

CHAPTER - I

FINANCES OF THE STATE GOVERNMENT

Finances of the State Government

Social Indicators of Maharashtra

Maharashtra occupies the Western and Central part of the country and has a long coastline along the Arabian Sea. It is the second largest State in India in terms of population (11.24 crore population as per 2011 census) and has geographical area of 3.08 lakh square kilometres (sq. km). As indicated in **Appendix 1.1**, according to census 2011, the State's population has increased from 9.69 crore to 11.24 crore recording a decadal growth of 16 *per cent*. The density of population of Maharashtra has also recorded an increase from 315 persons per square kilometre (sq.km.) (Census 2001) to 365 persons per sq. km. (Census 2011) as against the all India average of 382 persons per sq.km.

The percentage of population below the poverty line at 17.4 *per cent* was lower than the all India average of 21.9 *per cent* as per Economic Survey of Maharashtra 2017-18. The Gross State Domestic Product¹ (GSDP) in 2017-18 at current prices was ₹ 24,96,505 crore (advance estimates). The Compounded Annual Growth Rate (CAGR) of GSDP for the period 2008-09 to 2017-18 has been 14.2 *per cent* as against 12.9 *per cent* in the General Category States² (GCS) of the country. The State's literacy rate has increased from 76.9 *per cent* (census 2001) to 82.3 *per cent* (Census 2011). The per capita income of the State during 2017-18 stood at ₹ 2,04,041 as against the country average of ₹ 1,29,800. General data relating to the State is shown in **Appendix 1.1**.

Economic Indicators of the State

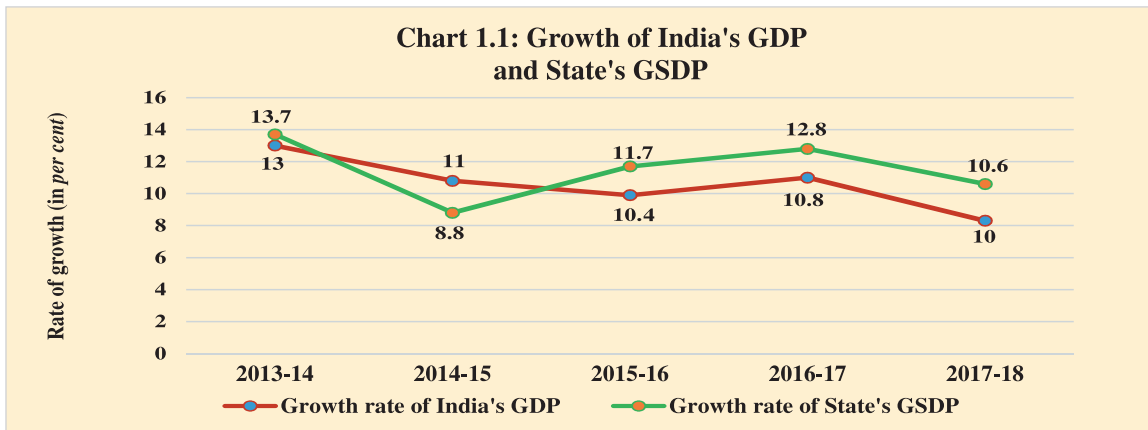
Gross State Domestic Product is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates the standard of living of the State's population. The trends in the annual growth of India's Gross Domestic Product (GDP) at current prices are indicated in **Table 1.1** and **Chart 1.1**.

Table 1.1 Trends in annual growth rate of GDP/GSDP at current prices

Year	2013-14	2014-15	2015-16	2016-17	2017-18
India's GDP (₹ in crore)	11233522	12467959	13764037	15253714	16773145
Growth rate of GDP (percentage)	13.0	11.0	10.4	10.8	10.0
State's GSDP (₹ in crore)	1647506	1792122	2001223	2257032 [#]	2496505 [*]
Growth rate of GSDP (percentage)	13.7	8.8	11.7	12.8	10.6
GDP and GSDP at current prices					
[#] Actuals/ [*] Advance estimates – as per Economic Survey of Maharashtra 2017-18					

¹ GDP: It is a measure in monetary terms of all the goods and services produced (without duplication) within the boundaries of any geographical area (Nation) during a given period of time (generally, one year). It is termed as Gross State Domestic Product (GSDP) if the geographical boundary is State

² Undivided Andhra Pradesh; Bihar; Chhattisgarh; Goa; Gujarat; Haryana; Jharkhand; Karnataka; Kerala; Madhya Pradesh; Maharashtra; Orissa; Punjab; Rajasthan; Tamil Nadu; Uttar Pradesh and West Bengal



1.1 Introduction

This Chapter is based on the audit of the Finance Accounts of the State and makes an assessment of the State’s fiscal position as on 31 March 2018. It provides a broad perspective of the finances of the State during 2017-18 and analyses critical changes observed in the major fiscal aggregates in relation to the previous year, keeping in view the overall trend during the last five years period. The structure and form of Government accounts have been explained in **Appendix 1.2 (Part A)** and the layout of the Finance Accounts is depicted in **Appendix 1.2 (Part B)**. The methodology adopted for assessment of the fiscal position and norms/ceilings prescribed by the Maharashtra Fiscal Responsibility and Budgetary Management (MFRBM) Act, 2005; and the (Amendment) Act of 2006; MFRBM Rules, 2006 and Amendment Rules 2008, 2011 and 2012 of the State are given in **Appendix 1.3**. According to the Act, Government developed its own Fiscal Correction Path (FCP) given in **Appendix 1.4**. As prescribed in the Act, Government has laid its Medium Term Fiscal Policy Statement (MTFPS) for 2017-18 in the State Legislature in March 2017.

This chapter is structured in four parts.

- Summary and Review of Fiscal Transactions **(Paragraph 1.2)**
- Resources of the State covering details of revenue receipts, capital receipts and public account receipts **(Paragraph 1.3 to 1.6)**
- Application of resources dealing with quality of expenditure and financial analysis of Government expenditure and investment **(Paragraph 1.7 to 1.9)**
- Financial position including assets and liabilities, fiscal imbalances and debt management **(Paragraph 1.10 to 1.12)**

1.2 Summary of Fiscal Transactions in 2017-18

Summary of Fiscal Operations gives an overview of the Fiscal position, comparison of budget estimates with actuals achieved which are given in detail in sub-paragraphs 1.2.1 to 1.2.2.

Table 1.2 presents the summary of the State Government’s fiscal transactions during the current year (2017-18) *vis-à-vis* the previous years (2013-17), while **Appendix 1.5** provides details of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.2: Summary of Fiscal transactions during 2013-14 to 2017-18

(₹ in crore)					
Receipts	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue receipts	149822	165415	185036	204693	243654
Tax revenue	108598	115064	126608	136616	167932
Non-tax revenue	11352	12581	13423	12709	16242
Share of Union Taxes/Duties	16630	17630	28106	33715	37219
Grants from Government of India	13242	20140	16899	21653	22261
Miscellaneous Capital Receipts	0	0	17	0	0
Recoveries of Loans and Advances	728	975	865	1746	1778
Public debt receipts	26735	29374	37977	48336	48075 [§]
Appropriation from Contingency fund	1350	2350	2962	0	0
Contingency Fund	859	4360	962	0	0
Public Account Receipts	64020	83022	72747	82466	81877
Opening Cash Balance					
a) Sinking Fund	12331	15454	18886	22672	27853
b) Cash balance	36513	31429	30762	32881	40897
Total	292358	332379	350214	392794	444134

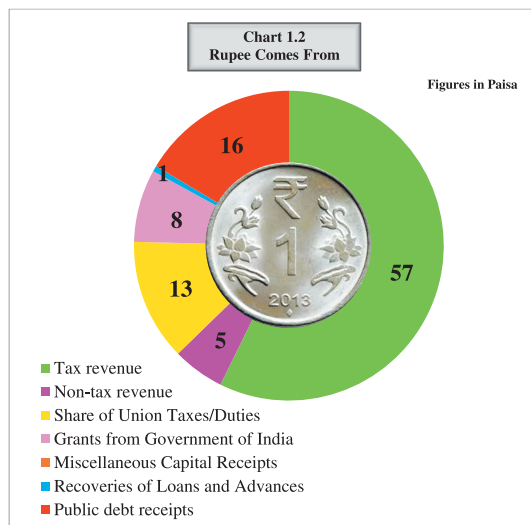
(₹ in crore)					
Disbursements	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue expenditure	154902	177553	190374	213229	241571
General services	53979	60486	64370	71609	78535
Social services	70879	76952	82317	90282	93054
Economic services	27991	37687	38052	43843	54189
Grants-in-aid and Contributions	2053	2428	5635	7495	15793
Capital Outlay	20021	19523	22793	25549	26842
Loans and Advances disbursed	1645	1141	1115	6277	979
Repayment of Public Debt	10262	8828	10043	11887	15782 [§]
Appropriation to Contingency fund	850	4350	962	0	0
Contingency Fund	1360	2350	2962	0	0
Public Account Disbursements	56435	68986	66412	67102	70491
Closing Cash Balance					
a) Sinking Fund	15454	18886	22672	27853	33971
b) Cash balance	31429	30762	32881	40897	54498
Total	292358	332379	350214	392794	444134

(Includes higher rounding and lower rounding of figures)

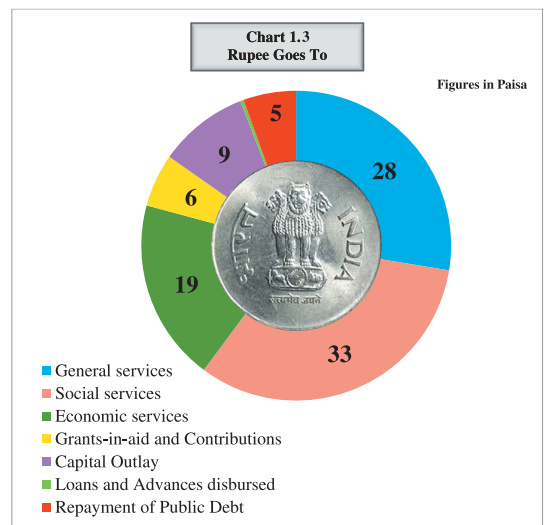
(Source: Finance Accounts of respective years)

[§] Excluding ways and means advances (Receipt: ₹ 1,594 crore and Disbursement: ₹ 1,594 crore)

Composition of sources and application of funds in the Consolidated Fund during 2017-18 is given in **Chart 1.2** and **1.3**



(Source: Finance Accounts 2017-18)



(Source: Finance Accounts 2017-18)

The following are the major changes in fiscal transactions during 2017-18 over the previous year:

Revenue Receipts	<ul style="list-style-type: none"> Increased by 19 per cent Own tax revenue increased by 23 per cent
Revenue Expenditure	<ul style="list-style-type: none"> Increased by 13 per cent
Capital Expenditure	<ul style="list-style-type: none"> Increased by five per cent
Loans and Advances	<ul style="list-style-type: none"> Recoveries increased by two per cent Disbursements decreased by 84 per cent
Public Debt	<ul style="list-style-type: none"> Receipts decreased by one per cent Repayment increased by 33 per cent
Cash Balance	<ul style="list-style-type: none"> Increased by 29 per cent

The trends of Revenue Receipts (RR)/Revenue Expenditure (RE)/Capital Outlay (CO) relative to GDP at current as well as constant prices are presented in **Table 1.3**.

Table 1.3: Trends in Revenue Receipt/Revenue Expenditure/Capital Outlay relative to GDP

(₹ in crore)

Year	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Receipts relative to GDP					
Revenue Receipts at current prices	149822	165415	185036	204693	243654
Rate of growth of RR at current prices (in per cent)	4.8	10.4	11.9	10.6	19.0
Revenue Receipts at constant prices	130721	139673	153069	163661	189001
Rate of growth of RR at constant prices (in per cent)	(-)1.3	6.8	9.6	6.9	15.5
Revenue Expenditure relative to GDP					
Revenue Expenditure at current prices	154902	177553	190374	213229	241571
Rate of growth of RE at current prices (in per cent)	11.7	14.6	7.2	12	13.3
Revenue Expenditure at constant prices	135154	149922	157485	170486	187385
Rate of growth of RE at constant prices (in per cent)	5.1	10.9	5	8.3	9.9
Capital Outlay relative to GDP					
Capital Outlay at current prices	20020	19523	22793	25549	26842
Rate of growth of Capital Outlay at current prices (in per cent)	15.1	(-)2.5	16.7	12.1	5.1
Capital Outlay at constant prices	17468	16485	18855	20428	20821
Rate of growth of Capital Outlay at constant prices (in per cent)	8.4	(-)5.6	14.4	8.3	1.9
Source: Based on GDP deflator (Current Prices: - 2013-14 114.6118; 2014-15 118.4303; 2015-16 120.8841; 2016-17 125.0714; 2017-18 128.9167 and Constant Prices as 100) for converting Current Prices to Constant Prices					

1.2.1 Review of the Fiscal situation

Major fiscal variables provided in the budget based on the recommendations of the Fourteenth Finance Commission (FFC) and as targeted in the Fiscal Responsibility and Budgetary Management Act of the State are shown in **Table 1.4**.

Table 1.4: Review of the Fiscal situation

Sr. No.	Fiscal variables	2017-18			
		FFC targets for the State in percentage	Targets proposed in the budget/ MTFPS	Projections made in five year FCP	Actuals
1	Fiscal deficit/GSDP (in <i>per cent</i>)	3.25	1.53	1.32	0.96
2	Total outstanding debt of the Government to GSDP (in <i>per cent</i>)	23.30	16.26	14.05	17.32
3	Interest Payment/Revenue Receipt (IP/RR) (in <i>per cent</i>)	12.25	12.73	12.73	13.55
4	Revenue Deficit (-)/Surplus (+) (₹ in crore)	0	(-)4511.19	(-)4511.19	(+)2082.49

Source: MTFPS/FCP/FFC

From **Table 1.4** it can be seen that during 2017-18, the State achieved two of the three major parameters (Sr. No. 1 and 2) specified by the FFC. However, the third parameter Interest Payment/Revenue Receipt ratio at 13.55 was higher than the norm prescribed by FFC and State's MTFPS. The state also achieved the Revenue Surplus (₹ 2,082.49 crore) in 2017-18.

1.2.2 Budget Estimates and Actuals

The State's revenue expenditure was lower than the budget estimates by three *per cent* in 2017-18. There was a Revenue Surplus of ₹ 2,082 crore against the estimated revenue deficit of ₹ 4,511 crore. The actual revenue receipts were marginally (0.03 *per cent*) lower than the budget estimates. The capital outlay decreased by 20.6 *per cent* whereas interest payments increased by 6.4 *per cent* over the budget estimates.

Table 1.5: Budget Estimates, Revised Estimates and Actuals for the year 2017-18

Fiscal parameters	Budget Estimates	Revised Estimates	Actuals	Difference between Actuals and BE	
				Difference between Actuals and BE	Difference between Actuals and RE
1	2	3	4	5 (4-2)	6 (4-3)
Tax Revenue	153437	164979	167932	14495	2953
Non-Tax Revenue	20156	21671	16242	(-)3914	(-)5429
State's share of Union Taxes & Duties	37405	37203	37219	(-)186	16
Grants-in-aid from GoI	32740	33752	22261	(-)10479	(-)11491
Total Revenue Receipts	243738	257605	243654	(-)84	(-)13951
Total Revenue Expenditure	248249	272448	241571	(-)6678	(-)30877
Interest Payments	31027	33518	33018	1991	(-)500
Capital Expenditure	33809	31997	26842	(-)6967	(-)5155
Revenue Deficit (-) /Surplus (+)	(-)4511	(-)14843	2082	6593	(-)16925
Fiscal Deficit (-)/Surplus (+)	(-)38789	(-)46201	(-)23961	14828	(-)22240
Primary Deficit (-)/Surplus (+)	(-)7762	(-)12684	9057	16819	(-)21741

Source: Finance Accounts 2017-18 and Budget Documents 2018-19

From **Table 1.5** (also refer **Appendix 1.6**), there were variations between budget estimates and actuals in the case of several key parameters.

Revenue receipts

Revenue receipts had a marginal shortfall (₹ 84 crore: 0.03 *per cent*) against budget estimates. The decrease in revenue receipts was the net result of decrease in non-tax revenue by 19 *per cent*, set-off by increase in tax revenue by nine *per cent*.

Revenue expenditure

The revenue expenditure decreased by three *per cent* over the budget estimates, mainly because of lower expenditure under General Services (five *per cent*) and Social Services (18 *per cent*). The decrease as compared to budget estimates was largely under Water Supply, Sanitation, Housing and Urban Development (₹ 8,219 crore), Education, Sports, Arts and Culture (₹ 7,051 crore), Social Welfare and Nutrition (₹ 4,412 crore) and Welfare of Schedule Caste, Schedule Tribes and Other Backward Classes (₹ 1,424 crore).

Capital expenditure

The actual Capital expenditure was lower by ₹ 6,967 crore (21 *per cent*) against the original Budget estimates of 2017-18. The decrease as compared to budget estimates was mainly under Rural Development (₹ 2,213 crore), Transport and Communication (₹ 2,346 crore), Welfare of Scheduled Castes and Scheduled Tribes and Other Backward Classes (₹ 756 crore).

Fiscal deficit

Fiscal deficit (₹ 23,961 crore) was lower than the assessment made in the budget estimates (₹ 38,789 crore) by 38 *per cent*, mainly due to reduced revenue and capital expenditure.

1.3 Financial Resources of the State**Financial Resources of the State as per Annual Finance Accounts**

Revenue and Capital are two streams of receipts of the State. Revenue receipts consist of Tax Revenues, Non-Tax Revenues, State's Share of Union Taxes and Duties and Grants-in-aid from GoI. Capital receipts include Miscellaneous Capital Receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. Besides, the funds available in the Public Account after disbursement are also utilised by the Government to finance its deficit.

Table 1.6 presents the trends in growth and composition of receipts of the State during 2013-14 to 2017-18.

Table 1.6: Trends in growth and composition of total receipts

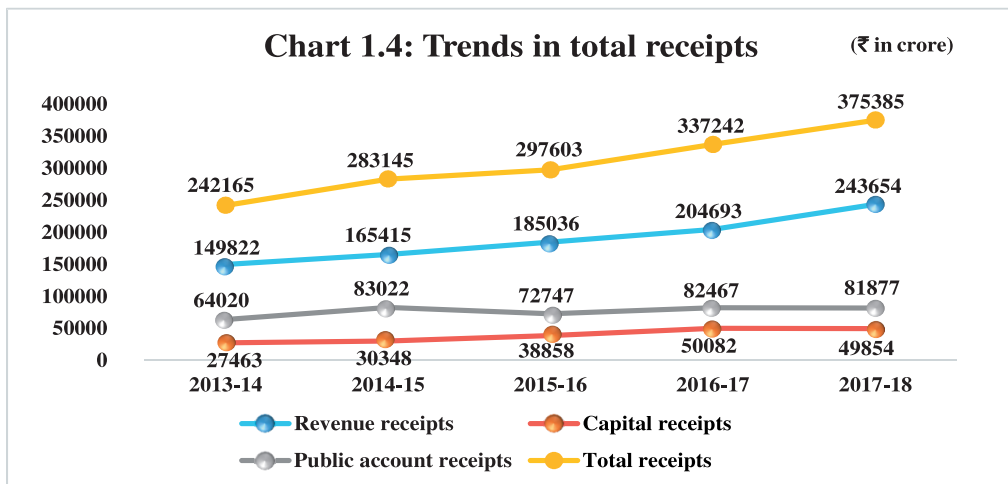
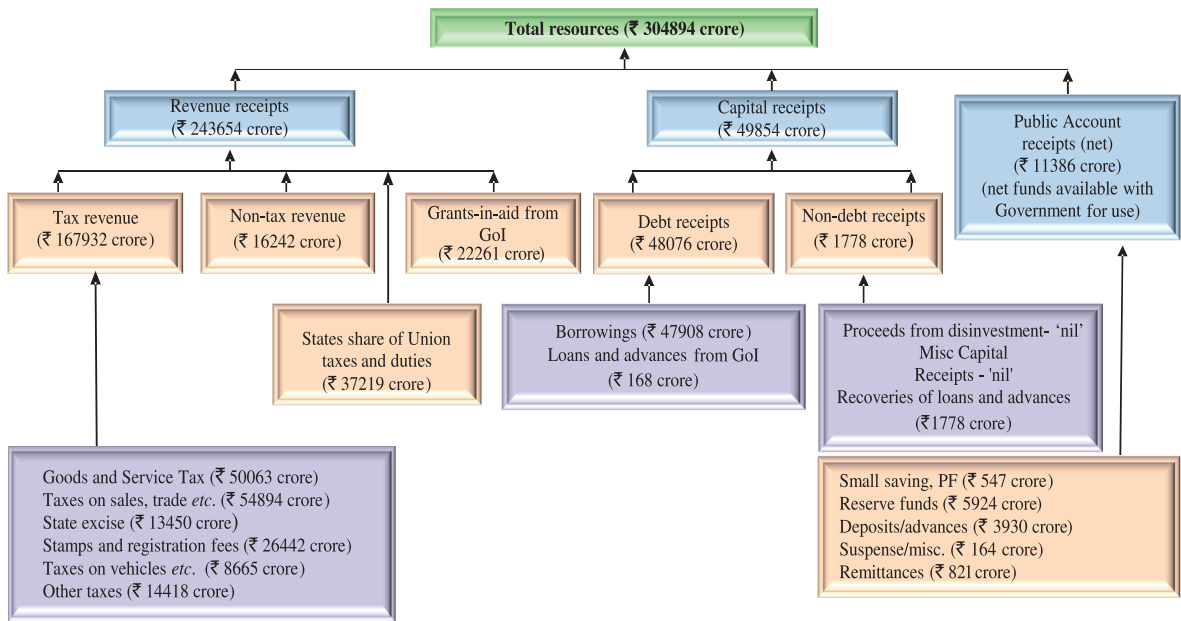
(₹ in crore)

Sources of State's receipts	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue receipts	149822	165415	185036	204693	243654
Capital receipts	27463	30348	38858	50082	49854
Contingency Fund	860	4360	962	0	0
Public Account receipts (Gross)	64020	83022	72747	82467	81877
Total receipts	242165	283145	297603	337242	375385

Source: Finance Accounts of respective years

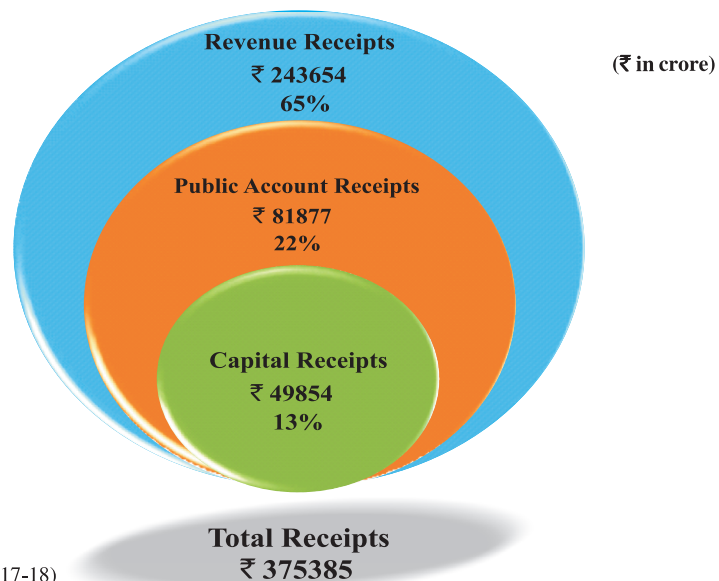
Chart 1.4 depicts the trends in various components of the receipts of the State during 2013-18. **Chart 1.5** and **Flow chart 1.1** depict the composition of the receipts of the State during the current year.

Flow chart 1.1: Trends in various components of receipts of the State



(Source: Finance Accounts of respective years)

Chart 1.5: Composition of total receipts during 2017-18

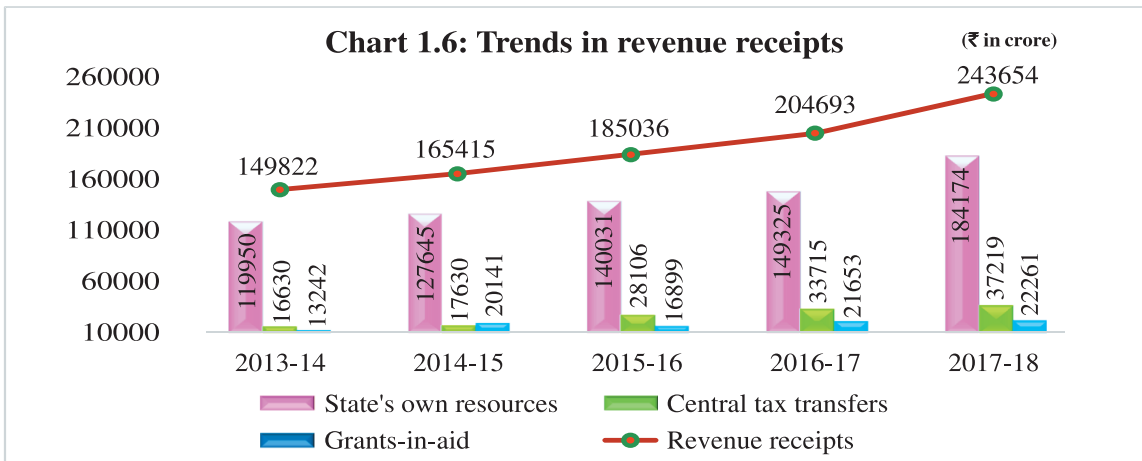


(Source: Finance Accounts 2017-18)

1.4 Revenue Receipts

Details regarding revenue receipts viz State’s own resources, Transfers from Central Government including State’s share of Union taxes and Grants-in-aid from GoI, Fund transferred by the Central Government to State implementing agencies outside the State budget and optimization of the XIV-FC grant are given in **Paragraph 1.4** and sub-paragraphs from 1.4.1 to 1.4.5.

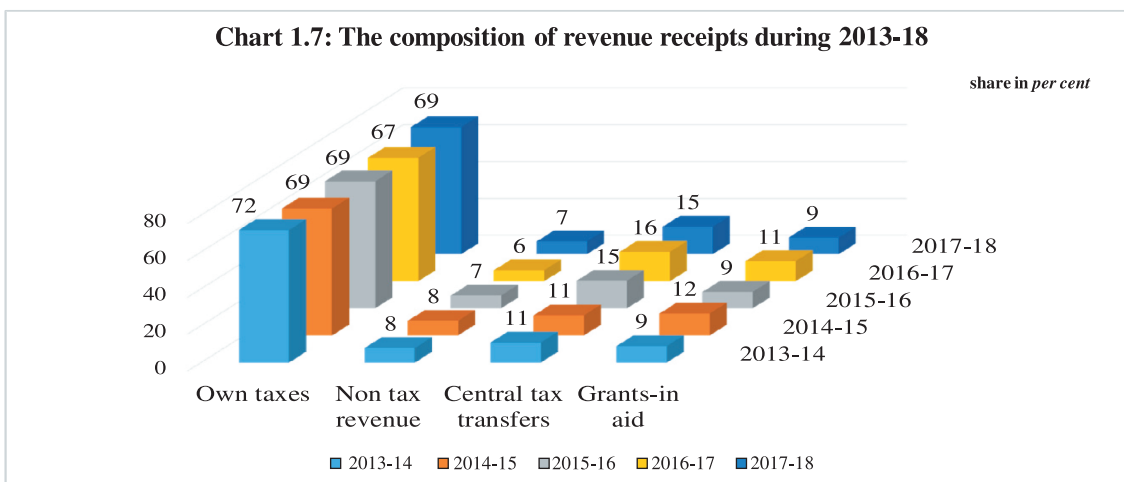
Statement 14 of the Finance Accounts details the revenue receipts of the Government. These consist of the State’s own tax and non-tax revenues, Central tax transfers and grants-in-aid from GoI. The trends of revenue receipts over the period 2013-14 to 2017-18 are presented in **Chart 1.6** and also in **Appendix 1.7**.



(Source: Finance Accounts of respective years)

Revenue receipts grew by ₹ 38,961 crore (19 per cent) in 2017-18 over 2016-17. The increase was in tax revenue by ₹ 31,316 crore (23 per cent), non-tax revenue by ₹ 3,533 crore (28 per cent), State’s share of Union Taxes and Duties by ₹ 3,504 crore (10 per cent) and Grants-in-aid from Government of India by ₹ 608 crore (three per cent).

The composition of Revenue receipts over the period 2013-14 to 2017-18 are presented in **Chart 1.7**.



(Source: Finance Accounts of respective years)

As shown in **Chart 1.7**, the State’s Revenue Receipts had the significant share of State’s own taxes which was almost constant and varying between 67 per cent and 72 per cent. The share of non-tax revenue fluctuated between six per cent and eight per cent during

2013-14 to 2017-18. The share of Central tax transfers has increased by four percentage points over the period. The share of Grants-in-aid indicated a fluctuating trend during 2013-18.

During 2008-09 to 2016-17, the CAGR of revenue receipts (16.1 *per cent*) was higher than the growth rate of GCS (15.1 *per cent*). The revenue receipts increased considerably during 2017-18 (19 *per cent*) over 2016-17 and were also higher than the growth rate of GCS (11.3 *per cent*) as shown in **Appendix 1.1**.

The trends in revenue receipts relative to GSDP at current prices are presented in **Table 1.7**.

Table 1.7: Trends in Revenue Receipts relative to Gross State Domestic Product

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue receipts (₹ in crore)	149822	165415	185036	204693	243654
Rate of growth ³ of RR (<i>per cent</i>)	4.8	10.4	11.9	10.6	19.0
RR/GSDP (<i>per cent</i>)	9.1	9.2	9.2	9.0	9.8
Source: Finance Accounts of respective years					

Buoyancy ratio

Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. The value more than one indicates high degree of responsiveness of the fiscal variable to the base variable. As GSDP grows, the ability of the Government to mobilize revenue should also increase. **Table 1.8** shows the buoyancy of revenue receipts with respect to changes in GDP of the State.

Table 1.8: Buoyancy ratio

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue receipts buoyancy w.r.t. GSDP	0.350	1.182	1.017	0.828*	1.792
State's own taxes buoyancy w.r.t. GSDP	0.365	0.683	0.857	0.617*	2.160
Gross State Domestic Product (₹ in crore)	1647506	1792122	2001223	2257032	2496505
Revenue receipts buoyancy w.r.t. State's own taxes	0.960	1.733	1.190	1.342	0.830
Source: Finance Accounts of respective years * Based on actual GSDP					

Revenue buoyancy measures the percentage change in the revenue receipts to the percentage change in GSDP. As can be seen from the table above, the Revenue buoyancy though it was lower than one in 2016-17 has improved to 1.8 in 2017-18. The ratio of State's own tax buoyancy with reference to GSDP increased tremendously to 2.160 in 2017-18 due to implementation of Goods and Services Tax and VAT receipts.

1.4.1 State's Own Resources

As the State's share in Central taxes is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilization of additional resources is assessed in terms of its own resources comprising tax and non-tax receipts.

The State's actual tax and non-tax receipts for the year 2017-18 *vis-à-vis* projection given in the FFC Report and the MTFPS (2017-18) are given in **Table 1.9**.

Table 1.9: Actual Tax and Non-Tax Receipts

	FFC projection	Budget estimates	MTFPS projection	(₹ in crore) Actual
Tax revenue	201663	153437	153437	167932
Non-tax revenue	23376	20156	20156	16242
Source: Finance Accounts/FFC/Budget/MTFPS				

³ see Glossary at page 129

Table 1.9 shows that the actual realisation of tax revenue during the year was lower than the normative assessment in the FFC Report but higher than the projections made in the budget estimates and MTFPS. The non-tax revenue of the Government was lower than the normative assessment of the FFC by 31 per cent.

1.4.1.1 Tax Revenue

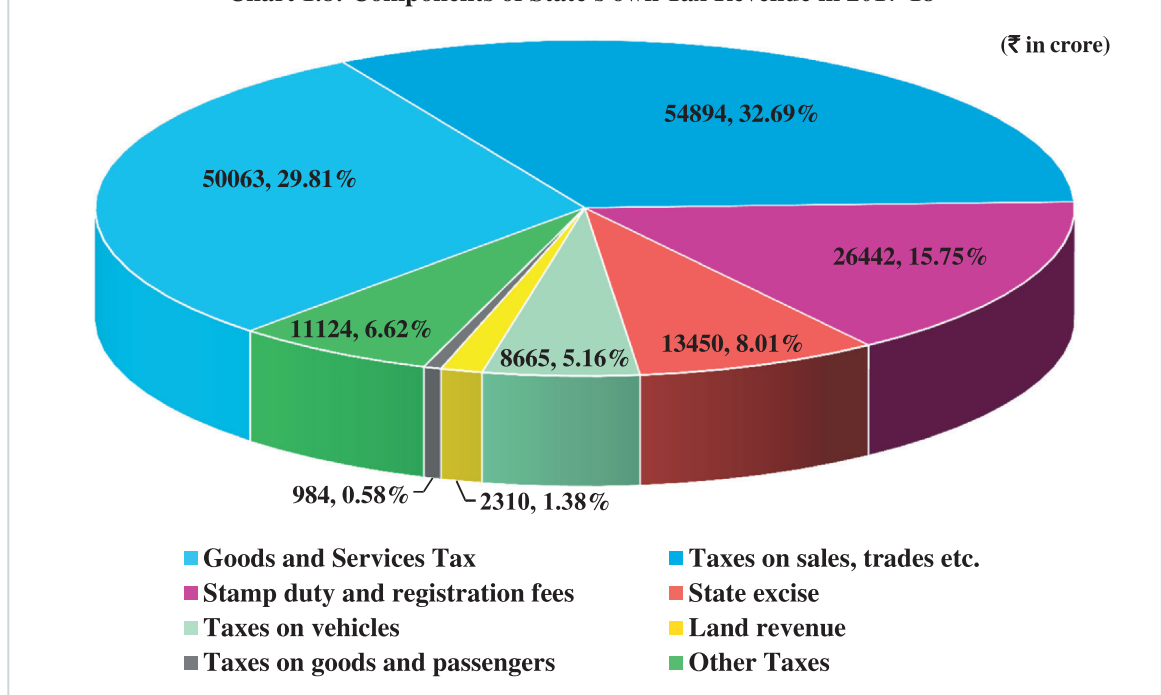
The gross collection in respect of major taxes and duties during 2013-18 are given in **Table 1.10** and actuals for 2017-18 in **Chart 1.8**.

Table 1.10: Components of State's Own Tax Revenue

Revenue Head	(₹ in crore)					Variation in 2017-18 over previous year (in per cent)
	2013-14	2014-15	2015-16	2016-17	2017-18	
Goods and Services Tax ⁴	-	-	-	-	50063	29.30
Taxes on sales, trade etc.	62530	67466	69661	81174	54894	
Stamp duty and registration fees	18676	19959	21767	21012	26442	25.84
State excise	10101	11397	12470	12288	13450	9.45
Taxes on vehicles	5096	5405	6017	6741	8665	28.55
Land revenue	1089	1272	1748	1799	2310	28.40
Taxes on goods and passengers	1241	587	1582	1877	984	(-) 47.58
Other taxes ⁵	9865	8978	13363	11725	11124	(-) 5.12
Total	108598	115064	126608	136616	167932	22.92

Source: Finance Accounts of respective years

Chart 1.8: Components of State's own Tax Revenue in 2017-18



(Source: Finance Accounts 2017-18)

⁴ Implemented w.e.f. 01 July 2017

⁵ Other taxes include taxes on professions, trades, callings and employment; and taxes and duties on electricity

Own tax revenue relative to GSDP of the State was only 6.7 per cent as compared to Chhattisgarh (13.9 per cent), Gujarat (5.4 per cent), Karnataka (6.6 per cent) and Madhya Pradesh (5.9 per cent).

Implementation of Goods and Services Tax in Maharashtra

Goods and Services Tax (GST) was implemented with effect from 01 July 2017. GST is leviable on intra-State supply of goods or services (except alcohol for human consumption and five specified petroleum products). The State level taxes being subsumed under GST are Value Added Tax (VAT), Sugarcane Purchase Tax, Central Sales Tax (CST) and VAT adjusted against CST, Entry Tax on Goods, Entertainment Tax, Betting Tax, Luxury Tax, Cinematography Advertisement Tax, Lottery Tax, Forest Development Tax, Tax under Medicinal and Toilet preparation containing alcohol and Octroi by Municipal Corporation of Greater Mumbai, Local Body Tax by Municipal Corporations other than Greater Mumbai, Advertisement fees on sky signs collected by Greater Mumbai and other Municipal Corporations. The GST has three components - Central GST (CGST), State GST (SGST) and Integrated GST (IGST) on inter-state trade or commerce.

Under the GST (Compensation to States) Act, 2017, loss of revenue to the States on account of implementation of Goods and Services Tax shall be payable during transition period and compensation payable to a State shall be provisionally calculated and released at the end of every two months during transition period of five years and shall be finally calculated for every financial year after the receipt of final revenue figures, as audited by the Comptroller and Auditor-General of India. Any excess amount released as compensation to a State in any financial year during the transition period, as per the audited figures of revenue collected shall be adjusted against the compensation amount payable to such State in the subsequent financial year. As per Section 4 of the said Act, financial year 2015-16 has been taken as the base year for calculating compensation amount payable to States for loss of revenue during transition period. The projected nominal growth rate of revenue subsumed for a state during the transition period shall be 14 per cent per annum. The total compensation payable in any financial year shall be difference between the projected revenue for any financial year and the actual revenue collected by a State.

The revenue from SGST for the financial year 2017-18 of Maharashtra State was ₹ 50,063.365 crore which included an advance apportionment of IGST of ₹ 2,648 crore, to be adjustable in 2018-19. The base year (2015-16) revenue certified by audit under GST (Compensation to States) Act 2017 for Maharashtra State was ₹ 60,505.60 crore. The projected revenue for 2017-18 was ₹ 78,631.778 crore. The proportional projected revenue for the period of nine months (01 July 2017 to 31 March 2018) was ₹ 58,973.833 crore.

Government of India released the compensation amount of ₹ 1,488 crore (₹ 824 crore in October 2017 and ₹ 654 crore in March 2018) in the form of grant-in-aid, which was accounted under MH 1601-08-114. The actual amount of compensation is dependent on adjustments to the GST collection emanating from recovery of past arrears of subsumed taxes during SGST period of 2017-18 and is yet to be worked out.

Octroi by Municipal Corporation of Greater Mumbai, Local Body Tax by Municipal Corporations other than Greater Mumbai, Advertisement fees on sky signs collected by Greater Mumbai and other Municipal Corporations were subsumed in SGST in lieu of which the Government of Maharashtra gave an amount of ₹ 9,295.89 crore as 'Assistance

to Municipal Corporations for loss of Revenue arising due to Implementation of Goods and Services Tax’.

The increase in tax revenue by ₹ 31,316 crore (23 per cent) over the previous year was mainly under:-

(a) Taxes on sales, trade *etc.* and Goods and Service Taxes (GST) by ₹ 23,783 crore (29 per cent). The growth, though appears to be 29 per cent in 2017-18 over 2016-17, is actually less as it includes the amount of taxes of local bodies (Octroi *etc.*) subsumed in the GST which were not the part of financial year 2016-17 collection. Excluding this amount of ₹ 9,296 crore which the State Government provided to Municipal Corporations for loss of revenue arising due to implementation of GST, the revenue growth works out to 18 per cent.

Even this growth was mainly due to the increased VAT collection as a result of increase in prices of petroleum product leading to consequent increase in VAT collection. As compared to subsumed tax collection for the base year 2015-16, the amount of GST collection was less than 14 per cent increase envisaged from the base year amount of subsumed taxes (shortfall below 14 per cent requires the Government of India to compensate the States – the final compensation is yet to be worked out, however, ₹ 1,488 crore have already been received by the State).

(b) Stamp duty and registration fees⁶ increased by ₹ 5,430 crore (26 per cent) indicating that the real estate was slowly recovering from the negative growth rate in the previous year. Due to general recession in real estate market, the number of purchase-sale transaction documents and receipts were lowered. Though the receipts of Stamp Duty and Registration fees decreased during 2016-17 as compared to 2015-16, the gap was filled during the year 2017-18;

(c) Taxes on Vehicles by ₹ 1,924 crore (29 per cent). The upward surge in Motor Vehicles Tax was due to the revised rates of tax on two-four wheeler vehicles as per their engine capacity, establishment of Road Safety Fund vide GR dated 01 September 2016. Further, subsequent to the implementation of GST, tax on two wheelers was increased to 10-12 per cent from 8-10 per cent and on four wheelers to 11-13 per cent from 9-11 per cent for Petrol and 13-15 per cent from 11-13 per cent for diesel vehicles. However, the decrease in Taxes on Goods and Passengers by ₹ 893 crore (48 per cent) was due to the tax being subsumed in GST.

(d) State Excise by ₹ 1,162 crore (nine per cent). The lower growth rate was mainly due to the directives of the Hon. Supreme Court to close the Bars serving liquor adjacent to highways.

During 2013-17, the rate of growth of Taxes on Sales, Trades *etc.* ranged between three per cent and 17 per cent. With the implementation of GST the growth rate increased to 29 per cent resulting in a Revenue Surplus of ₹ 2,082.49 crore during 2017-18.

During 2008-09 to 2016-17, the CAGR of tax revenue (16.6 per cent) was higher than the growth rate of GCS (14.9 per cent). The growth of own tax revenue during 2017-18 over 2016-17 (22.9 per cent) was almost twice the growth rate of GCS (12.2 per cent) as shown in **Appendix 1.1**.

⁶ Stamp Duty is levied by value added system on transfer of property documents and there is no upper limit on it. However, there is upper limit of ₹ 30,000 on Registration fees

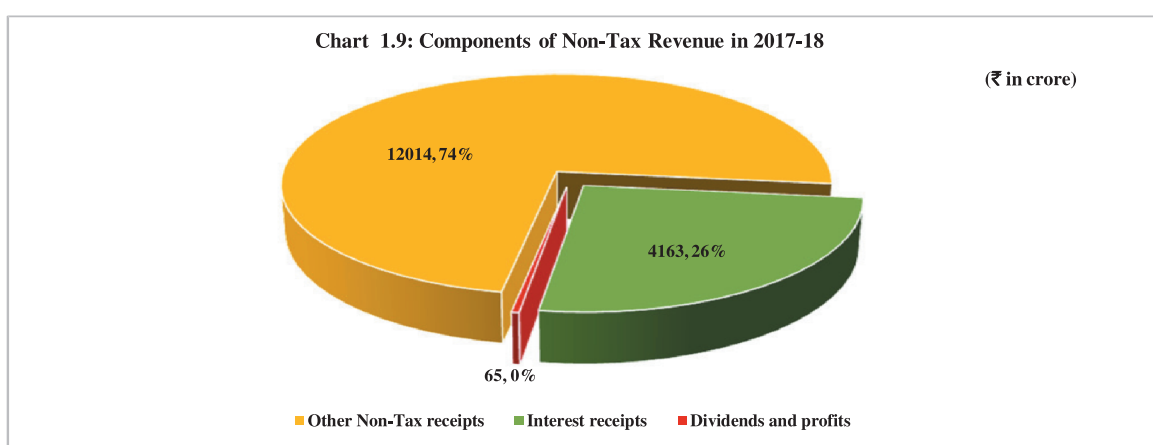
1.4.1.2 Non-Tax Revenue

Growth of Non-Tax Revenue during 2013-18 is shown in **Table 1.11** and actuals for 2017-18 in **Chart 1.9**.

Table 1.11: Growth rate of Non-Tax Revenue

Revenue head	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage increase in 2017-18 over previous year
	(₹ in crore)					
Interest receipts [§]	3934	3351	3080	3259	4163	28
Dividends and profits	20	28	57	67*	65*	(-3)
Other non-tax receipts	7398	9202	10286	9383	12014	28
Total	11352	12581	13423	12709	16242	28

* Dividend of ₹ 39 crore (2016-17) and ₹ two crore (2017-18) for which details are awaited from State Government
[§] Interest receipts shown under MH 0049
 Source: Finance Accounts of respective years



(Source: Finance Accounts 2017-18)

The increase in non-tax revenue receipts by ₹ 3,533 crore (28 per cent) over 2016-17. The increase was mainly under:-

- Miscellaneous General Services by ₹ 1,192 crore. The increase was mainly in unclaimed Deposit Money (₹ 348 crore);
- Interest Receipts by ₹ 903 crore (28 per cent). The increase was due to more interest realised on Investment of Cash Balance and Interest on Other Loans and Housing Co-operatives and interest on loans to Maharashtra State Electricity Board;
- Other Administrative Services by ₹ 723 crore (107 per cent). The increase was mainly on reimbursement of GoI's share of election related expenditure incurred by the State on election establishment, conduct of elections, etc. in Receipts from Central Government for Election Expenditures (₹ 479 crore); and
- Non-Ferrous Mining and Metallurgical Industries by ₹ 452 crore (15 per cent) mainly under Mineral concession fees, rents and royalties.

However, there was decrease of ₹ 680 crore (90 per cent) under Power during 2017-18 over 2016-17 as, during 2016-17 the Department has received lease money amounting to ₹ 757 crore.

During 2008-09 to 2016-17, the CAGR of non-tax revenue (6.8 per cent) was lower than the growth rate of GCS (9.5 per cent). However, the growth of non-tax revenue during 2017-18 over 2016-17 (27.8 per cent) was nearly five times the growth rate of GCS (5.9 per cent) as shown in **Appendix 1.1**.

Interest receipts, Dividends and Profits

One of the major sources of interest receipts is interest proceeds out of investment of surplus cash balances of the State. As per Reserve Bank of India's regulations, the cash balance maintained by the State is invested in GoI's 14 days Treasury Bills (TBs). The average rate of interest on these TBs is around five to six *per cent*. Excess cash balance, beyond the immediate requirement is invested in GoI's 91 days TBs. Against the budgeted estimates of ₹ 371 crore during 2017-18, the actual interest realised on Investment of Cash Balances was ₹ 2,722.44 crore of which, 14 days TBs yielded ₹ 855.04 crore and 91 days TBs yielded ₹ 1,867.40 crore.

The interest realised on Loans and Advances given by the State Government to its Companies/Corporations *etc.* stood at ₹ 485 crore during 2017-18 which worked out to 1.9 *per cent* of the outstanding balances of Loans and Advances (₹ 25,804.68 crore) at the end of the year.

The return on investment in the form of dividends declared by Companies/Corporations and credited to Government Account during 2017-18 was ₹ 64.63 crore. Considering the extent of Government investment (₹ 1,40,203.56 crore), the return worked out to a meagre 0.05 *per cent* on the investment made.

Pricing of public utilities – Water Charges

The levy and pricing of water charges in Maharashtra is governed by the provisions of the Maharashtra Water Resources Regulatory Authority Act, 2005. In case of irrigation and bulk water, the Authority is required to fix the criteria for water charges based on the principle that water charges shall reflect the full recovery of the cost of irrigation management, administration, operation and maintenance (O&M) of water resources projects. As per the Act, the State should be able to meet the O&M expenditure on irrigation projects by water charges. In the case of drinking water, the revenue receipts from water tariff should be at par with cost of production of water *i.e.* expenditure of O&M of water supply system.

Maharashtra moved towards fixing the water charges through Maharashtra Water Resources Regulatory Authority from October 2010. The assessment and recovery of water charges against the O&M cost during 2013-18 based on the water rates for the control period⁷ 2010-2013 is shown in **Table 1.12**.

Table 1.12: Details of Operation and Maintenance cost of water resources project, assessment of water charges and recovery of water charges

(₹ in crore)

Year	Operation and Maintenance cost (Establishment + Maintenance and repair)			Arrears of water charges				
	Salary (Establishment)	Non-salary (Maintenance and Repairs)	Total	Opening Balance*	Assessment	Total Dues (5 +6)	Recovery of water charges	Balance to be recovered (7-8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2013-14	632.15	206.05	838.20	1267.46	607.04	1874.50	515	1359.50
2014-15	620.15	126.15	746.30	1309.00	671.74	1980.74	637	1343.74
2015-16	680.06	180.79	860.85	1346.56	740.17	2086.73	573	1513.73
2016-17	651.88	134.65	786.53	1514.15	663.52	2177.67	473	1704.78
2017-18	701.93	334.30	1036.23	1704.78	828.78	2533.56	74	2459.27
Total	3286.17	981.94	4268.11		3511.25		2272	

* Opening balance was revised after reconciliation
Source: Information furnished by Maharashtra Water Resources Regulatory Authority

⁷ Control period for the purposes of the applicability of tariffs shall be three consecutive water years starting from 01 July 2010 to 30 June 2011, 01 July 2011 to 30 June 2012 and 01 July 2012 to 30 June 2013.

From the **Table 1.12** it can be seen that the water charges recovered during 2013-18 was lower than the O&M cost by ₹ 1,996.11 crore. Arrears in recovery during 2013-18 was ₹ 2,459.27 crore. In addition, there was a gap of ₹ 756.86 crore between O&M cost and assessment made during 2013-18.

1.4.2 Transfers from Government of India including State's share of Union taxes and Grants-in-aid from GoI

1.4.2.1 Central Tax Transfers

Due to higher devolution of Central taxes under FFC, Central tax transfers increased by 10 *per cent* from ₹ 33,715 crore in 2016-17 to ₹ 37,219 crore in 2017-18.

Comparison of the devolution of taxes (Fourteenth Finance Commission)

Consequent upon acceptance of the recommendations of the FFC (award period 2015-16 to 2019-20) by GoI, the devolution to States with effect from 2015-16 has increased from 32 *per cent* to 42 *per cent* of the net union tax receipts. The devolution of different components of States share of union taxes during first three years of FFC is as given in **Table 1.13**.

Table 1.13: Devolution of different components of State's share of Union Taxes

Components of State's share of Union taxes	FFC award period			Difference (4 – 3)	Percentage increase/ decrease
	2015-16	2016-17	2017-18		
(1)	(2)	(3)	(4)	(5)	(6)
Corporation Tax	8835.19	10790.20	11387.92	597.72	6
Customs	4486.57	4641.53	3753.00	(-888.53)	(-)19
Income Tax	6144.85	7499.22	9616.28	2117.06	28
Other taxes and duties on commodities and services	19.33	0.09	15.87	15.78	-
Other taxes on income and expenditure	0.18	-	-	-	-
Service tax	4887.46	5458.92	4246.87	(-)1212.05	(-)22
Taxes on wealth	2.00	24.71	(-)0.34	(-)25.05	(-)101
Union excise duties	3730.37	5300.23	3923.00	(-)1377.23	(-)26
Central Goods and Services Tax	-	-	522.44	522.44	-
Integrated Goods and Services Tax (IGST)	-	-	3754.16	3754.16	-
Grand Total	28105.95	33714.90	37219.20	3504.30	10
Devolution as a percentage of revenue receipts	15.2	16.5	15.3		

Source: Data of Finance Department, Government of Maharashtra and website of Ministry of Finance

The devolution of State's share of Union taxes assigned to the State increased by 10 *per cent* during the third year of the award period of FFC compared to second year. There was a decreasing trend in all the components of the State's Share of Union Taxes except in respect of Corporation Tax and Income Tax. The increase was mainly due to devolution of IGST (₹ 3,754.16 crore).

1.4.2.2 Grants-in-aid from Government of India

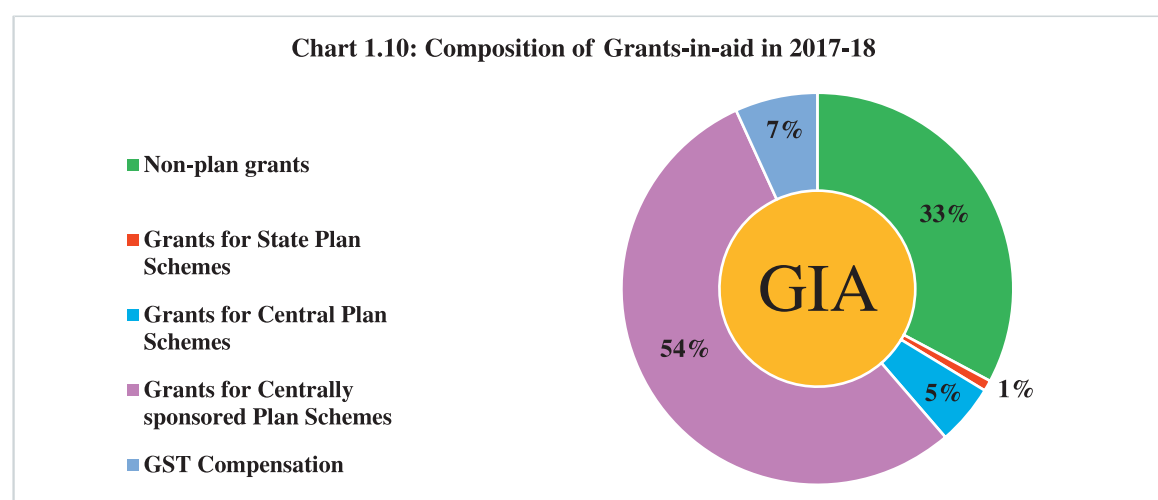
The grants-in-aid from GoI increased by three *per cent* from ₹ 21,653 crore in 2016-17 to ₹ 22,261 crore in 2017-18. The increase in 2017-18 was mainly under GST Compensation (₹ 1,488 crore), Centrally Sponsored Plan Schemes (13 *per cent*), set off by decrease in State Plan Schemes (57 *per cent*), Central Plan Schemes (34 *per cent*), Non-plan Grants (21 *per cent*) and as shown in **Table 1.14**. The trend of total grants from GoI as a percentage of revenue receipts ranged between eight *per cent* and 13 *per cent* during 2013-18.

Table 1.14: Grants-in-aid from Government of India

(₹ in crore)

	2013-14	2014-15	2015-16	2016-17	2017-18
Non-plan grants	5533	7304	6080	9073*	7158
Grants for State Plan Schemes	3684	1665	791	455	197
Grants for Central Plan Schemes	648	1399	688	1657	1085
Grants for Centrally sponsored Plan Schemes	3377	9772	9340	10468	11895
Compensation for loss of revenue arising out of implementation of GST	-	-	-	-	1488
Total	13242	20140	16899	21653	22261^s
Percentage of increase/decrease over previous year	(-7.54)	52.10	(-16.09)	28.13	2.78
Total Grants as a percentage of revenue receipts	8.8	12.2	9.1	10.6	9.1
* Higher rounding ^s Includes ₹ 438 crore, details not available					
Source: Finance Accounts of respective years					

The composition of Grant-in-aid is shown in **Chart 1.10**.



(Source: Finance Accounts 2017-18)

Centrally Sponsored Plan Schemes

The increase under grants from Centrally Sponsored Plan Schemes (₹ 1,427 crore) was mainly under (a) Other Rural Development Programme (₹ 1,799 crore), (b) Civil Supplies (₹ 571 crore), (c) Crop Husbandry (₹ 519 crore), (d) Family Welfare (₹ 411 crore), set-off by a decrease under (e) Non-conventional sources of Energy (₹ 1,066 crore) and (f) Urban Development (₹ 786 crore).

The decrease under Non-Plan Grants (₹ 1,915 crore) was mainly under Other Grants (₹ 1,002 crore) and Assistance from National Disaster Response Fund (₹ 956 crore). The decrease under Central Plan Schemes (₹ 571 crore) was mainly under Rural Development (₹ 422 crore) and Grants under Proviso to Article 275(1) of the Constitution (₹ 119 crore).

Decrease under State Plan

The Grants for State Plan Schemes comprise mainly of grants under Article 275(1) of the Constitution of India (these are basically grants for Tribal Sub-Plan) and Block Grants⁸. **Table 1.15** shows the Grants-in-aid received from GoI under Proviso to Article 275(1) of the Constitution and Block Grants during 2013-14 to 2017-18.

⁸ see Glossary at page 129

Table 1.15: Year wise grants-in-aid from Government of India under Proviso to Article 275(1) of the Constitution and Block Grants

(₹ in crore)

	Particulars	Classification	2013-14	2014-15	2015-16	2016-17	2017-18
Under Proviso to Article 275(1) of the Constitution	Non-plan grants	1601-01-104	75	2329	-	-	-
	Plan grants	1601-02-104	125	117	134	115	129
	Non-Plan grants	1601-03-104	-	-	-	-	-
Block Grants			2832	1091	284	210	7
(1601-02-101)	Accelerated Irrigation Benefits Programme and other water related schemes		280	32	265	187	-
	Normal Central Assistance		766	790	-	-	-
	Backward Region Grants Fund		247	-	-	-	-
	Additional Central Assistance for Externally Aided Projects		-	-	-	-	7
	Other Schemes		1539	269	19	23	-

Source: Finance Accounts of respective years

From **Table 1.15** it could be seen that Block grants decreased by ₹ 203 crore (97 per cent) in 2017-18.

1.4.2.3 Centrally Sponsored Schemes

The Planning Commission, GoI restructured (July 2013) the existing Centrally Sponsored Schemes in the Twelfth Five-Year Plan into 90 schemes. Details of releases of Central share and State share in respect of major schemes are given in Appendix V-Expenditure on Schemes-A of Finance Accounts 2017-18.

1.4.2.4 Funds transferred to State Implementing Agencies outside the State Budget

Government of India decided to release all assistance related to Centrally Sponsored Schemes/ Additional Central Assistances directly to the State Government and not to Implementing Agencies from 01 April 2014. During 2017-18, the GoI, however released ₹ 1,854.82⁹ crore to the State Implementing Agencies (Appendix-VI of Finance Account 2017-18), as compared to ₹ 1,592.11 crore in 2016-17.

The Implementing Agencies, which received major transfers, are as shown in **Table 1.16**.

Table 1.16: Implementing Agencies which received major transfers

(₹ in crore)

Government of India Scheme	Implementing Agency	2016-17	2017-18
National Rural Employment Guarantee Scheme (MGNREGA) CS	MGNREGA State Fund Association Maharashtra	162.60	1265.07
National AIDS and STD control programme	Maharashtra State AIDS Control Society	95.10	97.70
Sagarmala Project and Ports - NP	Maharashtra Maritime Board	55.81	44.79
NHAI from CRF	Sub-Divisional Officer, Beed and Executive Engineer, NHD Nasik	46.27	-
National Mission for Justice Delivery and Legal Reforms	Registrar General, High Court of Bombay	38.25	-
Pradhan Mantri Koushal Vikas Yojana CS	Directorate of Vocational Education and Training	19.79	-
Management support to RD programs and strengthening of District planning process in lieu of programmes and other Programmes	Yashwantrao Chavan Academy of Development Administration	23.80	46.13
National Rural Livelihood Mission CS	Maharashtra State Rural Livelihoods Mission (MSRLM)	20.36	33.29

Source: Appendix – VI of Finance Accounts 2017-18

⁹ As per the Public Financial Management System portal of the Controller General of Accounts

Funds transferred directly from the GoI to the State Implementing Agencies were routed outside State Budget. This resulted in lack of monitoring the expenditure incurred by them on various schemes and also escaped Legislative scrutiny through regular process of authorisation.

1.5 Capital Receipts

Capital receipts of the State Government included non-debt and debt receipts, whose composition has been discussed in **Paragraph 1.3**. The trends in composition of capital receipts are shown in **Table 1.17**.

Table 1.17: Trends in growth and composition of Capital Receipts

(₹ in crore)

Sources of State's receipts	2013-14	2014-15	2015-16	2016-17	2017-18
Capital Receipts (CR)	27463	30348	38858	50082	49854*
Miscellaneous Capital Receipts	-	-	17	-	-
Recovery of Loans and Advances	728	975	865	1745	1778
Public Debt Receipts	26735	29373	37976	48337	48075#
Rate of growth of debt capital receipts (<i>per cent</i>)	23.1	9.9	29.3	27.3	(-)0.5
Rate of growth of non-debt capital receipts (<i>per cent</i>)	(-)15.6	33.9	(-)9.5	97.8	1.89
Rate of growth of GSDP (<i>per cent</i>)	13.7	8.8	11.7	12.8 ^s	10.6
Rate of growth of CR (<i>per cent</i>)	21.6	10.5	28	28.9	(-) 0.5

Source: Finance Accounts of respective years
 *Higher rounding # Lower rounding ^sBased on actual GSDP

As per FFC recommendations, the involvement of the States in the National Small Saving Fund (NSSF) scheme with effect from April 2015 may be limited solely to discharging the debt obligations already incurred by them until that date (April 2015). The increase was 'Nil' under the NSSF loans in 2017-18, as recommended by FFC.

1.5.1 Capital Receipts

Capital Receipts (debt and non-debt receipts) of the State increased at an average annual growth rate of 17.7 *per cent* from 2013-14 to 2017-18. However, during 2017-18, it decreased by 0.5 *per cent* as compared to the previous year.

1.5.2 Recoveries of Loans and Advances

The details of loans and advances given by the State Government during 2013-18 are indicated in **Table 1.18**.

Table 1.18: Position of Loans and Advances given by the State Government

(₹ in crore)

Year	Balance of loans and advances as on 1 April	Disbursements by the Government during the year	Recoveries during the year	Balance as on 31 March (2+3-4)	Percentage of recovery with reference to opening balance (4/2*100)
(1)	(2)	(3)	(4)	(5)	(6)
2013-14	20739.72	1645.10	728.03	21656.79	3.5
2014-15	21656.79	1140.54	975.08	21822.25	4.5
2015-16	21822.25	1114.63	865.11	22071.77	4.0
2016-17	22071.77	6277.21	1745.58	26603.40	7.9
2017-18	26603.40	979.29	1778.01	25804.68	6.7

Source: Finance Accounts of respective years

Recoveries of loans and advances increased by ₹ 32 crore (1.83 *per cent*) mainly on account of recoveries under 'Loans for Co-operation' (₹ 47 crore), 'Loans for Crop Husbandry' (₹ 44 crore), 'Loans to Government Servants' (₹ 31 crore) and 'Loans for the Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities' (₹ 21 crore), set off by decrease under 'Loans for Forestry and Wild Life' (₹ 54 crore)

and 'Loans for Power Projects' (₹ 51 crore). The percentage of recovery was meagre at 3.5 to 7.9 during the last five years. The complete information regarding arrears in repayments (Section 2 of Finance Accounts Statement No.18) and loans in perpetuity (disclosures under Finance Accounts Statement No.18) was not furnished by Government.

1.5.3 Public Debt Receipts

During 2017-18, the public debt receipts decreased by 0.5 per cent (₹ 262 crore) and public debt repayment increased by 33 per cent (₹ 3,895 crore) resulting in net decrease of ₹ 3,633 crore in public debt receipts.

Table 1.19: Time-series data on Public Debt Receipts

(₹ in crore)

	2013-14	2014-15	2015-16	2016-17	2017-18
Open Market Borrowings	23600 (88.3)	25083 (85.4)	32440 (85.4)	44960 (93.0)	44996 93.6
National Small Savings Fund	1425 (5.3)	2982 (10.1)	4015 (10.6)	- -	- -
Other Financial Institutions	745 (2.8)	766 (2.6)	937 [#] (2.5)	2750 (5.7)	2911 (6.1)
Loans and Advances from GoI	965 (3.6)	542 (1.8)	584 (1.5)	627 (1.3)	168 0.35
Public Debt Receipts	26735	29373	37976	48337	48075 [#]
Public Debt Repayments	10262	8828	10043	11887	15782
Figures in parenthesis indicate percentages to Public Debt receipts [#] Lower rounding Source: Finance Accounts of respective years					

The public debt (Market borrowings and Loans from Government of India) receipts during the year (₹ 48,075 crore) comprised internal debt of ₹ 47,908 crore (99.6 per cent) and loans and advances from GoI ₹ 168 crore (0.3 per cent). Market borrowings (₹ 44,996 crore) had a predominant share under internal debt comprising 94 per cent followed by negotiated loans (₹ 2,911 crore) as shown in **Table 1.19**.

1.6 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as, Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances *etc.*, which do not form part of the Consolidated Fund of the State, are kept in the Public Account set up under Article 266(2) of the Constitution of India and are not subject to vote by the State Legislature. Here, the Government acts as a banker/trustee for custody of public money, since these transactions are simply pass through transactions. The trend of net receipts under Public Account covering the period 2013-14 to 2017-18 are indicated in **Table 1.20**.

Table 1.20: Trends of receipts under Public Account

(₹ in crore)

Resources under various heads	2013-14	2014-15	2015-16	2016-17	2017-18
Public Account receipts					
a. Small Savings, Provident Fund <i>etc.</i>	4868.46 (1894)	4642.54 (1260)	4798.96 (1208) [#]	4947.53 (1124)	4784.21 (547)
b. Reserve Fund	5540.03 (2742)	5908.54 (3158)	7226.11 (3465)	8566.92 (5283)	8898.55 (5924)

Resources under various heads	2013-14	2014-15	2015-16	2016-17	2017-18
c. Deposits and Advances	32347.23	31249.40	34855.80	39356.10	39960.88
	(6772)	(4411)	(2773)	(6841)	(3930)
d. Suspense and Miscellaneous	(-2693.61)	17039.01	(-) 569.16	3034.27	541.72
	(-2705)	(5222)	(-876)	(2773)	(164)
e. Remittances	23958.08	24182.45	26435.49	26561.67	27691.64
	(-1117)	(14)	(-235)	(-656)	(822)
Total	64020.19	83021.94	72747.20	82466.49	81877.00
	(7585)	(14036)	(6335)	(15365)	(11387)

Figures in parenthesis indicate net receipts #Lower rounding
Source: Finance Accounts of respective years

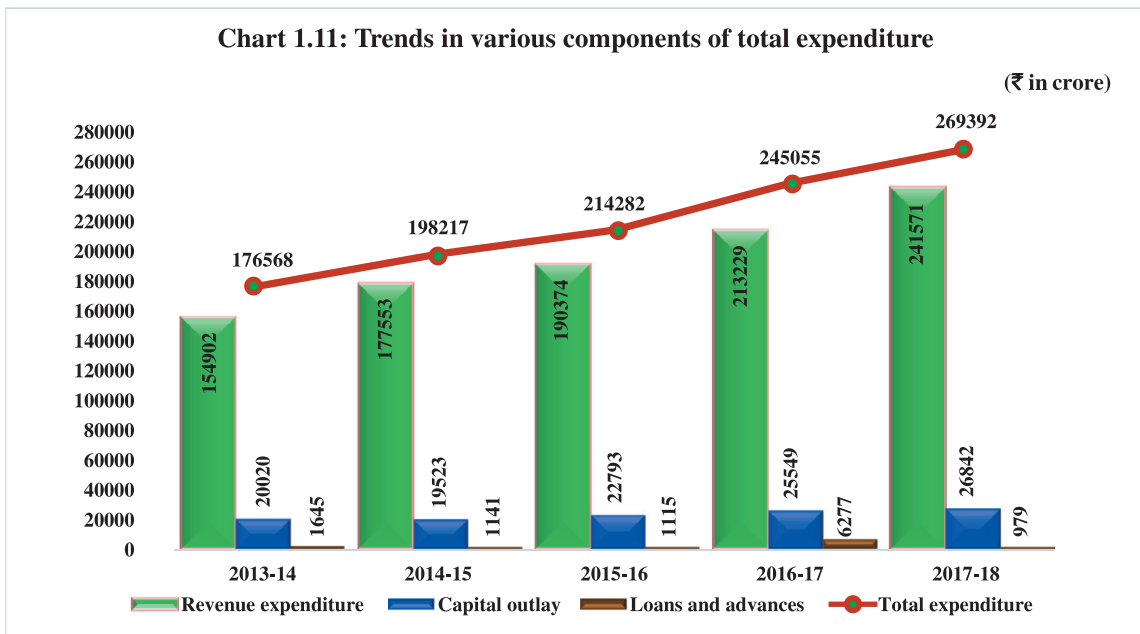
Table 1.20 shows that Public Account receipts increased by 28 per cent over the period 2013-18. Decrease in Public Account receipts by ₹ 589 crore (0.7 per cent) in 2017-18 over the previous year was on account of decrease under Suspense and Miscellaneous (₹ 2,493 crore) and set off by increase under Remittances (₹ 1,130 crore) and Deposits and Advances (₹ 605 crore).

1.7 Application of Resources

Analysis of allocation of expenditure assumes significance since major expenditure responsibilities are entrusted with the State Government at various levels. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure especially directed towards development and social welfare.

1.7.1 Total Expenditure

Chart 1.11 presents the trends in total expenditure over the period of last five years (2013-18) as well as its composition under revenue, capital and loans and advances.



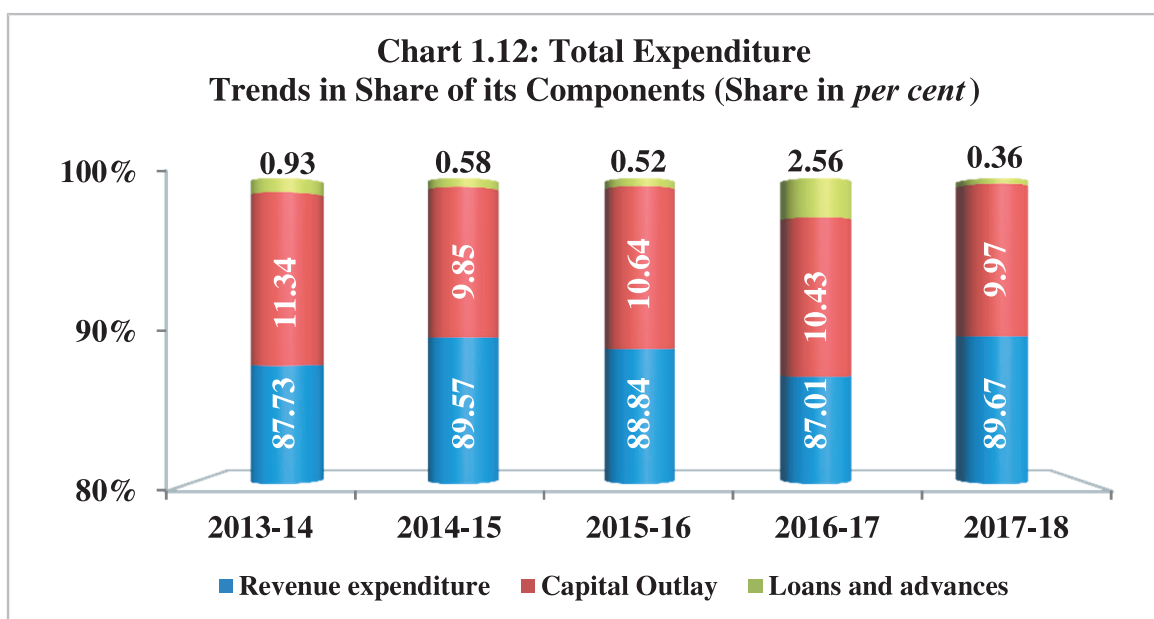
(Source: Finance Accounts of respective years)

The total expenditure and its composition during 2013-18 are presented in **Table 1.21** and **Chart 1.12**.

Table 1.21: Total expenditure and its composition

	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Total expenditure	176568	198217	214282	245055	269392
Revenue expenditure	154902	177553	190374	213229	241571
	(87.73)	(89.57)	(88.84)	(87.01)	(89.67)
<i>of which, Non-Plan revenue expenditure</i>	128992	146245	154318	171140	*
Capital Outlay	20020	19523	22793	25549	26842
	(11.34)	(9.85)	(10.64)	(10.43)	(9.97)
Loans and advances	1645	1141	1115	6277	979
	(0.93)	(0.58)	(0.52)	(2.56)	(0.36)

Figure in parenthesis indicate percentage to total expenditure
 * From 2017-18 onwards Plan and Non-plan expenditure has been merged
 Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

Even though the total expenditure grew by 9.9 *per cent* over the previous year, the actual growth is less at 6.14 *per cent* as it included compensation to Urban Local Bodies' in lieu of GST (₹ 9,296 crore) which was not a part of previous years expenditure. The total expenditure of the State increased at an average growth rate of 11.3 *per cent* from ₹ 1,76,568 crore in 2013-14 to ₹ 2,69,392 crore in 2017-18 but the percentage of capital outlay to total expenditure decreased from 11 *per cent* in 2013-14 to 10 *per cent* in 2017-18. The total expenditure, its annual growth rate, the ratio of total expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.22**.

During 2008-09 to 2016-17, the CAGR of total expenditure (28 *per cent*) was higher than the growth rate of GCS (15.8 *per cent*). The growth of the total expenditure during 2017-18 over 2016-17 (9.9 *per cent*) was double the growth rate of GCS (4.7 *per cent*) as shown in **Appendix 1.1**.

Table 1.22: Total expenditure – basic parameters

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Total expenditure (TE) (₹ in crore)	176568	198217	214282	245055	269392
Rate of growth of TE over previous year (<i>per cent</i>)	12.1	12.3	8.1	14.4	9.9
TE/GSDP (<i>per cent</i>)	10.7	11.1	10.7	10.8	10.8
RR /TE (<i>per cent</i>)	84.9	83.5	86.4	83.5	90.4
Buoyancy of Total expenditure with reference to:					
GSDP (ratio)	0.883	1.398	0.692	1.125*	0.934
RR (ratio)	2.521	1.183	0.681	1.358	0.521
Source: Finance Accounts of respective years *Based on actual GSDP					

The total expenditure remained around 11 *per cent* of GSDP during 2013-18. **Table 1.22** shows that on an average, 86 *per cent* of total expenditure were met from revenue receipts during 2013-18. After an increase in the growth of total expenditure during 2016-17 over the previous year, the growth decreased to 9.9 *per cent* during 2017-18 mainly due to less growth in salary payments as well as the following: -

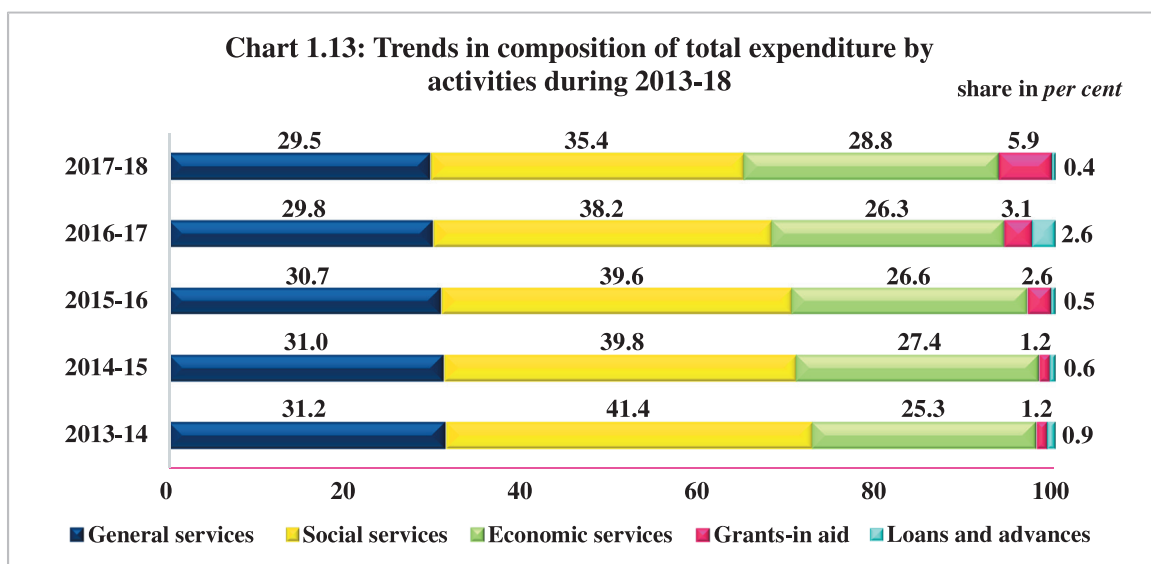
- Decrease in expenditure by ₹ 2,499 crore on Compensation of Comprehensive Crop Insurance Scheme, Krishi Unnati Yojana-National Mission for sustainable Agriculture On Farm Water Management and less Assistance to farm families under Scheduled Caste Sub Plan to bring them above poverty line.
- Decrease by ₹ 2,133 crore on Assistance to Municipal Corporations for Smart City Abhiyan (Central Share 50 *per cent*), less Grant to Municipal Corporations in the State under Maharashtra Nagarothan Maha-Abhiyan and less spending on Providing facilities to Dalit Basties Municipal Councils in Urban areas (Special Component Plan).
- Decrease in Assistance from National Disaster Response Fund (100 *per cent* Central Grants) and less Assistance to farmers for crop loss due to natural calamity by ₹ 1,926 crore.

Trends in total expenditure in terms of activities

In terms of activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social Services, Economic Services, Grants-in-aid and Loans and Advances. Relative shares of these components in the total expenditure are indicated in **Table 1.23** and **Chart 1.13**.

Table 1.23: Components of total expenditure – relative shares**(in per cent)**

	2013-14	2014-15	2015-16	2016-17	2017-18
General Services	31.2	31.0	30.7	29.8	29.5
<i>of which, Interest Payments</i>	12.0	12.1	12.0	11.6	12.3
Social Services	41.4	39.8	39.6	38.2	35.4
Economic Services	25.3	27.4	26.6	26.3	28.8
Grants-in-aid	1.2	1.2	2.6	3.1	5.9
Loans and Advances	0.9	0.6	0.5	2.6	0.4
Source: Finance Accounts of respective years					



(Source: Finance Accounts of respective years)

The decrease under Social Services was mainly under Social Welfare and Nutrition (₹ 2,442 crore). The share of grants-in-aid in total expenditure increased by ₹ 8,298 crore. The increase in grants-in-aid was mainly due to increase under the head 'Assistance to Public Sector and Undertaking' (₹ 9,296 crore), 'Assistance to Local Bodies' in lieu of GST (Assistance to Municipal Corporation for loss of revenue arising due to Implementation of GST) set-off by decrease in 'Other Miscellaneous Compensation and Assignments' (₹ 946 crore).

Though the share of General and Social Services in total expenditure had decreased in 2017-18, the expenditure on these services increased by ₹ 6,425 crore and ₹ 1,847 crore respectively.

Under General Services, the increase was mainly under Interest payments and Servicing of Debt (₹ 4,987 crore) and Pensions and Other Retirement Benefits (₹ 1,745 crore).

The increase under Social Services was mainly under Welfare of Scheduled Castes, Schedule Tribes and Other Backward Classes (₹ 3,426 crore), Education, Sports, Art and Culture (₹ 3,172 crore) set off by decrease in Social Welfare and Nutrition (₹ 2,397 crore) and Water Supply, Sanitation, Housing and Urban Development (₹ 2,378 crore).

The increase under Economic Services was mainly due to increase in Agriculture and Allied Activities (₹ 14,841 crore) set off by decrease in Rural Development (₹ 859 crore), Industry and Minerals (₹ 762 crore) and Energy (₹ 547 crore).

Revenue expenditure

Revenue expenditure during 2017-18 increased by ₹ 28,342 crore (13 per cent) over 2016-17. This was mainly due to increase in expenditure on General Services (₹ 6,925 crore), Social Services (₹ 2,772 crore), Economic Services (₹ 10,346 crore) and Grants-in-aid and Contributions (₹ 8,298 crore). The revenue expenditure during 2017-18 (₹ 2,41,571 crore) was lower than the assessment made by the State Government in its MTFPS/ FCP/Budget estimates by three per cent.

Revenue expenditure constituted 90 per cent of the total expenditure (**Chart 1.12**). The increase in revenue expenditure was mainly under Agriculture and Allied Activities (₹ 12,884 crore), Grant-in-Aid (₹ 8,298 crore), Interest Payments (₹ 4,487 crore), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹ 3,252 crore) and Education, Sports, Art and Culture (₹ 3,118 crore).

Incidence of Revenue expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for past obligations and as such, does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, the ratio of non-plan revenue expenditure to GSDP and to revenue receipts, and buoyancy of revenue expenditure with GSDP and revenue receipts during the last five years are indicated in **Table 1.24**.

Table 1.24: Revenue expenditure – basic parameters

	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue expenditure (RE), of which	154902	177553	190374	213229	241571
Rate of Growth of RE (per cent)	11.7	14.6	7.2	12.0	13.3
Revenue Expenditure as percentage to TE	87.7	89.6	88.8	87.0	89.7
Buoyancy of Revenue expenditure with					
GSDP (ratio)	0.854	1.659	0.615	0.902	0.518
Revenue Receipts (ratio)	2.438	1.404	0.605	1.132	0.698

Source: Finance Accounts of respective years

The buoyancy ratio of revenue expenditure with reference to both GSDP and revenue receipts showed a fluctuating trend.

Cost of collection

The gross collection in respect of four major heads of revenue receipts, the expenditure incurred on their collection and the comparative percentage of such expenditure to the gross collection along with the relevant all-India average percentage of expenditure on gross collection for the year 2016-17 are given in the **Table 1.25**.

Table 1.25: Expenditure incurred on collection of taxes

Sl. No.	Head of revenue	Year	Gross collection (₹ in crore)	Expenditure on collection (₹ in crore)	Percentage of expenditure to gross collection	All India average percentage for the year 2016-17
1	GST and Taxes on Sales, Trade etc.	2015-16	69660.82	469.88	0.7	0.69
		2016-17	81174.17	522.25	0.64	
		2017-18	104956.87	543.81	0.52	
2	State Excise	2015-16	12469.56	104.77	0.8	2.01
		2016-17	12287.91	111.02	0.90	
		2017-18	13449.65	114.72	0.85	
3	Taxes on Vehicles	2015-16	6017.19	1220.86 [§]	20.3	2.61
		2016-17	6741.21	119.66 [@]	1.78	
		2017-18	8665.38	130.55 [@]	1.51	
4	Stamps and Registration Fees	2015-16	21766.99	141.82	0.6	2.99
		2016-17	21011.83	138.15	0.66	
		2017-18	26441.82	139.96	0.53	

[§] subsidies included ₹ 1,113 crore

[@] subsidies excluded ₹ 1,622.80 crore (2016-17) and ₹ 1,316.77 crore (2017-18)

Source: Finance Accounts of respective years

It would be seen that the cost of collection of revenue in the State is nearly same as All-India Average in Taxes on Sales, Trade *etc.*, and is lower than the All India Average in State Excise, Stamps and Registration Fees and Taxes on Vehicles.

Subsidies

Subsidies given by the State Government during 2013-14 to 2017-18 are shown in **Table 1.26**.

Table 1.26: Expenditure on subsidies

(₹ in crore)

	2013-14	2014-15	2015-16	2016-17	2017-18
Subsidies	12063	19753	17766	20984	33894
	(8)	(12)	(10)	(10)	(14)
Revenue Receipts	149822	165415	185036	204693	243654
Figures in parenthesis indicate percentage to Revenue Receipts					
Source: Finance Accounts of respective years					

Table 1.26 indicates that expenditure under subsidies increased by 62 per cent from ₹ 20,984 crore in 2016-17 to ₹ 33,894 crore in 2017-18. During the current year, subsidies constituted about 14 per cent of the total revenue expenditure as well as revenue receipts.

The major schemes which received subsidy included subsidy to Chhatrapati Shivaji Maharaj Shetkari Sanman Yojana–2017 ₹ 14,543.91 crore (43 per cent), Distribution/Transmission Licences for reduction in Agriculture and Power-loom Tariff ₹ 6,725.65 crore (20 per cent), Medium and Large Industries under the Graded Package Scheme of Incentives ₹ 2,120 crore (six per cent), Food-grain Transactions ₹ 1,877.34 crore (5.5 per cent) and Transport ₹ 1,316.77 crore (four per cent).

The subsidies projected by the Government in the FCP and the actual expenditure incurred during 2016-17 and 2017-18 are presented in **Table 1.27**.

Table 1.27: Subsidies vis-à-vis Budget

(₹ in crore)

	2016-17		2017-18		
	Projections in Budget	Actuals	Projections in Budget	Revised Estimates	Actuals
Power (Subsidy for reduction in Agriculture and Power loom Tariff)	5211	7641	4500	6726	6726
General/Others	10211	13343	13449	27168	27168
Total	15422	20984	17949	33894	33894
Source: Finance Accounts and Budget documents of respective years					

The subsidies given to Power decreased by ₹ 915 crore (12 per cent) during 2017-18 compared to previous year.

The major components under 'General/Others' as shown in **Table 1.27** where the actual expenditure incurred during 2017-18 on (a) Chhatrapati Shivaji Maharaj Shetkari Sanman Yojana - 2017 was ₹ 14,544 crore, (b) subsidy to Medium and Large Industries under the Graded Package Scheme of Incentives was ₹ 2,120 crore, (c) Food subsidy was ₹ 1,877 crore, (d) Premium subsidy under Pradhanmantri Crop Insurance Scheme ₹ 1,517 crore and (e) subsidy on loss to Transport Commissioner was ₹ 1,317 crore.

Capital expenditure

During 2017-18, Capital Outlay (₹ 26,842 crore) constituted 10 per cent of the total expenditure (**Chart 1.12**) and increased by five per cent over 2016-17. The increase was mainly on account of increase under Capital Outlay on Agriculture and Allied Activities (₹ 1,957 crore) and Transport (₹ 1,178 crore) set off by decrease under Capital Outlay on others (₹ 1,487 crore) and Rural Development (₹ 429 crore). During

2017-18, the Capital Outlay (₹ 26,842 crore) was lower than the assessment made by the State Government in its FCP and projections made in MTFPS/Budget estimates (₹ 33,809 crore) by 21 per cent except in some areas. The major areas of increase are commented in **Paragraph 1.2.2**.

Capital expenditure relative to GSDP of the State was at 1.1 per cent as compared to the neighbouring states of Chhattisgarh (3.6 per cent), Gujarat (2.0 per cent), Karnataka (2.7 per cent) and Madhya Pradesh (4.4 per cent).

During 2008-09 to 2016-17, the CAGR of capital outlay (12.3 per cent) was lower than the growth rate of GCS (14 per cent). The growth of the capital outlay during 2017-18 over 2016-17 (5.1 per cent) was however higher than the growth rate of GCS (one per cent) as shown in **Appendix 1.1**.

Recommendation: 1

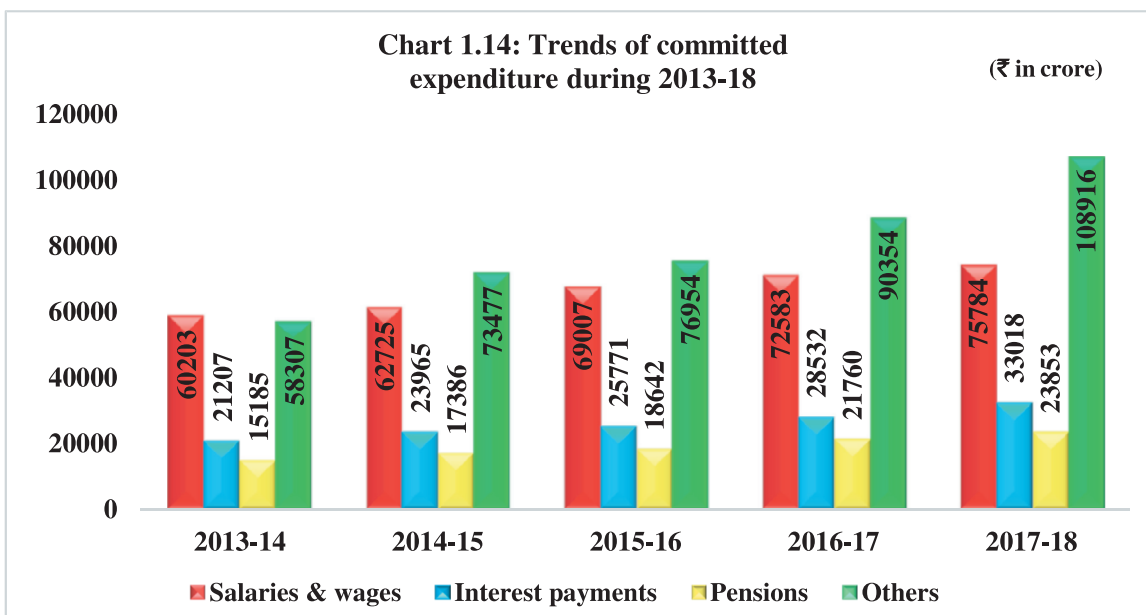
Considering the declining trend in the capital expenditure to total expenditure over the last five years, there is scope for the Government to prioritize its spending on creation of more capital assets.

Loans and Advances

Loans and advances constituted one per cent of the total expenditure during 2013-16, 2.56 per cent during 2016-17 and 0.36 per cent during 2017-18 (**Chart 1.12**). Disbursements of loans and advances during 2017-18 decreased by ₹ 5,298 crore as compared to 2016-17.

1.7.2 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages and pensions. The statement of committed liabilities (Appendix XII-Finance Accounts) was incomplete as the data was not made available by the State Government. **Chart 1.14** and **Table 1.28** present the trends in the expenditure on these components during 2013-18.



(Source: Finance Accounts of respective years)

Table 1.28: Components of committed expenditure

(₹ in crore)

Components of committed expenditure	2013-14	2014-15	2015-16	2016-17	2017-18	
					BE	Actuals
Salaries and Wages	60203 (40)	62725 (38)	69007 (37)	72583 (35)	86608 36	75784 [§] (31)
of which Non-Plan Head	56985 (38)	58457 (35)	63803 (34)	67535 (33)		*
of which Plan Head**	3218 (2)	4268 (3)	5204 (3)	5048 (2)		
Interest Payments	21207 (14)	23965 (14)	25771 (14)	28532 (14)	31620 (13)	33018 (14)
Pensions	15185 (10)	17386 (11)	18642 (10)	21760 (11)	25567 (10)	23853 (10)
Total Committed expenditure	96595 (64)	104076 (63)	113420 (61)	122875 (60)	143796 (59)	132655 (54)
Other Components ¹⁰	58307 (39)	73477 (44)	76954 (42)	90354 (44)	104453 (43)	108916 (45)
Total Revenue Expenditure	154902	177553	190374	213229	248249	241571
Revenue Receipts	149822	165415	185036	204693	243738	243654

Figures in parenthesis indicate percentage to Revenue Receipts
* From 2017-18 onwards Plan and Non-plan expenditure has been merged
[§] Salaries: ₹ 73,250 crore + Wages: ₹ 2,534 crore
** Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes
Note: Expenditure on Salaries and Wages included grants-in-aid component during 2013-14 (₹ 37,334 crore), 2014-15 (₹ 38,225 crore), 2015-16 (₹ 41,254 crore), 2016-17 (₹ 43,829 crore) and 2017-18 (₹ 45,904 crore)
Source: Finance Accounts of respective years

1.7.2.1 Salaries and wages

The average annual growth in salaries and wages during 2013-18 was seven *per cent*. The expenditure on salaries and wages increased by ₹ 3,201 crore (four *per cent*) from ₹ 72,583 crore in 2016-17 to ₹ 75,784 crore in 2017-18. The expenditure of ₹ 75,784 crore on salaries and wages during 2017-18 was lower than the projections made in MTFPS/Budget (₹ 86,608 crore).

During 2008-09 to 2016-17, the CAGR of salary and wages (17.1 *per cent*) was higher than the growth rate of GCS (13.4 *per cent*). The growth of the salary and wages during 2017-18 over 2016-17 (3.9 *per cent*) was however lower than the growth rate of GCS (8.9 *per cent*) as shown in **Appendix 1.1**.

1.7.2.2 Pension payments

The average annual growth of pensions during 2013-18 was 12 *per cent*. The expenditure on pension increased by ₹ 2,093 crore (9.6 *per cent*) during 2017-18 over the previous year.

Table 1.29 shows actual pension payments with reference to assessment made by the FFC, FCP and MTFPS/Budget projections of the State Government.

¹⁰ Revenue expenditure under General Services, Social Services, Economic Services and Grants-in-aid (excluding salary and wages, interest payments and pension payments)

Table 1.29: Pension payments vis-à-vis FFC assessment and State’s projections

(₹ in crore)				
Year	Projection in MTFPS	Assessment made by the FFC	Projection in FCP	Actuals
2016-17	24370	17507	24313	21760
2017-18	25567	19258	25567	23853
Source: Finance Accounts, Budget documents and Report of the FFC				

The pension payments during 2017-18 were higher than the normative assessments made by the FFC but lower than the projections of the State Government under MTFPS and FCP.

New Pension Scheme

The Government of Maharashtra (GoM) adopted (October 2005) the NPS architecture and implemented Defined Contribution Pension Scheme¹¹(DCPS) for State Government employees recruited on or after 1st November 2005. The DCPS was also applicable to employees recruited in services of recognized and aided Educational Institutions, Non-Agricultural Universities and affiliated Non-Government Colleges and Agricultural Universities, Zilla Parishads *etc.* to whom the existing pension scheme and General Provident Fund Scheme is applicable.

The State Government joined the New Pension Scheme 2005 of the Central Government in August, 2014 in respect of employees recruited on or after 1st November 2005 in the State Government, Zilla Parishad, Recognised and Aided Educational Institutions, Agricultural/Non-Agricultural Universities and affiliated Non-Government Colleges, Corporations under Water Resources Department. The contribution of employees (10 *per cent* of basic pay plus dearness allowance) along with matching contribution of employer (State Government) under Tier I of the scheme and the employees’ contribution above 10 per cent under Tier II (for which there would be no matching contribution by Government) is to be transferred to the designated pension fund, through the National Securities Depository Limited (NSDL)/Trustee Bank.

However, the detailed procedure for the implementation of NPS issued in April 2015 covered only State Government employees. The orders for implementation of NPS for other employees (Zilla Parishad, Recognized and Aided Educational Institutions, Agricultural/Non-Agricultural Universities and affiliated Non-Government Colleges, Corporations under Water Resources Department) who were part of erstwhile DCPS was to be issued later. In June 2017, the Rural and Water Conservation Department, GoM issued detailed instructions for implementation of NPS in respect of employees in ZPs (excluding teachers). As on 31 March 2018, there were 2,56,010 State Government employees under NPS in the State and an amount of ₹ 8,145.61 crore has been transferred to the Trustee Bank (NSDL) along with interest as applicable to GPF subscribers.

As per the information furnished by State Nodal Officer, out of 2,77,216 State Government employees, 2,56,010 employees were registered under the NPS while 21,206 employees were not registered with Central Record Agency as on 31 March 2018. The reasons for non-registration was attributed to non-filling of subscribers’ registration form by the employees due to frequent transfer of employees of Police establishments, change in the subscribers’ registration form, rejection of subscribers’ registration form due to technical reasons, employees being no longer in service.

¹¹ GR dated 31 October 2005

During the year 2017-18, the Government of Maharashtra deposited ₹ 4,000.54 crore¹² being employees' contribution of ₹ 1,364.20 crore (₹ 1,226.53 crore - Tier I and ₹ 137.67 crore - Tier II) and employers' contribution of ₹ 2,636.34 crore into a Fund created under the Major Head - 8342 – Other Deposits and Minor Head - 117 – Defined Contribution Pension Scheme for Government Employees in the Public Account, pending final transfer to the designated Fund Manager. The State Government has transferred ₹ 1,683.67 crore to the NSDL. As on 31 March 2018, the total un-transferred amount with accrued interest was ₹ 5,905.68 crore towards outstanding liabilities of the Government.

The position of contributions made to NPS by the employees and the Government and transfer of funds to NSDL/Trustee Bank during 2013-2018 is shown in **Table 1.30**.

Table 1.30: Contribution made to NPS and transfer of funds to NSDL/Trustee Bank

(₹ in crore)

Year	Opening Balance (OB)	Contribution		Total	Transfer to NSDL	Yet to be Transferred (Progressive)	Rate of Interest applicable (GPF)
		Employee	Govt.				
2013-14	2755.31	574.68	817.70	1392.38	2.09	4145.60	8.7%
2014-15	4145.59	756.25	936.67	1692.92	1411.56	4426.95	8.7%
2015-16	4426.95	1150.53	575.10	1725.63	3085.39	3067.19	8.7%
2016-17	3067.20	1427.73	1056.79	2484.52	1962.90	3588.82	8.1%
2017-18	3588.81	1364.20	2636.34	4000.54	1683.67	5905.68	7.8%

Funds amounting to ₹ 3,998.51 crore collected between 01 November 2005 and March 2015 under the DCPS in respect of State Government employees was transferred to the Trustee bank in six instalments between March 2015 and April 2018 along with interest as applicable to GPF subscribers

The un-transferred amount mainly pertains to employees of Zilla Parishad Teachers, Recognised and Aided Educational Institutions, Agricultural/Non-Agricultural Universities and affiliated Non-Government Colleges, Corporations under Water Resources Department as the Government has not issued specific orders for implementation of NPS for these employees.

The current liability stands deferred to future years. Further the State Government has created interest liability on the amount not transferred to NSDL. It has incorrectly used the funds that belongs to its employees, leading to possible uncertainty in the rate of return to the employees/avoidable financial liability to the Government, and the eventual failure of the scheme itself.

Recommendation: 2

The State Government needs to ensure that Government contribution is fully matched with that of employees' contribution and that the entire amount if transferred to NSDL in a timely manner would avoid unlimited liability on the State exchequer as well as provide an assurance to the pensioners about the returns on their investment.

Further, amount remitted late should be remitted with a reasonable rate of interest so that the loss to the subscribers is minimised.

¹² Employees contribution: ₹ 1,364.20 crore; Employers' contribution: ₹ 2,636.34 crore inclusive of interest

Institutes under Higher and Technical Education Department

The DCPS was to be implemented in the services of the Recognised and Aided Educational Institutions, Non-Agricultural Universities and affiliated Non-Government Colleges and Agricultural Universities, etc. as per guidelines issued in Government Resolution (March 2011) by Government of Maharashtra in Higher Education and Technical Department. As per the details made available to audit it was noticed that DCPS was implemented by the Higher and Technical Education Department with effect from 2009-10.

- (a) From 2009-10 to 2013-14, the Department had deducted the employees contribution and kept it under Tier II account which did not require employer’s (Government’s) matching contribution. This was not in accordance with the provision contained in the Government Resolution of October 2005, which clearly states that Tier I will be mandatory for all the Government servants recruited on or after 1st November 2005, and Tier II was optional. This resulted in the employer’s (Government’s) matching contribution of ₹ 24.99 crore for the period from 2009-10 to 2013-14 not being credited to the employee’s “Pension Tier-I Account” as detailed in the **Table 1.31**.

Table 1.31: Details showing DCPS credited to Tier-II instead of Tier-I

(₹ in crore)

Classification	2009-10		2010-11		2011-12		2012-13		2013-14		Total Contribution
	Employee		Employee		Employee		Employee		Employee		
	Total No.	Contribution	Total No.	Contribution	Total No.	Contribution	Total No.	Contribution	Total No.	Contribution	
(1)	(2)	(3)	(4)	(5)	(6)	(6)	(7)	(8)	(9)	(10)	(11)
Ordinary Maintenance Grants	68	0.1025	68	0.1025	68	0.1025	69	0.1025	69	0.1025	0.5125
Grants to Universities for General Education	288	0.1658	288	0.1658	288	0.1658	288	0.1658	288	0.1658	0.8290
Assistance to Non-Government Colleges of Physical Education	12	0.2255	12	0.2255	12	0.2255	12	0.2255	9	0.2255	1.1275
Development of New University at Solapur	20	0.0044	20	0.0044	20	0.0044	20	0.0044	20	0.0044	0.0220
Grants to Non-Government Arts, Science, Commerce and Law Colleges	3916	4.5003	2311	4.5003	2311	4.5003	2311	4.5003	2311	4.5003	22.5015
Total											24.9925

- (b) As the Department consistently delayed the payment of employer’s contribution, the Government paid (March 2018) an interest of ₹ 104.51 crore on the total accumulated amount, which was avoidable. Further, as on February 2018, employer’s (Government) contribution of ₹ two crore along with an interest of ₹ 64.76 crore was outstanding as detailed in **Table 1.32**.

Table 1.32: Details of pending DCPS contribution and Interest as on February 2018

(₹ in crore)

Sl. No.	CRC	No. of employees	Government contribution			Interest		
			Payable	Paid	Balance	Payable	Paid	Balance
1	Grants to Non-Government Arts, Science, Commerce and Law Colleges	20875	379.84	379.84	-	153.23	95.10	58.13
2	Ordinary Maintenance Grants (Committed)	297	8.33	8.33	-	3.36	2.18	1.18
3	Grants to Universities for General Education	63	1.11	1.11	-	1.11	0.87	0.24
4	Assistance to Non-Government Colleges of Physical Education	2060	32.20	32.20	-	9.82	5.60	4.22

Sl. No.	CRC	No. of employees	Government contribution			Interest		
			Payable	Paid	Balance	Payable	Paid	Balance
5	Development of New University at Solapur	40	1.00	-	1.00	0.37	-	0.37
6	Development of Dr. Babasaheb Ambedkar Marathwada University, Aurangabad	6	0.09	-	0.09	0.02	-	0.02
7	Establishment of Gondwana University	139	1.74	1.22	0.52	0.68	0.41	0.27
8	Grants for Expansion of Deccan College, Pune	60	1.41	1.41	-	0.60	0.35	0.25
9	Development of North Maharashtra University, Jalgaon	1	0.07	-	0.07	0.03	-	0.03
10	Development of Shivaji University of Kolhapur	14	0.28	-	0.28	0.04	-	0.04
11	Development of Amravati University	1	0.04	-	0.04	0.01	-	0.01
Total		23556	426.11	424.11	2.00	169.27	104.51	64.76

Source: Information obtained from Higher and Technical Education Department

Interest Payments

Interest payments of the State Government increased by 56 per cent from ₹ 21,207 crore in 2013-14 to ₹ 33,018 crore in 2017-18, primarily due to increase in debt liabilities as shown in **Table 1.34**. The ratio of interest payments to revenue receipts during 2013-18 remained almost constant, as indicated in **Table 1.51**.

Table 1.33 shows actual interest payments with reference to assessment made in the FFC Report, FCP and MTFPS of the State Government.

Table 1.33: Interest Payments vis-à-vis FFC, FCP and MTFPS assessments

Year	Projection in MTFPS	Assessment made by the FFC	Projection in FCP	Actuals
				(₹ in crore)
2016-17	28220	29697	29361	28532
2017-18	31027	34569	31027	33018

Source: Finance Accounts, Budget Documents and Report of the FFC

With reference to the projections made in the FCP, interest payments were lower during 2016-17 and higher during 2017-18. With reference to the projections made in MTFPS, interest payments were higher during 2016-17 and 2017-18 and were lower than the assessment made by FFC.

Component-wise details of interest payments made by the State Government during 2013-18 are shown in the **Table 1.34**.

Table 1.34: Component-wise details of interest payments made by the State Government during 2013-18

Particulars	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Interest payments <i>of which, interest payment on</i>	21207	23965	25771	28532	33018
1. Internal debt	16680	19001	20816	23553	27827
(i) Market loans	8896	11029	12965	15769	19995
(ii) NABARD	255	263	299	287	401
(iii) NSSF	7218	7437	7349	7311	7265
(iv) Ways and means	-	5	-	-	1
(v) Loans from other financial institutions	285	236	167	140	111
(vi) Management of debt (Payable to Reserve Bank of India for Open Market Borrowings)	26	31	36	45	54

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
2. Loans from GoI	572	529	490	469	433
3. Small savings, PF, Reserve Fund, Deposits etc.	3955	4435	4465	4509	4758
(i) Small savings, PF	2258	2503	2765	1855	2819
(ii) Reserve funds	-	5	5	4	5
(iii) Deposits	1697	1927	1695	2650	1934
Revenue Receipts	149822	165416	185036	204693	243654

Source: Finance Accounts of respective years

Interest payment of ₹ 33,018 crore during 2017-18 constituted interest on internal debt (₹ 27,827 crore), interest on loans and advances from the Central Government (₹ 433 crore) and interest on small savings, provident fund etc. (₹ 4,758 crore).

The interest on internal debt increased by 18 per cent from ₹ 23,553 crore in 2016-17 to ₹ 27,827 crore in 2017-18 on account of increase in payment of interest on market loans by ₹ 4,226 crore (27 per cent) and interest paid on loans from National Bank for Agricultural and Rural Development by ₹ 114 crore (40 per cent) partly offset by decrease in interest on NSSF by ₹ 46 crore (0.6 per cent) and interest on loans from other financial institutions by ₹ 29 crore (21 per cent).

The interest on small savings, PF, Reserve Fund, Deposits, etc. increased by six per cent from ₹ 4,509 crore in 2016-17 to ₹ 4,758 crore in 2017-18 on account of increase in payment of interest on Small Savings, PF by ₹ 964 crore (52 per cent) and offset by decrease in interest on deposits by ₹ 716 crore (27 per cent).

The ratio of interest payment to revenue receipts determines the debt sustainability of the State. During the year, the interest payments to total revenue receipts of the State was 13.55 per cent which was higher than the FFC norm of 12.25 per cent.

Of the accumulated balance of Deposit Account of ₹ 59,736.52 crore as on 31 March 2017, ₹ 21,891.73 crore related to non-interest bearing Deposit Account and ₹ 37,844.79 crore related to interest bearing Deposit Accounts. During 2017-18, the entire balance of interest bearing Deposit Account was not invested. The State Government paid an interest of ₹ 1,934.46 crore on the un-invested portion of ₹ 37,276.80 crore, and did not pay any interest on the balance un-invested portion of ₹ 567.99 crore. The interest liability on the balance portion of funds during 2017-18 works out to ₹ 44.87 crore.

1.7.3 Financial assistance by State Government to Local Bodies, educational and other institutions

Local bodies in Maharashtra consist of Panchayati Raj Institutions and Urban Local Bodies. In conformity with the provisions of the 73rd and 74th Constitutional Amendment, the State Government established a three tier system of Panchayati Raj Institutions comprising Zilla Parishads at the district level, Panchayat Samities at the Block level and Village Panchayats at the village level. There are Municipal Corporations, Municipal Councils and Nagar Panchayats for urban area population in the State. The Fourth State Finance Commission constituted in February 2011 for the period 2011-12 to 2015-16 was to submit its Report to the State Government by September 2012. The Fourth State Finance Commission's report was submitted and placed in Legislature on 28 March 2018. The Fifth State Finance Commission was constituted in March 2018 for the period 2019-20 to 2023-24.

1.7.3.1 Quantum of assistance

The quantum of assistance provided by way of Grants and Loans to Local Bodies and other institutions during 2017-18 relative to previous years is shown in **Table 1.35**.

Table 1.35: Financial assistance to Local bodies, educational and other institutions

(₹ in crore)

Sr. No.	Institutions	2013-14	2014-15	2015-16	2016-17	2017-18
1	Educational institutions (Aided Schools, Aided Colleges, Universities, etc.)	24168	25571	27072	29037	29175
2	Municipal Corporations and Municipalities	5180	5172	9187	13850	23192
3	Zilla Parishads and other Panchayati Raj Institutions	18185	18770*	18240	18627	22113
4	Development agencies	251	906	252	807	1692
5	Hospital and other charitable institutions	2196	3678	4058	5038	5694
6	Social Welfare and Nutrition	5601	7175	5950	4021	-
7	Agriculture and Allied Activities	1287 [#]	825	386	463	707
8	Welfare of SC, ST and OBC	1962	2098	2383	2904	4641
9	Administrative Services	1258	1392	1402	446	144
10	Housing	709	367	58	326	329
11	Other Institutions	7253	6757	13113	21320	13957 ¹³
Total		68050	72711	82101	96839	101644
Assistance as percentage of RE		44	41	43	45	42
*Higher rounding [#] Lower rounding						
Source : Finance Accounts, Vouchers compiled by Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai						

The financial assistance to Local Bodies and other institutions by the State Government increased from ₹ 68,050 crore in 2013-14 to ₹ 1,01,644 crore in 2017-18. As compared to the previous year, the assistance during 2017-18 increased by five *per cent*. During 2017-18, Financial assistance given to Municipal Corporations and Municipalities increased by ₹ 9,342 crore (67 *per cent*) mainly due to Assistance to Municipal Corporations for loss of Revenue arising due to Implementation of Goods and Services Tax (₹ 9,296 crore).

After the decision to abolish the Local Body Tax in August 2015, the State Government's assistance to Urban Local Bodies in lieu of Local Body Tax was ₹ 3,291 crore in 2015-16, ₹ 5,180 crore during 2016-17 and ₹ 4,228 crore in 2017-18. This would be a perpetual additional burden to the State exchequer.

1.8 Quality of expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects *viz.*, adequacy of expenditure (adequate provisions for providing public services); efficiency of expenditure; and its effectiveness (assessment of outlay-outcome relationships for selected services).

1.8.1 Adequacy of public expenditure

The expenditure responsibilities relating to the social sector and the economic infrastructure assigned to the State Governments are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key Social Services like Education, Health *etc.* Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector if it is below the respective national average. The fiscal priorities given by the State

¹³ Major recipient- Power ₹ 2,087 crore

Government for development expenditure, social expenditure and capital expenditure during 2013-14 and 2017-18 are indicated in **Table 1.36**.

Table 1.36: Fiscal Priority of the State during 2013-14, 2016-17 and 2017-18

Fiscal Priority by the State	Aggregate Expenditure/ GSDP	Development Expenditure# / Aggregate Expenditure	Social Sector Expenditure/ Aggregate Expenditure	Economic Sector Expenditure/ Aggregate Expenditure	Capital Expenditure/ Aggregate Expenditure	Education/ Aggregate Expenditure	Health/ Aggregate Expenditure
General Category States Average (<i>per cent</i>) 2013-14	14.7	66.5	37.6	28.9	13.6	17.2	4.5
Maharashtra (<i>per cent</i>) 2013-14	10.7	67.6	41.6	26.0	11.4	21.8	4.2
General Category States Average (<i>per cent</i>) 2016-17	16.7	70.9	32.2	35.1	19.7	15.2	4.8
Maharashtra (<i>per cent</i>) 2016-17	10.8	67.0	38.4	28.6	10.5	18.6	4.4
General Category States Average (<i>per cent</i>) 2017-18	16.1	67.9	36.7	29.6	14.4	15.5	4.9
Maharashtra (<i>per cent</i>) 2017-18	10.8	64.5	35.6	29.0	10.0	18.1	4.5

Development expenditure includes development revenue expenditure, development capital expenditure and loans and advances disbursed
Source: Finance Accounts of respective years

Analysis of the fiscal priorities of the State Government as shown in **Table 1.36** reveals the following:

- The ratio of AE to GSDP in 2013-14 (10.7 *per cent*) was lower in the State as compared to GCS (14.7 *per cent*) and was lower at 10.8 *per cent* as compared to GCS (16.1 *per cent*) in 2017-18.
- The ratio of DE/AE in 2013-14 (67.6 *per cent*) was higher in the State as compared to GCS (66.5 *per cent*) and was lower at 64.5 *per cent* as compared to GCS (67.9 *per cent*) in 2017-18.
- The ratios of SSE/AE in 2013-14 (41.6 *per cent*) was higher in the State as compared to GCS (37.6 *per cent*) and was lower at 35.6 *per cent* as compared to GCS (36.7 *per cent*) in 2017-18.
- The ratios of ESE/AE in 2013-14 and 2017-18 (26 *per cent* and 29 *per cent*) were lower in the State as compared to GCS (28.9 *per cent* and 29.6 *per cent*).
- The ratios of CE/AE in 2013-14 and 2017-18 (11.4 *per cent* and 10 *per cent*) were lower in the State as compared to GCS (13.6 *per cent* and 14.4 *per cent*).
- The ratio of expenditure on Health and Family Welfare to AE remained at 4.5 *per cent* in 2017-18 as compared to 4.2 *per cent* in 2013-14. The priority given to these areas in Maharashtra was lower than that given to GCS in 2013-14 and 2017-18.

1.8.2 Efficiency of expenditure use

In view of importance of public expenditure on development heads, from the point of view of social and economic development, it is important for the State Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods¹⁴. Apart from improving the allocation towards development expenditure¹⁵, the efficiency of expenditure is reflected in the percentage of capital expenditure to total expenditure and the proportion of revenue expenditure being spent on O&M in the Social and Economic services. The higher the percentage of these components to total expenditure, the better would be the quality of expenditure.

¹⁴ See Glossary at page 129

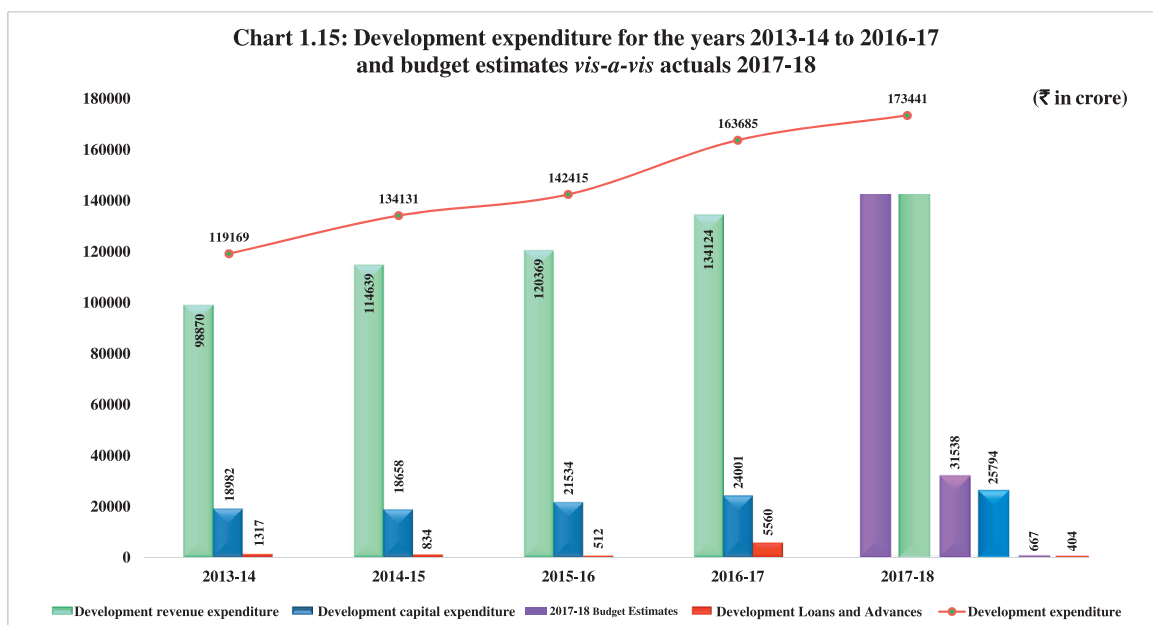
¹⁵ Development Expenditure consists of expenditure on Social and Economic services relating to Revenue Account, Capital Outlay and Loans and Advances

Table 1.37 and **Chart 1.15** present the trends in DE relative to the total expenditure of the State during the current year *vis-à-vis* budget estimates of the current year and the actual expenditure during the previous years.

Table 1.37: Development expenditure

Components of Development Expenditure	2013-14	2014-15	2015-16	2016-17	2017-18	
					BE	Actuals
Development expenditure (a to c)	119169 (67.5)	134131 (67.7)	142415 (66.5)	163685 (66.8)	189596 (67)	173441 (72)
a. Development revenue expenditure	98870 (56)	114639 (57.8)	120369 (56.2)	134124 [#] (54.7)	157391 (55)	147243 (61)
b. Development capital outlay	18982 (10.8)	18658 (9.4)	21534 (10.0)	24001 (9.8)	31538 (11)	25794 (11)
c. Development Loans and Advances	1317 (0.7)	834 (0.4)	512 (0.2)	5560 (2.3)	667 (0.2)	404 (0.2)

Figures in parenthesis indicate percentage to total expenditure [#] Lower rounding
Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

Development Revenue expenditure

The development revenue expenditure increased by ₹ 13,119 crore from ₹ 1,34,124 crore in 2016-17 to ₹ 1,47,243 crore in 2017-18. The increase was under Social Services (₹ 2,772 crore) and Economic Services (₹ 10,347 crore). The actual development revenue expenditure was lower than the State's projection in the budget by ₹ 10,148 crore.

Development Capital outlay

The development capital outlay increased by ₹ 1,793 crore from ₹ 24,001 crore in 2016-17 to ₹ 25,794 crore in 2017-18. The increase was under Economic Services (₹ 2,791 crore) set off by decrease in Social Services (₹ 998 crore). The main components of increase were Capital Outlay on Agriculture and Allied Activities (₹ 1,957 crore) and Capital Outlay on Transport (₹ 1,178 crore). The actual development capital outlay was lower than the State's projection in the budget by ₹ 5,744 crore.

Development Loans and Advances

Development loans and advances decreased by ₹ 5,156 crore from ₹ 5,560 crore in 2016-17 to ₹ 404 crore in 2017-18. The actual development loans and advances were lower than the State's projections in the budget by ₹ 263 crore.

Efficiency of expenditure use in selected social and economic services

Table 1.38 details the percentage share of salary and wages and of O&M in the Revenue expenditure in selected Social and Economic services. It also indicates the proportion of capital expenditure in the total expenditure of these selected services.

Table 1.38: Efficiency of expenditure use in selected social and economic services*(in per cent)*

Social/Economic infrastructure	2016-17			2017-18		
	CE to TE	In RE, the share of		CE to TE	In RE, the share of	
		Salary and Wages	O & M		Salary and Wages	O & M
Social Services (SS)						
Education, Sports, Art and Culture	0.1	83.6	0.1	0.2	81.6	0.2
Health and Family Welfare	5.6	54.7	0.3	4.7	49.4	0.4
Water Supply, Sanitation, Housing and Urban Development	4.2	1.8	-	7.1	2.7	-
Total (SS)	3.5	53.5	0.6	2.4	54.3	0.7
Economic Services (ES)						
Agriculture and Allied Activities	20.5	15.2	-	17.1	15.5	0.1
Irrigation and Flood Control	77.5	33.1	27	81.3	40.6	32.9
Energy	6.3	0.1	0.2	8.0	0.1	0.1
Transport	47.2	0.3	18	54.9	0.3	15.7
Total (ES)	29.6	16	4.1	30.2	12.5	3.0
Total (SS+ES)	14.7	41.2	1.7	14.9	38.9	1.6
TE: Total expenditure; CE: Capital expenditure; RE: Revenue expenditure; O & M: Operations and Maintenance						
Source: Finance Accounts of respective years						

The trends presented in **Table 1.38** reveal that development capital expenditure as a percentage to total expenditure increased from 14.7 *per cent* in 2016-17 to 14.9 *per cent* in 2017-18. The percentage of capital expenditure on Social Services to total expenditure decreased from 3.5 *per cent* in 2016-17 to 2.4 *per cent* in 2017-18. The decrease was mainly seen under Capital Outlay on Health and Family Welfare. The percentage of capital expenditure on Economic Services to the total expenditure increased from 29.6 *per cent* in 2016-17 to 30.2 in 2017-18. The increase was mainly seen under Energy, Transport and Irrigation and Flood Control. There was decrease in share of salary and wages as well as O&M in revenue expenditure from 2016-17 to 2017-18.

1.9 Financial analysis of Government expenditure and investments

In the post-MFRBM framework, the State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. This section presents the broad financial analysis of investments and other capital expenditure incurred by the Government during the current year *vis-à-vis* previous years.

1.9.1 Ongoing projects- Water Resources Department

Expenditure and delays in execution of projects

There were 412 ongoing irrigation projects in five¹⁶ Irrigation Development Corporations (IDCs) under Water Resources Department. Data of all the ongoing projects furnished by the IDCs were analysed in audit to assess the number of years these projects have been under execution. The summarized position is given in **Table 1.39**.

Table 1.39: Age profile of ongoing projects under Water Resources Department

Age Profile (Since the date of original AA)	Total projects			
	Major	Medium	Minor	Total
More than 30 years	26	20	21	67
More than 20 years but up to 30 years	19	20	36	75
More than 15 years but up to 20 years	6	19	31	56
More than 10 years but up to 15 years	3	5	61	69
More than 5 years but up to 10 years	2	23	106	131
Up to 5 years	-	2	-	2
Work not started	2	-	10	12
Total	58	89	265	412

Source: Information furnished by respective IDCs; Status as of March 2018

Table 1.39 shows that 198 projects (48 per cent) were under execution for more than 15 years and of these, 67 projects (16 per cent) were under execution for more than 30 years.

Table 1.40: Actual expenditure and estimated cost in respect of all ongoing projects

(₹ in crore)

Irrigation Development Corporation	Number of projects	Original Administrative Approval	Expenditure	Estimated Cost
Godavari Marathwada Irrigation Development Corpn.	58	4913.85	16674.46	35654.51
Tapi Irrigation Development Corporation	35	1330.49	5294.43	9414.68
Vidarbha Irrigation Development Corporation	214	56983.97	34305.98	82225.39
Maharashtra Krishna Valley Development Corpn.	49	9019.37	18800.05	43693.41
Konkan Irrigation Development Corporation	56	1826.05	8420.98	18420.87
Total	412	74073.73	83495.90	189408.90

Source: Information furnished by respective IDCs

Table 1.40 shows that the estimated cost of 412 ongoing projects was ₹ 1,89,408.90 crore whereas the actual expenditure incurred was ₹ 83,495.90 crore. The expenditure on these ongoing projects has not resulted in realising the complete projected benefits even after considerable period of time.

Delay in completion of works invites the risk of escalation in the cost of the works. Besides, due to delay in completion of projects, the intended benefits from those projects did not reach the beneficiaries.

Recommendation: 3

The State Government needs to take initiative for time bound completion of ongoing projects so as to prevent further time/cost overrun.

1.9.2 Investment and returns

As of 31 March 2018, Government invested ₹ 1,40,203.56 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.41**). The average return on this investment was 0.04 per cent during 2013-18 while the

¹⁶ Maharashtra Krishna Valley Development Corporation; Konkan Irrigation Development Corporation; Tapi Irrigation Development Corporation; Vidarbha Irrigation Development Corporation; and Godavari Marathwada Irrigation Development Corporation

Government paid average interest rate of 7.7 per cent on its borrowings during the same period.

Table 1.41: Return on investment

(₹ in crore)

Investment/Return/Cost of Borrowings	2013-14	2014-15	2015-16	2016-17	2017-18
Investment at the end of the year	101867.20	110671.69	120310.97	129983.79	140203.56
Return (₹ in crore)	19.68	28.14	57.27	66.81	64.63
Return (per cent)	0.02	0.03	0.05	0.05	0.05
Average rate of interest on Government borrowing (per cent)	7.5	7.8	7.7	7.6	8.0
Difference between interest rate and return (per cent)	7.5	7.8	7.7	7.6	7.9

Source: Finance Accounts of respective years

The increase in investments of ₹ 10,220 crore during 2017-18 was mainly due to capital contributions to Vidarbha Irrigation Development Corporation (₹ 3,660 crore), Godavari Marathwada Irrigation Development Corporation (₹ 2,166 crore), Maharashtra Krishna Valley Development Corporation (₹ 1,722 crore), Konkan Irrigation Development Corporation (₹ 771 crore), Tapi-Irrigation Development Corporation (₹ 653 crore), Maharashtra State Road Transport Corporation (₹ 415 crore), Maharashtra Water Conservation Development Corporation (₹ 373 crore), Nagpur Metro Railway Project (₹ 200 crore) and Pune Metro Railway Project (₹ 80 crore).

As on 31 March 2018, 32 PSUs were incurring losses and their net accumulated losses amounted to ₹ 49,192.54 crore. Of these, the State Government infused funds in the form of equity and long term loans in nine PSUs which amounted to ₹ 92,943.09 crore and ₹ 321.81 crore respectively (**Appendix 1.8**).

As on 31 March 2018, the net worth was eroded in 12 PSUs of which three PSUs had made profit as per their latest accounts. The paid up share capital of the State Government in these 12 PSUs was ₹ 1,188.52 crore. The net worth was eroded¹⁷ primarily in Maharashtra State Road Development Corporation Ltd. (₹ 2,879.21 crore), Maharashtra Power Development Corporation Ltd. (₹ 1,012.59 crore) Maharashtra State Textile Corporation Ltd. (₹ 809.01 crore) and Maharashtra State Financial Corporation (₹ 625.26 crore).

Recommendation: 4

Since the chances of obtaining return on investment made in companies incurring losses and where the accumulated losses has resulted in erosion of the net-worth, are remote, the State Government should consider making future payments to these Companies in form of Grants instead of Share Capital so as to reduce the disparity in investment vis-à-vis return.

Information furnished by the Commissioner for Cooperation and Registrar of Co-operative Societies revealed that of the 5,006 Societies with an aggregate Government investment of ₹ 323.04 crore (equity: ₹ 178.87 crore and loan:

¹⁷ Development Corporation of Vidharbha Ltd. (₹ 7.67 crore); Maharashtra State Handlooms Corporations Ltd. (₹ 45.23 crore); Maharashtra Electronics Corporation Ltd. (₹ 368.38 crore); Maharashtra State Road Development Corporation Ltd. (₹ 2,879.21 crore); Maharashtra State Powerloom Corporation Ltd. (₹ 2.77 crore); Maharashtra State Textile Corporation Ltd. (₹ 809.01 crore); Maharashtra State Financial Corporation (₹ 625.26 crore); Development Corporation of Konkan Ltd. (₹ 6.22 crore); The Maharashtra State Farming Corporation Ltd. (₹ 231.67 crore); Marathwada Development Corporation Ltd. (₹ 1.57 crore); The Maharashtra Land Development Corporation Ltd. (₹ 16.01 crore); Maharashtra Power Development Corporation Ltd. (₹ 1,012.59 crore)

₹ 144.17 crore), 2,710 Societies had incurred accumulated losses of ₹ 220.11 crore (31 March 2018) which was 121 *per cent* of the initial investments (₹ 181.46 crore) made in these Societies. Further, 1,021 Societies were under liquidation where the Government had already invested ₹ 43.69 crore as of March 2018.

1.9.3 Departmental Commercial Undertakings

Activities of quasi-commercial nature are also performed by Departmental undertakings of certain Government Departments. The State Government has 49 Departmental Commercial Undertakings (DCUs). The position of Department-wise investments by the Government up to the year for which *proforma* accounts have been finalised, net profits/loss as well as return on capital invested in these undertakings are shown in **Appendix 1.9**. It was observed that:

- The State Government had invested ₹ 2,450.89 crore in the undertakings of three¹⁸ Departments during the financial year up to which their accounts were finalised (**Appendix 3.3**).
- Of the three Departments having 49 units, no unit could earn net profit which had finalised their accounts during 2017-18.
- Of the loss-making DCUs, 33¹⁹ DCUs had been incurring losses continuously since the last five years.

As per accounting system being followed by the Departmental commercial undertakings of 'Government Milk Schemes', 'Procurement, Distribution and Price Control Scheme in Mumbai and Thane Rationing Area and in Mofussil Area', the net loss/profit for the year is deducted/added directly from/to the Capital Account in the Balance Sheet. Therefore, the figures of accumulated loss cannot be ascertained from the *proforma* accounts of the Departmental undertakings.

Recommendation: 5

The State Government should review the working of Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Departmental Commercial Undertakings incurring losses and take appropriate steps for their closure/revival.

1.9.4 Loans and Advances by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, the Government has also been providing loans and advances to many institutions/organizations. **Table 1.42** presents the outstanding loans and advances as on 31 March 2018, interest receipts *vis-à-vis* interest payments during the last three years.

¹⁸ Agriculture, Animal Husbandry, Dairy Development and Fisheries; Food, Civil Supplies and Consumer Protection; and Revenue and Forest

¹⁹ Greater Mumbai Milk Scheme, Worli; Mother Dairy, Kurla; Cattle Breeding and Rearing Farm, Palghar; Dairy Project, Dapchhari; Government Milk Scheme, Gove Bhiwandi, Government Milk Chilling Centre, Saralgaon (Dist: Thane); Government Milk Schemes in Ahmednagar, Akola, Amravati, Aurangabad, Beed, Bhiwandi, Bhoom, Chalisgaon, Chandrapur, Chiplun, Dhule, Gondia, Khopoli, Mahabaleshwar, Mahad, Miraj, Nanded, Nashik, Parbhani, Pune, Ratnagiri, Satara, Solapur, Udgir, Wani, Wardha and Yavatmal

Table 1.42: Average interest received on loans advanced by the State Government**(₹ in crore)**

Quantum of loans/interest receipts/cost of borrowings	2015-16	2016-17	2017-18
Opening Balance	21822	22072	26603
Amount advanced during the year	1115	6277	980*
Amount repaid during the year	865	1746*	1778
Closing Balance	22072	26603	25805
<i>of which</i> Outstanding balance for which terms and conditions have been settled	NA	NA	NA
Net addition	250	4531	(-798)
Interest Receipts	762	407	485
Interest receipts as <i>per cent</i> to outstanding loans and advances	3.5	1.7	1.9
Average Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government	7.3	7.6	8.0
Difference between interest receipts and interest payments (<i>per cent</i>)	(-) 3.8	(-) 5.9	(-) 6.1
NA: Not Available * higher rounding			
Source: Finance Accounts of respective years			

As can be seen from the **Table 1.42**, the total outstanding loans and advances as on 31 March 2018 was ₹ 25,805 crore. The amount of loans disbursed during the year decreased from ₹ 6,277 crore in 2016-17 to ₹ 980 crore in 2017-18. Of the total amount of loans and advances disbursed during the year, ₹ 141 crore went to Economic Services and ₹ 263 crore to Social Services. Under the Social Services, the major portion of loans went to Urban Development (87 *per cent*). However, interest received against these loans decreased from 3.5 *per cent* during 2015-16 to 1.7 *per cent* in 2016-17, and it increased to 1.9 *per cent* in 2017-18, mainly, due to higher interest receipts in 2017-18 from Loans for Housing (₹ 179 crore), Loans for Power Projects (₹ 133 crore), set-off by decrease in Loans for Forest and Wildlife (₹ 240 crore).

The detailed accounts of loans are maintained by the State Government Departments, who are required to confirm the loan balances to the Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai and also furnish complete information regarding recoveries in arrears. This has not been done. To that extent, the information contained in Finance Accounts 2017-18 in accordance with the Indian Government Accounting Standards (IGAS)-3 was incomplete.

1.9.5 Outstanding balances under the head 'Cheques and Bills'

This head is an intermediary accounting head for initial record of transactions which are to be cleared eventually. When the cheque is issued, the functional head is debited and the Major Head-8670-Cheques and Bills is credited. On clearance of the cheque by the bank, minus credit is given to Major Head 8670-Cheques and Bills by crediting the Major Head-8675-Deposits with Reserve Bank of India and thereby reducing the cash balance of the Government. Thus, the outstanding balance under the Major Head 8670-Cheques and Bills represents the amount of un-encashed cheques.

The value of cheques issued by Government but not encashed till 31 March 2018 was ₹ 15,968.67 crore i.e. the balance under Major head 8670- Cheques and Bills as on 31 March 2018. Thus, the encashment of these cheques would have the effect of decreasing of the cash balance of ₹ 54,947 crore by ₹ 15,968.67 crore as on 31 March 2018. During 2017-18, the total value of lapsed cheques amounted to ₹ 25.89 crore²⁰.

²⁰ Pension payments: ₹ 1.98 crore; Insurance and Pension Funds: ₹ 0.10 crore; Provident Fund disbursements: ₹ 0.24 crore; Salaries: ₹ 0.50 crore; Telephone, Electricity and Petrol charges: ₹ 0.27 crore; Travelling expenses: ₹ 0.04 crore; Machinery and Equipment: ₹ 5.16 crore; Grant-in-aid: ₹ 2.98 crore; Civil Deposits: ₹ 2.20 crore; and Others: ₹ 12.42 crore

1.10 Assets and Liabilities

Details regarding Growth and composition of Assets and Liabilities, Fiscal Liabilities, Cash balances and Investment of cash balances, Transactions under Reserve Funds, Contingent liabilities and Analysis of Borrowings of the Government are given in sub Paragraphs 1.10.1 to 1.10.6.

1.10.1 Growth and composition of Assets and Liabilities

In the existing cash-based Government accounting system, comprehensive accounting of fixed assets like land and buildings 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. **Table 1.43** gives an abstract of such liabilities and the assets as on 31 March 2018, compared with the corresponding position on 31 March 2017. While the liabilities consist mainly of internal borrowings, loans and advances from the GoI, receipts from the Public Account and Reserve Funds, the assets mainly comprise the capital outlay and loans and advances given by the State Government and cash balances.

According to the MFRBM Act, 2005, the total liability of the State means the liabilities under the Consolidated Fund of the State and the Public Account of the State.

The growth rate of components of assets and liabilities are summarised in the **Table 1.43**:

Table 1.43: Summarised position of Assets and Liabilities

(₹ in crore)

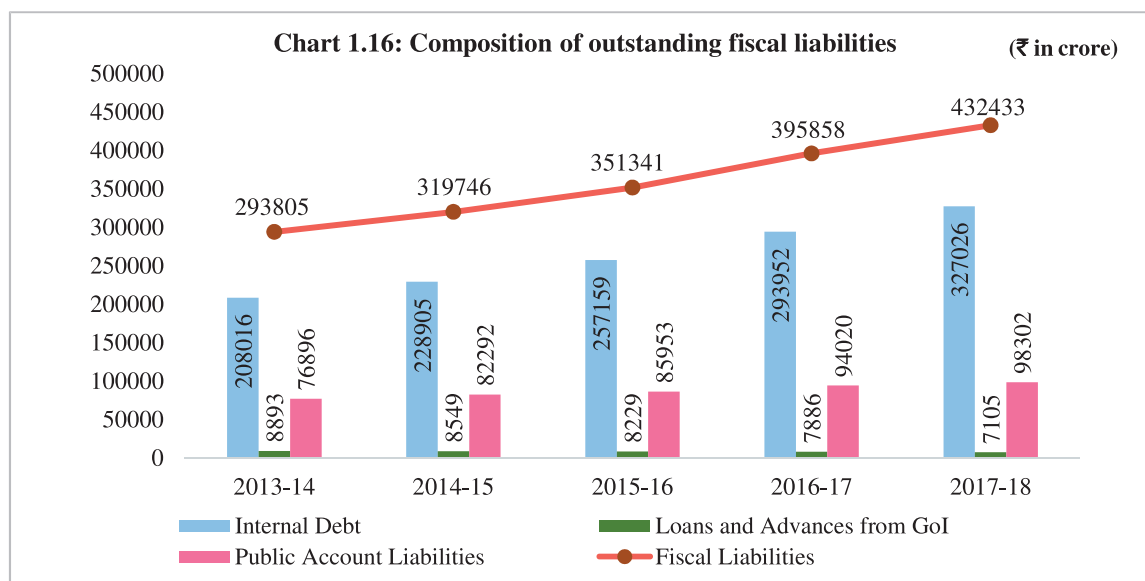
Liabilities				Assets			
	2016-17	2017-18	Per cent increase		2016-17	2017-18	Per cent increase
Consolidated Fund	301837.63	334130.96	10.7	Consolidated Fund	287828.70	313872.16	9.05
^a Internal Debt	293951.78	327025.89	11.3	^a Gross Capital Outlay	261225.30	288067.49	10.28
^b Loans and Advances from GoI	7885.85	7105.07	(-)9.9	^b Loans and Advances	26603.40	25804.67	(-)3.0
Contingency Fund	150.00	150.00	-				
Public Account	135006.79	146390.75	8.4	Public Account	12.61	12.67	0.48
^a Small Savings Provident Funds etc.	24645.31	25191.95	2.2	Advances	12.61	12.67	0.48
^b Deposits	59736.59	63666.57	6.6	Cash balance	40896.29	54497.01	33.26
^c Reserve Funds	37515.56	43439.46	15.8	Sinking Fund	27853.41	33971.80	21.97
^d Remittances	260.82	1083.19	315.30	Total Cash balance	68749.70	88468.81	28.68
Suspense and Miscellaneous	12848.51	13009.58	1.3	Deficit in Revenue Account	80937.12	78851.79	(-)2.58
				Capital Receipts	(-)533.72	(-)533.72	0
Total	436994.42	480671.71	10.3	Total	436994.42	480671.71	9.99

Source: Finance Accounts of respective years

During 2017-18, the assets increased by 3.9 per cent, while the liabilities increased by 10.3 per cent over the previous year.

1.10.2 Fiscal Liabilities

The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Chart 1.16**.



(Source: Finance Accounts of respective years)

Table 1.44 gives the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP, to revenue receipts and to the State's own resources comprising tax revenue and non-tax revenue of the State as also the buoyancy of fiscal liabilities with reference to these parameters.

Table 1.44: Fiscal Liabilities – basic parameters

	2013-14	2014-15	2015-16	2016-17	2017-18
Fiscal Liabilities (₹ in crore)	293805	319746	351341	395858	432433
Rate of Growth (<i>per cent</i>)	9.2	8.8	9.9	12.7	9.2
Fiscal Liabilities as percentage to					
GSDP (<i>per cent</i>)	17.8	17.8	17.6	17.5	17.32
Revenue Receipts (<i>per cent</i>)	196.1	193.3	189.9	193.4	177.5
Own Resources (<i>per cent</i>)	244.9	250.5	250.9	265.1	234.24
<i>Buoyancy of Fiscal Liabilities with reference to :</i>					
GSDP (ratio)	0.672	1.003	0.846	0.992*	0.868
Revenue Receipts (ratio)	1.917	0.846	0.832	1.198	0.484
Own Resources (ratio)	1.614	1.375	1.021	1.910	0.390

Source: Finance Accounts of respective years *Based on actual GSDP

During 2017-18, the debt to GSDP ratio at 17.32 *per cent* was higher than the projections made in MTFPS (16.26 *per cent*) but lower than the FFC (23.30 *per cent*). Of the total Fiscal Liabilities, the share of Internal Debt was maximum (76 *per cent*), followed by Public Account Liabilities (23 *per cent*) and Loans from GoI (two *per cent*).

The overall Fiscal Liabilities of the State increased at an average annual rate of 10 per cent during the period 2013-18.

These liabilities were nearly twice the revenue receipts and higher than twice the State's own resources at the end of 2017-18.

1.10.2.1 Increasing trend of balance under 8443-Civil Deposits

During 2013-14 to 2017-18, the closing balance at the end of the financial year under the Major Head 8443–Civil Deposits showed an increasing trend as indicated in **Table 1.45**.

Table 1.45: Balance under 8443-Civil Deposits

(₹ in crore)						
Year	Opening balance 8443-Civil Deposits as on 01 April	Receipts	Disbursements	Closing balance of 8443-Civil Deposits as on 31 March	Net increase during the year	Closing balance of 8443-106-Personal Deposits as on 31 March in (percentage)
2013-14	13509.64	24727.68	22545.07	15692.25	2182.61	9254.78 (59)
2014-15	15692.25	22714.76	21665.23	16741.78	1049.54	9726.09 (58)
2015-16	16741.78	26102.23	24579.51	18264.50	1522.72	11160.06 (61)
2016-17	18264.50	29071.87	25471.66	21864.71	3600.21	13334.52 (61)
2017-18	21864.71	27500.34	28287.43	21077.62	(-)787.09	12229.30 (58)

Source: Finance Accounts of respective years

It may be seen that under the Major Head 8443-Civil Deposits the balance in 106 – Personal Deposits constituted nearly 60 *per cent* of the balances during 2013-14 to 2017-18. Further, if funds are transferred to the Personal Deposit Accounts from the Consolidated Fund of the State, the balances at the close of the financial year should be transferred back to the Consolidated Fund. The Finance Accounts 2017-18 however, revealed that the quantum of funds which need to be transferred back to the Consolidated Fund at the end of the financial year was not ascertainable in the absence of effecting such transfer through ‘Nil Bill’ procedure. As a result, the actual liabilities under the Major Head 8443–Civil Deposits were also not ascertainable. The State Government should ensure that the codal provision is adhered to so that the funds so transferred at the fag end of the year could be ascertained.

1.10.2.2 Unreconciled differences between closing balances in the accounts and subsidiary records

As per the Finance Accounts 2017-18, there was an unreconciled balance of ₹ 7,124.47 crore under Civil Deposits and Other Civil Deposits pertaining to the period 2010-11 to 2017-18. Of the above, ‘Aided Secondary & Special School Provident Fund’ was the major item pertaining to 2011-12 that remained unreconciled (₹ 3,720.73 crore) as of March 2018.

1.10.3 Cash balances and Investment of Cash Balances

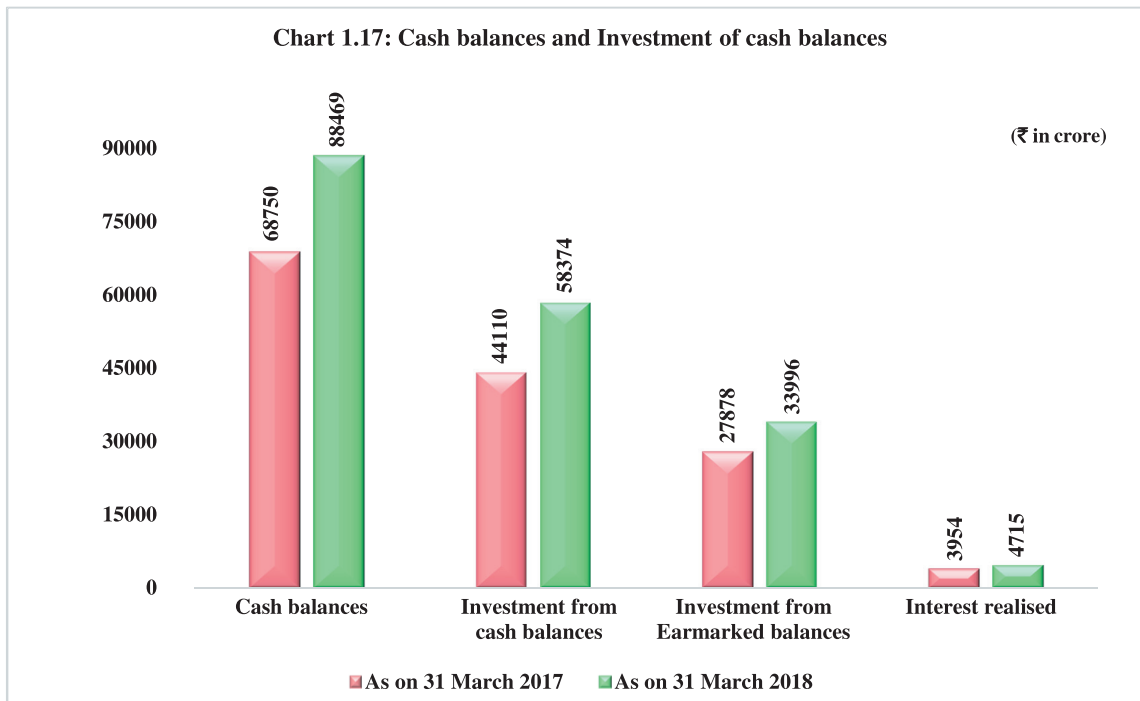
Table 1.46 and **Chart 1.17** depict the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.46: Cash balances and investment of cash balances

(₹ in crore)			
Particulars	As on 31 March 2017	As on 31 March 2018	Increase (+)/ Decrease(-)
Cash in treasuries	0.04	0.04	-
Deposits with Reserve Bank of India	(-) 3304.11	(-)3962.41	(-)658.30
Remittances in transit-Local	53.44	54.33	0.89
Cash with the Departmental officers	12.10	6.69	(-)5.41
Permanent advance for contingent expenditure with Departmental officers	0.66	0.67	0.01
Investments from cash balances (a to d)	44110.07	58373.60	14263.53
a. GoI Treasury Bills	44109.38	58372.91	14263.53
b. GoI Securities	-	-	-
c. Other Securities, if any specify	-	-	-
d. Other Investments	0.69	0.69	-

Particulars	As on 31 March 2017	As on 31 March 2018	Increase (+)/ Decrease(-)
Fund-wise break-up of investment from Earmarked balances (a to e)	27877.50	33995.89	6118.39
a. General and other Reserve Funds	9.59	9.59	-
b. Sinking Fund	27853.41	33971.80	6118.39
c. Fund for Development of Milk supply	1.00	1.00	-
d. Other Development and Welfare Funds	13.42	13.42	-
e. Miscellaneous Deposits	0.08	0.08	-
Total Cash Balances	68749.70	88468.81	19719.11
Interest Realised	3954.06	4715.07 ^s	761.01

^s Interest of ₹ 1,992.63 crore realised during 2017-18 on Sinking Fund Investment (reinvested along with regular investment) hence not included under MH 0049 plus Interest on Cash Investment ₹ 2,722.44 crore.
Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

The State Government’s cash balances of ₹ 88,469 crore at the end of the current year showed an increase of 29 per cent (₹ 19,719 crore) over the previous year. Of the above, ₹ 58,374 crore was invested in GoI Treasury Bills which earned an interest of ₹ 2,722 crore during the year. Further, ₹ 33,996 crore was invested in earmarked funds which earned an interest of ₹ 1,993 crore. Ways and means advances were ₹ 1,594 crore during the current year as shown in the notes below **Table 1.2**.

The cash balances of the State Government at the end of March 2018 was ₹ 88,469 crore, which included an amount of ₹ 33,972 crore invested in Sinking Fund meant for Appropriation for reduction or avoidance of debt. The interest earned on this fund is ploughed back to the fund. As on 31 March 2018, the interest earned on the Sinking Fund was ₹ 1,993 crore. Further there was also an outstanding balance under ‘Cheques and bills’ amounting to ₹ 15,969 crore. Hence the resultant effective cash balance of the State Government as on 31 March 2018 was ₹ 38,528 crore which is 14 per cent of the total expenditure of the State Government (₹ 2,69,392 crore) during the year.

In terms of the recommendations of the Tenth Finance Commission, the State Government created (1999-2000), a Consolidated Sinking Fund to be administered by the

Reserve Bank of India for the amortization of all loans. As per the constitution of Consolidated Sinking Fund of Maharashtra, the State Government is to contribute one to three *per cent* of the outstanding open market loans as at the end of the previous years to the fund. In terms of the revised guidelines (May 2006) of the Reserve Bank of India, States are required to contribute to the Fund a minimum of 0.5 *per cent* of their outstanding liabilities (Internal Debt + Public Account liabilities) as at the end of the previous year.

During the 2017-18, the State Government transferred ₹ 3,100 crore to the Consolidated Sinking Fund from the Revenue Account which works out to 1.43 *per cent* of total outstanding (Open Market Loans) of ₹ 2,16,862.87 crore and to 0.78 *per cent* of outstanding liability of ₹ 3,95,857.59 crore (Internal Debt + Public Account liabilities) as on 31 March 2017. There was no expenditure from the fund during the year. The balance in the Consolidated Sinking Fund as on 31 March 2018 was ₹ 33,971.80 crore, which has been invested.

The high level of investment held in 'Cash Balance Investment Account' at the end of 2017-18 indicated the need for a better cash management. In view of availability of resources under Public Accounts of the State, the Government could have curtailed the market borrowings to avoid interest burden for the coming years.

Recommendation: 6

The need for closer analysis, monitoring, and directed efforts by the State Government of Maharashtra towards utilisation of their existing cash balances, before resorting to fresh borrowings, is urgently indicated. The State Government is advised to review its public borrowing behaviour in tandem with its cash management, to effectuate a more judicious and prudent management of its cash resources and liquidity.

The State Government may consider institutionalizing the policy of need-based borrowing and thereby maintaining only minimum surplus cash balance. This could, in practice, include laying down benchmarks for the ideal quantum of cash, relative to its capital outlays, fiscal deficit targets and borrowings.

1.10.4 Transactions under Reserve Funds

Reserves and Reserve Funds are created for specific and well-defined purposes in the accounts of the State Government (Public Account). These funds are created by contributions or grants from the Consolidated Fund of State or from outside agencies. The funds are further divided into two parts (i) Reserve Funds bearing interest and (ii) Reserve Funds not bearing interest. The funds are created by the sums transferred by debiting the concerned expenditure head of the Consolidated Fund of the State. Thereafter, the total expenditure incurred during the year is to be reimbursed from the concerned Reserve Fund.

In Maharashtra, there were 18 reserve funds earmarked for specific purposes of which, nine funds were active and nine were inactive. The total accumulated balance as on 31 March 2018 in these funds was ₹ 43,439.46 crore (₹ 43,410.45 crore in active funds and ₹ 29.01 crore in inoperative funds). However, the investment out of this balance was only ₹ 33,996 crore (78 *per cent*). An account of these funds is included in Statement No. 22 of Finance Accounts 2017-18.

Recommendation: 7

State Government may take effective steps to review the inoperative Reserve Funds and necessary action to close these inoperative Reserve Funds.

1.10.5 Contingent Liabilities

Status of Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The maximum amount for which guarantees were given by the State Government and the outstanding guarantees during the last three years as given in the Statement No. 9 of the Finance Accounts 2017-18 are summarised in **Table 1.47**.

Table 1.47: Guarantees given by the Government of Maharashtra

(₹ in crore)

Guarantees	2015-16	2016-17	2017-18
Maximum amount guaranteed	30483	22802	37287
Outstanding amount of guarantees	7807	7306	26658
Percentage of maximum amount guaranteed to total revenue receipts	16	11	15

Source: Finance Accounts of respective years

Limits on guarantees to be given by the State Government have not been fixed by the State Legislature. The MFRBM Act, 2005 also does not prescribe any limits. During 2017-18, guarantees of ₹ 19,352 crore were given by the State Government to (a) Maharashtra State Co-operative Bank (₹ 570 crore); (b) Mumbai Metropolitan Regional Development Authority (₹ 19,016 crore); and (c) Maharashtra State Co-operative Marketing Federation Limited, (₹ 1,490 crore). Outstanding guarantees (₹ 26,658 crore) during 2017-18 accounted for 11 *per cent* of the revenue receipts (₹ 2,43,654 crore) and 1.07 *per cent* of the GSDP (₹ 24,96,505 crore).

The Twelfth Finance Commission recommended setting up Guarantee Redemption Fund through earmarked guarantee fees to meet the contingent liabilities arising from the guarantees given by the State Government. The MTFPS for the year 2008-09 mentioned that the State was in the process of setting up Guarantee Redemption Fund. However, the MTFPS for the year 2016-17 mentioned that the State Government has taken a conscious decision not to set up a Guarantee Redemption Fund on the ground that setting up of such a fund may (a) give an undue incentive to both the loanee and the lender; and (b) weaken Legislature oversight in cases where debt Guarantees are invoked.

The State Government charged guarantee fees for guarantees given to institutions and the same was booked under 'Miscellaneous General Services'. Receipts under guarantee fees increased to ₹ 36.80 crore during 2017-18 from ₹ 9.87 crore during 2016-17. Against the total estimated guarantee fee receivable (₹ 1,557.48 crore), only ₹ 36.80 crore was received during the year.

The State Government has yet to discharge invoked guarantee amounting to ₹ 20.26 crore of Maharashtra State Co-operative Housing Finance Corporation Ltd.

Off-Budget Borrowings

Off-budget borrowings are not permissible under Article 293(3) of the Constitution of India. As per the MTFPS Statement 2008-09, the State Government had completely stopped off-budget borrowings from the year 2005-06. There were no off-budget borrowings during the years 2006-07 to 2017-18. However, at the close of 2016-17, ₹ 51 crore was outstanding on account of off-budget borrowings made prior to 2005-06.

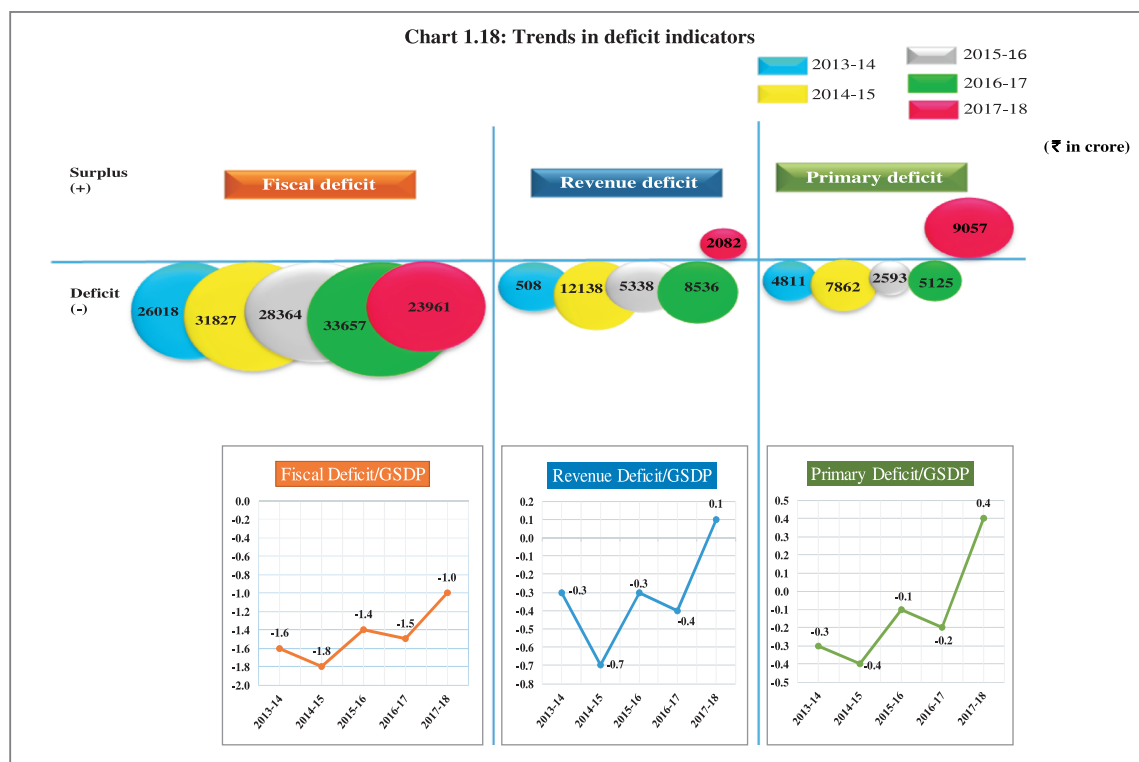
1.11 Fiscal Imbalances

Three key fiscal parameters *viz.*, revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances in the Finances of the State Government during a

specified period. The deficit in the Government accounts represents 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 raised are applied are important pointers to its fiscal health. This section presents trends, nature and magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under MFRBM Act/Rules for the financial year 2017-18.

1.11.1 Trends in Deficits

Chart 1.18 presents the trends in deficit indicators over the period 2013-18.



(Source: Finance Accounts of respective years)

As per the MFRBM Rules (Second Amendment), 2011, the revenue deficit was to be brought down to 'zero' by 2011-12 and Revenue Surplus was to be generated thereafter.

Revenue Surplus/Deficit

The revenue deficit (₹ 5,081 crore) during 2013-14 increased by 2.4 times in 2014-15 (₹ 12,138 crore) and in 2015-16, it decreased to ₹ 5,338 crore and further increased to ₹ 8,536 crore in 2016-17. In 2017-18, Revenue deficit turned to surplus at ₹ 2,082 crore due to increase in receipts and control over expenditure.

Fiscal Deficit

The fiscal deficit of ₹ 38,616 crore during 2016-17 decreased to ₹ 23,961 crore in 2017-18.

Primary Surplus/Deficit

Primary Deficit²¹ during 2013-14 (₹ 4,811 crore), 2014-15 (₹ 7,862 crore), 2015-16 (₹ 2,593 crore) and 2016-17 (₹ 5,125 crore) turned into Primary Surplus of ₹ 9,057 crore due to Revenue Surplus and decrease in Fiscal Deficit.

During 2017-18, there were transactions outside the Consolidated Fund, budgeting and booking under incorrect heads, non-provision of interest on reserve funds and deposit

²¹ See Glossary at page 129

accounts etc. As a result, the Revenue Surplus was overstated by ₹ 663.83 crore and understated by ₹ 563.27 crore, net impact was an overstatement of Revenue Surplus by ₹ 100.56 crore.

Control over expenditure coupled with spurt in revenue resulted in Revenue Surplus of ₹2,082 crore.

1.11.2 Composition of Fiscal Deficit and its financing pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 1.48**.

Table 1.48: Components of Fiscal Deficit and its financing pattern

		(₹ in crore)				
Particulars		2013-14	2014-15	2015-16	2016-17	2017-18
Composition of Fiscal Deficit(-)/ Surplus (+) (1+2+3) (a)		(-26018)	(-31827)	(-28364)	(-33657)[®]	(-23961)
		(-1.6)	(-1.8)	(-1.4)	(-1.5)	(-1.0)
1	Revenue Deficit(-)/ Surplus (+)	(-5081)	(-12138)	(-5338)	(-8536)	2082
		(-0.3)	(-0.7)	(-0.3)	(-0.4)	0.08
2	Net Capital Outlay	(-20020)	(-19524)	(-22776)	(-25549)	(-26842)
		(-1.2)	(-1.1)	(-1.1)	(-1.1)	(-1.1)
3	Net Loans and Advances	(-917)	(-165)	(-250)	428 [₹]	799 [₹]
		(-0.1)	-	-	-	-
Financing Pattern of Fiscal Deficit[#](b)						
1	Market Borrowings	19163	22263	28938	40349 [₹]	36477
		(1.2)	(1.2)	(1.5)	(1.8)	(1.5)
2	Loans from GoI	94	(-344)	(-321)	(-343)	(-781)
		-	-	-	-	-
3	Special Securities Issued to National Small Savings Fund	(-2286)	(-805)	(-286)	(-5078)	(-5176)
		(-0.1)	-	-	(-0.2)	(-0.2)
4	Loans from Financial Institutions and other Loans	(-499)	(-568)	(-397)	1521	1774
		-	-	-	(0.1)	(0.1)
5	Small Savings PF etc.	1893	1259	1208	1124	547
		(0.1)	(0.1)	(0.1)	(0.1)	-
6	Deposits and Advances	6772	4411	2773	6841	3930
		(0.4)	(0.2)	(0.1)	(0.3)	(0.16)
7	Suspense and Miscellaneous	(-2705)	5222	(-876)	2773	164
		(-0.2)	(0.3)	-	(0.1)	-
8	Remittances	(-1117)	(-14)	(-236)	(-656)	822
		(-0.1)	-	-	-	-
9	Reserve Funds	2742	3158	3465	5283	5924
		(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
10	Contingency Fund	(-500)	2010	(-2000)	-	-
		-	(0.1)	(-0.1)	-	-
11	Appropriation to/ from Contingency fund	500	(-2000)	2000	-	-
		-	(-0.1)	(0.1)	-	-
12	Total (1 to 11) (b)	24058	34592	34268	51814	43681
13	Increase(-)/ Decrease (+) in Cash Balance (a) – (b)	1960	2765	(-5904)	(-13197)	(-19720)
		(0.1)	(0.2)	(-0.3)	(-0.6)	(-0.8)
14	Overall deficit (12+13)	26018	31827	28364	38616 [₹]	23961
		(1.6)	(1.8)	(1.4)	(1.7)	(1.0)

Figures in parenthesis indicate the *per cent* to GSDP [#]All figures are net of disbursements/outflows during the year [®]Net of Ujwal DISCOM Assurance Yojana eligible for exclusion from Fiscal deficit as per GoI's order [₹]Included receipts of ₹ 991.75 crore on account of repayment of loan [₹]Includes expenditure of ₹ 4,959.75 crore incurred on account of taking over of 75 *per cent* of Medium and Short term debts of DISCOMs under Ujwal DISCOM Assurance Yojana
Source: Finance Accounts of respective years

During 2017-18, the fiscal deficit decreased by ₹ 9,696 crore over the previous year due to increased revenue receipts (₹ 38,961 crore). The net capital expenditure as a percentage of fiscal deficit increased from 77 per cent in 2016-17 to 112 per cent in 2017-18.

The Fiscal Deficit as a percentage of GSDP decreased from 1.48 (without UDAY), 1.70 (with UDAY) in 2016-17 to 0.96 in 2017-18, which was well below the target of three per cent as prescribed by FFC and MTFPS.

1.11.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the bifurcation of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of Revenue Surplus to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. During the current year, this ratio 8.69 per cent of the borrowing was used for current consumption.

Non-debt receipts of the State were sufficient to meet the primary expenditure requirements in the revenue account. But, these were not sufficient to meet the expenditure requirements under capital account, resulting in primary deficit during 2013-17. The details are indicated in **Table 1.49**.

Table 1.49: Bifurcation of Primary Deficit/Surplus

(₹ in crore)							
Year	Non-debt receipts	Primary Revenue Expenditure	Capital Outlay	Loans and Advances	Primary Expenditure	Primary revenue deficit(-)/ Surplus(+)	Primary deficit (-) / Surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2013-14	150550	133695	20021	1645	155361	16855	(-)4811
2014-15	166390	153588	19523	1141	174252	12802	(-)7862
2015-16	185918	164603	22793	1115	188511	21315	(-) 2593
2016-17	206439	184697	25549	1318 [§]	211564	21742	(-) 5125
2017-18	245432	208553	26842	979	236374	36879	9058*

[§]excludes ₹ 4,959.75 crore given under Ujwal DISCOM Assurance Yojana
Source: Finance Accounts of respective years * Higher rounding

The capital outlay as a percentage to primary expenditure²² decreased from 12.9 per cent during 2013-14 to 11.4 per cent during 2017-18.

Non-debt receipts were sufficient to meet the expenditure requirements both under revenue and capital account, resulting in Primary Surplus of ₹ 9,058 crore during 2017-18.

1.12 Debt Management

Debt Profile

The Maturity Profile of the State Debt (amounts payable in respect of each category of loans in different years) as on 31 March 2018 is depicted in **Table 1.50** and **Chart 1.19**:

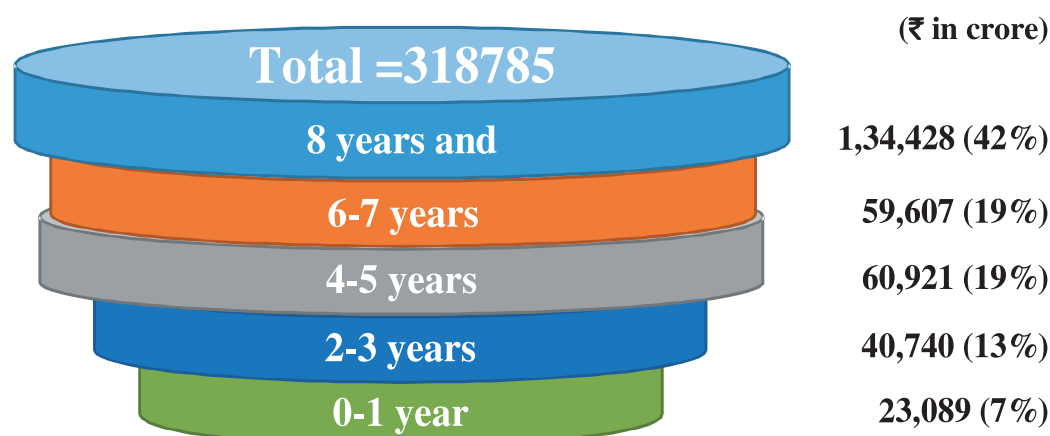
²² Primary expenditure of the State defined as the total expenditure net of the interest payments, indicates the expenditure incurred on the transactions undertaken during the year

Table 1.50: Maturity profile of State Debt

Maturity Profile (in years)	Amount (₹ in crore)	Per cent
0 – 1	23088.93	7.05
2 – 3	40739.91	12.46
4 – 5	60921.17	18.63
6 – 7	59606.77	18.23
8 and above	134427.78	41.11
Information not furnished by the State Government	8241.33	2.52
Total	327025.89	100.00

Source: Finance Accounts 2017-18

Chart 1.19: Maturity Profile of the State Debt



(Source: Finance Accounts of respective years)

The maturity profile of the public debt indicates that the liability of the State to repay the debt during the periods 2018-19, 2019-21 and 2021-23 would be ₹ 23,088.93 crore, ₹ 40,739.91 crore and ₹ 60,921.17 crore respectively which may put a strain on the Government budget during that period. Further, ₹ 1,84,356.78 crore i.e. 56.37 per cent of the total public debt would be repayable within next seven years. Therefore, the State Government would have to work out a well-thought out debt borrowing repayment strategy to avoid falling into a debt trap.

Debt Sustainability

Debt sustainability implies State's ability to service the debt in future. Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. Analysis of various debt sustainability indicators for the period from 2013-14 to 2017-18 is given in **Table 1.51**.

Table 1.51: Debt Sustainability: Indicators and trends

Indicators of debt sustainability	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Interest Payment	21207	23965	25771	28532	33018
Burden of interest payment in per cent (IP/RR)	14.1	14.5	14.0	13.9	13.6
Debt repayment	45400	50998	52319	55602	63936
Debt receipts	70157	76939	83914	100118	100511
Net debt available to the State	3551	1976	5824	15984	3557

Source: Finance Accounts and Economic survey of respective years

Net availability of borrowed funds

The net funds available from borrowed funds after providing for the interest payment and repayment declined sharply from ₹ 3,551 crore in 2013-14 to ₹ 1,976 crore in 2014-15 which increased to ₹ 5,824 crore in 2015-16 crore and further increased to ₹ 15,984 crore in 2016-17. During 2017-18 it decreased sharply to ₹ 3,557 crore.

Interest burden

The ratio of interest payment to revenue receipts was around 14 *per cent* during 2013-18.

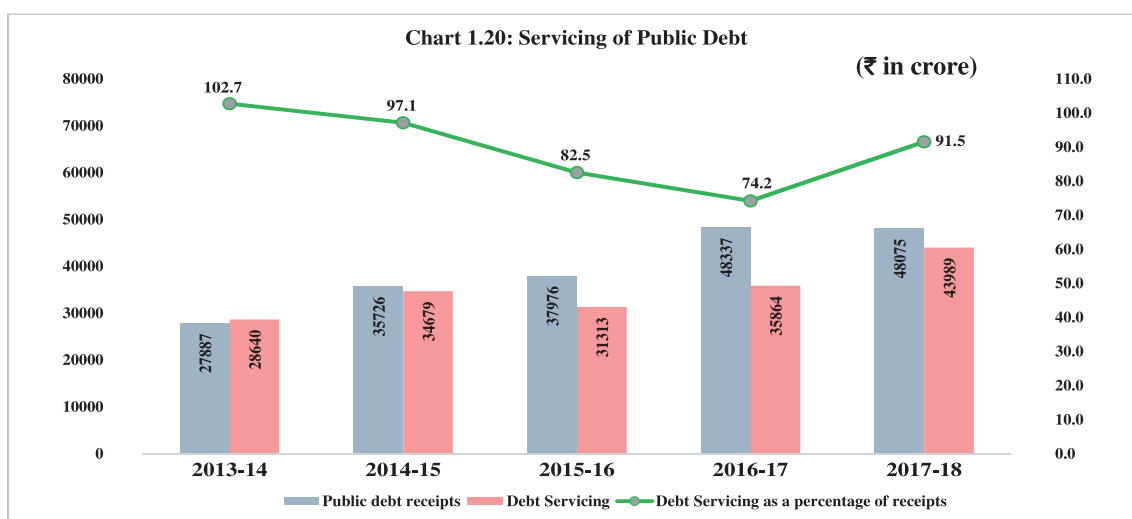
Servicing of Public Debt

The interest payment and repayment of principal on public debt for the period from 2013-14 to 2017-18 is given in **Table 1.52**.

Table 1.52: Servicing of Public Debt

Period	Public Debt									Debt servicing			
	Public Debt Receipts			Repayment of Principal			Interest payment			(Repayment of principal + interest payment)			As a percentage of receipts
	Internal debt	Loans from GoI	Total	Internal debt	Loans from GoI	Total	Internal debt	Loans from GoI	Total	Internal debt	Loans from GoI	Total	
2013-14	26923	964	27887	10543	871	11414	16654	572	17226	27197	1443	28640	102.7
2014-15	35184	542	35726	14294	886	15180	18970	529	19499	33264	1415	34679	97.1
2015-16	37392	584	37976	9138	905	10043	20780	490	21270	29918	1395	31313	82.4
2016-17	47710	627	48337	10917	970	11887	23508	469	23977	34425	1439	35864	74.2
2017-18	47907 [#]	168	48075	14834	949	15783	27773 [#]	433	28206	42607	1382	43989	91.5
Total			198001									174485	

Source: Finance Accounts of respective years [#]Lower rounding



(Source: Finance Accounts of respective years)

It can be seen from **Table 1.52** and **Chart 1.20** that during 2013-14 all the public debt receipts were utilised for debt servicing and during 2014-15, 97 *per cent* of the public debt receipts was utilised for debt servicing. In 2017-18, the debt servicing out of public debt receipts was 92 *per cent* as against 74 *per cent* in 2016-17. Thus, the average expenditure on debt servicing during 2013-18 was ₹ 34,897 crore which accounted for 88.1 *per cent* of average public debt receipts (₹ 39,600 crore) during the same period, implying that a larger percentage of debt was being used for debt servicing. This also indicated that a very insignificant portion of the debt was available for meeting developmental expenditure to promote growth. However, increase in public account balances provide the other source to meet the deficit.

Recommendation: 8

The State Government may consider developing a debt sustainability framework for achieving improved long term sustainability in fiscal deficit management, and to guide the borrowing decisions of the State in a way that matches their financing needs with current and prospective repayments.

1.13 Follow Up

The State Finance Report is being presented to the State Legislature from 2008-09 onwards. The State Finance Report 2016-17 was taken up for discussion by the State Public Accounts Committee in May 2019.