

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 2021-22, overall trends during the five-year period from 2018-19 to 2022-23, 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 2022-23 vis-à-vis 2021-22

Table 2.1 below presents the summary of the State Government's fiscal aggregate during 2022-23 vis-à-vis 2021-22. Each of these indicators is analysed in the succeeding paragraphs.

Table 2.1: Summary of Fiscal aggregates in 2022-23 compared to 2021-22

(₹ in crore)

Receipts			Disbursements		
	2021-22	2022-23		2021-22	2022-23
Section-A: Revenue Account					
Own Tax Revenue	220927.13	277486.31	General Services	121745.32	130590.81
Non-Tax Revenue	19306.70	16776.41	Social Services	142523.26	163329.16
Share of Union Taxes/ Duties	54318.06	60000.97	Economic Services	59454.77	80819.94
Grants-in-aid from GoI	38759.68	51414.24	Grants-in-aid and Contributions	25962.54	32874.49
Total Section-A Revenue Receipts	333311.57	405677.93	Total Section-A Revenue Expenditure	349685.89	407614.40
Section-B: Capital Account and others					
Miscellaneous Capital Receipts	0	0	Capital Outlay	46670.39	61643.61
			General Services	2681.21	3526.56
			Social Services	4082.09	9134.20
			Economic Services	39907.09	48982.85
Recoveries of Loans and Advances	1178.88	642.62	Loans and Advances disbursed	2436.03	4664.41
Public Debt Receipts	90488.18 [#]	87572.84 [@]	Repayment of Public Debt	35934.66 [#]	37665.79 [@]
Appropriation from Contingency Fund	0.00	200.00	Appropriation from Contingency Fund	0.00	200.00
Contingency Fund	0.00	200.00	Contingency Fund	0.00	200.00
Public Account Receipts	119376.52	143466.93	Public Account Disbursements	100533.18	121973.69
Opening Cash Balance	68597.29	77692.29	Closing Cash Balance	77692.29	81490.71
Total Section-B Receipts	279640.87	309774.68	Total Section-B Disbursements	263266.55	307838.21
Grand Total (A+B)	612952.44	715452.61	Grand Total (A+B)	612952.44	715452.61
[@] Excluding transactions under Special Drawing facility on 91 days (Receipt and Disbursement ₹ 7,129.25 crore) [#] Excluding transactions under Special Drawing facility on 91 days (Receipt and Disbursement of ₹ 98.43 crore) Source: Finance Accounts of respective years					

Variation in key fiscal aggregates in 2022-23 as compared to 2021-22

Revenue Receipts	<ul style="list-style-type: none"> Revenue receipts of the State increased by 21.71 per cent Own tax revenue of the State increased by 25.60 per cent Non-tax revenue decreased by 13.11 per cent State's Share of Union Taxes and Duties increased by 10.46 per cent Grants-in-Aid from GoI increased by 32.65 per cent
Revenue Expenditure	<ul style="list-style-type: none"> Revenue expenditure increased by 16.57 per cent Revenue expenditure on General Services increased by 7.27 per cent Revenue expenditure on Social Services increased by 14.60 per cent Revenue expenditure on Economic Services increased by 35.93 per cent Expenditure on Grants-in-Aid increased by 26.62 per cent
Capital Receipt	<ul style="list-style-type: none"> Debt Capital Receipts increased by 4.54 per cent. Non-debt Capital receipts decreased by 45.49 per cent
Capital Outlay	<ul style="list-style-type: none"> Capital outlay increased by 32.08 per cent Capital outlay on General Services increased by 31.56 per cent Capital outlay on Social Services increased by 123.76 per cent Capital outlay on Economic Services increased by 22.74 per cent
Loans and Advances	<ul style="list-style-type: none"> Disbursement of Loans and Advances increased by 91.48 per cent Recoveries of Loans and Advances decreased by 45.49 per cent
Public Debt	<ul style="list-style-type: none"> Public Debt Receipts decreased by 3.22 per cent Repayment of Public Debt increased by 4.82 per cent
Public Account	<ul style="list-style-type: none"> Public Account Receipts increased by 20.18 per cent Disbursement of Public Account increased by 21.33 per cent
Cash Balance	<ul style="list-style-type: none"> Cash balance increased by ₹ 3,798 crore (4.89 per cent) during 2022-23 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 2022-23 with 2021-22. Charts 2.1 and 2.2 present the details of receipts and expenditure from the Consolidated Fund during 2022-23 in terms of percentage.

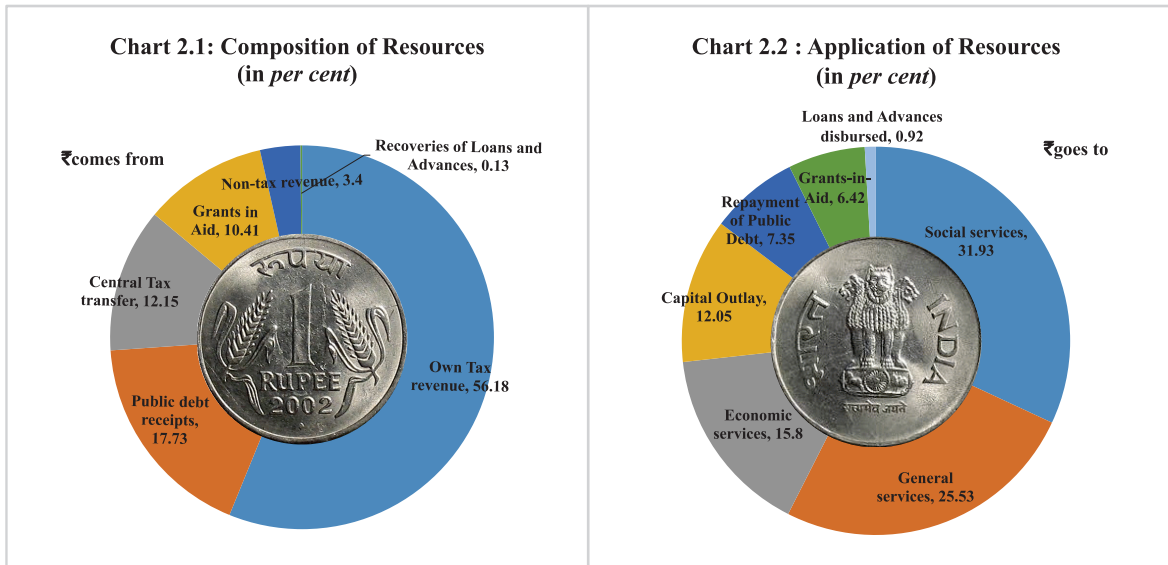
During 2022-23, the State Government raised revenue receipts of ₹ 4,05,677.93 crore against revenue expenditure of ₹ 4,07,614.40 crore resulting in revenue deficit of ₹ 1,936.47 crore.

Table 2.2: Details of Sources and Application of Funds during 2021-22 and 2022-23

(₹ in crore)

Particulars		2021-22	2022-23	Increase (+) Decrease (-)
Sources	Opening Cash Balance with RBI	68597.29	77692.29	9095.00
	Revenue Receipts	333311.57	405677.93	72366.36
	Recoveries of Loans and Advances	1178.88	642.62	(-)536.26
	Public Debt Receipts (Net)	54553.52	49907.05	(-)4646.47
	Public Account Receipts (Net)	18843.34	21493.24	2649.90
	Total	476484.60	555413.13	78928.53
Application	Revenue Expenditure	349685.89	407614.40	57928.51
	Capital Expenditure	46670.39	61643.61	14973.22
	Disbursement of Loans and Advances	2436.03	4664.41	2228.38
	Contingency Fund	0	0	0.00
	Closing Cash Balance with RBI	77692.29	81490.71	3798.42
	Total	476484.60	555413.13	78928.53

Source: Finance Account of respective years



(Source: Finance Accounts 2022-23)

A time series data on the State Government finances for five years' period from 2018-19 to 2022-23 is given in **Appendix 2.1**.

2.3 Resources of the State

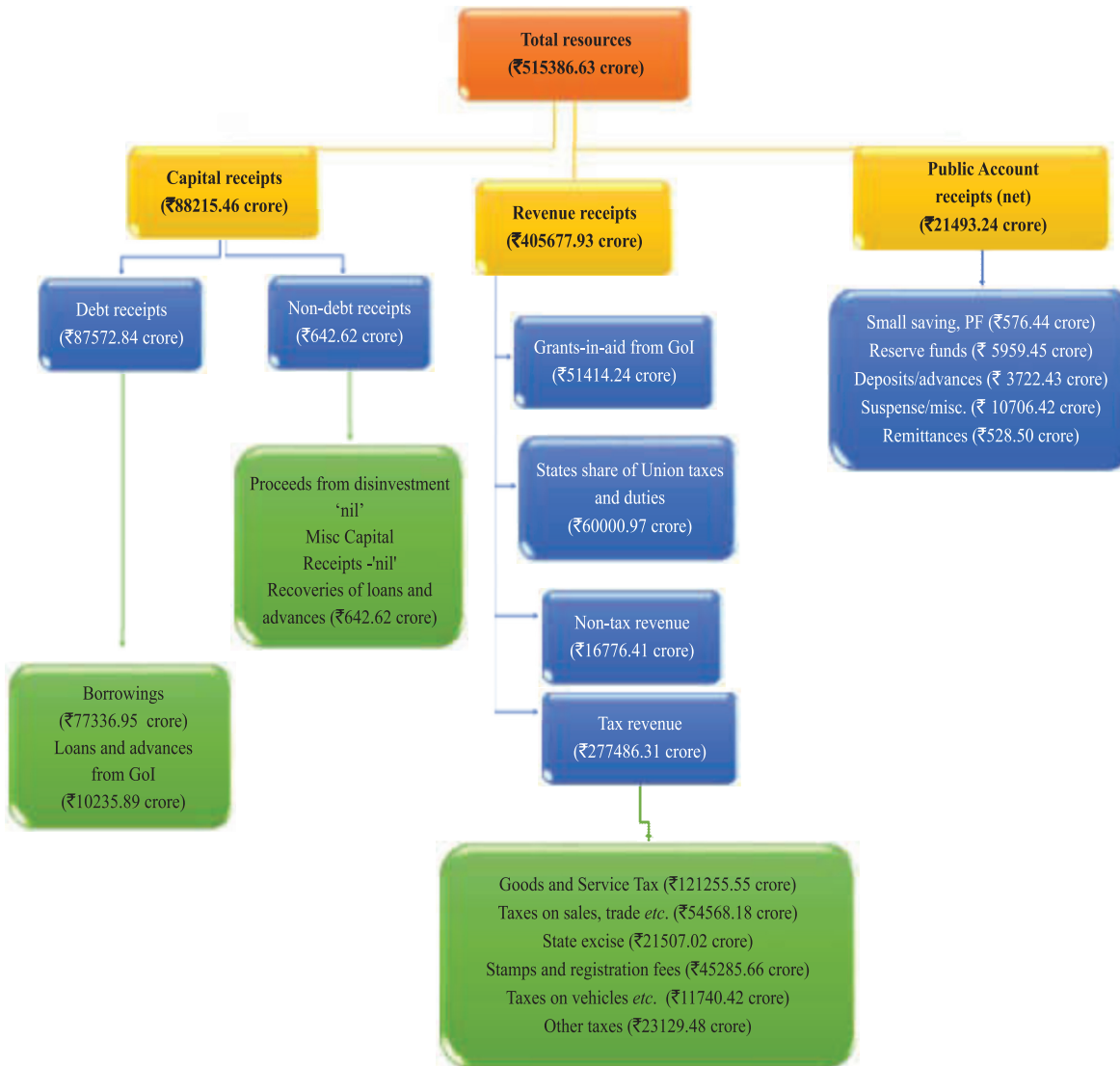
The resources of the State are described below: -

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** (debt and non-debt 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** These 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 2022-23.



(Source: Finance Accounts 2022-23)

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 2018-19 to 2022-23. Further, trends in revenue receipts relative to GSDP and composition of revenue receipt are given in **Charts 2.3** and **2.4**.

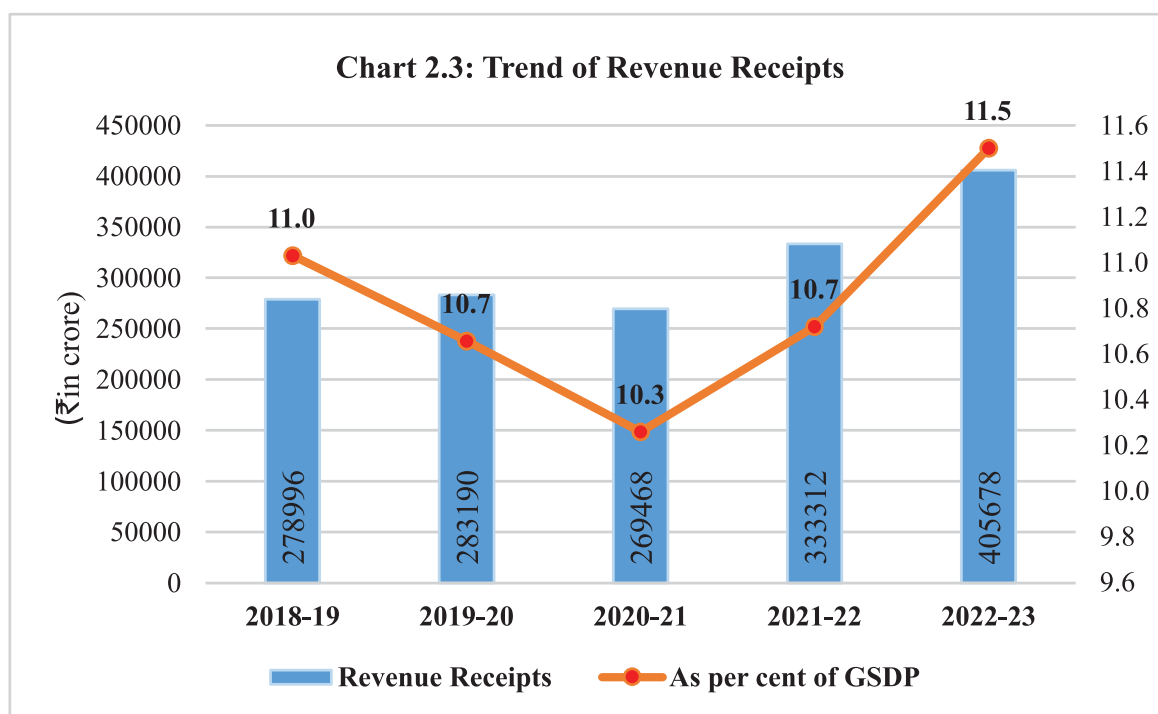
Table 2.3: Trend in Revenue Receipts

(₹ in crore)

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Receipts (RR)	278996.27	283189.58	269467.91	333311.57	405677.93
Rate of growth of RR (per cent)	14.51	1.51	(-)4.85	23.69	21.71
Own Tax Revenue	187436.37	188947.56	164254.98	220927.13	277486.31
Non-tax Revenue	15843.57	14297.00	15975.46	19306.70	16776.41
Grants-in aid from GoI	33662.12	43725.37	52733.46	38759.68	51414.24
Own tax and non-tax revenue	203279.94	203244.56	180230.44	240233.83	294262.72
Rate of growth of Own Revenue (per cent) (Tax and Non-tax Revenue)	10.37	(-)0.02	(-)11.32	33.29	22.49
Gross State Domestic Product (₹ in crore) (2011- 12 Series)	2528854	2657371	2627542	3108022	3527084
Rate of growth of GSDP (per cent)	7.48	5.08	(-)1.12	18.29	13.48
RR/GSDP (per cent)	11.03	10.66	10.26	10.72	11.50
Revenue Receipt Buoyancy ¹ w.r.t GSDP	1.588	0.231	*	1.321	1.611
Ratio of change in State's Own Revenue to change in GSDP	1.135	-0.003	*	1.857	1.668

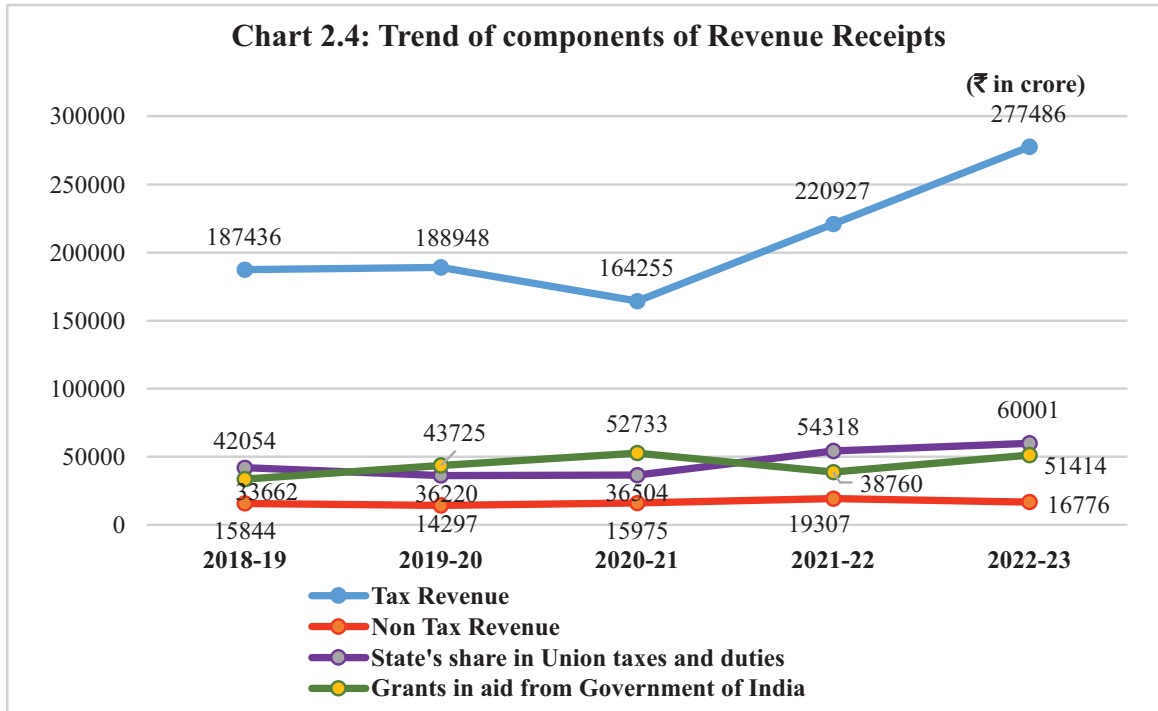
* Buoyancy indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable (including own revenue receipts) in 2020-21.

Source of GSDP figures: Directorate of Economics and Statistics, Government of Maharashtra; Finance Accounts of respective years



(Source: Finance Accounts of respective years)

¹ Buoyancy ratio indicates the responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.61 implies that Revenue Receipts tend to increase by 1.61 percentage points, if the GSDP increases by one per cent



(Source: Finance Accounts of respective years)

- Revenue Receipts increased by 45.41 *per cent* from ₹ 2,78,996.27 crore in 2018-19 to ₹ 4,05,677.93 crore in 2022-23 at Compound Annual Growth Rate (CAGR) of 9.81 *per cent*. During 2022-23, the revenue receipts increased by 21.71 *per cent* over the previous year.
- Significant portion of the revenue receipts (73 *per cent*) during 2022-23 came from the State's own resources, while Union Tax Transfers and GIA together contributed 27 *per cent*.
- The revenue expenditure (₹ 4,07,614.40 crore) exceeded the revenue receipt (₹ 4,05,677.93 crore) by ₹ 1,936.47 crore resulting in a revenue deficit.
- Grant-in-aid from GoI on the other hand increased by 52.74 *per cent* during the period 2018-19 to 2022-23. It increased by ₹ 12,654.56 crore (32.65 *per cent*) in 2022-23 as compared to 2021-22.
- Buoyancy ratio indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable. A value more than one indicates a 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 2022-23 indicating that revenue receipts grew at a faster rate than GSDP.
- Ratio of revenue receipts to GSDP has remained steady between 10.26 and 11.50 *per cent* during 2018-19 to 2022-23.
- As compared to 2021-22, during 2022-23 own tax revenue increased by ₹ 56,559.18 crore (25.60 *per cent*), non-tax revenue decreased by ₹ 2,530.29 crore (13.11 *per cent*) and State's share of Union taxes and duties increased by ₹ 5,682.91 crore (10.46 *per cent*), whereas Grants-in-aid from Government of India increased by ₹ 12,654.56 crore (32.65 *per cent*).
- An increasing trend of ratio of change in grant in aid to change in GSDP compared to own revenue buoyancy indicates more reliance, whereas a decreasing trend indicates less reliance on GoI support. Diversifying revenue sources and strengthening the local tax base are essential for sustainable stability and development.

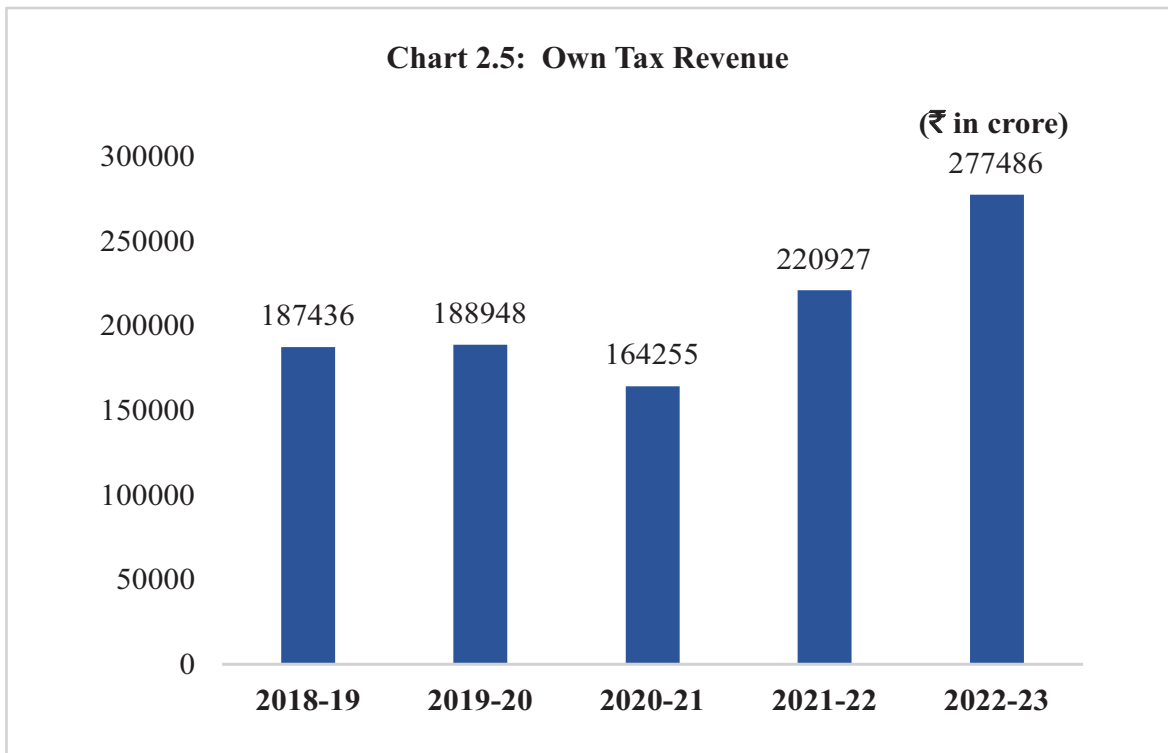
2.3.2.2 State's Own Resources

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 2018-19 to 2022-23 is shown in **Chart 2.5**



(Source: Finance Accounts of respective years)

The components of State's Own Tax Revenue during 2018-19 to 2022-23 are given in **Table 2.4**.

Table 2.4: Components of State's Own Tax Revenue

(₹ in crore)

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	
					B.E	Actual
Sales Tax	35724.61	37785.54	33159.76	45924.13	15200.00	54568.18
SGST	82352.32	82601.59	69948.56	97304.89	119900.00	121255.55
State excise	15320.90	15428.34	15089.38	17220.71	22000.00	21507.02
Taxes on vehicles	8613.19	8467.20	6655.12	9080.16	10500.00	11740.42
Stamp duty and Registration fees	28545.05	28706.56	25427.71	35593.58	32000.00	45285.66
Land revenue	2088.04	2154.55	2062.64	3064.66	4000.00	2431.41
Taxes on goods and passengers	837.05	773.39	13.30	393.53	1760.00	1582.11
Other taxes	13955.21	13030.40	11898.51	12345.47	51165.71	19115.96
Total	187436.37	188947.57	164254.98	220927.13	256525.71	277486.31

Source: Finance Accounts of the respective years

Own tax revenue of the State increased by ₹ 90,049.94 crore, from ₹ 1,87,436.37 crore in 2018-19 to ₹ 2,77,486.31 crore in 2022-23 at a CAGR of 10.30 per cent. The growth rate of own tax revenue in the State during 2022-23 was 25.60 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 (43.70 per cent), taxes on sales, trades etc. (19.67 per cent), stamp duty and registration fees (16.32 per cent), state excise (7.75 per cent) and taxes on vehicles, land revenue, taxes on goods and passengers and others (11.69 per cent). The increase in own tax revenue as compared to the previous year was basically due to increase in excise duty, increase in license fees under Maharashtra Prohibition Act and due to increased collection under SGST.

State Goods and Services Tax

As per the books of RBI the amount of SGST is ₹ 1,21,255.55 crore which tallies with the figure in the Finance Accounts. During the year 2022-23, there was no difference between the RBI's figures and figures booked in the Finance Accounts for State GST.

Analysis of Arrears of Revenue and Arrears of Assessment

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

The details of cases pending at the beginning of the year, cases that become due for assessment, cases disposed of during the year and number of cases pending for finalization 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 2022)	New cases due for assessment during 2022-23	Total cases due for assessments	Cases disposed of during 2022-23	Closing Balance (31 Mar 2023)	Disposal percentage (5 to 4)
1	2	3	4	5	6	7
Maharashtra Value Added Tax	670	1082	1752	931	821	53
Purchase Tax on Sugarcane	24	0	24	24	0	100
Entry Tax	0	1	1	1	0	100
Luxury Tax	88	0	88	88	0	100
Total	782	1083	1865	1044	821	56

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 finalized 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 the 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

(₹ in crore)

Sl. No.	Head of Revenue	Cases pending as on 31 March 2022	Cases detected during 2022-23	Total	No. of cases in which assessment / investigation completed and additional demand with penalty <i>etc.</i> raised		No. of cases pending for finalization as on 31 March 2023	Additional demand raised with penalty
					No. of cases	Amount (₹ in crore)		
1.	Taxes/VAT on Sales, Trade	186	238	424	354	996.04	70	996.04
2	Stamp duty and registration fees	10238	9498	19736	8519	59.61	11217	59.61

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 2018-19 to 2022-23 are shown in **Table 2.7**.

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

(₹ in crore)

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	
					BE	Actual
Interest receipts	4191.28	3270.69	2286.27	2617.05	2843.11	2430.20
Dividends and Profits	275.48	56.53	401.02	88.36	401.02	36.01
Fiscal services	0.04	0.24	0.01	0.02	0.00	0.01
Other non-tax receipts	11376.77	10969.54	13288.16	16601.27	23884.00	14310.19
a) Major and medium Irrigation	284.47	133.95	103.71	414.46	3560.00	234.64
b) Urban Development	1358.37	1320.13	986.15	5557.29	5900.00	1708.46
c) Education, Sports, Art & Culture	210.86	411.73	1001.17	617.75	1001.17	483.97
d) Non-ferrous mining	4056.71	3982.45	3918.31	4884.94	4975.00	5578.20
e) other or misc.	5466.36	5121.28	7278.82	5126.83	8447.83	6304.92
Total	15843.57	14297.00	15975.46	19306.70	27128.13	16776.41

Source: Finance Accounts of the respective years

Non-tax revenue ranged between four and six *per cent* of the total revenue receipts of the State during 2018-19 to 2022-23. During 2022-23, it decreased by ₹ 2,530.29 crore (13.11 *per cent*) over the previous year. The decrease was mainly under Urban development (₹ 1,708.46 crore), due to decreased revenue collection under the fees/premium amount received from the lands exempted under Section 20 of the Urban Land (Ceiling and Regulation) Act, 1976, lower receipts realized by Director of Town Planning and lesser recoveries under the Maharashtra Regional and Town Planning Act, 1968.

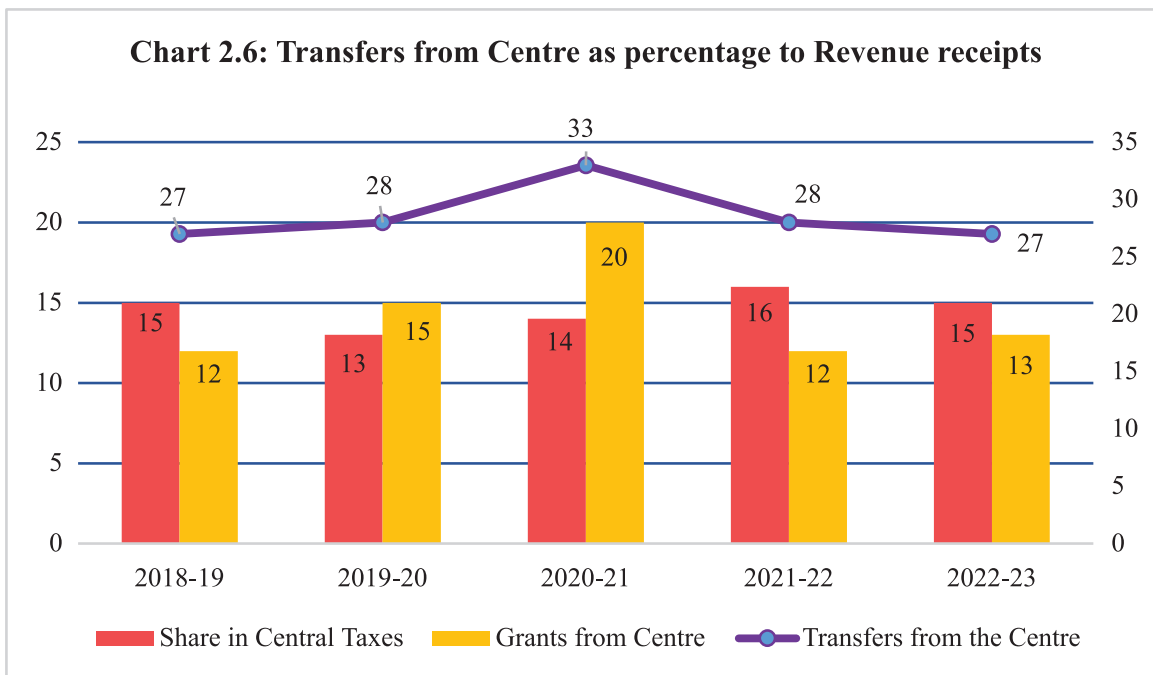
One of the major sources of interest receipts is interest proceeds out of investment of surplus cash balances of the State. As per Reserve Bank of India (RBI) Regulations, the cash balance maintained by the State is invested in GoI's 14 days Treasury Bills. Excess cash balance, beyond the immediate requirement is invested in GoI's 91 days Treasury Bills. As on 31 March 2023, ₹ 32,785.36 crore was lying under Cash Balance Investment Account of the State Government as invested by RBI. An interest of ₹ 1,498.98 crore was realized on Cash Balance Investment account during 2022-23.

The growth rate of non-tax revenue in the State was (-)13.11 *per cent* during 2022-23 as compared to previous year while the average growth rate in General States was 12.94 *per cent* (Appendix 2.2).

2.3.2.4 Transfers from the Union Government

The transfers from the Union Government are mainly dependent on the recommendations of the Finance Commission (FC). Transfers from the Union Government include State's share of Union Taxes and Duties and GIA. The XV FC in its Main Report for 2021-2026 recommended a total devolution of 41 *per cent* of the divisible pool of taxes to the States for 2021-2026. Maharashtra's share in the divisible pool as per XV FC (Main Report 2021-26) is 6.317 *per cent*.

The transfers from the Union as percentage of the revenue receipts during 2018-19 to 2022-23 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 2022-23, the State's share in Union taxes was ₹ 60,000.97 crore, an increase of ₹ 5,682.91 crore over the previous year, and GIA from the Union Government was ₹ 51,414.24 crore, an increase of ₹ 12,654.56 crore over the previous year.

Union Tax Transfer

The Finance Commission projections *vis-à-vis* actual tax devolution of Union taxes are 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	Inter se share of Maharashtra in sharable pool of Union Taxes and Duties	Projections in FCR*	Actual tax devolution	Difference
1	2	3	4	5
2015-16	As per recommendations of XIV FC [Inter se share of Maharashtra State =5.521 Table 8.2 and in service Tax=5.674 Table 8.3]	32146.00	28105.95	(-)4040.05
2016-17		37098.00	33714.90	(-)3383.10
2017-18		42869.00	37219.20	(-)5649.80
2018-19		49600.00	42054.20	(-)7545.80
2019-20		57452.00	36219.64	(-)21232.40
2020-21	XV FC (1st Report 2020-21) [Inter se share of Maharashtra State =6.135]	52465.00	36504.01	(-)15961
2021-22	As per recommendations of XV FC (Main Report 2021-26) [Inter se share of Maharashtra State =6.317]	41603.17	54318.06	12714.89
2022-23		46280.10	60000.97	13720.87

*Reports of the respective Finance Commission

The transfer of different components of State's share of Union taxes during 2018-19 to 2022-23 are shown in **Table 2.9**.

Table 2.9: Union Tax Transfers

(₹ in crore)

Head	2018-19	2019-20	2020-21	2021-22	2022-23
Central Goods and Services tax (CGST)	10377.52	10277.86	10894.03	16016.73	16950.64
Integrated Goods and Services tax (IGST)	828.20	0	0	0	0
Corporation tax	14621.85	12349.52	10979.94	15127.69	20125.45
Taxes on income other than Corporation tax	10768.37	9676.68	11252.46	16519.71	19634.49
Customs	2980.37	2295.84	1969.98	3910.76	2358.10
Union Excise Duties	1980.63	1596.26	1231.49	2057.21	739.80
Service tax	390.29	0.00	151.51	627.83	93.76
Other taxes ²	106.98	23.48	24.60	58.13	98.73
Union tax transfers	42054.20	36219.64	36504.01	54318.06	60000.97
Percentage of increase over previous year	12.99	(-)13.87	0.79	48.80	10.46
Percentage of Union Tax Transfers to Revenue Receipts	15.07	12.79	13.55	16.30	14.79

During 2022-23, there was an increase in Union tax transfer by ₹ 5,682.91 crore (10.46 per cent) over the previous year. The increase was under 'Corporation tax', 'CGST' and 'Taxes on Income other than Corporation Tax'. The percentage of Union Tax Transfers to Revenue Receipts decreased from 16.30 per cent in 2021-22 to 14.79 per cent in 2022-23.

² Include taxes on wealth, other taxes on income and expenditure, other taxes and duties on commodities and services

Grants-in-aid from GoI

The GIA received from GoI during 2018-19 to 2022-23 are detailed in **Table 2.10**.

Table 2.10: Grants-in-Aid from GoI

(₹ in crore)					
Head	2018-19	2019-20	2020-21	2021-22	2022-23
Non-Plan Grants	8310.04	13690.19	309.92 ^{ab}	1.01	0
Grants for State Plan Schemes	1886.54	1723.42	0	0	0
Grants for Central Plan Schemes	1326.17	1369.31	0.20	2.32	0.33
Grants for Centrally Sponsored Plan Schemes	13787.33	8806.56	(-)12.24	(-) 0.48	0
Grants for Centrally Sponsored Schemes (CSS)	22.04	1918.42	13733.52	11782.83	16240.57
Finance Commission Grants	0	550.91	11550.00 ^a	7693.12	9968.35
Other Transfers/Grants to States/ Union Territories with Legislature	8330.00	15666.56	27152.06 ^b	19280.88	25204.99
Total	33662.12	43725.37	52733.46	38759.68	51414.24
Percentage of increase over the previous year	51.22	29.89	20.60	(-)26.50	32.65
Percentage of Grants-in-Aid to Revenue Receipts	12.07	15.44	19.57	11.63	12.67
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 Source: Finance Accounts of respective years					

GIA constituted 12.67 *per cent* of revenue receipts during the year 2022-23. Grants for CSS to the State (₹ 16,240.57 crore) constituted 31.59 *per cent* of the total grants received from GoI during 2022-23. GIA from GoI increased by ₹ 12,654.56 crore (32.65 *per cent*) during 2022-23, as compared to the previous year mainly due to significant increase in Finance Commission Grants for rural local bodies (RLBs) by ₹ 1,686.25 crore (47.81 *per cent*) and State Disaster Response Fund by ₹ 1,016 crore (39.42 *per cent*).

Grants from Central Road and Infrastructure Fund increased from ₹ 390.27 crore in 2021-22 to ₹ 1,084.15 crore during 2022-23. Similarly, the compensation received for loss of revenue arising out of implementation of GST increased by ₹ 6,286.62 crore (35.25 *per cent*) as compared to 2021-22.

Further, there was increase in grant- in aid to Centrally Sponsored Schemes for school education by ₹ 1,312.06 crore (108.57 *per cent*), Housing by ₹ 837.26 crore (1042.91 *per cent*), urban development by ₹ 1,292.66 crore (100 *per cent*).

Grants for Centrally Sponsored Schemes

Out of the grants of ₹16,240 crore received for centrally sponsored schemes during 2022-23, the major amounts were given to:

- Urban Rejuvenation Mission - ₹ 1,146.58 crore (₹ 394.53 crore in 2021-22)
- Pradhan Mantri Awas Yojana - ₹ 1,676.07 crore (₹ 1,249 crore in 2021-22)

- National Programme of Mid-Day Meal in school - ₹ 1,592.41 crore (₹ 490.75 crore in 2021-22)
- Samagra Shiksha Abhiyan - ₹ 900 crore, (₹ 693.08 crore in 2021-22)

Single Nodal Agency

The Government of India, Ministry of Finance, Department of Expenditure, New Delhi vide Office Memorandum No 1 (13)/PFMS/FCD/2020 dated 3 March 2021 provided that every State Government will designate a Single Nodal Agency (SNA) for implementing each CSS. For each CSS, a separate SNA has been set up with own Bank Account in Scheduled Commercial Bank authorized to conduct government business by the State Government. As per the procedure, the State Government is to transfer the Central share received in its accounts to the concerned SNA's account along with corresponding State share.

As per PFMS report, the State Government received ₹ 14,532.65 crore being Central share during the year. As on 31 March 2023, the Government transferred Central share of ₹ 14,532.65 crore and State share of ₹ 13,694.74 crore to the SNAs. Detailed vouchers and supporting documents of actual expenditure were not received by Accountant General (A&E) Offices from the SNAs. As per PFMS report ₹ 16,938.47 crore were lying unspent in the bank accounts of SNAs as on 31 March 2023.

XV Finance Commission Grants

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

Details 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 (2022-23)			
Components	Recommendation	Actual release by GoI	Release by State Government
1	2	3	4
(i) Grants to PRIs	4461.00	3626.14	3626.14
(a) Tied Grant	1784.40	1450.46	1450.46
(b) Untied Grants	2676.60	2175.68	2175.68
(ii) Grants to ULBs*	2197.00	1774.30	1774.30
(a) Million plus cities (for ambient air quality plus SWM and Sanitation)	1242.00	819.30	819.30
(b) Other than million plus cities (tied grants for drinking water, rainwater harvesting, SWM and Sanitation)	573.00	573.00	573.00
(c) Other than million plus cities (untied grants for local needs)	382.00	382.00	382.00
Total for Local Bodies	6658.00	5400.44	5400.44
SDRF (Centre share)	3383.00	3593.60 ³	3593.60
SDRF (State Share)	1128.00		1015.20
Grants for Health Sector	1331.00	16.66	16.66
Grand Total	11169.00	9010.70	10025.90

Source: XV FC Report and information furnished by the Government of Maharashtra.
*As per release order of GoI

³ Includes an amount of ₹644.40 crore pertaining to 2021-22 and ₹ 433.80 crore pertaining to 2022-23 but received in 2023-24

State Finance Commission

The XV FC in its Main Report for 2021-2026 had recommended that all States must constitute State Finance Commissions 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 was not intimated (October 2023) to audit.

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 GoI. The net public debt receipt after discharging of public debt plus other capital receipts constitute 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	2018-19	2019-20	2020-21	2021-22	2022-23
Capital Receipts	2513.01	34142.43	62541.72	55732.40	50549.67
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	1604.29	1614.87	1612.35	1178.88	642.62
Non-debt Receipts	1604.29	1614.87	1612.35	1178.88	642.62
Net Public Debt Receipts	908.72	32527.56	60929.37	54553.52	49907.05
<i>Internal Debt</i>	<i>1496.07</i>	<i>32610.31</i>	<i>46903.98</i>	<i>37043.37</i>	<i>40702.63</i>
<i>Growth rate (per cent)</i>	<i>(-)95.48</i>	<i>2079.73</i>	<i>43.83</i>	<i>(-) 21.02</i>	<i>9.88</i>
<i>Loans and Advances from GoI</i>	<i>(-)587.35</i>	<i>(-)82.75</i>	<i>14025.39</i>	<i>17510.15</i>	<i>9204.42</i>
<i>Growth rate (per cent)</i>	<i>(-)24.77</i>	<i>(-)85.91</i>	<i>17049.11</i>	<i>24.85</i>	<i>(-)47.43</i>
Rate of growth of Debt Capital Receipts (<i>per cent</i>)	(-)97.19	3479.49	87.32	(-) 10.46	(-)8.52
Rate of growth of Non-debt Capital Receipts (<i>per cent</i>)	(-)9.77	0.66	(-)0.16	(-) 26.88	(-)45.49
Rate of growth of Capital Receipts (<i>per cent</i>)	(-)92.62	1258.63	83.18	(-)10.89	(-)9.3
Source: Finance Accounts of respective years					

Net Capital Receipts (Net Public Debt and Non-debt Receipts) of the State decreased by 9.30 per cent in 2022-23. The share of Net Public Debt Receipts in capital Receipts was 98.73 per cent during 2022-23. The decrease in Net Capital Receipts was due to the decrease in loans and advances from GoI by 47.43 per cent from the previous year.

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 2022-23 *vis-à-vis* projections given in the XV FC Report and Budget Estimates (2022-23) are given in **Table 2.13**.

Table 2.13: Own Tax and Non-tax receipts *vis-à-vis* Projections 2022-23

(₹ in crore)

	XV FC Projections	Budget Estimates	Actual	Percentage variation of actual over	
				Budget estimates	XV FC Projections
Own Tax Revenue	209782.00	256525.71	277486.31	8.17	32.27
Non-tax Revenue	18117.00	27128.13	16776.41	(-)38.16	(-)7.40

Source: Finance Accounts 2022-23, XV FC Report, Budget documents

In comparison to the assessment made by XV FC and Budget estimates, there was substantial shortfall in mobilisation of non-tax revenue 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 it was not opened for service and charges for such further additions and improvements as may be sanctioned under the rules made by the competent authority shall be classified as capital expenditure.

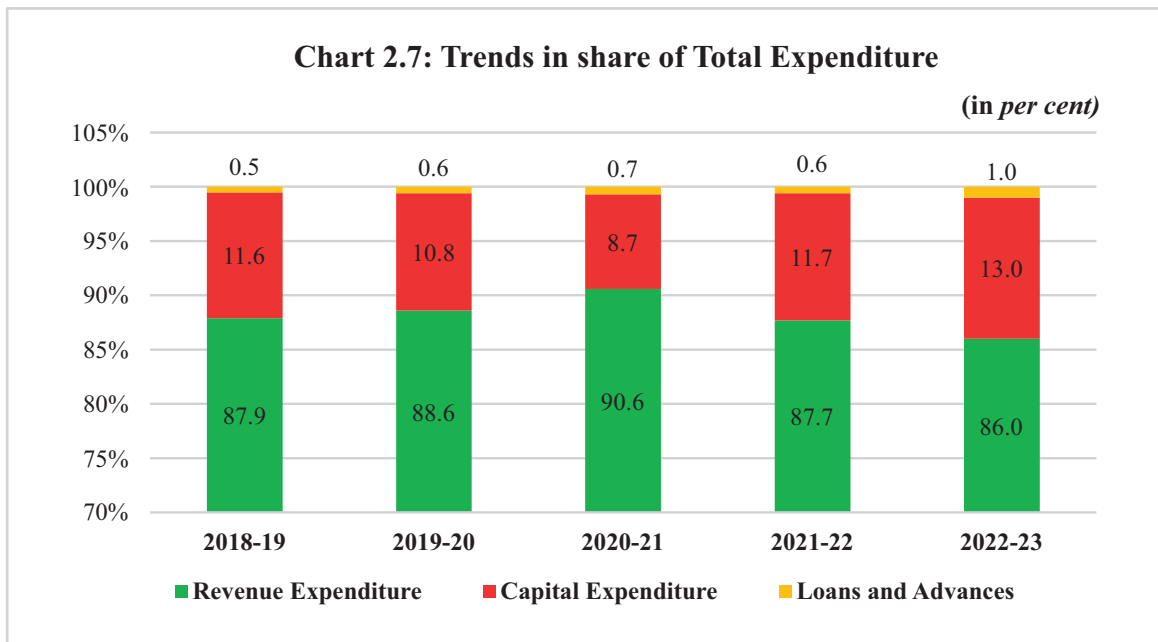
Revenue Expenditure: Charges on maintenance, repair, upkeep and working expenses which are required to maintain the assets in a running order as also all other expenses incurred for the day-to-day running of the organization, including establishment and administrative expenses shall be classified as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

The total expenditure, its composition, and its relative share in GSDP during the last five years (2018-19 to 2022-23) are given in **Table 2.14** and **Chart 2.7**.

Table 2.14: Total expenditure and its composition

(₹ in crore)					
Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	303615.89	338690.64	342638.31	398792.31	473922.42
Revenue Expenditure (RE)	267021.67	300305.21	310609.76	349685.89	407614.40
Capital Outlay (CO)	35049.05	36415.57	29686.70	46670.39	61643.61
Loans and Advances	1545.17	1969.86	2341.85	2436.03	4664.41
As percentage of GSDP					
TE/GSDP	12.01	12.75	13.04	12.83	13.44
RE/GSDP	10.56	11.30	11.82	11.25	11.56
CO/GSDP	1.39	1.37	1.13	1.50	1.75
Loans and Advances/GSDP	0.06	0.07	0.09	0.08	0.13

Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

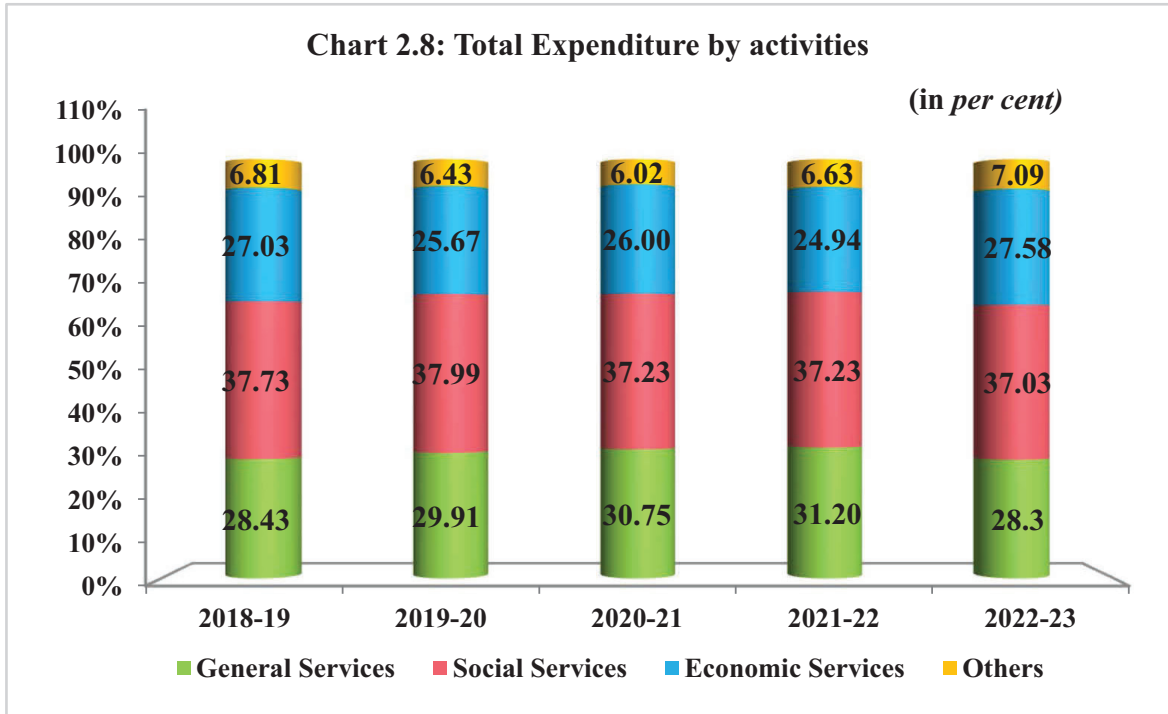
It is evident from the above that the total expenditure increased significantly from ₹ 3,03,615.89 crore in 2018-19 to ₹ 4,73,922.42 crore in 2022-23. Total expenditure as a percentage of GSDP grew from 12.01 per cent in 2018-19 to 13.44 per cent in 2022-23.

In terms of activities, total expenditure could be considered as comprising 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

(in per cent)					
Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
General Services	28.43	29.91	30.75	31.20	28.30
Social Services	37.73	37.99	37.23	37.23	37.03
Economic Services	27.03	25.67	26.00	24.94	27.58
Others (Grants to Local Bodies and Loans to Government Servants)	6.81	6.43	6.02	6.63	7.09

Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

The relative share of these components exhibited stability during the period from 2018-19 to 2022-23 with marginal inter year variations.

2.4.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations. 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 organizations (NGOs) and others.

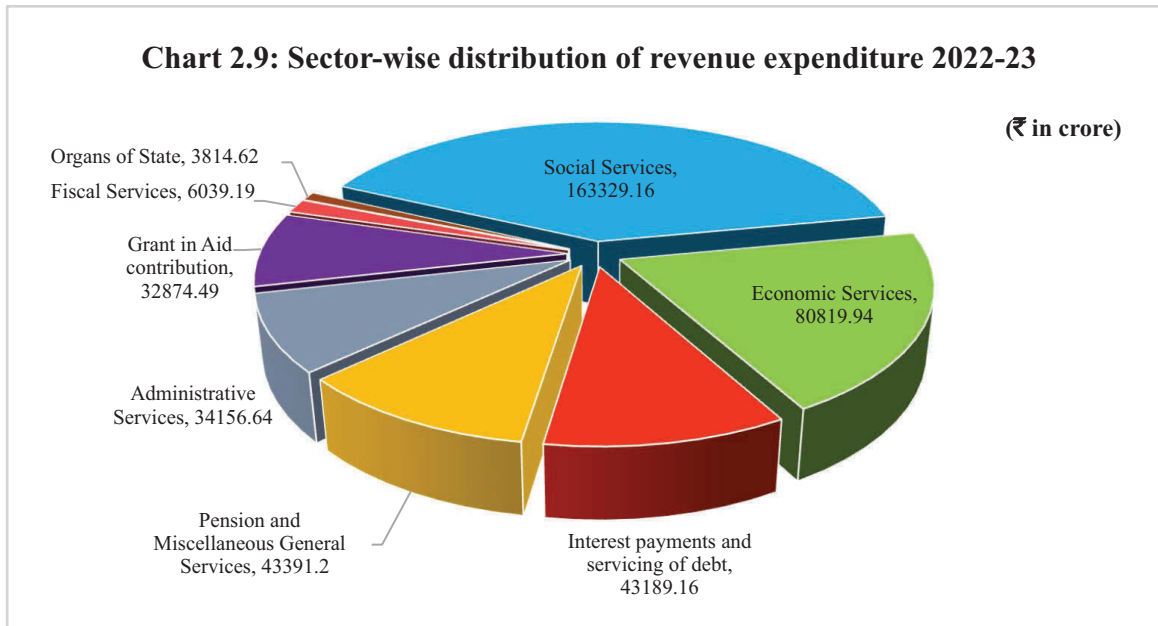
Expenditure can also be classified into various functional categories such as administrative services, social services, and economic services. Expenditure on social and economic services is incurred to create physical infrastructure and for human resource development and therefore, is considered productive, 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 ratios of incremental change in revenue expenditure *vis-à-vis* incremental changes in GSDP and revenue receipts are indicated in **Table 2.16**. Sector-wise distribution of revenue expenditure pertaining to 2022-23 is given in **Chart 2.9**.

Table 2.16: Revenue Expenditure – Basic Parameters

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	303615.89	338690.64	342638.31	398792.31	473922.42
Revenue Expenditure (RE)	267021.67	300305.21	310609.76	349685.89	407614.40
Rate of Growth of RE (<i>per cent</i>)	10.54	12.46	3.43	12.58	16.57
RE/TE (<i>per cent</i>)	87.95	88.67	90.65	87.69	86.01
RE/GSDP (<i>per cent</i>)	10.56	11.30	11.82	11.25	11.56
RE/RR (<i>per cent</i>)	95.71	106.04	115.27	104.91	100.48
Gross State Domestic Product	2528854	2657371	2627542	3108022	3527084
Rate of growth of GSDP (<i>per cent</i>)	7.48	5.08	(-1.12)	18.29	13.48
Ratio of change in Revenue Expenditure to					
Change in GSDP	1.409	2.453	*	0.688	1.229
Change in Revenue Receipts	0.727	8.307	*	0.531	0.764

Source: Finance Accounts of respective years
*Due to negative growth of GSDP and revenue receipt, buoyancy could not be calculated.



(Source: Finance Accounts 2022-23)

During 2022-23, revenue expenditure constituted 86.01 per cent of the total expenditure. The growth rate of revenue expenditure increased from 12.58 per cent in 2021-22 to 16.57 per cent in 2022-23.

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 2022-23 as compared with the previous year 2021-22.

Table 2.17: Variations in Revenue Expenditure during 2022-23 compared to 2021-22

(₹ in crore)

Major Heads of Account	2021-22	2022-23	Increase (+)/ Decrease (-)
2216-Housing	1568.15	3784.31	2216.16
2071-Pensions and Other Retirement Benefits	38513.30	43108.66	4595.36
2202-General Education	64950.39	76076.91	11126.52
2217- Urban Development	12231.96	13300.33	1068.37
2225-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes, and Minorities	16463.84	18745.51	2281.67
2435-Other Agricultural Programmes	393.31	5582.13	5188.82
3604- Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	25962.54	32 874.49	6911.95

Source: Finance Accounts of respective years

During the year 2022-23, there was significant increase in revenue expenditure due to increase in expenditure on General Education, Other Agricultural Programmes and Compensation and Assignments to Local Bodies and Panchayati Raj Institutions.

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 the first charge on Government resources.

Apart from the above, there are certain items of inflexible expenditure which cannot be ordinarily altered or varied, or are statutorily required on an annual basis, unlike for variable transactions such as capital expenditure. For example, the following items may be considered as inflexible expenditure:

- (i) Devolution to local bodies – statutory devolutions to local bodies for pay and allowances (devolution/transfer for capital expenditure).
- (ii) Statutory requirements of contribution to Reserve Funds – Contribution to Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF), State Disaster Mitigation/Response Fund (SDMF/SDRF) etc.
- (iii) Recoupment of Contingency Fund- Amount recouped within a year.
- (iv) Transfer of cess to reserve fund/other body, which are statutorily required.
- (v) Share contribution of CSS against the Central Fund received- Amount of state share to be transferred to SNAs/spent by the State.
- (vi) Payment of interest on the balances of the interest-bearing funds as if they were invested and payment of interest on public debt as charged expenditure-Interest payment.

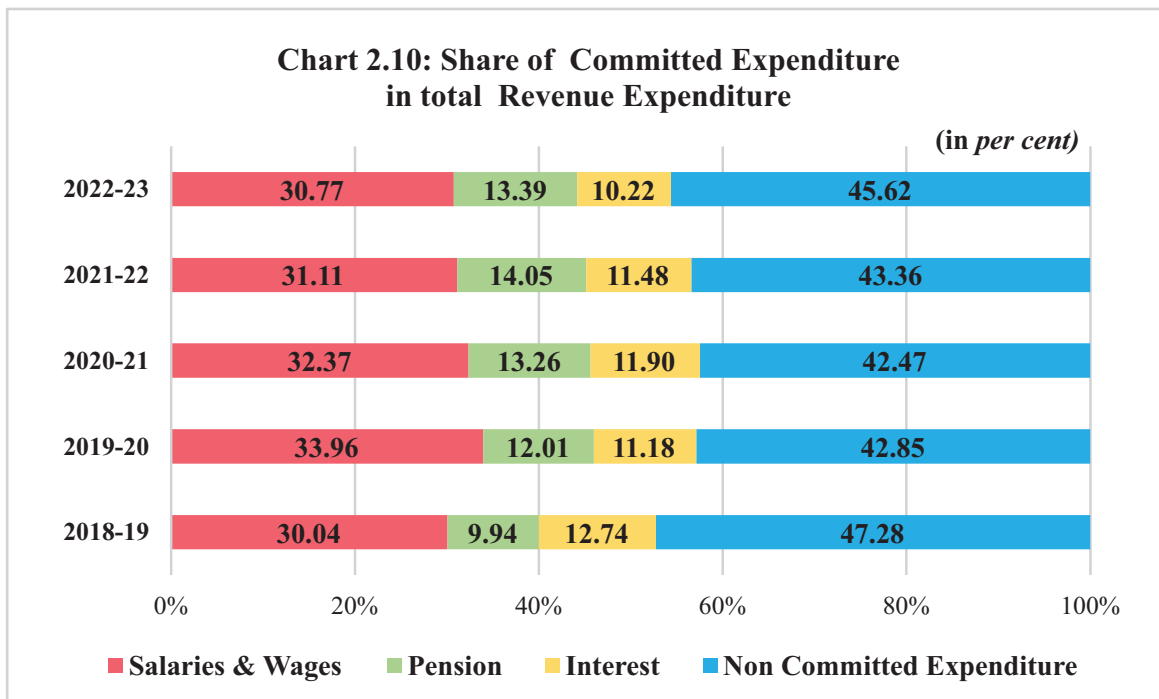
The upward trend in committed expenditure leaves the Government with lesser flexibility for development sector. Trend analysis of committed and inflexible expenditure and its components is depicted in **Table 2.18** and share of committed expenditure in revenue expenditure is shown in **Chart 2.10**

Table 2.18: Components of Committed and Inflexible Expenditure

(₹ in crore)

Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries and wages *	80221.59	101981.24	100529.17	108791.45	125409.39
Expenditure on Pensions	26544.73	36077.52	41194.31	49112.25	54575.45
Interest Payments	34021.25	33560.73	36969.77	40158.04	41689.16
Total	140787.57	171619.49	178693.25	198061.74	221674.00
Components of Inflexible expenditure					
Statutory devolution to local bodies	5209.07	7038.57	8633.00	4336.90	5400.44
Contribution to Reserve funds	5066.88	18375.03	9780.54	14269.25	11424.22
Recoupment of Contingency Fund	2000	8000	0	0	0
Transfer to cess to reserve fund/ other body	0	0	0	0	0
Share contribution of CSS against the Central fund received (State Share + Central Share)	24705.90	18639.70	13145.50	21143.66	29214.31
Payment of interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure- interest payment.	121.58	472.65	702.85	667.83	232.61
Total	37103.43	52525.95	32261.89	40417.64	46271.58

Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
As a percentage of Revenue Receipts (RR)					
Committed expenditure					
Salaries and wages*	28.75	36.01	37.31	32.64	30.91
Expenditure on Pensions	9.51	12.74	15.29	14.73	13.45
Interest Payments	12.19	11.85	13.72	12.05	10.28
Total	50.45	60.60	66.32	59.42	54.64
Inflexible expenditure					
Total	13.30	18.55	11.97	12.13	11.41
As a percentage of Revenue Expenditure (RE)					
Salaries and Wages*	30.04	33.96	32.37	31.11	30.77
Expenditure on Pensions	9.94	12.01	13.26	14.04	13.39
Interest Payments	12.74	11.18	11.90	11.48	10.22
Total	52.72	57.15	57.53	56.63	54.38
Inflexible Expenditure					
Total	13.90	17.49	10.39	11.56	11.35
Non- Committed RE	126234.10	128685.72	131916.51	151624.15	185934.64
Percentage of RE	47.27	42.85	42.47	43.36	45.62
Percentage of TE	41.58	38.00	38.50	38.02	39.23
Subsidies	27397.78	28385.98	40861.58	29137.2	43150.79
Subsidies as <i>percentage</i> of non-committed expenditure	21.70	22.06	30.98	19.22	23.21
* Includes salaries paid out of grants-in-aid					
Source: Finance Accounts of respective years					



(Source: Finance Accounts of respective years)

Committed expenditure constituted 54.64 *per cent* of the revenue receipts and 54.38 *per cent* of the revenue expenditure of the State during 2022-23. The committed expenditure increased by ₹ 23,612.26 crore (11.92 *per cent*) from the previous year.

Salaries and Wages

Expenditure on salaries and wages over the five-year period (2018-19 to 2022-23) increased by ₹ 45,187.80 crore (56.33 *per cent*) from ₹ 80,221.59 crore in 2018-19

to ₹ 1,25,409.39 crore in 2022-23. Its share in revenue expenditure increased slightly during the current year relative to the previous year and accounted for 30.77 per cent of revenue expenditure during 2022-23.

Interest Payments

During 2022-23, interest payments increased by ₹ 1,531.12 crore (3.81 per cent) over the previous year. During the current year, interest payments increased mainly due to higher interest paid for Maharashtra State Development Loan, interest provided on Provident Fund of teaching and non-teaching staff of aided, non-government, vocational education and training Institutes, interest on Defined Contributory Pension Scheme approved for teaching/non-teaching staff of aided non-Government secondary schools and added expenditure on Maharashtra State Government Employees Group Insurance Scheme.

Pension Payments

The expenditure during the year on pension and other retirement benefits to State Government employees recruited prior to November 2005 was ₹ 54,575.45 crore (13.39 per cent of revenue expenditure). There was an increase of ₹ 5,463.20 crore over the previous year. This was mainly due to higher expenditure on death-cum-retirement gratuities sanctioned under Section II of the New Pension Rules of 1950 - Pension for Service after 1 April 1936, in addition to normal pension benefits.

2.4.2.3 Undischarged liabilities in National Pension System

The 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'(DCPS)). 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 trustee 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 1 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. for which 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 April 2019. The entire amount is to be transferred to the designated fund manager through the NSDL/Trustee Bank.

During 2022-23, the total contribution to the NPS was ₹ 6,608.51 crore (Employees' contribution of ₹ 2,421.72 crore and Government's contribution ₹ 4,186.79 crore). The State Government transferred ₹ 6,608.51 crore to the Public account under Major Head 8342-117- Defined Contribution Pension Scheme. From Major Head 8342-117- Defined Contribution Pension Scheme, ₹ 8194.05 crore had been transferred to NSDL and as on 31 March 2023, cumulative balance of ₹ 7,464.60 crore yet to be transferred to NSDL.

Inflexible expenditure

The components of inflexible expenditure, which include among others statutory devolution to local bodies and contribution to Reserve Funds, increased from ₹ 37,103.43 crore in 2018-19 to ₹ 46,271.58 crore in 2022-23. Inflexible expenditure constituted 11.35 per cent of the revenue expenditure during 2022-23, as compared to 11.56 per cent during 2021-22. The inflexible expenditure (₹ 46,271.58 crore) increased by 14.48 per cent during 2022-23 over the previous year (₹ 40,417.64 crore).

2.4.2.4 Subsidies

Subsidies given by the State Government during 2018-19 to 2022-23 are shown in Table 2.19.

Table 2.19: Expenditure on subsidies during 2018-19 to 2022-23

	2018-19	2019-20	2020-21	2021-22	2022-23
Subsidies (₹ in crore)	27397.78	28385.98	40861.58	29137.20	43158.36
Subsidies as a percentage of Revenue Receipts	9.82	10.02	15.16	8.74	10.64
Subsidies as a percentage of Revenue Expenditure	10.26	9.45	13.16	8.33	10.59
Source: Finance Accounts of respective years					

Expenditure on subsidies increased from ₹ 27,397.78 crore in 2018-19 to ₹ 43,158.36 crore in 2022-23 i.e. from 10.26 per cent of the total revenue expenditure in 2018-19 to 10.59 per cent in 2022-23. During the current year, subsidies constituted 10.59 per cent of the revenue expenditure and 10.64 per cent of revenue receipts.

The Departments of Industries, Energy and Labour, Agriculture, Animal Husbandry, Dairy development, and Fisheries, Food and Civil Supplies and Home booked major expenditure as subsidies.

Industries, Energy and Labour department gave a subsidy of ₹ 18,377.24 crore (42.58 per cent) of which, a major portion of ₹ 6,000 crore was 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', ₹ 5,808.10 crore was on account of concession in energy tariff to agriculture pump consumers and ₹ 3,387.96 crore to industrial consumers.

Agriculture, Animal Husbandry, Dairy development and Fisheries department, spent a total amount of ₹ 6,696.60 crore, as subsidy out of which ₹ 2,416.04 crore pertained to the State share in the Pradhan Mantri Crop Insurance.

Co-operation, Marketing and Textiles department gave subsidy of ₹ 6,641.36 crore out of which ₹ 5,440.65 crore pertained to the State scheme of incentive benefit under Mahatma Jyotirao Shetkari Karjamukti Yojana.

The subsidy of ₹ 3,587.06 crore given by Food and Civil Supplies, mainly included subsidy given for covering deficit under National Food Security Scheme (₹ 1,782.62 crore) and ₹ 1,096.32 crore for covering deficit under Centrally Support Price Scheme.

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 2022-23 compared to previous years is shown in **Table 2.20**.

Table 2.20: Financial Assistance to Local Bodies, etc.

(₹ in crore)

Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
(A) Local Bodies					
Municipal Corporations and Municipalities	28958.48	30802.66	30101.99	36340.72	40832.22
Panchayati Raj Institutions	21123.91	26620.62	28724.25	29417.83	37504.47
Total (A)	50082.39	57423.28	58826.24	65758.55	78336.69
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	31428.21	36674.10	35899.78	39536.97	47821.21
Development Authorities	1027.43	584.31	2303.49	1631.33	4511.15
Hospitals and Other Charitable Institutions	5707.03	5364.44	7345.86	9693.05	8030.81
Other Institutions	34317.45	34158.76	29405.90	38152.96	49090.03
Total (B)	72480.12	76781.61	74955.03	89014.31	109453.20
Total (A+B)	122562.51	134204.89	133781.27	154772.86	187789.89
GIA on Salary	48137.42	60540.17	61045.62	65811.92	76234.13
GIA for creation of Capital assets	1119.47	1234.66	1686.84	1254.48	1891.15
GIA for non-salary	71183.93	69840.58	69002.46	84254.44	100188.57
GIA given in kind	188.04	37.35	97.53	220.26	304.01
Revenue Expenditure	267021.67	300305.21	310609.76	349685.89	407614.40
Assistance as percentage of Revenue Expenditure	45.90	44.69	43.07	44.26	46.07
Source: Finance Accounts of respective years					

The financial assistance to local bodies and other institutions has increased by ₹ 33,017.03 crore (21.33 per cent) in 2022-23 as compared to 2021-22. During 2022-23, the State Government released an amount of ₹ 24,448.79 crore assistance to Municipal Corporations for loss of revenue arising due to implementation of GST as compared to ₹ 23,006.76 crore released in 2021-22.

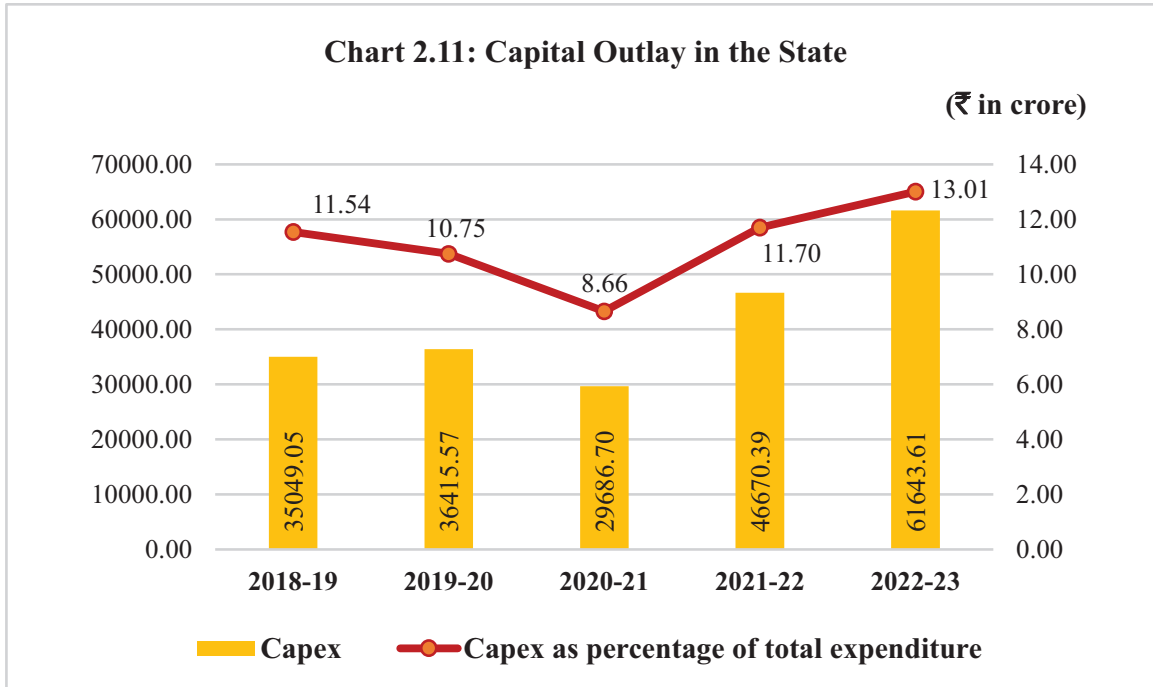
Grantee institutions under 'Others' category received substantial assistance during 2018-19 to 2022-23. Recording of grantee institutions under 'Others' category, and absence of details of assets created with the concerned grant-releasing Departments of the State Government is a matter of concern, as it renders such transactions opaque.

Financial assistance (GoI and State Government), given for the creation of capital assets, given in kind, given for salary and for non-salary purpose increased by ₹ 27,076.76

crore (17.87 per cent) during 2022-23 as compared to 2021-22. It was further noted that assistance on salary and non-salary component had continuously showed an increasing trend during the last five years. The share of financial assistance on salary, non-salary, creation of capital assets and GIA given in kind was 40.60 per cent, 53.35 per cent, 1.01 per cent and 0.16 per cent respectively of the total assistance given by the State Government.

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 (2018-19 to 2022-23) is given in **Chart 2.11**.



(Source: Finance Accounts of respective years)

During 2022-23, Capital outlay (₹ 61,643.61 crore) constituted 13 per cent of the total expenditure. Capital outlay increased by 32.08 per cent (₹ 14,973.22 crore) during 2022-23 as compared to 2021-22. Of the total capital outlay of ₹ 61,643.61 crore incurred in 2022-23, ₹ 25,795.11 crore (41.85 per cent) was spent on roads and bridges. ₹ 11,119.24 crore (18.04 per cent) was spent for irrigation and flood control activities followed by ₹ 7,252.92 crore (11.77 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 2021-22 and 2022-23.

Table 2.21: Capital outlay during 2022-23 compared to 2021-22

(₹ in crore)

Major Heads of Accounts	2021-22	2022-23	Increase (+)/ Decrease (-)
5054-Capital Outlay on Roads and Bridges	20487.61	25795.11	5307.50
4801-Capital Outlay on Power Projects	1267.37	492.52	(-)774.85
4702-Capital Outlay on Minor Irrigation	1677.90	1617.26	(-)60.64
4701-Capital Outlay on Major and Medium Irrigation	8412.41	8699.91	287.50
4210-Capital Outlay on Medical and Public Health	1612.26	1724.17	111.91
4402-Capital Outlay on Soil and Water Conservation	2096.82	2152.57	55.75

2.4.3.2 Quality of Capital Expenditure

Out of the total Capital outlay of ₹ 61,643.61 crore, Government had invested ₹ 18,783.67 crore (30.47 *per cent* of capital outlay) in statutory corporations (₹ 14,099.36 crore) mainly related to Irrigation Development Corporations, Rural banks (₹ 85.31 crore) Government Companies (₹ 4,504.91 crore) and in co-operative banks/societies and local bodies (₹ 94.09 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 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.

As on 31 March 2023, the State Government invested ₹ 2,07,442.12 crore in statutory corporations, rural banks, joint stock companies and co-operatives (**Table 2.22**). The average return on these investments for 2022-23 was 0.02 *per cent* while the Government paid an average interest rate of 6.58 *per cent* on its borrowings.

Table 2.22: Return on Investment

Investment/Return/ Cost of borrowings	2018-19	2019-20	2020-21	2021-22	2022-23
Investment at the end of the year (₹ in crore)	153322.10	165024.85	173983.84	188658.45	207442.12
Return on investment (₹ in crore)	275.48	56.53	401.02	88.36	36.01
Return on investment (<i>per cent</i>)	0.18	0.03	0.23	0.05	0.02
Average rate ⁴ of interest on Government Borrowings (<i>per cent</i>)	7.83	7.32	7.19	6.96	6.58
Difference between interest rate and return (<i>per cent</i>)	7.65	7.29	6.96	6.91	6.56
Difference between interest on Government borrowings and return on investment ⁵ (₹ in crore)	11729.14	12030.31	12109.28	13036.30	13613.68
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 Cooperative Societies showed that of the 22,905 societies with an aggregate Government investment of ₹ 193.81 crore (equity: ₹ 54.00 crore and loan: ₹ 139.81 crore), 11,219 societies had incurred accumulated losses of ₹ 5,739.62 crore.

⁴ Average rate of interest on Government borrowings = Interest payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100

Reconciliation of Government Investment with Accounts of Companies

The figures of Government investments as equity in State Public Sector Undertakings SPSUs should agree with those appearing in the accounts of the SPSUs. Reconciliation of figures is necessary to figure out the differences in accounts of SPSUs and Finance Accounts of the State Government. Scrutiny of both the accounts revealed that as per Finance Accounts, Government investment as equity in 34 SPSUs was ₹ 1,29,762.69 crore whereas as per records of SPSUs, it was ₹ 2,31,213.91 crore. There was a difference of ₹ 1,01,451.22 crore as detailed in **Appendix 2.3**. Reconciliation should be carried out in a time bound manner to figure out the difference.

Quantum of loans disbursed and recovered (2018-19 to 2022-23)

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 2018-19 to 2022-23 is given in **Table 2.23**.

Table 2.23: Position of Loans and Advances

(₹ in crore)

Quantum of Loans/Interest receipts/ Cost of borrowings	2018-19	2019-20	2020-21	2021-22	2022-23
Opening balance of Loans outstanding	25804.68	25745.56	26100.55	26830.05	28087.20
Amount advanced during the year	1545.17	1969.86	2341.85	2436.03	4664.41
Amount recovered during the year	1604.29	1614.87	1612.35	1178.88	642.62
Closing balance of the Loans outstanding	25745.56	26100.55	26830.05	28087.20	32109.00
Interest received	394.00	322.00	315.87	202.05	180.85
Interest rate ⁵ on Loans and Advances given by the Government (<i>per cent</i>)	1.53	1.24	1.19	0.74	0.60
Rate of Interest paid on the outstanding borrowings of the Government (<i>per cent</i>)	7.83	7.32	7.19	6.96	6.58
Difference between the rate of interest paid and interest received (<i>per cent</i>)	(-)6.30	(-)6.08	(-)6.00	(-)6.22	(-)5.98
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 rationalization by focusing more on development expenditure – which is expenditure on Social and Economic Services. Apart from improving the allocation towards development expenditure, the efficiency of expenditure use is also reflected by the ratio of 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 better is the quality of expenditure.

⁵ 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 compares the fiscal priority of the State with that of General category states with regard to TE, Social Sector Expenditure (SSE), Economic Sector Expenditure (ESE) and CE during 2022-23, taking 2018-19 as the base year.

Table 2.24: Fiscal Priority of the State in 2018-19 and 2022-23

Particulars	(in per cent)					
	TE/ GSDP	SSE/ TE	ESE/ TE	CE/ TE	Expenditure on Education/ TE	Expenditure on Health/ TE
Average General category States' 2018-19	16.38	36.60	30.65	15.58	14.76	5.07
Maharashtra 2018-19	12.01	37.73	27.03	12.05	16.89	4.28
Average of General Category States' 2022-23	15.79	38.11	29.17	15.22	14.85	5.68
Maharashtra 2022-23	13.44	37.03	27.58	13.99	17.21	4.30

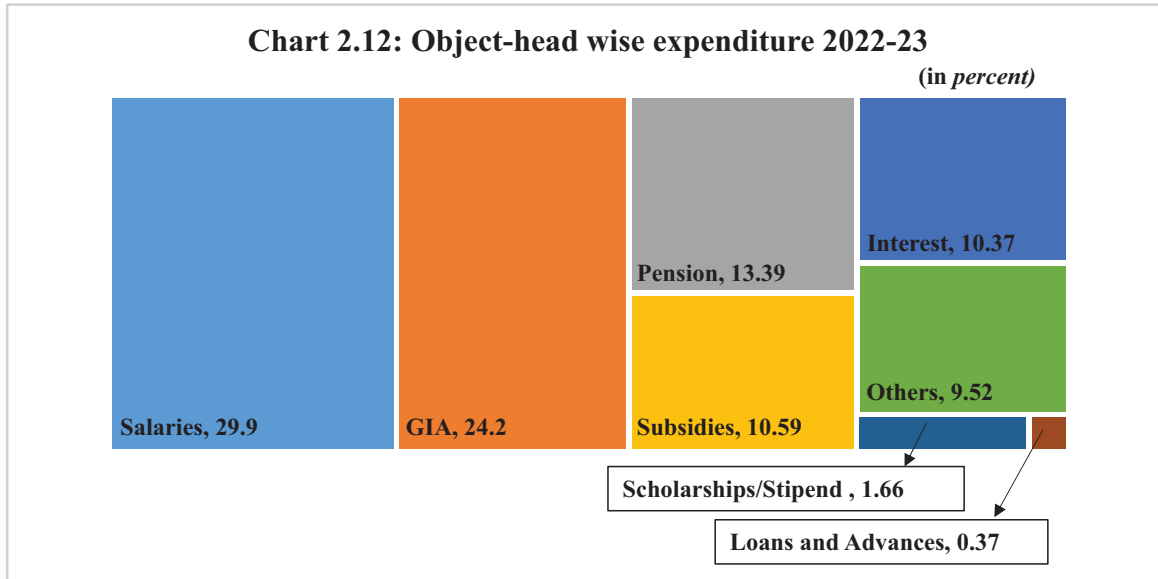
Source: Finance Accounts 2022-23 and compilation report of SFAR 2022-23

Table 2.24 indicates the following:

- The State Government's total expenditure as proportion of GSDP increased from 12.01 *per cent* in 2018-19 to 13.44 *per cent* in 2022-23 whereas for average of General Category States' it decreased from 16.38 *per cent* to 15.79 *per cent* during the same period.
- Capital expenditure facilitates asset creation which generates opportunities for higher growth. The ratio of capital expenditure to total expenditure increased from 12.05 *per cent* in 2018-19 to 13.99 *per cent* in 2022-23. This ratio for the average of general category states decreased from 15.58 *per cent* to 15.22 *per cent* during the same period.
- The ratio of expenditure on education to the total expenditure in Maharashtra increased from 16.89 *per cent* in 2018-19 to 17.21 *per cent* in 2022-23, while in the case of average of General category States' it increased from 14.76 *per cent* to 14.85 *per cent* during the same period.
- The ratio of expenditure on health to total expenditure in Maharashtra increased slightly from 4.28 *per cent* in 2018-19 to 4.30 *per cent* in 2022-23, which was lower than the average of general category states at 5.68 *per cent* in 2022-23.

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 2022-23 is shown in **Chart 2.12**.



(Source: Finance Accounts 2022-23)

Salaries constituted 30 per cent of the revenue expenditure followed by GIA 24 per cent, Pension 13 per cent, Interest 10 per cent and Subsidies 11 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	2018-19	2019-20	2020-21	2021-22	2022-23
I. Small Savings, Provident Funds, <i>etc.</i>	Small Savings, Provident Funds, <i>etc.</i>	491.75	1766.69	739.89	966.64	576.44
J. Reserve Funds	(a) Reserve Funds bearing Interest	500.87	3781.61	657.53	156.33	712.25
	(b) Reserve Funds not bearing Interest	(-)1073.50	6666.75	4512.62	8527.48	5247.20
K. Deposits and Advances	(a) Deposits bearing Interest	3630.92	5886.57	5674.11	2105.43	1170.28
	(b) Deposits not bearing Interest	692.01	(-)686.58	333.23	500.73	2553.55
	(c) Advances	(-)0.39 [#]	3.67	(-)1.20	(-)2.51	(-)1.40
L. Suspense and Miscellaneous	(a) Suspense	49.32	289.60	(-)329.48	112.51	(-)29.85
	(b) Other Accounts	(-)3541.01	3265.52	29.13	7065.46	10737.42
	(c) Accounts with Governments of Foreign Countries	0	0	0.00	(-)1.60	0.00
	(d) Miscellaneous	0	0.01	0.00	1.60	(-)1.15
M. Remittances	(a) Money Orders, and Other Remittances	160.90	(-)1664.09	2128.66	(-)595.18	524.50
	(b) Inter- Governmental Adjustment Account	(-)3.81	(-)4.67	(-)0.81	6.45	4.00
TOTAL		907.06	19305.08	13743.68	18843.34	21493.24

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 balances in Public Account decreased from ₹ 18,843.34 crore in 2021-22 to ₹ 21,493.24 crore in 2022-23.

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 of March 2023, there were 21 active Reserve Funds earmarked for specific purposes. Out of these, 12 funds were operative (₹ 73,362.53 crore) and the remaining nine were inoperative (₹ 32.64 crore). The total accumulated balance at the end of 31 March 2023 in these funds was ₹ 73,395.17 crore, out of which ₹ 5,520.76 crore was under interest bearing Reserve Fund and ₹ 67,874.41 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

In terms of the recommendations of the Tenth Finance Commission, the State Government created (1999-2000) a Consolidated Sinking Fund to be administered by the RBI for amortization of open market loans. As per the constitution of Consolidated Sinking Fund of Maharashtra, the State Government is to contribute one to three *per cent* of the outstanding open market loans as at the end of the previous years to the fund. In 2017, the Government of Maharashtra vide Notification No. CSF.1017/CR-17/ WAM dated 1 July 2017 revised the Consolidated Sinking Fund Scheme effective from the year 2017-18 with the objective of utilisation of Consolidated Sinking Fund for redemption of the outstanding liabilities of the Government commencing from the financial year 2022-23. In terms of the revised guidelines of the RBI, States are required to contribute to the Fund a minimum of 0.5 *per cent* of their outstanding liabilities (Internal Debt + Public Account liabilities) as at the end of the previous year. During 2022-23, the State Government transferred ₹ 1,500 crore, as against ₹ 3,031.48 crore required to be contributed to the fund, from the Revenue Account which works out to 2.76 *per cent* of total outstanding (Open Market Loans) of ₹ 54,374.17 crore as on 1 April 2022 and to 0.34 *per cent* of outstanding liability of ₹ 4,45,079.61 crore (Internal debt + Public Account liabilities) as on 1 April 2022. The total accumulation of the Fund was ₹ 60,004.03 crore as on 31 March 2023.

2.5.2.2 State Disaster Response Fund

In pursuance of provisions of the Disaster Management Act, 2005 and as per the recommendations of XIII Finance Commission, the Government of India under Section 48(1)(a) of the Disaster Management Act, 2005 has constituted 'The State Disaster Response Fund' in 2010-11 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. As per the recommendations of the XIV Finance Commission, the annual contribution to the State Disaster Response Fund is in the ratio of 75:25 between Government of India and Government of Maharashtra. In pursuance of recommendation of XV Finance Commission and the Disaster Management Act, 2005 the State Government is required to establish State Disaster Mitigation Fund (SDMF) for providing small grants for community based local initiatives to mitigate hazards through soft measures. The State Government has not created the SDMF as on 31 March 2023 under Major Head 8121-130- State Disaster Mitigation Fund.

During the year 2022-23, the State Government received ₹ 2,706.40 crore as GoI share towards SDRF. The State Governments share during the year was ₹ 902.40 crore. The State Government transferred entire amount ₹ 3,608.80 crore to the Fund under Major Head 8121-122 SDRF.

In addition, the State Government received the GoI share towards SDMF for 2022-23 of ₹ 676.60 crore. The State Government share during 2022-23 was ₹ 112.80 crore. As SDMF was not created, the State Government transferred the entire amount to the State Disaster Response Fund.

The total fund transferred to SDRF during 2022-23 was ₹ 4,608.80 crore⁶, of which, an expenditure of ₹ 3,608.80 crore was incurred during the year, leaving a balance of ₹ 2,074 crore in the Fund as on 31 March 2023. State Governments are required to pay interest to the SDRF⁷. 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 details of the fund viz SDRF and SDMF are given in **Table 2.26**.

Table 2.26: GoI and State share in SDRF

(₹ in crore)						
Opening balance as on 01.04.2022	GoI share received during 2022-23	State share during 2022-23	Assistance received from NDRF	Total fund transferred to SDRF during 2022-23	Disbursement from the fund	Balance as on 31.03.2023
1074.00	3593.60	1015.20	Nil	4608.80	3608.80	2074.00

Source: Finance Accounts 2022-23

Details of expenditure for Relief on Account of Natural Calamities (MH 2245) during the year 2022-23 are presented in **Table 2.27**.

Table 2.27: Details of Expenditure on Major Head 2245

(₹ in crore)		
Major Head of Account	Minor Head of Account	Expenditure during 2022-23
2245- Relief on Account of Natural Calamities 02- Floods, Cyclones etc	101-Gratuitous Relief	6743.90
	113-Assistance for repairs/reconstruction houses	97.80
	115-Assistance to farmers to clear sand/silt/salinity from lands	49.85
	117-Assistance to farmers for purchase of livestock	16.18
	118-Assistance for Repairs/Replacement of damaged boats and equipment for fishing	13.18
	119-Assistance to artisans for repairs/replacement of damaged tools and equipment	1.09
	800-Other expenditure	0.00
	Sub Total 02	6922.00
2245- Relief on Account of Natural Calamities 80- General	800-Other Expenditure	54.04
	911- Deduct-Recoveries of Overpayments	-0.19
	Sub-Total 80	53.85
	Grand Total	6975.85

Source: Finance Accounts 2022-23

⁶ SDRF and SDMF (Union and State share) = ₹4398.20 crore plus SDMF (Union share) ₹ 644.40 crore pertaining to 2021-22 received in 2022-23 less SDMF (union share) ₹ 433.80 crore pertaining to 2022-23 but received in 2023-24.

⁷ Interest calculated taking average Repo rate + two per cent i.e., 7.49 per cent as per the Guidelines of SDRF.

2.5.2.3 Guarantee Redemption Fund

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'. 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 guarantees were issued.

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

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 ₹ 256.32 crore as required under Guarantee Redemption Fund to the Fund and ₹ 78.41 crore has been invested by the RBI during the year. The amount in the fund as on 31 March 2023 was ₹ 1,236.72 crore which was 2.41 *per cent* of the total outstanding Guarantees (₹ 51,263.35 crore) as on 31 March 2022.

2.5.2.4 State Compensatory Afforestation Fund (SCAF)

In compliance with the instructions issued by the Ministry of Environment and Forests, GoI, the State Governments are required to establish the State Compensatory Afforestation Fund for amounts received from user agencies.⁸ 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* is to be credited into the National Compensatory Afforestation Fund on yearly basis provided that the credit of 10 *per cent* Union share of funds is received on monthly basis. 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 an annual basis. (3.35 *per cent* for the year 2022- 23 as per circulars issued by the Ministry of Environment, Forest & Climate Change GoI, October 2022).

⁸ "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.

During the year 2022-23, 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 did not receive any amount (received ₹ 285.22 crore in previous year) from National Compensatory Afforestation Deposit. The Government booked an expenditure of ₹ 448.64 crore to Major head 8121-General and Other Reserve Funds. The total balance in the State Compensatory Afforestation Fund as on 31 March 2023 was ₹ 2,781.76 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 construction workers. The Act, *inter alia*, mandated constitution of a Building and Other Construction Workers' Welfare Board and framing of rules by every State Government to exercise the powers conferred under the Act. Accordingly, the Government of Maharashtra has framed Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2007 under the Act and has constituted Maharashtra Building and Other Construction Workers Welfare Board. The Board is responsible for the operation and maintenance of the amount credited by the Government as labour cess Deposits. As of September 2022, the Board has collected ₹ 1,185.58 crore as labour cess. The department has not furnished details of expenditure incurred from the Fund, and the balance available as on 31 March 2023.

During the year 2022-23, the Government collected ₹ 1,156.76 crore being the collection of cess (other than Labour Cess). Out of total collection of ₹ 1,156.76 crore, no amount was transferred to the designated fund by the State Government resulting in understatement of Revenue Deficit and Fiscal deficit to that extent.

2.5.2.6 Accounting of transaction relating to Central Road and Infrastructure Fund (CRIF)

Government of India introduced CRIF 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 bridges and erections of suitable safety works at unmanned rail-road level crossings.

GoI provides annual grants under the CRIF 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-Subventions from Union Road Fund", through Revenue Expenditure Major Head "3054-Roads and Bridges". This process ensures that receipt of the grants does not result in overstatement of revenue surplus or understatement of revenue deficit in the accounts. The expenditure on prescribed road works under CRIF 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 2022-23, Government of Maharashtra received assistance of ₹ 1,084.15 crore from Ministry of Road Transport and Highways, which was transferred to Central Road Fund (Major Head 8449- Other Deposits-103- Subvention from Central Road and Infrastructure fund).

2.5.2.7 Funds outside Consolidated Fund or Public Account of the State

Article 266(1) of the Constitution of India, subject to the provisions of Article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one Consolidated Fund to be entitled the 'Consolidated Fund of the State'. Article 266(2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the public account of the State, as the case may be.

An instance wherein public expenditure was met through creation of fund outside the Consolidated Fund was mentioned in earlier Reports⁹ of the CAG on State Finances. This procedure continued during the current year as discussed below

2.5.2.7.1 Maharashtra Nivara Nidhi

(a) The Housing Department, Government of Maharashtra (GoM) created (May 2010) Maharashtra Nivara Nidhi (MNN) with the objective of supplementing the resources of the Government for undertaking various housing schemes through Central assistance. The MNN would receive funds from GoM, Maharashtra Housing and Area Development Authority (MHADA) and a recurring contribution from Slum Rehabilitation Authority (SRA) by way of 90 *per cent* of the land premium collected by the Authority. This fund created under the jurisdiction of MHADA would be audited on the lines of MHADA and the annual accounts and the audit report of MNN would be placed in the State Legislature every year.

Since its inception till March 2023, MNN received ₹ 48,257.72 crore from GoM, MHADA and a recurring contribution from SRA by way of 90 *per cent* of the land premium collected by the Authority. During 2022-23, the receipt was ₹ 5,887.91¹⁰ crore, and payments of ₹ 5,858.85¹¹ crore in the account. The annual accounts and the audit report of the receipts and expenditure out of MNN were not submitted (September 2023) to the State Legislature.

As the Fund was created under the MHADA, an autonomous body audited by the CAG under Section 20(1) of the CAG's DPC (Act) 1971, a formal amendment to the MHADA Act, 1976, incorporating the creation of the MNN and the subsequent audit arrangement of the Fund was required under the CAG's DPC (Act), 1971. Further, the Finance Department had directed (August 2017) the Housing Department to make necessary amendments in the MHADA Act, 1976 ensuring administrative and financial independence for MNN and to ensure audit of the fund by CAG. However, amendment to the MHADA Act has not yet been made (September 2023). Despite MNN's 12-year existence, amendments to MHADA Act, 1976, remain unaddressed.

(b) In February 2018 the GoM decided to release Pradhan Mantri Awas Yojna (PMAY) state share from MNN. Accordingly state share of ₹ 1,619.34 crore was released from MNN till 2020-21. GoI introduced (April 2021) a new system to streamline CSS fund

⁹ Paragraph 1.2.3, Paragraph 1.5.2, Paragraph 1.2.3, Paragraph 4.1.1 and Paragraph 4.1.1 of the Report of the CAG on State Finances for the year 2013-14, 2014-15, 2016-17, 2019-20 and 2020-21 respectively

¹⁰ This included FSI premium (Mumbai and Konkan Board) ₹ 121.11 crore, SRA premium ₹ 176.90 crore, reimbursement from PMAY (Central) ₹ 743.62 crore, investment ₹ 4,596.50 crore and its interest of ₹ 179.48 crore

¹¹ This included an investment amount of ₹ 5,152.00 crore, SNA PMAY (Central) of ₹ 654.81 crore repayment of FSI premium ₹ 26.17 crore

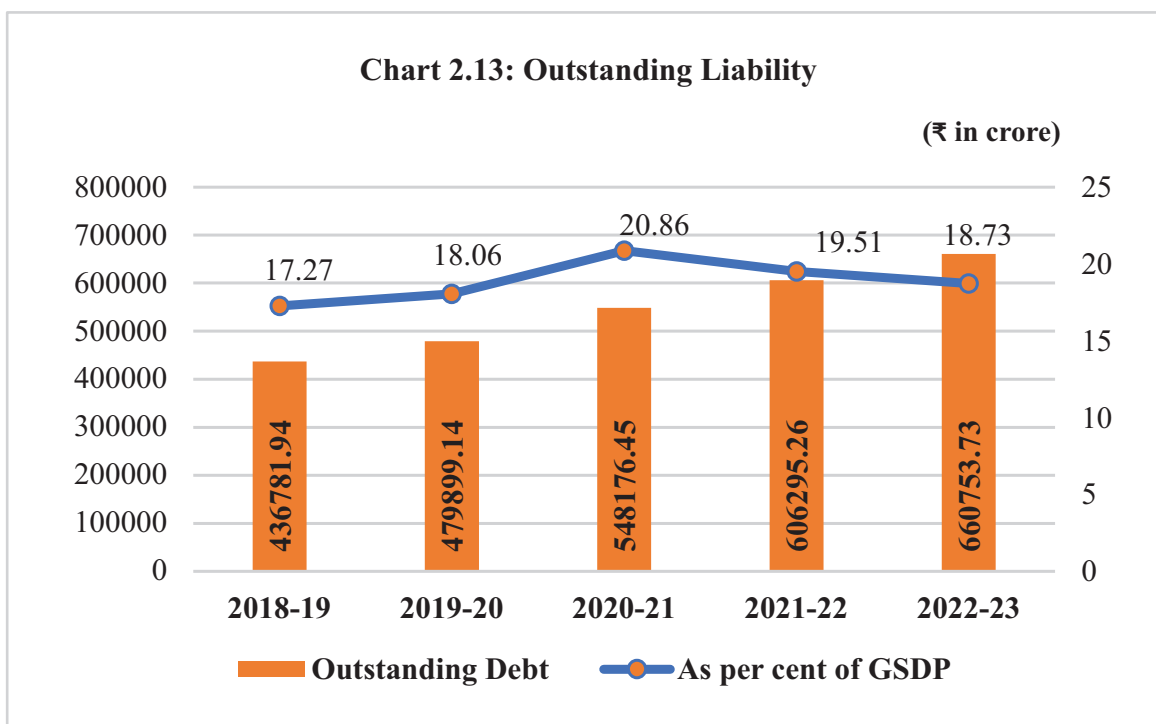
allocation. Under the system, every State Government has to designate a SNA for implementing each CSS. The SNA will open a Single Nodal Account for each CSS at the State level in a Scheduled Commercial Bank authorised to conduct government business by the State Government. The funds for the scheme is released through the Public Financial Management System (PFMS) to the states, which includes opening of separate lines for central and state shares by every State Government in the State budget for every CSS having a state share and making necessary provisions of funds in the state budget for both the components.

In response to the PFMS arrangement, the Housing Department, GoM apprised GoI that the State share of PMAY was released to SNA from MNN, which is an extra budgetary resource (EBR). Since PFMS has no provision to capture payments from EBR and hence State share was not reflecting in the PFMS. The Housing Department requested to make arrangements for mapping of non-budgetary resources in the PFMS. This was denied by the GoI (Nov 2022) which suggested routing state shares through the State treasury, which PFMS was integrated with. GoM thereafter made provision of ₹ 611.28 crore in the budget for meeting state share of PMAY against Central grants of ₹ 917.91 crore during the year 2022-23.

Due to implementation of SNA and GoI's denial to map EBR in PFMS, continuance of MNN as an extra budgetary source needs to be relooked as it is now mandatory for the State Government to release state share of CSS through State treasury. It would be appropriate if the activities planned under MNN are carried out through the regular budgetary process.

2.6 Public Liability Management

Management of public liability is the process of establishing and executing a strategy for managing the Government's liability 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 amount of outstanding liability and the same as a percentage of GSDP is shown in **Chart 2.13**.



(Source: Finance Accounts of respective years)

The outstanding debt (Fiscal Liabilities) of the State increased from ₹ 4,36,781.93 crore in 2018-19 to ₹ 6,60,753.73 crore at the end of 2022-23. The outstanding debt to GSDP ratio of 18.73 *per cent* during 2022-23 was higher than the limits prescribed by the FRBM Act (18.14 *per cent*).

2.6.1 Liability Profile: Components

Total liabilities of the State Government are constituted by 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.*

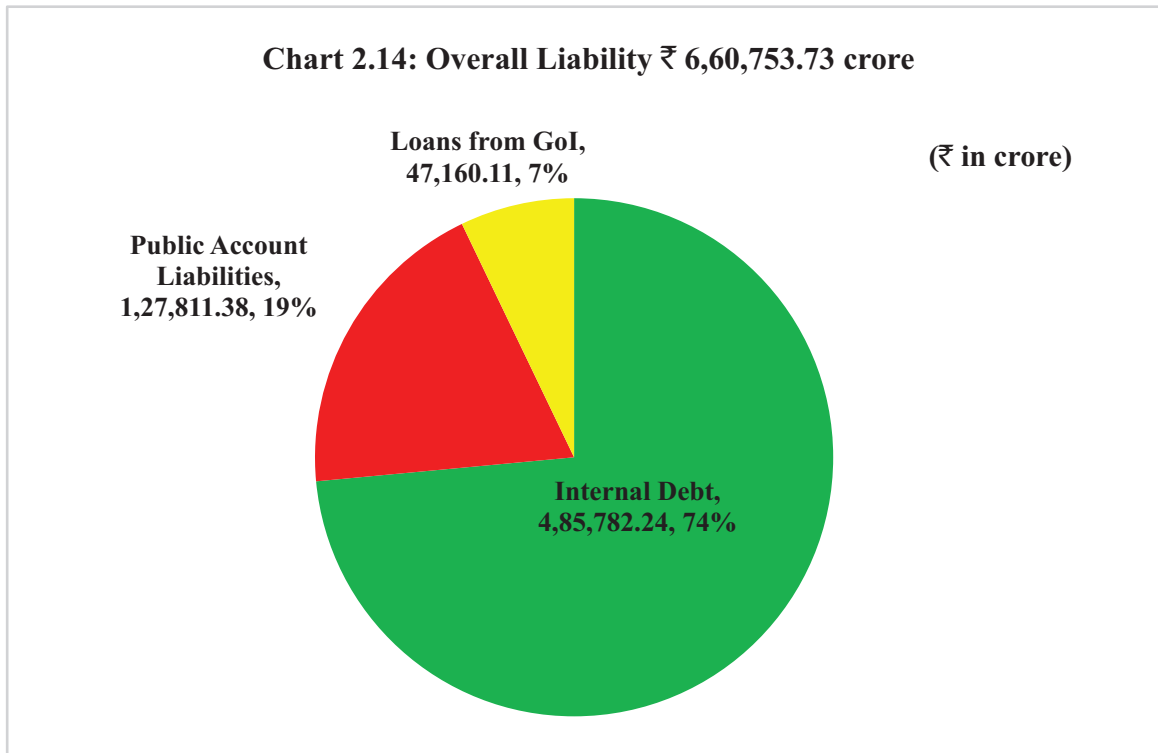
The component-wise liability trends are shown in **Table 2.28**.

Table 2.28: Component wise Public liability trends

	(₹ in crore)				
Components of fiscal liability	2018-19	2019-20	2020-21	2021-22	2022-23
Total Outstanding Liabilities (A+B)	436781.94	479899.14 ^s	548176.45	606295.26	660753.73
Public debt (A)	335020.67	367552.41	428481.78	483035.30	532942.35
Internal debt	328521.95	361132.26	408036.24	445079.61	485782.24
Loans from GoI	6498.72	6420.15	20445.54 [#]	37955.69 [#]	47160.11
Public Account Liabilities (B)	101761.27	112346.73	119694.67	123259.96	127811.38
(i) Small Savings, Provident Fund etc	25683.71	27450.40	28190.29	29156.93	29733.37
(ii) Reserve funds bearing interest	203.46	3985.08	4642.62	4798.95	5511.20
(iii) Reserve funds not bearing interest	7884.68	7721.83	7665.02	7501.17	7040.07
(iv) Deposits bearing interest	46192.77	52079.34	57753.45	59858.88	61029.16
(v) Deposits not bearing interest	21796.65	21110.07	21443.30	21944.03	24497.58
Rate of growth of outstanding liability (percentage)	1.01	9.87	14.23	10.60	8.98
Gross State Domestic Product (GSDP)	2528854	2657371	2627542	3108022	3527084
Liability /GSDP (<i>per cent</i>)	17.27	18.06	20.86	19.51	18.73
Total Receipts under public debt & other liabilities	79505.99	130325.03	171674.22	156649.53	162828.08
Total Repayments under public debt & other liabilities	75138.11	87212.01	103396.91	98530.72	108369.61
Net funds Available	4367.88	43113.02	68277.31	58118.81	54458.47
Debt Repayments/ Debt Receipts (<i>per cent</i>)	94.51	66.92	60.23	62.90	66.55
^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 [#] During the year 2020-21 and 2021-22 the GoM received back-to-back loan of ₹ 11,977 crore and ₹ 13,782.36 crore respectively in lieu of GST compensation. As per Department of Expenditure, Ministry of Finance, GoI, the borrowings under the Special Window (₹ 11,977 crore for 2020-21 and ₹ 13,782.36 crore for 2021-22) was not treated as debt of the State for any norms prescribed by the Finance Commission etc Source: Finance Accounts of respective years					

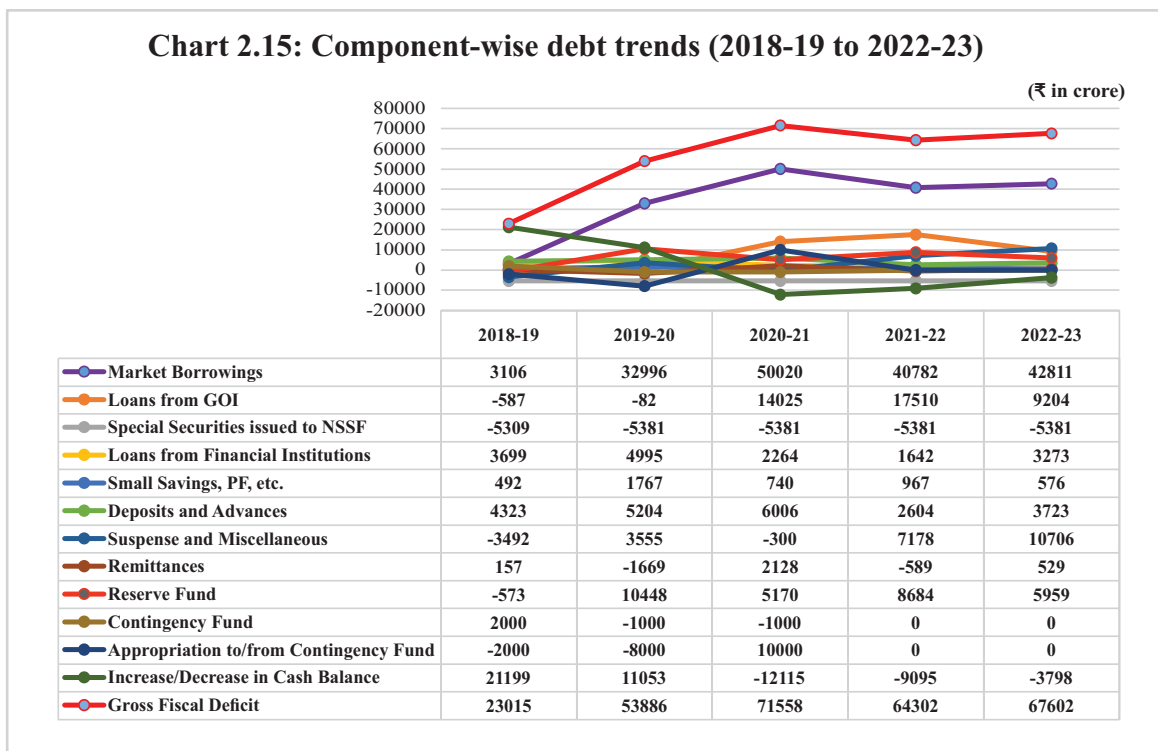
The total liabilities of the State increased from ₹ 4,36,781.94 crore in 2018-19 to ₹ 6,60,753.73 crore in 2022-23, registering an increase of 51.28 *per cent* mainly due to increase in public debt (₹ 1,97,921 crore) by 59.08 *per cent* and Public Account liabilities (₹ 26050.10 crore) by 25.60 *per cent*. During 2022-23, the overall liabilities increased by 8.98 *per cent* as compared to 10.60 *per cent* in 2021-22. The ratio of fiscal liabilities to GSDP increased from 17.27 *per cent* in 2018-19 to 18.73 *per cent* in 2022-23.

The composition of the overall liabilities during 2022-23 is depicted in **Chart 2.14**.



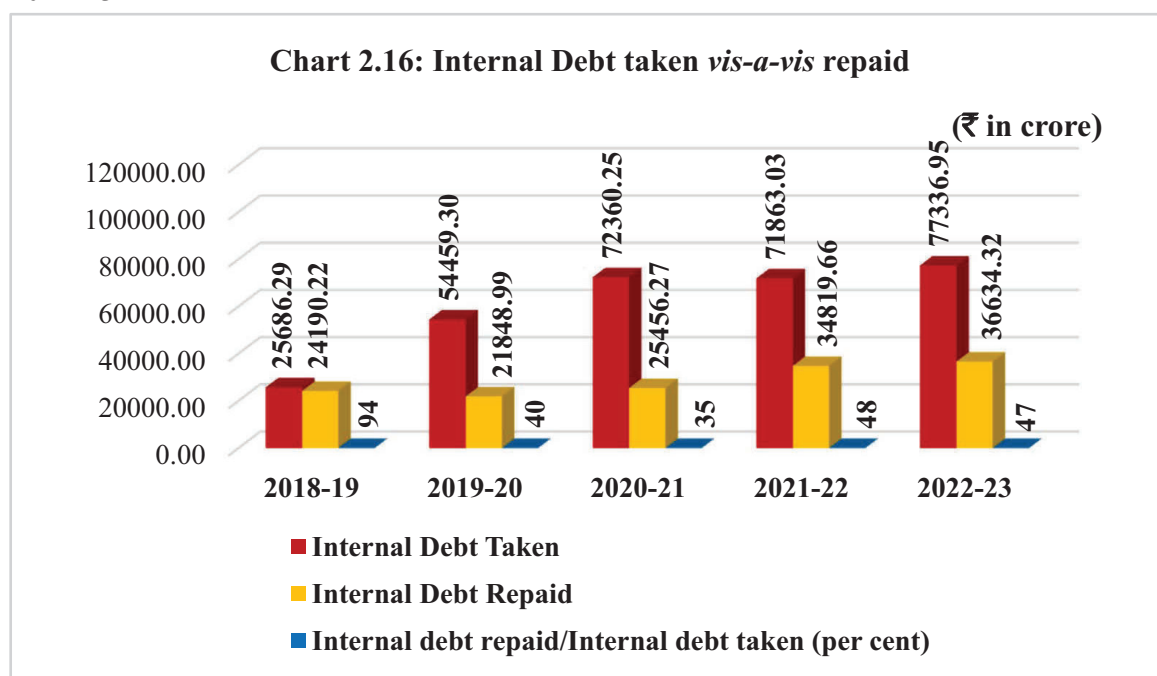
(Source: Finance Accounts 2022-23)

The component-wise liabilities trends for 2018-19 to 2022-23 are shown in **Chart 2.15**.



(Source: Finance Accounts of respective years)

Chart 2.16 depicts the quantum of internal debt taken *vis-à-vis* repaid during 2018-19 to 2022-23.



(Source: Finance Accounts of respective years)

Internal debt of the State Government increased by ₹ 51,650.66 crore (201.08 *per cent*) from ₹ 25,686.29 crore in 2018-19 to ₹ 77,336.95 crore in 2022-23. An amount of ₹ 36,634.32 crore was paid toward interest on internal debt during 2022-23. Further, during 2022-23, 47 *per cent* of internal debt raised was utilized for repayment of earlier debt as against 48 *per cent* in 2021-22.

The share of revenue deficit in fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Persistently the 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 2.29 shows an overall deficit (increase in cash balance) after financing the fiscal deficit during 2022-23.

Table 2.29: Receipts and Disbursements under components financing the Fiscal Deficit in 2022-23
(₹ in crore)

Particulars		Receipt	Disbursement	Net
1	Market Borrowings	71995.77	29185.00	42810.77
2	Loans from GOI	10235.89	1031.46	9204.43
3	Special Securities issued to National Small Savings Fund (NSSF)	0	5380.71	(-)5380.71
4	Loans from Financial Institutions	5341.20	2068.62	3272.58
5	Small Savings, PF, etc.	5912.69	5336.25	576.44
6	Deposits and Advances	60351.62	56629.19	3722.43
7	Suspense and Miscellaneous	11526.46	820.06	10706.40
8	Remittances	54251.90	53723.40	528.50
9	Reserve Fund	11424.23	5464.78	5959.45
10	Contingency Fund	200	200	0.00
11	Appropriation to Contingency Fund	200	200	0.00
12	Overall Deficit	231439.76	160039.47	71400.29
13	Increase (-)/Decrease (+) in cash balance	77692.29 (O.B)	81490.71 (C. B)	(-)3798.42
14	Gross Fiscal Deficit	309132.05	241530.18	67601.87

Source: Finance Accounts 2022-23

The financing pattern of the Fiscal Deficit has undergone a compositional shift as reflected in **Table 2.30**.

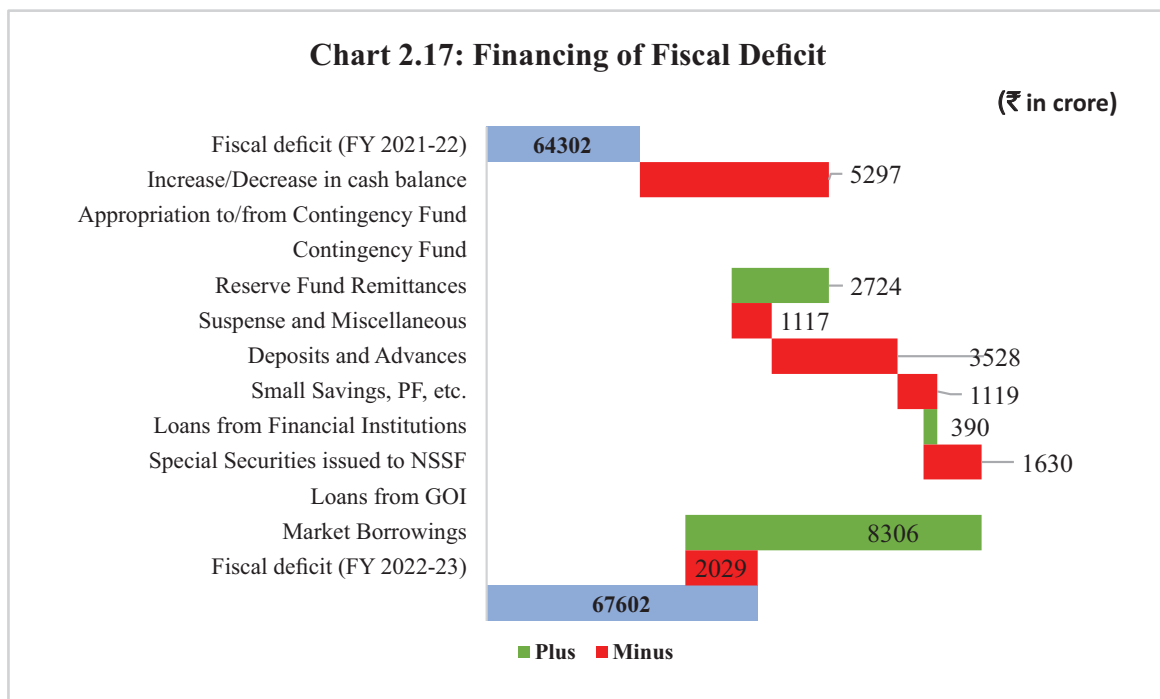
Table 2.30: Components of Fiscal deficit and its financing pattern

		(₹ in crore)				
Particulars		2018-19	2019-20	2020-21	2021-22	2022-23
Composition of Fiscal Deficit		23015.33	53886.19	71558.05	64301.86	67601.87
1	Revenue Deficit	11974.60	(-)17115.63	(-)41141.85	(-)16374.32	(-)1936.47
2	Net Capital outlay	(-)35049.05	(-)36415.57	(-)29686.70	(-)46670.39	(-)61643.61
3	Net Loans and Advances	59.12	(-)354.99	(-)729.50	(-)1257.15	(-)4021.79
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	3106.39	32996.31	50020.38	40781.64	42810.77
2	Loans from GoI	(-)587.35	(-)82.75	14025.39#	17510.15#	9204.43
3	Special Securities issued to NSSF	(-)5309.46	(-)5380.71	(-)5380.71	(-)5380.71	(-)5380.71
4	Loans from Financial Institutions	3699.14	4994.71	2264.29	1642.44	3272.58
5	Small Savings, PF, etc.	491.75	1766.69	739.88	966.64	576.44
6	Deposits and Advances	4322.54	5203.66	6006.13	2603.65	3722.43
7	Suspense and Miscellaneous	(-)3491.69	3555.13	(-)300.30	7177.97	10706.40
8	Remittances	157.09	(-)1668.76	2127.85	(-)588.73	528.50
9	Reserve Fund	(-)572.63	10448.36	5170.15	8683.81	5959.45
10	Contingency Fund unrecouped	2000.00	(-)1000.00	(-)1000.00	0	0
11	Appropriation to/from Contingency Fund	(-)2000.00	(-)8000.00	10000.00	0	0
12	Overall Deficit	1815.78	42832.64	83673.06	73396.86	71400.29
13	Increase (-)/Decrease in cash balance (+)	21199.55	11053.55	(-)12115.01	(-)9095.00	(-)3798.42
14	Gross Fiscal Deficit	23015.33	53886.19	71558.05	64301.86	67601.87
15	Net Market borrowings/fiscal deficit (<i>per cent</i>)	13.5	61.2	69.9	63.4	63.33
16	Net Capital outlay/FD (<i>per cent</i>)	152.3	67.6	41.5	72.58	91.19
Source: Finance Accounts of respective years						
* All the figures are net of disbursements during the respective year						
# During the year 2020-21 and 2021-22 the GoM received back-to-back loan of ₹ 11,977 crore and ₹ 13,782.36 crore respectively in lieu of GST compensation. As per Department of Expenditure, Ministry of Finance, GoI, the borrowings under the Special Window (₹ 11,977 crore for 2020-21 and ₹ 13,782.36 crore for 2021-22) was not treated as debt of the State for any norms prescribed by the Finance Commission etc						

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 **Table 2.29** and **Table 2.30**, the share of market borrowings in financing of fiscal deficit remains steady at 63 *per cent* during 2021-22 and 2022-23. The fiscal deficit increased by ₹ 3,300.01 crore over the previous year mainly due to increase in capital expenditure. The net capital outlay as a percentage of fiscal deficit increased from 72.58 *per cent* in 2021-22 to 91.19 *per cent* in 2022-23, indicating that major portion of the debts were utilized for financing capital outlay.

The fiscal deficit as a percentage of GSDP decreased from 2.07 in 2021-22 to 1.92 in 2022-23, which was well below the target of 3.5 per cent as prescribed in the FRBM. The financing of fiscal deficit is shown in Chart 2.17.



(Source: Finance Accounts for the year 2022-23)

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 are repaid on time. Market loans are generally taken for a duration of 10 years. 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 2023 is depicted in Table 2.31.

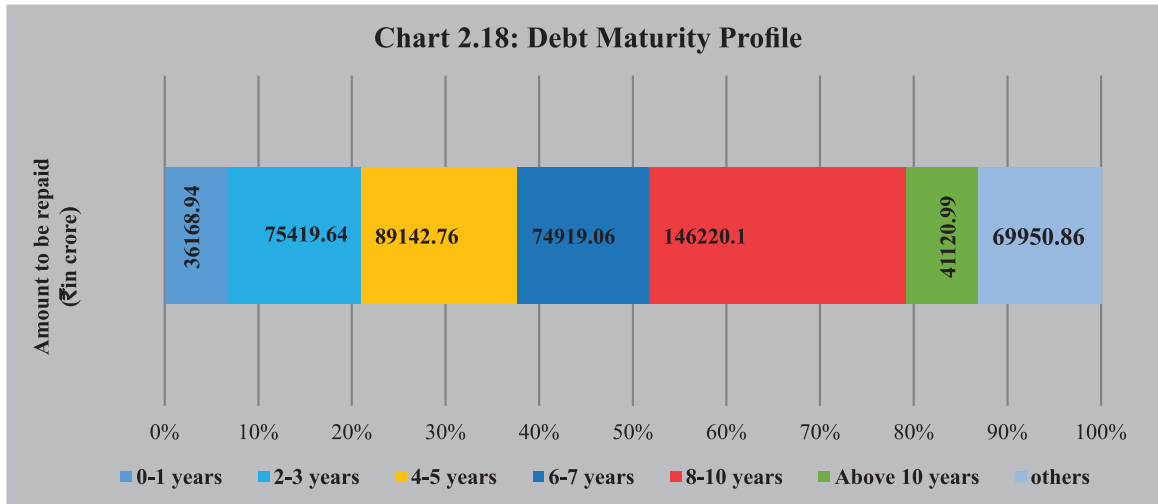
Table 2.31: Debt Maturity Profile of repayment of State Debt

Year of maturity	Maturity Profile	Amount (₹ in crore)			Maturity profile of outstanding Public debt (in %)
		Internal debts	Loans and advances from GoI	Total outstanding Public debt	
upto 2023-24	0-1	35644.10	524.84	36168.94	6.79
between 2024-25 & 2025-26	2-3 years	74840.21	579.43	75419.64	14.15
between 2026-27 & 2027-28	4-5 years	89006.80	135.96	89142.76	16.73
between 2028-29 & 2029-30	6-7 years	74851.71	67.35	74919.06	14.06
between 2030-31 & 2032-33	8-10 years	146204.27	15.83	146220.10	27.44
2033-34 onwards	Above 10 years	41120.65	0.34	41120.99	7.72
Others ¹²		24114.50	45836.36	69950.86	13.13
Total		485782.24	47160.11	532942.35	100.00

Source: Finance Accounts 2022-23

¹² Other represents such amount of loan, the repayment schedule of which has not been provided by the State Government

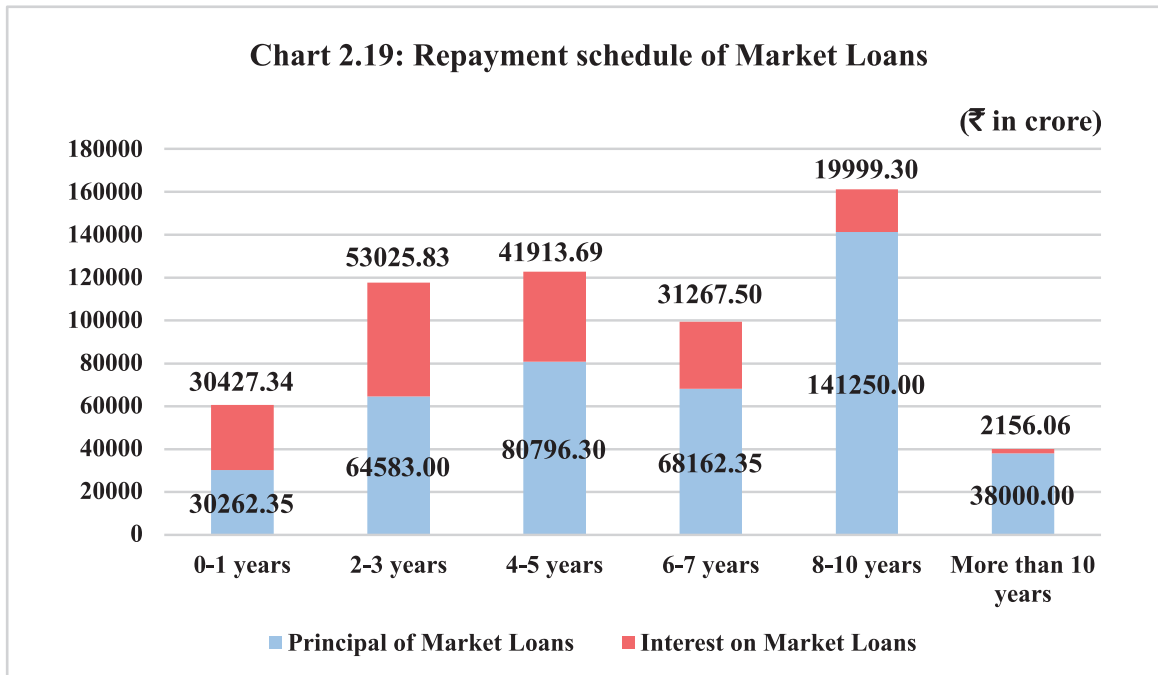
The maturity profile of the State debt indicates that the liability of the State to repay the debt during the periods 1-3 years, 4-7 years and 8-10 years would be ₹ 1,11,588.58 crore, ₹ 1,64,061.82 crore and ₹ 1,46,220.10 crore respectively as shown in **Chart 2.18**.



(Source: Finance Accounts 2022-23)

The maturity profile of the outstanding public debt indicates that 59.54 per cent (₹ 2,75,650.4 crore) of the total outstanding public debt for which maturity details are available (₹ 4,62,991.49 crore) are repayable within the next seven years, which may put a strain on the Government budget during that period. 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.

The repayment schedule of market loans (principal and interest) is shown in **Chart 2.19** and **Table 2.32**.



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

Table 2.32: Repayment schedule of Market Loans and Interest on Market Loans

S No	Period of Repayment (Years)	₹ in crore)	
		Repayment of Market Loans (Principal)	Repayment of Market Loans (Interest)
1	0-1 (2022-23 to 2023-24)	30262.35	30427.34
2	2-3(2024-25 to 2025-26)	64583.00	53025.83
3	4-5 (2026-27 to 2027-28)	80796.30	41913.69
4	6-7 (2028-29 to 2029-30)	68162.35	31267.50
5	8-10 (2030-31 to 2032-33)	141250.00	19999.30
6	More than 10	38000.00	2156.06
	Total	423054.00	178789.72

Source: Information furnished by the Office of the Accountant General (A&E)- I, Maharashtra

As shown above, the State will have to repay ₹ 94,845.35 crore of market loans and pay interest of ₹ 83,453.17 crore in the next three financial years i.e., up to 2025-26. In the following two years i.e., up to 2027-28, principal amount of ₹ 80,796.30 crore and interest of ₹ 41,913.69 crore will be payable. Average annual outgo of principal repayment and interest will be approximately ₹ 60,201.70 crore during the next five years up to 2027-28.

During the period from 2028-29 to 2032-33, market loans of ₹ 2,09,412.35 crore and interest of ₹ 51,266.80 crore will be payable. As such, the State will have to repay approximately ₹ 52,135.83 crore annually on an average during the period 2028-29 to 2032-33.

2.7 Debt Sustainability Analysis

Debt sustainability analysis has been carried out on the basis of fiscal and debt parameters: Domar approach and compliance of macro-fiscal parameters to the respective FRBM targets. The result of the analysis is given in the following paragraphs:

- (A) Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time. **Table 2.33** 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 2018-19 to 2022-23. Analysis of variation in debt sustainability indicators is given in **Table 2.33** and **Chart 2.20**

Table 2.33: Debt Sustainability Indicators and Trends

Debt Sustainability Indicators	₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt ¹³ (as on 31 st March of the year)	335021.53	367548.23*	428481.78 [#]	483035.30 [#]	532942.35
Rate of Growth of Outstanding Public Debt	0.27	9.71	16.58	12.73	10.33
GSDP	2528854	2657371	2627542	3108022	3527084
Rate of Growth of GSDP	7.48	5.08	-1.12	18.29	13.48
Public Debt/GSDP	13.25	13.83	15.85	15.10	14.72
Average interest Rate of Public Debt ¹⁴ (per cent)	8.60	8.01	7.82	7.48	6.87

¹³ Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government

¹⁴ Interest paid (OB of public debt + CD of Public debt/2) (in per cent)

State Finances Audit Report for the year ended 31 March 2023

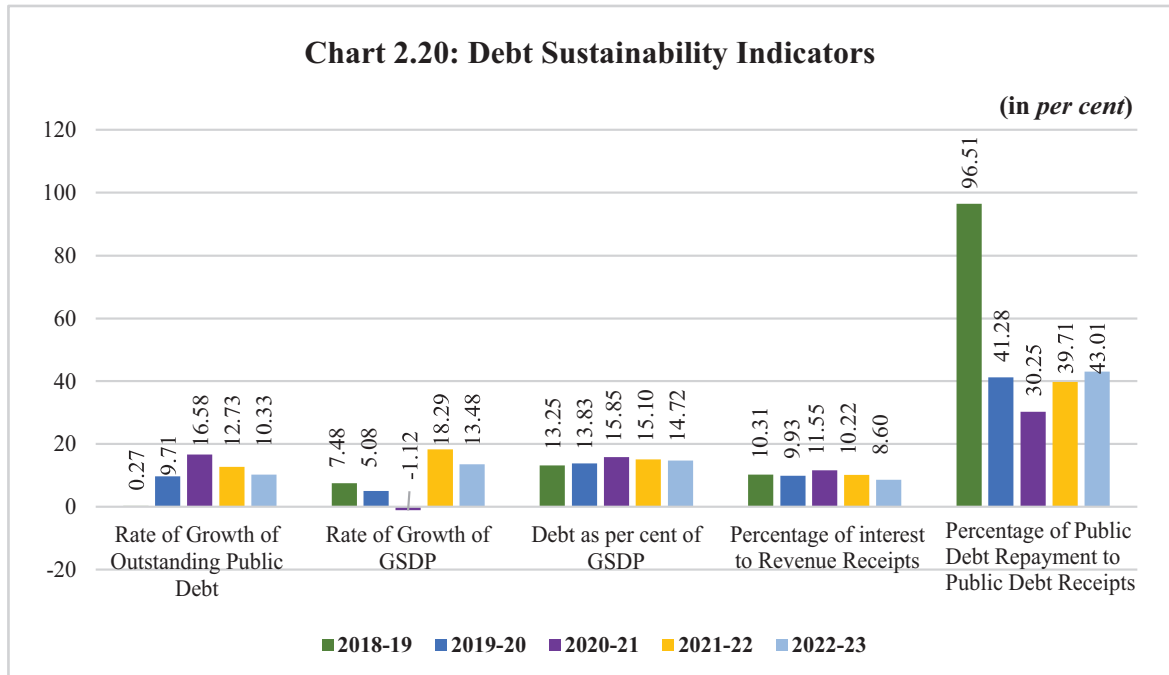
Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
Interest on Outstanding Public Debt	28764.07	28123.59	31119.91	34080.08	34897.58
Revenue Deficit/ surplus without interest payment on Public Debts	40738.67	11007.96	(-)10021.94	17705.76	32961.11
Revenue Deficit/surplus due to interest payment	11974.60	(-)17115.63	(-)41141.85	(-)16374.32	(-)1936.47
Percentage of Interest payment to Revenue Receipt	10.31	9.93	11.55	10.22	8.6
Percentage of Debt Repayment to Debt Receipt	96.51	41.28	30.25	39.71	43.01
Debt Repayment	25116.50	22868.24	26427.28	35934.66	37665.79
Debt Receipt	26025.21	55395.80	87356.65	90488.18	87572.84
Debt redemption ¹⁵ as per cent to Debt Receipts	207.03	92.05	65.88	77.37	82.86
Net Debt available to the State ¹⁶	(-)27855.36	4403.97	29809.46	20473.44	15009.47
Net Debt available as per cent to Debt Receipts	(-)107.03	7.95	34.12	22.63	17.14
Primary Deficit	11005.92	(-)20325.46	(-)34588.28	(-)24143.82	(-)25912.71
Interest Spread ¹⁷	(-)1.12	(-)2.93	(-)8.94	10.81	6.61
Quantum Spread ¹⁸	(-)3752.24	(-)10769.16	(-)38306.27	49431.53	33524.80
Debt Stabilisation (Quantum spread + Primary Deficit)	7253.67	(-)31094.62	(-)72894.55	25287.70	7612.09
<p>* In Finance accounts 2020-21, the opening balance of Public Debt was changed to ₹ 3,67,552.41 crore from ₹ 3,67,548.23 crore (closing balance of 2019-20) due to increased by ₹ 4.18 crore due to Proforma 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' hence the resultant amount of ₹ 3,67,548.23 has been taken</p> <p># These figures includes the back-to-back loan of ₹ 11,977 crore and ₹ 13,782.36 crore respectively in lieu of GST compensation during the year 2020-21 and 2021-22.</p> <p>Source Finance Accounts for the respective years</p>					

¹⁵ Debt Redemption= Principal + Interest

¹⁶ 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

¹⁷ Interest spread is GSDP growth rate- interest rate

¹⁸ Quantum spread= (Public Debt(OB) X(GSDP growth rate- interest rate). While calculating public debt for 2020-21, 2021-22 the back-to-back loan of ₹ 11,977 crore and ₹ 13,782.36 crore respectively in lieu of GST compensation during the year 2020-21 and 2021-22 was excluded.



(Source: Finance accounts of the respective years)

- A falling debt-GSDP ratio can be considered as leading towards stability. Debt-GSDP ratio rose from 13.25 *per cent* in 2018-19 to 14.72 *per cent* in 2022-23 which cannot be considered as leading towards stability. In 2022-23, however, it went down marginally to 14.72 *per cent* from 15.10 *per cent* in 2021-22. Also, debt stabilisation condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would tend to be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. **Table 2.33** shows that during 2021-22 and 2022-23, 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.
 - 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 2022-23, there was a primary deficit of ₹ 25,912.71 crore, indicating that the primary expenditure too had to be met from borrowed funds.
 - The ratio of interest payments to revenue receipts is also a good measure of debt sustainability. This ratio has decreased significantly from 10.31 *per cent* in 2018-19 to 8.6 *per cent* in 2022-23.
 - Higher the percentage of public debt repayments to public debt receipts, the greater the proportion of debt utilised for debt servicing rather than productively. Ratio of public debt repayments to public debt receipts ranged between 96.51 *per cent* and 43.01 *per cent* during the period 2018-19 to 2022-23 which means that most of the public borrowings were used for repayment of earlier borrowings leaving less space to use productively.
- (B) An analysis on debt sustainability was carried out based on a study by E.D. Domar [Domar, 1944]. The Domar model states that the necessary premise for ensuring

stability of public indebtedness is that the interest rates for government loans should not exceed the growth of GDP.

The dynamics of public debt depending on the interest rate, growth rate of GSDP and the primary budget balance are as follows:

g-r (g-real economic growth rate; r-real interest rate)	s<0 (primary deficit)	s>0 (primary surplus)
g-r > 0 (strong economic growth)	Public debt as percentage of GSDP should converge to a stable level greater than 0.	Public debt as percentage of GSDP should converge to a stable level less than zero leading to public savings
g-r < 0 (slow economic growth)	Public debt as percentage of GSDP should increase indefinitely, without converging to a stable level.	Undefined solution

The results of applying the above parameters in the case of Maharashtra, are shown in **Table 2.34**.

Table 2.34: Debt sustainability analysis based on Domar Model

Year	Real growth (g)	Real interest (r)	g-r (Domar gap)	Primary deficit (-) / surplus (+) (s) (₹ in crore)	Remarks
2018-19	3.64	4.69	-1.05	11005.92	g-r < 0 and s > 0 Undefined situation
2019-20	2.42	2.88	-0.46	-20325.46	As g-r < 0 and s < 0; Public debt as a percentage of GSDP will increase indefinitely, without converging to a stable level
2020-21	-7.30	0.97	-8.27	-34588.28	
2021-22	9.13	1.07	8.06	-24143.82	As g-r > 0 and s < 0; public debt as percentage of GSDP should converge to a stable level greater than zero.
2022-23	6.78	-0.73	7.51	-25913	

Source: Finance accounts of the respective years and Economic Survey of Maharashtra for the year 2022-23
 Note: Real Growth rate is calculated for GSDP at constant prices
 Real Interest rate is the normal interest rate adjusted for inflation (For 2020-21 and 2021-22 average CPI index for ten months has been taken due to unavailability of CPI data for the months of April and May 2020)

During the period from 2018-19 to 2022-23, the State registered primary surplus only during 2018-19. The g-r (Domar gap) was negative during 2018-19 to 2020-21, indicating that public debt as percentage of GSDP could increase indefinitely. The economic slowdown on account of the COVID-19 pandemic had resulted in a negative growth of GSDP during 2020-21. The resurgence of the economy during 2021-22 and 2022-23, resulted in an positive g-r (Domar gap), thereby indicating that the public debt as percentage of GSDP could eventually converge to a stable level greater than zero. However, factors such as public account liabilities and force majeure events and/or any other un-inventoried losses of revenue also have to be reckoned in assessing the debt sustainability.

(C) Details of the achievement *vis-a-vis* targets set in the Medium-Term Fiscal Policy Statement (MTFPS) are shown in **Table 2.35**.

Table 2.35: Details of achievements against the targets set.

Fiscal Parameters		Achievements <i>vis-a-vis</i> targets set in the MTFPS				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (-) / Surplus (+) as percentage of GSDP	Target	(-)0.55	(-)0.68	(-)0.29	(-)0.34	(-)0.68
	Achievement	0.47	(-)0.64	(-)1.57	(-)0.53	(-)0.05
Fiscal Deficit (-) as percentage of GSDP	Target	(-)1.81	(-)2.07	(-)1.69	(-)2.24	(-)2.50
	Achievement	(-)0.91	(-)2.03	(-)2.72	(-)2.07	(-)1.92
Ratio of total Outstanding liabilities to GSDP (in <i>per cent</i>)	Target	16.52	15.83	16.15	20.64	18.14
	Achievement	17.27	18.06	20.86	19.51	18.73

Source: Medium-Term Fiscal Policy strategy Statement and disclosure for Maharashtra for the respective years

During 2018-19 to 2022-23, revenue deficit and fiscal deficit as percentage of GSDP were within the targets fixed by the State Government in the MTFPS, except for in the year 2020-21. The State Government was unable to meet the targets of outstanding liabilities as percentage of GSDP in any of the years from 2018-19 to 2022-23 except during 2021-22 when it was within the target fixed.

The committed expenditure as a percentage of the revenue receipts decreased from 59.42 *per cent* in 2021-22 to 54.64 *per cent* in 2022-23. However, it has been consistently between 50 *per cent* and 60 *per cent*, except for in 2020-21, when it surged to 66.32 *per cent*, thereby indicating the limited availability of revenue resources for other purposes including debt servicing.

Fiscal sustainability risk:

- (i) It can be observed that the debt stabilisation indicator is currently static rather than conclusively ascending. The debt stabilization indicator, consisting of quantum spread and primary deficit, declined in the period (2019-21) and has since shown a gradual increase in the post-pandemic year. However, it has not yet reached a stable state for debt stabilization. Moreover, the improvement in Public Debt to GSDP and Overall Liability to GSDP after the pandemic suggests that the debt situation is not deteriorating, but it has not yet reached a threshold wherein it can be concluded that debt stabilization is on an upward trend.
- (ii) Although the Outstanding Debt for the year 2022-23 remained close to the projections made as per MTFP, the nominal GSDP did not reach the projected levels. Therefore, the state was not able to achieve the targets set for Total Outstanding Liability to GSDP ratio.

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 2.36**.

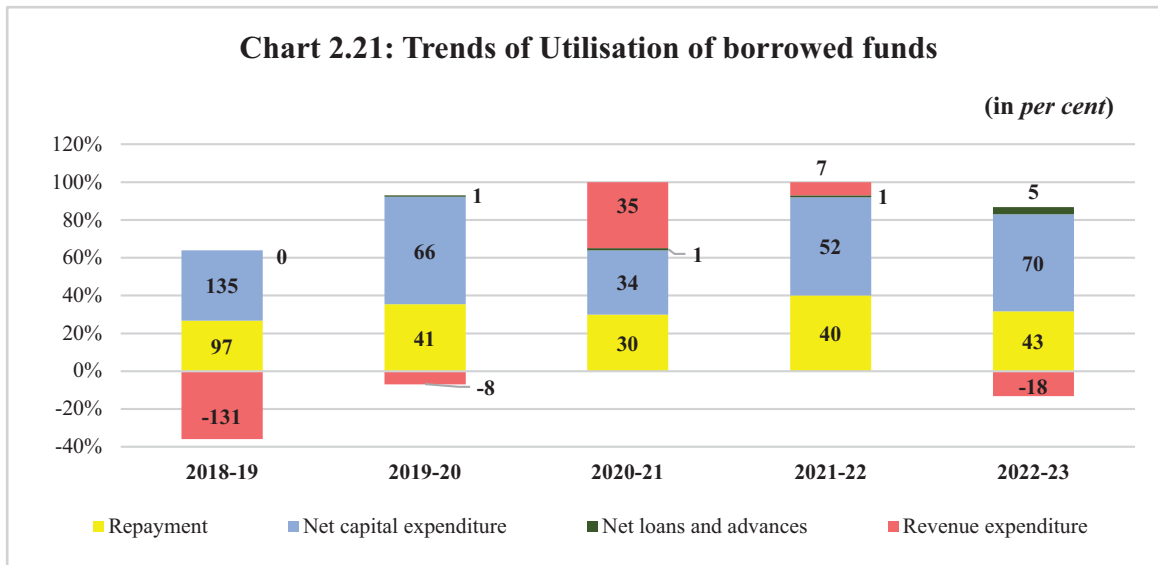
Table 2.36: Utilisation of borrowed funds

		(₹ in crore)				
Year		2018-19	2019-20	2020-21	2021-22	2022-23
Total Borrowings	2	26025.21	55395.8	87356.65	90488.18	87572.84
Repayment	3	25116.49	22868.24	26427.28	35934.66	37665.79
Net capital outlay	4	35049.05	36415.57	29686.70	46670.39	61643.61
Net loans and advances	5	59.12	354.99	729.50	1257.15	4021.79
Portion of revenue expenditure met out of net available borrowings.	6=2-3-4-5	(-) 34199.45	(-) 4243	30513.17	6625.98	(-)15761.24

Source: Finance Accounts of respective years

The revenue receipts of the State Government were not sufficient to meet the revenue expenditure. Hence, the Government remained dependent upon borrowings for meeting revenue expenditure. As per the XV Finance Commission, States are being given revenue deficit grants to reduce and ultimately eliminate revenue deficit and to enable all borrowings to be used for capital expenditure. In 2022-23, which is the second year of the Finance Commission period, the State Government has considerably reduced its revenue deficit to ₹ 1,936.47 crore from ₹ 16,374.32 crore in 2021-22.

The trends of utilization of borrowed funds are shown in **Chart 2.21**.



(Source: Finance Accounts of respective years)

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 Legislature has not fixed any limits so far. The Maharashtra FRBM Act, 2005 also does not contain any provision laying down the limits for giving guarantees by the State. The total guarantees given by the State, which were outstanding as on 31 March 2023 amounted to ₹ 49,632.84 crore (Principal: ₹ 44,197.59 crore; Interest: ₹ 5,435.25 crore). The outstanding guarantees during 2018-19 to 2022-23 are summarized in **Table 2.37**.

Table 2.37: Guarantees given during 2018-19 to 2022-23

(₹ in crore)

Guarantees	2018-19	2019-20	2020-21	2021-22	2022-23
Maximum amount guaranteed including interest ^s	38378.26	58661.22	85717.46	81751.13	81751.13
Outstanding number of guarantees including interest	25134.86	41179.07@	41579.94@	51263.35	49632.84
Outstanding guarantees/Revenue Receipts (<i>per cent</i>)	9.01	14.58	15.43	15.38	12.23
Outstanding guarantees/GSDP (<i>per cent</i>)	0.98	1.51	1.53	1.60	1.41
^s 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					

During 2022-23, an amount of ₹ 14,200.00 crore was guaranteed by the State Government under the provisions of Guarantee Act, as shown in **Table 2.38**.

Table 2.38: Guarantees given during 2022-23

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
1/2022-23	Mumbai Metropolitan Region Development Authority	Rural Electrification Corporation Ltd.	12000.00	Valid for one year	Guarantee fee waived
2/2022-23	Mumbai Metro Rail Corporation Ltd.	Power Finance Corporation Ltd. New Delhi	2200.00	Letter of Comfort	
Total			1,4200.00		
Source: Guarantee Statement placed in the Legislature					

Under the Government Guarantee Act, 1977, the Government shall charge guarantee fee ranging from 20 paise to ₹ 2 per ₹ 100 per annum for guarantees given, chargeable except in respect of certain co-operative societies. During 2022-23, the State Government received ₹ 1,588.71 crore towards guaranteed fees, which constituted 3.10 *per cent* of the outstanding guaranteed amount as on 01 April 2022 (₹ 51,263.35 crore). Out of the guarantee fee of ₹ 2,869.70 crore to be realized, ₹ 1,588.71 crore has been received during the year 2022-23, leaving a balance receivable amount of ₹ 1,280.99 crore.

During the year 2022-23, 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 ₹ 4,686 crore as on 1 April, 2022 which remained unchanged till 31 March, 2023. SWMA of ₹ 7,129.25 crore was availed six times (May 2022) during 2022-23. An amount of ₹ 1.55 crore has been adjusted during the year 2022-23 towards interest on WMA.

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 2.39** and **Table 2.40**.

Table 2.39: Cash Balances and their investment

(₹ in crore)

	Opening Balance on 01 April 2022	Closing Balance on 31 March 2023
A. General Cash Balance		
Cash in Treasuries	0.04	0.04
Deposits with Reserve Bank of India	134.14	(-)12637.29
Remittances in transit – Local	66.26	65.98
Total	200.44	(-)12571.27
Investments held in Cash Balance investment account	22109.76	32785.36
Total (A)	22310.20	20214.09
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	245.74	431.97
Permanent Advances for contingent expenditure with department officers	0.67	0.67
Investment in earmarked funds	55135.68	60843.98
Total (B)	55382.09	61276.62
Total (A + B)	77692.29	81490.71
Interest realized	4994.98	5790.48[@]

[@] Interest of ₹ 4,291.50 crore realised during 2022-23 on Sinking Fund Investment (reinvested along with regular investment) Hence not included under MH 0049 MNH 110-Interest realised on investment of Cash balances ₹ 1,498.98 crore

Source: Finance Accounts 2022-23

Table 2.40: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

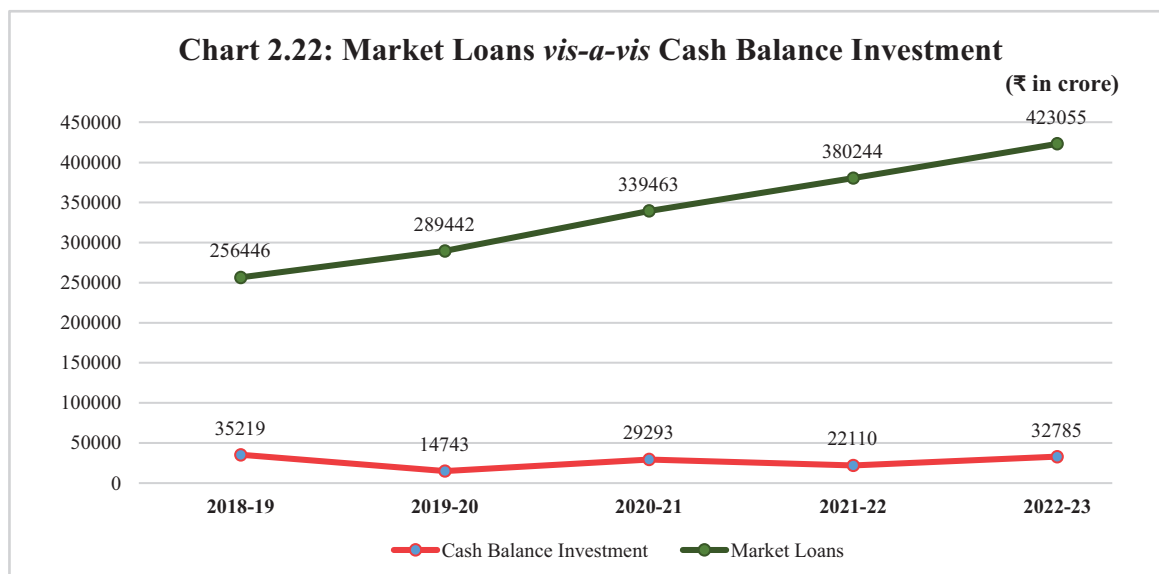
Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2018-19	58373.60	35218.99	(-)23154.61	3032.19
2019-20	35218.99	14743.48	(-)20475.51	2065.37
2020-21	14743.48	29293.49	14550.01	977.12
2021-22	29293.49	22109.76	(-)7183.73	1191.16
2022-23	22109.76	32785.36	10675.60	1498.98

Source: Finance Accounts of respective years

The cash balance of the State Government of ₹ 81,490.71 crore at the end of the current year showed an increase of 4.89 per cent (₹ 3,798.42 crore) over the previous year. Of the above, ₹ 32,785.36 crore was held in cash balance investment account and earned an interest of ₹ 1,498.98 crore during the year. Further, ₹ 60,004.03 crore was invested in

Sinking Fund meant for appropriation for reduction or avoidance of debt, which earned an interest of ₹ 4,291.50 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 2023 was ₹ 20,214.09 crore, which is 4.27 *per cent* of the total expenditure of the State Government (₹ 4, 73,922.42 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 2018-19 to 2022-23. 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 45.41 *per cent* from ₹ 2,78,996.27 crore in 2018-19 to ₹ 4,05,677.93 crore in 2022-23 at compound annual growth rate (CAGR) of 9.81 *per cent*. During 2022-23, the revenue receipts increased by 21.71 *per cent* as compared to 2021-22. A significant portion of the revenue receipts (73 *per cent*) during 2022-23 came from the State's own resources, while Union Tax Transfers and GIA together contributed 27 *per cent*.
- As compared to 2021-22, during 2022-23 own tax revenue increased by ₹ 56,559.18 crore (25.60 *per cent*), non-tax revenue decreased by ₹ 2,530.29 crore (13.11 *per cent*) and State's share of Union Taxes and Duties increased by ₹ 5,682.91 crore (10.46 *per cent*), whereas Grants-in-aid from Government of India increased by ₹ 12,654.56 crore (32.65 *per cent*).
- The revenue expenditure (₹4,07,614.40 crore) exceeded the revenue receipt (₹ 4,05,677.93 crore) by ₹ 1,936.47 crore resulting in a revenue deficit. However, it is noteworthy that the State could bring down the revenue deficit considerably from ₹ 16,374.32 crore in 2021-22 to ₹ 1,936.47 crore in 2022-23.
- The total expenditure of the State increased from ₹ 3,03,615.89 crore in 2018-19 to ₹ 4,73,922.42 crore in 2022-23. Total expenditure as a percentage of GSDP grew from 12.01 *per cent* in 2018-19 to 13.44 *per cent* in 2022-23.
- During 2022-23, revenue expenditure constituted 86.01 *per cent* of the total expenditure. The growth rate of revenue expenditure rose from 12.58 *per cent* in

2021-22 to 16.57 *per cent* in 2022-23. The committed expenditure of the State Government on revenue account consists of interest payments, expenditure on salaries and wages, and pensions. Committed expenditure constituted 54.38 *per cent* of the revenue expenditure of the State. Expenditure on subsidies increased considerably by 48.12 *per cent* from ₹ 29,137.20 crore in 2021-22 to ₹ 43,158.37 crore in 2022-23. During the current year, subsidies constituted 10.59 *per cent* of the revenue expenditure.

- Capital outlay (₹ 61,643.61 crore) constituted 13 *per cent* of the total expenditure. Capital outlay increased by 32.08 *per cent* (₹ 14,973.22 crore) during 2022-23 as compared to 2021-22. Of the total capital outlay of ₹ 61,643.61 crore incurred in 2022-23, ₹ 25,795.11 crore (41.85 *per cent*) was spent on roads and bridges. ₹ 11,119.23 crore (18.04 *per cent*) for irrigation and flood control activities followed by ₹ 7,252.92 crore (11.77 *per cent*) for agriculture and allied services.
- As on 31 March 2023, the State Government invested ₹ 2,07,442.12 crore in statutory corporations, rural banks, joint stock companies and co-operatives (**Table 2.22**). The average return on these investments for 2022-23 was 0.02 *per cent* while the Government paid an average interest rate of 6.58 *per cent* on its borrowings during the same period.
- The outstanding debt (fiscal liabilities) of the State increased from ₹ 4,36,781.94 crore in 2018-19 to ₹ 6,60,753.73 crore at the end of 2022-23. The outstanding debt to GSDP ratio of 18.73 *per cent* during 2022-23 was higher than the limits prescribed by the FRBM Act (18.14 *per cent*).
- The fiscal deficit increased by ₹ 3,300.01 crore over the previous year mainly due to increase in capital expenditure. The net capital outlay as a percentage of fiscal deficit increased from 72.58 *per cent* in 2021-22 to 91.19 *per cent* in 2022-23, indicating that major portion of the debts were utilized for financing capital outlay. The State was successful in containing the Fiscal Deficit at 1.92 *per cent* during 2022-23 against the target of 3.5 *per cent*.
- The maturity profile of the outstanding public debt indicates that 51.34 *per cent* (₹ 2,37,685.22 crore) of the total outstanding public debt for which maturity details are available (₹ 4,62,991.49 crore) are repayable within the next seven years, which may put a strain on the Government budget during that period.
- Debt sustainability indicator is currently static rather than conclusively ascending. The improvement in Public Debt to GSDP and Overall Liability to GSDP after the pandemic suggests that the debt situation is not deteriorating, but it has not yet reached a threshold wherein it can be concluded that debt stabilization is on an upward trend.

2.9 Recommendations

- (i) The Government may consider mobilizing additional resources through tax and non-tax sources so as to move towards revenue surplus status.
- (ii) The Government may take steps to ensure better value for money in investments. Otherwise, funds borrowed at high cost will continue to be invested in projects with low financial returns.
- (iii) The State Government needs to monitor and manage its debt levels to ensure long-term fiscal stability by adopting remedial measures to rationalize expenditure, explore further sources, expand revenue base, and invest in revenue generating assets.