

CHAPTER I

1 An overview of the Finances of the State Government

1.1 Introduction

This chapter discusses the financial position of the State Government, based on the analysis of the information contained in the Finance Accounts. The analysis is based on the trends in the receipts and expenditure, the quality of expenditure and the management of finances by the State Government. In addition, the Chapter also contains a section on the analysis of indicators of financial performance of the Government, based on certain ratios and indices developed on the basis of the information contained in the Finance Accounts and other information furnished by the State Government. Some of the terms used in this chapter are elaborated in Appendix I.

1.2 Financial position of the State

In the Government accounting system, comprehensive accounting of the fixed assets like land and buildings etc owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. Exhibit I gives an abstract of such liabilities and the assets as on 31 March 2001, compared with the corresponding position on 31 March 2000. While the liabilities in this statement consist mainly of external and internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. It would be seen from Exhibit I that during 2000-2001, while the liabilities grew by 19.35 *per cent*, the assets grew by only 3.74 *per cent* leading to a very high (107.86 *per cent*) growth in the deficit. This shows an overall deterioration in the financial condition of the Government.

1.3 Sources and application of funds

1.3.1 Exhibit II gives the position of sources and application of funds during the current and the preceding year. The main sources of funds include the revenue receipts of the Government, recoveries of the loans and advances,

public debt and the receipts in the Public Account. These are applied mainly on revenue and capital expenditure and the lending for developmental purposes. It would be seen that the revenue receipts constitute the most significant source of funds for the State Government and their share went up from 69.97 *per cent* in 1999-2000 to 70.38 *per cent* in 2000-2001. The share of recoveries of loans and advances went up during the year considerably from 0.69 *per cent* to 6.18 *per cent*. The share of net receipts from the Public Account went down considerably from 13.28 *per cent* in 1999-2000 to 9 *per cent* in 2000-2001. This was mainly due to decrease in small savings. The share of net receipts from the public debt went down from 13.96 *per cent* to 13.51 *per cent*.

1.3.2 The funds were mainly applied to revenue expenditure, and its share in the total application of funds went up from 77.94 *per cent* in 1999-2000 to 89.97 *per cent* in 2000-2001 and its share also remained significantly higher than the share of the revenue receipts (70.38 *per cent*) as a component of the sources of funds of the State Government. The increase in revenue deficit in 2000-2001 by 83.52 *per cent* over the previous year was mainly on account of (i) payment of subsidy of Rs 2366.14 crore to Maharashtra State Electricity Board (MSEB) for rural electrification and (ii) adjustment of outstanding ways and means advances of Rs 1551 crore of previous year. During the year the percentage of capital expenditure went up from 9.92 *per cent* to 10.74 *per cent* of the total application of funds while lendings for development purposes went down from 10.36 *per cent* to (-)1.75 *per cent*.

EXHIBIT – I
SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF MAHARASHTRA
AS ON 31 MARCH 2001

As on 31.03.2000	LIABILITIES	As on 31.03.2001
	External Debt	
5349.24	Internal Debt	6482.40
4432.74	Market Loans bearing interest	5202.92
12.30	Market Loans not bearing interest	14.56
17.76	Loans from LIC	16.72
886.44	Loans from other institutions	1248.20
--	Ways and Means Advances/Overdrafts from Reserve Bank of India	--
27147.85	Loans and Advances from Central Government	31688.57
595.81	Pre 1984-85 Loans	512.42
18717.83	Non-Plan Loans	23038.84
7703.55	Loans for State Plan Schemes	8007.14*
14.10	Loans for Central Plan Schemes	13.36
116.56	Loans for Centrally Sponsored Plan Schemes	116.81
832.71	Contingency Fund	444.55
5803.27	Small Savings, Provident funds etc	6508.81
5550.31	Deposits	7081.73
8105.76³	Reserve Funds	10752.55
37.08⁴	Reserve Fund Investments	312.09
1915.52	Suspense and Miscellaneous Balances	2062.78
54741.74	TOTAL	65333.48
As on 31.03.2000	ASSETS	As on 31.03.2001
32753.52[*]	Gross Capital Outlay on Fixed Assets	37218.39
6784.13	Investments in shares of Companies, Corporations etc	9681.35
25969.39	Other Capital Outlay	27537.04
12018.38	Loans and Advances	8697.14
4607.94	Loans for Power Projects	2632.68
4812.15	Other Development Loans	4791.53
2598.29	Loans to Government servants and Miscellaneous loans	1272.93
12.64	Advances	13.07
838.48¹	Remittance Balances	884.58¹
914.30⁴	Cash	1466.95
6.72	Cash in Treasuries	7.14
(-) 160.09 ²	Deposits with Reserve Bank	547.53
(-) 60.04	Local remittances	(-)96.61 [^]
8.41	Departmental Cash Balance	14.48*
0.41	Permanent Advances	0.41
1081.73	Cash Balance Investments	681.83
37.16	Investment of earmarked balances	312.17
8204.42	Deficit on Government Accounts	17053.35
4268.75	(i) Revenue Deficit of the Current Year	7834.03
---	(ii) Pro forma correction	1366.28
672.69	(iii) Other adjustments	(-)351.38 ¹
3262.98	Accumulated deficit upto 31 March 2000	8204.42
54741.74	TOTAL	65333.48

* Higher rounding

¹ Lower rounding² Minus balance is due to payments made by the agency bank being more than the receipts collected by them and late reporting of transactions through the Reserve Bank of India, Nagpur³ Differs by Rs 1368.15 crore from closing balance of 1999-2000 due to pro forma correction.⁴ Differs by Rs 112.14 crore from the Finance Accounts 1999-2000 due to pro forma correction.[^] Minus balance is due to non-adjustment of remittances between treasuries and currency chests on 31.3.2000.

EXHIBIT II
SOURCES AND APPLICATION OF FUNDS

(Rupees in crore)

		Sources	
1999-2000			2000-2001
25269.47	1.	Revenue receipts	29566.92
250.90*	2.	Recoveries of Loans and Advances	2595.20
5040.95	3.	Increase in Public debt other than overdraft	5673.88
	4.	Net receipts from Public account	
2083.54		Increase in Small Savings and Provident Funds	705.54
1524.36		Increase in Deposits and Advances	1530.99
457.26		Increase in Reserve funds	1441.51
567.05		Net effect of Suspense and Miscellaneous transactions	147.26
164.65		Net effect of Remittance transactions	--
755.65	5.	Net effect of contingency fund transactions	--
--	6.	Adjustment closed to Government Accounts	351.39
1785.38	7.	Decrease in closing cash balance	--
37899.21		Total	42012.69
		Application	
29538.22	1.	Revenue expenditure	37400.95
3926.98	2.	Lending for development and other purposes	(-)726.04
3761.32	3.	Capital expenditure	4463.01
--	4.	Net effect of contingency fund transactions	388.16
672.69	5.	Adjustment closed to Government Accounts	--
--	6.	Increase in closing cash balance	440.51
--	7.	Net effect of Remittance transactions	46.10
37899.21		Total	42012.69

Explanatory notes for Exhibit I, II and III:

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on Government account, as shown in Exhibit I, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc, do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlement etc.
4. There was a difference of Rs 57.58 lakh (debit) between the figures reflected in the accounts and that intimated by the RBI under "Deposit with Reserve Bank". The difference is under reconciliation (November 2001).

* Higher rounding

EXHIBIT-III
ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2000-2001

(Rupees in crore)

Receipts		Disbursement:	
199-200	2000-2001	1999-2000	2000-2001
	Section-A: Revenue		
25269.47	I. Revenue receipts	29566.92	29538.22
			I. Revenue expenditure
17264.95	-Tax revenue	19726.94	12538.73
			General services
			11181.28
			Social services
3936.87	-Non-tax revenue	5596.26 ¹	7276.75
			-Education, Sports, Art and Culture
			9086.67 ¹
			321.75
			9408.42
			1354.77
			-Health and Family Welfare
			1232.93
			362.41
			1595.34
2608.67	-State's share of Union Taxes	2781.01	1236.31
			-Water Supply, Sanitation, Housing and Urban Development
			827.96
			615.28
			1443.24
			23.49
			-Information and Broadcasting
			18.73
			0.49
			19.22
589.31	-Non-Plan grants	597.33	602.54
			-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes
			496.80
			255.86
			752.66
			241.53
			-Labour and labour Welfare
			183.23
			29.61
			212.84
377.27	-Grants for State Plan Scheme	155.81	418.28
			-Social Welfare and Nutrition
			693.35
			198.23
			891.58
			27.61
			-Others
			25.41
			2.00*
			27.41
492.40	-Grants for Central and Centrally sponsored Plan Schemes	709.57 ¹	5257.72
			Economic Services
			6540.54
			1115.32
			7655.86
			2558.31
			-Agriculture and Allied Activities
			2206.38
			419.57
			2625.95
			594.55
			-Rural Development
			8.58
			498.70
			507.28
			67.46
			-Special Areas Programmes
			0.17
			45.84
			46.01
			1781.67
			-Irrigation and Flood control
			1761.98
			95.95
			1857.93
			33.96
			-Energy
			2391.57
			13.49
			2405.06
			92.27
			-Industry and Minerals
			31.70
			7.38
			39.08
			30.37
			-Transport
			39.72
			6.04
			45.76
			7.71
			-Science, Technology And Environment
			0.01
			8.86
			8.87
			91.42
			-General Economic Services
			100.43
			19.49
			119.92
			560.49
			-Grants-in-aid and Contributions
			683.96
			8.29
			692.25

¹ Lower Rounding

*

Higher Rounding

Audit Report (Civil) for the year ended 31 March 2001

		Receipts					Disbursements				
1999 2000				2000- 2001	1999- 2000		Non- Plan	Plan	Total	2000- 2001	
4268.75	II.	Revenue deficit carried over to Section B		7834.03		II.	Revenue Surplus carried over to Section B			--	
2699.68	III.	Opening Cash balance including Permanent Advances and Cash Balance Investment		1026.44 ⁺		III.	Opening Overdraft from RBI			--	
--	IV.	Miscellaneous Capital receipts		--	3761.32	IV.	Capital Outlay	774.71	3688.30	4463.01	
					74.78		General Services	9.90	36.05	45.95	
					181.14		Social Services	5.06*	115.40 ¹	120.46	
					26.27		-Education, Sports, Art and Culture	--	11.83	11.83	
					38.45		-Health and Family Welfare	--	38.94	38.94	
					42.76		-Water Supply, Sanitation, Housing and Urban Development	5.71	30.35	36.06	
					61.32		-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	--	18.69	18.69	
					1.38		-Social Welfare and Nutrition	(-)0.65 ¹	3.18	2.53	
					10.96		-Others	--	12.41	12.41	
					3505.40		Economic Services	759.75	3536.85	4296.60	
					797.28		-Agriculture and Allied Activities	114.69	300.37	415.06	
					1566.93		-Irrigation and Flood Control	629.00	336.39	965.39	
					197.72		-Energy	--	2194.83	2194.83	
					22.14		-Industry and Minerals	--	13.13	13.13	
					916.55		-Transport	15.96	688.56	704.52	
					4.65		-General Economic Services	0.10	3.45	3.55	
					0.13		-Science Technology and Environment	--	0.12	0.12	

⁺ Differs from the Closing balance of Finance Accounts (in Chapter I) 1999-2000 by Rs 112.14 crore due to Pro forma correction.

* Higher Rounding ¹ Lower Rounding

1999-2000		Receipts		2000-2001	1999-2000		Disbursement	Noi Pla	Plan	Total	2000-2001
250.90	V.	Recoveries of Loans and Advances-		2595.20	3926.98	V.	Loans and Advances disbursed-				(-)726.04
99.82		-From Power Projects	2206.66		347.23		-For Power Projects			231.40	
44.53		-From Government Servants	55.79		106.76		-To Government Servants			134.39	
106.55		-From others	332.75		3472.99		-To Others			(-)1091.83 ^a	
--	VI.	Revenue surplus brought down		--	4268.75	VI.	Revenue deficit brought down				7834.03
6058.04	VII.	Public debt receipts		6744.15	1017.09	VII.	Repayment of Public Debt-				1070.27
--		-External debt	--		--		-External debt			--	
1154.80		-Internal debt other than ways and means Advances and Overdraft	1342.76		199.48		-Internal debt other than Ways and Means Advances and Overdraft			209.60	
-- ^A		-Net transactions under Ways and Means Advances including overdraft	-- ⁺		-- ^A		-Net transactions under Ways and Means Advances including Overdraft			-- ⁺	
4903.24		-Loans and Advances from Central Government	5401.39		817.61		-Repayment of Loans and Advances to Central Government			860.67	
1000.00	VIII.	- Appropriation from Contingency Fund		700.00	1700.00	VIII.	Appropriation to Contingency Fund				350.00
1772.94	IX.	Contingency Fund		367.29	1017.29	IX.	Contingency Fund				755.45
37749.44	X.	Public Account receipts		38318.68	32925.27	X.	Public Account disbursements-				34538.09
2775.86		-Small Savings and Provident Funds	1564.91		692.32		-Small Savings and Provident Funds			859.37	
2126.89		-Reserve funds	3436.37		1642.30		-Reserve Funds			1993.46	
22172.03		-Suspense and Miscellaneous	22677.76		21605.00 ¹		-Suspense and Miscellaneous			22530.51	
6114.09		-Remittances	5514.88		5949.44		-Remittances			5560.98	
4560.57		-Deposits and Advances	5124.76		3036.21		-Deposits and Advances			3593.77	

⁺ Represent receipts Rs 5951.67 crore and disbursements Rs 5951.67 crore

^A Represents receipts Rs 298.97 crore and disbursements Rs 298.97

^a Minus debit is on account of adjustment of grants due to Zilla Parishads against Ways and Means Advances paid during previous year

¹ Lower rounding * Higher rounding

		Receipts			Disbursements					
1999-2000				2000-2001	1999-2000		Noi Pla	Plan	Total	2000-2001
--	XI.	-Closing Overdraft from Reserve Bank of India		--	914.30	XI.	Cash Balance at end-			1466.95
					6.72		-Cash in Treasuries		7.14	
--	XII.	Inter State Settlement		--	(-)60.04		-Local Remittances		(-)96.61 ^B	
					(-)160.09		-Deposits with Reserve Bank		547.53	
					8.41		-Departmental Cash Balance		14.48*	
					0.41		-Permanent Advances		0.41	
					1081.73		-Cash Balance Investment		681.83	
					37.16		-Investment of earmarked balances		312.17	
49531.00		Total		49751.76	49531.00		Total			49751.76

^B Minus balance is due to non-adjustment of remittance between treasuries and currency chests on 31 March 2000

* Higher rounding

EXHIBIT IV
TIME SERIES DATA ON STATE GOVERNMENT FINANCES
(Rupees in crore)

	1996-97	1997-98	1998-99	1999-2000 ¹	2000-2001
Part A. Receipts					
1. Revenue Receipts	19255.24	20316.57	21737.09	25269.47	29566.92
(i) Tax Revenue	11714.97(61)	13719.26(68)	14202.36(65)	17264.95(68)	19726.94(67)
Taxes on Agricultural Income	--	--	--	0.12(0)	--
Taxes on Sales, Trade, etc	7290.00(62)	7825.48(57)	8066.61(57)	10509.02(61)	12196.39(62)
State Excise	1068.50(9)	1650.88(12)	1748.74(12)	1875.68(11)	1779.51(9)
Taxes on Vehicles	613.74(5)	752.07(5)	636.95(5)	708.30(4)	785.84(4)
Stamps and Registration fees	1274.57(11)	1690.35(12)	1607.87(11)	1939.83(11)	2200.92(11)
Land Revenue	109.96(1)	92.09(1)	112.46(1)	177.87(1)	214.72(1)
Other Taxes	1358.20(12)	1708.39(13)	2029.73(14)	2054.13(12)	2549.56(13)
(ii) Non-tax Revenue	3754.88(19)	3640.89(18)	3572.70(16)	3936.87(16)	5596.26 ¹ (19)
(iii) State's share of Union taxes and duties	2274.93(12)	1732.06(8)	2921.90(14)	2608.67(10)	2781.01(9)
(iv) Grants-in-aid from GOI	1510.46(8)	1224.36(6)	1040.13(5)	1458.98(6)	1462.71(5)
2. Misc. Capital Receipts	--	--	--	--	--
3. Total revenue and Non-debt capital receipts (1 + 2)	19255.24	20316.57	21737.09	25269.47	29566.92
4. Recoveries of Loans and Advances	209.19	193.43	269.76	250.90	2595.20
5. Public Debt Receipts	3652.95	4496.53	5516.50	6058.04	6744.15
Internal Debt (excluding Ways and Means Advances and Overdrafts)	648.61	711.92	799.94	1154.80	1342.76
Net transactions under Ways and Means Advances and Overdraft	--	--	0.01	--	--
Loans and Advances from Government of India ⁵	3004.34	3784.61	4716.55	4903.24	5401.39
6. Appropriation from Contingency Fund	500.00	--	300.00	1000.00	700.00
7. Inter State settlement	--	--	0.99	--	--
8. Total receipts in the Consolidated Fund (3+4+5+6+7)	23617.38	25006.53	27824.34	32578.41	39606.27
9. Contingency Fund Receipts	114.86	208.34	131.44	1772.94	367.29
10. Public Accounts receipts	24798.40	28375.02	30342.06	37749.44	38318.68
11. Total receipts of the State (8+9+10)	48530.64	53589.89	58297.84	72100.79	78292.24
Part B. Expenditure/Disbursement					
12. Revenue expenditure (% of 15)	20845.80(85)	22896.51(85)	25663.02(87)	29538.22(79)	37400.95¹(91)
Plan	3998.11(19)	3276.54(14)	3397.75(13)	2840.56(10)	2921.20 ¹ (8)
Non-Plan	16847.69(81)	19619.97(86)	22265.27(87)	26697.66(90)	34479.75(92)
General Services (incl. Interests payments)	7863.50(38)	9136.91(40)	10614.12(41)	12538.73(42)	14702.13(39)
Social Services	7397.33(36)	8596.26(38)	9427.81(37)	11181.28(38)	14350.71(38)
Economic Services	5498.03(26)	5018.34(22)	5445.29(21)	5257.72(18)	7655.86(21)
Grants-in-aid and Contribution	86.93(0)	145.00(0)	175.80(1)	560.49(2)	692.25(2)
13. Capital Expenditure (% of 15)	2719.85(11)	3211.79(12)	3192.51(11)	3761.32(10)	4463.01(11)
Plan	2645.10(97)	3001.24(93)	2484.77(78)	2637.86(70)	3688.30(83)
Non-Plan	74.75(3)	210.55(7)	707.74 [*] (22)	1123.46(30)	774.71(17)
General Services	44.63(2)	50.51(2)	74.71(2)	74.78(2)	45.95(1)
Social Services	121.63(4)	137.53(4)	278.40(9)	181.14(5)	120.46(3)
Economic Services	2553.59(94)	3023.75(94)	2839.40(89)	3505.40(93)	4296.60(96)

* Higher rounding

¹ Lower rounding⁵ Includes Ways and Means Advances from GOI

	1996-97	1997-98	1998-99	1999-2000	2000-2001
14. Disbursement of Loans and Advances (% of 15)	852.49(4)	843.91(3)	613.70(2)	3926.98(11)	(-)726.04(-2)
15. Total (12+13+14)	24418.14	26952.21	29469.23	37226.52	41137.92
16. Repayments of Public Debt	586.81	722.94	847.95	1017.09	1070.27
Internal Debt (excluding Ways and Means Advances and Overdrafts)	44.42	75.00	116.00	199.48	209.60
Net transactions under Ways and Means Advances and Overdrafts)	--	0.01	--	--	--
Loans and Advances from Government of India ^S	542.39	647.93	731.95	817.61	860.67
17. Appropriation to Contingency Fund	100.00	200.00	100.00	1700.00	350.00
18. Total disbursement out of Consolidated Fund (15+16+17)	25104.95	27875.15	30417.18	39943.61	42558.19
19. Contingency Fund disbursements	508.34	31.44	372.94	1017.29	755.45
20. Public Account disbursements	23070.20	25438.33	26739.82	32925.27	34538.09
21. Total disbursement by the state (18+19+20)	48683.49	53344.92	57529.94	73886.17	77851.73
<i>Part C. Deficits</i>					
22. Revenue Deficit(-)/Surplus (+) (1-12)	(-)1590.56	(-)2579.94	(-)3925.93	(-)4268.75	(-)7834.03
23. Fiscal Deficit (3+4-15)	4953.71	6442.21	7462.38	11706.15	8975.80
24. Primary Deficit (23-25)	2506.50	3538.62	3789.25	6822.56	3751.26
<i>Part D. Other data</i>					
25. Interest Payments (included in revenue expenditure)	2447.21	2903.59	3673.13	4883.59	5224.54
26. Arrears of Revenue (Percentage of Tax and non-tax Revenue Receipts)	3553.87(23)	4264.87(25)	4563.52(26)	6511.54(31)	7953.69(31)
27. Financial Assistance to local bodies etc	6143.61	8763.62	7943.93	9471.59	7300.59
28. Ways and Means Advances/Overdraft availed (days)	--	--	--	19	244
29. Interest on WMA/Overdraft	--	--	--	--	12.18
30. Gross State Domestic Product (GSDP)	168944	182295	239721	240224	273207^B
31. Outstanding Debt (year end)	19013.99	22787.59	27456.14	32497.09	38170.97
32. Outstanding guarantees (year end)	7636.16	8417.77	11152.15	1079.79	2924.81^A
33. Maximum amount guaranteed (year end)	20640.57	24441.62	27423.01	29214.78	35540.20
34. Number of incomplete projects	--	123	115	68	95
35. Capital blocked in incomplete projects	--	2681.77	3099.23	1705.95	2850.12

Note: Figures in brackets represent percentages (rounded) to total of each subheading

^S Includes Ways and Means Advances from GOI * Higher rounding ¹ Lower rounding

^B Provisional. This is a calculation made on the basis of data from Economic survey of Maharashtra

^A Information about outstanding guarantees in respect of 48 institutions/concerns is awaited (October 2001)

1.4 Financial operations of the State Government

1.4.1 Exhibit III gives the details of the receipts and disbursements made by the State Government. The Revenue expenditure (Rs 37400.95 crore) during the year exceeded the revenue receipts (Rs 29566.92 crore) resulting in a revenue deficit of Rs 7834.03 crore. The revenue receipts comprised tax revenue (Rs 19726.94 crore), non-tax revenue (Rs 5596.26 crore), State's share of Union taxes and duties (Rs 2781.01 crore) and grants-in-aid from the Central Government (Rs 1462.71 crore). The main sources of tax revenue were sales tax (62 per cent), stamps and registration fees (11 per cent) and state excise (9 per cent) and Non-tax revenue came mainly from interest receipts (56.50 per cent) and economic services (28.23 per cent).

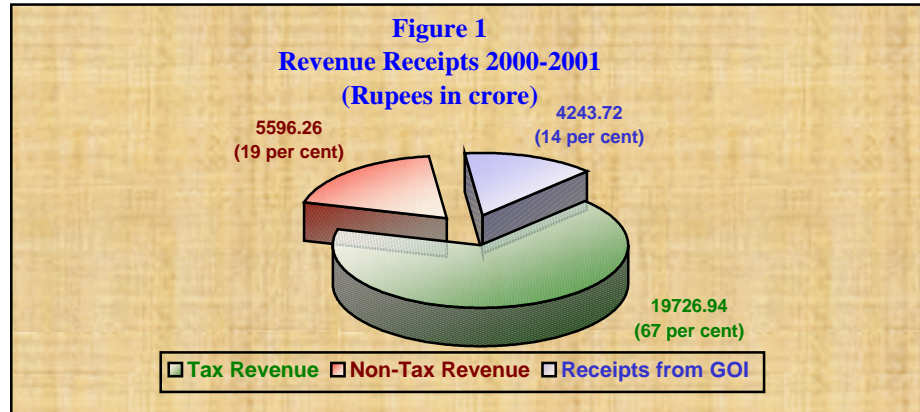
1.4.2 The capital receipts comprised Rs 2595.20 crore from recoveries of loans and advances and Rs 6744.15 crore from public debt. Against this, the expenditure was Rs 4463.01 crore on capital outlay, (-)Rs 726.04* crore on disbursement of loans and advances and Rs 1070.27 crore on repayment of public debt. The receipts in the Public Account amounted to Rs 38318.68 crore, against which the disbursements of Rs 34538.09 crore were made. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was increase in the cash balance from Rs 1026.44 crore at the beginning of the year to Rs 1466.95 crore at the end of the year.

1.4.3 The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs, with reference to the information contained in Exhibit III and the time series data for the five year period from 1996-97 to 2000-2001, presented in Exhibit IV.

1.5 Revenue receipts

1.5.1 The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India (GOI). Their relative shares are shown in Figure I. The revenue receipts grew at an average annual rate of 12.35 per cent during 1996-97 to 2000-2001.

* Loans and advances disbursed by State Government during 2000-2001 (other than ways and means advances to Zilla Parishads) was Rs 677.91 crore and ways and means advances to Zilla Parishads after previous years and current years adjustment against sanction of grants was (-) Rs 1403.95 crore. Thus, the net result under loans and advances disbursed by State Government was minus Rs 726.04 crore.



1.5.2 Tax revenue

These constitute the major share of the revenue receipts. Their share decreased from 68 per cent in 1999-2000 to 67 per cent in 2000-2001 due to a sharp decline in the growth of tax revenue over previous year from 22 per cent in 1999-2000 to 14 per cent in 2000-2001. The decline in the growth of Tax Revenue in 2000-2001 was mainly due to decline in growth rate of Sales Tax from 30 per cent in 1999-2000 to 16 per cent in 2000-2001 and also of State Excise from 7 per cent in 1999-2000 to (-) 5 per cent in 2000-2001 which occurred due to shortfall in sale of liquor. Exhibit IV shows that the relative contribution of Sales Tax to Tax revenue has gone up from 61 per cent in 1999-2000 to 62 per cent in 2000-2001 and of State excise to Tax revenue has gone down from 11 per cent in 1999-2000 to 9 per cent in 2000-2001. The shares of the other two major constituents of tax revenue viz. taxes on vehicles and stamp duty and registration fees have remained more or less the same. While taxes and duties on electricity contributed 1 per cent of the revenue receipts during 1999-2000, during 2000-2001 it increased to 3 per cent.

1.5.3 Non-tax revenue

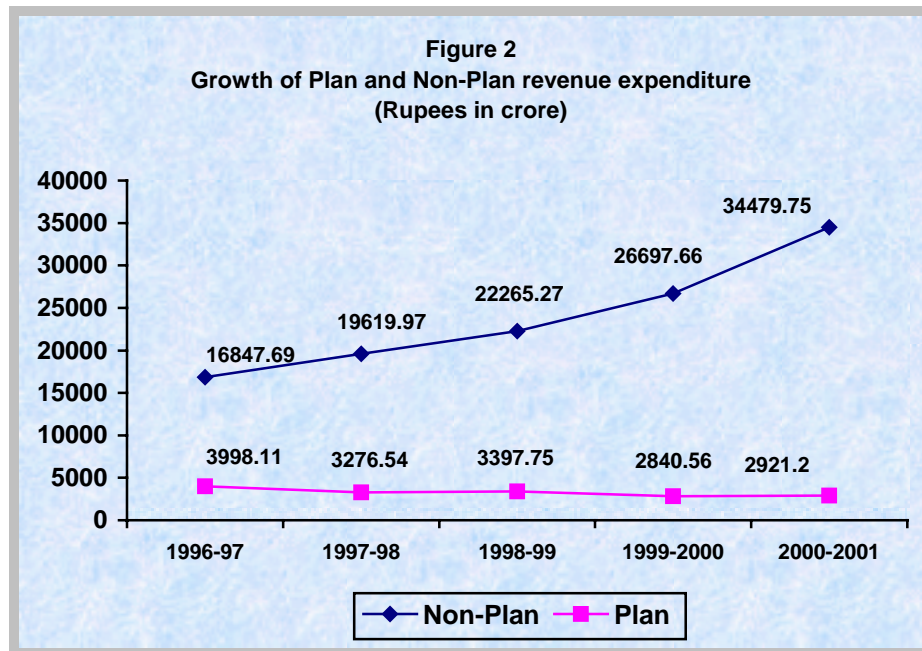
The share of non-tax revenue in the revenue receipts increased from 16 per cent in 1999-2000 to 19 per cent in 2000-2001. There was increase in the annual growth rate of non-tax revenue during 2000-2001 over previous year, it increased by 42 per cent as compared to 1999-2000 when it increased by 10 per cent over 1998-99. The increase during 2000-2001 was mainly due to (i) increase in interest receipts (Rs 1437.47 crore) which was due to recovery of past arrears from MSEB and (ii) increase in rates of royalty on some minor minerals (Rs 84.37 crore).

1.5.4 State's share of Union taxes and duties and grants-in-aid from the Central Government

The State's share of Union taxes (excise duties, income and corporation taxes, wealth tax, customs and Service Tax) increased by 7 per cent during the year, while that of the grants-in-aid from the Central Government increased by 0.26 per cent. However, as a percentage of revenue receipts they (both taken together) declined from 20 per cent in 1996-97 to 14 per cent during 2000-2001 mainly due to a decline in the percentage share (from 8 per cent to 5 per cent) in grants-in-aid over the years.

1.6 Revenue expenditure

1.6.1 The revenue expenditure accounted for most (91 per cent) of the expenditure of the State Government and increased by 27 per cent during 2000-2001 (as can be seen in figure 2). A major constituent of the Non-Plan revenue expenditure during 2000-2001 was the General Services which amounted to Rs 14690.16 crore (43 per cent).



1.6.2 Sectorwise analysis shows that while the expenditure on General Services increased by 87 per cent, from Rs 7863.50 crore in 1996-97 to Rs 14702.13 crore in 2000-2001, the corresponding increases in expenditure on Social Services and Economic Services were 94 and 39 per cent respectively. As a proportion of total Revenue expenditure, the share of General Services increased from 38 per cent in 1996-97 to 39 per cent in 2000-2001. However, during 2000-2001 increase in expenditure in General Services over previous year was 17 per cent of which increase in interest

payments alone accounted for 16 *per cent*. The increase in expenditure on General Services during the year was also accountable under Fiscal Services (Rs 1175.18 crore), Administrative Services (Rs 225.02 crore) and Pension and Miscellaneous General Services (Rs 532.26 crore). This was mainly attributable to increase in contribution to Employment Guarantee Fund, contribution to State Road Fund consequent to increase in Sales Tax Receipts, increase in DA due to payment of arrears on account of revision of pay scales and Pensionary liability to Zilla Parishads and increase due to revision of pension and rates of DA thereon. While the share of Social Services to total Revenue expenditure remained more or less the same, the share of Economic Services decreased from 26 *per cent* in 1996-97 to 21 *per cent* in 2000-2001. However, during the year the increase in expenditure in Economic Services over previous year was 46 *per cent*, mainly due to payment of subsidy to Maharashtra State Electricity Board (MSEB) for rural electrification.

1.6.3 Interest payments

Interest payments increased by 113 *per cent* from Rs 2447.21 crore in 1996-97 to Rs 5224.54 crore in 2000-2001 and consumed 26 *per cent* of tax revenue of the Government during 2000-2001. The increase was mainly due to payment of interest on loans and advances from Central Government which contributed 72 *per cent* of this increase. Increase in interest payment was 17 *per cent* and 44 *per cent* of increase in Revenue Expenditure and Revenue Deficit respectively. The increase in the interest payment (Rs 340.95 crore) over the previous year accounted for 16 *per cent* of the increase in revenue expenditure on General Services (Rs 2163.40 crore) during the same period. This is further discussed in the section on financial indicators.

1.6.4 Financial assistance to local bodies and other institutions

The quantum of assistance (grants and loans) provided to different local bodies etc during the period of five years ending 2000-2001 was as follows :

(Rupees in crore)

	1996-9	1997-9	1998-9	1999-20()	2000-20(1
Universities and Educational Institutions	314.39	2676.88	3372.82	2660.04	2633.08
Municipal Corporations and Municipalities	1183.79	983.53	417.73	563.73	552.88
Zilla Parishads and Other Panchayati Raj Institutions	1872.62	2486.84	2647.99	3220.94	1958.15
Development agencies	598.20	27.47	81.91	1071.20	124.45
Hospitals and Other Charitable Institutions	--	9.93	0.49	38.35	52.57
Other Institutions	2174.61	2578.97	1422.99	1917.33	1979.46
Total	6143.61	8763.62	7943.93	9471.59	7300.59
Percentage of growth over previous year	13.55	42.65	(-) 9.35	19.23	(-)22.92
Assistance as a percentage of revenue expenditure	29.47	38.27	30.95	32.07	19.52

The total assistance at the end of 2000-2001 had grown by 19 *per cent* over the level of 1996-97 but decreased by 23 *per cent* compared to previous year. The assistance to local bodies as a percentage of total revenue expenditure had also decreased from 32 *per cent* in 1999-2000 to 20 *per cent* in 2000-2001. The decrease was significantly under financial assistance to (i) development agencies (District Rural Development Agencies) and (ii) Zilla Parishads and other Panchayati Raj Institutions.

1.6.5 Loans and advances by the State Government

The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, co-operatives, non-Government institutions, etc for developmental and non-developmental activities. A review of the 'Management of Loans given by the State Government' included in Paragraph No 1.12 indicated serious deficiencies in recovery of loans and interest. The position for the last five years depicted in the table below shows a declining trend of the amount advanced during the year as well as net addition from 1996-97 to 2000-2001 except 1997-98 and 1999-2000.

(Rupees in crore)

	1996-97	1997-9	1998-9	1999-20()	2000-2001
Opening Balance	6704.58	7347.88	7998.36	8342.30	12018.38
Amount advanced during the year	852.49	843.91	613.70	3926.98	(-) 726.04
Amount repaid during the year	209.19	193.43	269.76	250.90	2595.20
Closing balance	7347.88	7998.36	8342.30	12018.38	8697.14
Net addition	643.30	650.48	343.94	3676.08	(-) 3321.24
Interest received	689.92	424.18	261.69	244.56	1685.26

The sudden increase in the amount advanced in 1999-2000 was due to ways and means advance of Rs 3066.03 crore given by the State Government to Zilla Parishads during the last quarter of the year which remained unadjusted. There was minus balance of amounts advanced during the year 2000-2001 as the adjustment of part of the amount of previous year along with advances for current year was effected during the year. Paragraph No. 1.3.2 also refers.

1.7 Capital expenditure

Capital expenditure leads to asset creation. In addition, financial assets arise from money invested in institutions or undertakings outside Government i.e. public sector undertakings (PSUs), corporations, etc and loans and advances. The capital expenditure has increased by 64 *per cent* from Rs 2719.85 crore in 1996-97 to Rs 4463.01 crore in 2000-2001. It would be seen from Exhibit IV that its share in total expenditure has also increased from 10 *per cent* in 1999-2000 to 11 *per cent* in 2000-2001 and 47 *per cent* of borrowings were applied for capital expenditure during 2000-2001 compared to 38 *per cent* in

1999-2000. Most of the capital expenditure has been on Economic Service and on the Plan side.

1.8 Quality of expenditure

1.8.1 Government spends money for different activities ranging from maintenance of law and order and regulatory functions to various developmental activities. Government expenditure is broadly classified into Plan and Non-Plan and the Revenue and Capital. While the Plan and Capital expenditure are usually associated with asset creation, the Non-Plan and revenue expenditure are identified with expenditure on establishment, maintenance and services. By definition, therefore, in general, the Plan and Capital expenditure can be viewed as enhancing the quality of expenditure.

1.8.2 Wastage in public expenditure, diversion of funds and funds blocked in incomplete projects impinge negatively on the quality of expenditure. Similarly, funds transferred to Deposit heads in the Public Account, after booking them as expenditure, can also be considered as a negative factor in judging the quality of expenditure. As the expenditure was not actually incurred in the concerned year it should be excluded from the figures of expenditure for that year. Another possible indicator is the increase in the expenditure on General services, to the detriment of Economic and Social Services.

1.8.3 The following table lists out the trend in these indicators :

	1996-97	1997-98	1998-99	1999-2000	2000-2001
1. Plan expenditure as a percentage of :					
- Revenue expenditure	19	14	13	10	8
- Capital expenditure	97	93	78	70	83
2. Capital expenditure (<i>per cent</i>)	11	12	11	10	11
3. Expenditure on General Services (<i>per cent</i>) :					
- Revenue	38	40	41	42	39
- Capital	2	2	2	2	1
(Rupees in crore)					
4. Amount of wastages and diversion of funds reported in audit reports	97.79	243.53	390.37	711.30	2789.55
5. Non-remunerative expenditure on incomplete projects	*	2681.77	3099.23	1705.95	2850.12

* Not available

It would be seen from Exhibit IV that share of total Plan expenditure (Revenue + Capital) to total expenditure decreased from 27 per cent in 1996-97 to 16 per cent in 2000-2001. The share of capital expenditure to total expenditure increased from 10 per cent in 1999-2000 to 11 per cent in 2000-2001. The expenditure on General Services, at the same time, has been on the increase indicating a deterioration in the quality of expenditure during the period 1996-97 to 1999-2000 while the expenditure on General Services (per cent) has reduced during 2000-2001. Huge amounts blocked in incomplete projects and the wastages and diversion of funds reported by Audit also impinge significantly on the quality of expenditure by the State Government.

1.9 Financial management

The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this report deal extensively with these issues based on the findings of the test audit. Some other parameters, which can be segregated from the accounts and other related financial information of the Government, are discussed in this section.

1.9.1 Investments and returns

Investments are made by the Government to promote developmental, manufacturing, marketing and social activities. The sectorwise details of investments made and the number of concerns involved were as under :

Sector	Number of concerns	Amount invested	
		as on 31 March 2000	during 2000-2001
(Rupees in crore)			
1. Statutory Corporations	5	3638.63	1986.00
2. Government Companies	53	4284.70 ¹	680.14
3. Joint Stock Companies	49	13.63	2.91
4. Co-operative Institutions	14	1743.11	227.85
5. Municipalities and Port Trusts	6	0.95	--
6. Concerns under liquidation	16	0.33	--
Total		9681.35	2896.90

The details of investments and the returns realised during the last five years by way of dividend and interest were as follows :

¹ Increased by Rs 0.32 crore adjusted by pro forma correction.

Year	Investment at the end of the year (Rupees in crore)	Return	Percentage of return	Rate of interest on Government borrowing (per cent)
1996-97	1874.18	9.27	0.49	13.75 and 13.85
1997-98	2003.43	9.33	0.47	13.05
1998-99	5440.01 #	6.01	0.11	12.15 and 12.50
1999-2000	6784.45 #	3.96	0.06	11.85 and 12.25
2000-2001	9681.35	3.95	0.04	10.52 and 12

Thus, while the Government was raising money at high cost from the market, its investments in Government companies etc fetched insignificant returns. As on 31 March 2001, 46 Government companies in which Government had invested Rs 1074.12 crore (Rs 589.35 crore by way of equity and Rs 484.77 crore by way of long term loans) were running in loss. The accumulated loss was Rs 714.20 crore in respect of above Government companies upto March 2001. Although the Government was receiving meagre returns, they had further invested Rs 2896.90 crore during 2000-2001 in Companies/Corporations.

The investments of Rs 2896.90 crore during 2000-2001 was mainly due to (i) conversion of outstanding loans due from MSEB into equity amounting to Rs 1986 crore, (ii) investment of Rs 463.44 crore in Maharashtra Krishna Valley Development Corporation and Rs 104.55 crore in Vidharbha Irrigation Development Corporation and (iii) investment of Rs 109.55 crore in Co-operative Sugar Mills, Rs 82.56 crore in Co-operative Spinning Mills. Thus a large part of the investment in MSEB did not amount to any fresh infusion of capital and was only a book adjustment.

1.9.2 Financial results of irrigation works

The financial results of 18 major irrigation projects with a capital outlay of Rs 1545.70 crore at the end of March 2001 showed that revenue of Rs 28.07 crore was realised from these during 2000-2001 which was only 1.82 per cent of the capital outlay and which did not cover even the direct working expenses (Rs 17.30 crore). After meeting the working and maintenance expenditure (Rs 17.47 crore) and interest charges (Rs 158.81 crore), the schemes suffered a net loss of Rs 148.21 crore during 2000-2001.

1.9.3 Incomplete projects

As of 31 March 2001, in 95 incomplete projects capital of Rs 2850.12 crore was blocked. There was decline in incomplete projects from 123 to 68 and capital blocked in these projects from Rs 2681.77 crore to Rs 1705.95 crore during March 1998 to March 2000, while the number of incomplete projects

Differs from previous year due to pro forma correction

increased to 95 and capital blocked in these projects to Rs 2850.12 crore during 2000-2001. Of these, 6 projects remained incomplete for more than 5 years and 74 projects for less than 5 years involving capital of Rs 85.69 crore and Rs 2563.14 crore respectively. Details in respect of 15 projects involving capital of Rs 201.29 crore are not available.

1.9.4 Arrears of revenue

The arrears of revenue pending collection increased by 22 *per cent* from Rs 6511.54 crore in 1999-2000 to Rs 7953.69 crore in 2000-2001. The figure of arrears of revenue as of March 2001 do not reflect the total arrears, as particulars from all departments were not made available. The increase in the arrears of revenue was mainly due to Sales Tax which increased from Rs 6019.41 crore in 1999-2000 to Rs 7460.12 crore in 2000-2001. The outstanding arrears registered a secular increase during the preceding five years (Exhibit IV) and increased from 23 *per cent* of the revenue raised during 1996-97 to 31 *per cent* during 2000-2001. Of the arrears of Rs 7953.69 crore as of March 2001, Rs 1673.73 crore (21 *per cent*) were pending for more than five years and pertained mainly to Sales Tax (Rs 1664.72 crore). The overall deterioration in the position of arrears of revenue showed a slackening of the revenue collection efforts of the State Government.

1.9.5 Deficit

1.9.5.1 Deficits in Government account represent gaps between the receipts and expenditure. The nature of deficit is an important indicator of the prudent financial management of the Government. Further, the ways of financing the deficit and the application of the funds raised in this manner are important pointers to the fiscal prudence of the Government. The discussion in this section relates to three concepts of deficit viz. revenue deficit, fiscal deficit and primary deficit.

1.9.5.2 The revenue deficit is the excess of revenue expenditure over revenue receipts. The fiscal deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received). Primary deficit is fiscal deficit less interest payments. The following exhibit gives a break-up of the deficit in Government account.

(Rupees in crore)

CONSOLIDATED FUND				
Receipt	Amount		Disbursement	Amount
Revenue	29566.92	Revenue deficit : 7834.03	Revenue	37400.95
Misc. capital receipts	--		Capital	4463.01
Recovery of loans and advances	2595.20		Loans and advances	(-)726.04
Subtotal	32162.12	Gross fiscal deficit :8975.80	Subtotal	41137.92
Public debt	6744.15		Public debt repayment	1070.27
Inter state settlement	--			--
Appropriation from Contingency Fund	700.00		Appropriation to Contingency Fund	350.00
Total	39606.27	A: Deficit in CF : 2951.92	Total	42558.19
		Contingency Fund		
Receipt	367.29		Disbursement	755.45
		B.: Deficit in Contingency fund : 388.16		
PUBLIC ACCOUNT				
Receipt	Amount		Disbursement	Amount
Small savings, PF etc	1564.91		Small savings, PF etc	859.37
Deposits and advances	5124.76		Deposits and advances	3593.77
Reserve funds	3436.37		Reserve funds	1993.46
Suspense and miscellaneous	22677.76		Suspense and miscellaneous	22530.51
Remittances	5514.88		Remittances	5560.98
Total	38318.68	C: Surplus in Public Account : 3780.59	Total	34538.09
		- To finance the deficit in CF : 2951.92		
		Deficit in contingency Fund : 388.16		
		Increase in cash balance (C-(A+B)): 440.51		

The table shows that the revenue deficit of Rs 7834.03 crore was met by borrowings. The fiscal deficit of Rs 8975.80 crore was financed by net proceeds of the public debt (Rs 5673.88 crore) and partly by the surplus from Public Account. Exhibit IV shows that both the deficits have shown an increasing trend during the period 1996-97 to 2000-2001 except for fiscal deficit which reduced by Rs 2730.35 crore during 2000-2001. The decrease in fiscal deficit was mainly due to increase of Rs 2344.30 crore in recovery of loans and advances by the State Government from MSEB etc and decrease of Rs 4653.02 crore in disbursement of loans and advances by the State Government.

The increase in recovery of loans and advances by State Government was mainly on account of conversion of outstanding loans due from MSEB amounting to Rs 1986 crore into equity and adjustment of outstanding loan of Rs 220.50 crore from the subsidy paid to MSEB by the State Government. Thus the recovery was only a paper transaction and did not contribute to the financial health of the Government.

The decrease in disbursement of Loans and Advances by State Government was mainly on account of reduction in disbursement of loans for Co-operation (Rs 555.43 crore), Power projects (Rs 115.83 crore), Road Transport (Rs 53.85 crore) and adjustment of Ways and Means Advances against the sanction of grants to Zilla Parishads (Rs 3949.93 crore).

1.9.5.3 Application of the borrowed funds

During the year the net borrowings of the Government amounted to Rs 9454.47 crore (Rs 5673.88 crore net receipts from public debt and Rs 3780.59 crore as surplus from Public Account) while the fiscal deficit was Rs 8975.80 crore. This shows that Government borrowings were used to bridge the fiscal deficit. The application of the borrowings has been shown in the following table :

Ratio	1996-97	1997-98	1998-99	1999-2000	2000-2001
RD/NB*	0.33	0.38	0.48	0.43	0.83
CE/NB	0.57	0.48	0.39	0.38	0.47
Net loans/NB	0.13	0.10	0.04	0.37	(-) 0.35
Increase Cash balance/NB	(-) 0.03	0.04	0.09	(-) 0.18	0.05
Total	1.00	1.00	1.00	1.00	1.00

The table reveals that the RD/NB ratio has increased from 0.43 in 1999-2000 to 0.83 in 2000-2001 i.e. by nearly 100 *per cent*. The increase was mainly due to (i) payment of subsidy of Rs 2366.14 crore to MSEB for rural electrification and (ii) adjustment of ways and means advances of Rs 1551 crore against sanction of grants which pertained to previous year. The CE/NB ratio also increased from 0.38 in 1999-2000 to 0.47 in 2000-2001.

The table also reveals that more and more of the borrowed funds have been applied over the years for meeting the revenue expenditure to the detriment of capital expenditure. Therefore, if the revenue expenditure is not controlled not only capital formation is bound to suffer but also more and more borrowings will be applied for interest payment.

* NB – Net borrowings of Government i.e. Net Receipts from Public Debt plus Surplus from Public Account

1.9.5.4 *Utilisation of fund obtained from autonomous bodies for specific purpose for meeting ways and means requirement*

For the speedy implementation of the programme for providing free houses to 40 lakh slum dwellers of Mumbai city, Government established (May 1998) Shivshahi Punarvasan Prakalp (SPP) initially to function as a separate wing of the Maharashtra Housing and Area Development Authority (MHADA). SPP was later to be converted into a Company with an initial share capital of Rs 600 crore to be contributed by two autonomous bodies viz MHADA and Mumbai Metropolitan Region Development Authority (MMRDA) in equal share.

In September 1998, the SPP was converted into a Government company viz. "Shivshahi Punarvasan Prakalp Limited, (SSPL). Government also directed both the autonomous bodies to deposit Rs 300 crore each with Government to be utilised for payment of share capital in this new company for 100 *per cent* ownership. Accordingly MHADA and MMRDA deposited Rs 300 crore and Rs 125 crore with Government during October 1998 and March 1999 respectively.

While MHADA requested the Government to pay interest at 12 *per cent per annum* on the amount deposited by it, MMRDA requested to pay interest of 14 *per cent per annum*. However, in both cases the terms and conditions of the deposits were not yet finalised by the Government.

Out of Rs 425 crore received by it from MHADA and MMRDA, Government released only Rs 115 crore to the SPPL and the balance amount of Rs 310 crores was neither paid to the SPPL nor refunded to autonomous bodies, but utilised by it, as ways and means requirements.

1.9.6 *Guarantees given by the State Government*

Guarantees are given by the State Government for due discharge of certain liabilities like repayment of loans, share capital etc raised by the statutory corporations, Government companies and co-operative institutions etc and payment of interest and dividend by them. They constitute contingent liability of the State. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limit within which Government may give guarantees on the security of the Consolidated Fund of the State. Exhibit IV lists the amounts of guarantees given by the Government and the amounts outstanding at the end of each year during 1997-2001. Due to non-receipt of information (October 2001) about outstanding guarantees in respect of 48 institutions/concerns the guarantees of Rs 2924.81 crore shown as outstanding as on 31 March 2001 may not depict the full contingent liability of the Government. During 2000-2001 Rs 145.28 crore were received as guarantee fees. The amount of guarantee fees outstanding for recovery from Government companies as on 31 March 2001 was not available with Finance Department.

1.10 Public debt

1.10.1 The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table.

(Rupees in crore)

Year	Internal debt	Loans and advances from Central Government	Total Public debt	Other liabilities*	Total liabilities	Ratio of total liabilities to GSDP
1996-97	3073.06	15940.93	19013.99	10965.84	29979.83	0.18
1997-98	3709.97	19077.62	22787.59	12315.03	35102.62	0.19
1998-99	4393.92	23062.22	27456.14	15430.37	42886.51	0.18
1999-2000	5349.24	27147.85	32497.09	19496.42	51993.51	0.22
2000-2001	6482.40	31688.57	38170.97	24655.18	62826.15	0.23

During the five year period, the total liabilities of the Government had grown by 110 *per cent*. This was on account of 111 *per cent* growth in internal debt, 99 *per cent* growth in loans and advances from Government of India and 125 *per cent* growth in other liabilities. During 2000-2001, Government borrowed Rs 809.19 crore in the open market at interest rates of 10.52 and 12 *per cent* per annum.

1.10.2 Reduced Central Support

The Budget for the year 2000-2001 of the State Government provided for following central transfers :

(Rupees in crore)

Grants-in-aid	1969
Divisible Taxes	1872
Loans	5961
Total	9802

As against this, actual assistance was the following :

(Rupees in crore)

Grants-in-aid	1463
Divisible Taxes	2784
Loans	5401
Total	9648

* Other liabilities include Small Savings, Provident Funds, Reserve Funds, deposits etc.

Significantly less receipt of Grants-in-aid and loans had aggravated the financial difficulties of State Government forcing them to resort to increased borrowings.

1.10.3 The amount of funds raised through public debt, the amount of repayment and net funds available are given in the following table:

(Rupees in crore)

	1996-97	1997-98	1998-99	1999-2000	2000-2001
Internal Debt					
Receipt during the year	898.41	711.92	799.95	1453.77	7294.43
Repayment (principal + interest)	668.04	518.70	654.61	1123.69	6909.67
Net funds available (per cent)	230.37 (26)	193.22 (27)	145.34 (18)	330.08 (23)	384.76 (5)
Loans and advances from GOI					
Receipt during the year	3004.34	3784.61	4716.55	4903.24	5401.39
Repayment (principal + interest)	2163.23	2624.30	3177.66	3853.15	4469.75
Net funds available (per cent)	841.11 (28)	1160.31 (31)	1538.89 (33)	1050.09 (21)	931.64 (17)
Other liabilities					
Receipt during the year	6272.41	6724.13	8171.79	9133.22	9826.72
Repayment (principal + interest)	4384.95	5209.71	5012.48	6262.66	7013.89
Net funds available (per cent)	1887.46 (30)	1514.42 (23)	3159.31 (39)	2870.56 (31)	2812.83 (29)

It would be seen that only 5 to 17 per cent of borrowings from Internal Debt and loans and advances etc from GOI are available for investment and other expenditure after meeting the repayment obligations. Most of the available funds thus came from the Public Accounts. Considering that the amount of outstanding debts has been increasing year after year and was more than doubled (Rs 62826.15 crore) in 2000-2001 as compared to 1996-97 (Rs 29979.83 crore), the net availability of funds through public borrowings may further reduce in future.

1.11 Indicators of financial performance

1.11.1 A Government may either wish to maintain its existing level of activity or increase its level of activity. For maintaining its current level of activity it would be necessary to know how far the means of financing are sustainable. Similarly, if Government wishes to increase its level of activity it would be pertinent to examine the flexibility of the means of financing.

Finally, the question of Government's increased vulnerability in the process is to be considered. All the State Governments continue to increase the level of their activity principally through Five Year Plans which translate to Annual Development Plans and are provided for in the State Budget. Broadly, it can be stated that Non-Plan expenditure represents Government maintaining the existing level of activity, while Plan expenditure entails expansion of activity. Both these activities require resource mobilisation increasing Government's vulnerability. In short, financial health of a Government can be described in terms of sustainability, flexibility and vulnerability. These terms are defined as follows :

(i) Sustainability

Sustainability is the degree to which a Government can maintain its existing programmes and meet existing creditor requirements without increasing the debt burden.

(ii) Flexibility

Flexibility is the degree to which a Government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden.

(iii) Vulnerability

Vulnerability is the degree to which a Government becomes dependent on and, therefore, vulnerable to sources of funding outside its control or influence both domestic and international.

There is also the issue of transparency of the financial information provided by the Government. Such information consists of annual Financial Statement (Budget) and the Accounts. As regards the Budget the important parameters are timely presentation indicating the efficiency of budgetary process and the accuracy of the estimates. As regards accounts, timeliness in submission, for which milestones exist and completeness of accounts would be the principal criteria.

1.11.2 Sustainability, Flexibility and Vulnerability can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in the Appendix-I. Exhibit V indicates the behavior of these indices/ratios over the period from 1996-97 to 2000-2001. The implications of these indices/ratios for the state of the financial health of the State Government are discussed in the following paragraphs.

Exhibit V
Financial indicators for Government of Maharashtra

	1996-97	1997-98	1998-99	1999-2000	2000-2001
(1)	(2)	(3)	(4)	(5)	(6)
Sustainability					
BCR (Rupees in crore)	1036	(-)423	(-)1420	(-)2298	(-) 5778
Primary Deficit (PD) (Rupees in crore)	2506	3539	3789	6823	3751
Interest Ratio	0.02	0.06	0.10	0.13	0.08
Capital outlay/ Capital receipts	0.80	0.77	0.55	0.84	0.41
Total Tax receipts/GSDP	0.08	0.08	0.07	0.08	0.08*
State Tax Receipts/GSDP	0.07	0.08	0.06	0.07	0.07*
Return on Investment ratio	0.0049	0.0047	0.0011	0.0006	0.0004
Flexibility					
BCR (Rupees in crore)	1036	(-) 423	(-) 1420	(-) 2298	(-) 5778
Capital repayments/ Capital borrowings	0.16	0.16	0.15	0.17	0.16
State tax receipts/GSDP	0.07	0.08	0.06	0.07	0.07*
Debt/GSDP	0.18	0.19	0.18	0.22	0.23*
Vulnerability					
Revenue Deficit (RD) (Rupees in crore)	1591	2580	3926	4269	7834
Fiscal Deficit (FD) (Rupees in crore)	4954	6442	7462	11706	8976
Primary Deficit (PD) (Rupees in crore)	2506	3539	3789	6823	3751
PD/FD	0.51	0.55	0.51	0.58	0.42
RD/FD	0.32	0.40	0.53	0.36	0.87
Outstanding Guarantees/ revenue receipts	0.40	0.41	0.51	0.04	0.10
Assets/Liabilities	1.06	0.99	0.93	0.85	0.74

- Note :
1. Fiscal deficit has been calculated as: Revenue expenditure + Capital expenditure + Net loans and advances – Revenue receipts – Non-loan capital receipts.
 2. In the ratio Capital outlay v/s. Capital receipts, the denominator has been taken as Internal loans + Loans and Advances from Government of India + Net receipts from small savings, PF etc + Repayments received from loans advanced by the State Government – Loans advanced by State Government.

* Provisional

1.11.3 The behaviour of the indices/ratios is discussed below :

(i) Balance from current revenues (BCR)

BCR is defined as revenue receipts minus plan assistance grants minus non-plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting plan expenditure.

The table shows that the State Government had positive BCR during 1996-97 but from 1997-98 onwards the BCR was negative. The negative balances increased from Rs 423 crore in 1997-98 to Rs 5778 crore in 2000-2001 and indicated that the gap between revenues and expenditure was ever expanding and explained the heavy dependence of the State on borrowing to meet its expenditure. This was mainly due to increase in Non-Plan revenue expenditure, as commented upon in paragraph 1.6.1.

(ii) Interest ratio

The higher the ratio the lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. In case of Maharashtra the ratio has increased from 0.02 in 1996-97 to 0.13 in 1999-2000 but decreased to 0.08 in 2000-2001 indicating improvement in the performance. A rising interest ratio points to the rising interest burden.

The ratio increased by 113 *per cent* during 1996-97 to 2000-2001 indicating the sustained pressure of interest liability on the States resources. This had adverse implications on the sustainability of Government's developmental programmes. This also indicated its dependence on sources of funding outside its control and the consequent pressure on its revenues.

(iii) Capital outlay/Capital receipts

This ratio would indicate to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term in as much as it indicates that a part of the capital receipt is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement in the performance. In the case of Maharashtra, the ratio was less than one during 1996-2001 indicating that a substantial part of the capital receipts is not available for investment. The ratio declined from 0.84 in 1999-2000 to 0.41 in 2000-2001 indicating a worsening position in this regard.

(iv) Tax receipts v/s Gross State Domestic Product (GSDP)

Tax receipts consist of State taxes and State's share of central taxes. The latter can also be viewed as central taxes paid by people living in the State. Tax receipts suggest sustainability. But the ratio of tax receipts to GSDP would have implications for the flexibility as well. While a low ratio would imply that the Government can tax more, and hence its flexibility, a high ratio may not only point to the limits of this source of finance but also its inflexibility. Time series analysis shows that in case of Maharashtra this ratio has remained constant at 8 *per cent* during the period 1996-97 to 2000-2001 except in 1998-99 when it declined to 7 *per cent*. The ratio of State tax receipts compared to GSDP has been varying between 6 and 8 *per cent* during 1996-2001. The ratio, stagnated at an average of 7 *per cent* during 1996-2001. This is to be seen in the context of huge arrears in tax collection (referred to in Para 1.9.4) and the overall deterioration in the position of arrears during 2000-2001.

The stagnating ratio suggests that the Government failed to take advantage of the rising GSDP by better tax compliance and relied more on borrowing to meet its increasing revenue and fiscal deficits.

(v) Return on Investment (ROI)

The ROI is the ratio of the earnings to the capital employed. A high ROI suggests sustainability. The table (below para 1.9.1) presents the return on Government's investments in statutory corporations, Government companies, joint stock companies and co-operative institutions. It shows that the ROI in case of Government of Maharashtra has been negligible and has moved in the narrow range of 0.04 *per cent* to 0.49 *per cent*.

(vi) Capital repayments v/s Capital borrowings

This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment. In case of Maharashtra Government this ratio has been in the range of 15 to 17 *per cent*.

(vii) Debt v/s Gross State Domestic Product (GSDP)

The GSDP is the total internal resource base of the State Government, which can be used to service debt. An increasing ratio of Debt/GSDP would signify a reduction in the Government's ability to meet its debt obligations and, therefore, increasing risk for the lender. In the case of Maharashtra, this ratio has increased from 0.18 in 1996-97 to 0.23 in 2000-2001 indicating significant acceleration of indebtedness. The increase in this ratio is attributable to the increase in debt at a faster rate i.e. by 110 *per cent* compared to GSDP which increased only by 62 *per cent* during the above period.

(viii) Revenue deficit/Fiscal deficit

The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus, higher the ratio the worse off the State because that would indicate that the debt burden is increasing without adding to the repayment capacity of the State. The ratio has been increasing continuously since 1996-97 to 2000-2001 except in 1999-2000 when it reduced to 0.36. During 2000-2001, 87 per cent of the borrowings were applied to revenue expenditure as compared to 36 per cent in 1999-2000. The 172 per cent increase in the ratio during the past five years indicated that very little funds was available out of the borrowings for asset formation. This is an unfavourable trend and it affects the sustainability of the States finances.

(ix) Primary deficit v/s Fiscal deficit

Primary deficit is the fiscal deficit minus interest payments. Primary deficit represents the non-interest bearing borrowings of the State Government, which result directly from the current actions of the Government (interest payments are on account of past action of the Government). Primary deficit is sustainable only when the rate of growth of the economy is more than the interest rate on Government borrowings. This not being the case, primary deficit is unsustainable. It would be seen that in case of Maharashtra, this ratio has improved from 0.51 in 1996-97 to 0.58 in 1999-2000 but declined to 0.42 in 2000-2001 due to increased interest payments and lower fiscal deficit in 2000-2001. The declining ratio indicated that the burden of interest payment continued to be substantial.

(x) Guarantees v/s Revenue receipts

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of a State Government and should therefore, be compared with the ability of the Government to pay viz. its revenue receipts. Thus, the ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. In case of Maharashtra this ratio declined from 0.40 in 1996-97 to 0.10 in 2000-2001. This could be due to non-receipt of information of outstanding guarantees from 48 institutions/concerns during the above period.

(xi) Assets v/s Liabilities

This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than would be a contra indicator. As already stated in Para 1.2, the assets and liabilities in Government account represent only the financial assets and liabilities. However, a trend analysis of even this ratio would throw up important signals about the financial management in the Government. In case of Maharashtra, this ratio has been below 1 since 1997-98 and has further declined from 0.99 to 0.74 in 1997-2001 indicating that the increase in liabilities has not led to corresponding increase in assets. This shows a deterioration in the financial condition of the State and indicates its vulnerability.

1.11.4 Transparency

(xii) Budget

Chapter II of this Report carries a detailed analysis of variations in the budget estimates and the actual expenditure. It also brings out cases of excessive/unnecessary reappropriation of funds, persistent savings and excesses etc *vis-à-vis* the final modified grant.

(xiii) Accounts

There was no significant delay in the submission of accounts by the treasuries/ departments during 2000-2001. However, the accounts from District Supply Officers and from District Dairy Development Officers were never received in time, though most of the accounts were included in the subsequent month.

1.11.5 Conclusion

During the past five years, the financial condition of the State Government has considerably declined as seen from nearly five fold increase in Revenue Deficit and doubling of Fiscal Deficit. The debts of the Government has more than doubled due to the increased borrowings and brought with it the liability of more than 100 *per cent* increase in interest payments. As nearly 90 *per cent* of the borrowings are used for revenue expenditure, asset formation has suffered. Thus the asset liability ratio has declined from a healthy 1.06 to 0.74 in five years. Despite impressive growth in GSDP, States own tax/ GSDP ratio is stagnating while the Government relied more on borrowing to meet its revenue gap. The Revenue Deficit would have further increased but for the receipts of interests from MSEB, which again were mainly an adjustment against dues payable to them.

Unless Government controls the revenue expenditure and improves tax compliance, the financial condition is vulnerable to further deterioration.

1.12 Management of loans given by the State Government

1.12.1 Introduction

The Government disburses loans to co-operative societies, statutory corporations, Government companies, quasi-public bodies and private institutions for development and socio-economic purposes. Some of these loans are made under special laws, others for special reasons or as a matter of recognised policy.

The loans advanced by Government usually carry interest at rates fixed by the sanctioning authority keeping in view, the financial resources and purpose for which the loan is provided. The period for repayment of the loan, the rate of interest thereon, and the mode of its disbursement are indicated in the sanction itself. The loan are paid through the Controlling Officers/heads of the office.

Controlling Officers are required to reconcile the accounts of the expenditure and receipts against the loans with the books of the Accountant General of the State.

Records relating to loans disbursed/recovered during the period 1996-97 to 1999-2000 of six* departments of the State Government, as maintained by eleven** Controlling Officers was reviewed in audit between April and June 2001.

1.12.2 Loans and advances

1.12.2.1 Amounts sanctioned, recovered and balances outstanding

The position of the loans disbursed by the Government for the period 1996-2001 as per the Finance Accounts is given in the following table.

* Agriculture, Animal Husbandry, Dairy Development and Fisheries Department, Industries, Energy Department, Social Welfare Department, Water supply and Sanitation Department, Finance Department and Co-operation and Textiles Department

** Commissioner of Agriculture, Commissioner of Animal Husbandry, Commissioner of Dairy Development, Commissioner of Fisheries, Commissioner of Sugar, Directorate of Marketing, Directorate of Industries, Commissioner of Co-operation and Registrar of Co-operative Societies, Director of Social Welfare, Maharashtra Jeevan Pradhikaran and Energy Department

	(Rupees in crore)				
	1996-97	1997-98	1998-99	1999-2000	2000-2001
Opening Balance	6632.56	7304.50	7930.05	8339.81	9420.09
Amount advanced during the year	835.40	788.76	616.21	1274.24	543.52
Amount repaid during the year	163.46	163.21	206.45	193.96	2539.40
Closing balance	7304.50	7930.05	8339.81	9420.09	7424.21

Note: Does not include loans to Government Servants and Miscellaneous loans

1.12.2.1.1 The loans outstanding at the end of March 2001 was Rs 7424.21 crore, the sector wise distribution of which is given below:

	(Rupees in crore)
• Social services Sector	2259.40
• Economic Services (break up given below)	5164.81
• Agriculture and Allied activities	245.94
• Co-operation	1514.83
• Energy	2632.68
• Industry and Minerals	724.73
• Others	46.63

1.12.2.1.2 There has been a consistent increase in the closing balances of the outstanding loans, except in the year 2000-2001. Main reasons for higher recovery during the year 2001, were due to conversion of outstanding loans of MSEB amounting to Rs 1986 crore into equity capital and setting off Rs 220.50 crore against the subsidy payable to the MSEB by the State Government.

1.12.2.1.3 There was a significant increase of Rs 658.03 crore in respect of loans advanced in the year 1999-2000 over the previous year. The major portion of this was on account of loans given to the Co-operative sector (Rs 602.45 crore) of which Rs 542.40 crore is loans given for operation of the Cotton Monopoly Procurement Scheme run by the Maharashtra State Cotton Growers Marketing Federation Limited, Mumbai. Thus bulk of the increase in the loans was attributed to one scheme. A review on the loans given to Cotton Spinning Co-operatives is included in Paragraph No.5.1.

1.12.2.2 Budget estimates and actuals

Finance Department (FD) prepares the Budget Estimates of the recoveries of loans based on the report of dues recoverables, submitted by various departments.

Despite directives from FD, none of the departments had furnished the report on dues recoverable and therefore FD prepared estimate on ad hoc basis.

The budget estimates and actual recoveries of loan during the years from 1996-97 to 2000-2001 were as follows:

Year	(Rupees in Crore)		
	Budget estimates for loan recoveries.	Actual recoveries of loans	Differences (+) Increase (-) Decrease
1996-97	143.73	163.46	(+) 19.73
1997-98	146.71	163.21	(+) 16.50
1998-99	177.87	206.45	(+) 28.58
1999-2000	206.41	193.96	(-) 12.45
2000-2001	252.57	2539.40	(+) 2286.83

Note: Does not include loans to Government Servants and Miscellaneous loans

The Budget Estimates are unrealistic as seen from the fact that as against Rs 307.63 crore of loan recoveries overdue at the end of March 2001 for two departments (Agriculture, Animal Husbandry, Dairy Development and Fisheries and Co-operation and Textiles Department) their respective budget estimates had estimated a recovery of Rs 16.77 crore only during 2000-2001. Actual recoveries by these two departments were Rs 17.16 crore during 2000-2001. In other test-checked departments such a comparison could not be made due to lack of data on loan recoveries overdue.

1.12.3 Non-recovery of loans

1.12.3.1 Loans to co-operatives

1.12.3.1.1 Sugar Co-operatives

The position of loans outstanding, recoverable amount and recoveries effected from Sugar Co-operatives as furnished by the Commissioner of Sugar, Maharashtra State as on 31 March 2000 is given below:

Outstanding loans	(Rupees in crore)		
	Amounts recoverable	Amounts recovered	Balance recoverable
200.41	172.02	4.02	146.82

Note : Figures incorporated, as furnished by the Commissioner of Sugar, does not tally

As evident from the above data, recovery of over due amount was poor at 2.34 per cent.

Further as against an amount of Rs 35.32 crore on account of invocation of 53 guarantees given by the Government on behalf of 28 sugar factories which were recoverable as on March 2001, Rs 27.53 crore is due from 15 factories

which are in financial difficulties. No recovery has been effected of this amount during the year 1999-2000 and 2000-2001. Out of these 15 factories, 6 were sanctioned further loan of Rs 5.50 crore during 1999-2000.

Failure on the part of the department to encash the personal guarantees given by the directors and enforce the terms and conditions, resulted in non-recovery of loans. As a result, Government funds of Rs 182.14 crore remained blocked in unrecovered loans.

It is also seen that the Maharashtra Land Revenue Code, 1966 is not fully made use of in recovering arrears of land revenue itself (Rs. 7.56 crore) and chances of applying the provisions of the Code for recovery of outstanding loans against Sugar Co-operatives are remote.

1.12.3.1.2 Other Co-operatives

The position of loan and interest at the end of 31 March 1997 from all co-operative societies as furnished by Government is as follows:

Units	(Rupees in crore)			
	Outstanding loans	Amounts recoverable	Amounts recovered	Balance recoverable
Spinning mills	70.00	70.00	-	70.00
Marketing societies	38.00	9.51	0.33	9.18
Other societies	14.42	11.96	1.49	10.47
Total	122.42	91.47	1.82	89.65

As evident from the above data the recoveries effected were very poor and was 'Nil' regarding Spinning Mills. The main reasons for non-recovery of the outstanding dues was lack of coercive action on part of the Departments and the absence of any property or bank balance of the societies. Unjustified investment in Cotton Spinning Mills have been discussed in Paragraph No. 5.1.

1.12.3.1.3 Non-recovery of loans from co-operatives under the National Co-operative Development Corporation scheme

National Co-operative Development Corporation (NCDC) gives loans to the State Government, which in turn are loaned by the State Government to Co-operative institutions, Government companies etc. either under the same terms and conditions or more liberal, stringent terms and conditions. In case of defaults in payments of the principal and interest by the loanees, the State Governments have to honor their commitments and obligation to the NCDC by repaying the loans. As the loans are advanced to Co-operatives, for default in payment of loans, action as envisaged under the Maharashtra Co-operative Societies Act, 1960 is required to be taken, for appointment of Liquidator etc.

The loans are disbursed by various departments and their recoveries are to be monitored by the respective departmental heads. At field level, recoveries are effected by the Subordinate officers designated for the purpose.

Scrutiny of records maintained by three* Controlling Officers under Animal Husbandry, Dairy Development and Fisheries Department which implemented the NCDC Scheme revealed that an amount of Rs 50 crore was overdue for recovery against loans advanced under various schemes of Fisheries, Poultry etc. till 31 March 2000. Report of arrears was not available with the Controlling Officers under the Co-operation and Textiles Department.

The State Government has repaid the instalments and interest due to NCDC amounting to Rs 312.41 crore for two** departments as shown below for the period from 1997-2000 as per the terms and conditions of the loans, whereas recoveries to the extent of Rs 5 crore only have been effected from the beneficiaries. The Co-operation and Textiles Department have stated that irrespective of recoveries of dues from the beneficiaries, they have repaid the loan instalments.

Repayment of loans under NCDC scheme

	Department	Year	Principal (Rupees)	Interest (Rupees)	Total (Rupees)
1.	Co-operation and Textiles	1997-98	35,75,80,350	39,17,31,308	74,93,11,658
		1998-99	40,52,57,700	40,66,74,899	81,19,32,599
		1999-2000	49,05,34,500	44,94,44,071	93,99,78,571
		Total (A)	1,25,33,72,550	1,24,78,50,278	2,50,12,22,828
2(i)	Animal Husbandry	1997-98	4,17,63,600	3,88,25,754	8,05,89,354
		1998-99	4,86,02,900	3,68,47,135	8,54,50,035
		1999-2000	4,89,84,100	3,31,85,325	8,21,69,425
		Total (B)	13,93,50,600	10,88,58,214	24,82,08,814
(ii)	Dairy Development	1997-98	20,63,200	8,08,364	28,71,564
		1998-99	8,80,200	5,35,058	14,15,258
		1999-2000	8,80,200	4,46,605	13,26,805
		Total (C)	38,23,600	17,90,027	56,13,627
(iii)	Fisheries	1997-98	4,50,70,900	4,98,44,953	9,49,15,853
		1998-99	5,94,93,700	6,11,23,056	12,06,16,756
		1999-2000	7,70,73,300	7,64,12,853	15,34,86,153
		Total (D)	18,16,37,900	18,73,80,862	36,90,18,762
Grand Total (A+ B+C+D)			1,57,81,84,650	1,54,58,79,381	3,12,40,64,031

When the default in repayment of loans occurred, mortgages should have been invoked to realise the Governments dues, but the same had not been done. Failure to take prompt action on the part of the department to effect recoveries

* Commissioner of Animal Husbandry, Commissioner of Dairy Development and Commissioner of Fisheries

** Co-operation and Textiles Department and Animal Husbandry, Dairy Development and Fisheries Department

of loans and to take action for liquidation as envisaged in the Maharashtra Co-operative Societies Act, 1960 led to unrecoverable dues of loans and interest.

1.12.3.1.4 Loans to the Maharashtra State Co-operative Marketing Federation for Cotton Monopoly Procurement Scheme

Increasing debt and interest liability of the Cotton Monopoly Procurement Scheme was commented in the Civil Audit Report 1996-97 of Government of Maharashtra.

Maharashtra State Co-operative Marketing Federation (Federation) owed an amount of Rs 742.57 crore in connection with the operation of the scheme; nevertheless further loans of Rs 542.40 crore was sanctioned during the period 1999-2000. The losses accumulated by the Federation as at the end of 1996-97 amounted to Rs 1152.02 crore. Against an amount of Rs 742.57 crore recoverable, Government with the concurrence of F.D, have issued orders for waiver of Rs 637.92 crore and accrued interest amounting to Rs 104.65 crore during March 2000. The Government had not initiated any action to recover the principal and the interest from the Federation in view of the poor financial position of the Federation.

1.12.3.2 Loans to Government Companies and Statutory Corporations

The position of loans outstanding and accumulated losses at the end of 31 March 2000, loans advanced and recoveries effected during 2000-01 in respect of Government companies and statutory corporation are as under.

(Rupees in crore)

Sector	Accumulated losses as on 31 March 2000		Amount outstanding as on 31 March 2000	Loan advanced during 2000-2001		Recovery effected during 2000-2001		Amount outstanding as on 31 March 2001
	No	Amount		No	Amount	No	Amount	
Government Companies	19	471.69	493.56	8	58.26	4	0.75	551.07
Statutory Corporations	2	591.91	27.81	1	3.72	1	10.76	20.77
Total	21	1063.60	521.37	9	61.98	5	11.51	571.84

The table showed that in spite of accumulated losses amounting to Rs 1063.60 crore and outstanding loans to the extent of Rs 521.37 crore, further loans of Rs 61.98 crore have been advanced to eight* Government companies and one**

* Maharashtra State Farming Corporation, MELTRON, Maharashtra State Textile Corporation, Maharashtra State Powerlooms Corporation Ltd., Textile Corporation of Marathwada Ltd., Maharashtra State Handlooms Corporation Ltd., Development Corporation of Konkan Ltd., Development Corporation of Vidharbha Ltd

** Maharashtra State Financial Corporation

Statutory Corporation. Out of the loss making Government Companies/ Statutory Corporations recoveries have been effected only to the extent of Rs 11.51 crore from four* Government companies and one** Statutory Corporation, thus leaving an outstanding amount of Rs 571.84 crore as on 31 March, 2001

1.12.3.2.1 Maharashtra Land Development Corporation

Loan of Rs 26.78 crore has been disbursed by the State Government to the Maharashtra Land Development Corporation, Pune for execution of land development works in irrigation projects under the command area development programme.

Audit scrutiny revealed that against Rs 10.92 crore as principal and interest of Rs 8.41 crore at the end of 1999-2000, no recoveries were made by the Government due to poor financial condition of the Corporation and non-recovery of the loans from farmer beneficiaries.

The recoveries of the loans thus appear bleak due to the accumulated losses of these companies and the poor recoveries effected so far.

1.12.4 Inadequate monitoring and control

As an important internal control for monitoring of loan recoveries, the State Government prescribed the maintenance of ledger/register of loans in the office of the Controlling Officers. From April 1986, the Administrative departments of the Government/Heads of departments were directed to maintain detailed accounts of all loans and the subordinate offices to maintain regular accounts beneficiary-wise and watch recovery under each scheme. Further, the Controlling Officers were to arrange to reconcile the expenditure and receipts accounted for by them under the loan subhead under their control with those booked by the Accountants General, Mumbai and Nagpur and Pay and Accounts Office, Mumbai as the case may be.

The Public Accounts Committee in their fourteenth report (1982-83) vide para 1.16 recommended that the FD should devise effective measures to ensure administrative and financial control over Administrative departments in respect of clearance of arrears. Based on this the FD issued (September, 1985) directions to the Administrative Departments which require the Administrative Departments to maintain records of loans, ensure maximum recoveries of loans and interest and furnish information every year to the FD regarding recovery of loans and interest.

** Maharashtra State Financial Corporation

* Maharashtra Fisheries Development Corporation, Maharashtra Land Development Corporation Ltd. ,Maharashtra State Powerlooms Corporation Ltd. and Maharashtra State Handlooms Corporations Ltd.

** Maharashtra State Road Transport Corporation

A test-check of the records in the office of eight* Controlling Officers under three** departments revealed the following deficiencies in the records pertaining to loans and these were not monitored:

- (i) Ledgers /Registers of loans were not maintained by the Administrative Departments/Controlling Officers. Thus there was no clear and up to date information of the loans.
- (ii) Postings in the ledgers/registers of loan were incomplete.
- (iii) Proper reconciliation of figures of expenditure and receipts under loan head had not been carried out by any of the Controlling Officers
- (iv) Notices for repayment was not sent by the field offices as and when the loans became repayable.
- (v) Returns/reports were not sent by Administrative Department to FD.

In absence of information from Controlling Officers, control of the FD over large sums of moneys due from the borrowers was inadequate or non-existent. The FD has not implemented the instructions strictly either by stopping disbursement of further loans when the sanctions came to them for concurrence or taking up the matter at higher levels.

The above points were referred to the Secretary to the Government in November 2001. Reply has not been received (December 2001).

* Commissioner of Agriculture, Commissioner of Animal Husbandry, Commissioner of Dairy Development, Commissioner of Fisheries, Commissioner of Sugar, Directorate of Marketing, Directorate of Industries and Commissioner of Co-operation and Registrar of Co-operative Societies

** Agriculture, Animal Husbandry, Dairy Development and Fisheries Department, Industries Department, Co-operation and Textiles Department