EXECUTIVE SUMMARY

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About the Report

This Report of the CAG of India is on the State Finances for the year 2023-24. It provides an overview of the finances, budgetary management and quality of accounts, financial reporting practices and other matters relevant to State Finances.

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

Gross State Domestic Product (GSDP)

Gross State Domestic Product (GSDP) (at current prices) grew at a Compounded Annual Growth Rate (CAGR) of 11.08 *per cent* from ₹ 26,56,806 crore in 2019-20 to ₹ 40,44,251 crore in 2023-24. There was 10.93 *per cent* growth in GSDP over 2022-23. During 2023-24, the State's Revenue Receipts (₹ 4,30,596.46 crore) as well as Revenue expenditure (₹ 4,44,350.46 crore) was marginally lower than the Budget estimate by 4.21 *per cent* and by 4.57 *per cent* respectively. Similarly, the Capital expenditure too was lower than the Budget estimate by 5.20 *per cent*.

The revenue receipts grew at 6.14 *per cent* and the percentage of revenue receipts as ratio of GSDP decreased from 11.13 *per cent* in 2022-23 to 10.65 *per cent* in 2023-24. The tax revenue increased by 10.73 *per cent* during the period and the State's own tax revenue increased by 8.96 *per cent*.

Receipt-Expenditure Mismatch

The continuous mismatch between receipts and expenditure indicates rising fiscal stress. The State has different sources of receipts such as State Own Tax Revenue, Non-tax Revenue, Devolution of States' share in taxes, Grants in aid from the Union Government and non-debt capital receipts. The State Government's expenditure includes expenditure on revenue account as well as capital expenditure (assets creation, loans and advances, investments, *etc*.). From 2019-20 to 2023-24, 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 CAGR of 11.04 *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*). 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*.

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. Between 2019-20 and 2023-24, revenue expenditure increased from

₹ 3,00,305.21 crore (11.30 *per cent* of GSDP) to ₹ 4,44,350.46 crore (10.99 *per cent* of GSDP).

Result of expenditure beyond means

The gap between the revenue receipt and revenue expenditure results in revenue deficit. The revenue deficit of the State increased to ₹ 13,754 crore (0.34 *per cent* of GSDP) in the current year from ₹ 1,936.47 crore (0.05 *per cent* of GSDP) in the year 2022-23. The State Government spent ₹ 72,573.40 crore on capital account. This was 13.91 *per cent* of the total expenditure (₹ 5,21,898.02 crore) in the year 2023-24. Capital expenditure was 57.68 *per cent* of the total borrowings made during 2023-24. Thus, a portion of borrowed funds was used for meeting current consumption and repayment of earlier borrowings during the year.

The gap between the total expenditure and total non-debt receipt of the State results in fiscal deficit. The fiscal deficit of the State increased to ₹ 90,559.36 crore (2.24 *per cent* of GSDP) in 2023-24 from ₹ 53,886.19 crore (2.03 *per cent* of GSDP) in 2019-20.

Under the revenue expenditure, the quantum of committed expenditure constitutes the largest share. Committed expenditure has the first charge on the resources and consists of expenditure on salaries and wages, pensions and interest payments. Committed expenditure on salaries and wages, pensions and interest payments constituted 53.40 *per cent* of revenue expenditure during 2023-24, an increase of 7.05 *per cent* (₹ 15,620.86 crore) over 2022-23.

In addition to the committed expenditure, inflexible expenditure decreased from 15.10 *per cent* to 8.98 *per cent* of revenue expenditure during 2019-20 to 2023-24. The inflexible expenditure decreased from ₹ 45,353.83 crore in 2022-23 to ₹ 39,883.14 crore in 2023-24, registering an decrease of 3.57 *per cent*. Taken together, the committed and inflexible expenditure as percentage of revenue expenditure decreased from 72.25 *per cent* in 2019-20 (₹ 2,16,973.32 crore) to 62.38 *per cent* in 2023-24 (₹ 2,77,178 crore). The downward trend on committed and inflexible expenditure leaves the Government with more flexibility for other priority sectors and capital creation.

Subsidies constitute major portion of the non-committed expenditure

Within the non-committed expenditure, there is an increasing trend of subsidies, which increased from ₹ 28,385.98 crore in 2019-20 to ₹ 48,053.50 crore in 2023-24. As percentage of revenue expenditure, the subsidies increased from 9.45 *per cent* in 2019-20 to 10.81 *per cent* in 2023-24.

Funds to Single Nodal Agency

The Government of India and the State Government have introduced system of Single Nodal Agency (SNA) for implementation and fund flow for each Centrally Sponsored Scheme (CSS). The share of the Government of India and the State Government is transferred to the Bank Account of the SNA lying outside the Government Account.

As per Public Financial Management System (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 Grants-in-aid (GIA) bills. As per PFMS report ₹ 15,937.39 crore was lying unspent in the bank accounts of SNAs as on 31 March 2024.

Off-budget borrowings

The State Government, through Public Sector Undertaking raised ₹ 10,135 crore as off-budget borrowings, which did not flow into the Consolidated Fund of the State but are required to be repaid and serviced through budget. Out of which, ₹ 2,500 crore was raised during 2022-23. During the year, the State Government paid an principal of ₹ 65 crore towards off-budget borrowing.

Contingent Liabilities on account of Guarantees

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. No amount was invoked or discharged during 2023-24.

Fiscal sustainability

Fiscal sustainability is examined in terms of macro-fiscal parameters such as deficits, level of debt and liabilities, commitments on account of off-budget borrowings, guarantees, subsidies, etc. So far as revenue and expenditure mismatch is concerned, one of the important constraints is committed and inflexible expenditure, which includes salaries and wages, pension payments, interests, etc. and also other inflexible expenditure such as those arising out of commitment for centrally sponsored schemes, transfer to reserve funds, transfer to local bodies, etc.

FRBM requirements and compliance with fiscal parameters

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

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

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

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

Debt Sustainability

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.

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, 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.

Budget Performance

Aggregate Budget outturn

Aggregate Budget Outturn measures the extent to which the aggregate budget expenditure outturn/ actual expenditure reflects the amount originally approved, both in terms of less than approved and in excess of approved.

In the Revenue section, deviation in outturn compared with original budget provision was 4.90 *per cent*. This was due to deviation between 0 and ±25 *per cent* in 110 grants, between ±25 *per cent* to ±50 *per cent* in 45 grants, between ±50 *per cent* to 100 *per cent* in 30 grants and equal to or more than 100 *per cent* in 43 grants.

In the Capital section, deviation in outturn compared with original budget provision was 10.47 *per cent*. This was due to deviation between 0 and ±25 *per cent* in 67 grants, between ±25 *per cent* to ±50 *per cent* in 19 grants, between ±50 *per cent* to 100 *per cent* in 18 grants and equal to 100 *per cent* in 20 grants.

Expenditure Composition Outturn

Expenditure Composition Outturn measures the extent to which re-allocations between the main budget categories during execution have contributed to variance in expenditure composition.

In the Revenue section, deviation in outturn compared with revised estimates was 1.56 *per cent*. This was due to deviation between 0 and ±25 *per cent* in 175 grants, between ±25 *per cent* to ±50 *per cent* in 11 grants, between ±50 *per cent* to 100 *per cent* in three grants and equal to or more than 100 *per cent* in six grants.

In the Capital section, deviation in outturn compared with revised estimates was four *per cent*. This was due to deviation between 0 and ±25 *per cent* in 108 grants, between ±25 *per cent* to ±50 *per cent* in six grants, between ±50 *per cent* to 100 *per cent* in 20 grants and equal to or more than 100 *per cent* in two grants.

Supplementary provisions aggregating to ₹ 29,563.05 crore obtained in 44 voted Grants (₹ 10 crore or more in each case) during the year proved unnecessary as the actual expenditure of ₹ 1,64,204.75 crore in these grants did not reach the levels of even the original provision (₹ 2,02,942.45 crore).

Regularisation of Excess over Grants/ Appropriations

There was excess expenditure in 13 voted grants and two charged appropriations amounting to ₹ 35.58 crore, which required regularization as per Article 205 of the Constitution of India. Moreover, excess expenditure amounting to ₹ 2,990.18 crore for the year 2017-18 to 2022-23 in respect of 48 grants and 17 appropriations was pending for regularization as of March 2024.

Misclassification in accounts

It was noticed that an amount of ₹ 3,544.73 crore was incorrectly budgeted and booked under Capital Section instead of Revenue Section.

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

Quality of Accounts and Financial Reporting

Quality of accounts and financial reporting covers items, transactions and events which relate to gaps in compliance, regularity weaknesses and issues relating to delay in receipt of those accounting records or adjustment records which evidence the actual expenditure. It also highlights issues pertaining to the accounts and financial reporting such as incomplete reconciliation of accounts, non-compliance with the provision of IGAS, non-submission of UCs, DCC bills and annual accounts, non-discharging of interest liabilities etc.

Reconciliation

As per the Maharashtra Treasury Rules, all Departments are required to reconcile their expenditure and receipts with the expenditure booked in the accounts in the Principal Accountant General (A&E). During the year 2023-24 revenue receipts amounting to

₹ 2,63,912.57 crore (98 *per cent* of total revenue receipts) and revenue expenditure amounting to ₹ 3,64,728.27 crore (89 *per cent* of total revenue expenditure) and capital expenditure amounting to ₹ 56,891.88 crore (82.61 *per cent* of total capital expenditure) excluding the receipts and expenditure adjusted through transfer entries and periodical adjustment were reconciled by the State Government. Loans and Advances given by the State Government amounting to ₹ 4,635.18 crore (94.51 *per cent* of total loans and advances given by the State Government) was only reconciled

Operation of PD Accounts

Against the requirement of Treasury reconciling Personal Deposit (PD) Accounts with respective administrators, only 268 Administrators of PD Accounts (out of 1,248) had reconciled and verified their balances. Also, PD Accounts of 128 accounts with balance amounting to ₹ 88.21 crore were lying inoperative for more than one year as on 31 March 2024. Non-transfer of unspent balances lying in the PD accounts to the Consolidated Fund of the State entails the risk of misuse of Public find.

Delay in the submission of Utilisation Certificates against conditional grants

As on 31 March 2024, 10,793 Utilization Certificates amounting to ₹ 36,756.09 crore due in respect of conditional grants given to 32 Departments of the State Government were not submitted, which is 6.53 *per cent* of the total expenditure (₹ 5,62,714.85 crore) of the State. Utilization Certificates outstanding beyond the specified periods indicate absence of assurance on utilisation of the grants for intended purposes and the expenditure shown in the accounts to that extent cannot be treated as final.

Detailed Countersigned Contingent bills against Abstract Contingent bills

Similarly, despite the requirement of submitting Detailed Countersigned Contingent (DCC) Bills against the advance money withdrawn through Abstract Contingent (AC) Bills, DCC bills aggregating to ₹ 3,674.60 crore, drawn on 1,438 AC bills, were pending at the end of March 2024. Non-submission of DCC bills indicates lack of monitoring on part of the Departments as well as treasuries.

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