Chapter-1

FINANCES OF THE STATE GOVERNMENT

CHAPTER 1

Finances of the State Government

Profile of State

The State of Madhya Pradesh is located in the central part of India. It is the second largest State in terms of geographical area (308 thousand square kilometre) and the sixth largest by population (7.26 crore as per 2011 census). The composite State of Madhya Pradesh was founded on 1 November 1956. In terms of the Madhya Pradesh Reorganisation Act 2000 (No. 28 of 2000), 16 districts[1] of the erstwhile State of Madhya Pradesh were carved out to form the new State of Chhattisgarh on 1 November 2000.

As indicated in **Appendix 1.1** the State's population increased from 196 persons per sq.km in 2001 to 236 persons in 2011 (provisional figure). The State recorded a decadal population growth of 16.58 *per cent* during 2003-04 to 2012-13. In the State, percentage of population below poverty line (38.30 *per cent*) was higher than that of the All-India average (21.92 *per cent*). The Gross State Domestic Product (GSDP) of the State in 2012-13 at current prices was ₹ 3,61,874 crore, which grew at 16.85 *per cent* over the previous year. The State's literacy rate marginally increased from 69.69 *per cent* in 2001 to 70.63 *per cent* as per 2011 census, which was lower than the All India average of 74.04 *per cent* (2011 census). The decadal growth of *per capita* income in Madhya Pradesh (13.06 *per cent*) was lower than that of the General Category States (14.94 *per cent*) during 2003-04 to 2012-13.

The general data (including development indicators) relating to the State is given in **Appendix-1.1**.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates the standard of living of the State's population. The trend in the annual growth of India's GDP and that of the State's GSDP at current prices are indicated below:

Annual growth rate of GDP of India and GSDP of Madhya Pradesh at current prices

(₹ in crore)

Year	2008-09	2009-10	2010-11	2011-12 (QE)*	2012-13 (AE)*
India's GDP at current price	53,03,567	61,08,903	72,66,967	83,53,495	94,61,013
Growth rate of GDP (*per cent*)	15.75	15.18	18.96	14.95	13.26
GSDP of MP at current price	1,97,276	2,27,984	2,60,198	3,09,687	3,61,874
Growth rate of GSDP@ (*per cent*)	22.17	15.57	14.13	19.02	16.85

(Source: Planning Commission Data tables and the Directorate of Economic and Statistics, Government of Madhya Pradesh)
****QE-Quick Estimates, AE-Advance Estimates***
@ GSDP estimates at current prices for the years 2010-11 and 2011-12 are revised, hence, percentage ratio/buoyancies of various parameters with reference to GSDP for 2010-11 and 2011-12 indicated in earlier Reports have also been revised.

1 Bastar, Bilaspur, Dantewara, Dhamtari, Durg, Janjgir-Champa, Jashpur, Kanker, Kawardha, Korba, Koria, Mahasamund, Raigarh, Raipur, Rajnandgaon and Surguja.

Sector-wise performance of GSDP during the period 2010-13 is given below:

(₹ in crore)

Name of Sector	2010-11 (P)	2011-12 (Q)	2012-13 (A)
Primary Sector [2]	63,698 (24)	80,093 (26)	95,088 (26)
Secondary Sector [3]	77,178 (30)	88,241 (28)	99,717 (28)
Tertiary Sector[4]	1,19,323 (46)	1,41,353 (46)	1,67,069 (46)

(P)- Provisional, (Q)-Quick, (A)- Advance
Figures in brackets indicates contribution of sectors in total GSDP

1.1 Introduction

This Chapter provides an audit perspective on the finances of the Government of Madhya Pradesh during 2012-13 and analyses the critical changes observed in the major fiscal aggregates relative to the previous year, keeping in view the overall trends during the last five years. The analysis is based on the Finance Accounts of the Government of Madhya Pradesh and information provided therein. The structure and form of Government Accounts and the layout of the Finance Accounts are depicted in **Appendix 1.2 Part-A.**

The apportionment of assets and liabilities of the composite State of Madhya Pradesh prior to the date of reorganisation as well as other financial adjustments is carried out in accordance with the provisions of the Madhya Pradesh Reorganisation Act 2000 (No. 28 of 2000). The actual progress achieved in this direction is indicated in **Appendix 1.2 Part-B**.

The methodology adopted for the assessment of the fiscal position and norms/ceilings prescribed under the Fiscal Responsibility and Budgetary Management (FRBM) Act, 2005, trends in select fiscal indicators and the time series data of State Finances are depicted in **Appendix 1.3** and **Appendix 1.4**.

1.1.1 Summary of fiscal transactions in 2012-13

Table 1.1 presents the summary of the State Government's fiscal transactions during the current year (2012-13) *vis-a-vis* the previous year (2011-12), while **Appendix 1.5 Part-A** provides details of receipts and disbursements as well as overall fiscal position during the current year.

Table 1.1: Summary of Fiscal operations in 2012-13

(₹ in crore)

Receipts	2011-12	2012-13	Disbursements	2011-12	2012-13		
Section-A: Revenue					Non-Plan	Plan	Total
Revenue Receipts	**62,604.07**	**70,427.28**	**Revenue Expenditure**	**52,693.71**	**44,619.20**	**18,349.33**	**62,968.53**
Tax revenue	26,973.44	30,581.70	General Services	16,228.64	17,613.11	92.03	17,705.14
Non-Tax revenue	7,482.73	7,000.22	Social Services	20,296.94	12,686.85	11,688.62	24,375.47
Share of Union Taxes/ Duties	18,219.13	20,805.16	Economic Services	12,964.91	11,019.66	5,803.69	16,823.35
Grants from GoI	9,928.77	12,040.20	Grants-in-aid & Contributions	3,203.22	3,299.57	765.00	4,064.57
Section-B: Capital & others							
Misc. Capital Receipts	**22.65**	**31.45**	**Capital Outlay**	**9,055.16**	**23.91**	**11,542.98**	**11,566.89**
			General Services	167.16	4.73	200.16	204.89

[2] *includes Agriculture (including Animal Husbandry), Forestry, Fishing etc.*
[3] *includes Mining and Quarrying, Manufacturing, Electricity, Gas and Water Supply, Construction, etc.*
[4] *includes Trade, Hotels and Restaurants, Transport, Storage, Communication, Financing, Insurance, Real Estate and Business Services, Community, Social & Personal Services, etc.*

			Social Services	1,599.12	9.68	1,611.31	1,620.99
			Economic Services	7,288.88	9.50	9,731.51	9,741.01
Recoveries of Loans and Advances	**9,122.56**	**32.53**	**Loans and Advances disbursed**	**15,760.56**	**3,842.13**	**1,536.12**	**5,378.25**
Inter-State settlement	**2.65**	**9.14**	**Inter-State settlement**	**3.70**			**7.02**
Public Debt receipts	**6,750.25**	**8,791.16***	**Repayment of Public Debt**	**3,149.79**			**3,583.94***
Contingency Fund	**100.00**	**-**	**Contingency Fund**	**100.00**			**-**
Public Account receipts	**76,315.22**	**86,247.57**	**Public Account disbursements**	**73,279.04**			**82,735.57**
Opening Cash Balance	**6,900.44**	**7,775.88**	**Closing Cash Balance**	**7,775.88**			**7,074.81**
Total	**1,61,817.84**	**1,73,315.01**	**Total**	**1,61,817.84**			**1,73,315.01**

Excluding net transactions under ways and means advances and overdraft.
(Source: Finance Accounts)

The significant changes during 2012-13 over the previous year are as under:

- Revenue Receipts grew by ₹ 7,823.21 crore (12 *per cent*) due to increase in own Tax Revenue (by ₹ 3,608.26 crore), share of Union taxes/duties (by ₹ 2,586.03 crore) and grants-in-aid and contribution from GoI (by ₹ 2,111.43 crore). The actual Revenue Receipts for the year 2012-13 exceeded the projection made in the Medium Term Fiscal Policy Statement (MTFPS) by ₹ 513.77 crore.
- Revenue Expenditure increased by ₹ 10,274.82 crore (19.5 *per cent*). Increase was under economic services sector (by ₹ 3,858.44 crore), social services sector (by ₹ 4,078.53 crore), general services sector (by ₹ 1,476.50 crore) and grants-in-aid and contributions (by ₹ 861.35 crore).
- Capital Expenditure increased by ₹ 2,511.73 crore (28 *per cent*). Increase was mainly under economic services sector (by ₹ 2,452.13 crore). Increase under general services sector and social services sector was ₹ 37.73 crore and ₹ 21.87 crore respectively.
- Public Debt receipts (excluding ways and means advances) increased by ₹ 2,040.91 crore (30.23 *per cent*) while repayment of Public Debt increased by ₹ 434.15 crore (13.78 *per cent*).
- Public Account receipts and disbursement increased respectively by ₹ 9,932.35 crore (13 *per cent*) and ₹ 9,456.53 crore (13 *per cent*).
- Cash balances of the State Government decreased by ₹ 701.07 crore.

1.1.2 Review of the fiscal situation

In response to the Twelfth Finance Commission's recommendation, the Government of Madhya Pradesh enacted the Fiscal Responsibility and Budget Management (FRBM) Act, 2005, which came into force from 1 January 2006 with a view to ensuring prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, sustainable debt management consistent with fiscal deficit, greater transparency in fiscal operations of the Government and conduct of fiscal policy within a Medium-term Fiscal Framework.

In accordance with the provisions of FRBM Act 2005, the State Government has placed (a) Macro-Economic framework Statement**,** (b) Medium Term Fiscal Policy Statement (MTFPS) and (c) Fiscal Policy Strategy Statement along with the Budget for 2012-13. The actuals for 2010-11, Revised Estimates for 2011-12 and Budget Estimates for 2012-13 for select indicators are presented in MTFPS (**Appendix 1.3 Part-C)**.

The fiscal forecasts as prescribed by Thirteenth Finance Commission (XIII FC), FRBM Act and those framed in Medium Term Fiscal Policy Statement (MTFPS) for the year 2012-13 are presented in **Table 1.2**.

Table 1.2: Fiscal forecasts under FRBM Act, MTFPS and XIII FC for 2012-13

(₹ in crore)

Fiscal forecasts	XIII FC targets for the State	Targets prescribed in FRBM Act/MTFPS	Targets proposed in the budget	Actual achievement
Revenue Deficit (-)/ Surplus (+)	0.0 *per cent*	Reduce Revenue Deficit in each financial year so as to eliminate it by 31 March 2009 and generate Revenue Surplus thereafter	(+)6,370 (1.89 *per cent* of GSDP)	(+) 7,459 (2.06 *per cent* of GSDP)
Fiscal Deficit (-)/ GSDP)	3.0 *per cent*	To be reduced to not more than three *per cent* of GSDP by 31 March, 2012.	(-)10,018 (2.98 *per cent* of GSDP)	(-) 9,420 (2.60 *per cent* of GSDP)
Ratio of total outstanding debt	36.80 *per cent*	40 *per cent* of GSDP by 31 March 2015	28.09 *per cent*	24.92 *per cent* of GSDP
Outstanding Guarantees	--	Not to exceed 80 *per cent* of the total Revenue Receipts (RR) of the preceding year	7.99 *per cent* of RR of preceding year	12.33 *per cent* of RR of the preceding year

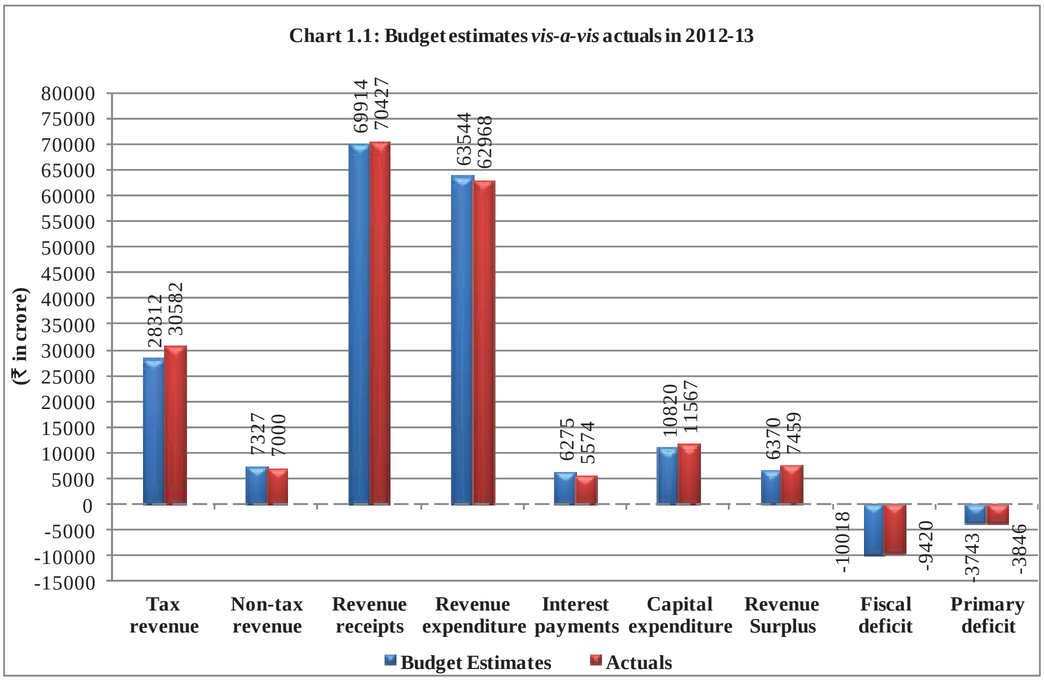
(Source: XIII FC recommendation 2010-15, MPFRBM Act 2005, Statement laid before the Legislature under FRBM Act during 2012-13 and Finance Accounts 2012-13)

- ➢ The State had achieved Revenue Surplus in the year 2004-05 and maintained the surplus thereafter.
- ➢ The Fiscal Deficit at 2.60 *per cent* of GSDP during 2012-13 was within the limit prescribed in the FRBM targets, XIII FC and the projections of MTFPS. The ratio however, was higher than that in 2011-12 (1.86 *per cent*).
- ➢ The total outstanding debt to GSDP ratio at 24.92 *per cent* was within the FRBM target (40 *per cent*) to be achieved by 31 March 2015 and also within the limit prescribed (36.8 *per cent*) by the XIII FC. It was also less than the projection made (28.09 *per cent*) in MTFPS.
- ➢ The outstanding guarantees during the year was 12.33 *per cent* of the Revenue Receipts of the preceding year, which was well within the limit prescribed in the FRBM targets (80 *per cent*) but more than the projections of MTFPS (7.99 *per cent*).

1.1.3 Budget Estimates and Actuals

The importance of accuracy in the budget estimates of revenue receipts and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the Budget Estimates are indicative of non-attainment and non-optimisation of the desired fiscal objectives.

Chart 1.1 represents the budget estimates and actuals for some important fiscal parameters for 2012-13.



(Source: Finance Accounts and Budget Estimates 2012-13)

- The State's Revenue Receipts (₹ 70,427 crore) were marginally higher than the budget estimates by ₹ 513 crore (0.7 *per cent*).
- The State's Tax Revenue (₹ 30,582 crore) was more than the budget estimate by ₹ 2,270 crore (eight *per cent*). Further, Non-Tax Revenue was less than the budget estimate by ₹ 327 crore (four *per cent*).
- Revenue Expenditure was less than the budget estimate while Capital Expenditure was more than the budget estimate by ₹ 575 crore (one *per cent*) and ₹ 747 crore (seven *per cent*) respectively.
- Interest payments was less than the budget estimates by ₹ 701 crore (11 *per cent*) mainly due to decrease in interest on Market Loans and interest on Loans for State/Union Territory Plan.
- The key fiscal indicators viz, Re venue Surplus and Fiscal Deficit showed improvement with reference to the Budget Estimates (BEs) while Primary Deficit was more than the budgeted estimates.

1.1.4 Gender Budgeting

Gender Budget of the State discloses the expenditure proposed to be incurred within the overall budget on schemes which are designed to benefit women fully or partially. Gender budgeting was introduced in 2007-08 and separate volume of Gender budget was submitted along with the budget to make available the details of budget provisions relating to women and girls. Schemes relating to gender budget were bifurcated in two categories (1) Scheme in which 100 *per cent* budget provisions were related to women and (2) Scheme in which at least 30 *per cent* of budget provisions were related to women. During 2012-13, there were 22 departments[5] in which budget provisions were made for benefit of women.

[5] *1. Sports and Youth Welfare, 2.Commerce, Industry & Employment, 3.Farmer Welfare & Agriculture Development, 4. Public Health and Family Welfare, 5.Urban Administration & Development, 6. School Education, 7.Panchayat, 8.Scheduled Castes Welfare, 9. Social Justice, 10. Food and Civil Supplies, 11.*

As per the information furnished (September 2012) by Finance Department (FD), the year-wise allocation, expenditure and percentage of demand covered in respect of categories 1 and 2 for the years from 2008-09 to 2012-13 are given in **Table 1.3**.

Table 1.3: Gender budgetary allocations during 2008-13

(₹ in crore)

Year	Category 1			Category 2		
	Outlay	Expenditure	Percentage of expenditure to outlay	Outlay	Expenditure	Percentage of expenditure to outlay
2008-09	309.59	398.39	128.68	9,792.29	8,470.67	86.50
2009-10	638.68	868.67	136.01	11,977.79	1,510.02	12.61
2010-11	858.27	780.56	90.95	12,809.86	1,467.60	11.46
2011-12	1,510.02	1,245.41	82.48	20,500.64	6,908.51	33.70
2012-13	1,467.60	NA	NA	21,932.76	NA	NA

NA- Not available with Finance Department
(Source: Information provided by Finance Department, GoMP)

Finance Department (FD) issued instructions (December 2006) that records relating to reporting and monitoring of Gender Budgeting should be maintained by the concerned Departments and FD would provide guidance to sort out problems relating to Gender Budget. On being asked regarding impact analysis on social and economic conditions of women after introduction of Gender Budgeting and furnishing of a study Report available for such analysis, no reply was furnished by the FD (September 2013). However, an analysis of information furnished (September 2013) by the Commissioner, Integrated Child Development Services and Women Empowerment (Women and Child Development), Bhopal revealed the following:

(i) In three schemes[6] under Category 1 and seven schemes[7] under category 2, expenditure during 2012-13 was much less than the amount prescribed for Categories 1 and 2, as detailed in **Appendix-1.6**.

(ii) During 2012-13, ₹ 12.53 crore relating to schemes under Category 1 (₹ 0.47 crore) and Category 2 (₹ 12.06 crore) meant for purchase of medicine kits, printing of registers and sabla kits were transferred to Public Account (under the head 8443-Civil Deposit-800-other Deposit) by exhibiting the same as final expenditure. Transfer of scheme funds to Deposit Account not only affects achievement of the intended benefits for the women, but also inflates the expenditure of the year.

1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of tax revenues, non-tax revenues, State's share of Union Taxes and Duties and grants-in-aid from the Government of India (GoI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from

Animal Husbandry, 12. Higher Education, 13. Man Power Planning, 14. Aviation, 15. Women & Child Development, 16. Rural Industry, 17. Welfare of Backward Classes, 18. Scheduled Castes Welfare, 19. Rural Development, 20. Horticulture & Food Processing, 21.Ayoush Department, 22.Vimuktta, Ghumakkad evam Ardhaghumakkad Castes Welfare

6 *Centres for Security and assistance of women against domestic violence (Usha Kiran), Schemes under Women Welfare Funds and Indira Gandhi Mother Assistance Scheme (IGMSY)*

7 *Atal Bal Arogya Mission, Construction of Anganwadi Centres, Construction of Building Directorate, Integrated Child Protection Schemes, Maintenance of building of Women and Child Development, Probation unit and Construction of Anganwadi centres by pre-feb technic under NABARD*

financial institutions/commercial banks) and Loans and Advances from GoI as well as accruals from Public Account.

The components of the State's receipts during 2012-13 have been categorized in **Chart 1.2**.

Chart 1.2: Components and sub-components of Resources

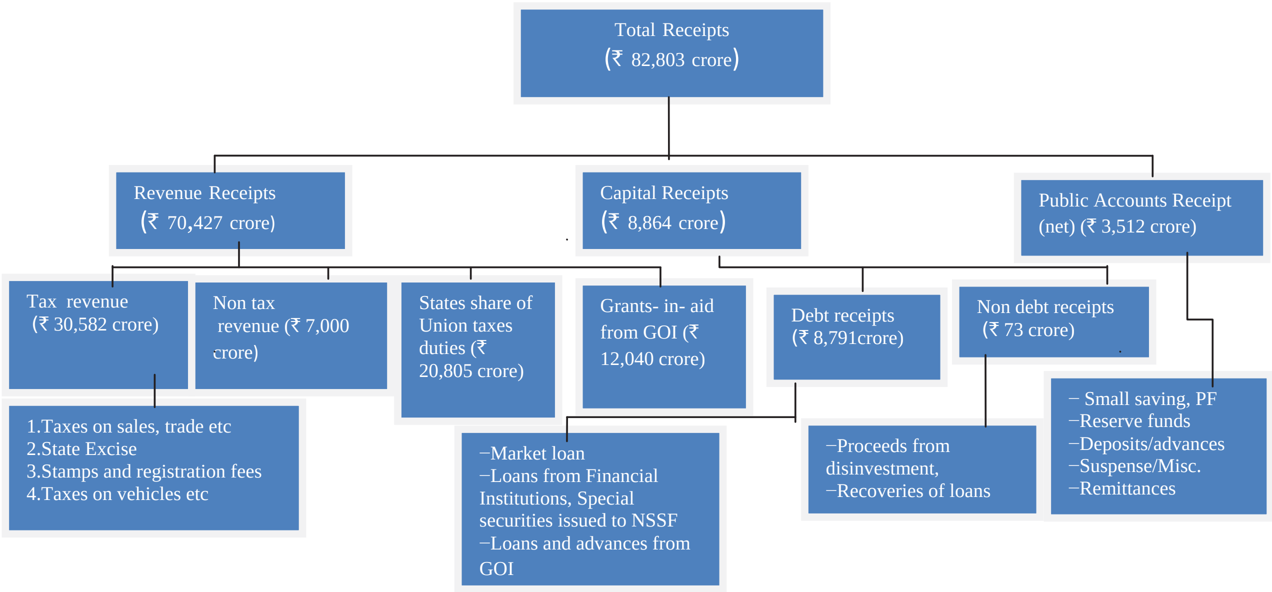
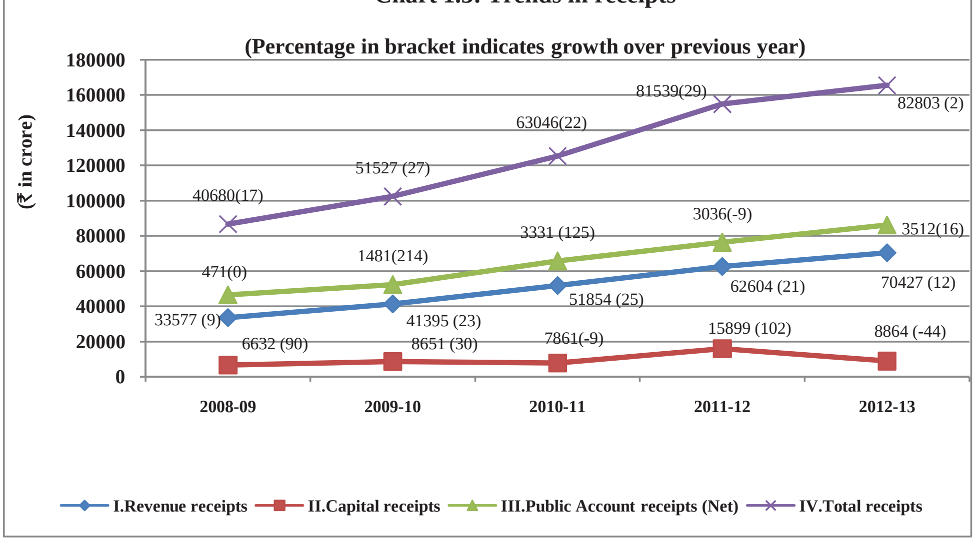
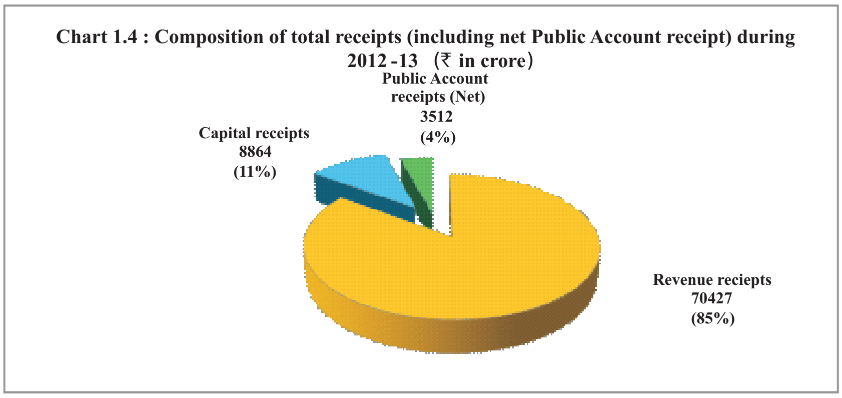


Table 1.1 presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.3** depicts the trends in various components of the receipts of the State during the period 2008-13 and **Chart 1.4** depicts the composition of receipts during 2012-13.

Chart 1.3: Trends in receipts



(Figures in brackets indicated growth rates)
(Source: Finance Accounts)



(Source: Finance Accounts)

- The Revenue, Capital and Public Account receipts (Net) constituted 85 *per cent*, 11 *per cent* and four *per cent* of the total receipts respectively during 2012-13. The total receipts (including net Public Accounts receipts) of the State increased by 104 *per cent* during the period 2008-13. Revenue Receipts and Capital Receipts increased by 110 *per cent* and 34 *per cent* respectively during the period. The net receipts under the Public Account significantly increased during the period 2008-13.

- Growth rate of the total receipts was only two *per cent* in 2012-13 over the year 2011-12. We observed that the relative share of Revenue Receipts in total receipts during the period 2008-13 ranged between 77 *per cent* and 85 *per cent*. The share of Capital Receipts in total receipts during 2008-13 ranged between 11 *per cent* and 19 *per cent*.

- The Public Debt Receipts increased from ₹ 6,750 crore (8.28 *per cent* of total receipts) in 2011-12 to ₹ 8,791 crore (10.62 *per cent* of total receipts) in 2012-13 due to more borrowings under Special Securities issued to National Small Savings Fund of the Central Government, Loans from Central Government for State/Union Territory Plan Scheme and Market Loans.

- Total Capital Receipts decreased by ₹ 7,035 crore (44.25 *per cent*) mainly due to decrease in recovery of Loans and Advances (by ₹ 9,090 crore) and increase in Public Debt receipts (by ₹ 2,041 crore).

1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

The Central Government transfers a sizeable quantum of funds directly to the State implementing agencies for implementation of various schemes/ programmes in social and economic sectors, which are recognised as critical. In the present mechanism, these funds are not routed through the State Budget/State Treasury System and hence do not find mention in the Finance Accounts of the State. As such, the Annual Finance Accounts of the State does not provide a complete picture of the resources under the control of the State Government.

Details of funds transferred directly to State implementing agencies in respect of the Central Plan Schemes during 2012-13 and in 2011-12 are furnished in **Table 1.4**.

Table 1.4: Funds transferred directly to State Implementing Agencies in the State

(₹in crore)

Sl. No	Name of the Programme/ Scheme	Implementing Agency/Department in the State	GOI releases 2011-12	GOI releases 2012-13
1	Mahatma Gandhi National Rural Employment Guarantee Scheme(90:10)	Madhya Pradesh State Employment Guarantee, Bhopal	2,968.51	1,610.15
2	*Sarva Shiksha Abhiyan* (SSA) (65:35)	M.P. *Sarva Shiksha Abhiyan* Mission	1,904.27	1,353.43
3	*Pradhan Mantri Gram Sadak Yojana* (PMGSY)	Madhya Pradesh Rural Road Development Authority, Bhopal	1,138.05	242.88
4	National Rural Health Mission (NRHM) Centrally Sponsored (85:15)	State Health Society, Madhya Pradesh	600.84	14.96
5	Rural Housing-IAY (75:25)	DRDA (All Districts)	426.68	237.89
6	National Rural Drinking Water Programme	State Water and Sanitation Mission(SWSM), Madhya Pradesh, Bhopal	140.09	550.37
7	*Rashtriya Madhyamik Shiksha Abhiyan* (RMSA)	M.P. *Madhyamik Shiksha Abhiyan Samiti*	242.39	461.22
8	Scheme for setting up of 6000 model schools at Block Level as Bench Mark of Excellence	M.P. *Madhyamik Shiksha Abhiyan Samiti*	202.74	22.93
9	Central Rural Sanitation Programme	State Water and Sanitation Mission Madhya Pradesh	150.76	257.80
10	National Food Security Mission (100)	State Institute of Agriculture Extension and Training	146.82	247.15
11	Indian Institute of Science Education and Research,	Indian Institute of Science Education and Research	142.00	167.36
12	MPs Local Area Development Scheme (MPLADS)	District Collector (All Districts)	132.10	223.00
13	Integrated Watershed Management Programme (IWMP)	DRDA (All Districts)	1.32	128.30
14	*Aajeevika*	DRDA (All Districts)	115.39	142.71
15	National Mission on Micro Irrigation	Director Horticulture, Madhya Pradesh	109.64	63.84
16	Assistance to IHMS FCIS etc.	Indian Institute of tourism and Travel Management	12.54	16.92
17	Others		367.62	492.75
Total			**8,801.76**	**6,233.66**

(Source: Finance Accounts)

During 2012-13, the total receipts of the State (₹ 1,65,539 crore)[8] do not include the amount received on direct transfers (₹ 6,233.66 crore).

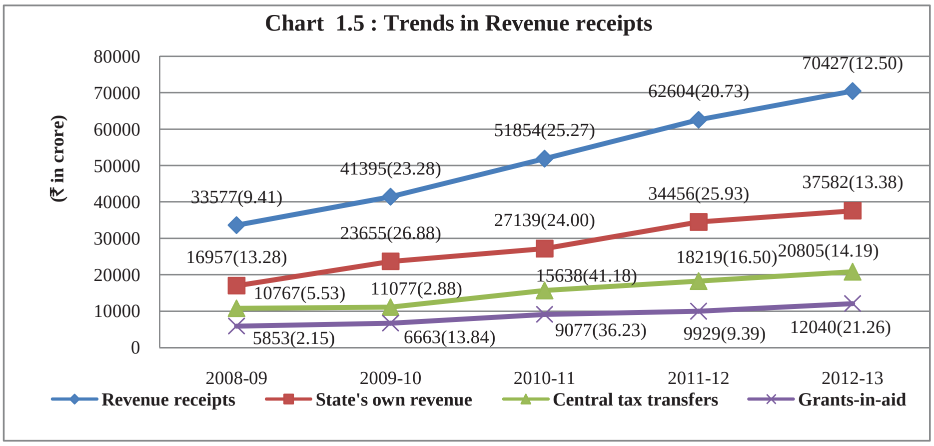
Direct transfers from the GoI to the State implementing agencies are required to be accompanied by adequate control mechanisms for effective oversight of utilisation of funds. However, there was no mechanism in the Government for monitoring the utilisation of such funds, which could inhibit the FRBM Act's requirement of transparency in fiscal operations and accountability.

1.3 Revenue Receipts

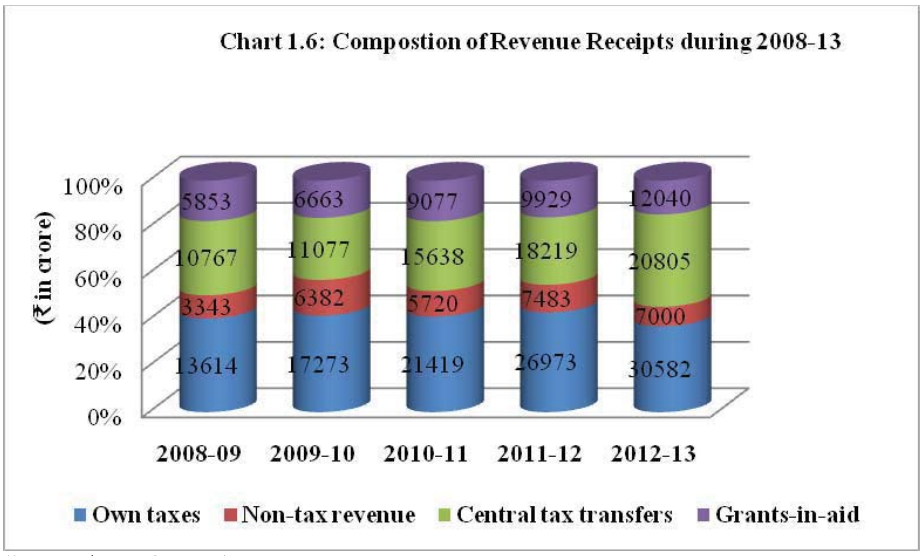
Statement-11 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts consist of own tax and non-tax revenues, Central tax transfers and grants-in-aid from GoI. The trends and composition

[8] *Includes gross Public Accounts Receipts*

of Revenue Receipts over the period 2008-13 are presented in **Appendix 1.4** and also depicted in **Charts 1.5** and **1.6** respectively.



(Figures in bracket indicate growth rate)
(Source: Finance Accounts)



(Source: Finance Accounts)

General trends

- The Revenue Receipts of the State increased by 110 *per cent* from ₹ 33,577 crore in 2008-09 to ₹ 70,427 crore in 2012-13. While 53 *per cent* of the Revenue Receipts during 2012-13 had come from the State's own resources comprising Tax Revenue (43 *per cent*) and Non-Tax Revenue (10 *per cent*), the balance 47 *per cent* was contributed by Central tax transfers and grants-in-aid together.
- The relative share of the State's own tax revenue in total revenue receipts ranged between 41 *per cent* and 43 *per cent* during the period 2008-13, while non-tax revenue exhibited fluctuating trend, which ranged between 10 *per cent* and 15 *per cent*. Relative share of Central tax transfers and grants-in-aid also showed increasing trend during 2008-13.

- Of the total increase of ₹ 7,823 crore in the Revenue Receipts of the State during 2012-13, ₹ 4,697 crore (60 *per cent*) was contributed by Central transfers and the remaining ₹ 3,126 crore (40 *per cent*) by the State's own resources.
- The trends of Revenue Receipts relative to GSDP are presented in **Table 1.5**.

Table 1.5: Trends of Revenue Receipts relative to GSDP

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Receipts (RR) (₹ in crore)	33,577	41,395	51,854	62,604	70,427
Rate of growth of RR (*per cent)*	9.41	23.28	25.27	20.73	12.50
Rate of growth of GSDP (*per cent*)	22.17	15.57	14.13	19.02	16.85
Rate of growth of Fiscal liabilities (*per cent*)	9.26	12.28	11.28	8.28	10.29
Rate of growth of State's own Taxes (*per cent*)	13.28	26.88	24.00	25.93	13.38
R R/GSDP (*per cent)*	17.02	18.16	19.93	20.22	19.46
Buoyancy Ratios[9]					
Revenue Buoyancy w.r.t GSDP	0.42	1.50	1.79	1.09	0.74
State's Own Tax Buoyancy w.r.t GSDP	0.60	1.73	1.70	1.36	0.79
Revenue Buoyancy with reference to State's own taxes	0.70	0.87	1.05	0.80	0.93
Fiscal liabilities w.r.t GSDP	0.42	0.79	0.80	0.44	0.61

(Source: Finance Accounts and information furnished by Directorate of Economics and Statistics, Government of Madhya Pradesh)

Ideally, the growth rate of revenue receipts should be higher than GSDP growth rate so that over the time the budget can be better balanced. An analysis of the **Table 1.5** revealed the following:

- The Revenue Receipts relative to GSDP increased consistently from 17.02 *per cent* in 2008-09 to 20.22 *per cent* in 2011-12 but decreased marginally to 19.46 *per cent* in 2012-13.
- Growth of Revenue Receipts increased from 9.41 *per cent* in 2008-09 to 25.27 *per cent* in 2010-11, but decreased to 12.5 *per cent* in 2012-13, mainly due to lesser growth in State's own Tax Revenue.
- The revenue buoyancy as well as State's Own Tax Buoyancy with reference to GSDP decreased in 2012-13 (0.74 and 0.79 respectively) as compared to the previous year (1.09 and 1.36 respectively), due to less growth of Revenue Receipts (20.73 *per cent* in 2011-12 to 12.50 *per cent* in 2012-13).

1.3.1 State's Own Resources

As the State's share in Central taxes and grants-in-aid from GoI are determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources is assessed in terms of its own resources comprising own tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2012-13 *vis-a-vis* assessment made by XIII FC, in RE and in MTFPS are given in **Table 1.6**.

[9] *Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance revenue buoyancy at 0.6 implies that revenue receipts tend to increase by 0.6 percentage points if the GSDP increases by one per cent.*

Table 1.6: Tax Revenue and Non-Tax Revenue

(₹ in crore)

	XIII FC projections	Revised Budget Estimates (RE) 2012-13	MTFPS projection	Actual
Tax Revenue	21,982	51,110	28,312	30,582
Non-Tax Revenue	5,172	7,517	7,327	7,000

Source: Finance Accounts and Statement laid before the legislature under FRBM Act along with State Budgets 2012-13 and 2013-14 and the recommendations of XIII FC.

It would be seen that the actual realisation under Tax Revenue and Non-Tax Revenue was higher than the assessment made by the XIII FC (by 39.12 *per cent* and 35.34 *per cent* respectively). Actual realisation under Tax Revenue was higher compared to MTFPS projections (by eight *per cent*) but lower under Non-Tax Revenue (by four *per cent*).

1.3.1.1 Tax Revenue

The gross collection in respect of major taxes and duties are given in **Table 1.7**.

Table 1.7 : Components of Tax Revenue of the State

(₹ in crore)

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13	Increase(+)/ decrease (-) over previous year (in *per cent*)
Taxes on Sales, Trades etc.	6,843	7,724	10,257	12,517	14,856	(+) 18.69
State Excise	2,302	2,952	3,603	4,317	5,078	(+) 17.63
Taxes on Vehicles	773	919	1,198	1,357	1,531	(+) 12.82
Stamps and Registration Fees	1,479	1,783	2,514	3,284	3,944	(+) 20.10
Land Revenue	339	180	361	279	444	(+) 59.14
Taxes on Goods and Passengers	1,333	1,333	1,746	2,047	2,395	(+) 17.00
Other Taxes*	545	2,382	1,740	3,172	2,334*	(-)26.42
Total Tax Revenue	**13,614**	**17,273**	**21,419**	**26,973**	**30,582**	**(+) 13.38**

**** Other taxes include Taxes and Duties on Electricity (₹1,478 crore), Taxes on Immovable Property other than Agricultural Land (₹ 413 crore), Other Taxes on Income and Expenditure (₹ 255 crore), Other Taxes and Duties on Commodities and Services (₹188 crore).***

(Source: Finance Accounts)

- Taxes on Sales, Trades, etc. were the major contributors (49 *per cent*) of the State's own tax revenue followed by State Excise (17 *per cent*), Stamps and Registration Fees (13 *per cent*), Taxes on Goods and Passengers (eight *per cent*) and Taxes on Vehicles (five *per cent*) during 2012-13.
- The increase in receipts under Taxes on Sales, Trades etc. (by ₹ 2,339 crore) was mainly due to enhancing registration fee and imposing five *per cent* VAT on clothes, sugar and electricity generation under State Sales Tax Act. The increase in State Excise receipts (by ₹ 761 crore) was mainly under the head 102-Country fermented liquors and 104-Liquor. The increase under Stamps and Registration Fees (by ₹ 660 crore) was mainly due to increase in receipt under Sale of Stamps.
- The decrease under Taxes on Immovable property other than Agricultural Land (by ₹ 666 crore) was mainly due to less receipt of taxes under ordinary collection. The decrease under Taxes and duties

on Electricity (by ₹ 295 crore) was mainly due to less receipt of fees under Indian Electricity Rules and under Other receipts.

Cost of collection of revenues

The gross collection of Taxes on Vehicles, Taxes on Sales, Trade etc., Stamps and Registration Fees and State Excise, expenditure incurred on their collection and its percentage to gross collection during the years 2011-13 along with their All India average cost of collection for the respective previous years are indicated in **Table 1.8**.

Table 1.8: Cost of collection of Revenue Receipts

S.No.	Head of revenue	Year	BE (Budget Estimates) (₹ in crore)	Actual collection (₹ in crore)	Expenditure on collection of revenue (₹ in crore)	Percentage of expenditure on collection	All-India Average (in *per cent*)
1.	Taxes on Sales, Trades, etc.	2011-12	11,830.00	12,516.73	111.36	0.89	0.75
		2012-13	14,000.00	14,856.30	129.32	0.87	0.83
2	Taxes on Vehicles	2011-12	1,285.00	1,357.12	40.40	2.97	3.71
		2012-13	1,400.00	1,531.25	40.07	2.62	2.96
3.	State Excise	2011-12	4,050.00	4,316.49	973.88	22.56	3.05
		2012-13	4,800.00	5,078.06	1,188.87	23.41	2.98
4.	Stamps and Registration Fees	2011-12	2,000.00	3,284.41	63.71	1.94	1.60
		2012-13	3,200.00	3,944.24	79.00	2.00	1.89

(Source: Finance Accounts and information furnished by AG (E&RSA), MP)

During 2012-13, the gross collection was more than the Budget Estimates in respect of Taxes on Sales, Trade etc., Taxes on Vehicles, State Excise and Stamps and Registration Fees. Percentage of expenditure on collection of Revenue Receipts under Taxes on Sales, Trades etc., State Excise and Stamps and Registration Fees was higher than the All-India Average, while it was lesser under Taxes on Vehicles.

1.3.1.2 Non-Tax Revenue

Non-Tax Revenue comprises receipts mainly from Interest, Non-Ferrous Mining and Metallurgical Industries, Forestry and Wildlife, Education, Sports, Art and Culture as indicated in **Table 1.9**.

Table 1.9 :Growth rate of Non-Tax Revenue

(₹ in crore)

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13	Increase(+)/ decrease (-) over previous year (in *per cent*)
Interest receipts	163	1,284	299	1,571	301	(-)80.84
Non-Ferrous Mining and Metallurgical Industries	1,361	1,590	2,121	2,038	2,443	(+)19.87
Forestry and Wildlife	686	80	837	879	910	(+)3.53
Education, Sports, Art and Culture	319	745	1,194	1,551	1,682	(+)8.45
Dividends and Profits	69	50	32	38	18	(-)52.63
Other non-tax receipts	745	2,633	1,237	1,406	1,646	(+)17.07
Total	**3,343**	**6,382**	**5,720**	**7,483**	**7,000**	**(-)6.45**

(Source- Finance Accounts)

- Non-tax revenue decreased by ₹ 483 crore from ₹ 7,483 crore in 2011-12 to ₹ 7,000 crore in 2012-13, mainly due to decrease in receipts under Interest Receipts (by ₹ 1,270 crore), offset by increase under Non-Ferrous Mining and Metallurgical Industries (by ₹ 405 crore) and

Other Administrative services (by ₹ 345 crore). The decrease in Interest receipts was mainly under interest from public sector and other undertakings (by ₹ 1,172 crore).

- Major contributors of non-tax revenue during 2012-13 were Non-Ferrous Mining and Metallurgical Industries (35 *per cent*), Education, Sports, Art and Culture (24 *per cent*), Forestry and Wildlife (13 *per cent*).
- No debt waivers under Debt Consolidation and Relief Facilities (DCRF) schemes were received by the State Government.

1.3.2 Grants-in-aid from GoI

Grants-in-aid from GoI increased from ₹ 5,853 crore in 2008-09 to ₹ 12,040 crore in 2012-13 as shown in **Table 1.10**.

Table 1.10: Grants-in-Aid from GoI

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Non-Plan Grants	1,015	1,533	1,636	2,114	333
Grants for State Plan Schemes	2,824	3,102	4,522	4,215	7,099
Grants for Central Plan Schemes	201	393	649	364	500
Grants for Centrally Sponsored Schemes	1,813	1,635	2,270	3,236	4,108
Grants for Special Plan Schemes	--	--	--	--	--
Total	**5,853**	**6,663**	**9,077**	**9,929**	**12,040**
Percentage of increase over previous year	2.15	13.84	36.23	9.39	21.26
Total grants as a percentage of Revenue Receipts	17.44	16.10	17.50	15.86	17.10

(Source: Finance Accounts)

The increase of ₹ 2,111 crore under GoI grants during 2012-13 over the previous year was due to increase in State Plan Schemes (by ₹ 2,884 crore), Centrally Sponsored Plan Schemes (by ₹ 872 crore) and Central Plan schemes (by ₹ 136 crore), offset by decrease in non-plan grants (by ₹ 1,781 crore). Increase in grants for State Plan Schemes in 2012-13 was mainly under Block Grants (by ₹ 696 crore) and Panchayati Raj (by ₹ 1,819 crore). The increase of ₹ 872 crore under grants for Centrally Sponsored schemes was mainly on account of increase under Welfare of Backward Classes-Education (by ₹ 816 crore), Urban Family Welfare Services (by ₹ 210 crore), Mid-day Meal Programme (by ₹ 466 crore) and Agriculture Economics and Statistics (by ₹ 452 crore) partly offset by decrease under Child Welfare (by ₹ 988 crore). The increase in grants for Central plan schemes was mainly under Forest Conservation Development and Regeneration (by ₹ 131 crore).

1.3.3 Central Tax transfers

The Central tax devolutions are determined by the Finance Commission award. The Central tax transfer of ₹ 20,805 crore during 2012-13 was marginally less than the estimated amount of ₹ 21,604 crore as given in Macro Economic Framework Statement. However, Central tax transfer increased from ₹ 18,219 crore in 2011-12 to ₹ 20,805 crore in 2012-13.

1.3.4 Optimisation of the XIII FC grants

During 2012-13, the XIII Commission had recommended ₹ 2,853.95 crore as grant-in-aid including specific grants to the State. Against these, the State

Government received grants aggregating ₹ 2,527.84 crore. Details are given in **Table 1.11**.

Table 1.11: Transfers recommended and actual release of grants-in-aid

(₹ in crore)

Sl no.	Transfers	Recommendation of the XIII FC	Actual release
1.	**Local Bodies**	**1,246.44**	**1,170.41**
	Grants to PRIs	**920.61**	**964.43**
	General Basic Grants	519.17	545.46
	General performance grants to PRI	356.30	373.83
	Special Area Basic Grant	22.57	22.57
	Special Area Performance Grant	22.57	22.57
	Grants to ULBs	**325.83**	**202.98**
	General Basic Grants	188.53	198.08
	General performance grants to ULBs	129.40	Nil
	Special Area Basic Grant	3.95	3.95
	Special Area Performance Grant	3.95	3.95
2	**Disaster Relief**	**324.76**	**324.76**
3	**Improving outcome grants**	**141.42**	**4.84**
	(i)Reduction in Infant Mortality Rates	--	4.84
	(ii)Improvement in Supply of Justice	81.48	--
	(iii)Incentive for issuing UIDs	49.94	--
	(iv)Improvement of Statistical Systems at State and District Level	10.00	--
4	**Environment related grants**	**159.58**	**122.58**
	(i)Protection of Forests	122.58	122.58
	(ii)Water Sector Management (WRD)	37.00	--
5	**Elementary education**	**452.00**	**452.00**
6	**Roads and bridges**	**222.00**	**222.00**
7	**State specific grants**	**307.75**	**231.25**
	(i) Anganwadi Centres	100.00	100.00
	(ii) Police Training	45.00	45.00
	(iii)Development of Tourism	45.00	42.50
	(iv) Health Infrastructure	62.50	--
	(v) Conservation of Heritage	43.75	43.75
	(vi)Establishment of virology Laboratory at Gandhi Medical College	6.00	--
	(vii) Upgradation of MTH Hospital, Indore	5.50	--
	Total	**2,853.95**	**2,527.84**

(Source: Information obtained from Finance Department, Madhya Pradesh)

During test check of records (June 2013) of three Departments we noticed submission of excess/inaccurate Utilisation Certificates (UCs), non-utilisation of XIII FC grant and parking of fund in Deposit Account.

Women and Child Development (W&CD) Department

- Based on recommendation of the XIII FC, the GoI sanctioned (April 2011) ₹ 400 crore for construction of Anganwadi Centres (AWCs) during the award period 2010-15. As per GoI orders (December 2012) the second instalment of the funds would be released after utilization of two-thirds of the amount released in first instalment. The GoI released (March 2012) ₹ 100 crore under ICDS for the year 2011-12, against which expenditure of ₹ 48.55 crore was incurred during the year. However, W&CD Department submitted (January 2013) through Finance Department inflated UCs to GoI for ₹ 100 crore. We observed that GoI further released (March 2013) ₹ 100 crore for 2012-13, which also remained unutilised (June 2013). Thus, XIII FC grant of ₹ 51.43 crore out of ₹ 100 crore released during 2011-12 remained unutilized. Besides, the next instalment of ₹ 100 crore for 2012-13 also remained unutilised.

The Deputy Director (Works) of W&CD Departments stated (June 2013) that the grant of ₹ 100 crore received for the year 2012-13 would be released to the DDOs after sanction of the works. He, however, did not give reply about unspent balance and submission of inflated UCs during 2011-12.

Department of Culture

➢ During 2011-12, XIII FC grant of ₹ 34.87 crore was provided for development and maintenance of monuments/museums. As per orders of the Finance Department the Commissioner, Archaeological Archives and Museum (AA&M) (Directorate) deposited the amount under the head 8443-Civil Deposit on 31 March 2012. We observed that in January 2013, Directorate submitted UCs to GoI for ₹ 26.04 crore. On being asked (June 2013) the Directorate stated that an amount of ₹ 15.07 crore was utilised on development and conservation of 47 monuments as of June 2013. He also stated that permission for drawal of ₹ 26.04 crore was received from Finance Department, based on which the UCs were sent to the GoI. However, the details of expenditure incurred could not be furnished by the Directorate. We also observed that, GOI released (12 March 2013) ₹ 48.58 crore for the year 2012-13, which also remained unspent as of June 2013.

Commissioner, AA&M Bhopal stated (August 2013) that budget provision of ₹ 48.58 crore was again made in financial year 2013-14, which will be utilised in the next financial year. Reply is not in order as XIII FC grant of ₹ 68.38 crore remained unutilised as of June 2013 and inflated UC of ₹ 26.04 crore was submitted to GoI against expenditure of ₹ 15.07 crore.

Forest Department

During 2012-13, grants-in-aid of ₹ 122.58 crore was released for 'Protection of Forests' of which 25 *per cent* was to be used for preservation and maintenance of Forests. Accordingly, ₹ 30.65 crore was provided to Forest Department as approved by the High Level Monitoring Committee, (HLMC)[10] headed by Chief Secretary. The following observations were made in audit:

➢ ***Satpura Tiger Reserve (STR)***

The High Level Monitoring Committee (HLMC) approved (August 2012) ₹ 3.30 crore on alternative source of energy including *unnat chulha* for the year 2012-13, with a view to reduce biotic pressure on forest resources in the villages of buffer zone of project tiger areas. The HLMC further directed to utilise the balance fund, if any, in the villages where work of rehabilitation of degraded forest is done.

We noticed (June 2013) during the scrutiny of records of Additional Principal Chief Conservator of Forest (APCCF)/Development that an amount of ₹ 1.60 crore was allotted to the Field Director, Satpura Tiger Reserve (STR) on their proposal for utilising the amount on

[10] *Responsible for monitoring of both physical and financial targets ensuring adherence to the specific conditions in respect of the grant and approving working plan.*

providing alternative source of energy in office building, rest houses, line quarters and patrolling camps. As a result, the objective of providing alternative sources of energy in villages in buffer zone of STR remained unfulfilled and the allotment of ₹ 1.60 crore was contrary to the directions of the HLMC.

On this being pointed out, Government stated (October 2013) that the HLMC approved the agenda proposed by Forest Department to take up the work of development of alternative source of energy in buffer areas of the National Park on priority basis but there was no restriction of other works.

The reply is not in order since incurring expenditure on Government buildings was in deviation from the objective for which the fund was provided, by the HLMC.

- ***Human Resource Development activities-training of forest officials***

Out of ₹ 30.65 crore provided to Forest Department, the HLMC approved (August 2012) the proposal of ₹ two crore for the year 2012-13 for Human Resource Development (HRD) activities, to be utilised on training of Rangers and Subordinate Staff of Forest Department. The amount was allotted to the APCCF (HRD) in August 2012. We noticed (June 2013) that the entire amount remained unutilised up to February 2013 due to lack of trainees and place for imparting training. Out of this unutilised amount, the Department provided (February 2013) ₹ 1.35 crore to the Forest Development Committee (FDC) for maintenance and development of forest and ₹ 65 lakh to Eco-tourism Board (Board) for providing alternative source of energy. Thus, the proposal of training was submitted to HLMC without proper planning resulting in non-utilisation of allotment and diversion of funds for other activities.

Government stated (October 2013) that the approved activities would be done in next financial years. Fact remains that the XIII FC grants were not utilized for the intended purpose during the year 2012-13.

1.3.5 Foregone revenue

The details of evasion of revenue as on 31 March 2013 as reported by the Departments of Taxes on Sales, Trade etc., State Excise and Stamps and Registration are given in **Table 1.12**.

Table: 1.12 Evasion of tax

Sl. No.	Nature of revenue	No. of cases pending as on 31 March 2012	No. of cases detected during 2012-13	Total No. of cases	No. of cases in which assessments/investigations completed and additional demand including penalty etc. raised		No. of pending cases as on 31 March 2013
					No. of cases	Amount (₹ in crore)	
1.	Taxes on Sales,Trade etc.	253	239	492	220	122.81	267[11]
2.	State Excise	29	NIL	29	NIL	NIL	29
3.	Stamps and Registration fees	13,685	10,734	24,419	8,025	32.20	16,394

(Source: Information obtained from concerned departments)

[11] *The Department did not furnish any reason for difference of five cases in closing balance.*

Thus, there was increase in the number of pending cases relating to taxes on sales, trade etc, and stamps and registration fees.

1.4 Capital Receipts

The trends in growth and composition of Capital Receipts are presented in **Table 1.13**.

Table 1.13: Trends in growth and composition of receipts

(₹ in crore)

Sources of State's Receipts	2008-09	2009-10	2010-11	2011-12	2012-13
Capital Receipts (CR)	6,632	8,651	7,861	15,899	8,864
Miscellaneous Capital Receipts	24	22	367	23	31
Inter-State Settlement	1	3	2	3	9
Recovery of Loans and Advances	54	23	34	9123	33
Public Debt Receipts	6,553	8,603	7,458	6,750	8,791
Rate of growth of debt capital receipts (*per cent*)	94.39	31.28	-13.31	-9.49	30.24
Rate of growth of non-debt capital receipts (*per cent*)	-33.05	-39.24	739.58	2,170.22	-99.20
Rate of growth of GSDP (*per cent*)	22.17	15.57	14.13	19.02	16.85
Rate of growth of CR (*per cent*)	90.08	30.44	-9.13	102.25	-44.25

(Source: Finance Accounts)

1.4.1 Proceeds from disinvestment

As per Finance Account 2012-13, disinvestment of Co-operative Societies/ Banks under Miscellaneous Capital Receipts marginally decreased from ₹ 22.62 crore in 2011-12 to ₹ 21.45 crore in 2012-13.

1.4.2 Recoveries of loans and advances

The recovery of Loans and Advances of ₹ 32.53 crore during the year was lower than the Budget Estimates (₹ 99.48 crore). The significant decrease of ₹ 9,090 crore in actual recovery over the previous year was mainly under loans for power projects. Recovery of loans was abnormally high in 2011-12 mainly due to recovery of loans from Electricity Distribution Company for Working Capital (₹ 7,351 crore), short term loans to MPSEB for working capital (₹ 4.94 crore) and strengthening of sub-transmission and distribution system (₹ 6.42 crore).

1.4.3 Public Debt Receipts

Public Debt Receipts consisted of Internal Debts and Loans from GoI. During 2012-13, Public Debt Receipts were increased mainly under Internal Debt.

- ***Debt receipts from internal sources***

Internal Debt receipts increased by ₹ 1,516 crore from ₹ 5,718 crore in 2011-12 to ₹ 7,234 crore in 2012-13, mainly due to increase under Market Loans and special securities issued to NSSF of Central Government.

- ***Loans and Advances from GoI***

Loans and Advances from GoI increased by ₹ 524.71 crore from ₹ 1,032.60 crore in 2011-12 to ₹ 1,557.31 crore in 2012-13, entirely under Loans for State Plan Scheme.

1.5 Public Accounts Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc. which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State legislature. Here the Government acts as a banker. The balance after disbursements is the fund available with the government for use.

The trends in respect of Public Account Receipts during 2008-13 are presented in **Table 1.14**.

Table 1.14: Trends in Public Account Receipts

(₹ in crore)

Resources under various heads	2008-09	2009-10	2010-11	2011-12	2012-13
Public Account Receipts	**46,460**	**52,353**	**65,675**	**76,315**	**86,248**
a. Small Savings, Provident Fund etc.	1,387	1,512	1,737	2,033	2,319
b. Reserve Fund	599	764	1,191	1,534	2,441
c. Deposits and Advances	7,911	9,334	9,724	9,872	6,502
d. Suspense and Miscellaneous	27,446	31,457	41,810	50,620	59,819
e. Remittances	9,117	9,286	11,213	12,256	15,167

(Source: Finance Accounts)

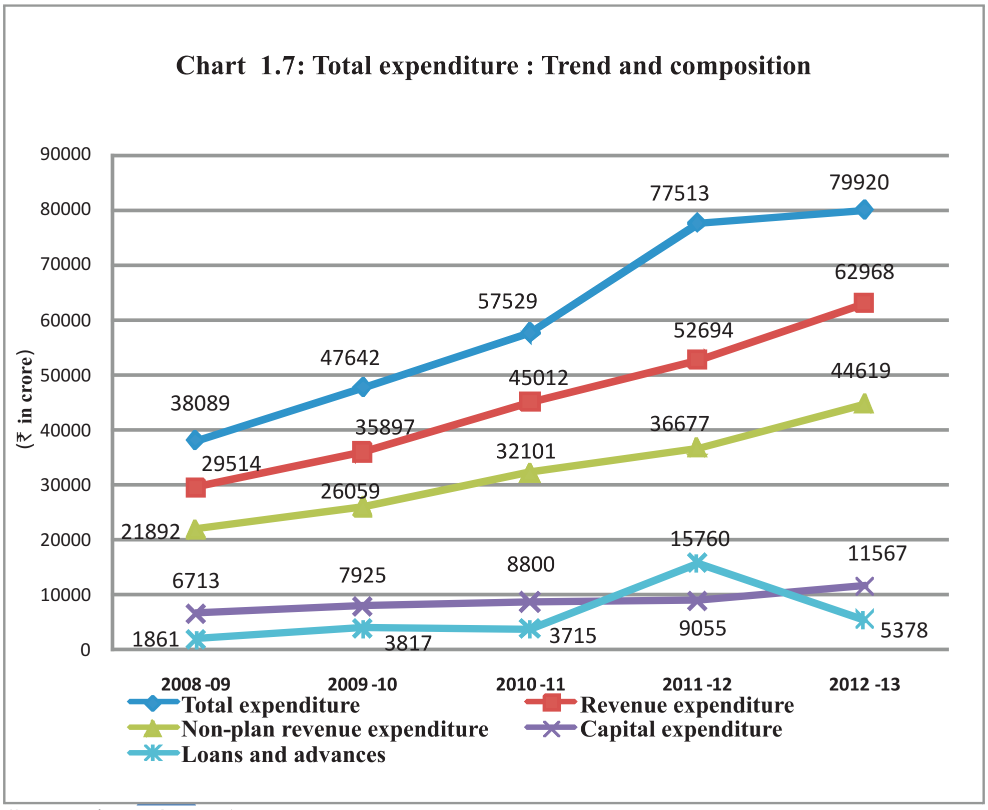
Public Account Receipts increased by ₹ 9,933 crore (13 *per cent*) from ₹ 76,315 crore in 2011-12 to ₹ 86,248 crore in 2012-13. The increase was mainly under Suspense and Miscellaneous (by 18 *per cent*) and Remittances (by 24 *per cent*) partly offset by decrease under Deposits and Advances (by 34 *per cent*).

1.6 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, however, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of the expenditure directed towards development of social sector.

1.6.1 Growth and composition of Expenditure

Chart 1.7 presents the trends in total expenditure (excluding Public Debt repayments) over a period of the last five years (2008-13). Expenditure under various components is depicted in **Chart 1.8** and the trend of expenditure by activities/services is shown in **Chart 1.9.**



(Source : Finance Accounts)

The total expenditure of the State increased by ₹ 41,831 crore (110 *per cent*) during 2008-13. The Capital Expenditure and Revenue Expenditure increased by ₹ 4,854 crore (72 *per cent)* and ₹ 33,454 crore (113 *per cent)* respectively during the same period.

The share of Revenue Expenditure in Total Expenditure increased from 77 *per cent* in 2008-09 to 79 *per cent* in 2012-13 with inter-year variations. The share of Capital expenditure in total expenditure decreased from 18 *per cent* in 2008-09 to 12 *per cent* in 2011-12 and then increased to 14 *per cent* in 2012-13. During 2012-13, the Non-Plan Revenue Expenditure increased by ₹ 7,942 crore over the previous year. The total Plan expenditure[12] during 2012-13 increased by ₹ 5,310 crore and the total Non-Plan expenditure[13] decreased by ₹ 2,906 crore over the previous year. The Plan expenditure and Non-Plan expenditure during 2012-13 consisted 39 *per cent* and 61 *per cent* respectively of Total Expenditure.

The increase of ₹ 2,407 crore in total expenditure (by three *per cent*) during 2012-13 over 2011-12 was mainly due to increase of ₹ 10,274 crore (19 *per cent*) in Revenue Expenditure and ₹ 2,512 crore (28 *per cent*) in Capital Expenditure, partly offset by decrease of ₹ 10,382 crore (66 *per cent*) under Loans and Advances.

The increase in Capital Expenditure was mainly due to increase in Irrigation and Flood Control (by ₹ 951 crore), Rural Development (by ₹ 477 crore), Transport (by ₹ 387 crore), Agriculture and Allied Activities (by ₹ 218 crore),

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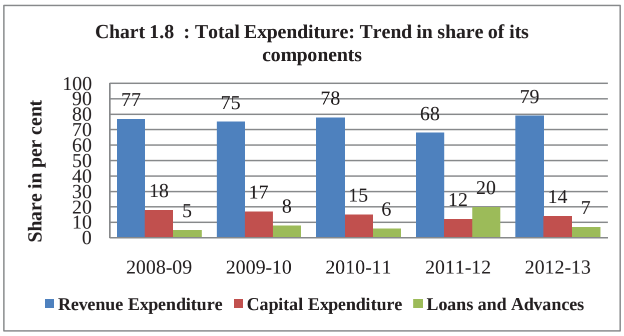
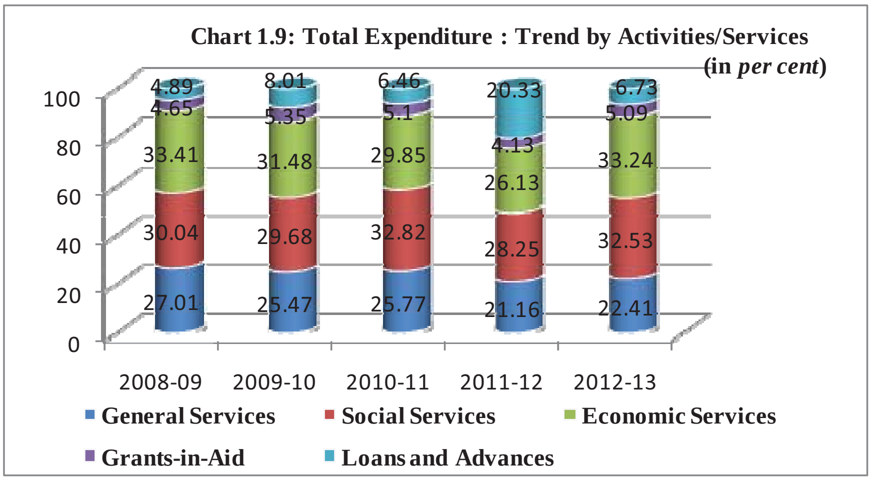
[12] *Includes Plan Expenditure under Revenue, Capital and Loans & Advances*
[13] *Includes Non-Plan Expenditure under Revenue, Capital and Loans & Advances*

Capital Outlay on Energy (by ₹ 201 crore), Industry and Minerals (by ₹ 174 crore) partly offset by decrease in Social Welfare and Nutrition (by ₹ 99 crore) and Education, Sports, Art & Culture (by ₹ 25 crore).

In 2012-13, 88 *per cent* of the Total Expenditure (₹ 79,920 crore) could be met out of Revenue Receipts (₹ 70,427 crore).



(Source: Finance Accounts)



(Source: Finance Accounts)

- The share of expenditure under General Services (including Interest Payments), considered as non-developmental expenditure, to total expenditure declined from 27.01 *per cent* in 2008-09 to 22.41 *per cent* in 2012-13, while the share of expenditure under Social Services increased from 30.04 *per cent* in 2008-09 to 32.53 *per cent* in 2012-13 with inter-year variations. The share of Economic Services indicated a decreasing trend from 33.41 *per cent* in 2008-09 to 26.13 *per cent* in 2011-12 and then increased to 33.24 *per cent* in 2012-13. The development expenditure comprising Social and Economic Services together increased from 63.45 *per cent* in 2008-09 to 65.77 *per cent* in 2012-13.

- The share of Grants-in-aid increased from 4.13 *per cent* in 2011-12 to 5.09 *per cent* in 2012-13.

- The share of Loans and Advances in Total Expenditure ranged between 4.89 *per cent* and 20.33 *per cent* during 2008-13. During 2012-13, it was 6.73 *per cent* of total expenditure.

1.6.2 Capital Expenditure

- Capital Expenditure increased from ₹ 6,713 crore in 2008-09 to ₹ 11,567 crore in 2012-13 indicating average annual growth rate of 14.5 *per cent* over the period. During 2012-13 increase was ₹ 2,512 crore (by 28 *per cent*) over the previous year. During 2012-13, 99.79 *per cent* of the total Capital Expenditure was Plan Capital Expenditure (₹ 11,543 crore) which increased by ₹ 2,520 crore from the level of ₹ 9,023 crore in 2011-12. The increase in Plan Capital expenditure was mainly under Economic services in Rural Development (by ₹ 477 crore), Irrigation and flood control (by ₹ 951 crore), Energy (by ₹ 201 crore) and Transport (by ₹ 387 crore).

1.6.3 Trends in growth of Revenue Expenditure

- The Revenue Expenditure of the State increased from ₹ 29,514 crore in 2008-09 to ₹ 62,968 crore in 2012-13, showing an average annual growth of 22.6 *per cent* over the period. Total increase of Revenue Expenditure during 2012-13 was ₹ 10,274 crore (19.50 *per cent*) over the previous year. Of these, increase under Non-Plan Revenue Expenditure (NPRE) amounted to ₹ 7,942 crore (77 *per cent*) while increase under Plan Revenue Expenditure amounted to ₹ 2,332 crore (23 *per cent*).

- The actual NPRE was much higher (by 39.83 *per cent*) than the assessment made by the XIII FC, but it was almost equal to the assessment made by State Government in MTFPS, as shown **in Table 1.15**.

Table 1.15: Trends in the growth of Non-Plan Revenue Expenditure

(₹ in crore)

Year	Assessments made by XIII FC	Assessments made by State Government in MTFPS	Actual NPRE
2012-13	31,909	44,597	44,619

(Source :Finance Accounts and XIII FC Recommendations and Statement laid under F.R.B.M. Act)

- NPRE increased from ₹ 21,892 crore in 2008-09 to ₹ 44,619 crore in 2012-13 showing an average annual growth of 20.80 *per cent* over the period. NPRE increased (by 21.65 *per cent)* over the previous year. Presently, NPRE constitutes 71 *per cent* of total Revenue Expenditure.

- The increase in NPRE (by ₹ 7,942 crore) during 2012-13 was mainly due to increase in expenditure on General Education (by ₹ 1,252 crore), Power (by ₹ 1,096 crore), Agriculture and Allied Activities (by ₹ 877 crore), Non-ferrous Mining and Metallurgical Industries (by ₹ 815 crore), Compensation and assignment to Local Bodies and Panchayati Raj Institutions (by ₹ 673 crore), Pension and other retirement benefits (by ₹ 558 crore) and Water supply, Sanitation, Housing & Urban Development (by ₹ 517 crore).

- The Plan Revenue Expenditure (PRE), which consistently increased during the period 2008-13, increased by ₹ 2,332 crore (14.56 *per cent)* during 2012-13 over previous year. The increase in PRE over 2011-12 was mainly under Water supply, Sanitation, Housing and Urban Development (by ₹ 685 crore), Social Welfare and Nutrition (by ₹ 568 crore), Welfare of SC, ST and OBC (by ₹ 430 crore), Rural Development (by ₹ 529), Health and Family Welfare (by ₹ 413 crore) partly offset by decrease under Education, Sports, Art and Culture (by ₹ 247 crore).

1.6.4 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.16** and **Chart 1.10** present the trends of expenditure on these components during the period 2008-13.

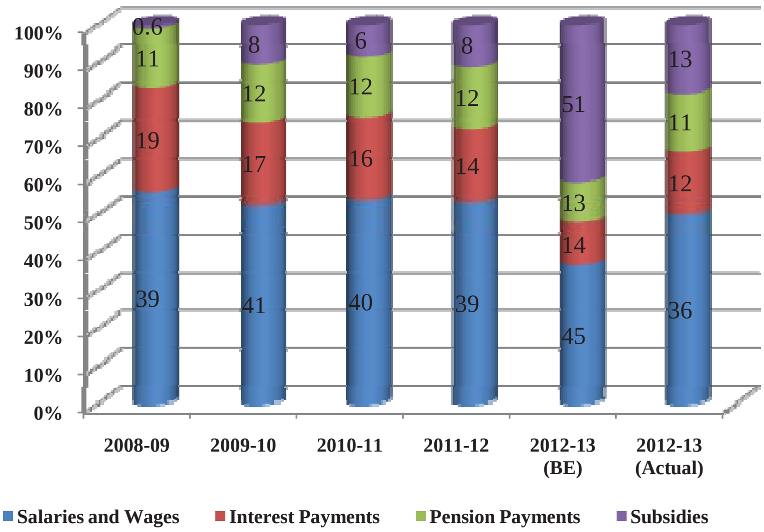
Table 1.16: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13	
					BE	Actuals
Salaries and Wages, Of which	8,547 (25.45)	10,678 (25.80)	13,100 (25.26)	14,113 (22.54)	19,901	16,026 (22.76)
Non-Plan Head	*7,660*	*9,406*	*11,490*	*12,274*	---	*14,133*
*Plan Head***	*887*	*1,272*	*1,610*	*1,839*	---	*1,893*
Interest Payments	4,192 (12.48)	4,454 (10.76)	5,049 (9.74)	5,300 (8.47)	6,275	5,574 (7.91)
Pension Payments	2,433 (7)	3,077 (7)	3,767 (7.26)	4,389 (7.01)	5,826	4,947 (7.02)
Subsidies	132 (0.39)	2,033 (4.91)	1,810 (3.49)	2,926 (4.67)	22,768	5,697 (8.09)
Total	**15,304 (46)**	**20,242 (49)**	**23,726 (46)**	**26,728 (43)**	**54,770 (78)**	**32,244 (46)**

Note: Figures in parentheses indicate percentage of Revenue Receipts
***** Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes.***
(Source: Finance Accounts and VLC data)

Chart 1.10: Share of expenditure on Salaries and Wages, Pension Payments, Interest Payments and Subsidies in Non-Plan Revenue Expenditure during 2008-13 (in *per cent*)



(Source: Finance Accounts, data compiled by AG (A&E) Madhya Pradesh and Budget documents)

During 2012-13, total expenditure on Salaries and Wages, Pension Payments, Interest Payments and Subsidies (₹ 32,244 crore) was 51 *per cent* of Revenue expenditure and 72 *per cent* of NPRE. The overall expenditure on Salaries and Wages, Pension Payments, Interest Payments and Subsidies increased by 111 *per cent* during the period 2008-13, at an average annual growth of 22.2 *per cent*. The increase was 20.64 *per cent* during 2012-13 as compared to 12.65 *per cent* during 2011-12. As a percentage of Revenue Receipts, it ranged between 43 and 49 *per cent* during the period 2008-13. During 2012-13, it constituted 46 *per cent* of the Revenue Receipts and was less than the Budget estimates. The component-wise analysis is given as under:

Salaries and Wages

- The expenditure on salaries and wages increased by 87 *per cent* from ₹ 8,547 crore in 2008-09 to ₹ 16,026 crore in 2012-13. Expenditure on salaries and wages as a percentage of Revenue Receipts ranged between 22.54 *per cent* and 25.80 *per cent* during the period 2008-13.

- There was an increase of 15 *per cent* in expenditure on salaries and wages under the Non-Plan head during 2012-13 over the previous year. Actual expenditure on salaries and wages of ₹ 16,026 crore in 2012-13 was less than the projections in the BE (₹ 19,901 crore).

Pension Payments

- Expenditure on Pension payments increased from ₹ 2,433 crore in 2008-09 to ₹ 4,947 crore in 2012-13. The increase during 2012-13 over the previous year was ₹ 558 crore (by 13 *per cent*) mainly on account of increase under superannuation and retirement allowances (by ₹ 270 crore), gratuities (by ₹ 135 crore), Family Pensions (by ₹ 58 crore) and Government Contribution for defined Contribution Pension Scheme (by ₹ 32 crore).

- Actual pension payment at ₹ 4,947 crore in 2012-13 was 15.09 *per cent* less than the BE of ₹ 5,826 crore and 39.39 *per cent* more than ₹ 3,549 crore as projected by the XIII FC.

Interest payments

- Interest payment during the period 2008-09 to 2012-13 is given in **Table 1.17.**

Table 1.17: Interest Payments

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Interest payment	4,192	4,454	5,049	5,300	5,574

- Interest payments of ₹ 5,574 crore during 2012-13 accounted for 7.91 *per cent* of the revenue receipts and constituted 8.85 *per cent* of revenue expenditure. Interest payments were mainly on Special Securities issued to National Small Saving Fund (NSSF) of the Central Government (₹ 1,770 crore), market loans (₹ 1,694 crore), loans borrowed from the Central Government (₹ 662 crore), State Provident Fund (₹ 947 crore) and other internal debt (₹ 395 crore).
- The increase of ₹ 274 crore in interest payment during 2012-13 over the previous year was the result of increase under interest on special securities issued to NSSF of Central Government (by ₹ 295 crore), interest on other obligations (by ₹ 84 crore), interest on market loans (by ₹ 34 crore), partly offset by decrease mainly under interest on State provident funds (by ₹ 103 crore) and interest on other internal debts (by ₹ 31 crore).
- Interest payments of ₹ 5,574 crore during the year were less than both the BE of ₹ 6,275 crore and the projection (₹ 6,366 crore) made by the XIII FC for 2012-13.

Subsidies

- Subsidy payment of ₹ 5,697 crore (Non-plan: ₹ 4,148 crore and Plan: ₹ 1,549 crore) accounted for 8.09 *per cent* of the Revenue Receipts and constituted 9.05 *per cent* of the Revenue Expenditure during 2012-13. The details of subsidies in Non- plan and Plan Revenue Expenditure are presented in **Appendix-1.7**.
- During 2012-13, out of the total subsidies of ₹ 5,697 crore, ₹ 2,673 crore (47 *per cent*) was mainly under the Energy Department.
- The increase in the amount of subsidy (by ₹ 2,771 crore) in 2012-13 over the previous year was mainly due to increase in subsidy of Food and Civil supply (by ₹ 1,453 crore), Rural Development (by ₹ 71 crore), Public Relation (by ₹ 100 crore).

1.6.5 Financial Assistance by State Government to Local Bodies and other institutions

The quantum of assistance provided by way of Grants and Loans to Local Bodies and other institutions during three years period 2010-13 is presented in **Table 1.18**.

Table 1.18: Financial Assistance to Local Bodies and other institutions

(₹ in crore)

Financial assistance to institutions	2010-11	2011-12	2012-13
Educational Institutions	1,481.13	2,107.33	2,520.24
Medical Health and Public Health	623.35	753.28	564.11
Housing	156.36	201.04	267.98
Urban Development	579.60	778.14	1,008.92
Welfare of SC/ST/OBC	277.68	353.58	404.78
Social Security and Welfare	644.37	671.01	880.75
Rural Development	768.21	711.40	464.38
Rural Employment	227.99	336.50	282.00
Panchayati Raj	3,966.17	4,446.96	2,258.54
Water Supply and Sanitation	160.08	111.04	178.57
Other Institutions	232.12	360.02	4,656.77
Total	**9,117.06**	**10,830.30**	**13,487.04**
Assistance as a percentage of Revenue Expenditure	**20.25**	**20.55**	**21.42**

(Source: VLC data of Accountant General (A&E), Madhya Pradesh)

- Financial assistance to Local Bodies and other institutions increased by ₹ 2,656.74 crore from ₹ 10,830.30 crore in 2011-12 to ₹ 13,487.04 crore in 2012-13. The increase was mainly on account of financial assistance to Educational Institutions (by ₹ 412.91 crore: 20 *per cent*) and Urban Development (by ₹ 230.78 crore: 30 *per cent*).

- The assistance as a percentage of Revenue Expenditure marginally increased from 20.55 *per cent* in 2011-12 to 21.42 *per cent in* 2012-13.

1.6.5.1 Devolution of Funds and Auditing Arrangements of Local Bodies

(a) Urban Local Bodies

After the 74th Constitution Amendment Act, 1992, the Urban Local Bodies (ULBs) were made full fledged and vibrant institutions of Local Self Government by vesting them with clearly defined functions and responsibilities. Accordingly, the State Government organised these institutions into three types of ULBs namely Municipal Corporations for larger urban areas, Municipal Councils for smaller urban areas and Nagar Parishads for a transitional areas.

There are 377 ULBs (14 Municipal Corporations, 100 Municipal Councils and 263 Nagar Parishads) in the State which are governed by elected bodies.

Transfer of Funds, Functions and Functionaries

- Article 243W of 74th Constitutional Amendment Act, 1992 envisages that the powers authority and responsibilities of Municipalities subject to the provisions of this Constitution, the Legislature of State may, by law, endow- the Municipalities with such powers and authority as may be necessary to enable them to function as institutions of self government and such law may contain provision for devolution of powers and responsibilities upon Municipalities, subject to such conditions as may be specified therein. According to 74th amendment, 18 functions were to be devolved to ULBs.

- The State Government devolved all 18 functions (enshrined in Twelfth schedule of the Constitution) to ULBs as detailed in **Appendix-1.8** and these functions are managed by ULBs concerned. However, no separate funds and functionaries have been transferred (July 2013).

Devolution of Grants to ULBs

- The Third State Finance Commission (SFC) recommended (accepted by State Government in February 2010) that one *per cent* of divisible fund[14] of the State Government should be devolved to ULBs.
- During the year 2012-13, the devolution of SFC grants, as shown in **Table 1.19** was made by Finance Department of Madhya Pradesh to ULBs.

Table 1.19: Devolution of grants

(₹ in crore)

Year	Divisible fund of State Government	Grant was to be devolved to ULBs	Grant actually devolved to ULBs
2012-13	20,240.70	202.41	202.41

Thus, no less devolution was made during the year 2012-13.

Revenue generated from Own resources

- Details of receipts and expenditure of ULBs from their own sources were sought from Urban Administration and Development Department (UADD) in July 2013. The Commissioner (UADD) stated (July 2013) that the same would be collected and furnished to Audit, but information is still awaited (October 2013).

Audit arrangements

- As per recommendations of the Eleventh Finance Commission (EFC), audit by Director Local Fund Audit (DLFA) has been brought (November 2001) under the Technical Guidance and Supervision (TGS) of the Comptroller and Auditor General of India (C&AG). According to TGS arrangement, the DLFA would pursue the compliance of paragraphs in the inspection reports of the Accountant General (Audit) in the same manner as if these are his own reports.
- The records of 57 ULBs including nine Municipal Corporations were test checked by the Principal Accountant General during 2012-13 and inspection reports were sent to DLFA for technical guidance. 5606 observations (including 603 observations issued during 2012-13) were outstanding at the end of 2012-13.
- Para 10.121 of the recommendations of the XIII FC envisages that the State Government must put in place an audit system for all Local Bodies and the C&AG be entrusted with the TGS of all Local Bodies in the State. Further, the Annual Technical Inspection Report (ATIR) of C&AG as well as the Annual Report of the Director of Local Fund Audit (DLFA) should be placed before the State Legislature. Accordingly, the State Government amended the Madhya Pradesh Municipal Corporation Act, 1956 and Madhya Pradesh Municipalities Act, 1961 in January 2012 comprising the provisions for audit by DLFA at the State level to whom the C&AG shall give technical guidance and supervision over the audit of Municipal Corporations and Municipal Councils, and, laying of Annual Report of DLFA in the State Legislature. The status of Annual Report of DLFA was sought in September 2013 and was awaited (October 2013).

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14 *Divisible Fund means total tax revenue of previous year minus ten percent of expenditure for collection of taxes and deduction of assigned revenue to PRIs and ULBs.*

(b) Panchayati Raj Institutions

To promote greater autonomy at the grass root level and to involve people in identification and implementation of development programmes involving Gram Sabhas, the 73rd Constitutional Amendment Act, 1992 was promulgated. According to the provisions of Article 243 G of the Constitution, a State Legislature may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provision for the devolution of powers and responsibility upon the Panchayat at the appropriate level.

Consequently, a three-tier system of Panchayati Raj Institutions (PRIs)[15] was established in the State. There are 50 Zilla Parishads (ZPs), 313 Janpad Panchayats (JPs) and 23006 Gram Panchayats (GPs) in the State.

Transfer of Funds, Functions and Functionaries

- Article 243G of 73rd Constitutional Amendment Act, 1992 envisages that the powers, authority and responsibilities of Panchayats subject to the provisions of this Constitution, the Legislature of State may, by law, endow- the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self government and such law may contain provision for devolution of powers and responsibilities upon Panchayats, subject to such conditions as may be specified therein. According to 73rd amendment, 29 functions (enshrined in Eleventh schedule of the Constitution) were to be devolved to PRIs. None of the functions have been devolved by State Government to PRIs.

Devolution of Grants to PRIs

- The Third State Finance Commission (SFC) recommended (accepted by State Government in February 2010) that four *per cent* of divisible fund[16] of the State Government should be devolved to PRIs.

- During the year 2012-13, the devolution of SFC grants made by the Finance Department to PRIs is shown in **Table 1.20**.

Table 1.20: Devolution of grants to PRIs

(₹ in crore)

Year	Divisible fund of State Government	Grant was to be devolved	Grant actually devolved
2012-13	20,240.70	809.62	809.62

Audit arrangements

- As per recommendations of the Eleventh Finance Commission (EFC), audit by DLFA has been brought (November 2001) under the TG&S of the C&AG. According to TGS arrangement, the DLFA would pursue the compliance of paragraphs in the inspection reports of the Accountant General (Audit) in the same manner as if these are his own reports. The records of 604 PRIs (ZPs: 33, JPs:117 and GPs: 454) were test checked by the Principal Accountant General during 2012-13 and inspection reports were sent to DLFA for technical guidance. A total of 20933 observations (including 3674 observations issued during 2012-13) were outstanding at the end of 2012-13.

15 Zila Panchayat for a district, Janpad Panchayat for a block and Gram Panchayat for a village

16 Divisible Fund means total tax revenue of previous year minus ten percent of expenditure for collection of taxes and deduction of assigned revenue to PRIs and ULBs.

- Para 10.121 of the recommendations of XIII FC envisage that State Government must put in place an audit system for all local bodies (all tiers of PRIs). The C&AG must be given TG&S for all the local bodies in a State at every tier and his Annual Technical Inspection Report as well as the Annual Report of Director/Commissioner of Local Fund Audit (DLFA) must be placed before the State Legislature. Accordingly, the MP *Panchayat Raj Avam Gram Swaraj Adhiniyam*, 1993 was amended in July 2011 comprising the provisions for audit by DLFA at the State level to whom the C&AG shall give technical guidance and supervision over the audit of Panchayats, and, laying of Annual Report of DLFA in the State Legislature. The status of first Annual Report of DLFA was sought (September 2013). Reply was awaited (November 2013).

1.7 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects *viz*., adequacy of expenditure (i.e. adequate provisions for providing public services), efficiency of expenditure use and its effectiveness (assessment of outlay-outcome relationships for selected services).

1.7.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to the social and economic infrastructure assigned to the State Government are largely State subjects. Enhancing human development levels require the States to step up their expenditure on key social services like, education, health, etc. Low fiscal priority (ratio of expenditure category to aggregate expenditure) can be stated to have been attached to a particular sector if the priority given to that particular head of expenditure is below the General Category States' average for that year.

Table 1.21 analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure relative to General Category States' average in 2009-10 and the current year 2012-13.

Table 1.21: Fiscal priority of the State in 2009-10 and 2012-13

(in *per cent*)

Fiscal Priority by the State	AE/GSDP	DE#/AE	SSE/ AE	CE/AE	Expenditure on Education/ AE	Expenditure on Health/AE
*General Category States Average (Ratio) 2009-10	17.06	66.05	35.73	14.96	16.19	4.24
Madhya Pradesh's Average (Ratio) 2009-10	24.50	69.08	30.10	16.63	13.65	3.49
*General Category States Average (Ratio) 2012-13	15.93	65.79	32.77	13.23	17.23	4.47
Madhya Pradesh's Average (Ratio) 2012-13	22.09	72.44	32.69	14.47	13.82	4.14

*** General Category States excluding Delhi, Goa and Puducherry**
AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure ,CE: Capital Expenditure
 # Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.
Source: For GSDP, the information was collected from the State's Directorate of Economics and Statistics.

Comparative analysis revealed the following:

- Madhya Pradesh spent a higher proportion of its GSDP on Aggregate Expenditure during 2009-10 and 2012-13 as compared to General Category States.
- Development Expenditure as a proportion of Aggregate Expenditure in Madhya Pradesh during 2009-10 and 2012-13 has also been higher than the General Category States Average.
- Development Expenditure consists of both Economic Services Expenditure and Social Sector Expenditure. However, Social Sector Expenditure (as a proportion of Aggregate Expenditure) in Madhya Pradesh during 2009-10 and 2012-13 and also has been lower than that of the average of General Category States. Further, during both the years priority given to Health as well as to Education sectors was not adequate, since smaller proportion of expenditure was incurred on these two sectors as compared to General Category States' Average.
- It was observed that Capital Expenditure as a percentage of Aggregate Expenditure in Madhya Pradesh was higher than that of General Category States' Average during the years 2009-10 and 2012-13.

1.7.2 Efficiency of expenditure use

In view of the importance of public expenditure on development heads from the point of view of Social and Economic Development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of Core Public and Merit goods[17]. Apart from improving the allocation towards Development Expenditure[18], particularly in view of the fiscal space being created on account of the decline in debt servicing in the recent years, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure to Total Expenditure (and/or GSDP) and the proportion of Revenue Expenditure being spent on Operation and Maintenance of the existing Social and Economic Services. The higher the ratio of these components to the Total Expenditure (and/or GSDP), the better would be the quality of expenditure.

Table 1.22 provides the details of Capital Expenditure and the components of Revenue Expenditure incurred on maintenance of selected Social and Economic Services.

[17] *Core public goods are goods which all citizens enjoy in common, in the sense that each individual's consumption of such goods leads to no subtractions from any other individual's consumption of those goods, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc.*

Merit goods are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept of need, rather than the ability and willingness to pay the Government and therefore, wishes to encourage their consumption. Examples of such goods include the provision of free or subsidised food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

[18] *The analysis of expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorized into Social Services, Economic Services and General Services. Broadly, the Social and Economic Services constitute development expenditure, while expenditure on General Services is treated as non-development expenditure.*

Table 1.22: Efficiency of Expenditure Use in Selected Social and Economic Services

(in *per cent)*

Social/Economic Infrastructure	2011-12			2012-13		
	Share of CE to TE	In concerned sector of RE, the share of		Share of CE to TE	In concerned sector of RE, the share of	
		S &W	O&M		S &W	O&M
Social Services (SS)						
Education, Sports, Art and Culture	1.72	53.39	0.08	1.33	53.57	0.16
Health and Family Welfare	5.50	65.09	0.19	5.36	57.02	0.22
Water Supply, Sanitation, Housing and Urban Development	27.71	11.97	9.38	22.44	8.76	6.37
Other Social Services	7.98	10.02	0.06	5.81	9.29	0.08
Total (SS)	**7.26**	**37.75**	**0.92**	**6.20**	**35.15**	**0.84**
Economic Services (ES)						
Agriculture and Allied Activities	2.31	34.21	0.19	5.18	30.50	0.17
Irrigation and Flood Control	83.53	67.61	5.76	85.57	68.19	4.79
Power and Energy	5.64	0.01	0.79	14.29	0.01	0.28
Transport	65.96	7.43	59.11	62.35	5.95	69.42
Other Economic Services	19.60	9.88	1.41	12.61	3.96	1.39
Total (ES)	**20.32**	**20.48**	**5.03**	**30.66**	**17.12**	**6.58**
Total (SS+ES)	**15.35**	**31.02**	**2.52**	**19.63**	**27.79**	**2.19**

TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations and Maintenance

(Source: Finance Accounts and information furnished by A G (A&E), Madhya Pradesh)

Table 1.22 reveals that under Social Services, share of Capital Expenditure to Total Expenditure decreased from 7.26 *per cent* in 2011-12 to 6.20 *per cent* in 2012-13. However, under Economic Services, the share increased from 20.32 *per cent* in 2011-12 to 30.66 *per cent* in 2012-13.

- The decrease in share of Capital Expenditure under Social Services was mainly under the sector Water supply, Sanitation, Housing and Urban Development while the increase in the share of Capital Expenditure under Economic Services was mainly under the sectors Energy and Agriculture and Allied Activities. This indicated that priority for Capital Expenditure under social sector needs to be improved.
- In Revenue Expenditure, the share of salaries and wages under Social and Economic Services togather decreased from 31.02 *per cent* in 2011-12 to 27.79 *per cent* in 2012-13. In case of O&M also, expenditure decreased from 2.52 *per cent* in 2011-12 to 2.19 *per cent* in 2012-13, mainly under Water Supply, Sanitation, Housing & Urban Development and Irrigation and Flood Control. This indicated improvement in fiscal situation.
- We observed that during the decade 2003-04 to 2011-12, the Compound Annual Growth Rate (CAGR) of revenue expenditure on Health sector in case of Madhya Pradesh was less than that of other General Category States, while on Education it was higher than that of General Category States. This indicated that the expenditure on Health sector needed to be increased **(Appendix 1.1)**.

1.8 Financial analysis of Government Expenditure and Investments

In the post-FRBM framework, the Government is expected to keep its fiscal deficit (borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, the State Government needs to initiate measures to earn adequate return on its investments and recover cost of borrowed funds rather than bearing the same in its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the 2012-13 *vis-à-vis* previous years.

1.8.1 Incomplete projects

We observed that no information in respect of incomplete projects was received from the State Government for incorporation in the Finance Accounts for the years 2008-09 to 2012-13. However, based on the information collected from the Department of Water Resources (WR), the position of some incomplete projects, as on 31 March 2013, each costing above ₹ one crore is given in **Table 1.23**.

Table 1.23: Position of Incomplete Projects as on 31 March 2013

(₹ in crore)

Particulars	Number of incomplete projects	Initial budgeted cost	Revised total cost of projects	Cumulative actual expenditure	Cost overrun
Water Resources Department, Madhya Pradesh					
Incomplete projects in which initial budgeted cost revised	24	1,164.02	3,231.94	1,787.73	2,067.92
Incomplete projects in which initial budgeted cost have not been revised	25	821.20	821.20	595.08	--
Incomplete projects in which initial budgeted cost have not been revised but actual expenditure exceeded initial budgeted cost	06	19.51	19.51	29.72	10.21
Total	**55**	**2,004.73**	**4072.65**	**2,412.53**	**2,078.13**

(Source: Information obtained from the concerned department)

The above categories of projects are listed in **Appendix 1.9(A) to 1.9 (C)**.

The reasons for non-completion of these projects of Water Resources Department are delay in land acquisition, revision of schedule of rates, work not being done by contractors, delay in rehabilitation and resettlement and slow progress by agency etc.

1.8.2 Investment and returns

The Government invested ₹ 14,656.50 crore in Statutory Corporations (26), Government Companies (34), Joint Stock Companies and Partnerships (23), Banks (one) and Co-operative, Societies (130) etc. as of 31 March 2013 **(Table 1.24)**. The average return on these investments was 0.37 *per cent* during the period 2008-13 while the Government paid an average rate of interest (6.89 *per cent*) on the borrowings during the same period.

Table 1.24: Return on Investments

(₹ in crore)

Investment/return/cost of borrowings	2008-09	2009-10	2010-11	2011-12	2012-13
Investment at the end of the year (₹ in crore)	9,643.35	11,686.28	12,216.04	13,183.59	14,656.50
Return (₹ in crore)	69.05	49.75	32.20	37.98	18.38
Return *(per cent)*	0.72	0.43	0.26	0.29	0.13
Average rate of interest on Government borrowings *(per cent)*	7.24	6.94	7.04	6.74	6.48
Difference between interest rate and return *(per cent)*	6.52	6.51	6.78	6.45	6.35

(Source: Finance Accounts)

- Out of the total investment of ₹ 14,656.50 crore at the end of March 2013, ₹ 1,076.04 crore pertained to the composite State of Madhya Pradesh and was pending allocation between Madhya Pradesh and Chhattisgarh (Statutory Corporations: ₹ 411 crore; Government Companies: ₹ 180.49 crore; Co-operative Banks and Societies: ₹ 483.01 crore and Joint-Stock Companies and Partnerships: ₹ 1.54 crore).

- The return on these investments was 0.13 *per cent* in 2012-13, while the Government paid interest at the average rate of 6.48 *per cent* on its borrowings during 2012-13. Thus, return on Government investments was meagre as compared to cost of its borrowing.

1.8.3 Public Private Partnership (PPP) Projects

Recourse to the PPP mode for project financing is encouraged because it provides valuable fiscal space for the provision of public goods in areas where such financing may not be forthcoming. PPP projects in sectors that come under the purview of Government of Madhya Pradesh are Road, Energy, Water Supply, Other Urban Infrastructure, Tourism, Transport, Education, Warehousing and Logistics, Sports, Health Services, Information Technology and Dairy.

We observed that out of 209 PPP projects (involving ₹ 25,726.22 crore) initiated under various sectors as of September 2013, only 40 projects (19 *per cent*) costing ₹ 5,341.51 crore were completed. While 115 projects costing ₹ 13,709.74 crore were in progress, 54 others (cost: ₹ 6,674.97 crore) were not taken up. The details are given in **Appendix 1.10**.

1.8.4 Loans and advances by the State Government

In addition to investments in Co-operative societies, Corporations and Companies, the Government has also provided loans and advances to many of these institutions/organisations. **Table 1.25** presents the outstanding loans and advances as on 31 March 2013, interest receipts *vis-à-vis* interest payments during the last three years**.**

Table-1.25: Average interest received on Loans and Advances given by the State Government

(₹ in crore)

Quantum of loans/interest receipts/ cost of borrowings	2010-11	2011-12	2012-13	
			BE	Actual
Opening Balance of loans given	11,424	15,105	--	21,742
Amount advanced during the year	3,715	15,760	5,667	5,378
Amount repaid during the year	34	9,123	99	32
Closing Balance	15,105	21,742	--	27,088
Net addition	3,681	6,637	5,568	5,346
Interest received	21	1,200	202	42
Interest receipts as percentage of outstanding Loans and Advances	0.16	6.51	--	0.17
Interest payments as percentage of outstanding fiscal liabilities of the State Government.	7.04	6.74	--	6.48
Difference between interest payments and interest receipts (*per cent*)	6.88	0.23	--	6.31

(Source: Finance Accounts and Budget Estimate 2012-13))

- The total outstanding loans and advances as on 31 March 2013 was ₹ 27,088 crore**.** The interest received against these loans was ₹ 42 crore. Loans advanced to various State Government institutions were higher than the amount of loans recovered resulting in an increase in outstanding loans and advances.

- It was observed that 81 *per cent* (₹ 21,917 crore) of outstanding Loans and Advances as on 31 March 2013, pertained to Madhya Pradesh State Electricity Board (MPSEB) and its successor companies and another eight *per cent* was to be recovered from units engaged in Water Supply, Sanitation, Housing and Urban Development (₹ 2,259 crore), four *per cent* from those under Miscellaneous General Services (₹ 1,034 crore) and three *per cent* from those in Agriculture and allied activities (₹ 719 crore).
- Considering the average interest paid on borrowings at the rate of 6.48 *per cent* during 2012-13, the rate of interest received was very low at 0.17 *per cent* on Loans and Advances given by the Government.
- The significant decrease in disbursement of Loans and Advances was mainly in respect of loans to Public Sector and other undertakings (by ₹ 10,772 crore).
- During 2012-13, the significant decrease by ₹ 9,091 crore in actual recoveries over the previous year was mainly under loans for power projects.
- During 2012-13, interest received (₹ 42 crore) was less than the BE for 2012-13 (₹ 202 crore) and actuals for 2011-12 (₹ 1,200 crore), mainly due to non-receipt of interest from power projects.

1.8.5 Cash balances and Investment of Cash balances

Table 1.26 depicts the Cash Balances and Investments made by the State Government out of the Cash Balances during the year.

Table-1.26: Cash balances and Investment of Cash Balances

(₹ in crore)

	Opening balance on 1 April 2012	**Closing balance on 31 March 2013**	**Increase (+)/ Decrease(-)**
1(a) General Cash Balance [(i) to (iv)+2]	**7,375.29**	**6,543.70**	**(-)831.59**
(i)Cash in Treasuries	--	--	--
(ii)Deposits with Reserve Bank	692.55	(-)262.75	(-)955.30
(iii)Deposits with other Banks	--	--	--
(iv)Remittances in transit - Local	2.61	--	(-) 2.61
Total (i) to (iv)	**695.16**	**(-)262.75**	**(-) 957.91**
2. Investments held in Cash Balance investment account	6,680.13	6,806.45	(+) 126.32
3(b) Other Cash Balances and Investments [(i) to (iii)]	**400.59**	**531.11**	**(+) 130.52**
(i)Departmental cash balances	2.48	132.24	(+) 129.76
(ii)Permanent Imprest	0.81	0.81	--
(iii)Investment out of earmarked funds	397.30	398.06	(+) 0.76
Overall Cash position 1(a)+ 3(b)	7,775.88	7,074.81	(-) 701.07

***(Source: Finance Accounts*)**

- The Cash Balances of the Government at the end of the year 2012-13 decreased by ₹ 701.07 crore from the level of ₹ 7,775.88 crore in the previous year.
- As per Finance Accounts 2012-13, ₹ 6,806.45 crore was invested in Government of India Treasury Bills, which earned an interest of ₹ 248

crore during the year. Maintaining large cash balances is not advisable as these are invested in low interest-bearing 14 days Treasury Bills.

- Under an agreement with the Reserve Bank of India (RBI), the Government of Madhya Pradesh has to maintain with the RBI a minimum Cash Balance of ₹ 1.96 crore. If this balance falls below the agreed minimum on any day, the deficiency is made good by taking Ordinary and Special Ways and Means Advances/Overdrafts from time to time. No Ways and Means Advance (Normal/Special) was taken by the State during the years 2011-12 and 2012-13.

Outstanding balances under the head 'Cheques and Bills'

The head 'Cheques and Bills' is a intermediary account head for initial record of transactions which are to be cleared eventually. Outstanding balances under the major head 8670-Cheques and Bills represents the amount of unencashed cheques. As per Finance Account 2012-13, outstanding balance at the end of the year under this Head was ₹ 27.27 crore in 2012-13 as compared to ₹ 75.57 crore in 2011-12. The cash balances were overstated to the extent of outstanding cheques.

The Finance Department stated (August 2013) that the decline was due to implementation of e-payment procedure. Outstanding balances are related to the treasury cheques which were issued but not encashed at the end of financial year.

1.9 Assets and Liabilities

1.9.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and building owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred.

Appendix 1.5 Part B gives an abstract of such liabilities and assets as on 31 March 2013 compared with the corresponding position as on 31 March 2012.

Total liabilities, as defined in the FRBM Act, 2005 are the liabilities under the Consolidated fund and the Public Account of the State. Consolidated Fund liabilities consist of Internal Debt and Loans and Advances from GoI.

Further, the internal debt includes market loans, special securities issued to NSSF of Central Government, Compensation and other Bonds and Loans from Financial Institutions. The Constitution of India provides that States may borrow within the territory of India upon the security of their Consolidated Funds, within such limits, as may from time to time be fixed by an Act of the Legislature and give guarantees within such limits as may be fixed. The public Accounts liability includes small savings, provident fund, etc., reserve funds and other deposits.

Assets comprise assets under Consolidated Fund and cash. The assets under Consolidated Fund consist of capital outlay on fixed assets- investments in shares of companies and corporations and loans and advances, which in turn consist of loans for power projects and other development loans.

1.9.2 *Fiscal liabilities*

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.4.** The composition of fiscal liabilities during the year 2012-13 *vis-a -vis* the previous year is presented in **Charts 1.11** and **1.12**.

Chart 1.11: Composition of outstanding Fiscal Liabilities as on 01.04.2012
(₹ in crore)

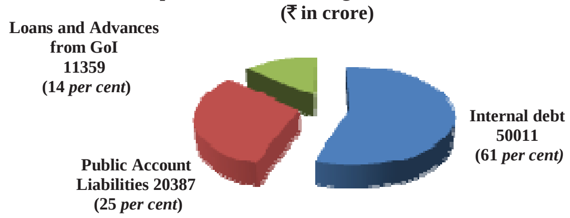
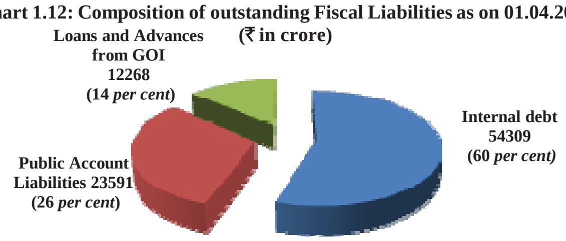


Chart 1.12: Composition of outstanding Fiscal Liabilities as on 01.04.2013
(₹ in crore)



The overall Fiscal Liabilities of the State increased from ₹ 60,432 crore in 2008-09 to ₹ 90,168 crore in 2012-13.These liabilities increased by 10.29 *per cent* during 2012-13 as against 8.28 *per cent* in 2011-12. The increase in Fiscal Liabilities during 2012-13 over the previous year was mainly under Market Loans (₹ 3,363 crore), Loans from NABARD (₹ 1,168 crore), Loans and Advances from Government of India (₹ 909 crore) and Special Securities issued to National Small Saving Fund (NSSF) (₹ 725 crore).

Table 1.27 depicts the details of Fiscal Liabilities of the State during 2011-12 and 2012-13.

Table-1.27: Components of Fiscal Liabilities of the State

(₹ in crore)

S.No.	Name	2011-12	2012-13
1.	Consolidated Fund Liabilities (Public Debt)	61,370	66,577
(i)	Market loans	28,044	31,407
(ii)	Special Securities issued to NSSF	16,081	16,806
(iii)	Compensation and issue of other bonds	1,773	1,413
(iv)	Loans from NABARD	3,516	4,684
(v)	Loans and Advances from GoI	11,359	12,268
(vi)	Other Loans	597	511
2.	Public Account liabilities	20,387	23,591
(i)	Small Savings, Provident Funds etc.	9,916	10,752
(ii)	Interest bearing obligations	295	490
(iii)	Non- interest bearing obligations	10,176	12,349

(Source: Finance Accounts)

Fiscal liabilities at the end of 2012-13 were 24.92 *per cent* of GSDP, 1.28 times the Revenue Receipts and 2.40 times the State's own resources. The buoyancy of these liabilities with respect to GSDP increased from 0.44 in

2011-12 to 0.61 during the year mainly due to increase in the growth rate of these liabilities and decrease in growth rate of GSDP **(Table 1.5)**.

1.9.3 Setting-up of Sinking Fund for amortization of all loans

As per Para No.12.59 of the Twelfth Finance Commission Report (2005-10), all States should set-up Sinking Fund for amortization of all loans including loans from bank, liabilities on account of NSSF etc. The Fund should be maintained outside the Consolidated Fund of the State and should not be used for any other purpose, except for redemption of loans. We observed that the Sinking Fund was not set-up in the State as of September 2013.

Finance Department accepted the fact and stated (September 2013) that action is being taken to set-up Sinking Fund of the State.

1.9.4 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in cases of default by the borrowers for whom the guarantee are extended.

Madhya Pradesh State Government Guarantee Rules (MPSGGR) 2009 (amended) came into force from 20 November 2009 and apply in all cases where State Government stands guarantee for repayment of loans and interest thereon under article 293 of the Constitution of India. Sanction orders of the guarantees are issued by the Finance Department.

Clause 9(2)(d) of the MPFRBM Act, 2005 prescribes the fiscal target of limiting annual incremental guarantees so as to ensure that the total guarantees do not exceed 80 *per cent* of the total Revenue Receipts in the year preceding the current year. During the years 2010-11 to 2012-13 the annual incremental guarantees were within the ceiling limit fixed under the MPFRBM Act.

As per Statement 9 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years are given in **Table 1.28**.

Table 1.28: Guarantees given by the Government of MP

(₹ in crore)

Particulars of Guarantees	2010-11	2011-12	2012-13
Maximum amount guaranteed	8,438.50	11,107.51	14,751.71
Outstanding amount of guarantees	5,110.54	5,605.03	7,719.54
Percentage of maximum amount of guarantee to total revenue receipt	16.27	17.74	20.95
Percentage of outstanding guarantee to total revenue receipts of preceding year	12.35	10.81	12.33
80 *per cent* of the total revenue receipts in the year preceding the current year (criterion as per FRBM Act)	33,116.00	41,483.20	50,083.20
Guarantee or fee receivable	Awaited	Awaited	Awaited
Guarantee or fee received	0.78	0.44	4.81

(Source: Finance Accounts)

During the year 2012-13, the outstanding guarantees increased by 38 *per cent* over the previous year. Guarantees were given in respect of Power Sector (59), Co-operative Sector (5), State Financial Corporation Sector (18), Urban Development & Housing Sector (58) and other infrastructure (44). Maximum amount guaranteed increased substantially by ₹ 3,644 crore over the previous year during 2012-13 as can be seen from the **Table 1.28** above.

The Government constituted the Guarantee Redemption Fund during the year 2005-06, which had a closing balance of ₹ 388.87 crore at the end of 2012-13. There were 133 institutions under 10 Departments[19] to whom the guarantees were sanctioned by the Government. No guarantee was invoked during 2010-11 to 2012-13.

As per Rule 10 of MPSGG Rules, 2009 (amended), complete details in respect of guarantee cases shall be maintained in the Debt Management Cell of Finance Department. On being requisitioned of such information/records from the FD, it was stated (April 2013) that complete records were maintained by the Administrative Departments and the information was being called from the Administrative Departments. The information was, however, not furnished to Audit (September 2013).

Reply of the FD is not in order because the FD was responsible for maintaining all necessary details since the sanctions of guarantees are issued by the FD. Further, due to non maintenance of the details, information about guarantee receivable was not indicated in Finance Accounts as well as in the Statement laid in *Vidhan Sabha* as required under FRBM Act 2005.

During scrutiny of records and collection of information (September 2013) from the Energy Department, we observed that three Distribution (Vidyut vitran) Companies (DISCOMS) did not pay guarantee fees of ₹ 69.82 crore[20] for the years 2010-11 to 2012-13. Energy Department stated (September 2013) that DISCOMS are not regular in making payment of guarantee fees due to financial difficulty and letters have been issued (September 2013) to all the DISCOMS for credit of outstanding guarantee fees in Government Account and to ensure timely deposit of guarantees fees.

1.9.5 Inoperative Reserve Funds

We observed that the following Reserve Funds under the Major Head Development and Welfare Fund having credit balances shown against each of them were neither utilised nor invested for last five years as detailed in **Table 1.29**.

Table 1.29: Reserve Funds neither utilised nor invested during 2008-13

(₹ in crore)

Name of Reserve Fund	Balance as on 31 March 2013
(i) Panchayat Land Revenue Cess and Stamp Duty Fund	1,116.81
(ii) M P Gramin Vikas Fund	414.21
(iii) Forest Development Fund	189.50
(iv) Compensatory Forestry Fund	31.81
Total	**1,752.33**

(Source: Finance Accounts)

[19] *Home Department, Finance Department, Energy Department, Co-operative (Sahkarita) Department, Urban Administration & Developments Department, Tribal Welfare Department, Housing & Environment Department. Gramodoyog Department, Pichhda Varg Avam Alpsankhyak Kalyan Department, Scheduled Castes Welfare Department.*

[20] *MP Madhya Kshetra Vidyut Vitran Co. Ltd. Bhopal, M.P.(₹ 29.24 crore) Paschim Kshetra Vidyut Vitran Co. Ltd. Indore (₹ 16.26 crore)and M.P. Poorva Kshetra Vidyut Vitran Co. Ltd. Jabalpur (₹ 24.32 crore).*

Reasons for non-utilisation of Reserve Fund have not been intimated (September 2013). On being pointed out, Finance Department stated that letter has been issued to concerned departments for furnishing of information.

1.10 Debt Management

1.10.1 Debt Sustainability

Apart from the magnitude of debt of the Government, it is important to analyse various indicators that determine the Debt Sustainability[21] of the State. This section assesses the sustainability of debt of the Government in terms of Debt Stabilisation[22]; Sufficiency of Non-debt Receipts[23]; Net Availability of Borrowed Funds[24]; the burden of Interest Payments (measured by the ratio of Interest Payments to Revenue Receipts) and the maturity profile of Government Securities. **Table 1.30** analyses the debt sustainability of the State according to these indicators for the period 2008-13.

Table 1.30: Debt Sustainability: Indicators and Trend

(₹ in crore)

Indicators of Debt Sustainability	2008-09	2009-10	2010-11	2011-12	2012-13
Debt Stabilisation (Quantum Spread + Primary Deficit)	3,764	2,117	8,333	10,390	4,632
Sufficiency of Non-debt Receipts (Resource Gap)	(-)1,649	(-)1,766	927	-488	-3,660
Net availability of Borrowed Funds (percentage in bracket)	791 (5)	3,131 (16)	2,606 (13)	955 (5)	2,838 (15)
Burden of Interest Payments (Interest Payments/Revenue Receipt Ratio)	0.12	0.11	0.10	0.08	0.08

1.10.2 Debt Stabilisation

An important condition for debt sustainability is stabilisation in terms of debt to GSDP ratio. When the quantum spread and primary deficit are negative, the debt-GSDP ratio will be high indicating unsustainable levels of public debt and when the quantum spread and primary deficit are positive, debt-GSDP ratio will be low indicating sustainable levels of public debt.

Analysis of Primary Deficit together with the quantum spread revealed that their sums remained positive during the period 2008-13 indicating that the debt was at sustainable level.

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[21] *Debt Sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt, therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep a balance between costs of additional borrowings with returns from such borrowings. It means that the rise in fiscal deficit should match the increase in capacity to service the debt.*

[22] *A necessary condition for stability states that if the rate of growth of the economy exceeds the interest rate or cost of public borrowings, the debt-GSDP ratio is likely to be stable provided the primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and Quantum Spread (Debt x rate spread), the debt sustainability condition states that if the Quantum Spread, together with the Primary Deficit is zero, the debt-GSDP ratio would be constant or the debt would stabilise eventually. On the other hand, if the Primary Deficit together with the Quantum Spread turns out to be negative, the debt-GSDP ratio would be rising and in case it is positive, the debt-GSDP ratio would eventually be falling.*

[23] *Adequacy of incremental Non-debt receipts of the State to cover the incremental interest liabilities and incremental Primary Expenditure. The Debt Sustainability could be significantly facilitated if the incremental Non-debt receipts could meet the incremental interest burden and the incremental Primary Expenditure.*

[24] *Defined as the ratio of the Debt Redemption (Principal + Interest Payments) to total Debt Receipts and indicates the extent to which the debt receipts are used in Debt Redemption indicating the Net Availability of Borrowed Funds.*

1.10.3 Sufficiency of Non-Debt receipts

Another indicator of debt sustainability is the sufficiency of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. A positive resource gap strengthens the capacity of the State to sustain the debt in the medium to long run while a negative resource gap indicates otherwise.

During the year 2010-11, Non-debt receipts met not only the incremental requirement of the primary expenditure but also after meeting the incremental interest liabilities, resulted in a positive resource gap indicating the increasing capacity of the State to sustain its debt. During the periods 2008-10 and 2011-13, incremental Non-debt receipts were not enough to meet the incremental primary expenditure resulting in a negative resource gap. No signicant recovery of loans were noticed during the period 2008-10 and 2011-13.

1.10.4 Net availability of borrowed funds

Debt Redemption ratio indicated a fluctuating trend during the period 2008-13 **(Appendix 1.4**). It decreased from 0.95 in 2008-09 to 0.87 in 2010-11 and then increased to 0.95 in 2011-12. It again decreased to 0.86 during 2012-13, leaving very less funds for asset creation. During the year 2012-13, internal debt repayment (₹ 2,936 crore) was 41 *per cent* of fresh internal debt receipts (₹ 7,234 crore), repayment of GoI loans (₹ 648 crore) was 42 *per cent* of fresh debt receipts of ₹ 1,557 crore while in case of other obligations (₹ 7,582 crore), repayments were 70 *per cent* of fresh receipts of ₹ 10,787 crore. This indicated that fresh debt receipts were partly utilised for repayment of debt.

Out of receipts of ₹ 7,234 crore under Internal Debt during the year, the Government raised ₹ 4,500 crore from market loans at an average interest rate of 8.70 *per cent* per annum, ₹ 1,250 crore from NABARD, ₹ 1,439 crore from NSSF and ₹ 45 crore from National Co-operative Development Corporation.

The receipt of Loans and Advances from GoI increased from ₹ 1,032 crore in 2011-12 to ₹ 1,557 crore in 2012-13 mainly due to increase in the receipt of Block Loans under 'Loans for State/Union Territories Plan Scheme'. Market loans constituted the major part of the Internal Debt.

1.10.5 Maturity Profile of State Debt

Table 1.31: Maturity Profile of State Debt for the years 2011-12 and 2012-13

(₹ in crore)

In Years	FY 2011-12				FY 2012-13			
	6003-Internal Debt Amount	**6004-Loans and Advances Amount**	**Total Amount**	**Percentage of Repayment due to Debt**	**6003-Internal Debt Amount**	**6004-Loans and Advances Amount**	**Total Amount**	**Percentage of Repayment due to Debt**
0-1	1,851.66	536.77	2,388.43	3.89	2,155.17	1,116.55	3,271.72	4.91
1-3	5,013.71	1,108.28	6,121.99	9.98	5,338.84	1,154.89	6,493.73	9.75
3-5	4,901.40	1,146.62	6,048.02	9.85	5,816.11	1,178.33	6,994.44	10.51
5-7	8,159.39	1,164.56	9,323.95	15.19	11,624.32	1,183.68	12,808.00	19.24
7-9	11,510.14	1,164.40	12,674.54	20.65	9,833.07	1,183.46	11,016.53	16.55
9-11	5,789.14	1,164.18	6,953.32	11.33	6,433.07	867.75	7,300.82	10.97
11-13	1,789.14	848.46	2,637.60	4.30	1,896.61	250.37	2,146.98	3.22
13-15	1,675.56	231.08	1,906.64	3.11	1,738.67	161.58	1,900.25	2.85
above 15	3,434.85	211.06	3,645.91	5.94	3,377.15	107.32	3,484.47	5.23
Misc.*	5,886.02	3,783.50	9,669.52	15.76	6,096.32	5,063.88	11,160.20	16.76
Total	**50,011.01**	**11,358.91**	**61,369.92**		**54,309.33**	**12,267.81**	**66,577.14**	

(Source: Finance Accounts)

**** Information about the maturity of loans awaited from State Government/Reserve Bank of India***

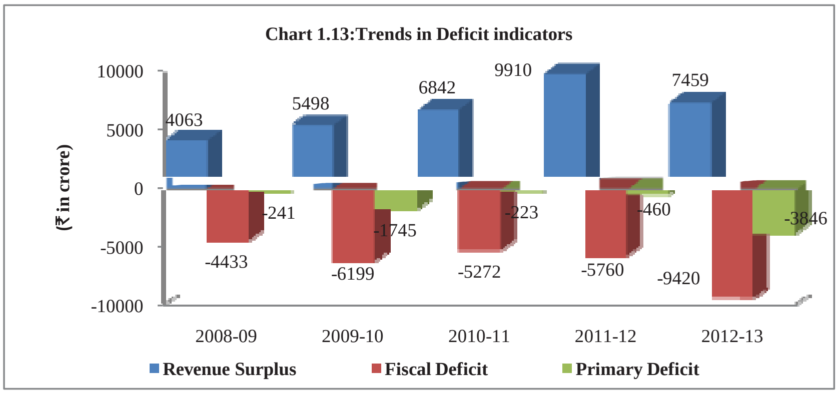
The maturity profile of State debt as given above indicates that the State Government will have to repay 25 *per cent* of its debt between one and five years, 47 *per cent* between five and 11 years, 11 *per cent* between 11 and 15 years above. The maturity profile of repayment of about 17 *per cent* of State debt was not available as the information had not been received from the Government/Reserve Bank of India.

1.11 Fiscal Imbalances

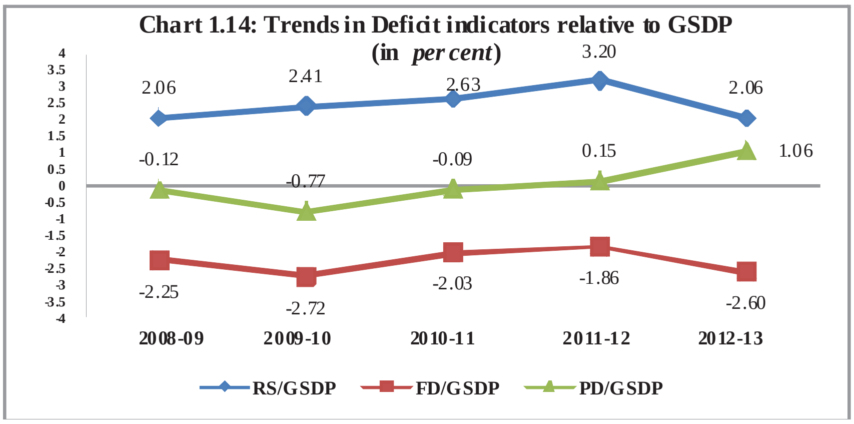
Three key fiscal parameters - Revenue, Fiscal and Primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents the trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of Revenue, Primary and Fiscal Deficits *vis-a-vis* the targets set under FRBM Act/Rules for the financial year 2012-13.

Trends of Deficits

Chart 1.13 and **1.14** present the trends in deficit indicators over the period 2008-13.



(Source: Finance Accounts)



(Source: Finance Accounts and Directorate of Economic and Statistics Government of Madhya Pradesh)

- The fiscal target of eliminating the Revenue Deficit by March 2009 as laid down in the FRBM Act, 2005 was achieved by the State in the year 2004-05. Thereafter, the State maintained a Revenue Surplus which steadily increased from ₹ 4,063 crore in 2008-09 to ₹ 9,910 crore in 2011-12, then decreased (by ₹ 2,451 crore) to ₹ 7,459 crore in 2012-13. The Revenue Surplus as a percentage of GSDP decreased from 3.20 *per cent* in 2011-12 to 2.06 *per cent* in 2012-13 due to decrease in Revenue Receipts as a percentage of GSDP. It was more than the BE of 1.89 *per cent* during 2012-13.

- The Fiscal Deficit, which represents the total borrowings of the Government and its total resource gap, increased from ₹ 4,433 crore in 2008-09 to ₹ 9,420 crore in 2012-13 with inter year fluctuations. During the current year, Fiscal Deficit increased by ₹ 3,660 crore over the previous year. The Fiscal Deficit relative to GSDP increased from 1.86 *per cent* in 2011-12 to 2.60 *per cent* in 2012-13, which remained within the BE (2.98 *per cent)* and also within the limit of three *per cent* recommended by the XIII FC as well as prescribed under the FRBM Act 2005.

- The Primary Deficit of ₹ 241 crore in 2008-09 increased to ₹ 3,846 crore during 2012-13 with inter-year fluctuations.

1.11.1 Components of Fiscal Deficit and its Financing Pattern

Fiscal Deficit is the total borrowing requirement of the State and is the excess of the Revenue and Capital Expenditure including Loans and Advances over Revenue and Non-debt Capital Receipts. Decomposition of Fiscal Deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above Revenue and Non-debt receipts.

The financing pattern of the Fiscal Deficit is reflected in **Table 1.32**.

Table 1.32: Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)

	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Decomposition of Fiscal Deficit						
Fiscal Deficit		**-4,433**	**-6,199**	**-5,272**	**-5,760**	**-9,420**
1	Revenue Surplus	4,063	5,498	6,842	9,910	7,459
2	Net Capital Expenditure	-6,689	-7,903	-8,433	-9,032	-11,534
3	Net Loans and Advances	-1,807	-3,794	-3,681	-6,638	-5,345
Financing pattern of Fiscal Deficit						
1	Market Borrowings	3,957	5016	3,258	3,166	3,363
2	Loans from GoI	709	888	577	403	909
3	Special Securities issued to NSSF	-126	492	1,582	-167	725
4	Loans from Financial Institutions	51	-188	-488	198	210
5	Reserve Funds	12	324	275	1,191	2,020
6	Small Savings, PF etc.	204	412	773	698	837
7	Deposits and Advances	237	705	1,678	783	348
8	Suspense and Miscellaneous	-43	10	86	-28	-93
9	Remittances	62	31	519	391	400
10	Cash balances increase(+)/ decrease(-)	+630	+1491	+2,988	+875	-701

(Source: Finance Accounts)

In 2012-13, Market Borrowings by the State Government continued to finance a major portion of Fiscal Deficit. Its share in financing Fiscal Deficit decreased from 55 *per cent* in 2011-12 to 36 *per cent* in 2012-13. The share of NSSF loans, Small Savings, Provident Funds etc., in financing Fiscal Deficit was higher in 2012-13 than in 2011-12 indicating increase of interest burden in the future.

1.12 Market Borrowing of Government of Madhya Pradesh

1.12.1 Introduction

Fiscal deficit represents the borrowing requirement of the Government during a year. Borrowings can be divided into Internal Debt of the State Government and Loans and Advances from the Central Government. The Internal Debt is further divided into Market loans and negotiated loans. Market borrowings are controlled by the Government of India (GoI) and managed by the Reserve Bank of India (RBI). States may not, without the consent of the GoI, raise any loan if they are indebted to the Central Government as envisaged in the Article 293 of the Constitution of India.

The ceiling for fiscal deficit (equal to borrowings) of the States is recommended by the Finance Commission (GoI). For the years 2011-12 and 2012-13, the limit was three *per cent* of GSDP. Accordingly, the State Government also fixed same limit in the State FRBM Act. The Act prescribed use of borrowings for generation of productive assets. Planning Commission (GoI) approves the scheme of financing the Annual Plan and the borrowing requirement. State Government prepares estimates for receipts and repayments under Market loans for State Budget. During 2008-13, State Government raised all Market loans through auction by RBI having tenure of 10 years.

The present review was conducted (May-September 2013) to examine whether the requirement of market borrowings was assessed efficiently and the borrowed funds were applied for creation of productive assets.

1.12.2 Position of Market Borrowing in Madhya Pradesh

Table 1.33 shows amount of market loans raised by the GoMP during 2008-13 and amount of market loan outstanding at the end of each year.

Table 1.33: Position of Market Loan

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Opening balance	12,647	16,604	21,620	24,878	28,044
Market loans raised during the year	4,495	5,821	3,900	4,000	4,500
Repayment made during the year	538	805	642	834	1,137
Outstanding at the end of the year	16,604	21,620	24,878	28,044	31,407
Net increase	3,957	5,016	3,258	3,166	3,363

(Source: Finance Accounts)

1.12.3 Debt sustainability indicators- market loans vis-a-vis total liabilities

The position of market borrowings *vis-a-vis* total liabilities and Public Debts in the State during the years 2008-09 to 2012-13 is **in Table 1.34**.

Table 1.34: Debt sustainability- market loans *vis-a-vis* total liabilities

(₹ in crore)

Description	2008-09	2009-10	2010-11	2011-12	2012-13
Total liabilities at the end of the year	60,432	67,853	75,504	81,757	90,168
Growth rate of total liabilities (in *per cent*)	9.26	12.28	11.28	8.28	10.29
Total Public Debt (Outstanding)	46,632	52,841	57,769	61,370	66,577
Growth rate of Public Debt (in *per cent*)	10.92	13.31	9.33	6.23	8.48
Total Market loans (Outstanding)	16,604	21,620	24,878	28,044	31,407
Growth of Market Borrowing	31.30	30.21	15.07	12.73	11.99
Percentage of market loans to total liabilities	27.48	31.86	32.95	34.30	34.83
Percentage of market loans to public debt	35.61	40.92	43.06	45.70	47.17
Interest paid on market loans	1,009	1,488	1,804	1,660	1,694
Weighted average interest rate on market loans raised during the financial year	7.48	8.36	8.41	8.91	8.69
GSDP growth rate to Interest rate ratio	2.96	1.86	1.68	2.13	1.94
Interest payments to Revenue Receipts ratio	0.12	0.11	0.10	0.08	0.08
Fiscal Deficit	4,433	6,199	5,272	5,760	9,420
Percentage of Fiscal Deficit to GSDP	2.25	2.72	2.03	1.86	2.60
Percentage of total liabilities to GSDP	30.63	29.76	29.02	26.40	24.92
Percentage of total Public Debt to GSDP	23.64	23.18	22.20	19.82	18.40
Outstanding Guarantees (at the end of year)	1,930	1,630	5,111	5,605	7,720
GSDP growth rate (in *per cent*)	22.17	15.57	14.13	19.02	16.85

(Source: Finance Accounts and Statement laid under the MPFRBM Act of respective years)

Analysis of the above indicates the following:

- Though the total liabilities and the Public Debt (major component of total liabilities) continuously increased during the period 2008-13, the ratios of total liabilities to GSDP and Public Debt to GSDP declined during this period.

- The amount of outstanding Market borrowing increased by 89.15 *per cent* during the period 2008-13, but the growth declined gradually from 31.30 *per cent* in 2008-09 to 11.99 *per cent* in 2012-13. The share of market borrowings in Public Debt increased from 35.61 *per cent* in 2008-09 to 47.17 *per cent* in 2012-13, which indicating more dependence on market borrowings, which are of untied nature.
- The ratio of Interest Payments to Revenue Receipts has declined steadily from 0.12 in 2008-09 to 0.08 in 2012-13 which indicated improvement in debt sustainability and resources of the State.

1.12.4 Market loans raised despite availability of sufficient cash balance

The XIII FC has recommended that States with large cash balances should make efforts towards utilising existing cash balance before resorting to fresh borrowings and follow the practice of borrowings on requirement rather than on availability. We observed that GoMP resorted to Market loans despite availability of sufficient cash balance under '14 days Treasury Bills'. During 2008-09, the minimum cash balance came down to 'zero' (29.10.2008). However, during the years 2009-10 to 2012-13, the minimum balances ranged between ₹ 1,936 crore and ₹ 4,510 crore (against the required minimum balance of ₹ 1.96 crore prescribed by RBI). Despite having large cash balances Government raised market loans every year ranging from ₹ 3,870 crore to ₹ 5,821 crore during the years 2008-09 to 2012-13.

We also observed that the cash balance investment in Treasury Bills on the day of raising market loan (also minimum balance during next 15 days) was much more than the amount of market loans raised on each occasion. Details are given in **Appendix 1.11(A).** Thus, the market loan raised on each occasion was more than the actual requirement, increasing the cash balance investment from ₹ 1,647 crore in January 2009 to ₹ 7,096 crore in March 2013.

Finance Department stated (September 2013) that to assess the requirement of Market loans, in addition to the cash balance and cash flow trends, anticipated committed liabilities and development activities were also considered. The reply is not in order since the amount of investment in '14 days Treasury Bills' increased during 2008-13, due to raising of loans in excess of requirement.

Further, we observed that Government earned interest at a rate of five *per cent* per annum while the State Government raised Market loans at higher rate of interest ranging from 8.36 *per cent* to 8.91 *per cent* during the period 2009-13. Details are given in **Appendix 1.11 (B).**

Finance Department stated (September 2013) that investment in long term Treasury Bills would be considered to gain higher rate of interest. Market loans invested in '14 days Treasury Bills' are high liquidity instruments and are utilised as per requirement of the State. Non-raising of Market loans in anticipation of creation of interest liability may result in obstruction of development activities.

Reply of the FD regarding raising of loans is not in consonance with the recommendation of the XIII FC.

1.12.5 Advance Indicative Calendar for Market borrowings

Advance Indicative Calendar for Market borrowings prepared by the RBI are sent to the State Government with the request to indicate the tentative amount and timing of the open Market borrowing programme of the State for the coming quarter of a financial year enclosing the indicative dates. Scrutiny revealed that GoMP prepared borrowing calendars for all the quarters only for the years 2009-10 and 2012-13. Even in those years actual market borrowings were much in variation with the proposed advance borrowing calendar. Details are given in **Appendix 1.11(C).**

1.12.6 Borrowing limits of Market borrowing by the Planning Commission vis a-vis BEs, REs and Actual

Details of approved limit by the Planning Commission *vis-a-vis* BEs, REs and actuals of Market borrowings during 2008-13 are given in **Table 1.35**.

Table 1.35: ***Borrowing limits/estimates vis-a-vis Actual***

(₹ in crore)

Borrowing limits of Market borrowings	2008-09	2009-10	2010-11	2011-12	2012-13
Limit approved by Planning Commission	2,414	5,821	4,965	5,237	6,277
Budget Estimates	2,923	5,721	6,500	6,267	8,594
Revised Estimates	4,330	6,150	4,173	6,283	7,414
Actual Market borrowings	4,495	5,821	3,900	4,000	4,500

(Source: Annual Plans approved by Planning Commission and statements laid along with State Budgets)

It would be seen from the above that there were substantial differences between the actual market borrowing and the BEs, REs and limits of Planning Commission indicating injudicious assessment for market borrowings.

During 2008-09, the State Government proposed the Planning Commission to revise the limit to ₹ 3,864.72 crore due to shortfall in expected receipt of NSSF (₹ 729.23 crore). However, approval of the same was not available on records. In all the years, actual Market loans were obtained with the consent/ permission of GoI under article 293(3) of the Constitution.

1.12.7 Maturity trend of Market loans

The year-wise position of maturity trend of market loans for the period 2013-14 to 2022-23 is given in **Table 1.36**.

Table 1.36: Maturity trends of market loans

(as on 31 March 2013)

Maturity Year	Maturity amount (₹ in crore)	As a *per cent* of outstanding market loans ₹ 31,407 crore as on 31 March 2013
2013-14	1,429	4.55
2014-15	2,129	6.78
2015-16	1,709	5.44
2016-17	1,549	4.93
2017-18	2,500	7.96
Total (2013-18)	**9,316**	**29.66**
2018-19	3,870	12.32
2019-20	5,821	18.53
2020-21	3,900	12.42
2021-22	4,000	12.74
2022-23	4,500	14.33
Total (2018-23)	**22,091**	**70.34**
Grand Total	**31,407**	**100**

(Source: Finance Accounts)

It would be seen from the above that the redemption liabilities of Market loans during the period 2018-19 to 2022-23 would be 70.34 *per cent* of outstanding market loans as against 29.66 *per cent* during the next five years. We observed that Government is continuing with the policy of taking loans for tenure of 10 years and on being asked (April 2013), whether any analysis was done by the FD to roll over the market loan, no information was made available by the FD.

1.12.8 Interest rate profile

Interest rates on market loans raised during 2008-13 are given in **Table 1.37**.

Table 1.37: Interest rate profile

(₹ in crore)

Rate of interest (*per cent*)	**Market loans raised during the year**					
	2008-09	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**Total**
5-5.99	Nil	Nil	Nil	Nil	Nil	Nil
6-6.99	900	Nil	Nil	Nil	Nil	900
7-7.99	1,960	Nil	Nil	Nil	Nil	1,960
8-8.99	1,635	5,821	3,900	3,000	4,500	18,856
9-9.99	Nil	Nil	Nil	1,000	Nil	1,000
Total	**4,495**	**5,821**	**3,900**	**4,000**	**4,500**	**22,716**
Weighted average interest rate	**7.48**	**8.36**	**8.41**	**8.91**	**8.69**	

(Source: Finance Accounts)

The position shows that a substantial 87 *per cent* of the Market loans raised (₹ 19,856 crore out of ₹ 22,716 crore) during 2008-13 carry interest rate ranging 8 to 9.99 *per cent*. It was further noticed that during 2011-12 the Government raised ₹ 1,000 crore on 18 October 2011 at interest rate of 9.05 *per cent* per annum, though cash balance of ₹ 4,594 crore was lying in 14 days Treasury bills on the same date.

1.12.9 System to watch utilisation of Market Borrowing

The MPFRBM Act, 2005 prescribed use of borrowings for generation of productive assets. The Government, in each tranche of loan, notified the objective of raising of market loan as financing of development schemes. We observed that no system was evolved for monitoring utilisation of the Market loans raised by the FD. As a result, utilisation/application of Market loans for the intended objectives such as capital formation and financing the development schemes could not be ascertained. We observed that the amounts of Capital Expenditure (including loans disbursed) were higher than the net borrowings in all the years during the period 2008-13. The details of Capital Expenditure has already been discussed in paragraph 1.6.2.

Finance Department stated (September 2013) that Market loans were part of the total resources. There was no procedure of incurring expenditure directly from the Market loans. Classification of expenditure on separate development schemes from Market loans and from cash balances was not possible. Utilisation of Market loans could be ensured from the capital expenditure of the State, which was higher in comparison to Market loans.

Reply of the FD is not in consonance with the provision of MPFRBM Act and notifications issued by the State Government because it could not be ascertained whether productive assets were generated and which development schemes were financed out of market loans.

1.13 Quality of Deficit/Surplus

The ratio of Revenue Deficit to Fiscal Deficit and the decomposition of Primary Deficit into Primary Revenue Deficit and Capital Expenditure (including Loans and Advances) would indicate the quality of deficit in the

State's finances. In case of Madhya Pradesh there has been a Revenue Surplus since 2004-05. The bifurcation of the Primary Deficit **(Table 1.38)** indicates the extent to which the Deficit has been on account of enhancement in Capital Expenditure, which may be desirable to improve the productive capacity of the State's economy.

Table 1.38: Primary Deficit/Surplus – bifurcation of factors

(₹ in crore)

Year	Non-debt Receipts	Primary Revenue Expenditure	Capital Expenditure (CE)	Loans and Advances*	Primary Expenditure (PE)	Non-debt Receipt *vis-à-vis* Primary Revenue Expenditure	Primary Deficit (-)/ surplus(+)	CE as *per cent* of PE
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)	9
2008-09	33,656	25,322	6,713	1,862	33,897	8,334	-241	19.80
2009-10	41,443	31,443	7,925	3,820	43,188	10,000	-1,745	18.35
2010-11	52,257	39,963	8,800	3,717	52,480	12,294	-223	16.77
2011-12	71,753	47,394	9,055	15,764	72,213	24,359	-460	12.54
2012-13	70,500	57,394	11,567	5,385	74,346	13,106	-3,846	15.56

Including Inter-State settlement
(Source: Finance Accounts)

Bifurcation of the factors resulting in Primary Deficit of the State during the period 2008-13 reveals that the Primary Deficit was on account of Capital Expenditure incurred and Loans and Advances disbursed by the State Government. In other words, Non-debt receipts of the State were not only adequate to meet the Primary Revenue Expenditure but also met the whole/part of the Capital Expenditure. Although the surplus Non-debt receipts were enough to meet the Capital Expenditure in all the years, they were not enough to meet the entire Loans and Advances resulting in Primary Deficit during the period 2008-13.

1.14 Conclusion

Management of fiscal imbalances and resource mobilisation

- The State maintained Revenue Surplus during the year 2012-13 at ₹ 7,459 crore. However, it decreased by ₹ 2,451 crore over the previous year. Though the Fiscal Deficit (FD) of the State (₹ 9,420 crore) was within the limits prescribed by XIII FC, FRBM Act and Budget estimates, the FD increased from the previous year (by ₹ 3,660 crore). The FD relative to GSDP also increased from 1.86 *per cent* in 2011-12 to 2.60 *per cent* in the current year.
- Revenue Receipts (₹ 70,427 crore) grew by 12.50 *per cent* over 2011-12. Growth of Revenue Receipts showed increasing trend during 2008-11, thereafter decreased gradually during 2011-13, mainly due to lesser growth in State's own Tax Revenue. During 2012-13, 53 *per cent* of Revenue Receipts came from State's own resources and 47 *per cent* was contributed by Central tax transfer and Grants in aid from GoI.
- The GSDP growth rate during 2012-13 at current price (16.85 *per cent*) of the State was higher than that of India's GDP (13.26 *per cent*).

Expenditure Management and Fiscal Priority

- The Revenue Expenditure (RE) of the State increased by 19.50 *per cent* from ₹ 52,694 crore in 2011-12 to ₹ 62,968 crore in 2012-13. The Non-Plan Revenue Expenditure (NPRE) increased by 21.65 *per cent* and constituted 71 *per cent* of RE. Actual NPRE was 39.83 *per cent* more than the XIII FC projection, but almost equal to the projection made in the MTFPS of the State.
- Capital Expenditure in 2012-13 (₹ 11,567 crore) increased by 28 *per cent* over the previous year. The increase was mainly under Rural Development and Irrigation & flood control.
- Expenditure on salaries & wages, pension payments, interest payments and subsidies together constituted 51 *per cent* of Revenue Expenditure and 46 *per cent* of Revenue Receipts. Out of total subsidy payments of ₹ 5,697 crore, 47 *per cent* pertained to Energy Department.
- The priority given to Social Sector Expenditure and expenditure on Education and Health Sectors in Madhya Pradesh was not adequate during 2012-13, when compared with the General Category States' Average.

Funds transferred to State Implementing Agencies outside the State Budget

- A total amount of ₹ 6,233.66 crore was directly transferred to the State agencies during 2012-13 for implementing various schemes. These funds were not routed through State Budget. There is no mechanism for monitoring the utilisation of such funds.

Incomplete projects

- In Water Resources Department, expenditure of ₹ 2,412.53 crore incurred on 55 incomplete projects remained unfruitful as of March 2013. Of these, initial estimated cost of 24 projects was revised by the Government involving a cost overrun of ₹ 2,067.92 crore.

Return on investment

- During 2012-13, return (₹ 18.38 crore) on investment of ₹ 14,656.50 crore made by the Government up to 2012-13 in Statutory corporations, companies, Co-operative societies, etc. was only 0.13 *per cent* against the average borrowing cost of 6.48 *per cent* during the year.

Net availability of funds

- During the year 2012-13, repayment of internal debt, GoI loans and other obligations and interest thereon constituted 86 *per cent* of fresh debts leaving very less funds for asset creation.

Management of Liabilities

- At the end of the year 2012-13, total liabilities (TL) of the State was ₹ 90,168 crore. The ratio of TL to GSDP (24.92 *per cent)* was within the limit of 40 *per cent* fixed under the FRBM Act, 2005 and also within 36.8 *per cent* prescribed by XIII FC. However, the buoyancy of

TL with respect to GSDP increased from 0.44 in 2011-12 to 0.61 during 2012-13.

- Net Market Borrowings (₹ 3363 crore) of the State continued to finance a major portion of Fiscal Deficit during 2012-13. Government raised market loans despite having sufficient cash balances during the period 2009-13, which were invested in low interest bearing '14 days Treasury Bills'. The assessment of market borrowings in the Annual Plans, Budget Estimates and Revised Estimates was injudicious.

1.15 Recommendations

- Increasing fiscal liabilities coupled with low returns on Government investments may put fiscal stress on the State in the long run, unless suitable measures are initiated to make the investments commercially viable, compress Non-Plan Revenue Expenditure and mobilise additional resources in the ensuing years.

- Government should give greater fiscal priority to Social Services particularly to the Education Sector and Health Sector in the State.

- For better monitoring of the funds directly transferred by GoI, the State Agencies should follow uniform accounting practice and ensure proper documentation and timely reporting of expenditure.

- The Government should formulate guidelines and improve monitoring for expediting completion of incomplete projects.

- Surplus cash balances should be utilised by the State before resorting to fresh borrowings. A system may be evolved for assessing the requirement of market borrowing and monitoring their proper utilisation for the stated objectives of financing of development schemes and generation of productive assets.