

CHAPTER I

1 An Overview of the Finances of the State Government

This chapter discusses the financial position of the State Government, based on 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 financial management of the State Government. In addition, the Chapter also contains a section on analysis of indicators of financial performance of the Government. Some of the terms used in this chapter are explained in Appendix-I.

1.1 Financial position of the State

The Government accounting system does not attempt a comprehensive accounting of fixed assets ie land and building etc, owned by the Government. 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 presents an abstract of such liabilities and the assets as on 31 March 2002, compared with the corresponding position on 31 March 2001. While the liabilities in this statement consist mainly of moneys owned by the State Government such as internal borrowings, loan and advances from the Government of India, receipts from the Public Account and Reserve Fund, the assets comprise mainly the capital expenditure and loans and advances given by the State Government. Exhibit-I shows that while the liabilities grew by 15 *per cent*, the assets grew by only 4 *per cent* during 2001-02, mainly as a result of a very high (46 *per cent*) growth in the deficit on the Government account. This shows an overall deterioration in the financial condition of the Government.

Exhibit-II gives details of the receipts and disbursements by the State Government while Exhibit-IV depicts the time series data on State Government Finances for the period 1997-2002.

1.2 Sources and application of funds

Exhibit-III 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 loan and advances, public debt and the receipts in the Public Account. These are applied mainly on revenue and capital expenditure and on lending for developmental and other purposes. Revenue receipts constituted the most significant source of fund for the State Government. Their relative share remained stagnant during 2001-02. The share of recoveries of loans and advances decreased from 6.18 *per cent* to 0.69 *per cent*. The share of net receipts from public debt increased from 14 *per cent*

in 2000-01 to 17 *per cent* in 2001-02. The share of net receipts from the Public Account declined from 9 to 6 *per cent*.

The revenue expenditure accounted for 89 *per cent* of total funds available during 2001-02. This was higher than the share of the revenue receipts (70 *per cent*) in the total receipts of the State Government. This led to a Revenue Deficit. Non-plan revenue expenditure on pay and allowances during the year was Rs 5327.15 crore (13.92 *per cent* of total revenue expenditure). The increase in the revenue expenditure was mainly due to more expenditure on interest payments by Rs 1204.54 crore, on taxes on vehicles following increase in contribution to State Road Fund and book adjustment of passengers tax by Rs 860.95 crore and on Pension and other Retirement Benefit by Rs 466.71 crore in comparison to previous year. Percentage of capital expenditure decreased from 11 *per cent* to 7 *per cent* during the year. The lending for development purposes increased from (-) 1.75 *per cent* to 0.14 *per cent* of total application of funds.

1.3 Revenue Receipts

The Revenue Receipts of the State consists mainly of its own tax and non-tax revenues, central tax transfers and grants-in-aid from the Government of India. Over all revenue receipts of the State increased from Rs 20317 crore in 1997-98 to Rs 30093 crore in 2001-02, at an average trend rate of 10.54 *per cent per annum*. There were, however, significant inter year variations in the growth rates. Annual growth of revenue receipts, increased from 5.52 *per cent* in 1997-98 to 17.01 *per cent* in 2000-01 but declined to 1.78 *per cent* in 2001-02 mainly due to less interest received from Maharashtra State Electricity Board (Rs 1316.04 crore). Overall revenue receipts, its annual and trend rate of growth, ratio of these receipts to the State's gross domestic product (GSDP) and its buoyancy is indicated in Table 1.

Table 1 : Revenue Receipts - Basic Parameters (Value Rupees in crore and others in *per cent*)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Revenue Receipts	20317	21737	25269	29567	30093	25397
Rate of Growth	5.520	6.990	16.250	17.010	1.780	10.540
Revenue Receipt/ GSDP	11.150	9.070	10.520	11.450	11.090	10.650
Revenue Buoyancy	0.698	0.222	77.439	2.264	0.350	1.028
GSDP Growth	7.900	31.500	0.210	7.510	5.090	10.260

The revenue receipts to GSDP ratio after reaching a peak of 11.45 *per cent* in 2000-01 declined to 11.09 *per cent* in 2001-02, with a five year average ratio, being 10.65 *per cent*. A moderate GSDP growth in 1999-2000 and 2000-01 and higher growth in revenue receipts resulted in high revenue buoyancy in these two years. Revenue buoyancy however declined substantially in 2001-02 due to low growth of revenue receipts. The average revenue buoyancy

indicates that for every one *per cent* increase in GSDP, the revenue receipts increased by only 1.028 *per cent*.

Composition of the revenue receipts of the State and relative share of the four components over last 5 years is indicated in table 2. On an average, around 85 *per cent* of the revenue had come from the State's own resources. While proportion of non-tax revenue declined over the period 1997-2002, contribution of grants-in-aid increased during the current year. Further, the contribution of central tax transfers also declined from the peak attained in 1998-99.

Table 2 : Components of Revenue Receipts - relative share in *per cent*

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Own Taxes	67.53	65.34	68.32	66.72	70.74	67.73
Non-Tax Revenue	17.92	16.44	15.58	18.93	15.47	16.87
Central tax Transfers	8.52	13.44	10.33	9.40	8.20	9.98
Grants-in-aid	6.03	4.78	5.77	4.95	5.59	5.42

Over all growth of the four components of revenue during 1997-2002 had also differed significantly. While the State's own taxes recorded a trend growth of 12.98 *per cent* during 1997-2002, the non-tax revenue recorded a growth of 7.28 *per cent* only. The trend growth of revenue from central taxes and grants-in-aid was 5.03 and 4.10 *per cent* respectively. The trend annual growth of these components of the State's revenue, buoyancy, average ratio as percentage to GSDP and average annual rate of shift in their relative contribution is indicated in Table-3.

Table 3 : Components of Revenue Receipts - Basic Parameters 1997-2002 (*per cent*)

	ROG	Buoyancy	GSDP Share	Relative Share	Shift Rate
Own Taxes	12.98	1.265	7.23	67.73	2.20
Non-Tax Revenue	7.28	0.710	1.80	16.87	- 2.95
Central tax Transfers	5.03	0.490	1.05	9.98	- 4.99
Grants-in-aid	4.10	0.400	0.58	5.42	- 5.83

State's own taxes had the highest buoyancy of the four components of its revenue. Buoyancy of non tax revenue and central tax transfers was moderate, while the Grants-in-aid had a buoyancy of only 0.40 indicating that for every one percentage increase in the State's GSDP its Grants-in-aid grew by only 0.40 *per cent*. This indicates that the State requires to focus on increasing non-tax revenue. State's own taxes averaged 7.23 *per cent* of the GSDP during 1997-2002. The central tax transfer to GSDP ratio was 1.05 *per cent* during this period. Differing growth of these components of revenue resulted in shift in their relative share in total revenue receipt of the State. Average annual increase in the relative contribution of State's own taxes was 2.20 *per cent*, while the contribution from its non-tax revenue declined by 2.95 *per cent*,

central tax transfers decreased by 4.99 *per cent* and the grants-in-aid from Government of India, by 5.83 *per cent* annually.

1.4 Expenditure

Overall expenditure of the State comprising of the revenue expenditure, capital expenditure and the loans and advances increased from Rs 26953 crore in 1997-98 to Rs 41289 crore in 2001-02, at an average trend rate of 12.52 *per cent per annum*. The rate of growth of total expenditure was only marginally higher than the rate of growth of revenue receipt during this period. There was also a continuous decline in the rate of growth of expenditure in the last two years. After reaching its peak of 26.32 *per cent* in 1999-2000 it declined to a low of 0.37 *per cent* during 2001-02. Total expenditure to GSDP ratio, however, continued to increase from 14.79 *per cent* in 1997-98 to 15.93 *per cent* in 2000-01 but decreased to 15.21 *per cent* during 2001-02, due to a moderate growth of the latter. There was decline in the ratio of the revenue receipts to total expenditure from 75.38 *per cent* in 1997-98 to 72.88 *per cent* in 2001-02 indicating that the major portion of the total expenditure was being financed by borrowings. Total expenditure of the State, its trend and annual growth, ratio of expenditure to the State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipt is indicated in table 4 below :

Table 4 : Total Expenditure - Basic Parameters (Value Rupees in crore and others in *per cent*)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Total Expenditure	26953	29470	37226	41138	41289	35215
Rate of Growth	10.38	9.34	26.32	10.51	0.37	12.52
TE/GSDP Ratio	14.79	12.29	15.50	15.93	15.21	14.77
Revenue Receipts/TE Ratio	75.38	73.76	67.88	71.87	72.88	72.36
Buoyancy of Total Expenditure with						
GSDP	1.314	0.296	125.428	1.399	0.072	1.221
Revenue Receipts	1.882	1.336	1.620	0.618	0.206	1.187

Average buoyancy of the total expenditure with GSDP during 1997-2002 was 1.221, indicating that for every one-percentage point increase in GSDP, expenditure increased by 1.221 *per cent*. Despite a decline in buoyancy of total expenditure with revenue receipts, the average buoyancy remained greater than one.

In terms of the activities, total expenditure could be considered as being composed of expenditure on general services, interest payments, social and economic services and the loans and advances. The relative share of these components in total expenditure is indicated in table 5.

Table 5 : Components of Expenditure - Relative Share (in per cent)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
General Services	23.31	23.81	20.77	23.15	27.46	23.70
Interest Payments	10.77	12.46	13.12	12.70	15.57	12.93
Social Services	32.40	32.94	30.52	35.18	34.56	33.12
Economic Services	29.84	28.11	23.54	29.06	20.96	26.30
Loans and Advances	3.13	2.08	10.55	- 1.76	0.14	2.83

The movement of relative share of these components of expenditure indicated that while the share of economic services in total expenditure declined sharply from 29.84 per cent in 1997-98 to 20.96 per cent in 2001-02, the relative share of general services, interest payments and social services increased. Interest payments and expenditure on general services considered as non-developmental, together accounted for nearly 43 per cent of total expenditure in 2001-02 as compared to about 34 per cent in 1997-98.

Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts is indicated in table 6.

Table 6 : Revenue Expenditure - Basic Parameters (Value Rupees in crore and others in per cent)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Revenue Expenditure	22897	25663	29538	37401	38282	30756.20
Rate of Growth	9.840	12.080	15.100	26.620	2.360	14.210
RE/GSDP	12.560	10.710	12.300	14.480	14.110	12.900
RE as per cent of TE	84.950	87.080	79.350	90.920	92.720	87.340
RE as per cent to Revenue Receipt	112.700	118.060	116.890	126.500	127.210	121.100
Buoyancy of Revenue Expenditure with						
GSDP	1.245	0.383	71.962	3.543	0.463	1.386
Revenue Receipts	1.784	1.728	0.929	1.565	1.324	1.348

Revenue expenditure is incurred to maintain the current level of services and does not represent any addition in the State's services network. Revenue expenditure of the State increased from Rs 22897 crore in 1997-98 to Rs 38282 crore in 2001-02, at an average trend rate of 14.21 per cent per annum. Rate of growth of revenue expenditure reached its maximum in 2000-01 at 26.62 per cent but dipped to 2.36 per cent during 2001-02. The revenue expenditure to GSDP ratio witnessed an increase from 12.56 per cent in 1997-98 to 14.48 per cent in 2000-01 but declined to 14.11 per cent in 2001-02. The ratio of revenue expenditure to total expenditure increased from 84.95 per cent in 1997-98 to 92.72 per cent in 2001-02. On an average 87.34 per cent of total expenditure of the State was in the nature of expenditure on current consumption. The ratio of revenue expenditure to revenue receipt was also on

the rise indicating increasing dependence of the State on borrowing for even meeting the current expenditure.

The growth in revenue expenditure (14.21 *per cent*) exceeded the rate of growth of State's GSDP (10.26 *per cent*) and revenue receipt (10.54 *per cent*). Average buoyancy of revenue expenditure to GSDP during 1997-2002 was 1.386 indicating that for each one-percentage increase in GSDP, revenue expenditure increased by 1.386 *per cent*. Similarly, for each one percentage increase in the State's revenue receipts, revenue expenditure increased by 1.348 *per cent*.

The expenditure of the State in the nature of plan expenditure, capital expenditure and developmental expenditure reflect its quality. Higher the ratio of these components to total expenditure better is the quality of expenditure. Table 7 below gives the ratio of these components of expenditure to States total expenditure.

Table 7 : Quality of Expenditure (*per cent* to total expenditure)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Plan Expenditure	24.05	20.39	16.45	15.79	10.57	16.69
Capital Expenditure	12.30	11.07	11.29	10.66	7.15	10.26
Development Expenditure	64.25	62.34	60.44	63.12	55.60	60.83

(Total expenditure does not include Loans and Advances.)

All the three components of quality of expenditure show a relative decline during 1997-2002. Plan expenditure declined from 24.05 *per cent* of total expenditure in 1997-98 to 10.57 *per cent* in 2001-02. Similarly, capital expenditure also declined from 12.30 *per cent* in 1997-98 to 7.15 *per cent* in 2001-02. There was also a decline in the share of development expenditure.

Activity wise trend growth, ratio to GSDP, relative share of the various activities, shift in their relative share and buoyancy with GSDP and revenue receipt is indicated in table - 8. Activity wise expenditure during 1997-2002 further revealed that the average trend growth of its various components had significant variations. Interest payments were the fastest growing component with an average growth of 21.71 *per cent per annum* followed by general services at 15.35 *per cent*. Loans and advances of the State had a negative growth and economic services was growing by only 4.69 *per cent per annum*.

Table 8 : Activitywise Expenditure - Basic Parameters (in per cent)

	ROG	GSDP Share	Relative Share	Share Shift	Buoyancy with	
					GSDP	Revenue Receipt
General Services	15.35	3.51	23.70	2.51	1.496	1.456
Interest Payments	21.71	1.94	12.93	8.17	2.117	2.059
Social Services	14.95	4.91	33.12	2.16	1.457	1.418
Economic Services	4.69	3.83	26.30	- 6.96	0.458	0.445
Loans and Advances		0.40	2.83			

The relative share of expenditure on interest increased by an average of 8.17 *per cent per annum*. Interest payments also had the highest buoyancy of 2.117 with regard to GSDP and 2.059 with revenue receipts, indicating that for each one *per cent* increase in GSDP or revenue receipts, interest liabilities grew by 2.18 and 2.06 *per cent* respectively. While there was only a moderate increase in the share of expenditure on general services and social services, share of expenditure on economic services and loans and advances actually declined. Economic services had very low buoyancy indicating that bulk of the burden of fiscal management was borne by these services.

1.5 Fiscal Imbalances

The deficits in the Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources so raised are applied are important pointers to the fiscal health. The revenue deficit of the State, which is the excess of its revenue expenditure over revenue receipts, increased from Rs 2580 crore in 1997-98 to Rs 8189 crore in 2001-02. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, increased from Rs 6443 crore in 1997-98 to Rs 10898 crore in 2001-02.

The persistent existence of revenue deficit indicated that the State Government had to borrow funds to meet its current obligation. The ratio of revenue deficit to fiscal deficit have also been continuously increasing from 40.04 *per cent* in 1997-98 to 75.14 *per cent* in 2001-02 indicating about 75 *per cent* of the borrowings were used for meeting the non productive revenue expenditure reflecting a continuous deterioration of fiscal health of State Government. As a proportion of State's gross domestic product, revenue deficit had increased to 3.02 *per cent* in 2001-02 and fiscal deficit to 4.02 *per cent*.

Table 9 : Fiscal Imbalances - Basic Parameters (Value Rupees in crore and Ratios in *per cent*)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Revenue deficit	2580	3926	4269	7834	8189	5360
Fiscal deficit	6443	7463	11706	8976	10898	9097
Primary Deficit	3539	3790	6822	3751	4469	4474
RD/GSDP	1.42	1.64	1.78	3.03	3.02	2.25
FD/GSDP	3.53	3.11	4.87	3.48	4.02	3.82
PD/GSDP	1.94	1.58	2.84	1.45	1.65	1.88
RD/FD	40.04	52.61	36.47	87.28	75.14	58.91

1.6 Fiscal Liabilities - Public Debt

The Constitution of India provides that State may borrow within the territory of India, upon the security of its consolidated funds, within such limits, as may from time to time, be fixed by an Act of Legislature. However, no such law was passed by the State to lay down any such limit. Table 10 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters. It would be observed that the over all fiscal liabilities of the State increased from Rs 35103 crore in 1997-98 to Rs 74209 crore in 2001-02 at an average annual rate of 20.31 *per cent*. These liabilities as ratio to GSDP increased from 19.30 *per cent* in 1997-98 to 27.30 *per cent* in 2001-02 and stood at 2.47 times of its revenue receipts and 2.86 times of its own resources comprising its own tax and non tax revenue during the year 2001-02.

In addition, to these liabilities Government had guaranteed loans availed by its various Corporations and others which in 2001-02 stood at Rs 33974.20 crore. The guarantees are in the nature of contingent liabilities of the State and in the event of non payment, the State has to honour these commitments. (A review of the 'Management of Guarantees given by the State Government' is included in Para 1.14). Currently, the fiscal liabilities including the contingent liabilities exceed nearly two and half times the revenue receipt of the State. The direct fiscal liabilities of the State have grown much faster compared to its rate of growth of GSDP, revenue receipts and own resources. On an average for each one *per cent* increase in GSDP, Revenue Receipts and Own resources the direct fiscal liabilities of the State have increased by 1.98, 1.93 and 1.92 *per cent* respectively.

Table 10 : Fiscal Liabilities - Basic Parameters**(Value Rupees in crore and Ratios in per cent)**

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Fiscal Liabilities	35103	42886	51993	62826	74209	53403
Rate of Growth	17.09	22.17	21.24	20.84	18.12	20.31
Ratio of Fiscal Liabilities to						
GSDP	19.3	17.9	21.6	24.3	27.3	22.4
Revenue Receipt	172.8	197.3	205.8	212.5	246.6	204.3
Own Resources	202.2	241.3	245.2	248.1	286.0	241.6
Buoyancy of Fiscal Liabilities to						
GSDP	2.162	0.704	101.204	2.773	3.563	1.980
Revenue Receipt	3.098	3.172	1.307	1.225	10.184	1.926
Own resources	1.399	9.275	1.101	1.072	7.400	1.922

Increasing liabilities of State Government had raised the issue of their sustainability. Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP. However, in case of Maharashtra average interest rate on fiscal liabilities at 9.42 per cent during 1997-2002 was lower than the rate of growth of GSDP by 0.84 per cent as indicated in table 11.

Table 11 : Debt Sustainability - Interest Rate and GSDP Growth (in per cent)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Weighted Interest Rate	8.92	9.42	10.30	9.10	9.38	9.42
GSDP Growth	7.90	31.50	0.21	7.51	5.09	10.26
Interest spread	-1.02	22.08	-10.09	-1.59	-4.29	0.84

Another important indication of debt sustainability is net availability of the funds after payment of the principal on account of the earlier contracted liabilities and interest thereon. Table 12 below gives the position of the receipt and repayment of internal debt over the last 5 years.

Table 12 : Net Availability of Borrowed Funds (Rupees in crore)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Internal debt						
Receipt	712	800	1155	1343	2335	1269
Repayment (Principal + Interest)	519	655	825	958	2298	1051
Net Fund Available	193	145	330	385	37	218
Net Fund Available (<i>per cent</i>)	27.11	18.12	28.57	28.67	1.58	17.18
Loans and Advances from GOI						
Receipt	3785	4717	4903	5401	6337	5028
Repayment (Principal + Interest)	2624	3178	3853	4470	4017	3628
Net Fund Available	1161	1539	1050	931	2320	1400
Net Fund Available (<i>per cent</i>)	30.67	32.63	21.42	17.24	36.61	27.84
Total Public Debt						
Receipt	4497	5517	6058	6744	8672	6297
Repayment (Principal + Interest)	3143	3833	4678	5428	6315	4679
Net Fund Available	1354	1684	1380	1316	2357	1618
Net Fund Available (<i>per cent</i>)	30.11	30.52	22.78	19.51	27.18	25.69

The net funds available on account of the internal debt and loans and advances from Government of India after providing for the interest and repayments varied from 19.51 *per cent* to 30.52 *per cent* during 1997-2002. However, the net funds available during 2001-2002 was 27.18 *per cent*.

1.7 Avoidable interest liability on borrowings

The State Government with the consent of the Government of India raised (February 2002) Rs 337 crore as loan from Housing and Urban Development Corporation (HUDCO) for providing House Building Advance (HBA) to Government employees. The loan was repayable in 10 years including moratorium period of 2 years. The entire loan drawn in February 2002 formed a part of consolidated fund of the State which improved the ways and means position of the state.

The total liability on account of interest was Rs 269.70 crore besides processing charges of Rs 84.25 lakh. HBA interest rates applicable to the employees varied between 6.5 and 11 *per cent*. On an average interest rate of 8.4 *per cent per annum*, the interest receivable by Government from the employees on Rs 337 crore for 10 years would be Rs 143.68 crore. Thus the interest differential on HUDCO loan amounted to Rs 126.02 crore.

Apart from interest differential State Government had diverted the loan raised to help the employees to improve its own ways and means position. Government contented (November 2002) that the scheme was for the welfare of its employees and the loan was temporarily diverted.

The reply is not tenable, because Government could have facilitated employees obtaining loan directly from HUDCO by underwriting the interest differential. Instead it borrowed at higher rates and diverted it to itself because of adverse liquidity position.

1.8 Diversion of funds

The Government of India (GOI) guidelines of September 1985 for utilisation of Special Central Assistance (SCA) for Special Component Plan for Scheduled Castes and Scheduled Tribes envisaged that SCA is meant for family oriented income generating schemes which give adequate weightage to infrastructure incidental to such schemes. Under Education Sector, funds can be utilised for establishment of residential schools in tribal areas and improving and strengthening inspection of tribal area schools. The guidelines also stipulated that the SCA was an additive to State Plan Schemes and not substitute for the State funds.

State Tribal Development Department sanctioned Rs 2.64 crore out of SCA for the purchase of shoes and socks for the students of Government Ashram Schools which was in violation of the guidelines being part of expenditure on uniform for students and not covered under establishment/strengthening of tribal schools.

The Department justified the action stating (November 2001) that funds can be utilised as an additive to State Plan and the action was proper. The reply is not tenable as the purchase of shoes and socks was neither income generating nor helped infrastructure creation and in the instant case has been used as a substitute for State funds. Further, scrutiny of records in Tribal Commissionerate (January 2002) revealed that the tenders for purchase of shoes/socks were invited (March 2001) and technical bids were opened on 31 March 2001 and the funds were drawn by the Commissioner (31 March 2001) and paid to Maharashtra State Co-operative Tribal Development Corporation Limited (MSCTDC), Nashik (June 2001) for procurement of shoes merely to avoid lapse of budget funds as per Government directives. However, the tenders were not finalised and shoes/socks were not purchased and supplied till August 2002 on the plea that samples had been sent to Kanpur for testing. Thus, the irregularly diverted funds of Rs 2.64 crore were also lying idle for a period of over one year with consequential loss of interest of Rs 30.42 lakh at 11.5 *per cent per annum* and undue benefit to the procuring agency, MSCTDC, Nashik.

1.9 Investments and returns

As on 31 March 2002, Government had invested Rs 11155.07 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives. Government's return on this investment was not only meagre (less than one *per cent*), it was also on a continuous decline as indicated in Table 13 below. As on March 2002, 45 Government companies with an aggregate investment of Rs 3819.39 crore (Rs 615.69 crore by way of equity and

Rs 3203.70 crore by way of loan) were incurring a loss and their accumulated losses amounted to Rs 930.05 crore. Low returns compared to the average rate of interest on government borrowing amounted to an implicit subsidy, which based on the difference between the interest rates on borrowing and return on investment was Rs 3290 crore during 1997-2002.

Table 13 : Return on Investment

Year	Investment at the end of the year	Return	Percentage of Return	Average rate of Interest on Government Borrowing (per cent)
(Rupees in crore)				
1997-98	2003.43	9.33	0.47	8.92
1998-99	5440.01 [#]	6.01	0.11	9.42
1999-2000	6784.45 [#]	3.96	0.06	10.30
2000-01	9685.85 [#]	3.95	0.04	9.10
2001-02	11155.07	4.53	0.04	9.38

In addition, Government has also been providing loans and advances to many of these parastatals. Total outstanding balance of the loans advanced was Rs 8458 crore as on 31 March 2002. Overall interest received against these advances had declined to 3.98 per cent during 2001-02 (Table 14). There was, therefore, an implicit subsidy amounting to Rs 1013 crore during 1997-2002. Further, in most cases, Government orders sanctioning the loans did not specify the terms and conditions for these loans.

Table 14 : Average Interest Received on Loans Advanced by the State Government

	(Rupees in crore)				
	1997-98	1998-99	1999-2000	2000-01	2001-02
Opening Balance	7348	7998	8342	12018	8697
Amount advanced during the year	844	614	3927	-726	59
Amount repaid during the year	193	270	251	2595	298
Closing Balance	7999	8342	12018	8697	8458
Net addition	651	344	3676	-3321	-239
Interest Received	424	262	245	1685	341
Interest received as per cent to Loans advanced	5.53	3.21	2.41	16.27	3.98
Average interest paid by the State	8.92	9.42	10.30	9.10	9.38
Difference between interest paid and received	-3.40	-6.21	-7.89	7.17	-5.41

1.10 Financial results of irrigation works

The financial results of 4* major irrigation projects with a capital expenditure of Rs 296.70 crore at the end of March 2002 showed that revenue realised from these projects during 2001-02 (Rs 41.86 crore) was only 14.11 per cent of the capital expenditure. After meeting the working and maintenance

[#] Differs from previous year due to *pro forma* correction.

* Balance 14 major irrigation projects have been transferred to the Corporation as per GOM letter dt. 30.1.2002

expenditure (Rs 8.54 crore) and interest charges (Rs 31.09 crore), the schemes gained a net profit of Rs 2.23 crore during 2001-02.

1.11 Incomplete Projects

As per information received from the State Government, as of 31 March 2002, there were 117 incomplete projects in which Rs 3258.16 crore were blocked. Of these, 6 projects amounting to Rs 64.34 crore remained incomplete for period ranging from 5 to 10 years, 2 projects amounting to Rs 24.55 crore remained incomplete for period ranging from 15 to 20 years and 2 projects amounting to Rs 48.10 crore remained incomplete for more than 20 years. Details in respect of 15 Projects involving capital of Rs 191.90 crore are not available. This showed that the Government was spreading its resources thin, which failed to yield any return. Reasons for incomplete projects were paucity of funds, works left incomplete by contractors, change in site/design of the project(s), defective planning etc. Comments on some incomplete projects had been included in the Civil Audit Reports.

1.12 Arrears of revenue

Comparing the arrears for the years 1997-98 (Rs 4265 crore) to 2001-02 (Rs 5141 crore), there had been an increase of 21 *per cent*. Main arrears were in respect of Taxes on Sales, Trade etc (Rs 5116 crore), Electricity Duty (Rs 18 crore) and State Excise (Rs 7 crore). The deterioration in the position of arrears of revenue showed a slackening of the revenue realising efforts of the State Government. The figure of arrears of revenue as of March 2002 do not reflect the total arrears, as particulars from all departments were not made available.

1.13 Management of Cash Balances

It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mis-matches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India has been put in place. However, State has been increasingly using this mechanism over the years. Normally these advances should be liquidated during the year. Any outstanding balances of WMA indicate mis-match in the revenue and expenditure, which is not transient in nature. Resort to overdraft, which is over and above the WMA limits, is all the more undesirable. The State has increasingly been drawing in excess of its WMA limits from RBI as indicated in Table 15.

Table 15 : Ways and Means and Overdrafts of the State and interest paid thereon (Rupees in crore)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Ways and Mean Advances						
Taken in the Year	--	--	298.97	4415.13	7739.88	4151.33
Outstanding	--	--	--	--	--	--
Interest Paid	--	--	--	12.18*	33.99	23.08
Overdraft						
Taken in the year	--	--	--	1536.54	4691.87	3114.20
Outstanding	--	--	--	--	--	--
Interest Paid	--	--	--	--	7.04	7.04
Number of Days State was in Overdraft	--	--	--	49	76	

1.14 Management of guarantees given by the State Government

1.14.1 Introduction

Government gives guarantees to promote certain economic enterprises by reducing the credit risk for investors, especially in those activities where the nature of investment involves long gestation periods. While guarantees do not form part of debt as conventionally measured, however, in the eventuality of default by the loanee, this has the potential of aggravating the debt position of the Government. The issue of guarantees assumes significance in the context of growing need for infrastructure projects requiring huge investments.

Under Article 293(i) of the Constitution of India, the State Government is required to give guarantees in respect of funds raised by the local bodies, co-operative institutions, companies, corporations etc, upon the security of the Consolidated Fund of the State within the limits fixed by the Legislature. The guarantee cover is for repayment of principal and interest and constitutes a contingent liability on the revenues of the State. The State Legislature has not prescribed any statutory limits on the executive powers of the State to give guarantees. In consideration of the guarantees given, the loanee institutions are required to pay guarantee fee at the rates prescribed by Government from time to time.

1.14.2 Procedure for issue of guarantees in the State

Sanctions for Government standing guarantee are accorded by the Administrative Departments concerned, on the recommendations of the Heads of the departments, with the concurrence of the Finance department and with approval of the High Power Committee (HPC) in case of Bonds and Expenditure Priority Committee (EPC) in case of loans and other borrowings. Specific approval of the Cabinet is to be obtained for extending further guarantees in case of defaulters of earlier guarantees or doubtful ability of the borrowing institutions in repayment of the loan/interest liability.

* Rs 12.18 crore includes interest paid on ways and means and overdraft.

1.14.3 Audit coverage

The details of guarantees provided, invocation of guarantees, maintenance of records etc, were reviewed in Finance department, 7* administrative departments (out of 20 departments) and 3** controlling officers during May-June 2002. The observations of the review are given in the following paragraphs.

1.14.4 Outstanding guarantees

Total guarantees issued by the State Government and outstanding as on March 2002 along with the sectorwise guarantees issued during the period 1997-98 to 2001-02 is given below :

(Rupees in crore)

Year	Amount guaranteed by State Government		Total amount of guarantees	Sums guaranteed outstanding ⁺
	Economic Sector includes Co-operatives	Social Sector		
Upto 1996-97			33099.71	7636
1997-98	3604.26	224.54	3828.80	9933
1998-99	1204.42	280.83	1485.25	19729
1999-2000	10784.71	1632.35	12417.06	32146
2000-01	14833.92	1161.24	15995.16	45979
2001-02	7482.35	506.31	7988.66	52922
Total			74814.64	

Note : Guarantees given include guarantees given by government to three* loss making Irrigation Development Corporations and nine* other State Government Corporations

1.14.4.1 The State Government stood guarantees for Rs 74814.64 crore as on March 2002 of which the guarantees outstanding were Rs 52922 crore which was nearly 175.86 per cent of the Revenue Receipts of the State .It is thus evident that the State finances are overstretched.

1.14.4.2 The increase in guarantees during 1999-2000 to 2001-02 by Rs 20109.30 crore was due to Government guaranteed Bonds floated by the State Government Corporations/Autonomous bodies/Boards

1.14.5 Guarantees given to State Corporations

The main objective in forming State Corporations was to enable them to raise funds from the public to finance various infrastructure projects. The State guarantees were meant to give security to the public for the repayment of their

* Co-operation and Textiles, Housing and Special Assistance, Industries and Energy, Irrigation, Public Works, Urban Development and Water Supply and Sanitation

** Commissioner of Sugar, Registrar of Co-operative Societies and Director of Marketing, Maharashtra State, Pune

⁺ Does not agree with figures of Finance Account of respective years due to non-availability of information from various departments

* Konkan Irrigation Development Corporation, Godavari Marathwada Irrigation Development Corporation and Maharashtra Krishna valley Development Corporation.

* Development corporation of vidharba limited, Maharashtra land development corporation, Marathwada Ceramics Corporation, Maharashtra State Textile Corporation, Textile Corporation of Marathwada, Maharashtra State Financial Corporation, Maharashtra State Handlooms Corporation, Mahatma Phule Backward Class Development Corporation and Maharashtra State Farming Corporation.

investments. It was however, observed that part of the funds raised by the State Corporations were utilised for retiring previous debts. Two such instances are mentioned below:

1.14.5.1 Maharashtra State Road Development Corporation (MSRDC) raised (January 1998) Rs 1170.81* crore (Series 1) with repayment due in 2002-03.

They were permitted to further raise Rs 850 crore (December 2001) for repayment of the earlier bonds (Series 1). The Corporation incurred a loss of Rs 63.90 crore in 2000-01.

1.14.5.2 Similarly, Maharashtra Krishna Valley Development Corporation (MKVDC) was permitted to raise Rs 400 crore (January 2001), which included repayment of previous debts of Rs 84 crore on which they had defaulted in repayment to the banks. The accumulated loss of the corporation was Rs 738.85 crore as at the end of 2000-01.

Thus despite accumulated losses, Government extended guarantee to the bonds raised by these corporations for the repayments of old debts which have further increased the contingent liability of the State.

Despite the State Government guarantee, the MSRDC could raise only Rs 137.22 crore till November 2002 as against Rs 850 crore proposed whereas the MKVDC could raise only Rs 157.24 crore till March 2002 as against Rs 400 crore proposed. The lackluster response of the market to the bonds floated by the State corporations was due to interest payment defaults by the MKVDC and downgrading of the State Government's credit rating by the CRISIL (Credit Rating Agency).

1.14.6 Cotton Monopoly procurement scheme

Observations regarding the increasing debt and interest liability of the Cotton Monopoly Procurement Scheme and the loss sustained by the Maharashtra State Co-operative Marketing Federation (MSCMF) have been commented in para 1.12.3.1.4 of the Comptroller and Auditor General's Report for the year ended 31 March 2001, Government of Maharashtra (Civil). The Government had not initiated any action (June 2002) to recover the principal and interest from the Federation in view of the poor financial condition of the Federation.

In spite of cumulative loss of Rs 2028.32 crore sustained by the Federation during the period 1996 to 2000^v, guarantees amounting to Rs 7026.86 crore had been extended during the period 1996-2002, adding to the increasing contingent liability on the State exchequer.

* Infrastructure bonds of Rs 374.67 crore and regular return bond of Rs 796.14 crore

^v Further losses not available as accounts not finalised

1.14.7 Non-maintenance of records

The Finance Department issued (August 1983) directions to the Administrative departments, requiring them to maintain the records of guarantees given by them. It was, however, noticed that:

1.14.7.1 Industries, Energy, Irrigation, Public Works, Urban Development, Water Supply and Sanitation Departments had not maintained the register of guarantees.

1.14.7.2 The report on the guarantees extended during the last financial year, was not submitted by any of the Administrative departments till June 2002.

1.14.7.3 Recovery of guarantee fees was neither watched nor the amounts reported as paid by the borrowers reconciled, with the Treasury.

The Finance Department replied that the registers are to be maintained by the Administrative departments and that a Central Control register is maintained by them. Administrative departments, in response to the audit observation agreed to maintain/update the register. As regards the instructions of sending the copies of challans of payments into Government account, the Finance Department has not taken any follow up action for implementation of these instructions.

In the absence of proper maintenance of records, correctness of outstanding loan/open market borrowing through bonds etc against guarantees extended by the State Government and guarantee fee recoverable there against could not be verified in audit.

1.14.8 Conditions of guarantee not fulfilled

There was no monitoring of the guarantees by any of the Administrative departments and the guidelines of Finance Department have been flouted.

Scrutiny of the files of the Administrative departments revealed that:

1.14.8.1 The credit worthiness/solvency of the loanee institutions and submission of periodical statement of assets and liabilities and annual accounts, creation of sinking fund for amortisation of loans, cancellation of guarantees where loans have been repaid or the unavailed portion of the guarantee where it was not fully utilised by the borrower were not ensured/monitored.

1.14.8.2 The audited accounts and annual reports of the institutions have not been scrutinised to watch the subsequent performance of the institutions/loan repayments.

1.14.8.3 The only security taken from the borrowers was a second mortgage on their fixed assets, the first mortgage thereon having already been given in favour of the creditors.

In reply, the Administrative departments stated (June 2002) that the scrutiny of the audited accounts and annual reports will be done henceforth and report will be submitted to the Finance Department.

1.14.9 Discharging of guarantee liabilities – sugar factories

Out of Rs 120.72 crore paid by the Government upto March 2002 as guarantee liability, Rs 54.25 crore was in respect of 63 guarantees extended to co-operative sugar factories/spinning mills. Despite that further guarantees were extended for Rs 251.66 crore to 20 defaulting sugar factories during 1996-97 and 2001-02.

1.14.10 Non-honouring of invoked guarantees by the State Government

The State Government had stood guarantee for loans amounting to Rs 118.87[#] crore availed by 10 co-operative sugar factories and 12 spinning mills from financial institutions namely Industrial Development Bank of India, Industrial Credit and Investment Corporation of India (ICICI) and Industrial Finance Corporation of India. When the financial institutions invoked the guarantees for the outstanding amount of Rs 143.89 crore between November 1992 and April 2000, the Government did not honour the commitments. The financial institutions filed suits against the Government and the co-operative institutions for Rs 334.47 crore before the Debt Recovery Tribunal (DRT) between May 1997 and February 2002.

In respect of one[^] sugar factory and 3^{*} spinning mills, the Government was directed to pay Rs 90.37 crore. Government is yet to make the payment (August 2002). Other cases are under consideration of DRT.

Arising out of these developments, the Government has constituted a committee under the chairmanship of Principal Secretary (Finance) for negotiations with the financial institutions for repayment of outstanding dues of Rs 143.89 crore in respect of 10 defaulting sugar factories. The Government has also issued instructions vide its circular (October 2001) to the Commissioner (Sugar) to recover the outstanding dues and the Co-operative sugar factories had been directed to avail the concessions for one time repayment of loan offered by the financial institutions.

On the other hand, despite previous defaults, the State Cabinet extended further guarantee of Rs 13.45 crore to the Solapur Spinning Mills for rehabilitation of the mill, though Finance and Co-operation and Textiles Departments had not recommended the extension of the Government guarantee.

[#] Excluding loan advanced by ICICI Bank and total interest due on loans taken not considered as figures are not available.

[^] Sindkheda Taluka Sahakari Sakhar Kharkhana

^{*} Vasantdada Patil Co-operative Spinning Mill, Yavatmal Zilla Sahakari Kapad Wa Soot Girni, Renuka Adivasi Spinning Mill

Further scrutiny of records in December 2002, in Co-operation and Textiles Department, based on a Press Report, revealed that another financial institution namely National Bank for Agriculture and Rural Development had also approached the State Government to recover dues of Rs 750 crore which was extended by way of loan to 15 Land Development Banks across the State. It has been confirmed that the State Government is saddled with this liability also as the apex and the 15 district banks were proposed to be liquidated by the State Government.

1.14.11 *Lacunae in the deed of guarantee*

A scrutiny of the deed of guarantee revealed that blanket guarantees are issued without stipulating time limits, termination clauses and financial limits and consequently Government is exposed to unlimited financial risk.

1.14.12 *Action taken on recommendations of State Committees*

The State Government appointed the Madhav Godbole Committee to prepare a report on "Budget Transparency" to initiate reforms in the budget making process. The recommendations of the committee in regard to guarantees are as follows :

- Sponsor a legislation to put a ceiling on guarantees to be given.
- Setting up a Guarantee Reserve Fund to pay for guarantees invoked.
- Publishing Finances of Government of Maharashtra Some Significant Pointers to include the total contingent liabilities of the State Government.

The Technical Committee appointed by the Reserve Bank of India also recommended guarantee reserve fund and ceiling on guarantees.

The Budget speech of 2002-03, included a statement that commercial enterprises in the co-operative sector will no longer be given guarantees and fresh guarantees will be available to Public Sector Undertakings only as a credit enhancement measures for loans. No further steps have been taken as suggested by the Godbole Committee.

1.14.13 *Outstanding guarantee fees*

Observations have been made in the Comptroller and Auditor General's Audit Report (Revenue Receipts) for the year 1999-2000 and 2000-01 regarding non-maintenance of records, arrears of guarantee fee and non-levy/non-recovery of guarantee fee.

The outstanding guarantee fee as reported by the Administrative departments/controlling officers stood at Rs 823.44 crore as of March 2002. The recovery there against for the years 1999-2000 to 2001-02 was Rs 297.59 crore. Thus there was no significant improvement in the recovery of guarantee fees as compared to the outstanding amount. Despite earlier recommendations of the Public Accounts Committee on recovery of guarantee fee and

maintenance of proper records for guarantees, none of the departments reviewed had yearwise data of outstanding guarantee fees. Further, no significant efforts were made to recover the outstanding fees either as arrears of land revenue or otherwise, except some recoveries made in cases of State Corporations who came to Government for guarantees for raising of funds.

In this context the State Government needs to examine the futility of charging guarantee fees from State Corporations who due to paucity of funds/unviable projects are not in a position to repay even the principal sums borrowed.

1.14.14 Conclusion

- The outstanding guarantees have increased significantly in recent years and were Rs 52922 crore as on March 2002. The guarantees outstanding were 175.86 *per cent* of the Revenue Receipts of the State, indicating that guarantees outstripped the ability to honour these guarantees.
- The increase in guarantees during 1999-2000 to 2001-02 by Rs 20109.30 crore was due to Government guaranteed bonds floated by the State Government Corporations/Autonomous bodies/Boards. Out of this, Rs 924 crore of guarantees were for repayment of previous debts. The Corporations could not raise the entire funds proposed due to poor response by the market on account of the defaults of the MKVDC and the downgrading of the State Government's credit rating.
- Government guaranteed Rs 7026.86 crore raised by the Maharashtra State Co-operative Marketing Federation despite cumulative loss of Rs 2028.32 crore sustained by the federation due to operation of the Cotton Monopoly Procurement Scheme.
- Three financial institutions invoked guarantees worth Rs 334.47 crore which the State Government has yet to honour and negotiations were in progress with the financial institutions.
- Despite earlier defaults and invocation of guarantees, the State Government extended further guarantees of Rs 251.66 crore to 20 sugar factories during the period between 1996-97 and 2001-02.
- The State Government had not taken any action for imposing ceiling on guarantees and setting up of the Guarantee Reserve Fund or publication/presentation to the Legislature of the Finances of Government of Maharashtra, which would include the contingent liabilities as recommended by the Godbole Committee and the Technical Committee of Reserve Bank of India.
- The maintenance of records on guarantees and recovery of guarantee fees outstanding to the tune of Rs 823.44 crore, continued to be poor.

The matter was referred to the Secretary to the Government in September 2002. No reply has been received (December 2002).

1.15 Financial Indicators of the Government of Maharashtra

The finances of a State should be sustainable, flexible and non-vulnerable. Table 16 below presents a summarised position of Government finances over 1997-2002, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlights areas of concern and captures its important facts.

The ratios of revenue receipt and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipt indicates the nature of the tax regime and the State's increasing access to resources. Revenue receipts comprises not only the tax and non-tax resources of the State but the transfers from Union Government. It indicates sum total of the State's access to the resources for which there is no direct service provision obligations, recovery of users charges for the social and economic services provided by it and its entitlement from the central pool of resources. These ratios, showed an erratic trend during 1997-2002.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilisation. The ratio of revenue expenditure to total expenditure has increased while its capital expenditure and development expenditure as percentage to total expenditure has declined. Both its revenue and total expenditure have been buoyant compared to its revenue receipts and revenue expenditure has shown a comparatively greater buoyancy. All these indicate State's increasing dependence on borrowings for meeting its revenue expenditure and inadequate expansion of its developmental activities.

Table 16 : Indicators of Fiscal Health (in per cent)

Fiscal Indicators	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Resource Mobilisation						
Revenue Receipt/GSDP	11.15	9.07	10.52	11.45	11.09	10.65
Revenue Buoyancy	0.698	0.222	77.439	2.264	0.350	1.028
Own Tax/GSDP	7.53	5.92	7.19	7.64	7.84	7.22
Expenditure Management						
Total Expenditure/GSDP	14.79	12.29	15.50	15.93	15.21	14.77
Total Expenditure/ Revenue Receipts	132.66	135.58	147.32	139.13	137.20	138.38
Revenue Expenditure/ Total Expenditure	84.95	87.08	79.35	90.92	92.72	87.34
Capital Expenditure	12.30	11.07	11.29	10.66	7.15	10.26
Development Expenditure	64.25	62.34	60.44	63.12	55.60	60.83
Buoyancy of TE with RR	1.88	1.34	1.62	0.62	0.21	1.19
Buoyancy of RE with RR	1.783	1.728	0.929	1.565	1.326	1.348
Management of Fiscal Imbalances						
Revenue deficit (Rs in crore)	-2580	-3926	-4269	-7834	-8189	-5360
Fiscal deficit (Rs in crore)	-6443	-7463	-11706	-8976	-10898	-9097
Primary Deficit (Rs in crore)	-3539	-3790	-6822	-3751	-4469	-4474
Revenue Deficit/ Fiscal Deficit	40.04	52.61	36.47	87.28	75.14	58.91
Management of Fiscal Liabilities						
Fiscal Liabilities/ GSDP	19.3	17.9	21.6	24.3	27.3	22.4

Fiscal Liabilities/ RR	172.8	197.3	205.8	212.5	246.6	204.3
Buoyancy of FL with RR	3.098	3.172	1.307	1.225	10.184	1.926
Buoyancy of FL with OR	1.399	9.275	1.101	1.072	7.400	1.922
Interest spread	-1.02	22.08	-10.09	-1.59	-4.29	0.84
Net Fund Available	30.11	30.52	22.78	19.51	27.18	25.69
Other Fiscal Health Indicators						
Return on Investment	0.47	0.11	0.06	0.04	0.04	0.14
BCR (Rs in crore)	226	-660	-2186	-5644	-6501	-2953
Financial Assets/ Liabilities	0.99	0.93	0.85	0.74	0.67	0.84

Increasing revenue and fiscal deficit indicates growing fiscal imbalances of the State. Similarly, increase in ratio of revenue deficit and fiscal deficit indicates that the application of borrowed funds has largely been to meet current consumption. All the four indicators of fiscal imbalances show continuous deterioration over the time indicating increasing unsustainability and vulnerability of State finances.

It is not uncommon for a State to borrow for increasing its social and economic infrastructure support and creating additional income generating assets. However, increasing ratio of fiscal liabilities to GSDP and revenue receipts, together with a growing revenue deficit indicate that the State is gradually getting into a debt trap. Similarly, the higher buoyancy of the debt both with regard to its revenue receipts and own resource indicate its increasing unsustainability. There has also been a decline in net availability of funds from its borrowings due to a larger portion of these funds being used for current expenditure including debt servicing. The State's low return on investment indicates an implicit subsidy and use of high cost borrowing for investments, which yields very little. The ratio of State's total financial assets to liabilities has also deteriorated indicating that increasingly a greater part of liabilities are without any asset back-up. This indicates that either the State has to generate more revenue from out of its existing assets or need to provide from its current revenues for servicing its debt obligations. The Balance from Current Revenue (BCR) of the State has also continued to be negative. The BCR plays a critical role in determining its plan size and a negative BCR adversely affects the same and reduces availability of fund for additional infrastructure support and other revenue generating investment.

EXHIBIT – I
SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF MAHARASHTRA
AS ON 31 MARCH 2002

		(Rupees in crore)	
As on 31.03.2001	LIABILITIES	As on 31.03.2002	
6482.40	Internal Debt		8587.24
5202.92	Market Loans bearing interest	6432.26	
14.56	Market Loans not bearing interest	21.46	
16.72	Loans from LIC	15.76	
1248.20	Loans from other institutions	2117.76	
--	Ways and Means Advances/Overdrafts from Reserve Bank of India	--	
31688.57	Loans and Advances from Central Government		37064.26
512.42	Pre 1984-85 Loans	429.51	
23038.84	Non-Plan Loans	28125.93	
8007.14*	Loans for State Plan Schemes	8354.32	
13.36	Loans for Central Plan Schemes	12.70	
116.81	Loans for Centrally Sponsored Plan Schemes	141.80	
444.55	Contingency Fund		134.20
6508.81	Small Savings, Provident funds etc		7143.39
7081.73	Deposits		8371.27
11064.64	Reserve Funds		13042.88
2062.78	Suspense and Miscellaneous Balances		890.22
65333.48	TOTAL		75233.46
As on 31.03.2001	ASSETS	As on 31.03.2002	
37218.39	Gross Capital Outlay on Fixed Assets		40166.27
9681.35	Investments in shares of Companies, Corporations etc	11155.07	
27537.04	Other Capital Outlay	29011.20	
8697.14	Loans and Advances		8458.44
2632.68	Loans for Power Projects	3054.46	
5782.05	Other Development Loans	4978.60	
282.41	Loans to Government servants	425.38	
13.07	Advances		13.17
884.58¹	Remittance Balances		1005.98
1466.95	Cash		697.70
7.14	Cash in Treasuries	8.76	
547.53	Deposits with Reserve Bank	(-)53.81 ²	
(-)96.61 [^]	Local remittances	(-)78.01 [^]	
14.48*	Departmental Cash Balance	7.18	
0.41	Permanent Advances	0.42	
681.83	Cash Balance Investments	375.61	
312.17	Investment of earmarked balances	437.55	
17053.35	Deficit on Government Accounts		24891.90
7834.03	(i) Revenue Deficit of the Current Year	8188.57	
1366.28	(ii) Pro forma correction	--	
(-)351.38 ¹	(iii) Other adjustments	(-)350.02	
8204.42	Accumulated deficit upto 31 March 2001	17053.35	
65333.48	TOTAL		75233.46

* 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, Nagpur[^] Minus balance is due to non-adjustment of remittances between treasuries and currency chests on 31.3.2001

EXHIBIT- II
ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2001-02
(Rupees in crore)

Receipts				Disbursements							
2000-01			2001-02	2000-01			Non-Plan	Plan	Total	2001-02	
		Section-A: Revenue									
29566.92	I.	Revenue receipts		30092.95	37400.95¹	I.	Revenue expenditure	35400.49	2881.03	38281.52	38281.52
19726.94		-Tax revenue	21287.64		14702.13		General services	17668.41	62.13	17730.54	
					14350.71		Social services	12507.90	1628.91	14136.81	
5596.26 ¹		-Non-tax revenue	4655.08		9408.42		-Education, Sports, Art and Culture	9076.07	305.91	9381.98	
					1595.34		-Health and Family Welfare	1302.20	481.61	1783.81	
2781.01		-State's share of Union Taxes	2468.76		1443.24		-Water Supply, Sanitation, Housing and Urban Development	586.95	400.70	987.65	
					19.22		-Information and Broadcasting	16.16	0.46	16.62	
597.33		-Non-Plan grants	355.29		752.66		-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	501.04	228.61	729.65	
					212.84		-Labour and labour Welfare	161.41	21.05 ¹	182.46	
155.81		-Grants for State Plan Scheme	601.85		891.58		-Social Welfare and Nutrition	842.36	189.23	1031.59	
					27.41		-Others	21.71	1.34*	23.05	
709.57 ¹		-Grants for Central and Centrally sponsored Plan Schemes	724.33		7655.86		Economic Services	4686.89	1188.82	5875.71	
					2625.95		-Agriculture and Allied Activities	2026.65	365.53	2392.18	
					507.28		-Rural Development	5.27 ¹	517.09	522.36	
					46.01		-Special Areas Programmes	0.15	34.31	34.46	
					1857.93		-Irrigation and Flood control	1780.39	93.31	1873.70	
					2405.06		-Energy	646.09	77.32	723.41	
					39.08		-Industry and Minerals	117.24	15.76	133.00	
					45.76		-Transport	69.95	3.65	73.60	
					8.87		-Science, Technology And Environment	0.01	0.77	0.78	
					119.92		-General Economic Services	41.14	81.08	122.22	
					692.25		-Grants-in-aid and Contributions	537.29	1.17	538.46	

¹ Lower rounding * Higher rounding

Receipts					Disbursements						
2000-01			2001-02	2000-01			Non-Plan	Plan	Total	2001-02	
7834.03	II.	Revenue deficit carried over to Section B	8188.57	--	II.	Revenue Surplus carried over to Section B				--	
1026.44 ⁺	III.	Opening Cash balance including Permanent Advances and Cash Balance Investment	1466.95	--	III.	Opening Overdraft from RBI				--	
--	IV.	Miscellaneous Capital receipts		4463.01	IV.	Capital Outlay	1472.49	1475.39	2947.88	2947.88	
				45.95		<u>General Services</u>	12.00*	26.15	38.15*		
				120.46		<u>Social Services</u>	5.21	127.90	133.11		
				11.83		-Education, Sports, Art and Culture	--	5.93	5.93		
				38.94		-Health and Family Welfare		50.93	50.93		
				36.06		-Water Supply, Sanitation, Housing and Urban Development	6.20	16.82	23.02		
				18.69		-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	-0.01	38.90	38.89 ¹		
				2.53		-Social Welfare and Nutrition	-0.98	3.66	2.68		
				12.41		-Others	--	11.66	11.66		
				4296.60		<u>Economic Services</u>	1455.28	1321.34	2776.62		
				415.06		-Agriculture and Allied Activities	249.55	251.67	501.22		
				965.39		-Irrigation and Flood Control	991.33	187.62 ¹	1178.95		
				2194.83		-Energy	0.01	282.86	282.87		
				13.13		-Industry and Minerals	-0.01	13.34	13.33		
				704.52		-Transport	215.07	585.19	800.26		
				3.55		-General Economic Services	-0.67	0.60*	-0.07		
				0.12		-Science Technology and Environment	--	0.06	0.06		

⁺ 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

Receipts					Disbursements						
2000-01				2001-02	2000-01			Non-Plan	Plan	Total	2001-02
2595.20	V.	Recoveries of Loans and Advances-		298.09	(-)726.04	V.	Loans and Advances disbursed-				59.39
2206.66		-From Power Projects	100.51		231.40		-For Power Projects			522.29	
55.79		-From Government Servants	68.50		134.39		-To Government Servants			132.87	
332.75		-From others	129.08		(-)1091.83 ^a		-To Others			(-)595.77	
--	VI.	Revenue surplus brought down		--	7834.03	VI.	Revenue deficit brought down				8188.57
6744.15	VII.	Public debt receipts		8671.33	1070.27	VII.	Repayment of Public Debt-				1190.80
--		-External debt		--	--		-External debt				--
1342.76		-Internal debt other than ways and means Advances and Overdraft	2334.73		209.60		-Internal debt other than Ways and Means Advances and Overdraft			229.89	
-- ⁺		-Net transactions under Ways and Means Advances including overdraft	A		-- ⁺		-Net transactions under Ways and Means Advances including Overdraft			A	
5401.39		-Loans and Advances from Central Government	6336.60		860.67		-Repayment of Loans and Advances to Central Government			960.91	
700.00	VIII.	Appropriation from Contingency Fund		600.00	350.00	VIII.	Appropriation to Contingency Fund				250.00
367.29	IX.	Contingency Fund		305.45	755.45	IX.	Contingency Fund				615.80
38318.68	X.	Public Account receipts		42368.85	34538.09	X.	Public Account disbursements-				39760.53
1564.91		-Small Savings and Provident Funds	1812.68*		859.37		-Small Savings and Provident Funds			1178.10	
3436.37		-Reserve funds	4173.95		1993.46		-Reserve Funds			2195.71	
22677.76		-Suspense and Miscellaneous	24553.82		22530.51		-Suspense and Miscellaneous			25726.37	
5514.88		-Remittances	6032.93		5560.98		-Remittances			6154.32	
5124.76		-Deposits and Advances	5795.47		3593.77		-Deposits and Advances			4506.03	

⁺ Represent receipts Rs 5951.67 crore and disbursements Rs 5951.67 crore

^A Represent receipts Rs 12431.75 crore and disbursements Rs 12431.75 crore

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

* Higher rounding

Receipts				Disbursements						
2000-01			2001-02	2000-01			Non-Plan	Plan	Total	2001-02
--	XI.	-Closing Overdraft from Reserve Bank of India	--	1466.95	XI.	Cash Balance at end-				697.70
				7.14		-Cash in Treasuries			8.76	
--	XII.	Inter State Settlement	--	(-)96.61 ^B		-Local Remittances			(-)78.01 ^B	
				547.53		-Deposits with Reserve Bank			(-)53.81 ²	
				14.48*		-Departmental Cash Balance			7.18	
				0.41		-Permanent Advances			0.42	
				681.83		-Cash Balance Investment			375.61	
				312.17		-Investment of earmarked balances			437.55	
49751.76		Total	53710.67	49751.76		Total				53710.67

^B Minus balance is due to non-adjustment of remittance between treasuries and currency chests on 31 March 2001

* Higher rounding

² 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, Nagpur

EXHIBIT III
SOURCES AND APPLICATION OF FUNDS

(Rupees in crore)

2000-01		Sources	2001-02
29566.92	1.	Revenue receipts	30092.95
2595.20	2.	Recoveries of Loans and Advances	298.09
5673.88	3.	Increase in Public debt other than overdraft	7480.53
3779.20	4.	Net receipts from Public account	2608.30
705.54		Increase in Small Savings and Provident Funds	634.58
1530.99		Increase in Deposits and Advances	1289.44
1441.51		Increase in Reserve funds	1978.24
(-)46.10		Net effect of Remittances	(-)121.40
147.26		Net effect of Suspense and Miscellaneous transactions	(-)1172.56
351.39	5.	Adjustment closed to Government Accounts	350.02
--	6.	Decrease in closing cash balance	769.25
41966.59		Total	41599.14
		Application	
37400.95	1.	Revenue expenditure	38281.52
4463.01	2.	Capital expenditure	2947.88
(-)726.04	3.	Lending for development and other purposes	59.39
388.16	4.	Net effect of contingency fund transactions	310.35
440.51	5.	Increase in closing cash balance	--
41966.59		Total	41599.14

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 3336.69 lakh (credit) between the figures reflected in the accounts and that intimated by the RBI under "Deposit with Reserve Bank". The difference is under reconciliation (November 2002).

EXHIBIT IV
TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

	1997-98	1998-99	1999-2000	2000-01	2001-02
Part A. Receipts					
1. Revenue Receipts	20316.57	21737.09	25269.47	29566.92	30092.95
(i) Tax Revenue	13719.26(68)	14202.36(65)	17264.95(68)	19726.94(67)	21287.64(71)
Taxes on Agricultural Income	--	--	0.12(00)	--	0.16(00)
Taxes on Sales, Trade, etc	7825.48(57)	8066.61(57)	10509.02(61)	12196.39(62)	12131.38(57)
State Excise	1650.88(12)	1748.74(12)	1875.68(11)	1779.51(09)	1787.26(08)
Taxes on Vehicles	752.07(05)	636.95(05)	708.30(04)	785.84(04)	947.79(04)
Stamps and Registration fees	1690.35(12)	1607.87(11)	1939.83(11)	2200.92(11)	2442.67(12)
Land Revenue	92.09(01)	112.46(01)	177.87(01)	214.72(01)	260.46(01)
Other Taxes	1708.39(13)	2029.73(14)	2054.13(12)	2549.56(13)	3717.92(18)
(ii) Non-tax Revenue	3640.89(18)	3572.70(16)	3936.87(16)	5596.26 ¹ (19)	4655.08(15)
(iii) State's share of Union taxes and duties	1732.06(08)	2921.90(14)	2608.67(10)	2781.01(09)	2468.76(08)
(iv) Grants-in-aid from GOI	1224.36(06)	1040.13(05)	1458.98(06)	1462.71(05)	1681.47(06)
2. Misc. Capital Receipts	--	--	--	--	--
3. Total revenue and Non-debt capital receipts (1 + 2)	20316.57	21737.09	25269.47	29566.92	30092.95
4. Recoveries of Loans and Advances	193.43	269.76	250.90	2595.20	298.09
5. Public Debt Receipts	4496.53	5516.50	6058.04	6744.15	8671.33
Internal Debt (excluding Ways and Means Advances and Overdrafts)	711.92	799.94	1154.80	1342.76	2334.73
Net transactions under Ways and Means Advances and Overdraft	--	0.01	--	--	--
Loans and Advances from Government of India ⁵	3784.61	4716.55	4903.24	5401.39	6336.60
6. Appropriation from Contingency Fund	--	300.00	1000.00	700.00	600.00
7. Inter State settlement	--	0.99	--	--	--
8. Total receipts in the Consolidated Fund (3+4+5+6+7)	25006.53	27824.34	32578.41	39606.27	39662.37
9. Contingency Fund Receipts	208.34	131.44	1772.94	367.29	305.45
10. Public Accounts receipts	28375.02	30342.06	37749.44	38318.68	42368.85
11. Total receipts of the State (8+9+10)	53589.89	58297.84	72100.79	78292.24	82336.67
Part B. Expenditure/Disbursement					
12. Revenue expenditure (% of 15)	22896.51(85)	25663.02(87)	29538.22(79)	37400.95¹(91)	38281.52(93)
Plan	3276.54(14)	3397.75(13)	2840.56(10)	2921.20 ¹ (08)	2881.03(08)
Non-Plan	19619.97(86)	22265.27(87)	26697.66(90)	34479.75(92)	35400.49(92)
General Services (incl. Interests payments)	9136.91(40)	10614.12(41)	12538.73(42)	14702.13(39)	17730.54(46)
Social Services	8596.26(38)	9427.81(37)	11181.28(38)	14350.71(38)	14136.81(37)
Economic Services	5018.34(22)	5445.29(21)	5257.72(18)	7655.86(21)	5875.71(16)
Grants-in-aid and Contribution	145.00(00)	175.80(01)	560.49(02)	692.25(02)	538.46(01)
13. Capital Expenditure (% of 15)	3211.79(12)	3192.51(11)	3761.32(10)	4463.01(11)	2947.88(07)
Plan	3001.24(93)	2484.77(78)	2637.86(70)	3688.30(83)	1475.39(50)
Non-Plan	210.55(07)	707.74 [*] (22)	1123.46(30)	774.71(17)	1472.49(50)
General Services	50.51(02)	74.71(02)	74.78(02)	45.95(01)	38.15(01)
Social Services	137.53(04)	278.40(09)	181.14(05)	120.46(03)	133.11(05)
Economic Services	3023.75(94)	2839.40(89)	3505.40(93)	4296.60(96)	2776.62(94)

* Higher rounding

¹ Lower rounding⁵ Includes Ways and Means Advances from GOI

	1997-98	1998-99	1999-2000	2000-01	2001-02
14. Disbursement of Loans and Advances (% of 15)	843.91(03)	613.70(02)	3926.98(11)	(-)726.04(-2)	59.39(00)
15. Total (12+13+14)	26952.21	29469.23	37226.52	41137.92	41288.79
16. Repayments of Public Debt	722.94	847.95	1017.09	1070.27	1190.80
Internal Debt (excluding Ways and Means Advances and Overdrafts)	75.00	116.00	199.48	209.60	229.89
Net transactions under Ways and Means Advances and Overdrafts	0.01	--	--	--	--
Loans and Advances from Government of India ^S	647.93	731.95	817.61	860.67	960.91
17. Appropriation to Contingency Fund	200.00	100.00	1700.00	350.00	250.00
18. Total disbursement out of Consolidated Fund (15+16+17)	27875.15	30417.18	39943.61	42558.19	42729.59
19. Contingency Fund disbursements	31.44	372.94	1017.29	755.45	615.80
20. Public Account disbursements	25438.33	26739.82	32925.27	34538.09	39760.53
21. Total disbursement by the state (18+19+20)	53344.92	57529.94	73886.17	77851.73	83105.92
Part C. Deficits					
22. Revenue Deficit(-)/Surplus (+) (1-12)	(-)2579.94	(-)3925.93	(-)4268.75	(-)7834.03	(-)8188.57
23. Fiscal Deficit (3+4-15)	6442.21	7462.38	11706.15	8975.80	10897.75
24. Primary Deficit (23-25)	3538.62	3789.25	6822.56	3751.26	4468.67
Part D. Other data					
25. Interest Payments (included in revenue expenditure)	2903.59	3673.13	4883.59	5224.54	6429.08
26. Arrears of Revenue (Percentage of Tax and non-tax Revenue Receipts)	4264.87(25)	4563.52(26)	6511.54(31)	7953.69(31)	5140.68(20)
27. Financial Assistance to local bodies etc	8763.62	7943.93	9471.59	7300.59	10979.92
28. Ways and Means Advances/Overdraft availed (days)	--	--	19	244	107/76
29. Interest on WMA/Overdraft	--	--	--	12.18	41.03
30. Gross State Domestic Product (GSDP)	182295	239721	240224	258272^c	271406
31. Outstanding Debt (year end)	22787.59	27456.14	32497.09	38170.97	45651.50
32. Outstanding guarantees (year end)	8417.77	11152.15	1079.79	2924.81	1534.96^A
33. Maximum amount guaranteed (year end)	24441.62	27423.01	29214.78	35540.20	33974.20
34. Number of incomplete projects	123	115	68	95	117
35. Capital blocked in incomplete projects	2681.77	3099.23	1705.95	2850.12	3258.16

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

^S Includes Ways and Means Advances from GOI

^c Based on Economic Survey of Maharashtra 2001-02.

^A Information about outstanding guarantees in respect of 53 institutions/concerns is awaited (October 2002)