

CHAPTER – II

FINANCES OF THE STATE

Chapter II Finances of the State

Introduction

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 five-year period from 2015-16 to 2019-20, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State and the information provided by the State Government.

2.1 Major changes in Key Fiscal aggregates during 2019-20 vis-à-vis 2018-19

Table 2.1 below presents the summary of the State Government's fiscal aggregate during 2019-20 vis-à-vis 2018-19. Each of these indicators are analysed in the succeeding paragraphs.

Table 2.1: Summary of Fiscal aggregates in 2019-20 compared to 2018-19

(₹ in crore)

Receipts			Disbursements		
	2018-19	2019-20		2018-19	2019-20
Section-A: Revenue Account					
Tax Revenue	187436.37	188947.57	General Services	84764.50	100050.28
Non-Tax Revenue	15843.57	14297.00	Social Services	109390.99	122947.33
Share of Union Taxes/ Duties	42054.20	36219.64	Economic Services	52758.97	56043.43
Grants-in-aid from Government of India	33662.13	43725.37	Grants-in-aid and Contributions	20107.21	21264.17
Total Section-A Revenue Receipts	278996.27	283189.58	Total Section-A Revenue Expenditure	267021.67	300305.21
Section-B: Capital Account and others					
Miscellaneous Capital Receipts	0	0	Capital Outlay	35049.05	36415.57
			General Services	1533.27	1250.45
			Social Services	4341.15	4288.07
			Economic Services	29174.63	30877.05
Recoveries of Loans and Advances	1604.29	1614.87	Loans and Advances disbursed	1545.17	1969.86
Public Debt Receipts*	26025.21	55395.80	Repayment of Public Debt*	25116.50	22868.24
Appropriation from Contingency Fund	1528.00	7350.00	Appropriation from Contingency Fund	3528.00	15350.00
Contingency Fund	3528.00	15350.00	Contingency Fund	1528.00	16350.00
Public Account Receipts	90664.57	119634.33	Public Account Disbursements	89757.52	100329.25
Opening Cash Balance	88468.81	67269.26	Closing Cash Balance	67269.26	56215.71
Total Section-B Receipts	211818.88	266614.26	Total Section-B Disbursements	223793.48	249498.63
Grand Total (A+B)	490815.15	549803.84	Grand Total (A+B)	490815.15	549803.84
Source: Finance Accounts of the respective years					
* Excluding net transaction under Ways and Means advances and overdraft					

Variation in key fiscal aggregates in 2019-20 as compared to 2018-19

Revenue Receipts	<ul style="list-style-type: none"> Revenue receipts of the State increased by 1.5 per cent Own Tax receipts of the State increased by 0.8 per cent Own Non-tax receipts decreased by 9.8 per cent State's Share of Union Taxes and Duties decreased by 13.9 per cent Grants-in-Aid from Government of India increased by 29.9 per cent
Revenue Expenditure	<ul style="list-style-type: none"> Revenue expenditure increased by 12.5 per cent Revenue expenditure on General Services decreased by 18 per cent Revenue expenditure on Social Services increased by 12.4 per cent Revenue expenditure on Economic Services increased by 6.2 per cent Expenditure on Grants-in-Aid increased by 5.8 per cent
Capital Outlay	<ul style="list-style-type: none"> Capital outlay increased by 3.9 per cent Capital outlay on General Services decreased by 18.4 per cent Capital outlay on Social Services decreased by 1.2 per cent Capital outlay on Economic Services increased by 5.8 per cent
Loans and Advances	<ul style="list-style-type: none"> Disbursement of Loans and Advances increased by 27.5 per cent Recoveries of Loans and Advances increased by 0.7 per cent
Public Debt	<ul style="list-style-type: none"> Public Debt Receipts increased by 112.9 per cent Repayment of Public Debt decreased by nine per cent
Public Account	<ul style="list-style-type: none"> Public Account Receipts increased by 32 per cent Disbursement of Public Account increased by 11.8 per cent
Cash Balance	<ul style="list-style-type: none"> Cash balance decreased by ₹ 11,053.55 crore (16.4 per cent) during 2019-20 compared to previous year

2.2 Sources and Application of Funds

Table 2.2 compares the figures of sources and application of funds of the State during 2019-20 with 2018-19. The **Charts 2.1** and **2.2** present the details of the composition of resources and application of resources from the Consolidated Fund during 2019-20.

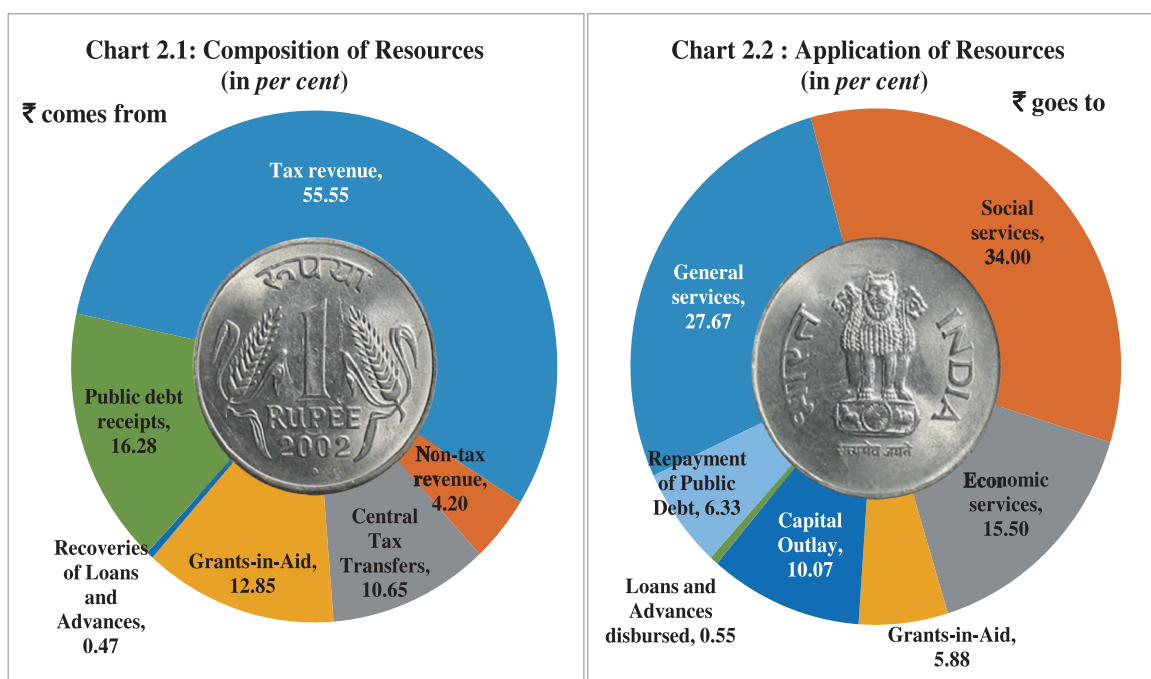
During 2019-20, the State Government raised Revenue receipt of ₹ 2,83,190 crore against Revenue expenditure of ₹ 3,00,305 crore resulting into Revenue Deficit of ₹ 17,116 crore. Contingency Fund of ₹ 9,000 crore remained unrecouped during the current year.

Table 2.2: Details of Sources and Application of Funds during 2018-19 and 2019-20

Particulars		2018-19	2019-20	(₹ in crore) Increase/ Decrease
Sources	Opening Cash Balance with RBI	88468.81	67269.26	(-)21199.55
	Revenue Receipts	278996.27	283189.58	4193.31
	Recoveries of Loans and Advances	1604.29	1614.87	10.58
	Public Debt Receipts (Net)	908.72	32527.56	31618.84
	Public Account Receipts (Net)	907.06	19305.08	18398.02
	Total	370885.15	403906.35	

Particulars		2018-19	2019-20	Increase/ Decrease
Application	Revenue Expenditure	267021.67	300305.21	33283.54
	Capital Expenditure	35049.05	36415.57	1366.52
	Contingency Fund (unrecouped)	0	9000.00	9000.00
	Disbursement of Loans and Advances	1545.17	1969.86	424.69
	Closing Cash Balance with RBI	67269.26	56215.71	(-)11053.55
	Total	370885.15	403906.35	

Source: Finance Account of respective years



2.3 Resources of the State

The resources of the State are described below:

- Revenue Receipts** consist of Tax Revenue, Non-tax Revenue, State's share of Union Taxes and Duties and Grants-in-Aid from the GoI.
- Capital Receipts** comprise miscellaneous Capital receipts such as proceeds from disinvestments, recoveries of Loans and Advances, Debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and Loans and Advances from GoI. Both Revenue and Capital receipts form part of the Consolidated Fund of the State.
- Net Public Accounts Receipts** There are receipts and disbursements in respect of certain transactions such as Small Savings, Provident Fund, Reserve Funds, Deposits, Suspense, Remittances, *etc* which do not form part of the Consolidated Fund.

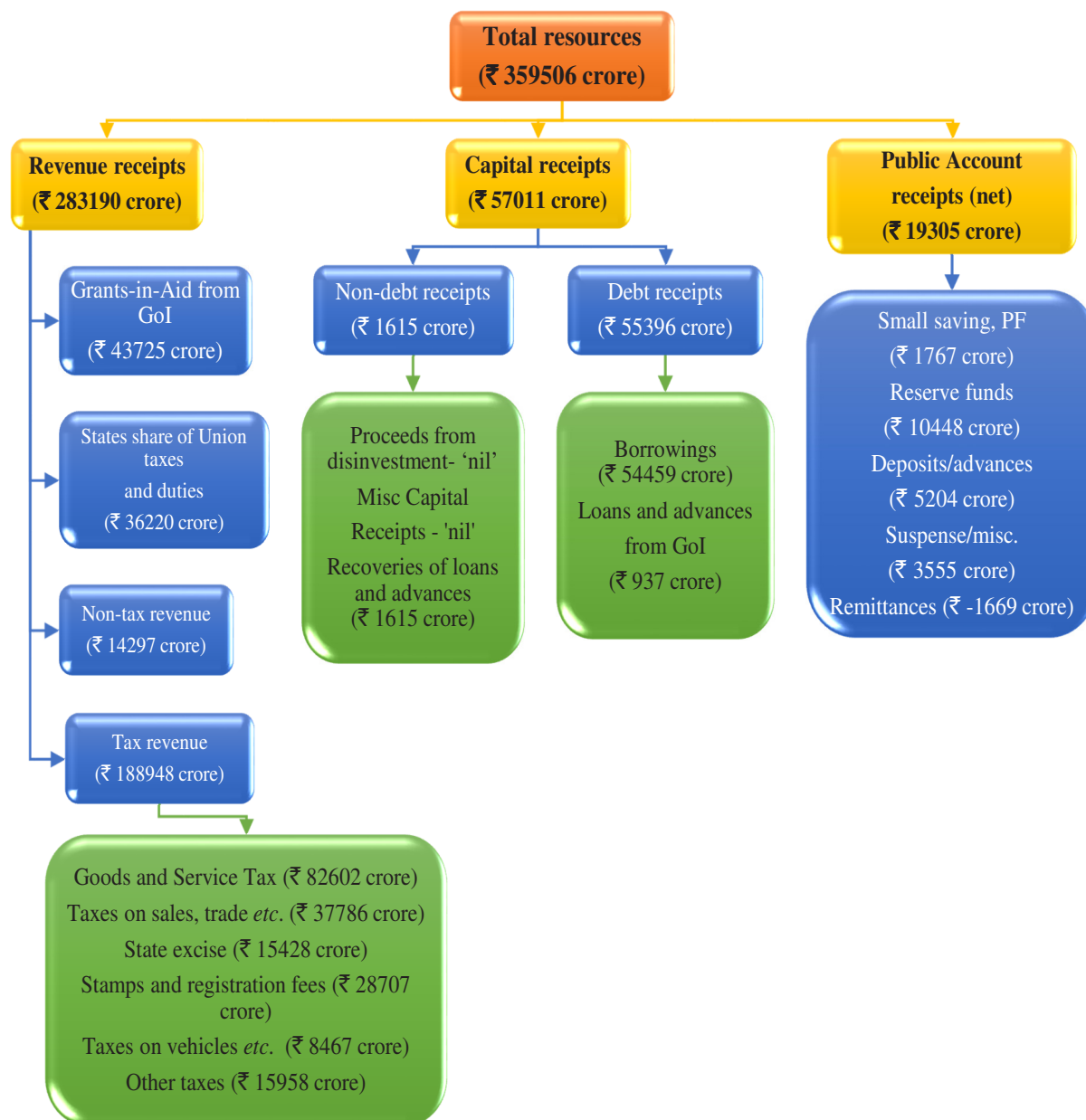
These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a

banker. The balance after disbursements is the fund available with the Government for use.

2.3.1 Receipts of the State

Flow Chart 2.1 depicts the composition of the receipts of the State during 2019-20.

Flow Chart 2.1: Composition of receipts of the State during 2019-20



(Source: Finance Accounts 2019-20)

2.3.2 State's Revenue Receipts

This paragraph gives the trends in total revenue receipts and its components. It is followed by trends in the receipts bifurcated into receipts from the Central Government and State's own 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.

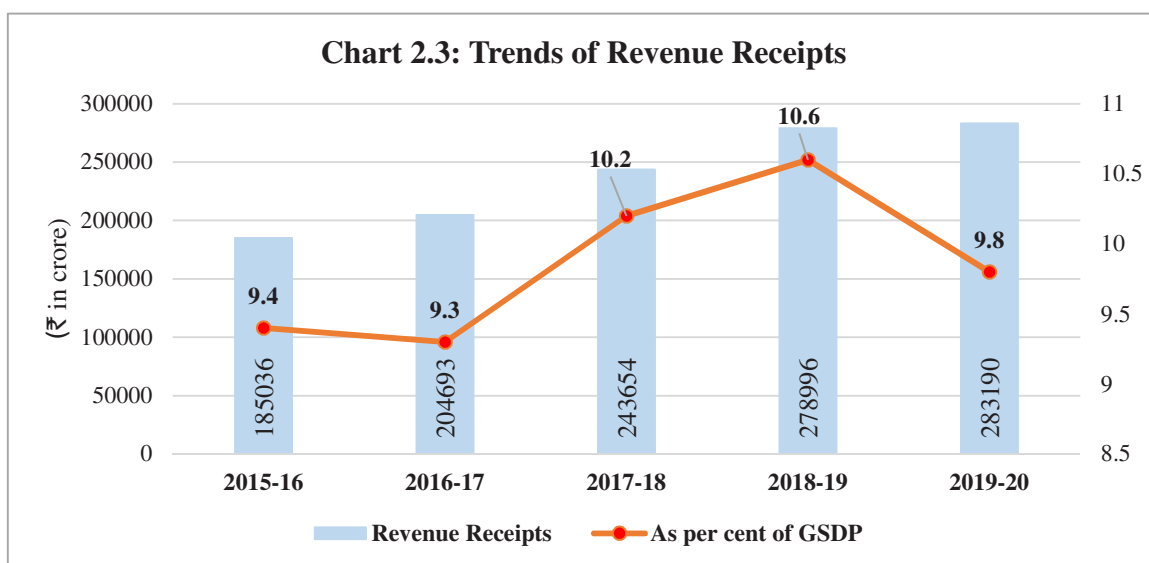
2.3.2.1 Trends and growth of Revenue Receipts

Table 2.3 provides the trends and growth of Revenue receipts as well as revenue buoyancy with respect to GSDP during 2015-20. Further, trends in revenue receipts relative to GSDP and composition of revenue receipt are given in **Charts 2.3** and **2.4**.

Table 2.3: Trend in Revenue Receipts

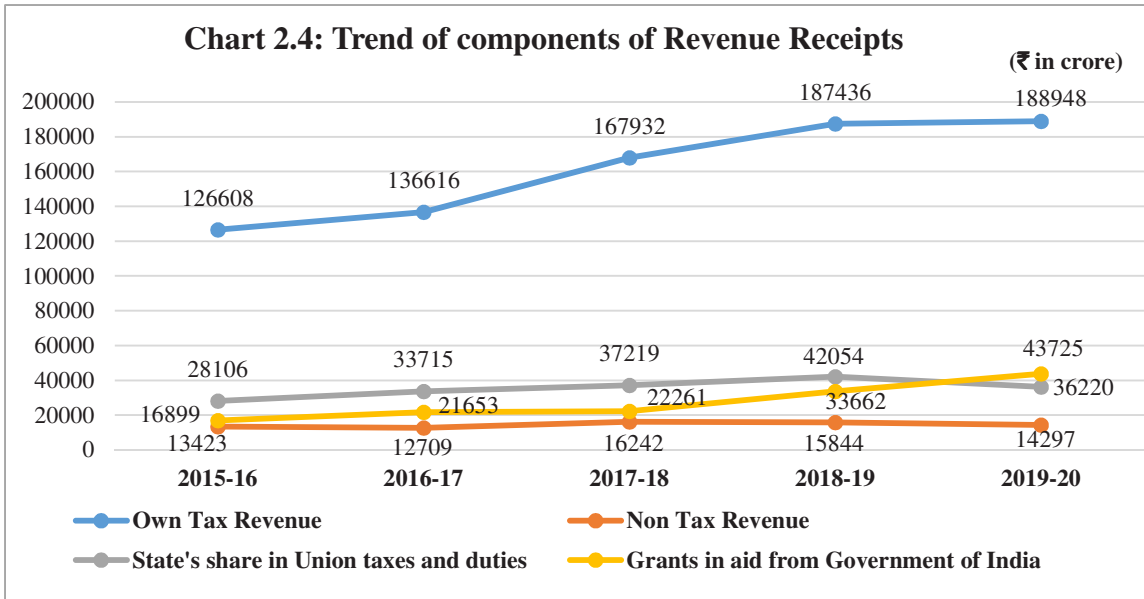
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	185035.68	204693.14	243653.56	278996.27	283189.58
Rate of growth of RR (per cent)	11.90	10.62	19.03	14.51	1.50
Own Tax Revenue (₹ in crore)	126608.11	136616.32	167931.87	187436.37	188947.57
Non-tax Revenue (₹ in crore)	13423.01	12709.34	16241.80	15843.57	14297.00
Rate of growth of Own Revenue (per cent) (Own Tax and Non-tax Revenue)	9.70	6.64	23.34	10.37	-0.02
Gross State Domestic Product (₹ in crore) (2011-12 Series)	1966225	2198324	2382570	2632792	2878583
Rate of growth of GSDP (per cent)	10.52	11.80	8.38	10.50	9.34
RR/GSDP (per cent)	9.41	9.31	10.23	10.60	9.84
Buoyancy Ratios ¹					
Revenue Buoyancy w.r.t. GSDP	1.13	0.90	2.26	1.38	0.16
State's Own Revenue Buoyancy w.r.t GSDP	0.92	0.56	2.79	0.99	0.002

Source of GSDP figures: Directorate of Economics and Statistics, Maharashtra



(Source: Finance Accounts of respective years)

¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one per cent



(Source: Finance Accounts of respective years)

General trends of Revenue Receipts of the State are as follows;

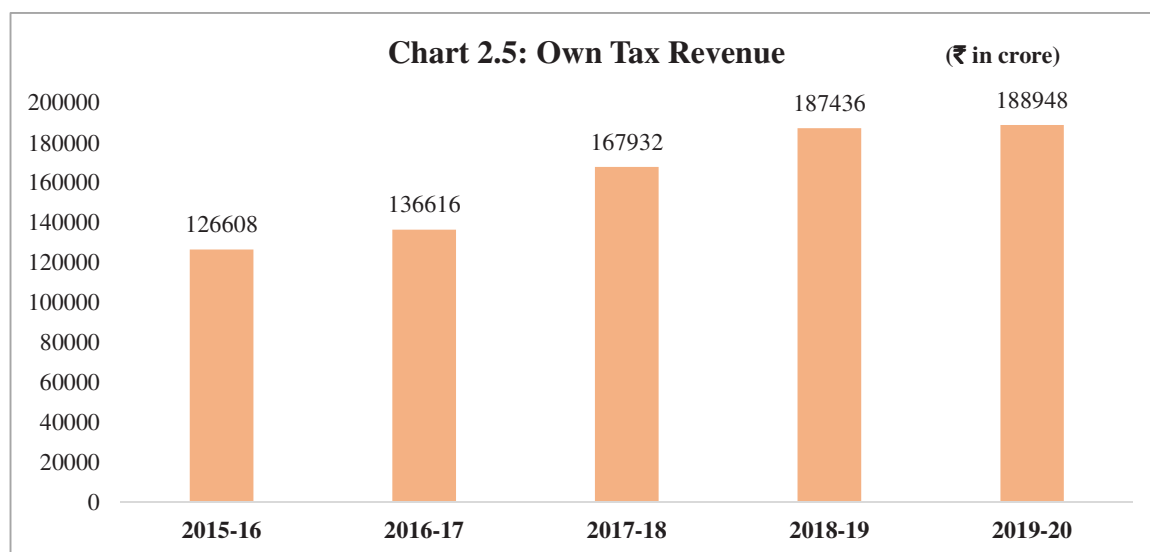
- Revenue Receipts increased by 53 per cent from ₹1,85,035.68 crore in 2015-16 to ₹ 2,83,189.58 crore in 2019-20 at compound annual growth rate (CAGR) of 8.88 per cent . During 2019-20, the growth of revenue receipts over the previous year was a dismal 1.50 per cent. This decreased growth rate was due to decrease in non-tax revenue and State's share in Union taxes by ₹ 1,547 crore and ₹ 5,834 crore respectively.
- About 72 per cent of the revenue receipts during 2019-20 came from the State's own resources, while Central Tax Transfers and Grants-in-Aid together contributed only 28 per cent. This is indicative of the fact that State's fiscal position is largely influenced by its own resources.
- Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. A 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. The buoyancy of revenue receipts to GSDP was greater than one during 2015-16, 2017-18 and 2018-19 indicating that revenue receipts grew at a faster rate than GSDP. This ratio fell drastically to 0.16 in 2019-20. The State's own revenue buoyancy to GSDP was a meagre 0.002 in 2019-20 as compared to three in 2017-18 and one during 2015-16 and 2018-19.
- During the current year, revenue expenditure exceeded the revenue receipt by ₹17,115 crore resulting in a revenue deficit. The State had registered Revenue surplus for two consecutive years during 2017-18 and 2018-19.
- Ratio of revenue receipts to GSDP decreased from 10.60 in 2018-19 to 9.84 in 2019-20. During 2019-20, Own Tax Revenue increased by ₹ 1,512 crore (0.8 per cent), Grants-in-Aid from the GoI by ₹ 10,063 crore (29.9 per cent). This was set-off by decrease in Non-Tax Revenue by ₹ 1,547 crore (9.8 per cent) and State's share of Union Taxes and Duties by ₹ 5,834 crore (13.9 per cent).

2.3.2.2 State's Own Resources

State's share in Central taxes is determined on the basis of recommendations of the Finance Commission. Grants-in-Aid from the Central Government is determined by the quantum of collection of Central tax receipts and anticipated Central Assistance for schemes. State's performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its Own tax and Non-tax sources.

Own Tax Revenue

Own Tax Revenues of the State consist of State GST, State Excise, Taxes on Vehicles, Stamp Duty and Registration Fees, Land Revenue, Taxes on Goods and Passengers, *etc.*



(Source: Finance Accounts of respective years)

The gross collection in respect of major taxes and duties during 2015-20 is given in **Table 2.4**.

Table 2.4: Components of State's Own Tax Revenue

(₹ in crore)

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Sales Tax	69660.82	81174.17	54893.51	35724.61	37785.54	
SGST	0.00	0.00	50063.00	82352.32	82601.59	
State excise	12469.56	12287.91	13449.65	15320.90	15428.34	
Taxes on vehicles	6017.19	6741.21	8665.38	8613.19	8467.19	
Stamp duty and Registration fees	21766.99	21011.83	26441.82	28545.05	28706.55	
Land Revenue	1748.31	1799.39	2309.86	2088.04	2154.55	
Taxes on Goods and Passengers	1582.13	1876.71	984.01	837.05	773.39	
Other Taxes	13363.11	11725.10	11124.64	13955.21	13030.41	
Total	126608.11	136616.32	167931.87	187436.37	188947.56	

Source: Finance Accounts of respective years

Own Tax Revenue of the State increased by ₹ 62,340 crore, from ₹ 1,26,608 crore in 2015-16 to ₹ 1,88,948 crore in 2019-20, at an average annual growth rate of 9.85 per cent. During the current year, major contributors of tax revenue were Goods and

Service Tax (43.71 *per cent*), Taxes on Sales, Trades, *etc* (20 *per cent*) and Stamp Duty and Registration Fees (15.19 *per cent*).

State Goods and Services Tax

Goods and Service Tax (GST) was implemented *w.e.f* 1 July 2017. According to GST (Compensation to States) Act 2017, Central Government will compensate the States for loss of revenue on account of implementation of GST considering an annual growth of 14 *per cent* from the base year for a 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.

Considering the base year 2015-16, the revenue certified by Audit under GST (Compensation to States) Act, 2017 for Maharashtra State was ₹ 60,504.60 crore. Accordingly, the projected revenue for Maharashtra for the year 2019-20 was ₹ 1,02,189.858 crore applying the projected growth at the rate of 14 *per cent* per annum over the base year.

The revenue from SGST during 2019-20 was ₹ 82,602 crore. Government of India released the compensation amount of ₹ 15,018.13 crore in the form of Grants-in-Aid (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 2019-20 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 CAG's Constitutional mandate of certifying the Accounts. The GoI's decision to provide access to Pan-India data at GSTN premises was conveyed on 22 June 2020. Administrative action to implement the decision by the State Government is in progress. The Accounts for the year 2019-20 have, therefore, been certified on the basis of test audit, as was being done when records were being maintained manually, pending full implementation of the GoI's decision to provide Audit access to GSTN data.

State Government gave an amount of ₹ 19,147 crore as 'Assistance to Municipal Corporations for loss of revenue arising due to Implementation of GST'.

Analysis of Arrears of Revenue and Arrears of Assessment

The arrears of revenue indicate delayed realization of revenue due to the Government. Similarly, arrear of assessment indicates potential revenue which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and affect ultimately the revenue deficit.

The arrears in revenue assessment under various Acts in Maharashtra is given in **Table 2.5**.

Table 2.5: Arrears in Revenue assessment

(₹ in crore)						
Head of Revenue	Opening Balance (01 Apr 2019)	New cases due for assessment during 2019-20	Total cases due for assessments	Cases disposed off during 2019-20	Closing Balance (31 Mar 2020)	Disposal percentage (5 to 4)
1	2	3	4	5	6	7
Goods and Services Tax	Assessment of SGST not yet carried out					
Maharashtra Value Added Tax	100043	118313	218356	107388	110968	49.18
Bombay Sales Tax	104	8	112	110	2	98.21
Motor Spirit Tax	14	0	14	14	0	100
Purchase Tax on Sugarcane	100	146	246	109	137	44.31
Entry Tax	6	17	23	17	6	73.91
Lease Tax	0	0	0	0	0	0
Luxury Tax	1083	527	1610	653	957	40.56
Tax on Works Contract	925	3	928	927	1	99.89
Source: Information received from Joint Commissioner of Sales Tax/HQ3						

Details of evasion of tax detected by Department, refund cases, etc.

The cases of evasion of tax detected by the Excise & Taxation Department, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Promptness in disposal of refund cases is important indicator of performance of the Department. High pendency of refund cases may indicate red tape, vested interests, prevalence of speed money, etc.

The evasion under Maharashtra Value Added Tax Act is shown in **Table 2.6**.

Table 2.6: Evasion of Tax detected

Sl. No.	Head of Revenue	Cases pending as on 31 March 2019	Cases detected during 2019-20	Total	No. of cases in which assessment / investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalization as on 31 March 2020
					No. of cases	Amount of demand (₹ in crore)	
1.	Taxes/VAT on Sales, Trade	1141	327	1468	1033	1714.01	435
Source: Information received from Joint Commissioner of Sales Tax/HQ3							

Non-tax Revenue

Non-tax Revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. The components of Non-tax Revenue during 2015-20 are shown in **Table 2.7**.

Table 2.7: Components of State's non-tax revenue

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
						(₹ in crore)
Interest receipts	3079.45	3259.08	4162.53	4191.28	3270.69	
Dividend and Profits*	57.28	66.81	64.63	275.48	56.53	
Fiscal services	0.01	0.23	0.04	0.04	0.24	
Other non-tax receipts	10286.26	9383.23	12014.60	11376.77	10969.54	
a) Major and medium Irrigation	616.14	274.82	215.39	284.47	133.95	
b) Road Transport	0.00	0.00	0.00	0.00	0.00	
c) Urban Development	913.38	895.83	1272.47	1358.37	1320.13	
d) Education	606.65	256.72	449.72	210.86	411.73	
e) Non-ferrous mining	3064.05	3104.79	3556.42	4056.71	3982.45	
f) other or mis.	5086.06	4851.29	6520.84	5466.40	5121.52	
Total	13423.01	12709.34	16242.00	15843.57	14297.00	

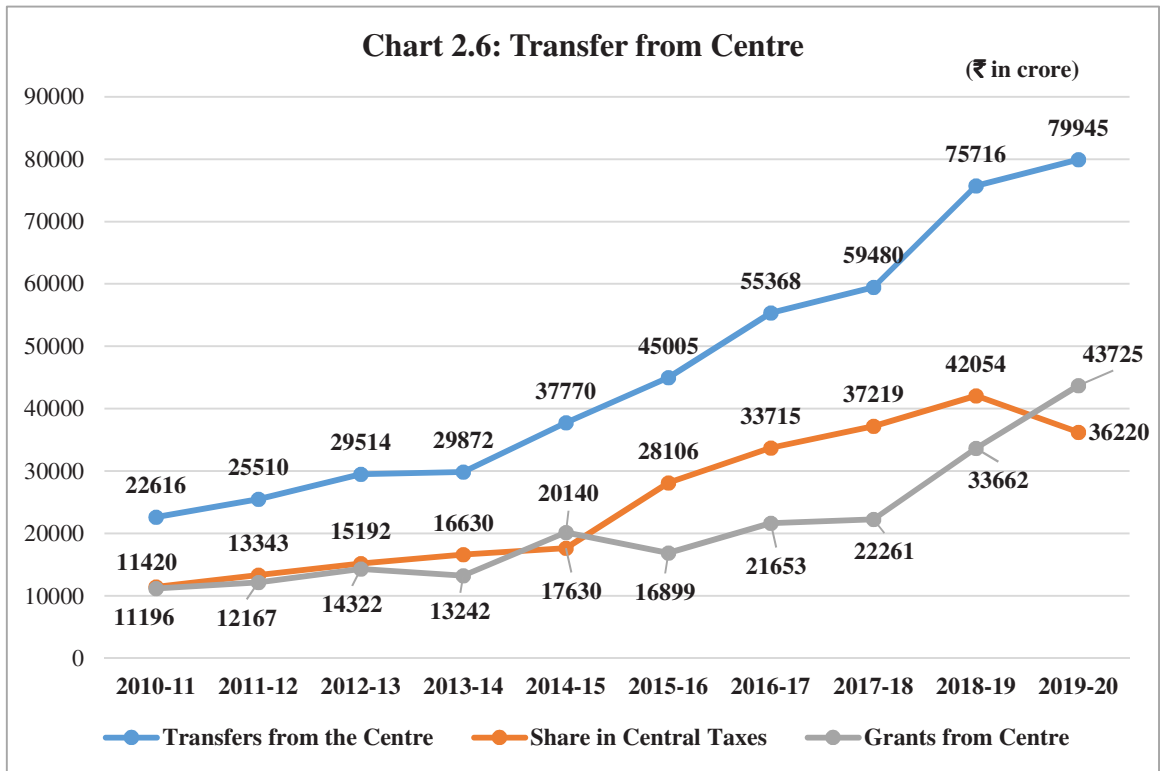
* Dividend of ₹ 39 crore (2016-17), ₹ two crore (2017-18) and ₹ 225 crore (2018-19) for which details are awaited from Source: Finance Accounts of the respective years

Non-tax Revenue ranged between five and seven *per cent* of the total Revenue receipts of the State during 2015-20, have shown a steady decline from 2017-18 onwards. During 2019-20, it decreased by ₹ 1,546.57 crore (9.76 *per cent*) over the previous year. The decrease was mainly under Interest Receipts ₹ 920.59 crore and Dividend by ₹ 218.95 crore.

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. Excess cash balance, beyond the immediate requirement is invested in Government of India's 91 days Treasury Bills. As on 31 March 2019, ₹ 35,218.99 crore was lying under Cash Balance Investment Account of the State Government as invested by the RBI. As on 31 March 2020, the investment held in Cash Balance Investment Account was ₹ 14,743.48 crore.

2.3.2.3 Transfers from the Centre

The transfers from Central Government are mainly dependent on the recommendations of the Finance Commission. 14th Finance Commission (2015-20) recommended an increase in the share of States in Central Taxes from 32 *per cent* to 42 *per cent* with effect from 2015-16 onwards. Transfers from the Union Government includes State's share of Union Taxes and Duties and Grants-in-Aid. The transfers from Centre during 2010-11 to 2019-20 are given in **Chart 2.6**.



(Source: Finance Accounts of respective years)

Government of India transferred ₹ 74,215 crore (average ₹ 14,843 crore) during 2010-15 under 13th Finance Commission and ₹ 1,77,314 crore (average ₹ 35,463 crore) during 2015-20 under 14th FC as Share in Central Taxes and duties.

Further, grants from Centre were ₹ 71,067 crore (average ₹ 14,213 crore) during 2010-15 under 13th FC and ₹ 1,38,200 crore (average ₹ 27,640 crore) during 2015-20 under 14th FC.

As compared to previous year, the State's share in Central Taxes declined in 2019-20, whereas, the Grants from Centre registered an increase.

Central Tax Transfer

The Finance Commission projections *vis-à-vis* actual tax devolution of Central Tax Transfer is as given in **Table 2.8**.

Table 2.8: State's share in Union taxes and duties: Actual devolution *vis-à-vis* Finance Commission projections

(₹ in crore)

Year	Finance Commission projections	Tax Devolution receivable	Actual tax devolution received	Difference
1	2	3	4	5=(4-3)
2010-11	n per cent of net proceeds of all shareable taxes excluding service tax and n1 per cent of net proceeds of sharable service tax (As per recommendations of 13 th FC) [Inter-se Share of States =5.199 Table 8.2)]	11419.23	11419.78	0.55
2011-12		13178.87	13343.34	164.47
2012-13		15321.32	15191.92	(-)129.40
2013-14		16903.07	16630.43	(-)272.64
2014-15		18135.84	17630.03	(-)505.81

Year	Finance Commission projections	Tax Devolution receivable	Actual tax devolution received	Difference
1	2	3	4	5=(4-3)
2015-16	n per cent of net proceeds of all shareable taxes excluding service tax and n1 per cent of net proceeds of sharable service tax (As per recommendations of 14 th FC) [Inter-se Share of States =5.521 Table 8.2)]	28546.00	28105.95	(-)440.05
2016-17		32958.64	33714.90	756.26
2017-18		37203.32	37219.20	15.88
2018-19		40688.70	42054.20	1365.50
2019-20		36219.64	36219.64	0.00

Source: Receipt Budget of Union Government and Finance Accounts of the State for the respective years

During 13th FC (2010-15), the tax devolution received was ₹ 74,215.50 crore as against receivable amount of ₹ 74,958.33 crore resulting in short receipt of ₹ 742.83 crore. During the 14th FC, (2015-20) the tax devolution received was ₹ 1,77,313.89 crore as against the receivable amount of ₹ 1,75,616.30 crore resulting in excess receipt of ₹ 1,697.59 crore.

The transfer of different components of States share of Union Taxes during 2015-20 of 14th FC is shown in **Table 2.9**.

Table 2.9: Central Tax Transfers

Head	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Central Goods and Services Tax (CGST)	0.00	0.00	522.44	10377.52	10277.86
Integrated Goods and Services Tax (IGST)	0.00	0.00	3754.16	828.20	0.00
Corporation Tax	8835.19	10790.20	11387.92	14621.85	12349.52
Taxes on Income other than Corporation Tax	6144.85	7499.22	9616.28	10768.37	9676.68
Customs	4486.57	4641.53	3753.00	2980.37	2295.84
Union Excise Duties	3730.37	5300.23	3923.00	1980.63	1596.26
Service Tax	4887.46	5458.92	4246.87	390.29	0.00
Other Taxes ²	21.51	24.80	15.53	106.98	23.48
Central Tax transfers	28105.95	33714.90	37219.19	42054.20	36219.64
Percentage of increase over previous year	59.42	19.96	10.39	12.99	(-)13.87
Percentage of Central Tax Transfers to Revenue Receipts	15.19	16.47	15.28	15.07	12.79

Source: Finance Accounts of respective years

During 2019-20, there was a drastic decrease in Central Tax Transfer by ₹ 5,834.56 crore (13.87 per cent) over the previous year. The percentage of Central Tax Transfers to Revenue Receipts ranged between 15.07 per cent and 16.47 per cent during 2015-19, but in 2019-20 it decreased to 12.79 per cent. There was decrease under all the Heads, with major decrease under Corporation Tax and IGST.

² Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

Grants-in-aid from Government of India

The Grants-in-Aid received from GoI during 2015-20 are detailed in **Table 2.10**.

Table 2.10: Grants-in-Aid from Government of India

(₹ in crore)					
Head	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants	6079.57	9072.48	7157.50	7529.62 [@]	13690.19
Grants for State Plan Schemes	790.51	455.15	196.71	1886.54	1723.42
Grants for Central Plan Schemes*	688.07	1656.57	1085.81	1326.17	1369.31
Grants for Centrally Sponsored Schemes	9340.46	10468.38	11894.91	13787.33	8806.56
Grants for Special Plan Schemes	0	0	0	0	0
Grants for Centrally Sponsored Schemes (CSS)	0	0	0	22.04	1918.42
Finance Commission Grants	0	0	0	0	550.91
Other Transfers/Grants to States/Union Territories with Legislature	0	0	1488.00	9110.42 [@]	15666.56
Total	16898.61	21652.58	22260.93[§]	33662.12	43725.37
Percentage of increase over the previous year	(-)16.1	28.1	2.8	51.2	29.9
Percentage of Grants-in-Aid to Revenue Receipts	9.1	10.6	9.1	12.1	15.44
Source: Finance Accounts of respective years					
[§] Includes ₹ 437.77 crore, details are not available					
*There are no figures since the nomenclature of Plan and Non-Plan Grants was removed with effect from the year 2017-18 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States					
[@] Differs from previous year due to transfer of ₹ 780.42 crore from 'Non-Plan Grants' to 'Other transfers/Grants to States/Union Territories with Legislature'					

Grants-in-Aid from GoI increased by 30 *per cent* from ₹ 33,662.12 crore in 2018-19 to ₹ 43,725.37 crore in 2019-20. The increase in 2019-20 was mainly due to significant grants released under GST Compensation (₹ 6,688.13 crore) and Non-plan grants (₹ 6,160.57 crore). The trend of total grants from GoI as a percentage of Revenue receipts ranged between 9.1 *per cent* and 15.44 *per cent* during 2015-20 as shown in **Table 2.10**.

Fourteenth Finance Commission Grants

14th FC grants were provided to the States for Local bodies and State Disaster Response Fund. Details of grants provided during 2018-19 and 2019-20 by the GoI is given in **Table 2.11**.

Table 2.11: Grants-in-aid released by GoI as per recommendation of 14 FC

(₹ in crore)

Transfers	Recommendation of the XIV-FC 2015-20	Recommendation of the XIV-FC			Actual release by GoI			Release by State Government		
		2015-16 to 2018-19	2019-20	Total	2015-16 to 2018-19	2019-20	Total	2015-16 to 2018-19	2019-20	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Local Bodies										
(i) Grants to PRIs	15035.68	10479.98	4555.70	15035.68	9767.4	4059.55	13826.95	9767.4	4059.55	13826.95
(a) General Basic Grant	13532.11	9472.56	4059.55	13532.11	9472.56	4059.55	13532.11	9472.56	4059.55	13532.11
(b) General Performance Grants [#]	1503.57	1007.42	496.15	1503.57	294.84	0.00	294.84	294.84	0.00	294.84
(ii) Grants to ULBs	12412.86	8614.62	3798.24	12412.86	7438.08	2979.02	10417.10	7438.08	2979.02	10417.10
(a) General Basic Grant	9930.29	6951.26	2979.03	9930.29	7438.08	2979.02	10417.10	7438.08	2979.02	10417.10
(b) General Performance Grants [#]	2482.57	1663.36	819.21	2482.57	0	0	0	0	0	0
Total for Local Bodies	27448.54	19094.60	8353.94	27448.54	17205.48	7038.57	24244.05	17205.48	7038.57	24244.05
State Disaster Response Fund*	8195.00	6392.00	1803.00	8195.00	6063.00	1352.25	7415.25	12542.39	6992.40	19534.79
Grand Total	35643.54	25486.60	10156.94	35643.54	23268.48	8390.82	31659.30	29747.87	14030.97	43778.84

* Including State share of 25 per cent of total grant

[#]Pertains to the period 2016-20 as given in Annexure 9.1 of XIV-FC Report

Source: XIV-FC Report and Finance Accounts of respective years

Transfer to Local Bodies (Rural and Urban)

During 2015-16 to 2019-20, the State Government received ₹ 10,417.10 crore of Basic Grants for ULBs against the recommendation of ₹ 9,930.29 crore and received the entire recommended amount of ₹ 13,532.11 crore towards Basic Grants to PRIs

As per recommendations of the XIV-FC, the Performance Grant is admissible to the PRIs after fulfilment of the mandatory conditions, namely (i) submission of reliable audited accounts along with data of receipts and expenditure, and (ii) improvement in own sources of revenue by the local bodies. In case of Urban local bodies (ULBs), in addition to the above two conditions, the ULBs must publish the service level benchmarks relating to basic urban services each year for the period of the award and make it public.

It was observed that due to non-submission of the mandatory conditions, the General Performance Grants of ₹ 333.66 crore, ₹ 378.91 crore and ₹ 496.15 crore to PRIs as recommended by the XIV-FC for the years 2017-18, 2018-19 and 2019-20 had not been released by GoI. Similarly, XIV-FC recommended General Performance Grants of ₹ 486.82 crore, ₹ 550.91 crore, ₹ 625.63 crore and ₹ 819.21 crore to Urban Local Bodies (ULBs) for the years 2016-17, 2017-18, 2018-19 and 2019-20 respectively. However, Performance grants for any of the year was not released by GoI.

The concerned Departments need to comply with the conditions attached with these grants and make sure that there is no loss of grants on this account.

2.3.3 Capital Receipts

Capital receipts comprise miscellaneous Capital receipts such as proceeds from Disinvestments, recoveries of Loans and Advances, Debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks) and Loans and Advances from the GoI. The net Public Debt receipt after discharging of public debt plus other capital receipt is the net capital receipt of the State.

The trends in growth and composition of Capital receipts are given in **Table 2.12**.

Table 2.12: Trends in growth and composition of Capital Receipts

(₹ in crore)					
Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Receipts	28815.31	38195.18	34071.34	2513.01	34142.43
Miscellaneous Capital Receipts	16.89	0	0	0	0
Recovery of Loans and Advances	865.11	1745.58	1778.01	1604.29	1614.87
Net Public Debt Receipts	27933.31	36449.60	32293.33	908.72	32527.56
<i>Internal Debt</i>	<i>28253.99</i>	<i>36792.33</i>	<i>33074.10</i>	<i>1496.07</i>	<i>32610.31</i>
<i>Growth rate</i>	<i>35.20</i>	<i>30.22</i>	<i>(-)10.11</i>	<i>(-)95.48</i>	<i>2079.73</i>
<i>Loans and Advances from GoI</i>	<i>(-)320.68</i>	<i>(-)342.73</i>	<i>(-)780.77</i>	<i>(-)587.35</i>	<i>(-)82.75</i>
<i>Growth rate</i>	<i>(-)6.8</i>	<i>6.88</i>	<i>127.81</i>	<i>(-)24.77</i>	<i>(-)85.91</i>
Rate of growth of Debt Capital Receipts	35.96	30.49	(-)11.4	(-)97.19	3479.49
Rate of growth of Non-debt Capital Receipts	(-)9.50	97.91	1.86	(-)9.77	0.66
Rate of growth of GSDP	10.52	11.80	8.38	10.50	9.34
Rate of growth of Capital Receipts (<i>per cent</i>)	33.90	32.55	(-)10.8	(-)92.62	1258.63
Source: Finance Accounts of respective years					

Net Capital Receipts (Net Public Debt and Non-debt Receipts) of the State increased by 33.9 *per cent* in 2015-16, 32.55 *per cent* in 2016-17 and 1258.63 *per cent* in 2019-20 whereas it decreased by 10.80 *per cent* in 2017-18 and 92.62 *per cent* in 2018-19. The share of Net Public Debt Receipts in Capital Receipts was around 95 *per cent* during 2015-20 except in 2018-19 (36.2 *per cent*).

2.3.4 State's performance in mobilization of resources

State's performance in mobilization of resources is assessed in terms of its own resources comprising Own Tax and Non-tax sources. The State's actual Own tax and Non-tax Receipts for the year 2019-20 *vis-à-vis* projections given in the 14th FC Report and Budget Estimates (2019-20) are given in **Table 2.13**.

Table 2.13: Tax and Non-tax Receipts *vis-à-vis* Projections 2019-20

(₹ in crore)					
	14 th FC Projections	Budget Estimates	Actual	Percentage variation of actual over	
				Budget estimates	14 th FC Projections
Own Tax Revenue	260114	210824	188948	(-)10.4	(-)27.4
Non-tax Revenue	27301	16807	14297	(-)14.9	(-)47.6
Source: Finance Accounts, FFC Report, Budget documents					

In comparison to the assessment made by 14th FC and Budget estimates there was substantial shortfall in mobilisation of resources by the State.

2.4 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. These paragraphs along with sub-paragraphs give the analysis of expenditure in the State.

2.4.1 Growth and Composition of Expenditure

Capital Expenditure: All charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also bears charges for such further additions and improvements as may be sanctioned under the rules made by competent authority shall be classified as Capital expenditure.

Revenue Expenditure: Charges on maintenance, repair, upkeep and working expenses which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses shall be classified as Revenue expenditure.

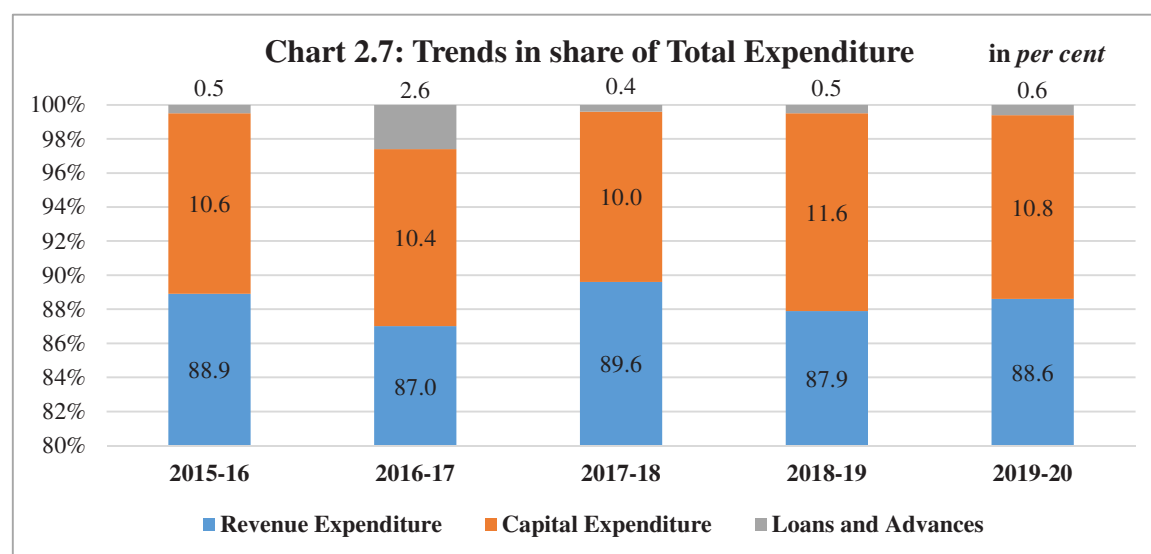
The composition of total expenditure over the period of last five years (2015-20) is given in **Table 2.14** and **Chart 2.7**.

Table 2.14: Total expenditure and its composition

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	214282	245055	269392	303616	338691
Revenue Expenditure (RE)	190374	213229	241571	267022	300305
Capital Expenditure (CE)	22793	25549	26842	35049	36416
Loans and Advances	1115	6277	979	1545	1970
As a percentage of GSDP					
TE/GSDP	10.90	11.15	11.31	11.53	11.77
RE/GSDP	9.68	9.70	10.14	10.14	10.43
CE/GSDP	1.16	1.16	1.13	1.33	1.27
Loans and Advances/GSDP	0.06	0.29	0.04	0.06	0.07

(₹ in crore)

Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

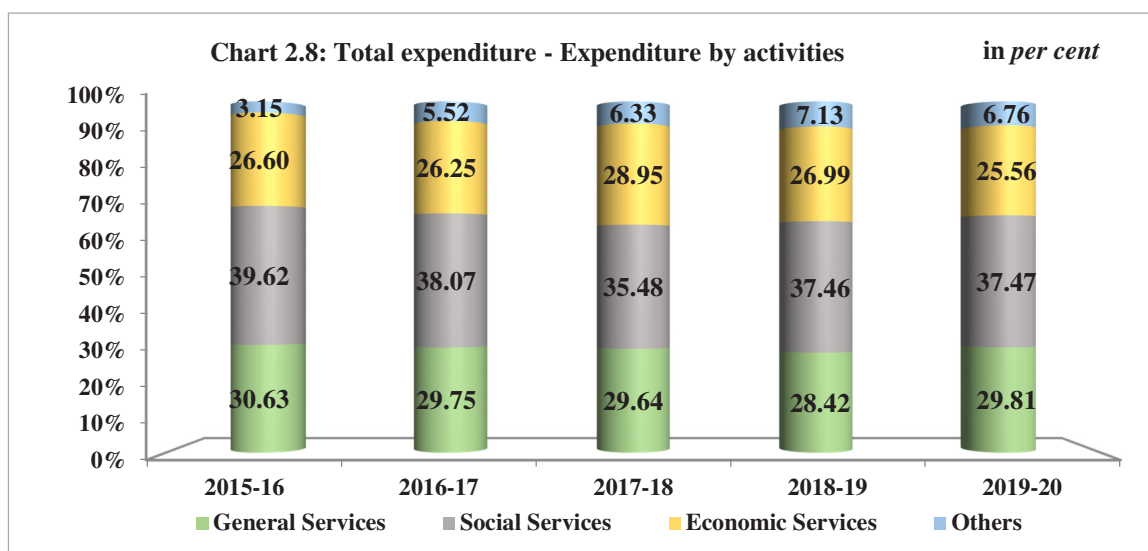
It is evident from the above that the total expenditure increased significantly from ₹ 2,14,282 crore in 2015-16 to ₹ 3,38,691 crore in 2019-20. Total expenditure as a percentage of GSDP grew from 10.9 per cent in 2015-16 to 11.77 per cent in 2019-20.

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 2.15** and **Chart 2.8**.

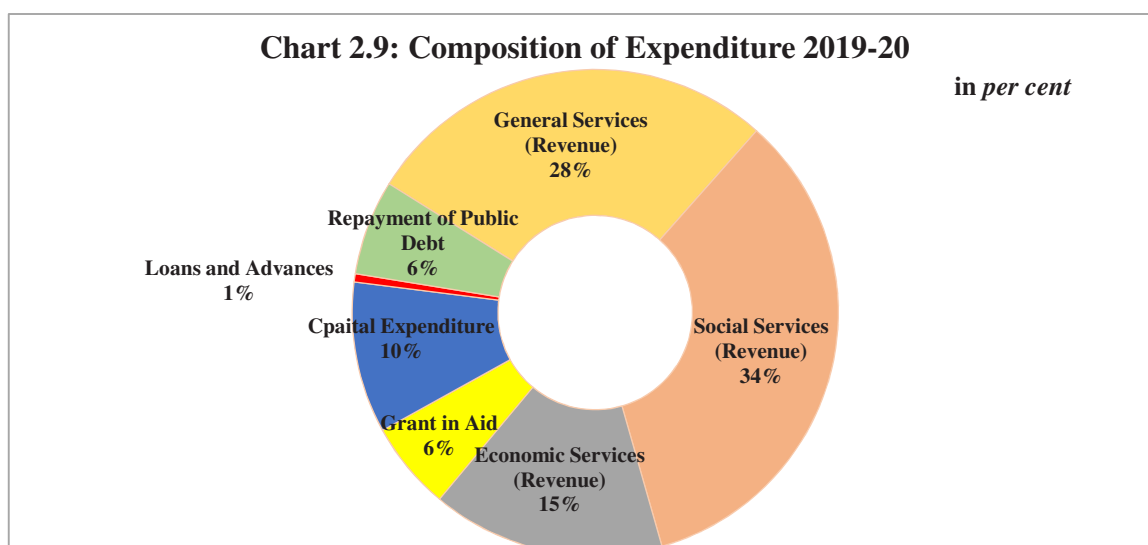
Table 2.15: Relative share of various sectors of expenditure

Parameters	(in per cent)				
	2015-16	2016-17	2017-18	2018-19	2019-20
General Services	30.63	29.75	29.64	28.42	29.81
Social Services	39.62	38.07	35.48	37.46	37.47
Economic Services	26.60	26.25	28.95	26.99	25.56
Others (Grants to Local Bodies and Loans and Advances)	3.15	5.52	6.33	7.13	6.76

Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)



(Source: Finance Accounts 2019-20)

2.4.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network.

The 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 2.16**.

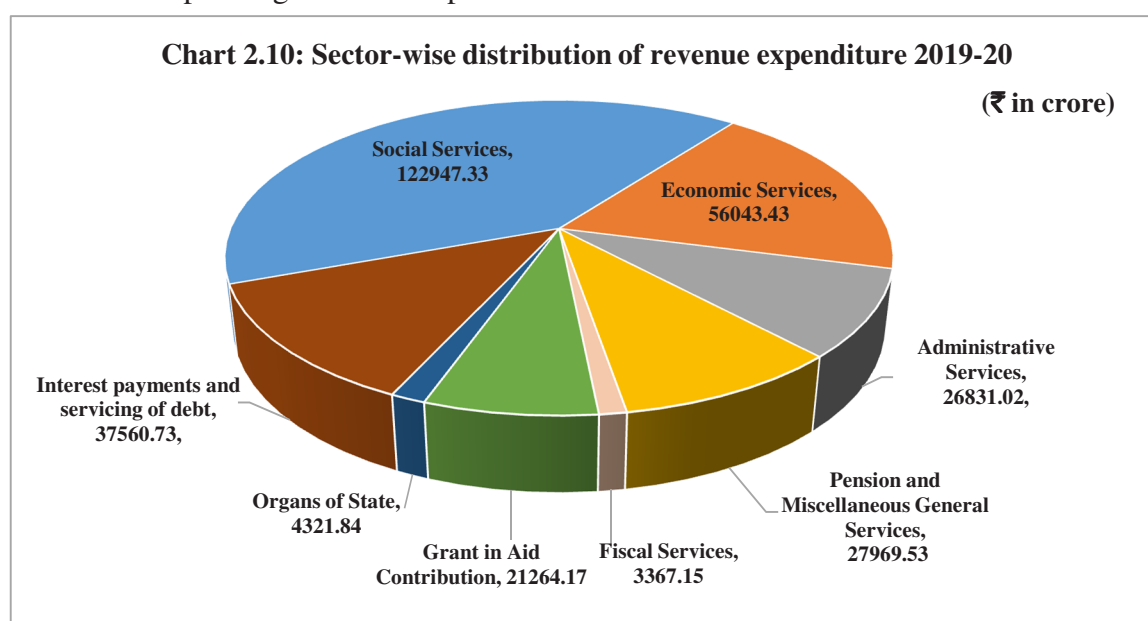
Table 2.16: Revenue Expenditure – Basic Parameters

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	214282	245055	269392	303616	338691
Revenue Expenditure (RE)	190374	213229	241571	267022	300305
Rate of Growth of RE (per cent)	7.20	12.01	13.29	10.54	12.46
Revenue Expenditure as percentage of TE	88.84	87.01	89.67	87.95	88.67
RE/GSDP (per cent)	9.68	9.70	10.14	10.14	10.43
RE as percentage of RR	102.89	104.17	99.15	95.71	106.04
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.68	1.02	1.59	1.00	1.33
Revenue Receipts (ratio)	0.61	1.13	0.70	0.73	8.31

Source: Finance Accounts of respective years

- Revenue expenditure increased from ₹ 1,90,374 crore in 2015-16 to ₹ 3,00,305 crore in 2019-20, at an average growth rate of 11.10 per cent .
- Revenue expenditure had a predominant share in total expenditure. During 2019-20, Revenue expenditure constituted 88.67 per cent of total expenditure thus leaving little scope for capital expenditure. 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 8.31 during 2019-20 indicated that as against the Revenue receipt of ₹ one, corresponding Revenue expenditure was ₹ 8.31.

Chart 2.10: Sector-wise distribution of revenue expenditure 2019-20



(Source: Finance Accounts 2019-20)

2.4.2.1 Major changes in Revenue Expenditure

The variations in Revenue expenditure during 2019-20 as compared to 2018-19 are given in **Table 2.17**.

Table 2.17: Variations in Revenue Expenditure during 2019-20 compared to 2018-19

Major Heads of Account	2018-19	2019-20	Increase (+)/ Decrease (-)
2015-Election	254.74	1854.70	1599.96
2053- District Administration	5564.18	7338.06	1773.88
2055- Police	12037.97	15867.84	3829.87
2071- Pensions and Other Retirement Benefits	20489.98	27741.23	7251.25
2202- General Education	47947.00	59073.81	11126.81
2210-Medical and Public Health	11026.88	12454.97	1428.09
2215-Water Supply and Sanitation	3817.82	2177.43	(-)1640.39
2245- Relief on account of Natural Calamities	8654.24	10958.47	2304.23
2515- Other Rural Development Programme	4851.45	6101.62	1250.17
3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	20107.21	21264.17	1156.96

(₹ in crore)

Source: Finance Accounts of the respective years.

During the year 2019-20, there was significant increase in Revenue Expenditure on General Education and pension and other retirement benefits.

2.4.2.2 Committed Expenditure

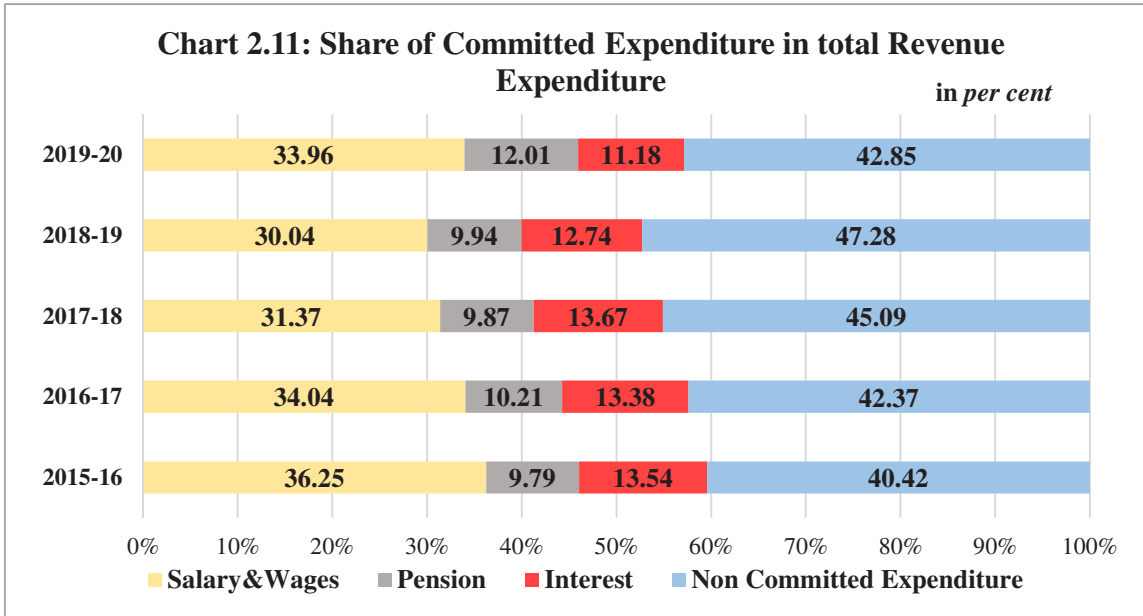
The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. It has first charge on Government resources. Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector.

Table 2.18 presents the trends in the components of committed expenditure and the percentage of committed expenditure to Revenue receipts and Revenue expenditure during 2015-20 and **Chart 2.11** shows the share of committed expenditure in the total Revenue expenditure.

Table 2.18: Components of Committed Expenditure

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries & Wages *	69006.99	72582.95	75783.87	80221.59	101981.24
Expenditure on Pensions	18642.23	21760.26	23853.33	26544.73	36077.52
Interest Payments	25771.41	28531.92	33018.43	34021.25	33560.73
Total	113420.63	122875.13	132655.63	140787.57	171619.49
As a percentage of Revenue Receipts (RR)					
Salaries & Wages*	37.29	35.46	31.10	28.75	36.01
Expenditure on Pensions	10.07	10.63	9.79	9.51	12.74
Interest Payments	13.93	13.94	13.55	12.19	11.85
Total	61.29	60.03	54.44	50.45	60.60
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages*	36.25	34.04	31.37	30.04	33.96
Expenditure on Pensions	9.79	10.21	9.87	9.94	12.01
Interest Payments	13.54	13.38	13.67	12.74	11.18
Total	59.58	57.63	54.91	52.72	57.15

* Includes salaries paid out of grants-in-aid
Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

The share of the committed expenditure constituted over 50 per cent of Revenue expenditure and Revenue receipts of the State during the five year period i.e. 2015-20.

Salaries and Wages

Expenditure on salaries and wages over the five year period (2015-20), increased by ₹ 32,974.25 crore (47.78 per cent) from ₹ 69,006.99 crore in 2015-16 to ₹ 1,01,981.24 crore in 2019-20. Its share in the Revenue expenditure increased during the current year relative to the previous year and accounted for 33.96 per cent of Revenue expenditure during 2019-20.

Interest Payments

During 2019-20, Interest Payments decreased slightly by ₹ 460.52 crore (1.35 per cent) over the previous year. During the current year, the Interest Payments were made on Internal Debt (₹ 27,726.54 crore), Small Savings, Provident Fund, etc., (₹ 3,213.92 crore), Loans and Advances from Central Government (₹ 397.05 crore), Deposits and Advances (₹ 2,157.76 crore) and Reserve Funds (₹ 5.91 crore).

Pensions payments

The expenditure during the year on pension and other retirement benefits to State Government employees recruited prior to 01 November 2005, was ₹ 36,077.52 crore (12 per cent of Revenue expenditure). There was a substantive increase of ₹ 9,532.79 crore in expenditure over the previous year. State Government employees recruited on or after 01 November 2005 are eligible for the National Pension System (NPS), which is a Defined Contributory Pension Scheme.

2.4.2.3 Undischarged liabilities in National Pension System

Government introduced the ‘National Pension System’ (NPS) applicable to all new entrants joining State Government Service on or after 01 November 2005. The contributions are initially transferred to the Public Account (Major Head ‘8342-117-

Defined Contributory Pension Scheme'). The State Government has the responsibility to deposit both employee's and employer's share with the designated authority *i.e.*, National Securities Depository Limited (NSDL)/trustee bank for further investment as per the guidelines of NPS. The State Government opens a current account with the Bank for parking the funds before transfer to NSDL.

The State Government joined the NPS of the Central Government in August 2014 for employees 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 recruited on or after 01 November 2005. 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 matching contribution by Government) is to be transferred to the designated pension fund, through NSDL.

During the year 2019-20, the Government of Maharashtra deposited ₹ 5,048.82 crore towards employees' contribution of ₹ 2,554.42 crore (₹ 2,287.75 crore - Tier I and ₹ 266.67 crore - Tier II) and employers' contribution of ₹ 2,494.40 crore into a Fund created for Pension Scheme for Government employees in the Public Account, pending final transfer to the designated Fund Manager. The State Government has transferred ₹ 3,304 crore to the NSDL. As on 31 March 2020, the total un-transferred balance of earlier years were ₹ 8,727.58 crore. The interest liability on the un-transferred balance works out to ₹ 566.61 crore at the rate of interest applicable to the Scheme, of which ₹ 137.11 crore was paid to NSDL during the year. Non-payment of interest has resulted in understatement of Revenue Deficit and Fiscal Deficit of ₹ 429.50 crore. The unpaid interest has impact on the overall liability of the State Government. The difference of ₹ 206.65 crore between Employees' contribution under Tier-I and Employer's contribution (₹ 2,494.40 crore *minus* ₹ 2,287.75 crore) was under reconciliation.

2.4.2.4 Subsidies

In a welfare State, subsidies are provided to the disadvantaged sections of the society. Subsidies given by the State Government during 2015-16 to 2019-20 are shown in **Table 2.19**.

Table 2.19: Expenditure on subsidies during 2015-20

	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies (₹ in crore)	17766	20984	33894	27398	28386
Subsidies as a percentage of Revenue Receipts	9.60	10.25	13.91	9.82	10.02
Subsidies as a percentage of Revenue Expenditure	9.33	9.84	14.03	10.26	9.45
Source: Finance Accounts of respective years					

Table 2.19 indicates that expenditure under subsidies increased by 3.6 *per cent* from ₹ 27,398 crore in 2018-19 to ₹ 28,386 crore in 2019-20. During the current year, subsidies constituted 9.45 *per cent* of the Revenue expenditure and 10.02 *per cent* of Revenue receipts.

The major schemes which received subsidies during 2019-20 included:

- Subsidy of ₹ 8,966 crore on account of reduced power tariff to agricultural and powerloom consumers under the Scheme 'Distribution/Transmission Licenses for reduction in Agriculture and Powerloom tariff'
- Subsidy of ₹ 3,390 crore on account of financial assistance (interest waiver, rebate in VAT, exemption of electricity duty, waiver of stamp duty etc) given to encourage the dispersal of industries to less developed areas under the scheme 'Package scheme of incentives'
- Mahatma Jyotirao Phule Farmer's Loan waiver scheme (₹ 3,000 crore)
- Pradhan Mantri Crop Insurance Scheme (₹ 2,346 crore)
- Chhatrapati Shivaji Maharaj Shetkari Sanman Yojana-2017 (₹ 1,490 crore)
- Subsidy on loss to Maharashtra State Road Transport Corporation (₹ 1,313 crore)

2.4.2.5 Financial Assistance by the State Government to Local Bodies and Other Institutions

Financial assistance is provided by the State Government to Local bodies and other institution by way of Grants and Loans. The quantum of assistance provided by way of Grants and Loans to Local Bodies and Other institutions during 2019-20 relative to previous years is shown in **Table 2.20**.

Table 2.20: Financial Assistance to Local Bodies, etc.

	(₹ in crore)				
Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
(A) Local Bodies					
Municipal Corporations and Municipalities	9187	13850	23192	28959	30803
Panchayati Raj Institutions	18240	18627	22113	21124	26620
Total (A)	27427	32477	45305	50083	57423
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	27072	29037	29175	31428	36674
Development Authorities	252	807	1692	1028	584
Hospitals and Other Charitable Institutions	4058	5038	5694	5707	5365
Other Institutions	23292	29480	19778	34317	34159
Total (B)	54674	64362	56339	72480	76782
Total (A+B)	82101	96839	101644	122563	134205
Revenue Expenditure	190374	213229	241571	267022	300305
Assistance as percentage of Revenue Expenditure	43.1	45.4	42.1	45.9	44.7
Source: Finance Accounts of respective years					

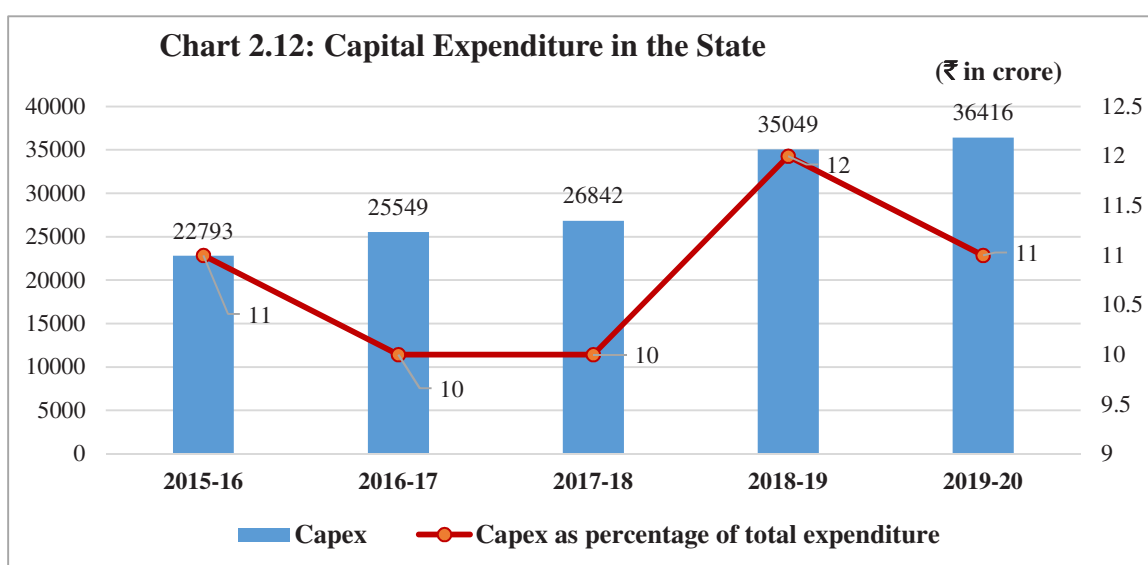
The financial assistance to Local Bodies and other institutions by the State Government increased from ₹ 82,101 crore in 2015-16 to ₹ 1,34,205 crore in 2019-20. As compared to the previous year, the assistance during 2019-20 increased by nine *per cent*. Further, the assistance to Municipal Corporations for loss of revenue arising due to Implementation of Goods and Services Tax during 2019-20 was ₹ 19,147 crore as compared to ₹ 17,469 crore in 2018-19.

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, ₹ 1,175 crore in 2018-19 and ₹ 869 crore in 2019-20, which may be an additional burden to the State exchequer.

2.4.3 Capital Expenditure

Capital Expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings *etc.*

During 2019-20, Capital Outlay (₹ 36,416 crore) constituted 11 *per cent* of the total expenditure, a slight increase of four *per cent* (₹ 1,367 crore) over 2018-19. Trend of Capital expenditure *vis-à-vis* total expenditure during the five-year period (2015-20) are given in **Chart 2.12**.



(Source: Finance Accounts of respective years)

2.4.3.1 Major changes in Capital Expenditure

During 2019-20, Capital Outlay (₹ 36,416 crore) constituted 11 *per cent* of the total expenditure, an increase by four *per cent* over 2018-19. The significant increase/decrease in capital outlay during 2019-20 over the previous year is shown in **Table 2.21**.

Table 2.21: Capital expenditure during 2019-20 compared to 2018-19

(₹ in crore)

Major Heads of Accounts	2018-19	2019-20	Increase (+)/ Decrease (-)
4402-Capital Outlay on Soil and Water Conservation	2235.36	910.25	(-)1325.11
4408-Capital Outlay on Food Storage and Warehousing	1199.84	2889.50	1689.66
4701-Capital Outlay on Major and Medium Irrigation	10307.31	9417.09	(-)890.22
4801-Capital Outlay on Power Projects	520.92	81.02	(-)439.90
5054-Capital Outlay on Roads and Bridges	9513.72	12563.88	3050.16

Source: Finance Accounts of respective years

During 2019-20, there was mainly increase in capital outlay on Food Storage and Warehousing (141 *per cent*) and Roads and Bridges (32 *per cent*).

2.4.3.2 Quality of Capital Expenditure

Out of the total Capital expenditure of ₹ 36,416 crore, Government had invested ₹ 11,702.73 crore (32.14 per cent of Capital expenditure) in Statutory Corporations (₹ 11,145.23 crore) mainly related to Irrigation Development and others, Government Companies (₹ 514.76 crore) and in Co-operative banks/Societies and Local bodies (₹ 42.74 crore).

Statement 19 of Finance Accounts of the State Government contains the details of investments of the Government.

If the State Government keeps on making investments in loss making government companies whose net worth is completely eroded, then there are no chances of returns on investment made. Similarly, experience has shown the inevitability of write-off of the loans given to loss making Corporations and other bodies, financial corporations, etc. Requisite steps have to be taken to infuse transparency in such financial operations. This section presents an analysis of investments and other Capital expenditure undertaken by the Government during the current year.

Quality of investments in the companies, corporations and other bodies

Capital expenditure in the Companies and Corporations, which are loss making and that where net worth is completely eroded is not sustainable.

Investments made and loans given to Companies, Corporations and Co-operatives, which are loss making and that where net worth is completely eroded, affect quality of Capital expenditure. Return on Investment in share capital invested in PSUs and history of repayment of loans given to various bodies are important determinants of quality of Capital expenditure.

Table 2.22: Return on Investment

Investment/Return/ Cost of borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Investment at the end of the year (₹ in crore)	120310.97	129983.79	140203.56	153322.10	165024.85
Return (₹ in crore)	57.27	66.81	64.63	275.48&&	56.53&
Return (per cent)	0.05	0.05	0.05	0.18	0.03
Average rate ³ of interest on Government Borrowings (per cent)	7.7	7.6	8.0	7.8	7.3
Difference between interest rate and return (per cent)	7.69	7.55	7.95	7.62	7.27
Difference between interest on Government borrowings and return on investment (₹ in crore)	9257.92	9813.77	11146.18	11683.14	11997.31
Source: Finance Accounts of respective years					
* Details of ₹ 46.93 crore awaited from State Government					
** Details of ₹ 255.37 crore awaited from State Government					

Information furnished by the Commissioner for Co-operation and Registrar of Co-operative Societies revealed that of the 23,092 societies with an aggregate Government investment of ₹ 185.11 crore (equity: ₹ 69.74 crore and loan: ₹ 115.37

³ Average rate of interest on Government borrowings = Interest payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100

crore), 13,425 societies had incurred accumulated losses of ₹ 1,227.24 crore (31 March 2020) against initial investments (₹ 185.11 crore) made in these societies.

Quantum of loans disbursed and recovered (2015-20)

In addition to investments in Co-operative Societies, Corporations and Companies, the State Government has also provided Loans and Advances to many institutions/organisations. The Indian Government Accounting Standards-3 (IGAS-3) requires that loans sanctioned without specific terms and conditions should be specifically disclosed. The likelihood of recovery of loans outstanding against non-working companies is remote. The detailed position of Loans and Advances for 2015-20 is given in **Table 2.23**.

Table 2.23: Position of Loans and Advances

Quantum of Loans/Interest receipts/Cost of borrowings	₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Opening balance of Loans outstanding	21822	22072	26603	25805	25746
Amount advanced during the year	1115	6277	980	1545	1970
Amount recovered during the year	865	1746	1778	1604	1615
Closing balance of the Loans outstanding	22072	26603	25805	25746	26101
Interest received	762	407	485	394	322
Interest rate ⁴ on Loans and Advances given by the Government	3.5	1.7	1.9	1.5	1.2
Rate of Interest paid on the outstanding borrowings of the Government	7.7	7.6	8.0	7.8	7.3
Difference between the rate of interest paid and interest received (<i>per cent</i>)	(-4.2)	(-5.9)	(-6.1)	(-6.3)	(-6.1)

Source: Finance Accounts of respective years

Capital locked in incomplete projects

There were 287 ongoing irrigation projects in four Irrigation Development Corporations (Tapi Irrigation Development Corporation (TIDC), Vidarbha Irrigation Development Corporation (VIDC), Konkan Irrigation Development Corporation (KIDC) and Godavari-Marathwada Irrigation Development Corporation (GMIDC)) 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 2.24**.

Table 2.24: 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	21	24	21	66
More than 20 years but up to 30 years	11	18	38	67
More than 15 years but up to 20 years	2	7	46	55
More than 10 years but up to 15 years	2	24	67	93

⁴ Interest rate on Loans and Advances given by the Government = Interest received / ((Opening balance + closing balance of loan and advances) / 2) * 100

Age Profile	Total projects			
(Since the date of original AA)	Major	Medium	Minor	Total
More than 5 years but up to 10 years	0	2	3	5
Up to 5 years	0	0	1	1
Work not started	0	0	0	0
Total	36	75	176	287

Source: Information furnished by IDCs; Status as of March 2020
Maharashtra Krishna Valley Development Corporation (MKVDC) were yet to furnish the information

Table 2.24 shows that 188 projects (65 per cent) were under execution for more than 15 years and of these 66 projects were under execution for more than 30 years.

Table 2.25 Cost overrun and balance cost in respect of all ongoing projects (₹ in crore)

IDC	Status of 287 ongoing projects				Status of projects with cost overrun					
	Number of Projects	Expenditure	Updated Cost	Balance cost	Number of projects	Amount of original AA	Expenditure	Cost overrun	Updated Cost	Balance cost
1	2	3	4	5=4-3	6	7	8	9=10-7	10	11=10-8
TIDC	70	8441.75	23450.12	15008.37	59	3413.55	7936.48	19353.97	22767.52	14831.04
VIDC	108	37655.44	82341.19	44685.75	108	9335.85	37655.44	73005.34	82341.19	44685.75
GMIDC	57	19305.85	39857.52	20551.67	57	3185.24	19305.85	36672.28	39857.52	20551.67
KIDC	52	9741.71	21046.2	11304.49	52	1748.89	9741.71	19297.31	21046.2	11304.49
Total	287	75144.75	166695.03	91550.28	276	17683.53	74639.48	148328.90	166012.43	91372.95

Source: Information furnished from respective IDCs

Table 2.25 shows that the balance estimated cost of 287 ongoing projects was ₹ 91,550.28 crore. Of these, there was cost overrun in 276 projects amounting to ₹ 1,48,328.90 crore *i.e* an increase of more than seven times the original cost.

Implementation of Ujwal Discom Assurance Yojana

The Ministry of Power, Government of India had launched (November 2015) the Ujwal Discom Assurance Yojana (UDAY) Scheme for the financial turnaround of Power Distribution Companies (DISCOMs).

With an objective to improve the operational and financial efficiency of the State DISCOMs, a tripartite Memorandum of Undertaking (MoU) was executed between Ministry of Power (GoI), concerned State Government and State Power Distribution Companies. This Scheme facilitated the State Governments to take over 75 per cent of DISCOM's outstanding debt over a period of two years.

The outstanding debt of the DISCOMs was taken over in the form of equity, loan and grant/subsidy. The loan extended to DISCOMs under UDAY has to be converted into grant and equity in the subsequent three years. Accordingly, the State has to convert loan into equity and subsidy.

Further, the State Government will have to takeover losses, if any, of the DISCOMs in a graded manner as below:

Year	2017-18	2018-19	2019-20	2020-21
Loss to be taken over by State	5 per cent of loss of 2016-17	10 per cent of loss of 2017-18	25 per cent of loss of 2018-19	50 per cent of loss of previous year

Table 2.26: Position of Equity/Loan/ Subsidy under UDAY

Year	Equity Investment	Loan	Subsidy	Total
2015-16	-	-	-	-
2016-17	-	4959.75	-	4959.75
Total	-	4959.75	-	4959.75
2017-18	-	-	-	-
2018-19	-	-	-	-
2019-20	-	-	-	-

Source: Finance Accounts of respective years

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 i.e. ₹ 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 2019-20 by the MSEDCL, the Government released a grant of ₹ 992 crore to the DISCOM leaving a balance of one instalment of ₹ 992 crore.

2.4.4 Investment in State PSUs

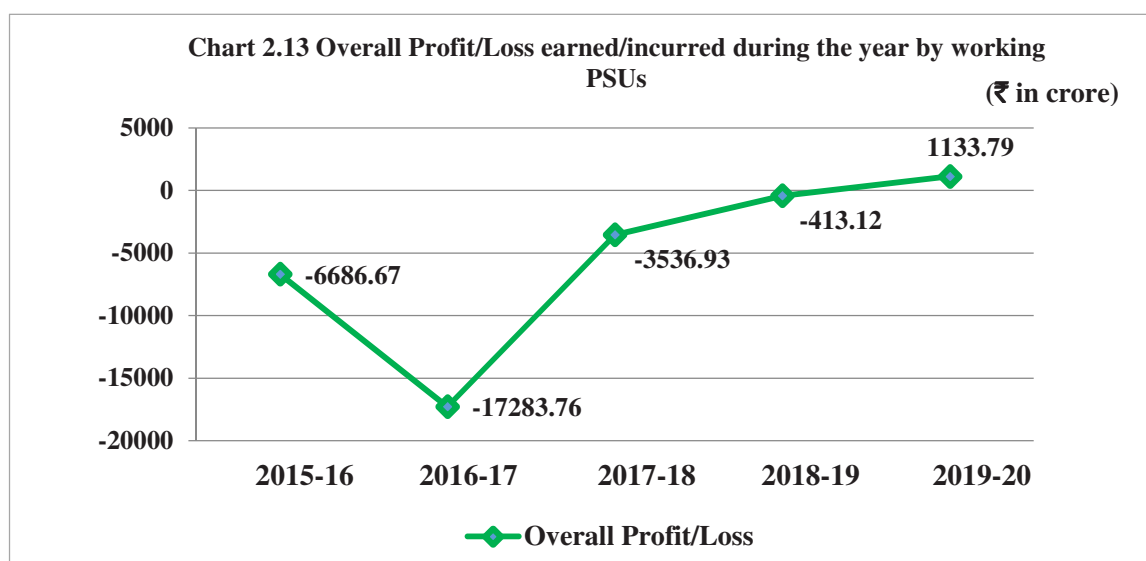
As on 31 March 2020, the amount of investment in the PSUs was ₹ 3,73,931.35 crore consisting of ₹ 3,13,486.81 crore as equity and ₹ 60,444.54 crore as long-term loans. Out of this, Government of Maharashtra had investment of ₹ 2,25,444.06 crore in the 59 PSUs consisting of equity of ₹ 2,24,130 crore and long-term loans of ₹ 1,314.06 crore (**Appendix 1.3**). The financial position and working results of the 107 State Public Sector Undertakings (PSU) as per their latest finalized accounts as of 30 September 2020 are detailed in **Appendix 2.1**. The PSUs are expected to yield reasonable Return on Investment (RoI) made by Government in the undertakings.

The profitability of a company is traditionally assessed through Return on Investment, Return on Equity and Return on Capital employed. Return on Investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long-term loans and is expressed as a percentage of profit to total investment. Return on Capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund.

2.4.4.1 Return on Investment

The Return on Investment is the percentage of profit/loss to the total investment. The overall position of profit/loss⁵ earned/incurred by the working State PSUs during 2015-16 to 2019-20 is depicted in **Chart 2.13**.

⁵ Figures are as per the latest finalised accounts of the respective years



(Source: Compiled based on information received from PSUs)

As per latest finalized accounts for the year 2019-20, out of 88 working State PSUs, 42 PSUs earned profit of ₹ 2,854.14 crore and 27 PSUs incurred losses of ₹ 1,720.35 crore as detailed in **Appendix 2.1**. These working PSUs incurred losses during 2015-16 to 2018-19 which transformed into profits of ₹ 1,133.79 crore in 2019-20.

11 working PSUs did not incur either profit or loss, four companies had not yet submitted their first financial statements and financial statements of four working PSUs were not due for submission.

The major profit making companies were Maharashtra State Electricity Distribution Company Limited (MSEDCL) (₹ 1,311.70 crore) and Maharashtra State Electricity Transmission Company Limited (MSETCL) (₹ 745.43 crore) whereas losses were incurred by MSRTC (₹ 939.87 crore) and Maharashtra State Power Generation Company Limited (MSPGCL) (₹ 325.81 crore).

Number of working PSUs which earned/incurred profit/loss during 2015-16 to 2019-20 is given in **Table 2.27**.

Table 2.27: Details of working Public Sector Undertakings which earned/incurred profit/ loss during 2015-16 to 2019-20

Financial year	Total number of PSUs	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which either did not incur profit/loss during the year or had not submitted their first accounts
2015-16	71	37	23	11
2016-17	72	40	17	15
2017-18	74	37	22	15
2018-19	83	38	24	21
2019-20	88	42	27	19

Source: Compiled based on information received from PSUs

2.4.4.2 Return on Investment on the basis of historical cost of investment

Out of 107 Public Sector Undertakings of the State, the State Government infused funds in the form of equity and long term loans in 59 PSUs only while three PSUs did not have a share capital, being companies limited by guarantee. The Government had invested ₹ 2,25,444.06 crore in these 59 PSUs including equity of ₹ 2,24,130.00 crore and long term loans of ₹ 1,314.06 crore (**Appendix 1.3**).

The Return on Investment from the PSUs has been calculated on the investment made by the Government of Maharashtra in the PSUs in the form of equity and loans. In the case of loans, only interest free loans are considered as investment since the Government does not receive any interest on such loans and are therefore of the nature of equity investment by Government except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. Thus, investment of State Government in these 59 PSUs has been arrived at by considering the equity and the interest free loans. In cases where interest free loans have been repaid by the PSUs or have been converted into equity, the value of investment based on historic cost and present value (PV) was calculated on the reduced balances of interest free loans over the period as detailed in **Table 2.28**. The funds made available in the forms of the grants/subsidy have not been reckoned as investment since they do not qualify to be considered as investment except in the case of four Statutory Corporations⁶ which account for Government grants as a part of Capital Contribution of the Government.

As on 31 March 2020, the equity of the State Government in these 59 PSUs was ₹ 2,24,130.00 crore. Out of the released long term loans of ₹ 1,314.06 crore, ₹ 441.64 crore were interest free loans based on the reduced balances of interest free loans over the period. Thus, the investment of the State Government in these 59 PSUs on the basis of historical cost stood at ₹ 2,24,571.64 crore (₹ 2,24,130.00 crore + ₹ 441.64 crore).

The sector-wise Return on Investment on the basis of historical cost of investment for the period 2015-16 to 2019-20 is as given in **Table 2.28**.

Table 2.28: Return on State Government Funds on the basis of historical cost of investment
(₹ in crore)

Year wise Sector-wise break-up	Total Earnings ⁷ for the year	Equity and Interest Free Loans on historical cost	Return on State Government investment on historical cost basis (Per cent)
2015-16			
Power Sector	(6742.41)	86300.22	(7.81)
Agriculture & Allied Sector	248.33	101277.07	0.25
Finance Sector	40.06	2268.53	1.77
Infrastructure Sector	65.89	1164.26	5.66
Manufacturing Sector	19.94	282.95	7.05
Service Sector	(387.13)	3364.59	(11.51)
Miscellaneous Sector	8.77	18.64	47.05
Total	(6746.55)	194676.26	(3.47)

⁶ MKVDC, KIDC, TIDC and MWCC.

⁷ Earnings represents Net profit before tax.

Year wise Sector-wise break-up	Total Earnings ⁷ for the year	Equity and Interest Free Loans on historical cost	Return on State Government investment on historical cost basis (Per cent)
2016-17			
Power Sector	(17462.55)	87393.20	(19.98)
Agriculture & Allied Sector	263.31	108922.21	0.24
Finance Sector	102.62	2307.48	4.45
Infrastructure Sector	(93.98)	1164.25	(8.07)
Manufacturing Sector	(45.69)	283.95	(16.09)
Service Sector	(118.03)	3851.57	(3.06)
Miscellaneous Sector	9.60	28.65	33.51
Total	(17344.72)	203951.31	(8.50)
2017-18			
Power Sector	(3328.13)	88086.99	(3.78)
Agriculture & Allied Sector	330.55	116239.95	0.28
Finance Sector	120.42	2332.48	5.16
Infrastructure Sector	(170.02)	1164.24	(14.60)
Manufacturing Sector	(59.69)	284.75	(20.96)
Service Sector	(525.79)	4349.89	(12.09)
Miscellaneous Sector	9.90	28.86	34.30
Total	(3622.76)	212487.16	(1.70)
2018-19			
Power Sector	870.95	88940.67	0.98
Agriculture & Allied Sector	374.14	116802.51	0.32
Finance Sector	120.74	2,336.35	5.17
Infrastructure Sector	(220.04)	1164.24	(18.90)
Manufacturing Sector	(71.57)	285.63	(25.06)
Service Sector	(1581.68)	4862.23	(32.53)
Miscellaneous Sector	9.86	28.86	34.16
Total	(497.60)	214420.49	(0.23)
2019-20			
Power Sector	1738.79	88940.67	1.95
Agriculture & Allied Sector	357.00	126405.66	0.28
Finance Sector	119.79	2346.35	5.11
Infrastructure Sector	(172.45)	1164.19	(14.81)
Manufacturing Sector	(67.78)	287.53	(23.57)
Service Sector	(938.82)	5397.84	(17.39)
Miscellaneous Sector	13.13	29.41	44.64
Total	1049.65	224571.64	0.47
Source: Compiled based on latest finalised Financial Statements and information received from PSUs. Figures in parenthesis indicate negative balance.			

The return on State Government investment is worked out by dividing the total earnings⁸ of these PSUs by the cost of the State Government investment. The return earned on State Government investment ranged between (-) 8.50 per cent and 0.47 per cent during the period 2015-16 to 2019-20. The overall return on State Government investment was negative during the years 2015-16 to 2018-19 which turned positive (0.47 per cent) in 2019-20.

2.4.4.3 Return on Investment on the basis of Present Value of Investment

An analysis of the earnings *vis-à-vis* investments in respect of those 59 State PSUs where funds had been infused by the State Government was carried out to assess the profitability

⁸ This includes net profit/losses for all State PSUs

of these PSUs. Traditional calculation of return based only on the historical cost of investment may not be a correct indicator of the adequacy of the Return on the Investment since such calculations ignore the present value of money. The present value of the Government investments has been computed to assess the rate of return on the present value of investments of GoM in the State PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year up to 31 March 2020, the past investments/year-wise funds infused by the GoM in the State PSUs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, Present Value (PV) of the State Government investment was computed in respect of those 59 State PSUs where funds had been infused by the State Government in the form of equity and interest free loan since inception of these companies till 31 March 2020. During the period from 2015-16 to 2019-20, these 59 PSUs had a positive return on investment only during the year 2019-20. The return on investment for 2019-20 has therefore not been calculated and depicted on the basis of PV. The Rate of Real Return (RORR) was same as ROI based on PV since no grants were received for operational or administrative expenditure by PSUs other than Irrigation Corporations.

The PV of the State Government investment in the 59 PSUs was computed on the following assumptions:

- Interest free loans have been considered as fund infusion by the State Government. However, in case of repayment of loans by the PSUs or conversion of loan into equity, the PV was calculated on the reduced balances of interest free loans over the period. The funds made available in the form of grant/subsidy have not been reckoned as investment since they do not qualify to be considered as investment as indicated by the nature of subsidy, except in the case of four Statutory Corporations⁹ which account for Government grants as a part of Capital Contribution of the Government.
- The average rate of interest on Government borrowings for the financial year¹⁰ concerned was adopted as compounded rate for arriving at present value since it represents the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.
- The erosion of net worth of the Companies is commented upon in paragraph 2.4.4.5.

2.4.4.4 PSU wise position of State Government investment

Consolidated position of present value of the State Government investment relating to the 59 PSUs for the period 2000-01 to 2019-20 is indicated in **Table 2.29**.

⁹ MKVDC, KIDC, TIDC and MWCC

¹⁰ The average rate of interest on Government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Maharashtra) for the concerned year wherein the average rate for interest paid = $\text{Interest Payment} / [(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities})/2] * 100$

Table 2.29: Consolidated position of present value of the State government investment in PSU during 2000-01 to 2019-20

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Interest free loans given by the State Government during the year	Interest free loans repaid during the year	Interest free loans converted during the year	Total investment during the year	Average rate of interest on Government borrowing (in per cent)	Total investment at the end of the year	Present value of total investment at the end of the year
i	ii	iii	iv	v	vi	vii=iii+iv-v-vi	viii	ix=ii + vii	x={ix*(100+viii)/100}
Since inception to 2000	0.00	12323.93	68.98	0.05	0.00	12392.86	10.30	12392.86	13669.32
2000-01	13669.32	728.96	1.50	0.00	0.00	730.46	9.10	14399.78	15710.16
2001-02	15710.16	977.46	1.48	0.00	0.00	978.94	9.40	16689.10	18257.87
2002-03	18257.87	2142.64	2.02	0.00	0.00	2144.66	8.90	20402.54	22218.36
2003-04	22218.36	3723.59	2.62	0.00	0.00	3726.21	8.80	25944.57	28227.69
2004-05	28227.69	4374.55	6.78	0.00	0.40	4380.93	8.00	32608.62	35217.31
2005-06	35217.31	6720.82	5770.60	0.00	0.00	12491.42	7.10	47708.73	51096.05
2006-07	51096.05	6746.37	0.00	0.00	0.00	6746.37	7.80	57842.42	62354.13
2007-08	62354.13	6358.12	0.00	138.60	0.00	6219.52	7.70	68573.65	73853.82
2008-09	73853.82	9722.05	0.00	0.00	0.00	9722.05	7.30	83575.87	89676.91
2009-10	89676.91	7454.87	0.00	0.00	0.00	7454.87	7.40	97131.78	104319.53
2010-11	104319.53	8328.12	0.00	0.68	0.00	8327.44	7.40	112646.97	120982.84
2011-12	120982.84	8110.91	200.00	0.05	0.00	8310.86	7.50	129293.70	138990.73
2012-13	138990.73	7767.94	179.02	0.01	0.00	7946.95	7.40	146937.68	157811.07
2013-14	157811.07	10265.91	0.00	0.01	0.00	10265.90	7.50	168076.97	180682.75
2014-15	180682.75	12758.56	0.00	0.04	0.00	12758.52	7.80	193441.26	208529.68
2015-16	208529.68	85710.32	0.00	0.00	5632.00	80078.32	7.70	288608.00	310830.82
2016-17	310830.82	9275.06	0.00	0.01	0.00	9275.05	7.60	320105.87	344433.91
2017-18	344433.91	8535.64	0.21	0.01	0.00	8535.84	8.00	352969.75	381207.33
2018-19	381207.33	1933.32	0.00	0.00	0.00	1933.32	7.80	383140.65	413025.62
2019-20	413025.62	10170.87	1.90	21.61	0.00	10151.16	7.30	423176.78	454068.68
		224130.00	6235.11	161.07	5632.40	224571.64			

Source: Compiled based on information received from PSUs

Further, the position of total earnings relating to these PSUs as against the minimum expected return to recover the cost of funds for the years 2015-16 to 2019-20 is indicated in **Table 2.30**.

Table 2.30: Position of total earnings as against the minimum expected return

(₹ in crore)

Financial year	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover the cost of funds for the year	Total earnings for the year
2015-16	288608.00	310830.82	22222.82	(6746.55)
2016-17	320105.87	344433.91	24328.05	(17344.72)
2017-18	352969.75	381207.33	28237.58	(3622.76)
2018-19	383140.65	413025.62	29884.97	(497.60)
2019-20	423176.78	454068.68	30891.90	1049.65

Source: Compiled based on information received from PSUs.
Figures in parenthesis indicate negative balance.

The investment by the State Government in these PSUs at the end of the year 2019-20 increased to ₹ 2,24,571.64 crore from ₹ 12,392.86 crore in 1999-2000), since the State

Government made further investments in these PSUs in the shape of equity (₹ 2,11,806.07 crore) and interest free loans (₹ 372.71 crore). During the period 2000-2001 to 2019-2020, investment in the power sector companies by GoM increased from ₹ 0.45 crore to ₹ 88,940.67 crore in the form of equity only whereas investment in the non-power sector companies increased from ₹ 12,392.41 crore to ₹ 1,35,630.97 crore in the form of Loan (₹ 372.71 crore) and Equity (₹ 1,22,865.85 crore). The present value of funds infused by the State Government upto 31 March 2020 amounted to ₹ 4,54,068.68 crore. During 2015-16 to 2019-20, total earnings for the year remained below the minimum expected return to recover cost of funds infused in these PSUs due to substantial capital investment in Irrigation Development Corporations which do not earn corresponding profit.

The return earned (0.47 per cent) on State Government investment (₹ 2,24,571.64 crore) on historical cost basis was higher than the return earned (0.23 per cent) considering the present value of the investments (₹ 4,54,068.68 crore) during the year 2019-20.

2.4.4.5 Erosion of Net worth

Net worth means the sum total of the paid-up capital and reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure.

The net accumulated losses in respect of the PSUs as per their latest finalised financial statements as of 30 September 2020 were ₹ 43,071.81 crore as detailed in **Appendix 2.1**. Of these PSUs, net worth was eroded in 11 PSUs¹¹ of which three PSUs had made profit as per their latest finalised accounts. The paid-up share capital of the State Government in these 11 PSUs was ₹ 416.45 crore. The net worth was eroded primarily in Maharashtra Power Development Corporation Limited (₹ 1,013.03 crore), Maharashtra State Textiles Corporation Limited (₹ 837.21 crore), Maharashtra State Financial Corporation (₹ 579.04 crore) and Maharashtra Electronics Corporation Limited (₹ 368.38 crore) as detailed in **Appendix 2.1**.

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 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.

¹¹ Development Corporation of Vidarbha Limited ₹ 7.63 crore, Maharashtra State Handlooms Corporation Limited ₹ 47.18 crore, Maharashtra Electronics Corporation Limited ₹ 368.38 crore, Maharashtra State Power looms Corporation Limited ₹ 2.71 crore, Maharashtra State Textiles Corporation Limited ₹ 802.13 crore, Maharashtra State Financial Corporation ₹ 579.04 crore, Development Corporation of Konkan Limited ₹ 2.62 crore, Maharashtra State Farming Corporation Limited ₹ 191.98 crore, Marathwada Development Corporation Limited ₹ 1.09 crore, Maharashtra Land Development Corporation Limited ₹ 16.01 crore and Maharashtra Power Development Corporation Limited ₹ 1013.03 crore.

2.4.4.6 Dividend Payout

The State Government had formulated (October 2003) a dividend policy under which all profit-making PSUs are required to pay a minimum return of five *per cent* on the paid up share capital contributed by the State Government.

Dividend Payout relating to PSUs where equity was infused by GoM during the period 2015-16 to 2019-20 is shown in **Table 2.31**.

Table 2.31: Dividend Payout of PSUs during 2015-16 to 2019-20

(₹ in crore)

Year	Total PSUs where equity infused by GoM		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (per cent)
	Number of PSUs	Equity infused by GoM	Number of PSUs	Equity infused by GoM	Number of PSUs	Dividend declared/paid by PSUs	
2015-16	59	194215.11	30	38151.33	6	49.61	0.13
2016-17	61	203490.17	35	128784.67	6	4.53	0.004
2017-18	60	212025.81	33	45251.50	4	2.94	0.006
2018-19	60	213959.13	32	53368.62	5	9.28	0.017
2019-20	59	224130.00	38	147890.97	5	6.09	0.004

Source: Compiled based on information received from PSUs

During the period 2015-16 to 2019-20, the number of PSUs which earned profits ranged between 30 and 38 PSUs, however, four to six PSUs declared/paid dividend to GoM. The Dividend Payout Ratio during 2015-16 to 2019-20 ranged between 0.004 *per cent* and 0.13 *per cent* only.

Of the five PSUs which declared/paid dividend during 2019-20, four PSUs¹² declared dividend higher than the prescribed limit.

2.4.4.7 Return on Equity

Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using shareholders' fund to create profits and is calculated by dividing net income (*i.e.* net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund of a Company is calculated by adding Paid up Capital and Free Reserves net of Accumulated Losses and Deferred Revenue Expenditure and reveals how much would be left for a Company's stakeholders if all assets were sold and all debts paid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

Return on Equity has been computed in respect of 59 PSUs where funds had been infused by the State Government. The details of Shareholders' fund and ROE relating to PSUs where funds had been infused by the State Government during the period from 2016-17 to 2019-20 as per their latest finalised accounts as of 30 September 2020 are given in **Table 2.32**.

¹² Maharashtra Film, Stage and Cultural Development Corporation Limited, Maharashtra State Seeds Corporation Limited, Western Maharashtra Development Corporation and Maharashtra State Warehousing Corporation

Table 2.32: Return on Equity relating to PSUs where funds were infused by the GoM

Year	Net Income ¹³ (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (per cent)
2016-17	2530.72	185284.32	1.37
2017-18	(86.09)	191393.61	(0.04)
2018-19	245.17	200241.43	0.12
2019-20	(459.42)	212948.89	(0.0022)

Source: Compiled based on information received from PSUs.
Figures in parenthesis indicate negative balance.

During the last four years ended March 2020, the Net Income was negative in 2017-18 and 2019-20. The ROE of these PSUs for 2016-17 was 1.37 *per cent* which turned negative in 2017-18, turned positive once again in 2018-19 (0.12 *per cent*) and turned negative again in 2019-20.

2.4.4.8 Return on Capital Employed

Return on Capital Employed (ROCE) is a *ratio* that measures a Company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a Company's earnings before interest and taxes (EBIT) by the capital employed¹⁴. The details of total ROCE of all the 107 State PSUs together during the period from 2015-16 to 2019-20 are given in **Table 2.33**.

Table 2.33: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (per cent)
2015-16	(886.07)	4,19,688.38	(0.21)
2016-17	(10,444.56)	2,96,245.62	(3.53)
2017-18	3,416.69	2,93,603.38	1.16
2018-19	6,283.80	3,04,640.20	2.06
2019-20	10005.87	3,22,971.65	3.10

Source: Compiled based on information received from PSUs.
Figures in parenthesis indicate negative balance.

The ROCE of these State PSUs ranged between 1.16 *per cent* and 3.10 *per cent* during 2017-18 and 2019-20. The EBIT for 2015-16 and 2016-17 was negative.

2.4.4.9 Analysis of Long Term Loans of the PSUs

Analysis of the Long Term Loans of the PSUs which had leverage during 2015-16 to 2019-20 was carried out to assess the ability of the companies to serve the debt owed by the Companies to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

2.4.4.10 Interest Coverage Ratio

Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated

¹³ Net Income refers to Net Profit after tax (-) Preference dividend

¹⁴ Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised

that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio in respect of PSUs which had interest burden during the period from 2015-16 to 2019-20 are given in **Table 2.34**.

Table 2.34: Interest Coverage Ratio relating to State PSUs

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loan/interest from Government and Banks and other financial institutions	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than one
2015-16	5,987.42	(885.84)	35	24	11
2016-17	7,109.53	(13,014.89)	35	22	13
2017-18	7,318.70	3,453.13	37	23	14
2018-19	6,782.40	6,213.88	38	25	13
2019-20	8,957.19	9,842.69	36	27	9

Source: Compiled based on information received from PSUs
Figures in parenthesis indicate negative balance.

There were 36 State PSUs having liability of loans from Government as well as banks and other financial institutions during 2019-20. Of these, 27 PSUs had interest coverage ratio of more than one whereas remaining nine PSUs had interest coverage ratio below one which indicates that these nine PSUs could not generate sufficient revenues to meet their expenses on interest during the year.

2.4.4.11 Debt Turnover Ratio

During the last five years, the turnover of the 107 PSUs recorded compounded annual growth of 5.18 *per cent*. The debt increased at a compounded annual rate of 4.28 *per cent* due to which the Debt turnover ratio increased from 0.60 in 2015-16 to 0.61 in 2019-20 as given in **Table 2.35**.

Table 2.35: Debt Turnover Ratio relating to the State PSUs

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Debt from Government and others (Banks and Financial Institutions)	55257.14	49628.30	54226.78	51376.22	67167.36
Turnover	91397.69	86377.84	90334.69	102195.78	110256.45
Debt-Turnover Ratio	0.60:1	0.57:1	0.60:1	0.50:1	0.61:1

Source: Compiled based on information received from PSUs

The debt-turnover ratio ranged between 0.50 and 0.61 during this period.

2.4.4.12 Winding up of inactive State PSUs

Nineteen of the 107 State PSUs were inactive companies having a total investment of ₹ 697.78 crore towards capital (₹ 298.12 crore) and long term loans (₹ 399.66 crore) as on 31 March 2020. Details are given in **Appendix 2.2**.

The number of inactive PSUs at the end of each year during last five years ended 31 March 2020 is given below:

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
No. of inactive companies	22	22	21	20	19

Source: Compiled based on information received from PSUs

One PSU (Maharashtra Rural Development Corporation Limited) has been struck off by the Registrar of Companies. The Government may review the working of these inactive PSUs for continuance of their operations.

Disinvestment, Restructuring and Privatisation of State PSUs

During the year 2019-20, one PSU (Kharghar Vikhroli Transmission Private Limited) was incorporated by MSETCL as a Special Purpose Vehicle for the execution of the Kharghar Vikhroli Transmission Project on BoT basis. The PSU has been taken over by a private party in June 2020.

2.4.5 Expenditure priorities

Availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. It is important for the State Government to take appropriate expenditure rationalisation by focusing more on Development Expenditure – which is expenditure on Social and Economic Services. Apart from improving the allocation towards development expenditure, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure (CE) to aggregate expenditure (AE) and the proportion of expenditure being spent on Education and Health Sectors. The higher the ratio of these components to aggregate expenditure, the quality of expenditure is considered to be better.

Table 2.36 compares the fiscal priority of the State Government with that of General Category States (GCS) with regard to Social Sector expenditure (SSE) Economic Sector expenditure (ESE) and Capital Expenditure during 2019-20, taking 2014-15 as the base year.

Table 2.36: Fiscal Priority of the State in 2014-15 and 2019-20

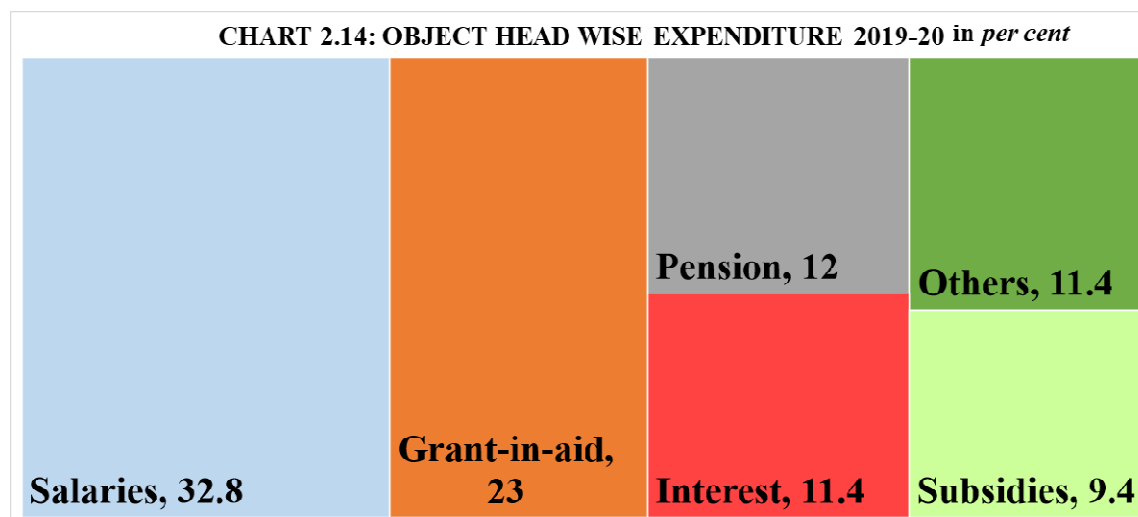
Particulars	(in per cent)					
	AE/ GSDP	SSE/ AE	ESE/ AE	CE/ AE	CE on Education/ AE	CE on Health/ AE
General Category States Average 2014-15	15.99	36.14	32.36	12.98	16.54	4.92
Maharashtra 2014-15	11.14	39.90	27.77	9.85	20.07	4.52
General Category States Average 2019-20	15.15	36.73	28.69	12.97	15.91	5.21
Maharashtra 2019-20	11.77	37.99	25.67	10.75	18.47	4.34

Table 2.36 indicates the following:

- The aggregate expenditure as a ratio of GSDP was lower than that of GCS in Maharashtra during both the years *i.e.* 2014-15 and 2019-20.
- Economic Sector expenditure, as a ratio of Aggregate expenditure of the State was lower than the GCS during 2014-15 and 2019-20.
- Capital Expenditure as ratio of Aggregate expenditure was lower than the GCS average during 2014-15 and 2019-20. Capital expenditure on education as a ratio of aggregate expenditure compared with GCS average was higher during both the years whereas capital expenditure on Health was lower than GCS during both the years.

2.4.5.1 Object head-wise expenditure

Finance Accounts depict transactions only up to the Minor Head level. Object head wise expenditure gives information about the object/ purpose of the expenditure. The object head wise expenditure for 2019-20 is shown in **Chart 2.14**.



(Source: Finance Accounts 2019-20)

Salaries constituted 33 *per cent* of the revenue expenditure followed by GIA 23 *per cent*, Pension 12 *per cent*, Interest 11 *per cent* and subsidies nine *per cent*.

2.5 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances *etc.* which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.5.1 Net Public Account Balances

The component-wise net balances in Public Account of the State are given in **Table 2.37** and **Chart 2.15**.

Table 2.37: Component-wise net balances in Public Account as of 31 March of the year

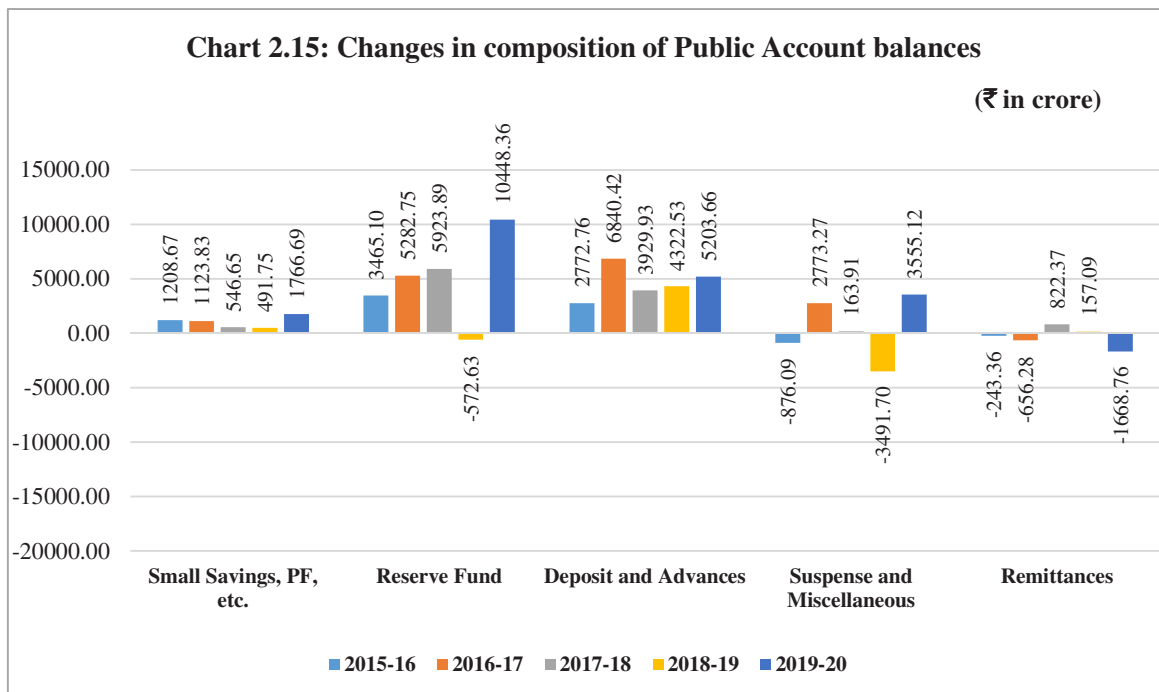
(₹ in crore)

Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
I. Small Savings, Provident Funds, <i>etc</i>	Small Savings, Provident Funds, <i>etc</i>	1208.67	1123.83	546.65	491.75	1766.69
J. Reserve Funds	(a) Reserve Funds bearing Interest	9.11	300.95	44.87	500.87	3781.61
	(b) Reserve Funds not bearing Interest	3455.97	4981.80	5879.02	(-)1073.50	6666.75
K. Deposits and Advances	(a) Deposits bearing Interest	1251.21	3240.15	4717.07	3630.92	5886.57
	(b) Deposits not bearing Interest	1522.72	3600.22	(-)787.09	692.01	(-)686.58
	(c) Advances	(-)1.16	0.05	(-)0.05	(-)0.39 [#]	3.67

Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
L. Suspense and Miscellaneous	(a) Suspense	(-)37.54	(-)59.37 [#]	(-)47.37	49.32	289.60
	(b) Other Accounts	(-)838.53	2832.64	208.44	(-)3541.01	3265.52
	(c)Accounts with Governments of Foreign Countries	0	0	0	0	0
	(d) Miscellaneous	(-)0.01	0	2.84	0	0.01
M. Remittances	(a) Money Orders, and Other Remittances	(-)239.39	(-)656.97	825.76	160.90	(-)1664.09
	(b) Inter- Governmental Adjustment Account	3.99	0.69	(-)3.39	(-)3.81	(-)4.67
TOTAL		6335.04	15363.99	11386.75	907.06	19305.08

Note: +ve denotes debit balance and -ve denotes credit balances; [#]Lower rounding
Source: Finance Accounts of respective years

Table 2.37 shows that net Public Account increased from ₹ 907 crore in 2018-19 to ₹ 19,305 crore in 2019-20 and was available for use to the State Government. There was increase in receipts under Small Savings, PF, etc. by ₹ 1,275 crore over the previous year.



(Source: Finance Accounts of respective years)

2.5.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State.

As on March 2020, there were 21 Reserve Funds in the State. Out of these, 12 funds were operative and the remaining nine were inoperative for several years. The total accumulated balance in these funds as on 31 March 2020 was ₹ 53,315.19 crore (₹ 53,286.18 crore in active funds and ₹ 29.01 crore in inactive funds), of which ₹ 41,608.28 crore (78 per cent) was invested.

Details of major Reserve Fund transactions during the year are described in the subsequent paragraphs.

2.5.2.1 Consolidated Sinking Fund

The State Governments have set up the Sinking Fund in line with the recommendations of the Twelfth Finance Commission (12th FC) for amortization of market borrowings as well as other loans and debt obligations. The fund is managed by the Reserve Bank of India.

During 2019-20, the State Government transferred ₹ 4,000 crore to the Consolidated Sinking Fund from the Revenue Account which works out to 0.92 *per cent* of outstanding liability (Public Debt *plus* Public Account liabilities) of ₹ 4,36,782 crore as on 31 March 2019. There was no expenditure from the fund during the year. The balance in the Consolidated Sinking Fund as on 31 March 2020 was ₹ 41,427 crore, which has been invested.

2.5.2.2 State Disaster Response Fund

Government of India (GoI) replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 01 April 2010. In terms of the guidelines of the Fund, the Centre and States are required to contribute to the Fund in the required proportion. The contributions are to be transferred to the Public Account to Major Head – 8121. Expenditure during the year is incurred by operating Major Head – 2245.

SDRF is constituted for meeting the expenditure for providing immediate relief to the victims of cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst, pest attack and frost and cold wave under the provision of Disaster Management Act, 2005 and as per recommendations of the 13th FC, the GoI under Section 48(1)(a) of the Disaster Management Act, 2005.

The State Governments are required to pay interest to the SDRF at the rate applicable to overdrafts under Overdraft Regulation Guidelines of the RBI. The interest is to be credited on a half yearly basis. The accretions to the SDRF together with the income earned on the investment of SDRF is to be invested in Central Government dated securities, auctioned treasury bills and other interest earning deposits with Scheduled Commercial Banks.

The SDRF is to be used only for meeting the expenditure for providing immediate relief to the victims of a disaster and the provision for disaster preparedness, restoration, reconstruction and mitigation should not be a part of SDRF. Such expenditure has to be built into the normal budgetary heads/ State Plan Funds, *etc.*

Table 2.38: Details of expenditure charged to SDRF

(₹ in crore)

Major Head of Account	Minor Head of Account	Expenditure during 2019-20
2245- Relief on Account of Natural Calamities 02- Floods, Cyclones etc.	101-Gratuitous Relief	8006.04
	113-Assistance for repairs/reconstruction houses	224.18
	117-Assistance to farmers for purchase of live stock	15.23
	119-Assistance to artisans for repairs/replacement of damaged tools and equipments	130.61
	800-Other expenditure	35.78
	911- Deduct-Recoveries of Overpayments	(-0.61)
	Sub-Total	8411.23
2245- Relief on Account of Natural Calamities	800-Other Expenditure	42.21
	911- Deduct-Recoveries of Overpayments	(-0.10)
80- General	Sub-Total	42.11
	Grand Total	8453.34
05-State Disaster Response Fund	901- Deduct - Amount met from State Disaster Response Fund	6992.40
Expenditure charged to SDRF in violation of SDRF guidelines (Only the amount booked under 2245-02-101 is admissible expenditure under SDRF) MH 2245-Total expenditure ₹ 10,958.47 crore Source: Finance Accounts 2019-20		

The corpus of the SDRF of Maharashtra for the year 2019-20 was ₹ 1,803 crore. As per the recommendations of the 14th FC, the annual contribution to the SDRF is in the ratio of 75:25 between GoI and GoM.

During 2019-20, the State received Central Share of ₹ 1,352.25 crore (75 per cent) and assistance from National Disaster Response Fund of ₹ 5,189.40 crore whereas State's contribution was ₹ 450.75 crore (25 per cent) totalling to ₹ 6,992.40 crore transferred into SDRF.

2.5.2.3 Guarantee Redemption Fund

State Government constitutes 'Guarantee Redemption Fund' for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund are to be utilised only towards payment of the guarantees issued by the Government and not paid by the institutions on whose behalf guarantee was issued.

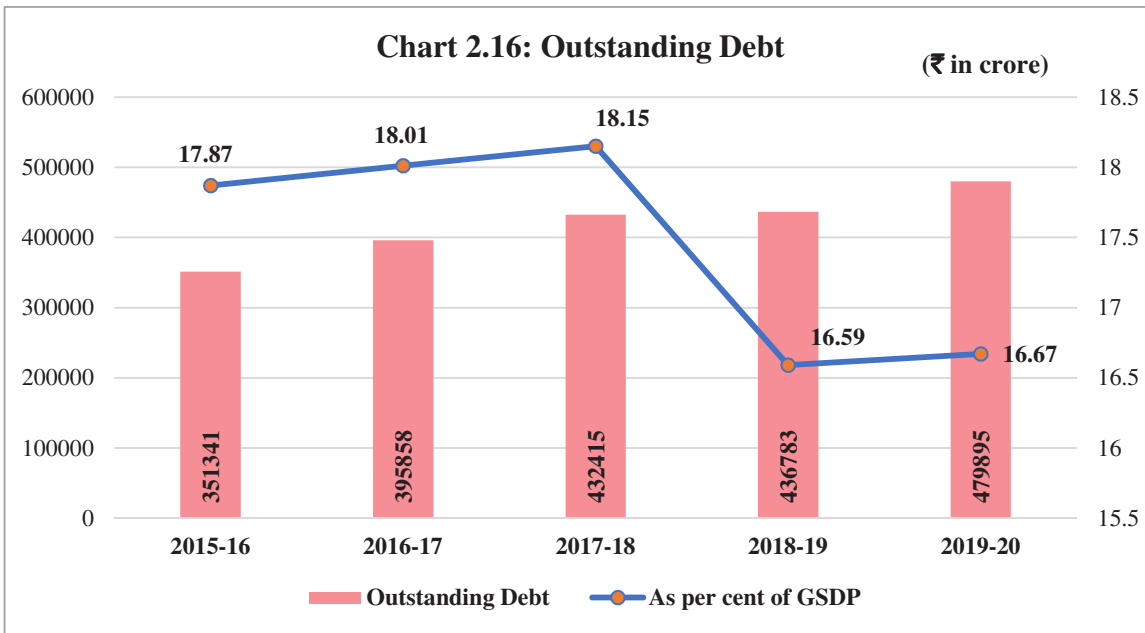
The fund shall be administered by Central Accounts Section of the Reserve Bank of India and should be kept outside the General Revenues of the Government. The funds are invested by the RBI.

In terms of the 12th Finance Commission, GoM vide notification dated 20 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'. 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 ₹ 136.58 crore (0.54 per cent of total outstanding Guarantees of ₹ 25,134.86 crore as on 31 March 2019) to the Fund and ₹ 157.18 crore has been invested by the Reserve Bank of India during the year.

2.6 Debt Management

Debt management is the process of establishing and executing a strategy for managing the Government’s debt in order to raise the required amount of funding, achieve its risk and cost objectives and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements. The outstanding debt and percentage to GSDP is shown in **Chart 2.16**.



(Source: Finance Accounts of respective years)

The outstanding debt (Fiscal Liabilities) of the State increased from ₹ 3,51,341 crore in 2015-16 to ₹ 4,79,895 crore at the end of 2019-20. Compared to the previous year, the outstanding debt grew by 10 per cent . Outstanding debt to GSDP was between 16.59 per cent and 18.15 per cent during 2015-20. The outstanding debt to GSDP ratio of 16.67 during 2019-20 was higher than the limits prescribed by the FRBM Act.

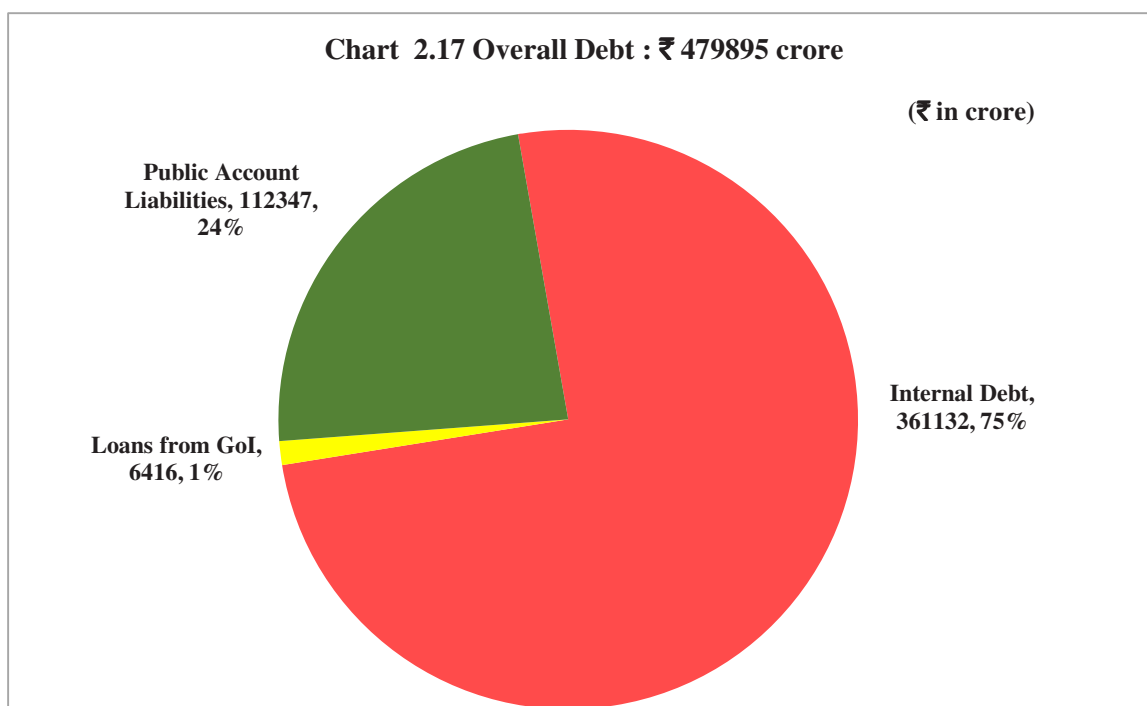
2.6.1 Debt Profile: Components

Total Debt of the State Government constitutes of Public Debt (Internal Debt and Loans from GoI) and Public Account Liabilities. Internal debt of the State includes market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.

The component wise Debt trends are shown in **Table 2.39**.

Table 2.39: Component wise debt trends

		(₹ in crore)				
		2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Debt		351341	395858	432415	436782 [§]	479895
Public Debt	Internal Debt	257159	293952	327026	328522	361132
	Loans from GoI	8229	7886	7087	6499 [§]	6416
Public Account Liabilities		85953	94020	98302	101761	112347
Rate of growth of outstanding debt (percentage)		9.9	12.7	9.2	1.0	9.9
Gross State Domestic Product (GSDP)		1966225	2198324	2382570	2632792	2878583
Debt/GSDP (per cent)		17.9	18.0	18.1	16.6	16.7
Total Debt Receipts		83914	100118	100511	79506	130325
Total Debt Repayments		52319	55602	63936	75138	87212
Total Debt Available		31595	44516	36575	4368	43113
Debt Repayments/Debt Receipts (per cent)		62.3	55.5	63.6	94.5	66.9
Source: Finance Accounts of respective years						
[§] Decreased by ₹ 0.86 crore due to proforma correction owing to waiver on excess instalment paid against Central Loans-information received from Ministry of Finance, Department of Expenditure						

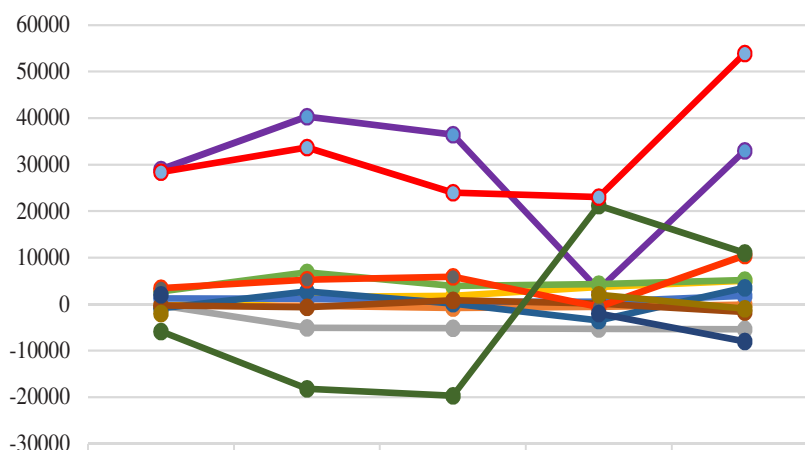


(Source: Finance Accounts 2019-20)

The component-wise debt trends for 2015-20 are shown in **Chart 2.18**.

Chart 2.18: Component-wise Debt trends (2015-20)

(₹ in crore)



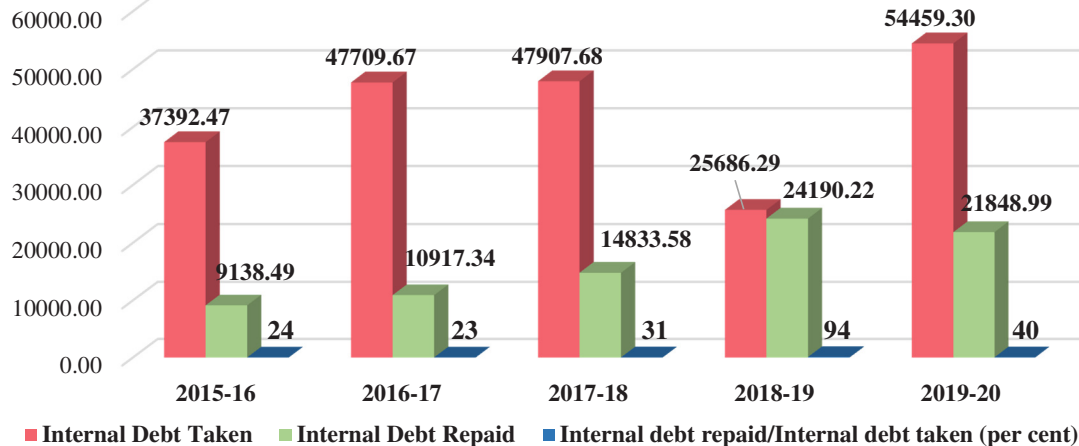
	2015-16	2016-17	2017-18	2018-19	2019-20
Market Borrowings	28938	40349	36477	3106	32996
Loans from GOI	-321	-343	-781	-587	-82
Special Securities issued to NSSF	-286	-5078	-5176	-5309	-5381
Loans from Financial Institutions	-397	1521	1774	3699	4995
Small Savings, PF, etc.	1208	1124	547	492	1767
Deposits and Advances	2773	6841	3930	4323	5204
Suspense and Miscellaneous	-876	2773	164	-3492	3555
Remittances	-236	-656	822	157	-1669
Reserve Fund	3465	5283	5924	-573	10448
Contingency Fund	-2000			2000	-1000
Appropriation to/from Contingency Fund	2000			-2000	-8000
Increase/Decrease in Cash Balance*	-5904	-18157	-19720	21199	11053
Gross Fiscal Deficit	28364	33657	23961	23015	53886

(Source: Finance Accounts of respective years)

The internal debt taken *vis-à-vis* repaid during 2015-20 is shown in Chart 2.19.

Chart 2.19: Internal Debt taken *vis-a-vis* repaid

(₹ in crore)



(Source: Finance Accounts of respective years)

Chart 2.19 above indicates that during 2015-16 to 2019-20, except in 2018-19, on an average of 30 *per cent* of the market borrowings/internal debt raised was utilized for repayment of debts. During 2018-19, 94 *per cent* of internal debt raised was utilized for repayment of earlier debts.

The share of Revenue Deficit in Fiscal Deficit indicates the extent to which borrowed funds were used for current consumption. Persistently high ratio of Revenue Deficit to Fiscal Deficit also indicates that the asset base of the State is continuously being eroded and a part of borrowings (Fiscal Liabilities) does not have any asset backup. The financing pattern of the Fiscal Deficit has undergone a compositional shift as reflected in **Table 2.40**.

Table 2.40: Components of Fiscal deficit and its financing pattern

		(₹ in crore)				
Particulars		2015-16	2016-17	2017-18	2018-19	2019-20
Composition of Fiscal Deficit		28364	33657	23961	23015	53886
1	Revenue Deficit	(-)5338	(-)8536	2082	11975	(-) 17116
2	Net Capital Expenditure	(-)22776	(-)25549	(-)26842	(-)35049	(-) 36415*
3	Net Loans and Advances	(-)250	428	799	59	(-)355
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	28938	40349	36477	3106	32996
2	Loans from GoI	(-)321	(-)343	(-)781	(-)587	(-)82
3	Special Securities issued to NSSF	(-)286	(-)5078	(-)5176	(-)5309	(-)5381
4	Loans from Financial Institutions	(-)397	1521	1774	3699	4995
5	Small Savings, PF, etc.	1208	1124	547	492	1767
6	Deposits and Advances	2773	6841	3930	4323	5204
7	Suspense and Miscellaneous	(-)876	2773	164	(-)3492	3555
8	Remittances	(-)236	(-)656	822	157	(-)1669
9	Reserve Fund	3465	5283	5924	(-)573	10448
10	Contingency Fund unrecouped	(-)2000	-	-	2000	(-)1000
11	Appropriation to/from Contingency Fund	2000	-	-	(-)2000	(-)8000
12	Overall Deficit	34268	51814	43681	1816	42833
13	Increase(-)/Decrease in cash balance(+)	(-)5904	(-)18157	(-)19720	21199	11053
14	Gross Fiscal Deficit	28364	33657	23961	23015	53886

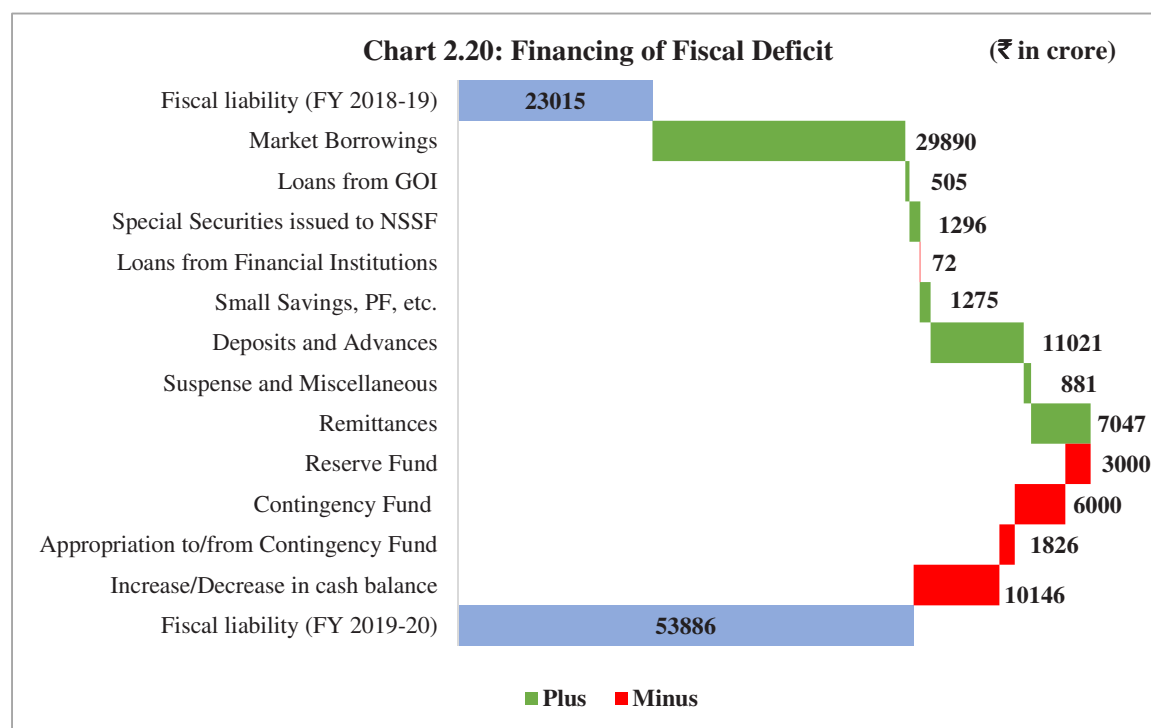
Source: Finance Accounts of respective years * lower rounding

Financing of Fiscal Deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above Revenue and Non-debt receipts. The components of Fiscal Deficit are Revenue deficit, Net Capital Expenditure and Net Loans and Advances.

As seen from the **Table 2.40**, the Capital expenditure could be financed by Revenue Surplus to the extent 7.75 *per cent* and 34 *per cent* in 2017-18 and 2018-19 respectively. However, in 2019-20, due to huge Revenue Deficit, there was much increase in market borrowings and their share in financing of Fiscal Deficit increased to 61 *per cent* as compared to 13 *per cent* in 2018-19, besides considerable increase in other components of meeting fiscal deficit over the previous year.

During 2019-20, the Fiscal Deficit increased by ₹ 30,871 crore over the previous year due to increased market borrowings (₹ 35,342 crore). The net Capital expenditure as a percentage of Fiscal Deficit decreased from 152 in 2018-19 to 67.6 in 2019-20.

The Fiscal Deficit as a percentage of GSDP increased from 0.87 in 2018-19 to 1.87 in 2019-20, which was well below the target of three *per cent* as prescribed by FFC and MTFPS. The financing of Fiscal Deficit is shown in **Chart 2.20**.



(Source: Finance Accounts 2019-20)

Table 2.41 shows an overall deficit (decrease in cash balance) after financing the Fiscal Deficit during 2019-20.

Table 2.41: Receipts and Disbursements under components financing the Fiscal Deficit

(₹ in crore)

Particulars		Receipt	Disbursement	Net
1	Market Borrowings	48496.31	15500.00	32996.31
2	Loans from GOI	936.50	1019.25	(-)82.75
3	Special Securities issued to National Small Savings Fund (NSSF)	0	5380.71	(-)5380.71
4	Loans from Financial Institutions	5963.00	968.29	4994.71
5	Small Savings, PF, etc.	6178.31	4411.62	1766.69
6	Deposits and Advances	50450.38	45246.72	5203.66
7	Suspense and Miscellaneous	3959.98	404.85	3555.13
8	Remittances	40670.63	42339.39	(-)1668.76
9	Reserve Fund	18375.03	7926.67	10448.36
10	Contingency Fund	0	1000	(-)1000
11	Appropriation to Contingency Fund	0	8000	(-)8000
12	Overall Deficit	175030.14	132197.50	42832.64
13	Increase(-)/Decrease (+) in cash balance	67269.26	56215.71	11053.55
14	Gross Fiscal Deficit	242299.40	188413.21	53886.19

Source: Finance Accounts 2019-20

2.6.2 Debt Profile: Maturity and Repayment

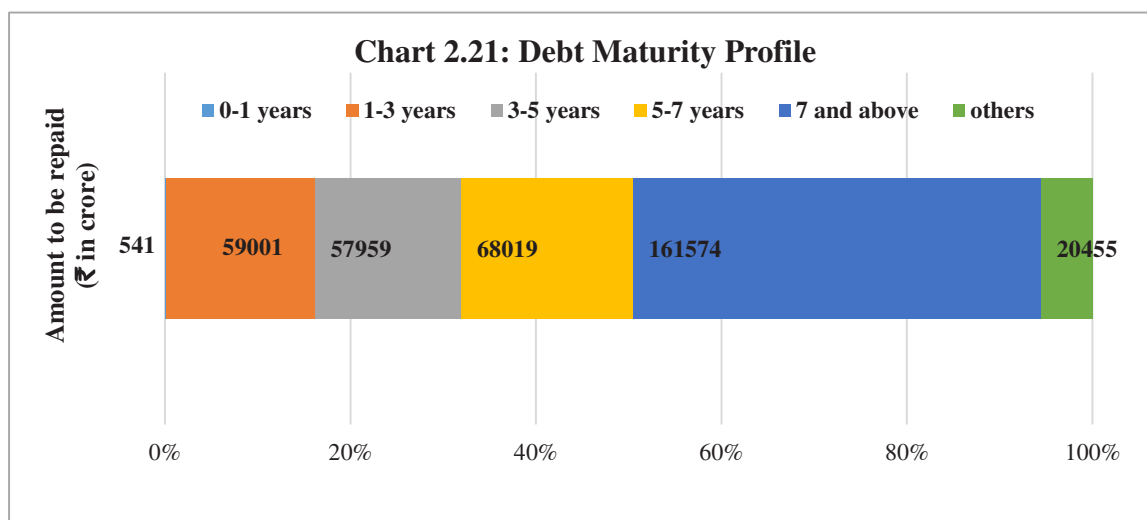
Debt Maturity and repayment profile indicates commitment on the part of the Government for Debt repayment or Debt servicing. The Matured Debts were repaid on time. Market loans are generally taken for 10 years duration. The options like “Green Shoe”, “re-issue”, “Buyback”, *etc* are availed for raising loans to control weighted average rate of interest, with the advice of the RBI. The Maturity Profile as on 31 March 2020 is depicted in **Table 2.42**.

Table 2.42: Debt Maturity Profile of repayment of State Debt

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	540.52	0.15
1 – 3	59000.55	16.05
3 – 5	57959.00	15.77
5 – 7	68018.81	18.51
7 and above	161574.16	43.96
Others ¹⁵	20455.19	5.57
Total	367548.23	

Source: Finance Accounts 2019-20

The Maturity Profile of the State Debt indicates that the liability of the State to repay the debt during the periods 1-3 years, 3-5 years and 5-7 years would be ₹ 59,001 crore, ₹ 57,959 crore and ₹ 68,019 crore respectively as shown in **Chart 2.21**.

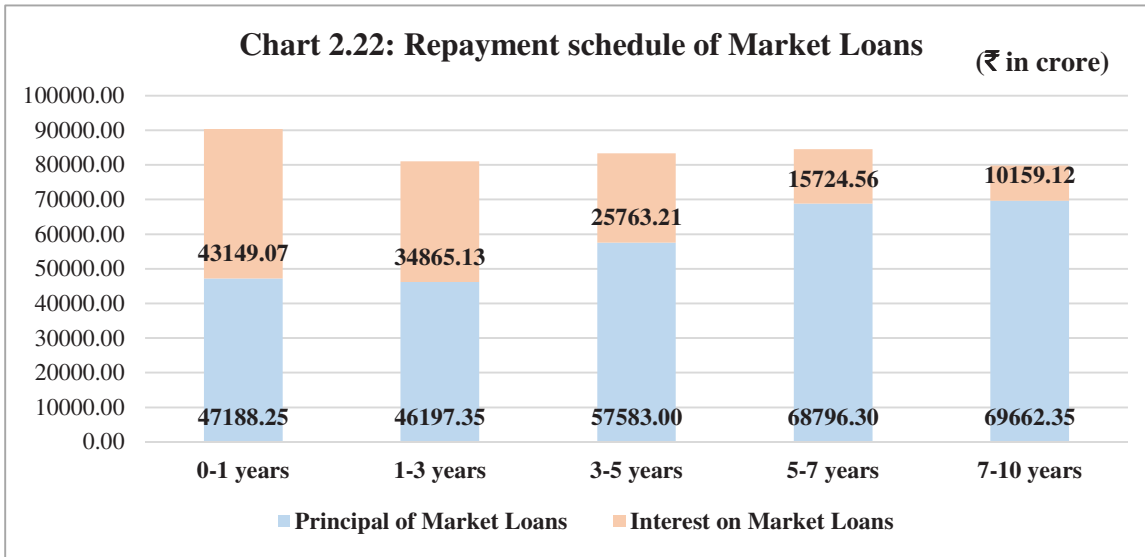


(Source: Finance Accounts 2019-20)

The maturity profile of the outstanding public debt indicates that 50 *per cent* (₹ 1,85,518.88 crore) of the total outstanding public debts (₹ 3,67,548.23 crore) are repayable within the next seven years which may put strain on the Government budget during that period. Remaining 50 *per cent* (₹ 1,82,029.35 crore) would become due for servicing after seven years. In view of the increasing committed expenditure and revenue deficit the State government would have to work out a well thought out borrowing repayment strategy to avoid falling into a debt trap.

¹⁵ Details of *maturity* not available

The Repayment Schedule of Market Loans (principal and interest) is shown in **Chart 2.22**.



(Source: Information received from Accountant General (A&E)-I, Maharashtra)

The repayment of Market loans for 0-1 year works out to ₹ 90,337 crore, 1-3 years ₹ 81,062 crore and 3-5 years ₹ 83,346 crore means the outgo in next five years comes out to ₹ 2,54,745 crore, which may put a huge strain on the Government budget during that period.

2.7 Debt Sustainability Analysis

Fiscal space in general refers to the room a Government has to undertake discretionary policy relative to existing plans without undermining debt sustainability or market access. Fiscal space can be gauged through a multi-faceted consideration of context, financing, fiscal indicators, and fiscal impacts. It can facilitate a discussion about policy mix, fiscal multipliers and investment efficiency, and help assess the macroeconomic space for fiscal expansion.

Debt sustainability is defined as the ability of the State to maintain a constant Debt-GDP ratio over a period of time. **Table 2.43** assesses the sustainability of debt of the State Government in terms of debt as a percentage of GSDP, rate of growth of outstanding debt, interest payments/revenue receipts ratio and net debt available to the State for the period from 2015-16 to 2019-20.

Table 2.43: Debt Sustainability Indicators and Trends

(₹ in crore)

Debt Sustainability Indicators	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Public Debt ¹⁶	265388.02	301837.63	334112.81	335021.53	367548.23
Rate of Growth of Outstanding Public Debt	11.76	13.73	10.69	0.27	9.71
Interest on Outstanding Public Debt	21270.31	23976.67	28206.21	28764.07	28123.59
GSDP	1966225	2198324	2382570	2632792	2878583
Rate of Growth of GSDP	10.52	11.80	8.38	10.50	9.34
Debt/GSDP	13.50	13.73	14.02	12.72	12.77
Average Interest Rate of Outstanding Public Debt (per cent)	8.46	8.45	8.87	8.60	8.01
Revenue Receipts	185035.68	204693.14	243653.56	278996.27	283189.58
Percentage of Interest Payment to Revenue Receipt	11.5	11.71	11.58	10.31	9.93
Debt Repayment	10043.10	11886.89	15782.17	25116.50	22868.24
Debt Receipt	37976.41	48336.49	48075.50	26025.21	55395.80
Percentage of Debt Repayment to Debt Receipt	26.45	24.59	34.98	96.51	41.28
Net Debt available to the State ¹⁷	6663.00	12472.93	4087.12	(-)27855.36	4403.97
Debt Redemption ¹⁸ as per cent to Debt Receipts	82.45	74.20	91.77	207.03	92.05
Primary Deficit	(-)2592.75	(-)5124.82	9057.46	11005.92	(-) 20325.46
Interest Spread ¹⁹	2.06	3.35	(-) 0.49	1.90	1.33
Quantum Spread ²⁰	4891.50	8879.83	(-)1480.72	6356.84	4469.45
Debt Stabilisation (Quantum spread + Primary Deficit)	2298.75	3755.01	7576.74	17362.76	(-) 15856.01

Fiscal Liabilities are considered sustainable if the Government is able to service these liabilities over the foreseeable future and the Debt-GSDP ratio does not grow to unmanageable proportions. A necessary condition for stability is that if the rate of growth of economy exceeds the cost of borrowings, the Debt-GSDP ratio is likely to be stable provided primary balances are positive/zero/moderately negative. Primary revenue balance is the difference between revenue receipts and primary revenue expenditure and indicates whether the balance of revenue receipts left out after meeting current revenue expenditure is sufficient for meeting the interest expenditure. During 2017-18 and 2018-19, the primary revenue balance was positive and sufficient to meet incremental interest expenditure. However, during 2019-20, there was a Primary deficit of

¹⁶ Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government

¹⁷ Net debt available to the State Government is calculated as excess of Public debt receipts over Public debt repayment and interest payment on Public Debt

¹⁸ Debt Redemption= Principal + Interest

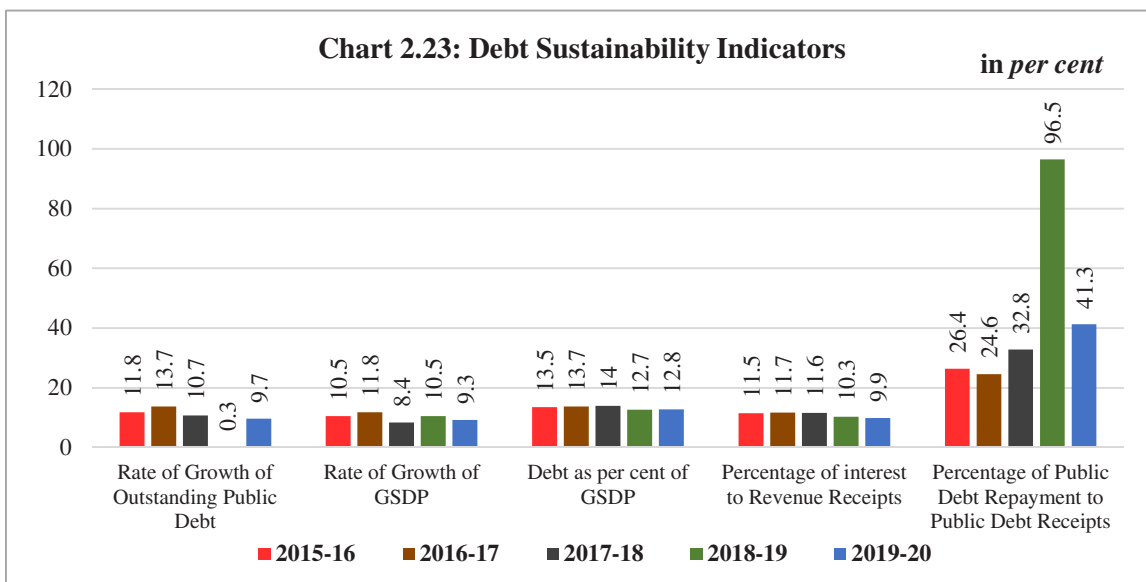
¹⁹ Interest spread is GSDP growth rate- interest rate.

²⁰ Quantum spread is arrived at by multiplying Outstanding liabilities of previous year with the rate spread

₹ 20,325.46 crore, indicating the primary expenditure too had to be met from borrowed funds.

Further, given the rate spread (GSDP growth rate – interest rate) and quantum spread (debt multiplied by rate spread), the debt sustainability condition states that if the quantum spread together with primary deficit is zero, the Debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, the Debt-GSDP ratio would be rising and in case it is positive, the Debt-GSDP ratio would eventually be falling. **Table 2.43** reveals that the positive sum of quantum spread and primary deficit from 2015-16 to 2018-19 turned to negative implying that the State needs to step up its resources mobilization as well as prune unproductive expenditure to maintain debt stability.

Chart 2.23 describes the various debt sustainability indicators.



(Source: Finance Accounts of respective years)

Net availability of Borrowed Funds

Debt sustainability also depends on the ratio of debt redemption (principal plus interest payments) to total debt receipts and application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds for capital spending.

The debt redemption to debt receipts ranged between 74.2 per cent and 92 per cent during 2015-16 to 2019-20, except for 2018-19, when it was 207 per cent, due to drastic decrease in debt receipt and corresponding increase in debt redemption. In 2018-19, the State had registered revenue surplus and primary surplus.

Further, as seen from **Table 2.43** the net debt available to the State increased due to increase in receipt under public debt from ₹ 26,025.21 crore in 2018-19 to ₹ 55,395.80 crore in 2019-20. The net debt available for the State during 2019-20 was ₹ 4,403.97 crore due to repayment of ₹ 22,868.24 crore and interest payments of

₹ 28,123.59 crore. The net debt available was only 7.95 per cent of the total borrowings during the current year 2019-20.

Sufficiency of Incremental Non-debt Receipts

Another indicator of debt sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability is facilitated if the incremental non-debt receipts meet the incremental total expenditure. Negative resource gap indicates non-sustainability of debt while positive resource gap strengthens the capacity of the State to sustain the debt. The details for the last five years have been indicated in **Table 2.44**.

Table 2.44: Sufficiency of Incremental Non- debt Receipt

(₹ in crore)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Incremental Non-debt Receipt (a)	19527.14	20521.04	38992.85	35168.99	4203.89
Incremental Expenditure(b)	16064.71	30773.37	24337.33	34223.35	35074.75
Resource Gap (a)-(b)	3462.43	(-) 10252.33	14655.52	945.64	(-)30870.86

Table 2.44 reveals that the resource gap which was negative during 2016-17 turned positive during 2017-18 and 2018-19, indicating the increasing capacity of the State to sustain the debt in medium to long run. However, during the current year, the resource gap turned negative leading to risk of un-sustainable debt.

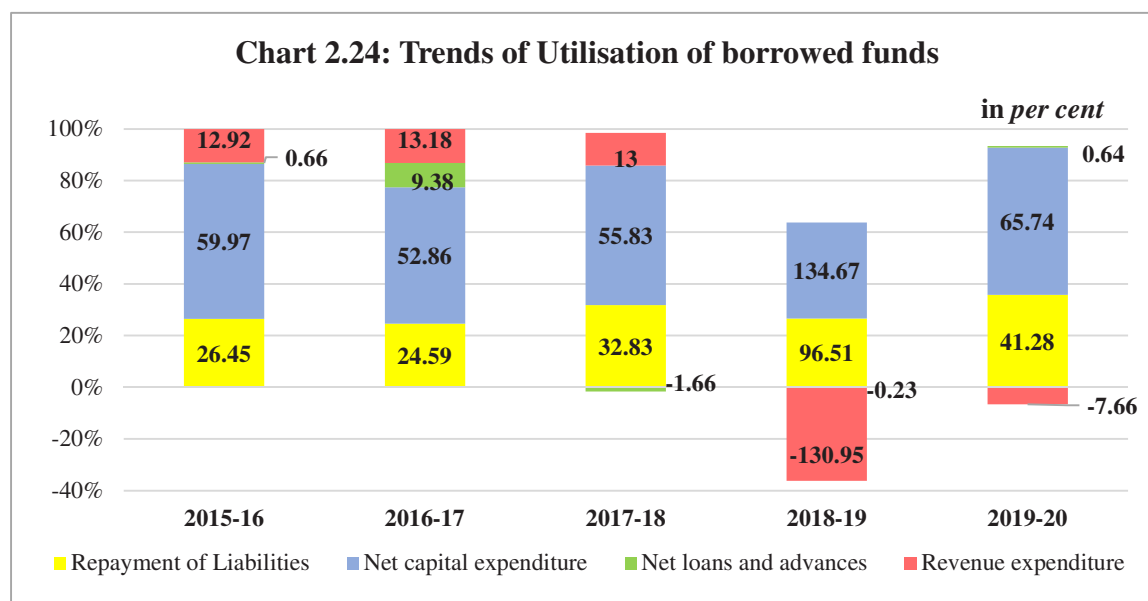
2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. The utilisation of borrowed funds is shown in **Table 2.45**.

Table 2.45: Utilisation of borrowed funds

(₹ in crore)						
Year		2015-16	2016-17	2017-18	2018-19	2019-20
Total Borrowings	1	37976.41	48336.49	48075.50	26025.21	55395.80
Repayment of earlier borrowings –Principal (percentage)	2	10043.10 (26.45)	11886.89 (24.59)	15782.17 (32.83)	25116.49 (96.51)	22868.24 (41.28)
Net Capital Expenditure (percentage)	3	22776.27 (59.97)	25549.27 (52.86)	26842.18 (55.83)	35049.05 (134.67)	36415.57 (65.74)
Net Loans and Advances	4	249.52	4531.63	(-)798.72	(-)59.12	354.99
Portion of Revenue Expenditure met out of net available Borrowings	5 = (1-2-3-4)	4907.11	6368.70	6249.87	(-)34081.21	(-) 4243.00
Figures in the parenthesis indicate percentage of Total borrowings						
Source: Finance Accounts of respective years						

The trends of Utilisation of borrowed funds are shown in **Chart 2.24**.



(Source: Finance Accounts of respective years)

During 2015-16 and 2016-17, nearly 13 *per cent* of the borrowings were utilised for incurring revenue expenditure, whereas in 2017-18 and 2018-19, in addition to the borrowings the revenue surplus could be utilised for incurring capital expenditure. During 2019-20 the borrowings were not sufficient to meet the capital expenditure.

2.7.2 Status of Guarantees – Contingent Liabilities

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.

As per Article 293 of the Constitution of India, limits for giving guarantees by the State Government have to be fixed by the State Legislature, however, State Government has not fixed any limits so far. The Maharashtra FRBM Act, 2005, also does not contain any provisions laying down the limits for giving guarantees by the State. The total guarantees given by State which were outstanding as on 31 March 2020 amounted to ₹ 41,279.47 crore (Principal: ₹ 39,580.73 crore; Interest: ₹ 1,698.74 crore). The outstanding guarantees during 2015-20 are summarized in **Table 2.46**.

Table 2.46: Guarantees given during 2015-20

Guarantees	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Maximum amount guaranteed including interest ^s	30482.89	22802.04	37287.13	38378.26	58661.22
Outstanding amount of guarantees including interest	7807.05	7305.77	26657.72	25134.86	41279.47
Outstanding guarantees/Revenue Receipts (<i>per cent</i>)	4.2	3.6	10.9	9	14.6
Outstanding guarantees/GSDP (<i>per cent</i>)	0.4	0.3	1.1	1.0	1.4

^sNote: No ceiling fixed for guarantees by the State Government
Source: Finance Accounts of respective years

Under the provisions of the Guarantee Act, the State has offered guarantees to the departments of Co-operation, Marketing and Textiles, Industries Energy and Labour Department, Public Works Department and Tribal Development Department. During 2019-20, guarantees of ₹ 21,955.94 crore were given by the State Government as shown in Table 2.47.

Table 2.47: Guarantees given by the State Government during 2019-20

Sr. No.	Guarantee Number	Name of the Institutions that got loans on State Govt guarantee	Name of the Financial Institution providing loan	Total guarantee amount (₹ in crore)	Term	Remarks
1	1/2019-20	Maharashtra State Electricity Distribution Company Ltd., Mumbai	Bank of Baroda, Punjab National Bank	2800	Valid for two years from the date of GR	Guarantee fee waived
2	2/2019-20	Nagpur Mumbai Super Communication Expressway Ltd	State Bank of India	4000	Valid for one year from the date of GR	Conversion to share capital has been approved
3	3/2019-20	Madhukar Co-operative Sugar Factory Ltd., Faizpur, Jalgaon Dist	Jalgaon District Central Co-operative Bank	7	Valid for six months from the date of GR	Guarantee fee @ ₹ 2/- per ₹ 100/- per annum
4	4/2019-20	Vaidynath Co-operative Sugar Factory Ltd. Pangari, Tal. Parli, Beed Dist	S.D.F	26,944	Valid for six months from the date of GR (Reorganization of the loan taken in 2012-13 due to inability to repay)	Guarantee fee @ ₹ 2/- per ₹ 100/- per annum
5	5/2019-20	Nagpur Mumbai Super Communication Expressway Ltd	LIC, HUDCO, Canara Bank, Punjab National Bank, Andhra Bank	13000	Valid till the loan is repaid to the financial institutions	Guarantee fee @ ₹ 2/- per ₹ 100/- per annum
6	6/2019-20	Shabari Tribal Finance and Development Corporation Limited, Nasik	National SC Financial and Development Corporation, New Delhi	50	Valid till 31/03/2024	Guarantee fee @ ₹ 2/- per ₹ 100/- per annum
7	7/2019-20	Vitthal Co-operative Sugar Factory, Solapur	Maharashtra State Co-operative Bank	60	Valid till 25/12/2020	Guarantee fee @ ₹ 2/- per ₹ 100/- per annum
8	8/2019-20	Rajgarh Co-operative Sugar Factory, Bhor, Pune Dist	Maharashtra State Co-operative Bank	12	Valid till 28/12/2020	Guarantee fee @ ₹ 2/- per ₹ 100/- per annum
9	9/2019-20	Maharashtra State Co-operative Cotton Growers Marketing Federation	Bank of India	1800	Valid for six months from the date of GR	Guarantee fee waived
10	10/2019-20	Maharashtra State Co-operative Marketing Federation Ltd., Mumbai	Nationalised Bank	200	Valid for four months from the date of GR (Cancelled on 08/07/2020)	Guarantee fee waived
Total				21955.944		

Source: Guarantee Book 2019-20, Government of Maharashtra

Invocation of Guarantee

Hon'ble Supreme Court ordered²¹ (27 March 2019) State Government to pay ₹ 1,049.41 crore (Invocation of Guarantee) to Maharashtra State Co-operative Bank Ltd, Mumbai against invocation of guarantee given for Co-operative Sugar factories, Co-operative Spinning Mills and Agricultural Processing Co-operative Societies for various loans taken from 1993. State Government paid ₹ 100 crore on 30 March 2019.

On 10 May 2019, Hon'ble Supreme Court ordered payment schedule as shown below:-

- Up to 31 July 2019 ₹ 225 crore
- Up to 31 December 2019 ₹ 225 crore
- Up to 31 March 2020 ₹ 250 crore
- Up to 31 July 2020 ₹ 249.41 crore } yet to be paid

During the year 2019-20, guarantee of ₹ 450 crore was discharged. However, the State Government has yet to discharge invoked guarantee of ₹ 519.67 crore in respect of Maharashtra State Co-operative House Finance Corporation Limited (₹ 20.26 crore invoked in 2013-14) and Sugar factories (₹ 499.41 crore).

2.7.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance of ₹ 5.58 crore with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government was ₹ 3,385 crore as on 01 April 2019 and remained unchanged till 31 March 2020.

Special Ways and Means Advance of ₹ 1,757.61 crore was availed during 2019-20 (October 2019) which was repaid in two instalments. An amount of ₹ 0.35 crore has been adjusted during the year 2019-20 towards interest on Ways and Means advance .

The State Government invested its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'.

The Cash balance and their investment are shown in **Table 2.48** and **Table 2.49**.

Table 2.48: Cash Balances and their investment

	(₹ in crore)	
	Opening Balance on 01 April 2019	Closing Balance on 31 March 2020
A. General Cash Balance		
Cash in Treasuries	0.04	0.04
Deposits with Reserve Bank of India	(-)3020.51	(-)427.05
Deposits with other Banks		
Remittances in transit – Local	54.32	53.42
Total	(-)2966.15	(-)373.59
Investments held in Cash Balance investment account	35218.99	14743.48

²¹ शासन निर्णय क्र ससाका २०१६/प्र क्र १७५/३-स दिनांक २५/०७/२०१९ (GR dated 25/07/2019)

	Opening Balance on 01 April 2019	Closing Balance on 31 March 2020
Total (A)	32252.84	14369.89
B. Other Cash Balances and Investments		
Cash with departmental officers <i>viz.</i> , Public Works, Forest Officers	236.95	236.76
Permanent Advances for contingent expenditure with department officers	0.69	0.70
Investment in earmarked funds	34778.78	41608.36
Total (B)	35016.42	41845.82
Total (A + B)	67269.26	56215.71
Interest realized	4862.01	5080.21

Source: Finance Accounts 2019-20

Table 2.49: Cash Balance Investment Account (Major Head-8673)

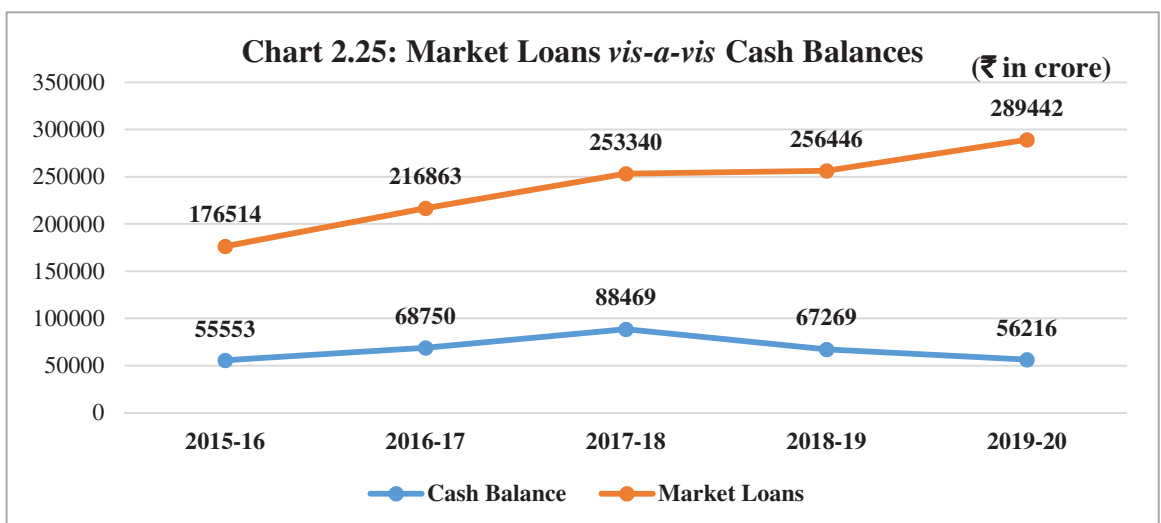
(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2015-16	32996.05	36169.84	3173.79	2247.54
2016-17	36169.84	44110.07	7940.23	2214.19
2017-18	44110.07	58373.60	14263.53	2722.44
2018-19	58373.60	35218.99	(-)23154.61	3032.19
2019-20	35218.99	14743.48	(-)20475.51	2065.37

Source: Finance Accounts of respective years

The State Government's cash balances of ₹ 56,215.71 crore at the end of the current year showed a decrease of 20 *per cent* (₹ 11,053.55 crore) over the previous year. Of the above, ₹ 14,743.48 crore held in cash balance investment account, earned an interest of ₹ 2,065.37 crore during the year. Further, ₹ 41,427.12 crore was invested in Sinking Fund meant for appropriation for reduction or avoidance of debt, which earned an interest of ₹ 3,014.84 crore.

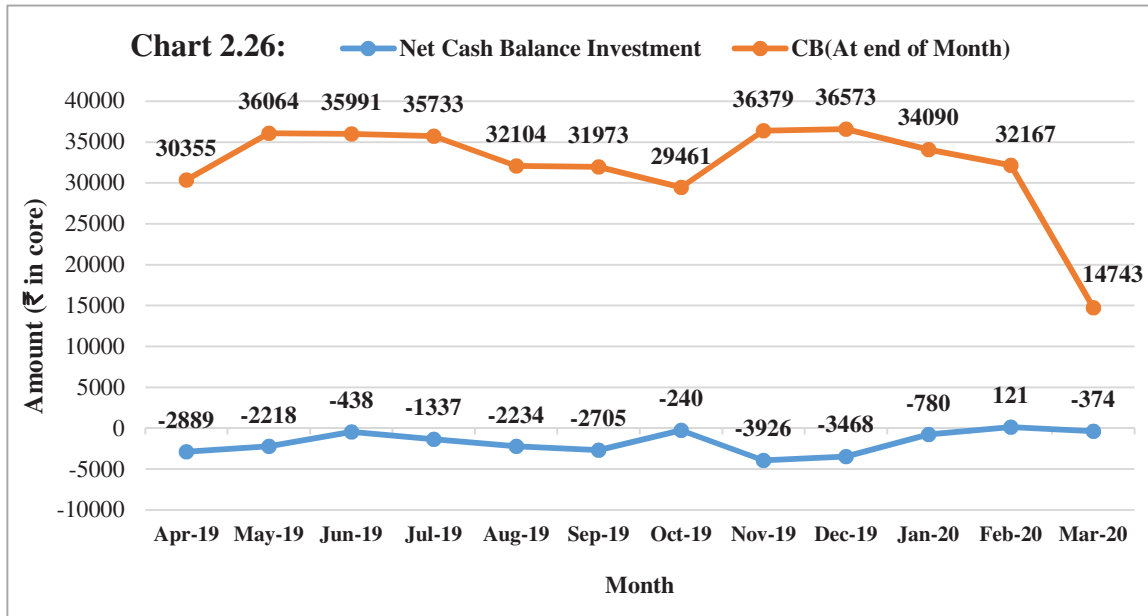
The General cash balance of the State Government as on 31 March 2020 was ₹ 14,369.89 crore (excluding cash in treasuries ₹ 0.04 crore, deposits with RBI (-)₹ 427.05 crore and remittances in transit ₹ 53.42 crore totaling to (-)₹ 373.59 crore) which is four *per cent* of the total expenditure of the State Government (₹ 3,38,691 crore) during the year.



(Source: Finance Accounts of respective years)

Chart 2.25 compares the total Cash Balance and the Market Loans of the State during the period 2015-20. Market Loans were taken at higher interest rates whereas investment in Treasury Bills yielded interest at lower rates.

Month-wise movement of Cash Balances and net cash balance investments during 2019-20 is shown in **Chart 2.26**.



(Source: Monthly Civil Accounts of the respective months)

The net cash balance investment at the end of the year was ₹ 14,743 crore whereas the net cash balance was negative.

2.8 Conclusion

- Revenue Receipts increased from ₹ 1,85,035.68 crore in 2015-16 to ₹ 2,83,189.58 crore in 2019-20 at an average annual growth rate of 11.5 *per cent*. During 2019-20, the growth of Revenue Receipts over the previous year was a dismal 1.50 *per cent*. This decreased growth rate was due to decrease in Non-tax Revenue and State's share in Union Taxes by ₹ 1,547 crore and ₹ 5,834 crore respectively. Non-tax Revenue has shown a steady decline from 2017-18 onwards. During 2019-20, it decreased by ₹ 1,547 crore (9.76 *per cent*) over the previous year.
- Revenue expenditure increased from ₹ 1,90,374 crore in 2015-16 to ₹ 3,00,305 crore in 2019-20, at an average growth rate of 11.1 *per cent*. Compared to the previous year, the increase was 12.5 *per cent*. The committed expenditure of Interest Payments; expenditure on Salaries and Wages; and Pensions constituted 57 *per cent* of the total Revenue expenditure.
- After maintaining Revenue surplus for two continuous years, the State registered a huge Revenue deficit of ₹ 17,116 crore in 2019-20.
- Under the National Pension System (NPS), there was non-transfer of balances of the earlier years amounting to ₹ 8,727.58 crore. This is fraught with the risk of diversion of funds belonging to the employees, thereby creating uncertainty in respect of the benefits due to the employees and avoidable future liability to the Government.

- During 2019-20, out of 88 working PSUs, 42 PSUs earned profit of ₹ 2,854.14 crore and 27 PSUs incurred losses of ₹ 1,720.35 crore. 11 working PSUs did not incur either profit or loss, four companies had not yet submitted their first financial statements and financial statements of four working PSUs were not due for submission. The major profit making companies were Maharashtra State Electricity Distribution Company Limited (MSEDCL) (₹ 1,311.70 crore) and Maharashtra State Electricity Transmission Company Limited (MSETCL) (₹ 745.43 crore) whereas losses were incurred by Maharashtra State Road Transport Corporation (MSRTC) (₹ 939.87 crore) and Maharashtra State Power Generation Company Limited (MSPGCL) (₹ 325.81 crore).
- The balance of investment of the State Government in these PSUs increased to ₹ 2,24,571 crore in 2019-20 from ₹ 12,392.41 crore in 1999-2000. The present value of investments of the State Government up to 31 March 2020 worked out to ₹ 4,54,068.68 crore.
- The net accumulated losses in respect of the PSUs as per their latest finalised financial statements as of 30 September 2020 were ₹ 8,618.45 crore. Of these PSUs, net worth was eroded in 11 PSUs. The paid-up share capital of the State Government in these 11 PSUs was ₹ 416.45 crore.
- The Outstanding Debt (Fiscal Liabilities) of the State increased from ₹ 3,51,341 crore in 2015-16 to ₹ 4,79,895 crore at the end of 2019-20. Compared to the previous year, the Outstanding Debt grew by 10 *per cent*. Outstanding Debt to GSDP during 2019-20 was 16.67 *per cent*.

2.9 Recommendations

- (i) The Government may make efforts to bridge the revenue gap and reduce its non-productive revenue expenditure so as to move towards Revenue Surplus status. For this, the Government may consider mobilizing additional resources through Tax and Non-tax sources.
- (ii) The State Government needs to undertake a rigorous exercise to arrive at its liability for NPS including short contribution and interest on the funds yet to be transferred to NSDL.
- (iii) The chances of earning return on investment are remote in respect of Companies incurring losses, especially where their accumulated losses have resulted in erosion of the net worth. The State Government may consider future payments to these Companies in the form of Grants instead of Share Capital, so as to reduce the disparity in investment *vis-a-vis* return.