

CHAPTER – I

OVERVIEW

Chapter I: Overview

1.1 Profile of the State

Maharashtra is situated in the western part of India, bordered by the Arabian Sea to the west. It is surrounded by the states of Gujarat to the northwest, Madhya Pradesh to the north, Chhattisgarh to the east, Telangana to the southeast, Karnataka to the south, and Goa to the southwest. It has a coastline of 720 kilometres. It is the third-largest state in terms of geographical area (3.08 lakh square kilometres) and the second-most populous state in the country.

The State's population increased from 11.24 crore in 2011 to 12.74 crore in 2024. The decadal (2014-24) growth rate of population for the State was 9.62 *per cent*. The percentage of population below poverty line was 17.35 *per cent* which was lower than the All-India Average of 21.92 *per cent* (as per census 2011). The State has 36 districts and 358 talukas. The State's literacy rate was 82.30 *per cent* which was nine *per cent* above the All-India Average of 73 *per cent*. (as per 2011 census). The profile of the State is shown in **Appendix 1.1**.

1.1.1 Gross State Domestic Product of the State

Gross State Domestic Product (GSDP) is the value of all officially recognized goods and services produced within the boundaries of the State in a given period of time. Growth in GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over the period of time.

Gross State Value Added (GSVA) is the value of output less the value of intermediate consumption. Value added represents the contribution of labour and capital to the production process. When the value of taxes on products (less subsidies on products) is added, the sum of value added for all resident units gives the value of gross domestic product (GDP)

The trends in the annual growth of Gross Domestic Product (GDP) and GSDP are indicated at current prices in **Table 1.1**.

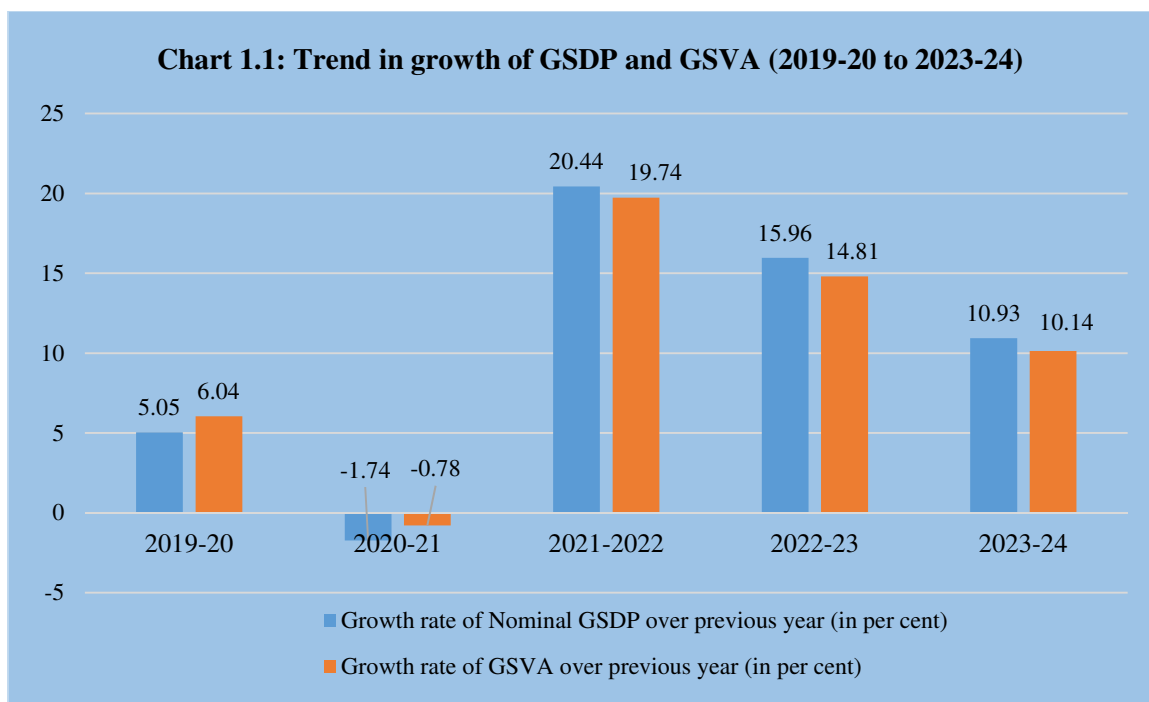
Table 1.1: Trends in GSDP compared to the GDP (at current prices)

Year	2019-20	2020-21 ⁺⁺⁺	2021-22 ⁺⁺	2022-23 ⁺	2023-24 ^{\$}
INDIA					
GDP (2011-12 Series) (₹ in crore)	20103593	19854096	23597399	26949646	29535667
GVA (at current Price) (₹ in crore)	18381117	18210997	21635584	24659041	26762147
Growth rate of GDP over previous year (in <i>per cent</i>)	6.37	(-).1.24	18.85	14.21	9.60
Growth rate of GVA over previous year (in <i>per cent</i>)	7.02	(-).0.93	18.81	13.97	8.53
Per capita GDP (in ₹)	149915	146480	172422	194879	211725
MAHARASHTRA					
GSDP (2011-12 Series) (₹ in crore)	2656806	2610651	3144138	3645884	4044251
GSVA (at current Price) (₹ in crore)	2350571	2332152	2792558	3206193	3531300
Growth rate of GSDP over previous year (<i>per cent</i>)	5.06	(-).1.74	20.44	15.96	10.93
Growth rate of GSVA over previous year (in <i>per cent</i>)	6.04	(-).0.78	19.74	14.81	10.14
Per capita GSDP (in ₹)	216319	210603	251521	289404	318560
Source: MOSPI, GoI (https://mospi.gov.in/web/mospi/download-tables-data/-/reports/view)					
^{\$} Advance Estimate ⁺ First revised estimate ⁺⁺ Second revised estimate ⁺⁺⁺ Third revised estimate					

As can be seen from **Table 1.1**, GSDP of Maharashtra at current prices grew at a higher rate during three years i.e. 2021-22 to 2023-24 of the five-year period from 2019-20 to 2023-24 compared to the growth rate of GDP, with a compounded annual growth rate (CAGR) of 11.08 *per cent* against the national CAGR of 10.10 *per cent*. The per capita GSDP of Maharashtra at current prices was ₹ 3,18,560 in 2023-24, which was significantly higher than the national per capita GDP of ₹ 2,11,725 reported during the year.

Gross Value Added (GVA) is being used for economic analysis by Government of India (GoI) and international organizations like International Monetary Fund (IMF) and World Bank as GVA is considered a better indicator of economic growth compared to GDP and as it ignores the impact of taxes and subsidies. GDP can be and is computed as the sum of the various type of expenditure incurred in the economy including private consumption spending, government consumption spending and gross fixed capital formation or investment spending, reflecting essentially on the demand conditions in the economy. Both measures differ in treatment of subsidies and net taxes. GVA does not include taxes whereas GDP does. As a result of these differences, the inclusion of taxes, GDP may differ from the real output situation. From a policymaker's perspective it is therefore vital to have a comparison of the GVA and GSVA data for better analysis and for making policy interventions.

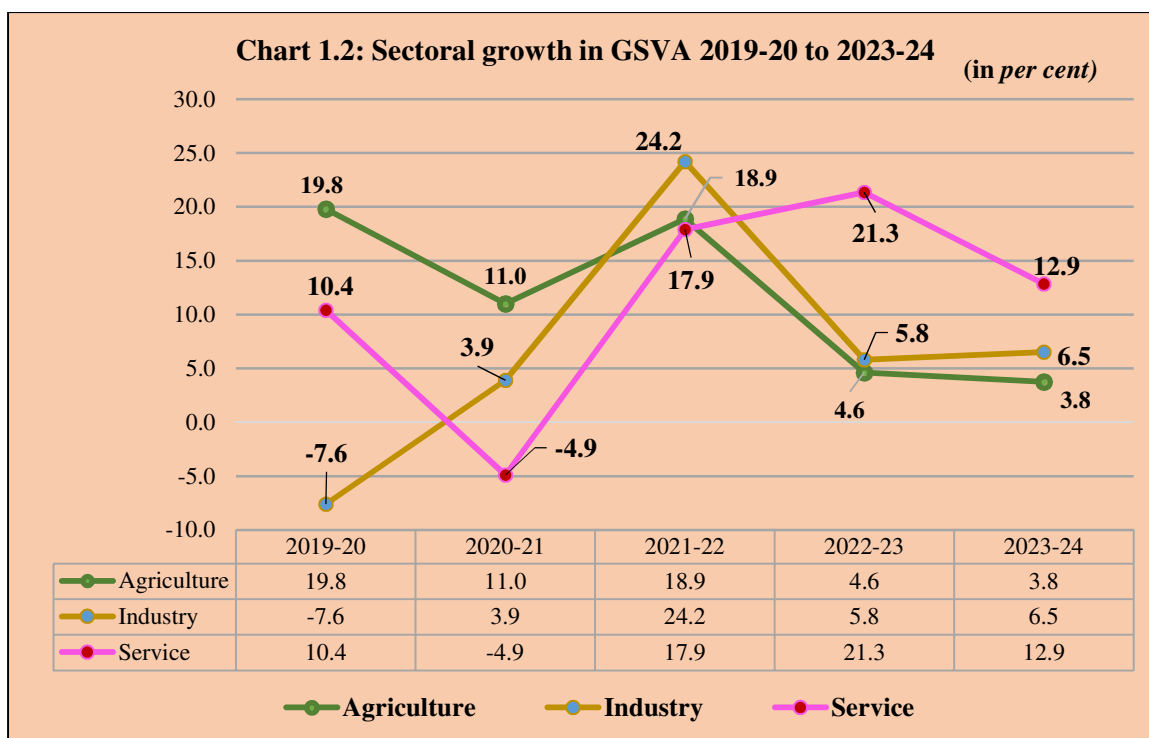
The trends in growth of GSDP and GSVA for the period from 2019-20 to 2023-24 is indicated in **Chart 1.1**.



(Source: Economic Survey of Maharashtra 2023-24)

As seen from the **Chart 1.1**, the GSDP growth rate at current prices was more than the growth rate of GSVA during 2021-22 to 2023-24, indicating that the taxes earned by the State during this period was more than the subsidies provided and hence the growth rate of GSDP was more than the GSVA.

Changes in the sectoral contribution to the GSVA are an indication of the changing structure of the economy. Sectoral growth over the past five years is detailed in **Chart 1.2**.



(Source: Economic Survey of Maharashtra 2023-24)

(2020-21: Third Revised Estimate; 2021-22: Second Revised Estimate; 2022-23: First Revised Estimate; 2023-24: Advance Estimates)

The trend in Sectorial growth in GSVA for the period 2019-20 to 2023-24 is indicated in **Chart 1.2**. The growth rate in Agricultural sector showed a decreasing trend since 2021-22. Industry and Service sectors grew by 6.5 and 12.9 *per cent* respectively during 2023-24 as compared to 2022-23.

The significant growth in all the three sectors during 2021-22 was attributed to economic recovery post COVID-19 pandemic.

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151(2) of the Constitution of India, the Reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted under Article 151(2) of the Constitution of India.

Principal Accountant General (Accounts & Entitlement)-I, Maharashtra prepares the Finance Accounts and Appropriation Accounts of the State annually, from the initial and subsidiary accounts rendered by the treasuries, offices, and departments responsible for maintaining initial accounts and the statements received from the Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit)-I, Maharashtra and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this report. The analysis is also carried out considering other sources, which include the following:

- Budget of the State- for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures.
- Results of audit carried out by the Offices of the Principal Accountant General (Audit)-I, Maharashtra, Mumbai and Principal Accountant General (Audit)-II, Maharashtra, Nagpur.
- Other financial data obtained from departmental authorities and Treasuries.
- GSDP data and other State related Statistics,
- Report on the recommendations of the Fifteenth Finance Commission
- Maharashtra Fiscal Responsibility and Budgetary Management Act, 2005.
- Guidelines from the Government of India (GoI).

An entry conference was held on 29th August 2024 with State Finance Department, wherein the audit approach was explained. The draft Report was forwarded to the State Government for comments. Exit Conference was held on 24th January 2025 to discuss the findings in the report. Replies of the Government, where received, are incorporated in this Report at appropriate places.

1.3 Overview of Government Account Structure and Budgetary Processes

The accounts of the State Government are kept in three parts:

1. Consolidated Fund of the State {Article 266(1) of the Constitution of India}

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Union Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.*, salaries of Constitutional authorities, loan repayments *etc.*), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

2. Contingency Fund of the State {Article 267(2) of the Constitution of India}

This Fund is in the nature of an imprest, which is established by the State Legislature by law and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

3. Public Accounts of the State {Article 266(2) of the Constitution of India}

Apart from the above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayable like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

Budget Documents

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the State Government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures. It includes:

- **Revenue receipts** consist of Tax Revenue, Non-tax Revenue, share of Union Taxes/Duties and grants from GoI.
- **Revenue expenditure** consists of all those expenditures of the State Government, which do not result in the creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the State Government departments and various services, interest payments on debt incurred by the State Government, and grants given to various institutions (even though some of the grants may be meant for the creation of assets).

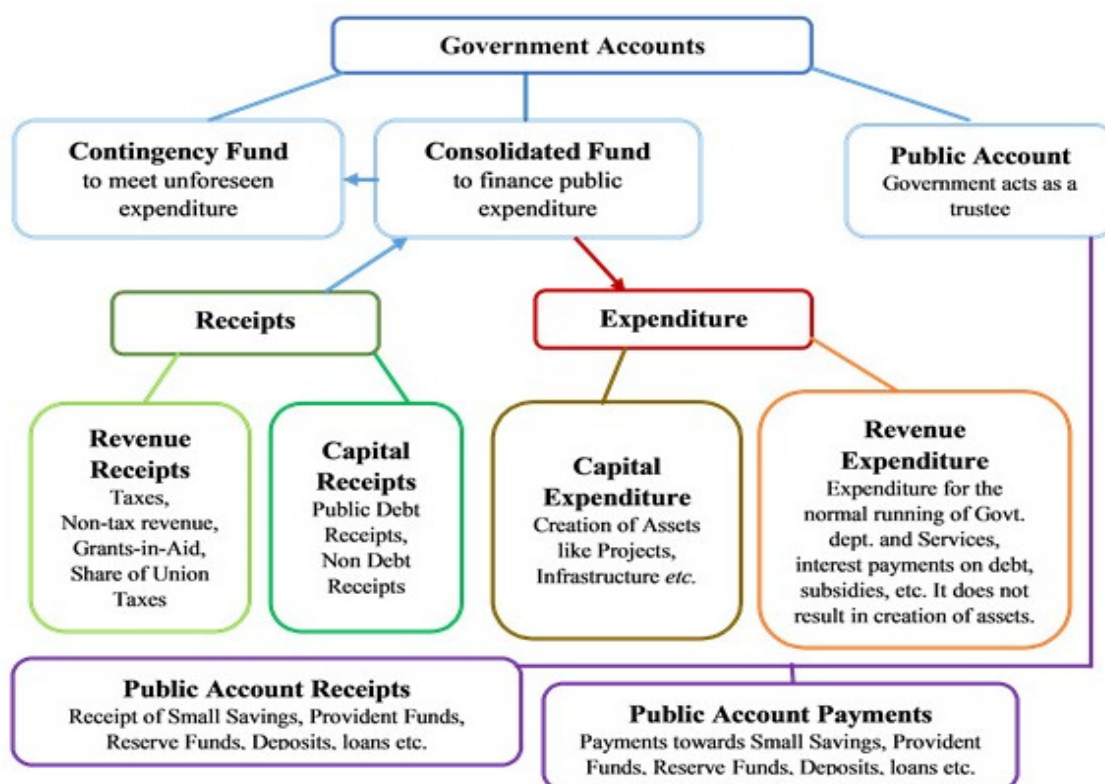
- **Capital receipts** consist of:
 - **Public Debt receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from the Union Government, etc.
 - **Non-debt receipts:** Proceeds from disinvestment, Recoveries of loans and advances.
- **Capital Expenditure** includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares and loans and advances by the State Government to PSUs and other parties.

At present, we have an accounting classification system in the State Government that is both functional and economic.

	Attribute of transaction	Classification
Standardized in List of Major and Minor Heads by Controller General of Accounts	Function- Education, Health, <i>etc.</i> / Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States.	Scheme	Sub-Head (2-digit)
	Sub-scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head (2-digit) <i>salary, minor works, etc.</i>

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organize these payments as revenue, capital, debt, *etc.* Economic classification is achieved by the numbering logic embedded in the first digit of four-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, *etc.* Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, while “salary” object head is revenue expenditure, “construction” object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

The pictorial description of the structure of Government Accounts is given below:



Public Debts and Public liabilities

In this Report, 'Public Debt' comprises market borrowing, institutional loans, special securities issued to the National Small Savings Fund (NSSF), loan given by Central Government etc. For this purpose, the major heads 6003 and 6004 - Public Debt have been taken into consideration.

Further the transactions related to 'Small Savings Provident Fund etc.', 'Reserve Funds' and 'Deposit and Advances' under Public Account are such that the Government incurs a liability to repay the money received or has a claim to recover the amounts paid. The transactions relating to 'Remittances' and 'Suspense' under Account, includes merely adjusting heads such as transactions as remittances of cash between treasuries and currency chests and transfer between different accounting circles.

In this report, 'Public Liability' has been taken to include the transactions under major heads 8001 to 8554 relating to 'Small Savings Provident Fund etc.', 'Reserve Fund' and 'Deposit and Advances' along with the transactions under major heads 6003 and 6004.

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2023-24, in the form of an Annual Financial Statement (referred to as Budget). In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

The Finance Accounts and the Appropriation Accounts encompass the core data for preparation of the SFAR. These Accounts are based on actual receipts and expenditure of the State during the year 2023-24 including various inter-governmental and other adjustments carried out by the RBI. Considering that these receipts and expenditure are estimated in the budget and the expenditure has been approved by the State Legislature, it is important to study the budget of the State for 2023-24 closely and analyse the actual receipts and expenditure during the year with reference to the projections made in the budget.

The Maharashtra Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter III** of this Report.

1.3.1 Snapshot of Finances

The following table provides a snapshot of actual financial results for the year 2022-23 and 2023-24 *vis-à-vis* Budget Estimates (BE) for the year 2023-24.

Table 1.2: Actual *vis-à-vis* Budget Estimates

Sl. No.	Components	2022-23 Actual	2023-24		Percentage of Actual to B.E.	Percentage of Actual to GSDP
			BE	Actual		
1	Tax revenue	337487.28	362705.88	373693.12	103.03	9.24
	<i>Own Tax revenue</i>	277486.31	298181.00	302343.37	101.40	7.48
	<i>Share of Union Taxes/ Duties</i>	60000.97	64524.88	71349.75	110.58	1.76
2	Non-tax revenue	16776.41	24169.70	20857.94	86.30	0.52
3	Grants-in-aid and Contributions	51414.24	62647.02	36045.40	57.54	0.89
4	Revenue Receipts (1+2+3)	405677.93	449522.61	430596.46	95.79	10.65
5	Recoveries of Loans and Advances	642.62	2426.57	742.20	30.59	0.02
6	Other Receipts	0.00	0.00	0.00	0.00	0.00
7	Borrowings and other Liabilities ^(a)	67601.87	95500.80	90559.36	94.83	2.24
8	Capital Receipts (5+6+7)	68244.49	97927.37	91301.56	93.23	2.26
9	Total Receipts (4+8)	473921.55	547449.98	521898.02	95.33	12.90
10	Revenue Expenditure of which	407614.40	465645.02	444350.46	95.43	10.99
11	Interest payments	41689.16	50647.64	45651.91	90.14	1.13
12	Capital Expenditure of which	66308.02	81804.96	77547.56	94.80	1.92
13	Capital outlay	61643.61	73900.84	72573.40	98.20	1.79
14	Loan and advances	4664.41	7904.12	4974.16	62.93	0.12
15	Total Expenditure (10+12)	473922.42	547449.98	521898.02	95.33	12.90
16	Revenue Deficit (4-10)	(-)1936.47	(-)16122.41	(-)13754.00	85.31	(-)0.34
17	Fiscal Deficit (4+5+6)-15}	(-)67601.87	(-)95500.80	(-)90559.36	94.83	(-)2.24
18	Primary Deficit (17-11)	(-)25912.71	(-)44853.17	(-)44907.45	100.12	(-)1.11

Source: Finance Accounts of respective years

(a) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.

During 2023-24, the State's Revenue Receipts (₹ 4,30,596.46 crore) as well as Revenue expenditure (₹ 4,44,350.46 crore) was marginally lower than the Budget estimate by 4.21 *per cent* and by 4.57 *per cent* respectively. Similarly, the Capital expenditure too was lower than the Budget estimate by 5.20 *per cent*.

Due to the inadequate balance in GST compensation fund during the year 2020-21 and 2021-22, the Union Government borrowed funds and passed it to the States as back-to-back loans, with no repayment liability for the States. Maharashtra received back-to-back loan of ₹ 13,782.36 crore during 2021-22 and ₹ 11,977 crore during 2020-21.

1.3.2 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government, and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public accounts and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Table 1.3** gives an abstract of such liabilities and the assets as on 31 March 2024, compared to the corresponding position on 31 March 2023.

Table 1.3: Summarized position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
		2022-23	2023-24	Per cent increase		2022-23	2023-24	Per cent increase	
Consolidated Fund									
A	Internal Debt	485782.24	562854.45	15.87	a	Gross Capital Outlay	497532.81	570106.20	14.59
B	Loans and Advances from GoI	47160.11	55258.59	17.17	b	Loans and Advances	32108.99	36340.95	13.18
	Contingency Fund	150.00	150.00	0.00					
Public Account									
A	Small Savings, Provident Funds, etc.	29733.37	30259.90	1.77	a	Advances	14.51	7.11	(-)51.00
B	Deposits	85526.83	95598.10	11.78	b	Remittances	0	0	0
C	Reserve Funds	73395.17	83180.35	13.33	c	Suspense and Miscellaneous	0	0	0
D	Remittances	1639.14	1249.91	(-)23.75		Cash balance	20646.73	20356.31	(-)1.41
						Investment in Earmarked Fund	60843.98	68890.43	13.22
E	Suspense and Miscellaneous	30659.80	23804.88	(-)22.36		Cash Total	81490.71	89246.74	9.52
						Deficit in Revenue Account	143433.36	157188.89 [§]	9.59
						Misc. Capital Receipt	(-)533.72	(-)533.72	0
	Grand Total	754046.66	852356.18	13.04		Grand Total	754046.66	852356.18	13.04
Source: Finance Accounts of respective years									
[§] The difference of ₹ 13,755.53 crore between current year and previous year under the cumulative excess of expenditure over receipts comprise revenue deficit of ₹ 13,754 crore and net account under 'F'-Suspense and Miscellaneous ₹ 1.53 crore (Adjustment to clear old outstanding balances under Debt, Deposits and Remittance heads).									

It can be seen from the above table that during 2023-24, assets increased by 13.85 *per cent*, while liabilities increased by 13.04 *per cent* over the previous year. The cash balance at the

end of the year was ₹ 20,356.31 crore. The cash balance including investment in Earmarked Funds increased by 9.52 *per cent* and at the end of March 2024 was ₹ 89,246.74 crore.

1.4 Fiscal Balance: Achievement of deficit and total debt targets

When a government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture government deficit *i.e.*, revenue deficit, fiscal deficit and primary deficit. The nature of deficit is an indicator of the prudence of the fiscal management of the Government. Further, the ways in which the deficits are financed, and the application of the resources raised are important pointers to the fiscal health of the state. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-vis* targets set under Maharashtra Fiscal Responsibility and Budgetary Management (MFRBM) Act 2005.

The State Government has enacted the MFRBM Act 2005, and has amended it from time to time, with the objective of achieving inter-generational equity in fiscal management and long-term macro-economic stability. The Act envisages progressive elimination of revenue deficit, reduction in fiscal deficit and prudent debt management consistent with fiscal sustainability.

The MFRBM Rules were framed in February 2006 and subsequently amended from time to time. According to the MFRBM Act, 2005, the total liability of the State means the liabilities under the Consolidated Fund of the State and the Public Account of the State. Thus, in broader definition of ‘total outstanding debt/liabilities’, includes the liabilities upon the Consolidated Fund, liabilities upon Public Account and the borrowings by State Public Sector Companies and by Special Purpose Vehicles (SPVs) and other equivalent instruments, where the principal and/or interest are to be serviced out of the State budgets.

The major fiscal targets for the State were to contain the fiscal deficit as a ratio of GSDP below three *per cent* and maintaining revenue surplus after 2011-12 onwards. However, vide further amendments in subsequent years, the clause regarding ‘revenue surplus after 2011-12’ was relaxed during 2013-14 to 2021-22.

The COVID 19 pandemic has adversely affected the resources of the state. In view of this, to raise additional resources, the Union Government had allowed additional borrowing limit of two *per cent* of GSDP in 2020-21, one *per cent* of the GSDP in 2021-22 and 0.5 *per cent* of GSDP in 2022-23. Accordingly, as per amendment to the MFRBM Act 2020, the fiscal deficit target for 2020-21 and 2021-22 was four *per cent* of the GSDP and for 2022-23 it was 3.5 *per cent* of the GSDP. The target of fiscal deficit for the financial year 2023-24 was three *per cent* of the GSDP.

A trend analysis of key fiscal parameters prescribed in MFRBM Act 2005 *vis-à-vis* achievements during the last five-year period (2019-20 to 2023-24) is given in **Table 1.4(a)**.

Table 1.4(a): Trend analysis of key fiscal targets prescribed in the Act during 2019-20 to 2023-24

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus after 2021-22 ¹	(-17115.63)	(-41141.85)	(-16374.32)	(-1936.47)	(-13754.00)
		✓	✓	✓	✗	✗
Fiscal Deficit (-) (As percentage of GSDP)	3.0 per cent (4.0 per cent in 2020-21 and 2021-22 and 3.5 per cent in 2022-23)	(-53886.19 (-2.03))	(-71558.05 (-2.74))	(-64301.86 (-2.05))	(-67601.87 (-1.85))	(-90559.36 (-2.24))
		✓	✓	✓	✓	✓
Ratio of total outstanding liabilities to GSDP (in per cent)	Target [§]	15.83	16.15	20.64	18.14	18.23
	Achievement	18.06	21.00*	19.28*	18.12	18.75
		✗	✗	✓	✓	✗
Source: Finance Accounts and Budget documents of respective years *During the year 2020-21 and 2021-22 the Government of Maharashtra 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. § As per the MFRBM Rules, 2006, three year rolling targets for the fiscal indicators shall be shown in MTFPS. In the MTFPS of the respective years general targets for outstanding liabilities to GSDP should be within 25 per cent, while rolling targets for outstanding liabilities to GSDP was shown as per budget estimates of respective years. Hence, the budget estimate of the respective years are taken as targets. If, general targets are to be considered then outstanding liabilities to GSDP was within the limit of 25 per cent.						

As seen from **Table 1.4(a)**, during the five-year period 2019-20 to 2023-24, the State could not achieve Revenue Surplus in any of the years. The revenue deficit of ₹ 1,936.47 crore in 2022-23 increased to ₹ 13,754 crore in 2023-24. The State was successful in containing the Fiscal Deficit within the targeted three per cent.

The targets set by the Fifteenth Finance Commission and those projected in the State budget *vis-a-vis* achievements in respect of major fiscal aggregates with reference to GSDP during 2023-24 are given in **Table 1.4(b)**.

Table 1.4(b): Targets *vis-à-vis* achievements in respect of major fiscal aggregates for the year 2023-24

Fiscal Variables	Targets as prescribed by Fifteenth Finance Commission	Targets in the Budget	Actual	Variations of actuals over (Percentage points)	
				Targets of Fifteenth Finance Commission	Targets in Budget
Revenue Deficit (-) Surplus (+)/GSDP (per cent)	(-)1.36	(-)0.42	(-)0.34	1.02	(-)0.08
Fiscal Deficit/GSDP (per cent)	(-)3.0	(-)2.46	(-)2.24	(-)0.76	(-)0.22
Total outstanding liability/GSDP (per cent)	28.10	18.23	18.75	(-)9.35	0.52
Source: Recommendation of Fifteenth Finance Commission, Annual Financial Statement of GoM, Finance Accounts					

¹ As per Finance Department, GoM notification dated 21 January 2022

During the year 2023-24, the revenue deficit, fiscal deficit and total outstanding liability as percentage of GSDP was well within the targets fixed by Fifteenth Finance Commission.

1.4.1 Comparison of targets of fiscal parameters projected in Medium Term Fiscal Policy Statement (MTFPS) with actuals for the current year

As prescribed in the MFRBM Rules, 2006 (as amended in 2008), the State Government has to lay before the State Legislature the MTFPS setting forth the target for the prescribed fiscal indicators. **Table 1.5** indicates the variation between the projections made for 2023-24 in MTFPS presented to the State Legislature along with the actuals of the year.

Table 1.5: Actuals vis-à-vis projection in MTFPS for 2023-24

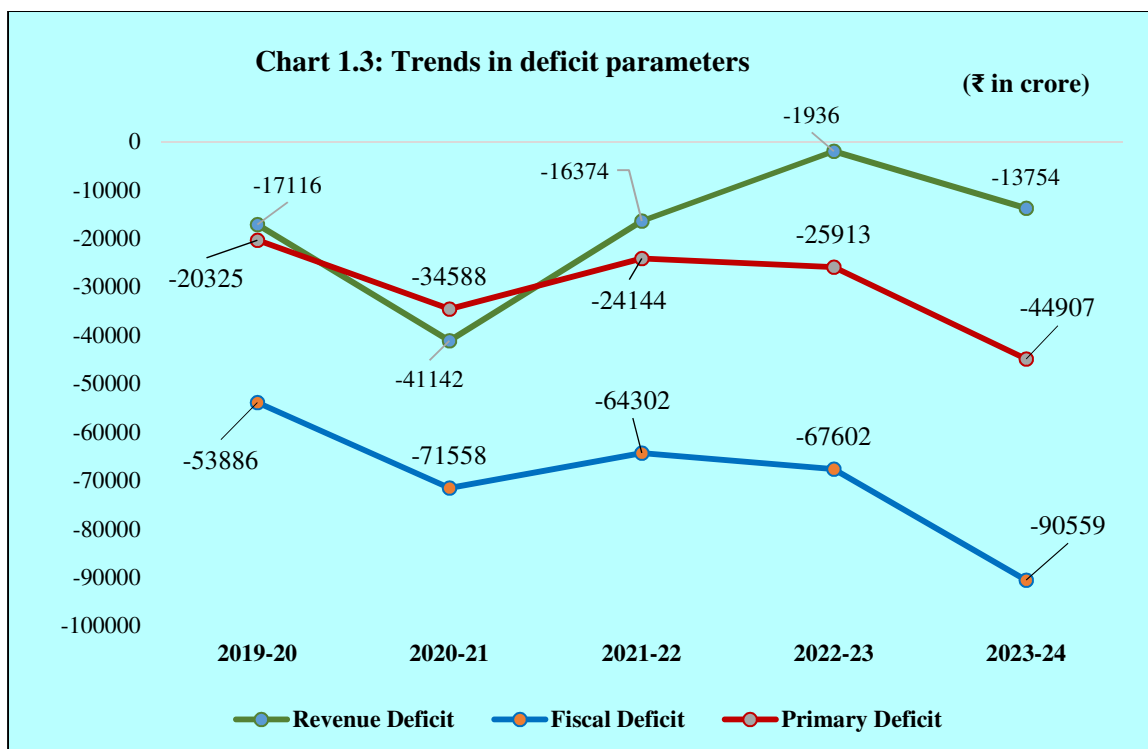
Sl. No	Fiscal Variables	Projection as per MTFPS	Actuals	Variation (in <i>per cent</i>)
		(₹ in crore)		
1	Own Tax Revenue	298181.00	302343.37	1.40
2	Non-Tax Revenue	24169.70	20857.94	(-)13.70
3	Share of Union Taxes	64524.88	71349.75	10.58
4	Grants-in-aid from GoI	62647.02	36045.40	(-)42.46
5	Revenue Receipts (1+2+3+4)	449522.61	430596.46	(-)4.21
6	Revenue Expenditure	465645.02	444350.46	(-)4.57
7	Revenue Deficit (-)/ Surplus (+) (5-6)	(-)16122.41	(-)13754.00	(-)14.69
8	Fiscal Deficit (-)/ Surplus (+)	(-)95500.80	(-)90559.36	(-)5.17
9.	Primary Deficit	(-)44853.17	(-)44907.45	0.12
10	Total outstanding liabilities /GSDP (<i>per cent</i>)	18.23	18.75	2.85
11	GSDP growth rate at current prices (<i>per cent</i>)	9.99	10.93	9.41

Source: Finance Accounts and Budget documents 2023-24

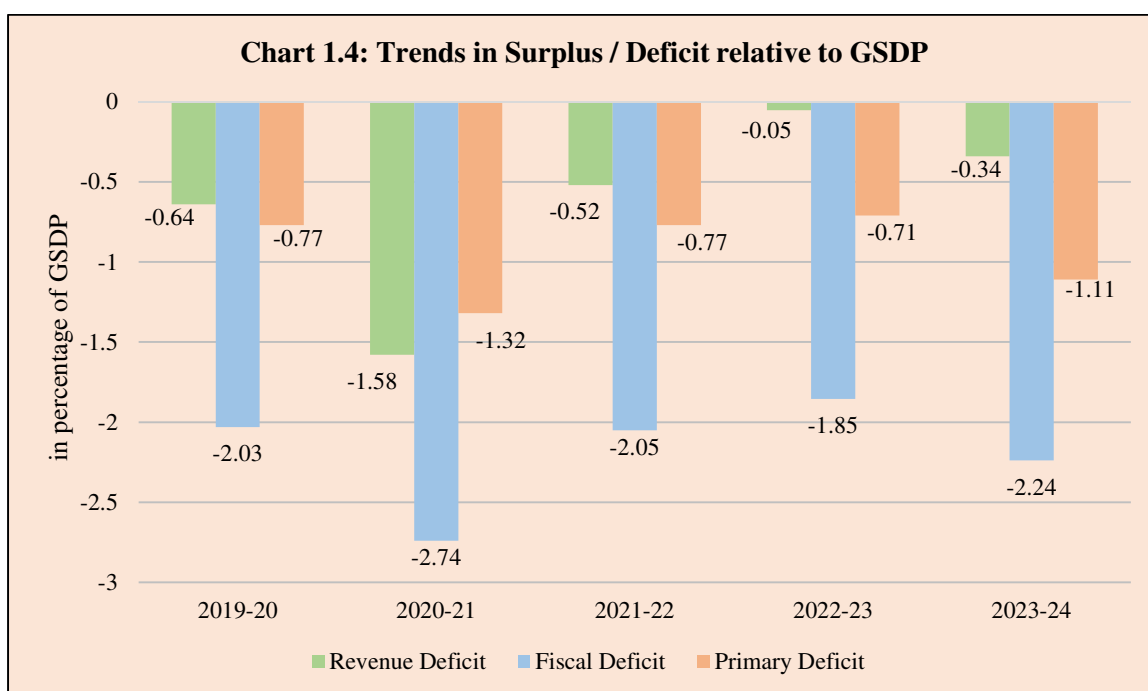
As can be seen from **Table 1.5**, the projections made in MTFPS relating to two key fiscal parameters *i.e.*, Revenue deficit and Fiscal Deficit were met, whereas projections relating to primary deficit and Debt-GSDP ratio deviated slightly by 0.12 *per cent* and 2.85 *per cent* respectively during 2023-24.

1.4.2 Trends in Deficit

The trends in surplus/deficits over the five-year period (2019-20 to 2023-24) are depicted in **Chart 1.3**; trends in surplus/deficit relative to GSDP are given in **Chart 1.4** and trends of fiscal liabilities and GSDP are given in **Chart 1.5**.



(Source: Finance Accounts of respective years)



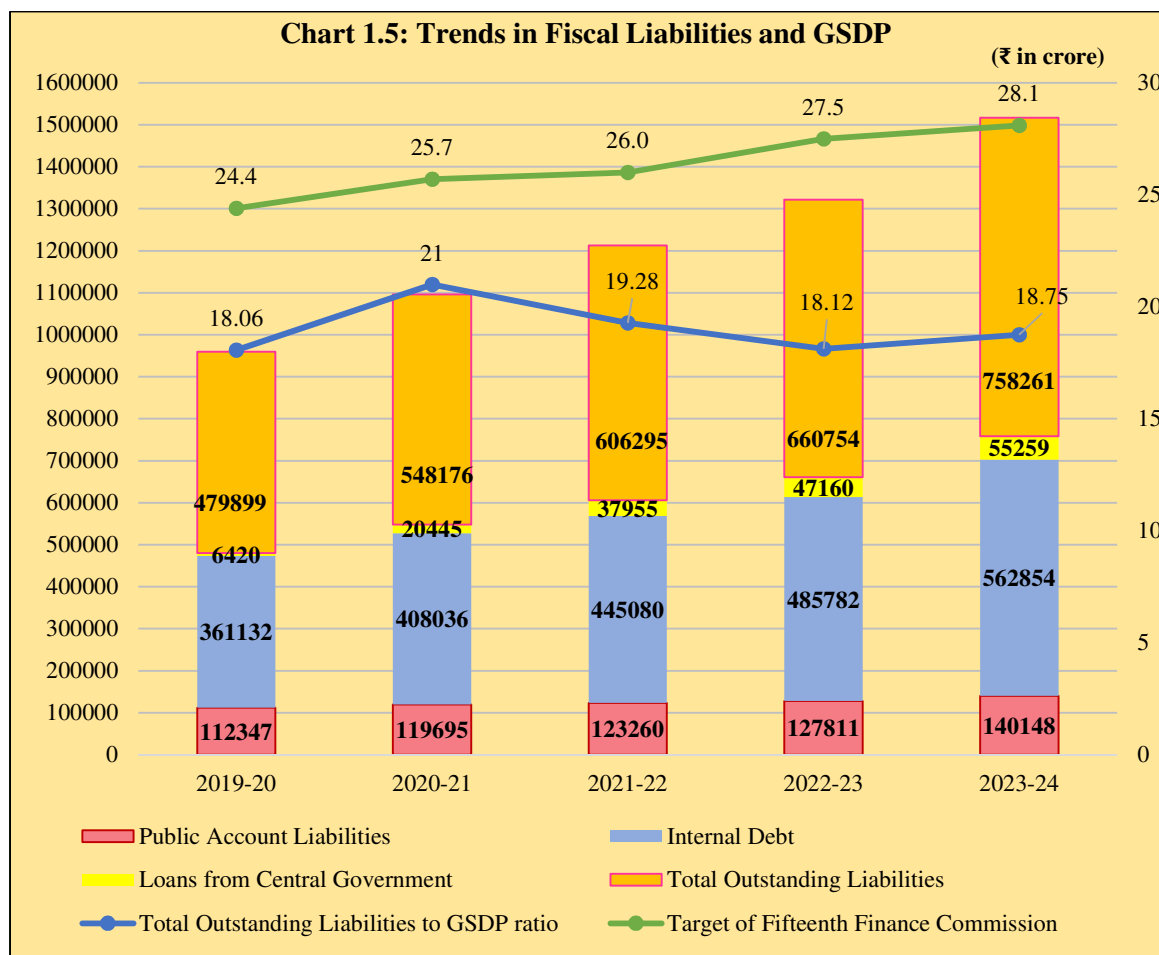
(Source: Economic Survey of Maharashtra 2023-24 and Finance Accounts of respective years)

Revenue deficit indicates that the Revenue Receipts were insufficient to meet the Revenue Expenditure. As compared to the 2022-23, the revenue deficit increased significantly from ₹ 1,936.47 crore to ₹ 13,754 crore in 2023-24. The revenue deficit as ratio of GSDP during 2023-24 was 0.34 *per cent*.

Fiscal Deficit represents the gap between the non-debt receipts and total expenditure. This gap can be met either by additional Public Debt or using surplus funds from Public Accounts. Fiscal Deficit normally represents the net incremental liabilities of the

Government or its additional borrowing requirements. The Fiscal Deficit increased substantially from ₹ 67,601.87 crore in 2022-23 to ₹ 90,559.36 crore in 2023-24. The Fiscal deficit as ratio of GSDP increased from 1.85 *per cent* in 2022-23 to 2.24 *per cent* in 2023-24.

Primary Deficit, which indicates the excess of primary expenditure (total expenditure minus net of interest payment) over non-debt receipts was ₹ 44,907.45 crore in 2023-24 as compared to ₹ 25,912.71 crore in 2022-23.



(Source: Finance Accounts of respective years)

Due to rising internal debt, total outstanding liability has consistently risen from ₹ 4,79,899 crore in 2019-20 to ₹ 7,58,260.94 crore in 2023-24. 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. During 2023-24, the total outstanding liabilities of the State increased by ₹ 97,507 crore (14.76 *per cent*) over the previous year. Internal debt constituted 74.23 *per cent*, loans from GoI 7.29 *per cent* and Public Account liabilities 18.48 *per cent* of the total outstanding liabilities during 2023-24. The outstanding debt to GSDP ratio of 18.75 *per cent* during 2023-24 was slightly higher than the budget estimate given in the MTFPS (18.23 *per cent*).

1.4.3 Performance of the State Government with respect to borrowings according to the limits fixed by Government of India

Article 293(3) of the Constitution of India, *inter alia*, provides that a State may not raise any loan without the consent of Government of India (GoI), if any part of a loan, which has been made to the State by GoI, is still outstanding.

The GoI, Ministry of Finance, Department of Expenditure fixed (March 2021) the net borrowing ceiling of the State Government for the financial year 2023-24 as ₹ 1,21,327.53 crore² and instructed the State Government to ensure that its incremental borrowings from all sources remained within this ceiling. While fixing the Net Borrowing ceiling of the states for the year 2023-24 it was decided (March 2023) by the GoI that State Public Sector Companies/corporations, and other equivalent instruments where principal and interest were serviced out of the state Budgets or by assignment of taxes/cess or any state revenue shall be considered as borrowing made by the state itself for the purpose of issuing the consent under the Article 293(3) of the Constitution of India.

As per Statement 6 of the Finance Accounts viz. statement of borrowings and other liabilities, incremental borrowings and other liabilities of the State Government were ₹ 97,507.22 crore during the financial year 2023-24 which remained within the borrowing ceiling of ₹ 1,21,327.53 crore.

1.5 Deficits and Total Debt after examination in audit

Audit examination has revealed misclassification in accounts and off-budget fiscal operations which impact the total deficit and debt figures. The deficit and debt figures after examination by audit are explained below.

1.5.1 Post audit – Deficits

Misclassification of revenue expenditure as capital impacts deficit figures. Besides, deferment of clear-cut liabilities, non-deposition of cess /royalty to Consolidated Fund, short contribution to New Pension Scheme, sinking and redemption funds etc. also impact the revenue and fiscal deficit figures. To arrive at actual deficit figures, the impact of such irregularities needs to be reversed. As per the Maharashtra Fiscal Responsibility and Budgetary Management Rules, 2006, for calculating the Fiscal Deficit, Off-Budget Borrowings during the year, which need to be serviced by way of interest and principal repayment by the State Government, shall be considered.

Table 1.6 assesses actual surplus/deficit after taking into account short/ non-contribution to funds and incorrect classifications/booking by the State Government during 2023-24.

² Three *per cent* of GSDP (₹ 40,44,251 crore) of the year 2023-24 based on the GSDP data published by NSO and methodology prescribed by Fifteenth Finance Commission

Table 1.6: Impact of certain transactions on Revenue deficit and Fiscal deficit during 2023-24

Particulars	Impact on Revenue deficit (understatement (+)/ overstatement (-) (₹ in crore)	Impact on Fiscal deficit (understatement) (+) (₹ in crore)	Para reference
Off budget fiscal operations during the financial year such as borrowings by State Public Sector Companies, SPVs and other equivalent instruments, borrowings by MSRDC where the principal and/ or interest are to be serviced out of the State budgets issue of completeness of recognizing overall debt		(+)7700	2.7.1
Misclassification between revenue and capital Expenditure	(+)3,544.73		3.3.6
Non-adjustment of interest against Reserve Fund and Deposits bearing interest	(+)552.39	(+)552.39	4.1
Non-Transfer of Cess/fee/surcharge	(+)906.53	(+)906.53	Chapter 2
Total	5003.65	9158.92	

Source: Finance Accounts 2023-24 and Post audit analysis

- Indian Government Accounting Standard (IGAS)-2 prescribes that grants-in-aid should be booked under revenue expenditure. However, the State Government incorrectly budgeted and booked expenditure of ₹ 3,544.73 crore of grants-in-aid under Capital Section instead of Revenue Section.
- The State Government was required to pay interest on the un-invested balances lying under Reserve Funds and Deposits bearing interest. The interest liability on certain Reserve Funds and Deposits and Advances bearing interest worked out to ₹ 552.39 crore was not provided.
- Cess (other than Labour Cess) amounting to ₹ 906.53 crore collected under Consolidated Fund of the State was not transferred to the respective fund account in Reserve Funds.

During 2023-24, the revenue deficit and fiscal deficit was ₹ 13,754 crore (0.34 *per cent* of GSDP) and ₹ 90,559.36 crore (2.24 *per cent* of GSDP) respectively, as shown in **Paragraph 1.4.2** and **Paragraph 1.4**. If the transactions shown in **Table 1.6** were considered, the actual Revenue deficit and Fiscal deficit would work out to be ₹ 18,757.65 crore (0.46 *per cent* of GSDP) and ₹ 99,718.28 crore (2.47 *per cent* of GSDP) respectively.

1.5.2 Post audit - Total Public Debt

Total liabilities as per the MFRBM Act - 2005 mean the liabilities under the Consolidated Fund of the State and the Public Account of the State. The MFRBM Rules 2006 defines “Off-Budget Borrowings” as non-budgetary receipts that need to be serviced by way of interest and principal, repayment directly from the budget and in which the liability is not contingent in nature. These are financed through Government owned or controlled public sector enterprises or departmental commercial undertakings, which raise the resources

through market borrowings on behalf of the Government. However, the Government must repay the debt and/or service the debt from its budget.

Creating such liabilities, without disclosing them in the budget, raises questions both of transparency and of inter-generational equity. Such extra-budget borrowings are not taken in the disclosure statements in the budget documents or in the accounts, nor do these have legislative approval.

Examination of audit revealed that Maharashtra State Road Development Corporation (MSRDC) raised a loan of ₹ 7,700 crore in 2023-24 and ₹ 2,500 crore in 2022-23 from Housing and Urban Development Corporation Limited (HUDCO) against the State Government guarantee for these loans. As per the condition of the sanctions issued by the Finance Department, Government of Maharashtra, budgetary provisions shall be made by Government of Maharashtra for repayment of HUDCO's dues every year during the currency of the loan covering Principal, Interest and any other charges under the respective Loan Agreement executed. As on 31 March 2024, off-budget borrowings of ₹ 10,135 crore was outstanding, which has impact on the outstanding Public Debt and Other Liabilities of the State as given in **Table 1.7**.

Table 1.7: Component of outstanding Public Debt and Other Liabilities as on 31 March 2024

(₹ in crore)	
Outstanding Public Debt and Other Liabilities	Amount as on 31 March 2024
Internal Debt (A)	562854.45
Market Loans	502792.46
Loans from financial Institutions	26088.39
Special securities issued to National Small Savings Fund	33231.98
Other Loans	741.62
Loans and advances from the Central Government (B)	55258.59
Non-Plan Loans	16.35
Non-Plan Loans Pre 1984-85 Loans	6.73
Loans for State/Union Plans	2361.90
Other Loans	52873.61
Liabilities upon Public Accounts (C)	140147.91
Small Savings Provident Funds <i>etc.</i>	30259.90
Reserve Funds	14290.01
Deposits	95598.00
Total (A+B+C) (as per Finance Accounts 2023-24)	758260.95
Off-Budget Borrowing	
Off-budget borrowing during 2023-24	7700
Off- budget borrowings as on 31 March 2024	10135
Grand Total	768395.95

Thus, after including the off-budget borrowings the outstanding Public Debt and Other Liabilities of the State as on 31 March 2024 was ₹ 7,68,395.95 crore as against ₹ 7,58,260.95 crore depicted in the Finance Account 2023-24. The outstanding liabilities as a percentage of GSDP was 19 *per cent* after including the off- budget borrowings.

