
Chapter-1
FINANCES OF THE STATE
GOVERNMENT

CHAPTER 1

Finances of the State Government

Profile of State

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

As indicated in **Appendix 1.1** the State's population increased from 6.03 crore in 2001 to 7.26 crore in 2011 recording a decadal growth of 20.40 *per cent*. The density of population of the State increased from 196 persons per sq. km in 2001 to 236 persons per sq. km in 2011. However, Madhya Pradesh has a lower density of population as compared to the all India average of 382 persons per sq. km. The percentage of population below poverty line (44.30 *per cent*) was higher than that of the All-India average (29.50 *per cent*). The State's literacy rate marginally decreased from 69.69 *per cent* in 2001 to 69.32 *per cent* as per 2011 census, which was lower than the All India average of 73.00 *per cent* (2011 census).

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

Gross State Domestic Product (GSDP)

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

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

Year	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
India's GDP at current price (Base year 2011-12)	87,36,039	99,51,344	1,12,72,764	1,24,88,205	1,35,76,086
Growth rate of GDP (<i>per cent</i>)	20.52	13.91	13.28	10.78	8.71
GSDP of MP at current price (Base year 2011-12)	3,15,561	3,80,926	4,35,790	4,84,538	5,65,053
Growth rate of GSDP [®] (<i>per cent</i>)	19.80	20.71	14.40	11.19	16.62

(Source: Statement released by Ministry of Statistics and Programme Implementation dated 29 July 2016 and Directorate of Economic and Statistics, Government of Madhya Pradesh)

[®] GSDP at current prices for the years 2011-12 to 2014-15 are revised by the State Government, hence, percentage ratio/buoyancies of various parameters with reference to GSDP for 2011-12 to 2014-15 indicated in earlier Reports have also been revised.

The Gross State Domestic Product (GSDP) of the State in 2015-16 at current prices was ₹ 5,65,053 crore, which increased by 16.62 per cent over the previous year. The Compound Annual Growth Rate (CAGR) of per capita GSDP of Madhya Pradesh (14.52 per cent) was higher than that of the General Category States (14.27 per cent) during 2006-07 to 2015-16.

1.1 Introduction

This Chapter provides an audit perspective on the finances of the Government of Madhya Pradesh during 2015-16 and analyses the critical changes observed in the major fiscal aggregates relative to the previous year, keeping in view the overall trends during the last five years. The analysis is based on the Finance Accounts of the Government of Madhya Pradesh and information provided therein. The structure and form of Government Accounts and the layout of the Finance Accounts are depicted in **Appendix 1.2 Part-A**.

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

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

1.1.1 Summary of fiscal transactions in 2015-16

Table 1.1 presents the summary of the State Government's fiscal transactions during the current year (2015-16) *vis-à-vis* the previous year (2014-15), while **Appendix 1.5** Part-A provides details of receipts and disbursements as well as overall fiscal position during the current year.

Table 1.1: Summary of Fiscal operations in 2015-16

(₹ in crore)

Receipts	2014-15	2015-16	Disbursements	2014-15	2015-16		
					Non-Plan	Plan	Total
Section-A: Revenue							
Revenue Receipts	88,640.78	1,05,510.60	Revenue Expenditure	82,372.82	68,319.27	31,451.43	99,770.70
Tax revenue	36,567.12	40,213.66	General Services	22,365.11	25,370.91	329.35	25,700.26
Non-Tax revenue	10,375.23	8,568.79	Social Services	32,067.15	22,845.98	19,804.95	42,650.93
Share of Union Taxes/ Duties	24,106.99	38,397.84	Economic Services	23,715.12	15,125.15	10,403.37	25,528.52
Grants from GoI	17,591.44	18,330.31	Grants-in-aid & Contributions	4,225.44	4,977.23	913.76	5,890.99
Section-B: Capital & others							
Misc. Capital Receipts	27.73	26.47	Capital Outlay	11,877.68	156.90	16,678.57	16,835.47
			General Services	257.17	121.90	427.32	549.22
			Social Services	2,070.32	1.96	3,022.53	3,024.49
			Economic Services	9,550.19	33.04	13,228.72	13,261.76
Recoveries of Loans and Advances	6,765.05	162.32	Loans and Advances disbursed	12,534.61	2,110.65	1,047.26	3,157.91

Receipts	2014-15	2015-16	Disbursements	2014-15	2015-16		
Inter-State settlement	0.91	1.93	Inter-State settlement	0.98	-	-	1.94
Public Debt receipts	15,068.71	19,985.30*	Repayment of Public Debt	4,920.52	-	-	4,860.36*
Contingency Fund	300.00	1.08	Contingency Fund	301.08	-	-	-
Public Account receipts	1,10,294.74	1,32,772.19	Public Account disbursements	1,08,165.30	-	-	1,28,336.75
Opening Cash Balance	4,477.03	5,401.96	Closing Cash Balance	5,401.96	-	-	10,898.72
Total	2,25,574.95	2,63,861.85	Total	2,25,574.95			2,63,861.85

*No Ways & Means advances were drawn during the year.
(Source: Finance Accounts of respective years)

The significant changes during 2015-16 over the previous year are as under:

- Revenue Receipts grew by ₹ 16,869.82 crore (19 per cent) due to increase in share of Union Taxes/Duties (by ₹ 14,290.85 crore) and Own Tax Revenue (by ₹ 3,646.54 crore). Revenue Receipts for 2015-16 fell short by ₹ 8,912.29 crore over the projection (₹ 1,14,422.89 crore) made in the Medium Term Fiscal Policy Statement (MTFPS).
- Revenue Expenditure increased by ₹ 17,397.88 crore (21 per cent). The increase was under social services sector (by ₹ 10,583.78 crore), general services sector (by ₹ 3,335.15 crore), economic services sector (by ₹ 1,813.40 crore) and Grants-in-aid and contributions (by ₹ 1,665.55 crore).
- Capital Expenditure increased by ₹ 4,957.79 crore (42 per cent); increase was mainly on account of increase under economic services sector (by ₹ 3,711.57 crore).
- Recoveries and disbursement of Loans and Advances decreased by ₹ 6,602.73 crore and ₹ 9,376.70 crore respectively.
- Public Debt receipts increased by ₹ 4,916.59 crore (33 per cent) while repayment decreased by ₹ 60.16 crore. No ways and means advance was drawn.
- Public Account receipts and disbursements increased by ₹ 22,477.45 crore (20 per cent) and ₹ 20,171.45 crore (19 per cent) respectively.
- Cash balances of the State Government increased by ₹ 5,496.76 crore (102 per cent).

1.1.2 Review of the fiscal situation

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

The fiscal forecasts as prescribed by Fourteenth Finance Commission (XIV FC), FRBM Act and those framed in Medium Term Fiscal Policy Statement

(MTFPS) for the year 2015-16 as well as actuals for 2015-16 are presented in **Table 1.2**.

Table 1.2: Fiscal forecasts under FRBM Act, MTFPS and XIV FC for 2015-16

(₹ in crore)

Fiscal forecasts	XIV FC targets for the State	Targets prescribed in FRBM Act	Targets proposed in the budget 2015-16	Actual achievement
Revenue Deficit (-)/ Surplus (+)	-	Zero	1.00 per cent of GSDP (as per BE (+) 5587.97 crore)	(+) 5,740 (1.02 per cent of GSDP)
Fiscal Deficit / GSDP	3.50 per cent	Not more than 3.50 per cent of GSDP	2.99 per cent of GSDP (as per BE (-)16745.33 crore)	(-) 14,065 (2.49 per cent of GSDP)
Outstanding Debt as per cent of GSDP	24.87 per cent	25.00 per cent of GSDP	23.77 per cent of GSDP	22.50 per cent of GSDP

(Source: XIV FC recommendations 2015-20, MPFRBM Act, 2005, Statement laid before the Legislature along with the Budget under FRBM Act during 2015-16 and Finance Accounts for the year 2015-16)

- The State had achieved Revenue Surplus in the year 2004-05 and maintained the surplus thereafter, it decreased by ₹ 528 crore during 2015-16 over the previous year mainly due to increase in Revenue Expenditure on Social Welfare and Nutrition, Water Supply and Energy, as detailed in **Para 1.6.1**.
- The Fiscal Deficit at 2.49 per cent of GSDP during 2015-16 was within the limit of 3.50 per cent prescribed in FRBM targets and XIV FC. It was also less than the projection (2.99 per cent) made in MTFPS. The ratio was higher than that in 2014-15 (2.34 per cent). During 2015-16, it increased by ₹ 2,713 crore over the previous year.
- The total outstanding debt to GSDP ratio at 22.50 per cent was within the limit of 25.00 per cent and 24.87 per cent prescribed in the FRBM target and XIV FC respectively. It was also less than the projection (23.77 per cent) made in MTFPS.
- During 2015-16, the cases of short transfer/ contribution to specified funds were also noticed which resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit. The details of these cases are given in **Table 1.3**.

Table 1.3: Impact of short transfer to Funds on Revenue Surplus and Fiscal Deficit

(₹ in crore)

Sl. No.	Details of short transfer/ contribution	Impact on Revenue Surplus		Impact on Fiscal Deficit	
		Over-statement	Under-statement	Over-statement	Under-statement
1	Short transfer of contribution to NSDL/Trustee Bank - Contributory Pension Scheme for State Government employees	18.82	-	-	18.82
2	Non contribution to Consolidated Sinking Fund	543.43	-	-	543.43
3	Short contribution to Guarantee Redemption Fund	10.58	-	-	10.58
4	Short Transfer to State Disaster Response Fund	343.99	-	-	343.99
Total		916.82	-	-	916.82

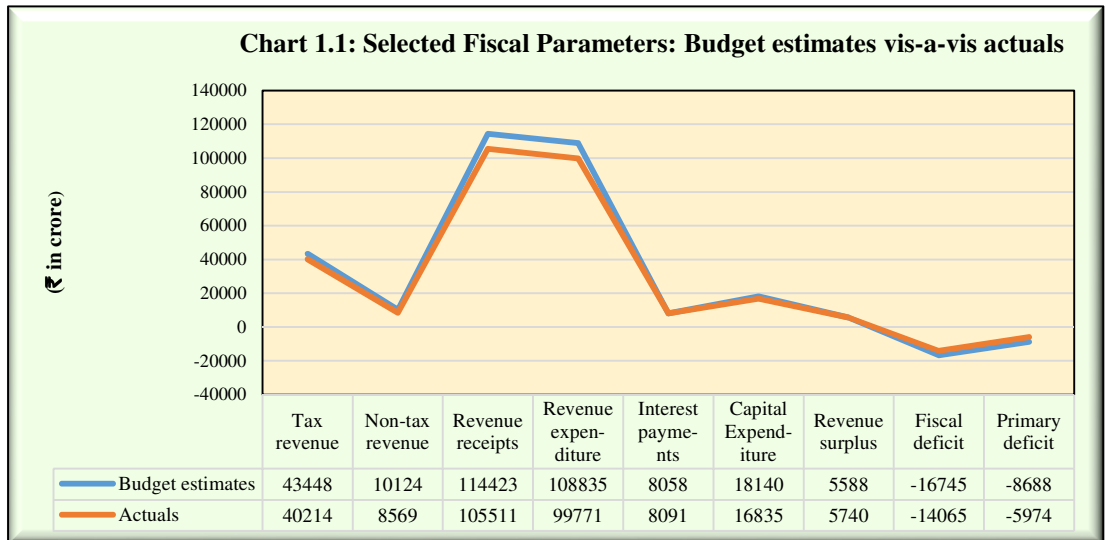
(Source: Finance Accounts for the year 2015-16)

It is evident from the **Table 1.3** that during 2015-16 Revenue Surplus was overstated by ₹ 916.82 crore while Fiscal Deficit understated by ₹ 916.82 crore.

1.1.3 Budget Estimates and Actuals

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

Chart 1.1 represents the budget estimates and actuals for some important fiscal parameters for 2015-16.



(Source: Finance Accounts and Budget Estimates for the year 2015-16)

- The State's Revenue Receipts (₹ 1,05,511 crore) were lower than the budget estimates by ₹ 8,912 crore (7.79 per cent).
- Non-Tax Revenue was lower than the budget estimates by ₹ 1,555 crore (15.36 per cent).
- The State's Tax Revenue (₹ 40,214 crore) was lower than the budget estimates by ₹ 3,234 crore (7.44 per cent). Further, Revenue Expenditure and Capital Expenditure were also less than the budget estimate by ₹ 9,064 crore (8.33 per cent) and ₹ 1,305 crore (7.19 per cent) respectively.
- Interest payments were slightly more than the budget estimates (by ₹ 33 crore) mainly due to increase in interest on Market Loans.
- The key fiscal indicators viz., Revenue Surplus, Fiscal Deficit and Primary Deficit showed improvement with reference to budget estimates.

1.1.4 Gender Budgeting

Gender Budget of the State discloses the expenditure proposed to be incurred within the overall budget on schemes which are designed to benefit women fully or partially. Gender budgeting was introduced in 2007-08 and separate volume of gender budget was submitted along with the budget to make available the details of budget provisions relating to women and girls. Schemes relating to gender budget were bifurcated in two categories (1) Schemes in which 100 per

cent budget provisions were related to women and (2) Schemes in which at least 30 per cent of budget provisions were related to women.

During 2015-16, budget provisions were made in 25 Departments¹ (category-1: 58 schemes and category-2: 370 schemes) for benefit of women.

As per the information furnished (July 2016) by Finance Department (FD), the year-wise allocation and expenditure in respect of categories 1 and 2 for the years from 2011-12 to 2015-16 are given in **Table 1.4**.

Table 1.4: Gender Budgetary Allocations during 2011-16

(₹ in crore)

Year	Category 1			Category 2		
	Outlay	Expenditure	Percentage of Expenditure to outlay	Outlay	Expenditure	Percentage of Expenditure to outlay
2011-12	1,510.02	1,245.41	82.48	20,500.64	6,908.51	33.70
2012-13	1,745.00	1,473.08	84.42	23,038.77	19,195.10	83.32
2013-14	1,768.19	1,688.93	95.52	24,464.97	24,229.29	99.04
2014-15	1,813.41	890.48	49.11	36,340.81	27,501.26	75.68
2015-16	2,582.59	N.A	N.A	36,514.60	N.A	N.A
Total	9,419.21	5,297.90	56.25	1,40,859.79	77,834.16	55.26

*NA-Not provided by Finance Department

(Source: Information provided by Finance Department, GoMP)

With a view to ascertain how the provisions made in Gender Budget for implementing women oriented schemes is being utilised, Audit test checked the records of Commissioner, Schedule Caste Welfare Department (May 2016) and Commissioner, Schedule Tribe Welfare Department (July 2016).

On being asked whether any study was conducted to analyse the impact of Gender Budgeting on social and economic condition of women, no reply was furnished by both the Departments. However, information furnished by these Departments revealed significant shortfalls in utilisation of Gender Budget as shown in **Table 1.5**.

Table 1.5: Showing category-wise Provision and Expenditure during 2015-16

(₹ in crore)

Name of Department	Category-1 (100 per cent)				Category-2 (30 per cent)			
	No. of schemes	Total Provision	Total Expenditure	Shortfall (per cent)	No. of schemes	Total Provision	Total Expenditure	Shortfall (per cent)
Schedule Caste Welfare Department	01	1.00	0.36	0.64 (64.00)	21	433.43	355.16	78.27 (18.06)
Schedule Tribe Welfare Department	05	74.79	29.85	44.94 (60.09)	44	4,413.14	3,012.91	1,400.23 (31.73)

¹ 1. Home, 2. Finance, 3. Sports and Youth Welfare, 4. Commerce, Industry & Employment, 5. Farmer Welfare & Agriculture, 6. Cooperation, 7. Public Health and Family Welfare, 8. Urban Administration & Development, 9. School Education, 10. Law & Legislative Affairs, 11. Panchayat, 12. Tribal Welfare, 13. Social Justice, 14. Food and Civil Supplies, 15. Culture, 16. Animal Husbandry, 17. Higher Education, 18. Technical Education & Skill Development, 19. Women & Child Development, 20. Rural Industry, 21. Welfare of Backward Classes, 22. Scheduled Castes Welfare, 23. Rural Development, 24. Ayush, 25. Vimukta, Ghumakkad evam Ardhaghumakkad Castes Welfare

On being asked about shortfalls, the above Departments replied that shortfalls were due to vacant posts, expenditure as per needs and restriction by Finance Department and funds undrawn by the districts.

It was further observed that three schemes under Category 1 and 35 schemes under Category 2 witnessed shortfalls more than ₹ one crore details of which are shown in **Appendix 1.6**.

It is evident that in selected two Departments the provision earmarked remained unutilised between 69 per cent and 100 per cent under Category 1 and between 6.34 per cent and 100 per cent under Category 2, which indicated that women oriented schemes were not implemented properly.

During the exit conference (December 2016), FD replied that a new format for Gender Budget was under consideration.

1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of tax revenues, non-tax revenues, State's share of Union Taxes and Duties and Grants-in-aid from the Government of India (GoI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and Loans and Advances from GoI as well as net accruals from Public Account.

The components of the State's receipts during 2015-16 have been categorised in **Chart 1.2**.

Chart 1.2: Flow chart of components and sub-components of Resources of the State

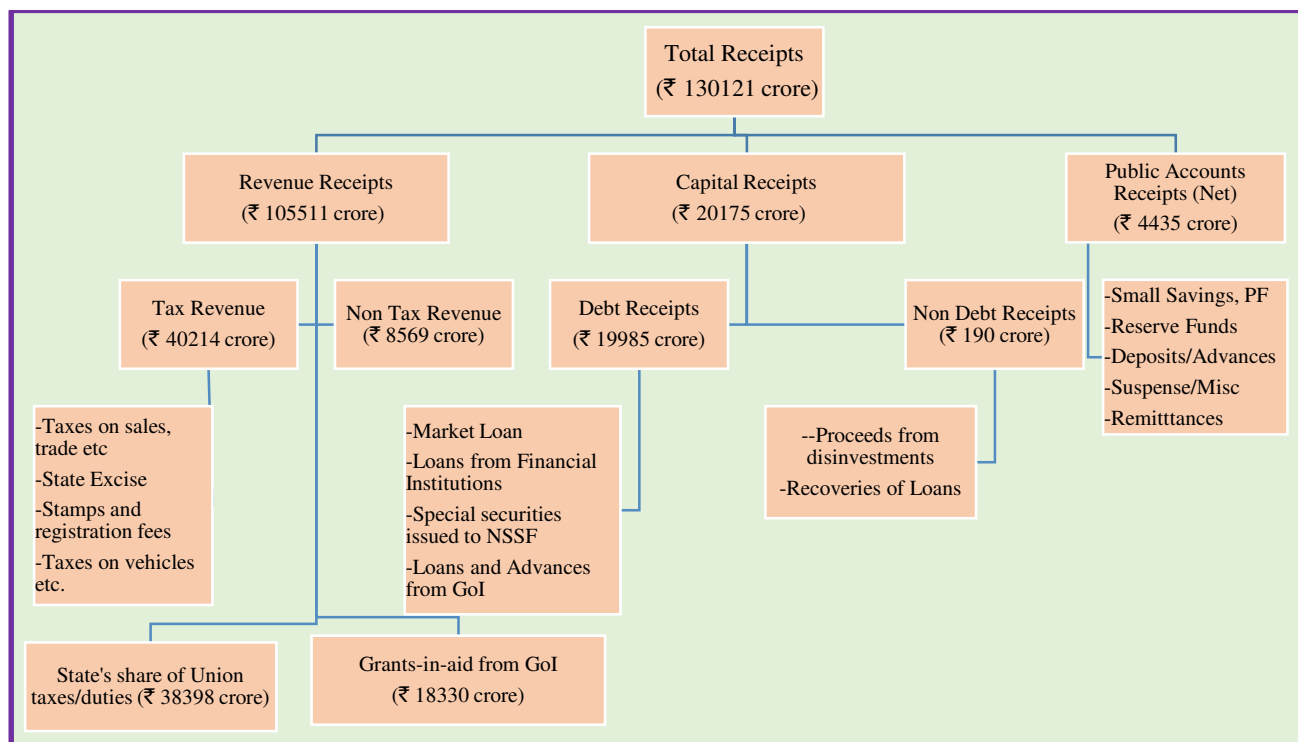
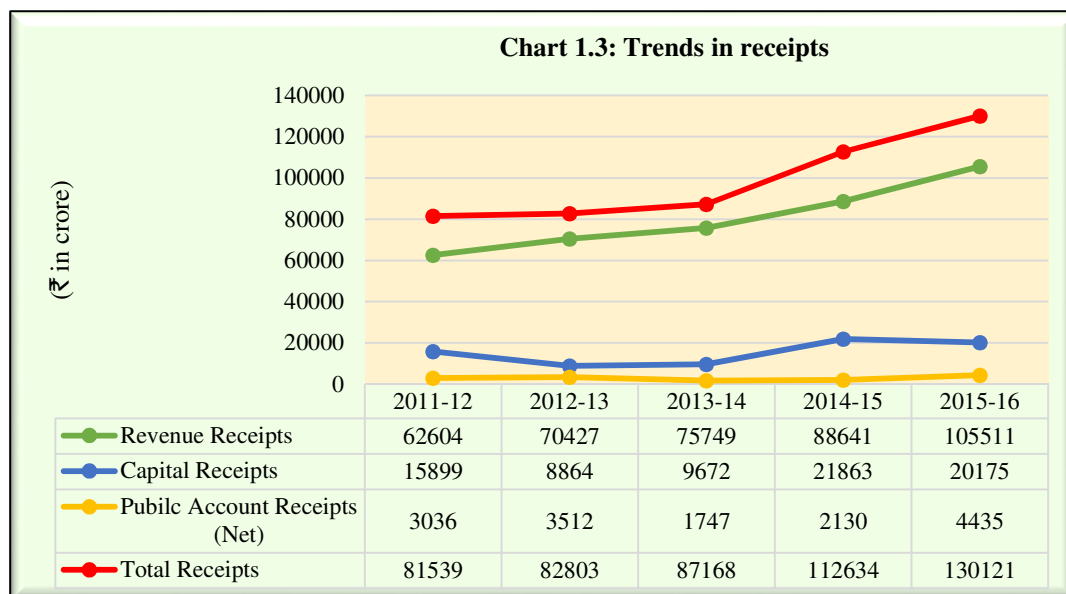
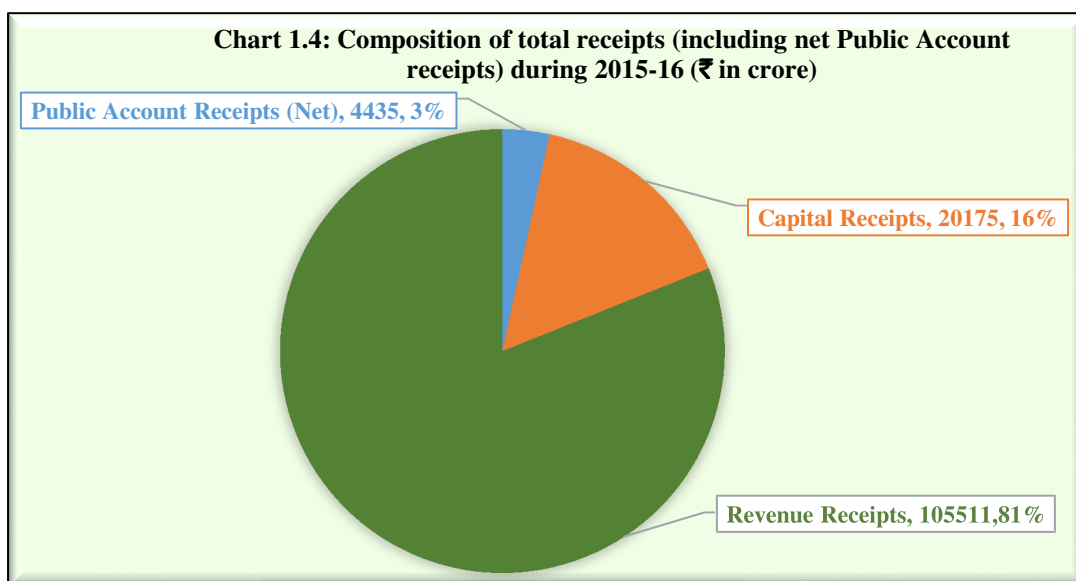


Table 1.1 presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts, while **Chart 1.3** depicts the trends in various components of the receipts of the State during the period 2011-16 and **Chart 1.4** depicts the composition of receipts during 2015-16.



(Source: Finance Accounts of respective years)



(Source: Finance Accounts for the year 2015-16)

- The Revenue, Capital and Public Account receipts (net) constituted 81 per cent, 16 per cent and three per cent respectively of the total receipts during 2015-16.
- The total receipts (including net Public Account receipts) of the State increased by 60 per cent during the period 2011-16. Revenue Receipts, Capital Receipts and net Public Account Receipts increased by 69 per cent, 27 per cent and 46 per cent respectively during the same period.
- Growth rate of the total receipts was 16 per cent in 2015-16 over the previous year.

- The relative share of Revenue Receipts in total receipts during the years 2011-12 to 2015-16 ranged between 77 *per cent* and 87 *per cent* while share of Capital Receipts in total receipts during the same period ranged between 11 *per cent* and 19 *per cent*.
- During 2015-16, Revenue Receipts and Net Public Account Receipts increased by ₹ 16,870 crore (19 *per cent*) and ₹ 2,305 crore (108 *per cent*) respectively over the previous year while Capital Receipts decreased by ₹ 1,688 crore (eight *per cent*).

1.2.2 Funds directly transferred to State Implementing Agencies outside the State Budget

The GoI has been transferring a sizeable quantum of funds directly to the State Implementing Agencies² for implementation of various schemes/programmes in social and economic sectors, which are recognized as critical. As in the present mechanism these funds are not routed through the State Budget/State Treasury System, these are not reflected in the accounts of the State Government. As such, the Annual Finance Accounts of the State do not provide a complete picture of the resources under the control of the State Government. However, Government of India decided (July 2013) to transfer funds for Centrally Sponsored Schemes/Additional Central Assistance directly to the State Governments through Consolidated Fund of the States in a phased manner from 2014-15 onwards.

During the year 2015-16, the Government of India directly transferred ₹ 1,239.68 crore only to the State Implementing agencies which was higher than the previous year by ₹ 384.83 crore (45.02 *per cent*). The major receipts were Competent Authority of Land Acquisition Sohagpur, Distt. Shahdol (M.P) & Project Manager Madhya Pradesh Road Development Corporation (₹ 209.84 crore i.e. 16.93 *per cent*), MPs Local Area Development Scheme (₹ 170 crore i.e. 13.71 *per cent*), All India institute of Medical Sciences, Bhopal (₹ 163 crore i.e. 13.15 *per cent*), Indian Institute of Technology, Indore (₹ 142.80 crore i.e. 11.52 *per cent*), Indian Institute of Science Education and Research, Bhopal (₹ 134 crore i.e. 10.81 *per cent*), Nepa Limited (₹ 103.88 crore i.e. 8.38 *per cent*) and Maulana Azad National Institute of Technology, Bhopal (₹ 56 crore i.e. 4.52 *per cent*).

With a view to ascertain the impact on timeliness of receipt of funds by State Implementing Agencies after introduction of new channel of transferring the funds through State Government, information was sought from all the State Implementing Agencies which received funds through State Government during 2015-16. The information furnished by MP State Rural Livelihood Mission is detailed in **Table 1.6**.

² State Implementing agencies include any organisation/institution including Non-Governmental Organisation which is authorised by the State Government to receive funds from the Government of India for implementing specific programmes in the State.

Table 1.6: Delay in receipt of funds by Agencies

(₹ in crore)

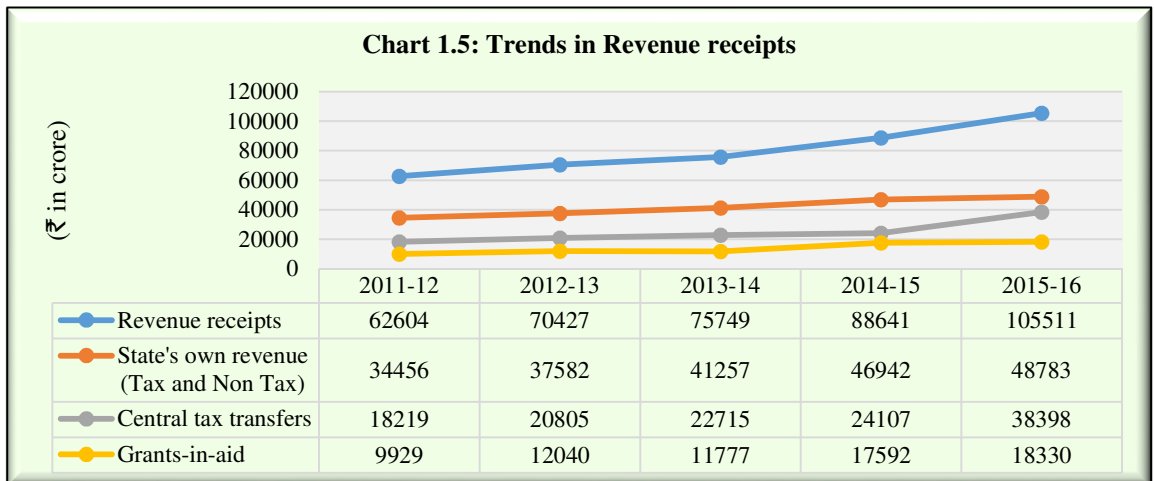
Sl. No.	Date on which GoI share received by State Government	Amount and due date by which funds to be received by Agency		Actual date/ Amount received from State Govt.		Delay in receipt of Funds
		Due date	Amount	Actual date	Amount	
1.	14.05.2015	17.05. 2015	30.06	24.06. 2015	30.06	One month 07 days
2.	04.09.2015	12.09. 2015	15.03	16.11. 2015	15.03	Two months 04 days
3.	23.11.2015	26.11. 2015	18.79	18.12. 2015	18.79	22 days
4.	29.02.2016	02.03. 2016	68.85	31.03. 2016	68.85	29 days
5.	31.12.2015	03.01. 2016	6.51	26.02. 2016	6.51	One month 23 days

(Source: information furnished by MP State Rural Livelihood Mission)

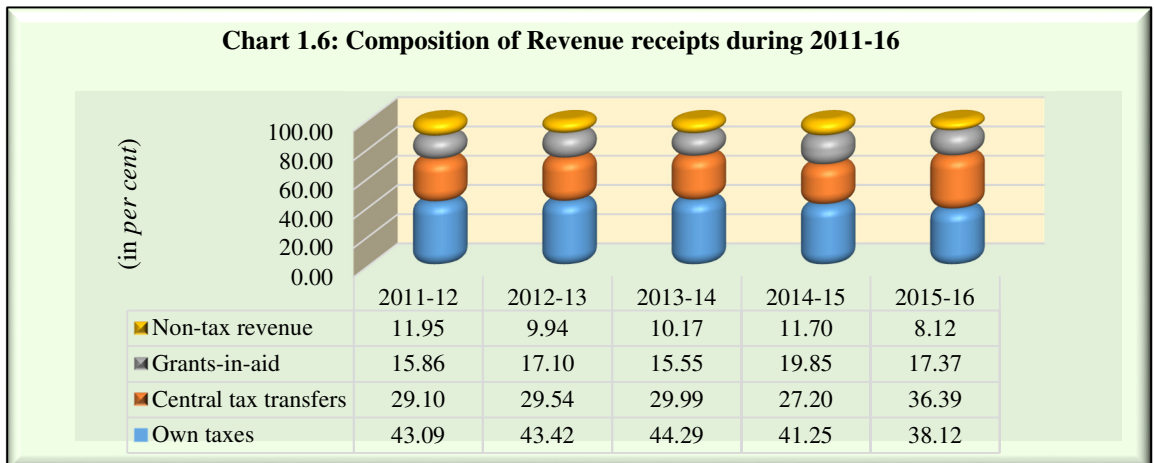
Timeliness of receipt of funds by other State Implementing Agencies could not be verified as agencies did not furnish due date and amount to be received from the State Government.

1.3 Revenue Receipts

Statement-14 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts consist of own tax and non-tax revenues, Central tax transfers and Grants-in-aid from GoI. The trends and composition of Revenue Receipts over the period 2011-16 are presented in **Appendix 1.4** and also depicted in **Charts 1.5 and 1.6** respectively.



(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)

General trends

- The Revenue Receipts of the State increased by 69 *per cent* from ₹ 62,604 crore in 2011-12 to ₹ 1,05,511 crore in 2015-16 at an average annual growth rate of 15.37 *per cent*. Growth rate during 2015-16 was 19.03 *per cent* against 17.02 *per cent* in 2014-15. While 46 *per cent* of the Revenue Receipts during 2015-16 came from the State's own resources, it was lower as compared to 53 *per cent* during 2014-15. Revenue Receipts during the current year comprising Tax Revenue (38 *per cent*) and Non-Tax Revenue (eight *per cent*).

During the exit conference (December 2016), FD replied that the State Government was complying with the requirements of FRBM Act and adequate measures were taken from time to time regarding management of financial resources.

- The relative share of the State's own tax revenue in total Revenue Receipts ranged between 38 *per cent* and 44 *per cent* during the years 2011-12 to 2015-16, while share of other components of Revenue Receipts, viz. Non-Tax Revenue, Central Tax Transfers and Grants-in-aid together, ranged between 56 *per cent* and 62 *per cent* during the years 2011-12 to 2015-16.
- As shown in **Appendix 1.1**, during the period 2006-07 to 2014-15, the Compound Annual Growth Rate (CAGR) of revenue receipts in case of Madhya Pradesh was higher than that of General Category States (GCS).

Table 1.7: Trends of Revenue Receipts relative to GSDP

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Receipts (RR) (₹ in crore)	62,604	70,427	75,749	88,641	1,05,511
Rate of growth of RR (<i>per cent</i>)	20.73	12.50	7.56	17.02	19.03
Rate of growth of GSDP (<i>per cent</i>)	19.80	20.71	14.40	11.19	16.62
Rate of growth of State's own taxes (<i>per cent</i>)	25.93	13.38	9.71	8.99	9.97
RR/GSDP (<i>per cent</i>)	19.84	18.49	17.38	18.29	18.67
Buoyancy ratios³					
Revenue buoyancy w.r.t GSDP	1.05	0.60	0.52	1.52	1.15
State's own tax buoyancy w.r.t GSDP	1.31	0.65	0.67	0.80	0.60
Revenue buoyancy w.r.t State's own taxes	0.80	0.93	0.78	1.89	1.91

(Source: Finance Accounts of respective years and information furnished by Directorate of Economics and Statistics, Government of Madhya Pradesh) GSDP estimates at current prices for the years 2011-12 to 2014-15 are revised, hence, percentage ratio/buoyancies of various parameters with reference to GSDP for 2011-12 to 2014-15 indicated in earlier Reports have also been revised.

Ideally, the growth rate of revenue receipts should be higher than GSDP growth rate so that over the time the budget can be better balanced. An analysis of the **Table 1.7** revealed the following:

- The revenue receipts relative to GSDP decreased from 19.84 *per cent* in 2011-12 to 18.67 *per cent* in 2015-16 with inter-year fluctuation.
- Growth of revenue receipts decreased constantly from 20.73 *per cent* in 2011-12 to 7.56 *per cent* in 2013-14, and then increased to 17.02 *per cent* in 2014-15 and 19.03 *per cent* in 2015-16. The increase in 2015-16 was mainly due to increase in own tax revenue and state's share of Union Taxes and Duties.

³ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance revenue buoyancy at 0.6 implies that revenue receipts tend to increase by 0.6 percentage points if the GSDP increases by one *per cent*.

- The revenue buoyancy as well as State's own tax buoyancy with reference to GSDP decreased in 2015-16 (1.15 and 0.60 respectively) as compared to the previous year (1.52 and 0.80 respectively) owing to increase in growth rate of GSDP from 11.19 per cent (2014-15) to 16.62 per cent (2015-16).

1.3.1 State's Own Resources

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

The State's actual tax and non-tax receipts for the year 2015-16 *vis-a-vis* assessment made by XIV FC, in RE and in MTFPS and their growth rates are given in **Table 1.8 and 1.9** respectively.

Table 1.8: Tax Revenue and Non-Tax Revenue

	XIV FC projections	Revised Budget Estimates (RE) 2015-16	MTFPS projection	Actual
Tax Revenue	49,780	40,910	43,448	40,214
Non-Tax Revenue	12,696	9,707	10,124	8,569

(₹ in crore)

(Source: Finance Accounts for the year 2015-16 and Statement laid before the legislature under FRBM Act along with State Budgets 2015-16 and 2016-17 and the recommendations of XIV FC)

Table 1.9: Growth Rate of Tax/Non-Tax Revenue during 2011-16

	2011-12	2012-13	2013-14	2014-15	2015-16
Tax Revenue	26,973	30,582	33,552	36,567	40,214
Rate of Growth (per cent)	25.93	13.38	9.71	8.99	9.97
Non-Tax Revenue	7,483	7,000	7,705	10,375	8,569
Rate of Growth (per cent)	30.82	-6.45	10.07	34.65	-17.41

(₹ in crore)

(Source: Finance Accounts of respective years)

It is evident that the State's Tax Revenue during the current year increased by ₹ 3,647 crore over the previous year while Non-Tax Revenue decreased by ₹ 1,806 crore. The actual realisation under Tax Revenue and Non-Tax revenue was significantly lower than the assessment made by the XIV FC (by 19.22 per cent and 32.51 per cent respectively). Actual realisation under tax revenue and Non-Tax revenue was slightly lower than MTFPS projections and Revised Budget Estimates.

1.3.1.1 Tax Revenue

The gross collection in respect of major taxes and duties are given in **Table 1.10**.

Table 1.10: Components of Tax Revenue of the State

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16	Increase(+)/ decrease (-) over previous year (in per cent)
Taxes on Sales, Trades etc.	12,517	14,856	16,650	18,136	19,806	9.21
State Excise	4,317	5,078	5,907	6,696	7,923	18.32
Taxes on Vehicles	1,357	1,531	1,599	1,824	1,933	5.98
Stamps and Registration Fees	3,284	3,944	3,400	3,893	3,868	-0.64
Land Revenue	279	444	366	243	277	13.99
Taxes on Goods and Passengers	2,047	2,395	2,579	2,686	3,085	14.85
Taxes and Duties on Electricity	1,773	1,478	1,972	2,010	2,258	12.34
Other Taxes	1,399	856	1,079	1,079	1,064	(-1.39)
Total Tax Revenue	26,973	30,582	33,552	36,567	40,214	(+)9.97

(₹ in crore)

(Source: Finance Accounts of respective years)

- The State's own tax revenue increased by 9.97 per cent during 2015-16 over the previous year. Taxes on Sales, Trades etc. were the major contributors (49.25 per cent) of the State's own tax revenue followed by State Excise (19.70 per cent), Stamps and Registration Fees (9.62 per cent), Taxes on Goods and Passengers (7.67 per cent), Taxes on Duties on Electricity (5.61 per cent) and Taxes on Vehicles (4.81 per cent) during 2015-16.
- The increase in receipts under Taxes on Sales, Trades etc. (by ₹ 1,670 crore) was mainly due to more receipts under the sub-head '102- State Sales Tax Act' (by ₹ 1,575 crore). The increase in State Excise receipts (by ₹ 1,227 crore) was mainly under '800-Other receipts'. The increase under Taxes on Goods and Passengers (by ₹ 398 crore) was mainly due to increase under 'sub head 106- Tax on entry of Goods into Local Areas' (by ₹ 450 crore) partly offset by decrease under 'sub head 102- Tolls on Roads' (by ₹ 85 crore). Stamp and Registration Fees witnessed slight decrease of ₹ 25 crore.

Cost of collection of Revenues

The gross collection of Taxes on Sales, Trade etc., Taxes on Vehicles, State Excise and Stamps and Registration Fees, expenditure incurred on their collection and its percentage to gross collection during the years 2014-15 and 2015-16 along with their All India average cost of collection for the respective previous years are indicated in **Table 1.11**.

Table 1.11: Cost of collection of Revenue Receipts

(₹ in crore)

Sl. No.	Head of Revenue	Year	BE (Budget Estimates)	Actual collection	Expenditure on collection of Revenue	Percentage of Expenditure on collection	All-India Average (in per cent)
1.	Taxes on Sales, Trades etc.	2014-15	19,500.00	18,135.96	144.81	0.80	0.88
		2015-16	21,300.00	19,806.15	144.28	0.73	0.91
2.	Taxes on Vehicles	2014-15	2,000.00	1,823.84	42.67	2.34	6.25
		2015-16	2,300.00	1,933.57	63.67	3.30	6.08
3.	State Excise	2014-15	6,730.00	6,695.54	1,233.87	18.43	1.81
		2015-16	7,800.00	7,922.84	1,554.53	19.62	2.09
4.	Stamps and Registration Fees	2014-15	4,000.00	3,892.77	102.96	2.64	3.37
		2015-16	4,700.00	3,867.69	119.89	3.10	3.59

(Source: Finance Accounts of respective years and information compiled by AG (E&RSA), MP)

- It can be seen that during 2015-16, the percentage of cost of collection in respect of State Excise was more than the All India average cost of collection. However, in respect of Taxes on Sales, Trade etc., Taxes on Vehicles and Stamps and Registration Fees, it was lower than the All India average.
- During 2015-16, the gross collection was less than the Budget Estimates in respect of Taxes i.e. Taxes on Sales, Trade etc., Taxes on Vehicles and Stamps & Registration Fees while gross collection was more than the Budget Estimates in respect of State Excise.

1.3.1.2 Non-Tax Revenue

Non-Tax Revenue comprises receipts mainly from Interest, Non-Ferrous Mining and Metallurgical Industries, Forestry and Wildlife, Education, Sports, Art and Culture etc. as indicated in **Table 1.12**.

Table 1.12: Growth rate of Non-Tax Revenue

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16	(₹ in crore)
						Percentage increase (+)/ decrease (-) during 2015-16
Interest receipts	1,571	301	318	1,261	429	(-)65.98
Non-Ferrous Mining and Metallurgical Industries	2,038	2,443	2,306	2,814	3,060	(+)8.74
Forestry and Wildlife	879	910	1,037	969	1,002	(+)3.41
Education, Sports, Art and Culture	1,551	1,682	2,008	3,276	1,292	(-)60.56
Dividends and Profits	38	18	379	80	130	(+)62.50
Other non-tax receipts	1,406	1,646	1,657	1,975	2,656	(+)34.48
Total	7,483	7,000	7,705	10,375	8,569	(-)17.41

(Source- Finance Accounts of respective years)

- Non-tax revenue decreased by ₹ 1,806 crore from ₹ 10,375 crore in 2014-15 to ₹ 8,569 crore in 2015-16, mainly due to decrease in receipts under Education, Sports, Art and Culture (by ₹ 1,984 crore) and Interest Receipts (by ₹ 832 crore).
- Major contributors of Non-tax revenue during 2015-16 were Non-Ferrous Mining and Metallurgical Industries (35.71 per cent) and Education, Sports, Art and Culture (15.08 per cent) and Forestry and Wildlife (11.69 per cent).
- No funds, as debt waivers under Debt Consolidation and Relief Facilities schemes, were received by the State Government.

1.3.2 Grants-in-aid from GoI

Table 1.13: Grants-in-aid from GoI

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	(₹ in crore)
Non-Plan Grants	2,114	333	3,540	4,425	3,990	
Grants for State Plan Schemes	4,215	7,099	5,536	9,011	13,371	
Grants for Central Plan Schemes	364	500	153	1,263	359	
Grants for Centrally Sponsored Schemes	3,236	4,108	2,548	2,893	610	
Grants for Special Plan Schemes	--	--	--	--	--	
Total	9,929	12,040	11,777	17,592	18,330	
Percentage of increase(+)/decrease(-) over previous year	9.39	21.26	(-) 2.18	49.38	4.19	
Total Grants as a percentage of Revenue Receipts	15.86	17.10	15.55	19.85	17.37	

(Source: Finance Accounts of respective years)

Grants-in-aid from GoI increased from ₹ 9,929 crore in 2011-12 to ₹ 18,330 crore (84.61 per cent) in 2015-16. The increase was mainly on account of non-plan grants (88.74 per cent) and State Plan Schemes (217.22 per cent).

During 2015-16, Grants-in-aid from GoI slightly increased by ₹ 738 crore due to increase in grants for State Plan Schemes by ₹ 4,360 crore which was partly offset by decrease in grants for Centrally Sponsored Schemes by ₹ 2,283 crore and grants for Central Plan Schemes by ₹ 904 crore.

1.3.3 Central Tax transfers

The Central tax devolutions are determined by the Finance Commission award. The Central tax transfer of ₹ 38,398 crore during 2015-16 was considerably

higher than the estimated amount of ₹ 30,450 crore as given in Macro Economic Framework Statement. It also increased by ₹ 14,291 crore from ₹ 24,107 crore in 2014-15 mainly due to increase under Corporation Tax (by ₹ 3,660 crore), Service Tax (by ₹ 3,102 crore), Union Excise Duties (by ₹ 2,899 crore) and Taxes on Income other than Corporation Tax (by ₹ 2,389 crore).

1.3.4 Optimisation of the XIII Finance Commission Grants and XIV Finance Commission Grants

To improve the various organs of the State Government, the XIV Finance Commission (FC) recommended grants for the State Governments. As per Statement No. 14 of Finance Accounts for the year 2015-16, the State Government received for the year 2015-16 Finance Commission Grants of ₹ 2,866.55 crore (₹ 2,208.80 crore under major head 1601-01-104-Grants under the proviso to Art. 275(1) of the Constitution and ₹ 657.75 crore under major head 1601-01-109-Grants towards contribution to State Disaster Response Fund). The period of XIII FC was upto 2014-15, however, the State had also utilised the XIII FC grants during 2015-16. The position of utilisation of the XIII FC grants under various heads, where total budget provision or expenditure was ₹ 10 lakh or more for the year 2015-16, is given in **Appendix 1.7** which revealed the following.

- Out of total budget provision of ₹ 4,122.35 crore, an amount of ₹ 111.94 crore constituting 2.72 *per cent* of total provision was utilised and ₹ 35.04 crore was surrendered/re-appropriated during 2015-16 resulting in savings of ₹ 4,010.41 crore. It indicates lack of initiatives in utilisation of grants provided by XIII FC.
- During 2015-16, entire provision was utilised under head of account 5452-01-190 with scheme heads 6559, 6560, 6561, 6563, 6565, 6566, 6567, 6568 and 6571.
- Out of the total three cases where savings occurred, 100 *per cent* savings was under head 2070-800-7720 - Central Finance Commission. In the remaining two cases, the savings were 23.05 *per cent* and 48.14 *per cent* of total budget provision.
- Under the head 4235-02-102-5360- Construction of Buildings for Anganwadi Centres, ₹ 37.57 crore was surrendered against the anticipated savings of ₹ 37.03 crore resulting in excess surrender of ₹ 0.54 crore which shows inadequate budgetary control.

1.3.5 Comparison of devolution of taxes as well as grants awarded by XIII FC during 2014-15 and by XIV FC during 2015-16

The term of XIII FC was upto 31 March 2015 and the term XIV FC commenced from 01 April 2015. The XIV FC recommended the State's share of Central taxes to be increased to 42 *per cent* from 32 *per cent* as recommended by the XIII FC. To ascertain the impact of recommendation of the XIV FC on Revenue Receipts of the State, a comparison of devolution of taxes as well as grants awarded to the State by the XIII FC during 2014-15 and by the XIV FC during 2015-16 is shown in **Table 1.14**:

Table 1.14 : Comparison of devolution of taxes as well as grants awarded to the State by XIII FC during 2014-15 and by XIV FC during 2015-16

(₹ in crore)

Sl. No.	Transfers	Grants recommended by XIII FC during 2014-15	Grants recommended by XIV FC during 2015-16
1	State's share of Central taxes/ devolution of taxes	24,106.99	38,397.84
2	Local Bodies	1,721.50	1,960.40
	Grants to PRIs	1,224.01	1,463.61
	General Basic Grants to PRI	728.32	1,463.61
	General performance grants to PRI	495.69	-
	Grants to ULBs	444.49	496.79
	General Basic Grants	264.48	496.79
	General performance grants to ULBs	180.01	-
	Special Areas Grant to Local Bodies	53.00	-
3	State Disaster Relief Fund	477.39	877.00
4	Capacity Building	5.00	-
5	Improving outcome grants	141.42	-
	(i)Improvement in delivery of Justice	81.48	-
	(ii)Incentive for issuing UIDs	49.94	-
	(iii)Improvement of Statistical Systems at State	10.00	-
6	Protection of Forests	122.58	-
7	Water Sector Management	37.00	-
8	Elementary education	537.00	-
9	Roads and bridges	307.00	-
10	State specific grants	307.75	-
	Total	27,763.63	41,235.24

(Source: Recommendations of XIII FC and XIV FC)

It is evident from the **Table 1.14** that there was substantial increase in the devolution of taxes and grants awarded by XIV FC compared to the XIII FC. State's share of Central taxes stood at ₹ 38,398 crore during 2015-16 registering a growth of 59.28 per cent over the previous year (₹ 24,107 crore) and it also constituted 36.39 per cent of Revenue Receipts during 2015-16.

1.3.6 Foregone Revenue

The details of evasion of revenue as on 31 March 2016 as reported by three Departments are given in **Table 1.15**. The information has not been provided by three other revenue Departments.

Table 1.15: Evasion of Tax

Nature of Revenue	No. of cases pending as on 31.03.2015	No. of cases detected during 2015-16	Total no. of cases	No. of cases in which investigation completed and additional demand including penalty raised		No. of pending cases as on 31.03.2016
				No. of cases	Amount (₹ in crore)	
Taxes on Sales, Trade etc.	340	354	694	333	677.09	361
Stamps and Registration fees	15,244	14,773	30,017	11,403	69.79	18,614
Mining Receipts	722	13,314	14,036	12,191	4,853.86	1,845
Total	16,306	28,441	44,747	23,927	5,600.74	20,820

(Source: Information maintained by AG (E&RSA), MP)

1.3.7 Cess on 'Transfer of Vacant Land and Land used for the purpose of Agriculture' lying idle/unutilised

As per paragraph 9 of the Madhya Pradesh Upkar Adhiniyam, 1981, there shall be charged, levied and paid a cess on transfer by way of sale, gift, lease for a

period of thirty years or more or usufructuary mortgage, of vacant land and land used for the purpose of agriculture at the rate of five *per cent* of the amount of stamp duty with which instrument of each such transfer is chargeable in accordance with the relevant article in Schedule 1- A of the Indian Stamp Act, 1899. The proceeds of the cess shall be applied to rural development specially for providing employment in rural areas.

With a view to ascertain whether the cess collected on ‘transfer of vacant land and land used for the purpose of Agriculture’ is being utilised for the specific purpose for which they are collected, information was asked from Inspector General and Superintendent of Stamp (IGSS), Madhya Pradesh responsible for collecting the cess. The information furnished by IGSS is shown in **Table 1.16**.

Table 1.16 : Cess collected during 2011-12 to 2015-16 for transfer of vacant land and land used for the purpose of Agriculture lying idle/unutilised

(₹ in crore)			
Year	Collection of Cess	Cess released for utilisation	Cess remained unutilised after releasing
2011-12	89.13	85.30	3.83
2012-13	84.72	84.72	-
2013-14	71.54	71.54	-
2014-15	67.66	-	-
2015-16	54.04	-	-
Total	367.09	241.56	3.83

(Source: Information furnished by Inspector General and Superintendent of Stamp, Madhya Pradesh)

It can be seen from the **Table 1.16** that an amount of ₹ 367.09 crore was collected as cess on ‘transfer of vacant land and land used for the purpose of Agriculture’ during the period 2011-12 to 2015-16. However, only ₹ 241.56 crore was released for utilisation and ₹ 125.53 crore was lying idle. Out of ₹ 241.56 crore released for utilisation, ₹ 3.83 crore was lying unutilised as on November 2016. This indicates poor utilisation of cess collected for rural development specially for providing employment in rural areas.

On being asked about the reasons for keeping ₹ 3.83 crore unutilised and not releasing cess collected during 2014-15 for utilisation, IGSS replied that proposals for transferring ₹ 3.83 crore to Rural Development Fund and releasing cess collected during 2014-15 for utilisation were sent to the Government on 08 April 2013 and 14 January 2016 respectively but the approval on both the proposals were not received (November 2016). As regards cess collected during 2015-16, IGSS replied that proposal was being sent to the Government.

During the exit conference (December 2016), FD replied that instructions in this regard would be issued to Stamp and Registration Department.

1.4 Capital Receipts

Table 1.17 shows the trends in growth and composition of Capital Receipts.

Table 1.17: Trends in growth and composition of Receipts

Sources of State's Receipts	2011-12	2012-13	2013-14	2014-15	2015-16
Capital Receipts (CR)	15,899	8,864	9,672	21,863	20,175
Non Debt Capital Receipts	9,149	73	131	6,794	190
Miscellaneous Capital Receipts	23	31	36	28	26
Inter-State Settlement	3	9	2	1	2
Recovery of Loans and Advances	9,123	33	93	6,765	162
Debt Capital Receipts	6,750	8,791	9,541	15,069	19,985
Rate of growth of CR (<i>per cent</i>)	102.25	-44.25	9.12	126.04	-7.72
Rate of growth of non-debt Capital Receipts (<i>per cent</i>)	2,170.22	-99.20	79.45	5,086.26	-97.20
Rate of growth of debt Capital Receipts (<i>per cent</i>)	-9.49	30.24	8.53	57.94	32.62
Rate of growth of GSDP (<i>per cent</i>)	19.80	20.71	14.40	11.19	16.62

(Source: Finance Accounts of respective years)

1.4.1 Proceeds from disinvestment

As per Finance Accounts 2015-16, disinvestment of Co-operative Societies/Banks under Miscellaneous Capital Receipts marginally decreased from ₹ 22.22 crore in 2014-15 to ₹ 20.87 crore in 2015-16.

1.4.2 Recoveries of Loans and Advances

The recovery of Loans and Advances of ₹ 162.32 crore during 2015-16 exceeded the Budget Estimates (₹ 30.84 crore) considerably. However, there was significant decrease of ₹ 6,603 crore in actual recovery over the previous year as recovery of loans was abnormally high in 2014-15 mainly due to recovery of 'loans for power projects' amounting to ₹ 6,694 crore.

1.4.3 Public Debt Receipts

Public Debt Receipts consists of Internal Debts and Loans from GoI. During 2015-16, Public Debt Receipts increased by ₹ 4,916 crore from ₹ 15,069 crore to ₹ 19,985 crore. The increase was mainly due to increase under Internal Debt (by ₹ 4,963 crore) from ₹ 13,696 crore in 2014-15 to ₹ 18,659 crore in 2015-16. During 2015-16, Market Loans (₹ 14,700 crore) was the major contributor (74 *per cent*) of the Public Debt receipts (₹ 19,985 crore).

Loans and Advances from GoI marginally decreased by ₹ 46 crore from ₹ 1,372 crore in 2014-15 to ₹ 1,326 crore in 2015-16.

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 are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. Here the Government Acts as a banker. The balance after disbursements is the available fund with the Government for its use.

The trends in respect of Public Account Receipts during 2011-16 are presented in Table 1.18.

Table 1.18: Trends in Public Account Receipts

(₹ in crore)

Resources under various heads	2011-12	2012-13	2013-14	2014-15	2015-16
Public Account Receipts (Gross)	76,315	86,248	94,811	1,10,295	1,32,772
a. Small Savings, Provident Fund etc.	2,033	2,319	2,784	3,143	3,498
b. Reserve Fund	1,534	2,441	1,612	1,172	2,719
c. Deposits and Advances	9,872	6,502	10,369	16,349	23,349
d. Suspense and Miscellaneous	50,620	59,819	64,444	76,099	87,338
e. Remittances	12,256	15,167	15,602	13,532	15,868

(Source: Finance Accounts of respective years)

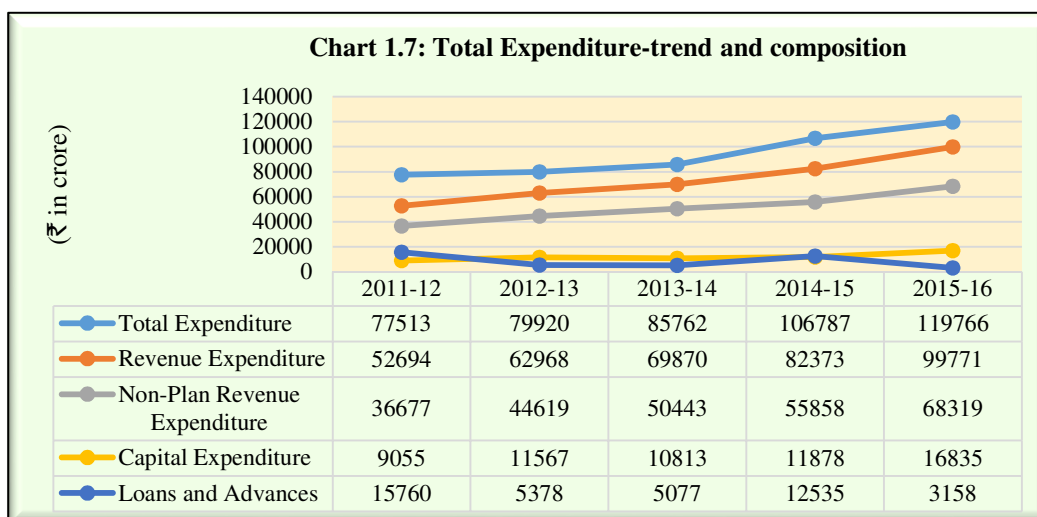
Public Account Receipts (Gross) increased by ₹ 22,477 crore (20 per cent) from ₹ 1,10,295 crore in 2014-15 to ₹ 1,32,772 crore in 2015-16. The increase was mainly under Suspense & Miscellaneous (by ₹ 11,239 crore) and Deposits and Advances (by ₹ 7,000 crore).

1.6 Application of Resources

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

1.6.1 Growth and composition of expenditure

Chart 1.7 presents the trend in Total Expenditure (excluding Public Debt repayments) over a period of the last five years (2011-16). Expenditure under various components is depicted in **Chart 1.8** and the trend of expenditure by activities/services is shown in **Chart 1.9**.



(Source: Finance Accounts of respective years)

During the period 2011-16, the Total Expenditure of the State increased by ₹ 42,253 crore (55 per cent). The Revenue Expenditure and Capital Expenditure increased by ₹ 47,077 crore (89 per cent) and ₹ 7,780 crore (86 per cent) respectively during the same period.

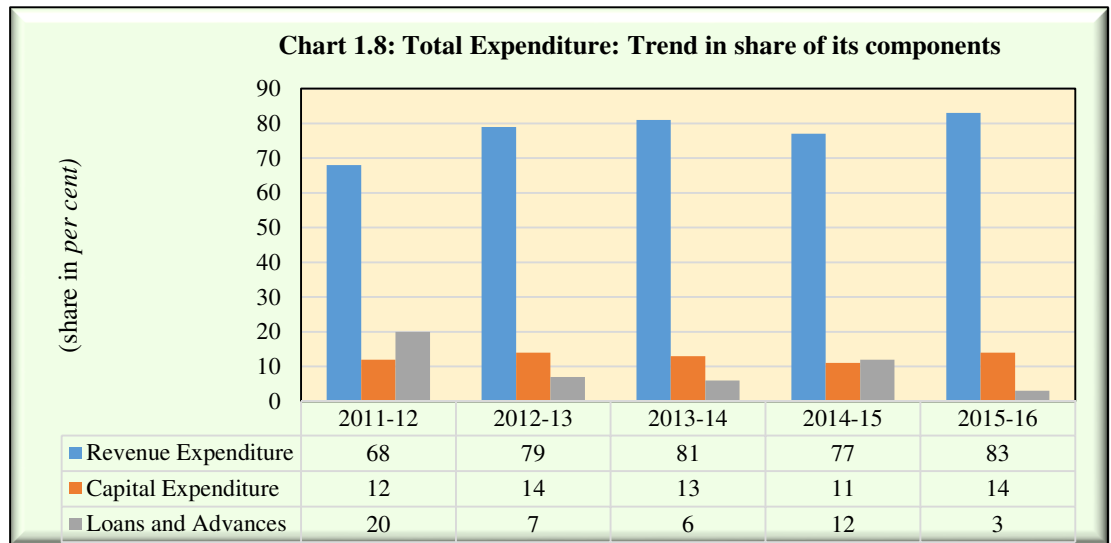
During 2015-16, the increase of ₹ 12,979 crore in Total Expenditure (by 12 per cent) over 2014-15 was mainly due to increase of ₹ 17,398 crore (21 per cent) in Revenue Expenditure.

The total Plan expenditure⁴ and the total Non-Plan expenditure⁵ during 2015-16 increased by ₹ 8,946 crore and ₹ 4,033 crore over the previous year respectively. The total Plan expenditure and Non-Plan expenditure during 2015-16 consisted 41 per cent and 59 per cent respectively of Total Expenditure.

The increase in Revenue Expenditure was mainly due to increase in Social Welfare and Nutrition (by ₹ 5,293 crore), Water Supply, Sanitation, Housing and Urban Development (by ₹ 2,997 crore) and Energy (by ₹ 2,113 crore).

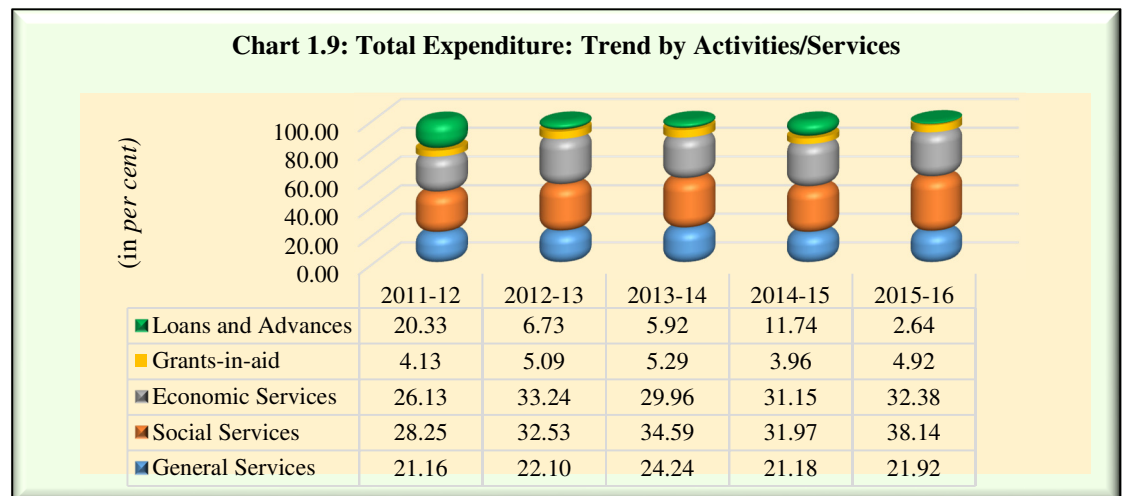
During 2015-16, the Non-Plan Revenue Expenditure increased by ₹ 12,461 crore (22 per cent) over the previous year.

In 2015-16, 88 per cent of the Total Expenditure (₹ 1,19,766 crore) could be met out of Revenue Receipts (₹ 1,05,511 crore).



(Source: Finance Accounts of respective years)

As seen from the **Chart 1.8**, the share of Revenue Expenditure in Total Expenditure increased from 68 per cent in 2011-12 to 83 per cent in 2015-16. The share of Capital expenditure in Total Expenditure increased from 12 per cent in 2011-12 to 14 per cent in 2015-16 with inter-year fluctuation.



(Source: Finance Accounts of respective years)

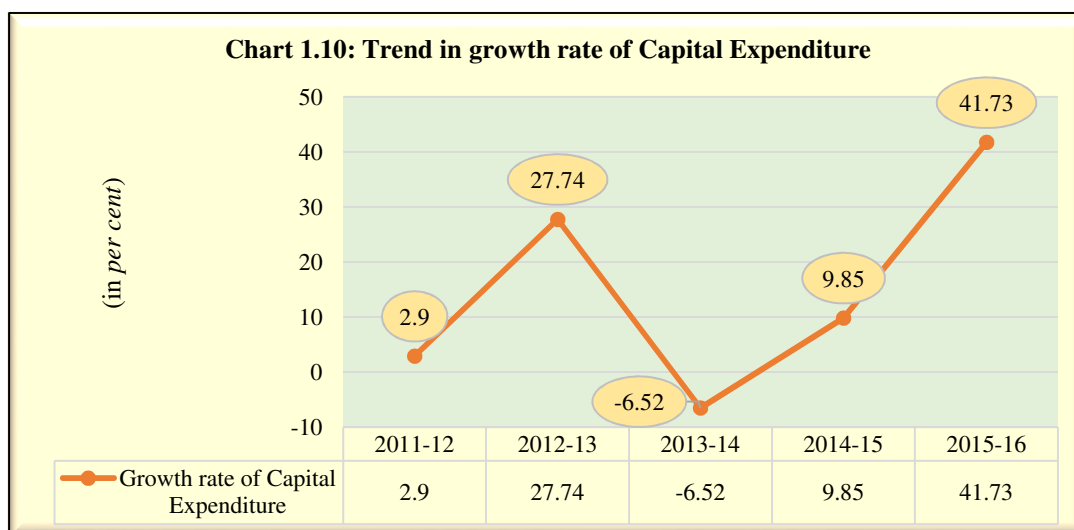
⁴ Includes Plan Expenditure under Revenue, Capital and Loans & Advances

⁵ Includes Non-Plan Expenditure under Revenue, Capital and Loans & Advances

- As shown in **Chart 1.9**, the share of expenditure under General Services (including Interest Payments), Social Services and Economic Services to Total Expenditure increased from 21.16 *per cent* in 2011-12 to 21.92 *per cent* in 2015-16, from 28.25 *per cent* in 2011-12 to 38.14 *per cent* in 2015-16 and from 26.13 *per cent* in 2011-12 to 32.38 *per cent* in 2015-16 respectively. The development expenditure comprising Social and Economic Services together increased from 54.38 *per cent* in 2011-12 to 70.52 *per cent* in 2015-16 with inter-year variation.
- The share of Grants-in-aid in Total Expenditure increased from 4.13 *per cent* in 2011-12 to 4.92 *per cent* in 2015-16 with inter-year fluctuation.
- The share of Loans and Advances in Total Expenditure continuously decreased from 20.33 *per cent* in 2011-12 to 2.64 *per cent* in 2015-16 except in 2014-15.

1.6.2 Trends in growth of Capital Expenditure (CE)

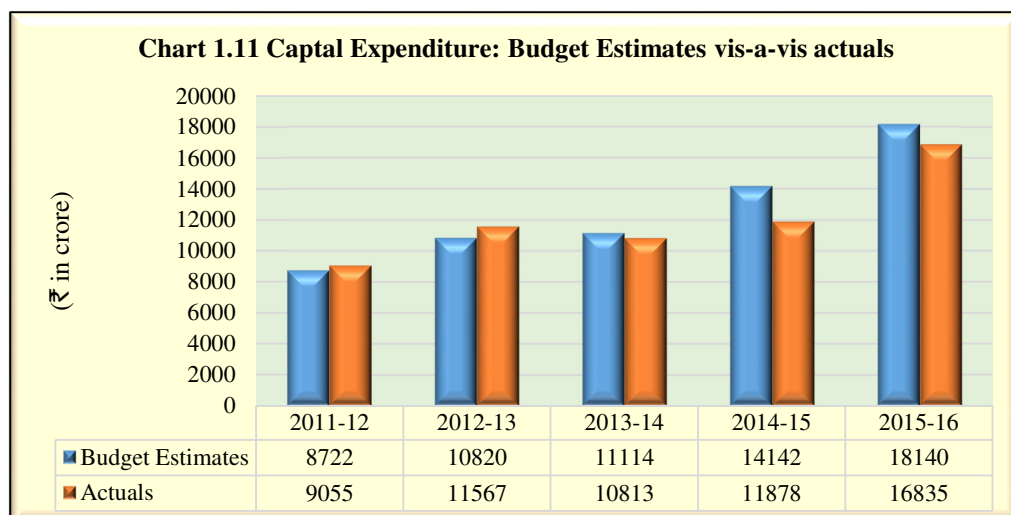
- Capital Expenditure increased from ₹ 9,055 crore in 2011-12 to ₹ 16,835 crore in 2015-16 with inter-year fluctuations. During 2015-16, it increased by ₹ 4,957 crore (by 42 *per cent*) over the previous year. The increase was mainly under Irrigation and Flood Control (by ₹ 2,246 crore), Rural Development (by ₹ 1,170 crore) and Transport (by ₹ 502 crore). The CE during 2015-16 was less (by ₹ 1,305 crore) than the BE of ₹ 18,140 crore.
- **Chart 1.10** presents the trend in growth of CE over a period of the last five years (2011-16).



(Source: Finance Accounts of respective years)

As can be seen from the **Chart 1.10**, the growth rate of CE showed fluctuating trend during the period 2011-16 as it increased from 2.9 *per cent* in 2011-12 to 27.74 *per cent* in 2012-13 and then decreased to minus 6.52 *per cent* in 2013-14 which followed by increase of 9.85 *per cent* in 2014-15 and 41.73 *per cent* in 2015-16.

- **Chart 1.11** represents the budget estimates and actuals for CE during the period 2011-16.



(Source: Finance Accounts and Budget Estimates of respective years)

It is evident from the **Chart 1.11** that CE during 2011-12 and 2012-13 exceeded the Budget Estimates but thereafter CE were less than budgeted projections. Since, importance of accuracy in the budget estimates is considered as effective implementation of fiscal policies for overall economic management, deviations from the Budget Estimates are indicative of the fact that due care has not been taken during their estimation. Further, it also indicates that desired fiscal and developmental objectives were not attained and optimised.

- FRBM Act 2005 provides that State Government shall utilise Revenue Surplus for funding CE and also lay down norms for prioritisation of CE and pursuing expenditure policies that would provide impetus for economic growth, poverty reduction and improvement in human welfare.

On being asked about it, Finance Department replied (August 2016) that State was in surplus for the last 10 years and Revenue Surplus was being utilised in financing CE as approved by the legislature as per plan.

The fact remains that despite financing CE through Revenue Surplus, growth in CE was not as planned in Budget Estimates.

1.6.3 Trends in growth of Revenue Expenditure

- The Revenue Expenditure of the State increased from ₹ 52,694 crore in 2011-12 to ₹ 99,771 crore in 2015-16, showing an average annual growth of 17.32 per cent over the period. Total increase of Revenue Expenditure during 2015-16 was ₹ 17,398 crore (21.12 per cent) over the previous year. During 2015-16, the Non-Plan Revenue Expenditure (NPRE) of ₹ 68,319 crore constituted 68 per cent of total Revenue Expenditure.
- The actual NPRE was marginally higher (by ₹ 213 crore) than the projection made by the State Government in its MTFPS as shown in **Table 1.19**.

Table 1.19: Trends in the growth of Non-Plan Revenue Expenditure (NPRE)**(₹ in crore)**

Year	Assessments made by State Government in MTFPS	Actual NPRE
2015-16	68,106	68,319

(Source :Finance Accounts for the year 2015-16 and Statement laid under FRBM Act during 2015-16)

- NPRE increased from ₹ 36,677 crore in 2011-12 to ₹ 68,319 crore in 2015-16 showing an average annual growth of 16.40 per cent over the period. NPRE increased by 22.31 per cent over the previous year.
During the exit conference (December 2016), FD replied that increase in NPRE was largely attributed to payment of salary, pension and interest.
- The increase in NPRE by ₹ 12,461 crore during 2015-16 was mainly due to increase in expenditure on Social Welfare and Nutrition (by ₹ 3,051 crore), Energy (by ₹ 2,146 crore) and Education, Sports, Art and Culture (by ₹ 1,466 crore).
- The Plan Revenue Expenditure (PRE), which consistently increased during the period 2011-16, increased by ₹ 4,937 crore (18.62 per cent) during 2015-16 over the previous year. The increase in PRE in 2015-16 was mainly under Social Welfare and Nutrition (by ₹ 2,242 crore), Water Supply, Sanitation, Housing and Urban Development (by ₹ 2,196 crore) and Welfare of Scheduled Castes, Schedule Tribes and Other Backward Classes (by ₹ 765 crore) partly offset by decrease under Rural Development (by ₹ 1,092 crore).

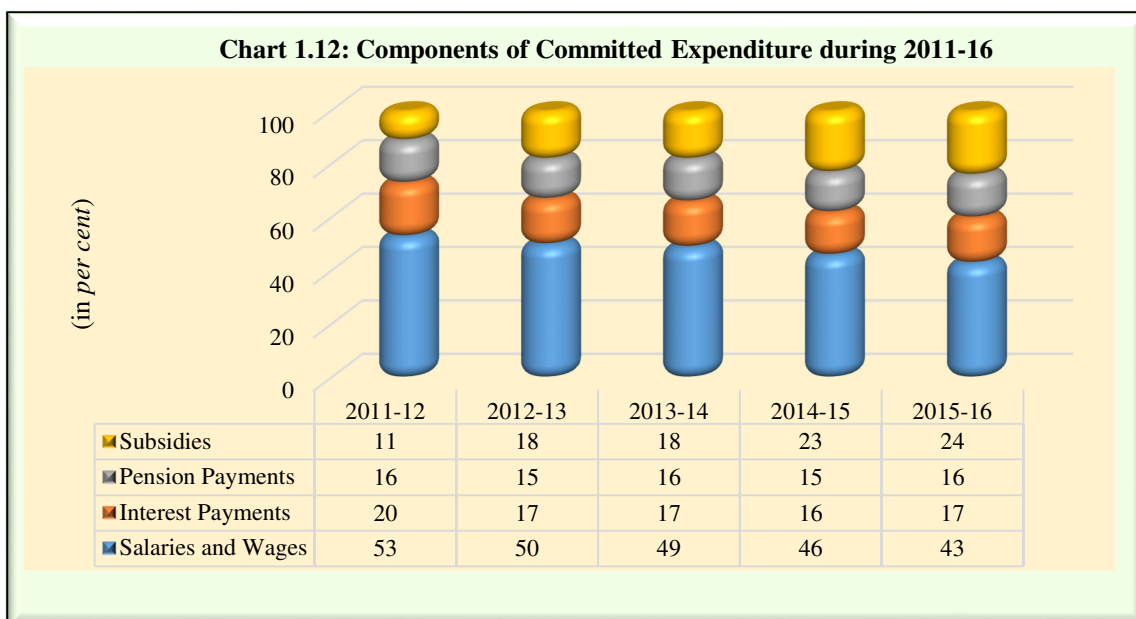
1.6.4 Expenditure on salaries, interest payments, pension payments and subsidies

The expenditures of the State Government on interest payments, expenditure on salaries and wages, pensions and subsidies are considered as committed expenditure. **Table 1.20** and **Chart 1.12** present the trends of expenditure on these components during the period 2011-16.

Table 1.20: Components of committed expenditure**(₹ in crore)**

Components of committed expenditure	2011-12	2012-13	2013-14	2014-15	2015-16	
					BE	Actuals
Salaries and Wages, of which	14,113 (22.54)	16,026 (22.76)	18,361 (24.24)	19,997 (22.56)	27,300	20,554 (19.48)
<i>Non-Plan Head</i>	<i>12,274</i>	<i>14,133</i>	<i>16,081</i>	<i>17,285</i>	--	<i>18,018</i>
<i>Plan Head**</i>	<i>1,839</i>	<i>1,893</i>	<i>2,280</i>	<i>2,712</i>	--	<i>2,536</i>
Interest Payments	5,300 (8.47)	5,574 (7.91)	6,391 (8.44)	7,071 (7.98)	8,058	8,091 (7.67)
Pension Payments	4,389 (7.01)	4,947 (7.02)	5,932 (7.83)	6,836 (7.71)	8,261	7,819 (7.41)
Subsidies, of which	2,926 (4.67)	5,697 (8.09)	6,567 (8.67)	9,954 (11.23)	46,863	11,725 (11.11)
<i>Non-Plan Head</i>	<i>1,544</i>	<i>4,148</i>	<i>4,596</i>	<i>6,953</i>	--	<i>7,950</i>
<i>Plan Head</i>	<i>1,382</i>	<i>1,549</i>	<i>1,971</i>	<i>3,001</i>	--	<i>3,775</i>
Total	26,728 (43)	32,244 (46)	37,251 (49)	43,858 (49)	90,482	48,189 (46)

*Note: Figures in parentheses indicate percentage of Revenue Receipts**** Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes.**(Source: Finance Accounts of respective years and VLC data compiled by Pr.AG (A&E)-I, MP)*



(Source: Finance Accounts of respective years and data compiled by Pr.AG (A&E)-I, Madhya Pradesh)

During 2015-16, total expenditure on salaries and wages, pension payments, interest payments and subsidies (₹ 48,189 crore) was 48 per cent of revenue expenditure and 46 per cent of the revenue receipts. As a percentage of revenue receipts, it ranged between 43 and 49 per cent during the period 2011-16. The overall expenditure on salaries and wages, interest payments, pension payments and subsidies increased by 80 per cent during the period 2011-16, at an average annual growth of 15.29 per cent. The increase was 9.88 per cent during 2015-16 as compared to 17.74 per cent during 2014-15. The component-wise analysis is given as under:

1.6.4.1 Salaries and Wages

The expenditure on salaries and wages increased by 46 per cent from ₹ 14,113 crore in 2011-12 to ₹ 20,554 crore in 2015-16. Actual expenditure on salaries and wages in 2015-16 was less than the projection in the BE (₹ 27,300 crore). Such expenditure as a percentage of revenue receipts ranged between 19.48 per cent and 24.24 per cent during the period 2011-16. During 2015-16, it was 19.48 per cent of revenue receipts.

1.6.4.2 Pension Payments

Expenditure on pension payments increased from ₹ 4,389 crore in 2011-12 to ₹ 7,819 crore in 2015-16. The increase during 2015-16 over the previous year was ₹ 983 crore (by 14 per cent) mainly on account of increase under superannuation and retirement allowances (by ₹ 416 crore), family pensions (by ₹ 326 crore) and gratuities (by ₹ 112 crore). Actual pension payment of ₹ 7,819 crore in 2015-16 was marginally (by 5.35 per cent) less than the BE of ₹ 8,261 crore.

Contribution Pension Scheme

State Government employees recruited on or after 1 January 2005 are covered under the New Pension Scheme, which is a defined contributory pension scheme. In terms of the Scheme, the employees' contribution along with matching share of the State Government is transferred to the designated fund

manager through the National Securities Depository Limited (NSDL)/Trustee Bank. However, actual amount of employees' contribution and the matching contribution of State Government has not been estimated. The State Government follows the method of budgeting and booking employees' contributions in the New Pension Scheme under the Receipt Major Head "0071-Contributions and Recoveries towards Pension and Other Retirement Benefits". These contributions are subsequently transferred to the Fund by operating the minor head "900-Deduct Refunds" under the same Major Head. Since the Consolidated Fund is closed to Government at the end of the year, any shortfall in the remittance of the contributions to the Fund in any year is not available in the accounts of subsequent years.

During 2015-16, against employees' contribution of ₹ 264.29 crore, Government contributed ₹ 284.92 crore. Under the present accounting methodology, it cannot be ascertained whether the Government contribution in excess of employees' contribution for 2015-16 was against the shortfalls of earlier years. We observed that out of total contribution of ₹ 549.21 crore credited under Major Head 0071, the State Government transferred only ₹ 530.39 crore to NSDL/Trustee Bank as of March 2016 resulting in short transfer of ₹ 18.82 crore. Since this amount was not retained in a Fund, it got lapsed to Government account at the end of the financial year.

During the exit conference (December 2016), FD replied that the matter would be scrutinised and necessary action, if necessary, would be taken.

1.6.4.3 Interest Payments

Interest payments made during the years 2011-12 to 2015-16 are given in **Table 1.21**.

Table 1.21: Interest Payments

	2011-12	2012-13	2013-14	2014-15	2015-16
Interest Payments	5,300	5,574	6,391	7,071	8,091

(Source: Finance Accounts of respective years)

Interest Payments of ₹ 8,091 crore during 2015-16 accounted for 7.67 per cent of the revenue receipts and constituted 8.11 per cent of revenue expenditure. Interest payments were mainly on market loans (₹ 3,891 crore), Special Securities issued to National Small Saving Fund (NSSF) of the Central Government (₹ 1,854 crore), State Provident Fund (₹ 1,072 crore) and other internal debt (₹ 538 crore).

The increase of ₹ 1,020 crore (14.43 per cent) in interest payment during 2015-16 over the previous year was the result of increase under interest on market loans (by ₹ 735 crore), interest on Special Securities issued to NSSF of the Central Government by State Government (by ₹ 99 crore) and State Provident Fund (by ₹ 95 crore). Interest payments of ₹ 8,091 crore during the year were slightly higher than the BE of ₹ 8,058 crore.

1.6.4.4 Subsidies

Subsidy payment of ₹ 11,725 crore (Non-plan: ₹ 7,950 crore and Plan: ₹ 3,775 crore) accounted for 11.11 per cent of the revenue receipts and constituted 11.75 per cent of the revenue expenditure during 2015-16.

During 2015-16, out of the total subsidies of ₹ 11,725 crore, ₹ 7,052 crore (60 per cent) was under the Energy Department. Actual subsidies in 2015-16 was considerably less than the BE of ₹ 46,863 crore.

The increase in the amount of subsidy (by ₹ 1,771 crore) in 2015-16 over the previous year was mainly due to increase in subsidy of Energy (by ₹ 2,128 crore) which was partly offset by decrease in Food and Civil Supplies (by ₹ 1,269 crore).

1.6.5 Financial assistance by State Government to Local Bodies and other Institutions

The quantum of assistance provided by way of Grants and Loans to Local Bodies and other institutions during the period 2014-15 to 2015-16 is presented in Table 1.22.

Table 1.22: Financial assistance to Local Bodies and other Institutions

(₹ in crore)		
Financial Assistance to Institutions	2014-15	2015-16
Educational Institutions	4,457.99	5,465.29
Medical and Public Health	792.14	828.87
Housing	829.19	1,019.60
Urban Development	565.49	1,439.19
Welfare of SC/ST/OBC	500.28	520.64
Social Security and Welfare	687.16	1,054.36
Rural Development	5,941.93	5,368.29
Panchayati Raj	3,995.44	5,633.30
Water Supply and Sanitation	179.35	590.48
Other Institutions	718.82	735.50
Total	18,667.79	22,655.52
Assistance as a percentage of Revenue Expenditure	22.66	22.71

(Source: VLC data of Pr.AG (A&E)-I, Madhya Pradesh)

- Financial assistance to Local Bodies and other Institutions increased by ₹ 3,987.73 crore from ₹ 18,667.79 crore in 2014-15 to ₹ 22,655.52 crore in 2015-16. The increase was mainly on account of Financial Assistance to Panchayati Raj (by ₹ 1,637.86 crore) and Educational Institutions (by ₹ 1,007.30 crore).
- The assistance as a percentage of Revenue Expenditure marginally increased from 22.66 per cent in 2014-15 to 22.71 per cent in 2015-16.

1.6.6 Devolution of funds and auditing arrangements of Local Bodies

After enactment of the 73rd and 74th Constitution (Amendment) Act, 1992, the Urban Local Bodies (ULBs) and Panchayat Raj Institutions (PRIs) were made full-fledged and vibrant institutions of Local Self Government by vesting them with clearly defined functions and responsibilities. Accordingly, the State Government organised ULBs and PRIs into three types⁶. At present, there are 379 ULBs⁷ and 23,189 PRIs⁸ in the State.

⁶ ULBs: Municipal Corporations (MC) for larger urban areas, Municipal Councils for smaller urban areas and Nagar Parishads (NP) for a transitional areas. PRIs: Zila Panchayat (ZP) at district level, Janpad Panchayat (JP) at block level and Gram Panchayat (GP) at village level.

⁷ ULBs: 16 MC, 98 Municipal Councils, 265 NP

⁸ PRIs: 51 ZP, 313 JP, 22825 GP

1.6.6.1 Transfer of Funds, Functions and Functionaries

According to amendment (Eleventh and Twelfth schedules of the Constitution), 29 and 18 functions were to be devolved in PRIs and ULBs by the State Government as detailed in **Appendix 1.8**. Though the State Government devolved all functions in ULBs and PRIs, however, the Gazette Notification had not been published in case of PRIs. No separate funds and functionaries have been transferred by the Government (August 2016).

1.6.6.2 Devolution of Grants to ULBs and PRIs

As recommended by the Third State Finance Commission (SFC) and accepted by State Government in February 2010, one *per cent* and four *per cent* of divisible fund⁹ of the State Government should be devolved to ULBs and PRIs respectively. During the year 2015-16, the devolution of SFC grants was made by Finance Department (FD) in ULBs and PRIs, as shown in **Table 1.23**.

Table 1.23: Devolution of Grants to ULBs and PRIs

Year	ULBs		Short released	PRIs		Short released
	Fund was to be devolved	Fund actually devolved		Fund was to be devolved	Fund actually devolved	
1	2	3	(2-3)	4	5	(4-5)
2015-16	289.45	271.31	18.14	1,157.78	910.00	247.78

(₹ in crore)

It can be seen from **Table 1.23** that FD devolved short fund to the tune of ₹ 18.14 crore to ULBs and ₹ 247.78 crore to PRIs during 2015-16. Reasons for short release of fund to ULBs and PRIs were not intimated (August 2016).

1.6.6.3 Audit arrangements

According to Technical Guidance and Supervision arrangements the Director Local Fund Audit would pursue the compliance of paragraphs in the inspection reports of the Accountant General (Audit) in the same manner as if these are his own reports. A total number of 6303 observations (including 1023 observations issued during 2015-16) were outstanding in ULBs and 34697 observations (including 9786 observations issued during 2015-16) were outstanding in PRIs at the end of 2015-16 for compliance.

1.6.6.4 Placement of report

Report of the Comptroller and Auditor General of India on Local Bodies for the year ended 31 March 2015 had been tabled on 27 July 2016 in the Madhya Pradesh Legislative Assembly.

1.7 Quality of Expenditure

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

⁹ Divisible fund means net of State tax revenue of previous year after deduction of ten per cent towards expenditure for collection of taxes, minus assigned revenue to PRIs and ULBs.

1.7.1 Adequacy of Public Expenditure

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

Table 1.24 analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure relative to GCS' average in 2012-13, 2014-15 and the current year 2015-16.

Table 1.24: Fiscal priority of the State in 2012-13, 2014-15 and 2015-16
(in per cent)

Fiscal Priority by the State	AE/ GSDP	DE#/ AE	SSE/ AE	ESC/ AE	CE/AE	Expenditure on Education/ AE	Expenditure on Health/AE
General Category States Average (Ratio) 2012-13	14.14	70.03	38.47	29.70	13.70	17.72	4.72
Madhya Pradesh's Average (Ratio) 2012-13	20.98	72.45	32.69	39.75	14.47	13.82	4.14
General Category States Average (Ratio) 2014-15	14.81	70.74	37.35	33.37	14.37	17.01	5.13
Madhya Pradesh's Average (Ratio) 2014-15	22.04	74.86	31.98	42.88	11.12	15.50	4.46
General Category States Average (Ratio) 2015-16	16.05	70.63	36.29	34.34	14.89	15.63	4.45
Madhya Pradesh's Average (Ratio) 2015-16	21.20	73.15	38.17	34.99	14.06	14.89	4.55

AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure
Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed
Source: For GSDP, the information as available on CSO website as on 29 July, 2016 except in case of Assam, Chhattisgarh, Goa, Gujarat, HP, Kerala, Maharashtra, Mizoram, Nagaland, Rajasthan, Tripura and West Bengal where the figures were provided by the PAsG/AsG.

Comparative analysis revealed the following:

- Madhya Pradesh spent a higher proportion of its GSDP on Aggregate Expenditure during 2012-13, 2014-15 and 2015-16 as compared to GCS.
- Development Expenditure as a proportion of Aggregate Expenditure in Madhya Pradesh during 2012-13, 2014-15 and 2015-16 has also been higher than the GCS' Average.
- Expenditure on Economic Services (as a proportion of Aggregate Expenditure) in Madhya Pradesh during 2012-13, 2014-15 and 2015-16 has been higher than that of the average of GCS.
- Expenditure on Social Services (as a proportion of Aggregate Expenditure) was higher than that of the average of GCS in 2015-16, while in 2012-13 and 2014-15 it was lower than that of the average of GCS.

- During 2012-13, 2014-15 and 2015-16, priority given to Education sectors was not adequate as lower expenditure was incurred as compared to GCS' Average.
- In case of health sectors, priority given was not adequate during 2012-13 and 2014-15 as compared to GCS' Average, however, in 2015-16 it was slightly higher than that of GCS' Average.
- It was observed that Capital Expenditure as a percentage of Aggregate Expenditure in Madhya Pradesh was higher than that of GCS' Average during 2012-13 while during 2014-15 and 2015-16 it was lower as compared to GCS' Average.

1.7.2 Efficiency of Expenditure use

In view of the importance of public expenditure on development heads from the point of view of Social and Economic Development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of Core Public and Merit goods¹⁰. Apart from improving the allocation towards Development Expenditure¹¹, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure (CE) to Total Expenditure (TE) and the proportion of Revenue Expenditure being spent on Operation and Maintenance (O&M) of the existing Social and Economic Services. The higher the ratio of these components to the TE, the better would be the quality of expenditure.

Table 1.25 provides the details of CE and the components of Revenue Expenditure incurred on maintenance of selected Social and Economic Services.

Table 1.25: Efficiency of Expenditure use in Selected Social and Economic Services

(in per cent)

Social/Economic Infrastructure	2014-15			2015-16		
	Share of CE to TE	In concerned sector of RE, the share of		Share of CE to TE	In concerned sector of RE, the share of	
		S&W	O&M		S & W	O&M
Social Services (SS)						
Education, Sports, Art and Culture	1.95	43.73	0.05	4.25	42.93	0.04
Health and Family Welfare	5.05	51.24	0.21	4.14	46.27	0.16
Water Supply, Sanitation, Housing and Urban Development	24.97	3.51	2.99	19.58	4.64	4.99
Other Social Services	4.93	27.66	0.07	3.51	6.81	0.02
Total (SS)	6.06	33.05	0.81	6.62	25.77	0.78

¹⁰ Core public goods are goods which all citizens enjoy in common, in the sense that each individual's consumption of such goods leads to no subtractions from any other individual's consumption of those goods, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc.

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

¹¹ The analysis of expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorized into Social Services, Economic Services and General Services. Broadly, the Social and Economic Services constitute development expenditure, while expenditure on General Services is treated as non-development expenditure.

Social/Economic Infrastructure	2014-15			2015-16		
	Share of CE to TE	In concerned sector of RE, the share of		Share of CE to TE	In concerned sector of RE, the share of	
		S&W	O&M		S & W	O&M
Economic Services (ES)						
Agriculture and Allied Activities	1.94	30.63	0.16	1.49	31.80	0.15
Irrigation and Flood Control	83.00	62.96	7.31	91.00	84.33	10.73
Power and Energy	5.10	0.01	0.03	5.30	0.01	0.07
Transport	69.05	1.66	14.13	73.63	6.33	62.51
Other Economic Services	14.75	45.59	13.29	23.52	6.62	3.02
Total (ES)	20.86	15.79	4.09	31.65	14.03	4.35
Total (SS+ES)	14.54	25.71	2.21	18.59	21.38	2.12

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

(Source: Finance Accounts of respective years and information furnished by Pr.AG (A&E)-I, Madhya Pradesh)

Table 1.25 reveals that under Social Services, share of CE to TE marginally increased from 6.06 per cent in 2014-15 to 6.62 per cent in 2015-16 while under Economic Services, the share of CE to TE considerably increased from 20.86 per cent in 2014-15 to 31.65 per cent in 2015-16.

- The increase in share of Capital Expenditure under Social Services was mainly under Education, Sports, Art and Culture while increase in the share of Capital Expenditure under Economic Services was mainly under Irrigation and Flood Control. This indicated improvement in priority being accorded to Capital Expenditure under social and economic services.
- In Revenue Expenditure, the share of salaries & wages under Social and Economic Services together decreased from 25.71 per cent in 2014-15 to 21.38 per cent in 2015-16. In case of O&M also, expenditure decreased from 2.21 per cent in 2014-15 to 2.12 per cent in 2015-16. This indicated improvement in fiscal situation.

As shown in **Appendix 1.1**, during the period 2006-15, CAGR of revenue expenditure on Education and Health sectors in case of Madhya Pradesh was higher than that of other GCS.

During 2015-16, CAGR of revenue expenditure on Education sector was lower than that of other GCS over the previous year while CAGR of revenue expenditure on Health Sector was higher than that of other GCS. This indicated that expenditure on Education sector needed to be improved.

1.8 Financial analysis of Government Expenditure and Investments

In the post-FRBM framework, the Government is expected to keep its fiscal deficit (borrowing) not only at low levels but also to initiate measures to earn adequate return on its investments and recover cost of borrowed funds rather than bearing the same in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the 2015-16 *vis-à-vis* previous years.

1.8.1 Investment and Returns

As of 31 March 2016, Government had invested ₹ 16,599.57 crore in Statutory Corporations (26), Government Companies (35), Joint Stock Companies and Partnerships (23), Banks (one) and Co-operatives (130) etc.

(Table 1.26). The average return on the investments was 0.84 per cent in the last five years while the Government paid an average 6.76 per cent as interest on its borrowings during 2011-12 to 2015-16.

Table 1.26: Return on Investments

(₹ in crore)					
Investment/Return/Cost of Borrowings	2011-12	2012-13	2013-14	2014-15	2015-16
Investment at the end of the year	13,183.59	14,656.50	15,275.10	16,104.55	16,599.57
Return	37.98	18.38	378.72	80.35	129.64
Return (per cent)	0.29	0.13	2.48	0.50	0.78
Average rate of Interest on Government Borrowings (per cent)	6.74	6.48	6.84	6.88	6.86
Difference between Interest rate and Return (per cent)	6.45	6.35	4.36	6.38	6.08

(Source: Finance Accounts of respective years)

- Out of the total investment of ₹ 16,599.57 crore in 215 entities at the end of March 2016, ₹ 1,076.04 crore pertained to the composite State of Madhya Pradesh and was pending for allocation between Madhya Pradesh and Chhattisgarh (Statutory Corporations: ₹ 411 crore; Government Companies: ₹ 180.49 crore; Co-operative Banks and Societies: ₹ 483.01 crore and Joint-Stock Companies and Partnerships: ₹ 1.54 crore).
- During 2015-16, the return on these investments was 0.78 per cent while the Government paid interest at an average rate of 6.86 per cent on its borrowings during the year.
- Twenty six Government Companies and Statutory Corporations with an aggregate investment of ₹ 14,460.30 crore for the latest years for which accounts were finalised as of 2015-16 were running in losses which accumulated to ₹ 35,542.78 crore. Details are given in **Appendix 1.9**.

During the exit conference (December 2016), FD replied that necessary steps would be taken in this regard.

1.8.2 Incomplete Projects

Department-wise information pertaining to incomplete projects/works (each costing ₹ one crore or above) as on 31 March 2016 is given in **Table 1.27**.

Table 1.27: Position of Incomplete Projects as on 31 March 2016

(₹ in crore)				
Sl. No	Particulars	Number of Incomplete Projects/Works	Initial budgeted cost	Cumulative actual Expenditure
1	Water Resources Department	58	3,725.23	4,546.26
2	Public Works Department	19	538.51	121.61
3	Narmada Valley Development Department	14	4,411.50	10,808.81
Total		91	8,675.24	15,476.68

(Source: Appendix IX of Finance Accounts for the year 2015-16 and Information furnished by Narmada Valley Development Department, Madhya Pradesh, Bhopal)

It can be seen from the above table that 91 projects/works were incompleting as of March 2016 though an expenditure of ₹ 15,476.68 crore was incurred. Delay in completion of projects/works resulted in cost overrun of ₹ 9,073.99 crore on 20 projects/works out of 91 projects/works, which indicates lack of proper monitoring.

During the exit conference (December 2016), FD replied that all the projects were under construction. However, the delay in completion of projects might be due to tendering process.

Public Private Partnership (PPP) Projects

Recourse to the PPP mode for project financing is encouraged because it provides valuable fiscal space for the provision of public goods in areas where such financing may not be forthcoming. Government of Madhya Pradesh have been implementing PPP projects in the areas of Dairy, Education, Energy, Health, Industry, Road, Sports, Tourism, Transport, Urban, Warehousing and Logistics and Water Supply etc.

We observed that out of 198 PPP projects (cost: ₹ 23,069.98 crore) initiated under 12 sectors as of June 2016, only 100 projects (50.51 per cent) were completed at a cost of ₹ 9,463.64 crore. While 43 projects (21.72 per cent) costing ₹ 8,266.33 crore were in progress, 55 projects (27.78 per cent) costing ₹ 5,340.01 crore were under pipeline or bidding. The details are given in **Appendix 1.10**.

1.8.3 Loans and Advances by the State Government

In addition to investments in Co-operative societies, Corporations and Companies, the Government has also provided Loans and Advances to many of these institutions/organisations. **Table 1.28** presents the outstanding loans and advances as on 31 March 2016, interest receipts *vis-à-vis* interest payments during the last three years.

Table 1.28: Average Interest Received on Loans and Advances given by the State Government

Quantum of Loans/Interest Receipts/cost of Borrowings	2013-14	2014-15	2015-16	
			BE	Actual
Opening Balance of Loans given	27,088	32,072	--	37,842
Amount advanced during the year	5,077	12,535	4,225	3,158
Amount repaid during the year	93	6,765	301	162
Closing Balance	32,072	37,842	--	40,838
Net addition	4,984	5,770	3,924	2,996
Interest received	12	1,058	--	139
Interest Receipts as percentage of outstanding Loans and Advances	0.04	2.80	--	0.34
Interest payments as a percentage of outstanding fiscal liabilities of the State Government	6.84	6.88	--	6.86
Difference between interest payments and interest receipts (<i>per cent</i>)	6.80	4.08	--	6.52

(Source: Finance Accounts of respective years and Budget Estimates for the year 2015-16)

- The total outstanding loans and advances as on 31 March 2016 was ₹ 40,838 crore¹². The interest received against these loans was ₹ 139 crore. Loans advanced to various State Government institutions (₹ 3,158 crore) were much higher than the amount of loans recovered (₹ 162 crore) resulting in increase in outstanding loans and advances.
- It was observed that 83 per cent (₹ 34,010 crore) of outstanding loans and advances as on 31 March 2016, pertained to Madhya Pradesh State Electricity Board and its successor companies, five per cent Water Supply, Sanitation, Housing and Urban Development (₹ 2,109 crore)

¹² Including ₹2,186 crore pertaining to Chhattisgarh which has not been finalised/transferred.

and five *per cent* was to be recovered from units engaged in Agriculture and Allied Activities (₹ 1,845 crore).

- Considering the average interest paid on borrowings at the rate of 6.86 *per cent* during 2015-16, the rate of interest received was 0.34 *per cent* on Loans and Advances given by the Government.

1.8.4 Cash Balances and Investment of Cash Balances

Table 1.29 depicts the Cash Balances and Investments made by the State Government out of the Cash Balances during the year.

Table 1.29: Cash Balances and Investment of Cash Balances

(₹ in crore)

	Opening balance on 1 April 2015	Closing balance on 31 March 2016	Increase (+)/ Decrease(-)
(1) General Cash Balance [(i) to (iv)+2]	4,990.63	10,494.73	(+)5,504.10
(i) Cash in Treasuries	--	--	--
(ii) Deposits with Reserve Bank	199.32	1,009.49	(+) 810.17
(iii) Deposits with other Banks	--	--	--
(iv) Remittances in transit - Local	--	--	--
Total (i) to (iv)	199.32	1,009.49	(+) 810.17
(2) Investments held in Cash Balance Investment account	4,791.31	9,485.24	(+)4,693.93
(3) Other Cash Balances and Investments [(i) to (iii)]	411.33	403.99	(-)7.34
(i) Departmental cash balances	7.02	0.94	(-)6.08
(ii) Permanent Imprest	0.84	0.84	0.00
(iii) Investment out of earmarked funds	403.47	402.21	(-)1.26
Overall Cash position (1)+(3)	5,401.96	10,898.72	(+)5,496.76

(Source: Finance Accounts for the year 2015-16)

- The Cash Balances of the Government at the end of 2015-16 increased by ₹ 5,496.76 crore from ₹ 5,401.96 crore in the previous year.
- Outstanding balances under the major head 8670-Cheques and Bills represents the amount of unencashed cheques. As per Finance Accounts 2015-16, outstanding balance at the end of the year under this head was ₹ 2,076.01 crore in 2015-16 as compared to ₹ 593.12 crore in 2014-15.
- Under an agreement with the Reserve Bank of India (RBI), the Government of Madhya Pradesh has to maintain with the RBI a minimum Cash Balance of ₹ 1.96 crore. If this balance falls below the agreed minimum on any day, the deficiency is made good by taking Ordinary and Special Ways and Means Advances/Overdrafts from time to time. No Ways and Means Advance (Normal/Special) was taken by the State during the years 2014-15 and 2015-16.
- The XIII FC recommended that there should be a directed effort by States with large balances towards utilising their existing cash balances before resorting to fresh borrowings. Further, it has suggested to consider utilising their surplus cash balances for lumpsum repayment of market borrowings raised for debt swap.

As per Finance Accounts 2015-16, ₹ 9,485.24 crore was invested in Government of India Treasury Bills and Securities, which earned an interest of ₹ 251 crore during the year. The investment held in 'Cash Balance Investment Account' by the State Government increased by ₹ 4,694 crore from ₹ 4,791 crore as on 31 March 2015 to ₹ 9,485 crore as on 31 March 2016. Since the market loans as on 31 March 2016 was

₹ 56,141 crore, the State Government should adopt the policy of need based borrowing and maintain minimum surplus cash balance.

During the exit conference (December 2016), FD replied that all the borrowings by the State government were need based only and within the prescribed limits. The State was closely in touch with the RBI on cash management and cash reserves were tried to be maintained at optimum level.

Fact remains that the high level of investment held in 'Cash Balance Investment Account' at the end of these financial years indicates that there is need for better cash management.

1.9 Assets and Liabilities

1.9.1 Growth and composition of assets and liabilities

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

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

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

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

Appendix 1.5 Part B gives an abstract of such liabilities and assets as on 31 March 2016 compared with the corresponding position as on 31 March 2015.

1.9.2 Fiscal Liabilities

The trends in outstanding Fiscal Liabilities of the State for the last five years are presented in **Table 1.30**.

Table 1.30: Trends of outstanding Fiscal Liabilities relative to GSDP

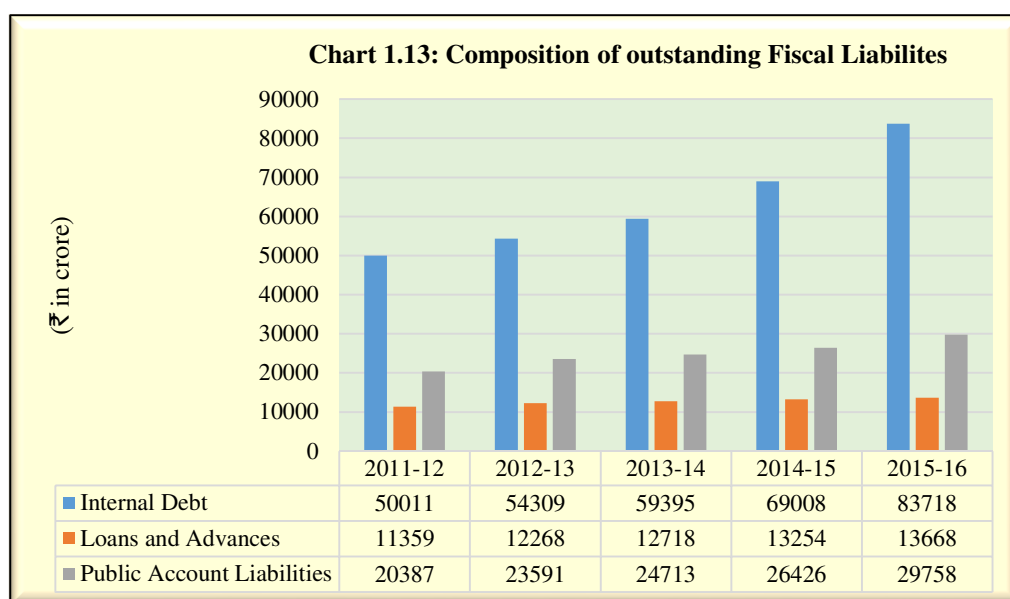
	2011-12	2012-13	2013-14	2014-15	2015-16
Outstanding Fiscal Liabilities (₹ in crore)	81,757	90,168	96,826	1,08,688	1,27,144
<i>Internal Debt</i>	50,011	54,309	59,395	69,008	83,718
<i>Loans and Advances</i>	11,359	12,268	12,718	13,254	13,668
<i>Public Account Liabilities</i>	20,387	23,591	24,713	26,426	29,758
Revenue Receipts	62,604	70,427	75,749	88,641	1,05,511
Rate of growth of RR (<i>per cent</i>)	20.73	12.50	7.56	17.02	19.03
Rate of growth of GSDP (<i>per cent</i>)	19.80	20.71	14.40	11.19	16.62
Rate of growth of Fiscal Liabilities (<i>per cent</i>)	8.28	10.29	7.38	12.25	16.98

	2011-12	2012-13	2013-14	2014-15	2015-16
Buoyancy Ratios					
Revenue Buoyancy w.r.t GSDP	1.05	0.60	0.53	1.52	1.15
Fiscal liabilities w.r.t GSDP	0.42	0.50	0.51	1.09	1.02

(Source: Finance Accounts of respective years)

The overall Fiscal Liabilities of the State increased from ₹ 81,757 crore in 2011-12 to ₹ 1,27,144 crore in 2015-16. These liabilities increased by 16.98 per cent during 2015-16 as against 12.25 per cent in 2014-15. The increase in Fiscal Liabilities during 2015-16 over the previous year was mainly under Market Loans (by ₹ 12,991 crore), Loans from Financial Institutions (by ₹ 1,159 crore) and Special Securities issued to National Small Saving Fund (NSSF) (by ₹ 922 crore).

Chart 1.13 presents the composition of outstanding Fiscal Liabilities over the period 2011-16.



(Source: Finance Accounts of respective years)

Table 1.31 depicts the details of Fiscal Liabilities of the State at the end of the years 2014-15 and 2015-16.

Table 1.31: Components of Fiscal Liabilities of the State

		(₹ in crore)	
Sl. No.	Name	2014-15	2015-16
1.	Consolidated Fund Liabilities (Public Debt)	82,262	97,386
(i)	Market loans	43,150	56,141
(ii)	Special Securities issued to NSSF	19,260	20,181
(iii)	Compensation and issue of other bonds	691	331
(iv)	Loans from NABARD	5,512	6,673
(v)	Other Loans	395	392
(vi)	Total (i) to (v)	69,008	83,718
(vii)	Loans and Advances from GoI	13,254	13,668
2.	Public Account Liabilities	26,426	29,758
(i)	Small Savings, Provident Funds etc.	12,659	13,682
(ii)	Interest bearing obligations	161	803
(iii)	Non- interest bearing obligations	13,606	15,273

(Source: Finance Accounts of respective years)

Fiscal Liabilities at the end of 2015-16 were 22.50 *per cent* of GSDP against the limit of 24.87 *per cent* prescribed by XIV Finance Commission. These were 1.21 times of the Revenue Receipts and 2.61 times of the State's Own Resources. The buoyancy of these liabilities with respect to GSDP increased from 0.42 in 2011-12 to 1.02 in 2015-16 mainly due to increase in the growth rate of these liabilities.

1.9.3 *Setting-up of Sinking Fund for amortisation of all loans*

The Twelfth Finance Commission in its report's para no.12.59 recommended that States should set up Sinking Funds for amortisation of loans. In terms of the guidelines of the Reserve Bank of India, States are required to contribute to the Consolidated Sinking Fund, a minimum of 0.50 *per cent* of their outstanding liabilities as at the end of the previous year.

In view of total outstanding liabilities of ₹ 1,08,686.71 crore as on 31 March 2015, State Government was required to contribute ₹ 543.43 crore to Consolidated Sinking Fund. However, State Government did not constitute the Consolidated Sinking Fund.

During the exit conference (December 2016), FD replied that a decision would be taken in case setting up of Sinking Fund was necessitated.

1.9.4 *Status of Guarantees – contingent liabilities*

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

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

Clause 9(2)(d) of the MPFRBM Act, 2005 prescribes the fiscal target of limiting annual incremental guarantees so as to ensure that the total guarantees do not exceed 80 *per cent* of the total revenue receipts in the year preceding the current year. During the year 2015-16, the annual incremental guarantees were within the ceiling limit fixed under the MPFRBM Act.

As recorded in Statement 9 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years are given in **Table 1.32**.

Table 1.32: Guarantees given by the Government of MP

Particulars of Guarantees	₹ in crore)		
	2013-14	2014-15	2015-16
Maximum amount Guaranteed	21,472.12	31,884.57	40,170.97
Outstanding amount of Guarantees	9,977.62	20,124.25	27,530.40
80 <i>per cent</i> of the total Revenue Receipts in the year preceding the current year (criterion as per FRBM Act)	56,341.60	60,599.39	70,912.80
Percentage of maximum amount of Guarantee to total Revenue Receipts	28.35	35.97	38.07
Percentage of outstanding Guarantee to total Revenue Receipts of preceding year	14.17	26.57	31.06
Guarantee or fee receivable	102.86	171.81	127.33
Guarantee or fee received	2.50	5.29	14.21

(Source: Finance Accounts of respective years)

During the year 2015-16, guarantees were given in respect of Power Sector (57), Co-operative Sector (10), State Financial Corporation Sector (25), Urban Development and Housing Sector (446) and other infrastructure (95). Maximum amount guaranteed during 2015-16 increased substantially by ₹ 8,286.40 crore over the previous year.

Guarantee Redemption Fund

The State Government constituted the Guarantee Redemption Fund during the year 2005-06, which had a closing balance of ₹ 394.58 crore at the end of 2015-16. The whole amount stood invested.

Guarantee Fee at the rate of one *per cent* is charged from the principal debtors unless exempted specially. The proceeds of the fees so realised are credited to the revenue of the Government. During the year 2015-16, a sum of ₹ 14.21 crore (11.16 *per cent*) out of ₹ 127.33 crore receivable, was recovered as Guarantee Fees and credited to the Government Account. No Guarantee was invoked during 2015-16.

As per Gazette notification dated 27 January 2006 issued by the Finance Department, Government of Madhya Pradesh, contribution to the fund every year should be the guarantee fees realised in the preceding year and matching contribution by the State Government. Guarantee fees of ₹ 5.29 crore was realised during 2014-15 thus ₹ 10.58 crore was to be contributed by the State to the Fund during 2015-16 but no amount was contributed by the State Government to the fund. Consequently, the Revenue Surplus of the State Government was overstated by ₹ 10.58 crore.

1.9.5 Inoperative Reserve Funds

We observed that Reserve Fund under the Major Head 8229-200-Compensatory Forestation Fund have credit balance of ₹ 31.81 crore as on 31 March 2016 which were neither utilised nor invested since last eight years.

During the exit conference (December 2016), FD replied that the concerned Department would be instructed to take adequate action in this regard.

1.10 Debt Management

1.10.1 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 the various indicators that determine the debt sustainability¹³ of the State. The analysis of various debt sustainability indicators of the State for the period of five years beginning from 2011-12 is given by **Table 1.33**.

Table 1.33: Debt Sustainability: Indicators and Trend

Indicators of Debt Sustainability	2011-12	2012-13	2013-14	2014-15	2015-16
Rate of growth of outstanding debt	8.28	10.29	7.38	12.25	16.98
Rate of growth of GSDP	19.80	20.71	14.40	11.19	16.62

¹³ *Debt Sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt, therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep a balance between costs of additional borrowings with returns from such borrowings. It means that the rise in fiscal deficit should match the increase in capacity to service the debt.*

Indicators of Debt Sustainability	2011-12	2012-13	2013-14	2014-15	2015-16
Average interest rate of outstanding debt	6.74	6.48	6.84	6.88	6.86
Interest Payments/ Revenue Receipt (<i>per cent</i>)	8.47	7.91	8.44	7.98	7.67
Debt Repayment/ Debt Receipts	0.68	0.57	0.71	0.67	0.63
Net debt available to the State (₹ in crore)	955	2,838	569	4,793	10,367

(Source: Finance Accounts of respective years)

Table 1.33 reveals that rate of growth of outstanding debt increased from 8.28 *per cent* in 2011-12 to 16.98 *per cent* in 2015-16 with inter-year fluctuations while rate of growth of GSDP decreased from 19.80 *per cent* in 2011-12 to 16.62 *per cent* in 2015-16.

The net debt available to State after providing for interest and repayment increased from ₹ 955 crore in 2011-12 to ₹ 10,367 crore in 2015-16. The percentage of interest payment on the total liabilities to the revenue receipts of the State for the period 2011-12 to 2015-16 ranged between 7.67 *per cent* to 8.47 *per cent*. During 2015-16, percentage of interest payment to revenue receipts i.e. 7.67 *per cent* slightly exceeded the limit of 6.74 *per cent* prescribed by XIV FC.

1.10.2 Sufficiency of Non-Debt Receipts

Another indicator of debt sustainability is the 'sufficiency of incremental non-debt receipts'¹⁴ of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. A positive resource gap strengthens the capacity of the State to sustain the debt in the medium to long run while a negative resource gap indicates otherwise.

During the periods 2011-12 to 2015-16, incremental non-debt receipts were not enough to meet the incremental primary expenditure resulting in a negative resource gap.

1.10.3 Net availability of borrowed funds¹⁵

Debt Redemption ratio indicated a fluctuating trend ranged between 0.79 to 0.98 during the period 2011-16 (**Appendix 1.4**), leaving very less funds for asset creation. During the year 2015-16, internal debt repayment (₹ 3,948 crore) was 21 *per cent* of fresh internal debt receipts (₹ 18,659 crore), repayment of GoI loans (₹ 912 crore) was 69 *per cent* of fresh debt receipts of ₹ 1,326 crore while in case of other obligations, repayment (₹ 26,206 crore) was 89 *per cent* of fresh receipts of ₹ 29,539 crore. This indicated that fresh debt receipts were partly utilised for repayment of debt.

Out of receipts of ₹ 18,659 crore under internal debt during the year, the Government raised ₹ 14,700 crore from market loans at an average interest rate

¹⁴ Adequacy of incremental Non-debt receipts of the State to cover the incremental interest liabilities and incremental Primary Expenditure. The Debt Sustainability could be significantly facilitated if the incremental Non-debt receipts could meet the incremental interest burden and the incremental Primary Expenditure.

¹⁵ Defined as the ratio of the Debt Redemption (Principal + Interest Payments) to total Debt Receipts and indicates the extent to which the debt receipts are used in Debt Redemption indicating the Net Availability of Borrowed Funds.

of 8.32 per cent per annum, ₹ 2,014 crore from NABARD, ₹ 1,884 crore from NSSF and ₹ 61 crore from National Co-operative Development Corporation.

The receipt of Loans and Advances from GoI decreased from ₹ 1,372 crore in 2014-15 to ₹ 1,326 crore in 2015-16 mainly due to decrease in the receipt of 'Back to back basis Loans' under 'Loans for State/Union Territories Plan Scheme'.

1.10.4 Maturity Profile of State Debt

Table 1.34: Maturity Profile of State Debt for the years 2014-15 and 2015-16

(₹ in crore)

In Years	FY 2014-15				FY 2015-16			
	6003-Internal Debt Amount	6004-Loans and Advances Amount	Total Amount	Percentage of Repayment due to Debt	6003-Internal Debt Amount	6004-Loans and Advances Amount	Total Amount	Percentage of Repayment due to Debt
0-1	2,671.65	1,177.70	3,849.35	4.68	0.39	599.62	600.01	0.62
1-3	6,198.88	1,201.15	7,400.03	9.00	6,575.62	1,215.62	7,791.24	8.00
3-5	12,106.91	1,228.04	13,334.95	16.22	12,483.66	1,242.51	13,726.17	14.09
5-7	10,415.48	1,236.70	11,652.18	14.17	10,792.23	1,270.46	12,062.69	12.39
7-9	12,015.48	920.98	12,936.46	15.73	12,392.23	942.45	13,334.68	13.69
9-11	12,587.64	303.61	12,891.25	15.68	27,664.39	337.37	28,001.76	28.75
11-13	1,938.31	214.82	2,153.13	2.62	1,938.31	248.58	2,186.89	2.25
13-15	1,617.81	131.70	1,749.51	2.13	1,617.80	165.45	1,783.25	1.83
above 15	2,857.37	124.26	2,981.63	3.63	2,857.36	208.66	3,066.02	3.15
Misc.*	6,598.15	6,714.87	13,313.02	16.16	7,396.45	7,437.29	14,833.74	15.23
Total	69,007.68	13,253.83	82,261.51		83,718.44	13,668.01	97,386.45	

(Source: Finance Accounts of respective years)

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

The maturity profile of State debt as given above indicates that the State Government will have to repay 35 per cent of its debt within seven years, 45 per cent between seven and 13 years, five per cent between 13 and 15 years above. The maturity profile of repayment of about 15 per cent of State debt was not available as the information had not been received from the Government/Reserve Bank of India.

1.10.5 Ujwal DISCOM Assurance Yojana (UDAY)

The Ujwal DISCOM Assurance Yojana (UDAY) was launched by the GoI in November 2015 for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). The Scheme aims to reduce the interest burden, cost of power, power losses in Distribution sector and improve operational efficiency of DISCOMs.

An agreement between State Governments, DISCOMs and GoI has been envisaged under scheme for stipulating the respective responsibilities for achieving operational and financial milestones described in the scheme after which State Governments shall take over 75 per cent of outstanding debt of DISCOMs as on 30 September 2015 over two years i.e. 50 per cent in 2015-16 and 25 per cent in 2016-17.

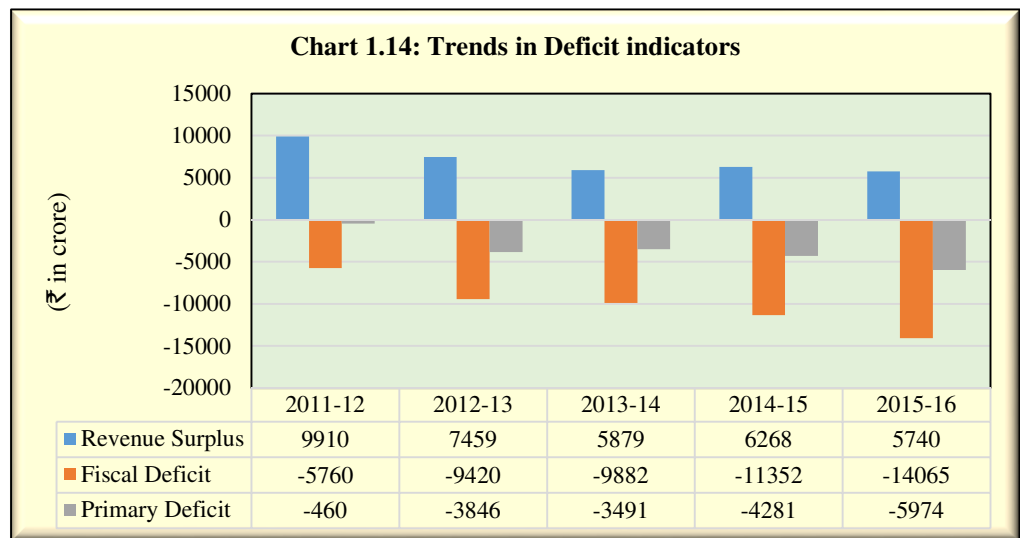
Government of Madhya Pradesh has entered into a tripartite MOU with DISCOMs and Ministry of Power (GoI) in August 2016. Since no assistance was provided to State DISCOMs during 2015-16 by Government of Madhya Pradesh, no impact of UDAY scheme reflected on Fiscal Deficit and Outstanding Liabilities of the State during 2015-16.

1.11 Fiscal Imbalances

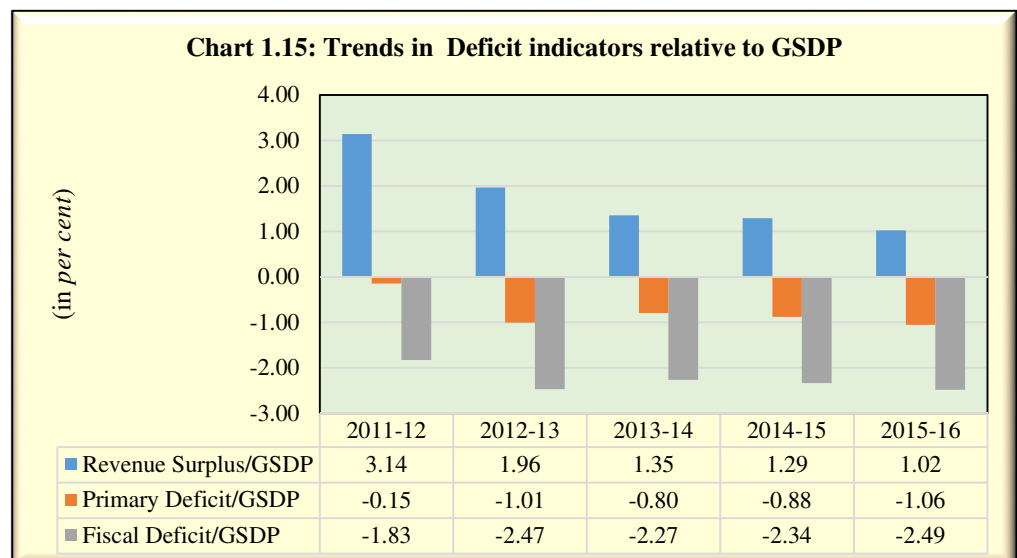
Three key fiscal parameters - Revenue, Fiscal and Primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government Accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents the trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of Revenue, Primary and Fiscal Deficits *vis-a-vis* the targets set under FRBM Act/Rules for the financial year 2015-16.

Trends of Deficits

Chart 1.14 and 1.15 present the trends in deficit indicators over the period 2011-16.



(Source: Finance Accounts of respective years)



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

- The fiscal target of eliminating the Revenue Deficit by March 2009 as laid down in the FRBM Act, 2005 was achieved by the State in the year 2004-05. Thereafter, the State maintained a Revenue Surplus which decreased from ₹ 9,910 crore in 2011-12 to ₹ 5,740 crore in 2015-16 with inter-year fluctuations. It decreased by ₹ 528 crore over the previous year. The Revenue Surplus as a percentage of GSDP decreased from 3.14 *per cent* in 2011-12 to 1.02 *per cent* in 2015-16 due to decline in Revenue Surplus and growth in GSDP. It was more than the BE of 1.00 *per cent* during 2015-16.
- The Fiscal Deficit, which represents the total borrowings of the Government and its total resource gap, increased continuously from ₹ 5,760 crore in 2011-12 to ₹ 14,065 crore in 2015-16. During the current year, Fiscal Deficit increased by ₹ 2,713 crore over the previous year. The Fiscal Deficit relative to GSDP increased from 2.34 *per cent* in 2014-15 to 2.49 *per cent* in 2015-16, which remained within the BE (2.99 *per cent*) and also within the limit of 3.50 *per cent* recommended by the XIV FC as well as prescribed under the FRBM Act 2005.
- The Primary Deficit increased significantly from ₹ 460 crore in 2011-12 to ₹ 5,974 crore during 2015-16 with inter-year fluctuations.

1.11.1 Components of Fiscal Deficit and its Financing Pattern

Fiscal Deficit is the total borrowing requirement of the State and is the excess of the Revenue and Capital Expenditure including Loans and Advances over Revenue and Non-debt Capital Receipts. Decomposition of Fiscal Deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above Revenue and Non-debt receipts. The financing pattern of the Fiscal Deficit is reflected in **Table 1.35**.

Table 1.35: Components of Fiscal Deficit and its Financing Pattern

		(₹ in crore)				
Particulars		2011-12	2012-13	2013-14	2014-15	2015-16
Fiscal Deficit		-5,760	-9,420	-9,882	-11,352	-14,065
1	Revenue Surplus	9,910	7,459	5,879	6,268	5,740
2	Net Capital Expenditure	-9,032	-11,534	-10,777	-11,850	-16,809
3	Net Loans and Advances	-6,638	-5,345	-4,984	-5,770	-2,996
Financing pattern of Fiscal Deficit*						
1	Market Borrowings	3,166	3,363	3,572	8,171	12,991
2	Loans from GoI	403	909	450	536	414
3	Special Securities issued to NSSF	-167	725	1,270	1,184	922
4	Loans from Financial Institutions	198	210	245	258	798
5	Reserve Funds	1,191	2,020	971	143	1,733
6	Small Savings, PF etc.	698	837	948	962	1,025
7	Deposits and Advances	783	348	-490	618	574
8	Suspense and Miscellaneous	-28	-93	32	462	1,457
9	Remittances	391	400	286	-57	-353
10	Cash balances increase(+)/ decrease(-)	+875	-701	-2,598	+925	+5,497

* Figures are net of disbursements/ outflows during the year
(Source: Finance Accounts of respective years)

It would be seen that during 2015-16, Market Borrowings raised by the State Government continued to finance a major portion of Fiscal Deficit. Its share in financing Fiscal Deficit was 92.36 *per cent* in 2015-16. The amount of Reserve

Funds and Suspense and Miscellaneous in financing Fiscal Deficit was higher in 2015-16 than in 2014-15 indicating increase of interest burden in future.

1.12 Quality of Deficit/Surplus

The ratio of Revenue Deficit to Fiscal Deficit and the decomposition of Primary Deficit into Primary Revenue Deficit and Capital Expenditure (including Loans and Advances) would indicate the quality of deficit in the State's finances. In case of Madhya Pradesh there has been a Revenue Surplus since 2004-05. The bifurcation of the Primary Deficit (**Table 1.36**) indicates the extent to which the Deficit has been on account of enhancement in Capital Expenditure, which may be desirable to improve the productive capacity of the State's economy.

Table 1.36: Primary Deficit/Surplus – bifurcation of factors

(₹ in crore)								
Year	Non-debt Receipts	Primary Revenue Expenditure (PRE)	Capital Expenditure (CE)	Loans and Advances*	Primary Expenditure (PE)	Non-debt Receipt vis-à-vis PRE	Primary Deficit (-)/ Surplus(+)	CE as per cent of PE
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)	9
2011-12	71,753	47,394	9,055	15,764	72,213	24,359	-460	12.54
2012-13	70,500	57,394	11,567	5,385	74,346	13,106	-3,846	15.56
2013-14	75,880	63,479	10,813	5,079	79,371	12,401	-3,491	13.62
2014-15	95,435	75,302	11,878	12,536	99,716	20,133	-4,281	11.91
2015-16	1,05,701	91,680	16,835	3,160	1,11,675	14,021	-5,974	15.07

*Including Inter-State settlement

(Source: Finance Accounts of respective years)

Bifurcation of the factors resulting in Primary Deficits during the period 2011-16 reveals that the Primary Deficits were on account of Capital Expenditure incurred and Loans and Advances disbursed by the State Government. In other words, Non-debt receipts of the State were not only adequate to meet the Primary Revenue Expenditure but also the whole/part of the Capital Expenditure. Although the surplus Non-debt receipts were enough to meet the Capital Expenditure in all the years except 2015-16, they were not enough to meet the entire Loans and Advances resulting in Primary Deficit during the period 2011-16.

1.13 Conclusion and Recommendations

Fiscal situation and resource mobilisation

- The State maintained Revenue Surplus during the year 2015-16 at ₹ 5,740 crore, which was more than the Budget Estimate (₹ 5,588 crore). However, it decreased by ₹ 528 crore over the previous year. Revenue Surplus was overstated by ₹ 916.82 crore due to short-transfer of contributions to State Disaster Response Fund, Guarantee Redemption Fund, Consolidated Sinking Fund for amortisation of loans and Contributory Pension Scheme for State Government employees.
- During the current year, the Fiscal Deficit of the State (₹ 14,065 crore) increased from the previous year by ₹ 2,713 crore mainly due to increase in net Capital Expenditure. Fiscal Deficit relative to GSDP also increased from 2.34 per cent in 2014-15 to 2.49 per cent in the current

year. However, it was within the limits prescribed by XIV FC, FRBM Act and Budget estimates.

- Revenue Receipts (₹ 1,05,511 crore) of the State grew at 19 per cent (₹ 16,870 crore) during 2015-16 over the previous year due to increase in State's share of Union Taxes/Duties (by ₹ 14,291 crore) and Own Tax Revenue (by ₹ 3,647 crore). However, Revenue Buoyancy with reference to GSDP decreased from 1.52 per cent (2014-15) to 1.15 per cent (2015-16) owing to increase in growth rate of GSDP from 11.19 per cent (2014-15) to 16.62 per cent (2015-16).
- The State's share of Union Taxes/Duties increased from ₹ 24,107 crore in 2014-15 to ₹ 38,398 crore during 2015-16 due to substantial increase in the devolution of taxes and grants under XIV FC.
- During the current year, 46 per cent of the Revenue Receipts came from State's own resources, which was lower as compared to 53 per cent during 2014-15. The actual realisation under Tax Revenue and Non-Tax revenue was significantly lower than the assessment made by the XIV FC (by 19.22 per cent and 32.51 per cent respectively).

The State Government may explore mobilizing additional resources through tax and non-tax sources by ensuring better tax compliance. Government may review the reasons for shortfall in realisation of revenue *vis-a-vis* budget estimates.

Expenditure management and fiscal priority

- Capital Expenditure increased from ₹ 9,055 crore in 2011-12 to ₹ 16,835 crore in 2015-16 with inter-year fluctuations. During 2015-16, it increased by ₹ 4,957 crore (by 42 per cent) over the previous year. The increase was mainly under Irrigation and Flood Control (by ₹ 2,246 crore), Rural Development (by ₹ 1,170 crore) and Transport (by ₹ 502 crore). However, the Capital Expenditure during 2015-16 was less (by ₹ 1,305 crore) than the Budget Estimate of ₹ 18,140 crore.
- During 2015-16, the Revenue Expenditure (RE) of the State (₹ 99,771 crore) increased by 21.12 per cent over the previous year. The Non-Plan Revenue Expenditure (NPRE) increased by 22.31 per cent and constituted 68 per cent of RE. The increase in NPRE by ₹ 12,461 crore during 2015-16 was mainly due to increase in expenditure on Social Welfare and Nutrition (by ₹ 3,051 crore), Energy (by ₹ 2,146 crore) and Education, Sports, Art and Culture (by ₹ 1,466 crore). Actual NPRE (₹ 68,319 crore) was slightly higher than the projection (₹ 68,106 crore) made in the MTFPS of the State.
- Expenditure on salaries & wages, pension payments, interest payments and subsidies (₹ 48,189 crore) was 48 per cent of Revenue Expenditure and 46 per cent of Revenue Receipts. Out of total subsidy payments of ₹ 11,725 crore, 60 per cent pertained to Energy Department.

Since major portion of the non plan revenue expenditure is on salaries, pension and interest payments which is largely uncontrollable, the State Government may explore suitable measures for containing the other components of non plan revenue expenditure so that revenue surplus

could be maintained for allowing scope for assets creation and sustainable development of the State. The expenditure on subsidies which is increasing steadily requires utmost attention by the Government.

- The priority given to expenditure on Education Sector in Madhya Pradesh was not adequate during 2015-16, when compared with General Category States' Average.

Government should give greater fiscal priority to Education Sector in the State.

Return on investment

- During 2015-16, return (₹ 129.64 crore) on investment of ₹ 16,599.57 crore made by the Government up to 2015-16 in Statutory corporations, Government companies, Co-operatives etc. was only 0.78 *per cent* against the average rate of interest on Government borrowings of 6.86 *per cent* during the year.

Government should ensure better value for its investments.

- Twenty six Government Companies and Statutory Corporations with an aggregate investment of ₹ 14,460.30 crore for the latest years for which accounts were finalised as of 2015-16, were running in losses which accumulated to ₹ 35,542.78 crore.

Government should review the working of State PSUs which are incurring huge losses and work out their revival strategy.

Management of cash balance and liabilities

- The investment held in 'Cash Balance Investment Account' by the State Government increased by ₹ 4,694 crore from ₹ 4,791 crore as on 31 March 2015 to ₹ 9,485 crore as on 31 March 2016. Since the market loans as on 31 March 2016 was ₹ 56,141 crore, there is a need for review of the high level of investment held in 'Cash Balance Investment Account'.
- The outstanding fiscal liabilities steadily increased over the years from ₹ 81,757 crore in 2011-12 to ₹ 1,27,144 crore at the end of 2015-16. These liabilities increased by 16.98 *per cent* during 2015-16 as against 12.25 *per cent* in 2014-15. The increase in Fiscal Liabilities during 2015-16 over the previous year was mainly under Market Loans (by ₹ 12,991 crore). Fiscal Liabilities at the end of 2015-16 were 22.50 *per cent* of GSDP against the limit of 24.87 *per cent* prescribed by XIV Finance Commission. The growing volume of debt has resulted in increasing liability for servicing the debt.

The State Government may consider need-based borrowings and utilising the existing cash balances before resorting to fresh borrowing.