

EXECUTIVE SUMMARY

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About the Report

This Report of the CAG of India is on the State Finances for the year 2022-23. It provides an overview of the finances, budgetary management and quality of accounts, financial reporting practices and other matters relevant to State Finances.

This executive summary highlights the contents of this report and through snapshots of the important figures and aspects, provides insight into fiscal sustainability, performance against the budget intent, revenue and expenditure projection, the reasons for variations and its impact.

Gross State Domestic Product (GSDP) (at current prices) grew at an average growth rate of 8.64 *per cent* from ₹ 25,28,854 crore in 2018-19 to ₹ 35,27,084 crore in 2022-23. Budget Outlay of the State grew at an average growth rate of 11.96 *per cent* from ₹ 4,16,791.38 crore in 2018-19 to ₹ 6,52,809.14 crore in 2022-23.

There was 13.48 *per cent* growth in GSDP over 2021-22. The revenue receipts grew at 21.71 *per cent* and the percentage of revenue receipts over GSDP improved from 10.72 *per cent* in 2021-22 to 11.50 *per cent* in 2022-23. The tax revenue increased by 22.61 *per cent* during the period and the State's own tax revenue increased by 25.60 *per cent*. The total expenditure (revenue expenditure, capital expenditure and loans and advances) of the State of Maharashtra increased from ₹ 3,98,792.31 crore in 2021-22 to ₹ 4,73,922.42 crore increasing by 18.84 *per cent*. Of this, revenue expenditure showed 16.57 *per cent* increase from 2021-22. Revenue deficit decreased from ₹ 16,374.32 crore to ₹ 1,936.47 crore registering 88.17 *per cent* decrease over 2021-22, while fiscal deficit increased from ₹ 64,301.86 crore in 2021-22 to ₹ 67,601.87 crore in 2022-23 increasing by 5.13 *per cent*.

Receipt-Expenditure Mismatch

The continuous mismatch between receipts and expenditure indicates rising fiscal stress. The State has different sources of receipts such as State Own Tax Revenue, Non-tax Revenue, Devolution of States' share in taxes, Grants in aid and transfers from the Union Government and non-debt capital receipts. The State Government's expenditure includes expenditure on revenue account as well as capital expenditure (assets creation, loans and advances, investments, etc).

From 2018-19 to 2022-23, revenue receipts grew from ₹ 2,78,996.27 crore to ₹ 4,05,677.93 crore, with an average annual growth rate of 11.31 *per cent*. The share of Grants-in-aid in revenue receipts rose from 12.07 *per cent* in 2018-19 to 12.67 *per cent* in 2022-23. The State Government received ₹ 16,240.57 crore as Central share for the Centrally Sponsored Schemes (CSSs) in the year.

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. Between 2018-19 and 2022-23, revenue expenditure increased from ₹ 2,67,021.67 crore (10.56 *per cent* of GSDP) to ₹ 4,07,614.40 crore (11.56 *per cent* of GSDP). It consistently made up a significant portion (86 to 91 *per cent*) of the total expenditure during this period, growing at an average annual rate of 11.11 *per cent*.

Result of expenditure beyond means

The gap between the revenue receipt and revenue expenditure results in revenue deficit/surplus. The revenue deficit of the State decreased to ₹ 1,936.47 crore (0.05 *per cent* of GSDP) in the current year from ₹ 11,974.60 crore (0.48 *per cent* of GSDP) in the year 2018-19.

The State Government spent ₹ 61,643.61 crore only on capital account. This was 13 *per cent* of the total expenditure in the year 2022-23. Capital expenditure was 70 *per cent* of the total borrowings. Thus, indicating that major portion of the borrowed funds were being used for capital creation/development activities.

The gap between the total expenditure and total non-debt receipt of the State results in fiscal deficit. The fiscal deficit of the State increased to ₹ 67,601.87 crore (1.92 *per cent* of GSDP) in 2022-23 from ₹ 23,015.33 crore (0.91 *per cent* of GSDP) in 2018-19.

Under the revenue expenditure, the quantum of committed expenditure constitutes the largest share. Committed expenditure has the first charge on the resources and consists of interest payments, expenditure on salaries and wages and pensions. Committed expenditure on interest payments, salaries and pensions constituted 54.38 *per cent* of revenue expenditure during 2022-2023. The Committed expenditure increased at an average rate of 10.98 *per cent* i.e. from ₹ 1,40,787.57 crore in 2018-19 to ₹ 2,21,674.00 crore in 2022-23 {an increase of 11.92 *per cent* over 2021-22 (₹ 23,612.26 crore)}.

In addition to the committed expenditure, inflexible expenditure decreased from 13.90 *per cent* to 11.35 *per cent* of revenue expenditure during 2018-19 to 2022-23, indicating a decreasing trend. The inflexible expenditure increased from ₹ 40,417.64 crore in 2021-22 to ₹ 46,271.58 crore in 2022-23 registering an increase of 14.48 *per cent*.

Taken together, the committed and inflexible expenditure in 2022-23 was ₹ 2,67,945.58 crore; 65.73 *per cent* of the revenue expenditure. Upward trend on committed and inflexible expenditure leaves the Government with lesser flexibility for other priority sectors and capital creation.

Subsidies constitute major portion of the non-committed expenditure

Within the non-committed expenditure, there is an increasing trend of subsidies, which 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. Industries, Energy and Labour department constituted a significant portion of subsidies ₹ 18,377.24 crore (42.58 *per cent* of the total subsidy).

Contingent Liabilities on account of Guarantees

In 2022-23, the Government provided guarantees against borrowings of ₹ 14,200 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.

Fiscal sustainability

Fiscal sustainability is examined in terms of macro-fiscal parameters such as deficits, level of debt and liabilities, commitments on account of off-budget borrowings, guarantees, subsidies, etc. So far as revenue and expenditure mismatch is concerned,

one of the important constraints is committed and inflexible expenditure, which includes salaries and wages, pension payments, interests, etc. and also other inflexible expenditure such as those arising out of commitment for centrally sponsored schemes, transfer to reserve funds, transfer to local bodies, etc.

FRBM requirements and compliance with fiscal parameters

The FRBM Act / Rules prescribes limits for revenue deficit, fiscal deficit, debt as a percentage of GSDP. In 2022-23, revenue deficit was (-)0.05 *per cent* as against target of revenue surplus, fiscal deficit was 1.92 *per cent* as against the limit of 3.50 *per cent*; debt was 18.73 *per cent* as against limit of 18.14 *per cent*.

As per the debt stabilisation analysis, the public debt of the Government of Maharashtra has grown on an average at a rate of 9.92 *per cent* annually of the outstanding public debt between 2018-19 to 2022-23. Public debt-GSDP ratio of Maharashtra has increased from 13.25 *per cent* in 2018-19 to 14.72 *per cent* in 2022-23, which cannot be considered as leading towards stability.

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. The economic slowdown on account of the COVID-19 pandemic had resulted in a negative growth of GSDP during 2020-21. Thereafter, during 2021-22 and 2022-23, g-r was positive with primary deficit in both the years indicating that Public debt as percentage of GSDP should converge to a stable level greater than zero.

Further, major portion of the public borrowing were being used for repayment of earlier borrowing leaving less space to use productively.

Going by the analysis and results as discussed above, the finances of the State of Maharashtra, 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.

Budget performance

Aggregate expenditure outturn

Budget performance in terms of budgetary intent and budget implementation is examined to assess extent to which the aggregate expenditure outturn reflects the amount originally approved both in terms of excess and saving. In the Revenue section, deviation in outturn compared with original budget provision was 4.74 *per cent*. This was due to deviation ranging between 0 and ± 25 *per cent* in 101 grants, between ± 25 *per cent* to ± 50 *per cent* in 42 grants, between ± 50 *per cent* and 100 *per cent* in 21 grants and equal to or more than 100 *per cent* in 13 grants. In the Capital section, deviation in outturn compared with original budget provision was 10.24 *per cent*. This was due to deviation ranging between 0 and ± 25 *per cent* in 75 grants, between ± 25 *per cent* and ± 50 *per cent* in 17 grants, between ± 50 *per cent* to 100 *per cent* in 12 grants and equal to or more than 100 *per cent* in 14 grants. No original provision was, however, made in respect of two grants in Capital section.

Expenditure composition outturn

Budget performance also looks at the extent to which the re-allocation between the main budget categories during the execution have contributed to variance in expenditure composition. This measure indicates the extent of variation between the final budget and the actual expenditure. In the Revenue section, deviation in outturn compared with RE was 16.68 *per cent*. This was due to deviation between 0 and ± 25 *per cent* in 107 grants, between ± 25 *per cent* to ± 50 *per cent* in 43 grants, between ± 50 *per cent* to 100 *per cent* in 18 grants and equal to or more than 100 *per cent* in 12 grants. In the Capital section, deviation in outturn compared with RE was 23.06 *per cent*. This was due to deviation between 0 and ± 25 *per cent* in 80 grants, between ± 25 *per cent* to ± 50 *per cent* in 17 grants, between ± 50 *per cent* to 100 *per cent* in 14 grants and equal to or more than 100 *per cent* in nine grants.

It was noticed that Supplementary provisions aggregating to ₹ 26,214.03 crore obtained in 38 voted grants (₹ 10 crore or more in each case) during the year proved unnecessary as the actual expenditure of ₹ 1,97,603.19 crore did not reach the levels of the original provision.

Overall Budget reliability assessment indicates that though the deviations between the actual expenditure and original budget as well as between the actual expenditure and the final budget was six percent, there were deviations exceeding 25 per cent in different grants. Moreover, it was also noticed that in several cases, there were supplementary grants where expenditure was not even up to the original grant. A reliable budget practice should need to deal with such deviations.

Quality of Accounts and Financial Reporting

Quality of accounts and financial reporting covers items, transactions and events which relate to gaps in compliance, regularity weaknesses and issues relating to delay in receipt of those accounting records or adjustment records which evidence the actual expenditure. It also highlights issues pertaining to the accounts and financial reporting such as parking of funds outside the Government accounts, non- or short – discharging of liabilities and misclassification of transactions and data gaps.

Regularization of Excess over Grants/ Appropriations

The State Government has to get excesses over grants/appropriations regularised by the State Legislature as per article 204 and 205 (1) (b) of the constitution. It was observed that in 2022-23 there was excess expenditure in six voted grants and two charged appropriations amounting to ₹ 71.66 crore, which required regularization.

Reconciliation

As per the Maharashtra Treasury Rules, all Departments are required to reconcile their expenditure and receipts with the expenditure booked in the accounts in the Accountant General Office. The State Government did not reconcile 14.20 *per cent* of the total expenditure and 2.22 *per cent* of the receipts.

Misclassification in accounts

It was noticed that an amount of ₹ 3,440.70 crore was incorrectly budgeted and booked under Capital Section instead of Revenue Section.

Operation of PD Accounts

Against the requirement of Treasury reconciling Personal Deposit (PD) Accounts with respective administrators, only 46 Administrators of PD Accounts (out of 1482) had reconciled and verified their balances. Also, PD Accounts of 155 operators with balance amounting to ₹ 64.14 crore were lying inoperative for more than one year and 109 operators with ₹ 21.23 crore were lying inoperative for more than three years as on 31 March 2023.

Funds to Single Nodal Agency

The Government of India and the State Government have introduced system of Single Nodal Agency (SNA) for implementation and fund flow for each Centrally Sponsored Scheme (CSS). The share of the Government of India and the State Government is transferred to the Bank Account of the SNA. As per information available on the PFMS portal, ₹ 28,227.39 crore (₹ 14,532.65 crore share of the Government of India and ₹ 13,694.74 crore share of the State Government) was transferred to the SNAs during 2022-23. As per PFMS report, ₹ 16,938.47 crore was lying unspent in the bank accounts of SNAs as on 31 March 2023.

Utilisation Certificates against conditional grants

Despite the requirement of submitting Utilisation Certificates (UCs) against conditional grants within a stipulated time period, 9280 outstanding UCs of ₹ 25,759.38 crore pertaining to 29 Departments of State Department has not submitted as on 31 March 2023.

DC bills against AC bills

Similarly, despite the requirement of submitting Detailed Debit Contingency (DC) Bills against the advance money withdrawn through Abstract Contingency (AC) Bills, 1837 AC bills of ₹ 4,185.96 crore were pending for submission of DC bills as on 31 March 2023, out of which 961 AC Bills amounting to ₹ 2,730.91 crore pertained to the period upto 2020-21.

Compliance with prevailing rules and codal provisions are meant to ensure control and accountability in accounting and financial reporting. Non-compliance and deviations impact the quality of accounting and financial reporting adversely. Non-timely submission of UCs against conditional grants; non-submission of DC bills against AC bills; retention of funds in PD Accounts impacted the quality of accounts adversely.

Working of State Public Sector Undertakings

As on 31 March 2023, there were 110 State Public Sector Undertakings (SPSUs) in Maharashtra, including 10 Statutory Corporations and 87 Government Companies (including 19 inactive Government Companies) and 13 Government Controlled Other Companies under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). Audit noticed that the prescribed timelines regarding submission of Financial Statements were not adhered to by 96 SPSUs whose 261 accounts were in arrears. Out of the total profit of ₹ 1,833.29 crore earned by 47 SPSUs, 90.93 per cent was contributed by 10 SPSUs only. Out of total loss of ₹ 3,623.40 crore incurred by 45 SPSUs, loss of ₹ 3,355.13 crore was incurred by four SPSUs.

The State Government may impress upon the managements of SPSUs to ensure timely submission of their financial statements and strictly monitor the clearance of arrears.

In the absence of finalised accounts, Government investments in such SPSUs remain outside the oversight of the State Legislature. The State Government may also analyse the reasons of losses in loss making SPSUs and initiate steps to make their operations efficient and profitable. The State Government may review the inactive Government Companies and may take appropriate decisions on their revival/winding up. The State Government may impress upon the management of profit making SPSUs to declare dividend as per the Government of Maharashtra Resolution of 2012.