

EXECUTIVE SUMMARY

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Background

Maharashtra is the second largest State in India, in terms of population (11.24 crore as per 2011 census) and has 3.08 lakh sq. km. of geographical area. The State has shown lower economic growth in the past decade, as the compounded annual growth rate of its Gross State Domestic Product for the period 2006-07 to 2015-16 has been 14.5 *per cent* as against 15.8 *per cent* in the General Category States of the country. During the above mentioned period, its population grew by 13.03 *per cent* as against 12.24 *per cent* in General Category States. The population below the poverty line in Maharashtra (20 *per cent*) was lower than the all India average of 29.5 *per cent*. The State's per capita income compounded annual growth rate in the current decade was lower at 12.9 *per cent* when compared with General Category States' growth rate of 14.3 *per cent*.

This Report on the Finances of the Government of Maharashtra is being brought out with a view to objectively assess the financial performance of the State during 2015-16 and to provide the State Government and State Legislature with timely inputs, based on audit analysis of the financial data. In order to give a perspective to the analysis, an effort has been made to compare the achievements with the targets envisaged by the State Government Fiscal Responsibilities and Budgetary Management Act, 2005 and the Budget Estimates of 2015-16.

The Report

Based on the audited accounts of the Government of Maharashtra for the year ended March 2016, this Report provides an analytical review of the Annual Accounts of the Government. The Report is structured in three Chapters.

Chapter I is based on the audit of Finance Accounts and makes an assessment of the State's fiscal position as on 31 March 2016. It provides an insight into trends of committed expenditure and the borrowings made.

Chapter II is based on audit of Appropriation Accounts and gives a grant-wise description of Appropriations voted for by the Legislature and the extent to which the allocated resources were managed by the service delivery Departments of the Government.

Chapter III gives a selected insight into the State Government's compliance to various reporting requirements and Financial Rules. The Report also compiles the data collated from various Government Departments/ Organisations in support of the audit findings.

Audit findings and recommendations

Chapter I

Finances of the State Government

Fiscal correction: The fiscal parameters *i.e.* revenue, fiscal and primary deficits

indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period.

During 2015-16, the State achieved two of the three major parameters specified by the Fourteenth Finance Commission *viz.* (i) the ratio of debt to Gross State Domestic Product at 17.8 *per cent* was lower than the norm of 21.9 *per cent*, and (ii) the fiscal deficit at 1.4 *per cent* of Gross State Domestic Product was lower than the norm of 3.3 *per cent*. However, the third parameter of Interest Payment/Revenue Receipt at 14 *per cent* was higher than the norm prescribed by Fourteenth Finance Commission at 12 *per cent* and equal to the norm prescribed by State's Medium Term Fiscal Policy Statement (14 *per cent*) during 2015-16. As against the revenue deficit of ₹ 12,138 crore during 2014-15, the deficit during 2015-16 was ₹ 5,338 crore due to higher growth rate of the revenue receipts (12 *per cent*) than the revenue expenditure (seven *per cent*) over the previous year.

Revenue receipts: The State could not maintain the momentum of growth of revenue receipts it achieved during 2011-12 and 2012-13 (14.6 and 17.9 respectively). The rate of growth of revenue receipts increased from 10.4 *per cent* in 2014-15 to 11.9 *per cent* in 2015-16.

Central tax transfers: Tax devolutions from the Central Government increased from ₹ 17,603 crore in 2014-15 (11 *per cent* of revenue receipts) to ₹ 28,106 crore in 2015-16 (15 *per cent* of revenue receipts). Grants-in-aid from GoI which constituted 12 *per cent* of revenue receipt in 2014-15 however, decreased to nine *per cent* in 2015-16. The devolution of the State's share of Union Taxes substantially increased by 60 *per cent* during the first year of award period of Fourteenth Finance Commission (2015-16) as compared to the last year of Thirteenth Finance Commission (2014-15).

Interest payments: Interest payments (₹ 25,771 crore), which increased by eight *per cent* during the year over 2014-15, was marginally more than the projections made in the Fourteenth Finance Commission (₹ 25,383 crore) and less than the Fiscal Correction Path/Medium Term Fiscal Policy Statement (₹ 27,663 crore) adopted by the State Government.

Non-plan revenue expenditure: The revenue expenditure (₹ 1,90,374 crore) constituted 89 *per cent* of the total expenditure (₹ 2,14,282 crore) of which, 81 *per cent* (₹ 1,54,318 crore) was incurred on the non-plan component, and as a percentage of revenue receipts, it decreased to 83 *per cent* in 2015-16 from 88 *per cent* in 2014-15. During 2015-16, the non-plan revenue expenditure (₹ 1,54,318 crore) remained lower than the normative assessments made in the budget estimates, Medium Term Fiscal Policy Statement and Fiscal Correction Path (₹ 1,54,509 crore).

Capital expenditure: The percentage of capital expenditure to total expenditure showed a declining trend from 12 *per cent* in 2011-12 to 10 *per cent* in 2015-16. Greater fiscal priority needs to be given to this area since increased priority to physical capital formation is expected to increase the growth prospects of the State by creating durable assets.

Fiscal priority: During 2015-16, priority given to Health and Family Welfare in the State was slightly higher (4.7 *per cent*) than that given by the General Category States (4.5 *per cent*).

Review of Government investments: The average return on the State Government's investment in Government Companies, Joint Stock Companies and Partnerships and Statutory Corporations *etc.* was 0.04 *per cent* during 2011-16 while the Government