

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 2020-21, overall trends during the five-year period from 2017-18 to 2021-22, 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 2021-22 vis-à-vis 2020-21

Table 2.1 below presents the summary of the State Government's fiscal aggregate during 2021-22 vis-à-vis 2020-21. Each of these indicators are analysed in the succeeding paragraphs.

Table 2.1: Summary of Fiscal aggregates in 2021-22 compared to 2020-21

(₹ in crore)

Receipts			Disbursements		
	2020-21	2021-22		2020-21	2021-22
Section-A: Revenue Account					
Own Tax Revenue	164254.98	220927.13	General Services	103853.75	121745.32
Non-Tax Revenue	15975.46	19306.70	Social Services	122023.44	142523.26
Share of Union Taxes/ Duties	36504.01	54318.06	Economic Services	64336.19	59454.77
Grants-in-aid from GoI	52733.46	38759.68	Grants-in-aid and Contributions	20396.38	25962.54
Total Section-A Revenue Receipts	269467.91	333311.57	Total Section-A Revenue Expenditure	310609.76	349685.89
Section-B: Capital Account and others					
			Capital Outlay	29686.70	46670.39
Miscellaneous Capital Receipts	0	0	General Services	1496.39	2681.21
			Social Services	3593.24	4082.09
			Economic Services	24597.07	39907.09
Recoveries of Loans and Advances	1612.36*	1178.88	Loans and Advances disbursed	2341.85	2436.03
Public Debt Receipts	87356.65	90488.18 [@]	Repayment of Public Debt	26427.28	35934.66 [@]
Appropriation from Contingency Fund	11500.00	0.00	Appropriation from Contingency Fund	1500.00	0.00
Contingency Fund	10500.00	0.00	Contingency Fund	11500.00	0.00
Public Account Receipts	88531.23	119376.52	Public Account Disbursements	74787.55	100533.18
Opening Cash Balance	56482.28	68597.29	Closing Cash Balance	68597.29	77692.29
Total Section-B Receipts	255982.52	279640.87	Total Section-B Disbursements	214840.67	263266.55
Grand Total (A+B)	525450.43	612952.44	Grand Total (A+B)	525450.43	612952.44
[@] Excluding transaction under Ways and Means advances and overdraft (Receipt and Disbursement ₹ 98.43 crore)					
*Higher rounding					
Source: Finance Accounts of respective years					

Variation in key fiscal aggregates in 2021-22 as compared to 2020-21

Revenue Receipts	<ul style="list-style-type: none"> Revenue receipts of the State increased by 23.69 per cent Own Tax revenue of the State increased by 34.50 per cent Non-tax revenue increased by 20.85 per cent State's Share of Union Taxes and Duties increased by 48.80 per cent Grants-in-Aid from GoI decreased by 26.50 per cent
Revenue Expenditure	<ul style="list-style-type: none"> Revenue expenditure increased by 12.58 per cent Revenue expenditure on General Services increased by 17.23 per cent Revenue expenditure on Social Services increased by 16.80 per cent Revenue expenditure on Economic Services decreased by 7.59 per cent Expenditure on Grants-in-Aid increased by 27.29 per cent
Capital Outlay	<ul style="list-style-type: none"> Capital outlay increased by 57.21 per cent Capital outlay on General Services increased by 79.18 per cent Capital outlay on Social Services increased by 13.60 per cent Capital outlay on Economic Services increased by 62.24 per cent
Loans and Advances	<ul style="list-style-type: none"> Disbursement of Loans and Advances increased by 4.02 per cent Recoveries of Loans and Advances decreased by 26.88 per cent
Public Debt	<ul style="list-style-type: none"> Public Debt Receipts increased by 3.58 per cent Repayment of Public Debt increased by 35.98 per cent
Public Account	<ul style="list-style-type: none"> Public Account Receipts increased by 34.84 per cent Disbursement of Public Account increased by 34.43 per cent
Cash Balance	<ul style="list-style-type: none"> Cash balance increased by ₹ 9,095 crore (13.26 per cent) during 2021-22 compared to previous year

2.2 Sources and Application of Funds

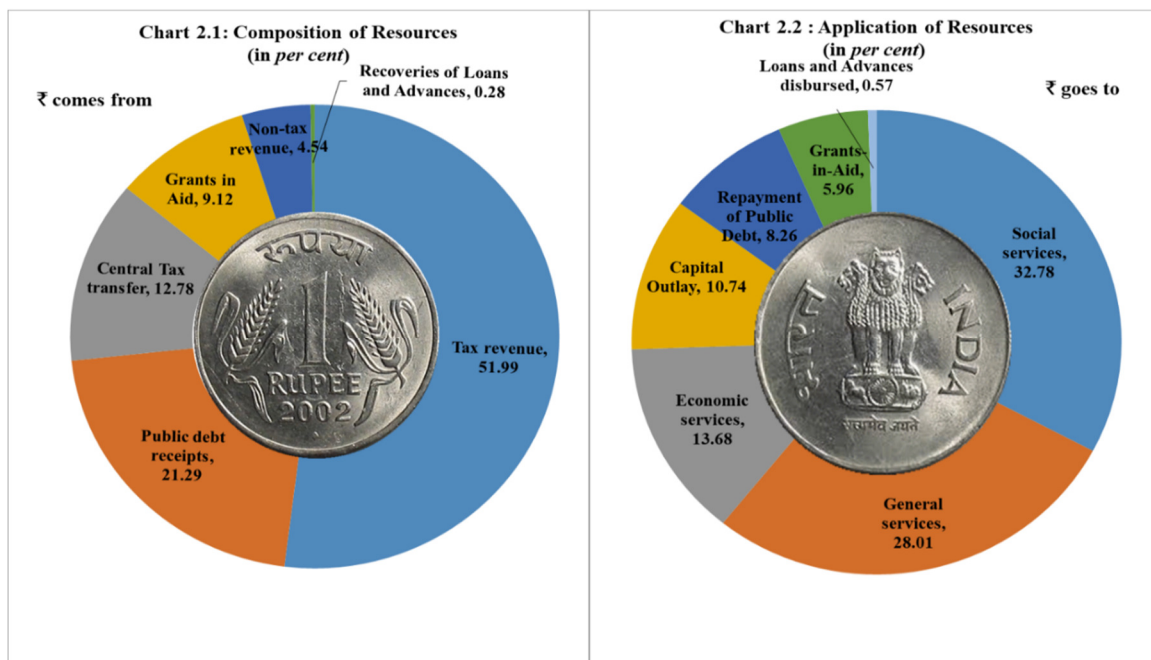
Table 2.2 compares the figures of sources and application of funds of the State during 2021-22 with 2020-21. The Charts 2.1 and 2.2 present the details of receipts and expenditure from the Consolidated Fund during 2021-22 in terms of percentage.

During 2021-22, the State Government raised Revenue receipt of ₹ 3,33,311.57 crore against Revenue expenditure of ₹ 3,49,685.89 crore resulting in Revenue Deficit of ₹ 16,374.32 crore.

Table 2.2: Details of Sources and Application of Funds during 2020-21 and 2021-22

Particulars		(₹ in crore)		
		2020-21	2021-22	Increase(+) Decrease(-)
Sources	Opening Cash Balance with RBI	56482.28	68597.29	12115.01
	Revenue Receipts	269467.91	333311.57	63843.66
	Recoveries of Loans and Advances	1612.36*	1178.88	(-)433.48
	Public Debt Receipts (Net)	60929.37	54553.52	(-)6375.85
	Public Account Receipts (Net)	13743.68	18843.34	5099.66
	Total	402235.60	476484.60	74249.00
Application	Revenue Expenditure	310609.76	349685.89	39076.13
	Capital Expenditure	29686.70	46670.39	16983.69
	Disbursement of Loans and Advances	2341.85	2436.03	94.18
	Contingency Fund	(-)9000.00 ^{\$}	0	9000.00
	Closing Cash Balance with RBI	68597.29	77692.29	9095.00
	Total	402235.60	476484.60	74249.00

*Higher rounding
^{\$} unrecouped amount
 Source: Finance Account of respective years



(Source: Finance Accounts 2021-22)

A time series data on the State Government finances for five years period from 2017-18 to 2021-22 is given in **Appendix 2.1**.

2.3 Resources of the State

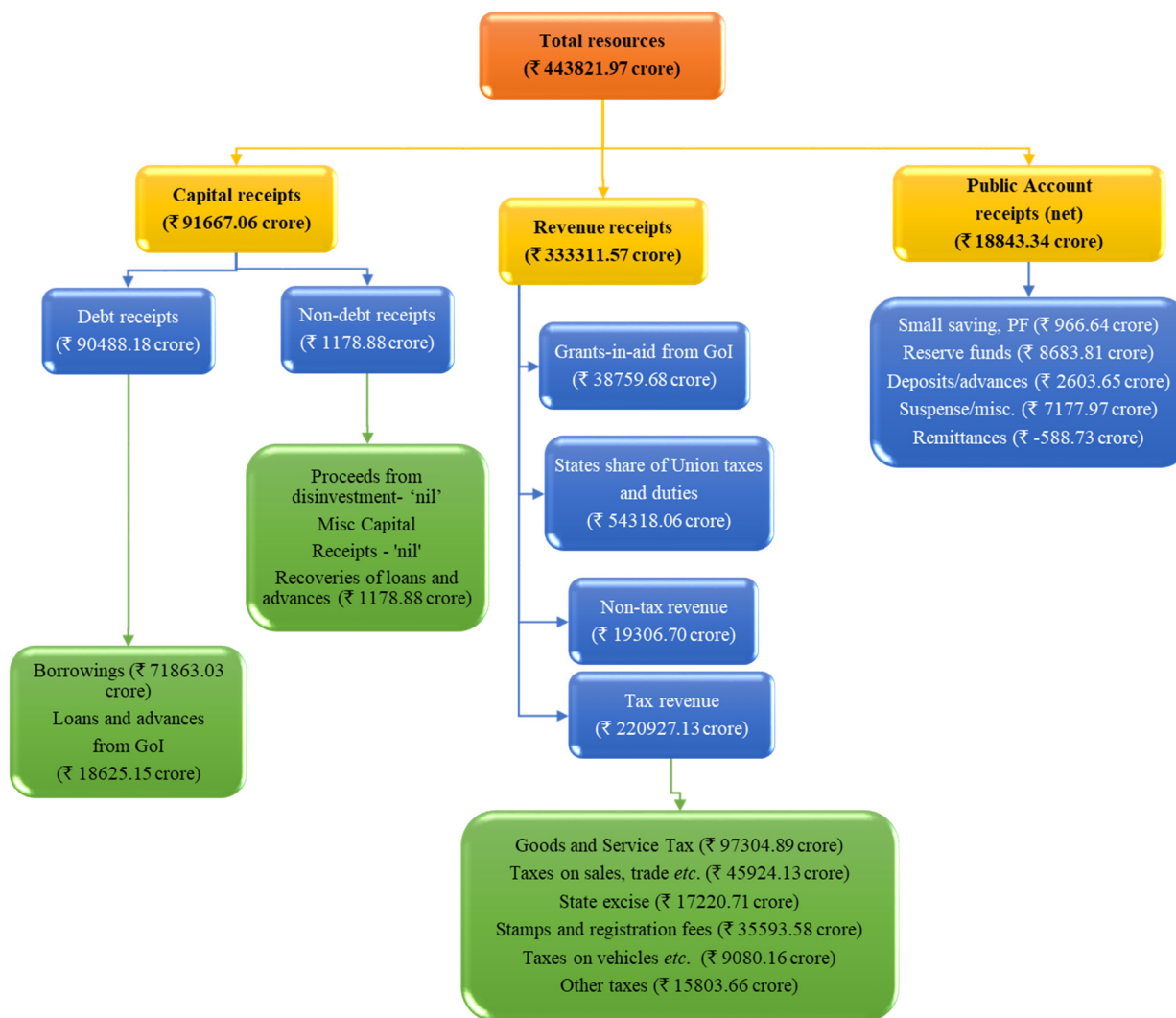
The resources of the State are described below:-

1. **Revenue Receipts** consist of Own Tax Revenue, Non-tax Revenue, State's share of Union Taxes and Duties and Grants-in-Aid (GIA) from the Government of India (GoI).
2. **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.
3. **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 2021-22.



(Source: Finance Accounts 2021-22)

2.3.2 State’s Revenue Receipts

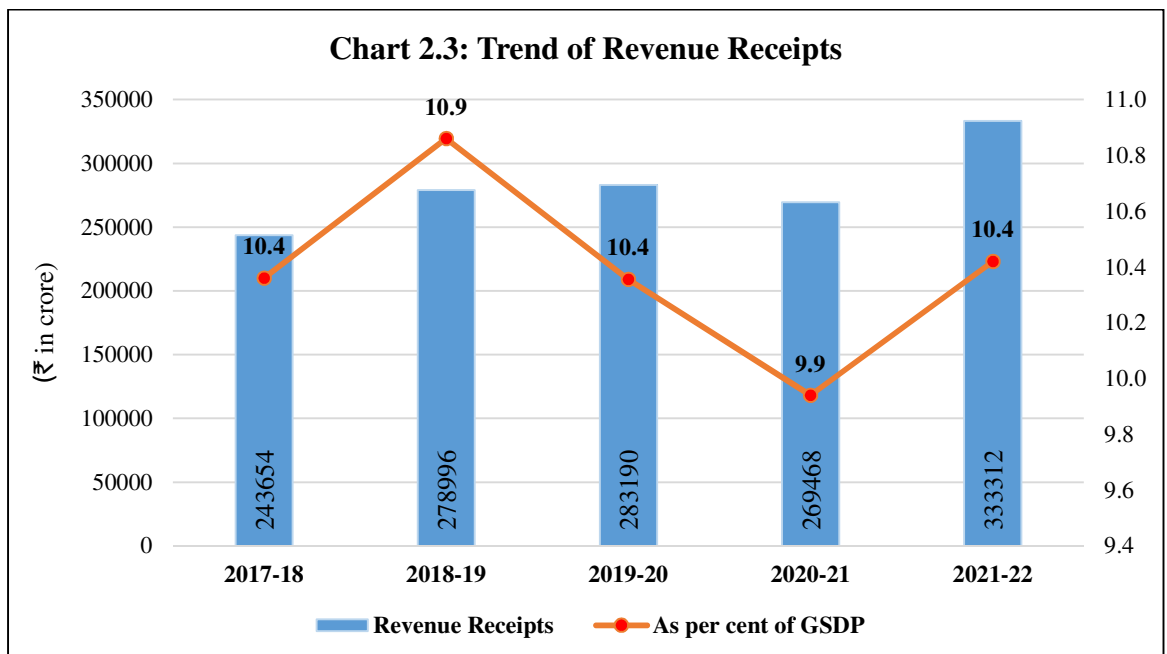
This paragraph gives the trends in total revenue receipts and its components. It is followed by trends in the receipts bifurcated into receipts from the Union Government and State's own receipts. Statement 14 of the Finance Accounts details the Revenue receipts of the Government. These consist of the State’s Own Tax and Non-tax Revenues, Union Tax Transfers and GIA 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 2017-18 to 2021-22. Further, trends in revenue receipts relative to GSDP and composition of revenue receipt are given in **Charts 2.3** and **2.4**.

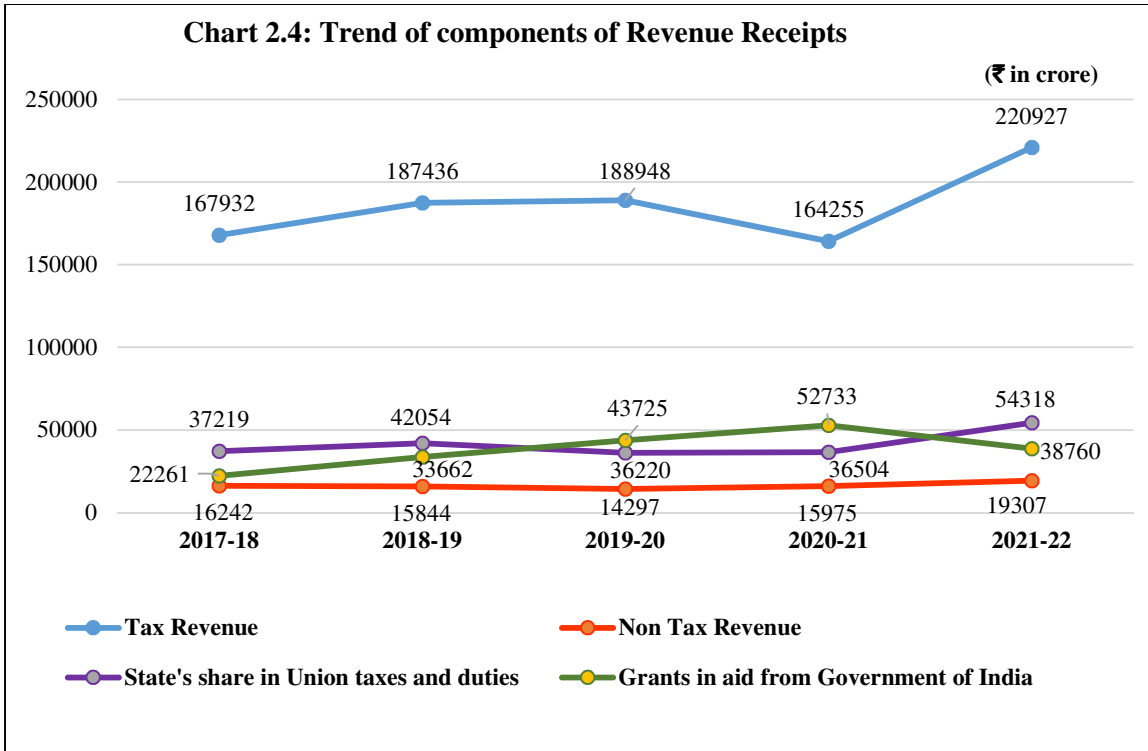
Table 2.3: Trend in Revenue Receipts

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Receipts (RR) (₹ in crore)	243653.56	278996.27	283189.58	269467.91	333311.57
Rate of growth of RR (<i>per cent</i>)	19.03	14.51	1.51	(-)-4.85	23.69
Own Tax Revenue (₹ in crore)	167931.87	187436.37	188947.56	164254.98	22 0927.13
Non-tax Revenue (₹ in crore)	16241.80	15843.57	14297.00	15975.46	19306.70
Own Revenue Receipts	184173.67	203279.94	203244.56	180230.44	240233.83
Rate of growth of Own Revenue (<i>per cent</i>)(Tax and Non-tax Revenue)	23.34	10.37	(-)-0.02	(-)-11.32	33.29
Gross State Domestic Product (₹ in crore) (2011-12 Series)	2352782	2567897	2734552	2711685	3197782
Rate of growth of GSDP (<i>per cent</i>)	7.03	9.14	6.49	(-)-0.84	17.93
RR/GSDP (<i>per cent</i>)	10.36	10.86	10.36	9.94	10.42
Buoyancy Ratios ¹					
Revenue Receipt Buoyancy w.r.t GSDP	2.707	1.588	0.231	*	1.321
State's Own Revenue Buoyancy w.r.t GSDP	3.320	1.135	-0.003	*	1.857
* Buoyancy ratios cannot be calculated due to negative growth of GSDP and Revenue receipts (including own revenue receipts) in 2020-21.					
Source of GSDP figures: Directorate of Economics and Statistics, Maharashtra; Finance Accounts of respective years					



(Source: Finance Accounts of respective years)

¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.32 implies that Revenue Receipts tend to increase by 1.32 percentage points, if the GSDP increases by one *per cent*.



(Source: Finance Accounts of respective years)

- Revenue Receipts increased by 36.80 per cent from ₹ 2,43,653.56 crore in 2017-18 to ₹ 3,33,311.57 crore in 2021-22 at Compound Annual Growth Rate (CAGR) of 8.15 per cent. During 2021-22, the revenue receipts increased by 23.69 per cent over the previous year.
- Significant portion of the revenue receipts (72 per cent) during 2021-22 came from the State's own resources, while Union Tax Transfers and GIA together contributed 28 per cent.
- The revenue expenditure (₹ 3,49,685.89 crore) exceeded the revenue receipt (₹ 3,33,311.57 crore) by ₹ 16,374.32 crore resulting in a revenue deficit. The State had registered revenue surplus for two consecutive years during 2017-18 and 2018-19.
- Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. A value more than one, indicates high degree of responsiveness of the fiscal variable to the base variable. As GSDP grows, the ability of the Government to mobilize revenue should also increase. The buoyancy of revenue receipts to GSDP was greater than one during 2021-22 indicating that revenue receipts grew at a faster rate than GSDP.
- Ratio of revenue receipts to GSDP has remained steady between 10.36 and 10.86 per cent except for a slight decrease to 9.94 per cent in 2020-21.
- As compared to 2020-21, during 2021-22 Own Tax Revenue increased by ₹ 56,672.15 crore (34.50 per cent), Non-Tax Revenue increased by ₹ 3,331.24 crore (20.85 per cent) and State's share of Union Taxes and Duties by

₹ 17,814.05 crore (48.80 *per cent*), whereas Grants-in-aid from Government of India decreased by ₹ 13,973.78 crore (26.50 *per cent*).

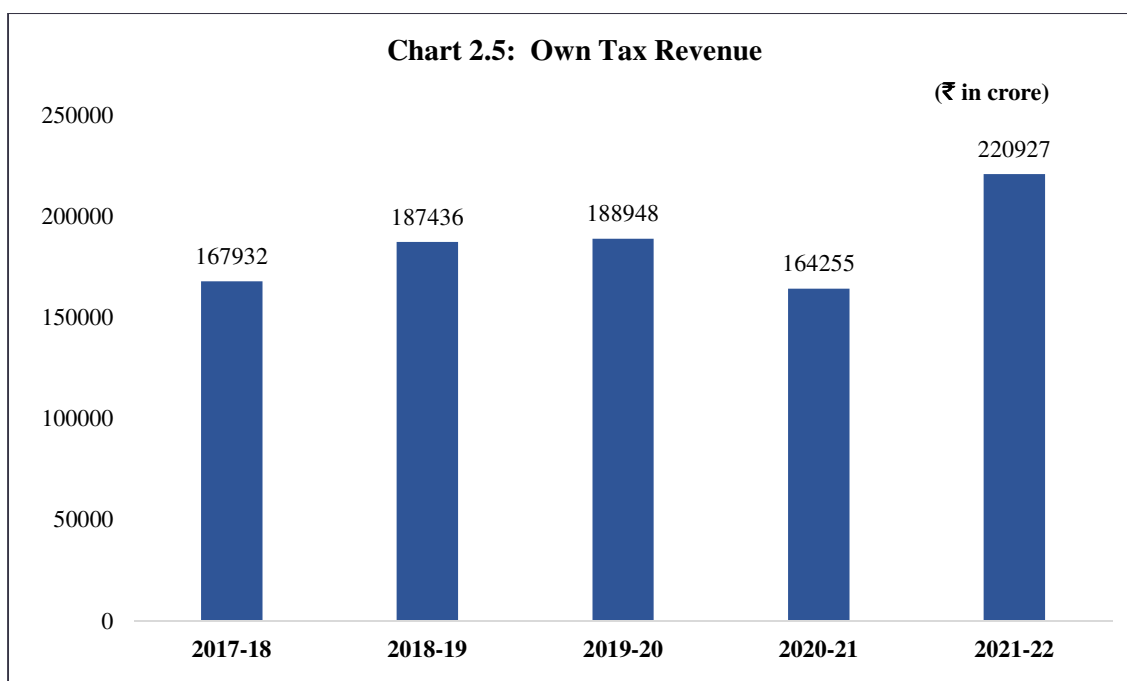
2.3.2.2 State's Own Resources

State's share in Union taxes is determined on the basis of recommendations of the Finance Commission (FC). GIA 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 Own Tax and Non-tax sources.

Tax Revenues of the State consist of State Goods and Service tax (SGST), State Excise, Taxes on Vehicles, Stamp Duty and Registration Fees, Land Revenue, Taxes on Goods and Passengers *etc.*

The State's Own Tax revenue during 2017-18 to 2021-22 is shown in **Chart 2.5**.



(Source: Finance Accounts of respective years)

The components of State's Own Tax Revenue during 2017-18 to 2021-22 are given in **Table 2.4**.

Table 2.4: Components of State's Own Tax Revenue

₹ in crore)

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	Sparkline
Sales Tax	54893.51	35724.61	37785.54	33159.76	45924.13	
SGST	50063	82352.32	82601.59	69948.56	97304.89	
State excise	13449.65	15320.90	15428.34	15089.38	17220.71	
Taxes on vehicles	8665.38	8613.19	8467.19	6655.12	9080.16	
Stamp duty and Registration fees	26441.82	28545.05	28706.55	25427.71	35593.58	
Land revenue	2309.86	2088.04	2154.55	2062.64	3064.66	
Taxes on goods and passengers	984.01	837.05	773.39	13.30	393.53	
Other taxes	11124.64	13955.21	13030.40	11898.51	12345.47	
Total	167931.87	187436.37	188947.56	164254.98	220927.13	

Source: Finance Accounts of respective years

Own Tax Revenue of the State increased by ₹ 52,995.26 crore, from ₹ 1,67,931.87 crore in 2017-18 to ₹ 2,20,927.13 crore in 2021-22 at a CAGR of 7.10 *per cent*. The growth rate of Own Tax Revenue in the State during 2021-22 was 34.50 *per cent* over the previous year and was higher than the average of General States. (Appendix 2.2).

The major contributors of own tax revenue were SGST (44.04 *per cent*), Taxes on Sales, Trades *etc.* (20.79 *per cent*), Stamp Duty and Registration Fees (16.11 *per cent*), State excise (7.79 *per cent*) and taxes on vehicles, land revenue, taxes on goods and passengers and others constituted (11.27 *per cent*). The increase in Own tax revenue as compared to the previous year was basically due to increased collection under SGST and taxation changes related to Value Added Tax (VAT) on the sale of liquor as prescribed in Schedule-B of VAT Act from the existing 60 *per cent* to 65 *per cent*. VAT on the sale of liquor as prescribed in Section 41(5) of Value Added Tax Act was increased from the existing 35 *per cent* to 40 *per cent*.

State Goods and Services Tax

Goods and Services Tax (GST) was implemented with effect from 1 July 2017. GST is levied on intra-State supply of goods or services (except alcohol and five specified petroleum products) and its components are shared by the Centre (CGST) and the State (SGST). Further, IGST is levied and collected by the Union Government on inter-State supply of goods and services. The IGST so collected is apportioned between the Centre and the concerned State, where the goods and services are consumed.

The GoI enacted the GST (Compensation to the States) Act 2017 to 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 ₹ 1,32,805.94 crore for the year 2021-22 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 2021-22, against the projected revenue of ₹ 1,32,805.94 crore, the SGST collection was ₹ 97,304.89 crore, as compared to ₹ 69,948.56 crore in 2020-21,

registering an increase of ₹ 27,356.33 crore (39.11 per cent). The total receipts of the State under GST during 2021-22 were ₹ 1,13,321.62 crore, which included SGST collection and net proceeds of CGST assigned to states.

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 and 2021-22, the amount of estimated shortfall was borrowed by the GoI and passed on to the States as back-to-back loan. Due to this arrangement, the GST compensation, which is normally received as revenue receipts was released as back-to-back loan by GoI and accounted under debt receipts of the State Government, with no repayment liability for the State. During 2021-22, in addition to receiving the GST compensation of ₹ 17,834.22 crore as revenue receipts, the State received back to back loan of ₹ 13,782.36 crore in lieu of GST compensation. During 2020-21, the State received ₹ 11,977 crore as back to back loan in lieu of shortfall in GST compensation.

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 2021)	New cases due for assessment during 2021-22	Total cases due for assessments	Cases disposed off during 2021-22	Closing Balance (31 Mar 2022)	Disposal percentage (5 to 4)
1	2	3	4	5	6	7
Maharashtra Value Added Tax	47936	16159	64095	63425	670	98.95
Bombay Sales Tax	0	0	0	0	0	0
Motor Spirit Tax	0	0	0	0	0	0
Purchase Tax on Sugarcane	36	4	40	16	24	40.00
Entry Tax	1	1	2	2	0	100.00
Lease Tax	0	1	1	1	0	100.00
Luxury Tax	386	15	401	313	88	78.05
Tax on Works Contract	0	3	3	3	0	100.00
Total	48359	16183	64542	63760	782	98.79
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 an important indicator of performance of the Department. High pendency of refund cases may indicate red tape, vested interests, prevalence of speed money etc.

The details of evasion under Maharashtra Value Added Tax Act are shown in **Table 2.6**.

Table 2.6: Evasion of Tax detected

Sl. No.	Head of Revenue	Cases pending as on 31 March 2021	Cases detected during 2021-22	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 2022	Additional demand raised with penalty
					No. of cases	Amount (₹ in crore)		
1.	Taxes/VAT on Sales, Trade	334	271	605	419	1176.25	186	1176.25

Source: Information received from Joint Commissioner of Sales Tax/HQ3

2.3.2.3 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 2017-18 to 2021-22 are shown in **Table 2.7**.

Table 2.7: Components of State's Non-Tax Revenue

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	Sparkline
Interest receipts	4162.53	4191.28	3270.69	2286.27	2617.05	
Dividends and Profits	64.63	275.48	56.53	401.02	88.36	
Fiscal services	0.04	0.04	0.24	0.01	0.02	
Other non-tax receipts	12014.60	11376.77	10969.54	13288.16	16601.27	
a) Major and medium Irrigation	215.39	284.47	133.95	103.71	414.46	
b) Urban Development	1272.47	1358.37	1320.13	986.15	5557.29	
c) Education, Sports, Art and culture	449.72	210.86	411.73	1001.17	617.75	
d) Non-Ferrous Mining and Metallurgical Industries	3556.42	4056.71	3982.45	3918.31	4884.94	
e) Others or miscellaneous	6520.60	5466.36	5121.28	7278.82	5126.83	
Total	16241.80	15843.57	14297.00	15975.46	19306.70	

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 2017-18 to 2021-22. During 2021-22, it increased by ₹ 3,331.24 crore (20.85 *per cent*) over the previous year. The increase was mainly under Non-ferrous mining (₹ 966.63 crore), Urban development (₹ 4571.14 crore) and Interest receipts (₹ 330.78 crore).

The increase of non-tax revenue of Urban Development department was due to increase in revenue collection from ‘other items’, ‘miscellaneous receipts’, fees/premiums from lands, recoveries under Maharashtra Regional Town Planning Act 1968 and receipts realised by Director of Town Planning.

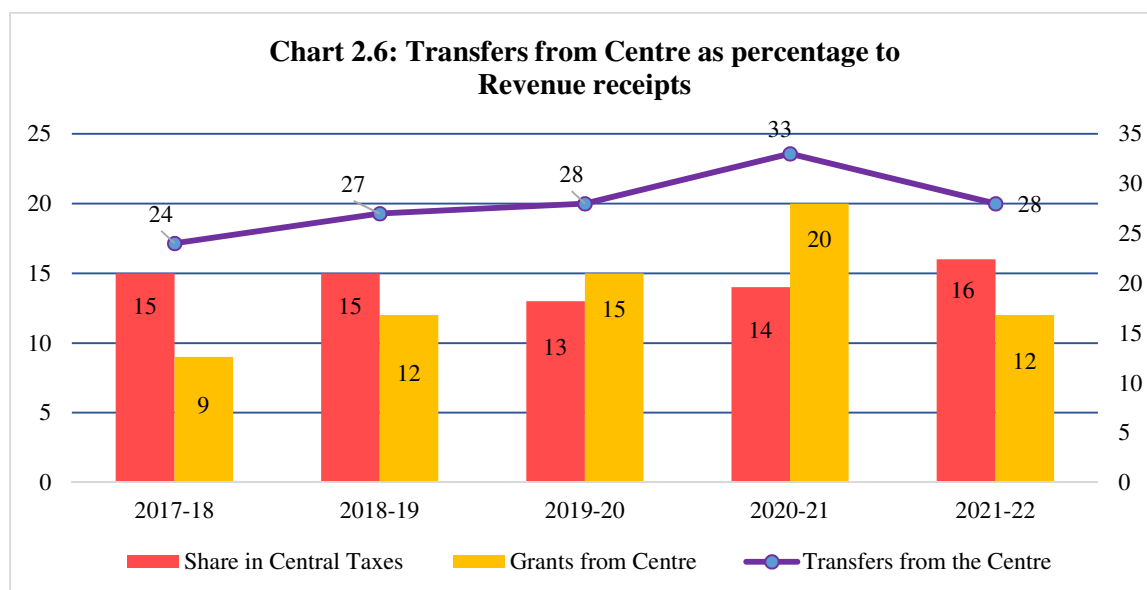
One of the major sources of Interest Receipts is interest proceeds out of investment of surplus cash balances of the State. As per Reserve Bank of India’s (RBI) Regulations, the cash balance maintained by the State is invested in GoI’s 14 days Treasury Bills. Excess cash balance, beyond the immediate requirement is invested in GoI’s 91 days Treasury Bills. As on 31 March 2022, ₹ 22,109.76 crore was lying under Cash Balance Investment Account of the State Government as invested by the RBI. An interest of ₹ 1,191.16 crore was realized on Cash Balance Investment account during 2021-22.

The growth rate of Non-Tax Revenue in the State was 20.85 per cent during 2021-22 as compared to previous year while the average growth rate in General States’ was 45.35 per cent (Appendix 2.2).

2.3.2.4 Transfers from the Union Government

The transfers from Union Government are mainly dependent on the recommendations of the Finance Commission (FC). Transfers from the Union Government includes State’s share of Union Taxes and Duties and GIA. The XIV FC 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 XV FC in its first report for the year 2020-21 had recommended a total devolution of 41 per cent of the divisible pool of taxes for 2020-21. The XV FC in its Main Report for 2021-2026 has recommended a total devolution of 41 per cent of the divisible pool of taxes for 2021-2026. Maharashtra’s share in the divisible pool as per the XIV FC was 5.551 per cent, as per the XV FC (First Report for 2020-21) was 6.135 per cent and as per XV FC (Main Report 2021-26) is 6.317 per cent.

The transfers from Centre as percentage to revenue receipts during 2017-18 to 2021-22 are given in Chart 2.6.



(Source: Finance Accounts of respective years)

As per the recommendation of the XV FC (Main Report 2021-26), during 2021-22, the State's share in Union Taxes was ₹ 54,318.06 crore, an increase of ₹ 17,814.05 crore over the previous year, and GIA from the Union Government was ₹ 38,759.68 crore, a decrease of ₹ 13,973.78 crore over the previous year.

Union Tax Transfer

The Finance Commission projections *vis-à-vis* actual tax devolution of Union Tax Transfer is 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	As per recommendations of XIV FC [<i>Inter-se Share of States =5.521 Table 8.2</i>]	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	XV FC (1st Report 2020-21) [<i>Inter-se Share of States =6.135</i>]	33743.27	36504.01	2760.74
2021-22	As per recommendations of XV FC (Main Report 2021-26) [<i>Inter-se Share of States =6.317</i>]	42043.60	54318.06	12274.46

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 2017-18 to 2021-22 are shown in **Table 2.9**.

Table 2.9: Union Tax Transfers

(₹ in crore)					
Head	2017-18	2018-19	2019-20	2020-21	2021-22
Central Goods and Services Tax (CGST)	522.44	10377.52	10277.86	10894.03	16016.73
Integrated Goods and Services Tax (IGST)	3754.16	828.20	0	0	0
Corporation Tax	11387.92	14621.85	12349.52	10979.94	15127.69
Taxes on Income other than Corporation Tax	9616.28	10768.37	9676.68	11252.46	16519.71
Customs	3753.00	2980.37	2295.84	1969.98	3910.76
Union Excise Duties	3923.00	1980.63	1596.26	1231.49	2057.21
Service Tax	4246.87	390.29	0.00	151.51	627.83
Other Taxes ²	15.53	106.98	23.48	24.60	58.13
Union Tax transfers	37219.19	42054.20	36219.64	36504.01	54318.06
Percentage of increase over previous year	10.39	12.99	(-)13.87	0.79	48.80
Percentage of Union Tax Transfers to Revenue Receipts	15.28	15.07	12.79	13.55	16.30

Source: Finance Accounts of respective years

During 2021-22, there was an increase in Union Tax Transfer by ₹ 17,814.05 crore (48.80 per cent) over the previous year. The increase was under 'CGST' and 'Taxes on

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

Income other than Corporation Tax'. The percentage of Union Tax Transfers to Revenue Receipts increased from 13.55 *per cent* in 2020-21 to 16.30 *per cent* in 2021-22.

Grants-in-aid from GoI

The GIA received from GoI during 2017-18 to 2021-22 are detailed in **Table 2.10**.

Table 2.10: Grants-in-Aid from GoI

(₹ in crore)					
Head	2017-18	2018-19	2019-20	2020-21	2021-22
Non-Plan Grants	7157.50	8310.04	13690.19	309.92 ^{ab}	1.01
Grants for State Plan Schemes	196.71	1886.54	1723.42	0	0
Grants for Central Plan Schemes	1085.81	1326.17	1369.31	0.20	2.32
Grants for Centrally Sponsored Plan Schemes	11894.91	13787.33	8806.56	(-)12.24	(-) 0.48
Grants for Centrally Sponsored Schemes (CSS)	0	22.04	1918.42	13733.52	11782.83
Finance Commission Grants	0	0	550.91	11550.00 ^a	7693.12
Other Transfers/Grants to States/Union Territories with Legislature	1488.00	8330.00	15666.56	27152.06 ^b	19280.88
Total	22260.93^s	33662.12	43725.37	52733.46	38759.68
Percentage of increase over the previous year	2.81	51.22	29.89	20.60	(-)26.50
Percentage of Grants-in-Aid to Revenue Receipts	9.14	12.07	15.44	19.57	11.63
ab) Grants transferred to 07- Finance Commission Grants and 08- Other Transfer due to change in the classification during 2021-22 a) Grants towards contribution to State Disaster Response Fund (₹ 3222.00 crore) taken under 07 - Finance Commission Grants - 104 - Grants in Aid for State Disaster Response Fund due to change in the classification during 2021-22 b) Grants towards contribution to National Disaster Response Fund (₹ 420.12 crore) taken under 08 - Other Transfer / Grants to States / Union Territories with Legislatures 106- Grants towards contribution to National Disaster Response Fund (NDRF) due to change in the classification during 2021-22 ^s Includes ₹ 437.77 crore, details are not available Source: Finance Accounts of respective years					

GIA from GoI decreased by ₹ 13,973.78 crore (26.50 *per cent*) during the year compared to the previous year mainly due to significant decrease in assistance for Rural Local Bodies (RLBs) by ₹2,299.84 crore (39.47 *per cent*), Urban Local Bodies (ULBs) by ₹ 912.64 crore (36.49 *per cent*), Urban Rejuvenation Mission by ₹ 848.97 crore (68.22 *per cent*), State Disaster Response Fund (SDRF) by ₹ 644.40 crore (20 *per cent*) and National Programme for Mid-day Meal by ₹ 541.75 crore (54.04 *per cent*).

GIA constituted 11.63 *per cent* of Revenue Receipts during the year 2021-22. Grants for CSS to the State (₹ 11,782.83 crore) constituted 30.40 *per cent* of the total grants during the year. Finance Commission Grants included Grants for Local Bodies (₹ 5,115.52 crore) and GIA for SDRF (₹ 2,577.60 crore). Further, 'Other' grants included compensation for loss of revenue arising out of implementation of GST (₹ 17,834.22 crore).

XV Finance Commission Grants

The XV FC submitted two reports, namely a first report for financial year 2020-21 and a final report for an extended period of 2021-22 to 2025-26.

The recommendations of the XV FC for grants to local bodies are as follows;

- The entry level condition for RLBs and ULBs availing any grants due to them is having both provisional and audited accounts online in the public domain. States will

receive grants for those RLBs and ULBs that have their provisional accounts for the previous year and audited accounts for the year before the previous, available online

- To supplement the resources needed to fulfil national priorities, 60 per cent of the grants to rural local bodies should be tied to supporting and strengthening the delivery of two categories of basic services: (a) sanitation and maintenance of ODF status; and (b) drinking water, rain water harvesting and water recycling and 40 per cent of the total grants to be disbursed to RLBs shall be untied and can be used by them for felt needs under the twenty-nine subjects enshrined in the Eleventh Schedule, except for salaries and other establishment costs.
- Urban local bodies have been categorised into two groups, based on population, and different norms have been used for flow of grants to each, based on their specific needs and aspirations. For cities with million plus population (Million-Plus cities), 100 per cent of the grants are performance-linked through the Million-Plus Cities Challenge Fund (MCF). Basic grants are proposed only for cities/towns having a population of less than a million.

Details of of the XV FC Grants, actual release by GoI and release by State Government to the Panchayat Raj Institutions (PRIs) and ULBs are given in **Table 2.11**.

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

(₹ in crore)

Recommendation of the XV FC (2021-22)			
Components	Recommendation	Actual release by GoI	Release by State Government
1	2	3	4
(i) Grants to PRIs	4307.00	3014.90	3014.90
(a) Basic 40%	1722.80	1722.80	1722.80
(b) Tied 60%	2584.20	1292.10	1292.10
(ii) Grants to ULBs	2121.00	1322.00	1322.00
(a) Million plus cities	1199.00	400.00	400.00
(b) Non million plus cities	922.00	922.00	922.00
Total for Local Bodies	6428.00	4336.90	4336.90
State Disaster Response Fund	3222.00	2577.60	2577.60
Grand Total	9650.00	6914.50	6914.50

Source: XV FC Report and information furnished by the Government of Maharashtra.

State Finance Commission

The XV FC in its Main Report for 2021-2026 had recommended that all States must constitute State Finance Commission and act upon their recommendations and lay the explanatory memorandum as to the action taken thereon before the State Legislature on or before March 2024. After March 2024, no grants should be released to a State that has not complied with the Constitutional provisions in respect of the State Finance Commission and these conditions.

The Fifth State Finance Commission (SFC) of Maharashtra for the period 2020-25 was constituted in March 2018 and submitted its Report along with the recommendations to

the Government in August 2019, which was placed in the State Legislature in December 2020.

The Commission had made 169 recommendations of which 134 recommendations were accepted by the State Government. Information regarding implementation of these recommendations were not intimated (October 2022).

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	2017-18	2018-19	2019-20	2020-21	2021-22
Capital Receipts	34071.34	2513.01	34142.43	62541.72	55732.40
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	1778.01	1604.29	1614.87	1612.35	1178.88
Net Public Debt Receipts	32293.33	908.72	32527.56	60929.37	54553.52
<i>Internal Debt</i>	<i>33074.10</i>	<i>1496.07</i>	<i>32610.31</i>	<i>46903.98</i>	<i>37043.37</i>
<i>Growth rate</i>	<i>(-)10.11</i>	<i>(-)95.48</i>	<i>2079.73</i>	<i>43.83</i>	<i>(-) 21.02</i>
<i>Loans and Advances from GoI</i>	<i>(-)780.77</i>	<i>(-)587.35</i>	<i>(-)82.75</i>	<i>14025.39</i>	<i>17510.15</i>
<i>Growth rate</i>	<i>127.81</i>	<i>(-)24.77</i>	<i>(-)85.91</i>	<i>17049.11</i>	<i>24.85</i>
Rate of growth of Debt Capital Receipts	(-)11.40	(-)97.19	3479.49	87.32	(-) 10.46
Rate of growth of Non-debt Capital Receipts	1.86	(-)9.77	0.66	(-)0.16	(-) 26.88
Rate of growth of Capital Receipts (per cent)	(-)10.80	(-)92.62	1258.63	83.18	(-)10.89
Source: Finance Accounts of respective years					

The increase in the net Loans and advances from GoI during 2020-21 and 2021-22 was due to receipt of back-to back loans of ₹ 11,977 crore and ₹ 13,782.36 crore respectively in lieu of GST compensation, which is normally received as revenue receipts but was received as back-to-back loan under debt receipts during the year 2020-21 and 2021-22 by the State Government, with no repayment liability for the State.

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 Tax and Non-tax Receipts for the year 2021-22 *vis-à-vis* projections given in the XV FC Report and Budget Estimates (2021-22) are given in **Table 2.13**.

Table 2.13: Own Tax and Non-tax receipts vis-à-vis Projections 2021-22

(₹ in crore)

	XV FC Projections	Budget Estimates	Actual	Percentage variation of actual over	
				Budget estimates	XV FC Projections
Own Tax Revenue	191582	243490.37	220927.13	(-)9.27	15.32
Non-tax Revenue	16648	26650.27	19306.70	(-)27.56	15.97

Source: Finance Accounts 2021-22, XV FC Report, Budget documents

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

2.4 Application of Resources

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

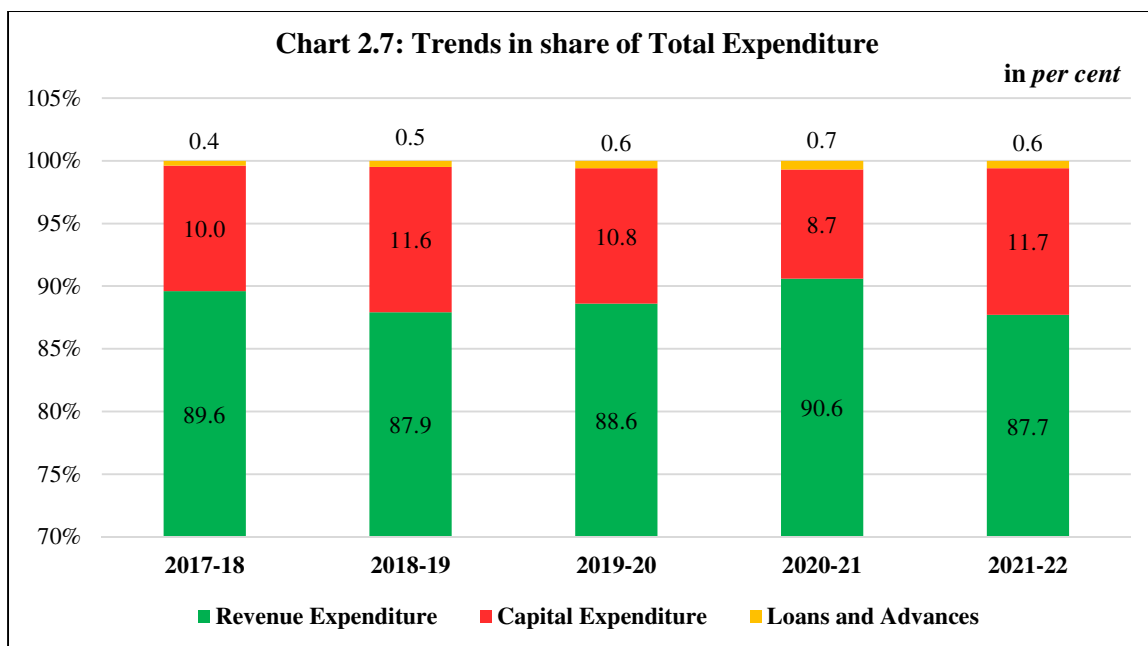
The total expenditure, its composition and its relative share in GSDP during the last five years (2017-18 to 2021-22) are given in **Table 2.14** and **Chart 2.7**.

Table 2.14: Total expenditure and its composition

(₹ in crore)

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	269392.54	303615.89	338690.64	342638.31	398792.31
Revenue Expenditure (RE)	241571.07	267021.67	300305.21	310609.76	349685.89
Capital Expenditure (CE)	26842.18	35049.05	36415.57	29686.70	46670.39
Loans and Advances	979.29	1545.17	1969.86	2341.85	2436.03
As percentage of GSDP					
TE/GSDP	11.45	11.82	12.39	12.64	12.47
RE/GSDP	10.27	10.40	10.98	11.45	10.94
CE/GSDP	1.14	1.36	1.33	1.09	1.46
Loans and Advances/GSDP	0.04	0.06	0.07	0.09	0.08

Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

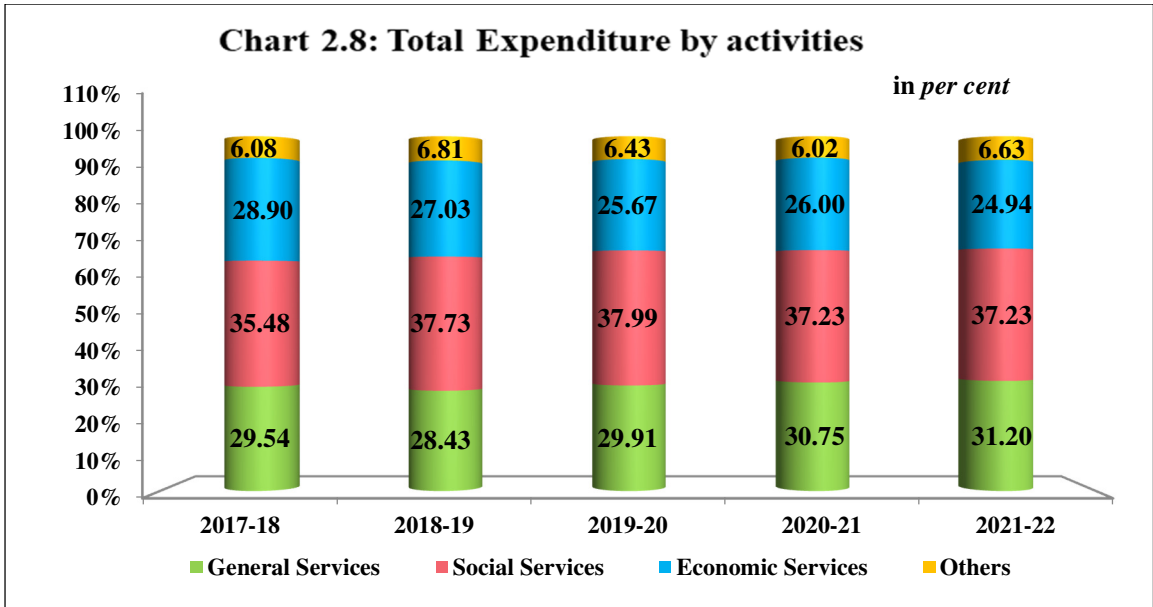
It is evident from the above that the total expenditure increased significantly from ₹ 2,69,392.54 crore in 2017-18 to ₹ 3,98,792.31 crore in 2021-22. Total expenditure as a percentage of GSDP grew from 11.45 *per cent* in 2017-18 to 12.47 *per cent* in 2021-22.

In terms of activities, total expenditure could be considered as being composed of expenditure on General Services including Interest Payments, Social Services, Economic Services, GIA 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

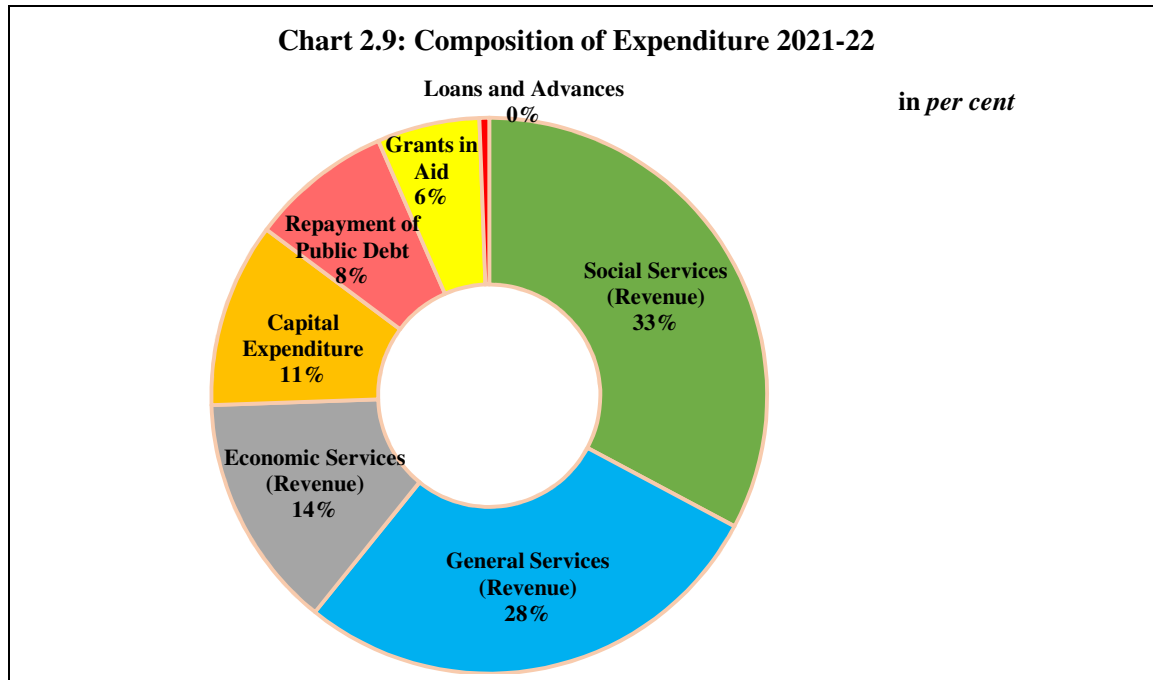
Parameters	<i>(in per cent)</i>				
	2017-18	2018-19	2019-20	2020-21	2021-22
General Services	29.54	28.43	29.91	30.75	31.20
Social Services	35.48	37.73	37.99	37.23	37.23
Economic Services	28.90	27.03	25.67	26.00	24.94
Others (Grants to Local Bodies and Loans to Govt. Servants)	6.08	6.81	6.43	6.02	6.63

Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

The relative share of these components exhibited stability during the period from 2017-18 to 2021-22 with marginal inter year variations. The composition of Expenditure during 2021-22 is depicted in **Chart 2.9**.



(Source: Finance Accounts 2021-22)

2.4.2 Revenue Expenditure

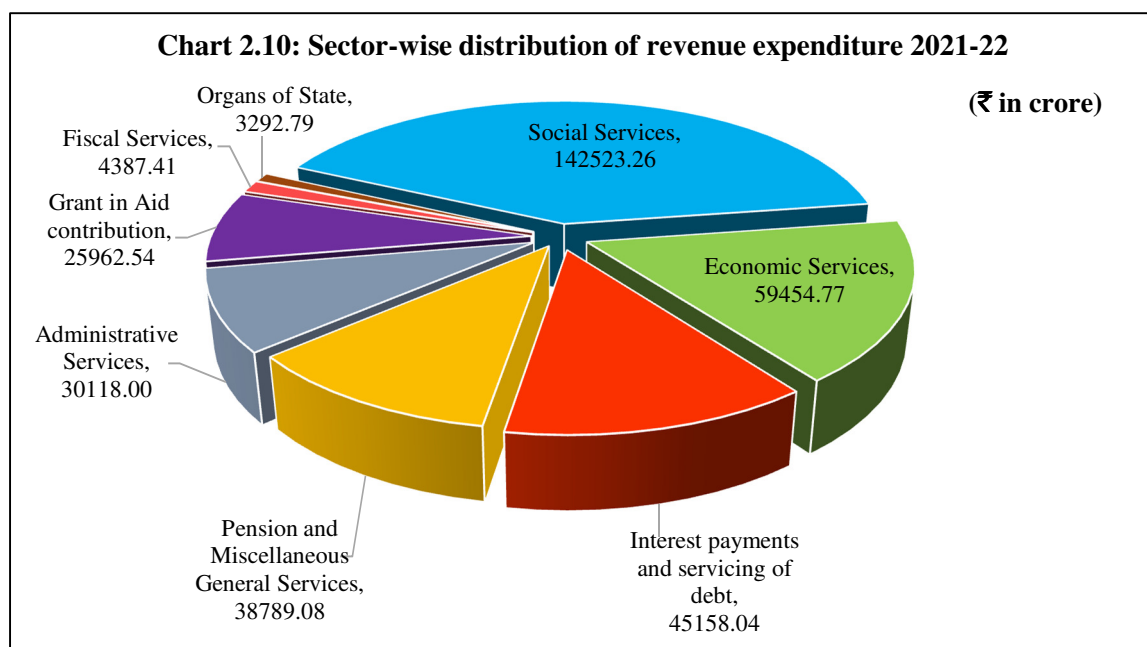
Revenue Expenditure is incurred to maintain the current level of services and payment for the past obligation. Revenue expenditure comprises wages and salaries, interest payments, pensions, expenditure on operation and maintenance of capital works, subsidies and transfers to local bodies, co-operatives, 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 GSDP and buoyancy *vis-à-vis* GSDP and Revenue receipts are indicated in **Table 2.16**. Sector-wise distribution of Revenue expenditure pertaining to 2021-22 is given in **Chart 2.10**.

Table 2.16: Revenue Expenditure – Basic Parameters

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	269392.54	303615.89	338690.64	342638.31	398792.31
Revenue Expenditure (RE)	241571.07	267021.67	300305.21	310609.76	349685.89
Rate of Growth of RE (per cent)	13.29	10.54	12.46	3.43	12.58
RE/TE (per cent)	89.67	87.95	88.67	90.65	87.69
RE/GSDP (per cent)	10.27	10.35	10.98	11.45	10.94
RE/RR (per cent)	99.15	95.71	106.04	115.27	104.91
Gross State Domestic Product	2352782	2567897	2734552	2711685	3197782
Rate of growth of GSDP (per cent)	7.03	9.14	6.49	(-)0.84	17.93
Buoyancy of Revenue Expenditure					
GSDP (ratio)	1.89	1.15	1.92	*	0.70
Revenue Receipts (ratio)	0.70	0.73	8.29	*	0.53
Source: Finance Accounts of respective years					
*Due to negative growth of GSDP and Revenue receipt, buoyancy could not be calculated.					



(Source: Finance Accounts 2021-22)

During 2021-22, revenue expenditure constituted 87.69 per cent of the total expenditure. The growth rate of revenue expenditure increased considerably from 3.43 per cent in 2020-21 to 12.58 per cent in 2021-22.

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 2021-22 compared to 2020-21

(₹ in crore)			
Major Heads of Account	2020-21	2021-22	Increase (+)/ Decrease (-)
2049-Interest Payments	36969.77	40158.04	3188.27
2071-Pensions and Other Retirement Benefits	32266.91	38513.30	6246.39
2202-General Education	59522.22	64950.39	5428.17
2217- Urban Development	8559.90	12231.96	3672.06
2225-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	10738.94	16463.84	5724.90
2435-Other Agricultural Programmes	17153.78	393.31	(-)16760.47
3604- Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	20396.38	25962.54	5566.16

Source: Finance Accounts of respective years

During the year 2021-22, there was significant decrease in Revenue Expenditure on 'Other Agricultural Programmes' due to the decreased expenditure on Mahatma Jyotirao Phule Farmer Loan Waiver Scheme.

2.4.2.2 Committed Expenditure

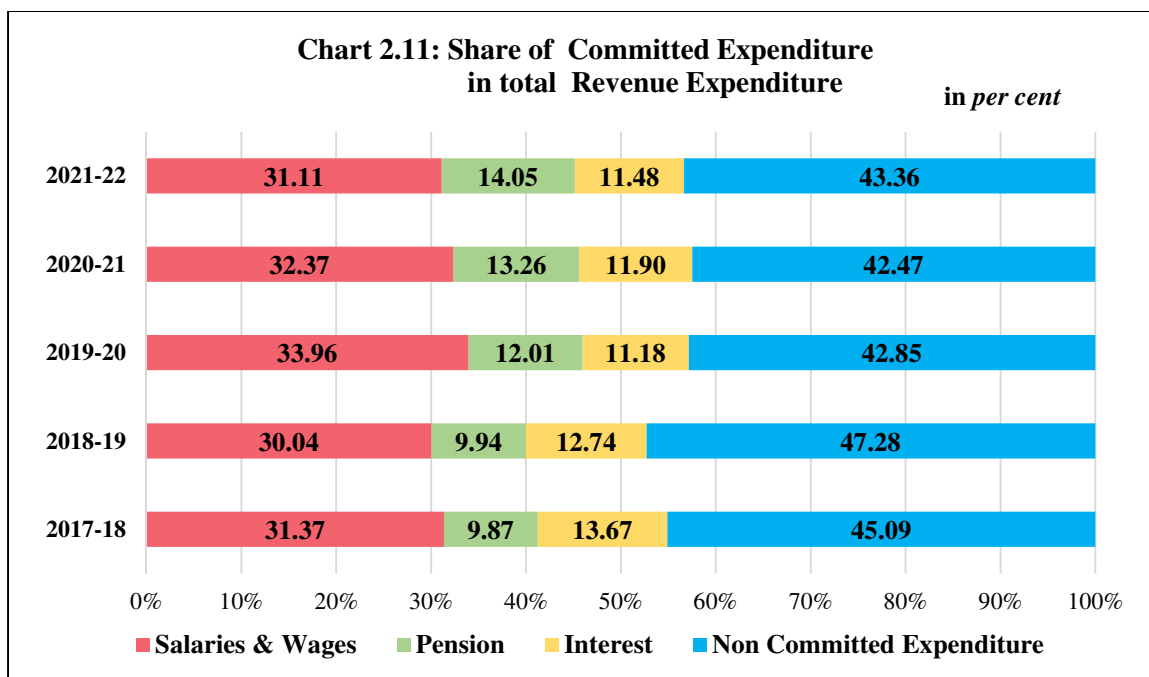
The committed expenditure of the State Government on revenue account consists of interest payments, expenditure on salaries and wages, and pensions. It has first charge on Government resources.

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 2017-18 to 2021-22 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	2017-18	2018-19	2019-20	2020-21	2021-22
Salaries & Wages *	75783.87	80221.59	101981.24	100529.17	108791.45
Expenditure on Pensions	23853.33	26544.73	36077.52	41194.31	49112.25
Interest Payments	33018.43	34021.25	33560.73	36969.77	40158.04
Total Committed Expenditure	132655.63	140787.57	171619.49	178693.25	198061.74
As a percentage of Revenue Receipts (RR)					
Salaries & Wages*	31.10	28.75	36.01	37.31	32.64
Expenditure on Pensions	9.79	9.51	12.74	15.29	14.73
Interest Payments	13.55	12.19	11.85	13.72	12.05
Total	54.44	50.45	60.60	66.32	59.42
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages*	31.37	30.04	33.96	32.37	31.11
Expenditure on Pensions	9.87	9.94	12.01	13.26	14.04
Interest Payments	13.67	12.74	11.18	11.90	11.48
Total	54.91	52.72	57.15	57.53	56.63

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



(Source: Finance Accounts of respective years)

Committed expenditure constituted 59.42 *per cent* of the Revenue receipts and 56.63 *per cent* of the revenue expenditure of the State during 2021-22. The increased ratio of committed expenditure (salary and wages) to revenue receipts and revenue expenditure in 2020-21 was due to revision of pay scales and pensionary benefits to the State Government and the Government aided institute employees on the basis of recommendations made by the State pay revision committee.

Salaries and Wages

Expenditure on salaries and wages over the five-year period (2017-18 to 2021-22) increased by ₹ 33,007.58 crore (43.55 *per cent*) from ₹ 75,783.87 crore in 2017-18 to ₹ 1,08,791.45 crore in 2021-22. Its share in the Revenue expenditure decreased slightly during the current year relative to the previous year and accounted for 31.11 *per cent* of Revenue expenditure during 2021-22.

Interest Payments

During 2021-22, Interest Payments increased by ₹ 3,188.27 crore (8.62 *per cent*) over the previous year. During the current year, the Interest Payments were made on Internal Debt (₹ 33,776.99 crore), Small Savings, Provident Fund, *etc.*, (₹ 3,380.50 crore), Loans and Advances from GoI (₹ 303.09 crore), Deposits and Advances (₹ 2,623.95 crore) and Reserve Funds (₹ 9.46 crore).

Pension Payments

The expenditure during the year on pension and other retirement benefits to State Government employees recruited prior to November 2005, was ₹ 49,112.25 crore (14.04 *per cent* of Revenue expenditure). There was an increase of ₹ 7,917.94 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 DCPS.

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

The State Government implemented the NPS in August 2014 for employees recruited on or after 1 November 2005 in the State Government, Zilla Parishad, Recognized and Aided Educational Institutions, Agricultural/Non-Agricultural Universities and affiliated Non-Government Colleges, Corporations under Water Resources Department. 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 31 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 2021-22, the total contribution to the NPS was ₹ 5,110.87 crore (employees' contribution of ₹ 1,967.65 crore and Government's contribution ₹ 3,143.22 crore). The State Government had transferred ₹ 3,761.74 crore to the NSDL. As on 31 March 2022, cumulative balance amount of ₹ 9,050.14 crore was yet to be transferred to NSDL. The interest liability on the un-transferred balance works out to ₹ 755.60 crore at the rate of interest applicable to the scheme, of which ₹ 271.61 crore was paid to NSDL during the year.

As evident from the above, the non-transfer of amount under NPS has deferred the current liability of the State to future years.

2.4.2.4 Subsidies

Subsidies given by the State Government during 2017-18 to 2021-22 are shown in **Table 2.19**.

Table 2.19: Expenditure on subsidies during 2017-18 to 2021-22

	2017-18	2018-19	2019-20	2020-21	2021-22
Subsidies (₹ in crore)	33894.42	27397.78	28385.98	40861.58	29137.20
Subsidies as a percentage of Revenue Receipts	13.91	9.82	10.02	15.16	8.74
Subsidies as a percentage of Revenue Expenditure	14.03	10.26	9.45	13.16	8.33
Source: Finance Accounts of respective years					

Expenditure on subsidies decreased considerably by 28.69 per cent from ₹ 40,861.58 crore in 2020-21 to ₹ 29,137.20 crore in 2021-22. During the current year, subsidies constituted 8.33 per cent of the Revenue expenditure and 8.74 per cent of Revenue receipts.

The major beneficiary Departments of subsidy during 2021-22 were Industries, Energy and Labour, Agriculture, Animal Husbandry, Dairy development, and Fisheries, Food and Civil Supplies and Home.

Industries, Energy and Labour department received a subsidy of ₹ 15,143.42 crore (51.97 per cent). of which, a major portion of ₹5,790 crore was on account of Concession in Energy Tariff to Agriculture Pump Consumers and ₹ 5,300 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'.

Agriculture, Animal Husbandry, Dairy development and Fisheries department, received total subsidy of ₹ 5,419 crore, out of which ₹ 2,000 crore pertained to the State share in the Pradhan Mantri Crop Insurance.

The subsidy of ₹2,399.96 crore to Food and Civil Supplies, mainly included subsidy for covering deficit under National food security Scheme (₹ 1,404.98 crore).

The entire amount of subsidy to Home Department (₹ 2,130 crore) was on account of loss incurred by Maharashtra state Road Transport Corporation.

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 institutions by way of Grants and Loans. The quantum of assistance provided by way of Grants and Loans to Local Bodies and Other institutions during 2021-22 compared to previous years is shown in **Table 2.20**.

Table 2.20: Financial Assistance to Local Bodies, etc.

(₹ in crore)

Institutions	2017-18	2018-19	2019-20	2020-21	2021-22
(A) Local Bodies					
Municipal Corporations and Municipalities	23192.36	28958.48	30802.66	30101.99	36340.72
Panchayati Raj Institutions	22112.62	21123.91	26620.62	28724.25	29417.83
Total (A)	45304.98	50082.39	57423.28	58826.24	65758.55
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	29175.01	31428.21	36674.10	35899.78	39536.97
Development Authorities	1692.38	1027.43	584.31	2303.49	1631.33
Hospitals and Other Charitable Institutions	5694.04	5707.03	5364.44	7345.86	9693.05
Other Institutions	19777.88	34317.45	34158.76	29405.90	38152.96
Total (B)	56339.31	72480.12	76781.61	74955.03	89014.31
Total (A+B)	101644.29	122562.51	134204.89	133781.27	154772.86
Revenue Expenditure	241571.07	267021.67	300305.21	310609.76	349685.89
Assistance as percentage of Revenue Expenditure	42.08	45.90	44.69	43.07	44.26

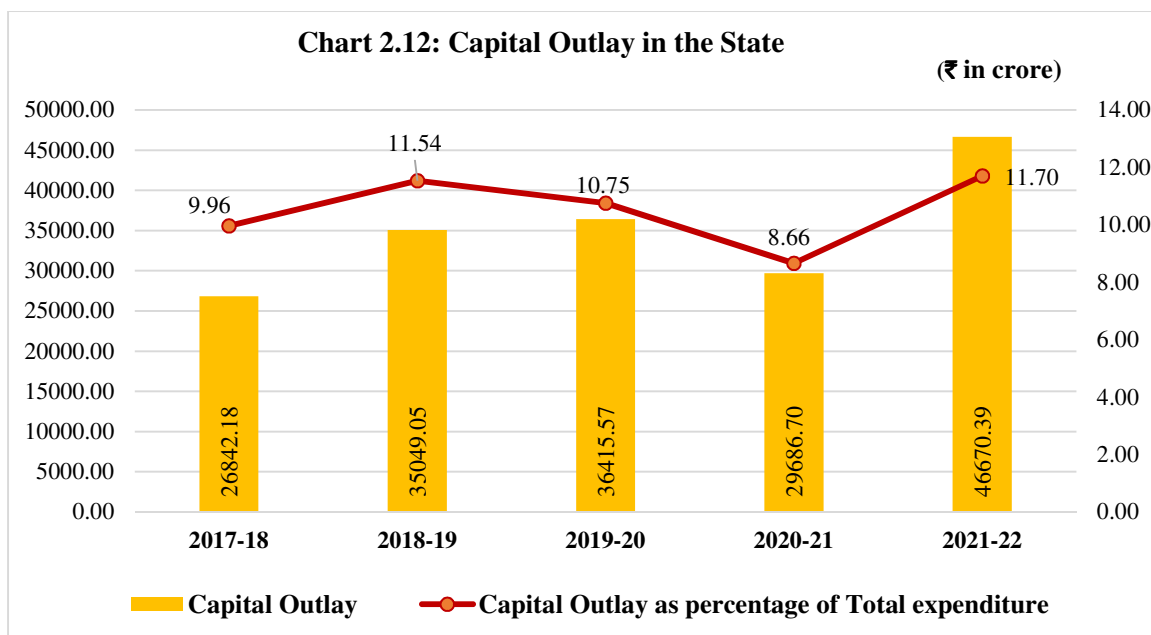
Source: Finance Accounts of respective years

The financial assistance to local bodies and other institutions has shown an increasing trend from ₹ 1,01,644.29 crore in 2017-18 to ₹ 1,54,772.86 crore (52.27 per cent) in 2021-22. This includes the assistance to Municipal Corporations for loss of revenue arising due to implementation of Goods and Services Tax. During 2021-22, the State Government released an amount of ₹ 23,006.76 crore assistance to Municipal Corporations for loss of revenue arising due to implementation of GST as compared to ₹ 20,037.31 crore released in 2020-21.

Further, grantee institutions under 'Others' category received substantial assistance during 2017-18 to 2021-22. However, recording of grantee institutions under 'Others' category together with absence of details of assets created with the concerned grant-releasing Departments of the State Government was a matter of concern, as it rendered such transactions opaque.

2.4.3 Capital Expenditure

Capital Expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings etc. Trend of Capital outlay *vis-à-vis* total expenditure during the five-year period (2017-18 to 2021-22) is given in **Chart 2.12**.



(Source: Finance Accounts of respective years)

During 2021-22, Capital Outlay (₹ 46,670.39 crore) constituted 11.70 per cent of the total expenditure. Capital outlay increased by 57.21 per cent (₹ 16,983.69 crore) during 2021-22 as compared to 2020-21. Of the total Capital outlay of ₹ 46,670.39 crore incurred in 2021-22, ₹ 20,487.61 crore (43.90 per cent) was spent on Roads and bridges. ₹ 10,206.77 crore (21.87 per cent) for Irrigation and flood control activities (major, medium and minor irrigation projects) followed by ₹ 5,278.69 crore (11.31 per cent) for Agriculture and allied services.

2.4.3.1 Major changes in Capital Expenditure

Table 2.21 highlights significant variations under various Heads of Accounts with regard to Capital outlay of the State during 2020-21 and 2021-22.

Table 2.21: Capital outlay during 2021-22 compared to 2020-21

(₹ in crore)

Major Heads of Accounts	2020-21	2021-22	Increase (+)/ Decrease (-)
5054-Capital Outlay on Roads and Bridges	11763.84	20487.61	8723.77
4801-Capital Outlay on Power Projects	170.07	1267.37	1097.30
4702-Capital Outlay on Minor Irrigation	1117.36	1677.90	560.54
4701-Capital Outlay on Major and Medium Irrigation	6467.44	8412.41	1944.97
4210-Capital Outlay on Medical and Public Health	989.70	1612.26	622.56
4402--Capital Outlay on Soil and Water Conservation	877.68	2096.82	1219.14

Source: Finance Accounts of respective years

2.4.3.2 Quality of Capital Expenditure

Out of the total Capital outlay of ₹ 46,670.39 crore, Government had invested ₹ 14,674.61 crore (31.44 per cent of Capital Outlay) in Statutory Corporations (₹ 13,680.30 crore) mainly related to Irrigation Development Corporations, Government Companies (₹ 923.05 crore) and in Co-operative banks/Societies and Local bodies (₹ 25.26 crore).

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 (CE) in the Companies and Corporations, which are loss making and whose 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 Public Sector Undertakings (PSUs) and history of repayment of loans given to various bodies are important determinants of quality of CE.

Table 2.22: Return on Investment

Investment/Return/ Cost of borrowings	2017-18	2018-19	2019-20	2020-21	2021-22
Investment at the end of the year (₹ in crore)	140203.56	153322.10	165024.85	173983.84	188658.45
Return (₹ in crore)	64.63	275.48	56.53	401.02	88.36
Return (per cent)	0.05	0.18	0.03	0.23	0.05
Average rate ³ of interest on Government Borrowings (per cent)	7.97	7.83	7.32	7.19	6.96
Difference between interest rate and return (per cent)	7.92	7.65	7.29	6.96	6.91
Difference between interest on Government borrowings and return on investment ⁵ (₹ in crore)	11104.12	11729.14	12030.31	12109.28	13036.30
⁵ Investment at the end of the year x 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 22,873 societies with an aggregate Government investment of ₹ 188.81 crore (equity: ₹ 54.46 crore and loan: ₹ 134.35 crore), 12,291 societies had incurred accumulated losses of ₹ 8,012.93 crore.

Quantum of loans disbursed and recovered (2017-18 to 2021-22)

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) 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 2017-18 to 2021-22 is given in **Table 2.23**.

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

Table 2.23: Position of Loans and Advances

(₹ in crore)

Quantum of Loans/Interest receipts/Cost of borrowings	2017-18	2018-19	2019-20	2020-21	2021-22
Opening balance of Loans outstanding	26603.40	25804.68	25745.56	26100.55	26830.05
Amount advanced during the year	979.29	1545.17	1969.86	2341.85	2436.03
Amount recovered during the year	1778.01	1604.29	1614.87	1612.35	1178.88
Closing balance of the Loans outstanding	25804.68	25745.56	26100.55	26830.05	28087.20
Interest received	485.00	394.00	322.00	315.87	202.05
Interest rate ⁴ on Loans and Advances given by the Government	1.85	1.53	1.24	1.19	0.74
Rate of Interest paid on the outstanding borrowings of the Government	7.97	7.83	7.32	7.19	6.96
Difference between the rate of interest paid and interest received (<i>per cent</i>)	(-)6.12	(-)6.30	(-)6.08	(-)6.00	(-)6.22

Source: Finance Accounts of respective years

2.4.4 Expenditure priorities

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

Table 2.24 compares the fiscal priority of the State with that of General States with regard to TE, Social Sector expenditure (SSE), Economic Sector expenditure (ESE) and CE during 2021-22, taking 2016-17 as the base year.

Table 2.24: Fiscal Priority of the State in 2016-17 and 2021-22

(in per cent)

Particulars	TE/ GSDP	SSE/ TE	ESE/ TE	CE/ TE	Expdr on Education/ TE	Expdr on Health/ TE
Average of General States' 2016-17	17.17	35.71	35.06	19.99	14.89	4.76
Maharashtra 2016-17	11.15	38.26	28.54	12.99	18.53	4.38
Average of General States' 2021-22	15.84	38.31	24.87	14.41	14.66	6.20
Maharashtra 2021-22	12.47	37.23	24.94	12.31	17.24	5.28

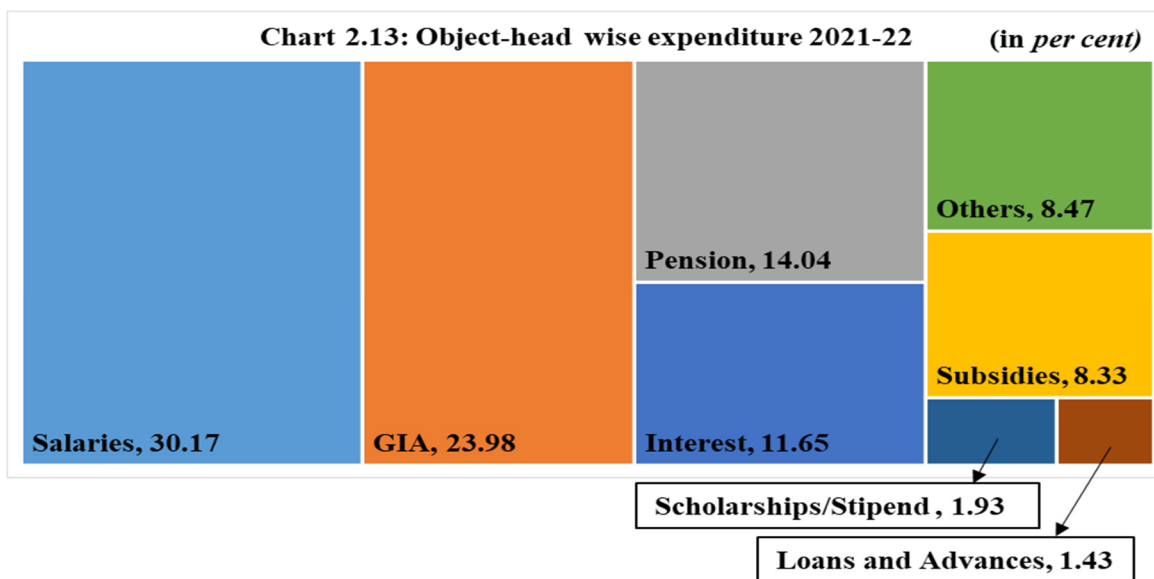
⁴ Interest rate on Loans and Advances given by the Government = Interest received / {(Opening balance + closing balance of loan and advances) / 2} * 100

Table 2.24 indicates the following:

- The TE as a ratio of GSDP of Maharashtra was considerably lower than that of the Average of the General States’ during 2016-17 and 2021-22.
- ESE, as a ratio of TE of the State was lower than the average of General States’ during 2016-17 but was slightly higher during 2021-22.
- The ratio of SSE to TE was higher than the average of General States in 2016-17 but slightly lower in 2021-22.
- CE as ratio of TE was lower than the average of General States’ during 2016-17 and 2021-22.
- Expenditure on Education was higher than the average of General States’ in 2016-17 and 2021-22, whereas expenditure on Health was lower than the average of General States’ in 2016-17 and 2021-22.

2.4.4.1 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 2021-22 is shown in **Chart 2.13**.



(Source: Finance Accounts 2021-22)

Salaries constituted 30 *per cent* of the revenue expenditure followed by GIA 24 *per cent*, Pension 14 *per cent*, Interest 12 *per cent* and subsidies 8 *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 2.25**.

Table 2.25: Component-wise net balances in Public Account

		(₹ in crore)				
Sector	Sub Sec	2017-18	2018-19	2019-20	2020-21	2021-22
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	546.65	491.75	1766.69	739.89	966.64
J. Reserve Funds	(a) Reserve Funds bearing Interest	44.87	500.87	3781.61	657.53	156.33
	(b) Reserve Funds not bearing Interest	5879.02	(-)1073.50	6666.75	4512.62	8527.48
K. Deposits and Advances	(a) Deposits bearing Interest	4717.07	3630.92	5886.57	5674.11	2105.43
	(b) Deposits not bearing Interest	(-)787.09	692.01	(-)686.58	333.23	500.73
	(c) Advances	(-)0.05	(-)0.39 [#]	3.67	(-)1.20	(-)2.51
L. Suspense and Miscellaneous	(b) Suspense	(-)47.37	49.32	289.60	(-)329.48	112.51
	(c) Other Accounts	208.44	(-)3541.01	3265.52	29.13	7065.46
	(d) Accounts with Governments of Foreign Countries	0	0	0	0.00	(-)1.60
	(e) Miscellaneous	2.84	0	0.01	0.00	1.60
	(a) Money Orders, and Other Remittances	825.76	160.90	(-)1664.09	2128.66	(-)595.18
M. Remittances	(b) Inter-Governmental Adjustment Account	(-)3.39	(-)3.81	(-)4.67	(-)0.81	6.45
TOTAL		11386.75	907.06	19305.08	13743.68	18843.34
Note: +ve denotes debit balance and -ve denotes credit balances [#] Lower rounding						
Source: Finance Accounts of respective years						

As shown in **Table 2.25** above, net Public Account increased from ₹ 13,743.68 crore in 2020-21 to ₹ 18,843.34 crore in 2021-22.

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 2022, there were 21 active Reserve Funds earmarked for specific purposes. Out of these 12 funds were operative (₹ 67,406.71 crore) and the remaining nine were inoperative (₹ 29.01 crore). The total accumulated balance at the end of 31 March 2022 in these funds was ₹ 67,435.72 crore, out of which ₹ 4,808.50 crore was under interest bearing Reserve Fund and ₹ 62,627.22 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 XII FC for amortization of market borrowings as well as other loans and debt obligations. The fund is managed by the RBI. According to the guidelines of the Fund, States may contribute a minimum of 0.5 *per cent* of their outstanding liabilities (Public Debt *plus* Public Account) as at the end of the previous year to the Consolidated Sinking Fund.

During 2021-22, the State Government transferred ₹ 5,000 crore to the Consolidated Sinking Fund from the Revenue Account as against the required contribution of ₹ 2,740.88 crore, 0.5 *per cent* of outstanding liabilities (Public Debt *plus* Public Account liabilities) of ₹ 5,48,176.45 crore as on 31 March 2021. The balance in the Consolidated Sinking Fund as on 31 March 2022 was ₹ 54,374.14 crore, which has been invested.

2.5.2.2 State Disaster Response Fund

GoI replaced the erstwhile Calamity Relief Fund with the SDRF with effect from 01 April 2010. 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, frost and cold wave under the provision of Disaster Management Act, 2005 and as per recommendations of the XIII FC, the GoI under Section 48(1)(a) of the Disaster Management Act, 2005.

In terms of guidelines on constitution and administration of the SDRF (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

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 2021-22 are presented in the **Table 2.26**.

Table 2.26: Details of expenditure charged to SDRF

(₹ in crore)

Major Head of Account	Minor Head of Account	Expenditure during 2021-22
2245- Relief on Account of Natural Calamities 02- Floods, Cyclones <i>etc.</i>	101-Gratuitous Relief	6418.32
	113-Assistance for repairs/reconstruction houses	137.78
	115-Assistance to farmers to clear sand/silt/salinity from lands	56.97
	117-Assistance to farmers for purchase of live stock	7.85
	118-Assistance for Repairs/Replacement of damaged boats	21.22

Major Head of Account	Minor Head of Account	Expenditure during 2021-22
	and equipment for fishing	
	119-Assistance to artisans for repairs/replacement of damaged tools and equipment	119.08
	800-Other expenditure	210.35
	Sub Total 02	6971.57
2245- Relief on Account of Natural Calamities 80- General	800-Other Expenditure	721.26
	911- Deduct-Recoveries of Overpayments	-0.03
	Sub-Total 80	721.23
	Grand Total	7692.80
05-State Disaster Response Fund	101- Transfer to Reserve Funds/ Deposit Accounts- State Disaster Response Fund.	4707.99
	901- Deduct-amount met from State Disaster Response Funds	(-)4493.19
	Sub Total 05	214.80

Source: Finance Accounts 2021-22

The corpus of the SDRF of Maharashtra for the year 2021-22 was ₹ 4,296 crore. As per the recommendations of the XV FC, the annual contribution to the SDRF is in the ratio of 75:25 between GoI and GoM.

During the year 2021-22, the State Government received ₹2,577.60 crore as Union Government's share towards SDRF. The GoI share of ₹ 644.40 crore (20 per cent) towards State Disaster Mitigation Fund (SDMF) for the year 2021-22 was released in June 2022 (year 2022-23). The State Government's share during the year is ₹ 1,074.00 crore (₹ 859.20 crore towards SDRF and ₹ 214.80 crore towards SDMF in the ratio of 80:20). The State Government transferred ₹ 3,651.60 crore (Central share ₹ 2,577.60 crore, State share ₹ 1,074 crore) to the Fund under Major Head 8121-122 SDRF. The State received ₹ 1,056.39 crore from the Union Government towards NDRF.

The expenditure of ₹ 4,493.19 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 ₹ 214.80 crore as on 31 March 2022.

2.5.2.3 Guarantee Redemption Fund

State Government constituted the 'Guarantee Redemption Fund' for meeting the payment obligations arising out of the guarantees issued by the State Government in respect of bonds issued and other borrowings by the State PSUs 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 RBI and should be kept outside the General Revenues of the Government. The funds are invested by the RBI.

In terms of the XII FC, 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 ₹ 213.47 crore as against ₹ 207.90 crore to the Fund and ₹ 54.82 crore has been invested by the RBI during the year. The amount in the fund as on 31 March 2022 was ₹ 951.37 crore which was 2.29 *per cent* of the total outstanding Guarantees (₹ 41,579.94 crore) as on 31 March 2021.

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 agencies⁵. The money collected is 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 money 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 years 2020-21 and 2021-22, the State Government did not receive any amount from the user agencies, and hence no amount was remitted to the National Fund. The State Government received ₹ 285.22 crore (Nil in previous year) from National Compensatory Afforestation Deposit. The Government transferred an expenditure of ₹ 487.50 crore to Major head 8121-General and Other Reserve Funds. The total balance in the State Compensatory Afforestation Fund as on 31 March 2022 was ₹ 3,230.44 crore.

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

⁵ 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

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 2021-22, the Board has collected ₹ 2,310.13 crore as Labour Cess. The department has not furnished details of expenditure incurred from the Fund and the balance available as on 31 March 2022.

Further, during the year 2021-22, the Government collected ₹ 1,029.27 crore being the collection of cess (other than Labour Cess). Out of total collection of ₹ 1,029.27 crore, no amount was transferred to the fund by the State Government.

2.5.2.6 Accounting of transaction relating to Central Road Fund

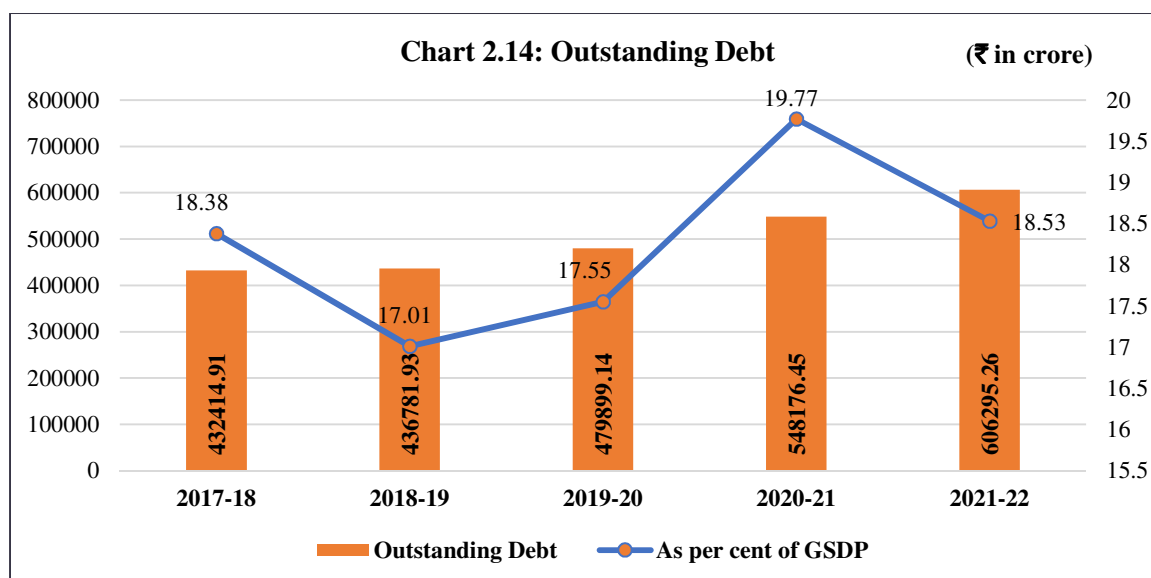
Government of India introduced Central Road Fund (CRF) scheme in 2001-02 to allocate and disburse funds for the development and maintenance of National Highways, rural roads, state roads (Roads of Inter-state connectivity and economic importance) and construction of roads either under or over the railways by means of a bridge and erect suitable safety works at unmanned rail-road level crossing.

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 2021-22, Government of Maharashtra received assistance of ₹ 390.27 crore from Ministry of Road Transport and Highways, which has been transferred to Central Road Fund (Major Head 8449- Other Deposits-103- Subvention from Central Road fund). During the year 2021-22 Government of Maharashtra transferred expenditure of ₹390.27 crore to Central Road Fund.

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 2.14**.



(Source: Finance Accounts of respective years)

The outstanding debt (Fiscal Liabilities) of the State increased from ₹ 4,32,414.91 crore in 2017-18 to ₹ 6,06,295.26 crore at the end of 2021-22. The effective total outstanding debt would be ₹ 5,92,512.90 crore as the Department of Expenditure, GoI has decided that GST compensation of ₹ 13,782.36 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 FC. The outstanding debt to GSDP ratio of 18.53⁶ per cent during 2021-22 was lower than the limits prescribed by the FRBM Act (20.64 per cent).

2.6.1 Debt Profile: Components

Total Debt of the State Government constitutes 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 2.27**.

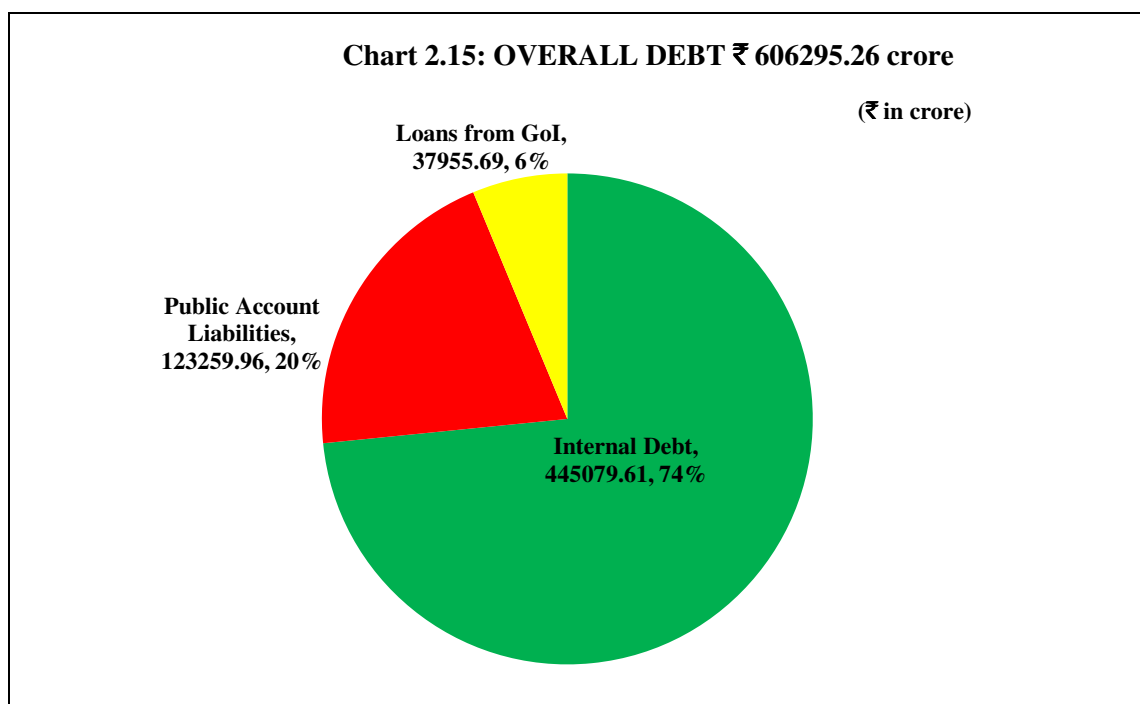
Table 2.27: Component wise debt trends

	2017-18	2018-19	2019-20	2020-21	2021-22
	(₹ in crore)				
Outstanding Overall Debt (A+B)	432414.91	436781.94	479899.14 ⁶	548176.45	606295.26
A. Public debt	334112.81	335020.67	367552.41	428481.78	483035.30
(i) Internal debt	327025.88	328521.95	361132.26	408036.24	445079.61
(ii) Loans from GoI	7086.93	6498.72	6420.15	20445.54	37955.69
B Public Account Liabilities	98302.10	101761.27	112346.73	119694.67	123259.96
Rate of growth of outstanding debt (percentage)	9.24	1.01	9.87	14.23	10.60
Gross State Domestic Product (GSDP)	2352782	2567897	2734552	2711685	3197782
Debt/GSDP (per cent)	18.38	17.01	17.55	19.77	18.53*
Total Debt Receipts	100511.34	79505.99	130325.03	171674.22	156649.53

⁶ As per Department of Expenditure, Ministry of Finance, Government of India, the borrowings under the Special Window (₹ 13,782.36 crore) was not treated as debt of the State for any norms prescribed by the Finance Commission etc.

	2017-18	2018-19	2019-20	2020-21	2021-22
Total Debt Repayments	63935.88	75138.11	87212.01	103396.91	98530.72
Total Debt Available	36575.46	4367.88	43113.02	68277.31	58118.81
Debt Repayments/Debt Receipts (per cent)	63.61	94.51	66.92	60.23	62.90
^s Increased by ₹ 4.18 crore due to <i>Proforma</i> 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 *As per DoE, MoF, GoI, the borrowings under the Special Window of ₹ 13,782.36 crore was not treated as debt of the State for any norms prescribed by the Finance Commission etc Source: Finance Accounts of respective years					

Outstanding debt has shown a staggered growth during 2017-18 to 2021-22. In 2018-19, the growth rate of outstanding 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. In 2020-21, market borrowings increased considerably due to severe decline in revenue receipt on account of COVID 19 pandemic. The growth of outstanding debt during 2021-22 was 10.60 *per cent* as compared to 14.23 *per cent* in 2020-21. Further, Public Debt during 2020-21 and 2021-22 also included GST compensation of ₹ 11,977 and ₹ 13,782.36 crore respectively, received by the State as back to back loans, with no repayment liability for the State. The composition of the overall liabilities during 2021-22 is depicted in **Chart 2.15**.

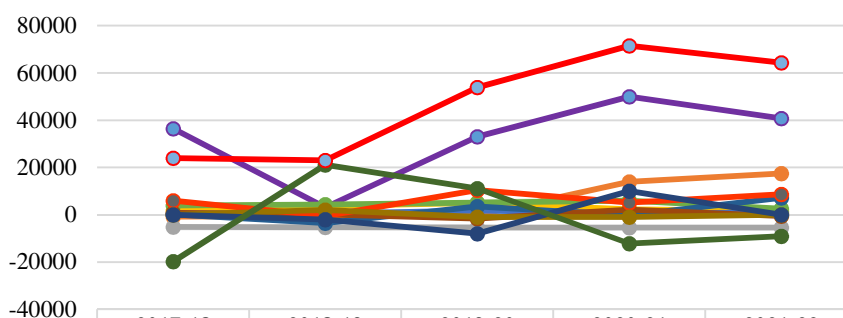


(Source: Finance Accounts 2021-22)

The component-wise debt trends for 2017-18 to 2021-22 are shown in **Chart 2.16**.

Chart 2.16: Component-wise Debt trends (2017-18 to 2021-22)

(₹ in crore)



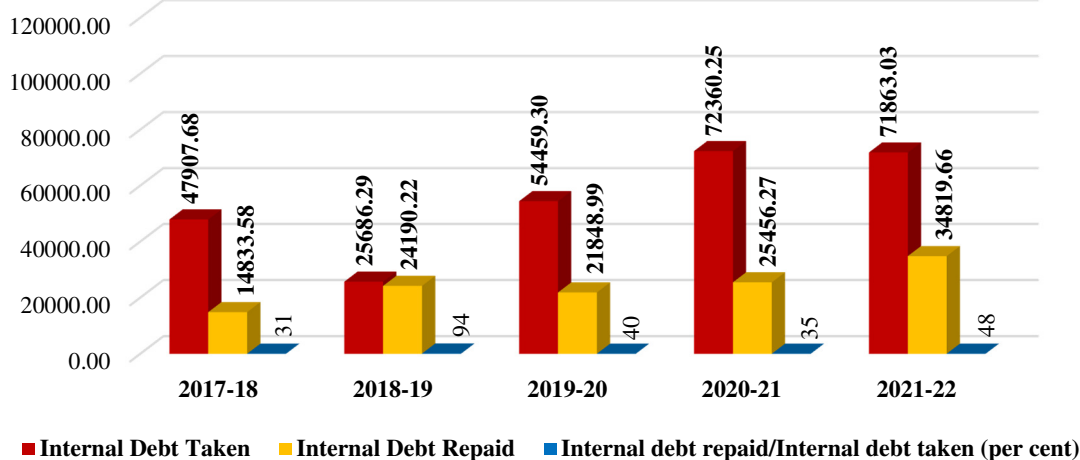
	2017-18	2018-19	2019-20	2020-21	2021-22
Market Borrowings	36477	3106	32996	50020	40782
Loans from GOI	-781	-587	-82	14025	17510
Special Securities issued to NSSF	-5176	-5309	-5381	-5381	-5381
Loans from Financial Institutions	1774	3699	4995	2264	1642
Small Savings, PF, etc.	547	492	1767	740	967
Deposits and Advances	3930	4323	5204	6006	2604
Suspense and Miscellaneous	164	-3492	3555	-300	7178
Remittances	822	157	-1669	2128	-589
Reserve Fund	5924	-573	10448	5170	8684
Contingency Fund	0	2000	-1000	-1000	0
Appropriation to/from Contingency Fund	0	-2000	-8000	10000	0
Increase/Decrease in Cash Balance	-19720	21199	11053	-12115	-9095
Gross Fiscal Deficit	23961	23015	53886	71558	64302

(Source: Finance Accounts of respective years)

The internal debt taken *vis-à-vis* repaid during 2017-18 to 2021-22 is shown in Chart 2.17.

Chart 2.17: Internal Debt taken *vis-a-vis* repaid

(₹ in crore)



(Source: Finance Accounts of respective years)

Chart 2.17 above indicates that during 2017-18 to 2021-22, except in 2018-19, an average of 38.5 per cent of the market borrowings/internal debt raised was utilized for repayment of debts. During 2021-22, 48 per cent of internal debt raised was utilized for repayment of earlier debt.

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 2.28 shows an overall deficit (increase in cash balance) after financing the Fiscal Deficit during 2021-22.

Table 2.28: Receipts and Disbursements under components financing the Fiscal Deficit in 2021-22

(₹ in crore)

Particulars	Receipt	Disbursement	Net
1 Market Borrowings	68741.39	27959.75	40781.64
2 Loans from GOI	18625.15	1115.00	17510.15
3 Special Securities issued to National Small Savings Fund (NSSF)	0.00	5380.71	(-)5380.71
4 Loans from Financial Institutions	3121.64	1479.20	1642.44
5 Small Savings, PF, etc.	6023.18	5056.54	966.64
6 Deposits and Advances	47779.88	45176.23	2603.65
7 Suspense and Miscellaneous	6828.12	(-)349.85	7177.97
8 Remittances	44476.08	45064.81	(-)588.73
9 Reserve Fund	14269.25	5585.44	8683.81
10 Contingency Fund	0.00	0.00	0.00
11 Appropriation to Contingency Fund	0.00	0.00	0.00
12 Overall Deficit	209864.69	136467.83	73396.86
13 Increase(-)/Decrease (+) in cash balance	68597.29 (O.B)	77692.29 (C.B)	(-)9095.00
14 Gross Fiscal Deficit	278461.98	214160.12	64301.86

Source: Finance Accounts 2021-22

The financing pattern of the Fiscal Deficit has undergone a compositional shift as reflected in **Table 2.29**.

Table 2.29: Components of Fiscal deficit and its financing pattern

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Composition of Fiscal Deficit	23960.97	23015.33	53886.19	71558.05	64301.86
1 Revenue Deficit	2082.49	11974.60	(-)17115.63	(-)41141.85	(-)16374.32
2 Net Capital outlay	(-)26842.18	(-)35049.05	(-)36415.57	(-)29686.70	(-)46670.39
3 Net Loans and Advances	798.72	59.12	(-)354.99	(-)729.50	(-)1257.15
Financing Pattern of Fiscal Deficit*					
1 Market Borrowings	36476.70	3106.39	32996.31	50020.38	40781.64
2 Loans from GoI	(-)780.77	(-)587.35	(-)82.75	14025.39	17510.15
3 Special Securities issued to NSSF	(-)5176.23	(-)5309.46	(-)5380.71	(-)5380.71	(-)5380.71
4 Loans from Financial Institutions	1773.63	3699.14	4994.71	2264.29	1642.44
5 Small Savings, PF, etc.	546.65	491.75	1766.69	739.88	966.64
6 Deposits and Advances	3929.91	4322.54	5203.66	6006.13	2603.65
7 Suspense and Miscellaneous	163.91	(-)3491.69	3555.13	(-)300.30	7177.97
8 Remittances	822.38	157.09	(-)1668.76	2127.85	(-)588.73
9 Reserve Fund	5923.90	(-)572.63	10448.36	5170.15	8683.81

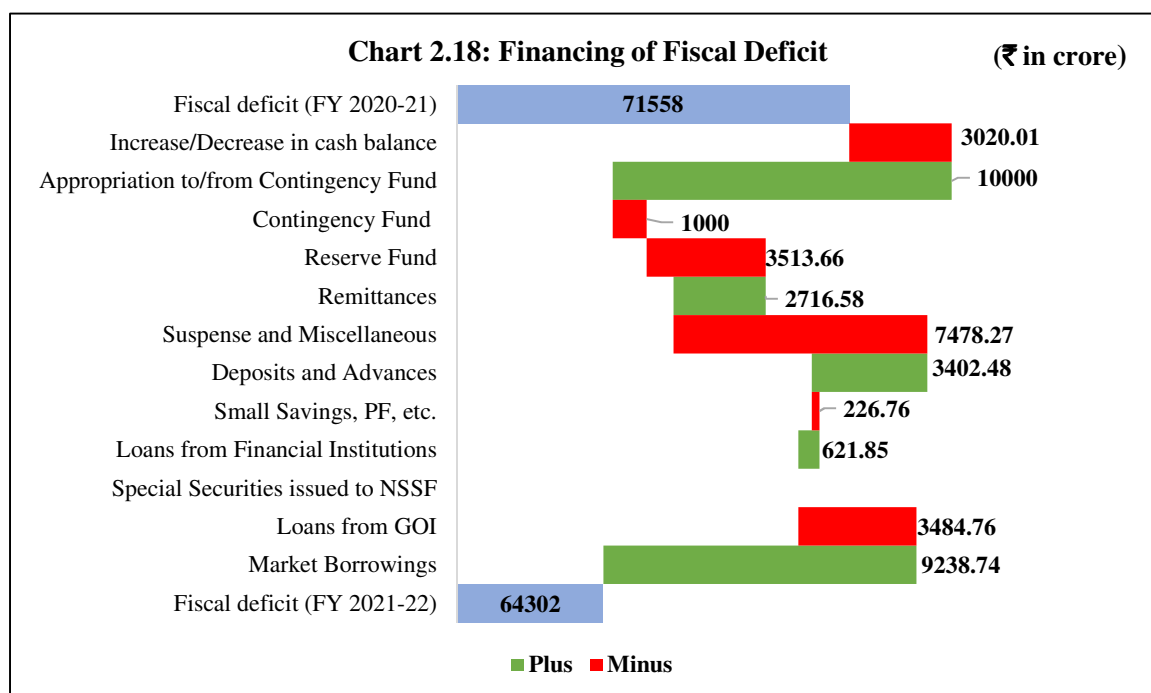
Particulars		2017-18	2018-19	2019-20	2020-21	2021-22
10	Contingency Fund unrecouped	-	2000.00	(-)1000.00	(-)1000.00	0
11	Appropriation to/from Contingency Fund	-	(-)2000.00	(-)8000.00	10000.00	0
12	Overall Deficit	43680.08	1815.78	42832.64	83673.06	73396.86
13	Increase(-)/Decrease in cash balance(+)	(-)19719.11	21199.55	11053.55	(-)12115.01	(-)9095.00
14	Gross Fiscal Deficit	23960.97	23015.33	53886.19	71558.05	64301.86
15	Net Market borrowings/ Fiscal Deficit (<i>per cent</i>)	152.2	13.5	61.2	69.9	63.4
16	Net Capital outlay/FD (<i>per cent</i>)	112	152.3	67.6	41.5	72.6

Source: Finance Accounts of respective years
* All the figures are net of disbursements during the respective year

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 outlay and Net Loans and Advances.

As seen from the **Table 2.28** and **Table 2.29** during 2021-22, the share of market borrowings in financing of Fiscal Deficit decreased to 63 *per cent* as compared to 70 *per cent* in 2020-21. The Fiscal Deficit decreased by ₹ 7,256.19 crore over the previous year mainly due to lower revenue deficit. The net Capital outlay as a percentage of Fiscal Deficit increased from 41.48 *per cent* in 2020-21 to 72.58 *per cent* in 2021-22, indicating that major portion of the debts were utilized for financing capital outlay.

The Fiscal Deficit as a percentage of GSDP decreased from 2.64 in 2020-21 to 2.01 in 2021-22, which was well below the target of four *per cent* as prescribed in the FRBM. The financing of Fiscal Deficit is shown in **Chart 2.18**.



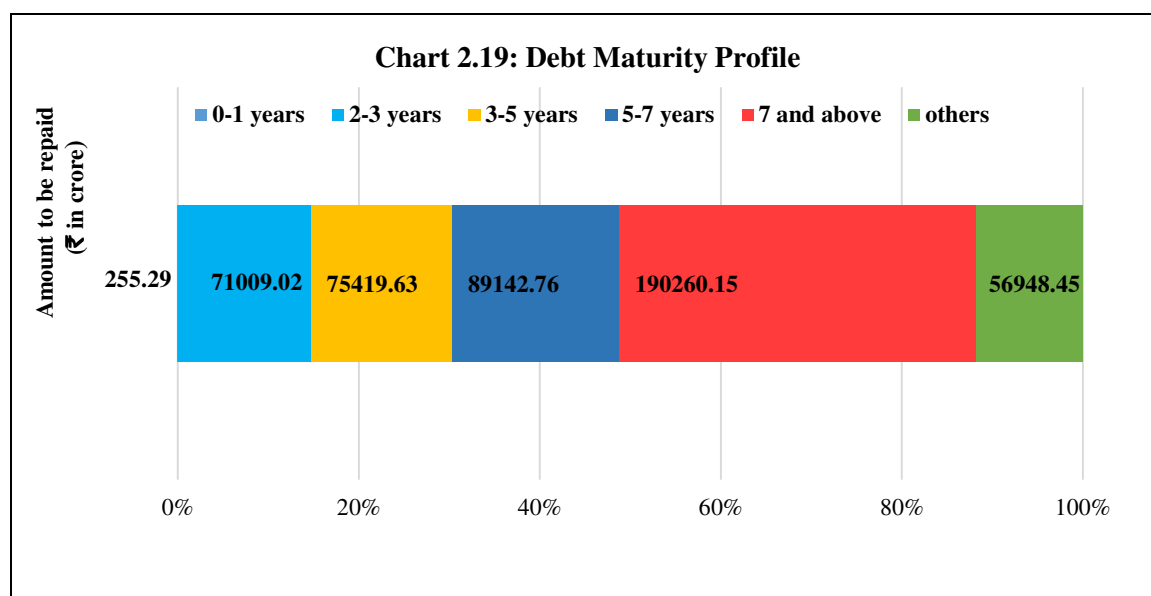
2.6.2 Debt Profile: Maturity and Repayment

Debt Maturity and repayment profile indicates commitment on the part of the Government for Debt repayment or Debt servicing. The Matured Debts were repaid on time. Market loans are generally taken for 10 years duration. The options like “Green Shoe”, “re-issue”, “Buy-back” *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 2022 is depicted in **Table 2.30**.

Table 2.30: Debt Maturity Profile of repayment of State Debt

Year of maturity	Maturity Profile (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
Upto2021-22	0-1	255.29	0.05
2022-24	2-3	71009.02	14.70
2024-26	3-5	75419.63	15.61
2026-28	5-7	89142.76	18.46
2028 onwards	7 and above	190260.15	39..39
Others ⁷		56948.45	11.79
Total		483035.30	

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 ₹ 71,264.31 crore, ₹ 75,419.63 crore and ₹ 89,142.76 crore respectively as shown in **Chart 2.19**.

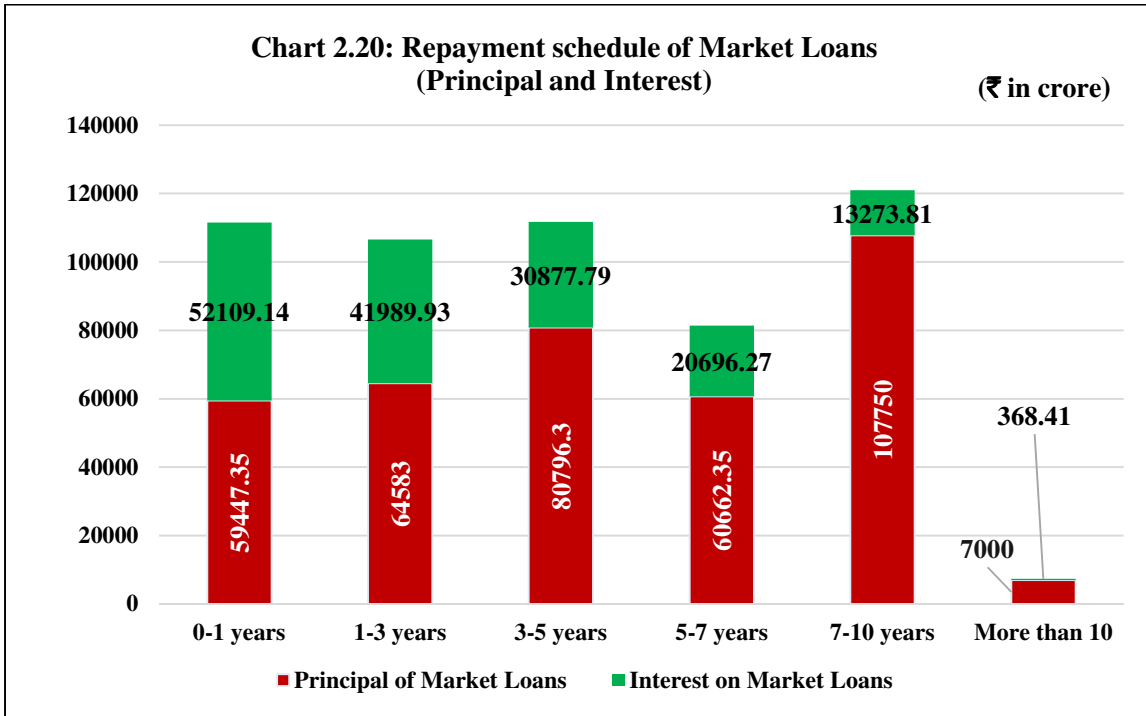


(Source: Finance Accounts 2021-22)

The maturity profile of the outstanding public debt indicates that 55.35 *per cent* (₹ 2,35,826.70 crore) of the total outstanding public debt for which maturity details are available (₹ 4,26,086.85 crore) are repayable within the next seven years, which may put a strain on the Government budget during that period. In view of the increasing committed expenditure and revenue deficit, the State government would have to work out a well thought out borrowing repayment strategy and increase their own tax and non-tax revenue resources to avoid a debt stress.

⁷ Details of *maturity* not available

The Repayment Schedule of Market Loans (principal and interest) is shown in **Chart 2.20** and **Table 2.31**.



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

Table 2.31: Repayment schedule of Market Loans and Interest on Market Loans

Sl. No.	Period of Repayment (Years)	₹ in crore	
		Repayment of Market Loans (Principal)	Repayment of Market Loans (Interest)
1	0-1	59447.35	52109.14
2	1-3	64583.00	41989.93
3	3-5	80796.30	30877.79
4	5-7	60662.35	20696.27
5	7-10	107750.00	13273.81
6	More than 10	7000.00	368.41
	Total	380239.00	159315.35

As shown above, the State will have to repay ₹ 1,24,030.35 crore of market loans and pay interest of ₹ 94,099.07 crore in next three financial years i.e. up to 2024-25. In the following two years up to 2026-27, principal of ₹ 80,796.30 crore and interest of ₹ 30,877.79 crore will be payable. Annual outgo of principal repayment and interest will be approximately ₹ 65,960.70 crore during next five years up to 2026-27.

In the period from 2027-28 to 2031-32, loans of ₹ 1,68,412.35 crore and interest of ₹ 33,970.08 crore will be payable. As such, the State will have to repay approximately ₹ 40,476.49 crore annually on an average during the period 2027-28 to 2031-32.

2.7 Debt Sustainability Analysis

Debt sustainability is defined as the ability of the State to maintain a constant Debt-GDP ratio over a period of time. **Table 2.32** 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 2017-18 to 2021-22.

Table 2.32: Debt Sustainability Indicators and Trends

(₹ in crore)					
Debt Sustainability Indicators	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Public Debt ⁸	334112.81	335021.53	367552.41*	428481.78	483035.30
Rate of Growth of Outstanding Public Debt	10.69	0.27	9.71	16.58	12.7
Interest on Outstanding Public Debt	28206.21	28764.07	28123.59	31119.91	34080.08
GSDP	2352782	2567897	2734552	2711685	3197782
Rate of Growth of GSDP	7.03	9.14	6.49	(-)0.84	17.93
Public Debt/GSDP	14.20	13.05	13.44	15.36	14.67 [#]
Average Interest Rate of Outstanding Public Debt (<i>per cent</i>)	8.87	8.60	8.01	7.82	7.48
Revenue Receipts	243653.56	278996.27	283189.58	269467.91	333311.57
Percentage of Interest Payment to Revenue Receipt	11.58	10.31	9.93	11.55	10.22
Debt Repayment	15782.17	25116.50	22868.24	26427.28	35934.66
Debt Receipt	48075.50	26025.21	55395.80	87356.65	90488.18
Percentage of Debt Repayment to Debt Receipt	32.83	96.51	41.28	30.25	39.71
Net Debt available to the State ⁹	4087.12	(-)27855.36	4403.97	29809.46	20473.44
Debt Redemption ¹⁰ as <i>per cent</i> to Debt Receipts	91.50	207.03	92.05	65.88	77.37
Primary Deficit	9057.46	11005.92	(-)20325.46	(-)34588.28	(-)24143.82
Interest Spread ¹¹	(-)1.84	0.54	(-)1.52	(-)8.66	10.45
Quantum Spread ¹²	(-)5553.81	1804.21	(-)5092.33	(-)31830.00	44776.35
Debt Stabilisation (Quantum spread + Primary Deficit)	3503.65	12801.13	(-)25417.80	(-)66418.30	20632.53
*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.					
[#] As per Department of Expenditure, Ministry of Finance, GoI, the borrowings under the Special Window (₹ 13,782.36 crore) was not treated as debt of the State for any norms prescribed by the Finance Commission etc					
Source: Finance Accounts of respective years					

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. During 2021-22, the rate of growth of economy was 17.93 *per cent*, whereas the cost of borrowing was 12.7 *per cent*.

⁸ Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government

⁹ 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

¹⁰ Debt Redemption= Principal + Interest

¹¹ Interest spread is GSDP growth rate- interest rate.

¹² Quantum spread is Interest Spread as percentage of debt stock. of previous year

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 2021-22 there was a Primary deficit of ₹ 24,143.82 crore, indicating that the primary expenditure too had to be met from borrowed funds.

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 2.32** reveals that during 2021-22 the primary deficit together with quantum spread was positive, indicating that if the current trend is followed, the ratio of Debt/GSDP would eventually reduce.

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 77.37 *per cent* during 2021-22, indicating that 77.37 *per cent* of the debt receipts raised during the year were utilized for redemption of previous debts.

Further, as seen from **Table 2.32**, the net debt available to the State decreased due to increase in debt repayment from ₹ 26,427.28 crore in 2020-21 to ₹ 35,934.66 crore in 2021-22. The net debt available to the State during 2021-22 was ₹ 20,473.44 crore, which was 22.63 *per cent* of the total borrowings during the year. The net debt available during 2021-22 was lower as compared to the previous years, however, as revenue receipts (₹ 3,33,311.57 crore) were not sufficient to cover up the revenue expenditure (₹ 3,49,685.89 crore), 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 2.33**.

Table 2.33: Sufficiency of Incremental Non- debt Receipt

Year	2017-18	2018-19	2019-20	2020-21	2021-22
Incremental Non-debt Receipt (a)	38992.85	35168.99	4203.89	(-)13724.19	63410.19
Incremental Expenditure (b)	24337.33	34223.35	35074.75	3947.67	56154.00
Resource Gap (a)-(b)	4655.52	945.64	(-)30870.86	(-)17671.86	7256.19

The positive resource gap during 2021-22 indicates the increased capacity of the State to sustain the debt.

2.7.1 Utilisation of borrowed funds

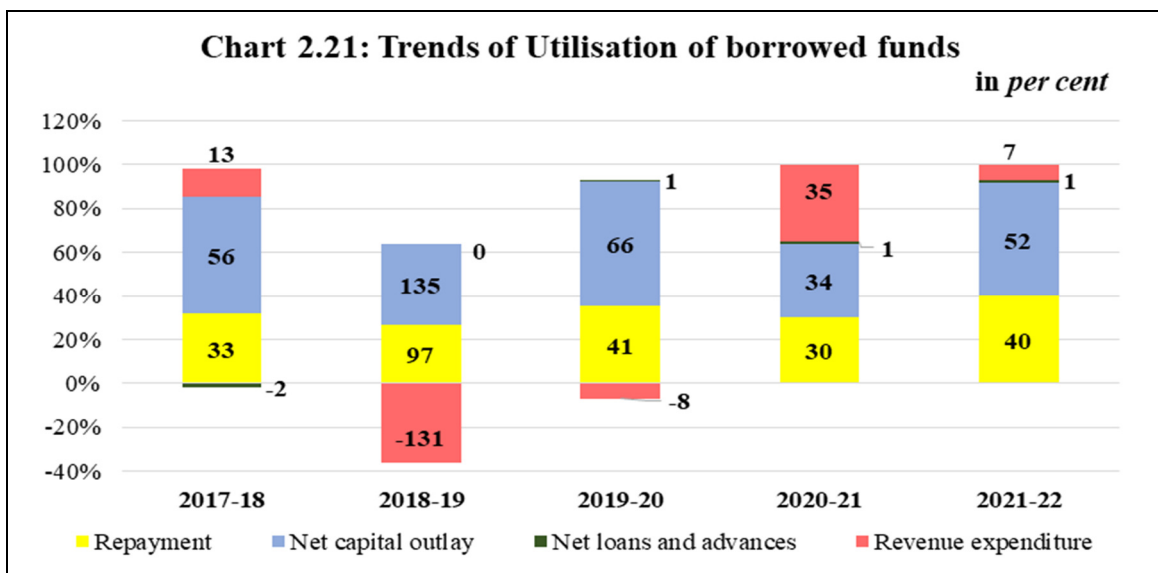
Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. The utilisation of borrowed funds is shown in Table 2.34.

Table 2.34: Utilisation of borrowed funds

Year		2017-18	2018-19	2019-20	2020-21	2021-22
Figures in the parenthesis indicate percentage to Total borrowings						
Total Borrowings	2	48075.5	26025.21	55395.8	87356.65	90488.18
Repayment of earlier borrowings (per cent)	3	15782.17 (33)	25116.49 (97)	22868.24 (41)	26427.28 (30)	35934.66 (40)
Net capital outlay (per cent)	4	26842.18 (56)	35049.05 (135)	36415.57 (66)	29686.70 (34)	46670.39 (52)
Net loans and advances (per cent)	5	798.72 (2)	59.12 (0.2)	354.99 (1)	729.50 (1)	1257.15 (1)
Portion of Revenue expenditure met out of net available borrowings (per cent)	6=2-3-4-5	4652.43 (10)	(-)34199.45 (-131)	(-) 4243 (-8)	30513.17 (35)	6625.98 (7)

Source: Finance Accounts of respective years

The trends of Utilisation of borrowed funds are shown in Chart 2.21.



(Source: Finance Accounts of respective years)

During 2021-22, nearly 52 per cent of the borrowings were utilized for incurring capital outlay, whereas only seven per cent of the borrowings were utilized 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. The total guarantees given by the State, which were outstanding as on 31 March 2022 amounted to ₹ 51,263.35 crore (Principal: ₹ 47,195.27 crore; Interest: ₹ 4,068.08 crore). The outstanding guarantees during 2017-18 to 2021-22 are summarized in **Table 2.35**.

Table 2.35: Guarantees given during 2017-18 to 2021-22

(₹ in crore)					
Guarantees	2017-18	2018-19	2019-20	2020-21	2021-22
Maximum amount guaranteed including interest [§]	37287.13	38378.26	58661.22	85717.46	81751.13
Outstanding amount of guarantees including interest	26657.72	25134.86	41179.07 [@]	41579.94 [@]	51263.35
Outstanding guarantees/Revenue Receipts (per cent)	10.94	9.01	14.58	15.43	15.38
Outstanding guarantees/GSDP (per cent)	1.13	0.98	1.51	1.53	1.60

[§]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 ₹ 14,915.93 crore was given by the State Government during 2021-22, as shown in **Table 2.36**.

Table 2.36: Guarantees given during 2021-22

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
1/2021-22	Maharashtra Rail Infrastructure Development Corporation	Punjab National Bank	420.00	Valid for two years	Guarantee fee @ ₹ 2/- per ₹ 100/- per annum
2/2021-22	1.Rajgarh Cooperative Sugar Factory, Pune 2.Cooperative Shiromani Vasantao Kale, Sholapur	Maharashtra State Co-operative Bank, Mumbai	28.00	Valid for one year	Guarantee fee @ ₹ 2/- per ₹ 100 per annum
3/2020-21	Maharashtra State Co-operative Cotton Growers Marketing Federation	UCO Bank	600.00	Valid for six months	Guarantee fee waived
4/2021-22	Maharashtra State Electricity Distribution Company	REC Ltd. Bank of Maharashtra, Union Bank of India, Punjab National Bank, UCO Bank	11401.00	Valid for six months	Guarantee fee waived
5/2021-22	Maharashtra State Seed Manufacturing Company	Bank of Baroda	2466.93	Valid for six months	Guarantee fee waived
Total			14,915.93		

Source: Guarantee Statement placed in the Legislature.

Under the Government Guarantee Act, 1977, the Government shall charge guarantee fee ranging from 20 paise to rupees two per hundred rupees per annum for guarantees given, chargeable except in respect of certain Co-operative societies. During 2021-22, the State Government received ₹ 214.28 crore towards guarantee commission, which constituted 0.51 per cent of the outstanding guaranteed amount as on 01 April 2021 (₹ 41,579.94 crore). Out of the guarantee fee of ₹ 2,424.41 crore to be realized, only ₹ 214.28 crore has been received during the year 2021-22, leaving a balance receivable amount of ₹ 2,210.13 crore.

During the year 2021-22, no guarantees were invoked. However, the State Government is yet to discharge invoked guarantees of ₹ 20.26 crore in respect of the Maharashtra State Co-operative Housing Finance Corporation Limited), invoked in 2013-14.

2.7.3 Management of Cash Balances

Under an agreement with the RBI, the State Government has 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 ₹ 5,416 crore as on 1 April, 2021 which remained unchanged till 31 March, 2022 and was revised to ₹ 4,686 crore on 31 March, 2022. Special Ways and Means Advance of ₹ 98.43 crore was availed during 2021-22. An amount of ₹ 0.01 crore has been adjusted during the year 2021-22 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 2.37** and **Table 2.38**.

Table 2.37: Cash Balances and their investment

	(₹ in crore)	
	Opening Balance on 01 April 2021	Closing Balance on 31 March 2022
A. General Cash Balance		
Cash in Treasuries	0.04	0.04
Deposits with Reserve Bank of India	(-)7442.68	134.14
Remittances in transit – Local	66.26	66.26
Total	(-)7376.38	200.44
Investments held in Cash Balance investment account	29293.49	22109.76
Total (A)	21917.11	22310.20
Cash with departmental officers viz., Public Works, Forest Officers	235.17	245.74
Permanent Advances for contingent expenditure with department officers	0.66	0.67
Investment in earmarked funds	46444.35	55135.68
Total (B)	46680.18	55382.09
Total (A + B)	68597.29	77692.29
Interest realized	4365.22	4994.98[@]
[@] Interest of ₹ 3,803.82 crore realised during 2021-22 on Sinking Fund Investment (reinvested along with regular investment) hence not included under MH 0049 plus Interest on Cash Investment ₹ 1,191.16 crore Source: Finance Accounts 2021-22		

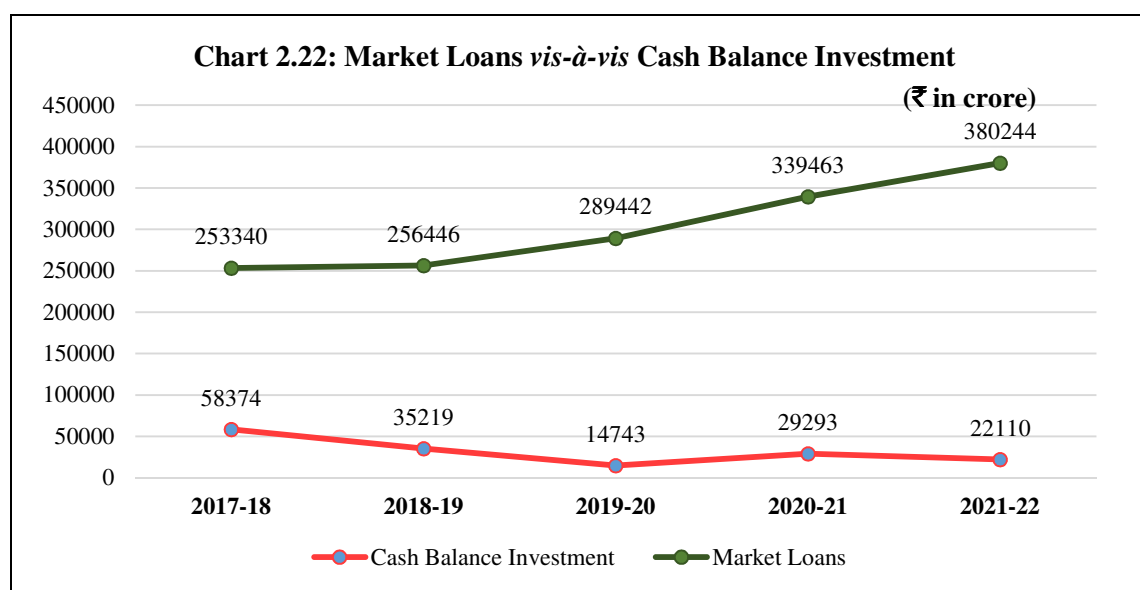
Table 2.38: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)				
Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
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
2021-22	29293.49	22109.76	(-)7183.73	1191.16

Source: Finance Accounts of respective years

The State Government's cash balances of ₹ 77,692.29 crore at the end of the current year showed an increase of 13.26 *per cent* (₹ 9,095.00 crore) over the previous year. Of the above, ₹ 22,109.76 crore was held in cash balance investment account and earned an interest of ₹ 1,191.16 crore during the year. Further, ₹ 54,374.14 crore was invested in Sinking Fund meant for appropriation for reduction or avoidance of debt, which earned an interest of ₹ 3,803.82 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 2022 was ₹ 22,310.20 crore, which is 5.59 *per cent* of the total expenditure of the State Government (₹ 3,98,792.31 crore) during the year.



(Source: Finance Accounts of the respective years)

Chart 2.22 compares the total Cash Balance Investment and the Market Loans of the State during the period 2017-18 to 2021-22. Market Loans were taken at higher interest rates, whereas investment in Treasury Bills yielded interest at lower rates.

2.8 Conclusion

- Revenue Receipts increased by 36.80 *per cent* from ₹ 2,43,653.56 crore in 2017-18 to ₹ 3,33,311.57 crore in 2021-22 at CAGR of 8.15 *per cent*. Ratio of revenue receipts to GSDP has remained steady between 10.36 and 10.86 *per cent* except for a slight decrease to 9.94 *per cent* in 2020-21. The growth rate of Non-Tax Revenue in the State was 20.85 *per cent* during 2021-22 as compared to previous year while the average growth rate in General States was 45.35 *per cent*.

- Revenue expenditure increased from ₹ 3,10,609.76 crore in 2020-21 to ₹ 3,49,685.89 crore in 2021-22. The committed expenditure of interest payments, expenditure on salaries and wages, and pensions constituted 56.63 *per cent* of the total revenue expenditure. The sharp decline in revenue receipts led to a revenue deficit of ₹ 16,374.32 crore.
- Under the NPS, there was non-transfer of balances of the earlier years amounting to ₹ 9,050.14 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.
- The Outstanding Debt (Fiscal Liabilities) of the State increased from ₹ 5,48,176 crore in 2020-21 to ₹ 6,06,295 crore at the end of 2021-22. Outstanding Debt to GSDP during 2021-22 was 18.53¹³ *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 Own 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.

¹³ As per DoE, MoF, GoI, the borrowings under the Special Window (₹13,782.36 crore) was not treated as debt of the State for any norms prescribed by the Finance Commission etc.

