Infrastructure Development Fund
CAGR	Compound annual growth rate
CFMS	Comprehensive Financial management System
CGS	Central Generating Station
CHCs	Community Health Centres
CM-JAY	Mukhyamantri Jan Arogya Yojana
CTMIS	Comprehensive Treasury management information System
CSS	Centrally Sponsored Schemes
CST	Central Sales Tax
DISCOMs	Distribution Companies
DBT	Direct Benefit Transfer
EBIT	Earnings Before Interest and Taxes
e-NAM	National Agriculture Market
EESL	Energy Efficiency Services Ltd.
FCs	Finance Commissions
FRBM	Fiscal Responsibility and Budget Management Act
FTO	Fund Transfer Order
FLFPR	Female Labor Force Participation Rate
FWFPR	Female Workforce Participation Rate
GCOCs	Government Controlled Other Companies
GIC	General Insurance Corporation of India
GCRT	Grid-Connected Rooftop
GST	Goods and Services Tax
GSDP	Gross State Domestic Product
GDP	Gross Domestic Product
GSFD	Gross State Fiscal Deficit
GSFS	Gujarat State Financial Services Ltd.
GFD	Gross Fiscal Deficit
GFD	Gross Fiscal Deficits
GP	Gram Panchayat
GVA	Gross Value Added
HFA	Housing for All

HRMS	Human Resource Management System
ICDS	Integrated Child Development Services
IGST	Integrated Goods and Service Tax
IIT Patna	Indian Institute of Technology Patna
IPDS	Integrated Power Development Scheme
IAMAI	Internet and Mobile Association of India
IMR	Infant Mortality Rate
LIC	Life Insurance Corporation
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MTFP	Medium-Term Fiscal Plan
MMR	Maternal Mortality Ratio
MKVS	Mukhyamantri Krishi Vidyut Sambandh Yojana
MVUSY	Mukhyamantri Vidyut UpphoktaSahayata Yojana
MW	Mega Watt
NFHS-5	National Family Health Survey
NIT Patna	National Institute of Technology Patna
NRHM	National Rural Health Mission
NSSF	National Small Savings Fund
NTT	Nippon Telegraph and Telephone
NULM	National Urban Livelihood Mission
NABARD	National Bank for Agriculture and Rural Development
NCDC	National Cooperative Development Corporation
NBPDCL	North Bihar Power Distribution Company Ltd.
OMV	Open Market Value
PFM	Public Financial Management
PMAY	Pradhan Mantri Awas Yojana
PMGSY	Pradhan Mantri Gram Sadak Yojana
PM-JAY	Pradhan Mantri Jan Arogya Yojana
PPPs	Public-Private Partnerships
PSU	Public Sector Undertaking
PS	Panchayat Samiti
PRIs	Panchayati Raj Institutions
R-APDRP	Restructured Accelerated Power Development and Reforms Programme
R&M	Renovation and Modernization (R&M) scheme
RDSS	Revamped Distribution Sector Scheme
RGI	Registrar General of India
RE-DDUGJY	Rural Electrification component of the scheme
RE	Revenue Expenditure
RES	Renewable Energy Sources
RGGVY	Rajiv Gandhi Grameen Vidyutikaran Yojana
RR	Revenue Receipts
RT-DAS	Real-Time Data Acquisition System
RoCE	Return on Capital Employed
RoE	Return on Equity
RoW	Right of Way
SAUBHAGYA	Pradhan Mantri Sahaj Bijli Har Ghar Yojana
SBM	Swachh Bharat Mission
SCB	Scheduled Commercial Banks
SFC-5DC	State Finance Commissions

SGST	State Goods and Services Tax
SBPDCL	South Bihar Power Distribution Company Ltd.
SPSEs	State Public Sector Enterprises
SRS	Sample Registration System
ST	Scheduled Tribe
T&D	Transmission and Distribution
TRAI	Telecom Regulatory Authority of India
UDHD	Urban Development and Housing Department
UFC 14	Union Finance Commissions
ULBs	Urban Local Bodies
VAT	Value Added Tax
VRS	Voluntary Retirement Schemes
WMA	Ways and Means Advances
ZP	Zila Parishad

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Study on the “Evaluation of the State Finances of Bihar”

Executive Summary

1. Background of the Study

The present study was undertaken by the Asian Development Research Institute (ADRI), Patna, at the request of the Sixteenth Finance Commission. This report, titled ‘Evaluation of the State Finances of Bihar,’ presents an in-depth critical analysis of the state's financial health for the period 2012-13 to 2022-23. The report addresses key issues pertaining to Bihar's state finances, including revenue receipts and expenditures, deficits, debt and liabilities, the performance of Panchayati Raj Institutions (PRIs) and Urban Local Bodies, the impact of State Public Enterprises on the state's financial health, the effects of Power Sector Reforms on fiscal stability, contingent liabilities, and subsidies. The document aims to provide a comprehensive overview of Bihar's fiscal situation from the period covered, with a particular focus on key budgetary parameters such as revenue and capital receipts and expenditures, supported by necessary analyses.

2. Objectives

The major objectives of the study include:

- Analysis of State's tax and non-tax revenues and estimation of its revenue capacities;
- Analysis of the expenditure patterns and trends including allocative and technical efficiency;
- Analysis of fiscal and revenue deficits;
- Analysis of the State's transfers to urban and rural local bodies;
- Analysis of the impact of working of the State public enterprises and of power sector reforms on the State's financial health;
- Analysis of contingent liabilities and subsidies of the State;
- Outcome Evaluation of State Finances in the context of recommendations of the 14th & 15th Finance Commissions; and
- Determination of a sustainable debt roadmap for 2026-31, taking into account the impact of introduction of GST and other tax/non-tax trend forecasts.

3. Methodology

Trend and composition analysis; Regression and forecasting for estimation and projection; checking the best practices from other comparable states; Debt sustainability analysis; analysis of maturity profile of the state debts; Financial and ratio analysis of the balance sheets of public sector enterprises.

4. Data sources

Finance accounts and Budget documents of the state government; National Accounts Statistics; Financial statements of departmental enterprises and commercial undertakings; Audit Reports of the Comptroller & Auditor General of India; State Government Departments like Finance, Energy etc.; Report of the previous Finance Commissions, etc.

5. Reference Period

The study has been conducted with reference to the data for the 11 year period 2012-23 for the purpose of analysis and estimation of the different objectives related to different dimensions of the State's finances.

6. Resource Persons associated with the Study

The study has been conducted primarily by Professor Govinda Bhattacharjee who was the lead author for the study, with continuous assistance and data support provided by Ms Meghna Agarwal, who was appointed as a Research Associate specifically for this study. Dr. Asmita Gupta, Member Secretary, ADRI, and Shri Amit Kumar, Project officer at ADRI, also provided valuable support.

7. Acknowledgement

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We also acknowledge the active support and guidance provided by the Finance Commission Team comprising Shri Rahul Jain, Joint Secretary; Shri K Balaji, Director; Shri Indermeet Singh, OSD; Shri Manas Bajpai, Deputy Director; Shri L Guite, Deputy Director, and Shri Kuldip Meena, Assistant Director.

8. Major Findings and Conclusions

The major findings of the report are summarized as follows:

8.1 Tax and Non-Tax Revenues

- Bihar's fiscal situation has undergone significant changes over the past decade, with the state grappling with persistent challenges in revenue generation and fiscal management. The state's finances, which showed signs of improvement in the early 2000s following the implementation of the Fiscal Responsibility and Budget Management (FRBM) Act in 2005-06, have deteriorated in recent years. The revenue surplus, which peaked at Rs. 12,507 crores in 2015-16, has since turned into deficits, reaching a deficit of Rs. 11,288 crores in 2022-23.
- The state's revenue structure is heavily skewed towards central transfers which include state's share of the divisible pool as well as central grants; these account for almost 75% of total revenue receipts. Bihar's own revenue sources, comprising its own tax and non-tax revenues, contribute only a quarter of the total revenue receipts. The state's own tax revenue has remained relatively stagnant, contributing between 19.7% to 25.6% of total revenue receipts from 2017-18 to 2022-23. This high dependence on central transfers underscores the state's limited fiscal autonomy and the urgent need to expand its own revenue base.
- The introduction of the Goods and Services Tax (GST) in July 2017 significantly altered Bihar's tax structure. The State Goods and Services Tax (SGST) has emerged as the largest contributor to own tax revenues, over half its own tax revenue. The total taxes from sales including GST accounted for over 75% of its own taxes in 2022-23. Bihar's Tax-GSDP ratio has shown considerable fluctuation over the years. It declined sharply from 6.9% in 2015-16 to 4.9% in

2017-18, primarily due to the imposition of prohibition in the state, which resulted in a significant loss of revenue from excise and sales tax on alcohol. Although the ratio has gradually improved to 5.9% in 2022-23, it remains one of the lowest among major Indian states, indicating substantial untapped potential for revenue generation.

- Non-tax revenue, while a smaller component of the state's own revenue, have grown at a compound annual growth rate (CAGR) of 14% between 2012-13 and 2022-23, but with significant yearly variations. The major sources of non-tax revenue are royalties from mines and minerals (classified under Non-Ferrous Mining and Metallurgical Industries) and interest receipts. The total non-tax revenue stood at Rs. 4,135 crores in 2022-23, with 66% coming from mining royalties and 15.5% from interest receipts.
- Central grants continue to play a crucial role in Bihar's finances, constituting between 17% and 24% of total revenue receipts during the 2012-23 period. After the end of the planning era in 2017, grants mostly included Finance Commission grants, funds for Centrally Sponsored Schemes, and GST compensation. Grants for Centrally Sponsored Schemes showed significant growth of 67% from 2017-18 to 2022-23, increasing from Rs. 13,312 crores to Rs. 22,237 crores.
- Bihar's share in central taxes suffered a significant drop in 2019-20 and also in 2020-21. However, it recovered strongly in 2021-22, increasing by 52.6% over the previous year to reach Rs. 91,352 crores. In 2022-23, its share in total revenue receipts stood at 56.6% (Rs 95,353 crore).
- The state's fiscal challenges are further highlighted by the persistent gap between budget estimates and actual realizations of tax revenues. This discrepancy underscores the need for more accurate forecasting and robust fiscal management. Additionally, the cost of tax collection, particularly for land revenue and excise duties, remains high relative to the revenue generated, indicating potential inefficiencies in tax administration.
- Arrears of revenue have also been a concern, which stood at Rs. 4,248 crores as of March 31, 2022, an increase from Rs. 3,323 crores in the previous year. The largest arrears are in taxes on sales/trade, followed by Non-Ferrous Mining & Metallurgical Industries and land revenue. Moreover, there is a significant backlog in tax assessments, with 30,762 cases pending as of March 2022.
- The deteriorating revenue position has severely impacted Bihar's fiscal balance, with the gross fiscal deficit soaring from Rs. 25,551 crores (3.8% of GSDP) in 2021-22 to Rs. 44,823 crores (6.4% of GSDP) in 2022-23, surpassing the FRBMA targets.
- In conclusion, Bihar's revenue situation presents a complex picture of challenges and opportunities. While the state has seen growth in certain revenue streams and received substantial support from central transfers, it continues to struggle with low own revenue generation, high dependence on central funds, and persistent fiscal deficits. Addressing these challenges will require concerted efforts to enhance tax compliance, diversify the economy, improve the efficiency of tax administration, and implement more accurate fiscal forecasting and management practices.

8.2 Revenue and Capital Expenditure

- The total expenditure of Bihar's state government has more than trebled from Rs. 69,206 crore in 2012-13 to Rs. 2,31,903 crore in 2022-23, representing a CAGR of 12.8%. Revenue expenditure grew at a CAGR of 12.9%, reaching Rs. 1,83,975 crore, while state revenue grew at a slower CAGR of 11.2%, totaling Rs. 1,72,688 crore. Within revenue expenditure, social services saw the highest growth (CAGR 14.4%), followed by economic services (12.0%) and general services (11.6%). Social Services have consistently claimed the largest share of revenue expenditure, averaging 38-39% in recent years. General Services' share declined from 26.9% to 24.2%, while Economic Services maintained a stable share of 17%-18% over these years.
- Capital Outlay grew at a CAGR of 12.6%, with its share in total expenditure varying between 21.5% (2016-17) and 8.4% (2019-20). Economic Services dominated capital outlay, though their share decreased from 79% to 70.7%. General and Social Services grew faster (CAGR 16.3% and 16.2% respectively) than Economic Services (11.5%).
- Public debt discharge increased dramatically, rising from Rs. 3,070 crore to Rs. 14,351 crore (CAGR 16.7%), driven by a fourfold increase in internal debt. Its share in total expenditure rose from 4.4% to 6.2%. Internal debt repayment grew faster (CAGR 17.4%) than central loan repayment (CAGR 11.7%). Loans and Advances disbursements by the state government showed high fluctuation, ranging from Rs. 2,086 crore in 2012-13 to as low as Rs. 114 crore in 2016-17, before rising to Rs. 2,057 crore in 2022-23.
- The structure of expenditure remained stable over the period, with only minor shifts in fund distribution across categories. Revenue expenditure has maintained its dominant position and accounted for almost 79%, while capital outlay was 14% of total expenditure in 2022-23. The discharge of Public Debt has increased from 4% in 2012-13 to 6% in 2022-23, while disbursement of Loans & Advances decreased from 3% to only 1% over the period. Interest payments constituted 8.8% of revenue expenditure.
- Over the past decade, the state's ability to fund its expenditures from its own revenues declined notably. The ratio of Own Revenue to Revenue Expenditure fell from 31.9% in 2012-13 to 26.3% in 2022-23, while the Total Expenditure to GSDP ratio rose from 24.5% to 30.9%. Developmental expenditure, encompassing social and economic services, grew substantially, with social services increasing at a CAGR of 14.4% and economic services at 12%. However, non-developmental expenditure also saw changes, particularly in interest payments within general services, which grew at a CAGR of 11.9%.
- In terms of sectoral trends, there was significant growth in infrastructure, with power and transport seeing increases in their shares. Rural development spending also rose, but agriculture and irrigation witnessed sharp declines. Education, traditionally the largest component of social services expenditure, has seen a decline in its share, dropping from 60.9% in 2012-13 to 47% in 2022-23, with a negative compound annual growth rate (CAGR) of -2.6% over the period. Health expenditure recorded modest growth, with its share in social services increasing from 7.9% to 10.6% during the period, reflecting a positive CAGR of 2.9%.
- Expenditure on salaries and pensions remains a significant component of Bihar's finances. Salary expenditure increased from Rs 13,558 crore in 2012-13 to Rs 24,816 crore in 2022-23, while pension payments rose from Rs 8,364 crore to Rs 23,108 crore. Despite this growth,

salary expenses as a share of total revenue expenditure fell from 24.9% to 13.5%, and as a percentage of GSDP, from 4.8% to 3.3%. Similarly, pension payments decreased from 15.4% to 12.6% of revenue expenditure, or from 3.1% to 3.0% of GSDP. Combined salary and pension expenditures now account for 26.0% of total revenue expenditure, down from 40.2% in 2012-13, and 27.8% of total revenue receipts, down from 36.8%. The CAGR for salary expenditure was 6.2% between 2012-13 and 2022-23, while pension expenditure grew at a higher CAGR of 10.7%.

- Over this period, Bihar's subsidy expenditure has more than tripled, rising from Rs 4,313 crore to Rs 14,828 crore. The Bihar State Electricity Board (BSEB), now under the Energy Department, has been the primary recipient, accounting for 82.4% of total subsidies in 2022-23. Other significant recipients include the Industry, Food & Consumer Protection, and Agriculture departments. Subsidies ranged from 2.7% to 12.4% of revenue expenditure over the period and stood at 8.1% in 2022-23.
- To assess the quality of expenditure, several ratios were used. The capital outlay as a percentage of total expenditure increased from 13.8% in 2012-13 to a peak of 21.2% in 2017-18 but declined sharply to 3.6% in 2022-23. Similarly, capital outlay as a percentage of GSDP peaked at 6.5% in 2016-17, dropped to 2.1% in 2019-20, and recovered to 4.2% by 2022-23. The proportion of developmental revenue expenditure on social and economic services saw significant growth, rising from Rs 35,817 crore in 2012-13 to Rs 127,946 crore in 2022-23, with its share of GSDP increasing from 12.7% to 17.0%. Notably, the salary component within this expenditure decreased from 25.2% to 10.5%, while the non-salary component grew from 74.8% to 89.5%.
- Bihar's budgetary practices from 2020-21 to 2022-23 reveal challenges in both allocative and technical efficiency, with significant discrepancies between budget estimates and actual expenditures across various sectors. While the overall revenue expenditure has shown improved accuracy, with the variance decreasing from 15.3% to 4.2%, sectors like urban development and agriculture consistently underutilized their budgets, while the power sector expenditure frequently exceeded its allocations. These patterns highlight the need for a more nuanced, evidence-based approach to budgeting, focusing on sector-specific strategies and enhancing implementation capacities to better align planning with actual outcomes.

8.3 Fiscal Deficit

- The Gross Fiscal Deficit (GFD) of Bihar has grown almost sixfold the 11-year period, rising from Rs. 6,545 crore in 2012-13 to Rs. 44,823 crore in 2022-23. The state maintained a revenue surplus until 2018-19, peaking at Rs 14,823 crore in 2017-18, which turned into a deficit in 2019-20, worsening to Rs 11,325 crore in 2020-21 due to the COVID-19 pandemic. After a brief recovery in 2021-22, the deficit reached Rs 11,288 crore in 2022-23. Capital outlay generally increased, from Rs 9,585 crore in 2012-13 to Rs 31,520 crore in 2022-23, despite a pandemic-related drop in 2019-20. Net lending remained a minor factor, standing at Rs 2,015 crore in 2022-23.
- The GFD:GSDP ratio in Bihar has exceeded the FRBMA limit of 3% in recent years, reaching 3.91% in 2016-17 and escalating to 5.97% in 2022-23. While the interest payments to revenue receipts ratio remains below the 10% threshold, this alone is insufficient to control the fiscal deficit. The sharp rise in the GFD:GSDP ratio indicates an increasingly challenging debt

situation, as indicated by the rising primary deficit which stood at Rs 29,639 crore in 2022-23. These trends, particularly evident from 2019-20 onwards, reflect the adverse impact of the COVID-19 pandemic on Bihar's finances.

- Net public debt has consistently been the major source of GFD financing, often exceeding 100% of the GFD, and indicating recurring over-borrowing. The contribution of net borrowing from the Public Account has also been significant but varied wildly (from 40% of GFD in 2017-18 and 25% in 2022-23 to -47% in 2019-20 and -23% in 2021-22). This volatility reflects borrowing driven by availability rather than need. These trends question the state's cash management effectiveness. In years where net public debt significantly exceeded the GFD, Bihar could have reduced borrowings by using available cash balances more efficiently. The substantial swings in net borrowing from the Public Account also suggest opportunities for improved cash management.
- To optimize its fiscal position, Bihar should focus on more efficient use of existing cash balances and careful management of Public Account borrowings. By better utilizing available resources, the state could potentially reduce its reliance on borrowing, particularly in years where net public debt significantly exceeds the GFD. These measures could help improve Bihar's fiscal management and overall financial health.

8.4 Debt Position

- The total outstanding liabilities of the state government had accumulated to Rs. 2,62,616 crore at the end of 2022-23, growing steadily at an annual compound rate of 13.9% during the 11-year period 2012-23. Public Debt constituted nearly 92.5% of the total outstanding liability at the end of 2022-23, as against 81% in 2012-13, Public Account Liabilities constituting the rest. The share of central loans in total public debt had sharply declined for all the states; in Bihar, it constituted 14.3% of the total public debt of the state government at the end of 2022-23, compared to 15% in 2012-13. The Internal debt had grown at a CAGR of 15.6% during the period, compared to 14.9% for Central loans.
- Bihar's outstanding liability as a percentage of GSDP had increased from 25.1% in 2012-13 to 35% in 2022-23, due mainly to the higher growth of outstanding liability (CAGR 13.9%), compared to CAGR of 10.2% for GSDP during the period. The ratio of outstanding liability to GSDP had reached a low level of 25% in 2013-14, but has since been rising.
- The net debt resources available to the state government for capital investment purposes after discharging its debt service (including interest payments) and disbursing of loans and advances for capital purposes, varied between 2% (2012-13) and 54% (2020-21); in 2022-23, it was only 36%. The ratio of Capital Outlay to Capital Receipts has also fluctuated over the years reaching a peak of 219% in 2017-18. However, in 2022-23, capital outlay was only two thirds of the capital receipts, still an improvement over the previous three years.
- 85.7% of the outstanding debt at the end of 2022-23 was due to the internal loans raised by the state government and 14.3% was due to loans from the central government. Outstanding market loans constituted 75.9% of the total public debt liability of the state government in 2022-23, while Special Securities Issued to NSSF accounted for 5.0%. Loans from Financial Institutions constituted only 4.0% of the total outstanding public debt.
- About 70% its outstanding debt is carrying interest rate above 7%, and about 30% of the total internal debt is carrying lesser interest rates. Only 10% of the outstanding central loans is

carrying interest rates less than 7%. The weighted average interest on the outstanding public debt works out to about 7.2%. The outstanding liability on Public Account has been growing at a CAGR of 9.3% during 2013-23.

- As regards the sustainability of debt, even though the growth rate of its GSDP outstripped the growth rate of the state's outstanding liability for all the years except the covid year 2020-21, there was a substantial deficit in its primary account in all the years, the deficit increasing sharply after Covid. As a result, the ratio of outstanding liabilities to GSDP has increased from 25% to 35% over the period. It was still a much-improved situation, considering that the ratio had reached as much as 45% in 2007-08. This trend is likely to continue, putting strain in the servicing of debt in future, since the non-debt receipts would not be sufficient to bridge the resource gap together with the net borrowed funds available. The liabilities might then become unsustainable in the long run if this trend continues unchecked.
- The total amount of outstanding guarantees stood at Rs 25,159 crore, equivalent to 15.0% of total revenue receipts in 2022-23, of which 51.5% were due to the Bihar State Electricity Board and its subsidiary companies alone, followed by 34.1% due to Bihar State Food and Civil Supplies Corporation and 13.9% to Bihar State Co-operative Bank Ltd. The State Government has not yet created Guarantee Redemption Fund.
- During 2022-23, Bihar has an off-budget borrowing of Rs 2078 crore, or 0.27% of GSDP.

8.5 State's Transfer to Local Bodies: PRIs and ULBs

- As of March 2024, there were 8,624 PRIs in Bihar. As regards the devolution of Functions, PRIs at all the three levels have been given the right of self-governance in respect of 29 subjects of 20 Departments. No taxes were levied and collected by the PRIs as of April 2021 as the State Government did not notify the rate of taxes. The main revenue streams for PRIs during this period were grants from the Union Finance Commissions (UFC) and Fifth State Finance Commissions (SFC-5), constituting approximately 46% and 25% of total revenues respectively. Besides transfers from the central government, PRIs also receive recurring and non-recurring grants from state governments.
- Expenditure of PRIs in Bihar has increased over time from Rs. 2,952 crore in 2015-16 to Rs. 10,547 crore in 2019-20, representing more than 2.5 times growth over the five-year period, but it consistently fallen short of allocated budgets, resulting in significant savings (unspent funds) each year. The percentage of savings varied considerably over the period, ranging from a low of 7% in 2017-18 to a high of 51% in 2014-15. Recent years (2018-19 to 2022-23) have shown savings percentages between 36% and 40%, indicating persistent underutilization of funds. Over the entire period from 2012-13 to 2022-23, the total budget allocation was Rs 98,480 crore, while the total expenditure was Rs 68,255 crore, resulting in overall savings of Rs 30,225 crore or 31% of the total allocation.
- Being almost entirely dependent on the State government grants and partly upon the Central Finance Commission grants which are not adequate for its range of functions and activities, ULBs in Bihar are neither equipped financially nor administratively to carry out their assigned functions. They also lack functional autonomy, as decision on all key issues rests largely with State Government. There does not seem to be any clear and true devolution of functions. No

activity mapping also seems to have been done. Due to their lack of capacity, many ULB functions are being discharged by the Government departments.

- The total revenue of all ULBs in Bihar for the five-year period 2015-20 amounted to Rs. 16,806 crore, rising from Rs 2271 crore in FY 2016 to Rs 3294 in FY 2020. Property tax remain the only significant source of its own revenues, which yielded Rs 881 crore during the period, while user charges yielded Rs 149 crore for the non-tax revenue. The own revenues constituted only 6% of the total revenues, bulk of which came from UFC14 grants (13%) and SFC5 devolution (31%). The rest came from assigned revenues in respect of stamp duty and profession tax (6%), State budgets for State Sponsored Schemes (18%), and Centrally Sponsored Schemes (24%).
- The total expenditure of all ULBs in Bihar during 2015-20 amounted to Rs. 14,894 crore, with establishment costs and civic services receiving relatively smaller allocations (20% and 10% of total allocations respectively). Scheme expenditure dominated the ULBs' financial activities, with Rs. 4,058 crore spent on Centrally Sponsored Schemes (23 percent of total) and Rs. 6,328 crore spent on State Specified Schemes (47% of total) during this period. Together, these scheme-based expenditures accounted for 70% of the total spending.

8.6 Public Sector in Bihar

- As of March 2023, the public sector in Bihar consisted of 76 entities, including 34 working government companies, 39 non-working companies, and 3 statutory corporations. The state government's total investment in the public sector reached Rs. 59,905 crore by March 2023, with Rs. 42,421 crore in equity and Rs. 17,484 crore in long-term loans for working PSUs. The number of working PSUs has remained stable at 34 since 2020, while non-working PSUs have decreased from 44 in 2019 to 39 in 2023. Despite the reduction in total PSUs from 78 in 2019 to 76 in 2023, the government's financial commitment to the sector has nearly doubled over this period.
- The total turnover of all SPSEs in Bihar increased from Rs 20,212 crore in 2020-21 to Rs 24,117 crore in 2022-23, equivalent to 3.21% of GSDP, almost entirely contributed by the power sector alone, which also accounts for nearly 92 percent of the total state government investment in public sector undertakings at the end of 2022-23.
- The overall performance of the public sector in Bihar leaves much to be desired. While the number of profit-making SPSEs decreased from 18 in 2020-21 to 16 in 2022-23, the cumulative profit of these enterprises fell from Rs. 463 crore in 2020-21 to Rs. 318 crore in 2022-23, or, by 31% over the three-year period. In 2022-23, the number of loss-making SPSEs increased to 15, up from 13 in 2020-21. The total net loss for these enterprises rose significantly from Rs. 2,483 crore in 2020-21 to Rs. 2,848 crore in 2022-23, an increase of 14.7% over the three-year period.
- None of the 73 SPSEs (34 active and 39 inactive) submitted their financial statements within the prescribed timelines. As of March 31, 2023, 1,140 accounts of 62 SPSEs were in arrears, with each year of delay counted as one arrear. For the fiscal year 2021-22, financial statements were due from 68 SPSEs (excluding five under liquidation). However, only nine of the 34 working SPSEs were able to finalize their accounts up to 2021-22. Without the accounts, the status of their assets and liabilities remain unknown putting hurdles for their liquidation.

8.7 Power Sector Reforms in Bihar

- Under the Bihar State Electricity Reforms Transfer Scheme 2012, BSEB was unbundled into 5 companies effective November 1, 2012: Bihar State Power (Holding) Company Limited (holding company), Bihar State Power Transmission Company, Bihar State Power Generation Company, North Bihar Power Distribution Company, and South Bihar Power Distribution Company.
- Between 2017-18 and 2022-23, Bihar made significant strides in power availability and consumption through improved infrastructure and reduced deficits, and other reforms. The peak power demand met surged by 67% in July 2023. Energy availability increased by 68.5% between 2017-18 and 2022-23. Per capita power consumption rose by 145.5% over the decade, from 134 kWh in 2011-12 to 329 kWh in 2021-22. By 2023, average power availability had reached 23-24 hours in urban areas and 21-22 hours in rural areas.
- The AT&C Loss decreased from 54.6% in 2012-13 to 24.3% in 2022-23. The number of electricity consumers grew by 30% in four years, from 145.7 lakh in 2018-19 to 189.6 lakh in 2022-23. Financial support to the energy sector increased significantly, with subsidies rising from Rs. 3,492 crore in 2017-18 to Rs. 12,223 crore in 2022-23, accounting for over 80% of total state government subsidies.
- The DISCOMs achieved profitability for the first time in 2022-23, earning a profit of Rs. 215 crore as per provisional unaudited accounts. Their Cost Coverage Ratio improved from 88.1% in 2020-21 to 100.7% in 2022-23. Bihar moved from being a power-deficit state to having a 9.8% surplus in energy availability in 2022-23. The surplus power was sold through Power Exchange at rates higher than the variable Power Purchase Cost, earning the DISCOMs an additional Rs. 970 crore during 2022-23, 58% higher than the previous year, contributing to their profitability.

Evaluation of the State Finances of Bihar

Chapter 1

Introduction

The present study “Evaluation of Finances of State of Bihar” was undertaken by the Asian Development Research Institute (ADRI), Patna, at the request of the Sixteenth Finance Commission. This is an independent assessment of the finances of the State meant to serve as inputs to the Finance Commission for making appropriate recommendations in its report.

To begin with, we provide a brief introduction to the state covering the profile of its economy and other socio-economic characteristics.

1.1 Overview of Bihar’s Economy and Development

1.1.1 Geography

Bihar is a landlocked State, bounded by West Bengal in the east, Uttar Pradesh in the west, Jharkhand in the south, and shares a long international border with Nepal in the north. It is the twelfth largest State in India in terms of geographical size (94,163 sq. km.), occupying 2.86% of India's geographical area. The State of Bihar has 38 districts. Bihar has been making significant strides in economic and social development in recent years. The state, known for its rich historical and cultural heritage, has been focusing on improving its infrastructure, education, and industrial sectors to boost economic growth and attract investments. Patna, the capital of Bihar, serves as a major centre of political, educational, and cultural activities in the state. The city's strategic location along the Ganges River has historically made it a hub for trade and commerce. Bihar's economy is primarily driven by agriculture, but recent years have seen significant strides in industrial growth and infrastructure development, contributing to the state's evolving economic landscape.

1.1.2 Demography

Bihar is the third most populous state of India with a population of approximately 124 million, accounting for 8.6% of the total population of India. The state is predominantly rural, with 88.7% of its population residing in rural areas and 11.3% of the population in urban areas. Despite facing numerous challenges, Bihar has shown remarkable resilience and progress, especially in agriculture and infrastructure development. The demographic composition of Bihar is diverse, with various ethnic groups and communities coexisting.

With a population density of 1,102 people per square kilometre far exceeding the national average of 382 people, Bihar is one of the most densely populated states in India. This high density presents both opportunities and challenges. On one hand, it can drive economic activity and cultural vibrancy. On the other hand, it strains the state's infrastructure, including housing, transportation and public services. Effective urban planning and investment in infrastructure are critical to managing this density and improving the quality of life for Bihar's residents.

As of the 2011 Census, the sex ratio in Bihar stands at 918 females for every 1,000 males, which is lower than the national average of 943. This disparity indicates underlying social issues, such as gender discrimination and the preference for male children. Addressing this imbalance requires multifaceted strategies, including promoting gender equality, enhancing healthcare services for women, and raising awareness about the importance of female education and empowerment. Improving the sex ratio is essential for achieving a balanced and progressive society in Bihar.

Age Profile of Population

The 2011 Census data reveals significant differences in the age structure of Bihar compared to the national average. Bihar's proportion of children (39.4%) is substantially higher than the national average (30.9%). This 8.5 percentage point difference indicates that Bihar has a much younger population overall. While this suggests a potential demographic dividend in the future, it also presents immediate challenges in terms of providing adequate education, healthcare, and nutrition to a larger proportion of dependent children. Bihar's working-age population (54.5%) is notably lower than India's average (60.5%). This 6 percentage point gap suggests that Bihar has a smaller proportion of potentially productive individuals compared to the national level. This could impact the state's economic output and growth potential, as well as increase the dependency ratio. Bihar has a lower proportion of elderly citizens (6.1%) compared to the national figure (8.6%).

Age Group	Bihar	India
0-14 years	39.4%	30.9%
15-59 years	54.5%	60.5%
60+ years	6.1%	8.6%

Source: Census Report, 2011

Bihar's age structure indicates a higher dependency ratio than the national average, with a larger proportion of the population relying on a smaller working-age group. This could strain economic resources and affect per capita income levels. The 2011 Census data reveals that Bihar has the highest dependency ratio in India at 67.1%, slightly above the national average of 65.3%. This means that in Bihar, for every 100 working-age individuals, there are about 67 dependents (children and elderly), while the national average is about 65 dependents per 100 working-age individuals.

In conclusion, Bihar's unique demographic profile, characterized by a significantly younger population compared to the national average, presents both challenges and opportunities. Targeted policies addressing education, healthcare, and economic development tailored to this young demographic will be crucial for Bihar's future growth and development.

Outmigration

Bihar's outmigration patterns reveal a stark contrast to national averages, highlighting the state's unique socioeconomic dynamics. Outmigration from Bihar has been a significant phenomenon throughout history, with its scale increasing over time. During 1951-1961, about 4% of Bihar's population migrated, while between 1971-1981, around 2% migrated. By 1981, the total number of migrants more than doubled to approximately 2.5 million. The volume of migration has increased drastically since the 1980s, with migration now observed across all sections of the state, including all castes, communities, and economic groups. According to the 2011 Census, approximately 9.3 million people from Bihar migrated out of the state between 2001 and 2011. The 2011 Census data also reveals that 55% of male migrants from Bihar moved for work/employment-related reasons, which is more than double the all-India average of 24%. This trend extended to business-related migration as well, with Bihar's rate (4%) nearly doubling the national average (2%). Similarly, 4% of female migrants from Bihar moved for work/employment reasons, compared to the 2% all-India average. Similarly, business-driven female migration from Bihar (0.48%) surpasses the national average (0.29%). Interestingly, contrary to the national trend where marriage is the primary driver of female migration,

Bihar shows a lower rate of marriage-driven female migration compared to the all-India average. The major destination states for Bihari migrants include Delhi (19.34% of interstate migrants), Jharkhand (14.12%), West Bengal (13.65%), Maharashtra (10.55%), Uttar Pradesh (10.24%), Haryana (7.06%), Punjab (6.89%), and Gujarat (4.79%).

These statistics paint a picture of Bihar as a state with a highly mobile workforce, driven by economic necessities and lack of adequate opportunities within its territory. The significantly higher propensity for Biharis to migrate for work and business reasons –at more than twice the national average - underscores the state's complex labor market dynamics and the economic pressures faced by its population. This outmigration trend has far-reaching implications for Bihar's local economy, skill development initiatives, and social structures, necessitating targeted policies to address both the causes and consequences of this substantial population movement.

1.1.3 Economy

Bihar's economy has traditionally been agrarian, with agriculture contributing significantly to the state's Gross State Domestic Product (GSDP). Major crops include rice, wheat, maize, and pulses. The state is also known for its production of fruits like litchis and mangoes. In recent years, Bihar has made strides in diversifying its economy. The GSDP of Bihar at the end of the fiscal year 2022-23 was approximately Rs 7.51 lakh crore, after registering a growth rate of 11.2% during the year which was among the highest in the country. Despite this impressive growth, the per capita income remains relatively low at only Rs 59,637 (2022-23), the lowest among all the major states, indicating the need for more inclusive economic development.

Bihar's economic landscape presents a complex picture when compared to national averages, with significant disparities in sectoral contributions and employment patterns. The sector-wise share in value added and workforce participation for Bihar and India show notable differences between 2017-18 and 2021-22. Table 1.1 shows the sectoral shares in gross value added and employment.

The primary sector emerges as the most significant employer in both Bihar and India, despite having the lowest share in gross value added. In 2021-22, this sector's share in gross value added was 20.7% in Bihar, higher than the national average of 17.8%. It absorbed a substantial 47.8% of Bihar's total workforce, compared to 45.8% nationally. Notably, Bihar experienced a more pronounced increase in primary sector employment between 2017-18 and 2021-22, with a 2.6 percentage point rise versus 1.2 percentage points at the all-India level.

The tertiary sector in Bihar contributed 58.6% to the gross value added in 2021-22, slightly higher than the national figure of 53.0%. However, its share in employment was lower at 26.3% compared to 29.7% for India as a whole. The secondary sector in Bihar lagged behind national averages, accounting for 20.7% of value added compared to 29.2% at the all-India level. Within this sector, construction played a dominant role in Bihar, employing 18.6% of the workforce versus 12.4% nationally.

Bihar's economy heavily relies on agriculture and allied activities, which contributed 21% to the Gross Value Added in 2021-22. In contrast, the manufacturing sector, usually a robust employment generator, accounted for only 7.3% of Bihar's GVA, falling behind even the construction sector at 8.5%. This imbalance is further evidenced by Bihar's declining share of factories in the country, which dropped from 1.5% in 2011-12 to 1.4% in recent years.

Table 1.1: Sectoral share in Economy and Employment

Sectors	2017-18				2021-22			
	Shares in Gross Value Added		Shares in employment		Shares in Gross Value Added		Shares in employment	
	Bihar	All India	Bihar	All India	Bihar	All India	Bihar	All India
Agriculture, livestock, forestry and fishing	21.48	15.29	45.10	44.14	20.56	15.58	47.64	45.46
Mining and quarrying	0.10	2.74	0.07	0.41	0.11	2.25	0.13	0.33
Primary	21.57	18.03	45.17	44.55	20.67	17.83	47.77	45.79
Manufacturing	9.14	18.36	8.93	12.13	9.47	18.72	6.82	11.57
Electricity, gas, water supply and other utility services	1.49	2.27	0.09	0.59	2.00	2.29	0.48	0.55
Construction	9.47	8.01	16.30	11.67	9.26	8.18	18.64	12.43
Secondary	20.10	28.64	25.32	24.39	20.72	29.19	25.94	24.55
Trade, repair, hotels and restaurants	18.20		13.68	11.96	15.00		11.15	10.35
Transport, storage, communication and services related to broadcasting	9.66	19.7	4.13	5.92	10.57	17.8	6.51	7.38
Financial, real estate and professional services	13.73	21.08	1.94	2.09	14.24	22.46	0.92	1.90
Public Administration and other services	16.74	12.57	9.76	11.07	18.79	12.72	7.70	10.03
Tertiary	58.32	53.33	29.51	31.05	58.60	52.98	26.29	29.66
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Bihar Economic Survey, 2023-24

The manufacturing sector, typically a key driver of economic growth and employment, showed a significant gap between Bihar and the national average. This disparity was also reflected in employment figures, with manufacturing accounting for just 6.8% of jobs in Bihar compared to 11.6% nationally.

The pattern of sectoral contributions and employment shares in Bihar largely mirrors the national trend over the five-year period from 2017-18 to 2021-22. However, the state's reliance on the primary sector and underdeveloped manufacturing sector stand out as key differences. These disparities point to structural challenges in Bihar's economy, potentially limiting its growth and development prospects compared to the national average.

This economic structure, characterized by a dominant agricultural sector and underdeveloped manufacturing, presents both challenges and opportunities for Bihar. While the primary sector provides substantial employment, the low value addition in this indicates suppressed wages and low productivity. The underdeveloped manufacturing sector represents a potential area for future growth and job creation, if appropriate policies and investments are implemented.

The industrial sector in Bihar is gradually expanding with the establishment of new industries and infrastructure projects. The service sector, including trade, hospitality, and information technology, is also growing, contributing to the state's economic resilience. However, Bihar still faces significant challenges in attracting large-scale industrial investment due to factors like infrastructure deficits and land acquisition issues. The repercussions of limited industrialization are evident in Bihar's marginal contribution to national exports. While states like Gujarat, Maharashtra, and Andhra Pradesh contribute 30.7%, 18.3%, and 10.3% respectively to India's exports, Bihar's share stands at a mere 1.4%. This lack of industrial diversity and export capacity directly impacts employment opportunities within the state.

Poverty, Unemployment and Women's Participation in labour Force

Bihar's socio-economic challenges are further underscored by its struggle with multidimensional poverty, affecting one-third of its population (33.76%). This rate is significantly higher than in neighbouring states like Jharkhand (28.81%), Uttar Pradesh (22.93%), and Madhya Pradesh (20.63%). The pervasive poverty is intrinsically linked to Bihar's economic structure and industrial development.

Consequently, Bihar has witnessed a concerning rise in unemployment, with the rate increasing from 4.6% in 2020-21 to 5.9% in 2021-22. This trend highlights the pressing need for industrial diversification and job creation initiatives in the state. The predominance of agriculture in Bihar's economy, while crucial, also emphasizes the urgency for balanced sectoral growth to address the state's developmental challenges.

The situation regarding female labour force participation in particular raises serious concerns. Between 2004-05 and 2019-20, the Female Labor Force Participation Rate (FLFPR) in urban India increased marginally from 17.8% to 18.5%, but Bihar's urban FLFPR decreased from 6.8% to 6.1%. The contrast is starker in rural areas, where India's FLFPR fell from 33.3% to 24.7%, but Bihar's plummeted from 13.8% to 6.4%. Similarly, the Female Workforce Participation Rate (FWFPR) in Bihar declined in both urban (6.5% to 5.3%) and rural (13.8% to 6.4%) areas, while India overall saw a slight increase in urban areas and a less severe decline in rural regions.

In essence, Bihar's economic narrative, characterized by high poverty rates, limited industrialization, low export contribution, and rising unemployment, diverges significantly from national averages. This scenario calls for targeted interventions aimed at fostering industrial growth, enhancing manufacturing capabilities, and creating diverse employment opportunities to align Bihar's economic trajectory more closely with national development goals.

Infrastructure

Infrastructure development in Bihar has been a priority for the state government, aiming to address historical deficits and promote economic growth. Bihar has an extensive road network that plays a crucial role in connecting its vast rural and urban areas. The state has a total of 4,917.19 kilometres of National Highways, which are vital for interstate connectivity and economic activities. Additionally, there are 4,005.58 kilometres of State Highways and 13,499 kilometres of district roads, facilitating local connectivity. The total length of all roads in Bihar is substantial, with a road density of 56.9 kilometres per lakh population, which highlights the extensive efforts to improve accessibility across the state during the last 10 years.

The railway network in Bihar is also extensive, with major railway junctions in cities like Patna, Gaya, and Muzaffarpur, enhancing connectivity within the state and beyond. Patna, the state capital, has an international airport, while the state has 1 domestic airport in Darbhanga and another international airport in Gaya, improving Bihar's connectivity with the rest of India and the world. The power infrastructure in Bihar has seen significant development during the past decade. The state has an installed power capacity of 26,420 MW, which is essential for meeting the growing energy demands of its population and industries. Total electricity consumption stands at 201,193 MWh. Against an all-India average per capita power availability of 1221 kilowatt-hours in 2022-23, Bihar has only one-third, that is, 373.4 kilowatt-hours, indicating the need for further expansion and efficient distribution of power to ensure wider access. As per the National Family Health Survey (NFHS-5) conducted in 2019-21, Rural electrification has seen significant progress in Bihar, with 100% of villages electrified and 95.6% of rural households reporting access to electricity as of 2021.

Efforts are also underway to enhance internet connectivity, with initiatives aimed at bridging the digital divide and promoting digital literacy. According to the Internet in India Report 2022 by the Internet and Mobile Association of India (IAMAI), Bihar has the lowest internet penetration in the country at just 32% (Highest Goa: 70%). This highlights the significant digital divide within the state, impacting access to information, education, and economic opportunities. This underscores the urgent need for targeted initiatives to enhance internet connectivity and digital literacy in Bihar to bridge the gap and promote inclusive growth.

The telecom sector in Bihar is rapidly evolving, with 4,499,180 mobile subscribers and 21,948 internet subscribers, showing the increasing penetration of digital connectivity. There are 9,095 post offices and 1,056 telephone exchanges across the state, supporting communication and postal services. Bihar struggles with the lowest tele-density in India at 55.81%, significantly lagging behind the national average of 84.43%, as reported by the Telecom Regulatory Authority of India (TRAI). The state's connectivity issues are exacerbated by delays in obtaining right of way (RoW) clearance for installing 865 mobile communication towers, affecting many villages. Over the past five years, Bihar's tele-density has declined by 4.3%, highlighting persistent infrastructural challenges.

Water management remains a critical issue in Bihar, with the state being prone to both floods and droughts. The government has been working on improving flood management systems and irrigation infrastructure to mitigate these challenges and ensure water security for agriculture and drinking purposes.

Education

Education is a critical focus area for Bihar. Bihar's literacy rate, at 70.9%, reflects a significant journey towards educational development, yet it still lags behind the national average of 77.7%, highlighting the need for continued efforts in improving educational access and quality. The government has been implementing various programs to enhance literacy, especially among women and marginalized communities, aiming to bridge the educational gap and empower future generations.

The state has 42,398 primary schools, 4,514 high schools, and 3,583 higher secondary (10+2) schools, reflecting significant efforts to provide basic and secondary education to its youth. Additionally, there are 1,355 registered institutions and 37 universities, including 17 state universities, which cater to higher education and research needs. Despite these efforts, the state continues to face challenges in

improving educational outcomes and infrastructure, especially in rural areas. Bihar's educational landscape is marked by contrasts. While the state is home to prestigious institutions like the Indian Institute of Technology (IIT) Patna and the National Institute of Technology (NIT) Patna, it also faces significant challenges at the primary and secondary education levels. High dropout rates, inadequate school infrastructure, and a shortage of qualified teachers are persistent issues.

To address these challenges, the state government has launched various schemes and initiatives aimed at improving educational outcomes. Programs like the Mukhyamantri Balika Cycle Yojana, which provides bicycles to school-going girls, have been instrumental in promoting female education and reducing dropout rates. Additionally, efforts to enhance teacher training and improve school facilities are ongoing, aiming to provide a more conducive learning environment for students.

Health

The health infrastructure in Bihar comprises 2,034 primary health centers, 10,258 sub-health centers, 36 district hospitals, 306 community health centers, and 45 subdivisional hospitals. These facilities are crucial for providing healthcare services to the state's large and diverse population. The allocation of 6.3% of the total budgetary outlay for health in 2021-22 underscores the state's commitment to improving healthcare access and quality. However, the healthcare system faces challenges such as resource constraints and uneven distribution of facilities, which need to be addressed to ensure equitable healthcare services for all residents.

According to the Sample Registration System (SRS) report by the Registrar General of India (RGI) for 2016-18, Bihar has shown improvements in key health indicators, yet they remain below the national averages. The infant mortality rate (IMR) in Bihar is 38 per 1,000 live births, while the national average is lower at 30 per 1,000 live births. Similarly, Bihar's maternal mortality ratio (MMR) stands at 149 per 100,000 live births, compared to the national average of 113 per 100,000 live births. These reflect persistent issues in maternal healthcare, inadequate access to skilled birth attendants, poor prenatal and postnatal care, and insufficient healthcare facilities in rural areas. The government has been working to improve healthcare access and quality through initiatives like the Bihar Health Reform Program, which focuses on strengthening health systems, improving maternal and child health services, and enhancing the capacity of healthcare providers. Efforts to expand immunization coverage, address malnutrition, and control communicable diseases are also underway, aiming to improve overall public health outcomes in the state.

Challenges and Opportunities

Bihar faces several significant challenges, including high levels of poverty, overpopulation, inadequate infrastructure, and limited industrialization. The state also grapples with issues related to healthcare, education, and governance. Despite these challenges, Bihar presents substantial opportunities for growth and development.

The government's focus on infrastructure development, education reform, and healthcare improvement, coupled with efforts to attract investment and promote industrialization, holds promise for the state's future. Additionally, Bihar's rich cultural heritage and strategic location provide opportunities for tourism and trade, which can further drive economic growth.

Conclusion

Bihar is a state of contrasts and paradoxes, with a rich historical legacy and a dynamic present yet unable to realise its potential. While it faces numerous challenges, the state's strategic initiatives and growth potential make it a key player in India's development trajectory. With continued efforts to address its challenges and leverage its opportunities, Bihar must strive to attain significant socio-economic progress in the coming years.

1.2 Objectives of the Study

The objectives, methodology and data sources for the study are specified in Table 1.2. The Commission required the study to cover 13 aspects of State finances as listed below. The study has been conducted with reference to the data for the 11-year period 2012-23 for the purpose of analysis and estimation of the different objectives related to different dimensions of the State's finances. The Finance Accounts pertaining to 2023-24 are not yet available at the time of preparation of this report and as we were not certain about the objectivity of the State's budgeting processes, and also because the past budgets reflected wide variances from the actual receipts and expenditure, the revised estimates and budget estimates have not been used in calculations, except only for the purpose of comparison wherever needed.

Table 1.2: Objectives, methodology and data sources

Sl. No.	Objectives	Data sources	Methodology
i	Estimation of revenue capacities of State and measures to improve the tax-GDP ratio during last five years. Suggestions for enhancing the revenue productivity of the tax system in the State.	Finance accounts for revenue data; National accounts statistics for GSDP data; Finance department for additional measures taken or revenue augmentation during the last five years.	Trend and composition analysis; comparison of tax: GSFD ratio of other states; Regression and forecasting for estimation and projection.
ii	Analysis of the state's own non-tax revenues and suggestion to enhance revenues from user charges and profits from departmental enterprises and dividends from non-departmental commercial enterprises.	Finance accounts for non-tax revenue data; Financial statements of departmental enterprises and commercial undertakings for data on profits and dividends.	Trend and composition analysis; Regression and forecasting for estimation and projection.
iii	Analysis of expenditure pattern and trends separately for Revenue and Capital, and major components of expenditure thereunder; analysis of measures to enhance allocative and technical efficiency in expenditures during the last 5 years. Suggestions for improving efficiency in public spending.	Finance accounts for data on major head-wise analysis of revenue and capital expenditure items.	Trend and composition analysis; Analysis of allocative efficiency in terms of salary and non-salary expenditure on various major heads; checking the best practices from other comparable states if possible.
iv	Analysis of Deficits – Fiscal and Revenue.	Finance accounts for data on revenue surpluses, capital outlays and loans and	Trend analysis; analysis of composition and financing of fiscal deficits. Analysis of revenue surpluses (Bihar has

		advances made and recovered by the state government during the last 10 years.	been a revenue surplus state since 2004-05).
v	The level of Debt: GSDP ratio and the use of debt (i.e. whether it has been used for capital expenditure or otherwise). Composition of the state's debt in terms of market borrowing, Central government debt (including those from bilateral/multilateral lending agencies routed through the Central government), liabilities in public account (small savings, provident funds etc.) and borrowings from agencies such as NABARD, LIC etc.	Finance accounts for data on public debt and public account liabilities; National accounts statistics for GSDP data.	Trend analysis of debt and its components; analysis of debt burden and repayment liabilities; analysis of net debt accrued to the state after discharging of liabilities; analysis of maturity profile of the state debts.
vi	Implementation of FRBM Act and commitment towards targets. Analysis of MTFP of various departments and aggregate.	Finance accounts and Budget documents of the state government.	Year wise analysis of achievements FRBM targets and reasons for failure, if any; Department wise analysis of MFTP.
vii	Analysis of the state's transfers to urban and rural local bodies in the State. Major decentralization initiatives.	Finance and Panchayati Raj Department, State Finance Commission other concerned departments; Audit Reports on Local Bodies.	Trend analysis. Analysis of the resources of local bodies; comparison with other comparable states, if feasible. Examination of the results of decentralization initiatives.
viii	Impact of State Public Enterprises finances on the State's financial health and measures taken to improve their performance and/or alternatives of closure, disinvestment etc.	Financial statements of working public enterprises of the state; Audit reports of the Comptroller & Auditor General of India;	Financial and ratio analysis of the balance sheets of public sector enterprises, especially of those in the power sector; Examination of measures taken by the state for liquidation of loss-making enterprises and the results thereof.
ix	Impact of Power Sector Reforms on States' fiscal health. In case reforms have not been	Annual reports and accounts of the power generation and distribution companies	Financial analysis of power sector companies; examination of the power situation and receipts from

	implemented, the likely outcome on the State's fiscal health.	in the State; Data from Energy Department.	power sector and their impact of state resources.
x	Analysis of contingent liabilities of the State.	Finance Accounts.	Trend analysis; examination of guarantees and their discharge etc.
xi	Subsidies given by the States (Other than Central subsidies), its targeting and evaluation.	Finance Accounts; Budget documents.	Trend analysis; evaluation of the use of subsidies and impact thereof.
xii	Outcome Evaluation of State Finances in the context of recommendations of the 14th and 15th Finance Commission, covering: (a) analysis of the flow of resources from Centre to State through various schemes, the expenditure of State in those schemes, resources of States channeled towards these schemes and the overall impact on development spending of the State; (b) States' own schemes for different development objectives	Report of the Finance Commissions; Finance Accounts; Finance Department of the Bihar Government.	Outcome evaluation vis-à-vis Finance Commission recommendations.
xiii	Determination of a sustainable debt roadmap for 2026-31, taking into account impact of introduction of GST and other tax/non-tax trend forecasts.	Finance Department for data on GST; Finance accounts for data on capital receipts and repayment obligations; National accounts for growth of GSDP.	Trend analysis; Debt sustainability analysis; regression and estimation.

1.3 Organisation of the Study

The findings of this evaluation study are presented in 8 chapters, broadly matching the 13 dimensions of the state finances mentioned above, based on the 10 year long time series data (2012-13 to 2022-23). Leaving this Introductory Chapter, the contents of the remaining 7 chapters are briefly described below.

Chapter 2 (Revenue Capacity) analyses the medium-term trends in own tax receipts, central grants, measures to improve Tax: GSDP ratio, and non-tax revenues (especially from user charges and profits from public sector undertakings). In other words, this Chapter addresses the first two of the 13 aspects of the state finances mentioned above.

Chapter 3 (Expenditure Patterns) covers the third of the 13 aspects mentioned above and the analysis is done in terms of revenue and capital expenditure and the quality and impact of public expenditure.

However, besides the third aspect, the Chapter also includes an analysis of the subsidies provided by the state government (eleventh of the 13 aspects) as well as an outcome evaluation of state finances in the context of recommendations of the 14th Finance Commission (twelfth aspect).

Chapter 4 presents an analysis of the Gross Fiscal Deficits of the state government (fourth of the 13 listed aspects), as well as progress on the implementation of the Financial Regulation and Budget Management (FRBM) Act (sixth of the 13 listed aspects).

Chapter 5 is devoted to the analysis of the present debt position of the state government (fifth of the 13 listed aspects) and how it has improved during the last decade. The contingent liabilities (tenth of the 13 listed aspects) as well as the last aspect, determination of a sustainable debt roadmap for 2020-25, have also been analysed in this chapter.

Chapter 6 focusses on the state government's transfer to local bodies, which is gradually becoming more substantive, thanks to various initiatives, both by the central and state government. This Chapter corresponds to the seventh of the 13 listed aspects listed above.

Chapter 7 incorporates an exhaustive analysis of the functioning of the public sector enterprises of the state government, corresponding to the eighth of the 13 aspects listed above. The power sector is the largest among all the public sector undertakings and power sectors (ninth of the 13 listed aspects) are also discussed in this chapter.

Finally, Chapter 8 summarises the major conclusions and findings of this study.

Chapter 2

Revenue Capacity: Tax and Non-Tax Revenues

Objectives:

- *To analyze revenue trends of the Bihar Government in respect of tax and non-tax revenues;*
- *To estimate the revenue capacities of the State;*
- *To suggest measures to improve the Tax-GDP ratio during the last five years and to enhance the revenue productivity of the tax system in the State as well as the non-tax revenues from user charges.*
- *To suggest measures to enhance revenues from user charges.*

Data Sources:

Finance accounts for revenue data; National accounts statistics for GSDP data; Finance department of Bihar Government.

Methodology:

Trend and composition analysis; Comparison of Tax: GSDP ratio of different states; Regression analysis for estimation and projection.

2.1 Summary of financial position

During the 1980s, Bihar faced increasing deficits in its revenue, which weakened the state's finances, resulting in large fiscal deficits, unsustainable debt levels, and reduced government spending, impeding the State's growth. However, corrective measures were initiated in 2005-06 with the implementation of the Fiscal Responsibility and Budget Management (FRBM) Act, enabling Bihar to generate revenue surpluses. These surpluses were utilized to build a solid financial foundation, accelerating the state's economic growth, although its reliance on central funds remained high.

Despite efforts towards fiscal consolidation until 2015-16, Bihar's financial situation has since deteriorated. The revenue surplus, which peaked at Rs. 12,507 crores in 2015-16, started declining thereafter, reaching a deficit of Rs. 1,784 crores in 2019-20 which then soared to Rs. 11,325 crores in 2020-21. Though there was a marginal surplus of Rs. 422 crores in 2021-22, the revenue deficit climbed to Rs. 11,288 crores in 2022-23, caused by a faster growth in expenditure than in revenue.

The total revenue receipts of the Bihar government have shown a consistent upward trend over the years, increasing from Rs. 59,566 crores in 2012-13 to Rs. 172,688 crores in 2022-23. Tax revenue has witnessed a steady rise, from Rs. 48,153 crores in 2012-13 to Rs. 139,528 crores in 2022-23. This increase can be attributed primarily to the increased devolution of central taxes, though state taxes also contributed.

Non-tax revenue, which includes receipts from various sources, notably interest receipts, dividends, and royalties, has also shown an upward trend, albeit with fluctuations. It increased from Rs. 1,135 crores in 2012-13 to Rs. 4,135 crores in 2022-23, indicating improved performance of state-owned enterprises and better resource mobilization.

Grants-in-Aid and contributions from the central government and other agencies have also increased significantly, from Rs. 10,278 crores in 2012-13 to Rs. 29,026 crores in 2022-23. This reflects the state's ability to secure higher funding from the central government and other sources for various development programs and schemes.

The total revenue expenditure of the Bihar government has also shown an increasing trend, rising from Rs. 54,466 crores in 2012-13 to Rs. 183,975 crores in 2022-23. The state government has increased its spending on various development programs and schemes, such as infrastructure development, education, health, and social welfare, to promote economic growth and improve the standard of living of its citizens. As the number of government employees and retirees increases, the expenditure on salaries and pensions tends to rise, contributing to the overall increase in revenue expenditure. The state's outstanding public debt has increased over the years, from Rs. 57,474 crores in 2012-13 to Rs. 242,846 crores in 2022-23. Consequently, the interest payments on this debt have contributed significantly to the rise in revenue expenditure.

The capital receipts of the Bihar government have increased sharply from Rs. 9,579 crores in 2012-13 to Rs. 48,325 crores in 2022-23. These receipts include borrowings, recoveries of loans, and other capital receipts, reflecting the state's efforts to mobilize resources for meeting its capital expenditure needs.

The capital expenditure, which includes spending on asset creation, has also increased significantly, from Rs. 14,740 crores in 2012-13 to Rs. 47,928 crores in 2022-23. This increase can be attributed to the state's focus on infrastructure development, such as the construction of roads, bridges, and other public assets.

The deteriorating revenue position has severely impacted Bihar's fiscal balance with the gross fiscal deficit soaring from Rs. 25,551 crores (3.8% of GSDP) in 2021-22 to Rs. 44,823 crores (6.4% of GSDP) in 2022-23, surpassing FRBMA targets. To fund this widening deficit, total borrowings surged from Rs. 40,445 crores to Rs. 48,284 crores during this period.

The primary deficit, which is the fiscal deficit excluding interest payments, has also shown an increasing trend, rising from Rs. 2,117 crores in 2012-13 to Rs. 29,639 crores in 2022-23. This indicates that the state is unable to manage its current expenditure from its current revenues; borrowings are being used not only to finance capital outlay but also to meet a portion of its revenue expenditure.

The data shows that the Bihar government's receipts and expenditure have both increased substantially over the years, reflecting the state's efforts to mobilize resources and invest in development programs and infrastructure. However, the persistent revenue deficit and increasing fiscal deficit indicate the need for prudent fiscal management and efforts to enhance revenue mobilization and rationalize expenditure. In conclusion, Bihar's financial situation has worsened in recent years, with rising deficits and debt levels, necessitating measures to rationalize expenditure and enhance revenue generation. Table 2.1 A and 2.1 B summarize the receipts and expenditures of the Bihar Government with their respective ratios to GSDP during the last five years.

Table 2.1 A: Receipts and Expenditure of Bihar Government

(Rs. crore)

Item	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Total Receipts Revenue Account	59566	68918	78417	96123	105585	117446
Tax Revenue	48153	54790	57713	74372	82623	88220
Non-Tax Revenue	1135	1545	1558	2185	2403	3507
Grants in aid and contr.	10278	12584	19146	19566	20559	25720
Total Expenditure Revenue Account	54466	62477	72570	83616	94765	102623
General Services, of which	18645	22018	26408	27972	30607	33374
Interest payments	4428	5459	6129	7098	8191	9054
Social Services	23107	26395	31713	35943	40737	45769
Economic Services	12710	14060	14445	19696	23417	23476
Grants in Aid & Contributions	4	4	4	4	4	4
Revenue Deficit	-5101	-6442	-5848	-12507	-10820	-14823
Capital Receipts	9579	9922	15411	18402	21600	13191
Public Debt etc.	9554	9907	13918	18383	21577	13169
Loans & Advances Given	2086	807	369	621	114	243
Recovery of Loan and Advances	25	15	1493	19	23	22
Capital Expenditure, of which	14740	17928	22128	28712	31537	33803
Capital Outlay	9585	14001	18151	23966	27208	28907
Total Expenditure	69206	80405	94698	112328	126302	136427
Gross Fiscal Deficit	6545	8352	11179	12061	16479	14305
Primary Deficit	2117	2893	5050	4964	8289	5251
Total Borrowings	9554	9907	13918	18383	21577	13169
Internal Debt Receipt	9046	9357	13199	17565	20065	11771
Loans from Central Government	508	550	718	818	1512	1399
Repayment of Public Debt	3070	3120	3609	4125	4215	4654
Public Debt Outstanding	57474	64262	74570	88829	106191	114707
Total Outstanding Liabilities	70890	79284	90143	102418	118888	133124
GSDP	282368	317101	342951	371602	421051	468746
Growth of GDSP	14.3	12.3	8.2	8.4	13.3	11.3

Table 2.1 A continued

Item	2018-19	2019-20	2020-21	2021-22	2022-23
Total Receipts Revenue Account	131793	124232	128168	158797	172688
Tax Revenue	103011	93564	90203	126207	139528
Non-Tax Revenue	4130	3699	6201	3984	4135
Grants in aid and contr.	24652	26969	31764	28606	29026
Total Expenditure Revenue Account	124896	126016	139493	159219	183975
General Services, of which	38691	41628	46239	48939	56029
Interest payments	10071	10991	12484	13822	15184
Social Services	58284	57816	63808	76115	88348
Economic Services	27917	26571	29445	34165	39598
Grants in Aid & Contributions	4	2	2	0	0
Revenue Deficit	-6897	1784	11325	422	11288
Capital Receipts	20494	29175	36736	40473	48325
Public Debt etc.	18668	29145	35915	40445	48284
Loans & Advances Given	1471	666	1114	1479	2057
Recovery of Loan and Advances	1825	30	820	28	41
Capital Expenditure, of which	29759	20080	26203	33903	47928
Capital Outlay	21058	12304	18209	23678	31520
Total Expenditure	154655	146096	165696	193123	231903
Gross Fiscal Deficit	13807	14724	29827	25551	44823

Primary Deficit	3735	3732	17343	11729	29639
Total Borrowings	18668	29145	35915	40445	48284
Internal Debt Receipt	16134	27866	29412	30917	38129
Loans from Central Government	2534	1279	6503	9527	10155
Repayment of Public Debt	7230	7110	6880	8746	14351
Public Debt Outstanding	126145	148180	177215	208913	242846
Total Outstanding Liabilities	147041	162196	191737	217658	262616
GSDP	527976	582516	587154	675448	751396
Growth of GSDP	12.6	10.3	0.8	15.0	11.2

Source: Finance Accounts of the Bihar Government for the respective years

Table 2.1 B: Receipts and Expenditure of Bihar Government as Percentage of GSDP

Item	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Total Receipts Revenue Account	21.10	21.73	22.87	25.87	25.08	25.06
Tax Revenue	17.05	17.28	16.83	20.01	19.62	18.82
Non-Tax Revenue	0.40	0.49	0.45	0.59	0.57	0.75
Grants in aid and contr.	3.64	3.97	5.58	5.27	4.88	5.49
Total Expenditure Revenue Account	19.29	19.70	21.16	22.50	22.51	21.89
General Services, of which	6.60	6.94	7.70	7.53	7.27	7.12
Interest payments	1.57	1.72	1.79	1.91	1.95	1.93
Social Services	8.18	8.32	9.25	9.67	9.67	9.76
Economic Services	4.50	4.43	4.21	5.30	5.56	5.01
Grants in Aid & Contributions	0.00	0.00	0.00	0.00	0.00	0.00
Revenue Deficit	-1.81	-2.03	-1.71	-3.37	-2.57	-3.16
Capital Receipts	3.39	3.13	4.49	4.95	5.13	2.81
Public Debt etc.	3.38	3.12	4.06	4.95	5.12	2.81
Loans & Advances Given	0.74	0.25	0.11	0.17	0.03	0.05
Recovery of Loan and Advances	0.01	0.00	0.44	0.00	0.01	0.00
Capital Expenditure, of which	5.22	5.65	6.45	7.73	7.49	7.21
Capital Outlay	3.39	4.42	5.29	6.45	6.46	6.17
Total Expenditure	24.51	25.36	27.61	30.23	30.00	29.10
Gross Fiscal Deficit	2.32	2.63	3.26	3.25	3.91	3.05
Primary Deficit	0.75	0.91	1.47	1.34	1.97	1.12
Total Borrowings	3.38	3.12	4.06	4.95	5.12	2.81
Internal Debt Receipt	3.20	2.95	3.85	4.73	4.77	2.51
Loans from Central Government	0.18	0.17	0.21	0.22	0.36	0.30
Repayment of Public Debt	1.09	0.98	1.05	1.11	1.00	0.99
Public Debt Outstanding	20.35	20.27	21.74	23.90	25.22	24.47
Total Outstanding Liabilities	25.11	25.00	26.28	27.56	28.24	28.40

Table 2.1 B continued

Item	2018-19	2019-20	2020-21	2021-22	2022-23
Total Receipts Revenue Account	24.96	21.33	21.83	23.51	22.98
Tax Revenue	19.51	16.06	15.36	18.68	18.57
Non-Tax Revenue	0.78	0.64	1.06	0.59	0.55
Grants in aid and contr.	4.67	4.63	5.41	4.24	3.86
Total Expenditure Revenue Account	23.66	21.63	23.76	23.57	24.48
General Services, of which	7.33	7.15	7.88	7.25	7.46
Interest payments	1.91	1.89	2.13	2.05	2.02
Social Services	11.04	9.93	10.87	11.27	11.76
Economic Services	5.29	4.56	5.01	5.06	5.27
Grants in Aid & Contributions	0.00	0.00	0.00	0.00	0.00
Revenue Deficit	-1.31	0.31	1.93	0.06	1.50

Capital Receipts	3.88	5.01	6.26	5.99	6.43
Public Debt etc.	3.54	5.00	6.12	5.99	6.43
Loans & Advances Given	0.28	0.11	0.19	0.22	0.27
Recovery of Loan and Advances	0.35	0.01	0.14	0.00	0.01
Capital Expenditure, of which	5.64	3.45	4.46	5.02	6.38
Capital Outlay	3.99	2.11	3.10	3.51	4.19
Total Expenditure	29.29	25.08	28.22	28.59	30.86
Gross Fiscal Deficit	2.62	2.53	5.08	3.78	5.97
Primary Deficit	0.71	0.64	2.95	1.74	3.94
Total Borrowings	3.54	5.00	6.12	5.99	6.43
Internal Debt Receipt	3.06	4.78	5.01	4.58	5.07
Loans from Central Government	0.48	0.22	1.11	1.41	1.35
Repayment of Public Debt	1.37	1.22	1.17	1.29	1.91
Public Debt Outstanding	23.89	25.44	30.18	30.93	32.32
Total Outstanding Liabilities	27.85	27.84	32.66	32.22	34.95

Source: Computed on the basis of Table 2.1 A

2.2 Revenue Receipts

In recent years, Bihar's revenue receipts have continued to be heavily reliant on central transfers, accounting for 72-77% of the total revenue receipts. The state's own revenue sources, comprising tax and non-tax revenues, have contributed only 22%-28% of the total revenue receipts during 2012-23. The share of state's own tax revenue in total revenue has also remained practically stagnant, except for occasional fluctuations. It ranged from 19.7% to 29.0% of the total revenue receipts during the period from 2012-13 to 2022-23. The highest contribution from own tax revenue was 29% in 2013-14, while the lowest was 19.7% in 2017-18.

Non-tax revenues have remained a relatively small component, contributing only 2.4% - 4.8% of the total revenue receipts during the same period. The share of central taxes has consistently been the largest component of the state's revenue receipts, accounting for 46.7% - 57.5% of the total. This share has been gradually increasing over the years, with the highest contribution of 57.5% in 2021-22. Grants-in-aid from the central government have also been a significant source of revenue, contributing 16.8% - 24.8% of the total revenue receipts during the period from 2017-18 to 2022-23.

Overall, Bihar's dependence on central transfers has remained high, with the state's own revenue sources contributing a relatively smaller portion of the total revenue receipts. This situation highlights the need for the state to enhance its own revenue generation capabilities, either by improving tax compliance or exploring new revenue streams, to reduce its reliance on central transfers and achieve greater fiscal autonomy.

Table 2.2: Revenue Receipts of the Bihar Government
(Figures in brackets indicate percentage shares)

(Rs. crore)

Year	State's Own Revenue			Central Transfers			Total Revenue Receipts
	Tax	Non-Tax	Total	Share of Central Taxes	Grants-in-aid	Total	
2012-13	16253 (27.3)	1135 (1.9)	17388 (29.2)	31900 (53.6)	10278 (17.3)	42178 (70.8)	59566 (100)
2013-14	19961 (29.0)	1545 (2.2)	21505 (31.2)	34829 (50.5)	12584 (18.3)	47413 (68.8)	68918 (100)

2014-15	20750 (26.5)	1558 (2.0)	22308 (28.4)	36963 (47.1)	19146 (24.4)	56109 (71.6)	78417 (100)
2015-16	25490 (26.5)	2186 (2.3)	27676 (28.8)	48882 (50.9)	19566 (20.4)	68448 (71.2)	96123 (100)
2016-17	23742 (22.5)	2403 (2.3)	26145 (24.8)	58881 (55.8)	20559 (19.5)	79440 (75.2)	105585 (100)
GST Introduced in July 2017							
2017-18	23136 (19.7)	3507 (3.0)	26643 (22.7)	65083 (55.4)	25720 (21.9)	90803 (77.3)	117446 (100)
2018-19	29579 (22.4)	4130 (3.1)	33710 (25.6)	73432 (55.7)	24652 (18.7)	98084 (74.4)	131793 (100)
2019-20	30198 (24.3)	3699 (3.0)	33897 (27.3)	63366 (51.0)	26969 (21.7)	90335 (72.7)	124232 (100)
2020-21	30385 (23.7)	6201 (4.8)	36586 (28.5)	59818 (46.7)	31764 (24.8)	91582 (71.5)	128168 (100)
2021-22	34948 (22.0)	3984 (2.5)	38932 (24.5)	91259 (57.5)	28606 (18.0)	119865 (75.5)	158797 (100)
2022-23	44175 (25.6)	4135 (2.4)	48310 (28.0)	95353 (55.2)	29026 (16.8)	124379 (72.0)	172688 (100)

Source: Finance Accounts of the Bihar Government for the respective years

2.2.1 Own revenues of the State

Charts 2.1 and 2.2 respectively show the composition of the State's revenue receipts and the growth of the State's own revenues. Chart 2.3 shows the growth of the State's own revenue receipts vis-à-vis the total revenues of the State.

The total revenue of the state government has increased from Rs. 59,566 crores in 2012-13 to Rs. 1,72,688 crores in 2022-23, growing annually at a healthy compound average rate of 11.6%. This growth can be attributed to the overall economic expansion, increased tax compliance, and policy measures aimed at broadening the tax base. However, introduction of GST in July 2017 changed the tax scenario radically in the entire country and the new tax regime led to significant streamlining and alteration of the structure of tax receipts. Hence our analysis in this section will henceforth deal with the period from 2017-18 onwards.

The state's own tax revenue has been stagnant, contributing between 19.7% to 25.6% of the total revenue receipts during 2017-18 to 2022-23. The own tax revenue of the state government grew from Rs. 16,253 crores to Rs. 44,175 crores during this period, implying an average annual growth rate of 11.6%. However, there was a slight dip in 2016-17 and 2017-18, which could be due to the impact of demonetization and the initial disruptions caused by the implementation of the Goods and Services Tax (GST). The growth in own tax revenues picked up pace again from 2018-19 onwards, reflecting the stabilization of the new tax regime and the recovery of economic activities.

The growth in non-tax revenue has been relatively erratic, ranging from 7% to 17% of the total own revenue. This variation can be attributed to factors such as fluctuations in interest receipts, royalties from mining activities, and other non-tax sources, which are often subject to market conditions and policy changes. Over the past decade, the non-tax revenues of the State have grown at a compound annual growth rate (CAGR) of around 15.5%, indicating a steady increase in non-tax sources of revenue. However, the non-tax revenues constitute a relatively small portion of the total revenue receipts during the period under consideration.

The share of central taxes has consistently been the largest component of the state's revenue receipts, accounting for 46.7% to 57.5% between 2017-18 to 2022-23, with the lowest share being in 2020-21 during the pandemic times and the highest in 2021-22. Despite the growth in own revenues, the state's dependence on central transfers remains most significant, with central taxes and grants-in-aid comprising a substantial portion of the total revenue receipts. This dependence can be reduced by fostering sustained economic growth, expanding the tax base, and improving tax administration and compliance measures within the state.

Grants-in-aid from the central government have also been a significant source of revenue over the years, contributing 16.8% to 24.8% of the total revenue receipts during the same period. The highest contribution from grants-in-aid was 24.8% in 2020-21, while the lowest was 16.8% in 2022-23.

To achieve greater fiscal autonomy and lessen the reliance on central transfers, the state should focus on policies that promote economic diversification, attract investments, create employment opportunities, and enhance the overall productivity and competitiveness of the state's economy. This, in turn, could lead to a broader tax base and higher tax revenues, enabling the state to gradually reduce its dependence on central funds.

Chart 2.1: Percentage Composition of State's Revenue Receipts

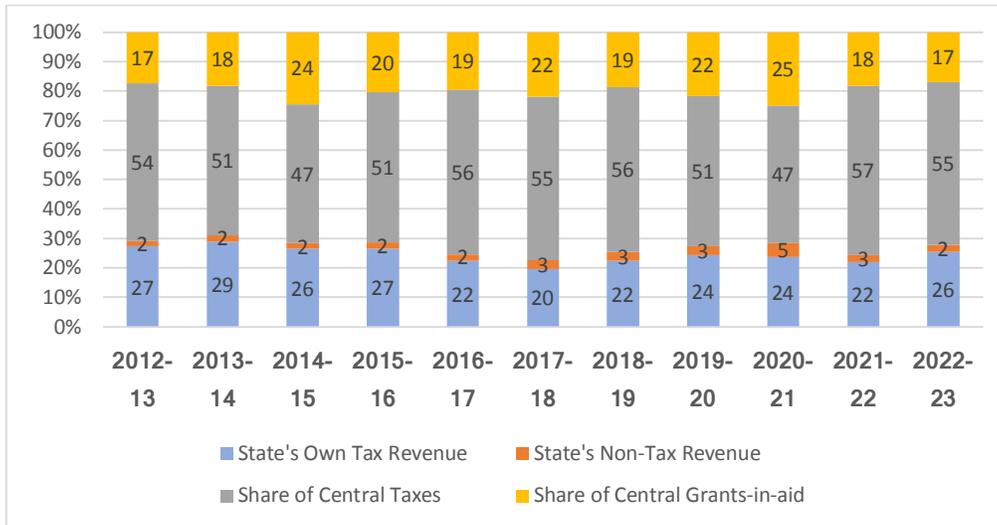


Chart 2.2: Yield and Share of State's Own Tax and Non-Tax Revenue in State's Total Own Revenue (Rs. Crore and Percent)

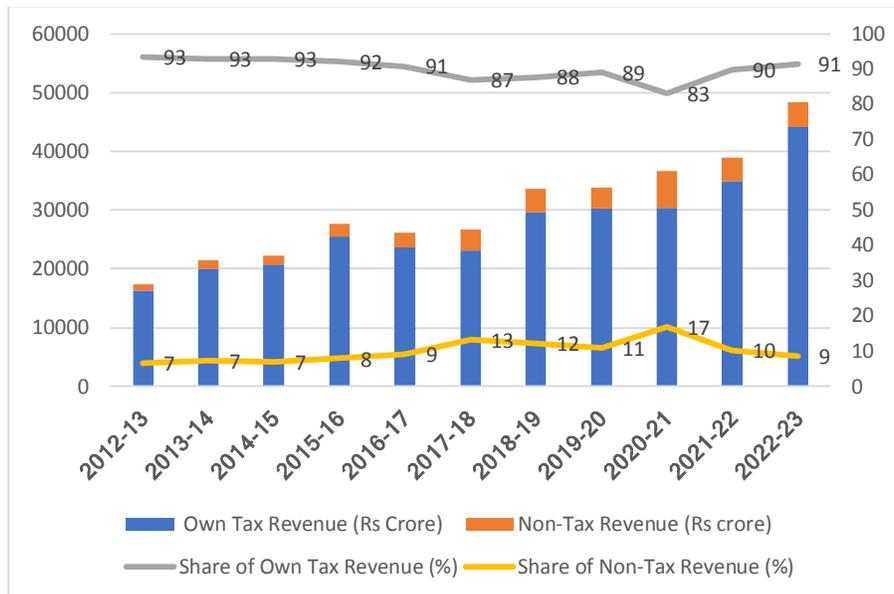
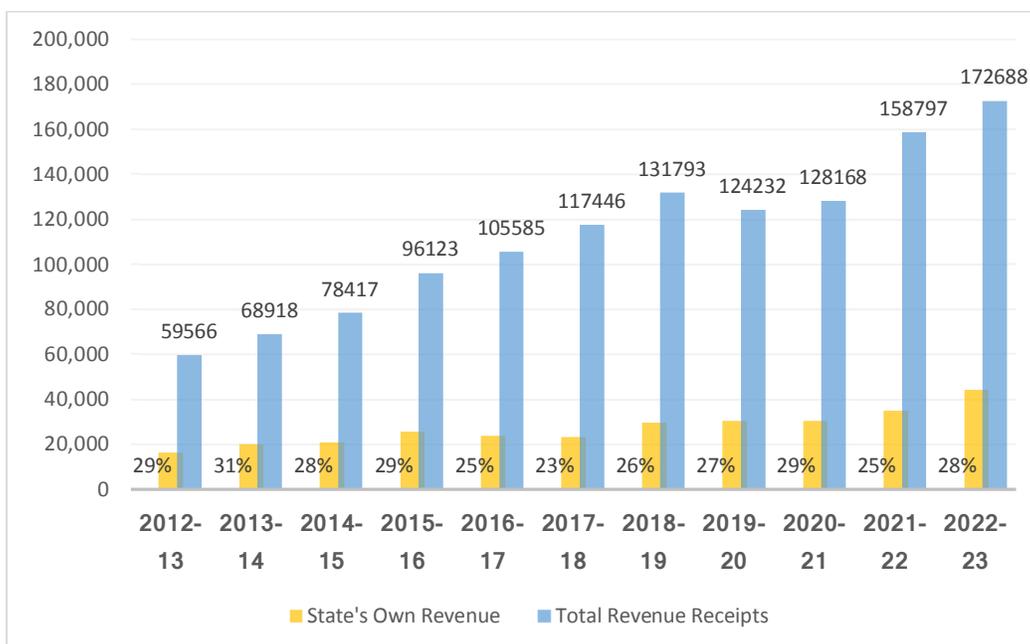


Chart 2.3: State's Own Revenue as Percentage of Total Revenues (Rs. crore)



2.2.2 Own Tax Revenues of the State

Table 2.3 shows the collections of Bihar's own tax revenues from different taxes and duties during the ten-year period 2012-23 and their respective shares in the State's total own tax revenues along with the Tax: GSDP ratios during these years for Bihar, while table 2.4 shows their growth rates. Charts 2.4: A, B and C show the collections against the major tax revenues of the State during 2012-13, and during the reOGST and post GST periods respectively. Charts 2.5 A, B and C show their percentage compositions while Charts 2.6 A, B and C show their annual growth rates respectively. In Charts 2.4 A, 2.5 A, and 2.6 A, the sales tax figures include the SGST and sales tax on petroleum and petroleum products

With the introduction of the Goods and Services Tax (GST) in 2017-18, the composition of Bihar's own tax revenues underwent significant changes. The State Goods and Services Tax (SGST) emerged as the largest contributor to the state's own tax revenues, replacing the earlier taxes on sales, trade, etc. In 2017-18, the year of GST implementation, SGST contributed 29.2% of the total own tax revenues, while taxes on sales, trade, etc. accounted for 35.9%. However, in subsequent years, the share of SGST has steadily increased, reaching 52.6% in 2022-23, while the share of taxes on sales, trade, etc. has declined to 22.4%. Sales tax, presently being imposed only on petroleum and petroleum products, also is a significant source of state revenue. Other significant contributors to Bihar's own tax revenues include stamp duty and registration fees and taxes on motor vehicles. The share of stamp duty and registration fees has remained relatively stable, ranging from 13.4% to 16.1% during the period from 2012-13 to 2022-23. Taxes on motor vehicles have contributed around 4% to 9% of the total own tax revenues during this period. The spurt in growth of SGST after 2017 compared to the sales tax (VAT) is obvious as many of the other taxes were subsumed in it; the overall growth of tax revenue, however, shows wide fluctuations because of two reasons, imposition of prohibition and hence loss of excise and sales tax on alcohol and slump in economic activities during and after the Covid years. The SGST

collections have steadily increase over the years, from Rs. 6,747 crores in 2017-18 (July-March) to Rs. 23,243 crores in 2022-23.

Overall, there has been a gradual structural shift in the composition of Bihar's own tax revenues, with the share of SGST and taxes on stamps and registration fees increasing, while the share of taxes on sales, trade, etc., and taxes on goods and passengers has declined. This shift reflects the changing tax landscape and the state's efforts to adapt to the new GST regime.

To enhance its own tax revenue generation, Bihar should focus on improving tax compliance, broadening the tax base, and exploring new tax sources within the state's jurisdiction. Additionally, continued efforts to simplify and streamline the tax administration system can contribute to better tax revenue collection.

Table 2.3: Composition of Own Revenue Receipts of Bihar Government (Rs. crore)

(Figures in brackets indicate percentage shares)

Year	State Goods and Services Tax (SGST)	Taxes on Sales, Trade etc.	Stamp Duty & Registration Fee	Taxes on Motor Vehicles	Other Taxes	Total	Tax: GSDP Ratio
2012-13		8671 (53.4)	2173 (13.4)	673 (4.1)	4736 (29.1)	16253 (100)	5.8
2013-14		8453 (42.3)	2712 (13.6)	837 (4.2)	7959 (39.9)	19961 (100)	6.3
2014-15		8607 (41.5)	2699 (13.0)	964 (4.6)	8480 (40.9)	20750 (100)	6.1
2015-16		10603 (41.6)	3409 (13.4)	1081 (4.2)	10397 (40.8)	25490 (100)	6.9
2016-17		11874 (50.0)	2982 (12.6)	1257 (5.3)	7629 (32.1)	23742 (100)	5.6
2017-18	6747 (29.2)	8298 (35.9)	3726 (16.1)	1600 (6.9)	2765 (12.0)	23136 (100)	4.9
2018-19	15288 (51.7)	6584 (22.3)	4189 (14.2)	2086 (7.1)	1432 (4.8)	29579 (100)	5.6
2019-20	15801 (52.3)	6121 (20.3)	4661 (15.4)	2713 (9.0)	902 (3.0)	30198 (100)	5.2
2020-21	16050 (52.8)	6031 (19.8)	4206 (13.8)	2268 (7.5)	1830 (6.0)	30385 (100)	5.2
2021-22	19264 (55.1)	6872 (19.7)	5224 (14.9)	2475 (7.1)	1113 (3.2)	34948 (100)	5.2
2022-23	23243 (52.6)	9881 (22.4)	6451 (14.6)	2935 (6.6)	1665 (3.8)	44175 (100)	5.9

Source: Finance Accounts of the Bihar Government for the respective years

Between 2012-13 and 2016-17, the other taxes included the following:

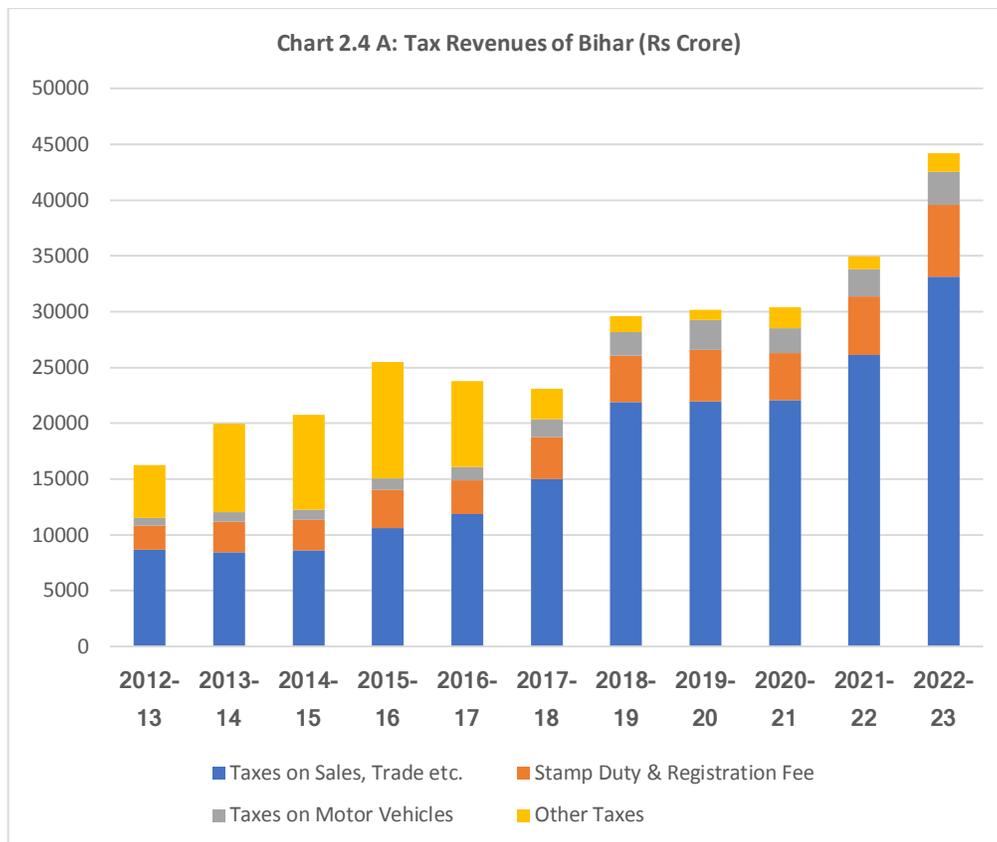
Rs Crore	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Other taxes on Income & Expenditure	30	37	48	55	65	79
Land Revenue	167	205	202	277	695	971
State Excise	1981	2430	3168	3217	3142	30
Taxes on Goods and Passengers	828	1932	4349	4451	6087	6246
Taxes and Duties on Electricity	55	103	141	375	298	224

Other Taxes and Duties on Commodities	26	29	50	105	110	81
Total – other Taxes	3087	4736	7958	8480	10397	7630

From 2017-18, the collections against other taxes are shown below:

Rs Crore	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Other taxes on Income & Expenditure	87	258	114	126	141	156
Land Revenue	779	477	275	302	284	361
State Excise	-3	-10	-4	-4	-1	1
Taxes on Goods and Passengers	1645	399	23	6	0	1
Taxes and Duties on Electricity	239	269	440	1355	596	987
Other Taxes and Duties on Commodities	20	39	54	44	93	158
Total – other Taxes	2766	1433	902	1830	1113	1665

Source: Finance Accounts of the Bihar Government for the respective years



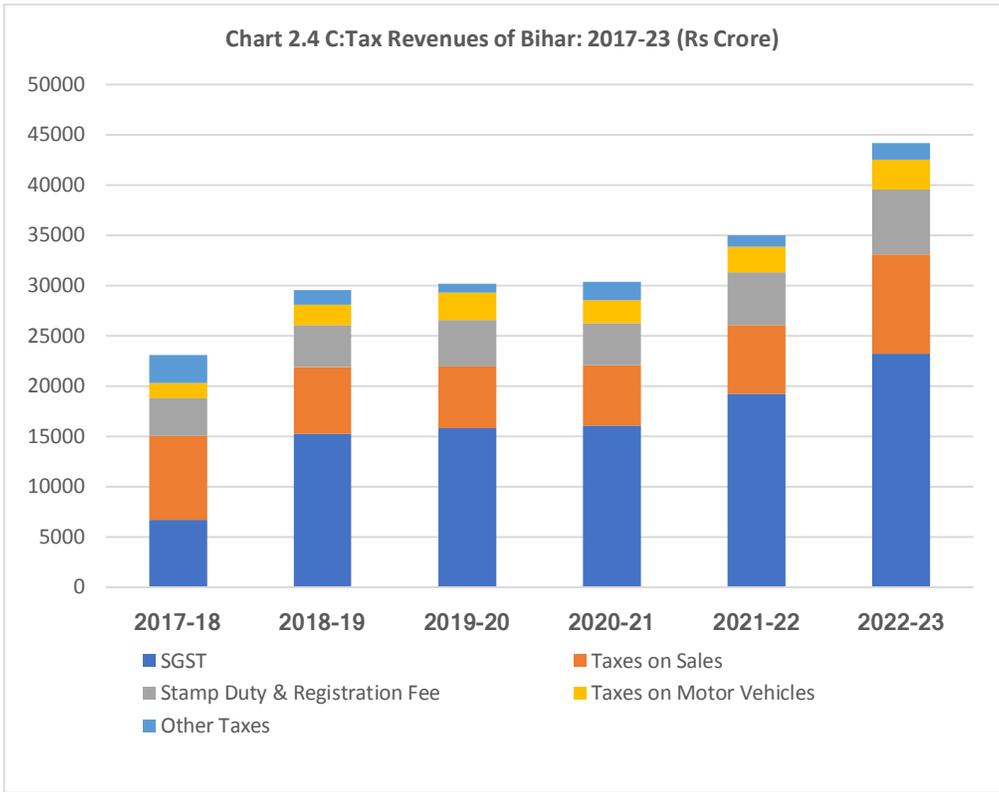
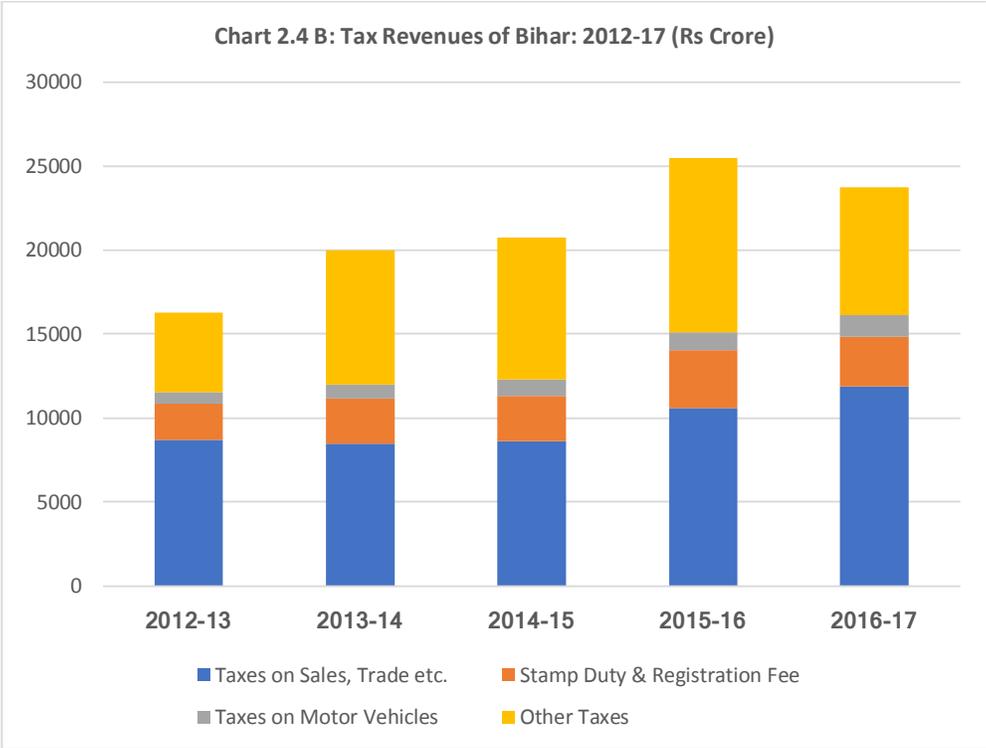


Chart 2.5 A: Tax Revenues of Bihar (%)

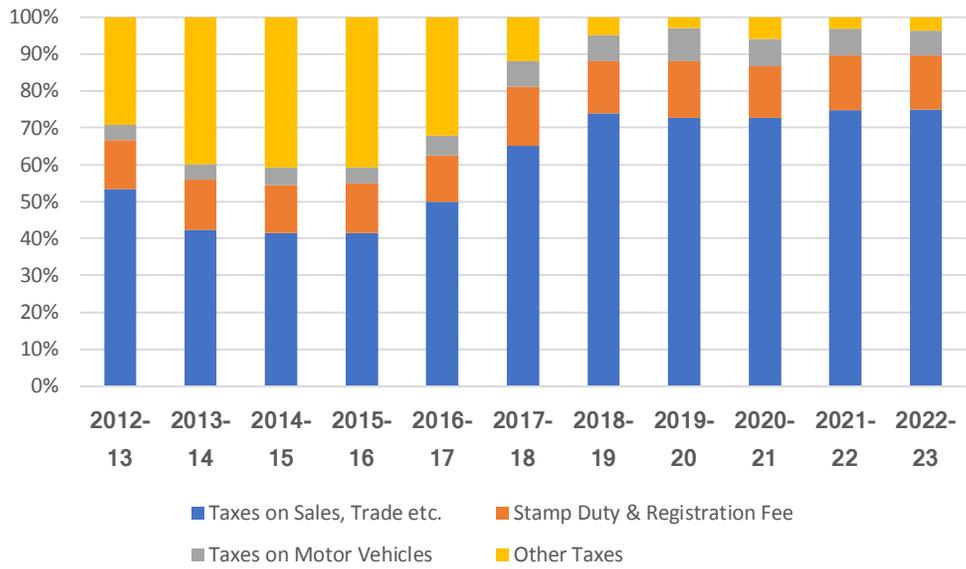
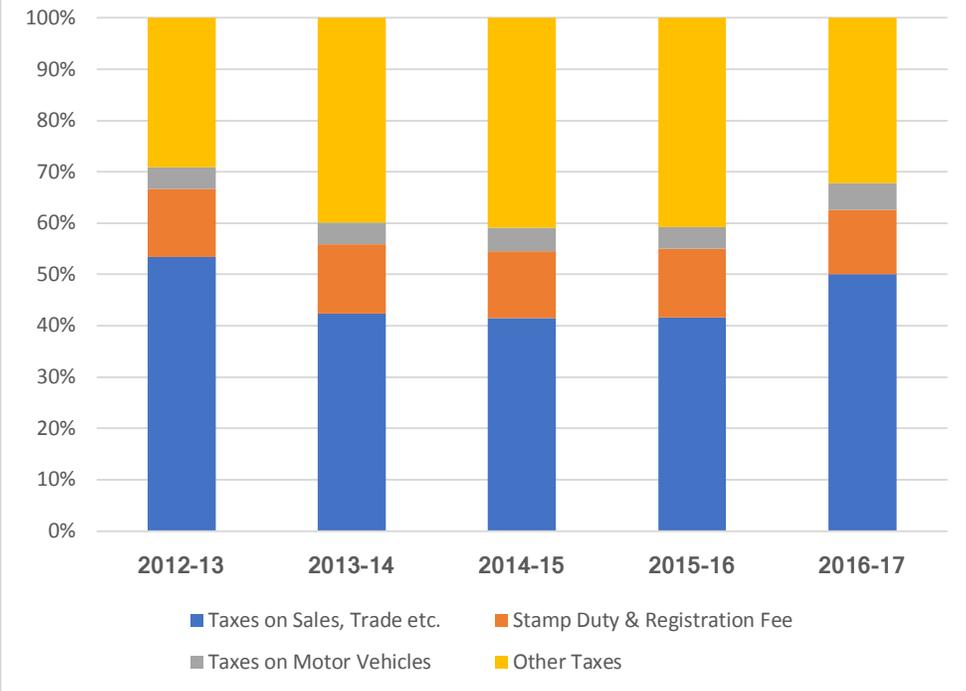


Chart 2.5 B: Composition of tax revenue: 2012-17 (%)



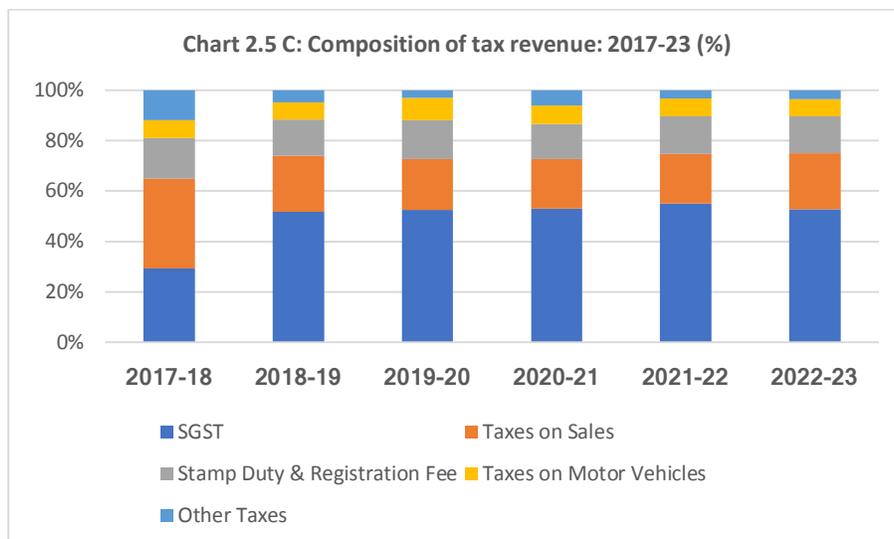
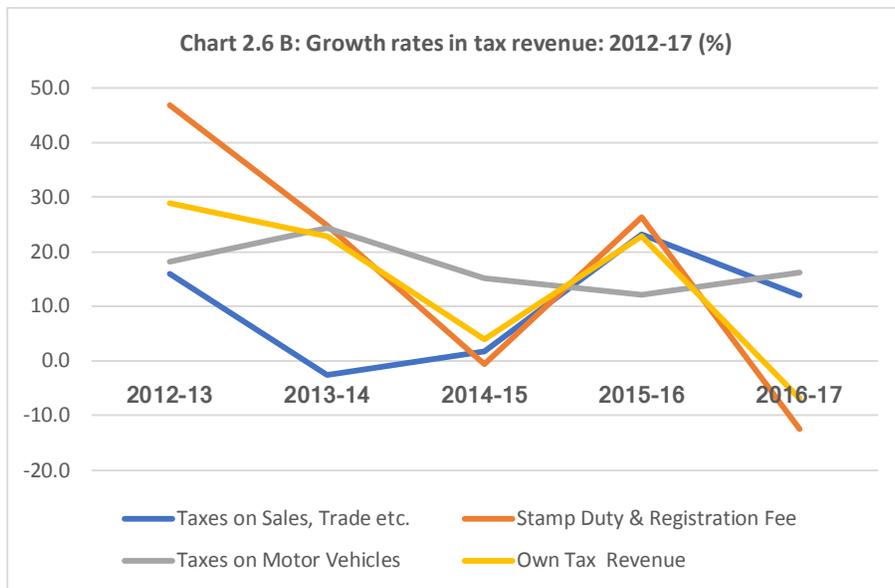
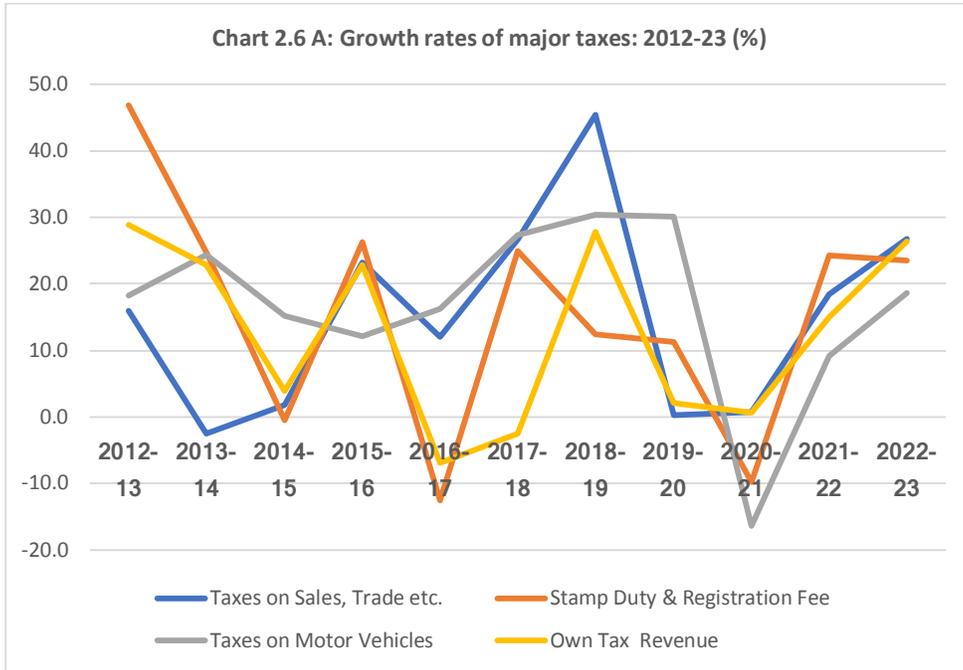
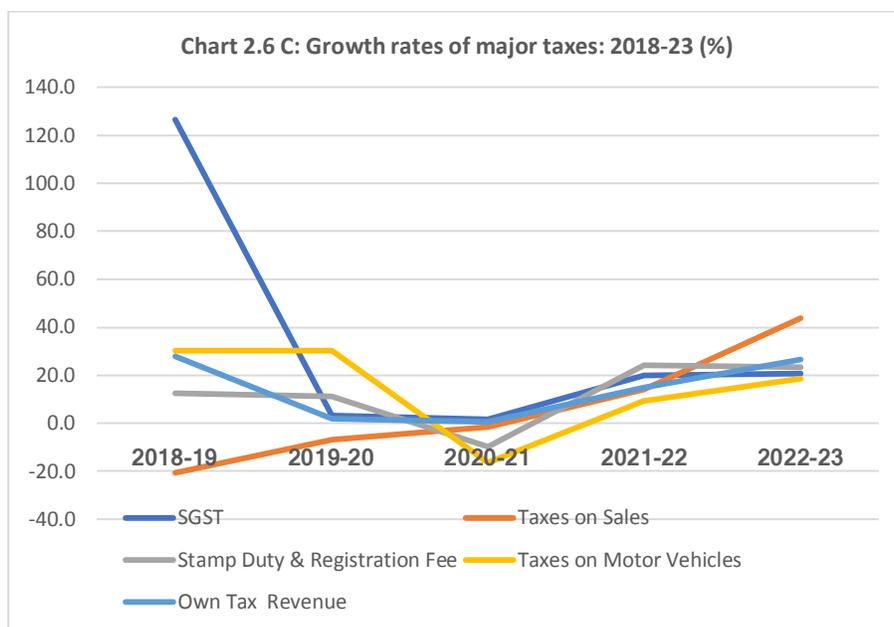


Table 2.4: Yearly Growth Rates of Own Tax Revenue (Percent)

	Taxes on Sales, Trade etc. including SGST and IGST	Stamp Duty & Registration Fee	Taxes on Motor Vehicles	State's Total Own Tax Revenue
2012-13	16.0	46.8	18.3	28.9
2013-14	-2.5	24.8	24.4	22.8
2014-15	1.8	-0.5	15.2	4.0
2015-16	23.2	26.3	12.1	22.8
2016-17	12.0	-12.5	16.3	-6.9
2017-18	26.7	24.9	27.3	-2.6
2018-19	45.4	12.4	30.4	27.8
2019-20	0.2	11.3	30.1	2.1
2020-21	0.7	-9.8	-16.4	0.6
2021-22	18.4	24.2	9.1	15.0

Source: Worked out on the basis of Table 2.3 above.





2.2.3 Impact of GST

Before the introduction of GST, tax revenues in Bihar were collected under 7 major heads — (i) Taxes on Sales/Trade, etc., (ii) Stamp and Registration Fees, (iii) Taxes on Goods/Passengers, (iv) State Excise, (v) Taxes on Vehicles, (vi) Land Revenue, and (vii) Taxes and Duties on Electricity. Of these, the first three accounted for about 80 percent of the total tax revenue. Although there were some year-to-year variations, broadly speaking taxes on sales/trade accounts for 40 percent of the tax revenue; next in importance was taxes on goods/passengers, accounting for 20 percent of tax revenue; and finally, stamp/registration fees account for 13 percent of tax revenue. Taxes on vehicles used to account for about 4 percent of the total taxes. Excise used to contribute about 15 percent to the State taxes before prohibition was imposed. This pattern more or less defined the structure of taxation in Bihar and remained stable over the years until prohibition was imposed. The impact of this almost eliminated excise collections but resulted in the share of sales tax going up significantly - by about 10 percent. Though excise from the sale of alcohol is not subsumed in GST, it does not affect Bihar.

Now GST has subsumed both VAT, except on petroleum and petroleum products and Taxes on Goods and Passengers. The immediate loss of revenue to the State from these two taxes is of the order of Rs. 18000 crore (2016-17). As against this, collections from GST from the year 2017-18 (July-March) are shown in table 2.5.

Table 2.5: Collections from GST in Bihar (Rs. crore)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
State's Share of CGST	925	18167	17993	17789	25442	26989
SGST	13319	16738	15801	16050	19264	23243
Total	14244	34905	33794	33839	44706	50232

Source: Finance accounts of respective years

The 101st Amendment also provided for compensation to be paid to the States for loss of revenue arising on account of implementation of the GST for a period of five years, which has since been

extended by another five years after Covid, to 2025-26, part of which was paid as loans raised by the Centre and passed back-to-back to the states with no liability for repayment. As per the GST (Compensation to States) Act, 2017, for the purpose of calculating the compensation amount in any financial year, 2015-16 will be reckoned as the base year, from which revenue will be projected at a growth rate of 14% per annum for the five-year period. The base year tax revenue will consist of the states' tax revenues from State Value Added Tax (VAT), Central Sales Tax, Entry Tax, Octroi, Local Body Tax, Taxes on Luxuries, Taxes on Advertisements, etc. However, any revenue from alcohol and petroleum products will not be accounted as part of the base year revenue. The amounts will be as certified by the Comptroller & Auditor General of India. Thus, for Bihar, to determine the base amount on which 14% growth will be calculated, we need to exclude from the Sales Tax revenue the collections on account of petroleum products.

For Bihar, the revenue figure was Rs 12621 crore during the base year 2015-16. The projected revenue figures and the compensation amounts are shown in Table 2.6:

Table 2.6: GST Compensation Amounts (Rs Crore)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Projected Revenue	16402	18699	21316	24300	27703	31858	36318	41403	47199
SGST	13319	16738	15801	16050	19264	23243			
Shortfall	3083	1961	5515	8250	8439	8615			
Compensation Received as Grant	3041	2571	5446	4359	1945	184			
Compensation Received as Loan				3905	7111	8455			
Total Compensation Received	3041	2571	5446	8264	9056	8639			
Shortfall/ Excess	42	-610	69	-14	-617	-24			

(Excess/ shortfall in any year has been adjusted against apportionment of IGST in the previous/next year. Rs 2247 crore of the compensation was received in 2020-21, pertaining to 2019-20.)

2.2.4 Tax: GSDP Ratio

The Tax: GSDP ratio of Bihar, which represents the state's own tax revenues as a percentage of its Gross State Domestic Product (GSDP), has fluctuated over the years. It declined from 6.9% in 2015-16 to a low of 4.9% in 2017-18, primarily due to the impact of imposing prohibition in the state which caused the state exchequer significant reduction from excise and sales tax on alcohol of about Rs 4500 crore in 2016-17 (about Rs 3100 crore on excise). However, it has gradually improved and reached 5.9% in 2022-23, well short of its peak of 6.9%.

Chart 2.7: Bihar's Tax GSDP Ratio (%)

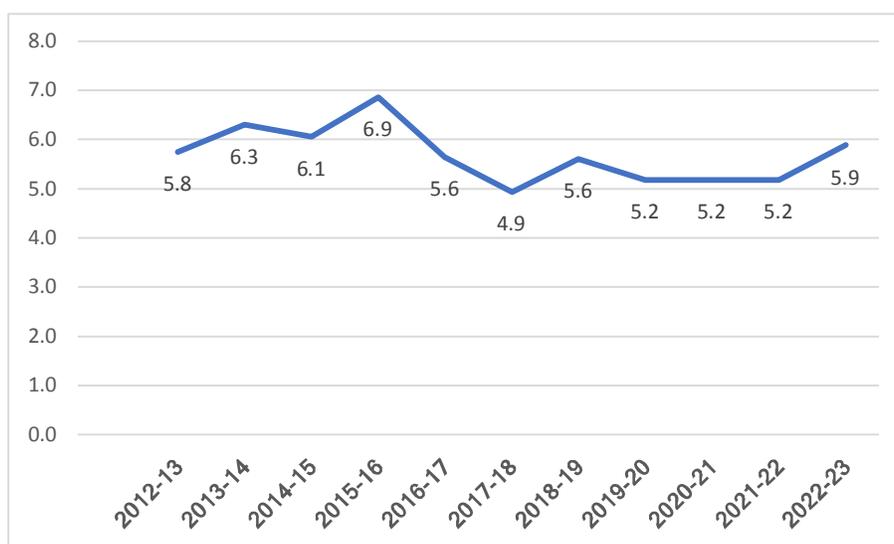


Table 2.7: Tax: GSDP ratio of major states

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Andhra Pradesh	6.61	6.46	6.34	6.65	6.22	6.00	6.26
Assam	4.44	4.78	4.67	5.17	4.77	4.85	4.74
Bihar	6.86	5.64	4.94	5.60	5.19	5.36	5.37
Chhattisgarh	7.59	7.21	7.04	6.57	6.42	6.59	6.67
Goa	7.22	6.77	6.82	6.79	6.27	5.48	7.03
Gujarat	6.09	5.52	5.38	5.37	4.89	4.35	5.04
Haryana	6.24	6.06	6.43	6.10	5.85	5.65	6.13
Himachal Pradesh	5.86	5.60	5.13	5.11	4.79	5.21	5.52
Jharkhand	5.56	5.63	4.58	4.84	5.41	5.69	5.94
Karnataka	7.23	6.87	6.54	6.55	6.35	5.97	6.15
Kerala	6.94	6.64	6.62	6.43	6.19	6.18	6.26
Madhya Pradesh	7.44	6.80	6.17	6.15	6.02	5.67	5.84
Maharashtra	6.44	6.21	7.14	7.42	7.11	6.25	7.11
Odisha	6.86	5.82	6.34	6.10	6.02	6.35	6.08
Punjab	6.84	6.50	6.46	6.17	5.59	5.56	6.08
Rajasthan	6.27	5.83	6.08	6.31	5.93	5.92	6.15
Tamil Nadu	6.84	6.60	6.40	6.48	6.17	5.94	5.93
Telangana	6.92	7.35	7.54	7.55	7.12	7.07	8.09
Uttar Pradesh	7.13	6.67	6.76	7.61	7.23	7.29	7.47
Uttarakhand	5.30	5.58	4.62	5.30	4.81	5.04	5.21
West Bengal	5.33	5.21	5.41	5.52	5.15	5.22	NA

Chart 2.8 shows the growth of the State's own tax revenues vis-à-vis its GSDP. During the period 2011-12 to 2016-17, while the State's GSDP increased at a CAGR of 12%, the State's own revenue grew at a higher rate of 13.5%. However, the growth in own tax revenues slowed down after 2016-17 after the

imposition of prohibition, leading to a decline in the Tax: GDP ratio. The Tax: GDP ratio of Bihar is also among the lowest ratio of tax to GDP in the country as can be seen from Table 2.7.

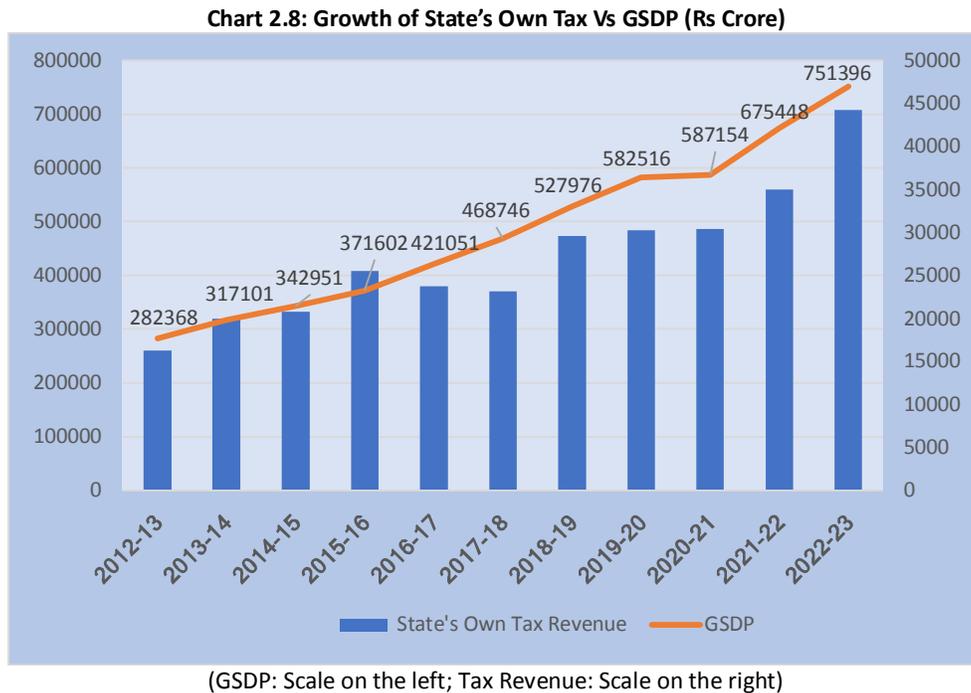


Table 2.8 shows the buoyancy of important tax revenues of the State. After the Covid year 2020-21, taxes have been highly buoyant.

Table 2.8: Buoyancy of Important Taxes Revenues of the State

(Percentage)

Year	State Goods and Services Tax (SGST)	Taxes on Sales, Trade etc.	Taxes on Stamps & Registration Fees	Taxes on Motor Vehicles	State's Own Tax Revenue
2018-19	10.0	-1.6	1.0	2.4	2.2
2019-20	0.3	-0.7	1.1	2.9	0.2
2020-21	2.0	-1.8	-12.3	-20.6	0.8
2021-22	1.3	0.9	1.6	0.6	1.0
2022-23	1.8	3.9	2.1	1.7	2.3

2.2.5 Tax Administration, Cost of Collection of Taxes and Arrears of Revenue

The cost of collection of major taxes has shown varying trends across different revenue sources in recent years. As seen from Table 2.9, the cost of collection for taxes on sales/trade has remained relatively low, averaging around 0.5% over the last 5 years (2017-18 to 2022-23).

For stamp duty and registration fees, the cost of collection has remained stable around 2% in recent years. The cost of collecting taxes on vehicles has consistently been the highest among the major taxes, averaging around 3.5% over the last 5 years.

Table 2.9 Cost of Collection of Taxes

Year	Collection (Rs. crore)	Expenditure on collection (Rs. crore)	Cost as Percentage of Collection	Collection (Rs. crore)	Expenditure on collection (Rs. crore)	Cost as Percentage of Collection
	Taxes on sales / trade, etc.			SGST		
2012-13	8671	78	0.9			
2013-14	8453	70	0.8			
2014-15	8607	96	1.1			
2015-16	10603	90	0.9			
2016-17	11874	117	1.0			
2017-18	8298			6747	72	1.07
2018-19	6584			15288	114	0.75
2019-20	6121			15801	121	0.77
2020-21	6031			16050	131	0.82
2021-22	6872			19264	133	0.69
2022-23	9881			23243	142	0.61
	Stamp duty and registration fee			Taxes on Vehicles		
2012-13	2173	45	2.1	673	25	3.7
2013-14	2712	55	2.0	837	30	3.6
2014-15	2699	52	1.9	964	38	4.0
2015-16	3409	55	1.6	1081	40	3.7
2016-17	2982	48	1.6	1257	46	3.7
2017-18	3726	54	1.4	1600	62	3.9
2018-19	4189	65	1.5	2086	56	2.7
2019-20	4661	89	1.9	2713	74	2.7
2020-21	4206	68	1.6	2268	81	3.6
2021-22	5224	90	1.7	2475	91	3.7
2022-23	6451	144	2.2	2935	111	3.8

Source : Finance accounts of respective years

Table 2.9 A shows the expenditure of the land revenue department against collection of land revenue. The expenditure was more than double the total land revenue collected in 2022-23, but most of its was on account of management of government estates. Even without that, the cost of collection remained very high. Ideally the total cost of the department should be met from the revenues collected.

Table 2.9 A: Cost of Collection of land Revenue (Rs Crore)

	Land Revenue	Total Expenditure of the land Revenue Department	Expenditure on Management of Government Estates	Other Expenditure as % of Land Revenue Collected
2012-13	205	395	328	32.7
2013-14	202	471	400	35.1
2014-15	277	459	396	22.7
2015-16	695	431	370	8.8
2016-17	971	430	367	6.5
2017-18	779	510	433	9.9
2018-19	477	519	431	18.4
2019-20	275	201 ¹	441	40.4
2020-21	302	636	453	60.6
2021-22	284	757	498	91.2
2022-23	361	868	610	71.5

Source : Finance accounts of respective years

Similar is the story about State excise. There is miniscule collection of excise duties from medicinal preparations ever since prohibition was imposed. But the state still spends substantial amounts on direction and administration of the changed excise policy regime. Against total of Rs 1 crore collected from excise duty and fines etc, the state incurred an expenditure of Rs 309 crore on direction and administration of the excise policy in 2022-23.

Overall, while the cost of collection for some taxes has shown improvement, there is still scope for further rationalization and technological integration to bring down the costs, especially for excise duty and taxes on vehicles. Continued efforts towards simplification of tax structures, automation, and effective compliance measures could help in achieving greater efficiency in tax administration.

Arrears of Revenue

As reported by the Comptroller and Auditor General of India, the arrears of revenue as on 31 March 2022 in respect of the principal heads of revenue amounted to Rs 4248 crore as detailed in the Table 2.10, which increased from Rs 3323 crore in the previous year. Of this, however, recovery of a significant portion has been stayed by the Courts which the Government needs to pursue. The largest arrears are for taxes on sales/trade etc., followed by Non-Ferrous Mining & Metallurgical Industries (non-tax) and land revenue. The arrears outstanding for more than 5 years stood at Rs 1,056 crore as of 31st March 2021 (information about corresponding figure on 2022 is not available as yet).

¹ Reduction due to adjustment of excess payment of Rs 330 crore made in earlier years.

Table 2.10: Arrears of Revenue (Rs Crore)

Serial No.	Taxes/ Duties	Arrears outstanding as on 31/03/2021	Arrears outstanding as on 31/03/2022
1	Taxes or Sales/ Trade etc.	2262	2392
2	Revenue and Land revenue Dept	268	385
3	Stamp and Registration fees	168	213
8	Non-Ferrous Mining & Metallurgical Industries (Non-Tax)	453	1085
9	Transport	172	173
	Total	3323	4248

Source: Audit Report (Revenue Sector) of the Comptroller and Auditor General of India, 2021-22

In addition, there were huge pendency in assessments. As of March 2022, there were 30762 cases pending for assessment, the largest number of which were with the Commercial Taxes Department (26406 cases), followed by 40223 cases with the Mines and Geology Department. The disposal rate was a pitiable 3.11 percent only over the last year's pending cases.

2.2.5 Budget Estimates and Actual Realization of Taxes

Comparing the budget estimates of revenues with the actual collections during 2012-13 to 2022-23, there were significant variations in respect of individual taxes in the state of Bihar, with the actual collections deviating considerably from the budget estimates (Table 2.11). For taxes on sales of petroleum and petroleum products, the actual collections were consistently lower than the budget estimates, except in 2012-13 and between 2020-21 and 2022-23, suggesting post-Covid recovery. However, the actual collections of SGST have always been less than the estimates, except in 2018-19, which tend to suggest that the estimates might be on the higher side. Stamp duty and registration fees, which are linked to the real estate market, generally showed negative deviations, indicating optimistic budget estimates on a non-buoyant real estate sector, or evasion due to cash transactions. Reasons for variation is excise duty is obvious, following from prohibition. Taxes on vehicles displayed both positive and negative deviations an in recent years seems to have narrowed. All these led to actual tax revenues collected by the states deviating from the budget estimates rather significantly, ranging from -28% to as much as 12% during the period 2012-23. The tax on goods and passengers, which was a significant revenue source until 2016-17, has been subsumed in the Goods and Services Tax (GST), and is no longer relevant.

Overall, the deviations highlight the challenges in accurately forecasting tax revenues, and makes the budget estimates rather suspect. It's important to note that these deviations may have had implications for fiscal planning and budgetary allocations, necessitating adjustments in expenditure or borrowing patterns. Improved forecasting models, effective tax administration, and timely policy adjustments could help minimize the gaps between budget estimates and actual realizations.

Table 2.11: Variation between the Estimated and Actual Realization of Tax Revenues
(Rs crore)

	Taxes on Sales, Trade etc.			SGST		
	BE	Actuals	Deviation %	BE	Actuals	Deviation%
2012-13	7342	8671	18.1			
2013-14	12324	8453	-31.4			
2014-15	12820	8607	-32.9			
2015-16	16025	10603	-33.8			
2016-17	14021	11874	-15.3			
2017-18	24400	8298	-66.0		6747	
2018-19	7890	6584	-16.6	15000	15288	1.9
2019-20	7150	6121	-14.4	17812	15801	-11.3
2020-21	5830	6031	3.4	20800	16050	-22.8
2021-22	6010	6872	14.3	20621	19264	-6.6
2022-23	7210	9881	37.0	24721	23243	-6.0
	Stamp duty & registration fee			Taxes on Vehicles		
	BE	Actuals	Deviation %	BE	Actuals	Deviation %
2012-13	1856	2173	17.1	644	673	4.5
2013-14	2628	2712	3.2	800	837	4.6
2014-15	3600	2699	-25.0	1000	964	-3.6
2015-16	4000	3409	-14.8	1200	1081	-9.9
2016-17	3800	2982	-21.5	1500	1257	-16.2
2017-18	4600	3726	-19.0	1800	1600	-11.1
2018-19	4700	4189	-10.9	2000	2086	4.3
2019-20	4700	4661	-0.8	2500	2713	8.5
2020-21	4700	4206	-10.5	2500	2268	-9.3
2021-22	5000	5224	4.5	2500	2475	-1.0
2022-23	5500	6451	17.3	3000	2935	-2.2
	State Excise Duty			State Own Tax		
	BE	Actuals	Deviation %	BE	Actuals	Deviation %
2012-13	2765	2430	-12.1	15664	16253	3.8
2013-14	3680	3168	-13.9	20963	19961	-4.8
2014-15	3700	3217	-13.1	25663	20750	-19.1
2015-16	4000	3142	-21.5	30875	25490	-17.4
2016-17	2100	30	-98.6	29730	23742	-20.1
2017-18	0	-3		32001	23136	-27.7
2018-19	0	-10		31002	29579	-4.6
2019-20	0	-4		33800	30198	-10.7
2020-21	0	-4		34750	30385	-12.6
2021-22	0	-1		35050	34948	-0.3
2022-23	0	1		39387	44175	12.2

Source : Finance accounts and State budgets of respective years

2.3 Non-Tax Revenue

The non-tax revenues of the state of Bihar have shown significant variations over the years, with the composition and growth rates fluctuating across different sources. Table 2.12 presents the major non-tax revenue sources for the state from 2012-13 to 2022-23. Charts 2.9, 2.10, and 2.11 respectively show the trend of non-tax receipts, their composition, and growth.

The most crucial source of non-tax revenue has been the royalty from mines and minerals, classified as receipts from 'Non-Ferrous Mining and Metallurgical Industries'. This component has exhibited a

steady growth, with a compound annual growth rate (CAGR) of 18% between 2012-13 and 2022-23 due to increasing demands for minor minerals like brick earth, stones, limestone, and sand, which are essential inputs for the real estate sector. However, the growth rate has moderated in recent years, possibly due to the impact of economic slowdowns and regulatory changes affecting the real estate and construction sectors. The minor head 102 "Mineral concession fees, rents, and royalties" is the dominant source of revenue in the Non-Ferrous Mining and Metallurgical Industries category. For 2021-22, it accounted for Rs 2017 crore, which is significantly larger than the other minor heads shown. The large negative value in the "Deduct-Refunds" minor head (900) significantly reduced the total, but this remains the primary source of revenue in this category.

Interest receipts have been the second-largest contributor to non-tax revenues, primarily arising from the investment of the state's cash balances. While interest receipts have shown significant fluctuations over the years, with a CAGR of 14% during the same period, they have generally been a stable source of revenue for the state. In FY 2021, the interest receipts increased due to the redemption of accrued interest of Consolidated Sinking Fund for Rs 2600 crore and dividend of Rs 603 crore primarily by a few state public sector undertakings.² The total non-tax revenue collected during the year, Rs 6201 crore, amounted to 1.1 percent of GSDP, but it decreased sharply in the next year to Rs 3984 crore, due primarily to decrease in interest receipts and dividends again. In fact, these two sources contributed to more than 80% of total non-tax revenue of the state in 2022-23 and their combined share in the total non-tax revenue has exceeded 70% in as many as eight of the 11-year period 2012-23 (table 2.13).

Other notable non-tax revenue sources include receipts from administrative services, police, irrigation, education, roads and bridges, medical and public health, and rural development programs. These sources have exhibited mixed growth patterns, reflecting the state's priorities and resource allocation across various sectors.

In 2022-23, the total non-tax revenue of the state stood at Rs. 4,135 crores, with a significant contribution of 66% from 'Non-Ferrous Mining and Metallurgical Industries' and 15.5% from interest receipts.

² The following dividends were paid during the year 2020-21:

Bihar Rajya Pul Nigam Rs 193.38 crore; Bihar State Electronic Development Corporation: Rs 50 crore; Bihar State Road Development Corporation: Rs 278 crore; Bihar State Educational and Infrastructure Development Corporation: Rs 40 crore; Bihar State Medical Services and Infrastructure Corporation: Rs 3 crore; Credit Cooperative Societies: Rs 38 crore.

Table 2.12: Major Non-Tax Revenues (Rs. crore)

Sources of Revenue	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Non-Ferrous Mining and Metallurgical Industries	511	569	880	971	998	1083	1561	1572	1709	1766	2730
Interest Receipts	167	269	345	584	940	1577	1372	1416	3242	722	642
Police	25	27	30	66	42	86	30	96	123	34	49
Major Irrigation	3	1	1	15	14	22	37	13	24	41	83
Education, Sports, Arts and Culture	8	14	11	41	17	21	19	17	12	509	6
Roads and Bridges	33	41	55	42	42	67	118	83	91	52	0
Medical and Public Health	41	30	30	40	40	55	67	48	42	41	32
Other Services	348	594	206	426	310	596	926	454	958	819	593
Total	1136	1545	1558	2185	2403	3507	4130	3699	6201	3984	4135
Non-Tax: GSDP Ratio	0.4	0.5	0.5	0.6	0.6	0.7	0.8	0.6	1.1	0.6	0.6

Source: Finance Accounts of various years

Table 2.13: Composition of Non-Tax Revenues (%)

Revenue Sources	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Non-Ferrous Mining and Metallurgical Industries	45.0	36.8	56.5	44.4	41.5	30.9	37.8	42.5	27.6	44.3	66.0
Interest Receipts	14.7	17.4	22.1	26.7	39.1	45.0	33.2	38.3	52.3	18.1	15.5
Sub-Total	59.7	54.2	78.6	71.1	80.6	75.9	71.0	80.8	79.9	62.4	81.5

Source: Finance Accounts of various years

Chart 2.9: Major Non-Tax Revenues of the State (Rs. Crore)

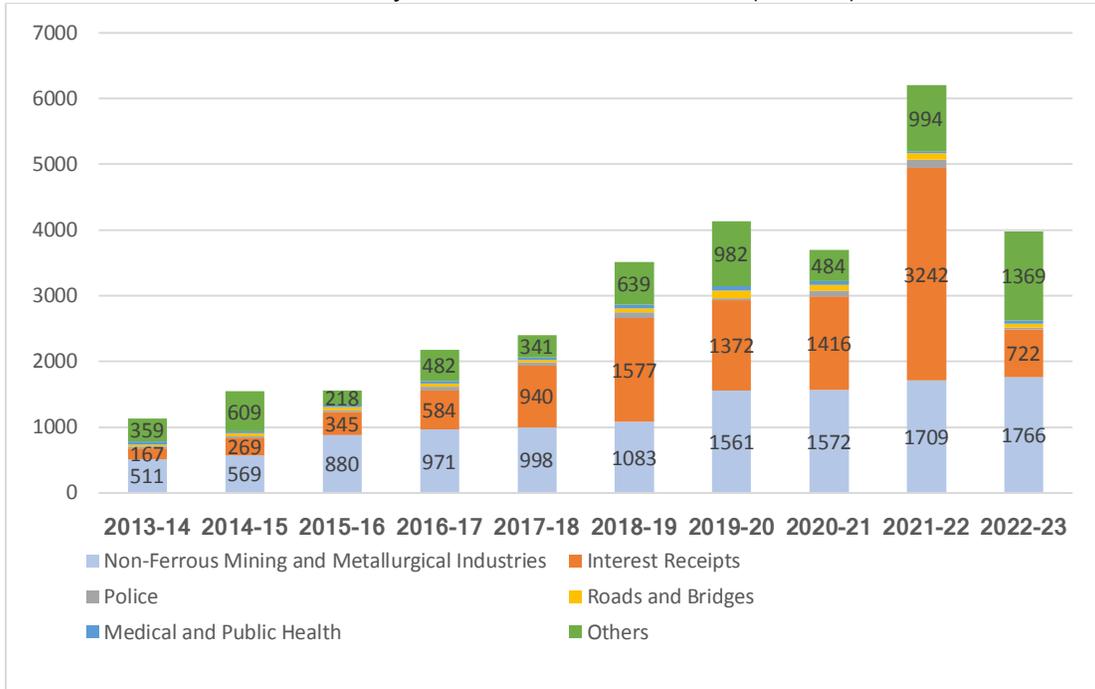


Chart 2.10: Composition of Non-Tax Revenues (%)

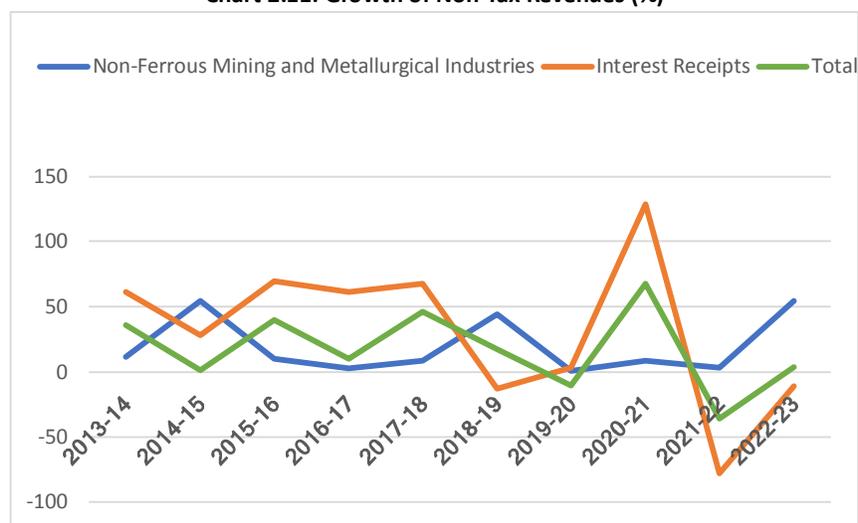


Overall, Bihar's non-tax revenue has grown at a compound annual growth rate (CAGR) of 14% between 2012-13 and 2022-23, with significant variations across individual years. This uneven growth pattern highlights the need for diversification of non-tax revenue sources.

Table 2.14: Growth Rates of Major Non-Tax Revenues (%)

Revenue Sources	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR 2012-23
Non-Ferrous Mining and Metallurgical Industries	11	55	10	3	9	44	1	9	3	55	18
Interest Receipts	61	28	69	61	68	-13	3	129	-78	-11	14
Total	36	1	40	10	46	18	-10	68	-36	4	14

Source: Finance Accounts of various years

Chart 2.11: Growth of Non-Tax Revenues (%)

Comparing the budget estimates and actual realizations for 2022-23 (Table 2.15), there was an overall surplus of Rs. 200 crore (48.37%) in non-tax revenue collections. While receipts from 'Non-Ferrous Mining and Metallurgical Industries' fell short of the budget estimate by 9.89%, interest receipts fell short of the budget estimates by more than two times. The actual total non-tax receipts were short of the budget estimates by Rs 2000 crore, or 48 percent.

It is important to note that the non-tax revenue sources are influenced by a range of economic factors, including industrial growth, consumer demand, investment patterns, and regulatory frameworks. Effective policy measures, efficient revenue administration, and robust forecasting models can help the state better manage and optimize its non-tax revenue streams.

Table 2.15: Variation between the Estimated and Actual Realization of Major Non-Tax Revenues (2022-23)

(Rs. crore)

Revenue Sources	Budget Estimate (BE)	Actual Receipts	Variance (BE -Actual)	Percentage of Variation
Non-Ferrous Mining and Metallurgical Industries	3000	2730	270	9.89
Interest Receipts	2218	642	1576	245.48
Other Administrative Services	84	301	-217	-72.09
Police	41	49	-8	-16.33
Major Irrigation	50	83	-33	-39.76
Education, Sports, Arts and Culture	19	6	13	216.67
Roads and Bridges	82	0	82	0.00

Medical and Public Health	49	32	17	53.13
Other Rural Development Programmes	47	28	19	67.86
Others	545	264	281	106.44
Total	6135	4135	2000	48.37
Tax + Non-Tax	138702	143662	-4960	-3.45

Source: Finance Accounts and State Government Budget

2.4 Central Grants

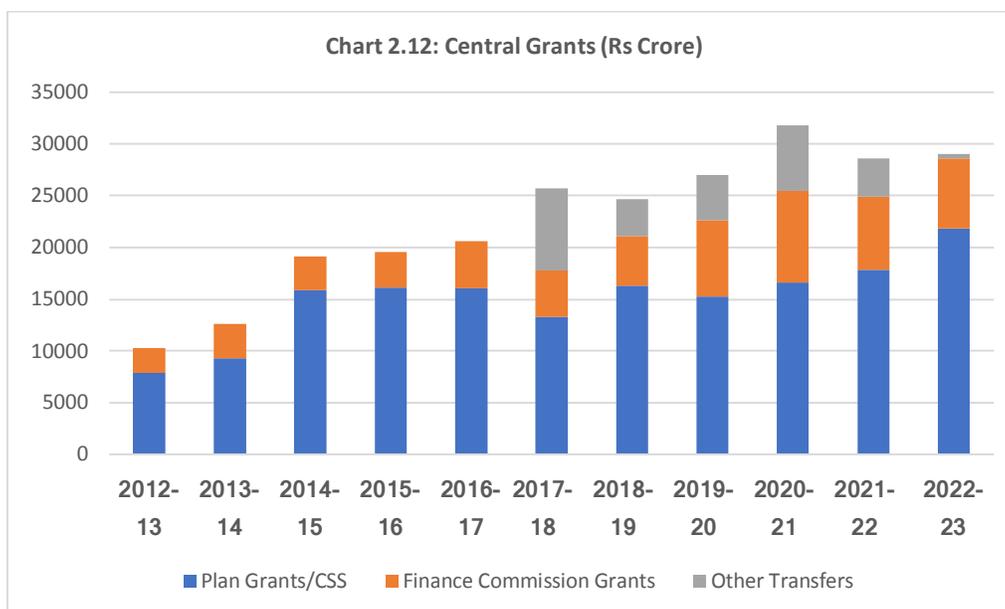
As stated earlier, transfers from the Centre constitute a significant portion of the state's revenue receipts. For the last 5 years, it had constituted between 17% and 24% of the total revenue receipts of the State during the period 2012-23. Table 2.16 and Chart 2.12 show the grants received by the state during the period. After the planning era came to end in 2017, the grants mostly included the Finance Commission grants besides grants for the Centrally sponsored Schemes, and GST Compensation grants as discussed earlier. The total central grants increased from Rs 25720 crore in 2017-18 to Rs 29026 crore in 2021-22, representing an overall growth of 12.85 % over the six-year period, a rather slow growth. The substantial increase in grants during 2020-21 can be attributed to additional financial support provided by the Centre to combat the economic challenges posed by the COVID-19 pandemic. Finance Commission Grants have shown a significant overall increase from Rs 4525 crore in 2017-18 to Rs 6733 crore in 2021-22, representing a growth of 48.8% over the six-year period. These grants also peaked in 2020-21 at Rs 8850 crore.

Table 2.16: Grants and Contributions from the Central Government (Rs. crore)

Year	Plan Schemes				FC grants	Other Grants ³	Total
	State	Central	Centrally Sponsored	Total			
2012-13	5052	36	2778	7866	2413		10279
2013-14	6238	137	2921	9296	3288		12584
2014-15	14936	117	822	15875	3271		19146
2015-16	13886	2084	161	16131	3434		19565
2016-17	13953	1423	678	16054	4506		20560
2017-18	-2.2		13312	13310	4520	7891	25720
2018-19	-2.8		16323	16320	4775	3556	24652
2019-20	-40.2		15302	15262	7344	4363	26969
2020-21	-33.4		16609	16576	8850	6338	31764
2021-22	0		17833	17833	7078	3695	28606
2022-23	-374		22237	21863	6733	430	29026

Source : Finance accounts of respective years

³ Includes GST compensation grants and other transfers.



After the Planning era, Grants for Centrally Sponsored Schemes (CSS) have shown strong growth of 67.0% over the six-year period, increasing from Rs 13312 crore in 2017-18 to Rs 22237 crore in 2021-22. The total plan grants including for CSS received by the state before and after 2017 has grown steadily, with the earlier plan grants now increasing the CSS grants.

Other transfers show significant fluctuations over the six-year period due to factors like changes in GST compensation needs based on the state's GST collection, special grants or transfers in specific years to address particular needs or emergencies, etc.

Share in Central Taxes:

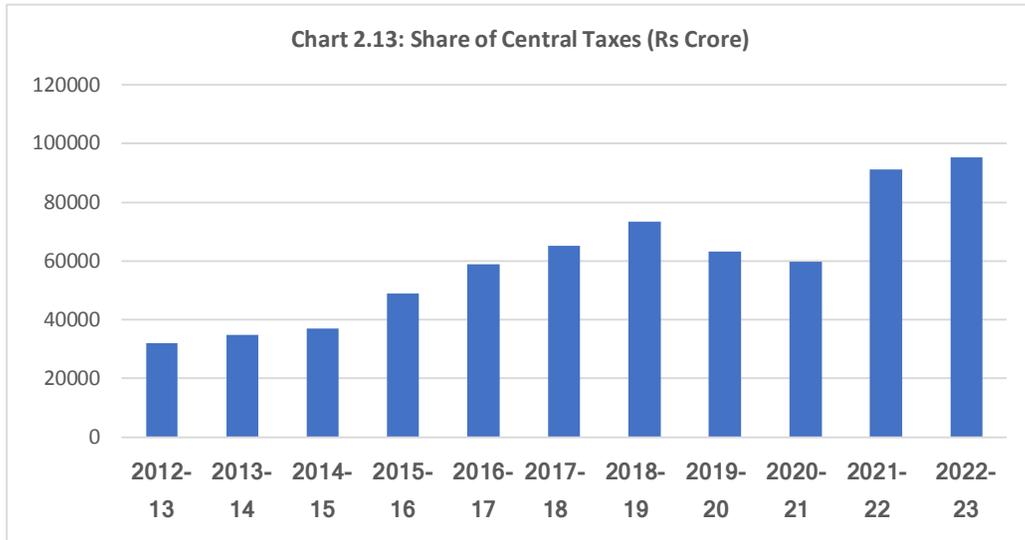
Table 2.17 and Chart 2.13 show Bihar's share of Central taxes over the years. Except during 2020-21, this constituted more than half the total revenue receipts of Bihar. The significant drop in tax transfers in Bihar in 2019-20 and 2020-21 can be attributed to the economic slowdown caused by the COVID-19 pandemic, which affected overall tax collections at the national level. The substantial increase in 2021-22 across most tax components reflects the economic recovery post the pandemic.

Table 2.17: Transfer of Central Taxes (Rs crore)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
CGST	925	18167	17993	17789	25442	26989
IGST	6572	1450	0	0	0	0
Corporation Tax	19936	25597	21619	18062	27179	32019
Income Tax other than Corporation Tax	16834	18851	16940	18517	26661	31262
Customs	6570	5217	4019	3180	6776	3755
Union Excise	6868	3467	2794	2012	3869	1178
Service Tax	7379	673	0	258	1326	149
Other Taxes	-0.6	181	41	43	96	0
Total Share of Central Taxes	65083	73603	63406	59861	91352	95353
% increase over the years	10.5	13.1	-13.8	-5.6	52.6	4.4

Share in Total Revenue Receipts (%)	55.4	55.8	51.0	46.8	57.5	56.6
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Source : Finance accounts of respective years



The overwhelming reliance of the state on Central transfers which account for three-fourth of the state's revenue receipts expose the vulnerabilities in the state's fiscal structure. The growing reliance on central transfers underscores the need for augmenting the state's own revenue sources and expansion of its tax base. As Bihar continues on its path of economic development, balancing the utilization of central transfers with the strengthening of internal revenue generation capabilities will be crucial for sustainable fiscal management.

2.5 Estimation of Revenue Capacities of the State for the Period 2024-2031

Revenue capacities both in respect of tax and non-tax revenues for the period 2023-24 through 2030-31 were estimated by using regression analysis using the exponential model which was the best fit, and significant with R^2 values exceeding 96%.⁴ The details of analysis are shown in Annexure 2.1. The regression line was fitted by using the data for each major tax and non-tax revenues from 2001-02 to 2022-23, using the semi-log method. The results in respect of tax revenues, non-tax revenues and total revenues are shown respectively in tables 2.18 to 2.20 and Chart 2.14.

⁴ Estimation has been made using the semilog model: $\ln R_i = a + bT_i$, where R_i is the revenue for the i -th year and T_i the explanatory variable (i -th year). Estimation has been made using the STATA 13 software. The outcome of the regression analysis showing the summary statistics as well as the coefficient table is appended at Annexure 2.1.

Table 2.18: Projection of Tax Revenues (Rs. Crore)

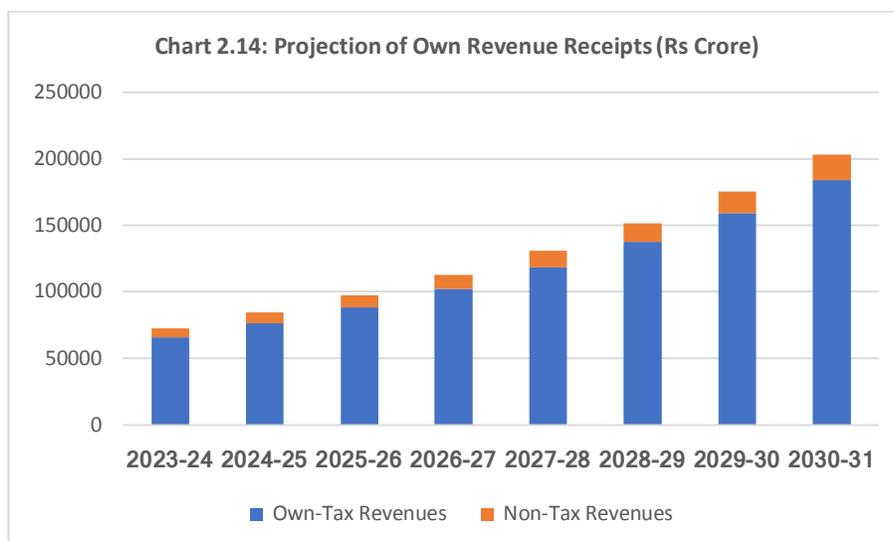
	SGST plus Sales Tax on Petroleum Products	Stamp Duty & Registration Fee	Taxes on Motor Vehicles	Total Own Tax Revenue
2023-24	39086	8762	3708	65882
2024-25	45864	10228	4322	76293
2025-26	53817	11939	5037	88349
2026-27	63148	13937	5871	102309
2027-28	74098	16268	6843	118476
2028-29	86947	18989	7975	137198
2029-30	102024	22166	9295	158877
2030-31	119714	25874	10834	183983

Table 2.19: Projection of Non-Tax Revenues (Rs. Crore)

	Receipts from Non-Ferrous Mining and Metallurgical industries	Total Non-Tax Revenues
2023-24	3739	6790
2024-25	4535	7856
2025-26	5500	9090
2026-27	6671	10518
2027-28	8092	12170
2028-29	9814	14082
2029-30	11904	16294
2030-31	14438	18853

Table 2.20: Projection of Total Own Revenues (Rs. Crore)

	Own-Tax Revenues	Non-Tax Revenues	Total Own Revenue
2023-24	65882	6790	72672
2024-25	76293	7856	84149
2025-26	88349	9090	97439
2026-27	102309	10518	112827
2027-28	118476	12170	130646
2028-29	137198	14082	151280
2029-30	158877	16294	175171
2030-31	183983	18853	202836



The total own revenues of the State are projected to grow from Rs. 72,672 crore in 2023-24 to Rs. 2,02,836 crore in 2030-31, growing at an average annual compound linear rate of 15.8 percent. The estimated revenue of Rs. 72,672 crore for 2023-24 is much higher than the State government's revised estimate of 57,003 crore - Rs. 50,421 from Tax revenues and Rs. 6,582 from non-tax revenues for the year. The estimates vis-à-vis the projections for 2023-24 are as follows:

Rs Crore	SGST+ Sales Tax	Stamp & Regn	Motor vehicles	Own Tax Revenue	Non-Ferrous Minerals	Non-Tax Revenue	Total Own Revenue
Estimated	39086	8762	3708	65882	3739	6790	72672
RE	39045	7000	3300	50421	3300	6582	57003

2.6 Suggestions for enhancing the revenue productivity of the tax system in the State

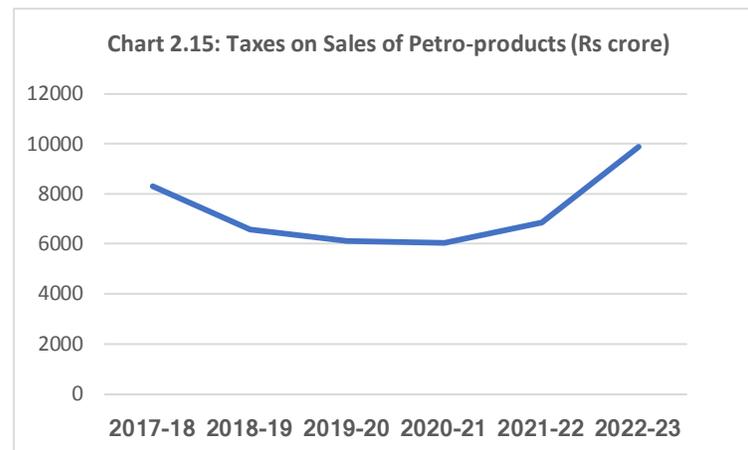
During the last 11 years period from 2011 to 2023, Bihar's own tax revenue has grown at a CAGR of 12.1 percent, and non tax revenue by 15.0 percent. After the introduction of the GST which has taken away most of the powers of the State to increase revenues from high yielding state taxes by altering rates or other mechanisms, there are very few taxes that remain within the jurisdiction of the state to raise revenues from, especially since the State excise on alcohol was abolished, with consequent loss of Rs. 4500 crore of revenue from excise and sales tax on alcohol. Hence the state finds itself in a rather disadvantageous position to improve its revenue productivity and hence the Tax: GSDP ratio. The only taxes the state can now rely on are the stamp duties and registration fees, sales tax on petroleum-products and taxes on motor vehicles. The first two has good potential being linked to the growth of real estate sector and travel, tourism and growth of automobile sector within the state. Since the state has been growing at a healthy rate, there is scope of increasing revenue from these taxes. However, it must be remembered that the real estate sector has not been demonetized completely, and anecdotal evidence suggests that the role of cash in real estate transactions again suppressing the reported price, leading to large scale evasion in respect of stamp duty and registration fees. Increasing use of advanced technology and effective monitoring may address this perennial problem. The only source of non-tax revenue on which the state could improve its collection was non-ferrous mining and metallurgical

industries. The CAGR of these sources of tax and non-tax revenues are shown in the table 2.21 and charts 2.15 through 2.18:

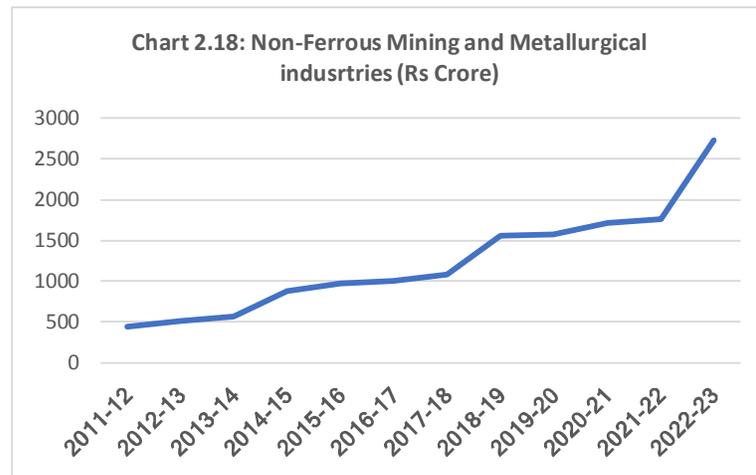
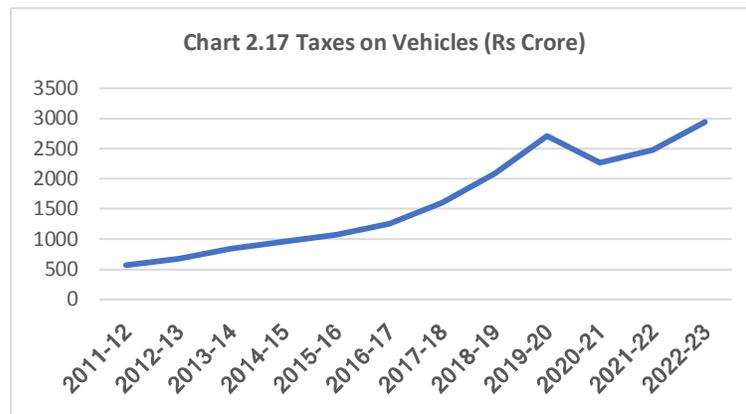
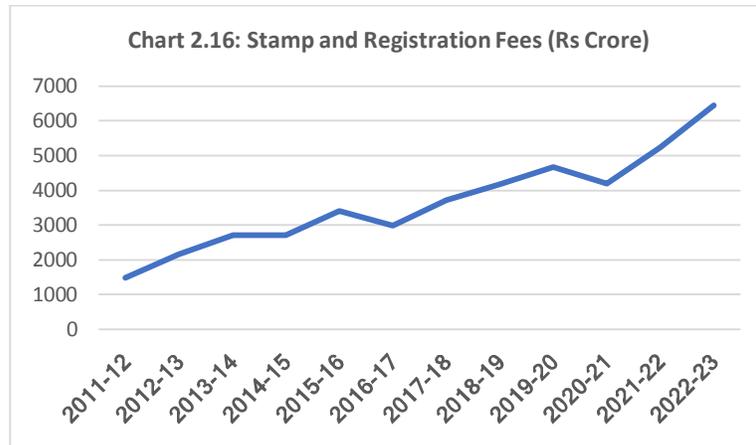
Table 2.21: CAGR of major tax and non-tax revenues of Bihar (2011-2023)

	CAGR (%)
Stamp and Registration Fees	14.3
Taxes on Sales, Trade etc.	2.6 ⁵
Taxes on Vehicles	16.1
Non-Ferrous Mining and Metallurgical industries	18.0
Own tax revenue	12.1
Non-tax revenue	15.0

Taxes on sales have been practically stagnant since the introduction of GST, indicating a plateau with slight increase after the covid years for obvious reasons. The other two important sources of tax revenues also show almost identical variations, dipping during the covid years and increasing thereafter, not particularly due to any intervention by the state government, but due to natural buoyancy. As we seen, these taxes have become mote buoyant after covid than before. We are unable to detect any significant effort of the part of the state government to increase the revenue through proactive and other than ordinary measures. Non tax revenue from non-ferrous mining and metallurgical industries has stagnated somewhat during the Covid years and then increased by nearly Rs 500 crore t Rs 2935 crore.



⁵ 3.6% since 2017-18.



The following suggestions may be worth consideration for improving the revenue productivity:

2.6.1 Stamp Duty and Registration Fees

Some of the best practice adopted by different Indian states to improve their revenue collection from this source include the following:

- a) **Implementing a GIS-based property valuation system:** Following the examples of Maharashtra, Karnataka, Tamil Nadu, and Haryana, Bihar could implement a comprehensive GIS-based land mapping system.⁶⁷ This would involve implementing a web-based geographical land use information system by using high-resolution satellite imagery from ISRO and creating a digital land records database. This would also lead to reduced litigation. As seen in Cape Town, South Africa, implementing a comprehensive land administration system reduced litigations by 60%. It would also lead to improved valuation accuracy as GIS-based systems can lead to more accurate property valuations, potentially increasing stamp duty collections. Digitization can also significantly reduce the manpower required for valuations, as demonstrated in Cape Town, as well as contribute to increased transparency and trust on the tax system. Web-based systems, like in Tamil Nadu, can provide citizens with easy access to land use information, reducing fraud and disputes.
- b) **Losses due to undervaluation of property:** High rates of stamp duties always lead to significant undervaluation of the transactions, causing revenue losses. To minimize this, the Government of Karnataka (2017) has introduced an online automatic stamp duty and registration fee calculation. The new system in Karnataka is directly linked to the property transaction data which in turn is connected to GIS (Geographic Information System) maps to capture the spatial or geographical details with accuracy.⁸ The Kaveri portal, which is the online portal of Department of Stamps and Registrations, Government of Karnataka, does not allow registration if the valuation of property is irrational, which thus minimizes the scope for any undervaluation of properties. Another example of use of technology is in Gujarat where online payment of registration fees and stamp duties at the local registrar's office has been enabled to make the process smooth.⁹
- c) **Integrating land records with the registration system** will help reduce disputes and improve transparency in property transactions, besides modernising the registration process as a whole to prevent undervaluation of property or evasion.
- d) **High Rates Stamp Duty and Registration fees are counterproductive:** An international comparison of stamp duties indicates that Indian stamp duty rates are exceptionally high.¹⁰ Being the third-largest revenue source for most Indian states, the high rates impose high compliance costs on taxpayers leading to inevitable evasion and fraud. Lower stamp duty rates are not limited to industrial countries only; even countries such as Vietnam and the Philippines have stamp duty rates in the range of 1 to 2 percent. The high stamp duty rates prevalent in the Indian states

⁶ <https://www.smartcitiescouncil.com/article/land-records-just-click-away-gis-based-mapping>

⁷ <https://housing.com/news/stamp-duty-on-property-registration-in-india/>

⁸ <https://timesofindia.indiatimes.com/city/bengaluru/tech-to-size-up-property-fix-tax-leak/articleshow/61539255.cms>

⁹ <https://timesofindia.indiatimes.com/city/ahmedabad/stamp-duty-act-soon-digital-validation-of-papers/articleshow/62907138.cms>, accessed 27/05/2018.

¹⁰ Stamp Duties in Indian States A Case for Reform (2004). James Alm, Patricia Annez, and Arbind Modi, World Bank Policy Paper.

provide powerful incentives for corruption and fraud in systems with weak tax administration. This evidence shows that a wide range of countries on the income scale have opted for a tax rate structure that may be both less distortionary and easier to administer.

Bihar's current stamp duty rate of 6% is perhaps a tad too high, though some richer states impose even higher duties, like Kerala (7%) or Madhya Pradesh (8%).¹¹ Implementing differential rates based on property value or location, similar to states like Maharashtra (3-6%) or West Bengal (3-5%), could be another option. Borrowing from Denmark's property transfer tax system that uses a split-rate structure (0.6% on the first DKK 1,070,000 and 1.5% on the remainder), Bihar can also modify its rates for high value transactions.

By implementing these measures, particularly the GIS-based system, Bihar could see significant improvements. Furthermore, the implementation of such systems could have long-term benefits beyond just increased revenue, including reduced property disputes, improved urban planning, and enhanced investor confidence in the real estate sector.

2.6.2 Bihar's State Goods and Services Tax (SGST)

Improving GST compliance through outreach programs and concepts like "GST Mitra" and the "CBIC Mitra Helpdesk" concept could improve compliance. These are comprehensive grievance redressal and information systems for GST-related queries which handles queries related to GST, Central Excise, Service Tax, and other related systems in the State of Uttarakhand and Centre respectively. Based on experience of states like Uttarakhand, these measures could potentially increase registration of dealers. By providing easily accessible support and information to taxpayers, it could help reduce confusion, increase registration, and improve overall compliance with GST regulations. Bihar could draw inspiration from Singapore's Inland Revenue Authority (IRAS) e-Tax Guide system that provides comprehensive, industry-specific GST guidance, helping businesses navigate complex tax regulations to improve compliance. Moreover, Bihar should leverage technology to enhance compliance monitoring. South Korea's electronic taxation system, which has significantly reduced tax evasion, could also serve as a model. This system uses big data analytics to identify discrepancies and potential fraud, allowing for targeted enforcement.

¹¹ Stamp Duty Rates in the Key Indian States (November 2023)

City/ State	Stamp Duty Charges	Registration Charges
Bangalore	2% to 5%	1% of the property value
Delhi	4% to 6%	1% of the deal value
Mumbai	3% to 6%	1% of the property value
Chennai	1% to 7%	1% to 4% of the property value
Kolkata	5% to 7%	1% of the total property value
Gujarat	4.9%	1% of the total property value
Kerala	8%	1% of the total property value
Maharashtra	5%	1% of the total property value
Tamil Nadu	7%	1% of the total property value
Uttar Pradesh	7%	1% of the total property value
West Bengal	7% to 8%	1% of the total property value
Rajasthan	5% to 6%	1% of the total property value
Telangana	5%	1% of the total property value
Uttarakhand	5%	1% of the total property value

2.6.3 Professional Tax

Bihar levies professional tax on every salaried individual, companies registered in Bihar, transporters and individuals engaged in professions like calling or conducting trade, etc. The amount of tax varies between Rs 1000 and Rs 2500 only, which kicks in when an individual earns more than Rs 10 lakhs a year, or dealers annual turnover exceeds Rs 40 lakh a year. The present collection is very meagre around just Rs 160 crore. There is scope for increasing the rate by increasing the amount of tax at the higher income slabs.

2.6.4 Land Revenue

As discussed earlier, the cost of collection of Bihar's Land Revenue is prohibitive compared to the total collections. The collections are also inadequate to meet the high expenditure of the department on account of management of government estates. The collections have also fluctuated widely over the years, peaking at Rs. 971 crore in 2016-17 before coming down to Rs. 361 crore in 2022-23. To stabilize and enhance this revenue stream, Bihar must focus on modernizing its land record system and improving land use efficiency. The state should implement a comprehensive digital land record system, similar to Karnataka's Bhoomi project. This would improve transparency, reduce disputes, and potentially increase compliance with land revenue payments. Bihar could also implement a system of differential land revenue rates based on land use and location. Additionally, the state could explore implementing a land value capture mechanism for areas benefiting from public infrastructure improvements, an approach that has been successfully used in countries like Japan . By modernizing its land revenue system and implementing these measures, Bihar could potentially increase its land revenue while also improving land administration.

2.6.5 Taxes on Vehicles

Bihar's revenue from taxes on vehicles increased from Rs. 569 crore in 2011-12 to Rs. 2935 crore in 2022-23. To further boost this revenue, Bihar should implement a comprehensive and stratified "Motor Vehicle Tax" structure. This would include differential rates based on vehicle cost and fuel type, with lower rates for electric and CNG vehicles to promote cleaner transport. Such a system could be modelled after Singapore's tiered Additional Registration Fee (ARF) system¹², which imposes higher taxes on more expensive vehicles. A green tax for older vehicles, similar to what Delhi and Haryana have implemented, could both generate revenue and encourage the phasing out of polluting vehicles. This aligns with international trends, such as London's Ultra Low Emission Zone charges. Bihar could also look to Singapore's Vehicle Quota System and Electronic Road Pricing for innovative approaches to vehicle taxation and congestion management. While full implementation of such systems may not be immediately feasible, elements could be adapted for major urban areas in Bihar. Improving digital infrastructure for tax collection and compliance monitoring are crucial for increasing this revenue.

2.6.6 Electricity Duty

Bihar's revenue from taxes and duties on electricity increased from Rs. 55 crore in 2011-12 to Rs. 987 crore in 2022-23. This growth is significant, but there's potential for further enhancement. Bihar has over 1.37 million smart meters installed, among the highest in the country. This infrastructure provides a solid foundation for improving billing accuracy and reducing power theft. The state should fully

¹² Singapore's tiered Additional Registration Fee (ARF) system is designed to tax car buyers progressively based on the Open Market Value (OMV) of the vehicle.

leverage this smart meter network to ensure accurate consumption data and timely billing. Implementing more smart metering could help reduce power theft and increase the tax base. If these measures could increase electricity duty collection it would result in additional annual revenue. Introducing a green energy cess modelled after India's coal cess but tailored to Bihar's context. Internationally, Germany's renewable energy surcharge (EEG-Umlage)¹³ offers insights into funding clean energy transitions through taxation. Improving overall power infrastructure to reduce transmission and distribution losses could indirectly boost electricity duty collection by increasing the amounts of electricity bills. States like Gujarat have successfully reduced such losses, leading to improved revenue collection from this source.

2.6.7 Strengthening of Tax Administration:

- (a) **Digitisation of tax administration:** To increase efficiency and minimise leakages, there is no alternative to digitisation. There are three tax collecting departments in Bihar: Commercial Taxes Department which collects all indirect taxes, as well as Professional tax, Revenue and Land Reforms Department which collects the land revenue, and Prohibition, Excise and Registration Department which collects the Stamp Duty and Registration Fees. These departments have digitised their operations in varying degrees, but there are many unresolved issues related to validation, security etc. affecting the efficiency of tax collection and prevention of leakages, as pointed out in the successive revenue reports of the Comptroller & Auditor General of India. Bihar should focus on improving its tax administration and compliance mechanisms by leveraging technology for better tax assessment and collection, similar to Karnataka's e-governance initiatives in commercial taxes. The state could also consider setting up a dedicated revenue intelligence unit to identify and address tax leakages, following the model of Maharashtra's sales tax department.
- (b) **Cross-checking of transactions/ cross-linking of databases of different taxation and other Government departments:** Once technology is applied extensively to create databases about taxpayers in respect of major taxes like GST, Motor Vehicles Tax, Stamp Duty and Registration Fee etc., it will be easy to detect evasion by cross-checking of transactions between various Departments so as to get and verify tax-related data. Necessary institutional / administrative machinery may be set up for facilitating seamless transfer of / access to such data across various Departments.
- (c) **Internal Controls within Tax Departments:** Internal controls which comprise effective supervision, vigilance, monitoring, standardization of procedures through written codes/ manuals, survey, inspection and regular internal audit conducted in an independent manner, are essential for ensuring optimum efficiency and productivity of tax departments. Bihar's tax departments are not only weak in internal controls, internal controls are almost non-existent in many Departments, with most of the elements of internal control missing in most tax departments. For example, the Comptroller and Auditor General of India has highlighted that the levy and collection of fines by e-challan system in respect of motor vehicles has too many leakages which not only leads to loss of Government revenue, but also has a scope of misappropriation and

¹³ Germany's Renewable Energy Sources Act (EEG) introduced the renewable energy surcharge (EEG-Umlage) to support the expansion of renewable energy. The surcharge is an essential component of Germany's strategy to transition to renewable energy and reduce greenhouse gas emissions.

possibility of corruption. Proper accounting, internal control and monitoring are missing and must be improved to plug the leakages in revenue.¹⁴

- (d) The Act-wise Commercial Tax collections during 2018-23 are shown in Table 2.22. GST has rendered some of these, like entry tax, inconsequential and there is no point in continuing with these.

Table 2.22: Act-Wise Commercial Tax Collection by the Commercial Taxes Dept. (Rs Crore)

Year	VAT/Bihar Sales Tax	CST	Entertainment Tax	Electricity Duty	Entry Tax	Professional Tax	Total
2018-19	6802	26	14	280	472	127	7722
2019-20	6188	28	1	439	55	108	6820
2020-21	6123	30	2	1338	35	120	7646
2021-22	6994	25	0	595	9	142	7766
2022-23	9982	13	0	965	35	162	11157

Bihar's Excise Policy also needs a more balanced and nuanced approach. The existing policy has contributed to a huge backlog in courts and has generally been unsuccessful in preventing people from drinking. The loss of revenue suffered as a consequence continues to hurt the state finances even now.

¹⁴ Compliance Audit Report (Revenue Sector) for the year ended 31 March 2021.

2.7 Suggestions to Enhance Non-Tax Revenues¹⁵

To levy user charges for services provided by the government or public sector enterprises is an accepted practice in public finances which is essential not only to step up the huge capital expenditure needed for creating viable infrastructure but also to maintain it. Tariff restructuring or subsidy design has always been a problem for their targeted impact on the poor, while questions regarding efficiency and accountability have never been addressed in the scenario that prevails in most states. The underlying assumption being that a citizen who benefits from a government service should pay for it, ideally the charges and fees should be determined based on the quantity consumed. This provides the governments an indication of service needs and hence to maximize efficiency by proactively matching supply and demand. Additionally, when effectively implemented, user charges and fees provide information to consumers about how much public goods and services cost, thereby enhancing the efficient allocation of services and achieving pricing transparency. This can produce an added benefit of boosting fiscal transparency and also government accountability.¹⁶

But it is to be kept in mind that the charges and fees disproportionately impact the citizens who are least able to pay, particularly at the lower end of the income strata. This creates an untenable situation in respect of essential government services, such as water, sewer, sanitation services, and others and gives rise to the important question of whether the provision of these goods and services should have a redistributive focus, or whether it should instead be guided by cost-based principles. The strength of a charges and fees framework will depend not only on the political climate but also on the Government's perceived legitimacy which will depend the existence or otherwise of an accountability structure. Such an accountability structure is weak in a state like Bihar and hence to that extent it constrains the Government's ability to impose a cost-based fees structure on services. Needless to say, given the level of capital expenditure needed to arrange for such services, government alone cannot be expected to create and maintain the necessary assets, and private sector needs to be given sufficient incentives to be made a partner in the process under suitable regulatory mechanisms.

The public appreciation and support are essential for effectively raising revenue, which can come only from good service delivery. A positive public attitude can lead to increased revenue and cost effectiveness through improved compliance. Good service delivery combined with good publicity can create have significant impact, and this can be an essential element in the Government's delivery system as a whole. It is also imperative, in the first place, to set the standards for cost-based pricing of the services, which enable the government to determine the cost of subsidy or cross-subsidies in

¹⁵ The following resources have been consulted:

- 1) The lessons of user fee experience in Africa, Lucy Gilson Center for Health Policy, Department of Community Health, University of Witwatersrand, South Africa, and Health Economics and Financing Programme, School of Hygiene and Tropical Medicine, United Kingdom
- 2) Best Practice Guidelines For User Charging For Government Services, PUMA Policy Brief No. 3, Public Management Service, March 1998
- 3) User Charges in Local Government Finance, Richard M. Bird, <http://www1.worldbank.org/publicsector/decentralization/June2003Seminar/Bird2.pdf>
- 4) Benchmarking And Best Practice Program User-Pays Revenue, Report prepared for Australian and New Zealand Environment and Conservation, Council (ANZECC)
- 5) Review of current practices in determining user charges and incorporation of economic principles of pricing for Urban Water Supply, Ministry of Urban Development, Government of India.

¹⁶ Germán, L., & Glass, E, "Non-Tax Own-Source Municipal Revenues", *Leaders*, 2017, 66.

providing these services. But this would be possible without simultaneously setting the standards for those services, in terms of their quality and efficiency and an effective mechanism for speedy redressal of user grievances. Unfortunately, none of these exist in the present scenario.

The present system of fixing rates for user charges does not seem to be based either upon the expected return on investment or on the actual cost of services. Neither is there any evidence of collection of cost accounting data by the concerned departments to fix the user charges based on actual cost of various services, like electricity, water, education, healthcare or even hiring out government premises for private purposes. Collection of such data and creation of an asset register are the first steps towards rationalization of user tariff in respect of services. Next step would be to specify the standards of services to be provided and to draw up service level agreements between the provider department and the user, clearly prescribing the rights and obligations and penalties / damages for each, supported by creating an enforcement authority and a grievance-redressal authority. By imparting greater transparency into the system, misuse of the services also will certainly be reduced.

Rationally fixing the user charges has to strike a balance between cost recovery, equity, user-affordability and efficiency of services. The charges so fixed should not subsidise the inefficiency of the service providing departments, as at present. The rate fixed should reflect the economic cost and efficiency and not administrative lethargy and avoidable overheads. In case of inefficiency, the service provider must compensate the users. The rate so fixed also must be simple, transparent, flexible and acceptable to the users and should be high enough to discourage wasteful usage. Services should always be provided in response to their demands and their scope and quality cannot be improved except by recovering their full cost, which also ensures their allocative efficiency. While attempting to recover the full cost through user charges, cross-subsidization of services, keeping the principle of equity in mind, can be factored by prescribing differential rates for different types of users. User fee should also be annually revised in line with inflation; otherwise, it undermines the amount of revenue generated. This is again not the case with Bihar, where user fees have more or less remained stagnant over the years.

In developed countries, independent regulatory body for water is fairly common, leading to a transparent and efficient tariff determination. The government may set up state-level water regulatory authority with the overall responsibility of setting guidelines for fixing water charges, apart from monitoring and advising the state government on equity and efficiency. Using a Block Tariff system by grading the tariff when a consumer moves to a higher consumption slab is the most appropriate tariff structure. Differentiated prices for peak and off-peak periods may also be adopted in order to spread demand for services. For certain services, smart card scheme might be appropriate, whereby all consumers would access these services using the card, while low-income users may be given a certain initial credit on their cards to ensure that only the deserving get the subsidy. For fixing the tariff, recovery of cost of service and ability and willingness to pay – both these considerations should be kept in mind to serve the ends of revenue sufficiency as well as social equity. In the short run, water tariffs should focus to recover Operation and Maintenance cost (O&M) cost. Capital costs should be recovered through subsidies from government. However, these subsidies should be reduced gradually. A two-part tariff structure (consisting of a fixed charge and variable charge) should be adopted. While fixed charges would ensure sufficiency of revenue, the variable charges would pay for consumption.

For local governments especially, the non-tax revenues can generate funds for their much-needed infrastructure investments. Mostly the local governments, being unable to raise funds from their own

resources to finance large infrastructure projects, depends on the State which lacks those resources equally. The essential civic services thus remain underfunded and hence inefficient. A strong base of non-tax own-source revenues can help the municipalities and local bodies – e.g., a municipality can expand the base of capital for water and sewer projects via issuance of municipal revenue bonds supported by local water and sewer fees. But such bonds would require State Government guarantees – at least initially – to generate the public interest in investing on them. Municipal revenue bonds are bonds funded from a specific revenue source. They allow municipalities to dedicate discrete streams of revenues to support multiyear borrowings that produce capital for infrastructure investment. To pay principal and interest on the bonds, such borrowings require a pledge of specific assessments and charges — in this case, those related to water and sewer services.¹⁷

A few specific areas of non-tax revenue have been addressed in the succeeding paragraphs.

2.7.1 Receipts from Dividends, and Profits of Public Sector Enterprises

Public sector enterprises in Bihar remain a huge drag in its economy and finances, which will be discussed in a subsequent chapter in greater details. Successive Finance Commission have pointed out the need to streamline the public sector and privatise all non-strategic sector public enterprises. But nothing has been done in Bihar so far in this regard. Bihar should take a cue from states like Gujrat, which has successfully managed its state-owned enterprises to generate higher dividends. Bihar should take a cue from states like Odisha which have consistently shown high collections from dividends and profits, or Gujrat. In April 2023, the Gujrat Government issued comprehensive guidelines requires all PSEs to pay divided at the rate of 30% of the profits after taxes or 5% of net worth whichever is higher.

2.7.2 User charges for water etc.

Bihar should undertake a comprehensive revision of user charges across the board. It can implement a system of user charges for public infrastructure and develop Public-Private Partnerships (PPPs) for infrastructure projects. States like Maharashtra and Gujarat have effectively used PPPs to boost infrastructure development and associated revenues, providing valuable lessons for Bihar. Irrigation is another area that can boost revenue through the PPP model following successful models from states like Madhya Pradesh and Gujarat. It could implement volumetric water pricing for irrigation, similar to the system used in Maharashtra. The state could also develop Public-Private Partnerships (PPPs) for irrigation infrastructure, Internationally, Australia's water trading system offers an innovative approach to efficient water allocation that Bihar could study and adapt. By modernizing its irrigation systems and implementing fair pricing mechanisms, Bihar could significantly increase revenue while promoting water conservation.

2.7.3 Power

The past reforms of the power sector by unbundling of the BSEB has run its course. Bihar could take a cue from states like Gujarat and Maharashtra, which have successfully reformed their power sectors to generate substantial revenue. Implementing measures such as reducing transmission and distribution losses, improving billing efficiency, and promoting renewable energy could significantly boost the state's power sector revenue. Internationally, Germany's Energiewende (energy transition) policy offers insights into successfully integrating renewable energy sources. Bihar could also explore

¹⁷ Germán, L., & Glass, E, “Non-Tax Own-Source Municipal Revenues”, *Leaders*, 2017, 66.

innovative financing mechanisms like green bonds to fund power infrastructure development, following the example of Kerala.

2.7.4 Food Storage and Warehousing

Food storage and warehousing present opportunities for development. Bihar could look to states like Punjab and Haryana, which have developed extensive food storage and warehousing infrastructure. The state could invest in modern storage facilities and implement a system of user charges for these services. Internationally, the Netherlands' advanced food storage and logistics systems offer valuable lessons in efficiency and technology integration. Bihar could also explore partnerships with private sector entities to develop and manage storage facilities, potentially creating a new revenue stream while improving food security in the state.

Bihar can further implement targeted measures to analyze revenue collection and trade volumes based on per-capita consumption of key commodities that significantly impact state revenue. By conducting detailed analytical studies on commodities such as rice, wheat, maize, jute, sugarcane, and litchi (for which Bihar is famous), the state can identify and implement necessary policy changes to enhance revenue. For instance, Bihar could consider optimizing marketing of agricultural products and collection of revenue therefrom, introduce better tracking mechanisms for the textile industry (particularly jute), and implement more efficient revenue collection methods for the food processing sector, especially for products like litchi and makhana (fox nuts).

It could also develop a comprehensive logistics and warehousing policy to capitalize on the state's location as a gateway to Northeast India, by implementing specific fees on logistics and warehousing activities to generate additional revenue.

2.7.5 Tourism

Bihar's huge tourism potential remains virtually untapped due to lack of adequate quality tourism infrastructure. It has prominent historical and religious sites but no viable infrastructure to attract tourists. It must focus on infrastructure by incentivising the private sector, develop eco-tourism initiatives in forest areas and implement sustainable harvesting of non-timber forest products. Costa Rica's eco-tourism model could provide valuable insights. In India, states like Madhya Pradesh and Kerala have successfully developed eco-tourism programs that have boosted their forestry revenues while promoting conservation. The state could introduce a tourism development fee on hotel stays and increase entry fees for heritage sites, practices that have been successful in Rajasthan and Madhya Pradesh.

2.7.6 Receipt from Mining

As discussed earlier, receipt from non-ferrous mining and metallurgical industries remain the most important source of non-tax revenue of Bihar. But this is also a sector that is beset with huge leakages due to the existence of sand mafia that state has not been successful in handling. To enhance revenue from this sector, Bihar must put up a stringent regulatory structure in place to ensure fair revenue collection, and implement a progressive royalty system, following Odisha's successful mining revenue model. Internationally, Botswana's management of its mineral resources offers valuable lessons in maximizing economic benefits while ensuring sustainability. In 2020-21, Odisha Government had auctioned several iron-ore, manganese, bauxite and dolomite mines, following the Mines and Minerals (Development and Regulation) Amendment Act 2015, which mandated auctioning of all new mines and old mines with expired leases. It also received Rs 1000 crore from the auction of coal mines.

Table 2.23 shows the receipt from different minerals. It would be seen that the state's revenue was mainly from minor minerals like sand, stone and brick earth, the highest contribution being from the settlement of sand ghats followed by receipts from the Works Department.

Table 2.23: Major Receipts from Mining (Rs Crore)

Minor Minerals	2017-18	2018-19	2019-20	2020-21
Brick	39	42	62	73
Sand	462	836	874	679
Stone	127	162	91	79
Receipts from works Department	354	444	524	772
Others	33	67	50	65
Major Minerals				
Limestone	2	6	10	11
Total	1017	1557	1611	1679

Source: Revenue Report of the Comptroller & Auditor General of India, Government of Bihar, 2020-21

Additionally, Bihar could explore commodities like steel (given Bihar's reserves of iron ore in Gaya, Bhagalpur and Jamui districts), ethanol (considering Bihar's sugarcane production), and leather goods (as Bihar has a significant leather industry) to increase its non-tax revenues. The state should also focus on optimizing revenue from minor minerals and implement effective monitoring systems for sand mining from riverbeds. By focusing on these specific commodity-based analyses and enforcement measures, tailored to Bihar's economic strengths, the state can potentially uncover significant untapped revenue sources and improve its overall revenue collection efficiency.

2.7.7 General Services

Bihar's revenue from General Services has shown significant fluctuations, ranging from a low of Rs. - 346 crore in 2011-12 to a high of Rs. 714 crore in 2018-19, settling at Rs. 455 crore in 2022-23. To stabilize and enhance this revenue stream, Bihar could focus on improving its administrative services and implementing more efficient fee collection systems. For instance, the state could digitize its administrative processes, following the e-governance model of states like Kerala, Haryana or Andhra Pradesh. This could include online payment systems for various government services, reducing leakage and improving convenience for citizens. Bihar could also look at Estonia's advanced e-government services as a model for comprehensive digital transformation. Additionally, the state could review and rationalize its fee structure for various administrative services, ensuring they reflect the actual cost of service provision while remaining affordable to citizens.

By focusing on these sectors and implementing some of the best practices from other states and countries, we believe that Bihar has the potential to significantly enhance its non-tax revenue. These initiatives would not only boost state income but also contribute to overall economic development, particularly in rural areas. It's important to note that successful implementation would require careful planning, investment in infrastructure, and capacity building among stakeholders. Regular monitoring and adaptation of these strategies will be key to ensuring long-term success and sustainable revenue growth for Bihar in the years to come.

Annexure 2.1: Technical note related to estimation of tax and non-tax revenues

The estimation is based on actual data in respect of different revenues for 22 years from 2001-02 to 2022-23 (for interest receipts the last three years data were considered to be outliers, and hence were not considered for estimation). F-test has been used to test the statistical significance of the results, and the P-value related to the F test has been found to be close to zero. Since it is less than the values 0.01, 0.05 and 0.1 which corresponds to 99%, 95% and 90% confidence levels respectively, it can be concluded that the model is statistically significant at all levels of confidence. R-Square values corresponding to the exponential model was more than 0.95 for different tax and non-tax revenues for the exponential model, which is this model has been used for projection, indicating that more than 95 percent of the variations could be explained by the model. The coefficient table shows the coefficients for the regression equation and results of the tests of significance, including the t-statistic and P-values of the t-statistic. While the F-statistic evaluates the entire model, the t-statistic examines each relationship independently. The P-value for t statistic again was less than 0.01, confirming the statistical significance of the model at all levels of confidence.

Both the linear and exponential regression models have been tried to project the revenues. The comparison of the R-square values, F-statistics and t-statistics prove that exponential regression model has much better estimates as compared to the linear regression model. The results of the analysis and associate graphs are shown below for the different tax and non-tax revenues. The graphical and statistical analysis both concludes that exponential regression is a very good fit.

A1: Projection of Tax and Non-Tax Revenues

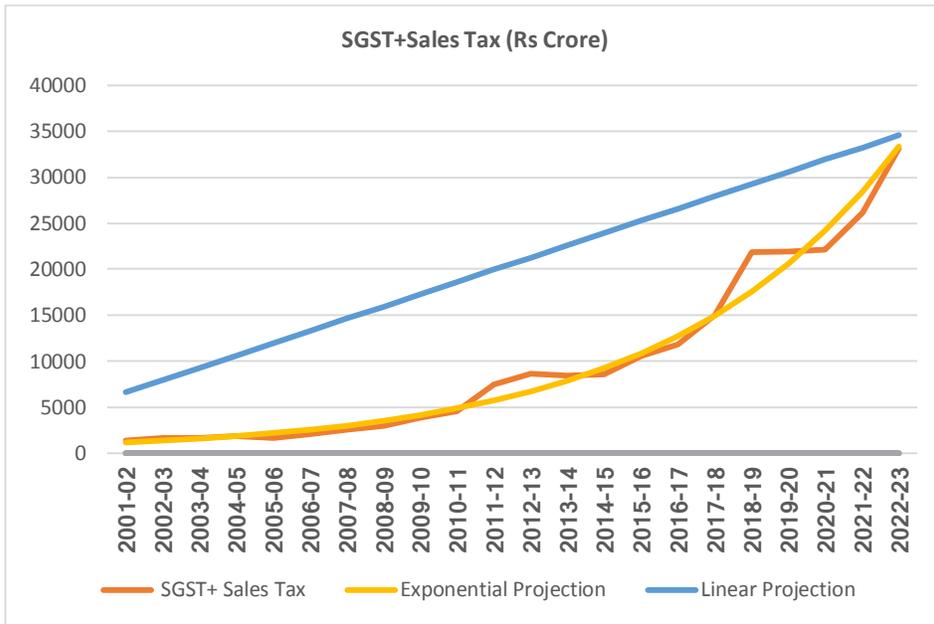
A 1.1: Projection of SGST Receipts including Taxes on Sales on Petroleum and Petroleum Products

Years	Time	SGST+ Sales Tax	LN (SGST+ Sales Tax)	Exponential Projection	Linear Projection
2001-02	1	1413	7.25347	1159.3	6629.8
2002-03	2	1648	7.407318	1360.4	7961.0
2003-04	3	1637	7.400621	1596.3	9292.2
2004-05	4	1891	7.544861	1873.0	10623.3
2005-06	5	1734	7.458186	2197.8	11954.5
2006-07	6	2081	7.640604	2578.9	13285.7
2007-08	7	2535	7.837949	3026.1	14616.8
2008-09	8	3016	8.011687	3550.8	15948.0
2009-10	9	3839	8.252967	4166.6	17279.2
2010-11	10	4557	8.42442	4889.0	18610.3
2011-12	11	7476	8.919453	5736.8	19941.5
2012-13	12	8671	9.067739	6731.6	21272.7
2013-14	13	8453	9.042277	7898.8	22603.8
2014-15	14	8607	9.060331	9268.5	23935.0
2015-16	15	10603	9.268892	10875.6	25266.2
2016-17	16	11874	9.382106	12761.5	26597.3
2017-18	17	15045	9.618801	14974.3	27928.5
2018-19	18	21872	9.992963	17570.9	29259.7
2019-20	19	21922	9.995246	20617.7	30590.8
2020-21	20	22081	10.00247	24192.8	31922.0
2021-22	21	26136	10.17107	28387.8	33253.2
2022-23	22	33124	10.40801	33310.2	34584.3
2023-24	23			39086.2	35915.5
2024-25	24			45863.8	37246.7
2025-26	25			53816.6	38577.8
2026-27	26			63148.4	39909.0
2027-28	27			74098.3	41240.2
2028-29	28			86947.0	42571.3
2029-30	29			102023.6	43902.5
2030-31	30			119714.5	45233.7

. regress lngstsalestax time

Source	SS	df	MS	Number of obs	=	22
Model	22.6420487	1	22.6420487	F(1, 20)	=	972.57
Residual	.465610786	20	.023280539	Prob > F	=	0.0000
				R-squared	=	0.9799
				Adj R-squared	=	0.9788
Total	23.1076595	21	1.10036474	Root MSE	=	.15258

Insgstsale~x	Coefficient	Std. err.	t	P> t	[95% conf. interval]	
time	.1599056	.0051275	31.19	0.000	.1492099	.1706013
_cons	6.895697	.0673437	102.40	0.000	6.755221	7.036174



A 1.2: Projection of Receipts of Stamp Duty and Registration Fees

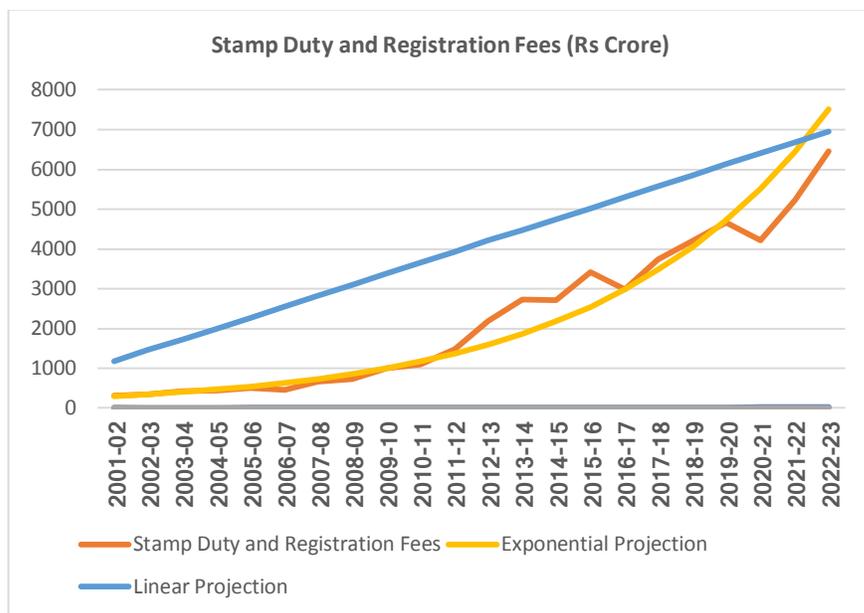
Years	Time	Stamp Duty and Registration Fees	LN (Stamp Duty and Registration Fees)	Exponential Projection	Linear Projection
2001-02	1	304	5.717028	291.6	1174.2
2002-03	2	348	5.852202	340.4	1449.4
2003-04	3	418	6.035481	397.3	1724.6
2004-05	4	429	6.061457	463.8	1999.7
2005-06	5	505	6.224558	541.3	2274.9
2006-07	6	455	6.120297	631.9	2550.1
2007-08	7	654	6.483107	737.6	2825.2
2008-09	8	716	6.57368	861.0	3100.4
2009-10	9	998	6.905753	1005.0	3375.6
2010-11	10	1099	7.002156	1173.1	3650.7
2011-12	11	1480	7.299797	1369.4	3925.9
2012-13	12	2173	7.683864	1598.4	4201.1
2013-14	13	2712	7.905442	1865.8	4476.2
2014-15	14	2699	7.900637	2177.9	4751.4

2015-16	15	3409	8.134174	2542.3	5026.6
2016-17	16	2982	8.000349	2967.5	5301.7
2017-18	17	3726	8.223091	3464.0	5576.9
2018-19	18	4189	8.340217	4043.4	5852.1
2019-20	19	4661	8.446985	4719.8	6127.2
2020-21	20	4206	8.344267	5509.3	6402.4
2021-22	21	5224	8.561019	6431.0	6677.6
2022-23	22	6451	8.77199	7506.7	6952.7
2023-24	23			8762.5	7227.9
2024-25	24			10228.3	7503.1
2025-26	25			11939.3	7778.2
2026-27	26			13936.5	8053.4
2027-28	27			16267.9	8328.6
2028-29	28			18989.2	8603.7
2029-30	29			22165.8	8878.9
2003-31	30			25873.7	9154.0

. regress Instampdutyandregistrationfees time

Source	SS	df	MS	Number of obs	=	22
Model	21.185922	1	21.185922	F(1, 20)	=	610.19
Residual	.694407494	20	.034720375	Prob > F	=	0.0000
				R-squared	=	0.9683
				Adj R-squared	=	0.9667
Total	21.8803295	21	1.04192045	Root MSE	=	.18633

Instampdut~s	Coefficient	Std. err.	t	P> t	[95% conf. interval]	
time	.1546783	.0062618	24.70	0.000	.1416165	.1677402
_cons	5.520634	.0822418	67.13	0.000	5.34908	5.692187



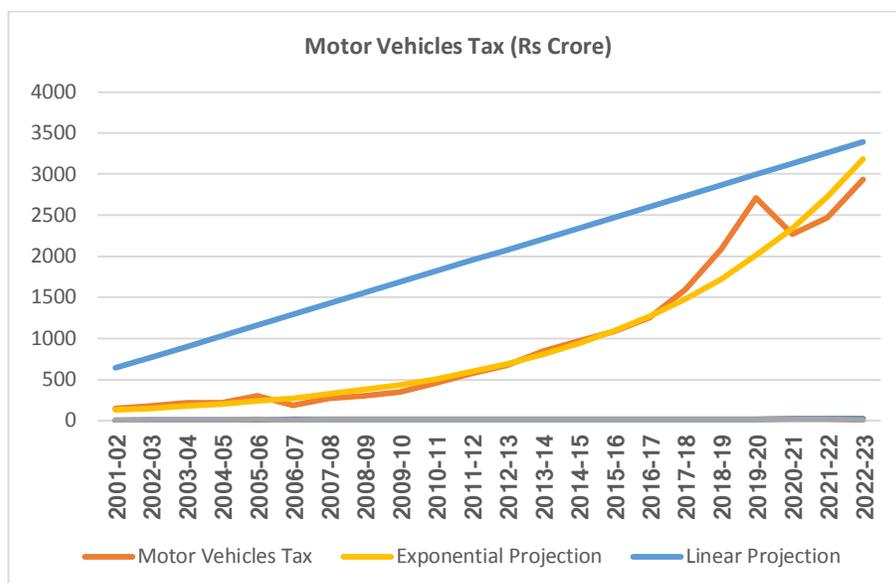
A 1.3: Projection of Receipts of Motor Vehicles Tax

Years	Time	Motor Vehicles Tax	LN (Motor Vehicles Tax)	Exponential Projection	Linear Projection
2001-02	1	142	4.955827	127.6	636.8
2002-03	2	178	5.181784	148.7	768.0
2003-04	3	210	5.347108	173.4	899.1
2004-05	4	213	5.361292	202.0	1030.3
2005-06	5	302	5.710427	235.5	1161.4
2006-07	6	181	5.198497	274.5	1292.6
2007-08	7	273	5.609472	319.9	1423.7
2008-09	8	298	5.697093	372.8	1554.9
2009-10	9	345	5.843544	434.5	1686.0
2010-11	10	455	6.120297	506.4	1817.2
2011-12	11	569	6.34388	590.3	1948.3
2012-13	12	673	6.511745	687.9	2079.5
2013-14	13	838	6.731018	801.8	2210.6
2014-15	14	964	6.871091	934.5	2341.8
2015-16	15	1081	6.985642	1089.2	2473.0
2016-17	16	1257	7.136483	1269.4	2604.1
2017-18	17	1600	7.377759	1479.5	2735.3
2018-19	18	2086	7.643004	1724.4	2866.4
2019-20	19	2713	7.90581	2009.7	2997.6
2020-21	20	2268	7.726654	2342.4	3128.7
2021-22	21	2475	7.813996	2730.0	3259.9
2022-23	22	2935	7.984463	3181.8	3391.0
2023-24	23			3708.4	3522.2
2024-25	24			4322.2	3653.3
2025-26	25			5037.5	3784.5
2026-27	26			5871.2	3915.6
2027-28	27			6842.9	4046.8
2028-29	28			7975.4	4177.9
2029-30	29			9295.3	4309.1
2030-31	30			10833.7	4440.2

. regress lnmotorvehicletax time

Source	SS	df	MS	Number of obs	=	22
Model	20.7694663	1	20.7694663	F(1, 20)	=	677.76
Residual	.612889928	20	.030644496	Prob > F	=	0.0000
Total	21.3823562	21	1.01820744	R-squared	=	0.9713
				Adj R-squared	=	0.9699
				Root MSE	=	.17506

lnmotorveh~x	Coefficient	Std. err.	t	P> t	[95% conf. interval]
time	.1531505	.0058828	26.03	0.000	.1408792 .1654217
_cons	4.695901	.0772639	60.78	0.000	4.534731 4.85707



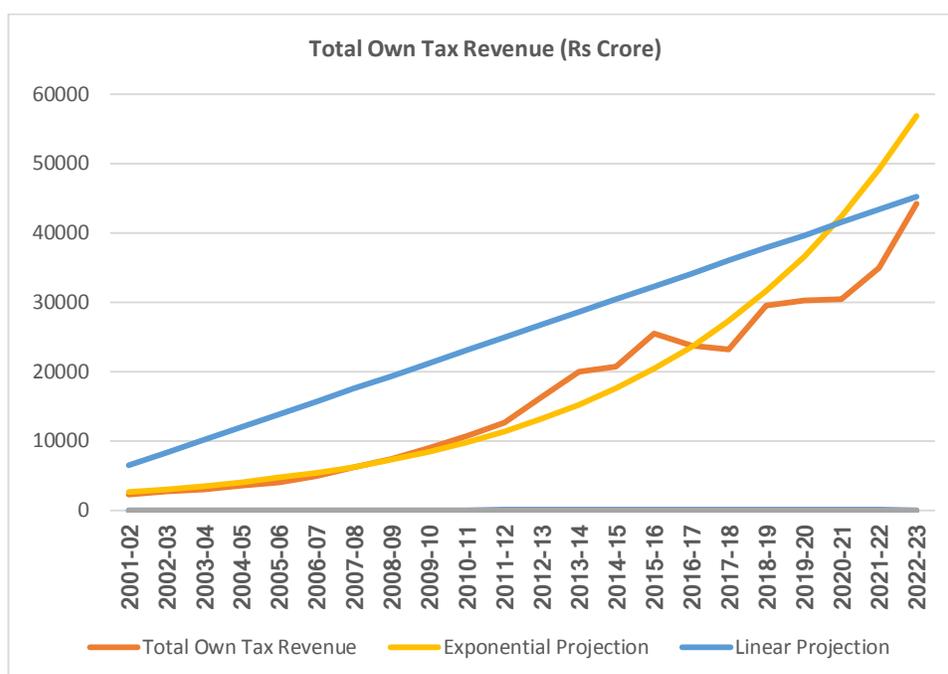
A 1.4: Projection of Total Own Tax Receipts

Years	Time	Total Own Tax Revenue	LN (Total Own Tax Revenue)	Exponential Projection	Linear Projection
2001-02	1	2247	7.717351	2612.4	6461.0
2002-03	2	2727	7.910957	3025.2	8305.0
2003-04	3	2967	7.995307	3503.2	10149.0
2004-05	4	3554	8.175829	4056.7	11993.0
2005-06	5	4010	8.296547	4697.8	13837.0
2006-07	6	4925	8.50208	5440.1	15681.1
2007-08	7	6234	8.737773	6299.8	17525.1
2008-09	8	7404	8.909776	7295.2	19369.1
2009-10	9	8930	9.097172	8448.0	21213.1
2010-11	10	10737	9.281451	9783.0	23057.1
2011-12	11	12612	9.442404	11328.8	24901.2
2012-13	12	16253	9.696033	13119.0	26745.2
2013-14	13	19961	9.901536	15192.0	28589.2
2014-15	14	20750	9.940302	17592.7	30433.2
2015-16	15	25490	10.14604	20372.6	32277.2
2016-17	16	23742	10.075	23591.9	34121.3
2017-18	17	23136	10.04915	27319.8	35965.3
2018-19	18	29579	10.29482	31636.8	37809.3
2019-20	19	30198	10.31553	36636.0	39653.3
2020-21	20	30385	10.3217	42425.2	41497.3
2021-22	21	34948	10.46162	49129.1	43341.3
2022-23	22	44175	10.69591	56892.4	45185.4
2023-24	23			65882.4	47029.4
2024-25	24			76293.0	48873.4
2025-26	25			88348.7	50717.4
2026-27	26			102309.4	52561.4
2027-28	27			118476.2	54405.5
2028-29	28			137197.5	56249.5
2029-30	29			158877.2	58093.5
2030-31	30			183982.7	59937.5

. regress Intotalowntaxrevenue time

Source	SS	df	MS	Number of obs	=	22
Model	18.024363	1	18.024363	F(1, 20)	=	568.55
Residual	.634046891	20	.031702345	Prob > F	=	0.0000
				R-squared	=	0.9660
				Adj R-squared	=	0.9643
Total	18.6584099	21	.888495709	Root MSE	=	.17805

Intotalown~e	Coefficient	Std. err.	t	P> t	[95% conf. interval]	
time	.142671	.0059834	23.84	0.000	.1301897	.1551522
_cons	7.721297	.0785861	98.25	0.000	7.557369	7.885225



A 1.5: Projection of Non-Tax Receipts from Non-Ferrous Minerals

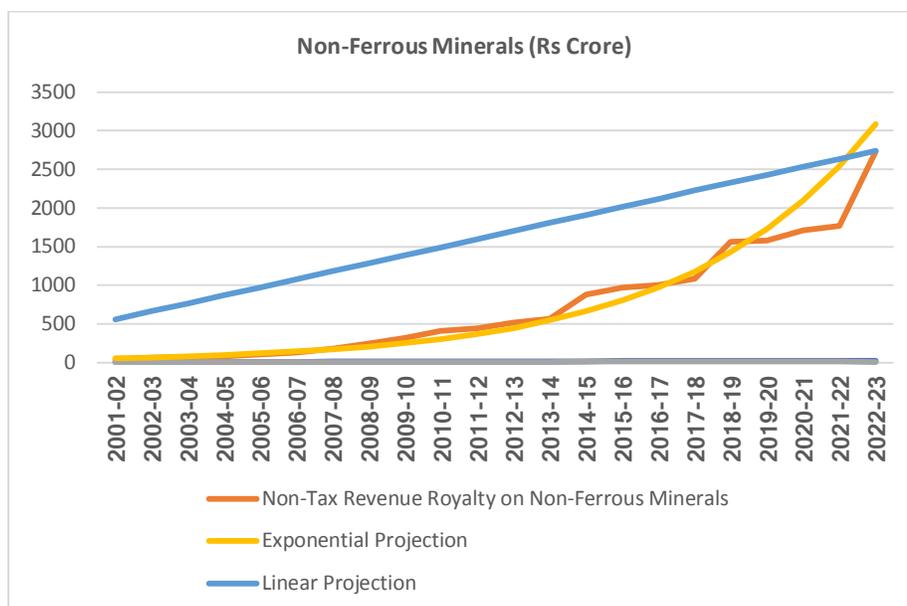
Years	Time	Non-Ferrous Minerals	LN (Non-Ferrous Minerals)	Exponential Projection	Linear Projection
2001-02	1	39	3.66356165	53.5	554.9
2002-03	2	61	4.11087386	64.9	659.0
2003-04	3	73	4.29045944	78.7	763.1
2004-05	4	80	4.38202663	95.5	867.2
2005-06	5	101	4.61512052	115.8	971.4

2006-07	6	128	4.85203026	140.5	1075.5
2007-08	7	179	5.18738581	170.4	1179.6
2008-09	8	245	5.50125821	206.7	1283.7
2009-10	9	320	5.768321	250.7	1387.8
2010-11	10	406	6.00635316	304.1	1491.9
2011-12	11	443	6.09356977	368.8	1596.1
2012-13	12	511	6.23636959	447.3	1700.2
2013-14	13	569	6.34388043	542.5	1804.3
2014-15	14	880	6.77992191	658.1	1908.4
2015-16	15	971	6.87832647	798.2	2012.5
2016-17	16	998	6.90575328	968.1	2116.7
2017-18	17	1083	6.98749025	1174.2	2220.8
2018-19	18	1561	7.35308192	1424.2	2324.9
2019-20	19	1572	7.36010397	1727.4	2429.0
2020-21	20	1709	7.44366368	2095.2	2533.1
2021-22	21	1766	7.47647238	2541.3	2637.2
2022-23	22	2730	7.91205689	3082.4	2741.4
2023-24	23			3738.7	2845.5
2024-25	24			4534.7	2949.6
2025-26	25			5500.1	3053.7
2026-27	26			6671.2	3157.8
2027-28	27			8091.5	3262.0
2028-29	28			9814.3	3366.1
2029-30	29			11903.9	3470.2
2003-31	30			14438.3	3574.3

. regress lnntaxrevenueroyaltyonnonferro time

Source	SS	df	MS	Number of obs	=	22
Model	32.9915416	1	32.9915416	F(1, 20)	=	900.12
Residual	.733047546	20	.036652377	Prob > F	=	0.0000
				R-squared	=	0.9783
				Adj R-squared	=	0.9772
Total	33.7245892	21	1.60593282	Root MSE	=	.19145

lnntaxre~o	Coefficient	Std. err.	t	P> t	[95% conf. interval]	
time	.1930221	.0064336	30.00	0.000	.1796018	.2064424
_cons	3.786977	.084499	44.82	0.000	3.610715	3.963239



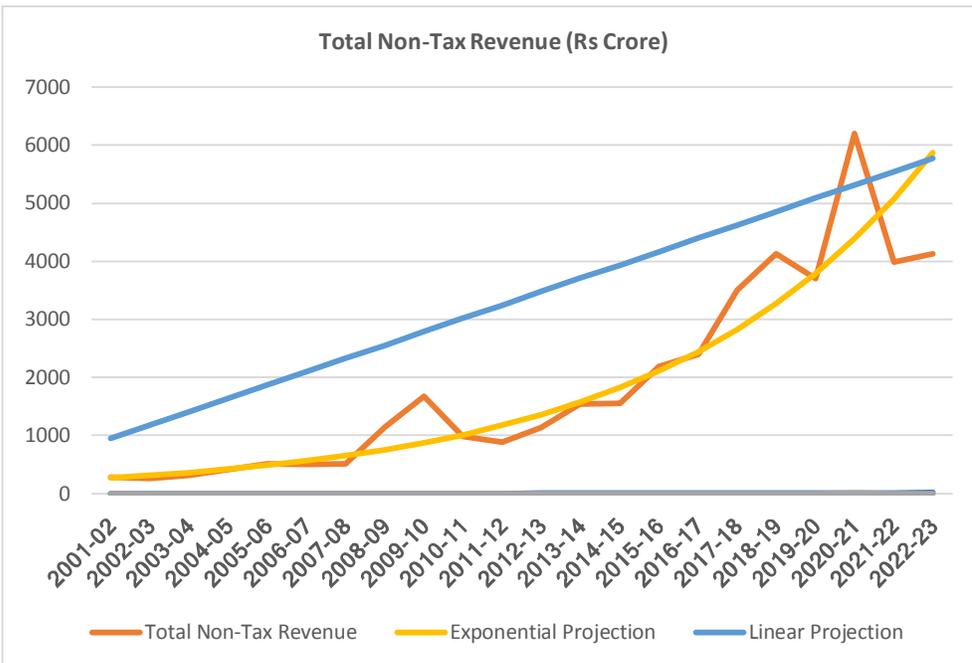
A 1.7: Projection of Total Non-Tax Receipts

Years	Time	Total Non-Tax Revenue	LN (Total Non-Tax Revenue)	Exponential Projection	Linear Projection
2001-02	1	287	5.65948222	274.1	955.9
2002-03	2	261	5.56452041	317.2	1185.2
2003-04	3	320	5.768321	367.0	1414.5
2004-05	4	418	6.03548143	424.6	1643.8
2005-06	5	522	6.25766759	491.3	1873.1
2006-07	6	511	6.23636959	568.5	2102.4
2007-08	7	526	6.26530121	657.8	2331.7
2008-09	8	1153	7.05012252	761.1	2561.0
2009-10	9	1670	7.42057891	880.7	2790.2
2010-11	10	986	6.89365635	1019.0	3019.5
2011-12	11	890	6.79122146	1179.1	3248.8
2012-13	12	1135	7.03438793	1364.3	3478.1
2013-14	13	1545	7.34277919	1578.6	3707.4
2014-15	14	1558	7.35115823	1826.5	3936.7
2015-16	15	2186	7.68982867	2113.4	4166.0
2016-17	16	2403	7.78447324	2445.3	4395.3
2017-18	17	3507	8.16251625	2829.4	4624.6
2018-19	18	4130	8.32603269	3273.9	4853.9
2019-20	19	3699	8.21581779	3788.1	5083.2
2020-21	20	6201	8.73246585	4383.1	5312.5
2021-22	21	3984	8.29004162	5071.5	5541.8
2022-23	22	4135	8.32724261	5868.1	5771.1
2023-24	23			6789.8	6000.4
2024-25	24			7856.3	6229.7
2025-26	25			9090.3	6459.0
2026-27	26			10518.1	6688.3
2027-28	27			12170.2	6917.6
2028-29	28			14081.8	7146.9
2029-30	29			16293.6	7376.2
2030-31	30			18852.9	7605.5

. regress Intotalnontaxrevenue time

Source	SS	df	MS	Number of obs	=	22
Model	18.8472489	1	18.8472489	F(1, 20)	=	301.77
Residual	1.24913161	20	.06245658	Prob > F	=	0.0000
				R-squared	=	0.9378
				Adj R-squared	=	0.9347
Total	20.0963805	21	.956970501	Root MSE	=	.24991

Intotalnon~e	Coefficient	Std. err.	t	P> t	[95% conf. interval]	
time	.1458914	.0083984	17.37	0.000	.1283727	.1634101
_cons	5.467679	.1103035	49.57	0.000	5.23759	5.697768



Chapter 3

Expenditure Patterns

Objectives

- *To analyze expenditure patterns and trends for revenue and capital expenditure during the last 10 years, and major components of expenditure thereunder;*
- *To analyse the allocative and technical efficiency in expenditures during the last 5 years;*
- *To analyse the subsidies given by the State, their targeting and evaluation;*
- *To evaluate the outcome of State Finances in the context of recommendations of the 14th & 15th Finance Commissions;*
- *Flow of resources from Centre to States through various schemes;*
- *To suggest measures for improving efficiency in public spending.*

Methodology

Trend and composition analysis; Analysis of allocative efficiency in terms of salary and non-salary expenditure on various major heads; Comparison with the best practices from other States;

Data Sources

Finance accounts for data on major head-wise analysis of revenue and capital expenditure items; Budget documents of the State Government; Report of the 14th and 15th Finance Commissions; Data obtained from Finance Department of the Bihar Government.

A. Analysis of Expenditure Trends of Bihar Government

The expenditure of the state governments is classified under two major categories, revenue and capital, and within each of these under three major services — General Services, Social Services and Economic Services. Apart from revenue expenditure and capital outlay on these services, the other areas of spending are repayment of loans and advances on the capital account and grants to local bodies and autonomous institutions under the state government. The state government also gives loans for various purposes to its public sector undertakings, urban local bodies and Panchayati Raj Institutions and to its own employees as well for various purposes. It is to be noted that while the repayments of principal amounts of loans are made from the capital account, interest payment is made from the revenue account of expenditure, under the General Services.

3.1 Overview of Expenditure: Revenue and Capital Heads

Table 3.1, 3.2 and 3.3 respectively present the expenditure of the state government under different heads for the period from 2012-13 to 2022-23, their percentage compositions and the annual growth rates. Charts 3.1, 3.2 and 3.3 respectively show the trend of total expenditure and the trends of expenditure under the revenue and the capital heads respectively. Charts 3.4 shows the composition of total expenditure.

The total expenditure of the Bihar state government from 2012-13 to 2022-23 shows a significant overall increase across most categories. The total expenditure of Bihar government has more than trebled over this 11-year period, from Rs. 69,206 crore to Rs. 2,31,903 crore, representing a robust

CAGR of 12.8%. This is a significant growth rate, outpacing the average inflation rate during this period, which suggests real growth in government spending and expansion of government activities in Bihar. During this period, revenue grew from Rs. 54,466 crore to Rs. 1,83,975 crore, at a CAGR of 12.9%, matching the overall expenditure growth rate. In comparison the revenue of the state grew at a CAGR of 11.2%, from Rs. 59,566 crore to Rs. 1,72,688 crore during the same period. Within revenue expenditure, social services saw the highest growth (CAGR 14.4%), followed by economic services (CAGR 12.0%), and general services (CAGR 11.6%). Social Services have consistently claimed the largest share among the revenue expenditure, averaging around 38-39% in recent years. General Services have seen a declining share, from 26.9% in 2012-13 to 24.2% in 2022-23. Economic Services have maintained a relatively stable share, averaging around 17-18% in recent years.

Capital expenditure, which represents investments in long-term assets and infrastructure, showed more volatility over the period. It grew from Rs. 14,740 crore in 2012-13 to Rs. 47,928 crore in 2022-23, at a CAGR of 12.5%, little less than revenue expenditure. However, there were significant fluctuations, with a peak of Rs. 33,803 crore in 2017-18 and a low of Rs. 20,080 crore in 2019-20. The share of capital expenditure in total expenditure has also fluctuated, peaking at 25.6% in 2015-16 and dropping to a low of 13.7% in 2019-20. It has since recovered to 20.7% in 2022-23.

Capital Outlay has grown at a CAGR of 12.6%. Its share in total expenditure has varied from a peak of 21.5% in 2016-17 and a low of 8.4% in 2019-20. It stood at 13.6% in 2022-23. Economic Services dominate capital outlay, though their share has decreased from 79% in 2012-13 to 70.7% in 2022-23. General Services increased at a CAGR of 16.3%, while Social Services grew at a CAGR of 16.2%, Economic Services at only 11.5%.

The discharge of public debt has seen a dramatic increase over the period, rising from Rs. 3,070 crore in 2012-13 to Rs. 14,351 crore in 2022-23, at a CAGR of 16.7%. This surge is primarily driven by a fourfold increase in internal debt over the period, while loans and advances from the Centre increased two-folds. Part of it is of course due to the impact of economic challenges faced during COVID-19 pandemic. Its share in total expenditure has increased from 4.4% in 2012-13 to 6.2% in 2022-23. Internal debt repayment has grown faster (CAGR 17.4%) than repayment of central loans (CAGR 11.7%). The disbursement of loans and advances by the state government, a rather insignificant component of total expenditure, shows high volatility over the years. Starting at Rs. 2,086 crore in 2012-13, it dropped to as low as Rs. 114 crore in 2016-17, before rising again to Rs. 2,057 crore in 2022-23.

Table 3.1: Expenditure of State Government (Rs. crore)

Expenditure Heads	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Expenditure, of which	54466	62477	72570	83616	94765	102623
General Services	18645	22018	26408	27972	30607	33374
Social Services	23107	26395	31713	35943	40737	45769
Economic Services	12710	14060	14445	19696	23417	23476
Grants & Contributions	4	4	4	4	4	4
Capital Expenditure, of which	14740	17928	22128	28712	31537	33803
Capital Outlay, of which	9585	14001	18151	23966	27208	28907
General Services	717	1333	1749	3617	2090	2765
Social Services	1331	1858	1674	2740	3592	4258
Economic Services	7536	10811	14729	17609	21526	21884
Discharge of Public Debt	3070	3120	3609	4125	4215	4654
Internal Debt	2585	2559	2975	3423	3460	3841

Loans & Advances from Centre	485	561	634	702	754	813
Disbursement of Loans & Advances	2086	807	369	621	114	243
Total Expenditure	69206	80405	94698	112328	126302	136427

Expenditure Heads	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Expenditure, of which	124896	126016	139493	159219	183975
General Services	38691	41628	46239	48939	56029
Social Services	58284	57816	63808	76115	88348
Economic Services	27917	26571	29445	34165	39598
Grants & Contributions	4	2	2	0	0
Capital Expenditure, of which	29759	20080	26203	33903	47928
Capital Outlay, of which	21058	12304	18209	23678	31520
General Services	3311	2388	1387	3507	3255
Social Services	4061	2803	6332	5154	5967
Economic Services	13686	7113	10491	15017	22298
Discharge of Public Debt	7230	7110	6880	8746	14351
Internal Debt	6299	6143	5937	7620	12886
Loans & Advances from Centre	930	966	944	1127	1465
Disbursement of Loans & Advances	1471	666	1114	1479	2057
Total Expenditure	154655	146096	165696	193123	231903

Chart 3.1: Trend of Total Expenditure (Revenue and Capital) of Bihar (Rs crore)

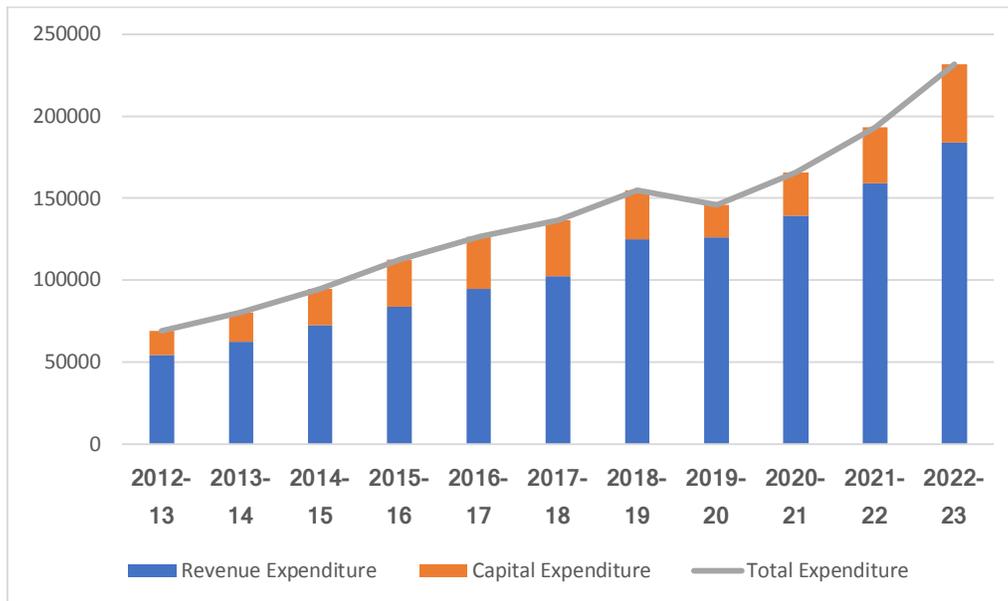


Chart 3.2: Trend of Revenue Expenditure (Rs crore)

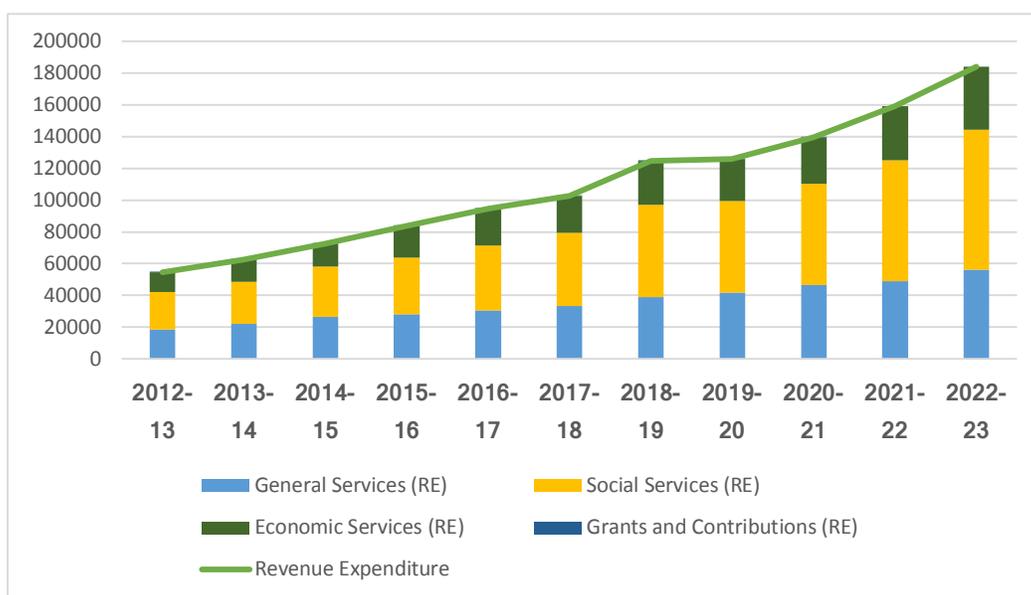


Chart 3.3: Trend of Capital Expenditure (Rs crore)

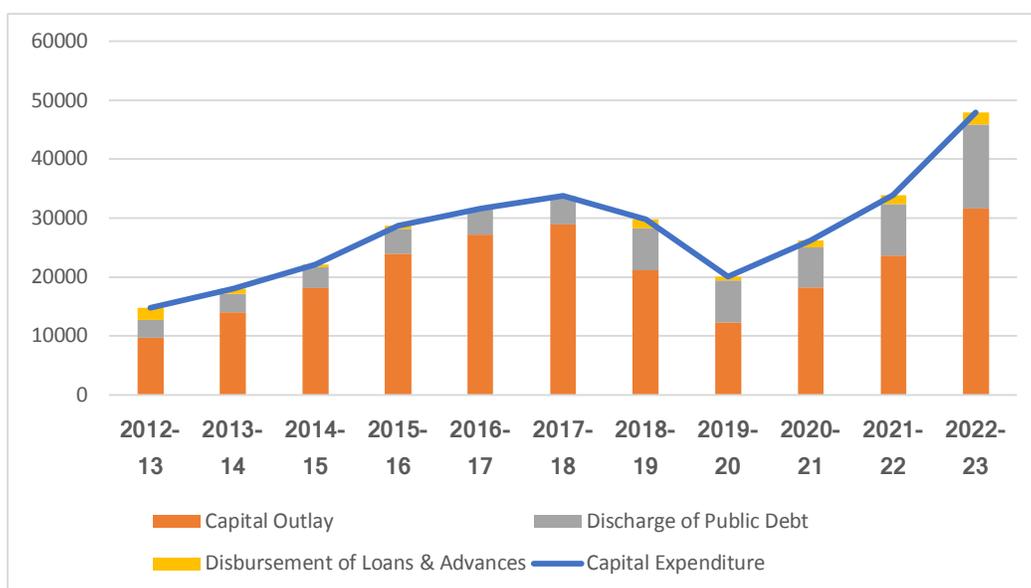


Table 3.2: Composition of Expenditure of State Government (%)

Expenditure Heads	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Expenditure	78.7	77.7	76.6	74.4	75.0	75.2	80.8	86.3	84.2	82.4	79.3
General Services	26.9	27.4	27.9	24.9	24.2	24.5	25.0	28.5	27.9	25.3	24.2
Social Services	33.4	32.8	33.5	32.0	32.3	33.5	37.7	39.6	38.5	39.4	38.1
Economic Services	18.4	17.5	15.3	17.5	18.5	17.2	18.1	18.2	17.8	17.7	17.1
Grants & Contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Expenditure	21.3	22.3	23.4	25.6	25.0	24.8	19.2	13.7	15.8	17.6	20.7
Capital Outlay, of which	13.8	17.4	19.2	21.3	21.5	21.2	13.6	8.4	11.0	12.3	13.6

General Services	1.0	1.7	1.8	3.2	1.7	2.0	2.1	1.6	0.8	1.8	1.4
Social Services	1.9	2.3	1.8	2.4	2.8	3.1	2.6	1.9	3.8	2.7	2.6
Economic Services	10.9	13.4	15.6	15.7	17.0	16.0	8.8	4.9	6.3	7.8	9.6
Discharge of Public Debt											
Internal Debt	4.4	3.9	3.8	3.7	3.3	3.4	4.7	4.9	4.2	4.5	6.2
Loans and Advances from Centre	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6
Disbursement of Loans &Advances											
	3.0	1.0	0.4	0.6	0.1	0.2	1.0	0.5	0.7	0.8	0.9
Total	100.0										

Source: Finance Accounts of the Bihar Government for respective years

Chart 3.4 Composition of Total Expenditure (%)

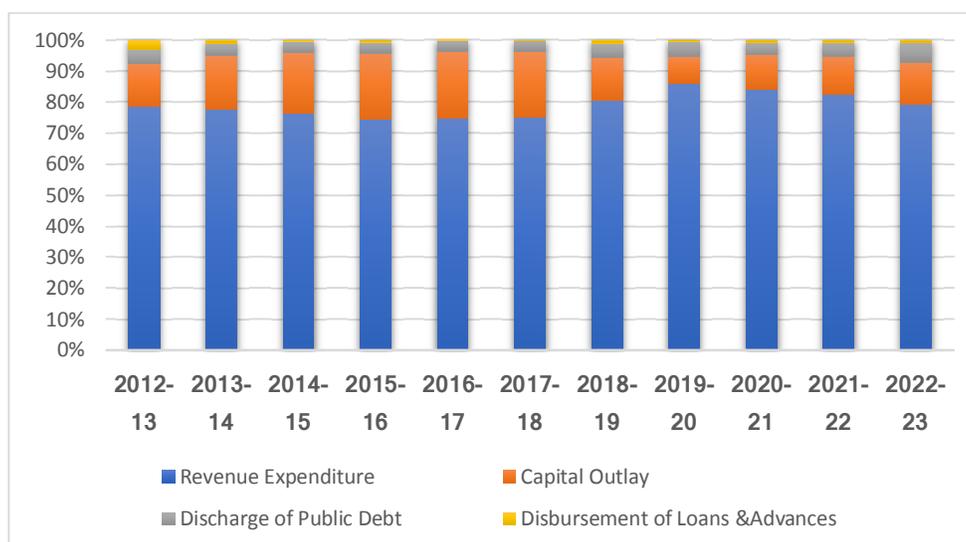


Table 3.3: Growth of Expenditure of State Government (%)

Expenditure Heads	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR
Revenue Expenditure	17.1	14.7	16.2	15.2	13.3	8.3	21.7	0.9	10.7	14.1	15.5	12.9
General Services, of which	5.2	18.1	19.9	5.9	9.4	9.0	15.9	7.6	11.1	5.8	14.5	11.6
interest receipts	2.9	23.3	12.3	15.8	15.4	10.5	11.2	9.1	13.6	10.7	9.9	11.9
Social Services	23.4	14.2	20.1	13.3	13.3	12.4	27.3	-0.8	10.4	19.3	16.1	14.4
Economic Services	26.6	10.6	2.7	36.4	18.9	0.3	18.9	-4.8	10.8	16.0	15.9	12.0
Capital Expenditure	7.7	21.6	23.4	29.8	9.8	7.2	-12.0	-32.5	30.5	29.4	41.4	12.5
Capital Outlay	8.3	46.1	29.6	32.0	13.5	6.2	-27.2	-41.6	48.0	30.0	33.1	12.6
General Services	17.9	85.9	31.2	106.8	-42.2	32.3	19.7	-27.9	-41.9	152.8	-7.2	16.3
Social Services	64.9	39.6	-9.9	63.7	31.1	18.5	-4.6	-31.0	125.9	-18.6	15.8	16.2
Economic Services	1.3	43.5	36.2	19.6	22.2	1.7	-37.5	-48.0	47.5	43.1	48.5	11.5
Discharge of Public Debt	5.0	1.6	15.7	14.3	2.2	10.4	55.4	-1.7	-3.2	27.1	64.1	16.7
Internal Debt	5.2	-1.0	16.3	15.1	1.1	11.0	64.0	-2.5	-3.4	28.3	69.1	17.4
Loans & Advances from Centre	4.2	15.7	13.0	10.7	7.4	7.8	14.4	3.9	-2.3	19.4	30.0	11.7

Disbursement of Loans & Advances	9.4	-61.3	-54.3	68.3	-81.6	113.2	505.3	-54.7	67.3	32.8	39.1	-0.1
Total	15.0	16.2	17.8	18.6	12.4	8.0	13.4	-5.5	13.4	16.6	20.1	12.9

Source: Finance Accounts of the Bihar Government for respective years

3.1.1 No Major Structural Shift in Expenditure

Charts 3.5A and 3.5B show the structure of expenditure in 2012-13 and 2022-23 respectively, from which we can see that there has been no major structural shift in the expenditure patterns between these two years, only some minor changes in the distribution of funds across categories. The share of revenue expenditure has remained constant at 79 percent in both years. Capital outlay has also maintained its share at 14 percent of the total expenditure in both periods, However, there have been notable changes in other areas like discharge of Public Debt has seen an increase from 4 percent in 2012-13 to 6 percent in 2022-23. Disbursement of Loans & Advances has decreased from 3 percent in 2012-13 to 1 percent in 2022-23. The overall structure of expenditure has remained largely stable from 2012-13 to 2022-23.

Chart 3.5 A: Structure of Expenditure (2012-13)

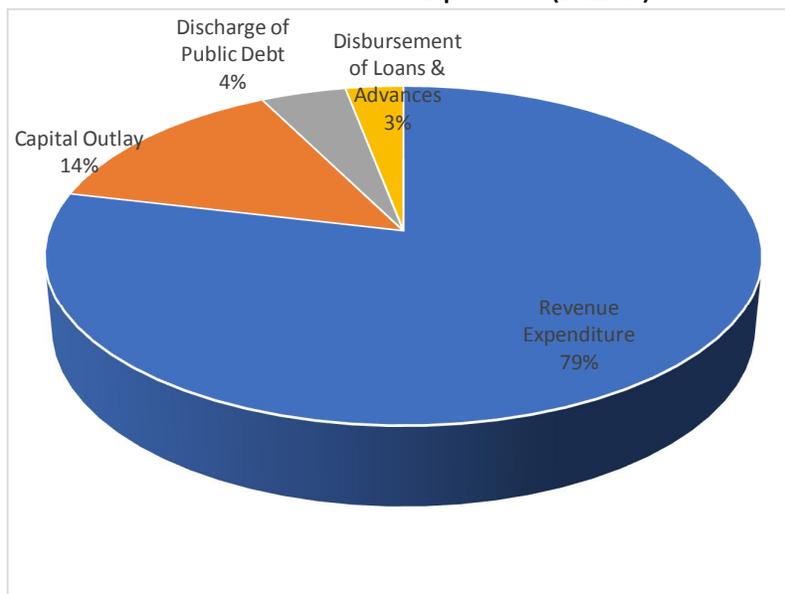
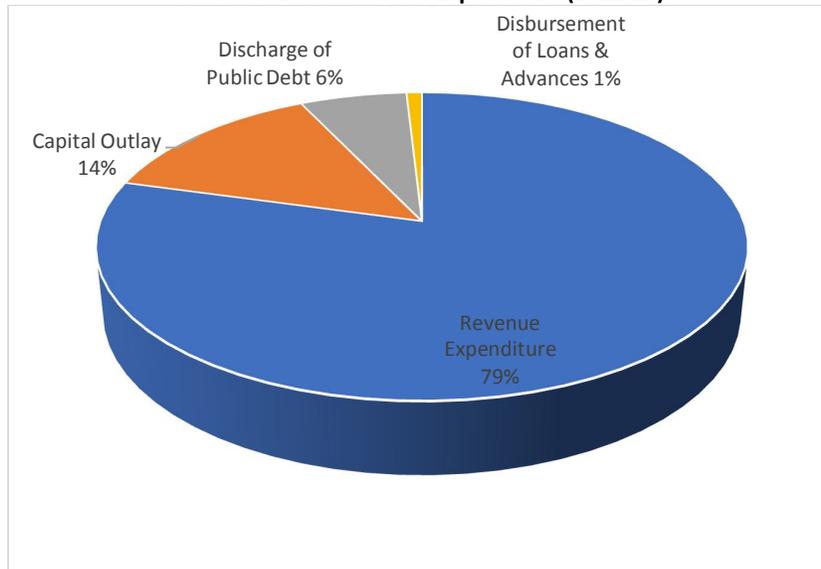


Chart 3.5 B: Structure of Expenditure (2022-23)



3.2 Analysis of Revenue Expenditure:

3.2.1 Developmental and Non-Developmental Expenditure

Revenue expenditure of the state has been further analysed in Table 3.4. The state's ability to fund its expenditure from own revenues has declined significantly, with the ratio of Own Revenue to Revenue Expenditure falling from 31.9% in 2012-13 to 26.3% in 2022-23. The Total Expenditure to GSDP ratio increased from 24.5% to 30.9% during this period. The major sectoral trends are described below.

Developmental Expenditure:

The combined expenditure on social and economic services, which represents the state's developmental spending, has shown significant growth over the decade. Social services expenditure increased from Rs. 23,107 crore in 2012-13 to Rs. 88,348 crore in 2022-23, growing at a CAGR of 14.4%. Similarly, economic services rose from Rs. 12,710 crore to Rs. 39,598 crore, with a CAGR of 12%.

Non- Developmental Expenditure:

The share of interest payments in general services has increased from 23.8% in 2012-13 to 27.1% in 2022-23 (CAGR 1.3%).

Infrastructure and Economic Growth:

The share in power increased from 25.2% to 32.2% (CAGR 2.5%) over the period, while the share of transport increased from 6.5% to 11.9% (CAGR 6.3%). Spending on Rural Development also increased from 27% to 33.6% (CAGR 2.2%).

Agriculture:

Agriculture's share in economic services declined sharply from 24.9% to 11.5% (CAGR -7.4%). Irrigation also saw significant reduction from 7.2% to 3.3% (CAGR -7.6%). This decline in agricultural and irrigation expenditure could pose challenges for a predominantly agrarian state like Bihar and may require careful policy consideration.

Social Sector:

In the social services sector: education, while remaining the largest component, saw a decline in share from 60.9% to 47% (CAGR -2.6%). Health expenditure recorded moderate growth, with its share increasing from 7.9% to 10.6% (CAGR 2.9%).

Bihar's fiscal landscape over the past decade shows a clear shift towards increasing developmental expenditure, particularly in infrastructure and social services. While this approach aims to boost economic growth and social development, it also presents challenges in terms of declining agricultural focus and increasing reliance on external funding sources. The state's ability to balance these priorities while maintaining fiscal health will be crucial for its long-term economic prospects. (Chart 3.6).

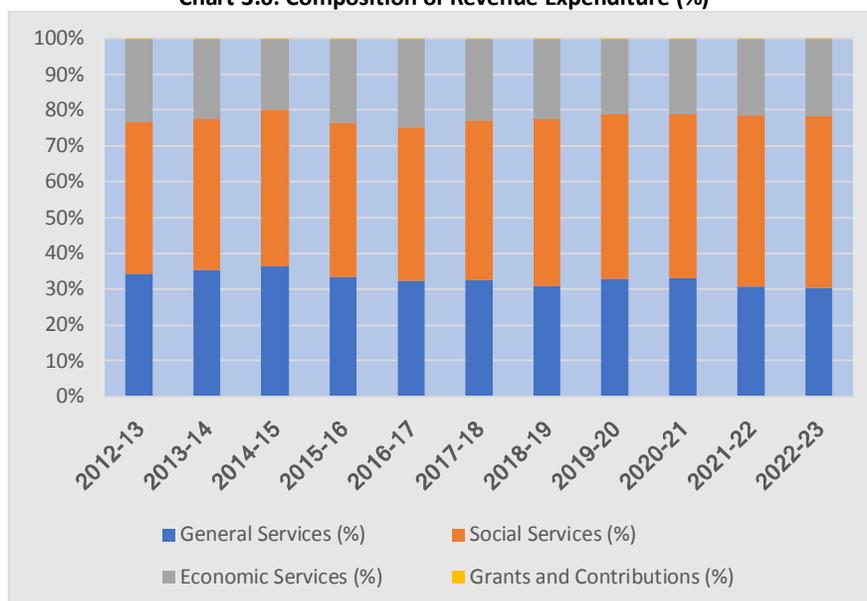
Table 3.4: Analysis of Revenue Expenditure

Expenditure Heads	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
General Services (Rs crore)	18645	22018	26408	27972	30607	33374
Share of Interest payments (%)	23.8	24.8	23.2	25.4	26.8	27.1
Share of Pensions & Misc. General Services (%)	44.9	43.1	43.0	42.4	40.9	42.8
Social Services (Rs crore)	23107	26395	31713	35943	40737	45769
Share of Education/ Sports/ Arts/ Culture (%)	60.9	54.3	51.3	51.8	47.0	50.9
Share of Health and Family Welfare (%)	7.9	8.0	10.4	9.7	11.3	12.3
Economic Services (Rs crore)	12710	14060	14445	19696	23417	23476
Share of Agriculture/Allied Activities (%)	24.9	22.7	23.8	17.8	9.8	15.4
Share of Rural Development (%)	27.0	28.9	28.2	25.0	35.7	47.8
Share of Irrigation/ Flood Control (%)	7.2	7.4	7.1	5.8	4.5	5.5
Share of Energy (%)	25.2	23.0	26.1	31.2	32.9	18.3
Share of Transport (%)	6.5	9.8	6.9	8.7	7.6	6.0
Own Revenue / Revenue Expenditure (%)	31.9	34.4	30.7	33.1	27.6	26.0
Total Expenditure/GSDP (%)	24.5	25.4	27.6	30.2	30.0	29.1

Expenditure Heads	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR
General Services (Rs crore)	38691	41628	46239	48939	56029	11.6
Share of Interest payments (%)	26.0	26.4	27.0	28.2	27.1	1.3
Share of Pensions & Misc. General Services (%)	41.4	41.1	42.5	41.4	41.2	-0.8
Social Services (Rs crore)	58284	57816	63808	76115	88348	14.4
Share of Education/ Sports/ Arts/ Culture (%)	46.4	45.2	41.7	44.4	47.0	-2.6
Share of Health and Family Welfare (%)	10.6	11.8	13.3	14.0	10.6	2.9
Economic Services (Rs crore)	27917	26571	29445	34165	39598	12.0
Share of Agriculture/Allied Activities (%)	13.0	15.0	11.1	9.2	11.5	-7.4
Share of Rural Development (%)	40.7	43.7	41.1	44.3	33.6	2.2
Share of Irrigation/ Flood Control (%)	4.9	3.3	5.5	3.2	3.3	-7.6
Share of Energy (%)	24.8	22.5	25.5	26.3	32.2	2.5
Share of Transport (%)	10.0	9.4	12.0	10.6	11.9	6.3
Own Revenue / Revenue Expenditure (%)	27.0	26.9	26.2	24.5	26.3	-
Total Expenditure/GSDP (%)	29.3	25.1	28.2	28.6	30.9	-

Source: Finance Accounts of the Bihar Government for respective years

Chart 3.6: Composition of Revenue Expenditure (%)



3.2.2 Committed Expenditure on Salary and Pension

The expenditure on salaries and pensions continues to be a very significant component of Bihar's expenditure. The trends in expenditure on salaries as well as expenditure on pension are presented in Table 3.5 and Chart 3.7. Salary expenditure has grown from Rs. 13,558 crore in 2012-13 to Rs. 24,816 crore in 2022-23, while pension payments have increased from Rs. 8,364 crore to Rs. 23,108 crore over the same period. Despite this substantial growth in absolute terms, these expenditures have decreased as a proportion of the state's economic output and revenue. In 2022-23, salary expenses accounted for 13.5% of the total revenue expenditure, down from 24.9% in 2012-13. As a percentage of GSDP, expenditure on salaries declined from 4.8% to 3.3%. Similarly, pension payments constituted 12.6% of revenue expenditure in 2022-23, down from 15.4% in 2012-13, or 3.1% of GSDP, and seem to have stabilized (3.0% of GSDP a decade earlier). Combined, salary and pension expenditures increased by nearly Rs. 26,002 crore over this period, accounting for 26.0% of total revenue expenditure in 2022-23, which represents a significant decrease from 40.2% in 2012-13. As a proportion of GSDP, the combined expenditure on salary and pension fell from 7.8% to 6.4%. They now consume around 27.8% of the state's total revenue receipts in 2022-23, down from 36.8% in 2012-13. The CAGR for salary expenditure was 6.2%, while the year-on-year growth rates varied between 2.2% and 12.6%. Pension expenditure grew at a higher CAGR of 10.7%, with annual growth rates ranging from 3.2% to 14.8%.

Table 3.5: Expenditure on Salaries and Pensions

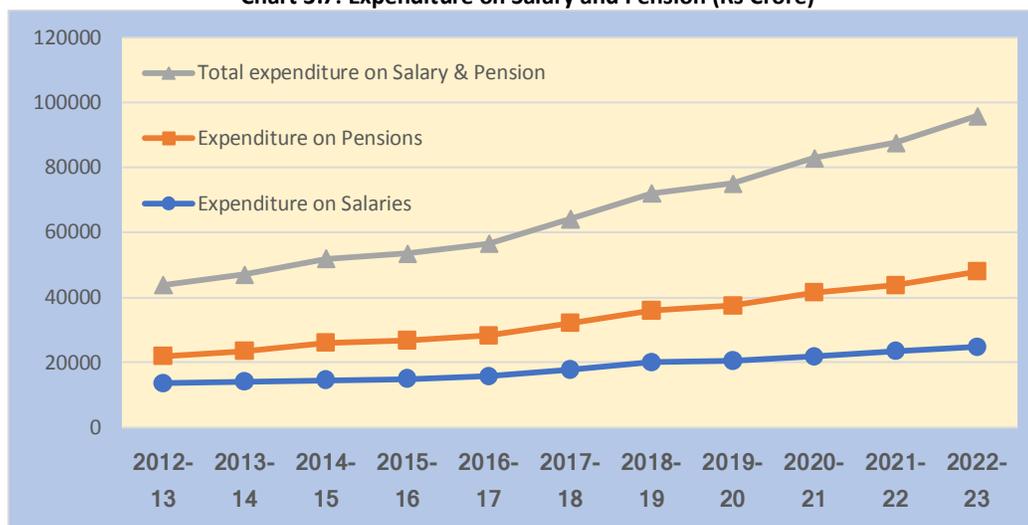
Heads	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Expenditure on Salaries (Rs Crore)	13558	14037	14607	14924	15784	17779
Rate of Growth (%)	11.2	3.5	4.1	2.2	5.8	12.6
Salary as percentage of GSDP	4.8	4.4	4.3	4.0	3.7	3.8
Salary as percentage of RR	22.8	20.4	18.6	15.5	14.9	15.1
Salary as percentage of RE	24.9	22.5	20.1	17.8	16.7	17.3
Expenditure on Pensions (Rs Crore)	8364	9482	11345	11850	12508	14293
Rate of Growth (%)	7.1	13.4	19.6	4.5	5.6	14.3
Pension as percentage of GSDP	3.0	3.0	3.3	3.2	3.0	3.0

Pension as percentage of RR	14.0	13.8	14.5	12.3	11.8	12.2
Pension as percentage of RE	15.4	15.2	15.6	14.2	13.2	13.9
Total expenditure on Salary & Pension (Rs Crore)	21922	23519	25952	26774	28292	32072
Rate of Growth (%)	9.6	7.3	10.3	3.2	5.7	13.4
Total as percentage of GSDP	7.8	7.4	7.6	7.2	6.7	6.8
Total as percentage of RR	36.8	34.1	33.1	27.9	26.8	27.3
Total as percentage of RE	40.2	37.6	35.8	32.0	29.9	31.3

Heads	2018-19	2019-20	2020-21	2021-22	2022-23
Expenditure on Salaries (Rs Crore)	19968	20418	21842	23524	24816
Rate of Growth (%)	12.3	2.3	7.0	7.7	5.5
Salary as percentage of GSDP	3.8	3.5	3.7	3.5	3.3
Salary as percentage of RR	15.2	16.4	17.0	14.8	14.4
Salary as percentage of RE	16.0	16.2	15.7	14.8	13.5
Expenditure on Pensions (Rs Crore)	16028	17110	19635	20258	23108
Rate of Growth (%)	12.1	6.8	14.8	3.2	14.1
Pension as percentage of GSDP	3.0	2.9	3.3	3.0	3.1
Pension as percentage of RR	12.2	13.8	15.3	12.8	13.4
Pension as percentage of RE	12.8	13.6	14.1	12.7	12.6
Total expenditure on Salary & Pension (Rs Crore)	35996	37528	41477	43782	47924
Rate of Growth (%)	12.2	4.3	10.5	5.6	9.5
Total as percentage of GSDP	6.8	6.4	7.1	6.5	6.4
Total as percentage of RR	27.3	30.2	32.4	27.6	27.8
Total as percentage of RE	28.8	29.8	29.7	27.5	26.0

Source: Finance Accounts of the Bihar Government for respective years

Chart 3.7: Expenditure on Salary and Pension (Rs Crore)



3.2.3 Expenditure on Subsidies

Table 3.6 shows the details of subsidies given by the Bihar state government over an eleven-year period from 2012-13 to 2022-23. The subsidies have shown significant fluctuations and an overall increasing trend during this time. The total subsidy expenditure has more than tripled, rising from Rs. 4,313 crore in 2012-13 to Rs. 14,828 crore in 2022-23. This substantial growth indicates an expanding role of government support in various sectors of the state's economy.

The Bihar State Electricity Board (BSEB), now under the Energy Department, has been the primary recipient of subsidies for most of the period. In 2022-23, it accounted for 82.4% of total subsidies. This persistent and growing support to the energy sector underscores the critical importance of power infrastructure in the state's development agenda, but also raises questions about the efficiency and financial sustainability of the power distribution system. Performance of BSEB will be discussed later at an appropriate place.

Other significant recipients of subsidies include the Industry, Food & Consumer Protection, and Agriculture departments. The subsidies to the Industry department have shown considerable variations, starting at Rs. 336 crore in 2012-13, peaking at Rs. 825 crore in 2015-16, and ending at Rs. 1,040 crore in 2022-23. The Food & Consumer Protection department saw a significant increase from no subsidies in 2012-13 and 2013-14 to Rs. 630 crore in 2022-23. Subsidies to the Agriculture department show substantial year-to-year variations, ranging from a low of Rs. 164 crore in 2020-21 to a high of Rs. 895 crore in 2013-14. The transport sector saw sporadic subsidy allocations, with a notable spike of Rs. 963 crore in 2018-19, but has since seen a significant reduction, receiving only Rs. 96 crore in 2022-23.

The proportion of subsidies in the state's finances has also fluctuated over the years. As a percentage of Revenue Receipts, subsidies have varied from a low of 2.5% in 2013-14 to a high of 11.5% in 2015-16, ending at 8.6% in 2022-23. Similarly, as a share of Revenue Expenditure, they have ranged from 2.7% in 2013-14 to 12.4% in 2015-16, concluding at 8.1% in 2022-23. These fluctuations indicate changing fiscal priorities and challenges over the years.

Bihar's subsidy expenditure pattern over this period reveals significant year-to-year variations but an overall increasing trend, with a strong focus on the energy sector. The fluctuating but generally increasing share of subsidies in the state's finances suggests a need for careful evaluation of their effectiveness and potential reforms to ensure they achieve their intended developmental goals without unduly straining the state's fiscal health.

Table 3.6: Subsidies Given by State Government (Rs crore)

Name of the Department Receiving Subsidy	2012-13	2013-14	2014-15	2015-16	2016-17
Animal Husbandry & Fisheries Resources	127	16	137	46	122
Food & Consumer Protection	0	0	565	1331	977
Energy (BSEB)	3193	0	0	6048	6808
Industry	336	436	411	825	382
Agriculture	657	895	208	593	344
Transport	0	0	0	0	0
Others	0	117	3307	167	124
Total	4313	1464	4628	9010	8757

Subsidy given to Energy Department (BSEB) (%)	74.0	0.0	0.0	67.1	77.7
Subsidies as a percentage of Revenue Receipts	8.4	2.5	6.7	11.5	9.1
Subsidies as a percentage of Revenue Expenditure	9.3	2.7	7.4	12.4	10.5

Name of the Department Receiving Subsidy	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Animal Husbandry & Fisheries Resources	127	113	116	100	101	163
Food & Consumer Protection	491	639	618	579	721	630
Energy (BSEB)	3492	5737	5193	6760	8181	12223
Industry	402	322	317	234	787	1040
Agriculture	406	491	518	164	220	497
Transport	0	963	177	123	89	96
Others	106	60	182	208	158	178
Total	5023	8324	7121	8167	10256	14828
Subsidy given to Energy Department (BSEB) (%)	69.5	68.9	72.9	82.8	79.8	82.4
Subsidies as a percentage of Revenue Receipts	4.3	6.3	5.7	6.4	6.5	8.6
Subsidies as a percentage of Revenue Expenditure	4.9	6.7	5.7	5.9	6.4	8.1

Source: CAG Audit Reports of Bihar

3.2.4 Total Committed Expenditure on Salary, Pension, Interest

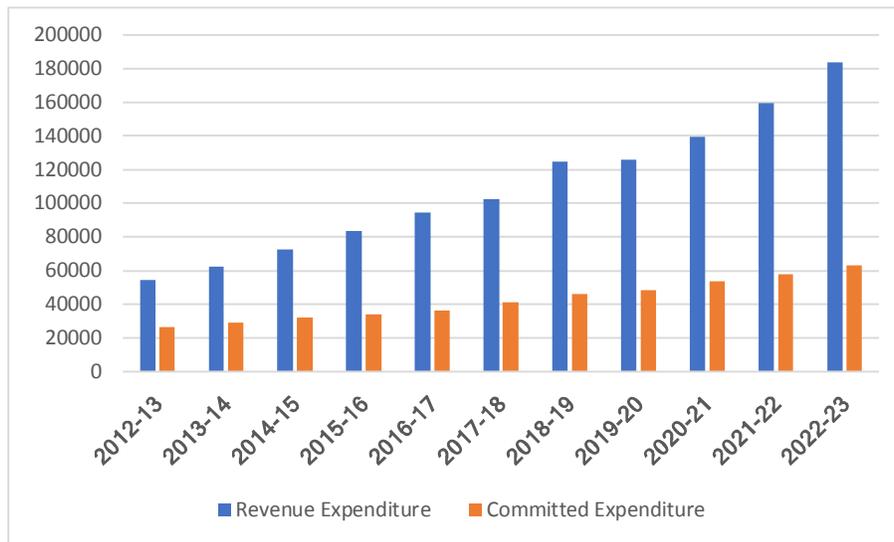
Table 3.6A and Chart 3.7A show the total committed expenditure of the state on salary, pension and interest combined, as percentage of revenue expenditure. It can be seen that the proportion of committed expenditure in total revenue expenditure has decreased substantially over the period from 48% of revenue expenditure in 2012-13 to only 34% in 2022-23, releasing more funds to be allocated to the actual maintenance of assets. However, some events defy explanation in this context, during the last two months, 15 bridges in Bihar had collapsed, pointing to their inadequate maintenance, and a possible leakage of allocated funds. This calls for increasing vigilance and monitoring in the use of budgeted funds.

Table 3.6 A: Total Committed Expenditure Vs-a-vis Revenue Expenditure (Rs crore)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Expenditure	54466	62477	72570	83616	94765	102623
Salary	13448	13929	14497	14880	15744	17731
Pension	8364	9482	11345	11850	12508	14293
Interest	4428	5459	6129	7098	8191	9054
Total Committed Expenditure	26240	28870	31971	33828	36443	41078
Committed Expenditure as % of Revenue Expenditure	48	46	44	40	38	40

	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Expenditure	124896	126016	139493	159219	183975
Salary	19923	20376	21802	23525	24594
Pension	16028	17110	19635	20258	23108
Interest	10071	10991	12484	13822	15184
Total Committed Expenditure	46022	48477	53921	57605	62886
Committed Expenditure as % of Revenue Expenditure	37	38	39	36	34

Chart 3.7A: Committed Expenditure Vs-a-vis Revenue Expenditure (Rs Crore)



3.3 Quality of Expenditure: Revenue and Capital

The quality of expenditure incurred by the state government can be assessed by examining the proportion of expenditure devoted to creating social and physical infrastructure, as well as the quantum of developmental expenditure on social and economic services compared to non-developmental expenditure on general services. Key parameters for evaluating expenditure quality include:

1. Ratio of capital outlay to total expenditure
2. Ratio of capital outlay to GSDP
3. Proportion of revenue expenditure on social and economic services
4. Share of non-salary expenditure within social and economic services

Higher ratios in these areas generally indicate better quality of expenditure. Table 3.7 presents these ratios for Bihar from 2012-13 to 2022-23.

The capital outlay as a percentage of GSDP shows a similar trend, peaking at 6.5% in 2016-17 before declining to 2.1% in 2019-20 and recovering to 4.2% in 2022-23. As a percentage of GSDP, revenue expenditure increased from 19.3% in 2012-13 to 24.5% in 2022-23. Expenditure on social and

economic services within revenue expenditure increased from Rs. 35,817 crore to Rs. 127,946 crore during the same period and their share of GSDP rose from 12.7% to 17.0%. The salary component decreased from 25.2% in 2012-13 to 10.5% in 2022-23. Correspondingly, while the non-salary component increased from 74.8% to 89.5%. Both total expenditure and GSDP showed substantial growth, but the share of capital outlay in total expenditure hasn't shown consistent improvement – its share increased from 13.8% in 2012-13 to a peak of 21.2% in 2017-18, before declining to 3.6% in 2022-23.

Table 3.7: Quality Parameters of Expenditure

Expenditure Heads	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Capital Outlay (Rs. crore)	9585	14001	18151	23966	27208	28907
Revenue Expenditure (Rs. crore)	54466	62477	72570	83616	94765	102623
Of which Social and Economic Services	35817	40455	46158	55639	64154	69245
(i) Salary Component (Rs. crore)	9033	9072	9176	9108	9349	10458
Percentage of salary component (%)	25.2	22.4	19.9	16.4	14.6	15.1
(ii) Non salary component (Rs. crore)	26784	31384	36982	46531	54805	58788
Percentage of non-salary component (%)	74.8	77.6	80.1	83.6	85.4	84.9
Total Expenditure	69206	80405	94698	112328	126302	136427
GSDP	282368	317101	342951	371602	421051	468746
Capital Outlay/ Total Expenditure (%)	13.8	17.4	19.2	21.3	21.5	21.2
Revenue Expenditure / Total Expenditure (%)	78.7	77.7	76.6	74.4	75.0	75.2
Revenue Expenditure /GSDP (%)	19.3	19.7	21.2	22.5	22.5	21.9
Capital Outlay /GSDP (%)	3.4	4.4	5.3	6.4	6.5	6.2
Revenue Expenditure on Social and Economic Services/GSDP(%)	12.7	12.8	13.5	15.0	15.2	14.8

Expenditure Heads	2018-19	2019-20	2020-21	2021-22	2022-23
Capital Outlay (Rs. crore)	21058	12304	18209	23678	31520
Revenue Expenditure (Rs. crore)	124896	126016	139493	159219	183975
Of which Social and Economic Services	86202	84387	93252	110280	127946
(i) Salary Component (Rs. crore)	11265	11457	12481	13425	13467
Percentage of salary component (%)	13.1	13.6	13.4	12.2	10.5

(ii) Non salary component (Rs. crore)	74937	70446	80772	96855	114480
Percentage of non-salary component (%)	86.9	86.4	86.6	87.8	89.5
Total Expenditure	154655	146096	165696	193123	231903
GSDP	527976	582516	587154	675448	751396
Capital Outlay/ Total Expenditure (%)	13.6	8.4	11.0	12.3	13.6
Revenue Expenditure / Total Expenditure (%)	80.8	86.3	84.2	82.4	79.3
Revenue Expenditure /GSDP (%)	23.7	21.6	23.8	23.6	24.5
Capital Outlay /GSDP (%)	4.0	2.1	3.1	3.5	4.2
Revenue Expenditure on Social and Economic Services/GSDP (%)	16.3	14.5	15.9	16.3	17.0

Source: Finance Accounts of the Bihar Government for respective years

3.3.1 Sectoral Expenditure Pattern: Expenditure on Social Services - Revenue and Capital

Tables 3.8 presents the quality parameters in relation to different social services. Investments in social services such as education, healthcare, water supply, sanitation, and urban development are crucial for improving quality of life and fostering economic growth. Table 3.8 provides a detailed breakdown of Bihar's expenditure on these key social services from 2012-13 to 2022-23. Over the past decade, Bihar has demonstrated a significant commitment to social sector development, with total expenditure on social services nearly quadrupling from Rs. 24,438 crore in 2012-13 to Rs. 94,316 crore in 2022-23.

Table 3.8: Expenditure on Social Services (Rs. crore)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Education, Sports, Arts & Culture											
Total Expenditure	14445	15047	16531	19155	20226	24833	28080	26353	27347	35530	42810
Revenue Expenditure	14080	14344	16267	18605	19152	23315	27024	26156	26611	33770	41495
(a) Salary component (%)	44.5	33.7	30.0	24.0	22.8	20.4	18.8	19.0	19.0	15.6	12.5
(b) Non-salary component (%)	55.5	66.3	70.0	76.0	77.2	79.6	81.2	81.0	81.0	84.4	87.5
Capital Outlay	364	704	263	550	1074	1519	1056	198	736	1761	1316
Capital Outlay (%)	2.5	4.7	1.6	2.9	5.3	6.1	3.8	0.8	2.7	5.0	3.1
Health and Family Welfare											
Total Expenditure	2398	2574	3604	4571	5493	6182	7318	7674	9152	11510	11810
Revenue Expenditure	1836	2113	3288	3481	4622	5617	6172	6811	8504	10645	9383
(a) Salary component (%)	79.6	74.8	48.6	52.6	48.3	46.9	49.1	44.3	45.5	41.8	46.2

(b) Non-salary component (%)	20.4	25.2	51.4	47.4	51.7	53.1	50.9	55.7	54.5	58.2	53.8
Capital Outlay	563	460	316	1091	870	565	1146	862	648	865	2426
Capital Outlay (%)	23.5	17.9	8.8	23.9	15.8	9.1	15.7	11.1	7.1	7.5	20.5
Water Supply, Sanitation, Housing and Urban Development											
Total Expenditure	2587	3605	4542	4518	8786	7609	15638	11949	16329	15617	21752
Revenue Expenditure	2304	2967	3639	3694	7463	5676	13921	10321	11462	13312	20127
(a) Salary component (%)	8.9	8	6.4	6.4	3.1	4.6	1.9	2.7	2.5	2.1	1.3
(b) Non-salary component (%)	91.1	92.0	93.6	93.6	96.9	95.4	98.1	97.3	97.5	97.9	98.7
Capital Outlay	282	638	903	824	1323	1933	1717	1629	4867	2305	1624
Capital Outlay (%)	10.9	17.7	19.9	18.2	15.1	25.4	11.0	13.6	29.8	14.8	7.5
Total (Social Services)											
Total Expenditure	24438	28253	33386	38684	44329	50028	62346	60619	70139	81268	94316
Revenue Expenditure	23107	26395	31713	35943	40737	45769	58284	57816	63808	76115	88348
(a) Salary component (%)	30.7	26.6	22.4	19.2	17.7	17.6	17.8	15.1	15.2	13.8	11.7
(b) Non-salary component (%)	69.3	73.4	77.6	80.8	82.3	82.4	82.2	84.9	84.8	86.2	88.3
Capital Outlay	1331	1858	1674	2740	3592	4258	4061	2803	6332	5154	5967
Capital Outlay (%)	5.4	6.6	5	7.1	8.1	8.5	6.5	4.6	9.0	6.3	6.3

Source: Finance Accounts of the Bihar Government for respective years

Among the social services, education has consistently received the largest allocation. The sector saw expenditure nearly triple from Rs. 14,445 crore to Rs. 42,810 crore, with a notable shift towards non-salary spending. The health and family welfare sector also experienced significant growth, with expenditure rising from Rs. 2,398 crore to Rs. 11,810 crore. The most dramatic increase was observed in water supply, sanitation, housing, and urban development sectors, with consistently high non-salary component that reached 98.7% in 2022-23. Shift towards higher non-salary expenditure is a common thread across all sectors under social services.

However, the state's approach to capital outlay has been inconsistent across sectors. This volatility is particularly noticeable in the health sector, where capital outlay ranged between 7.1% and 23.9% of total sector expenditure over the decade. Bihar's expenditure pattern over the past decade demonstrates a strong commitment to social sector development, with a clear shift towards more efficient resource utilization. The state has shown adaptability in responding to challenges such as urbanization and the pandemic. Moving forward, balancing the positive trend in operational spending with more stable capital investments could further strengthen Bihar's social sector development, ensuring sustainable improvements in the quality of life for its citizens.

3.3.2 Sectoral Expenditure Pattern: Expenditure on Economic Services - Revenue and Capital

Table 3.9 shows the analysis of expenditure on economic services, the purpose of which is to create additional productive capacity in the economy. Bihar's expenditure on economic services has shown significant growth between 2012-13 and 2022-23. The total expenditure on economic services more than tripled from Rs. 20,246 crore to Rs. 61,896 crore over this period. Among the economic services, energy and power, transport and agriculture have emerged as the primary focus areas, collectively accounting for a substantial portion of economic services expenditure. The energy and power sector saw the most dramatic increase, with total expenditure rising from Rs. 3,374 crore to Rs. 15,829 crore. The transport sector also witnessed significant growth, with expenditure increasing from Rs. 4,138 crore to Rs. 12,288 crore.

A notable trend across most sectors is the high proportion of non-salary components in revenue expenditure, consistently exceeding 90% in recent years for the overall economic services, while capital outlay, crucial for long-term economic development, has shown fluctuations across sectors. In the energy and power sector, capital outlay peaked at 62% of total sector expenditure in 2017-18 but declined to only 19% by 2022-23. The transport sector maintained a relatively high capital outlay, averaging around 60-70% in recent years. The agriculture and allied activities sector saw modest growth in total expenditure, from Rs. 3,262 crore to Rs. 5,212 crore. However, the sector's capital outlay remained rather low. The irrigation and flood control sector showed fluctuations in expenditure, with a notable increase in capital outlay percentage in recent years, reaching 67% in 2022-23. The industry and minerals sector saw a significant jump in expenditure in 2022-23, reaching Rs. 3,007 crore, with capital outlay accounting for 56% of the total. Overall, the capital outlay for economic services fluctuated between 21% and 50% of total expenditure over the period, ending at 36% in 2022-23.

These trends reflect Bihar's efforts to balance immediate economic needs with long-term development goals. The state has shown commitment towards improving energy infrastructure and transportation networks, which are fundamental to economic growth. However, the fluctuations in capital outlay suggest there might be room for more consistent long-term planning in infrastructure development. The relatively lower capital investment in agriculture, despite its importance to Bihar's economy, might be an area for future focus.

Table 3.9: Expenditure on Economic Services (Rs. crore)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Energy and Power											
Total Expenditure	3374	5133	7948	8945	13437	11236	11958	9043	8625	10426	15829
Revenue Expenditure	3200	3236	3773	6151	7698	4305	6923	5975	7499	8996	12750
(a) Salary component (%)	0	0	0	0	0	1	0	3	0	0	0
(b) Non-salary component (%)	100	100	100	100	100	99	100	97	100	100	100
Capital Outlay	174	1897	4175	2794	5739	6931	5035	3067	1126	1430	3079
Capital Outlay (%)	5	37	53	31	43	62	42	34	13	14	19
Transport											
Total Expenditure	4138	5471	5194	6130	7388	6804	8071	4001	6787	8963	12288
Revenue Expenditure	826	1381	996	1712	1787	1402	2795	2488	3533	3630	4719

(a) Salary component (%)	25	15	22	14	13	19	10	12	8	8	6
(b) Non-salary component (%)	75	85	78	86	87	81	90	88	92	92	94
Capital Outlay	3313	4090	4198	4417	5601	5402	5275	1514	3254	5332	7569
Capital Outlay (%)	80	75	81	72	76	79	65	38	48	59	62
Irrigation and Flood Control											
Total Expenditure	2854	2838	2444	2836	2844	3967	3406	1425	3844	4712	3945
Revenue Expenditure	914	1039	1020	1151	1048	1301	1360	871	1631	1101	1294
(a) Salary component (%)	66	56	58	57	57	51	51	78	42	63	56
(b) Non-salary component (%)	34	44	42	43	43	49	49	22	58	37	44
Capital Outlay	1940	1799	1424	1685	1796	2665	2046	555	2213	3611	2652
Capital Outlay (%)	68	63	58	59	63	67	60	39	58	77	67
Agriculture and Allied Activities											
Total Expenditure	3262	3670	3615	4120	2414	3824	3740	4066	3374	3428	5212
Revenue Expenditure	3170	3193	3431	3515	2287	3626	3636	3995	3282	3134	4563
(a) Salary component (%)	15	15	14	15	23	16	21	20	26	28	22
(b) Non-salary component (%)	85	85	86	85	77	84	79	80	74	72	78
Capital Outlay	92	477	185	605	128	198	105	70	92	294	649
Capital Outlay (%)	3	13	5	15	5	5	3	2	3	9	12
Industry and Minerals											
Total Expenditure (Rs. crore)	583	1115	564	1230	1116	866	938	813	534	1178	3007
Revenue Expenditure	534	580	561	1201	888	756	840	676	419	1048	1314
(a) Salary component (%)	16	11	11	5	7	9	9	12	20	8	6
(b) Non-salary component (%)	84	89	89	95	93	91	91	88	80	92	94
Capital Outlay	49	535	3	29	228	110	98	137	116	129	1693
Capital Outlay (%)	8	48	1	2	20	12.8	10.4	17	22	11	56
Total (Economic Services)											
Total Expenditure	20246	24871	29173	37305	44943	45360	41603	33684	39935	49183	61896
Revenue Expenditure	12710	14060	14445	19696	23417	23476	27918	26571	29445	34166	39598
(a) Salary component (%)	15	15	14	11	9	10	8	10	9	8	8
(b) Non-salary component (%)	85	85	86	89	91	90	92	90	91	92	92
Capital Outlay	7536	10811	14728	17609	21526	21884	13686	7113	10491	15017	22298
Capital Outlay (%)	37	43	50	47	48	48	33	21	26	30	36

Source: Finance Accounts of the Bihar Government for respective years

3.3.3 Per-Capita Expenditure on Different Sectors - Revenue and Capital

Table 3.10 shows the per capita expenditure on the three services and also the per capita capital outlay on the state government, computed on the basis of estimated population of Bihar for the years 2012-13 through 2022-23.

Over the past decade, Bihar has witnessed a remarkable transformation in its public expenditure patterns. From 2012-13 to 2022-23, the state's total expenditure more than tripled, reaching Rs. 231,903 crore, significantly outpacing population growth. This surge in spending has translated into substantial improvements in per capita expenditure across all sectors. The social services sector emerged as a primary beneficiary of this increased spending, with per capita expenditure more than tripling from Rs. 2,180 to Rs. 6,643. Within this sector, education consistently received significant attention, with per capita spending rising to Rs. 3,120. The health sector also saw notable growth, particularly in recent years, likely influenced by the COVID-19 pandemic. However, the most dramatic increase was observed in water supply and sanitation, where per capita expenditure surged to Rs. 1,513.

Economic services also experienced significant growth, with per capita expenditure rising to Rs. 2,977. While this increase was less pronounced than in social services, it still represents a substantial commitment to economic development. The balanced growth between social and economic services suggests a nuanced approach to development, recognizing the interdependence of social well-being and economic progress. General services, encompassing administrative and governmental functions, saw per capita expenditure increase to Rs. 4,213 in same period. But capital outlay exhibited a more volatile pattern. Per capita capital outlay rose to Rs. 2,370, but this growth was marked by significant fluctuations over the years. The peak was observed in 2017-18, followed by a sharp decline and subsequent recovery.

Despite the overall positive trends, the relatively lower per capita expenditure on healthcare, even after recent increases, suggests room for further investment in this critical sector. The COVID-19 pandemic likely highlighted existing gaps in healthcare infrastructure, prompting increased allocation in recent years. However, sustained investment may be necessary to build a robust and resilient healthcare system capable of addressing both routine health needs and future health crises.

Bihar's expenditure patterns from 2012-13 to 2022-23 reflect a comprehensive approach to development, balancing social and economic priorities. The significant increases in per capita spending across sectors, particularly in social services, indicate a strong commitment to improving the quality of life for Bihar's citizens. However, the fluctuations in capital outlay highlight the ongoing challenges in balancing short-term needs with long-term development goals.

Chart 3.8: Per Capita Expenditure (Rs Crore)

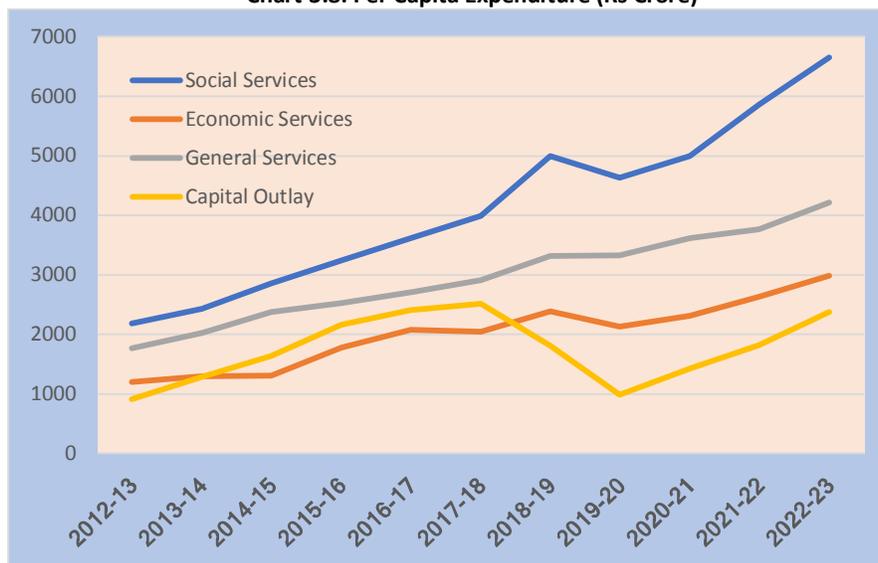


Table 3.10: Per Capita Expenditure on General, Social, and Economic Services and on Capital Outlay

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Estimated Population (Crore)	10.6	10.9	11.1	11.1	11.3	11.5
Total Expenditure (Rs Crore)	69206	80405	94698	112328	126302	136427
Social Services	23107	26395	31713	35943	40737	45769
Education, Sports, etc.	14080	14344	16267	18605	19152	23315
Medical and Public Health	1836	2113	3288	3481	4622	5617
Water Supply and Sanitation	2304	2967	3639	3694	7463	5676
Economic Services	12710	14060	14445	19696	23417	23476
General Services	18645	22018	26408	27972	30607	33374
Capital Outlay	9585	14001	18151	23966	27208	28907
Per Capita Expenditure (Rs.)						
Social Services	2180	2422	2857	3238	3605	3980
Education, Sports etc.	1328	1316	1466	1676	1695	2027
Medical and Public Health	173	194	296	314	409	488
Water Supply and Sanitation	217	272	328	333	660	494
Economic Services	1199	1290	1301	1774	2072	2041
General Services	1759	2020	2379	2520	2709	2902
Capital Outlay	904	1284	1635	2159	2408	2514

	2018-19	2019-20	2020-21	2021-22	2022-23
Estimated Population (Crore)	11.7	12.5	12.8	13.0	13.3
Total Expenditure (Rs Crore)	154655	146096	165696	193123	231903
Social Services	58284	57816	63808	76115	88348
Education, Sports, etc.	27024	26156	26611	33770	41495
Medical and Public Health	6172	6811	8504	10645	9383
Water Supply and Sanitation	13921	10321	11462	13312	20127
Economic Services	27917	26571	29445	34165	39598
General Services	38691	41628	46239	48939	56029

Capital Outlay	21058	12304	18209	23678	31520
Per Capita Expenditure (Rs.)					
Social Services	4982	4625	4985	5855	6643
Education, Sports etc.	2310	2092	2079	2598	3120
Medical and Public Health	528	545	664	819	705
Water Supply and Sanitation	1190	826	895	1024	1513
Economic Services	2386	2126	2300	2628	2977
General Services	3307	3330	3612	3765	4213
Capital Outlay	1800	984	1423	1821	2370

Source: Finance Accounts of the Bihar Government for respective years

3.4 Allocative and Technical Efficiency of Expenditure- Revenue and Capital

Allocative efficiency in government budgeting is determined by the ability to set clear priorities and distribute resources accordingly, ensuring no critical areas are underfunded. This approach prevents both resource wastage and misallocation. Technical efficiency, on the other hand, focuses on the optimal use of allocated funds, reflecting the productivity of public spending. Effective allocation requires a government to be both forward-thinking in setting goals and retrospective in evaluating outcomes. While allocative efficiency depends on the budgeting process itself, technical efficiency is a measure of government departments' capacity to utilize funds effectively.

In resource-scarce states like Bihar, it's crucial to allocate funds realistically, considering both the needs and the spending capacity of each department. Ideally, budgeting should be a meticulous process. However, Bihar's approach has been notably lax, relying more on incremental adjustments to previous allocations rather than on thorough evaluations of past programs and their socio-economic impacts. This lack of rigorous assessment is evident in Bihar's budgetary practices.

The imprecision in Bihar's budgeting is apparent from the significant discrepancies between budgeted and actual expenditures over the period, as illustrated in Table 3.11. This table highlights instances where savings or excesses exceeded Rs. 100 crore in any given year. These wide variations in many expenditure categories indicate inaccurate budget estimates, resulting in substantial under-spending in numerous areas and consequently, a failure to achieve intended outcomes.

Table 3.11: Variation between Budget Estimates and Actual Receipts and Expenditure (Rs. Crore)

	2020-21			2021-22			2022-23		
	BE	Actual	Variance (%) ¹⁸	BE	Actual	Variance (%)	BE	Actual	Variance (%)
District Administration	703	497	-29.3	715	510	-28.7	687	553	-19.5
Pensions & other Retirement Benefits	20486	19635	-4.2	21817	20258	-7.1	24252	23108	-4.7
General education	34028	26318	-22.7	37076	33362	-10.0	38579	40987	6.2
Urban Development	6637	5001	-24.6	6853	5587	-18.5	7133	5001	-29.9
Crop Husbandry	3237	1318	-59.3	3189	1462	-54.2	3041	1806	-40.6
Other Rural Dev. Programmes	11563	9014	-22.0	10657	9155	-14.1	10889	9636	-11.5

¹⁸ Variance = (Actual-BE)/BE*100%

Power	4258	7518	76.6	6984	8938	28.0	9798	12701	29.6
Revenue Expenditure	164751	139493	-15.3	177071	159219	-10.1	191957	183975	-4.2
Capital Outlay	38745	18209	-53.0	30788	23678	-23.1	29750	31520	5.9
Consolidated Fund	211761	165696	-21.8	218303	193123	-11.5	237691	231903	-2.4
Capital Outlay									
Other Rural Dev. Programmes	10073	3558	-64.7	7748	3956	-48.9	8165	6218	-23.8
Major & Medium Irrigation	1724	1219	-29.3	1739	2231	28.3	1708	1208	-29.3
Flood Control Projects	1234	737	-40.3	1252	1109	-11.4	1485	984	-33.7
Power Projects	1165	1126	-3.3	1430	1430	0.0	1516	3079	103.1
Total capital Outlay	38745	18209	-53.0	30788	23678	-23.1	29750	31520	5.9

Bihar's budgetary practices and expenditure patterns from 2020-21 to 2022-23 reveal significant challenges in allocative and technical efficiency, highlighting the need for more rigorous and strategic financial planning. The state's struggle to align budget estimates with actual expenditures across various sectors underscores the complexity of resource allocation in a developing economy.

The data presented in Table 3.11 illustrates a persistent trend of overestimation in several key areas, coupled with underestimation in others, reflecting the difficulties in accurate forecasting and effective utilization of allocated funds. District Administration, for instance, consistently saw actual expenditures fall short of budget estimates by 19.5% to 29.3% over the three-year period. In contrast, the power sector experienced significant underestimation, with actual expenditures exceeding budget estimates by 28.0% to 76.6%. General education presents an interesting case of evolving budget accuracy. In 2020-21, actual expenditure fell short of estimates by 22.7%, but by 2022-23, it exceeded estimates by 6.2%. Urban Development and Crop Husbandry sectors consistently underutilized their allocations, with variances ranging from 18.5% to 29.9% and 40.6% to 59.3% respectively. Interestingly, the capital outlay on power projects saw a dramatic shift from slight underutilization in 2020-21 to excess expenditure over the budget estimates by 103.1% in 2022-23.

The overall trend in revenue expenditure shows improving budget accuracy, with the variance decreasing from -15.3% in 2020-21 to -4.2% in 2022-23. However, the capital outlay presents a more volatile picture, swinging from significant underutilization in 2020-21 (-53% variance) to slight overutilization in 2022-23 (5.9% variance).

These patterns reveal the complex interplay between planning ambitions and implementation realities in Bihar. The consistent underutilization in sectors like urban development and agriculture, juxtaposed with overutilization in power, highlights the need for more nuanced, sector-specific budgeting approaches. The improving accuracy in overall revenue expenditure is a positive sign. While Bihar shows signs of improving budgetary accuracy in some areas, significant disparities between estimates and actual expenditures persist across various sectors. Addressing these challenges will require a more dynamic and evidence-based approach to budgeting, coupled with efforts to enhance implementation capacities across departments. By doing so, Bihar can work towards more efficient allocation and utilization of its limited resources, potentially accelerating its developmental trajectory and improving the delivery of crucial services to its citizens.

3.5 Inter-State Comparison of Various Expenditure Parameters

Finally in Table 3.12, some expenditure ratios have been compared among the major general category states, from which it is seen that Bihar's fiscal performance in 2021-22 reveals a mixed picture when compared to other states. Its low revenue deficit to GFD ratio of 1.65% indicates a better revenue-expenditure balance than many states like West Bengal (66.8%) or Kerala (64.15%). Bihar's capital outlay to GFD ratio (92.67%) is also not too bad, surpassed by only a few states. The state's development expenditure to total expenditure ratio (68.1%) is among the highest. However, Bihar's capital outlay to total expenditure (12.4%) is in the mid-range. Notably, Bihar has the lowest interest payments to revenue expenditure ratio (8.7%). The most significant challenge for Bihar is the state's own revenue to revenue expenditure ratio, which at 24.5% is the lowest among all states. This comparative analysis underscores Bihar's pressing need to boost its revenue base for greater fiscal autonomy and sustainability.

Table 3.12: Inter-State Comparison of Expenditure Ratios: 2021-22 (%)

State	Revenue Deficit: GFD	Capital Outlay: GFD	Development Expenditure: Total Expenditure:	Capital Outlay: Total Expenditure	Interest Payments: Revenue Exp	State's Own Revenue: Revenue Exp.
Bihar	1.65	92.67	68.1	12.4	8.7	24.5
Jharkhand	-266.67	360.10	65.3	12.3	10.0	49.9
West Bengal	66.8	29.17	54.8	6.0	19.0	36.8
Uttar Pradesh	-86.41	184.67	58.6	16.3	12.7	47.1
Madhya Pradesh	-12.84	108.66	69.3	17.2	10.2	45.1
Rajasthan	53.63	50.07	57.9	8.3	13.4	44.6
Maharashtra	25.46	72.58	56.9	10.8	11.5	68.7
Gujarat	-28.24	124.21	61.6	13.2	15.7	69.6
Punjab	66.32	28.76	43.0	6.5	19.7	43.6
Haryana	63.98	34.76	52.6	8.2	18.7	61.8
Karnataka	20.83	72.96	69.0	17.6	11.9	63.3
Andhra Pradesh	34.43	65.46	39.8	5.5	13.9	47.8
Kerala	64.15	30.82	40.9	7.2	15.9	47.1
Tamil Nadu	56.87	45.23	59.8	11.9	16.4	53.2
Chhattisgarh	-76.19	172.39	66.4	11.1	8.2	54.6

Source: Finance Accounts of different states

3.6 Impact of Public Expenditure

Bihar is one of India's poorest states. Until recently, the economic growth in Bihar was much slower than in rest of the country. It is a state that was not been able to exploit its resources optimally and, as mentioned in the last chapter, about 75 percent of the state government's revenue receipts still come from the central government. Till the end of the last century, the state's economy was almost stagnating with a growth rate of around 2 percent, and much of this stagnation could be attributed to the poor governance in the state. Its public services and infrastructure were almost non-existent and leakages were very substantial. The state was almost dysfunctional; however, it has witnessed a remarkable resurgence in the recent years and is presently one of the fastest growing states in the country. Table 3.13 shows this transition in terms of the socio-economic indicators of development of the state.

Between 2011 and 2021, its income has grown annually by 11.3 percent, compared to 14.4 percent in the preceding decade. The NSDP more than doubled from Rs. 228,497 crores to Rs. 514,846 crores. During this period, the structure of economy changed somewhat - the share of primary sector decreased from 26 percent of total income to 20 percent while the share of manufacturing sector increased marginally, from 18 percent to 21 percent. Contribution of Services sector increased from 56 to 59 percent.

Bihar still remains one of the most highly ruralized states of India. But during 2011-21, continuing the trends observed in the past decade, it has made significant progress in terms of literacy, expansion of roads, school infrastructure and improving the gross enrolment ratio, infant mortality rate and other socio-economic indicators. The financial resources have shown improvement, with the credit-deposit ratio increasing from 29.5% to 44.1%. The industrial scenario has seen growth, particularly in the small-scale sector, with the number of registered small-scale units increasing dramatically from 1,574 to 1,48,293.

Bihar still needs accelerated progress to catch up with other states, but that does not in any way negate the impressive results that have been achieved so far. The percentage of people below poverty line decreased from 33.7% to 20.8%. Per capita income more than doubled from Rs. 21,750 to Rs. 50,555. The infant mortality rate improved from 44 to 27, and life expectancy at birth increased to 69.6 years.

The State still faces many challenges which include: (a) need for further improvement in service delivery, (b) continued focus on monitoring of performance, (c) strengthening accountability arrangements, and (d) furthering decentralization. The reforms have continued in individual sectors like health, education, roads, rural development, agriculture, urban development, and power as well.

Significant improvements have been seen in infrastructure. Between 2011 and 2021, the number of primary and middle schools increased from 68,160 to 75,593, while secondary and higher secondary schools saw a significant rise from 4,503 to 12,934. Per capita power consumption nearly tripled from 122 kWh to 332 kWh, and the percentage of villages electrified reached 99.8%. The number of persons employed in factories tripled from 106,213 to 321,403.

However, some areas still require attention. The number of government hospitals (including CHCs) decreased from 1,717 to 387, though primary health centers and sub-centers increased slightly. The total road length decreased from 130,642 km to 118,360 km, but the length of surfaced roads improved from 57,198 km to 78,635 km.

While Bihar has made significant strides in many areas, it still faces challenges in infrastructure development, industrial growth, and service delivery. The state needs to continue its focus on reforms and development initiatives to further improve its socio-economic indicators and catch up with other states in India.

Table 3.13: Socio-Economic Parameters of Bihar

Parameters	2011-12	2020-21
A. State Income		
NSDP (Rs Crore) (At current prices)	228497	514846
Per Capita Income (Rs) (At current prices)	21750	50555
Share of Primary Sector in NSVA(%) ¹⁹	26	20
Share of Secondary Sector in NSVA(%)	18	21
Share of Tertiary Sector in NSVA(%)	56	59
Annual Compound Growth Rate (CAGR) of NSVA	14.4 (2001-11)	11.3%
% of people below poverty line	33.7(2011-12)	20.8
Net Irrigated Area to Net Cultivated Area (%) ²⁰	61.1(2007-08)	60.7%
Infant Mortality rate	44	27
Life Expectancy at Birth	62 (2002-06)	69.6
B. Infrastructure		
i. Education		
No of Primary and Middle Schools	68160	75,593
No of Secondary and Higher Secondary Schools	4503	12,934
ii. Health		
No of Govt. Hospitals (Including CHCs) ²¹	161	148
No of Primary Health Centres and Sub-Centres	10229	12292
iii. Transport		
Total Road Length (km)	130642	118,360
Length of Surfaced Roads (Km)	57198	78,635
iv. Electricity		
Per capita power Consumption (kwh)	122(2009-10)	332
Availability of Power (million Unit Net)	10772	28,728
Percentage of Villages electrified ²²	77.50	99.8%
v. Financial Inclusion / Banks ²³		
No. of Bank Offices Scheduled Commercial Banks	4323	7,392
Credit Deposit Ratio (%)	29.5 (sanction) 31.6 (utilization)	44.1%
C. Industry / Annual Survey of Industries		
No of Registered Small-Scale Units	1574	1,48,293
No. of Registered Factories	2805	2,981
Value of Output (Rs Crore)	36051	73,492
Net Value Added (Rs Crore)	4415	33,704
Profits (Rs Crore)	3205	9,231
Gross Fixed Capita Formation (Rs Crore)	1130	29,628
No. of persons employed in factories	106,213	3,21,403

¹⁹2016 figures represent shares in NSVA (Net State Value Added) at current prices. Data source: CSO.

²⁰<http://agcensus.nic.in/document/ac1011/reports/air2010-11complete.pdf>

²¹ Economic Survey of the Government of Bihar, 2015-16, 2023-24

²²NitiAayog , <http://niti.gov.in/state-statistics#>

²³ RBI Handbook of Statistics on Indian States

<https://m.rbi.org.in/scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20States>

3.7 Public Expenditure and Financial Management Reforms

Bihar has implemented many public financial management (PFM) reforms to enhance fiscal discipline, transparency, and efficiency. These reforms encompass various areas including budget processes, treasury management, e-procurement, audit systems, fiscal responsibility, revenue mobilization and debt management, outcome budgeting, green budgeting, etc. Annexure 3.1 lists the major PFM reforms launched during the last decade. While these reforms have contributed to improving Bihar's fiscal health and public service delivery, many challenges persist in ensuring full implementation and maintaining the reform momentum. The state has to work on refining these systems to achieve better financial management and governance outcomes.

Key reforms include introduction of Comprehensive Financial management System (CFMS) in April 2019, which replaced the earlier CTMIS (Comprehensive Treasury management information System) and supposed to have automated the complete budgeting cycle up to accounting of expenditure. The application has features for online budget preparation, allotment, integration with RBI's e-Kuber for DBT and integration with the office of the Accountant General, Aadhar based digital signatures for online transaction validation across the government offices at all levels, etc. To what extent these features have been implemented is not known. Bihar's digitization of financial documents leaves much to be desired. Even the Economic Surveys of past few years are not available online, as of writing this report (July 16 2024).

3.8 Outcome Evaluation of State Finances in the context of recommendations of the 14th and 15th Finance Commissions

In this section, we evaluate the actual performance of the State vis-à-vis the outcomes assessed and projected by the 14th and 15th Finance Commissions in their reports. Tables 3.14, 3.15 and 3.16, along with Charts 3.9 through 3.12 show the deviations of the State's performance from the expected outcomes (actual – assessed). From these, it can be surmised that the actual revenue receipts fell far short of the assessed ones till 2019-20, but improved thereafter, exceeding the assessed receipts from 2021-22 onwards. Revenue expenditure also remained much less than projected till 2019-20, but overshot the assessed expenditure after that. Even the GSDP also reflects the same pattern. These are not surprising in view of the showdown of the economy before and during covid years covid and recovery thereafter. As a consequence of the combined effect of these deviations, the pre-devolution revenue deficits were higher than assessed in all the years except 2019-20, but the deviations were much larger thereafter and showed an increasing trend. We have not considered the budget estimates for FY2025 or RE for FY 2024, as the state's budgeting process lacks fiscal marksmanship, as discussed earlier.

In Tables 3.16 and 3.18, we have used some fiscal performance parameters and computed their ratios from assessed and actual figures. From these, it is seen that the actual ratio of Interest Payment to Revenue Expenditure registered an improvement over the assessed ratios since 2020-21, while the actual ratio of Pension to Revenue Expenditure improved after 2021-22. While the actual ratio of Revenue Expenditure to the State's Own Revenue Receipts always remained much higher than the actual, a convergence between the assessed and actual ratios of the State's Own Tax Revenue to GSDP was noticed during the recent years.

Table 3.14: Assessed Vs Actual Revenue Receipts of Bihar: 2018-19 to 2024-25 (Rs Crore)

	Assessed Own Revenue Receipts			Actual Own Revenue Receipts			Deviation (%) (Actual – Assessed)		
	Tax Revenue	Non-Tax Revenue	Total	Tax Revenue	Non-Tax Revenue	Total	Tax Revenue	Non-Tax Revenue	Total
2015-16	31881	2756	34637	25490	2185	27676	-20.0	-20.7	-20.1
2016-17	39607	2973	42580	23742	2403	26145	-40.1	-19.2	-38.6
2017-18	49204	3250	52454	23136	3507	26643	-53.0	7.9	-49.2
2018-19	58956	3592	62547	29579	4130	33710	-49.8	15.0	-46.1
2019-20	68956	4015	72971	30198	3699	33897	-56.2	-7.9	-53.5
2020-21	34946	4289	39236	30385	6201	36586	-13.1	44.6	-6.8
2021-22	30232	4516	34748	34948	3984	38932	15.6	-11.8	12.0
2022-23	33067	4913	37980	44175	4135	48310	33.6	-15.8	27.2
2023-24	36557	5400	41957						
2024-25	40632	5964	46596						
2025-26	45400	6620	52020						

Source: Reports of the 14th & 15th Finance Commission, Finance Accounts of Bihar Government

Chart 3.9: Assessed Vs Actual Revenue Receipts (Rs. Crore)

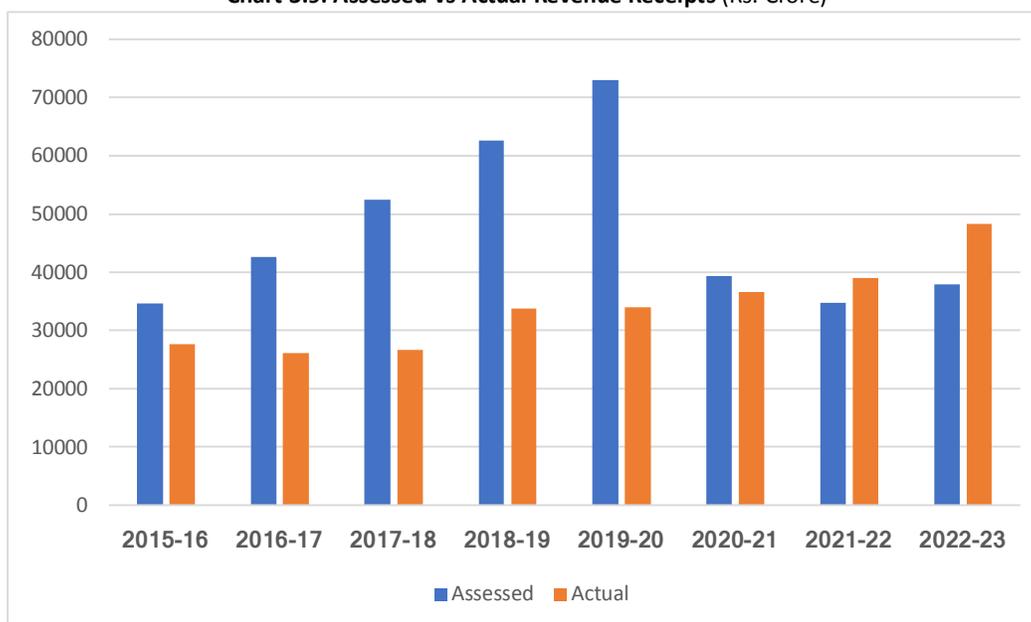


Table 3.15: Assessed Vs Actual Revenue Expenditure of Bihar: 2015-16 to 2019-20 (Rs Crore)

	Assessed Revenue Expenditure			Actual Revenue Expenditure			Deviation (%) (Actual – Assessed)		
	Total	Interest Payment	Pension	Total	Interest Payment	Pension	Total	Interest Payment	Pension
2015-16	84709	6359	12833	83616	7098	11850	-1.3	11.6	-7.7
2016-17	98661	7251	14116	94765	8191	12508	-3.9	13.0	-11.4
2017-18	113237	8288	15528	102623	9054	14293	-9.4	9.2	-8.0
2018-19	131177	9491	17081	124896	10071	16028	-4.8	6.1	-6.2
2019-20	172444	10890	18789	126016	10991	17110	-26.9	0.9	-8.9
2020-21	100738	10723	4930	139493	12484	19635	38.5	16.4	298.3
2021-22	100641	14088	19352	159219	13822	20258	58.2	-1.9	4.7
2022-23	106668	15356	20416	183975	15184	23108	72.5	-1.1	13.2
2023-24	114211	16724	21539						
2024-25	123189	18109	22724						
2025-26	131605	19628	23974						

Source: Reports of the 14th & 15th Finance Commission, Finance Accounts of Bihar Government

Chart 3.10: Assessed Vs Actual Revenue Expenditure (Rs. Crore)

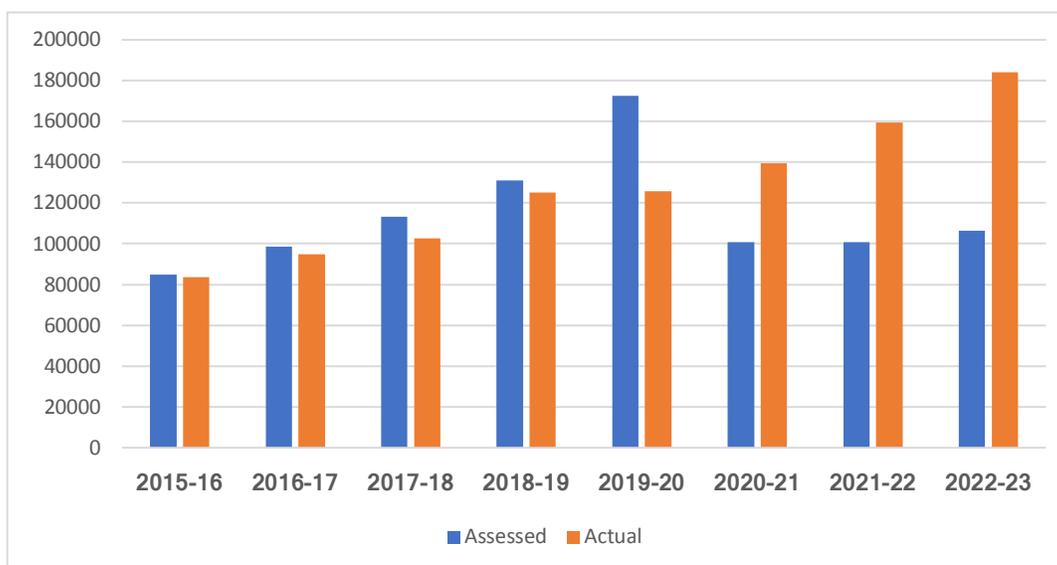


Table 3.16: GSDP and Pre-Devolution Revenue Deficit of Bihar- Projected Vs Actual (Rs. Crore)

	GSDP			Pre-Devolution Revenue Deficit		
	Projected	Actual	Deviation (%) (actual – assessed)	Projected	Actual	Deviation (%) (Actual – Assessed)
2015-16	455451	371602	-18.4	50072	55940	11.7
2016-17	529025	421051	-20.4	56081	68620	22.4
2017-18	614485	468746	-23.7	60783	75980	25.0
2018-19	713749	527976	-26.0	68630	91187	32.9
2019-20	829048	581855	-29.8	99473	92119	-7.4
2020-21	584285	567263	-2.9	61502	102907	67.3
2021-22	567085	650302	14.7	62323	120288	82.5
2022-23	612452	751396	22.7	64711	135666	97.5
2023-24	667572	858928	28.7	67731		
2024-25	730992	976514	33.6	71444		
2025-26	804091			71984		

Source: Source: Reports of the 14th & 15th Finance Commission & CSO Website

Chart 3.11: Assessed Vs Actual GSDP (Rs. Crore)

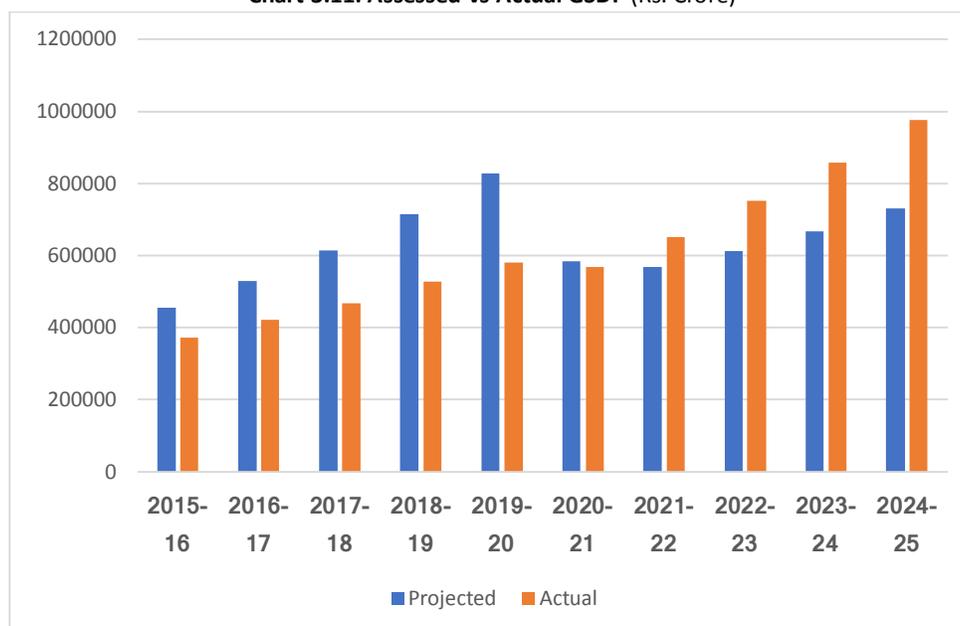


Chart 3.12: Assessed Vs Actual Pre-Devolution Revenue Deficit (Rs. Crore)

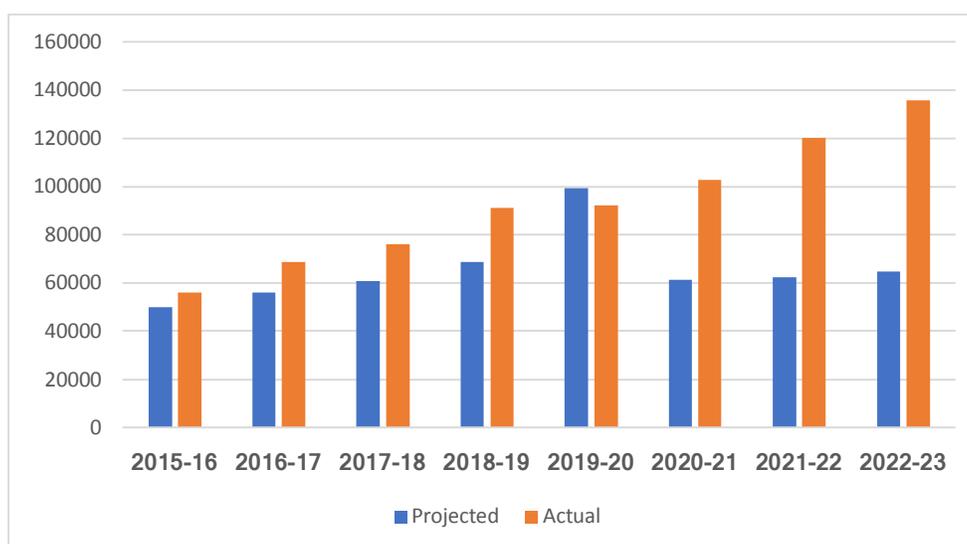


Table 3.17: Expenditure and Receipts of Bihar- Projected Vs Actual (%)

	Interest Payment/ Revenue Expenditure (%)			Pension/Revenue Expenditure (%)			Revenue Expenditure/ Own Revenue Receipts		
	Assessed	Actual	Deviation (Actual - Assessed)	Assessed	Actual	Deviation (Actual - Assessed)	Assessed	Actual	Deviation (Actual - Assessed)
2015-16	7.5	8.5	1.0	15.1	14.2	-1.0	245	302	58
2016-17	7.3	8.6	1.3	14.3	13.2	-1.1	232	362	131
2017-18	7.3	8.8	1.5	13.7	13.9	0.2	216	385	169
2018-19	7.2	8.1	0.8	13.0	12.8	-0.2	210	371	161
2019-20	6.3	8.7	2.4	10.9	13.6	2.7	236	372	135
2020-21	10.6	8.9	-1.7	4.9	14.1	9.2	257	381	125
2021-22	14.0	8.7	-5.3	19.2	12.7	-6.5	290	409	119
2022-23	14.4	8.3	-6.1	19.1	12.6	-6.6	281	381	100
2023-24	14.6			18.9			272		
2024-25	14.7			18.4			264		
2025-26	14.9			18.2			253		

Source: Source: Reports of the 14th & 15th Finance Commission & Finance Accounts

Table 3.18 Tax: GSDP Ratio (%)

	Assessed	Actual	Deviation (Actual - Assessed)
2015-16	7.0	6.9	-0.1
2016-17	7.5	5.6	-1.8
2017-18	8.0	4.9	-3.1
2018-19	8.3	5.6	-2.7
2019-20	8.3	5.2	-3.1
2020-21	6.0	5.4	-0.6
2021-22	5.3	5.4	0.0
2022-23	5.4	5.9	0.5
2023-24	5.5		
2024-25	5.6		

Source: Reports of the 14th & 15th Finance Commission & CSO database

3.9 Flow of resources from Centre to States through various schemes

Annexure 3.2 A, B and C Table 3.19 respective show the detailed scheme-wise expenditure of the state on social welfare schemes during the last three years, including those under the various central and centrally sponsored schemes, showing the flow of resources to the state from the Centre and state's own shares under the respective Major Heads of accounts (MH).

Table 3.19: Expenditure on Social welfare Schemes: 2020-23

	Total No. of Schemes	Central share	State share	Total	Total Central Grants to the State
2020-21	108	16712	17925	34637	31764
2021-22	114	19647	22878	42525	28606
2022-23	201	25898	31554	57452	29026

Source: Annexure 3.2 and Finance Account

Bulk of the expenditure went to a few schemes like MNEGA, NRHM, Sarva Shiksha Abhiyan, PMGSY, PMAY, Swachh Bharat Mission, Aajivika, etc. While the number of schemes went up from 108 in 2020-21 to more than 200 in 2022-23, many of schemes were not given any budget allocation. These schemes consumed a large part of the central grants to the state, but it is not known whether these lists are exhaustive or if there has been any attempt on the part of the state government to evaluate these schemes and close the ones that are no longer needed or have suboptimal outcomes, and merge those with overlapping or redundant objectives. Many of the schemes have allocations which are too tiny to bring any improvement or change. The state government must undertake an evaluation by an independent agency, like Uttarakhand has done very recently, to bring better synergy and efficiency in public expenditure.

3.10 Direct transfer of Central Scheme Funds to Implementing Agencies in the State Outside the Budget

Direct off-budget transfers have been abolished w.e.f. 2013-14, but it has not stopped. As per the PFMS portal of the CGA, during 2022-23, Rs 24,305 crore (Rs 24,302 crore to intermediaries and Rs 3 crore to beneficiaries directly) were directly received by the Implementing Agencies in the State during 2022-23, which included transfer to intermediaries/ beneficiaries. Table 3.20 shows the direct transfers during the last three years.

Table 3.20: Direct Transfers of Central Funds Outside State Budget

Scheme	2020-21	2021-22	2022-23	Implementing Agency
Total Amount Transferred Outside Budget, Of which	16441	19117	24302	
PMKISAN	4422	5049	4880	Dept. of Agriculture Bihar
Pradhan Mantri Swasthya Suraksha Yojna	520	463	755	AIIMS, Patna
MNREGA (Centre Component)	4909	3560	5120	Bihar Rural Development Society
Food Subsidy for Decentralized Procurement of Foodgrains under NFSA	4117	7672	10966	Bihar State Food & Civil Supplies Corporation

Source: Finance Accounts of the Bihar Government, Appendix VI, Vol. II, 2022-23

3.11 Suggestions for improving the efficiency of public spending:

1. Strengthen public financial management systems: Strengthening public financial management systems is crucial for Bihar. This involves further strengthening its CFMS system and monitoring the outcome-based budgeting for better delivery. Odisha has implemented a Fiscal Risk Management System to identify and prepare for managing the fiscal risks, adopting such a system may be helpful for Bihar also.

2. Enhance transparency and public participation: Enhancing transparency and public participation is essential. Bihar should publish detailed budget data in machine-readable formats, involve citizens in budget formulation through participatory budgeting, and conduct social audits of major schemes. Andhra Pradesh's CORE dashboard provides real-time data on government spending. Following Brazil's Porto Alegre experiment, participatory budgeting process may be introduced at the level of local bodies to begin with.

3. Rationalize subsidies and social welfare schemes: Rationalizing subsidies and social welfare schemes is another critical area. Bihar should conduct benefit incidence analysis to assess targeting efficiency, shift to direct benefit transfers where feasible, and consolidate overlapping schemes. Rajasthan's Bhamashah scheme has improved the targeting of social benefits and Iran's subsidy reform program which replaced universal subsidies with targeted cash transfers offers valuable lessons in this domain. Uttarakhand government has recently undertaken an extensive exercise to rationalise the welfare schemes across all departments, merging some and closing others for better synergy and expenditure efficiency.

4. Strengthen project management: Strengthening project management is vital for efficient public spending, especially for large infrastructure projects, implementing strict timelines and cost control measures, and leveraging technology for real-time project monitoring. Odisha's 'CMGI' portal continually tracks progress of infrastructure projects. The Gujarat government has implemented a state-wide project coordination committee to ensure seamless execution of major projects. The UK's Infrastructure and Projects Authority provides central oversight for major projects which provides examples of effective project oversight.

5. Enhance the capacity of public officials: Enhancing the capacity of public officials is crucial for improved public spending. Bihar should invest in training programs for financial management and project implementation, implement performance-based incentives for civil servants, and encourage lateral entry of specialists into key positions. Tamil Nadu's 'TNSMART' program trains officials in modern administrative practices. Singapore's approach to public sector talent management is widely regarded.

6. Leverage technology for service delivery: Leveraging technology for service delivery can significantly improve efficiency. Bihar should implement digital platforms for government-to-citizen services, use data analytics to improve targeting and reduce leakages, and adopt cloud computing to reduce IT infrastructure costs. Maharashtra's Maha Online portal offers over 400 e-services. Estonia's X-Road platform is a model for integrated e-governance.

7. Enhance public asset management: Enhancing public asset management can unlock significant value. Bihar should create a comprehensive inventory of public assets, implement a maintenance management system, and explore public-private partnerships for asset monetization. Example: Andhra Pradesh's CFMS includes an asset management module. New Zealand's government has a formal asset management policy framework.

8. Strengthen monitoring and evaluation: Strengthening monitoring and evaluation is key to ensuring efficient public spending. Bihar should establish an independent evaluation office, conduct regular spending reviews to identify inefficiencies, and use third-party evaluations for major schemes. Karnataka's Evaluation Authority conducts independent assessments. The UK's Spending Review process systematically examines departmental budgets.

9. Foster Inter-Departmental Coordination: Promoting better coordination among different government departments can lead to more efficient resource utilization and avoid duplicative efforts. Bihar should establish mechanisms for regular inter-departmental meetings and joint planning sessions. For Example, The European Commission's "Better Regulation Agenda" fosters coordination and collaboration across departments to streamline regulations and improve public spending efficiency.

10. Encourage Innovation and Best Practices: Fostering a culture of innovation and adopting best practices from around the world can significantly enhance public spending efficiency. Bihar should establish a dedicated unit to research and implement innovative solutions in public administration. The Finnish Innovation Fund (Sitra) promotes innovation in public services, leading to more effective and efficient governance. Karnataka's Centre for e-Governance drives innovative solutions in public administration, such as the "Sakala" initiative, which guarantees timely service delivery.

11. Integrate Climate-Smart Public Spending: Integrating climate-smart practices into public spending can lead to long-term efficiency and sustainability. Bihar has adopted green budgeting practices, and should focus more on climate resilience and environmental sustainability in its spending decisions. Sweden's Green Budgeting framework integrates environmental and climate considerations into the national budget process. Uttarakhand has implemented climate-resilient infrastructure projects to ensure long-term sustainability and efficiency.

12. Implement Performance-Based Contracting: Using performance-based contracting for public services can drive efficiency and accountability. Bihar should adopt performance-based contracts with clear targets and incentives for achieving desired outcomes. Telangana's Mission Bhagiratha project uses performance-based contracting to ensure timely and cost-effective delivery of drinking water infrastructure.

13. Establish public expenditure tracking surveys: Regular tracking surveys can help identify leakages and inefficiencies in public spending, especially in sectors like education and healthcare. Example: Uganda's education sector benefited greatly from expenditure tracking surveys, which helped reduce the misuse of funds.

14. Implement sunset clauses for government programs: Bihar could introduce sunset clauses for various government programs, requiring them to be reviewed and re-authorized after a certain period. Example: The Australian government uses sunset clauses in its legislation, which has helped in regularly reviewing and updating policies.

15. Develop a state-wide data integration platform: Creating a unified data platform can help in better decision-making and resource allocation across departments. Example: Estonia's X-Road platform allows for secure data exchange between various government agencies, improving efficiency and service delivery.

16. Encouraging the private sector: Experiences of many countries have highlighted that government spending inefficiency declines when complemented by increases in private economic activities. Hence, increasing the share of private activities in the economy helps reduce the inefficiency of public spending. To encourage private economic activities, the government must formulate appropriate policies and create the necessary infrastructure that would attract private capital or encourage private consumption in the state.

17. Managing Public Sector: The Public Sector has been a drag on the finances of most states. Bihar Government has initiated only some half-hearted action (explained later) to wind up some of these enterprises, but no concrete results has so far been achieved. Despite its political fallout, a hard decision in this regard cannot indefinitely be put off.

18. Other Measures: Mechanism like, Expenditure Finance Committee and Public Investment Board, which provide some degree of pre investment scrutiny of feasibility reports, now obtaining at the Centre, need to be introduced in the States. The area which calls for serious attention is the time phasing of investments, with provisions in the budget matching the needs of approved projects.²⁴

²⁴Vathsala Ramji, S., Suresh, S., & Srinivasan, V. K., A Study on Management of Public Expenditure by State Governments in India, 2001.

Annexure 3.1: Major Public Expenditure Management Reforms and Innovations Initiated by the State Government

Programme	Features and Achievements
Rural Development Department	
MGNREGA	Government of Bihar with support from the World Bank is implementing Bihar integrated Social Protection Strengthening (BISPS) Project. The objective of this project is to strengthen institutional capacity to deliver social protection programme and services. Under this project Bihar Rural Development Society, Rural Development Department Bihar with a mandate to strengthen accounts keeping system of MGNREGA & other RD Schemes in all Districts and Blocks, specific positions have been created at the District level of 38 District Audit Managers and an equal number of District Finance Managers, besides others. Recruitment process for these positions have been completed and selected personnel's have been placed in different districts. This has resulted in strengthening of Financial management system at district level.
National Electronic Fund Management System, under MGNREGA	The National Electronic Fund Management System introduced by MoRD in FY 2016-17 through which the wage component of MGNREGA is being released following the DBT protocol direct to the workers accounts, based on a Fund Transfer Order (FTO) generated by the implementing agencies. This has not only ensured transparency in payment of wage but also resulted in timely payment of wages to MGNREGA Workers. HRMS Software has been introduced by Rural Development Department for HR Management of employees of Bihar Rural Development Society, Rural Development Department Bihar. It's implementation has resulted in quick resolution of all HR issues. Online database of all employees at one platform.
Agriculture Department	
e-NAM (National Agriculture Market)	Bihar has made significant strides in integrating its state agricultural markets with the National Agriculture Market (e-NAM) platform, a pan-India electronic trading portal. This integration has revolutionized the way agricultural commodities are traded within the state. By connecting local mandis (markets) to the e-NAM network, Bihar has expanded market access for its farmers, allowing them to sell their produce to buyers across the country. This has helped in better price discovery and reduced the influence of intermediaries. The state government has actively promoted online trading of agricultural commodities, providing training and support to farmers, traders, and market officials in using the e-NAM platform. This digital transformation has brought transparency to transactions, reduced information asymmetry, and enabled farmers to make more informed decisions about when and where to sell their produce. The e-NAM implementation has also facilitated electronic payments, ensuring faster and more secure transactions for farmers. By embracing this technology-driven approach, Bihar is working towards creating a unified national market for agricultural commodities, which is expected to boost farmer incomes and streamline the agricultural supply chain in the state.
Finance Department	
Outcome-Based Budgeting	Bihar now prepares outcome-based budgeting, a reform aimed at enhancing the efficiency and effectiveness of public expenditure. This approach links financial allocations directly to specific performance outcomes, creating a stronger

	<p>connection between spending and results. The state government has worked to define clear, measurable objectives for various departments and programs. Each budget allocation is now tied to expected outcomes, such as improvements in literacy rates, healthcare access, or infrastructure development. This shift has improved accountability across government departments, as they are now required to demonstrate tangible results for the funds they receive. The Planning and Development Department plays a crucial role in coordinating this process, working with other departments to set realistic targets and develop appropriate metrics for measuring success. This reform has led to more strategic decision-making in resource allocation and has helped prioritize programs that deliver the most impactful outcomes for Bihar's citizens.</p>
Green Budgeting	<p>Bihar was the first state in India to initiate the process of green budgeting in 2020-21, focusing on reorienting its resource allocation by weaving environmental priorities into developmental initiatives towards a greener future. Being highly vulnerable to the risks of natural disasters such as floods, droughts, earthquakes, cyclones, thunderstorms, etc., this was essential. Green budgeting helps track resources like funds, outlays and policies, fosters coordinated action, anticipates future finance needs, and ensures efficient allocation of resources. Governments can prioritize green investments, track sustainability progress, and ensure fiscal alignment with environmental commitments by integrating environmental considerations into various budget cycles.</p> <p>Side by side, Bihar is also implementing various sustainability initiatives, including the Jal-Jeevan-Hariyali Abhiyan (JJHA), to address environmental issues, promote afforestation and water conservation. The State Action Plan on Climate Change (SAPCC) complements the green budgeting efforts by 2 providing a roadmap for climate adaptation and mitigation strategies. The state also plans to develop a 'Climate Resilient and Low Carbon Development Pathway' to achieve net-zero emissions 3 by 2070, focusing on sectors like energy, industry, solid waste, transportation and construction. In addition to monitoring ambient air quality in urban areas, the state has initiated the same at the block level in rural areas, demonstrating its commitment to addressing air pollution</p>
	Health Department
Healthcare Infrastructure Investment	<p>Bihar has made substantial investments in building and upgrading healthcare facilities across the state with focus on strengthening the three-tier healthcare system, comprising primary health centers, community health centers, and district hospitals. A significant initiative in this regard is the "Atmanirbhar Bihar" health infrastructure project, which aims to establish state-of-the-art medical facilities in every district. This includes the construction of new hospitals, upgrading existing ones with modern equipment, and setting up specialized care units. The state has also invested in telemedicine infrastructure to improve healthcare access in remote areas. Additionally, Bihar has launched the "Har Ghar Aushadhi" scheme, which focuses on establishing health sub-centers at the panchayat level, ensuring basic healthcare services are available even in the most rural areas.</p>
Health Insurance Schemes	<p>Bihar has implemented several health insurance schemes to provide comprehensive health coverage, especially to economically vulnerable</p>

	<p>populations. The state has enthusiastically adopted the centrally sponsored Ayushman Bharat scheme, known as "Pradhan Mantri Jan Arogya Yojana" (PM-JAY). Under this scheme, eligible families receive an annual health coverage of up to 5 lakhs for secondary and tertiary care hospitalization. To complement this, Bihar has introduced its own "Mukhyamantri Jan Arogya Yojana" (CM-JAY), which extends similar benefits to families not covered under PM-JAY. Another notable initiative is the "Bihar Swasthya Suraksha Yojana," which provides cashless treatment for critical illnesses to all residents of the state. These schemes have significantly reduced out-of-pocket healthcare expenses for many families and improved access to quality healthcare services.</p>
Maternal and Child Health Programs	<p>Bihar has implemented several targeted programs to reduce maternal and infant mortality rates. A key initiative is the "Janani Evam Bal Suraksha Yojana," an extension of the national Janani Suraksha Yojana, which provides financial assistance to pregnant women for institutional deliveries. The state has also launched the "Mukhyamantri Napunsakta Unmulan Yojana" to address male infertility issues. To improve child health, Bihar runs the "Bal Kuposhan Mukht Bihar" campaign, focusing on reducing malnutrition among children. The "Manav Vikas Mission" is another comprehensive program that integrates various health, nutrition, and sanitation initiatives to improve overall maternal and child health outcomes. Additionally, the state has strengthened its network of Anganwadi centers under the Integrated Child Development Services (ICDS) scheme to provide better nutrition and care for young children and pregnant women.</p>
	Education Department
Mid-Day Meal Scheme Reforms	<p>Bihar has introduced several reforms to improve the implementation of the Mid-Day Meal Scheme. The state has piloted the centralized kitchen concept in urban areas, partnering with organizations like Akshaya Patra Foundation to ensure efficient and hygienic meal preparation and distribution. This approach has helped standardize meal quality and reduce the burden on individual schools. For real-time monitoring, Bihar has implemented the "MDM-Bihar" mobile app, which allows officials to track meal distribution, quality, and student attendance. The app also enables instant reporting of any issues, ensuring quick resolution. Additionally, the state has formed "Vidyalaya Poshan Samitis" (School Nutrition Committees) involving parents and community members to oversee the implementation of the scheme at the school level.</p>

Annexure 3.2 A: Flow of Funds from centre to the State: 2020-21 (Rs Crore)

Major Head	Scheme	Centre Share	State Share	Total
2011	नेशनल ई - विधान एप्लिकेशन . एन . ई . वी . ए .)	3	2	5
2029	राष्ट्रीय भू-अभिलेख प्रबंधन कार्यक्रम	0	11	11
2055	पुलिस तथा अन्य बलों के आधुनिकीकरण हेतु राष्ट्रीय स्कीम	3	23	26
2202	सर्व शिक्षा अभियान	2782	1854	4636
2202	प्राथमिक शिक्षा हेतु पोषणगत समर्थन का राष्ट्रीय कार्यक्रम	1392	823	2216
2202	अनापक्षित निकासी की गयी राशि की वापसी	0	0	0
2202	राष्ट्रीय माध्यमिक शिक्षा अभियान	0	120	120
2202	राष्ट्रीय उच्चतर शिक्षा अभियान	0	11	11
2202	अध्यापक प्रशिक्षण और प्रौढ़ शिक्षा सहित शैक्षिक विकास हेतु समर्थन (1903)	6	1	7
2202	अध्यापक शिक्षा संस्थान	0	0	0
2202	सर्व शिक्षा अभियान के केन्द्रांश मद में प्राप्त कम राशि की राज्य संसाधन द्वारा पूर्ति	0	4728	4728
2202	अध्यापक प्रशिक्षण और प्रौढ़ शिक्षा सहित शैक्षिक विकास हेतु समर्थन (9167)	0	0	0
2210	एन आर एच एम	1625	912	2537
2210	औषधीय पौधों संबंधी मिशन सहित राष्ट्रीय आयुष मिशन	5	1	6
2210	प्रधानमंत्री स्वास्थ्य सुरक्षा (पीएमएसएसवाई) फेज-5 (बी) अन्तर्गत आई०जी०आई०एम०एस० का उन्नयन	0	8	8
2210	एन एच एम के केनदाश मद में प्राप्त कम राशि की राज्य संसाधन द्वारा प	0	40	40
2211	स्वास्थ्य तथा चिकित्सा शिक्षा में मानव संसाधन	581	265	846
2215	स्वच्छ भारत मिशन	89	568	657
2216	इंदिरा आवास योजना	1885	2842	4727
2217	शहरी पुनर्विकरण मिशन (अमरुत)	686	130	816
2217	सब के लिए आवास शहरी मिशन	134	194	328
2217	स्मार्ट सिटी मिशन योजना	0	3	3
2217	अधिक निकासी की गयी राशि की वापसी	-36	0	-36
2225	प्री मैट्रिक छात्रवृत्ति (पी०एम०यशस्वी)	16	0	16
2225	पोस्ट मैट्रिक छात्रवृत्ति (पी०एम०यशस्वी)	57	16	73
2225	घटाएँ- अधिक अदायिगयो की वस ूलिया	-1	0	-1
2225	पोस्ट मैट्रिक छात्रवृत्ति	3	60	63
2225	अनुसूचित जाति जनजाति अत्याचार निवारण अधिनियम	15	15	29
2225	प्री मैट्रिक छात्रवृत्ति	33	0	33
2225	अनुसूचित जनजातियों का बहुमुखी विकास	2	0	2
2225	अनुसूचित जनजातियों के लिए विशेष केन्द्रीय सहायता	14	0	14
2225	अधिक निकासी की गई राशि की वापसी	0	0	0
2225	घटाएँ अधिक अदायिगियों की वसूलियाँ	0	0	0
2230	बंधुआ मजदूर का पुनर्वास तथा समाजिक सुरक्षा एवं कल्याण कार्यक्रम	0	0	0
2230	नेशनल कैरियर सर्विस	1	0	2
2230	कौशल विकास मिशन	2	5	8
2230	स्किल स्ट्रेंथनिंग फॉर इंडस्ट्रियल वैल्यू इंहांसमेंट (एसटीआरआईवीई)	4	0	4
2235	दिव्यांग व्यक्तियों के लिए स्कीम (सीपडा)	0	0	0
2235	एकीकृत बाल विकास सेवाएं (आईसीडीएस)	402	468	869
2235	एकीकृत बाल संरक्षण स्कीम (आईसीपीएस)	22	18	40
2235	किशोरियों के लिए सशक्तिकरण हेतु राजीव गांधी स्कीम(सबला) (किशोरी बालिकाओं के लिए योजना) (एस ए ज)	3	3	5
2235	राष्ट्रीय पोषाहार मिशन (आईएसएसएनआईपी)	72	12	84

2235	मातृत्व लाभ योजना (प्रधानमंत्री मातृ वंदना योजना)	10	236	245
2235	2235-02-911 (अधिक, अनापेक्षित निकासी की गई राशि की वापसी)	-3	-2	-5
2235	इंदिरा गांधी राष्ट्रीय वृद्धावस्था पेंशन योजना	1295	579	1874
2235	इंदिरा गांधी राष्ट्रीय निःशक्तता पेंशन योजना	57	10	66
2235	इंदिरा गांधी राष्ट्रीय विधवा पेंशन योजना	256	71	327
2235	वरिष्ठ नागरिकों के लिए राष्ट्रीय कार्य योजना(एन0ए0पी0एस0आर0सी0)	2	0	2
2235	मादक द्रव्य के रोकथाम एवं नशा विमुक्ति हेतु राष्ट्रीय नीति	0	0	0
2235	राष्ट्रीय परिवार हित लाभ योजना,	1	0	1
2235	आंगनबाड़ी सेवाएं (आईसीडीएस)	0	276	276
2236	एकीकृत बाल विकास सेवाएं (आईसीडीएस)	762	1237	1999
2236	2236-02-911 (अधिक, अनापेक्षित निकासी की गई राशि की वापसी)	0	0	0
2245	राज्य एवं जिला आपदा प्रबंधन प्राधिकरणों सुदृढीकरण	1	0	1
2401	राष्ट्रीय खाद्य सुरक्षा मिशन	37	23	60
2401	परम्परागत कृषि विकास योजना	1	0	1
2401	राष्ट्रीय संघारणीय कृषि मिशन	11	6	17
2401	राष्ट्रीय तिलहन तथा ऑयल पाम मिशन	1	1	2
2401	राष्ट्रीय कृषि विकास योजना	45	30	75
2401	राष्ट्रीय कृषि विस्तार तथा प्रौद्योगिकी मिशन	70	47	116
2401	राष्ट्रीय बागवानी मिशन	18	12	29
2401	अधिक, अनापेक्षित निकासी की गई राशि की वापसी	-15	-10	-25
2401	अधिक, अनापेक्षित निकासी की गई राशि की वापसी	0	0	0
2402	एकीकृत जलसम्भर प्रबंधन कार्यक्रम	9	6	15
2403	राष्ट्रीय पशु धन स्वास्थ्य और रोग नियंत्रण कार्यक्रम	0	1	1
2404	राष्ट्रीय कृषि विकास योजना (आरकेवीवाई) (एसीए)	1	1	1
2405	नीली क्रांति समेकित विकास एवं मत्स्य पालन के प्रबंधन (पीएम मत्स्य सम्पदा योजना)	10	7	18
2406	एकीकृत वन्य जीव पर्यावास विकास	3	2	5
2406	बाघ परियोजना	6	6	12
2406	गज परियोजना	0	0	0
2406	राष्ट्रीय कृषि वानिकी परियोजना	0	0	0
2406	समेकित वन प्रबंधन	1	0	1
2406	राष्ट्रीय बांस मिशन	2	1	3
2501	राष्ट्रीय ग्रामीण आजीविका मिशन	642	416	1058
2505	राष्ट्रीय ग्रामीण रोजगार गारंटी स्कीम	1827	200	2027
2515	राष्ट्रीय ग्राम स्वराज अभियान	26	6	32
2515	अनापेक्षित निकासी की गई राशि वापसी	0	0	0
2705	प्रधानमंत्री कृषि सिंचाई योजना	0	27	27
3456	राष्ट्रीय खाद्य सुरक्षा मिशन	0	570	570
3475	राष्ट्रीय शहरी अजिविका मिशन	31	20	51
4055	पुलिस तथा अन्य बलों के आधुनिकीकरण हेतु राष्ट्रीय स्कीम	0	0	0
4059	कौशल विकास योजना	0	0	0
4059	ग्राम न्यायालयों सहित न्यायपालिका हेतु अवसंरचना सुविधाओं का विकास	6	3	9
4059	अल्पसंख्यकों के लिए बहुक्षेत्रक विकास कार्यक्रम	1	2	3
4070	ई-प्रीजन कार्यक्रम (पुलिस बल का आधुनिकीकरण)	3	0	3
4202	राष्ट्रीय उच्चतर शिक्षा अभियान	16	0	16
4210	स्वास्थ्य तथा चिकित्सा शिक्षा में मानव संसाधन	278	28	305
4210	बर्न इन्जुरी के रोकथाम एवं प्रबंधन हेतु राष्ट्रीय कार्यक्रम	3	1	3
4210	प्रधानमंत्री स्वास्थ्य सुरक्षा योजना (पी एम एस वाई)	0	71	71

4215	राष्ट्रीय ग्रामीण पेयजल कार्यक्रम	368	334	702
4215	घटाएँ पूंजीगत लेखों में प्राप्तियाँ तथा वसूलीयाँ	0	-44	-44
4216	ग्राम न्यायालयों सहित न्यायपालिका हेतु अवसंरचना सुविधाओं का विकास	4	3	7
4235	4235-02-911	0	0	0
4250	अल्पसंख्यकों के लिए बहुक्षेत्रक विकास कार्यक्रम	15	8	22
4425	राष्ट्रीय कृषि विकास योजना (आरकेवीवाई) (एसीए)	16	5	21
4425	घटाएँ पूंजीगत लेखों में प्राप्तियाँ तथा वसूलियाँ	0	0	0
4515	एल डब्ल्यू ई जिलों के लिए ए0सी0ए0 (पुलिस बलों का आधुनिकीकरण)	80	0	80
4515	प्रधानमंत्री ग्राम सड़क योजना (पीएमजीएसवाई)	1	233	234
4700	प्रधानमंत्री कृषि सिंचाई योजना	12	19	31
4700	उचंत	1	0	1
4702	प्रधानमंत्री कृषि सिंचाई योजना (पीएमकेएसवाई)	6	2	8
4702	अन्य स्कीम	0	0	0
4711	त्वरित सिंचाई लाभ तथा बाढ़ प्रबंधन कार्यक्रम (एआईबीपी) तथा जल संसाधन के अन्य कार्यक्रम	344	160	504
4711	सीमा क्षेत्र में नदी प्रबंधन गतिविधि एवं कार्य	35	0	35
4711	उचंत	-31	-8	-39
5054	केन्द्रीय सड़क निधि	417	0	417
5054	उचंत	-18	0	-18
5054	प्रधानमंत्री ग्राम सड़क परियोजना-वामपंथ उग्रवाद प्रभावित क्षेत्रों के लिए सड़क सम्पर्क परियोजना ।	251	199	450
Total		16712	17925	34637

Annexure 3.2 B: Flow of Funds from centre to the State: 2021-22 (Rs Crore)

MH	Scheme	Central Share	State Share	Total
2011	नेशनल ई - विधान एप्लिकेशन . एन . ई . वी . ए .)	2	1	3
2029	राष्ट्रीय भू-अभिलेख प्रबंधन कार्यक्रम	0	7	7
2055	पुलिस तथा अन्य बलों के आधुनिकीकरण हेतु राष्ट्रीय स्कीम	3	26	29
2055	अधिक, अनापेक्षित निकासी की गयी राशि की वापसी	0	0	0
2202	सर्व शिक्षा अभियान	3496	9783	13279
2202	प्राथमिक शिक्षा हेतु पोषणगत समर्थन का राष्ट्रीय कार्यक्रम	879	519	1398
2202	अनापेक्षित निकासी की गयी राशि की वापसी	0	0	0
2202	राष्ट्रीय माध्यमिक शिक्षा अभियान	61	185	246
2202	राष्ट्रीय उच्चतर शिक्षा अभियान	0	4	4
2202	अध्यापक प्रशिक्षण और प्रौढ़ शिक्षा सहित शैक्षिक विकास हेतु समर्थन	0	3	3
2202	अध्यापक शिक्षा संस्थान	0	0	0
2202	अल्पसंख्यकों के लिए बहुक्षेत्रक विकास कार्यक्रम (प्रधानमंत्री जन विकास कार्यक्रम)	0	0	0
2210	एन आर एच एम	1504	1386	2890
2210	औषधीय पौधों संबंधी मिशन सहित राष्ट्रीय आयुष मिशन	17	14	31
2210	एन एच एम के केनदाश मद मे पापत कम राशि की राज्य संसाधन द्वारा प	0	90	90
2211	स्वास्थ्य तथा चिकित्सा शिक्षा में मानव संसाधन	781	154	935
2215	स्वच्छ भारत मिशन	31	-9	22
2216	इंदिरा आवास योजना	3082	3660	6743
2217	शहरी पुनर्निविकरण मिशन (अमरुत)	0	290	290
2217	सब के लिए आवास शहरी मिशन	71	64	135
2217	स्मार्ट सिटी मिशन योजना	272	200	472

2217	अधिक निकासी की गयी राशि की वापसी	0	0	0
2225	प्री मैट्रिक छात्रवृत्ति (पी०एम०यशस्वी)	13	4	17
2225	पोस्ट मैट्रिक छात्रवृत्ति (पी०एम०यशस्वी)	69	0	69
2225	घटाएं- अधिक अदायिगयो की वस ूलिया	0	0	0
2225	पोस्ट मैट्रिक छात्रवृत्ति	56	35	91
2225	अनुसूचित जाति जनजाति अत्याचार निवारण अधिनियम	38	45	83
2225	प्री मैट्रिक छात्रवृत्ति	15	7	22
2225	अग्रिम वेतन एवं अन्य मद की आसंजित राशी की वापसी	0	0	0
2225	अनुसूचित जनजातियों का बहुमुखी विकास	6	0	6
2225	अनुसूचित जनजातियों के लिए विशेष केन्द्रीय सहायता	6	0	6
2225	अधिक निकासी की गयी राशि की वापसी	0	0	0
2225	विशेष रूप से कमजोर जनजातियें समूहों का विकास	2	0	2
2230	बंधुआ मजदूर का पुनर्वास तथा समाजिक सुरक्षा एवं कल्याण कार्यक्रम	0	0	0
2230	कौशल विकास मिशन	1	6	7
2235	दिव्यांग व्यक्तियों के लिए स्कीम (सीपडा)	0	0	0
2235	आयुष्मान भारत- राष्ट्रीय स्वास्थ्य सुरक्षा मिशन ,ए०बी०एन०एच०पी०एम०द्द	0	100	100
2235	दिव्यांग व्यक्तियों के लिए स्कीम (सीपडा)	0	0	0
2235	एकीकृत बाल विकास सेवाएं (आईसीडीएस) (सक्षम आंगनबाड़ी योजना 2.0)	682	551	1233
2235	एकीकृत बाल संरक्षण स्कीम (आईसीपीएस)(मिशन वात्सल्य, बाल संरक्षण एवं बाल कल्याण सेवाएं)	22	18	40
2235	किसारियों के लिए सशक्तिकरण हेतु राजीव गांधी स्कीम (सबला) (सक्षम आंगनबाड़ी योजना 2.0)	4	4	8
2235	राष्ट्रीय पोषाहार मिशन (आईएसएसएनआईपी सहित) (सक्षम आंगनबाड़ी योजना 2.0)	124	28	151
2235	मातृत्व लाभ योजना (सामर्थ्य)	1	155	156
2235	2235-02-911 (अधिक, अनापेक्षित निकासी की गई राशि की वापसी)	-7	-16	-23
2235	इंदिरा गांधी राष्ट्रीय वृद्धावस्था पेंशन योजना	999	549	1548
2235	इंदिरा गांधी राष्ट्रीय निःशक्तता पेंशन योजना	47	15	62
2235	इंदिरा गांधी राष्ट्रीय विधवा पेंशन योजना	235	75	311
2235	मादक द्रव्य के रोकथाम एवं नशा विमुक्ति हेतु राष्ट्रीय नीति	1	0	1
2235	राष्ट्रीय परिवार हित लाभ योजना,	30	0	30
2235	आंगनबाड़ी सेवाएं (आईसीडीएस)	0	321	321
2236	एकीकृत बाल विकास सेवाएं (आईसीडीएस)	0	1024	1024
2236	2236-02-911 (अधिक, अनापेक्षित निकासी की गई राशि की वापसी)	0	0	0
2236	एकीकृत बाल विकास सेवाएं (आईसीडीएस)(सक्षम आंगनबाड़ी योजना 2.0)	825	0	825
2245	राज्य एवं जिला आपदा प्रबंधन प्राधिकरणों सुदृढीकरण (अन्य आपदा प्रबंधकीय योजना)	1	0	1
2401	नेशनल ई-गवर्नेन्स प्लान-कृषि	4	2	6
2401	राष्ट्रीय खाद्य सुरक्षा मिशन	28	18	46
2401	सबमिशन ऑन सीड एण्ड प्लांटिंग मटेरियल	5	4	9
2401	परम्परागत कृषि विकास योजना	9	6	16
2401	राष्ट्रीय संघारणीय कृषि मिशन	5	6	11
2401	राष्ट्रीय तिलहन तथा ऑयल पाम मिशन	3	2	4
2401	राष्ट्रीय कृषि विकास योजना	72	48	120
2401	राष्ट्रीय कृषि विस्तार तथा प्रौद्योगिकी मिशन	54	36	90
2401	प्रधानमंत्री कृषि सिंचाई योजना	22	14	36
2401	सबमिशन ऑन एग्रीकल्चर मेकेनाइजेशन	30	20	49
2401	राष्ट्रीय बागवानी मिशन	10	6	16
2401	अधिक, अनापेक्षित निकासी की गई राशि की वापसी	-11	-7	-18
2402	एकीकृत जलसम्भर प्रबंधन कार्यक्रम	16	11	27
2403	राष्ट्रीय पशु धन स्वास्थ्य और रोग नियंत्रण कार्यक्रम	0	1	1
2404	राष्ट्रीय कृषि विकास योजना (आरकेवीवाई) (एसीए)	6	4	9
2405	नीली क्रान्ति समेकित विकास एवं मत्स्य पालन के प्रबंधन (पीएम मत्स्य सम्पदा योजना)	16	10	26
2406	एकीकृत वन्य जीव पर्यावास विकास	0	0	0
2406	बाघ परियोजना	4	4	8

2406	गज परियोजना	0	0	0
2406	समेकित वन प्रबंधन (वन अग्नि निवारण एवं प्रबंधन योजना)	1	1	2
2406	अधिक, अनापेक्षित निकासी की गई राशि की वापसी	0	0	0
2501	राष्ट्रीय ग्रामीण आजीविका मिशन	1474	978	2452
2505	राष्ट्रीय ग्रामीण रोजगार गारंटी स्कीम	2686	833	3519
2515	राष्ट्रीय ग्राम स्वराज अभियान	64	43	106
2515	अनापेक्षित निकासी की गई राशि वापसी	0	0	0
2705	प्रधानमंत्री कृषि सिंचाई योजना (सिंचाई गणना)	0	2	2
3456	राष्ट्रीय खाद्य सुरक्षा मिशन (एन0एफ0एस0ए0 अंतर्गत खाद्यान्नों के अंतः राज्यीय हथालन एवं फेयर प्राईस शॉप डीलर्स मार्जिन)	0	721	721
3475	राष्ट्रीय शहरी अजिविका मिशन	0	5	6
4055	पुलिस तथा अन्य बलों के आधुनिकीकरण हेतु राष्ट्रीय स्कीम	17	10	28
4059	कौशल विकास योजना	0	0	1
4059	ग्राम न्यायालयों सहित न्यायपालिका हेतु अवसंरचना सुविधाओं का विकास	15	9	24
4059	अल्पसंख्यकों के लिए बहुक्षेत्रक विकास कार्यक्रम	3	3	6
4202	राष्ट्रीय उच्चतर शिक्षा अभियान	7	0	6
4210	स्वास्थ्य तथा चिकित्सा शिक्षा में मानव संसाधन	127	85	212
4210	प्रधानमंत्री स्वास्थ्य सुरक्षा योजना (पी एम एस वाई)	0	30	30
4215	राष्ट्रीय ग्रामीण पेयजल कार्यक्रम (जल जीवन मिशन)	3	200	203
4216	ग्राम न्यायालयों सहित न्यायपालिका हेतु अवसंरचना सुविधाओं का विकास	9	5	14
4235	घटायं पूंजीगत लेखों में प्राप्ति तथा वसूलियां	0	0	0
4235	एकीकृत बाल विकास सेवाएं (आईसीडीएस)(सक्षम आंगनबाड़ी योजना 2.0)	1	1	1
4235	4235-02-911 (अधिक, अनापेक्षित निकासी की गई राशि की वापसी)	0	0	0
4250	अल्पसंख्यकों के लिए बहुक्षेत्रक विकास कार्यक्रम (प्रधानमंत्री जन विकास कार्यक्रम)	5	15	20
4250	अल्पसंख्यकों के लिए बहुक्षेत्रक विकास कार्यक्रम- विशेष राज्यांश (प्रधानमंत्री जन विकास कार्यक्रम)	0	2	2
4250	घटायं पूंजीगत लेखों में प्राप्ति तथा वसूलियां	0	0	0
4425	घटायं पूंजीगत लेखों में प्राप्ति तथा वसूलियां	0	0	0
4515	एल डब्ल्यू ई जिलों के लिए ए0सी0ए0 (पुलिस बलों का आधुनिकीकरण)	40	0	40
4515	प्रधानमंत्री ग्राम सड़क योजना (पीएमजीएसवाई)	75	50	125
4700	प्रधानमंत्री कृषि सिंचाई योजना	18	7	25
4700	उर्ध्व	0	2	2
4702	प्रधानमंत्री कृषि सिंचाई योजना (पीएमकेएसवाई) (हर खेत को पानी)	9	6	15
4702	अन्य स्कीम	0	0	0
4711	त्वरित सिंचाई लाम तथा बाढ़ प्रबंधन कार्यक्रम (एआईबीपी) तथा जल संसाधन के अन्य कार्यक्रम	402	77	479
4711	सीमा क्षेत्र में नदी प्रबंधन गतिविधि एवं कार्य	127	0	127
4711	घटायं पूंजीगत लेखों में प्राप्ति तथा वसूलियां	-18	0	-18
4711	उर्ध्व	-17	0	-17
5054	केन्द्रीय सड़क निधि	488	0	488
5054	विशेष सहायता (बी0आर0जी0-पथ)	195	0	195
5054	उर्ध्व	-23	0	-23
5054	प्रधानमंत्री ग्राम सड़क परियोजना-वामपंथ उग्रवाद प्रभावित क्षेत्रों के लिए सड़क सम्पर्क परियोजना ।	300	309	609
Total		19647	22878	42525

Annexure 3.2 C: Flow of Funds from centre to the State: 2022-23 (Rs Crore)

MH	Scheme	Central Share	State Share	Total
2011	नेशनल ई - विधान एप्लिकेशन . एन . ई . वी . ए .)	0	0	0
2014	फास्ट ट्रैक स्पेशल कोर्ट	36	24	59
2029	राष्ट्रीय भू-अभिलेख प्रबंधन कार्यक्रम	0	3	3

2055	पुलिस तथा अन्य बलों के आधुनिकीकरण हेतु राष्ट्रीय स्कीम (सुरक्षा संबंधी व्यय) (एस0आर0ई0)	14	8	22
2202	सर्व शिक्षा अभियान	3360	16675	20035
2202	प्रधानमंत्री पोषण शक्ति निर्माण	915	532	1447
2202	राष्ट्रीय माध्यमिक शिक्षा अभियान	199	133	332
2202	मदरसों अल्पसंख्यकों तथा अशक्तों को शिक्षा प्रदान कराने क स्कीम	1	0	1
2202	अधिकर अनापेक्षित निकासी की गई राशि की वापसी	-1	0	-1
2202	राष्ट्रीय उच्चतर शिक्षा अभियान	0	0	0
2202	समग्र शिक्षा	0	81	82
2202	नव भारत साक्षरता कार्यक्रम	0	0	0
2202	मध्याह्न भोजन योजना	0	13	13
2202	अल्पसंख्यकों के लिए बहुक्षेत्रक विकास कार्यक्रम (प्रधानमंत्री जन विकास कार्यक्रम)	0	0	0
2210	एन आर एच एम	1487	1107	2594
2210	इन्फ्रास्ट्रक्चर मेटेनेन्स (आधारभूत संरचना एवं रखरखाव)	0	0	0
2210	औषधीय पौधों संबंधी मिशन सहित राष्ट्रीय आयुष मिशन	0	0	0
2210	स्ट्रेथेनिंग ऑफ़ स्टेट ड्रग रेगुलेटरी सिस्टम	0	0	0
2210	प्रधानमंत्री स्वास्थ्य सुरक्षा निधि - पीएमएसएसएन	0	0	0
2210	प्रधानमंत्री स्वास्थ्य सुरक्षा (पीएमएसएसवाई) फेज-5 ,बी) अन्तर्गत आई0जी0आई0एम0एस0 का उन्नयन	0	5	5
2210	एन एच एम के केनदाश मद मे पापत कम राशि की राज्य संसाधन दारा प	0	31	31
2210	घटायें पूंजीगत लेखों में प्राप्तियां और वसूलियां	0	-14	-14
2211	स्वास्थ्य तथा चिकित्सा शिक्षा में मानव संसाधन	708	182	890
2215	स्वच्छ भारत मिशन	809	439	1248
2215	राष्ट्रीय जल संरक्षण कार्यक्रम (आर0सी0पी0)	0	373	373
2216	इंदिरा आवस योजना	7497	5005	12503
2217	स्मार्ट सिटी मिशन योजना	49	57	106
2217	सबके लिए आवास (शहरी) मिशन पी0एम0ए0वाई शहरी	0	0	0
2217	सबके लिए आवास (शहरी) मिशन पी0एम0ए0वाई शहरी	0	0	0
2217	स्वच्छ भारत अभियान	9	6	14
2217	शहरी पुनर्नवीकरण मिशन-अटल नवीकरण और शहरी परिवर्तन मिशन (अमरुत)	29	0	29
2217	सबके लिए आवास (शहरी) मिशन पी0एम0ए0वाई शहरी	180	59	239
2217	स्मार्ट सिटी मिशन योजना	98	200	298
2217	झीलो का सौन्दर्यीकरण	0	0	0
2217	स्मार्ट सिटी मिशन योजना, भागलपुर	49	49	98
2217	स्मार्ट सिटी मिशन योजना, बिहारशरीफ	0	0	0
2217	शहरी पुनर्नवीकरण मिशन-अटल नवीकरण और शहरी परिवर्तन मिशन (अमरुत)	0	0	0
2217	शहरी पुनर्नवीकरण मिशन-अटल नवीकरण और शहरी परिवर्तन मिशन (अमरुत) (प्रशासनिक एवं अन्य व्यय)	0	0	0
2217	शहरी पुनर्नवीकरण मिशन-अटल नवीकरण और शहरी परिवर्तन मिशन (अमरुत) (प्रोत्साहन सुधार)	0	0	0
2217	शहरी पुनर्नवीकरण मिशन-अटल नवीकरण और शहरी परिवर्तन मिशन (अमरुत) (आईईसी)	0	0	0
2217	स्वच्छ भारत मिशन (शौचालय)	0	0	0
2217	स्वच्छ भारत मिशन (ठोस अवशिष्ट प्रबंधन)	0	0	0
2217	स्वच्छ भारत मिशन (उपयोग किये गये जल का प्रबंधन)	0	0	0
2217	स्वच्छ भारत मिशन (आई0ई0सी0)	0	0	0
2217	स्वच्छ भारत मिशन (क्षमतावर्द्धन)	0	0	0
2217	सबके लिए आवास (शहरी) मिशन पी0एम0ए0वाई शहरी	0	2	2
2225	अन्य पिछड़े वर्गों और अनाधिसूचितर घुमंतू तथा अर्ध-घुमंतू जनजातियों के विकास के लिए स्कीम	0	0	0

2225	प्री मेट्रिक छात्रवृत्ति (पी०एम०यशस्वी)	28	36	63
2225	पोस्ट मेट्रिक छात्रवृत्ति (पी०एम०यशस्वी)	92	0	92
2225	प्रधानमंत्री आदर्श ग्राम योजना	0	0	0
2225	पोस्ट मेट्रिक छात्रवृत्ति	1	59	59
2225	नागरिक सुरक्षा अधिनियम 1955 के कार्यान्वयन के लिए प्रशासनिक यंत्र का सुदृढीकरण एवं अनुसूचित जनजाति अधिनियम 1989	40	40	80
2225	अनुसूचित जाति के छात्र एवं छात्राओं के लिए प्री मेट्रिक छात्रवृत्ति	82	50	132
2225	प्रधानमन्त्री अभ्युदय योजना	57	0	57
2225	अनुसूचित जाति के बहुमुखी विकास योजना	10	0	10
2225	अनुसूचित जनजातियों के लिए विशेष केंद्रीय सहायता	0	0	0
2225	अनुसूचित जनजाति के छात्रों की शिक्षा के लिए अम्ब्रेला स्कीम	0	0	0
2225	पोस्ट मेट्रिक छात्रवृत्ति	6	7	13
2225	अनुसूचित जनजाति के छात्रों के लिए प्री मेट्रिक छात्रवृत्ति	0	5	5
2225	विशेष रूप से कमजोर जनजाति समूह के विकास	0	0	0
2225	अधिक अनापेक्षित निकासी की गयी राशी की वापसी	0	0	0
2225	घटाएं- अधिक अदायिगयो की वसूिलया	0	-1	-1
2230	बंधुआ मजदूर का पुनर्वास तथा समाजिक सुरक्षा एवं कल्याण कार्यक्रम	0	0	0
2230	नेशनल कैरियर सर्विस	5	3	8
2230	कौशल विकास मिशन	5	6	11
2230	स्कील स्ट्रेन्थनिंग फॉर इंडस्ट्रीयल वेल्यू इनहांसमेंट(एसटीआरआईवीई)	0	0	0
2230	नेशनल अप्रेंटिसशिप प्रमोशन स्कीम(एनएपीएस)	0	0	0
2230	आजिविका संवर्द्धन के लिए कौशल अधिग्रहण और ज्ञान जागरूकता(संकल्प)	0	0	0
2230	कौशल विकास मिशन (मॉडल आईटीआई)	0	0	0
2230	प्रधानमंत्री कौशल विकास योजना	0	0	0
2235	दिव्यांग व्यक्तियों के लिए स्कीम (सीपडा)	0	0	0
2235	राष्ट्रीय स्वास्थ्य बीमा योजना सहित असंगठित कामगारों के लिए सामाजिक सुरक्षा	0	0	0
2235	आयुष्मान भारत- राष्ट्रीय स्वास्थ्य सुरक्षा मिशन ,ए०बी०एन०एच०पी०एम०	0	65	65
2235	दिव्यांग व्यक्तियों के लिए स्कीम(सिपडा)	0	0	0
2235	आंगनबाड़ी सेवाएं(सामान्य)(सक्षमआंगनबाड़ी पोषण 2.0)	775	953	1728
2235	एकीकृत बाल संरक्षण स्कीम (आई.सी.पी.एस.) (मिशन वात्सल्य, बाल संरक्षण एवं बाल कल्याण सेवाएं)	35	30	65
2235	किशोरियों के लिए योजना(सक्षम आंगनबाड़ी पोषण 2.0)	9	7	16
2235	पोषण अभ्याण(सक्षम आंगनबाड़ी पोषण 2.0)	95	26	121
2235	राष्ट्रीय क्रेच स्कीम(सामर्थ्य)	1	0	1
2235	चाईल्ड हेल्पलाइन (मिशन वात्सल्य स्कीम)	0	0	0
2235	गैर संस्थागत देखभाल के प्रायोजन/ पालन पोषण देख-रेख/ पश्चात्कर्ती देख-रेख (मिशन वात्सल्य योजना)	0	0	0
2235	स्वच्छता कार्य योजना (मिशन वात्सल्य योजना)	0	0	0
2235	आंगनबाड़ी सेवाएं (प्रशिक्षण)(सक्षम आंगनबाड़ी पोषण 2.0)	0	0	0
2235	स्वच्छता कार्य योजना (ए.डब्ल्यू.एस.)(सक्षम आंगनबाड़ी पोषण 2.0)	0	0	0
2235	सक्षम आंगनबाड़ी पोषण 2.0 (बीमा कवरेज)	0	0	0
2235	प्रधानमंत्री जनमन योजना अन्तर्गत किराया पर संचालित आंगनबाड़ी केन्द्र भवन	0	0	0
2235	इंदिरा गांधी मातृत्व सहयोग योजना सहित राष्ट्रीय महिला शक्तिकरण मिशन(सामर्थ्य)	6	4	10
2235	मातृत्व लाभ योजना	10	78	88
2235	मिशन शक्ति (संबल)-वन स्टॉप सेंटर	0	0	0
2235	मिशन शक्ति (संबल)-बेटी बचाओं बेटी पढ़ाओं	7	0	7
2235	मिशन शक्ति (संबल)- महिला हेल्पलाईन	0	0	0
2235	मिशन शक्ति (संबल)- नारी अदालत	0	0	0

2235	मिशन शक्ति (संबल)- शक्ति सदन	0	0	0
2235	मिशन शक्ति (संबल)- सखी निवास	0	0	0
2235	मिशन शक्ति (संबल)- स्टेट हब्स फॉर इंप्रोवमेंट ऑफ वुमेन (एसएचईडब्लू)	0	0	0
2235	मिशन शक्ति (संबल)-डिस्ट्रीक्ट हब्स फॉर इंप्रोवमेंट ऑफ वुमेन (डीएचईडब्लू)	3	2	5
2235	वरिष्ठ नागरिकों के लिए राष्ट्रीय कार्य योजना (एन ए पी एस आर सी)(अटल बायो अभ्युदय योजन ए वी वाई ए वाई)	0	0	0
2235	मादक द्रव्य की रोकथाम एवं नशा विमुक्त हेतु राष्ट्रीय नीति	0	0	0
2235	अधिक, अनापेक्षित निकासी की गई राशि की वापसी(2235.02.911)	-3	-57	-60
2235	इंदिरा गांधी राष्ट्रीय वृद्धावस्था पेंशन योजना	832	1047	1878
2235	इंदिरा गांधी राष्ट्रीय निःशक्तता पेंशन योजना	69	41	110
2235	इंदिरा गांधी राष्ट्रीय विधवा पेंशन योजना	175	136	311
2235	राष्ट्रीय वृद्धावस्था पेंशन योजना, राष्ट्रीय समाजिक सहायता कार्यक्रम (एन0एस0पी0)	0	0	0
2235	राष्ट्रीय परिवार हितलाभ योजना, राष्ट्रीय समाजिक सहायता कार्यक्रम (एन0एस0पी0)	12	0	12
2235	राष्ट्रीय परिवार हित लाभ योजना	25	0	25
2235	इंदिरा गांधी राष्ट्रीय वृद्धावस्था पेंशन योजना	220	0	220
2235	इंदिरा गांधी राष्ट्रीय विधवा पेंशन योजना	60	0	60
2235	इंदिरा गांधी राष्ट्रीय निःशक्तता पेंशन योजना	15	0	15
2235	राष्ट्रीय समाजिक सहायता कार्यक्रम (एन0एस0पी0)	71	0	71
2235	इंदिरा गांधी राष्ट्रीय वृद्धावस्था पेंशन योजना	13	0	13
2235	अधिक, अनापेक्षित निकासी की राशि की वापसी (2235-03-911)	-52	0	-52
2235	मिशन वात्सल्य पर राज्य सरकार पर अतिरिक्त व्यय	0	0	0
2236	विशेष पोषण कार्यक्रम, पूरक पोषण कार्यक्रम (एस0एन0पी0) (सक्षम आंगनवाड़ी पोषण2.0)	755	900	1655
2236	अनुसूचित जातियों के लिए विशेष घटक योजना, पूरक पोषण कार्यक्रम (एस0एन0पी0) (सक्षम आंगनवाड़ी पोषण2.0)	152	0	152
2236	अधिक, अनापेक्षित निकासी की राशि की वापसी (2236-02-911)	0	0	0
2245	राज्य एवं जिला आपदा प्रबंधन प्राधिकरणों का सुदृढीकरण (अन्य आपदा प्रबंधकीय योजना)	1	0	1
2401	नेशनल ई-गवर्नेंस प्लान	0	0	0
2401	राष्ट्रीय खाद्य सुरक्षा मिशन	20	10	30
2401	सबमिशन ऑन सीड एण्ड प्लांटिंग मटेरियल	0	0	0
2401	परम्परागत कृषि विकास युजना	1	1	2
2401	राष्ट्रीय संधारणीय कृषि मिशन	2	1	2
2401	राष्ट्रीय तिलहन एवं ऑयल पॉम मिशन	0	0	0
2401	राष्ट्रीय कृषि विकास योजना	20	2	22
2401	राष्ट्रीय कृषि विस्तार एवं प्रौद्योगिकी मिशन	34	13	47
2401	प्रधानमंत्री कृषि सिंचाई योजना	10	6	16
2401	सबमिशन ऑन एग्रीकल्चर मेकानाइजेशन	15	10	26
2401	राष्ट्रीय बागवानी मिशन	10	7	17
2401	अधिक / अनापेक्षित निकासी की गई राशि की वापसी	-3	-32	-35
2402	एकीकृत जलसंभर प्रबंधन कार्यक्रम	97	65	162
2403	राष्ट्रीय पशु धन स्वस्थ और रोग नियंत्रण कार्यक्रम	8	7	16
2403	राष्ट्रीय पशुधन प्रबंधन (राष्ट्रीय पशुधन मिशन)	0	0	0
2403	एकीकृत न्यायदर्श सर्वेक्षण परियोजना (वैतन)	0	0	0
2405	नीली क्रान्ति समेकित विकास एवं मत्स्य पालन के प्रबंधन	28	22	50
2405	मछुआरों के कल्याण की राष्ट्रीय योजना	0	0	0
2405	घटाए वापसियाँ	-25	-25	-50
2406	एकीकृत वन्यजीव पर्यावास विकास	0	0	0
2406	बाघ परियोजना	2	2	4
2406	गज परियोजना	0	0	0

2406	राष्ट्रीय जलीय पारिस्थितिकी तंत्र संरक्षण योजना	0	0	0
2406	बाघ परियोजना एवं गज	0	0	0
2406	बाघ परियोजना एवं गज (50:50)	0	0	0
2406	राष्ट्रीय वानिकी कार्यक्रम (हरित भारत मिशन)	0	0	0
2406	राष्ट्रीय कृषि वानिकी परियोजना	0	0	0
2406	समेकित वन प्रबंधन (वन अग्नि निवारण एवं प्रबंधन योजना)	0	1	1
2406	राष्ट्रीय बांस मिशन	0	0	0
2408	एन0एफ0एस0ए0 अंतर्गत खाद्यान्नों के अंतः राज्यीय हथलन एवं फेयर प्राइस शॉप डीलर्स मार्जिन	434	0	434
2415	राष्ट्रीय स्वास्थ्य एवं उर्वरता प्रबंधन योजना	0	0	0
2425	प्राथमिक कृषि साख समितियों (पैक्स) के कम्प्यूटरीकरण	10	7	17
2501	एन0 आर0 एल0 एम0	1359	737	2096
2505	मनरेगा	1377	192	1569
2515	राष्ट्रीय ग्राम स्वराज अभियान	33	22	56
2705	प्रधानमंत्री कृषि सिंचाई योजना(सिंचाई गणना)	0	24	24
2852	प्रधानमंत्री सूक्ष्म खाद्य उद्यम उन्नयन योजना (पीएमएफएमई)	15	15	30
3454	पशुधन गणना	2	0	2
3456	एन0एफ0एस0ए0 अंतर्गत खाद्यान्नों के अंतः राज्यीय हथलन एवं फेयर प्राइस शॉप डीलर्स मार्जिन	0	630	630
3456	एन0एफ0एस0ए0 अंतर्गत खाद्यान्नों के अंतः राज्यीय हथलन एवं फेयर प्राइस शॉप डीलर्स मार्जिन (राज्य संसाधन से अतिरिक्त व्यय)	0	0	0
3475	राष्ट्रीय शहरी आजीविका मिशन	0	1	1
4055	पुलिस तथा अन्य बलों के आधुनिकीकरण हेतु राष्ट्रीय स्कीम	35	19	54
4059	अनसूचित जातियों के विकास हेतु स्कीम	0	0	0
4059	कौशल विकास योजना	0	0	0
4059	राष्ट्रीय कृषि विकास योजना (आरकेवीवाई) (एसीए) (पशु एवं मत्स्य संसाधन विभाग के भवन हेतु)	7	0	7
4059	ग्राम न्यायालयों सहित न्यायपालिका हेतु अवसंरचना सुविधाओं का विकास	35	38	73
4059	अल्पसंख्यकों के लिए बहुक्षेत्रक विकास कार्यक्रम (प्रधानमंत्री जन विकास कार्यक्रम)	2	2	4
4059	अल्पसंख्यकों के लिए बहुक्षेत्रक विकास कार्यक्रम – विशेष राज्यांश (प्रधानमंत्री जन विकास कार्यक्रम)	0	0	0
4070	सीमा क्षेत्र विकास कार्यक्रम	6	4	10
4202	राष्ट्रीय उच्चतर शिक्षा अभियान	0	0	0
4210	प्रधान मंत्री-आयुष्मान भारत हेल्थ इन्फ्रास्ट्रक्चर मिशन	126	84	210
4210	स्ट्रेथेनिंग ऑफ स्टेट ड्रग रेगुलेटरी सिस्टम	0	0	0
4210	स्वास्थ्य तथा चिकित्सा शिक्षा में मानव संसाधन	38	57	95
4210	कैंसर मधुमेह हृदय रोग नियंत्रण एवं रोक थाम के लिए राष्ट्रीय कार्यक्रम	0	0	0
4210	रिजनल जेरियाट्रिक सेन्टर (टर्शियरी केयर योजना)	0	0	0
4210	बर्न इन्जुरी के रोकथाम एवं प्रबंधन हेतु राष्ट्रीय कार्यक्रम	0	0	0
4210	प्रधानमंत्री स्वास्थ्य सुरक्षा योजना (पी एम एस वाई)	0	0	0
4215	निर्मल भारत अभियान	139	0	139
4215	राष्ट्रीय ग्रामीण पेयजल कार्यक्रम(जल जीवन मिशन)	97	200	297
4215	घटायें एवं पूंजीगत लेखों में प्राप्तियां तथा वसूलियां	0	-2	-2
4216	ग्राम न्यायालयों सहित न्यायपालिका हेतु अवसंरचना सुविधाओं का विकास	21	19	40
4225	आर्थिक रूप से पिछड़े वर्गों के विकास हेतु स्कीम (ओ0बी0सी0 छात्र/छात्राएं के लिए छात्रावास)	0	0	0
4235	आंगनबाड़ी केन्द्रों का निर्माण/उन्नयन (सक्षम आंगनबाड़ी पोषण2.0)	136	50	186
4235	किशोर न्याय पर्षद (जेजेबीएस) और बाल कल्याण समिति (सीडब्ल्यूसीएस) सहित बाल देखरेख संस्थान (सीसीआई) के भवन का निर्माण (मिशन वात्सल्य योजना)	0	0	0
4235	आंगनबाड़ी पोषण 2.0 (आंगनबाड़ी केन्द्र भवन का उन्नयन)	0	0	0
4235	प्रधानमंत्री जनमन योजना अंतर्गत आंगनबाड़ी केन्द्र भवन का निर्माण	0	0	0

4235	घटायें पूंजीगत लेखों में प्राप्तियां और वसूलियां	0	0	0
4235	मिशन शक्ति (संबल) वन स्टॉप सेंटर	0	0	0
4250	अल्पसंख्यकों के लिए बहुक्षेत्रक विकास कार्यक्रम (प्रधानमंत्री जन विकास कार्यक्रम)	8	5	13
4250	अल्पसंख्यकों के लिए बहुक्षेत्रक विकास कार्यक्रम- विशेष राज्यांश (प्रधानमंत्री जन विकास कार्यक्रम)	0	5	5
4515	एल डब्ल्यू ई जिलों के लिए ए0सी0ए0 (पुलिस बलों का आधुनिकीकरण)	38	0	38
4515	घटाएँ पूंजीगत लेखों में प्राप्तियां तथा वसूलियां	-1	0	-1
4515	प्रधानमंत्री ग्राम सड़क योजना (पी0एम0जी0एस0वाई0)	1308	758	2066
4700	प्रधानमंत्री कृषि सिंचाई योजना	31	76	107
4700	उत्तर कोयल जलाशय परियोजना	0	0	0
4702	प्रधानमंत्री कृषि सिंचाई योजना (पी0एम0के0एस0वाई0) (हर खेत को पानी)	9	6	15
4711	त्वरित सिंचाई लाम तथा बाढ़ प्रबंधन कार्यक्रम (एआईबीपी) तथा जल संसाधन के अन्य कार्यक्रम	477	5	482
4711	सीमा क्षेत्र में नदी प्रबंधन गतिविधि एवं कार्य	51	0	51
4711	घटाएँ पूंजीगत लेखों में प्राप्तियां तथा वसूलियाँ	0	0	0
4711	उचंत	7	0	7
4801	पिछड़ा क्षेत्र अनुदान निधि (बी0आर0जी0एफ0)	250	0	250
5054	केन्द्रीय सड़क निधि	431	0	431
5054	विशेष सहायता (बी0आर0जी0-पथ)	0	0	0
5054	उचंत	15	0	15
5054	प्रधानमंत्री ग्राम सड़क परियोजना-वामपंथ उग्रवाद प्रभावित क्षेत्रों के लिए सड़क सम्पर्क परियोजना ।	135	104	239
Total		25898	31554	57452

Source: Govt. of Bihar, Dept. of Finance

Chapter 4

Gross Fiscal Deficit

Objectives:

- To analyze the deficits – Fiscal Deficits and Revenue Deficits*
- To examine the implementation of FRBM Act and commitment towards targets*
- To analyse the MTFP of various departments and aggregates*

Data Sources:

Finance accounts for data on revenue surpluses, capital outlays and loans and advances made and recovered by the state government during the last 10 years; Budget documents of the state government

Methodology:

Trend and composition analysis; year wise analysis of achievements FRBM targets; analysis of Mid Term Fiscal Policy (MTFP) targets and achievements.

The deficits represent the excess of expenditure over receipts. The net resource gap of the state government is reflected by the Gross Fiscal Deficit (GFD) which is to be bridged by borrowing of one sort or another. The GFD is calculated as the difference between the total revenue receipts including grants from the Centre and non-debt capital receipts, and the total expenditure of the government, including loans disbursed by it, net of recovery. The GFD less the interest payments are defined as the Primary Deficit which reflects the resource gap created during the current year without the interest charges on the past borrowings; in other words, this reflects the deficit created by the current policies of the state government without considering any liability inherited from the past, and therefore leading to additional borrowing.

4.1.1 Gross Fiscal Deficit

The GFD is a fairly good indicator of the state's overall financial performance, just as the GSDP is a fairly good proxy for the state's economic development. In the case of Bihar, where there is no other non-debt sources of receipts except revenue and recoveries of past loans, the GFD arises from three sources (1) deficit in the revenue account, (2) capital outlay which is to be financed generally by borrowing, since a state government would ordinarily not have enough resources for creating capital infrastructure necessary for development and (3) net lending by the state government (net of recoveries), which again is to be financed by borrowing. Ideally, the revenue account of a state government should show a surplus that can be used for making up the shortfall in the capital account, and reducing capital account borrowing to that extent. The GFD is financed by three components: (1) net borrowing by the state government (internal debt) and central loans, net of repayments, (2) net accretion to the public account (receipts minus withdrawals) and (3) drawing down of the cash balance of the state (difference between its opening and closing cash balances).

Table 4.1 and charts 4.1 and 4.2 show the GFD and its decomposition in Bihar during the 10 years from 2012-13 to 2022-23. The revenue surplus in Bihar has shown significant fluctuations over the past decade. From 2012-13 to 2018-19, Bihar maintained a revenue surplus, reaching a peak of Rs 14,823 crore in 2017-18. However, this trend reversed in 2019-20 when the state recorded a revenue deficit

of Rs 1,784 crore for the first time since 2004-05. The situation worsened significantly in 2020-21 with a revenue deficit of Rs 11,325 crore, due to the economic impact of the COVID-19 pandemic. While there was a brief recovery in 2021-22 with a small revenue deficit of Rs 422 crore, the state again faced a substantial revenue deficit of Rs 11,288 crore in 2022-23, as discussed in the next section.

Capital outlay has shown an overall increasing trend, albeit with some fluctuations. It grew from Rs 9,585 crore in 2012-13 to a peak of Rs 28,907 crore in 2017-18. There was a significant drop in 2019-20 to Rs 12,304 crore, again likely due to the pandemic, but it has since recovered, reaching Rs 31,520 crore in 2022-23. Net lending by the State continues to play a relatively minor role in the Gross Fiscal Deficit. In 2022-23, it stood at Rs 2015 crore. The Gross Fiscal Deficit (GFD) has shown a general upward trend, with significant increases in recent years. It rose from Rs 6,545 crore in 2012-13 to Rs 44,823 crore in 2022-23, with another notable spike

The GFD:GSDP ratio has fluctuated over the years, reaching 3.91% in 2016-17, well above the FRBMA limit of 3%. The situation has worsened in recent years, with the ratio hitting 5.08% in 2020-21 and 5.97% in 2022-23, far exceeding the limits specified. While the interest payments to revenue receipts ratio remains below the 10% threshold (ranging from 7.4% to 8.4% from 2015-16 to 2022-23), this alone is insufficient to bring the fiscal deficit within the modified FRBMA limits. The consistent increase in the GFD:GSDP ratio, particularly the sharp rise to 5.97% in 2022-23, indicates that the state's debt situation is becoming increasingly challenging. This trend suggests that the debt problem, which was previously under control, now requires urgent attention and management by the state government to prevent it from escalating into a more severe fiscal crisis. The primary deficit, which excludes interest payments, has also shown an upward trend, reaching Rs 29,639 crore in 2022-23, indicating increasing fiscal pressure. These trends suggest that while Bihar has made efforts to maintain fiscal discipline, recent years have posed significant challenges. The impact of the COVID-19 pandemic is evident in the fiscal indicators from 2019-20 onwards. The state will need to address these fiscal pressures and work towards aligning its fiscal performance with FRBM targets in the coming years.

Table 4.1: Gross Fiscal Deficit and Its Financing in Bihar (Rs crore)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit	-5101	-6442	-5848	-12507	-10820	-14823	-6897	1784	11325	422	11288
Capital Outlay	9585	14001	18151	23966	27208	28907	21058	12304	18209	23678	31520
Net Lending	2061	792	-1124	603	91	221	-355	636	294	1451	2015
Gross Fiscal Deficit	6545	8352	11179	12061	16479	14305	13807	14724	29827	25551	44823
Financed By											
Net Public Debt	6484	6788	10309	14258	17362	8516	11438	22035	29035	31698	33932
Net Borrowing from Public Account	343	1606	551	-1983	-893	5721	2479	-6880	506	-5778	11026
Net Drawal from Cash Balance	-281	-42	319	-214	10	68	-110	-431	286	-369	-135
Percentage Composition of Gross Fiscal Deficit (%)											
Revenue Deficit	-78	-77	-52	-104	-66	-104	-50	12	38	2	25
Capital Outlay	146	168	162	199	165	202	153	84	61	93	70
Net Lending	31	9	-10	5	1	2	-3	4	1	6	4
Gross Fiscal Deficit	100										
Financed By (%)											
Net Public Debt	99	81	92	118	105	60	83	150	97	124	76

Net Borrowing from Public Account	5	19	5	-16	-5	40	18	-47	2	-23	25
Net Drawal from Cash Balance	-4	-1	3	-2	0	0	-1	-3	1	-1	0
GSDP	282368	317101	342951	371602	421051	468746	527976	582516	587154	675448	751396
Interest payments	4428	5459	6129	7098	8191	9054	10071	10991	12484	13822	15184
Primary Deficit	2117	2893	5050	4964	8289	5251	3735	3732	17343	11729	29639
GFD: GSDP Ratio (%)	2.32	2.63	3.26	3.25	3.91	3.05	2.62	2.53	5.08	3.78	5.97

Source: Finance Accounts of Bihar Government for respective years

As seen from Table 4.1 and Chart 4.2, the GFD was mainly on account of the increasing levels of capital outlay throughout the period, which is welcome, helped by the significant revenue surpluses, and net lending constituting a small part of the GFD.

Chart 4.1: Gross Fiscal Deficit of Bihar (Rs. Crore)

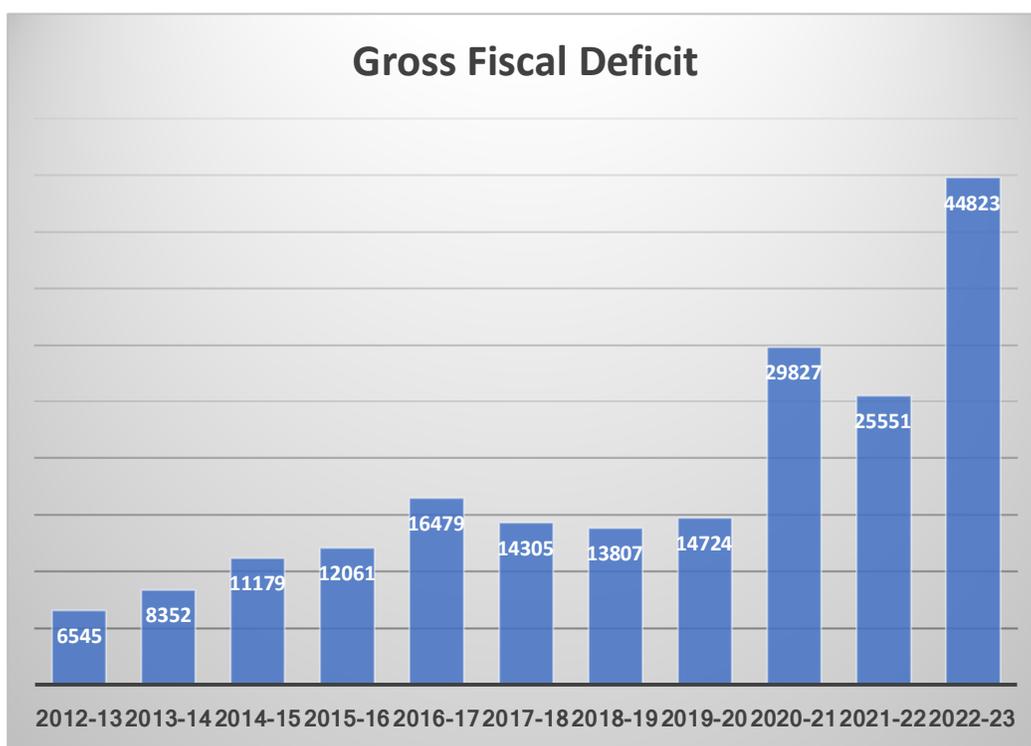


Chart 4.2: Decomposition of Fiscal Deficit (Rs. Crore)

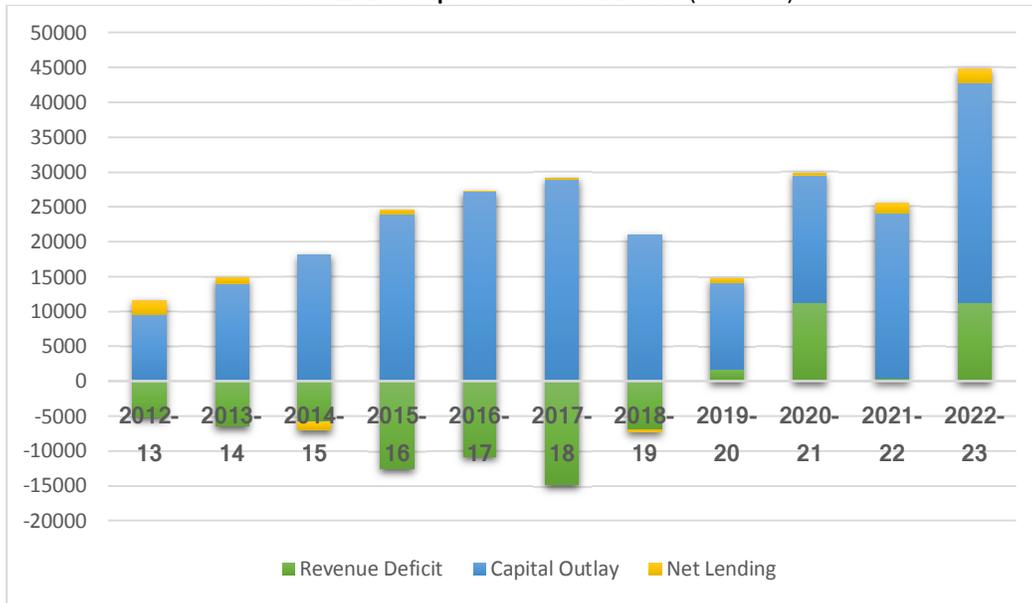
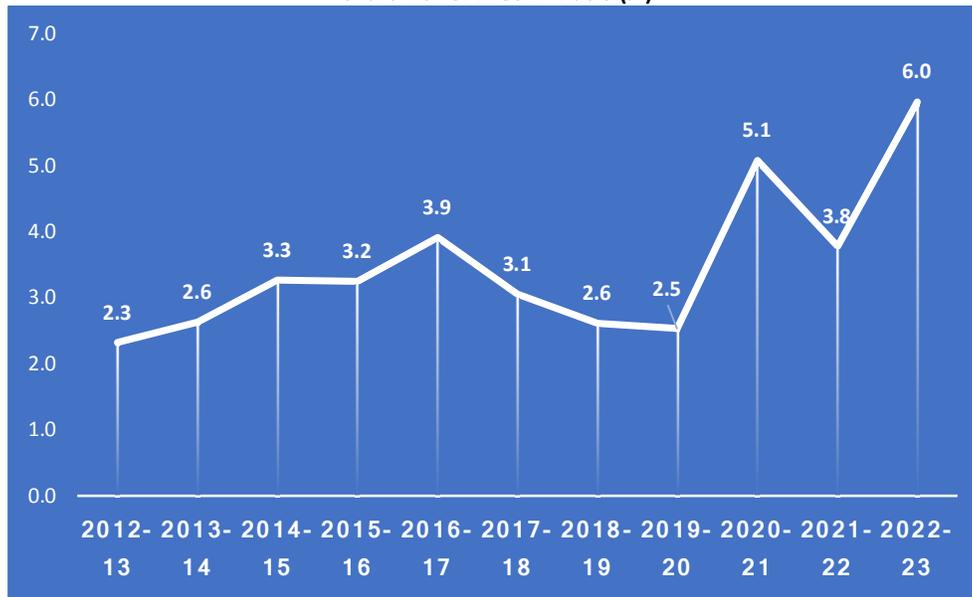


Chart 4.3: GFD:GSDP Ratio (%)



4.1.2 Revenue Deficit

The sharp rise in revenue deficit in 2022-23 was due to the disproportionate increase in revenue expenditure by 24,756 crore compared to increases in revenue receipts by Rs 13,891 crore, leading to an increase in Revenue Deficit by Rs 10,866 crore in 2022-23. As analysed in Tables 4.2 A and 4.2 B, the overall annual growth rate in general services expenditure increased by 8.7% over these two years (14.5% in FY 2023 - 5.8% in FY 2022), whereas that in respect of the social services actually declined (-3.2%). The annual growth rate in economic services remained more or less unchanged. The major

items of revenue expenditure where such growth took place in the three services are shown in table 4.2 B, from which it can be seen that increases occurred mainly in Housing, Power, Pension, Appropriation to Sinking Fund, Judiciary, Water Supply and Sanitation and Roads & bridges.

Table 4.2 A: Change in Growth Rates of Different Services

	Growth rate in 2021-22 (%)	Growth rate in 2022-23 (%)	Change in Growth Rates in FY 2023 over that FY 2022 (over respective previous years)
Total Revenue Expenditure	14.1	15.5	1.4%
General Services, of which	5.8	14.5	8.7%
Interest payments	10.7	9.9	-0.8%
Social Services	19.3	16.1	-3.2%
Economic Services	16.0	15.9	-0.1%
		2022-23 Over 2021-22	
Increase in General Services Expenditure		7090	8.7%
Increase in Social Services Expenditure		12234	-3.2%
Increase in Economic Services Expenditure		5432	-0.1%
Increase in Total Revenue Expenditure		24756	
Increase in Total Revenue Receipt		13891	
Increase in Revenue Deficit		10866	

Table 4.2 B: Increases in Revenue Expenditure (2022-23 over 2021-22)

	Change in Expenditure (FY 2023 over FY 2022)	Change in Growth Rates in FY 2023 over that FY 2022 (over respective previous years)
Increases in General Services		
Administration of Justice	1281	13.75%
Contribution to Consolidated Sinking Fund	1288	No expenditure in the previous 3 years.
Police	970	5.01%
Pensions and other retirement Benefits	2850	10.90%
Increases in Social Services		
Water Supply and Sanitation	1609	216.67%
Housing	5791	41.65%
Increases in Economic Services		
Power	3763	23.20%
Roads and Bridges	1089	27.54%

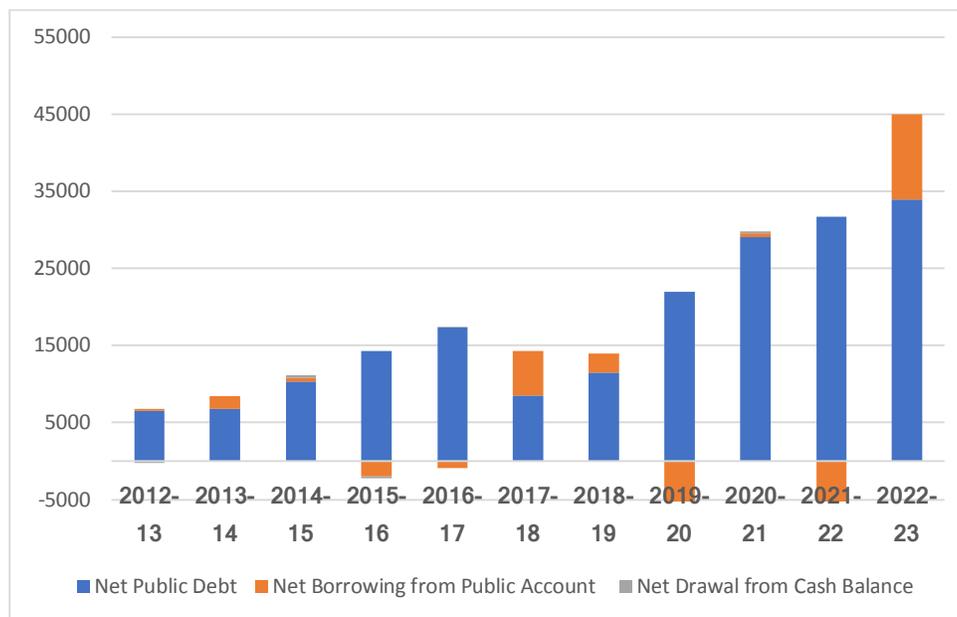
4.1.3 Financing of Gross Fiscal Deficit and Over-borrowing by the state

Table 4.1 and Chart 4.4 illustrates how Bihar's Gross Fiscal Deficit (GFD) has been financed over the past decade. The primary source of financing has been net borrowing in the Consolidated Fund of the state government, mainly through internal market borrowings. However, the role of net borrowing from the Public Account has also been significant though rather volatile. From 2012-13 to 2022-23, net public debt has consistently been the major source of GFD financing, often exceeding 100% of the GFD. Notable instances include 2015-16 (118%), 2016-17 (105%), 2019-20 (150%), and 2021-22 (124%). This trend indicates recurring over-borrowing, potentially leading to the accumulation of cash balances.

The contribution of net borrowing from the Public Account has been highly variable. It ranged from significant positive contributions (40% of GFD in 2017-18 and 25% in 2022-23) to substantial negative values (-47% in 2019-20 and -23% in 2021-22). This volatility reflects the nature of the Public Account, where availability rather than need often drives borrowing. The state's cash management effectiveness is called into question by these trends. In years like 2019-20, where net public debt significantly exceeded the GFD, the state could have reduced its borrowings by utilizing available cash balances more efficiently. The substantial swings in net borrowing from the Public Account also suggest opportunities for improved cash management. By better utilizing existing cash balances, Bihar could potentially reduce its reliance on borrowing, particularly in years where net public debt significantly exceeds the GFD.

In conclusion, while Bihar has consistently used net public debt as its primary means of financing the GFD, the volatility in Public Account borrowing and instances of over-borrowing highlight areas where fiscal management could be improved. More efficient use of cash balances and careful management of Public Account borrowings could help optimize the state's fiscal position.

Chart 4.4: Financing of Gross Fiscal Deficit (Rs. Crore)



4.2 Inter-State Comparison of Deficits

Table 4.3 presents an inter-state comparison of deficit scenarios of the general category states in India in 2022-23. From this, it is seen that Bihar's fiscal position has worsened significantly compared to previous years. The state now has a revenue deficit of Rs 11,288 crore, shifting from its earlier surplus position. However, one silver lining is that Bihar's capital outlay remains substantial at Rs 31,520 crore, ranking among the higher spenders in this category. In 202-23, Bihar's GFD to GSDP ratio stood at 6.0%, the highest among all listed states, significantly exceeding the FRBM target of 3%. While Bihar's capital outlay to GFD ratio is relatively high at 70.3%, indicating significant investment in capital expenditure, the state also faces a high primary deficit. These figures suggest that while Bihar maintains strong capital spending, it also faces considerable fiscal challenges compared to other general category states.

Table 4.3: Inter-State Comparison of Deficit Scenario, 2022-23

State	Amount in Rs. crore					Ratio in percent			
	Revenue Deficit	Capital Outlay	Net Lending	Gross Fiscal Deficit	Primary Deficit	GFD/ GSDP (%)	Revenue Deficit/ GFD (%)	Capital Outlay / GFD (%)	Primary Deficit / GFD (%)
Andhra Pradesh	43487	7245	1777	52508	27016	4.0	82.8	13.8	51.5
Bihar	11288	31520	2015	44823	29639	6.0	25.2	70.3	66.1
Chhattisgarh	-8592	13320	-32	4691	-1691	1.0	-183.2	284.0	-36.1
Gujarat	-19865	35499	1212	16845	-8508	0.8	-117.9	210.7	-50.5
Haryana	17211	11665	2224	31027	10931	3.1	55.5	37.6	35.2
Jharkhand	-13564	14014	4165	4615	-1623	1.2	-293.9	303.6	-35.2
Karnataka	-13496	57348	2772	46622	18195	2.1	-28.9	123.0	39.0
Kerala	9226	13997	2382	25554	377	2.4	36.1	54.8	1.5
MP	-4091	44438	902	41203	21749	3.1	-9.9	107.9	52.8
Maharashtra	1936	61644	4022	67601	25912	2.2	2.9	91.2	38.3
Orissa	-19456	33349	1326	15219	9717	2.0	-127.8	219.1	63.8
Punjab	26045	6667	1369	33930	14025	5.0	76.8	19.6	41.3
Rajasthan	31491	19798	-245	51029	20427	3.6	61.7	38.8	40.0
Tamil Nadu	36215	39530	6183	81886	34975	3.5	44.2	48.3	42.7
UP	-37263	93028	8871	64636	21628	2.9	-57.7	143.9	33.5
West Bengal	29528	13034	2127	44688	10906	3.9	66.1	29.2	24.4

Source: Budgets of respective State Governments for 2018-19

4.3 Implementation of FRBM Act

The State Legislature passed the Bihar Fiscal Responsibility and Budget Management (FRBM) Act in 2005-06, committing to specific fiscal targets and management practices. While the state has largely adhered to the commitments of eliminating revenue deficit and controlling fiscal deficit, recent years have seen some deviations, particularly in response to economic challenges. The fiscal deficit target of 3% of GSDP has been adjusted multiple times, with recent amendments allowing for higher deficits to address economic pressures, including those caused by the COVID-19 pandemic. For instance, in 2021-22, the fiscal deficit target was set at 4% of GSDP, with an additional 0.5% permitted under certain conditions. Regarding non-tax revenues and prioritization of capital expenditure, progress has been made, but challenges remain. The state has introduced measures to enhance non-tax receipts, as discussed in Chapter 2. However, the growth in non-tax revenue continues to be influenced by central transfers and grants rather than significant improvements in cost recovery or resource mobilization efforts by the state. The prioritization of capital expenditure has seen some improvement, with increased allocations for infrastructure development and social sectors, but a comprehensive framework for prioritization based on economic growth, poverty reduction, and human welfare improvement is still to evolve. The state continues to work on aligning its fiscal policies with the FRBM Act's objectives, balancing fiscal discipline with the need for economic development and response to unforeseen challenges.

The capital outlay of the state government has, of course, increased substantially over the period, as observed earlier; however, the state government is yet to prescribe the norms for capital expenditure and adopt a set of rules for the purpose of implementing the FRBM provisions in this regard.

Table 4.4: Deficit Indicators as Percentage of GSDP (Rs. crore)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit	-5101	-6442	-5848	-12507	-10820	-14823	-6897	1784	11325	422	11288
Primary Deficit	2117	2893	5050	4964	8289	5251	3735	3732	17343	11729	29639
Gross Fiscal Deficit	6545	8352	11179	12061	16479	14305	13807	14724	29827	25551	44823
GSDP	282368	317101	342951	371602	421051	468746	527976	581855	567263	650302	751396
Outstanding Liability	70890	79284	90143	102418	118888	133124	147041	162196	191737	217658	262616
Capital Outlay	9585	14001	18151	23966	27208	28907	21058	12304	18209	23678	31520
As percentage of GSDP											
Revenue Deficit	-1.8	-2.0	-1.7	-3.4	-2.6	-3.2	-1.3	0.3	2.0	0.1	1.5
Primary Deficit	0.7	0.9	1.5	1.3	2.0	1.1	0.7	0.6	3.1	1.8	3.9
Gross Fiscal Deficit	2.3	2.6	3.3	3.2	3.9	3.1	2.6	2.5	5.3	3.9	6.0
Outstanding Liability	25.1	25.0	26.3	27.6	28.2	28.4	27.9	27.9	33.8	33.5	35.0

Source: Finance Accounts of Bihar Government for respective years

4.3.1 Amendment to FRBM Act, 2021 and Performance of the Government against FRBMA Targets

To attain fiscal sustainability, the central government and all state governments have adopted a rule-based fiscal framework through the enactment of Bihar Fiscal Responsibility and Budget Management (BFRBM) Acts. These Acts provide some fiscal targets to ensure that government finances are managed with a view to achieve equitable and stable growth.

The Bihar Fiscal Responsibility and Budget Management Act has undergone several amendments since its inception in 2006, reflecting the state's commitment to adapting its fiscal policies to changing economic conditions and national recommendations. In addition to the major amendments outlined previously, there have been other noteworthy changes and provisions that deserve mention. The 2010 amendment introduced specific targets for fiscal deficit reduction, aiming to bring it down to 3.5% of GSDP in 2010-11 and further to 3% by 2011-12. The state kept to these targets. This gradual reduction approach demonstrated the state's commitment to fiscal consolidation while allowing for a realistic timeframe to achieve these goals. The amendment also set precise debt reduction targets, with the aim of progressively lowering the debt-to-GSDP ratio to 41.6% by 2014-15, indicating a long-term strategy for managing the state's debt burden.

The 2016 amendment, introduced greater flexibility in fiscal management. It allowed the state to increase its fiscal deficit up to 3.5% of GSDP under certain conditions.²⁵ These conditions were linked

²⁵ Fiscal deficit of the State will be anchored to an annual limit of 3 percent of GSDP. The State will be eligible for flexibility of 0.25 percent over and above this for any given year for which the borrowing limits are to be fixed if the debt-GSDP Ratio is less than or equal to 25 percent in the preceding year. The State will be further eligible for an additional borrowing limit of 0.25 percent of GSDP in a given year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10 percent of the revenue receipts in the preceding

to the state's debt levels and interest payments, suggesting a more nuanced approach to fiscal management that took into account various economic indicators. This amendment also introduced an innovative provision allowing the state to carry forward unutilized borrowing limits to subsequent years within the Finance Commission award period, providing additional fiscal maneuvering room.

In response to the unprecedented economic challenges posed by the COVID-19 pandemic, the Act saw further amendments in 2020. For the financial year 2019-20, an additional borrowing of Rs. 5,688 crore was permitted over and above the prescribed limits. Two more amendments followed, in March and August 2021, respectively. Under the amendment of March 2021, the fiscal deficit target and annual borrowing limit for the year 2020-21 were increased by two percent (2%) over and above the limits prescribed earlier, and the increase in annual borrowing limits shall be subject to the conditions set forth by the Government of India. These conditions include adjusting the borrowing limits for off-budget or extra budgetary borrowings and electricity reforms to make the DISCOMs more efficient.

As per the August 2021, the fiscal deficit target and annual borrowing limit for the financial year 2021-22 were fixed at 4 percent, again subject to the conditions set forth by the Government of India. The annual borrowing limit for the year 2021-22 were also increased by additional 0.5% of GSDP, again subject to the conditions set forth by the Central Government. As such, the Ministry of Finance, GoI, allowed additional one and half per cent borrowings, over and above three per cent of the GSDP (up to 4.5 per cent) during 2020-21, and additional borrowing of 0.5 per cent was allowed, subject to the condition for power sector reforms. The fiscal deficit target and annual borrowing limit for the year 2021-22 had decreased by 0.5 per cent over the previous year.

The target for GFD at 3.5% for 2022-23 and 3% thereafter till 2025-26, for which the annual borrowing limit shall be increased by 0.5% of GSDP subject to the conditions set forth by the GoI. The state will also have the option of utilizing the unavailed borrowing limit during the next financial year. These amendments collectively demonstrate Bihar's evolving approach to fiscal management, balancing the need for fiscal discipline with the flexibility required to address economic challenges and pursue development goals. The frequent revisions also underscore the dynamic nature of fiscal policy and the need for continuous adaptation to changing economic circumstances and national policy frameworks.

Table 4.5 shows the performance of the government against the targets set in the FRBMA and also against the fiscal targets set by the 14th and 15th Finance Commissions. As can be seen, the revenue deficit targets were breached since 2018-19 onwards and GFD targets were breached in 2016-17, 2020-21 and 2022-23; the magnitude of deviation was very substantial in both these years. The debt targets were breached in all the years till 2019-20, after which they improved, but were much higher than their respective Medium-Term Fiscal Plan (MTFP) targets, which are presented along with the budget.

year. Bihar fulfilled these conditions, its interest payments being well below the 10% cap between 2015 and 2020.

Table 4.5: Performance against FRBM and Finance Commission targets

	Revenue Deficit /GDSP (%)			GFD/ GSDP (%)			Outstanding Liability/ GSDP (%)		
	FC target	FRBMA target	Actual	FC target	FRBMA target	Actual	FC target	MTFP target	Actual
2015-16	-1.1	0	-3.4	3.5	3.0	3.2	25.0	19.6	27.6
2016-17	-1.3	0	-2.6	3.5	3.5	3.9	24.8	19.0	28.2
2017-18	-1.6	0	-3.2	3.5	3.0	3.1	24.8	19.8	28.4
2018-19	-1.8	0	-1.3	3.5	3.0	2.6	24.9	26.7	27.9
2019-20	-1.9	0	0.3	3.5 ²⁶	3.0	2.5	24.9	25.7	27.8
2020-21	-0.1	0	1.9	--	5.0	5.1	41.2	23.9	32.7
2021-22	-0.5	0	0.1	4.5	4.5	3.8	40.2	26.6	32.2
2022-23	-0.8	0	1.5	4.0	3.5	6.0	40.8	32.0	35.0
2023-24	-1.2			3.5			40.4		
2024-25	-1.7			3.5			39.9		
2025-26	-2.5			3.0			39.3		

Sources: FC Reports; Annexure 4.1, Report of the 14th FC, Report of the 15th FC, Vol IV; Finance Accounts and CAG Reports on State Finances of Bihar Government

4.3.2 Analysis of Medium-Term Fiscal Plan (MTFP)

A Medium-Term Fiscal Plan (MTFP) is being prepared by the Department of Finance every year since 2006 under the Bihar FRBM Act, 2006. However, the state government does not prepare Department-wise targets and achievements in respect of MTFP; it only does so for the state as whole. The targets of fiscal indicators of Bihar for its MTFP during the years 2014-15 to 2024-25 against their actual achievements up to 2022-23 are shown in Table 4.6. It can be seen that there are significant deviations between the MTFP targets and actual achievements across various fiscal indicators. The revenue surplus/deficit has shown considerable volatility, with the state experiencing deficits in some years while projecting surpluses. The fiscal deficit has consistently exceeded the MTFP targets, with the gap widening in recent years. By 2022-23, the actual GFD to GSDP ratio reached 6.0% against a target of 3.5%. The public debt outstanding has also consistently exceeded targets, reaching 32.3% of GSDP in 2022-23. While tax revenue collection has generally been close to or exceeded targets, it hasn't been sufficient to offset the increased expenditure. The GSDP projections in the MTFP bear poor correlation with the actual figures.

Table 4.6: Target of Fiscal Indicators of Bihar for MTFP (Rs. Crore)²⁷

	MTFP Targets					As percentage of GSDP			
	Revenue Surplus	Fiscal Deficit	Public Debt Outstanding	Total Tax Revenue	GSDP	Revenue Surplus	GFD	Public Debt	Tax Revenue
2014-15	10174	11368	77700	67438	383709	2.7	3.0	20.2	17.6

²⁶ For the period covered by 14th FC (2015-2020) Fiscal deficit of all States was anchored to an annual limit of 3 per cent of GSDP. The States were eligible for flexibility of 0.25 per cent over and above this for any given year for which the borrowing limits are to be fixed if their debt-GSDP ratio is less than or equal to 25 per cent in the preceding year. States were further eligible for an additional borrowing limit of 0.25 per cent of GSDP in a given year for which the borrowing limits were to be fixed if the interest payments were less than or equal to 10 per cent of the revenue receipts in the preceding year.

²⁷ Targets have been taken from the MTFP statements submitted along with the respective budgets, e.g. targets for 2014-15 have been taken from the 2014-15 budget. Targets for the years 2022-23 onwards are taken from the MTFP statements submitted along with the 2022-23 budget.

2015-16	11981	13584	89240	81623	455451	2.6	3.0	19.6	17.9
2016-17	14649	16014	106009	88090	558809	2.6	2.9	19.0	15.8
2017-18	14555	18112	125074	97327	632180	2.3	2.9	19.8	15.4
2018-19	21312	11204	137900	107174	515634	4.1	2.2	26.7	20.8
2019-20	21517	16101	147361	122922	572827	3.8	2.8	25.7	21.5
2020-21	19173	20374	163904	125931	685797	2.8	3.0	23.9	18.4
2021-22	9196	22511	201467	186267	757026	1.2	3.0	26.6	24.6
2022-23	4748	25885	238127	132568	745310	0.6	3.5	32.0	17.8
2023-24	5175	24372	262498	144499	812388	0.6	3.0	32.3	17.8
2024-25	5667	26687	289185	158226	889565	0.6	3.0	32.5	17.8
	MTFP Achievements					As a percentage of GSDP			
2014-15	5847	11179	74570	57713	342951	1.7	3.3	21.7	16.8
2015-16	12507	12062	88829	74372	371602	3.4	3.2	23.9	20.0
2016-17	10819	16480	106191	82623	421051	2.6	3.9	25.2	19.6
2017-18	-14823	14305	114707	88220	468746	-3.2	3.1	24.5	18.8
2018-19	-6897	13807	126145	103011	527976	-1.3	2.6	23.9	19.5
2019-20	1784	14724	148180	93564	581855	0.3	2.5	25.5	16.1
2020-21	11325	29827	177215	90203	567263	2.0	5.3	31.2	15.9
2021-22	422	25551	208913	126207	650302	0.1	3.9	32.1	19.4
2022-23	11288	44823	242846	139528	751396	1.5	6.0	32.3	18.6

Source: MTFP Statements submitted along with the Budgets for respective years.

These trends suggest that the MTFP exercise has been overly optimistic, particularly regarding fiscal deficit and public debt management. The persistent underestimation of the fiscal deficit is concerning, as it has led to higher-than-projected public debt levels. This indicates a need for more realistic fiscal planning and stricter adherence to fiscal discipline in Bihar's financial management.

Chapter 5

Debt Position

Objectives

To analyse the level of Debt: GSDP ratio and the use of debt funds;

To analyse the composition of the state's debt, including liabilities in public account and borrowings from Financial Institutions;

To analyse the contingent liabilities of the State;

To prescribe a sustainable debt roadmap for 2026-31.

Methodology

Trend and composition analysis of public debt and public account liabilities; analysis of net debt accrued to the state after discharging of liabilities; analysis of maturity profile of the state debts; debt sustainability analysis.

Data Sources

Finance Department for data on GST; Finance accounts for data on public debt and public account liabilities, capital receipts and repayment obligations; National accounts for growth of GSDP.

The total outstanding liability is composed of the liability of the state government on account of public debt which is routed through the Consolidate Fund and other liabilities which pertain to some elements of its Public Account - these are liabilities are on account of Small Savings, Provident Fund and Other Accounts, Deposits and Advances, and Reserve Funds.

5.1 Outstanding Debt

Table 5.1 and Chart 5.1 show the outstanding debt liabilities of the state government (excluding guarantees) from 2012-13 to 2022-23. The total outstanding liabilities of the state government, as can be seen from the table, had accumulated to Rs. 2,62,616 crore at the end of 2022-23, growing steadily at an annual rate of 13.9% during this period. Public Debt constituted nearly 92.5% of the total outstanding liability at the end of 2022-23, as against 81% in 2012-13 . Other Liabilities thus constitute 7.5% part of the total liability of the state government, though it is not a debt in the strict sense of the term. These are composed of the state government's liabilities to the Provident Fund, Small Savings and other Accounts, Deposits and Advances and Reserve Funds. While most of these liabilities are interest bearing, some of these liabilities under the Reserve Funds and Deposits and Advances are also non-interest bearing; here the state government only holds the public money in trust with an obligation to repay.

The Public Debt is composed of Internal Debt of the state government and Loans and Advances from the Centre. The share of central loans in total public debt had sharply declined for all the states; in Bihar, it constituted 14.3% of the total public debt of the state government at the end of 2022-23, compared to 15% in 2012-13. The Internal debt had grown at an annual rate of 15.6% during the period, compared to 14.9% for Central loans. The Internal debt is raised by the state government by floating Bonds, by issuing special securities to the National Small Savings Fund (NSSF) of the Central government till 2015-16, and from the financial institutions like LIC/GIC, NABARD, NCD and others.

The details of outstanding liabilities of the state government on account of public debt will be discussed later. In contrast, the balances of the Public Account, being part of the Cash Balance of the state government, is automatically available to the state government and here borrowing depends on availability rather than need, and is beyond the control of the state government, thereby leading to surplus and avoidable borrowings as discussed in the last section. This is an aberration in our public financial system, not present anywhere outside the subcontinent. It is to be noted that the interest on interest-bearing public account funds are paid out of the Consolidated Fund of the state government, that is by using taxpayers' money, while the funds themselves are outside the Consolidated Fund and hence lack the usual financial and legislative controls applicable in respect of the latter. The state government also has no role to play in respect of accumulation of money in most of these funds which come from private sources – like the provident fund contributions. The administration of these funds also leaves scope for substantial discretion by State government with the possibility of their likely misuse.

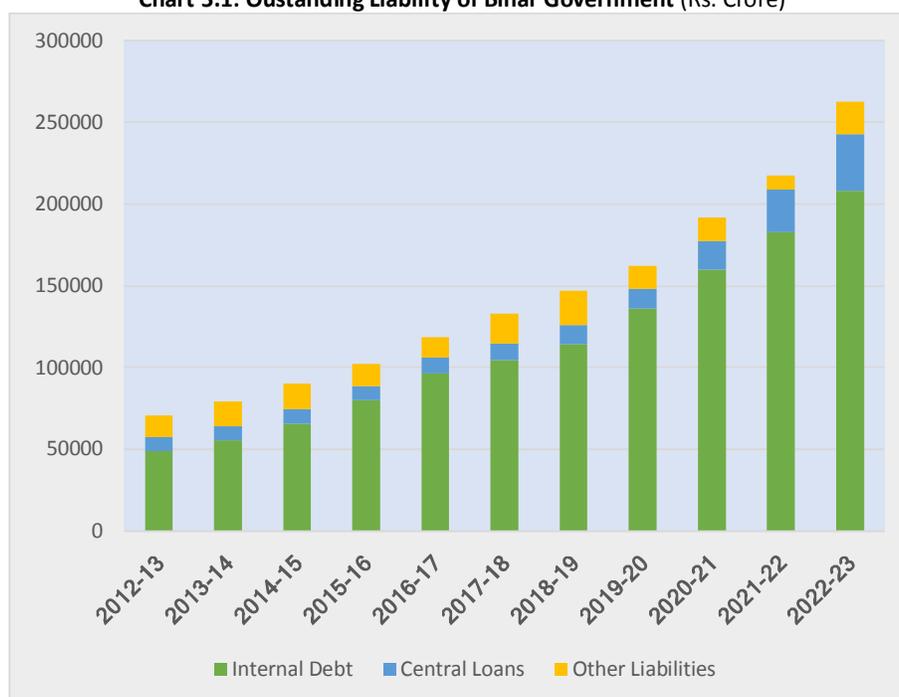
For the treatment of debt liabilities, a new approach was adopted in 2012-13 when, unlike in the past, the net receipts from Small Savings, Provident Fund and other accounts were included in the total debt liabilities of the state government. However, the new Indian Government Accounting Standard (IGAS) 10 has introduced a distinction between the receipts of debt into the Consolidated Fund and the liabilities that accrue to the state government automatically by virtue of its Public Account. Though the standard has not yet been formally adopted and is not free from contradictions, it has redefined the outstanding liabilities of the state government. Earlier, the total debt of the state government comprised its internal debt, loans from the central government, and loans from small savings and provident fund account. While the first two are part of the borrowings against the Consolidated Fund, the small savings and provident fund account share is maintained in its Public Account. As per the new accounting standard, public debt now comprises the borrowings from the Consolidated Fund only, while the three major public account balances constitute the 'Other Liabilities' of the state government, since they all stand merged into the cash balance of the state government. The 'Other Liabilities' include Provident Fund and Other Accounts, Reserve Funds, and Deposits and Advances. The accounts of the state government are already reflecting this new classification of public debt and other liabilities. It may be mentioned that public accounts create a lot of distortions in the government financial system and there is a need to deal with it at a structural level.

As seen from Table 5.1 and Chart 5.1, the outstanding liability as a percentage of GSDP had increased from 25.1% in 2012-13 to 35% in 2022-23, due mainly to the higher growth of outstanding liability at an annual rate of 13.9%, compared to an annual growth rate of 10.2% for GSDP during the period. The ratio of outstanding liability to GSDP had reached a lower level of 25% in 2013-14 but has since been rising, which is a matter for concern.

Table 5.1: Outstanding Liabilities of Bihar Government (Rs crore)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR
Internal Debt	48826	55624	65848	79990	96595	104525	114360	136082	159558	182855	208098	15.6
Central Loans	8649	8638	8722	8838	9596	10182	11785	12098	17657	26058	34748	14.9
Total Public Debt	57474	64262	74570	88829	106191	114707	126145	148180	177215	208913	242846	15.5
Other Liabilities	13415	15022	15572	13589	12697	18418	20896	14016	14522	8745	19770	3.9
Total Outstanding Liabilities	70890	79284	90143	102418	118888	133124	147041	162196	191737	217658	262616	13.9
GSDP	282368	317101	342951	371602	421051	468746	527976	581855	567263	650302	751396	10.2
Outstanding Liability as % of GSDP	25.1	25.0	26.3	27.6	28.2	28.4	27.9	27.9	33.8	33.5	35.0	-----

Chart 5.1: Outstanding Liability of Bihar Government (Rs. Crore)



5.2 Use of Debt Funds

The public debt can be a powerful instrument of economic growth, if it is utilised for the creation of productive assets. The ratio of capital outlay to capital receipts reflects the extent to which the debt funds is productively used by the state government. Also, the state government has a debt service obligation to discharge every year that comprises the installments of the principal amounts of past loans as well as the interest due on these. Since interest is to be paid out of revenue account (under General Services), it is expected that the revenue account would generate the necessary resources to pay off the interest.

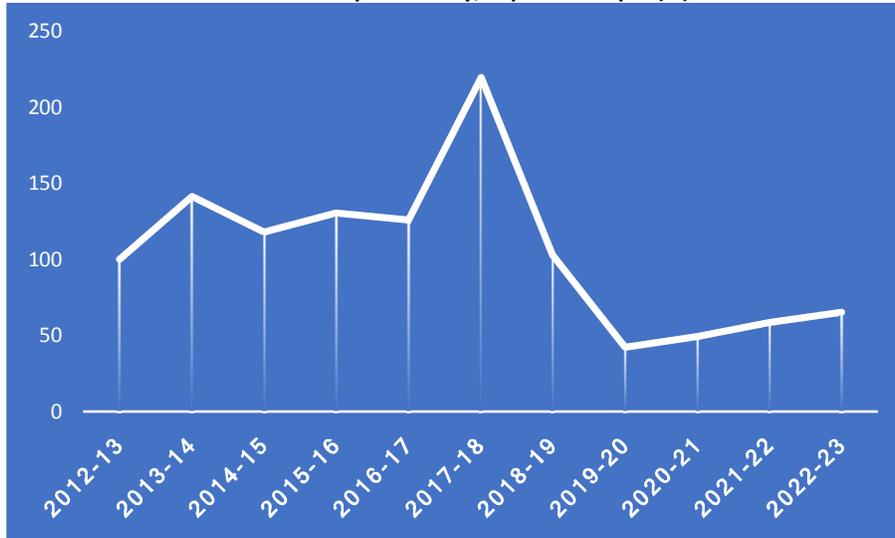
Table 5.2 and Chart 5.2 show the use of debt funds by the state government. It can be seen from this table that substantial volumes of debt resources were available to the state government for capital investment purposes after discharging its debt service (including interest payments) and disbursing of loans and advances, mostly for capital purposes, within the State. The ratio of Capital Outlay to Capital Receipts has fluctuated over the years, reaching a peak of 219% in 2017-18, but has generally remained above 100% until 2018-19. However, it has dropped significantly in recent years, indicating a change in the pattern of debt fund utilization. The drop was due to the deterioration in the revenue balance position in recent years as discussed in the receding chapters.

Table 5.2: Use of Public Debt by Bihar Government (Rs crore)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Public Debt											
Receipts	9554	9907	13918	18383	21577	13169	18668	29145	35915	40445	48284
Repayments	3070	3120	3609	4125	4215	4654	7230	7110	6880	8746	14351
Availability of Debt Funds	6484	6787	10309	14258	17362	8516	11438	22035	29035	31698	33932
Less Net Loans / Advances Disbursed	2061	792	-1124	603	91	221	-355	636	294	1451	2015
Less Net Interest Paid	4261	5190	5784	6514	7251	7477	8699	9575	9242	13099	14542
Net Debt Funds Available	162	805	5649	7141	10020	818	3094	11824	19499	17148	17376
Capital Outlay	9585	14001	18150	23966	27208	28907	21058	12304	18209	23678	31520
Capital Receipts	9579	9922	15411	18402	21600	13191	20494	29175	36736	40473	48325
Net Debt Available / Total Debt Received (%)	2	8	41	39	46	6	17	41	54	42	36
Capital Outlay/ Capital Receipts (%)	100	141	118	130	126	219	103	42	50	59	65

Source: Finance Account of Bihar Government for respective years

Chart 5.2: Capital Outlay/Capital Receipts (%)



From Chart 5.3, we see that the net debt available to the state after discharging the debt servicing and interest obligations was less than half the borrowings (except in 2021) and its capital outlay has generally been higher than capital receipts till 2018-19, after which it declined sharply as the state’s revenue position declined due to Covid and has not yet recovered fully. In 2022-23, capital outlay was only two thirds of the capital receipts, an improvement over the previous three years. Charts 5.3 and 5.4 respectively show capital outlay vis-à-vis the net debt funds available and Debt service Vs Debt receipts position.

Chart 5.3: Net Debt Funds Vs Capital Outlay (Rs. Crore)

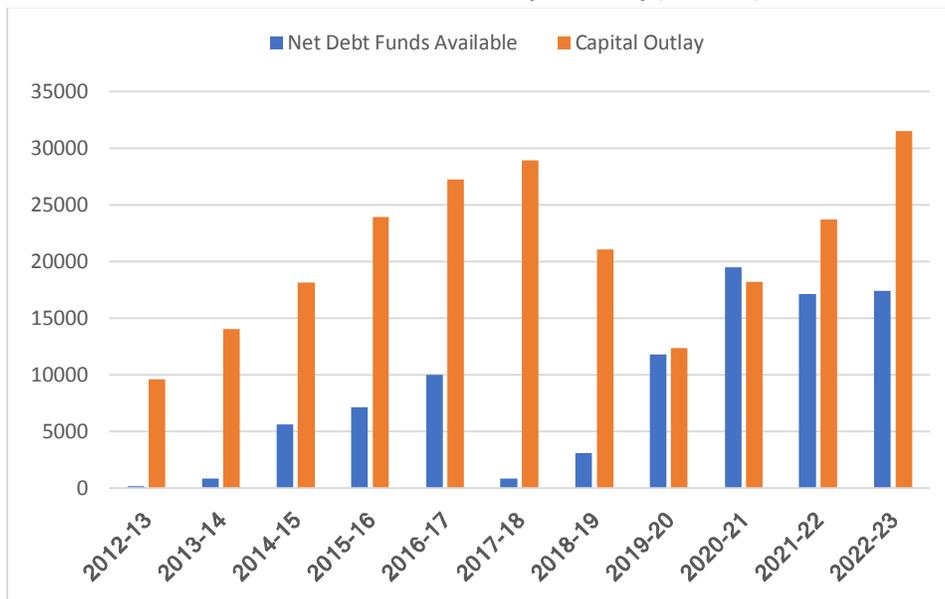
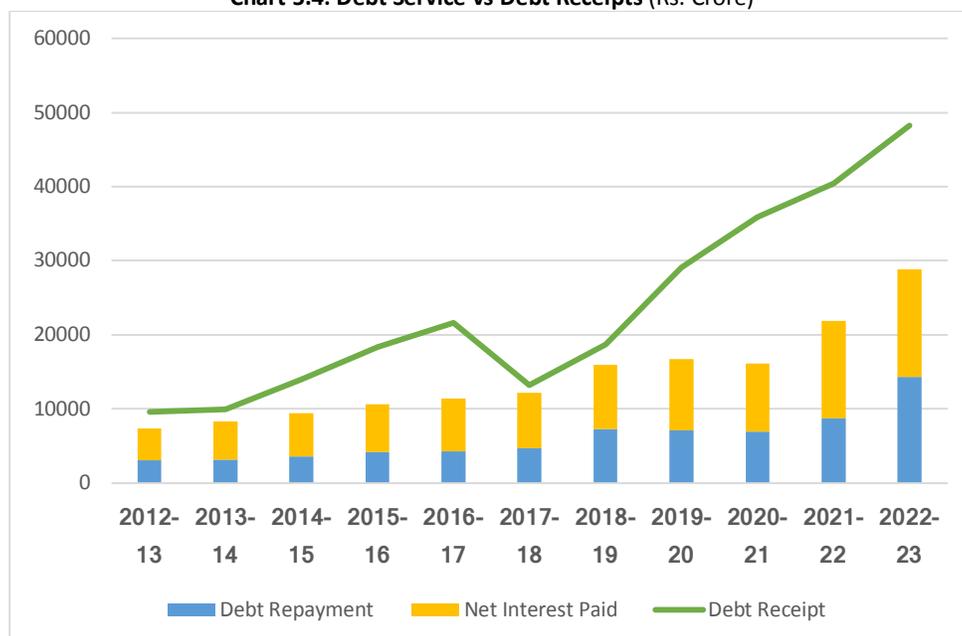


Chart 5.4: Debt Service vs Debt Receipts (Rs. Crore)



5.3 Composition of Outstanding Public Debt

Table 5.3 shows the composition of Bihar's outstanding public debt during the period 2012-23. The major part, 85.7%, of this outstanding debt at the end of 2022-23 was due to the internal loans raised by the state government and 14.3% was due to loans from the central government. The composition of outstanding debt has remained more or less the same over these years, with no significant structural changes over the years, except in regard to special securities issued to NSSF consequent to implementation of the 14th Finance Commission recommendations. The share of Central loans dropped in between but has risen after the covid years, almost attaining its previous level of around 15%.

Table 5.3: Composition of Outstanding Public Debt of Bihar Government (%)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Internal Debt	85	86.6	88.3	90.0	91.0	91.1	90.7	91.8	90.0	87.5	85.7
Market Loans	45.1	48.7	50.9	54.2	61.2	64.4	67.2	72.5	74.5	74.9	75.9
Bonds	1.1	0.7	0.3	1.8	2.2	2.0	1.9	1.6	1.3	1.1	0.8
Loans from Financial Institutions	5.4	6.4	6.4	6.0	5.7	5.9	6.0	5.8	5.2	4.8	4.0
Special Securities Issued to NSSF	33.3	30.7	30.7	28.1	21.9	18.7	15.6	12.0	8.9	6.7	5.0
Others	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central Loans	15	13.4	11.7	9.9	9.0	8.9	9.3	8.2	10.0	12.5	14.3
Non-Plan loans	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Loans for State Plan Schemes	14.9	13.3	11.6	9.8	8.9	0.2	0.2	0.1	0.1	0.1	0.1
Others	0.1	0.1	0.1	0.1	0.0	8.7	9.2	8.0	9.9	12.4	14.2
Total Public Debt	100	100	100	100.0							

Source: Finance Account of Bihar Government for respective years

Table 5.4 shows the break-up of outstanding public debt of the state government (excluding public account) as on 31st March 2023. It can be seen that outstanding market loans constituted 75.9% of the total public debt liability of the state government. Special Securities Issued to NSSF accounted for 5.0%, while Loans from Financial Institutions constituted only 4.0% of the total outstanding public debt. Among the Central Loans, the category "Other Loans" has become significant, accounting for 14.2% of the total public debt.

Table 5.4: Details of Outstanding Public Debt as on 31st March 2023

Nature of Borrowings	Outstanding Balance (Rs. Crore)	Percentage Composition
A. Internal Debt, of which	208098	85.7
Market Loans	184275	75.9
WMA from the RBI	0	0.0
Compensation and Other Bonds	1962	0.8
Loans from Financial Institutions	9776	4.0
Special Securities Issued to NSSF	12077	5.0
Other Loans	7	0.0
B. Loans and Advances from Central Government, of which	34748	14.3
Non plan loans	1	0.0
Loans for Central Plan Schemes	1	0.0
Loans for State Plan Schemes	191	0.1
Loans for Centrally Sponsored Plan Schemes	0.53	0.0
Other Loans	34556	14.2
Total (A+B)	242846	100

Source: Finance Account of Bihar Government for respective years

5.4 Liabilities in Public Account

Table 5.5 shows the outstanding liability on Public Account and their respective contribution to total outstanding liability for the period 2012-23. The outstanding liability on Public Account has been growing at an annual rate of 9.3% during the period. There has been significant structural changes in public account: While Small Savings, Provident Fund and Other Accounts together constituted only 19% of the total liability on Public Account at the end of 2022-23, the share was 49% at the end of 2012-13. The share of Deposits and advances gradually climbed from 41% to 76% during this eleven-year period, while the share of Reserve Funds in Other Liabilities decreased from 10% in 2012-13 to 5% in 2022-23. Table 5.6 shows the details of outstanding liability on account of Public Account as on 31st March, 2023.

Table 5.5: Composition of Outstanding Liability on Public Account (Rs. crore)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Total Outstanding Liabilities on Public Account	18914	22547	24341	27599	32379	41917
Small savings, Provident Fund and Other Accounts	9346	9048	8865	8792	8891	8811
Reserve Funds	1819	2081	1836	1435	723	26
Deposits and Advances	7749	11418	13640	17372	22765	33080
Percentage Composition						
Small savings, Provident Fund and Other Accounts	49	42526	44951	49730	48348	50212
Reserve Funds	10	9089	9279	9445	9522	9397
Deposits and Advances	41	26	549	901	1042	2627

	2018-19	2019-20	2020-21	2021-22	2022-23
Total Outstanding Liabilities on Public Account	42526	44951	49730	48348	50212
Small savings, Provident Fund and Other Accounts	9089	9279	9445	9522	9397
Reserve Funds	26	549	901	1042	2627
Deposits and Advances	33411	35123	39384	37784	38188
Percentage Composition					
Small savings, Provident Fund and Other Accounts	21	21	19	20	19
Reserve Funds	0	1	2	2	5
Deposits and Advances	79	78	79	78	76

Source: Finance Account of Bihar Government for respective years

Table 5.6: Composition of Outstanding Liability on Public Account, 31st March 2023

	Amount Outstanding (Rs. crore)	Share in Total (%)
I. Provident Funds & Other Accounts		
State Provident Funds	9455.68	30.48
Insurance and Pension funds	-58.80	-3.14
Total Provident Funds & Other Accounts	9396.87	27.33
II. Reserve Funds		
Reserve Funds bearing Interests	2626.60	2.14
General and other Reserve Funds	0	0.08
Total Reserve Funds	2626.60	2.22
III. Deposits		
Deposits bearing interest	257.63	0.27
Deposits not bearing interest	38180.32	70.18
Civil Deposits	11165.89	29.61
Deposits of Local Funds	26927.43	40.30
Other deposits	87.00	0.26
Total Deposits	38437.95	70.45
Total Outstanding Liability on Public Account	50461.42	100.00

Source: Finance Account of Bihar Government for respective years

5.5 Sustainability of Debt

The debt sustainability is defined as the ability of the state government to maintain a reasonably low Debt-GSDP ratio over a period of time and reflects its ability to service its debt. The high debt ratios are costly and eventually become unsustainable. The fiscal sustainability is also linked to the concept of solvency and liquidity; while solvency refers to the government's ability to service its debt obligations without explicitly defaulting on them, liquidity refers to government's ability to roll-over its maturing liabilities with its liquid assets and available financing. The vulnerability to such problems is related to structure of debt, in terms of short- and long-term debts as well as internal and external debts.

The sustainability of debt refers to the sufficiency of current assets to meet current or committed obligations and the capacity to balance the cost of additional borrowings with returns from such borrowings. Debt sustainability measures the ability of the State to maintain a constant debt-GSDP ratio over a period of time. It indicates the ability of the State to maintain a balance between the costs of additional borrowings with return from such borrowings. It means that the rise in fiscal deficit should match with the increase in capacity to service the debt. The borrowings are necessary to bridge the resource gap or fiscal deficit; debt sustainability then implies that increase in fiscal deficit should be accompanied by an enhanced ability to service the additional debt burden. While judging the sustainability of debt, one should be concerned with the inter-temporal budget constraint of the government and the change in public debt ratio over time. The long run debt sustainability condition implies the sufficiency of incremental non-debt receipts of the state government to cover its incremental primary expenditure. The debt sustainability implies that the incremental non-debt receipts can meet the incremental interest burden plus the incremental debt servicing expenditure.

In determining sustainability of debt, we are following the classical Domar Model, according to which a necessary condition for stability is that the rate of growth of economy must exceed the interest rate or cost of public borrowings. Then the debt-GSDP ratio is likely to be stable, provided there is a sustained primary surplus (at least not a continued substantial deficit in the primary account) so that no additional debt is created. This is known as the 'Solvency Condition'. The stock of public debt could increase so long as it does not increase faster than the interest rate. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (debt stock multiplied by the rate spread), debt sustainability condition states that if the quantum spread together with primary balance is zero, Debt-GSDP ratio would be stable and debt would be sustainable. On the other hand, if it is negative, the Debt-GSDP ratio would continue to rise and in case it is positive, Debt-GSDP ratio would eventually fall.

Table 5.7: Sustainability of Debt (Rs. Crore)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Weighted Interest Rate on Loans (%)	6.4	6.7	6.6	6.6	6.4	6.1
GSDP Growth Rate (%)	14.3	12.3	8.2	8.4	13.3	11.3
Interest Rate Spread (%)	7.8	5.6	1.6	1.8	6.9	5.2
Outstanding Debt	70890	79284	90143	102418	118888	133124
Quantum Spread	5552	4456	1408	1817	8188	6919
Primary Deficit	2117	2893	5050	4964	8289	5251
Quantum Spread - Primary Deficit	3436	1563	-3642	-3147	-101	1668

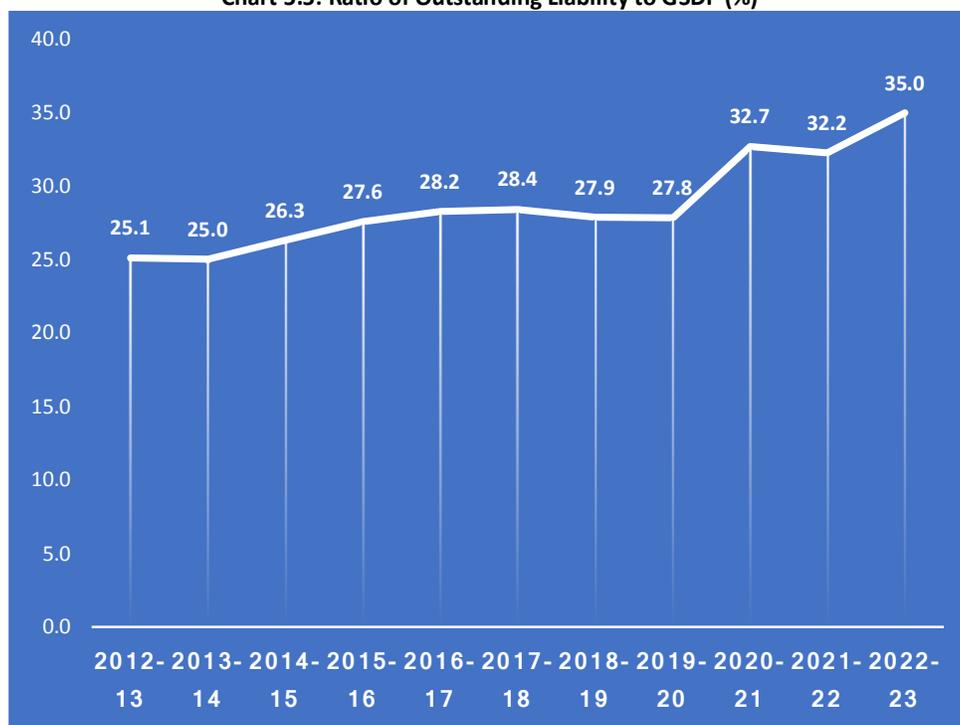
GFD (Resource Gap)	6545	8352	11179	12061	16479	14305
GSDP	282368	317101	342951	371602	421051	468746
Outstanding Liability: GSDP Ratio (%)	25.1	25.0	26.3	27.6	28.2	28.4

	2018-19	2019-20	2020-21	2021-22	2022-23
Weighted Interest Rate on Loans (%)	7.7	7.7	7.6	7.7	7.2
GSDP Growth Rate (%)	12.6	10.3	0.8	15.0	11.2
Interest Rate Spread (%)	4.9	2.7	-6.8	7.4	4.1
Outstanding Debt	147041	162196	191737	217658	262616
Quantum Spread	7214	4298	-13007	16036	10725
Primary Deficit	3735	3732	17343	11729	29639
Quantum Spread - Primary Deficit	3478	566	-30350	4307	-18914
GFD (Resource Gap)	13807	14724	29827	25551	44823
GSDP	527976	582516	587154	675448	751396
Outstanding Liability: GSDP Ratio (%)	27.9	27.8	32.7	32.2	35.0

Source: Finance Account of Bihar Government for respective years and CAG State Finance Audit Reports

Table 5.7 shows the sustainability of outstanding liabilities of the Bihar Government and Chart 5.5 shows the ratio of outstanding liabilities to GSDP. From Table 5.7, we see that the solvency condition is not satisfied in Bihar's case. Even though the growth rate of its GSDP outstripped the growth rate of its outstanding liability for all the years except the covid year 2020-21, there was a substantial deficit in its primary account in all the years, the deficit increasing sharply after Covid. As a result, the ratio of outstanding liabilities to GSDP has increased from 25% to 35% over the period. It was still a much-improved situation, considering that the ratio had reached as much as 45% in 2007-08. This trend is likely to continue, putting strain in the servicing of debt in future, since the non-debt receipts would not be sufficient to bridge the resource gap together with the net borrowed funds available. The liabilities might then become unsustainable in the long run if this trend continues unchecked.

Chart 5.5: Ratio of Outstanding Liability to GSDP (%)



5.6 Maturity Profile of Outstanding Debt

Table 5.8 A, B and C as well as Chart 5.6 show the maturity profile of the State's outstanding debt as at the end of 2022-23. Before the award period of the 16th Finance Commission, the State would have discharged 30% of its outstanding debt as on 31st March 2023, but 48% of its debt will get discharged during the award period of the 16th Finance Commission (2026-31), amounting to Rs 90022 crore, as of now. Any debt sustainability roadmap of the State must factor in this maturity profile of the outstanding debt.

Table 5.8 A: Maturity Profile of Outstanding Internal Debt (Rs Crore)

	Govt. Bonds	NABARD	Compensation & Other Bonds	NSSF	NCDC	Total	Share in Total (%)
Zero to 1 year (Till 2024-25)	33892	3772	468	3766	189	42087	6.8
1 to 3 years (Till 2026-27)	35200	3425	466	2483	140	41714	9.7
3 to 5 years (Till 2028-29)	36293	1915	466	1877	83	40634	14.1
5 to 8 years (Till 2031-32)	42090	266	561	2033		44950	41.5
8 to 12 years (Till 2035-36)	36800			1503		38303	18.8
Beyond 12 years (Till 2038-39)				364		364	8.6
Total	184275	9378	1961	12026	412	208052	0.5

Source: Finance Accounts, 2022-23, on the basis of information provided by the State Government

Chart 5.6: Maturity Profile of Internal Debt 2022-23 (Rs Crore)

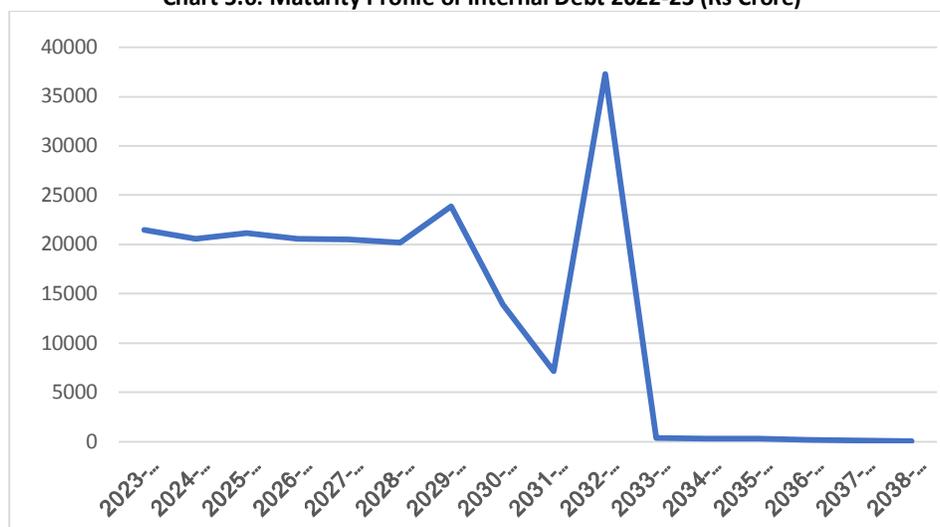


Table 5.8 B: Year-Wise Maturity of Outstanding Internal Debt (Rs Crore)

Year	Amount Maturing
2023-24	21472
2024-25	20614
2025-26	21136
2026-27	20579
2027-28	20456
2028-29	20178
2029-30	23895
2030-31	13914
2031-32	7140
2032-33	37251
2033-34	408
2034-35	369
2035-36	276
2036-37	175
2037-38	120
2038-39	69
Total	208052

Source: Finance Accounts, 2022-23, on the basis of information provided by the State Government

Table 5.8 C: Maturity Profile of Central loans, 2022-23 (Rs Crore)

	Loans for State Schemes	GST Compensation Loans & Loans for Capital Investment	Total
1-5 years	3606		3606
5-10 years	3438		3438
10-15 years	3464		3464
15-20 years	2663		2663
20-25 years	411		411
>25 years		10545	10545
Details unavailable		10742	10742
	13582	21287	34869

Source: Finance Accounts, 2022-23, on the basis of information provided by the State Government

The Government of Bihar set up a Consolidated Sinking Fund for amortization of loans in March 2009. According to the guidelines of the Fund, States may contribute a minimum of 0.5 per cent of their outstanding liabilities as at the end of the previous year to the Consolidated Sinking Fund. During the year 2022-23, Government contributed Rs 1,288 crore (as against required contribution Rs 1,157 crore). The total accumulation of the Fund was Rs 8,321 crore (Principal: Rs 7,028 crore + Interest: Rs 1,293 crore), as on 31 March 2023.

5.7 Interest Profile of Outstanding Debt

Tables 5.9 A and B show the interest profile of the state's outstanding internal debt, from which we see that about 70% its outstanding debt is carrying interest rate above 7%, and about 30% of the total internal debt is carrying lesser interest rates. Only 10% of the outstanding central loans is carrying interest rates less than 7%. The weighted average interest rate on these loans is 7.2% in 2022-23, which agrees with figures used in Table 5.8.

Table 5.9 A: Interest Profile of Outstanding Internal Debt: 2022-23 (Rs Crore)

Internal Debt									
Spread of Interest	Mean rate on interest (%)	Market Loans	Compensation & Other Bonds	NSSF	NABARD	NCDC	Total	Share in Total (%)	Interest calculated on mean rate
<5%	4.5	6000	19		8195		14215	6.8	640
5.0% to 5.99%	5.5	18969			1183		20152	9.7	1108
6.0% to 6.99%	6.5	29316					29316	14.1	1906
7.0% to 7.99%	7.5	85590	703				86293	41.5	6472
8.0% to 8.99%	8.5	37900	1224				39124	18.8	3326
9.0% to 9.99%	9.5	6500		11078		419	17997	8.6	1710
10.0% to 10.99%	10.5			960			960	0.5	101
Total							208056	100.0	15262

Table 5.9 B: Interest Profile of Outstanding Central Debt: 2022-23

Central Loans		Share in Total	Mean rate on interest	Interest calculated on mean rate
Below 6.0%	12614	92.8	4.5	568
6.0% to 6.99%			5.5	0
7.0% to 7.99%	641	4.7	6.5	42
8.0% to 8.99%			7.5	0
9.0% to 9.99%	314	2.3	8.5	27
10.0% to 10.99%	2		9.5	0
11.0% to 11.99%	2		10.5	0
12.0% to 12.99%	2		11.5	0
13.0% to 13.99%	16	0.1	12.5	2
14.0% to 14.99%	3		13.5	0
	13594	100.0		639

Source: Finance Accounts, 2022-23, on the basis of information provided by the State Government

5.8 Contingent Liabilities

Table 5.10 shows the details of outstanding guarantees of the state government at the end of the financial year 2022-23 which constitute its contingent liabilities. The total amount of outstanding guarantees stood at Rs 25,159 crore, equivalent to 15.0% of total revenue receipts in 2022-23. Of the total amount of outstanding guarantees, Rs 13,007.95 crore (51.5%) were due to the Bihar State Electricity Board and its subsidiary companies alone, followed by Rs. 8,598.98 crore (34.1%) to Bihar State Food and Civil Supplies Corporation and Rs. 3,500 crore (13.9%) to Bihar State Co-operative Bank Ltd.

Table 5.10: Outstanding Guarantees of Bihar Government at the end of 2022-23 (Rs crore)

Guarantees given to	Outstanding Guarantees	Outstanding Interest
Bihar State Electricity Board/Energy Companies	13008	562
Bihar State Food and Civil Supplies Corporation	8599	54
Bihar State Housing Board	0	0
Bihar State Warehousing Corporation	104	0
Bihar State Co-operative Bank Ltd	3500	49
Bihar State Milk Co-Operative Federation	0	0
Bihar state Minorities Financial Corporation, Patna	30	0
Bihar State Backward Class Finance and Development Corporation	14	18
Grand Total	25257	683

Source: Finance Account of Bihar Government for respective years

Table 5.11 shows the guarantees given by the state government during the last 11 years. It can be seen that the maximum amounts of guarantees given as percentage of revenue receipts of the State has increased steeply over the years, and stood at 23.3% in 2022-23, as compared to only 3.4% in 2012-13. Guarantees are contingent liabilities on the Consolidated Fund; in case of default by the borrower for whom the guarantee has been extended, the State Government has an obligation to pay the amount defaulted by the borrower. Outstanding guarantees has increased from 0.39% of GSDP in 2012-13 to as much as 3.36% in 2022-23 which indicates the increasing level of risks to the state government finances, especially due to the large outstanding debt and ever rising losses of the DISCOMs.

The State Government has not yet created Guarantee Redemption Fund as recommended by the Twelfth Finance Commission. There were outstanding guarantees of Rs 25,939 crore (Principal: Rs 25256 crore and Interest: Rs 683 crore) as on 31st March 2023. During the year 2022-23, the State Government issued guarantees of Rs 25,159 crore and Rs 32 crore was receivable towards guarantee commission from Bihar State Food and Civil Supplies Corporation Limited. Due to its failure in creating a Guarantee Redemption Fund, the State lost the opportunity for special drawing facility at a discounted rate.

A guarantee fee is to be charged for extending guarantees to the State Public Sector Enterprises (SPSEs) @ 1/8% annually on the guarantee amounts of more than 10 lakh, but the state has been generally lax in enforcing this provision. CAG has pointed out in his report on State Finances for the year 2021-22 that from FY 2018 onwards, guarantee fee of only Rs 8.19 crore was received from SPSEs against Rs

46.60 crore due from the guarantees given, causing short receipt of guarantee fee from to the extent of Rs 38.41 crore.

Table 5.11: Guarantees Given by State Government (Rs crore)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Maximum amount guaranteed (Principal)	2046	2587	5315	9397	13053	20234
Outstanding guarantees (Principal)	1089	1090	2000	6309	4460	5174
Total revenue receipts	59567	68919	78417	96123	105585	117447
Maximum amount guaranteed/Revenue receipts (%)	3.4	3.8	6.8	9.8	12.4	17.2
Outstanding Guarantees/GSDP (%)	0.39	0.34	0.58	1.70	1.06	1.10

	2018-19	2019-20	2020-21	2021-22	2022-23
Maximum amount guaranteed (Principal)	20834	20834	24972	37317	40317
Outstanding guarantees (Principal)	5398	5380	16080	24654	25257
Total revenue receipts	131794	124233	128168	158798	172688
Maximum amount guaranteed/Revenue receipts (%)	15.8	16.8	19.5	23.5	23.3
Outstanding Guarantees/GSDP (%)	1.02	0.92	2.74	3.65	3.36

Source: Finance Account of Bihar Government for respective years

No law under Article 293 of the Constitution has been passed by the State legislature laying down the limit within which the Government may give guarantees on the security of the Consolidated Fund of the State, unlike the Central FRBM Act. Section 2(l) of the Bihar FRBM Act, 2006 dealing with definitions only states that total liabilities shall include the liabilities under consolidated fund, public account, loans raised by public sector institutions and guarantees if the principal/ interest is serviced from the state budget. Neither has the government framed any rules for fixing a ceiling on guarantees, as recommended by the 12th Finance Commission. Detailed statement of guarantees for the last three years is appended at Annexure 5.1.

5.9 Management of Cash and Investment from Cash Balances

In Chapter 4 (Section 4.2.1) we have commented on the over-borrowing by the State. Over-borrowing generally results in increase in cash balances which get invested either in the Treasury Bills or in other Government securities with the Reserve bank of India that generally leads to a loss of interest equal to the differential between market rate at which the State borrows funds and the interest earned on investments on cash balances which usually attract lower rates. Table 5.12 shows the state Government's investment from cash balances during the three years 2014-15 to 2022-23 . It can be seen that most of the investments were on Govt. of India securities, except some investment on earmarked funds like Sinking Fund and the Famine Relief Fund. During 2022-23, the State Government earned interest of Rs 276 crore on its cash balance investments.

Table 5.12: Investment of Cash Balance by the State Government (Rs. Crore)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Cash Balances as on 31st March	3716	6156	6,337	11,717	17,062	22,082	20,837	24,913	24,865	29,479	22,904
Investments from Cash Balances	2074	4039	3,529	8,199	13,002	17,396	14,792	17,589	17,827	22,070	14,070
a. Govt Treasury Bills	0	0	0	0	0	0	0	0	0	0	0
b. Govt Securities	2070	4034	3,524	8,195	12,997	17,391	14,787	17,584	17,822	22,066	14,065
c. Securities of other State Government	5	5	5	5	5	5	5	5	5	5	5
Investment in Earmarked Funds	931	1368	2,343	2,835	3,418	4,111	4,895	5,740	5,740	5,740	7,028
a. Famine Relief Fund	0	0	0	0	0	0	0	0	0	0	0
b. Sinking Fund	931	1368	2,343	2,834	3,418	4,111	4,895	5,740	5,740	5,740	7,028
Interest Realized	128	233	312	453	804	800	909	939	175	190	276

Source: Finance Account of Bihar Government for respective years

5.10 Off-Budget Borrowings of State Government

Off-Budget Borrowing is a liability of the Government in as much as the principal and the interest thereon invariably are serviced through the Government Budget, either as assistance or grant to State entity. Off-budget liabilities of the State Government during the last two years are shown in Table 5.13.

Table 5.13: Off-Budget Borrowings by Bihar Government

Name of the Institution/Organization	2021-22	2022-23
Bihar State Road Development Corporation Ltd. (Road Construction Department) disbursed by HUDCO ²⁸	520	1,207
Bihar Rural Road Development Agency (Rural Works Department) disbursed by NABARD	963	871
Total	1,483	2,078

During 2022-23, the State Government provided Rs 180 crore as Assistance/Grants on account of Off-Budget borrowings. In addition to the Off-Budget borrowing, implicit subsidies to the power utilities

²⁸ The off-Budget Loan was taken by BRRDA, an Agency of RWD for implementation of Gramin Tola Sampark Nischay yojna (GTSNY) Scheme.

of Rs 7,801 crore on account of non-recovery of cost was also provided during the year. The modus operandi is simple: Government companies/corporations borrow funds from the market/financial institutions for implementation of various State Plan programmes projected outside the State budget.

Fifteenth Finance Commission recommended that all the committed and developmental expenditures should be met only from the augmented borrowing space without resort to off-budget or any non-transparent means of financing for any expenditure. However, CAG reported that a loan from HUDCO for Ganga Path amounting to Rs 520 crore had also been taken during the year 2021-22, in violation of the said provision. State Government did not disclose this off-budget borrowing in their budget documents, which would have increased their liabilities to GSDP ratio marginally (by 0.27% in 2022-23). The Government had provided guarantees for these loans which were not included in the public debt figures in Finance Accounts; and hence did not figure in the calculation of fiscal deficit of the State.

5.11 Roadmap for debt sustainability for the period 2026-31

Sustainability roadmap depends on a number of assumptions about growth of the state's economy, revenue and expenditure growth, devolution from the divisible pool and central grants as well as the ability of the state to generate a small primary surplus. These calculations are likely to be upset by electoral considerations for populist expenditure, since the state will face an election in the next year. A populist government may decide to do with the FRBM limits or increase these. Hence any such procedure will be fraught with too many uncertainties to be of much use. However, there are certain targets from the 15th Finance Commission report that may serve as guidelines to begin with. These are the indicative fiscal consolidation path suggested by the Commission in relation to all states which are as follows:

As % of GSDP	2023-24	2024-25	2025-26
Revenue Deficit	-1.2	-1.7	-2.5
Fiscal Deficit	3.0	3.0	3.0
Liabilities	33.1	32.8	32.5

Debt sustainability requires that debt ratio cannot increase which in turn requires that the primary account should be balanced, and GDSP growth should outpace the interest rate, leaving a healthy interest-growth rate differential (IGRD). Using the above targets as the starting point, and the current CAGRs of revenue expenditure separately, central grants and devolution, we can attempt to construct a roadmap.

In the first step, we find that the GSFP of Bihar at market price has increased by a CAGR of 10.28% between 2012-13 and 2022-23. Using a conservative estimate of 10% for future annual growth of GSDP, we determine the fiscal deficit, and hence the total borrowings, at 3% of GSDP from 2023-24, which gives a tentative fiscal roadmap as shown in Table 5.14 A. This is consistent with the current ratio of Bihar's outstanding liability to GSDP which was 35% in FY 2023.

Table 5.14 A: Estimate of Fiscal Deficit and Outstanding Liabilities

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
GDSP	826536	909189	1000108	1100119	1210131	1331144	1464258	1610684
Fiscal Deficit (3% of GSDP)	24796	27276	30003	33004	36304	39934	43928	48321
Outstanding Liability as % of GSDP	33.1	32.8	32.5	32.5	32.5	32.5	32.5	32.5
Outstanding Liabilities (Rs Crore)	273583	298214	325035	357539	393293	432622	475884	523472

To test the validity of this roadmap, using the projected own revenues of the state as calculated earlier in Chapter 2, and using the CAGR of revenue expenditure, share of central taxes and central grants for the same period 2012-2023, we determine the revenue Deficit and primary deficit as shown in table 5.14 B.

Table 5.14 B: Projected revenue deficit and primary deficit (Rs Crore)

Sl. No.	Items	Basis of calculation	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
1	Revenue Expenditure	CAGR- 12.94%	207782	234669	265035	299331	338064	381809	431215	487015
2	Own Revenue	As estimated in Chapter 2	72672	84149	97439	112827	130646	151280	175171	202836
3	Central Grants	CAGR - 10.94%	32201	35724	39633	43968	48778	54115	60035	66603
4	Tax Devolution	CAGR - 11.57%	106385	118694	132427	147749	164843	183916	205195	228936
5	Total revenue	= 2+3+4	211259	238567	269499	304544	344268	389311	440401	498375
6	Revenue Deficit	= 1-4	-3477	-3899	-4464	-5214	-6204	-7501	-9185	-11360
7	Interest payments	Calculated @ weighted interest rate of 7.2% from Table 5.8	19698	21471	23403	25743	28317	31149	34264	37690
8	Primary Deficit	FD (Table 5.14A) -7	5098	5804	6601	7261	7987	8786	9664	10631

Next, we check if the primary deficits calculate above are debt sustaining. The interest growth rate differential (IGDR) being -2.8% (=10.0-7.2), the maximum primary deficit that can be tolerated for sustaining the debt ratio at 32.5% are as shown in Table 5.14 C. It shows that in each year, the projected primary deficit is less than the maximum permissible primary deficit, as calculated above.

Table 5.14 C: Debt-Sustaining Maximum Primary Deficit (%)

Items	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Weighted interest rate	6.7	6.9	7.1	7.3	7.5	7.7	7.9	8.1
IGRD	-3.3	-3.1	-2.9	-2.7	-2.5	-2.3	-2.1	-1.9
Maximum sustainable primary deficit for a stable debt ratio	7660	8350	9101	10011	11012	12113	13325	14657
Projected primary deficit as in table 5.14 B	5098	5804	6601	7261	7987	8786	9664	10631

Thus, we see that the fiscal roadmap as shown in table 5.14A is clearly debt sustaining under the following assumptions:

- The GSDP will continue to grow at a CAGR of 10%;
- Revenue Expenditure will not be allowed to grow at a rate faster than the existing CAGR;
- The growth rates in the shares of state taxes as well as central grants will be sustained;
- The above level of fiscal deficit allows capital outlay to grow at a CAGR of 11.3% during the period 2024-31, as compared to its current CAGR (2012-23) of 12.6%, which may not be enough for sustaining the growth momentum of a poor state like Bihar. The other option is to stabilize the debt at a higher level by generating a higher primary surplus, which might be very difficult, and may compromise growth in the long run.

Annexure 5.1: Sector-wise Details of Outstanding Guarantees given by the Government (Rs Crore)

Sector (Number of Guarantees in Bracket)	Due at the end of 2021-22		Due at the end of 2022-23	
	Principal Amount	Interest	Principal Amount	Interest
Power				
South Bihar Power Distribution Company Limited	5664	46	5488	98
North Bihar Power Distribution Company Limited	4322	23	4319	10
Bihar State Electricity Transmission Company Limited	2550	246	3200	453
Total	15540	579	13008	561
Co-operation				
Bihar State Milk Federation, Patna (COMFED)	94	6	0	0
Bihar State Warehousing Corporation	119	0	104	0
Bihar State Cooperative Bank Ltd.	4000	47	3500	49

Total	4213	0	3604	49
Urban Development and Housing				
Bihar State Housing Board	0	0.6	0	0
Total	0	0.6	0	0
Others				
Bihar State Food and Civil Supplies Corporation	7870	30	8598	54
Bihar State Minority Finance Corporation, Patna	30	0	30	0
Bihar State Backward Classes Finance and Development Corporation	15	17	15	18
Total	7915	47	8644	72
Grand Total	24654	415	25257	683

Source: Finance Department, Govt. of Bihar

Chapter 6

State's Transfer to Local Bodies

Objectives

- *To analyse the state's transfers to urban and rural local bodies in the State;*
- *To evaluate the major decentralization initiatives.*

Methodology

- *Trend analysis; analysis of the resources of local bodies; comparison with other comparable states; examining the results of decentralization initiatives.*

Data Sources

- *Finance Accounts; 6th State Finance Commission Reports, Vol 1-3; Audit Reports on Local Bodies; Finance and Panchayati Raj Department.*

6.1 Introduction to Local Bodies in Bihar

The Seventy-Third Constitutional Amendment Act, 1992 gave constitutional status to the PRIs and established a system of uniform structure, elections, reservation of seats for Schedule Caste/Tribes and women and devolution of fund, functions and functionaries to PRIs. After the 73rd Amendment and the consequent enactment of Bihar Panchayati Raj Act, 1993, (subsequently replaced by Bihar Panchayati Raj Act, 2006) the formation of a three-tier system of Panchayati Raj Institutions (PRIs) became mandatory but elections to Panchayats could not be held till 2001. Following a judicial intervention, the long overdue elections were finally held after a gap of 23 years in that year. Subsequently, the state government carried out a major change in the structure of PRIs, through the instrumentality of Bihar Panchayati Raj Ordinance, 2006, which introduced a reservation of 50 percent of Gram Panchayat (GP) seats for women and backward communities - scheduled castes, backward castes, and extremely backward castes.

Under the Bihar Panchayati Raj Act, 2006, the state government has set up an institution at the GP level, called Gram Katchahary, aimed at bringing justice at people's doorsteps. The head of the Gram Katchahary is the Sarpanch, who is elected directly by the people. The elected Sarpanch is assisted by a Nyaya Mitra (law graduates hired on a contract basis) to discharge the judicial responsibilities of the GPs.

The PRIs aim to promote participation of people and effective implementation of rural development schemes for economic development and social justice in various areas including those in relation to the matters listed in the Eleventh Schedule of the Constitution. As of March 2024, there are 8,624 PRIs in Bihar, having a total of 1,21,805 elected representatives in the State. The last election to the elected bodies of PRIs was held during April-May 2021. This excludes 1,17,607 members (8053 Sarpanchs and 1,09,554 Panchs) of Gram Katcharies.

The Constitutional amendments also required the State to set up the State Finance Commissions to examine the resource positions of the local bodies and suggest devolution of resources from the State Consolidated Fund to the PRIs and ULBs. Bihar Government had set up the 3-member Sixth State Finance Commission (SSFC) covering the period from 2020-21 to 2024-25. The SSFC gave two reports: the interim report for the first year and the final report for the remaining four years, which has been submitted in

April 2021. In its report, it has for the first time introduced some unique features which were practiced in some other states but not in Bihar, including separate grants for a development fund for creation of new assets, a maintenance fund for maintenance of existing assets, and a general funds for carrying out regular civic functions, capacity building, etc. by the local bodies.

No taxes were levied and collected by the PRIs as of April 2021 despite recommendation of the earlier SFCs and provisions of the BPRA, 2006 as the State Government did not notify the rate of taxes. While the BPRA 2006 has conferred powers of taxation on PRIs, they still awaiting guidelines from PRD.

6.2 Organizational Structure of PRIs

The PRIs in Bihar follow a three-tier structure — Zila Parishad (ZP) at the district level, Panchayat Samiti (PS) at the block level, and Gram Panchayat (GP) at the village level. Besides their elected members, the ZPs have one Adhyaksha and one Upadhyaksha, PSs have Pramukhs and Up-Pramukhs, and GPs have Mukhiyas and Up-Mukhiyas. The human base of PRIs consists of both elected and employed functionaries (Table 6.1)

Table 6.1: Organisational Structure and Number of Elected Members of PRIs

Level	Nos.	No. of Members	Average population served (Lakh)	Elected Functionaries	Employed Functionaries
Zila Parishad	38	1,161	24.30	Adhayaksha Upadhyaksha Members	District Development Commissioner/ Project Director, DRDA/ District Panchayati Raj Officers
Panchayat Samiti	534	11,497	1.73	Pramukh Up-Pramukh Members	Junior Engineer (JE) or Additional JE/ Block Panchayati Raj Officer/ Programme Officer (MNREGS)/ Block Development Officer/ Statistical Officer
Gram Panchayat	8,387	1,14,691	0.11	Mukhiya Up-mukhiya Members	Panchayat Sachiv/Gram Rozgar Sevak (MNREGS)/Vikas Mitra/ Nyaya Mitra/ Asha (Under NRHM)/ Anganwadi Worker (ICDS)/ ANM

Source: Report of the 6th State Finance Commission, Vol I, P.49.

At each tier of the PRIs, there are various Standing Committees, headed by Adhyaksha/ Upadhyaksha (ZP), Pramukh/Up-Pramukh (PS), and Mukhiya (GP). At the GP level, there are 6 Standing Committees for — (i) Planning, Coordination, Finance and Audit (ii) Production, (iii) Social Justice, (iv) Education, (v) Public Health, Family Welfare and Rural Sanitation, and (vi) Public Works. At the PS and ZP levels, there are 7 Standing Committees— 6 of them as for the GPs (mentioned above) and an additional General Standing Committee.

6.3 Powers of the State Government in relation to PRIs

Articles 243G and 243H of the Constitution of India stipulate that a State endow the PRIs with the following powers, authority and responsibilities:

- Preparation of plans for economic development and social justice;
 - Implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule of the Constitution; and
 - Powers to impose taxes and constitute funds for crediting all moneys of the panchayats. Besides, Section 22, 47 and 73 of the BPR, 2006 describe the nature of power and duties to be performed by the GPs, PSs and ZPs respectively.

The Bihar Panchayati Raj Act, 2006 entrusts the State Government with necessary powers to enable it to monitor proper functioning of the PRIs. A brief summary of powers and roles of the State Government in respect of PRIs is given in Table 6.2:

Table 6.2: Powers of the State Government under Bihar Panchayati Raj Act, 2006

Section of the Act	
146	Power to frame rules: The State Government may, by notification in Official Gazette, make rules to carry out functions as specified in BPR, 2006, subject to approval by the State Legislature.
150, 152 and 153	Power to make model Regulations, Inquiry and Inspection: The State Government may make standard rules for the purposes of the BPR, 2006 and has the power to inspect any office or records under the control of the PRIs.
167	District Planning Committee: The State Government shall constitute in every district a District Planning Committee to consolidate plans prepared by the Panchayats and the Municipalities in the district and to prepare a Draft Development Plan for the district as a whole.
168	Finance Commission for Panchayats: The State Government shall constitute in every five year, a Finance Commission to review the financial position of PRIs, and to make recommendations for devolution of funds and measures to improve the financial position of PRIs.
27, 55 and 82	Taxation: The PRIs may impose taxes on holdings, professions and levy tolls, fees and rates subject to the maximum rates notified by the State Government.
172	Removal of difficulties: If any difficulty arises in giving effect to the provisions of the Act, the State Government, may by order, do anything necessary to remove the difficulty.
18(5), 44(4) and 70 (5)	Removal from the post: The State Government may remove <i>Mukhiya/Up-Mukhiya, Pramukh/Up-Pramukh, and Adhayaksha/Upadhyaksha</i> from their post on the ground of absence from the meeting, lack in performing duties as per BPR, 2006, misusing their powers and convicted and absconded for more than six months after giving them opportunity to represent themselves.

Source: Report No 4 of 2017 of the Comptroller & Auditor General of India on the Audit of Local Bodies of Bihar Government

6.4 Devolution to PRIs

6.4.1 Devolution of Functions

The PRIs were entrusted 621 types of responsibilities by various departments of State from time to time which include Settlement of Panchayat level estimates, selection of beneficiaries, financial powers, registration works concerning birth/ death/ marriage, issuance of caste certificates, preparation of plans, construction of infrastructure, management of programmes, monitoring works, maintenance of assets like hand-pumps etc. and works relating to rural hygiene and drinking water. PRIs are also entrusted with the responsibilities in relation to: (i) Distribution of job cards by under MNREGS, (ii) Identification of beneficiaries for all development programmes, including identification of

BPL households, (iii) Appointment of teachers/supervisors for MDMS, and constitution of Vidyalaya Shiksha Samiti (VSS), (iv) Distribution of Food Coupons under PDS, (v) Selection of Anganwadi Sevikas and Sahayikas under ICDS, and (vi) Distribution of subsidized diesel to farmers. List of activities transferred to the PRIs are appended at Annexure A. These functions can be categorized as (1) Regulatory Functions: like Issuing Death & Birth Certificate, Trade license and other Regulations, etc. (2) Planning and implementing schemes; (3) Providing Core Civic Services like Water Supply, Sanitation, Drainage, Sewerage, Solid waste Management, Street lighting, Streets and Footpaths, Parks, Playgrounds, Burial and Cremation Grounds, Library, Museum etc. and (4) Agency Functions, i.e. Functions assigned under the Central and State Schemes and policies

As prescribed in the Eleventh Schedule of the Constitution, the PRIs at all the three levels have been given the right of self-governance in respect of 29 subjects of 20 Departments, after duly completing the activity mapping. 20 departments have transferred 79 functions to the GP, 60 functions to the PS and 61 functions to the ZP. But as noted by the SSFC, such transfers are more in the form of 'delegation', rather than 'devolution' and no substantial responsibility and resource have been given to these institutions. The Departments that have transferred functions are: Agriculture, Revenue and Land Development, Water Resources (Minor Irrigation), Animal Husbandry and Fishery, Forest and Environment, Industry, Public Health Engineering, Rural Development, Rural Engineering, Energy, Primary Education, Adult Education, Literacy, Cultural Activities, Medical, Family Welfare, Social Welfare, Welfare of the Handicapped, Public Distribution System and Relief and Rehabilitation.

The SSFC noted that activity mapping orders have only been issued, but not acted upon. Funds for transferred functions are still being allocated to administrative departments. As it observed, "In reality, the exercise of activity mapping has been far from effective. Devolution of funds for transferred functions has not happened and the departments concerned have continued to receive budgetary allocations in respect of transferred functions."

6.4.2 Devolution of Funds

As mentioned earlier, LBs have no taxes and hence their finances entirely depend on devolution of funds. Hitherto, untied grants were made available to three levels of PRIs. The Fifth SFC noted that funds available to the PRIs from various sources were grossly inadequate for their assigned functions. Further, they were not able to utilise even the allocated funds due to capacity constraints viz., serious deficiencies in skilled manpower, office space, IT facility, equipment etc.

Making a departure from the mode of fiscal transfers to LBs, the SSFC recommended fiscal transfer to LBs in three separate funds – (a) a Development Fund for creation of new assets; (b) a Maintenance Fund for maintenance of assets and (c) a General Fund for performance of civic services, capacity building, payment of salary and remuneration and meeting other administrative and miscellaneous expenses. Some states like Kerala have already such a scheme in practice. The SSFC also identified expenditure items under the three funds that must be fully funded out of the fiscal transfers made to LBs as follows:

- General Fund: Establishment expenditure, covering salary/ remuneration/ wages of employees; office expenses and other administrative expenses, etc., expenditure for capacity building, covering training, IT enablement, provision of office space, etc. and operational expenditure for providing civic services;

- Maintenance Fund: Maintenance of assets, Electricity Bills in connection with providing civic services. Earmarking of 20 percent of SFC Transfers has been recommended for maintenance of assets.
- Development Fund: Untied funds for local schemes. SFC further recommended that at least 40 percent of the Development Fund should be untied. The PRIs and ULBs will be able to use these untied funds to take up schemes for local level development under the subjects enshrined in the Eleventh Schedule / Twelfth Schedule of the Constitution respectively, subject to the overall guideline of the State Government.

Only after the requirement of above items of expenditure have been fully met, the balance of SFC transfers, if available, may be used for other purposes such as State Sponsored Schemes/ Centrally Sponsored Schemes. The apportionment of PRI's share among the above three funds are to be in the ratio of 30:20:50 between Development Fund, maintenance Fund and general Fund respectively.

For the first time, a minimum threshold of devolution and grant has been recommended as per table 6.3, and the State Government should make up for any shortfall in case the minimum threshold is not met. Hitherto, the devolution was based on 8.5 percent of State's Own Net Tax Revenue (SONTR) and grants as 2.75 percent of Budget. Although the State Government extended generous support from the State Budget over and above SFC transfers, the additional allocations were all tied to specific purposes. The LBs were starved of funds to organise their core services and were unable to take up schemes as per local needs. In view of this, the SSFC felt the need for specifying a minimum threshold of Devolution and Grant for the period 2021-25. The total devolution during these years were recommended as Rs 29875 crore and their distribution among the PRI sand ULBs are as shown in table 6.3.

Table 6.3: Minimum Threshold for Devolution and Grants to Local Bodies (Rs Crore)

	2021-22	2022-23	2023-24	2024-25	2021-25
Size of Divisible Pool	26540	31557	37059	39168	134324
Devolution (10% on t-1 basis)	2197	2654	3156	3706	11713
Minimum Threshold of Devolution (@ 80% of Devolution)	1758	2123	2525	2965	9371
Estimated Budget	174414	289061	210589	231365	905429
Grants @2.5% of budget on t-1 basis	3811	4360	4727	5265	18163
Minimum Grants THRESHOLD @ 80% of Grants	3049	3488	3781	4212	14530
Total SFC Transfers to Local Bodies	6008	7014	7883	8971	29875
Share of PRIs (65%), of which	3905	4559	5124	5831	19419
Development Fund	1172	1368	1537	1749	5826
Maintenance Fund	781	912	1025	1166	3884
General Fund	1953	2280	2562	2915	9710
Share of ULBs (35%)	2103	2455	2759	3140	10457

Source: Report of the Sixth SFC, P. 197-198

The SSFC also recommended a Revenue Effort Bonus for LBs that achieve specified revenue benchmarks to incentivise them for increasing their own revenues.

6.4.3 Devolution of Functionaries

The Comptroller & Auditor General of India had last reported on the Local Bodies for the year ended 31st March 2019, after which no further CAG report on LBs is available. In that report (Annual Technical Inspection Report for the period ended 31st March 2019), CAG observed that the PRIs in the State did not have adequate staff to discharge the devolved functions. At GP level, 4,751 posts (56 per cent of the sanctioned strength) of the Panchayat Secretary were vacant whereas 455 posts of Block Panchayati Raj Officer (BPRO) (64 per cent of the total sanctioned strength) were vacant at the Block level and there was no separate staff for Panchayat Samiti. The Fifth SFC also noted the acute shortage of staff at all levels of PRIs, and recommended a revised staffing pattern, which was not followed. It further recommended that the departmental staffs should be answerable to departments for better accountability and delivery of output. Aanganwadi workers, health workers and teachers are appointed by PRIs, but the SSFC noted that these workers do not report to them. Departments that have issued activity mapping orders, have not transferred services of officers handling those activities to PRIs. The SSFC observed that if the PRIs are to function effectively as local governments, they must have adequate human resources possessing requisite skill-sets to perform the activities assigned to these bodies. The SFC5 had deliberated upon the issue and recommended that a Model Panchayat Cadre be created in accordance with the suggestions of the Union Ministry of Panchayati Raj. The suggested Cadre Structure comprises four distinct streams viz. Development Cadre, Engineering Cadre, Administrative Cadre and Finance and Accounts Cadre. A model staffing pattern was also suggested for each tier of the PRIs. The State has not acted upon these recommendations.

6.5 Finances of PRIs

The finances of Panchayati Raj Institutions (PRIs) in India primarily come from the grants provided by the Central and State governments, including Central and State Finance Commission grants, as well as other transfers from the central government in respect of centrally sponsored schemes (direct transfers). PRIs also receive recurring and non-recurring grants from state governments. PRIs do not currently levy or collect any taxes directly. Table 6.4 provides a detailed breakdown of budget allocations and expenditures for PRIs from 2012-13 to 2022-23. The data shows a general upward trend in total budget allocations over the years, with the majority of allocations in the revenue category and minimal capital allocations. Expenditure has also increased over time but consistently fallen short of the allocated budgets, resulting in significant savings (unspent funds) each year. The percentage of savings varied considerably over the period, ranging from a low of 7% in 2017-18 to a high of 51% in 2014-15. Recent years (2018-19 to 2022-23) have shown savings percentages between 36% and 40%, indicating persistent underutilization of funds. This gap between allocation and expenditure suggests ongoing challenges in fund utilization by PRIs.

Capital expenditure has been particularly low throughout the period. From 2012-13 to 2018-19, there was no capital expenditure recorded, despite some allocations. Capital spending only began to occur from 2019-20 onwards, but remained minimal compared to revenue expenditure.

Over the entire period from 2012-13 to 2022-23, the total budget allocation was Rs 98,480 crore, while the total expenditure was Rs 68,255 crore, resulting in overall savings of Rs 30,225 crore or 31% of the

total allocation. This substantial amount of unspent funds over a decade highlights the capacity constraints PRIs face in effectively utilizing their financial resources.

Table 6.4: Budget allocations vis-à-vis expenditure of PRIs: 2012-2023 (Rs. crore)

Particulars	Head	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Budgetary Allocations	Revenue	3277	4074	4709	5465	7386	9149
	Capital	250	0	100	2	0	0
	Total	3527	4074	4809	5467	7386	9149
Expenditure	Revenue	2591	3003	2375	2893	6467	8541
	Capital	0	0	0	0	0	0
	Total	2591	3003	2375	2893	6467	8541
Savings		936	1071	2435	2574	920	608
Percentage of savings		27	26	51	47	12	7

Particulars	Head	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Budgetary Allocations	Revenue	10245	13376	12598	13225	13242	96746
	Capital	1	250	480	321	330	1735
	Total	10246	13626	13078	13546	13572	98480
Expenditure	Revenue	8409	8690	8236	8057	8599	67861
	Capital	0	45	166	121	61	394
	Total	8408	8735	8402	8179	8661	68255
Savings		1838	4892	4675	5367	4910	30225
Percentage of savings		18	36	36	40	36	31

Source: Appropriation and Finance Accounts of Government of Bihar

6.5.1 Financial Performance of PRIs in Bihar: Revenue Receipts (2015-2020)

The Statement of Revenue for Panchayati Raj Institutions (PRIs) in Bihar from 2015-16 to 2019-20 reveals significant changes in their financial landscape. Table 6.5 covers various revenue sources including establishment costs, own revenue, grants from the 14th Finance Commission and 5th State Finance Commission, centrally sponsored schemes, and support from the state budget. Establishment costs showed a declining trend, decreasing from Rs. 638 crore in 2015-16 to Rs. 408 crore by 2019-20, a 36% reduction. While salary expenses remained relatively stable, other establishment costs showed significant decreases. Grants from the 14th Finance Commission (UFC14) formed a substantial source of their revenues, which increased by 1.5 times from Rs. 2,269 crore in 2015-16 to Rs. 5,675 crore in 2019-20. The introduction of the Mukhya Mantri Nischay Yojana (MMNY) in 2016-17 accounted for 80% of the basic grants. The 5th State Finance Commission (SFC5) grants, starting from 2016-17, increased from Rs. 2,151 crore to Rs. 2,977 crore by 2019-20.

The grants by UFC14 and SFC5 has a performance component. Performance grant by UFC14 was linked to (a) submission of audited account, and (b) increase in own revenue i.e. the revenue collected in the relevant year should exceed the amount collected in the previous year. The UFC14 grants were of two kinds – Basic Grant and Performance Grant. Bihar could draw down the entire allocation of Basic Grant, but missed the Performance Grant of Rs 2,101.78 crore altogether as the prescribed conditions could not be met. The SFC5 also followed these conditions in their recommendations. Compliance of these conditions is going to be a major challenge to the State Government, as evidenced by the fact that no

performance grant has been received during the award period 2015-20 of the UFC14 for non-fulfilment of the required conditions.²⁹

Centrally sponsored schemes made limited contributions, primarily through the Rastriya Gram Swaraj Abhiyan (RGPSA/RGSA). Support from the state budget saw a three-times increase from Rs. 964 crore in 2015-16 to Rs. 3,857 crore in 2019-20. A significant contributor to this rise was the Mukhya Mantri Nal Jal Yojana, which grew from zero to Rs. 2,925 crores over the period. The total revenue of PRIs in Bihar showed substantial growth, increasing from Rs. 3,939 crore in 2015-16 to Rs. 12,992 crore in 2019-20, representing a 230% increase. This growth, however, masks underlying challenges such as the lack of own revenue generation and the absence of performance-based components in major grants.

As stated already, PRIs have been unable to generate any own tax or non-tax revenue due to the absence of necessary rules and guidelines issued by the state government. This has led to their complete dependence on external funding sources. The main revenue streams for PRIs during this period were grants from the UFC14 and the SFC5, constituting approximately 46% and 25% of total revenues respectively. State budget support has played a crucial role in PRI finances. The absence of assigned revenues and the inability to collect user fees further constrain PRI financial autonomy. To address these issues, there is an urgent need to notify relevant rules, issue clear guidelines for revenue collection, and establish robust systems for monitoring schemes, expenditure, and revenues. Chart 6.1 shows their financing sources for the period 2015-2020.

Table 6.5: Revenue of All PRIs of Bihar during the period 2015-20 (Rs. crore)

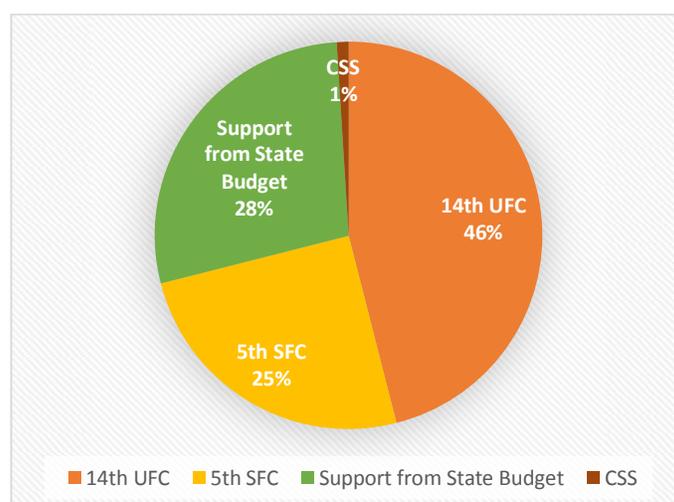
Items	2015-16	2016-17	2017-18	2018-19	2019-20	2015-20	
1. Establishment							
a) Salary	270	272	231	250	249	1272	
b) Others	368	156	139	108	158	930	
Total	638	428	370	358	407	2202	
2. Own tax revenue							
a) Property Tax							
b) Advt. Tax							
Total	0	0	0	0	0	0	
3. Own Non Tax Revenue							
a) Fees etc	0	0	0	0	0	0	
b) User fee for civis services							
c) Others. Specify							
Total	0	0	0	0	0	0	
4. Grant - UFC14							
a)Basis	14FC (20%)	2269	628	726	840	1135	5598
	MMNY (80%)	0	2514	2904	3359	4540	13318
	Total	2269	3142	3630	4200	5675	18916
b) Performance	0	0	0	0	0	0	
Total	2269	3142	3630	4200	5675	18916	
5. SFC5							
5th SFC	0	547	507	502	630	2186	

²⁹ Conditionalities of UFC14 Grants:(i) Total LBs grants to all States should be equivalent to 3.06% of the divisible pool; (ii) Grant are to be spent only on basic services assigned to the LBs under relevant legislations;(iii) Distribution of grants among the States is to be based on 90% weight for 2011 population and10% for area;(iv) PRIs grants should go entirely to the GPs which are directly responsible for delivery of basic services. State Govt. should take care of the needs of the other tiers; (v) The basic grant to be distributed among the GPs, using formula prescribed by the respective SFC; and (vi) 10% of the grant to the GPs and 20% of the grants to the Municipalities to be given on compliance of performance conditions.

a) Devolu- tion	MMNY (90%)	0	931	864	855	1073	3722
b) Grant		0	674	1052	1243	1275	4244
c) Performance		0	0	0	0	0	0
Total		0	2151	2424	2601	2977	10152
6. Assigned Revenue							
a) Stamp Duty							
b) Profession Tax							
c) Others							
Total		0	0	0	0	0	0
7. Centrally Sponsored Schemes							
a) MGNREGS	Related to Rural Development Department (Amounts transferred directly to Bihar Rural Development Society).						
b) BRGF		3					3
c) RGPSA/RGSA		64	61	65	123	76	389
d) IAY	Related to Rural Development Department						
e) Others							
Total		67	61	65	123	76	392
8. Support from State Budget							
a) Mukhya Mantri Nal Jal Yojna		0	630	1625	1925	2925	7105
b) Mukhya Mantri Gali Nali Yojana							
c) Jal Jivan Hariyali	Related to Rural Development Department						
d) Establishment							
e) Other than above mentioned items, if any							
i	Allowance of PRIS	201	260	300	350	350	1461
ii	EAP	618	210	214	300	206	1549
iii	PSB	124	400	300	201	300	1325
iv	Modernisation of PRD	3	3	3	3	3	15
v	Zila Panchayat Establishment	10	18	12	17	56	113
vi	Contingency of GK	8	7	10	10	7	42
vii	Contingency of GP	0	51	60	52	10	173
Total		964	1579	2524	2857	3857	11782
Grand Total		3939	7361	9013	10138	12992	43445

Source: Report of the Sixth State Finance Commission, Government of Bihar

Chart 6.1: Funding Sources of PRIs (2015-20)



Source: Report of the Sixth State Finance Commission, Government of Bihar

6.5.2 Expenditure Analysis of PRIs (2015-2020):

The expenditure data of PRIs in Bihar for the period 2015-16 to 2019-20 reveals significant trends and patterns in resource utilization. The total expenditure of PRIs increased substantially from Rs. 2,952 crore in 2015-16 to Rs. 10,547 crore in 2019-20, representing more than 2.5 times growth over the five-year period (Table 6.6). Establishment costs, comprising salaries and other expenses, showed a relatively stable trend. While the annual salary expenditure ranged between Rs. 170 crore and Rs. 221 crore, other establishment costs decreased from Rs. 184 crore in 2015-16 to Rs. 138 crore in 2019-20. The overall establishment expenditure remained by and large stable throughout the period.

Utilisation of grants from the 14th Finance Commission constituted the largest component of PRI expenditure which increased significantly by more than 1.5 times from Rs. 2,269 crore in 2015-16 to Rs. 5,675 crore in 2019-20. These were mostly utilised for Mukhya Mantri Nishchay Yojanas (MMMY). About 80 percent of the UFC14 Grant of Rs 18,916 crore amounting to Rs 13,318 crore was earmarked for the two Nishchay schemes, viz. Mukhya Mantri Gramin Peyajal Yojana and Mukhya Mantri Gramin Gali-Naali Yojana. These funds were used along with a portion of SFC5 Transfer and budgetary allocations for implementing these two schemes. Expenditure on Centrally Sponsored Schemes was minimal and inconsistent, with only Rs. 57 crore spent over five years, primarily on the Rastriya Gram Swaraj Abhiyan (RGPSA). State-sponsored schemes, particularly the Mukhya Mantri Nal Jal Yojana, emerged as a significant expenditure category. The expenditure on this scheme alone totalled Rs. 4,360 crore over five years. Other notable state-level expenditures included allowances for PRI representatives and construction of Panchayat Sarkar Bhawans (PSB). No expenditure was made for civic services, a basic duty of PRIs or for the maintenance of rural assets. SSFC recommended that transfers should be specifically allocated for these purposes.

Table 6.6: Expenditure of All PRIs during 2015-20 (Rs. crore)

Items		2015-16	2016-17	2017-18	2018-19	2019-20	2015-20
1. Establishment							
a) Salary		189	179	192	221	170	951
b) Pension		Related to finance Department					
c) Others		184	133	131	106	138	692
Total		373	312	323	327	308	1643
2. Operation & Maintenance of Civic Services - No expenditure recorded							
3. Utilisation of UFC14 Grants							
a) Basic	14FC (20%)	2269	628	726	840	1135	5598
	MMNY ³⁰ (80%)	0	2514	2904	3360	4540	13318
	Total	2269	3142	3630	4200	5675	18916
b) Performance		0.00	0	0	0	0	0
Total		2269	2269	3142	3630	4200	18916
4. SFC5 Devolution and Grant Utilisation							
a) Devolution	SFC5	0	547	507	502	630	2186
	MMNY	0	931	864	855	1073	3722
b) Grant		0	674	1052	1243	1275	4244
c) Performance		0	0	0	0	0	0
Total		0	2151	2424	2601	2977	10152
5. Centrally Sponsored Schemes							
a) MGNREGS		Related to Rural Development Department					
b) BRGF		This scheme has been closed					
c) RGPSA		0	51	0	0	6	57
d) IAY		Related to Rural Development Department					
e) Others, specify							
Total		0	51	0	0	6	57
6. State Sponsored Schemes							
a) Mukhya Mantri Nal Jal Yojna		0	620	1623	900	1217	4360
b) Mukhya Mantri Gali Nali Yojana							
c) Jal Jivan Hariyali							
d) Other, if any specify							
i. Allowance of PRIs		179	205	281	309	209	1183
ii. EAP		0	50	80	272	100	503
iii. PSB		123	205	51	36	50	464
iv. Modernization of PRD		1	1	1	1	0	4
v. Zila Panchayat Estt.		3	1	1	11	1	17
vi. Contingency of GK		3	4	4	6	5	22
vii. Contingency of GP		0	40	49	41	1	131
Total		309	1126	2090	1577	1582	6684
Grand Total		2952	6782	8467	8704	10547	37451

Source: Report of the Sixth State Finance Commission, Government of Bihar

³⁰ MMY = Mukhya Mantri Nishchay Yojana

The total unspent funds amounted to Rs 5994 crore over this five-year period, which is real cause for concern. The gap between revenue and expenditure also widened progressively, with the largest difference occurring in 2019-20 at Rs 2,445 crore, as shown in Table 6.7

Table 6.7: Expenditure vs Revenue of PRIs during 2015-20 (Rs. crore)

Items	2015-16	2016-17	2017-18	2018-19	2019-20	2015-20
Revenue	3939	7361	9013	10138	12992	43445
Expenditure	2952	6782	8467	8704	10547	37451
Balance	987	580	546	1435	2445	5993

Source: Report of the Sixth State Finance Commission, Government of Bihar

This persistent under-utilization of funds raises concerns about the PRIs' capacity to effectively deploy resources. As per SFC6 report, the Panchayati Raj Department (PRD) has not provided explanations for these unspent balances. To address this issue, the Commission recommends establishing a mechanism for regular data collection, monitoring, and review of PRI expenditure. The expenditure pattern also reveals some glaring anomalies. Establishment expenditure was less than the amount received for this purpose across both salary and other components. Additionally, there were discrepancies in the reported expenditure for centrally sponsored schemes and state-sponsored schemes, with significant underutilization in both categories. The utilization of both UFC14 and SFC5 grants showed a strong focus on two key schemes: Mukhya Mantri Gramin Peyajal Yojana and Mukhya Mantri Gramin Gali-Naali Yojana. These schemes accounted for a significant portion of the allocated funds, representing about 56% of the total PRI resources.

The persistent gap between revenue and expenditure and the increasing amounts of unspent funds as seen in Table 6.6 underscores the urgent need for improved financial oversight and capacity building within the PRI system to ensure that allocated funds translate into tangible development outcomes at the local level. As a remedy, the SSFC recommended regular audit of the accounts of PRIs and setting up a mechanism for review of the Action Taken Reports (ATRs) prepared by the PRIs on each audit report. The state must adopt the best practices in this regard implemented in some states like Madhya Pradesh, Rajasthan, Chhattisgarh and Sikkim to use the services of Chartered Accountants for auditing the PRI's accounts. Besides, training PRI staff in accounts and financial management, issuing guidelines for expenditure management, establishing a dedicated cell within the PRD for expenditure monitoring and support, introducing performance-based incentives for PRIs with efficient fund utilization and introducing citizen oversight committees at the local level to monitor PRI expenditure might help.

6.5.3 Resource and Expenditure Projection for PRIs by the Sixth SFC (2021-2025)

The financial projections for both resources and expenditure of PRIs for the fiscal years 2021-22 through 2024-25 as worked out by the SSFC is shown in Table 6.8. The total projected resources for PRIs amount to Rs. 21,793 crore over the four-year period. Own tax revenue, now non-existent, is expected to grow from Rs. 157 crore in 2021-22 to Rs. 213 crore in 2024-25, while the non-tax revenue is projected to increase from a modest Rs. 50 crore to Rs. 80 crore only for all the PRIs in Bihar. Grants from the 15th Finance Commission (UFC15) constitute the largest source of revenue for PRIs, with a total projection of Rs. 15,549 crore over the four-year period 2021-25, rising from Rs. 3,709 crore in 2021-22 to Rs. 4,114 crore in 2024-25. Support from the State Budget for State Sponsored Schemes (SSS) was estimated to be significant only in 2021-22 with an allocation of Rs. 1,730 crore after which the allocations will decrease substantially to Only Rs 270 crore in 2024-25.

The expenditure forecast for PRIs in Bihar from 2021-22 to 2024-25 totals Rs. 41,354 crore. Over this four-year period, the annual expenditure is projected to rise from Rs. 10,452 crore to Rs. 11,137 crore. Major increases are recorded in contractual staff remuneration (58% over the four-year period), capacity building (32%), maintenance (28%) and untied funds for local schemes (34%), while expenditure on state sponsored scheme will go down by 40%. The projection also includes a one-time allocation of Rs. 392 crore for Panchayat elections in 2021-22. This comprehensive expenditure forecast reflects a balanced approach to PRI development in Bihar, emphasizing capacity building, civic services, and local development schemes while anticipating growing responsibilities and improved service delivery over the projected period. The projections show that over this four-year period, there will be a total gap between expenditure and revenue to the extent of Rs 19561 core, spread with a deficit rising from Rs 4266 crore in FY2021 to Rs 5741 crore in FY 2025.

Table 6.8: Projection of Expenditure of All PRIs for 2021-25 (Rs. crore)

Item	2021-22	2022-23	2023-24	2024-25	2021-25
Resources					
Own Tax Revenue	157	174	193	213	737
Own Non-tax Revenue	50	60	70	80	260
UFC15 Grants	3709	3842	3884	4114	15549
Support from State Budget for SSS	1730	470	270	270	2740
State Funds for EstablishmentExpenditure	540	594	654	719	2507
Total Revenues	6186	5140	5071	5396	21793
Expenditure					
1. Establishment	540	594	654	719	2507
2. Remuneration of ContractualStaff	678	905	995	1076	3655
3. Office Expenditure	108	119	131	144	501
4. PMUs	33	37	40	44	155
5. Capacity Building	969	996	1151	1278	4394
6. Operational Expenditure on Civic Services	1360	1524	1590	1883	6357
7. Maintenance	1084	1173	1288	1392	4937
8. Untied Fund for Local Schemes	1895	2115	2296	2547	8852
9. State Sponsored Schemes	3393	2173	1985	2054	9605
10. Panchayat Election	392				392
Total Expenditure	10452	9636	10129	11137	41354
Gap (Expenditure – Revenue)	4266	4496	5059	5741	19561
Actual Expenditure	8402	8179	8661	---	

Source: Report of the Sixth State Finance Commission, Government of Bihar

The SSFC had recommended total transfers of Rs 19419 crore to fill this gap, but as indicated by the much lower expenditure levels during FY 2021 and FY 2022 that even left substantial unspent funds from the budgetary allocations, the PRIs face increasing capacity constraints and other difficulties in discharging their duties. The persistent and expanding nature of this gap underscores the need for a comprehensive strategy to address the financial sustainability of PRIs.

6.6 Urban Local Bodies (ULBs)

There are altogether 253 ULBs in Bihar organised under its 3-tier structure as follows:

- Municipal Corporation (Having Population more than 2 lakh or more): 17
- Municipal Council (Having Population between 40,000 to 2 lakh): 84
- Nagar Panchayat (Having Population between 12,000 to 40,000): 152

Under the 74th Amendment to the Constitution, they perform the following functions:

- **Planning:** Preparation of plans for development and social justice, development of human settlement, slum Improvement, etc;
- **Core Civic Services:** Like water-supply, drainage and sewerage, solid waste management, managing markets and slaughterhouses, promotion of educational, sports and cultural activities, and providing aesthetic environment;
- **Communication and Transport:** Construction and maintenance of roads, footpaths, pedestrian pathways, transport terminals (both for passengers and goods), etc., maintaining street furniture, street lighting, parking areas, and bus stops;
- **Agency Functions:** like primary education, curative health, transport, supply of energy, fire safety, and urban poverty alleviation, etc.

For all these activities, however, their resource base is extremely limited. Under Section 127 to 136 of Bihar Municipal Act (BMA), 2007, enacted under article 243X of the Constitution, ULBs have the power to realize tax and non-tax revenue as indicated in Table 6.9:

Table 6.9: Taxing Powers of ULBs in Bihar

Tax (Section127)	User Charges: (Section 128)	Fees and Fines (Sections 129 to 133)
Property tax on lands and buildings	Water-supply, drainage and sewage	Licence fee for non residential use of properties
Surcharges on transfer of lands and buildings	Solid Waste Management	Licensing fee for trades & Profession, activities etc.
Tax on deficit in parking spaces	Parking of Vehicles	Building plans and issue of completion certificates
Water Tax	Stacking of materials or rubbish on public streets	Birth & death Certificates fees
Tax on advertisements		Surcharges at 25% on tax or user charge, or fee or fines or on electricity consumption
Surcharges on Entertainment Tax		Development Charge
Congregation Tax		
Pilgrims/Tourists Tax		
Profession Tax		
Toll Tax		

Practically however, their only major source of tax is the property tax and only major source of non-tax revenue are the fees. Besides, Under the BMA 2007, 2 percent of State Stamp duty and 40 percent of Professional tax devolves to the ULBs from the State Government.

6.6.1 Devolution of Functions

Under the 74th Amendment to the Constitution and Schedule 12 of BMA 2007, 18 functions needed to devolved to the ULBS as shown in Annexure 6.2. Of these only thirteen functions have been devolved to the ULBS, while the State Government Departments continue to handle the following five activities:

(1) Fire services, (2) Urban forestry, protection of the environment and promotion of ecological aspects, (3) Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded, (4) Promotion of cultural, educational and aesthetic aspects and (5) Cattle pounds; prevention of cruelty to animals. In respect of one more function, viz. Regulation of slaughterhouses and tanneries, the devolution is reported to be still under process.

No activity mapping has been done for the purpose of indicating a clear delineation of functions for each tier and passing of a framework law to formalise the relations between the state and local governments, despite recommendations of the past Union FCs and recommendation of the 2nd Bihar Administrative Reforms Commission. Under Section 45 (1) of the BMA 2007, ULBs are also required to discharge regulatory functions. However, the regulatory functions like assessment/payment of property tax, birth and death registration, building permission & occupancy certificate or issuing trade licenses are all being discharged currently by the Urban Development and Housing Department (UDHD) of the State Government.

6.6.2 Creation of a Parallel Body

Due to poor staffing and technical incapability of the ULBs, a parallel body - Bihar Urban Infrastructure Development Urban Transport Corporation (BUIDCO), was set up by the State Government in 2009 which is mandated to execute and accelerate urban infrastructure projects in the State of Bihar. It currently implements urban infrastructure projects, viz. Water Supply Projects, Sewerage and Sewage Network Projects, Storm Water Drainage Projects, Solid Waste Management Projects, Urban Transport Projects, Affordable Housing Projects, Riverfront Development Projects, Urban Street Light Projects, Commercial Market Development Projects and Urban Beautification Projects such as parks etc. BUIDCO has set up a Bihar Urban Infrastructure Development Fund (BUIDF) to develop a long-term state-led and market-driven sustainable urban infrastructure financing mechanism. As reported by the SSFC, this mechanism has not been working and further, there is no coordination between BUIDCO and the ULBs/ UDHD. The multiplicity of agencies always leads to overlap, ambiguity and wastage of resources and there is an urgent need to harmonise their functions for better synergy.

6.6.3 Revenue Performance of Urban Local Bodies in Bihar (2015-2020)

The revenue position of Urban Local Bodies (ULBs) in Bihar from 2015 to 2020 is shown in Table 6.10. The total revenue of all ULBs in Bihar for the five-year period amounted to Rs. 16,806 crore, rising from Rs 2271 crore in FY 2016 to Rs 3294 in FY 2020. Property tax remain the only significant source of its own revenues, which yielded Rs 881 crore during the period, while user charges yielded Rs 149 crore for the non-tax revenue. The own revenues constituted only 6% of the total revenues, bulk of which came from UFC14 grants (13%) and SFC5 devolution (31%). The rest came from assigned revenues in respect of stamp duty and profession tax (6%), State budgets for State Sponsored Schemes (18%), and Centrally Sponsored Schemes (24%). It reflects a structural weakness of our public financial system that leave no scope for the local bodies to expand their resource base.

Centrally Sponsored Schemes injected significant funds into urban development, with a total of Rs. 4,058 crore over the five-year period. Major expenditure was recorded in respect of Housing for All (HFA), Smart City, and Swachh Bharat Mission (SBM), reflecting national priorities in urban policy. State Sponsored Schemes contributed Rs. 3,090 crore over the period, mostly on Mukhya Mantri Nali Gali Yojana and Nagarik Suvidha. A Jal Jivan Hariyali scheme was introduced in 2019-20 with an allocation of only Rs. 56 crore.

Table 6.10: Revenue of All ULBs of Bihar during the period 2015-20 (Rs. crore)

	2015-16	2016-17	2017-18	2018-9	2019-20	2015-20
1. Own tax revenue						
a) Property Tax	130	177	178	219	177	881
b) Others						0
Total	130	177	178	219	177	881
2. Own Non-Tax Revenue						0
a) Fees etc.	16	37	33	33	29	149
b) User fee for civic services	0	0	0	0	0	0
c) Others, specify	28	34	38	46	40	185
Total	44	71	71	79	69	334
3. Grant UFC14						0
a) Basic	256	352	405	474	638	2124
b) Performance	0	104	0	0	0	104
Total	256	456	405	474	638	2229
4. SFC5						
a) Devolution	513	639	597	582	730	3059
b) Grant	269	287	445	533	546	2080
Total	781	926	1041	1115	1276	5139
5. Assigned Revenue						0
a) Stamp duty	167	175	143	237	159	882
b) Profession Tax	28	32	37	44	52	194
c) Others	0	0	0	0	0	0
Total	195	208	180	281	211	1076
6. Centrally Sponsored Schemes						0
a) AMRUT	73	148	172	241	0	633
b) Smart City	0	129	360	461	3	952
c) SBM	113	303	212	292	89	1009
d) NULM	26	55	1	64	53	198
e) HFA	0	477	314	114	197	1103
f) Patna Metro Rail Pariyojana	0	0	0	3	160	163
Total	211	1111	1059	1173	341	4058
7. State Sponsored Schemes						
a) Mukhya Mantri Nal JalYojna	142	218	76	63	30	530
b) Mukhya Mantri Nali Gali Yojna	163	185	290	233	213	1083
c) Jal Jivan Hariyali	0	0	0	0	56	56
d) Establishment	9	12	14	18	12	65
e) Nala Nirman	111	45	67	42	62	326
f) Nagarik Suvidha	229	88	211	292	209	1029
Total	654	548	658	648	582	3090
Grand Total	2271	3496	3593	3988	3294	16806

Source: Report of the Sixth State Finance Commission, Government of Bihar

To enhance the own-revenues of ULBS, the SSFC has made the following key recommendations:

1. Update property tax rates in line with UFC15 guidelines;
2. Fully implement the 2013 Bihar Municipal Property Tax Rules;
3. Establish a Property Tax Board as per 2013 state rules;
4. Expand and stabilize online property tax filing and payment across all ULBs;
5. Use GIS mapping for property assessment and asset management;
6. Maximize revenue from sources like parking fees, trade licenses, and tower fees;
7. Increase user charges to cover operation and maintenance costs of services; and
8. Optimize revenue from ULB-owned properties by revising rental agreements.

6.6.4 Expenditure Analysis of Urban Local Bodies in Bihar (2015-2020)

Table 6.11 shows the Expenditure of All ULBs in Bihar during the period 2015-20. Over this five-year period, the total expenditure of all ULBs in Bihar amounted to Rs. 14,894 crore, with establishment costs and civic services receiving relatively smaller allocations (20% and 10% of total allocations respectively). Scheme expenditure dominated the ULBs' financial activities, with Rs. 4,058 crore spent on Centrally Sponsored Schemes (23 percent of total) and Rs. 6,328 crore spent on State Specified Schemes (47% of total) during this period. Together, these scheme-based expenditures accounted for 70% of the total spending.

Table 6.11: Expenditure of All ULBs of Bihar during the period 2015-20 (Rs. crore)

Items	2015-16	2016-17	2017-18	2018-19	2019-20	2015-20
1 Establishment						
a) Salary	382	511	549	630	541	2613
b) Pension						
c) Others (Daily wages and Administrative Expenditure)	125	36	62	93	74	390
Total	507	548	610	723	614	3003
2 O&M of Civic Services	213	273	373	300	346	1506
3 Centrally Sponsored Schemes						
a) AMRUT	73	148	172	241	0	633
b) Smart City	0	129	360	461	3	952
c) SBM	113	303	212	292	89	1009
d) NULM	26	55	1	64	53	198
e) HFA	0	477	314	114	197	1103
Total	211	1111	1059	1176	501	4058
4 Support from State Budget						
a) Mukhya Mantri Nal JalYojna	453	633	510	540	605	2741
b) Mukhya Mantri Nali Gali yojna	319	370	498	456	468	2111
c) Jal Jivan Hariyali	0	0	0	0	56	56
d) Establishment	9	12	14	18	12	65
e) Nala Nirman	111	45	67	42	62	326
f) Nagrik suvidha	229	88	211	292	209	1029
Total	1122	1147	1300	1348	1411	6328
Grand Total	2053	3080	3343	3546	2873	14894

Source: Report of the Sixth State Finance Commission, Government of Bihar

SSFC made several recommendations to strengthen the financial health and operational effectiveness of ULBs in Bihar:

1. Prioritizing Civic Services: There is an urgent need to substantially increase expenditure on civic services. The SSFC emphasised the importance of providing ULBs with adequate untied funds to improve the range and quality of municipal services.
2. Ensuring Timely Salary Disbursement: To maintain staff morale and operational efficiency, SSFC recommended that expenditure on salaries, wages, and office running expenses be fully covered through SFC Transfers.
3. Dedicated Asset Maintenance Fund: The SSFC strongly advised creating a dedicated allocation within SFC Transfers for regular maintenance of urban assets, addressing the long-neglected aspect of infrastructure upkeep.
4. Empowering Local Decision-Making: To fulfil their role as instruments of decentralized governance, ULBs should be provided with untied funds through SFC Transfers to enable them implement locally identified priority projects, enhancing their responsiveness to community needs.
5. Balancing Scheme Implementation and Core Functions: While recognizing the importance of central and state schemes, a more balanced approach is needed to ensure that core municipal functions are not overshadowed by scheme-based activities.

6.7 Projected Revenues and Expenditure for ULBs by the Sixth SFC (2021-2025)

The projected revenues, expenditure and resource gap for all ULBs in Bihar are shown in table 6.12. As against total revenue of Rs 95274 during the four-year period 2021-25, the total expenditure projected by the SSFC was Rs 105884, leaving a gap of Rs 10610, to fill which the SSFC recommended devolution of Rs 10457 crore over this period. The pattern of revenue and expenditure more or less the same in the previous years, as discussed earlier.

Table 6.12: SFC6 Projection of Expenditure of All ULBs for 2021-25 (Rs crore)

Items	2021-22	2022-23	2023-24	2024-25	Total 2021-25	Percentage of Revenue/Expenditure
Revenues						
1. Own Tax revenue	388	434	484	541	1847	2
2. Own Non-Tax revenue	143	169	201	239	752	1
3. Assigned Revenue	240	258	278	300	1076	1
4. 15 th UFC Grants	1827	1892	2001	2119	7839	8
5. Centrally Sponsored Schemes	3480	3828	4211	4632	16151	17
6. State Sponsored Schemes	6964	6536	7108	8419	29027	30
7. Nishchay Yojna Part-2	13067	9899	7563	8053	38582	40
Total Revenues	26110	23016	21846	24303	95274	100
Expenditure						
1. Establishment	1148	1501	1796	1891	6335	6
2. Inception Expenditure for new ULBs	74				74	0
3. UTST	10	11	12	13	46	0
4. Capacity Building	588	295	241	224	1348	1
5. Operational Expenditure on Civic Services	940	1001	1058	1323	4323	4
6. Maintenance	425	480	550	625	2080	2

7. Local Schemes	618	726	821	962	3127	3
8. Centrally Sponsored Schemes	3480	3828	4211	4632	16151	15
9. State Sponsored Schemes	7523	7114	7720	9067	31423	30
10. Nishchay Yojna Part-2	13625	10478	8174	8701	40978	39
Total Expenditure	28430	25433	24583	27439	105884	100
Resource Gap	2320	2417	2737	3136	10610	
Actual Expenditure	NA	NA	NA	NA	NA	

Source: Report of the Sixth State Finance Commission, Government of Bihar

6.8 Decentralization Initiatives

- To usher in decentralization at the grassroots level, along with provision of Gram Sabha at the Gram Panchayat level, Ward Sabha has been created at each Ward level under the Chairmanship of the Ward Member. The Ward Sabha, through Ward Implementation and Management Committee, implements several schemes of public importance assigned to the Ward by the Gram Panchayat. Vigilance Committees have also been formed at ward level to keep close watch on qualitative implementation of schemes and render appropriate counsel to the ward/ Panchayat.
- Bihar Gram Swaraj Yojna Society (BGSYS), an autonomous institution registered under the Society Registration Act, 1860, was set up to work as the implementing agency for BPSP. The Bihar Panchayat Strengthening Project (BPSP) consisted of four components. Component 3 of this project is Strengthening the capacity to manage decentralization: (a) Under this component, 'Bihar Panchayat Accounts, Audit, Budget and Taxation Rules' were drafted which is awaiting the State Government's approval. These Rules will enable the PRIs to generate their own revenues. (b) GPMS, an IT system for PRIs was developed and rolled out in all 3186 GPs in the Project area. (c) Training of District Level Programmers and block-level EAs in PES and Nishchay Soft was conducted across the State.

Further initiatives taken by the state government to strengthen local self governance and making Panchayati Raj Institutions of the state responsive, inclusive and transparent are listed below:

- Institution of Lok Prahari established to make recommendation to the Panchayati Raj Department after hearing of cases under Section 18(5), Section 44(4), Section 70(5) and Section 97(5) of the Bihar Panchayat Raj Act, 2006- concerned Divisional Commissioner notified as Lok Prahari.
- Construction of 1465 Panchayat Sarkar Bhawans completed at Gram Panchayat level for delivery of services at the doorsteps of rural populace and construction of 4942 Panchayat Sarkar Bhawans have been sanctioned and are at different stages of construction.
- The Bihar Zila Parishad Service Rules, 2023 notified and requisite number of posts (both Administrative and Technical) created for the PRJs. Till the posts are filled with regular recruitmen1, Zila Parishad authorized to hire retired Government personnel on contractual basis for discharge of works.
- The Bihar Zila Parishad Real Estate Policy, 2024 notified for management of properties belonging to Zila Parishads.
- Monitoring of physical and financial progress of schemes' implementation and provision of audit online through Panchayat Nishchay Soft and e-Panchayat portal.
- Residential training of newly recruited personnel like Block Panchayat Raj Officer /Panchayat Sachiv (5111)/ Auditors etc. for proper orientation related to functioning of PRJs and the

schemes implementation thereof.

- (vii) Recruitment of Executive Assistants (7795), Accountant-cum-IT Assistant (1577) and Technical Assistant (1548).
- (viii) Additional Chief Executive Officers appointed at Zila Parishads to assist the Chief Executive Officer for speedy disposal of work.
- (ix) Block Panchayat Raj Officer made Additional Executive Officer of Panchayat Samiti.
- (x) Implementation of Solar Street Light Yojna with technical guidance of Bihar Renewable Energy Development Agency (BREDA).
- (xi) Establishment of Physical and Digital Library at Gram Panchayat level.
- (xii) Promotion of tree plantation at the Gram Panchayat level with the active involvement of PRIs members.

Annexure 6.1

Actions taken on the major recommendations of the Sixth Finance Commission in the second report covering the period 2021-22 to 2025-26

	Major Recommendations of the 6th SFC	Action taken by State Government
	Introduced for the first time	
1	Separate Fiscal Transfers for 3 Funds: Making a departure &om the mode of fiscal transfers hitherto being practiced. the Commission hu recommended fiscal transfer co LBs in they separate compartments (a) Development Fund for creation or new assets;(b) Maintenance Fund for maintenance of assets and (c) General Fund (or performance of civic services, capacity building. payment of salary and remuneration and meeting other administra1ive and miscellaneous expenses.	The recommendation has been accepted for the financial years 2021-22 to 2024-25. The Development Fund, Maintenance Fund and General Fund have been made available to the Panchayati Raj Institutions in the ratio of 30:20:50 respectively.
2	Expenditure Items that must be fully Funded using SFC Transfers: for the first time. Expenditure items the must be fully funded out or the Fiscal transfer made to LBs been as:(i) Expenditure items under General Fund (a) Establishment expenditure, covering salary/ remuneration/ wages of employees; office expenses and other administrative expenses, etc., (b) Expenditure over capacity building, covering training, IT enablement, provision of office space, etc., (c) Operational expenditure for providing civic services. (ii) Expenditure terms under Maintenance Fund (a) Maintenance: of assets, (b) Electricity Bills in connection with providing civic services (iii) Expenditure items under Development Fund (a) United funds for local schemes. After the requirement or above items or expenditure have been fully me only then the balance of SFC Transfer if any, may be used for other purposes such as State sponsored Schemes/Centrally Sponsored Schemes.	In accordance with recommendations of the Sixth State Finance Commission varies works are being done by providing funds to the three tier Panchayati Raj Institutions in the respective heads: Panchayat Sarkar Bhawan are being constructed from 50 percent of the amount of the General Fund of the Sixth State Finance Commission. The maintenance of the Mukhya Mantri Gramin Payjal Nishchay Yojana is being done from the amount of the Maintenance Fund of the Sixth State Finance commission. The payment of allowance/honorarium of Gram Panchayat Executive Assistant/ Data Entry Operators, Accountant-cum-IT Assistant, Technical Assistant, Elected Public Representatives of Panchyati Raj Institutions is being made from the establishment and administrative expenditure heads.
3	Untied Funds for Local Development: At least 40 percent of the Development Fund should be untied. The PRIs and ULBS will be able to use these untied funds to take up Schemes for local level development Under the subject enshrined in the Eleventh Schedule/ Twelfth Schedule or the Constitution respectively. subject to the overall guideline of the State Government.	Using the United Fund (40%), the Panchayati Raj Institutions have freedom to prepare and execute annual plans consisting of various Project and Schemes for local level development under the 29 Subjects enshrined in the Eleventh schedule of the Constitution.
4	Dedicated Fund for Maintenance: For the first time, earmarking of 20 percent of SFC Transfers has been recommended for maintenance of assets	In accordance with the recommendation of the Sixth State Finance Commission, 20 per cent amount is allocated to the Panchayati Raj Institutions for Maintenance Fund. The following maintenance works is being taken from this fund:-

		Related to building, furniture, machinery and equipment, computers and their equipment, electrical works, plumbing works, drinking water pipelines and fittings, lanes and drains, Structures for solid and liquid waste disposal, street lights, replacement of spare parts to keep the assets functional and repair of government tube wells.
5	Minimum Threshold: For the first time, a minimum threshold of Devolution and Grant has been recommended. If the calculated value of Devolution and Grant as per recommendations of this Commission falls below the Minimum Threshold, the State Government should transfer at least the Minimum Threshold amount to the LBS.	Finance department
6	Revenue Effort Bonus: For the first time, introduction of Revenue Effort Bonus for LBS that achieve specified revenue benchmarks has been recommended to incentives the LBS to make sincere efforts to maximise their own revenue.	Out of three level of PRIs (ZP, PS & GP), only the ZPs had their own source of non-tax Revenue, e.g.- Rent of shop/inspection bungalow, leasing of ponds/bus stand etc. while PRIS did not levy taxes and Fees. In order to increase the Own Source Revenue of the Panchayats, the process of formation of Bihar Panchayat (Panchayat Accounting, Audit, Budget and Taxation) Rules is under process.
7	Special Package for Patna Nagar Nigam: For the first time, a special package has been recommended for Patna Nagar Nigam to take care of the infrastructural needs of the capital city. This amount shall be used for schemes specified by the State Government	The matter pertains to UDHD Department.
8	One Time Package for New ULBs: A one-time package for newly created ULBs has been recommended for construction of office buildings and meeting inception expenditure over setting up of their offices.	The matter pertains to UDHD Department.
9	Delay Compensation: Unduly long delay in release of funds to LBS has been a worrisome aspect of fiscal transfers in the past. SFC6 has recommended that in the event of delayed release, the LBS should be compensated by payment of interest for the period of delay	Till date the State Government has not released any funds for compensation of delay.
10	Additional Allocation by State Government: In the past, actual fiscal transfers from the State Government to the LBS have fallen far short of the amounts recommended by the SFCs. On the other hand, State Government has parallelly transferred additional funds to the LBS from the budget for various purposes. In order to ensure that entire fund flow from the State Government to LBS is reflected against the transfers recommended by the SFC, this Commission recommends that henceforth PRD and UDHD should make all releases to LBS (i.e. devolution and grant funds recommended by SFC as well as any additional allocation from State Budget beyond SFC recommendations) in Development Fund Maintenance Fund and General Fund only.	As per recommendation of Six State Finance Commission the recommended fund is being transferred to PRIS after approval of Finance Department, Bihar, Patna. Apart from the above the following schemes run by Panchayati Raj Department, Bihar, Patna: a) Panchayat Sarkar Bhawan b) Solar Street Light Scheme

		c) Mukhayamantri Gramin Gali-Nali Pakkikarn Nischay Yojna.
	Recommendations on fiscal transfer from state government	
11	A total amount of Rs. 29795 crore has been recommended for the four-year period from 2021-22 to 2024-25 by way of (i) devolution @ 10 percent of State's Divisible Pool of Taxes on (t-1) basis is recommended in each year of the award period and (ii) Grant @ 2.5 percent of the Consolidated Fund, to be distributed between PRIS and ULBs in the ratio 65:35.	The matter pertains to Finance Department.
12	Distribution of PRIS Share of Total SFC Transfer (i) PRIS share of Total SFC Transfer is recommended to be apportioned between the three funds as follows: (1) Development Fund: 30 percent; (2) Maintenance Fund: 20 percent and 3 General Fund: 50 percent.	Accepted and implemented, as explained in Item 1 above.
13	Inter-se Distribution of Development Fund among PRI Tiers: Both tied and untied parts of Development Fund are recommended to be shared among ZPs, PSS and GPs in the ratio The inter-se share of individual units in each tier is to be determined on the basis of population and area with the following weights: (i) Population: 90 percent (ii) Area: 10 percent.	The recommended fund is being transferred to ZPs, PSS and GPs in the ratio 15:15:70. Population and area data was demanded by the department from all the Districts, but the data pertaining to area was not provided. So the State Government decided to distribute the fund based on population only.
14	Inter-se Distribution of Maintenance Fund among PRI Tiers: Maintenance Fund is recommended to be shared among ZPs, PSS and GPs in the ratio 15:15:70. The inter-se share of individual units in each tier is to be determined on the basis of population and area with the following weights: (i) Population: 90 percent ii Area: 10 percent.	
15	Inter-se Distribution of General Fund among PRI Tiers: Funds allocated for Civic Services in General Fund are recommended to be shared among ZPs, PSs and GPs in the ratio The inter-se share of individual units in each tier is recommended to be determined on the basis of population and area with the following weights: (i) Population: 90 percent (ii) Area: 10 percent.	
16	Distribution of ULBs' Share of Total SFC Transfer (i) ULBs' share of Total SFC Transfer is recommended to be apportioned in three heads as follows: (1) Development Fund: 30 percent (2) Maintenance Fund: 20 percent (3) General Fund: 50 percent. The Special Package for Patna Nagar Nigam shall be funded from Development Fund and the balance amount in the Fund is to be shared among Nagar Nigams (including Patna Nagar Nigam), Nagar Parishads and Nagar Panchayats on the basis of following criteria: (i) Population: 90 percent (ii) Area: 10 percent.	The matter pertains to UDHD Department.
17	Inter-se Distribution of Maintenance Fund among ULBs: Maintenance Fund is to be shared among Nagar Nigams, Nagar Parishads and Nagar Panchayats on the basis of following criteria: (i) population: 90 cent ii Area: 10 percent.	The matter pertains to UDHD Department.
18	Inter-se Distribution of General Fund among ULBs: Funds allocated for civic services in General Fund are recommended to be shared among Nagar Nigams, Nagar Parishads and Nagar Panchayats on the basis of following criteria: (i) Population: 90 percent ii Area: 10 percent	The matter pertains to UDHD Department.

Annexure 6.2

Functions assigned to ULBs under the Constitution and the section 45 of the Bihar Municipal Act, 2007

Sl. No.	Functions under the Constitution	Corresponding functions under Bihar Municipality Act, 2007
1	Urban planning including town planning.	<ul style="list-style-type: none"> a. Town planning, urban development and development of commercial infrastructure. b. Planned development of new areas for human settlement. c. Beautification of the municipal area by setting up parks and fountains, providing recreational areas, improving river banks, and landscaping. d. Integration of the development plans and schemes of the municipal area with the district or regional development plan, if any.
2	Regulation of land-use and construction of buildings.	
3	Planning for economic and social development.	<ul style="list-style-type: none"> a. Preparation of Plans for development and social justice. b. Organization of voluntary labour and co-ordination of activities of voluntary agencies for community welfare. c. Campaigns for dissemination of such information, vital for public welfare. d. The Municipality may plan, build, operate, maintain or manage the infrastructure required for the discharge of its functions, either by itself or by any agency (section 166).
4	Roads and bridges.	<ul style="list-style-type: none"> a. Communication systems, construction and maintenance of roads, footpaths, pedestrian b. Pathways, transportation terminals, both for passengers and goods, bridges, over-bridges, subways, ferries, and inland water transport system, c. Transport system accessories including traffic engineering schemes, street furniture, street lighting, parking areas, and bus stops.
5	Water supply for domestic, industrial and commercial purposes.	<ul style="list-style-type: none"> a. Water- supply for domestic, industrial and commercial purposes b. Provision for unfiltered water-supply for non- domestic uses
6	Public health, sanitation conservancy and solid waste management.	<ul style="list-style-type: none"> a. Community health b. Drainage and sewerage, soil waste management c. Curative health d. Mass inoculation campaigns for eradication of infectious diseases, e. Construction and maintenance of municipal markets and slaughterhouses and regulation of all markets and slaughterhouses, f. Reclamation of unhealthy localities, removal of noxious vegetation and abatement of all nuisances, g. Maintenance of all public tanks and regulating the re-excavation, repair and up-keep of all private tanks, wells and other sources of water-supply on such terms and conditions as the Municipality may deem proper, h. Advancement of civic consciousness of public health and general welfare by organizing discourses, seminars and conferences. i. Measures for eradication of addiction of all kinds including addiction to drugs and liquor; j. Construction or maintenance of, or provision of to, hospitals, dispensaries, asylums, rescue homes, maternity houses, and child welfare centres.
7	Fire services.	<ul style="list-style-type: none"> a. Fire prevention & fire safety.

8	Urban forestry, protection of the environment and promotion of ecological aspects.	<ul style="list-style-type: none"> a. Protection of environment including planting and caring of trees on road Sides and elsewhere. b. Reclamation of waste lands, promotion of social forestry and maintenance of open spaces, c. Establishment and maintenance of nurseries for plants, vegetables and trees and promotion of greenery through mass participation, d. Organization of flower-shows and promotion of flower-growing as a civic culture, e. promotion of measures for abatement of all forms of pollution;
9	Safeguarding the Interests of weaker sections Of society, including the Handicapped and mentally retarded.	<ul style="list-style-type: none"> a. Provision of shelter for the homeless, b. Establishment and maintenance of shelters, in times natural disasters, and relief works, for, destitute persons. c. Implementation programmes for liberation and rehabilitation of scavengers and their families,
10	Slum improvement and up gradation.	
11	Urban poverty alleviation.	<ul style="list-style-type: none"> a. Urban poverty alleviation.
12	Provision of urban Amenities & facilities such as parks, gardens, playgrounds.	<ul style="list-style-type: none"> a. Installation of statues, portraits and pictures in appropriate manner, b. Organization, establishment and maintenance of art galleries and botanical or zoological collections, and c. Maintenance of monuments & places of historical, artistic & other importance;
13	Promotion of cultural, educational and aesthetic aspects.	<ul style="list-style-type: none"> a. Primary education. b. Promotion of educational, sports and cultural activities and aesthetic environment c. Promotion of civic education, adult education, social education and non- formal education, d. Promotion of cultural activities including music, physical education, sports and theatres and infrastructure therefore, e. Organization and management of fairs and exhibitions
14	Burial grounds; and electric crematoriums.	
15	Cattle pounds; prevention of cruelty to animals.	<ul style="list-style-type: none"> a. Construction and maintenance of cattle pounds,
16	Vital statistics (births and deaths etc.)	<ul style="list-style-type: none"> a. Collection of statistics and data, significant to the community,
17	Public amenities (street lighting, parking, bus stops, conveniences.	<ul style="list-style-type: none"> a. Supply of energy.
18	Regulation of slaughter houses and tanneries.	<ul style="list-style-type: none"> a. Markets and slaughterhouses

(Source: Report of the Fifth State Finance Commission)

Chapter 7

State Public Enterprises

Objectives

To analyse the impact of the finances of State Public Enterprises on the State's financial health;
To evaluate measures taken to improve their performance or to adopt the alternatives of closure, disinvestment etc.;

To assess the impact of Power Sector Reforms on States' fiscal health.

Methodology

Financial and ratio analysis of the balance sheets of public sector enterprises, especially of those in the power sector; Examination of measures taken by the state for liquidation of loss-making enterprises and the results thereof; Financial analysis of power sector companies; examination of the power situation and receipts from power sector and their impact of state resources.

Data Sources

Financial statements of working public enterprises of the state; Economic Survey of the Government of Bihar; Audit reports of the Comptroller & Auditor General of India; Concerned department of the State Government; Annual reports and accounts of the power generation and distribution companies in the State; Data from Energy Department.

7.1 Government Investment in Public Sector

As of March 31, 2023, Bihar had 76 State Public Sector Enterprises (SPSEs), (only 37 were working) including 3 Statutory Corporations, 69 Government Companies (39 of which were inactive, only 30 were working), and 4 Government Controlled Other Companies³¹ (GCOCs). None of these were listed on stock exchanges. The total investment by the state government in working public sector units is shown in Table 7.1. Such investments amounted to Rs. 59,905 crore till March 2023 (71% as equity and 39% as long term loans).

Table 7.1: State Government Investment in Public Sector (Rs Crore) (As on 31st March)

	No. of Working PSUs	No. of non-working PSUs	Statutory Corporations	Total No. of PSUs
2019	31	44	3	78
2020	34	42	3	79
2021	34	42	3	79
2022	34	40	3	77
2023	34	39	3	76
	Total Equity of Working PSUs	Total Long-Term Loans of Working PSUs	Total Govt. Investments	
2019	26997	3904	30901	
2020	38721	6353	45074	
2021	40196	12363	52559	
2022	40260	12430	52690	
2023	42421	17484	59905	

³¹ Bhagalpur Smart City Ltd, Muzaffarpur Smart City Ltd, Biharsharif Smart City Ltd, and Patna Smart City Ltd.

Source: State Finance Audit Reports of respective years of the CAG of India for Bihar Govt.

Bihar's SPSEs contribute 3% to the state's GSDP, down from 4% in the previous 2 years, almost entirely contributed by the power sector alone (Table 7.2). Their employee numbers are not known.³²

Table 7.2: Details of turnover of 37 working SPSEs vis-à-vis GSDP of Bihar (Rs. in crore)

Particulars	2020-21	2021-22	2022-23
Turnover			
Power Sector SPSEs	18,057	22,226	21,948
Agriculture and Allied sector SPSEs	341	341	341
Other SPSEs	1,813	1,827	1,827
Total	20,212	24,395	24,117
GSDP of Bihar	5,67,263	6,50,302	7,51,396
Percentage of Turnover to GSDP of Bihar			
Power Sector SPSEs	3.18	3.42	2.92
Agriculture and Allied sector SPSEs	0.06	0.05	0.05
Other SPSEs	0.32	0.28	0.24
Total	3.56	3.75	3.21

Source: State Finance Audit Reports of the CAG of India for Bihar Govt., FY 2023

Table 7.3 shows the sector-wise investments in State Public Sector Enterprises (SPSEs) as of March 31, 2023. Power sector commands as much as 92% of the total investments across all SPSEs. While underscoring the critical importance of the energy sector in the state's economic strategy, it also raises questions about the balance of investments across different sectors of the economy. The rest is shared equally by Agriculture and Allied sector and all other SPSEs. Despite its typically crucial role in state economies, the primary sector receives a mere 4% of the total investment, almost the entire investment coming from loans, in contrast with the power sector. This financing structure raises important questions about sectoral priorities, the balance between state and market forces in different industries, and the long-term sustainability and efficiency of these public sector enterprises.

Table-7.3: Sector-wise investment in SPSEs, 2022-23 (Rs. in crore)

Sector	No. of Working PSUs	Total Equity	State Govt. Equity	Total Long-Term Loans	State Govt. Loans	Total Equity and Long-Term Loans	% of Equity and Long-Term Loans
Power Sector	9	41,231	40,866	13,835	1,364	55,066	92
Agriculture and Allied	4	16	11	2,557	2,393	2,573	4
Other	24	1,174	847	1,092	1,043	2,266	4
Total	37	42,421	41,724	17,484	4,800	59,905	100

Source: State Finance Audit Reports of the CAG of India for Bihar Govt., FY 2023

³² As of March 2016, the Public Sector Undertakings in Bihar employed 17,349 employees — Working Companies (15,076), Statutory Corporations (923) and Non-Working Companies (1,350). The current position is unknown.

7.2 Arrears of Accounts of SPSEs

None of the SPSEs adhered to the prescribed timelines regarding submission of their Financial Statements. There were 1,140 accounts of 62 SPSEs in arrears (One account a year equals arrear of 1). As of 31 March 2023, of the 73 SPSEs (34 working and 39 inactive) under the purview of CAG's audit, accounts for the year 2021-22 were due from all the 68 SPSEs, excluding five SPSEs which are under liquidation. Only nine working SPSEs could make their accounts till 2021-22. 1,133 accounts of 59 SPSEs (26 working and 33 inactive), were in arrears for various reasons. Summary of arrears, in the submission of accounts of SPSEs, is shown in Table 7.4, and details are appended at Annexure 7.2. In the absence of finalized accounts, Government investments in such SPSEs remain outside the oversight of the State Legislature, with possibility of frauds etc. Winding up of the SPSEs also becomes a problem since their assets and liabilities remain unknown.

Table:7.4: Details of arrears in submission of accounts

Particulars		SPSEs	No. of Arrear Accounts
Total no. of SPSEs under the purview of CAG's audit as on 31.03.2023		73	--
Less: New Companies from which accounts for 2021-22 were not due		0	0
Number of companies from which accounts for 2021-22 were due		68	68
Number of companies which presented the accounts for the year 2021-22 for CAG audit by 31 July 2023		09	09
Number of accounts in arrears		5935	1,133
Break up of Arrears	(i) Under Liquidation	05	--
	(ii) Inactive	33	1,027
	(iii) Others (Working)	26	106
Age-wise analysis of arrears against 'Others' category	One year (2021-22)	05	05
	Two years (2020-21 and 2021-22)	06	12
	Three years and more	15	89

Source: State Finance Audit Reports of the CAG of India for Bihar Govt., FY 2023

7.3 Working Results of SPSEs

7.3.1 Profit and Losses of SPSEs

The working results of the individual SPSEs in Bihar is presented in Annexure 7.1. The financial performance of SPSEs in Bihar presents a mixed picture. While the number of profit-making SPSEs decreased from 18 in 2020-21 to 16 in 2022-23, there was a more significant decline in the total profits earned. The cumulative profit of these enterprises fell from Rs. 463 crore in 2020-21 to Rs. 318 crore in 2022-23, or, by 31% over the three-year period. The top three profit-making SPSEs accounted for 58% of the total profits earned by all 16 profitable SPSEs in 2022-23, led by Bihar State Power Transmission Company (profit: Rs. 90 crore, or 28% of total profit), Bihar State Textbook Publishing Corporation (Rs 63 crore) and Bihar State Road Development Company (Rs 32 crore).

The losses incurred by State Public Sector Enterprises (SPSEs) in Bihar from 2020-21 to 2022-23, as shown in Table 7.5, reveals a disconcerting trend across various sectors. In 2022-23, the number of loss-making SPSEs increased to 15, up from 13 in 2020-21. The total net loss for these enterprises rose significantly from Rs. 2,483 crore in 2020-21 to Rs. 2,848 crore in 2022-23, an increase of 14.7% over the three-year period. The Power Sector SPSEs have been the major contributors to these losses. In 2022-23, five Power Sector SPSEs accounted for Rs. 82% of the total losses incurred by all SPSEs. The number of loss-making

Power Sector SPSEs increased from four to five over the period. Another major contributor to losses was the Bihar State Road Transport Corporation (BSRTC), which incurred a loss of Rs. 144 crore mainly due to provisions for interest on loans from the State Government. The total investment in these 15 loss-making SPSEs was Rs. 46,325 crore, with 91% invested in five power sector SPSEs that incurred 82% of the total losses.

Table 7.5: Losses incurred by SPSEs during 2020-21 to 2022-23 (Rs. in crore)

Financial Year	Particulars	No. of loss making SPSEs	Net loss for the year	Accumulated loss	Net Worth
2020-21	Power Sector SPSEs	4	-1,970	21,079	8,748
	Agriculture and Allied SPSEs	1	-349	462	-456
	Other SPSEs	8	-164	2,791	-2,426
	Total	13	-2,483	24,332	5,865
2021-22	Power Sector SPSEs	4	-2,245	23,739	7,284
	Agriculture and Allied SPSEs	1	-349	462	-456
	Other SPSEs	9	-165	2,791	-1,700
	Total	14	-2,760	26,992	5,128
2022-23	Power Sector SPSEs	5	-2,333	23,739	8,243
	Agriculture and Allied SPSEs	1	-349	462	-456
	Other SPSEs	9	-165	2,791	-1,700
	Total	15	-2,848	26,992	6,087

Source: State Finance Audit Reports of the CAG of India for Bihar Govt., FY 2023

Out of the total 37 working SPSEs, only four declared dividends in 2022-23. The total dividend declared by these four SPSEs amounted to Rs. 321 crore. 10 profit-making SPSEs which collectively earned a profit of Rs. 240.68 crore did not declare or pay any dividend. The State has not yet formulated a dividend policy. Most SPSEs are also unable even to pay their interest charges as they don't earn enough profit (Table 7.6).

Table 7.6: Interest Charges of SPSEs

FY	Particulars	Interest	EBIT	Number of SPSEs
2020-21	Power Sector SPSEs	494	-1132	6
	Agriculture and Allied sector SPSEs	397	78	3
	Other SPSEs	19	8	5
	Total	911	-1046	14
2021-22	Power Sector SPSEs	817	-918	6
	Agriculture and Allied sector SPSEs	397	78	3
	Other SPSEs	19	2	5
	Total	1233	-837	14
2022-23	Power Sector SPSEs	800	-1219	6
	Agriculture and Allied sector SPSEs	397	78	3
	Other SPSEs	19	-2	5
	Total	1216	-1138	14

Source: State Finance Audit Reports of the CAG of India for Bihar Govt., FY 2023

7.3.2 Erosion of Capital Base in SPSEs

As of March 31, 2023, 14 SPSEs had accumulated losses totaling Rs. 27,037 crore. 10 out of these 14 SPSEs had negative net worth – they capital based having been completely eroded by accumulated losses. The total negative net worth of these 10 SPSEs stood at - Rs. 3,210 crore, against an equity investment of Rs. 304 crore. Of these BSRTC had the largest negative net worth of - Rs. 2,073 crore, with accumulated losses of Rs. 2,174 crore against a paid-up capital of Rs. 101 crore, followed by Bihar State Food and Civil Supplies Corporation Ltd. has a negative net worth of - Rs. 457 crore, which owes the government of Rs. 2,320 crore in loans. Another company, Bihar State Financial Corporation, had its net worth at - Rs. 428 crore, with accumulated losses of Rs. 506 crore.

The reasons for losses vary across enterprises. Four SPSEs incurred losses primarily due to high finance costs on large borrowings from the state government or other financial institutions coupled with operational losses. Only the Bihar Rajya Beej Nigam Ltd., despite accumulated losses, has shown profitability in recent years. The persistence of negative net worth over extended periods is also disconcerting - Bihar State Food and Civil Supplies Corporation has negative net worth since 1980-81, while Bihar State Financial Corporation has been in this situation since 1998-99.

This widespread erosion of capital in SPSEs calls for urgent and comprehensive reform measures including steps for liquidation of the se companies.

7.3.3 Return on Capital Employed (RoCE)

Capital employed equals total assets less the current liabilities or the sum of fixed assets and working capital, and represents the capital a company invests into business for purchasing equipment and materials, hiring employees, etc. Table 7.7 shows the sector-wise Return on Capital Employed (RoCE) by the SPSEs from 2020-21 to 2022-23. Over these three years, Power Sector SPSEs, which accounts for most of the capital employed, consistently reported negative earnings before interest and taxes (EBIT), and hence leading to a negative RoCE. In contrast, Agriculture and Allied sector SPSEs maintained a modest but stable RoCE of 3.70% across all three years, reflecting steady profitability relative to the capital employed, and other SPSEs also recorded positive and healthy RoCE, though the Capital Employed was too small to make any difference in the larger economy.

Table 7.7: Return on Capital Employed (Rs crore)

Year	Particulars	EBIT	Capital Employed	RoCE (%)
2020-21	Power Sector SPSEs	-1,135	33,331	-
	Agriculture and Allied sector SPSEs	78	2,114	3.7
	Other SPSEs	239	-103	-
	Total	-817	35,342	-
2021-22	Power Sector SPSEs	-921	33,102	-
	Agriculture and Allied sector SPSEs	78	2,114	3.7
	Others SPSEs	252	1,043	24.1
	Total	-591	36,259	-
2022-23	Power Sector SPSEs	-1,221	33,006	-
	Agriculture and Allied sector SPSEs	78	2,114	3.7
	Others SPSEs	252	1,043	24.1
	Total	-891	36,163	-

Source: State Finance Audit Reports of the CAG of India for Bihar Govt., FY 2023

7.3.4 Return on Equity (RoE)

Table 7.8 shows the sector-wise Return on Equity (RoE) of the SPSEs over the financial years 2020-21 to 2022-23. Power Sector SPSEs reported substantial net losses throughout the period, resulting in negative RoEs. It is the same dismal story across all sectors. Others SPSEs as a whole had their equity base eroded by accumulated losses and hence could not generate any positive.

Table 7.8: Return on Equity relating to SPSEs (Rs crore)

FY	Particulars	Net Income	Equity	RoE (%)
2020-21	Power Sector SPSEs	-1,724	20,214	-
	Agriculture and Allied sector SPSEs	-330	-443	-
	Others SPSEs	34	-388	-
	Total	-2,020	19,383	-
2021-22	Power Sector SPSEs	-2,012	19,236	-
	Agriculture and Allied sector SPSEs	-330	-443	-
	Others SPSEs	43	-49	-
	Total	-2,298	18,744	-
2022-23	Power Sector SPSEs	-2,244	19,171	-
	Agriculture and Allied sector SPSES	-330	-443	-
	Others SPSEs	43	-49	-
	Total	-2,530	18,679	-

Source: State Finance Audit Reports of the CAG of India for Bihar Govt., FY 2023

7.3.5 Liquidation, Disinvestment and Restructuring of SPSEs

Of the 39 non-working companies, 5 are under liquidation process, as their continuance may not serve any useful purpose. five SPSEs have been under the process of liquidation for more than 10 years. No action has been initiated in regard to the remaining 34 inactive SPSEs. It may be mentioned that in the absence of accounts, it will be very difficult to initiate the process of liquidation, as the status of their assets and liabilities would not be known.

No disinvestment exercise was undertaken by the State Government in respect of any of its PSUs during 2022-23. During the year 2022-23, there was no case of privatization of working, or inactive SPSEs. Restructuring of all the PSUs was to have been taken up after the formation of Jharkhand State. The decision on the division of assets and liabilities as well as of the management of 12 PSUs was taken up in September 2005. The implementation, however, has been done only in the case of five PSUs, viz. Bihar Rajya Beej Nigam Ltd., Bihar State Hydroelectric Power Corporation Ltd., Bihar State Tourism Development Corporation Ltd., Bihar State Warehousing Corporation and Bihar State Mineral Development Corporation Ltd.

7.4 Statutory Corporations

The three statutory corporations of the state government are —Bihar State Financial Corporation (BSFC), Bihar State Road Transport Corporation (BSRTC), and Bihar State Warehousing Corporation (BSWC). All the three corporations are functional. The performance of these corporations has been summarized in Table 7.9 which shows that the 3 statutory corporations incurred net losses of Rs 146 crore during the year, with accumulated losses mounting to Rs 2634 crore. BSWC is the only one that earned some marginal profit of Rs 12 crore during the year and had positive capital employed.

Table 7.9: Performance Indicators of Statutory Corporations as on 31st March 2023 (Rs Crore)

Statutory Corporation	Period of accounts	Paid-up Capital	Long Term Loans	Turnover	Net Profit/ Loss -	Accumulated Profit/ Loss -	Capital employed
BSFC	2020-21	78	228	2	-13	-506	-200
BSRTC	2018-19	101	0	64	-144	-2174	-2073
BSWC	2018-19	6	164	284	12	47	217
Total		186	392	350	-146	-2634	-2056

Source: State Finance Audit Report 2022-23 of the Comptroller and Auditor General of India

All these results pertaining to the SPSEs in Bihar underscore the urgent need for comprehensive reforms in Bihar's SPSEs. Key areas for attention include improving operational efficiency, enhancing sound financial management practices, especially ensuring timely reporting of results and updating the arrear accounts, and implementing a dividend policy. The state shows no urgency or seriousness to improve their performance, and they are often used as convenient parking places for legislators and bureaucrats.

Dealing with 39 inactive SPSEs has its own challenges and state government has been unable to do anything in this regard. Five SPSEs that have been in liquidation for over a decade and nothing has moved despite recommendations of previous Finance Commissions (Fcs). The previous FCs have from time to time given many recommendations, which have never been acted upon by the government. All suggestions of improving operational efficiency to restore profitability by restructuring, technological upgrades, management reforms, or strategic disinvestment become farcical in the face of such reality. The only silver lining is the reforms it has undertaken in recent years in the power sector as discussed below.

7.5 Power Sector Reforms in Bihar

Bihar's power sector has undergone much transformation over the past decade, driven by a series of reforms. These reforms have aimed at improving the efficiency, reliability, and financial health of the power sector, which is crucial for the state's economic growth and development.

7.5.1 Power Scenario in Bihar

As shown in Table 7.10, between 2017-18 and 2022-23, Bihar witnessed substantial improvements in its power availability and consumption, driven by a concerted effort to enhance infrastructure and reduce deficits. The peak power demand met increased significantly, while energy availability showed a robust upward trend. Per capita power consumption rose from 280 kWh in 2017-18 to 329 kWh in 2021-22, indicating a growth of 17.5% over this five-year period. By 2021-22, average power availability in Bihar had reached 23.1 hours in urban areas and 20.1 hours in rural areas. This further improved to 23-24 hours in urban areas and 21-22 hours in rural areas by 2023, reflecting continued

progress in power supply reliability. The peak power demand increased by 49% over this period and energy availability by of 54%.

Table 7.10: Improvement in Power Scenario in Bihar (2017-18 to 2022-23)

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Peak Demand						
Projection (MW)	4965	5300	5900	5995	6475	6880
Met (MW)	4535	5139	5891	5932	6627	6738
Peak Deficit/ Surplus						
Deficit/ Surplus (MW) (-/+)	-430	-161	-9	-63	152	-142
Percentage	-9.4	-3	-0.1	-1.05	2.3	-2.06
Energy						
Requirement Projection (MU)	30095	32257	32300	34171	36245	41102
Availability (MU)	26788	29472	31540	34018	36245	41102
Energy Deficit/ Surplus (MU) (-/+)	-3307	-2785	-760	-153	-388	+4034
Energy Deficit/ Surplus (%) (-/+)	-12.3	-8.6	-2.4	-0.45	-1.1	+9.8
Per Capita Consumption (kwh)	280	311	332	316	329	-

Source: Economic Survey of the Govt. of Bihar 2023-24

During this period, Bihar also focused on addressing its power generation capacity, particularly in the face of challenges inherited post the separation of Jharkhand. The state aimed to increase its capacity through various sources, including its own generating stations, central generating stations, and power purchase agreements. By 2022-23, Bihar had successfully managed to bring down its energy deficit and even achieved a surplus of 9.8% in energy availability, demonstrating the effectiveness of its power policies. Overall, the state's efforts from 2017-18 to 2022-23 improved the power scenario due to improvements in both conventional and non-conventional sources of supply. The state aimed to secure a stable and surplus power supply by expanding its installed capacity and improving its energy availability at the state periphery. The year-wise and source-wise capacity expansion from 2021-22 to 2022-23 is shown in Table 7.11.

Table 7.11: Year-Wise and Source-Wise Details of Capacity Expansion (2021-22 to 2025-26)

Sources	SGS Small Hydro	SGS NCE/RNES (Solar etc.)	Share in Central Generating Station (CGS)					Total
			Thermal	Hydro	IPP Projects (Case 1)	NCE/RNES (Solar etc.)	NCE/RNES (Wind etc.)	
2021-22	54	-	4675	754	688	890	724	7785
2022-23	54	242	6260	771	488	910	699	9424
Cumulative Proposed Capacity								
2023-24	54	692	6666	771	488	1390	699	10760
2024-25	54	742	7908	771	488	2200	699	12862
2025-26	54	742	7908	771	488	2200	699	12862

Source: Economic Survey of the Govt. of Bihar 2023-24

The data from Table 7.12 indicates a steady and significant increase in both power capacity and energy availability in Bihar from 2021-22 to 2025-26. The total installed capacity is projected to grow from 7785 MW in 2021-22 to 12,862 MW by 2024-25, an increase of over 65% in four years. The energy availability was expected to grow growth by 68% over this period.

Table 7.12: Estimated Availability of Power and Energy during 2021-22 to 2025-26

Year	Total Capacity (MW)	Estimated Peak Availability at State Periphery (MW)	Estimated Energy Availability at State Periphery (MU)
2021-22	7785	5465	37956
2022-23	9424	6650	45136
2023-24	10760	6995	57172
2024-25	12862	8051	63677
2025-26	12862	8051	63677

Source: Economic Survey of the Govt. of Bihar 2023-24

7.5.2 Overview of Power Sector Reforms in Bihar

Bihar's power sector has had a challenging history. In the early 2000s, the state was characterized by severe power shortages, with per capita consumption being among the lowest in the country. The Bihar State Electricity Board (BSEB) was plagued by high losses, both technical and commercial, poor infrastructure, and financial insolvency. This situation not only hindered economic growth but also placed a significant burden on the state's finances through subsidies and bailouts. The need for reforms was critical, and in 2012, Bihar initiated a series of comprehensive restructuring of its power sector, as discussed below.

1. Unbundling of the Bihar State Electricity Board

Bihar State Electricity Board (BSEB) originally constituted under Section 5 of the Electricity Supply Act, 1948, was unbundled under the Bihar State Electricity Reforms Transfer Scheme, 2012. In 2012, BSEB was unbundled into five separate entities to enhance operational efficiency and financial performance:

1. Bihar State Power (Holding) Company Ltd. (BSPHCL): Serves as the holding company.
2. North Bihar Power Distribution Company Ltd. (NBPDC): Manages power distribution in northern Bihar.
3. South Bihar Power Distribution Company Ltd. (SBPDCL): Manages power distribution in southern Bihar.
4. Bihar State Power Generation Company Ltd. (BSPGCL): Responsible for power generation.
5. Bihar State Power Transmission Company Ltd. (BSPTCL): Handles power transmission across the state.

This restructuring aimed to decentralize operations, improve service delivery, and boost financial accountability. By focusing on their core functions, the newly formed entities were able to implement targeted measures to reduce losses and enhance performance. For instance, both NBPDC and SBPDCL undertook extensive measures to reduce distribution losses, including the installation of smart meters and the modernization of distribution infrastructure. The implementation of smart meters and modernization projects helped decrease the aggregate technical and commercial (AT&C) losses by more than 5% during 2022-23. The AT&C Loss, which was 54.6% in 2012-13, has come down to 24.3% in 2022-23. The installation of smart meters in urban areas began with 23.5 lakh consumers and was extended to rural areas, with a target to install 1.48 crore smart prepaid meters by 2025-26. The distribution companies, in particular, were able to improve their revenue collection mechanisms, reducing the need for state subsidies and improving their profitability. The DISCOMs were reported to have earned a profit for the first time of Rs. 215 crore during 2022-23 (Table 7.11). However, since the accounts are yet to be prepared and audited, the correct position is as yet unknown.

The unbundling of the Bihar State Electricity Board was a transformative reform that significantly improved the operational efficiency, financial health, and service delivery of the state's power sector. By decentralizing operations and creating specialized entities, Bihar was able to address longstanding issues in the power sector and lay the foundation for sustainable growth and development. The success of this reform highlights the importance of structural reorganization and targeted interventions in achieving sectoral improvements.

2. Implementation of Smart Metering

Smart metering has been a pivotal reform in Bihar's power sector, aimed at reducing Aggregate Technical and Commercial (AT&C) losses and improving billing accuracy. Initially, both North Bihar Power Distribution Company Ltd. (NBPDC) and South Bihar Power Distribution Company Ltd. (SBPDCL) began implementing simple prepaid meters on selected premises during 2013-14. This initial phase yielded positive results in terms of billing and collection. However, limitations and challenges related to accounting and the implementation of tariff changes necessitated further improvements.

In response to these challenges, the Bihar State government decided to implement smart metering with prepaid functionality in 2019. This initiative began in urban areas, covering 23.50 lakh consumers. An agreement was signed in January 2021 with M/S. Energy Efficiency Services Ltd. (EESL) for the installation of these smart meters in urban areas, targeting both general consumers and specific categories like beneficiaries "Har Ghar Nal ka Jal" and agriculture consumers. The smart meters introduced several key benefits. Accurate meter readings eliminated errors and tampering associated with manual readings. Real-time data monitoring provided better demand management, allowing for more efficient and accurate billing processes. Additionally, the capability for remote disconnection and reconnection addressed non-payment issues promptly, enhancing revenue collection mechanisms and reducing the need for state subsidies.

Following the successful implementation in urban areas, the State government expanded the program to rural areas in a time-bound manner. In October 2022, the government approved the installation of 1.48 crore smart prepaid meters for both rural and remaining urban consumers of NBPDC and SBPDCL at a cost of Rs. 15,074.12 crore, with a target completion date of 2025-26. Work orders were issued for the installation of these meters—102.9 lakh for NBPDC and 45.1 lakh for SBPDCL. By September 2023, 19.8 lakh smart meters with prepaid functionality had already been installed.

Bihar's approach to adopt prepaid smart meters smart was pioneering. The successful implementation in urban areas and the ongoing rollout in rural areas highlight the transformative impact of this reform on the state's power sector. The integration of smart metering has significantly improved billing accuracy, reduced AT&C losses, and enhanced revenue collection, laying a solid foundation for sustainable growth and development in Bihar's power sector.

3. Strengthening Distribution Infrastructure

To strengthen the power distribution infrastructure in Bihar, several key initiatives have been undertaken. The state government sanctioned a comprehensive Renovation and Modernization (R&M) scheme to replace old and dilapidated components of the distribution network. This ambitious project with an initial sanction of Rs. 3070 crore aimed to replace 1062 circuit km of 33 KV lines, 25,272 circuit

km of 11 KV lines, and 45,339 circuit km of LT lines. The scope of work included replacing outdated conductors, poles, brackets, insulators, and other critical infrastructure elements. The original scope of this R&M work was completed ahead of schedule. Recognizing the need for further enhancements, the state government provided additional funding of Rs. 732 crore from Special Central Assistance to complete the remaining work. This extension of the project ensured a more thorough modernization of the distribution network. The entire R&M initiative was successfully concluded in March 2023, marking a significant milestone in Bihar's efforts to upgrade its power infrastructure (Table 7.13).

Table 7.13: Status of (R&M) scheme

Line	NBPDC		SBPDCL		Total	
	Scope (Revised)	Achievement	Scope (Revised)	Achievement	Scope (Revised)	Achievement
33 KV Line (CKm)	1340	1340	1390	1390	2730	2730
11 KV Line (CKm)	20534	20534	16326	16326	36860	36860
LT Line (CKm)	28004	28004	19740	19740	47744	47744
Total (CKm)	49878	49878	37456	37456	87334	87334

Source: Economic Survey, 2023-24

In addition to the R&M scheme, Bihar has also implemented other targeted initiatives to strengthen its distribution system. The Integrated Power Development Scheme (IPDS) was introduced to address distribution constraints in urban areas. This comprehensive scheme includes components for strengthening sub-transmission and distribution networks, installing solar panels on government buildings, and implementing IT solutions for more efficient distribution management. The IPDS was initially implemented in 133 towns across the state and was completed in March 2022. It aims to provide real-time monitoring, minimize losses, balance loads and improve overall distribution networks. The total outlay for IPDS projects was Rs. 2942 crore, of which Rs. 2715 crore (92%) was utilized. All these have the potential to provide better service for consumers and reduced losses for power companies.

Furthermore, to improve the quality and reliability of power supply, Bihar has implemented a Real-Time Data Acquisition System (RT-DAS) that was rolled out in December 2021, providing real-time data from 11 KV feeders to the Control Centre. This technology enables the DISCOMs to monitor and improve the quality of power supply more effectively. This system, covering 436 feeders in 129 towns, provides real-time data on various parameters such as breaker position, current, power, voltage, frequency, and power factor. This technology enables the distribution companies to monitor and improve the quality of power supply more effectively. These initiatives collectively represent a significant overhaul of Bihar's power distribution infrastructure. By modernizing equipment, implementing advanced technologies, and expanding network capacity, the state is working towards ensuring more reliable, efficient, and widespread electricity access for its citizens.

4. Anti-Power Theft Measures

To reduce AT&C losses, Bihar has strengthened its Anti-Power Theft team and intensified raid operations to curb illegal electricity usage. This dedicated team conducts regular inspections and surprise checks, targeting areas known for high incidences of power theft. Alongside enforcement actions, the state has launched comprehensive public awareness campaigns to educate consumers about the legal, economic, and safety consequences of power theft. Side by side, enforcement actions

like imposing hefty penalties and pursuing criminal charges against offenders have also been strengthened, as claimed by the states latest Economic Survey.

5. Tariff Reforms

The Economic Survey claims that its electricity tariffs are formulated and approved by the Regulatory Commission based on the actual cost of supply, aligning the tariff structure and the real costs of power generation, transmission, and distribution. Following the Regulatory Commission's Tariff Order, the state government provides targeted subsidies to different consumer categories on a per-unit basis, allowing for a more transparent and efficient subsidy mechanism.

These comprehensive reforms, addressing both revenue and cost aspects, are designed to strengthen the financial health of Bihar's DISCOMs and create a more sustainable and efficient power sector. By combining tariff rationalization, targeted subsidies, smart metering, and advanced technologies, Bihar is working towards a more robust and financially viable power distribution system.

7.5.3 Central Government Schemes Operating in the state

The Central government has implemented several schemes to expand and improve electricity supply across Bihar. These initiatives have played a crucial role in enhancing the power sector infrastructure and accessibility in the state. These are discussed below:

One of the key schemes is the **Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)**, which aimed to improve rural electrification. Under this scheme, the government focused on separating agricultural and non-agricultural feeders, strengthening sub-transmission and distribution infrastructure, and metering transformers, feeders, and consumers in rural areas. The project was completed in March 2022 with a total cost of Rs. 7,489 crore, resulting in the construction of 291 Power Sub Stations and 1,354 Dedicated Agriculture Feeders. Prior to DDUGJY, the **Rural Electrification component of the scheme (RE-DDUGJY)**, formerly known as the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), was implemented in two phases. This initiative covered all 38 districts of Bihar, ensuring full electrification of villages and habitations. The work under RE-DDUGJY was completed in 2021 at a total cost of Rs. 10,643 crore.

Another significant scheme was the **Restructured Accelerated Power Development and Reforms Programme (R-APDRP)**, which focused on system strengthening and IT enablement of the distribution sector. The scheme covered 67 towns for IT enablement and 60 towns for distribution system strengthening. It was completed in 2018 with a total cost of Rs. 1,252 crore. The **Integrated Power Development Scheme (IPDS) subsumed the R-APDRP** and aimed to provide real-time monitoring, minimize losses, balance loads, and improve the distribution network in urban areas. The scheme was implemented in 133 towns in its first phase and was completed in March 2022. Additional projects under IPDS included system strengthening in Muzaffarpur, Bhagalpur, and Gaya, as well as the construction of Gas Insulated Switchgear (GIS) and E-House Containerized Power Sub-Stations in various towns.

The **Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA)** was another crucial scheme that aimed to provide electricity connections to all willing households. This scheme, which subsumed the state's

Mukhyamantri Vidyut Sambandh Nishchay Yojana (MMVSNY), was completed in October 2018 at a cost of Rs. 1,183 crore, providing electricity connections to 32,59,041 willing households in rural areas.

Currently, the **Revamped Distribution Sector Scheme (RDSS)** is being implemented to improve the operational efficiency and financial sustainability of DISCOMs. With a sanctioned amount of Rs. 7,081 crore for NBPDC and SBPDCL, this scheme aims to reduce AT&C losses, improve power supply quality, and achieve financial sustainability in the distribution sector by 2024-25.

These Central government schemes have significantly contributed to the expansion and improvement of Bihar's power sector. However, challenges remain, particularly in terms of financial sustainability. The state government has been advocating for a 'One Nation, One Tariff' policy to address the higher power purchase costs faced by Bihar. This policy, coupled with ongoing improvements in metering and distribution infrastructure, could help strengthen the financial position of DISCOMs in the state.

7.5.4 State Government Schemes

The state government has implemented several schemes to address regional imbalances and improve the power infrastructure across the state. These schemes have been designed to tackle various challenges in the power sector and enhance electricity access for all citizens.

One significant initiative was the **Special Plan funded by the Backward Regions Grant Fund (BRGF)**. This comprehensive scheme was divided into four phases to address different aspects of power distribution. Phase-I focused on immediate distribution constraints, while Phase-II was designed to meet load growth for the subsequent five years. Phase-II (Part-C) aimed to improve the reliability and safety of the distribution system by converting overhead LT and 11 KV lines to Aerial Bunched Cable (AB Cable) at vulnerable locations. The final component, Rural Electrification (RE), bridged the gap in rural electrification work across 11 districts. This extensive project was completed at a total cost of Rs. 5,691 crore, significantly enhancing the power infrastructure in backward regions. To address challenges related to billing and collection, particularly in rural areas, the state government introduced Smart metering with prepaid functionality as discussed earlier.

Recognizing the growing demand for agricultural connections, the state government launched the **Mukhyamantri Krishi Vidyut Sambandh Yojana (MKVSY)**. This scheme, with a budget of Rs. 1,329 crore, aims to strengthen sub-transmission and distribution infrastructure in rural areas and create separate infrastructure for agricultural operations. As of September 2023, the scheme has provided over 1 lakh additional agricultural connections, bringing the total number of such connections in Bihar to around 3.75 lakh. The government has further expanded this initiative with MKVSY Phase-2, which aims to provide approximately 4.80 lakh new agricultural connections and includes plans for solar electrification of 1,354 dedicated agriculture feeders.

In addition to these infrastructure development schemes, the state government provides Subsidies to different categories of consumers under the **Mukhyamantri Vidyut Upbhokta Sahayata Yojana (MVUSY)**. Notably, agricultural consumers receive electricity at a highly subsidized rate of Rs. 0.70 per unit, demonstrating the government's commitment to supporting the agricultural sector.

These comprehensive state government schemes reflect a concerted effort to improve power infrastructure, enhance rural electrification, modernize billing systems, and support agricultural development in Bihar.

7.5.5 Renewable Energy Initiatives

Bihar has made significant strides in diversifying its energy mix, with a strong focus on renewable energy sources. As of 2021-22, approximately 31 percent of the state's power came from renewable sources, while 69 percent was derived from thermal power. This shift towards renewables demonstrates Bihar's commitment to environmental sustainability and indicates that the state is on track to achieve its target of 35 percent power generation from renewable sources by 2025-26. The state's progress in renewable energy adoption is further evidenced by the growth in its tied-up capacity. Between March 2022 and March 2023, Bihar's total tied-up power capacity increased from 7,785 MW to 9,424 MW, marking a substantial 21.1 percent growth. The breakdown of this capacity reveals interesting trends:

- Thermal (Coal) Power: Increased from 5,363 MW to 6,748 MW
- Hydro (Renewable): Grew slightly from 808 MW to 825 MW
- Renewable Energy Sources (RES): Expanded from 1,614 MW to 1,851 MW

These figures underscore Bihar's multifaceted approach to energy development to balance the need for increased power capacity with a commitment to renewable sources. The state government has recognized the potential of solar energy as a primary renewable source, given Bihar's geographical constraints for other renewable options like wind or large-scale hydroelectric power.

The Bihar Renewable Energy Development Agency (BREDA) has been at the forefront of implementing various solar energy initiatives across the state. Under the **Mukhyamantri Navin Evam Navikarniya Solar Adhithapan Yojana** and **Jal-Jeevan-Hariyali Mission**, BREDA has installed Grid-Connected Rooftop (GCRT) Solar Power Plants on government buildings. Between 2018-19 and 2022-23, a total of 2,479 Solar Power Plants were installed with a cumulative capacity of 20.70 MW, at a cost of Rs. 100 crore. These installations cover a wide range of public buildings, including the Chief Minister's residence, Patna High Court, Bihar Museum, and various educational and healthcare facilities. In addition to government buildings, BREDA has also facilitated the installation of Grid-Connected Rooftop Solar Power Plants on private residential buildings. In 2019-20, 113 such plants were installed with a total capacity of 583 KWp, costing Rs. 3 crore.

Recognizing the scarcity of land in Bihar, the state has innovatively adopted floating solar power technology and installed Floating Solar Power Plants that not only generate clean energy but also help in water conservation by reducing evaporation from water bodies at a few places. Under the **Mukhyamantri Navin Evam Navikarniya Solar Pump Yojana**, 2,771 Solar Water Pumps have been installed at a cost of Rs. 77 crore, to replace diesel-operated pumps, reducing both operational costs for farmers and carbon emissions. A 250 MW Grid-Connected Ground-Mounted Solar Power Plant is under development, with 200 MW being installed by M/s SJVN Ltd. in Jamui and Banka districts, and 50 MW by M/s Avaada Energy. Once operational, the power generated will be purchased by BSPHCL at a rate of 3.11 paise/unit through a 25-year Power Purchase Agreement. Under the **Mukhyamantri Gramin Solar Street Light Yojana**, 12 lakh solar street lights have been planned across rural wards.

In the realm of hydroelectric power, Bihar State Hydroelectric Power Corporation (BSHPC) currently operates 13 mini and small hydel projects with a total installed capacity of 54.3 MW. Additionally, 11 more mini hydel power projects with a combined capacity of 9.3 MW are under construction. The state is also exploring the potential for larger hydroelectric projects in the Mahananda River, Burhi Gandak, and Gandak River Basin through feasibility studies. The target is to achieve 35% power generation from renewable energy sources by 2025-26.

7.5.6 Power Subsidies

From 2017-18 onward, the Bihar Government began providing subsidies directly to Bihar State Power (Holding) Co. Ltd., specifically to cover the reduced tariff rates for Kutir Jyoti, Domestic, and Agricultural consumers, as well as for Transmission and Distribution (T&D) losses exceeding the limits set by the State Electricity Regulatory Authority. The subsidies were reflected in consumers' electricity bills as State Government Subsidy. The financial support to the energy sector has seen a significant increase over the years, with the subsidy rising from Rs. 3,492 crore in 2017-18 to Rs. 12,223 crore in 2022-23. The energy department consistently received the highest proportion of total subsidies provided by the state government, accounting for over 80% in recent years.

Table 7.14: Power Sector Subsidy Provided by Bihar Government (Rs. Crore)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Energy	3492	5737	5193	6760	8181	12223
Total Subsidy by State Government	5023	8324	7121	8167	10256	14828
Subsidy given to Energy Department (%)	69.5	68.9	72.9	82.8	79.8	82.4

Source: CAG Audit Reports of Bihar

7.5.7 Outcomes of Power Reforms

1. Power Availability and Consumption

Per capita power consumption increased from 134 kWh in 2011-12 to 329 kWh in 2021-22, a growth of 145.5% over a decade. The average power availability in Bihar during 2021-22 in urban areas was 23.1 hours and 20.1 hours in rural areas. Average power availability improved to 23-24 hours in urban areas and 21-22 hours in rural areas by 2023. The peak power demand met rose from 4535 MW in 2017-18 to 7576 MW in July 2023, an increase of 67%. Energy availability improved from 26,788 MU in 2017-18 to 45,136 MU in 2022-23, a growth of 68.5%.

2. Expansion of Consumer Base

The number of electricity consumers increased from 145.7 lakh in 2018-19 to 189.6 lakh in 2022-23, a growth of 30% in four years. The number of agricultural consumers increased by 117% from 2.28 lakh in 2018-19 to 4.95 lakh in 2022-23.

3. Reduction in Losses

Aggregate Technical & Commercial (AT&C) losses reduced from 54.63% in 2012-13 to 24.32% in 2022-23, but it is still way above the national average of only 15%.

4. Improved Financial Performance of DISCOMs

The DISCOMs achieved profitability for the first time in 2022-23, earning a profit of Rs. 215 crore as per provisional unaudited accounts, according to which their Cost Coverage Ratio improved from 88.1% in 2020-21 to 100.7% in 2022-23, bringing them into profit.

5. Energy Surplus and Revenue Enhancement

Bihar moved from being a power-deficit state to having a 9.8% surplus in energy availability in 2022-23. The surplus power was sold through Power Exchange at the average rate higher than that of variable Power Purchase Cost. By doing so, the DISCOMs earned additional Rs. 970 crore during 2022-23, which was 58 percent higher than the last year and made it possible to bring the DISCOMs into profit.

7.5.8 Challenges and Future Outlook

These improvements have freed up significant state resources that can now be redirected towards other critical developmental activities, enhancing the overall fiscal flexibility of the state. The major areas demanding attention are:

1. High Investment Requirements & Technological Disruption

Meeting the projected power demand (expected to reach 9743 MW by 2025-26) will require substantial investments in generation and distribution infrastructure. The state government needs to balance these investments with other fiscal priorities to maintain overall financial health. Rapid advancements in energy technologies (e.g., battery storage, smart grids) may require continuous adaptation and investment, potentially straining finances.

2. Further Reduction in AT&C Losses

Despite significant progress, AT&C losses at 24.32% are still high compared to the national target of 15%. Achieving further reductions will require sustained efforts and investments in infrastructure modernization and anti-theft measures.

3. Renewable Energy Integration

Bihar aims to increase its renewable energy capacity to 34.7% of total capacity by 2025-26. This transition, while beneficial in the long term, may require significant initial investments and pose integration challenges.

4. Subsidy Management

As the state moves towards cost-reflective tariffs, managing the political and social implications of reduced subsidies will be crucial. The current subsidized rate for agricultural connections (Rs. 0.70/kWh) may need revision to ensure long-term sustainability. Balancing affordability for consumers with the financial health of DISCOMs will remain a key challenge.

5. Meeting Future Demand

The expected peak power demand is projected to increase to 8908 MW in 2024-25 and 9743 MW in 2025-26. Meeting this rapidly growing demand while maintaining financial health and service quality will require careful planning and execution.

6. Sustainability of Reforms

Maintaining the momentum of reforms and ensuring their long-term sustainability will be critical. This includes continuous improvements in operational efficiency, adoption of new technologies, and capacity building within the power sector institutions.

7. Climate Change and Environmental Concerns

As Bihar increases its power generation capacity, addressing environmental concerns and aligning with national climate change commitments will be essential. This may require additional investments in clean technologies and environmental mitigation measures.

8. Cybersecurity Concerns

As the power grid becomes more digitized, investments in cybersecurity measures will be crucial to prevent potential disruptions and financial losses.

9. Social Equity in Energy Access

Ensuring equitable access to reliable power across all socio-economic groups while maintaining financial sustainability will be an ongoing challenge.

10. Innovation in Financing

Exploring innovative financing mechanisms like green bonds or energy-as-a-service models could help manage the financial burden of future power sector development.

7.5.8 Summing up

While the power sector reforms have significantly improved Bihar's fiscal health, the state faces complex challenges in sustaining and building upon these gains. The future outlook depends on Bihar's ability to navigate these challenges effectively, balancing fiscal prudence with necessary investments and innovations in the power sector.

Summing up, the power sector reforms in Bihar have had a profound and largely positive impact on the state's fiscal health. The turnaround in DISCOM finances, reduction in losses, improved power supply, and potential increase in economic activity due to better power availability all contribute to a healthier fiscal situation for the state. These reforms have set Bihar's power sector on a more sustainable path, which should yield long-term fiscal benefits. The state has moved from being a power-deficit state to an energy-surplus one, creating opportunities for additional revenue through power sales. However, challenges remain, particularly in terms of the high investment requirements for future expansion and modernization of the power infrastructure. The state needs to balance these investments with other developmental priorities.

Going forward, continued focus on reducing losses, improving operational efficiency, and prudent investment in power infrastructure will be crucial for maximizing the positive fiscal impact of the reforms and supporting Bihar's overall economic development. The state's ability to manage the transition to renewable energy sources while maintaining financial stability will be a key factor in the long-term success of these reforms. Continued efforts in reforming and strengthening the power sector are essential for sustaining Bihar's economic growth and fiscal stability.

7.5.9 Suggestions for Enhancing the Efficiency of SPSEs in Bihar

The following few suggestions are given for revitalising the SPSEs in Bihar, though unlikely to be followed by the Government because these will entail relaxation of government control over them and professionalising their operations and decision-making process.

1. Restructuring of the SPSEs

The biggest hindrance to effective functioning is the blurring of government's role in relation to SPSEs; it acts as owner, policy maker as well as regulator. To separate this role, a model similar to Singapore's Temasek must be adopted, with a holding company at the top, having control over all other companies and shielding them from direct government interference. Sweden has also adopted this approach to depoliticise and debureaucratise the PSEs. Earlier Finance Commissions have advised this approach after classifying the SPSEs into strategically important and non-important sector while retaining only the former and selling or closing the others. It is unlikely that Bihar government will adopt this approach. First thing to begin is winding up the inactive SPSEs, through the voluntary winding-up route under the Companies Act, which is faster and more efficient than court-ordered liquidation. But even this will be difficult without updated accounts, for which urgent steps are called for.

Unless SPSEs are restructured in the above lines after reducing their numbers drastically, they cannot be made profitable, which is a prerequisite to modernize operations and enhance efficiency through investments in and integration of modern technologies like automation, digital data management, and the use of advanced analytics to streamline processes, reduce costs, and improve service delivery. By adopting best practices from both the public and private sectors, Bihar can transform its SPSEs into more agile and responsive organizations.

2. Rightsizing of Manpower – Example of Odisha

To address the persistent inefficiencies in Bihar's SPSEs, it is imperative to undertake strategic restructuring. A key aspect of this process is the right-sizing of manpower. The Odisha model provides a successful example where Model Voluntary Retirement Schemes (VRS) and Model Voluntary Separation Schemes were introduced to align the workforce with the operational needs of the SPSEs. This approach not only reduces redundancy but also cuts down on unnecessary expenditure. Bihar should consider implementing a similar model, with the state providing financial assistance to incentivize voluntary exits. This process involves a comprehensive analysis of the current workforce, implementation of voluntary exit programs, and strategic redeployment of skilled workers. The state government should begin by conducting a thorough assessment of staffing levels across all SPSEs, identifying areas of overstaffing and skills gaps. This analysis should be benchmarked against industry standards and efficient SPSEs in other states to establish clear targets for workforce optimization. International examples provide valuable insights into successful rightsizing strategies.

Without reducing workforce, public sector efficiency cannot be improved. International experiences also corroborate this. For example, Brazil's state-owned oil company Petrobras implemented a VRS between 2014 and 2018, reducing its workforce by 21% (over 16,000 employees). This initiative, part of a broader operational restructuring, resulted in approximately \$4 billion in labor cost savings and contributed to improved financial performance. Japan's Nippon

Telegraph and Telephone (NTT) provides another instructive case. From 1999 to 2003, NTT reduced its workforce by 47,000 through early retirement schemes. This massive restructuring was part of a larger initiative to prepare the company for market liberalization. The result was improved competitiveness and profitability, demonstrating how workforce optimization can be a key factor in adapting state-owned enterprises to changing market conditions.

3. Financial and Debt Restructuring - Example of Gujrat

Financial and debt restructuring is a crucial step in revitalizing Bihar's SPSEs. The current financial health of these entities is severely compromised by mounting debts and non-performing loans, necessitating a comprehensive restructuring approach. A proactive strategy to address this issue involves converting non-performing loans into equity, which can significantly reduce the debt burden on these organizations. This conversion not only improves the balance sheet of the SPSEs but also provides them with a clean slate to focus on operational improvements. Moving forward, it is advisable for the state government to shift its financial support mechanism from loans to grants that can be tied to specific performance metrics or operational milestones, ensuring that the financial support translates into tangible improvements in efficiency and service delivery.

In addition to debt conversion and grant-based support, SPSEs should undertake comprehensive financial restructuring initiatives. These efforts should focus on streamlining financial processes, improving cash flow management, and enhancing overall financial transparency. Implementing robust financial reporting systems. Looking at examples from other Indian states, Gujarat has implemented successful financial restructuring measures for its SPSEs. The Gujarat State Financial Services Ltd. (GSFS) was established as a non-banking financial company to manage the surplus funds of state SPSEs and provide them with short-term loans at competitive rates. This model has helped in better fund management and reduced the overall borrowing costs for Gujarat's SPSEs. Bihar could consider establishing a similar entity to optimize fund management across its SPSEs.

4. Professionalization of Management

Depoliticizing and professionalizing the management of SPSEs is essential for enhancing their efficiency. This can be achieved by streamlining the appointment through independent third party agency and selecting professionals only from the pool of manpower selected by them. The success stories from Sweden and Thailand, where a Directors' Pool was created for appointing board members, highlight the importance of insulating SPSEs from political interference. Bihar should consider adopting a similar model to ensure that SPSEs are managed by professionals who are focused on performance and profitability.

5. Audit and Finalization of Accounts

The backlog in the finalization of accounts is a significant barrier to assessing the true financial status of Bihar's SPSEs. Immediate action is required to finalize the accounts of all SPSEs and get them audited. This step is crucial for transparency and accountability, and it will enable informed decision-making regarding the future of these entities.

6. Strategic Partnerships with Central SPSEs

After identifying the strategic SPSEs like those in the power sector, Government should explore partnerships with Central SPSEs. This approach can leverage the expertise and resources of Central SPSEs to manage state entities more effectively. Such partnerships can be particularly beneficial for sectors where synergies exist, such as energy and infrastructure.

7. Land and Asset Management

Non-functioning SPSEs in Bihar might still hold significant land and building assets that are currently underutilized. These assets can be monetised through an SPV, with the proceeds used to settle liabilities and fund restructuring initiatives.

By adopting these measures, Bihar can still revitalize its SPSEs, transforming them into efficient and financially viable entities that contribute positively to the state's economy.

Annexure 7.1: Summarized financial position and working results of Government Companies & Statutory Corporations as per their latest finalized accounts, as on 31 July 2023 (Rs Crore)

Sl. No.	Name of SPSEs	Period of accounts	Paid-up capital	Longterm Loans	Net profit/loss before interest & tax	Net profit/loss after interest & tax	Turnover	Net Worth ¹	Capital employed	Accumulated Profit (+) / Loss -
A	Power Sector SPSEs									
1	Bihar State Hydroelectric Power Corporation Ltd.	2015-16	99.04	1,014.10	-25.35	-25.35	8.26	-129.27	884.83	-228.31
2	Bihar State Power (Holding) Company Ltd.	2020-21	1,244.22	603.56	0.00	0.00	0.00	1,561.34	2,164.90	317.12
3	Bihar State Power Generation Company Ltd.	2020-21	4,812.96	0.00	-2.79	-2.79	0.00	577.04	577.04	-4,235.92
4	Bihar State Power Transmission Company Ltd.	2021-22	8,295.66	3,014.13	314.35	89.53	1,158.31	9,366.36	12,380.49	1,070.70
5	North Bihar Power Distribution Company Ltd.	2021-22	12,806.00	3,275.89	-929.57	-929.57	9,497.17	6,133.39	9,409.28	-6,672.61
6	South Bihar Power Distribution Company Ltd.	2021-22	13,305.02	3,965.10	-1,287.60	-1,287.60	11,110.11	702.86	4,667.96	-12,602.16
7	Pirpanti Bijlee Company Private Ltd.	2019-20	0.01	0.00	0.00	0.00	0.00	-0.03	-0.03	-0.04
8	Lakhisarai Bijlee Company Private Ltd.	2019-20	0.01	0.00	0.00	0.00	0.00	-0.03	-0.03	-0.04
9	Bihar Grid Company Ltd.	2022-23	668.26	1,962.28	-89.93	-88.18	174.62	959.19	2,921.47	290.93
	Total (A)		41,231.18	13,835.06	-2,020.89	-2,243.96	21,948.47	19,170.85	33,005.91	-22,060.33
B	Agriculture and Allied SPSEs									
10	Bihar State Warehousing Corporation	2018-19	6.42	164.02	22.45	11.54	283.59	53.46	217.48	47.04
11	Bihar State Food and Civil Supplies Corporation Ltd.	2013-14	5.39	2320.41	-348.83	-348.83	0.00	-456.48	1863.93	-461.87
12	Bihar Rajya Beej Nigam Ltd.	2012-13	3.71	72.65	7.74	7.74	57.31	-41.59	31.06	-45.30
13	Bihar Forestry Development Corporation Ltd. ³	2020-21	0.34	0.00	0.00	0.00	0.51	1.26	1.26	0.92
	Total (B)		15.86	2557.08	-318.64	-329.55	341.41	-443.35	2113.73	-459.21
C	Other SPSEs									
14	Bihar State Credit and Investment Corporation Ltd.	2017-18	15.12	0.00	-0.13	-0.13	0.00	-80.10	-80.10	-95.22
15	Bihar State Backward Classes Finance and Development Corporation Ltd.	2002-03	13.36	26.30	-0.12	-0.12	1.88	19.61	45.91	6.25
16	Bihar State Minorities Finance Corporation Ltd.	2015-16	39.89	28.88	-3.04	-3.04	3.24	27.12	56.00	-12.77
17	Bihar State Film Development and Finance Corporation Ltd.	2019-20	1.00	0.50	-0.26	-0.26	0.00	-1.32	-0.82	-2.32
18	Bihar State Education Finance Corporation Ltd.	2021-22	9.50	0.00	0.37	0.25	0.00	10.50	10.50	1.00

19	Bihar State Financial Corporation Ltd.	2020-21	77.84	228.47	-13.00	-13.00	1.95	-428.44	-199.97	-506.28
20	Bihar Police Building Construction Corporation Ltd.	2018-19	10.00	0.00	15.56	11.20	28.40	66.39	66.39	56.39
21	Bihar Rajya Pul Nirman Nigam Ltd.	2021-22	3.50	0.00	24.23	16.01	76.08	295.28	295.28	291.78
22	Bihar State Building Construction Corporation Ltd.	2021-22	5.00	0.00	31.79	22.29	47.21	97.89	97.89	92.89
23	Bihar State Road Development Corporation Ltd.	2020-21	20.00	0.00	38.21	31.53	64.09	358.08	358.08	338.08
24	Bihar State Urban Infrastructure Development Corporation Ltd.	2018-19	69.84	0.00	18.37	15.19	771.18	74.48	74.48	4.64
25	Bihar State Educational Infrastructure Corporation Ltd.	2020-21	20.00	0.00	17.85	17.85	22.29	236.20	236.20	216.20
26	Bihar State Electronic Development Corporation Ltd.	2018-19	25.00	0.00	33.46	23.57	424.73	129.88	129.88	104.88
27	Bihar State Beverages Corporation Ltd.	2019-20	5.00	0.00	-1.48	-1.48	0.00	89.24	89.24	84.24
28	Bihar State Mining Corporation Ltd.	2018-19	20.00	0.00	-1.93	-1.93	6.14	20.72	20.72	0.72
29	Bihar State Tourism Development Corporation Ltd.	2015-16	5.00	0.00	7.03	5.93	10.90	29.35	29.35	24.35
30	Bihar Medical Services and Infrastructure Corporation Ltd.	2017-18	6.67	0.00	3.18	2.30	29.01	19.03	19.03	12.36
31	Patna Metro Rail Corporation	2021-22	725.00	808.08	-0.70	-1.36	0.00	726.60	1534.68	1.60
32	Bihar State Textbook Publishing Corporation Ltd.	2013-14	0.48	0.00	62.68	62.68	272.40	333.64	333.64	333.16
33	Bhagalpur Smart City Ltd.	2020-21	0.10	0.00	0.00	0.00	0.00	0.10	0.10	0.00
34	Muzaffarpur Smart City Ltd.	2020-21	0.10	0.00	0.00	0.00	2.72	0.10	0.10	0.00
35	Bihar Sharif Smart City Ltd.	2019-20	0.10	0.00	0.04	0.03	0.00	0.13	0.13	0.03
36	Patna Smart City Ltd.	2018-19	0.10	0.00	0.01	0.01	0.00	-0.06	-0.06	-0.16
37	Bihar State Road Transport Corporation Ltd.	2018-19	101.28	0.00	-144.10	-144.10	64.47	-2,073.16	-2,073.16	-2,174.44
	Total (C)		1,173.88	1,092.23	88.02	43.42	1,826.69	-48.74	1,043.49	-1,222.62
	Grand Total (A + B + C)		42,420.92	17,484.37	-2,251.51	-2,530.09	24,116.57	18,678.76	36,163.13	-23,742.16

Source: Annexure 5.2 to State Finances Audit of the Comptroller and Auditor General for year ended 31 March 2023.

Annexure 7.2

Statement of accounts in arrear non-working SPSEs, as on 31 July 2023

Sl. No.	SPSE	Year for which A/cs are in arrear	No. of A/cs in Arrear
A	Working Government Companies		
1	Bihar Forestry Development Corporation Ltd.	2021-22	1
2	Bihar Medical Services & Infrastructure Corporation Ltd.	2018-19 to 2021-22	4
3	Bihar Police Building Construction Corporation Ltd.	2019-20 to 2021-22	3
4	Bihar Rajya Beej Nigam Ltd.	2013-14 to 2021-22	9
5	Bihar State Backward Classes Finance & Development Corporation	2003-04 to 2021-22	19
6	Bihar State Beverages Corporation Ltd.	2020-21 to 2021-22	2
7	Bihar State Credit & Investment Corporation Ltd.	2018-19 to 2021-22	4
8	Bihar State Educational Infrastructure Development Corporation Ltd.	2021-22	1
9	Bihar State Electronic Development Corporation Ltd.	2019-20 to 2021-22	3
10	Bihar State Film Development & Finance Corporation Ltd.	2020-21 to 2021-22	2
11	Bihar State Food & Civil Supplies Corporation Ltd.	2014-15 to 2021-22	8
12	Bihar State Hydroelectric Power Corporation Ltd.	2016-17 to 2021-22	6
13	Bihar State Mining Corporation Ltd.	2019-20 to 2021-22	3
14	Bihar State Minorities Finance Corporation Ltd.	2016-17 to 2021-22	6
15	Bihar State Power (Holding) Company Ltd. ⁵	2018-19 to 2021-22	4
16	Bihar State Power Generation Company Ltd. ⁶	2020-21 to 2021-22	2
17	Bihar State Road Development Corporation Ltd.	2021-22	1
18	Bihar State Textbook Publishing Corporation Ltd.	2014-15 to 2021-22	8
19	Bihar State Tourism Development Corporation Ltd.	2016-17 to 2021-22	6
20	Bihar Urban Infrastructure Development Corporation Ltd.	2019-20 to 2021-22	3
21	Lakhisarai Bijlee Company Private Ltd.	2020-21 to 2021-22	2
22	Pirpainti Bijlee Company Private Ltd.	2020-21 to 2021-22	2
	Total (A)		99
B	Working Government Controlled Other Companies		
1	Bhagalpur Smart City Ltd.	2021-22	1
2	Biharsharif Smart City Ltd.	2020-21 to 2021-22	2
3	Muzaffarpur Smart City Ltd.	2021-22	1
4	Patna Smart City Ltd.	2019-20 to 2021-22	3
	Total (B)		7
C	Working Statutory Corporations		
1	Bihar State Financial Corporation	2021-22	1
2	Bihar State Road Transport Corporation	2019-20 to 2021-22	3
3	Bihar State Warehousing Corporation	2019-20 to 2021-22	3
	Total (C)		7
D	Non-Working Government Companies		
1	Beltron Informatics Ltd.	1987-88 to 2021-22	34
2	Beltron Mining System Ltd.	1991-92 to 2021-22	31
3	Beltron Video System Ltd.	1990-91 to 2021-22	32
4	Bihar Drugs & Chemicals Ltd.	1986-87 to 2021-22	36
5	Bihar Fruits & Vegetables Development Corporation Ltd.	2015-16 to 2021-22	7
6	Bihar Hill Area Lift Irrigation Corporation Ltd.	1983-84 to 2021-22	39
7	Bihar Insecticides Ltd.	1987-88 to 2021-22	35
8	Bihar Maize Product Ltd.	1984-85 to 2021-22	38
9	Bihar Panchayati Raj Finance Corporation Ltd.	1985-86 to 2021-22	37
10	Bihar Paper Mills Ltd.	1986-87 to 2021-22	36

11	Bihar Rajya Matasya Vikas Nigam Ltd.	1993-94 to 2021-22	29
12	Bihar Scooters Ltd.	1977-78 to 2021-22	45
13	Bihar State Construction Corporation Ltd.	2003-04 to 2021-22	19
14	Bihar State Dairy Corporation Ltd.	1998-99 to 2021-22	24
15	Bihar State Forest Development Corporation Ltd.	2003-04 to 2021-22	19
16	Bihar State Glazed Tiles & Ceramics Ltd.	1986-87 to 2021-22	36
17	Bihar State Handloom & Handicrafts Corporation Ltd.	1984-85 to 2021-22	38
18	Bihar State Industrial Development Corporation Ltd.	2011-12 to 2021-22	11
19	Bihar State Mineral Development Corporation Ltd.	2002-03 to 2021-22	20
20	Bihar State Pharmaceuticals & Chemical Development Corporation Ltd.	1986-87 to 2021-22	36
21	Bihar State Solvent & Chemicals Ltd.	1987-88 to 2021-22	35
22	Bihar State Sugar Corporation Ltd.	1985-86 to 2021-22	37
23	Bihar State Tannin Extract Ltd.	1989-90 to 2021-22	33
24	Bihar State Textile Corporation Ltd.	1988-89 to 2021-22	34
25	Bihar State Water Development Corporation Ltd.	1979-80 to 2021-22	43
26	Jhunjhpur Paper Industries Ltd.	1986-87 to 2021-22	36
27	Magadh Minerals Ltd.	1984-85 to 2021-22	38
28	SCADA Agro Business Company Ltd.	2015-16 to 2021-22	7
29	SCADA Agro Business Company, Aurangabad Ltd.	1993-94 to 2021-22	29
30	SCADA Agro Business Company, Dehri Ltd.	1993-94 to 2021-22	29
31	SCADA Agro Business Company, Mohaniya Ltd.	1993-94 to 2021-22	29
32	Synthetic Resins (Eastern) Ltd.	1984-85 to 2021-22	38
33	Vishwamitra Paper Industries Ltd.	1985-86 to 2021-22	37
	Total (D)		1,027
E	Government Companies under Liquidation		
1	Bihar State Export Corporation Ltd.	Since 1992-93	--
2	Bihar State Finished Leathers Corporation Ltd.	Since 1984-85	--
3	Bihar State Leather Industries Development Corporation Ltd.	Since 1983-84	--
4	Bihar State Small Industries Corporation Ltd.	Since 1991-92	--
5	Kumardhubi Metal Casting & Engineering Ltd.	Since 1995-96	--
	Total (E)		--
	Grand Total (A + B + C + D + E)		1,140

Source: State Finance Audit Reports of the CAG of India for Bihar Govt., FY 2023

Non-Working Government Companies			
Sl. No.	SPSE	Years for which A/cs are in arrear	No. of arrear accounts
1	Beltron Informatics Ltd.	1987-88 to 2021-22	34
2	Beltron Mining System Ltd.	1991-92 to 2021-22	31
3	Beltron Video System Ltd.	1990-91 to 2021-22	32
4	Bihar Drugs & Chemicals Ltd.	1986-87 to 2021-22	36
5	Bihar Fruits & Vegetables Development Corporation Ltd.	2015-16 to 2021-22	7
6	Bihar Hill Area Lift Irrigation Corporation Ltd.	1983-84 to 2021-22	39
7	Bihar Insecticides Ltd.	1987-88 to 2021-22	35
8	Bihar Maize Product Ltd.	1984-85 to 2021-22	38
9	Bihar Panchayati Raj Finance Corporation Ltd.	1985-86 to 2021-22	37
10	Bihar Paper Mills Ltd.	1986-87 to 2021-22	36
11	Bihar Rajya Matasya Vikas Nigam Ltd.	1993-94 to 2021-22	29
12	Bihar Scooters Ltd.	1977-78 to 2021-22	45
13	Bihar State Construction Corporation Ltd.	2003-04 to 2021-22	19
14	Bihar State Dairy Corporation Ltd.	1998-99 to 2021-22	24
15	Bihar State Forest Development Corporation Ltd.	2003-04 to 2021-22	19
16	Bihar State Glazed Tiles & Ceramics Ltd.	1986-87 to 2021-22	36
17	Bihar State Handloom & Handicrafts Corporation Ltd.	1984-85 to 2021-22	38
18	Bihar State Industrial Development Corporation Ltd.	2011-12 to 2021-22	11
19	Bihar State Mineral Development Corporation Ltd.	2002-03 to 2021-22	20
20	Bihar State Pharmaceuticals & Chemical Development Corporation Ltd.	1986-87 to 2021-22	36
21	Bihar State Solvent & Chemicals Ltd.	1987-88 to 2021-22	35
22	Bihar State Sugar Corporation Ltd.	1985-86 to 2021-22	37
23	Bihar State Tannin Extract Ltd.	1989-90 to 2021-22	33
24	Bihar State Textile Corporation Ltd.	1988-89 to 2021-22	34
25	Bihar State Water Development Corporation Ltd.	1979-80 to 2021-22	43
26	Jharkhand Paper Industries Ltd.	1986-87 to 2021-22	36
27	Magadh Minerals Ltd.	1984-85 to 2021-22	38
28	SCADA Agro Business Company Ltd.	2015-16 to 2021-22	7
29	SCADA Agro Business Company, Aurangabad Ltd.	1993-94 to 2021-22	29
30	SCADA Agro Business Company, Dehri Ltd.	1993-94 to 2021-22	29
31	SCADA Agro Business Company, Mohaniya Ltd.	1993-94 to 2021-22	29
32	Synthetic Resins (Eastern) Ltd.	1984-85 to 2021-22	38
33	Vishwamitra Paper Industries Ltd.	1985-86 to 2021-22	37
	Total		1,027

Source: State Finance Audit Reports of the CAG of India for Bihar Govt., FY 2023