CHAPTER - I

FINANCES OF THE STATE GOVERNMENT

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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 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. during last decade. 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 Gross State Domestic Product (GSDP) in 2013-14 at current prices was ₹ 14,76,233 crore. The State has shown higher economic growth in the past decade as the compound annual growth rate of its GSDP for the period 2004-05 to 2013-14 has been 16.73 *per cent* as compared to 15.59 *per cent* in the General Category States of the country. The State's literacy rate increased from 76.88 *per cent* (as per 2001 census) to 82.30 *per cent* (as per 2011 census). The per capita income of the state stands at ₹ 1,03,991[1] against the country average of ₹ 67,839. 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	2009-10	2010-11	2011-12	2012-13	2013-14
India's GDP (₹ in crore)[#]	6108903	7248860	8391691	9388876	10472807
Growth rate of GDP (percentage)	15.18	18.66	15.77	11.88	11.54
State's GSDP (₹ in crore)[#]	855751	1049150	1175419	1323768	1476233
Growth rate of GSDP (percentage)	13.50	22.60	12.04	12.62	11.52

Annual growth rate of GDP and GSDP at current price
[#] Figures as per Directorate of Economics and Statistics, Government of Maharashtra and for All India – Central Statistics Office

Table 1.1 shows that the annual growth rate of GSDP of the State was uneven and ranged between 22.60 (2010-11) to 11.52 (2013-14). It was marginally lower than the growth rate of GDP during 2013-14.

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 2014. It provides a broad perspective of the finances of the State during 2013-14 and analyses critical changes observed in

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

[1] Source: Economic Survey of Maharashtra 2013-14

the major fiscal aggregates in relation to the previous year, keeping in view the 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 2013-14 in the State Legislature in March 2013.

1.1.1 Summary of fiscal transactions in 2013-14

The **Table 1.2** presents the summary of the State Government's fiscal transactions during the current year (2013-14) *vis-à-vis* the previous year (2012-13), while **Appendix 1.5** 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 2013-14

(₹ in crore)

2012-13	Receipts	2013-14	2012-13	Disbursements	2013-14		
Section-A: Revenue					Non-Plan	Plan	Total
142947.23	**Revenue receipts**	**149821.81**	**138735.98**	**Revenue expenditure**	**128992.09**	**25910.33**	**154902.42**
103448.58	Tax revenue	108597.96	47665.67	General services	53495.62	483.65	53979.27
9984.40	Non-tax revenue	11351.97	62038.97	Social services	54118.88	16760.20	70879.08
15191.92	Share of Union Taxes/ Duties	16630.43	27550.82	Economic services	19433.30	8558.02	27991.32
14322.33	Grants from Government of India	13241.45	1480.52	Grants-in-aid and Contributions	1944.29	108.46	2052.75
Section B: Capital							
0.00	Miscellaneous Capital Receipts	0.00	17397.98	Capital Outlay	2339.03	17681.42	20020.45
862.85	Recoveries of Loans and Advances	728.03	1415.94	Loans and Advances disbursed			1645.10
21725.12	Public debt receipts*	26734.80	6652.52	Repayment of Public Debt*			10261.86
725.00	Appropriation from Contingency fund	1350.00	875.00	Appropriation to Contingency fund			850.00
875.00	Contingency Fund	859.62	734.62	Contingency Fund			1360.00
47059.63	Public Account Receipts	64020.19	35511.02	Public Account Disbursements			56434.89
35971.95	Opening Cash Balance	48843.72	48843.72	Closing Cash Balance			46883.45
250166.78	**Total**	**292358.17**	**250166.78**	**Total**			**292358.17**

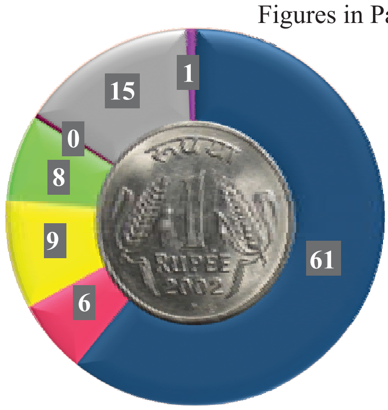
Source: Finance Accounts of respective years

* Excluding ways and means advances on two occasions for five days (Receipt: ₹ 1,152.33 crore and Disbursement: ₹ 1,152.33 crore)

Composition of sources and application of funds in the Consolidated Fund during 2013-14 is given in **Chart 1.1** and **1.2**

Chart 1.1
Rupee Comes From

Figures in Paisa



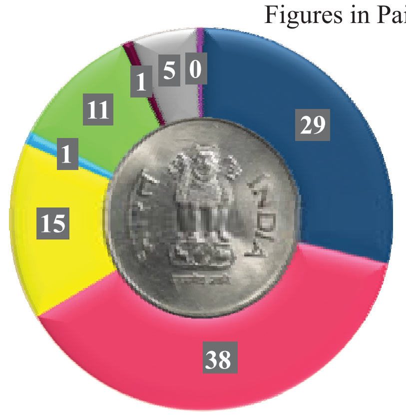
- Tax revenue
- Non-tax revenue
- Share of Union Taxes/Duties
- Grants from Government of India
- Recoveries of Loans and Advances
- Public debt receipts
- Appropriation from Contingency fund

Note: Recoveries of Loans and Advances is negligible

(Source:Finance Accounts 2013-14)

Chart 1.2
Rupee Goes To

Figures in Paisa



- General services
- Social services
- Economic services
- Grants-in-aid and Contributions
- Capital Outlay
- Loans and Advances disbursed
- Repayment of Public Debt
- Appropriation to Contingency fund

Note: Appropriation to Contingency fund is negligible

(Source:Finance Accounts 2013-14)

The following are the major changes in fiscal transactions during 2013-14 over the previous year:

Revenue Receipts	• Increased by five *per cent* • Own tax revenue increased by five *per cent*
Revenue Expenditure	• Increased by 12 *per cent* • Plan expenditure increased by six *per cent*
Capital Expenditure	• Increased by 15 *per cent*
Loans and Advances	• Recoveries decreased by 16 *per cent* • Disbursements increased by 16 *per cent*
Public Debt	• Receipts increased by 23 *per cent* • Disbursement increased by 54 *per cent*
Cash Balance	• Decreased by four *per cent*

1.1.2 Review of the fiscal situation

Major fiscal variables provided in the budget based on the recommendations of the Thirteenth Finance Commission (ThFC) and as targeted in the FRBM Act of the State are shown in **Table 1.3**.

Table 1.3: Review of the fiscal situation

Fiscal variables	2013-14				
	ThFC targets for the State in percentage	Targets as prescribed in FRBM Act	Targets proposed in the budget/ MTFPS	Projections made in five year fiscal correction path	Actuals
Revenue deficit (-) /surplus (+) (₹ in crore)	0	+184	+184	+256	(-) 5081
Fiscal deficit/GSDP (in *per cent*)	Below 3	Below 3	1.57	2	1.76
Ratio of total outstanding debt of the Government to GSDP (in *per cent*)	25.5	25.5	17.6	19.0	19.9

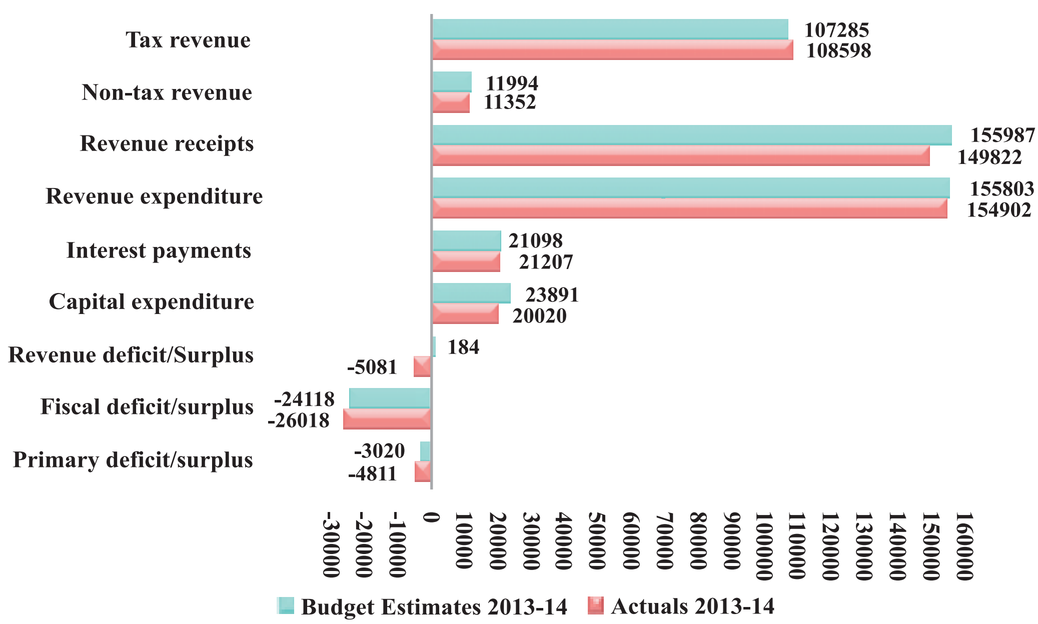
Source: MTFPS/FCP/ThFC

From **Table 1.3** it can be seen that during 2013-14, the State achieved two of the three major parameters specified by the ThFC and under Maharashtra Fiscal Responsibility and Budgetary Management Act *viz.* (i) the ratio of fiscal liability to GSDP at 19.9 *per cent* was lower than the norm of 25.5 *per cent*, and (ii) the fiscal deficit at 1.76 *per cent* of Gross State Domestic Product was lower than the norm of three *per cent*. However, the third parameter of revenue surplus could not be achieved during 2013-14. Similarly, the target prescribed in the budget/MTFPS in respect of fiscal deficit was also not achieved. 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/MTFPS and FCP.

1.1.3 Budget estimates and actuals

There was a revenue deficit in 2013-14 as the actual revenue receipts was less than the budget estimates by 3.95 *per cent*, while revenue expenditure was less than the budget estimates by 0.58 *per cent*. The capital expenditure decreased by 16.20 *per cent* and interest payments increased by 0.52 *per cent* over the budget estimates.

Chart 1.3: Selected fiscal parameters : Budget estimates *vis-a-vis* actuals
(₹ in crore)



(Source: Finance Accounts 2013-14)

As may be observed from **Chart 1.3** (also see **Appendix 1.6**), there was considerable variation between budget estimates and actuals in the case of several key parameters. Revenue receipts had a negative variation (₹ 6,165 crore: 3.95 *per cent*) over budget estimates and Land Revenue and State Excise were lower than the budget estimates. Revenue expenditure decreased by 0.58 *per cent* over the budget estimates, mainly because of less expenditure under Social Services, *i.e*. Water Supply, Sanitation, Housing and Urban Development.

The decrease in revenue receipts was the net result of decrease in non-tax revenue by five *per cent*, share of Union Taxes and Duties by eight *per cent* and grants-in-aid from Government of India (GoI) by 29 *per cent*, set off by increase in tax revenue by one *per cent*.

The actual capital expenditure was less by ₹ 3,871 crore (16 *per cent*) compared to the original budget estimates of 2013-14. The decrease was mainly under Rural development (₹ 2,647 crore), Energy (₹ 803 crore), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹ 751 crore) and Irrigation and Flood Control (₹ 551 crore).

Revenue surplus of ₹ 184 crore as per the budget estimates turned into revenue deficit of ₹ 5,081 crore during 2013-14 because of decrease in revenue receipts by ₹ 6,165 crore**.**

Fiscal deficit (₹ 26,018 crore) was more than the assessment made in the budget estimates (₹ 24,118 crore) by eight *per cent*, mainly due to higher growth of revenue expenditure and capital expenditure *vis-à-vis* growth of revenue receipts.

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 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 presents the receipts of the State during the current year as recorded in its Annual Finance Accounts.

Table 1.4: Trends in growth and composition of aggregate receipts

(₹ in crore)

Sources of State's receipts	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue receipts	86910	105868	121286	142947	149822
Capital receipts	22104	21397	25467	22588	27463
Contingency Fund	352	853	511	875	860
Public Account receipts	44072	48406	53389	47060	64020
Total receipts	**153438**	**176524**	**200653**	**213470**	**242165**
Source: Finance Accounts of respective years					

Chart 1.4 depicts the trends in various components of the receipts of the State during 2009-14. **Chart 1.5** and **Flow chart 1.1** depicts the composition of the receipts of the State during the current year.

Flow Chart 1.1: Trends in various components of receipts of the State

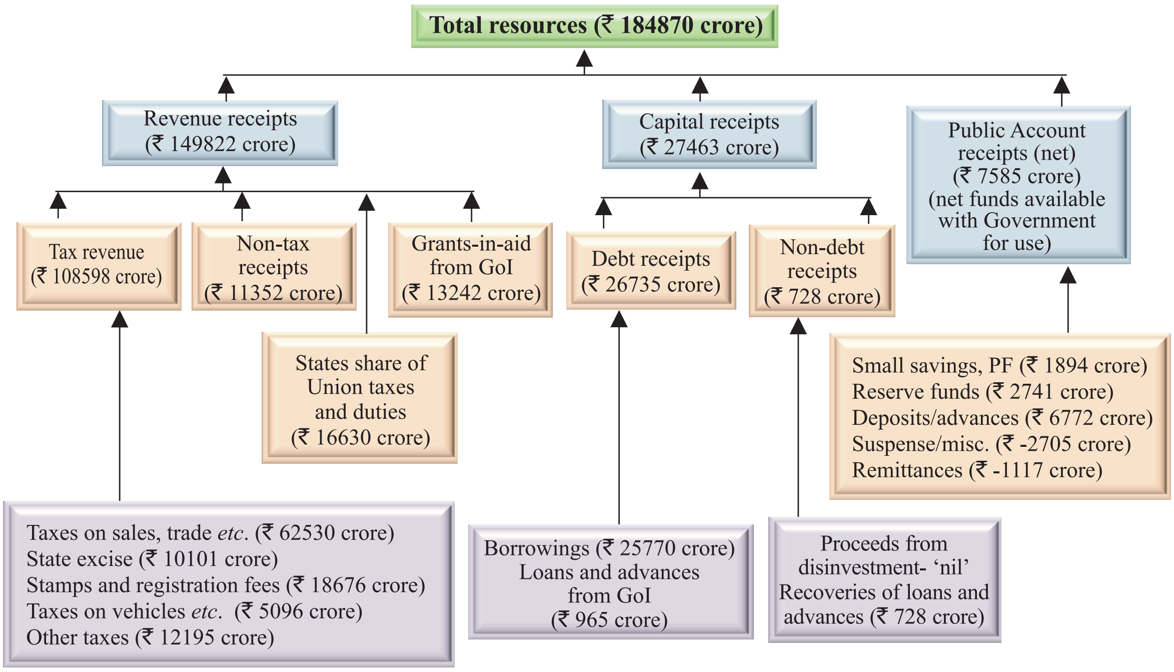
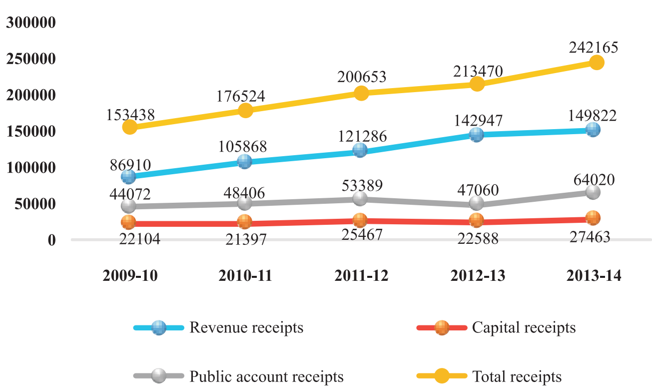


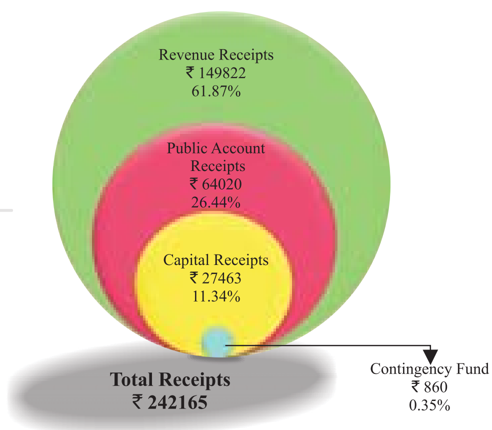
Chart 1.4: Trends in Aggregate receipts (₹ in crore)



(Source: Finance Accounts of respective years)

Chart 1.5: Composition of aggregate receipts during 2013-14

(₹ in crore)



(Source: Finance Accounts 2013-14)

The total receipts of the State increased by ₹ 88,727 crore (57.83 *per cent*) from ₹ 1,53,438 crore in 2009-10 to ₹ 2,42,165 crore in 2013-14. The share of revenue receipts in total receipts of the State increased from 57 *per cent* in 2009-10 to 62 *per cent* in 2013-14, while the share of public account receipts in total receipts of the State decreased from 29 *per cent* in 2009-10 to 26 *per cent* in 2013-14.

Public Account disbursements increased by 58.92 *per cent* (₹ 20,924 crore) in 2013-14 mainly due to increase under Deposit and Advances by 26.51 *per cent* (₹ 5,359 crore), Remittances by 18.57 *per cent* (₹ 3,928 crore) and Small Savings, Provident Fund *etc.* by 15.65 *per cent* (₹ 402 crore), set off by decrease under Reserve Funds by 6.21 *per cent* (₹ 185 crore).

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[2] 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 2013-14, Central funds of ₹ 6,837 crore were transferred directly to the State implementing agencies. The programmes assisted by GoI whose funds were transferred are presented in **Appendix 1.7.** The major transfers were to:

- District Rural Development Agency (₹ 2,369.20 crore *i.e.* 35 *per cent*) for Indira Awas Yojana, Swarnajayanti Gram Swarojgar Yojana, Integrated Watershed Management Programme, DRDA administration and the National Rural Employment Guarantee Scheme;
- National Rural Health Mission (₹ 937.19 crore *i.e.* 14 *per cent*);
- State Water and Sanitation Mission (₹ 726.73 crore *i.e.* 11 *per cent*);
- National Horticulture Mission (₹ 688.38 crore *i.e.* 10 *per cent*); and
- Maharashtra Prathmik Shikshan Parishad (₹ 656.54 crore *i.e.* 10 *per cent*) for Sarva Shiksha Abhiyan.

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 decrease in transfer of funds (₹ 651.44 crore) was mainly under (a) the State Water and Sanitation Mission for the Accelerated Rural Water Supply Scheme (₹ 371.44 crore *i.e.* 35 *per cent*), (b) DRDAs (₹ 517.19 crore *i.e.* 18 *per cent*) for the Integrated Watershed Management Programme and the National Rural Employment Guarantee Scheme.

The transfer of funds increased mainly in Maharashtra State Horticulture and Medicinal Plants Board under the National Horticulture Mission (₹ 128 crore during 2012-13 and ₹ 675 crore in 2013-14).

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.

[2] 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.*

1.2.3 Funds operated outside legislative scrutiny

As per ThFC recommendations, public expenditure through creation of funds outside the Consolidated Fund of the State needs to be discouraged. An instance wherein public expenditure was met through creation of fund outside the Consolidated Fund is discussed below.

The Housing Department, GoM created (May 2010) Maharashtra Nivara Nidhi (MNN) with the objective of supplementing the resources of the Government for undertaking various housing schemes through Central assistance. Since its inception till March 2014, MNN received ₹ 3,649.30 crore from GoM, Maharashtra Housing and Area Development Authority (MHADA) and a recurring contribution from Slum Rehabilitation Authority by way of 90 *per cent* of the land premium collected by the Authority. This fund was created under the jurisdiction of MHADA (without any amendment to the MHADA Act, 1976) outside the Consolidated Fund as well as the public accounts of the GoM.

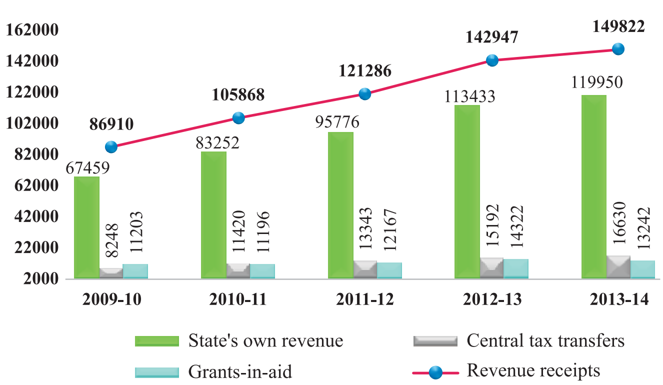
Further, the annual accounts and the audit reports of receipts and expenditure incurred out of MNN were not submitted (October 2014) to the State Legislature, despite the fact that ₹ 2,476.14 crore was spent from this fund till March 2014. Thus, creation and operation of MNN outside the Government accounts escaped the legislative scrutiny through the regular process of authorisation. It would be appropriate if the activities planned under MNN are carried out through regular budgetary process.

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 2009-14 are presented in **Chart 1.6** and also in **Appendix 1.8**.

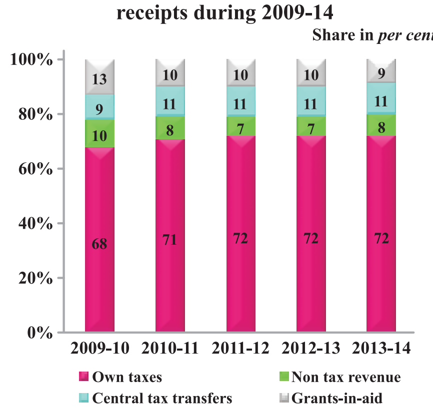
The composition of revenue receipts over the period 2009-14 are presented in **Chart 1.7.**

Chart 1.6: Trends in revenue receipts (₹ in crore)



(Source: Finance Accounts of respective years)

Chart 1.7: The composition of revenue receipts during 2009-14



(Source: Finance Accounts of respective years)

Revenue receipts (RR) grew by ₹ 6,875 crore (five *per cent*) over 2012-13. The increase was the net effect of increase in tax revenue by ₹ 5,149 crore (five *per cent*), non-tax revenue by ₹ 1,368 crore (14 *per cent*), State's share of Union Taxes and Duties by ₹ 1,439 crore (nine *per cent*) and decrease in grants from GoI by ₹ 1,081 crore (eight *per cent*). The revenue receipts at ₹ 1,49,822 crore were almost 100 *per cent* of the assessments made by the State Government in its FCP (₹ 1,49,705 crore) and 96 *per cent* of the MTFPS (₹ 1,55,987 crore) for the year 2013-14.

The revenue receipts have shown a progressive increase over the period 2009-14. As shown in **Chart 1.7**, there was an increasing trend in the share of the State's own taxes during the period 2009-12. The share of non-tax revenue showed a declining trend during 2009-13 and marginally increased in 2013-14 while the share of Central transfers was relatively stable during 2010-14. The share of grants-in-aid decreased during 2009-11 and remained stable during 2010-13 and marginally decreased again in 2013-14.

During 2004-05 to 2012-13, the compound annual growth rate of revenue receipts (16.89 *per cent*) was less than the growth rate of General Category States (16.93 *per cent*). This growth rate decreased to 15.48 *per cent* for the period 2004-05 to 2013-14 **(Appendix 1.1)**.

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

	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue receipts (₹ in crore)	**86910**	**105868**	**121286**	**142947**	**149822**
Rate of growth[3] of RR *(per cent)*	6.94	21.81	14.56	17.86	4.81
RR/GSDP *(per cent)#*	10.16	10.09	10.32	10.80	10.15
Buoyancy Ratios[4]					
Revenue receipts buoyancy w.r.t. GSDP#	0.514	0.965	1.209	1.415	0.418
State's own taxes buoyancy w.r.t. GSDP#	1.007	1.192	1.393	1.433	0.432
Gross State Domestic Product (₹ in crore)@	**855751**	**1049150**	**1175419**	**1323768**	**1476233**
Revenue receipts buoyancy w.r.t. State's own taxes	0.510	0.810	0.868	0.988	0.966

Source: Finance Accounts of respective years

@ GSDP figures had been revised

 # Figures differ from previous year due to correction in GSDP

The State could not maintain the momentum of growth of revenue receipts during 2013-14, as achieved during 2010-11 to 2012-13. The rate of growth of revenue receipts decreased from 17.86 *per cent* in 2012-13 to 4.81 *per cent* in 2013-14, though there was increase in revenue receipts during 2013-14 (five *per cent*) as compared to previous year. The increase in revenue receipts was due to the net effect of increase in non-tax revenue by 14 *per cent* (₹ 1,368 crore), tax revenue by five *per cent* (₹ 5,149 crore) and the State's share of Union taxes and duties by nine *per cent* (₹ 1,439 crore) and decrease in grants from GoI by eight *per cent* (₹ 1,081 crore).

The ratio of State's own tax buoyancy with reference to GSDP gradually increased from 1.007 in 2009-10 to 1.433 in 2012-13 but it decreased to 0.432 in 2013-14.

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[3] see Glossary at page 142

[4] 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 142)

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 is assessed in terms of its own resources comprising own tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2013-14 *vis-à-vis* assessment made by the ThFC and the MTFPS (2013-14) are given in **Table 1.6.**

Table 1.6: Actual tax and non-tax receipts

(₹ in crore)

	ThFC projections	Budget estimates	MTFPS projection	Actual
Tax revenue	106406	107285	107285	108598
Non-tax revenue	13586	11994	11994	11352

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 the ThFC, projections made in the budget and MTFPS. The non-tax revenue of the Government was lower than the normative assessment of the ThFC (16 *per cent*) and also the Budget/MTFPS projections (five *per cent*).

1.3.1.1 Tax revenue

The gross collection in respect of major taxes and duties are given in **Table1.7** and **Chart 1.8.**

Table 1.7: Components of State's own resources

Revenue Head	2009-10	2010-11	2011-12	2012-13	2013-14	Percentage increase in 2013-14 over previous year
	(₹ in crore)					
Taxes on sales, trades *etc.*	32676	42482	50596	60080	62530	4
Stamp duty and registration fees	10774	13516	14408	17548	18676	6
State excise	5057	5962	8605	9297	10101	9
Taxes on vehicles	2682	3533	4137	5028	5096	1
Land revenue	714	1095	964	1074	1089	1
Taxes on goods and passengers	976	600	574	691	1241	80 *
Other taxes[5]	6227	7839	8324	9731	9865	1
Total	**59106**	**75027**	**87608**	**103449**	**108598**	**5**

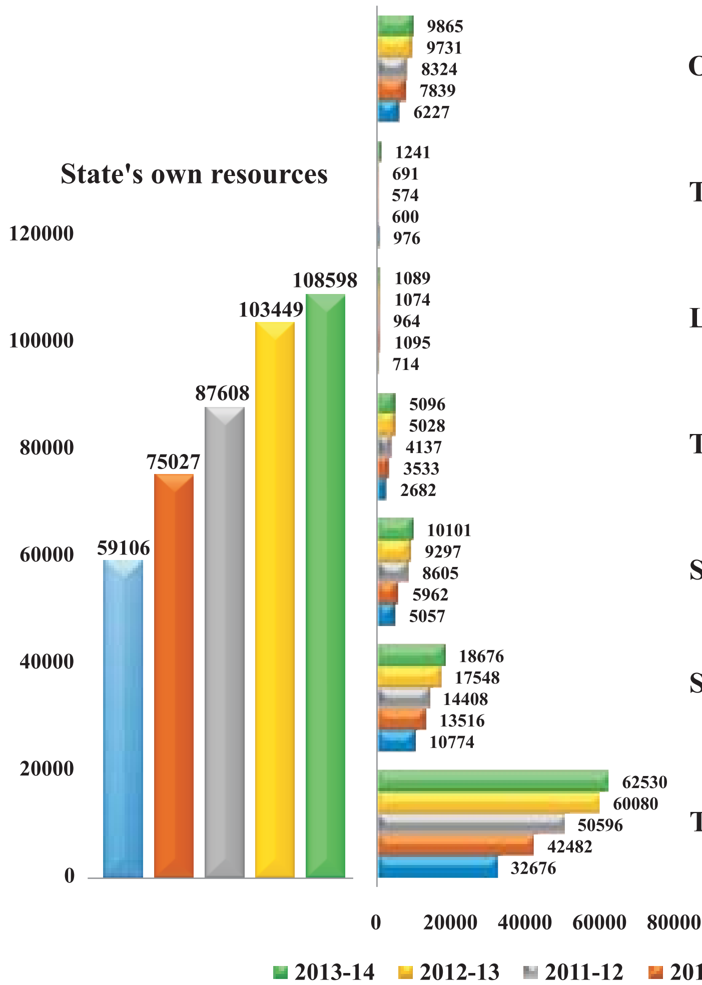
* *This exceptional variation is due to book adjustment of dues on Passenger Tax amounting to ₹ 456.89 crore payable by the Maharashtra State Road Transport Corporation to the State Government*

Source: Finance Accounts of respective years

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

Chart 1.8: Components of State's own resources

(₹ in crore)



(Source: Finance Accounts of respective years)

The increase in tax revenue by ₹ 5,149 crore (five *per cent)* over the previous year was mainly under (a) Taxes on sales, trades, *etc.* by ₹ 2,450 crore (four *per cent*) due to increase in tax collection under 'Value Added Tax', (b) Stamps and registration fees by ₹ 1,128 crore (six *per cent*) due to more collection of Stamp duty and registration fees, (c) State excise by ₹ 804 crore (nine *per cent*) due to receipt of more excise duty on wines and spirits, and (d) Taxes on goods and passengers by ₹ 550 crore (80 *per cent*) due to receipt of more taxes on entry of goods into local areas.

During 2004-05 to 2012-13, the compound annual growth rate of tax revenue (16.44 *per cent*) was more than the growth rate of General Category States (16.42 *per cent*). This growth rate for the period 2004-05 to 2013-14 decreased to 15.11 *per cent* **(Appendix 1.1)**.

The tax revenue as a percentage of GSDP (7.36 *per cent*) was less than the normative assessment of the ThFC (8.56 *per cent*), MTFPS (8.15 *per cent*) and marginally higher than the FCP (7.10 *per cent*).

1.3.1.2 Non-tax revenue

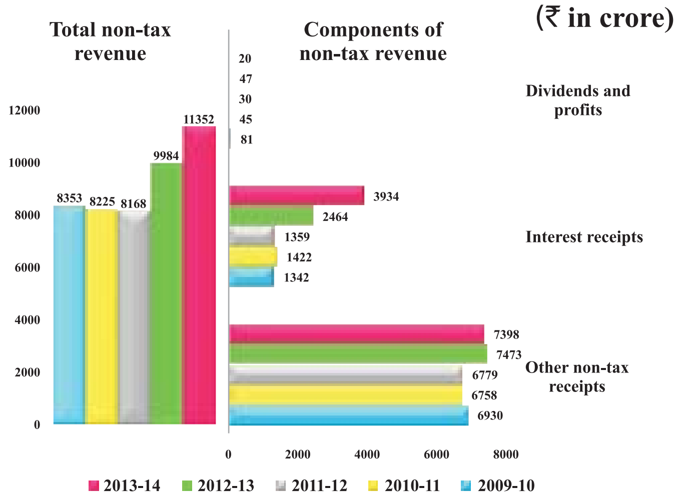
Growth rate of non-tax revenue is shown in **Table 1.8** and **Chart 1.9.**

Table 1.8: Growth rate of non-tax revenue

Revenue Head	2009-10	2010-11	2011-12	2012-13	2013-14	Percentage increase in 2013-14 over previous year
	(₹ in crore)					
Interest receipts	1342	1422	1359	2464	3934	60
Dividends and profits	81	45	30	47	20	(-)57
Other non-tax receipts	6930	6758	6779	7473	7398	(-)1
Total	**8353**	**8225**	**8168**	**9984**	**11352**	**14**
Source: Finance Accounts of respective years						

Chart 1.9: Trend of growth rate of non- tax revenue

(₹ in crore)



(Source: Finance Accounts of respective years)

The increase in non-tax revenue receipts by ₹ 1,368 crore (14 *per cent*) over 2012-13 was mainly due to 83 *per cent* increase (₹ 1,419 crore) in interest receipts under 'Interest realised on investment of cash balances', set off by decrease in Miscellaneous receipts (₹ 90 crore) because of less receipts on account of unclaimed deposits and Guarantee Fees, *etc*. The non-tax revenue receipts (₹ 11,352 crore) of the Government was more than the projections made in the FCP (₹ 10,934 crore) by four *per cent* and lower than the MTFPS/Budget (₹ 11,994 crore) of the Government by five *per cent* as well as the normative assessment of the ThFC by 16 *per cent* (₹ 13,586 crore).

During 2004-05 to 2012-13, the compound annual growth rate of non-tax revenue (11.70 *per cent*) was less than the growth rate of General Category States (12.49 *per cent*). This growth rate for the period 2004-05 to 2013-14 increased to 11.92 *per cent* **(Appendix 1.1)**.

1.3.2 Grants-in-aid from Government of India

The grants-in-aid from GoI decreased by eight *per cent* from ₹ 14,322 crore in 2012-13 to ₹ 13,242 crore in 2013-14. The increase was mainly under non-plan grants (18 *per cent*) and grants under Central Plan Schemes (473 *per cent*), while the grants for State Plan Schemes and Centrally Sponsored Plan Schemes decreased by 35 *per cent* and 13 *per cent* respectively in 2013-14 as shown in **Table 1.9.** The trend of total grants from GoI as a percentage of Revenue receipts is continuously decreasing. This shows that the State is less dependent on Centre.

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

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Non-plan grants	3707	2304	1723	4676	5533
Grants for State Plan Schemes	5396	5805	6380	5630	3684
Grants for Central Plan Schemes	87	245	65	113	648
Grants for Centrally sponsored Plan Schemes	2013	2842	3999	3903	3377
Total	**11203**	**11196**	**12167**	**14322**	**13242**
Percentage of increase/decrease over previous year	(-) 2.0	(-) 0.06	8.67	17.71	(-)7.54
Total grants as a percentage of revenue receipts	12.89	10.58	10.03	10.02	8.84
Source: Finance Accounts of respective years					

The drop in grants-in aid from GoI in 2013-14 as compared to 2012-13 was as a result of decrease in grants for State Plan Schemes which was due to non-utilisation of ThFC grants as discussed in **Paragraph 1.3.5.2**

The increase under Non-Plan grants (₹ 857 crore) was mainly under (a) other Grants (₹ 735 crore) and (b) Grants from Central Road Fund (₹ 387 crore). The increase under Central Plan Schemes (₹ 535 crore) was mainly under Social Securities and Welfare (₹ 354 crore), Crop Husbandry (₹ 146 crore) and Census, Survey and Statistics (₹ 44 crore).

The overall decrease under grants from the State Plan Schemes (₹ 1,946 crore) was mainly due to decrease under grants under proviso to Article 275(1) of the Constitution (₹ 909 crore), Other Grants (₹ 623 crore) and Accelerated Irrigation Benefits Programme and other Water related Schemes (₹ 744 crore), set off by increase under Urban Infrastructural Development for Small and Medium Towns (₹ 495 crore). The overall decrease under grants from Centrally Sponsored Plan Schemes (₹ 526 crore) was mainly due to decrease under (a) Social Securities and Welfare (₹ 542 crore), and (b) Family Welfare (₹ 449 crore), set off by increase under (a) General Education (₹ 169 crore), (b) Nutrition (₹ 140 crore), and (c) Other Administrative Services (₹ 100 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 States linked to the reduction of deficits in the States. The GoM had received a debt write-off of ₹ 170.23 crore during 2011-12. In the meanwhile, the GoM repaid ₹ 71.94 crore towards loan and interest (principal ₹ 31.61 crore and interest ₹ 40.33 crore) during 2010-13 and thereafter, Ministry of Power refunded ₹ 0.04 crore. As per provision in the write off order of GoI, the repayment of loan and interest made by the GoM after 31 March 2010 has been adjusted to the extent of ₹ 30.38 crore only by the Ministry of Finance, leaving an unadjusted balance of ₹ 41.52 crore.

The GoM received provisional relief of ₹ 118.55 crore during 2011-12, ₹ 454.73 crore during 2012-13 and ₹ 447.40 crore during 2013-14 on account of reset of National Small Savings Fund (NSSF) interest rates. The actual receipt of interest relief was compared with the ThFC's assessment as shown in **Table 1.10**.

Table 1.10: Actual receipt of interest relief *vis-à-vis* ThFC's assessment

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14
ThFC's tentative interest relief on NSSF loans	503.29	476.51	447.40	418.30
Interest relief received	0	0	573.28	447.40
Source: Report of the ThFC and Finance Accounts of respective years				

From **Table 1.10,** it can be seen that State Government has received only ₹ 1,020.68 crore as against its entitled interest relief of ₹ 1,845.50 crore. Thus, there was a short-receipt of ₹ 406.52 crore during 2010-12 and ₹ 418.30 crore during 2013-14. Incidentally, the GoM could not achieve revenue surplus during these three years (2010-11, 2011-12 and 2013-14) as targeted under FRBM Act.

1.3.4 Central tax transfers

Central tax transfers increased by nine *per cent* from ₹ 15,192 crore in 2012-13 to ₹ 16,630 crore in 2013-14. The increase was mainly under service tax (₹ 484 crore), taxes on income other than corporation tax (₹ 406 crore), union excise duties (₹ 196 crore) and corporation tax (₹ 121 crore).

1.3.5 Optimisation of Thirteenth Finance Commission grants

1.3.5.1 Introduction

The ThFC was constituted by the President under Article 280 of the Constitution of India 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 ThFC grants was conducted in nine departments of GoM *viz.*, Finance, Rural Development, Public Health, Tourism, Law and Judiciary, Medical Education and Drugs, General Administration (Information Technology), Revenue and Forests and Higher and Technical Education.

The details of the ThFC grants released, disbursed and utilised during the period 2010-14 are given in **Table 1.11**.

Table 1.11: Details of grants released, disbursed and utilised

(₹ in crore)

Sr. No	Purpose for which grant is released	2010-14					
		Amount to be released by GoI as per recommend-ation of the ThFC	Actual release by GoI	Shortfall in release of grants	Excess release/ release without provision	Actual utilisation/ Amount for which UCs submitted	Percentage of utilisation of grants released
1 a	Local Bodies (PRI)	3913.90	3813.87	567.87	467.84	2027.35	53.16
1 b	Local Bodies (ULB)	2232.23	2177.92	289.63	235.32	939.24	43.13
2	Disaster Relief	1451.04	1446.05	5.00	0.01	516.33	35.71
3	Improving outcome grants	761.04	472.37	520.02	231.35	69.02	14.61
4	Environment Related Grants	508.20	416.20	92.00	0.00	153.20	36.81
5	Elementary Education	579.00	579.00	0.00	0.00	578.93	99.99
6	Roads and Bridges	1519.00	1519.00	0.00	0.00	Not applicable*	Not applicable*
7	State Specific Grants	926.25	611.87	314.75	0.37	321.74	52.58
GRAND TOTAL		**11890.66**	**11036.28**	**1789.27**	**934.89**	**4605.81**	**41.73**

Source: Information furnished by Finance and other departments
** UC is not mandatory as per ThFC guideline*

As of March 2014, GoM received financial assistance of ₹ 11,036.28 crore against the recommended amount of ₹ 11,890.66 crore. The grant-wise details are indicated in **Appendix 1.9**. In respect of some grants, the amount received by GoM was less than that recommended by the ThFC till 2014 by ₹ 1,789.27 crore and in some grants, the amount received was more than that recommended by the ThFC by ₹ 934.89 crore. The grant-wise short receipts/excess releases and the reasons for short-receipts are given in **Appendix 1.10**. Of the total grants released during 2010-14 (₹ 3,813.87 crore) to PRIs, the actual utilisation by the PRIs during 2010-14 was only 53.16 *per cent* (₹ 2,027.35 crore) as indicated in Sr. No. 1a of **Table 1.11**.

1.3.5.2 Slow pace of utilisation of grants

In the following instances, the utilisation of ThFC grants was found to be very less/slow and thus, the chances of subsequent releases were remote. Due to slow utilisation, the plan grants from GoI decreased in 2013-14 as discussed in **paragraph 1.3.2**.

State specific grants

- Grant of ₹ 115 crore (2011-15) was recommended by ThFC for GoM for Strengthening of Industrial Training Institutes (ITIs) through provision of additional infrastructure and replacement of machineries. UC for the first instalment of ₹ 28.75 crore released in March 2012 was not submitted to GoI (July 2014), though an expenditure of ₹ 21.79 crore was incurred.

- Grant of ₹ 100 crore (2011-15) was recommended by ThFC for GoM for heritage conservation, in four equal instalments. The first instalment of ₹ 25 crore pertaining to 2011-12 was released by GoI only in August 2013. Work relating to development and conservation of monuments was in progress and the UC was not submitted to GoI (August 2014).

- Grant of ₹ 32 crore (2011-15) was recommended by ThFC for GoM for setting up food testing laboratories at Aurangabad, Mumbai, Nagpur, Nashik and Pune. The first instalment of ₹ eight crore pertaining to 2011-12 was released by GoI in February 2012. GoM released it in November 2012 and decided to execute the work in four phases. UC for ₹ 7.52 crore (out of ₹ eight crore) was submitted in March 2014 on completion of first phase. The final action plan for 2013-14 and tentative action plan for 2014-15 for the remaining three phases were not submitted by the Medical Education and Drugs Department as of March 2014 for the approval of the High Level Monitoring Committee.

Improving outcome grants

- During the award period (2010-15), GoM was due to receive ₹ 542.66 crore towards improvement in Justice Delivery (Capital). However, the GoM received only ₹ 182.27 crore (33.59 *per cent*) between 2010-11 and 2013-14. As per ThFC guidelines, GoM provided funds against eight components, the details of which is shown in **Appendix 1.11.** The amount utilised by GoM on these eight components was only ₹ 84.20 crore up to July 2014.
- Grant of ₹ 317.40 crore (2010-15) was allocated to GoM for issuing Unique Identification to people Below Poverty Line (BPL). The first instalment of ₹ 31.74 crore was released by GoI in July 2010. In addition, GoM released ₹ 1.20 crore in April 2011 and May 2011. The total amount of ₹ 32.94 crore was kept in the State SETU[6] society account since May 2011 onwards. Scrutiny of records in General Administration (Information Technology) Department revealed that the entire amount of ₹ 32.94 crore could not be utilised as the Rural/Urban Development Departments could not provide the updated and approved BPL list.

1.3.5.3 Diversion of grants

Principal Chief Conservator of Forest (PCCF), Nagpur and Deputy Conservator of Forest, Amravati spent an amount of ₹ 0.38 crore on inadmissible items of work (**Appendix 1.12).** The Member Secretary, Maharashtra State Bio-Diversity Board, Nagpur stated (August 2014) that pay and allowances amounting to ₹ 2.30 lakh (**Sr No. 21 of Appendix 1.12**) was paid out of ThFC grants since no separate budget head was allotted and no specific grant for salary was received from GoM.

1.3.5.4 Violation of guidelines

The ThFC guidelines do not permit the grants to be kept outside the Consolidated Fund of the State. However, in the following cases, ThFC grants were kept outside the Consolidated Fund of the State:

- The Director of Archaeology, Mumbai, to whom the work of heritage conservation was entrusted, kept the ThFC grant of ₹ 25 crore pertaining to 2011-12 in the Personal Ledger Account (PLA). As of July 2014, the PLA had an unutilised grants received under the Twelfth Finance Commission (₹ 17.13 crore), grant received under the Chief Minister's Special Programme (₹ 17 crore) and an unutilised grant of ThFC (₹ 6.81 crore)
- The Law and Judiciary Department, GoM permitted (June 2011) the Maharashtra Judicial Academy and Indian Mediation Centre and Training Institute, Uttan, Thane to keep ₹ 10 crore in the personal/saving account, which was at variance with the ThFC guidelines. A balance of ₹ 1.16 crore was available in this account as on March 2014. The Law and Judiciary Department stated (July 2014) that in order to avoid delay in receipt of grants through budgetary process, it was decided to keep the funds in the academy's saving account.
- An amount of ₹ 31.74 crore released by GoI for issue of Unique Identification to BPL beneficiaries remained unutilised and kept in the State SETU Society

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

account with Bank of India since March 2011. In addition, GoM released an amount of ₹ 1.20 crore (April 2011 and May 2011) which was also kept in the SETU account.

- An amount of ₹ 0.93 crore released by the Public Health Department, GoM as an incentive grant towards reduction in infant mortality rate was withdrawn by the Joint Director (Health and Administration) in April 2014 and the same was deposited in the bank account of the State Health Society, Mumbai.
- PCCF, Nagpur released a grant of ₹ one crore during 2012-13 and ₹ 0.75 crore during 2013-14 to the Maharashtra State Bio-Diversity Board. The Board could spend only ₹ 0.05 crore during 2012-13 and the balance of ₹ 0.95 crore was utilised in the subsequent year without revalidation. During 2013-14, the Board incurred an expenditure of ₹ 0.02 crore against the grant of ₹ 0.75 crore and the unspent balance of ₹ 0.73 crore was parked in the savings account of a public sector bank.

1.3.5.5 Delay in release of grants by Government of Maharashtra

Incentive grant for reduction in infant mortality rate

A grant of ₹ 133.08 crore for 2012-13 and ₹ 98.27 crore for 2013-14 was released by GoI as an incentive grant for reduction in infant mortality rate during December 2012 and September 2013 respectively. Audit scrutiny revealed that against the grant of ₹ 133.08 crore for 2012-13, the GoM made a supplementary provision (December 2013) of only ₹ 133.08 lakh by mistake and released ₹ 93.16 lakh (70 *per cent*) in March 2014. Against the grant of ₹ 98.27 crore for 2013-14, no budgetary provision was made as of October 2014. Thus, against the receipt of ₹ 231.35 crore, GoM released only ₹ 0.93 crore, belatedly.

Delay in release to Panchayati Raj Institutions

As per GoI instructions (September 2010), grants to the Panchayat Raj Institutions (PRIs) should be released by the Rural Development Department within 15 days from the date of receipt of grant from GoI. In the event of delay in release of grants, the State Governments were liable to release the instalment with interest at the bank rate of Reserve Bank of India for the number of days of delay. Similarly, the ZPs were to release the grants to the GPs within a time limit of five to 10 days. In two instances, as discussed below, there were delays in release of ThFC grants by more than 15 days and the GoM had to pay interest to the PRIs.

- During 2010-11, an amount of ₹ 1.32 crore was paid to 33 PRIs towards interest for delay of 31 days in payment of first instalment of General Basic Grant (₹ 255.98 crore) and Special Area Basic Grant (₹ 3.95 crore). Further, due to insufficient budgetary provision, an amount of ₹ 0.21 crore was paid as interest to the PRIs for delay of 24 days in payment of balance amount of second instalment of General Basic Grant (₹ 54.23 crore) for 2011-12.
- ThFC grants received by the CAFO, ZP, Chandrapur were distributed to Gram Panchayats (GPs) beyond the prescribed time limit of five to 10 days.

1.3.6 Foregone revenue

Revenue receipts like guarantee fees due to GoM from some of the agencies (as discussed below) were adjusted by GoM by payment of subsidy or by investment as share capital contribution. To that extent, guarantee fee and subsidy were overstated. It also resulted in revenue being foregone.

- The Agriculture Department, GoM in March 2012 made Maharashtra State Co-operative Marketing Federation Limited, Mumbai; Vidarbha Co-operative Marketing Federation Limited, Nagpur; and Maharashtra Agriculture Industry Development Corporation Limited, Mumbai as the nodal agencies for purchase, storage and supply of chemical fertilizers for agricultural activities. The GoM stood as a guarantor for the loans raised by these three marketing federations and also sanctioned (June 2013 to March 2014) a subsidy of ₹ 52.45 crore to meet expenditure on guarantee fee, bank interest and insurance. Thus, GoM has not only given guarantees against the loans taken by the three marketing federations but also given subsidy to meet all the loan related expenditure, except repayment of principal amount.
- Similarly guarantee fees of ₹ 6.22 crore receivable from the Maharashtra Jeevan Pradhikaran and the Maharashtra Irrigation Finance Corporation Limited were set-off against equity investment in these two entities.

1.4 Capital receipts

The details of Capital receipts and its composition during 2009-14 are given in **Table 1.12**.

Table 1.12: Trends in growth and composition of capital receipts

(₹ in crore)

Sources of State's receipts	2009-10	2010-11	2011-12	2012-13	2013-14
Capital Receipts (CR)	22104	21397	25467	22588	27463
Miscellaneous Capital Receipts	25	17	456	0	0
Recovery of Loans and Advances	515	640	559	863	728
Public Debt Receipts	21564	20740	24452	21725	26735
Rate of growth of debt capital receipts	4.13	(-)3.82	17.90	(-)11.15	23.06
Rate of growth of non-debt capital receipts	(-)6.57	21.67	54.49	(-)14.98	(-)15.64
Rate of growth of GSDP	13.50	22.60	12.04	12.62	11.52
Rate of growth of CR *(per cent)*	3.84	(-) 3.20	19.02	(-) 11.30	21.58
Source: Finance Accounts of respective years					

Table 1.12 shows that the capital receipts registered a positive growth of 22 *per cent* in 2013-14 as compared to the negative growth of 11 *per cent* in 2012-13. Non-debt capital receipts registered a negative growth of 15.64 *per cent* in 2013-14.

1.4.1 Proceeds from disinvestment

The proceeds on account of disinvestment were nil.

1.4.2 Recoveries of loans and advances

Recoveries of loans and advances decreased by 15.64 *per cent* (₹ 135 crore), mainly on account of less recoveries from Loans for Co-operatives (₹ 105 crore).

1.4.3 Public Debt receipts

A time series data on public debt receipts is shown in **Table 1.13**

Table 1.13: Time Series data on public debt receipts

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Open Market Borrowings	15500	11500	21000	17500	23600
	(71.88)	(55.45)	(85.88)	(80.55)	(88.27)
National Small Savings Fund	4314	7505	1965	2664	1425
	(20.01)	(36.19)	(8.04)	(12.26)	(5.33)
Other Financial Institutions	998	915	1181	810	745
	(4.63)	(4.41)	(4.83)	(3.73)	(2.79)
Loans and Advances from Government of India	752	820	306	751	965
	(3.49)	(3.95)	(1.25)	(3.46)	(3.61)
Public Debt Receipts	21564	20740	24452	21725	26735
Public Debt Repayments	3825	4774	6458	6653	10262

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

Table 1.13 indicates that the share of open market borrowings in public debt receipts has increased to 88.27 *per cent* in 2013-14 from 80.55 *per cent* in 2012-13. Share of NSSF loans decreased to 5.33 *per cent* in 2013-14 from 12.26 *per cent* in 2012-13. Ministry of Finance, Department of Economic Affairs, GoI in November 2011 reduced the minimum share of the States in net small savings collections in a year, for investment in State Government securities from 80 *per cent* to 50 *per cent*. Based on this, the State considerably reduced loans from NSSF during 2013-14 and correspondingly open market borrowing increased. Loans and advances from GoI was less than four *per cent* of public debt receipts during 2009-14.

During 2013-14, the public debt receipts increased by 23 *per cent* (₹ 5,010 crore) and public debt repayment also increased by 54 *per cent* (₹ 3,609 crore) over 2012-13, resulting in net increase of ₹ 1,401 crore in public debt receipts.

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 of the State, are kept in the public account set up under Article 266 (2) of the Constitution of India 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	2009-10	2010-11	2011-12	2012-13	2013-14
Public Account receipts					
a. Small Savings, Provident Fund *etc.*	3308.73	3882.03	4449.03	4759.89	4868.46
	(1790)	(2022)	(2260)	(2188)	(1894)
b. Reserve Fund	2559.11	3346.12	3052.51	4960.13	5540.03
	(875)	(2153)	(1399)	(1976)	(2742)
c. Deposits and Advances	14150.16	21917.52	25544.27	26657.82	32347.23
	(3502)	(6259)	(4532)	(6442)	(6772)
d. Suspense and Miscellaneous	4165.71	(-) 992.59	(-) 1491.27	(-) 11307.73	(-)2693.61
	(4020)	(-1104)	(-1509)	(100)	(-2705)
e. Remittances	19887.80	20253.24	21834.84	21989.52	23958.08
	(2163)	(-482)	(-256)	(842)	(-1117)
Total	**44071.51**	**48406.32**	**53389.38**	**47059.63**	**64020.19**
	(12350)	**(8849)**	**(6426)**	**(11549)**	**(7585)**

Figures in parenthesis indicate net receipts
Source: Finance Accounts of respective years

Public Account receipts increased by 45.26 *per cent* over the period 2009-14. Increase of 36.04 *per cent* (₹ 16,961 crore) in Public Account receipts in 2013-14 over the previous year was on account of increase under Suspense and Miscellaneous (₹ 8,614 crore), Deposits and Advances (₹ 5,689 crore) and Remittances (₹ 1,969 crore).

1.6 Application of resources

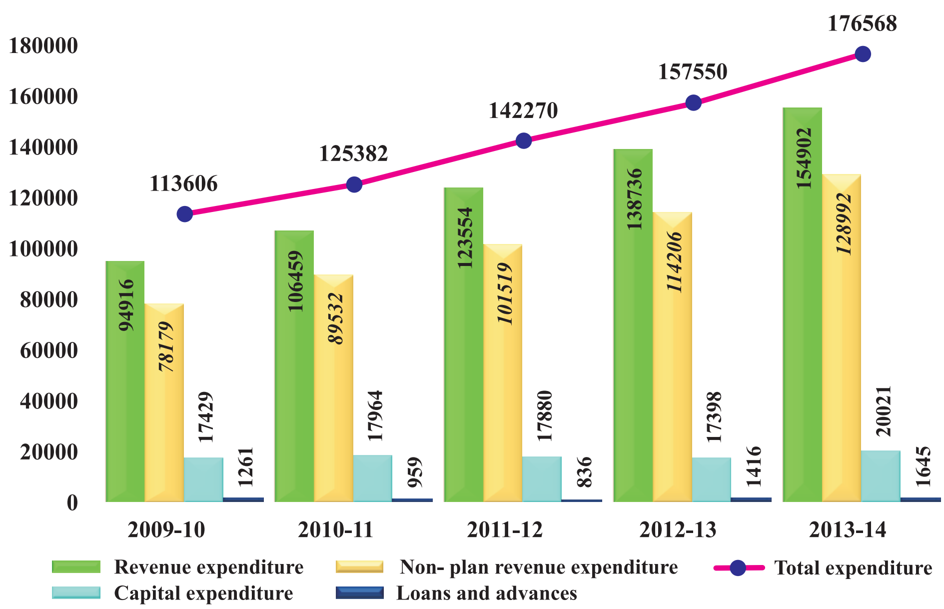
Analysis of the allocation of expenditure assumes significance since major expenditure responsibilities are entrusted with the State Government at various levels. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit 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 1.10 presents the trends in total expenditure over a period of the last five years (2009-14) and its composition both in terms of 'economic classification' and 'expenditure by activities' depicted in **Charts 1.11** and **1.12** respectively**.**

Chart 1.10: Trends in various components of total expenditure

(₹ in crore)



(Source: Finance Accounts of respective years)

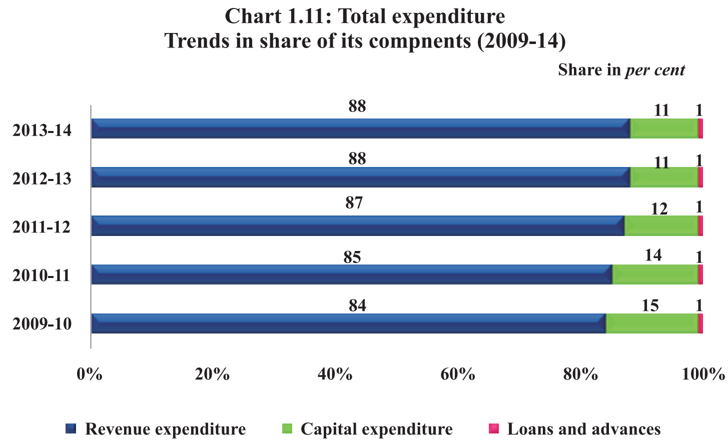
Total expenditure

The total expenditure and its compositions during 2009-14 are presented in **Table 1.15 and Chart 1.11.**

Table 1.15: Total expenditure and its composition

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Total expenditure	**113606**	**125382**	**142270**	**157550**	**176568**
Revenue expenditure	**94916 (84)**	**106459 (85)**	**123554 (87)**	**138736 (88)**	**154902 (88)**
of which, Non-Plan revenue expenditure	*78179*	*89532*	*101519*	*114206*	*128992*
Capital expenditure	**17429 (15)**	**17964 (14)**	**17880 (12)**	**17398 (11)**	**20021 (11)**
Loans and advances	**1261 (1)**	**959 (1)**	**836 (1)**	**1416 (1)**	**1645 (1)**
Figures in parenthesis indicate percentage to total expenditure					
Source: Finance Accounts of respective years					



(Source: Finance Accounts of respective years)

The total expenditure of the State increased at an average growth rate of 14 *per cent* from ₹ 1,13,606 crore in 2009-10 to ₹ 1,76,568 crore in 2013-14 but, the percentage of capital expenditure to total expenditure decreased from 15 *per cent* in 2009-10 to 11 *per cent* in 2013-14. The total expenditure, its annual growth rate, the ratio of total 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 2004-05 to 2012-13, the compound annual growth rate of total expenditure (22.40 *per cent*) was more than the growth rate of General Category States (15.37 *per cent*). This growth rate decreased to 21.19 *per cent* for the period 2004-05 to 2013-14 **(Appendix 1.1)**.

Table 1.16: Total expenditure – basic parameters

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Total expenditure (TE) *(₹ in crore)*	113606	125382	142270	157550	176568
Rate of growth of TE over previous year *(per cent)*	18.53	10.37	13.47	10.74	12.07
TE/GSDP ratio *(per cent)*	13.28	11.95	12.10	11.90	11.96
RR /TE ratio *(per cent)*	76.50	84.40	85.30	90.70	84.85
Buoyancy of Total expenditure with reference to:					
GSDP (ratio)	1.373	0.459	1.119	0.851	1.048
RR (ratio)	2.681	0.476	0.925	0.601	2.509
Source: Finance Accounts of respective years					

The increase of ₹ 19,018 crore (12.07 *per cent*) in total expenditure in 2013-14 over the previous year was on account of an increase of ₹ 16,166 crore in revenue expenditure, ₹ 2,622 crore in capital expenditure and ₹ 229 crore in disbursement of loans and advances.

The ratio of total expenditure to GSDP decreased from 13.28 *per cent* in 2009-10 to 11.96 *per cent* in 2013-14, mainly due to increase in the GSDP at a faster rate as compared to total expenditure during the same period. The ratio of revenue receipts to total expenditure increased from 76.50 *per cent* in 2009-10 to 84.85 *per cent* in 2013-14 which shows that 85 *per cent* of the total expenditure was met from revenue receipts.

The ratio of buoyancy of total expenditure with reference to GSDP and revenue receipts showed a fluctuating trend. The ratio of buoyancy of total expenditure with reference to GSDP increased to 1.048 in 2013-14 from 0.851 in 2012-13. This indicated that during 2013-14 for each one *per cent* increase in GSDP, total expenditure grew by 1.048 *per cent*. The ratio of buoyancy of total expenditure with reference to revenue receipts increased to 2.509 in 2013-14 from 0.601 in 2012-13.

This was due to the rate of growth of total expenditure being higher than the rate of growth of revenue receipts during 2013-14 as compared to the previous year.

Of the total expenditure during 2013-14, non-plan expenditure contributed 74 *per cent* while plan expenditure was 26 *per cent*. Of the increase of ₹ 19,018 crore in total expenditure, the share of plan expenditure increased by 28 *per cent*, while non-plan expenditure increased by 72 *per cent*.

During 2004-05 to 2012-13, the compound annual growth rate of capital expenditure (10.41 *per cent*) was lower than the growth rate of General Category States (17.01 *per cent*). This growth rate for the period 2004-05 to 2013-14 further increased to 10.92 *per cent* **(Appendix 1.1)**.

Trends in total expenditure in terms of activities

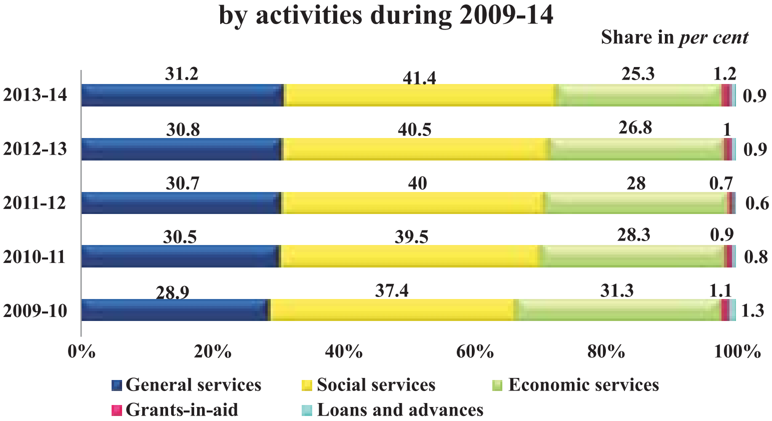
In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, grants-in-aid and loans and advances. Relative shares of these components in the total expenditure are indicated in **Table 1.17** and **Chart 1.12**.

Table 1.17: Components of expenditure – relative shares

(in *per cent*)

	2009-10	2010-11	2011-12	2012-13	2013-14
General Services	**28.9**	**30.5**	**30.7**	**30.8**	**31.2**
of which, Interest Payments	12.4	12.5	12.3	12.1	12.0
Social Services	**37.4**	**39.5**	**40.0**	**40.5**	**41.4**
Economic Services	**31.3**	**28.3**	**28.0**	**26.8**	**25.3**
Grants-in-aid	**1.1**	**0.9**	**0.7**	**1.0**	**1.2**
Loans and Advances	**1.3**	**0.8**	**0.6**	**0.9**	**0.9**
Source: Finance Accounts of respective years					

Chart 1.12: Trends in compositoin of total expenditure by activities during 2009-14



(Source: Finance Accounts of respective years)

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 2013-14 over the previous year. These increases were set-off by decrease in the respective share of Economic Services.

The share of General Services in total expenditure increased mainly on account of increase in Interest Payments (₹ 2,131 crore), Pension and Other Retirement Benefits (₹ 1,506 crore), Police (₹ 919 crore), Taxes on Vehicles (₹ 565 crore) and District Administration (₹ 389 crore). Whereas, the share of Social Services increased mainly due to increase in General Education (₹ 4,145 crore), Relief on account of Natural Calamities (₹ 1,794 crore), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹ 1,535crore) and Medical and Public Health (₹ 847 crore). The decrease in the share of Economic Services was mainly due to decrease in Rural Employment (₹ 978 crore) and Other Rural Development Programmes (₹ 233 crore) and Industries (₹ 227 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' (₹ 852 crore).

Though the share of Economic Services in total expenditure decreased, the expenditure on Economic Services increased in real terms by ₹ 2,476 crore, mainly on Capital Outlay on Roads and Bridges (₹ 1,274 crore), Capital Outlay on Major and Medium Irrigation (₹ 548 crore), Capital Outlay on Other General Economic Services (₹ 157 crore), Capital Outlay on Minor Irrigation (₹ 100 crore) and on Investments in General Financial Institutions (₹ 140 crore).

Revenue expenditure

Revenue expenditure during 2013-14 increased by ₹ 16,166 crore (12 *per cent*) over 2012-13, mainly due to increase in expenditure on General Services (₹ 6,314 crore), Social Services (₹ 8,840 crore), Economic Services (₹ 441 crore) and increase in Grants-in-aid and Contributions (₹ 572 crore). While nine *per cent* of the increase was under Plan head, the remaining 91 *per cent* was under Non-Plan head. The major heads that registered increases include General Education, Interest Payment, Relief on account of Natural Calamities, District Administration, Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes, Pension and other Retirement Benefits and Police. The revenue expenditure during 2013-14 (₹ 1,54,902 crore) was more than the assessment made by the State Government in its FCP by 3.65 *per cent* and lower than MTFPS/Budget by 0.58 *per cent*. The Non-Plan Revenue expenditure (₹ 1,28,992 crore) exceeded the normative assessments made by the ThFC (₹ 93,328 crore), the State Government's projections in FCP (₹ 1,21,699 crore) and the MTFPS/Budget (₹ 1,25,647 crore) **(Table 1.19)**.

Revenue expenditure constituted 88 *per cent* of the total expenditure **(Chart 1.11)**. The increase in revenue expenditure was mainly on (a) General Education (₹ 4,145 crore), (b) Interest Payments (₹ 2,131 crore), (c) Relief on account of Natural Calamities (₹ 1,794 crore), (d) Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹ 1,535 crore), (e) Pension and other Retirement Benefits (₹ 1,506 crore), (f) Police (₹ 919 crore), (g) Compensation and Assignments to Local Bodies and Panchayati Raj Institutions (₹ 852 crore), and (h) Medical and Public Health (₹ 847 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 during the last five years are indicated in **Table 1.18.**

Table 1.18: Revenue expenditure – basic parameters

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue expenditure (RE), *of which*	**94916**	**106459**	**123554**	**138736**	**154902**
Non-Plan Revenue expenditure (NPRE)	78179	89532	101519	114206	128992
Plan Revenue expenditure (PRE)	16737	16927	22035	24530	25910
Rate of Growth of					
RE *(per cent)*	25.4	12.2	16.1	12.3	11.6
NPRE *(per cent)*	23.5	14.5	13.4	12.5	12.9
PRE *(per cent)*	34.9	1.1	30.2	11.3	5.6
Revenue Expenditure as percentage to TE	83.5	84.9	86.8	88.0	87.7
NPRE/GSDP *(per cent)*	9.1	8.5	8.6	8.6	8.7
NPRE as percentage of TE	68.8	71.4	71.4	72.5	73.1
NPRE as percentage of RR	90.0	84.6	83.7	79.9	86.1
Buoyancy of Revenue expenditure with					
GSDP (ratio)	1.881	0.540	1.337	0.975	1.011
Revenue Receipts (ratio)	3.660	0.560	1.106	0.689	2.427
Source: Finance Accounts of respective years					

The buoyancy ratio of revenue expenditure with reference to both GSDP and revenue receipts showed a fluctuating trend.

Plan revenue expenditure

The Plan Revenue Expenditure increased by ₹ 1,380 crore (six *per cent*) in 2013-14 over the previous year, mainly due to increase in expenditure under Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹ 793 crore), Health and Family Welfare (₹ 380 crore) and Water Supply and Sanitation (₹ 364 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 Government of India. The State Government provides for the Central and State's share in its budget. During the year, GoI released ₹ 8,340.35 crore towards Centrally Sponsored Schemes, Central Plan Schemes and additional Central Assistance. The State Government's budget of 2013-14 provided for expenditure of ₹ 8,349.12 crore (Central share ₹ 7,170.08 crore and State share ₹ 1,179.04 crore). Against this, the State Government spent ₹ 8,052.10 crore, a shortfall of ₹ 297.02 crore between the budget and expenditure under these schemes. Against the Central receipt of ₹ 8,340.35 crore, the expenditure of ₹ 8,052.10 crore including State share indicates a shortfall of ₹ 288.25 crore resulting in understatement of revenue deficit to that extent. Details of releases of Central share and State share in respect of major schemes are given in Annexure to Statement 12 of Finance Accounts 2013-14.

Non-plan revenue expenditure

The Non-Plan Revenue Expenditure (NPRE) in 2013-14 constituted a dominant share of 83 *per cent* in the revenue expenditure and increased by ₹ 14,786 crore (13 *per cent*) over the previous year, mainly due to increase under General Services (₹ 6,437 crore), Education, Sports, Art and Culture (₹ 4,374 crore) and Social Welfare and Nutrition (₹ 2,103 crore), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹ 742 crore), and Health and Family Welfare (₹ 500 crore).

The NPRE as a percentage of revenue receipts (**Table 1.18**) decreased from 90 *per cent* in 2009-10 to 80 *per cent* in 2012-13. It increased to 86 *per cent* in 2013-14 indicating that on an average 86 *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 the ThFC, the FCP and MTFPS/Budget 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
2012-13	85884	109832	107755	114206
2013-14	93328	121699	125647	128992
Source: Finance Accounts and budget documents of respective years and Report of the ThFC				

As may be seen, the NPRE remained significantly higher than the normative assessments of the ThFC, the FCP and MTFPS/Budget projections during 2012-13 and 2013-14.

Subsidies

Subsidies given during the years 2009-10 to 2013-14 are presented in the **Table 1.20**.

Table 1.20: Expenditure on subsidies

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE	Actuals
Subsidies	8041 (9)	5485 (5)	9833 (8)	9268 (6)	11181 (7)	12063 (8)
Total Revenue Expenditure	94916	106459	123554	138736	155803	154902
Revenue Receipts	86910	105868	121286	142947	155987	149822
Figures in parenthesis indicate percentage to Revenue Receipts						
Source: Finance Accounts of respective years						

Table 1.20 indicates that expenditure under subsidies increased by 30 *per cent* from ₹ 9,268 crore in 2012-13 to ₹ 12,063 crore in 2013-14. During the current year, subsidies constituted about eight *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 (44 *per cent*), subsidy to Medium and Large Industries under the Graded Package Scheme of Incentives (19 *per cent*), Transport (11 *per cent*), Financial Assistance under Rashtriya Krishi Vikas Yojana (schemes in Five Year Plan) (eight *per cent*) and covering the deficit in Foodgrain Transactions (one *per cent*).

The subsidies projected by the Government in the FCP and the actual expenditure incurred during 2012-13 and 2013-14 are presented in **Table 1.21.**

Table 1.21: Subsidies *vis-à-vis* FCP

(₹ in crore)

	2012-13		2013-14	
	Projections in FCP	Actuals	Projections in FCP	Actuals
Power (Subsidy for reduction in Agriculture and Powerloom Tariff)	3240	4729	3499	5276
General/Others	4428	4539	4782	6787
Total	**7668**	**9268**	**8281**	**12063**
Source: Finance Accounts and Budget documents of 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 increased during 2013-14. As against the budget provision of ₹ 3,499 crore on subsidy given to Power, the actual expenditure was more by ₹ 1,319 crore (₹ 5,276 crore - ₹ 3,957 crore).

The major components under 'General/Others' as shown in **Table 1.21** are (a) food subsidy under which the Government provided ₹ 350 crore in the State budget 2013-14 but, the actual expenditure was ₹ 201 crore, (b) Subsidy to Medium and Large Industries under the Graded Package Scheme of Incentives under which the Government provided ₹ 2,500 crore in the State budget 2013-14 but, the actual expenditure incurred was ₹ 2,250 crore, and (c) subsidy on loss to State Road Transport Corporation for which Government provided ₹ 1,208 crore during 2013-14 but, the actual expenditure incurred was ₹ 1,358 crore.

Capital expenditure

During 2013-14, capital expenditure (₹ 20,021 crore) constituted 11 *per cent* of the total expenditure **(Chart 1.11)** and increased by 15 *per cent* over 2012-13. The increase was mainly on account of increase in Capital Outlay on Roads and Bridges (₹ 1,274 crore), Capital Outlay on Major and Medium Irrigation (₹ 548 crore), Capital Outlay on Urban Development (₹ 404 crore), Maharashtra Irrigation Finance Company Limited (₹ 114 crore) and Capital Outlay on Welfare of Schedule Castes, Scheduled Tribes and Other Backward Classes (₹ 126 crore). During 2013-14, the capital expenditure (₹ 20,021 crore) was lower than the assessment made by the State Government in its FCP (₹ 29,473 crore) by 32.07 *per cent*, Budget (₹ 23,891.13 crore) by 16 *per cent* and the projections made in MTFPS (₹ 25,129 crore) by 20 *per cent*. The major areas of decrease are commented in **Paragraph 1.1.3**.

Loans and advances

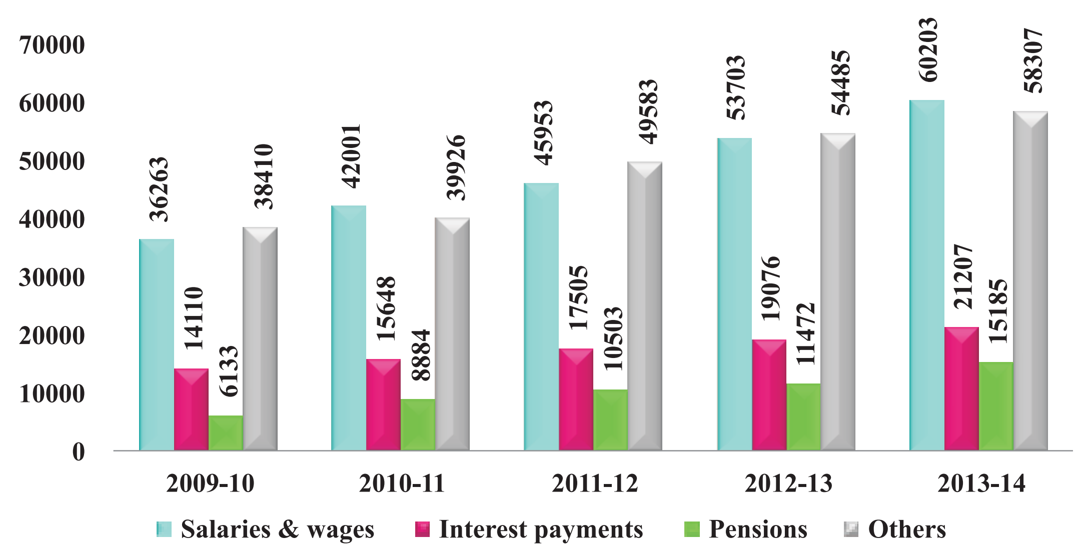
Loans and advances constituted one *per cent* of the total expenditure during 2009-14 **(Chart 1.11)**. Disbursements of loans and advances during 2013-14 increased by 16.18 *per cent* (₹ 229 crore) over 2012-13. This increase was mainly in Loans for Power Projects – Loans to Public Sector and other Undertakings (₹ 1,126 crore), set-off by decrease under Expenditure awaiting transfer to other heads/departments (₹ 519 crore) and Loans for Other General Economic Services (₹ 379 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. Despite recommendations of the Twelfth Finance Commission, the statement of committed liabilities has not been included in the Finance Accounts due to non-receipt of the complete information from the Government. **Chart 1.13** and **Table 1.22** present the trends in the expenditure on these components during 2009-14.

Chart 1.13: Trend of committed expenditure during 2009-14

(₹ in crore)



(Source: Finance Accounts of respective years)

Table 1.22: Components of committed expenditure

(₹ in crore)

Components of committed expenditure	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE	Actuals
Salaries and Wages	36263	42001	45953	53703	60677	60203[$]
	(42)	(40)	(38)	(38)	(39)	(40)
of which	*34574*	*40917*	*42955*	*50165*		*56985*
Non-Plan Head	*(40)*	*(39)*	*(35)*	*(35)*		*(38)*
of which	*1689*	*1084*	*2998*	*3538*		*3218*
*Plan Head***	*(2)*	*(1)*	*(2)*	*(2)*		*(2)*
Interest Payments	14110	15648	17505	19076	21098	21207
	(16)	(15)	(14)	(13)	(14)	(14)
Pensions	6133	8884	10503	11472	15293	15185
	(7)	(8)	(9)	(8)	(10)	(10)
Total Committed expenditure	**56506**	**66533**	**73961**	**84251**	**97068**	**96595**
	(65)	**(63)**	**(61)**	**(59)**	**(62)**	**(64)**
Other Components[7]	38410	39926	49583	54485	58735	58307
	(44)	(38)	(41)	(38)	(38)	(39)
Total Revenue Expenditure	**94916**	**106459**	**123554**	**138736**	**155803**	**154902**
Revenue Receipts	**86910**	**105868**	**121286**	**142947**	**155987**	**149822**

Figures in parenthesis indicate percentage to Revenue Receipts
[$] Salaries: ₹ 58,811 crore (Finance Accounts 2013-14) + Wages: ₹ 1,392 crore (Finance Accounts 2013-14)
*** 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 2009-10 (₹ 22,666 crore), 2010-11 (₹ 25,937 crore), 2011-12 (₹ 27,358 crore), 2012-13 (₹ 32,870 crore) and 2013-14 (₹ 37,334 crore)
Source: Finance Accounts of respective years

Salaries and wages

The average annual growth in salaries and wages during 2009-14 was 16.50 *per cent*. The expenditure on salaries and wages increased by ₹ 6,500 crore (12 *per cent*) from ₹ 53,703 crore in 2012-13 to ₹ 60,203 crore in 2013-14. The expenditure of ₹ 60,203 crore on salaries and wages during 2013-14 was lower than the State's own FCP (₹ 60,665 crore) and the projections made in MTFPS (₹ 61,525 crore).

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

During 2004-05 to 2012-13, the compound annual growth rate of salary and wages (14.15 *per cent*) was lower than the growth rate of General Category States (14.73 *per cent*). This growth rate for the period 2004-05 to 2013-14 further decreased to 13.66 *per cent* **(Appendix 1.1)**.

Pension payments

The expenditure on pension payments had increased at an average annual growth of 37 *per cent* from ₹ 6,133 crore in 2009-10 to ₹ 15,185 crore in 2013-14. The increase in pension payments of ₹ 3,713 crore (32 *per cent*) during 2013-14 over the previous year was mainly due to more expenditure on Pensions and Other Retirement Benefits.

During 2004-05 to 2012-13, the compound annual growth rate of pension (18.90 *per cent*) was higher than the growth rate of General Category States (18.34 *per cent*). This growth rate for the period 2004-05 to 2013-14 however, decreased to 18.24 *per cent* **(Appendix 1.1)**.

Table 1.23 shows actual pension payments with reference to assessment made by the ThFC, the FCP and MTFPS/Budget 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
2012-13	13393	7346	12803	13429
2013-14	15293	8081	14339	15185
Source: Finance Accounts, Budget documents and Report of the ThFC				

The pension payment during 2012-13 was higher than the normative assessments made by the ThFC as well as under MTFPS and FCP. The pension payments during 2013-14 was higher than the normative assessments made by the ThFC and FCP but, lower than the projections of the State Government under MTFPS.

In order to limit future pension liabilities, the Government had introduced the Defined Contribution Pension Scheme for employees recruited after 01 November 2005. An amount of ₹ 1,392.38 crore[8] was deposited by GoM during 2013-14 towards employee's contribution and employer's share. The State Government's liability on this account as on 31 March 2014 was ₹ 4,145.59 crore, which was not invested till 31 March 2014. The State Government has not transferred any amount to the New Pension Scheme Trust/Fund Managers since the inception of the scheme. Therefore, the main objective of introducing the Defined Contribution Pension Scheme to limit future pension liabilities was defeated. Retention of these amounts assisted the State Government in enhancing its liquidity position. This aspect was also pointed out in the State Finance Reports of 2010-11, 2011-12 and 2012-13.

Interest payments

Interest payments increased by 50 *per cent* from ₹ 14,110 crore in 2009-10 to ₹ 21,207 crore in 2013-14, primarily due to increase in debt liabilities. Relative to revenue receipts, interest payments revealed a marginal declining trend till 2012-13. This increased to 11 *per cent* in 2013-14.

[8] Employees contribution: ₹ 574.68 crore; Employers' contribution: ₹ 817.70 crore inclusive of interest

Table 1.24: Interest payments *vis-à-vis* ThFC, FCP and MTFPS assessments

(₹ in crore)

Year	Projection in MTFPS	Assessment made by the ThFC	Projection in FCP	Actuals
2012-13	18523	20783	21117	19076
2013-14	21098	23577	23647	21207

Source: Finance Accounts, Budget Documents and Report of the ThFC

The interest payments with reference to the assessments made by the ThFC and the FCP were lower during 2012-13 as well as in 2013-14. With reference to the projections made in the MTFPS, interest payments were marginally higher during 2012-13 and 2013-14.

The increase in interest payments by ₹ 2,131 crore in 2013-14 over the previous year was mainly due to increase in interest paid on market loans (₹ 1,541 crore) and State Provident Fund (₹ 519 crore).

The balance in interest bearing deposit account was ₹ 25,401.87 crore at the end of March 2013, which was not invested. The GoM paid an interest of ₹ 1,601.86 crore during 2013-14 on ₹ 24,752.62 crore. No interest was paid on the balance portion of funds of ₹ 649.25 crore. The interest liability on the balance portion of funds during the year works out to ₹ 48.69 crore. The outstanding amount of interest against these uninvested interest bearing deposit funds over the years has not been estimated and this will impact the overall liability of the State Government.

Of the total accumulated balance of reserve funds of ₹ 22,868.45 crore as on March 2013, ₹ 22,605.15 crore related to non-interest bearing funds and ₹ 263.30 crore related to interest bearing reserve funds. Out of ₹ 263.30 crore, only ₹ 10.88 crore was invested during the year, leaving a balance of ₹ 252.42 crore. However, the State Government paid ₹ 8.54 crore towards interest on uninvested portion of ₹ 252.01 crore (General Insurance Fund). The liability on the balance uninvested amount of ₹ 0.41 crore works out to ₹ 0.03 crore, at the average rate of 7.5 *per cent* for 2013-14 on Ways and Means Advances. In the circumstances, the revenue expenditure and resultantly, the revenue deficit was understated to the extent of ₹ 0.03 crore.

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

Local bodies (LBs) in Maharashtra consist of 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 ZPs at the district level, PSs at block level and Village Panchayats (VPs) at village level. There are Municipal Corporations (MC), Municipal Councils and Nagar Panchayats (NPs) 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 LBs, it was not accepted by the State Government. The Third SFC was constituted in January 2005 for the period 2006-07 to 2010-11 and submitted its report in June 2006. However, the report was presented to the State Legislature only in December 2013. The Fourth SFC was constituted in February 2011 for the period 2011-12 to 2015-16 and was to submit its report by September 2012. However, the period has been extended by the State Government up to December 2014.

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 utilisation of the resources. GoI schemes, funded through the DRDA and State Government schemes are also implemented by ZPs. The district fund consist of moneys received from the State budget funds for planned and non-planned 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 at the block level (PSs) 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 provision of Section 136 (2) of ZP Act, 1961 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, 1958 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 Maharashtra Local Fund Act, 1930, the Maharashtra Village Panchayat (Audit of Accounts) Rules, 1961 and VP Act, 1958. The DLFA prepares an Annual Audit Review Report on the financial working of PRIs for placement before the State Legislature.

The Comptroller and Auditor General (CAG) of India conducts audit of ZPs and PSs under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Condition of Services) Act, 1971. Section 142 A of the ZP Act, 1961 also contains an enabling provision for audit by the CAG.

Audit of GPs was also entrusted (March 2011) to the CAG under Technical Guidance and Supervision by the GoM under Section 20 (1) of the Comptroller and Auditor General's (DPC) Act, 1971.

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 October 2014, the State Government has transferred 11 functions and 15,480 functionaries to PRIs. Non-transfer of 18 functions and related functionaries has been commented in earlier two Local Bodies Audit Reports.

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. Accordingly, the Accounts for 2012-13 should have been finalized by September 2013 and published by November 2013. However, information provided by the Rural Development Department (June 2014) indicated that only the accounts up to the year 2010-11 have been published in the Government Gazette and submitted to the State Legislature. The Annual Accounts of all 33 ZPs for the year 2011-12 and 2012-13 have been finalized and submitted to DLFA for Certification. After Certification by DLFA, Accounts would be published in the Government Gazette.

1.6.3.2 Accounts and finances of urban local bodies

In accordance with the 74th Constitutional Amendment (1992), the GoM amended (December 1994) the existing Mumbai Municipal Corporation Act, 1888; The Maharashtra Municipal Corporation Act, 1949; The Nagpur City Municipal Corporation (NCMC) Act, 1948; and The Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965. All the Municipal Corporations (MCs), except Municipal Corporation of Greater Mumbai (MCGM) and NCMC which had their own Acts, are governed by the provisions of the amended Maharashtra Municipal Corporation Act, 1949. 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, 233 Municipal Councils including 13 NPs have been created for smaller urban areas and categorized based on their population.

Financial profile

Municipal funds are formed under the provisions contained in the Acts. All moneys received by or on behalf of the MCs and Municipal Councils under the provisions of the respective Acts, all moneys raised by way of taxes, fees, fines and penalties, all moneys 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 Maharashtra Municipal Corporation Act, 1949 and Section 123 of Mumbai Municipal Corporation 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 CAG conducts audit of MCs under Section 14 (2) of the Comptroller and Auditor General's (DPC) Act, 1971. The audit of Municipal Councils and NPs has been entrusted (March 2011) by GoM to the CAG under Technical Guidance and Supervision.

Status of accounts

As per information furnished (August 2013 to March 2014) by 17 out of the 26 MCs which have prepared their annual accounts, audit by MCA has been completed up to 2012-13 in four[9] MCs and up to 2011-12 in three[10] MCs and reports submitted to the respective Standing Committees. In the remaining 10[11] MCs, there were arrears in audit by MCA ranging between two and 10 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 2013-14 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	2009-10	2010-11	2011-12	2012-13	2013-14
1	Educational institutions (Aided Schools, Aided Colleges, Universities, *etc.*)	11638.18	11482.61	13844.84	20167.02	22292.50
2	Municipal Corporations and Municipalities	1708.89	4350.04[12]	4871.33	4401.93	5179.74
3	Zilla Parishads and other Panchayati Raj Institutions	11726.62	13260.93	14294.73	16444.42	18184.73
4	Development agencies	299.45	187.26	276.83	246.51	250.70
5	Hospital and other charitable institutions	1065.48	1084.74	1313.33	1792.44	2196.33
6	Other Institutions	18150.70	17280.87	20761.95	20715.59[13]	19945.82[14]
Total		**44589.32**	**47646.45**	**55363.01**	**63767.91**	**68049.82**
Assistance as percentage of RE		47	45	45	46	44
Source : Finance Accounts, Vouchers compiled by Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai						

9 Kolhapur, Malegaon, Mira Bhayander and Ulhasnagar

10 Ahmednagar, Bhiwandi-Nizampur and Vasai-Virar

11 Dhule, Jalgaon, Kalyan Dombivali, MCGM, Nashik, Navi Mumbai, Pimpri Chinchwad, Pune, Sangli Miraj Kupwad and Solapur

12 Huge variation due to misclassification in the previous year

13 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

14 Includes Education, Sports, Art and Culture: ₹ 1,875.89 crore; Social Welfare and Nutrition: ₹ 5,601.02 crore; Agriculture and Allied Activities: ₹ 1,287.51 crore; Welfare of SC, ST and OBC: ₹ 1,962.03 crore; Administrative Services: ₹ 1,257.77 crore and Housing: ₹ 708.97 crore

It would be seen from **Table 1.25** that the financial assistance to local bodies and other institutions by the State Government increased from ₹ 44,589 crore in 2009-10 to ₹ 68,050 crore in 2013-14. As compared to the previous year, the assistance during 2013-14 increased by seven *per cent.* During 2013-14, more financial assistance was given to (a) Educational Institutions (₹ 2,125 crore) mainly due to payment of more assistance to non-Government colleges and (b) Zilla Parishads and other Panchayati Raj Institutions (₹ 1,740 crore) due to payment of more educational grants 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 (adequate provisions for providing public services), efficiency of expenditure use and its effectiveness (assessment of outlay-outcome relationships for selected services).

1.7.1 Adequacy of public expenditure

The expenditure responsibilities relating to the social 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. The fiscal priorities given by the GoM for development expenditure, social expenditure and capital expenditure during 2010-11 and 2013-14 is indicated in **Table 1.26**.

Table 1.26: Fiscal Priority of the State in 2010-11 and 2013-14

Fiscal Priority of 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) 2010-11	15.78	65.09	36.88	13.49	17.48	4.37
Maharashtra Average (Ratio) 2010-11	11.95	68.36	39.75	14.33	21.60	3.71
General Category States Average (Ratio) 2013-14	15.92	66.45	37.56	13.62	17.20	4.51
Maharashtra Average (Ratio) 2013-14	11.96	67.49	41.54	11.34	21.71	4.17

AE: Aggregate expenditure; DE: Development expenditure;
SSE: Social Sector expenditure; CE: Capital expenditure
 # Development expenditure includes development revenue expenditure, development capital expenditure and loans and advances disbursed
Source: Finance Accounts of respective years

Analysis of the fiscal priorities of the State Government as shown in **Table 1.26** reveals the following:

- The ratios of AE to GSDP in 2010-11 and 2013-14 (11.95 *per cent* and 11.96 *per cent*) were lower in the State as compared to General Category States (15.78 *per cent* and 15.92 *per cent*). This meant that the General Category States were spending more as a proportion of their GSDP when compared to Maharashtra.

- The State Government has given adequate fiscal priority to development expenditure and social sector expenditure during 2010-11 and 2013-14, as their ratios to AE were higher than the average ratio of General Category States.
- The ratio of CE to AE in the State (14.33 *per cent*) was higher in 2010-11 as compared to the ratio (13.49 *per cent*) of General Category States whereas, in 2013-14 it was lower (11.34 *per cent)* than the ratio (13.62 *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 21.60 *per cent* in 2010-11 to 21.71 *per cent* in 2013-14. 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 during 2010-11 and 2013-14. This trend is continuing from 2005-06 onwards. Greater fiscal priority needs to be given to this area by the State 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[15]. Apart from improving the allocation towards development expenditure[16], 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 1.14** 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	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE	Actuals
Development expenditure (a to c)	**79118**	**85708**	**97389**	**107184**	**122055**	**119169**
	(69.6)	**(68.4)**	**(68.4)**	**(68)**	**(67)**	**(67)**
a. Development revenue expenditure	61377	67567	79681	89590	98543	98870
	(54)	(53.9)	(56)	(56.9)	(54)	(56)
b. Development capital expenditure	16717	17422	17084	16496	22274	18982
	(14.7)	(13.9)	(12)	(10.5)	(12)	(11)
c. Development Loans and Advances	1024	719	624	1098	1238	1317
	(1)	(0.6)	(0.4)	(0.7)	(0.7)	(0.7)

Figures in parenthesis indicate percentage to total expenditure

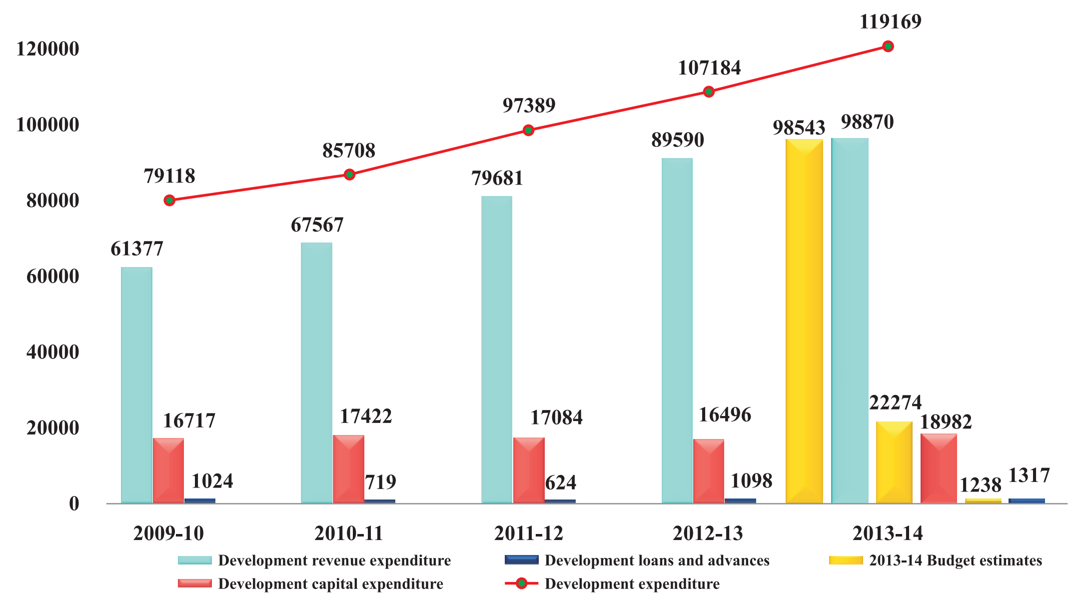
Source: Finance Accounts of respective years

15 See Glossary at page 142

16 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 1.14: Developemnt expenditure for the years 2009-10 to 2012-13 and budget estimates *vis-a-vis* actuals 2013-14

(₹ in crore)



(Source: Finance Accounts of respective years)

Development revenue expenditure

The development revenue expenditure increased by ₹ 9,280 crore from ₹ 89,590 crore in 2012-13 to ₹ 98,870 crore in 2013-14. The increase was under Social Services (₹ 8,840 crore) and Economic Services (₹ 440 crore). The actual development revenue expenditure was more than the State's projection in the budget by ₹ 327 crore.

Development capital expenditure

The development capital expenditure increased by ₹ 2,486 crore from ₹ 16,496 crore in 2012-13 to ₹ 18,982 crore in 2013-14. The increase was under Economic Services ₹ 2,036 crore. The main components of increase were Capital Outlay on Roads and Bridges (₹ 1,274 crore) and Capital Outlay on Major and Medium Irrigation (₹ 548 crore). The actual development capital expenditure was less than the State's projection in the budget by ₹ 3,292 crore.

Development loans and advances

Development loans and advances increased by ₹ 219 crore from ₹ 1,098 crore in 2012-13 to ₹ 1,317 crore in 2013-14. The actual development loans and advances were more than the State's projections in the budget by ₹ 79 crore.

Efficiency of expenditure use in selected social and economic services

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	2012-13			2013-14		
	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	0.49	83.90	4.06	0.27	84.64	0.00
Health and Family Welfare	7.20	67.56	0.03	7.50	65.76	0.06
Water Supply, Sanitation, Housing and Urban Development	5.06	3.52	13.27	9.31	3.26	14.41
Total (SS)	**2.10**	**52.36**	**3.74**	**3.10**	**57.41**	**1.76**
Economic Services (ES)						
Agriculture and Allied Activities	16.56	21.65	0.29	15.77	48.41	0.62
Irrigation and Flood Control	73.74	40.90	1.53	74.13	41.32	14.94
Energy	26.12	0.56	0.03	19.77	0.38	2.08
Transport	42.52	1.19	0.34	49.24	1.21	1.56
Total (ES)	**41.31**	**9.79**	**0.28**	**36.47**	**20.18**	**2.34**
Total (SS+ES)	**18.15**	**39.27**	**2.68**	**15.93**	**46.87**	**1.92**

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

Source: Finance Accounts of respective years

The trends presented in **Table 1.28** reveal that development capital expenditure as a percentage to total expenditure decreased from 18.15 in 2012-13 to 15.93 in 2013-14. The percentage of capital expenditure on Social Services to the total expenditure increased from 2.10 in 2012-13 to 3.10 in 2013-14. The increase was mainly seen under Water Supply, Sanitation, Housing and Urban Development and Health and Family Welfare. The percentage of capital expenditure on Economic Services to the total expenditure decreased from 41.31 in 2012-13 to 36.47 in 2013-14. The decrease was mainly seen under Energy.

The share of salary and wages in revenue expenditure increased from 39.27 *per cent* in 2012-13 to 46.87 *per cent* in 2013-14. The share of salary and wages in revenue expenditure on Social Services increased from 52.36 *per cent* in 2012-13 to 57.41 *per cent* in 2013-14. The increase was mainly under Education, Sports, Art and Culture. The share of salary and wages in revenue expenditure on Economic Services increased from 9.79 *per cent* in 2012-13 to 20.18 *per cent* in 2013-14. The increase was mainly under Agriculture and Allied Activities.

The share of operations and maintenance in revenue expenditure decreased from 2.68 *per cent* in 2012-13 to 1.92 *per cent* in 2013-14. The share of operations and maintenance in revenue expenditure on Social Services decreased from 3.74 *per cent* in 2012-13 to 1.76 *per cent* in 2013-14. The decrease was seen mainly under Education, Sports, Art and Culture. The share of operations and maintenance in revenue expenditure on Economic Services increased from 0.28 *per cent* in 2012-13 to 2.34 *per cent* in 2013-14. The increase was seen mainly under Irrigation and Flood Control.

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 incurred 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[17] 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; Status as of June 2013

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; Status as of June 2013

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.

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

1.8.1.2 Public Works Department

As on 31 March 2014, an expenditure of ₹ 507.44 crore was incurred on 152 ongoing projects (**Appendix 1.13**). There was time overrun up to seven years in respect of 99 projects of roads and bridges (expenditure: ₹ 270.42 crore) and up to five years in respect of 50 projects of buildings and housing (expenditure: ₹ 234.76 crore). In three projects pertaining to roads and bridges (expenditure: ₹ 2.26 crore), the target dates of completion were beyond March 2014.

1.8.2 Investment and returns

As of 31 March 2014, Government invested ₹ 1,01,867 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.31**). The average return on this investment was 0.06 *per cent* in the last five years while the Government paid average interest rate of 7.51 *per cent* on its borrowings during 2009-14.

Table 1.31: Return on investment

Investment/Return/Cost of Borrowings	2009-10	2010-11	2011-12	2012-13	2013-14
Investment at the end of the year (₹ in crore)	64192.68	74391.39	83016.00	90677.84*	101867.20
Return (₹ in crore)	80.88	44.82	30.20	47.00	19.68
Return *(per cent)*	0.13	0.06	0.04	0.05	0.02
Average rate of interest on Government borrowing *(per cent)*	7.61	7.49	7.51	7.42	7.54
Difference between interest rate and return *(per cent)*	7.48	7.43	7.47	7.37	7.52

Source: Finance Accounts of respective years

* *Figure differs from previous year*

The increase in investments of ₹ 11,189 crore during 2013-14 was mainly attributable to capital contributions to Vidarbha Irrigation Development Corporation (₹ 3,406 crore), Godavari Marathwada Irrigation Development Corporation (₹ 1,511 crore), Maharashtra Krishna Valley Development Corporation (₹ 1,407 crore), Maharashtra State Power Generation Corporation Limited (₹ 1,066 crore), Konkan Irrigation Development Corporation (₹ 586 crore), Tapi Irrigation Development Corporation (₹ 472 crore), Maharashtra State Road Transport Corporation (₹ 457 crore) and Maharashtra Irrigation Finance Company Limited (₹ 228 crore).

As on 31 March 2014, 26 Companies (**Appendix 1.14**) in which Government had invested ₹ 24,401.81 crore (share capital: ₹ 17,170.23 crore and loans: ₹ 7,231.58 crore), were incurring losses and their net accumulated losses as on September 2014 amounted to ₹ 15,377.56 crore.

Information furnished by the Commissioner for Cooperation and Registrar of Co-operative Societies revealed that of the 7,641 Societies with an aggregate investment of ₹ 368.10 crore (equity: ₹ 226.97 crore and loan: ₹ 141.14 crore), 3,938 Societies had incurred losses (31 March 2014) and their accumulated losses (₹ 172.23 crore) were 47 *per cent* of the initial investments made in these Societies. Further, 1,163 societies were under liquidation which had ₹ 56.96 crore as investments by Government.

The Government should take steps to ensure better value for money in investments. Otherwise, high-cost borrowed funds will continue to be invested in projects with low financial returns. Projects which are justified on account of low financial but high socio-economic returns may be identified and prioritized with full justification for channelling high-cost borrowings there. The working of State Public Sector Undertakings which are incurring huge losses should be reviewed and a strategy should be worked out for those undertakings which can be made viable.

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 1.15**. It was observed that:

- An amount of ₹ 2,085.49 crore had been invested by the State Government in four[18] undertakings at the end of the financial year up to which their accounts were finalised **(Appendix 3.6)**.
- Of the four undertakings having 49 units, only one[19] unit could earn net profit amounting to ₹ 2.41 crore against capital investment of ₹ 0.12 crore, thereby yielding a rate of return of 472 *per cent*.
- Of the loss-making DCUs, 25[20] 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.

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 to many institutions/ organizations. **Table 1.32** presents the outstanding loans and advances as on 31 March 2014, interest receipts *vis-à-vis* interest payments during the last three years.

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

[19] Cattle feed Scheme, Mumbai (2012-13); refer Sr No. 9 of Appendix 1.15

[20] Greater Mumbai Milk Scheme, Worli; Electrical Scheme, Mumbai; Dairy Project, Dapchari; Government Milk Chilling Centre, Saralgaon (District Thane); Government Milk Schemes in Khopoli, 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

Table 1.32: Average interest received on loans advanced by the State Government

(₹ in crore)

Quantum of loans/interest receipts/ cost of borrowings	2011-12	2012-13	2013-14
Opening Balance	19909	20187	20740
Amount advanced during the year	837	1416	1645
Amount repaid during the year	559	863	728
Closing Balance	**20187**	**20740**	**21657**
of which Outstanding balance for which terms and conditions have been settled	NA	NA	NA
Net addition	278	553	917
Interest Receipts	228	167	166
Interest receipts as *per cent* to outstanding loans and advances	1.15	0.81	0.77
Interest payments as *per cent* to outstanding fiscal liabilities of the State Government	7.14#	7.09#	7.29
Difference between interest receipts and interest payments *(per cent)*	(-) 5.99#	(-) 6.28#	(-) 6.52

Source: Finance Accounts of respective years

\# *Figures differ from previous year due to rectification of fiscal liability figures*

As can be seen from the **Table 1.32**, the total outstanding loans and advances as on 31 March 2014 was ₹ 21,657 crore. The amount of loans disbursed during the year increased from ₹ 1,416 crore in 2012-13 to ₹ 1,645 crore in 2013-14. Of the total amount of loans and advances disbursed during the year, ₹ 1,116 crore went to Economic Services and ₹ 200 crore to Social Services. Under the Economic Services, the major portion of loans went to Power (90 *per cent*). However, interest received against these loans decreased from 0.81 *per cent* during 2012-13 to 0.77 *per cent* in 2013-14, mainly due to less interest receipts from Water Supply and Sanitation (₹ 29 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)-I, Maharashtra, Mumbai and also furnish complete information regarding recoveries in arrears. This has not been done. Consequently, the information contained in Finance Accounts 2013-14 in accordance with the Indian Government Accounting Standards (IGAS)-3 was incomplete.

1.8.3.1 Management of loans given by Co-operation, Marketing and Textiles Department

Introduction

The Co-operation, Marketing and Textile Department (CM&TD), GoM extends financial assistance to the Co-operative Spinning Mills (CSMs), Powerloom Co-operative Societies (PLCSs), Co-operative Sugar Factories (CSFs) and Agro Processing Co-operative Societies (APCSs). The financial assistance is given in the form of share capital contribution, loans, subsidies and guarantees for loans availed of by these entities from financial institutions for expansion, modernization, renovation, *etc*. Both share capital and loan paid by GoM are refundable within a period of 15 years in case of CSMs and CSFs and in case of powerloom, within a period of 10 years. In case of share capital, there is no repayment of interest whereas, in case of loan, interest is to be repaid to GoM. As of 31 March 2014, of the total outstanding loan of ₹ 21,657 crore, the CM&TD accounted for 32 *per cent*.

Organizational set up

The CM&TD is headed by three Secretaries/Additional Chief Secretaries who looks after the Co-operation, Marketing and Textile Departments separately. They are assisted by four Controlling Officers *viz.* Commissioner of Co-operation and Registrar of Co-operative Societies, Pune; Commissioner of Sugar, Pune; Director of Marketing, Pune and Director of Textiles, Nagpur. The Controlling Officers are assisted by Regional Joint Directors and Deputy Directors. The proposals for loans/share capital submitted by the co-operative societies are first scrutinised at the level of Regional Joint Directors/Deputy Directors and then forwarded to the respective Controlling Officers for further recommendations. The proposals, after recommendations, are sent to the respective Secretaries for sanction, with the concurrence of the Finance Department, GoM.

Audit coverage

Records of (i) Commissioner of Sugar, Pune and their Regional Joint Directors at Pune, Ahmednagar and Kolhapur; (ii) Director of Textiles, Nagpur and their Regional Deputy Directors at Mumbai, Nagpur, Solapur and Aurangabad; (iii) Director of marketing, Pune; and (iv) Commissioner of Co-operation and Registrar of Co-operative Societies, Pune were test-checked in audit covering a five years period from 2009-10 to 2013-2014.

Overview of loans/share capital transactions

As on March 2014, GoM has provided financial assistance in the form of loans and/or repayable share capital contribution to 123 spinning mills, 425 PLCSs, 175 CSFs and 89 APCSs. A summary of loan transaction/share capital is given in **Table 1.33** and **Table 1.34**.

Table 1.33: Loan released, due for recovery, recovered and outstanding

(₹ in crore)

Particulars	Loan (Government loan, National Cooperative Development Corporation loan, SDF[21] loan)					
	Released	Due for recovery	Recovered	Outstanding		Percentage of recovery
				Principal	Interest	
Spinning Mills	539.13	288.63	35.99	252.64	178.03	12.47
PLCSs	230.98	183.10	14.37	168.73	347.37	7.85
CSFs	3013.90	972.67	244.79	727.88	320.89	25.17
APCSs	209.42	153.34	2.18	151.16	107.90	1.42
Total	**3993.43**	**1597.74**	**297.33**	**1300.41**	**954.19**	**18.61**

Source: Information obtained from Director of Textiles, Nagpur, Director of Marketing, Pune and Commissioner of Sugar, Pune and CM&TD

[21] Government of India created (1982) a Sugar Development Fund (SDF) by levying a cess of ₹ 14 per quintal of sugar produced for developmental activities of Sugar factories.

Table 1.34: Share capital released, due for redemption, redeemed and outstanding

(₹ in crore)

Particulars	Share Capital				
	Released	Due for redemption	Redeemed	Outstanding amount	Percentage of recovery
Spinning Mills	1616.38	220.66	25.64	195.02	11.62
PLCSs	100.62	81.06	2.64	78.42	3.26
CSFs	1211.69	649.76	43.73	606.03	6.73
APCSs	111.77	56.12	0.87	55.25	1.55
Total	**3040.46**	**1007.60**	**72.88**	**934.72**	**7.23**

Source: Information obtained from Director of Textiles, Nagpur, Director of Marketing, Pune and Commissioner of Sugar, Pune and CM&TD

Audit findings

General observations

The CM&TD was not maintaining year-wise details of loans sanctioned to the co-operative societies during the last five years. The postings in the ledgers/registers of loan were incomplete and age-wise analysis of outstanding amounts due was not done. The revenue receipts on account of recovery of loans were not reconciled with the records of treasuries. The CM&TD did not sign any agreements with the co-operative societies for the loans advanced nor did it safeguard its financial interest, as the loans were advanced without any collaterals.

The Controlling Officers were not monitoring the loans in order to ensure that the same were being utilised for the purpose for which it was sanctioned. The utilisation certificates were not obtained from the loanees and submitted to the Government from time to time.

Closure/liquidation of the co-operative units to whom loans were advanced or where the State Government had invested in redeemable shares, was one of the major reasons (as discussed subsequently) for meagre recovery of loans as could be seen from **Table 1.33** and **Table 1.34**.

National Co-operative Development Corporation (NCDC) gives loans to the State Government, which in turn are passed on by the State Government to the co-operative societies, either under the same terms and conditions stipulated by NCDC or more liberal or stringent terms and conditions, as deemed fit by the State Government. In case of defaults in payments of the principal and interest by the loanees, the State Government has to honour its commitments and obligations to the NCDC by repaying the loans. Hence, this is a liability of the State Government. The status of loans/share capital given by NCDC to GoM up to March 2014 is shown below.

Table: 1.35: Details of NCDC loans/share capital

(₹ in crore)

Sr. No.	Particulars	NCDC loan/share capital[22]		
		Principal due	Recovered	Outstanding
1	Spinning Mills (NCDC loan)	146.73	34.27	112.46
2	PLCSs (NCDC loan)	183.10	14.37	168.73
3	CSFs (NCDC loan)	184.01	104.25	79.76
4	APCSs (NCDC loan)	153.34	2.18	151.16
5	APCSs (NCDC share capital)	39.64	0.04	39.60
Total		**706.82**	**155.11**	**551.71**

Source: Information obtained from Director of Textiles, Nagpur, Director of Marketing, Pune and Commissioner of Sugar, Pune and CM&TD

Audit observed that CM&TD repaid ₹ 963.82 crore (principal plus interest) to NCDC during the period 2009-10 to 2013-14 which included the principal amount of ₹ 706.82 crore. But, recoveries to the extent of only ₹ 155.11 crore (principal) were effected from the beneficiary societies thus, leaving an outstanding liability of ₹ 551.71 crore which was also paid by the GoM to NCDC. This arrangement put a drain on the State exchequer.

Audit findings on co-operative spinning mills

(i) The financial assistance to spinning mills started from 1992 onwards and the status of share capital contribution of the GoM in 123 spinning mills as on March 2014 is given in **Table 1.36**

Table 1.36: Status of spinning mills to whom share capital was given by GoM

Status of Spinning Mills	No. of units	Share capital (₹ in crore)
Fully operational	34	500.65
Partly operational	29	645.63
Under construction	21	361.33
Converted to PLCSs	02	5.25
Closed	06	11.38
Under liquidation	31	92.15
TOTAL	**123**	**1616.39**

Source: Information furnished by Director of Textiles, Nagpur

Of the total 123 units, only 34 units involving Government share capital of ₹ 500.65 crore (31 *per cent*) were fully operational and 37 units which received share capital of ₹ 103.53 crore (six *per cent*) have either been closed or liquidated, as of March 2014. Government funds to the extent of ₹ 361.33 crore (22 *per cent*) was blocked in 21 units which were under construction (March 2014). The remaining 31 units (share capital ₹ 650.88 crore; 40 *per cent*) were being partially operated or converted to PLCSs as of March 2014. Considering the fact that no clear directions have been issued by CM&TD regarding recovery of share capital from these spinning mill units and the first right for recoveries being vested with the financial institutions/banks[23], the recovery of share capital given by the Government appeared to be doubtful.

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[22] The due amount of ₹ 706.82 crore stands included in the overall position shown in Table 1.33 and Table 1.34

[23] The spinning mills can avail of long term loans (50 *per cent* of the total project cost) from financial institutions; 45 *per cent* of the project cost from the State Government as share capital; five *per cent* as self-contribution

(ii) As per Section 155 (1) of Maharashtra Co-operative Societies Act, 1960, all sum dues from a society to the Government are to be recovered according to the law and under the rules for the time being in force for the recovery of arrears of land revenue.

Audit scrutiny however, revealed that the recoveries of loans and refunds of share capital were poor. As of March 2014, of the total amount of ₹ 509.29 crore due for recovery from 123 spinning mills, an amount of only ₹ 61.63 crore was recovered (12 *per cent*), leaving an outstanding balance of ₹ 447.66 crore (**Table 1.33 and Table 1.34**). Even in the case of 34 fully operational spinning mills, the amount due for recovery in respect of 28 spinning mills was ₹ 192.81 crore of which, ₹ 25.64 crore was recovered, leaving an outstanding balance of ₹ 167.17 crore as of March 2014.

(iii) As per Government Resolution (June 2006), when a spinning mill is converted into a powerloom co-operative society, the financial assistance already provided to the spinning mill should be re-adjusted in accordance with the prescribed financial arrangements of the new scheme failing which, the whole amount is to be refunded in lump sum to the Government account.

Two spinning mills[24] (**Table 1.36**) to whom share capital of ₹ 5.25 crore was provided by the GoM, were converted to PLCSs. However, the share capital was neither re-adjusted against the new scheme nor refunded in lump sum to the Government even after lapse of eight years (2006 to 2014).

The CM&TD stated (April 2014) that these spinning mills were earlier under the jurisdiction of Director of Textiles, Nagpur and when they got converted to powerlooms, they went under the jurisdiction of District Deputy Registrars, Beed and Osmanabad. The CM&TD added that the issue of adjustment of share capital has been brought to the notice of the District Deputy Registrars.

The reply is not tenable as both the District Deputy Registrars were also within CM&TD and an effective co-ordination could have ensured the timely re-adjustment of share capital.

(iv) The GoM decided in October 2011 to provide interest free soft loan to co-operative spinning mills for a period of three years to combat recession in textile industry. As per the decision, the soft loan was to be recovered in three equal annual instalments after a moratorium of one year. The first instalment was due in 2013-14. CM&TD released (December 2011) soft loan of ₹ 106.30 crore to 54 out of 123 spinning mills. As per the terms of sanctions, the first instalment of ₹ 35.43 crore was required to be recovered by 2013-14 from these spinning mills. However, only ₹ 1.67 crore was recovered from three[25] out of 54 spinning mills as of March 2014.

(v) The CM&TD sanctioned (March 2011) ₹ two crore share capital to Shri Kulswamini Sahkari Soot Girni Limited, Taluka Tuljapur, Osmanabad. The Director of Textiles, Nagpur informed (March 2012) the Principal Secretary, Textiles that ₹ two crore share capital given to the mill was utilised for repayment of medium term loan taken from Maharashtra State Co-operative

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[24] Majalgaon Shetkari Sahkari Soot Girni Majalgaon, Beed and Shree Terna Sahkari Sooti Girni Maryadit, Osmanabad

[25] Indira Sahakari Sakhar Karkhana, Latur (₹ 0.41 crore), Sheshrao Wankhede Sahkari Sakhar Karkhana, Nagpur (₹ 1.16 crore) and Hutatma Swami Warke Sahkari Sakhar Karkhana, Kolhapur (₹ 0.10 crore)

Bank, Mumbai and thus, breached the terms and conditions of financial assistance given to the co-operative societies. Audit however, observed that CM&TD again released (April 2012) ₹ five crore to the same spinning mill through vote on account, despite the fact that the initial instalment of ₹ two crore was not utilised by the mill for the purpose for which it was sanctioned.

Audit findings on co-operative sugar factories

(i) The CSFs in Maharashtra are processing Societies under the Maharashtra Co-operative Societies Act, 1960. They manufacture sugar from the sugarcane purchased from the local farmers. Besides producing sugar from sugarcanes, CSFs also take up electricity production by setting up cogeneration units. The financial assistance to CSFs started from 1995-96 onwards. As of March 2014, of the total amount of ₹ 1,622.43 crore due for recovery from 175 CSFs, only ₹ 288.52 crore was recovered (18 *per cent*), leaving an outstanding balance of ₹ 1,333.91 crore.

(ii) New CSFs are to complete their erection and commissioning within three years of their registration with Commissioner of Sugar, Pune. Audit observed that six CSFs registered between 1992 and 2001 did not complete their erection and commissioning as of March 2014, resulting in delay of nine to 19 years **(Appendix 1.16)**. Consequently, share capital amounting to ₹ 59.89 crore released to these CSFs by CM&TD, without linking it with the progress of work, remained blocked for significant period.

(iii) Road development grants are given by the Commissioner of Sugar, Pune to the CSFs for development of roads leading to the sugarcane farms, in order to ensure smooth transportation during the crushing season. The CSFs are required to utilise the funds in the year in which it is sanctioned. The Commissioner of Sugar, Pune released road grant of ₹ 5.70 crore to 11 CSFs during 2009-10 to 2011-12[26]. Of the total road grant of ₹ 5.70 crore released to 11 CSFs, the share of four CSFs was ₹ 1.54 crore. However, these four CSFs could utilise only ₹ 0.21 crore thus, leaving an unspent balance of ₹ 1.33 crore, which was not recovered as of March 2014. The details are shown in **Appendix 1.17**.

(iv) The GoM promulgated (February 2008) a policy of financial assistance to the cogeneration[27] projects of CSFs. As per policy, CSFs were to raise 10 *per cent* share capital of which, five *per cent* was to be given by GoM through green cess[28]. The financial institutions/banks were to contribute 60 *per cent* and the remaining 30 *per cent* was to be contributed by SDF.

As per the terms and conditions of release of Government share capital to CSF, 50 *per cent* of the share capital was redeemable by the fifth year and the remaining 50 *per cent* by the tenth year. In order to ensure timely redemption, CSFs was to create a Redeemable Reserve Fund by contributing 10 *per cent* of the Government contribution every year.

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[26] No road grants were sanctioned during 2012-13 and 2013-14

[27] Cogeneration is the process whereby a single fuel source, such as natural gas, is used to produce both electrical and thermal energy

[28] This cess is to be used for executing schemes for generation of renewable energy

Audit observed that CM&TD disbursed (March 2009) ₹ 35 crore to 16 CSFs as share capital, as detailed in **Appendix 1.18**. As per terms and conditions of release, the CSFs should have contributed five annual instalments totalling ₹ 17.50 crore (*i.e.* 50 *per cent* of ₹ 35 crore) to the Redeemable Reserve Fund, in order to redeem the share capital. This was, however, not done and share capital was not redeemed.

(v) Being a liquidated sugar factory, the Commissioner of Sugar, Pune leased out (November 2012) M/s Karmveer Kakasaheb Wagh Sahkari Sakhar Karkhana Limited, Nasik to M/s Chhatrapati Sambhaji Raje Sakhar Udyog Limited, Aurangabad (lessee) for a period of six crushing seasons (2012-13 to 2017-18) on an annual lease rent of ₹ 2.01 crore. The lease agreement signed between the lessee and Commissioner of Sugar, Pune had suitable provisions to safeguard the financial interests of the Government. According to the lease agreement, 50 *per cent* of the lease rent was to be paid by the lessee to the Commissioner of Sugar, Pune before commencement of the crushing season, 25 *per cent* after three months of commencement of crushing and the balance 25 *per cent* was to be paid 10 days before conclusion of the crushing season. Audit observed that lease rent of two years amounting to ₹ 4.02 crore for 2012-13 and 2013-14 was not paid by the lessee as of March 2014. Further, security deposit in the form of bank guarantee equivalent to 25 *per cent* of the annual rent (₹ 0.50 crore) was also not furnished by the lessee before the start of crushing years 2012-13 and 2013-14.

The Commissionerate of Sugar stated (June 2014) that the matter was taken up with the lessee and the lessee has agreed to pay the entire outstanding rent along with interest. The Commissioner added that the bank guarantee would be taken from the lessee before the commencement of crushing season 2014-15.

Audit findings on agro processing co-operative societies

The financial assistance to APCSs started from 2007. The repayment of loan and redemption of share capital in respect of APCSs was significantly low as could be seen from **Table 1.33** and **Table 1.34.** The CM&TD attributed (May 2014) the low recoveries to non-functioning of APCSs to their full capacity, some APCSs being under-construction, non-availability of financial assistance in time from the State Government, lack of sufficient electricity, non-availability of skilled staff in APCSs, *etc*. Further, a meeting headed by the Additional Chief Secretary (Marketing) was held in July 2013 to initiate steps to speed up the recoveries.

Audit observed that of the total 89 units, 28 units to whom loans amounting to ₹ 104.47 crore were given had closed their operations and 12 units, with an outstanding dues of ₹ 113.72 crore, were under liquidation (December 2013). The CM&TD stated (May 2014) that ₹ 14 lakh had been recovered from closed units in Sangli and Sindhudurg districts and action has been initiated against the remaining units under Section 155 of Maharashtra State Co-operatives Societies Act, 1960.

Unless tangible efforts are made by the State Government for timely recovery of outstanding loans, the chances of recoveries of the outstanding dues from the APCSs would remain bleak.

1.8.4 Cash balances and investment of cash balances

Table 1.37 and **Chart 1.15** depict the cash balances and investments made by the State Government out of cash balances during the year.

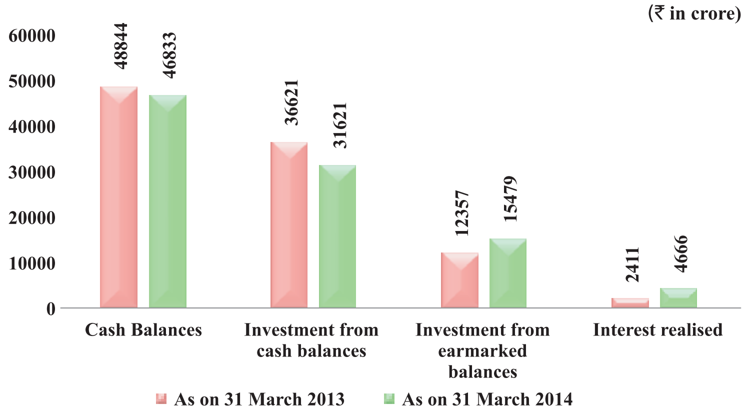
Table 1.37: Cash balances and investment of cash balances

(₹ in crore)

Particulars	As on 31 March 2013	As on 31 March 2014	Increase (+)/ Decrease(-)
Cash in treasuries	**0.14**	**0.17**	**0.03**
Deposits with Reserve Bank of India	**(-)194.42**	**(-)277.04**	**(-)82.62**
Remittances in transit-Local	**55.10**	**54.88**	**(-)0.22**
Cash with the departmental officers	**4.61**	**4.76**	**0.15**
Permanent advance for contingent expenditure with departmental officers	**0.49**	**0.50**	**0.01**
Investments from cash balances (a to d)	**36621.16**	**31620.91**	**(-)5000.25**
a. GoI Treasury Bills	36620.46	31620.22	(-)5000.24
b. GoI Securities	–	–	–
c. Other Securities, if any specify	–	–	–
d. Other Investments	0.70	0.69	(-)0.01
Fund-wise break-up of investment from Earmarked balances (a to e)	**12356.64**	**15479.27**	**3122.63**
a. General and other Reserve Funds	10.88	10.88	0.00
b. Sinking Fund	12331.26	15453.89	3122.63
c. Fund for Development of Milk supply	1.00	1.00	0
d. Other Development and Welfare Funds	13.42	13.42	0
e. Miscellaneous Deposits	0.08	0.08	0
Total Cash Balances	**48843.72**	**46883.46**	**(-)1960.26**
Interest Realised	*2411.21*	*4666.37*	*2255.16*
Source: Finance Accounts of respective years			

Chart 1.15: Cash balance and investment of cash balance

(₹ in crore)



(Source: Finance Accounts of respective years)

The State Government's cash balances of ₹ 46,883 crore at the end of the current year showed a decrease by four *per cent* (₹ 1,961 crore) over the previous year. Of the above, ₹ 31,621 crore was invested in GoI Treasury Bills which earned an interest of ₹ 3,136 crore during the year. Further, ₹ 15,479 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**.

The cash balances of the State Government at the end of March 2014 (₹ 46,883 crore) was nearly 27 *per cent* of the total expenditure of the State Government during the year (₹ 1,76,568 crore).

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, 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 2014, there was an outstanding balance (cumulative) of ₹ 7,480.37 crore. During 2013-14, the total value of lapsed cheques amounted to ₹ 31.43 crore (₹ 0.17 crore on salaries, ₹ 7.45 crore on pension payments, ₹ 0.55 crore on refunds of revenue, ₹ 0.13 crore on Provident Fund disbursements, ₹ 0.10 crore on Insurance and Pension Funds and ₹ 23.03 crore on Others).

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 1.19** gives an abstract of such liabilities and the assets as on 31 March 2014, compared with the corresponding position on 31 March 2013. 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.

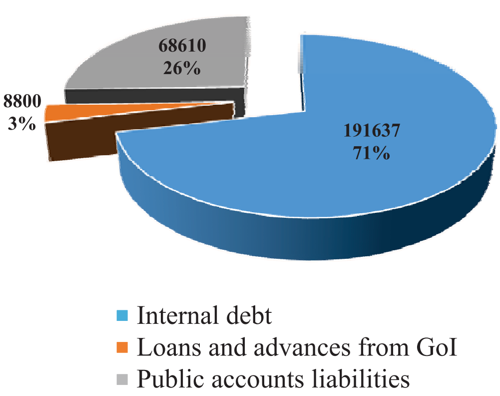
According to the MFRBM Act, 2005, the total liabilities of the State means the liabilities under the Consolidated Fund of the State and the Public Account of the State.

1.9.2 Fiscal liabilities

The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Charts 1.16** and **1.17.**

Chart 1.16: Composition of outstanding fiscal liabilities as on 31 March 2013

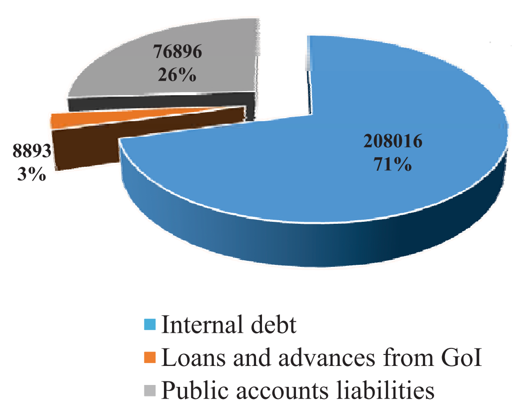
(₹ in crore)



(Source: Finance Accounts 2012-13)

Chart 1.17: Composition of outstanding fiscal liabilites as on 31 March 2014

(₹ in crore)



(Source: Finance Accounts 2013-14)

Table 1.38 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 1.38: Fiscal liabilities – basic parameters

	2009-10	2010-11	2011-12	2012-13	2013-14
Fiscal Liabilities (₹ in crore)#	196826	220950	245338	269047	293805
Rate of Growth *(per cent)* #	13.02	12.26	11.04	9.66	9.20
Ratio of Fiscal Liabilities to					
GSDP *(per cent)* #	23.00	21.06	20.87	20.32	19.90
Revenue Receipts *(per cent)* #	226.50	208.70	202.30	188.20	196.10
Own Resources *(per cent)* #	291.80	265.40	256.20	237.20	244.90
Buoyancy of Fiscal Liabilities with reference to :					
GSDP (ratio) #	0.964	0.542	0.917	0.765	0.799
Revenue Receipts (ratio) #	1.876	0.562	0.758	0.541	1.917
Own Resources (ratio) #	1.428	0.524	0.734	0.524	1.600

Source: Finance Accounts of respective years

\# *Figures differ from previous year due to adoption of net figures of reserve funds*

The overall fiscal liabilities of the State increased at an average annual rate of 12.32 *per cent* during the period 2009-14. The growth rate decreased continuously from 13 *per cent* in 2009-10 to 9.19 *per cent* in 2013-14. During 2013-14, the debt to GSDP ratio at 19.9 *per cent* was higher than the projections made in MTFPS (17.60 *per cent*) but lower than the ThFC (25.5 *per cent*) and MFRBM Rules, 2011 (25.5 *per cent*). These liabilities were nearly twice the revenue receipts and more than twice the State's own resources at the end of 2013-14. The buoyancy of these liabilities with respect to GSDP during 2013-14 was 0.798, indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 0.798 *per cent*.

Of the total fiscal liabilities, the share of public debt was maximum (74 *per cent)*, followed by deposits[29] (16 *per cent),* reserve funds (three *per cent)* and Small Savings, Provident fund[30], *etc.* (seven *per cent)*. Fiscal liabilities increased by ₹ 24,758 crore from ₹ 2,69,047 crore in 2012-13 to ₹ 2,93,805 crore in 2013-14, mainly due to increase in Public Debt (₹ 16,473 crore), Deposits (₹ 6,772 crore) and Small Savings and Provident Funds (₹ 1,894 crore), set-off by decrease in Reserve Fund (₹ 381 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 2014, the closing balance in the Sinking Fund was ₹ 15,453.89 crore which included ₹ 3,123 crore for 2013-14 and the entire balance was invested.

1.9.2.1 Increasing trend of balance under 8443-Civil Deposits

During 2009-10 to 2013-14, 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 1.39**.

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29 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

30 Small Savings, 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

Table 1.39: Balance under 8443-Civil Deposits

(₹ in crore)

Year	Opening balance 8443-Civil Deposits as on 01 April	Receipts	Disbursements	Closing balance of 8443-Civil Deposits as on 31 March	Net increase during the year	Closing balance of 8443-106 -Personal Deposits as on 31 March (percentage)
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)
2013-14	13509.64	24727.68	22545.07	15692.25	2182.61	9254.78 (59)

Source: Finance Accounts of respective years

It may 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, all funds which are transferred to the Personal Deposit Accounts from the Consolidated Fund of the State, 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 2013-14, it would be 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 liabilities under the Major Head 8443–Civil Deposits were also not ascertainable.

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

As per the Finance Accounts 2013-14, there was an unreconciled balance of ₹ 3,243.42 crore under Civil Deposits and Other Civil Deposits pertaining to the period 1960-61 to 2013-14. Of the above, 'Provident Fund Accounts maintained by Departmental Officers' was the major item pertaining to 1960-61 to 2013-14 that remained unreconciled (₹ 3,236.22 crore) as of March 2014.

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 **Appendix 1.20**. The total accumulated balance as on 31 March 2014 in these funds was ₹ 25,610.02 crore (₹ 25,581.01 crore in active funds and ₹ 29.01 crore in inoperative funds). However, the investment out of this balance was only ₹ 15,479.19 crore (60 *per cent*).

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. Mention was made in the Report of the Comptroller and Auditor General of India on State Finances for the year ended 31 March 2013 (paragraph 1.9.4.2) regarding guarantees given by the GoM to the Co-operative Sugar Factories and to the State Social Welfare Corporations.

The maximum amount for which guarantees were given by the State Government and the outstanding guarantees during the last three years as given in the Statement 9 of the Finance Accounts (Volume-II) 2013-14 are summarised in **Table 1.40.**

Table 1.40: Guarantees given by the Government of Maharashtra

(₹ in crore)

Guarantees	2011-12	2012-13	2013-14
Maximum amount guaranteed	45515	41353	32247
Outstanding amount of guarantees	15041	9246	7235
Percentage of maximum amount guaranteed to total revenue receipt	38	29	22

Source: Finance Accounts of respective years

Limits on guarantees to be given by the State Government have not been fixed by the State Legislature. The MFRBM Act, 2005 also does not prescribe any limits. During 2013-14, guarantees of ₹ 490 crore were given by the State Government to (a) Maharashtra State Co-operative Marketing Federation (₹ 285 crore); (b) Maharashtra Agricultural Industries Development Corporation (₹ 140 crore); (c) Social Justice and Special Assistance Federation (₹ 50 crore); and (d) Minority Development Federation (₹ 15 crore). Outstanding guarantees (₹ 7,235 crore) during 2013-14 accounted for five *per cent* of the revenue receipts (₹ 1,49,822 crore) and 0.49 *per cent* of the GSDP (₹ 14,76,233 crore).

The Twelfth Finance Commission recommended setting up Guarantee Redemption Fund through earmarked guarantee fees to meet the contingent liabilities arising from the guarantees given by the State Government. The MTFPS for the year 2009-10 stated that the State was in the process of setting up Guarantee Redemption Fund. However, the State Government had not created the fund as of March 2014.

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 ₹ 68.09 crore during 2013-14 from ₹ 82.01 crore during 2012-13. The guarantee fee of ₹ 68.09 crore received during the year was taken as revenue receipts due to non-creation of the guarantee redemption fund and thus, the revenue deficit of the State stands understated to that extent.

1.9.4.2 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 1.40**, 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 mobilised 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 2013-14. However, at the close of 2013-14, ₹ 1,216 crore was outstanding on account of off-budget borrowings made prior to 2005-06.

1.9.4.3 Information on committed liabilities

The Twelfth Finance Commission in its report (November 2004) recommended inclusion of eight additional statements/information in State Government accounts for greater transparency and to enable informed decision-making, pending transition from cash to accrual based accounting. However, the State Government failed to provide information on committed liabilities as a result, the Finance Accounts are incomplete to this extent.

1.10 Debt management

Debt profile

Per capita debt of the State Government is as given in **Table 1.41**

Table 1.41: Time series analysis showing the per capita debt

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Internal Debt	142685	158314	176622	191637	208016
Loans and Advances from GoI	8749	9086	8772	8830	8893
Total	**151434**	**167400**	**185394**	**200467**	**216909**
Population (as per Census 2001/2011)	9.69 crore	9.69 crore	11.24 crore	11.24 crore	11.24 crore
Per Capita Debt (in ₹)	15627.86	17275.54	16494.13	17835.14	19297.95
Source: Finance Accounts and Economic Survey of Maharashtra of respective years					

The per capita debt increased from ₹ 15,627.86 in 2009-10 to ₹ 19,297.95 in 2013-14.

Debt sustainability

Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability[31] of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation[31], sufficiency of non-debt receipts[31], net availability of borrowed funds[31], burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.42** analyses the debt sustainability of the State according to these indicators for the period of three years beginning from 2011-12.

Table 1.42: Debt sustainability: indicators and trends

Indicators of debt sustainability	2011-12	2012-13	2013-14
Debt Stabilisation (₹ in crore)[#] (Quantum Spread + Primary Deficit/Surplus)[31]	7374	18094	5897
Sufficiency of non-debt receipts (Resource Gap) (₹ in crore)	(-)1283	6400	(-)12278
Net Availability of Borrowed Funds (₹ in crore)	6883	4633	3551
Burden of Interest Payments(IP/RR Ratio) (in *per cent*)	14	13	14
[#] *Figures differ from previous year due to correction in fiscal liability figures*			
Source: Finance Accounts of respective years			

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 minus average 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 stabilise 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.

[31] see Glossary at page 142

Table 1.42 reveals that though the sum of quantum spread and primary deficit in 2013-14 remained positive, it reduced from ₹ 18,094 crore (2012-13) to ₹ 5,897 crore (2013-14) indicating a tendency towards non-sustainability of debt position of the State.

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 1.42** reveals that during the year 2011-12 the resource gap was negative which turned positive during 2012-13, indicating the capacity of the State to sustain the debt in the medium to long run. However, during the current year, the resource gap turned negative indicating the beginning of risk of non-sustainability of debt.

The negative resource gap (₹ 12,278 crore) was a result of insufficiency of the incremental non-debt receipt (₹ 6,740 crore) to meet the incremental primary expenditure (₹ 16,886 crore) and incremental interest payments (₹ 2,131 crore). Thus, for debt stability, the State needs to improve 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 1.42 reveals that the net availability of borrowed funds decreased from ₹ 6,883 crore in 2011-12 to ₹ 4,633 crore in 2012-13 and further reduced to ₹ 3,551 crore in 2013-14.

During 2013-14, Government raised internal debt of ₹ 25,770 crore, GoI loans of ₹ 964 crore and other obligations of ₹ 42,756 crore. Government repaid internal debt of ₹ 9,391 crore, GoI loans of ₹ 871 crore and discharged other obligations of ₹ 34,470 crore and paid interest of ₹ 21,207 crore, resulting in net availability of borrowed funds to the extent of ₹ 3,551 crore during the year.

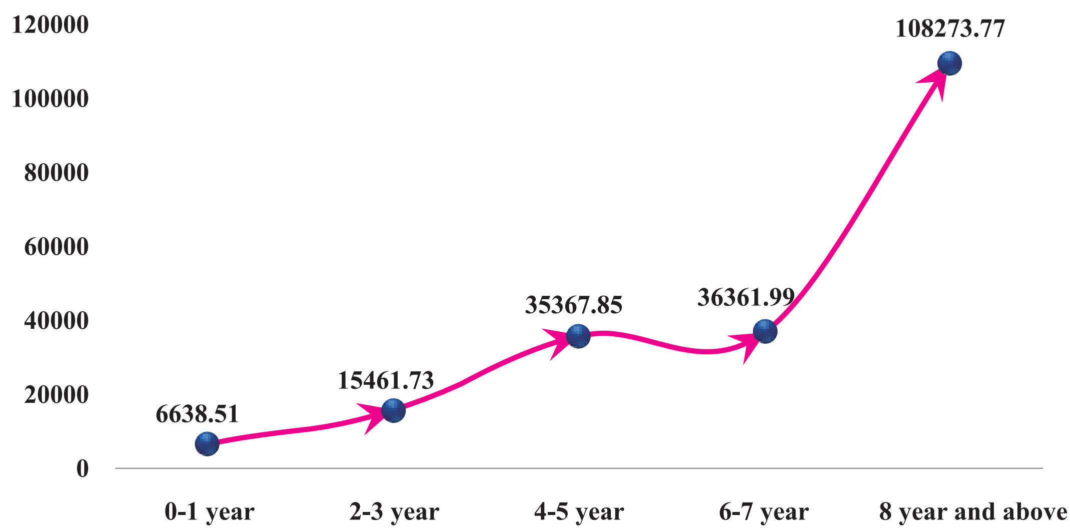
Table 1.43: Maturity profile of State debt

Maturity Profile (in years)	Amount (₹ in crore)	*per cent*
0 – 1	6638.51	3.20
2 – 3	15461.73	7.43
4 – 5	35367.85	17.00
6 – 7	36361.99	17.48
8 and above	108273.77	52.05
Information not furnished by the State Government	5912.13	2.84
Total	**208015.98**	**100.00**

Source: Finance Accounts 2013-14

Chart 1.18: Maturity profile of the State debt

(₹ in crore)



(Source: Finance Accounts 2013-14)

The maturity of the State debt as per **Table 1.43** and **Chart 1.18** indicates that nearly 27.63 *per cent* of the total State debt is repayable within the next five years while the remaining 72.37 *per cent* is payable from sixth year onwards. **Table1.43** further indicates that the liability of the State to repay the debt would be ₹ 35,367.85 crore during the period 2017-19 and ₹ 36,361.99 crore during 2019-21 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.

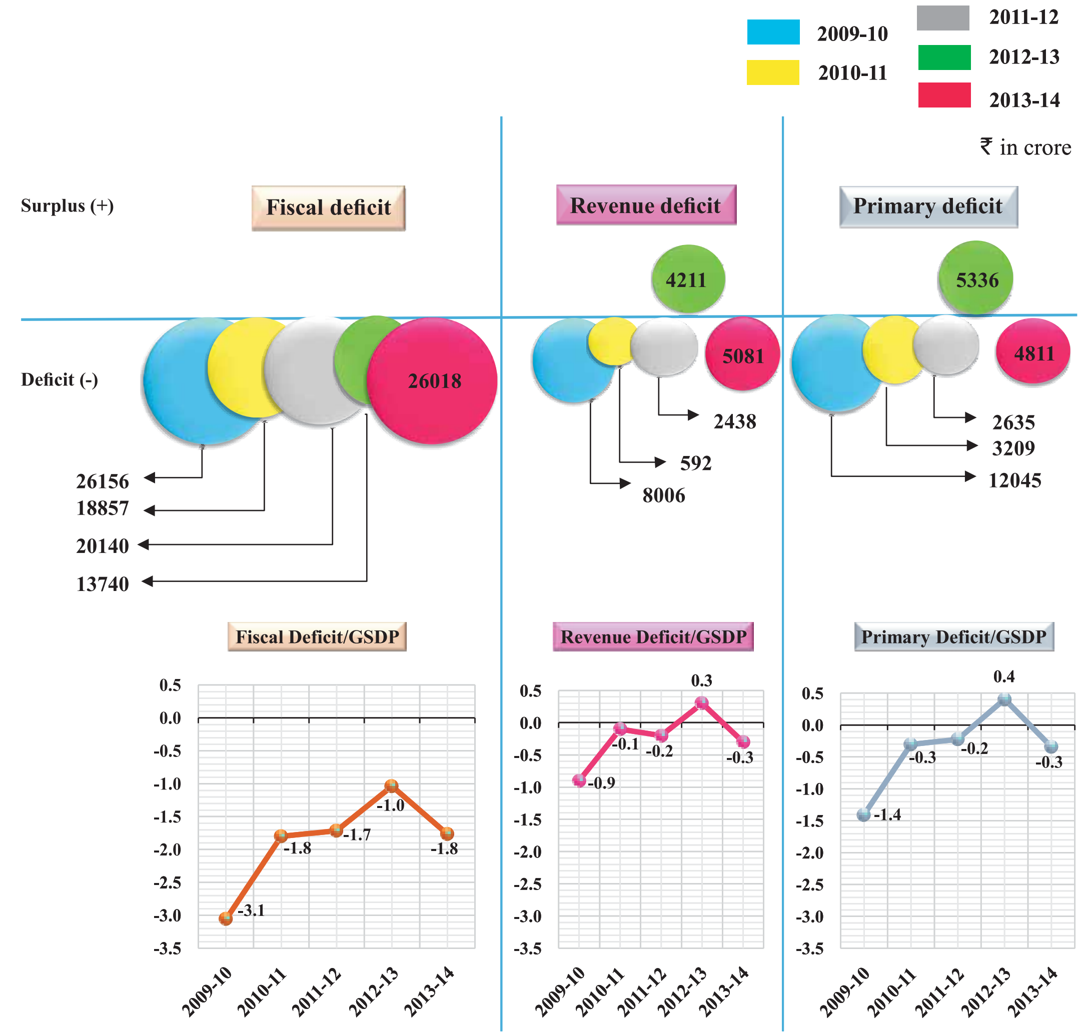
1.11 Fiscal imbalances

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 and 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 2013-14.

1.11.1 Trends in deficits

Charts 1.19 presents the trends in deficit indicators over the period 2009-14.

Chart 1.19: Trends in deficit indicators



(Source: Finance Accounts of respective years)

The revenue deficit of ₹ 8,006 crore during 2009-10 was mainly due to increase in revenue expenditure. 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 bringing down the revenue deficit to zero could not be achieved in 2011-12 but, a revenue surplus of ₹ 4,211 crore was achieved in 2012-13. This revenue surplus during 2012-13 was achieved mainly due to increase in revenue receipts by 18 *per cent* as against an increase in revenue expenditure by 12 *per cent.* During 2013-14, the revenue deficit was ₹ 5,081 crore due to sharp increase in revenue expenditure by 12 *per cent* as against an increase in revenue receipts of only five *per cent*.

The fiscal deficit of ₹ 13,740 crore during 2012-13 increased to ₹ 26,018 crore during 2013-14, as a result of increase in revenue expenditure (₹ 16,166 crore) and net capital expenditure (₹ 2,622 crore) and increase in net loans and advances disbursed (₹ 229 crore) over the previous year.

Primary deficit[32] during 2009-12 turned to primary surplus during 2012-13 (₹ 5,336 crore). This again turned to primary deficit during 2013-14 (₹ 4,811 crore),

[32] see Glossary at page 142

due to increase in fiscal deficit (₹ 12,278 crore) and increase in interest payment (₹ 2,131 crore) over the previous year.

During the year 2013-14, there were transactions outside the Consolidated Fund, budgeting and booking under incorrect heads, non-provision of interest on reserve funds and deposit accounts, *etc*. As a result, the revenue deficit was overstated by ₹ 41.56 crore and understated by ₹ 1,212.97 crore. The details are shown in the notes to accounts of Finance Accounts (Volume-I) 2013-14.

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 1.44.**

Table 1.44: Components of fiscal deficit and its financing pattern

(₹ in crore)

	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Composition of Fiscal Deficit(-)/ Surplus (+) (1+2+3) (a)		**(-)26156**	**(-)18857**	**(-)20140**	**(-)13740**	**(-)26018**
		(-3.06)	**(-1.8)**	**(-1.71)**	**(-1.04)**	**(-1.76)**
1	Revenue Deficit(-)/Surplus (+)	(-)8006	(-)592	(-)2438	4211	(-)5081
		(-0.94)	(-0.06)	(-0.21)	(0.32)	(-0.34)
2	Net Capital Expenditure	(-)17404	(-)17946	(-)17424	(-)17398	(-)20020
		(-2.03)	(-1.71)	(-1.48)	(-1.31)	(-1.36)
3	Net Loans and Advances	(-)746	(-)319	(-)277	(-)553	(-)917
		(-0.09)	(-0.03)	(-0.02)	(-0.04)	(-0.06)
Financing Pattern of Fiscal Deficit#						
1	Market Borrowings	14509	10484	19420	16324	19163
		(1.7)	(1)	(1.65)	(1.23)	(1.3)
2	Loans from GoI	325	337	(-)144	58	94
		(0.04)	(0.03)	(-0.01)	(0)	(0.01)
3	Special Securities Issued to National Small Savings Fund	2751	5155	(-)1172	(-)936	(-)2285
		(0.32)	(0.49)	(-0.1)	(-0.07)	(-0.15)
4	Loans from Financial Institutions and other Loans	154	(-)9	60	(-)373	(-)499
		(0.02)	(0)	(0.01)	(-0.03)	(-0.03)
5	Small Savings, PF *etc.*	1790	2022	2260	2188	1893
		(0.21)	(0.19)	(0.19)	(0.17)	(0.13)
6	Deposits and Advances	3502	6259	4532	6442	6772
		(0.41)	(0.6)	(0.39)	(0.49)	(0.46)
7	Suspense and Miscellaneous	4020	(-)1104	(-)1509	100	(-)2705
		(0.47)	(-0.11)	(-0.13)	(0.01)	(-0.18)
8	Remittances	2163	(-)482	(-)256	843	(-)1117
		(0.25)	(-0.05)	(-0.02)	(0.06)	(-0.08)
9	Reserve Funds	875	2153	1400	1976	2742
		(0.1)	(0.21)	(0.12)	(0.15)	(0.19)
10	Contingency Fund	(-)251	842	(-)489	140	(-)500
		(-0.03)	(0.08)	(-0.04)	(0.01)	(-0.03)
11	Appropriation to/from Contingency fund	250	(-)850	500	(-)150	500
		(0.03)	(-0.08)	(0.04)	(-0.01)	(0.03)
12	**Total (1 to 11) (b)**	**30088**	**24807**	**24602**	**26612**	**24058**
13	Increase(-)/Decrease (+) in Cash Balance (a) – (b)	(-)3932	(-)5950	(-)4462	(-)12872	1960
		(-0.46)	(-0.57)	(-0.38)	(-0.97)	(0.13)
14	Overall deficit (12+13)	26156	18857	20140	13740	26018
		(3.06)	(1.8)	(1.71)	(1.04)	(1.76)

Figures in parenthesis indicate the per cent to GSDP
 # All figures are net of disbursements/outflows during the year
Source: Finance Accounts of respective years

The fiscal deficit increased by ₹ 12,278 crore during 2013-14 due to the revenue deficit. The net capital expenditure as a percentage of the fiscal deficit decreased from 127 *per cent* during 2012-13 to 77 *per cent* during 2013-14.

As can be seen from **Table 1.45**, during the period 2013-14 there was an overall deficit (decrease in cash balance) after financing the fiscal deficit.

Table 1.45: Receipts and disbursements under components financing the fiscal deficit during 2013-14

(₹ in crore)

	Particulars	Receipts	Disbursements	Net
1	Market Borrowings	23600	4437	19163
2	Loans from GoI	965	871	94
3	Special Securities Issued to NSSF	1425	3710	(-)2285
4	Loans from Financial Institutions and other Loans	745	1244	(-)499
5	Small Savings, PF *etc.*	4868	2975	1893
6	Deposits and Advances	32347	25575	6772
7	Suspense and Miscellaneous	(-)2694	11	(-)2705
8	Remittances	23958	25075	(-)1117
9	Reserve Funds	5540	2798	2742
10	Contingency Fund	860	1360	(-)500
11	Appropriation to/from Contingency Fund	1350	850	500
12	Total (1 to 11) (b)	94116	70058	24058
13	Increase(-)/Decrease (+) in Cash Balance (a) – (b)			1960
14	Overall deficit (12+13) (a)			26018
Source : Finance Accounts 2013-14				

Cost of borrowings

During the year 2013-14, the State Government raised market loans of ₹ 23,600 crore under internal debt. The cost of raising of this internal debt being ₹ 26.16 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, this ratio was 0.20 i.e. 20 *per cent* of the borrowing was used for current consumption.

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 2009-12 as well as in 2013-14. However, during 2012-13, non-debt receipts were sufficient to meet the expenditure requirements both under revenue and capital account resulting in primary surplus. The details are indicated in **Table 1.46**.

Table 1.46: 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)
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
2013-14	150550	133695	20021	1645	155361	16855	(-)4811

Source: Finance Accounts of respective years

The capital expenditure as a percentage to primary expenditure[33] continuously decreased from 17.52 *per cent* during 2009-10 to 12.56 *per cent* during 2012-13 and marginally increased to 12.89 *per cent* during 2013-14.

1.12 Follow up

The 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 recommendations

1. The revenue receipts (₹ 1,49,822 crore) increased during the year by five *per cent* over the previous year which was the net effect of increase in tax revenue (five *per cent*), Central tax transfers (nine *per cent*) and decrease in grants-in-aid from GoI (eight *per cent*). The decrease in grants-in-aid was mainly due to under-utilisation/non-utilisation of ThFC grants. The revenue receipts were 96 *per cent* of budget estimates for the year 2013-14**.** The non-tax revenue receipts of the State Government was more than the projections made in the FCP by four *per cent* but, lower than the budget estimates and the ThFC by five *per cent* and 16 *per cent* respectively. During the past three years, the growth rate of revenue receipts was more than the growth rate of GSDP. There was a short-receipt of interest relief of ₹ 406.52 crore during 2010-12 and ₹ 418.30 crore during 2013-14 on account of reset of NSSF interest rates.

2. The revenue expenditure increased by 12 *per cent* over the previous year and constituted 88 *per cent* of the total expenditure during 2013-14. Non-plan revenue expenditure (NPRE) constituted 83 *per cent* of the revenue expenditure and as a percentage of revenue receipts it increased to 86 *per cent* in 2013-14 from 80 *per cent* in 2012-13. The NPRE at ₹ 1,28,992 crore remained higher than the normative assessment made by the ThFC (₹ 93,328 crore) and the State Government's projections in FCP (₹ 1,21,699 crore) and budget estimates (₹ 1,25,647 crore). The Plan revenue expenditure and NPRE increased by six *per cent* and 13 *per cent* respectively over the previous year.

   As against the targeted revenue surplus during 2013-14, there was revenue deficit of ₹ 5,081 crore due to the significant gap between the growth rates of

[33] 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

the revenue receipts (five *per cent*) and revenue expenditure (12 *per cent*) over the previous year. The fiscal deficit (₹ 26,018 crore) increased as compared to the previous year and constituted 1.76 *per cent* of GSDP which was within the limit of three *per cent* set under FRBM**.** The primary deficit during 2013-14 was ₹ 4,811 crore.

The Government may make concerted efforts to bridge the revenue gap and reduce its non-productive non plan revenue expenditure so as to move towards revenue surplus status. For this, the Government may consider mobilizing additional resources through tax and non-tax sources.

3 Expenditure under subsidies increased by 30 *per cent* over the previous year and constituted about eight *per cent* of the revenue expenditure. The expenditure on salaries and wages (including the grants-in-aid component) was lower than the State's own FCP and the projections made in the budget estimates. Financial assistance to local bodies and other institutions, which constituted 44 *per cent* of the revenue expenditure during 2013-14, increased by seven *per cent* over the previous year.

4. The capital expenditure, which constituted 11 *per cent* of the total expenditure, increased by 15 *per cent* during 2013-14 over the previous year. The percentage of capital expenditure to total expenditure showed a declining trend from 15 *per cent* in 2009-10 to 11 *per cent* in 2013-14. The ratio of capital expenditure to aggregate expenditure in 2013-14 was lower than the ratio of General Category States.

Considering the declining trend in the capital expenditure to total expenditure over the last five years, there is scope for the Government to prioritize its spending on creation of more capital assets.

5. The recovery of loan and share capital given by the Co-operation, Marketing and Textiles Department to various co-operative societies was poor. As of March 2014, the CM&TD released loans and share capital of ₹ 7,033.89 crore to various co-operative societies of which, the amount due for recovery was ₹ 2605.34 crore. However, the recoveries were meagre at ₹ 370.21 crore (14.20 *per cent*). There were inadequacies in the system of accountal of recoveries of loans and the monitoring as well. There was breach of terms and conditions of financial assistance given to the co-operative societies. In order to honour the obligations of financial assistance given by National Co-operative Development Corporation, the State Government had to pay the outstanding liabilities of the defaulter societies also. Share capital of ₹ 59.89 crore released to six co-operative sugar factories, without linking it with the progress of work, remained blocked for significant period. Substantial Government dues were locked in those co-operative societies which had either closed down their operations or were under liquidation.

There is a need to review the system of extending loans and share capital to co-operative societies in order to ensure that the financial interests of the Government are not harmed.

6. The average return on the State Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives varied between 0.02 and 0.05 *per cent* in the past three years while the Government paid an average interest of 7.42 to 7.54 *per cent* on its borrowings.

   The Government may review the working of state undertakings/rural banks/ co-operatives which are making losses and where substantial Government investments are blocked.

7. During 2013-14, the fiscal liabilities (₹ 2,93,805 crore) increased over the previous year. The ratio of fiscal liabilities to GSDP at 19.9 *per cent* was lower than the norm of 25.5 *per cent* recommended by the ThFC and the MFRBM Rules, 2011. These liabilities were nearly twice the revenue receipts.

8. The resource gap in the State during 2011-12 and 2013-14 was negative, indicating decreasing capacity of the State to sustain the debt in the medium to long run. This was a result of insufficiency of the incremental non-debt receipt to meet the incremental primary expenditure and incremental interest payments.

9. 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 2014 was ₹ 4,145.59 crore. Retention of these amounts assisted the State Government in enhancing its liquidity position.

10. There was a decrease of four *per cent* in the cash balances of the State Government over the previous year, significant part of which pertained to balances in public accounts. Cash balances of the State at the close of 2013-14 was ₹ 46,883 crore of which, ₹ 31,621 crore was in cash balance investment account.