
Chapter-1

FINANCES OF THE STATE GOVERNMENT

CHAPTER 1

Finances of the State Government

Profile of State

The State of Madhya Pradesh is located in the central part of India. It is the second largest State in terms of geographical area (308 thousand square kilometre) and the sixth largest by population (7.26 crore as per 2011 census). The composite State of Madhya Pradesh was founded on 1 November 1956. In terms of the Madhya Pradesh Reorganisation Act 2000 (No. 28 of 2000), 16 districts of the erstwhile State of Madhya Pradesh were carved out to form the new State of Chhattisgarh on 1 November 2000.

As indicated in **Appendix 1.1** the State's population increased from 196 persons per sq.km in 2001 to 236 persons in 2011 (provisional figure). The State recorded a decadal population growth of 16.12 *per cent* during 2004-05 to 2013-14. In the State, percentage of population below poverty line (38.30 *per cent*) was higher than that of the All-India average (21.92 *per cent*). The Gross State Domestic Product (GSDP) of the State in 2013-14 at current prices was ₹ 4,50,900 crore, which grew at 21.15 *per cent* over the previous year. The State's literacy rate marginally increased from 69.69 *per cent* in 2001 to 70.63 *per cent* as per 2011 census, which was lower than the All India average of 74.04 *per cent* (2011 census). The decadal growth of *per capita* income in Madhya Pradesh (14.93 *per cent*) was marginally higher than that of the General Category States (14.88 *per cent*) during 2004-05 to 2013-14.

The general data (including development indicators) relating to the State is given in **Appendix 1.1**.

Gross State Domestic Product (GSDP)

GSDP 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 trend in the annual growth of India's GDP and that of the State's GSDP at current prices are indicated below:

Annual growth rate of GDP of India and GSDP of Madhya Pradesh at current prices

Year	(₹ in crore)				
	2009-10	2010-11	2011-12 (PE)*	2012-13 (QE)*	2013-14 (AE)*
India's GDP at current price	61,08,903	72,48,860	83,91,691	93,88,876	1,04,72,807
Growth rate of GDP (<i>per cent</i>)	15.18	18.66	15.77	11.88	11.54
GSDP of MP at current price	2,27,557	2,63,396	3,11,670	3,72,171	4,50,900
Growth rate of GSDP [®] (<i>per cent</i>)	15.35	15.75	18.33	19.41	21.15

(Source: Planning Commission Data tables and Directorate of Economic and Statistics, Government of Madhya Pradesh)

*PE-Provisional Estimates, QE-Quick Estimates, AE-Advance Estimates

[®] GSDP at current prices for the years 2009-10 to 2012-13 are revised by the State Government, hence, percentage ratio/buoyancies of various parameters with reference to GSDP for 2009-10 to 2012-13 indicated in earlier Reports have also been revised.

Sector-wise performance of GSDP during the period 2011-14 is given below:

(₹ in crore)			
Name of Sector	2011-12 (P)	2012-13 (Q)	2013-14(A)
Primary Sector ¹	84,069 (27)	1,10,275 (30)	1,54,405 (34)
Secondary Sector ²	85,924 (28)	95,344 (25)	1,03,321 (23)
Tertiary Sector ³	1,41,677 (45)	1,66,552 (45)	1,93,174 (43)
Total	3,11,670	3,72,171	4,50,900

(P)- Provisional, (Q)-Quick, (A)- Advance

Figures in brackets indicates contribution of sectors in total GSDP

1.1 Introduction

This Chapter provides an audit perspective on the finances of the Government of Madhya Pradesh during 2013-14 and analyses the critical changes observed in the major fiscal aggregates relative to the previous year, keeping in view the overall trends during the last five years. The analysis is based on the Finance Accounts of the Government of Madhya Pradesh and information provided therein. The structure and form of Government Accounts and the layout of the Finance Accounts are depicted in **Appendix 1.2 Part-A**.

The apportionment of assets and liabilities of the composite State of Madhya Pradesh prior to the date of reorganisation as well as other financial adjustments is carried out in accordance with the provisions of the Madhya Pradesh Reorganisation Act, 2000 (No. 28 of 2000). The actual progress achieved in this direction is indicated in **Appendix 1.2 Part-B**.

The methodology adopted for assessment of the fiscal position and norms/ceilings prescribed under the Fiscal Responsibility and Budgetary Management (FRBM) Act, 2005, trends in select fiscal indicators and the time series data of State Finances are depicted in **Appendix 1.3** and **Appendix 1.4**.

1.1.1 Summary of fiscal transactions in 2013-14

Table 1.1 presents the summary of the State Government's fiscal transactions during the current year (2013-14) *vis-à-vis* the previous year (2012-13), while **Appendix 1.5 Part-A** provides details of receipts and disbursements as well as overall fiscal position during the current year.

Table 1.1: Summary of Fiscal operations in 2013-14

(₹ in crore)							
Receipts	2012-13	2013-14	Disbursements	2012-13	2013-14		
Section-A: Revenue				Non-Plan	Plan	Total	
Revenue Receipts	70,427.28	75,749.24	Revenue Expenditure	62,968.53	50,443.49	19,426.27	69,869.76
Tax revenue	30,581.70	33,552.16	General Services	17,705.14	20,479.36	111.57	20,590.93
Non-Tax revenue	7,000.22	7,704.99	Social Services	24,375.47	15,465.83	12,302.38	27,768.21
Share of Union Taxes/Duties	20,805.16	22,715.27	Economic Services	16,823.35	10,720.64	6,250.69	16,971.33
Grants from Gol	12,040.20	11,776.82	Grants-in-aid & Contributions	4,064.57	3,777.66	761.63	4,539.29
Section-B: Capital & others							
Misc. Capital Receipts	31.45	35.98	Capital Outlay	11,566.89	42.56	10,769.96	10,812.52
			General Services	204.89	27.61	168.70	196.31

¹ includes Agriculture (including Animal Husbandry), Forestry, Fishing etc.

² includes Mining and Quarrying, Manufacturing, Electricity, Gas and Water Supply, Construction etc.

³ includes Trade, Hotels and Restaurants, Transport, Storage, Communication, Financing, Insurance, Real Estate and Business Services, Community, Social & Personal Services etc.

			Social Services	1,620.99	4.95	1,894.35	1,899.30
			Economic Services	9,741.01	10.00	8,706.91	8,716.91
Recoveries of Loans and Advances	32.53	93.22	Loans and Advances disbursed	5,378.25	2,906.33	2,171.19	5,077.52
Inter-State settlement	9.14	2.44	Inter-State settlement	7.02			2.36
Public Debt receipts	8,791.16	9,540.82*	Repayment of Public Debt	3,583.94			4,004.65*
Contingency Fund	-	-	Contingency Fund	-			Nil
Public Account receipts	86,247.57	94,811.32	Public Account disbursements	82,735.57			93,063.99
Opening Cash Balance	7,775.88	7,074.81	Closing Cash Balance	7,074.81			4,477.03
Total	1,73,315.01	1,87,307.83	Total	1,73,315.01			1,87,307.83

*No Ways & Means advances were drawn during the year.
(Source: Finance Accounts)

The significant changes during 2013-14 over the previous year are as under:

- Revenue Receipts grew by ₹ 5,321.96 crore (eight *per cent*) due to increase in Own Tax Revenue (by ₹ 2,970.46 crore), Non-Tax Revenue (by ₹ 704.77 crore) and share of Union Taxes/Duties (by ₹ 1,910.11 crore). Revenue Receipts for 2013-14 decreased by ₹ 3,854.23 crore over the projection made in the Medium Term Fiscal Policy Statement (MTFPS).
- Revenue Expenditure increased by ₹ 6,901.23 crore (11 *per cent*). The increase was under social services sector (by ₹ 3,392.74 crore), general services sector (by ₹ 2,885.79 crore), grants-in-aid and contributions (by ₹ 474.72 crore) and economic services sector (by ₹ 147.98 crore).
- Capital Expenditure decreased by ₹ 754.37 crore (seven *per cent*); decrease was mainly under economic services sector (by ₹ 1,024.10 crore) partly offset by increase under social services sector by ₹ 278.31 crore.
- Public Debt receipts increased by ₹ 749.66 crore (8.53 *per cent*) and repayment increased by ₹ 420.71 crore (12 *per cent*). No ways and means advance was drawn.
- Public Account receipts and disbursements increased by ₹ 8,563.75 crore (10 *per cent*) and ₹ 10,328.42 crore (12 *per cent*) respectively.
- Cash balances of the State Government decreased by ₹ 2,597.78 crore.

1.1.2 Review of the fiscal situation

In response to the Twelfth Finance Commission's recommendation, the State Government enacted the Fiscal Responsibility and Budget Management (FRBM) Act, 2005, which came into force from 1 January 2006 with a view to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, sustainable debt management consistent with fiscal deficit, greater transparency in fiscal operations of the Government and conduct of fiscal policy within a Medium Term Fiscal Framework.

In accordance with the provisions of FRBM Act, 2005, the State Government has placed (a) Macro-Economic Framework Statement, (b) Medium Term Fiscal Policy Statement (MTFPS) and (c) Fiscal Policy Strategy Statement along with the Budget for 2013-14. The actuals for 2011-12, Revised Estimates for 2012-13 and Budget Estimates for 2013-14 for select indicators as presented in the MTFPS are given in **Appendix 1.3 Part-C**.

The fiscal forecasts as prescribed by Thirteenth Finance Commission (XIII FC), FRBM Act and those framed in Medium Term Fiscal Policy Statement (MTFPS) for the year 2013-14 as well as actuals for 2013-14 are presented in **Table 1.2**.

Table 1.2: Fiscal forecasts under FRBM Act, MTFPS and XIII FC for 2013-14

(₹ in crore)				
Fiscal forecasts	XIII FC targets for the State	Targets prescribed in FRBM Act/MTFPS	Targets proposed in the budget 2013-14	Actual achievement
Revenue Deficit (-)/ Surplus (+)	0.0 <i>per cent</i>	Reduce Revenue Deficit in each financial year so as to eliminate it by 31.3.2009 and generate Revenue Surplus thereafter	1.27 <i>per cent</i> of GSDP (as per BE (+) 5,215 crore)	(+) 5,879 (1.30 <i>per cent</i> of GSDP)
Fiscal Deficit / GSDP	3.0 <i>per cent</i>	To be reduced to not more than three <i>per cent</i> of GSDP by 31 March, 2012	2.98 <i>per cent</i> of GSDP (as per BE (-)12,219 crore)	(-) 9,882 (2.19 <i>per cent</i> of GSDP)
Ratio of total outstanding debt to GSDP	36.00 <i>per cent</i>	Not to exceed 36.0 <i>per cent</i> of the estimated GSDP for that year	25.78 <i>per cent</i> of GSDP	21.47 <i>per cent</i> of GSDP
Outstanding Guarantees	--	Not to exceed 80 <i>per cent</i> of the total Revenue Receipts (RR) of the preceding year	No projection made. During 2012-13, it was 12.33 <i>per cent</i> of RR of preceding year	14.17 <i>per cent</i> of RR of the preceding year

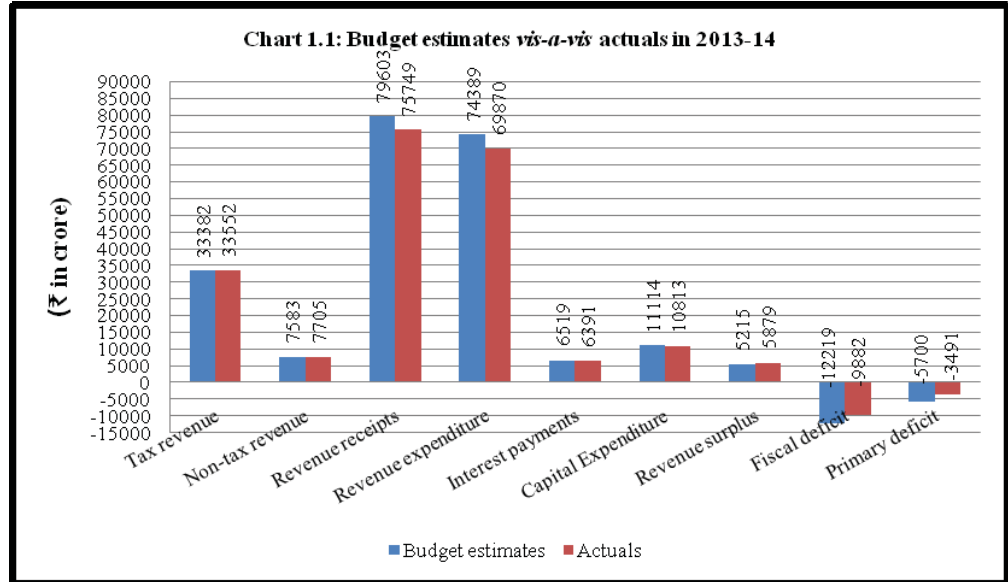
(Source: XIII FC recommendations 2010-15, MPFRBM Act, 2005, Statement laid before the Legislature along with the Budget, under FRBM Act during 2013-14 and Finance Accounts 2013-14)

- The State had achieved Revenue Surplus in the year 2004-05 and maintained the surplus thereafter, though decreased by ₹ 1,580 crore during 2013-14 over the previous year.
- The Fiscal Deficit at 2.19 *per cent* of GSDP during 2013-14 was within the limits prescribed (3 *per cent*) in FRBM targets, XIII FC and projections of MTFPS. The ratio was lower than that in 2012-13 (2.53 *per cent*). During 2013-14, it decreased by ₹ 462 crore over 2012-13.
- The total outstanding debt to GSDP ratio at 21.47 *per cent* was within the limit of 36 *per cent* prescribed in the FRBM target and XIII FC. It was also less than the projection made (25.78 *per cent*) in MTFPS.
- The outstanding guarantees during the year was 14.17 *per cent* of the Revenue Receipts of the preceding year, which was well within the limit prescribed in the FRBM targets (80 *per cent*), however, the ratio marginally increased over the previous year.

1.1.3 Budget Estimates and Actuals

The importance of accuracy in the budget estimates of revenue receipts and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the Budget Estimates are indicative of non-attainment and non-optimisation of the desired fiscal objectives.

Chart 1.1 represents the budget estimates and actuals for some important fiscal parameters for 2013-14.



(Source: Finance Accounts and Budget Estimates 2013-14)

- The State's Revenue Receipts (₹ 75,749 crore) were lower than the budget estimates by ₹ 3,854 crore (4.84 per cent).
- The State's Tax Revenue (₹ 33,552 crore) was marginally higher than the budget estimates by ₹ 170 crore. Further, Non-Tax Revenue was higher than the budget estimates by ₹ 122 crore (1.61 per cent).
- Revenue Expenditure and Capital Expenditure were less than the budget estimate by ₹ 4,519 crore (6.07 per cent) and ₹ 301 crore (2.71 per cent) respectively.
- Interest payments were less than the budget estimates by ₹ 128 crore (1.96 per cent) mainly due to decrease in interest on Market Loans and interest on Loans for State/Union Territory Plan.
- The key fiscal indicators viz., Revenue Surplus, Fiscal Deficit and Primary Deficit showed improvement with reference to budget estimates.

1.1.4 Gender Budgeting

Gender Budget of the State discloses the expenditure proposed to be incurred within the overall budget on schemes which are designed to benefit women fully or partially. Gender budgeting was introduced in 2007-08 and separate volume of gender budget was submitted along with the budget to make available the details of budget provisions relating to women and girls. Schemes relating to gender budget were bifurcated in two categories (1) Schemes in which 100 per cent budget provisions were related to women and (2) Schemes in which atleast 30 per cent of budget provisions were related to women.

During 2013-14, budget provisions were made in 25 departments⁴ (category-1: 51 schemes and category-2: 390 schemes) for benefit of women.

As per the information furnished (August 2014) by Finance Department (FD), the year-wise allocation and expenditure in respect of categories 1 and 2 for the years from 2009-10 to 2013-14 are given in **Table 1.3**.

Table 1.3: Gender Budgetary Allocations during 2009-14

Year	Category 1			Category 2		
	Outlay	Expenditure	Percentage of Expenditure to outlay	Outlay	Expenditure	Percentage of Expenditure to outlay
2009-10	638.68	868.67	136.01	11,977.79	1,510.02	12.61
2010-11	858.27	780.56	90.95	12,809.86	1,467.60	11.46
2011-12	1,510.02	1,245.41	82.48	20,500.64	6,908.51	33.70
2012-13	1,745.00	1,473.08	84.42	23,038.77	19,195.10	83.32
2013-14	1,768.19	1,688.93	95.52	24,464.97	24,229.29	99.04
Total	6,520.16	6,056.65	92.89	92,792.03	53,310.52	57.45

(Source: Information provided by Finance Department, GoMP)

On being asked regarding impact analysis on social and economic conditions of women after introduction of Gender Budgeting, no reply was furnished by the Finance Department (July 2014). As per information obtained (July 2014) from two selected Departments, there were significant savings in Tribal Welfare Department as shown in **Table 1.4**.

Table 1.4: Showing category-wise Provision and Expenditure during 2013-14

Name of Department	Category-1 (100 per cent)				Category-2 (30 per cent)			
	No. of schemes	Total Provision	Total Expenditure	Saving (per cent)	No. of schemes	Total Provision	Total Expenditure	Saving (per cent)
Sports and Youth Welfare Department	3	1.45	1.34	0.11 (7.59)	16	87.61	80.53	7.08 (8.08)
Tribal Welfare Department	4	83.50	41.29	42.21 (50.55)	47	1,305.30	1,127.64	177.67 (13.61)

- (i) No specific reason for non-utilisation of funds under TWD was intimated by the Commissioner (September 2014).
- (ii) Reasons attributed by the Director, SYWD for the savings were under-utilisation of funds under salaries and wages, competition organization, incentives to trainers and procurement of sports equipment.

In 21 schemes of SYWD (3) and TWD (18) under Category 2, expenditure incurred during 2013-14 was much less than the amount prescribed for Category 2. Cases where savings exceeded ₹ one crore in each schemes are shown in **Appendix 1.6**.

⁴ 1. Home Department, 2. Sports and Youth Welfare, 3. Commerce, Industry & Employment, 4. Farmer Welfare & Agriculture Development, 5. Cooperation Department, 6. Public Health and Family Welfare, 7. Urban Administration & Development, 8. School Education, 9. Panchayat, 10. Tribal Welfare, 11. Social Justice, 12. Food and Civil Supplies, 13. Water Resources Department, 14. Animal Husbandry, 15. Higher Education, 16. Man Power Planning, 17. Aviation, 18. Women & Child Development, 19. Rural Industry, 20. Welfare of Backward Classes, 21. Scheduled Castes Welfare, 22. Rural Development, 23. Horticulture & Food Processing, 24. Ayush Department, 25. Vimukta, Ghumakkad evam Ardhghumakkad Castes Welfare

It is evident from Appendix that the provision earmarked for women remained unutilised. The savings ranged between six and 97 per cent. This indicated that women oriented schemes, particularly for tribal people, were not implemented properly.

1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of tax revenues, non-tax revenues, State's share of Union Taxes and Duties and grants-in-aid from the Government of India (GoI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and Loans and Advances from GoI as well as net accruals from Public Account.

The components of the State's receipts during 2013-14 have been categorised in **Chart 1.2**.

Chart 1.2: Components and sub-components of Resources

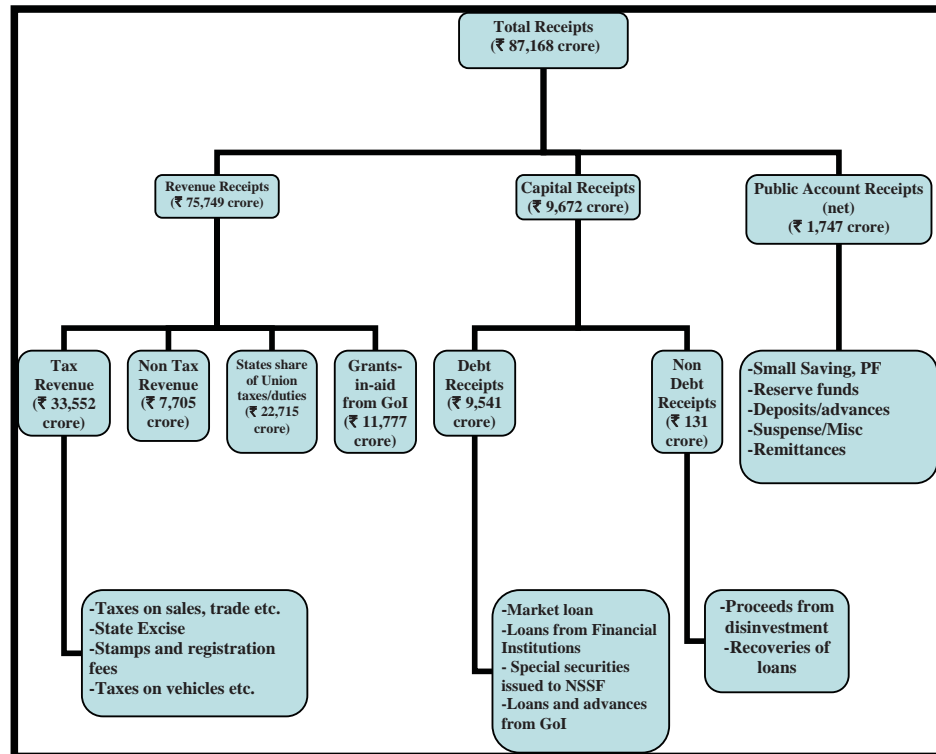
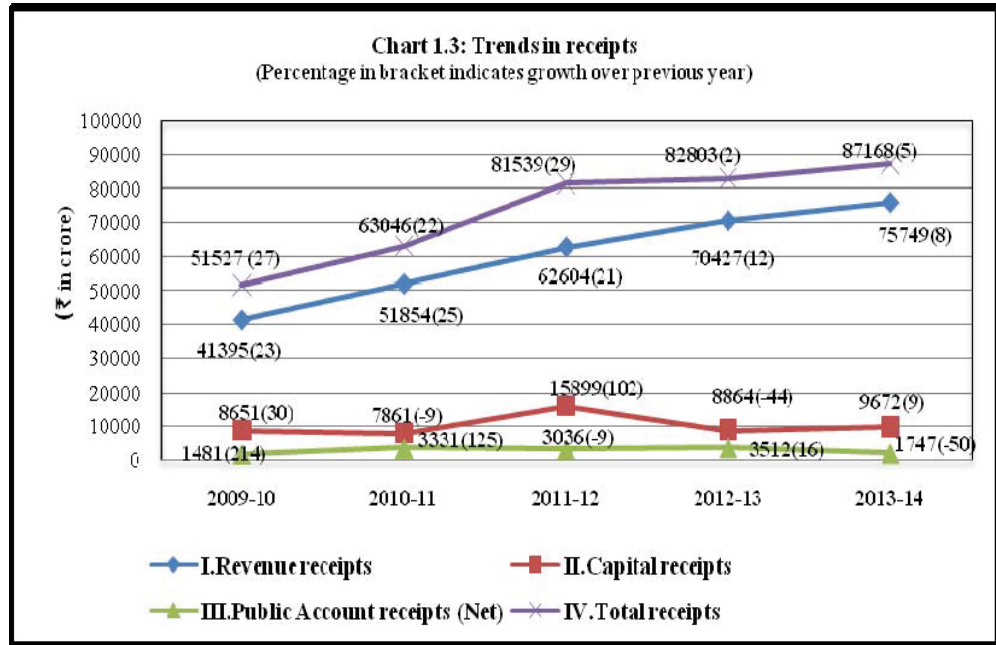
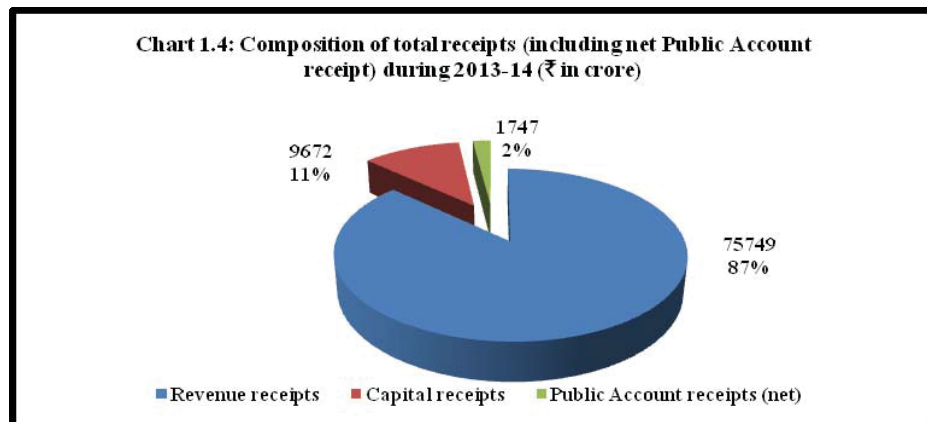


Table 1.1 presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts, while **Chart 1.3** depicts the trends in various components of the receipts of the State during the period 2009-14 and **Chart 1.4** depicts the composition of receipts during 2013-14.



(Source: Finance Accounts)



(Source: Finance Accounts)

- The Revenue, Capital and Public Account receipts (net) constituted 87 per cent, 11 per cent and two per cent respectively of the total receipts during 2013-14.
- The total receipts (including net Public Accounts receipts) of the State increased by 69 per cent during the period 2009-14. Increase in Revenue Receipts, Capital Receipts and net Public Account Receipts was 83 per cent, 12 per cent and 18 per cent respectively during the period 2009-14.
- Growth rate of the total receipts was only five per cent in 2013-14 over the year 2012-13.
- The relative share of Revenue Receipts in total receipts during the years 2009-10 to 2013-14 ranged between 77 per cent and 87 per cent. The share of Capital Receipts in total receipts during the years 2009-10 to 2013-14 ranged between 11 per cent and 20 per cent.

- During 2013-14, Revenue Receipts increased by ₹ 5,322 crore (7.56 per cent) and Capital Receipts increased by ₹ 808 crore (9 per cent) mainly due to increase in Public Debt receipts (by ₹ 750 crore). Net receipts under Public Account, however, decreased by ₹ 1,765 crore (50 per cent).
- The Public Debt Receipts increased due to more borrowings under Special Securities issued to National Small Savings Fund of the Central Government, Market Loans and Loans from National Co-operative Development Corporations.

1.2.2 Funds directly transferred to State Implementing Agencies outside State Budget

The GoI transfers a sizeable quantum of funds directly to the State implementing agencies for implementation of various schemes/programmes in social and economic sectors, which are recognised as critical. In the present mechanism, these funds are not routed through the State Budget/State Treasury System and hence do not find mention in the Finance Accounts of the State. As such, the Annual Finance Accounts of the State does not provide a complete picture of the resources under the control of the State Government.

Details of funds transferred directly to State implementing agencies in respect of the Central Plan Schemes during the years 2012-13 and 2013-14 are furnished in **Table 1.5**.

Table 1.5: Funds transferred directly to State Implementing Agencies in the State

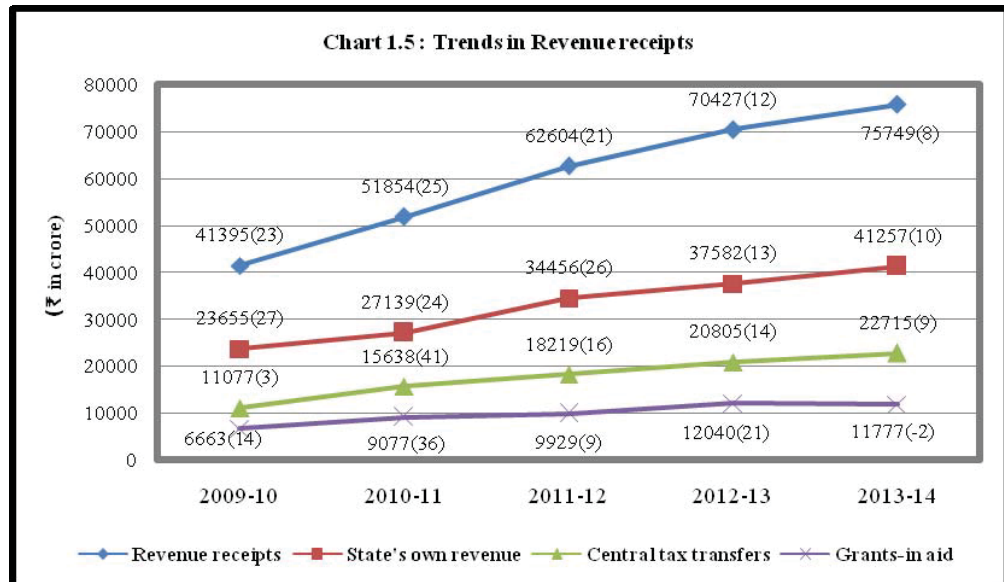
Sl. No.	Name of the Programme/ Scheme	Implementing Agency/Department	GoI releases (₹ in crore)	
			2012-13	2013-14
1	Mahatma Gandhi National Rural Employment Guarantee Scheme(90:10)	Madhya Pradesh State Employment Guarantee, Bhopal	1,610.15	1,839.82
2	Sarva Shiksha Abhiyan (SSA) (65:35)	M.P. Sarva Shiksha Abhiyan Mission	1,353.43	2,004.09
3	Pradhan Mantri Gram Sadak Yojana (PMGSY) (100:0)	Madhya Pradesh Rural Roads Development Authority, Bhopal	242.88	615.00
4	National Rural Health Mission (NRHM) Centrally Sponsored (85:15)	State Health Society, Madhya Pradesh	14.96	657.53
5	Rural Housing-IAY (75:25)	DRDA (All Districts)	237.89	472.69
6	National Rural Drinking Water Programme	State Water and Sanitation Mission, Madhya Pradesh, Bhopal	550.37	474.95
7	Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	M.P. Madhyamik Shiksha Abhiyan Samiti	461.22	524.56
8	Scheme for setting up of 6000 model schools at Block Level as Benchmark of Excellence	M.P. Madhyamik Shiksha Abhiyan Samiti	22.93	133.23
9	Central Rural Sanitation Programme	State Water and Sanitation Mission, Madhya Pradesh, Bhopal	257.80	660.39
10	National Food Security Mission (100:0)	State Institute of Agriculture Extension and Training	247.15	366.07
11	MPs Local Area Development Scheme (MPLADS)	District Collector (All Districts)	223.00	207.50
12	Integrated Watershed Management Programme (IWMP)	State Level Nodal Agency, MP	128.30	142.63
13	Aajeevika-Swaran Jayanti Gram SwarojgarYojna	Madhya Pradesh Rajya Aajeevika Forum (MPRAF)	142.71	102.03
14	National Mission on Micro Irrigation	Director Horticulture, Madhya Pradesh	63.84	106.52
15	National Horticulture Mission	Mission Director, State Horticulture Mission, Bhopal	30.67	75.37
16	Others		636.03	897.67
Total			6,223.33	9,280.05

(Source: Finance Accounts)

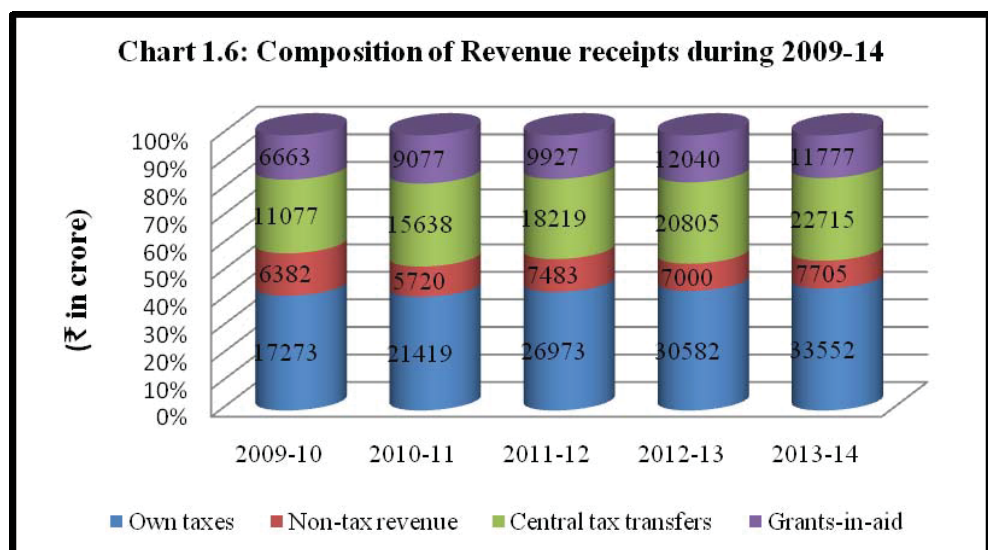
During 2013-14, the total receipts of the State (₹ 1,80,232 crore)⁵ did not include the amount received on direct transfers (₹ 9,280.05 crore).

1.3 Revenue Receipts

Statement-11 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts consist of own tax and non-tax revenues, Central tax transfers and grants-in-aid from GoI. The trends and composition of Revenue Receipts over the period 2009-14 are presented in **Appendix 1.4** and also depicted in **Charts 1.5** and **1.6** respectively.



(Figures in brackets indicates growth rates)
(Source: Finance Accounts)



(Source: Finance Accounts)

⁵ Includes gross Public Accounts Receipts

General trends

- The Revenue Receipts of the State increased by 83 *per cent* from ₹ 41,395 crore in 2009-10 to ₹ 75,749 crore in 2013-14 at an average annual growth rate of 16.60 *per cent*. Growth rate during 2013-14 was 7.56 *per cent* against 12.50 *per cent* in 2012-13. While 54 *per cent* of the Revenue Receipts during 2013-14 had come from the State's own resources comprising Tax Revenue (44 *per cent*) and Non-Tax Revenue (10 *per cent*), the balance 46 *per cent* was contributed by Central tax transfers and grants-in-aid together.
- The relative share of the State's own tax revenue in total Revenue Receipts ranged between 41 *per cent* and 44 *per cent* during the years 2009-10 to 2013-14, while share of other components of Revenue Receipts, viz. Non-Tax Revenue, Central Tax Transfers and Grants-in-aid together ranged between 56 *per cent* and 59 *per cent* during the years 2009-10 to 2013-14.

The trends of Revenue Receipts relative to GSDP are presented in **Table 1.6**.

Table 1.6: Trends of Revenue Receipts relative to GSDP

	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Receipts (RR) (₹ in crore)	41,395	51,854	62,604	70,427	75,749
Rate of growth of RR (<i>per cent</i>)	23.28	25.27	20.73	12.50	7.56
Rate of growth of GSDP (<i>per cent</i>)	15.35	15.75	18.33	19.41	21.15
Rate of growth of Fiscal liabilities (<i>per cent</i>)	12.28	11.28	8.28	10.29	7.38
Rate of growth of State's own Taxes (<i>per cent</i>)	26.88	24.00	25.93	13.38	9.71
R R/GSDP (<i>per cent</i>)	18.19	19.69	20.09	18.92	16.80
Buoyancy Ratios⁶					
Revenue Buoyancy w.r.t GSDP	1.52	1.60	1.13	0.64	0.36
State's Own Tax Buoyancy w.r.t GSDP	1.75	1.52	1.41	0.69	0.46
Revenue Buoyancy with reference to State's own taxes	0.87	1.05	0.80	0.93	0.78
Fiscal liabilities w.r.t GSDP	0.80	0.72	0.45	0.53	0.35

(Source: Finance Accounts and information furnished by Directorate of Economics and Statistics, Government of Madhya Pradesh) GSDP estimates at current prices for the years 2009-10 to 2012-13 are revised, hence, percentage ratio/buoyancies of various parameters with reference to GSDP for 2009-10 to 2012-13 indicated in earlier Reports have also been revised.

Ideally, the growth rate of revenue receipts should be higher than GSDP growth rate so that over the time the budget can be better balanced. An analysis of the **Table 1.6** revealed the following:

- The Revenue Receipts relative to GSDP increased consistently from 18.19 *per cent* in 2009-10 to 20.09 *per cent* in 2011-12 but decreased to 16.80 *per cent* in 2013-14.
- Growth of Revenue Receipts increased from 23.28 *per cent* in 2009-10 to 25.27 *per cent* in 2010-11, and then decreased to 7.56 *per cent* in 2013-14 over the previous year, mainly due to decline in receipt of GoI grants (2 *per cent*) and lesser growth in own Tax Revenue.
- The Revenue buoyancy as well as State's Own Tax Buoyancy with reference to GSDP decreased in 2013-14 (0.36 and 0.46 respectively) as compared to the previous year (0.64 and 0.69 respectively) owing

⁶ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance revenue buoyancy at 0.6 implies that revenue receipts tend to increase by 0.6 percentage points if the GSDP increases by one per cent.

to decrease in growth rate of Revenue Receipts and increase in growth rate of GSDP during the year 2013-14.

1.3.1 State's Own Resources

As the State's share in Central taxes and grants-in-aid from GoI are determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources is assessed in terms of its own resources comprising own tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2013-14 *vis-a-vis* assessment made by XIII FC, in RE and in MTFPS are given in **Table 1.7**.

Table 1.7: Tax Revenue and Non-Tax Revenue

(₹ in crore)

	XIII FC projections	Revised Budget Estimates (RE) 2013-14	MTFPS projection	Actual
Tax Revenue	24,510	33,929	33,382	33,552
Non-Tax Revenue	5,480	8,139	7,583	7,705

(Source: Finance Accounts and Statement laid before the legislature under FRBM Act along with State Budgets 2013-14 and 2014-15 and the recommendations of XIII FC)

It would be seen that the actual realisation under tax revenue and non-tax revenue was significantly higher than the assessment made by the XIII FC (by 36.89 *per cent* and 40.60 *per cent* respectively). Actual realisation under tax revenue as well as non-tax revenue was marginally higher in comparison to MTFPS projections and lower than the revised budget estimates.

1.3.1.1 Tax Revenue

The gross collection in respect of major taxes and duties are given in **Table 1.8**.

Table 1.8: Components of Tax Revenue of the State

(₹ in crore)

Revenue Head	2009-10	2010-11	2011-12	2012-13	2013-14	Increase(+)/ decrease (-) over previous year (in <i>per cent</i>)
Taxes on Sales, Trades etc.	7,724	10,257	12,517	14,856	16,650	(+) 12.08
State Excise	2,952	3,603	4,317	5,078	5,907	(+) 16.33
Taxes on Vehicles	919	1,198	1,357	1,531	1,599	(+) 4.44
Stamps and Registration Fees	1,783	2,514	3,284	3,944	3,400	(-) 13.79
Land Revenue	180	361	279	444	366	(-) 17.57
Taxes on Goods and Passengers	1,333	1,746	2,047	2,395	2,579	(+) 7.68
Taxes and Duties on Electricity			1,773	1,478	1,972	(+) 33.42
Other Taxes*	2,382	1,740	1,399	856	1,079*	(+) 26.05
Total Tax Revenue	17,273	21,419	26,973	30,582	33,552	(+) 9.71

* Other taxes include Taxes on Immovable Property other than Agricultural Land (₹ 667 crore), Other Taxes on Income and Expenditure (₹ 275 crore), Other Taxes and Duties on Commodities and Services (₹ 137 crore).

(Source: Finance Accounts)

- Taxes on Sales, Trades etc. were the major contributors (49.62 *per cent*) of the State's own tax revenue followed by State Excise (17.61 *per cent*), Stamps and Registration Fees (10.13 *per cent*), Taxes on Goods and Passengers (7.69 *per cent*) and Taxes on Vehicles (4.77 *per cent*) during 2013-14.

- The increase in receipts under Taxes on Sales, Trades etc. (by ₹ 1,794 crore) was mainly due to more receipts under the sub-head 102- State Sales Tax Act. The increase in State Excise receipts (by ₹ 829 crore) was mainly under '800-Other receipts', '106-Commercial and Denatured spirits and medicated wines' and '107- Medicinal and toilet preparation containing alcohol opium' etc. The decrease under Stamps and Registration Fees (by ₹ 544 crore) was mainly due to decrease in fees for registering documents due to change in the taxation policy of the State.
- The increase under Taxes on Immovable property other than Agricultural Land (by ₹ 254 crore) was mainly due to more receipts under the sub head '800-Other receipts'. The increase under Taxes and duties on Electricity (by ₹ 494 crore) was mainly due to increase in receipt under sub-head '101-Taxes on consumption and sale of electricity and other receipts'.

Cost of collection of Revenues

The gross collection of Taxes on Sales, Trade etc., Taxes on Vehicles, State Excise and Stamps and Registration Fees, expenditure incurred on their collection and its percentage to gross collection during the years 2012-13 and 2013-14 along with their All India average cost of collection for the respective previous years are indicated in **Table 1.9**.

Table 1.9: Cost of collection of Revenue Receipts

Sl.No.	Head of Revenue	Year	BE (Budget Estimates) (₹ in crore)	Actual collection (₹ in crore)	Expenditure on collection of Revenue (₹ in crore)	Percentage of Expenditure on collection	All-India Average (in per cent)
1.	Taxes on Sales, Trades etc.	2012-13	14,000.00	14,856.30	129.32	0.87	0.83
		2013-14	16,500.00	16,649.85	136.63	0.82	0.73
2	Taxes on Vehicles	2012-13	1,400.00	1,531.25	40.07	2.62	2.96
		2013-14	1,650.00	1,598.93	50.67	3.17	4.17
3.	State Excise	2012-13	4,800.00	5,078.06	1,188.87	23.41	2.98
		2013-14	5,750.00	5,907.39	1,320.37	22.35	2.96
4.	Stamps and Registration Fees	2012-13	3,200.00	3,944.24	79.00	2.00	1.89
		2013-14	4,000.00	3,400.00	85.93	2.53	3.25

(Source: Finance Accounts and information compiled by AG (E&RSA), MP)

During 2013-14, the gross collection was more than the Budget Estimates in respect of Taxes on Sales, Trade etc., and State Excise. Collection of Taxes on Vehicles and Stamps & Registration Fees was less than Budget Estimates. Cost of collection under these increased compared to the previous year.

1.3.1.2 Non-Tax Revenue

Non-Tax Revenue comprises receipts mainly from Interest, Non-Ferrous Mining and Metallurgical Industries, Forestry and Wildlife, Education, Sports, Art and Culture etc. as indicated in **Table 1.10**.

Table 1.10: Growth rate of Non-Tax Revenue

Revenue Head						(₹ in crore)
	2009-10	2010-11	2011-12	2012-13	2013-14	Percentage increase (+)/ decrease (-) during 2013-14
Interest receipts	1,284	299	1,571	301	318	(+) 5.65
Non-Ferrous Mining and Metallurgical Industries	1,590	2,121	2,038	2,443	2,306	(-) 5.61
Forestry and Wildlife	80	837	879	910	1,037	(+) 13.96
Education, Sports, Art and Culture	745	1,194	1,551	1,682	2,008	(+) 19.38
Dividends and Profits	50	32	38	18	379	(+) 2006
Other non-tax receipts	2,633	1,237	1,406	1,646	1,657	(+)0.67
Total	6,382	5,720	7,483	7,000	7,705	(+)10.07

(Source- Finance Accounts)

- Non-tax revenue increased by ₹ 705 crore from ₹ 7,000 crore in 2012-13 to ₹ 7,705 crore in 2013-14, mainly due to increase in receipts under Dividends and Profits (by ₹ 361 crore) and Education, Sports, Art and Culture (by ₹ 326 crore).
- Major contributors of non-tax revenue during 2013-14 were Non-Ferrous Mining and Metallurgical Industries (29.93 per cent), Education, Sports, Art and Culture (26.06 per cent) and Forestry and Wildlife (13.46 per cent).
- No funds, as debt waivers under Debt Consolidation and Relief Facilities (DCRF) schemes, were received by the State Government.

1.3.2 Grants-in-aid from GoI

Grants-in-aid from GoI increased from ₹ 6,663 crore in 2009-10 to ₹ 11,777 crore in 2013-14 as shown in **Table 1.11**.

Table 1.11: Grants-in-aid from GoI

Particulars						(₹ in crore)
	2009-10	2010-11	2011-12	2012-13	2013-14	
Non-Plan Grants	1,533	1,636	2,114	333	3,540	
Grants for State Plan Schemes	3,102	4,522	4,215	7,099	5,536	
Grants for Central Plan Schemes	393	649	364	500	153	
Grants for Centrally Sponsored Schemes	1,635	2,270	3,236	4,108	2,548	
Grants for Special Plan Schemes	--	--	--	--	--	
Total	6,663	9,077	9,929	12,040	11,777	
Percentage of increase(+)/decrease(-) over previous year	13.84	36.23	9.39	21.26	(-) 2.18	
Total Grants as a percentage of Revenue Receipts	16.10	17.50	15.86	17.10	15.55	

(Source: Finance Accounts)

The net decrease of ₹ 263 crore under GoI grants during 2013-14 over the previous year was due to decrease in State Plan Schemes (by ₹ 1,563 crore), Centrally Sponsored Plan Schemes (by ₹ 1,560 crore) and Central Plan Schemes (by ₹ 347 crore), offset by increase in non-plan grants (by ₹ 3,207 crore).

Decrease in grants for State Plan Schemes was mainly under Panchayati Raj (by ₹ 1,203 crore) and Block Grants (by ₹ 219 crore). The decrease under grants for Centrally Sponsored Schemes was mainly on account of decrease under Elementary Education- Other Grants (by ₹ 639 crore), Urban Family Welfare Services (by ₹ 265 crore) and Special Central Assistance for

Scheduled Castes Component Plan (by ₹ 101 crore). The decrease in grants for Central Plan Schemes was mainly under Agricultural Economics and Statistics (by ₹ 182 crore), Technical Education- Polytechnics (by ₹ 54 crore) and Forest Conservation Development and Regeneration (by ₹ 32 crore). Increase in non-plan grant was mainly under Grants under the provision of Article 275 (1) of the Constitution.

1.3.3 Central Tax transfers

The Central tax devolutions are determined by the Finance Commission award. The Central tax transfer of ₹ 22,715 crore during 2013-14 was marginally less than the estimated amount of ₹ 23,694 crore as given in Macro Economic Framework Statement. However, it increased by ₹ 1,910 crore from ₹ 20,805 crore in 2012-13. Increase was mainly under Taxes on Income other than Corporation Tax (by ₹ 556.15 crore) and Service Tax (by ₹ 662.65 crore).

1.3.4 Optimisation of the XIII Finance Commission Grants

During 2013-14, the XIII Finance Commission recommended ₹ 3,205.16 crore as Grants-in-aid including specific grants to the State. Against these, the State Government received grants aggregating ₹ 2,589.35 crore. Details are given in **Table 1.12**.

Table 1.12: Transfers recommended and actual release of Grants-in-aid
(₹ in crore)

Sl. No.	Transfers	Recommendation of the XIII FC	Actual release by GoI
1.	Local Bodies	1,464.41	1,101.10
	Grants to PRIs	1,080.52	868.35
	General Basic Grants	615.10	629.26
	General performance grants to PRI	420.30	214.85*
	Special Area Basic Grant	22.56	24.24
	Special Area Performance Grant	22.56	Nil
	Grants to ULBs	383.89	232.75
	General Basic Grants	223.40	228.51
	General performance grants to ULBs	152.60	Nil
	Special Area Basic Grant	3.95	4.24
	Special Area Performance Grant	3.94	Nil
2.	(a) Disaster Relief Fund-Central Share	341.00	341.00
	(b) Capacity Building	5.00	Nil
3.	Improving outcome grants	141.42	Nil
	(i) Improvement in Supply of Justice	81.48	Nil
	(ii) Incentive for issuing UIDs	49.94	Nil
	(iii) Improvement of Statistical Systems at State	10.00	Nil
4.	Protection of Forests	122.58	122.58
5.	Water Sector Management	37.00	Nil
6.	Reduction in Infant Mortality Rates	0.00	4.92
7.	Elementary education	523.00	523.00
8.	Roads and bridges	263.00	263.00
9.	State specific grants	307.75	233.75
	(i) Anganwadi Centres	100.00	100.00
	(ii) Police Training	45.00	45.00
	(iii) Development of Tourism	45.00	45.00
	(iv) Health Infrastructure	62.50	Nil
	(v) Conservation of Heritage	43.75	43.75
	(vi) Establishment of virology Laboratory at Gandhi Medical College	6.00	Nil
	(vii) Upgradation of MTH Hospital, Indore	5.50	Nil
	Total	3,205.16	2,589.35

*Excluding ₹ 173.23 crore received to State from forfeited amount of other State
(Source: Information obtained from Finance Department, Madhya Pradesh)

During test check of records of Police Department (July 2014) and collection of information from Finance Department (October 2014), we noticed submission of excess/inaccurate Utilisation Certificates (UCs), non-utilisation of XIII FC grant and parking of funds in Deposit Account as discussed below:

For the award period 2011-15 of the XIII FC, the GoI sanctioned (September 2010) FC grant of ₹ 180 crore (in four annual instalments of ₹ 45 crore each) for upgrading five Police Training Centres in Madhya Pradesh and to establish a new basic constable school at Sagar. As per guidelines, the third instalment was to be released only when entire amount of first instalment and two-third of the second instalment had been utilised. Similarly, for release of fourth instalment, 100 per cent of the first and second instalments and two-third of the third instalment was to be utilised.

Against ₹ 90 crore released during 2011-12 and 2012-13, the State Government (Finance Department) submitted (March 2014) progressive utilisation certificate (UC) for ₹ 74.45 crore, i.e. unspent balance reported as ₹ 15.55 crore. We observed that actual amount of unspent balance was ₹ 31.34 crore (₹ 27.16 crore was kept unutilised by the Police Housing Corporation and ₹ 4.18 crore was kept in K-Deposit by ADG (Training)). Thus, the amount of UC was inflated to the extent of ₹ 15.79 crore. Based on this UC, GoI released (May 2014) the third instalment of ₹ 45 crore for 2013-14. While the ADG (Training) utilised ₹ 4.18 crore during 2014-15, the Corporation still retained the unspent amount in bank.

We further observed (October 2014) that the State Finance Department submitted in September 2014 a progressive UC of ₹ 123.11 crore, i.e. having an unspent balance of ₹ 11.89 crore, against total grant of ₹ 135 crore for three instalments, despite having an unspent balance of ₹ 45.44 crore in the bank account of the Police Housing Corporation (₹ 27.16 crore up to 2012-13 plus ₹ 18.28 crore for 2013-14). Thus, the UC was inflated to the tune of ₹ 33.55 crore.

On this being pointed out, the Additional Director General of MP Police Housing Corporation Ltd. stated (July 2014) that the UC issued earlier was on the basis of assessed value of work done but the expenditure shown to Audit was on the basis of actual payments made to the contractor.

The reply was not acceptable since issue of UCs based on assessed value of work was not correct and contrary to the relevant rules.

1.3.5 Foregone Revenue

The details of evasion of revenue as on 31 March 2014 as reported by two departments are given in **Table 1.13**. The information has not been provided by four other revenue departments.

Table 1.13 Evasion of Tax

Nature of Revenue	No. of cases pending as on 31.03.2013	No. of cases detected during 2013-14	Total no. of cases	No. of cases in which investigation completed and additional demand including penalty raised		No. of pending cases as on 31.03.2014
				No. of cases	Amount (₹ in crore)	
Taxes on Sales, Trade etc.	253	263	516	239	44.19	277
Stamps and Registration fees	16,394	9,876	26,270	12,694	49.43	13,576
Total	16,647	10,139	26,786	12,933	93.62	13,853

(Source: Information maintained by AG (E&RSA), MP)

1.4 Capital Receipts

Table 1.14 shows the trends in growth and composition of Capital Receipts.

Table 1.14: Trends in growth and composition of Receipts

(₹ in crore)

Sources of State's Receipts	2009-10	2010-11	2011-12	2012-13	2013-14
Capital Receipts (CR)	8,651	7,861	15,899	8,864	9,672
Non Debt Capital Receipts	48	403	9,149	73	131
Miscellaneous Capital Receipts	22	367	23	31	36
Inter-State Settlement	3	2	3	9	2
Recovery of Loans and Advances	23	34	9,123	33	93
Debt Capital Receipts	8,603	7,458	6,750	8,791	9,541
Rate of growth of CR (<i>per cent</i>)	30.44	-9.13	102.25	-44.25	9.12
Rate of growth of non-debt Capital Receipts (<i>per cent</i>)	-39.24	739.58	2,170.22	-99.20	79.45
Rate of growth of debt Capital Receipts (<i>per cent</i>)	31.28	-13.31	-9.49	30.24	8.53
Rate of growth of GSDP (<i>per cent</i>)	15.35	15.75	18.33	19.41	21.15

(Source: Finance Accounts)

1.4.1 Proceeds from disinvestment

As per Finance Account 2013-14, disinvestment of Co-operative Societies/Banks under Miscellaneous Capital Receipts marginally increased from ₹ 21.45 crore in 2012-13 to ₹ 25.53 crore in 2013-14.

1.4.2 Recoveries of loans and advances

The recovery of Loans and Advances of ₹ 93 crore during the year was lower than the Budget Estimates (₹ 125 crore). During 2013-14, increase of ₹ 60 crore in actual recovery over the previous year was mainly due to more recovery of loans from Water Supply, Sanitation, Housing and Urban Development (by ₹ 56.75 crore).

1.4.3 Public Debt Receipts

Public Debt Receipts consisted of Internal Debts and Loans from GoI. During 2013-14, Public Debt Receipts increased mainly under Internal Debt.

- Internal Debt receipts increased by ₹ 1,094 crore from ₹ 7,234 crore in 2012-13 to ₹ 8,328 crore in 2013-14, mainly due to increase under Market Loans and special securities issued to NSSF of Central Government.

- Loans and Advances from GoI decreased by ₹ 345 crore from ₹ 1,557 crore in 2012-13 to ₹ 1,212 crore in 2013-14. Entire decrease was under Loans for State/Union Territory Plan Schemes.

1.5 Public Accounts 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 are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. Here the Government Acts as a banker. The balance after disbursements is the available fund with the Government for its use.

The trends in respect of Public Account Receipts during 2009-14 are presented in **Table 1.15**.

Table 1.15: Trends in Public Account Receipts

(₹ in crore)					
Resources under various heads	2009-10	2010-11	2011-12	2012-13	2013-14
Public Account Receipts (Gross)	52,353	65,675	76,315	86,248	94,811
a. Small Savings, Provident Fund etc.	1,512	1,737	2,033	2,319	2,784
b. Reserve Fund	764	1,191	1,534	2,441	1,612
c. Deposits and Advances	9,334	9,724	9,872	6,502	10,369
d. Suspense and Miscellaneous	31,457	41,810	50,620	59,819	64,444
e. Remittances	9,286	11,213	12,256	15,167	15,602

(Source: Finance Accounts)

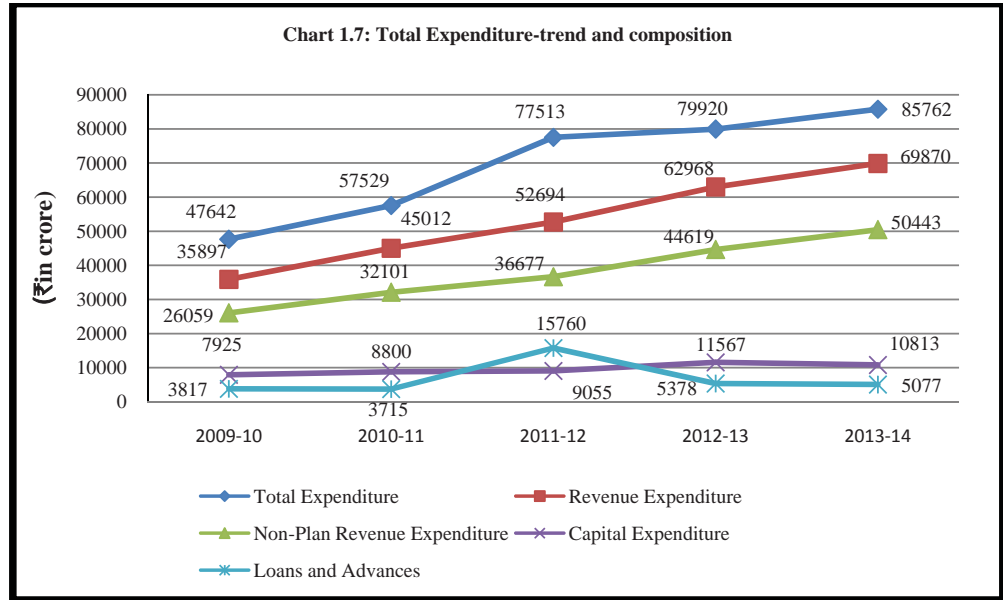
Public Account Receipts (Gross) increased by ₹ 8,563 crore (10 per cent) from ₹ 86,248 crore in 2012-13 to ₹ 94,811 crore in 2013-14. The increase was mainly under Deposits and Advances (by ₹ 3,867 crore) and Suspense & Miscellaneous (by ₹ 4,625 crore).

1.6 Application of Resources

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

1.6.1 Growth and composition of expenditure

Chart 1.7 presents the trend in Total Expenditure (excluding Public Debt repayments) over a period of the last five years (2009-14). Expenditure under various components is depicted in **Chart 1.8** and the trend of expenditure by activities/services is shown in **Chart 1.9**.



(Source : Finance Accounts)

During the period 2009-14, the Total Expenditure of the State increased by ₹ 38,120 crore (80 per cent). The Revenue Expenditure and Capital Expenditure increased by ₹ 33,973 crore (95 per cent) and ₹ 2,888 crore (36 per cent) respectively during the same period.

During 2013-14, the increase of ₹ 5,842 crore in Total Expenditure (by seven per cent) over 2012-13 was mainly due to increase of ₹ 6,902 crore (11 per cent) in Revenue Expenditure partly offset by decrease of ₹ 754 crore (seven per cent) in Capital Expenditure and ₹ 301 crore (six per cent) under Loans and Advances.

The total Plan expenditure⁷ and the total Non-Plan expenditure⁸ during 2013-14 increased by ₹ 940 crore and ₹ 4,907 crore over the previous year respectively. The total Plan expenditure and Non-Plan expenditure during 2013-14 consisted 38 per cent and 62 per cent respectively of Total Expenditure.

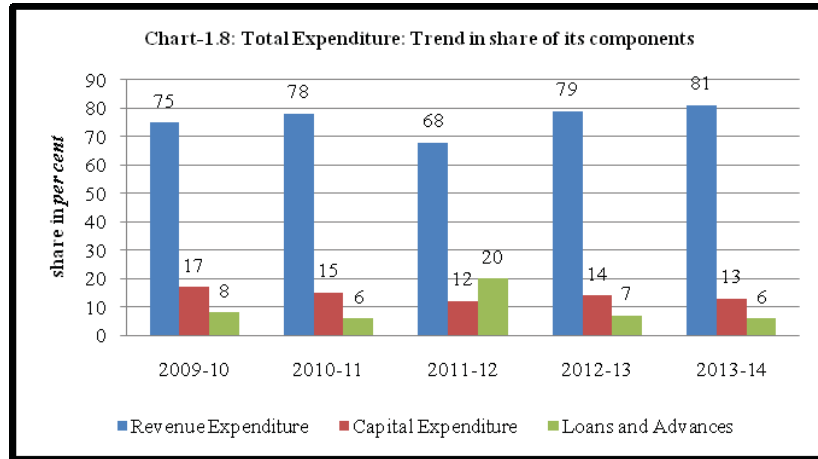
As seen from the **Chart 1.8**, the share of Revenue Expenditure in Total Expenditure continuously increased from 75 per cent in 2009-10 to 81 per cent in 2013-14, except during the year 2011-12. The share of Capital expenditure in Total Expenditure continuously decreased from 17 per cent in 2009-10 to 13 per cent in 2013-14 except during the year 2012-13.

During 2013-14, the Non-Plan Revenue Expenditure increased by ₹ 5,824 crore (13 per cent) over the previous year.

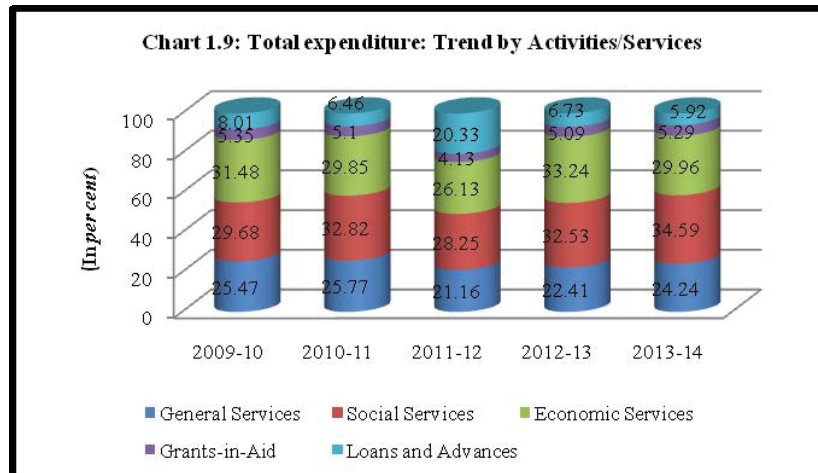
In 2013-14, 88 per cent of the Total Expenditure (₹ 85,762 crore) could be met out of Revenue Receipts (₹ 75,749 crore).

⁷ Includes Plan Expenditure under Revenue, Capital and Loans & Advances

⁸ Includes Non-Plan Expenditure under Revenue, Capital and Loans & Advances



The increase in Revenue Expenditure was mainly due to increase in Education, Sports, Art & Culture (by ₹ 2,801 crore), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (by ₹ 138 crore), Health and Family Welfare (by ₹ 155 crore), Social Welfare and Nutrition (by ₹ 116 crore) and Water Supply, Sanitation, Housing and Urban Development (by ₹ 100 crore).



(Source: Finance Accounts)

- As shown in **Chart 1.9**, the share of expenditure under General Services (including Interest Payments) to Total Expenditure declined from 25.47 per cent in 2009-10 to 24.24 per cent in 2013-14, while the share of expenditure under Social Services increased from 29.68 per cent in 2009-10 to 34.59 per cent in 2013-14 with inter-year variations. The share of expenditure under Economic Services indicated a decreasing trend from 31.48 per cent in 2009-10 to 29.96 per cent in 2013-14. The development expenditure comprising Social and Economic Services together increased from 61.16 per cent in 2009-10 to 64.55 per cent in 2013-14 with inter-year variation.
- The share of Grants-in-aid in Total Expenditure marginally decreased from 5.35 per cent in 2009-10 to 5.29 per cent in 2013-14 with inter-year fluctuation.

- The share of Loans and Advances in Total Expenditure continuously decreased from 8.01 *per cent* in 2009-10 to 5.92 *per cent* in 2013-14 except during 2011-12 (20.33 *per cent*).

1.6.2 Capital Expenditure (CE)

- Capital Expenditure increased from ₹ 7,925 crore in 2009-10 to ₹ 11,567 crore in 2012-13 then again decreased to ₹ 10,813 crore in 2013-14 (by 7 *per cent*). The decrease of ₹ 754 crore in Capital Expenditure over the previous year was mainly under Rural Development (by ₹ 749 crore), Energy (by ₹ 595 crore) and Agriculture and Allied Activities (by ₹ 159 crore) partly offset by increase in Irrigation and Flood Control (by ₹ 268 crore) and Transport (by ₹ 267 crore). The total CE during 2013-14 was less (by ₹ 301 crore) than the BE of ₹ 11,114 crore.

1.6.3 Trends in growth of Revenue Expenditure

- The Revenue Expenditure of the State increased from ₹ 35,897 crore in 2009-10 to ₹ 69,870 crore in 2013-14, showing an average annual growth of 18.93 *per cent* over the period. Total increase of Revenue Expenditure during 2013-14 was ₹ 6,902 crore (10.96 *per cent*) over the previous year. During 2013-14, the Non-Plan Revenue Expenditure (NPRE) at ₹ 50,443 crore constituted 72 *per cent* of total Revenue Expenditure.
- The actual NPRE was much higher (by ₹ 16,100 crore: 46.88 *per cent*) than the assessment made by XIII FC. It was almost equal to MTFPS assessment made by State Government, as shown in **Table 1.16**.

Table 1.16: Trends in the growth of Non-Plan Revenue Expenditure (NPRE)

(₹ in crore)			
Year	Assessments made by XIII FC	Assessments made by State Government in MTFPS	Actual NPRE
2013-14	34,343	50,827	50,443

(Source :Finance Accounts and XIII FC Recommendations and Statement laid under FRBM Act)

- NPRE increased from ₹ 26,059 crore in 2009-10 to ₹ 50,443 crore in 2013-14 showing an average annual growth of 18.71 *per cent* over the period. NPRE increased by 13.05 *per cent* over the previous year.
- The increase in NPRE by ₹ 5,824 crore during 2013-14 was mainly due to increase in expenditure on Education, Sports, Art and Culture (by ₹ 2,004 crore), Social Welfare and Nutrition (by ₹ 409 crore), Health & Family Welfare (by ₹ 306 crore) and Power (by ₹ 304 crore).
- The Plan Revenue Expenditure (PRE), which consistently increased during the period 2009-14, increased by ₹ 1,078 crore (5.87 *per cent*) during 2013-14 over previous year. The increase in PRE in 2013-14 was mainly under Education, Sports, Art and Culture (by ₹ 796 crore) and Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (by ₹ 165 crore).

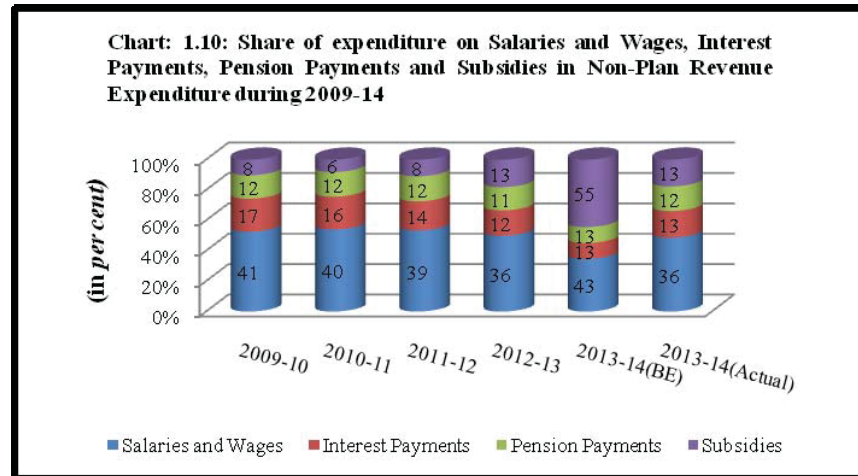
1.6.4 Expenditure on salaries, interest payments, pension payments and subsidies

The expenditures of the State Government on interest payments, expenditure on salaries and wages, pensions and subsidies are considered as committed expenditure. **Table 1.17** and **Chart 1.10** present the trends of expenditure on these components during the period 2009-14.

Table 1.17: Components of committed expenditure

Components of committed expenditure					₹ in crore)	
	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE	Actuals
Salaries and Wages, of which	10,678 (25.80)	13,100 (25.26)	14,113 (22.54)	16,026 (22.76)	21,831	18,361 (24.24)
Non-Plan Head	9,406	11,490	12,274	14,133	--	1,6081
Plan Head**	1,272	1,610	1,839	1,893	--	2,280
Interest Payments	4,454 (10.76)	5,049 (9.74)	5,300 (8.47)	5,574 (7.91)	6,519	6,391 (8.44)
Pension Payments	3,077 (7)	3,767 (7.26)	4,389 (7.01)	4,947 (7.02)	6,531	5,932 (7.83)
Subsidies	2,033 (4.91)	1,810 (3.49)	2,926 (4.67)	5,697 (8.09)	27,776	6,567 (8.67)
Total	20,242 (49)	23,726 (46)	26,728 (43)	32,244 (46)	62,657 (79)	37,251 (49)

Note: Figures in parentheses indicate percentage of Revenue Receipts
 ** Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes.
 (Source: Finance Accounts and VLC data compiled by AG (A&E) MP)



(Source: Finance Accounts, data compiled by AG (A&E) Madhya Pradesh and Budget documents)

During 2013-14, total expenditure on salaries and wages, pension payments, interest payments and subsidies (₹ 37,251 crore) was 53 per cent of revenue expenditure and 74 per cent of NPRE. The overall expenditure on salaries and wages, interest payments, pension payments and subsidies increased by 84 per cent during the period 2009-14, at an average annual growth of 16.81 per cent. The increase was 15.53 per cent during 2013-14 as compared to 20.64 per cent during 2012-13. As a percentage of revenue receipts, it ranged between 43 and 49 per cent during the period 2009-14. During 2013-14, it constituted 49 per cent of the revenue receipts and was less than the budget estimates of revenue receipts (79 per cent). The component-wise analysis is given as under:

1.6.4.1 Salaries and Wages

The expenditure on salaries and wages increased by 72 per cent from ₹ 10,678 crore in 2009-10 to ₹ 18,361 crore in 2013-14. Actual expenditure on salaries and wages in 2013-14 was less than the projections in the BE (₹ 21,831 crore). Such expenditure as a percentage of revenue receipts ranged between 22.54 per cent and 25.80 per cent during the period 2009-14. During 2013-14, it was 24.24 per cent of revenue receipts.

There was an increase of 14 per cent in expenditure on salaries and wages under the Non-Plan head during 2013-14 over the previous year.

1.6.4.2 Pension Payments

Expenditure on pension payments increased from ₹ 3,077 crore in 2009-10 to ₹ 5,932 crore in 2013-14. The increase during 2013-14 over the previous year was ₹ 985 crore (by 20 per cent) mainly on account of increase under superannuation and retirement allowances (by ₹ 652 crore), family pensions (by ₹ 121 crore) and gratuities (by ₹ 108 crore).

Actual pension payment at ₹ 5,932 crore in 2013-14 was 9.17 per cent less than the BE of ₹ 6,531 crore and 51.95 per cent more than ₹ 3,904 crore as projected by the XIII FC.

Contribution Pension Scheme

State Government employees recruited on or after 1 January 2005 are covered under the New Pension Scheme, which is a defined contributory pension scheme. In terms of the Scheme, the employees' contribution along with matching share of the State Government is transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank. However, actual amount of employees' contribution and the matching contribution of State Government has not been estimated. The State Government follows the method of budgeting and booking employees' contributions in the New Pension Scheme under the Receipt Major Head "0071-Contributions and Recoveries towards Pension and Other Retirement Benefits". These contributions are subsequently transferred to the Fund by operating the minor head "900-Deduct Refunds" under the same Major Head. Since the Consolidated Fund is closed to Government at the end of the year, any shortfall in the remittance of the contributions to the Fund in any year is not available in the accounts of subsequent years.

During 2013-14, against employees' contribution of ₹ 158.66 crore, Government contributed ₹ 176.78 crore. Under the present accounting methodology, it cannot be ascertained whether the Government contribution in excess of employees' contribution for 2013-14 was against the shortfalls of earlier years. We observed that out of total contribution of ₹ 335.44 crore credited under Major Head 0071, the State Government transferred only ₹ 323.10 crore to NSDL/Trustee Bank as of March 2014. Since this amount was not retained in a Fund, it got lapsed to Government account at the end of the financial year. Uncollected, unmatched and non-transferred amounts, with accrued interest, represent outstanding liabilities under the Scheme.

1.6.4.3 Interest Payments

Interest payments made during the years 2009-10 to 2013-14 are given in **Table 1.18**.

Table 1.18: Interest Payments

	(₹ in crore)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Interest Payments	4,454	5,049	5,300	5,574	6,391

Interest Payments of ₹ 6,391 crore during 2013-14 accounted for 8.44 *per cent* of the revenue receipts and constituted 9.15 *per cent* of revenue expenditure. Interest payments were mainly on market loans (₹ 2,580 crore), Special Securities issued to National Small Saving Fund (NSSF) of the Central Government (₹ 1,639 crore), State Provident Fund (₹ 843 crore), loans borrowed from the Central Government (₹ 638 crore) and other internal debt (₹ 436 crore).

The increase of ₹ 817 crore (14.66 *per cent*) in interest payment during 2013-14 over the previous year was the result of increase under interest on market loans (by ₹ 886 crore), interest on other obligations (by ₹ 146 crore), interest on other internal debts (by ₹ 41 crore) partly offset by decrease mainly under interest on special securities issued to National Small Savings Fund of the Central Government by State Government (by ₹ 131 crore) and State Provident Funds (by ₹ 104 crore).

Interest payments of ₹ 6,391 crore during the year were less than the BE of ₹ 6,519 crore and the projection made by the XIII FC (₹ 6,960 crore) for 2013-14.

1.6.4.4 Subsidies

Subsidy payment of ₹ 6,567 crore (Non-plan: ₹ 4,596 crore and Plan: ₹ 1,971 crore) accounted for 8.67 *per cent* of the revenue receipts and constituted 9.40 *per cent* of the revenue expenditure during 2013-14. The details of subsidies in non- plan and plan revenue expenditure are presented in **Appendix 1.7**.

During 2013-14, out of the total subsidies of ₹ 6,567 crore, ₹ 3,041 crore (46 *per cent*) was under the Energy Department. Actual subsidies in 2013-14 was 23.64 *per cent* of BE of ₹ 27,776 crore.

The increase in the amount of subsidy (by ₹ 870 crore) in 2013-14 over the previous year was mainly due to increase in subsidy of Energy (by ₹ 368 crore), Industry (by ₹ 124 crore), Food Subsidies (by ₹ 102 crore) and Crop Husbandry (by ₹ 94 crore).

1.6.5 Financial assistance by State Government to Local Bodies and other institutions

The quantum of assistance provided by way of Grants and Loans to Local Bodies and other institutions during the period 2012-13 to 2013-14 is presented in **Table 1.19**.

Table 1.19: Financial Assistance to Local Bodies and other Institutions

(₹ in crore)		
Financial Assistance to Institutions	2012-13	2013-14
Educational Institutions	2,520.24	3,862.98
Medical and Public Health	564.11	743.05
Housing	267.98	225.02
Urban Development	1,034.50	1,170.22
Welfare of SC/ST/OBC	404.78	387.91
Social Security and Welfare	880.75	649.67
Rural Development	3,017.70	2,650.05
Panchayati Raj	3,932.57	4,314.29
Water Supply and Sanitation	178.57	237.94
Other Institutions	685.84	712.21
Total	13,487.04	14,953.34
Assistance as a percentage of Revenue Expenditure	21.42	21.40

(Source: VLC data of Accountant General (A&E), Madhya Pradesh)

- Financial assistance to Local Bodies and other Institutions increased by ₹ 1,466.30 crore from ₹ 13,487.04 crore in 2012-13 to ₹ 14,953.34 crore in 2013-14. The increase was mainly on account of Financial Assistance to Educational Institutions (by ₹ 1,342.74 crore: 53 per cent).
- The assistance as a percentage of Revenue Expenditure marginally decreased from 21.42 per cent in 2012-13 to 21.40 per cent in 2013-14.

1.6.6 Devolution of funds and auditing arrangements of Local Bodies

After enactment of the 73rd and 74th Constitution (Amendment) Act, 1992, the Urban Local Bodies (ULBs) and Panchayati Raj Institution (PRIs) were made full fledged and vibrant institutions of Local Self Government by vesting them with clearly defined functions and responsibilities. Accordingly, the State Government organised ULBs and PRIs into three types⁹. At present, there are 377 ULBs¹⁰ and 23,369 PRIs¹¹ in the state.

1.6.6.1 Transfer of Funds, Functions and Functionaries

According to amendment (Eleventh and Twelfth schedules of the Constitution), 29 and 18 functions were to be devolved in PRIs and ULBs by the State Government as detailed in **Appendix-1.8**. Though the State Government devolved all functions in ULBs, no separate funds and functionaries have been transferred by the Government (July 2014). However, no function was devolved in PRIs.

1.6.6.2 Devolution of Grants to ULBs and PRIs

As recommended by the Third State Finance Commission (SFC) and accepted by State Government in February 2010, one per cent and four per cent of divisible fund¹² of the State Government should be devolved to ULBs and

⁹ ULBs: Municipal Corporations (MC) for larger urban areas, Municipal Councils for smaller urban areas and Nagar Parishads (NP) for a transitional areas. PRIs: Zila Panchayat (ZP) at district level, Janpad Panchayat (JP) at block level and Gram Panchayat (GP) at village level.

¹⁰ ULBs: 14 MC, 100 Municipal Councils, 263 NP

¹¹ PRIs: 50 ZP, 313 JP, 23,006 GP

¹² Divisible fund means net of State tax revenue of previous year after deduction of ten per cent towards expenditure for collection of taxes, minus assigned revenue to PRIs and ULBs.

PRIs respectively. During the year 2013-14, the devolution of SFC grants was made by Finance Department in ULBs and PRIs, as shown in **Table 1.20**.

Table 1.20: Devolution of Grants to ULBs and PRIs

Year	ULBs		Short released	PRIs		Short released
	Fund was to be devolved	Fund actually devolved		Fund was to be devolved	Fund actually devolved	
1	2	3	(2-3)	4	5	(4-5)
2013-14	239.40	170.81	68.59	957.60	809.63	147.97

(₹ in crore)

It can be seen from above that the Finance Department short released ₹ 68.59 crore in ULBs and ₹ 147.97 crore in PRIs during 2013-14. Reasons stated by Finance Department (November 2014) that the fund, were being transferred.

1.6.6.3 Audit arrangements

According to TGS arrangements, the Director Local Fund Audit would pursue the compliance of paragraphs in the inspection reports of the Accountant General (Audit) in the same manner as if these are his own reports. A total number of 5671 observations (including 732 observations issued during 2013-14) were outstanding in ULBs and 22,347 observations (including 3749 observations issued during 2013-14) were outstanding in PRIs at the end of 2013-14 for compliance.

1.6.6.4 Placement of report

As per amendment to the MP *Panchayat Raj Avam Gram Swaraj Adhiniyam*, 1993 in PRIs (July 2011) and the Madhya Pradesh Municipal Corporation Act, 1956 and Madhya Pradesh Municipalities Act, 1961 in ULBs (January 2012), the Annual Technical Inspection Report (ATIR) of C&AG as well as the Annual Report of the Director of Local Fund Audit (DLFA) should be placed before the State Legislature. DLFA intimated (February 2014) that proposal was sent to Finance Department for preparation of first annual report for the year 2011-12. Status of the same was again sought in September 2014 from DLFA. Reply was awaited (November 2014).

1.7 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 (i.e. adequate provisions for providing public services), efficiency of expenditure use and its effectiveness (assessment of outlay-outcome relationships for selected services).

1.7.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to the social and economic infrastructure assigned to the State Government are largely State subjects. Enhancing human development levels require the States to step up their expenditure on key social services like, education, health, etc. Low fiscal priority (ratio of expenditure category to aggregate expenditure) can be stated to have been attached to a particular sector if the priority given to that particular head of expenditure is below the General Category States' average for that year.

Table 1.21 analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure relative to General Category States' average in 2010-11 and the current year 2013-14.

Table 1.21: Fiscal priority of the State in 2010-11 and 2013-14

(in per cent)						
Fiscal Priority by the State	AE/GSDP	DE [#] /AE	SSE/AE	CE/AE	Expenditure on Education/ AE	Expenditure on Health/AE
*General Category States Average (Ratio) 2010-11	15.78	65.09	36.88	13.49	17.48	4.37
Madhya Pradesh's Average (Ratio) 2010-11	21.84	69.07	33.14	15.30	14.88	3.74
*General Category States Average (Ratio) 2013-14	15.92	66.45	37.56	13.62	17.20	4.51
Madhya Pradesh's Average (Ratio) 2013-14	19.02	70.46	34.67	12.61	16.14	4.02
* General Category States excluding Delhi, Goa and Puducherry						
AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure						
# Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed						
Source: For GSDP, the information as available on CSO website as on 1 August, 2014 except in case of Kerala where the figure was provided by PAG and Gujarat where figure taken from budget document for 2013-14. For GSDP, the information for M.P was collected from the State's Directorate of Economics and Statistics						

Comparative analysis revealed the following:

- Madhya Pradesh spent a higher proportion of its GSDP on Aggregate Expenditure during 2010-11 and 2013-14 as compared to General Category States.
- Development Expenditure as a proportion of Aggregate Expenditure in Madhya Pradesh during 2010-11 and 2013-14 has also been higher than the General Category States Average.
- Development Expenditure consists of expenditure under both Economic Services and Social Services. However, Social Services Expenditure (as a proportion of Aggregate Expenditure) in Madhya Pradesh during 2010-11 and 2013-14 has been lower than that of the average of General Category States. Further, during both the years priority given to Health as well as to Education sectors was not adequate, since smaller proportion of expenditure was incurred on these two sectors as compared to General Category States' Average.
- It was observed that Capital Expenditure as a percentage of Aggregate Expenditure in Madhya Pradesh was higher than that of General Category States' Average during the year 2010-11 but lower during the year 2013-14.

1.7.2 Efficiency of Expenditure use

In view of the importance of public expenditure on development heads from the point of view of Social and Economic Development, it is important for the State Governments to take appropriate expenditure rationalisation measures

and lay emphasis on provision of Core Public and Merit goods¹³. Apart from improving the allocation towards Development Expenditure¹⁴, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure (CE) to Total Expenditure (TE) and the proportion of Revenue Expenditure being spent on Operation and Maintenance of the existing Social and Economic Services. The higher the ratio of these components to the TE, the better would be the quality of expenditure.

Table 1.22 provides the details of CE and the components of Revenue Expenditure incurred on maintenance of selected Social and Economic Services.

Table 1.22: Efficiency of Expenditure use in Selected Social and Economic Services

(in per cent)

Social/Economic Infrastructure	2012-13			2013-14		
	Share of CE to TE	In concerned sector of RE, the share of		Share of CE to TE	In concerned sector of RE, the share of	
		S & W	O&M		S & W	O&M
Social Services (SS)						
Education, Sports, Art and Culture	1.33	53.57	0.16	0.95	48.85	0.05
Health and Family Welfare	5.36	57.02	0.22	4.81	63.89	0.18
Water Supply, Sanitation, Housing and Urban Development	22.44	8.76	6.37	24.30	3.34	2.09
Other Social Services	5.81	9.29	0.08	7.83	28.55	0.10
Total (SS)	6.20	35.15	0.84	6.39	35.53	0.65
Economic Services (ES)						
Agriculture and Allied Activities	5.18	30.50	0.17	2.78	35.24	0.19
Irrigation and Flood Control	85.57	68.19	4.79	85.28	63.93	6.36
Power and Energy	14.29	0.01	0.28	7.59	0.01	0.21
Transport	62.35	5.95	69.42	62.79	2.57	29.87
Other Economic Services	12.61	3.96	1.39	14.95	38.09	18.70
Total (ES)	30.66	17.12	6.58	28.40	19.53	7.86
Total (SS+ES)	19.63	27.79	2.19	17.57	29.46	3.38

TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations and Maintenance

(Source: Finance Accounts and information furnished by A G (A&E), Madhya Pradesh)

Table 1.22 reveals that under Social Services, share of CE to TE marginally increased from 6.20 per cent in 2012-13 to 6.39 per cent in 2013-14. However, under Economic Services, the share of CE to TE decreased from 30.66 per cent in 2012-13 to 28.40 per cent in 2013-14.

- The increase in share of Capital Expenditure under Social Services was mainly under the sectors, Water supply, Sanitation, Housing and Urban Development while the decrease in the share of Capital Expenditure under Economic Services was mainly under the sectors Energy and Agriculture & Allied Activities. This indicated that priority for Capital Expenditure under economic services needs to be improved.

¹³ Core public goods are goods which all citizens enjoy in common, in the sense that each individual's consumption of such goods leads to no subtractions from any other individual's consumption of those goods, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc.

Merit goods are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept of need, rather than the ability and willingness to pay the Government and therefore, wishes to encourage their consumption. Examples of such goods include the provision of free or subsidised food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

¹⁴ The analysis of expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorized into Social Services, Economic Services and General Services. Broadly, the Social and Economic Services constitute development expenditure, while expenditure on General Services is treated as non-development expenditure.

- In Revenue Expenditure, the share of salaries & wages under Social and Economic Services together increased from 27.79 *per cent* in 2012-13 to 29.46 *per cent* in 2013-14. In case of O&M also, expenditure increased from 2.19 *per cent* in 2012-13 to 3.38 *per cent* in 2013-14, mainly under Irrigation and Flood Control. This indicated that fiscal situation needs improvement.

As shown in **Appendix 1.1**, during the period 2004-13, the Compound Annual Growth Rate (CAGR) of revenue expenditure on Health sector in case of Madhya Pradesh was marginally lower than that of other General Category States, while on Education it was higher than that of General Category States. This indicated that the expenditure on Health sector needed to be increased.

1.8 Financial analysis of Government Expenditure and Investments

In the post-FRBM framework, the Government is expected to keep its fiscal deficit (borrowing) not only at low levels but also to initiate measures to earn adequate return on its investments and recover cost of borrowed funds rather than bearing the same in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the 2013-14 *vis-à-vis* previous years.

1.8.1 Investment and Returns

The Government invested ₹ 15,275.10 crore in Statutory Corporations (26), Government Companies (35), Joint Stock Companies and Partnerships (23), Banks (one) and Co-operative Societies (130) etc. as of 31 March 2014 (**Table 1.23**). The average return on these investments was 0.72 *per cent* during the period 2009-14 while the Government paid an average rate of interest (6.81 *per cent*) on the borrowings during the same period.

Table 1.23: Return on Investments

	(₹ in crore)				
Investment/Return/Cost of Borrowings	2009-10	2010-11	2011-12	2012-13	2013-14
Investment at the end of the year	11,686.28	12,216.04	13,183.59	14,656.50	15,275.10
Return	49.75	32.20	37.98	18.38	378.72
Return (<i>per cent</i>)	0.43	0.26	0.29	0.13	2.48
Average rate of Interest on Government Borrowings (<i>per cent</i>)	6.94	7.04	6.74	6.48	6.84
Difference between Interest rate and Return (<i>per cent</i>)	6.51	6.78	6.45	6.35	4.36

(Source: Finance Accounts)

- Out of the total investment of ₹ 15,275.10 crore at the end of March 2014, ₹ 1,076.04 crore pertained to the composite State of Madhya Pradesh and was pending allocation between Madhya Pradesh and Chhattisgarh (Statutory Corporations: ₹ 411 crore; Government Companies: ₹ 180.49 crore; Co-operative Banks and Societies: ₹ 483.01 crore and Joint-Stock Companies and Partnerships: ₹ 1.54 crore).
- During 2013-14, the return on these investments was 2.48 *per cent* while the Government paid interest at an average rate of 6.84 *per cent* on its borrowings during the year. Thus, return on Government investments was meagre as compared to cost of its borrowing.

- Twenty two Government Companies and Statutory Corporations with an aggregate investment of ₹ 12,695.31 crore for the latest year for which accounts were finalised as of 2013-14 were running in losses which accumulated to ₹ 22,071.34 crore. Details are given in **Appendix 1.9**.

1.8.2 Incomplete Projects

We observed that information for the years 2008-09 to 2013-14 in respect of Incomplete Projects was not received from the State Government for incorporation in the Finance Accounts. However, information as on 31 March 2014 was collected from the Departments of Energy, Water Resources, Public Works and Narmada Valley Development Authority. The position of the incomplete projects, each costing above ₹ one crore is given in **Table 1.24**.

Table 1.24: Position of Incomplete Projects as on 31 March 2014

Particulars	Number of Incomplete Projects	Initial budgeted cost	Revised total cost of Projects	(₹ in crore)	
				Cumulative actual Expenditure	Cost overrun
Energy Department	92	62,374.21	11,611.64	24,246.53	3,125.52
Water Resources Department	49	418.81	283.41	366.53	89.06
Public Works Department	47	248.78	187.11	211.80	64.00
Narmada Valley Development Authority	13	5,546.15	12,460.60	9,639.89	9,422.26
Total	201	68,587.95	24,542.76	34,464.75	12,700.84

(Source: Information maintained by the Accountant General (E&RSA), Madhya Pradesh, Bhopal)

- We observed that in 50 cases, initial cost of the projects (aggregating ₹ 11,842.84 crore) was revised (aggregating ₹ 24,542.76 crore). In 146 cases the initial cost (aggregating ₹ 56,718.16 crore) was not revised. In all these cases the progressive expenditure of the projects did not exceed the revised initial estimates. Though in five cases, the progressive expenditure (₹ 27.87 crore) of the projects exceeded the initial project cost (₹ 26.95 crore), no revision of the project cost was made. Department wise details are given in **Appendix 1.10**.
- The concerned departments attributed the delay in completion of these projects to lack of manpower and material, delay in development of application, slow progress of work by Turn Key Contractors due to mismanagement in procurement of material and financial crisis, land problems due to public resistance, dense population and hinderance in forest clearance, lack of fund, revision in type and design in bridge, delay in completion of approach road and lining of system by crossing railway line etc.

Public Private Partnership (PPP) Projects

Recourse to the PPP mode for project financing is encouraged because it provides valuable fiscal space for the provision of public goods in areas where such financing may not be forthcoming. Government of Madhya Pradesh have been implementing PPP projects in the areas of Road, Transport, Urban Infrastructure, Health, Energy, Tourism, Sports, Education and Dairy, etc.

We observed that out of 207 PPP projects (cost: ₹ 26,173.10 crore) initiated under various sectors as of March 2014, only 41 projects (19.81 per cent) were completed at a cost of ₹ 5,342.80 crore. While 113 projects costing

₹ 13,559.00 crore were in progress, 53 others (cost: ₹ 7,271.30 crore) were not taken up. The details are given in **Appendix 1.11**.

1.8.3 Loans and Advances by the State Government

In addition to investments in Co-operative societies, Corporations and Companies, the Government has also provided Loans and Advances to many of these institutions/organisations. **Table 1.25** presents the outstanding loans and advances as on 31 March 2014, interest receipts *vis-à-vis* interest payments during the last three years.

Table 1.25: Average Interest Received on Loans and Advances given by the State Government
(₹ in crore)

Quantum of Loans/Interest Receipts/cost of Borrowings	2011-12	2012-13	2013-14	
			BE	Actual
Opening Balance of Loans given	15,105	21,742	--	27,088
Amount advanced during the year	15,760	5,378	6,445	5,077
Amount repaid during the year	9,123	32	125	93
Closing Balance	21,742	27,088	--	32,072
Net addition	6,637	5,346	6,570	4,984
Interest received	1,200	42	204	12
Interest Receipts as percentage of outstanding Loans and Advances	6.51	0.17	--	0.04
Interest payments as percentage of outstanding fiscal liabilities of the State Government	6.74	6.48	--	6.84
Difference between interest payments and interest receipts (<i>per cent</i>)	0.23	6.31	--	6.80

(Source: Finance Accounts and Budget Estimate 2013-14)

- The total outstanding loans and advances as on 31 March 2014 was ₹ 32,072 crore¹⁵. The interest received against these loans was ₹ 12 crore. Loans advanced to various State Government institutions were higher than the amount of loans recovered resulting in an increase in outstanding loans and advances.
- It was observed that 82 *per cent* (₹ 26,268 crore) of outstanding loans and advances as on 31 March 2014, pertained to Madhya Pradesh State Electricity Board (MPSEB) and its successor companies and seven *per cent* was to be recovered from units engaged in Water Supply, Sanitation, Housing and Urban Development (₹ 2,227 crore).
- Considering the average interest paid on borrowings at the rate of 6.84 *per cent* during 2013-14, the rate of interest received was very low at 0.04 *per cent* on Loans and Advances given by the Government.
- During 2013-14, interest received (₹ 12 crore) was less than the BE for 2013-14 (₹ 204 crore) and actuals for 2012-13 (₹ 42 crore), mainly due to non-receipt of interest from power projects.

1.8.4 Cash Balances and Investment of Cash Balances

Table 1.26 depicts the Cash Balances and Investments made by the State Government out of the Cash Balances during the year.

¹⁵ Including ₹2,186 crore pertaining to Chattisgarh which has not been finalised/transferred.

Table 1.26: Cash Balances and Investment of Cash Balances

	(₹ in crore)		
	Opening balance on 1 April 2013	Closing balance on 31 March 2014	Increase (+)/ Decrease(-)
(1) General Cash Balance [(i) to (iv)+2]	6,543.70	4,072.36	(-)2,471.34
(i)Cash in Treasuries	--	--	--
(ii)Deposits with Reserve Bank	(-)262.75	173.22	(+)435.97
(iii)Deposits with other Banks	--	--	--
(iv)Remittances in transit - Local	--	--	--
Total (i) to (iv)	(-)262.75	173.22	(+) 435.97
(2) Investments held in Cash Balance Investment account	6,806.45	3,899.14	(-)2,907.31
(3) Other Cash Balances and Investments [(i) to (iii)]	531.11	404.67	(-)126.44
(i)Departmental cash balances	132.24	2.57	(-) 129.67
(ii)Permanent Imprest	0.81	0.83	(+)0.02
(iii)Investment out of earmarked funds	398.06	401.27	(+) 3.21
Overall Cash position (1)+(3)	7,074.81	4,477.03	(-)2,597.78

(Source: Finance Accounts)

- The Cash Balances of the Government at the end of 2013-14 decreased by ₹ 2,597.78 crore from ₹ 7,074.81 crore in the previous year.
- As per Finance Accounts 2013-14, ₹ 3,899.14 crore was invested in Government of India Treasury Bills, which earned an interest of ₹ 241 crore during the year. Maintaining large cash balances is not advisable as these are invested in low interest-bearing 14 days Treasury Bills.
- Under an agreement with the Reserve Bank of India (RBI), the Government of Madhya Pradesh has to maintain with the RBI a minimum Cash Balance of ₹ 1.96 crore. If this balance falls below the agreed minimum on any day, the deficiency is made good by taking Ordinary and Special Ways and Means Advances/Overdrafts from time to time. No Ways and Means Advance (Normal/Special) was taken by the State during the years 2012-13 and 2013-14.
- Outstanding balances under the major head 8670-Cheques and Bills represents the amount of unencashed cheques. As per Finance Accounts 2013-14, outstanding balance at the end of the year under this Head was ₹ 56.69 crore in 2013-14 as compared to ₹ 27.27 crore in 2012-13. The cash balances were overstated to the extent of outstanding cheques.

1.9 Assets and Liabilities

1.9.1 Growth and composition of assets and liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and building 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.

Total liabilities, as defined in the FRBM Act, 2005 are the liabilities under the Consolidated fund and the Public Account of the State. Consolidated Fund liabilities consist of Internal Debt and Loans and Advances from GoI.

Further, the internal debt includes market loans, special securities issued to NSSF of Central Government, Compensation and other Bonds and Loans from Financial Institutions. The Constitution of India provides that States may

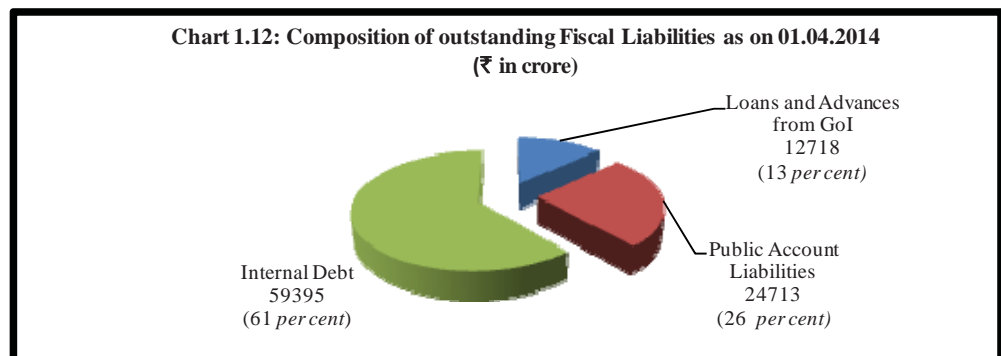
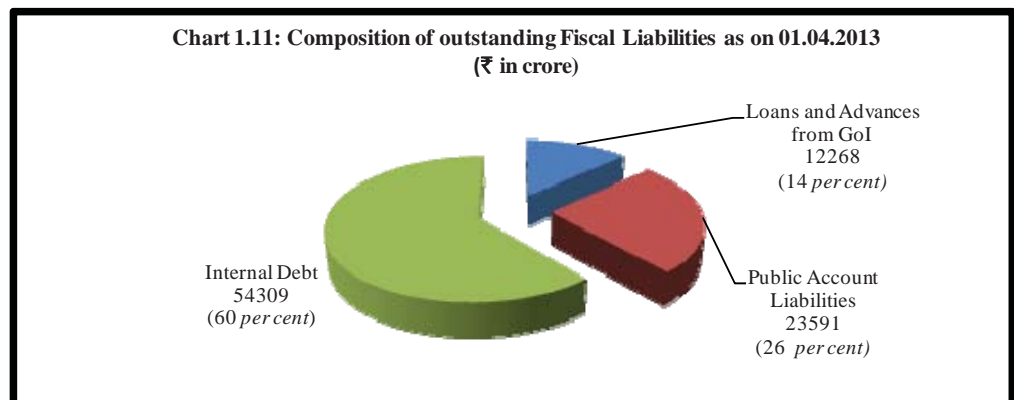
borrow within the territory of India upon the security of their Consolidated Funds, within such limits, as may from time to time be fixed by an Act of the Legislature and give guarantees within such limits as may be fixed. The public Accounts liability includes small savings, provident fund etc., reserve funds and other deposits.

Government Assets comprise assets under Consolidated Fund and cash. The assets under Consolidated Fund consist of capital outlay on fixed assets-investments in shares of companies and corporations and loans and advances, which in turn consist of loans for power projects and other development loans.

Appendix 1.5 Part B gives an abstract of such liabilities and assets as on 31 March 2014 compared with the corresponding position as on 31 March 2013.

1.9.2 Fiscal liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.4**. The composition of fiscal liabilities during the year 2013-14 *vis-a-vis* the previous year is presented in **Charts 1.11** and **1.12**.



The overall Fiscal Liabilities of the State increased from ₹ 67,853 crore in 2009-10 to ₹ 96,826 crore in 2013-14.

These liabilities increased by 7.38 per cent during 2013-14 as against 10.29 per cent in 2012-13. The increase in Fiscal Liabilities during 2013-14 over the previous year was mainly under Market Loans (by ₹ 3,572 crore), Special Securities issued to National Small Saving Fund (NSSF) (by ₹ 1,270 crore),

Loans from NABARD (by ₹ 667 crore) and Loans and Advances from Government of India (by ₹ 450 crore).

Table 1.27 depicts the details of Fiscal Liabilities of the State at the end of the years 2012-13 and 2013-14.

Table 1.27: Components of Fiscal Liabilities of the State

		(₹ in crore)	
S.No.	Name	2012-13	2013-14
1.	Consolidated Fund Liabilities (Public Debt)	66,577	72,113
(i)	Market loans	31,407	34,979
(ii)	Special Securities issued to NSSF	16,806	18,076
(iii)	Compensation and issue of other bonds	1,413	1,052
(iv)	Loans from NABARD	4,172	4,839
(v)	Other Loans	511	449
(vi)	Total (i) to (v)	54,309	59,395
(vii)	Loans and Advances from GoI	12,268	12,718
2.	Public Account liabilities	23,591	24,713
(i)	Small Savings, Provident Funds etc.	10,752	11,699
(ii)	Interest bearing obligations	490	189
(iii)	Non- interest bearing obligations	12,349	12,825

(Source: Finance Accounts)

Fiscal liabilities at the end of 2013-14 were 21.47 *per cent* of GSDP against the limit of 36 *per cent* prescribed by XIII Finance Commission. These were 1.28 times of the Revenue Receipts and 2.35 times of the State's Own Resources. The buoyancy of these liabilities with respect to GSDP decreased from 0.53 in 2012-13 to 0.35 during the year mainly due to decrease in the growth rate of these liabilities (**Table 1.6**).

1.9.3 Setting-up of Sinking Fund for amortisation of all loans

As per Para No.12.59 of the Twelfth Finance Commission Report (2005-10), all States should set-up Sinking Fund for amortisation of all loans including loans from bank, liabilities on account of NSSF etc. The Fund should be maintained outside the Consolidated Fund of the State and should not be used for any other purpose, except for redemption of loans. We observed that the Sinking Fund was not set-up in the State as of September 2014.

Finance Department stated (September 2014) that action was under process to set-up Sinking Fund of the State.

1.9.4 Status of Guarantees – contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in cases of default by the borrowers for whom the guarantee are extended.

Madhya Pradesh State Government Guarantee Rules (MPSGGR), 2009 (amended) came into force from 20 November 2009 and apply in all cases where State Government stands guarantee for repayment of loans and interest thereon under article 293 of the Constitution of India. Sanction orders of the guarantees are issued by the Finance Department.

Clause 9(2)(d) of the MPFRBM Act, 2005 prescribes the fiscal target of limiting annual incremental guarantees so as to ensure that the total guarantees do not exceed 80 *per cent* of the total revenue receipts in the year preceding

the current year. During the years 2011-12 to 2013-14 the annual incremental guarantees were within the ceiling limit fixed under the MPFRBM Act.

As per Statement 9 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years are given in **Table 1.28**.

Table 1.28: Guarantees given by the Government of MP

Particulars of Guarantees	₹ in crore)		
	2011-12	2012-13	2013-14
Maximum amount Guaranteed	11,107.51	14,751.71	21,472.12
Outstanding amount of Guarantees	5,605.03	7,719.54	9,977.62
80 per cent of the total Revenue Receipts in the year preceding the current year (criterion as per FRBM Act)	41,483.20	50,083.20	56,341.60
Percentage of maximum amount of Guarantee to total Revenue Receipts	17.74	20.95	28.35
Percentage of outstanding Guarantee to total Revenue Receipts of preceding year	10.81	12.33	14.17
Guarantee or fee receivable	NA	NA	102.86
Guarantee or fee received	0.44	4.81	2.50

NA- Not Available

(Source: Finance Accounts)

During the year 2013-14, guarantees were given in respect of Power Sector (61), Co-operative Sector (5), State Financial Corporation Sector (22), Urban Development and Housing Sector (91) and other infrastructure (62). Maximum amount guaranteed increased substantially by ₹ 6,720 crore (29.25 per cent) over the previous year during 2013-14 as can be seen from **Table 1.28** above.

Guarantees given to loss-making PSUs

An analysis of the information obtained from four selected Public Sector Undertakings (PSUs), revealed that the outstanding amount of guarantees included ₹ 3,449 crore, as detailed in **Table 1.29**.

Table 1.29: Accumulated Losses and Guarantees given in respect of the PSUs

Sl. No.	Name	₹ in crore)			
		Outstanding Guarantee at the end of the year		Accumulated Profit(+) or Loss(-)	
		2012-13	2013-14	2012-13	2013-14
1.	MP Power Generating Company Limited	1,994.89	1,646.85	(-)1,418.71	(-) 2,002.75
2.	MP Poorva Kshetra Vidyut Vitran Co. Ltd.	759.48	611.16	(-)6,937.29	(-) 8,824.43
3.	MP Paschim Kshetra Vidyut Vitran Co. Ltd.	761.52	543.87	(-)5,922.60	(-) 7,733.55
4.	MP Madhya Kshetra Vidyut Vitran Co. Ltd.	1,122.89	646.84	(-)6,001.03	(-) 8,673.05
	Total	4,638.78	3,448.72		

Since the PSUs have been incurring losses and their repayment capacity of large amount of loans is doubtful, there is a possibility of the contingent liabilities becoming real liabilities of the Government.

Guarantee Redemption Fund

The Government constituted the Guarantee Redemption Fund during the year 2005-06, which had a closing balance of ₹ 389.87 crore at the end of 2013-14. The whole amount stood invested.

Guarantee Fee at the rate of one per cent is charged from the principal debtors unless exempted specially. The proceeds of the fees so realised are credited to

the revenue of the Government. During the year 2013-14, a sum of ₹ 2.50 crore (2.43 per cent) out of ₹ 102.86 crore receivable, was recovered as Guarantee Fees and credited to the Government Account. No Guarantee was invoked during 2013-14.

Along with matching share ₹ 9.62 crore was to be remitted into the Fund, against which only ₹ one crore was deposited.

1.9.5 In-operative Reserve Funds

We observed that Reserve Fund under the Major Head 8229-200-Compensatory Forestation Fund have credit balance of ₹ 31.81 crore as on 31 March 2014 which were neither utilised nor invested for last six years.

1.10 Debt Management

1.10.1 Debt Sustainability

Apart from the magnitude of debt of the Government, it is important to analyse various indicators that determine the Debt Sustainability¹⁶ of the State. This section assesses the sustainability of debt of the Government in terms of Debt Stabilisation¹⁷; Sufficiency of Non-debt Receipts¹⁸; Net Availability of Borrowed Funds¹⁹; the burden of Interest Payments (measured by the ratio of Interest Payments to Revenue Receipts) and the maturity profile of Government Securities. **Table 1.30** analyses the debt sustainability of the State according to these indicators for the period 2009-14.

Table 1.30: Debt Sustainability: Indicators and Trend

Indicators of Debt Sustainability	(₹ in crore)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Debt Stabilisation (Quantum Spread + Primary Deficit)	2,117	8,333	10,390	4,632	9,412
Sufficiency of Non-debt Receipts (Resource Gap)	(-)1,766	927	(-)488	(-)3,660	(-)462
Net availability of Borrowed Funds (percentage in bracket)	3,131 (16)	2,606 (13)	955 (5)	2,838 (15)	569 (2)
Burden of Interest Payments (Interest Payments/Revenue Receipt Ratio)	0.11	0.10	0.08	0.08	0.08

¹⁶ Debt Sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt, therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep a balance between costs of additional borrowings with returns from such borrowings. It means that the rise in fiscal deficit should match the increase in capacity to service the debt.

¹⁷ A necessary condition for stability states that if the rate of growth of the economy exceeds the interest rate or cost of public borrowings, the debt-GSDP ratio is likely to be stable provided the primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and Quantum Spread (Debt X rate spread), the debt sustainability condition states that if the Quantum Spread, together with the Primary Deficit is zero, the debt-GSDP ratio would be constant or the debt would stabilise eventually. On the other hand, if the Primary Deficit together with the Quantum Spread turns out to be negative, the debt-GSDP ratio would be rising and in case it is positive, the debt-GSDP ratio would eventually be falling.

¹⁸ Adequacy of incremental Non-debt receipts of the State to cover the incremental interest liabilities and incremental Primary Expenditure. The Debt Sustainability could be significantly facilitated if the incremental Non-debt receipts could meet the incremental interest burden and the incremental Primary Expenditure.

¹⁹ Defined as the ratio of the Debt Redemption (Principal + Interest Payments) to total Debt Receipts and indicates the extent to which the debt receipts are used in Debt Redemption indicating the Net Availability of Borrowed Funds.

1.10.2 Debt Stabilisation

An important condition for debt sustainability is stabilisation in terms of debt to GSDP ratio. When the quantum spread and primary deficit together are negative, the debt-GSDP ratio will be high indicating unsustainable levels of public debt and when the quantum spread and primary deficit are positive, debt-GSDP ratio will be low indicating sustainable levels of public debt.

Analysis of Primary Deficit together with the quantum spread revealed that their sums remained positive during the period 2009-14 indicating that the debt was at sustainable level.

1.10.3 Sufficiency of Non-Debt Receipts

Another indicator of debt sustainability is the sufficiency of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. A positive resource gap strengthens the capacity of the State to sustain the debt in the medium to long run while a negative resource gap indicates otherwise.

During the year 2010-11, Non-debt receipts met not only the incremental requirement of the primary expenditure but also after meeting the incremental interest liabilities, resulted in a positive resource gap indicating the increasing capacity of the State to sustain its debt. During the periods 2009-10 and 2011-12 to 2013-14, incremental Non-debt receipts were not enough to meet the incremental primary expenditure resulting in a negative resource gap. No significant recovery of loans were noticed during the period 2009-10 and 2011-14.

1.10.4 Net availability of borrowed funds

Debt Redemption ratio indicated a fluctuating trend during the period 2009-14 (**Appendix 1.4**). It increased from 0.84 in 2009-10 to 0.95 in 2011-12 and then decreased to 0.86 in 2012-13. It again increased to 0.98 during 2013-14, leaving very less funds for asset creation. During the year 2013-14, internal debt repayment (₹ 3,243 crore) was 39 *per cent* of fresh internal debt receipts (₹ 8,328 crore), repayment of GoI loans (₹ 762 crore) was 63 *per cent* of fresh debt receipts of ₹ 1,212 crore while in case of other obligations (₹ 12,735 crore), repayments were 90 *per cent* of fresh receipts of ₹ 14,161 crore. This indicated that fresh debt receipts were partly utilised for repayment of debt.

Out of receipts of ₹ 8,328 crore under internal debt during the year, the Government raised ₹ 5,000 crore from market loans at an average interest rate of 9.42 *per cent* per annum, ₹ 1,250 crore from NABARD, ₹ 1,996 crore from NSSF and ₹ 82 crore from National Co-operative Development Corporation.

The receipt of Loans and Advances from GoI decreased from ₹ 1,557 crore in 2012-13 to ₹ 1,212 crore in 2013-14 mainly due to decrease in the receipt of Block Loans under 'Loans for State/Union Territories Plan Scheme'. Market loans constituted the major part of the Internal Debt.

1.10.5 Maturity Profile of State Debt

Table 1.31: Maturity Profile of State Debt for the years 2012-13 and 2013-14

(₹ in crore)

In Years	FY 2012-13				FY 2013-14			
	6003-Internal Debt Amount	6004-Loans and Advances Amount	Total Amount	Percentage of Repayment due to Debt	6003-Internal Debt Amount	6004-Loans and Advances Amount	Total Amount	Percentage of Repayment due to Debt
0-1	2,155.17	1,116.55	3,271.72	4.91	2,859.37	1,148.62	4,007.99	5.56
1-3	5,338.84	1,154.89	6,493.73	9.75	4,901.40	1,176.90	6,078.30	8.43
3-5	5,816.11	1,178.33	6,994.44	10.51	8,231.36	1,199.59	9,430.95	13.07
5-7	11,624.32	1,183.68	12,808.00	19.24	11,853.71	1,205.75	13,059.46	18.11
7-9	9,833.07	1,183.46	11,016.53	16.55	10,632.71	1,205.50	11,838.21	16.41
9-11	6,433.07	867.75	7,300.82	10.97	7,132.71	432.36	7,565.07	10.49
11-13	1,896.61	250.37	2,146.98	3.22	2,019.12	228.88	2,248.00	3.12
13-15	1,738.67	161.58	1,900.25	2.85	1,818.72	140.15	1,958.87	2.72
above 15	3,377.15	107.32	3,484.47	5.23	3,605.54	104.81	3,710.35	5.15
Misc.*	6,096.32	5,063.88	1,1160.20	16.76	6,340.45	5,875.67	12,216.12	16.94
Total	54,309.33	12,267.81	66,577.14		59,395.09	12,718.23	72,113.32	

(Source: Finance Accounts)

* Information about the maturity of loans awaited from State Government/Reserve Bank of India

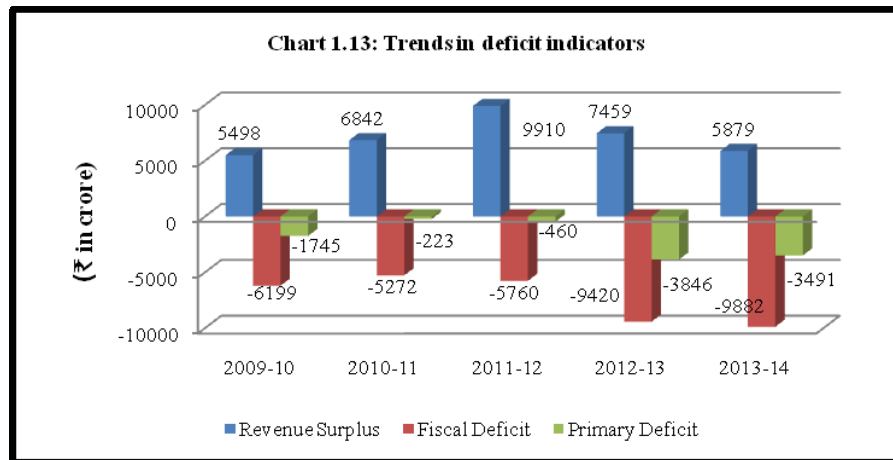
The maturity profile of State debt as given above indicates that the State Government will have to repay 27 per cent of its debt between one and five years, 45 per cent between five and 11 years, 11 per cent between 11 and 15 years above. The maturity profile of repayment of about 17 per cent of State debt was not available as the information had not been received from the Government/Reserve Bank of India.

1.11 Fiscal Imbalances

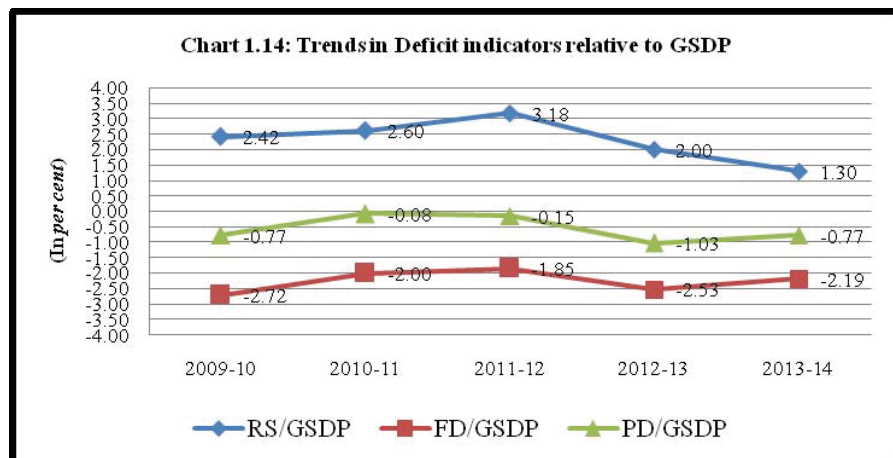
Three key fiscal parameters - Revenue, Fiscal and Primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit 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 the trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of Revenue, Primary and Fiscal Deficits vis-a-vis the targets set under FRBM Act/Rules for the financial year 2013-14.

Trends of Deficits

Chart 1.13 and 1.14 present the trends in deficit indicators over the period 2009-14.



(Source: Finance Accounts)



(Source: Finance Accounts and Directorate of Economic and Statistics, Government of Madhya Pradesh)

- The fiscal target of eliminating the Revenue Deficit by March 2009 as laid down in the FRBM Act, 2005 was achieved by the State in the year 2004-05. Thereafter, the State maintained a Revenue Surplus which increased from ₹ 5,498 crore in 2009-10 to ₹ 9,910 crore in 2011-12, then decreased to ₹ 5,879 crore in 2013-14. It decreased by ₹ 1,580 crore over the previous year. The Revenue Surplus as a percentage of GSDP increased from 2.42 per cent in 2009-10 to 3.18 per cent in 2011-12, then decreased to 1.30 per cent in 2013-14 due to decrease in growth rate of Revenue Receipts compared to the growth rate of GSDP during 2013-14. It was more than the BE of 1.27 per cent during 2013-14.
- The Fiscal Deficit, which represents the total borrowings of the Government and its total resource gap, increased from ₹ 6,199 crore in 2009-10 to ₹ 9,882 crore in 2013-14 with inter-year fluctuations. During the current year, Fiscal Deficit increased by ₹ 462 crore over the previous year. The Fiscal Deficit relative to GSDP decreased from 2.53 per cent in 2012-13 to 2.19 per cent in 2013-14, which remained within the BE (2.98 per cent) and also within the limit of three per cent recommended by the XIII FC as well as prescribed under the FRBM Act 2005.

- The Primary Deficit of ₹ 1,745 crore in 2009-10 increased to ₹ 3,491 crore during 2013-14 with inter-year fluctuations.

1.11.1 Components of Fiscal Deficit and its Financing Pattern

Fiscal Deficit is the total borrowing requirement of the State and is the excess of the Revenue and Capital Expenditure including Loans and Advances over Revenue and Non-debt Capital Receipts. Decomposition of Fiscal Deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above Revenue and Non-debt receipts. The financing pattern of the Fiscal Deficit is reflected in **Table 1.32**.

Table 1.32: Components of Fiscal Deficit and its Financing Pattern

Particulars		2009-10	2010-11	2011-12	2012-13	2013-14
(₹ in crore)						
Decomposition of Fiscal Deficit						
Fiscal Deficit		-6,199	-5,272	-5,760	-9,420	-9,882
1	Revenue Surplus	5,498	6,842	9,910	7,459	5,879
2	Net Capital Expenditure	-7,903	-8,433	-9,032	-11,534	-10,777
3	Net Loans and Advances	-3,794	-3,681	-6,638	-5,345	-4,984
Financing pattern of Fiscal Deficit*						
1	Market Borrowings	5,016	3,258	3,166	3,363	3,572
2	Loans from GoI	888	577	403	909	450
3	Special Securities issued to NSSF	492	1,582	-167	725	1,270
4	Loans from Financial Institutions	-188	-488	198	210	245
5	Reserve Funds	324	275	1,191	2,020	971
6	Small Savings, PF etc.	412	773	698	837	948
7	Deposits and Advances	705	1,678	783	348	-490
8	Suspense and Miscellaneous	10	86	-28	-93	32
9	Remittances	31	519	391	400	286
10	Cash balances increase(+)/ decrease(-)	+1,491	+2,988	+875	-701	-2,598

* Figures are net of disbursements/ outflows during the year
(Source: Finance Accounts)

It would be seen that during 2013-14, Market Borrowings raised by the State Government continued to finance a major portion of Fiscal Deficit. Its share in financing Fiscal Deficit was 36.15 per cent in 2013-14. The amount of NSSF loans, Small Savings and Provident Funds etc., in financing Fiscal Deficit was higher in 2013-14 than in 2012-13 indicating increase of interest burden in future.

1.12 Quality of Deficit/Surplus

The ratio of Revenue Deficit to Fiscal Deficit and the decomposition 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. In case of Madhya Pradesh there has been a Revenue Surplus since 2004-05. The bifurcation of the Primary Deficit (**Table 1.33**) indicates the extent to which the Deficit has been on account of enhancement in Capital Expenditure, which may be desirable to improve the productive capacity of the State's economy.

Table 1.33: Primary Deficit/Surplus – bifurcation of factors

(₹ in crore)								
Year	Non-debt Receipts	Primary Revenue Expenditure (PRE)	Capital Expenditure (CE)	Loans and Advances*	Primary Expenditure (PE)	Non-debt Receipt vis-à-vis PRE	Primary Deficit (-)/ Surplus(+)	CE as per cent of PE
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)	9
2009-10	41,443	31,443	7,925	3,820	43,188	10,000	-1,745	18.35
2010-11	52,257	39,963	8,800	3,717	52,480	12,294	-223	16.77
2011-12	71,753	47,394	9,055	15,764	72,213	24,359	-460	12.54
2012-13	70,500	57,394	11,567	5,385	74,346	13,106	-3,846	15.56
2013-14	75,880	63,479	10,813	5,079	79,371	12,401	-3,491	13.62

*Including Inter-State settlement
(Source: Finance Accounts)

Bifurcation of the factors resulting in Primary Deficits during the period 2009-14 reveals that the Primary Deficits were on account of Capital Expenditure incurred and Loans and Advances disbursed by the State Government. In other words, Non-debt receipts of the State were not only adequate to meet the Primary Revenue Expenditure but also met the whole/part of the Capital Expenditure. Although the surplus Non-debt receipts were enough to meet the Capital Expenditure in all the years, they were not enough to meet the entire Loans and Advances resulting in Primary Deficit during the period 2009-14.

1.13 Conclusion and Recommendations

Management of fiscal imbalances and resource mobilisation

- The State maintained Revenue Surplus during the year 2013-14 at ₹ 5,879 crore. However, it decreased by ₹ 1,580 crore over the previous year. Though the Fiscal Deficit of the State (₹ 9,882 crore) was within the limits prescribed by XIII FC, FRBM Act and Budget estimates, the Fiscal Deficit increased from the previous year by ₹ 462 crore. However, Fiscal Deficit relative to GSDP has improved from 2.53 per cent in 2012-13 to 2.19 per cent in the current year, mainly because of higher growth of GSDP during 2013-14 (21.15 per cent) compared to the previous year (19.41 per cent).
- Revenue Receipts (₹ 75,749 crore) grew by 7.56 per cent in 2013-14 compared to growth of 12.50 per cent in the previous year. The decrease was mainly due to decline in grants from GoI (2 per cent) and lesser growth in State's own Tax Revenue. During 2013-14, 54 per cent of Revenue Receipts came from State's own resources and 46 per cent contributed by Central tax transfers and Grants-in-aid from GoI.

Government should mobilise additional resources through Tax and Non-Tax Revenue by expanding the tax base.

Expenditure management and fiscal priority

- During 2013-14, the Revenue Expenditure (RE) of the State (₹ 69,870 crore) increased by 10.96 per cent. The Non-Plan Revenue Expenditure (NPRE) increased by 13.05 per cent and constituted 72 per cent of RE. Actual NPRE was 46.88 per cent more than the XIII FC projection, but almost equal to the projection made in the MTFPS of the State.

- Capital Expenditure in 2013-14 decreased by seven *per cent* over the previous year. The decrease was mainly under Rural Development, Energy and Agriculture & Allied Activities partly offset by increase in Irrigation & Flood Control and Transport.

Government may initiate suitable measures to reduce the NPRE so that more funds are available for Capital Expenditure for asset creation.

- Expenditure on salaries & wages, pension payments, interest payments and subsidies together constituted 53 *per cent* of Revenue Expenditure and 49 *per cent* of Revenue Receipts. Out of total subsidy payments of ₹ 6,567 crore, 46 *per cent* pertained to Energy Department.

Since the costs of salary, pension and interest payments are inflexible, the expenditure on subsidies which is increasing steadily requires utmost attention by the Government.

- The priority given to Social Sector Expenditure and expenditure on Education and Health Sectors in Madhya Pradesh was not adequate during 2013-14, when compared with General Category States' Average.

Government should give greater fiscal priority to Social Services particularly to the Education Sector and Health Sector in the State.

Funds transferred to State Implementing Agencies outside the State Budget

- A total amount of ₹ 9,280.05 crore was directly transferred to the State agencies during 2013-14 for implementing various schemes. These funds were not routed through State Budget.

For better monitoring of the funds directly transferred by GoI, the State Agencies should follow uniform accounting practice and ensure proper documentation and timely reporting of expenditure.

Return on investment

- During 2013-14, return (₹ 378.72 crore) on investment of ₹ 15,275.10 crore made by the Government up to 2013-14 in Statutory corporations, companies, Co-operative societies etc. was only 2.48 *per cent* against the average borrowing cost of 6.84 *per cent* during the year.

Government should ensure better value for its investments.

- Twenty two Government Companies and Statutory Corporations with an aggregate investment of ₹ 12,695.31 crore for the latest year for which accounts were finalised as of 2013-14 were running in losses which accumulated to ₹ 22,071.34 crore.

Government should review the working of State PSUs which are incurring huge losses and work out either a revival strategy or closure policy.

Incomplete projects

- Expenditure of ₹ 34,465 crore incurred on 201 incomplete projects in the Departments of Energy, Water Resources, Public Works and Narmada Valley Development Authority remained unfruitful as of 31 March 2014. Of these initial estimated cost of 50 projects was revised involving cost over-run of ₹ 12,701 crore.

Government should take initiative to get the incomplete projects completed to avoid time and cost over runs.

Management of liabilities

- At the end of the year 2013-14, total liabilities (TL) of the State was ₹ 96,826 crore. The ratio of TL to GSDP at 21.47 *per cent* was within the limit prescribed in FRBM target and XIII FC (36 *per cent*). The buoyancy of TL with respect to GSDP also decreased from 0.53 in 2012-13 to 0.35 during 2013-14.

Maintaining the ratio of total liabilities to GSDP at prescribed level in future is essential for sound financial health of the State.

During the exit conference held in November 2014, the Secretary, Finance Department, stated that action would be taken on the recommendations made by Audit.