

**CHAPTER – I**  
**OVERVIEW**



# Chapter I

## Overview

### 1.1 Profile of the State

Maharashtra occupies the western and central part of the country and has a long coastline (720 Km) along the Arabian Sea and has geographical area of 3.08 lakh sq. km. The State ranks second by population and third in terms of geographical area. The State has 36 districts. These districts are divided into six revenue divisions viz. Amravati, Aurangabad, Konkan, Nagpur, Nashik and Pune.

The key indicators of the State are given in **Table 1.1**.

**Table 1.1: Key indicators of the State**

Indicators	Year	Unit	Maharashtra <sup>#</sup>	India <sup>§</sup>
Geographical Area	2011	Lakh Sq. Km.	3.08	32.87
Population	2011	Crore	11.24	121.09
Decadal Growth Rate	2001-11	Percentage	16.00	17.70
Population Density	2011	Population per Sq. Km.	365.00	382.00
Sex Ratio	2011	Females per 1,000 Males	929.00	943.00
Literacy Rate	2011	Percentage	82.30	73.00
Per Capita Income <sup>+</sup>	2019-20	in ₹	2,07,727.00	1,35,050.00
Infant Mortality Rate	2017	Per 1,000 live births	19.00	33.00
Life Expectancy at birth	2013-17	Years	72.50	69.00
Population Below Poverty Line (BPL)	2011-12	Percentage	17.35	21.90

<sup>#</sup> Economic Survey of Maharashtra 2019-20

<sup>§</sup> Economic Survey of India 2019-20

<sup>+</sup> Advance Estimate

The percentage of population below the poverty line at 17.35 *per cent* was lower than the All India average of 21.9 *per cent*. The State's literacy rate has increased from 76.9 *per cent* (Census 2001) to 82.3 *per cent* (Census 2011), which was higher than the All India average of 73 *per cent*. The per capita income (advanced estimate) of the State during 2019-20 was ₹ 2,07,727 as against the per capita income of India at ₹ 1,35,050.

#### 1.1.1 Gross State Domestic Product of the State

Maharashtra Gross State Domestic Product (GSDP) in 2019-20 at current prices was ₹ 28,78,583 crore (advance estimates). During 2019-20, the 'Agriculture and allied activities', 'Industry' and 'Service' sectors are expected to grow by 3.1 *per cent*, 3.3 *per cent* and 7.6 *per cent* respectively. The Compounded Annual Growth Rate (CAGR) of GSDP for the period 2011-12 to 2019-20 has been 10.66 *per cent* as against 11.98 *per cent* in the General Category States (GCS) of the country.

The per capita GSDP of the State during 2019-20, as per advance estimates stood at ₹ 2,07,727 as against the GCS average of ₹ 1,53,506.

GSDP is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

Changes in sectoral contribution to the GSDP are also important to understand the changing structure of economy. The economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors GSDP and its growth is shown in **Chart 1.1**.

The trends in the annual growth rate of the State's GSDP as compared to National Gross Domestic Product (GDP) at current prices are indicated in **Table 1.2**.

**Table 1.2: Trends in GSDP compared to the National GDP**

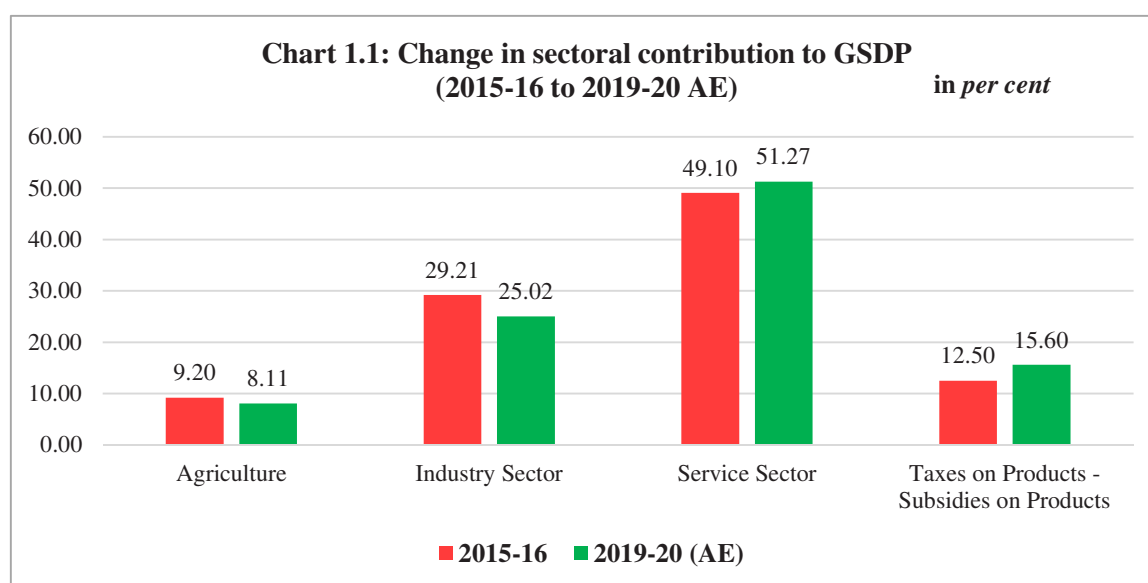
Year	2015-16	2016-17 <sup>+++</sup>	2017-18 <sup>++</sup>	2018-19 <sup>+</sup>	2019-20 <sup>§</sup>
National GDP (2011-12 series)	13771874	15391669	17098304	18971237	20339849
Growth rate of GDP (in per cent)	10.46	11.76	11.09	10.95	7.21
State's GSDP (2011-12 series)	1966225	2198324	2382570	2632792	2878583
Growth rate of GSDP (in per cent)	10.52	11.80	8.38	10.50	9.34

Source: GoI's Economic Survey (2019-20) and Department of Economics and Statistics, Government of Maharashtra  
<sup>§</sup> Advance Estimate; + first revised estimate; ++second revised estimate; +++Third revised estimate

The GSDP of the State grew at a higher rate during 2019-20 as compared to the National growth rate. However, the growth rate of GSDP was lower than the previous year.

### Change in sectoral contribution to GSDP (2015-16 to 2019-20)

The change in sectoral contribution to GSDP is shown in **Chart 1.1**.

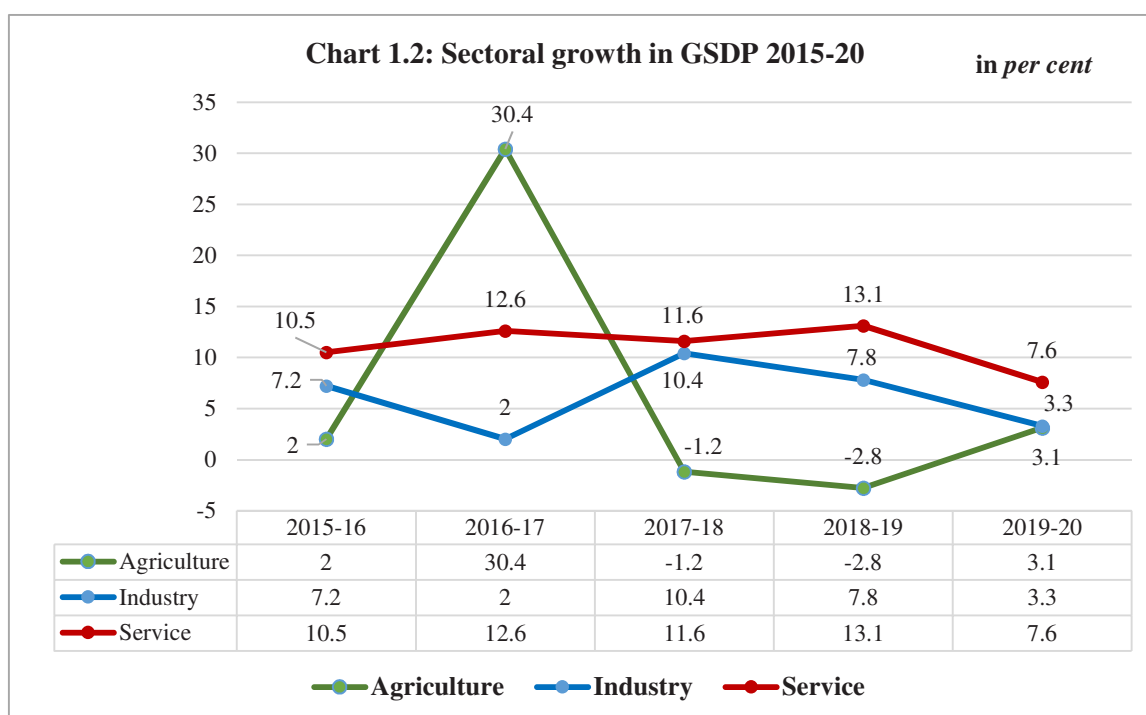


(Source: Economic Survey of Maharashtra 2019-20)

The sectoral contribution to GSDP during 2019-20, as compared to 2015-16 shows the increase in relative share mainly in the Service sector and taxes on Products *vis-a-vis* lowering in subsidies. Though, there was increase in Agriculture Sector and Industry Sectors during 2019-20, however their relative contribution to the GSDP was lower in 2019-20.

### Sectoral growth in GSDP at current prices

As can be seen from **Chart 1.2**, Service Sector contribution to GSDP over the five years remained 10 *per cent* and above and declined to 7.6 *per cent* in 2019-20. The Industry sector has shown a fluctuating trend and Agriculture sector's contribution to GSDP increased from two *per cent* in 2015-16 to 3.1 *per cent* in 2019-20.



(Source: Economic Survey of Maharashtra 2019-20)

(2016-17: Third RE; 2017-18: Second RE; 2018-19: First RE; 2019-20: Advance Estimates)

## 1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the Reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government and the statements received from the Reserve Bank of India. These accounts are audited independently by the Accountant General (Audit) and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this report. Other sources include the following:

- Budget of the State- for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Accountant General (Audit);
- Other data with Departmental Authorities and Treasuries (accounting as well as Management Information System);
- GSDP data and other State related statistics and
- Various Audit Reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the XIV Finance Commission (FC), State Fiscal Responsibility and Budgetary Management Act, best practices and guidelines of the Government of India.

### 1.3 Report Structure

The State Finances Audit Report is structured into the following four Chapters as shown below: -

<b>Chapter - I</b>	<b>Overview</b> This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of Government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/ surplus.
<b>Chapter - II</b>	<b>Finances of the State</b> This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2015-16 to 2019-20, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
<b>Chapter - III</b>	<b>Budgetary Management</b> This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
<b>Chapter - IV</b>	<b>Quality of Accounts &amp; Financial Reporting Practices</b> This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

## 1.4 Overview of State Government Account Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

### 1. Consolidated Fund of the State (Article 266(1) of the Constitution of India)

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.*, salaries of Constitutional authorities, loan repayments *etc*), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

### 2. Contingency Fund of the State (Article 267(2) of the Constitution of India)

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

### 3. Public Accounts of the State (Article 266(2) of the Constitution)

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayable like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the State Government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

**Revenue receipts** consist of Tax Revenue, Non-tax Revenue, share of Union Taxes/Duties and grants from GoI.

**Revenue expenditure** consists of all those expenditures of the State Government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the State Government Departments and various

services, interest payments on debt incurred by the State Government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

The capital receipts consist of:

- **Debt receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, *etc*;
- **Non-debt receipts:** Proceeds from disinvestment, Recoveries of loans and advances;

**Capital Expenditure** includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares and loans and advances by the State Government to Public Sector Undertakings (PSUs) and other parties.

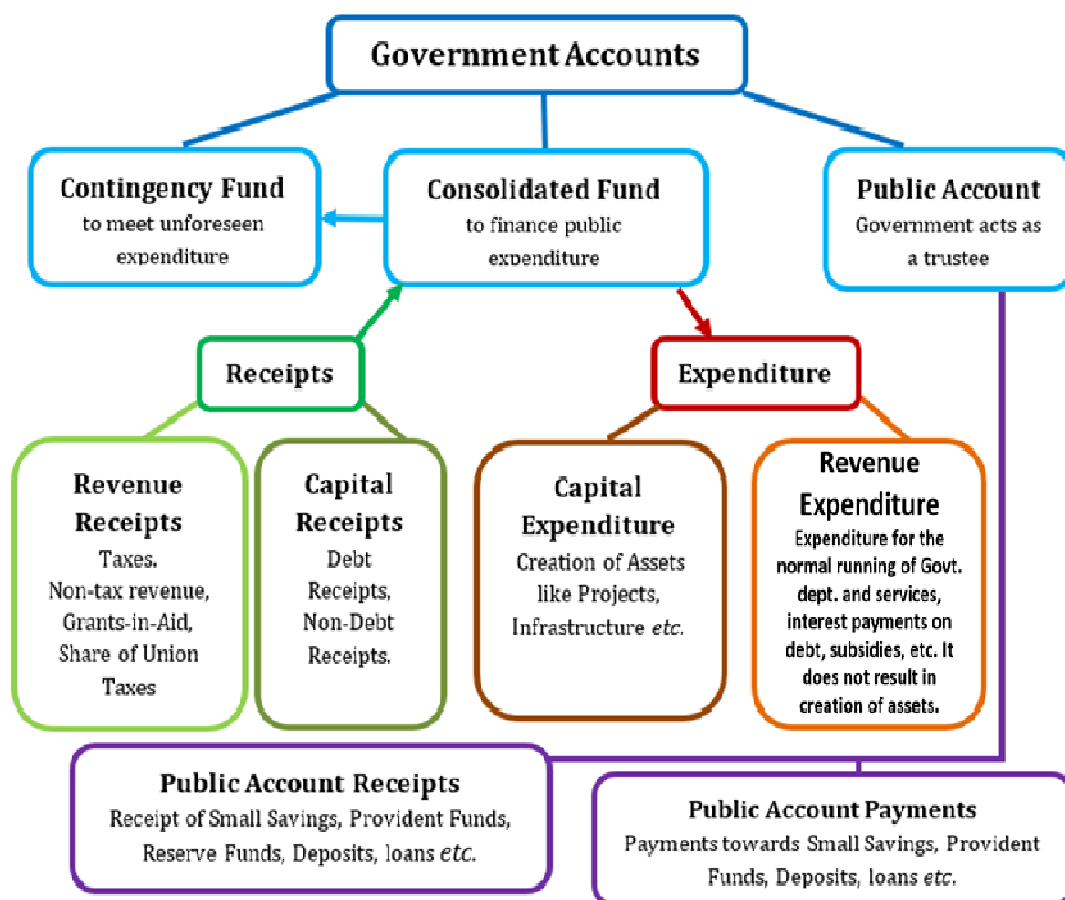
At present, we have an accounting classification system in State Government that is both functional and economic.

	<b>Attribute of transaction</b>	<b>Classification</b>
Standardized in List of Major and Minor Heads by Controller General of Accounts	Function- Education, Health, <i>etc</i> / Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub-scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head (2-digit) <i>salary, minor works, etc.</i>

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organize these payments as revenue, capital, debt, *etc*. Economic classification is achieved by the numbering logic embedded in the first digit of four-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, *etc*. Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, while “salary” object head is revenue expenditure, “construction” object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.



### Structure of State Government Accounts



Fund based accounting coupled with functional and economic classification of transactions facilitates in-depth analysis of Government activities/transactions and enables Legislative oversight over public finances.

#### Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2019-20, in the form of an **Annual Financial Statement**. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

In terms of Article 203, the above was submitted to the State Legislature in Form 55 - Demands for Grants/Appropriations and after approval of these, the Appropriation Bill was passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

As mentioned in Paragraph 1.2, Finance Accounts and Appropriation Accounts encompass the core data for preparation of the SFAR. These Accounts are based on actual

receipts and expenditure of the State during the year 2019-20 including various inter-governmental and other adjustments carried out by the Reserve Bank of India (RBI). Considering that these receipts and expenditure are estimated in the budget and the expenditure has been approved by the State Legislature, it is important to study the budget of the State for 2019-20 closely and analyse the actual receipts and expenditure during the year with reference to the projections made in the budget.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

### 1.4.1 Snapshot of Finances

**Appendix 1.1** provides the details of receipts and disbursements as well as the overall fiscal position during 2015-16 to 2019-20. The Compound Annual growth rate (CAGR) of the financial parameters of the State for the period 2010-11 to 2018-19 and 2014-15 to 2018-19 as compared with the General Category States (GCS) average along with the growth of these parameters during 2019-20 as compared with 2018-19 is given in **Appendix 1.2**. The following table provides the details of actual financial results *vis-à-vis* Budget Estimates for the year 2019-20 *vis-à-vis* actual of 2018-19.

**Table 1.3: Actual *vis-à-vis* Budget Estimates**

Sl. No.	Components	2018-19 Actual	2019-20		Per cent of Actual to B.E.	Per cent of Actual to GSDP
			BE	Actual		
1	<b>Tax revenue</b>	<b>187436.37</b>	<b>210824.29</b>	<b>188947.57</b>	<b>89.62</b>	<b>6.56</b>
2	Non-tax revenue	15843.57	16806.72	14297.00	85.07	0.50
3	Share of Union Taxes/Duties	42054.20	46630.66	36219.64	77.68	1.26
4	Grants-in-aid and Contributions	33662.13	40227.33	43725.37	108.70	1.52
5	<b>Revenue Receipts (1+2+3+4)</b>	<b>278996.27</b>	<b>314489.00</b>	<b>283189.58</b>	<b>90</b>	<b>9.84</b>
6	Recoveries of Loans and Advances	1604.29	2289.61	1614.87	70.53	0.06
7	Other Receipts	0.00	0.00	0.00	0.00	0.00
8	Borrowings and other Liabilities <sup>(a)</sup>	23015.33	59902.48	53886.19	103.31	1.87
9	Capital Receipts (6+7+8)	24619.62	62192.09	55501.06	102.10	1.93
10	Total Receipts (5+9)	303615.89	376681.09	338690.64	92.04	11.77
11	<b>Revenue Expenditure of which</b>	<b>267021.67</b>	<b>334273.39</b>	<b>300305.21</b>	<b>89.84</b>	<b>10.43</b>
12	Interest payments	34021.25	35207.02	33560.73	95.32	1.17
13	Grants-in-Aid for creation of Capital assets	20107.21	22085.28	21264.17	96.28	0.74
14	<b>Capital Expenditure of which</b>	<b>36594.22</b>	<b>42739.74</b>	<b>38385.43</b>	<b>89.81</b>	<b>1.33</b>
15	Capital outlay	35049.05	40732.28	36415.57	89.4	1.27
16	Loans and advances	1545.17	2007.45	1969.86	98.13	0.07
17	<b>Total Expenditure (11+ 14)</b>	<b>303615.89</b>	<b>377013.13</b>	<b>338690.64</b>	<b>89.84</b>	<b>11.77</b>
18	Revenue Deficit/Surplus (5-11)	11974.60	(-)19784.39	(-)17115.63	86.51	(-)0.59

Sl. No.	Components	2018-19 Actual	2019-20		Per cent of Actual to B.E.	Per cent of Actual to GSDP
			BE	Actual		
19	Effective Revenue Deficit/Surplus (18+13)	32081.81	2300.89	4148.54	180.30	0.14
20	Fiscal Deficit {(5+6+7)-17}	(-)23015.33	(-)60234.52	(-)53886.19	89.46	(-)1.87
21	Primary Deficit(20-12)	11005.92	(-)25027.50	(-)20325.46	81.21	(-)0.71
<sup>(a)</sup> Borrowings and other Liabilities: Net (Receipts - Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.						

The actuals during 2019-20 for Revenue Receipts, Revenue Expenditure, Capital Expenditure as well as Total Expenditure was 90 per cent of the Budget Estimates as shown in **Table 1.3**.

### 1.4.2 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

**Table 1.4** gives an abstract of such liabilities and the assets as on 31 March 2020, compared with the corresponding position on 31 March 2019. The liabilities consist mainly of internal borrowings, loans and advances from the GoI, receipts from the Public Account and Reserve Funds. Similarly, the assets mainly comprise the capital outlay and loans and advances given by the State Government and cash balances.

**Table 1.4: Summarised position of Assets and Liabilities**

(₹ in crore)

Liabilities					Assets				
	2018-19	2019-20	Per cent increase		2018-19	2019-20	Per cent increase		
<b>Consolidated Fund</b>									
A	Internal Debt	328521.95	361132.26	9.93	a	Gross Capital Outlay	323116.54	359532.11	11.27
B	Loans and Advances from GoI	6498.72 <sup>§</sup>	6415.97	(-)1.27	b	Loans and Advances	25745.56	26100.55	1.38
<b>Contingency Fund</b>		<b>2150.00</b>	<b>10150.00</b>	<b>372.09</b>	<b>Contingency Fund</b>		<b>-</b>	<b>9000.00</b>	<b>100</b>
<b>Public Account</b>									
A	Small Savings, Provident Funds etc	25683.71	27450.40	6.88	a	Advances	13.06	9.39 <sup>#</sup>	(-)28.1
B	Deposits	67989.50	73189.49	7.65	b	Remittances	-	428.48 <sup>#</sup>	100
C	Reserve Funds	42866.84	53315.20*	24.37	c	Suspense and Miscellaneous	-	-	
D	Remittances	1240.28	-		Cash balance		32490.48	14607.35	(-)55.04
					Investment in Earmarked Fund		34778.78	41608.36	19.64
E	Suspense and Miscellaneous	9517.89	13073.01	37.35	<b>Cash Total</b>		<b>67269.26</b>	<b>56215.71</b>	<b>(-)16.43</b>
					Deficit in Revenue Account		68858.19 <sup>§</sup>	93973.81	36.47
					Misc. Capital Receipt		(-) 533.72	(-)533.72	<b>0.00</b>
<b>Grand Total</b>		<b>484468.89<sup>§</sup></b>	<b>544726.33</b>	<b>12.44</b>	<b>Grand Total</b>		<b>484468.89<sup>§</sup></b>	<b>544726.33</b>	<b>12.44</b>

Source: Finance Accounts of respective years

\*Higher rounding; <sup>#</sup> Lower rounding; <sup>§</sup> Figures revised in Finance Accounts 2019-20 due to *Proforma* correction

During 2019-20, the assets and liabilities increased by 12.44 *per cent* over the previous year.

### 1.4.3 Functioning of State Public Sector Undertakings

There were 107 State Public Sector Undertakings (PSUs) as on 31 March 2020. These State PSUs were incorporated between 1957-58 and 2019-20 and included 97 Government Companies and 10 Statutory Corporations. These Government Companies further included 78 working companies (45 held directly by State Government<sup>1</sup> and 33 subsidiaries of other Government Companies) and 19 inactive companies (seven held directly by State Government and 12 subsidiaries of other Government Companies). None of these Government Companies were listed on the stock exchange. During the year 2019-20, five<sup>2</sup> PSUs were incorporated. One inactive PSU (Maharashtra Rural Development Corporation Limited) was struck off the records by the Ministry of Corporate Affairs.

The State Government provides financial support to the State PSUs in the form of equity, loans and grants/subsidy from time to time. Of the 107 State PSUs, the State Government invested funds in the form of equity and long term loans in 59 State PSUs only while three PSUs did not have a share capital, being companies limited by guarantee and the State Government did not infuse any funds in 45 Government Companies which were incorporated as joint venture/subsidiary of other Government Companies. Equity of these 45 joint venture/subsidiary companies was contributed by the respective Co-partner/Holding Companies.

#### 1.4.3.1 Turnover of PSUs *vis-à-vis* GSDP

A ratio of turnover of the PSUs to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the economy of the State. The details of turnover of State PSUs *vis-à-vis* GSDP of Maharashtra for a period of five years ending March 2020 is given in **Table 1.5**

**Table 1.5: Turnover of PSUs *vis-à-vis* GSDP**

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover	91397.69	86377.84	90334.69	102195.78	110256.45
<i>Per cent</i> change in turnover as compared to turnover of preceding year	6.72	(-) 5.49	4.58	13.13	7.89
GSDP of Maharashtra	1966225	2198324	2382570	2632792	2878583
<i>Per cent</i> change in GSDP as compared to the GSDP of the preceding year	10.52	11.80	8.38	10.50	9.34
<i>Per cent</i> of Turnover to GDP of Maharashtra	4.65	3.93	3.79	3.88	3.83
Source: The figures of turnover have been compiled based on the latest finalized financial statements of the respective PSUs					

<sup>1</sup> Of these, Maharashtra Bamboo Promotion Foundation, Chhatrapati Shahu Maharaj Research, Training and Human Development Institute (SARTHI) and Babasaheb Ambedkar Samata Pratishthan are companies limited by guarantee and not having share capital

<sup>2</sup> AITL Auric Skill Foundation, Kharghar Vikhroli Transmission Private Limited, Pune (Purandar) International Airport Limited, SPPU Edutech Foundation and SPPU Research Park Foundation

The turnover of these PSUs recorded increase during 2017-18, 2018-19 and 2019-20, whereas it decreased in 2016-17. The change in turnover ranged between (-) 5.49 *per cent* and 13.13 *per cent* during the period 2015-20 while the increase in GSDP ranged between 8.38 *per cent* and 11.80 *per cent* during the same period.

The compounded annual growth is a useful method to measure growth rate over multiple time periods. The compounded annual growth<sup>3</sup> rate (CAGR) of the GSDP was 10 *per cent* during the period 2015-16 to 2019-20 whereas the CAGR of the State Public Sector Undertakings was 4.80 *per cent* during the same period. The turnover of the State PSUs as percentage to GSDP decreased from 4.65 *per cent* in 2015-16 to 3.83 *per cent* in 2019-20.

### 1.4.3.2 Investment in State PSUs

In Maharashtra, the PSUs are classified in different sectors according to their activities and the administrative department of the Government of Maharashtra (GoM) under which they function. The details of investment made in the 107 State PSUs in the form of equity and long-term loans up to 31 March 2020 are shown in **Appendix 1.3**.

The sector-wise summary of total investment in these State PSUs as on 31 March 2020 is given in **Table 1.6**.

**Table 1.6: Sector-wise investment in State PSUs**

Name of sector	Government Companies		Statutory Corporations	Total	Investment (₹ in crore)			Per cent to total investment
	Working	Inactive	Working		Capital	Loans	Total	
Power	9	0	0	9	170824.29	51446.96	222271.25	59.44
Agriculture and Allied	9	5	7	21	129757.90	186.73	129944.63	34.75
Infrastructure	21	5	1	27	4854.63	7247.65	12102.28	3.24
Service	3	--	1	4	5253.65	204.43	5458.08	1.46
Finance	17	--	1	18	2460.37	972.13	3432.50	0.92
Manufacturing	9	7	--	16	305.53	379.51	685.04	0.18
Miscellaneous	10	2	0	12	30.44	7.13	37.57	0.01
<b>Total</b>	<b>78</b>	<b>19</b>	<b>10</b>	<b>107</b>	<b>313486.81</b>	<b>60444.54</b>	<b>373931.35</b>	<b>100</b>

Source: Based on the latest finalized financial statements of the respective PSUs

As on 31 March 2020, the total investment (equity and long-term loans) in these 107 PSUs was ₹ 3,73,931.34 crore. The investment consisted of 83.84 *per cent* towards equity and 16.16 *per cent* in long-term loans. The long-term loans advanced by the State Government constituted 2.17 *per cent* (₹ 1,314.06 crore) of the total long-term loans whereas 97.83 *per cent* (₹ 59,130.48 crore) of the total long-term loans were availed from Central Government and other financial institutions. The investment has grown by 113.28 *per cent* from ₹ 1,75,321.42 crore in 2015-16 to ₹ 3,73,931.34 crore in 2019-20.

### 1.4.3.3 Budgetary Support to State PSUs

The Government of Maharashtra provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans,

<sup>3</sup> Rate of Compounded Annual Growth  $\left[ \left\{ \frac{\text{Value of 2019-20}}{\text{Value of 2015-16}} \right\}^{(1/4 \text{ years})} - 1 \right] * 100$

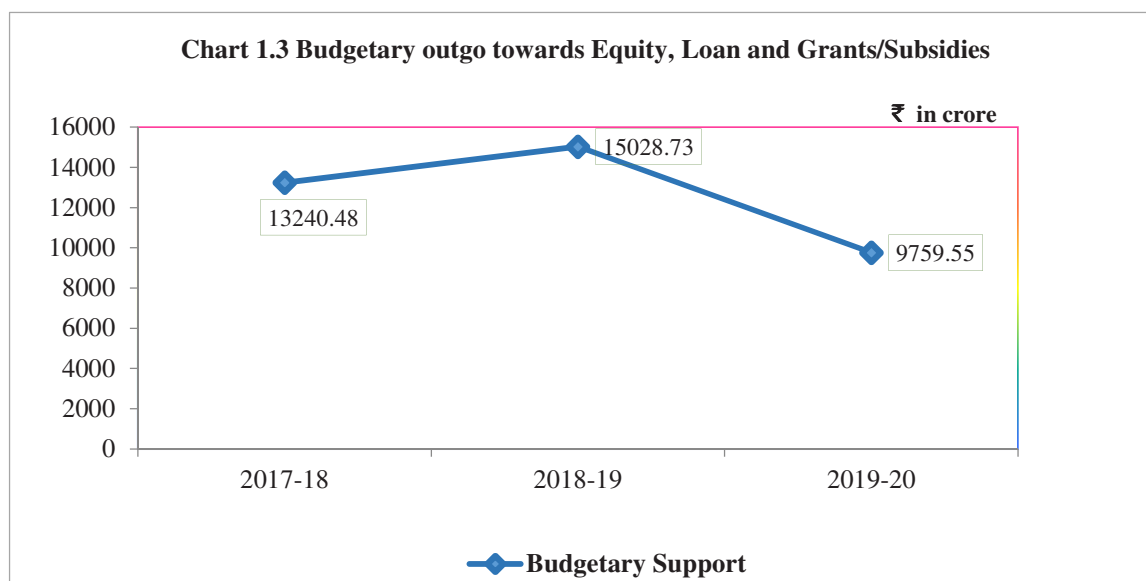
grants/subsidies, loans written off and loans converted into equity during the year in respect of PSUs during 2017-18 to 2019-20 is given in **Table 1.7**.

**Table 1.7: Details regarding budgetary support to State PSUs during the years**  
(₹ in crore)

Particulars <sup>4</sup>	2017-18		2018-19		2019-20	
	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
Equity Capital outgo (i)	4	3770.33	2	854.38	1	3180.66
Loans given (ii)	-	-	-	-	-	-
Grants/Subsidy provided (iii)	15	9470.15	13	14174.35	8	6578.89
<b>Total Outgo<sup>5</sup> (i+ii+iii)</b>	<b>17</b>	<b>13240.48</b>	<b>15</b>	<b>15028.73</b>	<b>8</b>	<b>9759.55</b>
Loan repayment written off	-	-	-	-	-	-
Loans converted into equity	-	-	1	0.56	-	-
Guarantees issued	2	6.51	1	70	1	11.85
Guarantee Commitment	8	1462.60	5	1054.50	2	56.95

Source: Based on the latest Financial Statement received from respective PSUs

**Chart 1.3** gives the details of budgetary outgo towards equity, loans and grants/subsidies during 2017-18 to 2019-20.



(Source: Compiled based on information received from PSUs)

The annual budgetary assistance to these PSUs ranged between ₹ 9,759.55 crore and ₹ 15,028.73 crore during the period 2017-18 to 2019-20. The budgetary assistance of ₹ 9,759.55 crore given during the year 2019-20 included ₹ 3,180.66 crore and ₹ 6,578.89 crore in the form of equity and grants/subsidy respectively. The State Government did not provide any loans to these PSUs during 2019-20. The State Government provided significant assistance to Godavari Marathwada Irrigation Development Corporation (₹ 4,547.99 crore) and Tapi Irrigation Development Corporation (₹ 1,258.22 crore) in the form of Grants/Subsidy for different irrigation projects and to Maharashtra Police

<sup>4</sup> Amount represents outgo from State Budget only

<sup>5</sup> The figure represents number of PSUs which have received outgo from budget under one or more heads *i.e.* equity, loans, grants/subsidy

Housing and Welfare Corporation Limited (₹ 301.64 crore) for the purpose of construction of police quarters and administrative buildings.

Out of the budgetary assistance of ₹ 9,759.55 crore given to State PSUs, an amount of ₹ 155 crore was given to Maharashtra State Road Transport Corporation Limited (MSRTC), a loss making Statutory Corporation, which receives budgetary support in lieu of transport related subsidies announced by GoM to benefit various sections of the society such as students, ex-servicemen, senior citizens *etc.*

In order to enable PSUs to obtain financial assistance from banks and financial institutions, State Government gives guarantee for which the guarantee fee is being charged. This fee varies from 0.50 *per cent* to two *per cent*, as decided by the State Government, depending upon the loanees. The guarantee commitment of State Government decreased to ₹ 56.95 crore during 2019-20 from ₹ 1,054.50 crore in 2018-19. Further, four PSUs did not pay guarantee fees/commission which was payable during the year. The accumulated/outstanding guarantee fees/commission there against was ₹ 130.35 crore as on 31 March 2020.

### 1.5 Fiscal Balance: Achievement of deficit and total debt targets

When a Government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture government deficit *i.e.* Revenue deficit/surplus, Fiscal deficit and Primary deficit/surplus.

Nature of deficit is an indicator of the prudence of the fiscal management of the Government. Further, the ways in which the deficits are financed, and the application of the resources raised is important pointers to the fiscal health of the state. This Section presents trends, nature, 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 Maharashtra Fiscal Responsibility and Budgetary Management (FRBM) Act 2005.

The State Government has enacted the Maharashtra FRBM Act 2005, amended from time to time, with the objective of achieving inter-generational equity in fiscal management and long-term macro-economic stability. The Act envisages progressive elimination of revenue deficit, reduction in fiscal deficit and prudent debt management consistent with fiscal sustainability.

The Maharashtra FRBM Rules were framed in February 2006 and subsequently amended from time to time. 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. Thus, in broader definition of 'total outstanding debt/liabilities, it includes the liabilities upon the Consolidated Fund, liabilities upon Public Account and the borrowings by State Public Sector Companies and by Special Purpose Vehicles (SPVs) and other equivalent instruments where the principal and/or interest are to be serviced out of the State budgets'.

The major fiscal targets for the State were to contain the fiscal deficit as a ratio of GSDP below three *per cent* and maintaining revenue surplus from 2011-12 onwards. As seen from **Table 1.8**, the State during the five-year period 2015-20, could achieve Revenue

Surplus only during 2017-18 and 2018-19. During 2019-20, there was a huge revenue deficit of ₹ 17,116 crore. The State was successful in containing the Fiscal Deficit below three *per cent* of GSDP in all the five years.

During 2019-20, the fiscal liability (total outstanding debt) to GSDP ratio (16.67 *per cent*) was higher than the FRBM and MTFPS target (15.83 *per cent*) but lower than the limit (24.4 *per cent*) recommended by the XIV-Finance Commission.

The targets for revenue and fiscal deficits along with their actual levels are given in **Table 1.8**.

**Table 1.8: Compliance with provisions of State FRBM Act**

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus	(-)53338	(-)8536	2082	11975	(-)17116
		X	X	✓	✓	X
Fiscal Deficit (-)(as <i>percentage of GSDP</i> )	Three <i>per cent</i>	(-)28364 (-1.44)	(-)33657 (-1.53)	(-)23961 (-1.00)	(-)23015 (-0.87)	(-)53886 (-1.87)
		✓	✓	✓	✓	✓
Ratio of total outstanding debt to GSDP (in <i>per cent</i> )	Target	17.64	16.15	16.26	16.52	15.83
	Achievement	17.87	18.01	18.15	16.59	16.67
		X	X	X	X	X

Source: Finance Accounts and Budget documents for respective years

As prescribed in the FRBM Rules, 2006 (as amended in 2008), the State Government has to lay before the State Legislature the Medium Term Fiscal Policy Statement (MTFPS) setting forth the target for the prescribed fiscal indicators. **Table 1.9** indicates the variation between the projections made for 2019-20 in MTFPS presented to the State Legislature along with the Annual Budget for 2019-20 and actuals of the year.

**Table 1.9: Actuals vis-à-vis projection in MTFPS for 2019-20**

Sl. No.	Fiscal Variables	Projection as per MTFPS	Actuals	Variation (in <i>per cent</i> )
		(₹ in crore)		
1	Own Tax Revenue	210824.29	188947.57	(-)10.38
2	Non-Tax Revenue	16806.72	14297.00	(-)14.93
3	Share of Central Taxes	46630.66	36219.64	(-)22.33
4	Grants-in-aid from GoI	40227.33	43725.37	8.29
5	Revenue Receipts (1+2+3+4)	314489.00	283189.58	(-) 9.95
6	Revenue Expenditure	334273.39	300305.21	(-)10.16
7	Revenue Deficit (-)/ Surplus (+) (5-6)	(-)19784.39	(-)17115.63	(-)13.49
8	Fiscal Deficit (-)/ Surplus (+)	(-)60234.52	(-)53886.19	(-)10.54
9.	Primary Deficit	(-)25027.5	(-) 20325.46	(-)81.21
10	Debt-GSDP ratio ( <i>per cent</i> )	15.83	16.67	5.31
11	GSDP growth rate at current prices ( <i>per cent</i> )	12.00	9.34	(-)22.17

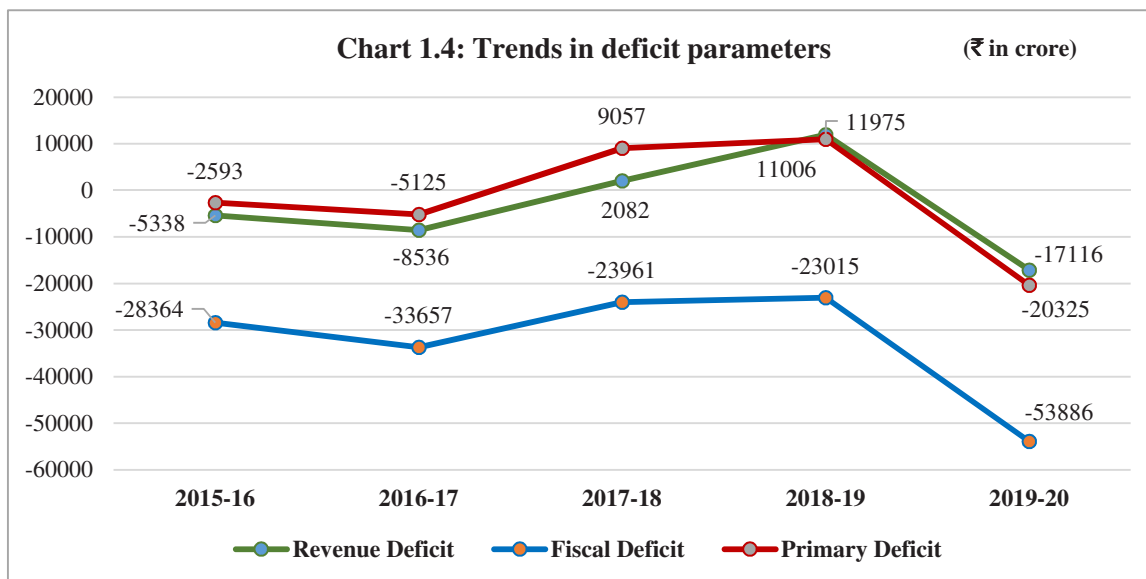
Source: Finance Accounts and Budget documents 2019-20

During the year 2019-20, Revenue receipts had a shortfall by 10 *per cent* against budget estimates. The decrease in revenue receipts was the result of decrease in tax revenue by

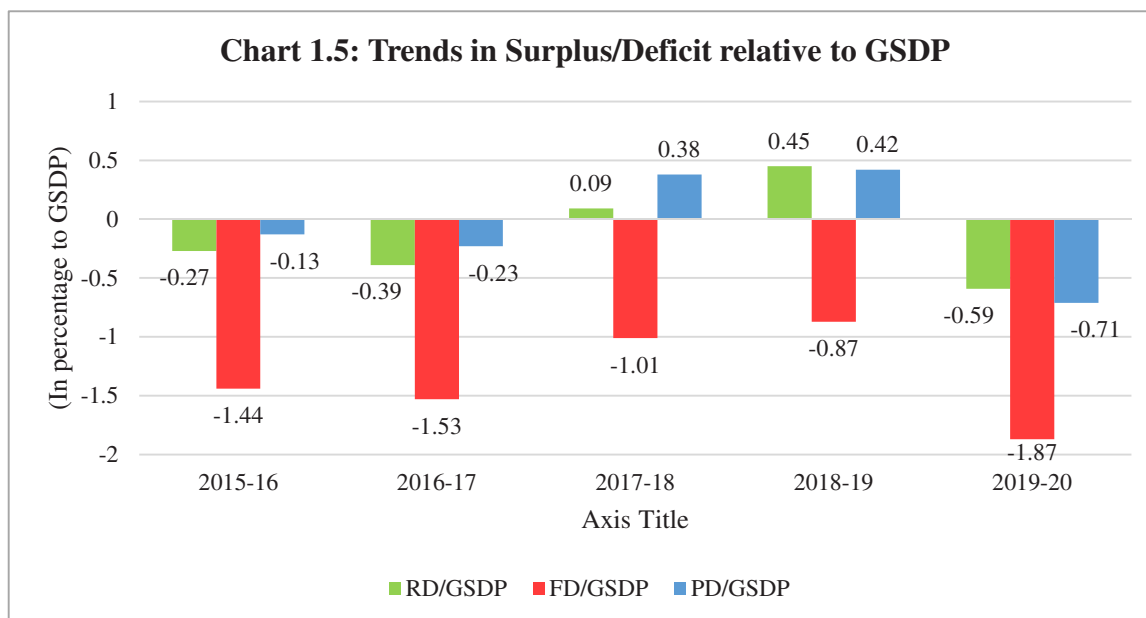


10.38 per cent, non-tax revenue by 14.93 per cent and State's share of Union Taxes and Duties by 22.33 per cent. Thus, the revenue expenditure was lower by 10.16 per cent over the budget estimates.

Revenue deficit was lower than the assessment by 13.49 per cent whereas Fiscal deficit by 10.54 per cent.

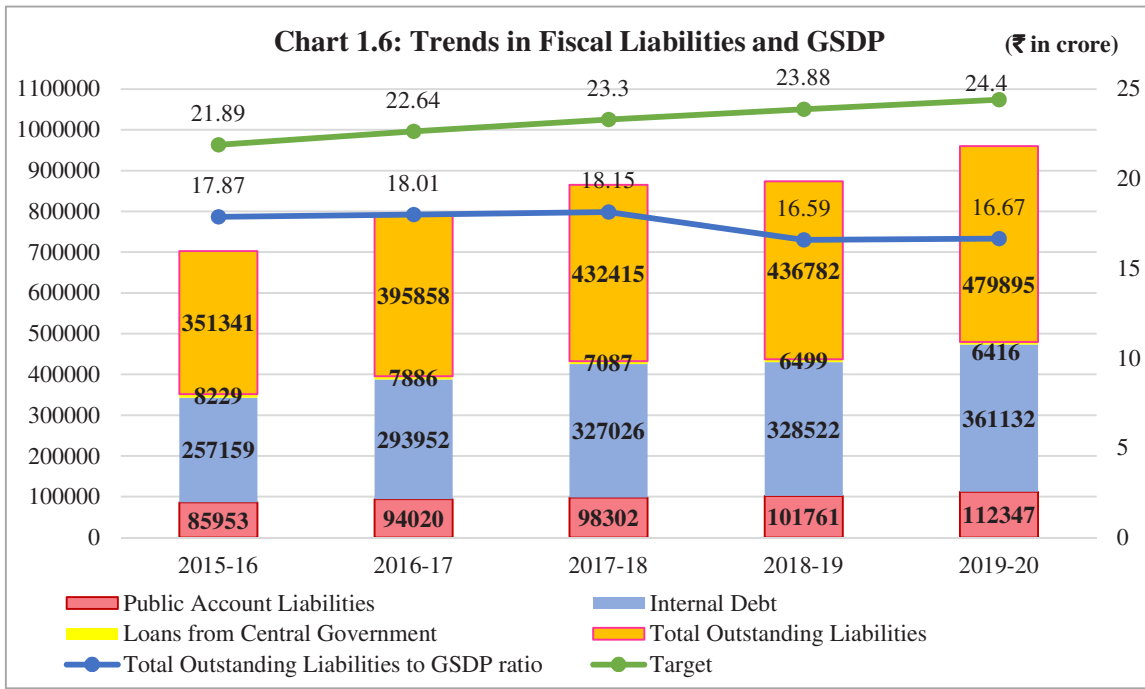


(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)

As shown in **Chart 1.5**, the Fiscal Deficit to GSDP ratio had a fluctuating trend during 2015-20. The ratio increased from negative 1.44 per cent in 2015-16 to negative 1.87 per cent in 2019-20. The Revenue Deficit to GSDP ratio was negative during 2015-16, 2016-17 and 2019-20.



(Source: Finance Accounts of respective years)

The Public Account liabilities increased from ₹ 85,953 crore in 2015-16 to ₹ 1,12,347 crore in 2019-20 as shown in **Chart 1.6**. The Internal Debt increased from ₹ 2,57,159 crore in 2015-16 to ₹ 3,61,132 crore (40 per cent) in 2019-20. The outstanding liabilities to GDP ratio remained 18 per cent during 2015-18 and were 17 per cent during 2018-20. However, the ratio was lower than the targets fixed by the XIV Finance Commission during 2015-20.

## 1.6 Deficits after examination by Audit

Scrutiny of certain transactions during 2019-20 revealed that the level of Revenue Deficit and Fiscal Deficit were affected by certain accounting adjustments as brought out in **Table 1.10**.

**Table 1.10: Impact of certain transactions on revenue deficit and fiscal deficit during 2019-20**

Particulars	Impact on revenue deficit (understatement (+)/ overstatement (-)) (₹ in crore)	Impact on Fiscal deficit understatement (₹ in crore)	Para reference
Grants-in-Aid booked under Capital section instead of Revenue	(+) 1580.59	-	3.37
Non-transfer of Funds accumulated under New Pension Scheme	(+) 429.50	429.50	2.4.2.3
Non discharge of Interest liability	(+) 43.15	43.15	4.2
Investment/Loans made in Companies, Corporations or other bodies, which are loss making or whose net worth is completely eroded	(+) 416.45	-	2.4.4.5
<b>Total</b>	<b>2469.69</b>	<b>472.65</b>	

As can be seen from **Table 1.10**, there was an understatement of Revenue Deficit by ₹ 2,469.69 crore and understatement of Fiscal Deficit by ₹ 472.65 crore during the year.