

## **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 2022-23, overall trends during the five-year period from 2019-20 to 2023-24, 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 2023-24 vis-à-vis 2022-23

**Table 2.1** below presents the summary of the State Government's fiscal aggregates during 2023-24 vis-à-vis 2022-23. Each of these indicators are analysed in the succeeding paragraphs.

**Table 2.1: Summary of Fiscal aggregates in 2023-24 compared to 2022-23**

(₹ in crore)

| Receipts   |                       |                        | Disbursements                              |                       |                       |
|--|-----------------------|------------------------|--|-----------------------|-----------------------|
|  | 2022-23               | 2023-24                |  | 2022-23               | 2023-24               |
| <b>Section-A: Revenue Account</b>  |                       |                        |  |                       |                       |
| Own Tax Revenue  | 277486.31             | 302343.37              | General Services                           | 130590.81             | 139874.71             |
| Non-Tax Revenue  | 16776.41              | 20857.94               | Social Services                            | 163329.16             | 189224.05             |
| Share of Union Taxes/ Duties   | 60000.97              | 71349.75               | Economic Services                          | 80819.94              | 83363.03              |
| Grants-in-aid from GoI   | 51414.24              | 36045.40               | Grants-in-aid and Contributions            | 32874.49              | 31888.67              |
| <b>Total Section-A Revenue Receipts</b>  | <b>405677.93</b>      | <b>430596.46</b>       | <b>Total Section-A Revenue Expenditure</b> | <b>407614.40</b>      | <b>444350.46</b>      |
| <b>Section-B: Capital Account and others</b>   |                       |                        |  |                       |                       |
| Miscellaneous Capital Receipts   | 0                     | 0                      | <b>Capital Outlay</b>                      | 61643.61              | 72573.40              |
|  |                       |                        | General Services                           | 3526.56               | 5579.89               |
|  |                       |                        | Social Services                            | 9134.20               | 15243.68              |
|  |                       |                        | Economic Services                          | 48982.85              | 51749.83              |
| Recoveries of Loans and Advances   | 642.62                | 742.20                 | Loans and Advances disbursed               | 4664.41               | 4974.16               |
| Public Debt Receipts <sup>1</sup>  | 87572.84 <sup>#</sup> | 125820.67 <sup>@</sup> | Repayment of Public Debt <sup>2</sup>      | 37665.79 <sup>#</sup> | 40649.98 <sup>@</sup> |
| Appropriation from Contingency Fund  | 200.00                | 0.00                   | Appropriation from Contingency Fund        | 200.00                | 0.00                  |
| Contingency Fund   | 200.00                | 0.00                   | Contingency Fund                           | 200.00                | 0.00                  |
| Public Account Receipts  | 143466.93             | 136495.89              | Public Account Disbursements               | 121973.69             | 123351.19             |
| Opening Cash Balance   | 77692.29              | 81490.71               | Closing Cash Balance                       | 81490.71              | 89246.74              |
| <b>Total Section-B Receipts</b>  | <b>309774.68</b>      | <b>344549.47</b>       | <b>Total Section-B Disbursements</b>       | <b>307838.21</b>      | <b>330795.47</b>      |
| <b>Grand Total (A+B)</b>   | <b>715452.61</b>      | <b>775145.93</b>       | <b>Grand Total (A+B)</b>                   | <b>715452.61</b>      | <b>775145.93</b>      |
| <sup>@</sup> Excluding transactions under Special Drawing facility on 91 days (Receipt and Disbursement of ₹ 166.85 crore)   |                       |                        |  |                       |                       |
| <sup>#</sup> Excluding transactions under Special Drawing facility on 91 days (Receipt and Disbursement of ₹ 7,129.25 crore) |                       |                        |  |                       |                       |
| Source: Finance Accounts of respective years   |                       |                        |  |                       |                       |

<sup>1</sup> Figures of Public Account Receipts are shown on gross basis

<sup>2</sup> Figures of Public Account Disbursements are shown on gross basis

## Variation in key fiscal aggregates in 2023-24 as compared to 2022-23

|                            |  |
|----------------------------|--|
| <b>Revenue Receipts</b>    | <ul style="list-style-type: none"> <li>Revenue receipts of the State increased by 6.14 <i>per cent</i></li> <li>Own tax revenue of the State increased by 8.96 <i>per cent</i></li> <li>Non-tax revenue increased by 24.33 <i>per cent</i></li> <li>State's Share of Union Taxes and Duties increased by 18.91 <i>per cent</i></li> <li>Grants-in-Aid from GoI decreased by 29.89 <i>per cent</i></li> </ul>                           |
| <b>Revenue Expenditure</b> | <ul style="list-style-type: none"> <li>Revenue expenditure increased by 9.01 <i>per cent</i></li> <li>Revenue expenditure on General Services increased by 7.11 <i>per cent</i></li> <li>Revenue expenditure on Social Services increased by 15.85 <i>per cent</i></li> <li>Revenue expenditure on Economic Services increased by 3.15 <i>per cent</i></li> <li>Expenditure on Grants-in-Aid decreased by 3 <i>per cent</i></li> </ul> |
| <b>Capital Receipt</b>     | <ul style="list-style-type: none"> <li>Debt Capital Receipts increased by 43.68 <i>per cent</i>.</li> <li>Non-debt Capital receipts increased by 15.50 <i>per cent</i></li> </ul>  |
| <b>Capital Outlay</b>      | <ul style="list-style-type: none"> <li>Capital outlay increased by 17.73 <i>per cent</i></li> <li>Capital outlay on General Services increased by 58.22 <i>per cent</i></li> <li>Capital outlay on Social Services increased by 66.89 <i>per cent</i></li> <li>Capital outlay on Economic Services increased by 5.64 <i>per cent</i></li> </ul>  |
| <b>Loans and Advances</b>  | <ul style="list-style-type: none"> <li>Disbursement of Loans and Advances increased by 6.64 <i>per cent</i></li> <li>Recoveries of Loans and Advances increased by 15.50 <i>per cent</i></li> </ul>  |
| <b>Public Debt</b>         | <ul style="list-style-type: none"> <li>Public Debt Receipts increased by 43.68 <i>per cent</i></li> <li>Repayment of Public Debt increased by 7.92 <i>per cent</i></li> </ul>  |
| <b>Public Account</b>      | <ul style="list-style-type: none"> <li>Public Account Receipts decreased by 4.86 <i>per cent</i></li> <li>Disbursement of Public Account increased by 1.13 <i>per cent</i></li> </ul>  |
| <b>Cash Balance</b>        | <ul style="list-style-type: none"> <li>Cash balance increased by ₹ 7,756.03 crore (9.52 <i>per cent</i>) during 2023-24 compared to previous year</li> </ul>   |

## 2.2 Sources and Application of Funds

**Table 2.2** compares the figures of sources and application of funds of the State during 2023-24 with 2022-23. **Charts 2.1** and **2.2** present the details of receipts into and expenditure from the Consolidated Fund during 2023-24 in terms of percentage.

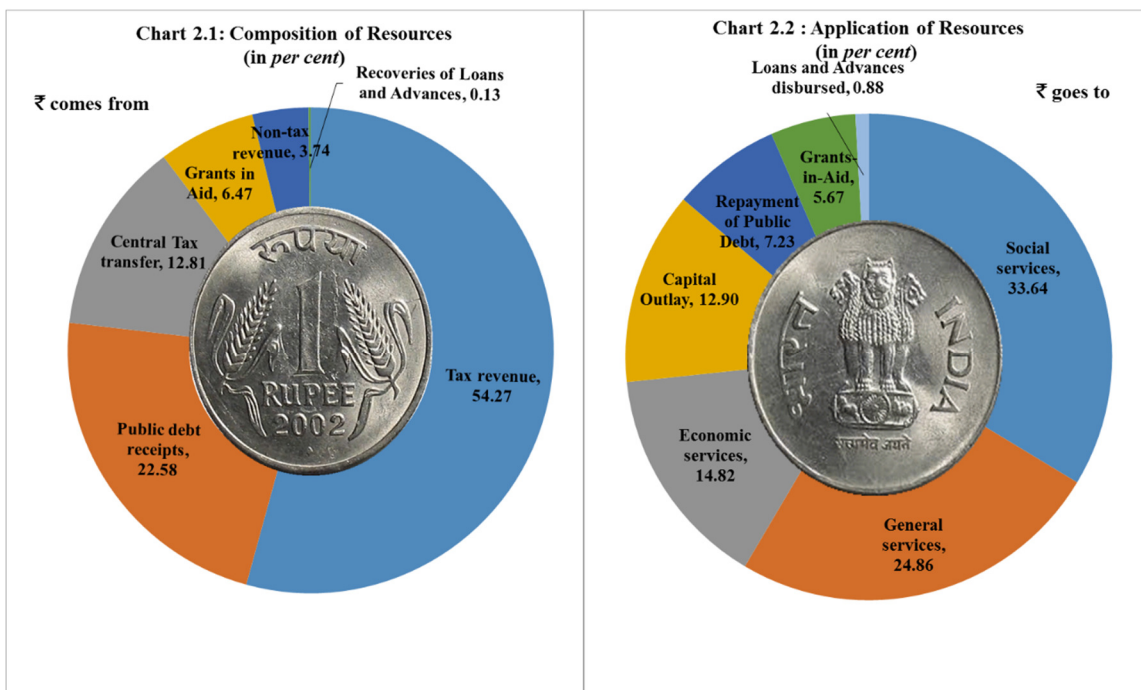
During 2023-24, the State Government raised revenue receipts of ₹ 4,30,596.46 crore against revenue expenditure of ₹ 4,44,350.46 crore resulting in revenue deficit of ₹ 13,754 crore.

Table 2.2: Details of Sources and Application of Funds during 2022-23 and 2023-24

|                |                                  | (₹ in crore) |           |                              |
|----------------|----------------------------------|--------------|-----------|------------------------------|
| Particulars    |                                  | 2022-23      | 2023-24   | Increase (+)<br>Decrease (-) |
| <b>Sources</b> | Opening Cash Balance with RBI    | 77692.29     | 81490.71  | 3798.42                      |
|                | Revenue Receipts                 | 405677.93    | 430596.46 | 24918.53                     |
|                | Recoveries of Loans and Advances | 642.62       | 742.20    | 99.58                        |
|                | Public Debt Receipts (Net)       | 49907.05     | 85170.69  | 35263.64                     |

| Particulars        |                                    | 2022-23          | 2023-24          | Increase (+)<br>Decrease (-) |
|--------------------|------------------------------------|------------------|------------------|------------------------------|
|                    | Public Account Receipts (Net)      | 21493.24         | 13144.70         | (-)8348.54                   |
|                    | <b>Total</b>                       | <b>555413.13</b> | <b>611144.76</b> | <b>55731.63</b>              |
| <b>Application</b> | Revenue Expenditure                | 407614.40        | 444350.46        | 36736.06                     |
|                    | Capital Expenditure                | 61643.61         | 72573.40         | 10929.79                     |
|                    | Disbursement of Loans and Advances | 4664.41          | 4974.16          | 309.75                       |
|                    | Contingency Fund                   | 0                | 0                | 0                            |
|                    | Closing Cash Balance with RBI      | 81490.71         | 89246.74         | 7756.03                      |
|                    | <b>Total</b>                       | <b>555413.13</b> | <b>611144.76</b> | <b>55731.63</b>              |

Source: Finance Account of respective years



(Source: Finance Accounts 2023-24)

Time series data on the State Government finances for five years' period from 2019-20 to 2023-24 is given in **Appendix 2.1**.

### 2.3 Resources of the State

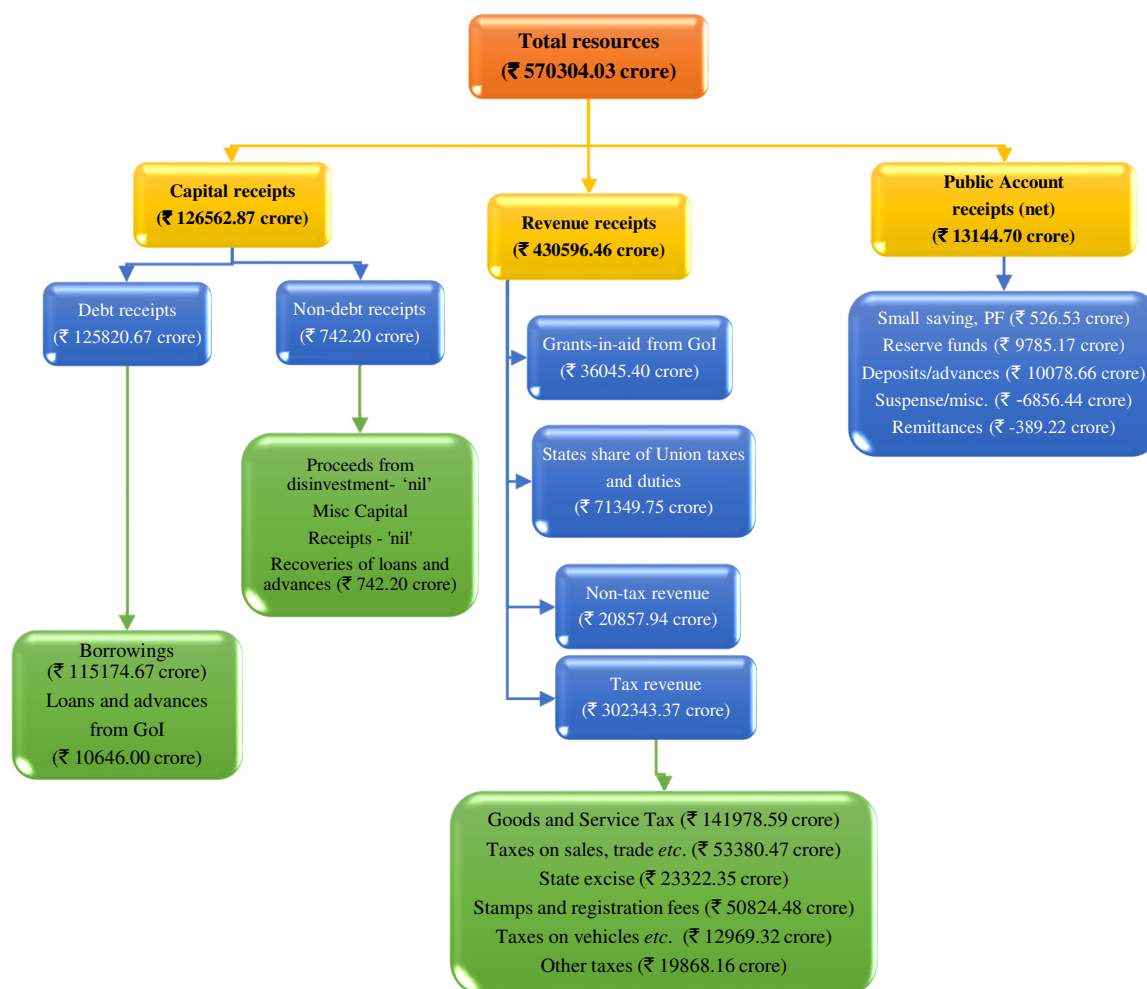
The resources of the State are described below:

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) consist of 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 2023-24.



(Source: Finance Accounts 2023-24)

### 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.

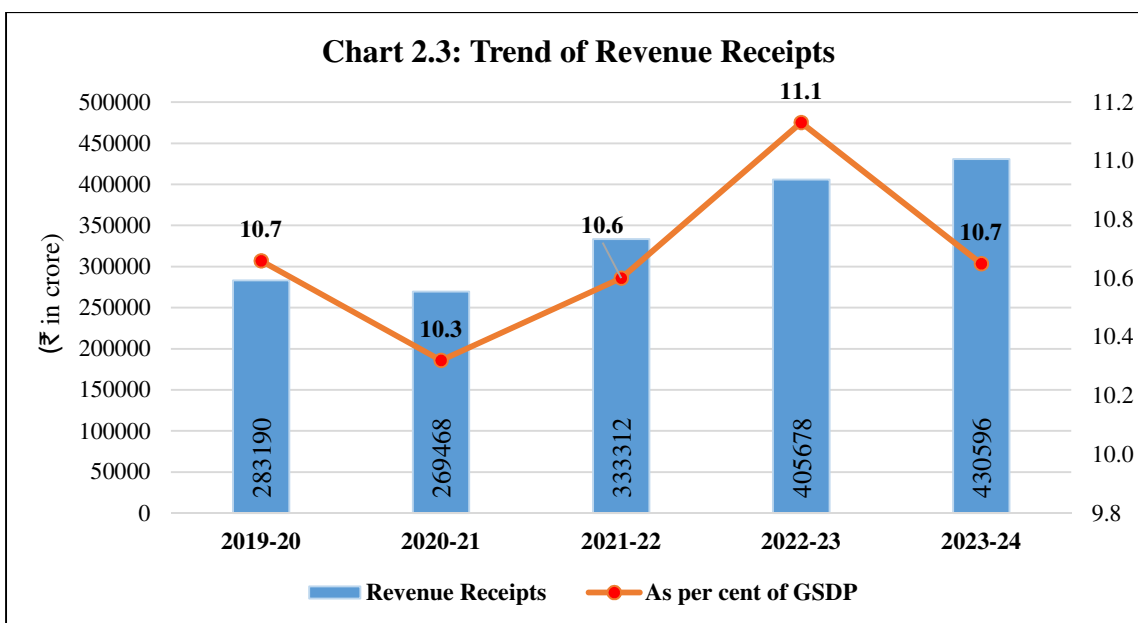
#### 2.3.2.1 Trends and growth of Revenue Receipts

**Table 2.3** provides the trends and growth of Revenue receipts with respect to GSDP during 2019-20 to 2023-24. 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

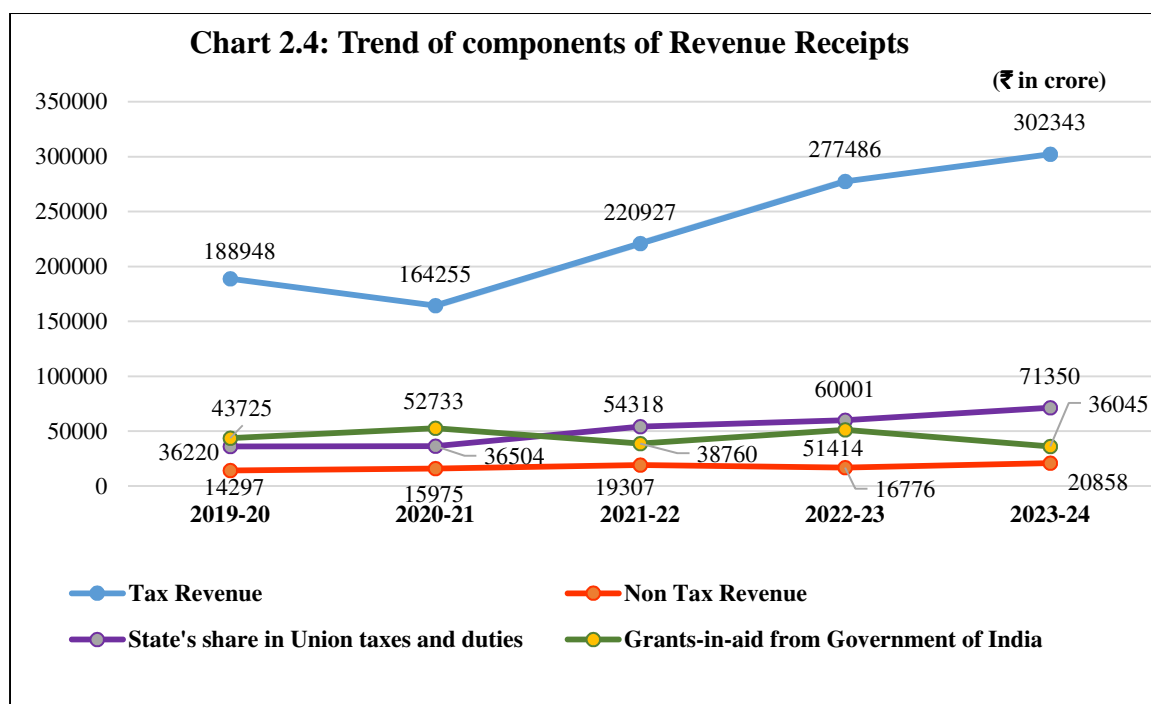
(₹ in crore)

| Parameters  | 2019-20         | 2020-21         | 2021-22         | 2022-23         | 2023-24         |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue Receipts (RR)   | 283189.58       | 269467.91       | 333311.57       | 405677.93       | 430596.46       |
| Rate of growth of RR ( <i>per cent</i> )  | 1.51            | (-)4.85         | 23.69           | 21.71           | 6.14            |
| Own Tax Revenue   | 188947.56       | 164254.98       | 220927.13       | 277486.31       | 302343.37       |
| Non-tax Revenue   | 14297.00        | 15975.46        | 19306.70        | 16776.41        | 20857.94        |
| Grants-in aid from GoI  | <b>43725.37</b> | <b>52733.46</b> | <b>38759.68</b> | <b>51414.24</b> | <b>36045.40</b> |
| Own tax and non-tax revenue   | 203244.56       | 180230.44       | 240233.83       | 294262.72       | 323201.31       |
| Rate of growth of Own Revenue ( <i>per cent</i> ) (Tax and Non-tax Revenue)   | (-)0.02         | (-)11.32        | 33.29           | 22.49           | 9.83            |
| Gross State Domestic Product (2011-12 Series)   | 2656806         | 2610651         | 3144138         | 3645884         | 4044251         |
| Rate of growth of GSDP ( <i>per cent</i> )  | 5.06            | (-)1.74         | 20.44           | 15.96           | 10.93           |
| RR/GSDP ( <i>per cent</i> )   | 10.66           | 10.32           | 10.60           | 11.13           | 10.65           |
| <b>Buoyancy Ratios<sup>3</sup></b>  |                 |                 |                 |                 |                 |
| State's Own Revenue Buoyancy w.r.t GSDP   | *               | *               | 1.629           | 1.409           | 0.899           |
| *Ratios cannot be calculated due to negative growth of GSDP and Revenue receipts<br>Source: Finance Accounts of respective years<br>Directorate of Economics and Statistics, Government of Maharashtra; (for GSDP data) |                 |                 |                 |                 |                 |



(Source: Finance Accounts of respective years)

<sup>3</sup> Buoyancy indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.7 implies that Revenue Receipts tend to increase by 1.7 percentage points, if the GSDP increases by one *per cent*.



(Source: Finance Accounts of respective years)

- Revenue Receipts increased by 52.05 per cent from ₹ 2,83,189.58 crore in 2019-20 to ₹ 4,30,596.46 crore in 2023-24 at a Compounded Annual Growth Rate (CAGR) of 11.04 per cent. During 2023-24, the revenue receipts increased by ₹ 24,918.53 crore (6.14 per cent) over the previous year. However, ratio of Revenue Receipts to GSDP decreased from 11.13 per cent in 2022-23 to 10.65 per cent in 2023-24 as shown in **Chart 2.3**.
- Significant portion of the revenue receipts (75.06 per cent) during 2023-24 came from the State's own resources, while Union tax transfers and GIA together contributed 24.94 per cent.
- State's Own Revenue Buoyancy w.r.t GSDP decreased during the year from 1.409 per cent in 2022-23 to 0.899 per cent in 2023-24 as shown in **Table 2.3**.
- As compared to 2022-23, during 2023-24 own tax revenue increased by ₹ 24,857.06 crore (8.96 per cent), non-tax revenue increased by ₹ 4,081.53 crore (24.33 per cent) and State's share of Union taxes and duties increased by ₹ 11,348.78 crore (18.91 per cent), whereas Grants-in-aid from Government of India decreased by ₹ 15,368.84 crore (29.89 per cent).

### 2.3.2.2 State's Own Resources

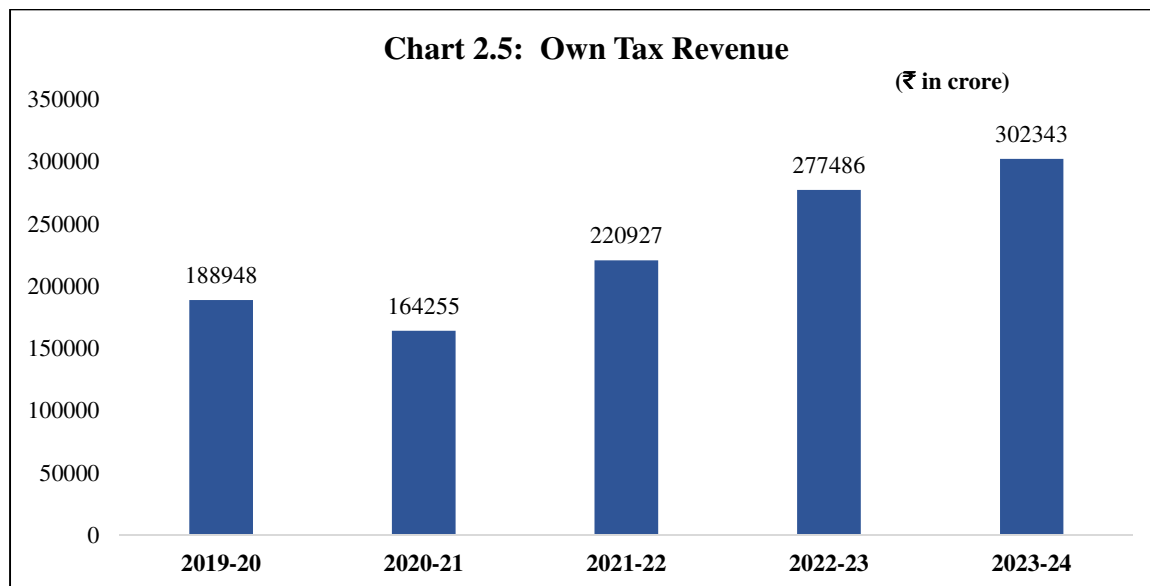
State's share in Union taxes is determined on the basis of recommendations of the Finance Commission. Grant-in-aid from the Union Government is determined by the quantum of collection of Union tax receipts and anticipated Union assistance for schemes.

State's performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its 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 2019-20 to 2023-24 is shown in **Chart 2.5**.



(Source: Finance Accounts of respective years)

The components of State's Own Tax Revenue during 2019-20 to 2023-24 are given in **Table 2.4**.

**Table 2.4: Components of State's Own Tax Revenue**

(₹ in crore)

| Revenue Head                     | 2019-20          | 2020-21          | 2021-22          | 2022-23          | 2023-24          |                  |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                  |                  |                  |                  |                  | B.E              | Actual           |
| Sales Tax                        | 37785.54         | 33159.76         | 45924.13         | 54568.18         | 56200.00         | 53380.47         |
| SGST                             | 82601.59         | 69948.56         | 97304.89         | 121255.55        | 136041.00        | 141978.59        |
| State excise                     | 15428.34         | 15089.38         | 17220.71         | 21507.02         | 25200.00         | 23322.35         |
| Taxes on vehicles                | 8467.20          | 6655.12          | 9080.16          | 11740.42         | 12500.00         | 12969.32         |
| Stamp duty and Registration fees | 28706.56         | 25427.71         | 35593.58         | 45285.66         | 45000.00         | 50824.48         |
| Land revenue                     | 2154.55          | 2062.64          | 3064.66          | 2431.41          | 4500.00          | 2689.76          |
| Taxes on goods and passengers    | 773.39           | 13.30            | 393.53           | 1582.11          | 1760.00          | 498.14           |
| Other taxes                      | 13030.40         | 11898.51         | 12345.47         | 19115.96         | 16980.00         | 16,680.26        |
| <b>Total Own tax revenue</b>     | <b>188947.57</b> | <b>164254.98</b> | <b>220927.13</b> | <b>277486.31</b> | <b>298181.00</b> | <b>302343.37</b> |
| Growth of Own tax revenue        | 0.81             | (-)13.07         | 34.50            | 25.60            | --               | 8.96             |

Source: Finance Accounts of the respective years

- Own tax revenue of the State increased by ₹ 1,13,395.80 crore from ₹ 1,88,947.57 crore in 2019-20 to ₹ 3,02,343.37 crore in 2023-24 at a CAGR of 12.47 *per cent*. The growth rate of own tax revenue during 2023-24 was 8.96 *per cent* (₹ 24,857.06) over the previous year which was the lowest since 2021-22, and was lower than the average of General States (**Appendix 2.2**).

- The overall increase of 8.96 *per cent* in own tax revenue during 2023-24 over previous year was mainly due to increase in receipts of State Goods and Services Tax by ₹ 20,723.04 crore, Stamps and Registration Fees by ₹ 5,538.82 crore and State Excise by ₹ 1,815.33 crore.
- The major contributors of own tax revenue were SGST (46.96 *per cent*), taxes on sales, trades *etc.* (17.66 *per cent*), stamp duty and registration fees (16.81 *per cent*), state excise (7.71 *per cent*) and taxes on vehicles, land revenue, taxes on goods and passengers and others (10.86 *per cent*). During the year 2023-24, the Budget estimate for SGST was ₹ 1,36,041 crore against which actual collection was ₹ 1,41,978.59 crore which was 4.36 *per cent* above the estimation.
- Increase under stamp duty and registration fees by ₹ 5,538.82 crore was basically due to higher proceeds under Inspector General of Registration and also from Superintendent of Stamps.
- Taxes under 'Other Taxes' such as Taxes on entry of goods into local areas decreased from ₹ 1,575.46 crore in 2022-23 to ₹ 494.22 crore in 2023-24 and Tax on consumption of sale of electricity decreased from ₹ 14,688.23 crore in 2022-23 to ₹ 12,601.36 crore in 2023-24.

### State Goods and Services Tax

As per the books of RBI the amount of SGST is ₹ 1,41,978.59 crore which tallies with the figure in the Finance Accounts of Maharashtra. During the year 2023-24, 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**

| Head of Revenue             | Opening Balance<br>(01 Apr 2023) | New cases due for assessment during 2023-24 | Total cases due for assessments | Cases disposed of during 2023-24 | Closing Balance (31 Mar 2024) | (₹ in crore)                 |
|-----------------------------|----------------------------------|---|---------------------------------|----------------------------------|-------------------------------|------------------------------|
|                             |                                  |   |                                 |                                  |                               | Disposal percentage (5 to 4) |
| 1                           | 2                                | 3   | 4                               | 5                                | 6                             | 7                            |
| State Goods and Service tax | 6300                             | 6993  | 13293                           | 8546                             | 4747                          | 64.29                        |
| Maharashtra Value Added Tax | 821                              | 1295  | 2116                            | 998                              | 1118                          | 47.16                        |

| Head of Revenue   | Opening Balance<br>(01 Apr 2023) | New cases due for assessment during 2023-24 | Total cases due for assessments | Cases disposed of during 2023-24 | Closing Balance (31 Mar 2024) | Disposal percentage (5 to 4) |
|---|----------------------------------|---|---------------------------------|----------------------------------|-------------------------------|------------------------------|
| 1   | 2                                | 3   | 4                               | 5                                | 6                             | 7                            |
| Purchase Tax on Sugarcane   | 0                                | 0   | 0                               | 0                                | 0                             | 0                            |
| Entry Tax   | 0                                | 0   | 0                               | 0                                | 0                             | 0                            |
| Luxury Tax  | 0                                | 0   | 0                               | 0                                | 0                             | 0                            |
| <b>Total</b>  | <b>7121</b>                      | <b>8288</b>                                 | <b>15409</b>                    | <b>9544</b>                      | <b>5865</b>                   | <b>61.94</b>                 |
| 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**

| Sl. No.   | Head of Revenue                  | Cases pending as on 31 March 2023 | Cases detected during 2023-24 | 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 2024 |
|---|----------------------------------|-----------------------------------|-------------------------------|-------|--|---------------------|---|
|   |                                  |                                   |                               |       | No. of cases   | Amount (₹ in crore) |   |
| 1   | Goods and Service tax            | 0                                 | 76                            | 76    | 30   | 2437.92             | 46  |
| 2.  | Taxes/VAT on Sales, Trade        | 70                                | 521                           | 591   | 411  | 435.40              | 180   |
| 3   | Stamp duty and registration fees | 11013                             | 11766                         | 22779 | 11355  | 58.67               | 11424   |
| 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 2019-20 to 2023-24 are shown in **Table 2.7**.

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

| Revenue Head                        | 2019-20         | 2020-21         | 2021-22         | 2022-23         | (₹ in crore)    |                 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                     |                 |                 |                 |                 | 2023-24         |                 |
|                                     |                 |                 |                 |                 | BE              | Actual          |
| Interest receipts                   | 3270.69         | 2286.27         | 2617.05         | 2430.20         | 3000.00         | 2328.73         |
| Dividends and Profits               | 56.53           | 401.02          | 88.36           | 36.01           | 100.00          | 72.10           |
| Fiscal services                     | 0.24            | 0.01            | 0.02            | 0.01            | 0.00            | 0.01            |
| <b>Other non-tax receipts</b>       | <b>10969.54</b> | <b>13288.16</b> | <b>16601.27</b> | <b>14310.19</b> | <b>21069.70</b> | <b>18457.10</b> |
| a) Major and medium Irrigation      | 133.95          | 103.71          | 414.46          | 234.64          | 3850.00         | 324.17          |
| b) Urban Development                | 1320.13         | 986.15          | 5557.29         | 1708.46         | 2000.00         | 1756.79         |
| c) Education, Sports, Art & Culture | 411.73          | 1001.17         | 617.75          | 483.97          | 600.00          | 548.18          |

| Revenue Head                                       | 2019-20         | 2020-21         | 2021-22         | 2022-23         | 2023-24         |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  |                 |                 |                 |                 | BE              | Actual          |
| d) Non-ferrous mining and Metallurgical Industries | 3982.45         | 3918.31         | 4884.94         | 5578.20         | 6300.00         | 6933.25         |
| e) Other or misc.                                  | 5121.28         | 7278.82         | 5126.83         | 6304.92         | 8319.70         | 8894.72         |
| <b>Total</b>                                       | <b>14297.00</b> | <b>15975.46</b> | <b>19306.70</b> | <b>16776.41</b> | <b>24169.70</b> | <b>20857.94</b> |

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 2019-20 to 2023-24. Non-tax revenue increased by ₹ 6,560.93 crore from ₹ 14,297 crore in 2019-20 to ₹ 20,857.94 crore in 2023-24 at a CAGR of 9.90 *per cent*. During 2023-24, it increased by ₹ 4,081.53 crore (24.32 *per cent*) over the previous year. The growth rate was negative in 2022-23. The increase was mainly under non-ferrous mining and Metallurgical Industries (₹ 6,933.25 crore), due to higher receipts collected under the Mineral Concession Rules, 1960 by Industries Department and increased receipts collected under Minor Mineral Extraction Rules by Revenue and Forest Department.

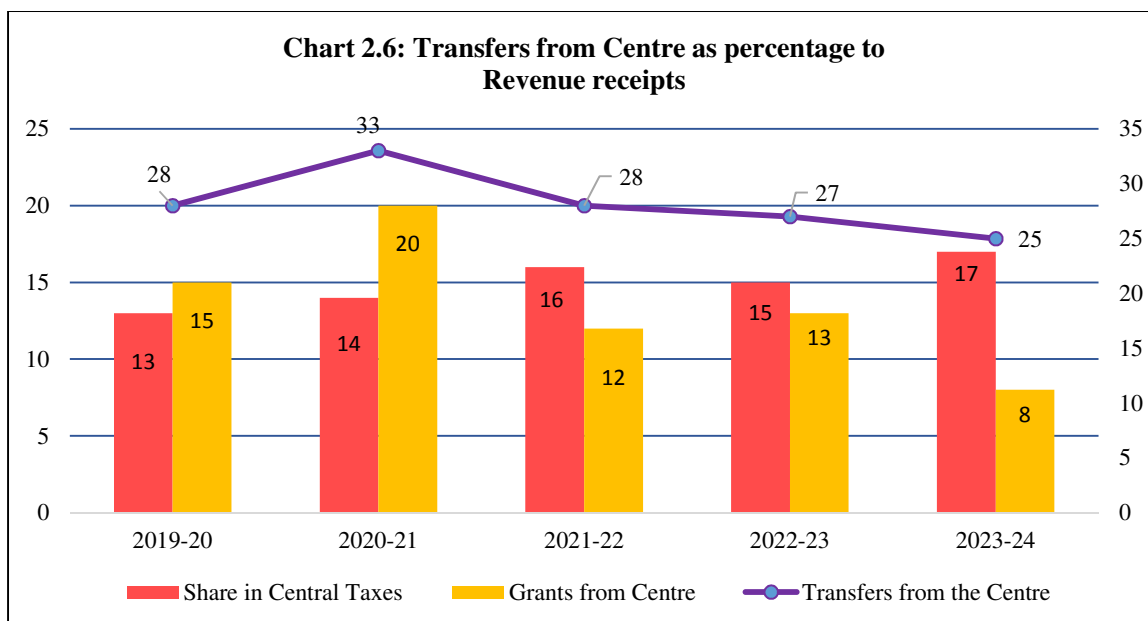
One of the major sources of interest receipts is interest proceeds out of investment of surplus cash balances of the State. As per the RBI Regulations, the cash balance maintained by the State is invested in GoI's 14 days Treasury Bills. Excess cash balance, beyond the immediate requirement is invested in GoI's 91 days Treasury Bills. As on 31 March 2024, an amount of ₹ 23,221.70 crore was lying under Cash Balance Investment Account of the State Government and the Account had earned an interest of ₹ 902.28 crore.

The growth rate of non-tax revenue in the State was 24.33 *per cent* during 2023-24 as compared to previous year while the average growth rate in General States was 14.62 *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. Transfers from the Union Government include the State's share of Union Taxes and Duties and Grants in aid. The Fifteenth Finance Commission 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 Fifteenth Finance Commission (Main Report 2021-26) is 6.317 *per cent*.

The transfers from the Union as percentage of the revenue receipts during 2019-20 to 2023-24 are given in **Chart 2.6**.



(Source: Finance Accounts of respective years)

The State's share in Union taxes during 2023-24 was ₹ 71,349.75 crore, an increase of ₹ 11,348.78 crore over the previous year and Grants-in-aid received from the Union Government was ₹ 36,045.40 crore, a decrease of ₹ 15,368.84 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=4-3       |
| 2015-16                                       | As per recommendations of Fourteenth Finance Commission<br>[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                                       | Fifteenth Finance Commission (1st Report 2020-21)<br>[Inter se share of Maharashtra State =6.135]  | 52465.00            | 36504.01              | (-)15961    |
| 2021-22                                       | As per recommendations of Fifteenth Finance Commission<br>(Main Report 2021-26)<br>[Inter se share of Maharashtra State =6.317]                          | 41603.17            | 54318.06              | 12714.89    |
| 2022-23                                       |  | 46280.10            | 60000.97              | 13720.87    |
| 2023-24                                       |  | 52076.00            | 71349.75              | 19273.75    |
| *Reports of the respective Finance Commission |  |                     |                       |             |

The transfer of different components of State's share of Union taxes during 2019-20 to 2023-24 are shown in **Table 2.9**.

Table 2.9: Union Tax Transfers

(₹ in crore)

| Head  | 2019-20         | 2020-21         | 2021-22         | 2022-23         | 2023-24         |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Central Goods and Services tax (CGST)                           | 10277.86        | 10894.03        | 16016.73        | 16950.64        | 21653.88        |
| Integrated Goods and Services tax (IGST)                        | 0               | 0               | 0               | 0               | 0               |
| Corporation tax   | 12349.52        | 10979.94        | 15127.69        | 20125.45        | 21415.89        |
| Taxes on income other than Corporation tax                      | 9676.68         | 11252.46        | 16519.71        | 19634.49        | 24732.80        |
| Customs   | 2295.84         | 1969.98         | 3910.76         | 2358.10         | 2500.38         |
| Union Excise Duties   | 1596.26         | 1231.49         | 2057.21         | 739.80          | 946.20          |
| Service tax   | 0               | 151.51          | 627.83          | 93.76           | 13.30           |
| Other taxes and duties on commodities and services <sup>4</sup> | 23.48           | 24.60           | 58.13           | 98.73           | 87.30           |
| <b>Union tax transfers</b>                                      | <b>36219.64</b> | <b>36504.01</b> | <b>54318.06</b> | <b>60000.97</b> | <b>71349.75</b> |
| Percentage of increase over previous year                       | (-)13.87        | 0.79            | 48.80           | 10.46           | 18.91           |
| Percentage of Union Tax Transfers to Revenue Receipts           | 12.79           | 13.55           | 16.30           | 14.79           | 16.57           |

Source: Finance Accounts of respective years

During 2023-24, there was an increase in Union tax transfer by ₹ 11,349.78 crore (18.91 per cent) over the previous year. The increase was under 'CGST' and 'Taxes on Income other than Corporation Tax'. The percentage of Union Tax Transfers to Revenue Receipts increased from 14.79 per cent in 2022-23 to 16.57 per cent in 2023-24.

### Grants-in-aid from GoI

The GIA received from GoI during 2019-20 to 2023-24 are detailed in Table 2.10.

Table 2.10: Grants-in-Aid from GoI

(₹ in crore)

| Head  | 2019-20         | 2020-21               | 2021-22         | 2022-23         | 2023-24         |
|---|-----------------|-----------------------|-----------------|-----------------|-----------------|
| Non-Plan Grants   | 13690.19        | 309.92 <sup>ab</sup>  | 1.01            | 0               | 0               |
| Grants for State Plan Schemes                                       | 1723.42         | 0                     | 0               | 0               | 0               |
| Grants for Central Plan Schemes                                     | 1369.31         | 0.20                  | 2.32            | 0.33            | 0               |
| Grants for Centrally Sponsored Plan Schemes                         | 8806.56         | (-)12.24              | (-) 0.48        | 0               | 0               |
| Grants for Centrally Sponsored Schemes (CSS)                        | 1918.42         | 13733.52              | 11782.83        | 16240.57        | 17700.18        |
| Finance Commission Grants   | 550.91          | 11550.00 <sup>a</sup> | 7693.12         | 9968.35         | 8840.63         |
| Other Transfer/Grants to States/Union Territories with Legislatures | 15666.56        | 27152.06 <sup>b</sup> | 19280.88        | 25204.99        | 9504.59         |
| <b>Total</b>  | <b>43725.37</b> | <b>52733.46</b>       | <b>38759.68</b> | <b>51414.24</b> | <b>36045.40</b> |
| Percentage of increase over the previous year                       | 29.89           | 20.60                 | (-)26.50        | 32.65           | (-)29.89        |
| Percentage of Grants-in-Aid to Revenue Receipts                     | 15.44           | 19.57                 | 11.63           | 12.67           | 8.37            |

<sup>ab</sup>) Grants transferred to 07- Finance Commission Grants and 08- Other Transfer due to change in the classification during 2021-22.

<sup>a</sup>) Grants towards contribution to State Disaster Response Fund (₹ 3,222 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.

<sup>b</sup>) 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

<sup>4</sup> Include taxes on wealth, other taxes on income and expenditure, other taxes and duties on commodities and services

GIA constituted 8.37 *per cent* of revenue receipts during the year 2023-24. Grants for CSS to the State (₹ 17,700.18 crore) constituted 49.10 *per cent* of the total grants received from GoI during 2023-24. GIA from GoI decreased by ₹ 15,368.84 crore (29.89 *per cent*) during 2023-24, as compared to the previous year mainly due to significant decrease in Finance Commission Grants by ₹ 1,127.72 crore (11.31 *per cent*).

Other transfers include grants from Central Road and Infrastructure Fund which decreased from ₹ 1,084.15 crore in 2022-23 to ₹ 886.63 crore during 2023-24. Similarly, the compensation received for loss of revenue arising out of implementation of GST decreased from ₹ 24,120.84 crore in 2022-23 to ₹ 8,617.96 crore in 2023-24.

### Grants for Centrally Sponsored Schemes

Out of the grants of ₹ 17,700.18 crore received for centrally sponsored schemes during 2023-24, major amounts were given to:

Housing for all Grants to implementing agencies (PMAY) - ₹ 1,542.85 crore in 2023-24 (₹ 917.54 crore in 2022-23).

Samagra Shiksha Abhiyan - ₹ 1,001.19 crore (₹ 900.00 crore in 2022-23).

Swachh Bharat Mission - ₹ 625.38 crore (₹ 83.75 crore in 2022-23).

Pradhan Mantri Gram Sadak Yojana - ₹ 1,110.80 crore (₹ 742.99 crore in 2022-23).

### 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 03 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 ₹ 15,568.58 crore being Central share during the year. As on 31 March 2024, the Government transferred Central share of ₹ 13,169.82 crore and State share of ₹ 18,007.73 crore to the SNAs. The total transfer of ₹ 31,177.55 crore was transferred through GIA bills. As per PFMS report ₹ 15,937.39 crore was lying unspent in the bank accounts of SNAs as on 31 March 2024.

### Fifteenth Finance Commission Grants

The Fifteenth Finance Commission 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. Fifteenth Finance Commission has recommended the creation of funds for disaster mitigation along with disaster response, which will now together be called National Disaster Risk Management Fund (NDRMF) and State Disaster Risk Management Funds (SDRMF).



Details of the Fifteenth Finance Commission Grants, actual release by GoI and release by State Government to the Panchayat Raj Institutions (PRIs), Urban Local Bodies (ULBs), State Disaster Risk Management and Health Sector are given in **Table 2.11**.

**Table 2.11: Grants-in-aid released by GoI as per recommendation of Fifteenth Finance Commission**

(₹ in crore)

| Recommendation of the Fifteenth Finance Commission (2023-24)   |                 |                       |                             |
|--|-----------------|-----------------------|-----------------------------|
| Components   | Recommendation  | Actual release by GoI | Release by State Government |
| 1  | 2               | 3                     | 4                           |
| <b>(i) Grants to PRIs</b>  | <b>4510.00</b>  | <b>3699.78</b>        | <b>3699.78</b>              |
| (a) Tied Grants  | 1804.00         | 1479.94               | 1479.94                     |
| (b) Untied Grants  | 2706.00         | 2219.84               | 2219.84                     |
| <b>(ii) Grants to ULBs*</b>  | <b>2323.00</b>  | <b>1304.50</b>        | <b>1304.50</b>              |
| (a) Million plus cities (for ambient air quality plus Solid Waste Management and Sanitation)                                     | 1313.00         | 827.00                | 827.00                      |
| (b) Other than million plus cities (tied grants for drinking water, rainwater harvesting, Solid Waste Management and Sanitation) | 606.00          | 286.50                | 286.50                      |
| (c) Other than million plus cities (untied grants for local needs)   | 404.00          | 191.00                | 191.00                      |
| <b>Total for Local Bodies</b>  | <b>6833.00</b>  | <b>5004.28</b>        | <b>5004.28</b>              |
| SDRMF (Centre share)   | 3552.00         | 3275.40               | 3275.40                     |
| SDRMF (State Share)  | 1184.00         | 1060.00               | 1060.00                     |
| Grants for Health Sector   | 1397.00         | 563.05                | 563.05                      |
| <b>Grand Total</b>   | <b>12966.00</b> | <b>9902.73</b>        | <b>9902.73</b>              |
| Source: Fifteenth Finance Commission Report and information furnished by the Government of Maharashtra.                          |                 |                       |                             |
| *As per release order of GoI.  |                 |                       |                             |

As seen from the above table, the actual release by GoI was lower than the recommendation of the Fifteenth Finance Commission under all the three components. Further, in respect of Grants to ULBs the released amount of ₹ 1,304.50 crore pertained to the withheld portion of the financial year 2022-23, indicating that the grants as recommended by Fifteenth Finance Commission for the year 2023-24 were not released by GoI.

Under Grants to PRI, tied grants of ₹ 2,219.84 crore released by GoI during 2023-24 included an amount of ₹ 42.32 crore of withheld portion of the financial year 2022-23. Similarly, untied grants of ₹ 1,479.94 crore included ₹ 28.25 crore of withheld portion of the financial year 2022-23. Thus, the actual release by GoI in respect of 'Untied Grant' was lower by ₹ 1,226.06 crore than the amount recommended by the Fifteenth Finance Commission.

Similarly, in respect of Health Sector Grants the actual release was lower by ₹ 833.95 crore than the recommendation.

### State Finance Commission

The Fifteenth Finance Commission in its Main Report for 2021-2026 had recommended that all States must constitute State Finance Commission and act upon their recommendations and lay the explanatory memorandum as to the action taken thereon before the State Legislature on or before March 2024. After March 2024, no grants should



be released to a State that has not complied with the Constitutional provisions in respect of the State Finance Commission and these conditions.

The Fifth State Finance Commission (SFC) of Maharashtra for the period 2020-25 was constituted in March 2018 and submitted its Report along with the recommendations to the Government in August 2019, which was placed in the State Legislature in December 2020. The Commission had made 169 recommendations of which 134 recommendations were accepted by the State Government (December 2020). Information regarding implementation of the recommendation is awaited (August 2024).

### 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 receipts 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**

|  | (₹ in crore)    |                 |                  |                 |                 |
|--|-----------------|-----------------|------------------|-----------------|-----------------|
| Sources of State's Receipts                            | 2019-20         | 2020-21         | 2021-22          | 2022-23         | 2023-24         |
| <b>Capital Receipts</b>                                | <b>34142.43</b> | <b>62541.72</b> | <b>55732.40</b>  | <b>50549.67</b> | <b>85912.89</b> |
| Recovery of Loans and Advances                         | 1614.87         | 1612.35         | 1178.88          | 642.62          | 742.20          |
| <b>Non-debt Receipts</b>                               | <b>1614.87</b>  | <b>1612.35</b>  | <b>1178.88</b>   | <b>642.62</b>   | <b>742.20</b>   |
| <b>Net Public Debt Receipts</b>                        | <b>32527.56</b> | <b>60929.37</b> | <b>54553.52</b>  | <b>49907.05</b> | <b>85170.69</b> |
| <i>Internal Debt</i>                                   | <i>32610.31</i> | <i>46903.98</i> | <i>37043.37</i>  | <i>40702.63</i> | <i>77072.21</i> |
| <i>Growth rate (per cent)</i>                          | <i>2079.73</i>  | <i>43.83</i>    | <i>(-) 21.02</i> | <i>9.88</i>     | <i>89.35</i>    |
| <i>Loans and Advances from GoI</i>                     | <i>(-)82.75</i> | <i>14025.39</i> | <i>17510.15</i>  | <i>9204.42</i>  | <i>8098.48</i>  |
| <i>Growth rate (per cent)</i>                          | <i>(-)85.91</i> | <i>17049.11</i> | <i>24.85</i>     | <i>(-)47.43</i> | <i>(-)12.02</i> |
| Rate of growth of Debt Capital Receipts (per cent)     | 3479.49         | 87.32           | (-) 10.46        | (-)8.52         | 70.66           |
| Rate of growth of Non-debt Capital Receipts (per cent) | 0.66            | (-)0.16         | (-) 26.88        | (-)45.49        | 15.50           |
| Rate of growth of Capital Receipts (per cent)          | 1258.63         | 83.18           | (-)10.89         | (-)9.3          | 69.96           |
| Source: Finance Accounts of respective years           |                 |                 |                  |                 |                 |

Net Capital Receipts (Net Public Debt and Non-debt Receipts) of the State increased by 69.96 per cent in 2023-24 over the previous year. The share of Net Public Debt Receipts in Capital Receipts was 99.14 per cent during 2023-24. The increase in Net Capital Receipts was due to the increase in internal debt by 89.35 per cent from the previous year.

The net Loans and advances from GoI decreased by ₹ 9,411.67 crore during 2023-24. 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 2023-24 *vis-à-vis* projections given in the Fifteenth Finance Commission Report and Budget Estimates (2023-24) are given in **Table 2.13**.

**Table 2.13: Own Tax and Non-tax receipts *vis-à-vis* Projections 2023-24**

(₹ in crore)

|   | Fifteenth Finance Commission Projections | Budget Estimates | Actual    | Percentage variation of actual over |  |
|---|--|------------------|-----------|-------------------------------------|--|
|   |  |                  |           | Budget estimates                    | Fifteenth Finance Commission Projections |
| Own Tax Revenue   | 233935                                   | 298181.00        | 302343.37 | 1.4                                 | 29.24                                    |
| Non-tax Revenue   | 20054                                    | 24169.70         | 20857.94  | (-)13.7                             | 4.01                                     |
| Source: Finance Accounts 2023-24, Fifteenth Finance Commission Report, Budget documents |  |                  |           |                                     |  |

In Own Tax Revenue, the actual revenue was more than that assessed by Fifteenth Finance Commission and Budget Estimate. In comparison to the Budget Estimates, there was substantial shortfall in mobilisation of non-tax revenue resources by the State. However, there was no shortfall with reference to Fifteenth Finance Commission.

## 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.

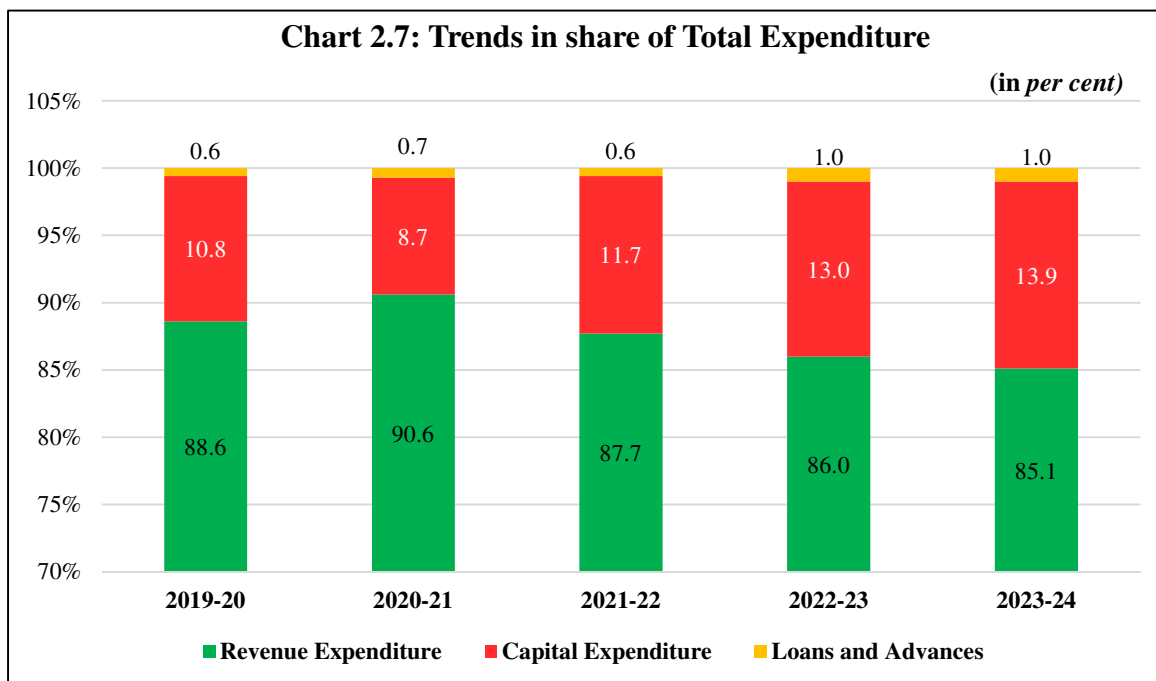
The total expenditure, its composition, and its relative share in GSDP during the last five years (2019-20 to 2023-24) are given in **Table 2.14** and **Chart 2.7**.

**Table 2.14: Total expenditure and its composition**

(₹ in crore)

| Parameters                    | 2019-20          | 2020-21          | 2021-22          | 2022-23          | 2023-24          |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Total Expenditure (TE)</b> | <b>338690.64</b> | <b>342638.31</b> | <b>398792.31</b> | <b>473922.42</b> | <b>521898.02</b> |
| Revenue Expenditure (RE)      | 300305.21        | 310609.76        | 349685.89        | 407614.40        | 444350.46        |
| Capital Outlay (CO)           | 36415.57         | 29686.70         | 46670.39         | 61643.61         | 72573.40         |
| Loans and Advances            | 1969.86          | 2341.85          | 2436.03          | 4664.41          | 4974.16          |

| Parameters                                   | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|--|---------|---------|---------|---------|---------|
| <b>As percentage of GSDP</b>                 |         |         |         |         |         |
| TE/GSDP                                      | 12.75   | 13.12   | 12.68   | 13.00   | 12.90   |
| RE/GSDP                                      | 11.30   | 11.90   | 11.12   | 11.18   | 10.99   |
| CO/GSDP                                      | 1.37    | 1.14    | 1.48    | 1.69    | 1.79    |
| Loans and Advances/GSDP                      | 0.07    | 0.09    | 0.08    | 0.13    | 0.12    |
| Source: Finance Accounts of respective years |         |         |         |         |         |



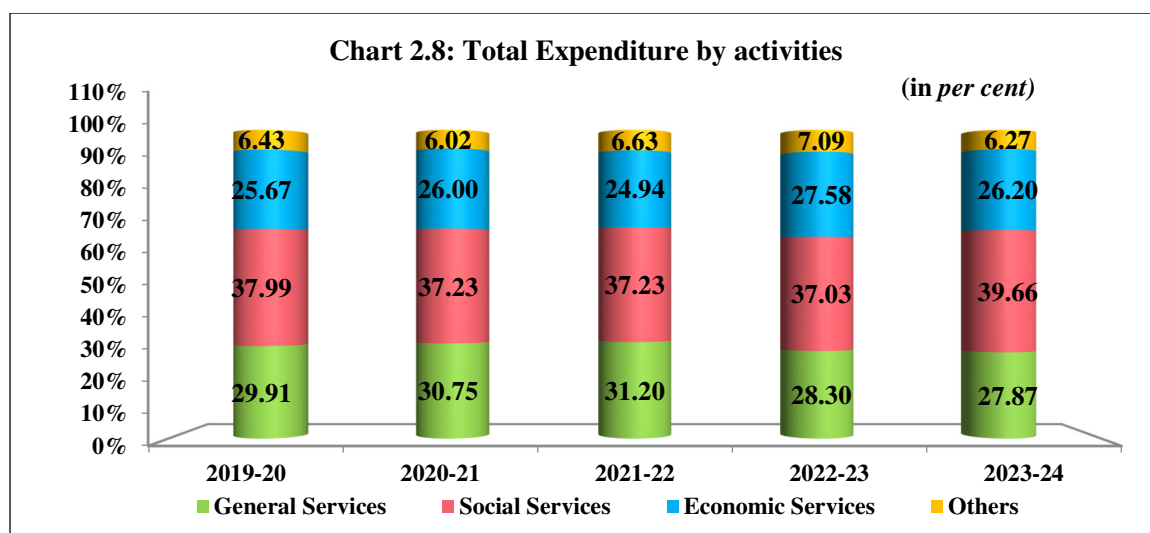
(Source: Finance Accounts of respective years)

The total expenditure increased significantly from ₹ 3,38,690.64 crore in 2019-20 to ₹ 5,21,898.02 crore in 2023-24. Total expenditure as a percentage of GSDP grew from 12.75 per cent in 2019-20 to 12.90 per cent in 2023-24.

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**

| Parameters   | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|--|---------|---------|---------|---------|---------|
| (in per cent)  |         |         |         |         |         |
| General Services   | 29.91   | 30.75   | 31.20   | 28.30   | 27.87   |
| Social Services  | 37.99   | 37.23   | 37.23   | 37.03   | 39.66   |
| Economic Services  | 25.67   | 26.00   | 24.94   | 27.58   | 26.20   |
| Others (Grants to Local Bodies and Loans to Government Servants) | 6.43    | 6.02    | 6.63    | 7.09    | 6.27    |
| Source: Finance Accounts of respective years                     |         |         |         |         |         |



(Source: Finance Accounts of respective years)

The relative share of these components exhibited stability during the period from 2019-20 to 2023-24 with marginal inter-year variations.

## 2.4.2 Revenue Expenditure

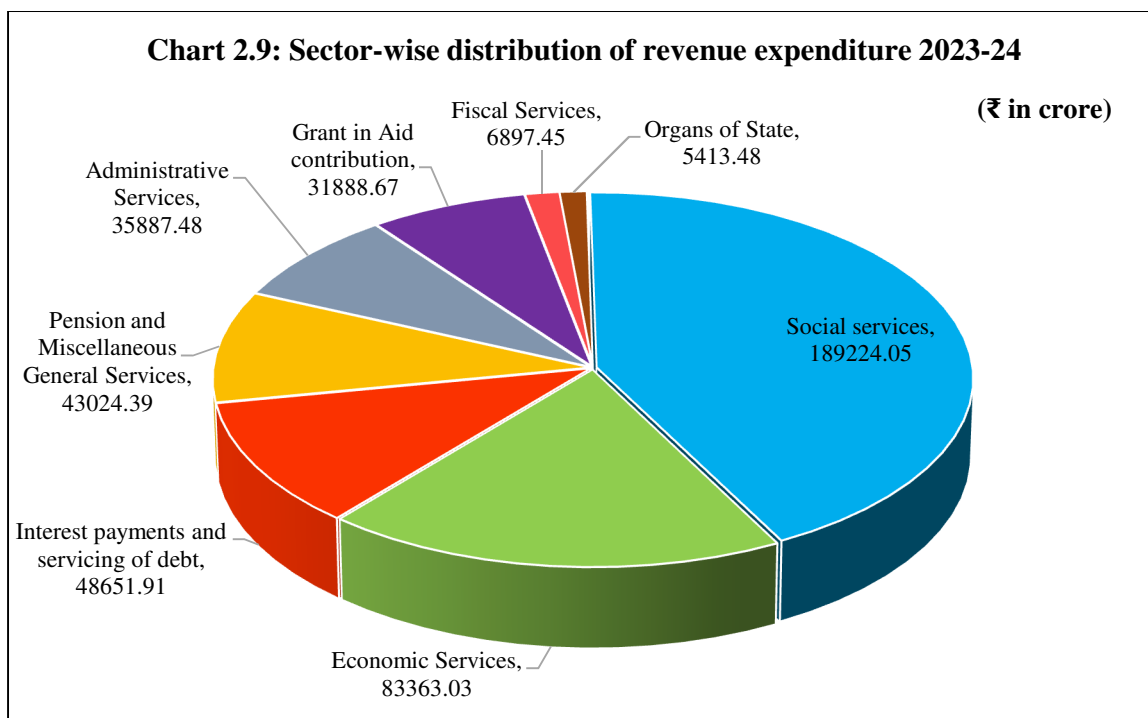
Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations. Revenue expenditure comprises wages and salaries, interest payments, pensions, expenditure on operation and maintenance of capital works, subsidies and transfers to local bodies, co-operatives, 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 2023-24 is given in **Chart 2.9**.

**Table 2.16: Revenue Expenditure – Basic Parameters**

| Parameters  | 2019-20   | 2020-21   | 2021-22   | 2022-23   | 2023-24   |
|---|-----------|-----------|-----------|-----------|-----------|
| Total Expenditure (TE)  | 338690.64 | 342638.31 | 398792.31 | 473922.42 | 521898.02 |
| Revenue Expenditure (RE)  | 300305.21 | 310609.76 | 349685.89 | 407614.40 | 444350.46 |
| Rate of Growth of RE ( <i>per cent</i> )  | 12.46     | 3.43      | 12.58     | 16.57     | 9.01      |
| RE/TE ( <i>per cent</i> )   | 88.67     | 90.65     | 87.69     | 86.01     | 85.14     |
| RE/GSDP ( <i>per cent</i> )   | 11.30     | 11.90     | 11.12     | 11.18     | 10.99     |
| RE/RR ( <i>per cent</i> )   | 106.04    | 115.27    | 104.91    | 100.48    | 103.19    |
| Gross State Domestic Product  | 2656806   | 2610651   | 3144138   | 3645884   | 4044251   |
| Rate of growth of GSDP ( <i>per cent</i> )  | 5.06      | (- )1.74  | 20.44     | 15.96     | 10.93     |
| <b>Ratio of change in Revenue Expenditure to</b>  |           |           |           |           |           |
| Change in GSDP  | 2.462     | *         | 0.615     | 1.038     | 0.824     |
| Change in Revenue Receipts  | 8.307     | *         | 0.531     | 0.764     | 1.468     |
| Source: Finance Accounts of respective years  |           |           |           |           |           |
| *Due to negative growth of GSDP and revenue receipt, the ratio could not be calculated. |           |           |           |           |           |



(Source: Finance Accounts 2023-24)

During 2023-24, revenue expenditure constituted 85.14 *per cent* of the total expenditure. The growth rate of revenue expenditure decreased from 16.57 *per cent* in 2022-23 to 9.01 *per cent* in 2023-24.

#### 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 2023-24 as compared with the previous year 2022-23.

**Table 2.17: Variations in Revenue Expenditure during 2023-24 compared to 2022-23**

(₹ in crore)

| Major Heads of Account  | 2022-23  | 2023-24  | Increase (+)/<br>Decrease (-) |
|---|----------|----------|-------------------------------|
| 2049- Interest Payments   | 41689.16 | 45651.91 | 3962.75                       |
| 2071-Pensions and Other Retirement Benefits   | 43108.66 | 42629.22 | (-)479.44                     |
| 2202-General Education  | 76076.91 | 85859.72 | 9782.81                       |
| 2216-Housing  | 3784.31  | 5156.11  | 1371.80                       |
| 2217-Urban Development  | 13300.33 | 15832.72 | 2532.39                       |
| 2225-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities | 18745.51 | 22871.53 | 4126.02                       |
| 2235-Social Security and Welfare  | 7301.06  | 10889.69 | 3588.63                       |
| 2401-Crop Husbandry   | 8354.15  | 17121.95 | 8767.80                       |
| 2435-Other Agricultural Programmes  | 5582.13  | 4.31     | (-)5577.82                    |
| 2505 - Rural Employment   | 5175.42  | 3194.23  | (-)1981.19                    |
| 3054 - Roads and Bridges  | 10257.49 | 8602.06  | (-)1655.43                    |
| 3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions         | 32874.49 | 31888.67 | (-)985.82                     |

Source: Finance Accounts of respective years

During the year 2023-24, there was significant increase in revenue expenditure due to increase in expenditure on General Education, Housing and Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes, and Minorities.

### 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.

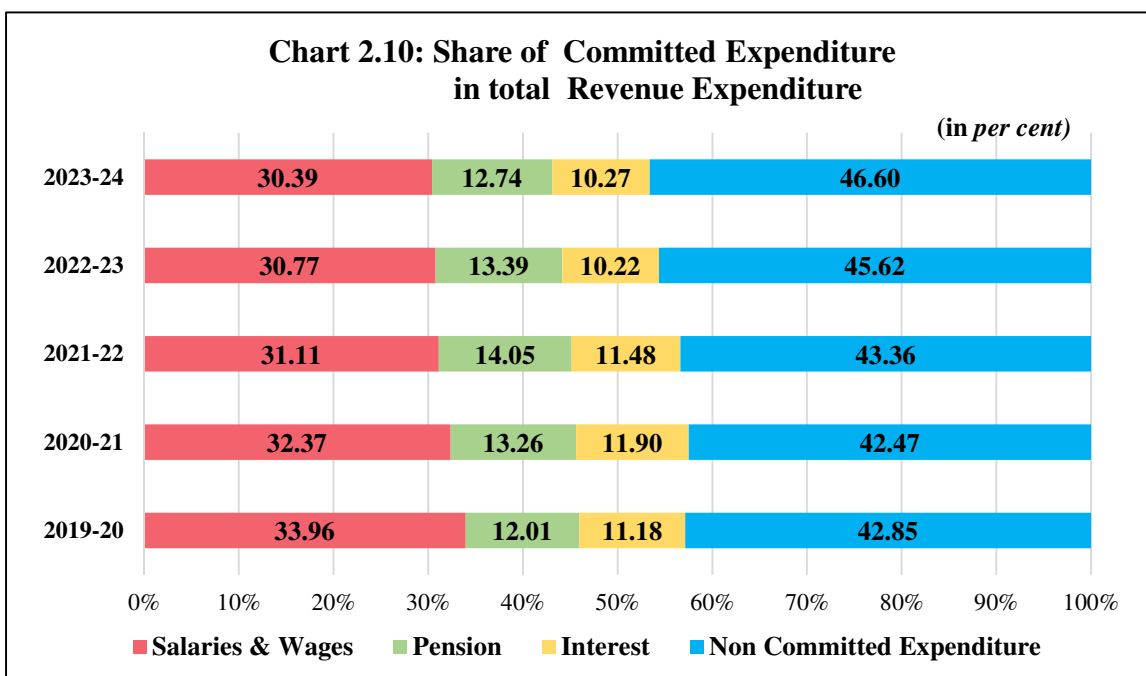
The upward trend in committed expenditure leaves the Government with lesser flexibility for development sector. Trend analysis of committed and inflexible expenditure and its components is depicted in **Table 2.18** and share of committed expenditure in revenue expenditure is shown in **Chart 2.10**.

**Table 2.18: Components of Committed and Inflexible Expenditure**

(₹ in crore)

| Components of Committed Expenditure  | 2019-20          | 2020-21          | 2021-22          | 2022-23          | 2023-24          |
|--|------------------|------------------|------------------|------------------|------------------|
| Salaries and wages *   | 101981.24        | 100529.17        | 108791.45        | 125409.39        | 135044.82        |
| Expenditure on Pensions  | 36077.52         | 41194.31         | 49112.25         | 54575.45         | 56598.13         |
| Interest Payments  | 33560.73         | 36969.77         | 40158.04         | 41689.16         | 45651.91         |
| <b>Total</b>   | <b>171619.49</b> | <b>178693.25</b> | <b>198061.74</b> | <b>221674.00</b> | <b>237294.86</b> |
| <b>Components of Inflexible expenditure</b>  |                  |                  |                  |                  |                  |
| Statutory devolution to local bodies   | 7038.57          | 8633.00          | 4336.90          | 5400.44          | 5004.28          |
| Contribution to Reserve funds  | 11202.91         | 6136.00          | 9935.54          | 6514.42          | 7854.69          |
| Recoupment of Contingency Fund   | 8000             | 0                | 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)   | 18639.70         | 13145.50         | 21143.66         | 29214.31         | 26471.78         |
| Payment of interest on the balances of the interest-bearing funds as if they could have been | 472.65           | 702.85           | 667.83           | 232.61           | 552.39           |

| Components of Committed Expenditure  | 2019-20         | 2020-21         | 2021-22         | 2022-23         | 2023-24         |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| invested and payment of interest on public debt as charged expenditure- interest payment |                 |                 |                 |                 |                 |
| <b>Total</b>   | <b>45353.83</b> | <b>28617.35</b> | <b>36083.93</b> | <b>41361.78</b> | <b>39883.14</b> |
| <b>As a percentage of Revenue Receipts (RR)</b>  |                 |                 |                 |                 |                 |
| <b>Committed expenditure</b>   |                 |                 |                 |                 |                 |
| Salaries and wages*  | 36.01           | 37.31           | 32.64           | 30.91           | 31.36           |
| Expenditure on Pensions  | 12.74           | 15.29           | 14.73           | 13.45           | 13.14           |
| Interest Payments  | 11.85           | 13.72           | 12.05           | 10.28           | 10.60           |
| <b>Total</b>   | <b>60.60</b>    | <b>66.32</b>    | <b>59.42</b>    | <b>54.64</b>    | <b>55.11</b>    |
| <b>Inflexible expenditure</b>  |                 |                 |                 |                 |                 |
| <b>Total</b>   | <b>16.02</b>    | <b>10.62</b>    | <b>10.83</b>    | <b>10.20</b>    | <b>9.26</b>     |
| <b>As a percentage of Revenue Expenditure (RE)</b>                                       |                 |                 |                 |                 |                 |
| Salaries and Wages*  | 33.96           | 32.37           | 31.11           | 30.77           | 30.39           |
| Expenditure on Pensions  | 12.01           | 13.26           | 14.04           | 13.39           | 12.74           |
| Interest Payments  | 11.18           | 11.90           | 11.48           | 10.22           | 10.27           |
| <b>Total</b>   | <b>57.15</b>    | <b>57.53</b>    | <b>56.63</b>    | <b>54.38</b>    | <b>53.40</b>    |
| <b>Inflexible Expenditure</b>  |                 |                 |                 |                 |                 |
| <b>Total</b>   | <b>15.10</b>    | <b>9.21</b>     | <b>10.32</b>    | <b>10.15</b>    | <b>8.98</b>     |
| Non- Committed RE  | 128685.72       | 131916.51       | 151624.15       | 185934.64       | 207055.60       |
| Percentage of RE   | 42.85           | 42.47           | 43.36           | 45.62           | 46.60           |
| Percentage of TE   | 38.00           | 38.50           | 38.02           | 39.23           | 39.67           |
| Subsidies  | 28385.98        | 40861.58        | 29137.20        | 43150.79        | 48053.50        |
| Subsidies as <i>percentage</i> of non-committed expenditure                              | 22.06           | 30.98           | 19.22           | 23.21           | 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 55.11 *per cent* of the revenue receipts and 53.40 *per cent* of the revenue expenditure of the State during 2023-24. The committed expenditure increased by ₹ 15,620.86 crore (7.05 *per cent*) from the previous year.



### Salaries and Wages

Expenditure on salaries and wages over the five-year period (2019-20 to 2023-24) increased by ₹ 33,063.58 crore (32.42 *per cent*) from ₹ 1,01,981.24 crore in 2019-20 to ₹ 1,35,044.82 crore in 2023-24. Its share in revenue expenditure decreased slightly during the current year relative to the previous year and accounted for 30.39 *per cent* of revenue expenditure during 2023-24.

### Interest Payments

During 2023-24, interest payments increased by ₹ 3,962.75 crore (9.51 *per cent*) over the previous year. During the current year, interest on Market loans increased by ₹ 3966.54 crore and interest on Block Loans under 'Other loans for State' increased by ₹ 944.44 crore.

### Pension Payments

The expenditure during the year on pension and other retirement benefits to State Government employees recruited prior to November 2005 was ₹ 56,598.13 crore (12.74 *per cent* of revenue expenditure). There was an increase of ₹ 2,022.68 crore over the previous year.

#### 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 National Securities Depository Limited (NSDL)/Trustee Bank.



As per Ministry of Finance, GoI guidelines (September 2008), no contributions are to be parked under the Head of Account '8342-117'- Other Deposits Contribution Pension Scheme even as a temporary measure. Audit noticed that an amount of ₹ 4,405.73 crore was parked under the above Major Head as on 31<sup>st</sup> March 2024 as depicted in **Table 2.19**.

**Table 2.19: Details of transactions under National Pension System during last five year**

| (₹ in crore)                                 |                 |                        |                                      |          |                   |                        |
|--|-----------------|------------------------|--------------------------------------|----------|-------------------|------------------------|
| Year   | Opening Balance | Employees Contribution | Contribution by the State Government | Total    | Disbursed to NSDL | Short Transfer to NSDL |
| 1  | 2               | 3                      | 4                                    | 5        | 6                 | 7                      |
| 2019-20                                      | 7082.67         | 2554.41                | 2,494.40                             | 12131.48 | 3403.90           | 8727.58                |
| 2020-21                                      | 8727.58         | 2,462.94               | 2,870.56                             | 14061.08 | 3418.82           | 10642.26               |
| 2021-22                                      | 10642.26        | 1967.65                | 3143.22                              | 15753.13 | 6702.99           | 9050.14                |
| 2022-23                                      | 9050.14         | 2421.72                | 4186.79                              | 4186.79  | 8194.05           | 7464.60                |
| 2023-24                                      | 7464.60         | 2447.61                | 3197.66                              | 13109.87 | 8704.14           | 4405.73                |
| Source: Finance Accounts of respective years |                 |                        |                                      |          |                   |                        |

During the year 2023-24, total contribution to the NPS was ₹ 5,645.27 crore {Employees' contribution ₹ 2,447.61 crore (Tier-1 ₹ 2,290.01 crore) and Government's contribution ₹ 3,197.66 crore}. The Government transferred ₹ 8,704.14 crore to the Public Account under Major Head 8342-117 Defined Contribution Pension scheme. The Government's contribution to the NPS was less by ₹ 8.35 crore<sup>5</sup>, which resulted in understatement of Revenue Expenditure to that extent. As on 31<sup>st</sup> March 2024, cumulative balance of ₹ 4,405.73 crore is yet to be transfer to NSDL.

The State Government should examine the reasons and put in place a mechanism to ensure that contribution of employees are fully transferred to NSDL in a timely manner.

### Inflexible expenditure

The components of inflexible expenditure, which include among others statutory devolution to local bodies and contribution to Reserve Funds, decreased from ₹ 45,353.83 crore in 2019-20 to ₹ 39,883.14 crore in 2023-24. Inflexible expenditure constituted 8.98 *per cent* of the revenue expenditure during 2023-24, as compared to 10.15 *per cent* during 2022-23. The inflexible expenditure decreased by ₹ 1,478.64 crore (3.57 *per cent*) during 2023 -24 over the previous year.

#### 2.4.2.4 Subsidies

Subsidies given by the State Government during 2019-20 to 2023-24 are shown in **Table 2.20**.

**Table 2.20: Expenditure on subsidies during 2019-20 to 2023-24**

|  | 2019-20  | 2020-21  | 2021-22  | 2022-23  | 2023-24  |
|--|----------|----------|----------|----------|----------|
| Subsidies (₹ in crore)                           | 28385.98 | 40861.58 | 29137.20 | 43158.36 | 48053.50 |
| Subsidies as a percentage of Revenue Receipts    | 10.02    | 15.16    | 8.74     | 10.64    | 11.16    |
| Subsidies as a percentage of Revenue Expenditure | 9.45     | 13.16    | 8.33     | 10.59    | 10.81    |
| Source: Finance Accounts of respective years     |          |          |          |          |          |

<sup>5</sup> State Government contributed ₹ 3,197.66 crore to the NPS against the amount of ₹ 3,206.01 crore (14 *per cent*) to be contributed by Government

Expenditure on subsidies increased from ₹ 28,385.98 crore in 2019-20 to ₹ 48,053.50 crore in 2023-24 i.e. from 10.02 *per cent* of the total revenue receipts in 2019-20 to 11.16 *per cent* in 2023-24. During the current year, subsidies constituted 10.81 *per cent* of the revenue expenditure and 11.16 *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 subsidies of ₹ 17,314.49 crore (36.03 *per cent*) for concession in energy tariff to agriculture pump consumers, (₹ 7,355.91 crore), 'Package scheme of incentives<sup>6</sup>' (₹ 5,700 crore), concession in energy tariff for industrial consumers (₹ 1,200 crore) and concession in energy tariff for powerloom consumers (₹ 1,982 crore).
- Agriculture, Animal Husbandry, Dairy development and Fisheries department, spent a total amount of ₹ 15,561.84 crore as subsidies mainly for Namo Shetkari Mahasanman Nidhi Yojana (₹ 5,512 crore) and premium subsidy under Pradhanmantri Crop Insurance Scheme (₹ 5,154.32 crore).
- The Transport Commissioner booked an expenditure of ₹ 3,960 crore as subsidy for covering the losses incurred by the Maharashtra State Road Transport Corporation (₹ 3,935 crore).
- Social Justice and Special Assistance department gave a subsidy of ₹ 2,606 crore, of which, subsidy of ₹ 1,357 crore was given for Gharkul Yojana for Schedule Castes and Nav Boudh people.
- The subsidy of ₹ 2,956.97 crore given by Food and Civil Supplies Department, mainly included subsidy given for covering deficit in foodgrain transactions (₹ 1,069.55 crore), for covering deficit under National Food Security scheme (₹ 831.47 crore) and for covering deficit under Central Support Price Scheme (₹ 823.12 crore).

#### 2.4.2.5 Financial Assistance by the State Government to Local Bodies and Other Institutions

Financial assistance is provided by the State Government to local bodies and other 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 2023-24 compared to previous years is shown in **Table 2.21**.

<sup>6</sup> In order to encourage the dispersal of industries to the less developed areas the State Government has been giving a Package of Incentives to New / Expansion units to set up in the developing region of the state since 1964 under a scheme popularly known as Package Scheme of Incentives

Table 2.21: Financial Assistance to Local Bodies, etc.

(₹ in crore)

| Institutions   | 2019-20          | 2020-21          | 2021-22          | 2022-23          | 2023-24          |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>(A) Local Bodies</b>  |                  |                  |                  |                  |                  |
| Municipal Corporations and Municipalities                                    | 30802.66         | 30101.99         | 36340.72         | 40832.22         | 52755.18         |
| Panchayati Raj Institutions  | 26620.62         | 28724.25         | 29417.83         | 37504.47         | 42463.31         |
| <b>Total (A)</b>   | <b>57423.28</b>  | <b>58826.24</b>  | <b>65758.55</b>  | <b>78336.69</b>  | <b>95218.49</b>  |
| <b>(B) Others</b>  |                  |                  |                  |                  |                  |
| Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.) | 36674.10         | 35899.78         | 39536.97         | 47821.21         | 54108.80         |
| Development Authorities  | 584.31           | 2303.49          | 1631.33          | 4511.15          | 3302.54          |
| Hospitals and Other Charitable Institutions                                  | 5364.44          | 7345.86          | 9693.05          | 8030.81          | 10054.35         |
| Other Institutions   | 34158.76         | 29405.90         | 38152.96         | 49090.03         | 42184.68         |
| <b>Total (B)</b>   | <b>76781.61</b>  | <b>74955.03</b>  | <b>89014.31</b>  | <b>109453.20</b> | <b>109650.37</b> |
| <b>Total (A+B)</b>   | <b>134204.89</b> | <b>133781.27</b> | <b>154772.86</b> | <b>187789.89</b> | <b>204868.86</b> |
| <b>GIA on Salary</b>   | <b>60540.17</b>  | <b>61045.62</b>  | <b>65811.92</b>  | <b>76234.13</b>  | <b>82969.33</b>  |
| <b>GIA for creation of Capital assets</b>                                    | <b>1234.66</b>   | <b>1686.84</b>   | <b>1254.48</b>   | <b>1891.15</b>   | <b>2018.02</b>   |
| <b>GIA for non-salary</b>  | <b>69840.58</b>  | <b>69002.46</b>  | <b>84254.44</b>  | <b>100188.57</b> | <b>113393.83</b> |
| <b>GIA given in kind</b>   | <b>37.35</b>     | <b>97.53</b>     | <b>220.26</b>    | <b>304.01</b>    | <b>267.19</b>    |
| Revenue Expenditure  | 300305.21        | 310609.76        | 349685.89        | 407614.40        | 444350.46        |
| Assistance as percentage of Revenue Expenditure                              | 44.69            | 43.07            | 44.26            | 46.07            | 46.11            |
| Source: Finance Accounts of respective years                                 |                  |                  |                  |                  |                  |

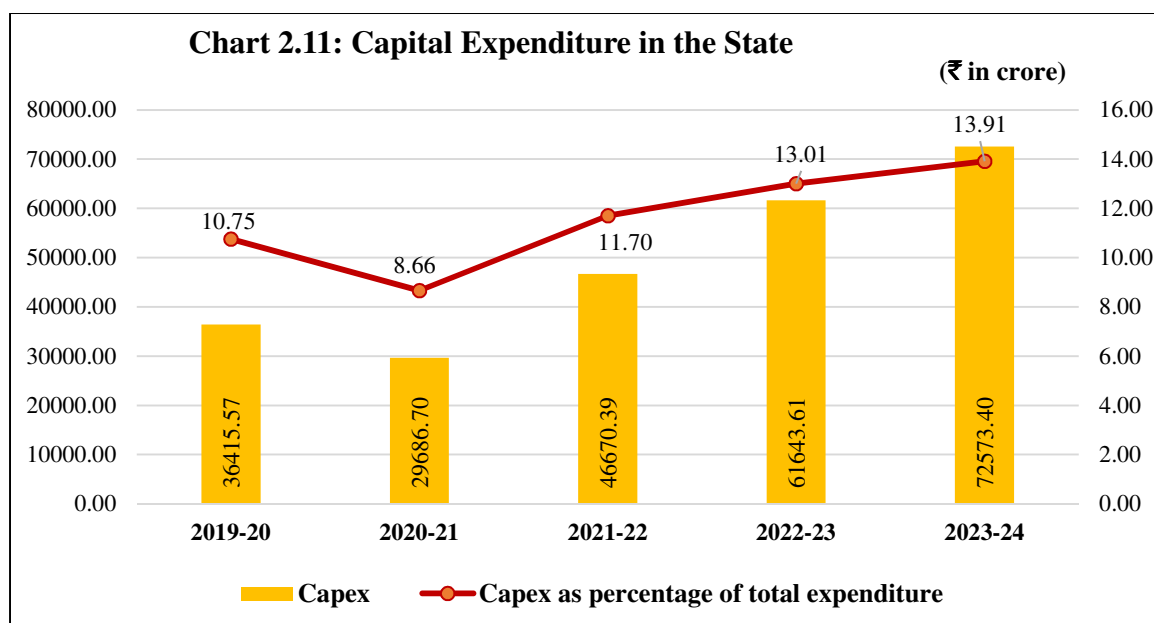
The financial assistance to local bodies and other institutions has increased by ₹ 16,881.8 crore (21.55 *per cent*) in 2023-24 as compared to 2022-23. During 2023-24, the State Government released an amount of ₹ 26,851.24 crore assistance to Municipal Corporations for loss of revenue arising due to implementation of GST as compared to ₹ 24,448.79 crore released in 2022-23.

Grantee institutions under 'Others' category received substantial assistance during 2019-20 to 2023-24. The 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 ₹ 20,030.51 crore (11.21 *per cent*) during 2023-24 as compared to 2022-23. 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 40.50 *per cent*, 55.35 *per cent*, 0.99 *per cent* and 0.13 *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 (2019-20 to 2023-24) is given in **Chart 2.11**.



(Source: Finance Accounts of respective years)

During 2023-24, Capital outlay (₹ 72,573.40 crore) constituted 13.91 *per cent* of the total expenditure. Capital outlay increased by 17.73 *per cent* (₹ 10,929.79 crore) during 2023-24 as compared to 2022-23. Of the total capital outlay of ₹ 72,573.40 crore incurred in 2023-24, ₹ 26,374.51 crore (36.34 *per cent*) was spent on roads and bridges, ₹ 14,921.12 crore (20.56 *per cent*) was spent for irrigation and flood control activities followed by ₹ 5,001.79 crore (6.89 *per cent*) for agriculture and allied services.

#### 2.4.3.1 Major changes in Capital Expenditure

**Table 2.22** highlights significant variations under various Heads of Accounts with regard to capital outlay of the State during 2022-23 and 2023-24.

**Table 2.22: Capital outlay during 2023-24 compared to 2022-23**

| Major Heads of Accounts                                | 2022-23  | 2023-24  | (₹ in crore)                  |
|--|----------|----------|-------------------------------|
|  |          |          | Increase (+)/<br>Decrease (-) |
| 4070 - Capital Outlay on Other Administrative Services | 1402.74  | 2737.43  | 1334.69                       |
| 4210-Capital Outlay on Medical and Public Health       | 1724.17  | 3960.66  | 2236.49                       |
| 4217 - Capital Outlay on Urban Development             | 5048.97  | 8042     | 2993.03                       |
| 4402-Capital Outlay on Soil and Water Conservation     | 2152.57  | 3008.52  | 855.95                        |
| 4408 - Capital Outlay on Food Storage and Warehousing  | 3228.4   | 120.63   | (-)3107.77                    |
| 4700 - Capital Outlay on Major Irrigation              | 641.65   | 8526.66  | 7885.01                       |
| 4701-Capital Outlay on Major and Medium Irrigation     | 8699.91  | 3599.03  | (-)5100.88                    |
| 4702-Capital Outlay on Minor Irrigation                | 1617.26  | 2348.84  | 731.58                        |
| 4801 - Capital Outlay on Power Projects                | 492.52   | 1455.53  | 963.01                        |
| 5054-Capital Outlay on Roads and Bridges               | 25795.11 | 26374.51 | 579.40                        |

Source: Finance Accounts of respective years

Capital outlay on Roads and bridges included, among others, an amount of ₹ 6,445.18 crore as government share in construction of roads and bridges project on hybrid annuity basis, ₹ 13,016.02 crore for 'District and other roads' and ₹ 3,129.47 crore for 'State Highways'. Capital outlay on medium irrigation decreased by ₹ 5,100 crore due to reduced share capital contribution to Irrigation Development Corporations in Maharashtra for Medium irrigation works. Capital Outlay on Food

Storage and Warehousing decreased considerably as Expenditure under Civil Supplies decreased by ₹ 2,713.69 crore and recoveries and receipts on Capital Accounts increased by ₹ 3,833.59 crore.

### 2.4.3.2 Quality of Capital Expenditure

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 have 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.

Out of the total Capital outlay of ₹ 72,573.40 crore, Government had invested ₹ 18,476.99 crore in Statutory Corporations, ₹ 2,917.99 crore in Government Companies, ₹ 60.79 crore in Rural Banks and ₹ 52.51 crore in Co-operative Banks/Societies and Local Bodies in 2023-24.

As on 31 March 2024, the Government of Maharashtra invested ₹ 2,28,950.40 crore in statutory corporations, rural banks, joint stock companies and co-operatives (**Table 2.23**). The state Government earned a return of ₹ 72.10 crore on these investments during 2023-24. The average rate of return on investment was 0.03 *per cent* during the five-year period from 2019-20 to 2023-24, while the average rate of interest paid by the State Government during the period was 6.43 *per cent*.

**Table 2.23: Return on Investment**

| Investment/Return/ Cost of borrowings  | 2019-20     | 2020-21     | 2021-22     | 2022-23     | 2023-24     |
|--|-------------|-------------|-------------|-------------|-------------|
| Investment at the end of the year (₹ in crore)   | 165024.85   | 173983.84   | 188658.45   | 207442.12   | 228950.40   |
| Return on investment (₹ in crore)  | 56.53       | 401.02      | 88.36       | 36.01       | 72.10       |
| Return on investment ( <i>per cent</i> )   | 0.03        | 0.23        | 0.05        | 0.02        | 0.03        |
| Average rate <sup>7</sup> of interest on Government Borrowings ( <i>per cent</i> )   | 7.32        | 7.19        | 6.96        | 6.58        | 6.43        |
| Difference between return on investment and rate of interest paid ( <i>per cent</i> )  | (-)7.29     | (-)6.96     | (-)6.91     | (-)6.56     | (-)6.40     |
| Difference between and return on investment <sup>8</sup> and interest on Government borrowings (₹ in crore)  | (-)12030.31 | (-)12109.28 | (-)13036.30 | (-)13613.68 | (-)14652.83 |
| <sup>8</sup> Investment at the end of the year multiplied by difference between interest rate and return.<br>(-) sign indicates that rate on investment was lower than the rate of interest paid on government borrowings.<br>Source: Finance Accounts of respective years |             |             |             |             |             |

<sup>7</sup> Average rate of interest on Government borrowings = Interest payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]\*100

Information furnished by the Commissioner for Co-operation and Registrar of Co-operative Societies showed that of the 23,089 societies with an aggregate Government investment of ₹ 2,847.34 crore (equity: ₹ 54 crore and loan: ₹ 2,793.34 crore), 12,151 societies had incurred accumulated losses of ₹ 7,385.97 crore.

#### Quantum of loans disbursed and recovered (2019-20 to 2023-24)

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 2019-20 to 2023-24 is given in **Table 2.24**.

**Table 2.24: Position of Loans and Advances**

| (₹ in crore)   |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|
| Quantum of Loans/Interest receipts/Cost of borrowings                                  | 2019-20  | 2020-21  | 2021-22  | 2022-23  | 2023-24  |
| Opening balance of Loans outstanding   | 25745.56 | 26100.55 | 26830.05 | 28087.20 | 32109.00 |
| Amount advanced during the year  | 1969.86  | 2341.85  | 2436.03  | 4664.41  | 4974.16  |
| Amount recovered during the year   | 1614.87  | 1612.35  | 1178.88  | 642.62   | 742.20   |
| Closing balance of the Loans outstanding   | 26100.55 | 26830.05 | 28087.20 | 32109.00 | 36340.95 |
| Interest received  | 322.00   | 315.87   | 202.05   | 180.85   | 167.59   |
| Interest rate <sup>8</sup> on Loans and Advances given by the Government               | 1.24     | 1.19     | 0.74     | 0.60     | 0.49     |
| Rate of Interest paid on the outstanding borrowings of the Government                  | 7.32     | 7.19     | 6.96     | 6.58     | 6.43     |
| Difference between the rate of interest paid and interest received ( <i>per cent</i> ) | (-)6.08  | (-)6.00  | (-)6.22  | (-)5.98  | (-)5.94  |
| 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.

<sup>8</sup> Interest rate on Loans and Advances given by the Government = Interest received/ {(Opening balance + closing balance of loan and advances)/2} \*100

**Table 2.25** 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 2023-24, taking 2019-20 as the base year.

**Table 2.25: Fiscal Priority of the State in 2019-20 and 2023-24**

| Particulars   | (in per cent) |            |            |           |                                       |                                      |
|---|---------------|------------|------------|-----------|---------------------------------------|--------------------------------------|
|   | TE/<br>GSDP   | SSE/<br>TE | ESE/<br>TE | CE/<br>TE | Expenditure<br>on<br>Education/<br>TE | Expendi-<br>ture on<br>Health/<br>TE |
| Average General category States' 2019-20                                | 15.88         | 37.04      | 29.54      | 14.02     | 15.79                                 | 5.25                                 |
| Maharashtra 2019-20   | 12.75         | 37.99      | 25.67      | 11.33     | 18.31                                 | 4.34                                 |
| Average of General Category States' 2023-24                             | 15.66         | 37.92      | 30.01      | 16.50     | 14.36                                 | 5.71                                 |
| Maharashtra 2023-24   | 12.90         | 39.66      | 26.20      | 14.86     | 17.18                                 | 4.63                                 |
| Source: Finance Accounts 2023-24 and compilation report of SFAR 2023-24 |               |            |            |           |                                       |                                      |

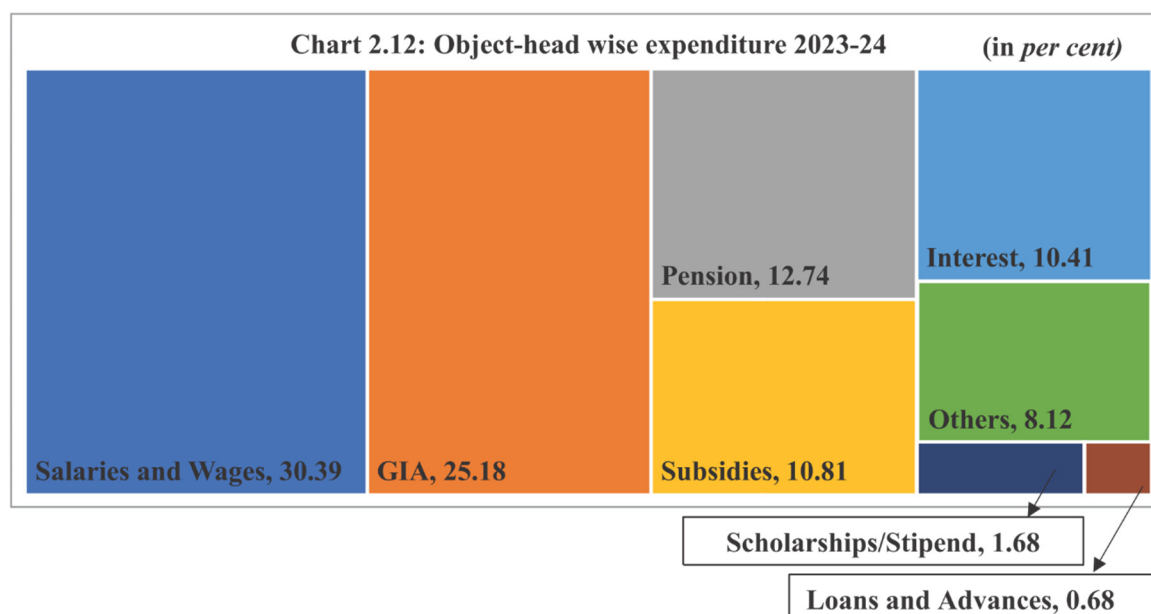
**Table 2.25** indicates the following:

- The State Government's total expenditure as proportion of GSDP increased from 12.75 *per cent* in 2019-20 to 12.90 *per cent* in 2023-24 whereas for average of General Category States' it slightly decreased from 15.88 *per cent* to 15.66 *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 11.33 *per cent* in 2019-20 to 14.86 *per cent* in 2023-24. This ratio for the average of general category states also increased from 14.02 *per cent* to 16.50 *per cent* during the same period.
- The ratio of expenditure on education to the total expenditure in Maharashtra decreased from 18.47 *per cent* in 2019-20 to 17.65 *per cent* in 2023-24, while in the case of average of General category States it increased from 15.79 *per cent* to 17.65 *per cent* during the same period.
- The ratio of expenditure on health to total expenditure in Maharashtra increased slightly from 4.34 *per cent* in 2019-20 to 4.63 *per cent* in 2023-24, which was lower than the average of general category states at 5.71 *per cent* in 2023-24.

#### 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 2023-24 is shown in **Chart 2.12**.





(Source: Finance Accounts 2023-24)

Salaries constituted 30 *per cent* of the revenue expenditure followed by GIA at 25 *per cent*, pension 13 *per cent*, interest 10 *per cent* and subsidies at 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 2.26**.

**Table 2.26: Component-wise net balances in Public Account**

|  |   | ₹ in crore) |         |         |         |         |
|--|---|-------------|---------|---------|---------|---------|
| Sector   | Sub Sector                                  | 2019-20     | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| I. Small Savings, Provident Funds, <i>etc.</i> | Small Savings, Provident Funds, <i>etc.</i> | 1766.69     | 739.89  | 966.64  | 576.44  | 526.53  |
| J. Reserve Funds                               | (a) Reserve Funds bearing Interest          | 3781.61     | 657.53  | 156.33  | 712.25  | 2114.00 |
|  | (b) Reserve Funds not bearing Interest      | 6666.75     | 4512.62 | 8527.48 | 5247.20 | 7671.17 |
| K. Deposits and Advances                       | (a) Deposits bearing Interest               | 5886.57     | 5674.11 | 2105.43 | 1170.28 | 1461.75 |
|  | (b) Deposits not bearing Interest           | (-)686.58   | 333.23  | 500.73  | 2553.55 | 8609.51 |



| Sector  | Sub Sector  | 2019-20         | 2020-21         | 2021-22         | 2022-23         | 2023-24         |
|---|---|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | (c) Advances                                      | 3.67            | (-)1.20         | (-)2.51         | (-)1.40         | 7.40            |
| L. Suspense and Miscellaneous   | (a) Suspense                                      | 289.60          | (-)329.48       | 112.51          | (-)29.85        | 15.69           |
|   | (b) Other Accounts                                | 3265.52         | 29.13           | 7065.46         | 10737.42        | (-)6870.60      |
|   | (c)Accounts with Governments of Foreign Countries | 0               | 0.00            | (-)1.60         | 0.00            | 0.00            |
|   | (d) Miscellaneous                                 | 0.01            | 0.00            | 1.60            | (-)1.15         | (-)1.53         |
| M. Remittances  | (a) Money Orders, and Other Remittances           | (-)1664.09      | 2128.66         | (-)595.18       | 524.50          | (-)390.79       |
|   | (b) Inter-Governmental Adjustment Account         | (-)4.67         | (-)0.81         | 6.45            | 4.00            | 1.57            |
| <b>TOTAL</b>  |   | <b>19305.08</b> | <b>13743.68</b> | <b>18843.34</b> | <b>21493.24</b> | <b>13144.70</b> |
| Note: +ve denotes debit balance and -ve denotes credit balances #Lower rounding<br>Source: Finance Accounts of respective years |   |                 |                 |                 |                 |                 |

The net balances in the Public Account decreased by ₹ 8,348.54 crore (38.84 *per cent*) from ₹ 21,493.24 crore in 2022-23 to ₹ 13,144.70 crore in 2023-24. 'Other accounts' under 'Suspense and Miscellaneous' head showed a negative balance of ₹ 6,870.60 crore due to realization of cheques being more than the cheques issued during the year owing to clearance of previous year's cheques.

## 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 2024, there were 21 active Reserve Funds earmarked for specific purposes. Out of these, 13 funds were operative (₹ 83,148.12 crore) and the remaining eight were inoperative (₹ 32.23 crore). The total accumulated balance at the end of 31 March 2024 in these funds was ₹ 83,180.35 crore, out of which ₹ 7,634.77 crore was under interest bearing Reserve Fund and ₹ 75,545.58 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 as an amortization fund for

redemption of the outstanding liabilities of the Government commencing from the financial year 2022-23. In terms of the revised guidelines, the Government may 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 the year 2023-24, Government contributed ₹ 3,000 crore as against ₹ 3,303.77 crore. The total accumulation of the Fund was ₹ 67,621.08 crore as on 31 March 2024.

#### **2.5.2.2 State Disaster Response Fund**

The State Disaster Response Fund (SDRF) was constituted in 2010-11 for the expenditure to provide immediate relief to the victims of cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst, pest attack and frost and cold wave under the provision of Disaster Management Act, 2005. The State Disaster Mitigation fund (SDMF) was constituted under section 48(1)(c) of the Disaster Management Act, 2005 vide Government of Maharashtra vide notification No. DMU.2021/CR.76/DM-1 dated 9 September, 2021. This fund is exclusively for the purpose of mitigation project in respect of disasters covered under SDRF/National Disaster Response Fund (NDRF) guidelines and state specific local disaster notified by the State Government from time to time. Fifteenth Finance Commission has recommended the creation of funds for disaster mitigation along with disaster response, which will now together be called National Disaster Risk Management Fund (NDRMF) and State Disaster Risk Management Funds (SDRMF).

As per the recommendation of the Fifteenth Finance Commission the annual contribution to the SDRF and SDMF is in the ratio of 75:25 between Central and State Government.

During the year 2023-24, the State Government received ₹ 2,841.60 crore as GoI share towards SDRF. The State Governments share during the year was ₹ 947.20 crore. The State Government transferred ₹ 3,788.80 crore (Central share ₹ 2,841.60 crore, State share ₹ 947.20 crore) to the Fund under Major Head 8121-122 SDRF.

An amount of ₹ 2,692.81 crore was set off in the Major Head 2245 as expenditure met from the Fund and no amount was invested from the Fund. The closing balance as on 31 March 2024 was ₹ 1,095.99 crore in the SDRF.

The State Government's received ₹ 433.80 crore as Central Government's share towards SDMF for 2023-24. The State Government's share during the year is ₹ 112.80 crore. The State Government transferred ₹ 546.60 crore (Central share ₹ 433.80 crore, State share ₹ 112.80 crore) to the Fund under Major Head 8121-130 SDMF.

An amount of ₹ 14.25 crore was set off in the Major Head 2245 as expenditure incurred from the Fund and the balance amount was not invested from the Fund. The closing balance as on 31 March 2024 was ₹ 2,606.35 crore in the Fund.

The details of the fund viz SDRF and SDMF are given in **Table 2.27**.

**Table 2.27 GoI and State share in SDRF and SDMF**

(₹ in crore)

| Fund | Opening balance as on 01.04.2023 | GoI share received during 2023-24 | State share during 2023-24 | Assistance received from NDRF | Total fund transferred during 2023-24 | Disbursement from the fund | Balance as on 31.03.2024 |
|------|----------------------------------|-----------------------------------|----------------------------|-------------------------------|---------------------------------------|----------------------------|--------------------------|
| SDRF | NIL                              | 2841.60                           | 947.20                     | NIL                           | 3788.80                               | 2692.81                    | 1095.99                  |
| SDMF | 2074                             | 433.80                            | 112.80                     | NIL                           | 546.60                                | 14.25                      | 2606.35                  |

Source: Appropriation Accounts 2023-24

Details of expenditure for Relief on account of National calamities (MH 2245) during the year 2023-24 are presented in **Table 2.28**.

**Table 2.28 Details of expenditure for Relief on account of National Calamities**

(₹ in crore)

| Major Head of Account   | Minor Head of Account   | Expenditure during 2023-24 |
|---|---|----------------------------|
| 2245- Relief on Account of Natural Calamities<br>02-Floods, Cyclones etc. | 101-Gratuitous Relief   | 4495.96                    |
|   | 113-Assistance for repairs/reconstruction houses                                  | 35.97                      |
|   | 115-Assistance to farmers to clear sand/silt/salinity from lands                  | 35.00                      |
|   | 117-Assistance to farmers for purchase of livestock                               | 13.92                      |
|   | 118-Assistance for Repairs/Replacement of damaged boats and equipment for fishing | 0.62                       |
|   | 119-Assistance to artisans for repairs/replacement of damaged tools and equipment | 8.02                       |
|   | 800-Other expenditure   | 0.10                       |
|   | <b>Sub Total 02</b>   | <b>4589.59</b>             |
| 2245- Relief on Account of Natural Calamities<br>80- General              | 800-Other Expenditure   | 1.42                       |
|   | 911- Deduct-Recoveries of Overpayments  | (-)1.49                    |
|   | <b>Sub-Total 80</b>   | <b>(-)0.07</b>             |
| <b>Grand Total</b>  |   | <b>4589.52</b>             |

Source: Finance Accounts 2023-24

### 2.5.2.3 Guarantee Redemption Fund

In terms of the Twelfth Finance Commission, GoM vide notification dated 20 December 2018, created Guarantee Redemption Fund in 2018-19 to meet contingent liabilities arising from the Guarantees given by the State Government in respect of bonds issued and other borrowings by the State Level Undertakings or other bodies and invoked by the 'beneficiaries'. 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 fund shall be set up by the Government with an initial contribution of minimum one *per cent* of outstanding guarantees at the end of the previous year beginning with the financial year 2018-19. 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 2023-24, the State Government contributed ₹ 327.31 crore as against ₹ 317.60 crore required to be contributed to the fund received. The total accumulation of the fund was ₹ 1,669.39 crore as on 31 March 2024.

As per the notification, the Fund shall be utilized for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Level Undertakings or other bodies and invoked by the 'beneficiaries'. However, it was noticed that during 2019-20 to 2023-23, the guarantees discharged were not made from the fund, instead it was booked as revenue expenditure under the functional revenue head. There were no discharges during 2023-24.

#### **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<sup>9</sup>. 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).

During 2023-24, the State Government did not receive any amount (Nil in previous year) from the user agencies and hence no amount was remitted to the National Fund against the 10 *per cent* share (Nil in previous year). The Government received ₹ 211.01 crore (Nil in previous year) from National Compensatory Afforestation Deposit and ₹ 458.26 crore from State Compensatory Afforestation Fund (SCAF). The Government incurred an expenditure of ₹ 417.32 crore from the Fund. During the year the Government did not invest any amount

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<sup>9</sup> "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

from the balance in the Fund. The balance in the State Compensatory Afforestation Fund as on 31 March 2024 was ₹ 3,033.72 crore.

#### 2.5.2.5 Collection of 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. As per State Government Resolution issued on 17 June 2010, Cess at one per cent of construction cost is to be collected and the cess thus collected by the authorities concerned like Government Offices, the Public Sector Undertaking and the local authorities is to be deposited into the account maintained by the Board within 30 days of its collection. The Cess collected is directly credited to the Board's account and not routed through Government accounts. The cess collected is remitted to the Board and the Board is responsible for the operation and maintenance of the amount credited as labour cess.

As per information furnished by Maharashtra Building and Other Construction Workers Welfare Board, the Cess collected during 2022-23 was ₹ 2,483.92 crore and during 2023-24 was ₹ 3,193.27 crore. The Board has created a fund in which the cess collected is remitted. The department has not furnished details of expenditure incurred from the Fund, and the balance available as on 31 March 2024.

During the year 2023-24, the Government collected ₹ 906.53 crore as cess other than Labour Cess, which included education cess (₹ 876.78 crore) and health cess (₹ 4.76 crore) and cess under other Acts (₹ 24.99 crore). The total collection of ₹ 906.53 crore, was not transferred to the designated fund (Major Head 8229-00-101) 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 (erstwhile Central Road fund) 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 2023-24, the State Government received grants of ₹ 886.63 crore towards CRIF. The State Government transferred the entire amount of ₹ 886.63 crore to 8449 – 103 – 64 Subventions from Central Road and Infrastructure Fund in the Public Account as on 31 March 2024. From the fund, the State Government incurred an expenditure of ₹ 398.98 crore on ‘Roads and Bridges’ and ₹ 487.65 crore on ‘Districts and Other Roads’.

#### **2.5.2.7 National Mineral Exploration Trust (NMET)**

National Mineral Exploration Trust (NMET) was established in August 2015 under Section 9C (1) (inserted vide amendment in 2015) of the Mines and Mineral (Development and Regulation) – MMDR Act, 1957. Section 9C (4) of the Act states that the holder of a mining lease or a mineral concession shall pay to the Trust, a sum equivalent to two *per cent* of the royalty paid in terms of the Second Schedule, in such manner as may be prescribed by the Central Government.

Rule 7(6) of the NMET Rules, 2015 states that the responsibility of collection and depositing the amount so collected in the Trust Fund and maintaining necessary accounts to be shared with the Central Government shall be that of the State Government. Further, Rule 7(7) states that the State Government shall provide information regarding amount paid pursuant to Sub-Section (4) of Section 9C of the Act and royalty payments to the India Bureau of Mines on a monthly basis.

As per the accounting procedure, the State Government on receipt of the royalty, classifies the entire receipt under Major Head 0853 – 102 – Mineral concessions, fees and royalties. Thereafter, required amount is transferred in the Public Account of the State under Major Head 8449 – 123 - NMET. The accretions are thereafter periodically transferred to the NMET under Public Account of India. The NMET Fund is non-lapsable and non-interest-bearing fund created under the Public Account of India.

During the year 2023-24, the State Government collected ₹ 3,148.58 crore being royalty on account of major mineral concessions, fees and royalties: two *per cent* royalty for NMET being ₹ 62.97 crore. The Government deposited ₹ 3,085.61 crore (98 *per cent*) under Major Head 0853-Non-Ferrous Mining and Metallurgical Industries. The State Government transferred ₹ 61.72 crore (two *per cent* of the collection) under Major Head 8449-Other Deposits-123- National Mineral Exploration Trust Deposit, to the National Mineral Exploration Trust.

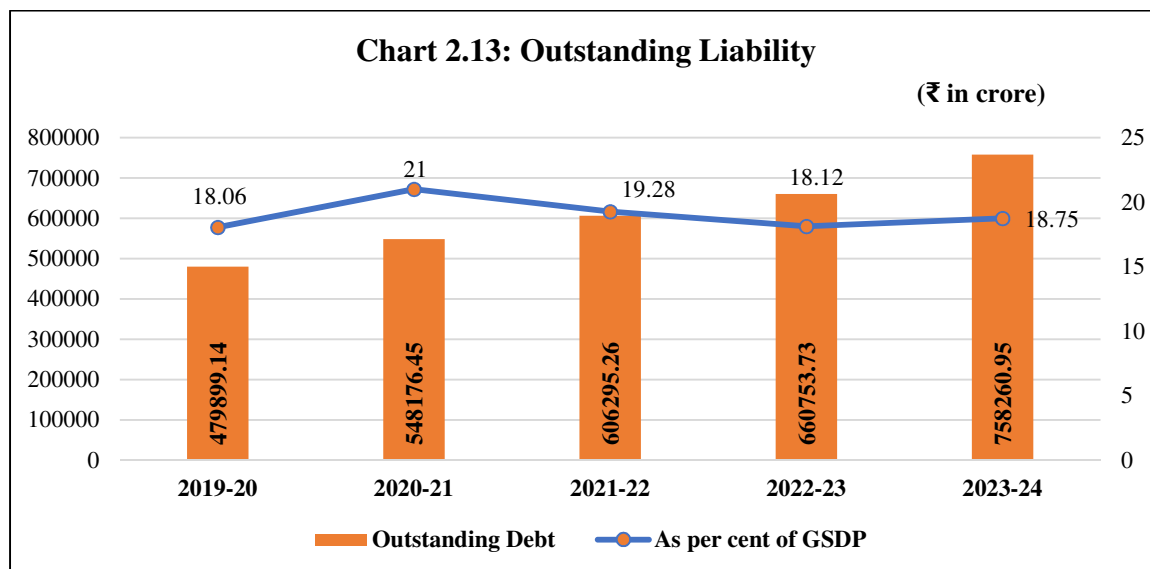
The short transfer/ non-transfer of ₹ 1.25 crore from the consolidated Fund of the State to the Public Account resulted in understatement of revenue expenditure to that extent.

## **2.6 Public Liability Management**

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



(Source: Finance Accounts of respective years)

The outstanding liabilities of the State increased from ₹ 4,79,899.14 crore in 2019-20 to ₹ 7,58,260.95 crore at the end of 2023-24. The outstanding debt to GSDP ratio of 18.75 *per cent* during 2023-24 was higher than the limits prescribed by the FRBM Act (18.23<sup>10</sup> *per cent*).

### 2.6.1 Liability Profile: Components

Total debt of the State Government typically constitutes internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government and Public Account Liabilities. The MFRBM Act, 2005 defines 'total liabilities' as the liabilities under the Consolidated Fund and the Public Account of the State.

Outstanding debt, total debt received, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2019-20 to 2023-24 are given in **Table 2.29**.

**Table 2.29: Component wise Public liability trends**

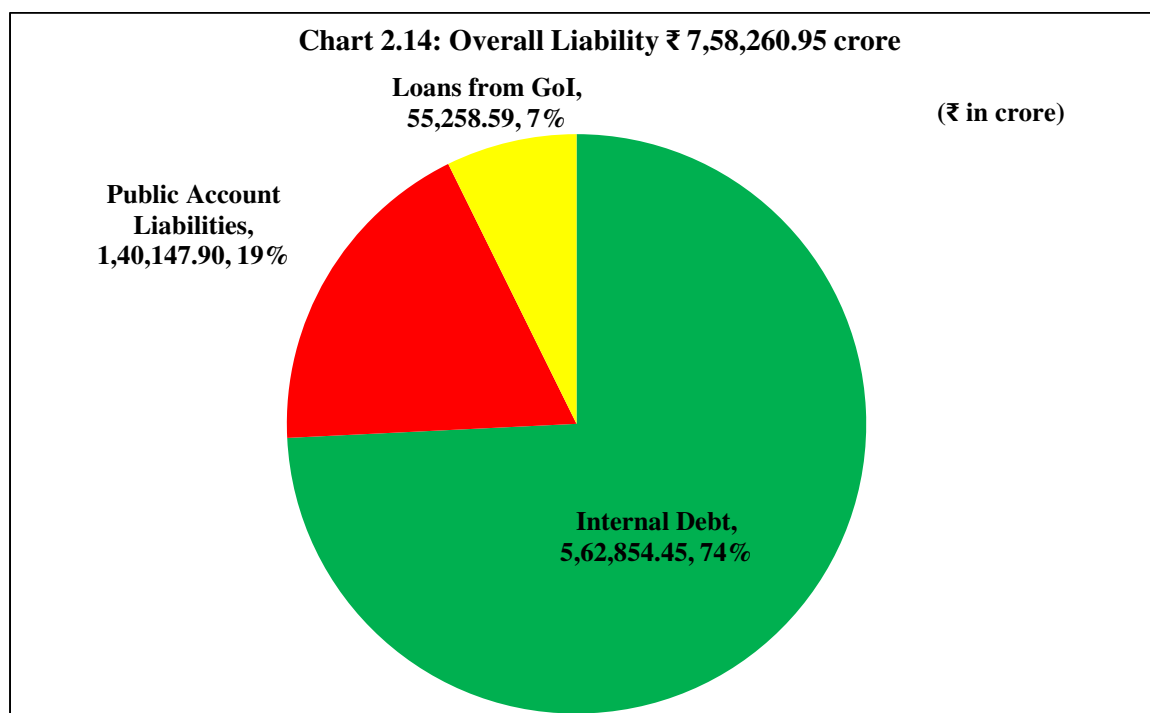
|   | (₹ in crore)            |                       |                       |           |           |
|---|-------------------------|-----------------------|-----------------------|-----------|-----------|
| Components of fiscal liability                | 2019-20                 | 2020-21               | 2021-22               | 2022-23   | 2023-24   |
| Total Outstanding Liabilities (A+B)           | 479899.14 <sup>\$</sup> | 548176.45             | 606295.26             | 660753.73 | 758260.94 |
| Public debt (A)                               | 367552.41               | 428481.78             | 483035.30             | 532942.35 | 618113.04 |
| Internal debt                                 | 361132.26               | 408036.24             | 445079.61             | 485782.24 | 562854.45 |
| Loans from GoI                                | 6420.15                 | 20445.54 <sup>#</sup> | 37955.69 <sup>#</sup> | 47160.11  | 55258.59  |
| Public Account Liabilities (B)                | 112346.73               | 119694.67             | 123259.96             | 127811.38 | 140147.91 |
| (i) Small Savings, Provident Fund <i>etc.</i> | 27450.40                | 28190.29              | 29156.93              | 29733.37  | 30259.90  |
| (ii) Reserve funds bearing interest           | 3985.08                 | 4642.62               | 4798.95               | 5511.20   | 7624.75   |
| (iii) Reserve funds not bearing interest      | 7721.83                 | 7665.02               | 7501.17               | 7040.07   | 6665.25   |

<sup>10</sup> The MTFPS of the respective years does not indicate the specific targets for outstanding liabilities to GSDP, but only states that the total state borrowings should be within 25 *per cent* of the state GSDP. Hence the budget estimates of the respective years are taken as targets

| Components of fiscal liability  | 2019-20        | 2020-21        | 2021-22        | 2022-23        | 2023-24        |
|---|----------------|----------------|----------------|----------------|----------------|
| (iv) Deposits bearing interest  | 52079.34       | 57753.45       | 59858.88       | 61029.16       | 62490.91       |
| (v) Deposits not bearing interest   | 21110.07       | 21443.30       | 21944.03       | 24497.58       | 33107.10       |
| Rate of growth of outstanding liability (percentage)  | 9.87           | 14.23          | 10.60          | 8.98           | 14.76          |
| Gross State Domestic Product (GSDP)   | <b>2656806</b> | <b>2610651</b> | <b>3144138</b> | <b>3645884</b> | <b>4044251</b> |
| Liability /GSDP ( <i>per cent</i> )   | 18.06          | 21.00          | 19.28          | 18.12          | 18.75          |
| Total Receipts under public debt & other liabilities  | 130325.03      | 171674.22      | 156649.53      | 162828.08      | 212042.17      |
| Total Repayments under public debt & other liabilities  | 87212.01       | 103396.91      | 98530.72       | 108369.61      | 114534.96      |
| Net funds Available   | 43113.02       | 68277.31       | 58118.81       | 54458.47       | 97507.21       |
| Debt Repayments/ Debt Receipts ( <i>per cent</i> )  | 66.92          | 60.23          | 62.90          | 66.55          | 54.01          |
| <sup>s</sup> Increased by ₹ 4.18 crore due to Proforma correction owing to waiver of ₹ 3.58 crore on excess instalment paid against Union Loans and reversal of waiver of ₹ 7.76 crore adjusted in the year 2013-14 based on information received from Ministry of Finance, Department of Expenditure<br><sup>#</sup> Includes back-to-back loan of ₹ 11,977 crore and ₹ 13,782.36 crore received during 2020-21 and 2021-22 respectively from GoI, 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<br>Source: Finance Accounts of respective years |                |                |                |                |                |

The total liabilities of the State increased from ₹ 4,79,899.14 crore in 2019-20 to ₹ 7,58,260.93 crore in 2023-24, registering an increase of 58 *per cent* mainly due to increase in public debt (₹ 2,50,560.62 crore) by 68.17 *per cent* and Public Account liabilities (₹ 27,801.17 crore) by 24.75 *per cent*. During 2023-24, the overall liabilities increased from 8.98 *per cent* in 2022-23 to 14.76 *per cent* in 2023-24. The ratio of fiscal liabilities to GSDP increased from 18.06 *per cent* in 2019-20 to 18.75 *per cent* in 2023-24.

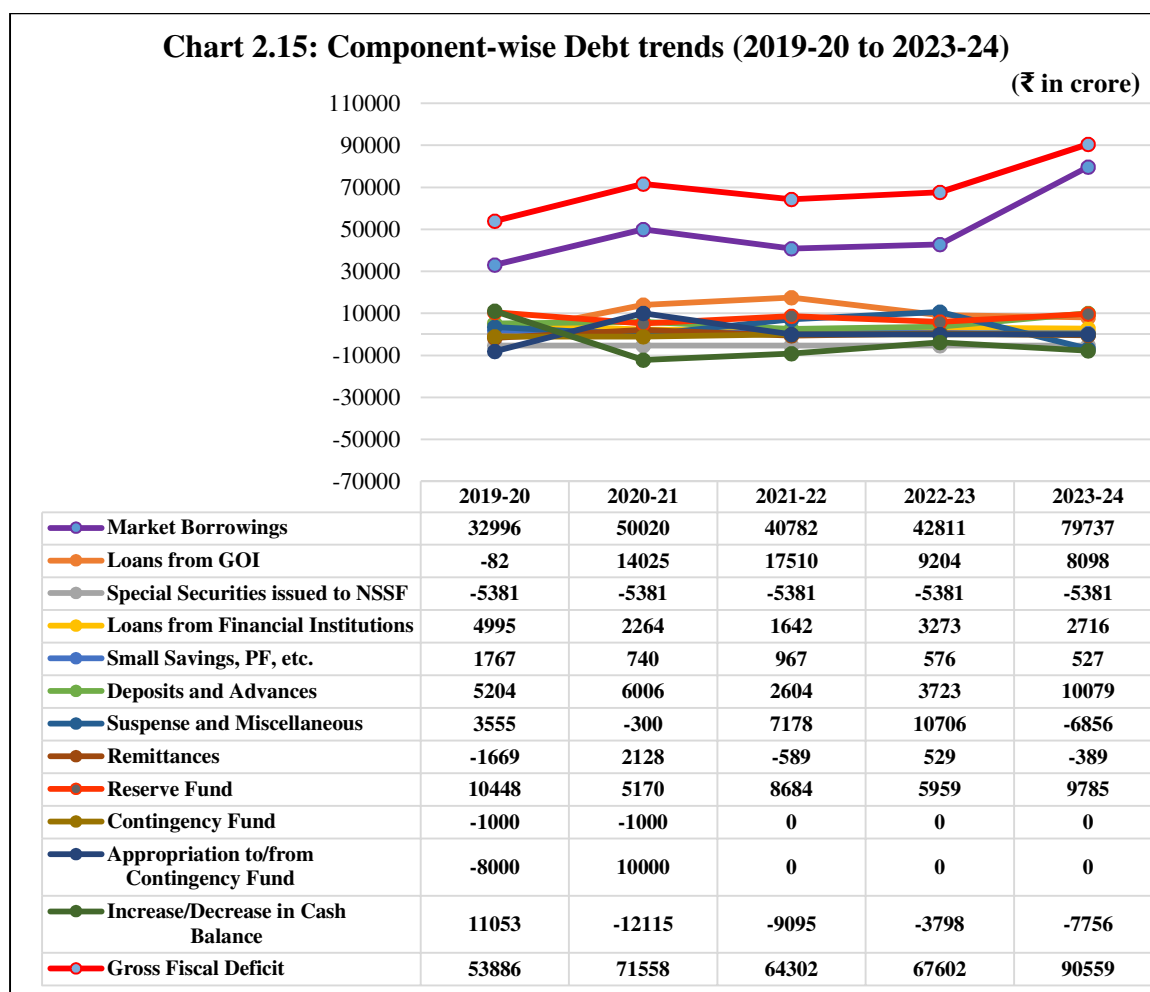
The composition of overall liabilities during 2023-24 is depicted in **Chart 2.14**.



(Source: Finance Accounts 2023-24)

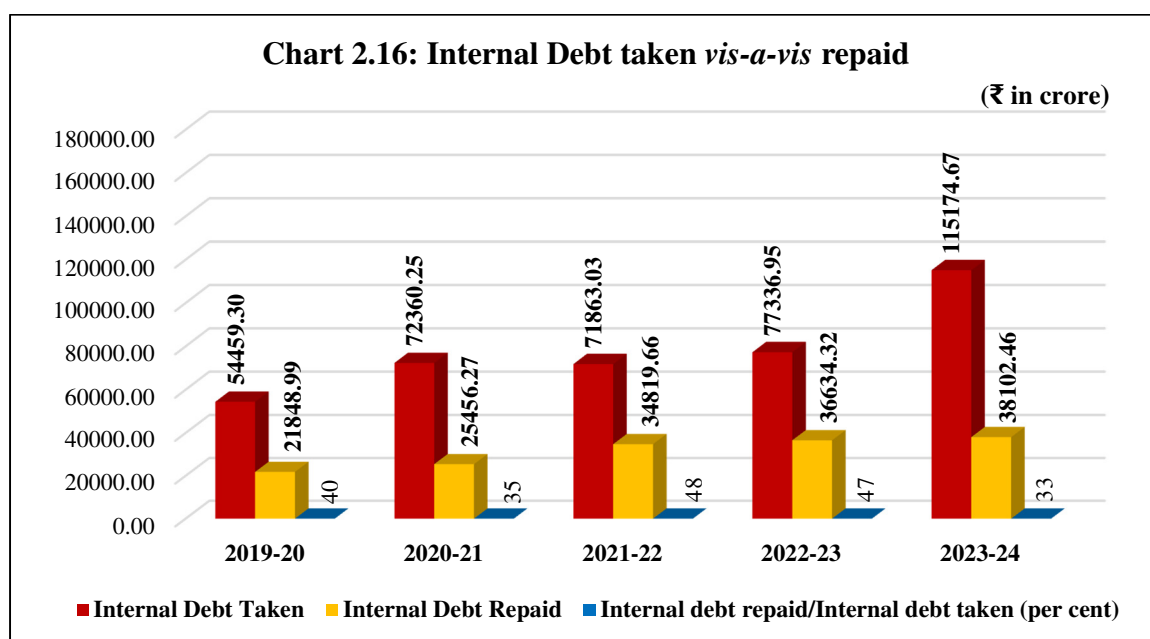


The component-wise liabilities trends for 2019-20 to 2023-24 are shown in **Chart 2.15**.



(Source: Finance Accounts of respective years)

**Chart 2.16** depicts the quantum of internal debt taken *vis-à-vis* repaid during 2019-20 to 2023-24.



(Source: Finance Accounts of respective years)

Internal debt of the State Government increased by ₹ 60,715.37 crore (111.48 *per cent*) from ₹ 54,459.30 crore in 2019-20 to ₹ 1,15,174.67 crore in 2023-24. An amount of ₹ 38,102.46 crore was paid toward interest on internal debt during 2023-24. Further, during 2023-24, 33 *per cent* of internal debt raised was utilized for repayment of earlier debt as against 47 *per cent* in 2022-23.

**Table 2.30** shows an overall deficit (increase in cash balance) after financing the fiscal deficit during 2023-24.

**Table 2.30: Receipts and Disbursements under components financing the Fiscal Deficit in 2023-24**

| (₹ in crore)                     |   |                  |                  |                 |
|----------------------------------|---|------------------|------------------|-----------------|
| Particulars                      |   | Receipt          | Disbursement     | Net             |
| 1                                | Market Borrowings   | 109999.76        | 30262.35         | 79737.41        |
| 2                                | Loans from GOI  | 10646            | 2547.52          | 8098.48         |
| 3                                | Special Securities issued to National Small Savings Fund (NSSF) | 0                | 5380.71          | (-)5380.71      |
| 4                                | Loans from Financial Institutions                               | 5174.91          | 2459.40          | 2715.51         |
| 5                                | Small Savings, PF, etc.   | 5817.97          | 5291.44          | 526.53          |
| 6                                | Deposits and Advances   | 69104.42         | 59025.75         | 10078.66        |
| 7                                | Suspense and Miscellaneous                                      | (-)7414.69       | (-)558.25        | (-)6856.44      |
| 8                                | Remittances   | 55150.87         | 55540.08         | (-)389.22       |
| 9                                | Reserve Fund  | 13838.23         | 4053.06          | 9785.17         |
| 10                               | Contingency Fund  | 0                | 0                | 0.00            |
| 11                               | Appropriation to Contingency Fund                               | 0                | 0                | 0.00            |
| <b>12</b>                        | <b>Overall Deficit</b>  | <b>262316.57</b> | <b>164001.18</b> | <b>98315.39</b> |
| 13                               | Increase (-)/Decrease (+) in cash balance                       | 81490.71         | 89246.74         | (-)7756.03      |
| <b>14</b>                        | <b>Gross Fiscal Deficit</b>                                     | <b>343807.28</b> | <b>253247.92</b> | <b>90559.36</b> |
| Source: Finance Accounts 2023-24 |   |                  |                  |                 |

Fiscal Deficit of the State ranged between 1.85 *per cent* and 2.24 *per cent* of GSDP during 2019-2024. 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.

The financing pattern of fiscal deficit during the five-year period has undergone a compositional shift as reflected in **Table 2.31**.

**Table 2.31: Components of Fiscal deficit and its financing pattern**

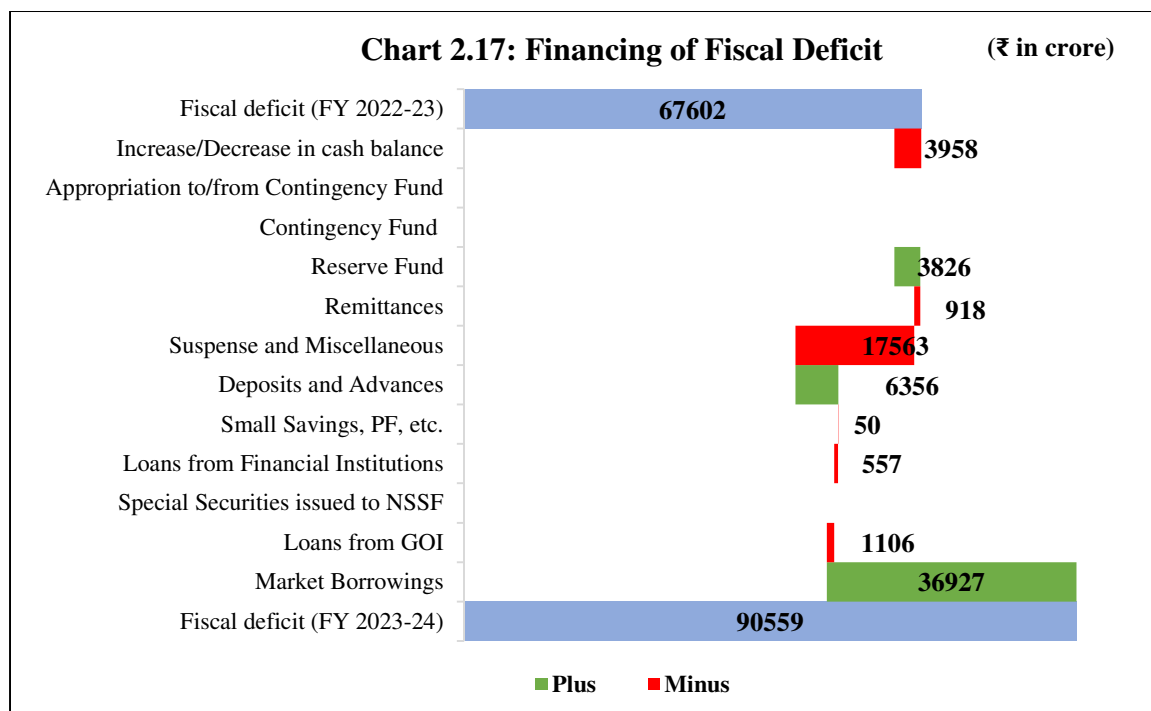
| (₹ in crore)                                |                                   |                 |                       |                       |                 |                 |
|---|-----------------------------------|-----------------|-----------------------|-----------------------|-----------------|-----------------|
| Particulars                                 |                                   | 2019-20         | 2020-21               | 2021-22               | 2022-23         | 2023-24         |
| <b>Composition of Fiscal Deficit</b>        |                                   | <b>53886.19</b> | <b>71558.05</b>       | <b>64301.86</b>       | <b>67601.87</b> | <b>90559.36</b> |
| 1   | Revenue Deficit                   | (-)17115.63     | (-)41141.85           | (-)16374.32           | (-)1936.47      | (-)13754.00     |
| 2   | Net Capital outlay                | (-)36415.57     | (-)29686.70           | (-)46670.39           | (-)61643.61     | (-)72573.40     |
| 3   | Net Loans and Advances            | (-)354.99       | (-)729.50             | (-)1257.15            | (-)4021.79      | (-)4231.96      |
| <b>Financing Pattern of Fiscal Deficit*</b> |                                   |                 |                       |                       |                 |                 |
| 1   | Market Borrowings                 | 32996.31        | 50020.38              | 40781.64              | 42810.77        | 79737.41        |
| 2   | Loans from GoI                    | (-)82.75        | 14025.39 <sup>#</sup> | 17510.15 <sup>#</sup> | 9204.43         | 8098.48         |
| 3   | Special Securities issued to NSSF | (-)5380.71      | (-)5380.71            | (-)5380.71            | (-)5380.71      | (-)5380.71      |

| Particulars  |  | 2019-20         | 2020-21         | 2021-22         | 2022-23         | 2023-24         |
|--|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| 4  | Loans from Financial Institutions                        | 4994.71         | 2264.29         | 1642.44         | 3272.58         | 2715.51         |
| 5  | Small Savings, PF, etc.                                  | 1766.69         | 739.88          | 966.64          | 576.44          | 526.53          |
| 6  | Deposits and Advances                                    | 5203.66         | 6006.13         | 2603.65         | 3722.43         | 10078.66        |
| 7  | Suspense and Miscellaneous                               | 3555.13         | (-)300.30       | 7177.97         | 10706.40        | (-)6856.44      |
| 8  | Remittances  | (-)1668.76      | 2127.85         | (-)588.73       | 528.50          | (-)389.22       |
| 9  | Reserve Fund   | 10448.36        | 5170.15         | 8683.81         | 5959.45         | 9785.17         |
| 10   | Contingency Fund unrecouped                              | (-)1000.00      | (-)1000.00      | 0               | 0               | 0               |
| 11   | Appropriation to/from Contingency Fund                   | (-)8000.00      | 10000.00        | 0               | 0               | 0               |
| 12   | <b>Overall Deficit</b>                                   | <b>42832.64</b> | <b>83673.06</b> | <b>73396.86</b> | <b>71400.29</b> | <b>98315.39</b> |
| 13   | Increase (-)/Decrease in cash balance(+)                 | 11053.55        | (-)12115.01     | (-)9095.00      | (-)3798.42      | (-)7756.03      |
| 14   | <b>Gross Fiscal Deficit</b>                              | <b>53886.19</b> | <b>71558.05</b> | <b>64301.86</b> | <b>67601.87</b> | <b>90559.36</b> |
| 15   | Net Market borrowings/fiscal deficit ( <i>per cent</i> ) | 61.20           | 69.90           | 63.40           | 63.33           | 88.05           |
| 16   | Net Capital outlay/FD ( <i>per cent</i> )                | 67.60           | 41.50           | 72.58           | 91.19           | 80.14           |
| <p>* All the figures are net of disbursements during the respective year</p> <p># This includes back-to-back loan (₹ 11,977 crore for 2020-21 and ₹ 13,782.36 crore for 2021-22) received from GOI 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 <i>etc.</i></p> <p>Source: Finance Accounts of respective years</p> |  |                 |                 |                 |                 |                 |

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 increased from 63.33 *per cent* to 88.05 *per cent* from 2022-23 to 2023-24. The fiscal deficit increased by ₹ 22,957.49 crore over the previous year mainly due to an increase in capital expenditure by ₹ 10,929.79 crore and revenue deficit. The net capital outlay as a percentage of fiscal deficit was 80.14 *per cent* in 2023-24, indicating that major portion of the debts were utilized for financing capital outlay.

The fiscal deficit as a percentage of GSDP increased from 1.85 in 2022-23 to 2.24 in 2023-24, which was well below the target of three *per cent* as prescribed in the FRBM. Financing of fiscal deficit during 2023-24 has also been expressed through a water flow **Chart 2.17**.



(Source: Finance Accounts for the year 2023-24)

## 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 of 31 March 2024 is depicted in **Table 2.32**.

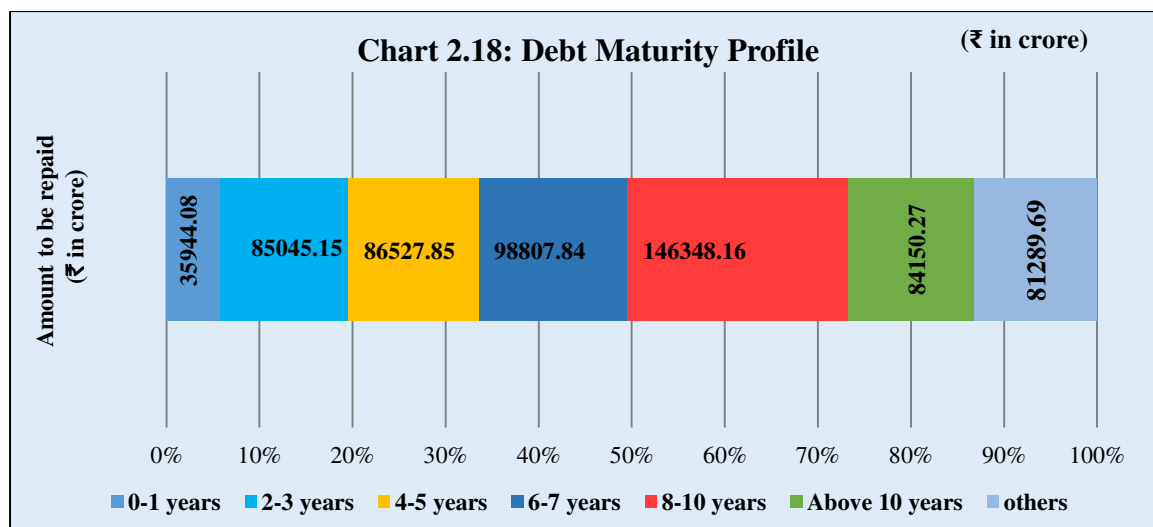
**Table 2.32: Debt Maturity Profile of repayment of State Debt**

| Year of maturity          | Maturity Profile | Amount (₹ in crore) |                             |                               | Maturity profile of outstanding Public debt (in per cent) |
|---------------------------|------------------|---------------------|-----------------------------|-------------------------------|---|
|                           |                  | Internal debts      | Loans and advances from GoI | Total outstanding Public debt |   |
| upto 2024-25              | 0-1              | 35464.51            | 479.57                      | 35944.08                      | 5.82  |
| between 2025-26 & 2026-27 | 2-3 years        | 84866.54            | 178.61                      | 85045.15                      | 13.76   |
| between 2027-28 & 2028-29 | 4-5 years        | 86430.32            | 97.53                       | 86527.85                      | 14.00   |
| between 2029-30 & 2030-31 | 6-7 years        | 98768.64            | 39.19                       | 98807.84                      | 15.99   |
| between 2031-32 & 2033-34 | 8-10 years       | 146344.33           | 4.14                        | 146348.16                     | 23.68   |
| 2034-35 onwards           | Above 10 years   | 84150.10            | 0.17                        | 84150.27                      | 13.61   |
| Others <sup>11</sup>      |                  | 26830.01            | 54459.68                    | 81289.69                      | 13.15   |
| <b>Total</b>              |                  | <b>562854.45</b>    | <b>55258.59</b>             | <b>618113.04</b>              | <b>100.0</b>  |

Source: Finance Accounts 2023-24

<sup>11</sup> 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 ₹ 1,20,989.23 crore, ₹ 1,85,335.69 crore and ₹ 1,46,348.16 crore respectively as shown in **Chart 2.18**.

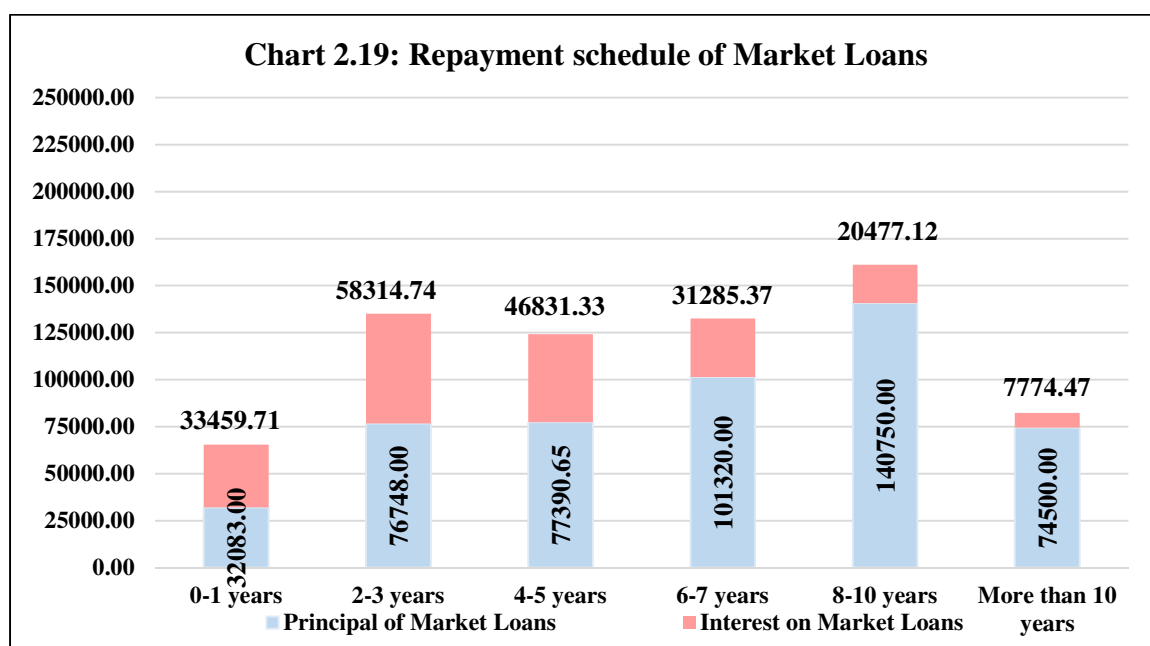


(Source: Finance Accounts 2023-24)

The maturity profile of the outstanding public debt indicates that 57.06 per cent (₹ 3,06,324.92 crore) of the total outstanding public debt for which maturity details are available (₹ 5,36,823.34 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.

During the Exit conference (January 2025), the Department stated that the maturity profile will be revamped in the current year by increasing the maturity period.

The repayment schedule of market loans (principal and interest) is shown in **Chart 2.19** and **Table 2.33**.



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

**Table 2.33: 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 (2023-24 to 2024-25)    | 32083.00                              | 33459.71                             |
| 2      | 2-3( 2025-26 to 2026-27)    | 76748.00                              | 58314.74                             |
| 3      | 4-5 (2027-28 to 2028-29)    | 77390.65                              | 46831.33                             |
| 4      | 6-7 (2029-30 to 2030-31)    | 101320.00                             | 31285.37                             |
| 5      | 8-10 (2031-32 to 2033-34)   | 140750.00                             | 20477.12                             |
| 6      | More than 10                | 74500.00                              | 7774.47                              |
|        | <b>Total</b>                | <b>502791.65</b>                      | <b>198142.74</b>                     |

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

As seen from **Table 2.33**, out of the total outstanding market loan of ₹ 5,02,791.65 crore, the State will have to repay 39.41 *per cent* ( ₹ 1,98,142.74 crore) of market loans in the next five years *i.e* upto 2028-29, along with an interest of ₹ 1,38,605.78 crore.

During the period from 2029-30 to 2033-34, market loans of ₹ 2,42,070 crore along with an interest of ₹ 51,762.49 crore will be payable.

## 2.7 Debt Sustainability Analysis

Debt is considered sustainable if the Government can service liabilities over the foreseeable future and the Debt-GSDP ratio does not grow to unmanageable proportions. **Table 2.34** 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 as a ratio of revenue receipts and net debt available to the State for the period from 2019-20 to 2023-24 and **Chart 2.20**.

**Table 2.34: Debt Sustainability Indicators and Trends**

| S. No. | Debt Sustainability Indicators   | (₹ in crore) |              |              |              |              |
|--------|--|--------------|--------------|--------------|--------------|--------------|
|        |  | Y1 (2019-20) | Y2 (2020-21) | Y3 (2021-22) | Y4 (2022-23) | Y5 (2023-24) |
| 1      | Overall Liabilities or Overall Debt  | 479899.14    | 548176.45    | 606295.26    | 660753.73    | 758260.94    |
| 1a     | Effective Overall Liability or Effective Overall Debt excluding back-to-back loan*   | 479899.14    | 536199.45    | 580535.90    | 634994.37    | 732501.59    |
| 1b     | Net Overall Liability or Net Overall Debt (excluding Non-Interest- Bearing Debt- Reserve funds and deposits, back-to-back loan, interest free loan for 50 years) <sup>12</sup> | 451067.24    | 506577.13    | 549804.97    | 595426.84    | 679323.04    |
| 2      | Rate of Growth of Overall Debt ( <i>per cent</i> )   | 9.87         | 14.23        | 10.60        | 8.98         | 14.76        |
| 3      | GSDP (in nominal terms)  | 2656806      | 2610651      | 3144138      | 3645884      | 4044251      |
| 4      | Nominal GSDP growth ( <i>per cent</i> )  | 5.06         | (-)1.74      | 20.44        | 15.96        | 10.93        |

<sup>12</sup> Considering the tough fiscal environment faced by the State Government due to COVID-19 pandemic, special assistance (loan) was provided to assist the states in boosting capital expenditure and enhance the productive capacity of the economy in the time of risk aversion. Under the scheme, the Central Government provided 50-year interest free loans to states. Under this scheme Government of Maharashtra received an amount of ₹ 514 crore in 2020-21, ₹ 771.73 crore in 2021-22, ₹ 6,744.16 crore in 2022-23 and ₹ 5,376.31 crore in 2023-24

| S. No.   | Debt Sustainability Indicators  | Y1 (2019-20) | Y2 (2020-21) | Y3 (2021-22) | Y4 (2022-23) | Y5 (2023-24) |
|--|---|--------------|--------------|--------------|--------------|--------------|
| 5  | Overall Debt/GSDP ( <i>per cent</i> )   | 18.06        | 20.54        | 18.46        | 17.42        | 18.11        |
| <b>6. Maturity profile of all kinds of borrowings (including liabilities under Public Accounts, if any) (in <i>per cent</i>)</b> |   |              |              |              |              |              |
| 6a   | 0-2 years   | 16.05        | 16.09        | 14.75        | 13.53        | 12.44        |
| 6b   | 2-5 years   | 24.20        | 25.58        | 25.05        | 24.13        | 21.66        |
| 6c   | 5-10 years  | 44.63        | 41.17        | 37.50        | 41.49        | 40.20        |
| 6d   | Over 10 years   | 9.55         | 8.46         | 10.91        | 7.72         | 13.79        |
| 6e   | Others (Details not available)  | 5.57         | 8.70         | 11.79        | 13.13        | 11.91        |
| 7  | Repayment to Gross Borrowings ( <i>per cent</i> )   | 66.92        | 60.23        | 62.92        | 67.96        | 54.05        |
| 8  | Net borrowings available as a percentage of Gross Borrowings  | 33.08        | 39.77        | 37.08        | 32.04        | 45.95        |
| 9  | Interest payments on Overall Debt   | 33560.73     | 36969.77     | 40158.04     | 41689.16     | 45651.91     |
| 10   | <b>Effective rate of interest on Overall Debt<sup>13</sup> (<i>per cent</i>)</b>                              | <b>7.82</b>  | <b>7.72</b>  | <b>7.60</b>  | <b>7.28</b>  | <b>7.16</b>  |
| 11a  | Revenue Receipts (RR)   | 283189.58    | 269467.91    | 333311.57    | 405677.93    | 430596.46    |
| 11b  | Revenue Expenditure (RE)  | 300305.21    | 310609.76    | 349685.89    | 407614.40    | 444350.46    |
| 11   | Interest payment to Revenue Receipts ( <i>per cent</i> )  | 11.85        | 13.72        | 12.05        | 10.28        | 10.60        |
| 12   | Revenue Deficit/Surplus   | (-)17115.63  | (-)41141.85  | (-)16374.32  | (-)1936.47   | (-)13754.00  |
| 13   | Primary Revenue Balance <sup>14</sup> (PRB)   | 16445.10     | (-)4172.08   | 23783.72     | 39752.69     | 31897.91     |
| 14   | Primary Balance <sup>15</sup> (PB)  | (-)20325.46  | (-)34588.28  | (-)24143.82  | (-)25912.71  | (-)44907.45  |
| 15   | PB/GSDP ( <i>per cent</i> )   | (-)0.77      | (-)1.32      | (-)0.77      | (-)0.71      | (-)1.11      |
| 16   | Difference between RoI and effective rate of interest on Overall Debt   | (-)6.58      | (-)6.53      | (-)6.87      | (-)6.68      | (-)6.67      |
| 17   | Liquidity Management (use of financial accommodation instruments available with RBI) (in number of occasions) | 1757.61      | 31159.26     | 98.43        | 7129.25      | 166.85       |
| 18   | Debt Stabilization (Quantum spread + Primary balance)   | (-)32783.04  | (-)82501.45  | 46407.59     | 25756.44     | (-)19337.75  |
| 19   | <b>Domar Model</b>  |              |              |              |              |              |
| a  | GSDP (in constant terms)  | 2046614      | 1852132      | 2047891      | 2241196      | 2410898      |
| b  | Real Growth (in constant terms)   | 4.56         | (-)9.50      | 10.57        | 9.44         | 7.57         |

<sup>13</sup> Effective Rate of Interest = Interest Payments/Average Outstanding Debt of Previous and Current

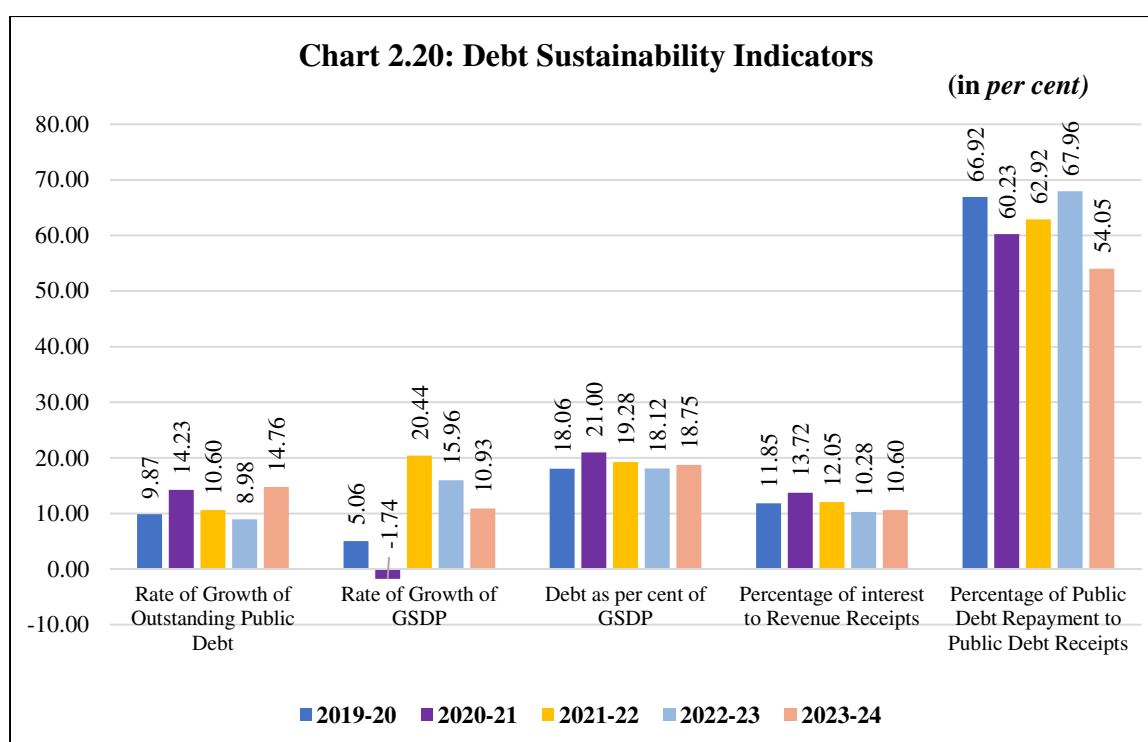
<sup>14</sup> PRB: Revenue Receipts *minus* Revenue Expenditure (net of interest payments), where (-) PB implies Primary Deficit and *vice-versa*

<sup>15</sup> PB: Total Receipts (net of borrowings) *minus* Total Expenditure (net of interest payments), where (-) PB implies Primary Deficit and *vice-versa*



| S. No. | Debt Sustainability Indicators   | Y1 (2019-20) | Y2 (2020-21) | Y3 (2021-22) | Y4 (2022-23) | Y5 (2023-24) |
|--------|--|--------------|--------------|--------------|--------------|--------------|
| c      | Inflation based on CPI (per cent)  | 4.40         | 6.20         | 5.90         | 7.30         | 5.12         |
| d      | Effective Rate of interest   | 7.82         | 7.72         | 7.60         | 7.28         | 7.16         |
| e      | Real effective rate of interest (Effective rate of interest-Inflation)     | 3.42         | 1.52         | 1.70         | (-)0.02      | 2.04         |
| f      | Growth Interest Differential (Real Growth-Real effective rate of interest) | 1.14         | (-)11.02     | 8.87         | 9.46         | 5.53         |

\*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.  
Source Finance Accounts for the respective years



(Source: Finance accounts of the respective years)

- Debt as percentage of GSDP:** Debt as a percentage of GSDP showed inter year variations during 2019-20 to 2023-24. It ranged between 17.42 *per cent* to 18.46 *per cent*, except for 2020-21, when it increased to 20.54 *per cent*, due to COVID 19 pandemic. In all the five years, debt as a percentage of GSDP was well within the targets fixed by the Fifteenth Finance Commission. Further, the Fiscal deficit of the State was within the targeted three *per cent* of the GSDP in all the five years and borrowings ranging from 54.05 *per cent* to 67.96 *per cent* were utilized for repayment of outstanding Debt (including interest). However, it is to be noted that the Debt as a percentage of GSDP has increased to 18.11 in 2023-24 from 17.42 in 2022-23. Additionally, there were off-budget borrowings during 2022-23 and 2023-24. Thus, if the current trend is followed, the ratio of debt/GSDP would eventually rise leading to reduced fiscal flexibility.

- **Rate of nominal growth of GSDP and rate of real growth of Overall debt:** The nominal GSDP growth rate was less than the rate of growth of Overall Debt during 2019-20 and 2020-21 due to the COVID 19 pandemic. With the revival of the economy the GSDP growth rate increased during 2021-22 and 2022-23. In 2023-24 the rate of growth of Overall debt was 14.76 whereas nominal GSDP growth rate was 10.93 *per cent*. The growth rate of real GSDP was higher than real effective rate of interest during 2021-22 to 2023-24. This indicates that the GSDP growth is feasible for debt servicing.
- **Primary balances and primary revenue balances:** Primary revenue balance indicates whether the balance of revenue receipts left out after meeting current revenue expenditure is sufficient for meeting interest expenditure. Primary revenue balances remained positive in all the four years (except negative primary revenue balances in 2020-21). However, Primary balances (primary deficit (-)/surplus (+)) were negative during all the five years. Primary deficit has shown an increasing trend from 2021-22 to 2023-24. During 2023-24, there was a primary deficit of ₹ 44,907.45 crore, indicating that the primary expenditure too had to be met from borrowed funds. This indicates that the government's revenue stream was not stable thereby making it difficult to sustain its debt. Year-wise analysis shows that both adverse Growth Interest Differential (GID)<sup>16</sup> and primary deficit contributed to the increase in the State's debt burden in 2019-20 and 2020-21. Nominal growth, despite the moderation witnessed after the significant improvement seen in 2021-22, which remained positive and supported by a persistent reduction in the implicit interest rate helped the State to reduce its debt burden in 2021-22 and 2022-23. Given the deterioration, the favourable GID was not sufficient to absorb accretion to debt burden of the State contributed by worsening of the primary deficit leading to marginal rise in overall liabilities relative-GSDP ratio in 2023-24.
- **Interest payment:** The interest payment on overall debt as percentage of GSDP decreased from 1.26 *per cent* in 2019-20 to 1.13 *per cent* in 2023-24, as percentage of revenue receipts decreased from 11.85 *per cent* in 2019-20 to 10.60 *per cent* in 2023-24 and as percentage of revenue expenditure decreased from 11.18 *per cent* to 10.27 *per cent* in 2023-24, which indicates a sustainable debt trajectory.
- **Maturity profile and cost of borrowing:** The maturity profile of the outstanding public debt indicates that 57.06 *per cent* (₹ 3,06,324.91 crore) of the total outstanding public debt for which maturity details are available (₹ 5,36,823.64 crore) are repayable within the next seven years, indicating a longer horizon of debt.
- **Liquidity:** State Government availed Special Drawing Facility i.e. Special Ways and Means Advance (SWMA) during 2019-20 to 2023-24, which was fully repaid along with interest during the same financial year. SWMA are short term in nature and as such do not add to the long term debt burden to the Government. However, regular reliance on SWMA indicates poor liquidity management of the Government

<sup>16</sup> GID= Difference between effective rate of interest and growth rate of an economy

- **Fiscal Balances (FB):** During 2019-24, ratio of Overall debt to GSDP and the Fiscal deficit was within the targets fixed by the Fifteenth Finance Commission. However, Debt stabilization was positive only during 2021-22 and 2022-23 and debt to GSDP ratio has shown a fluctuating trend during 2019-24, further the State has reported a negative primary balance. There were off-budget borrowings during 2022-23 and 2023-24, which makes it evident that sufficient fiscal adjustment should be made by reducing the primary deficit to a level necessary to make public debt sustainable.
- **The Domar model and primary balances:** During the period from 2019-20 to 2023-24, Growth Interest Differential (Domar gap) was positive, except for 2020-21, when it was negative, which was due to the economic slowdown on account of the COVID-19 pandemic. The resurgence of the economy thereafter the Growth Interest Differential was positive, thereby indicating that the public debt as percentage of GSDP could eventually converge to a stable level greater than zero provided primary deficit, which has increased by ₹ 18,994 crore (73.30 *per cent*) in 2023-24 as compared to 2022-23 is controlled and after considering factors such as public account liabilities and force majeure events and/or any other un-inventoried losses of revenue. Further, Domar criteria also shows that the GID in real terms except the pandemic year 2020-21 remained favourable during 2019-2024 which suggests that economic growth was strong enough to recover cost of borrowing despite that both the nominal growth and nominal effective rate of interest had largely remained driven by the inflation. Average inflation as measured by the Consumer Price Index (CPI) was hovering in the range of 4.40 *per cent* to 7.30 *per cent* and remained above the upper tolerance limit of six *per cent* during 2020-21 and 2022-23 set by the RBI indicating that inflation helped the State to keep the real rate of interest low so as to keep the GID favourable in real terms.

The persistent unanchored inflation erodes the real value of debt and thus possess roll-over risk. Hence, inflation expectations need to be well anchored to achieve sustainable growth-driven nominal growth. The State Government may consider to keep borrowing costs in line with the growth path to stabilize the debt-GSDP ratio over the medium term.

- Details of the achievement *vis-a-vis* targets set in the Medium-Term Fiscal Policy Statement (MTFPS) are shown in **Table 2.36**.

**Table 2.36: Details of achievements against the targets set**

| Fiscal Parameters                                       |             | Achievements <i>vis-a-vis</i> targets set in the MTFPS |         |         |         |         |
|---|-------------|--|---------|---------|---------|---------|
|   |             | 2019-20  | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Revenue Deficit (-) / Surplus (+) as percentage of GSDP | Target      | (-)0.68  | (-)0.29 | (-)0.34 | (-)0.68 | (-)0.42 |
|   | Achievement | (-)0.64  | (-)1.57 | (-)0.53 | (-)0.05 | (-)0.34 |
| Fiscal Deficit (-) as percentage of GSDP                | Target      | (-)2.07  | (-)1.69 | (-)2.24 | (-)2.50 | (-)2.52 |
|   | Achievement | (-)2.03  | (-)2.72 | (-)2.07 | (-)1.92 | (-)2.24 |

| Fiscal Parameters   |                      | Achievements <i>vis-a-vis</i> targets set in the MTFPS |         |         |         |         |
|---|----------------------|--|---------|---------|---------|---------|
|   |                      | 2019-20  | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Ratio of total Outstanding liabilities to GSDP (in <i>per cent</i> )  | Target <sup>\$</sup> | 15.83  | 16.15   | 20.64   | 18.14   | 18.23   |
|   | Achievement          | 18.06  | 20.54*  | 18.46*  | 17.42*  | 18.11*  |
| <p>\$ 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 <i>per cent</i>, 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 than outstanding liabilities to GSDP was within the limit of 25 <i>per cent</i>.</p> <p>*The ratio is after exclusion of the back-to-back loan (₹ 11,977 crore for 2020-21 and ₹ 13,782.36 crore for 2021-22) received 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 <i>etc.</i></p> <p>Source: Medium-Term Fiscal Policy Statement for the respective years</p> |                      |  |         |         |         |         |

### 2.7.1 Off-Budget Borrowings

Off-budget borrowing (OBB) allows the government to meet its expenditure requirements without recording these debts in the budget, thereby bypassing legislative scrutiny. Such borrowings are often raised through State-owned or State-controlled entities, with repayments ultimately covered by the State Government's budget. These borrowings, which are serviced through the State's budget are effectively considered as the State's own liabilities under Article 293(3) of the Constitution.

As outlined in the Maharashtra Fiscal Responsibility and Budget Management (MFRBM) Act and the Rules (2006, amended in 2008), the State Government must provide full disclosure of its liabilities including off-budget in Form B-6 of the Medium-Term Fiscal Policy Statement (MTFPS) of that particular year. However, Audit has observed that despite the requirement for transparency, off-budget borrowings were not disclosed in the budget documents. As per the MTFPS 2023-24, the State Government has disclosed an outstanding off-budget borrowing of ₹ 19.40 crore only (outstanding prior to 2004-05).

Audit noticed instances where the State Government had resorted to off budget borrowing through Maharashtra State Road Development Corporation (MSRDC) and MSRDC Tunnels Ltd. Examination of records revealed that during 2022-23 and 2023-24, MSRDC Ltd and MSRDC Tunnels Ltd has entered into an agreement with financial institutions, guaranteeing repayment through State budgetary allocations to cover the principal and interest payments. As detailed in **Table 2.37**.

**Table 2.37: Off-budget borrowings by entities on behalf of the Government**

(₹ in crore)

| Year of sanction of Off-Budget Borrowings | Entities borrowed on behalf of Government | Purpose of Loan                      | Lending Financial Institution                         | Loan Sanctioned | Loan disbursed on 31 March 2024 | Payment of Principal and interest |
|---|---|--------------------------------------|---|-----------------|---------------------------------|-----------------------------------|
| 2022-23                                   | MSRDC Ltd                                 | Land Acquisition of Pune Ring Road   | Housing and Urban Development Corporation Ltd.(HUDCO) | 3500            | 3000                            |                                   |
|   |   | Jalna to Nanded Expressway Connector |   | 2140            | 1200                            |                                   |

| Year of sanction of Off-Budget Borrowings | Entities borrowed on behalf of Government | Purpose of Loan   | Lending Financial Institution            | Loan Sanctioned | Loan disbursed on 31 March 2024 | Payment of Principal and interest |
|---|---|---|--|-----------------|---------------------------------|-----------------------------------|
| 2023-24                                   | MSRDC Tunnels Ltd                         | (i) prepayment of existing outstanding debt and completion of the missing link under capacity augmentation of Mumbai Pune Expressway and<br>(ii) utilisation in upcoming road projects being implemented under special purpose vehicle established by MSRDC | Rural Electrification Company Ltd. (REC) | 17500           | 6000                            | 65                                |
| Source: Information provided by the MSRDC |   |   |  |                 |                                 |                                   |

Finance Department, Government of Maharashtra vide Government Resolution dated 16 March 2023 guaranteed the loan of HUDCO to MSRDC of ₹ 3,500 crore for land acquisition of Pune Ring Road and ₹ 2,140 crore for Jalna to Nanded Expressway Connector. As per the said GR, budgetary provision would be made through Public Works department, Government of Maharashtra, for repayment of HUDCO's dues every year during the currency of loan covering principal, interest and any other charges under the respective loan Agreement executed between MSRDC and HUDCO. Similarly, Government of Maharashtra, Public Works Department vide GR dated 23 April 2023, approved by Finance Department guaranteed the loan of ₹ 17,500 crore, as per agreement executed between MSRDC Tunnels Ltd and Rural Electrification Company Ltd. For repayment of the loan covering principal, interest and any other charges under the loan Agreement, the State Government would make budget provision every year during the currency of the loan.

As per information obtained from the Finance Department, Government of Maharashtra the details of outstanding OBB during 2019-20 to 2023-24 is detailed in **Table 2.38**.

**Table 2.38: Details of outstanding OBB during 2019-20 to 2023-24**

(₹ in crore)

| Year  | Opening balance | Loan (off budget) disbursed | Re-payment of Principal from State Budget | Closing balance |
|---|-----------------|-----------------------------|---|-----------------|
| 2019-20   | 51              | 0                           | 0   | 51              |
| 2020-21   | 51              | 0                           | 31  | 20              |
| 2021-22   | 20              | 0                           | 0   | 20              |
| 2022-23   | 20              | 2500                        | 20  | 2500            |
| 2023-24   | 2500            | 7700                        | 65  | 10135           |
| Source: Information provided by the Finance Department, Government of Maharashtra |                 |                             |   |                 |

Thus, as seen from **Table 2.38**, the outstanding off-budget borrowing increased significantly from ₹ 51 crore in 2019-20 to ₹ 10,135 crore by the end of 2023-24, indicating the increase in State's reliance on off-budget borrowing for large-scale capital expenditures.

The impact of Off-Budget Borrowing on Fiscal Indicators of the State for the year 2019-20 to 2023-24 is indicated in **Table 2.39**.

**Table 2.39: Impact of Off-Budget Borrowing on Fiscal Indicators**

(₹ in crore)

| Fiscal indicators                                      | 2019-20   | 2020-21   | 2021-22   | 2022-23   | 2023-24   |
|--|-----------|-----------|-----------|-----------|-----------|
| GSDP (in nominal terms)                                | 2656806   | 2610651   | 3144138   | 3645884   | 4044251   |
| Off-budget Borrowing during the year                   | 0         | 0         | 0         | 2500      | 7700      |
| Fiscal Deficit   | 53886.19  | 71558.05  | 64301.86  | 67601.87  | 90559.36  |
| Fiscal deficit+ Off budget borrowing                   | 53886.19  | 71558.05  | 64301.86  | 70101.87  | 98259.36  |
| Fiscal Deficit/ GSDP                                   | 2.03      | 2.74      | 2.05      | 1.85      | 2.24      |
| Fiscal deficit + Off-budget borrowing)/ GSDP           | 2.03      | 2.74      | 2.05      | 1.92      | 2.43      |
| Outstanding off budget borrowing                       | 51        | 20        | 20        | 2500      | 10135     |
| Overall liabilities including o/s off budget borrowing | 479950.14 | 548196.45 | 606315.26 | 663253.73 | 768395.93 |
| Outstanding debt+/GSDP                                 | 18.06     | 21.00     | 19.28     | 18.19     | 19.00     |
| Source Finance Accounts for the respective years       |           |           |           |           |           |

Government of Maharashtra's increasing use of off-budget borrowings not only affects fiscal transparency but also risks circumventing budgetary controls and legislative oversight. The State Government needs to improve its fiscal accountability by ensuring that all liabilities are comprehensively reported in the annual financial statements. Furthermore, these off-budget borrowings should be brought within the ambit of legislative control to ensure sustainable financial management.

In Exit Conference (January 2025), the Department stated that the Government is aware of the rising liabilities on account of off-budget borrowings and measures are being taken to reduce such liabilities.

## 2.7.2 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 2.40**.

**Table 2.40: Utilisation of borrowed funds**

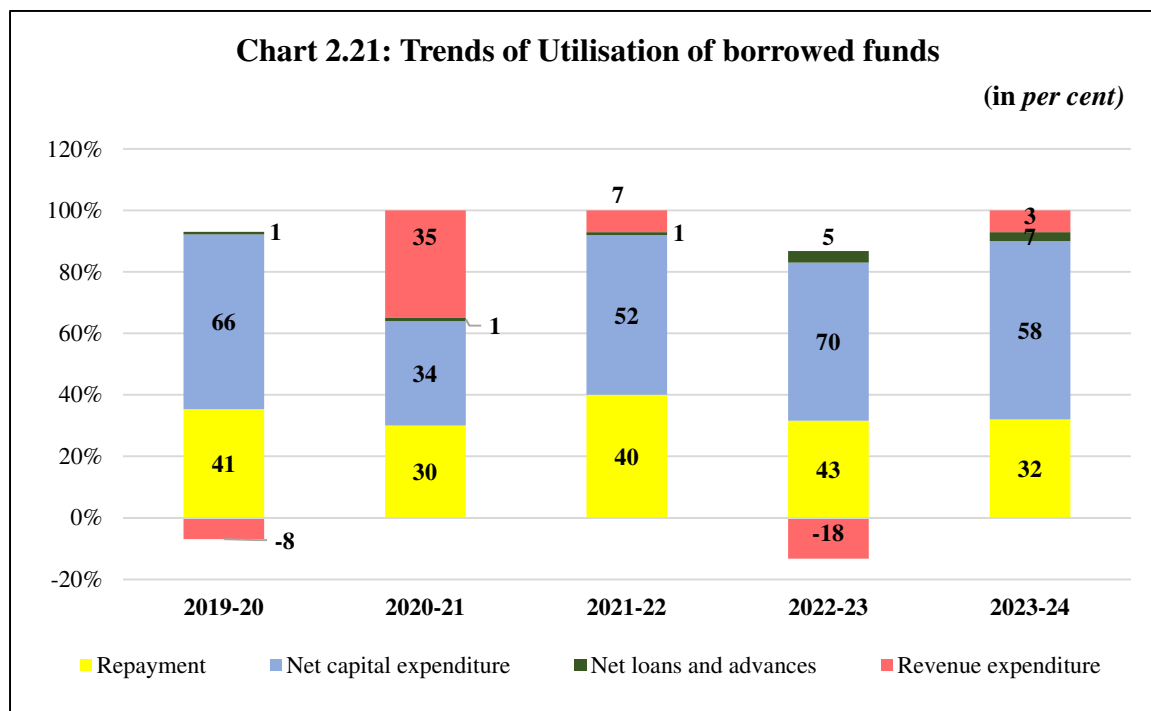
(₹ in crore)

| Year  |           | 2019-20  | 2020-21  | 2021-22  | 2022-23     | 2023-24   |
|---|-----------|----------|----------|----------|-------------|-----------|
| Total Borrowings  | 2         | 55395.8  | 87356.65 | 90488.18 | 87572.84    | 125820.67 |
| Repayment of earlier borrowings (per cent)                                    | 3         | 22868.24 | 26427.28 | 35934.66 | 37665.79    | 40649.98  |
| Net capital outlay (per cent)   | 4         | 36415.57 | 29686.70 | 46670.39 | 61643.61    | 72573.40  |
| Net loans and advances (per cent)   | 5         | 354.99   | 729.50   | 1257.15  | 4021.79     | 4231.96   |
| Portion of revenue expenditure met out of net available borrowings (per cent) | 6=2-3-4-5 | (-) 4243 | 30513.17 | 6625.98  | (-)15761.24 | 8365.33   |
| Source: Finance Accounts of respective years                                  |           |          |          |          |             |           |



It is observed that over the last five years, public debt receipts increased by 127.13 *per cent* from ₹ 55,395.80 crore in 2018-19 to ₹ 1,25,820.67 crore in 2023-24. 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. Out of public debt receipts of ₹ 1,25,820.67 crore during 2023-24, the State Government utilised 32.31 *per cent* (₹ 40,649.98 crore) for repayment of earlier borrowings, 57.68 *per cent* for incurring capital expenditure, 3.36 *per cent* for repayment of loans and advances and 6.65 *per cent* for covering the revenue deficit.

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



(Source: Finance Accounts of respective years)

It can be seen from above that the utilisation of borrowed funds towards Capital Expenditure has decreased considerably, while repayment of earlier borrowings has increased.

### 2.7.3 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, limits on guarantees to be given by the State Government have not been fixed by the State Legislature. The MFRBM Act, 2005 also does not prescribe any limits. The details of outstanding guarantees given by the State Government including interest liability during the five-year period from 2019-20 to 2023-24 are shown in **Table 2.41**.



Table 2.41: Guarantees given during 2019-20 to 2023-24

| (₹ in crore)  |                      |                       |          |          |           |
|---|----------------------|-----------------------|----------|----------|-----------|
| Guarantees  | 2019-20              | 2020-21               | 2021-22  | 2022-23  | 2023-24   |
| Maximum amount guaranteed including interest  | 58661.22             | 85717.46              | 81751.13 | 81751.13 | 120308.40 |
| Outstanding number of guarantees including interest   | 41179.0 <sup>@</sup> | 41579.94 <sup>@</sup> | 51263.35 | 49632.84 | 85896.94  |
| Outstanding guarantees/Revenue Receipts ( <i>per cent</i> )   | 14.58                | 15.43                 | 15.38    | 12.23    | 19.95     |
| Outstanding guarantees/GSDP ( <i>per cent</i> )   | 1.55                 | 1.59                  | 1.63     | 1.36     | 2.12      |
| <sup>@</sup> Differs from previous year due to rectification of misclassification (as per statement received from the Finance Department) |                      |                       |          |          |           |
| Source: Finance Accounts of respective years  |                      |                       |          |          |           |

Government had guaranteed loans raised by various Corporations and Others which at the end of 2023-24 stood at ₹ 85,896.94 crore (Principal: ₹ 79,243.90 crore; Interest: ₹ 6,653.04 crore). As per the Guarantee statement laid in the legislature, during 2023-24 an amount of ₹ 23,115.81 crore was guaranteed by the State Government under the provisions of Guarantee Act, as shown in **Table 2.42**. No amount was invoked or discharged during 2023-24.

Table 2.42: Guarantees given during 2023-24

| 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                                   |
|------------------------------------|--|---|-------------------------------------|----------------------|---|
| 1/2023-24                          | Maharashtra State Electric Distribution Company                  | 1. Bank of Maharashtra<br>2. Indian Bank<br>3. Panjab & Sindh Bank<br>4. REC Ltd.<br>5. PFC Ltd | 13552.12                            | Valid for six months | Government Guarantee fee waived           |
| 2/2023-24                          | Maharashtra State Electric Distribution Company.                 | 1. REC Ltd.<br>2. PFC Ltd   | 6132.00                             | Valid for six months | Government Guarantee fee waived           |
| 3/2023-24                          | Mumbai Metro Rail Corporation Com.                               | State Bank of India   | 1000.00                             | Valid for six months | Government Guarantee fee waived           |
| FD/UOR/59<br>5/2023.dt<br>19.10.23 | Cooperative SVK Sugar Factory                                    | Maharashtra State Cooperative Bank Ltd  | 146.32                              |                      | Government Guarantee fee is not mentioned |
| FD/UOR/59<br>8/2023.dt<br>19.10.23 | Shri Chatrapati Sugar Factory                                    | Maharashtra State Cooperative Bank Ltd  | 128.00                              |                      | Government Guarantee fee is not mentioned |
| FD/UOR/59<br>9/2023.dt<br>19.10.23 | Jai Bhavani Cooperative Sugar Factory                            | Maharashtra State Cooperative Bank Ltd  | 150.00                              |                      | Government Guarantee fee is not mentioned |
| FD/UOR/59<br>7/2023.dt<br>19.10.23 | Bhaurao chavan Cooperative Sugar Factory                         | Maharashtra State Cooperative Bank Ltd  | 147.79                              |                      | Government Guarantee fee is not mentioned |
| FD/UOR/59<br>6/2023.dt<br>19.10.23 | Sant Kurmdas Cooperative Sugar Factory                           | Maharashtra State Cooperative Bank Ltd  | 59.49                               |                      | Government Guarantee fee is not mentioned |

| 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                                   |
|--|--|--|-------------------------------------|----------------------|---|
| 4/2023-24  | Mualana Azad Minority economic Dev. Corp.                        | National Minority Development and Finance Corporation, New Delhi | 500.00                              | Valid for six months | Government Guarantee fee waived           |
| 5/2023-24  | Mumbai Metro Rail Corporation Ltd.                               | HUDCO Ltd  | 1000.00                             | Valid for six months | Government Guarantee fee waived           |
| 6/2023-24  | Buldhana District central Cooperative Bank Ltd.                  | Maharashtra State Cooperative Bank Ltd                           | 300.00                              | Valid for six months | The rate of Guarantee fee is ₹ 2 per ₹100 |
| <b>Total</b>   |  |  | <b>23,115.81</b>                    |                      |   |
| Source: Guarantee Statement placed in the Legislature. |  |  |                                     |                      |   |

Audit noticed that guarantee of ₹ 96.53 crore was invoked and discharged in respect of Commissioner of Sugar during 2022-23, which was not disclosed in the Guarantee statement laid in the legislature of that year.

Under the Government Guarantee Act, 1977, the Government shall charge guarantee fee ranging from 20 paise to ₹ two per ₹ 100 per annum for guarantees given, chargeable except in respect of certain co-operative societies. During 2023-24, the State Government received ₹ 71.70 crore towards guarantee commission, which constituted 0.11 *per cent* of the outstanding guaranteed amount as on 1 April 2023 (₹ 63,520.23 crore). Out of the guarantee fee of ₹ 2,299.96 crore to be realized, only ₹ 71.70 crore has been received during the year 2023-24, leaving a balance receivable amount of ₹ 2,228.26 crore. As per the Finance Accounts 2023-24, Guarantee fees amounting to ₹ 0.04 crore was credited in the Consolidated fund under Major Head 0075-108-Guarantee fees and ₹ 3.72 crore was directly credited to the Guarantee Redemption Fund in Public account, the balance amount of Guarantee fees of ₹ 67.94 crore was neither credited in the Consolidated Fund nor the Public Account which is in contravention to Article 266(1) of the Constitution of India, which states the all revenues received by the Government shall be credited into the Consolidated Fund of the State.

The Government of Maharashtra, Finance Department vide Notification dated 20 December 2018, created the 'Guarantee Redemption Fund' in the Public Account with effective from the financial year 2018-19. The Fund shall be utilized for meeting the payment obligation arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Level Undertakings or other bodies and invoked by the beneficiaries.

Further, IGAS 2- 'Disclosure requirements for guarantees given by Government', effective from 01 April 2010 in the event of invocation of a guarantee, the obligation may be discharged by sanctioning loan to the borrowing entity equal to the amount of guarantee outstanding with the approval of Budget Division, any payment on this account will finally be charged to the Guarantee Redemption Fund maintained in the Public Accounts, However, it was noticed that during 2019-20, 2021-22 and 2022-23, when the guarantees amounting to ₹ 450 crore, ₹ 499.41 crore and ₹ 96.53 crore respectively were invoked and discharged, the payment to the beneficiary was not made through the guarantee redemption

fund nor was the discharged amount treated as loan to the beneficiary,. Instead the discharged amount was paid to the beneficiary through the revenue functional head, thereby inflating the revenue deficit during those years.

## 2.7.4 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, 2023 which remained unchanged till 31 March, 2024. SWMA of ₹ 166.85 crore was availed during 2023-24 in the month of January 2024 which was fully repaid in January 2024. An amount of ₹ 0.02 crore (₹ 2,05,705.48 in actuals) has been adjusted during the year 2023-24 towards interest on Ways and Means advances.

Cash and cash equivalents consist of cash in treasuries and deposit with Reserve Bank of India (RBI) and other Banks and Remittances in Transit, as stated below. The balance under the head 'Deposits with Reserve Bank of India' depicts the combined balance of the Consolidated Fund, Contingency Fund and the Public Account at the end of the year

The Cash balance and their investment are shown in **Table 2.43**.

**Table 2.43: Cash Balances and their investment**

|  | (₹ in crore)                     |                                  |
|--|----------------------------------|----------------------------------|
|  | Opening Balance on 01 April 2023 | Closing Balance on 31 March 2024 |
| <b>A. General Cash Balance</b>   |                                  |                                  |
| Cash in Treasuries   | 0.04                             | 0.04                             |
| Deposits with Reserve Bank of India  | (-)12637.29                      | (-)3154.46                       |
| Remittances in transit – Local   | 65.98                            | 65.98                            |
| <b>Total</b>   | <b>(-)12571.27</b>               | <b>(-)3088.44</b>                |
| Investments held in Cash Balance investment account  | 32785.36                         | 23221.70                         |
| <b>Total (A)</b>   | <b>20214.09</b>                  | <b>20133.26</b>                  |
| <b>B. Other Cash Balances and Investments</b>  |                                  |                                  |
| Cash with departmental officers viz., Public Works, Forest Officers  | 431.97                           | 222.38                           |
| Permanent Advances for contingent expenditure with department officers   | 0.67                             | 0.67                             |
| Investment in earmarked funds  | 60843.98                         | 68890.43                         |
| <b>Total (B)</b>   | <b>61276.62</b>                  | <b>69113.48</b>                  |
| <b>Total (A + B)</b>   | <b>81490.71</b>                  | <b>89246.74</b>                  |
| <b>Interest realized</b>   | <b>5790.48</b>                   | <b>5785.11<sup>@</sup></b>       |
| <sup>@</sup> includes interest of ₹ 4,882.83 crore realized during 2023-24 on Sinking Fund Investment (reinvested along with regular investment) Hence not included under MH 0049 MNH 110 <i>plus</i> -Interest realized on investment of Cash balances ₹ 902.28 crore |                                  |                                  |
| Source: Finance Accounts 2023-24   |                                  |                                  |

Out of the investment of ₹ 68,890.43 crore in earmarked funds, ₹ 67,621.08 crore was invested in the Consolidated Sinking Fund. Interest earned from earmarked funds are credited back to the funds to which these relate for their investment by RBI.

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'. An interest of ₹ 902.28 crore was realised on Cash Balance Investment Account during 2023-24. The investment held in cash balance Investment Account and interest earned during 2019-20 to 2023-24 is given in **Table 2.44**.

**Table 2.44: Cash Balance Investment Account (Major Head-8673)**

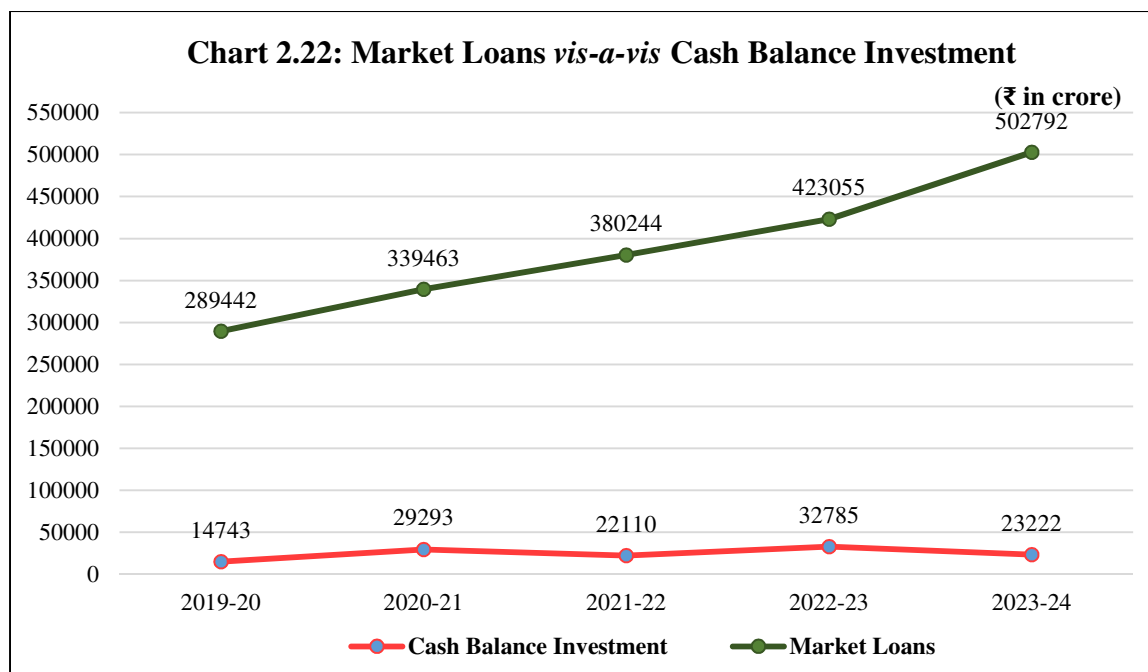
(₹ in crore)

| Year    | Opening Balance | Closing Balance | Increase (+) / decrease (-) | Interest earned |
|---------|-----------------|-----------------|-----------------------------|-----------------|
| 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         |
| 2023-24 | 32785.36        | 23221.71        | (-)9563.65                  | 902.28          |

Source: Finance Accounts of respective years

The trend analysis of the cash balance investment of the State Government revealed that investments showed inter-year variations during 2019-20 to 2023-24. During the current year, i.e., 2023-24, the interest earned by the State from its investment in the cash balance investment account stood at ₹ 902.28 crore.

**Chart 2.22** compares the balances available in the Cash Balance Investment Account and the Market Loans taken by the State during the period 2019-20 to 2023-24. Market Loans were taken at higher interest rates whereas investment in Treasury Bills yielded interest at lower rates.



(Source: Finance Accounts of the respective years)

As on 31 March 2024, the market loans of the State Government was ₹ 5,02,792.45 crore while at the same time, the cash balance of the State Government was ₹ 23,221.70 crore. The State Government may keep the cash balance position in mind while taking any decision on raising market loans.

## 2.8 Conclusion

- Revenue Receipts during the year 2023-24 was ₹ 4,30,596.46 crore, which increased by ₹ 24,918.53 core (6.14 *per cent*) as compared to 2022-23 (₹ 4,05,677.93 crore). A significant portion of the revenue receipts (75 *per cent*) during 2023-24 came from the State's own resources, while Union Tax Transfers and Grant-in-aid together contributed 25 *per cent*. As compared to 2022-23, during 2023-24 own tax revenue increased by ₹24,857.06 crore (8.96 *per cent*), non-tax revenue increased by ₹4,081.53 crore (24.33 *per cent*) and State's share of Union Taxes and Duties increased by ₹11,348.78 crore (18.91 *per cent*), whereas Grants-in-aid from Government of India decreased by ₹ 15,368.84 crore (29.89 *per cent*).
- During 2023-24, revenue expenditure (₹ 4,44,350.46 crore) constituted 85.14 *per cent* of the total expenditure (₹ 5,21,898.02 crore). The growth rate of revenue expenditure decrease from 16.57 *per cent* in 2022-23 to 9.01 *per cent* in 2023-24. The committed expenditure of the State Government on revenue account consists of interest payments, expenditure on salaries and wages, and pensions. Committed expenditure constituted 53.40 *per cent* of the revenue expenditure of the State. Expenditure on subsidies increased by 11.34 *per cent* from ₹ 43,158.36 crore in 2022-23 to ₹ 48,053.50 crore in 2023-24. During the current year, subsidies constituted 10.81 *per cent* of the revenue expenditure.
- Capital expenditure is the expenditure incurred for creation of fixed infrastructure assets such as roads, building, *etc.* Capital outlay (₹ 72,573.40 crore) constituted 13.91 *per cent* of the total expenditure. Capital outlay increased by 17.73 *per cent* (₹ 10,929.79 crore) during 2023-24 as compared to 2022-23. Of the total capital outlay of ₹ 72,573.40 crore incurred in 2023-24, ₹ 26,374.51 crore (36.34 *per cent*) was spent on roads and bridges. ₹ 14,921.12 crore (20.56 *per cent*) was spent for irrigation and flood control activities followed by ₹ 5,001.79 crore (6.89 *per cent*) for agriculture and allied services.
- As on 31 March 2024, the State Government invested ₹ 2,28,950.40 crore in statutory corporations, rural banks, joint stock companies and co-operatives. Out of the investments, they received returns of ₹ 72.10 crore as dividend during the year. The average return on these investments for 2023-24 was 0.03 *per cent* while the Government paid an interest rate of 6.43 *per cent* on its borrowings during the same period.
- The fiscal position of the State is viewed in terms of key fiscal parameters namely, revenue deficit/ surplus, fiscal deficit/ surplus and primary deficit/ surplus. During 2023-24, the State had a Revenue deficit of ₹ 13,754 crore which was 0.34 *per cent* of GSDP during the year. Fiscal Deficit during 2023-24 was ₹ 90,559.36 crore which was 2.24 *per cent* of GSDP and Primary Deficit was ₹ 44,907.45 crore.
- Total receipts under public debts and other liabilities increased by 62.70 *per cent* from ₹ 1,30,325.03 crore in 2019-20 to ₹ 2,12,042.17 crore in 2023-24. Out of total debt receipts of ₹ 2,12,042.17 crore during 2023-24, the State Government utilised 54.01

per cent (₹ 1,14,534.96 crore) for repayment of earlier borrowing and remaining for incurring capital expenditure during the year 2023-24.

- The outstanding liabilities of State increased gradually from ₹ 4,79,899.14 crore in 2019-20 to ₹ 7,58,260.94 crore in 2023-24. The outstanding debt to GSDP ratio also increased from 18.06 *per cent* in 2019-20 to 18.75 *per cent* during 2023-24.
- The maturity profile of the outstanding public debt indicates that 57.06 *per cent* (₹3,06,324.92 crore) of the total outstanding public debt for which maturity details are available (₹ 5,36,823.34 crore) are repayable within the next seven years, which may put a strain on the Government budget during that period.
- The State has resorted to off-budget borrowings amounting to ₹ 2,500 crore and ₹ 7,700 crore in 2022-23 and 2023-24 respectively. These off-budget borrowings are not taken into the disclosure statement in the budget documents or in the accounts, nor has legislative approval. They are used to finance Government expenditure, details of which are not reflected in the budget or Finance Accounts.
- The State has consistently reported a negative primary balance (primary deficit) from the year 2019-20 to the present. Moreover, there were off-budget borrowings during 2022-23 and 2023-24, which makes it evident that depending solely on economic growth would not suffice to cover the debt obligations of the state. Sufficient fiscal adjustment should be made by reducing the primary deficit to a level necessary to make public debt sustainable.

## 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 State Government should rationalize its investments and loans advanced to various entities, such that the return on investment and loans at least matches the Government borrowing costs.
- 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.
- iv. All Government borrowings and expenditure should legitimately be covered within the respective budgets. The Government must include the disclosure of the details of the off-budget borrowings done through various agencies of the State Government in the Budget and Accounts. Financing expenditures through off-budget borrowings increases the public liabilities of the State substantially over a period of time leading to a debt trap, without the Legislature even knowing that such liabilities are being created.