

---

---

**Chapter 1**  
**FINANCES OF THE STATE**  
**GOVERNMENT**

---

---

## CHAPTER 1

### FINANCES OF THE STATE GOVERNMENT

#### Introduction

This chapter provides an audit perspective on the finances of the State Government during 2016-17 and analyses changes in major fiscal aggregates relative to 2015-16 keeping in view overall trends during the preceding five years.

The analysis is based on details contained in the Finance Accounts of the Government of Madhya Pradesh (GoMP). The profile of the State is given in *Appendix 1.1*.

#### 1.1 Gross State Domestic Product (GSDP)<sup>1</sup>

The trends in annual growth of Gross Domestic Product (GDP) of India and GSDP of the State at current prices and constant prices (base year: 2011-12) are given in **Table 1.1**.

**Table 1.1: GDP of India and GSDP of the State**

Particular	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
GDP of India	99,44,013	1,12,33,522	1,24,45,128	1,36,82,035	1,51,83,709
Growth rate of GDP (in per cent)	13.82	12.97	10.79	9.94	10.98
GSDP of the State at current prices	3,80,924	4,37,737	4,81,982	5,43,975	6,40,484
Growth rate of GSDP at current prices (in per cent)	20.71	14.91	10.11	12.86	17.74
GSDP of the State at constant prices	3,51,461	3,64,197	3,83,994	4,14,607	4,65,212
Growth rate of GSDP at constant prices (in per cent)	11.38	3.62	5.44	7.97	12.21

(Source: Statement released by Ministry of Statistics and Programme Implementation dated 1 August 2017 and Directorate of Economic and Statistics, Government of Madhya Pradesh)

The structure of the Government Accounts is explained in *Part A* and the layout of the Finance Accounts in *Part B* of *Appendix 1.2*.

##### 1.1.1 Summary of fiscal transactions

**Table 1.2** presents the summary of fiscal transactions of the State Government during 2015-16 and 2016-17. *Appendix 1.3* provides details of receipts and disbursements as well as overall fiscal position during 2016-17.

<sup>1</sup> GDP and GSDP are the market value of all officially recognised final goods and services produced within the Country and the State respectively in a given period of time and are an important indicator of the Country and State's economy.

Table 1.2: Summary of fiscal transactions in 2016-17

(₹ in crore)

Receipts	2015-16	2016-17	Disbursements	2015-16	2016-17		
Section-A: Revenue					Non-Plan	Plan	Total
<b>Revenue Receipts</b>	<b>1,05,510.60</b>	<b>1,23,306.79</b>	<b>Revenue Expenditure</b>	<b>99,770.70</b>	<b>73,267.74</b>	<b>46,269.63</b>	<b>1,19,537.37</b>
Tax Revenue	40,213.66	44,193.65	General Services	25,700.26	27,454.36	448.76	27,903.12
Non-Tax Revenue	8,568.79	9,086.51	Social Services	42,650.93	22,511.44	25,430.99	47,942.43
Share of Union Taxes/Duties	38,397.84	46,064.10	Economic Services	25,528.52	17,847.51	19,037.22	36,884.73
Grants from GoI	18,330.31	23,962.53	Grants-in-aid & Contributions	5,890.99	5,454.43	1,352.66	6,807.09
Section-B: Capital & others							
<b>Misc. Capital Receipts</b>	<b>26.47</b>	<b>24.19</b>	<b>Capital Outlay</b>	<b>16,835.47</b>	<b>129.28</b>	<b>27,159.03</b>	<b>27,288.31</b>
			General Services	549.22	42.47	655.37	697.84
			Social Services	3,024.49	40.28	3,244.88	3,285.16
			Economic Services	13,261.76	46.54	23,258.77	23,305.31
<b>Recoveries of Loans and Advances</b>	<b>162.32</b>	<b>772.05</b>	<b>Loans and Advances Disbursed</b>	<b>3,157.91</b>	<b>3,588.86</b>	<b>1,351.41</b>	<b>4,940.27</b>
<b>Inter-State Settlement</b>	<b>1.93</b>	<b>0.01</b>	<b>Inter-State Settlement</b>	<b>1.94</b>	<b>0.66</b>	<b>-</b>	<b>0.66</b>
<b>Public Debt Receipts</b>	<b>19,985.30</b>	<b>29,847.41*</b>	<b>Repayment of Public Debt</b>	<b>4,860.36</b>	<b>4,925.41</b>	<b>-</b>	<b>4,925.41*</b>
<b>Contingency Fund</b>	<b>1.08</b>	<b>-</b>	<b>Contingency Fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Public Account Receipts<sup>2</sup></b>	<b>1,32,772.19</b>	<b>1,61,078.58</b>	<b>Public Account Disbursement</b>	<b>1,28,336.75</b>	<b>1,58,242.07</b>	<b>-</b>	<b>1,58,242.07</b>
<b>Opening Cash Balance</b>	<b>5,401.96</b>	<b>10,898.72</b>	<b>Closing Cash Balance</b>	<b>10,898.72</b>	<b>10,993.66</b>	<b>-</b>	<b>10,993.66</b>
<b>Total</b>	<b>2,63,861.85</b>	<b>3,25,927.75</b>	<b>Total</b>	<b>2,63,861.85</b>	<b>2,51,147.68</b>	<b>74,780.07</b>	<b>3,25,927.75</b>

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

The trends of Revenue Receipts (RR)/Revenue Expenditure (RE)/Capital Expenditure (CE) relative to GSDP at current as well as constant prices are presented in **Table 1.3** below:

Table 1.3: Trends in RR/ RE/CE relative to GSDP

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17	Average
<b>Revenue receipts relative to GSDP</b>						
RR at current prices (₹ in crore)	70,427	75,749	88,641	1,05,511	1,23,307	-
Rate of growth of RR at current prices ( <i>per cent</i> )	12.50	7.56	17.02	19.03	16.87	14.59
RR at constant prices (₹ in crore)	64,980	63,023	70,620	80,418	89,563	-
Rate of growth of RR at constant prices ( <i>per cent</i> )	3.79	-3.01	12.05	13.87	11.37	7.62
RR / GSDP (in <i>per cent</i> )	18.49	17.30	18.39	19.40	19.25	18.57

<sup>2</sup> Includes Major Heads from 8009 to 8782 (Statement 21 of Finance Accounts)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17	Average
<b>Revenue expenditure relative to GSDP</b>						
RE at current prices (₹ in crore)	62,968	69,870	82,373	99,771	1,19,537	-
Rate of growth of RE at current prices (in per cent)	19.50	10.96	17.89	21.12	19.81	17.86
RE at constant prices (₹ in crore)	58,098	58,132	65,626	76,043	86,825	-
Rate of growth of RE at constant prices (in per cent)	10.25	0.06	12.89	15.87	14.18	10.65
RE/ GSDP (in per cent)	16.53	15.96	17.09	18.34	18.66	17.32
<b>Capital expenditure relative to GSDP</b>						
CE at current prices (₹ in crore)	11,567	10,813	11,878	16,835	27,288	-
Rate of growth of CE at current prices (in per cent)	27.74	-6.52	9.85	41.73	62.09	26.98
CE at constant prices (₹ in crore)	10,672	8,996	9,463	12,831	19,820	-
Rate of growth of CE at constant prices (in per cent)	17.86	-15.70	5.19	35.59	54.47	19.48
CE/GSDP (in per cent)	3.04	2.47	2.46	3.09	4.26	3.06

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

As evident from the table above, revenue expenditure increased from 2012-13 to 2016-17 as a percentage of GSDP even after accounting for inflation while revenue receipts and capital expenditure decreased during 2013-14 but increased thereafter.

### 1.1.2 Review of the fiscal situation

In view of the additional burden on the Government due to the taking over of the debt of Power Distribution Companies (DISCOMs) on the implementation of the UDAY (Ujwal DISCOM Assurance Yojana) scheme discussed in detail in **Paragraph 1.6.3**, the guidelines of UDAY stipulate that the debt taken over by the State under UDAY would not be counted against the Fiscal Deficit limit of the State. The actual Fiscal Deficit and outstanding liabilities of the State after excluding UDAY was ₹ 20,304 crore and ₹ 1,48,440 crore respectively. Taking into account the various issues discussed in this report and detailed in **Paragraph 3.16** and **Table 3.13**, the Revenue Surplus is overstated by ₹ 1,976 crore while Fiscal Deficit and outstanding liabilities are understated by ₹ 1,390 crore and ₹ 1,368 crore respectively.

In view of the above, the performance of the State during 2016-17 under major variables provided in the budget, recommendations of the Fourteenth Finance Commission (XIV FC) and targeted in the Fiscal Responsibility and Budget Management (FRBM) Act as per actuals (excluding UDAY) and as worked out by Audit is given in **Table 1.4**.

**Table 1.4: Performance of the State during 2016-17**

Key fiscal indicators	Targets set by the XIV FC	Targets as per FRBM Act	Targets in budget estimates (MTFPS <sup>3</sup> )	Actuals (excluding UDAY)	Actuals as worked out by Audit
Revenue Deficit (-)/ Surplus (+)	-	Zero	(+) ₹ 3,510 crore (0.49 per cent of GSDP)	(+) ₹ 7,781 crore (1.21 per cent of GSDP)	(+) ₹ 5,805 crore (0.91 per cent of GSDP)

<sup>3</sup> Medium Term Fiscal Policy Statement

Key fiscal indicators	Targets set by the XIV FC	Targets as per FRBM Act	Targets in budget estimates (MTFPS <sup>3</sup> )	Actuals (excluding UDAY)	Actuals as worked out by Audit
Fiscal Deficit (-)/ GSDP (in per cent)	3.50 per cent	Not more than 3.50 per cent of GSDP	3.49 per cent of GSDP {(-) ₹ 24,914 crore}	3.17 per cent of GSDP {(-) ₹ 20,304 crore}	3.39 per cent of GSDP {(-) ₹ 21,694 crore}
Ratio of total outstanding debt to GSDP (in per cent)	25.34 per cent	-	21.67 per cent	23.18 per cent	23.39 per cent

(Source: XIV FC recommendations 2015-20, FRBM Act, 2005, Statement laid before the Legislature along with the Budget under FRBM Act during 2016-17 and Finance Accounts 2016-17)

As seen from the above, the State has achieved Revenue Surplus and Fiscal Deficit targets of the budget estimates 2016-17, XIV FC and FRBM Act. However, State could not achieve the target of ratio of outstanding debt to GSDP prescribed in budget estimates 2016-17.

### 1.1.2.1 Composition and financing pattern of Fiscal Deficit

Fiscal deficit represents the total financing the State requires (predominantly by drawing on its cash and investment balances with the RBI and by borrowing) to meet the excess of the revenue and capital expenditure (including loans and advances) over revenue and non-debt receipts. The financing pattern of the Fiscal Deficit is reflected in **Table 1.5**.

**Table 1.5: Component and financing of Fiscal Deficit**

(₹ in crore)

Particulars		2012-13	2013-14	2014-15	2015-16	2016-17
<b>Fiscal Deficit (including UDAY*) (figures in brackets indicate per cent to GSDP)</b>		<b>9,420</b> <b>(2.47)</b>	<b>9,882</b> <b>(2.26)</b>	<b>11,352</b> <b>(2.36)</b>	<b>14,065</b> <b>(2.59)</b>	<b>27,664</b> <b>(4.32)</b>
1	Revenue Surplus	7,459	5,879	6,268	5,740	3,770
2	Net Capital Expenditure	-11,534	-10,777	-11,850	-16,809	-27,265 <sup>4</sup>
3	Net Loans and Advances	-5,345	-4,984	-5,770	-2,996	-4,169
<b>Financing Pattern of Fiscal Deficit**</b>						
1	Market Borrowings	3,363	3,572	8,171	12,991	14,551
2	Loans from GoI	909	450	536	414	249
3	Special Securities Issued to NSSF	725	1,270	1,184	922	1,266
4	Loans from Financial Institutions	210	245	258	798	1,590
5	Reserve Funds	2,020	971	143	1,733	-498
6	Small Savings, PF etc.	837	948	962	1,025	813
7	Deposits and Advances	348	-490	618	574	3,436
8	Suspense and miscellaneous	-93	32	462	1,457	-842
9	Remittances	400	286	-57	-352	-72
10	Others <sup>5</sup>	+701	2,598	-925	-5,497	+7,171
<b>Fiscal Deficit</b>		<b>9,420</b>	<b>9,882</b>	<b>11,352</b>	<b>14,065</b>	<b>27,664</b>

\*\*All these figures are net of disbursements/outflows during the year

(Source: Finance Accounts of the respective years)

\*The Fiscal Deficit in this table includes the UDAY impact so as to match the figures in Finance Accounts given in the 'Financing Pattern of Fiscal Deficit'.

<sup>4</sup> Actual Net Capital Expenditure was minus ₹ 27,264.12 crore but rounded off as minus ₹ 27,265 crore to match the Fiscal Deficit.

<sup>5</sup> Transactions under Contingency Fund, Cash Balances, Investment and Bonds

### 1.1.2.2 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and decomposition of primary deficit<sup>6</sup> into primary revenue deficit<sup>7</sup> and capital expenditure (including loans and advances) indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used. A persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) did not have any asset backup. The bifurcation of primary deficit (**Table 1.6**) indicates the extent to which deficit has been on account of enhancement in capital expenditure which may be desirable to improve productive capacity of the Government.

**Table 1.6: 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)	Primary Revenue Deficit (-)/ Surplus (+)	Primary Deficit (-)/ Surplus(+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2012-13	70,500	57,394	11,567	5,385	74,346	13,106	-3,846
2013-14	75,880	63,479	10,813	5,079	79,371	12,401	-3,491
2014-15	95,435	75,302	11,878	12,536	99,716	20,133	-4,281
2015-16	1,05,701	91,680	16,835	3,160	1,11,675	14,021	-5,974
2016-17 <sup>#</sup>	1,24,103	1,10,458	27,288	4,942	1,42,688	13,645	-18,585

\*Including Inter-State settlement

# Including impact of UDAY

(Source: Finance Accounts of the respective years)

### 1.1.3 Budget estimates and actuals

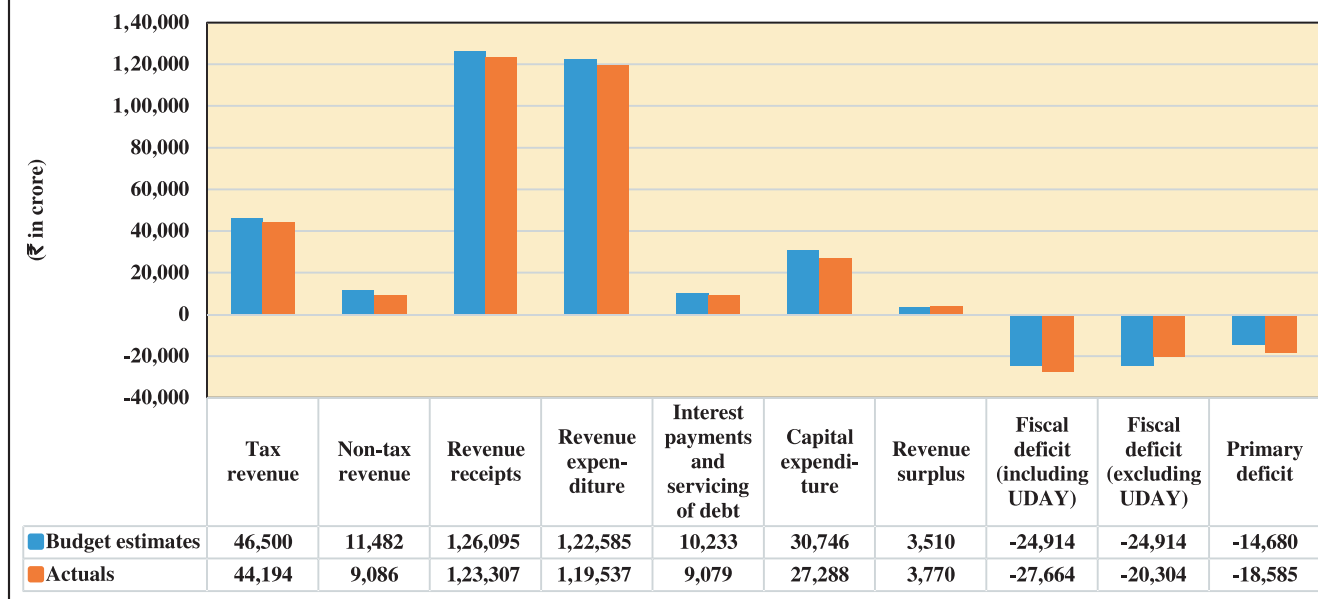
Shortfalls of actual receipts and expenditure against budget estimates either due to unanticipated and unforeseen events or under/over estimation of expenditure or revenue at the stage of budget preparation adversely impacts the desired fiscal objectives.

Actuals vis-à-vis Budget Estimates of selected fiscal parameters for 2016-17 are shown in **Chart 1.1** and **Appendix 1.4**.

<sup>6</sup> Primary deficit is Fiscal Deficit excluding interest payments.

<sup>7</sup> Primary revenue deficit is defined as the gap between primary revenue expenditure (revenue expenditure *minus* interest payments) of the state and its non-debt receipts and indicates the extent to which the non-debt receipts are able to meet the primary expenditure incurred under revenue account.

Chart 1.1: Selected Fiscal Parameters: Budget estimates vis-a-vis actuals



(Source: Finance Accounts and Budget 2016-17)

- The shortfalls in tax revenue were mainly under State Excise (₹ 1,467 crore) and Stamps and Registration Fees (₹ 575 crore).
- The shortfalls in non-tax revenue were mainly under Education, Sports, Art and Culture (₹ 2,320 crore).
- The major shortfalls in revenue expenditure were in Social Services (₹ 6,009 crore), General Services (₹ 5,006 crore) counter-balanced by excess expenditure under Economic Services (₹ 7,120 crore).
- Decreases in capital expenditure (₹ 3,458 crore) were due to decrease in Economic Services (₹ 1,853 crore) and Social Services (₹ 1,731 crore) counter-balanced by excess expenditure of ₹ 126 crore under General Services.

**Recommendation:** The Finance Department should rationalise the budget preparation exercise, so that the persisting gap between the budget estimates and actuals is bridged.

#### 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 Madhya Pradesh during 2007-08. Schemes relating to gender budget were bifurcated in two categories (i) Schemes in which 100 per cent budget provisions were related to women and (ii) Schemes in which at least 30 per cent of budget provisions were related to women.

Year-wise allocation and expenditure in respect of categories 1 and 2 for the years from 2012-13 to 2016-17 are given in **Table 1.7**.

**Table 1.7: Gender Budgetary allocations during 2012-17**

(₹ in crore)

Year	Category 1			Category 2		
	Outlay	Expenditure	Percentage of expenditure to outlay	Outlay	Expenditure	Percentage of expenditure to outlay
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	2,441.72	94.55	36,514.60	30,543.77	83.65
2016-17	2,617.70	NA*	NA*	40,848.26	NA*	NA*

\*NA-Not provided by Finance Department

(Source: Information provided by Finance Department, GoMP)

Information provided by the Commissioner, Women Empowerment and the Commissioner, Integrated Child Development Services (ICDS) is detailed in **Table 1.8** below:

**Table 1.8: Category-wise provision and expenditure during 2016-17**

(₹ in crore)

Name of Department	No. of schemes	Category 1			No. of schemes	Category 2		
		Total provision	Total expenditure	Shortfall (per cent)		Total provision	Total expenditure	Shortfall (per cent)
Commissioner, Integrated Child Development Services	08	540.48	503.77	36.71 (6.79)	23	2,417.51	2,294.63	122.88 (5.08)
Commissioner, Women Empowerment	20	1,017.53	962.92	54.61 (5.37)	13	84.27	66.45	17.82 (21.15)

(Source: Information furnished by concerned Departments)

The two Departments informed that shortfalls were due to restriction on drawal of funds by the Finance Department (FD), restriction by FD at the end of financial year and delay in sanction of plan by competent financial committee. It was further observed that 14 schemes under Category 1 and 16 schemes under Category 2 witnessed shortfalls of ₹ one crore as detailed in **Appendix 1.5**.

## 1.2 Financial resources of the State

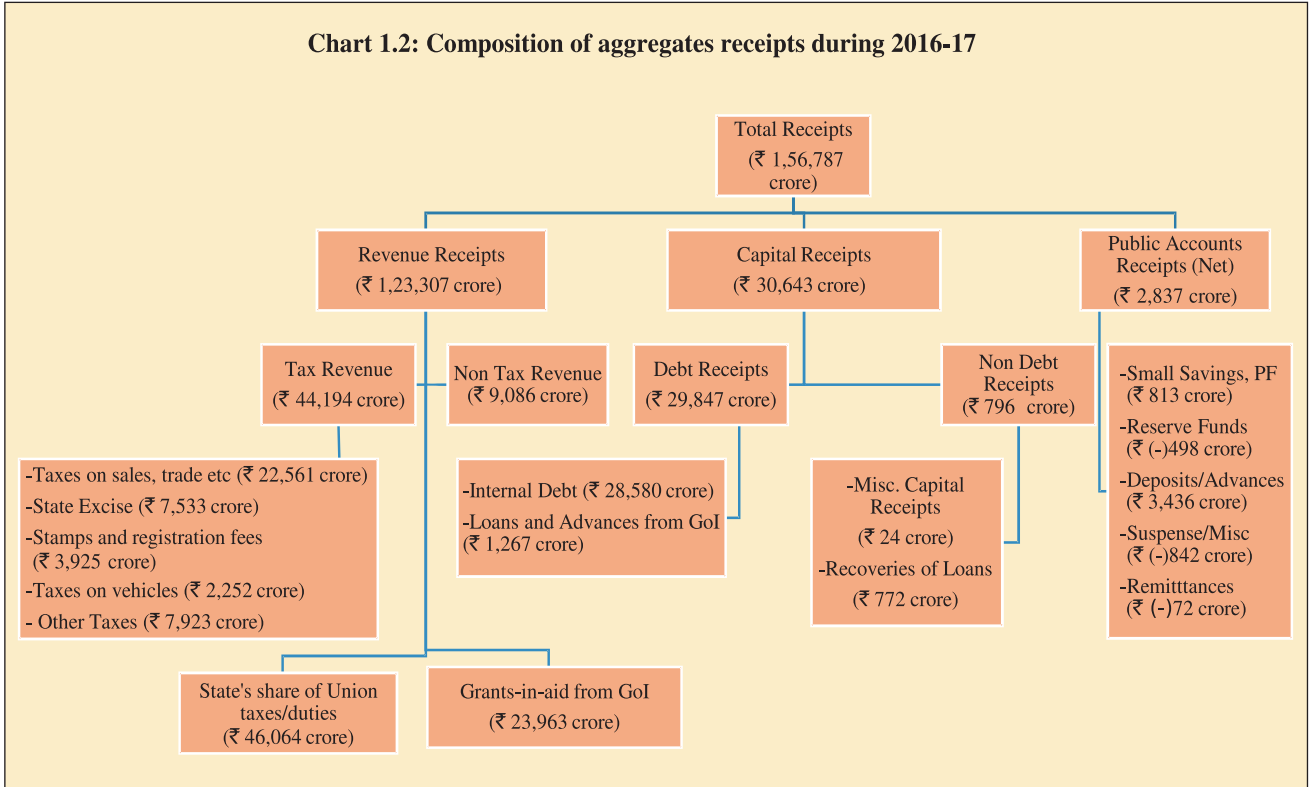
### 1.2.1 Resources of the State as per Annual Finance Accounts

Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from GoI. Receipts under Capital Section comprise miscellaneous Receipts under the Capital Section 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 balances in Public Accounts.

**Chart 1.2, 1.3 and 1.4** below depicts the composition of aggregates receipts, the trends in various components of receipts during 2012-17 and the composition of resources during 2016-17 respectively.

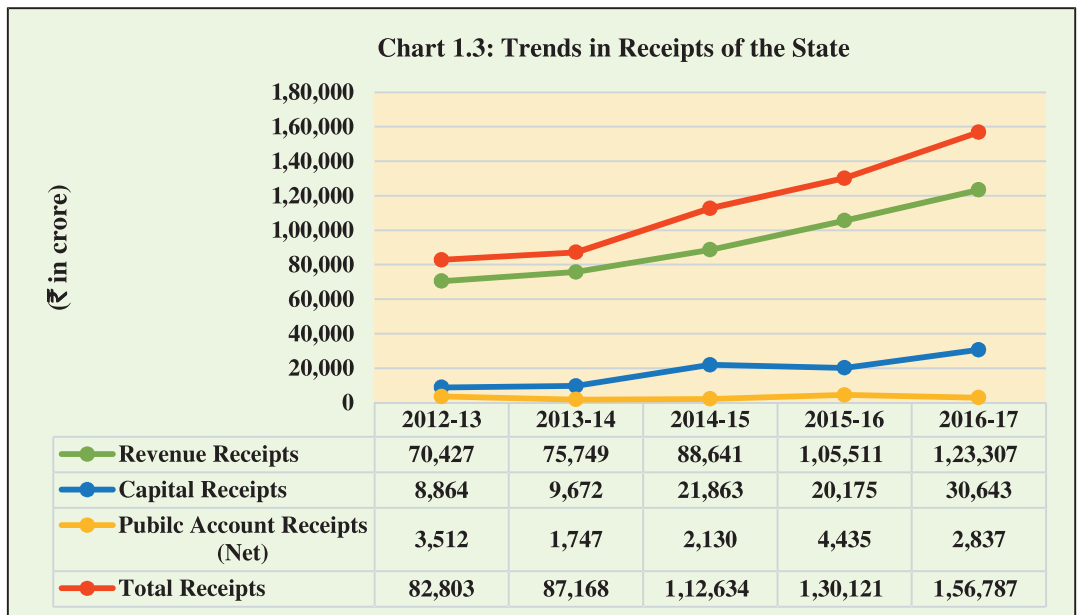


Chart 1.2: Composition of aggregates receipts during 2016-17

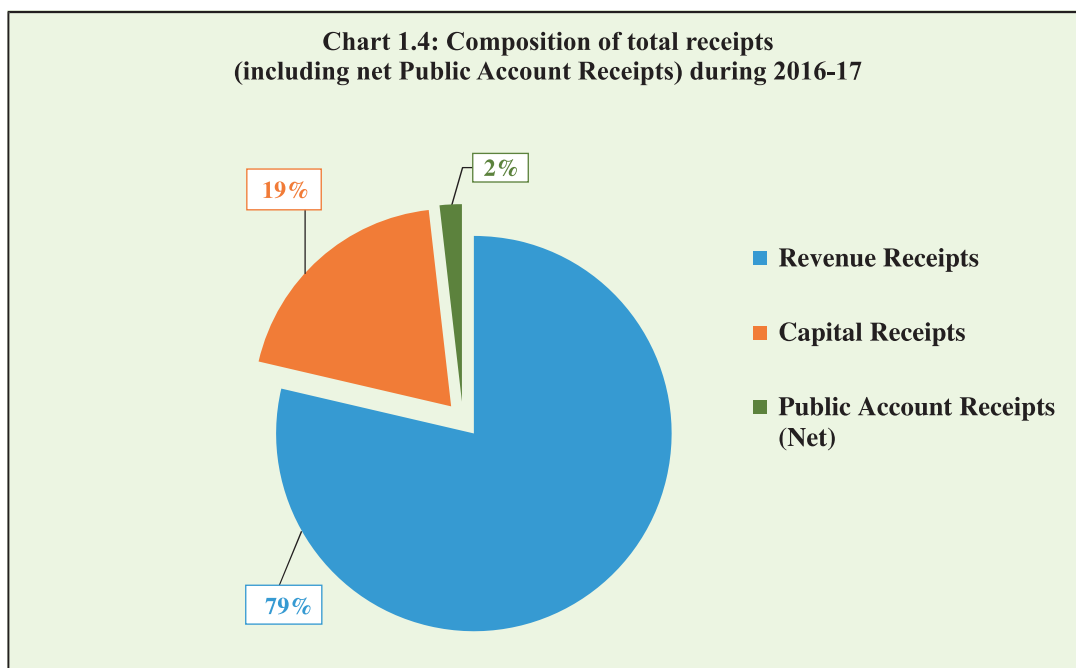


(Source: Finance Accounts 2016-17)

Chart 1.3: Trends in Receipts of the State



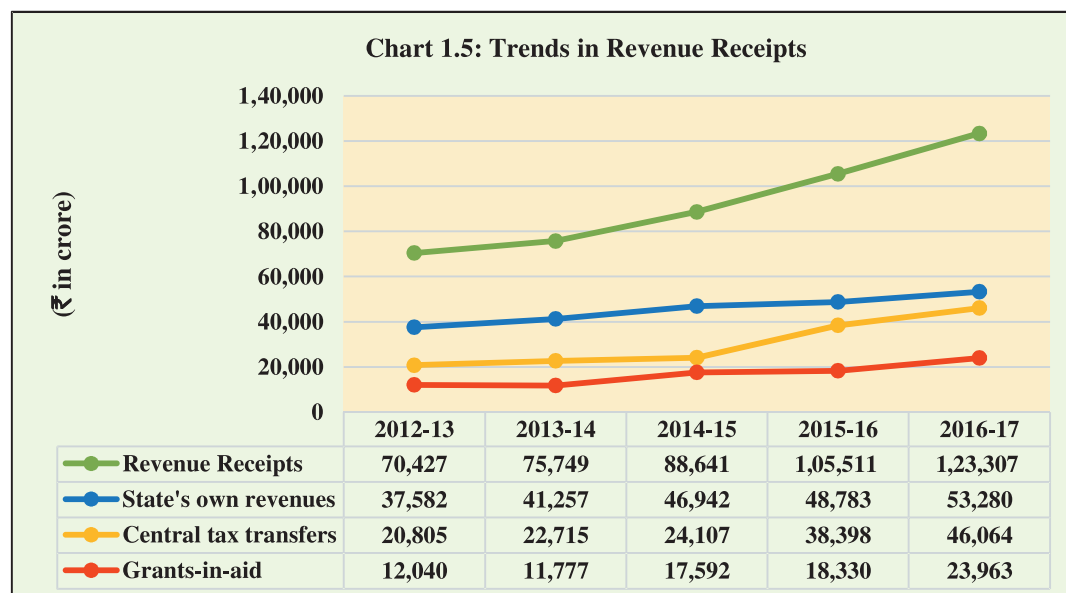
(Source: Finance Accounts of the respective years)



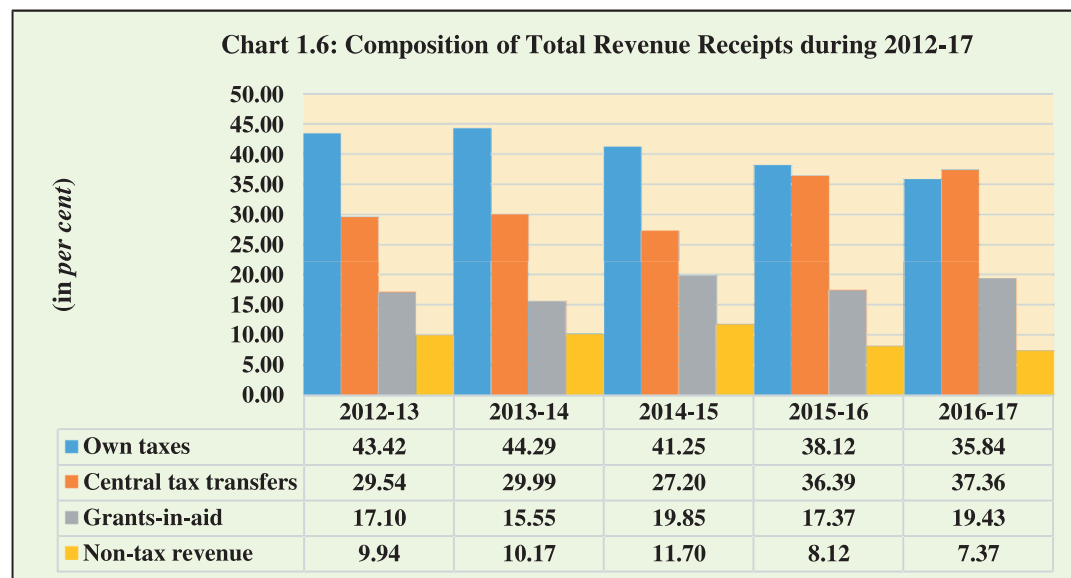
(Source: Finance Accounts 2016-17)

### 1.2.2 Revenue receipts

Statement 14 of the Finance Accounts gives details of the revenue receipts of the Government. The trends and composition of revenue receipts during 2012-17 are presented in *Appendix 1.6* and also depicted in **Chart 1.5** and **Chart 1.6** respectively.



(Source: Finance Accounts of the respective years)



(Source: Finance Accounts of the respective years)

The increase (₹ 17,796 crore; 17 per cent) in revenue receipts during 2016-17 were mainly due to net proceeds assigned to the State by GoI (20 per cent), more collection of taxes on sales, trade etc.(14 per cent), taxes on goods and passengers (23 per cent) partly counterbalanced by less receipt under State excise (five per cent), forestry and wildlife (eight per cent) and miscellaneous general services (87 per cent).

### 1.2.2.1 State's Own Resources

The State's performance in mobilisation of resources is assessed in terms of tax revenue and non-tax revenue, not including the State's share in central taxes and grants-in-aid which is based on the recommendations of the Finance Commission.

Details of collections of tax revenue and non-tax revenue for 2012-17 are presented in **Appendix 1.7**. These increased by ₹ 15,698 crore (42 per cent) from ₹ 37,582 crore in 2012-13 to ₹ 53,280 crore in 2016-17.

### Tax Revenue

Details of tax revenue during 2012-17 are given in **Table 1.9** below.

**Table 1.9: Components of Tax Revenue**

Revenue Head						(₹ in crore)
	2012-13	2013-14	2014-15	2015-16	2016-17	Variation (in per cent) in 2016-17 over 2015-16
Taxes on sales, trades etc.	14,856	16,650	18,136	19,806	22,561	13.91
State excise	5,078	5,907	6,696	7,923	7,533	(-) 4.92
Taxes on vehicles	1,531	1,599	1,824	1,933	2,252	16.50
Stamps and registration fees	3,944	3,400	3,893	3,868	3,925	1.47
Land Revenue	444	366	243	277	407	46.93
Taxes on goods and passengers	2,395	2,579	2,686	3,085	3,805	23.34
Taxes and duties on electricity	1,478	1,972	2,010	2,258	2,621	16.08
Other taxes	856	1,079	1,079	1,064	1,090	2.44
<b>Total</b>	<b>30,582</b>	<b>33,552</b>	<b>36,567</b>	<b>40,214</b>	<b>44,194</b>	<b>(+) 9.90</b>

(Source: Finance Accounts of the respective years)

## Non-Tax Revenue

Details of receipts from non-tax revenues during 2012-17 are given in **Table 1.10** below:

**Table 1.10: Non-tax revenue**

Revenue Head	(₹ in crore)					
	2012-13	2013-14	2014-15	2015-16	2016-17	Variation (in per cent) in 2016-17 over 2015-16
Interest receipts	301	318	1,261	429	582	35.66
Dividends and profits	18	379	80	130	231	77.69
Other non-tax receipts	6,681	7,008	9,034	8,010	8,273	3.28
<b>Total</b>	<b>7,000</b>	<b>7,705</b>	<b>10,375</b>	<b>8,569</b>	<b>9,086</b>	<b>(+) 6.03</b>

(Source: Finance Accounts of the respective years)

### 1.2.2.2 Cost of collection

Details of collection and cost thereof in respect of major revenue receipts during 2016-17 are given in **Table 1.11** below:

**Table 1.11: Cost of collection**

Particulars	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All India average of previous year
	(₹ in crore)			
Taxes on sales, trades etc.	22,561.12	157.81	0.70	0.66
Taxes on vehicles	2,251.51	40.38	1.79	4.99
State excise	7,532.59	105.05	1.39	3.21
Stamps and registration fees	3,925.43	33.02	0.84	2.87

(Source: Finance Accounts 2016-17 for gross collection and for expenditure on collection information provided by concerned Departments)

A trend analysis of the taxes on sales, trade etc. to GSDP ratio of Madhya Pradesh compared to the all India tax (receipts under state sales tax) to GDP ratio also indicates a higher ratio as given in **Table 1.12** below:

**Table 1.12: Taxes on sales, trade etc with GSDP ratio**

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Taxes on sales, trade etc. (₹ in crore)	14,856	16,650	18,136	19,806	22,561
Taxes on sales, trade etc./GSDP ratio of Madhya Pradesh	0.04	0.04	0.04	0.04	0.04
All India tax (receipts under state sales tax) to GDP ratio	0.02	0.01	0.02	0.02	0.02

Details of budget estimates and actuals of taxes on sales, trade etc., during 2012-17 are shown in **Table 1.13** below:

**Table 1.13: Trend analysis of budget estimate and actuals**

(₹ in crore)

Taxes on Sales, Trade etc.	2012-13	2013-14	2014-15	2015-16	2016-17
Budget estimate	14,000	16,500	19,500	21,300	22,000
Actuals	14,856	16,650	18,136	19,806	22,561

(Source: Finance Accounts 2016-17 and budget books 2016-17)

### 1.2.2.3 Grants-in-aid from GoI

The State Government receives grants-in-aid and share of Union taxes and duties, based on the recommendations of the Finance Commission. Details of GoI grants are given below in **Table 1.14**.

**Table 1.14: Grants-in-aid from GoI**

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Non-plan grants	333	3,540	4,425	3,990	5,473
Grants for State plan schemes	7,099	5,536	9,011	13,371	17,702
Grants for Central plan schemes	500	153	1,263	359	257
Grants for Centrally sponsored schemes	4,108	2,548	2,893	610	531
<b>Total</b>	<b>12,040</b>	<b>11,777</b>	<b>17,592</b>	<b>18,330</b>	<b>23,963</b>
Percentage of increase(+)/decrease(-) over previous year	21.26	(-) 2.18	49.38	4.19	30.73
Revenue receipts	70,427	75,749	88,641	1,05,511	1,23,307
Total grants as a percentage of revenue receipts	17.10	15.55	19.85	17.37	19.43

(Source: Finance Accounts of the respective years)

### 1.2.2.4 Central Tax transfers

Details of GoI transfers to the State Government during 2012-17 are given in **Table 1.15**:

**Table 1.15: Trends in central tax/ duty transfer**

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Total central tax transfer</b>	<b>20,805</b>	<b>22,715</b>	<b>24,107</b>	<b>38,398</b>	<b>46,064</b>
Service tax	3,038	3,701	3,554	6,656	7,434
Taxes on income other than Corporation tax	4,474	5,030	6,011	8,400	10,252
Union excise duties	2,350	2,618	2,202	5,100	7,246
Corporation tax	7,473	7,639	8,418	12,078	14,752
Taxes on wealth	13	21	23	3	34
Customs	3,457	3,706	3,899	6,134	6,346
Other taxes and duties on commodities and services	0	0	0	27	0.13

(Source: Finance Accounts of the respective years)

### 1.2.3 Receipts under the capital section

Trends of receipts under the capital section during 2012-17 are given in **Table 1.16**.

**Table 1.16: Trends in receipts under the Capital Section**

(₹ in crore)

Sources of State's Receipts	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Receipts under the capital section</b>	<b>8,864</b>	<b>9,672</b>	<b>21,863</b>	<b>20,175</b>	<b>30,643</b>
<b>Non-debt capital receipts</b>	<b>73</b>	<b>131</b>	<b>6,794</b>	<b>190</b>	<b>796</b>
Miscellaneous capital receipts	31	36	28	26	24
Inter-State settlement	9	2	1	2	-
Recovery of loans and advances	33	93	6,765 <sup>8</sup>	162	772 <sup>9</sup>
<b>Public debt receipts</b>	<b>8,791</b>	<b>9,541</b>	<b>15,069</b>	<b>19,985</b>	<b>29,847</b>
Rate of growth of non-debt capital receipts ( <i>per cent</i> )	(-)99.20	79.45	5,086.26	(-)97.20	318.95
Rate of growth of receipts under the capital section ( <i>per cent</i> )	(-)44.25	9.12	126.04	(-)7.72	51.89

(Source: Finance Accounts of the respective years)

**1.2.3.1 Debt Receipts from internal sources**

Details of debt receipts from internal sources during 2012-13 to 2016-17 are given in **Table 1.17**.

**Table 1.17: Debt receipts from internal sources**

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Market borrowings	4,500	5,000	10,300	14,700	16,100
Loans from financial institutions	1,295	1,332	1,483	2,075	2,602
Compensation and other Bonds	-	-	-	-	7,360
Special Securities issued to NSSF	1,439	1,996	1,914	1,884	2,518

(Source: Finance Accounts of the respective years)

The impact of borrowings at a higher rate of interest than that of the investments made by the State are discussed in detail in **Paragraph 1.4.3**.

**1.2.3.2 Loans and advances from GoI**

Details of loans and advances received by the State government from GoI during 2012-17 are given in **Table 1.18**.

**Table 1.18: Loans and advances from GoI**

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Loans and advances from GoI	1,557	1,212	1,372	1,326	1,267

(Source: Finance Accounts of the respective years)

**1.2.3.3 Public Accounts receipts**

Receipts and disbursements under small savings, provident funds and reserve funds etc., which do not form part of the Consolidated Fund, are kept in Public Accounts set up under Article 266(2) of the Constitution of India and are not subject to vote by the Legislature. Here, the Government acts as a banker or trustee. The status of Receipts and disbursement under Public Accounts are shown in statement 21 of the Finance Accounts and the details of Public Accounts (net) are given in **Table 1.19**.

<sup>8</sup> Of this, ₹ 6,694 crore pertains to recovery of 'loans for power projects'<sup>9</sup> Of this, ₹ 507 crore pertains to recovery of loans to agriculture and allied activities

**Table 1.19: Status of Public Accounts (Net)**

(₹ in crore)					
Resources under various heads	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Public Accounts (Net)</b>	<b>3,512</b>	<b>1,747</b>	<b>2,130</b>	<b>4,435</b>	<b>2,837</b>
a. Small savings, provident funds etc.	837	948	963	1,024	813
b. Reserve funds	2,020	971	144	1,733	(-)498
c. Deposits and advances	348	(-)490	618	574	3,436
d. Suspense and miscellaneous	(-)93	32	462	1,457	(-)842
e. Remittances	400	286	(-)57	(-)353	(-)72

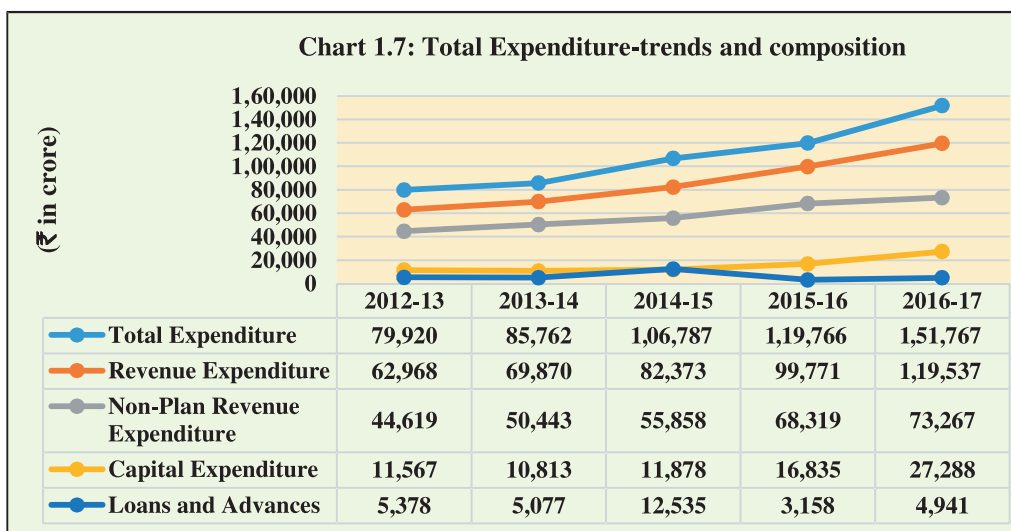
(Source: Finance Accounts of respective years)

The impact of transactions under Reserve Funds are discussed in **Paragraph 1.5.2**.

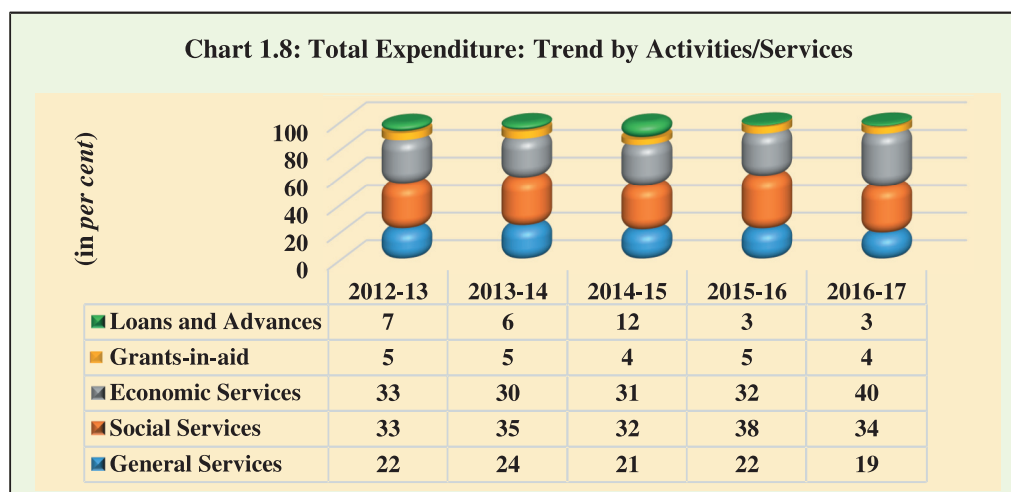
### 1.3 Application of resources

#### 1.3.1 Growth and composition of expenditure

**Charts 1.7** and **1.8** present the trends and composition of total expenditure and activity-wise expenditure during 2012-17 respectively.



(Source: Finance Accounts of the respective years)



(Source: Finance Accounts of the respective years)

There was an overall increase of ₹ 19,766 crore (20 per cent) in revenue expenditure in 2016-17 over 2015-16. The increases during 2016-17 were

mainly due to increased assistance to Electricity Boards<sup>10</sup> (76 per cent) and Zila Panchayats<sup>11</sup> (100 per cent). The decreases during 2016-17 were mainly under Social Welfare and Nutrition<sup>12</sup> (40 per cent) due to less expenditure under relief on account of Natural Calamities<sup>13</sup> (79 per cent) and under Forestry<sup>14</sup> (33 per cent) due to less expenditure under Forest Conservation, Development and Regeneration<sup>15</sup> (21 per cent).

Similarly, there was a net increase in capital expenditure of ₹ 10,453 crore (62 per cent) over the previous year. The increases were mainly under Energy<sup>16</sup> (749 per cent), under Irrigation and Flood Control<sup>17</sup> (33 per cent) and decreases were mainly under Water Supply, Sanitation, Housing and Urban Development<sup>18</sup> (27 per cent).

### 1.3.2 Revenue expenditure

#### Plan and non-plan revenue expenditure

Details of plan and non-plan revenue expenditure are given in **Table 1.20**.

**Table 1.20: Plan and Non-plan Revenue Expenditure**

Particulars	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Revenue expenditure</b>	<b>62,968</b>	<b>69,870</b>	<b>82,373</b>	<b>99,771</b>	<b>1,19,537</b>
Non-plan revenue expenditure	44,619	50,443	55,858	68,319	73,267
Plan revenue expenditure	18,349	19,427	26,515	31,452	46,270
Rate of growth of non-plan revenue expenditure (in per cent)	22	13	11	22	7
Rate of growth of plan revenue expenditure (in per cent)	15	6	36	19	47

(Source: Finance Accounts of the respective years)

### 1.3.3 Capital expenditure

#### Plan and Non-plan capital expenditure

Details of plan and non-plan capital expenditure are given in **Table 1.21**.

**Table 1.21: Plan and Non-plan Capital Expenditure**

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Capital expenditure (₹ in crore)</b>	<b>11,567</b>	<b>10,813</b>	<b>11,878</b>	<b>16,835</b>	<b>27,288</b>
Non-plan Capital expenditure (₹ in crore)	24	43	57	157	129
Plan Capital expenditure (₹ in crore)	11,543	10,770	11,821	16,678	27,159
Rate of growth of Non-plan Capital expenditure (in per cent)	(-)25.00	79.17	32.56	175.44	(-)17.83
Rate of growth of Plan Capital expenditure (in per cent)	27.93	(-)6.70	9.76	41.09	62.84

(Source: Finance Accounts of the respective years)

<sup>10</sup> Assistance to Electricity Boards (₹ 5,363 crore)

<sup>11</sup> Assistance to Zila Panchayats under General Education (₹ 6,447 crore)

<sup>12</sup> Expenditure under Social Welfare and Nutrition (₹ 4,187 crore)

<sup>13</sup> Expenditure under relief on account of Natural Calamities (₹ 4,009 crore)

<sup>14</sup> Expenditure under Forestry (₹ 578 crore)

<sup>15</sup> Expenditure under Forest Conservation, Development and Regeneration (₹ 222 crore)

<sup>16</sup> Due to payment of subsidy to Madhya Pradesh Electric Board for reimbursement of expenditure in connection with free supply of electricity (₹ 3,557 crore)

<sup>17</sup> Medium Irrigation (₹ 446 crore), Major Irrigation (₹ 1,287 crore)

<sup>18</sup> Arrangement for Simhastha Mela (₹ 335 crore), Implementation of Water Supply Schemes through Water Corporations (₹ 219 crore)



### 1.3.4 Committed expenditure

Committed expenditure of the Government during 2016-17 under revenue head mainly consists of interest payments (₹ 9,079 crore), expenditure on salaries and wages (₹ 21,577 crore), pensions (₹ 8,793 crore) and subsidies (₹ 16,512 crore). The committed expenditure (₹ 55,961 crore) constitutes a major component of revenue expenditure and consumed 76 *per cent* of the non-plan revenue expenditure (₹ 73,267 crore).

**Table 1.22** presents the trends under the committed expenditure during 2012-17.

**Table 1.22: Trends in Components of Committed Expenditure**

(₹ in crore)

Components of committed expenditure	2012-13	2013-14	2014-15	2015-16	2016-17	
					BE	Actuals
Salaries* and wages, of which	16,026 (22.76)	18,361 (24.24)	19,997 (22.56)	20,554 (19.48)	29,252	21,577 (17.50)
Non-Plan Head	14,133	16,081	17,285	18,018	--	18,873
Plan Head**	1,893	2,280	2,712	2,536	--	2,704
Interest payments	5,574 (7.91)	6,391 (8.44)	7,071 (7.98)	8,091 (7.67)	10,233	9,079 (7.36)
Pension payments	4,947 (7.02)	5,932 (7.83)	6,836 (7.71)	7,819 (7.41)	10,434	8,793 (7.13)
Subsidies	5,697 (8.09)	6,567 (8.67)	9,954 (11.23)	11,725 (11.11)	17,398	16,512 (13.39)
<b>Total</b>	<b>32,244</b> (46)	<b>37,251</b> (49)	<b>43,858</b> (49)	<b>48,189</b> (46)	<b>67,317</b>	<b>55,961</b> (45)

Note: Figures in parentheses indicate percentage of Revenue Receipts

\*Also includes salaries paid out of Grants-in-aid.

\*\* Plan Head also includes salaries and wages paid under Centrally Sponsored Schemes.

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

#### 1.3.4.1 Pension payments

State Government employees recruited on or after 1 January 2005 are covered under the New Pension Scheme (NPS) which is a defined contributory pension scheme. In terms of the scheme, the employee contributes 10 *per cent* of basic pay and dearness allowance, which is matched by the State Government and the entire amount is transferred to the designated fund manager through the National Securities Depository Limited (NSDL).

As per prescribed procedure, both the contributions are to be initially credited to the Public Account against Major Head 8342-under distinct sub-heads. Thereafter, the entire amount is to be transferred to NSDL through the designated fund manager in the same year. This procedure makes it possible to verify whether the entire deductions under the employees' contributions have been matched by the employer and transferred into the Public Account and whether the entire amount (employees' and employer's contributions) has been transferred to NSDL. GoMP followed the above procedure till 2009-10. However, while ₹ 83.27 crore was credited under Major Head 8342 as employees' contribution during 2006-07 to 2009-10, the Government did not make the matching contribution in the respective years. Further, it is not clear whether all Government employees who were covered under NPS during this period contributed to the scheme.

From 2010-11 onwards, GoMP adopted the method of budgeting and booking employees' contributions in the New Pension Scheme under the Receipt Major Head 0071. Similarly, Government contributions are first booked under Major Head 2071 and then transferred to Receipt Major Head 0071. These contributions are subsequently transferred to the Fund by operating the minor head "900-Deduct Refunds" under the same Major Head 0071. Since the Consolidated Fund is closed to account at the end of the year and no balance is carried forward, any shortfall in remitting the contributions to the Fund in any year is not available in the accounts of subsequent years. As against the employees contribution of ₹ 1,197.51 crore during 2010-11 to 2016-17, the actual contribution made by the State Government was ₹ 1,302.40 crore. Due to the shortcomings in the accounting methodology followed by the State Government, it cannot be ascertained whether the Government contribution in excess of employees' contribution was against the shortfalls of earlier years.

Apart from the above, against the total contribution of ₹ 2,499.91 crore (employees' share and Government share for the period 2010-11 to 2016-17), only ₹ 2,401.93 crore was transferred to NSDL and the remaining amount of ₹ 97.98 crore was not transferred to NSDL. During 2016-17, Government transferred only ₹ 628.48 crore to NSDL out of total contribution of ₹ 650.34 crore. This resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit by ₹ 21.86 crore for 2016-17. The Short transfer would inevitably lead to bankruptcy of the NPS corpus and eventually failure of the scheme itself.

Thus liability of the State Government increased due to its failure to transfer full contribution including Government's share to NSDL.

***Recommendation:** The State Government, in consultation with Accountant General (A&E), should (i) reconcile the amount of employees' and Government contribution for the period 2004-05 to 2016-17 and depict the true picture of contribution towards NPS in the Finance Accounts for the year 2017-18 (ii) review the existing method of budgeting and booking employees' contributions in the New Pension Scheme under the Receipt Major Head 0071.*

#### **Failure to deduct employees' contribution of ₹ 36.83 lakh under New Pension Scheme**

During the test check of records (November 2017) made available by Block Education Officer (BEO), Khandwa and its subordinate schools, Audit observed that contribution of State Government employees covered under New Pension Scheme was not deducted by BEO and its subordinate schools. The details of the same are given in **Table 1.23**.

**Table 1.23: Details of non-deduction of employees' contribution**

(₹ in lakh)					
Sl. No.	Institution	Number of employees	Amount of employees' contribution which was not deducted	Amount of matching share of GoMP	Total amount which was not transferred to NSDL/ Trustee Bank
1	BEO, Khandwa	47	17.78	17.78	35.56
2	Government Higher Secondary School, Badgaon Gurjar	3	1.32	1.32	2.64
3	Government Higher Secondary School, Jaawar	16	7.24	7.24	14.48
4	Government Higher Secondary School, Surajkund, Khandwa	7	5.10	5.10	10.20
5	Government Higher Secondary School, Sinhada, Khandwa	13	5.39	5.39	10.78
<b>Total</b>		<b>86</b>	<b>36.83</b>	<b>36.83</b>	<b>73.66</b>

It is evident from **Table 1.23** that BEO and its subordinate schools had neither deducted ₹ 36.83 lakh towards employees' contribution from 86 Government employees nor matched the equal share of the State Government since their appointment which resulted in short transfer of ₹ 73.66 lakh to NSDL/Trustee bank. This has deprived the Government employees of the benefit of New Pension Scheme.

**Recommendation:** *The State Government should ensure that employees recruited on or after 1 January 2005 are fully covered under the New Pension Scheme from the date of their recruitment by ensuring that employees' contributions are fully deducted, fully matched by Government contributions, and fully transferred to NSDL in a timely manner.*

#### 1.3.4.2 Subsidies

The department/head-wise details of subsidies paid by the State Government on subsidies during 2016-17 are given in Appendix II of the Finance Accounts. An amount of ₹ 16,512 crore was paid during the year which constituted 13 per cent of the revenue receipts. Of the total subsidy paid, ₹ 9,960 crore (60 per cent) was disbursed under non-plan, ₹ 6,366 crore (39 per cent) under plan and ₹ 186 crore (one per cent) under centrally sponsored schemes<sup>19</sup>. The subsidy given to major activities were under Energy activities: ₹ 8,404 crore (51 per cent); Farmers Welfare and Agriculture Development activities: ₹ 3,208 crore (19 per cent) and Commerce, Industries and Employment activities: ₹ 1,434 crore (nine per cent).

Some of the implicit subsidies during 2016-17 are detailed in **Table 1.24**.

**Table 1.24: Details of some implicit subsidy during 2016-17**

(₹ in crore)			
Sl. No.	Schemes/ Subsidy	Name of Department	Amount
1	Supply of free uniforms	Education Department (Primary Education)	67.50
2	Supply of free text books	Education Department (Primary Education)	39.91
<b>Total</b>			<b>107.41</b>

(Source: Appropriation Accounts 2016-17)

<sup>19</sup> Funds routed through State Budget.

### 1.3.5 Quality of expenditure

Quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e., adequate provisions for providing public services); efficiency of expenditure use and effectiveness (assessment of outlay-outcome relationships for services).

#### 1.3.5.1 Adequacy of public expenditure

The fiscal priorities of the State Government with regard to development expenditure, social services expenditure and capital expenditure during 2012-13 and 2016-17 are analysed in **Table 1.25**.

**Table 1.25: Fiscal priority of the State in 2012-13 and 2016-17**

Fiscal Priority (percentage to GSDP)			(in per cent)						
General Category States Average (Ratio) 2012-13	AE/ GSDP	DE <sup>#</sup> / AE	SSE/ AE	ESE/ AE	CE/AE	Education/ AE	Health/ AE		
Madhya Pradesh's (Ratio) 2012-13	20.98	72.45	32.69	39.75	14.47	13.82	4.14		
General Category States Average (Ratio) 2016-17	AE/ GSDP	DE <sup>#</sup> / AE	SSE/ AE	ESE/ AE	CE/AE	Education/ AE	Health/ AE		
Madhya Pradesh's (Ratio) 2016-17	23.70	76.67	33.80	42.86	17.98	14.45	3.91		

AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Services Expenditure; ESE: Economic Services Expenditure; CE: Capital Expenditure.  
# Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

As evident from the table above, The ratio depicting the adequacy of Public Expenditure of Madhya Pradesh in 2016-17 was higher than the average of general category states and also higher than the performance of the State itself in 2012-13, except in the Health Sector.

### 1.3.6 Efficiency of expenditure use

Details of capital and revenue expenditure on maintenance of social and economic services are given in **Table 1.26** below:

**Table 1.26: Efficiency of expenditure use in selected social and economic services**

Social/Economic Infrastructure	2015-16			2016-17		
	Ratio of CE to TE	Revenue expenditure (₹ in crore)		Ratio of CE to TE	Revenue expenditure (₹ in crore)	
		S&W	O&M		S&W	O&M
<b>Total (SS)</b>	6.62	10,992	331	6.40	11,461	406
<b>Total (ES)</b>	31.65	3,582	1,112	35.83	3,360	1,503
<b>Total (SS+ES)</b>	18.59	14,574	1,443	22.85	14,821	1,909
<b>Major components of Social Services</b>						
Education, Sports, Art and Culture	4.25	7,321	7	3.36	7,490	26
Health and Family Welfare	4.14	2,419	8	9.51	2,602	12
Water Supply, Sanitation, Housing and Urban Development	19.58	291	313	9.02	315	359
Other Social Services	3.51	960	3	7.85	1,054	9

Social/Economic Infrastructure	2015-16			2016-17		
	Ratio of CE to TE	Revenue expenditure (₹ in crore)		Ratio of CE to TE	Revenue expenditure (₹ in crore)	
		S&W	O&M		S&W	O&M
<b>Major components of Economic Services</b>						
Agriculture and Allied Activities	1.49	2,377	11	5.69	2,099	13
Irrigation and Flood Control	91.00	532	68	92.49	586	72
Power and Energy	5.30	1	5	22.98	1	6
Transport	73.63	77	756	78.96	76	777
Other Economic Services	23.52	596	271	27.48	598	635

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

(Source: Finance Accounts and VLC data of Pr. AG (A&E)-I, M.P. 2015-16, 2016-17)

## 1.4 Government expenditure and investments

### 1.4.1 Financial results of irrigation works

The Thirteenth and Fourteenth Finance commissions had prescribed cost recovery rates of irrigation projects (revenue receipts as compared to revenue expenditure) for assessing the commercial viability of these projects. The position of irrigation projects in the State for the period 2012-17 is depicted in **Table 1.27**.

**Table 1.27: Cost recovery position of irrigation projects**

Year	Revenue expenditure	Revenue receipts	Cost recovery assessment of 13 <sup>th</sup> FC(2010-15)/ 14 <sup>th</sup> FC (2015-20)	Percentage of revenue receipts to revenue expenditure	Gap in cost recovery
	₹ in crore		In per cent		
2012-13	718	517	45	72	(-27)
2013-14	779	358	60	46	14
2014-15	839	437	75	52	23
2015-16	625	483	35	77	(-42)
2016-17	680	574	35	84	(-49)

(Source: Finance Accounts of the respective years and Reports of Thirteenth and Fourteenth Finance Commission)

As seen from above, the cost recovery of irrigation projects in the State has improved over the year and during 2016-17 it was far better than that of neighbouring states<sup>20</sup>.

### 1.4.2 Incomplete projects

Blocking of funds on incomplete works impinges negatively on the quality of expenditure. The details of incomplete projects as given in the Finance Accounts are summarised below in **Table 1.28**.

<sup>20</sup> Bihar-31, Uttar Pradesh-20 and Jharkhand-8.47

**Table 1.28: Department wise profile of incomplete projects as on 31 March 2017****(₹ in crore)**

Sl. No.	Particulars	Number of incomplete projects/ works	Initial budgeted cost of all incomplete projects	Initial budgeted cost of 24 projects which were revised		Revised cost of 24 incomplete projects	Cost overrun of 24 project which were revised	Cumulative actual expenditure of all incomplete projects
				No.	Amount			
1	Water Resources Department	43	2,035.68	01	332.55	545.36	212.81	1,575.93
2	Public Works Department	194	1,663.27	19	41.23	52.55	11.32	358.02
3	Narmada Valley Development Authority	05	5,858.21	04	730.99	5,307.00	4,576.01	6,673.13
<b>Total</b>		<b>242</b>	<b>9,557.16</b>	<b>24</b>	<b>1,104.77</b>	<b>5,904.91</b>	<b>4,800.14</b>	<b>8,607.08</b>

(Source: Appendix IX of Finance Accounts 2016-17)

**Recommendation:** The Water Resources Department, Public Works Department and Narmada Valley Development Authority may evolve a mechanism to ensure timely completion of projects.

### 1.4.3 Investments and returns

The position of returns on investments<sup>21</sup> during 2012-17 is given in **Table 1.29**.

**Table 1.29: Returns on Investments**

Investment/Return/Cost of Borrowings	2012-13	2013-14	2014-15	2015-16	2016-17
Investment at the end of the year (₹ in crore)	14,656	15,275	16,105	16,600	22,672
Dividend/Interest received (₹ in crore)	18.38	378.72	80.35	129.64	231.50
Dividend/Interest received ( <i>per cent</i> )	0.13	2.48	0.50	0.78	1.02
Average rate of interest on Government borrowings <sup>22</sup> ( <i>per cent</i> )	6.48	6.84	6.88	6.86	6.42
Difference between interest rate on market borrowings and rate of return on investment ( <i>per cent</i> )	6.35	4.36	6.38	6.08	5.40
Loss due to the difference between interest rate of market borrowings and rate of return on investment (₹ in crore)	931	666	1,027	1,009	1,224

(Source: Finance Accounts of respective years)

Over the past five years the State Government has incurred a loss of ₹ 4,857 crore on return on investment in various entities on account of difference between the Government's borrowing cost and the return on investment. The return on investment on non-working PSUs cannot be estimated.

It is of specific interest to observe that in spite of the poor return on investments, the Finance Department has regularly provided equity and loans to these PSUs including those which had not even finalised their accounts as per the provisions of the Companies Act as discussed in **Paragraph 3.14**.

<sup>21</sup> Statutory Corporations, Government Companies, Co-operative Societies, Banks

<sup>22</sup> Interest payment / [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]\*100

#### 1.4.4 Loans and advances by State Government

In addition to investments in co-operative societies, corporations and companies, the State Government has also been providing loans and advances to many of these institutions/organisations. Details are given in **Table 1.30**.

**Table 1.30: Outstanding loans and advances and interests receipts and payments by State Government**

(₹ in crore)					
Quantum of loans/interest receipts/ cost of Borrowings	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Opening Balance of loans and advances</b>	<b>21,742</b>	<b>27,088</b>	<b>32,072</b>	<b>37,842</b>	<b>40,827<sup>23</sup></b>
Amount advanced during the year	5,378	5,077	12,535	3,158	4,941
Amount repaid during the year	32	93	6,765	162	772
<b>Closing Balance of loans and advances</b>	<b>27,088</b>	<b>32,072</b>	<b>37,842</b>	<b>40,838</b>	<b>44,996</b>
Net addition of loans and advances	5,346	4,984	5,770	2,996	4,169
Interest receipts	42	12	1,058	139	62
Interest receipts as percentage of outstanding loans and advances	0.16	0.04	2.80	0.34	0.14
Average rate of interest on Government borrowings <sup>24</sup> (per cent)	6.48	6.84	6.88	6.86	6.42
Difference between interest rate on market borrowings and interest received on loans (per cent)	6.32	6.80	4.08	6.52	6.28
Loss due to the difference between interest rate of market borrowings and interest received on loans	340	345	511	206	310

(Source: Finance Accounts of the respective years)

Over the past five years the State Government has incurred a loss of ₹ 1,712 crore towards interest on account of difference in the interest received on the loans advanced and that the interest expenditure incurred by Government on its borrowings.

Details of loans and advances made by the Government are detailed in Section 1 of Statement 18 of the Finance Accounts.

**Recommendation:** *The State Government should rationalise its investments and loans advanced to various entities such that the return on investment and loans at least matches the Government borrowing costs.*

#### 1.4.5 Financial assistance to Madhya Pradesh Poorva Kshetra Vidyut Vitran Company Limited, Jabalpur

To ascertain the status of financial assistance extended by GoMP to its wholly owned Power Sector companies in the form of general loans, capital loan, working capital loan and short term working capital loans etc., Audit reviewed the records of Madhya Pradesh Poorva Kshetra Vidyut Vitran Company Limited, Jabalpur (Company) relating to State Government loans and guarantees.

<sup>23</sup> Opening balance decreased by ₹ 10.21 crore due to proforma transfer to Chhattisgarh

<sup>24</sup> Interest payment / [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]\*100



The details of loans disbursed by GoMP to the Company during 2012-13 to 2016-17 are given in **Table 1.31**.

**Table 1.31: Details of loans disbursed by GoMP during 2012-17**

(₹ in crore)						
Sl. No.	Quantum of loans/ interest receipts/ cost of borrowings	2012-13	2013-14	2014-15	2015-16	2016-17
1	Opening Balance of loans granted to Company	5,048.28	6,895.73	8,467.60	10,136.06	11,117.99
2	Loans granted to the Company during the year	1,847.45	1,571.87	1,668.46	981.93	951.86
3	Loans repaid by the Company during the year	0.00	0.00	0.00	0.00	38.00 <sup>25</sup>
4	Closing Balance	6,895.73	8,467.60	10,136.06	11,117.99	12,031.85
5	Net addition (2-3)	1,847.45	1,571.87	1,668.46	981.93	913.86
6	Interest paid by the Company on loans	0.00	0.00	0.00	0.00	0.00

(Source: Information furnished by the Company)

Audit further observed the following:

- It is evident from **Table 1.31** that GoMP has neither received any amount from the Company towards repayment of loans nor any interest thereon during 2012-13 to 2016-17. GoMP also released additional loans of ₹ 6,983.57 crore to the Company during this period which increased the outstanding amount of loans from ₹ 5,048.28 crore in 2012-13 to ₹ 12,031.85 crore in 2016-17. In view of this, the loans given by the Government constitute non-performing assets (NPA) and merit being written off.
- In addition, under UDAY, GoMP had taken over (March 2017) the Debts/ Loans amounting to ₹ 2,643.18 crore taken by the Company from Rural Electrification Corporation (REC), Power Finance Corporation (PFC), Housing and Urban Development Corporation (HUDCO) and State Bank of India (SBI) and converted the same into equity and grants of ₹ 1,323.27 crore and ₹ 1,319.91 crore respectively.
- GoMP had also provided guarantees for the various loans taken by the Company from REC and PFC. For this, GoMP was entitled to receive guarantee fees from the Company. However, the Company had not paid fees of ₹ 56.94 crore as on 31 March 2017 towards the guarantees provided by GoMP for the loans taken by the Company.

**Recommendation:** The State Government should review loans advanced to all entities and decide whether loans that are not likely to be repaid should not be written off.

#### 1.4.6 Public private partnership projects

Audit observed that out of 198 PPP projects (cost: ₹ 23,707.40 crore) initiated as of March 2017, 100 projects (50.51 per cent) were completed at a cost of ₹ 9,463.64 crore. While 42 projects (21.21 per cent) costing ₹ 8,096.33 crore were in progress, 56 projects (28.28 per cent) costing ₹ 6,147.43 crore were in the pipeline or under bidding. Details are given in **Appendix 1.8**.

<sup>25</sup> Loan converted into grant under UDAY.



### 1.4.7 Cash balances and investment of cash balances

**Table 1.32** depicts the cash balances and investments made by the State Government out of cash balances during 2016-17.

**Table 1.32: Cash balances and investment of Cash Balances**

(₹ in crore)		
Particulars	Opening balance as on 1 April 2016	Closing balance as on 31 March 2017
<b>(a) General Cash Balance</b>		
Cash in treasuries	--	--
Deposits with Reserve Bank	1,009.49	(-) 52.99
Remittances in transit - local	--	--
<b>Total</b>	<b>1,009.49</b>	<b>(-) 52.99</b>
<b>Investments held in Cash Balance Investment account</b>	<b>9,485.24</b>	<b>10,628.22</b>
<b>Total (a)</b>	<b>10,494.73</b>	<b>10,575.23</b>
<b>(b) Other Cash Balances and Investments</b>		
Departmental cash balances	0.94	1.18
Permanent imprest	0.84	0.83
Investment out of earmarked funds	402.21	416.42
<b>Total (b)</b>	<b>403.99</b>	<b>418.43</b>
<b>Grand Total (a)+(b)</b>	<b>10,898.72</b>	<b>10,993.66</b>

(Source: Finance Accounts 2015-16 and 2016-17)

## 1.5 Assets and Liabilities

### 1.5.1 Growth and composition of assets and liabilities

While the existing Government accounting system does not provide for comprehensive accounting of fixed assets like land and buildings owned by the Government, the Government accounts capture the financial liabilities and assets created out of expenditure incurred. **Appendix 1.9** gives an abstract of such liabilities and assets, as on 31 March 2017, compared with the corresponding position on 31 March 2016. While the liabilities consist mainly of internal borrowings, loans and advances from GoI, the receipts from public accounts and reserve funds, the assets comprise mainly of capital outlay and loans and advances given by the State Government and the cash balances.

### 1.5.2 Transactions under reserve funds

There are 10 reserve funds in the accounts of the State Government, which have been created for specific purposes. Details are given in **Appendix 1.10** and summarised in **Table 1.33**.

**Table 1.33: Position of reserve funds during 2014-17**

(₹ in lakh)							
Sl. No.	Head of Accounts	Number of Reserve Funds		Opening balance as on 1 April 2014	Receipts during 2014-17	Disbursements during 2014-17	Closing balance as on 31 March 2017
		Operative	Inoperative				
<b>Reserve Funds bearing interest</b>							
1	8121-General and other Reserve Funds	01	00	10,246.44	5,36,997.00	4,70,197.00	77,046.44
<b>Reserve Funds not bearing interest</b>							
1	8223-Famine Relief Fund	01	00	541.68	56.47	00	598.15
2	8226-Depreciation/ Renewal Reserve Funds	01	00	440.37	23.21	00	463.58

Sl. No.	Head of Accounts	Number of Reserve Funds		Opening balance as on 1 April 2014	Receipts during 2014-17	Disbursements during 2014-17	Closing balance as on 31 March 2017
		Operative	Inoperative				
3	8228- Revenue Reserve Funds	01	00	2,276.03	133.24	00	2,409.27
4	8229-Development and Welfare Funds	03	01	5,71,885.22	2,20,512.51	1,51,186.40	6,41,211.33
5	8235-General and Other Reserve Funds	01	01	2.21	1,670.66	1,670.66	2.21
<b>Total</b>		<b>08</b>	<b>02</b>	<b>5,85,391.95</b>	<b>7,59,393.09</b>	<b>6,23,054.06</b>	<b>7,21,730.98</b>
							<b>Or say ₹ 7,217.31 crore</b>

(Source: Finance Accounts of the respective years)

Two<sup>26</sup> reserve funds with balance of ₹ 40.36 lakh were not operated during the period 2014-17, three<sup>27</sup> other reserve funds had investment amounting ₹ 7.69 crore as on 31 March 2017 but in none of these funds investment were made in the past three years, if not earlier.

The negative ₹ 5.34 lakh depicted under MH 8223-102-Famine Relief Fund-Investment Account is not included since it is a booking error and is to be written off.

Out of ₹ 6,412 crore lying under Reserve Fund 8229- Development and Welfare Funds, only ₹ 0.07 crore was invested at the end of 31 March 2017.

In the above connection, it is to be stated that transfers into reserve funds and disbursement therefrom are effected through debit and credit entries under the appropriate revenue expenditure heads under the Consolidated Fund. These represent actual cash transfers only if they impact the Reserve Bank Deposits either directly or by way of investment. Since there was no actual cash outflow by way of investment etc., these transactions depicted by GoMP against reserve funds without investment are merely book entries. Their only impact is when they can be used to depict an unduly favourable Revenue Surplus and Fiscal Deficit position in future years, by understating Revenue Surplus and overstating Fiscal Deficit in the years of transfer to the reserve fund. This is not desirable. Further, the treatment of transactions in reserve funds as mere book entries without impacting Reserve Bank Deposits violates the principles underlying the creation and operation of reserve funds.

Nevertheless, these balances in the funds lying outstanding over the years represent huge liability of the State.

**Recommendation:** *The Finance Department should review the practice of treating of transactions and balances under reserve funds as mere book entries and adhere to the principles of underlying the creation and operation of reserve funds by actual investment of balances with the Reserve Bank of India.*

<sup>26</sup> 1. 8229-103-Development Funds for Agriculture purposes, 2. 8235-200-Other Funds

<sup>27</sup> 1. Revenue Reserve Funds, 2. Development Funds for Agricultural purposes, 3. Other Funds

### 1.5.2.1 Setting-up of Sinking Fund for amortisation of all loans

The XII Finance Commission 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. However, State Government did not constitute the Consolidated Sinking Fund. The non-creation of the Sinking Fund has resulted in the State Government not contributing ₹ 635.72 crore in 2016-17 (0.50 *per cent* of outstanding liabilities of ₹ 1,27,144.43 crore as on 31 March 2016).

**Recommendation:** *The State Government may consider accepting the recommendation of the XII FC and create a Consolidated Sinking Fund.*

### 1.5.2.2 State Disaster Response Fund (SDRF)

#### Non-accounting of SDRF as interest bearing Reserve Fund

Government of India (GoI) replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 1 April 2010.

The SDRF had a closing balance of ₹ 668 crore at March 2017. As per Para 19 and 20 of SDRF guidelines 2010, the balances under funds should be invested by the State Executive Committee in (a) Central Government Dated Securities (b) Auctioned Treasury Bills and (c) Interest earning deposits and certificates of deposits with Scheduled Commercial Banks. However, the Government did not act as per guidelines. As per SDRF guidelines the Government was required to pay interest on the un-invested balances at the rate of interest to be paid on overdraft. However, GoMP had not paid any interest to SDRF since creation of the Fund, the unpaid interest works out to ₹ 118.04 crore as per calculation at the applicable rates of interest during the period 2015-17<sup>(27A)</sup> and thus created a liability of the State Government to that extent at end of March 2017. During 2016-17, the un-paid interest was ₹ 56.78 crore, resulting in overstatement of Revenue Surplus and understatement of Fiscal Deficit to this extent.

**Recommendation:** *The State should invest the balances lying under the SDRF as per guidelines.*

### 1.5.2.3 Contingent Liabilities – Status of Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in cases of default by the borrowers for whom the guarantee are extended. GoMP has notified the Madhya Pradesh State Government Guarantee Rules, 2009 (amended).

The FRBM Act, 2005 prescribes that the State Government shall limit the 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 2016-17, the annual incremental guarantees and total outstanding guarantees were within the ceilings fixed under the FRBM Act<sup>28</sup>.

The maximum amount for which guarantees were given by the Government and those outstanding for the last three years as depicted in Statement 9 of the Finance Accounts is given in **Table 1.34**.

---

<sup>27A</sup> There were nil closing balances in the fund till 2014-15.

<sup>28</sup> 80 *per cent* of total revenue receipts for 2015-16 (₹ 1,05,511 crore): ₹ 84,408 crore ; annual incremental guarantees for 2016-17: ₹ 33,397 crore

**Table 1.34: Guarantees given by the Government**

Particulars	₹ in crore)		
	2014-15	2015-16	2016-17
Maximum amount guaranteed	31,885	40,171	40,395
Total Revenue Receipts	88,641	1,05,511	1,23,307
Outstanding amount of guarantees at the end of the year (including interest)	20,124	27,530	33,397
Percentage of maximum amount guaranteed to total revenue receipts	35.97	38.07	32.76

(Source: Finance Accounts of the respective years)

The composition of the maximum amount guaranteed was towards six<sup>29</sup> entities of power sector (₹ 17,811 crore), two<sup>30</sup> institutions of co-operative sector

(₹ 4,897 crore), six<sup>31</sup> institutions of urban development and housing (₹ 6,550 crore), five<sup>32</sup> institutions of other sectors (₹ 10,217 crore) and Madhya Pradesh Financial Corporation (₹ 920 crore).

### Guarantee Fee

Guarantee fee is charged from the principal debtors unless exempted specifically. The proceeds of the fees so realised are credited to the revenue of the Government. During the year 2016-17, a sum of ₹ 74.24 crore (35.92 per cent) out of ₹ 206.68 crore receivable, was recovered as guarantee fees and credited to the Government Account. The details of guarantee fees receivable by the State Government and actually received during 2016-17 are given in **Table 1.35**.

**Table 1.35: Details of guarantee fees receivable and actually received during 2016-17**

Sl. No.	Name of institution	₹ in lakh)	
		Guarantee fees receivable	Guarantee fees received
1	M.P. Power Generating Company Ltd. Jabalpur	9.59	710.02
2	M.P. Power Transmission Company Ltd. Jabalpur	--	443.75
3	M.P. Eastern Region Power Distribution Company Ltd. Jabalpur	3,765.28	--
4	M.P. Central Region Power Distribution Company Ltd. Bhopal	5,969.89	--
5	M.P. Western Region Power Distribution Company Ltd. Indore	2,368.73	--
6	M.P. Power Management Co. Ltd. Jabalpur	104.25	--
7	Credit Co-operatives	4,289.76	--
8	M.P. Financial Corporation	250.00	--
9	Nagar Nigams	1,860.63	--
10	Nagar Palikas	665.21	--
11	Nagar Panchayats	0.30	--
12	State Urban Development Authorities	115.80	--
13	Nagar Parishads	438.28	--
14	M.P. Police Housing Corporation Ltd	807.80	6,270.00
15	M.P. Commerce, Industry and Employment Department	22.50	--
<b>Total</b>		<b>20,668.02</b>	<b>7,423.77</b>

(Source: Finance Accounts 2016-17)

<sup>29</sup> 1. M.P. Power Generating Company Ltd., Jabalpur, 2. M.P. Power Transmission Company Ltd., Jabalpur, 3. M.P. Eastern Region Power Distribution Company Ltd., Jabalpur, 4. M.P. Central Region Power Distribution Company Ltd., Bhopal, 5. M.P. Western Region Power Distribution Company Ltd., Indore, 6. M.P. Power Management Co. Ltd., Jabalpur

<sup>30</sup> 1. Credit Co-operative, 2. Co-operative Sugar Mills

<sup>31</sup> 1. Nagar Nigam, 2. Nagar Palika, 3. Nagar Panchayat, 4. State Urban Development Authority, 5. Nagar Parishad, 6. M.P. Police Housing Corporation Ltd

<sup>32</sup> 1. M.P. Khadi Gramoudyog Board, 2. M.P. Commerce, Industry and Employment Department, 3. M.P. Food and Civil Supply Department, 4. Public Works Department, 5. Higher Education

**Recommendation:** *The Finance Department and the concerned Administrative Departments are required (i) to ensure that all institutions availing of guarantees pay guarantee fees in full, and till such time no further guarantees are given to these institutions, and (ii) to review and reconcile the guarantee fee details of MP Power Generating Company, MP Power Transmission Company and MP Police Housing Corporation who, as per the Finance Accounts, have paid more guarantee fees than required.*

### Guarantee Redemption Fund (GRF)

The State Government constituted the Guarantee Redemption Fund (GRF) in 2005-06 in view of recommendation of 12<sup>th</sup> Finance Commission. As per the scheme, the Fund is required to be credited with guarantee fees realised in the preceding year and a matching contribution by the State Government. Accordingly, GoMP contributed ₹ 408.79 crore to the GRF as on 31 March 2017, which was invested in Central Government Dated Securities. Of this, ₹ 14.21 crore was credited/invested in 2016-17. This policy is however, not in accordance to the guidelines of RBI based on the report of committee of State Finance Secretaries wherein, the creation of the GRF is to be preceded by risk weighting of guarantees. This has not been done. Further, the State Government is required to contribute a minimum of one *per cent* of outstanding guarantees at the time of the creation of the fund and thereafter contribute a minimum of 0.50 *per cent* every year to achieve a minimum level of three *per cent* in the next five years. In terms of this formula, the State Government was required to contribute ₹ 688.26 crore to GRF (instead of ₹ 14.21 crore). This shortfall resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit by ₹ 674.05 crore in 2016-17.

**Recommendation:** *The State Government should consider revising the GRF scheme and contribute to the Fund as per guidelines of RBI.*

## 1.6 Debt Management

### 1.6.1 Debt profile

Apart from the magnitude of debt of the State Government, it is important to analyse the various indicators that determine the debt sustainability<sup>33</sup> of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation<sup>34</sup>, sufficiency of non-debt receipts<sup>35</sup>, net availability of borrowed funds<sup>36</sup>, burden of interest payments (measured by interest payments to revenue receipts ratio) and the maturity profile of State Government securities.

<sup>33</sup> Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time. It 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 and returns from such borrowings. It means that a rise in fiscal deficit should match the increase in capacity to service the debt.

<sup>34</sup> A necessary condition for stability states that if the rate of growth of the economy exceeds the interest rate or the cost of public borrowings, the debt-GDP ratio is likely to be stable provided the primary balances are either zero or positive or are moderately negative.

<sup>35</sup> Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

<sup>36</sup> Defined as the ratio of debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which debt receipts are used in debt redemption indicating the net availability of borrowed funds.

## 1.6.2 Debt sustainability

**Table 1.36** analyses the debt sustainability of the State according to these indicators for a period of five years beginning from 2012-13.

**Table 1.36: Debt Sustainability: Indicators and Trends**

(₹ in crore)

Indicators of Debt Sustainability	2012-13	2013-14	2014-15	2015-16	2016-17 <sup>#</sup>
Debt-GSDP ratio	23.67	22.12	22.55	23.37	24.33
Sufficiency of incremental non-debt Receipts (Resource gap)*	(-)3,660	(-)462	(-)1,470	(-)2,713	(-)13,599
Net availability of borrowed funds	2,838	569	4,793	10,367	19,578
Burden of interest payments (IP/RR Ratio)	8	8	8	8	7
<b>Maturity profile of State Debt (In Years)</b>					
0-1	3,271.72 (4.91)	4,007.99 (5.56)	3,849.35 (4.68)	600.01 (0.62)	605.46 (0.50)
1-3	6,493.73 (9.75)	6,078.30 (8.43)	7,400.03 (9.00)	7,791.24 (8.00)	10,721.90 (8.77)
3-5	6,994.44 (10.51)	9,430.95 (13.07)	13,334.95 (16.22)	13,726.17 (14.09)	14,377.82 (11.76)
5-7	12,808.00 (19.24)	13,059.46 (18.11)	11,652.18 (14.17)	12,062.69 (12.39)	13,902.21 (11.37)
7 and above	37,009.25 (55.59)	39,536.62 (54.83)	46,025.00 (55.93)	63,206.34 (64.90)	82,701.05 (67.60)
<b>Total</b>	<b>66,577.14</b>	<b>72,113.32</b>	<b>82,261.51</b>	<b>97,386.45</b>	<b>1,22,308.44</b>

(Source: Finance Accounts of the respective years)

Percentage to total shown in bracket

\*Incremental Non-debt Receipt – (Incremental Primary Expenditure + Incremental Interest Payment)

<sup>#</sup>Including impact of UDAY

During 2016-17, the Debt-GSDP ratio at 24.33 *per cent* was within the limit of 25.34 *per cent* fixed as normative projection by 14<sup>th</sup> FC, and significantly higher than the target fixed in the budget document (21.67 *per cent*).

Significant inter-year fluctuations in Resource Gap indicate inconsistent collection of non-debt receipts by the State during the period 2012-17.

**Table 1.37: Net availability of Borrowed Funds**

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Receipts under Public Debt and Other Liabilities	19,578	23,701	35,552	49,524	64,106
Repayments (principal and interest) under Public Debt and Other Liabilities	16,740	23,132	30,759	39,157	44,528
Net funds available	2,838	569	4,793	10,367	19,578
Net funds available ( <i>in per cent</i> )	14.50	2.40	13.48	20.93	30.54

(Source: Finance Accounts of the respective years)

The increase in net funds available indicates that funds available with the Government for development activities/services have increased considerably over the years.

The *per cent* of net funds available to receipts under public debt during 2016-17 was 30.54 *per cent* which was lower than Jharkhand (32.43 *per cent*) and higher than Uttar Pradesh (25.75 *per cent*), Chhattisgarh (25.44 *per cent*) and Bihar (19.15 *per cent*).



### 1.6.3 Ujwal DISCOM Assurance Yojana

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.

GoMP entered into a tripartite MoU with MP DISCOMs<sup>37</sup> and Ministry of Power (GoI) in August 2016 wherein GoMP would take over 75 per cent of the debt of MP DISCOMs as on 30 September 2015 in five years as detailed in **Table 1.38**. As on 30 September 2015, the total debt of the MP DISCOMs was ₹ 34,739 crore and 75 per cent thereof i.e., ₹ 26,055 crore was agreed to be taken over by the GoMP under this scheme.

**Table 1.38: Details of debt of MP DISCOMs to taken over by GoMP**

(₹ in crore)					
Year	Per cent of total debt	Transfer to DISCOMs in the form of grants	to in the form of equity	to in the year	Outstanding debt of the DISCOMs at the end of the year
2016-17	21.80	-		7,568	18,487
2017-18	13.30	4,622		-	13,865
2018-19	13.30	4,622		-	9,243
2019-20	13.30	4,622		-	4,621
2020-21	13.30	4,621		-	-
<b>Total</b>	<b>75.00</b>	<b>18,487</b>		<b>7,568</b>	<b>-</b>

(Source: MoU between Ministry of Power, GoI, GoMP and MPDISCOMs)

As committed in the MoU, GoMP took over the debt of MP DISCOMs to the extent of ₹ 7,568 crore during 2016-17. However, GoMP transferred ₹ 3,557 crore as equity while the remaining amount of ₹ 4,011 crore was transferred as grant, instead of ₹ 7,568 crore as equity as specified in the MoU.

## 1.7 Follow up

Separate Report on State Finances is being prepared from the year 2008-09 onwards and is being presented to the State Legislature. Public Accounts Committee is yet to discuss these Reports.

<sup>37</sup> MPDISCOMs comprise Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (MPPKVCL), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVCL) and Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (MPPKVCL)