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## **Chapter 1**

# **FINANCES OF THE STATE GOVERNMENT**

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## CHAPTER 1

### FINANCES OF THE STATE GOVERNMENT

#### Introduction

This chapter provides an audit perspective on the finances of the State Government during 2017-18 and analyses changes in major fiscal aggregates relative to 2016-17 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**

(₹ in crore)					
Particular	2013-14	2014-15	2015-16	2016-17	2017-18
GDP of India at current prices	1,12,33,522	1,24,45,128	1,37,64,037	1,52,53,714	1,67,73,145
Growth rate of GDP (in per cent)	12.97	10.79	10.60	10.82	9.96
GSDP of the State at current prices	4,39,483	4,80,121	5,30,443	6,39,220	7,07,047
Growth rate of GSDP at current prices (in per cent)	15.37	9.25	10.48	20.51	10.61
GSDP of the State at constant <sup>2</sup> prices	3,65,134	3,84,105	4,07,970	4,65,136	4,99,102
Growth rate of GSDP at constant prices (in per cent)	3.82	5.20	6.21	14.01	7.30

(Source: Statement released by Ministry of Statistics and Programme Implementation dated 28 July 2018 and Directorate of Economic and Statistics, Government of Madhya Pradesh)

The per capita GSDP of Madhya Pradesh during 2017-18 was ₹ 88,817 as compared to per capita all India GDP of ₹ 1,29,800. It was better than the neighbouring States of Jharkhand (₹ 74,390) and Uttar Pradesh (₹ 61,558) but less than Chhattisgarh (₹ 1,10,628).

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**. Definitions of selected terms used in assessing the trends and pattern of fiscal aggregates is given in **Part C** of **Appendix 1.2**.

<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.

<sup>2</sup> Constant prices means prices with base year 2011-12.

### 1.1.1 Summary of fiscal transactions

**Table 1.2 and 1.3** present the summary of fiscal transactions of the State Government during 2013-18. **Appendix 1.3** provides details of receipts and disbursements as well as overall fiscal position during 2017-18.

**Table 1.2: Summary of Receipts during 2013-18**

(₹ in crore)

Section-A-Revenue	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Section-A: Revenue</b>					
<b>Revenue Receipts</b>	<b>75,749.24</b>	<b>88,640.78</b>	<b>1,05,510.60</b>	<b>1,23,306.79</b>	<b>1,34,875.39</b>
Tax Revenue	33,552.16	36,567.12	40,213.66	44,193.65	44,810.85
Non-Tax Revenue	7,704.99	10,375.23	8,568.79	9,086.51	9,061.18
Share of Union Taxes/Duties	22,715.27	24,106.99	38,397.84	46,064.10	50,853.07
Grants from GoI	11,776.82	17,591.44	18,330.31	23,962.53	30,150.29
<b>Section-B: Capital &amp; others</b>					
<b>Misc. Capital Receipts</b>	<b>35.98</b>	<b>27.73</b>	<b>26.47</b>	<b>24.19</b>	<b>19.35</b>
<b>Recoveries of Loans and Advances</b>	<b>93.22</b>	<b>6,765.05</b>	<b>162.32</b>	<b>772.05</b>	<b>5,069.53</b>
<b>Inter-State Settlement</b>	<b>2.44</b>	<b>0.91</b>	<b>1.93</b>	<b>0.01</b>	<b>-0.05</b>
<b>Public Debt Receipts</b>	<b>9,540.82</b>	<b>15,068.71</b>	<b>19,985.30</b>	<b>29,847.41</b>	<b>21,892.17</b>
<b>Contingency Fund</b>	<b>-</b>	<b>300.00</b>	<b>1.08</b>	<b>-</b>	<b>-</b>
<b>Public Account Receipts<sup>3</sup></b>	<b>94,811.32</b>	<b>1,10,294.74</b>	<b>1,32,772.19</b>	<b>1,61,078.58</b>	<b>1,71,664.83</b>
<b>Opening Cash Balance</b>	<b>7,074.81</b>	<b>4,477.03</b>	<b>5,401.96</b>	<b>10,898.72</b>	<b>10,993.66</b>
<b>Total</b>	<b>1,87,307.83</b>	<b>2,25,574.95</b>	<b>2,63,861.85</b>	<b>3,25,927.75</b>	<b>3,44,514.88</b>

(Source: Finance Accounts of the respective years)

**Table 1.3: Summary of Expenditure during 2013-18**

(₹ in crore)

	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Section-A: Revenue</b>					
<b>Revenue Expenditure</b>	<b>69,869.76</b>	<b>82,372.82</b>	<b>99,770.70</b>	<b>1,19,537.37</b>	<b>1,30,246.09</b>
General Services	20,590.93	22,365.11	25,700.26	27,903.12	32,100.08
Social Services	27,768.21	32,067.15	42,650.93	47,942.43	58,346.17
Economic Services	16,971.33	23,715.12	25,528.52	36,884.73	32,734.59
Grants-in-aid & Contributions	4,539.29	4,225.44	5,890.99	6,807.09	7,065.24
<b>Section-B: Capital And Others</b>					
<b>Capital Outlay</b>	<b>10,812.52</b>	<b>11,877.68</b>	<b>16,835.47</b>	<b>27,288.31</b>	<b>30,913.22</b>
<b>Loans and Advances Disbursed</b>	<b>5,077.52</b>	<b>12,534.61</b>	<b>3,157.91</b>	<b>4,940.27</b>	<b>1,550.20</b>
<b>Inter-State Settlement</b>	<b>2.36</b>	<b>0.98</b>	<b>1.94</b>	<b>0.66</b>	<b>-0.01</b>
<b>Repayment of Public Debt</b>	<b>4,004.65</b>	<b>4,920.52</b>	<b>4,860.36</b>	<b>4,925.41</b>	<b>5,776.38</b>
<b>Contingency Fund</b>	<b>-</b>	<b>301.08</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Public Account Disbursement</b>	<b>93,063.99</b>	<b>1,08,165.30</b>	<b>1,28,336.75</b>	<b>1,58,242.07</b>	<b>1,68,893.44</b>
<b>Closing Cash Balance</b>	<b>4,477.03</b>	<b>5,401.96</b>	<b>10,898.72</b>	<b>10,993.66</b>	<b>7,135.56</b>
<b>Total</b>	<b>1,87,307.83</b>	<b>2,25,574.95</b>	<b>2,63,861.85</b>	<b>3,25,927.75</b>	<b>3,44,514.88</b>

(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 1.4** below:

<sup>3</sup> Includes Major Heads from 8009 to 8782 (Statement 21 of Finance Accounts)

**Table 1.4: Trends in RR/ RE/CE relative to GSDP**

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Revenue receipts relative to GSDP</b>					
RR at current prices (₹ in crore)	75,749	88,641	1,05,511	1,23,307	1,34,875
Rate of growth of RR at current prices ( <i>per cent</i> )	7.56	17.02	19.03	16.87	9.38
RR at constant prices <sup>4</sup> (₹ in crore)	62,934	70,914	81,150	89,726	95,208
Rate of growth of RR at constant prices ( <i>per cent</i> )	-3.21	12.68	14.43	10.57	6.11
RR / GSDP ( <i>in per cent</i> )	17.24	18.46	19.89	19.29	19.08
<b>Revenue expenditure relative to GSDP</b>					
RE at current prices (₹ in crore)	69,870	82,373	99,771	1,19,537	1,30,246
Rate of growth of RE at current prices ( <i>in per cent</i> )	10.96	17.89	21.12	19.81	8.96
RE at constant prices (₹ in crore)	58,050	65,900	76,735	86,983	91,940
Rate of growth of RE at constant prices ( <i>in per cent</i> )	-0.15	13.52	16.44	13.35	5.70
RE/ GSDP ( <i>in per cent</i> )	15.90	17.16	18.81	18.70	18.42
<b>Capital expenditure relative to GSDP</b>					
CE at current prices (₹ in crore)	10,813	11,878	16,835	27,288	30,913
Rate of growth of CE at current prices ( <i>in per cent</i> )	-6.52	9.85	41.73	62.09	13.28
CE at constant prices (₹ in crore)	8,984	9,503	12,948	19,856	21,821
Rate of growth of CE at constant prices ( <i>in per cent</i> )	-15.88	5.78	36.26	53.36	9.90
CE/GSDP ( <i>in per cent</i> )	2.46	2.47	3.17	4.27	4.37

(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 receipts, revenue expenditure and capital expenditure as a percentage of GSDP increased in 2017-18 when compared to 2013-14 even after accounting for inflation.

### 1.1.2 Review of the fiscal situation

The performance of the State during 2017-18 under major variables provided in the budget, recommendations of the XIV Finance Commission (FC) and targeted in the Fiscal Responsibility and Budget Management (FRBM) Act as per actuals and as worked out by Audit is given in **Table 1.5**. Taking into account the various issues discussed in this report and detailed in **Paragraph 3.14** and **Table 3.12**, the Revenue Surplus was overstated by ₹ 1,602 crore while Fiscal Deficit and outstanding liabilities were understated by ₹ 949 crore and ₹ 929 crore respectively.

**Table 1.5: Performance of the State during 2017-18**

Key fiscal indicators	Targets set by the XIV FC	Targets as per FRBM Act	Targets in budget estimates (MTFPS <sup>5</sup> )	Actuals	Actuals as worked out by Audit
Revenue Deficit/ Surplus	No target fixed		0.63 <i>per cent</i> of GSDP {(+) ₹ 4,596 crore}	0.65 <i>per cent</i> of GSDP {(+) ₹ 4,629 crore}	0.43 <i>per cent</i> of GSDP {(+) ₹ 3,027 crore}
Fiscal Deficit	3.25 <i>per cent</i> of GSDP	3.50 <i>per cent</i> of GSDP	3.49 <i>per cent</i> of GSDP {(-) ₹ 25,689 crore}	3.22 <i>per cent</i> of GSDP {(-) ₹ 22,745 crore}	3.35 <i>per cent</i> of GSDP {(-) ₹ 23,694 crore}

<sup>4</sup> For converting current prices into constant prices, GSDP deflator is used. GSDP deflator is the ratio of GSDP at current prices and GSDP at constant prices [(GSDP deflator=GSDP at current prices/ GSDP at constant prices)x100]. To convert the variables (RR/RE/CE) at constant prices, the year in question is multiplied by 100 and divided by GSDP deflator of that year.

<sup>5</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>5</sup> )	Actuals	Actuals as worked out by Audit
Ratio of total outstanding debt to GSDP (in per cent)	25.49 per cent	25.00 per cent	24.94 per cent	24.38 per cent (₹ 1,72,363 crore)	24.51 per cent (₹ 1,73,292 crore)

(Source: XIV FC recommendations 2015-20, Statement laid before the Legislature along with the Budget under FRBM Act during 2017-18 and Finance Accounts 2017-18)

As seen from the above, the State has achieved targets of Revenue Surplus, Fiscal Deficit and ratio of outstanding debt to GSDP prescribed in the budget estimates 2017-18 and recommendation of XIV FC. However, as per actuals worked out by Audit, Revenue Surplus was below the target prescribed in budget estimates while fiscal deficit was above the target set by XIV FC.

During the exit conference (April 2019), Finance Department (FD) disagreed with the actuals as worked out by Audit, due to policy decision.

Fact remains that short transfer to the funds, non-payment of interest on reserve funds and deposits bearing interest and misclassification between revenue and capital resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit by ₹ 1,602 crore and ₹ 949 crore respectively.

#### 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 1.6**.

**Table 1.6: Component and financing of Fiscal Deficit**

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17 <sup>6</sup>	2017-18
<b>Fiscal Deficit (figures in brackets indicate per cent to GSDP)</b>	<b>9,882 (2.26)</b>	<b>11,352 (2.36)</b>	<b>14,065 (2.59)</b>	<b>27,664 (4.32)</b>	<b>22,745 (3.22)</b>
1 Revenue Surplus	5,879	6,268	5,740	3,770	4,629
2 Net Capital Expenditure	-10,777	-11,850	-16,809	-27,265	-30,894
3 Net Loans and Advances	-4,984	-5,770	-2,996	-4,169	3,520
<b>Financing Pattern of Fiscal Deficit*</b>					
1 Market Borrowings	3,572	8,171	12,991	14,551	13,125
2 Loans from GoI	450	536	414	249	824
3 Special Securities Issued to NSSF	1,270	1,184	922	1,266	1,348
4 Loans from Financial Institutions	245	258	798	1,590	913
5 Reserve Funds	971	143	1,733	-498	-1,038
6 Small Savings, PF etc.	948	962	1,025	813	680
7 Deposits and Advances	-490	618	574	3,436	2,316
8 Suspense and miscellaneous	32	462	1,457	-842	110
9 Remittances	286	-57	-352	-72	704
10 Others <sup>7</sup>	2,598	-925	-5,497	+7,171	3,763
<b>Fiscal Deficit</b>	<b>9,882</b>	<b>11,352</b>	<b>14,065</b>	<b>27,664</b>	<b>22,745</b>

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

(Source: Finance Accounts of the respective years)

<sup>6</sup> Includes impact of UDAY

<sup>7</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>8</sup> into primary revenue deficit<sup>9</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 1.7**) 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 1.7: 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(+)	Primary Deficit as a percentage of GSDP
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)	9
2013-14	75,880	63,479	10,813	5,079	79,371	12,401	-3,491	0.79
2014-15	95,435	75,302	11,878	12,536	99,716	20,133	-4,281	0.89
2015-16	1,05,701	91,680	16,835	3,160	1,11,675	14,021	-5,974	1.13
2016-17 <sup>#</sup>	1,24,103	1,10,458	27,288	4,942	1,42,688	13,645	-18,585	2.91
2017-18	1,39,964	1,19,201	30,913	1,550	1,51,664	20,763	-11,700	1.65

\*Including Inter-State settlement

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

(Source: Finance Accounts of the respective years)

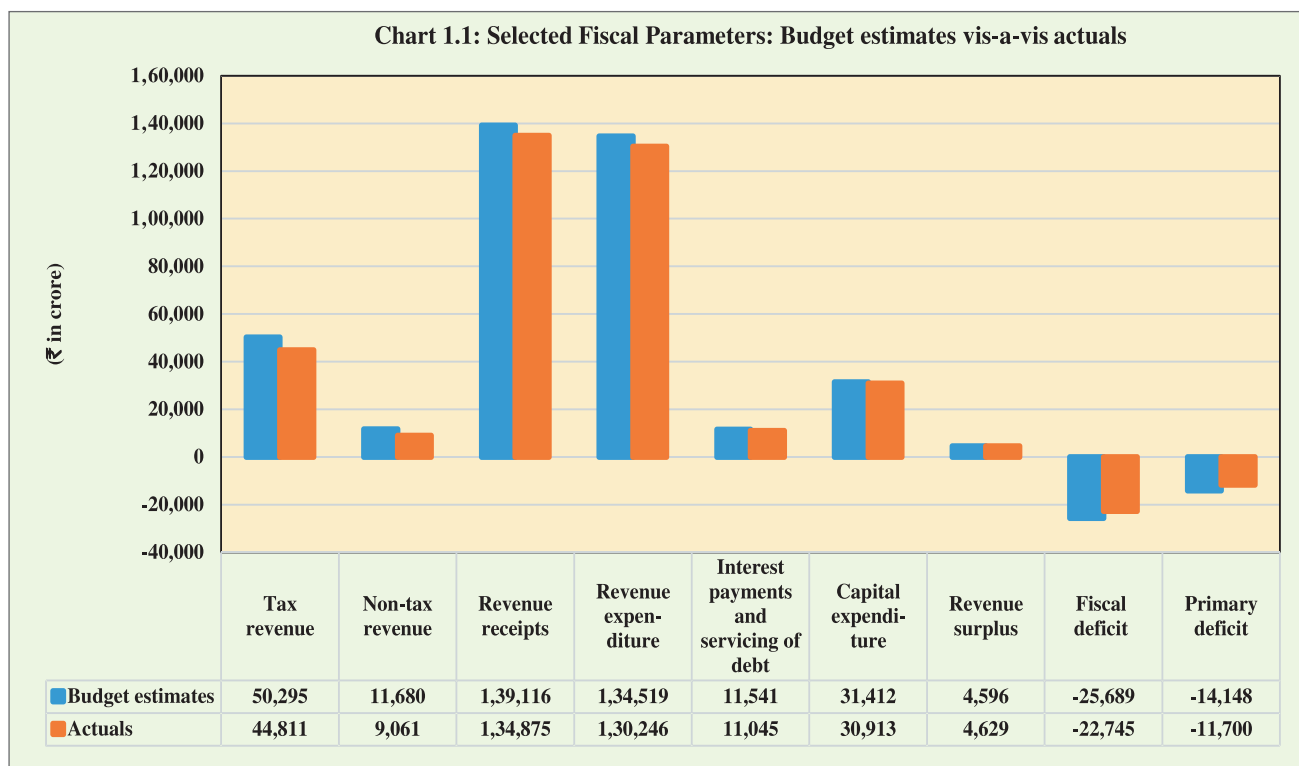
### 1.1.3 Budget estimates and actuals

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 2017-18 are shown in **Chart 1.1** and **Appendix 1.4**.

<sup>8</sup> Primary deficit is Fiscal Deficit excluding interest payments.

<sup>9</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.



(Source: Finance Accounts and Budget 2017-18)

- Revenue receipts fell short of budget estimate (₹ 1,39,116 crore) by ₹ 4,241 crore.
- The shortfalls in tax revenue were mainly under Taxes on Sales, Trade etc. (₹ 10,926 crore) and Taxes on Goods and Passengers (₹ 2,851 crore).
- The shortfalls in non-tax revenue were mainly under Education, Sports, Art and Culture (₹ 2,000 crore).
- The major shortfalls in revenue expenditure were in General Services (₹ 4,600 crore) counter-balanced by excess expenditure under Social Services (₹ 1,935 crore).
- The shortfall in Capital expenditure was ₹ 499 crore which was due to decrease in Social Services (₹ 1,395 crore) counter-balanced by excess expenditure of ₹ 1,076 crore under Economic Services.

**Recommendation:** FD 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 2013-14 to 2017-18 are given in **Table 1.8**.

**Table 1.8: Gender Budgetary allocations during 2013-18**

(₹ in crore)

Year	Category 1			Category 2		
	Outlay	Expenditure	Percentage of expenditure to outlay	Outlay	Expenditure	Percentage of expenditure to outlay
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	2,359.33	1,422.27	60.28	40,848.26	36,327.84	88.93
2017-18	2,617.70	NA*	-	44,391.09	NA*	-

\*NA-Not provided by FD

(Source: Information provided by FD, GoMP)

### Shortfall in utilisation of gender budget under two schemes being implemented by Women and Child Development Department

Test check of records of Women and Child Development Department (October-November 2018) revealed shortfalls in utilisation of gender budget under schemes 5643 'Additional honorarium to Anganwadi Workers and Assistant' and 5033 'Jabali Scheme (Veshya Vriti Unmolan)' during the period 2013-14 to 2017-18. The details are given in **Table 1.9**.

**Table 1.9: Provision and expenditure under schemes 5643 and 5033 during 2013-18**

(₹ in crore)

Year	Scheme 5643			Scheme 5033		
	Outlay	Expenditure	Shortfall in utilisation (per cent)	Outlay	Expenditure	Shortfall in utilisation (per cent)
2013-14	234.50	219.64	6.34	2.49	0.72	71.08
2014-15	290.34	268.62	7.48	1.10	0.93	15.45
2015-16	303.06	290.04	4.30	5.00	0.83	83.40
2016-17	302.96	279.88	7.62	31.91	1.07	96.65
2017-18	339.28	296.57	12.59	4.70	1.73	63.19
<b>Total</b>	<b>1,470.14</b>	<b>1,354.75</b>	<b>7.85</b>	<b>45.20</b>	<b>5.28</b>	<b>88.32</b>

(Source: Information furnished by concerned Department)

It can be seen from **Table 1.9** that shortfall in utilisation of gender budget under scheme 5643 ranged between 4.30 *per cent* and 12.59 *per cent* while scheme 5033 witnessed significant shortfall ranging between 15.45 *per cent* and 96.65 *per cent* during the period 2013-18.

On being asked about shortfall in utilisation of gender budget, Department replied that provision of funds under scheme 5033 was made for arranging training etc. for linking the mainstream of society and creating equal opportunity for employment but the same could not be allocated to the districts due to non-receipt of proposals. Department attributed the shortfall in utilisation under scheme 5643 to vacant posts.

During the exit conference (April 2019), FD replied that there was a separate volume-6, Gender Budget, which was presented in the Vidhan Sabha. It covers all the important schemes related to welfare of women. So, the women oriented schemes were being properly implemented in Madhya Pradesh. As far as the particular reference of Women and Child Welfare Department was concerned, these Departments would be intimated about the same.

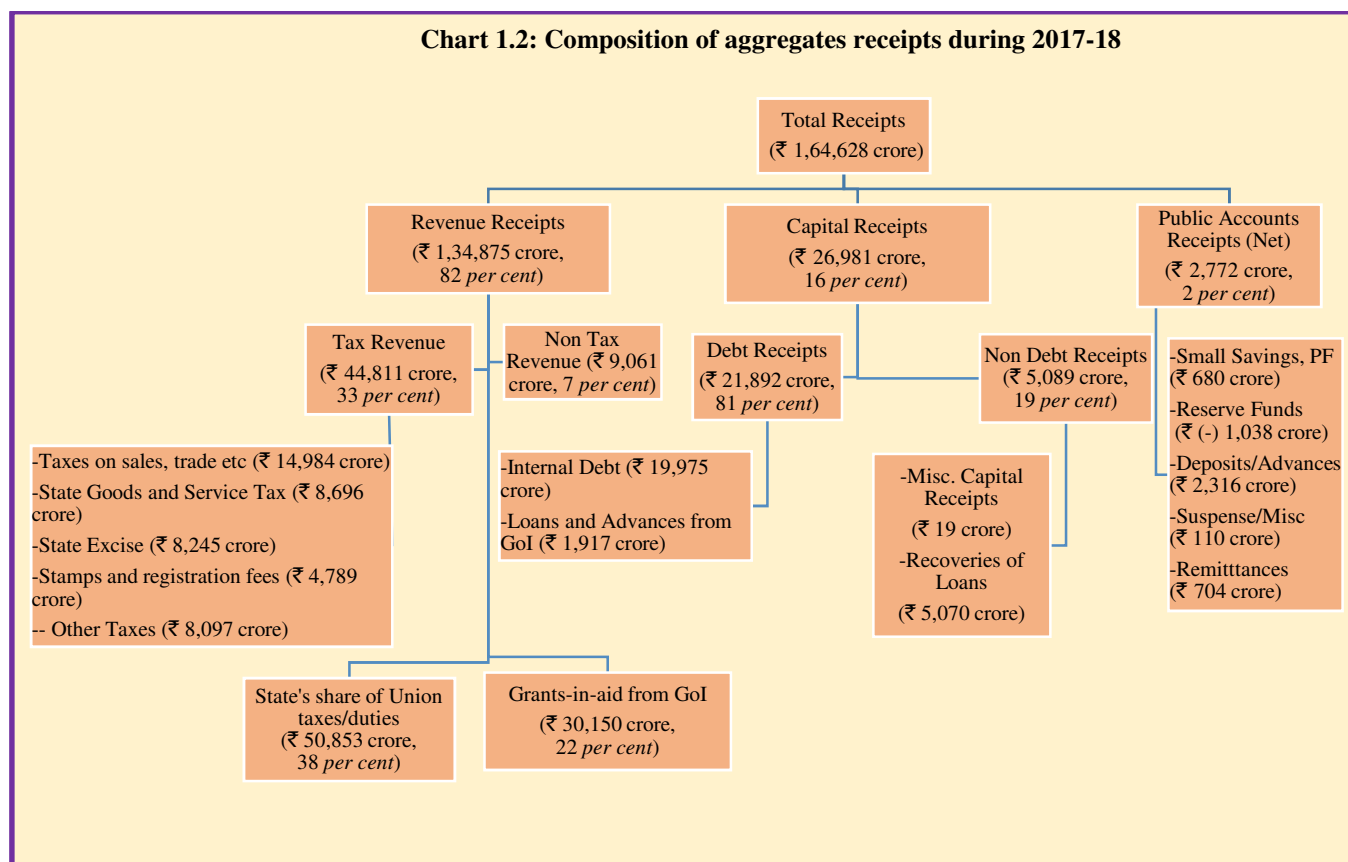
The fact remains that schemes 5643 and 5033 witnessed shortfall in utilisation of gender budget during the period 2013-18.

## 1.2 Financial resources of the State

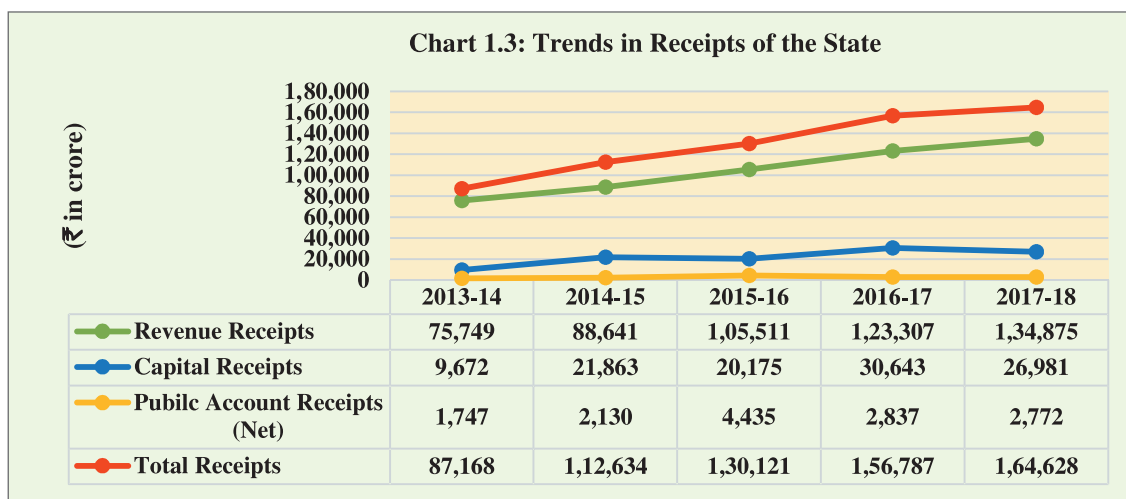
### 1.2.1 Resources of the State as per Annual Finance Accounts

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 Capital 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.

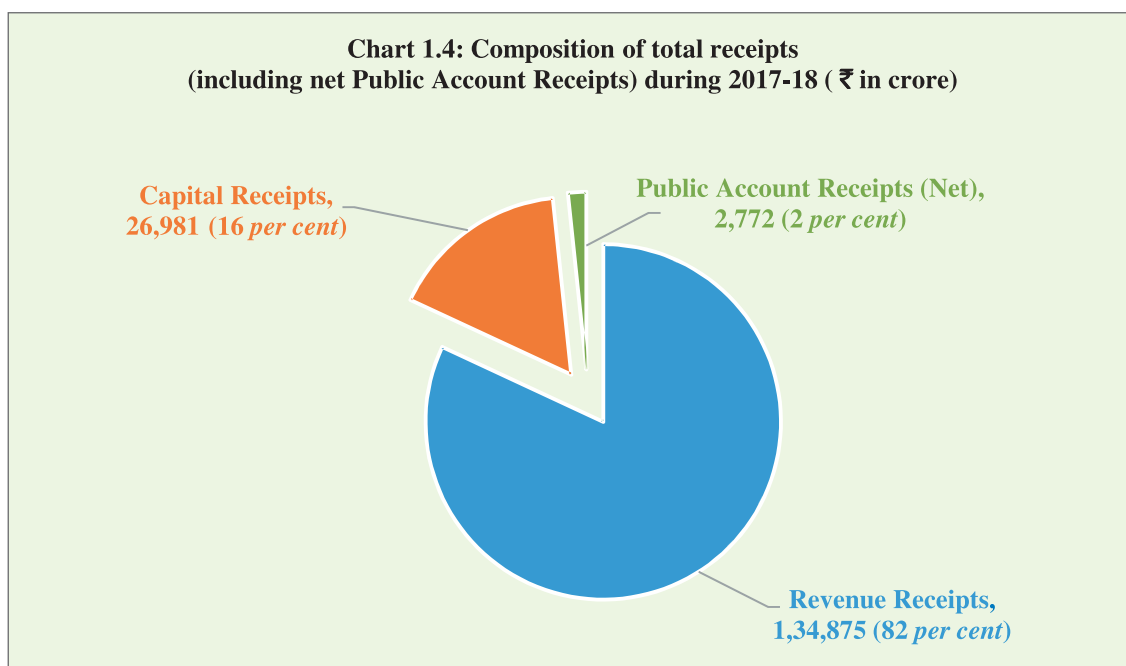
**Chart 1.2, 1.3 and 1.4** below depicts the composition of aggregates receipts, the trends in various components of receipts during 2013-18 and the composition of resources during 2017-18 respectively.



(Source: Finance Accounts 2017-18)



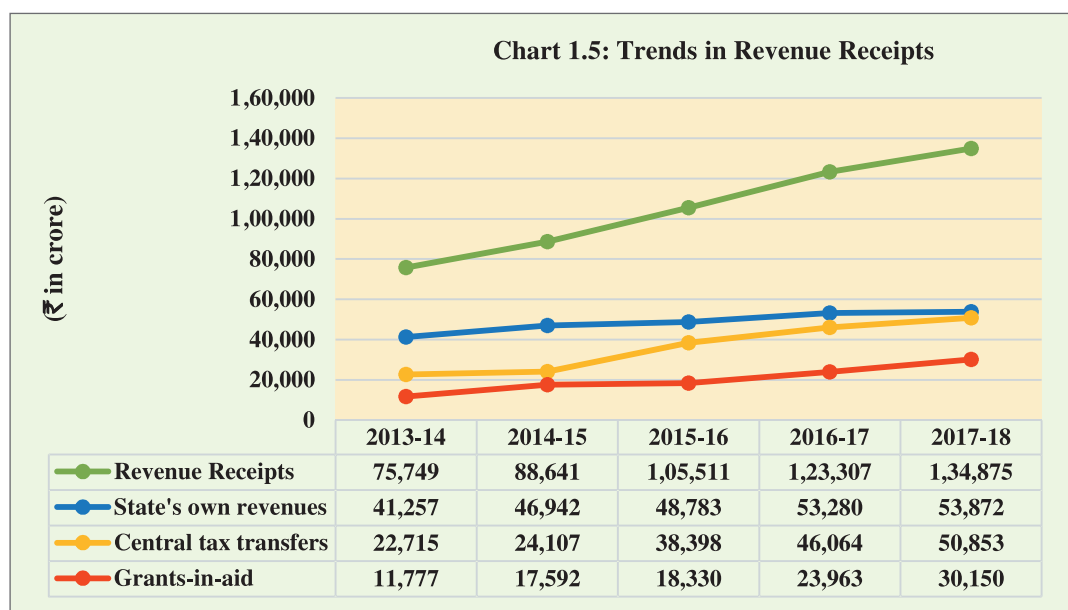
(Source: Finance Accounts of the respective years)



(Source: Finance Accounts 2017-18)

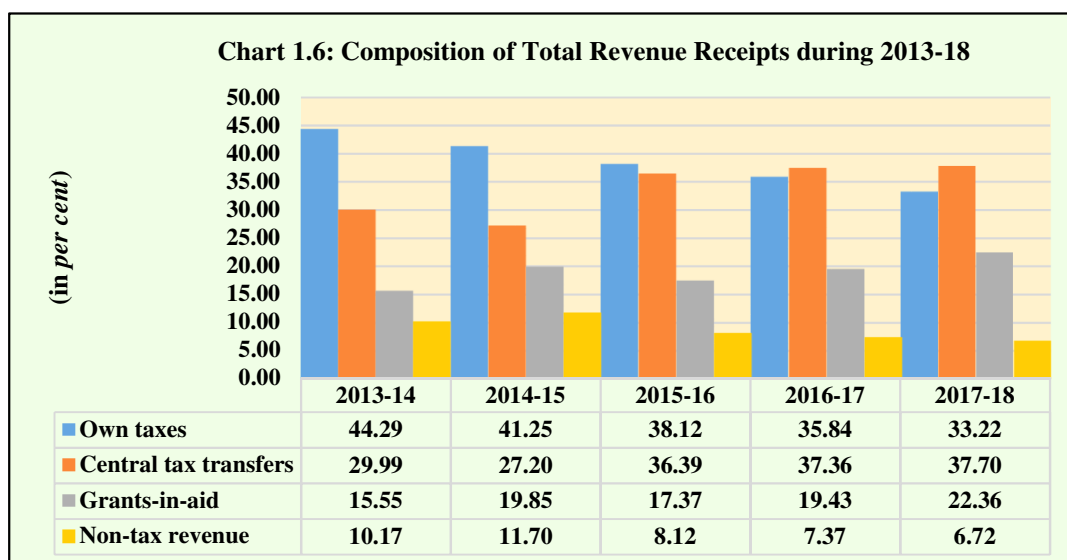
### 1.2.2 Revenue receipts

Statement 14 of the Finance Accounts gives details of the revenue receipts of the Government. The trends and composition of revenue receipts during 2013-18 are presented in **Appendix 1.5** and also depicted in **Chart 1.5** and **Chart 1.6** respectively.



(Source: Finance Accounts of the respective years)

The average growth rate in State's own revenue during the period 2013-18 was seven *per cent*. Growth rate in State's own revenue was 10 *per cent*, 14 *per cent*, four *per cent* and nine *per cent* during 2013-14, 2014-15, 2015-16 and 2016-17 respectively. The share of own taxes in total revenue of the State came down from 44.29 *per cent* in 2013-14 to 33.22 *per cent* in 2017-18. In 2017-18 the growth rate was only one *per cent* due to less receipts under Tax on Entry of Goods into Local Area, which was subsumed under Goods and Service Tax with effect from 01 July 2017. The shortfall in tax collection was compensated by GoI in the form of Grants-in-aid (₹ 2,511 crore). If the compensation received from GoI is included in State's own revenue, the growth would be six *per cent*.



(Source: Finance Accounts of the respective years)

The increase (₹ 11,568 crore; nine *per cent*) in revenue receipts during 2017-18 were mainly due to increase in Grants-in-aid from GoI (₹ 6,187 crore: 26 *per cent*) and net proceeds assigned to the State by GoI (₹ 4,789 crore: 10 *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 2013-18 are presented in **Appendix 1.6**. These increased by ₹ 12,615 crore (31 *per cent*) from ₹ 41,257 crore in 2013-14 to ₹ 53,872 crore in 2017-18.

### Tax Revenue

Details of tax revenue during 2013-18 are given in **Table 1.10** below.

**Table 1.10: Components of Tax Revenue**

Revenue Head	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Taxes on sales, trades etc.	16,650	18,136	19,806	22,561	14,984
State Goods and Service Tax	-	-	-	-	8,696
State excise	5,907	6,696	7,923	7,533	8,245
Taxes on vehicles	1,599	1,824	1,933	2,252	2,692
Stamps and registration fees	3,400	3,893	3,868	3,925	4,789
Land Revenue	366	243	277	407	491
Taxes on goods and passengers	2,579	2,686	3,085	3,805	1,159
Taxes and duties on electricity	1,972	2,010	2,258	2,621	2,590
Other taxes*	1,079	1,079	1,064	1,090	1,165
<b>Total</b>	<b>33,552</b>	<b>36,567</b>	<b>40,214</b>	<b>44,194</b>	<b>44,811</b>
GSDP at current prices	4,39,483	4,80,121	5,30,443	6,39,220	7,07,047
Tax revenue as percentage of GSDP (in <i>per cent</i> )	7.63	7.62	7.58	6.91	6.34

(Source: Finance Accounts of the respective years)

\* Other taxes include Taxes on Immovable Property other than Agricultural Land (₹ 644 crore), Other Taxes on Income and Expenditure (₹ 342 crore) and Duties on Commodities and Services (₹ 179 crore).

- Own tax revenue relative to GSDP of the State was 6.34 *per cent* during 2017-18 as compared to neighbouring States i.e. Jharkhand (4.84 *per cent*), Gujarat (5.42 *per cent*), Rajasthan (6.02 *per cent*), Chhattisgarh (6.82 *per cent*) and Uttar Pradesh (7.08 *per cent*).
- The growth in own tax revenue was only 1.40 *per cent* during 2017-18 over the previous year due to implementation of GST from July 2017. GoI has also provided compensation on account of rolling out of GST amounting to ₹ 2,511 crore as grants-in-aid. If the compensation received from GoI is included in own tax, the growth would be 7.08 *per cent*.
- During 2017-18, revenue earned from taxes subsumed under GST was ₹ 27,350 crore (including compensation ₹ 2,511 crore) against the revenue of ₹ 26,366 earned during 2016-17.

### Non-Tax Revenue

Details of receipts from non-tax revenues during 2013-18 are given in **Table 1.11** below:

**Table 1.11: Components of Non-tax revenue**

(₹ in crore)

Revenue Head	2013-14	2014-15	2015-16	2016-17	2017-18
Non-ferrous Mining and Metallurgical	2,306	2,814	3,060	3,168	3,641
Education, Sports, Art and Culture	2,008	3,276	1,292	1,824	1,310
Forestry and wildlife	1,037	969	1,002	918	1,112
Interest receipts	318	1,261	429	582	639
Dividends and profits	379	80	130	231	622
Other non-tax receipts	1,657	1,975	2,656	2,363	1,737
<b>Total</b>	<b>7,705</b>	<b>10,375</b>	<b>8,569</b>	<b>9,086</b>	<b>9,061</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 2017-18 are given in **Table 1.12** below:

**Table 1.12: 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.	14,984.04	182.34	1.22	0.69
Taxes on vehicles	2,691.62	49.91	1.85	2.61
State excise	8,245.01	118.80	1.44	2.01
Stamps and registration fees	4,788.51	77.80	1.62	2.99

(Source: Finance Accounts 2017-18)

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 1.13** below:

**Table 1.13: Taxes on sales, trade etc. with GSDP ratio**

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Taxes on sales, trade etc. (₹ in crore)	16,650	18,136	19,806	22,561	14,984
Taxes on sales, trade etc./GSDP ratio of Madhya Pradesh	0.04	0.04	0.04	0.04	0.02
All India tax (receipts under state sales tax) to GDP ratio	0.01	0.02	0.02	0.02	0.01

Details of budget estimates and actuals of taxes on sales, trade etc. during 2013-18 are shown in **Table 1.14** below:

**Table 1.14: Trend analysis of budget estimate and actuals**

(₹ in crore)

Taxes on Sales, Trade etc.	2013-14	2014-15	2015-16	2016-17	2017-18
Budget estimate	16,500	19,500	21,300	22,000	25,910
Actuals	16,650	18,136	19,806	22,561	14,984

(Source: Finance Accounts and budget books of respective years)

The actual collection of Taxes on Sales, Trade etc. during 2017-18 fell short of budget estimates by ₹ 10,926 crore due to implementation of Goods and Service Tax which was effective from July 2017. State Goods and Service Tax subsumed some taxes under Taxes on Sales, Trade etc. During 2017-18, receipts under State Goods and Service Tax was ₹ 8,696 crore.

### 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 1.15**.

**Table 1.15: Grants-in-aid from GoI**

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Non-plan grants	3,540	4,425	3,990	5,473	4,408
Grants for State plan schemes	5,536	9,011	13,371	17,702	23,164
Grants for Central plan schemes	153	1,263	359	257	67
Grants for Centrally sponsored schemes	2,548	2,893	610	531	-
Other grants to States <sup>10</sup>	-	-	-	-	2,511
<b>Total</b>	<b>11,777</b>	<b>17,592</b>	<b>18,330</b>	<b>23,963</b>	<b>30,150</b>
Percentage of increase(+)/decrease(-) over previous year	(-) 2.18	49.38	4.19	30.73	25.82
Revenue receipts	75,749	88,641	1,05,511	1,23,307	1,34,875
Total grants as a percentage of revenue receipts	15.55	19.85	17.37	19.43	22.35

(Source: Finance Accounts of the respective years)

### 1.2.2.4 Central Tax transfers

Details of GoI transfers to the State Government during 2013-18 are given in **Table 1.16**:

**Table 1.16: Trends in central tax/ duty transfer**

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Total central tax transfer</b>	<b>22,715</b>	<b>24,107</b>	<b>38,398</b>	<b>46,064</b>	<b>50,853</b>
Central Goods and Service Tax	-	-	-	-	716
Integrated Goods and Service Tax	-	-	-	-	5,132
Service tax	3,701	3,554	6,656	7,434	5,795
Taxes on income other than Corporation tax	5,030	6,011	8,400	10,252	13,147
Union excise duties	2,618	2,202	5,100	7,246	5,363
Corporation tax	7,639	8,418	12,078	14,752	15,569
Taxes on wealth	21	23	3	34	0
Customs	3,706	3,899	6,134	6,346	5,131
Other taxes and duties on commodities and services	0	0	27	0.13	0

(Source: Finance Accounts of the respective years)

### 1.2.2.5 Evasion of tax detected by the Department

The details of cases of evasion of tax detected, cases finalised and the demands for additional tax raised as on 31 March 2018 as reported by the Mining Department and Department of Registration and Stamps are given in **Table 1.17**.

<sup>10</sup> Compensation for loss of revenue arising out of implementation of GST

**Table 1.17: Evasion of Tax**

Nature of Revenue	No. of cases pending as on 31 March 2017	No. of cases detected during 2017-18	Total no. of cases	No. of cases in which investigation completed and additional demand including penalty raised		No. of pending cases as on 31 March 2018
				No. of cases	Amount (₹ in crore)	
Mining	2,260	16,139	18,399	14,739	43.76	3,660
Stamps and Registration fees	16,629	9,249	25,878	12,525	93.06	13,353
<b>Total</b>	<b>18,889</b>	<b>25,388</b>	<b>44,277</b>	<b>27,264</b>	<b>136.82</b>	<b>17,013</b>

(Source: Information furnished by concerned Departments)

**1.2.3 Receipts under the capital section**

Trends of receipts under the capital section during 2013-18 are given in **Table 1.18**.

**Table 1.18: Trends in receipts under the Capital Section**

(₹ in crore)

Sources of State's Receipts	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Receipts under the capital section</b>	<b>9,672</b>	<b>21,863</b>	<b>20,175</b>	<b>30,643</b>	<b>26,981</b>
<b>Non-debt capital receipts</b>	<b>131</b>	<b>6,794</b>	<b>190</b>	<b>796</b>	<b>5,089</b>
Miscellaneous capital receipts	36	28	26	24	19
Inter-State settlement	2	1	2	-	-
Recovery of loans and advances	93	6,765 <sup>11</sup>	162	772 <sup>12</sup>	5,070 <sup>13</sup>
<b>Public debt receipts</b>	<b>9,541</b>	<b>15,069</b>	<b>19,985</b>	<b>29,847</b>	<b>21,892</b>
Rate of growth of non-debt capital receipts ( <i>per cent</i> )	79.45	5,086.26	(-)97.20	318.95	539.32
Rate of growth of receipts under the capital section ( <i>per cent</i> )	9.12	126.04	(-)7.72	51.89	(-)11.95

(Source: Finance Accounts of the respective years)

**1.2.3.1 Debt Receipts from internal sources**

Details of debt receipts from internal sources during 2013-14 to 2017-18 are given in **Table 1.19**.

**Table 1.19: Debt receipts from internal sources**

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Market Borrowings	5,000	10,300	14,700	16,100	15,000
Loans from financial institutions	1,332	1,483	2,075	2,602	2,101
Compensation and other bonds	-	-	-	7,360	-
Special Securities issued to NSSF	1,996	1,914	1,884	2,518	2,874

(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 1.4.2**.

**1.2.3.2 Loans and advances from GoI**

Details of loans and advances received from GoI during 2013-14 to 2017-18 are given in **Table 1.20**.

<sup>11</sup> Of this, ₹ 6,694 crore pertains to recovery of 'loans for power projects'<sup>12</sup> Of this, ₹ 507 crore pertains to recovery of loans to agriculture and allied activities<sup>13</sup> Of this, ₹ 4,622 crore pertains to recovery of 'loans for power projects'

**Table 1.20: Loans and advances from GoI**

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Loans and advances from GoI	1,212	1,372	1,326	1,267	1,917

(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 1.21**.

**Table 1.21: Status of Public Accounts (Net)**

(₹ in crore)

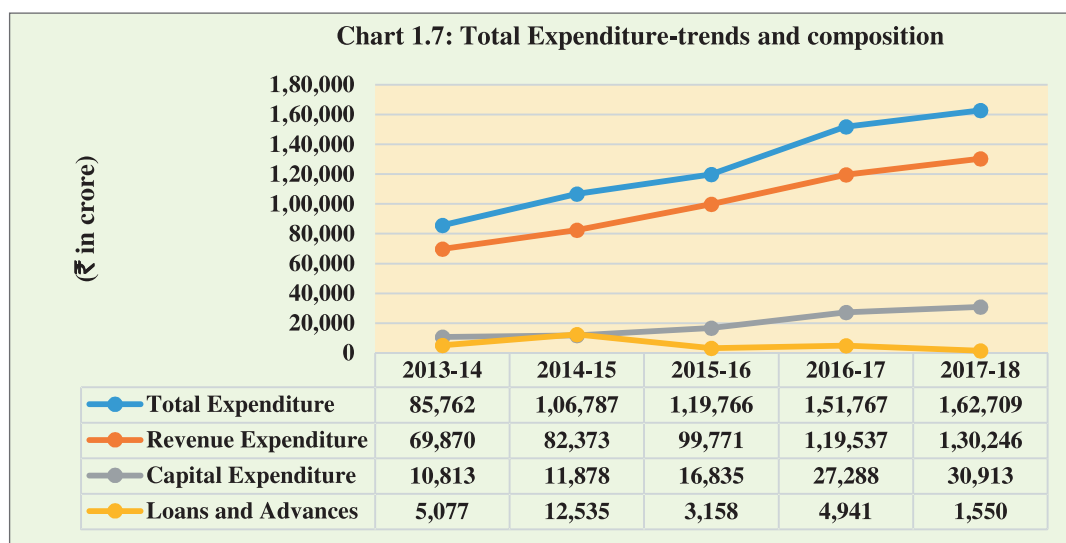
Resources under various heads	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Public Accounts (Net)</b>	<b>1,747</b>	<b>2,130</b>	<b>4,435</b>	<b>2,837</b>	<b>2,772</b>
a. Small savings, provident funds etc.	948	963	1,024	813	680
b. Reserve funds	971	144	1,733	(-)498	(-)1,038
c. Deposits and advances	(-)490	618	574	3,436	2,316
d. Suspense and miscellaneous	32	462	1,457	(-)842	110
e. Remittances	286	(-)57	(-)353	(-)72	704

(Source: Finance Accounts of respective years)

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

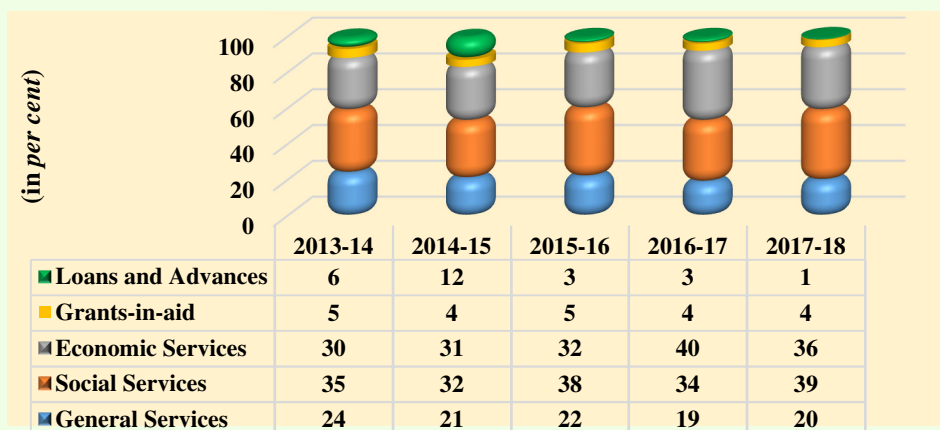
**1.3 Application of resources****1.3.1 Growth and composition of expenditure**

**Charts 1.7** and **1.8** present the trends and composition of total expenditure and activity-wise expenditure during 2013-18 respectively.



(Source: Finance Accounts of the respective years)

Chart 1.8: Total Expenditure: Trend by Activities/Services



(Source: Finance Accounts of the respective years)

### 1.3.2 Revenue expenditure

Details of revenue expenditure are given in **Table 1.22**.

Table 1.22: Details of Revenue Expenditure

Particulars	₹ in crore				
	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue expenditure	69,870	82,373	99,771	1,19,537	1,30,246
Rate of growth of revenue expenditure (in per cent)	10.96	17.89	21.12	19.81	8.96

(Source: Finance Accounts of the respective years)

There was an overall increase of ₹ 10,709 crore (nine per cent) in revenue expenditure in 2017-18 over 2016-17. The increase was mainly under Water Supply, Sanitation, Housing and Urban Development (by ₹ 6,135 crore), Education, Sports, Art and Culture (by ₹ 2,510 crore) and Agriculture and Allied Activities (by ₹ 1,617 crore).

### 1.3.3 Capital expenditure

Details of capital expenditure are given in **Table 1.23**.

Table 1.23: Details of Capital Expenditure

Particulars	₹ in crore				
	2013-14	2014-15	2015-16	2016-17	2017-18
Capital expenditure	10,813	11,878	16,835	27,288	30,913
Rate of growth of Capital expenditure (in per cent)	(-)6.52	9.85	41.73	62.09	13.28
Capital expenditure as a percentage of GSDP at current prices (in per cent)	2.46	2.47	3.17	4.27	4.37

(Source: Finance Accounts of the respective years)

- There was notable increase in capital expenditure during 2013-14 to 2017-18 showing utilisation of revenue surplus for funding capital expenditure. The capital expenditure which was ₹ 10,813 crore in 2013-14 stood at ₹ 30,913 crore in 2017-18 witnessing a growth of 286 per cent. The capital expenditure as a percentage of GSDP at current prices has also increased from 2.46 per cent in 2013-14 to 4.37 per cent in 2017-18.

- Capital expenditure increased by ₹ 3,625 crore (13 *per cent*) during 2017-18 over the previous year due to increase under Energy (by ₹ 2,813 crore).
- Capital expenditure during 2015-16 increased mainly under Major Irrigation (by ₹ 2,020 crore). Further, increase in 2016-17 was under Energy (by ₹ 4,117 crore) and irrigation and flood control (by ₹ 2,097 crore).
- Capital expenditure relative to GSDP of the State was 4.37 *per cent* during 2017-18 as compared to neighbouring States i.e. Gujarat (1.99 *per cent*), Rajasthan (2.45 *per cent*), Uttar Pradesh (2.84 *per cent*), Chhattisgarh (3.43 *per cent*) and Jharkhand (4.68 *per cent*).

### 1.3.4 Committed expenditure

Committed expenditure of the Government during 2017-18 under revenue head mainly consists of interest payments (₹ 11,045 crore), expenditure on salaries and wages (₹ 24,026 crore), pensions (₹ 9,290 crore) and subsidies (₹ 19,381 crore). The committed expenditure (₹ 63,742 crore) constitutes a major component of revenue expenditure and consumed 49 *per cent* of the revenue expenditure (₹ 1,30,246 crore).

**Table 1.24** presents the trends under the committed expenditure during 2013-18.

**Table 1.24: Trends in Components of Committed Expenditure**

Components of committed expenditure	2013-14	2014-15	2015-16	2016-17	2017-18	
					BE	Actuals
Salaries* and wages, of which	18,361 (24.24)	19,997 (22.56)	20,554 (19.48)	21,577 (17.50)	29,424 (21.15)	24,026 (17.81)
Interest payments	6,391 (8.44)	7,071 (7.98)	8,091 (7.67)	9,079 (7.36)	11,541 (8.30)	11,045 (8.19)
Pension payments	5,932 (7.83)	6,836 (7.71)	7,819 (7.41)	8,793 (7.13)	12,369 (8.89)	9,290 (6.89)
Subsidies	6,567 (8.67)	9,954 (11.23)	11,725 (11.11)	16,512 (13.39)	17,813 (12.80)	19,381 (14.37)
<b>Total</b>	<b>37,251</b> <b>(49.18)</b>	<b>43,858</b> <b>(49.48)</b>	<b>48,189</b> <b>(45.67)</b>	<b>55,961</b> <b>(45.38)</b>	<b>71,147</b> <b>(51.14)</b>	<b>63,742</b> <b>(47.26)</b>

Note: Figures in parentheses indicate percentage of Revenue Receipts

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

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

### Pension Payments

During the year 2017-18, expenditure on pension payments was ₹ 9,290.25 crore, out of which ₹ 8,861.44 crore was incurred on pension and other retirement benefits to the State Government employees appointed on or before 31 December 2004 and the remaining ₹ 428.81 crore was incurred towards Government contribution for defined contribution pension scheme applicable on employees recruited on or after 1 January 2005.

### Subsidies

The department/head-wise details of subsidies paid by the State Government on subsidies during 2017-18 are given in Appendix II of the Finance Accounts. An amount of ₹ 19,381 crore was paid as subsidies during the year which constituted 14 *per cent* of the revenue receipts. The subsidy given to major

activities were under Energy activities: ₹ 9,484 crore (49 *per cent*); Farmers Welfare and Agriculture Development activities: ₹ 3,950 crore (20 *per cent*) and Co-operation activities: ₹ 1,473 crore (eight *per cent*).

### 1.3.5 National Pension System (NPS)

State Government employees recruited on or after 1 January 2005 are covered under the 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). At the time of inception of NPS, GoMP credited contributions of employees and Government under Head 8342-117-Other Deposits-Defined Contribution Pension Scheme and followed the same till 30 September 2009.

From 1 October 2009 onwards, GoMP, in accordance with instructions issued by Ministry of Finance, GoI (September 2008), started classifying employees' contributions under the Head 0071-500-‘Receipts Awaiting Transfer to other Minor Heads’, debiting Government contributions to the Head 2071-117-Government Contribution for Defined Contributory Pension Scheme and subsequently transferring the Government contribution to the Head 0071-500-‘Receipts Awaiting Transfer to other Minor Heads’.

#### 1.3.5.1 Discrepancies in deduction of NPS contribution of Government employees from salaries/ arrears noticed during audit

Out of the total 314 offices of Block Education Officers (BEOs) in Madhya Pradesh, 78 BEOs were audited. During the audit of 78 BEOs, records of 260 schools were audited where Audit observed non-deduction of NPS in four<sup>14</sup> BEOs comprising 20 schools (7.69 *per cent* of audited schools). The details are given in **Part (A) of Table 1.25**.

Similarly, out of the total 133 Forest offices (FOs) in Madhya Pradesh, 63 FOs were audited, cases of failure in deduction of contribution of State Government employees towards NPS from the arrears of dearness allowances were noticed in four<sup>15</sup> FOs (6.35 *per cent* of total selected FOs). The details are given in **Part (B) of Table 1.25**.

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<sup>14</sup> 1. BEO, Chhaigaon Makhan, Khandwa, 2. BEO, Buxvaha,, 3. BEO,,Baldevgarh, Tikamgarh, 4. BEO, Tikamgarh

<sup>15</sup> 1. Divisional Forest Officer, South Seoni, 2. Divisional Forest Officer, West Chhindwara, 3. Field Director, Pench Tiger Reserve, Seoni, 4. Divisional Forest Officer, East Chhindwara

**Table 1.25: Details of test checked cases where employees' contribution were not deducted from salaries and arrears of dearness allowance**

(₹ in lakh)

Sl. No.	Institution Name	Number of employees	Employees' contribution which was not deducted	Matching share of employer	Amount not transferred to NSDL
(A) NON-DEDUCTION OF EMPLOYEES' CONTRIBUTION FROM SALARIES					
(a) Block Education Officer, Chhaigaon Makhan, Khandwa					
1.	Block Education Officer, Chhaigaon, Khandwa	27	8.83	8.83	17.66
2.	Government Higher Secondary School, Chichgohan, Khandwa	21	6.69	6.69	13.38
3.	Government Excellence Higher Secondary School, Khandwa	13	5.09	5.09	10.18
Total (a)		61	20.61	20.61	41.22
(b) Block Education Officer, Buxvaha					
1.	Government Girls Higher Secondary School	15	3.93	3.93	7.86
2.	Government Higher Secondary School, Darguan	9	6.91	6.91	13.82
3.	Government Higher Secondary School, Bamhori	32	9.46	9.46	18.92
4.	Government Excellence Higher Secondary School, Buxvaha	8	3.25	3.25	6.50
5.	Government Higher Secondary School, Bajna	3	1.22	1.22	2.44
Total (b)		67	24.77	24.77	49.54
(c) Block Education Officer, Baldevgarh					
1.	Government Higher Secondary School, Hata	36	5.83	5.83	11.66
2.	Government Higher Secondary School, Deri	27	8.26	8.26	16.52
3.	Government Boys Higher Secondary School, Khargapur	45	11.35	11.35	22.70
4.	Government Girls Higher Secondary School, Baldevgarh	31	8.20	8.20	16.40
Total (c)		139	33.64	33.64	67.28
(d) Block Education Officer, Tikamgarh					
1.	Government Higher Secondary School, Mawai	14	5.90	5.90	11.80
2.	Government Higher Secondary School, Ajnour	34	10.22	10.22	20.44
3.	Government Girls Higher Secondary School	2	1.29	1.29	2.58
4.	Government Higher Secondary School No. 2	5	1.39	1.39	2.78
5.	Government Higher Secondary School, Astaun	11	3.39	3.39	6.78
6.	Government Higher Secondary School, Kundeshwar	18	5.57	5.57	11.14
7.	Government Higher Secondary School, Budhera	17	5.42	5.42	10.84
8.	Government Senior Basic High School, Tikamgarh	34	9.57	9.57	19.14
9.	Sankul Government Higher Secondary School, Patha	8	3.18	3.18	6.36
Total (d)		143	45.93	45.93	91.86
Total (A)		410	124.95	124.95	249.90
(B) NON-DEDUCTION OF EMPLOYEES' CONTRIBUTION FROM ARREARS OF DEARNESS ALLOWANCE					
1.	Divisional Forest Officer, South Seoni	71	1.38	1.38	2.76
2.	Field Director, Pench Tiger Reserve, Seoni	69	3.43	3.43	6.86
3.	Divisional Forest Officer, East Chhindwara	80	0.45	0.45	0.90
4.	Divisional Forest Officer, West Chhindwara	111	13.04	13.04	26.08
		108	2.97	2.97	5.94
Total (B)		439	21.27	21.27	42.54
Grand total (A & B)		849	146.22	146.22	292.44

(Source: Information furnished by concerned Block Education Officers and Forest Officers)

**Table 1.25** exhibited the following:

- BEOs had neither deducted the contribution of 410 State Government employees amounting to ₹ 1.25 crore from their salaries covered under NPS nor matched the equal contribution since the appointment of these employees.

On being asked about it, BEOs, Buxvaha and Baldevgarh replied that contribution could not be deducted due to non-receipt of Permanent Retirement Account Number (PRAN) while BEO, Tikamgarh stated that action had been taken for allotment of PRAN and the contribution of employees would be deducted after allotment of PRAN as per rules.

- Further, FOs also failed to deduct the NPS contribution of 439 employees amounting to ₹ 21.27 lakh from the arrears of dearness allowance.

On being asked about failure to deduct employees' contribution from the arrears of dearness allowance, Field Director, Pench Tiger Reserve, Seoni and Divisional Forest Officer, East Chhindwara replied that instructions for deducting the NPS contribution from arrears are not available. Forest Officer, South Seoni replied that NPS subscription is automatically deducted from employees' salary by the software but provision for deducting NPS subscription from arrears of dearness allowance is not available in the software.

The replies are not tenable as guidelines for NPS clearly stipulates that employee covered under NPS will contribute 10 *per cent* of basic pay and dearness allowance. Thus, failure to deduct NPS contribution of 849 employees amounting to ₹ 1.46 crore has deprived the Government employees of the benefits of NPS and also resulted in short transfer of ₹ 2.92 crore to NSDL.

#### 1.3.5.2 Analysis of NPS based on Finance Accounts

Analysis of NPS based on Finance Accounts pertaining to period 2010-11 to 2017-18 revealed the following:

- As per the Ministry of Finance, GoI (September 2008), no contributions are to be parked under the Head of Account "8342-117- Other Deposits-Defined Contribution Pension Scheme" even as a temporary measure. Audit noted that an amount of ₹ 20.49 crore was parked under the above Major Head as on 31 March 2018. Consequently, the balances remained to be transferred to the individual Pension accounts, along with interest thereon.
- As against the employees contribution of ₹ 1,590.17 crore during 2010-11 to 2017-18, the actual contribution made by the State Government was ₹ 1,731.22 crore.
- Apart from the above, against the total contribution of ₹ 3,321.38 crore (employees' share and Government share for the period 2010-11 to 2017-18), only ₹ 3,203.56 crore was transferred to NSDL and the remaining amount of ₹ 117.82 crore was not transferred to NSDL.
- During 2017-18, Government transferred only ₹ 801.63 crore to NSDL out of total contribution of ₹ 821.45 crore. This resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit by ₹ 19.82 crore for 2017-18. 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 should examine the reasons for non-deduction and put in place a mechanism to ensure that employees' contributions are fully deducted, fully matched by Government contributions and fully transferred to NSDL in a timely manner. In case of any delay in transfer to NSDL, interest at least at GPF rate may be credited to subscriber's account. Non-deduction of NPS contribution or its non-transfer (along with State Government contribution) is not only a loss to the individual employees it might adversely affect the scheme itself.*

### 1.3.6 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).

#### 1.3.6.1 Adequacy of public expenditure

The fiscal priorities of the State Government with regard to development expenditure, social services expenditure and capital expenditure during 2013-14 and 2017-18 are analysed in **Table 1.26**.

**Table 1.26: Fiscal priority of the State in 2013-14 and 2017-18**

			(in per cent)						
Fiscal Priority (percentage to GSDP)			AE/ GSDP	DE#/ AE	SSE/ AE	ESE/ AE	CE/AE	Education/ AE	Health/ AE
General Category States Average (Ratio) 2013-14			14.70	66.50	37.60	28.90	13.60	17.20	4.50
Madhya Pradesh's (Ratio) 2013-14			19.51	70.46	34.67	35.79	12.61	16.14	4.02
General Category States Average (Ratio) 2017-18			16.10	67.90	36.70	29.60	14.40	15.50	4.90
Madhya Pradesh's (Ratio) 2017-18			23.01	75.38	39.28	36.10	19.00	14.54	3.94
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 2017-18 was higher than the average of general category states except in the Education and Health Sector.

### 1.3.7 Efficiency of expenditure use

Details of capital and revenue expenditure on maintenance of social and economic services are given in **Table 1.27** below:

**Table 1.27: Efficiency of expenditure use in selected social and economic services**

Social/Economic Infrastructure	2016-17			2017-18		
	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>	6.40	11,461	406	8.38	12,565	429
<b>Total (ES)</b>	35.83	3,360	1,503	42.25	3,842	1,250
<b>Total (SS+ES)</b>	22.85	14,821	1,909	24.60	16,408	1,679
<b>Major components of Social Services</b>						
Education, Sports, Art and Culture	3.36	7,490	26	2.82	8,232	28
Health and Family Welfare	9.51	2,602	12	13.96	2,828	19
Water Supply, Sanitation, Housing and Urban Development	9.02	315	359	11.91	323	363
Other Social Services	7.85	1,054	9	10.35	1,183	19
<b>Major components of Economic Services</b>						
Agriculture and Allied Activities	5.69	2,099	13	3.18	2,424	16
Irrigation and Flood Control	92.49	586	72	92.51	660	74
Power and Energy	22.98	1	6	36.84	1	19
Transport	78.96	76	777	85.31	82	490
Other Economic Services	27.48	598	635	20.98	676	651

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

(Source: Finance Accounts and VLC data of Pr. AG (A&amp;E)-I, M.P. for the years 2016-17 and 2017-18)

## 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 2013-18 is depicted in **Table 1.28**.

**Table 1.28: Cost recovery position of irrigation projects**

Year	Revenue receipts	Revenue expenditure	Cost recovery assessment of XIII FC(2010-15)/ XIV FC (2015-20)	Percentage of revenue receipts to revenue expenditure
1	2	3	4	5
	₹ in crore		In per cent	
2013-14	358	779	60	46
2014-15	437	839	75	52
2015-16	483	625	35	77
2016-17	574	680	35	84
2017-18	524	637	35	82

(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 during 2013-14 and 2014-15 was below the assessment made by XIII FC. However, the same has improved from 2015-16 and was above the assessment made by XIV FC during 2015-18.

### 1.4.2 Investments and returns

As on 31 March 2018, Government had invested ₹ 29,537.26 crore in 43 Government Companies (₹ 20,521.26 crore), 33 Statutory Corporations

(₹ 8,760.96 crore), 130 Co-operative Institutions (₹ 254.93 crore), 23 Joint Stock Companies and Partnership (₹ 0.11 crore).

The position of dividend/interest received on investment during 2013-18 is given in **Table 1.29**.

**Table 1.29: Returns on Investments**

Investment/Return/Cost of Borrowings	2013-14	2014-15	2015-16	2016-17	2017-18
Investment at the end of the year* (₹ in crore)	14,199	15,029	15,524	21,827	29,537
Dividend/Interest received (₹ in crore)	378.72	80.35	129.64	231.50	622.36
Dividend/Interest received ( <i>per cent</i> )	2.67	0.53	0.83	1.06	2.11
Average rate of interest on Government borrowings <sup>16</sup> ( <i>per cent</i> )	6.84	6.88	6.86	6.42	6.73
Difference between interest rate on market borrowings and rate of return on investment ( <i>per cent</i> )	4.17	6.35	6.03	5.36	4.62

(Source: Finance Accounts of respective years)

(\*The investment at the end of the year does not include un-apportioned investment between Madhya Pradesh and Chhattisgarh as on 31 March 2018)

During 2017-18, the return on these investments was 2.11 *per cent* while the Government paid interest at an average rate of 6.73 *per cent* on its borrowings during the year.

During the exit conference (April 2019), FD replied that necessary action would be taken in this regard. However, the objective of the Government in these institutions was not to earn returns, but to further public purpose.

### 1.4.3 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	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Opening Balance of loans and advances</b>	<b>27,088</b>	<b>32,072</b>	<b>37,842</b>	<b>40,827<sup>17</sup></b>	<b>44,989<sup>18</sup></b>
Amount advanced during the year	5,077	12,535	3,158	4,941	1,550
Amount repaid during the year	93	6,765	162	772	5,070
<b>Closing Balance of loans and advances</b>	<b>32,072</b>	<b>37,842</b>	<b>40,838</b>	<b>44,996</b>	<b>41,469</b>
Net addition of loans and advances	4,984	5,770	2,996	4,169	(-)3,520
Interest receipts	12	1,058	139	62	97
Interest receipts as percentage of outstanding loans and advances	0.04	2.80	0.34	0.14	0.23
Average rate of interest on Government borrowings ( <i>per cent</i> )	6.84	6.88	6.86	6.42	6.73
Difference between interest rate on market borrowings and interest received on loans ( <i>per cent</i> )	6.80	4.08	6.52	6.28	6.50

(Source: Finance Accounts of the respective years)

<sup>16</sup> Interest payment / [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]\*100

<sup>17</sup> Opening balance decreased by ₹ 10.21 crore due to proforma transfer to Chhattisgarh

<sup>18</sup> Opening balance decreased by ₹ 6.74 crore due to proforma transfer to Chhattisgarh

Considering the average interest paid on borrowings at the rate of 6.73 per cent during 2017-18, the rate of interest received was 0.23 per cent on loans and advances given by the Government.

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.

#### 1.4.4 Financial assistance to Madhya Pradesh Madhya Kshetra Vidyut Vitran Company Limited, Bhopal

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 (October 2018) the records of Madhya Pradesh Madhya Kshetra Vidyut Vitran Company Limited, Bhopal (Company) relating to State Government loans and guarantees.

The details of loans disbursed by GoMP to the Company during 2013-14 to 2017-18 are given in **Table 1.31**.

**Table 1.31: Details of loans disbursed by GoMP to Madhya Kshetra Vidyut Vitran Company Limited, Bhopal during 2013-18**

(₹ in crore)						
Sl. No.	Quantum of loans/ interest receipts/ cost of borrowings	2013-14	2014-15	2015-16	2016-17	2017-18
1	Opening Balance of loans granted to Company	6,596.25	8,060.86	10,049.80	11,103.17	12,029.16
2	Loans granted to the Company during the year	1,464.61	4,518.16	1,053.37	925.99	215.24
3	Interest on GoMP loan converted in to perpetual loan	0.00	427.88	0.00	0.00	0.00
4	GoMP loan converted in to perpetual loan	0.00	2,957.10	0.00	0.00	0.00
5	Loans repaid by the Company during the year	0.00	0.00	0.00	0.00	0.00
6	Loan converted in to Equity/ Grant under UDAY	0.00	0.00	0.00	0.00	1,582.37
7	Closing Balance (1+2+3-4-5-6)	8,060.86	10,049.80	11,103.17	12,029.16	10,662.03
8	Net addition (7-1)	1,464.61	1,988.94	1,053.37	925.99	-1,367.13
9	Interest paid by the Company on loans	0.00	0.00	0.00	0.00	0.00

(Source: Information furnished by the Company)

The GoMP introduced the Financial Restructuring Plan (FRP) during March 2012 for extending financial assistance to Distribution Companies. Under FRP, GoMP converted the outstanding loan and interest amounting to ₹ 3,315.20<sup>19</sup> crore due from the Company as on 31 March 2011 into perpetual loan with a moratorium period of three years up to 31 March 2014.

<sup>19</sup> Includes ₹ 2,911.69 crore towards loan and ₹ 403.51 crore towards interest

GoMP again extended the FRP during March 2015 and converted the outstanding loan and interest amounting to ₹ 3,384.98<sup>20</sup> crore due from the Company into perpetual loan with a moratorium period of three year up to 31 March 2017.

Audit further observed the following:

- GoMP had disbursed the loan of ₹ 4,183.54<sup>21</sup> crore to the Company after 31 March 2014 (i.e. extended period of FRP) in the form of various loan which were to be repaid to GoMP, but the Company had not repaid any amount to GoMP till March 2018. However, during 2017-18, the loan amounting to ₹ 1,582.37 crore were converted into equity/ grant under UDAY. As a result, an amount of ₹ 2,601.17 crore was lying unrecovered from the Company towards GoMP loans during April 2014 to March 2018.
- In addition, as per extended FRP (March 2015), there was moratorium period for repayment of interest upto March 2017 and interest on outstanding loan was payable from April 2017 onwards but the Company had not paid any amount to GoMP towards interest on loan during 2017-18. As a result, an amount of ₹ 834.63 crore was lying unpaid towards interest on perpetual loan of GoMP as on March 2018. Apart from this, the interest amounting to ₹ 728.46<sup>22</sup> crore was also lying unpaid as on March 2018.
- GoMP had also provided guarantees for the various loans taken by the Company from the financial institutions i.e. Rural Electrification Corporation, Power Finance Corporation. For these gurantees, Company was liable to pay guarantee fees to GoMP but the Company had not paid any guarntee fees to GoMP. As a result, an amount of ₹ 95.45<sup>23</sup> crore was lying unrecovered from the Company towards guarantee fees.

During the exit conference (April 2019), FD replied that ₹ 2,601.17 crore was lying unrecovered from the Company had been converted into perpetual loan. As regards, non-payment of interest, Energy Department proposed moratorium under new FRP which was under consideration.

#### 1.4.5 Public private partnership projects

Audit observed that out of 197 PPP projects (cost: ₹ 23,643.69 crore) initiated as of March 2018, 101 projects (51.27 *per cent*) were completed at a cost of ₹ 9,713.56 crore. While 42 projects (21.32 *per cent*) costing ₹ 8,096.33 crore were in progress, 54 projects (27.41 *per cent*) costing ₹ 5,833.80 crore were in the pipeline or under bidding. Details are given in **Appendix 1.7**.

#### 1.4.6 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 2017-18.

<sup>20</sup> Includes ₹ 2,957.10 crore towards loan and ₹ 427.88 crore towards interest

<sup>21</sup> excluding the addition in loan of ₹ 2,957.10 crore converted into perpetual loan and including the interest of ₹ 427.88 crore converted into perpetual loan

<sup>22</sup> 1. ₹ 131.39 crore towards SSTD/ TSP/ SCSP loan, 2. ₹ 2.32 crore towards IPDS loan, 3. ₹ 164.97 crore towards ADB loan, 4. ₹ 429.78 crore towards working capital loan

<sup>23</sup> 1. ₹ 73.97 crore upto the year 2015-16, 2. ₹ 18.48 crore for the year 2016-17, 3. ₹ three crore for the year 2017-18

Table 1.32: Cash balances and investment of Cash Balances

(₹ in crore)		
Particulars	Opening balance as on 1 April 2017	Closing balance as on 31 March 2018
<b>(a) General Cash Balance</b>		
Cash in treasuries	--	--
Deposits with Reserve Bank	(-) 52.99	(-) 693.65
Remittances in transit - local	--	--
<b>Total</b>	<b>(-) 52.99</b>	<b>(-) 693.65</b>
<b>Investments held in Cash Balance Investment account</b>	<b>10,628.22</b>	<b>7,412.19</b>
<b>Total (a)</b>	<b>10,575.23</b>	<b>6,718.54</b>
<b>(b) Other Cash Balances and Investments</b>		
Departmental cash balances	1.18	(-) 0.23
Permanent imprest	0.83	0.83
Investment out of earmarked funds	416.42	416.42
<b>Total (b)</b>	<b>418.43</b>	<b>417.02</b>
<b>Grand Total (a)+(b)</b>	<b>10,993.66</b>	<b>7,135.56</b>

(Source: Finance Accounts 2016-17 and 2017-18)

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.

Cash Balance held in Investment Account was ₹ 10,628 crore as on 31 March 2017 which decreased to ₹ 7,412 crore as on 31 March 2018. Despite having cash balance of ₹ 10,628 crore and ₹ 7,412 crore during 2016-17 and 2017-18, State Government resorted to market borrowings of ₹ 16,100 crore and ₹ 15,000 crore respectively in these years.

**Recommendation:** State Government should (i) examine whether it is necessary to borrow funds at higher rates of interest when there are large cash balances available with them earning lower rates of interest (ii) adopt the policy of need based borrowing and maintain minimum cash balance.

## 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 1.8** gives an abstract of such liabilities and assets, as on 31 March 2018, compared with the corresponding position on 31 March 2017. 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 1.9** and summarised in **Table 1.33**.

Table 1.33: Position of reserve funds during 2015-18

(₹ in lakh)							
Sl. No.	Head of Accounts	Number of Reserve Funds		Opening balance as on 1 April 2015	Receipts during 2015-18	Disbursements during 2015-18	Closing balance as on 31 March 2018
		Operative	Inoperative				
Reserve Funds bearing interest							
1	8121-General and other Reserve Funds	01	00	10,246.44	5,81,089.00	5,14,289.00	10,246.44 <sup>24</sup>
Reserve Funds not bearing interest							
1	8223-Famine Relief Fund	01	00	585.07	13.08	00	598.15
2	8226-Depreciation/ Renewal Reserve Funds	00	01	463.58	00	00	463.58
3	8228- Revenue Reserve Funds	01	00	2,289.10	120.17	00	2,409.27
4	8229-Development and Welfare Funds	03	01	5,85,964.44	2,85,305.26	3,33,858.12	5,37,411.58
5	8235-General and Other Reserve Funds	01	01	2.21	1420.72	1420.72	2.21
Total		07	03	5,99,550.84	8,67,948.23	8,49,567.84	5,51,131.23 <sup>24</sup>
Or say ₹ 5,511.31 crore							

(Source: Finance Accounts of the respective years)

Three<sup>25</sup> reserve funds with balance of ₹ 5.04 crore were not operated during the period 2015-18. Three<sup>26</sup> other reserve funds had investment amounting ₹ 7.69 crore as on 31 March 2018 but no investment was made in these funds at least in the past three years.

The negative investment of ₹ 5.34 lakh depicted under MH 8223-102-Famine Relief Fund-Investment Account as on 31 March 2018 is not included since it is a booking error and the matter of writing off the balance is under process.

Out of ₹ 5,374 crore lying under Reserve Fund 8229- Development and Welfare Funds, only ₹ 0.07 crore was invested at the end of 31 March 2018.

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.

<sup>24</sup> Closing balance decreased by ₹ 66,800 lakh due to proforma correction

<sup>25</sup> 1. 8226-102- Depreciation Reserve Fund of Government Non-commercial Departments, 2. 8229-103-Development Funds for Agriculture purposes, 3. 8235-200-Other Funds

<sup>26</sup> 1. Revenue Reserve Funds, 2. Development Funds for Agricultural purposes, 3. Other Funds

**Recommendation:** FD 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.

#### 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 unlike neighbouring States i.e. Chhattisgarh, Bihar and Jharkhand. The non-creation of the Sinking Fund has resulted in the State Government not contributing ₹ 779 crore in 2017-18 (0.50 per cent of outstanding liabilities of ₹ 1,55,800.12 crore as on 31 March 2017). This has overstated the Revenue Surplus and understated the Fiscal Deficit by ₹ 779 crore.

During the exit conference (April 2019), FD replied that a decision was awaited on the constitution of Sinking Fund.

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

#### 1.5.2.2 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 2017-18, the annual incremental guarantees and total outstanding guarantees were within the ceilings fixed under the FRBM Act<sup>27</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**.

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

Particulars	(₹ in crore)		
	2015-16	2016-17	2017-18
Maximum amount guaranteed	40,171	40,395	31,653
Total Revenue Receipts	1,05,511	1,23,307	1,34,875
Outstanding amount of guarantees at the end of the year (including interest)	27,530	33,397	14,003
Percentage of maximum amount guaranteed to total revenue receipts	38.07	32.76	23.47

(Source: Finance Accounts of the respective years)

<sup>27</sup> 80 per cent of total revenue receipts for 2016-17 (₹ 1,23,307 crore): ₹ 98,646 crore ; annual incremental guarantees for 2017-18: ₹ 14,003 crore

The composition of the maximum amount guaranteed was towards six<sup>28</sup> entities of power sector (₹ 9,533 crore), one<sup>29</sup> institution of co-operative sector (₹ 5,851 crore), six<sup>30</sup> institutions of urban development and housing (₹ 4,171 crore), five<sup>31</sup> institutions of other sectors (₹ 10,798 crore) and Madhya Pradesh Financial Corporation (₹ 1,300 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 2017-18, a sum of ₹ 25.96 crore (34.07 per cent) out of ₹ 76.19 crore receivable, was recovered as guarantee fees and credited to the Government Account. Two institutions however, paid more guarantee fees than required. The remaining nine institutions with outstanding guarantees of ₹ 4,178.10 crore did not pay the stipulated<sup>32</sup> guarantee fees. The details of guarantee fees receivable by the State Government and actually received during 2017-18 are given in **Table 1.35**.

**Table 1.35: Details of guarantee fees receivable and actually received during 2017-18**  
(₹ in crore)

Sl. No.	Name of institution	Guarantee fees receivable	Guarantee fees received
1	M.P. Power Generating Company Ltd., Jabalpur	0.10	18.46
2	M.P. Poorv Kshetra Power Distribution Company Ltd., Jabalpur	36.48	--
3	M.P. Madhya Kshetra Power Distribution Company Ltd., Bhopal	3.00	--
4	M.P. Paschim Kshetra Power Distribution Company Ltd., Indore	23.05	--
5	M.P. Financial Corporation	2.50	--
6	Nagar Nigams	1.47	--
7	Nagar Palikas	0.94	--
8	State Urban Development Authorities	0.04	7.50
9	Nagar Parishads	0.31	--
10	M.P. Police Housing Corporation Ltd	8.08	--
11	M.P. Commerce, Industry and Employment Department	0.22	--
<b>Total</b>		<b>76.19</b>	<b>25.96</b>

(Source: Finance Accounts 2017-18)

During the exit conference (April 2019), FD replied that necessary directions would be issued to the concerned Department/institutions.

**Recommendation:** *FD 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, and State Urban Development Authorities who, as per the Finance Accounts, have paid more guarantee fees than required.*

<sup>28</sup> 1. M.P. Power Generating Company Ltd., Jabalpur, 2. M.P. Power Transmission Company Ltd., Jabalpur, 3. M.P. Poorv Kshetra Power Distribution Company Ltd., Jabalpur, 4. M.P. Madhya Kshetra Power Distribution Company Ltd., Bhopal, 5. M.P. Paschim Kshetra Power Distribution Company Ltd., Indore, 6. M.P. Power Management Co. Ltd., Jabalpur

<sup>29</sup> 1. Credit Co-operative

<sup>30</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>31</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

<sup>32</sup> For one year guarantee – one per cent, more than one year upto three year – 2.5 per cent, more than three years upto five year – four per cent, more than five years upto 10 years – 7.5 per cent and above 10 years – 10 per cent.

### **Non-payment of guarantee fees amounting to ₹ 76.25 crore by Madhya Pradesh Financial Corporation (Corporation)**

Scrutiny of records of the Corporation revealed that Corporation raised total amount of ₹ 1,050 crore during the period 2009-10 to 2016-17 through Bonds and loans from institution such as SIDBI, HUDCO and Commercial Banks on the guarantee of GoMP. The period of guarantee was 10 years and the Corporation was required to pay guarantee fees of ₹ 78.75 crore (7.50 per cent of ₹ 1,050 crore) at the rate of 7.50 per cent to GoMP.

During the period 2012-13 to 2014-15, Corporation paid guarantee fees of ₹ 2.50 crore to GoMP but discontinued the same from the subsequent year. Corporation initiated correspondence with GoMP to waive off Guarantee fees, however, decision of GoMP on the request of the Corporation was not available in the records of the Corporation. This resulted in non-payment of guarantee fees amounting to ₹ 76.25 crore to GoMP by the Corporation.

Corporation replied (June 2019) that GoMP had not agreed at the proposal of waiver of guarantee fee and decided to pay guarantee fee by the Corporation as per rules. Corporation would now put up the matter before the Board of Directors and take action in line with decision of the Board.

### **Guarantee Redemption Fund (GRF)**

The State Government constituted the Guarantee Redemption Fund (GRF) in 2005-06 in view of recommendation of XII FC. As per the scheme, the Fund is required to be credited with guarantee fees realised in the preceding year and a matching contribution is made by the State Government. Guarantee fees of ₹ 74.24 crore was realised in the preceding year and State Government was required to make a matching contribution of ₹ 74.24 crore. Accordingly ₹ 148.48 crore was to be contributed by the State to the Fund in the year 2017-18, but no amount was contributed by the State Government to the fund resulting in short contribution of ₹ 148.48 crore. This has resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit by ₹ 148.48 crore. As on 31 March 2018, the balance in the Fund was ₹ 408.79 crore against total outstanding guarantees of ₹ 14,002.99 crore which was invested in Central Government Dated Securities.

**Recommendation:** *The State Government should contribute to the Guarantee Redemption Fund as per the scheme.*

## **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

<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.

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.

### 1.6.2 Net funds available on account of Public Debt and Public Account liabilities

Details of net funds available on account of Public Debt and Public Account liabilities during 2013-18 are given in **Table 1.36**.

**Table 1.36: Net funds available on account of Public Debt and Public Account liabilities**  
(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Receipts under Public Debt and Public Account liabilities	23,701	35,552	49,524	64,106	52,579
Repayments (principal and interest) under Public Debt and Public Account liabilities	23,132	30,759	39,157	44,528	45,551
Net funds available on account of Public Debt and Public Account liabilities *	569	4,793	10,367	19,578	7,028
Net fund available (in per cent)	2.40	13.48	20.93	30.54	13.37

(Source: Finance Accounts of the respective years)

\* Net funds available on account of Public Debt and Public Account liabilities = Total receipts under Public Debt and Public Account liabilities - (repayment of Public Debt and Public Account liabilities + interest payments under MH 2049)

As can be seen from **Table 1.36** that percentage of net availability of funds after repaying the debt and interest thereon ranged between 2.40 per cent and 30.54 per cent during the period 2013-14 to 2017-18 leaving limited funds for developmental activities.

### 1.6.3 Debt sustainability

Debt sustainability indicates the ability of the State to service its debt in future. **Table 1.37** presents indicators of debt sustainability for the period of five years beginning from 2013-14.

**Table 1.37: Debt Sustainability: Indicators and Trend**

(₹ in crore)

Indicators of Debt Sustainability	2013-14	2014-15	2015-16	2016-17 <sup>37</sup>	2017-18
Net funds available on account of Public Debt and Public Account liabilities	569	4,793	10,367	19,578	7,028
Burden of Interest Payments (interest payment/Revenue Receipt ratio) (in per cent)	8.44	7.98	7.67	7.36	8.19
Revenue Receipts	75,749	88,641	1,05,511	1,23,307	1,34,875
Outstanding debt (fiscal liabilities)	96,826	1,08,688	1,27,144	1,55,800	1,72,363
Rate of growth of outstanding debt (fiscal liabilities) (in per cent)	7.38	12.25	16.98	22.54	10.63
GSDP	4,39,483	4,80,121	5,30,443	6,39,220	7,07,047
Rate of growth of GSDP (in per cent)	15.37	9.25	10.48	20.51	10.61
Outstanding Debt (fiscal liabilities) / GSDP (in per cent)	22.03	22.64	23.97	24.37	24.38
Interest Payment	6,391	7,071	8,091	9,079	11,045
Average interest rate of outstanding debt (in per cent)	6.84	6.88	6.86	6.42	6.73

(Source: Finance Accounts of the respective years)

<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-GSDP 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.

<sup>37</sup> Including impact of UDAY

#### 1.6.4 Ujwal DISCOM Assurance Yojana (UDAY)

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>38</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<sup>39</sup> years. 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. Details of debt of MP DISCOMs took over by GoMP during 2016-17 and 2017-18 is detailed in **Table 1.38**.

**Table 1.38: Details of debt of MP DISCOMs took over by GoMP during 2016-18**

(₹ in crore)

Year	Amount to be transferred to MP DISCOMs as per MoU		Amount actually transferred to MP DISCOMs	
	In the form of grants	In the form of equity	In the form of grants	In the form of equity
2016-17	-	7,568	4,011	3,557
2017-18	4,622	-	611	4,011
<b>Total</b>	<b>4,622</b>	<b>7,568</b>	<b>4,622</b>	<b>7,568</b>

(Source: MoU between Ministry of Power, GoI, GoMP and MPDISCOMs and Finance Accounts of respective years)

As can be seen from **Table 1.38**, GoMP has fulfilled its commitment made in the MoU so far.

<sup>38</sup> MPDISCOMs comprise Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (MPPKVVCL), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVVCL) and Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (MPPKVVCL)

<sup>39</sup> 1. ₹ 7,568 crore during 2016-17, 2. ₹ 4,622 crore during 2017-18, 3. ₹ 4,622 crore during 2018-19, 4. ₹ 4,622 crore during 2019-20, 5. ₹ 4,621 crore during 2020-21