Chapter I

Finances of the State Government

Profile of Maharashtra

Maharashtra occupies the western and central part of the country and has a long coastline along the Arabian Sea. It is the second largest State in India in terms of population (11.24 crore as per 2011 census) and third in terms of geographical area (3.08 lakh sq. km). As indicated in **Appendix 1.1**, the State's population increased from 9.69 crore in 2001 to 11.24 crore in 2011 (Provisional figure) recording a decadal growth of 16 *per cent*. The density of population of Maharashtra has increased from 315 persons per sq. km to 365 persons per sq. km. Still Maharashtra has a lower density of population as compared to the all India average of 382.

The percentage of population below the poverty line at 17.35[#] *per cent* is lower than the all India average of 21.92 *per cent*. The State's Gross State Domestic Product (GSDP) in 2012-13 at current prices was ₹ 13,72,644 crore. The State's literacy rate increased from 76.88 *per cent* (as per 2001 census) to 82.90 *per cent* (as per 2011 census). The per capita income of the state stands at ₹ 95,339[1] against the country average of ₹ 61,564. General data relating to the State is given in **Appendix 1.1**.

Gross State Domestic Product

The 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 trends in the annual growth of India's GSDP at current prices are indicated below:

Table 1.1 Trends in annual growth rate of GSDP

Year	2008-09	2009-10	2010-11	2011-12	2012-13
India's GDP (₹ in crore)	5303567	6108903	7266967	8353495	9461013
Growth rate of GDP (percentage)	15.75	15.18	18.96	14.95	13.26
State's GSDP (₹ in crore)	692749[a]	901330[a]	1068327[a]	1199548[a]	1372644[b]
Growth rate of GSDP (percentage)	17.22	30.11	18.53	12.28	14.43

Annual growth rate of GDP and GSDP at current prices
[a] *Based on Economic Survey of Maharashtra*
[b] *Advanced estimates as furnished by Directorate of Economics and Statistics Government of Maharashtra*

Table 1.1 shows that the annual growth rate of GSDP of the State was higher than the all India growth rate except 2010-11 and 2011-12. However the annual growth rate was very uneven and ranged between 30.11 (2009-10) to 12. 28 (2011-12). For 2012-13 the annual growth rate was 14.43 *per cent*.

1.1 Introduction

This chapter is based on the audit of the Finance Accounts and makes an assessment of the State's fiscal position as on 31 March 2013. It provides a broad perspective of the finances of the State during 2012-13 and analyses critical changes observed in the major fiscal aggregates in relation to the previous year, keeping in view the

[#] Source: Press Note on Poverty Estimates, 2011-12, Planning Commission of India, July 2013

[1] Source: Economic Survey of Maharashtra 2012-13

overall trends during the last five years. The structure and form of Government accounts have been explained in **Appendix 1.2 Part A** and the layout of the Finance Accounts is depicted in **Appendix 1.2 Part B**. The methodology adopted for assessment of the fiscal position and norms/ceilings prescribed by the Maharashtra Fiscal Responsibility and Budgetary Management (MFRBM) Act, 2005; MFRBM (Amendment) Act, 2006; MFRBM Rules, 2006; MFRBM (Amendment) Rules, 2008; MFRBM (Second Amendment) Rules, 2011 and MFRBM (Amendment) Rules, 2012 of the State are given in **Appendix 1.3**. According to the Act, Government developed its own Fiscal Correction Path (FCP) given in **Appendix 1.4**. As prescribed in the Act, Government laid its Medium Term Fiscal Policy Statement (MTFPS) for 2012-13 in the State legislature in March 2012.

1.1.1 Summary of fiscal transactions in 2012-13

The **Table 1.2** presents the summary of the State Government's fiscal transactions during the current year (2012-13) *vis-à-vis* the previous year (2011-12), while **Appendix 1.6** provides details of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.2: Summary of fiscal operations in 2012-13

(₹ in crore)

2011-12	Receipts	2012-13	2011-12	Disbursements	2012-13		
Section-A: Revenue					Non Plan	Plan	Total
121286.14**	**Revenue receipts**	**142947.23**	**123554.19**	**Revenue expenditure**	**114205.90**	**24530.08**	**138735.98**
87608.46	Tax revenue	103448.58	42852.88	General services	47058.81	606.86	47665.67
8167.70	Non-tax revenue	9984.40	54812.21	Social services	46869.64	15169.33	62038.97
13343.34	Share of Union Taxes/ Duties	15191.92	24868.75	Economic services	18944.11	8606.71	27550.82
12166.64	Grants from Government of India	14322.33	1020.35	Grants-in-aid and Contributions	1333.34	147.18	1480.52
Section B: Capital							
455.83	Miscellaneous Capital Receipts	0.00	17879.54	Capital Outlay	2303.38	15094.60	17397.98
558.74	Recoveries of Loans and Advances	862.85	836.28	Loans and Advances disbursed			1415.94
24452.56	Public debt receipts*	21725.12	6458.35	Repayment of Public Debt*			6652.52
1000.00	Appropriation from Contingency fund	725.00	500.00	Appropriation to Contingency fund			875.00
511.20	Contingency Fund	875.00	1000.00	Contingency Fund			734.62
53389.38	Public Account Receipts	47059.63	46962.93	Public Account Disbursements			35511.02
31509.39	Opening Cash Balance	35971.95	35971.95	Closing Cash Balance			48843.72
233163.24	**Total**	**250166.78**	**233163.24**	**Total**			**250166.78**

Source: Finance Accounts of the respective years

* Excluding ways and means advances on two occasions for eight days (Receipt: ₹ 391.50 crore and Disbursement: ₹ 391.50 crore)

** Includes ₹ 170.23 crore, the outstanding central loans under Central Plan Schemes and Centrally Sponsored Schemes advanced to State Governments by the Ministries other than Ministry of Finance written off as per the recommendation of the Thirteenth Finance Commission

The following are the major changes in fiscal transactions during 2012-13:

- Revenue receipts (RR) grew by ₹ 21,661 crore (18 *per cent*) over 2011-12. The increase was the net effect of increase in tax revenue by ₹ 15,840 crore (18 *per cent*), non-tax revenue by ₹ 1,817 crore (22 *per cent*), State's share of Union Taxes and Duties by ₹ 1,849 crore (14 *per cent*) and Grants from Government of India (GoI) by ₹ 2,156 crore (18 *per cent*). The revenue receipts at ₹ 1,42,947 crore were 106 *per cent* of the assessments made by the State Government in its FCP (₹ 1,34,869 crore) and 105 *per cent* of the MTFPS (₹ 1,36,711 crore) for the year 2012-13.

- The increase in non-tax revenue receipts by ₹ 1,817 crore (22 *per cent*) over 2011-12 was mainly due to an 81 *per cent* increase (₹ 1,105 crore) under 'Interest Receipt' due to more interest realised on investments of Cash Balance of 91 days Treasury Bills, 553 *per cent* increase (₹ 307 crore) under Social Security and Welfare Programme and 47 *per cent increase* (₹ 174 crore) under Urban Development. The non-tax revenue receipts (₹ 9,984 crore) of the Government was also lower than the projections made in the FCP (₹ 10,315 crore) and the MTFPS/Budget (₹ 10,886 crore) of the Government by three *per cent* and eight *per cent* respectively and the Thirteenth Finance Commission (ThFC) normative assessment by 22 *per cent* (₹ 12,822 crore).

- Revenue expenditure increased by ₹ 15,182 crore (12 *per cent*) over 2011-12, mainly due to increase in expenditure on general services (₹ 4,813 crore), social services (₹ 7,227 crore), economic services (₹ 2,682 crore) and increase in grants-in-aid and contributions (₹ 460 crore). While 16 *per cent* of the increase was under Plan head the remaining 84 *per cent* was under Non-Plan head. The major heads that registered increases include General Education, Interest Payment, Industries, Pension and other Retirement Benefits, Relief on account of Natural Calamities, District Administration, Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes, Medical and Public Health and Social Security. The revenue expenditure (₹ 1,38,736 crore) was, however, more than the assessment made by the State Government in its FCP (2.90 *per cent*) and MTFPS/Budget by 1.59 *per cent*. The Non-Plan Revenue expenditure (₹ 1,14,206 crore) exceeded the normative assessments made by ThFC (₹ 85,884 crore), the State Government's projections in FCP (₹ 1,09,832 crore) and the MTFPS/ Budget (₹ 1,07,755 crore) **(Table 1.19).**

- Capital expenditure (₹ 17,398 crore) decreased marginally by 2.7 *per cent* over 2011-12. The decrease was mainly due to less contribution of Government's share capital to Vidarbha Irrigation Development Corporation, as discussed in **Paragraph 1.6.1**. The capital expenditure was lower than the assessment made by the State Government in its FCP by 33.34 *per cent* (₹ 26,099 crore), Budget by 22.48 *per cent* (₹ 22,444 crore) and the projections made in MTFPS by 27.36 *per cent* (₹ 23,952 crore) for the year 2012-13. The major areas of decrease are commented in **Paragraph 1.1.3**.

- Recoveries of loans and advances increased by 54.43 *per cent* (₹ 304 crore) and disbursements also increased by 69.31 *per cent* (₹ 580 crore) over 2011-12.

- Public debt receipts decreased by 11.15 *per cent* (₹ 2,727 crore) and public debt disbursement increased by three *per cent* (₹ 194 crore) over 2011-12 resulting in net decrease of ₹ 2,921 crore in public debt receipts in 2012-13.

- Decrease of 11.86 *per cent* (₹ 6,330 crore) in Public Account receipts in 2012-13 over the previous year was on account of decrease under Suspense and Miscellaneous (₹ 9,816 crore), set off by increase of receipts under Reserve Funds by 62.49 *per cent* (₹ 1,907 crore), Deposits and Advances by 4.36 *per cent* (₹ 1,114 crore), Small Savings, Provident Fund *etc.* by 6.99 *per cent* (₹ 311 crore) and Remittances by 0.71 *per cent* (₹ 154 crore).
- Public Account disbursements decreased by 24.38 *per cent* (₹ 11,452 crore) in 2012-13 mainly due to decrease under Suspense and Miscellaneous by ₹ 11,390 crore, Remittances by 4.27 *per cent* (₹ 943 crore) and Deposit and Advances by 3.79 *per cent* (₹ 797 crore), set off by increase under Reserve Funds by 80.50 *per cent* (₹ 1,331 crore) and Small Savings, Provident Fund *etc.* by 17.53 *per cent* (₹ 384 crore).
- Appropriation from the Contingency Fund decreased by ₹ 275 crore in 2012-13 from ₹ 1,000 crore in 2011-12 to ₹ 725 crore in 2012-13 while appropriation to the Contingency Fund increased by ₹ 375 crore from ₹ 500 crore in 2011-12 to ₹ 875 crore in 2012-13, as discussed in **Paragraph 2.6.**
- Cash balances of the Government at the close of the year 2012-13 (₹ 48,844 crore) increased by ₹ 12,872 crore (36 *per cent*) over the previous year. Of the above, ₹ 36,621 crore was invested in GoI Treasury Bills, as discussed in **Paragraph 1.8.4**.

1.1.2 Review of the fiscal situation

Major fiscal variables provided in the budget, based on recommendations of the Thirteenth Finance Commission (ThFC) and as targeted in the FRBM Act of the State is given in **Table 1.3**:

Table 1.3 Review of the Fiscal situation

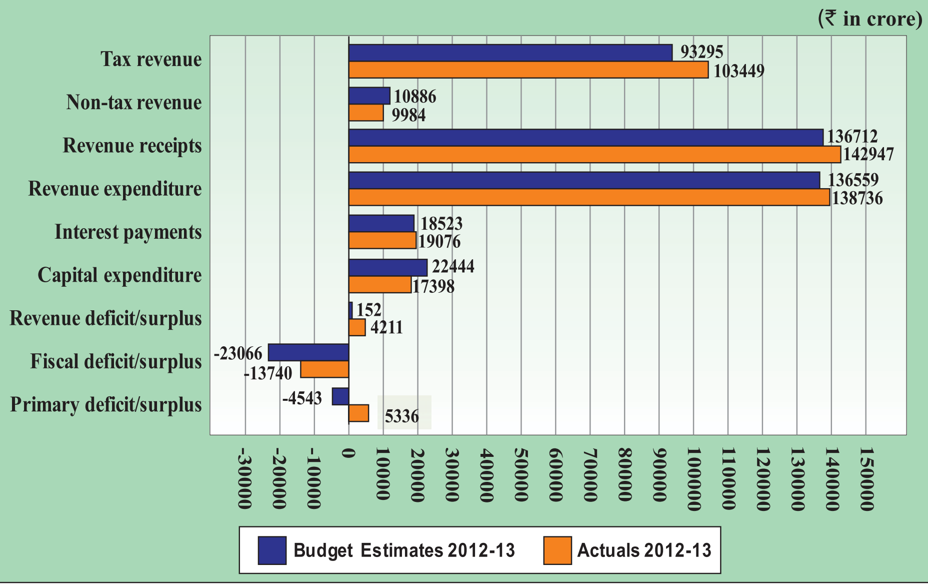
Fiscal variables	2012-13				
	XIII FC targets for the State in percentage	Targets as prescribed in FRBM Act	Targets proposed in the Budget/ MTFP	Projections made in Five Year Fiscal plan	Actuals
Revenue Deficit (-) /Surplus (+) (₹ in crore)	0	152	152	37	4211
Fiscal Deficit/GSDP (in *per cent*)	Below 3	1.72	1.72	2	1
Ratio of total outstanding debt of the Government to GSDP (in *per cent*)	25.8	25.8	18.8	19.0	20.5
Source: MTFPS/FCP/XIII FC					

From **Table 1.3** it can be seen that State is well within the targets prescribed by ThFC and under FRBM Act. In as far as ratio of total outstanding debt of the Government to GSDP the state is slightly above the target proposed in the Budget and FCP.

1.1.3 Budget estimates and actuals

There was a revenue surplus in 2012-13 as the actual revenue receipts was more than the budget estimates by 4.56 *per cent*, while revenue expenditure was more than the budget estimates by only 1.59 *per cent*. The capital expenditure decreased by 22.48 *per cent* and interest payments increased by 2.99 *per cent* over the budget estimates.

Chart 1.1 : Selected fiscal parameters : Budget estimates vis-à-vis actuals



(Source: Finance Accounts)

As may be observed from **Chart 1.1** (also see **Appendix 1.13**), there was considerable variation between budget estimates and actuals in the case of several key parameters. Revenue receipts had a positive variation (₹ 6,235 crore: 4.56 *per cent*) over budget estimates and almost all categories of revenue receipts (with the exception of State Excise, Taxes on Goods and Passengers and Land Revenue, *etc*.) were higher than the budget estimates. Revenue expenditure increased by 1.59 *per cent* over the budget estimates, mainly because of more expenditure under Economic Services, *i.e*. Rural Development, Energy and Industry and Minerals.

The increase in revenue receipts was the net result of increase in tax revenue by 11 *per cent*, set off by a decrease in non-tax revenue by eight *per cent*, share in Central taxes by three *per cent* and grants-in-aid from GoI by 15 *per cent*.

The actual capital expenditure was less by ₹ 5,046 crore (22 *per cent*) compared to the original budget estimates of 2012-13. The decrease was mainly under Rural development (₹ 2,131 crore), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹ 1,273 crore) and Irrigation and Flood Control (₹ 933 crore).

The higher revenue surplus of ₹ 4,059 crore in 2012-13 was more than the budget estimates mainly because of increase in revenue receipts by ₹ 6,235 crore which was set off by increase in revenue expenditure by ₹ 2,177 crore over the budget estimates. Further, the revenue surplus is overstated by ₹ 1,868.84 crore (₹ 757.07 crore due to incorrect booking of revenue expenditure under Capital and ₹ 1,111.77 crore due to shortfall in expenditure on Central Schemes) as discussed in **Paragraph 1.6.1.**

Fiscal deficit also improved and it was less than the assessment made in the budget estimates by 40 *per cent* (₹ 23,066 crore), mainly due to higher growth of revenue receipts *vis-à-vis* growth of revenue expenditure and decrease in capital expenditure.

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 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 financial institutions/commercial banks) and loans and advances from GoI. Besides, the funds available in the Public Accounts after disbursement is also utilised by the Government to finance its deficit.

Table 1.4: Trends in growth and composition of aggregate receipts

(₹ in crore)

Sources of State's Receipts	2008-09	2009-10	2010-11	2011-12	2012-13
I Revenue Receipts	**81271**	**86910**	**105868**	**121286**	**142947**
II Capital Receipts (CR)	**21287**	**22104**	**21397**	**25467**	**22588**
Miscellaneous Capital Receipts	18	25	17	456	0
Recovery of Loans and Advances	560	515	640	559	863
Public Debt Receipts	20709	21564	20740	24452	21725
Growth rate of debt capital receipts	75.38	4.13	(-)3.82	17.90	(-)11.15
Growth rate of non-debt capital receipts	(-)21.15	(-)6.57	21.67	54.49	(-)14.98
Growth rate of GSDP	17.22	30.11	18.53	16.86	14.43
Rate of growth of CR *(per cent)*	69.74	3.84	(-)3.20	19.02	(-)11.30
III Contingency Fund	**709**	**352**	**853**	**511**	**875**
IV Public Account Receipts	**37357**	**44072**	**48406**	**53389**	**47060**
a. Small Savings, Provident Fund *etc.*	2220	3309	3882	4449	4760
b. Reserve Fund	2428	2559	3346	3052	4960
c. Deposits and Advances	11438	14150	21918	25544	26658
d. Suspense and Miscellaneous	3132	4166	(-)993[2]	(-)1491[2]	(-)11308[2]
e. Remittances	18139	19888	20253	21835	21990
V Total Receipts	**140624**	**153438**	**176524**	**200653**	**213470**

Source: Finance Accounts of the respective years

Flow chart 1.1 presents the receipts of the State during the current year as recorded in its Annual Finance Accounts while **Table 1.4** and **Chart 1.2** depicts the trends in various components of the receipts of the State during 2008-13. **Chart 1.3** depicts the composition of the receipts of the State during the current year.

[2] Minus credit is due to realization of cheques being more than the cheques issued during the year owing to clearance of last year's cheques

Flow chart 1.1: Trends in various components of Receipts of the State

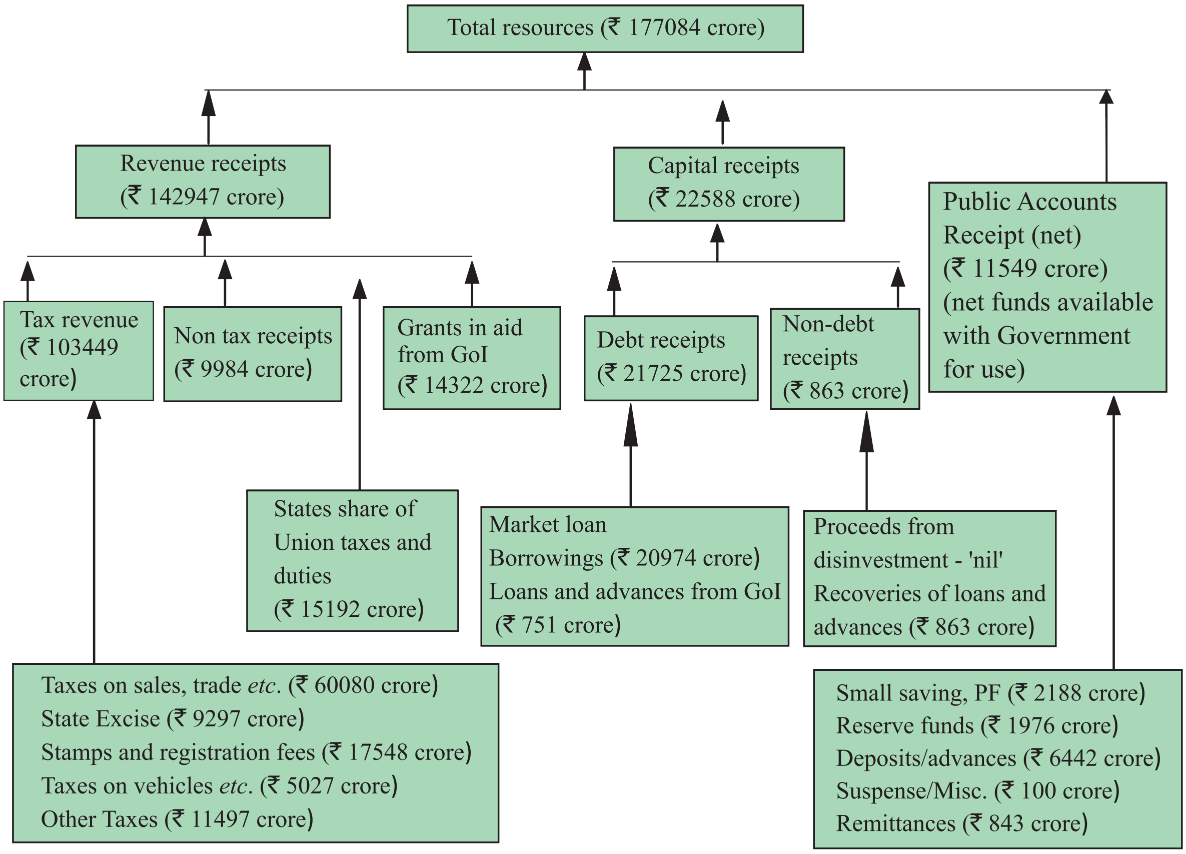
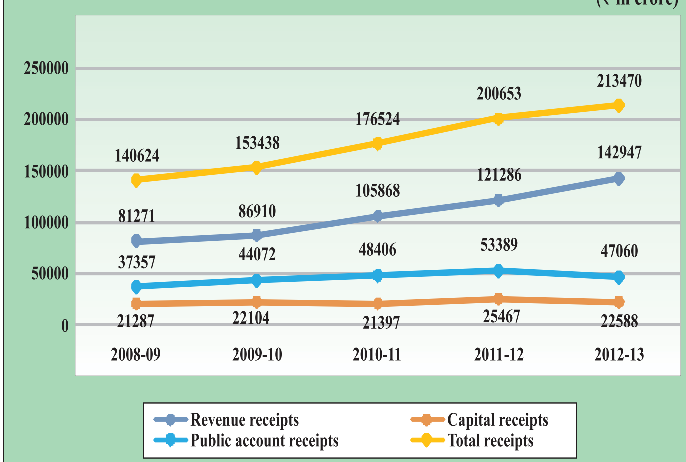
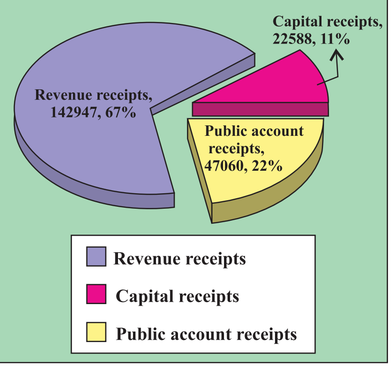


Chart 1.2 : Trends in Aggregate Receipts



(Source: Finance Accounts of the respective years)

Chart 1.3 : Composition of Aggregate Receipts during 2012-13 (₹ in crore and percentage to total receipts)



(Source: Finance Accounts)

The total receipts of the State increased by ₹ 72,846 crore (51.80 *per cent*) from ₹ 1,40,624 crore in 2008-09 to ₹ 2,13,470 crore in 2012-13. The share of revenue receipts in total receipts of the State increased from 58 *per cent* in 2008-09 to 67 *per* *cent* in 2012-13, while the share of public account receipts in total receipts of the State decreased from 27 *per cent* in 2008-09 to 22 *per cent* in 2012-13.

Table 1.4 shows that the debt capital receipts registered a negative growth of 11 *per cent* in 2012-13 as compared to the positive growth of 17.90 *per cent* in 2011-12. Non-debt capital receipts also registered a negative growth of 14.98 *per cent* in 2012-13 as compared to the positive growth of 54.49 *per cent* in 2011-12.

Public Account receipts increased by 25.97 *per cent* over the period 2008-13. As compared to 2011-12, there was a decrease during 2012-13 by 11.85 *per cent*, which was mainly under Suspense and Miscellaneous.

1.2.2 Funds transferred to State implementing agencies outside the State budget

The Central Government has been transferring a sizeable amount of funds directly to State implementing agencies[3] for implementation of various Schemes/ programmes in social and economic sector, which is recognised as critical. As 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.

During the year 2012-13, Central funds of ₹ 7,489 crore were transferred directly to the State implementing agencies. The programmes assisted by GoI whose funds were transferred are presented in **Appendix 1.8.** The major transfers were to:

- the DRDAs (₹ 2,886.38 crore i.e. 39 per cent) for Indira Awas Yojana, Swarnajayanti Gram Swarojgar Yojana, the Integrated Watershed Management Programme, DRDA administration and the National Rural Employment Guarantee Scheme;
- the State Water and Sanitation Mission (₹ 1,185.80 crore i.e. 16 per cent);
- the Maharashtra Prathamik Shikshan Parishad (₹ 1,068.81 crore i.e. 14 per cent) for Sarva Shiksha Abhiyan; and
- National Rural Health Mission (₹ 834.85 crore i.e. 11 per cent).

Since the funds are generally not being spent fully by the implementing agencies in the same financial year in which they are given to them, unspent balances remain in the bank accounts of the implementing agencies. The aggregate amount of the unspent balances in the accounts of the implementing agencies, kept outside Government accounts, in bank accounts, is not ascertainable.

As compared to the previous year, the increase in transfer of funds (₹ 345.26 crore) was mainly under a) the State Water and Sanitation Mission for the Accelerated Rural Water Supply Scheme (₹ 409.44 crore *i.e.* 53 *per cent*), b) DRDAs (₹ 545.14 crore *i.e.* 23 *per cent*) for the Integrated Watershed Management Programme and the National Rural Employment Guarantee Scheme. In respect of Gramin Bhandar Yojana/ Rural Godowns no funds were provided during 2011-12, however, during 2012-13 ₹ 237 crore was provided.

[3] State implementing agencies include any organisation/institutions including non-governmental organisations which are authorized by the State Government to receive funds from the GoI for implementing specific programmes in the State, *e.g.* Sarva Shiksha Abhiyan, National Rural Health Mission *etc*.

The transfer of funds decreased mainly under the Pradhan Mantri Gram Sadak Yojana (nil during 2012-13 and ₹ 796 crore in 2011-12).

Direct transfer of funds from GoI to the State implementing agencies ran the risk of improper utilisation of funds by these agencies. Unless uniform accounting practices are followed by all these agencies, with proper documentation and timely reporting of expenditure, it would be difficult to monitor the end use of these direct transfers.

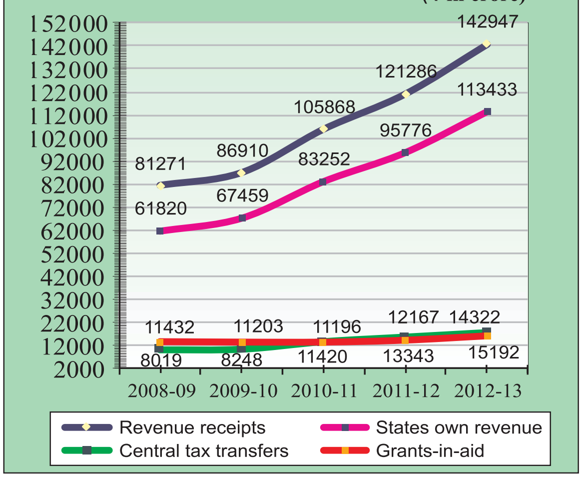
1.3 Revenue receipts

Statement 11 of the Finance Accounts details the revenue receipts of the Government. These consist of the State's own tax and non-tax revenues, Central tax transfers and grants-in-aid from GoI. The trends of revenue receipts over the period 2008-13 are presented in **Chart 1.4** and also in **Appendix 1.5**.

The composition of revenue receipts over the period 2008-13 are presented in **Chart 1.5.**

Chart 1.4 Trends in revenue receipts

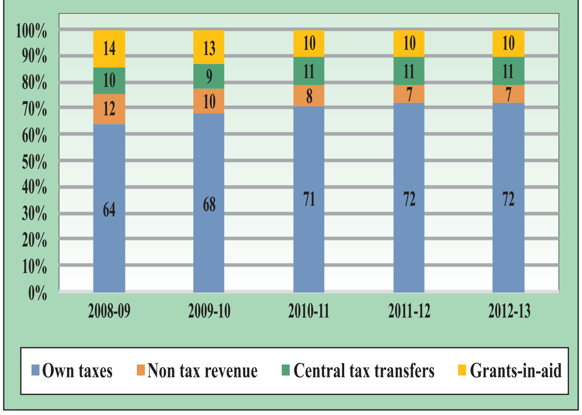
(₹ in crore)



(Source: Finance Accounts of the respective years)

Chart 1.5 The composition of revenue receipts during 2008-13

(share in *per cent*)



(Source: Finance Accounts of the respective years)

The revenue receipts have shown a progressive increase over the period 2008-13. As shown in **Chart 1.5**, there was an increasing trend in the share of the State's own taxes during the period 2008-13. The shares of non-tax revenue showed a declining trend during 2008-13 while the share of Central transfers was relatively stable during 2010-13. The share of grants-in-aid decreased during 2008-10 but remained stable during 2010-13.

During 2003-04 to 2011-12, the compound growth rate of revenue receipts (17.07 *per cent*) was less than the growth rate of General Category States (17.48 *per cent*). This growth rate for the period 2003-04 to 2012-13 increased to 17.16 *per cent* **(Appendix 1.1)**.

Revenue receipts at ₹ 1,42,947 crore were 105.98 *per cent* of the assessments made by the State Government in its FCP (₹ 1,34,869 crore) and 104.56 *per cent* in the MTFPS (₹ 1,36,711 crore) for the year 2012-13.

The trends in revenue receipts relative to GSDP at current prices are presented in **Table 1.5**.

Table 1.5: Trends in revenue receipts relative to GSDP

	2008-09	2009-10	2010-11	2011-12	2012-13
I Revenue Receipts (₹ in crore)	**81271**	**86910**	**105868**	**121286**	**142947**
Rate of growth[4] of RR (*per cent*)	2.12	6.94	21.81	14.56	17.86
RR/GSDP (*per cent*)	11.7	9.6	9.9	10.1	10.4
Buoyancy Ratios[5]					
Revenue Receipts Buoyancy w.r.t. GSDP	0.122	0.229	1.176	1.186	1.238
State's own taxes Buoyancy w.r.t. GSDP	0.550	0.452	1.454	1.366	1.253
Gross State Domestic Product (₹ in crore)	**692749@**	**901330@**	**1068327@**	**1199548@**	**1372644#**
Revenue Receipts Buoyancy w.r.t. State's own taxes	0.224	0.510	0.810	0.868	0.988

Source: Finance Accounts and Economic Survey of Maharashtra (Preliminary Estimates)
@ Based on Economic Survey of Maharashtra
 # Advance estimates furnished by Directorate of Economics and Statistics, Government of Maharashtra

The increase in revenue receipts during 2012-13 (17.86 *per cent*) as compared to previous year was due to the net effect of increase in non-tax revenue by 22 *per cent* (₹ 1,817 crore), tax revenue by 18 *per cent* (₹ 15,840 crore), Grants from GoI by 18 *per cent* (₹ 2,156 crore) and the State's share of Union taxes and duties by 14 *per cent* (₹ 1,849 crore).

The ratio of State's own tax buoyancy with reference to GSDP gradually increased from 0.550 in 2008-09 to 1.454 in 2010-11 but, it decreased to 1.366 and 1.253 in 2011-12 and 2012-13 respectively.

1.3.1 State's own resources

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

The States actual tax and non-tax receipts for the year 2012-13 *vis-à-vis* assessment made by the ThFC and the MTFP (latest) are given in **Table 1.6.**

Table 1.6: Actual tax and non-tax receipts

(₹ in crore)

	ThFC projections	Budget estimates	MTFP projection	Actual
Tax revenue	92678	93295	93295	103449
Non tax revenue	12822	10886	10886	9984

Source: Finance Accounts/ThFC/Budget/MTFPS

Table 1.6 shows that the actual realisation of tax revenue during the year was higher than the normative assessment of ThFC as well as projections made in the budget and MTFPS. The non-tax revenue of the Government was lower than the normative assessment of the ThFC (22 *per cent*), Budget/MTFPS projections (eight *per cent*).

4 see Glossary at page 166

5 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 0.9 implies that revenue receipts tend to increase by 0.9 percentage points, if the GSDP increases by one *per cent* (also see Glossary at page 166)

1.3.1.1 Tax revenue

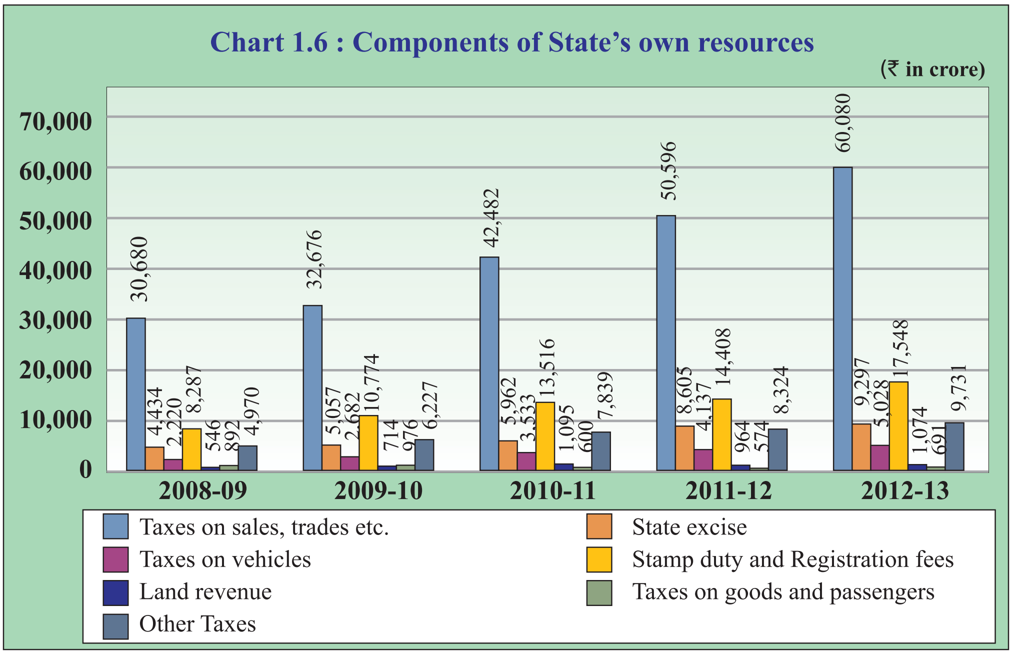
The gross collection in respect of major taxes and duties are given in **Table 1.7.**

Table 1. 7: Components of State's own resources

(₹ in crore)

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage increase in 2012-13 over previous year
Taxes on sales, trades *etc.*	30680	32676	42482	50596	60080	19
Stamp duty and Registration fees	8287	10774	13516	14408	17548	22
State excise	4434	5057	5962	8605	9297	8
Taxes on vehicles	2220	2682	3533	4137	5028	22
Land revenue	546	714	1095	964	1074	11
Taxes on goods and passengers	892	976	600	574	691	20
Other taxes[6]	4970	6227	7839	8324	9731	17
Total	**52029**	**59106**	**75027**	**87608**	**103449**	**18**

Source: Finance Accounts of the respective years



(Source: Finance Accounts of the respective years)

The tax revenue increased by ₹ 15,841 crore (18 *per cent)* over the previous year. The increase over the previous year was mainly under (a) taxes on Sales, Trades, *etc.* by ₹ 9,484 crore (19 *per cent*) due to more tax collection under 'Value Added Tax', (b) stamps and registration fees by ₹ 3,140 crore (22 *per cent*) due to more collection of Stamp duty and Registration fees, (c) taxes on vehicles by ₹ 890 crore (22 *per cent*) due to more tax collection under 'State Motor Vehicles Taxation Act'

[6] Other taxes include taxes on professions, trades, callings and employment and taxes and duties on electricity

and (d) state excise by ₹ 692 crore (eight *per cent*) due to receipt of more excise duty on wines and spirits.

During 2003-04 to 2011-12, the compound growth rate of tax revenue (16.88 *per cent*) was less than the growth rate of General Category States (17.44 *per cent*). This growth rate for the period 2003-04 to 2012-13 increased to 17.01 *per cent* **(Appendix 1.1)**.

The tax revenue as a percentage of GSDP (7.54 *per cent*) was less than the normative assessment of ThFC (8.54 *per cent*) and marginally higher than the FCP (7.08 *per cent*), MTFPS (6.95 *per cent*).

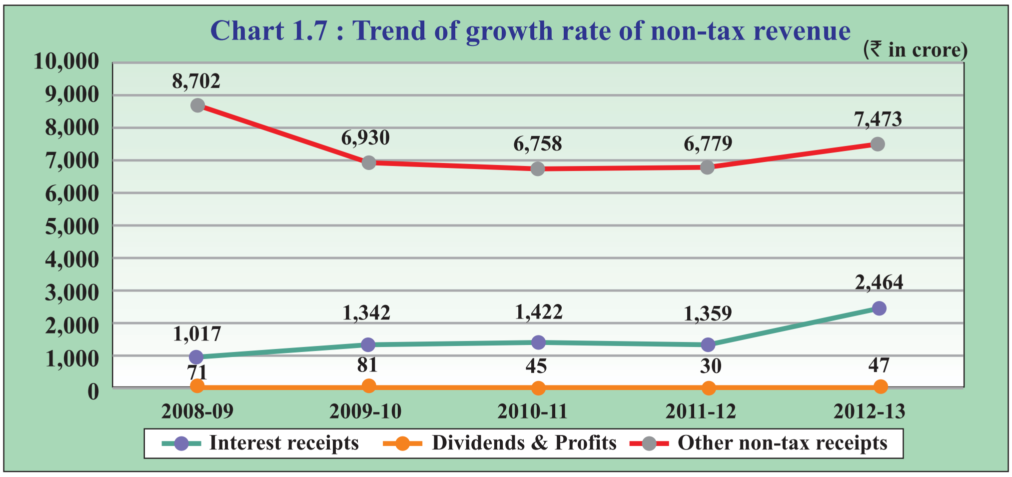
1.3.1.2 Non-tax revenue

Growth rate of non-tax revenue is shown in **Table 1.8**

Table 1. 8 Growth rate of non-tax revenue

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage increase in 2012-13 over previous year
	(₹ in crore)					
Interest Receipts	1017	1342	1422	1359	2464	81
Dividends and Profits	71	81	45	30	47	57
Other non-tax receipts	8702	6930	6758	6779	7473	10
Total	**9790**	**8353**	**8225**	**8168**	**9984**	**22**

Source: Finance Accounts of the respective years



(Source: Finance Accounts of the respective years)

The non-tax revenue of the State increased by 22 *per cent* (₹ 1,816 crore) from ₹ 8,168 crore in 2011-12 to ₹ 9,984 crore in 2012-13, mainly under Interest Receipts (₹ 1,105 crore) due to more receipts under 'interest realised on Investments of Cash Balances' and under 'Other Receipts' of Social Security and Welfare Programme (₹ 307 crore), Urban Development (₹ 174 crore) and under Education, Sports, Arts and Culture (₹ 132 crore).

During 2003-04 to 2011-12, the compound growth rate of non-tax revenue (10.98 *per cent*) was less than the growth rate of General Category States (12.64 *per cent*). This growth rate for the period 2003-04 to 2012-13 further decreased to 12.18 *per cent* **(Appendix 1.1)**.

1.3.2 Grants-in-aid from Government of India

The grants-in-aid from GoI increased by 18 *per cent* from ₹ 12,167 crore in 2011-12 to ₹ 14,322 crore in 2012-13. The increase was mainly under Non-Plan grants (171 *per cent*) and grants under Central Plan Schemes (74 *per cent*), while the grants for State Plan Schemes and Centrally Sponsored Plan Schemes decreased by 12 *per cent* and two *per cent* respectively in 2012-13 as given in **Table 1.9.** The trend of total grants from GoI as a percentage of Revenue Receipts is continuously decreasing. This shows State is less dependent on Centre.

Table 1.9: Grants-in-aid from Government of India

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Non-Plan grants	2832	3707	2304	1723	4676
Grants for State Plan Schemes	6683	5396	5805	6380	5630
Grants for Central Plan Schemes	139	87	245	65	113
Grants for Centrally Sponsored Plan Schemes	1778	2013	2842	3999	3903
Grants for Special Plan Schemes	-	-	-	-	-
Total	**11432**	**11203**	**11196**	**12167**	**14322**
Percentage of increase/decrease over previous year	52.22	(-) 2.0	(-) 0.06	8.67	17.71
Total grants as a percentage of Revenue Receipts	14.07	12.89	10.58	10.03	10.02
Source: Finance Accounts of the respective years					

The increases under Non-Plan grants (₹ 2,953 crore) were mainly under (a) Grants towards contribution to the State Disaster Response Fund (₹ 2,042 crore) and (b) Grants from Central Road Fund (₹ 235 crore). The increase under Central Plan Schemes (₹ 48 crore) were mainly under Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes (₹ 45 crore) and under Animal Husbandry (₹ 20 crore), set off by decrease under Urban Development (₹ 15 crore) and under Crop Husbandry (₹ two crore).

The overall decrease under grants for Centrally Sponsored Plan Schemes (₹ 96 crore) was mainly due to decrease under (a) Nutrition (₹ 458 crore), (b) Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes Backward Classes (₹ 143 crore) and (c) Crop Husbandry (₹ 123 crore), set off by increase under (i) Social Securities and Welfare (₹ 335 crore), (ii) Technical Education (₹ 228 crore) and (iii) Family Welfare (₹ 59 crore). The overall decrease under grants for the State Plan Schemes (₹ 750 crore) was mainly due to decrease under Jawahar Lal Nehru Urban Renewal Mission grants (₹ 534 crore), Accelerated Irrigation Benefits Programme and other Water related Schemes (₹ 279 crore), grants under proviso to Article 275(1) of the Constitution (₹ 236 crore) and Additional Central Assistance for other Projects (₹ 92 crore), set off by increase under National Social Assistance Programme Annapurna (₹ 250 crore) and other grants (₹ 176 crore).

1.3.3 Debt waiver under the debt consolidation and relief facilities

The ThFC had framed a Scheme of debt relief of central loans named the Debt consolidation and relief facilities based on the fiscal performance of the State linked to the reduction of deficits in the States. On this account, an interest relief of ₹ 573.28 crore on account of reset of interest rate of National Small Savings Fund (NSSF) loan for the period from 2010-11 to 2012-13 has been received by the State Government from GoI during 2012-13. Earlier, State had received a debt write-off of ₹ 170.23 crore during 2011-12.

1.3.4 Central tax transfers

Central tax transfers increased by 14 *per cent* from ₹ 13,343 crore in 2011-12 to ₹ 15,192 crore in 2012-13. The increase was mainly under service tax (₹ 630 crore), taxes on income other than corporation tax (₹ 607 crore), Union Excise Duties (₹ 223 crore) and Corporation Tax (₹ 221 crore).

1.3.5 Optimisation of the Thirteenth Finance Commission grants

The Thirteenth Finance Commission (ThFC) was constituted by the President of India under Article 280 of the Constitution on 13 November 2007 to give recommendations on specified aspects of Centre-State fiscal relations during 2010-15 (award period). The ThFC, as per the terms of reference, has three constitutionally mandated tasks namely, the distribution of net revenues from the divisible pool of taxes, grants-in-aid to the needy States and measures for supplementing the States' resources for devolution to local bodies.

Audit of records pertaining to the grants given by the GoI on the recommendations of the ThFC was conducted (May to August 2013) in the Finance Department (FD), Rural Development Department (RDD), Urban Development Department (UDD), Director of Municipal Administration (DMA), Revenue and Forest Department (RFD), School Education Department, Planning Department, General Administration Department and Directorate of Accounts and Treasuries.

The State Government had formed a High Level Monitoring Committee (HLMC) headed by the Chief Secretary to monitor the release and utilization of ThFC grants and adherence to the guidelines of the ThFC.

The various purposes and the details of grants released, disbursed and utilized as per utilization certificates (UC) furnished by the GoM are given in **Table 1.10.**

Table 1.10: The details of grants released, disbursed and utilized

(₹ in crore)

Sr. No	Purpose for which grant is released	2010-13			
		Amount to be released by GoI as per recommendation of the ThFC	Actual Release	Shortfall in release of grants	Amount for which UCs submitted
1 a	Local Bodies (PRI)	2514.24	2711.70[7]	3.90	1056.58
1 b	Local Bodies (ULB)	1432.53	1522.46[8]	130.84	691.05
2	Disaster Relief	1061.68	873.66	188.02	873.66
3	Improving outcome grants	564.53	354.62[9]	342.99	41.22
4	Environment Related Grants	338.80	338.80	0	336.74
5	Elementary Education	420.00	420.00	0	420.00
6	Roads and Bridges	974.00	974.00	0	311.07
7	State Specific Grants	617.50	515.97	101.53	199.59
GRAND TOTAL		**7923.28**	**7711.21**	**767.28**	**3929.91**

Source: Information received from Finance and Other Departments

[7] In RDD, though the overall grants released by the GoI was more than that recommended by the ThFC by ₹ 201.36 crore, there was a short release of ₹ 3.90 crore under Special area performance grant to PRIs **(Appendix 1.15)**

[8] In UDD, grants released by the GoI was more than that recommended by the ThFC by ₹ 220.77 crore due to receipt of forfeited grant. The second installment of Performance grant of ₹ 130.84 crore was not received **(Appendix 1.15)**

[9] For reduction in Infant Mortality Rate, though there is no recommended amount the State Government received ₹ 133.08 crore **(Appendix 1.14)**

As of March 2013, the State Government received financial assistance of ₹ 7,711.21 crore against the recommended amount of ₹ 7,923.28 crore. The grant-wise details are indicated in **Appendix 1.14.**

Audit observed that in respect of nine grants, the amount received by the GoM was less than that recommended by the ThFC till 2013 by ₹ 767.28 crore. The grant-wise short receipts and the reasons for short receipts are given in **Appendix 1.15.**

1.3.5.1 Grants to local bodies

Details governing release of grants

As per GoI guidelines (September 2010), percentage of previous year's divisible pool of taxes of Central Government was recommended as grants-in-aid to local bodies to be distributed in two tranches. These grants are untied to expenditure conditions and should be transferred electronically to local bodies within five days. In case of delay the said installment should be released along with interest at the rates prescribed by the Reserve Bank of India (RBI).

The grant comprises of two components *i.e.* a basic grant component (from 2010-11) and a performance based component (from 2011-12). If the specified conditions are not fulfilled by the State in a particular fiscal year, the entitlement for the performance grant would be forfeited for that State and would be distributed among the performing States as 'Forfeited Grant'. For implementation of various projects these grants are disbursed by RDD to PRIs and by UDD to ULBs through DMA which is the nodal agency.

Of the total grant released during 2010-13 (₹ 2,711.70 crore) to PRIs, the actual utilization by PRIs during the year 2010-11 and 2011-12 were only 89 *per cent* and 60 *per cent* respectively.

1.3.5.2 Violation of guidelines

(i) Discrepancy in the pattern of release of grants by UDD

A uniform pattern was not followed by the UDD while transferring funds to the DMA. Of the total 11 releases for the period 2010-2013, six releases were transferred electronically and five releases (₹ 680.93 crore) were transferred by drawing cheques in favour of the DMA. This resulted in delay of 20 to 35 days in further disbursement of grants to the implementing agencies thus, violating GoI's guidelines for release of grant within five days.

(ii) Retention of grants by the nodal agency

The UDD while releasing the grants, instructed (October 2010) the DMA to retain a portion (3.7 *per cent* of the total releases of three years) of the grant in order to meet any special requirement of Municipal Councils. The retention of grants with the nodal agency violated the GoI guidelines which stipulated release of ThFC grants within five days. As per UDD's instructions, DMA retained an amount of ₹ 55.79 crore (2010-13). Subsequently, an amount of ₹ 10.27 crore was released as detailed in **Appendix 1.16**. The balance amount of ₹ 45.52 crore was kept in fixed deposits.

(iii) Submission of utilization certificates

Of the total grant released (₹ 1,522.46 crore) during the period 2010-13, ULBs submitted UCs for ₹ 691.05 crore only. UCs for the basic grant received during

2010-11 was submitted only in March 2013. UCs for the performance/forfeited grant for 2011-12 was submitted in February 2013. Delay in submission of UCs resulted in receipt of the first instalment of general performance grant (2012-13) in March 2013 instead of September 2012 and non-release of the second instalment for 2012-13**.**

(iv) Irregular purchase of biometric attendance machines

As per the guidelines issued (August 2010) by RDD, a biometric attendance system should be implemented for the staff members of PRIs at all levels. In violation of these guidelines, instead of installing the biometric attendance machines in the offices of the Panchayat Samitis, the Block Development Officer, Mudkhed, District, Nanded purchased 153 machines at a total cost of ₹ 53.70 lakh for installation in 79 primary schools under their jurisdiction.

(v) Diversion of the ThFC grants

RDD guidelines stipulate that any mitigation and construction activities should be kept out of the Schemes funded through the ThFC grant. During the scrutiny of records maintained by the Chief Accounts and Finance Officers (CAFO), Buldhana and Aurangabad, it was noticed that the Department diverted the ThFC grants for construction of wall of primary schools in Buldhana district (₹ 0.20 crore) and work of water pipeline at Malegaon, Aurangabad district (₹ 0.06 crore). This resulted in diversion of the ThFC grant to the extent of ₹ 0.26 crore. The CAFO, Buldhana and Aurangabad stated (July 2013) that such diversion would be avoided in future.

(vi) Utilisation of funds in subsequent year without revalidation

A grant of ₹ 154.80 crore was released by GoI during 2010-13 for forests in order to manage ecology, environment and climate change consistent with sustainable development with an emphasis on the preparation of working plans and utilisation of grants in the same year of release. Of this grant, ₹ 2.43 crore was disbursed (2010-12) to Forest Development Corporation Limited (FDCL). FDCL utilized ₹ 0.8 crore during 2010-11 and 2011-12. The balance amount of ₹ 1.63 crore was revalidated till 2011-12. Revalidation to utilize the unspent amount was not taken up after 2011-12. However, an amount of ₹ 1.18 crore (out of ₹ 1.63 crore) was utilised during 2012-13 which was contrary to the grant release order. Further, the unspent balance of ₹ 0.45 crore was neither surrendered nor reflected in the UC submitted to GoI for the year 2012-13 but lying with FDCL *i.e.* outside the Government Accounts.

1.3.5.3 Improving outcome grants

(i) Delay in finalization of implementing Department

To support and promote innovations for increasing the efficiency of already existing capital assets, a grant of ₹ 35 crore (2011-15) was allocated to Maharashtra as 'District Innovation fund' (DIF), as per GoI guidelines issued in March 2011 to be released in two instalments. The FD took one year to finalize the implementing Department for allocating this fund and eventually the Planning Department was entrusted with the execution of the Scheme (March 2012). The action plan as per guidelines was submitted by the Planning Department in December 2012 and it was submitted to GoI in March 2013. The first instalment of ₹ 17.50 crore was released only in April 2013. Delay in finalization of the implementing Department resulted in delay in release of first installment.

(ii) Delay in submission of action plan report

GoI apportioned ₹ 35 crore (2011-15) to be released in five instalments annually for Improvement of Statistical System at the State and District levels. Due to late submission of HLMC approved Action Plan Report (February 2012) against the target date of May 2011, the Planning Department received the first instalment of ₹ seven crore for the year 2011-12 only in March 2012. The grant was surrendered due to its receipt at the end of the year and the same was revalidated (July 2012).

Out of ₹ seven crore, the Planning Department released ₹ 4.20 crore to Directorate of Economics and Statistics (DES) in August 2012. As per UC submitted in May 2013, only ₹ 0.02 crore was utilised, resulting in surrender of ₹ 6.98 crore (March 2013) due to slow progress of work. Even the milestones for the first instalment *i.e.* Development of Business Register and Net Connectivity at DES Headquarter and district offices were not achieved. As a result, the second and third instalments totaling ₹ 14 crore was not released by GoI.

(iii) Absence of guidelines and budget provisions

- GoI allocated incentive grant to the State Government to be disbursed to the people below poverty line (BPL) upon successful registration of Aadhar Card/ Unique Identification (UID). The enrolment to UID/Aadhar in Maharashtra is being done by Director, Information and Technology. The first tranche of ₹ 31.74 crore released (July 2010), remained unutilised and kept in the State SETU Society[10] Account with Bank of India since 18th March 2011. It was stated by the Director, Information and Technology (June 2013) that the amount was unutilized due to non-receipt of clear guidelines regarding BPL from GoI. Further, during 2011-12, the State Government released an amount of ₹ 1.20 crore (April and May 2011) in anticipation of receipt of grant from GoI and the same was also kept in the State SETU Society Account without any utilisation.

- As per the Sample Registration System of Registrar General of India, Infant Mortality Rate in Maharashtra has improved from 34 per 1000 live births in 2007 to 25 per 1000 live births in 2011. On the basis of Sample Registration System data collected annually, the incentive grant of ₹ 133.08 crore for 2012-13 was released by GoI in December 2012 but was lying unutilized. No budget provision was made by the Public Health Department, as guidelines for utilisation of Improving outcome grant for infant mortality was awaited from GoI.

1.3.5.4 State specific grants

- Recognising the State specific issues and local needs, GoI released State Specific Grants amounting to ₹ 515.97 crore to Maharashtra during 2010-13 and UCs have been submitted for only ₹ 199.59 crore.

- Grant of ₹ 150 crore was released by GoI in two instalments of ₹ 75 crore each in the year 2011-12 and 2012-13 for construction of anganwadis. The State Government released ₹ 123.25 crore of which, ₹ 120.59 crore was spent and ₹ 29.41 crore was lying unutilised (March 2013) as indicated in **Table 1.11.**

[10] State SETU Society is a registered apex body at the State level chaired by Chief Secretary to guide and monitor the district level bodies

Table 1.11: Details of ThFC grants for construction of Anganwadis

(₹ in crore)

Year	Release		Expenditure	Unutilised amount
	by GoI	by State Government		
2011-12	75	63.25	60.59	14.41
2012-13	75	60	60	15
Total	**150**	**123.25**	**120.59**	**29.41**

- Grant of ₹ 205 crore (2011-2015) was allocated to the State for taking up 110 anti-sea erosion bund works in six districts of which, only ₹ 102.50 crore was released in two instalments (December 2011 and March 2013). The entire amount was handed over to Maharashtra Maritime Board, the implementing agency, for undertaking 36 works in 2011-12 and 28 works in 2012-13. Of the 64 anti-sea erosion bund works, only eight were completed, 31 were in progress and 25 were yet to be taken up and ₹ 23.52 crore was lying unutilised in Fixed Deposits.
- A grant of ₹ 100 crore was released in two instalments during 2011-12 and 2012-13 for 'Development of roads in hilly areas'. Of the grant released during 2011-12, UCs for ₹ 36.26 crore were submitted to GoI. The UCs for the year 2012-13 were not submitted (December 2013).
- For enhancing Police training facilities through upgradation of various Police training schools in the State, GoI released ₹ 111.50 crore in two instalments during 2011-12 and 2012-13. Of the grant released during 2011-12, an amount of ₹ 41.93 crore was handed over by the Home Department to Maharashtra State Police Housing and Welfare Corporation Ltd, ₹ 6.31 crore to PWD/MJP and ₹ 7.51 crore to Director General of Police (DGP), Mumbai. Though UC submitted (October 2012) to GoI showed only ₹ 7.09 crore as unutilised, actual amount lying unutilized with the Maharashtra State Police Housing and Welfare Corporation Ltd and PWD/MJP was ₹ 35.66 crore and ₹ 4.21 crore respectively. Thus, the unutilized amount was understated by ₹ 39.87 crore.
- Against the grant of ₹ 15.22 crore released by GoI in December 2011, Home Department earmarked ₹ 7.64 crore for 'Upgradation of prisons' and ₹ 7.58 crore for 'Improving the security in prisons'. During 2012-13, UCs for the year 2011-12 was submitted to GoI for a total amount of ₹ 2.83 crore. Though UC for ₹ 9.18 crore (March 2013) was submitted by the Home Department, the same was not forwarded to GoI on the grounds that expenditure incurred was not approved by HLMC. The FD accepted the same and stated that the matter would be taken up during the next meeting of HLMC.

1.4 Capital receipts

Table 1.12: 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)	21287.24	22104.33	21397.15	25467.13	22587.97
Miscellaneous Capital Receipts	18.01	25.07	17.28	455.83	0.00
Recovery of Loans and Advances	560.21	514.84	640.09	558.74	862.85
Public Debt Receipts	20709.02	21564.42	20739.78	24452.56	21725.12
Rate of growth of debt capital receipts	75	4	(-) 4	18	(-) 11
Rate of growth of non-debt capital receipts	(-) 21.07	(-) 6.63	21.76	54.34	(-) 14.95
Rate of growth of GSDP	17.22	30.11	18.53	12.28	14.43
Rate of growth of CR (*per cent*)	70	3.84	(-) 3.20	19.02	(-) 11.31
Source: Finance Accounts of the respective years					

1.4.1 Proceeds from disinvestment:

During the year 2012-13, proceeds on account of disinvestment were nil.

1.4.2 Recoveries of loans and advances

Recovery of loans and advances increased from ₹ 559 crore to ₹ 863 crore during the current year, mainly on account of more recoveries from Loans for Co-operatives (₹ 76 crore)

1.4.3 Debt receipts from internal sources (market loans, borrowings from financial institutions, banks)

During 2012-13, the State Government raised open market loans of ₹ 17,500 crore at an average interest rate of 8.77 *per cent*. The Government also borrowed ₹ 3,866 crore from the National Small Savings Fund and other institutions and ₹ 751 crore from GoI during the year.

1.4.4 Loans and advances from GoI

During 2012-13, the State Government received ₹ 751 crore as Loans and Advances from Government of India. The increase during 2012-13 was ₹ 445 crore as compared to previous year. A time series data on Loans and Advances *vis-à-vis* public debt receipts is shown in **Table 1.13.**

Table 1.13: Data on Loans and Advances vis-à-vis public debt receipts

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Loans and Advances from Government of India	385.58	752.22	819.92	306.37	750.79
	(1.86)	(3.49)	(3.95)	(1.25)	(3.46)
Public Debt Receipts	20709.02	21564.42	20739.78	24452.56	21725.12

Figures in parentheses indicate percentages to Public Debt receipts
Source: Finance Accounts of the respective years

Table 1.13 indicates that loans and advances from GoI is less than four *per cent* of public debt receipts. The percentage to public debt increased from 1.25 in 2011-12 to 3.46 in 2012-13.

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.

Table 1.14: Trends of Receipts under Public Account

(₹ in crore)

Resources under various heads	2008-09	2009-10	2010-11	2011-12	2012-13
Public Account Receipts					
a. Small Savings, Provident Fund *etc.*	2219.81	3308.73	3882.03	4449.03	4759.89
b. Reserve Fund	2427.79	2559.11	3346.12	3052.51	4960.13
c. Deposits and Advances	11437.77	14150.16	21917.52	25544.27	26657.82
d. Suspense and Miscellaneous	3132.02	4165.71	(-) 992.59	(-) 1491.27	(-) 11307.73
e. Remittances	18138.83	19887.80	20253.20	21834.80	21989.52
Total	**37356.22**	**44071.51**	**48406.28**	**53389.34**	**47059.63**

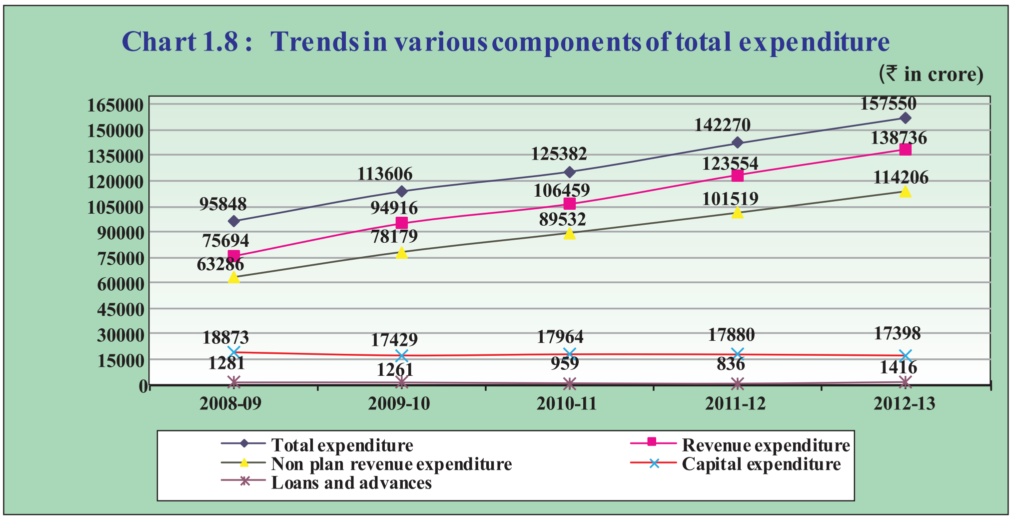
Source: Finance Accounts of the respective years

1.6 Application of resources

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

1.6.1 Growth and composition of expenditure

Chart 1.8 presents the trends in total expenditure over a period of the last five years (2008-13) and its composition both in terms of 'economic classification' and 'expenditure by activities' depicted in **Charts 1.9 and 1.10** respectively**.**



(Source: Finance Accounts of the respective years)

Total expenditure

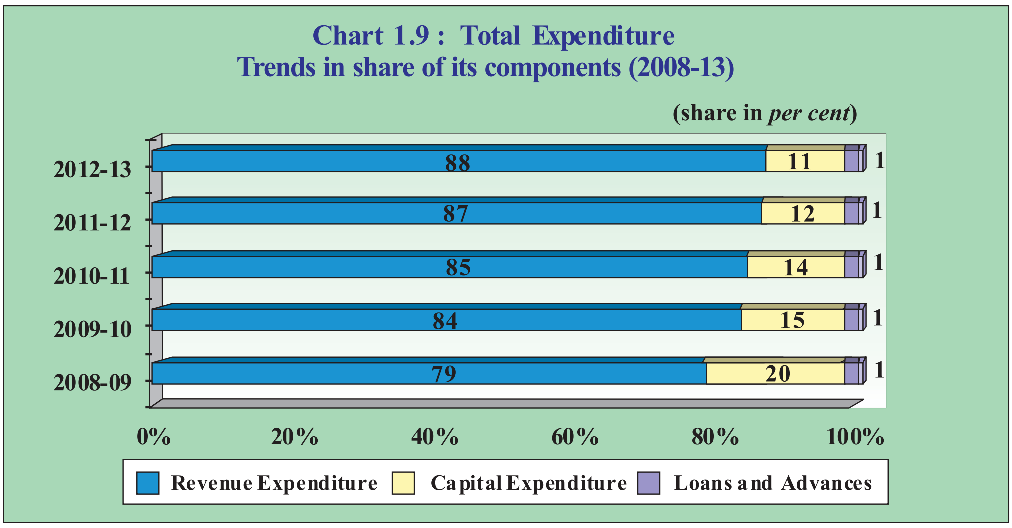
The total expenditure and its compositions during the years 2008-09 to 2012-13 are presented in the **Table 1.15 and Chart 1.10.**

Table 1.15: Total expenditure and its composition

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Total expenditure	95848	113606	125382	142270	157550
Revenue expenditure	75694 (79)	94916 (84)	106459 (85)	123554 (87)	138736 (88)
of which, Non-Plan Revenue expenditure	*63286*	*78179*	*89532*	*101519*	*114206*
Capital Expenditure	18873 (20)	17429 (15)	17964 (14)	17880 (12)	17398 (11)
Loans and Advances	1281 (1)	1261 (1)	959 (1)	836 (1)	1416 (1)

Figure in parentheses indicate percentage to total expenditure
Source: Finance Accounts of the respective years



(Source: Finance Accounts of the respective years)

The total expenditure of the State increased at an average growth rate of 16 *per cent* from ₹ 95,848 crore in 2008-09 to ₹ 1,57,550 crore in 2012-13 but the percentage of capital expenditure to total expenditure decreased from 20 *per cent* in 2008-09 to 11 *per cent* in 2012-13. The total expenditure, its annual growth rate, the ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.16**.

During 2003-04 to 2011-12, the compound growth rate of total expenditure (13.20 *per cent*) was less than the growth rate of General Category States (14.15 *per cent*). This growth rate further decreased to 12.94 *per cent* for the period 2003-04 to 2012-13 **(Appendix 1.1)**.

Table 1.16: Total expenditure – basic parameters

	2008-09	2009-10	2010-11	2011-12	2012-13
Total expenditure (TE) (₹ in crore)	95848	113606	125382	142270	157550
Rate of growth of TE over previous year *(per cent)*	23.68	18.53	10.37	13.47	10.74
TE/GSDP ratio *(per cent)*	13.8	12.6	11.7	11.9	11.5
RR /TE ratio *(per cent)*	84.8	76.5	84.4	85.3	90.7
Buoyancy of Total expenditure with reference to:					
GSDP (ratio)	1.375	0.615	0.560	1.097	0.744
RR (ratio)	11.170	2.681	0.476	0.925	0.601

Source: Finance Accounts of the respective years

The increase of ₹ 15,280 crore (10.74 *per cent*) in total expenditure in 2012-13 over the previous year was mainly on account of an increase of ₹ 15,182 crore in revenue expenditure and of ₹ 580 crore in disbursement of loans and advances, set off by a decrease of ₹ 482 crore in capital expenditure.

The ratio of total expenditure to GSDP decreased from 13.8 *per cent* in 2008-09 to 11.5 *per cent* in 2012-13, mainly due to increase in the GSDP at a faster rate as compared to total expenditure. The ratio of revenue receipts to total expenditure increased from 84.8 *per cent* in 2008-09 to 90.7 *per cent* in 2012-13 which shows that 91 *per cent* of the total expenditure was met from revenue receipts.

The ratio of buoyancy of total expenditure with reference to GSDP decreased from 1.375 in 2008-09 to 0.615 in 2009-10 and further decreased to 0.560 in 2010-11.

However, it gradually increased to 1.097 in 2011-12 and then decreased to 0.744 in 2012-13. This indicated that during 2012-13 for each one *per cent* increase in GSDP, total expenditure grew by 0.744 *per cent*.

The ratio of buoyancy of total expenditure with reference to revenue receipts declined from 11.170 in 2008-09 to 0.476 during 2010-11. However, the ratio again increased to 0.925 during 2011-12 and then declined to 0.601 in 2012-13. This was due to decrease in the rate of growth of total expenditure as compared to previous year, whereas the rate of growth of revenue receipts increased as compared to the previous year.

Of the total expenditure during 2012-13, Non-Plan expenditure contributed 74 *per cent* while Plan expenditure was 26 *per cent*. Of the increase of ₹ 15,280 crore in total expenditure, the share of Plan expenditure was 16 *per cent*, while Non-Plan expenditure contributed 84 *per cent*.

During 2003-04 to 2011-12, the compound growth rate of capital expenditure (10.24 *per cent*) was lower than the growth rate of General Category States (16.83 *per cent*). This growth rate for the period 2003-04 to 2012-13, however, decreased to 8.72 *per cent* **(Appendix 1.1)**.

Trends in total expenditure in terms of activities

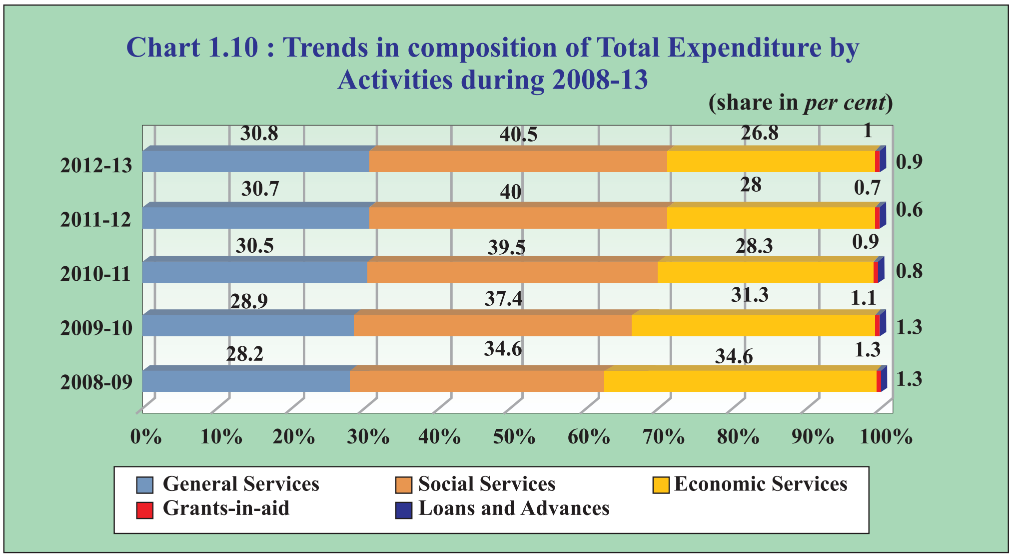
In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, grants-in-aid and loans and advances. Relative shares of these components in the total expenditure are indicated in **Table 1.17** and **Chart 1.10**.

Table 1.17: Components of expenditure – relative shares

(in *per cent*)

	2008-09	2009-10	2010-11	2011-12	2012-13
General Services	**28.2**	**28.9**	**30.5**	**30.7**	**30.8**
of which, Interest Payments	12.8	12.4	12.5	12.3	12.1
Social Services	**34.6**	**37.4**	**39.5**	**40.0**	**40.5**
Economic Services	**34.6**	**31.3**	**28.3**	**28.0**	**26.8**
Grants-in-aid	**1.3**	**1.1**	**0.9**	**0.7**	**1.0**
Loans and Advances	**1.3**	**1.3**	**0.8**	**0.6**	**0.9**

Source: Finance Accounts of the respective years



(Source: Finance Accounts)

The movement of the relative share of the above components of expenditure indicated that the share of General Services and Social Services in the total expenditure increased during 2012-13 over the previous year. These increases were set off by decrease in respective share of Economic Services.

The share of General Services in total expenditure increased mainly on account of increase in Interest Payments (₹ 1,571 crore), Police (₹ 1,117 crore), Pension and other Retirement Benefits (₹ 969 crore), Public Works (₹ 344 crore), and Taxes on Vehicles (₹ 214 crore), whereas the share of Social Services increased mainly due to General Education (₹ 3,706 crore), Social Welfare and Nutrition (₹ 1,313 crore), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹ 1,300 crore) and Health and Family Welfare (₹ 934 crore).

The decrease in the share of Economic Services was mainly due to decrease in Government's share capital contribution to Vidarbha Irrigation Development Corporation (₹ 201 crore).

The increase in grants-in-aid was mainly due to increase under the head 'Compensation and Assignment to Local Bodies and Panchayati Raj Institutions' (₹ 400 crore).

Though the share of Economic Services in total expenditure decreased, there was increase in expenditure on Economic Services (₹ 2,368 crore), mainly on Rural Development (₹ 1,809 crore).

Revenue expenditure

Revenue expenditure constituted 88 *per cent* of the total expenditure **(Chart 1.9)**. The increase in revenue expenditure was mainly on (a) General Education (₹ 3,706 crore), (b) Interest Payments (₹ 1,571 crore), (c) Welfare of Scheduled Caste, Scheduled Tribes and Other Backward Classes (₹ 1,300 crore), (d) Police (₹ 1,117 crore), (e) Rural Employment (₹ 1,089 crore), (f) Pension and other Retirement Benefits (₹ 969 crore), (g) Medical and Public Health (₹ 866 crore), (h) Relief on account of Natural Calamities (₹ 793 crore) and (i) Other Rural Development Programmes (₹ 789 crore).

Incidence of revenue expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for past obligations and as such, does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, the ratio of non-plan revenue expenditure to GSDP and to revenue receipts and buoyancy of revenue expenditure with GSDP and revenue receipts are indicated in **Table 1.18.**

Table 1.18: Revenue expenditure – basic parameters

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue expenditure (RE), *of which*	75694	94916	106459	123554	138736
Non-Plan Revenue expenditure (NPRE)	63286	78179	89532	101519	114206
Plan Revenue expenditure (PRE)	12408	16737	16927	22035	24530
Rate of Growth of					
RE (*per cent*)	16.8	25.4	12.2	16.1	12.3
NPRE (*per cent*)	16.1	23.5	14.5	13.4	12.5
PRE (*per cent*)	20.8	34.9	1.1	30.2	11.3
Revenue Expenditure as percentage to TE	79.0	83.5	84.9	86.8	88.0
NPRE/GSDP (*per cent*)	9.1	8.7	8.4	8.1	8.3
NPRE as percentage of TE	66.0	68.8	71.4	71.4	72.5
NPRE as percentage of RR	77.9	90	84.6	83.7	79.9
Buoyancy of Revenue expenditure with					
GSDP (ratio)	0.976	0.844	0.658	0.955	0.852
Revenue Receipts (ratio)	8	3.681	0.560	1.106	0.689
Source: Finance Accounts of the respective years					

The revenue expenditure increased by ₹ 15,182 crore (12.3 *per cent*) in 2012-13 over the previous year. The buoyancy ratio of revenue expenditure with reference to both GSDP and revenue receipts showed a fluctuating trend. The revenue expenditure was more (2.9 *per cent*) than the assessment made by the State Government in its FCP and Budget for the year 2012-13.

Plan revenue expenditure

The Plan Revenue Expenditure increased by ₹ 2,495 crore (11 *per cent*) in 2012-13 over the previous year, mainly due to increase in expenditure under Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹ 1,039 crore) and Agriculture and Allied Activities (₹ 1,255 crore),

The State Government is entrusted with the execution of the Central Plan and Centrally Sponsored Schemes in the State, for which grants are released by the GoI. The State Government provides for the Central and State share in its Budget. During the year, Government of India released ₹ 9,637.54 crore towards Centrally Sponsored Schemes, Central Plan Schemes and Additional Central Assistance. The State Government's budget of 2012-13 provided for an expenditure of ₹ 8,838.24 crore (Central share: ₹ 6,615.22 crore and State share: ₹ 2,223.02 crore) against which, ₹ 8,525.77 crore was spent. Thus, if viewed in the context of total Central receipts (₹ 9,637.54 crore) and total expenditure incurred (₹ 8,525.77 crore), the revenue surplus of the State Government was overstated by ₹ 1,111.77 crore.

In 11 major Schemes (as listed in Annexure to Statement No.12 of the Finance Accounts 2012-13), of the ₹ 2,597 crore released by the GoI, the State Government released only ₹ 1,657 crore for the Schemes and the balance amount of ₹ 940 crore was lying in the cash balance of the State Government and to that extent though the money was available, the intended beneficiaries were deprived of the benefits.

Non-plan revenue expenditure

The Non-Plan Revenue Expenditure (NPRE) in 2012-13 constituted a dominant share of 82 *per cent* in the revenue expenditure and increased by ₹ 12,687 crore (12 *per cent*) over the previous year. The variations in NPRE under the major heads indicate increase in expenditure under General Services (₹ 4,813 crore), Education, Sports, Art and Culture (₹ 4,012 crore) and Social Welfare and Nutrition (₹ 1,133 crore).

The NPRE as percentage of revenue receipts increased from 77.9 *per cent* in 2008-09 to 90 *per cent* in 2009-10 but reduced to 79.9 *per cent* in 2012-13, indicating that 79.9 *per cent* of the revenue receipts were used to meet the NPRE.

Table 1.19 provides the comparative position of NPRE with reference to assessments made by ThFC and the projections of the State Government.

Table 1.19: NPRE *vis-à-vis* assessment made by the ThFC, FCP and MTFPS

(₹ in crore)

Year	Assessments made by the ThFC	Projection in FCP	Projection in MTFPS/ Budget	Actuals
2011-12	73742	95542	95542	101519
2012-13	85884	109832	107755	114206
Source: Finance Accounts, Budget Documents and Report of the ThFC				

The NPRE remained significantly higher than the normative assessments of the ThFC, the FCP and MTFPS/Budget projections during both the years 2011-12 and 2012-13.

Subsidies

Subsidies made during the years 2008-09 to 2012-13 are presented in the **Table 1.20**.

Table 1.20: Subsidies

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13 BE	2012-13 Actuals
Subsidies	4308 (5)	8041 (9)	5485 (5)	9833 (8)	8798 (6)	9268 (6)
Total Revenue Expenditure	75694	94916	106459	123554	136559	138736
Revenue Receipts	81271	86910	105868	121286	136712	142947
Figures in parentheses indicate percentage to Revenue Receipts						
Source: Finance Accounts of the respective years						

Table 1.20 indicates that expenditure under subsidies decreased by six *per cent* from ₹ 9,833 crore in 2011-12 to ₹ 9,268 crore in 2012-13. During the current year, subsidies constituted about six *per cent* of the total revenue expenditure. The major Schemes which received subsidy include subsidy to Distribution/Transmission Licencees for reduction in Agriculture and Powerloom Tariff (51 *per cent*), subsidy to Medium and Large Industries under the Graded Package Scheme of Incentives (27 *per cent*), covering the deficit in Foodgrain Transactions (two *per cent*) and Transport (nine *per cent*).

The subsidies projected by the Government in the FCP and the actual expenditure during 2011-12 and 2012-13 are presented in **Table 1.21.**

Table 1.21: Subsidies *vis-à-vis* FCP

(₹ in crore)

	2011-12		2012-13	
	Projections in FCP	Actuals	Projections in FCP	Actuals
Power (Subsidy for reduction in Agriculture and Powerloom Tariff)	3000	5163	3240	4729
General/Others	4100	4670	4428	4539
Total	**7100**	**9833**	**7668**	**9268**

Source: Finance Accounts and Budget Document of the respective years

The subsidies given to 'Power' (Subsidy for reduction in Agriculture and Powerloom Tariff) and for other Schemes with reference to the projections made in the FCP of the State Government indicated (**Table 1.21**) that expenditure on subsidies decreased during 2012-13 as compared to previous year.

The State Government provided food subsidy of ₹ 280 crore in the State budget 2012-13 but the actual expenditure was ₹ 313 crore (against ₹ 326 crore in 2011-12). Similarly, for the Scheme 'Subsidy to Distribution/Transmission Licencees for reduction in Agriculture and Powerloom Tariff', the Government provided ₹ 3,240 crore in the FCP during 2012-13 but, actual expenditure incurred was ₹ 4,729 crore (against ₹ 5,163 crore in 2011-12). For the Scheme 'Subsidy to Medium and Large Industries under the Graded Package Scheme of Incentives' the Government provided ₹ 1,480 crore in the State budget during 2012-13 but, the actual expenditure incurred was ₹ 2,480 crore (against ₹ 2,366 crore in 2011-12).

Capital expenditure

Capital expenditure constituted 11 *per cent* of the total expenditure **(Chart 1.9)**. The decrease of ₹ 482 crore (three *per cent*) in capital expenditure during 2012-13 was mainly on account of decrease in Government's share capital contribution to the Vidarbha Irrigation Development Corporation (₹ 201 crore), Krishna Valley Development Corporation (₹ 416 crore), Maharashtra Jeevan Pradhikaran (₹ 210 crore), Tapi Irrigation Development Corporation (₹ 169 crore), Capital Outlay on Welfare of Schedule Castes (₹ 174 crore), Capital Outlay on Welfare of Schedule Tribes (₹ 105 crore).

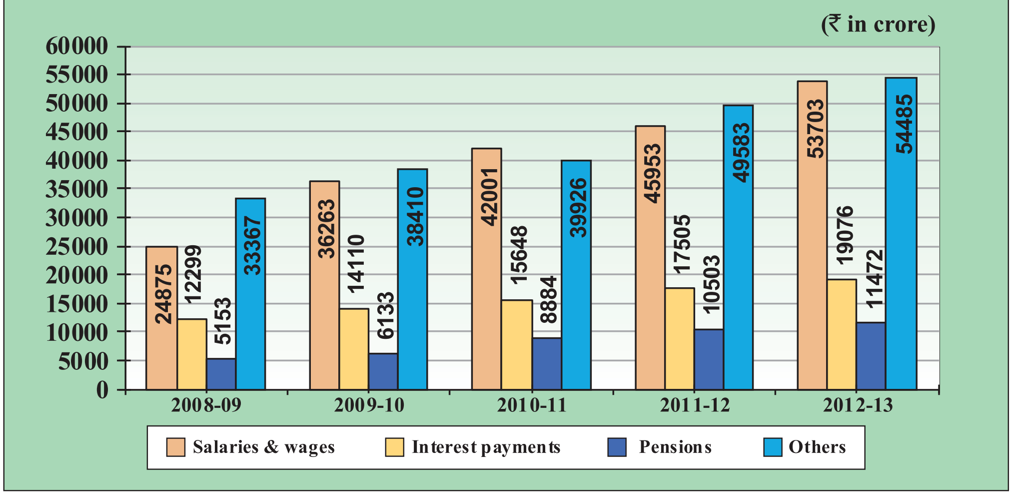
Loans and advances

Loans and advances constituted one *per cent* of the total expenditure **(Chart 1.9)**. The increase of ₹ 580 crore in disbursement of loans and advances during 2012-13 was mainly in loans for Other General Economic Services-Other Loans (₹ 379 crore) and Loans for Power Projects – Expenditure awaiting transfer to Other Heads/Departments (₹ 259 crore), set off by decrease under Loans for Urban Development *etc*. (₹ 77 crore).

1.6.2 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages and pensions. Inspite of the recommendations of the Twelfth Finance Commission, the statement of committed liabilities is not included in the Finance Accounts due to non-receipt of the complete information from the Government. **Chart 1.11** and **Table 1.22** present the trends in the expenditure on these components during 2008-13.

Chart 1.11 : Trend of committed expenditure during 2008-13



(Source: Finance Accounts of the respective years)

Table 1.22: Components of committed expenditure

(₹ in crore)

Components of Committed Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13 BE	2012-13 Actuals
Salaries and Wages	24875	36263	42001	45953	53484	53703$
	(31)	(42)	(40)	(38)	(37)	(38)
of which Non-Plan Head	*23627*	*34574*	*40917*	*42955*		*50165*
	(29)	*(40)*	*(39)*	*(35)*		*(35)*
*of which Plan Head***	*1248*	*1689*	*1084*	*2998*		*3538*
	(2)	*(2)*	*(1)*	*(2)*		*(2)*
Interest Payments	12299	14110	15648	17505	19035	19076
	(15)	(16)	(15)	(14)	(14)	(13)
Pensions	5153	6133	8884	10503	13393	11472
	(6)	(7)	(8)	(9)	(9)	(8)
Total Committed expenditure	**42327**	**56506**	**66533**	**73961**	**85912**	**84251**
	(52)	**(65)**	**(63)**	**(61)**	**(63)**	**(59)**
Other Components[11]	33367	38410	39926	49583	50647	54485
	(41)	(44)	(38)	(41)	(37)	(38)
Total Revenue Expenditure	**75694**	**94916**	**106459**	**123554**	**136559**	**138736**
Revenue Receipts	**81271**	**86910**	**105868**	**121286**	**136712**	**142947**

Figures in parentheses indicate percentage to Revenue Receipts
$ Salaries: ₹ 51,928 crore (Finance Accounts) + Wages: ₹ 1,775 crore (Finance Accounts)
** Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes
Note: Expenditure on Salaries and Wages included grants-in-aid component during 2008-09 (₹ 14,405 crore), 2009-10 (₹ 22,666 crore), 2010-11 (₹ 25,937 crore), 2011-12 (₹ 27,358 crore) and 2012-13 (₹ 32,870 crore)
Source: Finance Accounts of the respective years

[11] Revenue expenditure under General Services, Social Services, Economic Services and Grants-in-aid (excluding salary and wages, interest payments and pension payments)

Salaries and wages

The average annual growth in salaries and wages excluding the grant-in-aid component during 2008-13 was 24.74 *per cent*. The expenditure on salaries and wages (including grant-in-aid component) increased by ₹ 7,750 crore (17 *per cent*) from ₹ 45,953 crore in 2011-12 to ₹ 53,703 crore in 2012-13. The expenditure of ₹ 53,703 crore on salaries (including grant-in-aid component) was lower than the State's own FCP and the projections made in MTFPS of the Government (₹ 55,805 crore).

During 2003-04 to 2011-12, the compound growth rate of salary and wages (13.50 *per cent*) was lower than the growth rate of General Category States (14.18 *per cent*). This growth rate for the period 2003-04 to 2012-13 further decreased to 13.33 *per cent* **(Appendix 1.1)**.

Pension payments

The expenditure on pension payments had increased at an average annual growth of 31 *per cent* from ₹ 5,153 crore in 2008-09 to ₹ 11,472 crore in 2012-13.

The increase in pension payments of ₹ 969 crore (nine *per cent*) during 2012-13 over the previous year was mainly due to revision of pension consequent to the award of the Sixth Pay Commission.

During 2003-04 to 2011-12, the compound growth rate of pension (18.87 *per cent*) was higher than the growth rate of General Category States (18.36 *per cent*). This growth rate for the period 2003-04 to 2012-13 however, decreased to 17.75 *per cent* **(Appendix 1.1)**.

The **Table 1.23** below shows actual pension payments with reference to assessment made by the ThFC and projections of the State Government.

Table 1.23: Pension payments *vis-à-vis* ThFC assessment and State's projections

(₹ in crore)

Year	Projection in MTFPS	Assessment made by the ThFC	Projection in FCP	Actuals
2011-12	11431	6678	11431	10503
2012-13	13393	7346	12803	11472
Source: Finance Accounts, Budget Documents and Report of the ThFC				

The expenditure on Pension and Other Retirement Benefits to State Government Employees during the year was ₹ 11,472.09 crore. The pension payments during 2011-12 and 2012-13 were higher than the normative assessments made by the ThFC while they were lower than the projections of the State Government under MTFPS and FCP. In order to limit future pension liabilities, the Government had introduced the Defined Contribution Pension Scheme for employees recruited after 1 November 2005. An amount of ₹ 1,073.11 crore towards employee's contribution and employer's share was deposited during 2012-13 under the head '8342-Other Deposits - 117 - Defined Contribution Pension Scheme for Government Employees.' The State Government's liability on this account as on 31 March 2013 was ₹ 2,755.55 crore. Out of these deposits, no investments were made by the State Government till 31 March 2013. State Government has not transferred any amount to the New Pension Scheme Trust/Fund Managers from the inception of the Scheme. Therefore, the main objective of introducing the Defined Contribution

Pension Scheme to limit future pension liabilities was defeated. This aspect was also stated in the State Finance Report 2010-11 and 2011-12.

Interest payments

Interest payments increased by 55 *per cent* from ₹ 12,299 crore in 2008-09 to ₹ 19,076 in 2012-13, primarily due to increase in debt liabilities. However, relative to revenue receipts, interest payments revealed a marginal declining trend. They declined from 15 *per cent* in 2008-09 to 13 *per cent* in 2012-13, except during 2009-10, when it was 16 *per cent*.

Table 1.24 Interest payments *vis-à-vis* ThFC assessments and State's projections

(₹ in crore)

Year	Projection in MTFPS	Assessment made by the ThFC	Projection in FCP	Actuals
2011-12	18049	18343	17540	17505
2012-13	18523	20783	21117	19076
Source: Finance Accounts, Budget Documents and Report of the ThFC				

The interest payments with reference to the assessments made by the ThFC and the projections in the MTFPS of the State Government (**Table 1.24)** were lower during 2011-12 while it was higher during 2012-13 with reference to the projections made in the MTFPS. As compared to the projections made in the FCP, it was more or less the same during 2011-12 but less in 2012-13.

The increase in interest payments by ₹ 1,571 crore in 2012-13 over the previous year was mainly due to more interest paid on market loans (₹ 1,645 crore) and State Provident Fund (₹ 585 crore), set off by decrease in interest paid on special securities issued to the National Small Savings Fund of the Central Government (₹ 696 crore).

1.6.3 Financial assistance by State Government to local bodies and other institutions

Local bodies in Maharashtra consist of Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs). In conformity with the provisions of the 73rd and 74th Constitutional Amendment, the State Government established a three tier system of PRIs comprising Zilla Parishads (ZPs) at the district level, Panchayat Samitis (PS) at block level and Village Panchayats (VPs) at village level. There are Municipal Corporations (MC), Municipal Councils and Nagar Panchayats (NP) for urban area population in the State. Though the second State Finance Commission (SFC) recommended (March 2002) allocation of 40 *per cent* of State revenues to Local Bodies (LBs), it was not accepted by the State Government. The report of the third SFC submitted in June 2006 was placed in the Legislature only in December 2013. The interim report of the fourth SFC (2011-12 to 2015-16) scheduled to be submitted in September 2012, was submitted in March 2013.

1.6.3.1 Accounts and finances of Panchayati Raj Institutions

ZPs are required to prepare the budget for the planned development of the District and utilization of the resources. Government of India Schemes, funded through the District Rural Development Agency (DRDA) and State Government Schemes are also implemented by ZPs. The District Fund consist of money received from the Central Government for Centrally Sponsored Schemes, through State budget funds for plan and non-plan State Schemes, assigned tax and non-tax revenue, receipts of ZPs, interest on investment *etc*. **(Table 1.25; Sr No. 3)**. ZPs are empowered to impose water tax, pilgrim tax and special tax on land and buildings. The intermediate tier PSs at the block level in the State do not have their own source of revenue and are totally dependent on the Block Grants received from ZPs. PSs undertake development works at the block level. VP is the body consisting of persons registered in the electoral rolls of the village within a VP. VPs are empowered to levy tax on buildings, betterment charges, pilgrim tax, taxes on fairs/ festivals/entertainment, taxes on bicycles, vehicles, shops, hotels *etc*.

Accounting arrangements

Under the provisions of Section 136(2) of ZP Act, the Block Development Officer (BDO) forward the accounts approved by the PSs to the ZPs and these form part of the ZPs account. Under provision of Section 62(4) of the VP Act, the Secretaries to the VPs are required to prepare annual accounts of VPs. The Chief Executive Officer (CEO) of ZPs are required to prepare every year statements of account of revenue and expenditure of the ZPs for placement before the Finance Committee. The accounts are finally placed before the ZPs for approval along with the Finance Committee reports.

Audit arrangements

The Audit of PRIs is conducted by the Director, Local Fund Audit (DLFA) in accordance with the provisions of the Bombay Local Fund Act, 1930 who prepares an Annual Audit Review Report on the financial working of PRIs for placement before the State Legislature.

Transfer of functions and functionaries

The 73rd Constitutional Amendment envisaged that all 29 functions along with funds and functionaries mentioned in the XI Schedule of the Constitution of India would be eventually transferred to the PRIs through suitable legislation of the State Governments.

As on 31 March 2012, the State Government has transferred 11 functions and 15,480 functionaries to PRIs. Non-transfer of functions and functionaries has been commented in earlier two Local Bodies Audit Reports (2007-08 and 2009-10).

Status of accounts

As per Section 136 of ZP Act and Rule 66 of Maharashtra Zilla Parishads and Panchayat Samitis Account Code, 1968, the prescribed date for preparation and approval of annual accounts of ZPs for a financial year is 30 September of the following year and accounts of ZPs are required to be published in the Government Gazette by 15 November of the year. However, information provided by Rural Development Department (December 2013) indicated that only the accounts up to the year 2010-11 have been submitted to the Government for publishing in the Government Gazette and submission to the State Legislature.

1.6.3.2 Accounts and finances of urban local bodies

In accordance with the 74th Constitutional Amendment, the GoM amended (December 1994) the existing Mumbai Municipal Corporation (MMC) Act, 1888, The Bombay Provincial Municipal Corporation (BPMC) Act, 1949, The Nagpur City Municipal Corporation (NCMC) Act, 1948 and The Maharashtra Municipal

Councils, Nagar Panchayats and Industrial Townships Act, 1965. All the MCs, except Municipal Corporation of Greater Mumbai (MCGM) and NCMC which had their own Acts, are governed by the provisions of the amended BPMC Act. There are 26 MCs which have been created for urban agglomerations having a population of more than three lakh. These MCs have been classified into four categories *i.e.* A, B, C and D based on the criteria of population, per capita income and per capita area. Similarly, 231 Municipal Councils including five NPs have been created for smaller urban areas and categorized based on their population.

Financial profile

Municipals funds are formed under the provisions contained in the Acts. All monies received by or on behalf of the MCs and Municipal Councils under the provisions of the respective Acts, all monies raised by way of taxes, fees, fines and penalties, all monies received by or on behalf of MC and Municipal Councils from the Government, public or private bodies and individuals by way of grants or gifts or deposits and all interests and profits are credited to the Municipal funds. The State Government and Central Government release grants to the MCs and Municipal Councils for implementation of Schemes of the State sector and for the Centrally Sponsored Schemes respectively. In addition, grants under the State Finance Commission and the Central Finance Commission recommendations are released for developmental works **(Table 1.25; Sr No.2)**.

Under the Acts, MCs are required to constitute special purpose funds e.g. Water and Sewerage Fund, Depreciation Fund, Sinking Fund, *etc*. The capital works of water supply Schemes and sewerage projects are to be executed out of the Water and Sewerage Fund. The Depreciation fund is to be created for replacement of capital assets. The Sinking Fund is to be created for redemption of long term loans.

Accounting arrangements

Section 93 of the BPMC Act 1949 and Section 123 of MMC Act 1888 provide that the accounts of the MCs should be maintained in the formats prescribed by the Standing Committee.

Audit arrangements

Municipal Chief Auditor (MCA) is appointed by the respective Corporation under the Acts except NCMC where audit is entrusted to DLFA. MCA should audit the Municipal accounts and submit a report to the Standing Committee. The Comptroller and Auditor General (C&AG) of India conducts audit of MCs under Section 14(2) of the C&AG's (DPC) Act, 1971. The audit of Municipal Councils and NPs has been entrusted (March 2011) by GoM to the C&AG under Technical Guidance and Supervision.

Status of accounts

As per information furnished by the MCs (May 2012 to January 2013), of the 23 MCs which have prepared their annual accounts, audit by MCA had been completed up to 2011-12 in four[12] MCs; up to 2010-11 in 11[13] MCs and reports submitted to

[12] Ahmednagar, Akola, Kolhapur and Ulhasnagar

[13] Bhiwandi-Nizampur, Dhule, Jalgaon, Kalyan-Dombivli, Malegaon, Mira-Bhayander, Nagpur, Nashik, Pimpri Chinchwad, Sangli-Miraj-Kupwad and Vasai-Virar

the respective Standing Committees. In the remaining eight[14] MCs there were arrears in audit by MCA ranging between one and six years.

1.6.3.3 Quantum of assistance

The quantum of assistance provided by way of grants and loans to local bodies and others during 2012-13 relative to the previous years is presented in **Table 1.25.**

Table 1.25: Financial assistance to local bodies and other institutions

(₹ in crore)

Sr No	Institutions	2008-09	2009-10	2010-11	2011-12	2012-13
1	Educational institutions (Aided Schools, Aided Colleges, Universities, *etc.*)	8214.83	11638.18	11482.61	13844.84	20167.02
2	Municipal Corporations and Municipalities	1651.47	1708.89	4350.04[15]	4871.33	4401.93
3	Zilla Parishads and other Panchayati Raj Institutions	10501.98	11726.62	13260.93	14294.73	16444.42
4	Development agencies	1914.93	299.45	187.26	276.83	246.51
5	Hospital and other charitable institutions	674.43	1065.48	1084.74	1313.33	1792.44
6	Other Institutions	12711.32	18150.70	17280.87	20761.95[16]	20715.59[17]
Total		**35668.96**	**44589.32**	**47646.45**	**55363.01**	**63767.91**
Assistance as percentage of RE		47	47	45	45	46
Source : Finance Accounts and vouchers compiled by Principal Accountant General (Accounts and Entitlements)						

It would be seen from **Table 1.25** that the financial assistance to local bodies and other institutions by the Government increased from ₹ 35,669 crore in 2008-09 to ₹ 63,768 crore in 2012-13. As compared to the previous year, the assistance during 2012-13 increased by 15 *per cent.* During 2012-13, more financial assistance was given to (a) Educational Institutions (Aided Schools, Aided Colleges, Universities *etc.*; ₹ 6,322 crore) mainly due to payment of more assistance to non-Government colleges and (b) Zilla Parishads and other Panchayati Raj Institutions (₹ 2,150 crore) due to payment of more educational grant under Section 182 of the Maharashtra Zilla Parishads and Panchayat Samitis Act, 1961.

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).

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[14] Amravati, Aurangabad, MCGM, Navi Mumbai, Nanded-Waghala, Pune, Solapur and Thane

[15] Huge variation due to misclassification in the previous year

[16] Includes Education, Sports, Art and Culture: ₹ 5,136.34 crore; Social Welfare and Nutrition: ₹ 2,888.36 crore; Agriculture and Allied Activities: ₹ 2,300.01 crore; Welfare of SC, ST and OBC: ₹ 1,596.41 crore; Administrative Services: ₹ 1,159.23 crore and Housing: ₹ 1,020.31 crore

[17] Includes Education, Sports, Art and Culture: ₹ 7,019.59 crore; Social Welfare and Nutrition: ₹ 4,106.58 crore; Agriculture and Allied Activities: ₹ 2,128.53 crore; Welfare of SC, ST and OBC: ₹ 2,397.81 crore; Administrative Services: ₹ 1,415.51 crore and Housing: ₹ 1,267.28 crore

1.7.1 Adequacy of public expenditure

The expenditure responsibilities relating to the social sector and the economic infrastructure assigned to the State Governments are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health *etc*. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if it is below the respective national average. An analysis of the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure during 2009-10 and 2012-13 has been indicated in **Table 1.26**.

Table 1.26: Fiscal Priority of the State in 2009-10 and 2012-13

Fiscal Priority by the State	AE / GSDP	DE# / AE	SSE / AE	CE / AE	Education, Sports, Art and Culture / AE	Health and Family Welfare / AE
General Category States Average (Ratio) 2009-10	17.06	66.05	35.73	14.96	16.19	4.24
Maharashtra's Average (Ratio) 2009-10	16.40	69.85	37.80	15.34	19.70	3.44
General Category States Average (Ratio) 2012-13	15.93	65.79	32.77	13.23	17.23	4.47
Maharashtra Average (Ratio) 2012-13	11.49	68.29	40.57	11.02	21.56	4.05

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

As shown in **Table 1.26**, the comparison of fiscal priority given to different categories of expenditure of the State in 2009-10 and 2012-13 is given below:

- The ratios of AE to GSDP in 2009-10 and 2012-13 (16.40 *per cent* and 11.49 *per cent*) were lower in the State as compared to General Category States (17.06 *per cent* and 15.93 *per cent*). This meant that the General Category States were spending more as a proportion of their GSDP when compared to Maharashtra.
- The Government has given adequate fiscal priority to development expenditure and social sector expenditure in 2009-10 and 2012-13, as their ratios to AE were higher than the average ratio of General Category States.
- The ratio of CE to AE in the State (15.34 *per cent*) was higher in 2009-10 as compared to the ratio (14.96 *per cent*) of General Category States whereas, in 2012-13 it was lower (11.02 *per cent)* than the ratio (13.23 *per cent*) of General Category States. Greater fiscal priority needs to be given to this area as increased priority to physical capital formation will increase the growth prospects of the State by creating durable assets.
- Significant improvement was observed in the ratio of expenditure on education, sports, art and culture to AE which increased from 19.70 *per cent* in 2009-10 to 21.56 *per cent* in 2012-13. The priority given to these areas in Maharashtra was higher than that given to General Category States.

- Less priority was given to health and family welfare in Maharashtra than the General Category States in 2009-10 and 2012-13. This trend is continuing from 2005-06 onwards. Greater fiscal priority needs to be given to this area by the Government.

1.7.2 Efficiency of expenditure use and its effectiveness

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 Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods[18]. Apart from improving the allocation towards development expenditure[19], particularly in view of the fiscal space being created on account of decline in debt servicing in 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 total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table 1.27** and **Chart 1.12** present the trends in DE relative to the AE of the State during the current year *vis-à-vis* budget estimates of the current year and the actual expenditure during the previous years.

Table 1.27: Development expenditure

(₹ in crore)

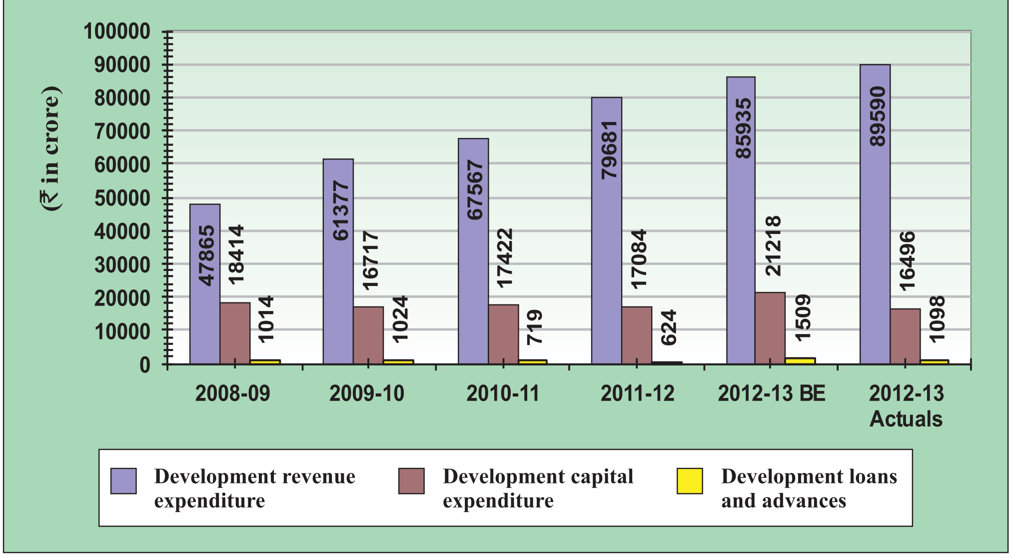
Components of Development Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13	
					BE	Actuals
Development expenditure (a to c)	**67293**	**79118**	**85708**	**97389**	**108661**	**107184**
	(70.2)	**(69.6)**	**(68.4)**	**(68.4)**	**(67.7)**	**(68)**
a. Development revenue expenditure	47865	61377	67567	79681	85935	89590
	(49.9)	(54)	(53.9)	(56)	(53.5)	(56.9)
b. Development capital expenditure	18414	16717	17422	17084	21218	16496
	(19.2)	(14.7)	(13.9)	(12)	(13.2)	(10.5)
c. Development Loans and Advances	1014	1024	719	624	1509	1098
	(1)	(1)	(0.6)	(0.4)	(0.9)	(0.7)

Figures in parentheses indicate percentage to total expenditure
Source: Finance Accounts of the respective years

[18] See Glossary at page 166

[19] The analysis of expenditure data is segregated into development and non-development expenditure. All expenditure relating to revenue account, capital outlay and loans and advances are 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

Chart 1.12: Development expenditure for the years 2008-09 to 2011-12 and budget estimates vis-*à*-vis actuals 2012-13



(Source: Finance Accounts of the respective years)

Development revenue expenditure

The development revenue expenditure increased by ₹ 9,909 crore from ₹ 79,681 crore in 2011-12 to ₹ 89,590 crore in 2012-13. The increase was under Social Services (₹ 7,227 crore) and Economic Services (₹ 2,682 crore). The actual development revenue expenditure was more than the State's projection in the budget by ₹ 3,655 crore.

Development capital expenditure

The development capital expenditure decreased by ₹ 588 crore from ₹ 17,084 crore in 2011-12 to ₹ 16,496 crore in 2012-13. The decrease under Economic Services was ₹ 315 crore (mainly under Irrigation and Flood Control) while the decrease under Social Services was ₹ 273 crore (mainly under Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes and Water Supply, Sanitation, Housing and Urban Development). The actual development capital expenditure was less than the State's projection in the budget by ₹ 4,722 crore.

Development loans and advances

Development loans and advances increased by ₹ 474 crore from ₹ 624 crore in 2011-12 to ₹ 1,098 in 2012-13. The actual development loans and advances were more than the State's projections in the budget by ₹ 411 crore.

Table 1.28 provides the details of capital expenditure and the component of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table 1.28 –Efficiency of expenditure use in selected social and economic services

(in *per cent*)

Social/Economic Infrastructure	2011-12			2012-13		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S and W	O and M		S and W	O and M
Social Services (SS)						
Education, Sports, Art and Culture	0.52	78.22	0.05	0.49	83.90	4.06
Health and Family Welfare	7.49	71.39	1.07	7.20	67.56	0.03
Housing and Urban Development and Water Supply, Sanitation	5.70	2.54	0.41	5.06	3.52	13.27
Total (SS)	**3.68**	**49.50**	**0.18**	**2.10**	**52.36**	**3.74**
Economic Services (ES)						
Agriculture and Allied Activities	16.74	49.30	9.15	16.56	21.65	0.29
Irrigation and Flood Control	74.84	36.72	29.5	73.74	40.90	1.53
Power and Energy	25.20	0.38	0.00	26.12	0.56	0.03
Transport	40.11	1.23	30.08	42.52	1.19	0.34
Total (ES)	**37.60**	**16.46**	**10.54**	**41.31**	**9.79**	**0.28**
Total (SS+ES)	**17.65**	**39.19**	**3.41**	**18.15**	**39.27**	**2.68**

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

Source: Finance Accounts

The trends presented in **Table 1.28** reveal that development capital expenditure as a percentage to total expenditure increased from 17.65 in 2011-12 to 18.15 in 2012-13. The percentage of capital expenditure on Social Services to the total expenditure decreased from 3.68 in 2011-12 to 2.10 in 2012-13. The decrease was mainly seen under Housing and Urban Development and Water Supply, Sanitation and Health and Family Welfare. The percentage of capital expenditure on Economic Services to the total expenditure increased from 37.60 in 2011-12 to 41.31 in 2012-13. The increase was mainly seen under Transport and Power and Energy.

The share of salary and wages in revenue expenditure increased from 39.19 *per cent* in 2011-12 to 39.27 *per cent* in 2012-13. The share of salary and wages in revenue expenditure on Social Services increased from 49.50 *per cent* in 2011-12 to 52.36 *per cent* in 2012-13. The increase was mainly under Education, Sports, Art and Culture. The share of salary and wages in revenue expenditure on Economic Services decreased from 16.46 *per cent* in 2011-12 to 9.79 *per cent* in 2012-13. The decrease was mainly under Agriculture and Allied Activities and Transport.

The share of operations and maintenance in revenue expenditure decreased from 3.41 *per cent* in 2011-12 to 2.68 *per cent* in 2012-13. The share of operations and maintenance in revenue expenditure on Social Services increased from 0.18 *per cent* in 2011-12 to 3.74 *per cent* in 2012-13. The increase was seen mainly under Housing and Urban Development and Water Supply, Sanitation under Social Services. While the share of operations and maintenance in revenue expenditure on Economic Services decreased from 10.54 *per cent* in 2011-12 to 0.28 *per cent* in 2012-13. The decrease was seen mainly under Transport, Irrigation and Flood Control and Agriculture and Allied Activities.

1.8 Financial analysis of Government expenditure and investments

In the post-MFRBM framework, the State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its capital expenditure/ investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market-based resources, the State Government needs to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds rather than bearing the same on 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 current year *vis-à-vis* previous years.

1.8.1 Ongoing projects

1.8.1.1 Water Resources Department

Cost overrun and delays in execution of projects

As of June 2013, there were 601 ongoing irrigation projects in the five[20] Irrigation Development Corporations (IDCs) under Water Resources Department. Data of all the ongoing projects as of June 2013 furnished by the IDCs were analyzed in audit to assess the number of years these projects have been under execution. The summarized position is given in **Table 1.29**.

Table 1.29: Age profile of ongoing projects under WRD as on June 2013

Age Profile (Since the date of original AA)	Total projects			
	Major	Medium	Minor	Total
More than 30 years	31	21	25	77
More than 20 years but up to 30 years	9	18	45	72
More than 15 years but up to 20 years	19	23	34	76
More than 10 years but up to 15 years	9	22	96	127
More than 5 years but up to 10 years	3	3	90	96
Up to 5 years	1	24	128	153
Total	**72**	**111**	**418**	**601**

Source: Information furnished by IDCs

Table 1.29 shows that 225 projects (37.44 *per cent*) were under execution for more than 15 years and of these, 77 projects (12.81 *per cent*) were under execution for more than 30 years.

Table 1.30: Cost overrun and balance cost in respect of all ongoing projects

(₹ in crore)

IDC	Status of 601 ongoing projects				Status of 363 out of 601 ongoing projects with cost overrun					
	Number of projects	Expen-diture	Updated cost	Balance cost	Number of projects	Amount of original AA	Expen-diture	Cost overrun	Updated cost	Balance cost
MKVDC	94	17056.15	34594.58	17538.43	68	4119.27	16489.63	12370.36	32276.16	15786.53
KIDC	64	6020.58	11662.04	5641.46	54	783.49	5991.18	5207.69	11275.68	5284.50
TIDC	58	3799.41	14649.81	10850.40	36	1157.93	3615.44	2457.51	8885.59	5270.15
VIDC	257	22612.82	55759.32	33146.50	138	4137.38	20993.72	16856.34	39040.06	18046.34
GMIDC	128	12149.47	27582.32	15432.85	67	886.02	11421.22	10535.20	21145.06	9723.84
Total	**601**	**61638.43**	**144248.07**	**82609.64**	**363**	**11084.09**	**58511.19**	**47427.10**	**112622.55**	**54111.36**

Source: *Information furnished by the IDCs*

Table 1.30 shows that the balance estimated cost of 601 ongoing projects as of June 2013 was ₹ 82,609.64 crore. Of these 601 projects, there was cost overrun in 363 projects amounting to ₹ 47,427.10 crore (June 2013) *i.e.* an increase of more than four times the original cost.

[20] Maharashtra Krishna Valley Development Corporation; Konkan Irrigation Development Corporation; Tapi Irrigation Development Corporation; Vidarbha Irrigation Development Corporation; Konkan Irrigation Development Corporation; and Godavari Marathwada Irrigation Development Corporation

1.8.1.2 Public Works Department

As on 31 March 2013, an expenditure of ₹ 513.82 crore was incurred on 181 ongoing projects (**Appendix 1.9**). There was time overrun up to six years in respect of 123 projects of roads and bridges (expenditure: ₹ 297.45 crore) and up to five years in respect of 58 projects of buildings and housing (expenditure: ₹ 216.37 crore).

1.8.2 Investment and returns

As of 31 March 2013, Government had invested ₹ 90,668 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.31**). The average return on this investment was 0.08 *per cent* in the last five years while the Government paid average interest rate of 7.24 *per cent* on its borrowings during 2008-13.

Table 1.31: Return on investment

Investment/Return/Cost of Borrowings	2008-09	2009-10	2010-11	2011-12	2012-13
Investment at the end of the year (₹ in crore)	56386.38	64192.68	74391.39	83016.00	90667.84
Return (₹ in crore)	71.16	80.88	44.82	30.2	47.0
Return *(per cent)*	0.13	0.13	0.06	0.04	0.05
Average rate of interest on Government borrowing (*per cent*)	7.29	7.38	7.23	7.21	7.10
Difference between interest rate and return (*per cent*)	7.16	7.25	7.17	7.17	7.05
Source: Finance Accounts of the respective years					

The increase in investments of ₹ 7,652 crore during 2012-13 was mainly attributable to capital contributions to the Vidarbha Irrigation Development Corporation (₹ 2,677 crore), the Maharashtra Krishna Valley Development Corporation (₹ 1,531 crore), the Godavari Marathwada Irrigation Development Corporation (₹ 1,426 crore), the Konkan Irrigation Development Corporation (₹ 651 crore), the Tapi Irrigation Development Corporation (₹ 450 crore), Maharashtra State Road Transport Corporation (₹ 262 crore) and Maharashtra Water Conservation Development Corporation (₹ 176 crore) as compared to the previous year.

As on 31 March 2013, twenty three Companies (**Appendix 1.12**) in which Government had invested ₹ 23,711.02 crore (share capital: ₹ 16,244.61 and loans: ₹ 7,466.41 crore), were incurring losses and their net accumulated losses as on September 2013 amounted to ₹ 14,002.24 crore.

Information furnished by the Commissioner for Cooperation and Registrar of Co-operative Societies revealed that of the 9,103 Societies with an aggregate investment of ₹ 399.95 crore (equity: ₹ 248.65 crore and loan: ₹ 151.30 crore), 4,491 Societies had incurred losses (31 March 2013) and their accumulated losses (₹ 161.32 crore) were 40 *per cent* of the initial investments made in these Societies.

Investment in Public Private Partnership projects

Recourse to Public Private Partnership (PPP) mode for project financing is encouraged because it frees 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 Maharashtra are road, metro rail, urban infrastructure, airport, power and water supply.

Table 1.32 Sector and stage-wise status of PPP projects

(₹ in crore)

Sector	Status							
	Completed		Planning/Pipeline		Under implementation		Total No. of projects	Total cost of Projects
	No. of Project	Cost of Project	No. of project	Cost of Project	No. of project	Cost of Project		
(1)	(2)	(3)	(4)	(5)	(5)	(6)	(7)	(8)
Agriculture			6	570.10			6	570.10
Airport			5	8216.95			5	8216.95
Education	7	59.43	3	297.00	5	162.35	15	518.78
Health	4	4.22	7	689.00	4	6.60	15	699.82
Housing	4	6.20	1	1919.00	4	639.30	9	2564.50
Industries	7	175.87	2	23.75	4	545.16	13	744.78
Information Technology	1	13.00	1	44.00			2	57.00
Irrigation			2	1810.00			2	1810.00
Metro Rail			2	17486.00	2	10606.00	4	28092.00
Port	2	2909.74	1	716.00	4	11675.00	7	15300.74
Power			1	3382.00	7	662.04	8	4044.04
Road	22	14079.69	28	17710.56	18	4179.26	68	35969.51
Rural Water			1	72.36			1	72.36
Solid Waste Management			2	591.14	3	424.40	5	1015.54
Sports			1	25.00	1	200.00	2	225.00
Tourism			2	570.00			2	570.00
Transport			6	1569.06	1	1000.00	7	2569.06
Urban Infrastructure	53	181.61	21	10560.31	16	283.36	90	11025.28
Water Supply			14	3516.30	2	621.11	16	4137.41
Grand Total	**100**	**17429.75**	**106**	**69768.53**	**71**	**31004.58**	**277**	**118202.86**

Source: Information from PPP Cell under Urban Development Department

Mention was made in paragraph 2.1.12.4 of the Report of the C&AG of India on General and Social Sector for the year ended March 2012 (Report No.3 of the year 2013) about absence of conditions stipulating access to the original books of accounts of the Special Purpose Vehicles to the Maharashtra Maritime Board and its auditors. Further, six PPP agreements pertaining to Public Works Department as detailed in **Appendix 1.26** had no provisions for access to their books of accounts.

1.8.2.1 Departmental commercial undertakings

Activities of quasi-commercial nature are also performed by departmental undertakings of certain Government Departments. The State Government has 49 Departmental Commercial Undertakings (DCUs). The position of Department-wise investments by the Government up to the year for which *proforma* accounts have been finalised, net profits/loss as well as return on capital invested in these undertakings are given in **Appendix 1.10**. It was observed that:

- An amount of ₹ 1,934.92 crore had been invested by the State Government in four[21] undertakings at the end of the financial year up to which their accounts were finalised **(Appendix 3.3).**
- Of the four undertakings having 49 units, only one[22] unit could earn net profit amounting to ₹ 0.62 crore against capital investment of ₹ 29.08 crore, thereby yielding a rate of return of 12.83 *per cent*.

[21] Agriculture, Animal Husbandry, Dairy Development and Fisheries; Food, Civil Supplies and Consumer Protection; Land Development Bulldozer Scheme; and Revenue and Forest

[22] Unit Scheme, Mumbai (2011-12)

- Of the loss-making DCUs, 26[23] DCUs had been incurring losses continuously since the last five years.
- As per accounting system being followed by the departmental commercial undertakings of 'Government Milk Schemes', 'Procurement, Distribution and Price Control Scheme in Mumbai and Thane Rationing Area and in Mofussil Area', the net loss/profit for the year is deducted/ added directly from/to the Capital Account in the Balance Sheet. Therefore, the figures of accumulated loss cannot be ascertained from the *proforma* accounts of the departmental undertakings.

In view of the heavy losses of some of the undertakings, Government should review their working to make them self-sustaining in the medium to long term.

1.8.3 Loans and advances by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, the Government has also been providing loans and advances[24] to many institutions/ organizations. **Table 1.33** presents the outstanding loans and advances as on 31 March 2013, interest receipts *vis-à-vis* interest payments during the last three years**.**

Table 1.33: Average interest received on loans advanced by the State Government

(₹ in crore)

Quantum of loans/interest receipts/cost of borrowings	2010-11	2011-12	2012-13
Opening Balance	19590	19909	20187
Amount advanced during the year	959	837	1416
Amount repaid during the year	640	559	863
Closing Balance	**19909**	**20187**	**20740**
of which Outstanding balance for which terms and conditions have been settled	NA	NA	NA
Net addition	319	278	553
Interest Receipts	89	228	167
Interest receipts as *per cent* to outstanding loans and advances	0.45	1.15	0.81
Interest payments as *per cent* to outstanding fiscal liabilities of the State Government.	7.23	7.21	7.10
Difference between interest receipts and interest payments (*per cent*)	(-) 6.78	(-) 6.06	(-) 6.29
Source: Finance Accounts of the respective years			

As can be seen from the **Table 1.33**, the total outstanding loans and advances as on 31 March 2013 was ₹ 20,740 crore. The amount of loans disbursed during the year increased from ₹ 837 crore in 2011-12 to ₹ 1,416 crore in 2012-13. Of the total amount of loans and advances disbursed during the year, ₹ 168 crore went to Social Services and ₹ 930 crore to Economic Services. Under the Economic Services, the major portion of loans went to Power (46 *per cent*) followed by Other General Economic Services (41 *per cent*).

[23] Greater Mumbai Milk Scheme, Worli; Electrical Scheme, Mumbai; Dairy Project, Dapchari; Government Milk Chilling Centre, Saralgaon (Dist.: Thane); Government Milk Schemes in Khopoli, Mahad, Ratnagiri, Kankavli, Nashik, Wani, Ahmednagar, Chalisgaon, Dhule, Aurangabad, Udgir, Beed, Nanded, Bhoom, Amravati, Akola, Yavatmal, Nandura, Nagpur, Wardha and Gondia; and Procurement and Distribution and Price Control Scheme in Mofussil Area

[24] Loan balances and complete information in respect of recoveries in arrears could not be confirmed for want of information from Government

However, interest received against these loans decreased from 1.15 *per cent* during 2011-12 to 0.81 *per cent* in 2012-13, mainly due to less interest receipts from Power Projects (₹ 67 crore).

The detailed accounts of loans are maintained by the State Government Departments, who are required to confirm the loan balances to the Principal Accountant General (Accounts and Entitlements) and also furnish complete information regarding recoveries in arrears. This has not been done. Consequently, the information contained in Finance Accounts in accordance with the Indian Government Accounting Standards (IGAS) 3 was incomplete.

1.8.4 Cash balances and investment of cash balances

Table 1.34 and **Chart 1.13** depict the cash balances and investments made by the State Government out of cash balances during the year.

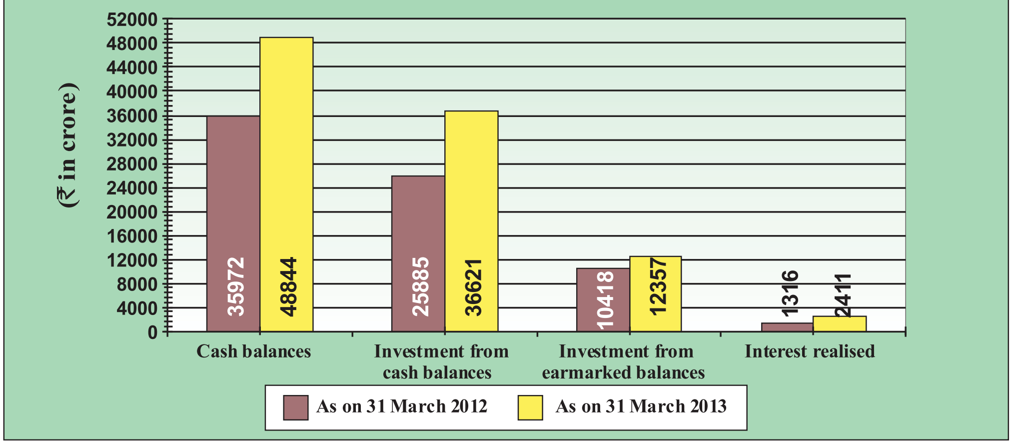
Table 1.34: Cash balances and investment of cash balances

(₹ in crore)

Particulars	As on 31 March 2012	As on 31 March 2013	Increase (+)/ Decrease(-)
Cash in treasuries	**0.14**	**0.14**	**0**
Deposits with Reserve Bank of India	**(-) 368.47**	**(-) 194.42**	**174.05**
Remittances in transit - Local	**33.55**	**55.10**	**21.55**
Cash with the departmental officers	**3.89**	**4.61**	**0.72**
Permanent advance for contingent expenditure with departmental officers	**0.47**	**0.49**	**0.02**
Investments from cash balances (a to d)	**25884.62**	**36621.16**	**10736.54**
a. GoI Treasury Bills	25883.92	36620.46	10736.54
b. GoI Securities	--	--	--
c. Other Securities, if any specify	--	--	--
d. Other Investments	0.70	0.70	0
Fund-wise break-up of investment from Earmarked balances (a to e)	**10417.75**	**12356.64**	**1938.89**
a. General and other Reserve Funds	10.82	10.88	0.06
b. Sinking Fund	10392.43	12331.26	1938.83
c. Fund for Development of Milk supply	1	1	0
d. Other Development and Welfare Funds	13.42	13.42	0
e. Miscellaneous Deposits	0.08	0.08	0
Total Cash Balances	**35971.95**	**48843.72**	**12871.77**
Interest Realized	*1316.09*	*2411.21*	*1095.12*

Source : Finance Accounts of the respective years

Chart 1.13 : Cash balance and investment of cash balance



(Source: Finance Accounts)

The cost of holding surplus cash balances was high. The interest received on investment of cash balances in 'RBI Investment in Treasury Bills' was 4.69 *per cent* during 2012-13, while average interest paid by Government on its borrowings during the year was 7.10 *per cent*.

The State Government's cash balances of ₹ 48,844 crore at the end of the current year showed an increase by 36 *per cent* (₹ 12,872 crore) over the previous year. Of the above, ₹ 36,621 crore was invested in GoI Treasury Bills which earned an interest of ₹ 1,716.38 crore during the year. Further, ₹ 12,357 crore was invested in earmarked funds. The State Government resorted to ways and means advances on two occasions during the year as shown in the notes below **Table 1.2** and **Appendix 1.5**.

1.8.4.1 Outstanding balances under the head 'Cheques and Bills'

This head is an intermediary accounting head for initial record of transactions which are to be cleared eventually. When the cheque is issued, the functional head is debited and the Major Head-8670-Cheques and Bills is credited. On clearance of the cheque by the bank, the minus credit is given to Major Head 8670-Cheques and Bills by crediting the Major Head- 8675-Deposits with Reserve Bank of India and thereby reducing the cash balance of the Government. Thus, the outstanding balance under the Major Head 8670-Cheques and Bills represents the amount of un-encashed cheques.

As on 31 March 2013, there was an outstanding balance (cumulative) of ₹ 10,233.32 crore and to this extent the Government Cash Balance of ₹ (-) 194.42 crore (Deposits with the Reserve Bank of India) stood overstated.

1.9 Assets and Liabilities

1.9.1 Growth and composition of assets and liabilities

In the existing cash-based Government accounting system, comprehensive accounting of fixed assets like land and buildings 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 1.7** gives an abstract of such liabilities and the assets as on 31 March 2013, compared with the corresponding position on 31 March 2012. While the liabilities consist mainly of internal borrowings, loans and advances from the GoI, receipts from the

Public Account and Reserve Funds, the assets mainly comprise the capital outlay and loans and advances given by the State Government and cash balances.

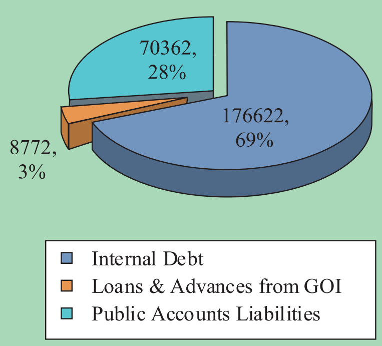
According to the MFRBM Act, 2005, the "total liabilities of the State" means the liabilities under the Consolidated Fund of the State and the Public Account of the State.

1.9.2 Fiscal liabilities

The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Charts 1.14** and **1.15.**

Chart 1.14: Composition of outstanding fiscal liabilities as on 31 March 2012

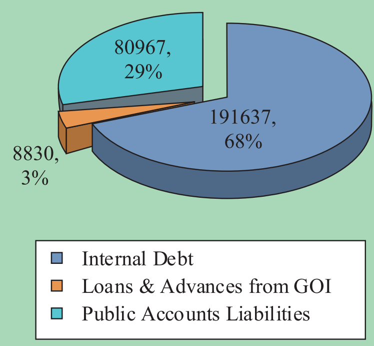
(₹ in crore)



(Source: Finance Accounts)

Chart 1.15: Composition of outstanding fiscal liabilities as on 31 March 2013

(₹ in crore)



(Source: Finance Accounts)

Table 1.35 gives the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP, to revenue receipts and to the State's own resources as also the buoyancy of fiscal liabilities with reference to these parameters.

Table 1.35: Fiscal liabilities – basic parameters

	2008-09	2009-10	2010-11	2011-12	2012-13
Fiscal Liabilities (₹ in crore)	179262	203165	229569	255756	281434
Rate of Growth (*per cent*)	13.38	13.33	13	11.41	10.04
Ratio of Fiscal Liabilities to					
GSDP (*per cent*)	25.9	22.5	21.5	21.3	20.50
Revenue Receipts (*per cent*)	220.6	233.8	216.8	210.9	196.88
Own Resources (*per cent*)	344.5	343.7	306	291.9	272.1
Buoyancy of Fiscal Liabilities with reference to :					
GSDP (ratio)	0.777	0.443	0.702	0.929	0.696
Revenue Receipts (ratio)	6.371	1.932	0.596	0.784	0.562
Own Resources (ratio)	1.408	0.98	0.483	0.680	0.555
Source: Finance Accounts of the respectivce years					

The overall fiscal liabilities of the State increased at an average annual rate of 14.25 *per cent* during the period 2008-13. The growth rate decreased from 13 *per cent* in 2010-11 to 10.04 *per cent* in 2012-13. During 2012-13, the debt to GSDP ratio at

20.5 *per cent* was higher than the projections made in MTFPS (18.84 *per cent*) and FCP (18.84 *per cent*) but lower than the ThFC and MFRBM Rules, 2011 (25.8 *per cent*). These liabilities were around twice the revenue receipts and thrice the State's own resources at the end of 2012-13. The buoyancy of these liabilities with respect to GSDP during 2012-13 was 0.696, indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 0.696 *per cent*.

Of the total fiscal liabilities, the share of public debt was maximum (71 *per cent)*, followed by deposits[25] (14 *per cent),* reserve funds (eight *per cent)* and small savings, provident fund[26] *etc.* (seven *per cent)*. Fiscal liabilities increased by ₹ 25,678 crore from ₹ 2,55,756 crore in 2011-12 to ₹ 2,81,434 crore in 2012-13, mainly due to increase in Public Debt (₹ 15,073 crore), Reserve Fund (₹ 1,976 crore), Deposits (₹ 6,442 crore) and Small Savings and Provident Funds (₹ 2,187 crore).

The State Government set up a Consolidated Sinking Fund during the financial year 1999-2000 for amortization of open market loans. As on 31 March 2013, the closing balance in the Sinking Fund was ₹ 12,331.26 crore which included ₹ 1,244 crore for 2012-13 and the entire balance was invested.

1.9.2.1 Unreconciled differences between closing balances in the account and subsidiary records

As per the Finance Accounts for the year 2012-13, there was an unreconciled balance of ₹ 2,522.80 crore under Civil Deposits and Other Civil Deposits, pertaining to the period 1960-61 to 2012-13. Of the above 'Provident Fund Accounts maintained by departmental officers' was the major item with an amount of ₹ 2,513.73 crore pertaining to the period 1960-61 to 2012-13 that remained unreconciled as of March 2013.

1.9.3 Transactions under reserve fund

- There were 18 reserve funds earmarked for specific purposes of which, nine funds were active as shown in the **Appendix 1.11**. The total accumulated balance as on 31 March 2013 in these funds was ₹ 22,868.45 crore (₹ 22,839.44 crore in active funds and ₹ 29.01 crore in inoperative funds). However, the investment out of this balance was only ₹ 12,356.56 crore (54 *per cent*).
- Of the nine inoperative reserve funds amounting to ₹ 29.01 crore, five[27] reserve funds amounting to ₹ 1.62 crore are inoperative for more than 10 years. Hence, the Government needs to review the balances in these funds and consider their utilization for the intended purpose/ closure as per prescribed rules/procedure.

[25] Deposits include Security Deposits, Deposits from Government Companies, Corporations *etc*., Defined Contribution Pension Scheme for Government Employees and Civil Deposits, which are liable to be repaid by the Government to the subscribers and depositors

[26] Small Savings and Provident Fund include State Provident Fund and Insurance and Pension Funds which are liable to be repaid by the Government to the subscribers and depositors

[27] Transport Department Betterment Fund; Development Funds for Medical and Public Health; Development Funds for Animal Husbandry Purposes; Funds for Development of Milk Supply; and State Transport Road Development Fund

1.9.4 Contingent liabilities

1.9.4.1 Status of guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended.

The maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years as given in the Statement 9 of the Finance Accounts (Volume II), are summarised in **Table 1.36.**

Table 1.36: Guarantees given by the Government of Maharashtra

(₹ in crore)

Guarantees	2010-11	2011-12	2012-13
Maximum amount guaranteed	44414	45515	41353
Outstanding amount of guarantees	15041	15041	9246
Percentage of maximum amount guaranteed to total revenue receipt	42	38	29
Source: Finance Accounts of the respective years			

During 2012-13, guarantees of ₹ 350 crore were given by the State Government to (i) Maharashtra Agricultural Industries Development Corporation (₹ 150 crore); (ii) Maharashtra State Co-operative Marketing Federation (₹ 100 crore); and (iii) Vidarbha Co-operative Marketing Federation Ltd., (₹ 100 crore). Outstanding guarantees (₹ 9,246 crore) during 2012-13 accounted for six *per cent* of the revenue receipts (₹ 1,42,947 crore). The outstanding guarantees during 2012-13 were 0.67 *per cent* of the GSDP.

The State Government charged guarantee fees for guarantees given to institutions and the same was booked under 'Miscellaneous General Services'. Receipts under guarantee fees decreased to ₹ 82.01 crore (receivable: ₹ 92.63 crore) during 2012-13, as against ₹ 128.85 crore received during 2011-12.

1.9.4.2 Guarantees given by State Government

Guarantees – Guarantees are given by the State Governments under Article 293(i) of the Constitution of India for discharge of certain liabilities like loans raised by Statutory Corporations, Government Companies, Joint-Stock Companies, Co-operative Institutions, Local Bodies, firms *etc*. These guarantees constitute contingent liabilities of the State.

Guarantee fees – The Government charges fees for guarantees given to parties and institutions at the rate of ₹ two per ₹ 100 *per annum* for guarantees given on or after 1 April 1997. This rate is applicable to all institutions/bodies except institutions dealing with agricultural credit to weaker section co-operatives of handloom weavers and marketing co-operatives dealing with foodgrains procurements programme as given in **Appendix 1.17**. The fees realized are credited to the revenue account of the Government.

The FD in November 1999 issued a Government Resolution (GR) detailing the modalities for proposing/recommending/sanctioning of guarantees by the Administrative Departments.

Outstanding guarantees

The details of guarantees outstanding, invoked and guarantee fee receivable during the period from 2008-09 to 2012-13 is shown in **Table 1.37**.

Table 1.37: Guarantees outstanding, invoked and guarantee fee receivable during the period from 2008-13

(₹ in crore)

Year	Guarantees outstanding at the beginning of the year		Net of additions (+)/ deletions (-) (other than invoked) during the year, including principal and interest	Invoked during the year		Outstanding at the end of the year		Guarantee fee	
	Principal	Interest		Disch-arged	Not disch-arged	Principal	Interest	Received	Receivable
2008-09	42699.22	15576.40	----	----	----	38547.03	12923.52	3539.02	----
2009-10	38547.03	12923.52	----	-----	1.09[28]	31869.88	10813.22	551.77	374.26
2010-11	31869.88	10813.22	(-) 27642.23	----	----	11585.82	3455.05	551.18	300.54
2011-12	11585.82	3455.05	----	----	----	11585.82	3455.05	128.85	60.03
2012-13	10562.76	3414.68	(-) 4731.72	----	----	6743.34	2502.38	82.01	92.63

Source: Finance Accounts of the respective years

Audit coverage

The audit of guarantees given to Co-operative Sugar Factories (CSFs) by Cooperation, Marketing and Textiles Department (CMTD) and to the State Social Welfare Corporations by Social Justice and Special Assistance (SJSA) Department during the period 2010-11 to 2012-13 was conducted (May to June 2013) through test-check of records in the FD, CMTD, Sugar Commissionerate (Pune), Regional Joint Director (RJD) office (Pune) and SJSA Department. In respect of guarantee fees collected during the period 2008-09 to 2012-13, fourteen institutions in eight Departments with high outstanding loan amounts were selected for test check (**Appendix-1.21**).

Audit findings

(a) Non-framing of policy

With a view to streamlining and improving methodology for approval of guarantees, the Department of Economic Affairs, Ministry of Finance, GoI issued a policy paper in September 2010 on Government guarantees that serves as an overall guideline for considering various guarantee proposals from Ministries/Departments. However, the State Government has not framed any policy (July 2013) for Government guarantees. No limits for guarantees to be given by the State Government have been fixed by Law under Article 293 of the Constitution of India. The Maharashtra FRBM Act, 2005 also does not contain any provisions for laying down the limits. However, as per Fiscal Policy Strategy Statement of 2007-08, the State Government is consciously discouraging Government guarantees.

(b) Systemic deficiencies

Non-adherence to prescribed procedure

The proposals of CSFs in need of guarantee and having a negative net worth together with, no outstanding guaranteed loans/guarantee fee and cane availability of minimum 50 *per cent* of its crushing capacity statements are forwarded to the

[28] An amount of ₹ 1.09 crore was invoked by Bank of India in respect of Adivasi Govari Shahid Smruti Sheli va Pashupalan Sahakari Sanstha Ltd., Nagpur during 2009-10. No amount was paid by the Government on account of invocation of guarantee during the year

Commissioner of Sugar[29] by the RJDs[30] after scrutiny by the Special Auditor[31]. The proposal is then forwarded to the Government and final decision is taken by the Cabinet. The annual accounts of the CSF are audited by the Special Auditor and kept in the office of the respective RJD along with the audit reports.

During the period 2010-11 and 2011-12, 70 proposals were forwarded by the Commissioner of Sugar to GoM seeking approval for Government guarantees on pre-seasonal loans[32] raised by CSFs. No proposals were forwarded during the year 2012-13.

Scrutiny of the records available in the office of Commissioner of Sugar and RJD, Pune revealed the following:

- During the years 1992 to 2010, of the 60 CSFs, guarantee deeds were executed in respect of only 18 CSFs. In respect of the 42 CSFs (total loan amount ₹ 436.78 crore), no guarantee deeds were executed. Of the 42 CSFs, 13 were under liquidation (total loan amount ₹ 149.07 crore) as of March 2013.
- During 2010-11 and 2011-12, of the 70 proposals, guarantee deeds were executed in only 12 CSFs (for pre-seasonal loans). In the remaining 58 CSFs, no guarantee deeds were executed.
- Thirtynine out of 70 proposals were received directly from financial institutions, processed by the Commissioner of Sugar and forwarded to the Government, without scrutiny by Special Auditors and the RJDs concerned. The RJD, Pune stated (May 2013) that the proposals received directly in the Sugar Commissioner office in respect of Pune region would be collected and kept in the RJD's office. The fact remained that in the absence of any scrutiny by the Special Auditor as well as the RJD himself, the eligibility of these 39 CSFs for Government guarantee could not be ascertained in audit.

Inadequate control and monitoring

- The register of guarantee was not maintained both at the Sugar Commissionerate as well as the RJD office, Pune. Vital details such as, guarantees given, interest and guarantee fees due and paid during the year *etc*. were reflected in the loan register maintained for each CSF. However, the loan register did not reflect the opening and closing balances of the guarantee fees, penalty for delay in payment of guarantee fee *etc*.
- A central control register is maintained in the Guarantee Monitoring Cell of the FD to watch the guarantees given to the CSFs and recovery of guarantee fees from them. Scrutiny of the registers revealed that the details such as, opening balance, additions, deletions during the year, details of guarantee fee received and that remaining outstanding, were not entered in the relevant columns of the register. The FD stated (June 2013) that the Administrative Departments were responsible for recovering the guarantee fee and providing an up-to-date information to them.

29 The Commissioner of Sugar heads the Sugar Commissionerate

30 There are seven RJDs who assist the Commissioner of Sugar

31 Statutory Auditors for Co-operatives under Maharashtra Co-operative Societies Act, 1960 and report to the RJDs

32 Pre-seasonal loans are given for overhauling of plant and machinery, payment of advance to harvesting and transportation contractors, purchase of stores materials and payment of off-seasonal wages to labourers

Data inconsistencies

- The closing balances of Government guarantees did not tally with opening balance during the year 2009-10 to 2011-12 **(Appendix 1.18)**. The difference in these figures needs to be reconciled. Further, during 2011-12, an amount of ₹ 12.83 crore was shown as the liability discharged due to invocation. This was however, not consistent with ₹ 81.92 crore shown as adjusted during 2011-12 against the ad-hoc grant of ₹ 170 crore released to five defaulting CSFs **{paragraph (f)}**.
- In 12 out of 70 proposals where guarantee deeds were executed, the guarantee amounts (principal and interest) shown in the guarantee deeds did not tally with the figures reported by the Sugar Commissioner to the GoM **(Appendix 1.19).** The CMTD stated (May 2013) that information submitted to audit by the Sugar Commissioner was not correct. Thus, the guarantee figures maintained by the Sugar Commissioner, responsible for controlling and monitoring the guarantees, were not reliable and the data at the Government level was inconsistent.

(c) Waiver of outstanding loans by State Government

Guarantees given by the Social Justice and Special Assistance (SJSA) Department were in the nature of Block Guarantee[33]/Letter of Assurance[34] from the State Government.

Scrutiny of records in SJSA Department revealed that as on March 2013, the SJSA Department had given guarantees to loans given by four[35] National Corporations amounting to ₹ 237.92 crore to six State Corporations (**Appendix 1.20**) established as companies under the Companies Act, 1956. The objective of these State Corporations was to implement various financing Schemes of the SJSA Department for the specific weaker sections.

Audit observed that these State Corporations were running in losses and depended on grants-in-aid from the State Government for their day-to-day operations. Further, poor recovery of loans from beneficiaries resulted in large arrears in repayment of loans. The share capital contribution made by the State Government was partly used by the State Corporations for repayment of loans raised from National Corporations due to non-recovery of loans from the beneficiaries. Audit further observed that the State Government waived off (August 2009) ₹ 134.41 crore that was due from the beneficiaries to the State Corporations. Consequently, the State Government had to pay ₹ 114.05 crore and ₹ 86.35 crore (including interest) to the Nationalized Banks and to the National Corporations respectively in July 2010 as one time settlement of the outstanding loans raised by the State Corporations. By Department's own admission, this loan waiver contributed to poor recovery of loans, as the beneficiaries were hoping for further waiver.

Thus, the grants provided to these State Corporations were implicit subsidies and unless proper measures are taken to ensure satisfactory recovery of loans from the

[33] Block Guarantees: Lump sum guarantees wherein a limit of guarantee is fixed up to which the PSU can avail loans

[34] Assurance letter: In the absence of approval of guarantee, a letter is obtained from the State Government stating that the proposal for additional guarantee was under consideration

[35] National Scheduled Castes Finance and Development Corporation (NSFDC), National Safai Karmachari's Finance and Development Corporation (NSKFDC), National Backward Class Finance and Development Corporation (NBFDC) and National Handicapped Finance and Development Corporation (NHFDC)

beneficiaries, chances of invocation of guarantees by the National Corporations cannot be ruled out.

(d) Levy and collection of guarantee fee

Audit observed the following:

- As per the Twelfth Finance Commission Report, States should set up guarantee redemption funds through earmarked guarantee fees, in order to provide for sudden discharge of the States' obligations on guarantees. A guarantee reserve fund created in 1963-64 in Maharashtra to meet the liabilities, which may arise as a result of the invocation of guarantees given by the Government, was closed with effect from 1 April 1990. In the MTFPS for the year 2009-10, laid before the Maharashtra State Legislature, it was stated that the State was also in the process of setting up a guarantee redemption fund to meet the contingent liabilities arising from the guarantees given by the Government. However, the GoM has since taken a decision not to create the guarantee redemption fund.
- Test check of 14 institutions in eight Departments (**Appendix 1.21**) revealed that the respective Administrative Departments did not maintain the details of repayment of loans, recovery of guarantee fee and outstanding guarantee fee. The records provided to audit did not contain information such as, loan-wise details, total amount of outstanding interest, copies of Government Resolutions and repayment details/repayment schedules. This indicated lack of controls and effective monitoring on recovery of guarantee fee and penal interest. The Administrative Departments stated (June 2013) that these details would be called for from the beneficiary institutions for confirmation of the figures, as the same were not available with them.
- The amount of guarantee fees recoverable from the 14 test-checked institutions as worked out by audit stood at ₹ 1,534.86 crore (**Appendix 1.21)** on the basis of the loan and interest component payable by the beneficiary institutions. In March 2009, Government provided ₹ 3,432.36 crore towards share capital contribution to five of its Irrigation Development Corporations (Autonomous Bodies) to adjust the guarantee fee and interest payable. Similarly, during 2012-13, ₹ 13.99 crore was provided towards share capital contribution to Maharashtra Jeevan Pradhikaran (Autonomous Bodies) and ₹ 15.24 crore to Maharashtra Irrigation Finance Company Limited (Government Company) to be adjusted against guarantee fee and interest payable.
- In SJSA Department, six State Corporations had raised loans in excess of the guarantees given by the Government by ₹ 54.72 crore, resulting in difficulties in calculation of guarantee fee payable **(Appendix 1.20).** Further, as per the FD, the guarantee fee including interest/penal interest outstanding as on 31 March 2013 in respect of six State Corporations was ₹ 78.83 crore whereas, as per the Department the fee payable was only ₹ 9.49 crore. The discrepancy had occurred as there was no uniformity in the rates adopted by the State Corporations (at 0.50 *per cent*) and the FD (at two *per cent*) while calculating the guarantee fee.
- The CMTD converted (March 2008) guarantee fee of ₹ 23.94 crore recoverable from 11 CSFs as on 31 May 2004, to interest free loans

repayable in eight years (**Appendix 1.25).** Considering a three year moratorium (May 2004 to May 2007) allowed by CMTD, this amount was recoverable by the Commissioner of Sugar in five equal instalments from May 2008. Of the ₹ 23.94 crore an amount of ₹ 1.90 crore was fully recovered from two CSFs, while ₹ 1.33 crore was partially recovered from four CSFs. Further information furnished (May 2013) by CMTD revealed that as on 31 March 2013 the total outstanding loans to be recovered from 15 CSFs was ₹ 23.92 crore **(Appendix 1.25).**

(e) Continuance of guarantees to commercial enterprises

The GoM entered into a Memorandum of Understanding (MoU) with Ministry of Finance, GoI in October 2002 to enable the State to achieve fiscal sustainability in the medium term in accordance with the Maharashtra Fiscal Reforms Programme for 2000-01 to 2004-05. As per Clause 7 of the MoU, it was agreed by GoM that commercial enterprises in the Cooperative Sector were no longer to be given guarantees. However, CMTD continued to give guarantees to CSFs which were commercial enterprises.

(f) Delay in settlement of invocation of guarantees

Mention was made in Paragraph 1.7.3.1 of the Report of the C&AG of India on the State Finances for the year ended March 2012 on GoM regarding pending claims of invocation of guarantees from MSCB[36]. The details of the committed liabilities of the GoM on account of invocation of guarantees as on 31 March 2013 was ₹ 2,583.45 crore as indicated in **Table 1.38.**

Table 1.38: Details of the committed liabilities on account of invocation of guarantees as on 31 March 2013

(₹ in crore)

	Position of outstanding claims as on 31 March 2010				Position of outstanding claims as on 31 March 2013			
	No of Units	Principal	Interest	Total	No of Units	Principal	Interest	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
CSFs	67	666.16	665.98	1332.14	60	547.37	1327.50	1874.87
Others[37]	21	121.11	377.96	499.07	20	109.87	598.71	708.58
Total	**88**	**787.27**	**1043.94**	**1831.21**	**80**	**657.24**	**1926.21**	**2583.45**
Of the above details of units under liquidation								
CSFs	23	350.83	326.70	677.53	24	210.09	759.70	969.79
Others[37]	11	27.08	78.67	105.75	12	57.57	291.24	348.81
Total	**34**	**377.91**	**405.37**	**783.28**	**36**	**267.66**	**1050.94**	**1318.60**

From **Table 1.38** it can be seen that:

- There was an increase of ₹ 752.24 crore (41 *per cent)* in the invocation claims during the last three years. The share of CSFs in the total outstanding claims was 72.57 *per cent*.
- The share of interest on the above increase was ₹ 882.27 crore which was compensated by a decrease in principal by ₹ 130.03 crore
- ₹ 1,318.60 crore (51 *per cent*) of the total outstanding claims pertained to units which were under liquidation.

[36] Maharashtra State Cooperative Bank, the nodal bank in the State for all the District Cooperative Banks

[37] Others comprises mainly Co-operative spinning mills and processing units

Further scrutiny of records in the office of the Commissioner of Sugar and CMTD revealed the following:

- The GR of November 1999 provided for immediate reporting by the financial institutions about default in repayment of loans and interest by the beneficiaries. The Government neither obtained these reports from the MSCB and the Sugar Commissioner nor did it maintain any records at the Government level for the purpose of monitoring and control. This resulted in accumulation of total invocation claims of ₹ 1,874.87 crore (as on March 2013) in respect of 60 CSFs alone and delay in settlement of claims and increase in interest liability on this account.
- In respect of 17 out of 60 CSFs, Government had given guarantees on various types of loans amounting to ₹ 86.11 crore raised by these CSFs, as detailed in **Appendix 1.22** even though the CSFs had defaulted in repayment of loans in the preceding years. Incidentally, seven out of 17 CSFs were under liquidation. The justification for extending further guarantees to these defaulting units was not available on record.
- The GoM provided financial assistance of ₹ 220 crore (**Appendix 1.23)** to MSCB in the form of ad-hoc grants[38] amounting to ₹ 170 crore in March 2011 and ₹ 50 crore in March 2012 to enable the bank to maintain the minimum reserves (CRR). It was observed that the proposal from MSCB to adjust the initial grant of ₹ 170 crore against invocation claims in respect of five defaulting CSFs was limited to ₹ 81.92 crore only (2011-12). Details of adjustments of the balance amount of ₹ 88.08 crore was not available on record (July 2013). The subsequent grant of ₹ 50 crore was not adjusted (July 2013) by the GoM against invocation claims in respect of eight defaulting CSFs.

(g) Unfavourable guarantee Clauses

The Clauses of guarantee deeds were in favour of the lending bank (MSCB) as detailed below:

- As per Clause 2, in the event of delay/failure by the guarantor to make payment on demand under the guarantee (within 30 days from the date of invocation of guarantee), the guarantor shall pay entire amount of guarantee with interest at the rate of 14 *per cent per annum* compounded quarterly from the date of invocation of guarantee till the date of payment. The Clause has led to a significant increase in interest liability from ₹ 1,043.94 crore in March 2010 to ₹ 1,926.21 crore in March 2013 **(Table 1.38)**.
- As per Clause 4, the MSCB shall be at liberty at any time to add to, alter, amend, modify or delete or suspend any of the terms and conditions of the deed even with retrospective effect without the knowledge of the borrower and/or the guarantor and that such change shall be binding both upon the borrower and the guarantor and consent for such variation shall be deemed to be obtained from the borrower and the guarantor. Clearly, the Clause gave arbitrary powers to the bank which was detrimental to the interest of the guarantor (Government).

[38] This is already mentioned in **paragraph 1.7.3.1** of the State Finance Report of Government of Maharashtra for the year 2011-12

(h) Loss in respect of liquidated CSFs.

Information provided by the Commissioner of Sugar (April 2013) revealed that 34 CSFs sold on liquidation that owed ₹ 477.80 crore[39] to the Government (**Appendix 1.24**).

The Sugar Commissioner, Pune stated (April 2013) that MSCB disposed of the assets of the liquidated CSFs and adjusted them against their dues. Therefore, no amounts could be recovered by the Government.

1.9.4.3 Off-budget borrowings

The borrowings of a State are governed under Article 293 of the Constitution of India. In addition to the contingent liabilities shown in **Table 1.36**, the State also guaranteed loans availed of by the Government companies and corporations. These companies and corporations borrowed funds from the market and financial institutions for implementation of various State Plan programmes projected outside the State budget. Although the State Government projects that funds for these programmes would be met out of the resources mobilized by these companies and corporations outside the State budget, in reality, the borrowings of many of these concerns ultimately turn out to be the liabilities of the State Government termed as 'off-budget borrowings'. Off-budget borrowings are not permissible under Article 293 (3) of the Constitution of India. As per the MTFPS Statement 2008-09, the State Government had completely stopped off-budget borrowings from the year 2005-06. There were no off-budget borrowings during the years 2006-07 to 2012-13. However, at the close of 2012-13, ₹ 1,402 crore was outstanding on account of off-budget borrowings made prior to 2005-06.

1.9.4.4 Adverse Balances appearing in the Finance Accounts

Adverse balances (Minus balances) appearing in the statements of the Finance Accounts show the distorted position of account balances. Adverse balance under the Loan head shows that the repayment was more than the loans advanced by the Government. The adverse balances appearing under the Loan account were mainly due to misclassification of the transactions while compiling the accounts.

During 2012-13, adverse balances that appeared in the Finance Accounts pertains to Loans from General Insurance Corporation of India (₹ 0.40 crore) and Indian Dairy Development Corporation (₹ 5.05 crore).

The administrative Departments concerned have to take initiative to clear the above-mentioned adverse balances.

[39] Non-repayment of Government dues (₹ 269.91 crore), State Share Capital (₹ 189.13 crore) and Guarantee fee (₹ 18.76 crore)

1.10 Debt Management

1.10.1 Debt Profile and Debt Sustainability

(i) Debt Profile: Per Capita Debt is as given in **Table 1.39**

Table 1.39: Time series analysis showing the per Capita Debt

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Internal Debt	125271	142685	158314	176622	191637
Loans and Advances from GoI	8424	8749	9086	8772	8830
Total	**133695**	**151434**	**167400**	**185394**	**200467**
Population (as per Census 2001/2011)	9.69 crore	9.69 crore	9.69 crore	11.24 crore	11.24 crore
Per Capita Debt (in ₹)	13797.21	15627.86	17275.54	16494.13	17835.14
Source: Finance Accounts and Economic Survey of Maharashtra of the respective years					

The per capita debt increased from ₹ 13,797.21 in 2008-09 to ₹ 17,835.14 in 2012-13.

(ii) Debt Sustainability

Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability[40] of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization[40], sufficiency of non-debt receipts[40], net availability of borrowed funds[40], burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.40** analyses the debt sustainability of the State according to these indicators for the period of three years beginning from 2010-11.

Table 1.40: Debt sustainability: indicators and trends

Indicators of debt sustainability	2010-11	2011-12	2012-13
Debt Stabilization (₹ in crore) (Quantum Spread + Primary Deficit/Surplus)[40]	11013	19689	24083
Sufficiency of non-debt receipts (Resource Gap) (₹ in crore)	7299	(-)1112	6229
Net Availability of Borrowed Funds (₹ in crore)	10756[41]	8682	6603
Burden of Interest Payments(IP/RR Ratio) (in *per cent*)	15	14	13

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 multiplied by rate spread), the debt sustainability condition states that if the quantum spread together with primary deficit is zero, the debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would be falling.

Table 1.40 reveals that the sum of quantum spread and primary deficit since 2010-11 turning positive indicates the tendency towards debt stabilization which would eventually improve the debt sustainability position of the State in ensuing years.

[40] see Glossary at page 166

[41] Figure differs from last year due to corrections

Sufficiency of Non-Debt Receipts

For debt stability and its sustainability, the incremental non-debt receipts of the State should be adequate to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

The negative resource gap indicates the non-sustainability of debt while the positive resource gap strengthens the capacity of the State to sustain the debt. **Table 1.40** reveals that during the year 2010-11 the resource gap was positive which turned into negative during 2011-12, indicating the beginning of risk of non-sustainability of debt. However, during the current year, the resource gap turned into positive, indicating increasing capacity of the State to sustain the debt in the medium to long run.

The positive resource gap (₹ 6,229 crore) was a result of sufficiency of the incremental non-debt receipt (₹ 21,509 crore) to meet the incremental primary expenditure (₹ 13,709 crore) and incremental interest payments (₹ 1,571 crore). Thus, for debt stability the State needs to maintain its resource mobilisation as well as prune unproductive expenditure.

Net availability of borrowed funds

Net availability of borrowed funds is defined as the ratio of debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption.

Table 1.40 reveals that the net availability of borrowed funds decreased from ₹ 10,756 crore in 2010-11 to ₹ 8,682 crore in 2011-12 and further to ₹ 6,603 crore during 2012-13. The decrease was mainly due to increase in Interest Payments (₹ 1,571 crore).

During 2012-13, Government raised internal debt of ₹ 20,974 crore, GoI loans of ₹ 751 crore and other obligations of ₹ 36,378 crore. Government repaid internal debt of ₹ 5,960 crore, GoI loans of ₹ 693 crore and discharged other obligations of ₹ 25,359 crore and paid interest of ₹ 19,076 crore resulting in net increase in debt receipts by ₹ 6,603 crore during the year.

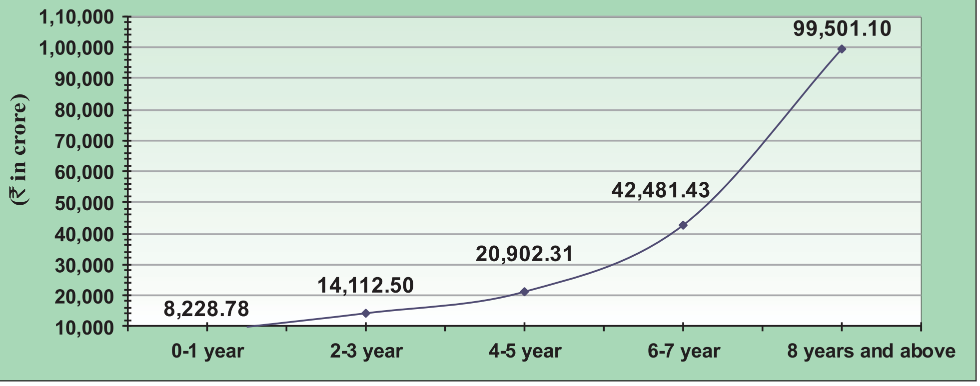
Table 1.41: Maturity profile of State debt

(₹ in crore)

Maturity Profile (in years)	Amount	*Per cent*
0 – 1	8228.78	4.29
2 – 3	14112.50	7.36
4 – 5	20902.31	10.91
6 – 7	42481.43	22.17
8 and above	99501.10	51.92
Information not furnished by the State Government	6410.62	3.35
Total	**191636.74**	**100**

Source: Finance Accounts

Chart 1.16 : Maturity profile of the State debt



(Source: Finance Accounts)

The maturity of the State debt as per **Table 1.41** and **Chart 1.16** indicates that nearly 22.56 *per cent* of the total State debt is repayable within the next five years while the remaining 77.44 *per cent* is payable in more than five years. It further indicates that the liability of the State to repay the debt would be ₹ 20,902.31 crore during the period 2016-18 and ₹ 42,481.43 crore during 2018-20 which would put a strain on the Government budget during that period.

A well thought out debt repayment strategy will have to be worked out by the Government to ensure that no additional borrowings, which mature in these critical years, are made.

1.10.2 Market Borrowings

Introduction

Open Market borrowings (OMB) refer to loans raised in the open market having a currency of more than 12 months. The State Government raises loans from the market for financing capital expenditure in connection with the development programme of the Government. The OMBs are dated securities issued through an auction conducted by the Reserve Bank of India (RBI) on the electronic platform. Commercial banks, Scheduled Urban Co-operative banks, Primary dealers, Insurance companies are some of the members of this electronic platform. Interest is serviced at half-yearly intervals and the principal is repaid on the maturity date.

Audit examined the process of borrowing, norms prescribed by the Twelfth and Thirteenth Finance Commission, profile of OMB and the related issues like surplus cash balances, non-investment of earmarked funds, maturity profile, debt sustainability, utilisation of borrowings *etc.* for the period 2008-09 to 2012-13. Records relating to open market borrowing of the State Government as maintained in the FD were examined during May to June 2013.

1.10.2.1 Classification of market loans in Government accounts

The internal debt of the State Government is divided into market loans and negotiated loans. Market loans are classified in Government accounts as under:

E – Public debt; 6003 – Internal debt of the State Government; 101 – Market Loans; (i) – Market loans bearing interest; (ii) – Market loans not bearing interest[42]

[42] The unclaimed amount on maturity features in subsequent year Finance Account under Market loans not bearing interest

Negotiated loans consist of loans taken from institutions like LIC, GIC, NABARD *etc*. In addition, Special Securities issued to National Small Savings Fund of Central Government and Ways and Means advances from RBI also form part of the internal debt of the State Government.

1.10.2.2 Process of borrowing from open market

As per the provisions of Article 293(3) of the Constitution, the State Government may not, without the consent of the GoI, raise any loan if they are indebted to the GoI. Before raising any borrowing, the State Government has to obtain sanction from the Ministry of Finance, GoI for raising the loan. The State Government works out its resource requirement and the anticipated expenditure for the annual plan and the resource gap is bridged by borrowings. This annual plan proposal is submitted to the Planning Commission of India. After the size of the annual plan is approved, the Ministry of Finance intimates the borrowing ceiling of the State Government. This ceiling covers all sources of borrowings including OMB, negotiated loans from financial institutions, National Small Savings Fund (NSSF) loans *etc*. Actual borrowing take place in a phased manner based on the mutually agreed schedule by the State Government and the RBI through an auction based system[43]. GoI accords its permission to raise market borrowings in phases and the funds are arranged by the RBI. A uniform period of 10 year is followed for all the market loans taken by State Government. Interest liability for the State Government on OMB ceases on the date of maturity.

1.10.2.3 Open market borrowing of the State at a glance

The details of OMB during the period from 2008-09 to 2012-13 is shown in **Table 1.42**.

Table 1.42: Details of OMB for the period from 2008-13

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Amount of GoI permission to raise OMB	17761.93	15500	11500	21000	17500
OMB raised by FD	17761.93	15500	11500	21000	17500
Repayment of OMB made during the year	896.22	990.96	1015.75	1580.50	1175.76
Net OMB	16865.71	14509.04	10484.25	19419.50	16324.24
Interest Paid on market loans	2115.24	3718.89	4746.89	5709.54	7356.03
Net availability of OMB	14750.47	10790.15	5737.36	13709.96	8968.21
Percentage of net availability of funds to OMB raised	83.05	69.61	49.89	65.29	51.25
Source: Finance Accounts of the respective years					

Table 1.42 shows that:

a) The net availability of borrowed funds for development activities reduced from 83.05 *per cent* in 2008-09 to 51.25 *per cent* in 2012-13. FD stated (December 2013) that the net availability emerges automatically once the fiscal deficit, debt to GSDP are normatively prescribed. If the net fiscal deficit norm was three *per cent* of GSDP and debt was to be 24 *per cent* of GSDP then the normative net availability would be only in the region of 33 *per cent* or so. Thus, the net availability of OMB was above this norm throughout the five years.

43 Auction based system is a method of issuance of Government securities. An auction may either be yield based or price based. The rate of interest gets fixed through a market based price discovery process

b) The reduction in the net availability of borrowed funds was due to increase in interest payments and repayments of OMB. Interest paid on market loans increased from ₹ 2,115.24 crore in 2008-09 to ₹ 7,356.03 crore in 2012-13 while repayments of OMB increased from ₹ 896.22 crore in 2008-09 to ₹ 1,580.50 crore in 2011-12 but decreased to ₹ 1,175.76 crore in 2012-13.

c) The borrowings decreased from ₹ 17,761.93 crore during 2008-09 to ₹ 11,500 crore during 2010-11. It reached a peak at ₹ 21,000 crore in 2011-12 and decreased to ₹ 17,500 crore in 2012-13.

1.10.2.4 Profile of market loans

All borrowings raised during 2008-09 to 2012-13 have been raised through auction based system conducted by the RBI. The profile of market loans raised, interest profile and maturity profile are given in **Table 1.43**.

Table 1.43: Profile of market loans

(₹ in crore)

Details	Amount of loan raised					
	2008-09	2009-10	2010-11	2011-12	2012-13	Total
< one year	0	0	0	0	0	0
1-3 years	0	0	0	0	0	0
5-7 years	0	0	0	0	0	0
> 7 years	17761.93	15500	11500	21000	17500	83261.93
Total loan during the year	**17761.93**	**15500**	**11500**	**21000**	**17500**	**83261.93**
Outstanding market loans as on 31 March (₹ in crore) *	45413.25	59922.3	70406.36	89825.86	106149.95	
Percentage of loan raised during the year to total outstanding	39.11	25.87	16.33	23.38	16.49	

* includes market loans not bearing interest
Source: Finance Accounts of the respective years

Audit observed that all borrowings have a uniform maturity period of 10 years. Total outstanding borrowings increased from ₹ 45,413.25 crore in 2008-09 to ₹ 1,06,149.95 crore in 2012-13.

Table 1.44: Interest rate profile

(₹ in crore)

Rate of interest (*per cent*)	Market loans raised during the year						Outstanding interest bearing market loans as on 31 March 2013
	2008-09	2009-10	2010-11	2011-12	2012-13	Total	
Below 5	0	0	0	0	0	0	
5 - 5.99	0	0	0	0	0	0	3657.37
6 - 6.99	3294.78	0	0	0	0	3294.78	8243.30
7 - 7.99	7000	5000	0	0	0	12000	15047.72
8 - 8.99	7467.15	10500	11500	19000	17500	65967.15	77129.06
9 - 9.99				2000	0	2000	2050.93
10 - 10.99	0	0	0	0	0	0	0
Total	**17761.93**	**15500**	**11500**	**21000**	**17500**	**83261.93**	**106128.38#**
Weighted average interest rate	7.78	8.18	8.42	8.76	8.76		

 # excludes market loans not bearing interest
Source: Finance Accounts of the respective years

From **Table 1.44** it can be seen that 79 *per cent* of OMB during the five year period had an interest rate of 8 to 8.99 *per cent*.

Maturity profile of open market borrowing

All borrowings raised will mature after 10 years. The redemption profile for the next seven year is shown in **Table 1.45.**

Table 1.45: Maturity Profile

(₹ in crore)

Maturity Year	Maturity Amount	As a percentage of outstanding market loan as on 31 March 2013
2014-15	2769.58	2.61
2015-16	3552.58	3.35
2016-17	3527.86	3.32
2017-18	8519.66	8.03
2018-19	17761.93	16.73
2019-20	15500.00	14.60
2020-21	11500.00	10.83
Source: Finance Accounts of the respective years		

It can be seen from the **Table 1.45** that average percentage of outstanding market loans that needs to be rolled over every year is increasing from 2017-18 onwards and there could be a redemption pressure from the year 2018-19 onwards.

1.10.2.5 Public Accounts

a) Impact of Public Accounts on cash balance

General cash balance comprises of cash in treasuries deposits with Reserve Bank remittances in transit and investments held in the cash balance investment account. One of the important factors that contribute to the increase in cash balances is due to the accumulated balances in the public accounts and borrowing in excess of actual requirement to finance the fiscal deficit. Surplus cash balance of the State is determined on the basis of the opening cash balance reduced by the committed expenditure *i.e.* cheques issued but not encashed**.** The data for five years is shown in **Table 1.46.**

Table 1.46: Position of surplus cash balance

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Closing cash balance* including cash balance Investment as on 31 March	16479.53	19082.56	22757.71	25549.84	36481.98
Less closing balance under Major Head 8670 and 8782 as on 31 March	8288.59	14595.63	13135.12	11407.08	12520.93
Surplus cash balance	**8190.94**	**4486.93**	**9622.59**	**14142.76**	**23961.05**
** Indicates the General Cash Balance* *Source: Finance Accounts of the respective years*					

FD stated (September 2013) that the closing balance at the end of the year in the Public Accounts under the Major Head 8443–Civil Deposits and 8342-Other Deposits – 117 Defined Contribution Pension Scheme for Government Employees is considered as an encumbered cash and State Government works out the requirement of OMB after excluding these balances from the cash balance. As regards balances under 8342 - Other Deposits – 117 Defined Contribution Pension Scheme, the FD stated that though Maharashtra had implemented the New Pension

Scheme (NPS) the accruals therein were held in the Public Account. These would be transferred to the NPS Trust/Fund Managers once the modalities of joining the same are finally decided. If these encumbered balances are reduced from the cash balance, the unencumbered balances would either be negative or marginal.

After excluding the encumbered balances the position of surplus cash balances (unencumbered) during the last five years was as indicated in **Table 1.47**.

Table 1.47: Position of unencumbered cash balance

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Closing cash balance* including cash balance Investment as on 31 March of the year	16479.53	19082.56	22757.71	25549.84	36481.98
Less closing balance under Major Head 8670 and 8782 as on 31 March	8288.59	14595.63	13135.12	11407.08	12520.93
Surplus cash balance	**8190.94**	**4486.93**	**9622.59**	**14142.76**	**23961.05**
Encumbered balance					
1 closing balance under 8443 as on 31 March	6619.45	8219.78	10536.51	11331.72	13509.64
2 closing balance under 8342-117 as on 31 March	83.78	362.23	934.03	1682.32	2755.31
Total encumbered balance	**6703.23**	**8582.01**	**11470.54**	**13014.04**	**16264.95**
Surplus cash balance after excluding encumbered balance (unencumbered cash balance)	**1487.71**	**(-) 4095.08**	**(-) 1847.95**	**1128.72**	**7696.10**
Per cent of encumbered cash balance to surplus cash balance	81.84	191.27	119.20	92.02	67.88

** Indicates the General Cash Balance*

Source: Finance Accounts of the respective years

As could be seen even after excluding the encumbered cash balance the State Government had a surplus cash balance of ₹ 7,696 crore during 2012-13.

The FD stated (December 2013) that in 2013, the receipts, especially of the Value Added Tax, were significantly higher than anticipated and there were large releases (upwards of ₹ 4,000 crore) from the GoI in the month of March 2013 which did not allow for expenditure to fructify. The FD added that though the State Government had requested both the Ministry of Finance and the RBI to allow roll over of borrowing limits by taking a multi-year view of borrowing programme, this was not accepted by them.

b) Increasing trend of balance under 8443-Civil Deposits

During 2008-09 to 2012-13 the closing balance at the end of the financial year under the Major Head 8443–Civil Deposits showed an increasing trend as indicated in **Table 1.48**.

Table 1.48: Balance under 8443-Civil Deposits

(₹ in crore)

Year	OB as on 1 April	Receipts	Disbursements	CB as on 31 March	Net increase during the year	CB as on 31 March in 8443-106 Personal Deposits/ (percentage)
2008-09	6132.63	8726.67	8239.85	6619.45	486.82	3406.42 (51)
2009-10	6619.45	10413.01	8812.68	8219.78	1600.33	4583.58 (56)
2010-11	8219.78	15806.01	13489.28	10536.51	2316.73	6626.45 (63)
2011-12	10536.51	19517.15	18721.93	11331.72	795.22	6533.47 (58)
2012-13	11331.72	19509.83	17331.91	13509.64	2177.92	7952.89 (59)

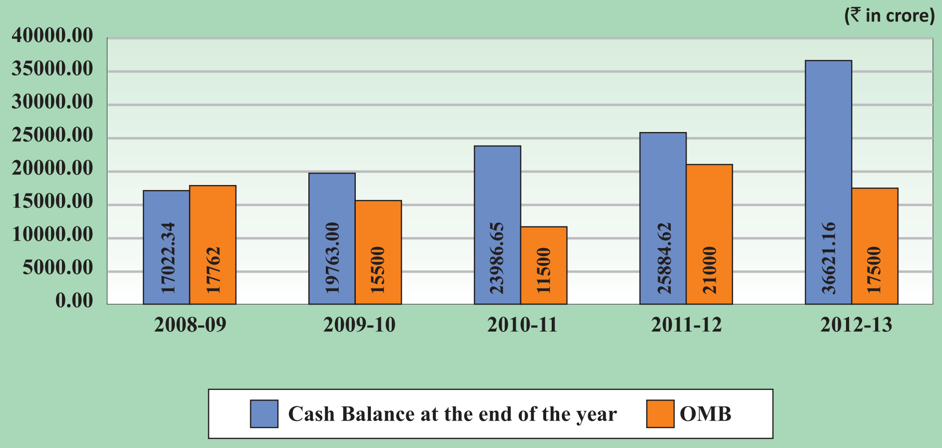
Source: Finance Accounts of the respective years

It could be seen that the balance in 106 – Personal Deposits constituted more than 50 *per cent* of the balances under the Major Head 8443–Civil Deposits. Further, where funds are transferred to the Personal Deposit Accounts from the Consolidated Fund, the balances at the close of the financial year should be transferred back to the Consolidated Fund. From the notes to accounts to the Finance Accounts it is seen that funds which need to be transferred back to the Consolidated Fund at the end of the financial year was not ascertainable. As a result, the actual encumbered balances under the Major Head 8443–Civil Deposits was not ascertainable.

c) Trend analysis of cash balance investment account

The cash balance investment account (CBIA) showed an increasing trend. There was a steady increase in the closing balance of CBIA from ₹ 17,022.34 crore as on 31 March 2009 to ₹ 36,621.16 crore as on 31 March 2013. The increase in the closing balance of CBIA and the OMB raised during this period is shown in **Chart 1.17**.

Chart 1.17 : Trend Analysis of Cash Balance Investment Account and OMB



(Source: Finance Accounts of the respective years)

1.10.2.6 Non-investment of earmarked funds

Statement No. 19 of Finance Accounts shows the details of investments of earmarked funds. Details of investments for the period from 2008-09 to 2012-13 are shown in **Table 1.49.**

Table 1.49: Details of investment of earmarked funds

(₹ in crore)

Year	Cash	Investment	Total	Percentage of investment
2008-09	11350.74	5113.53	16464.27	31.06
2009-10	10999.75	6339.56	17339.31	36.56
2010-11	10873.83	8618.69	19492.53	44.22
2011-12	10474.35	10417.67	20892.02	49.86
2012-13	10511.89	12356.56	22868.45	54.03
Source: Finance Accounts of the respective years				

It could be seen that during the period from 2008-09 to 2012-13 investments ranged between 31.06 *per cent* to 54.03 *per cent* and the balance, which is part of CBIA, gets invested in 14 days Treasury Bills and earns only five *per cent* interest.

1.10.2.7 Debt sustainability *vis-à-vis* market borrowing

The debt sustainability indicators of the State for the period from 2008-09 to 2012-13 is given in **Table 1.50**.

Table 1.50: Debt sustainability indicators

(₹ in crore)

Description	2008-09	2009-10	2010-11	2011-12	2012-13
Market loans raised during the year	17761.93	15500	11500	21000	17500
Outstanding market loans	45413.25	59922.3	70406.36	89825.86	106149.95
Total liabilities	186603.22	216439.16	242098.87	266031.6	292793.07
Fiscal liabilities	179262	203165	229569	255756	281434
Total public debt	133694.63	151433.66	167399.83	185394.04	200466.64
Percentage of market loans to total liabilities	24.34	27.69	29.08	33.77	36.25
Percentage of market loans to total public debt	33.97	39.57	42.06	48.45	52.95
Weighted average interest rate on market loans-financial year wise	7.78	8.18	8.42	8.76	8.76
Interest paid on market loans	2115.24	3718.9	4746.89	5709.54	7356.03
GSDP growth rate and interest rate ratio	2.21	3.68	2.20	1.92	1.65
Gross Interest payments to Revenue Receipts ratio	15.13	16.24	14.78	14.43	13.34
Primary surplus/deficit	(-) 1699.51	(-) 12045.01	(-) 3208.67	(-) 2634.9	5335.82
Revenue surplus/deficit	5576.76	(-) 8005.68	(-) 591.56	(-) 2438.28	4211.25
Fiscal deficit	13998.82	26155.51	18856.64	20139.5	13739.82
Percentage of total liabilities to GSDP	26.94	24.01	22.66	24.90	27.41
Outstanding guarantees	51470.55	42683.1	15040.87	13977.44	9245.72
GSDP	692749	901330	1068327	1199548	1372644
Source: Finance Accounts and Economic Survey of the State of the respective years					

It can be seen from **Table 1.50** that:

- The percentage of market loans to total liabilities and public debt showed a steady increase from 2008-09 to 2012-13.
- There was an increase in the weighted average interest on market loans. As already discussed in **Paragraph 1.10.2.4,** 79 *per cent* of the OMBs had an interest rate ranging between 8 and 8.99 *per cent*.

Market borrowing is one of the components of fiscal liability. A comparison of the share of market borrowing in the fiscal liability during the period 2008-09 to 2012-13 is given in **Table 1.51.**

Table 1.51: Share of market borrowing in the fiscal liability

(₹ in crore)

Year	Fiscal liability	Percentage of fiscal liability to GSDP	Debt-GSDP ratio fixed by ThFC	Outstanding market loans	Percentage of market loans to fiscal liability	Rate of growth of fiscal liability	Rate of growth of outstanding OMB
2008-09	179262	25.90	Not applicable	45413.25	25.33	13.38	59.08
2009-10	203165	22.50	26.4	59922.3	29.49	13.33	31.95
2010-11	229569	21.50	26.3	70406.36	30.67	13.00	17.50
2011-12	255756	21.30	26.1	89825.86	35.12	11.41	27.58
2012-13	281434	20.50	25.8	106149.95	37.71	10.04	18.17
Source: Finance Accounts and MTFPS of the respective years							

It can be seen from **Table 1.51** that the share of market borrowing in fiscal liability increased from 25.33 *per cent* in 2008-09 to 37.71 *per cent* in 2012-13 and, the rate of growth of outstanding OMB was more than the rate of growth of fiscal liability during 2008-09 to 2012-13.

The FD stated (September 2013) that decrease in the NSSF loans and disintermediation[44] by GoI in respect of plan loans were the reasons for the rising proportion of OMB. Increase in proportion of OMB is a uniform trend across the States. Further, OMB is one of the cheapest sources of funds for the State Government.

Audit further observed that the Government resorted to borrowing more than the fiscal deficit. A comparison of fiscal deficit, public debt and OMB is made in **Table 1.52.**

Table 1.52:Comparison of fiscal deficit, public debt and OMB

Year	Fiscal deficit	Net public debt during the year	Net OMB during the year	GSDP	Percentage of fiscal deficit to GSDP	Percentage of net public debt to GSDP	Percentage of net OMB to GSDP
	(₹ in crore)						
2008-09	13998.82	17488.25	16865.71	692749	2.02	2.52	2.43
2009-10	26155.51	17739.02	14509.04	901330	2.90	1.97	1.61
2010-11	18856.64	15966.17	10484.25	1068327	1.77	1.49	0.98
2011-12	20139.50	17994.21	19419.50	1199548	1.68	1.50	1.62
2012-13	13739.82	15072.60	16324.24	1372644	1.00	1.10	1.19
				Norm	3.00		
Source: Finance Accounts and Economic Survey of the State of the respective years							

It is seen from **Table 1.52** that:

- The percentage of fiscal deficit to GSDP was well within the norm of three fixed by ThFC.
- Net public debt and net market borrowing was more than the fiscal deficit during 2008-09 and 2012-13.

[44] As per Twelfth Finance Commission recommendations, Central lending to States was discontinued and the States were allowed to raise their own resources through market borrowing

- Net OMB was more than net public debt during 2011-12 and 2012-13. This was due to the increase in repayments under negotiated loans and loans and advances from the Central Government, as shown in **Table 1.53**.

Table 1.53: Public debt raised during 2011-12 and 2012-13

(₹ in crore)

Year	Major Head	Public debt raised		Public debt discharged	
		OMB	Debt other than OMB	OMB	Debt other than OMB
2011-12	6003	21000	3146.19	1580.50	4257.42
	6004	---	306.37	---	620.43
	Total	**21000**	**3452.56**	**1580.50**	**4877.85**
2012-13	6003	17500	3865.83	1175.76	5175.33
	6004	---	750.80	---	692.93
	Total	**17500**	**4616.63**	**1175.76**	**5868.26**

Source: Finance Accounts of the respective years

It is evident from the **Table 1.53** that during these two years State Government's borrowings through open market was utilised for repayment of debt raised (other than through OMB).

1.10.2.8 Repayment of loans and advances given by the State Government

The details of loans and advances given by the State Government *vis-à-vis* OMB raised during 2008-13 are indicated in **Table 1.54**.

Table 1.54: Position of loans and advances given by the State Government *vis-à-vis* OMB

(₹ in crore)

Year	Balance of loans and advance as on 1 April	Disbursements by the Government during the year	Recoveries during the year	Balance as on 31 March (2+3-4)	OMB raised	Percentage of recoveries made with respect to opening balance (4/2*100)
1	2	3	4	5	6	7
2008-09	18126.00	1280.59	560.21	18846.38	17761.93	3.09
2009-10	18843.86	1261.07	514.84	19590.09	15500	2.73
2010-11	19590.09	959.08	640.09	19909.08	11500	3.27
2011-12	19909.08	836.29	558.74	20186.63	21000	2.81
2012-13	20186.63	1415.94	862.85	20739.72	17500	4.27

Source: Finance Accounts of the respective years

As per notes to accounts of the Finance Accounts, complete information regarding recoveries in arrears was to be confirmed by the State Government Departments to the Accountants General. This was however, not done. In absence of data on recoveries in arrears, audit was not able to analyse the quantum of OMB that could have been avoided.

1.10.2.9 Utilisation of borrowing

The notification and the press communiques of the State Government mention the objective of the OMB as "*loans to finance capital expenditure in connection with the development programmes of the State*" without indicating any specific objective. Since the objectives of OMBs were not specified, it was not possible to link OMB with any particular expenditure. The ratio of revenue deficit to fiscal deficit which indicates the extent to which borrowings were used to meet the current expenditure, was at its peak during 2009-10 as can be seen from **Table 1.55**.

Table 1.55: Ratio of revenue to fiscal deficit

(₹ in crore)

Year	Fiscal deficit	Revenue surplus/deficit	Ratio of revenue deficit to fiscal deficit (*per cent*)
2008-09	13998.82	5576.76	Not applicable
2009-10	26155.51	(-) 8005.68	30.61
2010-11	18856.64	(-) 591.56	3.14
2011-12	20139.50	(-) 2438.28	12.11
2012-13	13739.82	4211.25	Not applicable
Source: Finance Accounts of the respective years			

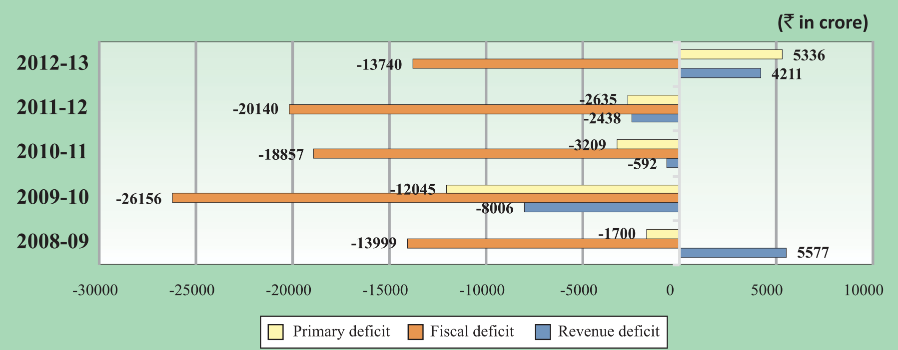
1.11 Fiscal imbalances

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 trends nature magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under MFRBM Act/ Rules for the financial year 2012-13.

1.11.1 Trends in deficits

Charts 1.18 and 1.19 present the trends in deficit indicators over the period 2008-13.

Chart 1.18 : Trends in deficit indicators



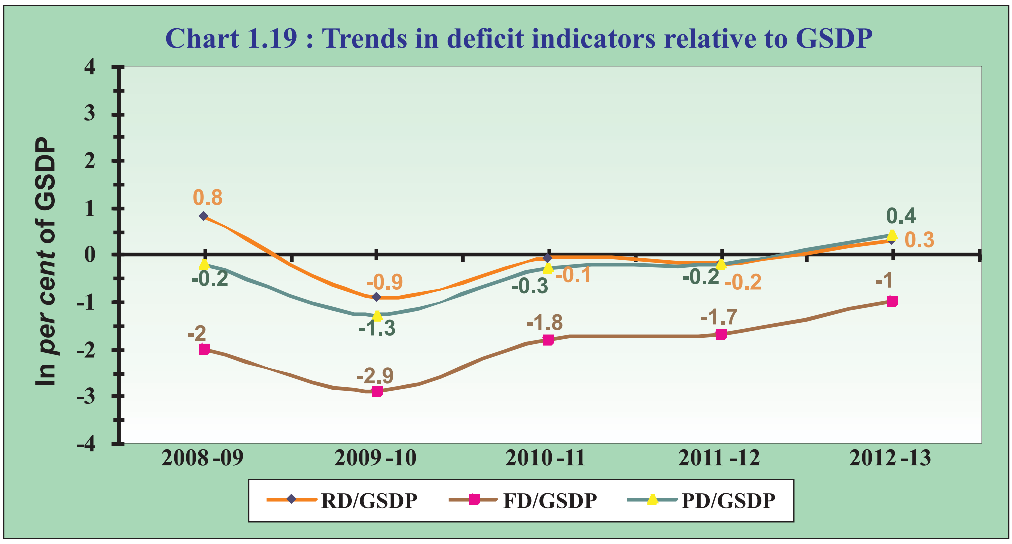
(Source: Finance Accounts of the respective years)

The revenue surplus of ₹ 5,577 crore during 2008-09 was mainly due to increase in Tax revenue and grant in aid from GoI. Gradually the revenue surplus turned into revenue deficit of ₹ 8,006 crore in 2009-10 mainly due to a sharp increase in revenue expenditure by 25 *per cent* as against an increase in revenue receipts of only seven *per cent.* However during 2010-11 the revenue deficit reduced to ₹ 592 crore mainly due to a sharp increase in revenue receipts by 22 *per cent* as against increase in revenue expenditure by 12 *per cent*. During the year 2011-12 the revenue deficit increased to ₹ 2,438 crore mainly due to an increase in revenue receipts by 15 *per cent* as against increase in revenue expenditure by 16 *per cent*.

The revenue deficit was to be brought down to zero by 2011-12 and revenue surplus was to be generated thereafter as per the MFRBM Rules (Second Amendment) 2011. The target of generating revenue surplus could not be achieved in 2011-12 but was achieved in 2012-13.

The fiscal deficit of ₹ 20,140 crore during 2011-12 decreased to ₹ 13,740 crore as a result of decrease in revenue deficit (₹ 6,649 crore) and net capital expenditure (₹ 26 crore) and increase in net loans and advances disbursed (₹ 276 crore) over the previous year.

The primary surplus during 2008-09 turned to primary deficit[45] during 2008-12. During 2012-13 the State again achieved a primary surplus of ₹ 5,336 crore. Compared to last year (primary deficit ₹ 2,635 crore in 2011-12) the primary deficit reduction was ₹ 7,971 crore due to decrease in fiscal deficit (₹ 6,400 crore) and increase in interest payment (₹ 1,571 crore) over the previous year.



(Source: Finance Accounts of the respective years)

Table 1.56: Trends in major fiscal parameters/ variables *vis-à-vis* projections for 2012-13

Fiscal variables	2012-13			
	ThFC	MTFPS	FCP	Actuals
Revenue surplus as percentage of GSDP	0.00	0.01	0.00	0.31
Fiscal Deficit as percentage of GSDP	3.00	1.72	2.00	1.00
Source: Finance Accounts/MTFPS/Budget/FCP				

Table 1.56 reveals that the State achieved the above set of fiscal targets in respect of revenue surplus as well as fiscal deficit as percentage of GSDP with the current year ending in a revenue surplus of ₹ 4,211 crore which was 0.31 *per cent* of GSDP and fiscal deficit of ₹ 13,740 crore which was one *per cent* of the GSDP.

It was noticed that during 2012-13 out of a total of 14 cases (as per Finance Accounts – Volume I) 'Grants-in-aid' of ₹ 744.02 crore in 13 cases and 'Subsidies' of ₹ 13 crore in one case released by the State Government had been classified and booked under capital expenditure heads. These should have been booked under revenue expenditure heads of accounts thus resulting in overstatement of the revenue surplus to that extent.

[45] see the Glossary at page 166

1.11.2 Composition of fiscal deficit and its financing pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 1.57.**

Table 1.57: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars		2008-09	2009-10	2010-11	2011-12	2012-13
Composition of Fiscal Deficit(-) / Surplus (+) (1+2+3) (a)		**13999**	**26156**	**18857**	**20140**	**13740**
		(2.01)	**(2.90)**	**(1.83)**	**(1.68)**	**(1.00)**
1	Revenue Deficit(-)/ Surplus (+)	5577	(-) 8006	(-) 592	(-) 2438	4211
		(-0.8)	(-0.89)	(-0.06)	(-0.20)	(0.31)
2	Net Capital Expenditure	(-) 18855	(-) 17404	(-) 17946	(-) 17424	(-) 17398
		(-2.7)	(-1.93)	(-1.74)	(-1.4)	(-1.27)
3	Net Loans and Advances	(-) 721	(-) 746	(-) 319	(-) 278	(-) 553
		(-0.1)	(-0.08)	(-0.03)	(-0.02)	(0.04)
Financing Pattern of Fiscal Deficit#						
1	Market Borrowings	16866	14509	10484	19420	16324
		(2.42)	(1.61)	(1.02)	(1.56)	(1.19)
2	Loans from GoI	(-)35	325	337	(-)144	58
		(-0.01)	0.04	0.03	(-0.01)	(0)
3	Special Securities Issued to NSSF*	428	2751	5155	(-) 1172	(-)936
		(0.06)	0.31	0.5	(-0.09)	(-0.07)
4	Loans from Financial Institutions and other Loans	229	154	(-) 9	60	-373
		(0.03)	(0.02)	(0)	(0)	(-0.03)
5	Small Savings, PF *etc.*	803	1790	2022	2260	2188
		(0.12)	(0.2)	(0.2)	(0.18)	(0.16)
6	Deposits and Advances	1240	3502	6259	4532	6442
		(0.18)	(0.39)	(0.61)	(0.36)	(0.47)
7	Suspense and Miscellaneous	3148	4020	(-)1104	(-)1509	100
		(0.45)	(0.45)	(-0.11)	(-0.12)	(0.01)
8	Remittances	42	2163	(-)482	(-)256	843
		(0.01)	(0.24)	(-0.05)	(-0.02)	(0.06)
9	Reserve Funds	1617	875	2153	1400	1976
		(0.23)	(0.1)	(0.21)	(0.11)	(0.14)
10	Contingency Fund	307	(-) 251	842	(-) 489	140
		(0.04)	(-0.03)	(0.08)	(-0.04)	(0.01)
11	Appropriation to/ from Contingency fund	(-)250	250	(-)850	500	(-) 150
		(-0.04)	(0.03)	(-0.08)	(0.04)	(-0.01)
12	**Total (1 to 11) (b)**	**24395**	**30088**	**24807**	**24602**	**26612**
13	Increase(-)/ Decrease (+) in Cash Balance (a) – (b)	(-) 10396	(-) 3932	(-) 5950	(-) 4463	(-) 12872
		(-1.49)	(-0.44)	(-0.58)	(-0.36)	(-0.94)
14	Overall deficit (12+13)	13999	26156	18857	20140	13740
		(2.01)	(2.90)	(1.83)	(1.68)	(1.00)

Figures in parentheses indicate the per cent to GSDP

 # All figures are net of disbursements/outflows during the year

** National Small Savings Fund*

Source: Finance Accounts of the respective years

The fiscal deficit decreased by ₹ 6,399 crore during 2012-13 due to the revenue surplus. The net capital expenditure as a percentage of the fiscal deficit increased from 87 *per cent* during 2011-12 to 127 *per cent* in 2012-13.

As can be seen from **Table 1.58** during the period 2012-13 there was an overall surplus (increase in cash balance) after financing the fiscal deficit.

Table 1.58: Receipts and disbursements under components financing the fiscal deficit during 2012-13

(₹ in crore)

	Particulars	Receipts	Disbursements	Net
1	Market Borrowings	17500	1176	16324
2	Loans from GoI	751	693	58
3	Special Securities Issued to NSSF	2665	3601	(-) 936
4	Loans from Financial Institutions and other Loans	1201	1574	(-) 373
5	Small Savings PF *etc.*	4760	2572	2188
6	Deposits and Advances	26658	20216	6442
7	Suspense and Miscellaneous	(-) 11308	(-) 11408	100
8	Remittances	21990	21147	843
9	Reserve Funds	4960	2984	1976
10	Contingency Fund	875	735	140
11	Appropriation to/ from Contingency Fund	725	875	(-) 150
12	Total (1 to 11) (b)	70777	44165	26612
13	Increase(-)/ Decrease (+) in Cash Balance (a) – (b)			(-) 12872
14	Overall deficit (12+13) (a)			13740
Source : Finance Accounts				

Cost of borrowings

During the year 2012-13 the State Government raised market loans of ₹ 17,500 crore under internal debt. The cost of raising of this internal debt being ₹ 19.81 crore was 0.11 *per cent* of the market loan taken by the State Government.

1.11.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the bifurcation of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. During the current year the revenue account turned into surplus.

Non-debt receipts of the State were enough to meet the primary expenditure requirements in the revenue account. But the non-debt receipts were not enough to meet the expenditure requirements under capital account resulting in primary deficit during 2008-12. However, during 2012-13 non-debt receipts were sufficient to meet the expenditure requirements both under revenue and capital account resulting in primary surplus. This indicates the extent to which the primary deficit in the past has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.59: Primary deficit/surplus – bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary revenue deficit(-)/ surplus(+)	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2008-09	81849	63395	18873	1281	83549	18454	(-) 1700
2009-10	87450	80806	17429	1261	99496	6644	(-) 12046
2010-11	106525	90812	17963	959	109734	15713	(-) 3209
2011-12	122131	106050	17880	836	124766	16081	(-) 2635
2012-13	143810	119660	17398	1416	138474	24150	5336

Source: Finance Accounts of the respective years

During the period 2008-13 non-debt receipts of the State were enough to meet the primary revenue expenditure requirements in the revenue account. Except for the current year (2012-13), non-debt receipts were not enough to meet the primary expenditure resulting in primary deficit.

The capital expenditure as a percentage to primary expenditure[46] continuously decreased from 22.59 *per cent* during 2008-09 to 12.56 *per cent* during 2012-13.

1.12 Follow up

State Finance Report is being presented to the State Legislature from 2008-09 onwards. A discussion in Public Accounts Committee on this report is yet to commence.

1.13 Conclusion and recommendation

1.13.1 Conclusion

Pattern of revenue and expenditure

The revenue receipts increased during the year by 18 *per cent* over the previous year due to increase in tax revenue (18 *per cent*), Central tax transfers (14 *per cent*) and grants from GoI (18 *per cent*). The revenue receipts were 106 *per cent* of the assessment made by the State Government in its FCP and 105 *per cent* of MTFPS for the year 2012-13**.** However, the non-tax revenue of the Government was lower than the projections made in the FCP, MTFPS/Budget and the ThFC by three *per cent,* eight *per cent* and 22 *per cent* respectively. The growth rate of the State's own taxes was more than that of the GSDP of the State (**Paragraph 1.1.1 and 1.3**).

The revenue expenditure increased by 12 *per cent* over the previous year and constituted 88 *per cent* of the total expenditure during 2012-13. Non-Plan revenue expenditure (NPRE) constituted 82 *per cent* of the revenue expenditure. The NPRE (₹ 1,14,206 crore) remained higher than the normative assessment made by the ThFC (₹ 85,884 crore) and the State Government's projections in FCP (₹ 1,09,832 crore) and MTFPS/Budget (₹ 1,07,755 crore). The Plan revenue expenditure and NPRE increased by 11 *per cent* and 12 *per cent* respectively over the previous year (**Paragraph 1.6.1**).

[46] Primary expenditure of the State defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year

Expenditure under subsidies decreased by six *per cent* over the previous year and constituted seven *per cent* of the revenue expenditure (**Paragraph 1.6.1**).

The expenditure of ₹ 53,703 crore on salaries and wages (including the grants-in-aid component) was lower than the State's own FCP and the projections made in the MTFPS of the Government (₹ 55,805 crore) (**Paragraph 1.6.2**).

Financial assistance to local bodies and other institutions (₹ 63,768 crore) which constituted 46 *per cent* of the revenue expenditure during 2012-13 increased by 15 *per cent* over 2011-12 (**Paragraph 1.6.3.3**).

Capital expenditure

Capital expenditure, which constituted 11 *per cent* of the total expenditure, decreased during 2012-13 by three *per cent* (₹ 482 crore) over the previous year (**Paragraph 1.6.1**). The percentage of Capital expenditure to total expenditure showed a declining trend from 20 *per cent* in 2008-09 to 11 *per cent* in 2012-13. The ratio of capital expenditure to aggregate expenditure in 2012-13 was lower than the ratio of General Category States (**Paragraph 1.7.1**).

Deficits

The significant gap between the growth rates of the revenue receipts (18 *per cent*) and revenue expenditure (12 *per cent*) over the previous year resulted in revenue surplus of ₹ 4,211 crore during 2012-13 from a revenue deficit of ₹ 2,438 crore during 2011-12. The targets set for the revenue deficit as a percentage of GSDP under the MTFPS and FCP were achieved during 2012-13. The fiscal deficit (₹ 13,740 crore) decreased as compared to the previous year and constituted one *per cent* of GSDP which was within the limit of three *per cent*. The primary deficit also turned into primary surplus during 2012-13 **(Paragraphs 1.10.2.7 and 1.11.1)**.

Debt management

The State Government's borrowings were within the prescribed norms (**Paragraph 1.10.2.7).** During 2012-13, the fiscal liabilities (₹ 2,81,434 crore) increased over the previous year. The fiscal liabilities to GSDP ratio at 20.5 *per cent* was lower than the norm of 25.8 *per cent* recommended by the ThFC and the MFRBM Rules of 2011. These liabilities were around twice the revenue receipts (**Paragraph 1.1.2**).

The emergence of a positive sum of quantum spread and primary deficit since 2010-11 indicates the tendency towards debt stabilization however, the negative resource gap in the State during 2011-12 was a matter of concern. This was a result of insufficiency of the incremental non-debt receipt to meet the incremental primary expenditure and incremental interest payments. During the year 2012-13, the resource gap turned into positive indicating increasing capacity of the State to sustain the debt in the medium to long run. {**Paragraph 1.10.1 (ii)**}.

Open market borrowing

The state had a surplus cash balance of ₹ 7,696 crore during 2012-13. The market borrowings could have been avoided to that extent during the year. Cash balance investment account showed an increasing trend. During 2012-13, only 54 *per cent* of the earmarked funds were invested. As on March 2013 ₹ 10,511.89 crore was lying in cash balance that earned only five *per cent* interest. (**Paragraph 1.10.2**).

New Pension Scheme 2005

Under the new Pension Scheme 2005, the State Government has not transferred any amount to the Trust/Fund Managers since the inception of the Scheme. The total amount available in the fund as on 31 March 2013 was ₹ 2,755.55 crore. **(Paragraph 1.6.2)**

Guarantees

The Government has not framed any policy regarding grant of guarantees to the Co-operative Sugar Factories and State Corporations. Of the 130 cases approved by the Cooperation Marketing and Textile Department between 1992 and 2012, guarantee deeds were not executed in 100 cases. The committed liabilities of the State Government on account of invocation of guarantees as on 31 March 2013 was ₹ 2,583.45 crore. The guarantee Clauses in the deeds were unfavourable to the Government. The data on guarantees given by the State Government were not updated/corrected and thus, unreliable. Recovery of loans given by six State Corporations to the beneficiaries under the Social Justice and Special Assistance Department was poor as a result, the Government had to waive off ₹ 134.41 crore due from beneficiaries. There was lack of control and effective monitoring on recovery of guarantee fee from the beneficiary institutions **(Paragraph 1.9.4.2)**.

Prudent cash management

The State Government was having a high cash balance (an increase by 36 *per cent* over the previous year), significant part of which pertained to balances in public accounts. Cash balances of the State at the close of 2012-13 was ₹ 48,844 crore of which, ₹ 36,621 crore was in cash balance investment account. The cost of holding surplus cash balances was high. In 2012-13, the interest received on investment of cash balances in GoI Treasury Bills was only 4.69 *per cent* while the Government borrowed on an average at 7.10 *per cent* (**Paragraph 1.8.4**).

Review of Government investments

The average return on the State Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives varied between 0.04 and 0.06 *per cent* in the past three years while the Government paid an average interest of 7.10 to 7.23 *per cent* on its borrowings. **(Paragraph 1.8.2)**

Ongoing Projects

Of the 601 ongoing irrigation projects, 225 projects were under execution for more than 15 years of which, 77 projects were under execution for more than 30 years. The balance estimated cost of 601 ongoing projects was ₹ 82,609.64 crore of which, there was cost overrun of ₹ 47,427.10 crore in 363 ongoing projects. In respect of 181 ongoing projects relating to Public Works and Roads and Bridges, time overrun up to six years was noticed as of 31 March 2013 **(Paragraph 1.8.1)**.

Oversight of funds transferred directly from the GoI to the State implementing agencies

GoI directly transferred ₹ 7,489 crore to the State implementing agencies during 2012-13. Funds transferred directly from the GoI to the State implementing agencies result in non-monitoring of the expenditure incurred by them on various Schemes as these funds are not reflected in the State budget (**Paragraph 1.2.2**).

1.13.2 Recommendation

- The Government could consider giving greater priority for creation of capital and ensure greater transparency and accountability in projects undertaken through the PPP mode.
- The Government should execute guarantee deeds for all guarantees given and consider framing a suitable policy for effective administration of guarantees. The clauses in the deeds should be framed to ensure that Government's interest are protected.
- Efforts need to be made to reduce heavy balances in public accounts. The Government should identify unencumbered cash balances in public accounts for more efficient cash management.
- The Government should utilise its surplus cash balance before resorting to open market borrowings.
- The Government should take steps to ensure better value for money and prioritise implementation of projects through judicious and timely release of funds.
- There is a need for uniform accounting practices to be followed by all the implementing agencies receiving funds directly from GoI for proper monitoring.