

# **Evaluation of State Finances**

**With Reference to  
State of West Bengal**

**For the period 2012-13 to 2023-24**



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# Preface

This study on the state of West Bengal is a part of the outcome evaluation of State Finances in the context of recommendations of the Fifteenth Finance Commission. This task has been entrusted to Indian Statistical Institute (I.S.I) by the Sixteenth Finance Commission, Government of India. The report studies West Bengal's finances from 2012-2013 to 2023-2024 and also attempts to provide a sustainable debt roadmap for 2026-2031, taking into consideration among other things, the impact of GST. The study was conducted by Professor Monisankar Bishnu, with assistance from Mr. Shohan Mukherjee on behalf of the Indian Statistical Institute.

The views and opinions expressed in this report are solely that of the authors.

## Terms of Reference

The terms of reference of this study will broadly covers the following

- i. Estimation of revenue capacities of State and measures to improve the tax-GSDP ratio during last five years. Suggestions for enhancing the revenue productivity of the tax system in the State.
- ii. Analysis of the State's own non-tax revenues and suggestions to enhance revenues from user charges and profits from departmental enterprises and dividends from non-departmental commercial enterprises.
- iii. Expenditure pattern and trends separately for Revenue and Capital, and major components of expenditure there under. Measures to enhance allocative and technical efficiency in expenditures during last 5 years. Suggestions for improving efficiency in public spending.
- iv. Analysis of deficits – Fiscal and Revenue
- v. The level of debt-GSDP ratio and the use of debt and composition of the State's debt in terms of market borrowing, Central government debt, liabilities in public account and borrowings from agencies such as NABARD, LIC etc.
- vi. Implementation of FRBM Act and commitment towards targets. Analysis of MTFP of various departments and aggregate.
- vii. Analysis of the State's transfers to urban and rural local bodies in the State. Major decentralization initiatives.
- viii. Impact of State Public Enterprises finances on State's financial health and measures taken to improve their performance.
- ix. Impact of Power Sector Reforms on State's fiscal health.
- x. Analysis of contingent liabilities of the State.

- xi. Subsidies given by the State, its targeting and evaluation.
- xii. Outcome evaluation of State Finances in the context of recommendations of 14<sup>th</sup> Finance Commission, in particular
  - (a) analysis of the flow of resources from Centre to States through various schemes, the expenditure of States in those schemes, resources of States channelled towards these schemes and the overall impact on development spending of the States;
  - (b) States' own schemes for different development objectives
- xiii. Determination of a sustainable debt roadmap for 2020-2025, taking into account impact of introduction of GST and other tax/non-tax trend forecasts.



## Data Sources

The study has used secondary data from different published sources for various years, including from the RBI:

1. State Finances - Study of Budgets
2. Handbook of Statistics on Indian States

From Reports of the CAG,

1. State Finances Audit Report
2. Finance Accounts (Vol- I & II)
3. Public Sector Undertakings of the State

From the State Budget publications of West Bengal,

1. Receipts under Consolidated Fund and Explanatory Memorandum
2. Statements showing the Guarantees given by the State Government,
3. Budget at a Glance
4. Economic Review,
5. MTFP Reports of GoWB,

From the 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> State Finance Commission Reports, and from the 12<sup>th</sup>, 13<sup>th</sup>, 14<sup>th</sup> and 15<sup>th</sup> Finance Commissions.

Simple techniques like ratio, percentage, graph etc. have been used to show changes in the fiscal parameters of the state over the period.



# **CHAPTER I**

## **REVENUE RECEIPTS AND TAX REVENUE**

## Chapter I

# Revenue Receipts and Tax Revenue

### 1.1 Assessment of Tax Revenue Profile of the State:

In this section we evaluate the revenue generating capacity of the state by estimating and analysing various fiscal parameters for the period 2012-13 to 2023-24 to examine the extent by which state has been successful in managing the fiscal stress. We have also compared the performance of West Bengal with 17 general category states to get a clear picture where the state stands in India.

#### 1.1.1 Revenue Receipts: Overall picture

The **Total Revenue receipts** of the state comprise of the state's **own revenue** and transfers from the Centre in the forms of the **state's share in central taxes and grants**. Total revenue rose from Rs. 62626.24 crores in 2011-12 to Rs. 212637.03 crores in 2023-24 (according to the budget estimates) at a compound annual growth rate (CAGR) of 10.72% (Tables 1a, 1b). Own revenue has mostly been the largest contributor to the State's revenue, making up for around 44.7% of the total revenue, on average, for the years 2011-12 to 2023-24. The state's share of central taxes is the second largest contributor to the state's revenue with an average contribution of 33.64%. Grants from Centre was responsible for 21.66% of the revenue receipts on an average, over this study period; however, the highest contribution was 28.36% in 2011-12, which was never repeated. (Table 1a).

The CAGR of total revenue ignores to some extent the fluctuations observed in total revenue receipts in the individual years. In 2014-15, total revenue witnessed a huge jump of 19% compared to 7% in the previous year which seems to have been largely driven by an increase in the state's receipts of grants from the Centre which saw a growth of 76% over the same period after having fallen in the previous period. A similar spike of 27% is observed in total revenue of the state in 2015-16 of which again grants from Centre (which saw a jump of 35%) and the state's share in central taxes (which saw a jump of 51%) seem to be the major contributing factors. Total revenue fell by 2% in 2019-20; however there has been a recovery since then, with the year 2021-22 witnessing an increase of total revenue receipts by the state by 20%.

The GSDP (at 2011-12 prices) of West Bengal has grown at a CAGR of 10% over the period 2012-13 to 2023-24. It has been steady above 11% most years except the years 2014-15, 2016-17 and 2019-2020 when it fell below 11%. In the Covid period of 2020-21 GSDP fell by 3%. GSDP is expected to be grow at around 11% in 2023-24, according to the budget estimates (Table 1b).

The trend in revenue receipts as a percentage of GSDP are presented in Table 1c. The revenue receipts as a percentage of GSDP has remained above 12% for most years reaching a high of 13.76% in 2015-16, while own revenue relative to GSDP has remained more or less between 5 to 6% for the entire period. Grants-in-aid relative to GSDP has also been steady at between 2 to 3% for most years.

**Table 1a: Composition of Revenue Receipts of the State Government  
(Rs in Crores)**

Year	Grants from the Centre	Share in Central Taxes	Own Revenue	Total Revenue
2011-12	13888.82 (23.64)	18587.81 (31.64)	26278.41 (44.73)	58755.04 (100)
2012-13	12342.84 (18.07)	21226.27 (31.08)	34726.64 (50.85)	68295.75 (100)
2013-14	11853.49 (16.26)	23175.02 (31.80)	37853.28 (51.94)	72881.79 (100)
2014-15	20880.64 (24.14)	24594.95 (28.43)	41038.62 (47.44)	86514.21 (100)
2015-16	28214.41 (25.71)	37163.93 (33.87)	44353.87 (40.42)	109732.21 (100)
2016-17	24790.97 (21.04)	44625.16 (37.87)	48416.32 (41.09)	117832.45 (100)
2017-2018	26111.54 (19.89)	44340.94 (33.78)	60817.90 (46.33)	131270.39 (100)
2018-2019	25809.66 (17.68)	54677.12 (37.46)	65488.47 (44.86)	145975.25 (100)
2019-2020	30983.54 (21.68)	48048.40 (33.62)	63882.27 (44.70)	142914.21 (100)
2020-2021	38171.37 (25.72)	44737.01 (30.15)	65485.59 (44.13)	148393.97 (100)
2021-2022	39846.58 (22.37)	65540.75 (36.79)	72772.01 (40.85)	178159.35 (100)
2022-2023 (RE)	41795.23 (21.48)	71434.93 (36.71)	81382.18 (41.82)	194612.34 (100)
2023-2024 (BE)	40821.06 (19.20)	76843.55 (36.14)	94972.41 (44.66)	212637.03 (100)

\*Source: RBI State Finances: A Study of Budgets

\*Figures in parenthesis are percentage of Total Revenue Receipts

**Table 1b: Annual Growth of Revenue Receipts and GSDP (%)**

Year	Grants from the Centre	Share in Central Taxes	Own Revenue	Total Revenue	GSDP
2012-13	-11%	14%	32%	9%	14%
2013-14	-4%	9%	9%	7%	14%
2014-15	76%	6%	8%	19%	6%
2015-16	35%	51%	8%	27%	11%
2016-17	-12%	20%	9%	7%	9%
2017-2018	5%	-1%	26%	11%	12%
2018-2019	-1%	23%	8%	11%	13%
2019-2020	20%	-12%	-2%	-2%	7%
2020-2021	23%	-7%	3%	4%	-3%
2021-2022	4%	47%	11%	20%	16%
2022-2023 (RE)	5%	9%	12%	9%	15%
2023-2024 (BE)	2.45%	7.57%	16.70%	9.26%	11%
CAGR	7.18%	12.56%	11.30%	10.72%	10%

\*Source: RBI State Finances: A Study of Budgets, GSDP figures are at 2011-12 prices (Source: MOSPI Data)

\*CAGR= ((Final Value/ Beginning Value)<sup>1/n-1</sup>)

**Table 1c: Components of Revenue Receipts as a percentage of GSDP**

Year	Grants from the Centre	Share in Central Taxes	Own Revenue	Total Revenue
2011-12	3.41%	3.57%	5.05%	12.03%
2012-13	2.09%	3.59%	5.87%	11.55%
2013-14	1.75%	3.42%	5.59%	10.77%
2014-15	2.91%	3.43%	5.72%	12.05%
2015-16	3.54%	4.66%	5.56%	13.76%
2016-17	2.84%	5.11%	5.55%	13.50%
2017-2018	2.68%	4.55%	6.24%	13.47%
2018-2019	2.34%	4.96%	5.94%	13.25%
2019-2020	2.63%	4.07%	5.42%	12.12%
2020-2021	3.34%	3.92%	5.74%	13.00%
2021-2022	3.00%	4.93%	5.47%	13.40%
2022-2023 (RE)	2.73%	4.66%	5.31%	12.71%
2023-2024 (BE)	2.40%	4.52%	5.58%	12.50%

\*Source: RBI State Finances: A Study of Budgets

An important indicator of revenue generating capacity of the state is **Revenue**

**buoyancy.** It is the elasticity of the state's revenue receipts with respect to its GSDP. A revenue buoyancy of less than 1 is indicative of the fact that a percentage increase in the state's GDP has been accompanied by a less than a percentage increase in revenue receipts for the state. The buoyancy figures for the different components of total revenue are presented in Table 1d. For the state of West Bengal, buoyancy of total revenue has been largely less than 1 for the period under consideration, even turning out to be negative in the years 2019-20 and 2020-21. For the Covid year 2020-21 though, a negative figure for buoyancy of total revenue is due to drop in GSDP by 3%. Total revenue rose by 4% during this period mainly because of an increase in the grants in aid from the Centre by 23% (see Table 1b). Buoyancy of total revenue reached a high of 3.07 in 2014-15; however, it is estimated to be around 0.84 in 2023-24. The projection of total revenue receipts is presented in Table 1e (also see Graph 1a).

**Table 1d: Buoyancy of Different Components of Total Revenue**

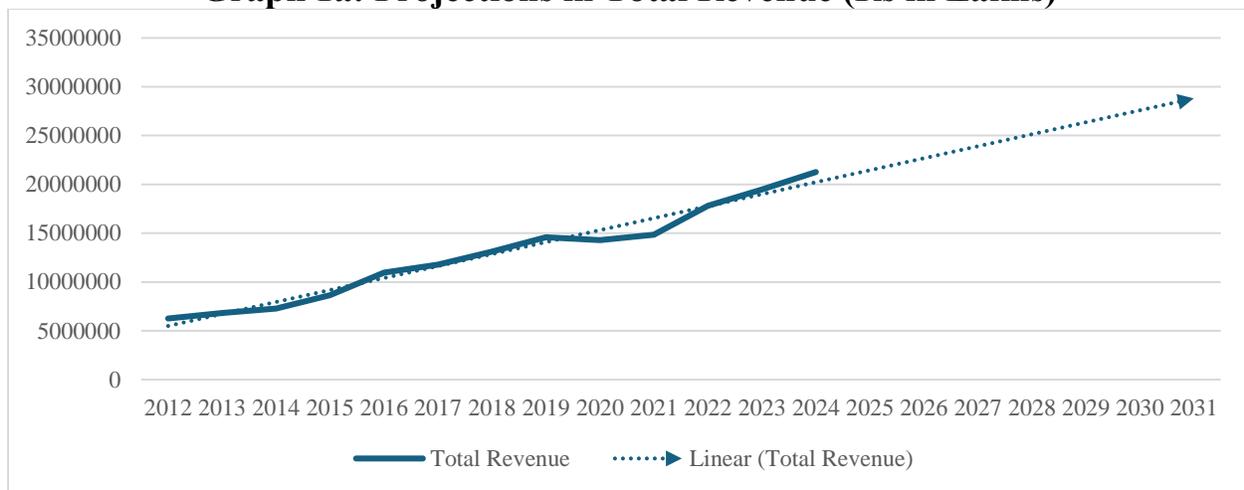
Year	Grants from the Centre	Share in Central Taxes	Own Revenue	Total Revenue
2012-13	-0.81	1.03	2.35	0.66
2013-14	-0.28	0.62	0.62	0.47
2014-15	12.48	0.98	1.31	3.07
2015-16	3.17	4.62	0.73	2.43
2016-17	-1.27	2.12	0.95	0.78
2017-2018	0.45	-0.05	2.19	0.97
2018-2019	-0.09	1.78	0.59	0.86
2019-2020	2.87	-1.73	-0.35	-0.30
2020-2021	-7.33	2.18	-0.79	-1.21
2021-2022	0.27	2.83	0.68	1.22
2022-2023 (RE)	0.32	0.59	0.78	0.61
2023-2024 (BE)	0.22	0.69	1.51	0.84

**Table 1e: Projection of Total Revenue Receipts**

Year	Revenue Receipts: Projected Value (Rs in Crores)
2024-25	214484.40
2025-26	226753.10
2026-27	239021.80
2027-28	251290.51
2028-29	263559.21

2029-30	275827.91
2030-31	288096.62

**Graph 1a: Projections in Total Revenue (Rs in Lakhs)**



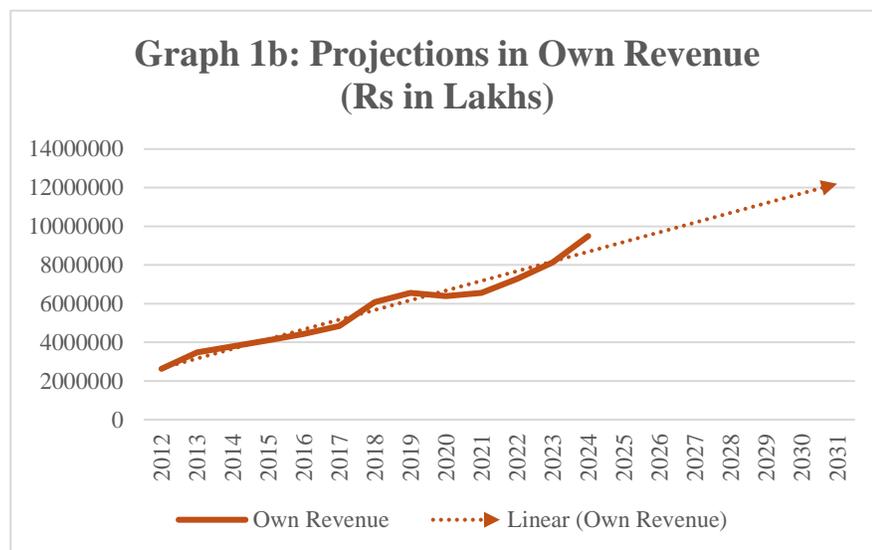
**Own revenue** of West Bengal has grown at a compound annual growth rate (CAGR) of 11.3% over the period 2012-13 to 2023-24 (Table 1b) from Rs. 26278.41 crores in 2011-12 to Rs. 94972.414 crores in 2023-24 (Table 1f). As noted earlier, this component has contributed around 44.7% on an average to the total revenue receipts of the state with small fluctuations in the individual years; however, it has always been above 40%.

**Table 1f: Composition of Own Revenue of the State Government (Rs in crores)**

Year	Own Tax Revenue	Own Non Tax Revenue	Own Revenue
2011-12	24938.16 (94.9)	1340.25 (5.1)	26278.41 (100)
2012-13	32808.49 (94.48)	1918.15 (5.52)	34726.64 (100)
2013-14	35830.56 (94.66)	2022.72 (5.34)	37853.28 (100)
2014-15	39411.96 (96.04)	1626.66 (3.96)	41038.62 (100)
2015-16	42492.08 (95.8)	1861.79 (4.2)	44353.87 (100)
2016-17	45466.46 (93.91)	2949.86 (6.09)	48416.32 (100)
2017-2018	57700.732 (94.87)	3117.171 (5.13)	60817.903 (100)
2018-2019	61830.876 (94.41)	3657.594 (5.59)	65488.47 (100)
2019-2020	60669.371 (94.97)	3212.901 (5.03)	63882.272 (100)
2020-2021	60287.235 (92.06)	5198.353 (7.94)	65485.588 (100)
2021-2022	71081.849 (97.68)	1690.165 (2.32)	72772.014 (100)
2022-2023 (RE)	79500.003 (97.69)	1882.176 (2.31)	81382.179 (100)
2023-2024 (BE)	88595.537 (93.29)	6376.877 (6.71)	94972.414 (100)

In 2012-13, own revenue contributed around 50.85% to the state's total revenue receipts. Own revenue receipts actually fell in the year 2019-20, before seeing a recovery in the following period. It is expected to contribute around 44.66% in 2023-24 (according to the budget estimates). The projection for own revenue receipts is presented in Table 1g (also see Graph 1b) below. We assume a linear trend beginning from FY 2011-12, which is the start of our period of analysis. The formula we use is simply  $[(\text{end value}/\text{initial value})^{(1/n)} - 1]$ , where n is the number of years in our period of analysis. This is equivalent to the RRI (Rate of Return on Investment) function if one were to simply use MS-Excel.

<b>Table 1g: Projection in Own Revenue Receipts</b>	
<b>Year</b>	<b>Own Revenue: Projected Value (Rs in Crores)</b>
2024-25	91904.71
2025-26	96929.91
2016-27	101955.11
2027-28	106980.31
2028-29	112005.51
2029-30	117030.71
2030-31	122055.91



Source: Handbook of Statistics on Indian States 2023-24

## 1.2 Own revenue buoyancy

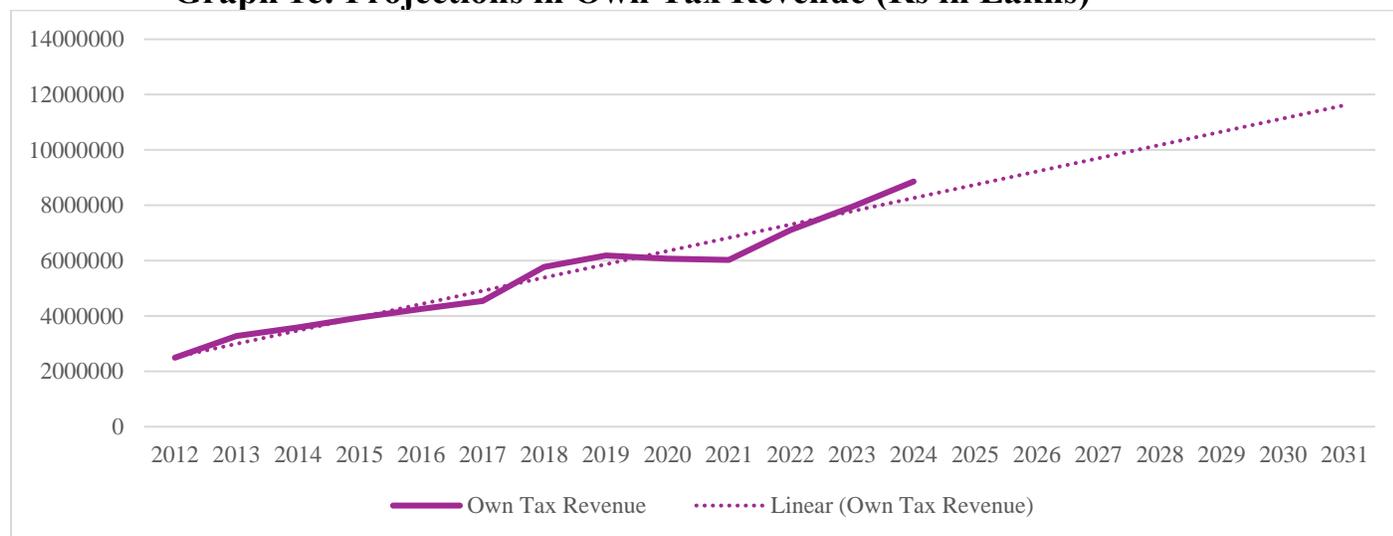
This is an important indicator of the state's capacity to raise revenue on its own and the effectiveness of its taxing policy. The sensitivity of the grant receipts from the Centre to changes in the state's GSDP is also an important parameter. Table 1d reveals that over the period 2012-13 to 2023-24, the responsiveness of the state's own revenue receipts with respect to its GSDP has been less than 1 except for the years 2012-13, 2014-15 and 2017-18. The buoyancy is also expected to be 1.51 in 2023-24 according to the budget estimates. A buoyancy of more than 1 is indicative of the fact that the state's own revenue collection has grown more than proportionately than its GSDP. The buoyancy of grants from Centre to changes in

the GSDP has fluctuated a lot during the study period ranging from -7.33 during 2020-21 (Covid period) to 12.48 in 2014-15. However, the Covid year 2020-21 deserves a special mention. During this period, as is expected the GSDP fell and in response, grants from Centre rose sufficiently resulting in the buoyancy of -7.33. The buoyancy figures for the state's share in central tax have also fluctuated quite a lot, reaching a high of 4.62 in 2015-16 and a low of -1.73 in 2019-20. Though buoyancy of the share in central taxes is positive in the Covid year 2020-21, it actually indicates a drop in tax receipts from the Centre as the growth rate of GSDP was also negative during that period.

The state's own revenue collection comprises of its **own tax revenue** and **non-tax revenue**. The state's ability to generate its own revenue by an effective taxing policy and by other means grants it the flexibility to allocate expenditure.

**Own tax revenue** has grown from Rs. 24938.16 crores in 2011-12 to Rs. 88595.537 crores in 2023-24 (Table 1f). However, the contribution of tax revenue to the state's own revenue collection has been on an average, above 92% for the entire period. The projection for own tax revenue is presented in Table Graph 1c below. We assume a linear trend beginning from FY 2011-12, which is the start of our period of analysis. The formula we use is simply  $[(\text{end value}/\text{initial value})^{(1/n)}-1]$ , where n is the number of years in our period of analysis. This is equivalent to the RRI (Rate of Return on Investment) function if one were to simply use MS-Excel.

**Graph 1c: Projections in Own Tax Revenue (Rs in Lakhs)**



Source: Handbook of Statistics on Indian States 2023-24

Table 1h presents a comparison of West Bengal's own-tax revenue to GSDP ratio (where GSDP has been calculated at current prices) with the average of the 17 major non-special category states. One can see that the state's figures are below the national average. While the national average has been 6% and above between 2011-12 and 2023-24, OTR-GSDP ratio for West Bengal has been around 5% for most years in the same period. This study certainly does not find any improvement in OTR-GSDP situation for the state. Further, the post-Covid (FY 2022-23 and FY 2023-24) initial trend looks worrisome since the gap between the average of all states and West Bengal has started increasing. Though this may be due to either ambitious targeting or greater growth expectations by other states, or both. Clearly, going by recent budget estimates, the State government of West Bengal does not look to the immediate future with much promise for greater Own Tax Revenues.

**Table 1h: Own Tax Revenue as percentage of GSDP among States and UTs**

States	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 (RE)	2023-24 (BE)
Andhra Pradesh	14.0%	14.6%	13.8%	8.1%	6.6%	6.5%	6.7%	6.7%	6.2%	5.9%	6.2%	6.5%	7.1%
Arunachal Pradesh	2.9%	2.5%	3.0%	2.6%	2.9%	3.6%	7.8%	5.0%	4.1%	4.7%	5.0%	6.4%	
Assam	5.3%	5.3%	5.1%	4.8%	4.4%	4.7%	5.5%	5.3%	4.8%	5.0%	4.8%	5.2%	5.3%
Bihar	5.1%	5.8%	6.3%	6.1%	6.8%	5.6%	6.3%	5.8%	5.2%	5.3%	5.4%	5.5%	5.8%
Chhattisgarh	6.8%	7.3%	6.9%	7.1%	7.6%	7.2%	7.8%	6.7%	6.4%	6.5%	6.6%	7.1%	7.5%
Goa	6.0%	7.7%	10.0%	8.1%	7.2%	6.8%	7.2%	6.8%	6.3%	5.7%	7.1%	7.1%	
Gujarat	7.2%	7.4%	7.0%	6.7%	6.1%	5.5%	5.5%	5.4%	4.9%	4.3%	5.1%	6.1%	
Haryana	6.9%	6.8%	6.4%	6.3%	6.2%	6.1%	6.5%	6.1%	5.8%	5.7%	6.1%	6.6%	6.9%
Himachal Pradesh	5.6%	5.6%	5.4%	5.7%	5.9%	5.6%	5.5%	5.2%	4.8%	5.3%	5.6%	5.7%	6.3%
Jammu & Kashmir	6.1%	6.7%	6.6%	6.4%	6.3%	6.3%	7.7%	6.3%	5.8%	5.3%	6.2%	7.4%	8.4%
Jharkhand	4.6%	4.7%	5.0%	4.7%	5.6%	5.6%	5.4%	4.8%	5.4%	5.7%	5.7%	5.9%	6.7%
Karnataka	7.7%	7.7%	7.7%	7.7%	7.2%	6.9%	6.8%	6.6%	6.3%	5.9%	6.1%	6.3%	6.9%
Kerala	7.1%	7.3%	6.9%	6.9%	6.9%	6.6%	6.9%	6.5%	6.2%	6.2%	6.3%	6.9%	7.1%
Madhya Pradesh	8.5%	8.0%	7.6%	7.6%	7.4%	6.8%	6.9%	6.3%	6.0%	5.8%	6.1%	6.3%	6.3%
Maharashtra	6.8%	7.1%	6.6%	6.5%	6.4%	6.2%	7.3%	7.4%	7.1%	6.3%	7.0%	7.6%	7.4%
Manipur	2.8%	2.4%	2.9%	2.9%	2.8%	2.8%	4.7%	4.2%	4.0%	4.4%	4.7%	6.0%	
Meghalaya	3.5%	3.9%	4.1%	4.0%	4.2%	4.3%	6.4%	5.9%	5.4%	6.1%	5.7%	5.7%	6.0%
Mizoram	2.5%	2.7%	2.2%	2.0%	2.4%	2.6%	4.4%	3.6%	2.9%	2.7%	3.2%	3.2%	
Nagaland	2.5%	2.4%	2.0%	2.1%	2.2%	2.4%	4.0%	3.5%	3.2%	3.4%	4.0%	3.9%	
Odisha	5.8%	5.7%	5.7%	6.3%	6.9%	5.8%	7.1%	6.2%	6.0%	6.3%	5.8%	6.2%	6.2%
Punjab	7.1%	7.6%	7.2%	7.2%	6.8%	6.5%	6.7%	6.2%	5.6%	5.6%	5.9%	6.5%	7.0%
Rajasthan	5.8%	6.2%	6.1%	6.3%	6.3%	5.8%	6.5%	6.4%	5.9%	5.9%	6.3%	6.8%	7.5%
Sikkim	2.6%	3.5%	3.8%	3.4%	3.1%	3.2%	3.6%	3.3%	3.1%	2.9%	3.3%	3.4%	3.5%
Tamil Nadu	7.9%	8.3%	7.6%	7.3%	6.8%	6.6%	6.6%	6.5%	6.2%	5.9%	5.9%	6.3%	6.7%
Telangana				5.8%	6.9%	7.4%	7.8%	7.6%	7.1%	7.1%	8.1%	8.4%	8.7%

Tripura	4.5%	4.6%	4.2%	4.0%	3.7%	3.6%	4.3%	3.7%	3.9%	3.9%	3.8%	3.6%	3.5%
Uttar Pradesh	7.3%	7.1%	7.1%	7.3%	7.1%	6.7%	7.6%	7.8%	7.2%	7.3%	7.4%	8.1%	10.3%
Uttarakhand	4.9%	4.9%	4.9%	5.2%	5.3%	5.6%	4.9%	5.4%	4.8%	5.3%	5.3%	5.6%	5.8%
<b>West Bengal</b>	<b>4.8%</b>	<b>5.5%</b>	<b>5.3%</b>	<b>5.5%</b>	<b>5.3%</b>	<b>5.2%</b>	<b>5.9%</b>	<b>5.6%</b>	<b>5.1%</b>	<b>5.3%</b>	<b>5.3%</b>	<b>5.2%</b>	<b>5.2%</b>
Delhi	5.8%	6.0%	5.8%	5.4%	5.5%	5.1%	5.3%	5.0%	4.6%	4.0%	4.5%	4.8%	4.8%
Puducherry	9.4%	10.2%	8.7%	8.8%	8.5%	8.1%	7.7%	7.6%	6.7%	5.4%	7.9%	8.4%	8.5%
<b>All States</b>	<b>6.7%</b>	<b>6.9%</b>	<b>6.7%</b>	<b>6.6%</b>	<b>6.5%</b>	<b>6.2%</b>	<b>6.6%</b>	<b>6.4%</b>	<b>6.1%</b>	<b>5.8%</b>	<b>6.2%</b>	<b>6.6%</b>	<b>7.7%</b>

Source: RBI: Handbook of State Statistics

In Table 1i, we present a comparison of West Bengal's OTR buoyancy figures with the other non-special category states. The numbers for the state vis-à-vis the average of other states is worrying for the years 2020-21 and 2023-24. Budget estimates for the year 2023-24 show that OTR buoyancy for West Bengal is pegged to be at 1.04 as against the all state average of 10.96.

**Table 1i: OTR Buoyancy across States and UTs**

States	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Andhra Pradesh	1.5	0.6	-2.6	-0.4	0.8	1.3	1.1	-0.3	-0.1	1.4	1.4	2.1
Arunachal Pradesh	0.0	2.3	0.3	5.2	4.3	11.3	-2.1	-0.2	10.1	2.0	4.9	
Assam	0.8	0.7	0.5	0.4	1.7	2.5	0.7	0.1	-1.8	0.7	1.7	1.1
Bihar	2.0	1.9	0.5	2.7	-0.5	2.2	0.3	-0.2	-0.3	1.1	1.2	1.4
Chhattisgarh	1.8	0.6	1.4	4.8	0.7	2.1	0.0	0.2	1.6	1.1	1.6	1.8
Goa	-1.5	-3.8	0.3	0.1	0.5	1.7	-0.7	-0.8	8.4	3.9	0.9	
Gujarat	1.2	0.4	0.6	0.2	0.2	1.0	0.8	-0.2	172.6	2.1	2.5	
Haryana	0.9	0.6	0.9	0.9	0.8	1.7	0.2	0.0	1.7	1.4	1.7	1.4
Himachal Pradesh	0.9	0.7	1.7	1.3	0.5	0.8	0.2	-0.1	-1.3	1.5	1.0	2.4
Jammu & Kashmir*	2.0	0.8	0.3	0.8	1.0	3.2	-0.4	-2.4	-2.8	2.6	2.3	2.6
Jharkhand	1.2	1.8	0.7	-2.0	1.1	0.6	0.1	9.1	-0.1	1.0	1.5	2.4
Karnataka	1.1	0.9	1.0	0.5	0.6	0.9	0.7	0.5	-3.3	1.2	1.3	2.0
Kerala	1.3	0.5	1.0	1.1	0.6	1.4	0.5	-0.4	1.0	1.1	1.9	1.3
Madhya Pradesh	0.6	0.6	1.0	0.8	0.5	1.1	0.3	0.6	-1.2	1.4	1.3	1.1
Maharashtra	1.3	0.4	0.8	1.0	0.7	3.7	1.3	0.1	7.5	1.7	1.6	0.7
Manipur	-1.5	2.4	0.8	0.9	0.7	5.0	-0.8	0.5	-62.3	1.6	3.0	
Meghalaya	2.2	2.4	-0.8	1.6	1.3	7.8	0.0	0.0	-3.4	0.6	0.9	1.5
Mizoram	1.6	0.1	0.5	2.8	1.7	7.4	-0.6	-0.6	2.7	2.7	0.9	
Nagaland	0.7	-0.1	1.6	1.6	1.7	7.4	-0.7	0.4	17.4	3.4	0.7	
Odisha	0.9	0.9	2.9	3.0	0.1	3.0	0.0	0.5	12.0	0.7	1.7	1.0
Punjab	1.7	0.6	0.9	0.4	0.4	1.3	0.1	-1.2	0.3	1.5	2.1	1.9
Rajasthan	1.5	0.8	1.3	1.0	0.3	2.4	0.7	0.2	1.0	1.4	1.8	1.8
Sikkim	4.6	1.7	0.1	0.4	1.0	1.7	0.1	0.2	-0.1	2.1	1.1	1.4
Tamil Nadu	1.4	0.3	0.6	0.2	0.6	1.0	0.9	0.2	-0.5	1.0	1.5	1.4
Telangana				2.6	1.5	1.4	0.8	0.4	1.9	1.9	1.3	1.3
Tripura	1.3	0.4	0.6	0.6	0.7	2.9	0.0	1.5	1.0	0.8	0.6	0.9

Uttar Pradesh	0.8	1.0	1.5	0.8	0.5	2.3	1.2	0.0	0.7	1.1	1.7	3.6
Uttarakhand	1.0	1.1	1.6	1.3	1.6	0.0	2.9	-1.7	-0.6	1.0	1.4	1.3
<b>West Bengal</b>	<b>2.3</b>	<b>0.6</b>	<b>1.6</b>	<b>0.7</b>	<b>0.7</b>	<b>2.3</b>	<b>0.5</b>	<b>-0.3</b>	<b>0.2</b>	<b>1.1</b>	<b>0.8</b>	<b>1.0</b>
Delhi	1.3	0.8	0.2	1.2	0.3	1.5	0.3	0.0	3.2	2.0	1.4	1.2
Puducherry	1.7	0.0	1.4	0.7	0.6	0.3	0.8	-0.6	9.6	5.1	1.7	1.3
<b>All States</b>	<b>1.3</b>	<b>0.7</b>	<b>0.9</b>	<b>0.8</b>	<b>0.6</b>	<b>1.7</b>	<b>0.7</b>	<b>0.1</b>	<b>6.6</b>	<b>1.4</b>	<b>1.6</b>	<b>11.0</b>

Source: RBI: Handbook of State Statistics

The present analysis therefore also observes that the buoyancy is not at all steady for the state, rather there is too much of volatility. On the earning side too, too much volatility is not a healthy sign, since, apart from other issues, it is at odds with committed expenditure of the state which typically is lot less volatile. Apart from the volatility concern, the buoyancy numbers of West Bengal have been perennially low (as is true for many other states) which reflects that the efficiency of the tax collection system is questionable. The implication of this may be more dependence on the Centre, inaccuracy in designing budgets as well as forecasting future revenues among others, suboptimal compliances and policy inefficiency.

**Table 1j: Composition of Own Tax Revenue of the State Government**

Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 (BE)
Agri IT	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Profession Tax	1.7%	1.4%	1.3%	1.2%	1.1%	1.1%	0.9%	0.9%	1.0%	1.0%	0.9%	0.9%	0.9%
Stamps & Registration Fees	11.0%	13.3%	11.3%	10.6%	9.8%	9.6%	9.1%	9.1%	9.9%	9.2%	10.4%	9.0%	8.4%
Sales Tax	63.7%	56.6%	61.2%	61.0%	61.3%	61.5%	22.5%	12.6%	11.8%	15.6%	14%	15.3%	15.7%
Taxes on Vehicles	4.0%	3.7%	3.8%	3.8%	4.0%	4.1%	4.0%	4.1%	4.3%	3.9%	3.7%	4.1%	4.0%
Goods & Passenger	0.0%	3.9%	2.8%	2.2%	2.0%	2.1%	2.7%	0.7%	0.1%	0.5%	0.0%	0.0%	0.0%
Taxes and Duties on Electricity	1.6%	5.6%	3.4%	4.9%	4.9%	2.9%	4.0%	4.3%	4.0%	3.7%	3.4%	3.5%	3.5%
Entertainment Tax	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
SGST	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	34.6%	45.6%	45.0%	43.1%	44%	43.8%	42.7%

<b>Land Revenue</b>	7.5%	6.2%	6.3%	5.8 %	5.8%	5.6%	5.0%	4.6%	4.5%	4.6%	3.9%	3.9%	3.8%
<b>Other Taxes and Duties</b>	1.7%	1.2%	1.3%	1.2 %	1.3%	1.2%	0.9%	0.9%	0.9%	0.8%	0.7%	0.7%	0.7%
<b>State Excise</b>	8.5%	8.0%	8.4%	9.1 %	9.4%	11.5%	16.2 %	17.2%	18.5%	17.7%	19.1%	18.9 %	20.2%

The prominent contributor to the state's own tax revenue has been the Sales tax; however, since 2017-18, (when GST was implemented), SGST took over this role, though the state excise tax and sales tax remained important contributors. The contribution of SGST has grown from 34.6% in 2017-18 to 42.7% in 2023-24. The contribution of state excise tax has increased from 8.5% in 2011-12 to 20.2% in 2023-24 (see Table 1j).

Sales tax is another important component of own taxes and has contributed more than 60% in the years between 2011-12 and 2016-17. Since then, there has been a steady fall and it is estimated to contribute 15.7% to own tax revenue in 2023-24. GST subsumes state sales tax/VAT and central sales tax. When GST was implemented in July 2017, it subsumed state VAT and central sales tax among other state taxes<sup>1</sup>. That would account for the sales tax figure dropping.

Taxes on goods and passengers is a small component of own revenue collection of the state and has not shown much revenue potential. This tax is not included under GST except under entry #52 of the State List whereby "taxes on the entry of goods into a local area for consumption, use or sale therein" has been subsumed under GST<sup>2</sup>. Its contribution has been meagre. Contribution of revenue from stamps and registration has fallen from 11% to 8.4% over this period. A similar trend has been observed for Land Revenue whose contribution fell steadily from 7.5% to 3.8% over the period of study. The annual year-to-year growth rate of the different components of the state's own tax revenue has been presented in Table 1k.

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<sup>1</sup> Ministry of Finance-Department of Revenue; Central Board of Indirect taxes and Customs; Cbic-gst.gov.in

<sup>2</sup> NIPFP Working paper 416, Mukherjee S., Jadhav V., and S. Badola: Revenue Potential of Passenger and Goods Tax (PGT) across Indian States.

**Table 1k: Annual Growth of Components of Own Tax Revenue (%)**

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 (RE)	2023-24 (BE)
Agri IT	12.1	44.3	-38.5	-27.4	-16.3	8.7	-87.1	-29.7	-32.4	-46.7	6.8	20.0
Profession Tax	5.0	3.9	-0.2	4.6	4.9	3.9	6.0	5.0	1.3	11.3	7.8	7.0
Stamps & Registration Fees	59.5	-7.0	3.5	-0.5	5.0	20.0	6.8	7.2	-8.3	33.3	-3.4	5.0
Sales Tax	16.8	18.2	9.5	8.4	7.4	-53.5	-39.9	-8.3	31.2	5.9	21.9	14.5
Taxes on Vehicles	21.3	10.6	11.4	13.4	9.5	23.9	10.6	1.5	-10.2	13.3	23.1	10.0
Goods & Passenger	-	-22.1	-14.1	-2.5	11.5	64.0	-71.6	-92.2	842.4	-98.5	-100.0	
Taxes and Duties on Electricity	350.1	-34.0	60.5	7.4	-36.9	76.9	14.6	-9.5	-8.6	7.7	16.8	12.2
Entertainment Tax	13.7	4.8	14.5	27.1	4.8	-77.5	-136.5	174.9	-159.2	101.0	10.0	11.4
SGST	-	-	-	-	-	-	41.2	-3.0	-4.7	20.2	11.3	8.5
Land Revenue	8.1	11.4	1.0	7.9	4.6	11.9	-1.0	-4.2	1.0	-0.5	12.4	10.0
Other Taxes and Duties	-8.8	20.1	1.5	21.1	-0.6	-3.8	-0.5	4.8	-17.1	9.1	15.1	10.0
State Excise	23.8	15.1	18.9	11.9	30.2	78.7	13.7	5.7	-5.0	27.0	10.8	19.5
State's Own Tax Revenue	31.6	9.2	10.0	7.8	7.0	26.9	7.2	-1.9	-0.6	17.9	11.8	11.4

\*Source: RBI State Finances: A Study of Budgets

### 1.3 Suggestions to improve tax revenue through industrial policies

Several recommendations to improve tax revenue were made in the 15<sup>th</sup> finance commission report presented in details which was submitted by us, are still valid.

1. Agro-based industries: There is still a huge potential of expansion of agro based industries in the state. Animal husbandry and fisheries based industries should be encouraged. Due to its proximity to North-Eastern states, strategic points could be developed as hubs for processing and packaging of various products to be sent there. The tea industry also needs a special focus as it has the potential to be a top revenue earner for the state. With a recent surge in

popularity of coffee, the state needs to actively invest in marketing for tea and related products.

2. Service-based industries: West Bengal has to leverage its reputation as one of India's leading state in intellectual capital. Education hubs, IT based industries have to be actively promoted as these could prove to be a major growth engine for the state. The state should focus seriously on providing higher level education through a public-private partnership. Since there is no shortage of human capital, the state can definitely encourage investment in the financial sector.
3. Textile and Traditional industries: Investments should be made in small and medium scale handloom and cottage industries as the market for handmade items like sarees, fabric etc. have skyrocketed in recent years. Traditional items that are locally item for example in Shantiniketan, Bankura, Purulia etc. should be marketed heavily which can reduce the unemployment issue by a huge margin. Also, it helps preserving the traditional knowledge and skills of the population of the state. The state should invest in skill development in these areas in addition to marketing to enhance revenue from these industries.

# **CHAPTER II**

## **NON-TAX REVENUES**

## Chapter II

## Non-Tax Revenues

### 2.1. Assessment of Non-tax Revenue Profile of the State:

**Own non-tax revenue** sources of the state include interest receipts, income from dividends and profits, revenue earned from general services (state lotteries etc.), social services, which include education, medical and public health, urban development, and economic services like crop husbandry, forestry and wildlife etc. The non-tax component of own revenue has seen a CAGR of 11.6 % in the pre-covid period 2011-20 and a CAGR of 3.1% from 2011-23, if one includes the post covid years. Table 2a presents a comparison of the CAGR of non-tax revenue for the state of West Bengal with the other states.

**Table 2.a: CAGR of ONTR of different states**

State/Union Territory	Pre-Covid CAGR (2011-2020)	Post-Covid CAGR (2011-2023)	Covid Impact (percentage point)
Uttar Pradesh	29.8%	1.8%	-28.0%
NCT Delhi	11.4%	2.4%	-9.0%
Puducherry	34.5%	25.8%	-8.7%
<b>West Bengal</b>	<b>11.6%</b>	<b>3.1%</b>	<b>-8.4%</b>
Punjab	21.5%	14.2%	-7.3%
Gujarat	16.7%	10.1%	-6.6%
Kerala	21.4%	17.6%	-3.9%
Uttarakhand	17.0%	14.4%	-2.7%
Assam	8.6%	6.0%	-2.6%
Tamil Nadu	10.8%	9.4%	-1.3%
Bihar	19.5%	19.2%	-0.3%
Meghalaya	4.7%	4.4%	-0.3%
Arunachal Pradesh	7.6%	7.4%	-0.2%
Jharkhand	14.1%	14.0%	-0.1%
Mizoram	15.2%	15.9%	0.7%
Himachal Pradesh	3.4%	4.2%	0.8%
Karnataka	8.2%	9.4%	1.2%
Rajasthan	7.0%	8.2%	1.3%

Madhya Pradesh	4.1%	5.7%	1.6%
Haryana	5.8%	7.9%	2.2%
Maharashtra	7.2%	9.4%	2.2%
Tripura	3.0%	5.6%	2.6%
Chhattisgarh	8.7%	13.3%	4.5%
Sikkim	-5.0%	-0.4%	4.6%
Jammu & Kashmir	9.9%	14.9%	5.0%
Goa	2.1%	7.4%	5.2%
Manipur	-9.9%	-2.0%	7.9%
Nagaland	4.8%	12.9%	8.1%
Telangana	2.7%	11.4%	8.7%
Odisha	10.8%	19.7%	8.9%
Andhra Pradesh	-21.3%	-6.3%	15.0%
<b>All States and UTs</b>	<b>12.8%</b>	<b>10.0%</b>	<b>-2.8%</b>

Source: RBI State Finances: Study of Budgets \*CAGR for Andhra Pradesh and Telangana have been computed for the period after the passing of Andhra Pradesh Reorganisation Act of 2014.

Own non-tax revenue as a percentage of GSDP is a good measure of the extent of revenue mobilization of the state. Table 2b below presents a comparison of the performance of West Bengal in this regard with the other states. It is easily seen that ONTR-GSDP ratio for West Bengal has always been below that of the national average. According to the budget estimates for 2023-24, the ratio (in percentage) for West Bengal is pegged to be at 0.4% as against the national average of 1.3%.

**Table 2b: ONTR to GSDP Ratio across States & UTs**

States	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 RE	2023-24 BE
AP	3.1%	3.9%	3.3%	2.1%	0.8%	0.8%	0.5%	0.5%	0.4%	0.3%	0.4%	0.5%	1.1%
ARP	3.3%	2.3%	2.8%	2.6%	2.1%	2.7%	1.6%	2.4%	2.2%	2.7%	2.4%	2.3%	
AM	2.0%	1.6%	1.5%	1.2%	1.2%	1.7%	1.4%	2.7%	1.6%	0.9%	0.9%	1.1%	1.2%
BR	0.4%	0.4%	0.5%	0.5%	0.6%	0.6%	0.7%	0.8%	0.6%	1.1%	0.6%	0.8%	0.8%
CH	2.6%	2.6%	2.5%	2.2%	2.3%	2.2%	2.2%	2.4%	2.3%	2.0%	3.4%	3.4%	3.6%

GA	5.5%	4.8%	4.6%	4.9%	4.4%	4.3%	4.4%	4.0%	3.6%	3.9%	4.7%	5.7%	
GJ	0.9%	0.8%	0.9%	1.0%	1.0%	1.1%	1.1%	0.9%	1.1%	0.6%	0.7%	0.7%	
HR	1.6%	1.3%	1.2%	1.1%	1.0%	1.1%	1.4%	1.1%	1.0%	1.0%	0.9%	1.1%	1.2%
HP	2.6%	1.7%	1.9%	2.0%	1.6%	1.4%	1.7%	1.9%	1.6%	1.4%	1.5%	1.6%	1.7%
JK	2.6%	2.5%	3.0%	2.0%	3.3%	3.3%	3.1%	2.7%	2.6%	2.4%	2.6%	4.2%	5.6%
JH	2.0%	2.0%	2.0%	2.0%	2.8%	2.3%	2.9%	2.7%	2.8%	2.5%	2.7%	3.1%	3.7%
KT	0.7%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%	0.5%	0.5%
KR	0.7%	1.0%	1.2%	1.4%	1.5%	1.5%	1.6%	1.5%	1.5%	0.9%	1.1%	1.5%	1.5%
MP	2.4%	1.8%	1.8%	2.2%	1.6%	1.4%	1.2%	1.6%	1.1%	1.0%	1.4%	1.1%	1.1%
MH	0.6%	0.7%	0.7%	0.7%	0.7%	0.6%	0.7%	0.6%	0.5%	0.6%	0.6%	0.6%	0.6%
MN	2.4%	1.7%	1.6%	1.0%	0.8%	0.8%	0.7%	0.6%	0.5%	0.5%	0.3%	0.6%	
MG	1.8%	2.2%	2.6%	1.5%	0.9%	2.5%	1.2%	1.3%	1.5%	1.5%	1.3%	1.3%	1.4%
MI	2.3%	2.5%	1.9%	1.8%	2.0%	2.1%	2.0%	2.1%	2.1%	2.3%	2.3%	2.8%	
NG	1.9%	1.5%	1.3%	1.5%	1.3%	1.6%	1.6%	1.0%	1.1%	0.8%	0.9%	2.4%	
OD	2.8%	3.1%	2.8%	2.6%	2.7%	2.0%	1.9%	2.9%	2.7%	3.6%	7.8%	6.1%	6.2%
PN	0.5%	0.9%	1.0%	0.8%	0.7%	1.4%	0.9%	1.5%	1.2%	0.8%	0.8%	0.9%	1.1%
RJ	2.1%	2.5%	2.5%	2.1%	1.6%	1.5%	1.9%	2.0%	1.6%	1.3%	1.6%	1.6%	1.6%
SK	9.4%	6.5%	5.7%	4.5%	2.3%	2.2%	2.5%	2.3%	2.2%	2.0%	1.8%	2.3%	2.2%
TN	0.8%	0.8%	1.0%	0.8%	0.8%	0.8%	0.7%	0.9%	0.7%	0.6%	0.6%	0.6%	0.7%
TL				1.3%	2.5%	1.5%	1.0%	1.2%	0.8%	0.6%	0.8%	1.2%	1.5%
TR	1.1%	0.8%	1.0%	0.7%	0.7%	0.6%	1.1%	0.7%	0.5%	0.5%	0.4%	0.5%	0.5%
UP	1.4%	1.6%	1.7%	2.0%	2.0%	2.2%	1.4%	1.9%	4.8%	0.7%	0.6%	0.5%	0.9%
UT	1.0%	1.2%	0.9%	0.7%	0.7%	0.7%	0.8%	1.4%	1.7%	1.8%	1.0%	1.6%	1.4%
<b>WB</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.5%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.4%</b>
DL NCR	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
PUD	0.9%	0.6%	5.5%	5.8%	4.3%	4.2%	4.3%	4.6%	4.4%	4.0%	5.3%	4.3%	4.3%
<b>ALL</b>	<b>1.2%</b>	<b>1.2%</b>	<b>1.2%</b>	<b>1.2%</b>	<b>1.1%</b>	<b>1.1%</b>	<b>1.1%</b>	<b>1.2%</b>	<b>1.3%</b>	<b>0.9%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.3%</b>

Source: RBI State Finances: Study of Budgets

The growth rate of own non-tax revenue for the state has fluctuated a lot during the study period. It was much above the national average for the years 2012-13, 2016-17 and 2020-21. In 2012-13, the annual growth rate of ONTR for West Bengal was 43.1% as against the national average of 18.3%. Similarly, in the years 2016-17 and 2020-21, the figures for West Bengal was 58.4% and 61.8% respectively (national

average being 10.2% - 32.7% respectively). According to the budget estimates for 2023-24, ONTR for West Bengal is supposed to grow at a huge 238.8% compared to the national average of 25.4%. However, the share of own non-tax revenue in total revenue of the state has not changed much over the study period. While it was around 5.1% of total revenue in 2011-12, it is estimated to be around 6.71% in 2023-24 (refer to Table 1f).

**Table 2c: Growth Rate of ONTR across States & UTs**

States	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 RE	2023-24 BE	
Andhra Pradesh	36.8%	-3.3%	-	-55.2%	5.5%	-26.6%	15.3%	-24.6%	2.4%	47.8%	29.8%	136.5%	
Arunachal Pradesh	-	21.3%	42.6%	13.1%	-14.4%	39.0%	-32.8%	66.4%	6.9%	28.6%	-7.4%	2.2%	7.1%
Assam	13.7%	9.3%	10.8%	13.6%	58.8%	-6.5%	101.9%	-32.6%	47.6%	23.4%	51.4%	29.4%	
Bihar	27.5%	36.1%	0.8%	40.3%	9.9%	45.9%	17.8%	-10.4%	67.6%	-35.8%	54.0%	6.1%	
Chhattisgarh	13.8%	10.5%	-4.4%	7.0%	8.7%	11.8%	21.5%	3.0%	10.0%	94.1%	15.5%	13.8%	
Goa	20.7%	-9.3%	40.0%	4.6%	11.5%	11.8%	-5.2%	-4.7%	5.9%	30.6%	33.6%	19.1%	
Gujarat	14.0%	16.6%	36.0%	6.8%	30.9%	12.9%	-11.0%	34.9%	42.0%	33.6%	8.2%	12.2%	
Haryana	-1.0%	6.5%	-7.3%	3.0%	30.4%	47.1%	-12.5%	-7.2%	-5.9%	6.2%	48.1%	15.5%	
Himachal Pradesh	28.1%	29.6%	16.6%	-11.7%	-6.5%	37.7%	19.7%	-11.6%	12.5%	19.4%	15.7%	14.0%	
Jammu & Kashmir	7.9%	32.9%	31.1%	97.8%	4.1%	7.1%	-0.3%	-2.0%	-4.3%	18.7%	90.6%	47.3%	
Jharkhand	16.4%	6.1%	15.5%	35.0%	-8.6%	46.6%	5.2%	6.0%	13.6%	32.6%	28.4%	34.0%	
Karnataka	-3.0%	1.7%	16.3%	14.2%	8.2%	11.8%	4.6%	13.4%	2.8%	49.2%	-7.1%	14.2%	
Kerala	62.0%	32.8%	30.7%	15.7%	15.1%	15.5%	5.2%	4.1%	40.3%	42.8%	46.8%	11.3%	
Madhya Pradesh	-6.5%	10.1%	34.7%	-17.4%	6.0%	-0.3%	46.7%	-22.1%	-4.3%	54.6%	-9.8%	8.1%	
Maharashtra	22.2%	13.7%	10.8%	6.7%	-5.3%	31.2%	-5.0%	-9.8%	11.7%	20.9%	14.2%	9.6%	
Manipur	25.6%	12.5%	29.5%	-19.0%	10.7%	5.5%	-4.6%	-18.7%	9.6%	-27.7%	133.6%	60.0%	
Meghalaya	31.8%	23.3%	42.6%	-33.2%	199.1%	-46.4%	16.6%	23.8%	-1.3%	0.4%	12.4%	25.9%	
Mizoram	26.8%	-8.9%	24.7%	23.1%	22.5%	7.1%	15.1%	16.0%	7.7%	10.7%	37.5%	4.9%	
Nagaland	11.2%	4.8%	24.9%	-5.5%	35.2%	12.4%	-34.4%	32.9%	28.3%	25.1%	191.8%	-57.0%	
Odisha	25.4%	3.7%	-3.7%	7.9%	-7.7%	4.4%	70.0%	2.6%	33.3%	178.0%	-14.3%	12.9%	
Punjab	87.8%	21.4%	-9.7%	-8.0%	121.2%	-26.4%	75.6%	-12.2%	37.6%	15.2%	26.5%	29.3%	
Rajasthan	32.3%	11.9%	-2.5%	-17.4%	6.3%	35.5%	18.2%	-15.5%	13.1%	37.4%	16.8%	10.9%	

Sikkim	-	-1.6%	-	-40.8%	9.4%	44.7%	0.6%	5.3%	-4.5%	2.9%	46.8%	7.9%
Tamil Nadu	15.3%	42.6%	-	6.8%	11.2%	8.6%	31.9%	-9.2%	19.1%	16.3%	26.3%	32.1%
Telangana				123.6%	-32.1%	-20.0%	27.9%	-26.5%	17.1%	45.2%	72.7%	49.1%
Tripura	-	38.0%	-	34.2%	-16.7%	125.1%	-24.5%	-26.9%	4.8%	-3.9%	42.3%	15.4%
Uttar Pradesh	27.8%	26.8%	21.2%	16.1%	25.1%	-31.6%	52.1%	171.4%	-	-3.5%	7.5%	93.5%
Uttarakhand	41.1%	-17.8%	-	9.9%	10.3%	31.5%	87.0%	20.8%	4.3%	-33.9%	80.6%	-4.3%
<b>West Bengal</b>	<b>43.1%</b>	<b>5.5%</b>	<b>-</b>	<b>14.4%</b>	<b>58.4%</b>	<b>5.7%</b>	<b>17.4%</b>	<b>-12.2%</b>	<b>61.8%</b>	<b>-67.5%</b>	<b>11.4%</b>	<b>238.8%</b>
NCT Delhi	36.0%	5.1%	-3.9%	-18.6%	-26%	101.0%	-15.9%	70.3%	10.7%	-15.6%	-27.4%	75.0%
Puducherry	-	911.0%	9.0%	-12.5%	9.4%	10.4%	15.3%	3.4%	10.9%	49.6%	-12.2%	7.9%
<b>All States and UTs</b>	<b>18.3%</b>	<b>13.9%</b>	<b>8.3%</b>	<b>6.7%</b>	<b>10.2%</b>	<b>5.0%</b>	<b>21.8%</b>	<b>19.3%</b>	<b>-</b>	<b>40.6%</b>	<b>15.0%</b>	<b>25.4%</b>

Source: RBI State Finances: Study of Budgets

## 2.2 Explanatory Note on jump in Own Non Tax Revenue in FY 2023-24 (BE)

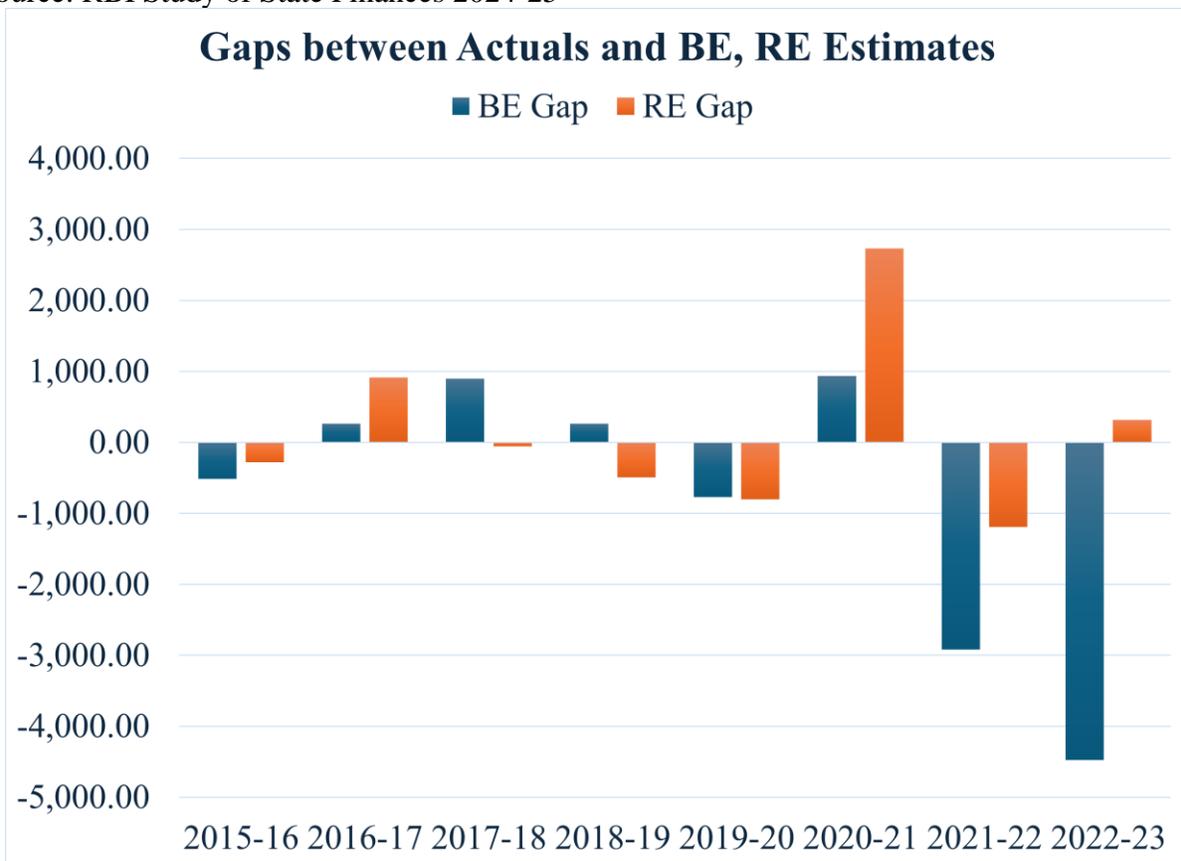
Looking at Table 2c, we notice an outsized jump in the Budget Estimates for Own Non-Tax Revenue of the State for FY 2023-24. The 238.8% growth expected in the ONTR, between FY 2022-23 and FY 2023-24 (BE) stands in stark contrast to the conservative pre-pandemic Budget Estimates. Even if we were to restrict our analysis to Budget Estimates, year-to-year increases in the target were fairly stable in the run-up to the pandemic. The table and figure below chart out the evolution of BE, RE and Actuals and the gaps between them for Non-Tax Revenue in West Bengal.

**Table 2.d: West Bengal's Non-Tax Revenues: Targets vs Actuals (Rs Crore)**

Fiscal Year	Budget Estimate	Revised Estimate	Actuals	BE Gap	RE Gap
2015-16	2,379.89	2,142.01	1,861.79	-518.10	-280.22
2016-17	2,688.00	2,038.15	2,949.86	261.86	911.71

2017-18	2,220.96	3,173.10	3,117.17	896.21	-55.93
2018-19	3,395.41	4,153.98	3,657.59	262.18	-496.38
2019-20	3,987.26	4,018.00	3,212.90	-774.35	-805.10
2020-21	4,266.00	2,466.31	5,198.35	932.35	2,732.05
2021-22	4,611.73	2,884.83	1,690.17	-2,921.57	-1,194.67
2022-23	6,672.37	1,882.18	2,196.82	-4,475.56	314.64
2023-24	6,376.88	3,148.08			
2024-25	6,317.47				

Source: RBI Study of State Finances 2024-25



The big break comes in FY 2020-21 when on 22<sup>nd</sup> May 2020, the RBI relaxed the guidelines for withdrawal by States from their own Consolidated Sinking Funds (a

fund into which State governments set aside money over time, in order to retire its debt). This was done in a bid to deal with weakened State balance sheets owing to the pandemic.

### **Box: Consolidated Sinking Funds**

The Consolidated Sinking Fund was set up under the recommendations of the 12<sup>th</sup> Finance Commission for amortization of loans. The guidelines suggested that the State contributions to the CSF be 0.5 per cent of the outstanding liabilities as of the end of the previous year.

From the RBI's 'Statement on Developmental and Regulatory Policies' dated 22<sup>nd</sup> May 2020:

“State Governments maintain a Consolidated Sinking Fund (CSF) with the Reserve Bank as a buffer for repayment of their liabilities. In the light of the Covid-19 pandemic and the consequent stress on State Government finances, the RBI has reviewed the Scheme and has decided to relax the rules governing withdrawal from the CSF, while at the same time ensuring that depletion of the Fund balance is done prudently. This will enable States to meet a larger proportion of their redemption of market borrowings falling due in the current financial year from the CSF. These relaxations to states will release an additional amount of about ₹13,300 crore. Together with the normally permissible withdrawal, this measure will enable the states to meet about 45 per cent of their redemptions due in 2020-21 through withdrawal from CSF. This change in withdrawal norms will come into force with immediate effect and will remain valid till March 31, 2021.

In response to COVID-19, The requirement of fiscal resources had been increased with likely implications for market conditions going forward. The RBI shall remain watchful and support the smooth completion of the borrowing programme of the Centre and States in the least disruptive manner.”

**Table 2.e: West Bengal's Receipts from Consolidated Sinking Fund**

<b>Fiscal Year</b>	<b>Budget Estimate</b>	<b>Revised Estimate</b>	<b>Actuals</b>
2019-20	0.00	0.00	0.00
2020-21	0.00	0.00	2498.04
2021-22	0.00	1407.00	0.00
2022-23	5000.00	0.00	0.00
2023-24	4335.00	0.00	
2024-25	3200.00		

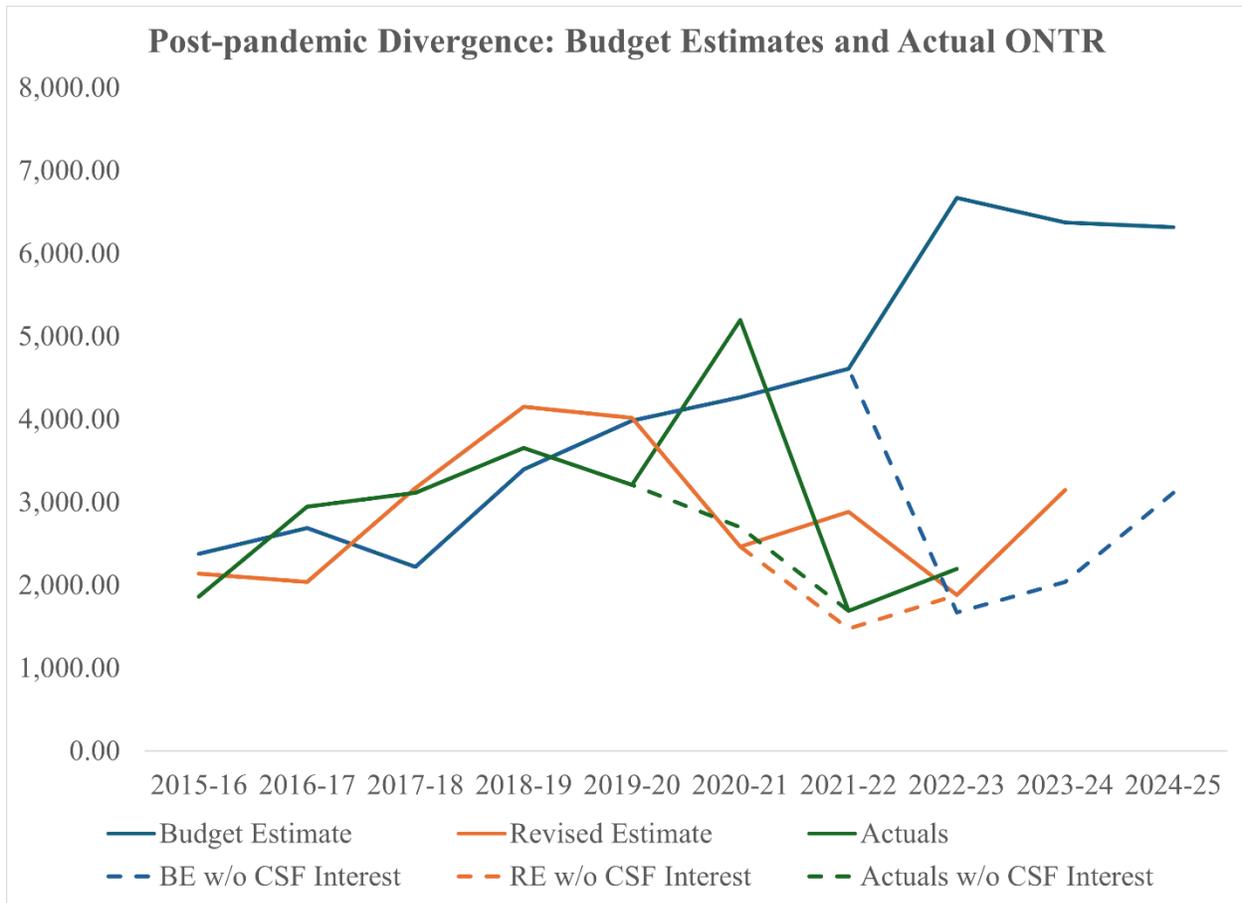
Source: West Bengal Budget-Receipts under Consolidated Fund for various years

In FY 2020-21, West Bengal withdrew Rs. 2,498 crore from its Consolidated Sinking Fund to deal with pandemic-time commitments, increasing its Own Non-Tax Revenues by Rs. 1,985 crore (61.78 per cent). These were listed in the ‘Receipts under Consolidated Fund for FY 2022-23’ statement given in the Revenue Account of West Bengal’s Budget put out in March, 2022. The major head of choice was ‘0049-Interest Receipts’ because surplus cash balances are invested in short and long-term GoI Securities and Treasury Bills. The returns and profits are invested in the Consolidated Sinking Fund and Guarantee Redemption Fund, credited as receipts under the head ‘0049-Interest Receipts’.

**Table 2.f: West Bengal's Non-Tax Revenues without CSF component (Rs Crore)**

Fiscal Year	BE w/o CSF Interest	RE w/o CSF Interest	Actuals w/o CSF Interest	BE Gap w/o CSF Interest	RE Gap w/o CSF IP
2015-16	2,379.89	2,142.01	1,861.79	-518.10	-280.22
2016-17	2,688.00	2,038.15	2,949.86	261.86	911.71
2017-18	2,220.96	3,173.10	3,117.17	896.21	-55.93
2018-19	3,395.41	4,153.98	3,657.59	262.18	-496.39
2019-20	3,987.26	4,018.00	3,212.90	-774.36	-805.10
2020-21	4,266.00	2,466.31	2,700.31	932.35	2,732.04
2021-22	4,611.73	1,477.83	1,690.17	-2,921.56	212.34
2022-23	1,672.37	1,882.18	2,196.82	524.45	314.64
2023-24	2,041.88	3,148.08			
2024-25	3,117.47				

Source: RBI Study of State Finances 2024-25



The years following this pandemic-time measure have seen no further receipts from the CSF but the State government continues with an elevated target for each budget, as seen in the figure above. A helpful exercise would be to isolate the target for the remaining components of Non-Tax Revenues. The dotted lines show the ONTR series without the impact of the CSF influx. Removing the CSF component from the ONTR Budget Estimates, we see the divergence that the expectations of further funds from the CSF has caused between budgeted total ONTR and targets for other components. In fact, the targets for the other ONTR components have had a shortfall in FY 2022-23 followed by a recovery in the past two budgets (as shown in the dotted line in blue).

The impact on the other ONTR components is revealed in the table below. Looking closely, a clear break in the pattern of receipts occurs around FY 2020-21. In the years leading up to the pandemic, non-tax revenue receipts from Dividends and Profits as well as other miscellaneous source such as irrigation, police, medical and public health showed a rising trend. State lotteries, in particular, had the strongest

growth in receipts witnessing a 10 time increase from FY 2017-18 to FY 2018-19. The robust collections continued until the onset of the pandemic in FY 2020-21.

The CAG's Performance Audit on the West Bengal State Lotteries pointed to several deficiencies. They primarily had to do with the organization and monitoring of lotteries, which was hurting revenues prior to the pandemic, as seen in Table 2g. Despite the pandemic-time highs, the recent spate of poor collections points out that the systemic issues still persist. Key issues were the poor monitoring mechanism led to sale of tickets of other State lotteries without payment of charges. Also, full amount of revenue from the distributor could not be credited to the government's coffers due to improper accounting procedures.

**Table 2.g: Major Heads under Own Non-Tax Revenues for West Bengal**

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 (RE)	2024-25 (BE)
<b>Interest Receipts</b>	1,201	1,396	806	321	2,824	306	318	337	3,557
<b>Dividend and Profits</b>	1	37	47	82	2	158	165	423	438
<b>Other Non-Tax Receipts, of which</b>	1,748	1,684	2,804	2,810	2,372	1,226	1,714	2,388	2,322
<b>a) Major and Medium Irrigation</b>	7	9	16	15	4	5	10	11	12
<b>b) Road Transport</b>	105	124	74	64	62	64	122	115	122
<b>c) Urban Development</b>	37	34	22	26	29	61	58	129	134
<b>d) Education</b>	177	68	63	63	30	55	94	132	139
<b>e) Non-Ferrous Mining</b>	400	422	326	215	173	195	331	351	372
<b>f) Others or Misc. , of which</b>	1,022	1,027	2,303	2,427	2,074	846	1,099	1,650	1,543
<b>State Lotteries</b>	142	118	1,105	1,248	1,327	59	56	60	63
<b>Medical &amp; Public Health</b>	135	210	262	244	260	179	231	302	297
<b>Police</b>	144	187	254	182	126	183	243	258	274
<b>Total</b>	2,950	3,117	3,657	3,213	5,198	1,690	2,197	3,148	6,317

Source: West Bengal Budget-Receipts under Consolidated Fund for various years

It is clear from the numbers above that the pandemic has severely hurt the revenue prospects for West Bengal's Non-Tax sources as almost every head has registered a significant decline. The RBI's move toward relaxing CSF withdrawal guidelines for

the states has most definitely buffered the effects in FY 2020-21, but further withdrawals have not occurred. It seems that the state is hopeful of further relaxations for CSF withdrawal in light of the weak non-tax revenue performance since the pandemic. This hope is indeed reflected by the high Budget Estimate numbers for CSF receipts in the past three State budgets (FY 2022-23 to FY 2024-25), as discussed earlier.

### 2.3 Buoyancy of non-tax revenue

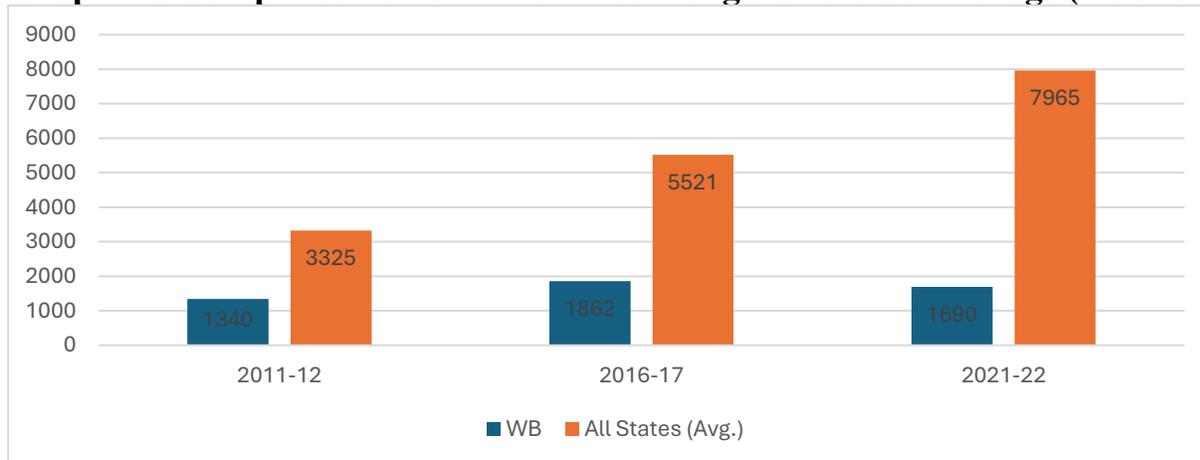
An indicator of sensitivity of non-tax revenue to changes in GSDP is derived by dividing the percentage change in non-tax revenue in a year by the percentage change in GSDP in the same year. A negative buoyancy implies that an increase (decrease) in GSDP is accompanied by a decrease (increase) in own non-tax revenue. Buoyancy of non-tax revenue reached a high of 6.19 in 2016-17 as against the national average of 0.79. It fell thereafter. However, in 2023-24 it is expected to be 21.62, much higher than the national average of 15.67. The projections for the state's own non-tax revenue receipts are presented in Table 2e.

**Table 2.h: Own Non-Tax Revenue Buoyancy across States and UTs**

States	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 RE	2023-24 BE
Andhra Pradesh	4.36	-0.26	-2.22	-3.65	0.42	-1.79	1.37	-4.12	0.42	2.75	2.20	13.07
Arunachal Pradesh	-1.59	2.63	0.56	-4.71	5.19	-2.54	5.22	0.37	17.10	-1.04	0.30	
Assam	-1.43	0.70	-1.07	0.83	5.07	-0.57	11.02	-2.69	23.45	1.12	3.10	1.54
Bihar	1.93	2.94	0.10	4.82	0.75	4.06	1.41	-1.02	-28.01	-2.55	3.53	0.42
Chhattisgarh	1.12	0.64	-0.64	3.81	0.52	1.56	1.37	0.56	-4.52	5.70	1.18	1.54
Goa	2.07	1.62	1.21	0.30	0.80	1.17	-1.45	-1.07	-5.08	3.21	3.45	
Gujarat	0.79	1.45	2.55	0.59	2.30	0.93	-0.90	4.17	655.65	1.78	0.56	
Haryana	-0.06	0.43	-0.77	0.23	2.28	3.41	-1.33	-1.29	4.88	0.32	3.63	1.37
Himachal Pradesh	-2.02	2.05	1.74	-1.16	-0.65	3.66	2.78	-1.60	2.64	1.43	1.38	1.71
Jammu & Kashmir*	0.70	3.38	-10.82	5.12	0.62	0.60	-0.02	-0.77	-1.92	1.51	5.40	4.98
Jharkhand	1.04	0.77	0.98	-6.42	-0.60	3.28	0.39	3.95	3.08	1.22	2.59	3.25
Karnataka	-0.20	0.10	1.37	0.99	0.53	1.13	0.42	1.45	1.75	2.40	-0.48	1.40
Kerala	4.68	2.56	3.00	1.62	1.17	1.47	0.42	1.31	7.94	2.16	4.36	0.94
Madhya Pradesh	-0.31	0.66	3.76	-1.37	0.30	-0.02	3.27	-1.87	-2.14	3.53	-0.70	0.86
Maharashtra	1.59	1.05	1.38	0.64	-0.45	4.44	-0.67	-1.93	-6.76	1.02	0.89	0.88
Manipur	-4.00	0.70	-2.45	-2.46	1.19	0.26	-0.74	-2.11	-77.72	-1.57	8.98	

Meghalaya	3.24	4.78	-33.01	-4.10	21.55	-6.15	1.84	2.96	0.46	0.02	0.79	1.86
Mizoram	1.76	-0.39	0.79	1.92	1.66	0.56	1.16	1.14	-1.80	0.92	2.50	
Nagaland	-0.70	0.27	2.31	-0.91	3.12	1.01	-3.94	2.74	-72.69	3.08	12.67	
Odisha	1.91	0.28	-0.61	1.74	-0.39	0.36	5.30	0.33	66.61	6.13	-1.59	1.04
Punjab	7.52	1.85	-1.41	-0.81	12.82	-2.56	8.58	-2.56	-52.84	0.95	3.11	3.13
Rajasthan	2.39	1.02	-0.22	-1.63	0.54	3.75	1.92	-1.60	-7.33	2.15	1.23	0.87
Sikkim	-2.17	-0.13	-1.08	-2.39	0.64	1.75	0.07	0.50	-0.89	0.20	3.51	0.54
Tamil Nadu	1.11	3.20	-0.99	0.70	1.04	0.69	2.83	-1.33	-7.42	1.02	1.70	2.34
Telangana				8.68	-2.31	-1.44	1.95	-2.45	23.18	2.35	4.35	3.39
Tripura	-1.28	2.09	-1.34	1.58	-1.70	11.66	-1.76	-3.09	-4.00	-0.23	2.63	1.08
Uttar Pradesh	2.05	1.87	2.79	1.29	1.89	-2.69	5.27	23.01	24.24	-0.17	0.49	8.10
Uttarakhand	2.91	-1.34	-1.90	1.02	1.02	2.45	18.96	5.37	-0.75	-1.84	5.88	-0.31
<b>West Bengal</b>	<b>3.16</b>	<b>0.38</b>	<b>-3.21</b>	<b>1.31</b>	<b>6.19</b>	<b>0.48</b>	<b>1.33</b>	<b>-1.74</b>	<b>-19.52</b>	<b>-4.11</b>	<b>0.75</b>	<b>21.62</b>
Delhi	2.60	0.38	-0.34	-1.65	-2.20	10.07	-1.78	9.53	1.74	-0.85	-1.81	8.18
Puducherry	-1.87	57.42	2.79	-0.70	0.85	1.20	2.40	0.41	4.91	3.80	-1.32	1.10
<b>All States</b>	<b>1.32</b>	<b>1.04</b>	<b>0.85</b>	<b>0.60</b>	<b>0.79</b>	<b>0.44</b>	<b>2.02</b>	<b>2.64</b>	<b>50.56</b>	<b>2.17</b>	<b>1.05</b>	<b>15.67</b>

**Graph 2a: Comparison of ONTR of West Bengal and GCS Average (Rs Crores)**



**Table 2.i: Projection in Own Non Tax Revenue Receipts**

Year	Own Non Tax Revenue: Projected Value (Rs in Crores)
2024-25	4482.46
2025-26	4717.82
2016-27	4953.17
2027-28	5188.53
2028-29	5423.89
2029-30	5659.24
2030-31	5894.6

**Graph 2b: Projections in Own Non Tax Revenue (Rs in Lakhs)**

We assume a linear trend beginning from FY 2011-12, which is the start of our period of analysis. The formula we use is simply  $[(\text{end value}/\text{initial value})^{(1/n)} - 1]$ , where n is the number of years in our period of analysis. This is equivalent to the RRI (Rate of Return on Investment) function if one were to simply use MS-Excel.

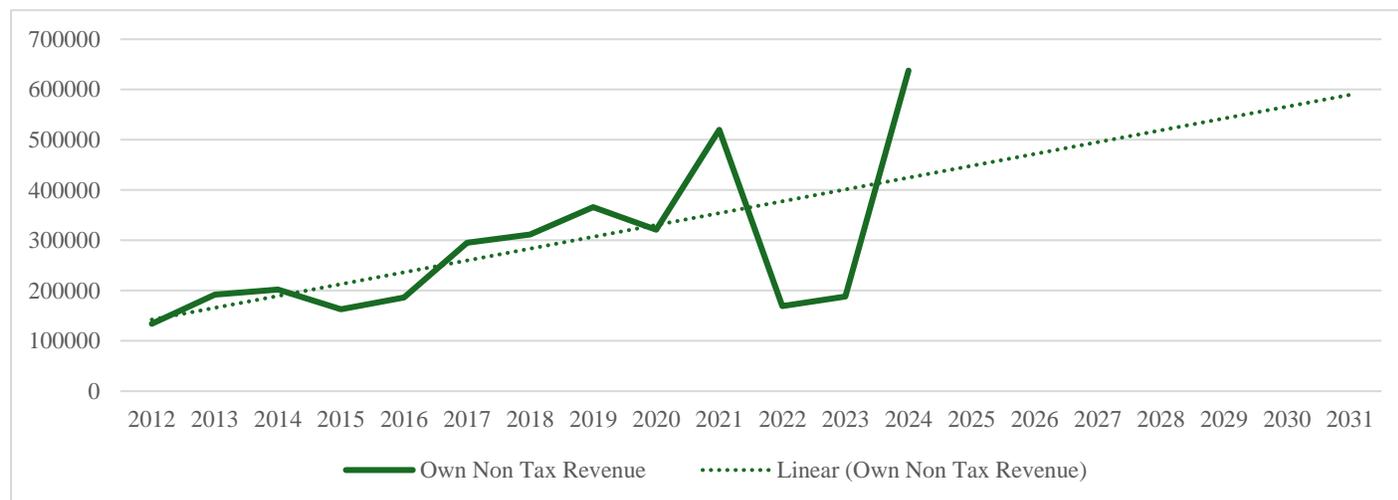


Table 2f below tries to show the growth rates of the different components of own non-tax revenue considering the Covid years. Own non-tax revenue grew at a CAGR of 7.75% during the pre-Covid years of 2011-19; however its CAGR was -1.23% when one included the Covid years. Interest receipts grew at a CAGR of 0.47% for the entire period from 2011-22; however, its CAGR was -14.15% during the pre-

covid years 2011-19. In a reverse trend, revenue from general services grew at a CAGR of -3.05% for the entire duration of the study period, but its CAGR in the pre-Covid times was 22.33% (from 2011-19). CAGR of revenue from economic services was much higher at 7.13% during 2011-19 compared to 2.83% during 2011-22.

**Table 2.j: CAGR of different components of ONTR**

Components	CAGR (2011-19)	CAGR (2011-22)
Interest Receipts	-14.15%	0.47%
Dividends and Profits	66.20%	65.74%
General Services	22.33%	-3.05%
Social Services	10.31%	8.53%
Economic Services	7.13%	2.83%
<b>ONTR</b>	<b>7.75%</b>	<b>-1.23%</b>

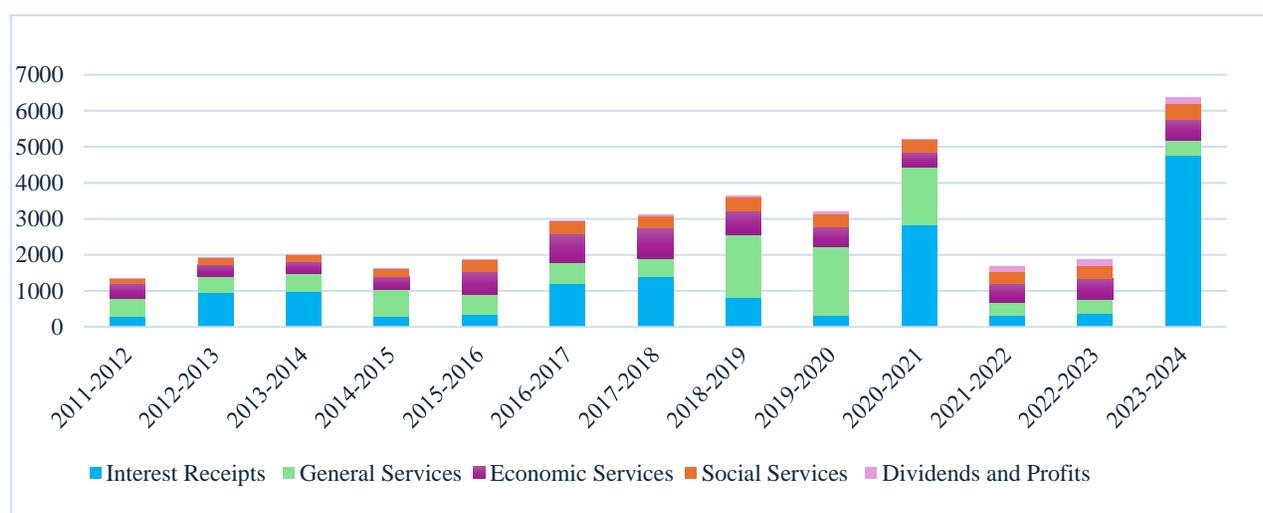
Source: RBI State Finances: Study of Budgets \*Latest CAGR is taken till FY 2021-22 for which actual estimates are available.

Interest receipts are expected to grow from Rs. 291.54 crores in 2011-12 to Rs. 4761.62 crores in 2023-24. Its contribution to own non-tax revenue is expected to therefore rise to 74.67%, the highest ever figure for interest rates. Revenue from Dividends and profits are supposed to rise from Rs. 1.01 crores from 2011-12 to Rs. 174.13 crores in 2023-24. The contribution of dividends and profits to total non-tax revenue had reached a high of 9.34% in 2021-22, however its contribution is expected to be 2.73% in 2023-24 which is higher its contribution of 0.08% at the beginning of the study period. Revenue from general services fell from Rs. 513.1 crores (around 38.28% of ONTR) in 2011-12 to Rs 430.63 crores (around 6.75% of ONTR) in 2023-24 though there have been a lot of fluctuations in the individual years. Though the revenue from economic services has grown from Rs. 383.02 crores to Rs 566.77 crores over the period 2011-24, its contribution to ONTR has fallen from 28.58% to 8.89%. A similar trend is observed for revenue from social services, where the share has fallen from 11.31% to 6.96%, though this decline has not been continuous, with a lot of fluctuations in the intermediate years.

**Table 2.k: Composition of Own-Non Tax Revenue of the State Government (Rs in Crores)**

Year	Interest Receipts	Dividends and Profits	General Services	Social Services	Economic Services	Own Non Tax Revenue
2011-12	291.54 (21.75)	1.01 (0.08)	513.1 (38.28)	151.56 (11.31)	383.02 (28.58)	1340.23 (100)
2012-13	934.1 (48.7)	2.34 (0.12)	464.74 (24.23)	184.42 (9.61)	332.54 (17.34)	1918.14 (100)
2013-14	986.29 (48.76)	8.35 (0.41)	508.91 (25.16)	212.24 (10.49)	306.93 (15.17)	2022.72 (100)
2014-15	277.46 (17.06)	5.64 (0.35)	767.74 (47.2)	228.4 (14.04)	347.42 (21.36)	1626.66 (100)
2015-16	334.94 (17.99)	11.78 (0.63)	560.9 (30.13)	310.09 (16.66)	644.07 (34.59)	1861.78 (100)
2016-17	1201.24 (40.72)	1.05 (0.04)	576.45 (19.54)	380.33 (12.89)	790.78 (26.81)	2949.85 (100)
2017-18	1395.68 (44.77)	36.6 (1.17)	513.14 (16.46)	341.59 (10.96)	830.18 (26.63)	3117.17 (100)
2018-19	806.02 (22.04)	47.46 (1.3)	1739.21 (47.55)	394.59 (10.79)	670.31 (18.33)	3657.6 (100)
2019-20	320.95 (9.99)	81.97 (2.55)	1904.9 (59.29)	366.64 (11.41)	538.42 (16.76)	3212.87 (100)
2020-21	2823.64 (54.32)	1.99 (0.04)	1604.68 (30.87)	349.98 (6.73)	418.06 (8.04)	5198.35 (100)
2021-22	305.6 (18.08)	157.94 (9.34)	376.48 (22.27)	343.76 (20.34)	506.38 (29.96)	1690.17 (100)
2022-23 (RE)	359.9 (19.12)	165.84 (8.81)	409.12 (21.74)	375.59 (19.96)	571.73 (30.38)	1882.18 (100)
2023-24 (BE)	4761.62 (74.67)	174.13 (2.73)	430.63 (6.75)	443.72 (6.96)	566.77 (8.89)	6376.88 (100)

\*Source: RBI: Study of State Finances \*Figures in parenthesis are percentage of Own Non Tax Revenue Receipts

**Graph 2c: Trends in Own Non-Tax Revenue (Rs. Crores)**

## 2.4 Profits from departmental enterprises and dividends from non-departmental commercial enterprises

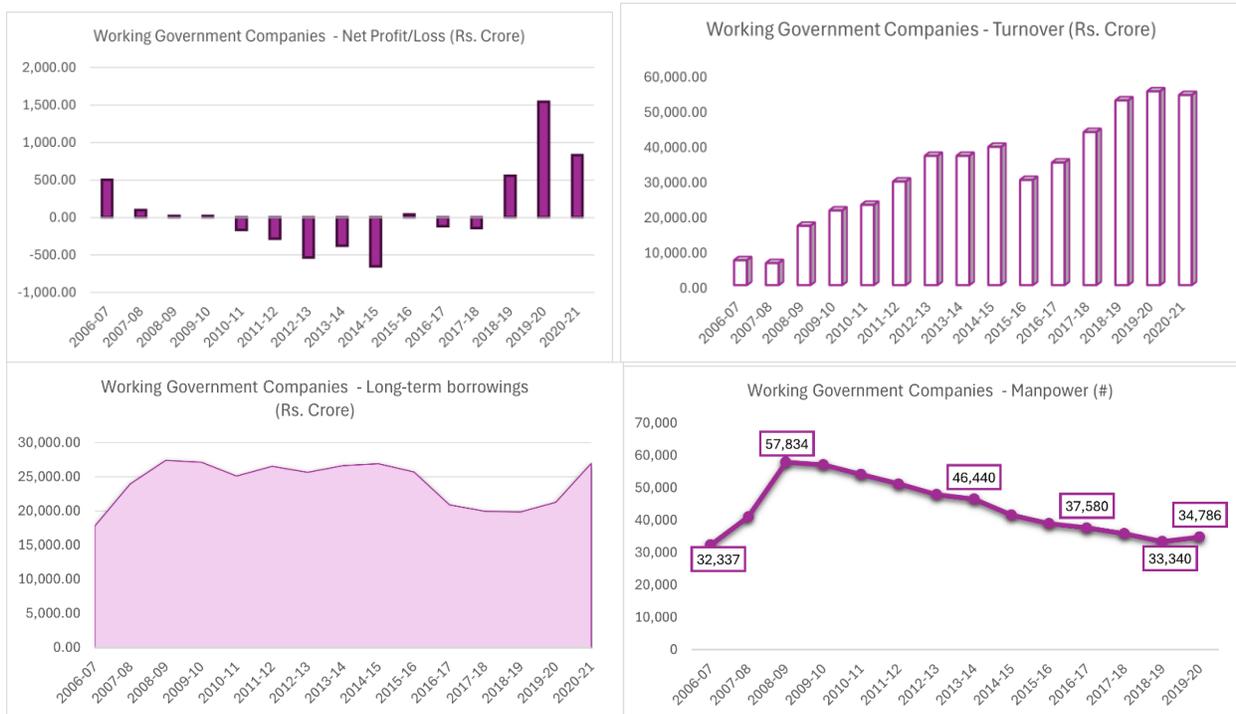
The State Public Sector Enterprises (SPSEs) comprise of three different forms of organisation used for the public sector enterprises in India. These are (1) Departmental Undertaking; (2) Government Company, and (3) Statutory (or Public) Corporation. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people; they occupy an important place in the State economy.

Departmental Undertaking form of organisation is primarily used for provision of essential services such as railways, postal services, broadcasting etc. Such organisations function under the overall control of a ministry of the Government and are financed and controlled in the same way as any other government department. This form is considered suitable for activities where the government desires to have control over them in view of the public interest

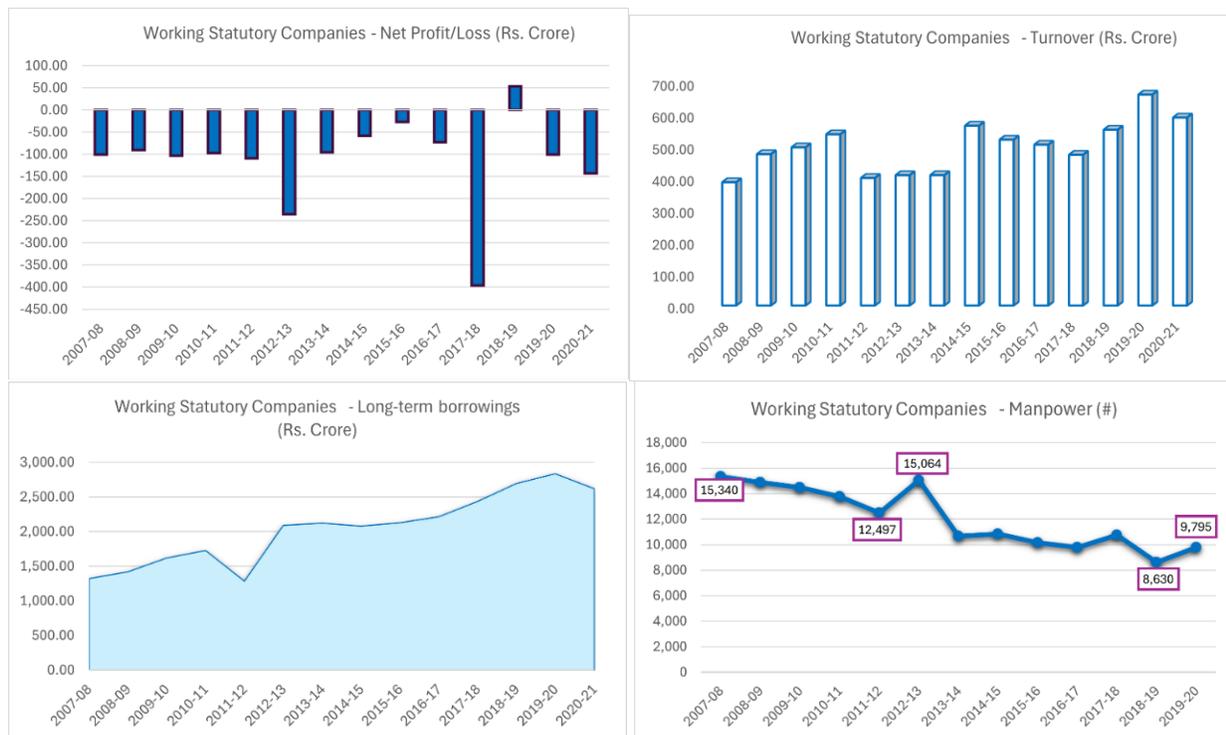
According to Section 2 (45) of the Companies Act, 2013, a Government Company is any company in which not less than 51 per cent of the paid-up share capital is held by the Central Government, or by any State Government/ Governments, or partly by the Central Government and partly by one or more State Governments. This includes a company which is a subsidiary company of such a Government Company. Further, a Government-controlled company is any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments.

For our analysis, we follow the CAG's methodology of grouping (1) Departmental Undertakings. and (2) Government Companies together under the umbrella of Government Companies. This is followed in the presentation of data on SPSEs available in the Report of the CAG on PSUs in West Bengal for various years.

The figures below show us the evolution of working Government companies over the years.



The Statutory Corporation (or Public Corporation) refers to such organisations which are incorporated under the special Acts of the Parliament/State Legislative Assemblies. Its management pattern, its powers and functions, the area of activity, rules and regulations for its employees and its relationship with government departments, etc. are specified in the concerned Act. Statutory corporations are also known as public corporation. It may be noted that more than one corporation can also be established under the same Act. Its capital is wholly provided by the government. Examples in West Bengal of such organisations are West Bengal State Warehousing Corporation, Calcutta State Transport Corporation etc. They are autonomous bodies and are free from government control in respect of its internal management. However, they are accountable to parliament and state legislature. The figures below show us the evolution of working Statutory companies over the years.



### Suggestions to enhance Own Non Tax Revenue:

Our last report (for the 15<sup>th</sup> FC) provided a detailed analysis of how to enhance Own Non Tax revenue of the state (please see Section 2.4 of the earlier report). We think that those suggestions are still valid, since not enough attention has been paid, partly owing to the pandemic, it was not feasible to explore all the possibilities.

Some of the main areas where the government needs to focus on are education, medical and public health on PPP basis, water supply and sanitation, mines and minerals, roads and marine connectivity and upgrading the infrastructure of small towns so that they can potentially be small business hubs.

## 2.5 Recommendations

- i. State government may encourage private universities (both technical and non-technical) to setup their units by providing unused (cheap) land in and around Kolkata and other prominent towns. Of course the success of these universities partly depends on the employment opportunities that they provide to their students, but if prominent private investors show interest in setting up

- their educational units, it can be beneficial for the government.
- ii. A private-public partnership (PPP) is highly recommended in health sector too, especially in big towns in Bengal. Government's role has to be in providing infrastructure building including providing land in prominent places while the management part may be left to the private agencies.
  - iii. Since there is an increase in traffic congestion even in small towns due to increase in personal vehicles (motor cycles and private cars), the local government should seriously consider imposing parking fees if not already imposed or higher parking fees if it is already there. In most of the small towns/cities there is no serious parking fees in most of the areas. Apart from improving environmental quality and efficient use of public space, this may generate good amount resource to the private municipalities.
  - iv. Government may also create cultural hubs in villages and smaller towns. While the government can provide infrastructure, rest of the things may be given to private local bodies. This will not only promote local culture, it can also be a source of income for the local government.
  - v. Some of the districts in Bengal are dry and in many months of the year, they experience water crisis. To have enough water, deep hole drilling through boring machine is common. This depletes the water level; however, since water is an essential good, it is needed during the super dry months, especially before monsoon. Government should pay special attention to encourage the public to use the publicly provided water distribution system instead of relying on private means, so that water is not misused. Government should collect fees depending the usage from those who have personal source of water through boring (deep hole) arrangement at home or business facilities.

#### References

- Comptroller and Auditor General of India (2022) State Finances Audit Report for the year ended March 2021, Government of West Bengal, Report No.1 of 2022
- Government of West Bengal (March 2022) Receipts under Consolidated Fund for the Year 2022-2023 and Explanatory Memorandum thereon under Revenue Account, Budget Publication No. 4, West Bengal Budget 2022-2023
- Reserve Bank of India (22<sup>nd</sup> May 2022) Statement on Developmental and Regulatory Policies. IV. 13.

# **CHAPTER III**

## **STATE'S EXPENDITURE**

## Chapter III

## State's Expenditures

**Total expenditure** of any state is broadly categorized as been made out of either the revenue account or the current account. **Revenue expenditure** would typically include expenses that are not used to create assets or repay liabilities. They include current expenses of the government, like paying wages and salaries, giving out grants, subsidies etc. **Capital account expenditure** would therefore include expenses made by the state towards asset creation to promote long term growth. We will talk about the various components of the revenue and capital account expenses in a later section.

### 3.1 Composition of Total Expenditure – Revenue and Capital

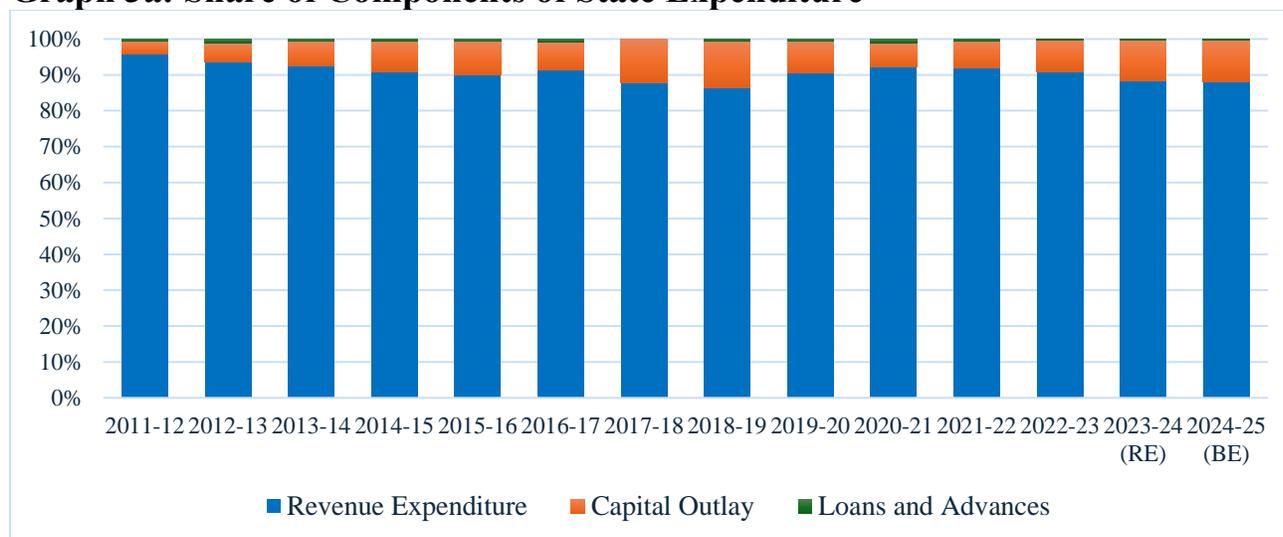
Broadly summarizing, Total expenditure for the state of West Bengal increased from Rs. 76538.1 crores in 2011-12 to Rs. 2,68451.3 crores in 2023-24 (according to the revised estimates). Expenses on the revenue account have always been the largest contributor to total expenditure. Revenue expenditure has grown from Rs. 73326.4 crores to Rs. 236911.9 crores over the same period 2011-2024. The contribution of revenue expenditure to the total expenses of the state has been above 86%, for all years within the study period. Expenses on the capital account can be categorized as **capital outlay** for asset acquisition, infrastructure development etc., **repayment of loans to the Centre, discharge of internal debt** and lastly, **loans and advances** provided by the state government for various purposes. Here we will mainly be focusing on capital outlay and loans advanced by the state, and leave out internal debt discharge and loan repayment, when we talk of capital expenditure. In that regard capital outlay has grown from Rs. 2763.7 crores in 2011-12 to Rs 35865.5 crores (revised estimates) in 2023-24.

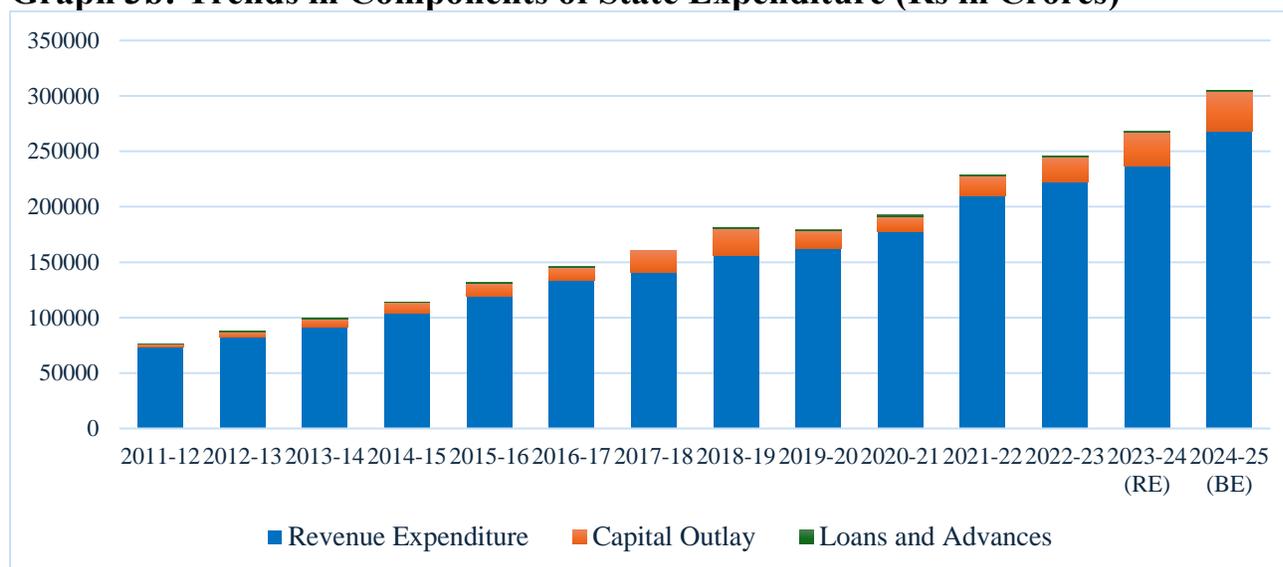
The contribution of capital outlays to total expenditure has recently reached 11.38% in 2023-24 which is a good omen, given that in 2011-12 it was just 3.61% of total expenditure made by the state in 2011-12. However, loans and advances made by the state for various purposes has been always less than 1% of total expenditure, in fact it was near 0% for most years within the study period.

**Table 3a: Economic Classification of the State Expenditure (Rs in Crores)**

Year	Revenue Expenditure	Capital Outlay	Loans and Advances	Total Expenditure
2011-12	73326.4 (95.80)	2763.7 (3.61)	448.0 (0.59)	76538.1 (100)
2012-13	82110.9 (93.60)	4547.3 (5.18)	1064.0 (1.21)	87722.2 (100)
2013-14	91797.3 (92.36)	6926.9 (6.97)	663.3 (0.67)	99387.5 (100)
2014-15	103651.6 (90.89)	9878.6 (8.66)	504.8 (0.44)	114035.0 (100)
2015-16	118827.3 (89.94)	12420.2 (9.40)	860.8 (0.66)	132108.3 (100)
2016-17	133917.6 (91.44)	11336.4 (7.74)	1197.2 (0.82)	146451.2 (100)
2017-18	141077.4 (87.95)	19368.1 (12.07)	-30.6 (-0.02)	160414.9 (100)
2018-19	156373.9 (86.42)	23717.3 (13.11)	865.5 (0.48)	180956.7 (100)
2019-20	162575.1 (90.41)	15970.5 (8.88)	1266.3 (0.70)	179811.9 (100)
2020-21	177921.3 (92.08)	13033.7 (6.75)	2276.7 (1.18)	193231.7 (100)
2021-22	210159.6 (91.87)	17484.1 (7.64)	1102.1 (0.48)	228745.8 (100)
2022-23	222838.9 (90.80)	22008.8 (8.97)	564.5 (0.23)	245412.2 (100)
2023-24 (RE)	236911.9 (88.25)	30536.9 (11.38)	1002.5 (0.37)	268451.3 (100)
2024-25 (BE)	268202.8 (88.03)	35865.5 (11.77)	620.3 (0.20)	304688.6 (100)

\*Source: RBI: Study of State Finances \*Figures in parenthesis are percentage of Total Expenditure

**Graph 3a: Share of Components of State Expenditure**

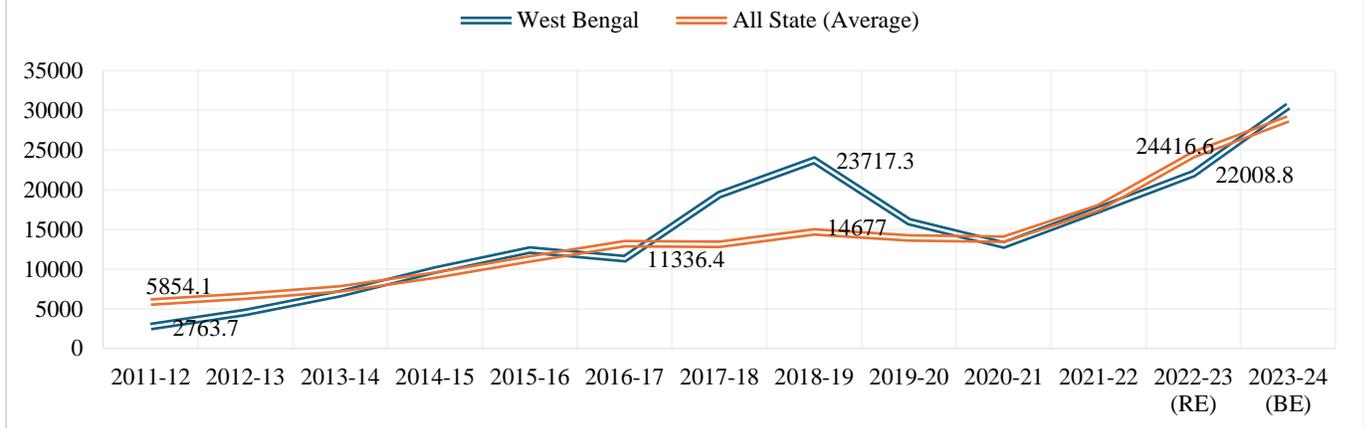
**Graph 3b: Trends in Components of State Expenditure (Rs in Crores)**

Total expenditure as a percentage of the state's GSDP has averaged at 15.96% during this period. This number was 14.71% in 2011-12 and is estimated to be around 15.78% in 2024-25 according to the budget estimates. As is evident from the previous discussion, revenue expenditure was on an average, 14.5 % of the GSDP, on account of it being the dominant contributor to total expenditure. A comparison of capital outlays made by the state for various purposes with the all-state average shows that West Bengal has done consistently well and is expected to cross the figures for the all-state average.

**Table 3b: Expenditure as proportion of GSDP (%)**

Year	Revenue Expenditure	Capital Outlay	Loans and Advances	Total Expenditure
2011-12	14.09	0.53	0.09	14.71
2012-13	13.88	0.77	0.18	14.83
2013-14	13.56	1.02	0.10	14.68
2014-15	14.43	1.38	0.07	15.88
2015-16	14.90	1.56	0.11	16.57
2016-17	15.35	1.30	0.14	16.78
2017-18	14.47	1.99	0.00	16.46
2018-19	14.19	2.15	0.08	16.42
2019-20	13.79	1.35	0.11	15.25
2020-21	15.58	1.14	0.20	16.92
2021-22	15.81	1.32	0.08	17.21
2022-23	14.55	1.44	0.04	16.02
2023-24 (RE)	13.93	1.80	0.06	15.78
2024-25 (BE)				

**GRAPH 3C: CAPITAL OUTLAY IN WEST BENGAL AND AVERAGE OF ALL STATES (RS CRORE)**



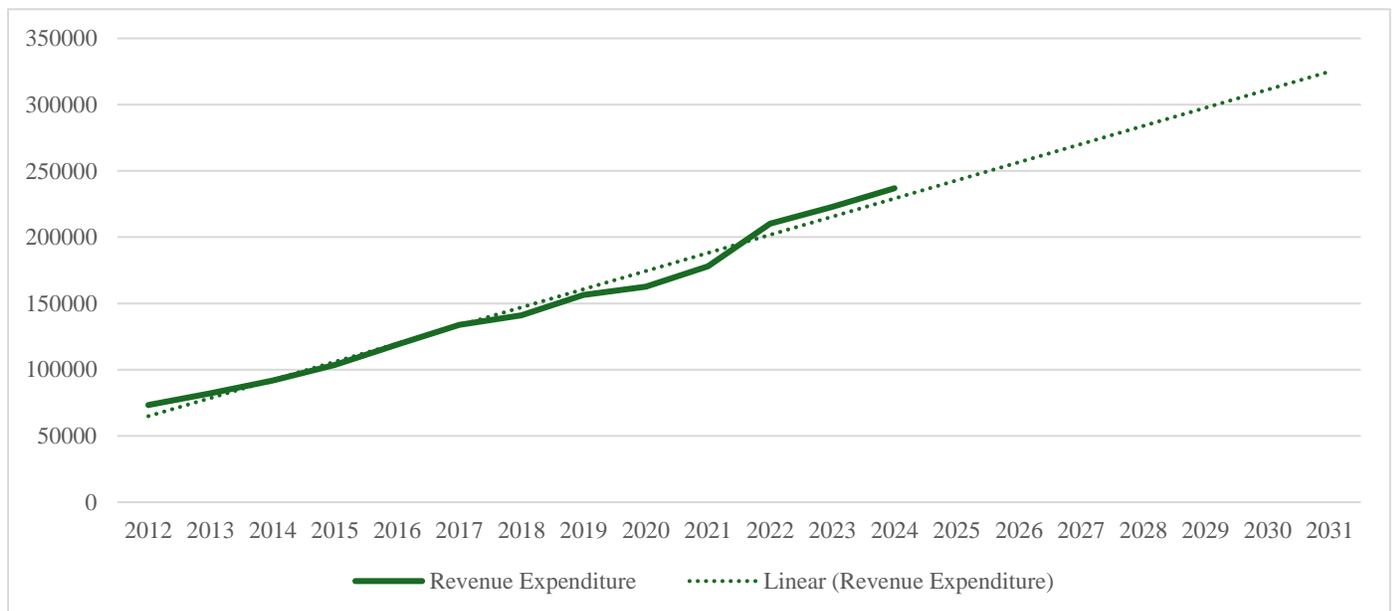
### 3.2 Revenue expenditure

Revenue expenditure made by the state can be better understood if we look at its components, which are separated mainly by the purpose of that expenditure. Expenditure could be for **developmental (DE)** purposes and **non-developmental** (general service) purposes. Another component of revenue expenditure is **Grants-in-aid** and other contributions made by the state as compensation and assignments to local bodies, Panchayati Raj institutions etc. Development expenditure from the revenue account could be directed to either **social services (SS)** like education, health and family welfare, water supply, welfare of SC – ST, housing etc., or **economic services (ES)** that include agriculture, rural development, irrigation, energy, industries, transport etc. Non-developmental expenditure typically includes payments made towards fiscal services like collection of taxes etc., and expenses towards pensions, public works (PWD), police, justice system, interest repayment etc. Revenue expenditure can also be classified as committed expenditure and non-committed expenditure. **Committed expenditure (CE)** of the state is the money spent on wages and salaries, pensions, interest payments on internal and external borrowings and subsidies on which the present executive has limited control. A high committed expenditure indicates lesser flexibility of the state in deciding how to spend its revenue. The projections for Revenue expenditure are given below.

**Table 3c: Projections in Revenue Expenditure**

Year	Revenue Expenditure: Projected Value (Rs in Crores)
2024-25	242859.29
2025-26	256548.10
2016-27	270236.91
2027-28	283925.72
2028-29	297614.53
2029-30	311303.34
2030-31	324992.15

We assume a linear trend beginning from FY 2011-12, which is the start of our period of analysis. The formula we use is simply  $[(\text{end value}/\text{initial value})^{(1/n)} - 1]$ , where n is the number of years in our period of analysis. This is equivalent to the RRI (Rate of Return on Investment) function if one were to simply use MS-Excel.

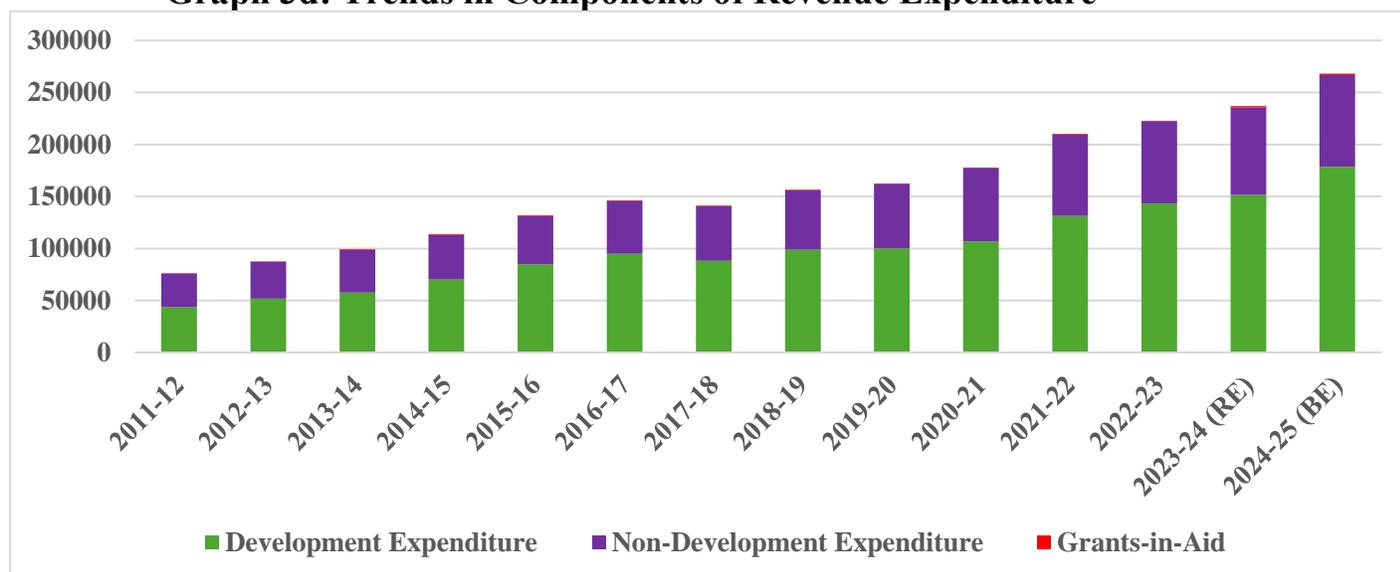
**Graph 3e: Projections in Revenue Expenditure**

The average contribution of **development expenditure** to total revenue expenditure has been around 60.42% during the period 2011-12 to 2023-24, making it the dominant functional expenditure from this account. It is expected to be 66.5% 2024-25 according to the budget estimates and according to the budget estimates is expected to be around 64.6% in 2023-24. The share of **non-developmental expenditure** in total revenue expenditure has been on an average of 39.14% during 2011-24, having fallen consistently from 44% in 2011-12 to 35.5% in 2023-24. **Grants-in-aid** and other contributions of the state have had a very small contribution to total revenue expenses of the state.

**Table 3d: Composition of Revenue Expenditure (Share of RE (%))**

Year	Developmental Expenditure	Non-Developmental Expenditure	Grants-in-Aid and Contributions	Revenue Expenditure
2006-07	46.50%	52.40%	1.10%	100.00%
2007-08	49.60%	49.20%	1.10%	100.00%
2008-09	58.90%	40.30%	0.80%	100.00%
2009-10	54.30%	45.10%	0.70%	100.00%
2010-11	54.90%	44.40%	0.70%	100.00%
2011-12	55.30%	44.00%	0.70%	100.00%
2012-13	56.30%	43.00%	0.60%	100.00%
2013-14	54.80%	44.50%	0.70%	100.00%
2014-15	58.20%	41.20%	0.60%	100.00%
2015-16	60.60%	38.80%	0.60%	100.00%
2016-17	62.10%	37.40%	0.40%	100.00%
2017-18	62.50%	37.20%	0.30%	100.00%
2018-19	63.30%	36.40%	0.30%	100.00%
2019-20	61.60%	38.10%	0.30%	100.00%
2020-21	60.00%	39.70%	0.30%	100.00%
2021-22	62.50%	37.40%	0.20%	100.00%
2022-23	64.30%	35.60%	0.20%	100.00%
2023-24 (RE)	63.90%	35.50%	0.60%	100.00%
2024-25 (BE)	66.50%	33.00%	0.50%	100.00%

\*Source: RBI: Study of State Finances

**Graph 3d: Trends in Components of Revenue Expenditure**

### 3.3 Committed expenditure

Committed expenditure is the total of wages and salaries, pension payments, interest payments and subsidies. On an average, committed expenditure has been responsible for 56.88% of the total expenditure of the state during the period 2011-24. It started off at 72.5% in 2011-12 and is expected to be at 48.9 % in 2023-24 according to the revised estimates. Therefore, a point to note is that more than 50% of the state's expenditure has been towards committed expenditure.

Within committed expenditure, **wages and salaries** is the largest component which has contributed to around 26.18 % on an average to the total expenses over the period of study. Note that the recommendations of the seventh pay commission did not come into effect in West Bengal until 2024. Wages and salaries are expected to rise by 24.4% in 2023-24 according to the revised estimates for the period. **Interest payment**, the second largest component of committed expenditure has been responsible for an average of 17.87% of total expenditure over the same time period. However, the annual growth rate of interest payments has gone down from 15.1% in 2011-12 to 9.1 % in 2022-23. Revised estimates for 2023-24 suggest that this number is expected to be even lower at 5.6% in 2023-24. **Pension figures** have also shown an erratic movement within the period of study. The annual growth rate was above 22% for the period 2020-22 before it fell by 7.7% in 2022-23. Pension payments are expected to fall by a further 3.8% in 2023-24. Pensions contributed

13.2% to total expenditure at the beginning of the study period in 2011-12; this figure is expected to be 8.8% in 2023-24.

**Table 3e: Composition of Committed Expenditure as a proportion of TE**

Year	Wages and Salaries	Interest Payments	Pensions	Subsidies	Committed Expenditure
2006-07	29.00%	29.00%	9.50%	1.20%	68.70%
2007-08	29.00%	27.10%	9.50%	1.70%	67.30%
2008-09	24.60%	21.50%	7.90%	2.20%	56.20%
2009-10	34.20%	21.40%	10.50%	4.10%	70.20%
2010-11	37.10%	20.60%	12.00%	3.10%	72.90%
2011-12	32.19%	18.96%	12.01%	1.60%	64.76%
2012-13	29.72%	18.43%	11.57%	2.56%	62.28%
2013-14	27.12%	19.13%	10.72%	1.81%	58.78%
2014-15	25.18%	17.55%	9.86%	1.55%	54.14%
2015-16	22.58%	16.34%	9.09%	3.49%	51.51%
2016-17	22.02%	16.31%	8.85%	4.48%	51.66%
2017-18	21.00%	15.59%	8.10%	5.21%	49.91%
2018-19	20.59%	14.33%	7.96%	4.96%	47.85%
2019-20	23.76%	15.50%	8.54%	3.83%	51.64%
2020-21	26.73%	15.94%	10.09%	5.84%	58.60%
2021-22	22.83%	14.10%	10.26%	6.41%	53.59%
2022-23	21.90%	14.53%	8.94%	6.21%	51.58%
2023-24 (RE)	21.86%	14.13%	7.92%	4.79%	48.70%
2024-25 (BE)	19.70%	13.47%	7.35%	3.69%	44.21%

Source: West Bengal Budget MTFP Documents for various years (FY 2014-15 to FY 2024-25)

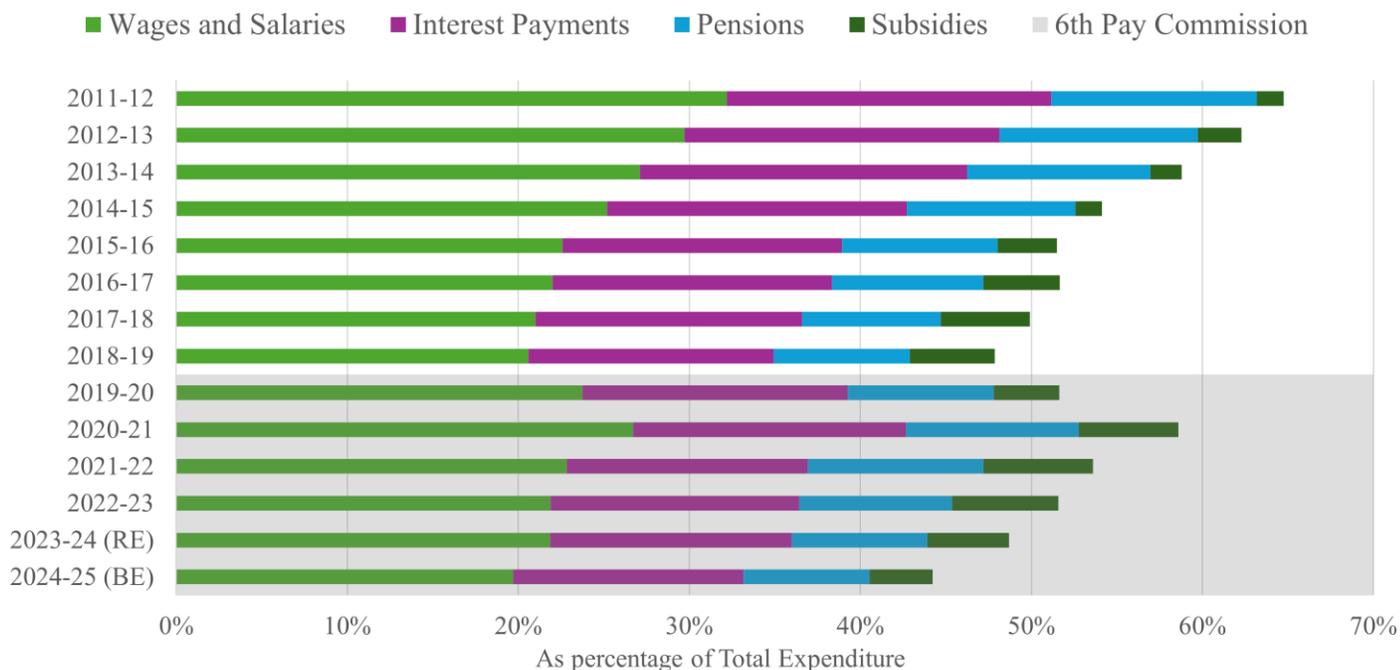
**Table 3f: Growth rates in components of Committed Expenditure**

Year	Wages and Salaries	Interest Payments	Pensions	Subsidies	Committed Expenditure
2007-08	12.2%	4.6%	12.7%	59.5%	9.9%
2008-09	12.8%	6.1%	10.8%	71.4%	11.3%
2009-10	54.8%	10.3%	47.0%	103.4%	38.6%
2010-11	17.0%	3.8%	24.1%	-18.1%	12.0%
2011-12	8.1%	15.1%	24.6%	22.5%	13.4%
2012-13	5.0%	10.5%	9.6%	71.7%	10.5%
2013-14	-2.7%	18.1%	5.5%	-41.6%	2.7%
2014-15	12.3%	4.0%	4.2%	-2.9%	7.5%
2015-16	-2.4%	7.1%	6.0%	171.1%	7.2%
2016-17	8.9%	11.2%	8.4%	42.6%	12.0%
2017-18	9.0%	9.2%	4.6%	20.5%	9.4%
2018-19	9.7%	3.0%	10.1%	5.5%	7.2%
2019-20	16.7%	9.5%	8.7%		1.4%

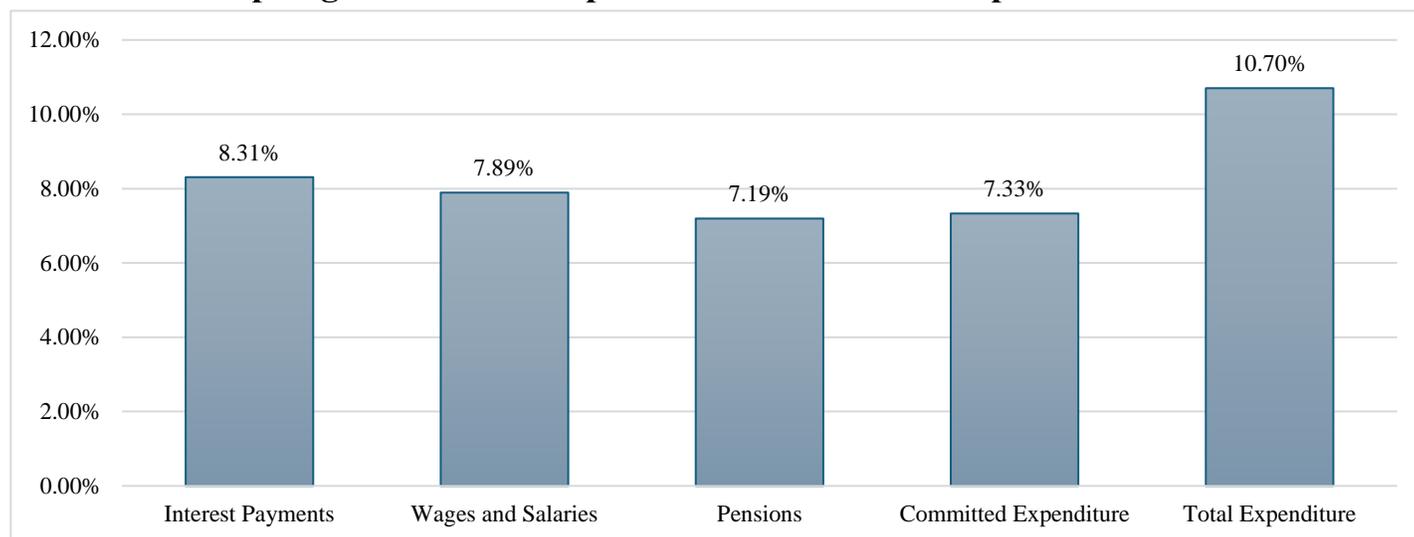
2020-21	17.0%	6.7%	22.5%		14.6%
2021-22	10.6%	8.6%	24.7%		12.7%
2022-23	1.6%	9.1%	-7.7%		1.8%
2023-24 (RE)	8.4%	5.6%	-3.8%		5.1%

Source: West Bengal Budget MTFP Documents for various years (FY 2014-15 to FY 2024-25)

Graph 3h: Committed Expenditure over Total Expenditure



The Fifth Pay Commission submitted its report in 2006 and its recommendations were implemented in 2008. The Sixth Pay Commission was constituted on 27 November 2015, submitted its report on 13 September 2016 and its recommendations came into force on 1 January 2020.

**Graph 3g: CAGR of components of Committed Expenditure**

### 3.4 Functional composition of Total expenditure

Just like revenue expenditure, capital outlay can be made for development as well as non-developmental purposes. Total developmental expenditure of the state, including expenses on revenue account and capital outlay grew from Rs. 43618.5 crores in 2011-12 to Rs. 182096.2 crores in 2023-24 (according to the revised estimates). Development expenditure has been responsible for the lion share of the total expenditure of the state. The share of development expenditure is expected to be 70% of total expenses of the state in 2024-25 according to the budget estimates. The functional composition of total expenditure, both in terms of percentage contribution of the components and as a percentage of GSDP are presented in the tables below.

**Table 3g. Functional Composition of Total Expenditure (Rs in Crores)**

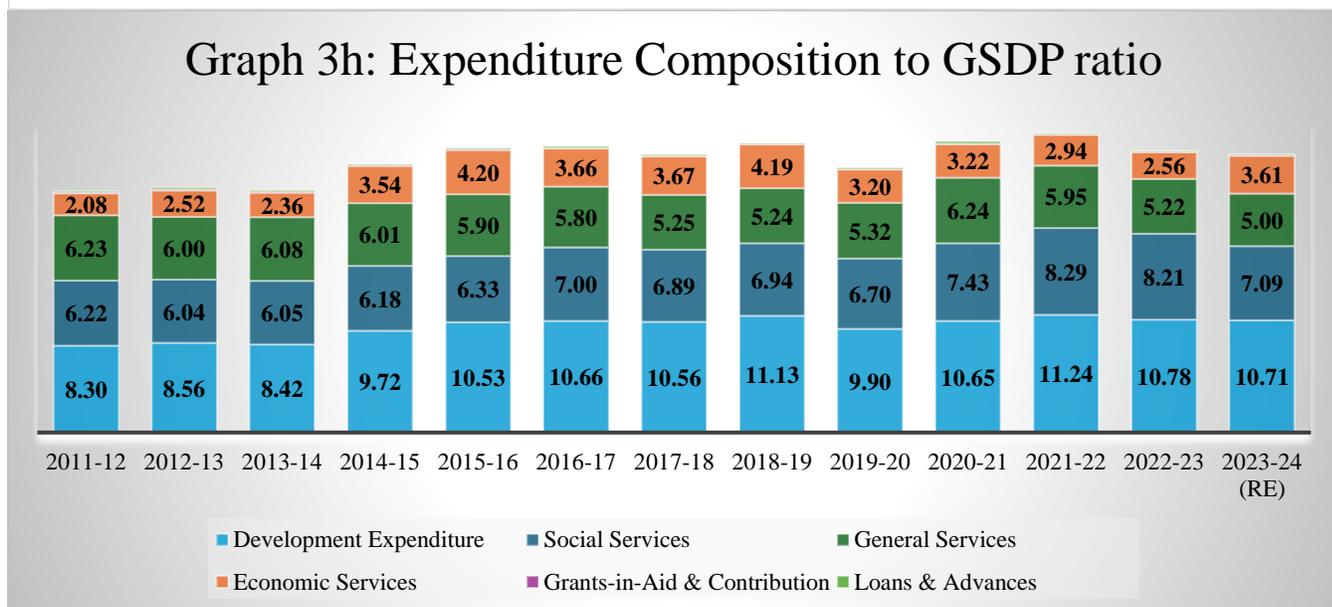
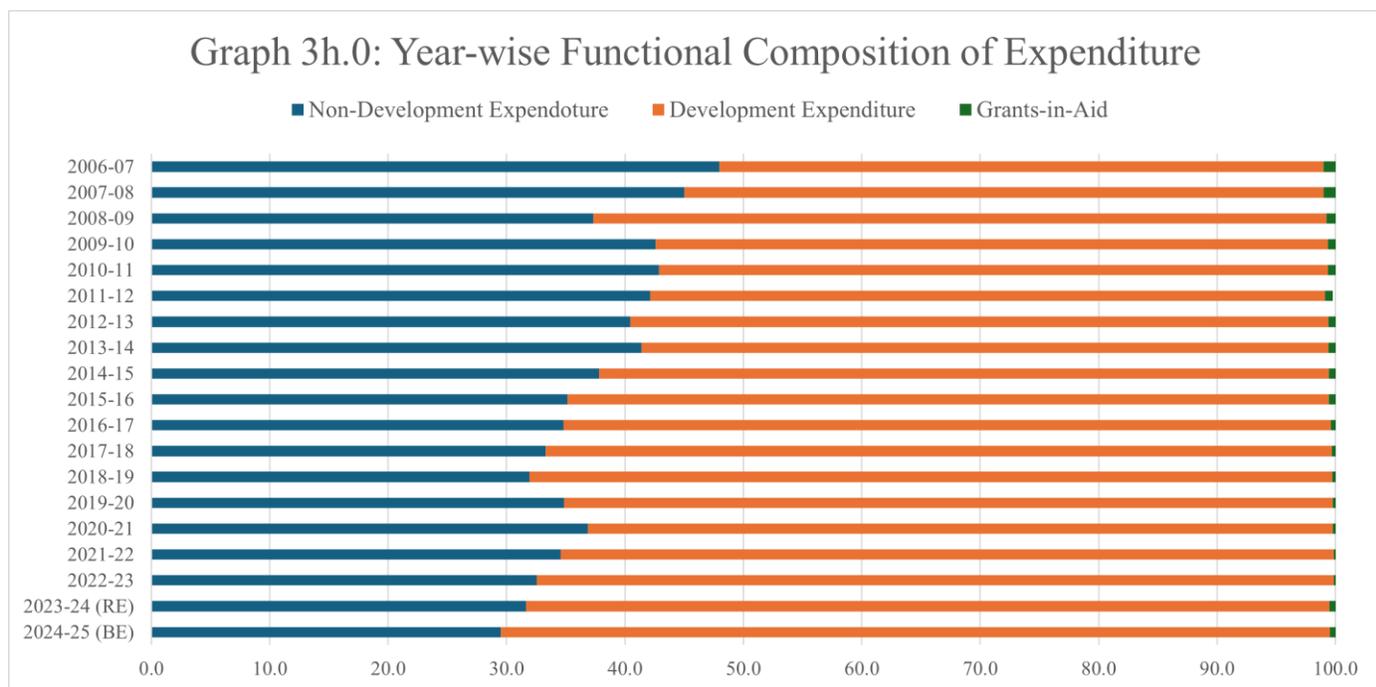
Year	I. Social Services	II. Economic Services	III. General Services	Development Expenditure (I + II)	Grants-in-Aid & Contribution	Total Expenditure
2006-07	11829.8 (31.5)	7307.5 (19.5)	17983.3 (48)	19137.3 (51)	376.1 (1)	37496.7 (100)
2007-08	14315.1 (34)	8382.9 (19.9)	18935.3 (45)	22698 (54)	431 (1)	42064.3 (100)
2008-09	17593.5 (31.4)	17136.5 (30.6)	20920.7 (37.3)	34730 (61.9)	427.6 (0.8)	56078.3 (100)
2009-10	24959.5 (40.1)	10382.5 (16.7)	26516.1 (42.6)	35342 (56.8)	405.3 (0.7)	62263.4 (100)

2010-11	27959.2 (41.6)	9998.9 (14.9)	28789.4 (42.9)	37958.1 (56.5)	424.2 (0.6)	67171.7 (100)
2011-12	32457.1 (42.4)	11161.4 (14.6)	32235.1 (42.1)	43618.5 (57)	504.5 (0.7)	76538.1 (100)
2012-13	35835.1 (40.9)	15865.5 (18.1)	35490.3 (40.5)	51700.6 (58.9)	531.3 (0.6)	87722.2 (100)
2013-14	41030.2 (41.3)	16596.4 (16.7)	41142.4 (41.4)	57626.6 (58)	618.2 (0.6)	99387.6 (100)
2014-15	44386.7 (38.9)	25888.2 (22.7)	43133.3 (37.8)	70274.9 (61.6)	626.8 (0.5)	114035 (100)
2015-16	52089.3 (39.4)	32845.9 (24.9)	46429.7 (35.1)	84935.3 (64.3)	743.3 (0.6)	132108.3 (100)
2016-17	61504.9 (42)	32200.3 (22)	50987.7 (34.8)	94899.1 (64.8)	564.4 (0.4)	146451.2 (100)
2017-18	67374.5 (42)	39130.7 (24.4)	53419 (33.3)	106505.2 (66.4)	488.4 (0.3)	160412.7 (100)
2018-19	76462.2 (42.3)	46211.5 (25.5)	57792.4 (31.9)	122673.7 (67.8)	488.7 (0.3)	180954.8 (100)
2019-20	78984.1 (43.9)	37697.2 (21)	62679.4 (34.9)	116681.3 (64.9)	449.7 (0.3)	179810.5 (100)
2020-21	84805 (43.9)	36747.4 (19)	71229.9 (36.9)	121552.4 (62.9)	449.5 (0.2)	193231.8 (100)
2021-22	110208.6 (48.2)	39142.6 (17.1)	79040.2 (34.6)	149351.2 (65.3)	354.4 (0.2)	228745.8 (100)
2022-23	125824.4 (51.3)	39271.3 (16)	79908.5 (32.6)	165095.7 (67.3)	408 (0.2)	245412.2 (100)
2023-24 (RE)	120630.8 (44.9)	61465.4 (22.9)	84998.5 (31.7)	182096.2 (67.8)	1356.5 (0.5)	268451.2 (100)
2024-25 (BE)	146751 (48.2)	66526.2 (21.8)	89961.6 (29.5)	213277.2 (70)	1449.5 (0.5)	304688.4 (100)

**Table 3h: Functional Composition of Expenditure as a percentage of GSDP**

Year	I. Social Services	II. Economic Services	III. General Services	Development Expenditure (I+II)	IV. Grants-in-Aid & Contribution	V. Loans & Advances
2011-12	6.22	2.08	6.23	8.30	0.10	0.09
2012-13	6.04	2.52	6.00	8.56	0.09	0.18
2013-14	6.05	2.36	6.08	8.42	0.09	0.10
2014-15	6.18	3.54	6.01	9.72	0.09	0.07
2015-16	6.33	4.20	5.90	10.53	0.09	0.11
2016-17	7.00	3.66	5.80	10.66	0.06	0.14
2017-18	6.89	3.67	5.25	10.56	0.05	0.10
2018-19	6.94	4.19	5.24	11.13	0.04	0.08

2019-20	6.70	3.20	5.32	9.90	0.04	0.11
2020-21	7.43	3.22	6.24	10.65	0.04	0.20
2021-22	8.29	2.94	5.95	11.24	0.03	0.08
2022-23	8.21	2.56	5.22	10.78	0.03	0.04
2023-24 (RE)	7.09	3.61	5.00	10.71	0.08	0.06



### 3.5 Loan Repayment

West Bengal's efforts towards loan repayments have progressed steadily over the years. The proportion of loan repayments to key fiscal indicators such as fiscal deficits, revenue receipts, outstanding liabilities and gross state domestic product is provided in the table below. The trend has remained largely flat in comparison to the starting point of the last decade. We look at loan repayments which is nothing but the sum of principal repayments and interest payments made by West Bengal. A discussion on interest payments as a proportion of revenue receipts is reserved for Chapter 6 (see Table 6.1.f) while the ratio of interest payments to revenue expenditures has been covered in Chapter 5 (provided in Graph 5e).

**Table 3.i: Loan Repayment as a percentage (%) of key variables**

Fiscal Year	Total Repayment as % of Fiscal Deficit	Total Repayment as % of Revenue Receipts	Total Repayment as % of Debt	Total Repayment as % of GSDP
2011-12	130.97%	39.47%	11.16%	4.46%
2012-13	131.65%	36.91%	10.97%	4.26%
2013-14	117.89%	41.00%	11.86%	4.41%
2014-15	111.89%	35.36%	11.02%	4.26%
2015-16	155.37%	29.58%	10.61%	4.07%
2016-17	144.96%	31.23%	10.90%	4.22%
2017-18	164.84%	36.33%	13.21%	4.89%
2018-19	148.40%	34.04%	12.63%	4.51%
2019-20	152.65%	39.34%	12.97%	4.77%
2020-21	117.52%	35.39%	10.90%	4.60%
2021-22	134.61%	38.18%	12.94%	5.12%
2022-23	139.67%	35.69%	12.15%	4.56%
2023-24 (RE)	122.93%	34.94%	11.56%	4.29%
2024-25 (BE)	112.38%	32.46%	11.06%	4.08%

Source: West Bengal Budget at a Glance, MTFP Documents for various years

Looking at loan repayments as compared to fiscal deficits, the proportion was around 130% in FY 2011-12 and FY 2012-13. That proportion as of latest actual estimates stands at 134-139% in FY 2021-22 and FY 2022-23. A similar pattern holds true when looking at it as a proportion of revenue receipts. The ratio in FY

2012-12 was 37% and in FY 2022-23 it was just shy of 36%. The parity over the past decade also holds when looking at total repayments made as a proportion of outstanding debt and state output.

**Table 3.j: Loan Repayment by component (Rs Crores)**

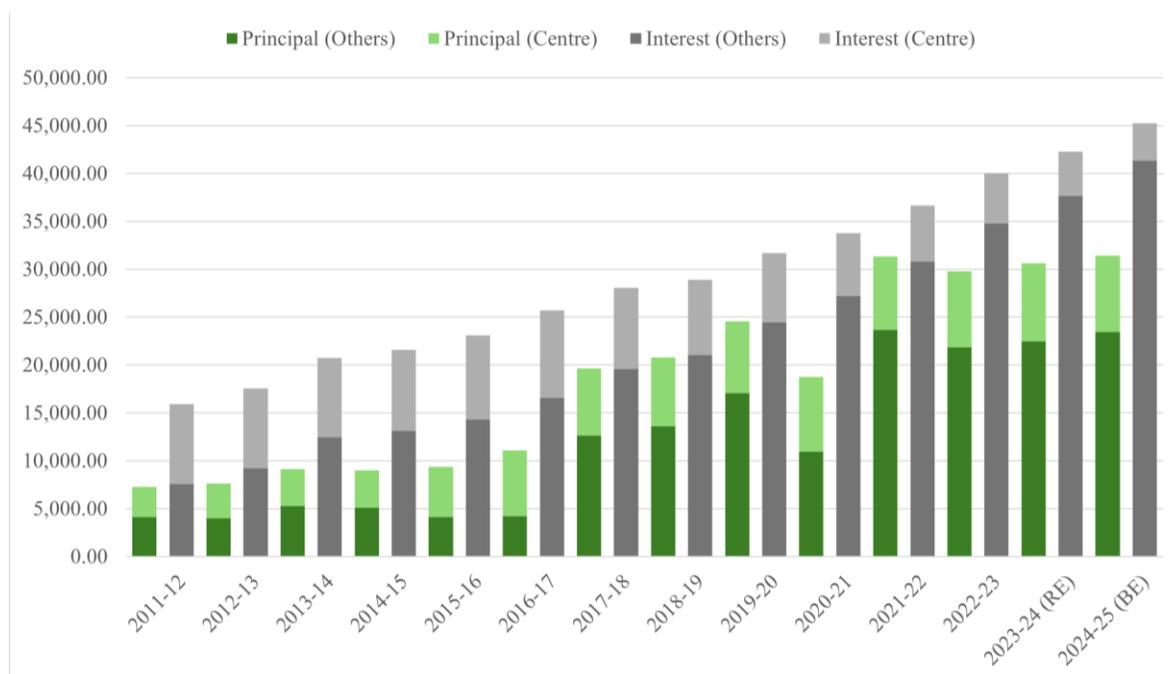
Fiscal Year	Principal Repayment	To Central Govt. (Including Small Savings)	Other Institutional Loans (including Market Loan)	Interest Repayment	To Central Govt.	Other Institutions, for Provident Fund	Loan Repayment
[1]	[2]=[3]+[4]	[3]	[4]	[5]=[6]+[7]	[6]	[7]	[8]=[2]+[5]
2011-12	7292.79 (100)	3180.8 (43.62)	4111.99 (56.38)	15895.99 (100)	8319.5 (52.34)	7576.49 (47.66)	23,188.78
2012-13	7635.29 (100)	3658.74 (47.92)	3976.55 (52.08)	17570.7 (100)	8343.75 (47.49)	9226.94 (52.51)	25,205.98
2013-14	9125.88 (100)	3826.26 (41.93)	5299.62 (58.07)	20756.81 (100)	8319.73 (40.08)	12437.08 (59.92)	29,882.69
2014-15	9007.43 (100)	3921.75 (43.54)	5085.68 (56.46)	21587.99 (100)	8460.4 (39.19)	13127.58 (60.81)	30,595.42
2015-16	9342.85 (100)	5226.39 (55.94)	4116.46 (44.06)	23114.92 (100)	8798.94 (38.07)	14315.97 (61.93)	32,457.77
2016-17	11096.33 (100)	6868.25 (61.9)	4228.08 (38.1)	25702.85 (100)	9122.77 (35.49)	16580.09 (64.51)	36,799.18
2017-18	19616.05 (100)	6976.86 (35.57)	12639.19 (64.43)	28073.76 (100)	8498.58 (30.27)	19575.18 (69.73)	47,689.81
2018-19	20781.44 (100)	7178.05 (34.54)	13603.39 (65.46)	28911.14 (100)	7865.61 (27.21)	21045.53 (72.79)	49,692.58
2019-20	24553.22 (100)	7471.05 (30.43)	17082.17 (69.57)	31667.72 (100)	7218.22 (22.79)	24449.5 (77.21)	56,220.94
2020-21	18734.63 (100)	7784.12 (41.55)	10950.51 (58.45)	33781.51 (100)	6550.46 (19.39)	27231.05 (80.61)	52,516.14
2021-22	31346.52 (100)	7661.55 (24.44)	23684.97 (75.56)	36672.21 (100)	5882.73 (16.04)	30789.49 (83.96)	68,018.73
2022-23	29768.38 (100)	7907.66 (26.56)	21860.72 (73.44)	40017.84 (100)	5227.99 (13.06)	34789.85 (86.94)	69,786.22
2023-24 (RE)	30631.42 (100)	8142.47 (26.58)	22488.95 (73.42)	42275.27 (100)	4586.17 (10.85)	37689.1 (89.15)	72,906.69
2024-25 (BE)	31427.41 (100)	7992.62 (25.43)	23434.79 (74.57)	45268.84 (100)	3925.45 (8.67)	41343.39 (91.33)	76,696.25

Source: West Bengal Budget at a Glance, MTFP Documents for various years

The table above provides the breakdown of West Bengal's loan repayments by its individual components. A few patterns emerge immediately. The share of

repayments made to institutional lenders besides the Central Government has skyrocketed over the years. In particular, the interest repayments made to other lenders now make up 88% of all interest payments in FY 2022-23. This is almost a doubling of the share in FY 2011-12, when it made up only 47% of interest payments. The same pattern holds true for principal repayments, as the share of repayments made to the Central Government has dwindled to 26.56% in FY 2022-23, compared to 48% just a decade ago.

**Graph 3i: Loan Repayments by West Bengal: Principal vs Interest**



The figure above plots the changes in total repayments made by West Bengal. The quantum of repayments has, in fact, tripled over the past decade, though there is no discernible increase when seen as a proportion of GSDP. Yet it is clear from the figure that the lion's share of repayments is now made to lenders besides the Central Government.

While a number of measures have been taken to improve public expenditure, we think that state expenditure priorities should be heavily geared towards Capital and Development expenditure to guarantee long term growth (we recommended the same in the last report submitted to the 15<sup>th</sup> FC, Section 3.4). Apart from heavy infrastructural development, the state should also increase expenditure that can

improve agro-based industries in the state. The state should also use its highly skilled potential labor force to establish knowledge-based industries including establishing new generation universities by exploring public-private partnership. To avoid limited investments by the state, a hybrid type public-private partnership is strongly encouraged in other areas too where it is feasible.

### 3.6 Reasons for Low Capital Expenditure

West Bengal's budget happens to be in a peculiar position. Abhirup Sarkar, chairman of the State Finance Commission argues as follows. The ever-increasing committed expenditure indulges the state balance sheets into more indebtedness in the short run. In the long run, the ever-increasing debt and interest burden forces the government to cut deficits, and hence, expenditure.

This crowds out expenditure that could be used to fund capital formation. As a result, this adversely affects long run development and economic growth prospects. Compared to other indebted states of India, revenue deficit is much higher in West Bengal. This implied either low revenue generation or high revenue expenditure or both. The revenue deficit and fiscal deficit together imply low deficit on the capital account which translates to low capital expenditure (or high loan inflows). Given West Bengal's interest payments, we find they are roughly proportional to outstanding loans for all states.

Among the most indebted states, West Bengal lags in terms of OTR and NTR. In this context, West Bengal's low total expenditure coupled with one of the lowest capital expenditure to total expenditure ratios implies the following story. Low revenues lead to low expenditure and because committed expenditure is high, it eats up the funds that could possibly have been used for capital expenditure. This state of low capital asset accumulation leads to thwarted development and poorer growth prospects. This also implies a tax base that is not growing as fast as the rest of the nation which further worsens the low tax revenue collections. Hence, West Bengal finds itself in a fiscal doom-loop characterized by low capital expenditure.

#### References

Government of West Bengal (2024) Budget at a Glance, Budget Publication No. 9, West Bengal Budget 2024-2025

Link: [finance.wb.gov.in/writereaddata/Budget\\_Publication/2025\\_bp9-1.pdf](https://finance.wb.gov.in/writereaddata/Budget_Publication/2025_bp9-1.pdf)

# **CHAPTER IV**

## **ANALYSIS OF DEFICITS**

## Chapter IV

## Analysis of Deficits

### 4.1 Key Deficit Indicators

While studying the fiscal health of a state, the key indicator to look out for is the **fiscal deficit**. Additionally, one needs to look at the **revenue deficit**, and **primary deficit**. Revenue deficit is Revenue expenditure minus revenue receipts. Fiscal deficit receipts include revenue receipts and miscellaneous capital receipts, whereas fiscal deficit expenditure includes revenue expenditure, capital outlay and loans and advances net of recoveries. Fiscal deficit is fiscal deficit expenditure minus fiscal deficit receipts. Note that revenue deficit is a component of fiscal deficit. Primary deficit is Fiscal deficit minus interest payments. Primary deficit is an important indicator of the financial health of the state.

#### **Fiscal deficit:**

Fiscal Deficit has grown steadily from Rs. 17704.88 crores in 2011-12 to Rs.65250.16 crores according to the budget estimate figures of 2024-25. It has been around 3.35% of the GSDP (measured at 2011-12 prices) on an average for the entire period of study. The ratio of fiscal deficit to GSDP ratio was the highest at 3.91% in 2020-21. Covid surely was largely responsible for this huge spike. Since then there has been a very slow decline for the next two years, before it started rising again and according to the budget estimates, the FD-GSDP ratio is expected to be at around 3.63% in 2024-25.

#### **Primary deficit:**

If we ignore interest payments from the fiscal deficit, we get the **primary deficit**. Primary deficit is expected to increase from Rs. 1808.89 crores in 2011-12 to Rs. 22981.30 crores in 2024-25 (budget estimates). Primary deficit was negative during 2015-17. During 2020-21, primary deficits saw a huge spike of 111%. Note that interest payments have also been steadily growing since 2016-17. The primary deficit-GSDP ratio has been near zero for most years in the study period. However since 2020-21, this number has inched towards 1% and is expected to be 1.22% in 2024-25 according to the budget estimates.

#### **Revenue deficit:**

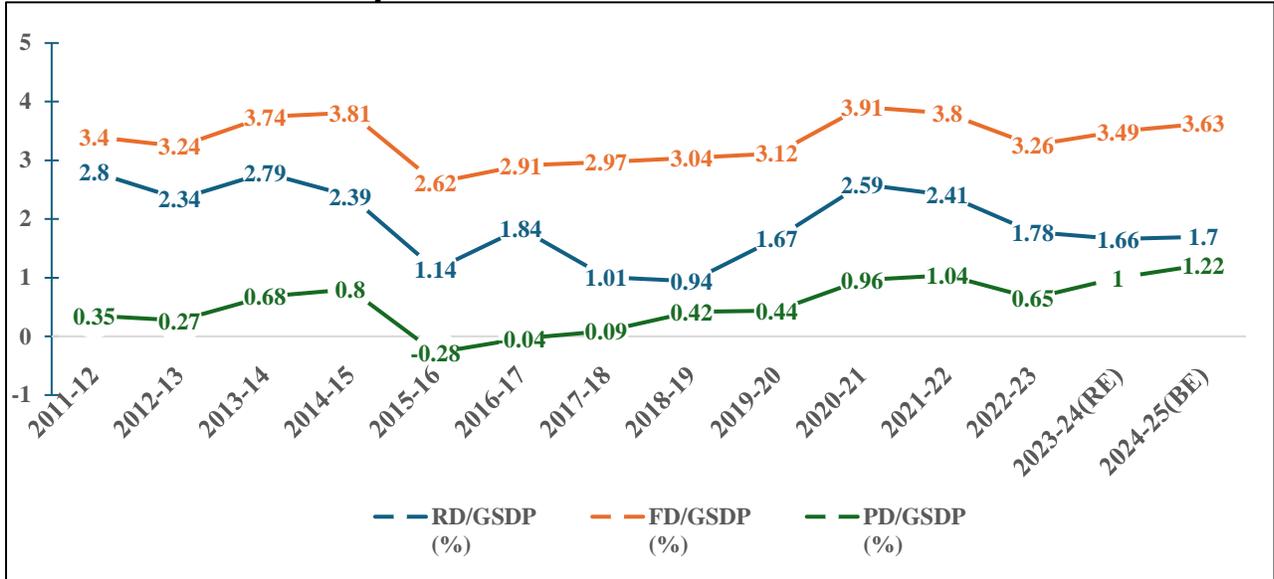
By construction, revenue deficit is an important component of fiscal deficit. Revenue deficit has grown at over the period of study, from Rs. 14571.33 crores in 2011-12 to Rs. 31951.67 crores in 2024-25 (budget estimates). However, there were periods where revenue deficit for the state actual fell. Most recently, it fell from Rs. 32000.29 crores in 2021-22 to Rs. 27294.74 crores in 2022-23, before going up again. Notably, the revenue deficit to GSDP ratio has fallen from 2.80% to 1.70% over the entire study period of 2011-2023-24 (revised estimates). According to the budget estimates for the year 2024-25, this figure is expected to be 1.7%.

**Table 4a: Deficit Indicators of West Bengal**

Financial Year	Revenue Deficit (₹ in Crore)	Fiscal Deficit (₹ in Crore)	Primary Deficit (₹ in Crore)	GSDP (₹ in Crore)	RD/GSDP (%)	FD/GSDP (%)	PD/GSDP (%)
2011-12	14571.33	17704.88	1808.89	520485.00	2.80	3.40	0.35
2012-13	13815.13	19146.64	1575.94	591464.00	2.34	3.24	0.27
2013-14	18915.49	25347.90	4591.09	676848.00	2.79	3.74	0.68
2014-15	17137.40	27345.29	5757.30	718082.00	2.39	3.81	0.80
2015-16	9095.06	20890.69	-2224.23	797300.00	1.14	2.62	-0.28
2016-17	16085.11	25385.40	-317.45	872527.00	1.84	2.91	-0.04
2017-18	9806.98	28930.90	857.14	974700.00	1.01	2.97	0.09
2018-19	10398.66	33485.55	4574.41	1102054.00	0.94	3.04	0.42
2019-20	19660.91	36831.07	5163.35	1179127.00	1.67	3.12	0.44
2020-21	29527.31	44687.65	10906.14	1141802.00	2.59	3.91	0.96
2021-22	32000.29	50528.42	13856.21	1329238.00	2.41	3.80	1.04
2022-23	27294.74	49966.13	9948.29	1531758.00	1.78	3.26	0.65
2023-24(RE)	28252.83	59305.99	17030.72	1700939.00	1.66	3.49	1.00
2024-25(BE)	31951.67	68250.16	22981.30	1879453.00	1.70	3.63	1.22

\*Source: MTFP Statement 2024-25, GovWB

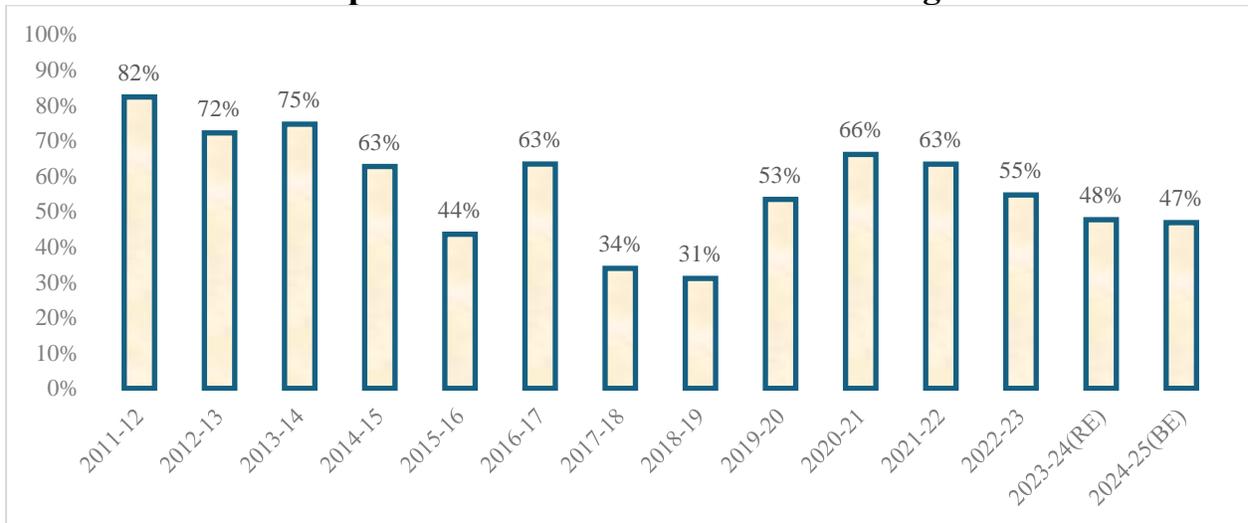
**Graph 4a: Trends in Deficit/GSDP ratio**



**Trend in Revenue Deficit/Fiscal Deficit ratio:**

The revenue deficit to fiscal deficit ratio for the study period has varied from 0.82 in 2011-12 to 0.48 in 2023-24 (revised estimates). According to budget estimate figures for 2024-25, this ratio is expected to be 0.47. Though a fall from 0.82 to 0.47 is quite impressive, one might note that for most years within the period of study this ratio has been more than 0.5 indicating that the deficit accrued on the revenue account is responsible for more than 50% of the gross fiscal deficit, and this may not be so much of a good news.

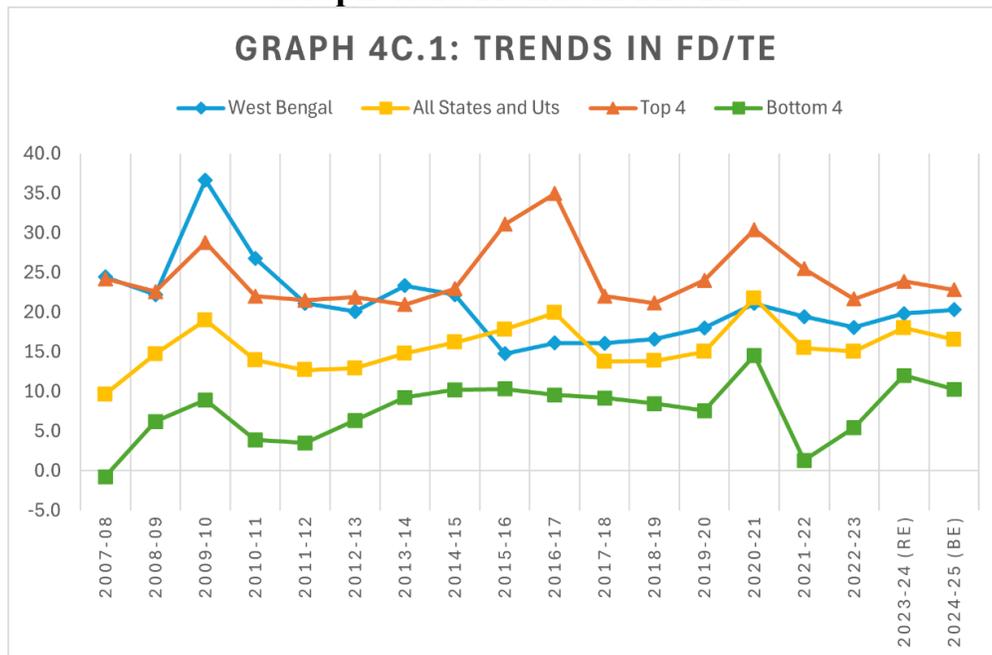
**Graph 4b: Trend in RD/FD of West Bengal**



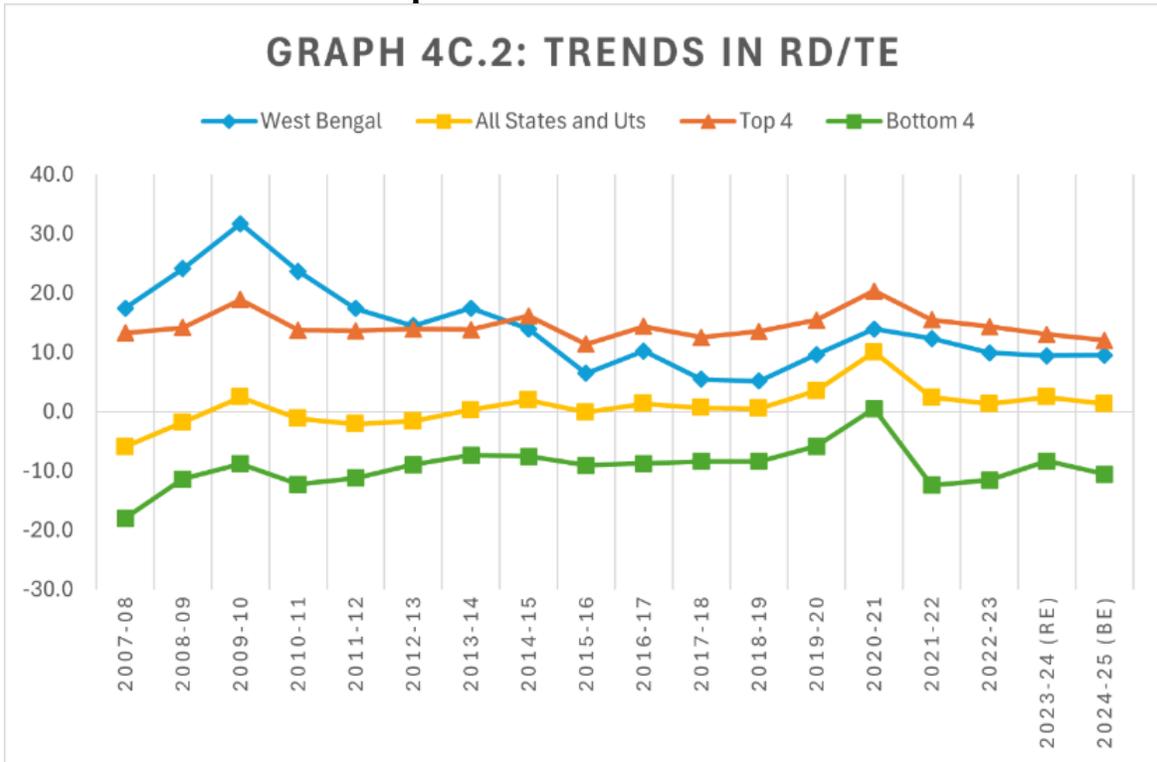
### Trend in the Fiscal and Revenue Deficit to Total Expenditure:

Graphs 4c.1 and 4c.2 show the trend of fiscal deficit and revenue deficit to total expenditure in comparison to all states average respectively. While the trend is disturbing for RD/TE, where West Bengal has always had a higher RD/TE ratio compared to the all-state average, there have periods of comfort for FD/TE ratio. Notably between 2015 and 2021, West Bengal had a lower FD/TE ratio than the all-state average. Also the gap between the RD/TE figures for West Bengal and the all-state average has shrunk a quite a lot from where it was at the beginning of the study period. Graph 4.c3 shows that West Bengal has remained persistently low among Indian states when it comes to capital expenditure as a proportion of total expenditure. This seems to be an endemic feature of West Bengal's public finances.

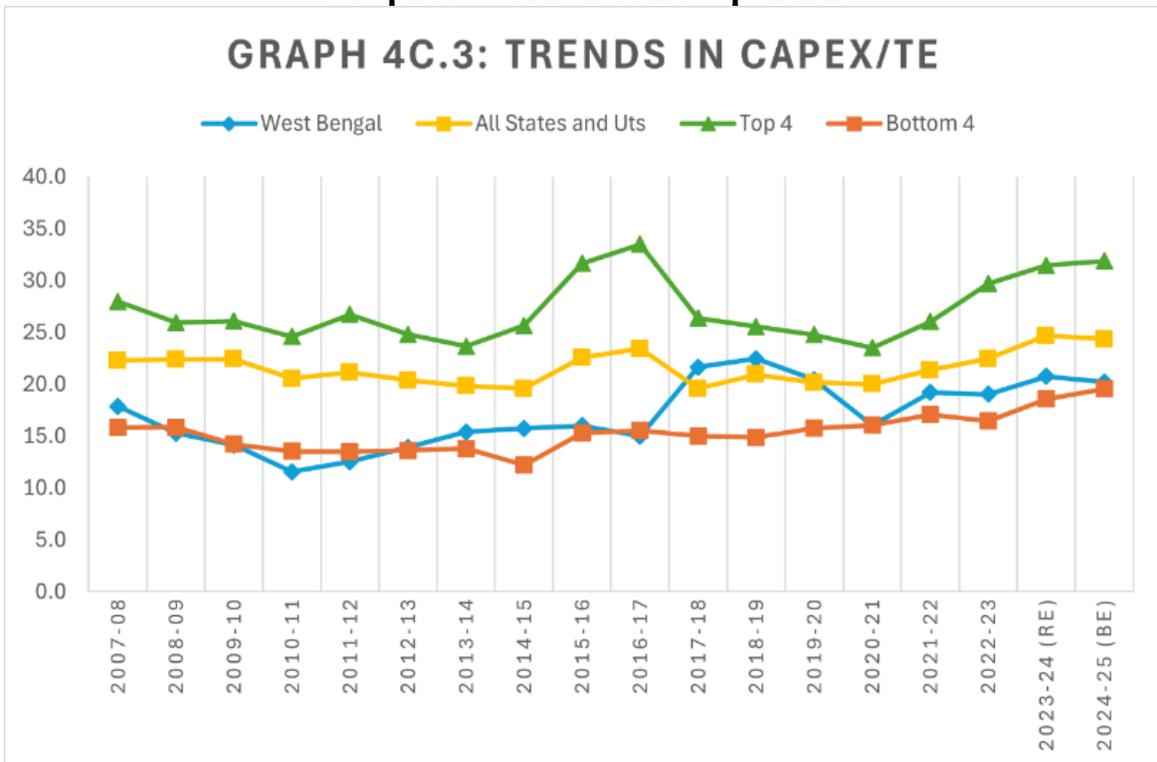
**Graph 4c.1: Trends in FD/TE**



**Graph 4c.2: Trends in RD/TE**



**Graph 4c.3: Trends in Capex/TE**



# **CHAPTER V**

## **DEBT SCENARIO**

## Chapter V

## Debt Scenario

We look back at West Bengal’s fiscal history over the past two decades, dating back to the mid-2000s. We focus on key variables that look at the evolution of outstanding liabilities and deficits.

The two sets of liabilities that we shall be focusing on are public debt and other liabilities. Public debt refers to the internal debt of West Bengal. This is given under the Consolidated Fund – Capital Accounts in the Annual Financial Statements. Market loans, special securities issued by the RBI and the Central Government’s loans and advances all make up the internal or public debt of the State. According to Article 293 (1) under the Constitution of India, a State “may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed.” Other liabilities of the State consist of deposits under small savings schemes, provident funds and other deposits and together make up a part of the public account.

The three key fiscal parameters that indicate the extend of overall fiscal imbalances in the State Government’s finances in our period of analysis are revenue deficits (RD), fiscal deficits (FD) and primary deficits (PD). The gap between receipts and expenditure of the State are reflected in these deficits within the Government accounts. The nature of deficits indicates the degree of fiscal prudence on the part of the State Government. Furthermore, deficit financing or the ways in which the deficit is finances and the resources raised for application give a picture of fiscal health going forward.

### 5.1 The historical context

Among all non-special category (NSC) states of India, West Bengal comes only after Punjab as the most indebted state, as its outstanding liabilities to GSDP ratio stands at 38.0% in FY 2024-25 (BE) compared to national average of 28.8%. Looking at the last year of actual data available, West Bengal’s outstanding liabilities to GSDP ratio stood at 39.0% in FY 2022-23 (Actuals) compared to national average of 28.2%. Even over a decade ago, the situation was no different. In March 2013, West Bengal stood out as the most indebted state among all non-special category (NSC)

states of India. In that year the debt/GSDP ratio for West Bengal stood at 37.5% compared to 24.4% which was the national average. West Bengal was actually quite far ahead of the next most indebted state in 2013, that was Uttar Pradesh which had a debt/GSDP ratio of 33.7%.

## **5.2 Government policies leading up to the situation**

Extreme indebtedness has been a feature of the West Bengal economy and cannot be chalked up to any recent policy or government directive. According to the Report of the Fourth State Finance Commission of West Bengal (Part – I), the problem is “as old as the present century”. Till 1999-2000, the State did not feature among the most indebted States. In fact, the debt/GSDP ratio for the state was close to the national average in 1990. In the decade following that, the debt/GSDP ratio for West Bengal rose incrementally greater than the national average between 1990-2000. Especially in the latter half of the decade, West Bengal found itself in the middle of the pack in terms of debt/GSDP among the non-special category states of India.

## **5.3 When did the fiscal balance start deteriorating?**

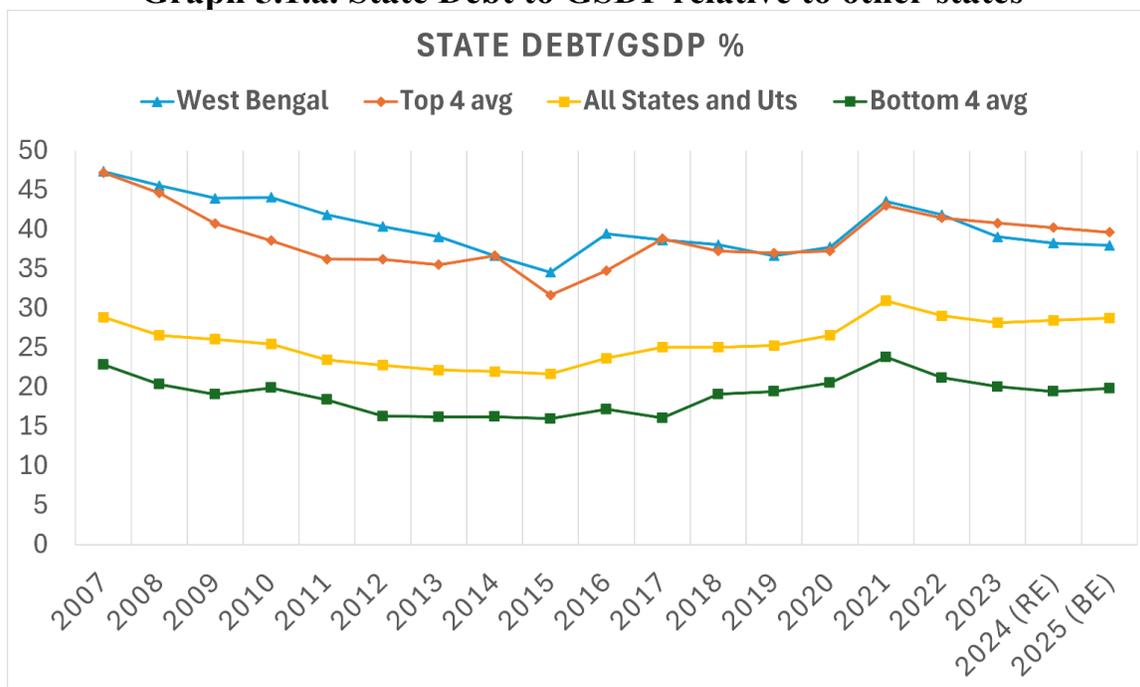
The big jump came with the advent of the new century. While West Bengal’s debt/GSDP ratio was at a healthy 26% in the late-1990s, the big jump came between 2000-01 to 2004-05. During this period, the debt/GSDP ratio almost doubled to reach 44.3% and reached even higher in the latter of the 2000s, standing at 46.1% during 2005-06 to 2009-10. Ever since then, these numbers have begun falling slowly.

For a snapshot of the fiscal health of the state in 2009, we look back at the Report of the CAG on State Finances for the year ended 31 March, 2009”

1. “Though the Revenue receipts registered a growth of about 22 per cent over the previous year, it was basically the result of book adjustment of outstanding interest receivable by the Government, which had inflated the non-tax revenue figure without any actual inflow of revenue. In fact, Tax Revenue of the State for 2008-09 fell far short by almost 38 per cent as compared to the normative projections made by Twelfth Finance Commission.”
2. “Revenue Deficit, which was to be eliminated by 2008-09, stood at Rs 14709 crore. TFC had also recommended reducing fiscal deficit to three per cent of GSDP. Fiscal deficit was, however, Rs 13558 crore as against the normative

target of Rs 9278 crore as per this yardstick. Debt GSDP ratio, which should have been 28 per cent, was 48 per cent during 2008-09.”

**Graph 5.1.a. State Debt to GSDP relative to other states**



Source: RBI Study of State Finances 2024-25

## 5.4 Reasons for high debt accumulation

Part of the issue of West Bengal’s indebtedness is its past loans. If we separate out interest payments and look at them as a ratio of revenue expenditures (in Graph 5e), we see that the peak of 22.6% was reached in FY 2013-14. Ever since then, there has been an appreciable steady decline in Interest Payments as a ratio of revenue expenditure reaching lows of 16.9% as per FY 2024-25 BE. The effort on the part of the West Bengal government in this sector is laudable as for the corresponding period (in Graph 5e), the rest of Indian states have not exhibited a similar decline. The Report of the CAG on State Finances for the year ended 31 March, 2009 give us more reasons as to why debt rises occurred,

“As in the earlier years, continued prevalence of Revenue and Fiscal Deficits indicates increasing reliance on borrowed funds, a substantial part of which is being used to meet current expenditure requirements of the State Government. Increasing Fiscal Liabilities accompanied with negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead

to unsustainable debt situation in medium to long run unless suitable measures are initiated to compress the non plan Revenue Expenditure and to mobilise additional resources both through tax and non tax sources in the years to come.”

Revenue collections also seemed to be a tough act for the State government to pull off, which further contributed to the debt malaise. This fact is evidence by the Report of the CAG on State Finances for the year ended 31 March, 2010,

“On revenue side of the receipts, there was almost no addition in the kitty in the present year. On the other hand, dependence on borrowing for meeting Revenue Expenditure was also on the rise. While Revenue expenditure constituted 94 per cent of the total expenditure, committed components accounted for 77 per cent of revenue expenditure leaving little flexibility for the Government to utilise its resources for service providing sectors. The situation even worsened with recommendations of Fifth State Pay Commission. Prospect of containment of the trend seems to be remote as Government will continue to bear the expenses on arrear salary during next two years.”

The state also seemed to be getting very poor returns on its capital investments made to various sectors. Here we see that the irrigation sector is one such arena where the high interest costs had to be borne by the State in lieu of low returns on invested capital. The Report of the CAG on State Finances for the year ended 31 March, 2011 elaborate,

“Government is getting very little return from its capital outlay on Irrigation works. Return on investment in Statutory Corporations, rural banks etc. depicted a grim picture, varying between zero and 0.07 per cent, while Government had to pay interest at the average rate of 7.58 to 9.22 per cent on its borrowings during 2006-07 to 2010-11 leading to substantial implicit subsidy”

## **5.5 Efforts to improve the situation**

It is not to be forgotten that this rise in debt/GSDP coincided with significant increases for other states as well. But by 2005-06, most states were able to wrestle control of their debt situation. West Bengal’s efforts took longer to come into action due to the delayed adoption of its own FRBM Act in 2010-11. By the end of 2012-2013, The debt/GSDP ratio of West Bengal settled down to 37.5%, owing to the FRBM measures. Yet other states have done a more commendable job of swift debt reduction compared to West Bengal’s sluggish progress. The progress of West

Bengal's debt recommendation since the enactment of FRBM has been laudable but the fall in debt/GSDP numbers was arrested in 2016 as they continued to pick up slightly. A peak was reached in the pandemic year of FY 2020-21 (largely, due to FRBM relaxations to meet pandemic-time needs), following which strict abidance by FRBM Legislation brought it down again in the emergence of the pandemic.

The 2016 rise in debts are investigated below. We look at Report of the CAG on State Finances for the year ended 31 March, 2016 and 2017 for possible reasons to explain the rise in the debt/GSDP ratio in that year. The Report points to the following reasons,

1. "The State did not amend the FRBMA targets of revenue and fiscal deficits as well the as outstanding liabilities during 2015-16, as required by the 14 Finance Commission's recommendation.
2. The Government was also yet to implement the New Pension Scheme for its employees despite recommendations of both the 13th and 14th FCs. Liability on account of its contribution (as also that of the employees) to the Contributory Pension Fund Scheme for All India Service Officers from the inception of the scheme too was not worked out. The interest payable on the amounts, that have been lying in the Fund without transfer to NSDL/Trustee Bank, had not been estimated and accounted for.
3. The maturity profile of the State debt indicates that the liability of the State would steeply rise from 2017-18 onwards which would put a strain on the State finances beyond 2017-18. More than 50 per cent of the maturity would take place within seven years, indicating that the state is heading towards debt stress.
4. Return on investment in Statutory Corporations, rural banks, etc. remained less than one per cent.

## **5.6 Debt in the pandemic year**

Quoting from the Report of the CAG on State Finances for the year ended 31 March, 2021,

"GoWB during 2020-21 borrowed Rs. 4,312 crore through the off-budget route by means of Cash Credit Loans (CCLs). These borrowings were raised by Government owned or controlled public sector enterprises or societies from the West Bengal

Central Co-operative Bank to fund various State sponsored schemes. Against such CCLs, repayment of Rs. 1,085 crore towards principal was due upto March 2021. Thus, the overall outstanding debt (Rs. 4,81,999 crore) of the State would increase by 0.23 per cent (Rs. 1,085 crore) to Rs. 4,83,084 crore and the overall debt as a percentage of GSDP during 2020-21 would also increase from 37.05 per cent to 37.13 per cent.”

It is clear from the debt figures reported in the Graph above that the Budget Estimates for FY 2020-21 were way off. These ambitious targets have indeed been a distinguishing feature of West Bengal’s state finances. It is only in the subsequent years that the actual data for the pandemic years saw massive upward revisions in debt estimates and subsequently an upward adjustment of the debt/GSDP ratio.

As per the latest data available with the RBI, debt/GSDP ratio during the pandemic shot up from 37.8% in FY 2019-20 to 43.6% in FY 2020-21. Hence, compared to the quoted increase of 0.08 percentage points as per the Budget Estimates in the 2021 Report, the actual increase in debt/GSDP numbers was 5.8% percentage points. It is worth noting that the increase in average debt/GSDP for all states was also significantly high at 4.4 percentage points, though lower than that of West Bengal.

## **5.7 Sources of borrowings**

To get a better understanding of West Bengal’s debt situation, we look at the major components of the State Government’s internal borrowings. The constituents component are namely, market loans bearing interest (at the prevailing SDL rate), Ways and Means Advances from the RBI (to meet short term cash flow requirements), loans from other institutions which primarily includes loans from the Rural Infrastructure Development Fund of NABARD (National Bank for Agricultural and Rural Development), loans from the National Co-operative Development Corporation as well as special securities issued to the NSSF.

With West Bengal’s thrust on Social Sector and Development Expenditure, we see a steady rise in NABARD loans. These funds are tied to its Rural Infrastructure Development Fund. These funds make up almost all of the Capital Receipts from ‘Other Institutions’. Only in the last two fiscal years has there been loan receipts of Rs. 2-5 crore from SIDBI.

The table below provides the major sources of West Bengal’s internal borrowings

or public debt.

**Table 5.a: Major Sources of Internal/Public Debt inflows**

Fiscal Year	Market Loans (bearing interest)	RBI WMA	Loans from other Institutions	NABARD (Rural Infra Dev Fund)	NCDC	NSSF
[1]	[2]	[3]	[4] = [5] + ...	[5]	[6]	[7]
2011-12	22,190.60	20,005.41	856.46	856.46	6.15	1,658.68
2012-13	20,500.00	15,693.20	800.11	800.11	17.16	2,978.25
2013-14	21,000.00	20,017.59	1,200.00	1,200.00	19.94	4,307.19
2014-15	21,900.00	19,380.86	1,540.16	1,540.16	4.71	7,711.96
2015-16	24,000.00	11,139.40	1,513.77	1,513.77	0.00	8,738.41
2016-17	34,430.52	1,207.70	1,303.82	1,303.82	62.74	0.00
2017-18	36,911.00	5,394.87	1,405.70	1,405.70	7.14	0.00
2018-19	42,828.00	25,004.59	1,176.40	1,173.87	10.09	0.00
2019-20	56,992.00	15,859.81	827.31	827.31	2.52	0.00
2020-21	59,679.61	8,154.69	1,156.71	1,156.71	7.72	0.00
2021-22	67,389.75	193.36	1,483.19	1,483.19	0.00	0.00
2022-23	62,999.85	0.00	2,132.47	2,132.47	0.00	0.00
2023-24 (RE)	73,000.00	30,000.00	2,387.00	2,352.00	0.00	0.00
2024-25 (BE)	79,727.00	30,000.00	2,632.00	2,600.00	0.00	0.00

Source: West Bengal Budget-Receipts under Consolidated Fund for various years

Notes: Important to note that the above are flow variables.

NABARD refers to National Bank for Agricultural and Rural Development

NABARD makes up all of the loans from other institutions barring the last two fiscals, when small loans were made by SIDBI.

RBI WMA refers to the Ways and Means Advances from the Reserve Bank of India

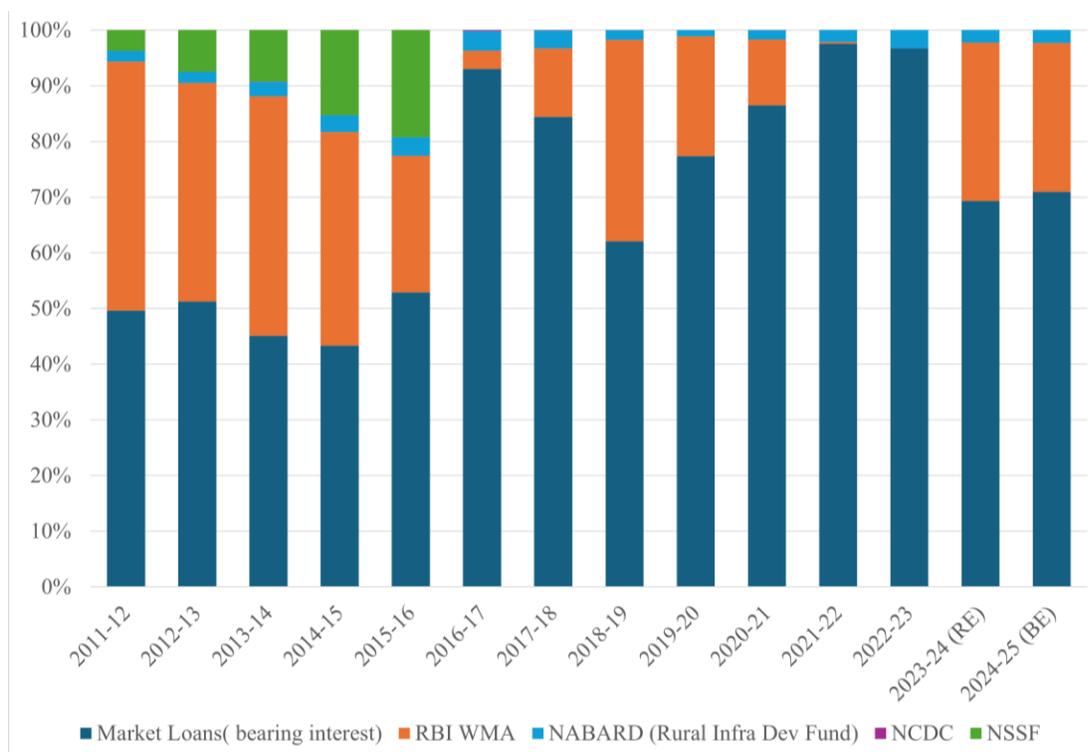
NCDC stands for National Co-operative Development corporation

Historically, NSSF loans have made up a sizable chunk of internal debt. In the years leading up to FY 2015-16, we see that receipts from special securities issued to the

NSSF were rising at a rapid rate. This ended abruptly in FY 2016-17.

The Fourteenth Finance Commission (FFC) recommended that State Governments be excluded from the investment operations of the NSSF. The NSSF loans come at an extra cost to the State Government as the market rates are considerably lower. The Union Cabinet in its meeting held on 22nd February, 2015, accepted that this recommendation will be examined in due course in consultation with various stakeholders. Barring Arunachal Pradesh, Delhi, Kerala and Madhya Pradesh, the other State Governments/UTs expressed a desire to be excluded from NSSF investments. The involvement of States which are excluded from operations of National Small Savings Fund with effect from 1.4.2016 would be limited solely to discharging the outstanding NSSF debt obligations as on 31.3.2016 (FFC Recommendation). The loan contracted by States till 31.3.2016, from the National Small Savings Fund will stand completely repaid by the Financial Year 2038-39.

Once states are excluded from NSSF investments, the investible funds of NSSF with Gol will increase. Increased availability of the NSSF loan to Gol may reduce the Gol's market borrowings. The States will however, see an increase in market borrowings and this is exactly what happened. We see a figure below a steady rise in the share of market borrowings out of the total public debt of the state. The nominal rupee value of market borrowings also climbed drastically as seen in the table above.

**Graph 5.1.b Major sources of Internal Debt additions in each fiscal year**

This increasing reliance on market borrowings over the years is concerning though it has been taking place with a thrust towards making SDL (State Development Loans) markets more liquid and accessible to a greatly expanded investor (both domestic and foreign) base.

## 5.8 Note on Ways and Means Advances from the RBI

This phenomenon has also had an impact on other sources of borrowings by the State Government, such as the Ways and Means Advances (WMA) of the RBI. From 1997-98 onwards, the Central Government promised to meet temporary mismatches between receipts and expenditure through Ways and Means Advances (WMA) provided by the RBI. The size and cost of WMA would be determined on the basis of mutual agreement. Amounts drawn beyond the WMA limit would be treated as overdraft.

From the figure above we see that in the period between FY 2011-12 to FY 2015-16, West Bengal relied less and less on the RBI's WMA as NSSF loans increased in

their share of total internal borrowings. With the end of NSSF borrowings, the dependence on the RBI's WMA again began climbing and ultimately, reaching a peak in FY 2019-20. Ever since then, the increasing reliance on market borrowings has made more states (including West Bengal) come off the WMA as a source of funds.

An argument in favour of using the RBI's WMA over market borrowings is the lower interest rate faced by States. For instance, between April-August 22, states could have availed SDF facility at an average rate of 3.2-4.2%, while the SDLs were being auctioned at 7.8%. However, the key difference here is that these facilities can be used only for a limited number of days while SDL auctions usually provide access to funds for a much longer period. In addition, when States exhaust SDF and WMA options and move to OD, the average rate on borrowings would have increased to 7.2-10.2%, thus showing that access to this facility must only be used very occasionally.

Gradually, more states have come off their reliance on the WMA as a source of funds. A 2022 ICRA report shows that "fewer states availed WMA and OD in April 2022 compared to April 2021. On a YoY basis, WMA usage declined to 95 days in April 2022 from 109 days in April 2021. The number of states/UT also decreased to four from seven during the same period, with Kerala, Mizoram and Nagaland abstaining from tapping the WMA window. The decline in usage of these facilities by some states in April 2022 could be on account of their relatively comfortable cash position with the back-ended release of tax devolution."

## 5.9 Level of Outstanding Liabilities and Other Obligations today

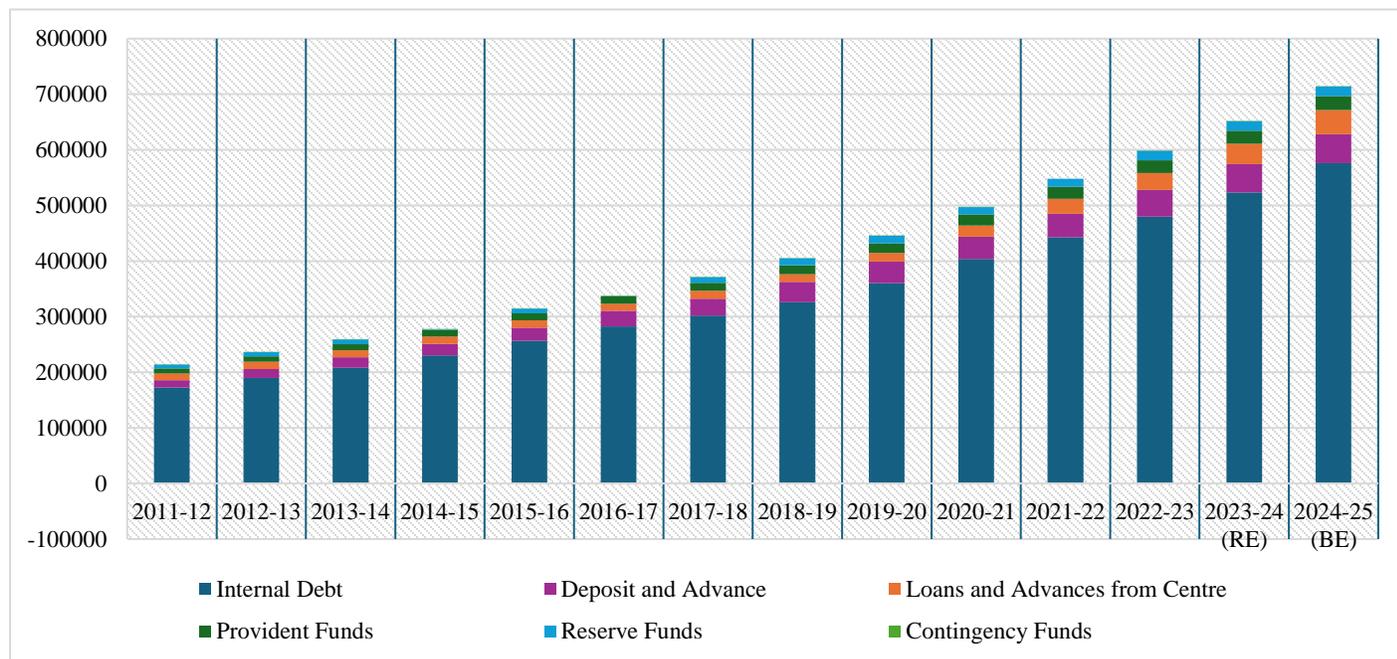
A study of the **debt** situation in West Bengal shows that total outstanding liabilities have consistently increased from Rs. 213616 crores to Rs. 651747 crores in 2023-24 over the period 2011-12 to 2023-24 (revised estimates). It is expected to be even higher at Rs. 714196 crores in 2024-25 according to the budget estimates. The primary contributor to total outstanding liabilities is **internal debt** owed by the state. Internal debt has contributed to more than 80% to the total outstanding liabilities for all years. It has increased from Rs. 172446 crores 2011-12 to Rs. 523264 crores in 2023-24, and is expected to be Rs. 575848 crores in 2024-25 according to budget estimates. Loans from the Centre have also increased from Rs. 12060 crores in 2011-12 to Rs. 36188 crores in 2023-24; however, its share in total liabilities has remained

steady at around 5.6%. In 2024-25, this share is expected to go up marginally to 6.14%. Reserve funds are the other type of liabilities that a state has along with **state provident funds**, contingency funds and deposits. There has been a steady increase in all components. The aggregate scenario is presented in Table 5a below.

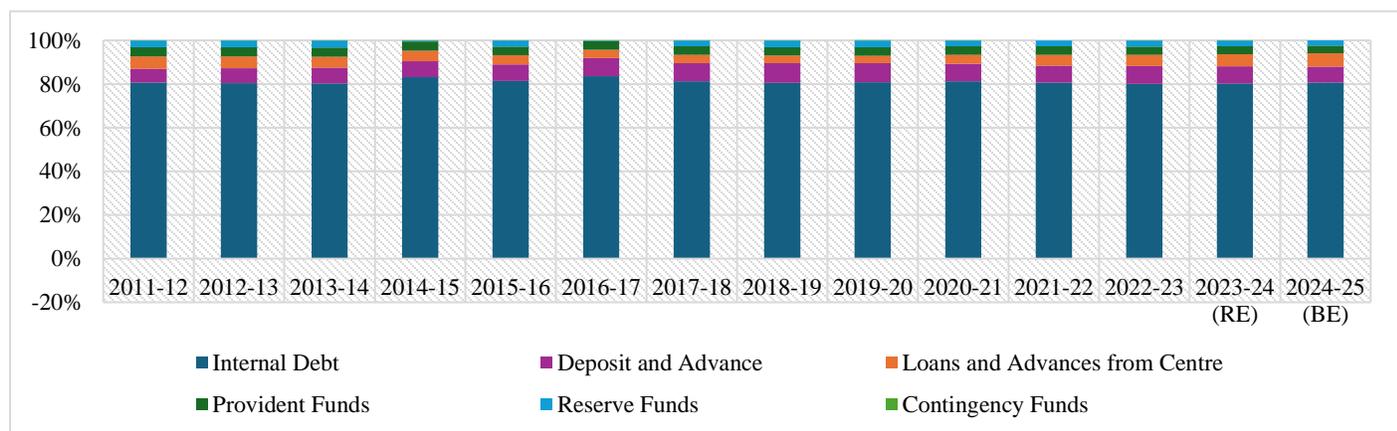
**Table 5.b: Composition of Outstanding Liabilities of West Bengal  
(Rs Crore)**

Year	Internal Debt (A)	Loans and Advances from Centre(B)	Provident Funds (C)	Reserve Funds (D)	Deposit and Advance (E)	Contingency Funds (F)	Total Outstanding Liabilities
2011-12	172446 (80.73)	12060 (5.65)	8956 (4.19)	6750 (3.16)	13385 (6.27)	19 (0.01)	213616 (100)
2012-13	189683 (80.34)	12894 (5.46)	9902 (4.19)	7282 (3.08)	16330 (6.92)	20 (0.01)	236111 (100)
2013-14	207864 (80.25)	12958 (5)	10743 (4.15)	8471 (3.27)	18956 (7.32)	20 (0.01)	259012 (100)
2014-15	230601 (83.15)	13638 (4.92)	11749 (4.24)	1181 (0.43)	20129 (7.26)	20 (0.01)	277318 (100)
2015-16	256505 (81.5)	13480 (4.28)	12490 (3.97)	8702 (2.76)	23544 (7.48)	20 (0.01)	314741 (100)
2016-17	282192 (83.58)	13024 (3.86)	13346 (3.95)	997 (0.3)	28032 (8.3)	20 (0.01)	337611 (100)
2017-18	301776 (81.33)	14048 (3.79)	14510 (3.91)	10080 (2.72)	30638 (8.26)	19 (0.01)	371071 (100)
2018-19	326063 (80.56)	14172 (3.5)	15637 (3.86)	12493 (3.09)	36351 (8.98)	19 (0.00)	404735 (100)
2019-20	360462 (80.86)	15058 (3.38)	17230 (3.87)	14025 (3.15)	39006 (8.75)	8 (0.00)	445789 (100)
2020-21	404016 (81.25)	20058 (4.03)	19518 (3.93)	13589 (2.73)	40072 (8.06)	13 (0.00)	497266 (100)
2021-22	442864 (80.78)	27017 (4.93)	21436 (3.91)	14748 (2.69)	42210 (7.7)	-39 (-0.01)	548236 (100)
2022-23	479795 (80.19)	30575 (5.11)	22627 (3.78)	16965 (2.84)	48203 (8.06)	189 (0.03)	598354 (100)
2023-24 (RE)	523264 (80.29)	36188 (5.55)	23816 (3.65)	17049 (2.62)	51230 (7.86)	201 (0.03)	651747 (100)
2024-25 (BE)	575848 (80.63)	43865 (6.14)	25098 (3.51)	17190 (2.41)	51994 (7.28)	201 (0.03)	714196 (100)

**Graph 5a: Trends in Components of Outstanding Liabilities (Rs Crore)**



**Graph 5b: Shares of Components of Outstanding Liabilities**



**Public Debt Scenario:**

**Public debt** is the total of **internal debt** and **loans and advances from the Centre**. The trend in public debt has been similar to that of internal debt, as expected. Public debt has grown from 184506 crores to Rs 559452 crores over this period ending

2023-24. It is expected to be Rs. 619718 cores in 2024-25 according to the budget estimates. The average public debt to GSDP ratio for the state has remained at around 33%, with a high of 37% in 2020-21. However, the public debt to GSDP ratio has dropped, though marginally, from 35.4% to 32.9% in 2023-24. It expected to be 33% in 2024-25. The main components of internal debt are State Development Loans (SDLs) and loans from banks and other financial institutions. SDLs have increased continuously in all years of the study as in shown in Graph 5c.

**Table 5.c: Main components of Total Outstanding Liabilities (Rs in Crore)**

Year	Total Public Debt (A+B)	Other Obligations (C+D+E+F)	Total Obligations
2011-12	184506	29110	213616
2012-13	202577	33534	236111
2013-14	220822	38190	259012
2014-15	244239	33079	277318
2015-16	269985	44756	314741
2016-17	295216	42395	337611
2017-18	315824	55247	371071
2018-19	340235	64500	404735
2019-20	375520	70269	445789
2020-21	424074	73192	497266
2021-22	469881	78355	548236
2022-23	510369	87984	598354
2023-24 (RE)	559452	92296	651747
2024-25 (BE)	619718	94483	714196

Source: RBI: State Finances: A Study of Budgets of 2024-25

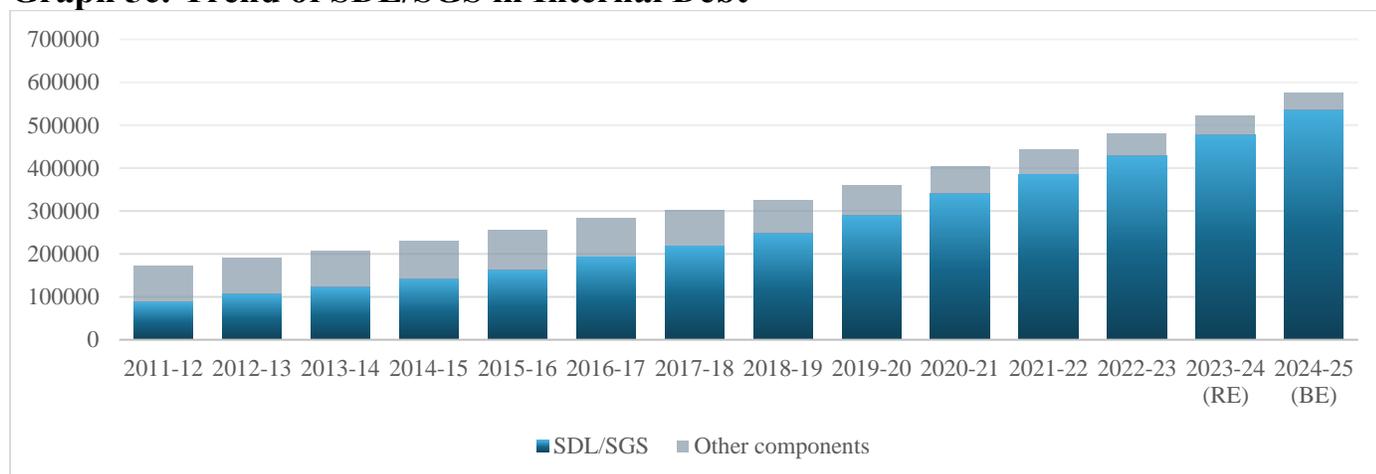
**Table 5.d: Growth in Public Debt and ratio with respect to GSDP and RR**

Year	Public Debt	Y-o-Y G in Public Debt	Public Debt/GSDP	Public Debt/ Revenue Receipts
2011-12	184506	10.1	35.4	294.6
2012-13	202577	9.8	34.3	296.6
2013-14	220822	9.0	32.6	303.0
2014-15	244239	10.6	34.0	282.3
2015-16	269985	10.5	33.9	246.0
2016-17	295216	9.3	33.8	250.5

2017-18	315824	7.0	32.4	240.6
2018-19	340235	7.7	30.9	233.1
2019-20	375520	10.4	31.8	262.8
2020-21	424074	12.9	37.1	285.8
2021-22	469881	10.8	35.3	263.7
2022-23	510369	8.6	33.3	261.0
2023-24 (RE)	559452	9.6	32.9	268.1
2024-25 (BE)	619718	10.8	33.0	262.3

Source: RBI: State Finances: A Study of Budgets of 2024-25, West Bengal Budget MTFP FY 2024-25 document

**Graph 5c: Trend of SDL/SGS in Internal Debt**

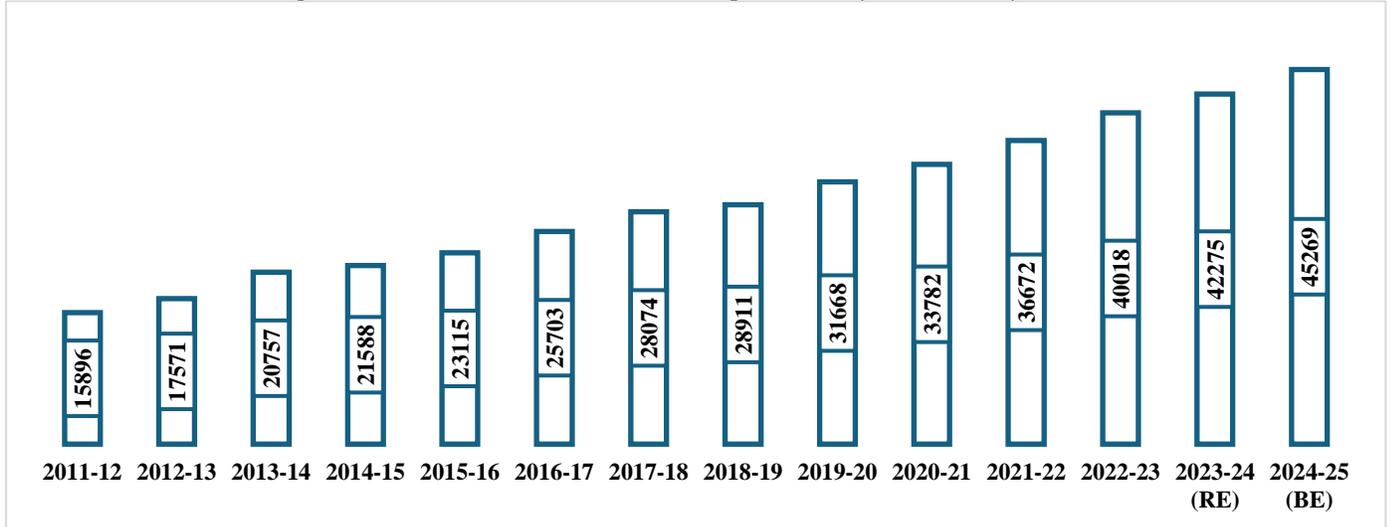


### Interest payments:

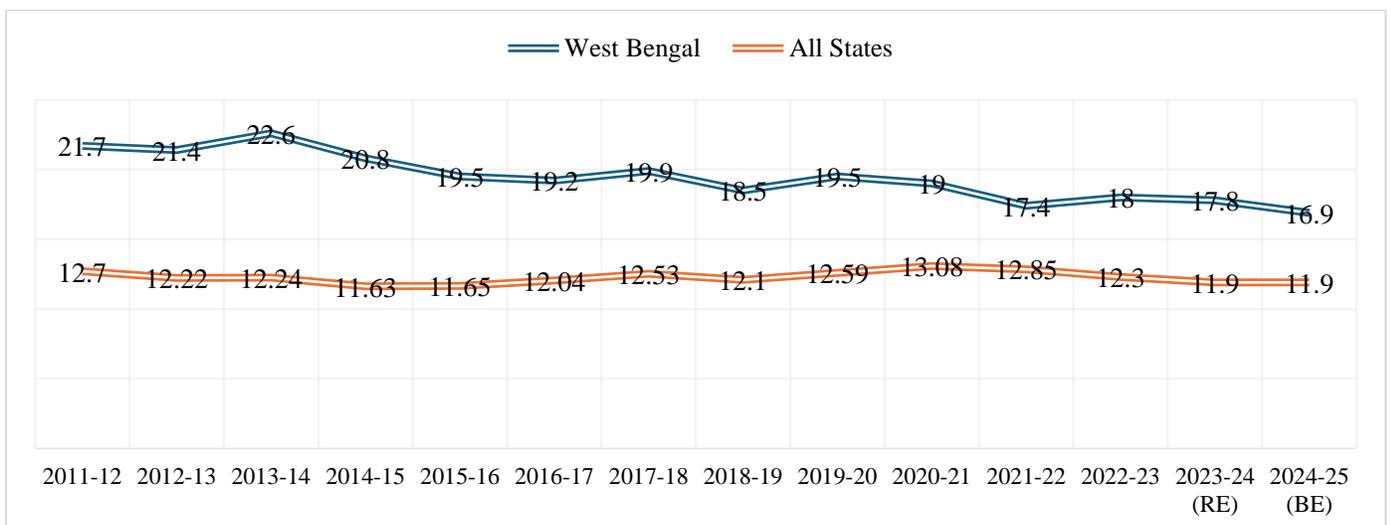
As expected, with rising debt, **interest payments** have also increased systematically from Rs. 15896 crores to Rs. 42275 crores over the period 2011-2024. Though interest payment as a ratio of revenue expenditure for the state of West Bengal has fallen from 21.7 % in 2011-12 to 17.8 % in 2023-24 (revised estimates), it has always been a lot above the all-state average. According to the budget estimates for the year 2024-25, interest payment to revenue expenditure ratio is likely to be 16.9% for West Bengal as against the all-state average of 11.9%. This basically shows that the burden

of debt is coming in the way of development expenditure of the state.

**Graph 5d: Trend in Interest Payments (Rs Crore)**



**Graph 5e: Interest Payment as a Ratio of Revenue Expenditure**



# **CHAPTER VI**

## **IMPLEMENTATION OF FRBM ACT AND ANALYSIS OF MTFP**

**Chapter VI****Implementation of FRBM Act and  
Analysis of MTFP****6.1 Implementation of FRBM Act And Analysis of MTFP**

The West Bengal Fiscal Responsibility and Budget Management (FRBM) Act, 2010 was enacted in July 2010, followed by an amendment in April 2011 for maintaining the path of fiscal discipline and improving the overall fiscal health of the state.

This Act is aimed at managing/reducing revenue deficit & fiscal deficit and to ensure prudent debt management. In order to provide greater transparency in fiscal operations, the presence of medium-term framework for fiscal policy also plays a very crucial role.

In addition to the usual targets provided under the WBFRBM Act 2010, the recommendations provided by the Fifteenth Central Finance Commission is crucial in meeting the Union and State Governments their fiscal targets. One of the recommendations has been that the State Governments may amend their FRBM Acts to provide for the statutory flexible limits on fiscal deficit.

The Finance Commission has also enunciated that fiscal deficit of all states to be anchored to an annual limit of 3 per cent of GSDP with 0.25 per cent limit of flexibility 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 per cent in the preceding year. State can also have, as per recommendations, a maximum fiscal deficit-GSDP limit of 3.5 per cent in any given year.

### **Box: Special Measures for Covid times**

The Covid-induced lockdowns strangled the economy with a severe contraction to Revenue Receipts for the state. The only ways to go about it were to curtail expenditure or increase borrowings. To allow greater borrowing capacity, the Centre allowed states an additional 2% of borrowing over the existing limit of 3% (as per 14<sup>th</sup> FC) of GSDP. This also changed the previous conditional limit of 3.5% of GSDP to an unconditional limit for Fiscal Deficit to GSDP ratio. Another 0.5% of GSDP was made available to states which chose Option 1 GST compensation borrowing. Given that all states opted for it, the new Fiscal Deficit limit stood at 4% of GSDP. The remaining 1% was to be made available only after implementation of reforms to ration cards, ease of doing business, urban local body/ utility, and power distribution.

## **6.2 Amendments to The West Bengal FRBM Act, 2010**

In compliance with the recommendations of the Twelfth Finance Commission, the West Bengal government enacted the West Bengal Fiscal Responsibility and Budget Management (WBFRBM) Act, 2010. This Act was amended in 2011 and came into effect on 7 February 2011. According to the WBFRBM (Amendment) Act, 2011, fiscal parameter targets would be set for a period of five years commencing from 2010-11. From FY 2015-16, the Medium Term Fiscal Policy Statement (MTFPS) presented revised targets relating to these key fiscal parameters, along with the budget as per statute of the WBFRBM Act.

In light of the COVID-19 pandemic, further amendments were made in March 2020 and February 2021 and it was renamed to the WBFRBM (Amendment) Acts, 2020 and 2021, coming into effect from FY 2019-20 and FY 2020-21, respectively.

The amendment effected in sub-section (2) of section 4 of the WBFRBM Act, 2010 is as under: The target set for Revenue Deficit (RD) relative to Gross State Domestic Product (GSDP) in clause (b) of the principal Act stands omitted from the WBFRBM (Amendment) Acts, 2020 and 2021.

The amended acts proposed a 3.0% limit on the Fiscal Deficit (FD) as percentage of GSDP, in each year up to the end of FY 2024-25 provided that maximum FD as percentage of GSDP shall be limited to 3.34% and 5% for FY 2019-20 and FY 2020-21, respectively. The WBFRBM (Amendment) Act, 2020 sought to limit the total outstanding debt to GSDP to 34.3% for the period between FY 2019-20 to FY 2024-25.

**The Revenue Deficit to Total Revenue Receipt ratio** for the state was 36.55% in 2010-11 and it decreased to a low of 7.47% in FY 2017-18 and 7.12% in FY 2018-19. However, the pandemic period was associated with an almost 3 times increase in FY 2020-21, when the Revenue Deficits reached almost 20% of Total Revenue Receipts. This has later settled down at 13.69% in FY 2022-23 and the Revised Estimates for FY 2023-24 are close to it at 13.54%. The Revenue Deficit to GSDP ratio for the state was 2.79% in FY 2013-14 and it gradually decreased to 0.94% by 2018-19 before shooting up to 2.59% in FY 2020-21, owing to the pandemic.

**Table 6.2.a. Revenue Deficit as a Ratio to Revenue Receipts**

Financial Year	Revenue Deficit (₹ in Crore)	Total Revenue Receipt (₹ in Crore)	Revenue Deficit as a % of Total Revenue Receipt
2010-11	17273.96	47264.20	36.55
2011-12	14571.33	58755.04	24.80
2012-13	13815.13	68295.75	20.23
2013-14	18915.49	72881.79	25.95
2014-15	17137.40	86514.21	19.81
2015-16	9095.06	109732.21	8.29
2016-17	16085.11	117832.45	13.65
2017-18	9806.98	131270.38	7.47
2018-19	10398.66	145975.25	7.12
2019-20	19660.91	142914.21	13.76
2020-21	29527.31	148393.97	19.90
2021-22	32000.29	178159.35	17.96
2022-23	27294.74	195544.17	13.69
2023-24(RE)	28252.83	208659.09	13.54

2024-25(BE)	31951.67	236251.09	13.52
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\*Source: MTFP Statement 2024-25, Government of West Bengal

**The Fiscal Deficit to Total Revenue Receipt ratio** for the state was 41.33% in 2010-11 and reached a low of 21.54% in 2016-17. The pandemic-level high occurred in FY 2020-21 when the ratio reached 30.11%, but this was followed by an expected moderation to 28.43% in FY 2023-24 (RE) and 28.89% in FY 2024-25 (BE). The Fiscal Deficit to GSDP ratio for the state was 3.74 FY 2013-14 and it gradually decreased to 2.62% in 2016-17. Ever since then, the Fiscal Deficit to GSDP ratio has climbed up steadily to reach a high of 3.91% in FY 2020-21, and reaching 3.26% over the following two fiscal years. According to the Revised Estimates for FY 2023-24, the Fiscal Deficit to Total Revenue Receipt ratio is estimated at 28.43% and the Fiscal Deficit to GSDP ratio is estimated at 3.49%. A slight uptick is seen in both numbers for the FY 2024-25 Budget Estimates, with the Fiscal Deficit to Total Revenue Receipt ratio estimated at 28.89% and the Fiscal Deficit to GSDP ratio pegged to be 3.63%.

**Table 6.2.b. Fiscal Deficit to Total Revenue Receipts Ratio**

Financial Year	Fiscal Deficit (₹ in Crore)	Total Revenue Receipt (₹ in Crore)	Fiscal Deficit as a % of Total Revenue Receipt
2010-11	19534.96	47264.20	41.33
2011-12	17704.88	58755.04	30.13
2012-13	19146.64	68295.75	28.03
2013-14	25347.90	72881.79	34.78
2014-15	27345.29	86514.21	31.61
2015-16	20890.69	109732.21	19.04
2016-17	25385.40	117832.45	21.54
2017-18	28930.90	131270.38	22.04
2018-19	33485.55	145975.25	22.94
2019-20	36831.07	142914.21	25.77
2020-21	44687.65	148393.97	30.11
2021-22	50528.42	178159.35	28.36

2022-23	49966.13	195544.17	25.56
2023-24(RE)	59305.99	208659.09	28.43
2024-25(BE)	68250.16	236251.09	28.89

\*Source: MTFP Statement 2024-25, Government of West Bengal

**The Total Outstanding Liabilities to Total Revenue Receipt ratio** for the state was just below 400% in FY 2010-11 and it gradually decreased to 275% in FY 2018-19. Likewise, the outstanding liabilities to GSDP ratio for the state stood at 38.85% in FY 2012-13 and it also reached minimum of 35.69% in FY 2018-19. In the pandemic year FY 2020-21, both the ratios reached decadal highs, with the Liabilities being 3.25 times of Total Revenue Receipts and the Outstanding Liabilities to GSDP ratio coming in at 42.21%. Again, the years following the pandemic have been associated with a recovery in debt figures for West Bengal. According to FY 2023-24 (RE), the Liabilities to Total Revenue Receipt ratio is estimated at 302% and as per FY 2024-25 (BE), it is further reduced to 293%. Similarly, the outstanding liabilities to GSDP ratio is estimated at 37.08% for FY 2023-24 (RE) and the Budget Estimates for FY 2024-25 peg the ratio at 36.88%, see Table 6.2.c below.

**Table 6.2.c. Total Outstanding Debt to Total Revenue Receipts Ratio**

Financial Year	Debt (₹ in Crore)	Total Revenue Receipt (₹ in Crore)	Debt as a % of Total Revenue Receipt
2010-11	187387.40	47264.20	396.47
2011-12	207702.04	58755.04	353.51
2012-13	229778.76	68295.75	336.45
2013-14	251996.59	72881.79	345.76
2014-15	277579.15	86514.21	320.85
2015-16	306042.58	109732.21	278.90
2016-17	337682.41	117832.45	286.58
2017-18	360961.07	131270.38	274.98

2018-19	393299.71	145975.25	269.43
2019-20	433475.00	142914.21	303.30
2020-21	481998.81	148393.97	324.81
2021-22	525621.85	178159.35	295.03
2022-23	574312.67	195544.17	293.70
2023-24(RE)	630783.50	208659.09	302.31
2024-25(BE)	693231.66	236251.09	293.43

\*Source: MTFP Statement 2024-25, Government of West Bengal

State's **Capital Expenditure** has been increasing steadily and consistently as a percentage of State's Fiscal Deficit over the past decade. This has been associated with a strong push across the country toward Capital Expenditure aimed at building the infrastructure needed to power the India of tomorrow in taking advantage of the country's demographic dividend. It increased consistently from 13.48% in FY 2010-11 to 73.41% in FY 2018-19, with massive increases leading up to the pandemic. The pandemic impact is seen as immediately as the first year when it occurred, toward the end of FY 2019-20. We see a major drop below the highs of 73.41% from the year before to a paltry low of 46.80%. The rising demands of the pandemic put huge stress on the fiscal balance, as the balance sheet ballooned and deficits rose in sync. Capital expenditure could not keep up under the stressed fiscal accounts and it was only until FY 2022-23 that the ratio recovered to 45.54% from the decadal lows seen in FY 2021-22 and FY 2022-23. The recovery is expected to continue with both Revised Estimates for FY 2023-24 and Budget Estimates for FY 2024-25 expecting the ratio to be around 53%.

**Table 6.2.d. Capital Expenditure to Fiscal Deficit Ratio**

Financial Year	Capital Expenditure (₹ in Crore)	Fiscal Deficit (₹ in Crore)	Capital Expenditure as a % of Fiscal Deficit
2010-11	2633.48	19534.96	13.48
2011-12	3211.72	17704.88	18.14
2012-13	5611.73	19146.64	29.31

2013-14	7590.25	25347.90	29.94
2014-15	10383.39	27345.29	37.97
2015-16	13280.99	20890.69	63.57
2016-17	12533.63	25385.40	49.37
2017-18	19337.52	28930.90	66.84
2018-19	24582.81	33485.55	73.41
2019-20	17236.83	36831.07	46.80
2020-21	15310.49	44687.65	34.26
2021-22	18586.18	50528.42	36.78
2022-23	22753.27	49966.13	45.54
2023-24(RE)	31539.46	59305.99	53.18
2024-25(BE)	36485.85	68250.16	53.46

\*Source: MTFP Statement 2024-25, Government of West Bengal

State's **Revenue Expenditure** as percentage of Total Revenue Receipt has fallen from the highs seen in FY 2010-11 and FY 2021-12 when the ratio reached 136.55% and 124.80%, respectively. The State's drive towards revenue self-sufficiency has been largely successful with ratio of Revenue Expenditure to Revenue Receipts improving to 107% for FY 2017-18 and FY 2018-19. The pandemic brought on greater Revenue Expenditures while the Revenue Receipts could not keep pace with them. This led to a slight increase to 119.89% in FY 2020-21, but this has largely been met with increased Revenue Receipts as part of the post-Covid recovery that has been seen ever since. The improvement is expected to continue as per the latest Budget numbers which forecast Revenue Expenditures as a percentage of Revenue Receipts to stay at 113% for FY 2023-24 (RE) and FY 2024-25 (BE).

**Table 6.2.e. Revenue Expenditure to Revenue Receipts Ratio**

Financial Year	₹ in crore		Revenue Expenditure as a % of Revenue Receipt
	Revenue Receipt	Revenue Expenditure	
2010-11	47264.20	64538.16	136.55
2011-12	58755.04	73326.37	124.80
2012-13	68295.75	82110.88	120.23
2013-14	72881.79	91797.27	125.95
2014-15	86514.21	103651.61	119.81
2015-16	109732.21	118827.26	108.29

2016-17	117832.45	133917.56	113.65
2017-18	131270.38	141077.36	107.47
2018-19	145975.25	156373.91	107.12
2019-20	142914.21	162575.12	113.76
2020-21	148393.97	177921.28	119.89
2021-22	178159.35	210159.64	117.96
2022-23	195544.17	222838.91	113.96
2023-24(RE)	208659.09	236911.92	113.54
2024-25(BE)	236251.09	268202.76	113.53

\*Source: MTFP Statement 2024-25, Government of West Bengal

**Interest Payment as a percentage of Revenue Receipts:** State's Interest payments have increased steadily over the years, with the total Interest Payments tripling since FY 2010-11. This rise has been associated with steady Revenue Receipt growth, and the Interest Payments as a percentage of Revenue Receipts has actually declined since the early years of the last decade. The ratio stood at 29.23% in FY 2010-11 but fell to a low of 19.81% over a span of only 9 years. The pre-pandemic low in FY 2018-19 is yet to be reached due to the hit to Revenue Receipts as well as the greater Interest Payments from the increased borrowings incurred during the pandemic. Hence, the ratio has recovered to hover around 20% between FY 2021-22 and FY 2023-24 (RE). The latest Budget numbers peg the ratio to fall to decadal lows of 19.17% by 2024-25 (BE).

**Table 6.2.f. Interest Payment as a Ratio of Revenue Receipts**

Financial Year	Interest (₹ in Crore)	Revenue Receipt (₹ in Crore)	Interest as a % of Revenue Receipt
2010-11	13817.30	47264.20	29.23
2011-12	15895.99	58755.04	27.05
2012-13	17570.70	68295.75	25.73
2013-14	20756.81	72881.79	28.48
2014-15	21587.99	86514.21	24.95
2015-16	23114.92	109732.21	21.06
2016-17	25702.85	117832.45	21.81

2017-18	28073.76	131270.38	21.39
2018-19	28911.14	145975.25	19.81
2019-20	31667.72	142914.21	22.16
2020-21	33781.51	148393.97	22.76
2021-22	36672.21	178159.35	20.58
2022-23	40017.84	195544.17	20.47
2023-24(RE)	42275.27	208659.09	20.26
2024-25(BE)	45268.86	236251.09	19.17

\*Source: MTFP Statement 2024-25, Government of West Bengal

## 6.3 Fiscal Achievements under MTFP

### Revenue Deficit as a Ratio of GSDP

**Table 6.3.a. Revenue Deficit as a Ratio of GSDP**

Financial Year	FC Target (BE)	First Year (RE)	Actuals	BE Gap	RE Gap
2013-14	0.49	1.70	2.79	2.30	1.09
2014-15	0.00	1.29	2.39	2.39	1.10
2015-16	0.00	1.03	1.14	1.14	0.11
2016-17	0.00	0.96	1.84	1.84	0.88
2017-18	0.00	1.11	1.01	1.01	-0.10
2018-19	0.00	0.65	0.94	0.94	0.29
2019-20	0.00	0.48	1.67	1.67	1.19
2020-21	0.00	2.54	2.59	2.59	0.05
2021-22	1.77	2.15	2.41	0.64	0.26
2022-23	1.65	2.55	1.78	0.13	-0.77
2023-24	1.80	1.66	N/A		
2024-25	1.70	N/A	N/A		

\*Source: MTFP Report of different years, Government of West Bengal

## Fiscal Deficit as a Ratio to GSDP

**Table 6.3.b. Fiscal Deficit as a Ratio to GSDP**

Financial Year	FC Target (BE)	First Year (RE)	Actuals	BE Gap	RE Gap
2013-14	1.89	3.08	3.74	1.85	0.66
2014-15	1.87	2.98	3.81	1.94	0.83
2015-16	1.74	2.68	2.62	0.88	-0.06
2016-17	1.96	2.56	2.91	0.95	0.35
2017-18	1.95	3.00	2.97	1.02	-0.03
2018-19	2.27	2.83	3.04	0.77	0.21
2019-20	2.07	2.63	3.12	1.05	0.49
2020-21	2.18	2.54	3.91	1.73	1.37
2021-22	1.77	3.48	3.80	2.03	0.32
2022-23	3.64	3.98	3.26	-0.38	-0.72
2023-24	3.83	3.49	N/A		
2024-25	3.63	N/A	N/A		

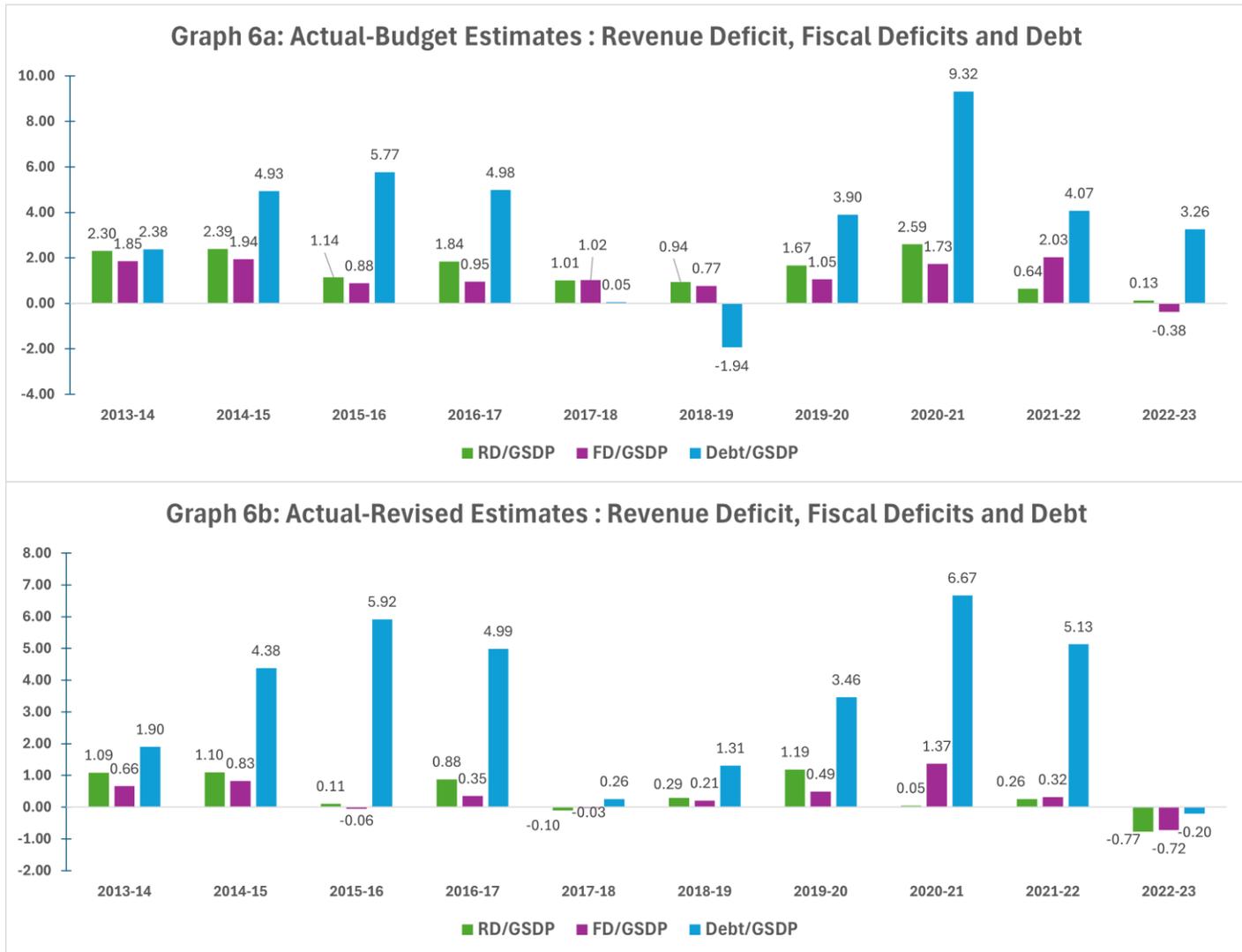
\*Source: MTFP Report of different years, Government of West Bengal

## Total Outstanding Debt as a Ratio to GSDP

**Table 6.3.c. Total Outstanding Debt as a Ratio to GSDP**

Financial Year	FC Target (BE)	First Year (RE)	Actuals	BE Gap	RE Gap
2013-14	34.85	35.33	37.23	2.38	1.90
2014-15	33.73	34.28	38.66	4.93	4.38
2015-16	32.61	32.46	38.38	5.77	5.92
2016-17	33.72	33.71	38.70	4.98	4.99
2017-18	36.98	36.77	37.03	0.05	0.26
2018-19	37.63	34.38	35.69	-1.94	1.31
2019-20	32.86	33.30	36.76	3.90	3.46
2020-21	32.89	35.54	42.21	9.32	6.67
2021-22	35.47	34.41	39.54	4.07	5.13
2022-23	34.23	37.69	37.49	3.26	-0.20
2023-24	37.67	37.08			
2024-25	36.88				

\* Source: MTFP Report of different years, Government of West Bengal and RBI, Study of State Finances



It can be inferred from the above tables that actual values for Revenue Deficit, Fiscal Deficit and Public Debt were usually greater than the Budget estimates following targets given as per the MTFP. Yet what must be recognized is the improvements made towards achieving the fiscal targets leading up to the pandemic. It was only during FY 2020-21 that we see an outsized gap between the targets which is largely due to the unexpected nature of the pandemic which required massive borrowing and spending on the part of the government.

As soon as the post-pandemic recovery of the economy kicked in, the State government took up the task of continued fiscal consolidation as can be seen with the gaps further reducing in the actual numbers for FY 2021-22 and the huge

improvements in FY 2022-23. The Covid-time revised FRLs for states in FY 2020-21 allowed for additional 2% borrowing over and above the 3% borrowing limit, this was provided by the Union government as part of the 'Atmanirbhar Bharat' fiscal stimulus package to deal with the pandemic-induced economic contraction.

While the states had been given the green light to relax their Fiscal Deficit targets to as much as 5% of GSDP in the pandemic year of FY 2020-21, it must be kept in mind that the Budget Estimate figures for that year were made before the pandemic hit. This explains the Budget Estimates for FY 2020-21 which were made adhering to the previous limit of 3% of GSDP and conditional limit of 3.5% as stipulated by the 14<sup>th</sup> Finance Commission.

#### **6.4 Off-budget borrowings**

Article 293(1) of the Constitution of India governs borrowings of the State Governments, under which the State Governments can borrow money within the territory of India upon security of the Consolidated Fund of the State.

Article 293(3) of the Constitution of India limits such borrowings under the regulation that the State must obtain prior consent of the Government of India to raise any loan.

The State Government is, therefore, required to provide the Government of India with the financial statements showing the estimates of receipts and repayments of all sources of borrowings including open market borrowings, other liabilities arising out of Public Account transfers etc. Based on this, the Government of India gives its consent for raising loans and fixes the borrowing ceiling for the State Government. In FY 2020-21, Net Borrowing of the State was fixed at 3.0% of the estimated GSDP by the Government of India. This action was taken in line with recommendations of the Finance Commission.

Off-budget borrowings refer to those financial resources that are not reflected in the budget. Hence, they are funds used by the State Government for meeting expenditure requirements in particular years without seeking grant/appropriation from the Government of India. Off-budget borrowings remain outside Legislative control. They are financed through State-owned or controlled PSEs (public sector enterprises or societies), which raise these funds through market borrowing made

on behalf of the State Government. However, they are contingent liabilities of the State Government and must be repaid, with the debt serviced through the budget, in the event that PSEs are unable to pay them back.

As discussed earlier, in the pandemic year of FY 2020-21, the Government of West Bengal resorted to off-budget borrowing amounting Rs. 4,312 crore through six statutory bodies/State Government company by means of Cash Credit Loan (CCL) for financing its revenue spending during the financial year. Though these entities borrowed funds for financing various Government schemes, the expenditure on account of such borrowings are not disclosed in the budget or in the Finance Accounts of the State.

**Table 6.4.a: Off-budget borrowings for FY 2020-21**

Sl. No.	Loans raised by	Purpose of loans taken	Amount of loans raised (₹ in crore)	Principal repayment of loans (₹ in crore)	Outstanding at the end of the year (₹ in crore)
1	Swasthya Sathi Samiti under Health & Family Welfare department	Swasthya Sathi Scheme	720.66	551.24	169.41
2	West Bengal State Seed Corporation Ltd under Agriculture department	Crop Insurance Coverage to farmers under Bangla Shasthya Bima Yojana (BSBY)	638.16	638.16	-
		Farmers' Old age pension (FOAP) under Jai Bangla Scheme 2020	16.44	16.44	-
3	West Bengal Folk & Tribal Cultural Centre under Information & Cultural Affairs department	Jai Bangla Scheme 2020 & Lok Prasar Prakalpa	75.2	75.2	-

4	West Bengal Comprehensive Area Development Corporation under Panchayat & Rural Development department	Jai Bangla Scheme 2020	396.61	-	396.61
5	West Bengal Women Development Undertaking under Women Child Development and Social Welfare department	Kanyashree	1122.17	746.9	375.27
		Rupashree	485.93	353.56	132.37
		Jai Bangla Scheme 2020	365.12	353.42	11.7
6	West Bengal Scheduled Castes Scheduled Tribes and Other Backward Classes Development and Finance Corporation under the control of Backward Classes Welfare department	Taposili Bandhu & Jai Johor Pension Scheme under Jai Bangla Scheme 2020	491.5	491.5	-
<b>Total</b>			<b>4311.79</b>	<b>3226.42</b>	<b>1085.36</b>

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# **CHAPTER VII**

## **FISCAL DECENTRALISATION**

## Chapter VII

## Fiscal Decentralisation

### 7.1 History of Urban Development in West Bengal

The urban governance structure of West Bengal operates through 118 Municipalities/Notified Area Authorities and seven Municipal Corporations. The Urban Development Branch of the Urban Development & Municipal Affairs Department comprises three primary wings: Metropolitan Development (MD), Town and Country Planning (T&CP), and Urban Land Ceiling (ULC), each with a distinct historical evolution.

Following the partition of Bengal in 1947, a massive influx of people from East Pakistan (now Bangladesh) led to rapid population growth in Calcutta. Geographically constrained by the Hooghly River to the west and marshlands to the east, the city could only expand longitudinally. In response, Dr. Bidhan Chandra Roy, the then Chief Minister of West Bengal, sought to establish Kalyani, a planned city 30 miles north of Calcutta, to accommodate the displaced population. However, this initiative faced limited success, prompting the development of Salt Lake as an alternative.

On September 18, 1953, Dr. Roy invited Dutch engineers from Nedeco to survey the saltwater lakes. This marked the beginning of a large-scale reclamation project. In February 1955, the government issued a gazette notification to acquire 173.4 acres in the Salt Lake area. By May 1956, land acquisition was completed, and the reclamation of swampy terrain was entrusted to the Yugoslav firm Invest Import through a global tender. The reclamation process began in earnest on April 16, 1962, when Dr. Roy inaugurated a pipeline to deliver sandy slurry from the Hooghly River. Sector I of the Salt Lake Township was completed by 1965, followed by Sectors II and III in 1969. These sectors were primarily residential, while Sectors IV and V later evolved into commercial zones with attractions like Jhilmil (Safari Park) and resettlement blocks.

In 1961, the Kolkata Metropolitan Planning Organization (KMPO), India's first of its kind, was established under the Development and Planning Department to

draft a comprehensive development plan for Calcutta. The Kolkata Metropolitan Area (KMA), the largest urban agglomeration in eastern India, spans 1,886.67 square kilometers and includes three Municipal Corporations (including Kolkata), 39 Municipalities, and Panchayat Samities. According to the 2011 Census, KMA housed approximately 17 million people out of West Bengal's total urban population of 29 million.

The Kolkata Metropolitan Development Authority (KMDA) was formed in 1970 under a Presidential Ordinance and was later formalized by the KMDA Act of 1972. Initially, KMDA served as a development agency focused on major infrastructure projects within KMA. With the introduction of the West Bengal Town & Country (Planning & Development) Act in 1979, KMDA was designated as the statutory planning and development authority for the region. KMDA functions as a parastatal body under the administrative control of the Urban Development & Municipal Affairs Department.

In addition to KMDA, the department has established 18 other Development Authorities across the state under the West Bengal Town & Country (Planning) Act, 1979. These authorities aim to ensure comprehensive regional development and prepare Land Use Development and Control Plans (LUDCP) for their respective areas. These initiatives underscore the department's commitment to fostering balanced urban development and effective land use planning throughout West Bengal.

In the pursuit of holistic urban development in West Bengal, additional initiatives were undertaken in specific local areas, such as the Kanchrapara Area Development Scheme, which included the creation of Kalyani Township and Patipukur Township during the 1950s and 1960s. These projects were managed by the Development & Planning Department, and as they gained significance, two dedicated offices, namely the Kalyani Estate Office and the Patipukur Estate Office, were established under the department.

In 1966, the Calcutta Metropolitan Water & Sanitation Authority (CMW&SA) was formed to address the escalating urban challenges within the Kolkata Metropolitan Area (KMA). The authority was tasked with implementing large-scale urban infrastructure projects to curb the rapid environmental degradation of Kolkata and meet the rising aspirations of its growing population.

The groundwork for urban infrastructure development in Kolkata dates back to 1912, when the Calcutta Improvement Trust (CIT) commenced operations under the Calcutta Improvement Trust Act, 1911. Later, both CIT and the Calcutta Metropolitan Water & Sanitation Authority (CMW&SA) were integrated into the Kolkata Metropolitan Development Authority (KMDA) on April 28, 2017, through the Kolkata Improvement Trust and Kolkata Metropolitan Water & Sanitation Authority Repealing Act. This integration, supported by amendments to the West Bengal Town & Country (Planning & Development) Act, 2017, aimed to streamline administrative processes and expedite urban development projects within KMA.

The Urban Land Ceiling Branch was established under the Urban Land (Ceiling & Regulation) Act, 1976, with its headquarters in Kolkata and sub-divisional offices in the districts. Initially managed by the Land and Land Reforms Department, it was later transferred to the Urban Development Department, enhancing its alignment with urban development policies.

In the late 1960s, the Hooghly River Bridge Commissioners (HRBC) was formed under the HRBC Act, 1969, to oversee the construction of the third bridge across the Hooghly River. However, the HRBC was later transferred to the Transport Department.

As urbanization intensified and the demand for housing and commercial spaces soared, New Town, Kolkata, was developed on the eastern outskirts of the city. This planned township aimed to achieve two critical objectives: reducing the strain on existing Central Business Districts (CBDs) by establishing a new business hub and expanding the housing stock by creating residential units. The New Town Kolkata Development Authority (NKDA) was constituted under The New Town Kolkata Development Authority Act, 2007 (West Bengal Act XXX of 2007). Operational since November 2008, the NKDA was tasked with providing civic amenities and infrastructure within New Town, Kolkata. The township spans 34 mouzas, which include areas under the jurisdiction of the Airport Police Station, Rajarhat Police Station, and Kolkata Leather Complex Police Station.

The NKDA was endowed with various powers and responsibilities under the Act,

functioning as a transitional authority paving the way for the establishment of an Urban Local Body (ULB) to oversee the township's long-term governance and development.

## **7.2 Summary of Acts and Amendments in Municipal Governance**

The Department of Urban Development & Municipal Affairs, as it exists today, was formed through the merger of the Urban Development Department and the Municipal Affairs Department under the Government of West Bengal. This merger was formalized by an order from the Home Department (No. 1006 - Home (Cons) / R2R (Cons)-08/2016, dated December 19, 2016), combining the two domains to ensure a more streamlined approach to urban governance and development.

Urban governance in West Bengal, administered through Urban Local Bodies (ULBs) such as Municipal Corporations, Municipalities, and Notified Area Authorities, has a rich history that dates back to the British colonial period. The first municipal institution under British rule was the Municipal Corporation established in Madras (now Chennai) in 1688, designed primarily to transfer financial responsibility for local administration to the newly formed corporation. The foundation of municipal governance was further cemented in the early 18th century with the establishment of the Mayor's Courts in the three Presidency towns of Madras, Bombay (now Mumbai), and Calcutta (now Kolkata) under the Royal Charter of 1720.

In 1882, the then Viceroy of India, Lord Ripon, introduced a landmark resolution on local self-government. This resolution laid the foundation for democratic municipal governance in India and remains a cornerstone of the present system. It emphasized decentralization and the active participation of local communities in municipal affairs. The principles outlined in Lord Ripon's resolution were later codified in the Government of India Act of 1919, which recognized the importance of empowering democratically elected municipal bodies. This act marked a significant milestone in the evolution of urban local bodies in India.

The Government of India Act of 1935 furthered this process by bringing local governance under the jurisdiction of provincial governments, granting specific powers to local self-governments. This legislative framework paved the way for the growth and development of municipal governance across the country.

Kolkata Municipal Corporation (KMC), formerly known as Calcutta Municipal Corporation, holds the distinction of being one of the oldest municipal institutions in India. Its origins can be traced back to 1726 when a Mayor's Court was established in Calcutta under a Royal Charter. With the designation of Calcutta as the capital of British India in 1773, the city's municipal services expanded significantly. The introduction of the electoral system in 1847 marked the beginning of modern municipal governance in Calcutta.

In 1876, a new corporation was formed with 72 Commissioners, initiating a more organized structure. In 1923, Rashtraguru Surendranath Banerjee, the first minister for local self-government, brought about significant reforms, ensuring the continued evolution and strengthening of the corporation. Later, the Calcutta Corporation Act of 1980 introduced further systemic changes, making municipal services more efficient and structured. These reforms, implemented in 1984, significantly improved the functioning of the corporation and established the framework for the modern-day Kolkata Municipal Corporation.

The Bengal Municipal Act of 1884 served as the legal framework for municipal governance in Bengal for nearly half a century. However, in response to growing urbanization and the evolving needs of local governance, significant efforts were made to reform this legislation. In 1923, Surendranath Banerjee, the then Minister-in-Charge of Local Self-Government in the Bengal Provincial Government, drafted a progressive bill to modernize municipal governance. Unfortunately, this bill was not passed in the Bengal Legislative Council. It was only in 1932 that a revised version of the bill was enacted, becoming the Bengal Municipal Act, 1932.

This Act introduced innovative changes in municipal governance, laying a solid foundation for local self-governance in the presidency. However, the post-Independence era presented new challenges due to rapid urbanization. The Bengal Municipal Act, 1932, was amended multiple times between 1960 and 1980, with significant changes introduced to adapt to the growing urban population. One of the most notable reforms came in 1962 with the introduction of universal adult franchise for local body elections. This marked a significant milestone in democratizing municipal governance and expanding public participation in local decision-making.

By the late 20th century, the Bengal Municipal Act, 1932, despite numerous amendments, was no longer adequate to address the complexities of urban governance. Urbanization had accelerated, and municipal bodies were struggling to meet the needs of the rapidly expanding urban population. The number of municipal towns in West Bengal had grown from 93 in 1951 to 122 by 2000, underscoring the need for a comprehensive legislative overhaul. Recognizing this, the Bengal Municipal Act, 1932, was replaced by the West Bengal Municipal Act, 1993.

The West Bengal Municipal Act, 1993, was a landmark reform in the state's municipal governance history. Although the bill was initially awaiting the President's assent, the enactment of the 74th Constitutional Amendment Act, 1992, prompted revisions to incorporate the new constitutional provisions. The amended bill was passed by the State Assembly in 1993 and subsequently amended multiple times—in 1994, 1996, 1997, 1999, and 2000—to address implementation challenges and refine its provisions.

The 1993 Act introduced significant changes that strengthened municipal governance in West Bengal. It was widely praised by academicians and constitutional experts for its progressive approach to decentralization, municipal autonomy, and the structure of urban governance. The Act was noted for being ahead of similar legislation in other states, reflecting West Bengal's commitment to effective urban management.

A key catalyst for these reforms was the 74th Constitutional Amendment Act, 1992. This Amendment was transformative for urban local bodies (ULBs) across India, as it recognized them as the third tier of governance, alongside the central and state governments. It mandated the empowerment of ULBs with specific functions and responsibilities to enable them to operate as institutions of self-governance. The Amendment provided a constitutional framework for state legislatures to guide the assignment of responsibilities to municipalities and to promote their financial and administrative autonomy. In West Bengal, the provisions of the 74th Amendment were seamlessly integrated into the West Bengal Municipal Act, 1993, ensuring that the state's urban local bodies were well-equipped to address the challenges of modern urban governance.

There have been provisions in the Amendment Act with regard to the role, power, The 74th Constitutional Amendment Act brought transformative changes to urban governance by firmly establishing Urban Local Bodies (ULBs) as the third tier of government, alongside the central and state governments. This historic legislation emphasized decentralization, democratic participation, and the empowerment of local governments to address urban challenges more effectively. By prescribing a near-uniform structure for local government across the country, it created a standardized framework for municipal governance, which was particularly significant in states like West Bengal, where urbanization was advancing rapidly.

Before this enactment, ULBs across India struggled with limited functions and inadequate financial powers, largely because many states were reluctant to fully recognize their role. The Amendment rectified this by assigning ULBs specific responsibilities, powers, and access to finances, thereby enabling them to function as institutions of self-governance. This shift not only strengthened local democracy but also ensured that urban governance could respond more effectively to the needs of growing cities.

In West Bengal, alongside legislative changes, the 1970s and 1980s marked a period of significant institutional reforms to modernize municipal administration. This evolution was driven by the state's need to adapt to the challenges posed by rapid urbanization. The reforms focused on three key areas: improving the resource base of ULBs, introducing better financial management practices, and enhancing cost recovery and operational efficiency in urban service delivery. These reforms were vital for ensuring that municipalities could sustain and improve infrastructure and services in a rapidly urbanizing state.

To support these goals, the Government of West Bengal replaced the "Local Government and Urban Development Department" with the "Municipal Affairs Department," reflecting a broader and more dynamic approach to urban governance. Municipal Affairs Department created four wings to help the municipalities to perform their functions more efficiently. The Directorate of Local Bodies is concerned with all administrative and legal matters besides the administering of municipal acts. The Municipal Engineering Directorate provides technical assistance to local bodies. The State Valuation Board revises the assessment of property tax every five years and the Institute of Local Government

and Urban Studies is assigned the responsibility of training the personnel and functionaries at different levels of municipalities and developing a data bank on municipal affairs for research.

### 7.3 History of Rural Development in West Bengal

**Table 7.3.a: Basic Statistics concerning Panchayati Raj in West Bengal**

Sl. No.	Level of Panchayat	Name used	No.
1	District Panchayat	Zilla Parishad	18
2	Intermediate Panchayat	Panchayat Samiti	341
3	Village Panchayat	Gram Panchayat	3354
		Total	3713

West Bengal has a long-established tradition of rural local self-government. During the British colonial period, Chowkidari Panchayats were introduced in 1870 across groups of villages to primarily maintain law and order. Shortly after, with the enactment of the Bengal Local Self-government Act of 1885, a formal system of local self-government was implemented. This included the creation of District Boards at the district level, Local Boards at the sub-division level, and Union Committees at the village group level. A Royal Commission on Decentralization (1907-1909) recommended granting local self-government institutions a degree of autonomy, which resulted in the passage of the Bengal Village Self-government Act of 1919. This act merged the Chowkidari Union and Union Committees into a single body, the Union Board, at the village level, which remained in place until the 1950s.

In 1957, the National Development Council appointed the Balwantray Mehta Committee to propose improvements for the Community Development Programme and the National Extension Services. The Committee recommended a shift towards democratic decentralization, advocating for a three-tier Panchayat system based on universal adult suffrage. This change aimed to ensure greater public involvement in development activities and a genuine transfer of power, responsibility, and resources to Panchayati Raj institutions. In line with these recommendations, the West Bengal

Panchayat Act of 1957 established a two-tier Panchayat system at the village and union levels. Further reforms were introduced with the West Bengal Zilla Parishads Act of 1963, which added tiers at the block and district levels, creating a four-tier structure that included the Zilla Parishad, Anchalik Parishad, Anchal Panchayat, and Gram Panchayat. However, due to various challenges, this system became ineffective, and these bodies were eventually dissolved in the late 1960s.

A significant legislative development came in 1973 with the enactment of the West Bengal Panchayat Act, which established a three-tier system consisting of the Zilla Parishad at the district level, Panchayati Samiti at the block level, and Gram Panchayat at the anchal (cluster of villages) level. This Act, which came into force on January 1, 1974, applied to most parts of the state, excluding certain areas such as coalfields in Burdwan, Bankura, and Purulia districts, as well as tea gardens, cinchona plantations, and reserve forests. The first Panchayat elections under this Act were held in June 1978, and elections have since been conducted regularly, with subsequent elections in 1983, 1988, 1993, 1998, and 2003, adhering to a five-year cycle. These elections have been held with active participation from political parties and have used universal adult suffrage.

As of now, the Act has been amended twenty-six times. Notably, the Act was extended to the tea gardens, cinchona plantations, and forest areas in the 1998 Panchayat General Election. Furthermore, West Bengal preemptively aligned with the 73<sup>rd</sup> Constitutional Amendment Act of 1992 by establishing the Gram Sabha (village assembly) and implementing measures to reserve one-third of Panchayat seats for women and provide proportional representation for Scheduled Castes and Scheduled Tribes. The West Bengal State Election Commission was established in 1994, and it has since been responsible for overseeing elections to both rural and urban local self-governments.

A significant amendment to the Act occurred in 1988, granting limited autonomy to the Darjeeling Hill Areas through the formation of the Darjeeling Gorkha Hill Council, while the Siliguri Mahakuma Parishad was established with full Zilla Parishad powers for the Siliguri Sub-division. Currently, West Bengal has 18 Zilla Parishads, including one Mahakuma Parishad, 341 Panchayat Samitis (of which eight are in the hill areas of Darjeeling district), and 3,354 Gram Panchayats (including 112 in the hill areas of Darjeeling district). Elections for eight Panchayat Samitis and 112 Gram Panchayats in the Darjeeling hill areas are currently overdue.

## 7.4 Decentralisation today

The concept of decentralization encompasses a wide variety of institutional restructuring. Fiscal decentralization of State Power is assumed to provide necessary resources to local Governments, both at Rural and Urban level and instill a sense of fiscal accountability through assignment of expenditures and taxes.

Given India's size and diversity, decentralization is very important for the country's strategy for poverty reduction. From the first central initiative to establish local governments in 1957 to the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment in 1992 and 1993, the country has moved in this direction. The two constitutional amendment established mandatory provisions for decentralization to local governments in India. The subsequent State and Municipal Acts created a policy conducive to decentralized governance, and these are being strengthened through devolution of resources, such as centrally sponsored schemes and finance commission block grants.

Apart from the central finance commission, Article 243-I of the Indian constitution also provides for the Constitution of Local Finance Commission by the Governor of the state to review financial position of the Panchayats and to make recommendations to the Governor as to improve their financial position. Following this constitutional provision the Governor of West Bengal has appointed four State Finance Commissions.

Among the states that are said to have progressed substantially in the sphere of decentralized planning, West Bengal is certainly in the forefront. Compared to the states of Rajasthan, Maharastra, Karnataka and Orissa which recognized its importance during the Fifth Plan period, West Bengal is a late starter which delved into micro-level planning only in mid-eighties in the commencing year of the Seventh Five Year Plan.

The first SFC was set up in 1994 under the chairmanship of Satyabrata Sen which submitted its report in the year 1995. This happened to be the first SFC report of the country itself. The major observation of the Commission was that the LSG institutions will not be able to discharge their responsibilities without adequate funds and staff. It implied that they will have to depend heavily on grants-in-aid and sharing of taxes with the State Government and on the continuation of grants

from the Union Government through poverty alleviation and other schemes. The Commission therefore suggested ways to give the local bodies more powers.

The Second SFC was constituted in the year 2000 under the Chairmanship of Prof. Deb Kumar Basu. The Commission submitted its report in the year 2002. The Commission endorsed the basic framework of the First SFC allocation structure and indicators used including the recommendation of 16 % of State taxes as Untied Fund, of which 0.32 % was to be earmarked as incentive fund to be reserved at the state level while another 0.04 % was to be earmarked for the hill areas. The commission however modified the indicators for allotment and suggested a minimum allotment of Rs. 700 Crore to the local bodies. The Commission pursued the same logic of protecting the current level of decentralisation advocated by the first commission.

The third State Finance Commission was constituted in the year 2006 under the chairmanship of Dr. Sukhbilas Barma emphasized on effective devolution in conformity with the Constitutional provisions to ensure grass root level planning for economic development. The Commission recommended for an untied fund allocation to the tune of Rs. 800 crore constituting around 5% of the State's own net tax revenue for 2008-09 with an annual increase of 12% for subsequent financial years. In absence of any specific expenditure assignment or any assessment of cost of delivery of services of a minimum specified standard, the entitlements were worked out more on the basis of what the state can spare rather than what the local bodies need. The approach of this Commission in working out the entitlements of the local bodies was a noticeable departure from the two preceding Commissions in the way that they recommended initial splitting of the recommended allocation into ULB and RLB segments rather than work out the district entitlements first.

The Government of West Bengal constituted the Fourth State Finance Commission on 30.04.2013. It recommended devolutions to rural and urban bodies on four basic considerations: (a) the time series of own tax revenue of the state; (b) the time series of actual devolution by the state to its local bodies and its proportion to the state's total tax revenue; (c) devolution by the Fourteenth Finance Commission to the local bodies of the state; and (d) the actual requirement by the local bodies for their smooth.

The Commission even though acknowledged the effort by state government to

rejuvenate the local bodies noted that compared to past devolutions the state government was able to devolve only about 30% or even less of what had been recommended by the earlier Finance Commissions. Accordingly, it recommended that annually 2.5% of the own tax revenue of the state be devolved to the local bodies for the period 2015-16 to 2019-20 and deviations from this norm to be minimized as per feasibility. The recommended devolution, being 2.5% of the tax revenue was around Rs 1103.80 crore for the year 2015-16. Thereafter, it was suggested to grow annually at the rate of 15% with a general caveat that if in a particular year the state's own tax revenue grows by less than 15%, the recommended devolution is 2.5% of the actual tax revenue.

According to fourth state finance commission report, the tax devolution has increased from Rs 198 crores in 2006-07 to Rs 912 crores in 2014-15. The devolution with respect to own-tax revenue although has fluctuated from 2.31% in 2014-15 to 1.48% in 2010-11.

The Government of West Bengal constituted the Fifth State Finance Commission on 23.05.2022, under the chairmanship of Dr. Abhirup Sarkar. Professor (Retd.), Indian Statistical Institute (ISI), Kolkata. The Fourth State Finance Commission submitted its report on 2nd March, 2016 and the Action Taken Report against it was tabled before the West Bengal Legislative Assembly on 20th June, 2022. The reference period of recommendations of the 4th SFC was from 2015-16 to 2019-20 and the reference period for the Fifth State Finance Commission is from 2020-21 to 2024-25. Given that the 5th SFC was constituted after two years from the time its recommendations should have been implemented, an interim report was prepared and submitted in November 2022. Till a full report is submitted, they recommended continuing the horizontal devolution matrix constituted by the 4th SFC.

The 5<sup>th</sup> SFC noted that the Fourth State Finance Commission recommended grants to the tune of Rs.1103.80 crore for the financial year 2015-16 and progressive enhancement at the rate of 15% per annum from 2016-17 to 2019-20. The State Government in their ATR, however, agreed to devolve Rs.900 crore to the Local bodies for the year 2016-17 with an annual increase of 3% from 2017-18 to 2019-20. Actual devolution, however, was not in conformity with the commitment in the ATR. For a detailed view of the actual versus targeted numbers, see Table 7b below.

The 5<sup>th</sup> SFC did not have enough time to visit the field due to delays caused in constituting the commission owing to the pandemic. Hence, they relied on data collected in meetings with representatives of the P&RD, Urban Development and Municipal Affairs and the Finance Department. The recommendations of the 15<sup>th</sup> Finance Commission have also been taken into account by the 5<sup>th</sup> SFC. Under the 15<sup>th</sup> FC, the quantum of grants for rural local bodies and urban local bodies from the total allocation of grants is based on the ratio 67:33 for the first two years of 2021-22 and 2022-23, 66:34 in the next two years of 2023-24 and 2024-25 and 65:35 in the last year of the award, namely 2025-26. Unlike the 14<sup>th</sup> FC which recommended grant in favour of Gram Panchayats only, the 15<sup>th</sup> FC considered that grants should go to all the three tiers of Panchayati Raj institutions. They considered that the three tiers are parts of one system and are interlinked through backward and forward linkages.

As regards RLB, the 15<sup>th</sup> FC's recommendations are for two types of Grants — (i) Basic (Untied) Grant and (ii) Tied Grant. 40% of the total grants would be untied grants. Of the remaining 60% to be spent as tied grant, 30% shall be earmarked for sanitation and maintenance of ODF status and this should include management and treatment of household waste. Remaining 30% shall be earmarked for drinking water, rainwater harvesting and water recycling.

As for ULBs 40% of the total grant, to be treated as Untied Grant, can be spent on felt needs under the 18 subjects enshrined in the 12<sup>th</sup> Schedule except Salary and Establishment Cost. Of the remaining 60%, to be spent as Tied Grant, 50% will be earmarked for sanitation and solid waste management and the other 50% for Drinking water, rainwater harvesting and water recycling.

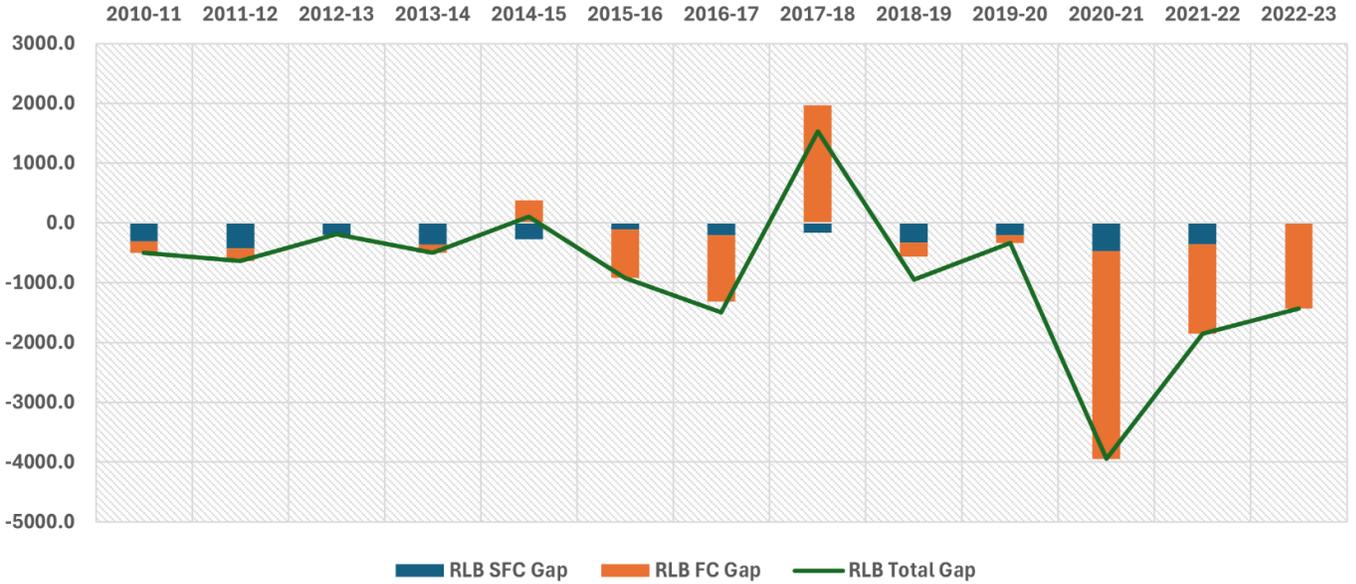
Thus, it appears that the Rural Local Bodies in West Bengal are likely to get a sum of Rs.17,199 crore from 15<sup>th</sup> FC during 2021-2026 while the entitlements of the Urban Local Bodies will be Rs.8792 crore. A detailed analysis has been conducted in Table 7a below.

**Table 7.a. Comparison of Untied fund recommendation vis-à-vis released during 3rd, 4th and 5th SFC and 13th, 14th and 15th FC**  
(Rs Crore)

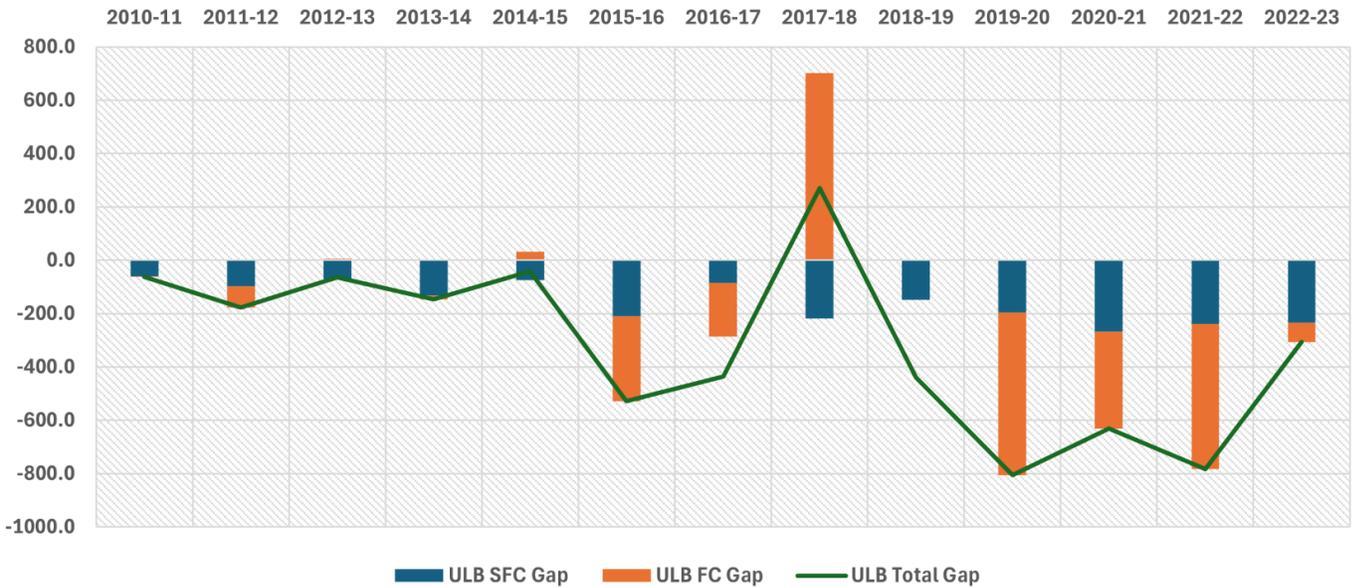
	2024-25	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	Proposed/Actual	Local Bodies
		1599.8	141.0	584.0	584.0	590.0	573.0	556.0	540.0	631.3	956.7	854.2	762.7	681.0	608.0	<b>Proposed total release by SFC</b>	<b>RLB</b>
3528.0	3617.0	3378.0	3261.0	4412.0	4412.0	3832.0	2835.8	2451.3	2121.6	1532.2	733.7	619.7	523.0	447.5	385.9	<b>Proposed Release of FC</b>	
			3845.0	4996.0	4422.0	3795.9	3286.2	2847.6	2847.6	2163.5	1690.4	1473.9	1285.7	1128.4	993.9	<b>Total Proposed</b>	
			141.0	112.4	379.1	244.4	394.7	335.8	335.8	522.5	683.8	493.7	568.3	252.5	301.8	<b>Actual Release of SFC</b>	
			1949.8	1754.8	937.6	3703.3	2604.3	4419.7	1016.5	723.3	1112.6	476.3	531.4	241.6	192.9	<b>Actual release of FC</b>	
			2090.8	1988.5	1050.0	4082.4	2848.7	4814.4	1352.3	1245.8	1796.4	970.0	1099.8	494.1	494.7	<b>Total Actual Release</b>	
		328.5	394.0	394.0	394.0	393.0	382.0	371.0	360.0	442.5	302.1	269.7	240.8	215.0	192.0	<b>Proposed total release by SFC</b>	<b>ULB</b>
1900.0	1863.0	1759.0	1664.0	2124.0	1594.0	1179.3	1019.5	882.3	882.3	637.2	286.0	241.5	203.9	174.4	150.4	<b>Proposed Release of FC</b>	
			2058.0	2000.0	2518.0	1987.0	1852.3	1604.6	1391.2	1079.7	588.1	511.3	444.7	389.5	342.4	<b>Total Proposed</b>	
			158.6	154.8	127.1	196.4	233.8	153.6	275.3	232.9	228.2	137.0	171.2	117.3	131.4	<b>Actual Release of SFC</b>	
			1591.8	1062.0	1759.1	985.3	1179.3	1721.0	680.8	318.5	317.7	228.2	209.7	94.2	148.1	<b>Actual release of FC</b>	
			1750.4	1216.8	1886.2	1181.7	1413.1	1874.6	956.1	551.4	545.9	365.2	380.9	211.5	279.5	<b>Total Actual Release</b>	

Source: Interim Report of Fifth State Finance Commission West Bengal, State Budget documents and 15th Finance Commission Report

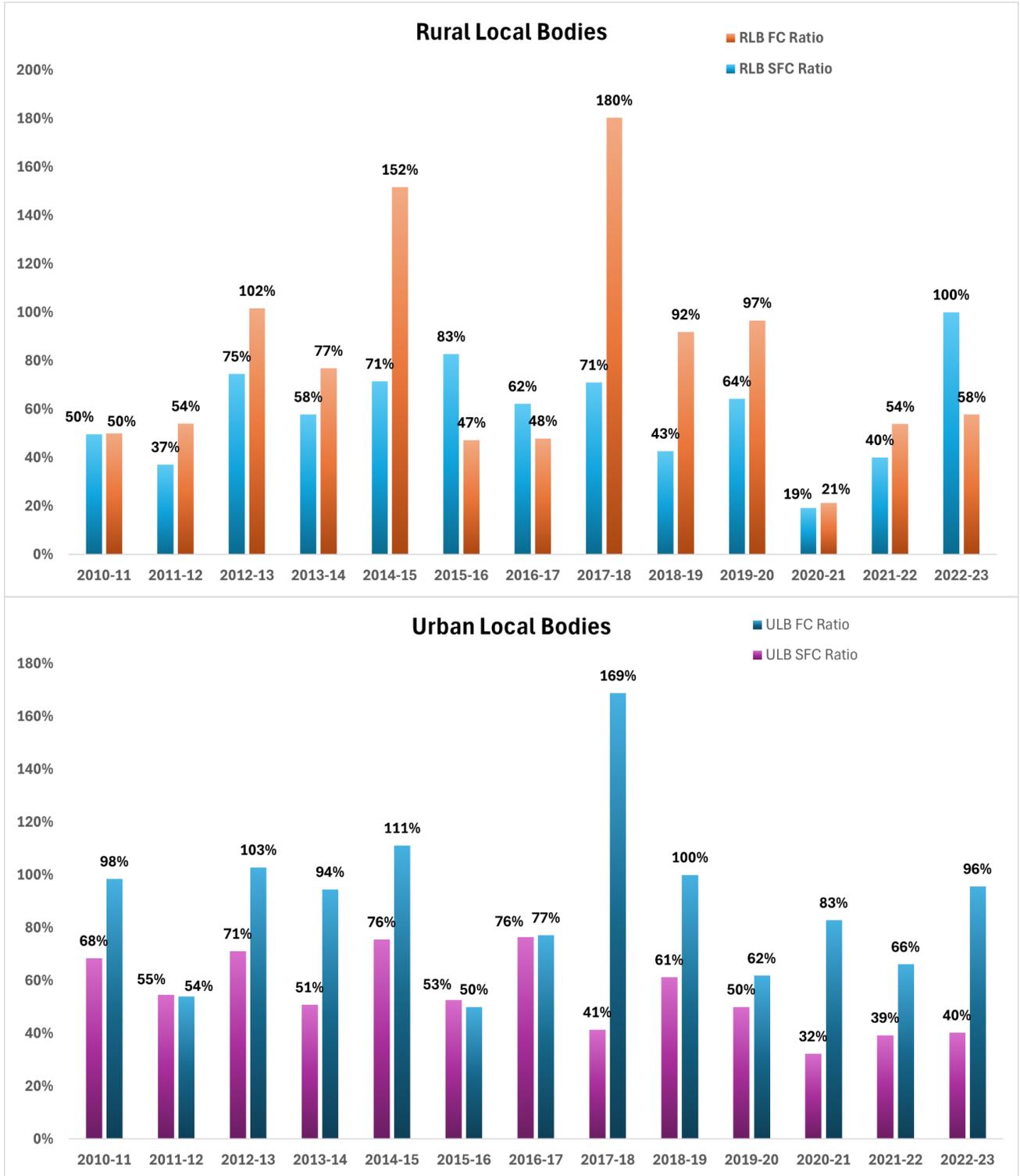
**Graph 7a: Trends in Actual versus Projected Value of Transfers to RLB**



**Graph 7b: Trends in Actual versus Projected Value of Transfers in ULB**



**Graph 7.c: Actual Devolution as ratio of recommended devolution by SFC&FC**



From Graph 7.a and 7.b, we see the unifying theme remains the impact of the Covid pandemic on the ability of states to devolve funds to their local bodies. It remains a distinguishing feature of the local bodies that funds continue to be sent at a rate lesser than projected. This holds true for most of the pre-pandemic years as the gap between actual and projected funds remains consistently negative. This stylized fact highlights the inability of states to efficiently bring funds to the grassroots levels of government. Whether this is a systemic issue remains to be seen but the lockdown associated with the pandemic seems to have only largely exacerbated this issue.

Looking at the pandemic years between FY 2019-20 to FY 2021-22, the gap between actual and projected funds reaching both rural and urban local bodies seem to have multiplied by a factor of ten. Not only that, they continue to remain at this elevated level even during the post-pandemic recovery showing that key improvements still remain to be made if India wants to achieve rapid economic growth fueled by the third tier. This pattern bears itself out across both Finance Commission and State Finance Commission recommendations.

From Graph 7.c, showing the proportion of targeted funds devolved, we see a clear urban-rural pattern when it comes to devolution of funds. If one looks carefully at the story for Rural Local Bodies, State Finance Commission devolution has been consistently low as compared to projections. This also holds true for Urban Local Bodies, only that the proportion of funds reaching them successfully is relatively higher. In general, the Centre does a better job of relaying its funds to the third tier as opposed to the State governments, who have been quite unwilling to spend of late. This goes along with the narrative gleaned from the data that the State does not do a good job of devolving funds on a regular basis.

The trend we see following the pandemic holds true for both as well, with the funds to ULBs and RLBs from the State being decimated by the pandemic. At the urban level, the proportion of funds has not recovered to its pre-pandemic highs and remains close to 40% of the proposed amount. Whereas, for Rural Local Bodies it remains even lower.

**Table 7b. Fourth SFC Recommendation vis-à-vis ATR wise devolution to ULBs & RLBs**

(Rs. Crore)

Financial Year	ULB			RLB		
	SFC Recommendation vis-à-vis ATR	Actual Devolution	Actual as % of Recommendation	SFC Recommendation vis-à-vis ATR	Actual Devolution	Actual as % of Recommendation
2015-16	442.49	232.95	52.65	631.31	522.47	82.76
2016-17	360.00	275.33	76.48	540.00	335.87	62.20
2017-18	371.00	153.63	41.41	556.00	394.71	70.99
2018-19	382.00	233.82	61.21	573.00	244.40	42.65
2019-20	393.00	196.44	49.98	590.00	379.08	64.25

Source: Interim Report of Fifth State Finance Commission West Bengal, Government of West Bengal

## 7.5 14<sup>th</sup> & 15<sup>th</sup> FC Recommendations

The Covid pandemic has extensively affected the balance sheets and budgets of the State government, in addition to that of the Centre. Revenues were hit while expenditures toward supporting the economy went up, this shot debt and deficits upward. Looking into the above numbers regarding the poor devolution of funds by the State and how they were exacerbated following the pandemic drives home our point.

### 7.5.1 Fourteenth Finance Commission on RLB devolution

The 14th FC had allocated its entire grant to the GPs and nothing to the two upper tiers. To compensate, the 4th SFC awarded a relatively small fraction of its total

RLB grant to the lowest tier. This was an exceptional situation. The other three SFCs allocated a much larger share to the GPs, the average allocation being 60%. This is owing to the absence of clarity of roles of higher tier rural local bodies.

### **7.5.2 Fifth State Finance Commission's recommendations**

The current State Finance Commission, which began its work in June 2022, holds a different view when it comes to the devolution of funds by the State. They believe that only a small part of the total devolution to local bodies are made through SFC grants. Much larger amounts, including salary grants, are devolved directly under other heads. Their suggestion is that SFC grants are made for gap funding, that is, to bridge the difference between the actual requirements of a local body and the actual devolution under other heads.

The Commission recommends that as an interim measure 1.5% of own tax revenue and 10% of the non-tax revenue be devolved to the local bodies. The total sum is to be distributed between the urban and the local bodies in proportion to the population in the urban and rural areas.

They also recommend that the total untied fund allocation at the State level should be split into two segments - RLBs and ULBs. The rural-urban population ratio as per Census 2011 is 68:32. The Commission recommends this ratio as the ratio of allocation of funds between RLBs and ULBs. 30% of Professional and Vehicle Tax collections would be shared between the Panchayats and the Municipalities in the ratio of 68:32.

The Commission further recommended that the formula of 60:20:20 for inter-tier allocation of untied fund within the PRI Bodies. That is further to say, all GPs taken together would be allotted 60%, all PSs together 20% and all ZPs together 20% of the total untied fund earmarked for the RLBs, as shown in the table below

### **7.5.3 Fifteenth Finance Commission Recommendations for West Bengal**

#### *Development of infrastructure in backward districts*

The revised memorandum of the State Government highlighted the importance of the Backward Regions Grant Fund (BRGF) (Special) which was utilised for

redressing persistent regional imbalances in the backward districts in West Bengal. Eight sectors have been selected on priority basis - housing, roads and bridges, education, water supply, micro and small scale enterprises and textiles, power, health and irrigation and waterways. Financial support has been sought to meet the shortfall in completion of various programmes and schemes. The 15<sup>th</sup> FC recommended a grant of Rs. 1,000 crore for this purpose.

#### *Civil works for restraining Ganga erosion*

The State Government has requested funds for civil works for restraining Ganga erosion in the State. The 15<sup>th</sup> FC recommended an amount of Rs. 550 crore for this purpose.

#### *Drinking water purification projects*

In its memorandum the State Government has apprised about the need for drinking water purification projects to address the issue of arsenic in sub-soil water. The 15<sup>th</sup> FC recommended an amount of Rs. 550 crore for this purpose.

**Table 7c. Year Wise Allocations to RLBs and ULBs as per 5th SFC Recommendation**

LSG's Tier wise Allocation (Rs. Crore)						
Year	PRIs (68%)				ULBs (32%)	Total Allocation
	G.P (60%)	P.S (20%)	Z.P (20%)	RLB Total (68%)		
2020-21	369	123	123	615	290	905
2021-22	388	129	129	646	304	950
2022-23	407	136	136	679	319	998
2023-24	427	1453	143	713	335	1048
2024-25	448	150	150	748	352	1100

Source: Interim Report of Fifth State Finance Commission West Bengal, Government of West Bengal

## 7.6 Major Decentralisation Initiatives

The 74th Constitutional Amendment Act mandated the establishment of the District Planning Committee (DPC) at the District level and Metropolitan Planning Committee in every Metropolitan Area for consolidating plans prepared by Panchayats and Municipalities in the district into the Draft District Plan. The 73rd and 74th Constitutional Amendments (Articles 243G, 243W) also emphasized on planning with an objective of economic development and social justice by PRIs and Municipalities respectively, and their consolidation (Article 243ZD) into District Development Plans by the DPCs. West Bengal, in the year 1994 enacted a legislation known as The West Bengal District Planning Committee Act which provided the procedure for constitution of District Planning Committee (DPC). Simultaneously, provisions were also made in the statutes of the State regarding Urban Local Bodies and Panchayats, stating that ULBs and every tier of the Panchayats that is, GP, PS and ZP will have to prepare their perspective plan for five years of the office of the members; together with an annual plan with an objective of Economic Development and Social Justice.

For the purpose of vertical devolution, the Fifth State Finance Commission recommended a sum of Rs.905 Crore which constitutes 1.5% of the State's own Tax Revenue as available from Budget document may be fixed as the allocation for 2020-21 with a subsequent annual increase of 5% for the successive four years.

### 7.6.1 Rural Decentralisation

The Department for International Development (DFID)-supported programme for Strengthening Rural Decentralisation (SRD) was formally launched on 22nd November 2005. The SRD programme had been brought in to accelerate, strengthen and complement the State Government's ongoing initiative to strengthen rural decentralisation. Major thrust was given on institutional strengthening of Gram Panchayats and institutionalization of participatory planning, implementation and monitoring processes in 304 selected Gram Panchayats in 6 most backward districts namely Uttar Dinajpur, Dakshin Dinajpur, Malda, Murshidabad, Purulia and Birbhum. District Programme Management Units (DPMUs) and Gram Panchayat Facilitating Teams (GPFT) were set up under the SRD Cell in the 6 districts to facilitate the interventions in

the Gram Panchayats. To ensure active participation of the people at the Gram Sansad level, a Gram Unnayan Samity (GUS) consisting of different field level subject matter specialists and Civil Society Organizations was constituted. The plans prepared by the GUSs were based on seven sectors namely education, health, women & child development, agriculture & allied industry, infrastructure and other miscellaneous sector in adherence to the Government guidelines. With the termination of DFID funding support in 2011 this GUS based decentralized planning effort became routinized and mechanical.

Unlike SRD which was initiated in backward districts, Institutional Strengthening of Gram Panchayats Project, was started in 2010-11 in West Bengal supported by World Bank in 1000 selected GPs in nine districts which were relatively “high performers”, in order to mitigate implementation risk. The long term vision was that the system introduced by the project would be expanded to all GPs in the state and would become an integral part of the PRI fiscal framework supported by the state budget. The main objective was to provide GPs with significant additional untied resources to establish the foundation for strengthening their institutional capacity which in turn would allow them to improve their performance in local public service delivery. The emphasis was given on preparation of Upa-Samiti-based Gram Panchayat Integrated Plan with the technical support of plan- plus-software where a close linkage of the Gram Panchayat Plan with the Budget was established. Gram Sansad level Plans were incorporated into the Gram Panchayat Plan in this process.

An untied performance based annual Block Grant (to increase in a phased manner from approximately Rs.23 to Rs.115 per capita over five years) was provided by the State Government to the eligible GPs, for creation of public infrastructure to improve local service delivery, based on the following four Mandatory Minimum Conditions (MMCs) that need to be fulfilled by the GPs for accessing the annual Block Grant:

- (a) Approved Annual GP Plan & Budget for the coming year available by 31st March.
- (b) Minimum 60% expenditure performance (first 3 Quarters available discretionary funds i.e., Own Source Revenue, ISGPP Block grant, Central Finance Commission & State Finance Commission grant).
- (c) No ‘adverse’ or ‘disclaimed’ audit opinion found in GP external audit

conducted by CAG.

(d) Computerized Gram Panchayat Management System (GPMS) is operational and classified as “Excellent”.

It has also been observed that the ISGP Project operating within its universe of 1,000 GPs has made significant positive contributions in respect of the areas identified in the Roadmap for Panchayats, a vision document of the State Government towards strengthening PRIs as Institution of Self Government. The document, inter-alia, identified six areas for such intervention which include (1) Strengthening democratic functioning of the panchayats (2) Improving core civic services (3) Decentralized planning and implementation (4) Augmenting Panchayat finances and financial management (5) Building capacities of Panchayat functionaries and (6) Harmonization of Acts and Rules.

During the course of the ISGP Project, the annual performance assessments show evidence of significant improvement in key institutional indicators like annual Plan and Budget preparation in prescribed and timely manner; fund utilization, compliance with prescribed procurement, accounting and reporting systems and rules, and clean external audit reports. Project execution by GPs has also signaled improvements with creation of more durable infrastructure (e.g., concrete roads inside habitations) and movement towards completion of projects (executed within same financial year) from piece-meal ones (where activity was spread out over more than a year). The project also appears to have contributed towards an effective hand holding support of the elected and official functionaries.

### **7.6.2 Urban Decentralisation**

Although West Bengal Metropolitan Planning Committee Act was enacted in 1994, the Act was made effective from the year 2001 that is, more than seven years after its enactment.

The objective of the Metropolitan Planning Committee was:

- a) To prepare a draft development plan for the Metropolitan Area as a whole and to issue guidelines in regard to:
  - i) The plans prepared by the Municipalities and Panchayats in Metropolitan Area.

- ii) Matters of common interest between the Municipalities and Panchayats, including coordinated spatial planning of the area, sharing of water and other physical natural resources, the integrated development of infrastructure and environmental co-operation.
  - iii) The overall objectives and priorities set by the Government of India and the State Government.
  - iv) The extent and nature of investment likely to be made in the Metropolitan Area by the Agencies of the Government of India and of the State Government and other available resources, whether financial or others.
- b) To perform such functions relating to planning and co-ordination for the metropolitan area as the State Government may, by notification, assign to it.

Five other Sectoral committees were also constituted which are as follows:

- a) Drainage, sewerage and Sanitation Committee
- b) Traffic, Transportation, Railways and Waterways Committee
- c) Water Supply Sectoral Committee
- d) Education, Health, Employment & Bustee Committee
- e) Environment, wetlands, parks and Planning Committee

An organization – Institute for Local Government and Urban Studies (ILGUS) has been set up for catering to the needs of urban local bodies. This institute organizes training programmes regularly for elected representatives, officials and community based organizations to equip them with the latest techniques to deal with the ever – increasing urban problems. Municipal Engineering Directorate (MED) & Directorate of Local Bodies (DLB) have been set up to extend technical &

administrative support to urban local bodies throughout the state. West Bengal Valuation Board (WBVB) has also been set up for scientific valuation of land & building within municipal areas. Geographical Information System (GIS), which is one of the modern techniques for preparation of database, has been introduced in the urban local bodies (ULBs). This will help the ULBs to identify deficiencies, both quantitatively and geographically, in the field of physical infrastructure, health, education, shelter and economy. This system will also facilitate municipal

resource mobilization and ensure transparency. The State Government has introduced new staffing norms in the ULBs which will provide them a universal character. The ULBs in the State have adopted double entry based accounting system that leads to improved financial accountability. The State Government has also accepted the policy of imposing user charges against certain services in the municipal areas.

### Track record of SFCs recommendation:

#### Status of Departmental Release to ZPs against First SFC's Recommendation (Rs. in crore)

1999-2000		2000-2001		2001-02	
Budget	Actual	Budget	Actual	Budget	Actual
619.23	335.12	1376.21	850.85	1547.20	455.19

#### ITEMS OF TAXES AND FEES WHICH THE MUNICIPALITIES ARE EMPOWERED TO COLLECT

1. Fee per head of per vehicle for providing municipal services in connection with any congregation of whatever nature, including pilgrimage, fair, festival, circus or yatra
2. Fee per head of per vehicle for providing municipal services.
3. Fees for licences issued or permissions granted under the provision of the Act.
4. Tolls on heavy trucks.
5. A special conservancy charge for providing municipal services in connection with removal of solid waste.
6. Property tax on annual value of lands and buildings located in the municipal area.
7. Fee for issuing certificate of enlistment in respect of Profession, Trades and Callings (a maximum of Rs. 1500/-).
8. License for use of site for the purpose of advertisement.
9. Tax on advertisement.
10. Tax for registration of Carts and Carriages
11. Tolls on municipal ferries.
12. Tolls on navigable channels.
13. Fees or charges permissible under the Indian Telegraph Act, 1985, or the Indian Electricity Act, 1910.

14. Parking Fee.
15. Permission fee for projecting any platform, verandah, balcony, sunshade, weather frame or like over any public street.
16. Fine for encroachment on public street or place.
17. Fee for obtaining permission before utilising, selling, leasing out or otherwise disposing of any land or building.
18. Fee for obtaining license for using a premise for non-residential purpose.
19. Fee for sanction of building plan.
20. Charge for supply of water for domestic and non-domestic purpose.
21. Fee for permission for house water connection.
22. Fee for supplying water to a local authority or other person outside the municipal area.
23. Fee for giving permission for digging of wells, tube wells, tank, pond, cistern fountain.
24. Fees for sanction of plans for construction, repair, addition or alteration of house drain or cesspool.
25. Fee for permission for selling any material in market.
26. Levy of stallage, rent and fee for use of stall, shop, stand, shed.
27. License fee for using a place as private market.
28. License fee for flesh, fish and poultry.
29. License fee for hawking articles.
30. License fee for using a premise for keeping animal, birds etc.
31. Fee for registration of births & deaths.
32. Fee for registration of the private places for disposal of dead.
33. Fee for obtaining permission for opening new place for disposal of dead.

## **Property Tax Structure in the State:**

### **Unit Area Method of Assessment**

Property Tax is one of the main sources of internal revenue of the Urban Local Bodies. As the property tax is determined on the basis of annual valuation of lands and buildings, the entire process of determining property tax is solely dependent on assessment of lands and buildings.

**Present System Of Assessment Of Land And Buildings:** Presently in the Urban Local Bodies of this State the following two systems of assessment of lands

and buildings are followed:

**1. Annual Rental Value (ARV) System:** In this system tax is calculated on annual rent that is actually or reasonably be fetched by a property. Here Annual Rent (AR) = Monthly actual or reasonable rent X 12. In this system Annual Value (AV) = AR minus x% (in case of Kolkata Municipal Corporation value of this x is 10%) statutory deduction for maintenance. A percentage of AV is determined as the annual Property Tax. In case of Kolkata Municipal Corporation this tax =  $(AV / 600 + 10)$  % of the AV subject to minimum of 11% and a maximum of 40%.

**Capital Value Method:** In this system tax is calculated on Annual Value derived from cost of construction added to cost/ market value of the land. Here AV = (Construction cost + Market value or cost of the land) X a percent as laid down in the statute minus statutory deduction. Annual Tax = AV X a percentage of AV. In Kolkata Municipal Corporation AV of vacant land is determined at 7% of the market value of the land.

### **Audit Mechanism in ULBs :**

To ensure financial discipline in the ULBs, arrangements for making internal audit were initiated in 2007- 08. For this purpose, several Chartered Accountants firms as well as the auditors of Directorate of Cooperative Audit are entrusted with the work of preparation of accounts and auditing of accounts of the ULBs. In terms of the recommendations of the CAG's Task Force on Accounting Reforms for Urban Local Bodies and the National Municipal Accounts Manual released by the Ministry of Urban Development, Government of India, Government of West Bengal decided to introduce Accrual Based Double Entry System in all ULBs in the State. In order to introduce the Double Entry Accounting System for better management, each Urban Local Body under Kolkata Metropolitan Area is provided with one Accounts and Finance Coordinator under the Kolkata Urban Service for Poor Programme. For the other Municipalities outside KMA area the work of appointing Accounts and Finance Coordinator is also done. The new accounting system complies with the following requirements: Generally Accepted Accounting Principles that is, Accounting Standards issued by the Institute of Chartered Accountants of India, the West Bengal Municipal Act for KMA, ULBs from 2006-07 and for the other ULBs from 2007-08, National Municipal Accounts Manual issued by the Ministry of Urban Development, Government of India. The important reports generated from the double entry Accrual System are: Trial Balance, Income Expenditure

Statement, Balance Sheet, Receipts and Payment Account and Cash Flow Statement.

## **7.7 Funding of Rural Local Bodies**

The Gram Panchayats (GPs) are supposed to be more autonomous local governments than Panchayat Samitis (PSs) or Zilla Parishads (ZPs). They have been given more fiscal autonomy by way of independent power to levy certain taxes. Even though most of their expenditure budget is driven by mandates from higher level governments, GPs play a role in project selection; hence they can be more responsive to special needs of the locality.

On the other hand, even though they sit higher in the local government hierarchy, the PSs and ZPs have less fiscal discretion on the revenue side than the GPs. They may raise revenues from fees and charges, and have the authority to set the rate for some of these charges, but they have no taxing power. They rely primarily on grants and transfers for their general purpose finances (only about 10 to 15% of their revenues are raised from own sources). Though governed by elected councils, the districts and blocks appear to function largely as spending agents of the state and central governments.

The higher tiers of PS and ZP, however, are responsible for inter-GP and inter-block development programmes, and occasionally do have to take up technically complicated projects even within a single GP through the untied funds at their disposal. Both the upper tiers are also required to maintain a large number of assets created by them in the course of implementation of different programmes as have been assigned to them by the state. They used to depend on the untied funds received from the State and Centre for this purpose.

# **CHAPTER VIII**

## **FINANCIAL HEALTH OF STATE PUBLIC SECTOR ENTERPRISES**

## Chapter VIII      Financial Health of State Public Sector Enterprises

### 8.1 Performance of State Public Enterprises

The State Public Sector Undertakings (PSUs) comprise the State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people; they occupy an important place in the State economy.

As on 31 March 2021, there were 85 State Public Sector Undertakings (PSUs) in West Bengal which comprised of 66 working PSUs (including eight Statutory Corporations) and 19 non-working PSUs (including one Statutory Corporation). During 2020-21, the working PSUs registered a turnover of Rs. 54,521.69 crore which was equal to 4.19% of Gross State Domestic Product (GSDP). They also had 46,062 employees as of March 2016.

**Table 8.1.a. Working and Non-Working PSUs in West Bengal in FY 2020-21**

Sectors	Government Companies		Statutory Corporations		Total	Turnover of Working SPSEs (Rs in crore)	Percentage of Turnover to GSDP
	Working	Inactive	Working	Inactive			
(1)	(2)	(3)	(4)	(5)	(6)=(2+3+4+5)	(7)	(8)
<b>Power</b>	06	-	-	-	06	33,983.17	2.61
<b>Finance</b>	06	01	03	-	10	535.38	0.04
<b>Service</b>	11	-	03	01	15	16,540.62	1.27
<b>Manufacturing</b>	10	16	-	-	26	124.66	0.01
<b>Infrastructure</b>	11	-	01	-	12	1,463.71	0.11
<b>Agriculture &amp; Allied</b>	10	01	01	-	12	834.33	0.06
<b>Others</b>	04	-	-	-	04	1,039.82	0.08
<b>Total</b>	<b>58</b>	<b>18</b>	<b>08</b>	<b>01</b>	<b>85</b>	<b>54,521.69</b>	<b>4.19</b>

Source: 2021-22 State Finances Audit Report of West Bengal, CAG.

**Table 8.1.b: Attributes of different sectors of PSUs**

Industry	Number of PSUs (2020-21)	Net Profit/Loss (2020-21)	Turnover (2020-21)	Manpower (2019-20)
Agriculture and Allied	12	5.91	834.33	2,364
Financing	10	156.41	535.38	567
Infrastructure	12	50.14	1463.71	1,645
Manufacturing	26	-365.54	166.41	3,132
Power	6	898.95	33983.17	22,263
Services	15	-393.26	16540.62	15,717
Miscellaneous	4	106.23	1039.82	374
Total	89	458.84	54563.44	46,062

Source: State Finances Audit Report for the year ended March 2021

The sector-wise split of PSU aggregates in the above tables tell us about the wide disparity of narratives. The two most dominant sectors of PSU employment making up 82% of all employment by Public Sector Undertakings in West Bengal include the Power sector with 22,263 employees (48% of all PSU employment) and Services sector with 15,717 employees (34% of all PSU employment).

In terms of profitability, the overall state of PSUs in West Bengal is not very impressive. 33 out of the 58 working PSUs incurred losses, and the total losses for these 33 PSUs stood at Rs. 1060.73 crores. The profits in FY 2020-21 were primarily driven by the Power sector, of which only 2 out of the 6 Power PSUs made any profits.

This is to say that, only two PSUs within the Power sector, viz. West Bengal Power Development Corporation Limited (WBPEDCL) which made a profit of Rs. 569 crores and West Bengal State Electricity Transmission Company Limited (WBSETCL) whose net profit was Rs. 635.4 crores were responsible for the profits made from PSUs in the state for FY 2020-21.

The Power sector also leads the turnover, contributing 62% to the total turnover of all West Bengal PSUs in FY 2020-21. It is followed by the Services sector which also made up 30% of total turnover last year. The Manufacturing and Agriculture and Allied sectors have particularly poor turnovers given the large labour force they employ. These two sectors lag behind in terms of efficiency which is why both Agriculture and Manufacturing sectors have aggressively downsized over the past decade. The detailed manpower figures for Agriculture and Allied sectors and for Manufacturing the figures are given below in Section 8.2.

**Table 8.1.c. Contribution of SPSEs' turnover to GSDP**

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>SPSEs-Turnover (Rs in crore)</b>	29,458	36,755	37,213	28,079	26,217	33,634	42,832	51,264	53,806	54,522
<b>SPSEs-Debt (Rs in crore)</b>	25,409	25,296	26,233	23,604	27,854	22,461	22,226	22,534	24,964	30,715
<b>GSDP (Rs in crore)</b>	5,20,485	5,91,465	6,76,849	7,18,082	7,97,300	8,72,527	9,74,700	11,02,283	12,07,823	13,01,017
<b>Percentage of debt to GSDP</b>	4.88	4.28	3.88	3.29	3.49	2.57	2.28	2.04	2.07	2.36
<b>Percentage of turnover to GSDP</b>	5.66	6.21	5.50	3.91	3.29	3.85	4.39	4.65	4.56	4.78

Source: SPSE Turnover from 2021-22 State Finances Audit Report of West Bengal, CAG. GSDP series at Current Prices, base year 2011-12.

A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. The details of turnover of working PSUs with up-to-date accounts and State GDP for a period of ten years ending 2020-21 are given in Table 8.c. The financial position and working results of Government Companies and Statutory Corporations are given in detail.

Accounts for the year 2020-21 were required to be submitted by all the 85 SPSEs by 30 September 2020. However, in view of the prevailing pandemic related restrictions, the Ministry of Corporate Affairs, Government of India directed all Registrars of Companies to liberally grant, against applications submitted by companies, extension for holding Annual General Meetings, at which the audited accounts are adopted, up to 30 November 2021. As of 30 November 2021, only 25 out of 66 working PSUs submitted up-to-date accounts for FY 2020-21. The number of State PSUs with arrear accounts stood at 61, of which many were non-working/inactive PSUs. The most profitable PSUs included West Bengal Power Development Corporation Limited (Rs. 569 crores) and West Bengal State Electricity Transmission Company Limited (Rs. 635.4 crores).

The biggest losses were incurred by West Bengal State Electricity Distribution Company Limited (Rs. 190 crores) and The Durgapur Projects Limited (Rs. 114 crores) in the Power Sector, Calcutta State Transport Corporation Limited (Rs. 174 crores) and West Bengal Transport Corporation Limited, formerly known as The Calcutta Tramways Company (1978) Limited (Rs. 90 crores) in the Services Sector and Kalyani Spinning Mills Limited (Rs. 105 crores) under Manufacturing.

It is interesting to see the Tramways Company year after year in the loss column. This report coincides with the announcement by the West Bengal State government about the decision to discontinue trams in Kolkata. There were 37 tram routes in Kolkata in 2011, which has declined to only two after the pandemic in 2022. A total of 7,000 workers were working to operate the trams in 2011, which has come down to zero now. The city had 61 km of tram lines in 2011, which has reduced to only 12 km in 2022. Over 70,000 passengers used to travel on the tram in 2011, which has reduced to only five to seven thousand passengers now. The state government has stopped investing in running trams

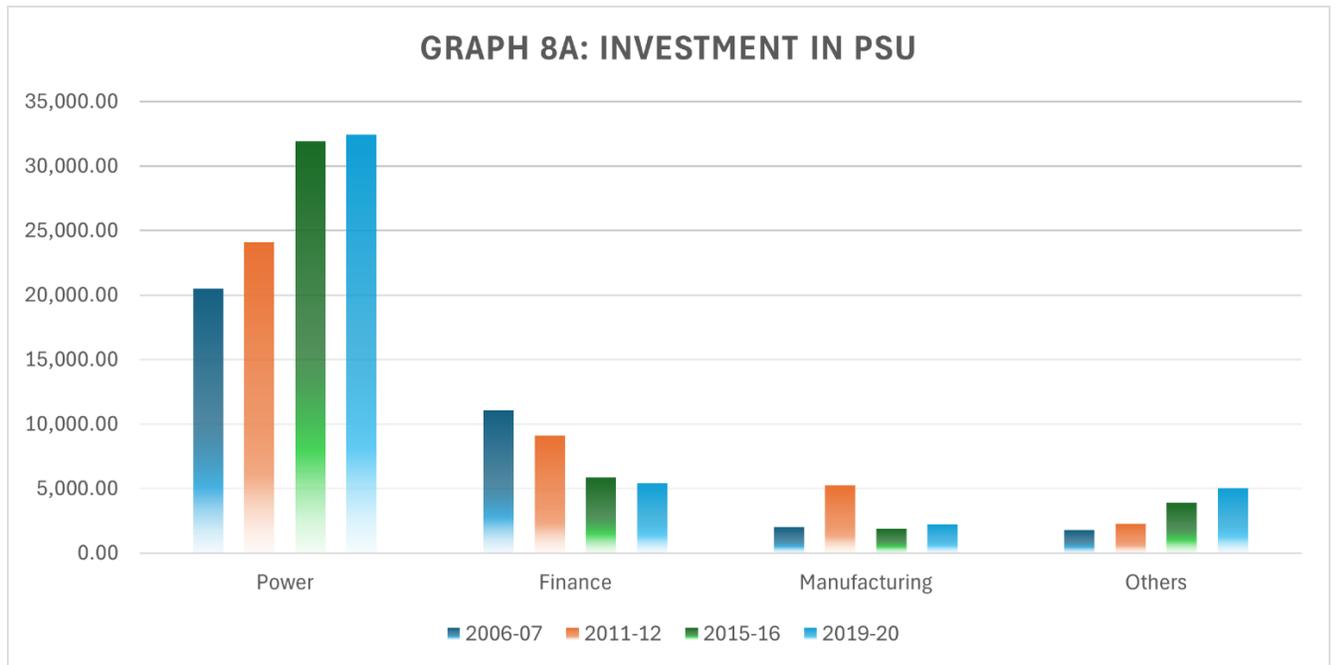
since 2018.

The turnover to GSDP ratio (as seen in Table 8.1.c.) had declined from FY 2012-13 until FY 2015-16, when it reversed course. Debt of the state PSUs with up-to-date accounts decreased from Rs 25409 crores in 2011-12 to a low of Rs. 22,226 and Rs. 22,534 crores in FY 2017-18 and FY 2018-19, respectively. Owing to the Covid pandemic, the debt numbers shot up in FY 2019-20 and reached Rs. 30,715 crores in FY 2020-21. However, owing to the fact that West Bengal's GSDP has grown steadily, the proportion of debt to GSDP has shrunk compared to almost half of what it was in 2011-12

**Table 8.1.d: Investment in different Public sectors (Rs in Crores)**

Year	Power	Finance	Manufacturing	Others	Total
2006-07	20,481.91	11,068.35	2,023.93	1,803.36	35,377.55
2011-12	24,081.50	9,112.52	5,235.16	2,268.50	40,697.68
2015-16	31,924.17	5,864.93	1,890.13	3,915.05	43,594.28
2019-20	32,427.01	5,441.36	2,223.90	5,019.24	45,111.51

Source: PSUs Report of different Years, CAG



The thrust of PSU investment has remained primarily in the Power sector, investments in the Power sector as a percentage of total PSU investment rose from 57.89 per cent in FY 2006-07 to reach a high point in FY 2015-16 of 73.23 per cent, stabilizing at 71.88% of total PSU investments in the state in FY 2019-20. The Finance sector, on the other hand, has lost steam in the present day, receiving just half of the investments it received in FY 2006-07.

In case of Manufacturing there was a spike in investment in FY 2011-12, followed by a decline after which it was never able to reach its previous highs. The other sectors seem to catching up slowly as they have doubled their investments over the past decade.

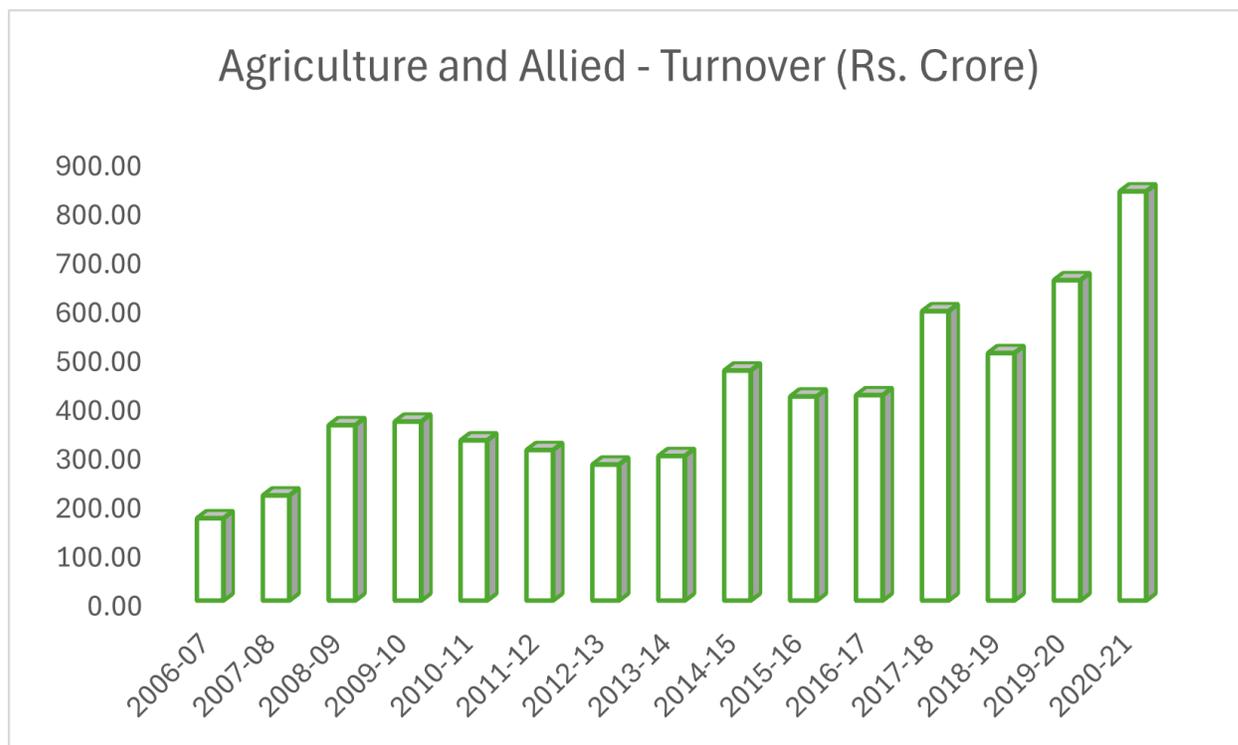
## 8.2 Sector Wise Trends

### 8.2.1 Agriculture and Allied

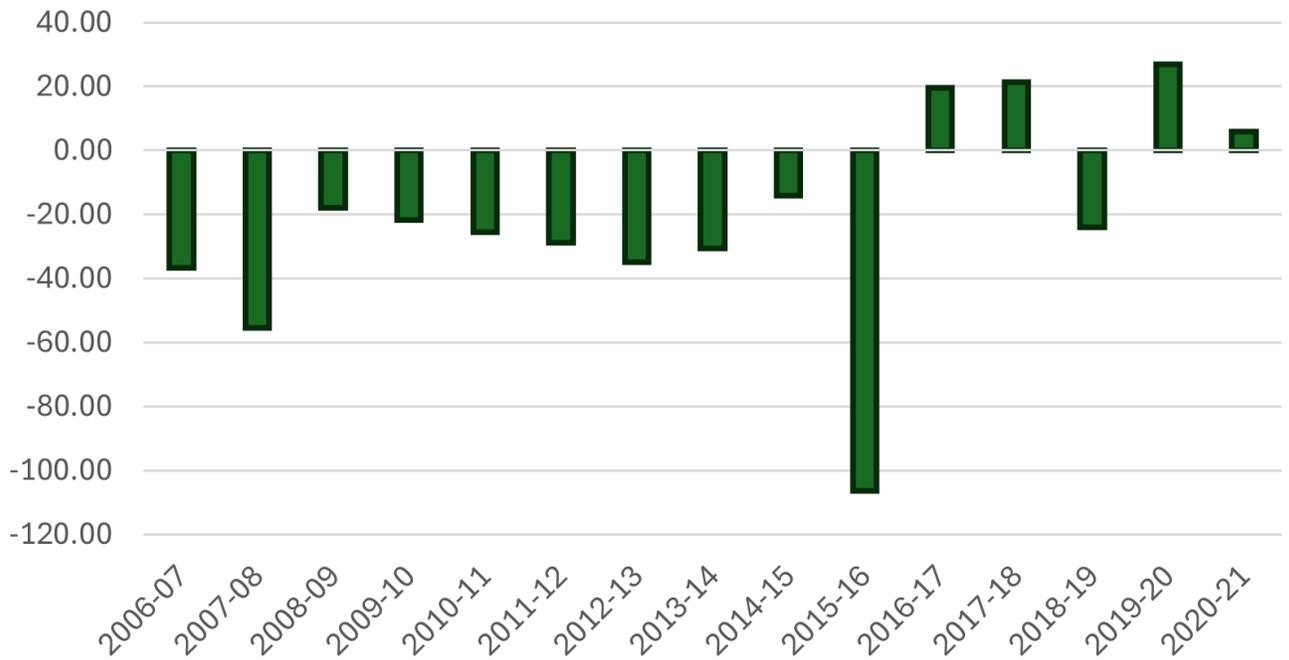
**Table 8.2.a: Attributes of PSUs in Agriculture and Allied Sector (Rs in Crores)**

FY	Turnover (Rs. Crore)	Net Profit/Loss (Rs. Crore)	Manpower (#)
2006-07	167.68	-36.66	6166
2007-08	214.25	-55.45	6029
2008-09	357.58	-17.80	6932
2009-10	364.84	-21.83	6569
2010-11	326.46	-25.62	6590
2011-12	306.78	-28.92	6572
2012-13	277.20	-34.85	5958
2013-14	294.54	-30.53	5930
2014-15	468.96	-14.22	2721
2015-16	416.02	-106.31	2464
2016-17	418.68	19.60	2882
2017-18	589.87	21.39	2350
2018-19	504.49	-23.93	2612
2019-20	653.29	27.01	2364
2020-21	834.33	5.91	N/A

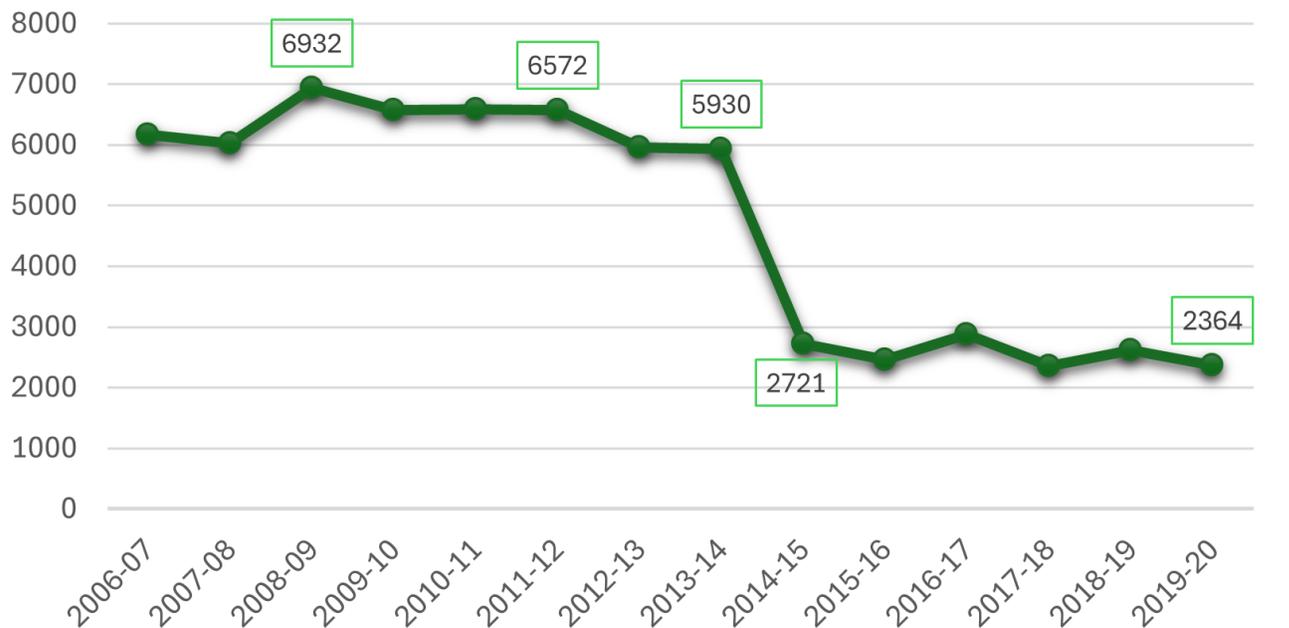
Source: PSUs Report of different Years, CAG



### Agriculture and Allied - Net Profit/Loss (Rs. Crore)



### Agriculture and Allied - Manpower (#)



In the agriculture and allied sector, we see that turnover shows an increasing trend from 2006-07 to 2009-10 followed by a continuous decline till 2013-14. In 2014-15, there is a jump in turnover which declined marginally from Rs. 469 crores to Rs. 416 crores in 2015-16. Net loss was almost stable till 2013-14. In 2014-15 there was a significant decline in loss from Rs 31 crores to Rs 14 crores. But in 2015-16, the losses increased tremendously to Rs. 116 crores. This was fueled largely by the West Bengal Tea Development Corporation Limited which faced a loss of Rs. 112 crores, and the PSU was moved to the non-working group of government companies. By FY 2016-17, the losses on this PSU were brought to nil upon shutting it down, which gave a much needed boost to the Net Profits of the sector.

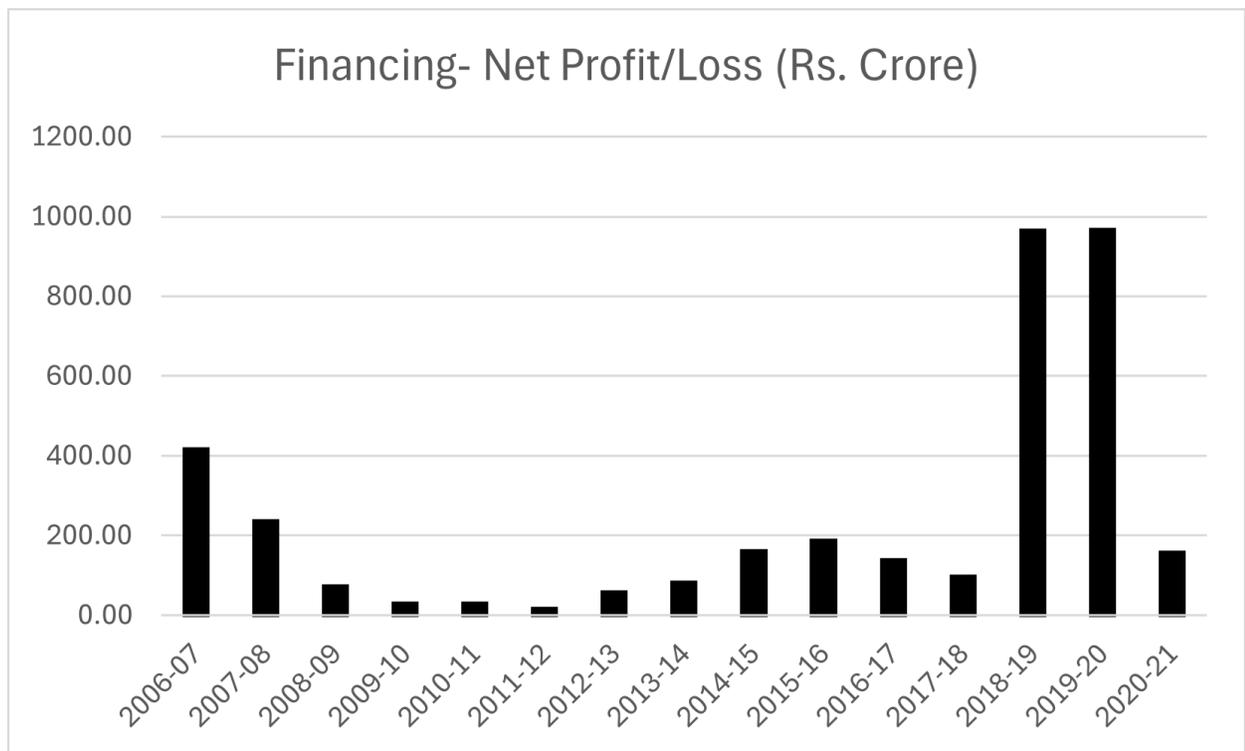
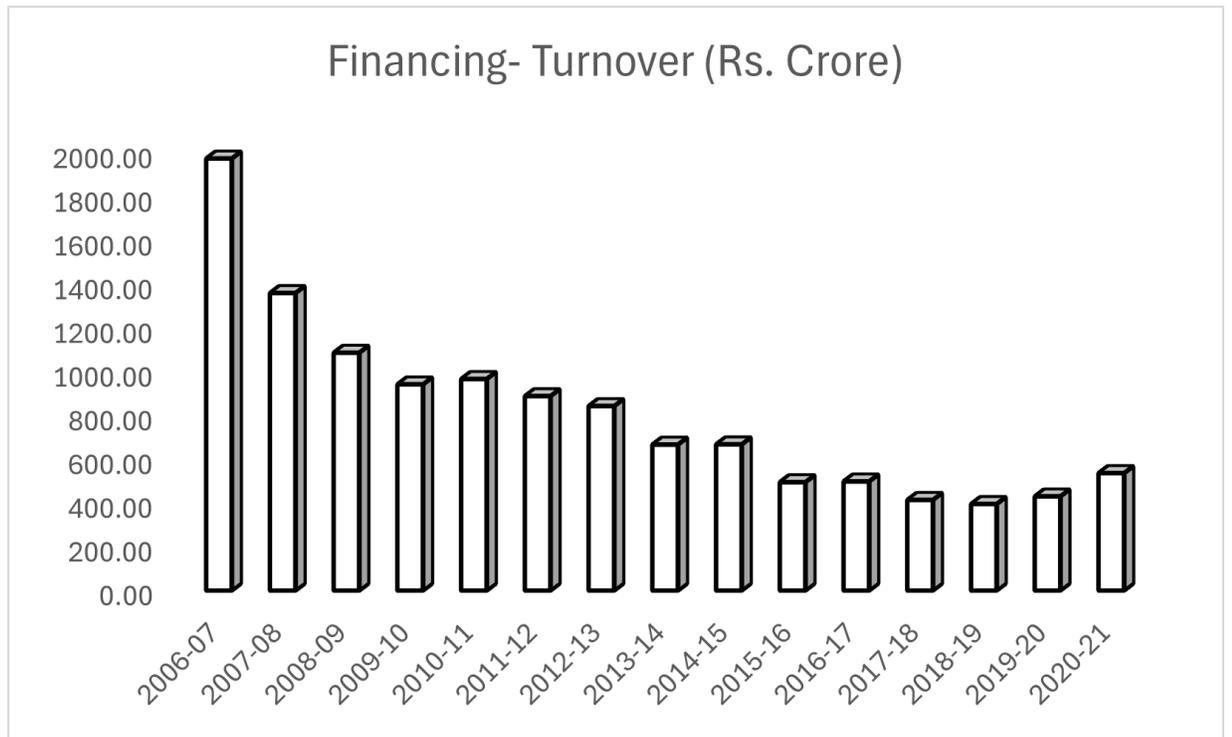
Employment in the sector experienced a steady decline from the high point of FY 2008-09, firstly in 2012-13 from 6572 in 2011-12 to 5958 and later a major curtailment in FY 2014-15. The steep job cuts resulted in a small decline in net loss in 2014-15 but other than the significant losses of FY 2015-16, the net profits have shown an improvement since then. This shows that the cutback in employment has yielded desirable effects, bringing the sector back to a huge improvement in its net loss situation as well as greater turnover.

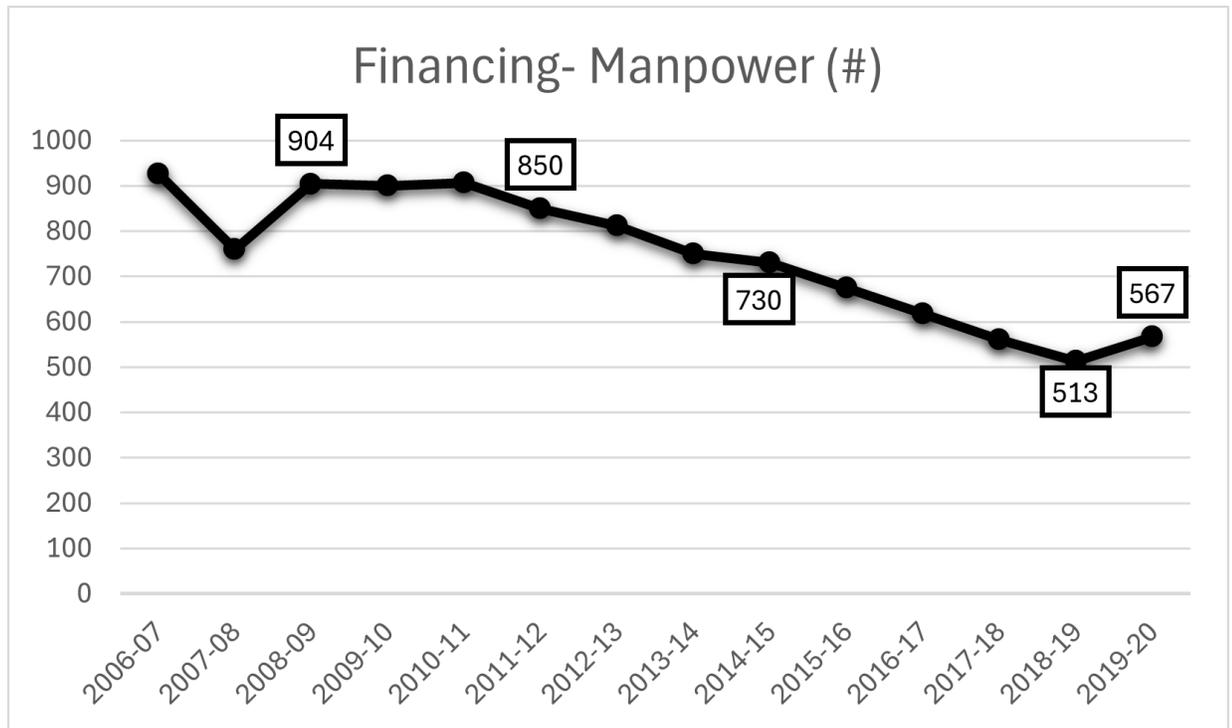
### 8.2.2 Financing

**Table 8.2.b: Attributes of PSUs in Financing Sector (Rs in Crores)**

FY	Turnover (Rs. Crore)	Net Profit/Loss (Rs. Crore)	Manpower (#)
2006-07	1971.31	415.25	926
2007-08	1357.26	235.34	760
2008-09	1084.85	70.70	904
2009-10	940.37	27.13	900
2010-11	965.03	27.95	906
2011-12	886.74	14.58	850
2012-13	841.39	55.96	812
2013-14	665.52	80.70	750
2014-15	666.60	158.68	730
2015-16	494.12	186.09	675
2016-17	497.46	137.43	618
2017-18	413.01	95.65	560
2018-19	394.40	962.96	513
2019-20	429.16	965.74	567
2020-21	535.38	156.41	N/A

Source: PSUs Report of different years, CAG





The Financing sector in West Bengal's PSUs have been witnessing a secular decline in turnover and personnel employed. Manpower has reduced to 567 in FY 2019-20, just over half of what it was at its highest in FY 2006-07. The turnover volume for the sector has reached close to one-fourth ever since then. Net profits fell between FY 2006-07 and FY 2011-12 but slowly recovered over the next five fiscal years. Financing remains the only PSU sector in West Bengal to not have had a single loss-making year. West Bengal Industrial Development Corporation Limited (WBIDC Limited) made outside profits in FY 2018-19, contributing to the large spike in Net profits for the Financing sector. The net profits for WBIDC Limited jumped from Rs. 26.31 crore in FY 2017-18 to Rs. 885.27 crore in 2018-19, mainly on account of re-classification of items to profit or loss on adoption of Ind AS in 2018-19.

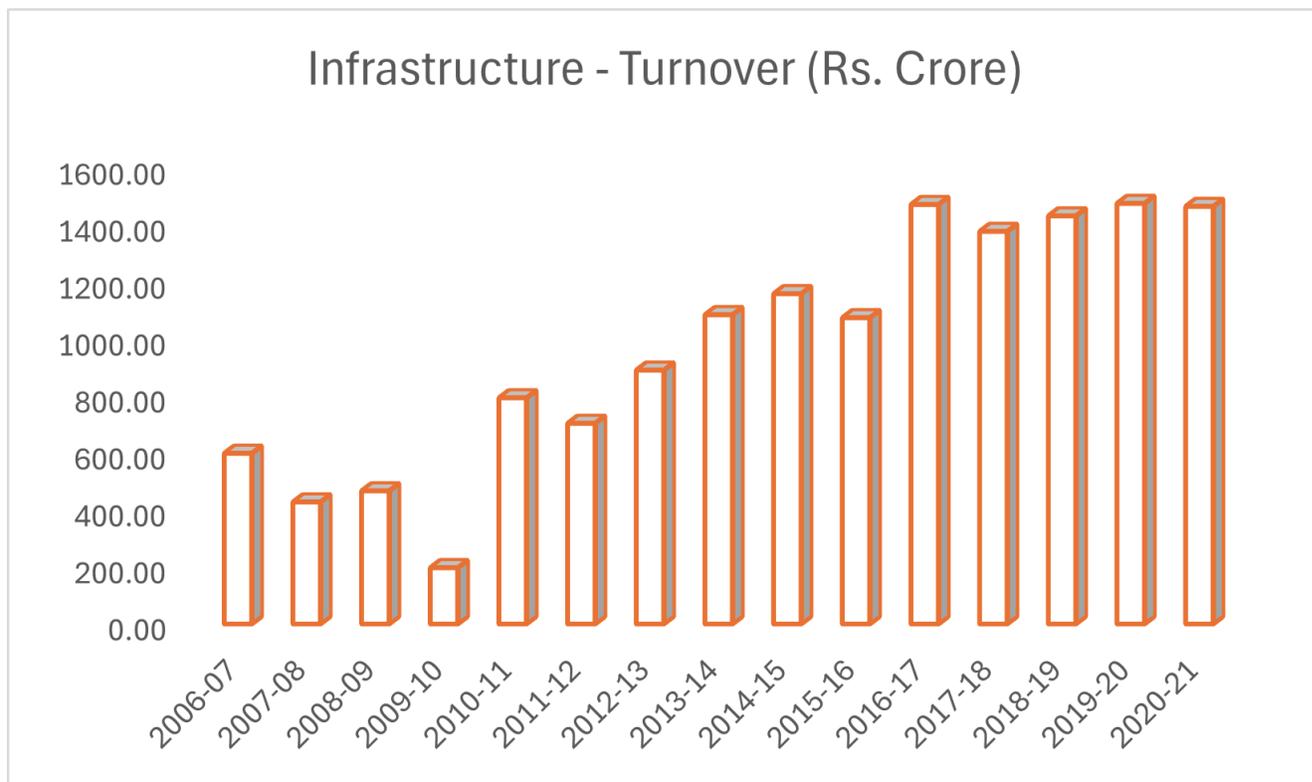
### 8.2.3. Infrastructure

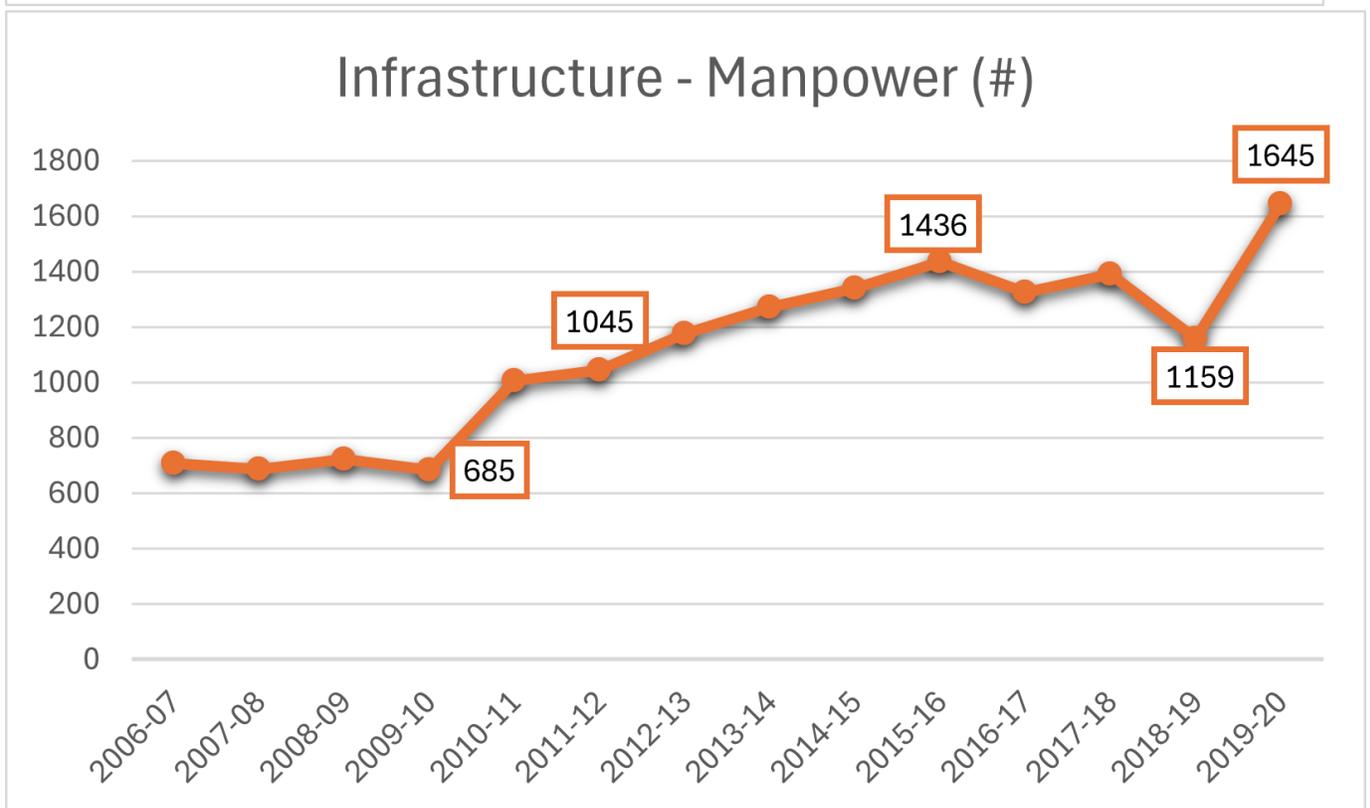
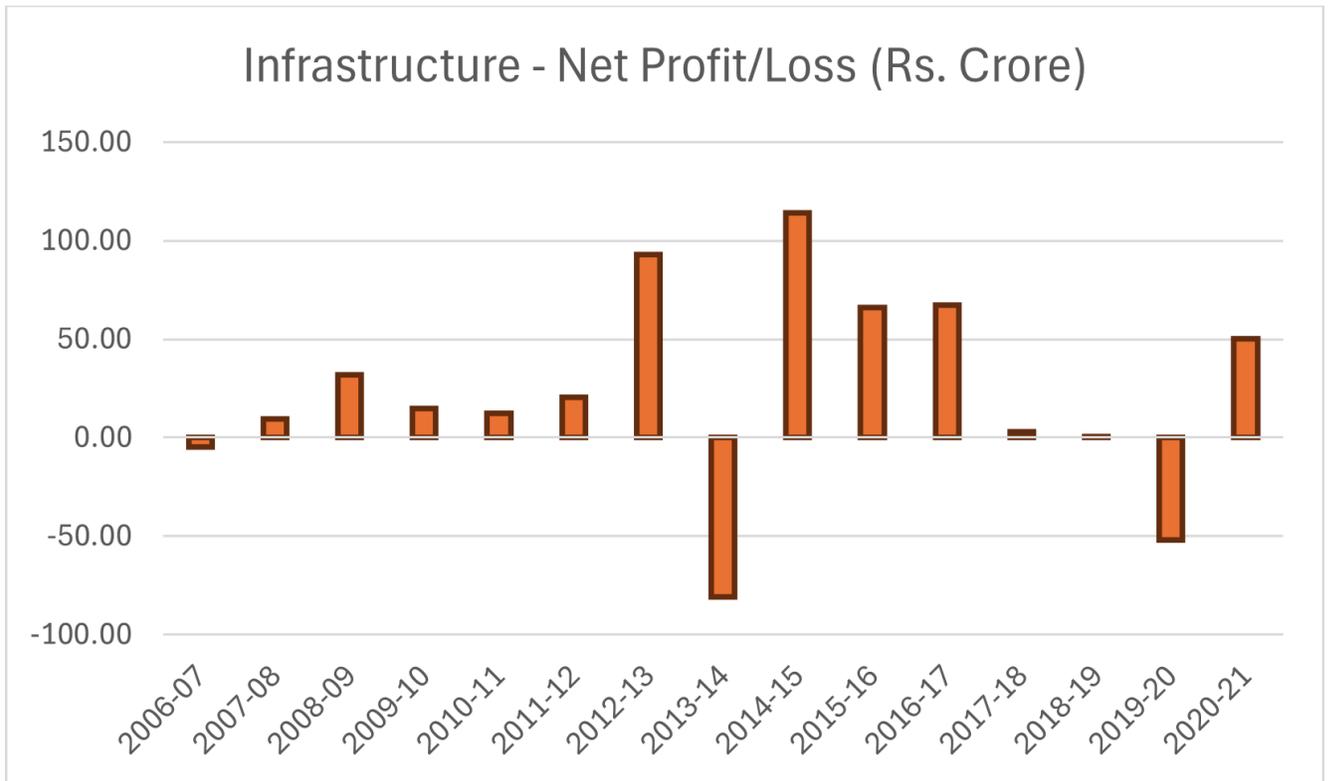
**Table 8.2.c: Attributes of PSUs in Infrastructure Sector (Rs in Crores)**

FY	Turnover (Rs. Crore)	Net Profit/Loss (Rs. Crore)	Manpower (#)
2006-07	598.13	-4.84	708
2007-08	427.40	9.58	686

2008-09	466.39	31.91	722
2009-10	197.00	14.77	685
2010-11	792.49	12.30	1007
2011-12	703.05	20.67	1045
2012-13	889.63	92.75	1175
2013-14	1083.98	-80.93	1272
2014-15	1157.52	114.03	1341
2015-16	1073.43	66.26	1436
2016-17	1470.33	67.49	1325
2017-18	1375.98	3.14	1391
2018-19	1430.42	0.18	1159
2019-20	1474.12	-51.74	1645
2020-21	1463.71	50.14	N/A

Source: PSUs Report of different years, CAG





Infrastructure PSUs have exhibited a steady upward path in both turnover and employment since FY 2011-12. This has coincided well with the nation-wide push toward greater infrastructure and capital spending to boost growth outcomes by taking advantage of India's demographic dividend. Turnover reached a pre-pandemic high of Rs. 1470 crore in FY 2016-17 and has hovered at about the same level ever since. Net profits remained almost stable till FY 2011-12 after which there was a huge spike in profits followed by a steep decline leading to a loss of Rs 80 crores in FY 2013-14. In the following year, the profit again gained momentum reaching a high of Rs 114 crores in FY 2014-15. Net profits crashed in FY 2017-18 with the pandemic bringing about the only year of losses over the past decade in FY 2019-20.

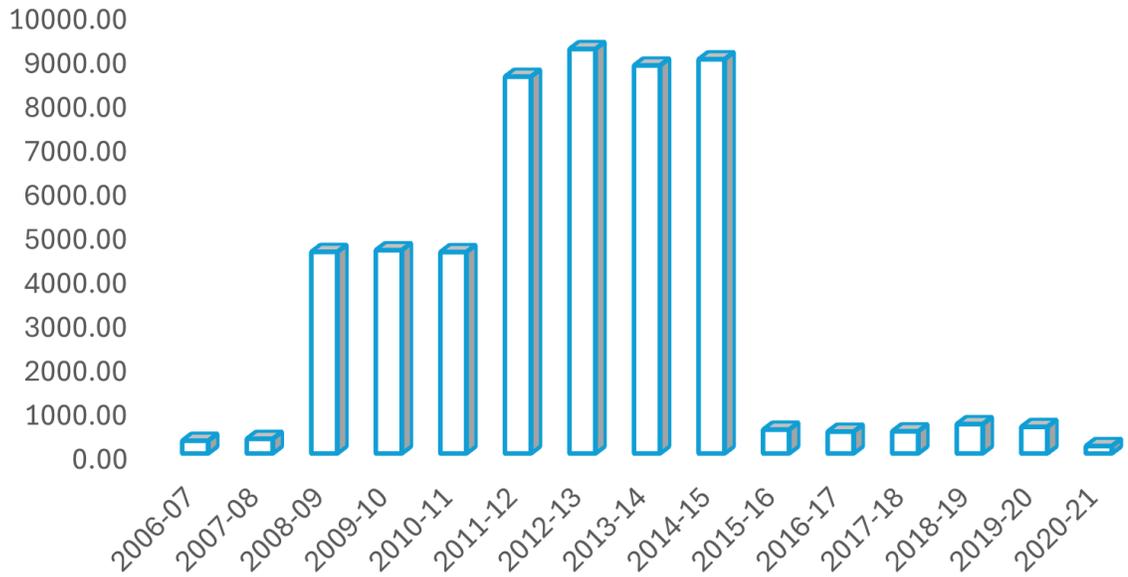
## 8.2.4 Manufacturing

**Table 8.2.d: Attributes of PSUs in Manufacturing Sector (Rs in Crores)**

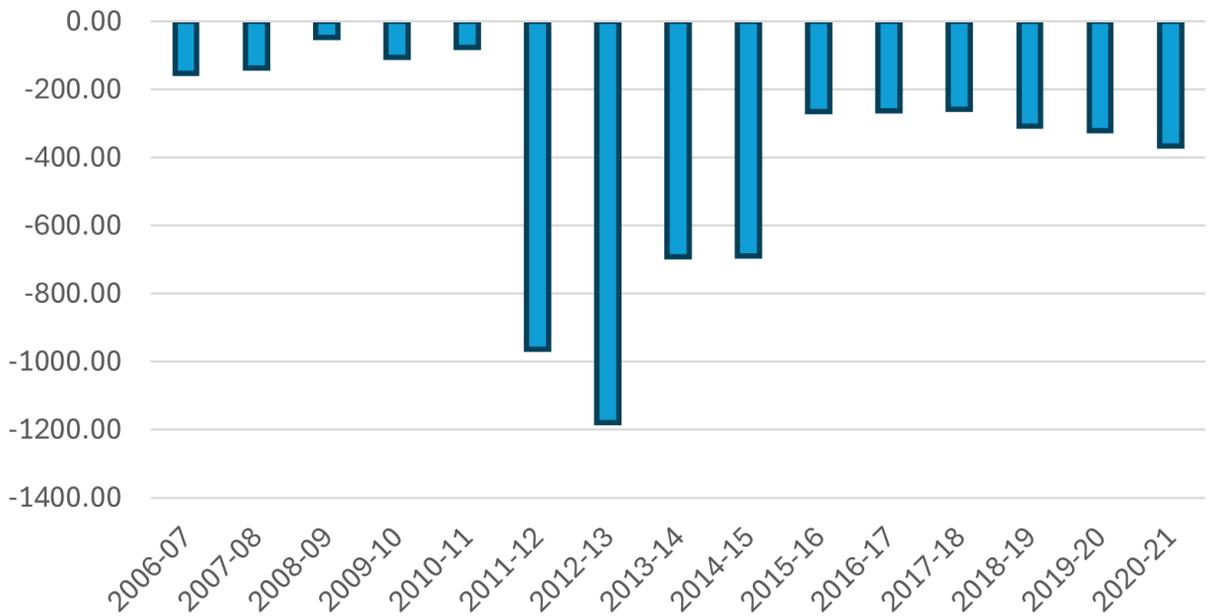
FY	Turnover (Rs. Crore)	Net Profit/Loss (Rs. Crore)	Manpower (#)
2006-07	286.10	-152.09	6055
2007-08	329.08	-136.92	5436
2008-09	4570.69	-47.32	6821
2009-10	4610.19	-103.99	6905
2010-11	4566.46	-75.36	6618
2011-12	8546.39	-962.30	6198
2012-13	9173.89	-1177.92	6163
2013-14	8801.02	-692.24	5680
2014-15	8941.19	-687.85	5191
2015-16	538.02	-263.40	4380
2016-17	492.39	-261.77	3984
2017-18	499.60	-256.59	3661
2018-19	663.64	-307.41	3573
2019-20	600.32	-321.29	3132
2020-21	166.41	-365.54	N/A

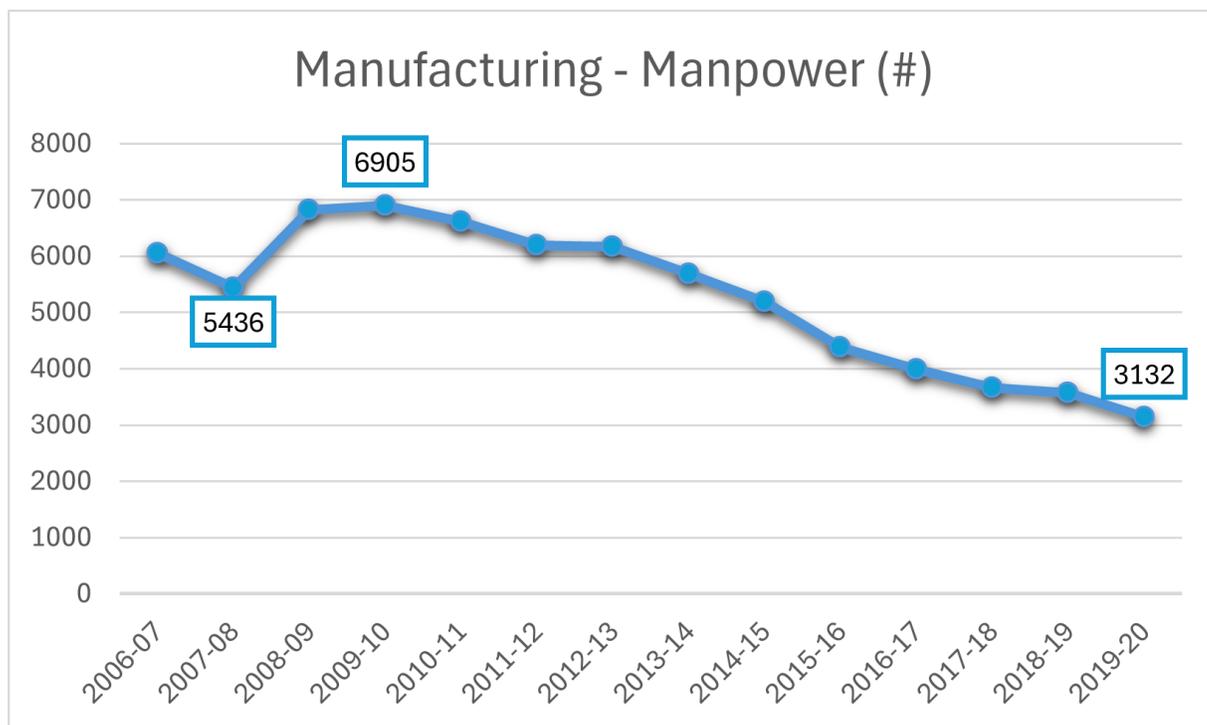
Source: PSUs Report of different years, CAG

### Manufacturing - Turnover (Rs. Crore)



### Manufacturing - Net Profit/Loss (Rs. Crore)





The Manufacturing sector has remained a loss-making sector throughout our period of analysis. Turnover increased steeply in the year 2008-09 to Rs 4570.7 crores from Rs 329.1 crores in 2007-08. The figure then remained stable till 2010-11 after which it suddenly skyrocketed to Rs 8546 crores in 2011-12 and maintained its momentum in the following three periods. The year 2015-16 displayed a marked decline in turnover from Rs 8941.19 crores to Rs 538 crores.

This more than tenfold decrease in turnover is explained by The Chatterjee Group (TCG) acquisition of a controlling stake in Haldia Petrochemicals Limited (HPL) in 2016. The privatization of Haldia Petrochemicals Limited led to being taken off the state's power sector accounts, no more being considered part of the Manufacturing sector of PSUs in West Bengal. This also caused a significant reduction in sector losses from Rs. 687 crores in FY 2014-15 to Rs. 263 crores the following year. HPL employed 768 people at the time of the acquisition, which did not make much difference in the continued downward trend of manpower in Manufacturing sector PSUs. The total personnel employed reached 3,132 in FY 2019-20, almost half of what it was a decade ago (6,905 employed in FY 2009-10).

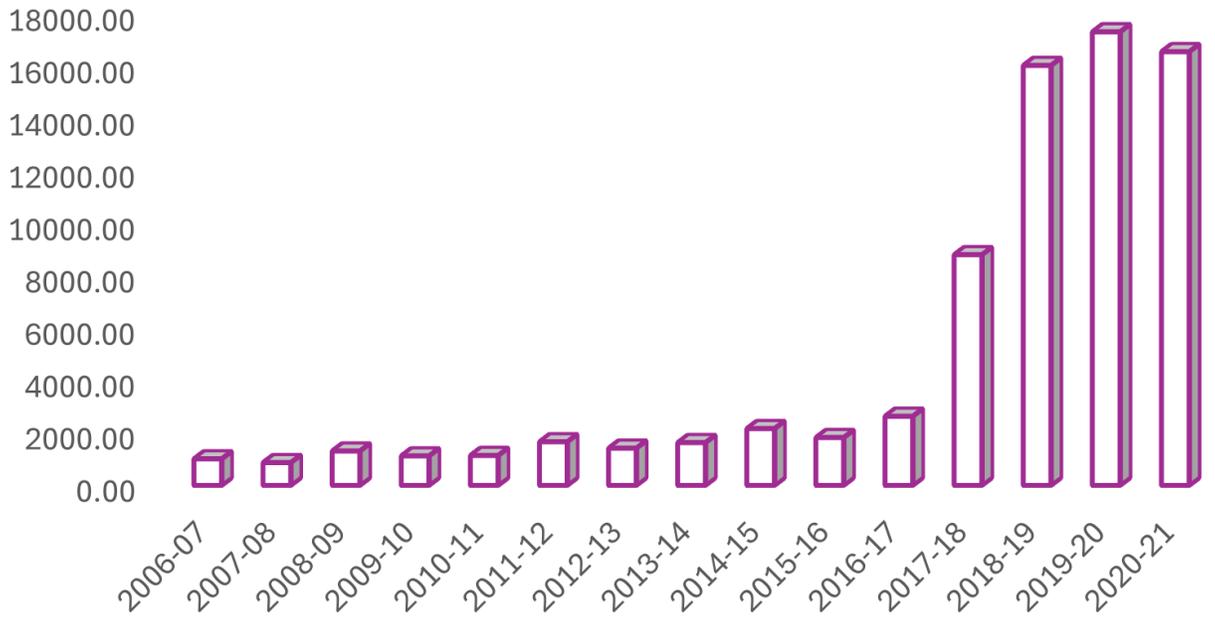
## 8.2.5 Services

**Table 8.2.e: Attributes of PSUs in Services Sector (Rs in Crores)**

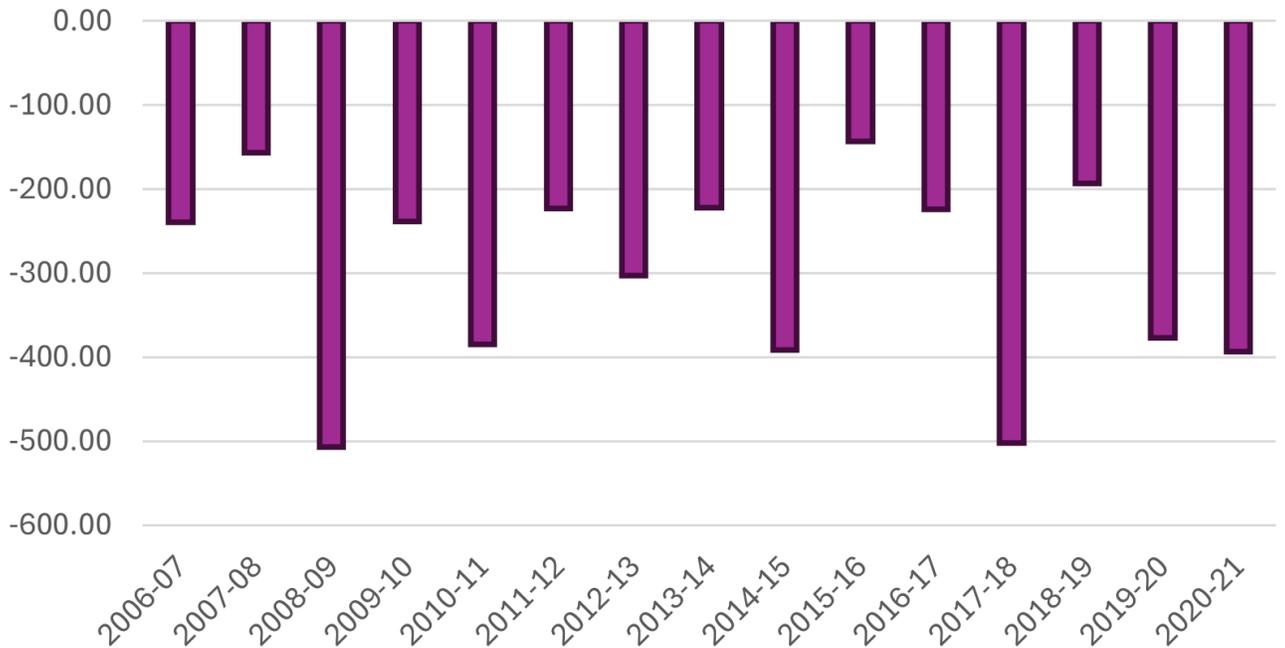
FY	Turnover (Rs. Crore)	Net Profit/Loss (Rs. Crore)	Manpower (#)
2006-07	1006.78	-239.90	24828
2007-08	863.53	-157.03	23476
2008-09	1305.06	-507.20	22749
2009-10	1119.05	-238.94	22074
2010-11	1135.51	-384.33	21413
2011-12	1656.38	-223.05	19700
2012-13	1413.13	-302.76	22387
2013-14	1625.84	-221.83	17920
2014-15	2161.64	-391.34	17625
2015-16	1819.66	-142.73	7295
2016-17	2632.50	-224.34	15862
2017-18	8794.91	-502.71	17311
2018-19	16016.36	-193.55	14867
2019-20	17299.50	-376.96	15717
2020-21	16540.62	-393.26	N/A

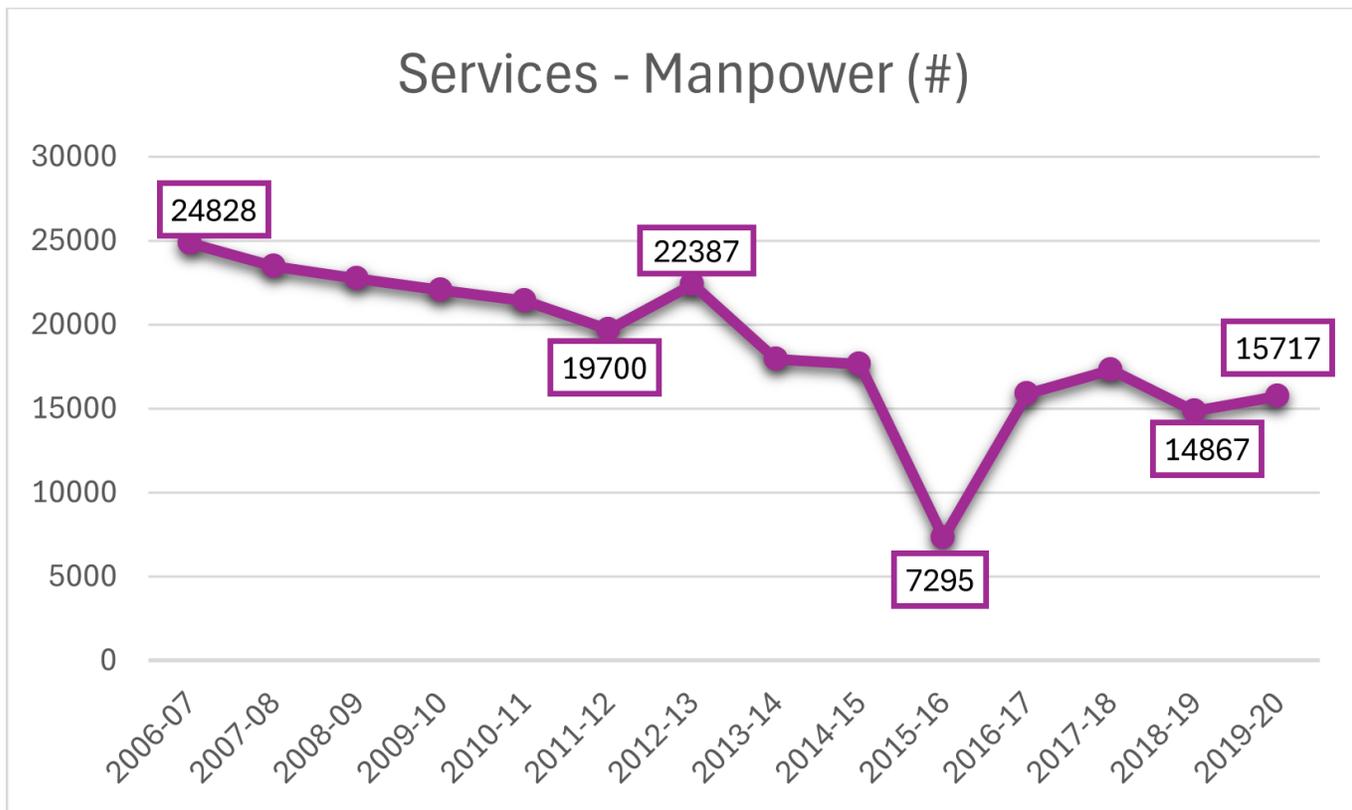
Source: PSUs Report of different years, CAG

### Services - Turnover (Rs. Crore)



### Services - Net Profit/Loss (Rs. Crore)





The Service sector PSUs have seen slow but erratic growth in their turnover numbers up until FY 2016-17. The big jump occurred when the West Bengal State Beverages Corporation Ltd. was set up as a wholly owned and controlled Public Sector Company under the Finance Department, Government of West Bengal, dated 05.01.2017. It was incorporated under Ministry of Corporate Affairs, Government of India on 25.01.2017 with a working capital of 20 Crores. In its first three years of operation, it registered annual turnovers of Rs. 5,998.79 crores (FY 2017-18), Rs. 13,541.45 crores (FY 2018-19) and Rs. 12,892.24 crores (FY 2019-20). It also made steady profits of Rs. 26 crores, Rs. 80 crores and Rs. 47 crores in each of the three years since its incorporation. As of March 2020, it employed 469 people, yet overall, the Service sector has seen a 36.6% drop in employment since the highs of FY 2006-07 when it staffed 24,828 employees. There have been no consistent trends in the Net Profit numbers for this sector, but they have consistently remained in the red, having not made a net positive profit as a sector in any fiscal year since FY 2006-07.

### 8.3 Reforms in Public Sector Enterprises

8.3.5 **Phase I & II (2002-11)**: The restructuring of the State PSUs occurred in two phases during 2002-2011. The State Government entered into an agreement with the Department of International Development, United Kingdom in December 2002. The agreement enabled the State Government to receive a grant of £ 20 million which was earmarked for restructuring costs, separation- related expenditure and re-training of employees laid off as a result of privatization. In January 2003, the Government appointed M/s Price Waterhouse Coopers for business optimization studies of 14 loss incurring units. However, no disinvestment, privatization or re-structuring had taken place during the year 2002-03. Starting from May 2003, the State Government decided to close eight Government companies, privatize 11 companies while restructuring four companies within Government sector.

This process continued till December 2004. Due to the process of restructuring, the Government had to shell out Rs 42.33 crores to 953 employees of three companies under Early Retirement Scheme till September 2004. In January 2005, the Government undertook financial re-structuring of three companies by transforming Government loan and interest of Rs 841.73 crores into equity. Further, the Government undertook financial restructuring in respect of four companies during the period May 2005-January 2006 by way of conversion of Government loan and interest of Rs 393.66 crore into equity and had written off loan and interest of Rs 47.76 crores. During the year 2006-07, the Government disinvested 74 per cent equity of Engel India Machines & Tools (1987) Limited and West Bengal Chemical Industries Limited in favor of two private enterprises.

In the second phase, starting from January 2006, the Government took up restructuring of another 22 loss making PSUs and appointed three consultants in August 2006 for business optimization studies. During October 2006 to September 2007 two more PSUs were closed after paying compensation of Rs 9.06 crores to 170 of their employees. During the year 2006-07, the Government disinvested 74 per cent equity of West Bengal Agro Textile Corporation Limited and 90 per cent equity of Apollo Zipper India Limited in favour of two private enterprises.

The second phase covered PSUs in the transport sector as well as 14 PSUs and three Department Undertakings (DUs) under six Departments and resulting into restructuring and retention of PSUs under Government ownership, conversion of four PSUs into Joint Ventures, closure of one PSU and Corporatization of one DU and conversion of two DUs into Joint Ventures.

**Regime Change and Restructure Initiatives:** The matter of comprehensive restructuring of PSUs/ Corporations with an objective to improve the operational efficiency, optimally utilize the manpower and assets has been crucial for West Bengal Government given the worsening condition of PSUs.

The state government in the memorandum dated 21.02.2017 has decided that 46 PSUs/ Corporations will be restructured/ merged (26 PSUs/ Corporations would be restructured and 20 would be merged and 44 PSUs/ Corporations will continue to remain functional after reviewing the status of 90 PSUs/ Corporations of the state government. It has further been decided that the services of employees of all such restructured/ merged PSUs/ Corporations would not be affected in any way.

The employees in such merged or restructured PSUs/ Corporations will be redeployed in the continuing PSUs/ Corporations with which the original unit is merged or detailed in the various offices in the Government with same terms & conditions of service.

As on 31 March 2021, there were 85 SPSEs (including 19 inactive SPSEs) in West Bengal, as shown in Table 8.1.a. The financial performance of the SPSEs has been drawn up on the basis of latest finalised accounts as on 30 November 2021.

In 2020-21, the working SPSEs registered an annual turnover of Rs. 54,522 crore. This turnover was equal to 4.19 per cent of Gross State Domestic Product (GSDP) of the State for the year 2020 21 (Rs. 13,01,017 crore). The SPSEs earned overall profit of Rs. 692 crore as per their latest finalised accounts.

## 8.4 Management of Public Sector Enterprises

The Industrial Reconstruction Department (IRD) was created as the Closed and Sick Industries Department out of the Commerce & Industries Department 1971 and was renamed as the Industrial Reconstruction Department in December 1981 to better reflect the following aims, objectives and activities assigned by the Government:

- Industrial Sickness in the State.
- Role & activities of the Department.
- Salient features of the West Bengal Industrial Renewal Scheme 2001

The Department of Public Enterprises (PED) originally exercised control over 23 Enterprises of the Government and one Departmental Undertaking. Of these, only a few were originally set up as Government companies but the majority were erstwhile sick private sector units taken over by the Government. However, PED took several measures to revive all these units and run them successfully. The performance of these units was monitored regularly.

A Strategic Business Experts Group (SBEG) was formed to study the units in depth and suggest improvements. Investments were made in upgrading technology where necessary. However, the units continued to make losses. The situation deteriorated sharply after 1991 when the economy was opened up and industry was exposed to international competition. The drainage of budgetary resources in supporting the units reached a level that was considered untenable. The Government accordingly decided to take up a program for restructuring all loss-making units.

In the year 2014 Home & Hill Affairs Department merged these two departments as PE & IR Department. At that time, under PE&IR Department, the following 5 Public Sector Enterprises were being administered under its control:

- Durgapur Chemicals Ltd. (DCL) [ Set up by the State Govt. ]
- Saraswaty Press Ltd. (SPL) [Address] [Working and making profit]
- Lily Products Ltd. (LPL) [Non-functioning]
- Neo Pipes & Tubes Co. Ltd. (NPT) [Non-functioning]
- National Iron & Steel Co. Ltd. (NISCO) [Non-functioning]

Besides, there are four other closed PSEs namely WB Plywood and Allied Products Ltd (WBPAPL), Carter Pooler Engineering Co. Ltd (CPEL), Krishna Silicate & Glass (1987) Ltd (KSGL) and Indian Paper & Pulp Ltd (IPP).

There were four Joint Venture companies namely West Bengal Chemical Industries Ltd. (10.99%), EMT Megatherm Pvt. Ltd. (9.93%, West Bengal Agro Textiles Ltd. (26%) and Apollo Zipper India Ltd. (AZIL) (10%) (Popularly known as The Lalit (Great Eastern) Hotel Ltd) under administrative control of PE&IR Wing of this Department. One Departmental Undertaking being the Darjeeling Ropeway Corporation Ltd. [Non-functioning].

Later on in 2016, via notification dated 19.12.2016, PE & IR Department merged with Commerce & Industries Department and renamed as Large Industries & Enterprises Department.

The Home & Hill Affairs Department of the Government of West Bengal notified an amendment to the Rules of Business, creating the Department of Public Enterprises and Industrial Reconstruction, dated the 15th November, 2019. The

business allocated to it includes, inter alia,

- Revival & Regulation of:
  - i. closed industrial units and trading corporations in the State;
  - ii. sick industrial units and trading corporations in the State
- To govern and administer the West Bengal Relief Undertakings (Special Provision) Act, 1972;
- Matters connected with Government Companies, Boards, Cooperative Societies and Public Undertakings with which the Department is concerned.

# **CHAPTER IX**

## **POWER SECTOR REFORMS AND IMPACT ON FINANCIAL HEALTH**

**Chapter IX****Power Sector Reforms and Impact on Financial Health****9.1 Reform Trajectory**

The course of West Bengal's power sector since 2000 has been one of the most unusual and periodically encouraging of any Indian state. During the period of 2002-2011, West Bengal developed a technocratic, pragmatic, and statist model of power reforms in the hope of incentivizing industrialization. Rather than relying on restructuring or civil society activism, this model focused on internal changes - corporate governance, capacity building, and technology-aided process streamlining - to bolster the independence of the utilities.

Between 2006 and 2011, this model proved strikingly successful: transmission and distribution (T&D) losses and load-shedding dropped, tariffs were consistently revised, the state distribution company (discom) became increasingly efficient, and rural electrification rapidly accelerated. The major public and private discoms in the state both introduced increasingly automated and ambitious systems of consumer relations and data management. From humungous annual losses in 2002, by 2011 West Bengal had become one of only three states to report utility profits without any government subsidy, topping World Bank performance indices. But after 2011, the sector has become more troubled. Tariff revisions have failed to keep pace with rising costs, T&D losses are escalating and renewable energy has been sidelined.

However, from 2012 onwards, the government was highly sensitive to tariff hikes and blocked any tariff revisions in the initial years even when the costs pursued an increasing trend. Tariff freezes lead to worsening utility finances and hence leading to imminent power cuts. This persuaded the administration to permit belated hikes. The hikes that were belatedly permitted could not keep pace with the increasing cost of employee salaries or interest payments, nor with a perceived decline in WBSEDCL's overall performance.

When revisions did arrive, the domestic tariffs went sharply up leading to huge unrest as consumers were facing some of the country's highest tariffs. T&D losses

had also begun to climb at a rate that cannot be attributed solely to technical losses from expanded rural electrification.

Since 2011 WBSEDCL has wrestled with mounting debts and has increasingly resorted to short-term borrowing to finance even everyday operations. ICICI Securities estimated a revenue gap of Rs 20 billion in FY15-16, widening due to interest rates above its permitted carrying cost on regulatory assets. The discom's credit rating was therefore recently downgraded, the ratings agency citing its rising regulatory assets, uncertainties around tariff revisions, and high T&D losses.

The administration had also therefore resisted signing onto the centre's Ujwal Discom Assurance Yojana (UDAY) financial restructuring scheme owing to its own high debt to GSDP ratio, as this would simply heap the discom's debts upon the state government's own distressed books.

Power sector in West Bengal is characterized by restructured State Electricity Board, presence of multiple distribution utilities, including privately owned and those owned by State and Central Governments. All five distribution utilities have their own power generation plants/ sources. The State has been amongst the few to successfully implement the power sector reforms and the financial statements of the distribution utility (WBSEDCL) reflect that it has garnered profits over the last few years.

The process of reforms in power sector in West Bengal began in 2005, with restructuring of erstwhile West Bengal State Electricity Board (WBSEB) into the following Transmission and Distribution utilities in 2007:

- a) West Bengal State Electricity Distribution Company Ltd. (WBSEDCL) – Distribution Company
- b) West Bengal State Electricity Transmission Company Ltd. (WBSETCL) (Transmission Company)

The generation function of erstwhile state utility has been organized under a separate entity, West Bengal Power Development Corporation Ltd. (WBPDC). Established in 1985, WBPDC is responsible for thermal power generation in the State, while hydro generation was being undertaken by the then WBSEB till the time of

unbundling and currently transferred of hydro assets to WBSEDCL.

## 9.2 Analysis of Power Sector

In the power sector, turnover slumped to Rs 3311.75 crores in 2007-08 but continued to rise afterwards as the figure touched Rs 27040.89 crores in 2013-14. In the following two years however there has been a marginal decline in turnover. There has been a significant shrinkage in employment as 35235 in 2006-07 was reduced to 26686 in 2015-16. The power industry which was looked upon as a perfect model by other industries since it managed to strike a balance between net profit and turnover has become a loss-making entity between FY 2014-15 and FY 2018-19. This sector started with a profit of Rs 12.93 crores in FY 2006-07 with profits reaching to a height of Rs 540 crores in FY 2011-12. However, there has been a continuous decline in profits and the major blow came in FY 2015-16 when the power sector accumulated a loss of Rs 112.88 crores after a period of remarkable performance. The situation worsened in FY 2018-19 as the loss increased to Rs 131.00 crores.

However, the pandemic years have come with a welcome promise of profitability, as the Power PSUs of West Bengal have turned the tables and recorded profits above Rs. 880 crore in successive years. This has boosted the sector despite the consistent growth in turnover levelling off in the Fiscal Year 2020-21.

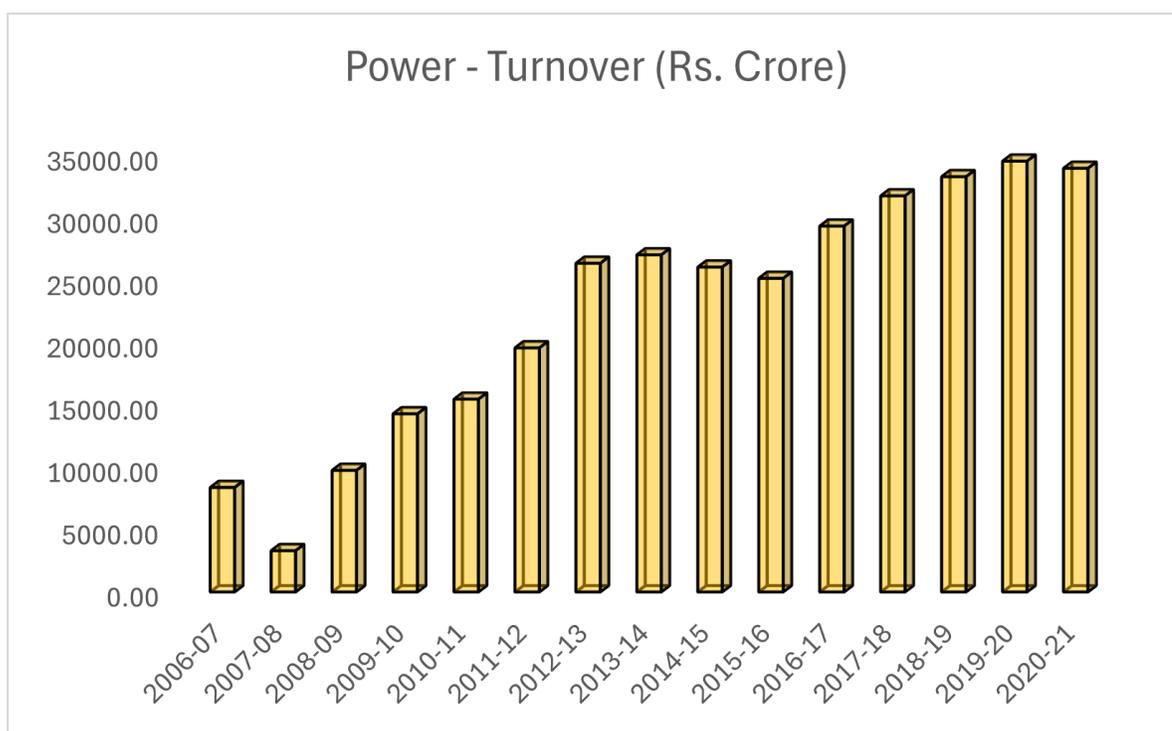
The manpower employed in the power sector has fallen consistently over the past decade with the current employment levels flattening at around 22,000 employees since FY 2017-18. This along with the Net Profits of recent years have provided a renewed vigour to the sector which is showing great improvement not only in its budget management but also in its adoption of renewable energy.

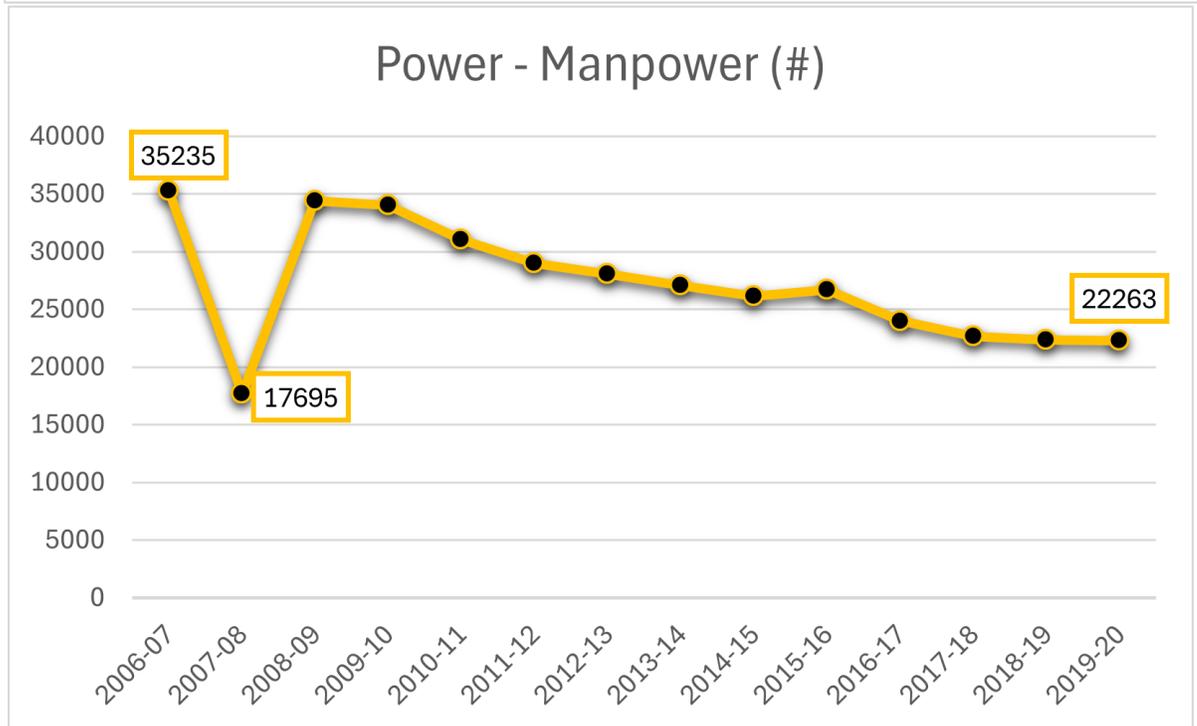
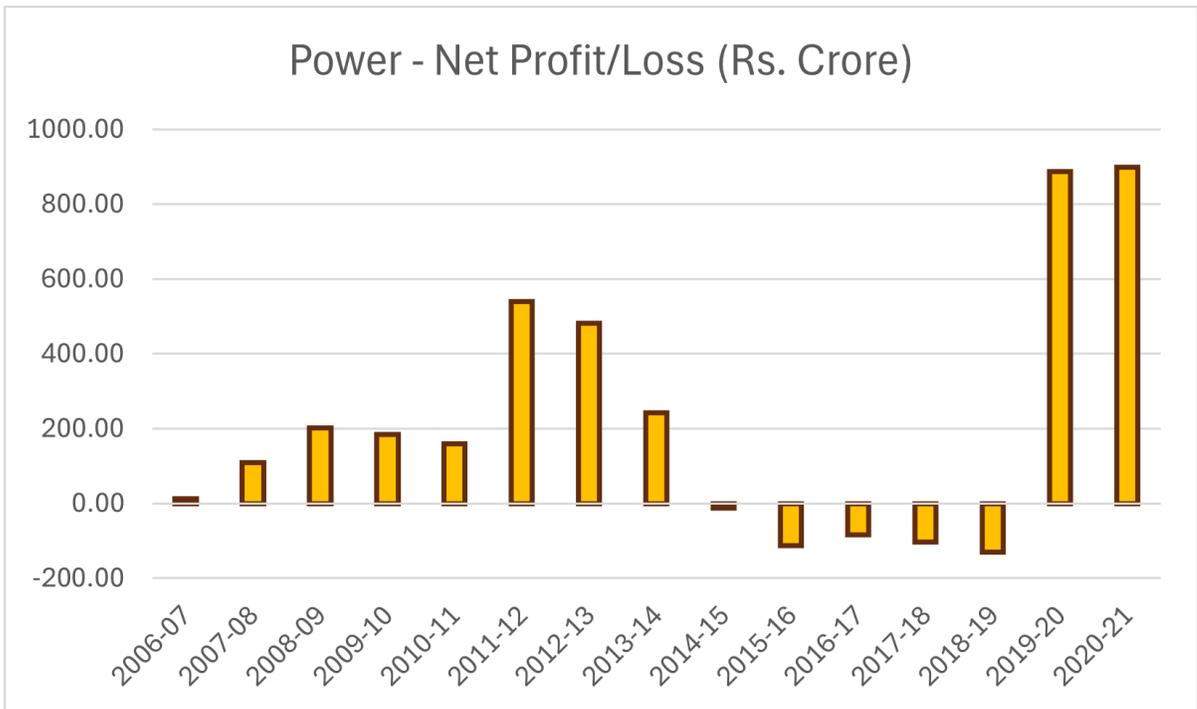
**Table 9a: Attributes of PSUs in Power Sector (Rs in Crore)**

Fiscal Year	Net Profit/Loss (Rs. Crore)	Turnover (Rs. Crore)	Manpower (#)
2006-07	12.93	8382.02	35235
2007-08	109.23	3311.75	17695
2008-09	201.60	9757.24	34382
2009-10	184.50	14291.11	34040

2010-11	159.85	15463.37	31015
2011-12	540.72	19579.92	28995
2012-13	482.82	26367.02	28027
2013-14	242.14	27040.89	27049
2014-15	-12.30	26057.00	26111
2015-16	-112.88	25158.40	26686
2016-17	-83.16	29348.38	23987
2017-18	-102.98	31773.99	22668
2018-19	-131.00	33310.76	22325
2019-20	887.89	34558.17	22263
2020-21	898.95	33983.17	N/A

\*Source: PSUs Report of different Years, CAG





The issue, however, remains that of further investments in renewable energy. The state PSUs of the power sector are financially strapped due to their burgeoning liabilities. This has led them to fall behind the private sector when it comes to

adoption of renewable energy. The results of this failure to adopt new technologies will show up in greater costs and liabilities in the future. In fact, this difference is already evident with the current data for FY 2022-23 showing the State PSUs falling behind already (as shown in Table 9.4).

The most important PSU in power sector is WBSEDCL. It is the main electricity distribution company of the State and undertakes business of electricity distribution to consumers within the State. It procures power through direct purchase from State/ Central PSUs as well as from private companies. WBSEDCL is responsible for the distribution and supply of electricity across the state, excluding parts of Kolkata, Howrah and Asansol. As of March 2023, it caters to approximately 22.29 million consumers. The discom's energy sales have increased by 28.84 per cent from 27,706 million units (MUs) in 2017-18 to 35,697 MUs in 2022-23. Of the total energy sales, domestic consumers account for 41.5 per cent, commercial consumers for 15.36 per cent, low tension (LT) industrial consumers for 4.72 per cent, high tension (HT) industrial consumers for 27.4 per cent and agricultural consumers for 4.53 per cent. It also generates small amount of hydro-electricity which it sells to consumers. In order to assess the financial impact of Power sector on fiscal health, the analysis of this PSU becomes crucial.

**Table 9b: Attributes of WBSEDCL (Rs in Crores)**

Fiscal Year	Total Income	Total Expense	Profit Based Tax	Tax	Profit After Tax	Paid up Capital	Non- Current Liabilities	Debt Equity Factor
2011-12	14172.85	14070.22	102.63	29.15	73.48	2558.40	11177.35	4.37:1
2012-13	17499.85	17391.49	108.36	26.64	81.72	2256.74	13065.64	5.79:1
2013-14	17879.92	17850.31	29.61	10.54	19.07	2256.74	15037.42	6.66:1
2014-15	19583.34	19553.30	30.04	10.22	19.82	2256.74	16014.82	7.1:1
2015-16	18611.30	18576.12	35.18	13.60	21.58	2256.74	17425.51	7.72:1
2016-17	19931.68	19883.03	48.65	17.32	31.33	2256.74	9196.09	4.07:1
2017-18	20794.47	20737.25	57.22	16.37	40.85	2296.24	9110.73	3.97:1

2018-19	22818.03	22750.31	67.72	19.78	47.93	2316.86	9491.80	4.10:1
2019-20	26220.34	26134.77	85.57	22.44	63.13	2365.89	11242.31	4.75:1
2020-21	26892.79	26822.70	70.09	22.04	48.05	2365.89	12162.02	5.14:1
2021-22	26544.37	26451.75	92.62	24.25	68.37	2480.89	12936.46	5.21:1
2022-23 (RE)	31588.42	31521.86	66.56	13.85	52.71	2867.34	14371.57	5.01:1
2023-24 (BE)	34407.91	34334.77	73.14	15.61	57.53	3550.25	14923.63	4.20:1

Source: PSUs Report of different Years, CAG

The revenue as well as expense for the corporation increased steadily, doubling from Rs. 14,173 crores in FY 2011-12 to Rs. 34,408 crores in FY 2023-24 on account of upward revision of tariff in energy charges. The fall in revenue in 2015-16 was due to decrease in the number of bulk consumers mostly belonging to the iron and steel industry. The Covid pandemic arrested the steady growth of revenues, with the period between FY 2019-20 to FY 2021-22 seeing no change in total income of WBSEDCL.

Net profit of WBSEDCL decreased to Rs 21.58 crore in 2015-16 from Rs 73.48 crore in 2011-12. This was attributable to increase in finance cost to Rs 1,451.57 crore (111 per cent) from Rs 687.24 crore and other expenses to Rs 1,122.41 crore (98 per cent) from Rs 565.69 crore in 2015-16 over the year 2011-12 respectively. The finance cost had increased due to jump of 50.43 per cent in long term borrowings for projects from financial institutions and 272.38 per cent in short-term loans and cash credit from banks to meet the working capital requirements during the period from 2011-12 to 2015-16. Besides, other expenses included expenditure on outsourced jobs (manpower related) that had increased by 159 per cent. Debt-equity ratio has also increased from 4.37 in 2011-12 to 7.72 in 2015-16 due to increase of borrowings for financing various projects.

In WBPDCCL the revenue realisation per unit increased from Rs. 3.83 to Rs. 5.04 per unit in FY 2015-16 to FY 2019-20. However, during the same period fixed cost per unit increased from Rs. 1.16 to Rs. 1.71 per unit, mainly due to increase in interest & finance charges, employees cost and depreciation. The variable cost per unit in WBPDCCL increased from Rs. 2.87 (FY 2015-16) to Rs. 3.45 (FY 2018-19) per unit

during review period mainly due to excess consumption of coal and increase in price of coal; however, the unit variable cost decreased from Rs. 3.45 (FY 2018-19) to Rs. 3.32 (FY 2019-20) per unit due to production from captive coal mines.

This was associated with a recovery in the Net Profits to levels seen only before FY 2012-2013. In FY 2021-22, WBSEDCL recorded a decadal high Net Profit of Rs. 68.37 crores.

The Covid pandemic also brought on a cash crunch that limited their ability to repay borrowings. DPL also stated that they had requested the State Government to convert the loans into equity and waive off interest thereon as a part of the measure of financial restructuring owing to which no loan repayment had been made during 2018-21. WBSEDCL had repaid principal of Rs. 5.15 crore while WBSETCL repaid Rs. 49.01 crore as principal and Rs. 51.14 crore as interest during 2020-21.

**Table 9c: Efficiency of WBSEDCL (in percent)**

Fiscal Year	Billing Efficiency	Collection Efficiency	Standard norm T&D loss by WBERC	Actual T&D Loss	T & D Loss in Excess of Norm	Standard norm of AT&C Loss by GoI	Actual AT&C Loss	AT&C Loss in excess norm
2011-12	74.64	91.83	17.75	24.88	7.13	-	32.18	-
2012-13	74.18	87.36	17.50	25.40	7.90	-	35.79	-
2013-14	71.64	97.45	17.50	27.96	10.46	30.51	30.66	0.15
2014-15	72.10	94.80	17.50	27.60	10.10	29.00	32.52	3.52
2015-16	71.98	95.37	17.50	27.74	10.24	28.00	31.58	3.58
2016-17	72.67	97.76	17.50	27.47	9.97	15.00	28.96	13.96
2017-18	73.36	99.06	17.50	26.66	9.16	15.00	27.33	12.33
2018-19	77.04	100.00	17.50	22.97	5.47	15.00	22.97	7.97
2019-20	81.43	98.12	17.50	18.48	0.98	15.00	20.10	5.10
2020-21	79.02	99.54	17.50	20.89	3.39	15.00	21.35	6.35
2021-22	84.83	98.25	17.50	15.11	-2.39	15.00	16.65	1.65

2022-23 (RE)	83.28	99.33	17.50	17.14	-0.36	15.00	17.27	2.27
2023-24 (BE)	83.75	98.90	17.50	16.18	-1.32	15.00	17.17	2.17

Source: PSUs Report of different Years, CAG

The distribution system links the power generation source and the ultimate consumers of electricity. For efficient functioning of the system, it must be ensured that there are minimum losses in sub-transmission and distribution of power. Transmission and Distribution (T&D) loss is energy lost in the network while flowing from the generation source to the consumers. Aggregate Technical and Commercial (AT&C) loss is the difference between energy available for sale (after adjusting for transmission losses and trading in energy) and energy realized. Efficiency of operations is indicated by efforts of the electricity distribution company to reduce/control these losses by proper billing and collection for increasing revenue from the sale of electricity. The above table shows the details of billing and collection efficiency and aggregate technical and commercial (AT&C) losses for the period from 2011-12 to 2015-16.

It indicates that during 2011-12 to 2020-21 both the actual T&D loss and AT&C loss were higher than the standard norms fixed by WBERC and Ministry of Power, GoI. This only reversed during the post-pandemic period as Actual T&D Loss fell below the norm for the first time. In this context it was observed that WBSEDCL had formulated (April 2010) a plan to reduce the AT&C losses of 62 specified towns within five years from 2011- 12 to 2015-16 under the GoI-funded scheme covering 18.75 per cent of its total consumers only. Apart from this, WBSEDCL had not formulated any plan or set targets for reduction of AT&C losses for the remaining towns, which comprised 81.25 per cent of its total consumers. According to CAG report on Public Sector Undertakings, the major factors which were responsible for these results are:

- Loss of interest due to delays in raising of energy bills
- Theft of electricity
- Accumulation/ non-realisation of outstanding dues
- Loss of revenue from unbilled consumers
- Transformers installed without consumers
- Deemed disconnected consumers

Power distribution is also carried out by 4 other licensees in the State, apart from WBSEDCL which supplies power to nearly 1.84 Cr consumers in the State. The State regulatory commission, West Bengal State Electricity Regulatory Commission (WBERC) was established in year 1999 by the State. The key highlights of the power sector in the State are presented in Table below.

**Table 9d: Key Highlights of Power Sector**

Aspect	Key Highlights				
Demand Supply Position	As compared to national figures, the State has had lower demand and supply deficit. The FY 2024-25 (April,2024 to November,2024) power supply position is shown in the table below (CEA Figures):				
	Item	Peak (in MW)		Energy (in MUs)	
	Demand/Requirement	12,645		51,371	
	Availability	12,640		51,286	
	Surplus/(Deficit)	(5)		(84)	
Generation	West Bengal Power Development Corporation Ltd., is the state generating company, owning and operating thermal power generating stations. In addition to WBPDC, remaining thermal power generating capacity is owned and operated by private players viz. CESC,HEL, IPCL and central generating stations owned by NTPC, NHPC and DVC etc. and also some IPPs (MPL, APNRL etc.). (As per CEA Report for FY 2022-23)				
	Mode	Thermal	Hydro	RE	Total (GWh)
	State & Centre	34561.35	1989.56	211.67	36762.58
	Private	12107.76	0.00	1747.36	13855.12
	<b>Total</b>	<b>46669.11</b>	<b>1989.56</b>	<b>1959.04</b>	<b>50617.71</b>
Transmission	West Bengal State Electricity Transmission Company Ltd. (WBSETCL) is the State Transmission Utility, responsible for developing and operating transmission systems in the State. An overview of the transmission system available to the state is provided in the table below:				
	Mode	Voltage		(#)	
	New EHV Substations	400 kV		3	
		220 kV		16	
		132 kV		16	
	New Transmission	400 kV		28 CKM	
220 kV		458 CKM			

	Lines		132 kV	1704 CKM																			
			66 kV	14 CKM																			
Distribution	<p>There are 5 distribution utilities operating in the State, with 2 being private licensees, 2 owned by State Government and one owned by Central Govt., as detailed below:</p> <ul style="list-style-type: none"> <li>• <b>WBSEDCL - West Bengal State Electricity Distribution Company Limited</b> is a State Govt. owned utility responsible for electricity distribution in the State with consumer base of about 1.53 Crores.</li> <li>• <b>CESC – CESC Limited</b> is a fully integrated private utility, owning and operating distribution system with total area of 567Sq. Km in Kolkata and Howrah, serving over 29 lac consumers.</li> <li>• <b>IPCL (Formerly DPSC) – India Power Co. Ltd.</b> is a privately owned utility which owns and operates distribution system in region spread over 618 Sq. Km in coal rich Asansol and Raniganj area.</li> <li>• <b>DPL – Durgapur Projects Ltd.</b> is a State Govt. owned integrated power utility responsible for supplying electricity in the limited geographical area of Durgapur, operating in area of 125 Sq. Km.</li> <li>• <b>DVC – Damodar Valley Corporation</b> is a Central Govt. owned utility, supplying power at 33kV level and above in the DVC command area spanning across the State of West Bengal and Jharkhand. Nearly 40% of sales of DVC are in the state of West Bengal.</li> </ul>																						
	<table border="1"> <thead> <tr> <th>Parameters</th> <th>Unit</th> <th>WBSEDCL</th> <th>DPL</th> <th>CESC</th> <th>IPCL</th> </tr> </thead> <tbody> <tr> <td>33 kV Lines</td> <td>ckm</td> <td>13,926</td> <td>79</td> <td>1,479</td> <td>133</td> </tr> <tr> <td>11 kV Lines</td> <td>ckm</td> <td>1,50,946</td> <td>386</td> <td>6,346</td> <td>752</td> </tr> </tbody> </table>						Parameters	Unit	WBSEDCL	DPL	CESC	IPCL	33 kV Lines	ckm	13,926	79	1,479	133	11 kV Lines	ckm	1,50,946	386	6,346
Parameters	Unit	WBSEDCL	DPL	CESC	IPCL																		
33 kV Lines	ckm	13,926	79	1,479	133																		
11 kV Lines	ckm	1,50,946	386	6,346	752																		
	LT Lines	Ckm	2,91,092	960	12,554	19																	
	33/ 11 kV S/Stn	No.	517	2	108	14																	
	33/ 11 kV S/Stn	MVA	7,681	948	3,454	349																	
	DTs	No.	1,99,289	535	7,906	57																	
	DTs	MVA	9361.5	104	2,650	9																	
Financial Position	<p>The financial position of state owned distribution utility (WBSEDCL) has improved considerably over the last few years with WBSEDCL being able to remain profitable in most of the years. CESC, the largest private power distribution utility in the State has also been profitable by efficiently managing its operations.</p>																						

Source: Report: Power for All, West Bengal, Joint Initiative by GoI and GoWB

### 9.3 Reforms and Policies in Renewable Energy Sector

The perennial and eternal source of energy has a vital role in the socio-economic development of the country. Keeping this viewpoint, West Bengal Green Energy Development Corporation Limited (WBGEDCL) was established by Govt. of West Bengal on 26 December 2007, in order to promote different grid connected renewable energy based power projects through PPP mode and also to ensure investment of private sector in Renewable Energy. WBGEDCL a joint venture company of West Bengal Power Development Corporation Limited (WBPDC), West Bengal State Electricity Distribution Company Limited (WBSEDCL) and West Bengal Renewable Energy Development Agency (WBREDA). The Government of West Bengal has formulated a "Policy on Cogeneration and generation of electricity from Renewable Sources of Energy" for accelerating development initiatives for promotion of alternative energy sources in the State of West Bengal.

#### Projects undertaken by WBGEDCL:

##### 2009-10

- Installation and successfully running of the Country's First 1.1 MW Solar PV Power Plant at Jamuria, Asansol.
- Installation of 28000 ltr. per day (LPD) Solar water Heating Systems at National Institute of Technology, Durgapur.
- Installation and commissioning of 3 kW Rooftop Solar PV Power Plant at Howrah Municipal Corporation Annex Building.

##### 2010-11

- Installation and commissioning of 50 kW and 30 Kw Grid connected Rooftop Solar PV Power Plant in 3 government buildings.
- World Bank e-Consultant for preparation of report on 'Improving Energy Infrastructure in Indian Sundarbans'.
- Installation of 164 nos. of Solar Street Lighting Systems in the major rural markets yards of the State under the West Bengal State Marketing Board.
- 2000 ltr. per day (LPD) at BESU, Howrah.

**2011-12**

- Installation of 0.9 MW (Second Phase) Grid connected Solar PV Power Plant at Jamuria, Burdwan.
- Installation of 317 nos. of Solar Street Lighting & 70 nos. of Solar Home Lighting systems in different locations of West Bengal as indentified by Fisheries Dept., Govt. of West Bengal.
- Distribution of 1875 Nos. of Solar Lantern to the DM, South 24 Parganas for distribution the same to the Minority Students.
- Installation of 4000 LPD Solar Water Heating Systems at Raj Bhavan, Kolkata.

**2012-13**

- Installation of 10 nos Solar Home Lighting systems.
- Distribution of 1875 Nos. of Solar Lantern to the DM, South 24 Parganas for distribution the same to the Minority Students
- Installation of 3 kW off-grid Power Plant at Mangrove Tourist Lodge.
- Installation of 7 kW Rooftop Grid connected Power Plant at Bethun College.

**2013-14**

- Installation of 1.5 kW off-grid Power Plant at ERLDC.
- Installation of 1 nos.(High capacity) Solar Street Lighting Systems at Nadia District Library.

**2014-15**

- Installation of 2.5 kW off-grid Power Plant at Kolkata Circuit House Kolkata Circuit House.

**2015-2016**

- Installation of 75 nos. 5 kWp, 15 nos. 10 kWp RTGCSPV Power Plant and 10 nos. 2 kWp off-grid Solar PV power plants in Schools and PHC's throughout West Bengal(Phase-I). The projects is funded by West Bengal Pollution Control Board (WBPCB), Department of Environment, Govt. of West Bengal.
- Installation and commissioning of 3 X 333 kVA inverter of first phase 1 MW Grid connected SPV Power Plant at Jamuria, Asansol in collaboration with CDAC, funded by DeitY, Govt. of India through NaMPET.
- Project Monitoring Consultancy (PMC) for installation of 150 kWp

- RTGCSPV power plant at Haldia Dock Complex, Haldia. Purba Medinipur.
- Installation of 20 kWp Grid Connect Rooftop Solar PV Power Plant at the substation roof of National Institute of Biomedical Genomics, Kalyani, Nadia.
  - Monitoring with DISCOM to fulfill the RPO target as provided in WBERC regulation.

### **2016-2017**

- Installation of 70 nos. 5 kWp RTGCSPV plants in Schools and PHC's throughout West Bengal(Phase-II). The project is funded by West Bengal Pollution Control Board (WBPCB), Department of Environment, Govt. of West Bengal.
- Installation of 15 kWp RTGCSPV Power plant at Maheshtala Municipality, South 24 Parganas .
- Installation of 4 nos Solar PV Street Lighting Systems at Patiram Rotary in the District of Dakshin Dinajpur.
- Project Monitoring Consultancy (PMC) for installation of 160 kWp RTGCSPV power plant at office building of KDS, Kolkata Port Trust.
- Installation of 2.5 kW Solar PV Power Plant with Battery Back-up at Nadia District Library, Ghurni, Krishnagar.
- Monitoring with DISCOM to fulfill the RPO target as provided in WBERC regulation

### **2017-18**

- Installation of 70 nos. 5 kWp RTGCSPV plants in Schools and PHC's throughout West Bengal(Phase-II). The projects is funded by West Bengal Pollution Control Board (WBPCB), Department of Environment, Govt. of West Bengal.- Completed.
- Installation of 100 kWp Solar PV Power Plant (grid connected with net metering) in Santoshpur Hospital under Maheshtala Municipality is under execution.
- Installation of 38 nos. of Solar Street Light under Maheshtala Municipality is under progress.
- Monitoring with DISCOM to fulfill the RPO target as provided in WBERC regulation

**2018-19**

- Installation of 100 kWp Solar PV Power Plant (grid connected with net metering) in Santoshpur Hospital under Maheshtala Municipality.
- Installation of 43 nos. of Solar Street Light at various locations of Maheshtala Municipality and Nadia District Library.
- Installation of 140 nos. 5 kWp Solar PV Power Plant (grid connected with net metering) school throughout West Bengal(Phase-III). The project is funded by West Bengal Pollution Control Board (WBPCB), Department of Environment, Govt. of West Bengal- Started & Ongoing.

**2019-20**

- Installation of 140 nos. 5 kWp Solar PV Power Plant (grid connected with net metering) school throughout West Bengal(Phase-III). The project is funded by West Bengal Pollution Control Board (WBPCB), Department of Environment, Govt. of West Bengal.

**2020-21**

- Installation of 75 nos. 10 kWp SPV Power Plant (grid connected with net metering) in schools at Jhargram and Purulia district. The project is funded by Department of Paschimanchal Unnayan Affairs, Govt. of West Bengal .

**2021-22**

- Installation and Commissioning of 07 nos. Rooftop Grid Connected Solar PV Power Plants each of array capacity 10 kWp including five (5) years comprehensive maintenance on turnkey basis at Akansha Project (G+10 Towers), New Town Action Area-ID, Rajarhat, Kolkata.

**2022-23**

- Implementation of earlier sanctioned projects. No new projects implemented by the Company.

**2023-24**

- Installation and Commissioning of 600 nos of Solar Street Lights and 20 Nos of Solar High Mast of Furfura Sarif Development Authority. The project is funded by Urban Development Department, Govt. of West Bengal. – Work under progress.
- 120 kWp Ground mounted Solar PV Power Plant at Bengal; Safari Site – Tender floated.

- 30 kWp Rooftop Solar PV Power Plant at Baikumthapur Forest Directorate Building –Tender Floated.
- 30 kWp BIPV Solar Plant at Bikalpa Shakti Bhavan, -Tender Floated. Development Department , Govt. of West Bengal. – Work under progress.
- Waste to Energy Pilot Project in 5 nos of Hospitals .-Proposal under consideration
- Renovation and augmentation of 5 MW Jamuria Solar PV Power Plant at Jamuria.-Proposal under consideration.

#### References

Website of West Bengal Green Energy Development Corporation Ltd.

Link: <https://www.wbgedcl.in/projects/>

# **CHAPTER X**

## **ANALYSIS OF SUBSIDIES**

**Chapter X****Analysis of Subsidies**

The State Government has the responsibility of providing subsidies/subventions to disadvantaged sections of the society as well as to those sectors which have strong linkages to the economy or in other words which involve positive externality. It also takes up the responsibility of subsidizing the loss making enterprises. Hence, budgetary support to financial institutions, inadequate returns on investments and poor recovery of user charges from social and economic services provided by the Government fall in the category of implicit subsidies.

The total subsidy has shown a positive trend for almost a decade, increasing from Rs 2564.30 crores to Rs 13402.65 crores from 2011-12 to 2018-19. Food and supplies are the major constituents of subsidy (as seen in Table 10a); comprising 74% of the overall subsidy in FY 2020-21. Food and supplies are followed by the Power and Energy Conservation sector and the Transport sector, with both of them accounting for 11% and 8% of Total Subsidy given out by the State of West Bengal in FY 2020-21. We look at the trends in subsidy for these sectors in detail later in the chapter.

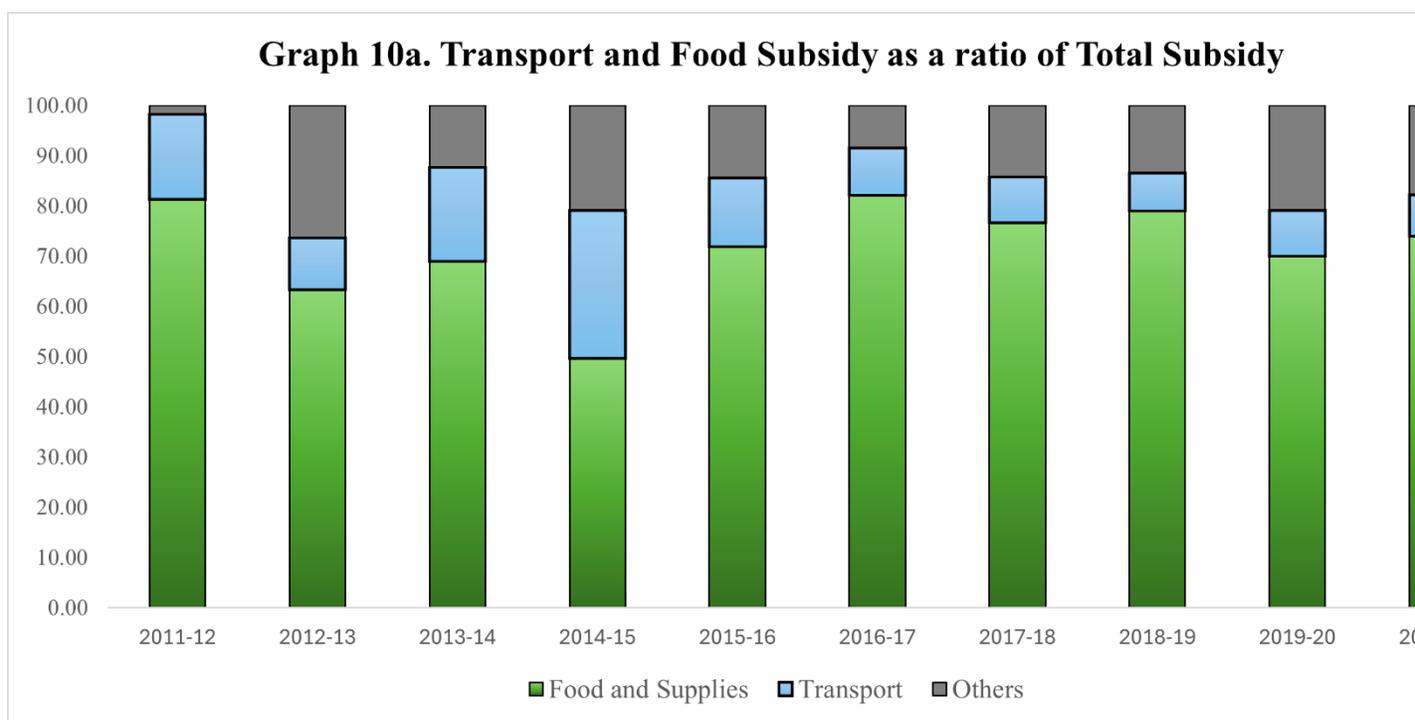
**Table 10a: Major Components of Subsidies (Rs in Crores)**

Year	Transport	Food and Supplies	Total
2011-12	433.90	2084.70	2564.30
2012-13	457.60	2786.00	4403.60
2013-14	642.90	2369.20	3436.90
2014-15	563.80	946.50	1908.80
2015-16	700.00	3659.90	5097.50
2016-17	905.35	7870.03	9587.13
2017-18	1068.77	8943.33	11677.09
2018-19	1008.38	10583.59	13402.65
2019-20	882.94	6794.18	9709.23
2020-21	1019.09	9149.30	12376.71

\*Source: Finance Accounts, CAG

Although increasing in absolute terms, the subsidy for the Transport sector as share of total subsidy has declined over the years. The sharpest decline occurred from FY 2014-15 to FY 2015-16, when the share of subsidies for the Food and Supplies rose by a massive 22 percentage points (see Graph 10a). That rise in subsidies doled out to the Food and Subsidy sector continued until FY 2016-17, with growth petering out over later years.

This sector remains the most dominant among West Bengal's subsidies, though there was a slight decline upon arrival of the pandemic. This is counterintuitive as one expects subsidies to this sector to rise during a calamity. This stylized fact may point to issues of tighter State balance sheets or Central subsidies crowding out the space.



The ratio of subsidy with respect to own tax revenue has increased from 10.28% in 2011-12 to 21% in 2016-17. This could pose a serious concern to fiscal balances of the state. It has stabilized in the years since, with the ratio

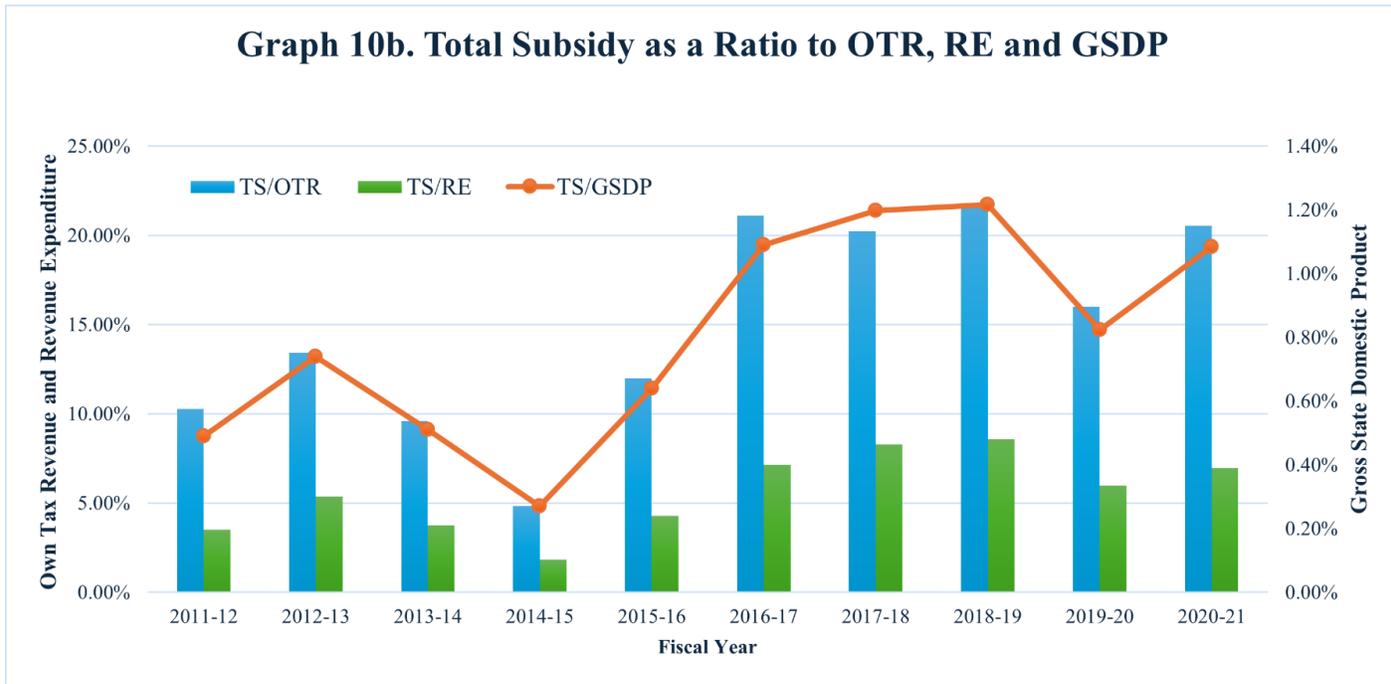
reaching 20.53% in FY 2020-21.

**Table 10b: Ratio of Total Subsidies to GSDP, OTR and RE**

Year	TS/GSDP	TS/OTR	TS/RE
2011-12	0.49%	10.28%	3.50%
2012-13	0.74%	13.42%	5.36%
2013-14	0.51%	9.59%	3.74%
2014-15	0.27%	4.84%	1.84%
2015-16	0.64%	12.00%	4.27%
2016-17	1.09%	21.09%	7.16%
2017-18	1.20%	20.24%	8.28%
2018-19	1.22%	21.68%	8.57%
2019-20	0.82%	16.00%	5.97%
2020-21	1.08%	20.53%	6.96%

\*Source: Finance Accounts, CAG

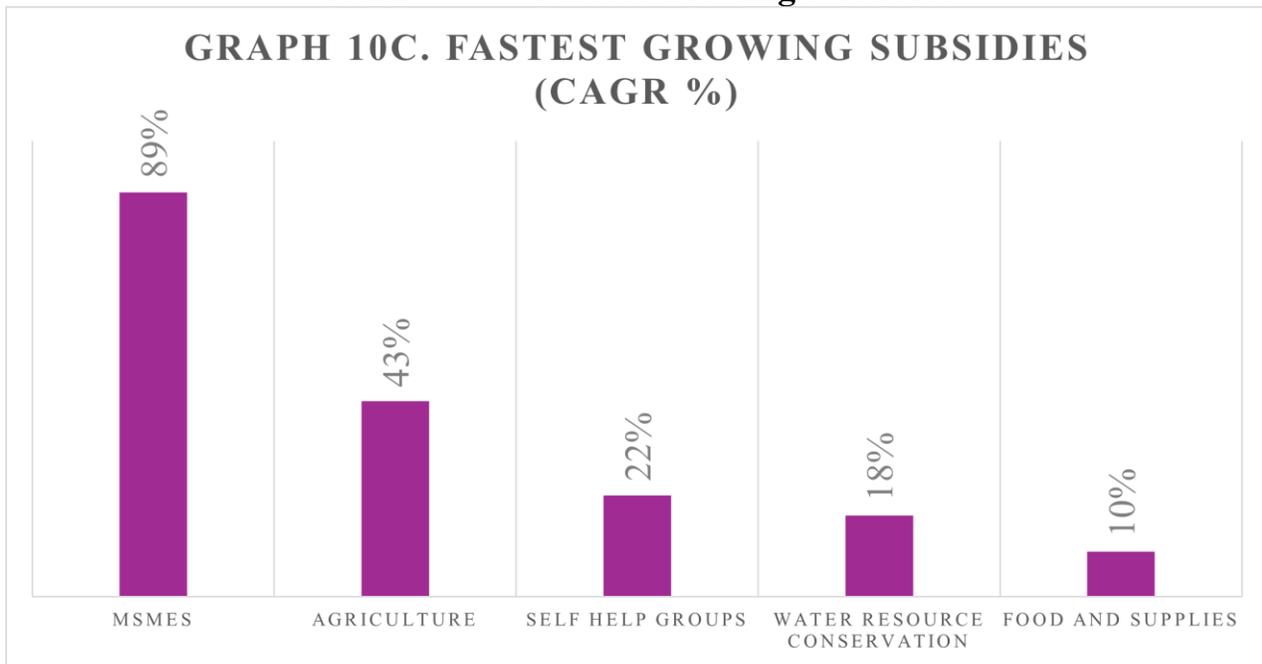
What is also to be noted is the coordinated rise in the ratio of Total Subsidy to Own Tax Revenues, Revenue Expenditure and Gross State Domestic Product since FY 2014-15. This seems to be less of a structural issue and could be more due to subsidy growth outpacing these variables.



## 10.1 Subsidies by Sector

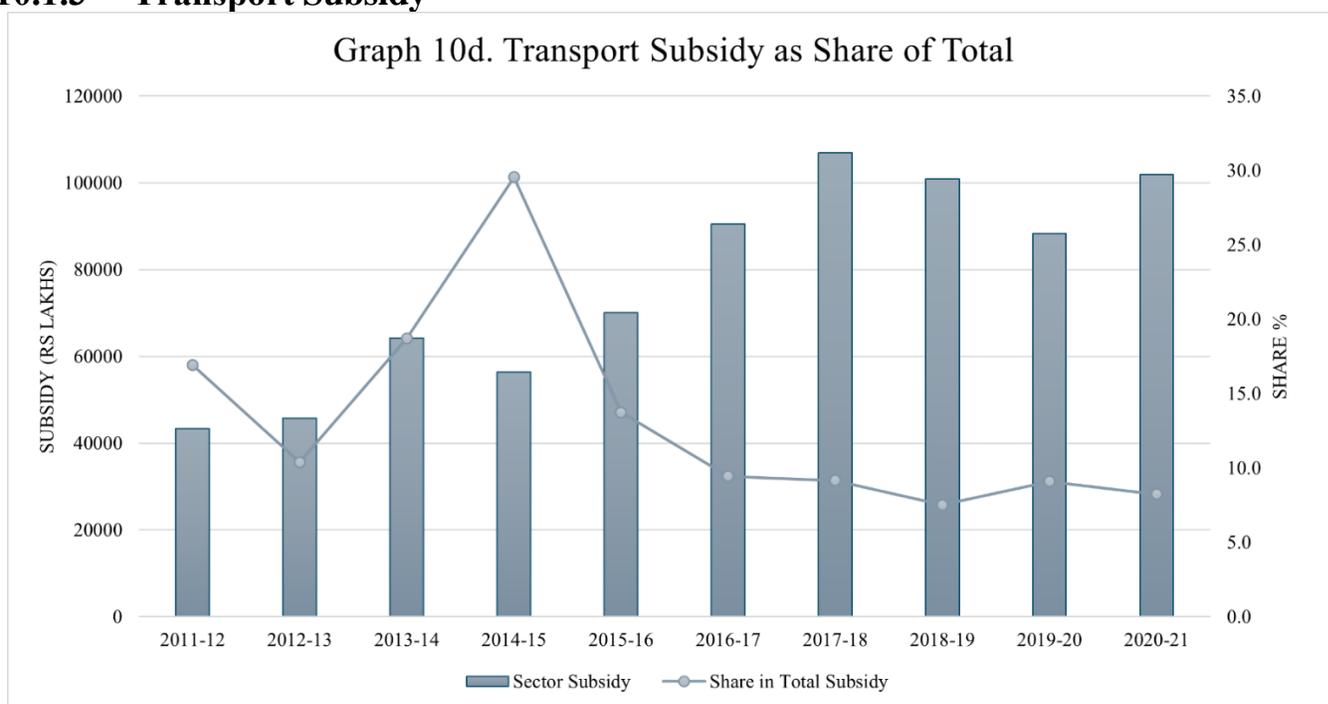
We now look at a sector-wise split of the subsidies provided by the State Government in West Bengal.

### 10.1.2 Fastest Growing Subsidies



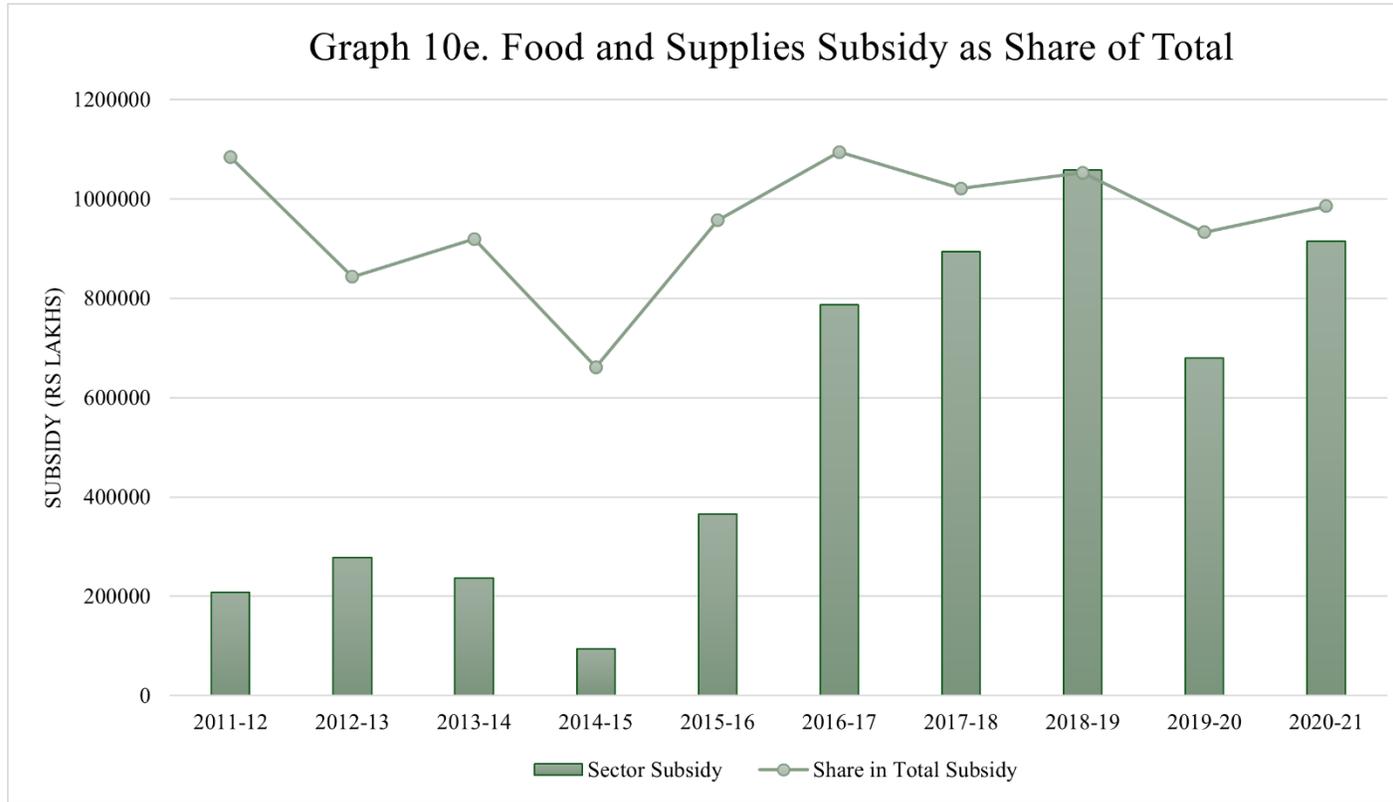
The fastest growing subsidies when seen by sector, include the Micro, Small and Medium Enterprises sector leading the way followed by Agriculture, Self Help Groups, Water Resource Conservation as well as the most dominant sector, Food and Supplies. Graph 10c is a good indicator of where State government priorities lie, as in the push toward greater subsidies seem to be coming from the above sectors and the thrust has come during our reference period of FY 2011-12 to FY 2020-21. These sectors may not be taking the largest shares in the Subsidy pie, with MSMEs receiving only 0.1% and Self Help Groups receiving only 0.3% of all subsidies given out by the State. But what it does point to is the understanding among State government officials that future opportunities for economic growth are tied to these sectors.

### 10.1.3 Transport Subsidy



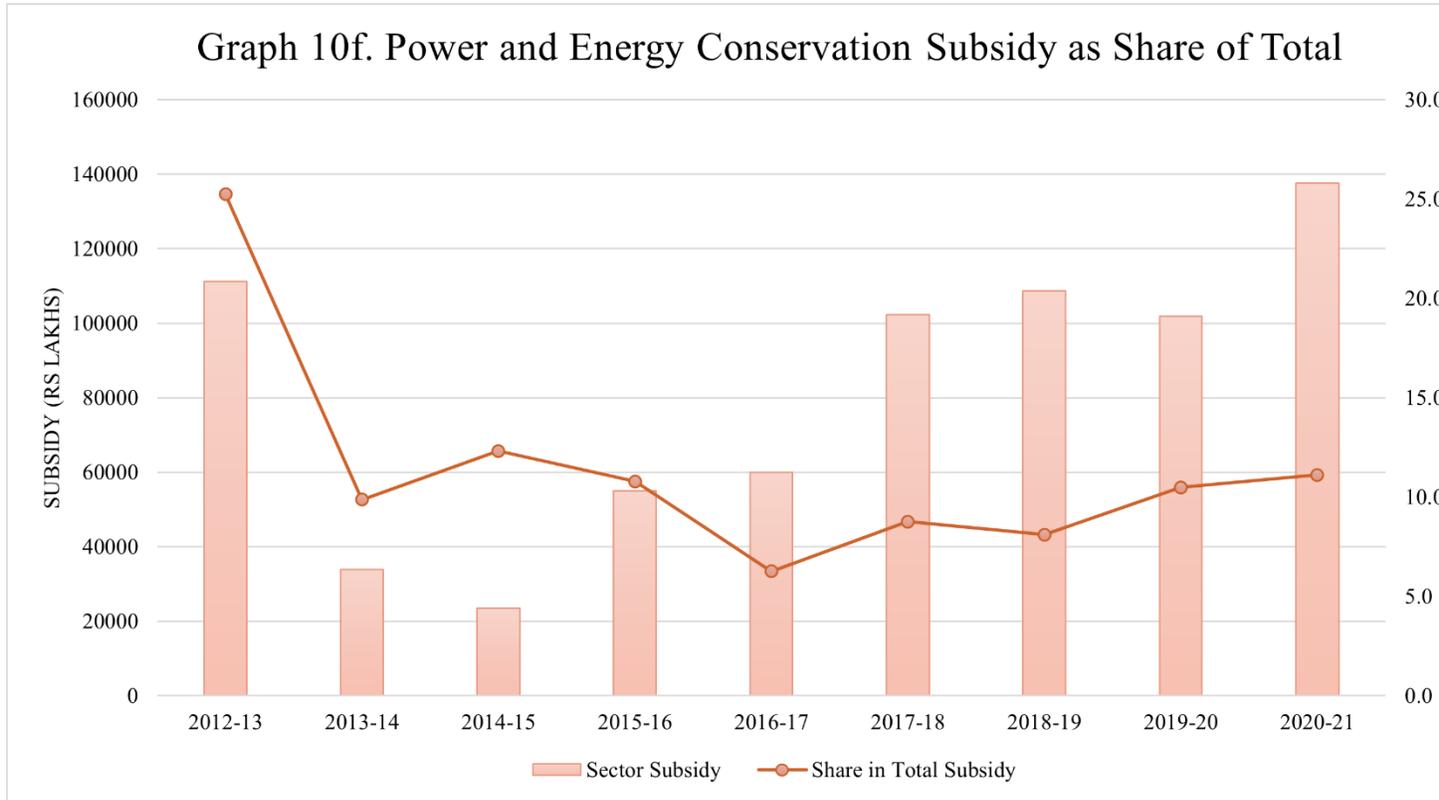
The share of transport subsidy reveals an initial boost between FY 2012-13 and FY 2014-15. In two consecutive years, Transport subsidies skyrocketed in FY 2013-14 followed by a drop in FY 2014-15. Since FY 2015-16 onwards, the sector has maintained a lower but steadier growth of subsidies, as its share has fallen to the single digits in the ensuing years.

### 10.1.4 Food and Supplies



The Food and Supplies sector maintains its lead as the most dominant receiver of subsidies from the West Bengal government. The distinct pattern to note is the shift from FY 2015-16 onwards, when subsidy flows increased in greater proportion toward the Food and Supplies sector. This was accompanied by a drop in the relative share of subsidies for the other sectors, primarily the Transport sector as seen above in Graph 10d. The Covid pandemic was associated with a drop in subsidies across sectors, and the Food and Supplies sector was not spared its effects. It is a question as to whether Central subsidies, such as the Pradhan Mantri Garib Kalyan Yojana (PMGKY), a comprehensive relief package which promised to deliver free food grains to over 80 crore citizens, led to a crowding out of State subsidies.

### 10.1.5 Power and Energy Conservation



The Power and Energy Conservation sector is the second largest receiver of subsidies given by the state of West Bengal. Despite a drop in subsidies in the period between FY 2012-13 to FY 2014-15, the sector quickly overtook the Transport sector in FY 2018-19 for second place behind the Food and Supplies sector. The growth in subsidies for the sector has kept pace with the total subsidy delivery as its share has remained largely flat over the past five fiscal years (see Graph 10f).

Table 10c: Composition of Subsidies (Rs in Lakhs)

Subsidies	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Agriculture Marketing	500		321	356	874	1111	1996	1464	721	0
Agriculture	2944	2766	5286		11905	12000	39002	52941	84204	73323
Animal Resource Development			19	29			776	1569	2548	2548
Cooperation	117	196	8	77	193	150	0	0	1449	0
Finance							19	383	94	5
Fisheries	130	154	228	333	115	181	756	123	167	52
Food Processing			42		57	6	5	22	47	0
Labour	427	393	613	10094		39	3591	36	0	19
MSMEs					60	920	981	2570	1901	1438
Power and Energy Conservation		111168	33927	23526	55000	60000	102349	108726	101880	137524
SHGs		800	1350	3000	3500	6000	16195	12775	12500	4000
Tourism			161	1129	1846	428	827	361	682	433
Transport	43395	45764	64286	56380	70002	90534	106877	100838	88294	101909
Food and Supplies	208467	278603	236919	94647	365992	787002	894333	1058359	679412	914930
Water Resource Conservation	298	298	235	143	267	198	0	98	22	42
Environment	150	73	300	100						
Housing	6									
Commerce & Industries				1000						
<b>Total</b>	<b>256433</b>	<b>440365</b>	<b>343693</b>	<b>190875</b>	<b>509752</b>	<b>958713</b>	<b>1167708</b>	<b>1340265</b>	<b>970923</b>	<b>1237671</b>

\*Sources: Finance Accounts CAG

**Table 10d: Y-o-Y Growth rate of Subsidies by Sector (%)**

Subsidies	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Agriculture Marketing			10.9	145.5	27.1	79.7	-26.7	-50.8	-100
Agriculture	-6	91.1			0.8	225	35.7	59.1	-12.9
Animal Resource Development			52.6	-100			102.2	62.4	0
Cooperation	67.5	-95.9	862.5	150.6	-22.3	-100			-100
Finance							1915.8	-75.5	-94.7
Fisheries	18.5	48.1	46.1	-65.5	57.4	317.7	-83.7	35.8	-68.9
Food Processing			-100		-89.5	-16.7	340	113.6	-100
Labour	-8	56	1546.7			9107.7	-99	-100	
MSMEs					1433.3	6.6	162	-26	-24.4
Power and Energy Conservation		-69.5	-30.7	133.8	9.1	70.6	6.2	-6.3	35
SHGs		68.8	122.2	16.7	71.4	169.9	-21.1	-2.2	-68
Tourism			601.2	63.5	-76.8	93.2	-56.3	88.9	-36.5
Transport	5.5	40.5	-12.3	24.2	29.3	18.1	-5.7	-12.4	15.4
Food and Supplies	33.6	-15	-60.1	286.7	115	13.6	18.3	-35.8	34.7
Water Resource Conservation	0	-21.1	-39.1	86.7	-25.8	-100		-77.6	90.9
Environment	-51.3	311	-66.7	-100					
Housing									
Commerce & Industries									
<b>Total</b>	<b>71.7</b>	<b>-22</b>	<b>-44.5</b>	<b>167.1</b>	<b>88.1</b>	<b>21.8</b>	<b>14.8</b>	<b>-27.6</b>	<b>27.5</b>

\*Sources: Finance Accounts CAG

## 10.2 Does the post-Covid drop in subsidies hold in the context of West Bengal?

We find that there has been a decline from the pandemic time highs in subsidies though the decline is seen only in budget estimates and revised estimates so far. The last year for which we have actual data is FY 2022-23. For that year we find that the nominal rupee spent on subsidies did not go down but the growth was arrested somewhat. Looking at the same numbers for FY 2022-23 as a percentage of Gross State Domestic Product, there is indeed a decline from 1.25 % of GSDP in FY 2021-22 to 1.12 % of GSDP in FY 2022-23.

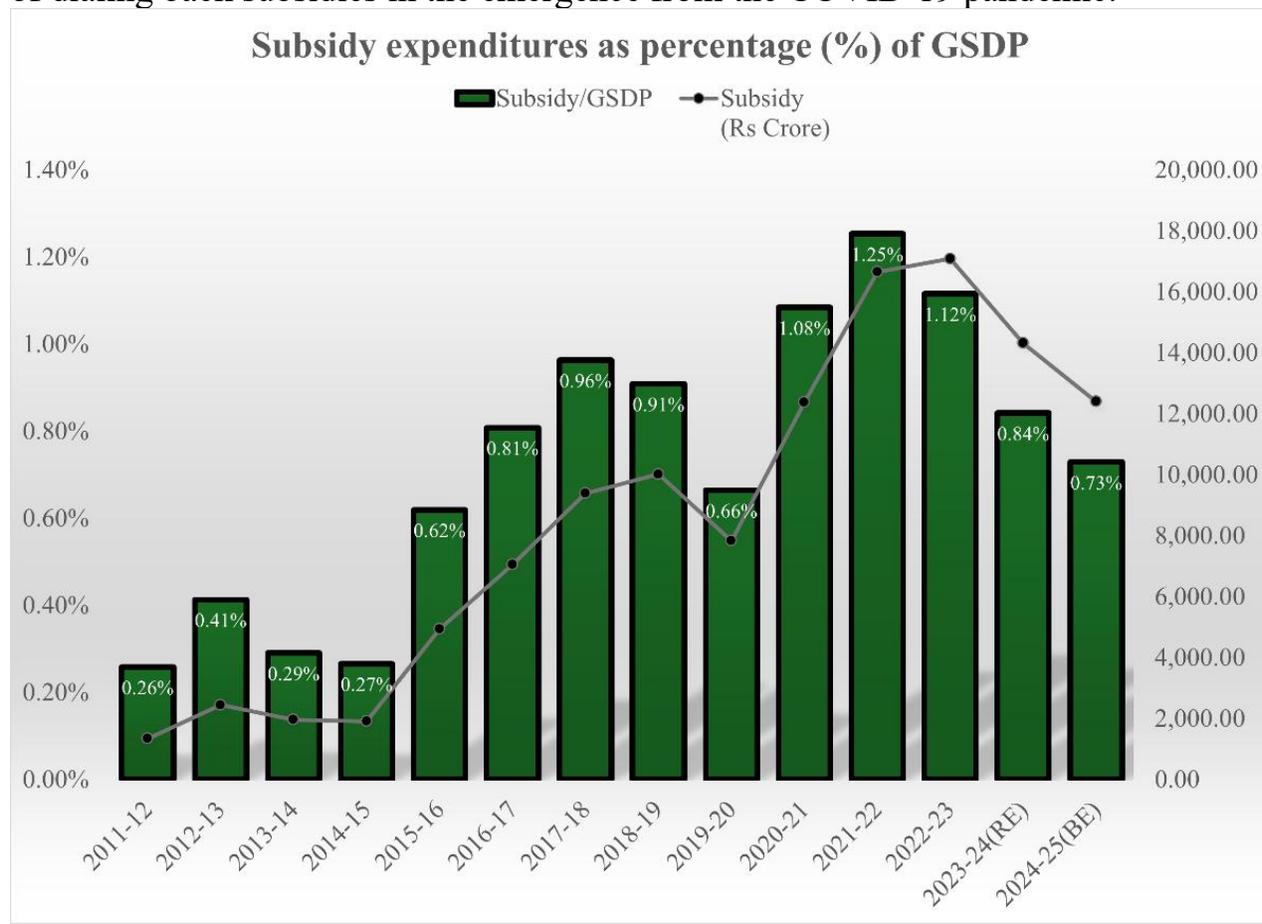
**Table 10.2.a: Evolution of Subsidy Expenditure (Rs Crore)**

Fiscal Year	Subsidy (Rs Crore)	Subsidy/GSDP
2011-12	1,344.50	0.26%
2012-13	2,443.60	0.41%
2013-14	1,965.96	0.29%
2014-15	1,909.40	0.27%
2015-16	4,937.82	0.62%
2016-17	7,051.20	0.81%
2017-18	9,387.26	0.96%
2018-19	10,015.50	0.91%
2019-20	7,832.65	0.66%
2020-21	12,376.93	1.08%
2021-22	16,659.99	1.25%
2022-23	17,086.81	1.12%
2023-24(RE)	14,317.60	0.84%
2024-25(BE)	12,404.27	0.73%

Source: West Bengal Budget at a Glance for various years

GSDP numbers for FY 2024-25 taken from RBI estimates given in Study of State Finances 2024-25

Hence, we are confident that there is a thrust from the government’s point of view of dialing back subsidies in the emergence from the COVID-19 pandemic.



# **CHAPTER XI**

## **ANALYSIS OF CONTINGENT LIABILITIES**

<b>Chapter XI</b>	<b>Analysis of Contingent Liabilities of the State</b>
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Guarantees are the liabilities contingent on the Consolidated Fund of the state in case of default by the borrower to whom the guarantees have been extended. The West Bengal Ceiling on Government Guarantees Act, 2001 stipulated that the total outstanding Government guarantees as on the first day of April of any year shall not exceed 90 per cent of the State revenue receipts of the second preceding year. The Finance department acts as the tracking authority in respect of guarantees.

Table 11a shows that outstanding government guarantees between FY 2011-12 and FY 2020-21 barely reached 10% of the limits prescribed by the West Bengal Ceiling on Government Guarantees Act, 2001.

**Table 11a: Outstanding Guarantees of West Bengal Government (Rs in Crore)**

Fiscal Year	Maximum amount guaranteed	Outstanding Amount of Guarantee (Principal)	Outstanding Amount of Guarantee (Interest)	Outstanding Guarantees end of the year (Principal + Interest)	Revenue Receipts of the second preceding year	Ceiling Fixed by State Govt Act (90 percent of Revenue Receipts of the second preceding year)	Ratio of Outstanding Guarantees including Interest to Revenue Receipts of Second Preceding Year (percentage)
2011-12	20106	10192	29	10221	36922	33230	27.68
2012-13	18981	8821	25	8846	47264	42538	18.72
2013-14	14818	4550	96	4646	58755	52880	7.91
2014-15	15184	9322	64	9386	68296	61466.4	13.74
2015-16	14625	8788	69	8857	72882	65593.8	12.15

2016-17	15613	7801	16	7817	86514	77862.6	9.04
2017-18	15034	8545	25	8570	109732	98758.8	7.81
2018-19	16050	6593	29	6622	117832	106048.8	5.62
2019-20	14228	8178	34	8212	131270	118143	6.26
2020-21	15292	7728	93	7821	145975	131377.5	5.36

\*Source: Finance Accounts, Principal Accountant General (A&E), West Bengal (2011-12 to 2020-21)

**Table 11b: Sector Wise Outstanding Guarantees (Rs in Crore)**

Fiscal Year	Power	Coop	R&T	SFC	UDH	MULB	BCW	TD	Others	Grand Total
2011-12	1538.63	677.45	128.19	7033.9	0.92	3.42	0	0	809.95	10192.46
2012-13	1534.66	8.32	128.19	6417.34	0.07	3.42	0	0	729.17	8821.17
2013-14	1650.99	861.64	124.19	1425.63	0.7	3.26	0	0	483.92	4549.7
2014-15	3398.76	783.98	0	4490.1	0.07	3.1	0	0	645.74	9321.66
2015-16	3327.34	821.6	0	3603.63	0.07	2.08	0	0	1033.67	8788.38
2016-17	3030.08	864	0	2608.34	0.07	2.09	0	0	1296.82	7801.41
2017-18	3798.4	864	0	2559.29	0.07	2.09	0	0	1321.43	8545.28
2018-19	3429.46	1022.99	0	1460.11	0	0	174.17	0	506.59	6593.32
2019-20	4803.76	942.82	0	1515.86	0	0	174.17	0	741.82	8178.43
2020-21	4739.84	1059.06	0	0	0	0	174.17	21.42	1733.19	7727.68

\*Source: Finance Accounts, Principal Accountant General (A&E), West Bengal (2011-12 to 2020-21)

Abbreviations in Column Headers: Coop. – Cooperative; R&T – Road and Transport; SFC – State Financial Corporations; UDH - Urban Development and Housing; MULB - Municipalities/Universities & Local Bodies; BCW - Backward Classes Welfare; TD - Tribal Development; OI - Other Institution

The Power sector is the recipient of the bulk of State Government guarantees in West Bengal specially from 2015-16. Besides the Power sector, the sector-wise disclosure of Guarantees (in Table 11b) reveals that the other sector receiving the most guarantees is the Cooperative sector.

In the early part of our period of analysis, the State Financial Corporations received the most subsidies from the State government. This pattern gradually dissipated as the importance of the SFCs dwindled and by FY 2016-17, it was overtaken by the Power sector in terms of total quantum of guarantees. The Road and Transport sector had its guarantees closed by FY 2013-14 and this was followed by the ending of guarantees in FY 2017-18 for the Urban Development and Housing sectors as well as the Municipalities/Universities & Local Bodies in the State. This indicates a streamlining of the sectors to which guarantee flows will continue, providing a clearer picture of the priorities of the State.

There has also been a resurgence in guarantees given to the Backward Classes Welfare and Tribal Development sectors. This is owing to the fact that equitable growth by taking into account all sections of society is becoming a major economic and political thrust in State government policy.

## **11.1 Guarantee Redemption Fund (GRF)**

The 12th Finance Commission had recommended opening of the GRF for discharging the liability of the Government towards invocation of the guarantees extended by it. As per the guidelines of the RBI (the administering authority of the fund), State Government was required to make minimum annual contributions to the Fund at the rate of one per cent in the first year and thereafter at the rate of 0.5 per cent of the outstanding guarantees at the end of the previous year.

The State Government had constituted the fund in January 2015 and contributed Rs 50 crore during 2015-16. Till March 2016, State Government has contributed Rs 96 crore in GRF at the prescribed rate of the scheme. In 2017, addition of Rs 100 crores have been made to GRF. The total accumulation of the

Fund was ₹645.89 crore as on 31 March 2021. The entire amount ₹645.89 crore has been invested by RBI.

Opening balance (01 April 2020)	Additions to the Fund (contribution and interest)		Payments out of the Fund	Total balance in the Fund	Required balance in the Fund (Minimum of 3% of the Total outstanding Guarantees as on 31 March 2020)	Amount invested by RBI during the year 2020-21	Closing balance (31 March 2021)	
	Required contribution (0.50 % of Total outstanding Guarantees as on 31 March 2020)	Actuals during 2020-2021						
		Contribution (0.61 % of Total outstanding Guarantees as on 31 March 2020)						Interest
551.97	40.89	50.00	43.92	0.00	645.89	245.35	93.92	645.89

On June 21, 2024, the State government announced the ‘Revised Scheme for Constitution and Administration of the Guarantee Redemption Fund, 2024 of Government of West Bengal’. It was notified that the accumulations in the GRF shall be utilized only towards the payment of the guarantees issued by the Government and invoked by the beneficiary and not paid by the institution on whose behalf guarantee was issued. Also, the State can avail of short-term accommodation under Special Drawing Facility (SDF) from Reserve Bank of India (hereinafter referred to as ‘the Bank’) against the collateral of investment made in GRF for meeting temporary cash flow mismatches, subject to the terms and conditions as fixed by the Bank from time to time.

As on end August 2024, West Bengal invested Rs. 1,002 crores in the Guarantee Redemption Fund, according to an RBI Bulletin dated October 21, 2024.

## 11.2 Backward Classes Welfare and Tribal Development Guarantees

The State manages tribal welfare priorities through the West Bengal Tribal Development Department, which oversees two corporations: The West Bengal Scheduled Castes, Scheduled Tribes & Other Backward Classes Development and Finance Corporation, and The West Bengal Tribal Development Co-operative Corporation Ltd.

The West Bengal Scheduled Castes, Scheduled Tribes & Other Backward Classes Development & Finance Corporation was established in 1976 through legislation, which was later amended in 1980 and 1981. The Corporation is tasked with fostering the economic development of Scheduled Castes (SC) and Scheduled Tribes (ST) beneficiaries living below the poverty line. Additionally, the Corporation is authorized to undertake initiatives that impact the social, educational, economic, and cultural development of these communities in the State.

The Corporation implements several schemes for Scheduled Tribe beneficiaries in collaboration with District and Block Administrations and Three-tier Panchayati Raj Bodies. These schemes include:

1. Community-based livelihood enhancement initiatives under the SCA to TSP.
2. Cluster-based development for artisans.
3. Term loans through the National Scheduled Tribes Development & Finance Corporation (NSTFDC).
4. Employment generation via skill development.

#### **a. Livelihood Schemes under SCA to TSP**

Since 2014-15, the guidelines, funding patterns, and fund utilization for the SCA to TSP have been revised. Currently, community-based schemes to improve tribal livelihoods are being implemented in sectors such as dairy development through artificial insemination (AI), fodder production, linkage with milk cooperatives, extensive fisheries activities, training, and provision of feed, manure, and equipment like fishing nets and large containers. Additional areas include fish seed production, apiary, nurseries, cooperative-based irrigation, horticulture, protected cultivation, and floriculture. In 2017-18, these schemes benefited approximately 23,512 beneficiaries from the target group.

#### **b. Development of Artisan Cluster - Birbhum**

An initiative was launched to develop an artisan cluster in Debanandapur Village, under the Bolpur-Santiniketan Block of Birbhum District, leveraging the skills and interests of SC/ST women in the area. The project focuses on three trades: Batik, Tie & Dye, and woodcraft. The aim is to create livelihood opportunities for women by providing basic skills training, production-oriented training, design development, market linkages, and establishing a Common Facility Centre (CFC) for the commercial production of apparel, household goods, accessories, and jewelry. The

project, initiated in 2014-15, has trained over 1,200 women, with 550 completing production-oriented training. The construction of the CFC is ongoing, and nearly 600 artisans are regularly involved in production activities. E-commerce platforms are also being introduced to expand marketing.

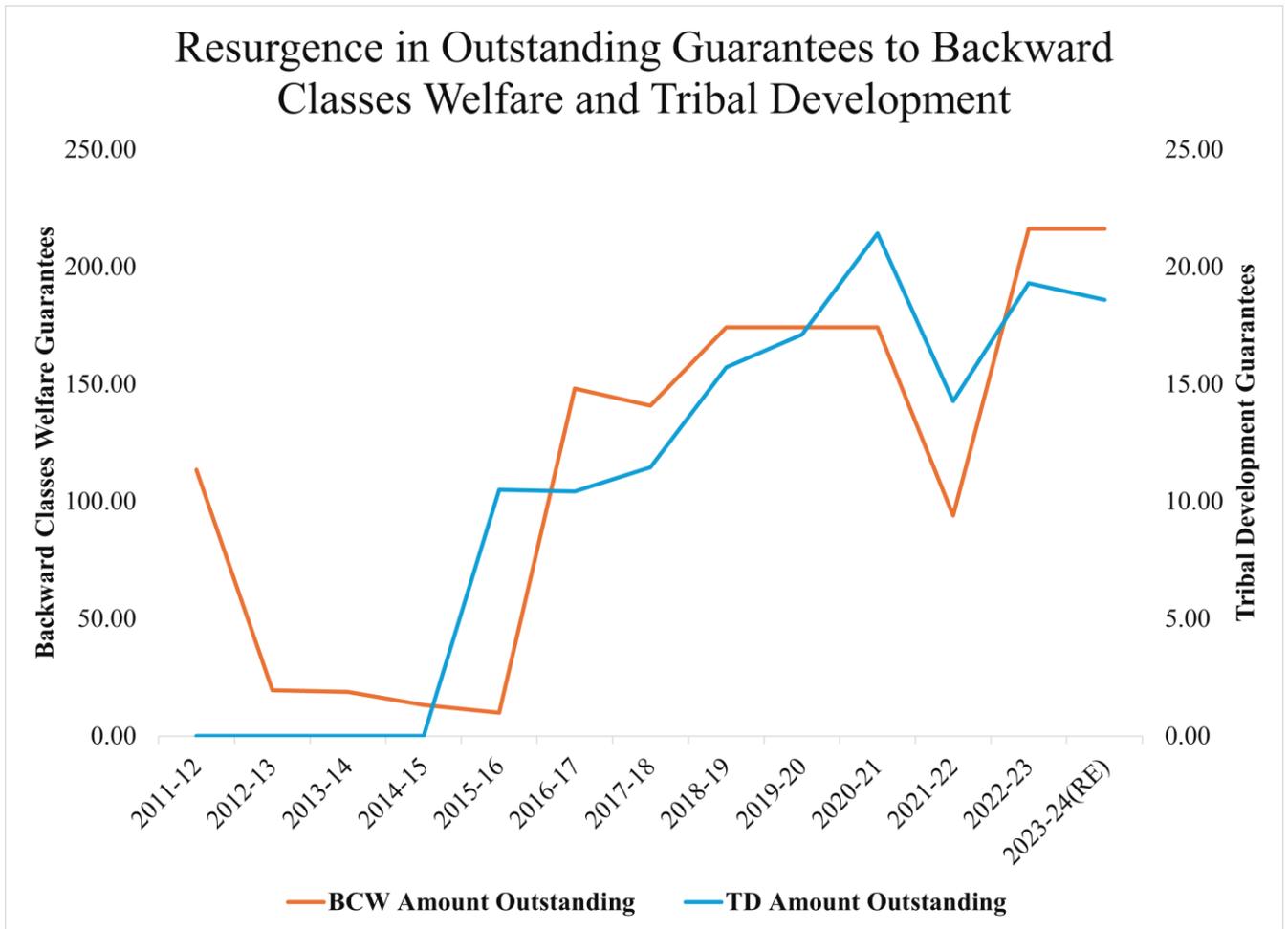
### c. Term Loan Scheme of NSTFDC

Under the NSTFDC Term Loan scheme, Scheduled Tribe individuals are provided loans on favorable terms to help them become entrepreneurs, along with margin money loans and subsidies. In 2017-18, 15 ST individuals benefited from this scheme.

### d. Skill development activities taken up during 2018-19:

Sl.	Course	SC Coverage	ST Coverage	Total
1	Plastics Engineering & Technology, CIP ET	600	500	1,100
2	Security & Surveillance	500	1,000	1,500
3	Beauty Therapist BWS/Q0102	450	330	780
4	Self-Employed Tailor - AMH/Q-1947	500	100	600
5	Frontline Health Worker - HSS/Q8601	700	300	1,000
6	General Duty Assistant (GDA) -HSS/Q5101	750	250	1,000
7	Retail Sales Associate -RAS/Q-0104	450	150	600
8	Distributor Salesman -RASQ 0604	300	100	400
9	Agriculture Extension Service Provider- AGR/Q7601	750	250	1,000
10	Automotive Engine Repair Technician -ASC/Q1409,	500	100	600
	Commercial vehicle driver L4 -ASC/Q9703, Automotive service Technician, Sales Consultant			
11	CC TV installation Technician - ELE/Q4605, LED Light Mechanical Assembly operator - ELE/Q9201, LED Repair Technician, Solar Panel Installation Technician,	900	300	1200
12	DTH Set Top Box -ELE/Q-8101	350	150	500
13	CRM - Domestic (Non-voice)	800	150	950
14	Smart phone repair Technician ELE/Q-8104	750	250	1,000
15	Field Technician (Computing & Peripheral) - ELE/Q4601	150	50	200
16	Plumber General PSC/Q0104	250	50	300
17	Assistant Electrician - C0N/Q0602, AC, Refrigerator - Field Technician	350	150	500
18	Sewing Machine Operator -Knits - AM H/Q0305	350	50	400
19	Livelihood programme for the Artisans	100	150	250
20	Eye care - Eye Mitra Project	75	25	100
21	Hospitality sector - Housekeeping Attendant, Guest house caretaker, F & B Stewart, Guide	450	250	700
22	Business Correspondent (BFSI)	800	200	1,000
22	Career Paramarsh Kendra (CPK) - Counseling, Self-employment & Job Employment - 30 centres	4,500	1,500	6,000
		<b>15,325</b>	<b>6,355</b>	<b>21,680</b>

A new Corporation in the name and style "WB SC, ST & OBC Development & Finance Corporation" has been constituted under a State Legislation by merging WB SC & ST Development & Finance Corporation and WB Backward Classes Development & Finance Corporation which started functioning w.e.f. 15 November 2017. All the schemes of the erstwhile Corporations are being implemented by the new Corporation. The new entity has taken over all assets and liabilities of both erstwhile corporations.



**Table 11.c: Guarantees given to the Backward Classes Welfare and Tribal Development sectors**

Fiscal Year	BCW		TD	
	Amount Guaranteed	Amount Outstanding	Amount Guaranteed	Amount Outstanding
2011-12	136.88	113.50	0.00	0.00
2012-13	36.71	19.48	0.00	0.00
2013-14	36.71	18.74	0.00	0.00
2014-15	36.71	13.31	0.00	0.00
2015-16	36.71	10.00	20.00	10.49
2016-17	175.88	148.19	20.00	10.42
2017-18	175.88	140.86	20.00	11.45
2018-19	163.40	174.17	20.00	15.71
2019-20	174.17	174.17	20.00	17.10
2020-21	174.17	174.17	20.00	21.42
2021-22	30.00	93.99	30.00	14.28
2022-23	0.00	216.17	30.00	19.30
2023-24(RE)	0.00	216.17	30.00	18.58

Source: West Bengal Budget Publication No. 6 - Statement Showing the Guarantees given by the State Government and the Financial trend of the State

#### References

Website of the West Bengal Tribal Development Department – Page on West Bengal SC ST OBC Development Finance Corporation

Link: <https://adibasikalyan.gov.in/west-bengal-sc-st-obc-development-finance-corporation>

# **CHAPTER XII**

## **ANALYSIS OF SCHEMES**

## Chapter XII

## Analysis of Schemes

### 12.1 Centre's economic behaviour and priorities since 2015

The financial assistance extended by the Government of India to support the Five-Year Plans or intervening annual plans of states is referred to as Central Plan Assistance (CPA) or Central Assistance (CA).

#### Components of Central Plan Assistance (CPA):

##### (a) Normal Central Assistance (NCA):

NCA distribution is formula-based, determined by the Gadgil-Mukherjee Formula, and is untied. This formula has been in use since the Fourth Five-Year Plan and has undergone revisions over time. Allocations are made by the Planning Commission, while the Ministry of Finance releases funds in 12 monthly installments.

However, starting from April 1, 2015, no allocations have been made under NCA. This change follows the recommendations of the 14th Finance Commission (FFC), which significantly increased the states' share in the central divisible pool from 32% to 42%, representing the largest-ever increase in vertical tax devolution. The FFC's recommendations account for both plan and non-plan revenue expenditures of states, with tax devolution being untied. The 12th and 13th Finance Commissions had recommended smaller increases of 1% and 1.5%, respectively. Additionally, the FFC proposed grant-in-aid totaling ₹5.4 lakh crore during its award period, covering revenue deficit grants, local body grants (for both rural and urban bodies), and disaster response funds.

Over the FFC's award period, there was an approximate increase of ₹25 lakh crore in tax devolution and ₹2.7 lakh crore in grant-in-aid compared to the 13th Finance Commission. In 2015-16 alone, transfers to states increased by about ₹2.1 lakh crore compared to 2014-15, encompassing both tax devolution and FFC grants. Since NCA was untied assistance, the higher untied tax devolution is expected to address the absence of NCA allocations. From 2015-16 onwards, NCA allocations have been

subsumed within the increased tax devolution rate.

**(b) Additional Central Assistance (ACA):**

ACA is provided for implementing externally aided projects (EAPs) without a ceiling. Unlike NCA, ACA is scheme-based. Details of these schemes are available in Statement 16 of the Expenditure Budget (Vol. I).

- One-Time ACA: These grants are allocated by the Planning Commission for state-specific programs and schemes, provided on a one-time and non-recurring basis. These grants are discretionary.
- Advance ACA: These are advances extended to special category states during financial stress, recoverable over ten years.

**(c) Special Central Assistance (SCA):**

SCA is allocated for special projects and programs such as the Western Ghats Development Programme (WGDP) and Border Areas Development Programme. It is specifically provided to special category states to bridge gaps between their planning needs and resources. Special Plan Assistance (SPA), a form of ACA, is given to special category states for projects not covered under any central scheme and for non-recurring developmental expenditures. As of April 1, 2015, SPA and untied SCA allocations have been discontinued.

**General Provisions of CPA:**

CPA is allocated as per the financing scheme applicable to specific purposes approved by the Planning Commission. It is released in the form of grants and/or loans based on terms and conditions defined by the Ministry of Finance, Department of Expenditure.

ACA is also provided for various centrally sponsored schemes, such as the Accelerated Irrigation Benefits Programme and Rashtriya Krishi Vikas Yojana. Additionally, SCA is extended to states and union territories as supplementary funding for the Scheduled Castes Sub Plan and the Tribal Sub Plan. Funds allocated under the Member of Parliament Local Area Development Scheme (₹5 crore per MP annually) are also categorized as CA.

The term “Plan Grants” typically includes block grants, which encompass NCA, Backward Regions Grant Fund (State Component), ACA for EAPs, SCA, SPA, and similar allocations.

**Policy Changes Post-2015:**

In line with the recommendations of the 14th Finance Commission, schemes such as NCA, untied SCA, SPA, ACA for Other Projects, and SCA for programs like the Hill Areas Development Programme, Backward Regions Grant Fund, and National e-Governance Plan have been discontinued or subsumed under higher tax devolution rates.

The Union Budget 2016-17 announced that the Plan and Non-Plan expenditure classification would be abolished starting from fiscal year 2017-18. Historically, Plan expenditures were viewed favorably, while Non-Plan expenditures were often perceived negatively, leading to imbalanced budget allocations. This reform aims to shift the focus toward the classification of government expenditure into revenue and capital categories.

The bifurcation of Plan and Non-Plan expenditures had resulted in fragmented resource allocation, making it challenging to assess service delivery costs and link outlays to outcomes. The emphasis on Plan expenditures by both central and state governments had led to neglect in maintaining essential assets and covering establishment-related costs for social services. The merger of Plan and Non-Plan expenditures is expected to create a more coherent budgetary framework, emphasizing revenue and capital expenditure priorities.

**12.2 Different approaches taken by 14th and 15th FC**

On 20 June 2013, Union Cabinet decided to restructure the existing Centrally Sponsored Scheme (CSS)/ Additional Central Assistance (ACA) schemes in the Twelfth Five Year Plan into 66 schemes, including 17 Flagship programmes. To suit the requirements of the States, the Cabinet also approved that a scheme may have state specific guidelines which may be recommended by an Inter-Ministerial Committee constituted for this purpose. Besides, the financial assistance to the States in these schemes would be provided through the Consolidated Funds of the states.

Further, to bring in desired flexibility, the Cabinet approved that 10% of the outlay of the Schemes be kept as flexi-funds. For each new CSS/ACA/Flagship scheme, at least 25 per cent of funds may be contributed by the General Category States and 10 percent of funds by the Special Category States including J&K, Himachal Pradesh and Uttarakhand. These arrangements were to come into force for the remaining years of the Twelfth Five Year Plan so as to help in optimum utilisation of resources. Subsequently, the 14th Finance Commission (FFC) substantially enhanced the share of the States in the Central divisible pool from the current 32 % to 42 %, which is the biggest ever increase in vertical tax devolution. Such tax devolution is untied and can be spent as desired by the States. Consequent to this substantially higher devolution and resultant reduced fiscal space for the Center, the Finance Minister, Shri Arun Jaitley, while presenting the Union Budget 2015-16, said that many schemes on the State subjects were to be delinked from Central support. However, he said that Centre decided to continue to contribute to such schemes representing national priorities, especially those targeted at poverty alleviation. Further, the schemes mandated by legal obligations and those backed by Cess collection would be fully provided for by the Central Government. Thus, Union Budget 2015-16 changed the contours of the central sector and centrally sponsored schemes as follows:

- As per the Budget 2015-16, centre has decided to support fully those schemes which are targeted to the benefits of socially disadvantaged group.
- In case of some Centrally Sponsored Schemes, the Centre-State funding pattern will undergo a change with States to contribute higher share. Details of changes in sharing pattern will have to be worked out by administrative Ministry/Department.
- In the Union Budget 2015-16, there are 31 Schemes to be fully sponsored by the Union Government, 8 Schemes have been delinked from support of the Centre and 24 Schemes will now be run with the changed sharing pattern. The details of these Schemes may be seen in the press release dated 28 February 2015.

Following the recommendations of the 14<sup>th</sup> Finance Commission (FC) and the abolition of Plan-Non Plan distinction from 2017, Centrally Sponsored Schemes (CSSs) and Central Sector schemes (CSs) have become the primary mode of specific purpose transfers made by the Union to the States.

Funding pattern for Core Schemes:

- 8 North Eastern States and 3 Himalayan States: Centre: State is 90:10
- Other States: Centre: State is 60:40
- Union Territories: without Legislature, Centre 100%.

Prioritising funding: Gradually stop the funding for the CSSs and their subcomponents that have either outlived their utility or have insignificant budgetary outlays not commensurate to a national programme (15th FC)

According to the 15th Finance Commission for improved governance:

- The funding pattern of the CSSs should be fixed upfront in a transparent manner and should be kept stable.
- Financing can be provided based on bilaterally agreed 'compacts' related to specific objectives (for example, service delivery outputs or specific outcomes) instead of exhaustively discussed implementation plans.
- To support this approach, the Union Government can support initiatives to enhance data systems, monitoring and evaluation and transparency.
- The flow of monitoring information should be regular and should include, apart from routine statements of financial and physical progress, credible information on output and outcome indicators.

### **Brief context on fund devolution through Finance Commission**

“The abolition of Planning Commission marks a structural break in India’s inter-government transfers system. The existence of multiple channels of transfers has been one of the main characteristics of fiscal federalism in India. Apart from the Finance Commission, the Planning Commission assisted the States, through the instrument of grants and loans for implementation of the Five-Year Plans. In addition, there were also transfers from Union ministries under Centrally Sponsored Schemes, determined in consultation with the Planning Commission, and non-plan grants. In the last four decades, the share of statutory transfers through the Finance Commission was in the range of 60.13 per cent during the Eighth Commission award period (1984-89) and approximately 64 per cent in the 2005-14 decade – the period covered by the FC-XII and FC-XIII. Thus, on an average, transfers through the Plan process accounted for 35-40 per cent of total transfers to states.

“In the assessment of previous Commissions, Plan expenditure of the Union,

including the gross budgetary support (GBS), were treated as a residual and, in the case of the States, it was excluded from the analysis. In the ToR of the FC-XIV there was no direction for it to confine its assessment and recommendations only to the non-plan revenue account. Moreover, reforming the classification of expenditure and reorientation of Planning Commission were being debated within the Union government itself. Predictably, the FC-XIV, in a major departure from the past, took a comprehensive view of the entire revenue account. As a result, following its award, the share of statutory transfers has gone up to about 75 per cent. With the end of Plan grants to States, the ratio of Finance Commission (FC) transfers to non-FC transfer has also improved – from 54:46 of gross revenue receipts of the Centre in the 2005-10 period to 73:27 in 2016-17. The FC-XV was set up in December 2017 with the Terms of Reference (ToR) reflecting the structural and procedural changes that started with the abolition of the Planning Commission and, in addition, setting out new dimensions in terms of expectations from the Commission.

### **Difference in approaches for devolution, incentives and revenue deficit grants**

Regarding **Vertical Devolution**, The FC-XIV's approach "had emerged out of twin considerations – stability of transfers, and flexibility to states to meet their expenditure needs as per their own priorities. It found an increase in the capacity of the States to address their development needs in diverse ways. Different development models named after individual states had emerged, each reflecting the capabilities of designing strategies for economic management. Therefore, in line with its trust-based approach towards all layers of government, greater flexibility was required to be given to the States to calibrate their policies. Yet, there was a recognition of the limits to which the Union can transfer to the States from its total revenues. Based on the existing level of aggregate transfers between 2009-10 to 2014-15, this limit was set around 49 per cent of gross revenue receipts, and far higher than the limit of 39 per cent set by the Thirteenth Commission. The FC-XIV also factored in the sharp increase in cesses and surcharge, which are not shareable, and the rise in the share of non-statutory transfers compared to statutory transfers. Thus, in its recommendation, both the reduction in the size of the divisible pool and the constriction of the fiscal space of the States by the pre-emption of funds for CSS, justified an alteration in the transfer scheme. The alternative lay in increasing the unconditional formula-based transfers which gave the States the flexibility to calibrate their policies and expenditure needs. The FC-XIV chose to address this increase through a compositional shift within the available fiscal space of 50 per cent of gross revenue receipts available with the Union for transfers. The abolition of the

Planning Commission and the freedom given to the Commission in the ToR to take a comprehensive view of both plan and non-plan revenue expenditures of States facilitated the shift, as several transfers through Planning Commission got subsumed within the vertical devolution. In sum, the vertical share was increased from the level of 32 per cent recommended by the Thirteenth Commission to 42 per cent of the divisible pool.

“The emphasis on **performance-based incentives** in the ToR was somewhat surprising because the FC-XIV had eschewed recommending both sector-specific and state-specific grants for several reasons. The FC-XIV found discontinuity in the sectors recommended by past Finance Commissions, lack of uniformity in determining the size of the grants and State-wise allocations, and subjectivity in choice of sectors and projects. As the Finance Commissions usually had a limited tenure, many grants suffered from poor design and implementation problems, tardy utilization and overlaps and duplication with existing schemes. The FC-XIV also argued that the size of the grants constituted a very small percentage of the total grants going to States. It nevertheless emphasized the case of transfers from the Union government to the States to augment expenditure in specific sectors with high degree of externalities to ensure desired minimum level of expenditures in every state.

“However, in the light of the challenges that emerged as a consequence of the pandemic, the FC-XV found in the ToR an opportunity “to shift to a new paradigm of performance – and innovation – in achieving these prerequisites for advancing India’s development” and resume sector and state specific grants. The pandemic had revealed enormous shortcomings in critical public services. If the ultimate objective of growth is to enable the country to adapt and move towards more sustainable human development, special focus was required to address the gaps. Unlike formula-based devolution, the grants-in-aid can make corrections for cost disabilities and other redistributive requirements through better targeting of deficiencies in public services to promote national development goals. At a time when the growth prospects of the economy are uncertain, targeted grants linked to performance-based criteria incentivize accountability, transparency, and innovation and potentially trigger reform in critical sectors.

**Revenue deficit grants** for deficit states had been recommended “in the past by all Commissions, including the FC-XIV. A conjoint reading of Article 280 (3) (b) and Article 275 (1) by the Finance Commission mandates a Finance Commission to determine the principles that govern grants-in-aid to the States which are in need of

assistance. However, the ToR for the FC-XV had not only omitted the words “which are in need of assistance” but also added a caveat on the necessity of giving revenue deficit grants. Gap grants are given to meet the assessed needs of some states which have a post-devolution revenue deficit. This is because of a vertical imbalance that needs correction. It ensures that at the beginning of each year of the award period, all States start with at least a revenue balance. Affirming the Constitutional principle, FC-XV argued that Article 275 (1) read together with Article 280 (3) (b) made it abundantly clear that “we are obligated to assess the needs of the States on sound principles and determine our recommendations accordingly.” Unequivocally it decided to continue with revenue deficit grants. With shortfalls in projected revenues and rising expenditure needs, revenue deficit grants provide much-needed stability in the finances of deficient states, especially at a time when the impact of pandemic is pervasive.

## **12.3 Stance taken by the Finance Commissions**

### **12.3.1 Fourteenth Finance Commission**

The Fourteenth Finance Commission undertook various consultations with State governments regarding assessing what resources are available to the Centre and States, the demands on these resources at both the Centre, State and local body level, the Plan schemes and associated expenditure, the level of spending that would be equitable towards both Centre and States as well as keeping in mind ecological and environmental needs of the day.

Through these consultations several key issues arose. Despite the considerable diversity among the states, states today have matured economically to the point that they are capable of creating and pursuing their own development models and strategies. This takes into account the heterogeneity with the State populace in terms of their expectations of public good delivery by the government. The fact that the State government is better positioned to do so is a relevant point of view in the discussion on scheme planning. The States have complained to the 14<sup>th</sup> FC that the excess fiscal space of the Union government is evident from the increasing number of Central Schemes, a pattern at odds with the fiscal space available to States.

In light of these facts, the 14<sup>th</sup> FC pushed for new institutional arrangements to

enhance the power of States to control the design of schemes in line with the goal of cooperative federalism.

### 12.3.2 Fifteenth Finance Commission

Centrally Sponsored Schemes (CSS) and non-matching Central Sector Schemes are channels of cost-sharing between the Centre and States towards specific-purpose transfers for public good delivery. The 15<sup>th</sup> FC noted that the large number of such schemes further complicates matters. Highlighting the studies that show these schemes may often be regressive, in terms of being positively correlated with State per capita income, the report pushes for greater institutional capacity of the States. This is indeed a pattern we see strongly in the scheme data for West Bengal.

## 12.4 Central Sector Schemes

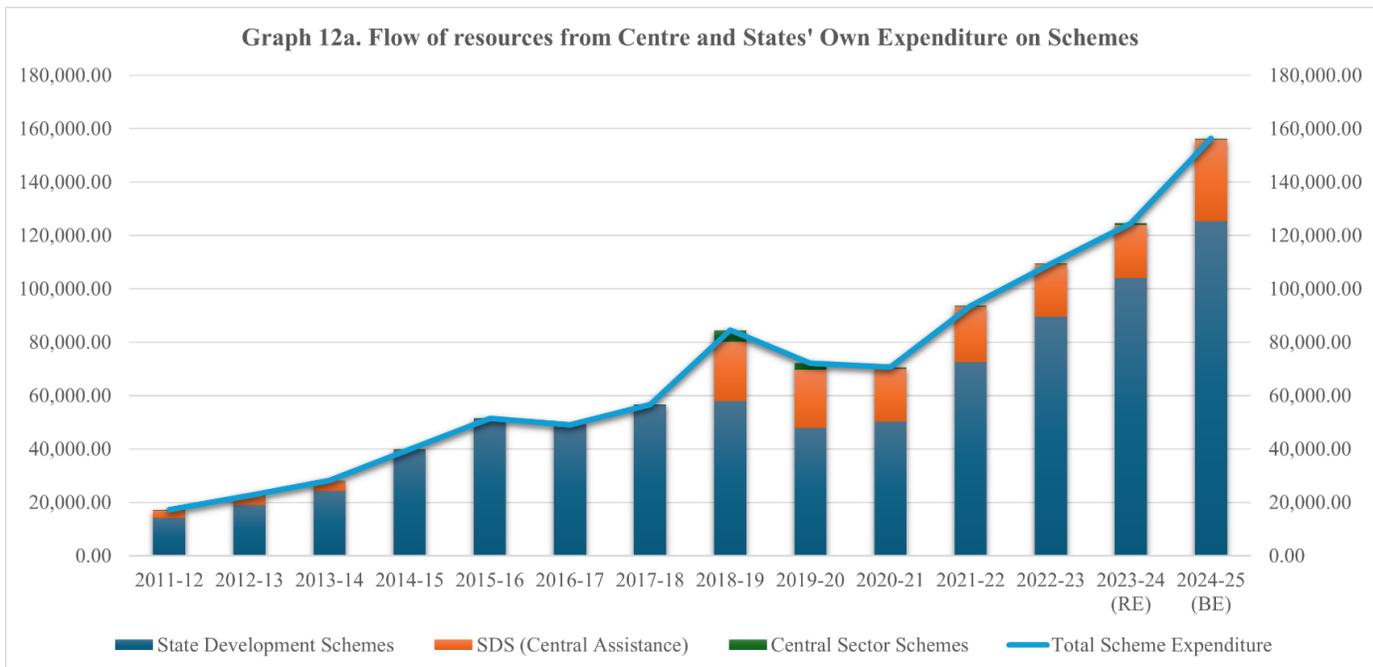
**Table 12a: Provisions under State Plan, Centrally Sponsored and Central Sector Schemes (Rs Crore)**

Year	I. State Development Schemes, prev. State Plan	II. State Development Schemes (Central Assistance), prev. Centrally Sponsored	III. Central Sector	Total (I+II+III)
2011-12	14,074.52	2,951.06	187.94	17,213.52
2012-13	18,994.11	3,283.45	213.23	22,490.79
2013-14	24,207.10	3,720.17	232.10	28,159.37
2014-15	39,444.02	102.39	347.14	39,893.55
2015-16	51,385.42	23.53	57.70	51,466.65
2016-17	49,040.89	0.00	49.47	49,090.36
2017-18	56,604.73	0.00	13.86	56,618.59
2018-19	57,773.22	22,347.47	4,355.59	84,476.28
2019-20	47,792.69	21,767.96	2,566.27	72,126.92
2020-21	50,218.05	19,814.01	596.46	70,628.52
2021-22	72,542.64	20,761.67	322.94	93,627.25
2022-23	89,661.79	19,557.34	245.54	109,464.67
2023-24 (RE)	103,978.56	20,044.41	560.63	124,583.60
2024-25 (BE)	125,339.66	30,660.34	357.97	156,357.97

\*Source: West Bengal Budget documents for various years

The schemes in West Bengal can be divided into two primary categories, viz. cost-sharing and non-matching. The cost-sharing type of schemes are referred to as State Development Schemes, where the burden of costs are often shared in a Central : State :: 60 : 40 split. In Table 12a, we show the split of State Development Scheme expenditure shared between the Centre and States, with the Centre's contribution showing up in the budget documents under the title of 'Central Assistance'. Though it may not be clear at first as to why the greater share taken on by the Centre in a majority of these cost-sharing arrangements does not show up in the aggregate data, one must realise that the multiplicity of West Bengal's own schemes dwarfs the contribution of the Centre.

The other type of scheme, which is entirely contributed to by Centre with no part of the fiscal burden falling on the State, is referred to as 'Central Sector Schemes' (CSS). In the aggregate data for West Bengal in the reference period taken FY 2011-12 onwards, it can be seen in Table 12a above that the share of CSS expenditure is a drop in the ocean compared to the vast expenditure on the State government's own schemes in West Bengal.



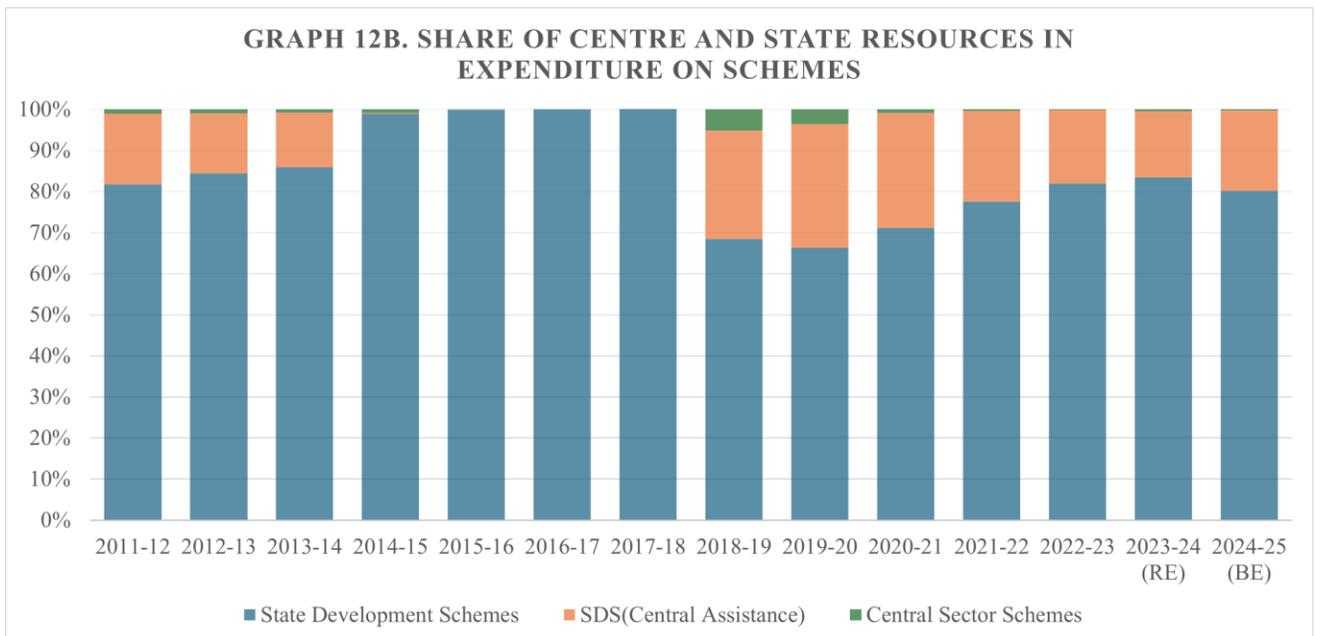
It is interesting to analyse the flow of resources from the Centre in West Bengal.

In the discussion above, it is clear that these resources contribute to both the shared schemes (Central Assistance under SDS) and those schemes exclusively paid for by the Centre (CSS).

## 12.5 State Development Schemes

Graph 12a shows the pattern of West Bengal's expenditure on its own schemes relative to the Centre's contribution. Looking at the inflows from the Centre, despite initially not contributing too large of a share tends to disappear completely between FY 2014-15 to FY 2017-18. This is compensated by a jump in the Central Sector Schemes (CSS) in the following years with FY 2018-19 and FY 2019-20 in particular, receiving decadal highs from the Centre.

In the ensuing years, Central Assistance spending on State Development Schemes has stabilized, with the three years after FY 2020-21 registering Rs. 19,814.01 crores, Rs. 20,761.67 crores and Rs. 19,557.34, respectively. Even the revised estimates for FY 2023-24 show no significant changes (Rs. 20,044.41 crores) to the Centre's assistance in State Development Schemes.



Graph 12b shows that the share of Centre’s spending on State-level schemes has remained low, with the lion’s share being that of the State government. This is in line with the earlier arguments made by both of the most recent Finance Commission reports that not only are States the best suited to recognise their development needs, they also need adequate fiscal space to meet those requirements.

We now proceed with a more granular analysis of State schemes and look at West Bengal’s own spending on schemes at a more disaggregated level. Table 12b summarises SDS spending by clubbing the different ministries in charge of the schemes into close groups of spending. The first thing to notice is the establishment of three new categories for schemes, viz. Rural Development which starts in FY 2016-17, the Special Areas Programme beginning in FY 2018-19 and in the same year, the establishing of Social Welfare and Nutrition schemes. The latter group among the three has quickly garnered burgeoning spending on its schemes, with a threefold increase in just six years since it began. This is also a contentious point because the 15<sup>th</sup> Finance Commission emphasised the need for greater scheme coverage against child malnutrition. During the pandemic, the 15<sup>th</sup> FC put out an interim report which said “malnutrition of infants is a human capital issue that cannot wait to be addressed. Hence, we have made an exception in the case of the nutrition sector by giving it a grant of Rs. 7,735 crores in 2020-21 itself”.

**Table 12b. Trend in Outlays for State Development Schemes by Sector (Rs Crore)**

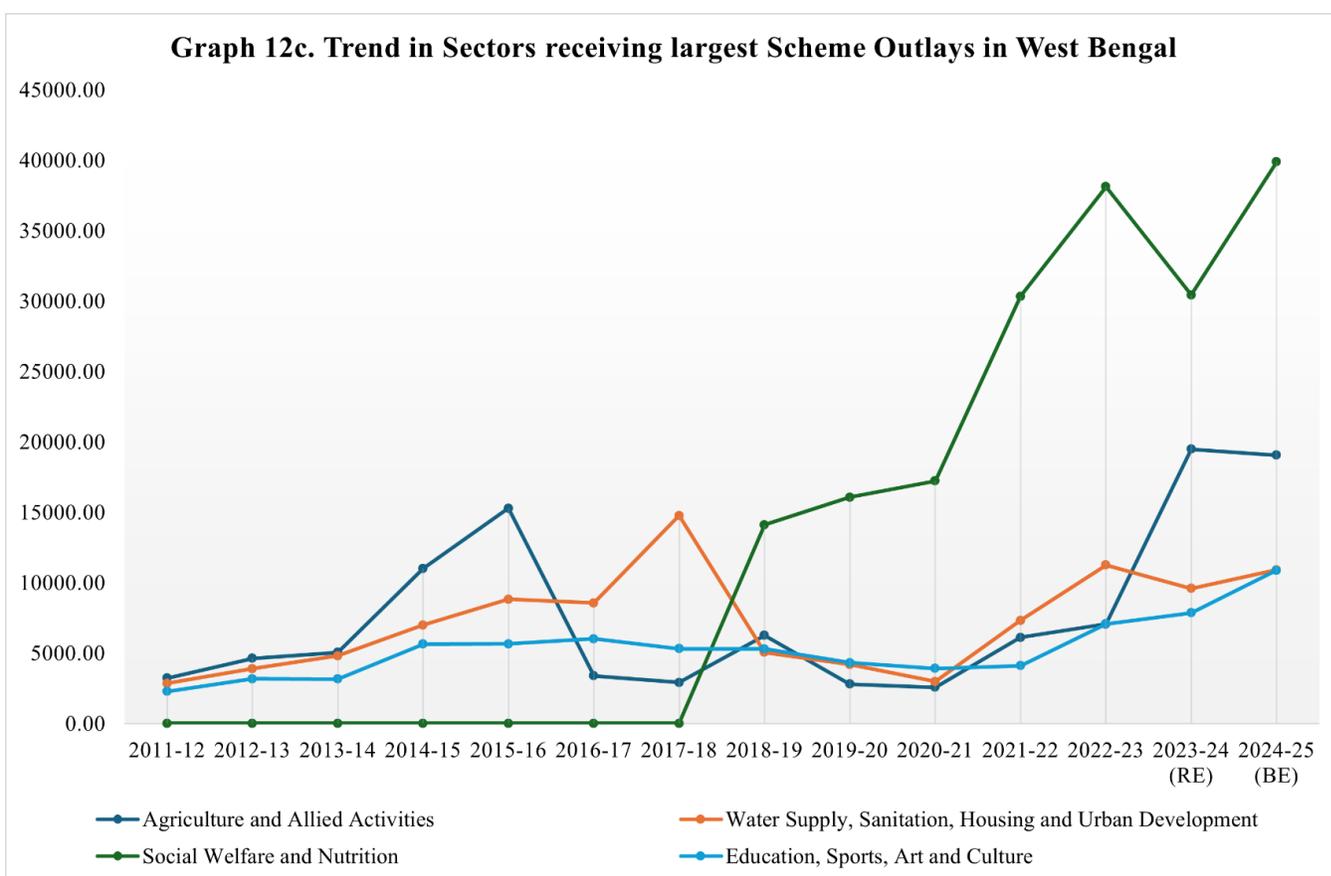
Sector	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 (RE)	2024-25 (BE)
Agriculture and Allied Activities	321 2.17	460 8.94	503 0.03	1100 1.06	1527 8.34	337 2.54	2901. 95	6242. 17	2785. 29	2552. 52	6097. 01	7040. 21	1946 4.53	1904 4.57
Rural Development	...	...	...	...	...	982 4.41	8576. 73	7028. 70	5061. 22	8210. 14	4863. 48	4469. 68	8295. 72	6913. 18
Special Areas	...	...	...	...	...	...	...	2217. 03	1386. 59	1070. 81	727.2 1	952.1 3	1304. 62	2709. 56

Programme														
Irrigation and Flood Control	473.17	687.56	813.95	1477.49	1430.69	1537.76	1619.97	1885.42	1504.10	1447.73	2077.55	2478.19	3556.82	4214.10
Energy	622.65	881.97	1632.39	1275.11	2607.16	1406.89	768.03	2524.37	1507.90	880.68	1681.55	1573.87	1486.74	2562.40
Industry and Minerals	501.56	659.73	730.23	738.25	966.36	1212.44	1093.24	1172.21	369.87	290.99	642.03	1208.67	1159.16	2495.11
Transport	920.92	1541.97	1880.73	1889.94	2768.84	2780.21	4662.54	5295.77	4022.97	2882.23	3929.53	4515.52	5766.32	5709.04
Science Technology and Environment	42.58	64.26	121.47	144.16	233.58	212.93	172.73	86.42	46.41	17.69	44.02	39.10	73.84	147.02
Education, Sports, Art and Culture	2265.68	3164.39	3144.70	5626.69	5643.44	6006.76	5300.86	5276.37	4308.59	3891.20	4092.79	7065.06	7846.22	10860.26
Health and Family Welfare	769.12	636.98	1227.40	3005.64	4267.32	4207.38	4325.71	2875.57	3100.99	3752.35	6012.07	6098.87	7298.54	8016.84
Water Supply, Sanitation, Housing and Urban Development	2840.13	3872.64	4784.47	6976.70	8802.55	8550.25	14749.65	5028.37	4162.72	2957.86	7305.33	11244.48	9573.23	10899.94
Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	264.50	348.90	343.99	880.37	990.84	1075.03	1810.68	1718.94	1514.76	2247.01	3044.50	3479.32	4093.36	5910.99
Social Welfare and Nutrition	...	...	...	...	...	...	...	14090.19	16058.41	17205.41	30318.24	38111.21	30419.72	39864.27
Others	2162.04	2526.76	4497.75	6428.61	8396.28	8854.29	10622.63	2331.69	1962.87	2811.43	1707.33	1385.48	3639.74	5992.38

\*Source: West Bengal Budget documents for various years

The Finance Ministry, however, was quick to dismiss the recommendation and rejected it on the basis that there was already the multi-sectoral Poshan Abhiyan in existence, for which starting in FY 2017-18, Rs 9,046 crore had already been earmarked for three years. The Finance Ministry also said that any other additional grant would amount to duplication. This is a case in point regarding the huge multiplicity of schemes operating at different levels of government and shows how hard it can be to reach a multi-level consensus on what needs to be done about the matters affecting people at the grassroots level.

This is why the States have been asking for more power and fiscal space. Despite the unfounded fissiparous fears, such allocation of responsibility is much needed.

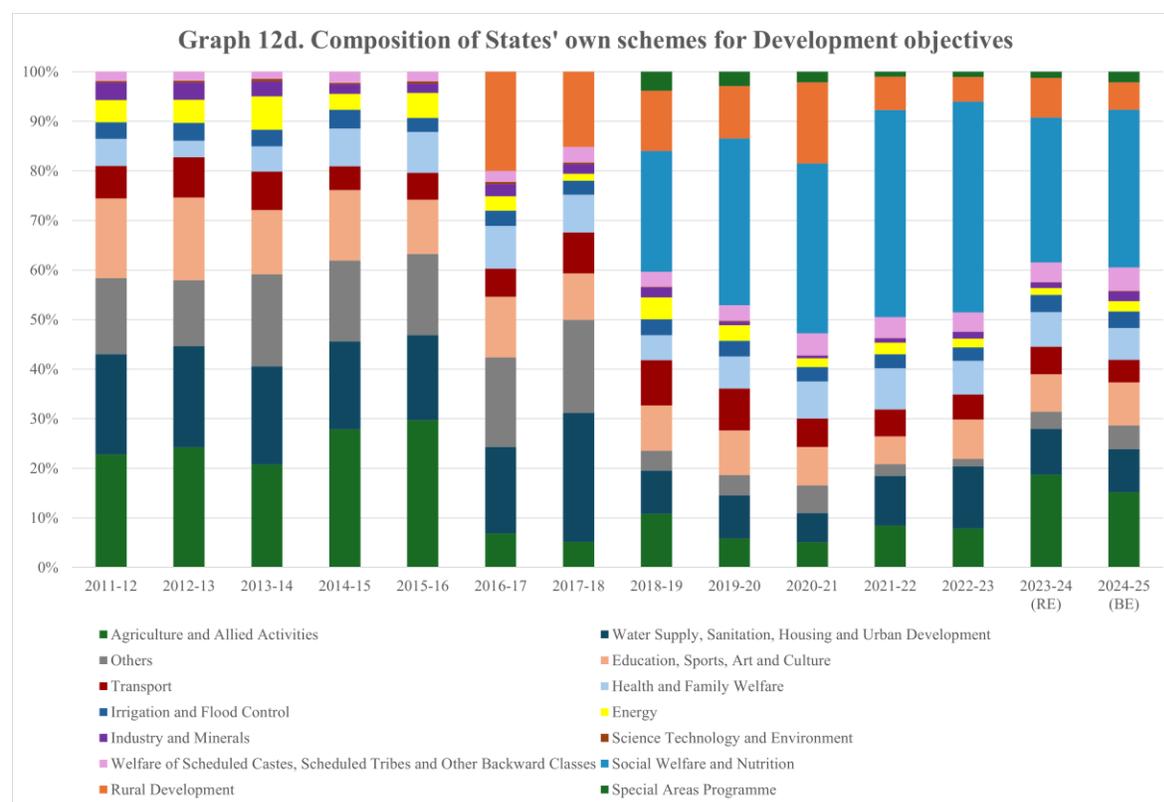


West Bengal is a powerful example of how social sector spending can be taken

up as the major priority for the state's expenditure. Among the biggest sectors for state funded schemes in West Bengal is Social Welfare and Nutrition leading the way (see Graph 12c) followed by Agriculture and Allied activities. The Water Supply, Sanitation, Housing and Urban Development as well as the Education, Sports, Art and Culture sectors have all registered healthy growth ever since the pandemic struck in FY 2019-20. In the period between FY 2011-12 and FY 2015-16, Agriculture, Water and Education sectors accounted for more than half of the expenditure on West Bengal's own schemes. Since FY 2018-19, however, the Social Welfare and Nutrition schemes have exploded onto the scene taking up alone over 40% of SDS expenditure in FY 2021-22.

A cursory glance at the actual budget numbers for FY 2022-23 under the 'Women & Child Development and Social Welfare Department' of West Bengal shows the following schemes to be driving a major part of the spending:

- Implementation of *Kanyashree Prakalpa* (Rs. 1,567 crores)
- Schemes under umbrella of *Jai Bangla* (Rs. 4,334 crores)
- *Lakshmir Bhandar* (Rs. 11,980 crores)

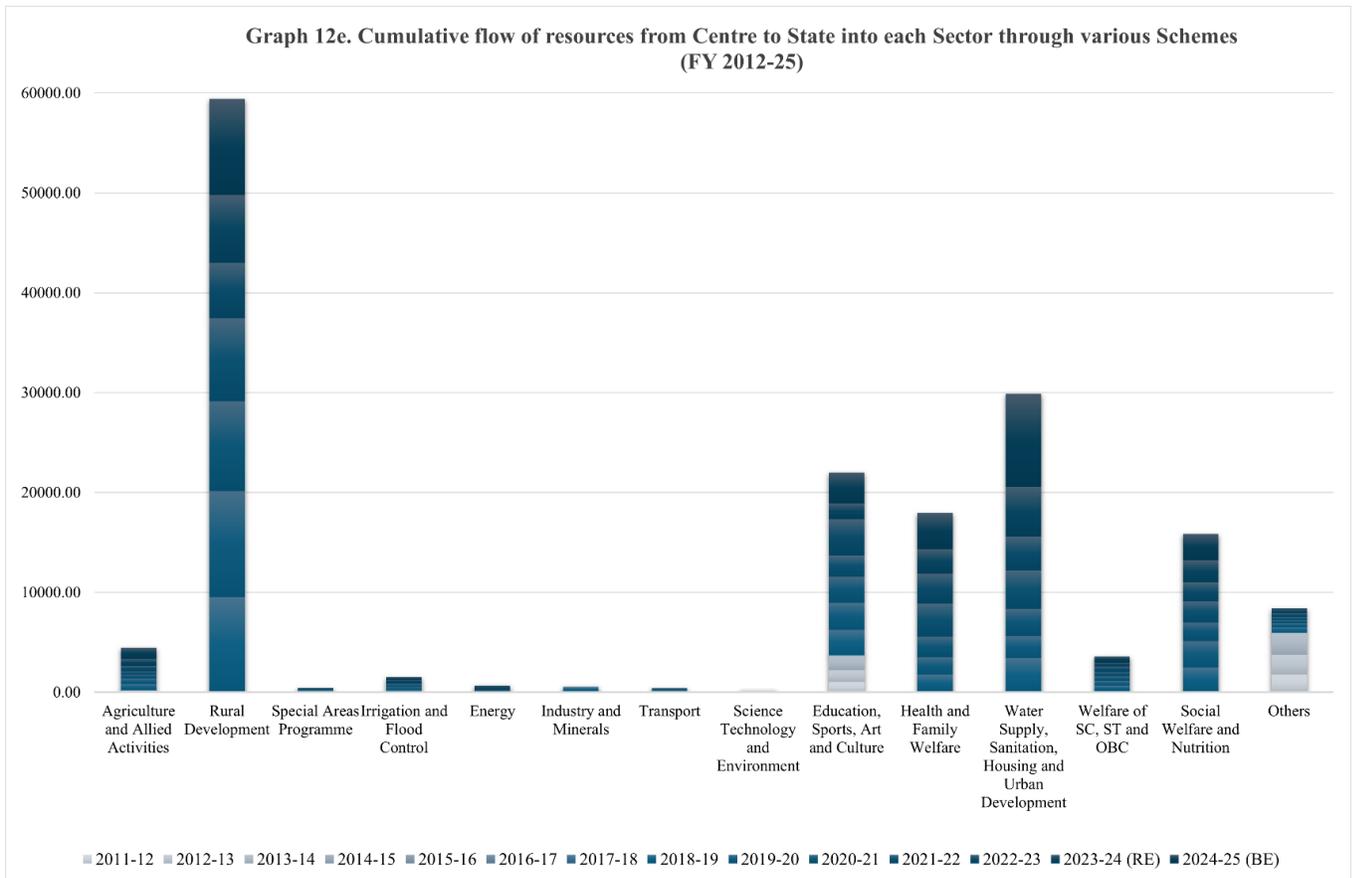


## 12.6 SDS with Central Assistance

**Table 12c. Trend in Outlays for Central Assistance towards SDS by Sector**

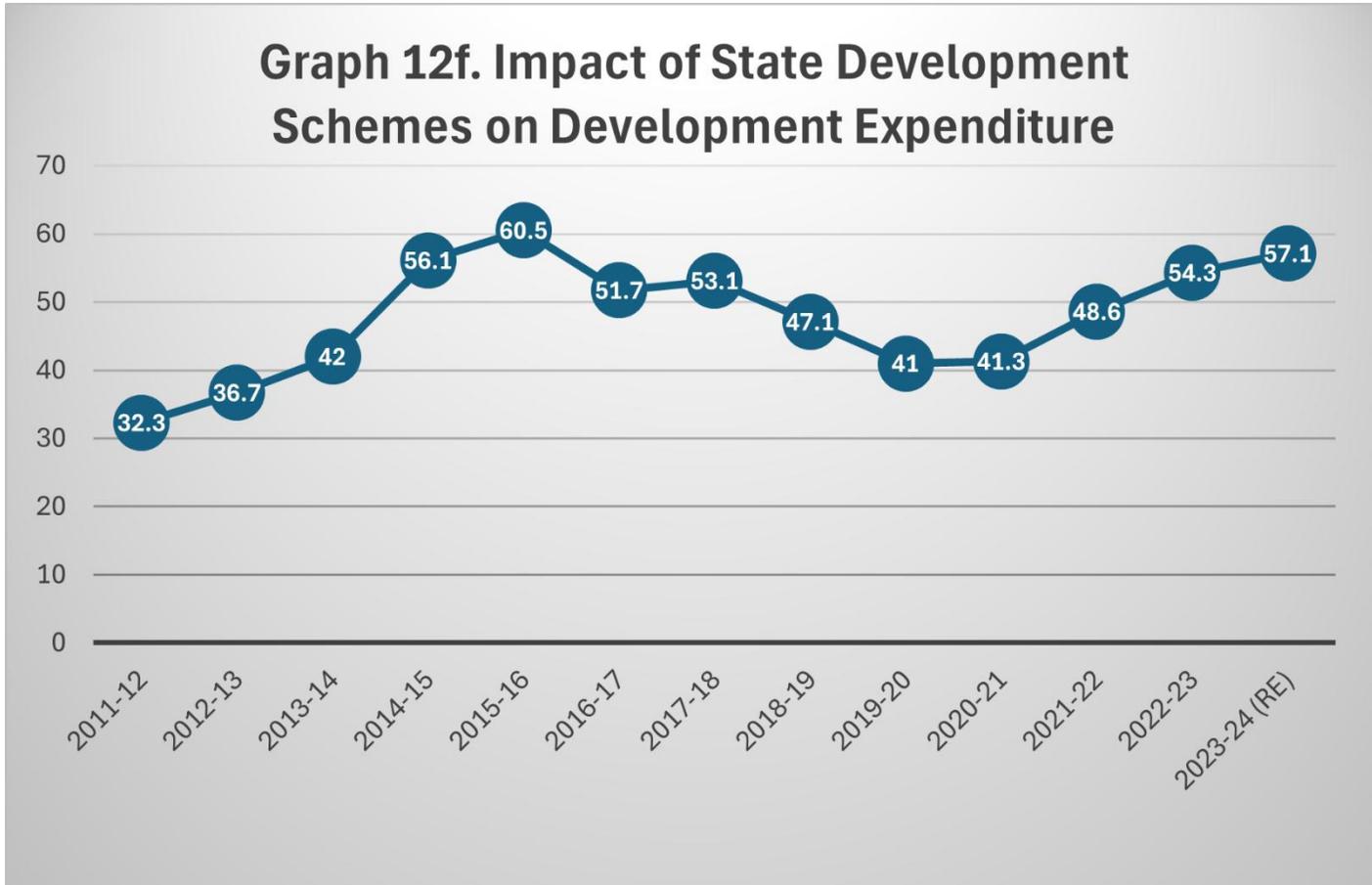
Sector	2011-12	2012-13	2013-14	2014-15	2015-16	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 (RE)	2024-25 (BE)
Agriculture and Allied Activities	80	65	55	0		614	568	393	287	600	662	1125
Rural Development	...	...	...	...	...	9521	10606	9004	8287	5574	6771	9624
Special Areas Programme	...	...	...	...	...	150	109	1	0	35	16	125
Irrigation and Flood Control	10	0		0		232	278	279	132	60	189	326
Energy	...	...	0	...	...	1	...	...	...	282	399	...
Industry and Minerals	10	15	9	...	...	479	0	...	0	0	0	2
Transport	0	7	9	...	...	153	52	...	51	54	60	...
Science Technology and Environment	...	...	...	...	...	...	...	...	...	2	...	2
Education, Sports, Art and Culture	1034	1163	1438	44	24	2515	2725	2631	2103	3648	1573	3119
Health and Family Welfare	0	1	15	1		1745	1745	2062	3287	3001	2456	3618
Water Supply, Sanitation, Housing and Urban Development	10	7	3	1		3386	2184	2745	3825	3408	4974	9350
Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	8	42	69	8		519	465	479	424	574	377	636
Social Welfare and Nutrition	...	...	...	...	...	2478	2635	1887	2077	1931	2198	2638
Others	1797	1984	2124	48		554	400	333	289	389	369	94
<b>Total Central Assistance</b>	<b>2951</b>	<b>3283</b>	<b>3720</b>	<b>102</b>	<b>24</b>	<b>22347</b>	<b>21768</b>	<b>19814</b>	<b>20762</b>	<b>19557</b>	<b>20044</b>	<b>30660</b>

The Central Assistance though much lesser in comparison to that spent by the State government, also shows clear but distinct patterns of spending. Table 12c shows the sector-wise split of the Central Assistance given for State Development Schemes and the cumulative totals for each sector in the reference period of FY 2011-12 to FY 2024-25 is given in Graph 12e.



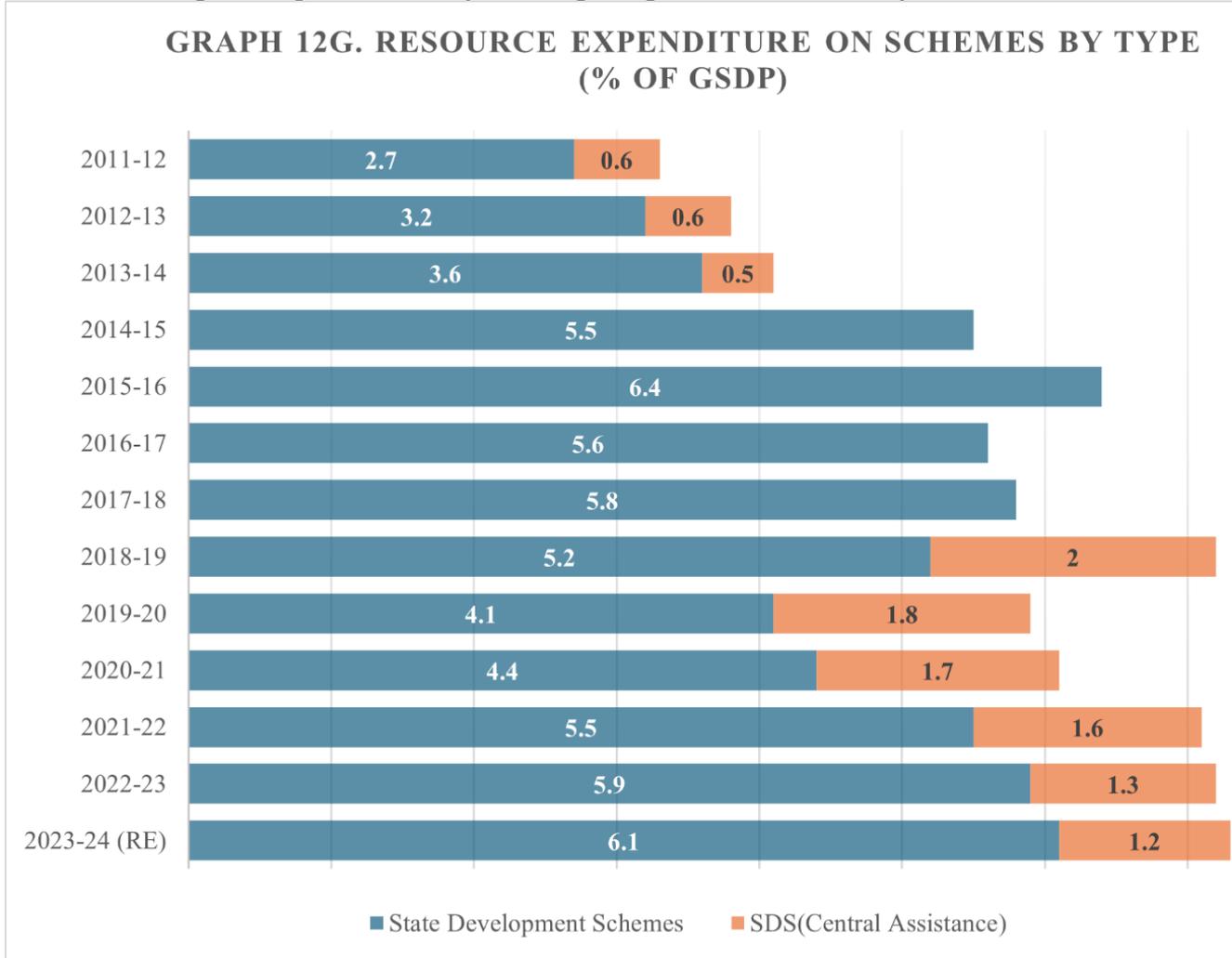
The pattern in Graph 12e shows a clear preference toward Rural Development spending. This is interesting as it does not feature as one among the top four sectors where the State likes to spend, as we discussed above. A deep dive into the State Budget reveals that the big scheme driving the expenditures in the ‘Rural Development’ sector is none other than the Mahatma Gandhi National Rural Employment Guarantee Programme (MGNREGA). It is to be noted that the expenditure of material component including wages of skilled & semi-skilled labour is shared between Central & State in a 75:25 split. Looking at

budget accounts for the Revised Estimates for just the past year FY 2023-24, we discover that the Centre provided Rs. 1,900 crores for the MGNREGA scheme in that year while the State matched with Rs. 633 crores. There is also a budgeted increase taking the Central Assistance to Rs. 3,622 crores for the coming year, as per Budget Estimates for FY 2024-25. It is clear that rural employment generation, for now, still hinges on the Centre's support for funds.



The impact that these schemes, upon which the State government is ploughing so much of its resources, must be taken into account, given its limited fiscal space relative to the Centre. Looking at Graph 12f shows us that the ratio of West Bengal's own spending on SDS expenditure to its Development Expenditure has been on a rising path since the Covid pandemic. Despite improving from previous highs of as much as 60% in FY 2015-16, the share which had gradually climbed down to 40% is once again on the rise owing to

much needed public good delivery in the post-pandemic economy.



It is also useful to analyze the trend that SDS expenditure has taken as a ratio of West Bengal's GSDP. Graph 12g shows that the ratio of State resources spent on SDS schemes to State incomes rose from 2.7% in FY 2011-12 to 6.4% of GSDP in FY 2015-16. This was followed by a moderate improvement as the ratio came down to 4.1% of GSDP in FY 2019-20 with the re-continuation of Central Assistance at 2% of GSDP. Since then, the share of Central Assistance has reduced to 1.2% as per revised estimates from FY 2023-24 while the burden on the State's own capacity has increased to 6.1% of GSDP.

## 12.7 Centrally Sponsored Schemes

Centrally Sponsored Schemes are different from Central Sector Schemes in the sense that Central Sector Schemes are implemented by Center directly while Centrally Sponsored Schemes are implemented by states.

CSS are extended by the Union Government to States under Article 282 of the Constitution. Centrally Sponsored Schemes (CSSs) now form a major part of the Central Assistance (CA) given by the centre to states to implement the state plans. For ease of understanding, CSS may now be treated synonymously to CA.

There were other types of Central Assistance before 2015-16, but almost all of them are discontinued as states got higher revenue after the 14th Finance Commission recommendations (higher devolution of taxes to states).

**Table 12d: Major Centrally Sponsored Schemes in West Bengal**

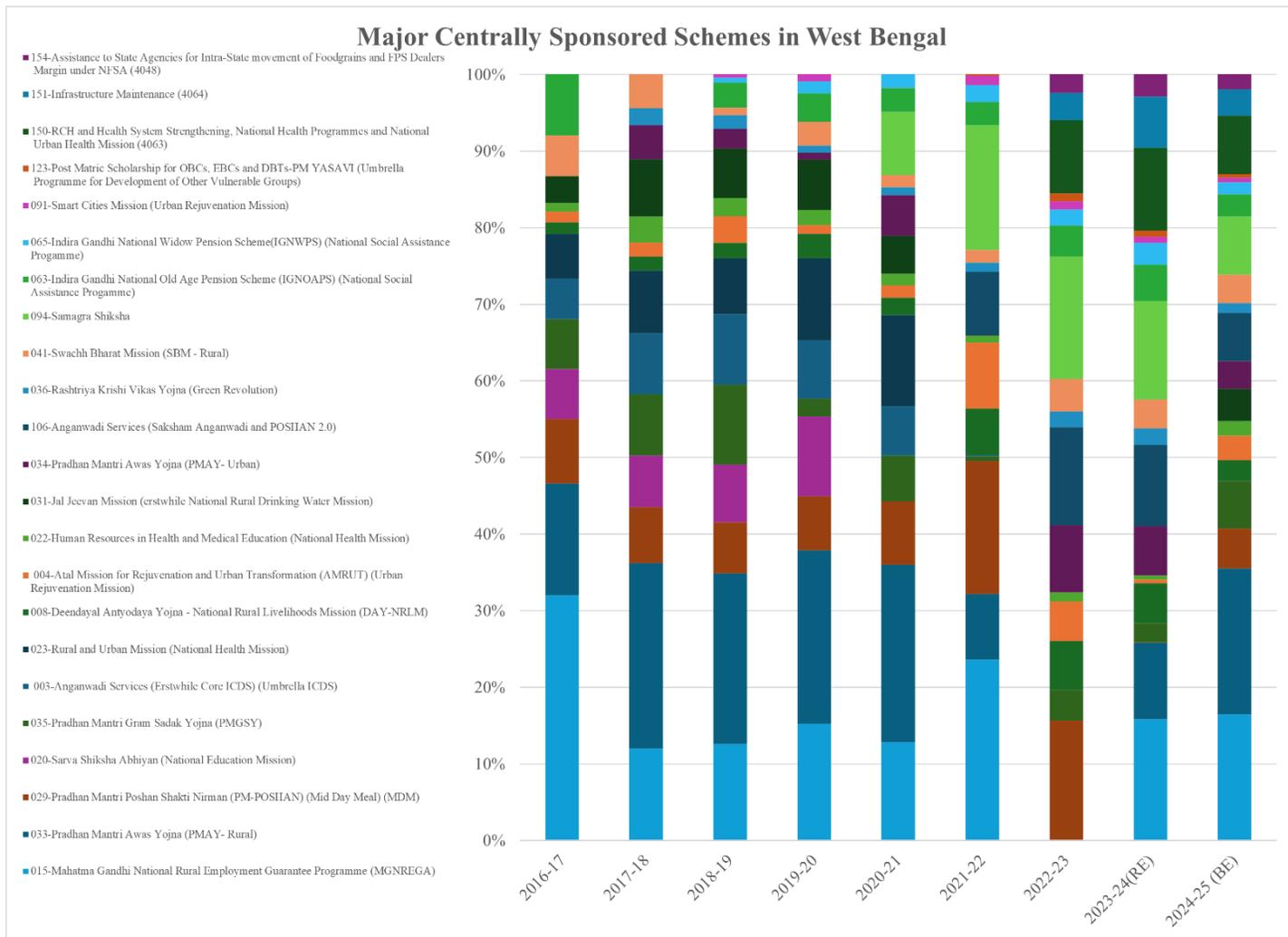
Scheme Identification	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24(RE)	2024-25 (BE)
003-Anganwadi Services (Erstwhile Core ICDS) (Umbrella ICDS)	670.00	1058.35	1262.08	1164.00	1036.53	10.68	0.00	0.00	0.00
004-Atal Mission for Rejuvenation and Urban Transformation (AMRUT) (Urban Rejuvenation Mission)	177.07	238.66	474.78	164.36	261.60	694.06	495.65	60.00	753.00
008-Deendayal Antyodaya Yojna - National Rural Livelihoods Mission (DAY-NRLM)	192.46	246.94	276.04	487.03	365.52	487.55	606.07	628.00	655.35
015-Mahatma Gandhi National Rural Employment Guarantee Programme (MGNREGA)	4045.29	1595.51	1723.18	2310.84	2074.35	1900.00	0.00	1901.00	3902.78
020-Sarva Shiksha Abhiyan (National Education Mission)	821.85	896.57	1030.52	1579.05	0.00	0.09	0.00	0.00	0.00
022-Human Resources in Health and Medical Education (National Health Mission)	140.78	448.66	322.00	307.40	239.64	70.53	108.73	65.00	450.00
023-Rural and Urban Mission (National Health Mission)	735.41	1086.19	1005.83	1617.72	1931.71	0.00	0.00	0.00	0.00
029-Pradhan Mantri Poshan Shakti Nirman (PM-POSHAN) (Mid Day Meal) (MDM)	1069.22	971.46	917.10	1071.03	1343.31	1394.12	1489.47	5.00	1230.00
031-Jal Jeevan Mission (erstwhile National Rural Drinking Water Mission)	440.15	996.68	890.28	994.75	807.08	0.01	0.00	0.00	1000.00

033-Pradhan Mantri Awas Yojna (PMAY- Rural)	1838.92	3208.00	3056.83	3434.04	3751.81	687.84	0.00	1200.00	4515.97
034-Pradhan Mantri Awas Yojna (PMAY- Urban)		588.44	354.51	134.80	856.39	5.84	833.92	773.03	855.00
035-Pradhan Mantri Gram Sadak Yojna (PMGSY)	819.18	1058.35	1426.98	348.25	969.31	49.94	381.03	300.00	1464.40
036-Rashtriya Krishi Vikas Yojna (Green Revolution)	0.00	293.36	243.47	137.15	170.17	92.75	189.91	258.42	310.00
041-Swachh Bharat Mission (SBM - Rural)	676.42	583.23	127.06	479.97	261.31	135.45	406.01	450.00	875.28
063-Indira Gandhi National Old Age Pension Scheme (IGNOAPS) (National Social Assistance Programme)	1001.29	0.00	454.30	560.93	509.37	240.96	381.44	567.00	683.53
065-Indira Gandhi National Widow Pension Scheme(IGNWPS) (National Social Assistance Programme)	0.00	0.00	85.18	234.26	281.95	179.26	203.90	341.00	364.89
091-Smart Cities Mission (Urban Rejuvenation Mission)	0.00	0.00	58.00	136.00	0.00	98.00	98.00	98.00	147.00
094-Samagra Shiksha	0.00	0.00	0.00	0.00	1327.08	1310.10	1522.04	1545.00	1800.00
106-Anganwadi Services (Saksham Anganwadi and POSHAN 2.0)	0.00	0.00	0.00	0.00	0.00	668.35	1222.54	1275.00	1490.00
123-Post Matric Scholarship for OBCs, EBCs and DBTs-PM YASAVI (Umbrella Programme for Development of Other Vulnerable Groups)	0.00	0.00	0.00	0.00	0.00	10.50	97.83	100.00	120.00
150-RCH and Health System Strengthening, National Health Programmes and National Urban Health Mission (4063)	0.00	0.00	0.00	0.00	0.00	0.00	914.56	1300.00	1800.00
151-Infrastructure Maintenance (4064)	0.00	0.00	0.00	0.00	0.00	0.00	337.76	800.00	820.00
154-Assistance to State Agencies for Intra-State movement of Foodgrains and FPS Dealers Margin under NFSA (4048)	0.00	0.00	0.00	0.00	0.00	0.00	226.32	345.00	452.64

Source: West Bengal Budget Publication No. 4 - Receipts under Consolidated Fund and Explanatory Memorandum under Revenue Account for various years

We find that among the Centrally Sponsored Schemes (CSS), the biggest shares before the pandemic went to the MGNREGA (rural employment) and PMAY- Rural (rural housing) schemes. This indicates the Central government's thrust towards rural development which matches the emphasis shown by the Centre in Central Assistance on State Development Schemes (see Graph 12.e).

During the pandemic we see huge emphasis put on the Mid Day Meal (nutrition) scheme (PM-POSHAN) as well as the appearance of ‘Samagra Shiksha’ (education), an overarching programme for the school education sector extending from pre-school to class 12. We see the change in priorities of the Centre toward food, nutrition and education during the worse years of the pandemic. The MGNREGA and PMAY-Rural funds were completely stopped during this period of emergency. After emerging from the pandemic, we see a rebound in these schemes’ expenditure again as well as Indira Gandhi Old Age Pension Scheme gaining a greater share, as per budget and revised estimates.



## 12.8 Detailed coverage of West Bengal's welfare schemes

According to 2022-23 Budget Statement by Smt. Chandrima Bhattacharya, Minister of State (Independent Charge) Finance Department, on 11<sup>th</sup> March 2022, the State Government successfully implemented new schemes as per our commitment, viz Lakshmi Bhandar, Student's Credit Card, Krishak Bandhu (New), Duare Ration and MAA Canteen. So far 1.53 crore women of 25-60 years have benefited under Lakshmi Bhandar and nearly 20,000 students have been extended benefit under Student Credit Card scheme. Many other important ongoing schemes of the State Government like Maatir Shristi, Sabooj Sathi, Kanyashree, Rupashree, Sikshashree, Aikyashree, Jal Dhara Jal Bharo, Bina Mulya Samajik Suraksha Yojana, Taruner Swapna, Social Pension (Taposili Bandhu, Jai Johar, Old Age Pension, Widow Pension, Manabik), Khadya Sathi, Swasthya Sathi, etc. are also being implemented and running successfully.

### **Umbrella of Jai Bangla Scheme, 2020**

On 19 March 2020, the State Government decided to bring all new and existing pension schemes under one Umbrella called "Jai Bangla Scheme, 2020" vide Finance Department Memo No. 1157-F(Y) dated 6 March, 2020. For implementation of the Umbrella Scheme "Jai Bangla Scheme, 2020" the existing pension schemes under State Development have been subsumed under the following new heads:

- Jai Johar-Old Age Pension Scheme for Scheduled Tribes
- Taposili Bandhu-Old Age Pension Scheme for Scheduled Castes
- Manabik Scheme
- Lok Prasar Prakalpa
- Old Age Pension Scheme
- Widow Pension Scheme
- Disability Pension Scheme
- Old Age Pension Scheme for Farmers
- Old Age Pension Scheme for Artisans and Weavers
- Old Age Pension Scheme for Fishermen

## Agriculture

### *Financial Support to Krishak Bandhu*

(Actual Expenditure: Rs. 4,994.35 crore in FY 2022-23)

The Krishak Bandhu Scheme caters to the farming community by means of assured continuous income and insurance coverage. The Krishak Bandhu Assured Income Scheme seeks to provide the farmers with financial assistance of Rs. 10,000 per year (5,000 per acre in two instalments).

## Education

### *Student Credit Card Scheme*

(Actual Expenditure: Rs. 1.70 crore in FY 2022-23)

The Higher Education Department of the Government of West Bengal has launched the Student Credit Card Scheme aimed at assisting students in West Bengal to pursue their educational aspirations without financial barriers. This initiative is intended to facilitate students in undertaking secondary, higher secondary, madrasah, undergraduate, and postgraduate studies, including professional degrees and equivalent courses at any school, madrasah, college, university, and other affiliated institutions both within India and abroad. Additionally, students enrolled in various coaching centers preparing for competitive examinations such as Engineering, Medical, Law, IAS, IPS, and WBCS are eligible to benefit from this loan scheme. A West Bengal student can secure a maximum loan amount of Rs. 10 lakhs at a simple interest rate of 4% per annum from the State Cooperative Bank, along with its associated Central Cooperative Banks, District Central Cooperative Banks, and Public/Private Sector Banks. Borrowers who fully service the interest during their study period will receive a 1% concession on the interest rate. The maximum age limit for applicants is set at 40 years at the time of loan application. The repayment term for any loan obtained under this Credit Card Scheme is fifteen (15) years, which includes a moratorium or repayment holiday.

### *Sabooj Sathi (Bi-cycle Distribution Scheme)*

(Actual Expenditure: Rs. 1495.75 crore in FY 2022-23)

The scheme conducts distribution of bi-cycles to estimated 40 lakh students of The initiative targets students in classes IX to XII enrolled in government-run and government-aided schools and madrassas across the state. It was announced that approximately 2.5 million students would benefit from this program in the fiscal year 2015-16, followed by an additional 1.5 million in the subsequent fiscal year.

This initiative is popularly known as "Sabooj Sathi," a name introduced by the Honorable Chief Minister, symbolizing her vision that the bicycles provided will empower young students to reach new heights in their future endeavors. The emblem of the scheme, designed by her, is prominently displayed on the front basket of the bicycles. The Chief Minister inaugurated the distribution process in September 2015 in Paschim Medinipur. To date, a total of 3.494 million bicycles have been procured and distributed to students in classes IX, X, XI, and XII in two phases: Phase I saw the distribution of 2.534 million bicycles, followed by 0.96 million in Phase II during the fiscal years 2015-16 and 2016-17.

The state government has committed to ensuring that students receive bicycles promptly upon their admission to class IX. Consequently, the procurement process for an additional 2.5 million bicycles has been finalized in Phase III, with distribution actively occurring across all districts.

The bicycles acquired in phases II and III will feature ten special reflectors, adhering to the safety guidelines issued by the Honorable Supreme Court of India. West Bengal may be the first state to implement such measures on a statewide basis.

## Health

### *Establishment of I.C.D.S. Project*

(Actual Expenditure: Rs. 1,061.38 crore in FY 2022-23)

The Integrated Child Development Services (ICDS) scheme is a program in India that aims to improve the health, nutrition, and education of children, pregnant women, and lactating mothers.

### *Swasthya Sathi*

(Actual Expenditure: Rs. 2,500 crore in FY 2022-23)

“Swasthya Sathi” was officially launched by the CM on 30th December 2016. Basic health cover for secondary and tertiary care up to Rs. 5 lakh per annum per family. The scheme was rolled out from 01.02.2017. National Insurance Company was insurance partner in 9 Districts and United India Insurance Company in 11 Districts up to 28.02.2018. The scheme was implemented under assurance mode for the month of march, 2018. From 01.04.2018 to 15.01.2020, Bajaj Allianz selected as Insurance Partner in 18 Districts and from 01.04.2018 to 31.12.2019, IFFCO TOKYO selected as Insurance Partner in 5 Districts. The service of 5 districts has been extended by Swasthya Sathi Assurance Mode up to 15.01.2020. The service is

continued by new Insurance Company from 16.01.2020. National Insurance Company is selected as Insurance Partner in 6 Districts (Cluster-I), Oriental Insurance Company is selected as Insurance Partner in 9 Districts (Cluster-II), United India Insurance Company is selected as Insurance Partner in 8 Districts (Cluster-III). Paperless, Cashless, Smart Card based. There is no cap on the family size and Parents from both the Spouse are included. All dependent physically challenged persons in the family are also covered. All pre-existing diseases are covered. The entire premium is borne by the State Government and no contribution from the beneficiary. Online Swathya Sathi Smart card is provided to each family on the day of Enrolment. Smart Card captures the details of the family members , Photographs, biometric, address, Mobile Number, SECC ID. Management of the scheme is in paperless IT platform from day one.

### Empowerment

*Manabik Scheme under Jai Bangla*

(Actual Expenditure: Rs. 717.19 crore in FY 2022-23)

The Manabik scheme is a part of the Jai Bangla Scheme, 2020, in West Bengal. It provides a monthly pension of ₹1,000 to people with disabilities who are unable to work.

### Food

*Khadya Sathi - State Subsidy for Supply of Rice to the APL/BPL Families in the TPDS*

(Actual Expenditure: Rs. 12,796.19 crore in FY 2022-23)

On 27th January 2016 the Chief Minister Smt Mamata Banerjee launched the flagship program 'Khadya Sathi'. The motto and the driving force of this 'Khadya Sathi' program is no needy person of West Bengal will be deprived from the access to food grains. 'Food for all' is the slogan of Khadya Sathi program.

There are more than 8.89 crore PDS beneficiaries in the state of West Bengal which includes 6.01 crore beneficiaries under National Food Security Act (AAY & PHH) and about 2.88 crore beneficiaries under Rajya Khadya Suraksha Yojana (RKSY – 1 and RKSY – 2). The state government is distributing around 5 LMT food grains free of cost to all the PDS beneficiaries every month.

*Duare Ration Prakalpa*

(Actual Expenditure: Rs. 511.78 crore in FY 2022-23)

The West Bengal government launched the 'Duare Ration' (ration at doorstep)

scheme for providing food grains under the Public Distribution System (PDS) at the doorstep for the entire population of the State. Under the scheme, dealers would deliver ration at the doorstep of the beneficiaries under the Targeted Public Distribution System. All the beneficiaries under National Food Security Act (NFSA), Rajya Khadya Suraksha Yojana (RKSY) including Special Package is being delivered subsidized food grains to the doorsteps of the beneficiaries. There are around 21000 rational dealers in the state and the government would provide a subsidy of Rs. 1 lakh to each dealer to purchase a delivery vehicle. Ration dealers will also be allowed to recruit two assistants for which the state would pay half their salaries. Each vehicle would be parked at a convenient location in a neighborhood so that residents need not walk more than 500 meters to avail the ration. It is expected to benefit around 10 crores of people of the state.

*MAA Scheme for providing Meal to Poor Citizens*

(Actual Expenditure: Rs. 39.78 crore in FY 2022-23)

State Government has launched a Scheme namely 'MAA' for providing cooked quality meal to the poor and needy citizen of the State to be served by Urban Local Bodies in common kitchen/s with the contribution of Rs.5/- by the beneficiaries since 15th February, 2021. Subsidy of the State Government is Rs.10/- per meal. The Maa Canteen, a delivery system to provide food security in urban areas of the State, has become an effective mechanism in reaching to the poor and needy citizen. The program is initially implemented at all the 7 Municipal Corporations and the District Headquarter ULBs which includes 34 ULBs. Now all the ULBs including New Kolkata Development Authority have been covered State under the domain of this "MAA Programme".

Progress Trends:

- 249 canteens running functional
- Beneficiaries covered till date: 1,04,02,493
- Monthly turned up figure of beneficiaries: 14,89,879
- Fund Received: 19.25 Crore as 1st Instalment out of total approved cost Rs. 115.53 Crore
- Funds to the tune of Rs. 14.16 Crore has been released from SUDA upto the Month of December,2021 Start-up Cost @ Rs. 1.50 Lakh per Canteen: 2.05 Crore Food Subsidy Cost @ Rs.10 per Meal: 9.44 Crore Cook cum Helper

Cost @Rs.1500/- per Month: 0.84 Crore Monitoring & Contingency Cost  
@Rs.10000/- per Month Per Canteen: 1.82 Crore

## Water

### *Jal-Dharo Jal-Bharo*

In order to combat the alarming situation in respect of both Ground and Surface water scenario in the state, the programme named "Jal Dharo-Jal Bharo" was launched during 2011-12 for preservation of precious water resources. For successful implementation of the programme, the Water Resources Investigation & Development Department, GoWB has taken the important role for large scale harvesting of rain water as well as arresting surface runoff for improvement and availability of precious water resources through construction and management of Minor Irrigation structures.

The objective of the "Jal Dharo-Jal Bharo" programme is to harvest rain water in all kinds of water bodies viz, tanks, ponds, reservoirs, canals and underground artificial recharge through rooftop rain water harvesting. For conservation and storage, rain water/surface run-off is arrested in derelict/silted tanks after proper de-siltation mainly for irrigation purposes.

## Women

### *Lakshmir Bhandar*

(Actual Expenditure: Rs. 11,980.26 crore in FY 2022-23)

"Lakshmir Bhandar" Scheme is a flagship program launched by the West Bengal Government in February 2021, to provide financial assistance to women from economically weaker sections of society. For the empowerment of women in the age group of 25-60 years and enrolled in 'Swasthya Sathi', ₹ 1,200/- every month to women SC/ST households and ₹ 1,000/- per month to other beneficiaries are provided. The scheme aims to empower women and make them financially independent by providing them with a one-time grant to buy essential goods and services.

### *Widow Pension Scheme under Jai Bangla*

(Actual Expenditure: Rs. 1,686.46 crore in FY 2022-23)

The "Widow Pension Scheme" under the Jai Bangla initiative in West Bengal, India, provides financial assistance to widowed women who meet specific eligibility criteria, including age (generally 60 years or above), residency within the state, and a low family income; essentially, it's a social security program for widows under the

Jai Bangla umbrella, aimed at providing them with a monthly pension amount of Rs. 1,000/- through DBT mode to the beneficiaries..

*Implementation of Kanyashree Prakalpa*

(Actual Expenditure: Rs. 1,567 crore in FY 2022-23)

Department of Women Development and Social Welfare, Government of West Bengal (DWD&SW) has designed the Kanyashree Prakalpa - a conditional cash transfer scheme with the aim of improving the status and well being of the girl child in West Bengal by incentivizing schooling of all teenage girls and delaying their marriages until the age of 18, the legal age of marriage. Kanyashree Prakalpa is a West Bengal Government sponsored scheme which will be implemented henceforth in all districts of the State.

*Implementation of Rupashree Prakalpa*

(Actual Expenditure: Rs. 702.96 crore in FY 2022-23)

The West Bengal government has taken an initiative called Rupashree to marry girls from financially backward poor families. Under this scheme, a lump sum financial grant of Rs. 25,000 / – is given to the families whose annual income is less than Rs. 1.50 lakhs at the time of their daughter's marriage.

Marginalised

*Taposili Bandhu-Old Age Pension Scheme to Scheduled Castes under Jai Bangla*

(Actual Expenditure: Rs. 1249.08 crore in FY 2022-23)

Under the Jai Bangla Scheme,2020, the Taposili Bandhu scheme provides old age pension to SC individuals. One is eligible if (a) the person has attained the age of 60 years as on 01.01.2020, b) the person is an ordinary resident of the State, c) the person is not a beneficiary under any other Social Security pension scheme or a recipient of Government pension or pension from any other organization. The beneficiary must be a SC Senior Citizen and would be entitled to receive a monthly pension of Rs.1000/-.

*Jai Johar-Old Age Pension Scheme to Scheduled Tribes under Jai Bangla*

(Actual Expenditure: Rs. 327.32 crore in FY 2022-23)

Under the Jai Bangla Scheme,2020, the Jai Johar scheme provides old age pension to ST individuals. One is eligible if (a) the person has attained the age of 60 years as on 01.01.2020, b) the person is an ordinary resident of the State, c) the person is not a beneficiary under any other Social Security pension scheme or a recipient of Government pension or pension from any other organization. The beneficiary must

be a ST Senior Citizen and would be entitled to receive a monthly pension of Rs.1000/-. The scheme has been rolled out from 01.04.2020. Presently almost 3 lakh beneficiaries have been brought under the fold of the scheme.

### *Sikhshashree*

(Actual Expenditure: Rs. 92 crore in FY 2022-23)

This scheme named "Sikshashree" for ST Day scholars studying in classes V to VIII has been started during 2014-15 by merging the existing schemes of Book Grant, Maintenance Grant and Other Compulsory Charges. The objective of the scheme is to provide financial assistance to improve the participation of ST students in Pre Matric stages and minimize the incidence of drop out. Each scholar is paid @ Rs. 800/- p.a. through his/her Bank Account only. There is a ceiling of annual family income not exceeding Rs. 2.5 lakh.

### *Aikyashree - Scholarships for Minority Students*

(Actual Expenditure: Rs. 51.21 crore in FY 2022-23)

The state government implemented the direct transfer of benefits under the Aikyashree scheme for six lakh applicants whose submissions were received through the Duare Sarkar camps. The 'Aikyashree' scheme is designed to provide scholarships to students from minority communities, offering pre-matric scholarships for meritorious students from Class I to X, post-matric scholarships for students from Class IX to PhD, and merit-cum-means scholarships for those pursuing technical and professional courses. The pre-matric scholarship component aims to encourage school attendance within the minority community and reduce dropout rates. According to sources, the state government received approximately 12 lakh applications through Duare Sarkar camps, of which around 6.14 lakh have been reviewed to date.

## Rural development

### *Matir Shristi*

(Actual Expenditure: Rs. 45.24 crore in FY 2022-23)

The Government of West Bengal launched the "MATIR SRISTI" project in May 2020 across six districts in the Pachimanchal region to transform barren land into green vegetation and generate diverse livelihood opportunities. By integrating resources from various departments, schemes, and programs of both the Central and State Governments, the project has, in under two years, revitalized over 5,000 acres

of land and positively impacted 5,480 lives.

Innovative water conservation techniques such as recharge pits, happas, and staggered trenches have been implemented, significantly improving soil health. The districts have experienced a surge in vegetable and fruit production, even during lockdowns, alongside the development of fisheries, poultry, duck farming, floriculture, and the cultivation of medicinal plants. Additionally, the natural beauty of the Matir Srishti sites is fostering tourism through initiatives like butterfly gardens, biodiversity parks, nature trails, and day tourism centers.

This integrated livelihood model, which spans agriculture, industry, and services, harmonizes efforts across multiple departments, creating a unified and sustainable framework for development.

### Pension and Wages

*Old Age Pension Scheme under Jai Bangla*

(Actual Expenditure: Rs. 3,014 crore in FY 2022-23)

Old Age Pensions are given out through the Panchayats & Rural Development Department and the Women & Child Development and Social Welfare Department.

## **12.9 State top-ups or add-ons**

For the National Mental Health Programme (NMHP) under Tertiary Care Programs in FY 2022-23, the Central allocation was Rs. 5.28 crore while the State's share was Rs. 3.52 crore in the usual 60:40 split between the Centre and State. But an additional top-up in the West Bengal State government's share was made of Rs. 3.06 crores in FY 2022-23. This is in line with a focus towards mental health that puts West Bengal in exclusive company. If we were to look at the proportion of allocated funds under the NMHP that states actually end up spending, only five states of the country have had expenditure rate over 50% — West Bengal (79.29%), Andhra Pradesh (77.87%), Chhattisgarh (63.61%), Karnataka (62.1%) and Sikkim (52.99%). West Bengal has the highest utilization percentage of funds under the DMHP at 79.29%. For the period FY 2015-16 to FY 2020-21, under the District Mental Health Programme,

out of Rs 9.72 crores allocated, Rs. 7.71 crores was utilized. Hence, West Bengal stands out in its focus on mental health which the Twelfth Five Year Plan of the Government of India (2012–2017) had emphasized, viz. issues such as stigma attached to the mental illnesses and the protection of rights of mentally ill people in the society.

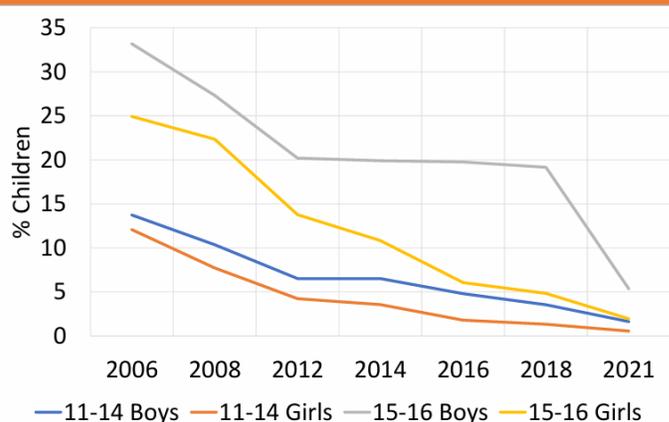
## 12.10 Efficiency of Welfare scheme expenditure

### a. Is free education improving literacy levels in the State?

Pratham, one of the largest NGO's in India's education sector today routinely releases the ASER report with survey data on education standards across the country. **Annual Status of Education Report (ASER)** is a nationwide household survey that captures the status of children's enrollment and learning outcomes in rural India every year. They provide a snapshot of West Bengal's declining literacy levels in both reading and arithmetic. Data from their reports on 'Trends Over Time 2006-2014' show that for a sample of over 9,000 households surveyed across 450+ villages in 17 districts in that period, enrollment has improved significantly. Between 2006-14, the percentage of children aged 6-14 not enrolled in school dropped from 7.8% to 3.2% (which is now below the all-India average). The split for boys and girls is also provided. The percentage of boys in that age group not enrolled in school fell from 8.1% to 3.9% and for girls, it fell from 7.4% to 2.4% in that same period. This also coincided with a significant decline in the percentage not enrolled in school across India from 6.6% in 2006 to 3.3% in 2014.

## Decline in proportion of children not enrolled in school

Chart 1: % Children not enrolled in school. By age group and sex. 2006-2021



The **proportion of children not enrolled in school has dropped** steadily since 2006. It fell for both boys and girls in all age groups between 2018 and 2021.

- The largest decrease in children out of school is among older children (age 15-16), especially boys.
- **In 2021, 5.4% of 15-16-year-old boys are out of school, compared to almost 20% in 2018.**

A follow-up study conducted in December 2021, in the midst of the COVID-19 pandemic showed that the percentage of children not enrolled in school fell across age groups. This secular decline has been seen since 2006, though a sharper decline happened during the pandemic. Many argue that this is linked to the Mid-Day Meal (MDM) scheme in government schools that has a positive effect on school attendance among children. This impact may have been stronger during the pandemic leading to greater enrollment in school between 2018 to 2021 for West Bengal.

ASER also looks at reading and arithmetic competency to judge literacy levels. Unfortunately, the increased enrollment in government schools over the past two decades has coincided with a secular decline in children's literacy levels. The causes for this are not entirely clear but the data provides a stark picture. ASER data shows that the proportion of children in Std. V who can read a Std. II level text fell from 65.1% in 2006 to 51.8% in 2014. In the follow-up report for West Bengal, the decline persisted falling to 48.0% in 2021. Once again, the secular decline in this case has been accelerated owing to the pandemic and its scarring effect on the education system.

## Drops in reading levels over time

**Table 4: Trends over time: Reading in Std I and II in govt schools. 2014, 2016, 2018 and 2021**

Year	% Children in Std I who can read at least letters (Govt schools)	% Children in Std II who can read at least words (Govt schools)
2014	72.4	54.8
2016	70.6	65.1
2018	73.2	66.2
2021	66.3	53.0

**Substantial drops are visible in reading ability in 2021 as compared to earlier years.**

% Children enrolled in Std I in govt schools who can read letters or more has decreased by 7 percentage points since 2018 and **is now below 2014 levels.**

Similar decline is visible in the proportion of Std II children who can read at least words.

**Table 5: Trends over time: Reading in Std III, V and VIII in govt schools. 2014, 2016, 2018 and 2021**

Year	% Children in govt schools who can read Std II level text (Govt schools)		
	Std III	Std V	Std VIII
2014	32.9	51.8	76.3
2016	34.0	50.2	72.3
2018	36.6	50.5	63.0
2021	27.7	48.0	68.3

**The proportion of children in Std III and V who can read a Std II level text has also declined.**

This is not the case for Std VIII, by which time children's reading ability is more firmly built.

This decline is seen across the many measures conducted. For instance, between 2018 and 2021, the percentage of Std. I and Std. II students in government schools who can read at least a few letters of text also declined from 73.2% to 66.3% and 66.2% to 53.0%, respectively.

It must be noted that this decline is not specific to West Bengal. In government schools across the country, reading levels have declined. West Bengal's performance is usually better than the all-India average by 5-10 percentage points, but this gap too has reduced over the years.

## Decline in arithmetic levels since 2018

**Table 7: Trends over time: Arithmetic in Std I and II in govt schools. 2014, 2016, 2018 and 2021**

Year	% Children who can recognise at least single-digit numbers (govt schools)	
	Std I	Std II
2014	74.0	84.7
2016	73.5	91.0
2018	77.8	92.6
2021	68.5	86.4

**Drops are visible in arithmetic as well.**

In **Std I**, there has been almost a **10 %age point drop** since 2018 in the proportion of children who can recognise single-digit numbers. This figure is currently below the 2014 level

Year	40		
	% Children who can do subtraction (govt schools)	% Children in who can do division (govt schools)	
	Std III	Std V	Std VIII
2014	33.0	31.3	40.4
2016	35.5	28.6	32.5
2018	35.5	29.2	28.9
2021	27.3	25.9	36.8

A drop in arithmetic ability is also visible among older children. For example, the proportion of children in **Std III who can do subtraction fell by 8.2 %age points between 2018 and 2021.**

Arithmetic tests point to a secular fall in numerical literacy. The ASER tests indicate that the percentage of Std. V children in government schools who can do divide numbers has fallen from 61.4% in 2006 (all-India average: 41.0%) to 31.3% in 2014 (all-India average: 20.7%), later falling farther below to 27.3% in 2021 during the pandemic. As can be seen, the secular decline in numerical literacy also shows up in national data but the gap between West Bengal and the rest is fast declining.

Hence, looking at the data presented, it is tough to remain hopeful about the performance of literacy rates over the past two decades. Despite an enrollment increase, which could be orthogonal to actual learning outcomes, literacy rates have exhibited a secular decline. The free education has not done a much for literacy in West Bengal, though the declining literacy rates have been a feature across the country.

**b. Has female participation in workforce increased owing to initiatives like Kanyashree or Lakshmi Bhandar etc.?**

### Lakshmi Bhandar : Survey Evidence

A study by Pratichi trust, comprising 75 case studies, was conducted across various districts of West Bengal, India, through extensive fieldwork. Respondents were

identified during an ongoing quantitative survey or with assistance from local actors and organizations. After an initial interaction with over 200 women from 21 districts to understand their occupations, usage of the Lakshmir Bhandar allowance, socio-economic backgrounds, and regional contexts, 189 in-depth interviews were carried out using a life-history approach. The aim was to document both routine and innovative applications of the Lakshmir Bhandar scheme.

Among the women interviewed, there was a prevailing opinion that remunerative employment is essential and that women benefit from engaging in work outside the home. Such employment not only provides financial independence but also broadens their awareness of life beyond domestic responsibilities. However, some women expressed the view that, in the absence of financial necessity, women should not pursue outside work, particularly if their household needs are already met.

The Lakshmir Bhandar allowance has supported several women who were willing to work but lacked initial opportunities. Many used the funds to save, rent workspaces, or purchase equipment, thereby taking steps toward financial independence. However, there is a common sentiment among respondents that while schemes like Lakshmir Bhandar are helpful, they are insufficient to meet long-term needs. Many believe that government-provided employment would offer greater financial stability and security compared to allowances, as employment generates sustained income and reduces vulnerability to the discontinuation of welfare programs.

- A frequent complaint the recipients make is that, like education, women should have the proper scope of employment as well – “*Sab ka khud ka rozgar hota to, zada bhi ho sakta tha. Tab hum jaise chahe, jitna chahe kharcha kar sakte hai.*” [If we all had work, we would have earned much more than this (Lakshmir Bhandar). Then we would be able to spend the money the way we wanted to.]
- Another woman said “*keti haru le padnu ani kaam garnu dherai jaruri chha kina vanay afnu kaam chha vanay kosai ko agari haath failaunu parena, afnu ichha anusar kharchha garnu sakchha*” [education and employment are very important, because if she has a job, she will not have to request for money from others and can spend her money the way she wants to]. Its

- In families where the main earning member of the family has passed away, the women say that in place of such schemes, if women are given employment opportunity then it would be better.
- Talking about scope of employment one referred to her worry about the career of her nephews “*Abhi to un dono ka padhai khatam ho jayga, phir kaam nehi milega to kaise chalega? Kaam ka mauka badana hai. Shaadi bhi to karna hai.*” [They (her nephews) are about to complete their academic life. Now, if they do not get jobs, how will things work? Job opportunities needs to be increased. They have to get married as well.]
- One quipped “*Ke na chay chakri korte – amar meyeo chay, amra chai o chakri koruk. Aajkaal chakri ki gaachher kola? Je chailei pabe?*” (Who does not want a job? My daughter wants it too, we also want her do a job. But nowadays jobs are not as easy as plucking bananas off the tree)
- Another woman feels that along with Lakshmir Bhandar, “Sarkar theke chakribakri bybostha korle upokar hoy. Proti bochor TET, SSC, SLST korle subidha hoy” [It will be helpful if the government arranges for employment, and if TET, SSC and SLST are conducted every year”.]

Field-level discussions have underscored the importance of complementing various schemes to maximize their impact. Recipients of the Lakshmir Bhandar scheme have consistently emphasized the need for greater employment opportunities and improved infrastructure, including sanitation, education, and healthcare. They believe that these measures, alongside direct cash transfer policies for women, are essential to safeguarding their right to life and livelihood.

### **Kanyashree Prakalpa: Impact Evaluation**

The Government of West Bengal launched the Kanyashree Prakalpa in 2013. It is a conditional cash transfer scheme which incentivizes schooling of the girl child and deferral of the age of marriage.

West Bengal has experienced some of the highest proportions of underage marriages. Survey data from the National Family Health Survey (NFHS) shows that child marriage and early motherhood in West Bengal are the highest among all Indian states (Gausman et al. 2023). Despite this challenge, West Bengal performs better than the national average in development indicators when it comes to sex

ratio and female literacy, as per NFHS-5.

Launched in 2013, the Kanyashree Prakalpa scheme aims to improve the outcomes of the girl child in economically disadvantaged families. The two-tier scheme operates as follows. The first part is Rs. 1,000 annual scholarships for every year of education of an unmarried girl between the age of 13 to 18. The second piece involves a lump-sum payment of Rs. 25,000 given to a girl upon the attainment of 18-years of age, provided that she is unmarried and pursuing some form of education. These two grant components stand at about 3.75% and 18.8% of West Bengal's per capita GDP for FY 2021-22, respectively.

The key feature of this scheme when compared to other similar conditional cash transfers across the country is that instead of only requiring being unmarried at the age of 18 years, the program also mandates that the girl be enrolled in some form of education. This internalizes the role of education in delaying early marriages.

The financial empowerment of the girl child starts at a young age as part of this scheme. The key feature in this regard is that the Kanyashree Prakalpa requires the opening of a zero-balance savings account in the name of the girl child. This prompts financial inclusion from a very young age with the nominee of the bank account allowed to only be a woman – wither the child's mother or another female guardian. The program has UNICEF as its technical partner which supports commination and capacity-building and program monitoring of the scheme.

Recent evidence shows that the Kanyashree Prakalpa scheme had a positive impact on mobility of the woman, ie. whether a woman is allowed to go outside alone (Banerjee and Sen, 2024). Research shows that women who received benefits from the scheme were more likely to travel alone to a health facility, market or outside community. There are also significant positive effects regarding domestic violence. Scheme beneficiaries were less likely to justify beating at the hands of their partners. This holds true across a variety of reasons given to respondents of the survey, viz. going out without telling, arguing with the husband, disrespecting in-laws and neglect of children. Across the board, women who were recipients of the Kanyashree Prakalpa scheme were far less likely to justify the incidence of beating from the husband. This shows successful inroads made in the domain of female empowerment besides disincentivizing of underage marriages. It is hypothesized that these are outcomes associated with an increase in the years of schooling, in addition to the funds providing financial empowerment to the scheme beneficiaries

Hence, the Kanyashree Prakalpa scheme targets both issues of female empowerment through disincentivizing underage marriage and financial empowerment through bank account access for the girl child. Unlike other conditional cash transfers, there is no physical movement of forms with no checks manually. This saves significant time for the beneficiaries which warrants very few leakages in the system.

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# **CHAPTER XIII**

## **DEBT SUSTAINABILITY ANALYSIS**

**Chapter XIII****Debt Sustainability Analysis**

Apart from the magnitude of debt of the State Government, it is important to analyze various indicators that determine the debt sustainability of the State. This section assesses the sustainability of debt of the State Government in terms of total debt available, burden of interest payments on public debt (measured by the ratio of interest payments on public debt to revenue receipts) and prevailing nominal interest and growth rates. [Table 13.a](#) and [12.b](#) analyses the debt sustainability of the State according to these indicators during the period between FY 2011-12 and FY 2023-24.

**13.1 Key indicators****Table 13a: Outstanding Debt and ratio to GSDP**

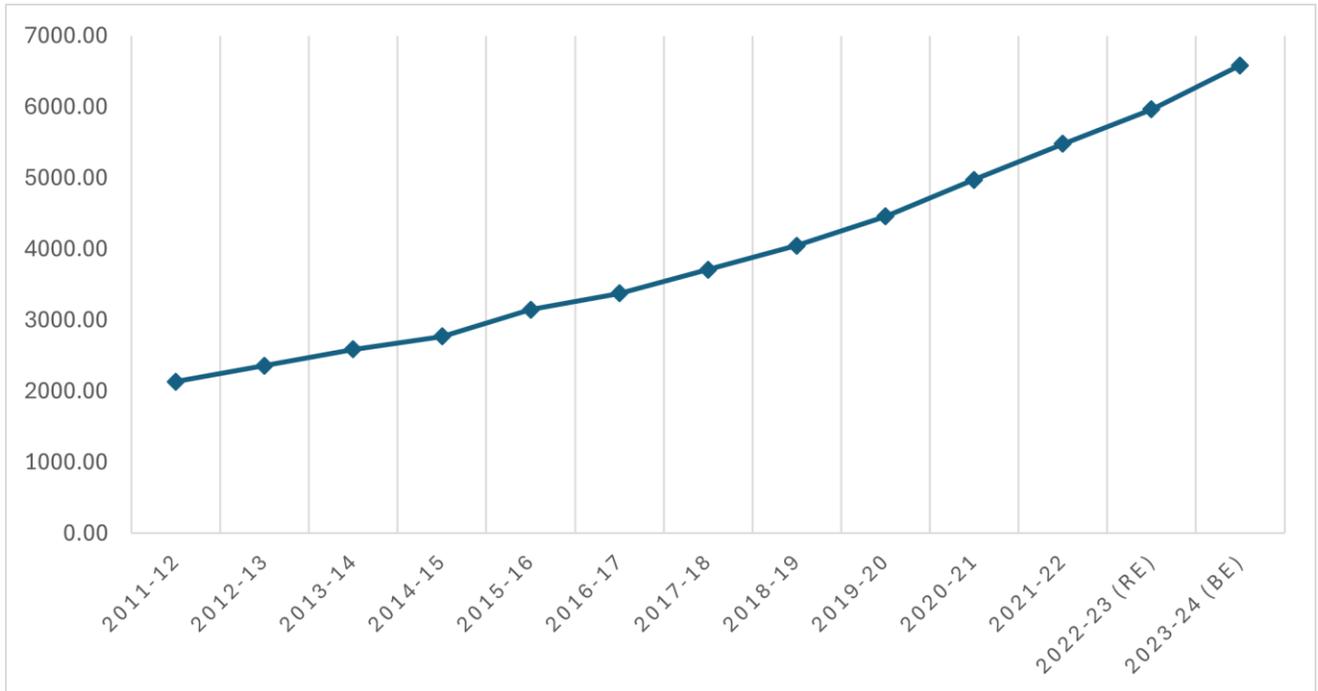
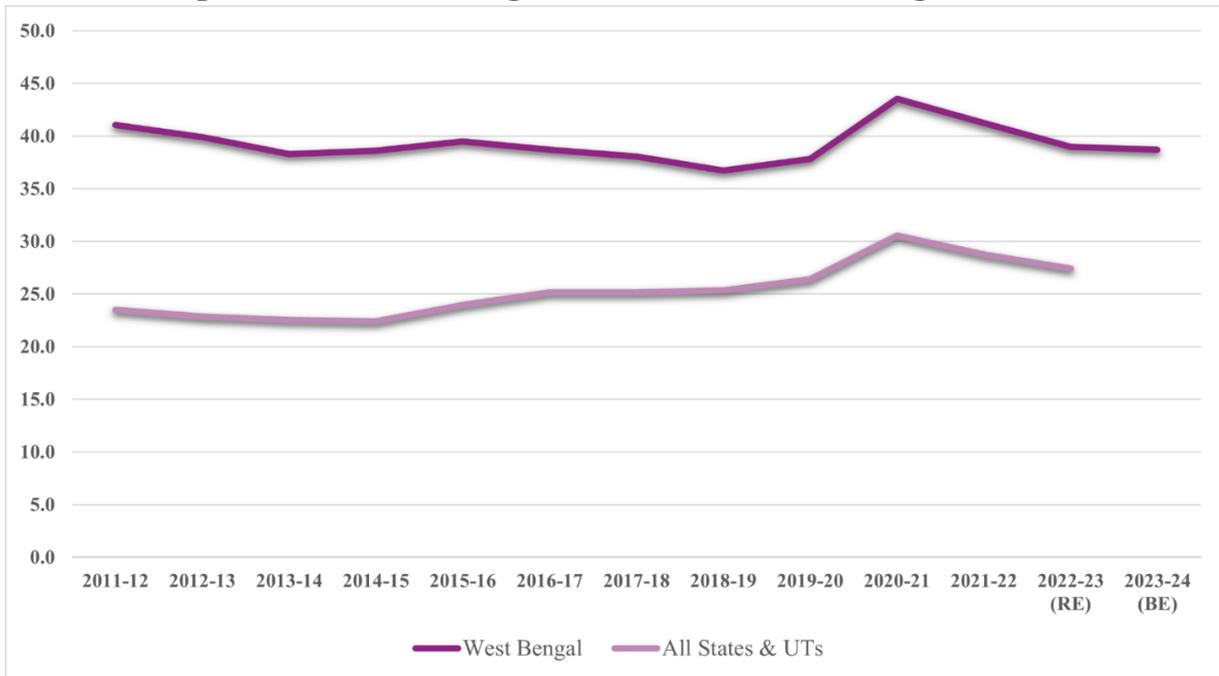
Year	Outstanding Debt(BI)		Outstanding Debt to GSDP Ratio %	
	West Bengal	All States & UTs	West Bengal	All States & UTs
2011-12	2136.20	20289.66	41.0	23.5
2012-13	2361.10	22446.60	39.9	22.8
2013-14	2590.10	25104.27	38.3	22.5
2014-15	2773.20	27432.71	38.6	22.4
2015-16	3147.40	32592.30	39.5	24.0
2016-17	3376.10	38585.59	38.7	25.2
2017-18	3710.70	42924.95	38.1	25.2
2018-19	4047.40	47867.70	36.7	25.3
2019-20	4457.90	53507.16	37.8	26.4
2020-21	4972.70	61550.00	43.6	30.6
2021-22	5482.36	68761.79	41.2	28.8
2022-23 (RE)	5967.25	74961.27	39.0	27.4
2023-24 (BE)	6584.26	83319.53	38.7	

\*Source: Handbook of Statistics on Indian States 2023-24, RBI

**Table 13b: Difference in Growth Rates of IP an OR**

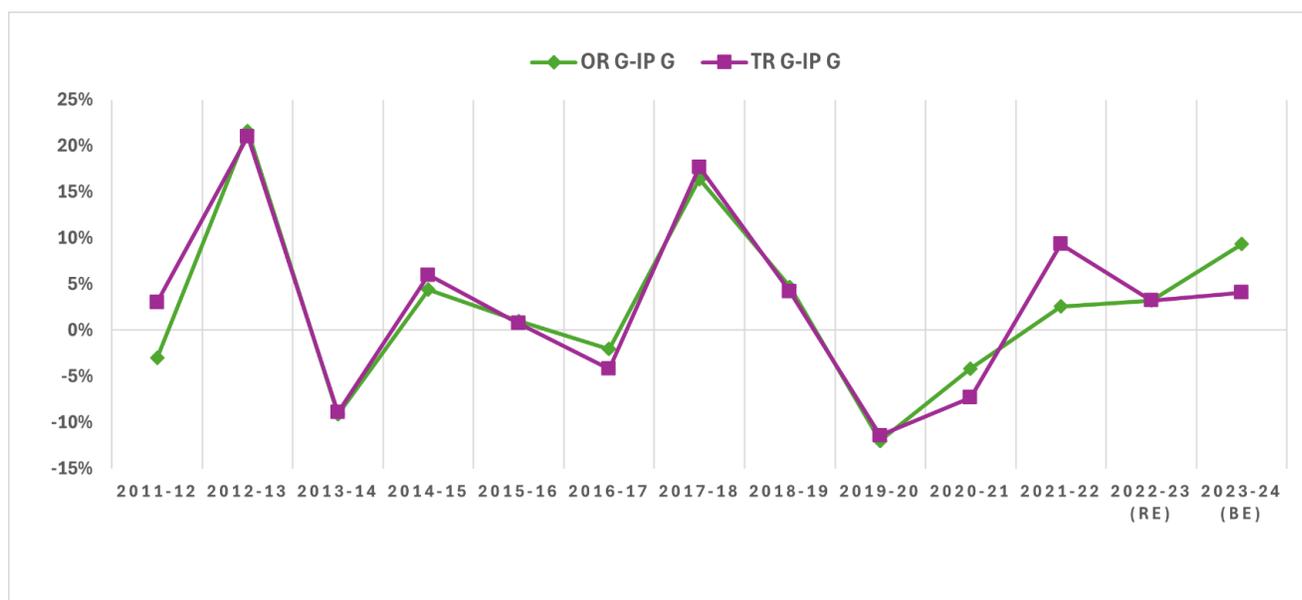
Year	Interest Payment (BI)	Own Revenue (BI)	Growth in IP	Growth in OR	OR G- IP G	TR G- IP G
2011-12	158.96	262.78	15%	12%	-3%	3%
2012-13	175.71	347.26	11%	32%	22%	21%
2013-14	207.57	378.54	18%	9%	-9%	-9%
2014-15	215.88	410.39	4%	8%	4%	6%
2015-16	231.15	443.54	7%	8%	1%	1%
2016-17	257.03	484.16	11%	9%	-2%	-4%
2017-18	280.74	608.18	9%	26%	16%	18%
2018-19	289.11	654.89	3%	8%	5%	4%
2019-20	316.68	638.82	10%	-2%	-12%	-11%
2020-21	337.82	654.85	7%	3%	-4%	-7%
2021-22	366.72	727.72	9%	11%	3%	9%
2022-23 (RE)	398.34	813.82	9%	12%	3%	3%
2023-24 (BE)	427.63	949.73	7%	17%	9%	4%

\*Source: Handbook of Statistics on Indian States 2023-24, RBI

**Graph 13a: Outstanding Liabilities of West Bengal (Rs Billions)****Graph 13b: Outstanding Liabilities as a Percentage of GSDP**

As we can see from [Table 13.a](#) and [Graph 13.a](#) that the absolute values of outstanding liabilities have increased steadily in West Bengal at a compound annual growth rate of 9.83% in the period between FY 2011-12 and FY 2023-24. It grew from Rs 2136.2 billion in FY 2011-12 to Rs 6584.26 billion in FY 2023-24 (BE). Simultaneously, the outstanding liabilities of general category states grew at CAGR of 12.49% during the same period, outpacing the debt growth of West Bengal. However, outstanding liabilities as a ratio of GSDP has shown a progressive decline between FY 2011-12 and FY 2023-24. It fell from 41.0% in FY 2011-12 to 36.7% in FY 2018-19. Unfortunately, the pandemic hit the economy hard in FY 2019-20, forcing the government to provide much needed stimulus with even lower tax revenues. This has led the State government to further borrowing, as can be seen in the spike around FY 2019-20 onwards, in [Graph 13b](#). It must be noted that the post-pandemic trend across the country has been a coordinated reduction in the ratio of outstanding liabilities to GSDP ratio. During our period of reference, the ratio of outstanding liabilities to GSDP in the other states of India has outpaced that of West Bengal, settling at 27.4% of GSDP on average.

**Graph 13.c: Trend in growth rate of TR and OR versus IP of West Bengal**



The [Graph 13.c](#) portrays picture interest payments on the debt of West

Bengal. We see a zigzag movement in the trend of difference between growth rate of own revenue receipts and interest payment throughout the period of reference. However, from FY 2014-15 to FY 2019-20, there has been a secular decline in the gap and it turned negative in FY 2016-17. This picture worsened with the arrival of the Covid pandemic. We see in Graph 13c, the pandemic in FY 2019-20 coupled significant borrowings on top of a slowdown in growth leading to double digit negative growth rate differences increasing debt repayment burden. The gap between Own Revenue growth and Interest Payments growth reached -12% in the year. The same pattern held for the gap between Tax Revenue growth and Interest payments growth as it too reached -11%, the lowest point in a decade. However, the post-Covid recovery has been strong as the gap seems to turn positive from FY 2021-22 onwards. This is both due to the continued fiscal consolidation and debt management coupled with proper management of the rate structure in the economy by the RBI.

**Table 13.c: Growth Rates of GSDP and Outstanding Debt of West Bengal**

Year	GSDP Growth Rate	Outstanding Liabilities Growth Rate	GSDP G-OL G
2012-13	13.64%	10.53%	3.11%
2013-14	14.44%	9.70%	4.74%
2014-15	6.09%	7.07%	-0.98%
2015-16	11.03%	13.49%	-2.46%
2016-17	9.44%	7.27%	2.17%
2017-18	11.71%	9.91%	1.80%
2018-19	13.07%	9.07%	3.99%
2019-20	6.99%	10.14%	-3.15%
2020-21	-3.17%	11.55%	-14.71%
2021-22	16.42%	10.25%	6.17%
2022-23 (RE)	15.24%	8.84%	6.39%
2023-24 (BE)	11.04%	10.34%	0.70%

\*Source: Handbook of Statistics on Indian States 2023-24, RBI

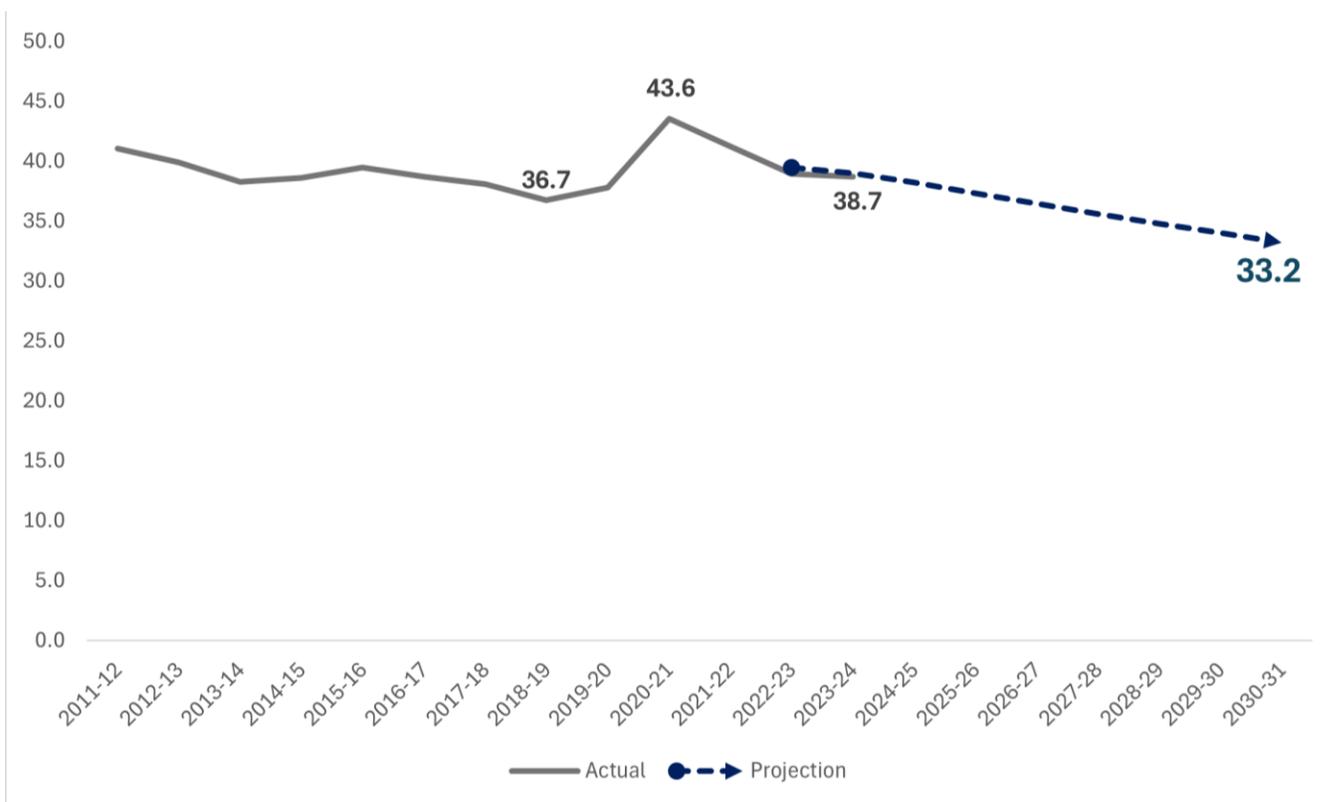
**Graph 13.d: Trend of GSDP growth vs. Debt growth of West Bengal**



Table 13.c and Graph 13.d show how the growth rates of GSDP have outpaced that of outstanding liabilities in the post-pandemic years. This is in line with the theme of recovery mentioned above. We see promising changes compared to the pandemic time lows of -14.71% in FY 2019-20. It is quite evident from the trend that the gap between growth rate of GSDP and Outstanding liabilities has remained positive for almost entire period of analysis except FY 2014-16. However, this gap improved in FY 2016-17 and continued until FY 2018-19 before the pandemic struck. Going forward, adequate budgetary management in line with monetary policy at the national level holds promise for the evolution of the State's debt situation. We now look at an analysis involving both nominal growth rates and nominal interest rates that West Bengal faces on the State Development Loans (SDL) market.

## 13.2 Debt Sustainability Exercise

**Graph 13.e: Debt Sustainability Analysis for West Bengal (FY 2023-2031)**



We conduct a Debt Sustainability Analysis (DSA) for West Bengal using the existing values of debt-to-GSDP, assumed nominal interest and GSDP growth rates, and charting the path forward that the quantum of debts is expected to take going forward.

We use a simple debt dynamics equation as given below.

$$\Delta b_t = \frac{b_{t-1}(r_t - g_t)}{1 + g_t} + pd_t$$

We justify our assumptions in detail. GSDP and Total liabilities used are actual data from FY 2021-22. We have avoided using Budget or Revised Estimates as our initial conditions. We have assumed a steadily improving Primary Deficit, following the trend of the last three fiscal years. The floor or minimum of the expected path of Primary Deficit to GSDP is taken to be 0.3% of GSDP which is the average PD/GSDP ratio in our reference period since FY 2011-12. The coupon rate on SDLs for West Bengal has been taken from CCIL data, which was 7.48% for WB SGS 2023. The Nominal GSDP growth rate has been high coming out of the pandemic owing to the recovery. Following this period we have assumed 11.0% nominal GSDP growth rate from FY 2023-24 onwards.

Using a typical debt dynamics equation, we find West Bengal's debt to GSDP ratio to have a steady decline from 38.7% of GSDP in FY 2022-23 to 33.2% of GSDP in FY 2030-31. It must be noted that this 6.5% percentage point drop in debt-to-GSDP by FY 2030-31, is only a lower bound as the primary deficit path has been assumed to have a minimum which is the average of the actual data over the past decade. Better fiscal consolidation is expected to lower the primary deficit to GSDP ratio even further and have a stronger effect in reducing West Bengal's outstanding liabilities to GSDP burden. Suggestions for improving the financial performance shall also be given under a separate chapter of Recommendations.

# **CHAPTER XIV**

## **RECOMMENDATIONS**

## Chapter XIV

## Recommendations

West Bengal has experienced a continuous decline in its relative economic performance over several decades. We look at several possible recommendations to improve its fiscal situation.

### 14.1 Ease of doing business

According to RBI's State Finances: A Study of Budgets 2023-24, West Bengal stands second-highest among all states in share of Central Transfers in Revenue Receipts. Among the major States, the level of revenue deficit in six States (Haryana, Kerala, Punjab, Rajasthan, Tamil Nadu and West Bengal) recorded a level much higher than the all-State average during the pandemic period. This is why improving the State's revenue generation should be the first priority.

West Bengal's lack of adequate revenue collection stems from the low growth state of the economy. This is keeping in mind the low growth of the organized sector (including, manufacturing) and the expanding unorganized sector. This highly informalized economy means that taxable sectors are few. Hence, West Bengal must improve its ease of doing business to allow for greater boost to taxable economic activities.

Taking advantage of the growing informalization of the economy, levying small fees in the domain of license fee, registration fee, user charges on informal businesses also makes compliance simple and boosts revenues.

State government may encourage private universities (both technical and non-technical) to setup their units by providing unused (cheap) land in and around Kolkata and other prominent towns. Certainly, the success of these universities partly depends on the employment opportunities that they provide to their students, but if prominent private investors show interest in setting up their educational units, it can be beneficial for the government.

A private-public partnership (PPP) is highly recommended in health sector too, especially in big towns in Bengal. Government's role has to be in providing infrastructure building including providing land in prominent places while the management part may be left to the private agencies.

## 14.2 Excise and Stamp duties

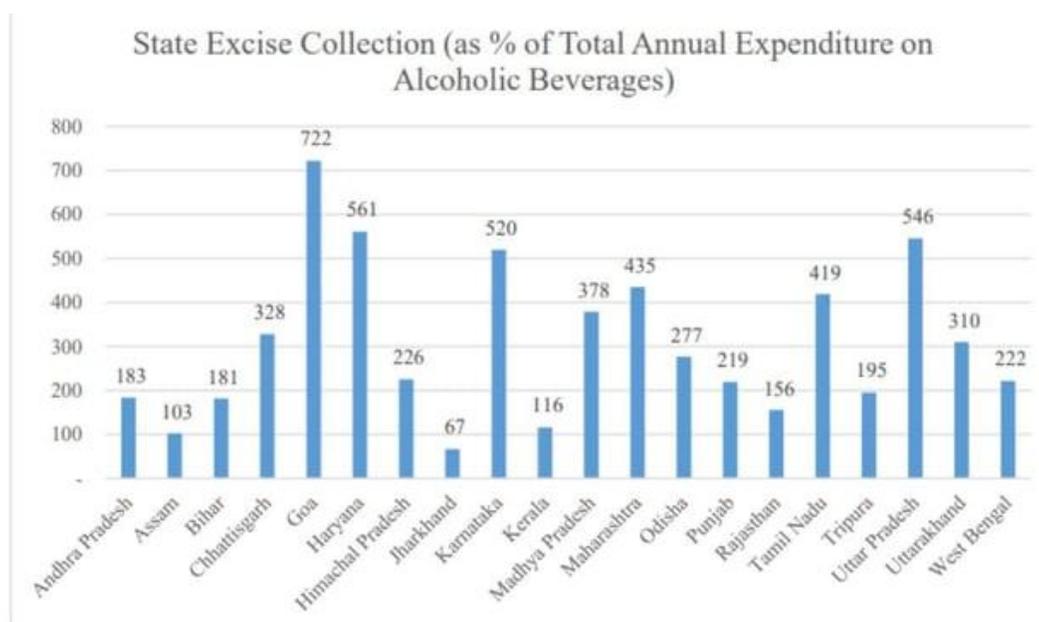
Besides enhancing economic activity in the State, the Government of West Bengal should also make sure that the current economic activities are not escaping taxation through compliance failure or loopholes. Rationalizing stamp duty and registration fees in West Bengal would likely lead to reduction in under declaration and higher compliance, hence, higher receipts in the revenue account.

The 4<sup>th</sup> SFC endorses the recommendations of the earlier Central Finance Commissions for setting up an Independent property valuation board. This would lead to greater property tax receipts while avoiding potential losses due to undervaluation of property.

Since there is an increase in traffic congestion even in small towns due to increase in personal vehicles (motor cycles and private cars), the local government should seriously consider imposing parking fees if not already imposed or higher parking fees if it is already there. In most of the small towns/cities there is no serious parking fees in most of the areas. Apart from improving environmental quality and efficient use of public space, this may generate good amount resource to the private municipalities.

Greater taxes on alcohol are also likely to boost revenues in the State government's coffers. Taking advantage of the inelastic demand, West Bengal does have room to do better on this excise option. Findings from a study titled 'Revenue Mobilisation from Taxes on Alcoholic Beverages' by the NIPFP showed that West Bengal's State Excise Collection as percentage of total annual expenditure on alcoholic beverages is right in the middle of the pack, among the bottom eight GCS states.

**Graph 14.a: Excise Collection as ratio of total taxable base of alcohol consumption**



Source: Computed from Monthly per capita value of consumption (NSS Report No. 558: Household Consumption of Various Goods and Services in India, 2011-12, Table 2R&2U)

Also for states like West Bengal (as well as Assam and Maharashtra), the average share of sales tax in combined tax collections stood at 35-36%. This is far lower than Karnataka and Tamil Nadu, for whom more than 78% of aggregate tax collection comes from either sales tax or additional excise duty. Though it is tougher for a state like West Bengal that ranks near the bottom among states when compared by average monthly per capita consumption expenditure on alcoholic beverages. The upside is that such a tax would not be regressive as it is among the states that has higher alcohol spends across urban areas than rural.

More than seventeen states of India have discontinued State lotteries owing to higher social costs. Considering the insignificant revenue generated in West Bengal from State Lotteries and deficiencies in organisation of State Lotteries stated above, the

Government may consider discontinuance of West Bengal State Lotteries in its current form.

Expanding municipal services and rationalizing the collection of user and service charges is a desirable avenue of revenue collection. The 4<sup>th</sup> SFC Report suggests unrealized tax/service charge and undervaluation of property as areas of improvement among existing taxes.

Revenue generation can be increased from economic and social services, such as increase in fees in higher education institutions where possible given the burgeoning demand for education.

Rationalization of development expenditure in order to increase their effectiveness is the need of the hour.

### 14.3 SPSEs and Power PSUs

Given the off-budget borrowings discussed earlier in Chapter 5, The Fifteenth Finance Commission recommended that all committed expenditure and developmental expenditure are met from the augmented borrowing space without resort to off-budget or any non-transparent means of financing for any expenditure.

The combined losses of DISCOMs in the five most indebted states, viz., Bihar, Kerala, Punjab, Rajasthan and West Bengal, constituted 24.7 per cent of the total DISCOMs losses in 2019-20, while their combined long-term debt was 22.9 per cent of the total DISCOM debt in 2019-20. Hence, reigning in power sector losses should be a huge priority. The 15<sup>th</sup> Finance Commission allowed extra annual borrowing worth 0.5% of GSDP to states during first four years (2021-25) upon undertaking power sector reforms including: (i) reduction in operational losses, (ii) reduction in revenue gap, (iii) reduction in payment of cash subsidy by adopting direct benefit transfer, and (iv) reduction in tariff subsidy as a percentage of revenue.

Further transparency regarding West Bengal's off-budget borrowings is required. The last estimates available are for FY 2020-21. No disclosure on off-budget borrowings has been made in the Budget documents of FY 2023-24. It is imperative that efforts to improve the fiscal transparency regarding off-budget borrowings is

made. Creating institutional mechanisms for regular monitoring of off-budget borrowings, in line with the 15<sup>th</sup> FC's recommendations, would reduce fiscal risk and provide greater stability to fiscal operations.

The State Government in tandem with SPSEs should reconcile differences in investment figures (equity and long term loans) between State Finance Accounts and the SPSEs financial accounts.

The Finance Department should establish a system to expedite the compilation and submission of annual accounts by statutory and government companies (including state PSEs) in order to prevent delays in financial assessments.

SPSEs administrations should be cognizant of the delays and backlog in accounts and should make efforts towards timely release of financial information.

Action Taken Report on many fronts are yet to be issued by the State government. Lack of responsiveness delays procedure and analysis of problems towards improving the state's fiscal and economic outcomes.

Some of the districts in Bengal are dry and in many months of the year, they experience water crisis. To have enough water, deep hole drilling through boring machine is common. This depletes the water level; however, since water is an essential good, it is needed during the super dry months, especially before monsoon. Government should pay special attention to encourage the public to use the publicly provided water distribution system instead of relying on private means, so that water is not misused. Government should collect fees depending the usage from those who have personal source of water through boring (deep hole) arrangement at home or business facilities.

## 14.4 Fiscal Discipline

Greater emphasis should be put on other fiscal indicators besides fiscal deficits, which for West Bengal has managed to remain within FRL limits. The parameters that require close watch are Revenue Deficits to GSDP, Committed expenditure to Revenue Receipts, Capital expenditure to Total Expenditure, Interest Payments to Revenue Receipts, many of which we have covered here in our report. This

sentiment is also echoed by the CAG's State Finances Audit Report for the year ended March 2021.

Regarding budgetary management, targets made should be more realistic and mechanisms to curtail excess expenditure.

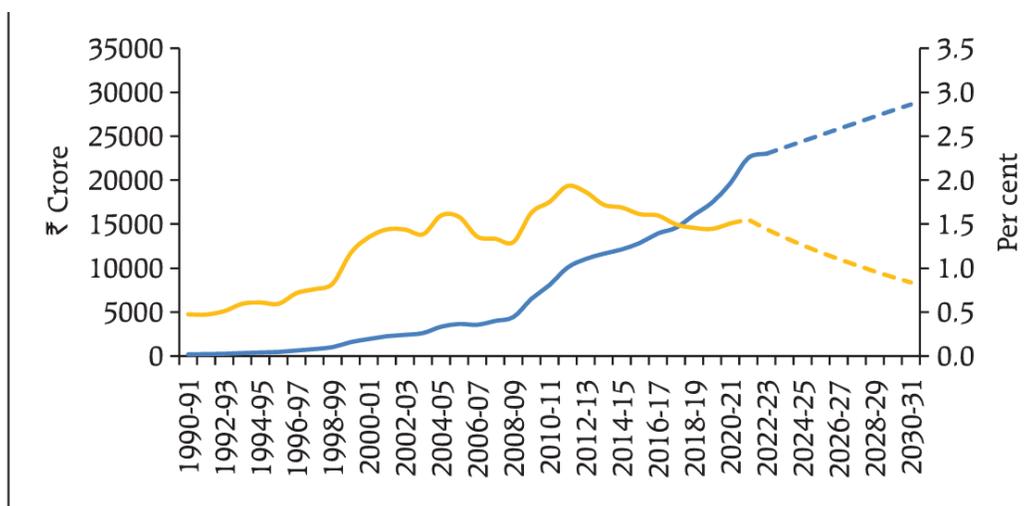
In order to incentivize improving revenue deficits, the Union Government may float interest-free loans to the States which are linked to reductions in revenue deficits. This will help states like West Bengal avoid redirecting capital spending toward revenue expenditure. It will also reduce the borrowing of resources to finance further revenue expenditure.

Similar to the 15<sup>th</sup> FC's recommendations toward reforms in the Power Sector, a forward-looking performance incentive grant would go a long way towards revenue deficit reduction.

The borrowing limit recommended by various Finance Commissions is subject to the GSDP forecasts for their respective period of coverage. For example, during the 13<sup>th</sup> FC's tenure, actual GSDP exceeded forecasts resulting in fiscal deficits remaining within limits. A more conservative approach in making GSDP targets going forward would be encouraging towards future achievements. Notwithstanding comfortable growth targets, this must not take away from the emphasis on revenue growth and development enhancing industrial policy.

## 14.5 Pensions and Schemes

Many states (excluding West Bengal) had switched to the New Pension Scheme (NPS) after realising that the old system was unsustainable in the long run. As of 2022, West Bengal has not adopted the New Pension Scheme. The recent reversal of positions on the old pension scheme by Rajasthan and Chhattisgarh, however, has reignited the debate about the pros and cons of the old pension scheme versus the NPS, with a few more states reportedly contemplating taking similar steps. The figure below shows West Bengal's projected pension payouts. For West Bengal, the pension outgo projection till 2023-24 is taken from MTFPS (for West Bengal, MTFPS provides the pension outgo projections till 2023-24).

**Graph 14.b: RBI Projections for West Bengal's Pension Outgo**

Source: RBI Report (2022) State Finances : A Risk Analysis

Note: Pension Outlay in Blue, Pension Outlay to GSDP in Yellow, Dotted lines indicate projections

Total Expenditure of the government in West Bengal is not high. But capital expenditure as a percentage of total expenditure is quite low. Low revenue leads to low expenditure, and because committed revenue expenditure (salaries, pensions etc. are high, capital expenditure is low, this implies low asset accumulation and thwarted development. Hence, improving income growth prospects is the best way toward improved revenue generation. This is also the sentiment echoed by recipients of the 'Lakshmir Bhandar' scheme who are not happy with handouts but want greater employment generation and opportunities. The State Government should take advantage of this increased desire to work (as well as willingness to pay taxes, if employed) among women and provide the adequate employment avenues.

The government must focus on stemming the tide of welfare schemes taking expenditure away from priority sectors for investment such as education, health, water supply, sanitation and employment generation.

Government may also create cultural hubs in villages and smaller towns. While the government can provide infrastructure, rest of the things may be given to private local bodies. This will not only promote local culture, it can also be a source of income for the local government.

Reliable assumptions of the needs of various departments and their capacity to utilize the funds should be given attention when formulating the budget. Such excess expenditure over and above the grants approved by the Legislature should be regularized and taken seriously.

Better communication between the ministries would allow for more accurate targets for allocation of funds and will avoid overshooting. In respect of grants released to different departments, the State Government may ensure timely submission of utilization certificates.

Institutional mechanisms should be created to monitor and regulate large savings within grants controlled and also to identify and surrender anticipated savings within appropriate time frames.

Existing trends on collection of Non-Tax revenue shows that no tier of the RLBs are serious about collecting user charges, rates and fees which they are supposed to collect under the statute. They are not even energetic to explore untapped revenues. The 4<sup>th</sup> SFC suggested that instead of a blanket prescription from the State, authorities may be set up at district level to approve the rates proposed by a particular tier depending on their ground reality.

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# **APPENDIX**

<b>Appendix I</b>	<b>Abbreviations</b>
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AT&C Aggregate Technical and Commercial  
 BE Budget Estimates  
 CAG Comptroller and Auditor General of India  
 CAGR Compound Annual Growth Rate  
 CBEC Central Board of Excise and Customs  
 CGST Central Goods and Services Tax  
 CII Confederation of Indian Industries  
 DAs: Development Authorities  
 DE Development Expenditure  
 DFC District Planning Committee  
 DFID Department for International Development  
 DISCOMs Distribution Companies  
 DLB Directorate of Local Bodies  
 DPE Department of Public Enterprises  
 EE Education Expenditure  
 FC Finance Commission  
 FIs Financial Institutions  
 FRBM Fiscal Responsibility and Budget Management  
 FY Financial Year  
 GCS General Category States  
 GER Gross Enrolment Ratio  
 GIS Geographic Information System  
 GoI Government of India  
 GoWB Government of West Bengal  
 GP Gram Panchayat  
 GPFT Gram Panchayat Facilitating Team  
 GPMS Gram Panchayat Management System  
 GRF Guarantee Redemption Fund  
 GRIPS Government Receipts Portal System  
 GSDP Gross State Domestic Product  
 GST Goods and Services Tax  
 GUS Gram Unnayan Samiti  
 HE Health Expenditure

IFMS Integrated Financial Management System  
IGST Integrated Goods and Services Tax  
ILUGS Institute for Local Governance and Urban Studies  
IMR Infant Mortality Rate  
IT Information Technology  
LIC Life Insurance Corporation  
MC Municipal Corporation  
MED Municipal Engineering Board  
MMR Maternal Mortality Rate  
MosPI Ministry of Statistics and Program Implementation  
MRP Minimum Retail Price  
MTFP Medium Term Fiscal Plan  
NABARD National Bank for Agriculture and Rural Development  
NDE Non-Development Expenditure  
NFHS National Family Health Survey  
NPRE Non-Plan Revenue Expenditure  
OL Outstanding Liabilities  
ONTR Own Non Tax Revenue  
O & M Operation & Maintenance  
OTR Own Tax Revenue  
PD Public Debt  
PPP Public Private Partnership  
PRIs Panchayat Raj Institutions  
PS Panchayat Samitis  
PSUs Public Sector Undertakings  
PSEs Public Sector Enterprises  
RBI Reserve Bank of India  
RE Revenue Expenditure  
RPL Repayment of Central Loan  
RR Total Revenue Receipts  
SFC State Finance Commission  
SGST State Goods and Services Tax  
SRD Strengthening Rural Decentralisation Estimates  
SSE Social Sector Expenditure  
SSPF Small Saving and Provident Funds  
NSSF National Small Saving Funds  
ToR Terms of Reference  
T&D Transmission and Distribution

TD Total Disbursements

TS Total Subsidies

ULBs Urban Local Bodies

VAT Value Added Tax

WBGEDCL West Bengal Green Energy Development Corporation Limited

WBSEDCL West Bengal Electricity Distribution Corporation Limited

WBVB West Bengal Valuation Board

WMA Ways and Means Advances

ZP Zilla Prishad