

**CHAPTER - I**

**FINANCES OF THE STATE  
GOVERNMENT**



# Finances of the State Government

## Profile of Maharashtra

Maharashtra occupies the western and central part of the country and has a long coastline along the Arabian Sea. It is the second largest State in India in terms of population (11.24 crore as per 2011 census) and third in terms of geographical area (3.08 lakh sq. km.). As indicated in **Appendix 1.1**, the State's population increased from 9.69 crore in 2001 to 11.24 crore in 2011 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 20.0<sup>1</sup> *per cent* is lower than the all India average of 29.5 *per cent*. The Gross State Domestic Product (GSDP) in 2014-15 at current prices was ₹ 16,86,695 crore. The State has shown lower economic growth in the past decade as the Compound Annual Growth Rate (CAGR) of its GSDP for the period 2005-06 to 2014-15 has been 14.81 *per cent* as compared to 15.44 *per cent* in the General Category States (GCS) of the country. The State's literacy rate increased from 76.88 *per cent* (as per 2001 census) to 82.34 *per cent* (as per 2011 census). The per capita income of the State stands at ₹ 1,42,858<sup>2</sup> against the country average of ₹ 80,388<sup>3</sup>. 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 in **Table 1.1**.

**Table 1.1 Trends in annual growth rate of GSDP**

Year	2010-11	2011-12	2012-13	2013-14	2014-15
India's GDP (₹ in crore) <sup>#</sup>	7248860	8391691	9388876	10472807	n.a.
Growth rate of GDP (percentage)	18.66	15.77	11.88	11.54	n.a.
State's GSDP (₹ in crore) <sup>#</sup>	1049150	1170121	1322222	1510132	1686695
Growth rate of GSDP (percentage)	22.60	11.53	13.00	14.21	11.69

*Annual growth rate of GDP and GSDP at current price*

<sup>#</sup>Figures revised as per Central Statistics Office as on 31 July 2015

**Table 1.1** shows that the annual growth rate of GSDP of the State was uneven and ranged between 22.60 (2010-11) to 11.69 (2014-15).

## 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 2015. It provides a broad perspective of the finances of the State during 2014-15 and analyses critical changes observed in 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

<sup>1</sup> Report of the Expert Group (Rangarajan) to Review the Methodology for Measurement of Poverty, Planning Commission (June 2014)

<sup>2</sup> Central Statistical Office

<sup>3</sup> Economic Survey of Maharashtra 2014-15

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 2014-15 in the State Legislature in June 2014.

### 1.1.1 Summary of fiscal transactions in 2014-15

The **Table 1.2** presents the summary of the State Government's fiscal transactions during the current year (2014-15) *vis-à-vis* the previous year (2013-14), 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 during 2014-15**

(₹ in crore)

2013-14	Receipts	2014-15	2013-14	Disbursements	2014-15		
Section-A: Revenue					Non-Plan	Plan	Total
<b>149821.81</b>	<b>Revenue receipts</b>	<b>165415.46</b>	<b>154902.42</b>	<b>Revenue expenditure</b>	<b>146244.84</b>	<b>31308.28</b>	<b>177553.12</b>
108597.96	Tax revenue	115063.90	53979.27	General services	60156.61	329.16	60485.77
11351.97	Non-tax revenue	12580.89	70879.08	Social services	57705.59	19246.90	76952.49
16630.43	Share of Union Taxes/Duties	17630.03	27991.32	Economic services	26086.66	11599.91	37686.57
13241.45	Grants from Government of India	20140.64	2052.75	Grants-in-aid and Contributions	2295.98	132.31	2428.29
Section B: Capital							
0.00	Miscellaneous Capital Receipts	0	20020.45	Capital Outlay	3278.80	16244.67	19523.47
728.03	Recoveries of Loans and Advances	975.08	1645.10	Loans and Advances disbursed	783.60	356.94	1140.54
26734.80	Public debt receipts*	29373.28	10261.86	Repayment of Public Debt*			8827.78
1350.00	Appropriation from Contingency fund	2350.00	850.00	Appropriation to Contingency fund			4350.00
859.62	Contingency Fund	4360.00	1360.00	Contingency Fund			2350.00
64020.20	Public Account Receipts	83021.94	56434.89	Public Account Disbursements			68985.90
48843.73 <sup>#</sup>	Opening Cash Balance	46883.46	46883.46 <sup>#</sup>	Closing Cash Balance			49648.41
<b>292358.18</b>	<b>Total</b>	<b>332379.22</b>	<b>292358.18</b>	<b>Total</b>			<b>332379.22</b>

<sup>#</sup> Figure differs by 0.01 from previous year due to rounding

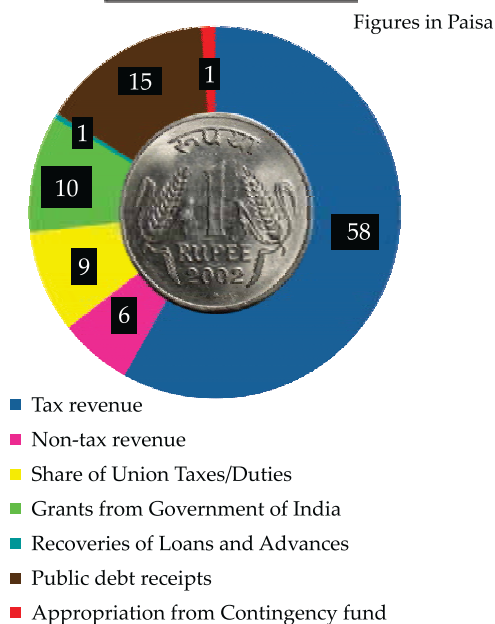
Source: Finance Accounts of respective years

\* Excluding ways and means advances on 10 occasions for 42 days.

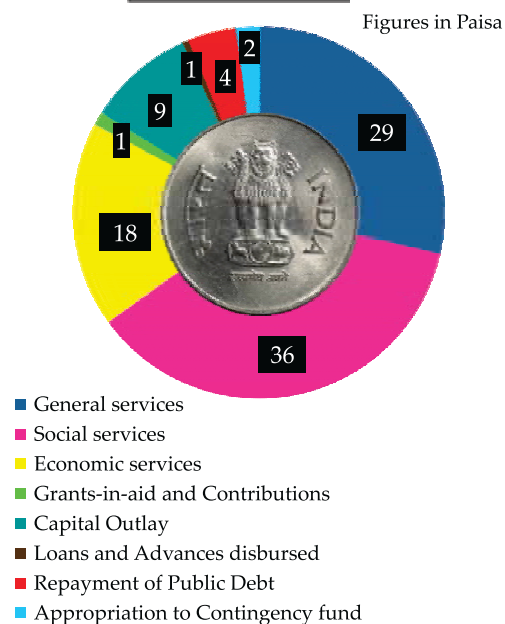
(Receipt: ₹ 6,352.90 crore and Disbursement: ₹ 6,352.90 crore)

Composition of sources and application of funds in the Consolidated Fund of the State during 2014-15 is given in **Chart 1.1** and **1.2**.

**Chart 1.1  
Rupee Comes From**



**Chart 1.2  
Rupee Goes To**



(Source: Finance Accounts 2014-15)

(Source: Finance Accounts 2014-15)

The following are the major changes in fiscal transactions during 2014-15 over the previous year:

Revenue Receipts	<ul style="list-style-type: none"> <li>Increased by 10 per cent</li> <li>Own tax revenue increased by six per cent</li> </ul>
Revenue Expenditure	<ul style="list-style-type: none"> <li>Increased by 15 per cent</li> <li>Plan expenditure increased by 21 per cent</li> </ul>
Capital Expenditure	<ul style="list-style-type: none"> <li>Decreased by two per cent</li> </ul>
Loans and Advances	<ul style="list-style-type: none"> <li>Recoveries increased by 34 per cent</li> <li>Disbursements decreased by 31 per cent</li> </ul>
Public Debt	<ul style="list-style-type: none"> <li>Receipts increased by 10 per cent</li> <li>Repayments decreased by 14 per cent</li> </ul>
Cash Balance	<ul style="list-style-type: none"> <li>Increased by six per cent</li> </ul>

### 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	2014-15				Actuals
	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	
Revenue deficit (-) /surplus (+) (₹ in crore)	0	(-) 4103.13	(-) 4103.13	(-) 13883.43	(-) 12137.66
Fiscal deficit/GSDP (in per cent)	3	3	1.87	2	1.89
Ratio of total outstanding debt of the Government to GSDP (in per cent)	25.3	25.3	18.2	17.9	19.0

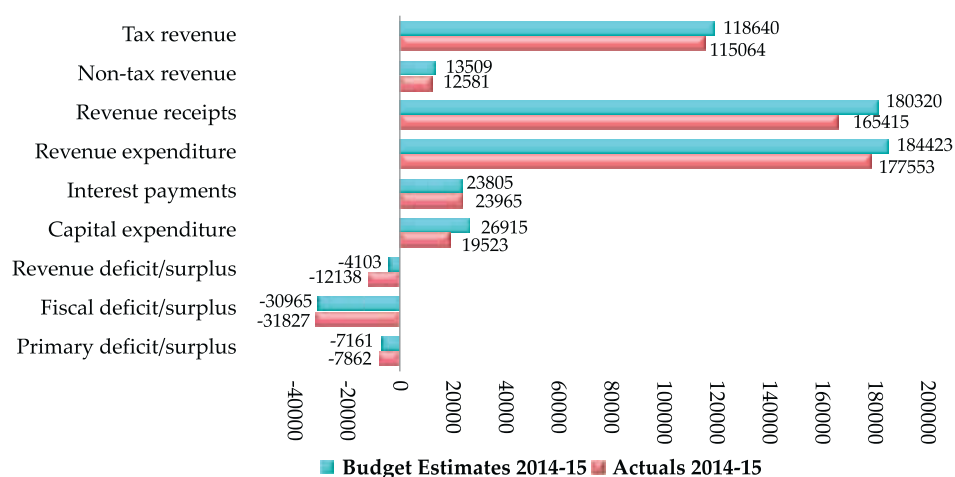
*Source: MTFPS/FCP/ThFC*

From **Table 1.3** it can be seen that during 2014-15, the State achieved two of the three major parameters specified by the ThFC and under MFRBM Act viz. (i) the ratio of fiscal liability to GSDP at 19.0 per cent was lower than the norm of 25.3 per cent and (ii) the fiscal deficit at 1.89 per cent of GSDP was lower than the norm of three per cent. However, the third parameter of revenue surplus could not be achieved during 2014-15. 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 2014-15 as the actual revenue receipts was less than the budget estimates by 8.27 per cent, while revenue expenditure was less than the budget estimates by 3.73 per cent. The capital expenditure decreased by 27.46 per cent while interest payments increased by 0.67 per cent over the budget estimates.

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



(Source: Finance Accounts 2014-15)

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 (₹ 14,905 crore: 8.27 per cent) over budget estimates.

The decrease in revenue receipts was the net result of decrease in tax revenue by three per cent, non-tax revenue by seven per cent, share of Union Taxes and Duties by 13 per cent and grants-in-aid from Government of India (GoI) by 28 per cent.

Revenue expenditure decreased by 3.73 per cent over the budget estimates, mainly because of less expenditure under Economic Services, i.e. Rural Development and General Economic Services. The actual capital expenditure was less by ₹ 7,392 crore (27 per cent) compared to the original budget estimates of 2014-15. The decrease was mainly under Rural Development (₹ 5,069 crore), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹ 1,625 crore) and Energy (₹ 821 crore).

Revenue deficit of ₹ 4,103 crore as per the budget estimates was much lower than the actual revenue deficit of ₹ 12,138 crore during 2014-15 because of decrease in revenue receipts by ₹ 14,905 crore.

Fiscal deficit (₹ 31,827 crore) was more than the assessment made in the budget estimates (₹ 30,965 crore) by three per cent, mainly due to higher growth of revenue 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**

Sources of State's receipts	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue receipts	105868	121286	142947	149822	165415
Capital receipts	21397	25467	22588	27463	30348
Contingency Fund	853	511	875	860	4360
Public Account receipts	48406	53389	47060	64020	83022
<b>Total receipts</b>	<b>176524</b>	<b>200653</b>	<b>213470</b>	<b>242165</b>	<b>283145</b>

Source: Finance Accounts of respective years

**Chart 1.4** depicts the trends in various components of the receipts of the State during 2010-15. **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

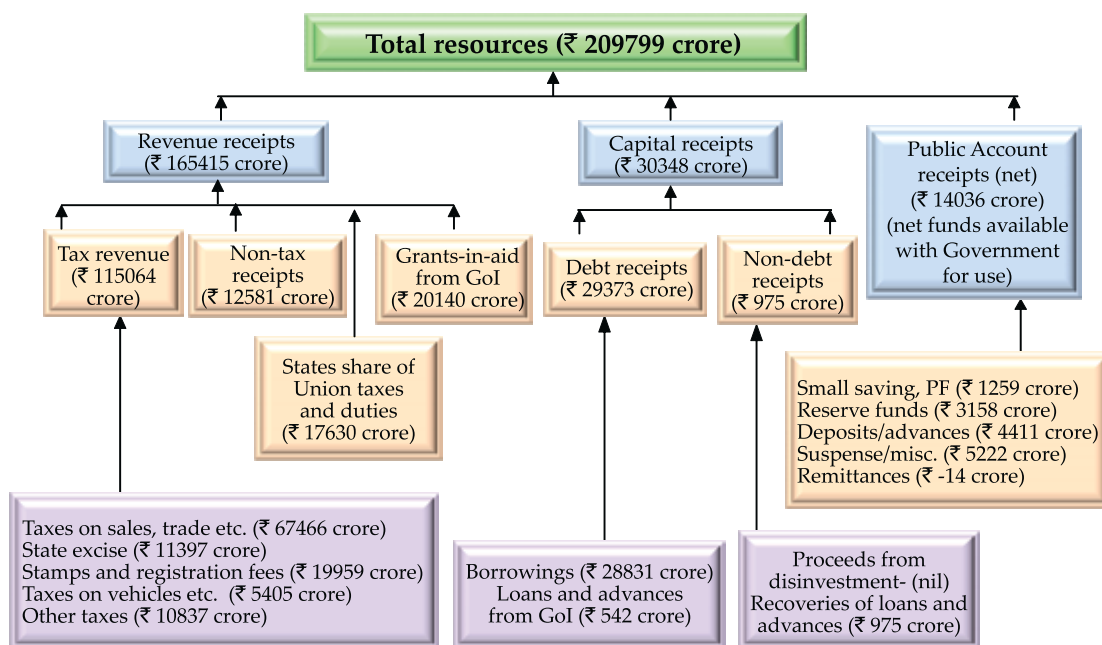
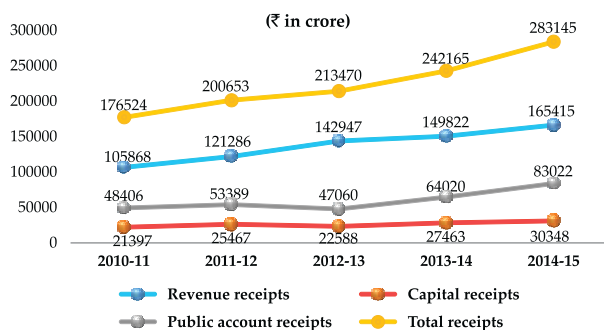
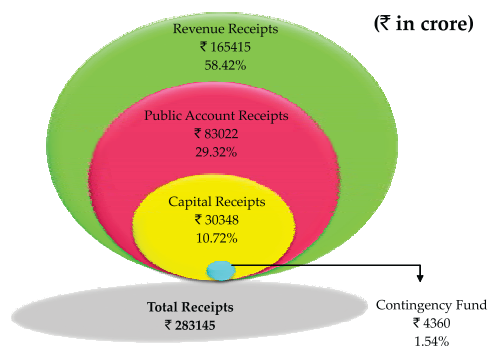


Chart 1.4: Trends in Aggregate receipts



(Source: Finance Accounts of respective years)

Chart 1.5: Composition of aggregate receipts during 2014-15



(Source: Finance Accounts 2014-15)

The total receipts of the State increased by ₹ 1,06,621 crore (60 per cent) from ₹ 1,76,524 crore in 2010-11 to ₹ 2,83,145 crore in 2014-15. The share of public account receipts in total receipts of the State increased from 27 per cent in 2010-11 to 29 per cent in 2014-15 while the share of revenue receipts in total receipts of the State decreased from 60 per cent in 2010-11 to 58 per cent in 2014-15.

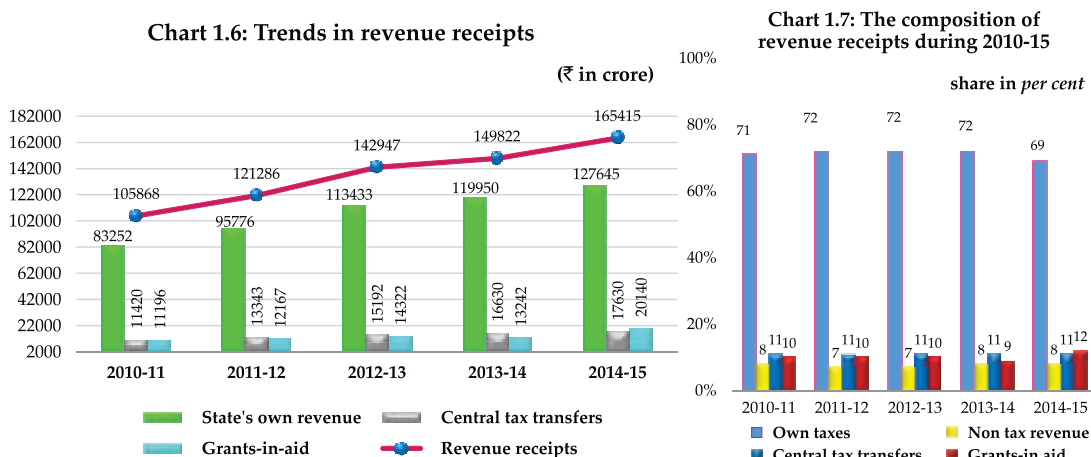


Public Account disbursements increased by 22.24 *per cent* (₹ 12,551 crore) in 2014-15 mainly due to increase under Deposit and Advances by 4.94 *per cent* (₹ 1,263 crore) and Small Savings, Provident Fund *etc.* by 13.73 *per cent* (₹ 408 crore).

### 1.3 Revenue receipts

Statement 14 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 2010-15 are presented in **Chart 1.6** and also in **Appendix 1.7**.

The composition of revenue receipts over the period 2010-15 are presented in **Chart 1.7**.



(Source: Finance Accounts of respective years)

(Source: Finance Accounts of respective years)

Revenue receipts (RR) grew by ₹ 15,593 crore (10 *per cent*) over 2013-14. The increase was the net effect of increase in tax revenue by ₹ 6,466 crore (six *per cent*), non-tax revenue by ₹ 1,229 crore (11 *per cent*), State's share of Union Taxes and Duties by ₹ 1,000 crore (six *per cent*) and Grants-in-Aid from GoI by ₹ 6,899 crore (52 *per cent*). The revenue receipts at ₹ 1,65,415 crore were almost 91 *per cent* of the assessments made by the State Government in its FCP (₹ 1,80,794 crore) and 92 *per cent* of the MTFPS (₹ 1,80,320 crore) for the year 2014-15.

The revenue receipts have shown a progressive increase over the period 2010-15. As shown in **Chart 1.7**, there was an increasing trend in the share of the State's own taxes during the period 2010-12 and it remained constant till 2013-14. It decreased during 2014-15. The share of non-tax revenue showed a declining trend during 2010-12 and marginally increased in 2013-14 and remained constant during 2014-15. The share of Central transfers was relatively stable during 2010-15. The

share of grants-in-aid was constant during 2010-13 and declined during 2013-14 and increased in 2014-15.

During 2005-06 to 2013-14, the CAGR of revenue receipts (15.16 *per cent*) was less than the growth rate of GCS (15.76 *per cent*). The growth of revenue receipts during 2014-15 over 2013-14 (10.41 *per cent*) was also lower than the growth rate of GCS (16.10 *per cent*) as given in **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**

	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue receipts (₹ in crore)	105868	121286	142947	149822	165415
Rate of growth <sup>4</sup> of RR ( <i>per cent</i> )	21.81	14.56	17.86	4.81	10.41
RR/GSDP ( <i>per cent</i> ) <sup>#</sup>	10.09	10.37	10.81	9.92	9.81
<b>Buoyancy ratios<sup>5</sup></b>					
Revenue receipts buoyancy w.r.t. GSDP <sup>#</sup>	0.965	1.263	1.374	0.338	0.890
State's own taxes buoyancy w.r.t. GSDP <sup>#</sup>	1.192	1.454	1.391	0.350	0.509
<b>Gross State Domestic Product (₹ in crore)<sup>@</sup></b>	<b>1049150</b>	<b>1170121</b>	<b>1322222</b>	<b>1510132</b>	<b>1686695</b>
Revenue receipts buoyancy w.r.t. State's own taxes	0.810	0.868	0.988	0.966	1.750
<i>Source: Finance Accounts of respective years</i>					
<i>@GSDP figures had been revised</i>					
<i>#Figures differ from previous year due to correction in GSDP</i>					

There was an increase in the rate of growth of revenue receipts from 4.81 *per cent* in 2013-14 to 10.41 *per cent* in 2014-15.

The ratio of State's own tax buoyancy with reference to GSDP increased from 1.192 in 2010-11 to 1.454 in 2011-12 and declined during 2012-14 to 0.350. This ratio increased marginally to 0.509 in 2014-15.

### 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 2014-15 *vis-à-vis* assessment made by the ThFC and the MTFPS (2014-15) are given in **Table 1.6**.

**Table 1.6: Actual tax and non-tax receipts**

	ThFC projections	Budget estimates	MTFPS projection	Actual
Tax revenue	122167	118640	118640	115064
Non-tax revenue	14416	13509	13509	12581

*Source: Finance Accounts/ThFC/Budget/MTFPS*

**Table 1.6** shows that the actual realisation of tax revenue during the year was lower than the normative assessment of the ThFC, projections made in the budget and MTFPS. The non-tax revenue of the Government was also lower than the normative

<sup>4</sup> see Glossary at page 135

<sup>5</sup> 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 135)

assessment of the ThFC (13 per cent) and also the Budget/MTFPS projections (seven per cent).

### 1.3.1.1 Tax revenue

The gross collection in respect of major taxes and duties are given in **Table 1.7** and **Chart 1.8**.

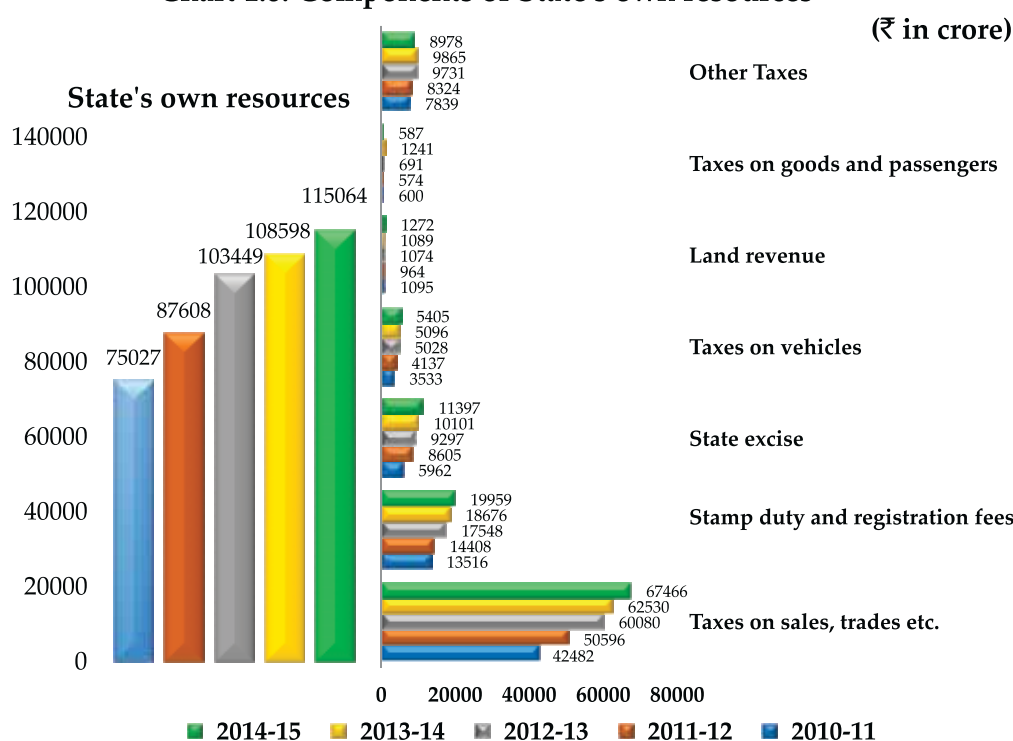
**Table 1.7: Components of State's own resources**

Revenue Head	2010-11	2011-12	2012-13	2013-14	2014-15	Percentage increase in 2014-15 over previous year
Taxes on sales, trades etc.	42482	50596	60080	62530	67466	8
Stamp duty and registration fees	13516	14408	17548	18676	19959	7
State excise	5962	8605	9297	10101	11397	13
Taxes on vehicles	3533	4137	5028	5096	5405	6
Land revenue	1095	964	1074	1089	1272	17
Taxes on goods and passengers	600	574	691	1241	587	(-53)*
Other taxes <sup>6</sup>	7839	8324	9731	9865	8978	(-9)
<b>Total</b>	<b>75027</b>	<b>87608</b>	<b>103449</b>	<b>108598</b>	<b>115064</b>	<b>6</b>

\* The exceptional variation is due to book adjustment of dues on Passenger Tax amounting to ₹ 456.89 crore and ₹ 286.05 crore payable during 2013-14 and 2014-15 respectively by the Maharashtra State Road Transport Corporation to the State Government.

Source: Finance Accounts of respective years

**Chart 1.8: Components of State's own resources**



(Source: Finance Accounts of respective years)

The increase in tax revenue by ₹ 6,466 crore (six per cent) over the previous year was mainly under (a) Taxes on sales, trades, etc. by ₹ 4,936 crore (eight

<sup>6</sup> Other taxes include taxes on professions, trades, callings and employment, and taxes and duties on electricity

per cent) due to increase in tax collection under 'Value Added Tax', (b) State excise by ₹ 1,296 crore (13 per cent) due to receipt of more excise duty on wines and spirits, (c) Stamps and registration fees by ₹ 1,283 crore (seven per cent) due to more collection of Stamp duty and registration fees and (d) Taxes on vehicles by ₹ 309 crore (six per cent) due to more proceeds from State Motor Vehicles Taxation Act and Environment tax.

During 2005-06 to 2013-14, the CAGR of tax revenue (15.82 per cent) was more than the growth rate of GCS (15.32 per cent). The growth of own tax revenue during 2014-15 over 2013-14 (5.95 per cent) was also lower than the growth rate of GCS (10.51 per cent) as given in **Appendix 1.1**.

The tax revenue as a percentage of GSDP (6.82 per cent) was less than the normative assessment of the ThFC (8.58 per cent), MTFPS (8.40 per cent) and FCP (7.06 per cent).

### 1.3.1.2 Non-tax revenue

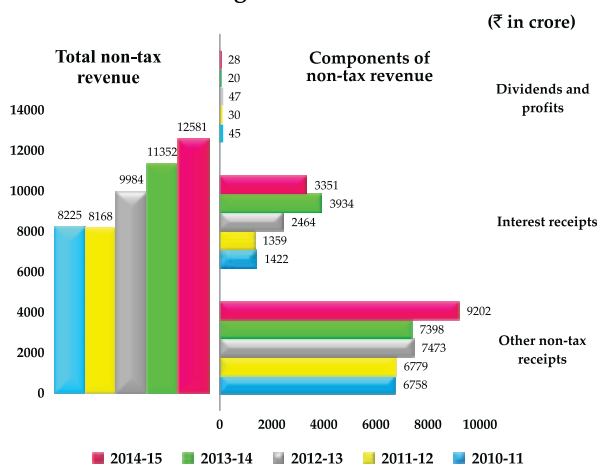
Growth rate of non-tax revenue is shown in **Table 1.8** and **Chart 1.9**.

**Table 1.8: Growth rate of non-tax revenue**

Revenue head	2010-11	2011-12	2012-13	2013-14	2014-15	Percentage increase in 2014-15 over previous year
	(₹ in crore)					
Interest receipts	1422	1359	2464	3934	3351	(-15)
Dividends and profits	45	30	47	20	28	40
Other non-tax receipts	6758	6779	7473	7398	9202	24
<b>Total</b>	<b>8225</b>	<b>8168</b>	<b>9984</b>	<b>11352</b>	<b>12581</b>	<b>11</b>

Source: Finance Accounts of respective years

**Chart 1.9: Trends of growth rate of non-tax revenue**



(Source: Finance Accounts of respective years)

The increase in non-tax revenue receipts by ₹ 1,229 crore (11 per cent) over 2013-14 was mainly due to 559 per cent increase (₹ 1,238 crore) in Miscellaneous Receipts, Mumbai Development Scheme and Other Items under Urban Development. The non-tax revenue receipts (₹ 12,581 crore) of the Government was less than the projections made in the FCP (₹ 13,520 crore) by seven per cent, the MTFPS/Budget (₹ 13,509 crore) of the Government by seven per cent as well as the normative assessment of the ThFC by 13 per cent (₹ 14,416 crore).

During 2005-06 to 2013-14, the CAGR of non-tax revenue (8.44 *per cent*) was less than the growth rate of GCS (13.53 *per cent*). The growth of non-tax revenue during 2014-15 over 2013-14 (10.83 *per cent*) was, however, higher than the growth rate of GCS (10.07 *per cent*) as given in **Appendix 1.1**.

### 1.3.2 Central tax transfers

Central tax transfers increased by six *per cent* from ₹ 16,630 crore in 2013-14 to ₹ 17,630 crore in 2014-15. The increase was mainly under Taxes on Income other than Corporation Tax (₹ 716 crore), Corporation Tax (₹ 569 crore) set off by decrease in Union Excise Duties (₹ 304 crore).

### 1.3.3 Grants-in-aid from Government of India

The grants-in-aid from GoI increased by 52 *per cent* from ₹ 13,242 crore in 2013-14 to ₹ 20,140 crore in 2014-15. The increase was mainly under Centrally Sponsored Plan Schemes (189 *per cent*), Central Plan Schemes (116 *per cent*) and Non-plan Grants (32 *per cent*) while the grants for State Plan Schemes decreased by 55 *per cent* in 2014-15 as shown in **Table 1.9**. The trend of total grants from GoI as a percentage of revenue receipts continuously decreased from 2010-11 to 2013-14, however, it increased to 12.18 during 2014-15.

During 2014-15 grants under Centrally Sponsored Plan Schemes increased by 189 *per cent* compared to 2013-14. This increase was due to GoI's decision to release all assistance related to Centrally Sponsored Schemes/Additional Central Assurances directly to the State Government and not to implementing agencies from 01 April 2014.

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

	2010-11	2011-12	2012-13	2013-14	2014-15
Non-plan grants	2304	1723	4676	5533	7304
Grants for State Plan Schemes	5805	6380	5630	3684	1665
Grants for Central Plan Schemes	245	65	113	648	1399
Grants for Centrally Sponsored Plan Schemes	2842	3999	3903	3377	9772
<b>Total</b>	<b>11196</b>	<b>12167</b>	<b>14322</b>	<b>13242</b>	<b>20140</b>
Percentage of increase/decrease over previous year	(-) 0.06	8.67	17.71	(-)7.54	52.10
Total grants as a percentage of revenue receipts	10.58	10.03	10.02	8.84	12.18

Source: Finance Accounts of respective years

The increase under Non-Plan grants (₹ 1,771 crore) was mainly under Grants under the proviso to Article 275 (1) of the Constitution of India (₹ 2,254 crore), set off by decrease in Grants from Central Road Fund (₹ 521 crore). The increase under Central Plan Schemes (₹ 751 crore) was mainly under Rural Development (₹ 946 crore), Medical and Public health (₹ 132 crore), set off by decrease in Social Security and Welfare (₹ 324 crore). The increase under grants from Centrally Sponsored Plan Schemes (₹ 6,395 crore) was mainly due to increase under (a) Crop Husbandry (₹ 1,521 crore), (b) Nutrition (₹ 1,295 crore), (c) Social Welfare and Child Welfare (₹ 936 crore), (d) General Education (₹ 827 crore), (e) Tourism (₹ 799 crore), (f) Non-conventional Sources of Energy (₹ 621 crore) and (g) Water Supply and Sanitation (₹ 620 crore) set off by decrease under Social Securities and Welfare (₹ 512 crore).

The overall decrease under grants from the State Plan Schemes (₹ 2,018 crore) was mainly due to decrease under Jawaharlal Lal Nehru Urban Renewal Mission

(₹ 1,196 crore), Other Grants (₹ 270 crore), Backward Region Grant Fund (₹ 247 crore) and Accelerated Irrigation Benefits Programme and other Water related Schemes (₹ 248 crore).

### 1.3.4 Thirteenth Finance Commission grants

#### 1.3.4.1 Introduction

The setting up of a Finance Commission every five years is a constitutional mandate. The Finance Commission determines the relative share of Centre and State in the net proceeds of taxes, the relative share of each State *vis-a-vis* other States and grants-in-aid to States. The Thirteenth Finance Commission (ThFC) was constituted by the President under Article 280 of the Constitution of India to make recommendations for the period 2010-2015. An overall assessment was made on the achievement of the State during the award period 2010-2015 and the audit findings are given below.

#### 1.3.4.2 Audit findings

##### *Central Tax transfers*

The ThFC recommended the share of States in Central taxes to be increased from 30.50 *per cent* recommended by Twelfth Finance Commission (TFC) to 32 *per cent*. The share of the State in the net proceeds of Central tax (excluding service tax) and net proceeds of service tax were fixed at 5.199 *per cent* and 5.281 *per cent* respectively while it was 4.997 *per cent* and 5.063 *per cent* respectively in the TFC period. The devolution of different components of State's share of Union taxes during the award period of TFC and ThFC are given in **Table 1.10**.

**Table 1.10: Devolution of different components of State's share of Union Taxes**

(₹ in crore)

Components of State's share of Union taxes	Award period of TFC 2005-2010	Award period of ThFC 2010-2015	Difference
Corporation Tax	11617.71	26882.25	15264.54
Customs	6218.10	12381.13	6163.03
Income Tax	7220.33	16348.31	9127.98
Other taxes and duties on commodities and services	(-) 1.28	24.06	25.34
Other taxes on income and expenditure	(-) 0.81	0.15	0.96
Service tax	3421.69	10242.32	6820.63
Taxes on wealth	17.80	70.50	52.70
Union excise duties	6113.08	8155.74	2042.66
<b>Grand Total</b>	<b>34606.62</b>	<b>74104.46</b>	<b>39497.84</b>

Source: Data of Finance department and website of Ministry of Finance

The devolution of State's share of Union taxes assigned to the State substantially increased by 114 *per cent* during the award period of ThFC. There was an increasing trend in all the components of the State's share of Union taxes.

**Table 1.11** summarises the actual release of share in Union taxes during 2010-15 *vis-à-vis* projections made by the ThFC.

**Table 1.11: Actual devolution *vis-à-vis* projections made by the ThFC**

(₹ in crore)

Year	ThFC projections	Tax devolution receivable	Actual tax devolution	Difference
2010-11	5.199 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 5.281 <i>per cent</i> of net proceeds of shareable service tax	10883.23	11419.23	536.00
2011-12		13718.05	13303.61	(-) 414.44
2012-13		15728.00	15191.95	(-) 536.05
2013-14		16130.93	16586.70	455.77
2014-15		16130.93	17602.97	1472.04
<b>Total</b>		<b>72591.14</b>	<b>74104.46</b>	<b>1513.32</b>

Source: Report of ThFC, data of Finance Department and website of Ministry of Finance

Though the actual tax devolution during 2011-12 and 2012-13 were less than the projections, the overall tax devolution during the award period 2010-2015 was more than the projections made by the ThFC.

### *Achievement of targets*

Table 1.12 and Table 1.13 compares the fiscal outcomes during the award period with the projections made by ThFC.

**Table 1.12: Thirteenth Finance Commission projections and actual fiscal outcomes**

Key aggregates	2010-11		2011-12		2012-13		2013-14		2014-15	
	ThFC projection	Actual	ThFC projection	Actual	ThFC projection	Actual	ThFC projection	Actual	ThFC projection	Actual
Revenue deficit (-) / surplus (+) (₹ in crore)	No projections made	(-)592	0	(-) 2438	0	4211	0	(-) 5081	0	(-)12138
Fiscal deficit/GSDP	No projections made	1.80	3	1.72	3	1.04	3	1.72	3	1.89
Ratio of debt to GSDP	26.3	21.1	26.1	21.0	25.8	20.3	25.5	19.5	25.3	19.0

Source: Report of the ThFC and Finance Accounts of respective years

**Table 1.13: Thirteenth Finance Commission projections and actual fiscal outcomes**

(₹ in crore)

Key aggregates	2010-11		2011-12		2012-13		2013-14		2014-15	
	ThFC projection	Actual	ThFC projection	Actual	ThFC projection	Actual	ThFC projection	Actual	ThFC projection	Actual
Tax revenue	70649	75027	80721	87608	92678	103449	106406	108598	122167	115064
Non-tax revenue	11560	8225	12168	8168	12822	9984	13586	11352	14416	12581
Non-Plan revenue expenditure	67884	89532	73742	101519	85884	114206	93328	128992	101881	146245
Pension	6071	9874	6678	11683	7346	13429	8081	15185	8889	17386
Interest payment	16213	15648	18343	17505	20783	19076	23577	21207	26775	23965

Source: Report of the ThFC and Finance Accounts of respective years

From Table 1.12 it is evident that Government could achieve only two of the three fiscal targets recommended by ThFC i.e. fiscal deficit to GSDP and outstanding debt to GSDP ratio were within the norms prescribed by ThFC. The third parameter of revenue surplus could not be achieved except during 2012-13. As regards the key aggregates on the revenue side (Table 1.13), non-tax revenue was a matter of concern throughout the award period. Similarly non-plan revenue expenditure and pension payments were above the projections made by the ThFC throughout the award period.

### *Debt waiver under the debt consolidation and relief facilities*

The ThFC had framed a scheme of debt relief of Central loans named the 'Debt consolidation and relief facilities' based on the fiscal performance of the State linked to the reduction of deficit in the State. Accordingly, the Government of Maharashtra

(GoM) received a debt write-off of ₹ 170.23 crore from GoI during 2011-12. Further, 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 interest rates on National Small Savings Fund (NSSF) loans. The actual receipt of interest relief was compared with the ThFC's assessment as shown in **Table 1.14**.

**Table 1.14: Interest relief on NSSF loans vis-à-vis ThFC's assessment**

(₹ in crore)						
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	Total
ThFC's tentative interest relief on NSSF loans	503.29	476.51	447.40	418.30	389.20	<b>2234.70</b>
Interest relief received	0	0	573.28	447.40	0	<b>1020.68</b>

*Source: Report of the ThFC and Finance Accounts of respective years*

From **Table 1.14** it can be seen that GoM had received only ₹ 1,020.68 crore as against the projected relief of ₹ 2,234.70 crore. GoM did not receive the interest relief during 2014-15. As this interest relief was linked to reduction in deficit, the State's non-achievement of reduction in revenue deficit during four of the five years of the award period (refer **Table 1.12**) resulted in short receipt of ₹ 1,214.02 crore from GoI.

### 1.3.4.3 Optimisation of Thirteenth Finance Commission grants

As per recommendation of ThFC, GoI allocated ₹ 16,302.56 crore as grants to GoM for utilization during 2010-15. The details of the ThFC grants released, disbursed and utilized during 2010-2015 is given in **Table 1.15** and the grant-wise details are indicated in **Appendix 1.8**. In respect of some grants, the amounts received by GoM was less than that recommended by the ThFC by ₹ 2,051.88 crore and in some grants, the amount received was more than that recommended by the ThFC by ₹ 2,080.28 crore. The year-wise, grant-wise short receipts/excess release are given in **Appendix 1.9**.

**Table 1.15: Details of grants released, disbursed and utilised**

(₹ in crore)							
Sr. No.	Purpose for which grant is released	2010-15					
		Amount to be released by GoI as per recommendation of ThFC	Actual release by GoI	Net Shortfall in release of Grants by GoI	Net Excess release/release without provision	Amount for which UCs submitted by GoM (position as on July 2015)	Percentage of utilisation of grants released
1a	Local Bodies (PRI)	5565.60	5591.83	339.83	366.06	3458.70	61.85
1b	Local Bodies (ULB)	3177.71	2904.84	658.45	385.58	1725.46	59.40
2	Disaster Relief	1859.60	1854.61	4.99	0.00	1061.75	57.25
3	Improving Outcome Grants	940.05	685.73	621.93	367.61	158.80	23.16
4	Environment related Grants	677.60	1638.63	0.00	961.03	230.58	14.07
5	Elementary Education	744.00	744.00	0.00	0.00	743.93	100.00
6	Roads and Bridges	2103.00	2103.00	0.00	0.00	Not applicable*	Not applicable*
7	State specific Grants	1235.00	808.32	426.68	0.00	569.59	70.47
<b>Grand Total</b>		<b>16302.56</b>	<b>16330.96</b>	<b>2051.88</b>	<b>2080.28</b>	<b>7948.81</b>	<b>48.67</b>

*Source: Information furnished by Finance Department*

\* UC is not mandatory as per ThFC guidelines

From **Table 1.15** and **Appendix 1.8** and **Appendix 1.9**, it is seen that

- GoM received ₹ 2,004.81 crore for which no specific amount was recommended by the ThFC which pertained to forfeited grant to PRI (₹ 318.09 crore), forfeited grant to Urban Local Body (₹ 358.08 crore), incentive grant for reduction in infant mortality (₹ 367.61 crore) and renewable energy (₹ 961.03 crore) (**Appendix 1.9**).



- In respect of general basic grant to Panchayati Raj Institutions (PRI) and Urban Local Bodies (ULB), an amount of ₹ 47.97 crore and ₹ 27.50 crore respectively was received in excess of the recommended amount (**Appendix 1.9**).
- There was a net shortfall of ₹ 2,051.88 crore of the recommended grants under various categories, of which the short fall under Local bodies ULB (₹ 658 crore), Improving Outcome Grants (₹ 622 crore) and Local bodies PRIs (₹ 340 crore) were predominant (**Table 1.15**).
- In 10 schemes<sup>7</sup>, the State Government received 50 per cent or less of the recommended grants relating to the ThFC (**Appendix 1.8**).
- Only 48.67 per cent of the grant was utilized by GoM till July 2015. Utilisation was less than 25 per cent in respect of Environment Related Grants and Improving Outcome Grants (**Table 1.15**).
- Complete utilization of ThFC grants was achieved only in Elementary Education (**Table 1.15**).
- As may be seen from **Table 1.15**, of the total grants released during 2010-15 (₹ 5,591.83 crore) to PRIs, the actual utilization by the PRIs during 2010-15 was only 61.85 per cent (₹ 3,458.70 crore).

#### Non-disbursement of grants

The grants received from GoI have been released by the Finance Department (FD) to the administrative/implementing department from time to time. All the necessary related actions like budgetary provisions, utilization of grants, submission of fund release proposal, utilization certificates *etc.* were processed by the departments concerned. The grants received were fully disbursed by FD to administrative/implementing departments except in the following cases due to non-receipt of fund release proposals from the implementing departments concerned as shown in **Table 1.16**.

**Table 1.16: Details of non-disbursement of grants**

(₹ in crore)

Sr. No.	Name of the grant/purpose	Grant received from GoI	Grants disbursed by FD to the administrative departments till Supplementary-I i.e. July 2015	Grants yet to be disbursed by FD	Percentage of undisbursed grant to grant received
1	Renewable energy	961.03	0.00	961.03	100
2	Infant mortality	367.61	231.34	136.27	37
3	Incentive for issuing UIDs	76.58	31.74	44.84	59
4	Food testing lab	16.00	8.00	8.00	50
5	Improvement of statistical systems at State and District level	14.00	7.00	7.00	50
6	Improvement in Justice Delivery	207.54	204.54	3.00	1
<b>Total</b>				<b>1160.14</b>	

*Source: Information furnished by Finance Department*

It is seen from the table that GoM had not released an amount of ₹ 1,160.14 crore pertaining to ThFC grants. This was due to slow progress of work and under/non-utilization of grants by the implementing departments. Therefore, revenue deficit is

<sup>7</sup> Incentive grant for UID; Allocation of grants for Improving delivery of Justice; Improvement of Statistical System at State and District level; Employee and Pension data base; Grant for District Innovation Fund; Construction of Anganwadi Centres; Heritage Conservation; Prison Department; Food Testing Lab; and Strengthening Industrial Training Institutions

understated to that extent. Further, in respect of Sl. No. 3 to 5, due to slow pace of utilization of grants during the award period, the undisbursed grants pertaining to earlier years were received only in March 2015.

Observations in respect of other grants of ThFC are given below:

- As per the condition for general performance grant to ULBs, service level benchmarks were to be notified by GoM on or before 31 March 2014. This notification was delayed and issued by GoM only in August 2014 resulting in short-release of performance grant of ₹ 658 crore during 2010-15 in ULB.
- In the case of grant for Food Testing Labs, out of ₹ 32 crore which GoM was entitled to receive as ThFC grant during 2010-15, it received only ₹ 16 crore till March 2015 as Utilization Certificates were submitted by GoM for only ₹ 7.91 crore. Consequently, of the five<sup>8</sup> Food Testing Labs proposed to be established, only the lab at Mumbai was functional.
- The Director of Archaeology, to whom the work of heritage conservation was entrusted, received ₹ 25 crore pertaining to 2011-12 under the ThFC grant and parked them in the Personal Ledger Account (PLA). As of August 2015, the PLA had an unutilized grants of ₹ 5.94 crore out of ₹ 25 crore received under the ThFC. In addition, the PLA also had an unutilized grants received under the TFC (₹ 12.28 crore) and grants received under the Chief Minister's Special Programme (₹ 3.06 crore) as of August 2015.
- Delay in submission of action plan report and slow progress of work on improvement of statistical system at the State and the district levels resulted in receipt of only ₹ 14 crore out of ₹ 35 crore from GoI of which, only ₹ 5.58 crore was utilized by the Planning Department of GoM as of August 2015.
- Of the grant of ₹ 542.65 crore recommended by ThFC for improvement in justice delivery against eight components<sup>9</sup>, ₹ 207.54 crore was received by GoM during 2010-15 but UCs were submitted by the Law and Judiciary Department only for ₹ 118.98 crore.

### 1.4 Capital receipts

The details of Capital receipts and its composition during 2010-15 are given in Table 1.17.

**Table 1.17: Trends in growth and composition of capital receipts**

Sources of State's receipts	2010-11	2011-12	2012-13	2013-14	2014-15
Capital Receipts (CR)	21397	25467	22588	27463	30348
Miscellaneous Capital Receipts	17	456	0	0	0
Recovery of Loans and Advances	640	559	863	728	975
Public Debt Receipts	20740	24452	21725	26735	29373
Rate of growth of debt capital receipts	(-)3.82	17.90	(-)11.15	23.06	9.87
Rate of growth of non-debt capital receipts	21.67	54.49	(-)14.98	(-)15.64	33.93
Rate of growth of GSDP	22.60	11.53	13.00	14.21	11.69
Rate of growth of CR (per cent)	(-) 3.20	19.02	(-) 11.30	21.58	10.51

*Source: Finance Accounts of respective years*

<sup>8</sup> Mumbai, Aurangabad, Nagpur, Pune and Nashik

<sup>9</sup> Morning/evening courts, Alternate Dispute Resolution Centres and training of mediators, Training of Judicial Officers, Public Prosecutors Training at Uttan/Nagpur, Heritage Court Building, State Judicial Academy, Lok Adalats and Legal Aid and Court Managers

**Table 1.17** shows that the growth of capital receipts reduced from 22 *per cent* in 2013-14 to 11 *per cent* in 2014-15. The non-debt capital receipts registered a positive growth of 33.93 *per cent* in 2014-15 as compared to negative growth of 15.64 *per cent* in 2013-14.

### 1.4.1 Proceeds from disinvestment

Disinvestment increases non-debt capital receipts and allows the Government to increase its capital expenditure without impacting the fiscal deficit. As per ThFC recommendations, the State Governments should actively consider withdrawal/reduction of State Public Sector Units in non-welfare and non-utility sectors. There is an immediate need to reduce the number of State Public Sector Units as the large number of such enterprises not only engages the productive assets of the Government, but also promotes inefficiency due to lack of proper monitoring by the State Governments. Disinvestment and privatisation should also be considered and actively pursued. It was noticed that 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 *per cent* to 7.81 *per cent* on its borrowings. In spite of this unsustainable proposition there was no disinvestment during 2012-15 (**Table 1.37**).

### 1.4.2 Recoveries of loans and advances

The details of loans and advances given by the State Government during 2010-15 are indicated in **Table 1.18**.

**Table 1.18: Position of loans and advances given by the State Government**

(₹ in crore)

Year	Balance of loans and advances as on 1 April	Disbursements by the Government during the year	Recoveries during the year	Balance as on 31 March (2+3-4)	Percentage of recoveries made with respect to opening balance (4/2*100)
(1)	(2)	(3)	(4)	(5)	(6)
2010-11	19590.09	959.08	640.09	19909.08	3.27
2011-12	19909.08	836.29	558.74	20186.63	2.81
2012-13	20186.63	1415.94	862.85	20739.72	4.27
2013-14	20739.72	1645.10	728.03	21656.79	3.51
2014-15	21656.79	1140.54	975.08	21822.25	4.50

Source: Finance Accounts of the respective years

Recoveries of loans and advances increased by 34 *per cent* (₹ 247 crore), mainly on account of more recoveries from Loans for Power Projects (₹ 231 crore). The percentage of recovery is meagre and ranged between 2.81 to 4.50 during the last five years. The complete information regarding arrears in repayments and loans in perpetuity were not furnished by Government.

### 1.4.3 Public Debt receipts

A time series data on public debt receipts is shown in **Table 1.19**

**Table 1.19: Data on public debt receipts**

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Open Market Borrowings	11500 (55.45)	21000 (85.88)	17500 (80.55)	23600 (88.27)	25083 (85.39)
National Small Savings Fund	7505 (36.19)	1965 (8.04)	2664 (12.26)	1425 (5.33)	2982 (10.15)
Other Financial Institutions	915 (4.41)	1181 (4.83)	810 (3.73)	745 (2.79)	766 (2.61)
Loans and Advances from Government of India	820 (3.95)	306 (1.25)	751 (3.46)	965 (3.61)	542 (1.85)
Public Debt Receipts	20740	24452	21725	26735	29373
Public Debt Repayments	4774	6458	6653	10262	8828

Figures in parenthesis indicate percentages to Public Debt receipts

Source: Finance Accounts of respective years

**Table 1.19** indicates that the share of open market borrowings in public debt receipts has decreased to 85.39 *per cent* in 2014-15 from 88.27 *per cent* in 2013-14. Share of NSSF loans increased to 10.15 *per cent* in 2014-15 from 5.33 *per cent* in 2013-14. Loans and advances from GoI was less than two *per cent* of public debt receipts during 2014-15.

During 2014-15, the public debt receipts increased by 10 *per cent* (₹ 2,638 crore) and public debt repayment decreased by 14 *per cent* (₹ 1,434 crore) over 2013-14, resulting in net increase of ₹ 4,072 crore in public debt receipts.

## 1.5 Public account 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 1.20: Trends of receipts under Public Account**

(₹ in crore)

Resources under various heads	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Public Account receipts</b>					
a. Small Savings, Provident Fund <i>etc.</i>	3882.03 (2022)	4449.03 (2260)	4759.89 (2188)	4868.46 (1894)	4642.54 (1260)
b. Reserve Fund	3346.12 (2153)	3052.51 (1399)	4960.13 (1976)	5540.03 (2742)	5908.54 (3158)
c. Deposits and Advances	21917.52 (6259)	25544.27 (4532)	26657.82 (6442)	32347.23 (6772)	31249.40 (4411)
d. Suspense and Miscellaneous	(-) 992.59 (-1104)	(-) 1491.27 (-1509)	(-) 11307.73 (100)	(-)2693.61 (-2705)	17039.01 (5222)
e. Remittances	20253.24 (-482)	21834.84 (-256)	21989.52 (842)	23958.08 (-1117)	24182.45 (14)
<b>Total</b>	<b>48406.32</b> (8849)	<b>53389.38</b> (6426)	<b>47059.63</b> (11549)	<b>64020.19</b> (7585)	<b>83021.94</b> (14036)

Figures in parenthesis indicate net receipts

Source: Finance Accounts of respective years

Public Account receipts were increased by 71.51 *per cent* over the period 2010-15. Increase of 29.68 *per cent* (₹ 19,002 crore) in Public Account receipts in 2014-15 over the

previous year was on account of increase under Suspense and Miscellaneous (₹ 19,733 crore) set off by decrease in Deposits and Advances (₹ 1,098 crore).

### 1.5.1 Funds transferred to State implementing agencies outside the State budget

Government of India decided to release all assistance related to Centrally Sponsored Schemes/Additional Central Assistances directly to the State Government and not to implementing agencies from 01 April 2014. However, during 2014-15, GoI released ₹ 460.45<sup>10</sup> crore to the State implementing agencies as shown in **Appendix - VI** of Finance Accounts 2014-15.

### 1.5.2 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 was mentioned in **Paragraph 1.2.3** of the Report of the Comptroller and Auditor General on State Finances for the year 2013-14. This procedure continued during current year. The Housing Department, GoM created (May 2010) Maharashtra Nivara Nidhi with the objective of supplementing the resources of the Government for undertaking various housing schemes through Central assistance. This fund was created under the jurisdiction of Maharashtra Housing and Development Authority outside the Consolidated Fund as well as the public accounts of the GoM. The closing balance in this fund as on March 2015 is ₹ 34.72 crore. Thus, creation and operation of Maharashtra Nivara Nidhi outside the Government accounts escaped the legislative scrutiny through the regular process of authorisation. It would be appropriate if the activities planned under Maharashtra Nivara Nidhi are carried out through regular budgetary process.

### 1.5.3 Parking of funds outside Government account

As per the information regarding bank accounts operated by the Drawing and Disbursing Officers (DDOs) furnished by the Director of Accounts and Treasuries, the balance in DDO's bank account as on May 2015 in respect of 5,734 number of DDOs (out of a total number of 12,227 DDOs) was ₹ 8,311.05 crore and the balance in their bank account other than the regular bank account was ₹ 3,519.09 crore. The above amount (₹ 11,830.14 crore) was thus parked outside the Consolidated Fund of the State. Further, in the absence of sufficient details, audit was not in a position to ascertain as to how much out of ₹ 11,830.14 crore pertained to financial year 2014-15 and before.

## 1.6 Application of resources

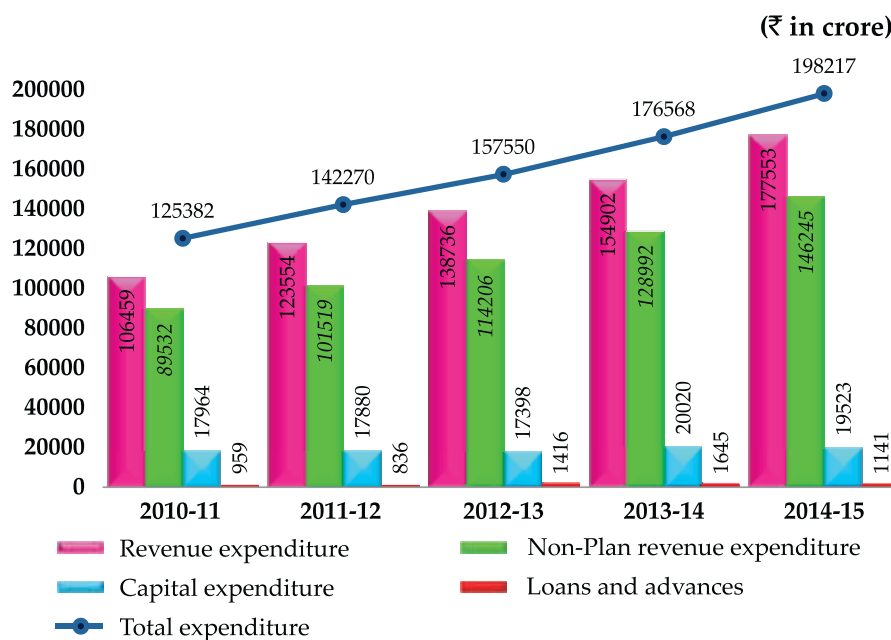
Analysis of the allocation of expenditure assumes significance since major expenditure responsibilities are entrusted with the State Government at various levels. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit 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.

<sup>10</sup> As per the Public Financial Management System portal of the Controller General of Accounts

## 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 (2010-15) 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



(Source: Finance Accounts of respective years)

### Total expenditure

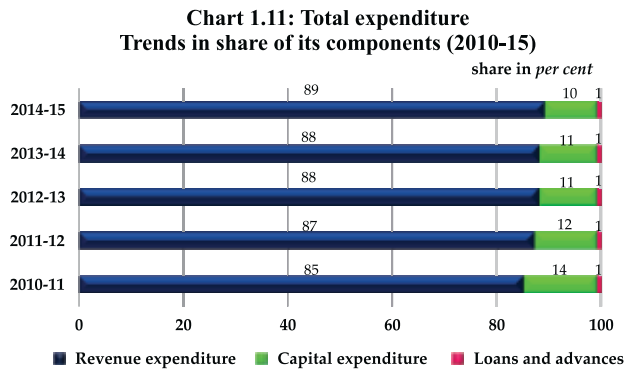
The total expenditure and its compositions during 2010-15 are presented in Table 1.21 and Chart 1.11.

Table 1.21: Total expenditure and its composition

	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Total expenditure</b>	<b>125382</b>	<b>142270</b>	<b>157550</b>	<b>176568</b>	<b>198217</b>
<b>Revenue expenditure</b>	<b>106459</b>	<b>123554</b>	<b>138736</b>	<b>154902</b>	<b>177553</b>
	(85)	(87)	(88)	(88)	(89)
<i>of which, Non-Plan revenue expenditure</i>	89532	101519	114206	128992	146245
<b>Capital expenditure</b>	<b>17964</b>	<b>17880</b>	<b>17398</b>	<b>20020</b>	<b>19523</b>
	(14)	(12)	(11)	(11)	(10)
<b>Loans and advances</b>	<b>959</b>	<b>836</b>	<b>1416</b>	<b>1645</b>	<b>1141</b>
	(1)	(1)	(1)	(1)	(1)

Figure in parenthesis indicate percentage to total expenditure

Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

During 2005-06 to 2013-14, the CAGR of total expenditure (12.96 per cent) was less than the growth rate of GCS (15.23 per cent). The growth of total expenditure during 2014-15 over 2013-14 (12.26 per cent) was also lower than the growth rate of GCS (19.32 per cent) as given in **Appendix 1.1**.

The total expenditure of the State increased at an average growth rate of 14.52 per cent from ₹ 1,25,382 crore in 2010-11 to ₹ 1,98,217 crore in 2014-15 but, the percentage of capital expenditure to total expenditure decreased from 14 per cent in 2010-11 to 10 per cent in 2014-15. 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 1.22**.

**Table 1.22: Total expenditure – basic parameters**

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Total expenditure (TE) ( ₹ in crore)	125382	142270	157550	176568	198217
Rate of growth of TE over previous year (per cent)	10.37	13.47	10.74	12.07	12.26
TE/GSDP ratio (per cent) <sup>#</sup>	11.95	12.16	11.92	11.69	11.75
RR /TE ratio (per cent)	84.40	85.30	90.70	84.85	83.45
<b>Buoyancy of Total expenditure with reference to:</b>					
GSDP (ratio) <sup>#</sup>	0.459	1.168	0.826	0.849	1.049
RR (ratio)	0.476	0.925	0.601	2.509	1.178

<sup>#</sup>Ratios revised due to change in GSDP figures  
Source: Finance Accounts of respective years

The increase of ₹ 21,649 crore (12.26 per cent) in total expenditure in 2014-15 over the previous year was on account of an increase of ₹ 22,651 crore in revenue expenditure set off by decrease in capital expenditure by ₹ 497 crore and in disbursement of loans and advances ₹ 504 crore.

The ratio of total expenditure to GSDP remained around 12 per cent during 2010-15. The ratio of revenue receipts to total expenditure increased from 84.40 per cent in 2010-11 to 90.70 per cent in 2012-13 and gradually decreased to 83.45 per cent during 2013-15. The table shows that on an average 86 per cent of total expenditure was met out of revenue receipts during 2010-15.

The ratio of buoyancy of total expenditure with reference to GSDP and revenue receipts showed a mixed trend. The ratio of buoyancy of total expenditure with reference to GSDP increased to 1.049 in 2014-15 from 0.849 in 2013-14. This indicated that during 2014-15 for each one per cent increase in GSDP, total expenditure grew by 1.049 per cent. The ratio of buoyancy of total expenditure with reference to revenue receipts decreased to 1.178 in 2014-15 from 2.509 in 2013-14.

Of the total expenditure during 2014-15, non-plan expenditure contributed 76 per cent while plan expenditure was 24 per cent. Of the increase of

₹ 21,649 crore in total expenditure, the share of plan expenditure increased by 18 *per cent*, while non-plan expenditure increased by 82 *per cent*.

During 2005-06 to 2013-14, the CAGR of capital expenditure (8.96 *per cent*) was lower than the growth rate of GCS (14.61 *per cent*). There was negative growth of capital expenditure during 2014-15 over 2013-14 (-2.48 *per cent*) compared to the positive growth rate of GCS (21.87 *per cent*) as given in **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 1.23** and **Chart 1.12**.

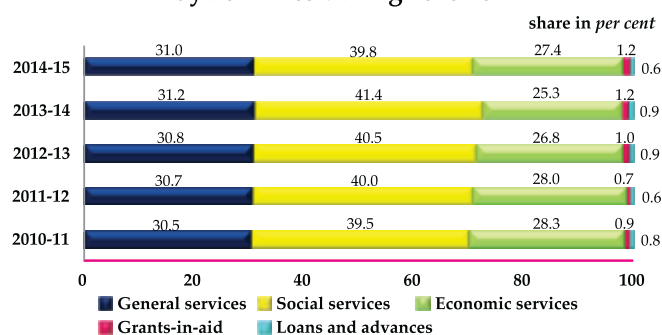
**Table 1.23: Components of expenditure – relative shares**

	2010-11	2011-12	2012-13	2013-14	2014-15
<b>General Services</b>	<b>30.5</b>	<b>30.7</b>	<b>30.8</b>	<b>31.2</b>	<b>31.0</b>
<i>of which, Interest Payments</i>	12.5	12.3	12.1	12.0	12.1
<b>Social Services</b>	<b>39.5</b>	<b>40.0</b>	<b>40.5</b>	<b>41.4</b>	<b>39.8</b>
<b>Economic Services</b>	<b>28.3</b>	<b>28.0</b>	<b>26.8</b>	<b>25.3</b>	<b>27.4</b>
<b>Grants-in-aid</b>	<b>0.9</b>	<b>0.7</b>	<b>1.0</b>	<b>1.2</b>	<b>1.2</b>
<b>Loans and Advances</b>	<b>0.8</b>	<b>0.6</b>	<b>0.9</b>	<b>0.9</b>	<b>0.6</b>

(in per cent)

Source: Finance Accounts of respective years

**Chart 1.12: Trends in composition of total expenditure by activities during 2010-15**



(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, Social Services and Loans and Advances in the total expenditure decreased during 2014-15 over the previous year. These decreases were set-off by increase in the respective share of Economic Services.

Though the share of General Services and Social Services in total expenditure decreased, the expenditure on these services increased in real terms by ₹ 6,333 crore and ₹ 5,757 crore respectively. Under General Services the increase was mainly under Interest (₹ 2,758 crore), Pensions and Other Retirement Benefits (₹ 1,281 crore), Elections (₹ 844 crore) and Police (₹ 576 crore). The increase under Social Services was mainly under Relief on account of Natural Calamities (₹ 1,657 crore), Medical and Public Health (₹ 1,581 crore), General Education (₹ 1,497 crore) and Water Supply and Sanitation (₹ 852 crore). The decrease under Social Services was mainly under Housing (₹ 493 crore) and Sports and Youth Services (₹ 143 crore).

The increase in the share of Economic Services was mainly due to increase in Power (₹ 4,875 crore) and Rural Employment (₹ 1,711 crore) and Other Rural Development Programme (₹ 1,492 crore).



Though the share of grants-in-aid in total expenditure remained constant, the expenditure on grants-in-aid increased in real terms by ₹ 376 crore. The increase was mainly due to increase under the head 'Compensation and Assignment to Local Bodies and Panchayati Raj Institutions' (₹ 350 crore).

### Revenue expenditure

Revenue expenditure during 2014-15 increased by ₹ 22,651 crore (15 per cent) over 2013-14, mainly due to increase in expenditure on General Services (₹ 6,507 crore), Social Services (₹ 6,073 crore), Economic Services (₹ 9,695 crore) and increase in Grants-in-aid and Contributions (₹ 376 crore). While 24 per cent of the increase was under Plan head, the remaining 76 per cent was under Non-Plan head. The revenue expenditure during 2014-15 (₹ 1,77,553 crore) was lower than the assessment made by the State Government in its FCP by 8.80 per cent and MTFPS/Budget by 3.73 per cent. The Non-Plan Revenue expenditure (₹ 1,46,245 crore) exceeded the normative assessments made by the ThFC (₹ 1,01,881 crore) and the MTFPS/Budget (₹ 1,41,354 crore) but less than the State Government's projections in FCP (₹ 1,54,084 crore) (Table 1.25).

Revenue expenditure constituted 89 per cent of the total expenditure (Chart 1.11). The increase in revenue expenditure was mainly on (a) Power (₹ 5,191 crore), (b) Interest Payments (₹ 2,758 crore), (c) Rural Employment (₹ 1,711 crore), (d) Medical and Public Health (₹ 1,665 crore), (e) Relief on account of Natural Calamities (₹ 1,657 crore), (f) General Education (₹ 1,503 crore), (g) Other Rural Development Programme (₹ 1,360 crore) and (h) Pension and other Retirement Benefits (₹ 1,281 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 1.24.

**Table 1.24: Revenue expenditure – basic parameters**

	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Revenue expenditure (RE),</b>	<b>106459</b>	<b>123554</b>	<b>138736</b>	<b>154902</b>	<b>177553</b>
<i>of which</i>					
Non-Plan Revenue expenditure (NPRE)	89532	101519	114206	128992	146245
Plan Revenue expenditure (PRE)	16927	22035	24530	25910	31308
<b>Rate of Growth of</b>					
RE ( <i>per cent</i> )	12.16	16.06	12.29	11.65	14.62
NPRE ( <i>per cent</i> )	14.52	13.39	12.50	12.95	13.38
PRE ( <i>per cent</i> )	1.14	30.18	11.32	5.63	20.83
Revenue Expenditure as percentage to TE	84.91	86.84	88.06	87.73	89.58
NPRE/GSDP ( <i>per cent</i> )	8.53	8.68	8.64	8.54	8.67
NPRE as percentage of TE	71.41	71.36	72.49	73.06	73.78
NPRE as percentage of RR	84.57	83.70	79.89	86.10	88.41
<b>Buoyancy of Revenue expenditure with</b>					
GSDP (ratio)	0.540	1.396	0.946	0.820	1.250
Revenue Receipts (ratio)	0.557	1.103	0.688	2.422	1.404

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 ₹ 5,398 crore (21 per cent) in 2014-15 over the previous year, mainly due to increase in expenditure under Rural Development (₹ 1,919 crore), Health and Family Welfare (₹ 1,424 crore) and Agriculture and Allied Activities (₹ 1,165 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 GoI. The State Government provides for the Central and State's share in its budget. During the year, GoI released ₹ 12,829.94 crore towards Centrally Sponsored Schemes, Central Plan Schemes and additional Central Assistance. The State Government spent ₹ 13,843.47 crore (including state share) under these schemes. Details of releases of Central share and State share in respect of major schemes are given in Annexure to Statement 15 of Finance Accounts 2014-15.

### *Non-plan revenue expenditure*

The Non-Plan Revenue Expenditure (NPRE) in 2014-15 constituted a dominant share of 82 per cent in the revenue expenditure and increased by ₹ 17,253 crore (13 per cent) over the previous year, mainly due to increase under General Services (₹ 6,661 crore), Energy (₹ 5,173 crore), Social Welfare and Nutrition (₹ 1,854 crore), Rural Development (₹ 1,123 crore), Education, Sports, Arts and Culture (₹ 868 crore), Water Supply, Sanitation, Housing and Urban Development (₹ 553 crore) and Transport (₹ 505 crore).

The NPRE as a percentage of revenue receipts (**Table 1.24**) decreased from 84.6 per cent in 2010-11 to 79.9 per cent in 2012-13. It increased to 86.1 per cent in 2013-14 and further to 88.4 in 2014-15 indicating that on an average 88 per cent of the revenue receipts were used to meet the NPRE.

**Table 1.25** 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 1.25: 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
2013-14	93328	121699	125647	128992
2014-15	101881	154084	141354	146245

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 2013-14. During 2014-15, NPRE was more than the normative assessments of the ThFC and MTFPS/Budget projects and lower than the projections in FCP.

### *Subsidies*

Subsidies given during the years 2010-11 to 2014-15 are presented in the **Table 1.26**.

Table 1.26: Expenditure on subsidies

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15	
					BE	Actuals
Subsidies	5485 (5)	9833 (8)	9268 (6)	12063 (8)	18203 (10)	19753 (12)
Total Revenue Expenditure	106459	123554	138736	154902	184423	177553
Revenue Receipts	105868	121286	142947	149822	180320	165415

*Figures in parenthesis indicate percentage to Revenue Receipts*  
*Source: Finance Accounts of respective years*

**Table 1.26** indicates that expenditure under subsidies increased by 64 per cent from ₹ 12,063 crore in 2013-14 to ₹ 19,753 crore in 2014-15. During the current year, subsidies constituted about 11 per cent of the total revenue expenditure. The major schemes which received subsidy include subsidy to Distribution/Transmission Licences for reduction in Agriculture and Power loom Tariff (53 per cent), subsidy to Medium and Large Industries under the Graded Package Scheme of Incentives (13 per cent), Transport (eight per cent), Financial Assistance under Rashtriya Krishi Vikas Yojana (schemes in Five Year Plan) (five per cent), covering the deficit in Foodgrain Transactions (five per cent) and Indira Awas Yojana (three per cent).

The subsidies projected by the Government in the FCP and the actual expenditure incurred during 2013-14 and 2014-15 are presented in **Table 1.27**.

Table 1.27: Subsidies vis-à-vis FCP

(₹ in crore)

	2013-14		2014-15	
	Projections in FCP	Actuals	Projections in FCP	Actuals
Power (Subsidy for reduction in Agriculture and Powerloom Tariff)	3499	5276	10500	10500
General/Others	4782	6787	10089	9253
<b>Total</b>	<b>8281</b>	<b>12063</b>	<b>20589</b>	<b>19753</b>

*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 nearly three times during 2014-15 compared to previous year. The budget provision and actual expenditure on subsidy given to Power was ₹ 10,500 crore.

The major components under 'General/Others' as shown in **Table 1.27** are (a) food subsidy under which the Government provided ₹ 761 crore in the State budget 2014-15 and the actual expenditure was ₹ 916 crore, (b) Subsidy to Medium and Large Industries under the Graded Package Scheme of Incentives under which the budget provision and actual expenditure was ₹ 2,500 crore and (c) subsidy on loss to State Road Transport Corporation for which the budget provision and actual expenditure was ₹ 1,508 crore.

### Capital expenditure

During 2014-15, capital expenditure (₹ 19,523 crore) constituted 10 per cent of the total expenditure (**Chart 1.11**) and decreased by two per cent over 2013-14. The decrease was mainly on account of decrease in Capital Outlay on Major and Medium Irrigation (₹ 904 crore), Capital Outlay on Roads and Bridges (₹ 717 crore), Capital Outlay on Urban Development (₹ 318 crore) set off by

increase in Capital Outlay on Food, Storage and Warehousing (₹ 1,250 crore) and Capital Outlay on Co-operation (₹ 259 crore). During 2014-15, the capital expenditure (₹ 19,523 crore) was lower than the assessment made by the State Government in its FCP (₹ 23,342 crore) by 16 *per cent*, Budget (₹ 26,915 crore) by 27 *per cent* and the projections made in MTFPS (₹ 27,898 crore) by 30 *per cent*. The major areas of decrease are commented in **Para 1.1.3**.

### *Loans and advances*

Loans and advances constituted one *per cent* of the total expenditure during 2010-15 (**Chart 1.11**). Disbursements of loans and advances during 2014-15 decreased by 31 *per cent* (₹ 504 crore) over 2013-14. This decrease was mainly in Loans for Power Projects – Loans to Public Sector and other Undertakings (₹ 666 crore)

### *Conversion of loan into Grant-in-aid*

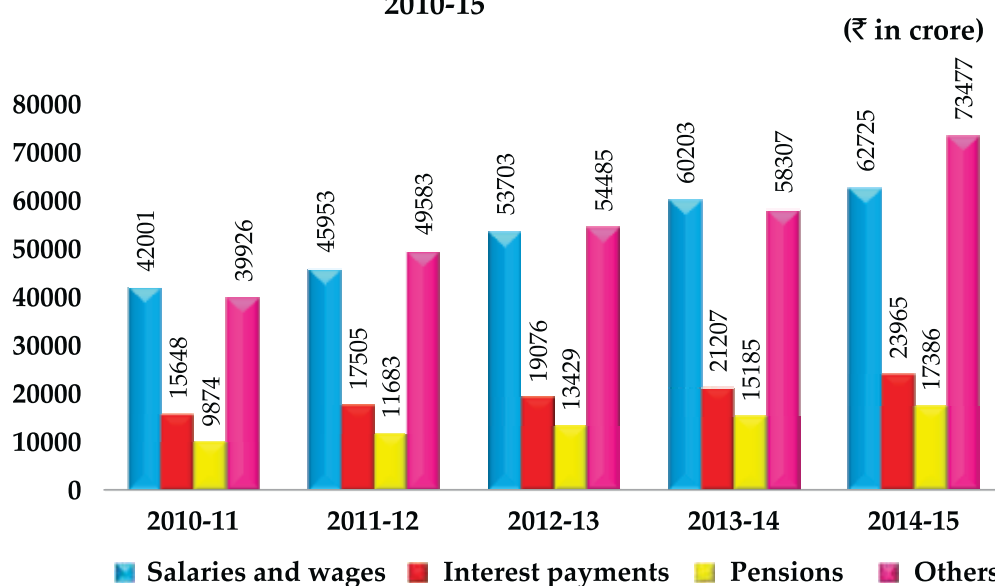
The Industry, Energy and Labour Department, GoM decided (December 2013) to discontinue with the loans under schemes “Loans to Maharashtra State Electricity Distribution Company Ltd. for General Development and System Improvement” and “Loans for street lights in dalit areas under Scheduled Tribes special Component Plan” and instead distribute the same as grant-in-aid from 2013-14. It was also decided to convert the loans given under these schemes during 2010-11 to 2012-13 into grant-in-aid and discontinue with the collection of outstanding interests on such loans from 2013-14. As per the departmental reply (September 2015), as on March 2013, the loan pertaining to dalit basti had an outstanding balance of ₹ 80.81 crore.

Government’s decision to convert the outstanding loans from 2010-11 to 2012-13 into grant-in-aid tantamount to waiver of loan of ₹ 80.81 crore which includes the principal amount of loan as well as interest thereon which is revenue foregone. Further, Government neither initiated any follow-up action to arrive at the amount to be written off nor any budgetary provisions were made for waiver off these amounts. As a result, these outstanding loans continue to get reflected as assets in the Finance Accounts of the last two years (2013-14 and 2014-15). This has resulted in over statement of assets and under-statement of expenditure and to this extent the Finance Accounts figures are incorrect.

## 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 TFC, 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 1.28** present the trends in the expenditure on these components during 2010-15.

Chart 1.13: Trends of committed expenditure during 2010-15



(Source: Finance Accounts of respective years)

Table 1.28: Components of committed expenditure

(₹ in crore)

Components of committed expenditure	2010-11	2011-12	2012-13	2013-14	2014-15	
					BE	Actuals
Salaries and Wages	42001	45953	53703	60203 <sup>s</sup>	60677	62725 <sup>s</sup>
	(40)	(38)	(38)	(40)	(39)	(38)
of which	40917	42955	50165	56985		58457
Non-Plan Head	(39)	(35)	(35)	(38)		(35)
of which	1084	2998	3538	3218		4268
Plan Head**	(1)	(2)	(2)	(2)		(3)
Interest Payments	15648	17505	19076	21207	23805	23965
	(15)	(14)	(13)	(14)	(13)	(14)
Pensions	9874	11683	13429	15185	17633	17386
	(9)	(10)	(9)	(10)	(10)	(11)
<b>Total Committed expenditure</b>	<b>67523</b>	<b>75141</b>	<b>86208</b>	<b>96595</b>	<b>83846</b>	<b>104076</b>
	<b>(64)</b>	<b>(62)</b>	<b>(60)</b>	<b>(64)</b>	<b>(46)</b>	<b>(63)</b>
Other Components <sup>11</sup>	38936	48413	52508	58307	100577	73477
	(37)	(40)	(37)	(39)	(56)	(44)
<b>Total Revenue Expenditure</b>	<b>106459</b>	<b>123554</b>	<b>138736</b>	<b>154902</b>	<b>184423</b>	<b>177553</b>
<b>Revenue Receipts</b>	<b>105868</b>	<b>121286</b>	<b>142947</b>	<b>149822</b>	<b>180320</b>	<b>165415</b>

Figures in parenthesis indicate percentage to Revenue Receipts

<sup>s</sup> Salaries: ₹ 60,469 crore + Wages: ₹ 2,256 crore

\*\* 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 2010-11 (₹ 25,937 crore), 2011-12 (₹ 27,358 crore), 2012-13 (₹ 32,870 crore), 2013-14 (₹ 37,334 crore) and 2014-15 (₹ 38,225 crore)

Source: Finance Accounts of respective years

### Salaries and wages

The average annual growth in salaries and wages during 2010-15 was 12.33 per cent. The expenditure on salaries and wages increased by ₹ 2,522 crore (four per cent) from ₹ 60,203 crore in 2013-14 to ₹ 62,725 crore in 2014-15. The expenditure of

<sup>11</sup> Revenue expenditure under General Services, Social Services, Economic Services and Grants-in-aid (excluding salary and wages, interest payments and pension payments)

₹ 62,725 crore on salaries and wages during 2014-15 was higher than the State's own FCP (₹ 61,682 crore) and lower than the projections made in MTFPS (₹ 64,986 crore).

During 2005-06 to 2013-14, the CAGR of salary and wages (14.11 *per cent*) was lower than the growth rate of GCS (15.23 *per cent*). The growth of salary and wages during 2014-15 over 2013-14 (7.13 *per cent*) was also lower than the growth rate of GCS (11.75 *per cent*) as given in **Appendix 1.1**.

### **Pension payments**

The expenditure on pension payments had increased at an average annual growth of 19 *per cent* from ₹ 9,874 crore in 2010-11 to ₹ 17,386 crore in 2014-15. The increase in pension payments of ₹ 2,201 crore (14 *per cent*) during 2014-15 over the previous year was mainly due to more expenditure on Pensions and Other Retirement Benefits.

During 2005-06 to 2013-14, the CAGR of pension (18.54 *per cent*) was lower than the growth rate of GCS (18.70 *per cent*). The growth of pension during 2014-15 over 2013-14 (9.87 *per cent*) was also lower than the growth rate of GCS (12.43 *per cent*) as given in **Appendix 1.1**.

**Table 1.29** shows actual pension payments with reference to assessment made by the ThFC, the FCP and MTFPS/Budget projections of the State Government.

**Table 1.29: 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
2013-14	15293	8081	14339	15185
2014-15	17633	8889	17663	17386

*Source: Finance Accounts, Budget documents and Report of the ThFC*

The pension payments during 2014-15 was higher than the normative assessments made by the ThFC but lower than the projections of the State Government under MTFPS and FCP.

In order to limit future pension liabilities, the Government had introduced the New Pension Scheme 2005, for employees recruited after 01 November 2005. An amount of ₹ 1,692.92 crore<sup>12</sup> was deposited by GoM during 2014-15 towards employee's contribution and employer's share. The State Government's liability on this account as on 31 March 2015 was ₹ 4,426.95 crore. During 2014-15, the State Government has transferred ₹ 1,410 crore to the National Securities Depository Limited, since the inception of the scheme. Untransferred amounts with accrued interest represent outstanding liabilities of the Government.

### **Interest payments**

Interest payments increased by 53 *per cent* from ₹ 15,648 crore in 2010-11 to ₹ 23,965 crore in 2014-15, primarily due to increase in debt liabilities. Relative to revenue receipts, interest payments revealed a marginal declining trend during 2010-13. It increased to 14 *per cent* during 2013-14 and remained constant during 2014-15.

<sup>12</sup> Employees contribution: ₹ 756.25 crore; Employers' contribution: ₹ 936.67 crore inclusive of interest

Table 1.30: 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
2013-14	21098	23577	23647	21207
2014-15	23805	26775	24283	23965

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 2013-14 as well as in 2014-15. With reference to the projections made in the MTFPS, interest payments were marginally higher during 2013-14 and 2014-15.

The increase in interest payments by ₹ 2,758 crore in 2014-15 over the previous year was mainly due to increase in interest paid on market loans (₹ 2,133 crore) and State Provident Fund (₹ 427 crore).

The balance in interest bearing deposit account was ₹ 29,991.99 crore at the end of March 2014, which was not invested. The GoM paid an interest of ₹ 1,926.67 crore during 2014-15 on ₹ 29,405.49 crore. No interest was paid on the balance portion of funds of ₹ 586.50 crore. The interest liability on the balance portion of funds during the year works out to ₹ 51.03 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. The revenue expenditure as well as revenue deficit was understated to the extent of ₹ 51.03 crore.

Of the total accumulated balance of reserve funds of ₹ 25,610.02 crore as on March 2014, ₹ 25,427.16 crore related to non-interest bearing funds and ₹ 182.86 crore related to interest bearing reserve funds. Out of ₹ 182.86 crore, only ₹ 10.88 crore (General Insurance Fund) was invested during the year, leaving a balance of ₹ 171.98 crore. However, the State Government paid ₹ 4.91 crore towards interest on uninvested portion of ₹ 171.58 crore. The liability on the balance uninvested amount of ₹ 0.40 crore works out to ₹ 0.03 crore, at the average rate of 7.5 *per cent* for 2014-15 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 on account of interest on reserve fund.

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

Local bodies (LBs) in Maharashtra consist of PRIs and ULBs. In conformity with the provisions of the 73 and 74 Constitutional Amendment, the State Government established a three tier system of PRIs comprising Zilla Parishads (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 which was presented to the State Legislature on 20 December 2013. The Fourth SFC was constituted in February 2011 for the period 2011-12 to 2015-16 and was to submit its report to the State Government by September 2012. However, the date for submission of report was 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 District Rural Development Agency 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 1.31; Sl. 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 Panchayat Samitis (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 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 Gram Panchayats 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 73 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 September 2015, the State Government has transferred 16 functions and 15,480 functionaries to PRIs. Non-transfer of functions and related functionaries has been commented in earlier 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 2013-14 should have been finalized by September 2014 and published by November 2014. However, information provided by the Rural Development Department (March 2015) 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 finalisation of the accounts for the year 2011-12 was in the final stage and would be placed in the coming session of the State Legislature. The finalisation of accounts for the year 2012-13 was in progress.

Local fund (transaction) audit of all ZPs and PSs was conducted for the year 2013-14. The consolidated Audit Review Report for the year 2011-12 was prepared by DLFA and presented to the State Legislature in June 2014.

**1.6.3.2 Accounts and finances of urban local bodies**

In accordance with the 74 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 MCs, except Municipal Corporation of Greater Mumbai 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, 238 Municipal Councils (12 A class, 63 B class and 163 C class) including 15 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 1.31; Sl. 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 25 MCs (excluding NCMC) which have prepared their annual accounts, audit by MCA has been completed up to 2013-14 in six<sup>13</sup> MCs and up to 2012-13 in five<sup>14</sup> MCs and reports submitted to the respective Standing Committees. In the remaining six<sup>15</sup> of 17 MCs, there were arrears in audit by MCA ranging between two and 11 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 2014-15 relative to the previous years is presented in **Table 1.31**.

**Table 1.31: Financial assistance to local bodies and other institutions**

(₹ in crore)						
Sr No	Institutions	2010-11	2011-12	2012-13	2013-14	2014-15
1	Educational institutions (Aided Schools, Aided Colleges, Universities, etc.)	16098.97	18981.18	27186.61	24168.39	25571.20
2	Municipal Corporations and Municipalities	4350.04	4871.33	4401.93	5179.74	5172.30
3	Zilla Parishads and other Panchayati Raj Institutions	13260.93	14294.73	16444.42	18184.73	18769.44
4	Development agencies	187.26	276.83	246.51	250.70	905.85
5	Hospital and other charitable institutions	1084.74	1313.33	1792.44	2196.33	3678.22
6	Social Welfare and Nutrition	1822.49	2888.36	4106.58	5601.02	7174.72
7	Agriculture and Allied Activities	1943.47	2300.01	2128.53	1287.51	824.71
8	Welfare of SC, ST and OBC	1335.60	1596.41	2397.81	1962.06	2097.80
9	Administrative Services	-	1159.23	1415.51	1257.77	1392.42
10	Housing	-	1020.31	1267.28	708.97	367.43
11	Other Institutions	7562.95	6661.29	2380.29	7252.60	6756.88
<b>Total</b>		<b>47646.45</b>	<b>55363.01</b>	<b>63767.91</b>	<b>68049.82</b>	<b>72710.97</b>
Assistance as percentage of RE		45	45	46	44	41

Source : Finance Accounts, Vouchers compiled by Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai

It would be seen from **Table 1.31** that the financial assistance to local bodies and other institutions by the State Government increased from ₹ 47,646 crore in 2010-11 to ₹ 72,711 crore in 2014-15. As compared to the previous year, the assistance

<sup>13</sup> Dhule; Malegaon; Municipal Corporation of Greater Mumbai; Mira-Bhayandar; Pimpri-Chinchwad; and Thane

<sup>14</sup> Ahmednagar; Bhiwandi-Nizampur; Kalyan-Dombivli; Kolhapur; and Vasai-Virar

<sup>15</sup> Jalgaon; Nasik; Navi Mumbai; Pune; Sangli-Miraj-Kupwad; and Solapur

during 2014-15 increased by seven *per cent*. During 2014-15, more financial assistance was given to (a) Educational Institutions (₹ 1,403 crore) mainly due to payment of more assistance to non-Government colleges, (b) Hospital and other charitable institutions (₹ 1,482 crore), (c) Development Agencies (₹ 655 crore) and Zilla Parishads and other Panchayati Raj Institutions (₹ 585 crore) due to more payment to 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 2011-12 and 2014-15 is indicated in **Table 1.32**.

**Table 1.32: Fiscal Priority of the State in 2011-12 and 2014-15**

Fiscal Priority of the State	AE / GSDP	DE <sup>#</sup> / AE	SSE / AE	ESE/ AE	CE / AE	Education, Sports, Art and Culture / AE	Health and Family Welfare / AE
General Category States Average (Ratio) 2011-12	15.98	65.39	36.63	28.76	13.23	17.10	4.68
Maharashtra Average (Ratio) 2011-12	12.17	68.37	40.05	28.32	12.55	21.09	3.80
General Category States Average (Ratio) 2014-15	16.49*	69.12	36.50	32.61	14.01	16.23	5.04
Maharashtra Average (Ratio) 2014-15	11.75	67.67	39.90	27.77	9.85	20.07	4.52

AE: Aggregate expenditure; DE: Development expenditure

SSE: Social Sector expenditure; ESE: Economic Sector expenditure; CE: Capital expenditure

<sup>#</sup> Development expenditure includes development revenue expenditure, development capital expenditure and loans and advances disbursed

\* Based on 17 States except Goa and Puducherry

Source: Finance Accounts of respective years

Analysis of the fiscal priorities of the State Government as shown in **Table 1.32** reveals the following:

- The ratios of AE to GSDP in 2011-12 and 2014-15 (12.17 *per cent* and 11.75 *per cent*) were lower in the State as compared to GCS (15.98 *per cent* and 16.49 *per cent*). This meant that the GCS 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 2011-12, as their ratios to AE were higher than the average ratio of GCS. During 2014-15 the development

expenditure of the State was lower than the average ratio of GCS whereas the Social Sector expenditure of the State was more than the GCS.

- The ratios of Economic Sector expenditure to AE in the State during 2011-12 and 2014-15 were lower than that of GCS.
- The ratio of CE to AE in the State was lower in 2011-12 and 2014-15 as compared to the ratio of GCS. 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.
- The ratio of expenditure on education, sports, art and culture to AE which was 21.09 *per cent* in 2011-12 decreased to 20.07 *per cent* in 2014-15. During 2005-06 to 2013-14, the CAGR of revenue expenditure on education in Maharashtra (17.17 *per cent*) was marginally higher than the growth rate of GCS (17.10 *per cent*). The growth of revenue expenditure on education during 2014-15 over 2013-14 (3.81 *per cent*) was, however, lower than the growth rate of GCS (14.55 *per cent*) as given in **Appendix 1.1**. The priority given to these areas in Maharashtra was lower than that given to GCS.
- Less priority was given to Health and Family Welfare in Maharashtra than the GCS during 2011-12 and 2014-15. During 2005-06 to 2013-14, the CAGR of revenue expenditure on health (15.69 *per cent*) was lower than the growth rate of GCS (16.20 *per cent*). The growth of revenue expenditure on health during 2014-15 over 2013-14 (24.67 *per cent*) was also lower than the growth rate of GCS (28.73 *per cent*) as given in **Appendix 1.1**. 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<sup>16</sup>. Apart from improving the allocation towards development expenditure<sup>17</sup>, 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 1.33** 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.

<sup>16</sup> See Glossary at page 135

<sup>17</sup> 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

Table 1.33: Development expenditure

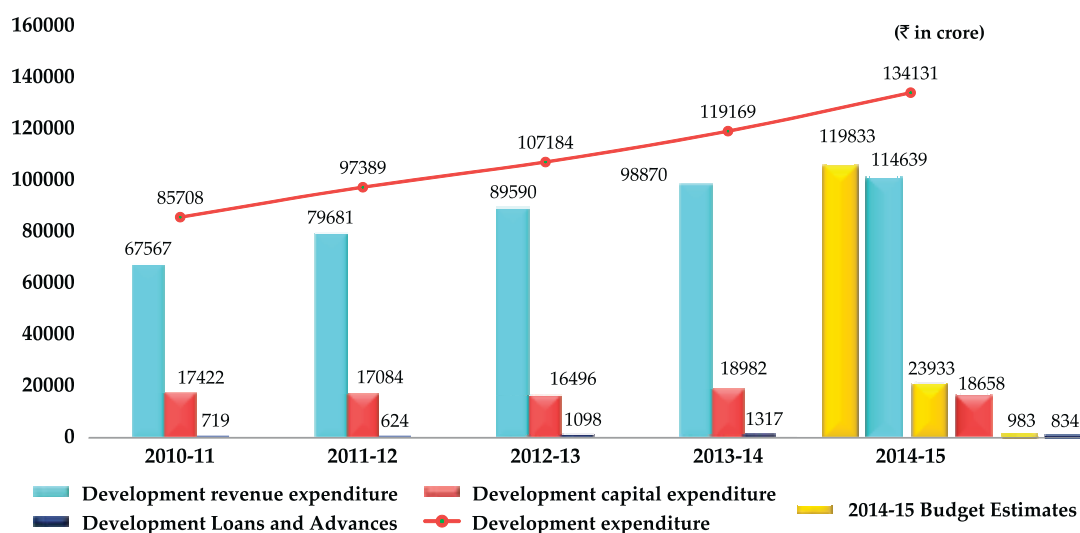
(₹ in crore)

Components of Development Expenditure	2010-11	2011-12	2012-13	2013-14	2014-15	
					BE	Actuals
<b>Development expenditure (a to c)</b>	<b>85708</b>	<b>97389</b>	<b>107184</b>	<b>119169</b>	<b>144749</b>	<b>134131</b>
	(68.4)	(68.5)	(68.0)	(67.5)	(68.2)	(67.7)
a. Development revenue expenditure	67567	79681	89590	98870	119833	114639
	(53.9)	(56.0)	(56.9)	(56.0)	(56.4)	(57.8)
b. Development capital expenditure	17422	17084	16496	18982	23933	18658
	(13.9)	(12.0)	(10.5)	(10.8)	(11.3)	(9.4)
c. Development Loans and Advances	719	624	1098	1317	983	834
	(0.6)	(0.4)	(0.7)	(0.7)	(0.5)	(0.4)

Figures in parenthesis indicate percentage to total expenditure

Source: Finance Accounts of respective years

Chart 1.14: Development expenditure for the years 2010-11 to 2013-14 and budget estimates vis-a-vis actuals 2014-15



(Source: Finance Accounts of respective years)

### Development revenue expenditure

The development revenue expenditure increased by ₹ 15,769 crore from ₹ 98,870 crore in 2013-14 to ₹ 1,14,639 crore in 2014-15. The increase was under Social Services (₹ 6,074 crore) and Economic Services (₹ 9,695 crore). The actual development revenue expenditure was less than the State's projection in the budget by ₹ 5,194 crore.

### Development capital expenditure

The development capital expenditure decreased by ₹ 324 crore from ₹ 18,982 crore in 2013-14 to ₹ 18,658 crore in 2014-15. The decrease was under Social Services ₹ 316 crore. The main component of decrease was Capital Outlay on Urban Development (₹ 318 crore). The actual development capital expenditure was less than the State's projection in the budget by ₹ 5,275 crore.

### Development loans and advances

Development loans and advances decreased by ₹ 483 crore from ₹ 1,317 crore in 2013-14 to ₹ 834 crore in 2014-15. The actual development loans and advances were less than the State's projections in the budget by ₹ 149 crore.

**Efficiency of expenditure use in selected social and economic services**

**Table 1.34** provides the details of capital expenditure and the component of revenue expenditure incurred on the maintenance of the selected social and economic services.

**Table 1.34: Efficiency of expenditure use in selected social and economic services**

(in per cent)

Social/Economic infrastructure	2013-14			2014-15		
	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
<b>Social Services (SS)</b>						
Education, Sports, Art and Culture	0.27	84.64	0.00	0.24	82.98	0.44
Health and Family Welfare	7.50	65.76	0.06	5.24	55.38	1.13
Water Supply, Sanitation, Housing and Urban Development	9.31	3.26	14.41	5.88	3.11	4.19
<b>Total (SS)</b>	<b>3.10</b>	<b>57.41</b>	<b>1.76</b>	<b>2.48</b>	<b>54.31</b>	<b>1.41</b>
<b>Economic Services (ES)</b>						
Agriculture and Allied Activities	15.77	48.41	0.62	28.59	45.79	0.00
Irrigation and Flood Control	74.13	41.32	14.94	73.82	45.34	26.58
Energy	19.77	0.38	2.08	10.47	0.20	0.17
Transport	49.24	1.21	1.56	39.97	0.93	10.69
<b>Total (ES)</b>	<b>36.47</b>	<b>20.18</b>	<b>2.34</b>	<b>30.34</b>	<b>16.89</b>	<b>3.38</b>
<b>Total (SS+ES)</b>	<b>15.93</b>	<b>46.87</b>	<b>1.92</b>	<b>13.91</b>	<b>42.01</b>	<b>2.06</b>
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 1.34** reveal that development capital expenditure as a percentage to total expenditure decreased from 15.93 in 2013-14 to 13.91 in 2014-15. The percentage of capital expenditure on Social Services to the total expenditure decreased from 3.10 in 2013-14 to 2.48 in 2014-15. The decrease was mainly seen under Water Supply, Sanitation, Housing and Urban Development, Health and Family Welfare and Education, Sports, Arts and Culture. The percentage of capital expenditure on Economic Services to the total expenditure also decreased from 36.47 per cent in 2013-14 to 30.34 per cent in 2014-15. The decrease was mainly seen under Energy, Transport set off by increase in Agriculture and Allied Activities.

The share of salary and wages in revenue expenditure decreased from 46.87 per cent in 2013-14 to 42.01 per cent in 2014-15. The share of salary and wages in revenue expenditure on Social Services decreased from 57.41 per cent in 2013-14 to 54.31 per cent in 2014-15. The decrease was mainly under Health and Family Welfare, Education, Sports, Art and Culture and Water Supply, Sanitation, Housing and Urban Development. The share of salary and wages in revenue expenditure on Economic Services also decreased from 20.18 per cent in 2013-14 to 16.89 per cent in 2014-15. The decrease was mainly under Agriculture and Allied Activities set off by increase under Irrigation and Floor Control.

The share of operations and maintenance in revenue expenditure increased from 1.92 per cent in 2013-14 to 2.06 per cent in 2014-15. The share of operations and maintenance in revenue expenditure on Social Services decreased from 1.76 per cent in 2013-14 to 1.41 per cent in 2014-15. The decrease was seen mainly under

Water Supply, Sanitation, Housing and Urban Development set off by increase under Health and Family Welfare. The share of operations and maintenance in revenue expenditure on Economic Services increased from 2.34 *per cent* in 2013-14 to 3.38 *per cent* in 2014-15. The increase was seen mainly under Irrigation and Flood Control and Transport set off by decrease in Energy.

## 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*

There were 515 ongoing irrigation projects in the five<sup>18</sup> Irrigation Development Corporations (IDCs) under Water Resources Department. Data of all the ongoing projects furnished by the IDCs were analysed in audit to assess the number of years these projects have been under execution. The summarized position is given in **Table 1.35**.

**Table 1.35: Age profile of ongoing projects under WRD**

Age Profile (Since the date of original AA)	Total projects			
	Major	Medium	Minor	Total
More than 30 years	34	23	28	85
More than 20 years but up to 30 years	8	13	40	61
More than 15 years but up to 20 years	9	25	67	101
More than 10 years but up to 15 years	2	8	68	78
More than 5 years but up to 10 years	5	22	152	179
Up to 5 years	1	0	10	11
<b>Total</b>	<b>59</b>	<b>91</b>	<b>365</b>	<b>515</b>

Source: Information furnished by IDCs; as of March 2015

**Table 1.35** shows that 247 projects (47.96 *per cent*) were under execution for more than 15 years and of these, 85 projects (16.50 *per cent*) were under execution for more than 30 years.

<sup>18</sup> Maharashtra Krishna Valley Development Corporation; Konkan Irrigation Development Corporation; Tapi Irrigation Development Corporation; Vidarbha Irrigation Development Corporation; and Godavari Marathwada Irrigation Development Corporation

**Table 1.36: Cost overrun and balance cost in respect of all ongoing projects**

(₹ in crore)

IDC	Status of 515 ongoing projects				Status of 401 out of 515 ongoing projects with cost overrun					
	Number of projects	Expenditure	Updated cost	Balance cost	Number of projects	Amount of original AA	Expenditure	Cost overrun	Updated cost	Balance cost
MKVDC	81	18641.77	40274.93	21633.16	68	4511.97	18327.77	13815.80	40274.93	21947.16
KIDC	63	7231.70	15580.08	8348.38	43	1010.93	6676.09	5665.16	15580.08	8903.99
TIDC	37	4577.27	14898.50	10321.23	37	3181.00	4577.27	1396.27	14898.50	10321.23
VIDC	270	27494.83	73797.93	46303.10	224	10626.90	27011.41	16384.51	72635.35	45623.94
GMIDC	64	6956.66	17452.42	10495.76	29	514.60	7314.67	6800.07	16731.38	9416.71
<b>Total</b>	<b>515</b>	<b>64902.23</b>	<b>162003.86</b>	<b>97101.63</b>	<b>401</b>	<b>19845.40</b>	<b>63907.21</b>	<b>44061.81</b>	<b>160120.24</b>	<b>96213.03</b>

Source: Information furnished by the IDCs; Status as of March 2015

**Table 1.36** shows that the balance estimated cost of 515 ongoing projects was ₹ 97,101.63 crore. Of these 515 projects, there was cost overrun in 401 projects amounting to ₹ 44,061.81 crore *i.e.* an increase of more than two times the original cost.

### 1.8.1.2 Public Works Department

As on 31 March 2015, an expenditure of ₹ 244.55 crore was incurred on 77 ongoing projects (**Appendix 1.10**). There was time overrun up to seven years in respect of 53 projects of roads and bridges (expenditure: ₹ 156.01 crore) and up to five years in respect of 23 projects of buildings (expenditure: ₹ 88.52 crore). In one project pertaining to roads and bridges (expenditure: ₹ 0.02 crore), the target dates of completion were beyond March 2015.

### 1.8.2 Investment and returns

As of 31 March 2015, Government invested ₹ 1,10,672 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.37**). The average return on this investment was 0.04 *per cent* in the last five years while the Government paid average interest rate of 7.55 *per cent* on its borrowings during 2010-15.

**Table 1.37: Return on investment**

Investment/Return/Cost of Borrowings	2010-11	2011-12	2012-13	2013-14	2014-15
Investment at the end of the year (₹ in crore)	74391.39	83016.00	90677.84	101867.20	110671.69
Return (₹ in crore)	44.82	30.20	47.00	19.68	28.14
Return ( <i>per cent</i> )	0.06	0.04	0.05	0.02	0.03
Average rate of interest on Government borrowing ( <i>per cent</i> )	7.49	7.51	7.42	7.54	7.81
Difference between interest rate and return ( <i>per cent</i> )	7.43	7.47	7.37	7.52	7.78

Source: Finance Accounts of respective years

The increase in investments of ₹ 8,804 crore during 2014-15 was mainly attributable to capital contributions to Vidarbha Irrigation Development Corporation (₹ 2,961 crore), Godavari Marathwada Irrigation Development Corporation (₹ 1,423 crore), Maharashtra Krishna Valley Development Corporation (₹ 1,167 crore), Maharashtra State Power Generation Corporation Limited (₹ 621 crore), Tapi Irrigation Development Corporation (₹ 545 crore), Konkan Irrigation Development Corporation (₹ 502 crore), Maharashtra Water Conservation Development Corporation (₹ 490 crore) and Maharashtra State Road Transport Corporation (₹ 286 crore).



As on 31 March 2015, 21 Companies (**Appendix 1.11**) in which Government had invested ₹ 27,103.15 crore (share capital: ₹ 19,889.17 crore and loans: ₹ 7,213.98 crore) were incurring losses and their net accumulated losses as on September 2015 amounted to ₹ 17,161.21 crore.

Information furnished by the Commissioner for Cooperation and Registrar of Co-operative Societies revealed that of the 3,920 Societies with an aggregate investment of ₹ 140.30 crore (equity: ₹ 83.76 crore and loan: ₹ 56.54 crore), 1,865 Societies had incurred losses (31 March 2015) and their accumulated losses (₹ 29.32 crore) were 43 *per cent* of the initial investments made in these Societies. Further, 764 societies were under liquidation which had ₹ 11.62 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 1.12**. It was observed that:

- An amount of ₹ 2,114.82 crore had been invested by the State Government in four<sup>19</sup> undertakings at the end of the financial year up to which their accounts were finalised (**Appendix 3.3**).
- Of the four undertakings having 49 units, only two<sup>20</sup> units could earn net profit amounting to ₹ 8.95 crore against capital investment of ₹ 21.57 crore, thereby yielding a rate of return of 45 *per cent*.
- Of the loss-making DCUs, 35<sup>21</sup> 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

<sup>19</sup> Agriculture, Animal Husbandry, Dairy Development and Fisheries; Food, Civil Supplies and Consumer Protection; Land Development Bulldozer Scheme; and Revenue and Forest

<sup>20</sup> Unit Scheme, Mumbai (2013-14) and Cattle Feed Scheme, Mumbai (2013-14) refer Sl. No. 5 and 9 of Appendix 1.13

<sup>21</sup> Mother Dairy, Kurla; Central Dairy, Goregaon; Agricultural Scheme, Mumbai: Greater Mumbai Milk Scheme, Worli; Electrical Scheme, Mumbai; Dairy Project, Dapchari; Government Milk Chilling Centre, Saralgaon (Dist: Thane); Government Milk Schemes in Ahmednagar, Akola, Aurangabad, Beed, Bhiwandi, Bhoom Amravati, Chalisgaon, Chandrapur, Chiplun, Dhule, Gondia, Khopoli, Mahabaleshwar, Mahad, Miraj, Nagpur, Nanded, Nashik, Parbhani, Pune, Ratnagiri, Satara, Solapur, Udgir, Wani and Yavatmal; and CBRF, Palghar

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 1.38** presents the outstanding loans and advances as on 31 March 2015, interest receipts *vis-à-vis* interest payments during the last three years.

**Table 1.38: Average interest received on loans advanced by the State Government**

	(₹ in crore)		
Quantum of loans/interest receipts/cost of borrowings	2012-13	2013-14	2014-15
Opening Balance	20187	20740	21657
Amount advanced during the year	1416	1645	1140 <sup>#</sup>
Amount repaid during the year	863	728	975
<b>Closing Balance</b>	<b>20740</b>	<b>21657</b>	<b>21822</b>
<i>of which</i>			
Outstanding balance for which terms and conditions have been settled	NA	NA	NA
Net addition	553	917	165
Interest Receipts	167	166	185
Interest receipts as <i>per cent</i> to outstanding loans and advances	0.81	0.77	0.85
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government	7.09	7.22	7.49
Difference between interest receipts and interest payments ( <i>per cent</i> )	(-) 6.28	(-) 6.45	(-)6.64

*Source: Finance Accounts of respective years*

<sup>#</sup> lower rounding

As can be seen from the **Table 1.38**, the total outstanding loans and advances as on 31 March 2015 was ₹ 21,657 crore. The amount of loans disbursed during the year decreased from ₹ 1,645 crore in 2013-14 to ₹ 1,140 crore in 2014-15. Of the total amount of loans and advances disbursed during the year, ₹ 662 crore went to Economic Services and ₹ 172 crore to Social Services. Under the Economic Services, the major portion of loans went to Power (89 *per cent*). However, interest received against these loans increased from 0.77 *per cent* during 2013-14 to 0.85 *per cent* in 2014-15, mainly due to more interest receipts from Urban Development Department (₹ 24 crore).

The detailed accounts of loans are maintained by the State Government departments, who are required to confirm the loan balances to the 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 2014-15 in accordance with the Indian Government Accounting Standards-3 was incomplete.

### 1.8.4 Cash balances and investment of cash balances

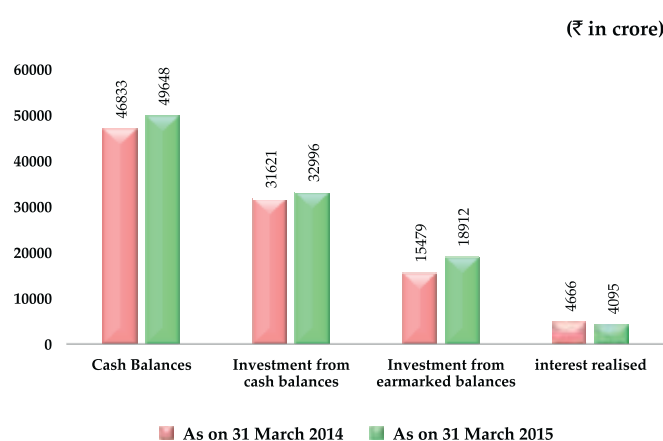
**Table 1.39** and **Chart 1.15** depict the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.39: Cash balances and investment of cash balances

(₹ in crore)			
Particulars	As on 31 March 2014	As on 31 March 2015	Increase (+)/ Decrease(-)
Cash in treasuries	0.17	0.04	(-)0.13
Deposits with Reserve Bank of India	(-)277.04	(-)2323.4	(-)2046.36
Remittances in transit-Local	54.88	57.88	3.00
Cash with the departmental officers	4.76	5.65	0.89
Permanent advance for contingent expenditure with departmental officers	0.50	0.57	0.07
<b>Investments from cash balances (a to d)</b>	<b>31620.91</b>	<b>32996.05</b>	<b>1375.14</b>
a. GoI Treasury Bills	31620.22	32995.36	1375.14
b. GoI Securities	-----	0.00	
c. Other Securities, if any specify	-----		
d. Other Investments	0.69	0.69	0.00
<b>Fund-wise break-up of investment from Earmarked balances (a to e)</b>	<b>15479.28</b>	<b>18911.62</b>	<b>3432.34</b>
a. General and other Reserve Funds	10.89	10.89	0.00
b. Sinking Fund	15453.89	18886.23	3432.34
c. Fund for Development of Milk supply	1.00	1.00	0.00
d. Other Development and Welfare Funds	13.42	13.42	0.00
e. Miscellaneous Deposits	0.08	0.08	0.00
<b>Total Cash Balances</b>	<b>46883.46</b>	<b>49648.41</b>	<b>2764.95</b>
Interest Realised	4666.37	4095.02	(-)571.35

Source: Finance Accounts of respective years

Chart 1.15: Cash balance and investment of cash balance



(Source: Finance Accounts of respective years)

The cash balances of the State Government at the end of March 2015 (₹ 49,648 crore) was nearly 25 per cent of the total expenditure of the State Government during the year (₹ 1,98,217 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 2015, there was an outstanding balance (cumulative) of ₹ 12,985.22 crore. During 2014-15, the total value of lapsed cheques amounted to ₹ 5.74 crore (₹ 2.73 crore on salaries, ₹ 1.07 crore on pension payments, ₹ 0.12 crore on refunds of revenue, ₹ 0.02 crore on Provident Fund disbursements, ₹ 0.16 crore on Insurance and Pension Funds and ₹ 1.64 crore on Others).

## 1.9 Assets and liabilities

### 1.9.1 Growth and composition of assets and liabilities

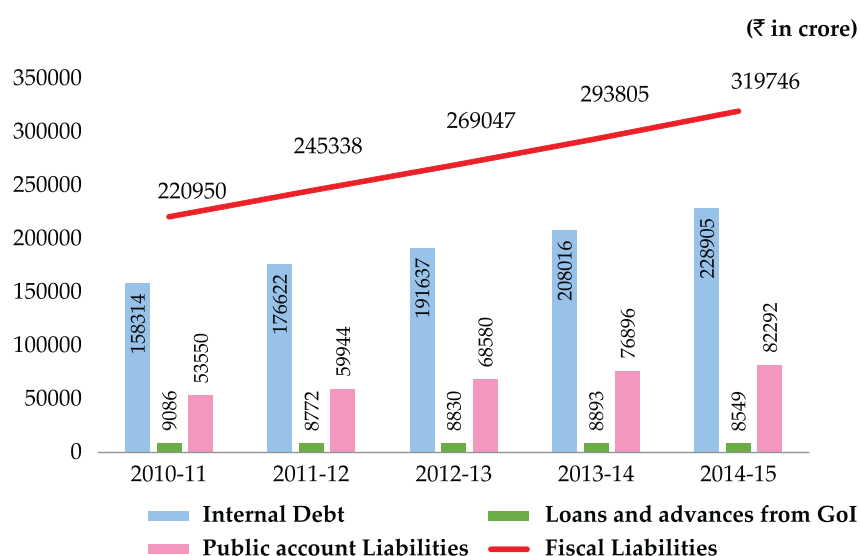
In the existing cash-based Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.13** gives an abstract of such liabilities and the assets as on 31 March 2015, compared with the corresponding position on 31 March 2014. 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 liability 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 **Chart 1.16**.

**Chart 1.16: Composition of outstanding fiscal liabilities**



(Source: Finance Account of the respective years)

**Table 1.40** 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 1.40: Fiscal liabilities – basic parameters

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Fiscal Liabilities (₹ in crore)	220950	245338	269047	293805	319746
Rate of Growth ( <i>per cent</i> )	12.26	11.04	9.66	9.20	8.83
Ratio of Fiscal Liabilities to					
GSDP ( <i>per cent</i> ) <sup>#</sup>	21.1	21.0	20.3	19.5	19.0
Revenue Receipts ( <i>per cent</i> )	208.7	202.3	188.2	196.1	193.3
Own Resources ( <i>per cent</i> )	265.4	256.2	237.2	244.9	250.5
<b>Buoyancy of Fiscal Liabilities with reference to :</b>					
GSDP (ratio) <sup>#</sup>	0.542	0.957	0.743	0.647	0.755
Revenue Receipts (ratio)	0.562	0.758	0.541	1.913	0.848
Own Resources (ratio)	0.524	0.734	0.524	1.600	1.376

Source: Finance Accounts of respective years

<sup>#</sup> Figures differ from previous year due to revised GSDP figures

The overall fiscal liabilities of the State increased at an average annual rate of 10.20 *per cent* during the period 2010-15. The growth rate decreased continuously from 12.26 *per cent* in 2010-11 to 8.83 *per cent* in 2014-15. During 2014-15, the debt to GSDP ratio at 18.96 *per cent* was higher than the projections made in MTFPS (18.17 *per cent*) but lower than the ThFC (25.3 *per cent*) and MFRBM Rules, 2011 (25.3 *per cent*). These liabilities were nearly twice the revenue receipts and more than twice the State's own resources at the end of 2014-15. The buoyancy of these liabilities with respect to GSDP during 2014-15 was 0.755, indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 0.755 *per cent*.

Of the total fiscal liabilities, the share of public debt was maximum (74 *per cent*), followed by deposits<sup>22</sup> (16 *per cent*), Small Savings, Provident Fund<sup>23</sup>, *etc.* (seven *per cent*) and reserve funds (three *per cent*). Fiscal liabilities increased by ₹ 25,941 crore from ₹ 2,93,805 crore in 2013-14 to ₹ 3,19,746 crore in 2014-15, mainly due to increase in Public Debt (₹ 20,545 crore), Deposits (₹ 4,411 crore), and Small Savings and Provident Funds (₹ 1,260 crore) set off by decrease in Reserve Fund (₹ 275 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 2015, the closing balance in the Sinking Fund was ₹ 18,886.23 crore which included ₹ 3,432 crore for 2014-15 and the entire balance was invested.

### 1.9.2.1 Increasing trend of balance under 8443-Civil Deposits

During 2010-11 to 2014-15, 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 1.41**.

<sup>22</sup> 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

<sup>23</sup> 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 1.41: 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 in (percentage)
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)
2014-15	15692.25	22714.76	21665.23	16741.78	1049.53	9726.09 (58)

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, in the case of 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 2014-15, 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 2014-15, there was an unreconciled balance of ₹ 4,044.95 crore under Civil Deposits and Other Civil Deposits pertaining to the period 1960-61 to 2014-15. Of the above ‘Provident Fund Accounts maintained by Departmental Officers’ was the major item pertaining to 1960-61 to 2014-15 that remained unreconciled (₹ 4,038.77 crore) as of March 2015.

### 1.9.3 Transactions under reserve fund

Reserve and Reserve Funds are created for specific and well defined purposes in the accounts of the State Government. These funds are fed by contributions or grants from the Consolidated Fund of India or State or from outside agencies. The contributions are treated as expenditure under the Consolidated Fund. The expenditure relating to the funds are initially accounted under the Consolidated Fund itself for which the vote of the Legislature is obtained. At the end of the year, at the time of closure of accounts, the expenditure relating to the funds are transferred to the Public Account through operation of deduct entry in accounts. The funds may further be classified as ‘Funds carrying interest’ and ‘Funds not carrying interest’. Generally, the Reserve Funds are classified under the following three categories based on the sources from which they are fed:

- Funds accumulated from grants made by another Government and at times aided by public subscriptions;
- Funds accumulated from sums set aside by the Union/State from the Consolidated Fund of India or Consolidated Fund of State, as the case may be, to provide reserves for expenditures to be incurred by them for particular purposes;
- Funds accumulated from contributions made by outside agencies to the State Government.

In Maharashtra, there were 18 reserve funds earmarked for specific purposes of which, nine funds were active as shown in **Appendix 1.14**. The total accumulated balance as on 31 March 2015 in these funds was ₹ 28,767.72 crore (₹ 28,738.71 crore in active

funds and ₹ 29.01 crore in inoperative funds). However, the investment out of this balance was only ₹ 18,911.54 crore (66 *per cent*). An account of these funds is included in Statement No. 21 of the Finance Accounts 2014-15.

The transactions relating to Maharashtra Mineral Development Fund for the period 2010-11 to 2014-15 are discussed below.

**Maharashtra Mineral Development Fund:** This fund was constituted for mineral exploration and development of mining activities in the Maharashtra State under Maharashtra Mineral Development (Creation and Utilisation) Fund Act, 2001. Contribution of 10 *per cent* of the total mineral revenue collection of the previous financial year is required to be transferred to this fund. During 2014-15, ₹ 214.12 crore was transferred and an expenditure of ₹ 214.12 crore was incurred. The balance fund at the end of March 2015 was ₹ 223.22 crore. The year-wise details of receipts and disbursements of this fund is given in **Table 1.42**.

**Table 1.42: Year-wise details of Maharashtra Mineral Development Fund**

(₹ in crore)

Description	2010-11	2011-12	2012-13	2013-14	2014-15
Opening Balance	288.96	288.96	288.96	223.22	223.22
Receipts	91.74	91.74	105.66	203.78	214.12
Disbursements	91.74	91.74	171.40	203.78	214.12
Closing Balance	288.96	288.96	223.22	223.22	223.22

Source: Finance Accounts of respective years

Audit scrutiny of the records revealed that there was a short transfer of ₹ 203.68 crore to Maharashtra Mineral Development Fund during 2010-11 to 2012-13 as given in **Table 1.43**.

**Table 1.43: Short transfer of amount to Maharashtra Mineral Development Fund**

(₹ in crore)

0853- Receipts during preceding year	Financial Year	Amount due for transfer to Fund 10 <i>per cent</i> of (a)	Actually transferred to Fund	Difference (if any) {c-d}
(a)	(b)	(c)	(d)	(e)
1318.22	2010-11	131.82	91.74	40.08
1711.12	2011-12	171.11	91.74	79.37
1898.88	2012-13	189.89	105.66	84.23
1922.86	2013-14	192.28	203.78	0
2072.56	2014-15	207.26	214.12	0
8923.64	Total	892.36	707.04	203.68

Source: Finance Accounts of respective years

## 1.9.4 Contingent liabilities

### 1.9.4.1 Status of guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The maximum amount for which guarantees were given by the State Government and the outstanding guarantees during the last three years as given in the Statement 9 of the Finance Accounts (Volume-I) 2014-15 are summarised in **Table 1.44**.

**Table 1.44: Guarantees given by the Government of Maharashtra**

(₹ in crore)

Guarantees	2012-13	2013-14	2014-15
Maximum amount guaranteed	41353	32247	34564
Outstanding amount of guarantees	9246	7235	7999
Percentage of maximum amount guaranteed to total revenue receipt	29	22	21

*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 2014-15, guarantees of ₹ 992.92 crore were given by the State Government to (a) Maharashtra State Co-operative Cotton Produce Marketing Federation Ltd, Mumbai (₹ 700 crore); (b) Mahatma Phule Backward Class Development Corporation (₹ 67.57 crore); (c) Maharashtra State Other Backward Class Finance and Development Corporation (₹ 70.50 crore); (d) Lokshahir Annabhau Sathe Development Corporation (₹ 60.50 crore); (e) Maharashtra State Co-operative Marketing Federation Ltd, Mumbai (₹ 35 crore); (f) Sant Rohidas Leather Industries and Cobbler Development Corporation (₹ 31.15 crore); and (g) Vasantrao Naik Scheduled Caste, Scheduled Tribe Development Corporation (₹ 28.20 crore). Outstanding guarantees (₹ 7,999 crore) during 2014-15 accounted for five *per cent* of the revenue receipts (₹ 1,65,416 crore) and 0.47 *per cent* of the GSDP (₹ 16,86,695 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 2008-09 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 2015.

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 ₹ 47.87 crore during 2014-15 from ₹ 68.09 crore during 2013-14. The guarantee fee of ₹ 47.87 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.

### ***Invocation of guarantee***

Due to default in payment by the co-operative housing societies, the Social Justice and Special Assistance Department, GoM sanctioned (January 2013) ₹ 31.89 crore towards invocation of guarantee to Maharashtra State Co-operative Housing Financial Corporation Limited which had disbursed loan to 248 backward class housing societies under the Government scheme "Financial Assistance to Backward Classes Co-operative Housing Societies" for which Government stood as a guarantor. Out of the 248 societies, 103 societies where the members belonged to Scheduled Castes were having outstanding principal and interest of ₹ 10.28 crore and 134 societies where the members belonged to denotified tribes/Nomadic Tribes and Other Backward Community were having outstanding principal and interest of ₹ 20.25 crore. The outstanding principal and interest amounting to ₹ 1.35 crore pertained to 11 societies belonging to Scheduled Tribes was paid by the Tribal Development Department of GoM. The Social Justice and Special Assistance Department could not realise any amount from sale of assets of societies as no auction was conducted due to the societies



being in rural areas. The Commissioner of Social Welfare, Pune was declared as the drawing and disbursing officer for this invocation claim.

Audit scrutiny of departmental records (June 2015) revealed that the invocation claim for ₹ 10.28 crore out of ₹ 31.89 crore was discharged during 2012-13 to 2014-15. Out of ₹ 10.28 crore, Government classified expenditure of ₹ 1.77 crore under revenue head and ₹ 8.51 crore under the loan head without mentioning the conditions for recovery of loan from these societies. Classifying claims of invocation of guarantee directly under the service head was in violation of the 'The Indian Government Accounting Standards'. By classifying ₹ 1.77 crore under revenue head, Government had treated ₹ 1.77 crore as irrecoverable loan written off. The invocation claim for the remaining ₹ 20.25 crore which was to be met from the provisions of the general budget was not discharged (July 2015) as Commissioner of Social Welfare, Pune was not authorized to operate budgetary plan scheme code sanctioned by the Government. Thus, the remaining invocation claim of ₹ 20.25 crore was yet to be discharged though Government sanctioned it in January 2013. Liability of any further interest in this regard was not known.

#### 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 1.44**, 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 2014-15. However, at the close of 2014-15, ₹ 1,011 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

### 1.10.1 Debt profile

Per capita debt of the State Government is as given in **Table 1.45**.

**Table 1.45: Time series analysis showing the per capita debt**

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Internal Debt	158314	176622	191637	208016	228906
Loans and Advances from GoI	9086	8772	8830	8893	8549
<b>Total</b>	<b>167400</b>	<b>185394</b>	<b>200467</b>	<b>216909</b>	<b>237455</b>
Population (as per Census 2001/2011)	9.69 crore	11.24 crore	11.24 crore	11.24 crore	11.24 crore
Per Capita Debt (in ₹)	17275.54	16494.13	17835.14	19297.95	21125.89

Source: Finance Accounts and Economic Survey of Maharashtra of respective years

The per capita debt increased from ₹ 17,275.54 in 2010-11 to ₹ 21,125.89 in 2014-15.

### 1.10.2 Debt sustainability

Debt sustainability implies State's ability to service the debt. Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability<sup>24</sup> of the State. Analysis of various debt sustainability indicators of the State for the period of five years beginning from 2010-11 is given in **Table 1.46**.

**Table 1.46: Debt sustainability: indicators and trends**

Indicators of debt sustainability	2010-11	2011-12	2012-13	2013-14	2014-15
Outstanding Debt (₹ in crore)	220950	245318	269077	293805	319746
Debt/GSDP ratio	21.1	21.0	20.3	19.5	19.0
Debt/RR ratio	208.7	202.3	188.2	196.1	193.3
Burden of Interest Payments (IP/RR Ratio) (in per cent)	15	14	13	14	14
Sufficiency of non-debt receipts (Resource Gap) (₹ in crore)	7299	(-)1112	6400	(-)12278	(-)5808
Net Availability of Borrowed Funds (₹ in crore)	10756	8682	4633	3551	1976

Source: Finance Account 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.

**Table 1.46** reveals that though outstanding debt increased from ₹ 2,20,950 crore in 2010-11 to ₹ 3,19,746 crore in 2014-15, Debt/GSDP ratio as well as Debt/RR ratio are showing a declining trend. However, resource gap i.e. sufficiency of non-debt receipts was negative during three of the last five years (2011-12, 2013-14 and 2014-15). Further, the net availability of borrowed funds is showing a decreasing trend from ₹ 10,756 crore in 2010-11 to ₹ 1,976 crore in 2014-15.

#### *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.

<sup>24</sup> See Glossary at page 135

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 1.46** reveals that the positive resource gap during the year 2012-13 turned negative during 2013-14 as well as 2014-15, indicating the beginning of risk of non-sustainability of debt in the medium to long run.

The negative resource gap (₹ 5,808 crore) was a result of insufficiency of the incremental non-debt receipt (₹ 15,841 crore) to meet the incremental primary expenditure (₹ 18,891 crore) and incremental interest payments (₹ 2,758 crore).

#### *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.

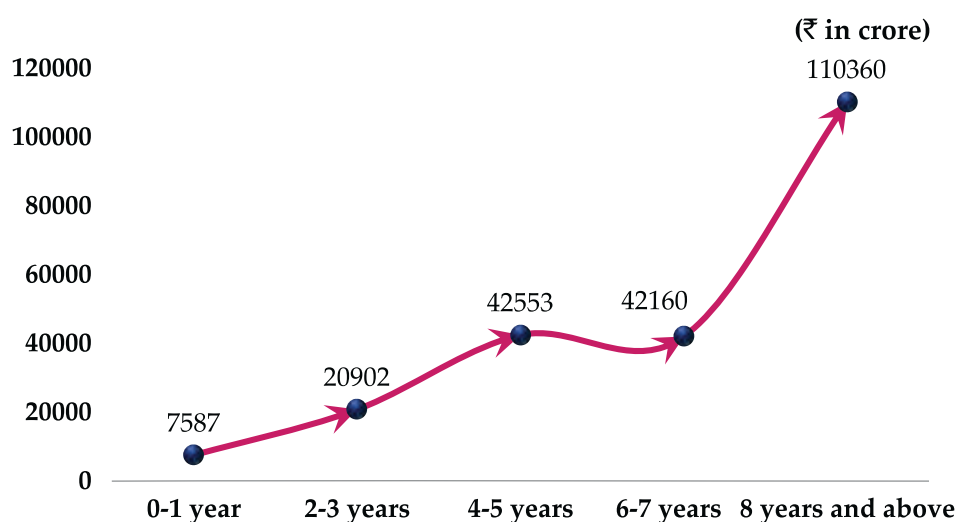
**Table 1.46** reveals that the net availability of borrowed funds decreased from ₹ 4,633 crore in 2012-13 to ₹ 3,551 crore in 2013-14 and further reduced to ₹ 1,976 crore in 2014-15. During 2014-15, Government raised internal debt of ₹ 28,831 crore, GoI loans of ₹ 542 crore and other obligations of ₹ 41,800 crore. Government repaid internal debt of ₹ 7,942 crore, GoI loans of ₹ 886 crore and discharged other obligations of ₹ 36,404 crore and paid interest of ₹ 23,965 crore, resulting in net availability of borrowed funds to the extent of negative ₹ 1,976 crore during the year.

**Table 1.47: Maturity profile of State debt**

Maturity Profile (in years)	Amount (₹ in crore)	per cent
0 – 1	7586.63	3.31
2 – 3	20902.31	9.13
4 – 5	42552.67	18.60
6 – 7	42160.22	18.42
8 and above	110359.90	48.21
Information not furnished by the State Government	5343.72	2.33
<b>Total</b>	<b>228905.45</b>	<b>100.00</b>

Source: Finance Accounts 2014-15

**Chart 1.17: Maturity profile of the State debt**



(Source: Finance Accounts 2014-15)

The maturity of the State debt as per **Table 1.47** and **Chart 1.17** indicates that nearly 50 per cent of the total State debt is repayable within the next seven years. **Table 1.47** further indicates that the liability of the State to repay the debt would be ₹ 42,552.67 crore during the period 2018-20 and ₹ 42,160.22 crore during 2020-22 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.

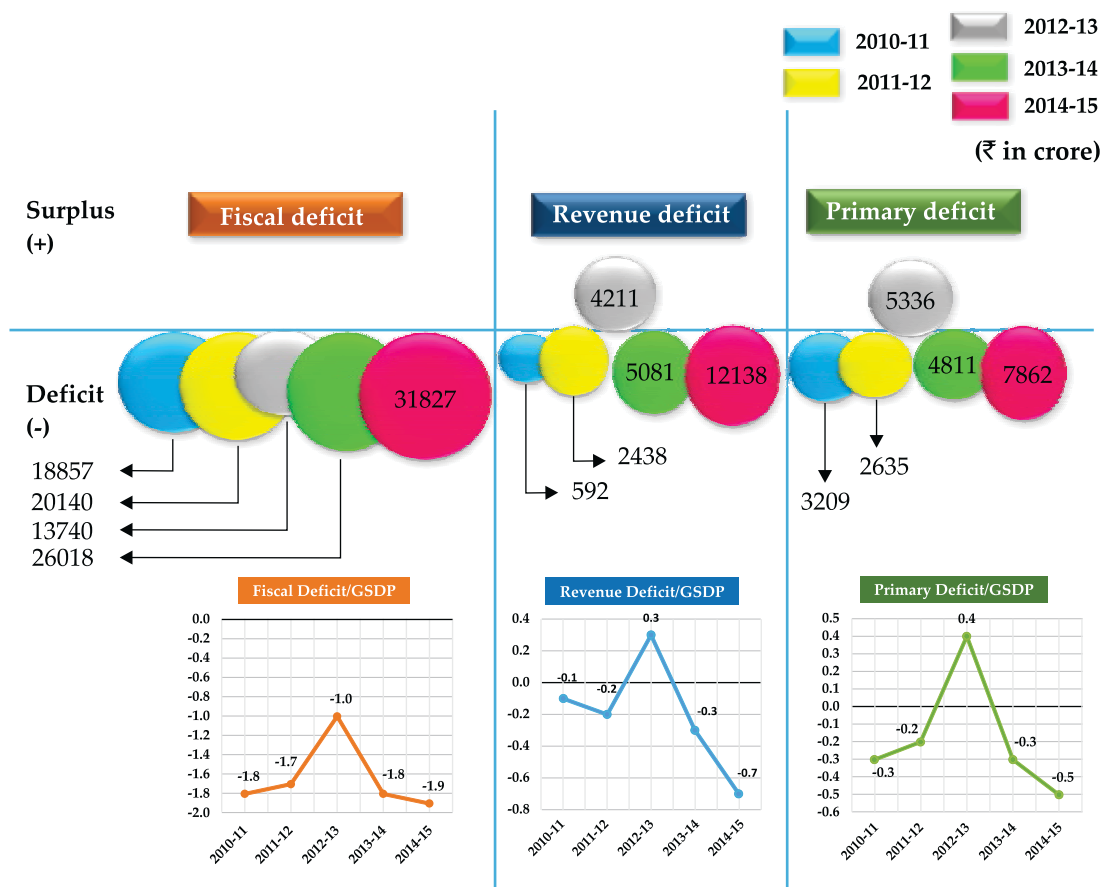
### 1.11 Fiscal imbalances

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 2014-15.

#### 1.11.1 Trends in deficits

**Chart 1.18** presents the trends in deficit indicators over the period 2010-15.

**Chart 1.18: Trends in deficit indicators**



(Source: Finance Accounts of respective years)

The revenue deficit of ₹ 592 crore during 2010-11 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*. The revenue surplus turned out to revenue deficit (₹ 5,081 crore) during 2013-14 due to sharp increase in revenue expenditure. During 2014-15, the revenue deficit increased by 2.4 times to ₹ 12,138 crore as compared to previous year.

The fiscal deficit of ₹ 26,018 crore during 2013-14 increased to ₹ 31,827 crore during 2014-15, as a result of net increase in revenue expenditure (₹ 7,057 crore) over the previous year.

Primary deficit<sup>25</sup> during 2010-12 turned to primary surplus during 2012-13 (₹ 5,336 crore). This again turned to primary deficit during 2013-14 (₹ 4,811 crore) and 2014-15 (₹ 7,862 crore).

During the year 2014-15, 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 ₹ 23.83 crore and understated by ₹ 302.08 crore.

### 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 1.48**.

**Table 1.48: Components of fiscal deficit and its financing pattern**

(₹ in crore)

Particulars		2010-11	2011-12	2012-13	2013-14	2014-15
<b>Composition of Fiscal Deficit(-)/ Surplus (+) (1+2+3) (a)</b>		<b>(-18857)</b>	<b>(-20140)</b>	<b>(-13740)</b>	<b>(-26018)</b>	<b>(-31827)</b>
		(-1.8)	(-1.71)	(-1.04)	(-1.76)	(-1.89)
1	Revenue Deficit(-)/ Surplus (+)	(-592)	(-2438)	4211	(-5081)	(-12138)
		(-0.06)	(-0.21)	(0.32)	(-0.34)	(-0.72)
2	Net Capital Expenditure	(-17946)	(-17424)	(-17398)	(-20020)	(-19524)
		(-1.71)	(-1.48)	(-1.31)	(-1.36)	(-1.16)
3	Net Loans and Advances	(-319)	(-277)	(-553)	(-917)	(-165)
		(-0.03)	(-0.02)	(-0.04)	(-0.06)	(-0.01)
<b>Financing Pattern of Fiscal Deficit<sup>#</sup></b>						
1	Market Borrowings	10484	19420	16324	19163	22263
		(1)	(1.65)	(1.23)	(1.3)	(1.32)
2	Loans from GoI	337	(-144)	58	94	(-344)
		(0.03)	(-0.01)	(0)	(0.01)	(-0.02)
3	Special Securities Issued to National Small Savings Fund	5155	(-1172)	(-936)	(-2286)	(-805)
		(0.49)	(-0.1)	(-0.07)	(-0.15)	(-0.05)
4	Loans from Financial Institutions and other Loans	(-9)	60	(-373)	(-499)	(-568)
		(0)	(0.01)	(-0.03)	(-0.03)	(-0.03)
5	Small Savings, PF <i>etc.</i>	2022	2260	2188	1893	1259
		(0.19)	(0.19)	(0.17)	(0.13)	(0.07)
6	Deposits and Advances	6259	4532	6442	6772	4411
		(0.6)	(0.39)	(0.49)	(0.46)	(0.26)

<sup>25</sup> See Glossary at page 135

Particulars		2010-11	2011-12	2012-13	2013-14	2014-15
7	Suspense and Miscellaneous	(-1104)	(-1509)	100	(-2705)	5222
		(-0.11)	(-0.13)	(0.01)	(-0.18)	(0.31)
8	Remittances	(-482)	(-256)	843	(-1117)	(-14)
		(-0.05)	(-0.02)	(0.06)	(-0.08)	(0)
9	Reserve Funds	2153	1400	1976	2742	3158
		(0.21)	(0.12)	(0.15)	(0.19)	(0.19)
10	Contingency Fund	842	(-489)	140	(-500)	2010
		(0.08)	(-0.04)	(0.01)	(-0.03)	(-0.12)
11	Appropriation to/from Contingency fund	(-850)	500	(-150)	500	(-2000)
		(-0.08)	(0.04)	(-0.01)	(0.03)	(0.12)
<b>12</b>	<b>Total (1 to 11) (b)</b>	<b>24807</b>	<b>24602</b>	<b>26612</b>	<b>24058</b>	<b>34592</b>
13	Increase(-)/ Decrease (+) in Cash Balance (a) – (b)	(-5950)	(-4462)	(-12872)	1960	2765
		(-0.57)	(-0.38)	(-0.97)	(0.13)	(0.16)
14	Overall deficit (12+13)	18857	20140	13740	26018	31827
		(1.8)	(1.71)	(1.04)	(1.76)	(1.89)

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 ₹ 5,809 crore during 2014-15 due to the revenue deficit. The net capital expenditure as a percentage of the fiscal deficit decreased from 77 *per cent* during 2013-14 to 61 *per cent* during 2014-15.

As can be seen from **Table 1.49**, during the period 2014-15 there was an overall deficit (decrease in cash balance) after financing the fiscal deficit.

**Table 1.49: Receipts and disbursements under components financing the fiscal deficit during 2014-15**

Particulars		Receipts	Disbursements	Net
1	Market Borrowings	25083	2820	22263
2	Loans from GoI	542	886	(-344)
3	Special Securities Issued to NSSF	2982	3787	(-805)
4	Loans from Financial Institutions and other Loans	766	1334	(-568)
5	Small Savings, PF <i>etc.</i>	4642	3383	1259
6	Deposits and Advances	31249	26838	4411
7	Suspense and Miscellaneous	17039	11817	5222
8	Remittances	24182	24196	(-14)
9	Reserve Funds	5909	2751	3158
10	Contingency Fund	4360	2350	2010
11	Appropriation to/from Contingency Fund	2350	4350	(-2000)
<b>12</b>	<b>Total (1 to 11) (b)</b>	<b>119104</b>	<b>84512</b>	<b>34592</b>
13	Increase(-)/Decrease (+) in Cash Balance (a) – (b)			2765
14	Overall deficit (12+13) (a)			31827

Source: Finance Accounts 2014-15

### Cost of borrowings

During the year 2014-15, the State Government raised market loans of ₹ 25,083 crore under internal debt. The cost of raising of this internal debt being ₹ 30.50 crore was 0.12 *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 State's 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 0.38 i.e. 38 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 2010-12 as well as in 2013-15. 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 1.50**.

**Table 1.50: 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)
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
2014-15	166390	153588	19523	1141	174252	12802	(-)7862

Source: Finance Accounts of respective years

The capital expenditure as a percentage to primary expenditure<sup>26</sup> decreased from 16.37 per cent during 2010-11 to 11.20 per cent during 2014-15.

### 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

- The revenue receipts (₹ 1,65,415 crore) increased during the year by 10 per cent over the previous year which was the net effect of increase in tax revenue (six per cent), Central tax transfers (six per cent) and increase in grants-in-aid from Government of India (52 per cent). The growth of revenue receipts during 2014-15 over 2013-14 (10.41 per cent) was also lower than the growth rate of General Category State (16.10 per cent). The revenue receipts were 92 per cent of budget estimates for the year 2014-15. The non-tax revenue receipts of the State Government was less than the projections made in the Fiscal Correction Path and budget estimates by seven per cent and the Thirteenth Finance Commission by 13 per cent.

<sup>26</sup> 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

2. The revenue expenditure increased by 15 *per cent* over the previous year and constituted 89 *per cent* of the total expenditure during 2014-15. Non-plan revenue expenditure constituted 82 *per cent* of the revenue expenditure and as a percentage of revenue receipts it increased to 88 *per cent* in 2014-15 from 86 *per cent* in 2013-14. The Non-Plan Revenue Expenditure at ₹ 1,46,245 crore remained higher than the normative assessment made by the Thirteenth Finance Commission (₹ 1,01,881 crore) and budget estimates (₹ 1,41,354 crore) but lower than the State Government's projections in FCP (₹ 1,54,084 crore). The Plan revenue expenditure and Non-Plan Revenue Expenditure increased by 21 *per cent* and 13 *per cent* respectively over the previous year.

As against the targeted revenue deficit of ₹ 4,103 crore during 2014-15, the actual deficit was ₹ 12,138 crore due to the significant gap between the growth rates of the revenue receipts (10 *per cent*) and revenue expenditure (15 *per cent*) over the previous year. The fiscal deficit (₹ 31,827 crore) increased as compared to the previous year and constituted 1.89 *per cent* of Gross State Domestic Product which was within the limit of three *per cent* set under Fiscal Responsibility and Budgetary Management. The primary deficit during 2014-15 at ₹ 7,862 crore increased by 63 *per cent* over the previous year (₹ 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 64 *per cent* over the previous year and constituted about 11 *per cent* of the revenue expenditure. The expenditure on salaries and wages (including the grants-in-aid component) was higher than the State's own Fiscal Correction Path and lower than the projections made in the budget estimates. Financial assistance to local bodies and other institutions, which constituted 41 *per cent* of the revenue expenditure during 2014-15, increased by seven *per cent* over the previous year.
4. The capital expenditure, which constituted 10 *per cent* of the total expenditure, decreased by two *per cent* during 2014-15 over the previous year. There was negative growth of capital expenditure during 2014-15 over 2013-14 (-2.48 *per cent*) compared to the positive growth rate of General Category States (21.87 *per cent*). The percentage of capital expenditure to total expenditure showed a declining trend from 14 *per cent* in 2010-11 to 10 *per cent* in 2014-15. The ratio of capital expenditure to aggregate expenditure in the State during 2014-15 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 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 7.81 *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.***



6. The fiscal liabilities of the State Government at ₹ 3,19,746 crore during 2014-15 increased by ₹ 25,941 crore over the previous year. The ratio of fiscal liabilities to Gross State Domestic Product at 19 *per cent* was lower than the norm of 25.3 *per cent* recommended by the Thirteenth Finance Commission and the MFRBM Rules, 2011. These liabilities were nearly twice the revenue receipts and more than twice the State's own resources at the end of 2014-15.
7. The resource gap in the State during 2013-14 and 2014-15 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.

***In order to bridge the resource gap, the State needs to improve its resource mobilisation as well as prune unproductive expenditure.***

8. Under the new Pension Scheme 2005, the State Government has transferred ₹ 1,410 crore to National Securities Depository Limited (Fund Managers) since the inception of the scheme. The total amount available in the fund as on 31 March 2015 was ₹ 4,426.95 crore. Retention of these amounts assisted the State Government in enhancing its liquidity position.
9. There was an increase of six *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 2014-15 was ₹ 49,648 crore of which, ₹ 32,996 crore was in cash balance investment account.
10. The devolution of the State's share of union taxes substantially increased by 114 *per cent* during the award period of Thirteenth Finance Commission as compared to the Twelfth Finance Commission. The overall tax devolution during the award period was more than the projections made by the Thirteenth Finance Commission and there was an increasing trend in all the components of the State share of the union taxes.

