

CHAPTER - I
FINANCES OF THE STATE GOVERNMENT

Chapter I

Finances of the State Government

Social Indicators of Maharashtra

Maharashtra occupies the Western and Central part of the country and has a long coastline along the Arabian Sea. It is the second largest State in India in terms of population (11.24 crore population as per 2011 census) and has geographical area of 3.08 lakh square kilometres (sq. km). As indicated in **Appendix 1.1**, the decadal growth of population is 13.27 *per cent* against 12.46 in the General Category States¹ (GCS) of the country. The density of population of Maharashtra has also recorded an increase from 315 persons per square kilometre (sq.km.) (Census 2001) to 365 persons per sq. km. (Census 2011) as against the All India Average of 382 persons per sq.km.

The percentage of population below the poverty line at 17.4 *per cent* was lower than the All India Average of 21.9 *per cent* as per Economic Survey of Maharashtra 2018-19. The Gross State Domestic Product² (GSDP) in 2018-19 at current prices was ₹ 26,60,318 crore (advance estimates). The Compounded Annual Growth Rate (CAGR) of GSDP for the period 2011-12 to 2018-19 has been 11 *per cent* as against 12.2 *per cent*, the GCS average of the country. The State's literacy rate has increased from 76.9 *per cent* (census 2001) to 82.3 *per cent* (Census 2011). The per capita GSDP of the State during 2018-19 stood at ₹ 1,91,827 as against the per capita Gross Domestic Product (GDP) of India at ₹ 1,42,719. General data relating to the State is shown in **Appendix 1.1**.

Economic Indicators of the State

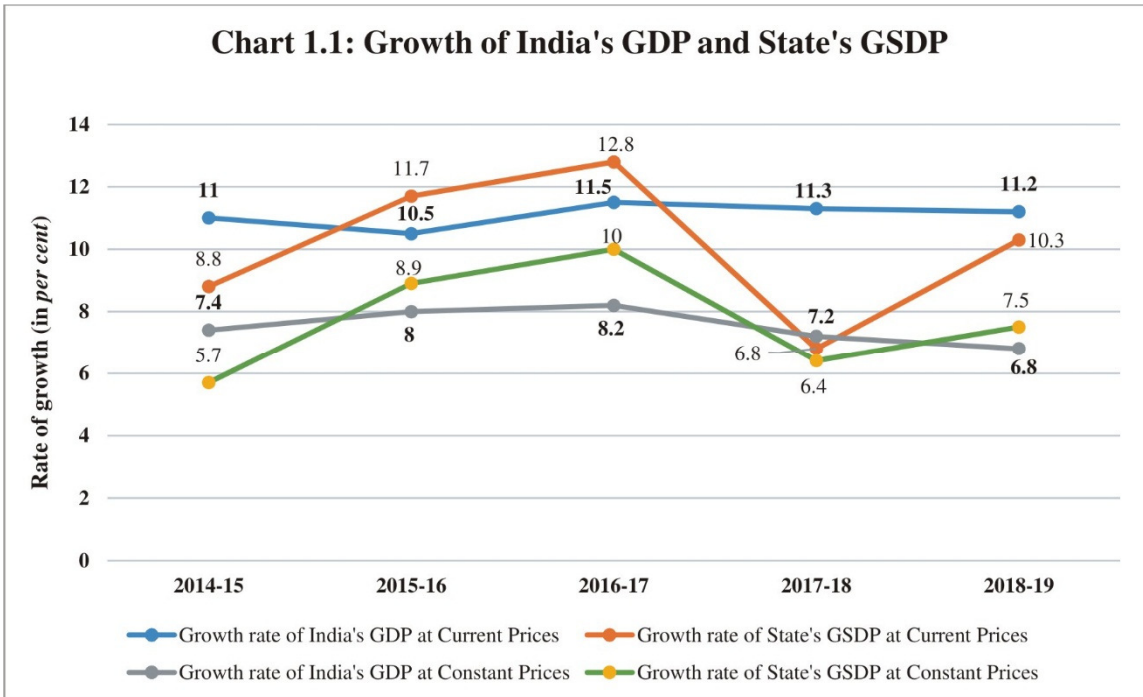
Gross State Domestic Product is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates the standard of living of the State's population. The trends in the annual growth rate of GSDP as compared with India's GDP at current prices and constant prices are indicated in **Table 1.1** and **Chart 1.1**.

Table 1.1 Trends in annual growth rate of GDP and GSDP

Year	2014-15	2015-16	2016-17	2017-18	2018-19
Current Prices					
India's GDP (₹ in crore)	12467959	13771874	15362386	17095005	19010164
Growth rate of GDP (percentage)	11.0	10.5	11.5	11.3	11.2
State's GSDP (₹ in crore)	1792122	2001223	2257032	2411600 [#]	2660318 [*]
Growth rate of GSDP (percentage)	8.8	11.7	12.8	6.8	10.3
State contribution to GDP	14.4	14.5	14.7	14.1	14.0
Constant Prices					
India's GDP (₹ in crore)	10527674	11369493	12298327	13179857	14077586
Growth rate of GDP (percentage)	7.4	8.0	8.2	7.2	6.8
State's GSDP (₹ in crore)	1524846	1659776	1826296	1942769 [#]	2088835 [*]
Growth rate of GSDP (percentage)	5.7	8.9	10	6.4	7.5
State contribution to GDP	14.5	14.6	14.8	14.7	14.8
[#] Actuals/ [*] Advance estimates – as per Economic Survey of Maharashtra 2018-19					

¹ Undivided Andhra Pradesh; Bihar; Chhattisgarh; Goa; Gujarat; Haryana; Jharkhand; Karnataka; Kerala; Madhya Pradesh; Maharashtra; Orissa; Punjab; Rajasthan; Tamil Nadu; Uttar Pradesh and West Bengal

² GDP: It is a measure in monetary terms of all the goods and services produced (without duplication) within the boundaries of any geographical area (Nation) during a given period of time (generally, one year). It is termed as Gross State Domestic Product if the geographical boundary is State



1.1 Introduction

This Chapter is based on the audit of the Finance Accounts of the State and makes an assessment of the State's fiscal position as on 31 March 2019. It provides a broad perspective of the finances of the State during 2018-19 and analyses critical changes observed in the major fiscal aggregates in relation to the previous year, keeping in view the overall trend during the last five years period. The structure and form of Government Accounts have been explained in **Appendix 1.2 (Part A)** and the layout of the Finance Accounts is depicted in **Appendix 1.2 (Part B)**. The methodology adopted for assessment of the fiscal position and norms/ceilings prescribed by the Maharashtra Fiscal Responsibility and Budgetary Management (MFRBM) Act, 2005; and the (Amendment) Act of 2006; MFRBM Rules, 2006 and Amendment Rules 2008, 2011 and 2012 of the State are given in **Appendix 1.3**. According to the Act, Government developed its own Fiscal Correction Path (FCP) given in **Appendix 1.4**. As prescribed in the Act, Government has laid its Medium Term Fiscal Policy Statement (MTFPS) for 2018-19 in the State Legislature in March 2018.

This chapter is structured in four parts.

- Summary and Review of Fiscal Transactions (Paragraph 1.2)
- Resources of the State covering details of revenue receipts, capital receipts and public account receipts (Paragraph 1.3 to 1.6)
- Application of resources dealing with quality of expenditure and financial analysis of Government expenditure and investment (Paragraph 1.7 to 1.9)
- Financial position including assets and liabilities, fiscal imbalances and debt management (Paragraph 1.10 to 1.12)

1.2 Summary of Fiscal Transactions in 2018-19

Summary of Fiscal Operations gives an overview of the fiscal position, comparison of budget estimates with actuals achieved which are given in detail in sub-paragraphs 1.2.1 to 1.2.2.

Table 1.2 presents the summary of the State Government's fiscal transactions during the current year (2018-19) *vis-à-vis* the previous years (2014-18), while **Appendix 1.5** provides details of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.2: Summary of Fiscal transactions during 2014-15 to 2018-19

(₹ in crore)					
Receipts	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue receipts	165415	185036	204693	243654	278996
Tax revenue	115064	126608	136616	167932	187436
Non-tax revenue	12581	13423	12709	16242	15844
Share of Union Taxes/Duties	17630	28106	33715	37219	42054
Grants from Government of India	20140	16899	21653	22261	33662
Miscellaneous Capital Receipts	0	17	0	0	0
Recoveries of Loans and Advances	975	865	1746	1778	1604
Public debt receipts [§]	29374	37977	48336	48075	26025
Appropriation from Contingency fund	2350	2962	0	0	1528
Contingency Fund	4360	962	0	0	3528
Public Account Receipts	83022	72747	82466	81877	90665
Opening Cash Balance					
a) Sinking Fund	15454	18886	22672	27853	33971
b) Cash balance	31429	30762	32881	40897	54498
Total	332379	350214	392794	444134	490815

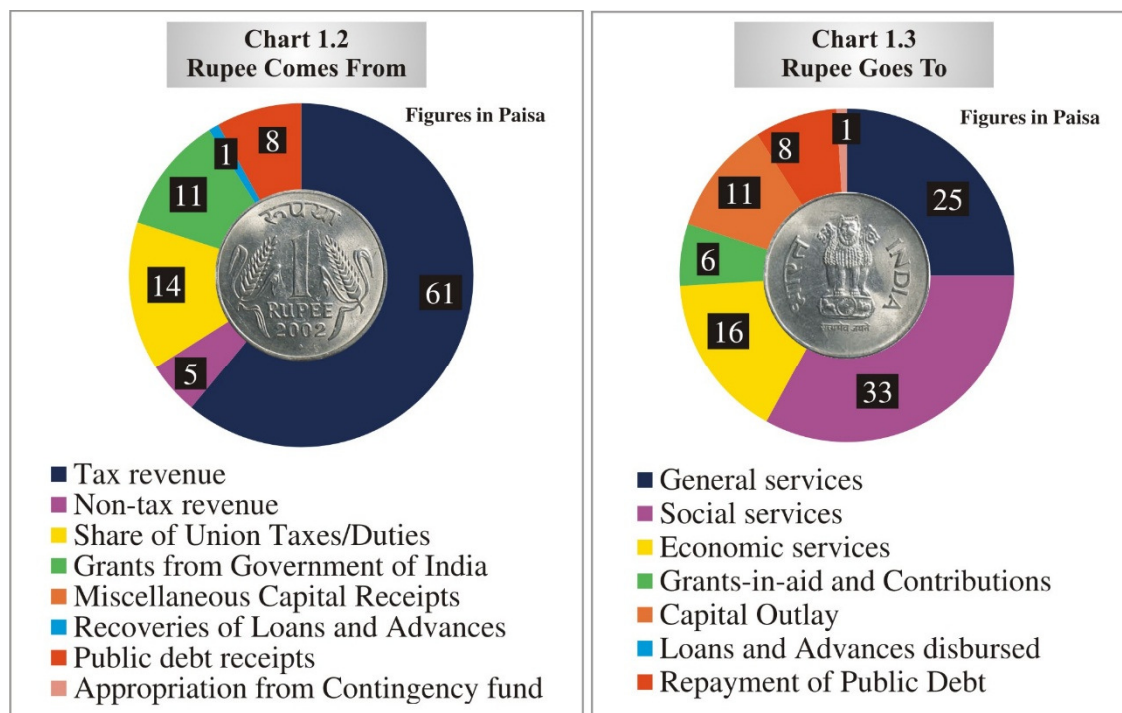
(₹ in crore)					
Disbursements	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue expenditure	177553	190374	213229	241571	267022
General services	60486	64370	71609	78535	84765
Social services	76952	82317	90282	93054	109391
Economic services	37687	38052	43843	54189	52759
Grants-in-aid and Contributions	2428	5635	7495	15793	20107
Capital Outlay	19523	22793	25549	26842	35049
Loans and Advances disbursed	1141	1115	6277	979	1545
Repayment of Public Debt [§]	8828	10043	11887	15782	25116 [#]
Appropriation to Contingency fund	4350	962	0	0	3528
Contingency Fund	2350	2962	0	0	1528
Public Account Disbursements	68986	66412	67102	70491*	89758
Closing Cash Balance					
a) Sinking Fund	18886	22672	27853	33971	34488
b) Cash balance	30762	32881	40897	54498	32781
Total	332379	350214	392794	444134	490815

(Includes * higher rounding and # lower rounding of figures)

[§] Excluding ways and means advances (during 2018-19 Receipt: nil and Disbursement: nil)

(Source: Finance Accounts of respective years)

Composition of sources and application of funds in the Consolidated Fund during 2018-19 is given in **Chart 1.2** and **1.3**.



(Source: Finance Accounts 2018-19)

(Source: Finance Accounts 2018-19)

The following are the major changes in fiscal transactions during 2018-19 over the previous year:

Revenue Receipts	<ul style="list-style-type: none"> • Increased by 15 per cent • Own tax revenue increased by 12 per cent
Revenue Expenditure	<ul style="list-style-type: none"> • Increased by 11 per cent
Capital Expenditure	<ul style="list-style-type: none"> • Increased by 31 per cent
Loans and Advances	<ul style="list-style-type: none"> • Recoveries decreased by 10 per cent • Disbursements increased by 58 per cent
Public Debt	<ul style="list-style-type: none"> • Receipts decreased by 46 per cent • Repayment increased by 59 per cent
Cash Balance	<ul style="list-style-type: none"> • Decreased by 24 per cent

The trends of Revenue Receipts (RR)/Revenue Expenditure (RE)/Capital Outlay (CO) relative to GDP at current as well as constant prices are presented in **Table 1.3**.

Table 1.3: Trends of Revenue Receipts, Revenue Expenditure and Capital Outlay at Current and Constant Prices

Year	2014-15	2015-16	2016-17	2017-18	2018-19
(₹ in crore)					
Revenue Receipts at Current and Constant Prices					
Revenue Receipts at current prices	165415	185036	204693	243654	278996
Rate of growth of RR at current prices (<i>in per cent</i>)	10.4	11.9	10.6	19.0	14.5
Revenue Receipts at constant prices	140182	152922	163754	187426	206664
Rate of growth of RR at constant prices (<i>in per cent</i>)	7.6	9.1	7.1	14.5	10.3
Revenue Expenditure at Current and Constant Prices					
Revenue Expenditure at current prices	177553	190374	213229	241571	267022
Rate of growth of RE at current prices (<i>in per cent</i>)	14.6	7.2	12.0	13.3	10.5
Revenue Expenditure at constant prices	150469	157334	170583	185824	197794
Rate of growth of RE at constant prices (<i>in per cent</i>)	11.7	4.6	8.4	8.9	6.4
Capital Outlay at Current and Constant Prices					
Capital Outlay at current prices	19523	22793	25549	26842	35049
Rate of growth of Capital Outlay at current prices (<i>in per cent</i>)	(-)2.5	16.7	12.1	5.1	30.6
Capital Outlay at constant prices	16545	18837	20439	20648	25962
Rate of growth of Capital Outlay at constant prices (<i>in per cent</i>)	(-)5.0	13.9	8.5	1.0	25.7
Source: Based on GDP deflator (Current Prices: - 2014-15 118; 2015-16 121; 2016-17 125; 2017-18 130; 2018-19 135; and Constant Prices as 100) for converting Current Prices to Constant Prices					

1.2.1 Review of the Fiscal situation

The targets for major fiscal variables provided in the budget are based on the recommendations of the Fourteenth Finance Commission (FFC) and the Fiscal Responsibility and Budgetary Management Act of the State. Targets fixed by the State Government in the MTFPS for the year 2018-19 compared to actual achievements are depicted in **Table 1.4**.

Table 1.4: Review of the Fiscal situation

Sr. No.	Fiscal variables	2018-19		
		FFC targets for the State in percentage	Targets proposed in the budget/ MTFPS	Actuals
1	Fiscal deficit/GSDP (<i>in per cent</i>)	3.25	1.81	0.87
2	Total outstanding liabilities of the Government to GSDP (<i>in per cent</i>)	23.88	16.52	16.42
3	Interest Payment/Revenue Receipt (IP/RR) (<i>in per cent</i>)	12.27	12.02	12.19
4	Revenue Deficit (-)/Surplus (+) (₹ in crore)	-	(-)15375	(+)11975
Source: MTFPS/FFC				

From **Table 1.4** it can be seen that during 2018-19, State achieved all the three major fiscal indicators specified in the Fourteenth Finance Commission (FFC) Report i.e. (i) the fiscal deficit as percentage of Gross State Domestic Product (GSDP) stood at

0.87 per cent which was within the limits of 3.25 per cent recommended by Fourteenth Finance Commission (FFC) and State's Medium Term Fiscal Policy Statement (MTFPS) (1.81 per cent) (ii) the ratio of debt to GSDP at 16.42 per cent was lower than the FFC target of 23.88 per cent and MTFPS target of 16.52 per cent and (iii) the ratio of interest payment to revenue receipt at 12.19 per cent was lower than the norm prescribed by FFC (12.27 per cent) but slightly higher than the target fixed by the State's Medium Term Fiscal Policy Statement (12.02 per cent). The State also achieved Revenue Surplus (₹ 11,975 crore) in 2018-19.

1.2.2 Budget Estimates and Actuals

The budget papers presented by the State Government provide projection/estimation of receipts and expenditure for a particular year. Deviations from budget estimate indicate that the desired fiscal objectives were not being achieved.

A comparison of actual receipts/expenditure with budget estimate and revised estimate for the year 2018-19 is given in **Table 1.5** and detailed comparison in **Appendix 1.6**.

Table 1.5: Budget Estimates, Revised Estimates and Actuals for the year 2018-19

(₹ in crore)

Fiscal parameters	Budget Estimates (BE)	Revised Estimates (RE)	Actuals	Difference between Actuals and BE	Difference between Actuals and RE
1	2	3	4	5 (4-2)	6 (4-3)
Tax Revenue	188040	188931	187436	(-)604	(-)1495
Non-Tax Revenue	22785	17050	15844	(-)6941	(-)1206
State's share of Union Taxes & Duties	43515	42050	42054	(-)1461	4
Grants-in-aid (GIA) from Govt. of India	31629	38468	33662	2033	(-)4806
Total Revenue Receipts	285968	286500	278996	(-)6972	(-)7504
Total Revenue Expenditure	301343	301460	267022	(-)34321	(-)34438
Interest Payments	34385	33929	34021	(-)364	92
Capital Outlay	36298	41573	35049	(-)1249	(-)6524
Revenue Deficit (-)/Surplus (+)	(-)15375	(-)14960	11975	27350	26935
Fiscal Deficit (-)/Surplus (+)	(-)50586	(-)56053	(-)23015	27571	33038
Primary Deficit (-)/Surplus (+)	(-)16201	(-)22124	11006	27207	33130

Source: Finance Accounts 2018-19 and Budget document of 2019-20

Analysis of the important parameters are discussed below:

1.2.2.1 Revenue receipts

Revenue receipts had a shortfall by ₹ 6,972 crore (2.4 per cent) against budget estimates. The decrease in revenue receipts was the result of decrease in tax revenue by 0.3 per cent, non-tax revenue by 31 per cent and State's share of Union Taxes and Duties by three per cent.

1.2.2.2 Revenue expenditure

The revenue expenditure was lower by ₹ 34,321 crore (11 per cent) over the budget estimates, mainly because of lower expenditure under General Services (14 per cent), Social Services (12 per cent) and Economic Services (nine per cent). The decrease as compared to budget estimates was largely under Administrative Services (₹ 12,957 crore), Education, Sports, Arts and Culture (₹ 8,272 crore), Water Supply, Sanitation, Housing and Urban Development (₹ 6,943 crore), Rural Development (₹ 5,094 crore) and Agriculture and Allied Services (₹ 3,601 crore).

1.2.2.3 Capital outlay

The actual capital outlay was lower by ₹ 1,249 crore (3.4 per cent) against the budget estimates. The decrease as compared to budget estimates was mainly under Rural Development (₹ 3,255 crore) and Welfare of Scheduled Castes and Scheduled Tribes and Other Backward Classes (₹ 1,129 crore).

1.2.2.4 Fiscal deficit

Fiscal deficit (₹ 23,015 crore) was lower than the assessment made in the budget estimates (₹ 50,586 crore) by 55 per cent, mainly due to reduced Revenue and Capital Expenditure.

1.3 Financial Resources of the State

Financial Resources of the State as per Annual Finance Accounts

Revenue and Capital are two streams of receipts of the State. Revenue receipts consist of Tax Revenues, Non-Tax Revenues, State's Share of Union Taxes and Duties and Grants-in-aid from Government of India. Capital receipts include Miscellaneous Capital Receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from Government of India. Besides, the funds available in the Public Account after disbursement are also utilised by the Government to finance its deficit.

Table 1.6 presents the trends in growth and composition of total receipts of the State during 2014-15 to 2018-19.

Table 1.6: Trends in growth and composition of total receipts

	(₹ in crore)				
Source of State's receipts	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue receipts	165415	185036	204693	243654	278996
Capital receipts	30348	38858	50082	49854	27629
Contingency Fund	4360	962	0	0	3528
Public Account receipts (Gross)	83022	72747	82467	81877	90665
Total receipts	283145	297603	337242	375385	400818
Source: Finance Accounts of respective years					

Chart 1.4 depicts the trends in various components of the receipts of the State during 2014-19. **Chart 1.5** and **Flow chart 1.1** depict the composition of the receipts of the State during the current year.

Flow chart 1.1: Various components of receipts of the State

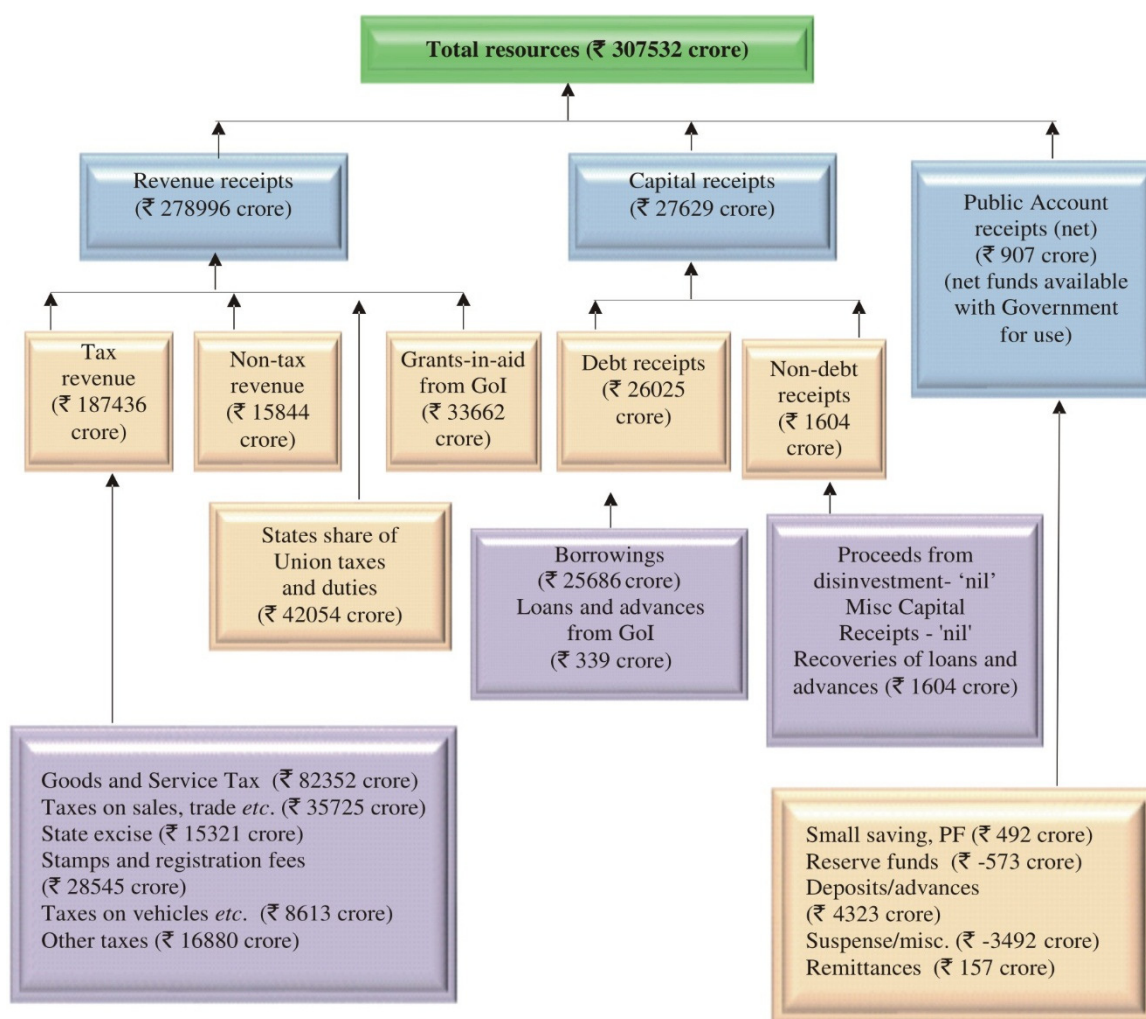
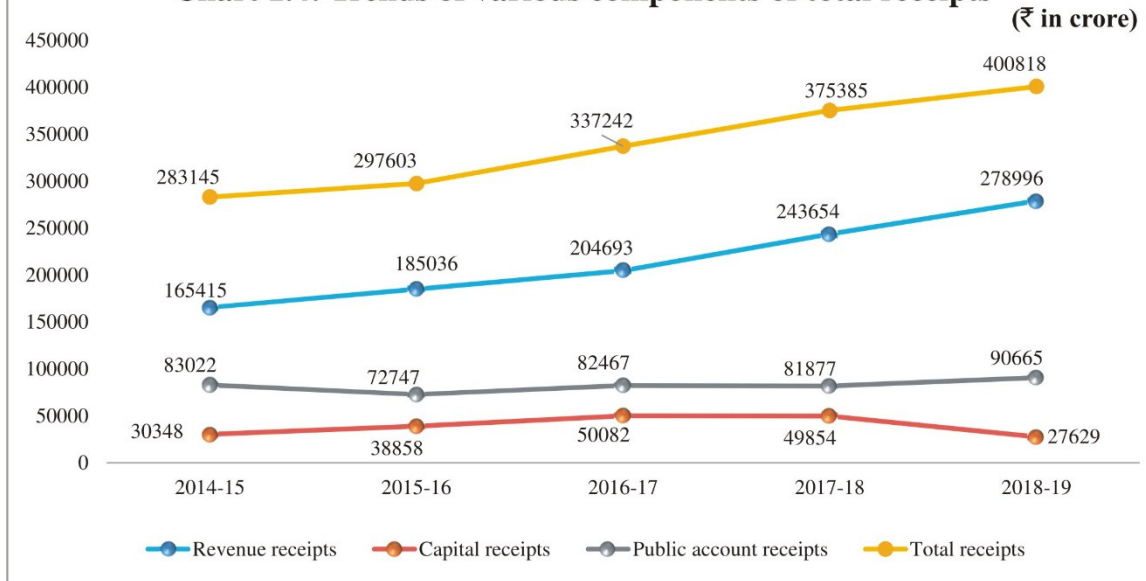


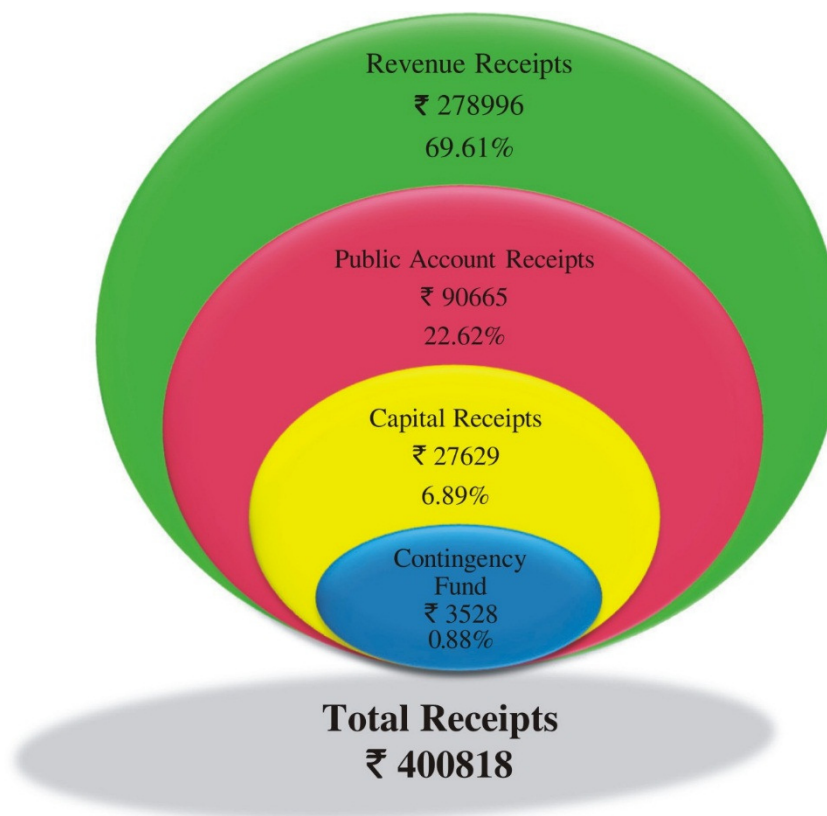
Chart 1.4: Trends of various components of total receipts



(Source: Finance Accounts of respective years)

Chart 1.5: Composition of total receipts during 2018-19

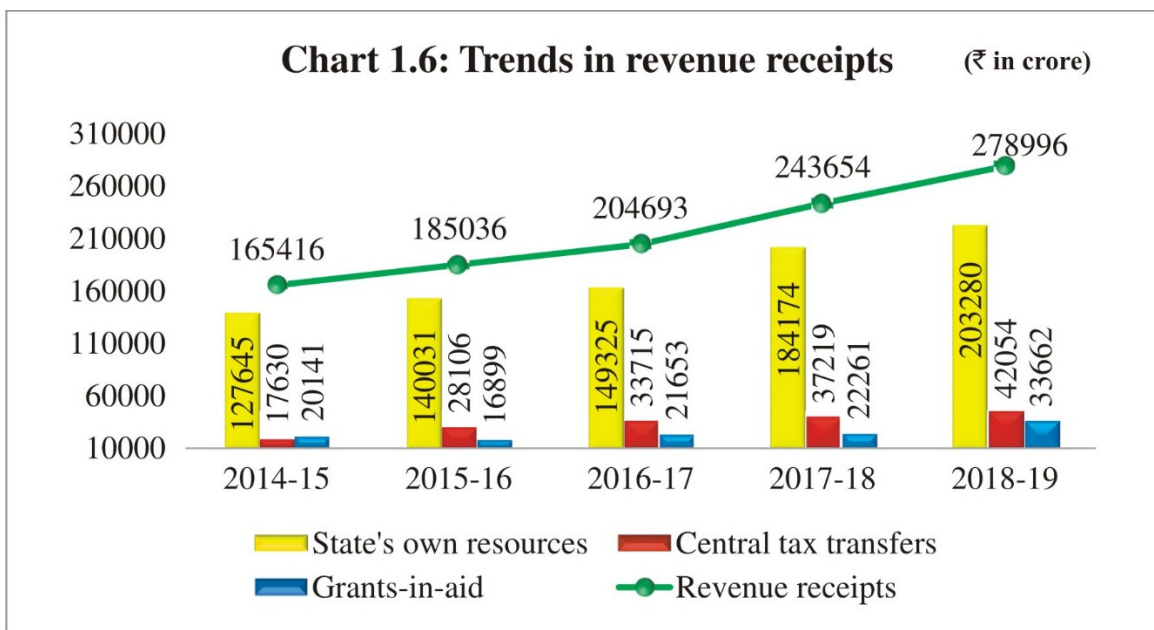
₹ in crore)



(Source: Finance Accounts 2018-19)

1.4 Revenue Receipts

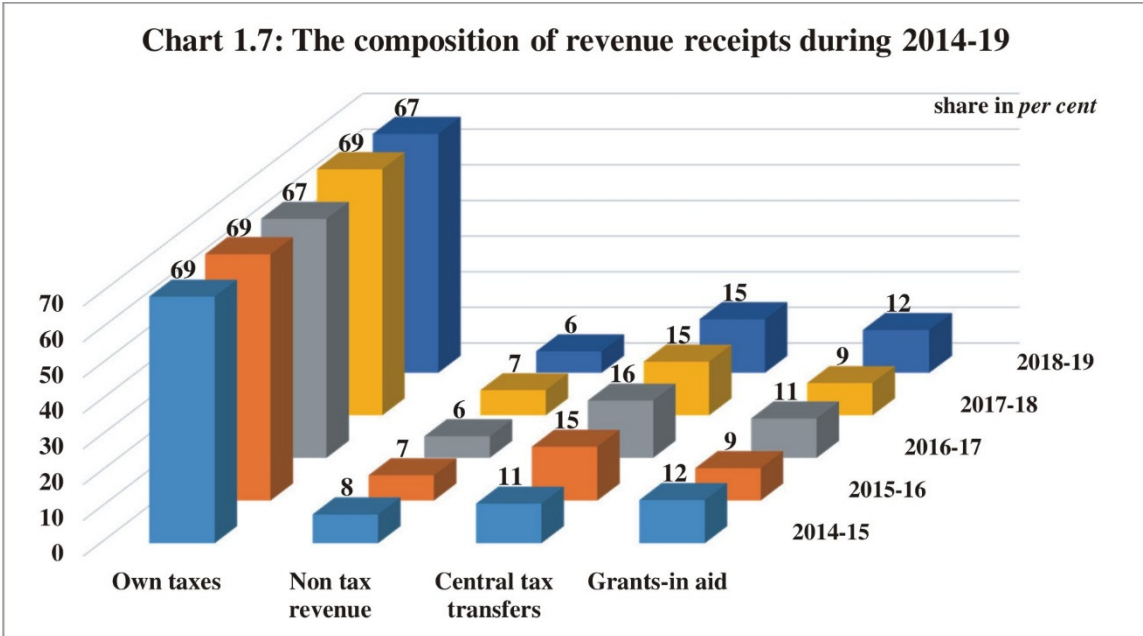
Statement 14 of the Finance Accounts details the revenue receipts of the Government. These consist of the State's own tax and non-tax revenues, Central tax transfers and grants-in-aid from Government of India. The trends of revenue receipts over the period 2014-15 to 2018-19 are presented in **Chart 1.6** and also given in **Appendix 1.7**.



(Source: Finance Accounts of respective years)

Revenue receipts grew by ₹ 35,342 crore (15 per cent) in 2018-19 over the previous year. The tax revenue increased by ₹ 19,504 crore (12 per cent), State’s share of Union Taxes and Duties by ₹ 4,835 crore (13 per cent) and Grants-in-aid from Government of India by ₹ 11,401 crore (51 per cent) set-off by decrease in non-tax revenue by ₹ 398 crore (two per cent).

The percentage composition of revenue receipts over the period 2014-15 to 2018-19 are presented in **Chart 1.7**.



(Source: Finance Accounts of respective years)

As shown in **Chart 1.7**, 73 per cent of the Revenue came from the State’s own resources and the balance was from Government of India in the form of central tax transfer and Grant-in-aid.

The trends of revenue receipts relative to GSDP at current prices is presented in **Table 1.7**.

Table 1.7: Trends in Revenue Receipts relative to Gross State Domestic Product

	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue receipts (₹ in crore)	165415	185036	204693	243654	278996
Rate of growth ³ of RR (per cent)	10.4	11.9	10.6	19.0	14.5
RR/GSDP (per cent)	9.2	9.2	9.0	10.1	10.5

Source: Finance Accounts of respective years

The revenue receipt of the State remained between nine per cent and 10.5 per cent of the GSDP during 2014-19. A slight upward surge in the ratio during 2017-18 and 2018-19 at 10 per cent and 10.5 per cent respectively was largely, a consequence of tax reforms brought in through the implementation of the Goods and Services tax (GST).

During 2009-10 to 2017-18, the CAGR of revenue receipts (13.8 per cent) was lower than the growth rate of GCS (15 per cent). The revenue receipts increased considerably during 2018-19 (14.5 per cent) over 2017-18 and were higher than the growth rate of GCS (12.8 per cent) as shown in **Appendix 1.1**.

³ see Glossary at page 132

Trends in Buoyancy ratio

Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. The value more than one indicates high degree of responsiveness of the fiscal variable to the base variable. As GSDP grows, the ability of the Government to mobilize revenue should also increase. **Table 1.8** shows the buoyancy of revenue receipts with respect to changes in GSDP.

Table 1.8: Buoyancy ratio

	2014-15	2015-16	2016-17	2017-18	2018-19
Gross State Domestic Product (₹ in crore)	1792122	2001223	2257032	2411600	2660318
Revenue receipts buoyancy w.r.t. GSDP	1.182	1.017	0.828	2.794*	1.408
State's own taxes buoyancy w.r.t. GSDP	0.683	0.857	0.617	3.368*	1.126
Revenue receipts buoyancy w.r.t. State's own taxes	1.733	1.190	1.342	0.830	1.250
Source: Finance Accounts of respective years					
* Based on actual GSDP					

As can be seen from **Table 1.8**, the buoyancy of revenue receipts to GSDP as well as State's own tax buoyancy to GSDP was greater than one indicating that revenue receipts and own tax revenue grew at a faster rate than GSDP.

1.4.1 State's Own Resources

As the State's share in Central taxes is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilization of additional resources is assessed in terms of its own resources comprising revenue from its own sources (tax and non-tax revenues).

The State's actual tax and non-tax receipts for the year 2018-19 *vis-à-vis* projection given in the FFC Report and the MTFPS (2018-19) are given in **Table 1.9**.

Table 1.9: Actual Projections of Tax and Non-Tax Revenue for 2018-19

(₹ in crore)

	FFC projection	Budget estimates	MTFPS projection	Actual
Tax revenue	229031	188040	188040	187436
Non-tax revenue	25212	22785	22785	15844
Source: Finance Accounts/FFC/Budget/MTFPS				

1.4.1.1 Tax Revenue

The gross collection in respect of major taxes and duties during 2014-19 are given in **Table 1.10**.

Table 1.10: Components of State's Own Tax Revenue

(₹ in crore)

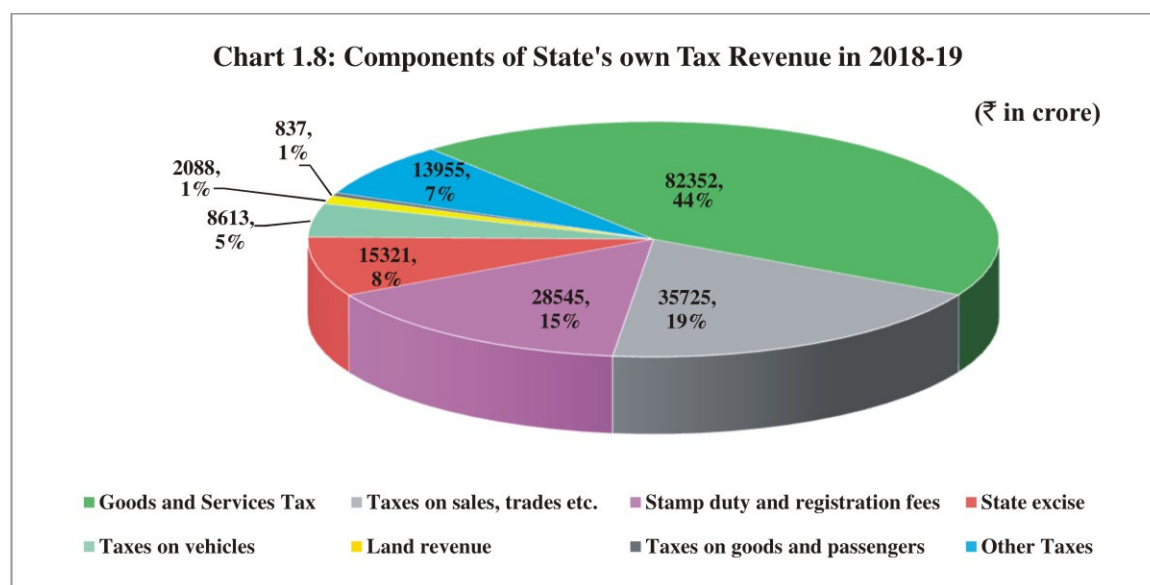
Revenue Head	2014-15	2015-16	2016-17	2017-18	2018-19	Variation in 2018-19 over previous year (in per cent)
Goods and Services Tax ⁴	-	-	-	50063	82352	12.5
Taxes on sales, trade etc.	67466	69661	81174	54894	35725	
Stamp duty and registration fees	19959	21767	21012	26442	28545	8.0

⁴ Implemented w.e.f. 01 July 2017

Revenue Head	2014-15	2015-16	2016-17	2017-18	2018-19	Variation in 2018-19 over previous year (in per cent)
State excise	11397	12470	12288	13450	15321	13.9
Taxes on vehicles	5405	6017	6741	8665	8613	(-)0.6
Land revenue	1272	1748	1799	2310	2088	(-)9.6
Taxes on goods and passengers	587	1582	1877	984	837	(-)14.9
Other taxes ⁵	8978	13363	11725	11124	13955	25.5
Total	115064	126608	136616	167932	187436	11.6

Source: Finance Accounts of respective years

The components of tax revenue for the year 2018-19 are presented in **Chart 1.8**.



(Source: Finance Accounts 2018-19)

Own tax revenue relative to GSDP of the State was seven *per cent* as compared to Chhattisgarh (14.4 *per cent*), Gujarat (5.3 *per cent*), Karnataka (6.3 *per cent*) and Madhya Pradesh (5.2 *per cent*).

The increase in tax revenue by ₹ 19,504 crore (12 *per cent*) over the previous year was mainly under Taxes on Sales, Trade *etc.* and GST by ₹ 13,120 crore (13 *per cent*), Stamp Duty and Registration Fees increased by ₹ 2,103 crore (eight *per cent*), State Excise by ₹ 1,871 crore (14 *per cent*) and receipt under Land Revenue decreased marginally since the previous year.

During 2009-10 to 2017-18, the CAGR of tax revenue (13.9 *per cent*) was lower than the growth rate of GCS (14.8 *per cent*). The growth of tax revenue during 2018-19 over 2017-18 (11.6 *per cent*) was also lower than the growth rate of GCS (12.7 *per cent*) as shown in **Appendix 1.1**.

Goods and Services Tax

The Goods and Services Tax (GST) has three components - Central GST (CGST), State GST (SGST) and Integrated GST (IGST) on inter-state trade or commerce. Under the

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

GST (Compensation to States) Act, 2017, loss of revenue to the States on account of implementation of Goods and Services Tax shall be payable during transition period of five years. Any excess amount released as compensation to a State in any financial year during the transition period shall be adjusted against the compensation amount payable to such State in the subsequent financial year. The base year (2015-16) revenue certified by Audit under GST (compensation to States) Act, 2017 for Maharashtra State was ₹ 60,504.60 crore. The projected revenue for 2018-19 was ₹ 89,640.226 crore (2017-18 plus 14 per cent). Government of India released compensation of ₹ 8,330 crore. The projected nominal growth rate of revenue subsumed for a state during the transition period shall be 14 per cent per annum. The total compensation payable in any financial year shall be difference between the projected revenue for any financial year and the actual revenue collected by a State.

The revenue from SGST for the financial year 2018-19 of Maharashtra State was ₹ 82,352 crore. Government of India released the compensation amount of ₹ 8,330 crore in the form of grant-in-aid, which was accounted under MH 1601-08-114. The actual amount of compensation is dependent on adjustments to the GST collection emanating from recovery of past arrears of subsumed taxes during SGST period of 2018-19 and is yet to be worked out.

With automation of the collection of Goods and Services Tax (GST) having taken place, it is essential for Audit to transition from sample checks to a comprehensive check of all transactions, to fulfil the Comptroller and Auditor General's constitutional mandate of certifying the Accounts. The required access to data is yet to be provided. Not having access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST receipts. The accounts for the year 2018-19 are, therefore, certified on the basis of test audit, as was done when records were manually maintained, as a one-time exception.

Government of Maharashtra gave an amount of ₹ 17,469 crore as 'Assistance to Municipal Corporations for loss of Revenue arising due to Implementation of Goods and Services Tax'.

1.4.1.2 Non-Tax Revenue

The trend in Non-Tax Revenue during 2014-19 is shown in **Table 1.11** and actuals for 2018-19 in **Chart 1.9**.

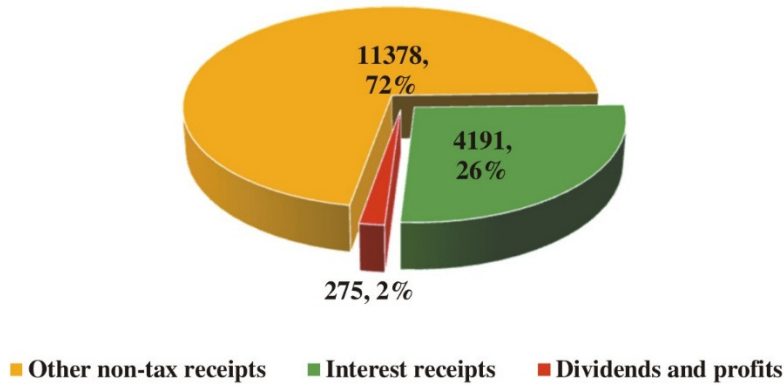
Table 1.11: Growth rate of Non-Tax Revenue

Revenue head	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage increase in 2018-19 over previous year
	(₹ in crore)					
Interest receipts [§]	3351	3080	3259	4163	4191	1
Dividends and profits	28	57	67*	65*	275*	323
Other non-tax receipts	9202	10286	9383	12014	11378	(-)5
Total	12581	13423	12709	16242	15844	(-)2
Non Tax Revenue/GSDP	0.70	0.67	0.56	0.65	0.60	

* Dividend of ₹ 39 crore (2016-17); ₹ two crore (2017-18) and ₹ 255 crore (2018-19) for which details are awaited from State Government
[§] Interest receipts shown under MH 0049
 Source: Finance Accounts of respective years

Chart 1.9: Components of non-tax revenue in 2018-19

(₹ in crore)



(Source: Finance Accounts 2018-19)

Non-tax revenue (₹ 15,844 crore) which constituted six *per cent* of revenue receipts, decreased by two *per cent* over the previous year. The decrease was mainly under Miscellaneous General Services (₹ 964 crore) and Elections-other receipts (₹ 629 crore).

During 2009-10 to 2017-18, the CAGR of non-tax revenue (8.7 *per cent*) was lower than the growth rate of GCS (9.9 *per cent*). The growth rate of GCS was 19.8 *per cent* which was positive as compared to negative growth rate of 2.5 *per cent* of non-tax revenue of the State during 2018-19 over 2017-18 as shown in **Appendix 1.1**.

Recommendation:

The non-tax revenue relative to GSDP has shown a steady decline during 2014-19 indicating that the State needs to devise measures to enhance non-tax revenue to augment its revenue receipt.

Interest receipts, Dividends and Profits

One of the major sources of interest receipts is interest proceeds out of investment of surplus cash balances of the State. As per Reserve Bank of India's regulations, the cash balance maintained by the State is invested in Government of India's 14 days Treasury Bills (TBs). The average rate of interest on these TBs is around five to six *per cent*. Excess cash balance, beyond the immediate requirement is invested in Government of India's 91 days TBs. Against the budgeted estimates of ₹ 2,824 crore during 2018-19, the actual interest realised on Investment of Cash Balances was ₹ 3,032 crore of which, 14 days TBs yielded ₹ 762 crore, 91 days TBs yielded ₹ 2,118 crore and 182 days TBs yielded ₹ 152 crore.

The interest realised on Loans and Advances given by the State Government to its Companies/Corporations *etc.* stood at ₹ 394 crore during 2018-19 which worked out to 1.5 *per cent* of the outstanding balances of Loans and Advances (₹ 25,746 crore) at the end of the year.

The return on investment in the form of dividends declared by Companies/Corporations and credited to Government Account during 2018-19 was ₹ 275 crore. Dividend and Profit at ₹ 275 crore showed an increase of ₹ 210 crore over previous year. However, the State Government could not provide details for ₹ 255 crore, to that extent the

amount could not be vouched. Considering the extent of Government investment (₹ 1,53,322 crore), the return worked out to a meagre 0.18 per cent on the investment made (Table 1.39).

Pricing of public utilities – Water Charges

The levy and pricing of water charges in Maharashtra is governed by the provisions of the Maharashtra Water Resources Regulatory Authority Act, 2005. In case of irrigation and bulk water, the Authority is required to fix the criteria for water charges based on the principle that water charges shall reflect the full recovery of the cost of irrigation management, administration, operation and maintenance (O&M) of water resources projects. As per the Act, the State should be able to meet the O&M expenditure on irrigation projects by water charges. In the case of drinking water, the revenue receipts from water tariff should be at par with cost of production of water i.e. expenditure of O&M of water supply system.

Maharashtra moved towards fixing the water charges through Maharashtra Water Resources Regulatory Authority from October 2010. The assessment and recovery of water charges against the O&M cost during 2014-19 based on the water rates for the control period⁶ 2010-13 is shown in Table 1.12.

Table 1.12: Details of Operation and Maintenance cost of water resources project, assessment of water charges and recovery of water charges

(₹ in crore)

Year	Operation and Maintenance cost (Establishment + Maintenance and repair)			Arrears of water charges				
	Salary (Establishment)	Non-salary (Maintenance and Repairs)	Total	Opening Balance	Assessment	Total Dues (5+6)	Recovery of water charges	Balance to be recovered (7-8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2014-15	620	126	746	1309	672	1981	637	1344
2015-16	680	181	861	1347*	740	2087	573	1514
2016-17	652	135	787	1514	664	2178	474	1704
2017-18	702	334	1036	1704	833	2537	688	1849
2018-19	1344	356	1700	1849	1137	2986	1044	1942
Total	3998	1132	5130		4046		3515	

* Opening balance was revised after reconciliation
Source: Information furnished by Maharashtra Water Resources Regulatory Authority

From the Table 1.12 it can be seen that the water charges recovered during 2014-19 was lower than the O&M cost by ₹ 1,615 crore. Arrears in recovery during 2014-19 was ₹ 1,942 crore. In addition, there was a gap of ₹ 1,084 crore between O&M cost and assessment made during 2014-19.

1.4.2 Transfers from Government of India including State's share of Union taxes and Grants-in-aid from Government of India

1.4.2.1 Central Tax Transfers

Comparison of the transfer of taxes (Fourteenth Finance Commission)

Consequent upon acceptance of the recommendations of the Fourteenth Finance Commission (award period 2015-16 to 2019-20) by Government of India, the transfer to

⁶ Control period for the purposes of the applicability of tariffs shall be three consecutive water years starting from 01 July 2010 to 30 June 2011, 01 July 2011 to 30 June 2012 and 01 July 2012 to 30 June 2013

States with effect from 2015-16 has increased from 32 per cent to 42 per cent of the net union tax receipts. Central tax transfers increased by 13 per cent from ₹ 37,219 crore in 2017-18 to ₹ 42,054 crore in 2018-19. The transfer of different components of States share of union taxes during the year 2015-19 of FFC is as given in **Table 1.13**.

Table 1.13: Transfer of different components of State's share of Union Taxes

(₹ in crore)

Components of State's share of Union taxes	FFC award period				Difference (5 - 4)	Percentage increase/decrease
	2015-16	2016-17	2017-18	2018-19		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Corporation Tax	8835.19	10790.20	11387.92	14621.85	3233.93	28.4
Customs	4486.57	4641.53	3753.00	2980.37	(-772.63)	(-20.6)
Income Tax	6144.85	7499.22	9616.28	10768.37	1152.09	12
Other taxes and duties on commodities and services	19.33	0.09	15.87	25.47	9.60	60.5
Other taxes on income and expenditure	0.18	-	-	76.15	76.15	100
Service tax	4887.46	5458.92	4246.87	390.29	(-3856.58)	(-90.8)
Taxes on wealth	2.00	24.71	(-)0.34	5.36	5.70	1676.5
Union excise duties	3730.37	5300.23	3923.00	1980.63	(-)1942.37	(-)49.5
Central Goods and Services Tax	-	-	522.44	10377.52	9855.08	1886.4
Integrated Goods and Services Tax (IGST)	-	-	3754.16	828.20	(-)2925.96	(-)77.9
Grand Total	28105.95	33714.90	37219.20	42054.21	4835.01	13
Transfer as a percentage of revenue receipts	15.2	16.5	15.3	15.1		

Source: Data of Finance Department, Government of Maharashtra and website of Ministry of Finance

Of the total Central Tax transfer, there was a phenomenal increase of ₹ 9,855.08 crore under CGST. Tax transfer under IGST decreased by 78 per cent (₹ 2,925.96 crore) since the previous year.

1.4.2.2 Grants-in-aid from Government of India

The Grants-in-aid from Government of India increased by 51 per cent from ₹ 22,261 crore in 2017-18 to ₹ 33,662 crore in 2018-19. The increase in 2018-19 was mainly due to grants released under GST Compensation (₹ 6,842 crore), State Plan Schemes (₹ 1,690 crore), Centrally Sponsored Plan Schemes (₹ 1,892 crore). The trend of total grants from Government of India as a percentage of revenue receipts ranged between nine per cent and 12 per cent during 2014-19 is shown in **Table 1.14**.

Table 1.14: Grants-in-aid from Government of India

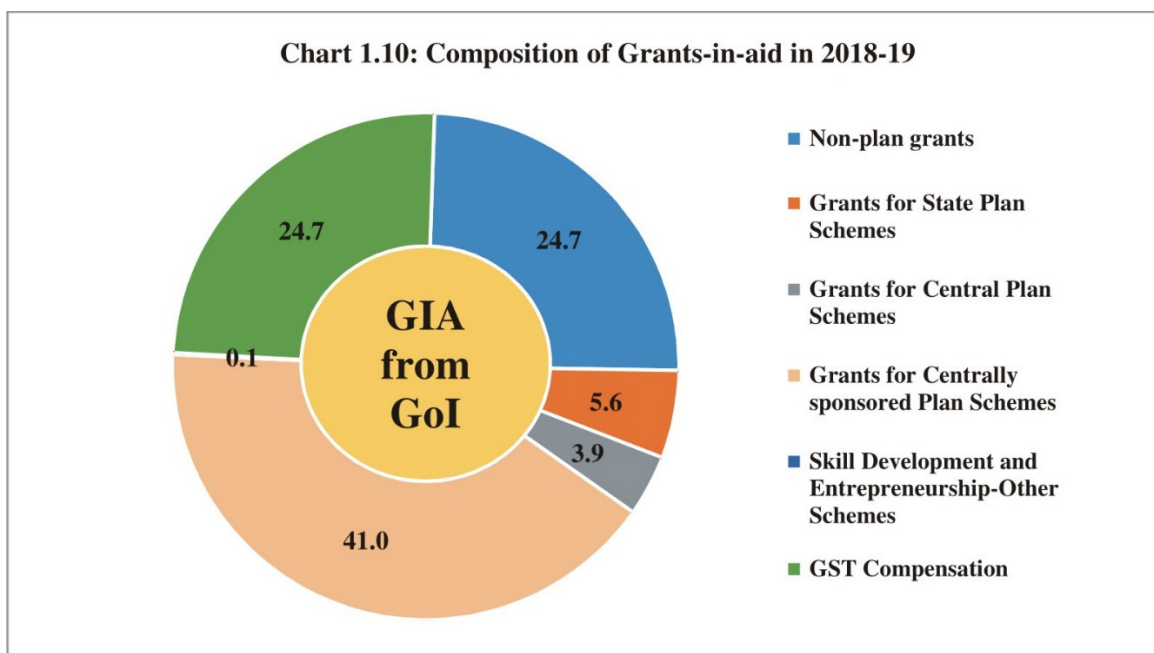
(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19
Non-plan grants	7304	6080	9073*	7158	8310
Grants for State Plan Schemes	1665	791	455	197	1887
Grants for Central Plan Schemes	1399	688	1657	1086	1326
Grants for Centrally sponsored Plan Schemes	9772	9340	10468	11895	13787
Compensation for loss of revenue arising out of implementation of GST	-	-	-	1488	8330
Skill Development and Entrepreneurship-Other Schemes	-	-	-	-	22
Total	20140	16899	21653	22261[§]	33662
Percentage of increase/decrease over previous year	52.1	(-)16.1	28.1	2.8	51.2
Total Grants as a percentage of revenue receipts	12.2	9.1	10.6	9.1	12.1

* Higher rounding [§] Includes ₹ 438 crore, details are not available

Source: Finance Accounts of respective years

The composition of Grants-in-aid is shown in **Chart 1.10**.



(Source: Finance Accounts 2018-19)

Centrally Sponsored Plan Schemes

The increase under grants from Centrally Sponsored Plan Schemes (₹ 1,892 crore) was mainly under (a) General Education (₹ 1,543 crore), (b) Welfare of Schedule castes, Scheduled Tribes, Other Backward Classes and Minorities (₹ 1,146 crore), set-off by a decrease under (c) Civil Supplies (₹ 571 crore) and (d) Social Welfare and Child Welfare (₹ 492 crore).

Central Plan Schemes

The increase under Central Plan Schemes (₹ 240 crore) was mainly under Mahatma Gandhi National Rural Employment Programmes (₹ 498 crore) and Rural Development (₹ 210 crore) set-off by decrease under Grants under Proviso to Article 275(1) of the Constitution (₹ 537 crore).

State Plan

Grants for State Plan Schemes comprise mainly grants under Article 275(1) of the Constitution of India (these are basically grants for Tribal Sub-Plan) and Block Grants⁷. **Table 1.15** shows the Grants-in-aid received from Government of India under Proviso to Article 275(1) of the Constitution and Block Grants during 2014-15 to 2018-19.

⁷ A block grant is a lump sum grant provided by the Government of India to the State Government, with only general provision as the way it is to be spent

Table 1.15: Year wise Grants-in-aid from Government of India under Proviso to Article 275(1) of the Constitution and Block Grants

(₹ in crore)

	Particulars	Classification	2014-15	2015-16	2016-17	2017-18	2018-19
Under Proviso to Article 275(1) of the Constitution	Non-plan grants	1601-01-104	2329	-	-	-	-
	Plan grants	1601-02-104	117	134	115	129	1247
	Central Plan grants	1601-03-104	-	-	-	-	21
Block Grants			1091	284	210	7	548
(1601-02-101)	Accelerated Irrigation Benefits Programme and other water related schemes		32	265	187	-	
	Normal Central Assistance		790	-	-	-	-
	Backward Region Grants Fund		-	-	-	-	-
	Additional Central Assistance for Externally Aided Projects		-	-	-	7	548
	Other Schemes		269	19	23	-	-
Source: Finance Accounts of respective years							

1.4.2.3 Centrally Sponsored Schemes

The State Government is entrusted with the execution of Centrally Sponsored Schemes in the State for which grants are released by the Government of India. During the year 2018-19 Government of Maharashtra received ₹ 33,057 crore for implementation of 89 schemes. Details of releases of Central share and State share in respect of major schemes are given in Appendix V-Expenditure on Schemes-A of Finance Accounts 2018-19.

1.4.2.4 Funds transferred to State Implementing Agencies outside the State Budget

Government of India decided to release all assistance related to Centrally Sponsored Schemes/ Additional Central Assistances directly to the State Government and not to Implementing Agencies from 01 April 2014. During 2018-19, the Government of India, however released funds of ₹ 3,004.46⁸ crore directly to the State Implementing Agencies (Appendix-VI of Finance Accounts 2018-19), instead of routing through State Government.

The Implementing Agencies, which received major transfers during 2018-19 are as shown in **Table 1.16**.

Table 1.16: Implementing Agencies which received major transfers

(₹ in crore)

Government of India Scheme	Implementing Agency	2018-19
National Rural Employment Guarantee Scheme (MGNREGA) CS	MGNREGA State Fund Association Maharashtra	1521.29
National AIDS and STD control programme	Maharashtra State AIDS Control Society	102.46
Sagarmala Project and Ports - NP	Maharashtra Maritime Board	13.42
Management support to RD programs and strengthening of District planning process in lieu of programmes and other Programmes	Yashwantrao Chavan Academy of Development Administration	2.70
Source: Finance Accounts 2018-19		

Funds transferred directly from the Government of India to the State Implementing Agencies were routed outside State Budget. This resulted in lack of monitoring the

⁸ As per the Public Financial Management System portal of the Controller General of Accounts

expenditure incurred by them on various schemes and also escaped Legislative scrutiny through regular process of authorisation.

1.5 Capital Receipts

Capital receipts of the State Government includes non-debt and debt receipts, whose composition has been discussed in **Paragraph 1.3**. The trends in composition of capital receipts are shown in **Table 1.17**.

Table 1.17: Trends in growth and composition of Capital Receipts

Sources of State's receipts	2014-15	2015-16	2016-17	2017-18	2018-19
Capital Receipts (CR)	30348	38858	50082	49854*	27629
Miscellaneous Capital Receipts	-	17	-	-	-
Recovery of Loans and Advances	975	865	1745	1778	1604
Public Debt Receipts	29373	37976	48337	48075#	26025
Rate of growth of debt capital receipts (per cent)	9.9	29.3	27.3	(-)0.5	(-)45.9
Rate of growth of non-debt capital receipts (per cent)	33.9	(-)9.5	97.8	1.89	(-)9.8
Rate of growth of CR (per cent)	10.5	28.0	28.9	(-) 0.5	(-)44.6
Source: Finance Accounts of respective years *Higher rounding # Lower rounding					

Capital Receipts (debt and non-debt receipts) of the State increased at an average annual growth rate of 22.5 per cent from 2014-15 to 2016-17 and decreased at the same average during 2017-18 and 2018-19. During 2018-19, capital receipts decreased by 45 per cent over the previous year mainly due to decrease in public debt receipts by 46 per cent. The share of public debt receipts in capital receipts was 94 per cent.

1.5.1 Recovery of Loans and Advances

The details of loans and advances given by the State Government during 2014-19 are indicated in **Table 1.18**.

Table 1.18: Position of Loans and Advances given by the State Government

Year	Balance of loans and advances as on 1 April	Disbursements by the Government during the year	Recoveries during the year	Balance as on 31 March (2+3-4)	Percentage of recovery with reference to opening balance (4/2*100)
(1)	(2)	(3)	(4)	(5)	(6)
2014-15	21656.79	1140.54	975.08	21822.25	4.5
2015-16	21822.25	1114.63	865.11	22071.77	4.0
2016-17	22071.77	6277.21	1745.58	26603.40	7.9
2017-18	26603.40	979.29	1778.01	25804.68	6.7
2018-19	25804.68	1545.17	1604.29	25745.56	6.2
Source: Finance Accounts of respective years					

Recoveries of loans and advances decreased by ₹ 174 crore (9.8 per cent) over the previous year mainly on account of recoveries under 'Loans for Co-operation' (₹ 114 crore) and 'Loans for Power Projects' (₹ 48 crore). The percentage of recovery was meagre at four to 7.9 during the last five years. The complete information (Section 3: Fresh Loans and advances made during the year to the loanee entities from whom repayment of earlier loans are in arrears) regarding arrears in repayments and loans in perpetuity (disclosures indicating extraordinary transactions relating to Loans & Advances under Finance Accounts Statement No.18) was not furnished by the Government.

1.5.2 Public Debt Receipts

During 2018-19, the public debt receipts decreased considerably by 45.9 per cent (₹ 22,050 crore) and public debt repayment increased by 59.1 per cent (₹ 9,335 crore).

Table 1.19: Time-series data on Public Debt Receipts

(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19
Open Market Borrowings	25083	32440	44960	44996	20868
	(85.4)	(85.4)	(93.0)	(93.6)	(80.2)
National Small Savings Fund	2982	4015	-	-	-
	(10.1)	(10.6)	-	-	-
Other Financial Institutions	766	937 [#]	2750	2911	4818
	(2.6)	(2.5)	(5.7)	(6.1)	(18.5)
Loans and Advances from GoI	542	584	627	168	339
	(1.8)	(1.5)	(1.3)	(0.35)	(1.3)
Public Debt Receipts	29373	37976	48337	48075 [#]	26025
Public Debt Repayments	8828	10043	11887	15782	25117 [*]
Figures in parenthesis indicate percentage to Public Debt receipts [#] Lower rounding [*] Higher rounding Source: Finance Accounts of respective years					

The public debt (Market borrowings and Loans from Government of India) receipts during the year (₹ 26,025 crore) comprised internal debt of ₹ 25,686 crore (98.7 per cent) and loans and advances from Government of India ₹ 339 crore (1.3 per cent). Market borrowings (₹ 20,868 crore) had a predominant share under internal debt comprising 80 per cent followed by loans from financial institutions (₹ 4,818 crore) as shown in **Table 1.19**.

1.6 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as, Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances etc., which do not form part of the Consolidated Fund of the State, are kept in the Public Account set up under Article 266(2) of the Constitution of India and are not subject to vote by the State Legislature. Here, the Government acts as a banker/trustee for custody of public money, since these transactions are simply pass through transactions. The trend of net receipts under Public Account covering the period 2014-15 to 2018-19 are indicated in **Table 1.20**.

Table 1.20: Trends of receipts under Public Account

(₹ in crore)

Resources under various heads	2014-15	2015-16	2016-17	2017-18	2018-19
Public Account receipts					
a. Small Savings, Provident Fund etc.	4642.54	4798.96	4947.53	4784.21	4869.26
	(1260)	(1208) [#]	(1124)	(547)	(492)
b. Reserve Fund	5908.54	7226.11	8566.92	8898.55	5066.88
	(3158)	(3465)	(5283)	(5924)	(-573) [*]
c. Deposits and Advances	31249.40	34855.80	39356.10	39960.88	45731.93
	(4411)	(2773)	(6841)	(3930)	(4323)
d. Suspense and Miscellaneous	17039.01	(-) 569.16	3034.27	541.72	(-)3208.89
	(5222)	(-876)	(2773)	(164)	(-3492)

Resources under various heads	2014-15	2015-16	2016-17	2017-18	2018-19
e. Remittances	24182.45	26435.49	26561.67	27691.64	38205.39
	(14)	(-235)	(-656)	(822)	(157)
Total	83021.94	72747.20	82466.49	81877.00	90664.57
	(14036)	(6335)	(15365)	(11387)	(907)

Figures in parenthesis indicate net receipts #Lower rounding
Source: Finance Accounts of respective years
*Negative figure is due to rectification of misclassification during previous year on account of 'Redemption payments of Consolidated Sinking Fund' (₹ 6260.26 crore) up to 31/03/2019

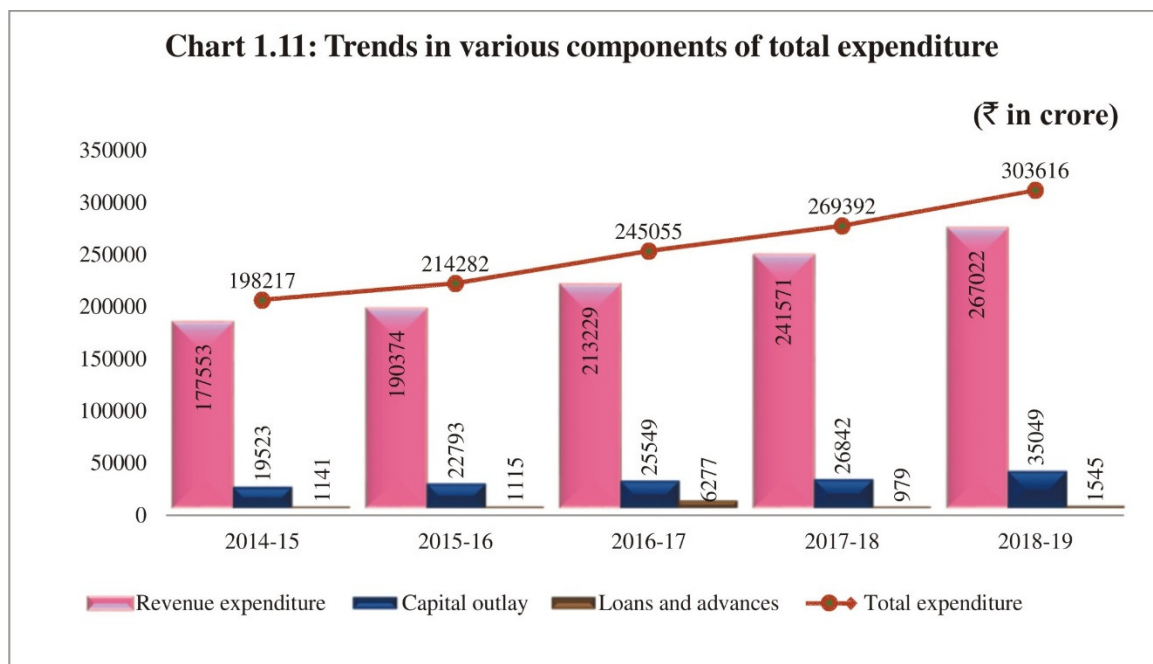
Table 1.20 shows that Public Account receipts increased by nine *per cent* over the period 2014-19. Increase in Public Account receipts by ₹ 8,788 crore (10.7 *per cent*) in 2018-19 over the previous year was on account of increase under Remittances (₹ 10,514 crore) and Deposits and Advances (₹ 5,771 crore) and set off by decrease under Reserve Fund (₹ 3,832 crore) and Suspense and Miscellaneous (₹ 3,751 crore). The net public account receipts available for use to the State Government during 2018-19 was ₹ 907 crore, a decrease by 92 *per cent* (₹ 10,480 crore) over 2017-18.

1.7 Application of Resources

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

1.7.1 Total Expenditure

Chart 1.11 presents the trends in total expenditure over the period of last five years (2014-19) as well as its composition under revenue, capital and loans and advances.



(Source: Finance Accounts of respective years)

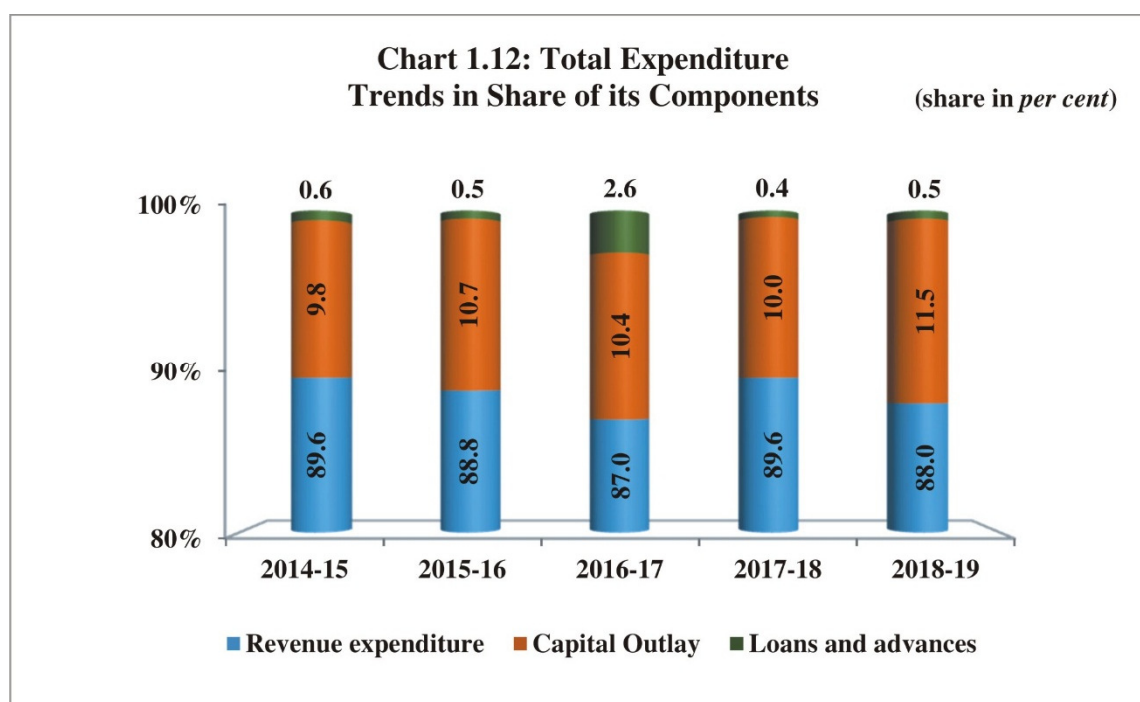
The total expenditure and its composition during 2014-19 are presented in **Table 1.21** and **Chart 1.12**.

Table 1.21: Total expenditure and its composition

(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19
Total expenditure	198217	214282	245055	269392	303616
Revenue expenditure	177553	190374	213229	241571	267022
	(89.6)	(88.8)	(87.0)	(89.6)	(88.0)
<i>of which, Non-Plan revenue expenditure</i>	<i>146245</i>	<i>154318</i>	<i>171140</i>	*	*
Capital Outlay	19523	22793	25549	26842	35049
	(9.8)	(10.7)	(10.4)	(10.0)	(11.5)
Loans and advances	1141	1115	6277	979	1545
	(0.6)	(0.5)	(2.6)	(0.4)	(0.5)

Figure in parenthesis indicate percentage to total expenditure
 * From 2017-18 onwards Plan and Non-plan expenditure has been merged
 Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

The total expenditure grew by 12.7 per cent over the previous year. The total expenditure of the State increased at an average growth rate of 11.5 per cent from ₹ 1,98,217 crore in 2014-15 to ₹ 3,03,616 crore in 2018-19 but the percentage of capital outlay to total expenditure remained around at 10 per cent during 2014-18 and increased nominally to 11.5 per cent in 2018-19. The total expenditure, its annual growth rate, the ratio of total expenditure to GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.22**.

During 2009-10 to 2017-18, the CAGR of total expenditure (11.4 per cent) was lower than the growth rate of GCS (14.2 per cent). The growth of the total expenditure during 2018-19 over 2017-18 was same as the growth rate of GCS at 12.7 per cent as shown in **Appendix 1.1**.

Table 1.22: Total expenditure – basic parameters

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Total expenditure (TE) (₹ in crore)	198217	214282	245055	269392	303616
Rate of growth of TE over previous year (<i>per cent</i>)	12.3	8.1	14.4	9.9	12.7
TE/GSDP (<i>per cent</i>)	11.1	10.7	10.8	11.2	11.4
RR/TE (<i>per cent</i>)	83.5	86.4	83.5	90.4	91.9
Buoyancy of Total expenditure with reference to:					
GSDP (ratio)	1.398	0.692	1.125	1.456*	1.233
RR (ratio)	1.183	0.681	1.358	0.521	0.876
Source: Finance Accounts of respective years *Based on actual GSDP					

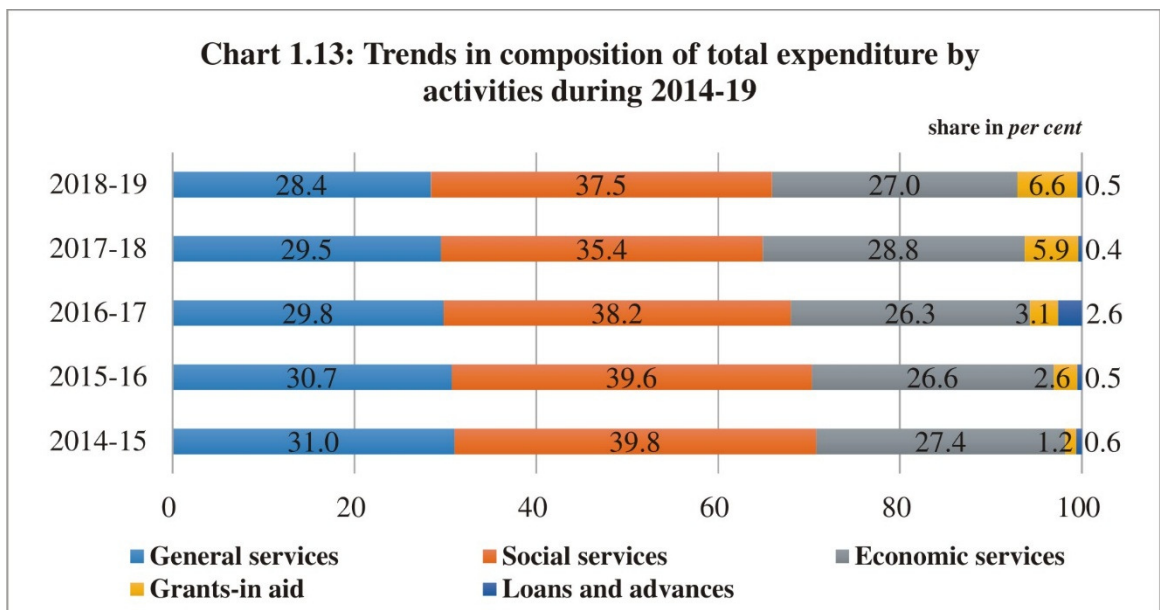
The total expenditure remained around 11 *per cent* of GSDP during 2014-19. **Table 1.22** shows that on an average, 87 *per cent* of total expenditure were met from revenue receipts during 2014-19. After decrease in the growth of total expenditure during 2017-18 over the previous year, the growth increased to 12.7 *per cent* during 2018-19.

1.7.1.1 Total expenditure in terms of activities

In terms of activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social Services, Economic Services, Grants-in-aid and Loans and Advances. Relative shares of these components in the total expenditure are indicated in **Table 1.23** and **Chart 1.13**.

Table 1.23: Components of total expenditure – relative shares

	2014-15	2015-16	2016-17	2017-18	2018-19
General Services	31.0	30.7	29.8	29.5	28.4
<i>of which, Interest Payments</i>	12.1	12.0	11.6	12.3	11.2
Social Services	39.8	39.6	38.2	35.4	37.5
Economic Services	27.4	26.6	26.3	28.8	27.0
Grants-in-aid	1.2	2.6	3.1	5.9	6.6
Loans and Advances	0.6	0.5	2.6	0.4	0.5
Source: Finance Accounts of respective years					



(Source: Finance Accounts of respective years)

The increase under grants-in-aid was mainly due to increase in compensation and assignment to Local bodies and Panchayati Raj Institutions (₹ 4,314 crore).

Though the share of General and Economic Services in total expenditure had decreased in 2018-19 over the previous year, the expenditure on these services increased by ₹ 6,715 crore and ₹ 4,223 crore respectively.

The increase under Social Services was due to Relief on Account of Natural Calamities (₹ 7,521 crore).

1.7.2 Revenue expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for past obligations and as such, does not result in any addition to the State's infrastructure and service network. The revenue expenditure has shown an increasing trend from ₹ 1,77,553 crore in 2014-15 to ₹ 2,67,022 crore in 2018-19. However, the growth rate of revenue expenditure decreased from 13.3 *per cent* in 2017-18 to 10.5 *per cent* in 2018-19 mainly due to decrease in expenditure on the Other Agricultural Programmes-Chhatrapati Shivaji Maharaj Sanman Yojna-2017 and debt relief to farmers under Chhatrapati Shivaji Maharaj Shetkari Sanman Yojana 2017 (₹ 11,313 crore). The overall revenue expenditure, its rate of growth, and buoyancy of revenue expenditure with GSDP and revenue receipts during the last five years are indicated in **Table 1.24**.

Table 1.24: Revenue expenditure – basic parameters

	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue expenditure (RE)	177553	190374	213229	241571	267022
Rate of Growth of RE (<i>per cent</i>)	14.6	7.2	12.0	13.3	10.5
Revenue Expenditure as percentage to TE	89.6	88.8	87.0	89.7	87.9
Buoyancy of Revenue expenditure with					
GSDP (ratio)	1.659	0.615	0.938	1.956*	1.019
Revenue Receipts (ratio)	1.404	0.605	1.132	0.698	0.724
Source: Finance Accounts of respective years * Based on actual GSDP					

Revenue expenditure constituted 88 *per cent* of the total expenditure (**Chart 1.12**). The revenue expenditure during 2018-19 (₹ 2,67,022 crore) was lower than the assessment made by the State Government in its MTFPS/FCP/Budget estimates by 11 *per cent*.

The buoyancy ratio of revenue expenditure with reference to both GSDP and revenue receipts showed a fluctuating trend. The buoyancy of revenue expenditure with revenue receipts at 0.724 during 2018-19 indicated that as against the revenue receipt of ₹ one corresponding revenue expenditure was ₹ 0.724.

1.7.2.1 Cost of collection

The gross collection in respect of four major heads of revenue receipts, the expenditure incurred on their collection and the comparative percentage of such expenditure to the gross collection along with the relevant All India Average percentage of expenditure on gross collection for the year 2017-18 are given in the **Table 1.25**.

Table 1.25: Expenditure incurred on collection of taxes

Sr. No	Head of revenue	Year	Gross collection (₹ in crore)	Expenditure on collection (₹ in crore)	Percentage of expenditure to gross collection	All India Average percentage for the year 2017-18
1	GST and Taxes on Sales, Trade etc.	2016-17	81174.17	522.25	0.6	0.69
		2017-18	104956.87	543.81	0.5	0.69
		2018-19	118076.93	551.90	0.5	Not Available

Sr. No	Head of revenue	Year	Gross collection (₹ in crore)	Expenditure on collection (₹ in crore)	Percentage of expenditure to gross collection	All India Average percentage for the year 2017-18
2	State Excise	2016-17	12287.91	111.02	0.9	2.01
		2017-18	13449.65	114.72	0.9	1.83
		2018-19	15320.90	122.02	0.8	Not Available
3	Taxes on Vehicles	2016-17	6741.21	119.66 [®]	1.8	2.61
		2017-18	8665.38	130.55 [®]	1.5	2.61
		2018-19	8613.19	171.74 [®]	2.0	Not Available
4	Stamps and Registration Fees	2016-17	21011.83	138.15	0.7	2.99
		2017-18	26441.82	139.96	0.5	2.96
		2018-19	28545.05	145.00	0.5	Not Available

[®] Subsidies excluded ₹ 1,622.80 crore (2016-17), ₹ 1,316.77 crore (2017-18) and ₹ 1,485.00 crore (2018-19)
Source: Finance Accounts of respective years

It would be seen that the cost of collection of revenue in the State is well below the All India Average in Taxes on Sales, Trade *etc.*, State Excise, Stamps and Registration Fees and Taxes on Vehicles.

1.7.2.2 Subsidies

The subsidies projected by the Government in the FCP and the actual expenditure incurred during 2017-18 and 2018-19 are presented in **Table 1.26**.

Table 1.26: Subsidies vis-à-vis Budget

	2017-18		2018-19		
	Projections in Budget	Actuals	Projections in Budget	Revised Estimates	Actuals
Power (Subsidy for reduction in Agriculture and Power loom Tariff)	4500	6726	4941	7766	7766
General/Others	13449	27169	25430	25023	19632
Total	17949	33894	30371	32789	27398

Source: Finance Accounts and Budget documents of respective years

The subsidies given to Power increased by ₹ 1,040 crore (15 *per cent*) during 2018-19 compared to previous year.

Subsidies given by the State Government during 2014-15 to 2018-19 are shown in **Table 1.27**.

Table 1.27: Expenditure on subsidies

	2014-15	2015-16	2016-17	2017-18	2018-19
Subsidies	19753	17766	20984	33894	27398
	(12)	(10)	(10)	(14)	(10)
Revenue Receipts	165415	185036	204693	243654	278996

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

Table 1.27 indicates that expenditure under subsidies decreased by 19 *per cent* from ₹ 33,894 crore in 2017-18 to ₹ 27,398 crore in 2018-19. During the current year, subsidies constituted about 10 *per cent* of the total revenue expenditure as well as revenue receipts.

The major schemes which received subsidies during 2018-19 included:

- Distribution/Transmission Licenses for reduction in Agriculture and Powerloom tariff ₹ 7,766 crore
- Package Scheme of Incentive ₹ 3,035 crore

- Pradhan Mantri Crop Insurance Scheme ₹ 1,724 crore
- Maharashtra Rajya Sahakari ₹ 1,618 crore
- Transport ₹ 1,485 crore

1.7.3 Capital expenditure

During 2018-19, Capital outlay (₹ 35,049 crore) constituted 11.5 per cent of the total expenditure, an increase by 31 per cent over 2017-18. The increase in capital outlay during 2018-19 over the previous year was mainly on Roads and Bridges (₹ 3,397 crore) and Urban Development (₹ 1,190 crore). During 2018-19, the Capital Outlay (₹ 35,049 crore) was lower than the assessment made by the State Government in its FCP and projections made in MTFPS/Budget estimates (₹ 36,298 crore) by three per cent except in some areas.

Further, out of the total Capital outlay of ₹ 35,049.05 crore, Government had invested ₹ 13,118.54 crore⁹ (37.43 per cent of Capital expenditure) in Statutory Corporations (₹ 12,082.48 crore) mainly related to Irrigation Development and Others, Government Companies (₹ 960.89 crore) and in Co-operative banks/Societies and Local bodies (₹ 75.17 crore).

Out of ₹ 13,118.54 crore, an amount of ₹ 853.68 crore was invested in Maharashtra State Electricity Board (MSEB) Holdings and ₹ 500 crore in Maharashtra State Road Transport Corporation (MSRTC) which had accumulated losses of ₹ 2,137.83 crore and ₹ 3,663.21 crore respectively. An amount of ₹ 0.70 crore was invested in Maharashtra State Powerlooms Corporation Limited which had accumulated losses of ₹ 17.38 crore and had eroded its net worth.

Recommendation:

As the chance of earning return on investment made in Companies incurring losses, and where their accumulated losses have resulted in erosion of the net-worth, is remote, the State Government may consider making future payments to these Companies in the form of Grants instead of Share Capital, so as to reduce the disparity in investment vis-à-vis return.

1.7.4 Loans and Advances

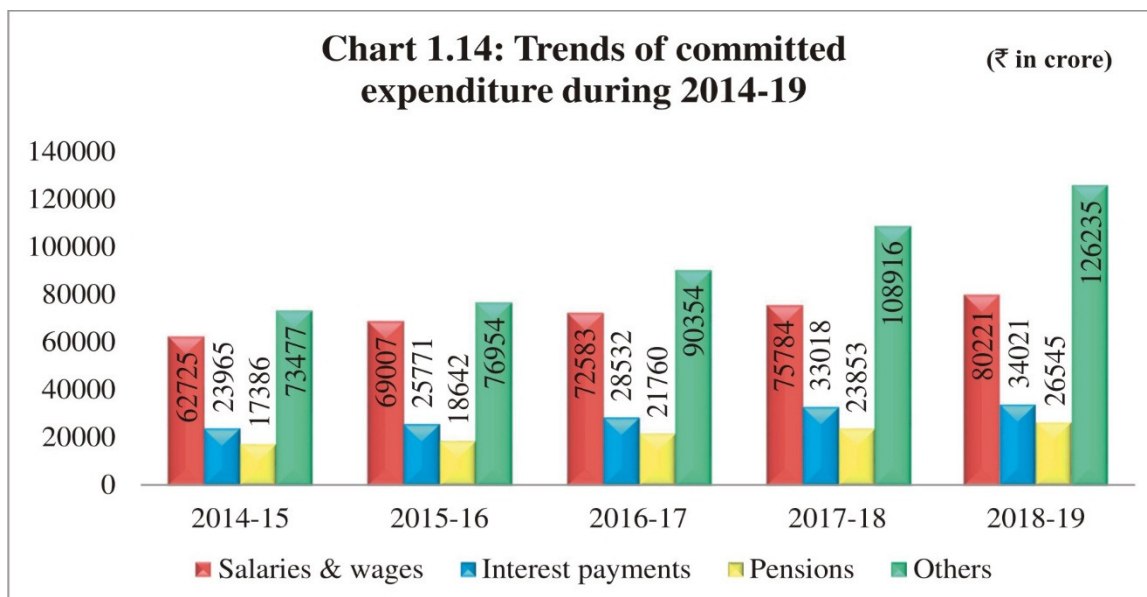
Loans and advances constituted around one per cent of the total expenditure during 2014-15 to 2018-19 except 2016-17 (three per cent) and 0.4 per cent during 2017-18 (Chart 1.12). Disbursements of loans and advances during 2018-19 increased by ₹ 566 crore as compared to 2017-18.

1.7.5 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages and pensions. The statement of committed liabilities (Appendix XII-Finance Accounts) was

⁹ The increase in investments was mainly on account of capital contributions to Vidarbha Irrigation Development Corporation (₹ 3,835 crore); Godavari Marathwada Irrigation Development Corporation (₹ 3,136 crore); Maharashtra Krishna Valley Development Corporation (₹ 2,369 crore); Konkan Irrigation Development Corporation (₹ 961 crore); Tapi- Irrigation Development Corporation (₹ 1,077 crore); Maharashtra State Road Transport Corporation (₹ 500 crore); Maharashtra Water Conservation Development Corporation (₹ 172 crore); Nagpur Metro Railway Project (₹ 350 crore); and Pune Metro Railway Project (₹ 413 crore)

incomplete as the data was not made available by the State Government. **Chart 1.14** and **Table 1.28** present the trends in the expenditure on these components during 2014-19.



(Source: Finance Accounts of respective years)

Table 1.28: Components of committed expenditure

(₹ in crore)

Components of committed expenditure	2014-15	2015-16	2016-17	2017-18	2018-19	
					BE	Actuals
Salaries and Wages	62725 (38)	69007 (37)	72583 (35)	75784 (31)	93687 (31)	80221 [§] (29)
of which Non-Plan Head	58457 (35)	63803 (34)	67535 (33)	*	*	*
of which Plan Head**	4268 (3)	5204 (3)	5048 (2)			
Interest Payments	23965 (14)	25771 (14)	28532 (14)	33018 (14)	34978 (12)	34021 (12)
Pensions	17386 (11)	18642 (10)	21760 (11)	23853 (10)	27378 (10)	26545 (10)
Total Committed expenditure	104076 (63)	113420 (61)	122875 (60)	132655 (54)	150940 (53)	140787 (50)
Other Components ¹⁰	73477 (44)	76954 (42)	90354 (44)	108916 (45)	150403 (47)	126235 (45)
Total Revenue Expenditure	177553	190374	213229	241571	301343	267022
Revenue Receipts	165415	185036	204693	243654	285968	278996

Figures in parenthesis indicate percentage to Revenue Receipts
* From 2017-18 onwards Plan and Non-plan expenditure has been merged
[§] Salaries: ₹ 76,955 crore + Wages: ₹ 3,266 crore
** Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes
Note: Expenditure on Salaries and Wages included grants-in-aid component during 2014-15 (₹ 38,225 crore), 2015-16 (₹ 41,254 crore), 2016-17 (₹ 43,829 crore), 2017-18 (₹ 45,904 crore) and 2018-19 (₹ 48,137 crore)
Source: Finance Accounts of respective years

¹⁰ Revenue expenditure under General Services, Social Services, Economic Services and Grants-in-aid (excluding salary and wages, interest payments and pension payments)

1.7.5.1 Salaries and wages

The average annual growth in salaries and wages during 2014-19 was six *per cent*. The expenditure on salaries and wages increased by ₹ 4,437 crore (six *per cent*) from ₹ 75,784 crore in 2017-18 to ₹ 80,221 crore in 2018-19. The expenditure of ₹ 80,221 crore on salaries and wages during 2018-19 was lower than the projections made in MTFPS/Budget (₹ 93,687 crore).

During 2009-10 to 2017-18, the CAGR of salary and wages (10.3 *per cent*) was lower than the growth rate of GCS (11.7 *per cent*). The growth of the salary and wages during 2018-19 over 2017-18 (7.4 *per cent*) was also lower than the growth rate of GCS (11 *per cent*) as shown in **Appendix 1.1**.

1.7.5.2 Pension payments

The average annual growth of pensions during 2014-19 was 11 *per cent*. The expenditure on pension increased by ₹ 2,692 crore (11 *per cent*) during 2018-19 over the previous year.

During 2009-10 to 2017-18, the CAGR of pension (18.5 *per cent*) was higher than the growth rate of GCS (16.1 *per cent*). The growth of pension during 2018-19 over 2017-18 (11.3 *per cent*) was lower than the growth rate of GCS (14.3 *per cent*).

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

Table 1.29: Pension payments vis-à-vis FFC assessment and State's projections

(₹ in crore)

Year	Projection in MTFPS	Assessment made by the FFC	Projection in FCP	Actuals
2017-18	25567	19258	25567	23853
2018-19	27378	21184	27378	26545

Source: Finance Accounts, Budget documents and Report of the FFC

New Pension Scheme

The Government of Maharashtra adopted (October 2005) the NPS architecture and implemented Defined Contribution Pension Scheme¹¹(DCPS) for State Government employees recruited on or after 1st November 2005. The DCPS was also applicable to employees recruited in services of recognized and aided Educational Institutions, Non-Agricultural Universities and affiliated Non-Government Colleges and Agricultural Universities, Zilla Parishads *etc.* to whom the existing pension scheme and General Provident Fund Scheme is applicable.

The State Government joined the New Pension Scheme (NPS) 2005 of the Central Government in August, 2014 in respect of employees recruited on or after 1st November 2005 in the State Government, Zilla Parishad, Recognised and Aided Educational Institutions, Agricultural/Non-Agricultural Universities and affiliated Non-Government Colleges, Corporations under Water Resources Department. The contribution of employees (10 *per cent* of basic pay plus dearness allowance) along with matching contribution of employer (State Government) under Tier I of the scheme and the employees' contribution above 10 *per cent* under Tier II (for which there would be no

¹¹ GR dated 31 October 2005

matching contribution by Government) is to be transferred to the designated pension fund, through the National Securities Depository Limited (NSDL)/Trustee Bank.

However, the detailed procedure for the implementation of NPS issued in April 2015 covered only State Government employees. The orders for implementation of NPS for other employees (Zilla Parishad, Recognized and Aided Educational Institutions, Agricultural/Non-Agricultural Universities and affiliated Non-Government Colleges, Corporations under Water Resources Department) who were part of erstwhile DCPS was to be issued later. In June 2017, the Rural and Water Conservation Department, Government of Maharashtra issued detailed instructions for implementation of NPS in respect of employees in ZPs (excluding teachers).

During the year 2018-19, the Government of Maharashtra deposited ₹ 3,757.12 crore being employees' contribution of ₹ 1,713.44 crore (₹ 1,550.31 crore - Tier I and ₹ 163.13 crore - Tier II) and employers' contribution of ₹ 2,043.68 crore into a Fund created under the Major Head - 8342 – Other Deposits and Minor Head - 117 – Defined Contribution Pension Scheme for Government Employees in the Public Account, pending final transfer to the designated Fund Manager. The State Government has transferred ₹ 2,546.52 crore to the NSDL. As on 31 March 2019, the total un-transferred balances of earlier years were ₹ 7,082.67 crore. The interest liability on the un-transferred balance works out to ₹ 472.46 crore at the rate of interest applicable to the scheme, of which ₹ 417.42 crore was paid to NSDL during the year.

The details of funds under NPS and amount transferred to NSDL during 2014-19 are shown in the table below.

Table 1.30: Contribution made to NPS and transfer of funds to NSDL/Trustee Bank
(₹ in crore)

Year	Opening Balance (OB)	Contribution		Total	Transfer to NSDL	Yet to be Transferred (Progressive)	Rate of Interest applicable (GPF) in per cent
		Employee	Govt.				
2014-15	4145.59	756.25	936.67	1692.92	1411.56	4426.95	8.7
2015-16	4426.95	1150.53	575.10	1725.63	3085.39	3067.19	8.7
2016-17	3067.20	1427.73	1056.79	2484.52	1962.90	3588.82	8.1
2017-18	3588.81	1364.20	2636.34	4000.54	1683.67	5905.68	7.8
2018-19	5905.68	1713.44	2043.68	3757.12	2546.52	7082.67*	7.8

*₹ 33.61 crore other disbursement during the year

The current liability stands deferred to future years. The State Government has incorrectly used the funds that belongs to its employees, leading to possible uncertainty in the rate of return to the employees/avoidable financial liability to the Government, and the eventual failure of the scheme itself.

1.7.5.3 Interest Payments

Interest payments of the State Government increased by 42 per cent from ₹ 23,965 crore in 2014-15 to ₹ 34,021 crore in 2018-19, primarily due to increase in debt liabilities as shown in **Table 1.32**. However, the ratio of interest payments to revenue receipts decreased gradually from 14.5 per cent in 2014-15 to 12.2 per cent in 2018-19 as indicated in **Table 1.50**.

Table 1.31 shows actual interest payments with reference to assessment made in the FFC Report, FCP and MTFPS of the State Government.

Table 1.31: Interest Payments vis-à-vis FFC, FCP and MTFPS assessments

(₹ in crore)				
Year	Projection in MTFPS	Assessment made by the FFC	Projection in FCP	Actuals
2017-18	31027	34569	31027	33018
2018-19	34385	40070	34385	34021

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

With reference to the projections made in the FCP and MTFPS, interest payments were higher during 2017-18 and lower during 2018-19. With reference to the projections made for 2017-19 by FFC, interest payments were lower than the assessment made.

Component-wise details of interest payments made by the State Government during 2014-19 are shown in the **Table 1.32**.

Table 1.32: Component-wise details of interest payments made by the State Government during 2014-19

(₹ in crore)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Interest payments <i>of which, interest payment on</i>	23965	25771	28532	33018	34021
1. Internal debt	19001	20816	23553	27827	28403
(i) Market loans	11029	12965	15769	19995	21445
(ii) NABARD	263	299	287	401	517 [#]
(iii) NSSF	7437	7349	7311	7265	6315
(iv) Ways and means	5	-	-	1	-
(v) Loans from other financial institutions	236	167	140	111	71
(vi) Management of debt (Payable to Reserve Bank of India for Open Market Borrowings)	31	36	45	54	55
2. Loans from GoI	529	490	469	433	416
3. Small savings, PF, Reserve Fund, Deposits etc.	4435	4465	4509	4758	5202
(i) Small savings, PF	2503	2765	1855	2819	2920
(ii) Reserve funds	5	5	4	5	6
(iii) Deposits	1927	1695	2650	1934	2276
Revenue Receipts	165416	185036	204693	243654	278996

Source: Finance Accounts of respective years [#] Lower rounding

Interest payments increased steadily from ₹ 23,965 crore in 2014-15 to ₹ 34,021 crore in 2018-19. During 2018-19 the interest payments increased by three *per cent* over the previous year. The increase was mainly due to increased interest liability (7.25 *per cent*) on market loan. During 2018-19, interest payment on market loan stood at 63 *per cent* of the total interest payments while interest on special securities issued to NSSF accounted for 19 *per cent* of the total interest payments.

The ratio of interest payments to revenue receipts determines the debt sustainability of the State. During the year, the interest payments to total revenue receipts of the State was 12.19 *per cent* which was lower than the FFC norm of 12.27 *per cent*.

1.7.6 Financial assistance by State Government to Local Bodies, educational and other institutions

Local bodies in Maharashtra consist of Panchayati Raj Institutions and Urban Local Bodies. In conformity with the provisions of the 73rd and 74th Constitutional

Amendment, the State Government established a three-tier system of Panchayati Raj Institutions comprising 34 Zilla Parishads at the district level, 355 Panchayat Samitis at the Block level and 27,868 Gram Panchayats at the village level. There are 27 Municipal Corporations, 237 Municipal Councils including Nagar Panchayats for urban area population in the State. Out of the 29 functions listed in the XI Schedule, 14 functions and 15,480 functionaries were transferred to PRIs. All 18 functions referred to in XII Schedule of the Constitution of India were assigned to the ULBs.

Article 243(I) of the Constitution of India requires that a State Finance Commission (SFC) be appointed at the expiry of every fifth year. The Government of Maharashtra submitted its Action Taken Report on the Fourth SFC, which was placed in State Legislature in March 2018. The details of recommendations and issue of Government Resolution to affect the same for implementation are awaited (December 2019).

The Fifth SFC for the period 2019-24 was constituted in March 2018 and was to submit its report by 27 January 2019 (extended up to 20 April 2019). This report was expected to be placed in the State Legislature during the Budget session (March 2020).

1.7.6.1 Quantum of assistance

The quantum of assistance provided by way of Grants and Loans to Local Bodies and other institutions during 2018-19 relative to previous years is shown in **Table 1.33**.

Table 1.33: Financial assistance to Local bodies, educational and other institutions

(₹ in crore)						
Sr. No.	Institutions	2014-15	2015-16	2016-17	2017-18	2018-19
1	Educational institutions (Aided Schools, Aided Colleges, Universities, etc.)	25571	27072	29037	29175	31428
2	Municipal Corporations and Municipalities	5172	9187	13850	23192	28959*
3	Zilla Parishads and other Panchayati Raj Institutions	18770*	18240	18627	22113	21124
4	Development agencies	906	252	807	1692	1028*
5	Hospital and other charitable institutions	3678	4058	5038	5694	5707
6	Social Welfare and Nutrition	7175	5950	4021	-	-
7	Agriculture and Allied Activities	825	386	463	707	9248
8	Welfare of SC, ST and OBC	2098	2383	2904	4641	5587
9	Administrative Services	1392	1402	446	144	977
10	Housing	367	58	326	329	1470*
11	Other Institutions	6757	13113	21320	13957	17035 ¹²
Total		72711	82101	96839	101644	122563
Assistance as percentage of RE		41	43	45	42	46
*Higher rounding						
Source: Finance Accounts, Vouchers compiled by Accountant General (Accounts and Entitlement)-I, Maharashtra, Mumbai						

The financial assistance to Local Bodies and other institutions by the State Government increased from ₹ 72,711 crore in 2014-15 to ₹ 1,22,563 crore in 2018-19. As compared to the previous year, the assistance during 2018-19 increased by 21 per cent. During 2018-19, Financial assistance given to Municipal Corporations and Municipalities increased by ₹ 5,767 crore (25 per cent) mainly due to increase in

¹² Major recipient- Power ₹ 2,730 crore

Assistance to Municipal Corporations for loss of Revenue arising due to Implementation of Goods and Services Tax (₹ 8,173 crore) as compared to 2017-18.

After the decision to abolish the Local Body Tax in August 2015, the State Government's assistance to Urban Local Bodies in lieu of Local Body Tax was ₹ 3,291 crore in 2015-16, ₹ 5,180 crore in 2016-17, ₹ 4,228 crore in 2017-18 and ₹ 1,175 crore in 2018-19, which may be an additional burden to the State exchequer.

1.8 Quality of expenditure

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

1.8.1 Adequacy of public expenditure

The expenditure responsibilities relating to the social sector and the economic infrastructure assigned to the State Governments are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key Social Services like Education, Health *etc.* Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector if it is below the respective national average. The fiscal priorities given by the State Government for development expenditure, social expenditure and capital expenditure during 2014-15, 2017-18 and 2018-19 are indicated in **Table 1.34**.

Table 1.34: Fiscal Priority of the State during 2014-15, 2017-18 and 2018-19

Fiscal Priority by the State	Aggregate Expenditure/ GSDP	Development Expenditure [#] / Aggregate Expenditure	Social Sector Expenditure/ Aggregate Expenditure	Economic Sector Expenditure/ Aggregate Expenditure	Capital Expenditure/ Aggregate Expenditure	Education Expenditure/ Aggregate Expenditure	Health Expenditure/ Aggregate Expenditure
General Category States Average (<i>per cent</i>) 2014-15	16.0	68.5	36.1	32.4	14.0	16.5	4.9
Maharashtra (<i>per cent</i>) 2014-15	11.1	67.8	40.0	27.8	9.9	20.1	4.5
General Category States Average (<i>per cent</i>) 2017-18	16.0	67.8	36.7	31.2	14.4	15.4	5.1
Maharashtra (<i>per cent</i>) 2017-18	11.1	64.5	35.6	29.0	10.0	18.1	4.5
General Category States Average (<i>per cent</i>) 2018-19	16.0	67.0	36.6	30.4	14.2	15.0	5.1
Maharashtra (<i>per cent</i>) 2018-19	11.4	64.9	37.8	27.1	11.6	16.9	4.3

Development expenditure includes development revenue expenditure, development capital expenditure and loans and advances disbursed
Source: Finance Accounts of respective years

Analysis of the fiscal priorities of the State Government as shown in **Table 1.34** reveals the following:

- The ratios of Aggregate expenditure to GSDP of the State was lower as compared to GCS during all the three years-2014-15, 2017-18 and 2018-19.
- Except for expenditure on education, the Development expenditure, Economic services expenditure, Capital expenditure and expenditure on Health as proportion to Aggregate expenditure was lower than the GCS average during 2014-15, 2017-18 and 2018-19.

- The proportion of Social sector expenditure to aggregate expenditure was higher than the average of GCS during 2014-15 and 2018-19 but was lower during 2017-18.

1.8.2 Efficiency of Expenditure Use

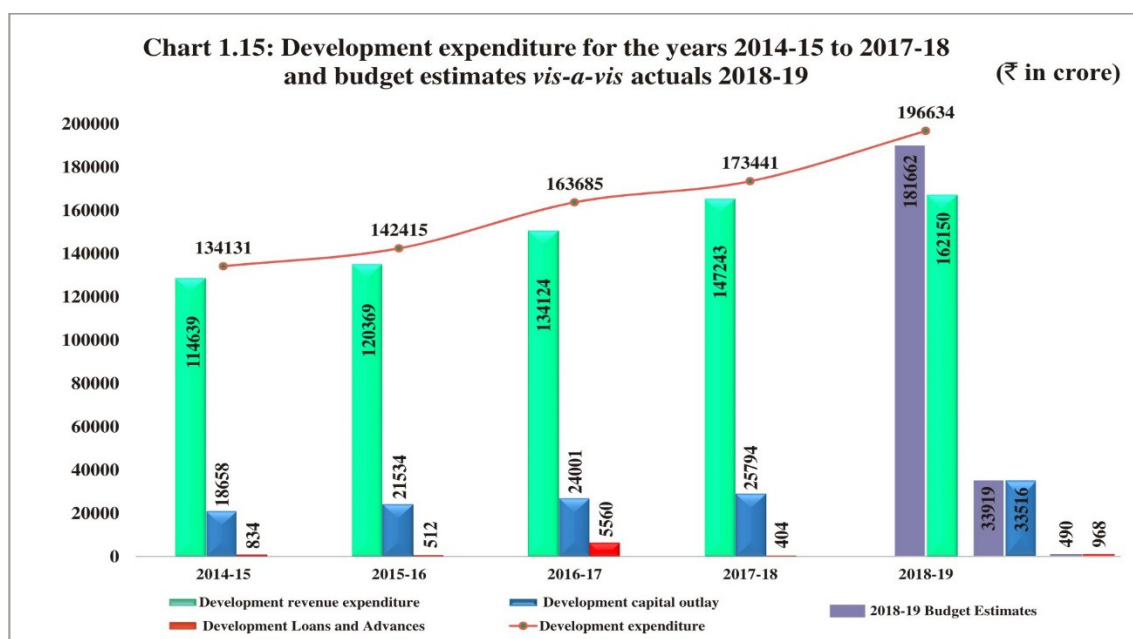
In view of importance of public expenditure on development heads, from the point of view of social and economic development, it is important for the State Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods¹³. Apart from improving the allocation towards development expenditure¹⁴, the efficiency of expenditure is reflected in the percentage of capital expenditure to total expenditure and the proportion of revenue expenditure being spent on O&M in the Social and Economic services. The higher the percentage of these components to total expenditure, the better would be the quality of expenditure. **Table 1.35** and **Chart 1.15** present the trends in Development Expenditure relative to the total expenditure of the State during the current year *vis-à-vis* budget estimates of the current year and the actual expenditure during the previous years.

Table 1.35: Development expenditure

Components of Development Expenditure	2014-15	2015-16	2016-17	2017-18	2018-19	
					BE	Actuals
					₹ in crore)	
Development expenditure (a to c)	134131	142415	163685	173441	216071	196634
	(67.7)	(66.5)	(66.8)	(64.4)	(64)	(64.8)
a. Development revenue expenditure	114639	120369	134124 [#]	147243	181662	162150
	(57.8)	(56.2)	(54.7)	(54.7)	(54)	(53.4)
b. Development capital outlay	18658	21534	24001	25794	33919	33516
	(9.4)	(10.0)	(9.8)	(9.6)	(10)	(11.0)
c. Development Loans and Advances	834	512	5560	404	490	968 [#]
	(0.4)	(0.2)	(2.3)	(0.1)	(0.1)	(0.3)
Figures in parenthesis indicate percentage to total expenditure # Lower rounding						
Source: Finance Accounts of respective years						

¹³ see Glossary at page 132

¹⁴ Development Expenditure consists of expenditure on Social and Economic services relating to Revenue Account, Capital Outlay and Loans and Advances



(Source: Finance Accounts of respective years)

The development expenditure increased from ₹ 1,34,131 crore in 2014-15 to ₹ 1,96,634 crore in 2018-19. As percentage of total expenditure, the development expenditure of the State increased from 64.4 per cent in 2017-18 to 64.8 per cent in 2018-19.

During 2014-19, development revenue expenditure grew by 41 per cent while Development capital expenditure grew by 80 per cent. The expenditure on development loans ranged between 0.2 per cent and 0.4 per cent of the total expenditure except for 2.3 per cent in 2016-17 due to loan under UDAY Scheme.

Efficiency of expenditure use in selected Social and Economic Services

Table 1.36 details the percentage share of salary and wages and of O&M in the revenue expenditure (RE) in selected Social and Economic services. It also indicates the proportion of capital expenditure (CE) in the total expenditure (TE) of these selected services during 2017-18 and 2018-19.

Table 1.36: Efficiency of expenditure use in selected social and economic services

(in per cent)

Social/Economic infrastructure	2017-18			2018-19		
	CE to TE	In RE, the share of		CE to TE	In RE, the share of	
		Salary and Wages	O & M		Salary and Wages	O & M
Social Services (SS)						
Education, Sports, Art and Culture	0.2	81.6	0.2	0.7	81.2	0.1
Health and Family Welfare	4.7	49.4	0.4	8.0	50.9	0.4
Water Supply, Sanitation, Housing and Urban Development	7.1	2.7	-	12.4	2.9	2.0
Total (SS)	2.4	54.3	0.7	3.8	48.7	0.7
Economic Services (ES)						
Agriculture and Allied Activities	17.1	15.5	0.1	20.3	22.8	0.01
Irrigation and Flood Control	81.3	40.6	32.9	86.3	48.3	33.1
Energy	8.0	0.1	0.1	4.4	0.14	0.1

Social/Economic infrastructure	2017-18			2018-19		
	CE to TE	In RE, the share of		CE to TE	In RE, the share of	
		Salary and Wages	O & M		Salary and Wages	O & M
Transport	54.9	0.3	15.7	61.3	0	27.8
Total (ES)	30.2	12.5	3.0	35.5	12.7	4.6
Total (SS+ES)	14.9	38.9	1.6	17.0	37.0	2.0

TE: Total expenditure; CE: Capital expenditure; RE: Revenue expenditure; O & M: Operations and Maintenance
Source: Finance Accounts of respective years

Social Services

The percentage of capital expenditure on Social Services to total expenditure increased from 2.4 *per cent* in 2017-18 to 3.8 *per cent* in 2018-19. The increase was mainly seen under Capital Outlay on Health and Family Welfare. The ratio of expenditure on Salary and Wages to revenue expenditure in respect of Education, Sports, Arts and Culture decreased from 81.6 *per cent* in 2017-18 to 81.2 *per cent* in 2018-19 while in respect of Health and Family Welfare, it increased from 49.4 *per cent* to 50.9 *per cent* during the period.

Economic Services

The percentage of capital expenditure on Economic Services to the total expenditure increased from 30.2 *per cent* in 2017-18 to 35.5 *per cent* in 2018-19. The increase was mainly seen under Transport, Irrigation and Flood Control and Agriculture and Allied Activities. There was increase in share of Salary and Wages to revenue expenditure from 2017-18 to 2018-19 under selected Economic Services. The ratio of O&M to revenue expenditure increased from 1.6 *per cent* in 2017-18 to two *per cent* in 2018-19.

1.9 Financial analysis of Government expenditure and investments

In the post-MFRBM framework, the State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. This section presents the broad financial analysis of investments and other capital expenditure incurred by the Government during the current year *vis-à-vis* previous years.

1.9.1 Ongoing projects-Water Resources Department

Expenditure and delays in execution of projects

There were 345 ongoing irrigation projects in five¹⁵ Irrigation Development Corporations (IDCs) under Water Resources Department. Data of all the ongoing projects furnished by the IDCs were analysed in audit to assess the number of years these projects have been under execution. The summarized position is given in **Table 1.37**.

Table 1.37: Age profile of ongoing projects under Water Resources Department

Age Profile (Since the date of original AA)	Total projects			
	Major	Medium	Minor	Total
More than 30 years	31	19	19	69
More than 20 years but up to 30 years	11	20	51	82
More than 15 years but up to 20 years	4	12	44	60
More than 10 years but up to 15 years	2	19	61	82

¹⁵ Maharashtra Krishna Valley Development Corporation; Konkan Irrigation Development Corporation; Tapi Irrigation Development Corporation; Vidarbha Irrigation Development Corporation; and Godavari Marathwada Irrigation Development Corporation

Age Profile (Since the date of original AA)	Total projects			
	Major	Medium	Minor	Total
More than 5 years but up to 10 years	1	8	43	52
Up to 5 years	0	0	0	0
Work not started	0	0	0	0
Total	49	78	218	345

Source: Information furnished by respective IDCs; Status as of March 2019

Table 1.37 shows that 211 projects (61 per cent) were under execution for more than 15 years and of these, 69 projects (20 per cent) were under execution for more than 30 years.

Table 1.38: Actual expenditure and estimated cost in respect of all ongoing projects

(₹ in crore)

Irrigation Development Corporation	Number of projects	Original Administrative Approval	Actual Expenditure	Estimated Cost
Godavari Marathwada Irrigation Development Corpn.	58	4913.85	16824.42	35654.51
Tapi Irrigation Development Corporation	50	3341.58	6556.87	21313.89
Vidarbha Irrigation Development Corporation	134	10231.82	37519.42	80348.40
Maharashtra Krishna Valley Development Corpn.	47	4082.53	21795.10	39935.97
Konkan Irrigation Development Corporation	56	1793.41	9314.22	20850.58
Total	345	24363.19	92010.03	198103.35

Source: Information furnished by respective IDCs

Table 1.38 shows that the estimated cost of 345 ongoing projects was ₹ 1,98,103 crore whereas the actual expenditure incurred was ₹ 92,010 crore. The expenditure on these ongoing projects has not resulted in realising the complete projected benefits even after considerable period of time.

Delay in completion of works invites the risk of escalation in the cost of the works. Besides, due to delay in completion of projects, the intended benefits from those projects did not reach to the beneficiaries.

Recommendation:

The State Government needs to take initiative for time bound completion of ongoing projects so as to prevent further time/cost overrun.

1.9.2 Investment and returns

Statement 19 of Annual Finance Accounts of the State Government contains the details of investments of the Government. As of 31 March 2019, Government invested ₹ 1,53,322.10 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.39**). The average return on this investment was 0.07 per cent during 2014-19 while the Government paid average interest rate of 7.8 per cent on its borrowings during the same period.

Table 1.39: Return on investment

(₹ in crore)

Investment/Return/Cost of Borrowings	2014-15	2015-16	2016-17	2017-18	2018-19
Investment at the end of the year	110671.69	120310.97	129983.79	140203.56	153322.10
Return (₹ in crore)	28.14	57.27	66.81	64.63	275.48
Return (per cent)	0.03	0.05	0.05	0.05	0.18
Average rate of interest on Government borrowing (per cent)	7.8	7.7	7.6	8.0	7.8
Difference between interest rate and return (per cent)	7.8	7.7	7.6	7.9	7.6

Source: Finance Accounts of respective years

The return on investment during 2018-19 was ₹ 275.48 crore, an increase of ₹ 210.85 crore over the previous year. However, the nature of increase could not be ascertained as the State Government did not furnish the details for ₹ 255.36 crore (Aug 2019).

As per latest finalised accounts of the State PSUs, as on 31 March 2019, 28 PSUs were incurring losses and their net accumulated losses amounted to ₹ 20,214.14 crore. Of these, the State Government infused funds in the form of equity and long term loans in 11 PSUs which amounted to ₹ 94,498.34 crore and ₹ 776.68 crore respectively (**Appendix 1.8**). Further, the net worth was eroded¹⁶ in 12 PSUs, primarily in Maharashtra Power Development Corporation Ltd. (₹ 1,013.03 crore), Maharashtra State Textile Corporation Ltd. (₹ 844.09 crore) and Maharashtra State Financial Corporation (₹ 625.26 crore).

Information furnished by the Commissioner for Cooperation and Registrar of Co-operative Societies revealed that of the 23,092 Societies with an aggregate Government investment of ₹ 187.81 crore (equity: ₹ 72.06 crore and loan: ₹ 115.75 crore), 13,425 Societies had incurred accumulated losses of ₹ 2,713.49 crore (31 March 2019) against initial investments (₹ 36.66 crore) made in these Societies. Further, 463 Societies were under liquidation where the Government had already invested ₹ 89.61 crore as of March 2019.

1.9.3 Departmental Commercial Undertakings

Activities of quasi-commercial nature are also performed by Departmental undertakings of certain Government Departments. The State Government has 49 Departmental Commercial Undertakings (DCUs). The position of Department-wise investments by the Government up to the year for which *proforma* accounts have been finalised, net profit/loss as well as return on capital invested in these undertakings are shown in **Appendix 1.9**. It was observed that:-

- The State Government had invested ₹ 2,990.71 crore in the undertakings of three¹⁷ Departments during the financial year up to which their accounts were finalised (**Appendix 3.3**).
- Of the three Departments having 49 units, no unit could earn net profit which had finalised their accounts during 2018-19.
- Of the loss-making DCUs, 29¹⁸ DCUs had been incurring losses continuously since the last five years.

¹⁶ Development Corporation of Vidharbha Ltd. (₹ 7.63 crore); Maharashtra State Handlooms Corporations Ltd. (₹ 47.18 crore); Maharashtra Electronics Corporation Ltd. (₹ 368.38 crore); Maharashtra State Road Development Corporation Ltd. (₹ 247.71 crore); Maharashtra State Powerloom Corporation Ltd. (₹ 2.81 crore); Maharashtra State Textile Corporation Ltd. (₹ 844.09 crore); Maharashtra State Finance Corporation (₹ 625.26 crore); Development Corporation of Konkan Ltd. (₹ 6.05 crore); Maharashtra State Farming Corporation Ltd. (₹ 191.98 crore); Marathwada Development Corporation Ltd. (₹ 1.30 crore); Maharashtra Land Development Corporation Ltd. (₹ 16.01 crore); and Maharashtra Power Development Corporation Ltd. (₹ 1,013.03 crore)

¹⁷ Agriculture, Animal Husbandry, Dairy Development and Fisheries; Food, Civil Supplies and Consumer Protection; and Revenue and Forest

¹⁸ Greater Mumbai Milk Scheme, Worli; Mother Dairy, Kurla; Dairy Project, Dapchhari; Government Milk Schemes in Ahmednagar, Akola, Amravati, Aurangabad, Beed, Bhoom, Chalisgaon, Chandrapur, Chiplun, Dhule, Gondia, Kankavali, Khopoli, Mahabaleshwar, Miraj, Nanded, Nandura, Nashik, Parbhani, Pune, Satara, Solapur, Udgir, Wani, Wardha and Yavatmal

As per accounting system being followed by the Departmental commercial undertakings of 'Government Milk Schemes', 'Procurement, Distribution and Price Control Scheme in Mumbai and Thane Rationing Area and in Mofussil Area', the net loss/profit for the year is deducted/added directly from/to the Capital Account in the Balance Sheet. Therefore, the figures of accumulated loss cannot be ascertained from the *proforma* accounts of the Departmental undertakings.

Recommendation:

The State Government should review the working of Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Departmental Commercial Undertakings incurring losses and take appropriate steps for their closure/revival.

1.9.4 Loans and Advances by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, the Government has also been providing loans and advances to many institutions/organizations. **Table 1.40** presents the outstanding loans and advances as on 31 March 2019, interest receipts *vis-à-vis* interest payments during the last three years.

Table 1.40: Average interest received on loans advanced by the State Government

	(₹ in crore)		
Quantum of loans/interest receipts/cost of borrowings	2016-17	2017-18	2018-19
Opening Balance	22072	26603	25805
Amount advanced during the year	6277	980*	1545
Amount repaid during the year	1746*	1778	1604
Closing Balance	26603	25805	25746
<i>of which</i> Outstanding balance for which terms and conditions have been settled	NA	NA	NA
Net addition	4531	(-)798	(-)59
Interest Receipts	407	485	394
Interest receipts as <i>per cent</i> to outstanding loans and advances	1.7	1.9	1.5
Average Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government	7.6	8.0	7.83
Difference between interest receipts and interest payments (<i>per cent</i>)	(-) 5.9	(-) 6.1	(-) 6.3
NA: Not Available * higher rounding			
Source: Finance Accounts of respective years			

As can be seen from the **Table 1.40**, the total outstanding loans and advances as on 31 March 2019 was ₹ 25,746 crore. The amount of loans disbursed during the year increased from ₹ 980 crore in 2017-18 to ₹ 1,545 crore in 2018-19. Of the total amount of loans and advances disbursed during the year, ₹ 145 crore went to Economic Services and ₹ 823 crore to Social Services. Under the Social Services, the major portion of loans went to Government Companies (81 *per cent*) and Urban Development (14 *per cent*). However, interest received against these loans decreased from 1.9 *per cent* in 2017-18 to 1.5 *per cent* in 2018-19.

The detailed accounts of loans are maintained by the State Government Departments, who are required to confirm the loan balances to the Accountant General (Accounts and Entitlement)-I, Maharashtra, Mumbai and also furnish complete information regarding recoveries in arrears. This has not been done. To that extent, the information contained in Finance Accounts 2018-19 in accordance with the Indian Government Accounting Standards (IGAS)-3 was incomplete.

Ujwal Discom Assurance Yojana – understatement of liability

As per the Ujwal Discom Assurance Yojana (UDAY), State Governments were to take over 75 per cent of the State owned power distribution companies debt as on 30 September 2015 in two years *i.e.* 50 per cent debt in 2015-16 and 25 per cent in 2016-17. The State Government decided (December 2016) to participate in UDAY. The total outstanding debt of the Maharashtra State Electricity Distribution Company Limited (MSEDCL, Discom) as on 30 September 2015 was ₹ 22,097 crore including medium-term and short-term loans of ₹ 6,613 crore.

During 2016-17, the State Government took over only 75 per cent of medium-term and short-term debts (₹ 6,613 crore) of the DISCOM by issuing Special Bonds for ₹ 4,959.75 crore and transferred the amount to the MSEDCL in February 2017 as loan. The amount raised by way of bonds was to be repaid by MSEDCL in five instalments of ₹ 991.75 crore in the first year (2016-17) and ₹ 992 crore in subsequent years (2017-18 to 2020-21). Towards the repayment of instalment of loan for 2018-19 by the MSEDCL, the Government released a grant of ₹ 992 crore to the DISCOM leaving a balance of ₹ 1,984 crore.

1.9.5 Outstanding balances under the head ‘Cheques and Bills’

This head is an intermediary accounting head for initial record of transactions which are to be cleared eventually. When the cheque is issued, the functional head is debited and the Major Head-8670-Cheques and Bills is credited. On clearance of the cheque by the bank, minus credit is given to Major Head 8670-Cheques and Bills by crediting the Major Head-8675-Deposits with Reserve Bank of India and thereby reducing the cash balance of the Government. Thus, the outstanding balance under the Major Head 8670-Cheques and Bills represents the amount of un-encashed cheques.

The value of cheques issued by Government but not encashed till 31 March 2019 was ₹ 12,738.84 crore *i.e.* the balance under Major head 8670- Cheques and Bills as on 31 March 2019. Thus, the encashment of these cheques would have the effect of decreasing of the cash balance of ₹ 32,781 crore by ₹ 12,738.84 crore as on 31 March 2019. During 2018-19, the total value of lapsed cheques amounted to ₹ 7.85 crore¹⁹.

1.10 Assets and Liabilities

Details regarding Growth and composition of Assets and Liabilities, Fiscal Liabilities, Cash balances and Investment of cash balances, Transactions under Reserve Funds, Contingent liabilities and Analysis of Borrowings of the Government are given in sub paragraphs 1.10.1 to 1.10.5.

1.10.1 Growth and composition of Assets and Liabilities

In the existing cash-based Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government Accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Table 1.41** gives an abstract of such liabilities and the assets as on 31 March 2019, compared with the corresponding position on 31 March 2018. While the liabilities consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve

¹⁹ Pension payments: ₹ 0.45 crore; Refunds: ₹ 1.19 crore; Telephone, Electricity and Petrol charges: ₹ 1.41 crore; Grant-in-aid (non-salary): ₹ 0.50 crore; Civil Deposits: ₹ 2.02 crore; and Others: ₹ 2.28 crore

Funds, the assets mainly comprise the capital outlay and loans and advances given by the State Government and cash balances.

According to the MFRBM Act, 2005, the total liability of the State means the liabilities under the Consolidated Fund of the State and the Public Account of the State. The growth rate of components of assets and liabilities are summarised in the **Table 1.41**.

Table 1.41: Summarised position of Assets and Liabilities

(₹ in crore)

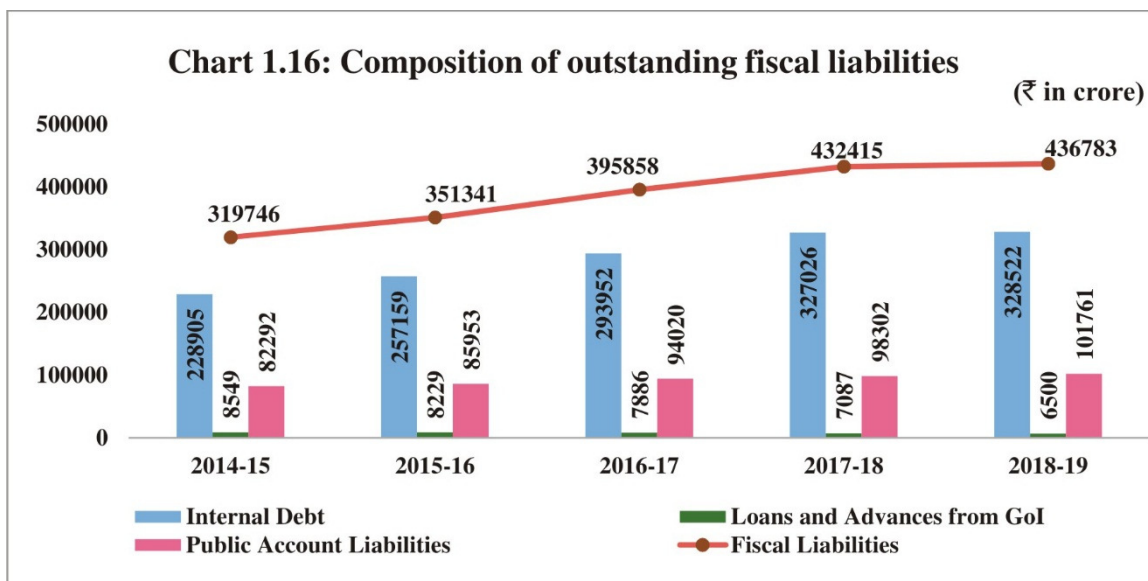
Liabilities				Assets			
	2017-18	2018-19	Per cent increase/decrease		2017-18	2018-19	Per cent increase/decrease
Consolidated Fund	334112.82[§]	335021.53	0.3	Consolidated Fund	313872.16	348862.10	11.2
a Internal Debt	327025.89	328521.95	0.5	a Gross Capital Outlay	288067.49	323116.54 [#]	12.2
b Loans and Advances from GoI	7086.93 [§]	6499.58	(-) 8.5	b Loans and Advances	25804.67	25745.56	(-)0.2
Contingency Fund	150.00	2150					
Public Account	146390.75	147298.22	0.6	Public Account	12.67	13.06	3.1
a Small Savings Provident Funds etc.	25191.95	25683.71	2.0	Advances	12.67	13.06 [#]	3.1
b Deposits	63666.57	67989.50	6.8	Cash balance	54497.01	32781.13	(-)39.8
c Reserve Funds	43439.46	42866.84	(-)1.3	Sinking Fund	33971.80	34488.13	1.5
d Remittances	1083.19	1240.28 [*]	14.5	Total Cash balance	88468.81	67269.26	(-)24
Suspense and Miscellaneous	13009.58	9517.89 [*]	26.8	Deficit in Revenue Account	78833.65[§]	68859.05	(-)12.7
				Capital Receipts	(-)533.72	(-)533.72	0
Total	480653.57[§]	484469.75	0.8	Total	480653.57[§]	484469.75	0.8

[§] Figures revised in Finance Account 2018-19 due to proforma corrections ^{*} Higher rounding [#] Lower rounding
 Source: Finance Accounts of respective years

During 2018-19, the assets and liabilities increased by 0.8 per cent over the previous year.

1.10.2 Fiscal Liabilities

The composition of fiscal liabilities during the current year *vis-à-vis* the previous years is presented in **Chart 1.16**.



(Source: Finance Accounts of respective years)

Table 1.42 gives the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP, to revenue receipts and to the State's own resources comprising tax revenue and non-tax revenue of the State as also the buoyancy of fiscal liabilities with reference to these parameters.

Table 1.42: Fiscal Liabilities – basic parameters

	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Fiscal Liabilities (₹ in crore)	319746	351341	395858	432415 [§]	436783
Rate of Growth (<i>per cent</i>)	8.8	9.9	12.7	9.2	1
Fiscal Liabilities as percentage to					
GSDP (<i>per cent</i>)	17.8	17.6	17.5	17.9*	16.4
Revenue Receipts (<i>per cent</i>)	193.3	189.9	193.4	177.5	156.6
Own Resources (<i>per cent</i>)	250.5	250.9	265.1	234.8	214.9
<i>Buoyancy of Fiscal Liabilities with reference to:</i>					
GSDP (ratio)	1.002	0.846	0.992	1.353*	0.097
Revenue Receipts (ratio)	0.846	0.832	1.198	0.484	0.069
Own Resources (ratio)	1.372	1.021	1.912	0.394	0.096
* Based on actual GSDP [§] <i>proforma</i> correction during 2018-19					
Source: Finance Accounts of respective years					

During 2018-19, the debt to GSDP ratio at 16.42 *per cent* was lower than the projections made in MTFPS (16.52 *per cent*) and FFC (23.88 *per cent*). Of the total Fiscal Liabilities, the share of Internal Debt was maximum (75 *per cent*), followed by Public Account Liabilities (24 *per cent*) and Loans from Government of India (one *per cent*).

The outstanding Fiscal liabilities of the State increased from ₹ 3,19,746 crore in 2014-15 to ₹ 4,36,783 crore at the end of 2018-19, at an average rate of eight *per cent*. However, compared to the previous year, the Fiscal liabilities grew only by one *per cent* mainly due to the drastic decrease in market borrowings from ₹ 45,000 crore in 2017-18 to ₹ 20,868.85 crore in 2018-19. This was made possible as the State utilised its surplus cash balance, details of which are given in **para 1.10.3**.

1.10.2.1 Increasing trend of balance under 8443-Civil Deposits

During 2014-15 to 2018-19, the closing balance at the end of the financial year under the Major Head 8443–Civil Deposits showed an increasing trend as indicated in **Table 1.43**.

Table 1.43: Balance under 8443-Civil Deposits

(₹ in crore)

Year	Opening balance 8443-Civil Deposits as on 01 April	Receipts	Disbursements	Closing balance of 8443-Civil Deposits as on 31 March	Net increase during the year	Closing balance of 8443-106-Personal Deposits as on 31 March in (percentage)
2014-15	15692.25	22714.76	21665.23	16741.78	1049.54	9726.09 (58)
2015-16	16741.78	26102.23	24579.51	18264.50	1522.72	11160.06 (61)
2016-17	18264.50	29071.87	25471.66	21864.71	3600.21	13334.52 (61)
2017-18	21864.71	27500.34	28287.43	21077.62	(-)787.09	12229.30 (58)
2018-19	21077.62	32065.94	31373.94	21769.62	692.00	10953.53 (50)

Source: Finance Accounts of respective years

It may be seen that under the Major Head 8443-Civil Deposits the balance in 106 – Personal Deposits constituted nearly 58 *per cent* of the balances during 2014-15 to 2018-19. Further, if funds are transferred to the Personal Deposit Accounts from the Consolidated Fund of the State, the balances at the close of the financial year should be transferred back to the Consolidated Fund. The Finance Accounts 2018-19 however, revealed that the quantum of funds which need to be transferred back to the Consolidated Fund at the end of the financial year was not ascertainable in the absence of effecting such transfer through ‘Nil Bill’ procedure. As a result, the actual liabilities under the Major Head 8443–Civil Deposits were also not ascertainable. The State Government should ensure that the codal provision is adhered to so that the funds so transferred at the fag end of the year could be ascertained.

1.10.2.2 Unreconciled differences between closing balances in the accounts and subsidiary records

As per the Finance Accounts 2018-19, there was an unreconciled balance of ₹ 891.01 crore under Civil Deposits and Other Civil Deposits pertaining to the period up to 2018-19. Of the above, ‘8782-Cash Remittance & Adjustments between Officers rendering Accounts – 103 Forest Remittance’ was the major item pertaining to 2018-19 that remained unreconciled (₹ 587.95 crore) as of March 2019.

1.10.3 Cash balances and Investment of Cash Balances

Table 1.44 and Chart 1.17 depict the cash balances and investments made by the State Government out of cash balances during the year.

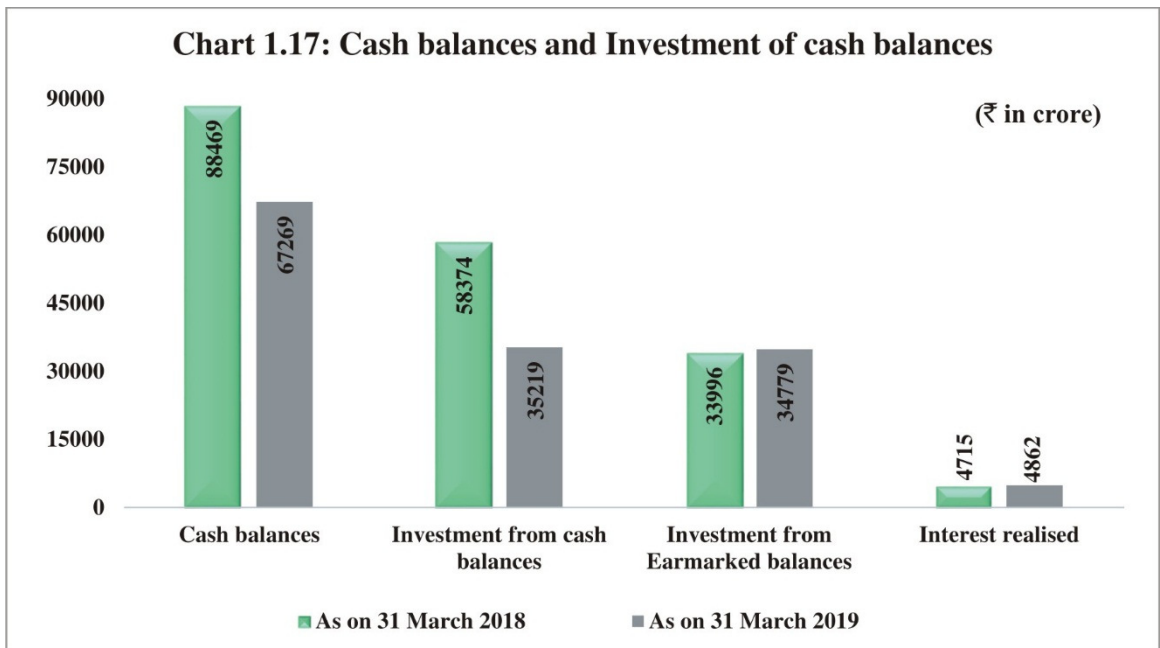
Table 1.44: Cash balances and investment of cash balances

(₹ in crore)

Particulars	As on 31 March 2018	As on 31 March 2019	Increase (+)/ Decrease(-)
Cash in treasuries	0.04	0.04	0.00
Deposits with Reserve Bank of India	(-)3962.41	(-)3020.51	941.90
Remittances in transit-Local	54.33	54.32	(-)0.01
Cash with the Departmental officers	6.69	236.95	230.26
Permanent advance for contingent expenditure with Departmental officers	0.67	0.69	0.02

Particulars	As on 31 March 2018	As on 31 March 2019	Increase (+)/ Decrease(-)
Investments from cash balances (a to d)	58373.60	35218.99	(-)23154.61
a. GoI Treasury Bills	58372.91	35218.30	(-)23154.61
b. GoI Securities	0.00	0.00	0.00
c. Other Securities, if any specify	0.00	0.00	0.00
d. Other Investments	0.69	0.69	0.00
Fund-wise break-up of investment from Earmarked balances (a to f)	33995.89	34778.78	782.89
a. General and other Reserve Funds	9.59	9.58	(-)0.01
b. Sinking Fund	33971.80	34488.13	516.33
c. Fund for Development of Milk supply	1.00	1.00	0.00
d. Other Development and Welfare Funds	13.42	13.42	0.00
e. Miscellaneous Deposits	0.08	0.08	0.00
f. Guarantee Redemption Fund	0.00	266.57	266.57
Total Cash Balances	88468.81	67269.26	(-)21199.55
<i>Interest Realised</i>	<i>4715.07</i>	<i>4862.01^s</i>	<i>146.94</i>

^s Interest of ₹ 1829.82 crore realised during 2018-19 on Sinking Fund Investment (reinvested along with regular investment) hence not included under MH 0049 plus Interest on Cash Investment ₹ 3032.19 crore
Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

The State Government's cash balances of ₹ 67,269 crore at the end of the current year showed a decrease of 24 per cent (₹ 21,200 crore) over the previous year. Of the above, ₹ 35,218 crore was invested in Government of India Treasury Bills which earned an interest of ₹ 3,032 crore during the year. Further, ₹ 34,488 crore was invested in Sinking Fund meant for Appropriation for reduction or avoidance of debt, which earned an interest of ₹ 1,830 crore. No Ways and means advances were taken during the current year as shown in the notes below **Table 1.2**.

Further there was also an outstanding balance under 'Cheques and bills' amounting to ₹ 12,739 crore. Hence the resultant effective cash balance of the State Government as on 31 March 2019 was ₹ 20,042 crore which is seven *per cent* of the total expenditure of the State Government (₹ 3,03,616 crore) during the year.

Consolidated Sinking Fund

In terms of the recommendations of the Tenth Finance Commission, the State Government created (1999-2000), a Consolidated Sinking Fund to be administered by the Reserve Bank of India for the amortization of all loans. As per the constitution of Consolidated Sinking Fund of Maharashtra, the State Government is to contribute one to three *per cent* of the outstanding open market loans as at the end of the previous year to the fund. In terms of the revised guidelines (May 2006) of the Reserve Bank of India, States are required to contribute to the Fund a minimum of 0.5 *per cent* of their outstanding liabilities (Public Debt *plus* Public Account liabilities) as at the end of the previous year.

During 2018-19, the State Government transferred ₹ 3,800 crore to the Consolidated Sinking Fund from the Revenue Account which works out to 1.5 *per cent* of total outstanding (Open Market Loans) of ₹ 2,53,340 crore and to 0.88 *per cent* of outstanding liability of ₹ 4,32,415 crore (Public Debt *plus* Public Account liabilities) as on 31 March 2018. There was no expenditure from the fund during the year. The balance in the Consolidated Sinking Fund as on 31 March 2019 was ₹ 34,488 crore, which has been invested.

1.10.4 Transactions under Reserve Funds

Reserves and Reserve Funds are created for specific and well-defined purposes in the accounts of the State Government (Public Account). These funds are created by contributions or grants from the Consolidated Fund of State or from outside agencies. The funds are further divided into two parts (i) Reserve Funds bearing interest and (ii) Reserve Funds not bearing interest. The funds are created by the sums transferred by debiting the concerned expenditure head of the Consolidated Fund of the State. Thereafter, the total expenditure incurred during the year is to be reimbursed from the concerned Reserve Fund.

In Maharashtra, there were 20 reserve funds earmarked for specific purposes of which, 11 funds were active and nine were inactive. The total accumulated balance as on 31 March 2019 in these funds was ₹ 42,866.84 crore (₹ 42,837.83 crore in active funds and ₹ 29.01 crore in inoperative funds). However, the investment out of this balance was only ₹ 34,778 crore (81 *per cent*). An account of these funds is included in Statement No. 22 of Finance Accounts 2018-19.

Recommendation:

State Government may take effective steps to review the inoperative Reserve Funds and necessary action to close these inoperative Reserve Funds.

1.10.5 Contingent Liabilities

Status of Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The maximum amount for which guarantees were given by the State Government and the outstanding

guarantees during the last three years as given in the Statement No. 9 of the Finance Accounts 2018-19 are summarised in **Table 1.45**.

Table 1.45: Guarantees given by the Government of Maharashtra

Guarantees	₹ in crore)		
	2016-17	2017-18	2018-19
Maximum amount guaranteed	22802	37287	38378
Outstanding amount of guarantees	7306	26658	25135
Percentage of maximum amount guaranteed to total revenue receipts	11	15	14
Source: Finance Accounts of respective years			

Limits on guarantees to be given by the State Government have not been fixed by the State Legislature. The MFRBM Act, 2005 also does not prescribe any limits. During 2018-19, guarantees of ₹ 985 crore was given by the State Government to (a) Maharashtra State Co-operative Marketing Federation Limited, Mumbai (₹ 630 crore); (b) Vidarbha Co-operative Marketing Federation Limited, Nagpur (₹ 30 crore); (c) Mahatma Phule Backward Development Corporation Limited, Mumbai (₹ 135 crore); (d) Maharashtra State Handicapped Finance and Development Corporation Limited, Mumbai (₹ 70 crore); (e) Sant Rohidas Leather Industry and Leatherworker Development Corporation Limited, Mumbai (₹ 50 crore) and (f) Sahityaratn Lokshahir Annabhau Sathe Development Corporation Limited, Mumbai (₹ 70 crore). Outstanding guarantees (₹ 25,135 crore) during 2018-19 accounted for nine *per cent* of the revenue receipts (₹ 2,78,996 crore) and 0.94 *per cent* of the GSDP (₹ 26,60,318 crore).

The State Government charged guarantee fees for guarantees given to institutions and the same was booked under Major Head 0075- 'Miscellaneous General Services'. Receipts under guarantee fees decreased to ₹ 9.51 crore during 2018-19 from ₹ 36.80 crore during 2017-18. Against the total estimated guarantee fee receivable (₹ 1,625.32 crore), only ₹ 9.51 crore was received during the year.

During 2018-19, Guarantee of ₹ 174 crore (Co-operative Sugar Factory, Co-operative Spinning Mill and Agriculture Processing Co-operative Society) was invoked and discharged by the State Government. The State Government has yet to discharge invoked guarantee amounting to ₹ 20.26 crore of Maharashtra State Co-operative Housing Finance Corporation Ltd.

Guarantee Redemption Fund

In terms of the recommendation of the Twelfth Finance Commission, Government of Maharashtra (December 2018) created Guarantee Redemption Fund in 2018-19 to meet contingent liabilities arising from the Guarantees given by the State Government in respect of bonds issued and other borrowings by the State Level Undertakings or other bodies and invoked by the 'beneficiaries'. The Fund shall be administered by Central Accounts Section of the Reserve Bank of India and shall be kept outside the General Revenues of the Government. The accretions to the Fund shall be invested in the Government of India Securities, Treasury Bills, Special Securities of Government of India and State Development Loans of other States of such maturities as the Bank may determine from time to time in consultation with the Government of Maharashtra. As per the constitution of the Fund, the State Government is to contribute minimum one *per cent* of outstanding guarantees at the end of the previous year from 2018-19 initially. Thereafter 0.5 *per cent* of such outstanding amount shall be deposited in the fund every year to achieve the level of five *per cent* of total outstanding by 2027-28. During the year, the State Government has transferred ₹ 266.57 crore (one *per cent* of Total outstanding

Guarantees of ₹ 26,657.72 crore as on 31 March 2018) to the Fund and the entire fund amount has been invested by the Reserve Bank of India during the year.

Off-Budget Borrowings

Off-budget borrowings are not permissible under Article 293(3) of the Constitution of India. As per the MTFPS Statement 2008-09, the State Government had completely stopped off-budget borrowings from the year 2005-06. There were no off-budget borrowings during the years 2006-07 to 2018-19. However, at the close of 2018-19, ₹ 50.50 crore was outstanding on account of off-budget borrowings made prior to 2005-06.

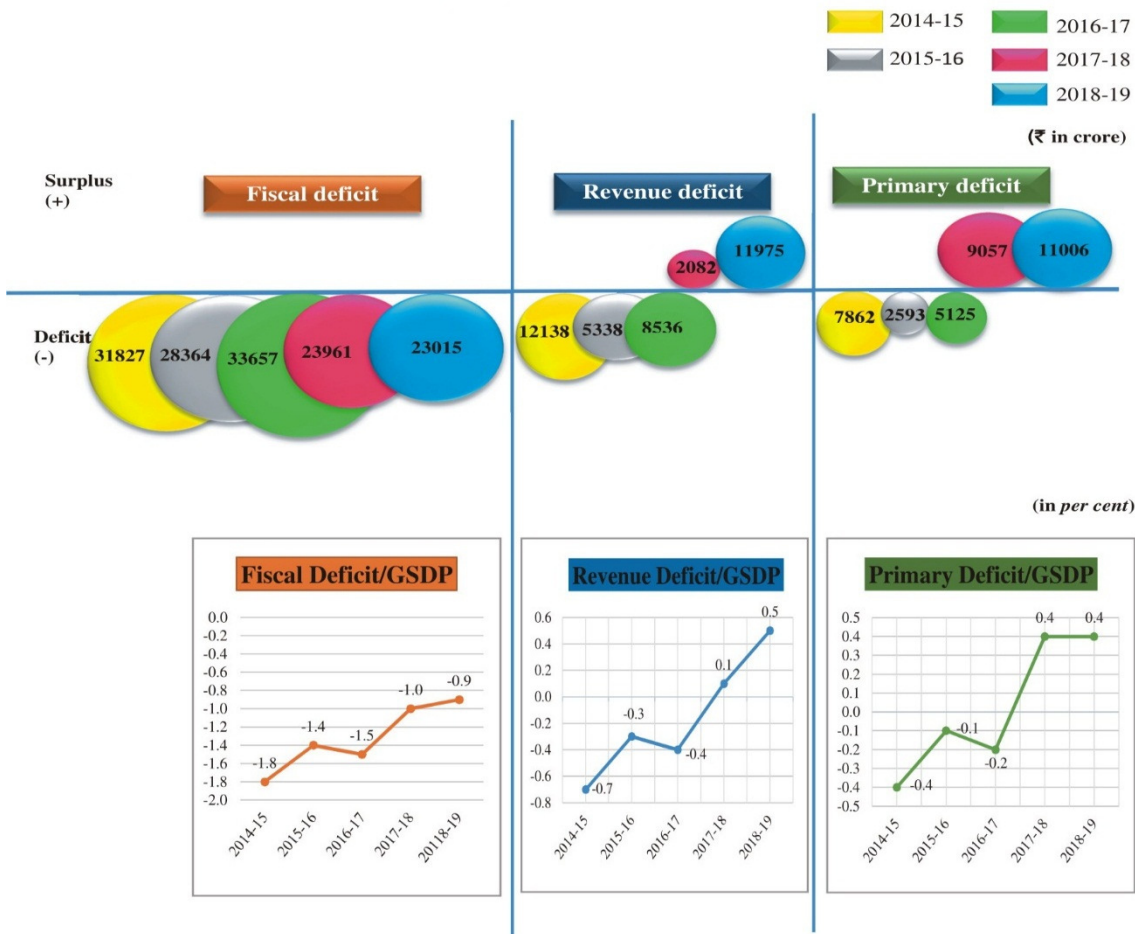
1.11 Fiscal Imbalances

Three key fiscal parameters viz., revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature and magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits vis-à-vis targets set under MFRBM Act/Rules for the financial year 2018-19.

1.11.1 Trends in Deficits

Chart 1.18 presents the trends in deficit indicators over the period 2014-19.

Chart 1.18: Trends in deficit indicators



(Source: Finance Accounts of respective years)

As per the MFRBM Rules (Second Amendment), 2011, the revenue deficit was to be brought down to 'zero' by 2011-12 and Revenue Surplus was to be generated thereafter.

Table 1.46 indicates the ratios of Revenue Deficit/ Surplus and Fiscal Deficit to Revenue Receipts and their trends.

Table 1.46: Ratio of Revenue Deficit/Surplus and Fiscal Deficit to Revenue Receipts

Year	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue Deficit (-)/Surplus / Revenue Receipts	(-)7.34	(-)2.89	(-)4.17	0.85	4.29
Fiscal Deficit(-)/ Revenue Receipts	(-)19.24	(-)15.33	(-)16.44	(-)9.83	(-)8.25

Source: Finance Accounts of respective years

Revenue surplus/deficit

The Revenue Deficit (₹ 12,138 crore) during 2014-15 decreased to ₹ 5,338 crore in 2015-16 and increased to ₹ 8,536 crore in 2016-17. Revenue Deficit turned to surplus at ₹ 2,082 crore in 2017-18 and further increased to ₹ 11,975 crore in 2018-19. The ratio of Revenue Surplus to Revenue Receipt has increased from 0.85 *per cent* in 2017-18 to 4.29 *per cent* in 2018-19 due to increase in receipts.

Fiscal deficit

The Fiscal Deficit of ₹ 23,961 crore during 2017-18 decreased to ₹ 23,015 crore in 2018-19. The Fiscal Deficit to Revenue Receipts ratio has also improved from (-) 19.24 *per cent* in 2014-15 to (-) 8.25 *per cent* in 2018-19.

Primary Surplus/Deficit

Primary Deficit²⁰ during 2014-15 (₹ 7,862 crore), 2015-16 (₹ 2,593 crore) and 2016-17 (₹ 5,125 crore) turned into Primary Surplus of ₹ 9,057 crore in 2017-18 and ₹ 11,006 crore in 2018-19 due to Revenue Surplus and decrease in Fiscal Deficit.

During 2018-19, there were transactions outside the Consolidated Fund, budgeting and booking under incorrect heads, non-provision of interest on reserve funds and deposit accounts *etc.* As a result, the Revenue Surplus was overstated by ₹ 1,432.84 crore.

Control over expenditure coupled with spurt in revenue resulted in Revenue Surplus of ₹ 11,975 crore.

1.11.2 Debt Profile

Fiscal Deficit of the State as a proportion of GSDP has declined during the last five years, from 1.78 *per cent* in 2014-15 to 0.87 *per cent* in 2018-19. The State registered Revenue Surplus as well as Primary Surplus during 2017-18 and 2018-19.

There are various approaches at assessing the debt sustainability, one such approach is Domar model²¹.

An analysis on debt sustainability was carried out using this approach. The details are as follows:

²⁰ see Glossary at page 132

²¹ E.D. Domar, 1914-1997

g-r (g: real economic growth rate; r: real interest rate) called Domar gap	s <0 (Primary Deficit)	s >0 (Primary Surplus)
g-r>0 (strong economic growth)	Public Debt as percentage of GSDP should converge to a stable level greater than zero	Public Debt as percentage of GSDP should converge to a stable level less than zero leading to public savings
g-r<0 (slow economic growth)	Public Debt as percentage of GSDP should increase indefinitely, without converging to a stable level	undefined situation

The results of applying the analysis to Maharashtra is shown in the table below:

Year	Real Growth (g)	Real Interest (r)	g-r (Domar gap)	Primary Deficit (-)/ Surplus (s) (₹ in crore)	Remarks
2014-15	5.7	1.8	3.9	(-)7,862	As g-r >0 and s<0; Public Debt as percentage of GSDP should converge to a stable level
2015-16	8.9	3.2	5.7	(-)2,593	
2016-17	10.0	3.1	6.9	(-)5,125	
2017-18	6.4	4.2	2.2	9,057	g-r>0 and s>0: Public Debt as percentage of GSDP should converge to a stable level less than zero leading to Public savings
2018-19	7.5	4.7	2.8	11,006	
Real Growth rate calculated for GSDP at constant rate Real Interest rate calculated as interest rate minus inflation Source: Economic Survey of Maharashtra for respective years (GSDP and rate of inflation)					

Further, Debt to GSDP ratio stood at 16.42 *per cent* and the Fiscal Deficit to GSDP ratio at 0.87 *per cent* in 2018-19. The corresponding Fourteenth Finance Commission (FFC) Fiscal target of Debt limit was 23.88 *per cent*, and Fiscal Deficit ceiling was 3.25 *per cent* of GSDP. The capital expenditure of the State has hovered between 10 and 12 *per cent* during 2014-19.

In the initial three years of the subject period i.e. 2014-15 to 2016-17, there is a primary deficit which later got converted to a primary surplus in the years 2017-18 and 2018-19. However, it is seen that the g-r (Domar gap) is positive during the entire period 2014-15 to 2018-19. Therefore, as per the Domar model, the public debt is stated to be stable. It is, however, noteworthy that the g-r (Domar gap) has not been registering a stable or steadily rising trend. Moreover, other factors such as public account liabilities and force majeure events²²and/or any other un-inventoried losses of revenue also have to be reckoned in assessing the debt sustainability/stability of the State²³.

1.11.3 Composition of Fiscal Deficit and its financing pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 1.47**.

²² Like current Coronavirus crisis & its effect on GSDP

²³ As these cannot be anticipated or determined statistically, they have not been factored in the analysis

Table 1.47: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

Particulars		2014-15	2015-16	2016-17	2017-18	2018-19
Composition of Fiscal Deficit(-)/ Surplus (+) (1+2+3) (a)		(-31827)	(-28364)	(-33657[@])	(-23961)	(-23015)
		(-1.8)	(-1.4)	(-1.5)	(-1.0)	(-0.9)
1	Revenue Deficit(-)/ Surplus (+)	(-12138)	(-5338)	(-8536)	2082	11975
		(-0.7)	(-0.3)	(-0.4)	(0.08)	(0.5)
2	Net Capital Outlay	(-19524)	(-22776)	(-25549)	(-26842)	(-35049)
		(-1.1)	(-1.1)	(-1.1)	(-1.1)	(-1.3)
3	Net Loans and Advances	(-165)	(-250)	428 [‡]	799 [‡]	59 [‡]
		-	-	-	-	-
Financing Pattern of Fiscal Deficit[#] (b)						
1	Market Borrowings	22263	28938	40349 [§]	36477	3106
		(1.2)	(1.5)	(1.8)	(1.5)	(0.1)
2	Loans from GoI	(-344)	(-321)	(-343)	(-781)	(-587)
		-	-	-	-	-
3	Special Securities Issued to National Small Savings Fund	(-805)	(-286)	(-5078)	(-5176)	(-5309)
		-	-	(-0.2)	(-0.2)	(-0.2)
4	Loans from Financial Institutions and other Loans	(-568)	(-397)	1521	1774	3699
		-	-	(0.1)	(0.1)	(0.1)
5	Small Savings PF etc.	1259	1208	1124	547	492
		(0.1)	(0.1)	(0.1)	-	(0.0)
6	Deposits and Advances	4411	2773	6841	3930	4323
		(0.2)	(0.1)	(0.3)	(0.2)	(0.2)
7	Suspense and Miscellaneous	5222	(-876)	2773	164	(-3492)
		(0.3)	-	(0.1)	-	(-0.1)
8	Remittances	(-14)	(-236)	(-656)	822	157
		-	-	-	-	-
9	Reserve Funds	3158	3465	5283	5924	(-573)
		(0.2)	(0.2)	(0.2)	(0.2)	(0.0)
10	Contingency Fund	2010	(-2000)	-	-	2000.00
		(0.1)	(-0.1)	-	-	(0.1)
11	Appropriation to/ from Contingency fund	(-2000)	2000	-	-	(-2000.00)
		(-0.1)	(0.1)	-	-	(-0.1)
12	Total (1 to 11) (b)	34592	34268	51814	43681	1816
13	Increase(-)/ Decrease (+) in Cash Balance (a) – (b)	2765	(-5904)	(-13197)	(-19720)	21199
		(0.2)	(-0.3)	(-0.6)	(-0.8)	(0.8)
14	Overall deficit (12+13)	31827	28364	38616 [§]	23961	23015
		(1.8)	(1.4)	(1.7)	(1.0)	(0.9)

Figures in parenthesis indicate the *per cent* to GSDP[#]All figures are net of disbursements/outflows during the year;[@]Net of Ujwal DISCOM Assurance Yojana eligible for exclusion from Fiscal deficit as per GoI's order;[‡]Included receipts of ₹ 991.75 crore on account of repayment of loan;[§] Includes expenditure of ₹ 4,959.75 crore incurred on account of taking over of 75 *per cent* of Medium and Short term debts of DISCOMs under Ujwal DISCOM Assurance Yojana

Source: Finance Accounts of respective years

During 2018-19, the fiscal deficit decreased by ₹ 946 crore over the previous year due to increased revenue receipts (₹ 35,342 crore). The net capital expenditure as a percentage of fiscal deficit increased from 112 *per cent* in 2017-18 to 152 *per cent* in 2018-19.

The Fiscal Deficit as a percentage of GSDP decreased from 0.99 in 2017-18 to 0.87 in 2018-19, which was well below the target of three *per cent* as prescribed by FFC and MTFPS.

1.11.4 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the bifurcation of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of Revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption.

Non-debt receipts of the State were sufficient to meet the primary expenditure requirements in the revenue account. But these were not sufficient to meet the expenditure requirements under capital account, resulting in primary deficit during 2014-17. The details are indicated in **Table 1.48**.

Table 1.48: Bifurcation of Primary Deficit/Surplus

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Outlay	Loans and Advances	Primary Expenditure	Primary revenue deficit(-)/ Surplus(+)	Primary deficit (-) / Surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2014-15	166390	153588	19523	1141	174252	12802	(-)7862
2015-16	185918	164603	22793	1115	188511	21315	(-) 2593
2016-17	206439	184697	25549	1318 [§]	211564	21742	(-) 5125
2017-18	245432	208553	26842	979	236374	36879	9058*
2018-19	280601	233000	35049	1545	269594	47601	11006 [#]

[§]excludes ₹ 4,959.75 crore given under Ujwal DISCOM Assurance Yojana
Source: Finance Accounts of respective years * Higher rounding # Lower rounding

The capital outlay as a percentage to primary expenditure²⁴ increased from 11 per cent during 2014-15 to 13 per cent during 2018-19.

Non-debt receipts were sufficient to meet the expenditure requirements both under revenue and capital account, resulting in Primary Surplus of ₹ 9,058 crore in 2017-18 and ₹11,006 crore in 2018-19.

1.12 Debt Management

Debt Maturity Profile

The Maturity Profile of the Internal Debt (amounts payable in respect of each category of loans in different years) as on 31 March 2019 is depicted in **Table 1.49**.

Table 1.49: Maturity profile of Internal Debt

Debt maturity	Maturity Profile	Internal Debt (₹ in crore)	per cent
During 2019-20	0-1 year	20880.71	6.4
Between 2020-21 & 2021-22	Over 1 year to 2 years	57949.67	17.6
Between 2022-23 & 2023-24	Over 2 years to 5 years	56958.77	17.3
Between 2024-25 & 2025-26	Over 5 years to 7 years	67840.20	20.7
2026-27 onwards	Over 7 years and above	124892.60	38.0
Total		328521.95	100

Source: Finance Accounts 2018-19

²⁴ Primary expenditure of the State defined as the total expenditure net of the interest payments, indicates the expenditure incurred on the transactions undertaken during the year

The maturity profile of the internal debt indicates that the liability of the State to repay the debt during the periods 2019-20, 2020-22 and 2022-24 would be ₹ 20,881 crore, ₹ 57,950 crore and ₹ 56,959 crore respectively.

Debt Sustainability

Debt sustainability implies State's ability to service the debt in future. Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. Analysis of various debt sustainability indicators for the period from 2014-15 to 2018-19 is given in **Table 1.50**.

Table 1.50: Debt Sustainability: Indicators and trends

	(₹ in crore)				
Indicators of debt sustainability	2014-15	2015-16	2016-17	2017-18	2018-19
Interest Payment	23965	25771	28532	33018	34021
Burden of interest payment in <i>per cent</i> (IP/RR)	14.5	14.0	13.9	13.6	12.2
Debt repayment	50998	52319	55602	63936	75138
Debt receipts	76939	83914	100118	100511	79506
Debt redemption/Debt Receipt	0.97	0.93	0.84	0.96	1.37
Net availability of borrowed funds	1976	5824	15984	3557	(-)-29653
Source: Finance Accounts of respective years					

Net availability of borrowed funds

Net availability of borrowed funds is the difference between debt redemption (principal and interest payments) and total debt receipts, indicating the extent to which the debt receipts were used for redemption of old debts. During 2018-19 as debt redemption (₹ 1,09,159 crore) was more than debt receipts (₹ 79,506 crore) which indicated that borrowed funds were not available for current operations. This was primarily due to reduction in debt receipts by ₹ 21,005 crore during 2018-19. The State Government was able to pay-off major portion of the interest component from its revenue receipts and did not resort to borrowing to that extent.

The ratio of interest payment to revenue receipts is one of the indicators that determines the debt sustainability of the State. This percentage ranged between 12 *per cent* and 14 *per cent* during 2014-19, and was lowest (12.2 *per cent*) during 2018-19 and within the fiscal indicator prescribed by FFC.

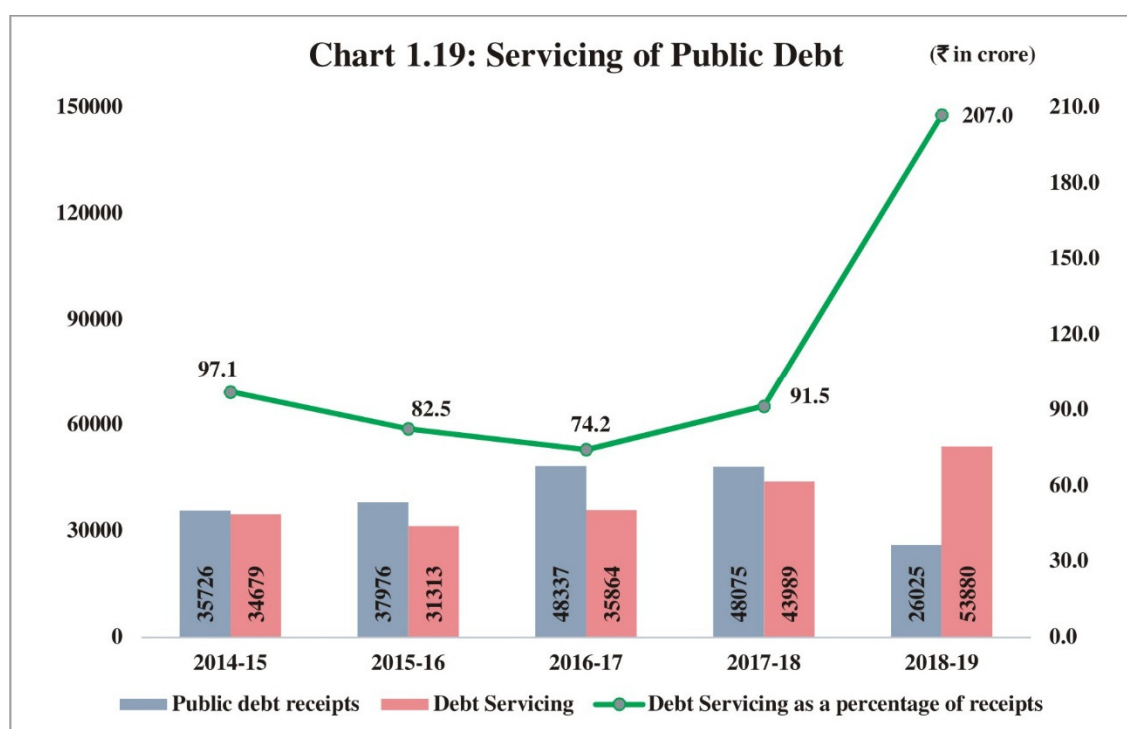
Servicing of Public Debt

The interest payment and repayment of principal on public debt for the period from 2014-15 to 2018-19 is given in **Table 1.51**.

Table 1.51: Servicing of Public Debt

(₹ in crore)

Period	Public Debt									Debt servicing			As a percentage of Public Debt receipts
	Public Debt Receipts			Repayment of Principal			Interest payment			(Repayment of principal + interest payment)			
	Internal debt	Loans from GoI	Total	Internal debt	Loans from GoI	Total	Internal debt	Loans from GoI	Total	Internal debt	Loans from GoI	Total	
2014-15	35184	542	35726	14294	886	15180	18970	529	19499	33264	1415	34679	97.1
2015-16	37392	584	37976	9138	905	10043	20780	490	21270	29918	1395	31313	82.5
2016-17	47710	627	48337	10917	970	11887	23508	469	23977	34425	1439	35864	74.2
2017-18	47907 [#]	168	48075	14834	949	15783	27773 [#]	433	28206	42607	1382	43989	91.5
2018-19	25686	339	26025	24190	926	25116	28348	416	28764	52539	1342	53880	207.03
Total			196139									199725	

 Source: Finance Accounts of respective years [#]Lower rounding


(Source: Finance Accounts of respective years)

It can be seen from **Table 1.51** and **Chart 1.19** that during 2014-18 average expenditure on debt servicing was ₹ 36,461 crore (86 per cent) of average public debt receipts implying that a larger percentage of debt was being used for debt servicing. Average public debt receipts were ₹ 42,529 crore during the same period. This indicated that a very insignificant portion of the debt was available for meeting developmental expenditure to promote growth. During 2018-19, debt servicing constituted 207 per cent of the debt receipts, increase in public account balances provide the other source to meet the deficit.

1.13 Follow Up on Audit Reports

The State Finance Report is being presented to the State Legislature from 2008-09 onwards. The State Public Accounts Committee discussed Chapter I (May 2019) of the State Finance Report 2016-17 and gave 37 recommendations (PAC Report no.68). The Action Taken Notes on the recommendations are yet to be received.