

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 2016-17 to 2020-21, 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 2020-21 vis-à-vis 2019-20

Table 2.1 below presents the summary of the State Government's fiscal aggregate during 2020-21 vis-à-vis 2019-20. Each of these indicators are analysed in the succeeding paragraphs.

Table 2.1: Summary of Fiscal aggregates in 2020-21 compared to 2019-20

(₹ in crore)

Receipts			Disbursements		
	2019-20	2020-21		2019-20	2020-21
Section-A: Revenue Account					
Tax Revenue	188947.57	164254.98	General Services	100050.28	103853.75
Non-Tax Revenue	14297.00	15975.46	Social Services	122947.33	122023.44
Share of Union Taxes/ Duties	36219.64	36504.01	Economic Services	56043.43	64336.19
Grants-in-aid from GoI	43725.37	52733.46	Grants-in-aid and Contributions	21264.17	20396.38
Total Section-A Revenue Receipts	283189.58	269467.91	Total Section-A Revenue Expenditure	300305.21	310609.76
Section-B: Capital Account and others					
Miscellaneous Capital Receipts	0	0	Capital Outlay	36415.57	29686.70
			General Services	1250.45	1496.39
			Social Services	4288.07	3593.24
			Economic Services	30877.05	24597.07
Recoveries of Loans and Advances	1614.87	1612.36*	Loans and Advances disbursed	1969.86	2341.85
Public Debt Receipts	55395.80	87356.65 [@]	Repayment of Public Debt	22868.24	26427.28 [@]
Appropriation from Contingency Fund	7350.00	11500.00	Appropriation from Contingency Fund	15350.00	1500.00
Contingency Fund	15350.00	10500.00	Contingency Fund	16350.00	11500.00
Public Account Receipts	119634.33	88531.23	Public Account Disbursements	100329.25	74787.55
Opening Cash Balance	67269.26	56482.28 [§]	Closing Cash Balance	56215.71	68597.29
Total Section-B Receipts	266614.26	255982.52	Total Section-B Disbursements	249498.63	214840.67
Grand Total (A+B)	549803.84	525450.43	Grand Total (A+B)	549803.84	525450.43
[@] Excluding transaction under Ways and Means advances and overdraft (Receipt and Disbursement ₹ 31159.26 crore) [§] Differs by ₹ 266.57 crore adjusted <i>Proforma</i> due to rectification of misclassification *Higher rounding Source: Finance Accounts of the respective years					

Variation in key fiscal aggregates in 2020-21 as compared to 2019-20

Revenue Receipts	<ul style="list-style-type: none"> Revenue receipts of the State decreased by 4.85 per cent Tax receipts of the State decreased by 13.07 per cent Non-tax receipts increased by 11.74 per cent State's Share of Union Taxes and Duties increased by 0.79 per cent Grants-in-Aid from GoI increased by 20.60 per cent
Revenue Expenditure	<ul style="list-style-type: none"> Revenue expenditure increased by 3.43 per cent Revenue expenditure on General Services increased by 3.80 per cent Revenue expenditure on Social Services decreased by 0.75 per cent Revenue expenditure on Economic Services increased by 14.8 per cent Expenditure on Grants-in-Aid decreased by 4.08 per cent
Capital Outlay	<ul style="list-style-type: none"> Capital outlay decreased by 18.48 per cent Capital outlay on General Services increased by 19.67 per cent Capital outlay on Social Services decreased by 16.20 per cent Capital outlay on Economic Services decreased by 20.34 per cent
Loans and Advances	<ul style="list-style-type: none"> Disbursement of Loans and Advances increased by 18.88 per cent Recoveries of Loans and Advances decreased by 0.16 per cent
Public Debt	<ul style="list-style-type: none"> Public Debt Receipts increased by 57.70 per cent Repayment of Public Debt increased by 15.56 per cent
Public Account	<ul style="list-style-type: none"> Public Account Receipts decreased by 26.00 per cent Disbursement of Public Account decreased by 25.46 per cent
Cash Balance	<ul style="list-style-type: none"> Cash balance increased by ₹ 12,115.01 crore (21.45 per cent) during 2020-21 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 2020-21 with 2019-20. The **Charts 2.1** and **2.2** present the details of the composition of resources and application of resources from the Consolidated Fund during 2020-21.

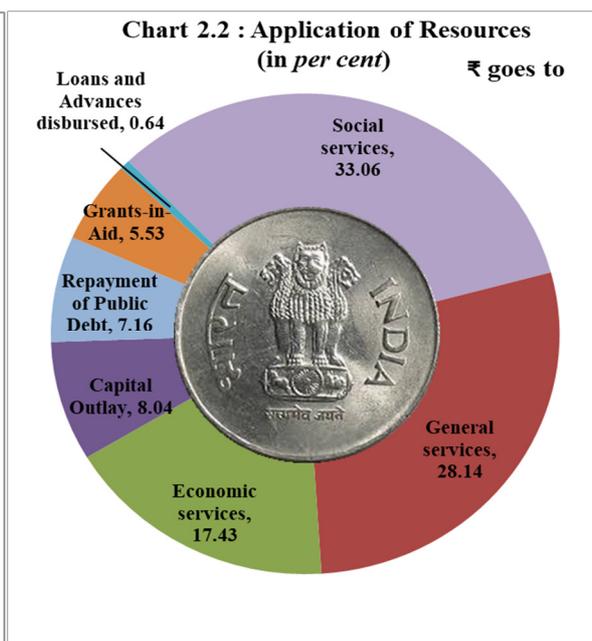
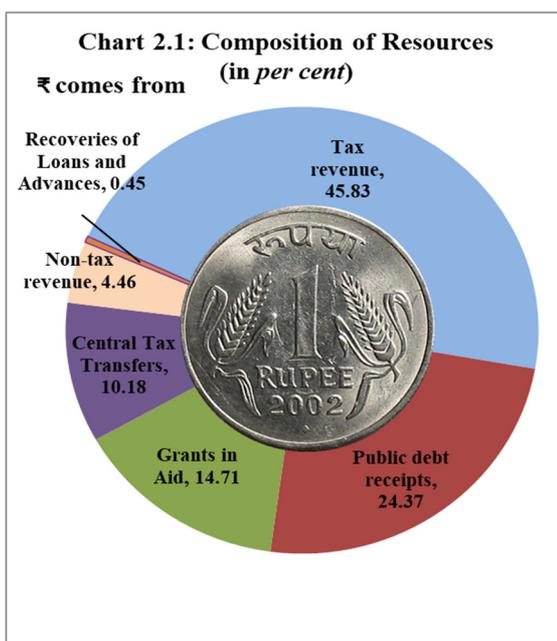
During 2020-21, the State Government raised Revenue receipt of ₹ 2,69,467.91 crore against Revenue expenditure of ₹ 3,10,609.76 crore resulting into Revenue Deficit of ₹ 41,141.85 crore.

Table 2.2: Details of Sources and Application of Funds during 2019-20 and 2020-21

Particulars		2019-20	2020-21	(₹ in crore) Increase(+) Decrease(-)
Sources	Opening Cash Balance with RBI	67269.26	56482.28 ^s	(-)10786.98
	Revenue Receipts	283189.58	269467.91	(-)13721.67
	Recoveries of Loans and Advances	1614.87	1612.36*	(-)2.51
	Public Debt Receipts (Net)	32527.56	60929.37	28401.81
	Public Account Receipts (Net)	19305.08	13743.68	(-)5561.40
	Total	403906.35	402235.60	(-)1670.75
Application	Revenue Expenditure	300305.21	310609.76	10304.55
	Capital Expenditure	36415.57	29686.70	(-)6728.87

Particulars		2019-20	2020-21	Increase(+) Decrease(-)
	Contingency Fund (unrecouped)	9000.00	(-)9000	0.00
	Disbursement of Loans and Advances	1969.86	2341.85	371.99
	Closing Cash Balance with RBI	56215.71	68597.29	12381.58
	Total	403906.35	402235.60	(-)1670.75

^s Differs by ₹ 266.57 crore adjusted *Proforma* due to rectification of misclassification of previous years
*Higher rounding
Source: Finance Account of respective years



(Source: Finance Accounts 2020-21)

2.3 Resources of the State

The resources of the State are described below:-

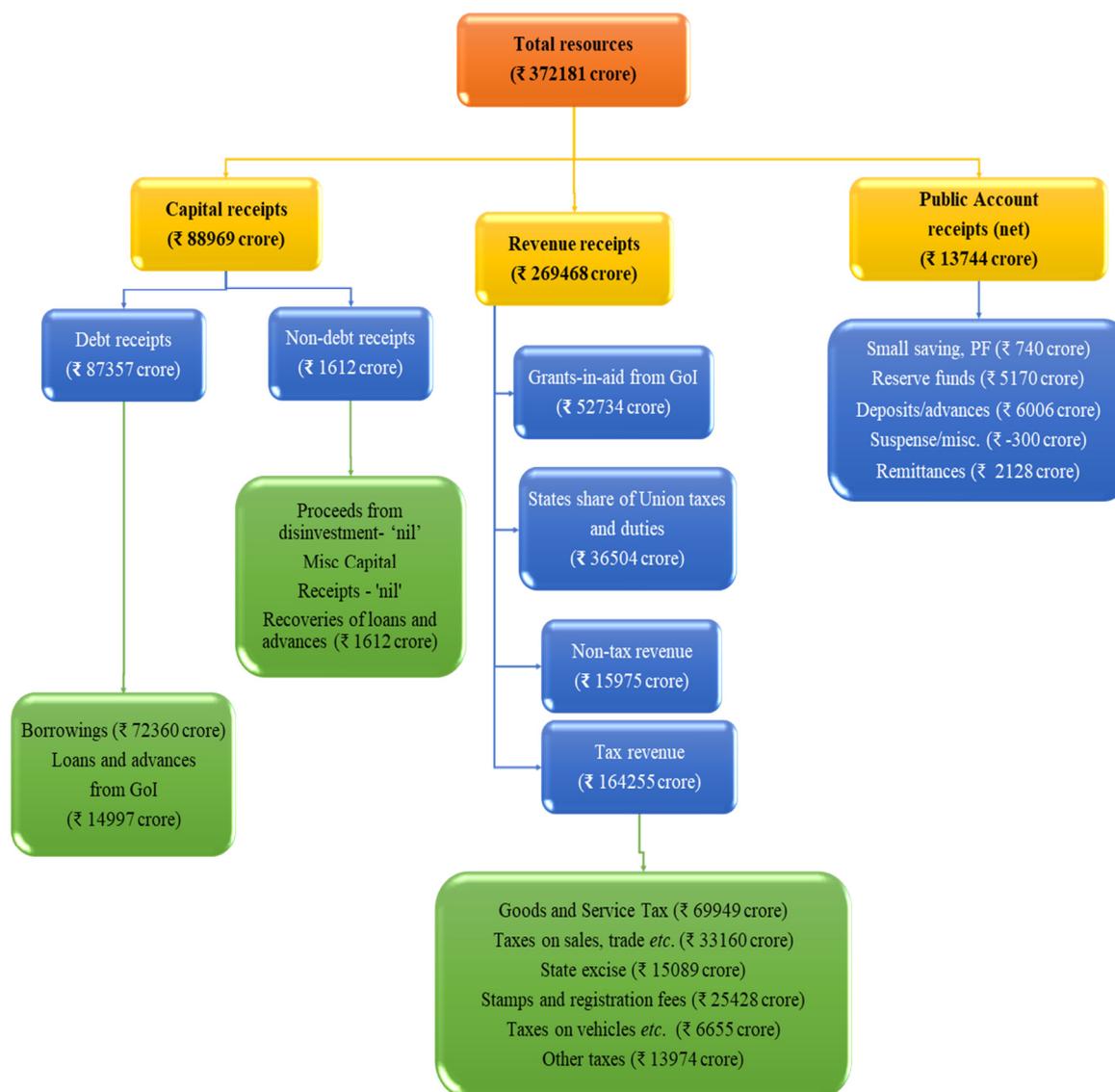
- Revenue Receipts** consist of Tax Revenue, Non-tax Revenue, State's share of Union Taxes and Duties and Grants-in-Aid from the Government of India (GoI).
- Capital Receipts** comprise miscellaneous Capital receipts such as proceeds from disinvestments, recoveries of Loans and Advances, Debt receipts 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 2020-21.

Flow Chart 2.1: Composition of receipts of the State during 2020-21



(Source: Finance Accounts 2020-21)

2.3.2 State's Revenue Receipts

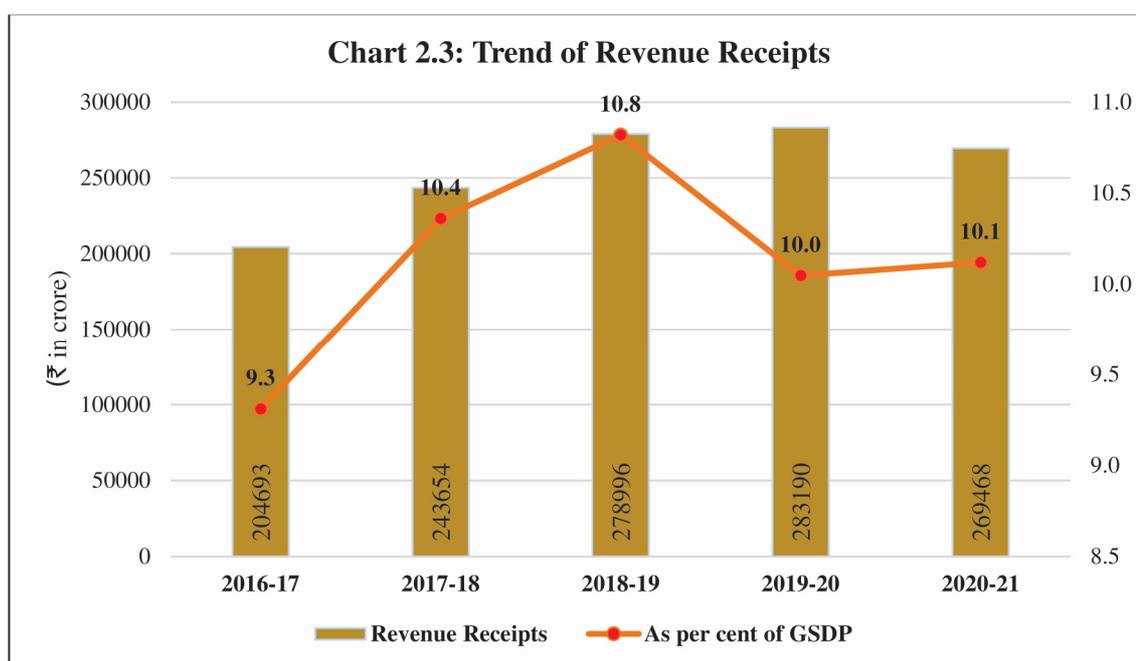
This paragraph gives the trends in total revenue receipts and its components. It is followed by trends in the receipts bifurcated into receipts from the Union Government and State's own receipts. Statement 14 of the Finance Accounts details the Revenue receipts of the Government. These consist of the State's Tax and Non-tax Revenues, Union Tax Transfers and Grants-in-Aid from GoI.

2.3.2.1 Trends and growth of Revenue Receipts

Table 2.3 provides the trends and growth of Revenue receipts with respect to GSDP during 2016-21. Further, trends in revenue receipts relative to GSDP and composition of revenue receipt are given in **Charts 2.3** and **2.4**.

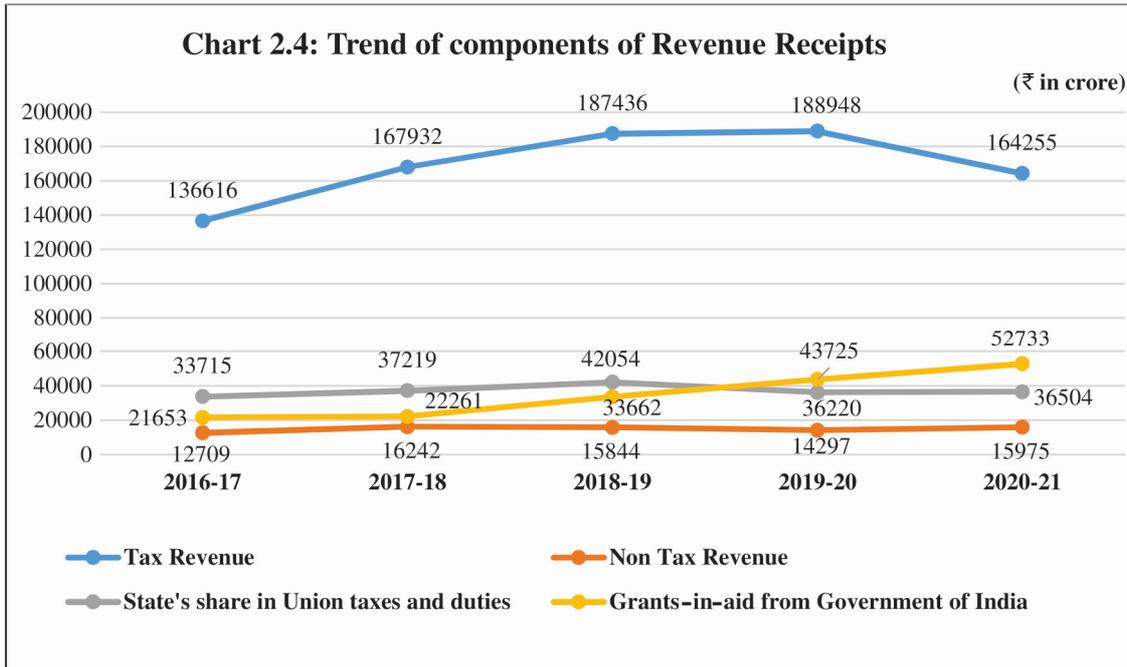
Table 2.3: Trend in Revenue Receipts

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Receipts (RR) (₹ in crore)	204693.14	243653.56	278996.27	283189.58	269467.91
Rate of growth of RR (<i>per cent</i>)	10.62	19.03	14.51	1.51	(-)4.85
Tax Revenue (₹ in crore)	136616.32	167931.87	187436.37	188947.56	164254.98
Non-tax Revenue (₹ in crore)	12709.34	16241.80	15843.57	14297.00	15975.46
Rate of growth of Own Revenue (<i>per cent</i>) (Tax and Non-tax Revenue)	6.64	23.34	10.37	(-)0.02	(-)11.32
Gross State Domestic Product (₹ in crore) (2011-12 Series)	2198185	2352782	2579628	2818555	2661629
Rate of growth of GSDP (<i>per cent</i>)	11.80	7.03	9.64	9.26	(-)5.57
RR/GSDP (<i>per cent</i>)	9.31	10.36	10.82	10.05	10.12
Buoyancy Ratios ¹ - 2020-21 being an exceptional year impacted by COVID, the concept of revenue buoyancy may not reflect true fiscal situation as growth in tax revenue/revenue receipt and GSDP being negative will make the ratio negative					
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



(Source: Finance Accounts of respective years)

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

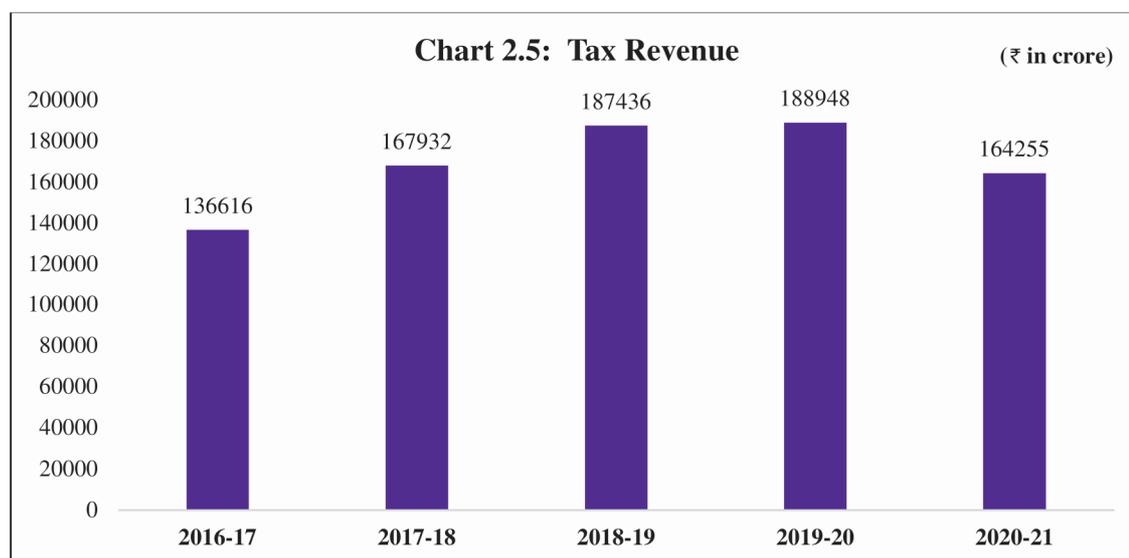
- Revenue Receipts increased by 31.64 per cent from ₹ 2,04,693.14 crore in 2016-17 to ₹ 2,69,467.91 crore in 2020-21 at compound annual growth rate (CAGR) of 7.12 per cent. During 2020-21, the revenue receipts declined by 4.85 per cent over the previous year. The onset of COVID-19 pandemic and lockdown restrictions led to a contraction in economic activity.
- About 67 per cent of the revenue receipts during 2020-21 came from the State's own resources, while Union Tax Transfers and Grants-in-Aid together contributed 33 per cent.
- During the current year, revenue expenditure exceeded the revenue receipt by ₹ 41,141.85 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 increased slightly from 10.05 in 2019-20 to 10.12 in 2020-21. During 2020-21 Grants-in-Aid from the GoI increased by ₹ 9,008.09 crore (20.60 per cent), Non-Tax Revenue by ₹ 1,678.46 crore (11.74 per cent) and State's share of Union Taxes and Duties by ₹ 284.37 crore (0.79 per cent). This was set-off by decreased tax revenue by ₹ 24,692.59 crore (13.07 per cent).

2.3.2.2 State's Own Resources

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

Tax Revenue

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 2016-21 is given in **Table 2.4**.

Table 2.4: Components of State's Tax Revenue

(₹ in crore)

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	Sparkline
Sales Tax	81174.17	54893.51	35724.61	37785.54	33159.76	
SGST	0	50063	82352.32	82601.59	69948.56	
State excise	12287.91	13449.65	15320.90	15428.34	15089.38	
Taxes on vehicles	6741.21	8665.38	8613.19	8467.20	6655.12	
Stamp duty and Registration fees	21011.83	26441.82	28545.05	28706.56	25427.71	
Land revenue	1799.39	2309.86	2088.04	2154.55	2062.64	
Taxes on goods and passengers	1876.71	984.01	837.05	773.39	13.30	
Other taxes	11725.10	11124.64	13955.21	13030.40	11898.51	
Total	136616.32	167931.87	187436.37	188947.57	164254.98	

Source: Finance Accounts of respective years

During the current year, major contributors of tax revenue were State Goods and Service Tax (42.59 per cent), Taxes on Sales, Trades, etc (20.19 per cent) and Stamp Duty and Registration Fees (15.48 per cent).

COVID-19 related lockdown resulted in reduction in tax revenue collection which reflected in a sharp decline in SGST (15.32 per cent) and Sales tax (12.24 per cent).

Stamp duty and registration fees declined by 11.42 *per cent* partially due to slashing of stamp duty rates by the State Government as proactive measures taken during COVID 19 lockdown.

State Goods and Services Tax

Goods and Services Tax (GST) was implemented *w.e.f.* 01 July 2017. According to GST (Compensation to the States) Act, 2017, Union Government will compensate the States for the shortfall in revenue arising on account of implementation of GST considering an annual growth of 14 *per cent* from the base year for a period of five years. Accordingly, the projected revenue for Maharashtra was ₹ 1,16,496.44 crore for the year 2020-21 by applying the projected growth of 14 *per cent* per annum over the base year (2015-16) revenue of ₹ 60,504.60 crore.

During the year 2020-21, against the projected revenue of ₹ 1,16,496.44 crore, the State's GST (SGST) collection was ₹ 69,948.56 crore (including the advance apportionment of IGST amounting to ₹ 5,740.96 crore) as compared to ₹ 82,601.59 crore in 2019-20, registering a decrease of ₹ 12,653.03 crore (15.32 *per cent*). The total receipts of the State under GST during 2020-21 were ₹ 80,842.59 crore which included SGST collection and net proceeds of CGST assigned to states. The State did not receive its share of the net proceeds of IGST assigned to the States for the year 2020-21.

In order to meet the shortfall in GST, compensation is to be paid to States. Due to inadequate balance in GST compensation fund during the year 2020-21, the GoI had set up special borrowing in the year 2020-21. The amount of estimated shortfall was borrowed by the GoI during 2020-21 and passed on to the States as loan on a back to back basis. Due to this arrangement, the GST compensation which is normally received as revenue receipts was released as back-to-back loan by GoI accounted under debt receipts of the State Government, with no repayment liability for the State. During 2020-21, in addition to receiving the GST compensation of ₹ 17,423.37 crore as revenue receipts the State received back to back loan of ₹ 11,977 crore in lieu of GST compensation.

As per Section 7 of the GST (Compensation to the States) Act 2017, actual GST revenue collected by the State is to be audited /certified by Comptroller and Auditor General of India for receiving compensation from the Union Government on account of loss of revenue arising out of implementation of GST.

The entire process of collection of Goods and Service Tax (GST) has been made online through the GSTN IT platform. The GoI's decision to provide access to Pan-India data at GSTN premises was conveyed on 22 June 2020. The process of certification of the Compensation amount for the year 2017-18 to 2020-21 is in progress. Hence the compensation of ₹ 17,423.37 crore received from Union Government during 2020-21 is provisional.

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 the revenue deficit ultimately.

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Departments are given in **Table 2.5**.

Table 2.5: Arrears in Revenue assessment

						(₹ in crore)
Head of Revenue	Opening Balance (01 Apr 2020)	New cases due for assessment during 2020-21	Total cases due for assessments	Cases disposed off during 2020-21	Closing Balance (31 Mar 2021)	Disposal percentage (5 to 4)
1	2	3	4	5	6	7
Goods and Services Tax	19146	33075	52221	6194	46027	11.86
Maharashtra Value Added Tax	110968	61905	172873	124937	47936	72.27
Bombay Sales Tax	2	8	10	10	0	100
Motor Spirit Tax	0	0	0	0	0	0
Purchase Tax on Sugarcane	137	96	233	197	36	84.55
Entry Tax	6	2	8	7	1	87.50
Lease Tax	0	1	1	1	0	0
Luxury Tax	957	199	1156	770	386	66.61
Tax on Works Contract	1	0	1	1	0	100
Total	131217	95286	226503	132117	94386	58.33

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 and 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 2020	Cases detected during 2020-21	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 2021
					No. of cases	Amount (₹ in crore)	
1.	Taxes/VAT on Sales, Trade	435	275	710	376	976.27	334

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 2016-21 are shown in **Table 2.7**.

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

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	Sparkline
Interest receipts	3259.07	4162.53	4191.28	3270.69	2286.27	
Dividends and Profits	66.81	64.63	275.48	56.53	401.02	
Fiscal services	0.23	0.04	0.04	0.24	0.01	
<i>Other non-tax receipts</i>	9383.23	12014.60	11376.77	10969.54	13288.16	
a) Major and medium Irrigation	309.06	215.39	284.47	133.95	103.71	
b) Urban Development	895.82	1272.47	1358.37	1320.13	986.15	
c) Education	256.71	449.72	210.86	411.73	1001.17	
d) Non-ferrous mining	3104.79	3556.42	4056.71	3982.45	3918.31	
e) Others or miscellaneous	4816.85	6520.60	5466.36	5121.28	7278.82	
Total	12709.34	16241.80	15843.57	14297.00	15975.46	

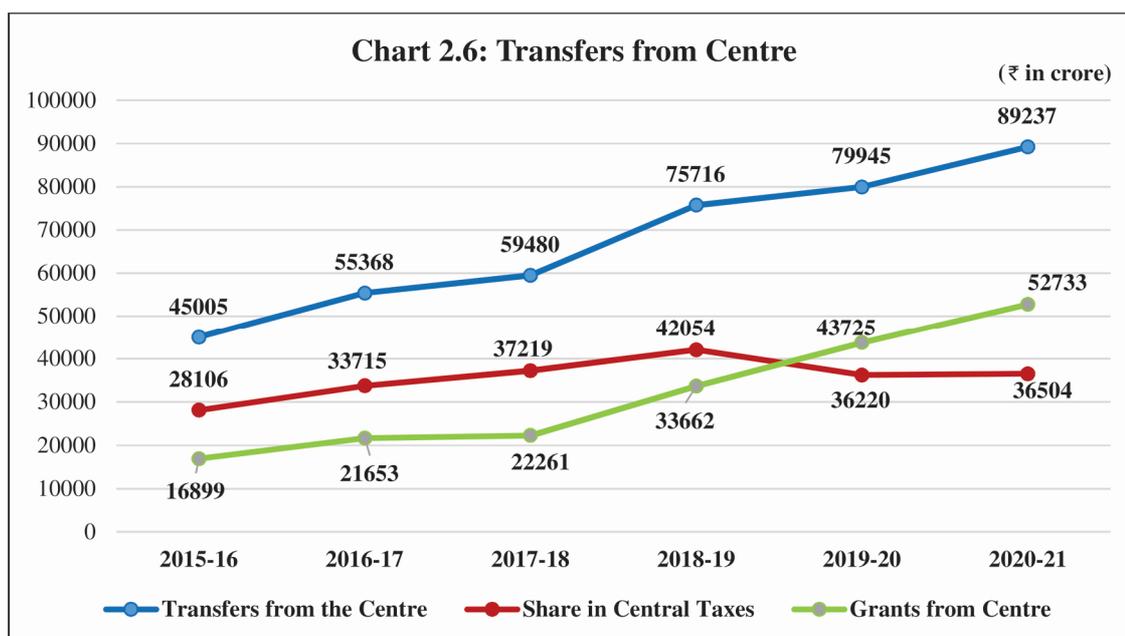
Source: Finance Accounts of respective years

Non-tax Revenue ranged between five and seven *per cent* of the total Revenue receipts of the State during 2016-21. During 2020-21, it increased by ₹ 1,678.46 crore (11.74 *per cent*) over the previous year. The increase was mainly under Dividend and Profits (₹ 344.49 crore), Education (₹ 589.44 crore) and Others or Miscellaneous by ₹ 2,157.30 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 GoI's 14 days Treasury Bills. Excess cash balance, beyond the immediate requirement is invested in GoI's 91 days Treasury Bills. As on 31 March 2021, ₹ 29,293.49 crore was lying under Cash Balance Investment Account of the State Government as invested by the RBI. An interest ₹ 977.12 crore was realized on Cash balance Investment account during 2020-21.

2.3.2.3 Transfers from the Centre

The transfers from Union 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 Union Taxes from 32 *per cent* to 42 *per cent* with effect from 2015-16 to 2019-20. The 15th Finance Commission in its first report for the year 2020-21 has recommended a total devolution of 41 *per cent* of the divisible pool of taxes. Maharashtra's share in the divisible pool as per the 14th FC was 5.551 *per cent* and as per the 15th FC is 6.135 *per cent*. Transfers from the Union Government includes State's share of Union Taxes and Duties and Grants-in-Aid. The transfers from Centre during 2015-16 to 2020-21 are given in **Chart 2.6**.



(Source: Finance Accounts of respective years)

During 2015-20 under the 14th FC the Share in Union Taxes and duties was ₹ 1,77,314 crore (average ₹ 35,463 crore) and grants from Centre was ₹ 1,38,200 crore (average ₹ 27,640 crore).

The XV FC recommended for 2020-21 an aggregate share of 41 *per cent* of the net proceeds of Union taxes to be devolved to the States in the year 2020-21. During 2020-21, the State's share in Union Taxes was ₹36,504.01 crore, an increase by ₹ 284.37 crore and Grants from Centre was ₹ 52,733.46 crore, an increase of ₹ 9,008.09 crore over the previous year.

Union Tax Transfer

The Finance Commission projections *vis-à-vis* actual tax devolution of Union 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)
2015-16	n <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and n1 <i>per cent</i> of net proceeds of sharable service tax (As per recommendations of 14 th FC) [Inter-se Share of States =5.551 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
2020-21	Fifteen Finance Commission (1st Report 2020-21) [Inter-se Share of States =6.135]	33743.27	36504.01	2760.74

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

The transfer of different components of State's share of Union Taxes during 2016-17 to 2020-21 are shown in **Table 2.9**.

Table 2.9: Union Tax Transfers

(₹ in crore)					
Head	2016-17	2017-18	2018-19	2019-20	2020-21
Central Goods and Services Tax (CGST)	0	522.44	10377.52	10277.86	10894.03
Integrated Goods and Services Tax (IGST)	0	3754.16	828.20	0	0
Corporation Tax	10790.2	11387.92	14621.85	12349.52	10979.94
Taxes on Income other than Corporation Tax	7499.22	9616.28	10768.37	9676.68	11252.46
Customs	4641.53	3753.00	2980.37	2295.84	1969.98
Union Excise Duties	5300.23	3923.00	1980.63	1596.26	1231.49
Service Tax	5458.92	4246.87	390.29	0.00	151.51
Other Taxes ²	24.80	15.53	106.98	23.48	24.6
Union Tax transfers	33714.90	37219.19	42054.20	36219.64	36504.01
Percentage of increase over previous year	19.96	10.39	12.99	(-)13.87	0.79
Percentage of Union Tax Transfers to Revenue Receipts	16.47	15.28	15.07	12.79	13.55

Source: Finance Accounts of respective years

During 2020-21, there was an increase in Union Tax Transfer by ₹ 284.37 crore (0.79 per cent) over the previous year. The increase was under 'CGST' and 'Taxes on Income other than Corporation Tax'. The percentage of Union Tax Transfers to Revenue Receipts increased to 13.55 per cent.

Grants-in-aid from GoI

The Grants-in-Aid received from GoI during 2016-21 are detailed in Table 2.10.

Table 2.10: Grants-in-Aid from GoI

(₹ in crore)					
Head	2016-17	2017-18	2018-19	2019-20	2020-21
Non-Plan Grants	9072.48	7157.50	8310.04	13690.19	3952.04
Grants for State Plan Schemes	455.15	196.71	1886.54	1723.42	0
Grants for Central Plan Schemes	1656.57	1085.81	1326.17	1369.31	0.2
Grants for Centrally Sponsored Schemes	10468.38	11894.91	13787.33	8806.56	(-)12.24
Grants for Special Plan Schemes	0	0	0	0	0
Grants for Centrally Sponsored Schemes (CSS)	0	0	22.04	1918.42	13733.52
Finance Commission Grants	0	0	0	550.91	8328.00
Other Transfers/Grants to States/Union Territories with Legislature	0	1488.00	8330.00	15666.56	26731.94
Total	21652.58	22260.93[§]	33662.12	43725.37	52733.46
Percentage of increase over the previous year	28.13	2.81	51.22	29.89	20.60
Percentage of Grants-in-Aid to Revenue Receipts	10.58	9.14	12.07	15.44	19.56

[§] Includes ₹ 437.77 crore, details are not available
Source: Finance Accounts of respective years

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

Grants-in-Aid from GoI increased by 20.60 *per cent* from ₹ 43,725.37 crore in 2019-20 to ₹ 52,733.46 crore in 2020-21. The increase in 2020-21 was mainly due to significant increase of ₹ 2,405.24 crore in grants released under GST Compensation, increase of ₹ 11,815.10 crore released under Centrally Sponsored scheme and increase in Finance Commission Grants by ₹ 7,777.09 crore.

The 'Other Transfer/Grants to states' also increased by ₹ 11,065.38 crore, which included 'Grants to cover gap in resources' amounting to ₹ 8,587 crore. During the period from 2016-17 to 2020-21 the total grants from GoI as a percentage of Revenue receipts was highest at 19.6 *per cent* during 2020-21 as shown in **Table 2.10**.

Finance Commission Grants

Details of of the Finance Commission Grants (XIV and XV), actual release by GoI and release by State Government, Panchayat Raj Institutions and Urban local bodies are given in **Table 2.11**.

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

(₹ in crore)

Recommendation of the XIV-FC (2015-20)				Recommendation of the XV-FC (2020-21)			
Components	Recommendation	Actual release by GoI	Release by State Govt.	Components	Recommendation	Actual release by GoI	Release by State Govt.
Local Bodies							
(i) Grants to PRIs	15035.68	13826.95	13826.95	Grants to PRIs	5827.00	5827.00	5827.00
(a) General Basic Grant	13532.11	13532.11	13532.11	(a) Basic 50%	2913.50	2913.50	2913.50
(b) General Performance Grants [#]	1503.57	294.84	294.84	(b) Tied 50%	2913.50	2913.50	2913.50
(ii) Grants to ULBs	12412.86	10417.10	10417.10	Grants to ULBs	2806	2806	2806
(a) General Basic Grant	9930.29	10417.10	10417.10	(a) Fifty million plus cities	1586	1586	1586
(b) General Performance Grants [#]	2482.57	0	0	(b) Non million plus cities	1220	1220	1220
Total for Local Bodies	27448.54	24244.05	24244.05	Total for Local Bodies	8633	8633	8633
State Disaster Response Fund	8195.00	7415.25	19534.79*	State Disaster Response Fund*	4296	3222	4296**
Grand Total	35643.54	31659.30	43778.84	Grand Total	12929	11855	12929
* Includes State share of 25 per cent (₹4883.37 crore) of total grant							
** Includes State share of 25 per cent (₹1074 crore) 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							

XIV Finance commission

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. It received the entire recommended amount of ₹ 13,532.11 crore towards Basic Grants to PRIs.

As per recommendations of the XIVFC, the Performance Grant is admissible to the PRIs after fulfillment 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-fulfillment of the mandatory conditions, the General Performance Grants of only ₹ 294.84 crore was released by GoI for PRIs as recommended by the XIVFC against ₹ 1,503.57 crore. Similarly, XIV-FC recommended General Performance Grants of ₹ 2,482.57 crore to Urban Local Bodies (ULBs) for the years 2016-20. However, Performance grants for none of the years was released by GoI. The concerned Departments did not comply with the conditions attached with these grants, which resulted in loss of grants on this account.

XV Finance Commission

The XV FC recommended grants for rural local bodies and for Fifth and Sixth Schedule areas as basic and tied grants in the ratio of 50:50. The basic grants are untied and can be used by the local bodies for location-specific felt needs, except for salary or other establishment expenditure. The tied grants, on the other hand, can be used for the basic services of (a) sanitation and maintenance of open-defecation free (ODF) status and (b) supply of drinking water, rain water harvesting and water recycling.

The urban local bodies are divided in two categories: (a) fifty Million-Plus urban agglomerations/cities, and (b) all other cities and towns with less than one million populations.

For the Million-Plus cities, the Commission recommended that during 2020-21, the amount shall be spent exclusively for improving water and solid waste management and achieving of star ratings by the urban local bodies.

For urban local bodies other than in Million-Plus cities, allocation was made in two equal parts 50 *per cent* basic grants and 50 *per cent* grants tied to (a) drinking water (including rainwater harvesting and recycling) and (b) solid waste management. It was noticed that the entire amount of grants recommended for rural and urban local bodies were released by GoI and subsequently by the State Government to the local body during 2020-21.

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

Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Capital Receipts	38195.18	34071.34	2513.01	34142.43	62541.72
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	1745.58	1778.01	1604.29	1614.87	1612.35
Net Public Debt Receipts	36449.60	32293.33	908.72	32527.56	60929.37
<i>Internal Debt</i>	<i>36792.33</i>	<i>33074.10</i>	<i>1496.07</i>	<i>32610.31</i>	<i>46903.98</i>
<i>Growth rate</i>	<i>30.22</i>	<i>(-)10.11</i>	<i>(-)95.48</i>	<i>2079.73</i>	<i>43.83</i>
<i>Loans and Advances from GoI</i>	<i>(-)342.73</i>	<i>(-)780.77</i>	<i>(-)587.35</i>	<i>(-)82.75</i>	<i>14025.39</i>
<i>Growth rate</i>	<i>6.88</i>	<i>127.81</i>	<i>(-)24.77</i>	<i>(-)85.91</i>	<i>17049.11</i>
Rate of growth of Debt Capital Receipts	30.49	(-)11.4	(-)97.19	3479.49	87.32
Rate of growth of Non-debt Capital Receipts	97.91	1.86	(-)9.77	0.66	(-)0.16
Rate of growth of GSDP	11.80	7.03	9.64	9.26	(-)5.57
Rate of growth of Capital Receipts (<i>per cent</i>)	32.55	(-)10.8	(-)92.62	1258.63	83.18
Source: Finance Accounts of respective years					

Net Capital Receipts (Net Public Debt and Non-debt Receipts) of the State increased by 83.18 *per cent* in 2020-21. The share of Net Public Debt Receipts in Capital Receipts was 97.42 *per cent* during 2020-21.

As seen from the **Table 2.12**, the net Public debt receipt ranged between ₹ 32,293 crore and ₹ 36,450 crore during 2016-17, 2017-18 and 2019-20. In 2018-19 the net debt receipt was quite low at ₹ 908.72 crore, due to reduction in market borrowings and comparatively high debt repayment. In 2020-21, the net debt was quite high at ₹ 60,929.37 crore due to considerable increase in debt receipts. The net Loans and advances from GoI of ₹ 14,025.39 crore included an amount of ₹ 11,977 crore in lieu of GST compensation, which is normally received as revenue receipts, but was received as back-to-back loan under debt receipts of the State Government, with no repayment liability for the State, due to inadequate balance in GST compensation fund during the year 2020-21. Debt Sustainability analysis is given in **Paragraph 2.7**.

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 2020-21 *vis-à-vis* projections given in the XVFC Report and Budget Estimates (2020-21) are given in **Table 2.13**.

Table 2.13: Tax and Non-tax receipts vis-à-vis Projections 2020-21

(₹ in crore)

	15 th FC Projections	Budget Estimates	Actual	Percentage variation of actual over	
				Budget estimates	15 th FC Projections
Tax Revenue	253587	225071.21	164254.98	(-)27.02	(-)35.23
Non-tax Revenue	21391	20506.16	15975.46	(-)22.09	(-)25.32

Source: Finance Accounts, 15th FC Report, Budget documents

In comparison to the assessment made by XVFC and Budget estimates there was substantial shortfall in mobilisation of resources by the State, which was mainly due to limited economic activity on account of COVID-19 pandemic situation.

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 an 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 organization, including establishment and administrative expenses shall be classified as Revenue expenditure.

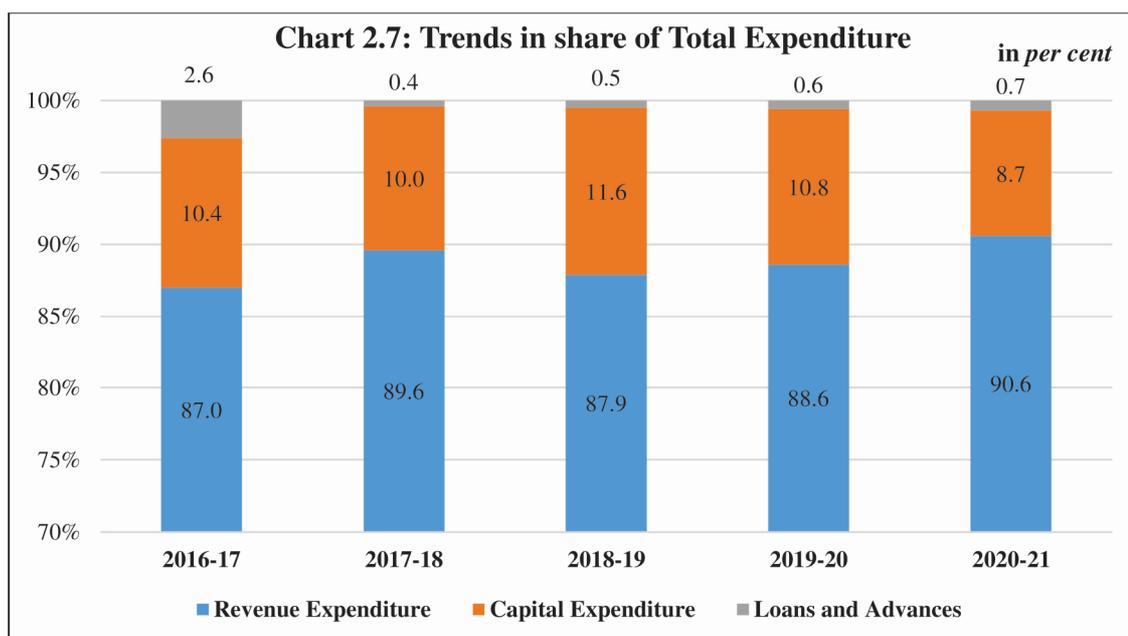
The composition of total expenditure over the period of last five years (2016-21) is given in **Table 2.14** and **Chart 2.7**.

Table 2.14: Total expenditure and its composition

(₹ in crore)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	245055	269392	303616	338691	342638
Revenue Expenditure (RE)	213229	241571	267022	300305	310610
Capital Expenditure (CE)	25549	26842	35049	36416	29687
Loans and Advances	6277	979	1545	1970	2342
As a percentage of GSDP					
TE/GSDP	11.15	11.45	11.77	12.02	12.87
RE/GSDP	9.70	10.27	10.35	10.65	11.67
CE/GSDP	1.16	1.14	1.36	1.29	1.12
Loans and Advances/GSDP	0.29	0.04	0.06	0.07	0.09

Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

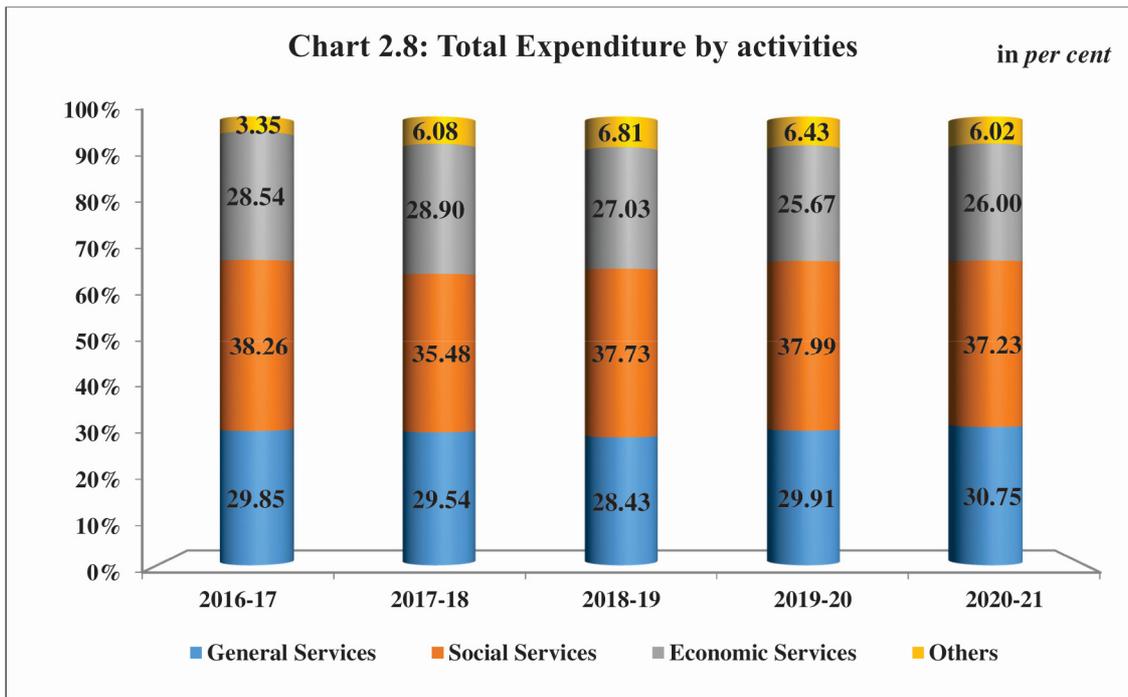
It is evident from the above that the total expenditure increased significantly from ₹ 2,45,055.21 crore in 2016-17 to ₹ 3,42,638.31 crore in 2020-21. Total expenditure as a percentage of GSDP grew from 11.15 *per cent* in 2016-17 to 12.87 *per cent* in 2020-21.

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

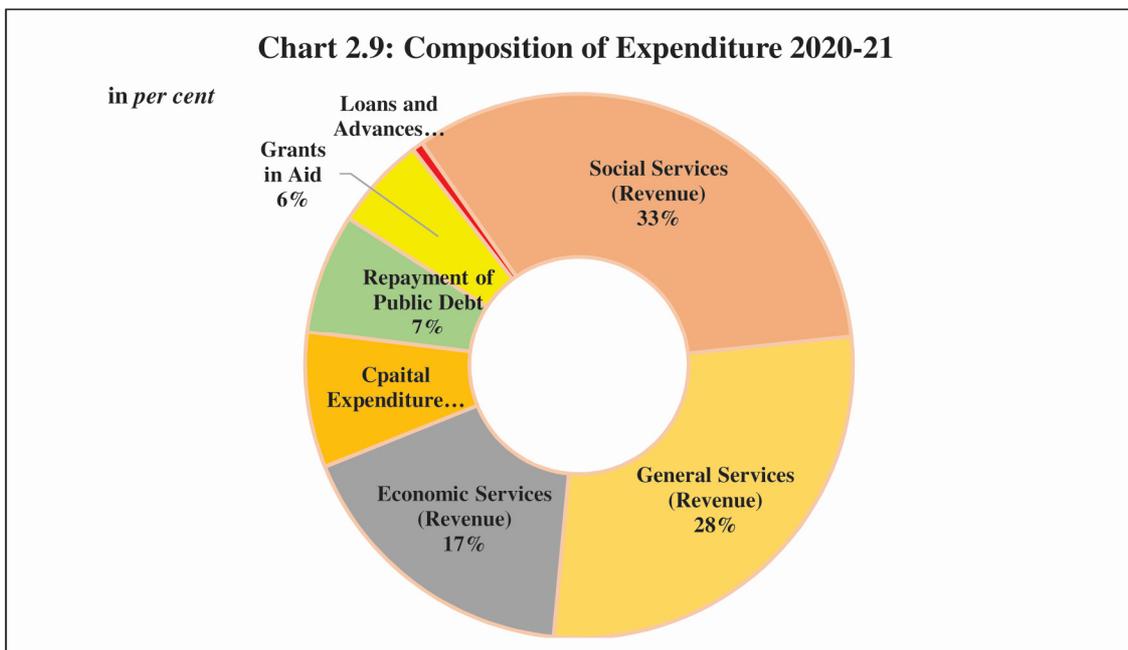
Parameters	(in per cent)				
	2016-17	2017-18	2018-19	2019-20	2020-21
General Services	29.85	29.54	28.43	29.91	30.75
Social Services	38.26	35.48	37.73	37.99	37.23
Economic Services	28.54	28.90	27.03	25.67	26.00
Others (Grants to Local Bodies and Loans to Govt. Servants)	3.35	6.08	6.81	6.43	6.02

Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

The relative share of these components exhibited stability during the period from 2016-17 to 2020-21 with marginal inter year variations. The composition of Expenditure during 2020-21 is depicted in **Chart 2.9**.



(Source: Finance Accounts 2020-21)

2.4.2 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payment for the past obligation. Revenue expenditure comprises wages and salaries, interest payments, pensions, expenditure on operation and maintenance of capital works, subsidies and transfers to local bodies, co-operatives, Non-Government Organisations (NGOs) and others.

Expenditure can also be classified into various functional categories such as administrative services, social services and economic services. Expenditure on social and economic services is incurred to create physical infrastructure and human resource development and, therefore, is considered productive, whereas expenditure on general administration and debt servicing is considered unproductive.

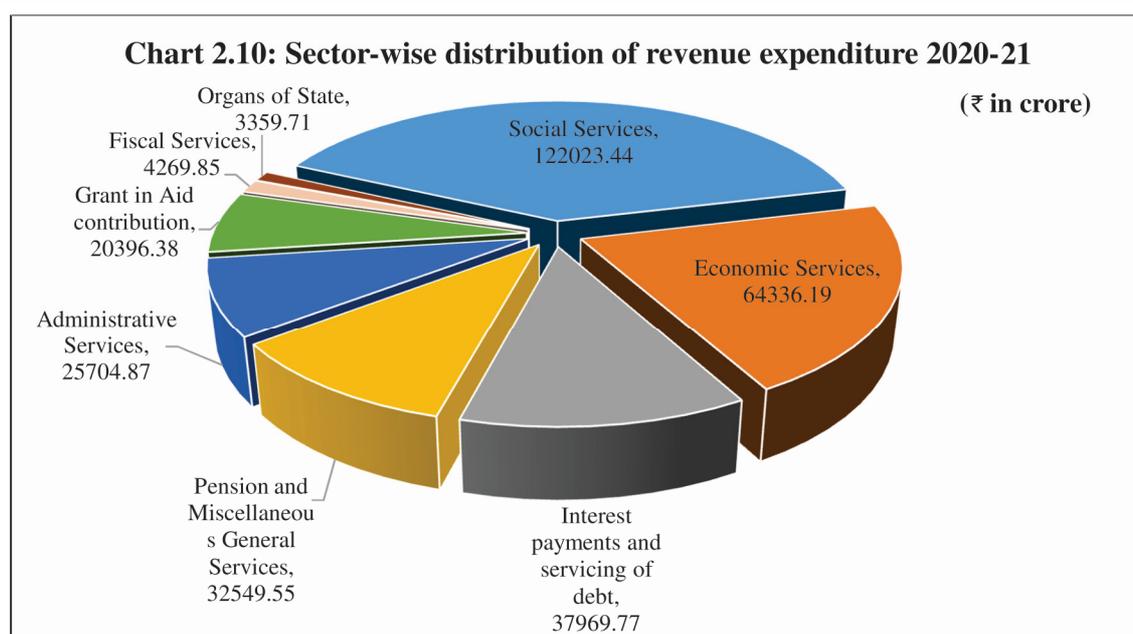
The overall Revenue expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-à-vis* GSDP and Revenue receipts are indicated in **Table 2.16** and the sectoral distribution of Revenue expenditure pertaining to 2020-21 is given in **Chart 2.10**.

Table 2.16: Revenue Expenditure – Basic Parameters

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	245055.21	269392.54	303615.89	338690.64	342638.31
Revenue Expenditure (RE)	213228.73	241571.07	267021.67	300305.21	310609.76
Rate of Growth of RE (per cent)	12.01	13.29	10.54	12.46	3.43
Revenue Expenditure as percentage of TE	87.01	89.67	87.95	88.67	90.65
RE/GSDP (per cent)	9.70	10.27	10.35	10.65	11.67
RE as percentage of RR	104.17	99.15	95.71	106.04	115.27

(₹ in crore)

Source: Finance Accounts of respective years



(Source: Finance Accounts 2020-21)

Revenue expenditure had a predominant share in total expenditure. During 2020-21, revenue expenditure constituted 90.65 *per cent* of the total expenditure. However, the growth rate of revenue expenditure during 2020-21 was a meagre 3.4 *per cent*. The COVID-19 pandemic and the subsequent lockdown resulted in shortfall in revenue collection. The State Government resorted to large cutbacks on both revenue and capital expenditure to compensate for shortfalls in tax collections.

2.4.2.1 Major changes in Revenue Expenditure

Table 2.17 details significant variations under various Heads of Account with regard to Revenue Expenditure of the State during the current year and the previous year.

Table 2.17: Variations in Revenue Expenditure during 2020-21 compared to 2019-20

(₹ in crore)

Major Heads of Account	2019-20	2020-21	Increase (+)/ Decrease (-)
2435-Other Agricultural Programmes	4940.55	17153.78	12213.23
2071-Pensions and Other Retirement Benefits	27741.23	32266.9	4525.67
2049-Interest Payments	33560.73	36969.77	3409.04
2210-Medical and Public Health	12454.97	15113.87	2658.90
2505-Rural Employment	1325.18	3010.63	1685.45
2235-Social Security and Welfare	4877.23	6180.70	1303.47
2225-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	13655.00	10738.94	(-)2916.06
2048-Appropriation for reduction or avoidance of debt	4000.00	1000.00	(-)3000.00

Source: Finance Accounts of respective years

During the year 2020-21, there was significant increase in Revenue Expenditure on 'Other Agricultural Programmes' owing to increased expenditure on Mahatma Jyotirao Phule Farmer Loan Waiver Scheme.

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 2016-21 and **Chart 2.11** shows the share of committed expenditure in the total expenditure.

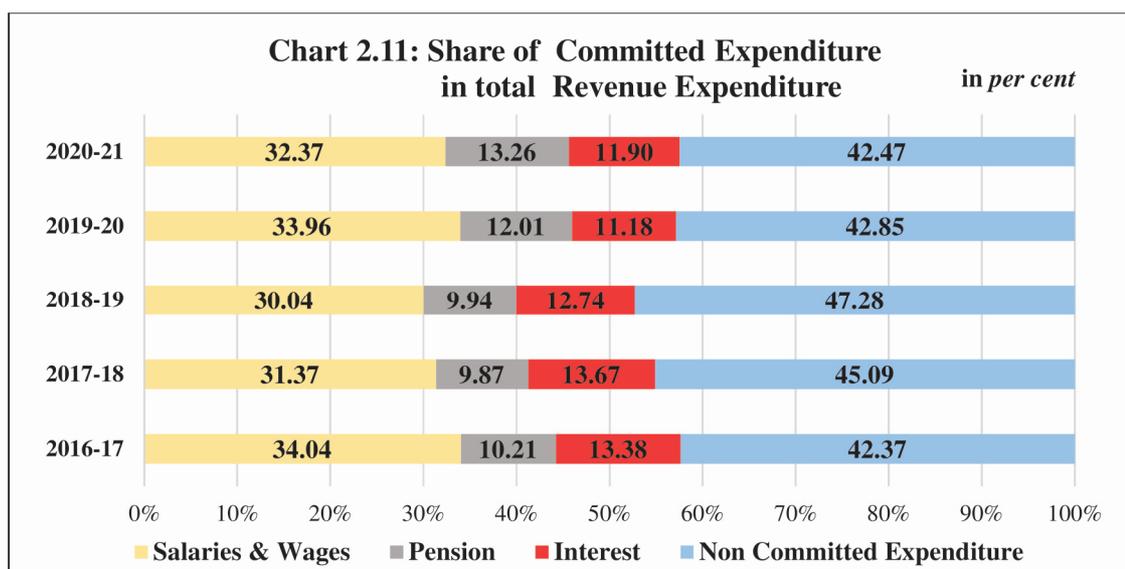
Table 2.18: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Salaries & Wages *	72582.95	75783.87	80221.59	101981.24	100529.17
Expenditure on Pensions	21760.26	23853.33	26544.73	36077.52	41194.31
Interest Payments	28531.92	33018.43	34021.25	33560.73	36969.77
Total	122875.13	132655.63	140787.57	171619.49	178693.25
As a percentage of Revenue Receipts (RR)					
Salaries & Wages*	35.46	31.10	28.75	36.01	37.31
Expenditure on Pensions	10.63	9.79	9.51	12.74	15.29
Interest Payments	13.94	13.55	12.19	11.85	13.72
Total	60.03	54.44	50.45	60.60	66.32
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages*	34.04	31.37	30.04	33.96	32.37
Expenditure on Pensions	10.21	9.87	9.94	12.01	13.26
Interest Payments	13.38	13.67	12.74	11.18	11.90
Total	57.63	54.91	52.72	57.15	57.53

* Includes salaries paid out of grants-in-aid

Source: Finance Accounts of respective years



(Source: Finance Accounts of respective year)

The share of the committed expenditure constituted over 50 per cent of the total revenue expenditure of the State during the entire period of 2016-21.

Salaries and Wages

Expenditure on salaries and wages over the five year period (2016-21), increased by ₹ 27,946.22 crore (38.50 per cent) from ₹ 72,582.95 crore in 2016-17 to ₹ 1,00,529.17 crore in 2020-21. Its share in the Revenue expenditure decreased slightly during the current year relative to the previous year and accounted for 32.37 per cent of Revenue expenditure during 2020-21.

Interest Payments

During 2020-21, Interest Payments increased by ₹ 3,409.04 crore (10.16 per cent) over the previous year. During the current year, the Interest Payments were made on Internal Debt (₹ 30,772.55 crore), Small Savings, Provident Fund, etc. (₹ 3,388.84 crore), Loans and Advances from GoI (₹ 347.36 crore), Deposits and Advances (₹ 2,378.67 crore) and Reserve Funds (₹ 7.13 crore).

Pension Payments

The expenditure during the year on pension and other retirement benefits to State Government employees recruited prior to November 2005, was ₹ 41,194.31 crore (13.26 per cent of Revenue expenditure). There was an increase of ₹ 5,116.79 crore over the previous year. State Government employees recruited on or after 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 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 Union 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 November 2005. In terms of the Scheme, the employee contributes 10 *per cent* of his/her basic pay and dearness allowance, and 14 *per cent* of basic pay and dearness allowance is contributed by the State Government. As per Ministry of Finance's notification dated 31st January 2019, the employer's contribution rate has been enhanced to 14 *per cent* with effect from 1.4.2019. The entire amount is to be transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank.

During the year 2020-21, the Government of Maharashtra deposited ₹ 5,333.49 crore towards employees' contribution of ₹ 2,462.94 crore (₹ Tier I: ₹ 2,181.14 crore and Tier II: ₹ 281.80 crore) and Government contribution ₹ 2,870.55 crore into a Fund created for National Pension Scheme for Government employees in the Public Account, pending final transfer to the designated Fund Manager. As per the Scheme, against the employees' contribution of ₹ 2,181.14 crore (Tier 1) the State Government had to contribute ₹ 3,053.60 crore. Instead, the State Government contributed only ₹ 2,870.55 crore resulting in short transfer of ₹ 183.05 crore.

The State Government had transferred ₹ 3,236.89 crore to the NSDL. As on 31 March 2021, the cumulative balance amount of ₹ 10,642.26 crore was yet to be transferred to NSDL. Uncollected, unmatched and un-transferred amounts, with accrued interest, represent outstanding liabilities of the Government under the Scheme.

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 2016-17 to 2020-21 are shown in **Table 2.19**.

Table 2.19: Expenditure on subsidies during 2016-21

	2016-17	2017-18	2018-19	2019-20	2020-21
Subsidies (₹ in crore)	20984.19	33894.42	27397.78	28385.98	40861.58
Subsidies as a percentage of Revenue Receipts	10.25	13.91	9.82	10.02	15.16
Subsidies as a percentage of Revenue Expenditure	9.84	14.03	10.26	9.45	13.16

Source: Finance Accounts of respective years

Table 2.19 indicates that expenditure under subsidies increased considerably by 43.95 *per cent* from ₹ 28,385.98 crore in 2019-20 to ₹ 40,861.58 crore in 2020-21. During the current year, subsidies constituted 13 *per cent* of the Revenue expenditure and 15 *per cent* of Revenue receipts.

The major schemes which received subsidies during 2020-21 included:

- Mahatma Jyotirao Phule Farmer's Loan waiver scheme (₹ 17,080 crore). The subsidy amount under this during 2019-20 was ₹ 3,000 crore.
- Concession in energy tariff to Agricultural pump consumers (₹ 6,885.97 crore).
- Subsidy on loss to Maharashtra State Road Transport Corporation (₹ 2,320 crore).
- Subsidy of ₹ 2,250 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'.
- Pradhan Mantri Crop Insurance Scheme (₹ 1,745.67 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 2020-21 relative to previous years is shown in **Table 2.20**.

Table 2.20: Financial Assistance to Local Bodies, etc.

	(₹ in crore)				
Institutions	2016-17	2017-18	2018-19	2019-20	2020-21
(A) Local Bodies					
Municipal Corporations and Municipalities	13850.36	23192.36	28958.48	30802.66	30101.99
Panchayati Raj Institutions	18626.71	22112.62	21123.91	26620.62	28724.25
Total (A)	32477.07	45304.98	50082.39	57423.28	58826.24
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, <i>etc.</i>)	29037.49	29175.01	31428.21	36674.10	35899.78
Development Authorities	806.56	1692.38	1027.43	584.31	2303.49
Hospitals and Other Charitable Institutions	5037.64	5694.04	5707.03	5364.44	7345.86
Other Institutions	29479.79	19777.88	34317.45	34158.76	29405.9
Total (B)	64361.48	56339.31	72480.12	76781.61	74955.03
Total (A+B)	96838.55	101644.29	122562.51	134204.89	133781.27
Revenue Expenditure	213228.73	241571.07	267021.67	300305.21	310609.76
Assistance as percentage of Revenue Expenditure	45.42	42.08	45.9	44.9	43.07
Source: Finance Accounts of respective years					

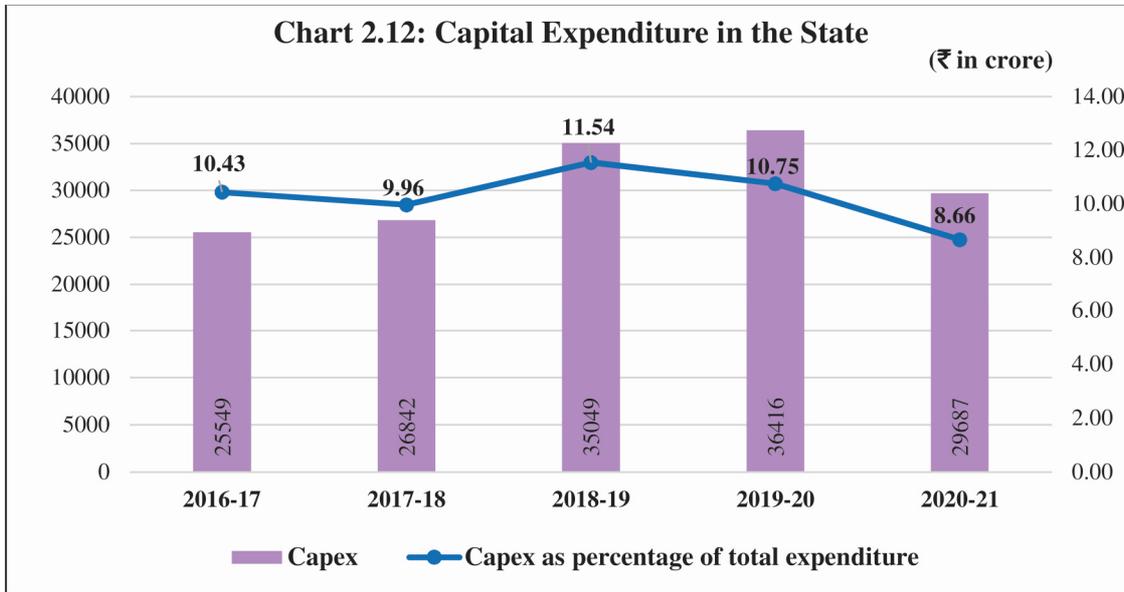
The financial assistance to Local Bodies and other institutions by the State Government decreased by 0.32 *per cent* from ₹1,34,204.89 crore in 2019-20 to ₹ 1,33,781.27 crore in 2020-21. Further, the assistance to Municipal Corporations for loss of revenue arising due to implementation of Goods and Services Tax during 2020-21 was ₹ 20,037.31 crore as compared to ₹ 19,146.83 crore in 2019-20.

2.4.3 Capital Expenditure

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

During 2020-21, Capital Outlay (₹ 29,686.70 crore) constituted 8.66 per cent of the total expenditure, Capital outlay lowered by 18.48 per cent (₹ 6,728.87 crore) during 2020-21 as compared to 2019-20, which was primarily due to restriction in Capital outlay as a measure taken by the State Government to deal with the COVID 19 pandemic situation.

Trend of Capital expenditure vis-à-vis total expenditure during the five-year period (2016-17 to 2020-21) are given in **Chart 2.12**.



(Source: Finance Accounts of respective years)

2.4.3.1 Major changes in Capital Expenditure

During 2020-21, Capital Outlay (₹ 29,686.70 crore) constituted 8.66 per cent of the total expenditure. The significant increase/decrease in capital outlay during 2020-21 over the previous year is shown in **Table 2.21**.

Table 2.21: Capital expenditure during 2020-21 compared to 2019-20

Major Heads of Accounts	₹ in crore)		
	2019-20	2020-21	Increase (+)/ Decrease (-)
4059-Capital Outlay on Public Works	486.67	823.29	(+)336.62
4210-Capital Outlay on Medical and Public Health	1115.86	989.7	(-)126.16
4217-Capital Outlay on Urban development	2024.15	1616.87	(-)407.28
4408-Capital Outlay on Food, Storage and Warehousing	2889.50	1402.91	(-)1486.59
4701-Capital Outlay on Major and Medium Irrigation	9417.09	6467.44	(-)2949.65
5054-Capital Outlay on Roads and Bridges	12563.89	11763.84	(-)800.05
5055-Capital Outlay on Road Transport	288.90	0.00	(-)288.90

Source: Finance Accounts of respective years

As seen from the above table during 2020-21, increase in capital outlay by ₹ 336.62 crore was noticed only in Public Works, whereas in all the other heads it was lower than 2019-20.

2.4.3.2 Quality of Capital Expenditure

Out of the total Capital outlay of ₹ 29,686.70 crore, Government had invested ₹ 8,958.99 crore (30.18 *per cent* of Capital Outlay) in Statutory Corporations (₹ 8,613.92 crore) mainly related to Irrigation Development and others, Government Companies (₹ 300.86 crore) and in Co-operative banks/Societies and Local bodies (₹ 32.44 crore).

Statement 19 of Finance Accounts of the State Government contains the details of investments of the Government. 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 in the form of equity/ loans given to Companies, Corporations and Co-operatives, which are either loss making or have eroded their net worth completely, affect the 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	2016-17	2017-18	2018-19	2019-20	2020-21
Investment at the end of the year (₹ in crore)	129983.79	140203.56	153322.10	165024.85	173983.84
Return (₹ in crore)	66.81	64.63	275.48	56.53	401.02
Return (<i>per cent</i>)	0.05	0.05	0.18	0.03	0.23
Average rate ³ of interest on Government Borrowings (<i>per cent</i>)	7.64	7.97	7.83	7.32	7.19
Difference between interest rate and return (<i>per cent</i>)	7.59	7.92	7.65	7.29	6.96
Difference between interest on Government borrowings and return on investment [§] (₹ in crore)	9865.77	11104.12	11729.14	12030.31	12109.28
[§] Investment at the end of the year * difference between interest rate and return. Source: Finance Accounts of respective years					

Information furnished by the Commissioner for Co-operation and Registrar of Co-operative Societies revealed that of the 23,602 societies with an aggregate Government investment of ₹ 184.85 crore (equity: ₹ 54.87 crore and loan: ₹ 129.98 crore), 12,781 societies had incurred accumulated losses of ₹ 2,163.95 crore.

Quantum of loans disbursed and recovered (2016-21)

In addition to investments in Co-operative Societies, Corporations and Companies, the State Government has also provided Loans and Advances to many institutions/organizations. The Indian Government Accounting Standards-3 (IGAS-3)

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

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 2016-21 is given in **Table 2.23**.

Table 2.23: Position of Loans and Advances

(₹ in crore)

Quantum of Loans/Interest receipts/Cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Opening balance of Loans outstanding	22071.77	26603.40	25804.68	25745.56	26100.55
Amount advanced during the year	6277.21	979.29	1545.17	1969.86	2341.85
Amount recovered during the year	1745.58	1778.01	1604.29	1614.87	1612.35
Closing balance of the Loans outstanding	26603.40	25804.68	25745.56	26100.55	26830.05
Interest received	407.00	485.00	394.00	322.00	315.87
Interest rate ⁴ on Loans and Advances given by the Government	1.67	1.85	1.53	1.24	1.19
Rate of Interest paid on the outstanding borrowings of the Government	7.64	7.97	7.83	7.32	7.19
Difference between the rate of interest paid and interest received (<i>per cent</i>)	(-)5.97	(-)6.12	(-)6.30	(-)6.08	(-)6.00

Source: Finance Accounts of respective years

Implementation of Ujwal Discom Assurance Yojana

The Ministry of Power, GoI 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 take over losses, if any, of the DISCOMs in a graded manner as shown in **Table 2.24**.

Table 2.24: Losses taken over by the State

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

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

Table 2.25: Position of Equity/Loan/ Subsidy under UDAY

(₹ in crore)				
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 installments *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 the last installment of loan for 2020-21 by the MSEDCL, the Government released a grant of ₹ 992 crore to the DISCOM.

2.4.4 Investment in State PSUs

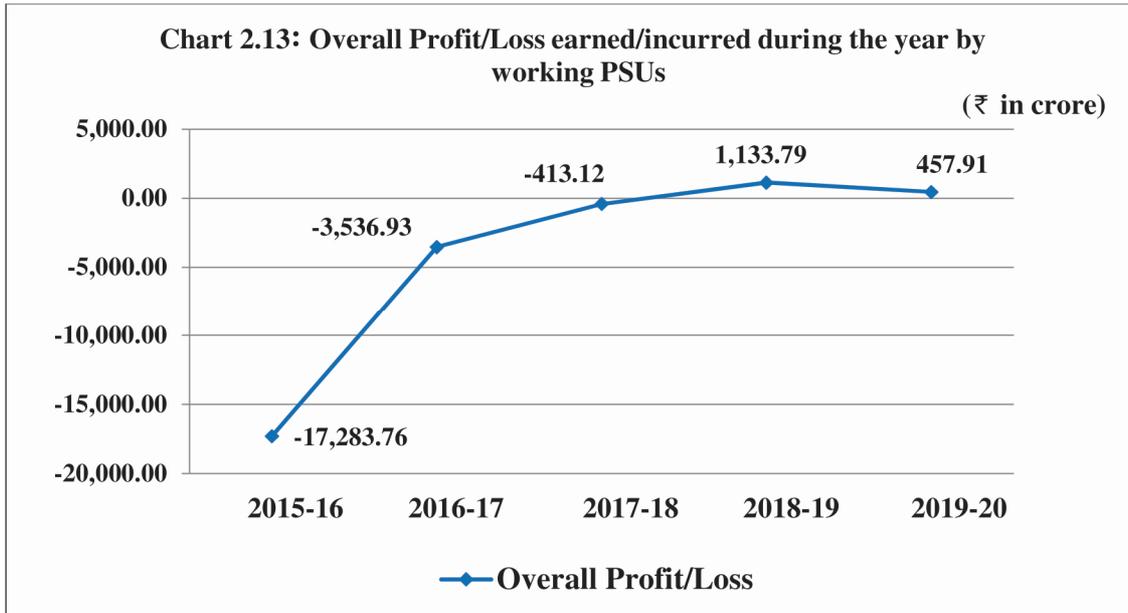
As on 31 March 2021, the amount of investment in the PSUs was ₹ 4, 23,109.39 crore consisting of ₹ 3,25,850.10 crore as equity and ₹ 97,259.29 crore as long-term loans. Out of this, Government of Maharashtra had investment of ₹ 2, 26,692.48 crore in the PSUs consisting of equity of ₹ 2,25,384.18 crore and long-term loans of ₹ 1,308.30 crore (**Appendix 1.3**). The financial position and working results of the 109 State Public Sector Undertakings (PSU) as per their latest finalized accounts as of 30 September 2021 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 2016-17 to 2020-21 is depicted in **Chart 2.13**.

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



(Source: Compiled based on latest financial statements received from PSUs)

As per latest finalized accounts for the year 2020-21, out of 90 working State PSUs, 43 PSUs earned profit of ₹ 2,043.54 crore and 29 PSUs incurred losses of ₹ 1,585.62 crore as detailed in **Appendix 2.1**. These 90 working PSUs (80 working Government companies and 10 statutory corporations) incurred losses during 2016-17 to 2018-19, which transformed into profits of ₹ 1,133.79 crore in 2019-20 which in turn decreased to profits of ₹ 457.91 crore in 2020-21.

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

The major profit-making companies were Maharashtra State Electricity Transmission Company Limited (MSETCL) (₹ 492.92 crore), Maharashtra State Electricity Distribution Company Limited (MSEDCL) (₹ 439.02 crore) and Western Maharashtra Development Corporation Limited (WMDC) (₹ 255.86 crore) whereas losses were incurred by MSRTC (₹ 939.87 crore), Mumbai Pune Expressway Limited (MPEL) (₹ 290.02 crore) and Maharashtra State Road Development Corporation Limited (MSRDC) (₹ 141.90 crore).

Number of working PSUs, which earned/incurred profit/loss during 2016-17 to 2020-21 is given in **Table 2.26**.

Table 2.26: Details of working Public Sector Undertakings which earned/incurred profit/ loss during 2016-17 to 2020-21

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 did not incur profit/loss during the year	Number of PSUs which had not submitted their first accounts ⁶
2016-17	72	40	17	12	03
2017-18	74	37	22	12	03

⁶ Including PSUs in respect of which first accounts were not due to be submitted

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 did not incur profit/loss during the year	Number of PSUs which had not submitted their first accounts ⁶
2018-19	83	38	24	10	11
2019-20	88	42	27	11	08
2020-21	90	43	29	11	07

Source: Compiled based on latest financial statements received from PSUs

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

Out of 109 Public Sector Undertakings of the State, the State Government infused funds in the form of equity in 59 PSUs⁷ only while five PSUs did not have a share capital, being companies limited by guarantee.

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 2.27**. 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 Corporations⁸ which account for Government grants as a part of Capital Contribution of the Government.

As on 31 March 2021, the equity of the State Government in these 59 PSUs was ₹ 2,25,384.18 crore. Out of the released long term loans of ₹ 1,308.30 crore, ₹ 441.44 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 ₹ 2,25,825.62 crore (₹ 2,25,384.18 crore + ₹ 441.44 crore).

The sector-wise Return on Investment on the basis of historical cost of investment for the period 2016-17 to 2020-21 is as given in **Table 2.27**.

⁷ Of these, one statutory corporation- Maharashtra Industrial Development Corporation (MIDC) though directly held by GoM, does not have a share capital.

⁸ MKVDC, KIDC, TIDC and MWCC

Table 2.27: Return on State Government Funds on the basis of historical cost of investment
(₹ in crore)

Year wise Sector-wise break-up	Total number of PSUs	Inactive PSUs	Loss making PSUs	Total Earnings ⁹ 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	8	0	4	(17462.55)	87393.20	(19.98)
Agriculture & Allied Sector	20	6	2	263.31	108922.21	0.24
Finance Sector	18	0	4	102.62	2307.48	4.45
Infrastructure Sector	19	6	5	(93.98)	1164.25	(8.07)
Manufacturing Sector	17	8	7	(45.69)	283.95	(16.09)
Service Sector	4	0	1	(118.03)	3851.57	(3.06)
Miscellaneous Sector	8	2	0	9.60	28.65	33.51
Total	94	22	23	(17344.72)	203951.31	(8.50)
2017-18						
Power Sector	8	0	4	(3328.13)	88086.99	(3.78)
Agriculture & Allied Sector	19	5	4	330.55	116239.95	0.28
Finance Sector	18	0	3	120.42	2332.48	5.16
Infrastructure Sector	21	6	4	(170.02)	1164.24	(14.60)
Manufacturing Sector	17	8	9	(59.69)	284.75	(20.96)
Service Sector	4	0	3	(525.79)	4349.89	(12.09)
Miscellaneous Sector	8	2	1	9.90	28.86	34.30
Total	95	21	28	(3622.76)	212487.16	(1.70)
2018-19						
Power Sector	8	0	5	870.95	88940.67	0.98
Agriculture & Allied Sector	21	5	5	374.14	116802.51	0.32
Finance Sector	18	0	3	120.74	2,336.35	5.17
Infrastructure Sector	26	6	5	(220.04)	1164.24	(18.90)
Manufacturing Sector	16	7	8	(71.57)	285.63	(25.06)
Service Sector	4	0	3	(1581.68)	4862.23	(32.53)
Miscellaneous Sector	10	2	1	9.86	28.86	34.16
Total	103	20	30	(497.60)	214420.49	(0.23)
2019-20						
Power Sector	9	0	4	1738.79	88940.67	1.95
Agriculture & Allied Sector	21	5	4	357.00	126405.66	0.28
Finance Sector	18	0	5	119.79	2346.35	5.11
Infrastructure Sector	27	5	10	(172.45)	1164.19	(14.81)
Manufacturing Sector	16	7	9	(67.78)	287.53	(23.57)
Service Sector	4	0	2	(938.82)	5397.84	(17.39)
Miscellaneous Sector	12	2	1	13.13	29.41	44.64
Total	107	19	35	1049.65	224571.64	0.47
2020-21						
Power Sector	8	0	4	1145.10	89216.66	1.28
Agriculture & Allied Sector	22	5	4	230.70	127162.90	0.18
Finance Sector	18	0	5	119.02	2346.35	5.07
Infrastructure Sector	28	5	11	(150.56)	1164.19	(12.93)
Manufacturing Sector	16	7	10	(68.14)	288.73	(23.60)
Service Sector	4	0	2	(938.87)	5617.43	(16.71)
Miscellaneous Sector	13	2	3	55.71	29.41	189.43
Total	109	19	39	392.96	225825.62	0.17
Source: Compiled based on latest finalised Financial Statements and information received from PSUs. Figures in parenthesis indicate negative balance.						

⁹ Earnings represents Net profit before tax

The return on State Government investment is worked out by dividing the total earnings¹⁰ 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 2016-17 to 2020-21. The overall return on State Government investment was negative during the years 2016-17 to 2018-19, which turned positive (0.47 per cent) in 2019-20 and continued to be positive (0.17 per cent) in 2020-21.

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 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 2021, 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 2021. During the period from 2016-17 to 2020-21, these 59 PSUs had a positive return on investment during the years 2019-20 and 2020-21. 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 Corporations¹¹, 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 year¹² 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

¹⁰ This includes net profit/losses for all State PSUs

¹¹ MKVDC, KIDC, TIDC and MWCC

¹² 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 = $\text{Interest Payment} / [(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities})/2] * 100$

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 2020-21 is indicated in **Table 2.28**.

Table 2.28: Consolidated position of present value of the State government investment in PSU during 2000-01 to 2020-21

(₹ 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
2020-21	454068.68	1254.18	0.00	0.20	0.00	1253.98	7.19	455322.66	488060.36
		225384.18	6235.11	161.27	5632.40	225825.62			

Source: Compiled based on latest 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 2016-17 to 2020-21 is indicated in **Table 2.29**.

Table 2.29: 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
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
2020-21	455322.66	488060.36	32737.70	392.96
Source: Compiled based on latest information and latest financial statements received from PSUs. Figures in parenthesis indicate negative balance				

The investment by the State Government in these PSUs at the end of the year 2020-21 increased to ₹ 2,25,825.62 crore from ₹ 12,392.86 crore in 1999-2000, since the State Government made further investments in these PSUs in the shape of equity (₹ 2,13,060.25 crore) and interest free loans (₹ 372.51 crore). During the period 2000-2001 to 2020-2021, investment in the power sector companies by GoM increased from ₹ 0.45 crore to ₹ 89,216.66 crore in the form of equity only, whereas investment in the non-power sector companies increased from ₹ 12,392.41 crore to ₹ 1,36,608.96 crore in the form of Loan (₹ 372.51 crore) and Equity (₹ 1,36,236.45 crore). The present value of funds infused by the State Government up to 31 March 2021 amounted to ₹ 4,88,060.36 crore. During 2016-17 to 2020-21, 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 (0.17 per cent) on State Government investment (₹ 2,25,825.62 crore) on historical cost basis was higher than the return earned (0.08 per cent) considering the present value of the investments (₹ 4, 88,060.36 crore) during the year 2020-21.

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 2021 were ₹ 42,839.19 crore as detailed in **Appendix 2.1**. Of these PSUs, net worth was eroded in 11 PSUs¹³ 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 ₹ 417.85 crore. The net worth was eroded primarily in Maharashtra Power Development Corporation Limited (₹ 1,013.18 crore), Maharashtra State Textiles

¹³ Development Corporation of Vidarbha Limited ₹ 10.55 crore, Maharashtra State Handlooms Corporation Limited ₹54.17 crore, Maharashtra Electronics Corporation Limited ₹ 389.88 crore, Maharashtra State Powerlooms Corporation Limited ₹1.59 crore, Maharashtra State Textiles Corporation Limited ₹ 884.85 crore, Maharashtra State Financial Corporation ₹ 579.04 crore, Development Corporation of Konkan Limited ₹ 6.35 crore, Maharashtra State Farming Corporation Limited ₹ 173.68 crore, Marathwada Development Corporation Limited ₹ 0.86 crore, Maharashtra Land Development Corporation Limited ₹ 16.01 crore and Maharashtra Power Development Corporation Limited ₹ 1013.18 crore

Corporation Limited (₹ 884.85 crore), Maharashtra State Financial Corporation (₹ 579.04 crore) and Maharashtra Electronics Corporation Limited (₹ 389.68 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.

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 2016-17 to 2020-21 is shown in **Table 2.30**.

Table 2.30: Dividend Payout of PSUs during 2016-17 to 2020-21

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 (<i>per cent</i>)
	Number of PSUs	Equity infused by GoM (₹ in crore)	Number of PSUs	Equity infused by GoM (₹ in crore)	Number of PSUs	Dividend declared/paid by PSUs (₹ in crore)	
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
2020-21	59	225384.18	36	148173.26	7	14.39	0.01

Source: Compiled based on latest information and latest financial statements received from PSUs

During the period 2016-17 to 2020-21, the number of PSUs which earned profits ranged between 32 and 38 PSUs. However, only four to seven PSUs declared/paid dividend to GoM. The Dividend Payout Ratio during 2016-17 to 2020-21 ranged between 0.004 *per cent* and 0.017 *per cent*.

Of the seven PSUs which declared/paid dividend during 2020-21, five PSUs¹⁴ 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.

¹⁴ Maharashtra Film, Stage and Cultural Development Corporation Limited, Maharashtra State Seeds Corporation Limited, Western Maharashtra Development Corporation, Maharashtra State Warehousing Corporation and Maharashtra Urban Infrastructure Development Company Limited

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 the 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 2020-21 as per their latest finalised accounts as of 30 September 2021 are given in **Table 2.31**.

Table 2.31: Return on Equity relating to PSUs where funds were infused by the GoM

Year	Net Income ¹⁵ (₹ 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)
2020-21	(232.74)	219355.87	(7.04)

Source: Compiled based on latest financial statements of PSUs
Figures in parenthesis indicate negative balance

During the period from 2016-17 to 2020-21, the Net Income was negative in 2017-18, 2019-20 and 2020-21. 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), turned negative again in 2019-20 and continued to be negative in 2020-21.

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 employed¹⁶. The details of total ROCE of all the 109 State PSUs together during the period from 2016-17 to 2020-21 are given in **Table 2.32**.

Table 2.32: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (per cent)
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
2020-21	10286.91	3,57,784.17	2.88

Source: Compiled based on latest financial statements of PSUs.

The ROCE of these State PSUs ranged between 1.16 per cent and 3.10 per cent during 2017-18 and 2020-21. The EBIT for 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 2016-17 to 2020-21 was carried out to assess the ability of the companies to serve the debt owed by

¹⁵ Net Income refers to Net Profit after tax(-) Preference dividend

¹⁶ 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

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 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 2016-17 to 2020-21 are given in **Table 2.33**.

Table 2.33: 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 equal to or more than 1	Number of PSUs having interest coverage ratio less than one
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
2020-21	9,893.94	9,957.67	39	27	12

Source: Compiled based on latest financial statements of PSUs
Figures in parenthesis indicate negative balance

There were 39 State PSUs having liability of loans from Government as well as banks and other financial institutions during 2020-21. Of these, 27 PSUs had interest coverage ratio of more than one whereas remaining 12 PSUs had interest coverage ratio below one which indicates that these 12 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 PSUs recorded compounded annual growth of 7.40 per cent. The debt increased at a compounded annual rate of 8.87 per cent due to which the Debt turnover ratio increased from 0.57 in 2016-17 to 0.74 in 2020-21 as given in **Table 2.34**.

Table 2.34: Debt Turnover Ratio relating to the State PSUs

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Debt from Government and others (Banks and Financial Institutions)	49628.30	54226.78	51376.22	67167.36	84514.38
Turnover	86377.84	90334.69	102195.78	110256.45	114929.10
Debt-Turnover Ratio	0.57:1	0.60:1	0.50:1	0.61:1	0.74:1

Source: Compiled based on latest financial statements received from PSUs

The debt-turnover ratio ranged between 0.50 and 0.74 during this period.

2.4.4.12 Winding up of inactive State PSUs

Nineteen of the 109 State PSUs were inactive companies having a total investment of ₹ 697.82 crore towards capital (₹ 298.12 crore) and long term loans (₹ 399.70 crore) as on 31 March 2021. 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 2021 is given in **Table 2.35**.

Table 2.35: Number of Inactive Public Sector Undertakings

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
No. of inactive companies	22	21	20	19	19
Source: Compiled based on information received from PSUs					

The Government may review the working of these inactive PSUs for continuance of their operations.

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 rationalization 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 Total expenditure (TE) and the proportion of expenditure being spent on Education and Health Sectors. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better.

Table 2.36 compares the fiscal priority of the State with that of States other than North Eastern and Himalayan States' average with regard to Total expenditure (TE), Social Sector expenditure (SSE), Economic Sector expenditure (ESE) and Capital Expenditure during 2020-21, taking 2015-16 as the base year.

Table 2.36: Fiscal Priority of the State in 2015-16 and 2020-21

Particulars	(in per cent)					
	TE/ GSDP	SSE/ TE	ESE/ TE	CE/ TE	CE on Education/TE	CE on Health/ TE
States other than North Eastern and Himalayan States 2015-16	16.89	36.26	34.35	18.78	0.40	0.57
Maharashtra 2015-16	10.9	39.67	26.79	11.16	0.05	0.3
States other than North Eastern and Himalayan States 2020-21	16.18	37.81	28.48	13.03	0.40	0.51
Maharashtra 2020-21	12.87	37.24	26.00	9.35	0.03	0.29

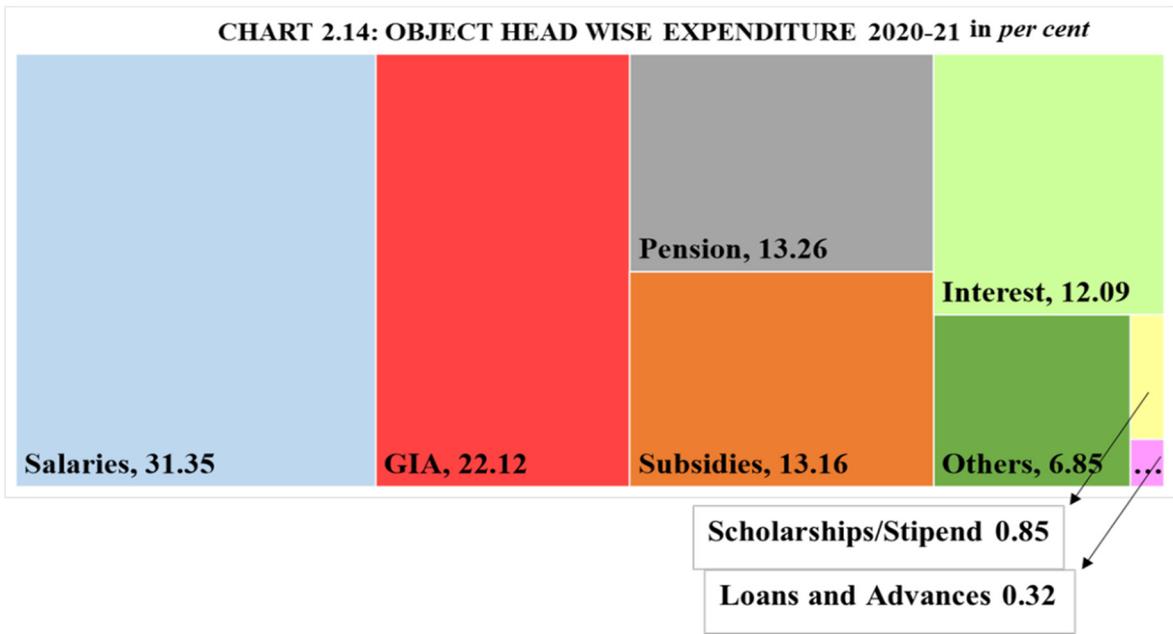
Table 2.36 indicates the following:

- The total expenditure as a ratio of GSDP of Maharashtra was considerably lower than that of States other than North Eastern and Himalayan States' average during 2015-16 and 2020-21.
- Economic Sector expenditure, as a ratio of Total expenditure of the State was lower than that of States other than North Eastern and Himalayan States' average during 2015-16 and 2020-21.

- Capital Expenditure as ratio of Total expenditure was lower than that of States other than the North Eastern and Himalayan States’ average during 2015-16 and 2020-21. Capital expenditure on Education and Health as a ratio of total expenditure compared with that of States other than North Eastern and Himalayan States’ average was lower 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 2020-21 is shown in **Chart 2.14**.



(Source: Finance Accounts 2020-21)

Salaries constituted 31 per cent of the revenue expenditure followed by GIA 22 per cent, Pension and subsidies 13 per cent and Interest 12 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

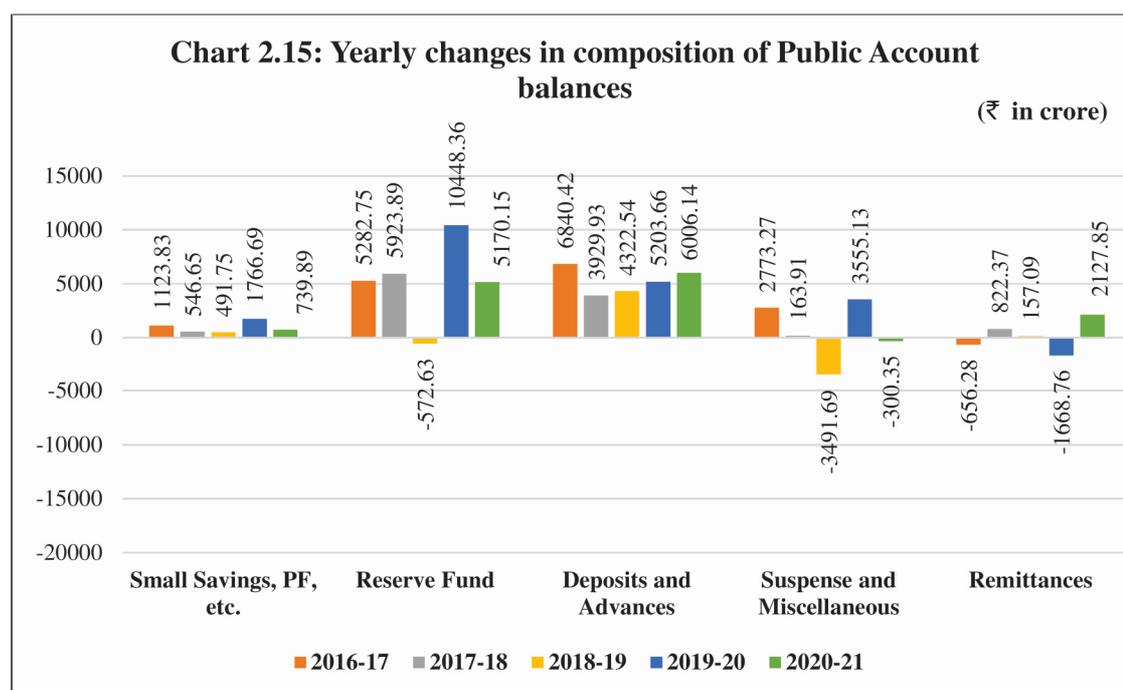
(₹ in crore)

Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
I. Small Savings, Provident Funds, etc	Small Savings, Provident Funds, etc	1123.83	546.65	491.75	1766.69	739.89
J. Reserve Funds	(a) Reserve Funds bearing Interest	300.95	44.87	500.87	3781.61	657.53
	(b) Reserve Funds not bearing Interest	4981.80	5879.02	(-)1073.50	6666.75	4512.62
K. Deposits and Advances	(a) Deposits bearing Interest	3240.15	4717.07	3630.92	5886.57	5674.11
	(b) Deposits not bearing Interest	3600.22	(-)787.09	692.01	(-)686.58	333.23
	(c) Advances	0.05	(-)0.05	(-)0.39 [#]	3.67	(-)1.20
L. Suspense and Miscellaneous	(b) Suspense	(-)59.37 [#]	(-)47.37	49.32	289.60	(-)329.48
	(c) Other Accounts	2832.64	208.44	(-)3541.01	3265.52	29.13
	(d) Accounts with Governments of Foreign Countries	0	0	0	0	0.00
	(e) Miscellaneous	0	2.84	0	0.01	0.00
M. Remittances	(a) Money Orders, and Other Remittances	(-)656.97	825.76	160.90	(-)1664.09	2128.66
	(b) Inter- Governmental Adjustment Account	0.69	(-)3.39	(-)3.81	(-)4.67	(-)0.81
TOTAL		15363.99	11386.75	907.06	19305.08	13743.68

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 decreased from ₹ 19,305.08 crore in 2019-20 to ₹ 13,743.68 crore in 2020-21.

The changes in composition of Public Account balances are shown in Chart 2.15.



(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 2021, there were 21 active Reserve Funds earmarked for specific purposes. Out of these 12 funds were operative and the remaining nine were inoperative. The total accumulated balance at the end of 31 March 2021 in these funds was ₹ 58,751.91 crore out of which ₹ 4,652.17 crore was under interest bearing Reserve Fund and ₹ 54,099.74 crore under Non-Interest-bearing Reserve Fund.

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 Consolidated 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. According to the guidelines of the Fund, States may contribute a minimum of 0.5 *per cent* of their outstanding liabilities (public debt + public account) as at the end of the previous year to the Consolidated Sinking Fund.

During 2020-21, the State Government transferred ₹ 1000 crore to the Consolidated Sinking Fund from the Revenue Account as against the required contribution of ₹ 2,399.50 crore, 0.5 *per cent* of outstanding liabilities (Public Debt *plus* Public Account liabilities) of ₹ 4,79,899 crore as on 31 March 2020. The balance in the Consolidated Sinking Fund as on 31 March 2021 was ₹ 45,737.63 crore, which has been invested.

2.5.2.2 State Disaster Response Fund

GoI replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 01 April 2010. In terms of guidelines on constitution and administration of the State Disaster Response Fund (under Major Head-‘8121 General & Other Reserve Funds’ which is under interest bearing section), the Union and State Governments are required to contribute to the fund in the proportion of 75:25.

SDRF was 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 Union 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.* Details of expenditure charged to SDRF during the year 2020-21 are presented in the **Table 2.38**.

Table 2.38: Details of expenditure charged to SDRF

(₹ in crore)

Major Head of Account	Minor Head of Account	Expenditure during 2020-21
2245- Relief on Account of Natural Calamities 02- Floods, Cyclones <i>etc.</i>	101-Gratuitous Relief	5460.44
	113-Assistance for repairs/reconstruction houses	439.80
	115-Assistance to farmers to clear sand/silt/salinity from lands	30.15
	117-Assistance to farmers for purchase of live stock	9.43
	118-Assistance for Repairs/Replacement of damaged boats and equipment for fishing	9.86
	119-Assistance to artisans for repairs/replacement of damaged tools and equipment	8.39
	800-Other expenditure	116.70
	Sub Total	6074.77
2245- Relief on Account of Natural Calamities 80- General	800-Other Expenditure	766.88
	911- Deduct-Recoveries of Overpayments	-0.78
	Sub-Total	766.10
Grand Total		6840.87
05-State Disaster Response Fund	901- Deduct-amount met from State Disaster Response Funds	(-)3856.92
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 ₹ 8,488.48 crore Source: Finance Accounts 2020-21		

The corpus of the SDRF of Maharashtra for the year 2019-20 was ₹ 1,803 crore. As per the recommendations of the 15th FC, the annual contribution to the SDRF is in the ratio of 75:25 between GoI and GoM.

During the year 2020-21, the State Government received ₹ 3,222 crore as Central share. The State Government's share during the year is ₹ 1,074 crore. The State Government transferred ₹ 4,296 crore (Central share ₹ 3,222 crore, State share ₹ 1,074 crore) to the Fund under Major Head 8121-122 SDRF. The State received ₹ 420.12 crore from the Union Government towards National Disaster Response Force (NDRF).

The expenditure of ₹ 3,856.92 crore incurred on natural calamities was set off against the expenditure initially incurred under Major Head 2245-Relief on account of Natural Calamities leaving a Fund balance of ₹ 859.20 crore as on 31 March 2021.

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 2019-20 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 transferred ₹ 228.04 crore (0.55 *per cent* of total outstanding Guarantees of ₹ 41,179.07 crore as on 31 March 2020) to the Fund and ₹ 258.92 crore has been invested by the Reserve Bank of India during the year. The amount in the fund as on 31 March 2021 is ₹ 686.66 crore.

2.5.2.4 State Compensatory Afforestation Fund

In compliance with the instructions issued by the Ministry of Environment and Forests, GoI, the State Governments are required to establish the State Compensatory Afforestation Fund for amounts received from user agencies.¹⁷ The monies collected are to be utilized for undertaking Compensatory Afforestation, assisted natural regeneration, conservation and protection of forests, infrastructure development, wildlife conservation and protection and other related activities.

The monies received by the State Governments from the user agencies need to be credited in 'State Compensatory Afforestation Deposits' under interest bearing section in Public Account of the State at Minor head level below the Major Head 8336-Civil Deposits. As per Section 3 (4) of the Compensatory Afforestation Fund Act, 2016, 90 *per cent* of the fund needs to be transferred to the Major Head 8121-General and Other Reserve Funds in Public Account of State and balance 10 *per cent* to be credited into the National Fund on yearly basis provided that, the credit of 10 *per cent* Union share of funds should be ensured on monthly basis so that the same is transferred to the National Fund. The applicable rate of interest on balances available under 'State Compensatory Afforestation Deposits' under '8336-Civil Deposits' and 'State Compensatory Afforestation Fund' under 8121- General and other Reserve Funds will be as per the rate declared by the Union Government on year-to-year basis.

During the year 2020-21, the State Government did not receive any assistance from the user agencies. The Government transferred an expenditure of ₹ 260 crore to Major head 8121-General and Other Reserve Funds. The total balance in the State Compensatory Afforestation Fund as on 31 March 2021 was ₹ 3,432.72 crore. During the year,

¹⁷ User Agency” means any person, organisation or Company or Department of the Central or State Government making a request for diversion or de-notification of forest land for non-forest purpose or using forest land for non-forest purpose in accordance with the permission granted by the Central Government under the Act or the rules

₹ 18.77 crore was transferred to Major Head 8336-Civil Deposits. However, no interest was credited to the Fund.

2.5.2.5 Building and other Construction Workers Welfare Cess

The GoI enacted the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act) to levy and collect cess for providing benefits to the workers. The Act, inter alia, mandated constitution of a Building and Other Construction Workers' Welfare Board and framing of rules by every State Government to exercise the powers conferred under the Act. Accordingly, the Government of Maharashtra have framed Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2007 under the Act and have constituted Maharashtra Building and Other Construction Workers Welfare Board. The Board is responsible for the operation and maintenance of the amount credited by Government as Labour Cess Deposits. During the year 2020-21, the Board has collected ₹ 1,464.71 crore as Labour Cess. The department has not furnished details of expenditure incurred from the Fund and the balance available as on 31 March 2021.

Further, during the year 2020-21, the Government collected ₹ 804.77 crore being the collection of cess (other than Labour Cess). Out of total collection of ₹ 804.77 crore, no amount was transferred to the fund by the State Government.

2.5.2.6 Accounting of transaction relating to Central Road Fund

GoI provides annual grants under the CRF to the State Government to incur expenditure on specific road projects. In terms of the extant accounting procedure, the grants are to be initially booked as Revenue Receipts under Major Head "1601-Grants-in-Aid from Union Government". Thereafter the amount so received is to be transferred by the State Government to the Public Account under Major Head "8449-Other Deposits-103-Subvention from Union Road Fund", through Revenue Expenditure Major Head "3054-Roads and Bridges". This process ensures that receipt of the grants do not result in overstatement of Revenue Surplus or understatement of Revenue Deficit in the accounts. The expenditure on prescribed road works under CRF will first be accounted for under the relevant Capital or Revenue Expenditure section (Major Heads 5054 or 3054) and reimbursed out of the Public Account under Major Head 8449 as a deduct expenditure to the concerned Major Head (5054 or 3054 as the case may be).

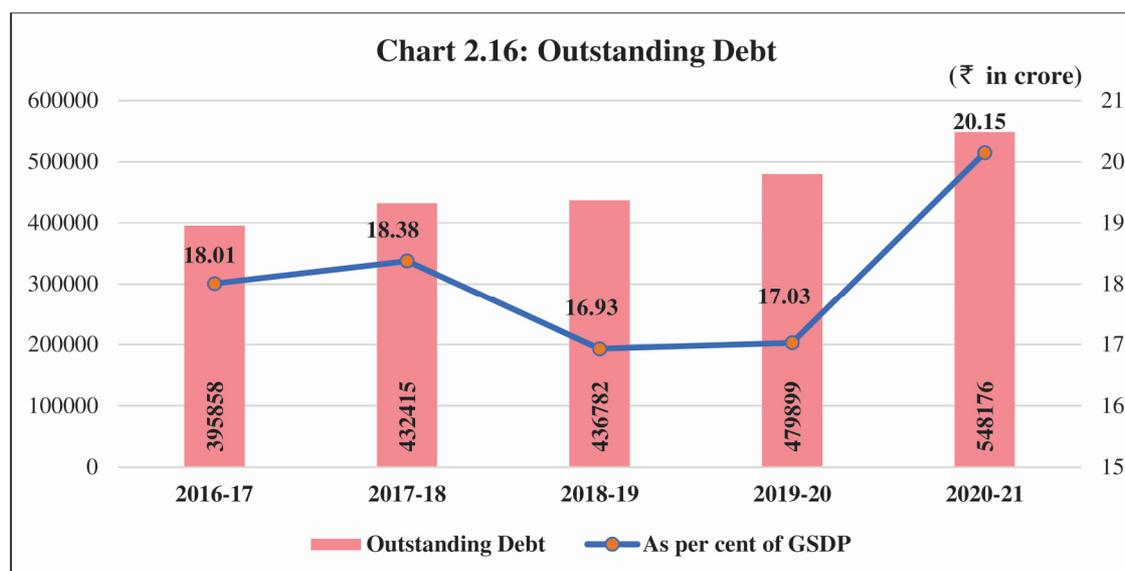
During the year 2020-21 the State Government received grants of ₹ 675.84 crore towards CRF and transferred an amount of ₹ 616.96 crore to the Deposit Head 8449 through expenditure Head 3054. The State Government incurred expenditure of ₹ 616.96 crore from the fund during the year and closing balance in the fund was ₹ 0.01 crore as on 31 March 2021.

An amount of ₹ 58.88 crore was not transferred to the fund by the State Government.

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, 95,858 crore in 2016-17 to ₹ 5,48,176 crore¹⁸ at the end of 2020-21. Compared to the previous year, the outstanding debt grew by 14.23 per cent due to increase in the outstanding internal debt by ₹ 46,903 crore and Loans from GoI by ₹14,025.39 crore. The outstanding debt to GSDP ratio of 20.15 per cent¹⁹ during 2020-21 was higher than the limits prescribed by the FRBM Act (16.15).

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)				
		2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Debt		395857.58	432433.06	436781.94	479899.14[§]	548176.45
Public Debt	Internal Debt	293951.78	327025.89	328521.95	361132.26	408036.24
	Loans from GoI	7885.84	7105.07	6498.72	6420.15	20445.54
Public Account Liabilities		94019.96	98302.10	101761.27	112346.73	119694.67
Rate of growth of outstanding debt (percentage)		12.67	9.24	1.01	9.8	14.23
Gross State Domestic Product (GSDP)		2198185	2352782	2579628	2818555	2661629

¹⁸ The effective outstanding debt would be ₹ 5,36,199.45 crore, as Department of Expenditure, GoI has decided that GST compensation of ₹ 11,977 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission

¹⁹ The Debt to GSDP ratio as per the Finance Accounts is 20.60 per cent. However, the effective debt to GSDP ratio has been arrived at after exclusion of GST compensation of ₹11,977 crore received as back to back loan under debt receipts, from the outstanding debt

	2016-17	2017-18	2018-19	2019-20	2020-21
Debt/GSDP (<i>per cent</i>)	18.01	18.38	16.93	17.03	20.15*
Total Debt Receipts	100118.09	100511.34	79505.99	130325.03	171674.22
Total Debt Repayments	55601.80	63935.88	75138.11	87212.01	103396.91
Total Debt Available	44516.29	36575.46	4367.88	43113.02	68277.31
Debt Repayments/Debt Receipts (<i>per cent</i>)	55.54	63.61	94.51	66.92	60.23

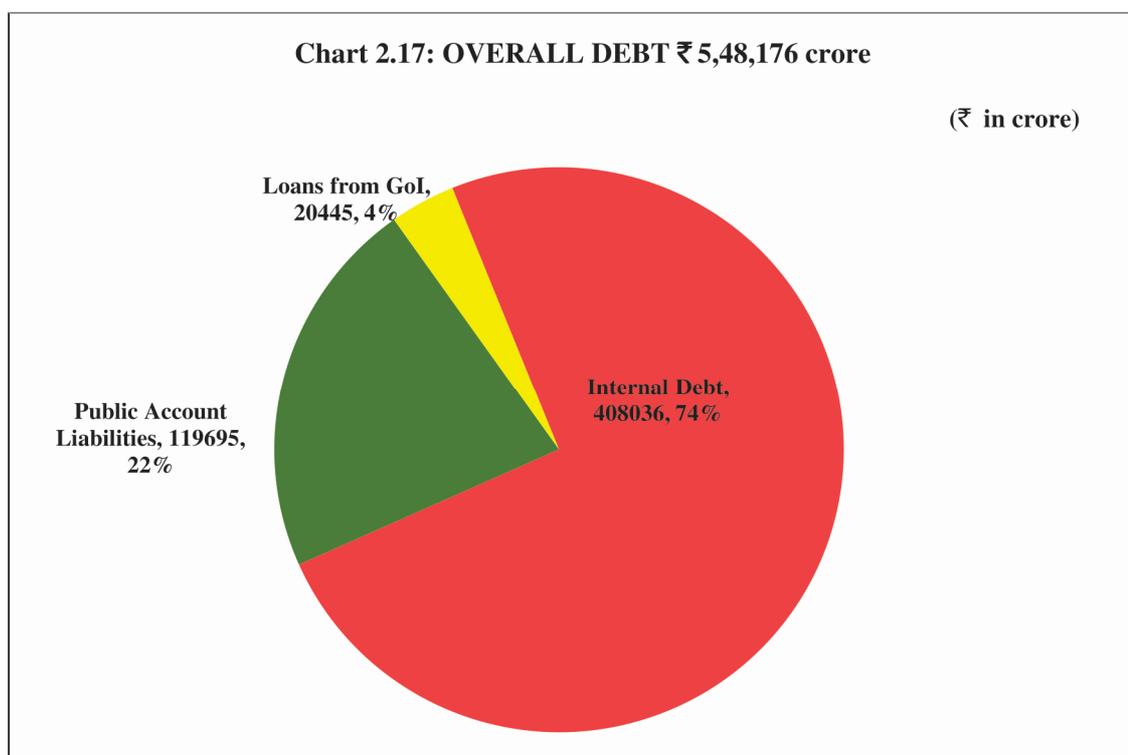
^s Increased by ₹ 4.18 crore due to *Proforma* correction owing to waiver of ₹ 3.58 crore on excess instalment paid against Union Loans and reversal of waiver of ₹ 7.76 crore adjusted in the year 2013-14 based on information received from Ministry of Finance, Department of Expenditure

* Arrived at after exclusion of GST compensation of ₹11,977 crore received as back to back loan under debt receipt from the total outstanding debt

Source: Finance Accounts of respective years

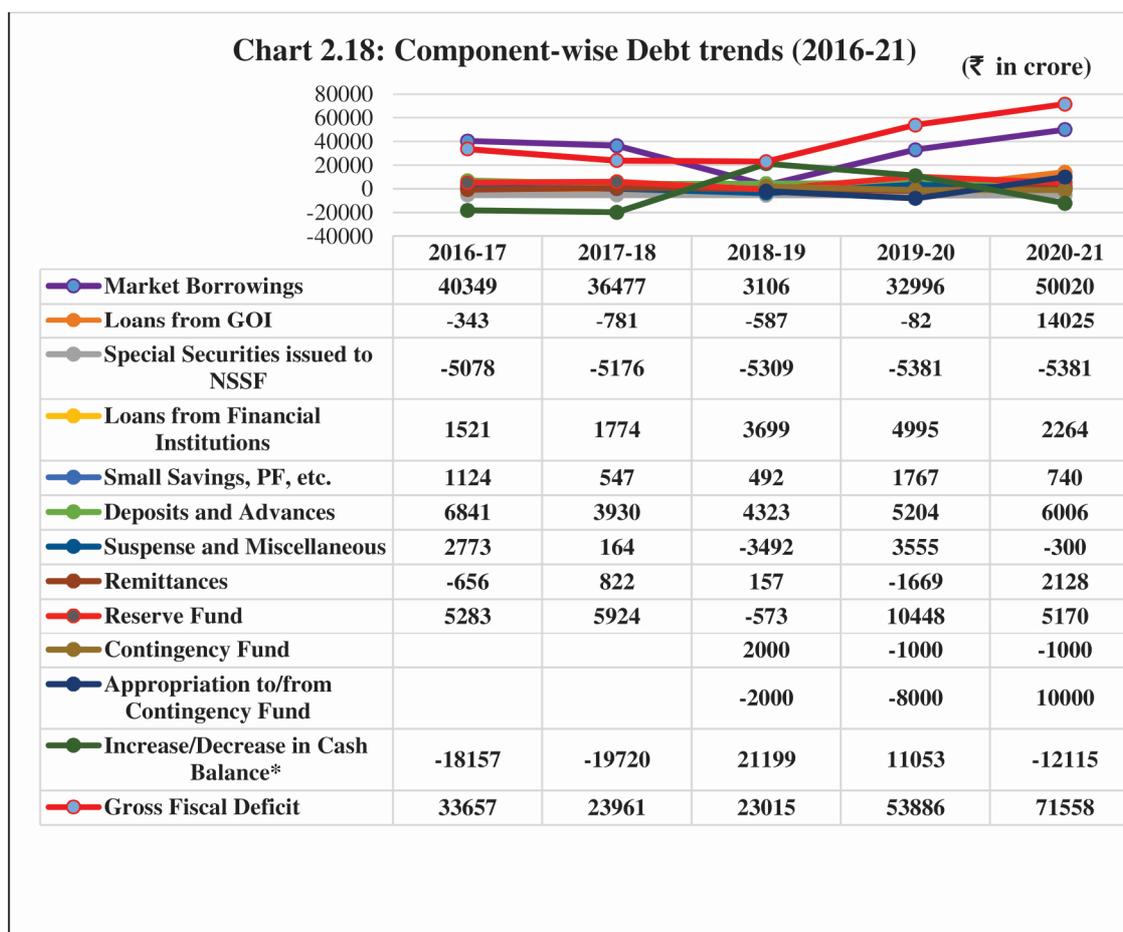
Table 2.39 shows that the total outstanding debt of the State Government increased from ₹ 4,79,899.14 crore to ₹ 5,48,176.45 crore. The effective outstanding overall debt would be ₹ 5,36,199.45 crore, as the Department of Expenditure, GoI has decided that GST compensation of ₹ 11,977 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

In 2018-19, the growth rate of outstanding public debt was 1.01 *per cent* primarily due to reduction in debt receipts by ₹ 21,005 crore over the previous year as the State Government was able to pay-off major portion of the interest portion from its revenue receipts and did not resort to borrowing to that extent. Audit is of the view that, increase in market borrowings in 2020-21 was due to severe decline in revenue receipt on account of COVID-19 pandemic.



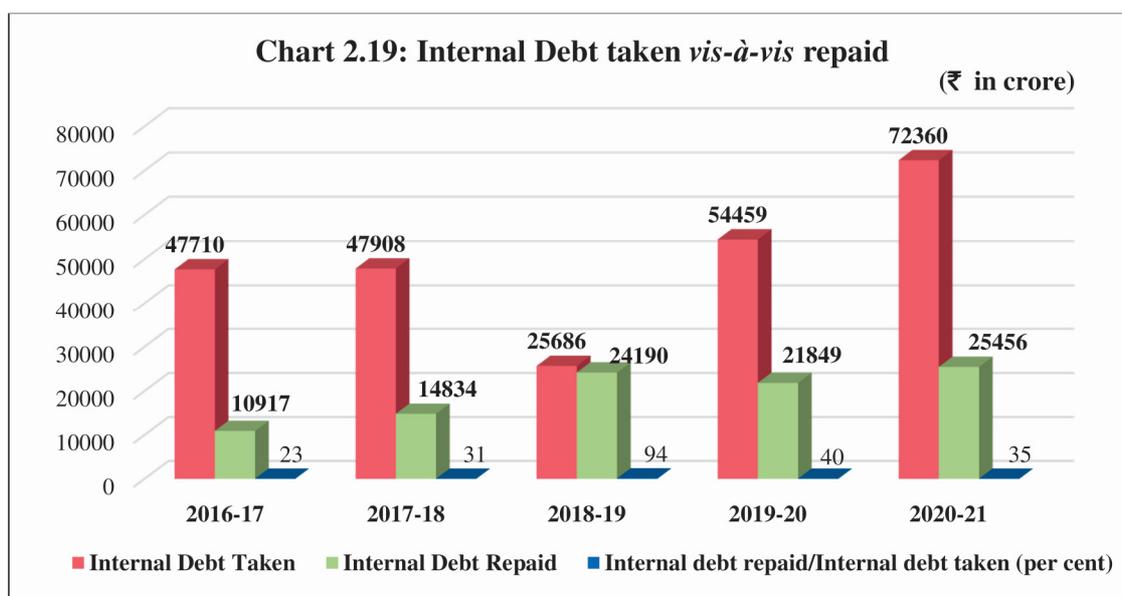
(Source: Finance Accounts 2020-21)

The component-wise debt trends for 2016-2021 are shown in **Chart 2.18**.



(Source: Finance Accounts of respective years)

The internal debt taken *vis-à-vis* repaid during 2016-21 is shown in **Chart 2.19**.



(Source: Finance Accounts of respective years)

Chart 2.19 above indicates that during 2016-17 to 2020-21, except in 2018-19, an average of 32 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 debt as the revenue surplus of ₹ 11,975 crore and net Public Accounts receipts were sufficient to finance the Fiscal deficit.

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.

Table 2.40 shows an overall deficit (increase in cash balance) after financing the Fiscal Deficit during 2020-21.

Table 2.40 Receipts and Disbursements under components financing the Fiscal Deficit in 2020-21

(₹ in crore)

Particulars		Receipt	Disbursement	Net
1	Market Borrowings	68998.90	18978.52	50020.38
2	Loans from GOI	14996.40	971.01	14025.39
3	Special Securities issued to National Small Savings Fund (NSSF)	0.00	5380.71	(-)5380.71
4	Loans from Financial Institutions	3361.34	1097.05	2264.29
5	Small Savings, PF, etc.	5260.05 [#]	4520.17	739.88
6	Deposits and Advances	39580.56	33574.43	6006.13
7	Suspense and Miscellaneous	27.47	327.77	(-)300.30
8	Remittances	33882.63 [#]	31754.78	2127.85
9	Reserve Fund	9780.54	4610.39	5170.15
10	Contingency Fund	10500.00	11500.00	(-)1000.00
11	Appropriation to Contingency Fund	11500.00	1500.00	10000.00
12	Overall Deficit	197887.89	114214.83	83673.06
13	Increase(-)/Decrease (+) in cash balance	56482.28 ^s (OB)	68597.29 (CB)	(-)12115.01
14	Gross Fiscal Deficit	254370.17	182812.12	71558.05

^s differs by ₹ 266.57 crore adjusted *Proforma* due to rectification of misclassification.
Source: Finance Accounts 2020-21

The financing pattern of the Fiscal Deficit has undergone a compositional shift as reflected in **Table 2.41**.

Table 2.41: Components of Fiscal deficit and its financing pattern

(₹ in crore)

Particulars		2016-17	2017-18	2018-19	2019-20	2020-21
Composition of Fiscal Deficit		33656.74	23960.97	23015.33	53886.19	71558.05
1	Revenue Deficit	(-)8535.59	2082.49	11974.60	(-)17115.63	(-)41141.85
2	Net Capital Expenditure	(-)25549.27	(-)26842.18	(-)35049.05	(-)36415.57	(-)29686.70
3	Net Loans and Advances	428.12	798.72	59.12	(-)354.99	(-)729.50
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	40349.24	36476.70	3106.39	32996.31	50020.38
2	Loans from GoI	(-)342.73	(-)780.77	(-)587.35	(-)82.75	14025.39
3	Special Securities issued to NSSF	(-)5077.98	(-)5176.23	(-)5309.46	(-)5380.71	(-)5380.71
4	Loans from Financial Institutions	1521.08	1773.63	3699.14	4994.71	2264.29
5	Small Savings, PF, etc.	1123.83	546.65	491.75	1766.69	739.88 [#]
6	Deposits and Advances	6840.42	3929.91	4322.54	5203.66	6006.13
7	Suspense and Miscellaneous	2773.27	163.91	(-)3491.69	3555.13	(-)300.30
8	Remittances	(-)656.28	822.38	157.09	(-)1668.76	2127.85 [#]
9	Reserve Fund	5282.76	5923.90	(-)572.63	10448.36	5170.15

Particulars		2016-17	2017-18	2018-19	2019-20	2020-21
10	Contingency Fund un-recouped	-	-	2000.00	(-)1000.00	(-)1000.00
11	Appropriation to/from Contingency Fund	-	-	(-)2000.00	(-)8000.00	10000.00
12	Overall Deficit	51813.61	43681	1816	42832.64	83673.06
13	Increase(-)/Decrease in cash balance(+)	(-)18156.57	(-)19720.11	21198.55	11053.55	(-)12115.01
14	Gross Fiscal Deficit	33657	23961	23015	53886.19	71558.05
15	Net Market borrowings/Fiscal Deficit	119.9	152.2	13.5	61.2	69.9
16	Net Capital expenditure/FD	88.2	112	152.3	67.6	41.5

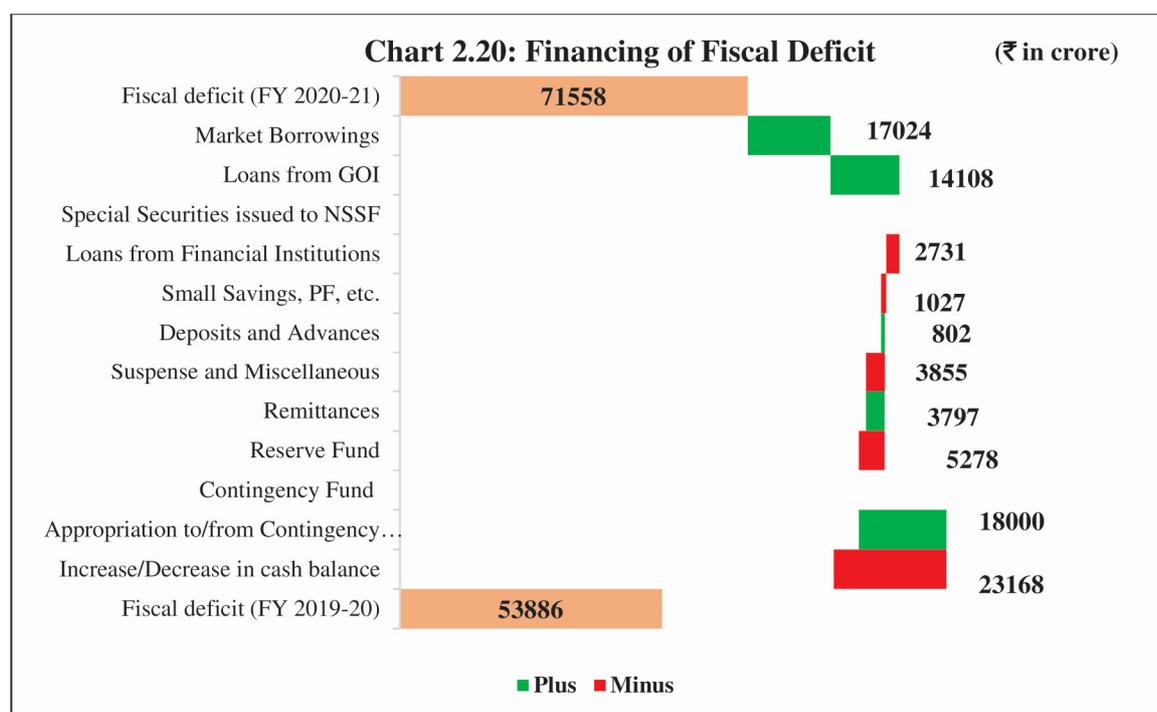
Source: Finance Accounts of respective years # Lower rounding

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** and **Table 2.41**, in 2020-21, due to increase in Revenue Deficit, there was increase in market borrowings. The share in financing of Fiscal Deficit increased to 70 per cent as compared to 61 per cent in 2019-20.

During 2020-21, the Fiscal Deficit increased by ₹ 17,671.86 crore over the previous year mainly due to less revenue receipts. The net Capital expenditure as a percentage of Fiscal Deficit decreased from 67.58 in 2019-20 to 41.49 in 2020-21.

The Fiscal Deficit as a percentage of GSDP increased from 1.91 in 2019-20 to 2.69 in 2020-21, which was well below the target of four per cent as prescribed in the FRBM. The financing of Fiscal Deficit is shown in **Chart 2.20**.



(Source: Finance Accounts 2020-21)

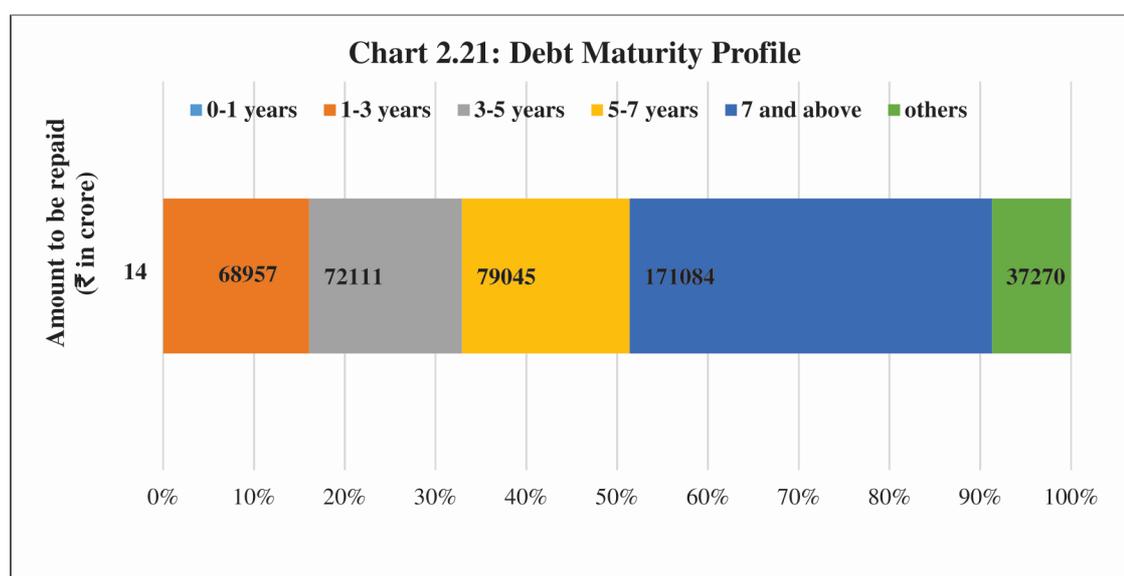
2.6.2 Debt Profile: Maturity and Repayment

Debt Maturity and repayment profile indicates commitment on the part of the Government for Debt repayment or Debt servicing. The Matured Debts were repaid ontime. 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 2021 is depicted in **Table 2.42**.

Table 2.42: Debt Maturity Profile of repayment of State Debt

Year of maturity	Maturity Profile (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
Upto2020-21	0-1	13.90	0
2021-23	2-3	68957.05	16.09
2023-25	3-5	72111.18	16.83
2025-27	5-7	79045.15	18.45
2027 onwards	7 and above	171084.12	39.93
Others ²⁰		37270.38	8.7
Total		428481.78	

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 ₹ 68,970.95 crore, ₹ 72,111.18 crore and ₹ 79,045.15 crore respectively as shown in **Chart 2.21**.



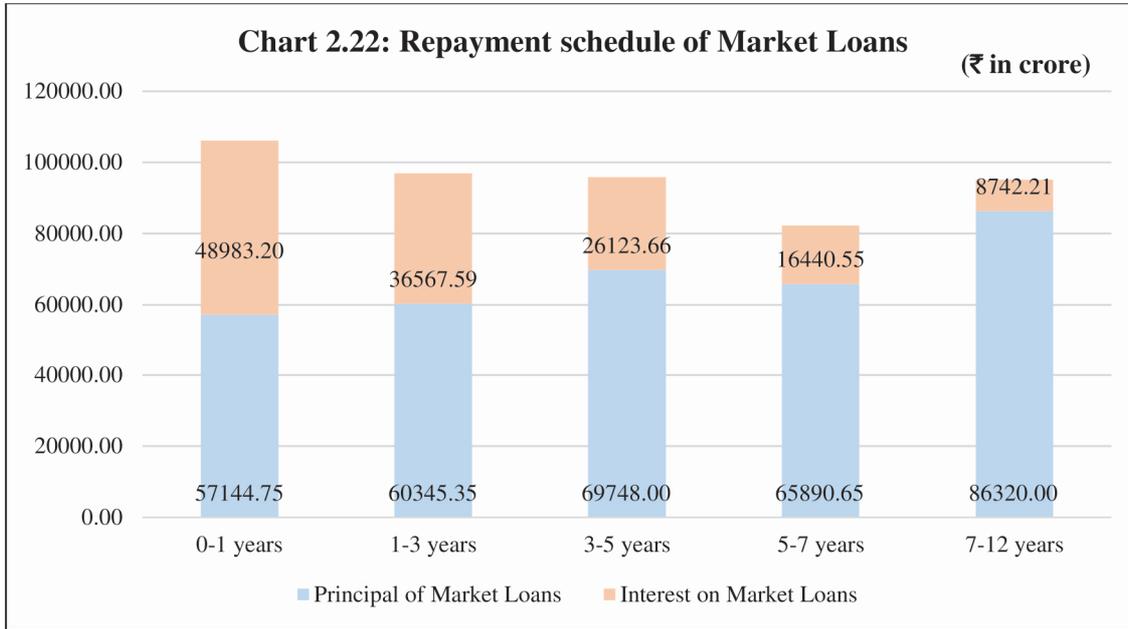
(Source: Finance Accounts 2020-21)

The maturity profile of the outstanding public debt indicates that 51.37 per cent (₹ 2,20,127.28 crore) of the total outstanding public debt (₹ 4,28,481.78 crore), for which maturity details are available are repayable within the next seven years which may put strain on the Government budget during that period. Out of the remaining debt (₹ 2,08,355 crore), ₹1,71,084 crore would be repayable after seven years. In view of the increasing committed expenditure and revenue deficit the State government would have to

²⁰ Details of maturity not available

work out a well thought out borrowing repayment strategy and increasing their revenue resources to avoid a debt stress.

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 ₹ 1,06,127.95 crore, 1-3 years ₹ 96,912.94 crore and 3-5 years ₹ 95,871.66 crore means the outgo in next five years comes out to ₹ 2,98,912.55 crore, which may put a huge burden 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 macro-economic 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 2016-17 to 2020-21.

Table 2.43: Debt Sustainability Indicators and Trends

(₹ in crore)

Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Public Debt ²¹	301837.63	334112.81	335021.53	367552.41*	428481.78 ²²
Rate of Growth of Outstanding Public Debt	13.73	10.69	0.27	9.71	16.58
Interest on Outstanding Public Debt	23976.67	28206.21	28764.07	28123.59	31119.91
GSDP	2198185	2352782	2579628	2818555	2661629
Rate of Growth of GSDP	11.80	7.03	9.64	9.26	(-)5.57
Public Debt/GSDP	13.73	14.20	12.99	13.04	15.65 [#]
Average Interest Rate of Outstanding Public Debt (<i>per cent</i>)	8.45	8.87	8.60	8.01	7.82
Revenue Receipts	204693.14	243653.56	278996.27	283189.58	269467.91
Percentage of Interest Payment to Revenue Receipt	11.71	11.58	10.31	9.93	11.55
Debt Repayment	11886.89	15782.17	25116.50	22868.24	26427.28
Debt Receipt	48336.49	48075.50	26025.21	55395.80	87356.65
Percentage of Debt Repayment to Debt Receipt	24.59	32.83	96.51	41.28	30.25
Net Debt available to the State ²³	12472.93	4087.12	(-)27855.36	4403.97	29809.46
Debt Redemption ²⁴ as <i>per cent</i> to Debt Receipts	74.20	91.50	207.03	92.05	65.88
Primary Deficit	(-)5124.82	9057.46	11005.92	-20325.46	(-)34588.28
Interest Spread ²⁵	3.34	(-)1.84	1.04	1.26	(-)13.39
Quantum Spread ²⁶	8872.48	(-)5546.66	3488.84	4208.54	(-)49201.82
Debt Stabilisation (Quantum spread + Primary Deficit)	3747.66	3510.80	14494.76	(-)16116.92	(-)83790.10
*increased by ₹ 4.18 crore due to <i>Proforma</i> correction owing to waiver of ₹ 3.58 crore on excess installment paid against Central loans and reversal of waiver of ₹ 7.76 crore adjusted in 2013-14 based on information received from Ministry of Finance, Department of Expenditure.					
[#] The effective Public debt to GSDP ratio has been arrived at after exclusion of GST compensation of ₹11,977 crore received as back to back loan under debt receipt from the outstanding Public debt.					

Debt sustainability analysis revealed the following:

- (i) Public Debt is 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. Unlike the previous four years, during 2020-21, the rate of growth of economy was (-) 5.6 *per cent* whereas the cost of borrowing was 7.8 *per cent*. 2020-21 was exceptional with the COVID-19 pandemic and the subsequent lockdown that put severe stress on the state economy.

²¹ Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government

²² The effective Public debt would be ₹ 4,16,504.78 crore, as the Department of Expenditure, GoI has decided that GST compensation of ₹ 11,977 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission

²³ 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

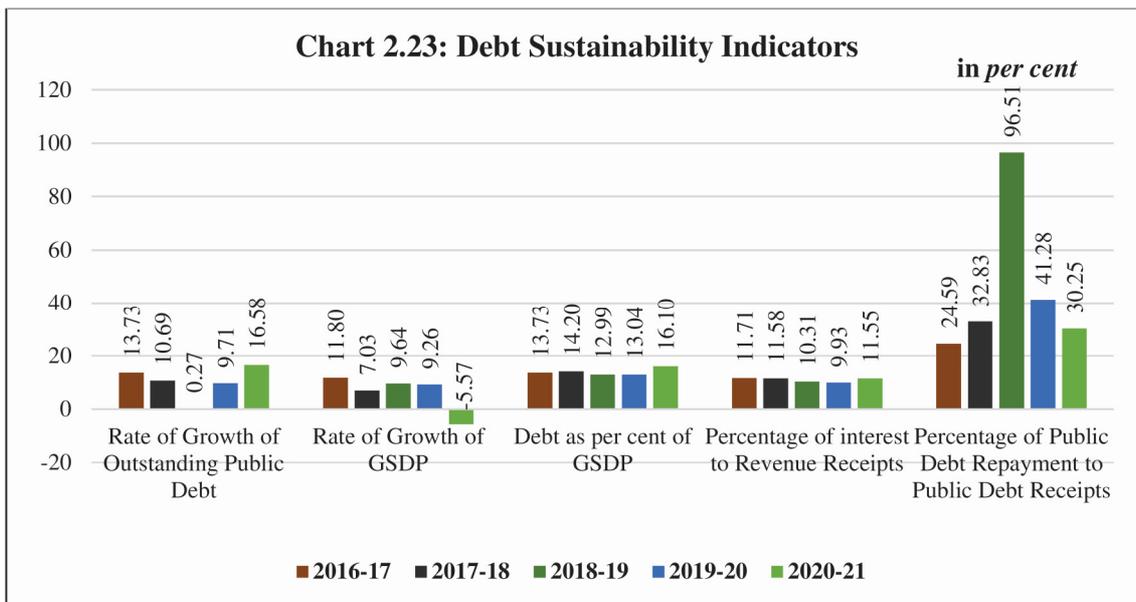
²⁴ Debt Redemption= Principal + Interest

²⁵ Interest spread is GSDP growth rate- interest rate

²⁶ Quantum spread is Interest Spread as percentage of debt stock. of previous year

- (ii) 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 2020-21 there was a Primary deficit of ₹ 34,588.28 crore, indicating that the primary expenditure too had to be met from borrowed funds.
- (iii) Further, given the rate spread (GSDP growth rate *minus* interest rate) and quantum spread (Rate spread as percentage of debt stock. of previous year), 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 during 2019-20 and 2020-21, the primary deficit together with quantum spread was negative implying that the State needs to step up its resource 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 was 65.90 *per cent* during 2020-21, indicating that 65.90 *per cent* of the debt receipts raised during the year were utilized for redemption of previous debts.

Further, as seen from **Table 2.43** the net debt available to the State increased due to increase in receipt under public debt from ₹ 55,395.80 crore in 2019-20 to ₹ 87,356.65 crore in 2020-21. The net debt available to the State during 2020-21 was ₹ 29,809.46 crore, which was 34.12 *per cent* of the total borrowings during the year. The net debt available during 2020-21 was quite high as compared to the previous years, however, as revenue receipts were not sufficient to cover up the revenue expenditure, major portion of the debt was utilized for incurring revenue expenditure.

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	2016-17	2017-18	2018-19	2019-20	2020-21
Incremental Non-debt Receipt (a)	20521.04	38992.85	35168.99	4203.89	(-)13724.19
Incremental Expenditure(b)	30773.37	24337.33	34223.35	35074.75	3947.67
Resource Gap (a)-(b)	(-) 10252.33	14655.52	945.64	(-)30870.86	(-)17671.86

The negative resource gap during 2016-17, 2019-20 and 2020-21 indicates the risk of un-sustainable debt.

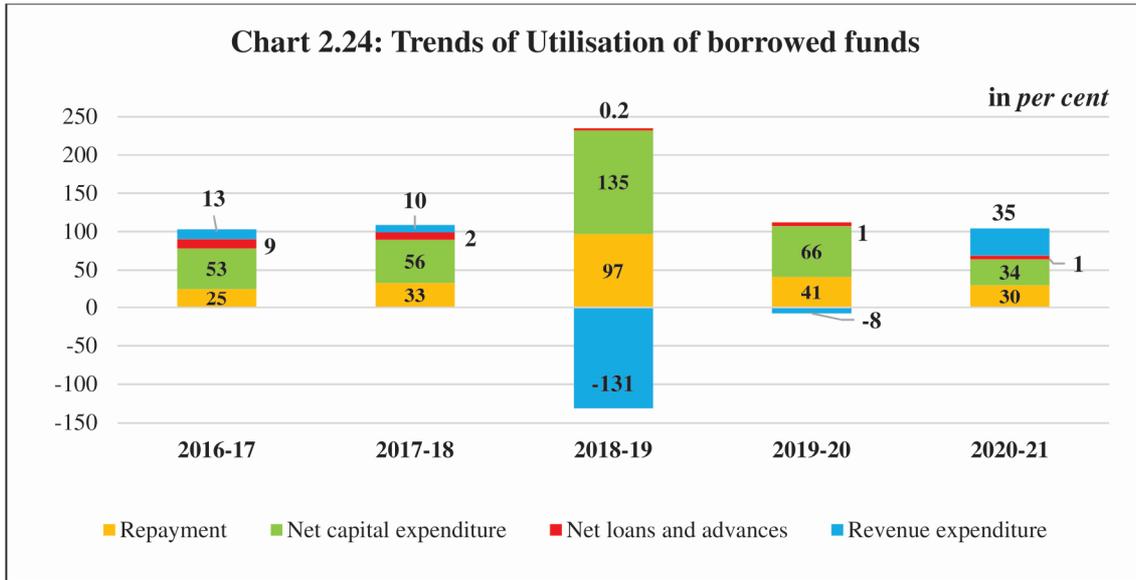
2.7.1 Utilisation of borrowed funds

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		2016-17	2017-18	2018-19	2019-20	2020-21
Total Borrowings	2	48336.49	48075.5	26025.21	55395.8	87356.65
Repayment of earlier borrowings	3	11886.89 (25)	15782.17 (33)	25116.49 (97)	22868.24 (41)	26427.28 (30)
Net capital expenditure	4	25549.27 (53)	26842.18 (56)	35049.05 (135)	36415.57 (66)	29686.70 (34)
Net loans and advances	5	4531.63 (9)	798.72 (2)	59.12 (0.2)	354.99 (1)	729.5 (1)
Portion of Revenue expenditure met out of net available borrowings	6=2-3-4-5	6368.70 (13)	4652.43 (10)	(-)34199.45 (-131)	(-) 4243 (-8)	30513.17 (35)
Figures in the parenthesis indicate percentage to 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 2017-18 and 2018-19, in addition to the borrowings the revenue surplus could be utilised for incurring capital expenditure whereas in 2019-20 the borrowings were not sufficient to meet the capital expenditure, in 2020-21 nearly 35 per cent of the borrowings were utilised for incurring revenue 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. During the year, amount guaranteed by the State Government is ₹ 596.41 crore. The total guarantees given by State, which were outstanding as on 31 March 2021 amounted to ₹ 41,775.48 crore (Principal: ₹ 39,381.76 crore; Interest: ₹ 2,393.72 crore). The outstanding guarantees during 2016-21 are summarized in **Table 2.46**.

Table 2.46: Guarantees given during 2016-21

	(₹ in crore)				
Guarantees	2016-17	2017-18	2018-19	2019-20	2020-21
Maximum amount guaranteed including interest [§]	22802.04	37287.13	38378.26	58661.22	85717.46
Outstanding amount of guarantees including interest	7305.77	26657.72	25134.86	41179.07 [@]	41775.48
Outstanding guarantees/ Revenue Receipts (<i>per cent</i>)	3.57	10.94	9.01	14.58	15.50
Outstanding guarantees/GSDP (<i>per cent</i>)	0.33	1.13	0.97	1.46	1.57
[§] Note: No ceiling fixed for guarantees by the State Government [@] Differs from previous year due to rectification of misclassification (as per statement received from the Finance Department) Source: Finance Accounts of respective years					

Under the provisions of the Guarantee Act, guarantees of ₹ 3016.30 crore was given by the State Government during 2020-21, as shown in **Table 2.47**.

Table 2.47: Guarantees given during 2020-21

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	1/2020-21	Maharashtra State Co-operative Cotton Growers Marketing Federation	Bank of India	1000.00	Valid for six months from the date of GR	Guarantee fee waived
2	2/2020-21	32 Co-operative Sugar Factory	Maharashtra State Co-operative Bank and District Co-operative Bank	516.30		Guarantee fee @ ₹ 2/- per ₹ 100/- per annum
3	3/2020-21	Maharashtra State Co-operative Cotton Growers Marketing Federation	Bank of Maharashtra, Mumbai	1500.00	Valid for six months from the date of GR	Guarantee fee waived
Total				3016.30		

Source: Guarantee Book 2020-21, Government of Maharashtra

As per the information given by the Government, guarantee fees at a prescribed rate ranging from 20 paise to rupees two, per hundred rupees per annum for guarantees given is chargeable except in respect of certain Co-operative Societies. Out of Guarantee fee of ₹ 2,275.28 crore to be realized, only ₹ 2.69 crore has been received during the year 2020-21 leaving balance receivable amount of ₹ 2,272.59 crore.

During the year 2020-21, no guarantees were invoked and discharged. However, the State Government is yet to discharge invoked guarantees of ₹ 519.67 crore in respect of the Maharashtra State Co-operative Housing Finance Corporation Limited (₹ 20.26 crore) invoked in 2013-14 and sugar factories (₹ 499.41 crore) invoked in 2019-20.

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 ways and means advances to the State Government was ₹ 4,001 crore as on 1 April, 2020 which was raised to ₹ 5,416 crore and remained unchanged till 31 March, 2021.

Special Ways and Means Advance of ₹ 31,159.26 crore was availed during 2020-21 during the month of August, September, November and December 2020 which was fully repaid by December 2020. An amount of ₹ 15.74 crore has been adjusted during the year 2020-21 towards interest on Ways and Means advances.

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

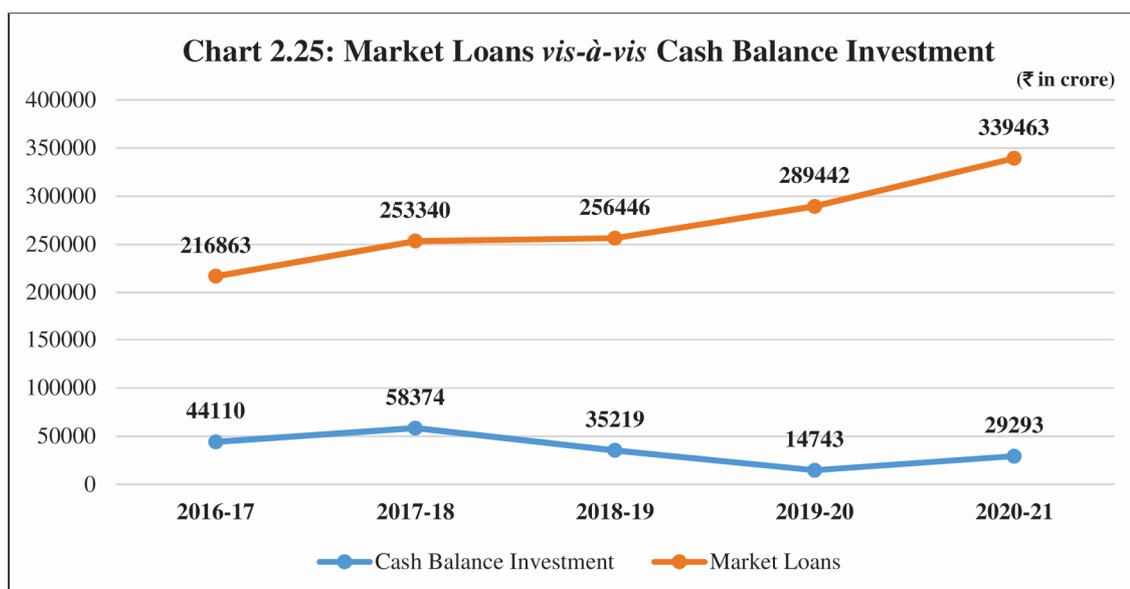
(₹ in crore)		
	Opening Balance on 01 April 2020	Closing Balance on 31 March 2021
A. General Cash Balance		
Cash in Treasuries	0.04	0.04
Deposits with Reserve Bank of India	(-)427.05	(-)7442.68
Deposits with other Banks		
Remittances in transit – Local	53.42	66.26
Total	(-)373.59	(-)7376.38
Investments held in Cash Balance investment account	14743.48	29293.49
Total (A)	14369.89	21917.11
B. Other Cash Balances and Investments		
Cash with departmental officers <i>viz.</i> , Public Works, Forest Officers	236.76	235.17
Permanent Advances for contingent expenditure with department officers	0.70	0.66
Investment in earmarked funds	41874.93 [§]	46444.35
Total (B)	42112.39	46680.18
Total (A + B)	56482.28	68597.29
Interest realized	5080.21	4365.22[@]
[§] differs by ₹ 266.57 crore adjusted <i>Proforma</i> due to rectification of misclassification during previous years [@] Interest of ₹ 3,388.10 crore realised during 2020-21 on Sinking Fund Investment (reinvested along with regular investment) hence not included under MH 0049 plus Interest on Cash Investment ₹ 977.12 crore Source: Finance Accounts 2020-21		

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

(₹ in crore)				
Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
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
2020-21	14743.48	29293.49	14550.01	977.12
Source: Finance Accounts of respective years				

The State Government's cash balances of ₹ 68,597.29 crore at the end of the current year showed an increase of 21.45 *per cent* (₹ 12,115.01 crore) over the previous year. Of the above, ₹ 29,293.49 crore was held in cash balance investment account and earned an interest of ₹ 977.12 crore during the year. Further, ₹ 45,737.63 crore was invested in Sinking Fund meant for appropriation for reduction or avoidance of debt, which earned an interest of ₹ 3,388.10 crore. The interest earned on this fund is ploughed back to the fund.

The General cash balance of the State Government as on 31 March 2021 was ₹ 21,917.11 crore, which is 6.40 *per cent* of the total expenditure of the State Government (₹ 3, 42,638.31 crore) during the year.



(Source: Finance Accounts of the respective years)

Chart 2.25 compares the total Cash Balance Investment and the Market Loans of the State during the period 2016-21. Market Loans were taken at higher interest rates whereas investment in Treasury Bills yielded interest at lower rates.

2.8 Conclusion

- The COVID-19 pandemic, the subsequent lockdown and measures taken by the government to tackle the pandemic had unprecedented impact on the State Finances. As compared to the previous year, the States' tax revenue, the major contributor of revenue receipt declined steeply by 13.07 *per cent*, capital outlay decreased by 18.48 *per cent* and market borrowings increased drastically by 51.59 *per cent*. The State availed the additional borrowing of two *per cent* on GSDP in 2020-21 and due to reduced expenditure; the State could contain its Fiscal deficit to GSDP ratio at 2.69.
- Revenue Receipts decreased from ₹ 2,83,189.58 crore in 2019-20 to ₹ 2,69,467.91 crore in 2020-21. There was decrease in all the major components of tax revenue viz. SGST by 15.32 *per cent* (₹ 12,653.03 crore), Sales tax by 12.24 *per cent* (₹ 4,625.78 crore) and Stamp and Registration fees by 11.42 *per cent* (₹ 3,278.85 crore). Non tax revenue increased by 11.74 *per cent* (₹ 1,678.46 crore). There was increase in Union transfers by 0.78 *per cent* (₹ 284.37 crore) and Grant in aid by 20.60 *per cent* (₹ 9,008.09 crore).
- Revenue expenditure increased from ₹ 3,00,305.21 crore in 2019-20 to ₹ 3,10,609.76 crore in 2020-21. The committed expenditure of interest payments; expenditure on salaries and wages; and pensions constituted 57.72 *per cent* of the total revenue expenditure. The sharp decline in revenue receipts led to a revenue deficit of ₹ 41,141.85 crore.
- Under the National Pension System (NPS), there was non-transfer of balances of the earlier years amounting to ₹ 10,642.26 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 2020-21, out of 90 working PSUs, 43 PSUs earned profit of ₹ 2043.54 crore and 29 PSUs incurred losses of ₹ 1,585.62 crore. Eleven working PSUs did not incur either profit or loss, five companies had not yet submitted their first financial statements and financial statements of two working PSUs were not due for submission. The major profit-making companies were Maharashtra State Electricity Transmission Company Limited (MSETCL) (₹ 492.92 crore), Maharashtra State Electricity Distribution Company Limited (MSEDCL) (₹ 439.02 crore) and Western Maharashtra Development Corporation Limited (WMDC) (₹ 255.86 crore) whereas losses were incurred by MSRTC (₹ 939.87 crore), Mumbai Pune Expressway Limited (MPEL) (₹ 290.02 crore) and Maharashtra State Road Development Corporation Limited (MSRDC) (₹ 141.90 crore).
- The net accumulated losses in respect of the PSUs as per their latest finalized financial statements as of 30 September 2021 were ₹ 42,839.19 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 ₹ 417.85 crore.
- The Outstanding Debt (Fiscal Liabilities) of the State increased from ₹ 4,79,899 crore in 2019-20 to ₹ 5,48,176.45 crore²⁷ at the end of 2020-21. Outstanding Debt to GSDP during 2020-21 was 20.15²⁸ per cent.

2.9 Recommendations

- (i) Efforts to bridge the revenue gap needs to be undertaken. 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.

²⁷ The effective outstanding debt would be ₹ 5,36,199.45 crore, as the Department of Expenditure, GoI has decided that GST compensation of ₹ 11,977 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission

²⁸ The Debt to GSDP ratio as the Finance Accounts is 20.60 per cent. However, the effective debt to GSDP ratio has been arrived at after exclusion of GST compensation of ₹ 11,977 crore, received as back to back loan under debt receipts, from the outstanding debt