

CHAPTER - I

FINANCES OF THE STATE

GOVERNMENT

Finances of the State Government

Profile of Maharashtra

Maharashtra occupies the western and central part of the country and has a long coastline along the Arabian Sea. It is the second largest State in India in terms of population (11.24 crore as per 2011 census) and has geographical area of 3.08 lakh sq. km. As indicated in **Appendix 1.1**, the State's population increased from 9.69 crore in 2001 to 11.24 crore in 2011 recording a growth of 16 *per cent*. The density of population of Maharashtra during the last decade increased from 315 persons per sq. km. to 365 persons per sq. km. as against the all India average of 382.

The percentage of population below the poverty line at 20¹ *per cent* was lower than the all India average of 29.5 *per cent*. The Gross State Domestic Product (GSDP) in 2015-16 at current prices was ₹ 19,69,184 crore. The Compounded Annual Growth Rate (CAGR) of GSDP for the period 2006-07 to 2015-16 has been 14.5 *per cent* as against 15.8 *per cent* in the General Category States (GCS) of the country. The State's literacy rate increased from 76.9 *per cent* (as per 2001 census) to 82.3 *per cent* (as per 2011 census). The per capita income of the State stood at ₹ 1,64,767² as against the country average of ₹ 1,07,496³. General data relating to the State is shown in **Appendix 1.1**.

Gross State Domestic Product

The 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 trends in the annual growth of India's GDP at current prices are indicated below:

Table 1.1: Trends in annual growth rate of GSDP

Year	2011-12	2012-13	2013-14	2014-15	2015-16
India's GDP (₹ in crore)	8736039	9951344	11272764	12488205	13576086
Growth rate of GDP (percentage)	-	13.9	13.3	10.8	8.7
State's GSDP (₹ in crore)#	1272967	1448466	1647506	1792122	1969184*
Growth rate of GSDP (percentage)	-	13.8	13.7	8.8	9.9

GDP and GSDP at current prices

Revised GSDP figures as per base year 2011-12

* Advance estimates; Source: Economic Survey of Maharashtra 2015-16

Table 1.1 shows that the growth rate of GSDP in the State was lower during 2014-15 and higher during 2015-16 as compared to India's Gross Domestic Product. The growth rate of GSDP showed an increase during 2015-16 over the previous year.

1.1 Introduction

This Chapter is based on the audit of the Finance Accounts of the State and makes an assessment of the State's fiscal position as on 31 March 2016. It provides a broad perspective of the finances of the State during 2015-16 and analyses critical

¹ Report of the Expert Group (Rangarajan) to Review the Methodology for Measurement of Poverty, Planning Commission (June 2014)

² Source: Central Statistical Office

³ Source: Central Statistical Office

changes observed in the major fiscal aggregates in relation to the previous year, keeping in view the overall trend during the last five year period. The structure and form of Government accounts have been explained in **Appendix 1.2 Part A** and the layout of the Finance Accounts is depicted in **Appendix 1.2 Part B**. The methodology adopted for assessment of the fiscal position and norms/ceilings prescribed by the Maharashtra Fiscal Responsibility and Budgetary Management (MFRBM) Act, 2005; and the (Amendment) Act of 2006; MFRBM Rules, 2006 and the (Amendment) Rules, 2008; (Amendment) Rules, 2011 and (Amendment) Rules, 2012 of the State are given in **Appendix 1.3**. According to the Act, Government developed its own Fiscal Correction Path (FCP) given in **Appendix 1.4**. As prescribed in the Act, Government laid its Medium Term Fiscal Policy Statement (MTFPS) for 2015-16 in the State Legislature in March 2015.

1.1.1 Summary of Fiscal transactions in 2015-16

The **Table 1.2** presents the summary of the State Government's fiscal transactions during the current year (2015-16) *vis-à-vis* the previous year (2014-15), while **Appendix 1.5** provides details of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.2: Summary of Fiscal operations during 2015-16

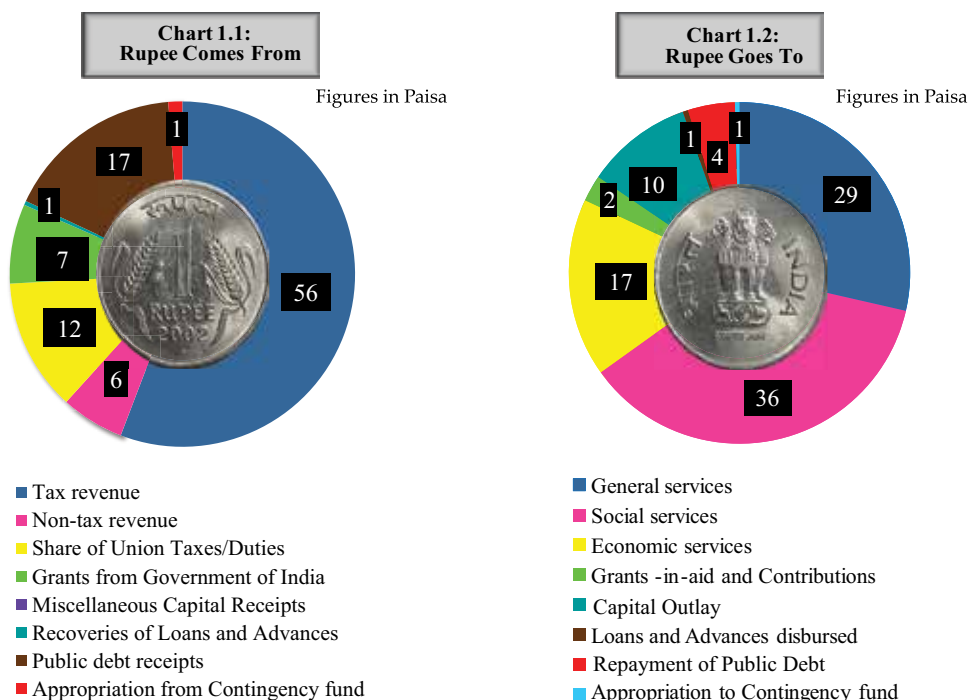
(₹ in crore)

2014-15	Receipts	2015-16	2014-15	Disbursements	2015-16		
Section-A: Revenue					Non-Plan	Plan	Total
165415.46	Revenue receipts	185035.68	177553.12	Revenue expenditure	154317.65	36056.40	190374.05
115063.90	Tax revenue	126608.11	60485.77	General services	64092.74	277.02	64369.76
12580.89	Non-tax revenue	13423.01	76952.49	Social services	60828.36	21488.87	82317.23
17630.03	Share of Union Taxes/Duties	28105.95	37686.57	Economic services	23913.59	14138.38	38051.97
20140.64	Grants from Government of India	16898.61	2428.29	Grants-in-aid and Contributions	5482.96	152.13	5635.09
Section B: Capital and Others							
0	Miscellaneous Capital Receipts	16.89	19523.47	Capital Outlay	2628.11	20165.05	22793.16
975.08	Recoveries of Loans and Advances	865.11	1140.54	Loans and Advances disbursed			1114.63
29373.28	Public debt receipts*	37976.41	8827.78	Repayment of Public Debt*			10043.10
2350	Appropriation from Contingency fund	2962	4350	Appropriation to Contingency fund			962
4360	Contingency Fund	962	2350	Contingency Fund			2962
83021.94	Public Account Receipts	72747.20	68985.90	Public Account Disbursements			66412.16
46883.46	Opening Cash Balance	49648.41	49648.41	Closing Cash Balance			55552.60
332379.22	Total	350213.70	332379.22	Total			350213.70

Source: Finance Accounts of respective years

* Excluding ways and means advances
(Receipt: ₹ nil and Disbursement: ₹ nil)

Composition of sources and application of funds in the Consolidated Fund during 2015-16 is given in **Chart 1.1** and **1.2**



(Source: Finance Accounts 2015-16)

(Source: Finance Accounts 2015-16)

The following are the major changes in fiscal transactions during 2015-16 over the previous year:

Revenue Receipts	<ul style="list-style-type: none"> Increased by 12 per cent Own tax revenue increased by 10 per cent
Revenue Expenditure	<ul style="list-style-type: none"> Increased by seven per cent Plan expenditure increased by 15 per cent
Capital Expenditure	<ul style="list-style-type: none"> Increased by 17 per cent
Loans and Advances	<ul style="list-style-type: none"> Recoveries increased by 11 per cent Disbursements decreased by two per cent
Public Debt	<ul style="list-style-type: none"> Receipts increased by 29 per cent Repayments increased by 14 per cent
Cash Balance	<ul style="list-style-type: none"> Increased by 12 per cent

1.1.2 Review of the Fiscal situation

Major fiscal variables provided in the budget based on the recommendations of the Fourteenth Finance Commission (FFC) and as targeted in the Fiscal Responsibility and Budgetary Management Act of the State are shown in **Table 1.3**.

Table 1.3: Review of the Fiscal situation

Fiscal variables	2015-16			
	FFC targets for the State in percentage	Targets proposed in the MTFPS	Projections made in five year FCP	Actuals
Fiscal deficit/GSDP (in <i>per cent</i>)	3.25	1.63	1.63	1.44
Ratio of total outstanding debt of the Government to GSDP (in <i>per cent</i>)	21.89	17.64	17.64	17.84
Interest Payment/Revenue Receipt (IP/RR) ratio	12.02	13.95	13.95	13.93

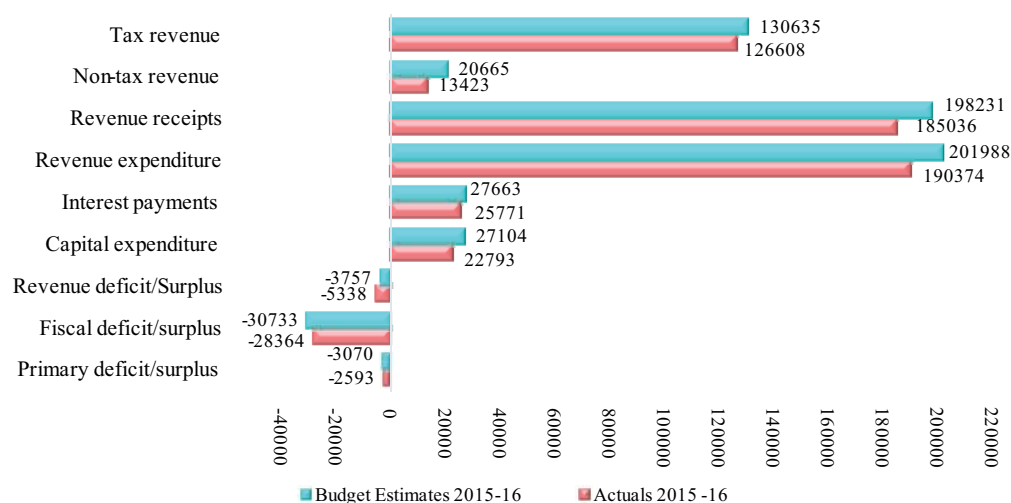
Source: MTFPS/FCP/FFC

From **Table 1.3** it can be seen that during 2015-16, the State achieved two of the three major parameters specified by the FFC *i.e.* (i) the fiscal deficit at 1.4 *per cent* of GSDP and (ii) the ratio of debt to GSDP at 17.8 *per cent* were lower than the norm. However, the third parameter of IP/RR ratio at 14 *per cent* was higher than the norm prescribed by FFC (12 *per cent*) and equal to the norm prescribed by State's MTFPS (14 *per cent*).

1.1.3 Budget estimates and actuals

Though revenue expenditure was less than the budget estimates by 5.7 *per cent* in 2015-16, there was a revenue deficit of ₹ 5,338 crore since the actual revenue receipts were less than the budget estimates by 6.7 *per cent*. The capital expenditure decreased by 15.9 *per cent* and interest payments also decreased by 6.8 *per cent* over the budget estimates.

Chart 1.3: Selected fiscal parameters : Budget estimates *vis-a-vis* actuals
(₹ in crore)



(Source: Finance Accounts 2015-16)

As may be observed from **Chart 1.3** (also see **Appendix 1.6**), there was variation between budget estimates and actuals in the case of several key parameters. Revenue receipts had a negative variation (₹ 13,195 crore: 6.7 per cent) over budget estimates as Taxes on Sales, Trade *etc.*, and Land Revenue were lower than the budget estimates.

The decrease in revenue receipts was the net result of decrease in tax revenue by three per cent, non-tax revenue by 35 per cent, share of Union Taxes and Duties by three per cent and grants-in-aid from Government of India (GoI) by five per cent.

Actual revenue deficit of ₹ 5,338 crore was more than the budget estimates of ₹ 3,757 crore due to decrease in revenue receipts by ₹ 13,195 crore.

Revenue expenditure decreased by 5.7 per cent over the budget estimates, mainly because of less expenditure under General Services, *i.e.* Administrative Services, Pension and Miscellaneous General Services and Interest Payment. The actual capital expenditure was less by ₹ 4,311 crore (16 per cent) against the original budget estimates of 2015-16. The decrease was mainly under Rural development (₹ 5,247 crore), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹ 1,528 crore), set-off by an increase in expenditure on Irrigation and Flood Control (₹ 2,199 crore).

Fiscal deficit (₹ 28,364 crore) was less than the assessment made in the budget estimates (₹ 30,733 crore) by eight per cent, mainly due to lower growth of revenue and capital expenditure.

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 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. Besides, the funds available in the Public Account after disbursement are also utilised by the Government to finance its deficit.

Table 1.4 presents the receipts of the State during the current year as recorded in its Annual Finance Accounts.

Table 1.4: Trends in growth and composition of aggregate receipts

Sources of State's receipts	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue receipts	121286	142947	149822	165415	185036
Capital receipts	25467	22588	27463	30348	38858
Contingency Fund	511	875	860	4360	962
Public Account receipts	53389	47060	64020	83022	72747
Total receipts	200653	213470	242165	283145	297603

Source: Finance Accounts of respective years

Chart 1.4 depicts the trends in various components of the receipts of the State during 2011-16. **Chart 1.5** and **Flow chart 1.1** depicts the composition of the receipts of the State during the current year.

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

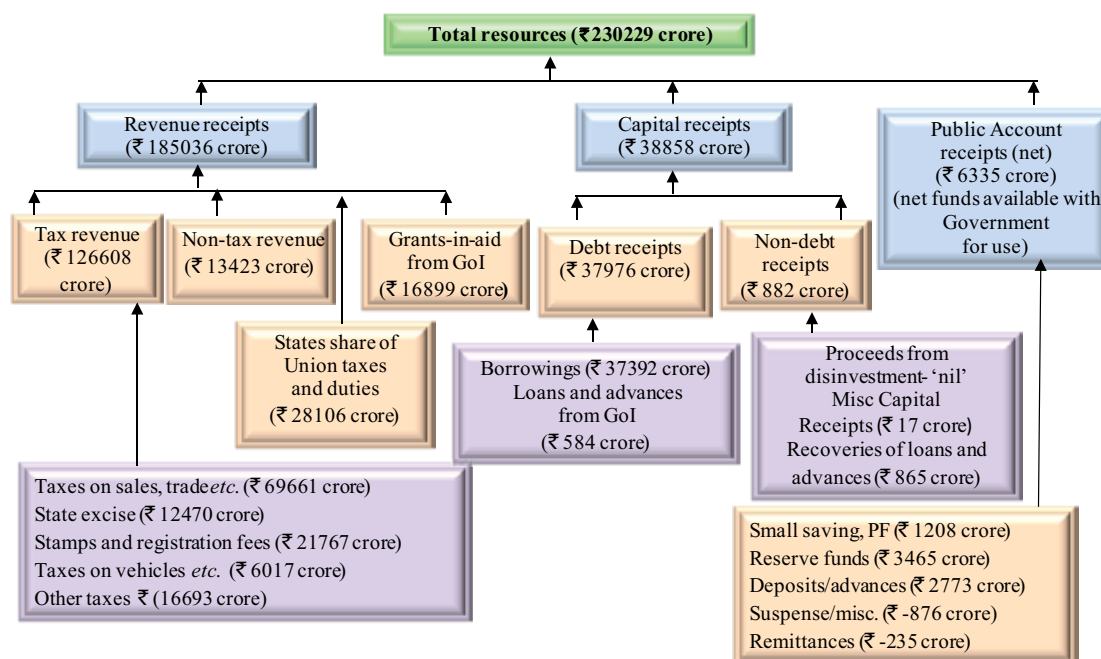
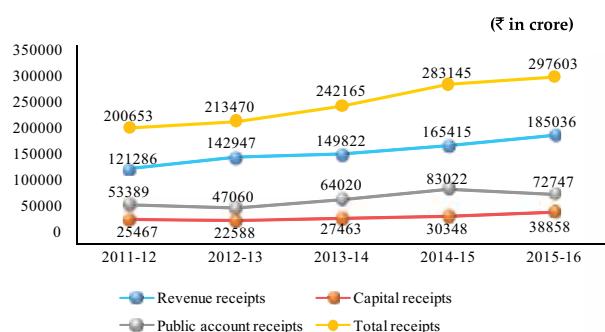
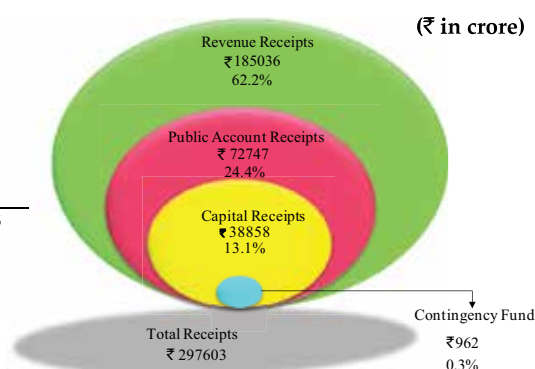


Chart 1.4: Trends in Aggregate receipts



(Source: Finance Accounts of respective years)

Chart 1.5: Composition of aggregate receipts during 2015-16

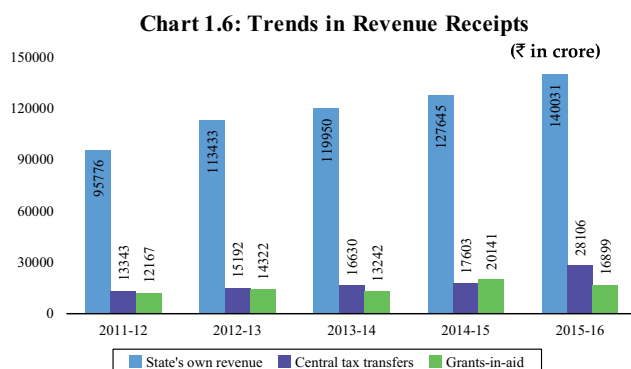


(Source: Finance Accounts 2015-16)

The total receipts of the State increased by ₹ 96,950 crore (48 per cent) from ₹ 2,00,653 crore in 2011-12 to ₹ 2,97,603 crore in 2015-16. The share of revenue receipts in total receipts of the State increased from 60 per cent in 2011-12 to 62 per cent in 2015-16 while the share of Public Account receipts in total receipts of the State decreased from 27 per cent in 2011-12 to 24 per cent in 2015-16.

1.3 Revenue Receipts

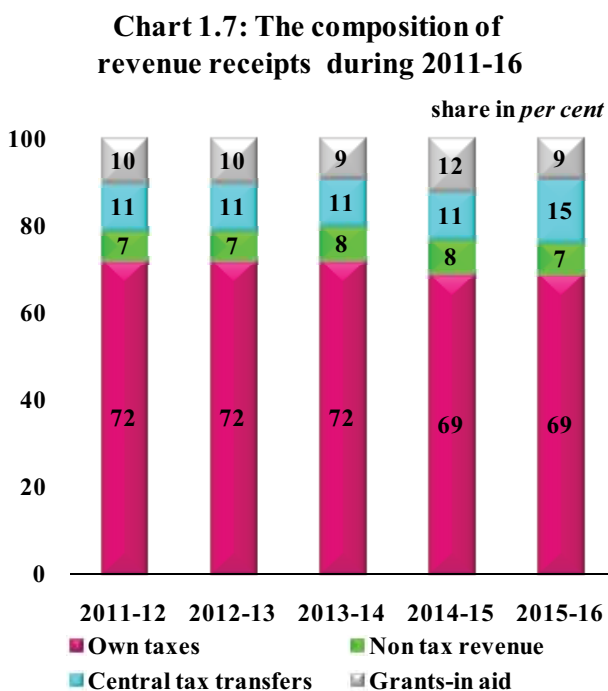
Statement 14 of the Finance Accounts details the revenue receipts of the Government. These consist of the State's own tax and non-tax revenues, Central tax transfers and grants-in-aid from GoI. The trends of revenue receipts over the period 2011-16 are presented in **Chart 1.6** and also in **Appendix 1.7**.



(Source: Finance Accounts of respective years)

Revenue receipts grew by ₹ 19,621 crore (12 per cent) over 2014-15. The increase was the net effect of increase in tax revenue by ₹ 11,544 crore (10 per cent), non-tax revenue by ₹ 842 crore (seven per cent), State's share of Union Taxes and Duties by ₹ 10,503 crore (60 per cent) set-off by decrease in Grants-in-aid from GoI by ₹ 3,242 crore (16 per cent). The revenue receipts at ₹ 1,85,036 crore were almost 93 per cent of the assessments made by the State Government in its FCP and MTFPS (₹ 1,98,231 crore) for the year 2015-16.

The composition of revenue receipts over the period 2011-16 are presented in **Chart 1.7**.



(Source: Finance Accounts of respective years)

The revenue receipts have shown a progressive increase over the period 2011-16. As shown in **Chart 1.7**, the share of State's own taxes in revenue receipts was 72 per cent during the period 2011-14, which however, decreased to 69 per cent in 2014-15 and remained constant in 2015-16. The share of non-tax revenue remained constant during 2011-13 and marginally decreased in 2015-16. The share of Central tax transfers was relatively stable during 2011-15 and increased during 2015-16. The share of grants-in-aid was constant during 2011-13 but, indicated a fluctuating trend during 2013-16.

During 2006-07 to 2014-15, the CAGR of revenue receipts (13 per cent) was less than the growth rate of GCS (14.7 per cent). This growth of revenue receipts during 2015-16 over 2014-15 (11.9 per cent) was also lower than the growth rate of GCS (15 per cent) as shown in **Appendix 1.1**.

The trends in revenue receipts relative to GSDP at current prices are presented in **Table 1.5**.

Table 1.5: Trends in Revenue Receipts relative to Gross State Domestic Product

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue receipts (₹ in crore)	121286	142947	149822	165415	185036
Rate of growth ⁴ of RR (<i>per cent</i>)	14.6	17.9	4.8	10.4	11.9
RR/GSDP (<i>per cent</i>)	9.5	9.9	9.1	9.2	9.4
Buoyancy ratios⁵					
Revenue receipts buoyancy w.r.t. GSDP	1.263	1.297	0.350	1.182	1.202
State's own taxes buoyancy w.r.t. GSDP	1.454	1.312	0.365	0.682	1.010
Gross State Domestic Product (₹ in crore)	1272967	1448466	1647506	1792122	1969184
Revenue receipts buoyancy w.r.t. State's own taxes	0.869	0.989	0.960	1.733	1.190

Source: Finance Accounts of respective years

There was an increase in the rate of growth of revenue receipts from 10.4 *per cent* in 2014-15 to 11.9 *per cent* in 2015-16.

The ratio of State's own tax buoyancy with reference to GSDP decreased from 1.454 in 2011-12 to 1.312 in 2012-13 and declined during 2013-14 to 0.365. This ratio increased to 0.682 in 2014-15 and again to 1.010 in 2015-16.

1.3.1 State's Own Resources

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

The State's actual tax and non-tax receipts for the year 2015-16 *vis-à-vis* assessment made by the FFC and the MTFPS (2015-16) are given in **Table 1.6**.

Table 1.6: Actual Tax and Non-Tax Receipts

	FFC projection	Budget estimates	MTFPS projection	Actual
Tax revenue	156346	130635	130635	126608
Non-tax revenue	20297	20665	20665	13423

Source: Finance Accounts/FFC/Budget/MTFPS

Table 1.6 shows that the actual realisation of tax revenue during the year was lower than the normative assessment of the FFC, projections made in the budget estimates and MTFPS. The non-tax revenue of the Government was also lower than the normative assessment of the FFC by 34 *per cent*.

1.3.1.1 Tax Revenue

The gross collection in respect of major taxes and duties are given in **Table 1.7** and **Chart 1.8**.

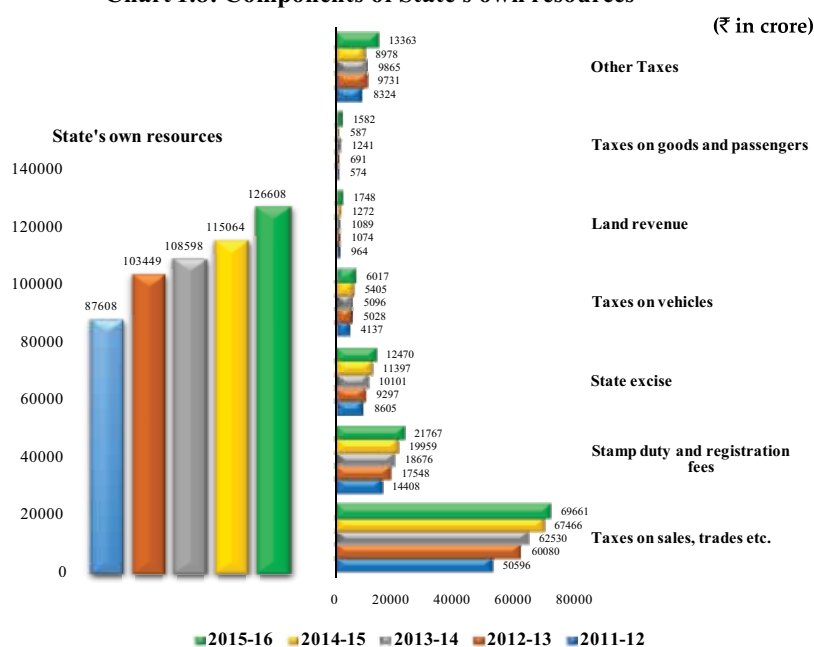
⁴ see Glossary at page 120

⁵ 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 0.9 implies that revenue receipts tend to increase by 0.9 percentage points, if the GSDP increases by one per cent (also see Glossary at page 120)

Table 1.7: Components of State's own resources

						(₹ in crore)
Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage increase in 2015-16 over previous year
Taxes on sales, trade etc.	50596	60080	62530	67466	69661	3
Stamp duty and registration fees	14408	17548	18676	19959	21767	9
State excise	8605	9297	10101	11397	12470	9
Taxes on vehicles	4137	5028	5096	5405	6017	11
Land revenue	964	1074	1089	1272	1748	37
Taxes on goods and passengers	574	691	1241	587	1582*	170
Other taxes ⁶	8324	9731	9865	8978	13363	49
Total	87608	103449	108598	115064	126608	10

* The exceptional variation is due to book adjustment of dues on passenger tax carried out during 2014-15
 Source: Finance Accounts of respective years

Chart 1.8: Components of State's own resources


(Source: Finance Accounts of respective years)

The increase in tax revenue by ₹ 11,544 crore (10 per cent) over the previous year was mainly under (a) Taxes and duties on electricity by ₹ 4,156 crore (96 per cent) due to more collection of taxes on consumption and sale of electricity, (b) Taxes on sales, trade, etc. by ₹ 2,195 crore (three per cent) due to more tax collection under 'Value Added Tax', (c) Stamps and registration fees by ₹ 1,808 crore (nine per cent) due to more collection of Stamp duty and registration fees, (d) State excise by ₹ 1,073 crore (nine per cent) due to receipt of more excise duty on wines and spirits, and (e) Taxes on Vehicles by ₹ 612 crore (11 per cent) due to more proceeds from State Motor vehicles Taxation Act and Environment tax.

During 2006-07 to 2014-15, the CAGR of tax revenue (14.1 per cent) was less than the growth rate of GCS (15.1 per cent). The growth of own tax revenue during

⁶ Other taxes include taxes on professions, trades, callings and employment; and taxes and duties on electricity

2015-16 over 2014-15 (10 per cent) was also lower than the growth rate of GCS (13.3 per cent) as shown in **Appendix 1.1**.

During 2015-16, the tax revenue as a percentage of GSDP (6.4 per cent) was less than the normative assessment of the FFC (8.4 per cent), MTFPS (8.4 per cent) and FCP (6.9 per cent).

1.3.1.2 Non-Tax Revenue

Growth rate of Non-Tax Revenue is shown in **Table 1.8** and **Chart 1.9**.

Table 1. 8: Growth rate of Non-Tax Revenue

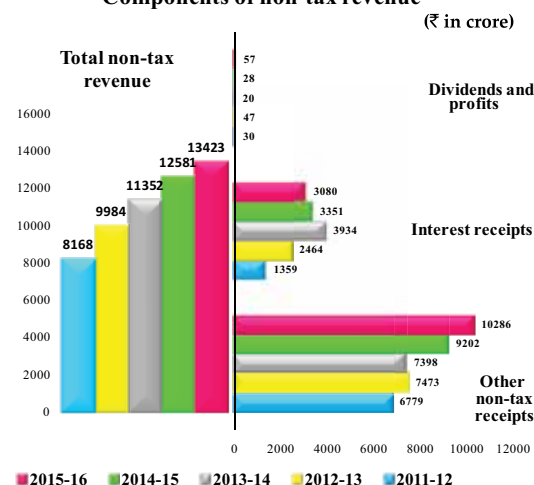
Revenue head	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage increase in 2015-16 over previous year
	(₹ in crore)					
Interest receipts	1359	2464	3934	3351	3080*	(-) 8
Dividends and profits	30	47	20	28	57 [#]	104
Other non-tax receipts	6779	7473	7398	9202	10286	12
Total	8168	9984	11352	12581	13423	7

Source: Finance Accounts of respective years

* Higher rounding

[#] Dividend of ₹ 35 crore from other corporations, for which list is not made available (Finance Account 2015-16)

Chart 1.9: Trends of growth rate of non-tax revenue
Components of non-tax revenue



(Source: Finance Accounts of respective years)

as well as the normative assessment of the FFC by ₹ 20,297 crore (34 per cent).

During 2006-07 to 2014-15, the CAGR of non-tax revenue (6.6 per cent) was less than the growth rate of GCS (10.2 per cent). The growth of non-tax revenue during 2015-16 over 2014-15 (6.7 per cent) was however, higher than the growth rate of GCS (six per cent) as shown in **Appendix 1.1**.

Interest receipts, Dividends and Profits

One of the major sources of interest receipts is interest proceeds out of investment of surplus cash balances of the State. As per Reserve Bank of India's regulations, the cash balance maintained by the State is invested in GoI's 14 day Treasury Bills (TBs). The average rate of interest on these TBs is around five to six per cent. Excess cash balance, beyond the immediate requirement is invested in GoI's 91 day TBs. Against budgeted estimates of ₹ 2,237 crore for interest receipts during

The increase in non-tax revenue receipts by ₹ 842 crore (seven per cent) over 2014-15 was mainly due to 31 per cent increase (₹ 728 crore) in Non-Ferrous Mining and Metallurgical Industries and more receipts from Central Government under e-Auction Royalties (₹ 52.30 crore). The non-tax revenue receipts (₹ 13,423 crore) during the current year was lower than the projections made in the FCP/MTFPS/Budget estimates by ₹ 20,665 crore (35 per cent)

2015-16, the actual interest realized was ₹ 2,247.54 crore of which, 14 day TBs yielded ₹ 367.14 crore and 91 day TBs yielded ₹ 1,880.40 crore.

The interest realised on Loans and Advances given by the State Government to its Companies/Corporations *etc.* stood at ₹ 762 crore during 2015-16 which worked out to three *per cent* of the outstanding balances of Loans and Advances (₹ 22,071.77 crore) at the end of the year.

The return on investment in the form of dividends declared by Companies/Corporations and credited to Government account during the year was ₹ 57.27 crore. Considering the magnitude of Government investment (₹ 1,20,310.97 crore), the return worked out to a meagre 0.05 *per cent* on the investment made.

Pricing of public utilities – Water Charges

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

Maharashtra moved towards fixing the water charges through Maharashtra Water Resources Regulatory Authority from October 2010. The assessment and recovery of water charges against the O & M cost during 2011-16 based on the water rates for the control period⁷ 2010-2013 is shown in **Table 1.9**.

Table 1.9: Details of O&M cost of water resources project, assessment of water charges and recovery of water charges

(₹ in crore)

Year	Operation and Maintenance cost (Establishment + Maintenance and repair)			Assessment	Recovery of water charges	Arrears of water charges (5-6)
	Salary (Establishment)	Non-salary (Maintenance and Repairs)	Total			
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2011-12	555.95	204.37	760.32	650.79	620	30.79
2012-13	593.14	158.06	751.20	753.10	506	247.10
2013-14	632.15	206.05	838.20	607.04	515	92.04
2014-15	620.15	126.15	746.30	671.74	637	34.74
2015-16	680.06	180.79	860.85	740.17	573	167.17
Total	3081.45	875.42	3956.87	3422.84	2851	571.84

Source: Information furnished by Maharashtra Water Resources Regulatory Authority

From the **Table 1.9** it can be seen that the water charges recovered during 2011-16 was less than the O & M cost by ₹ 1,105.87 crore. Arrears in recovery during the last five years was ₹ 571.84 crore. In addition, there was a gap of ₹ 534.03 crore between O & M cost and assessment made during last five years. Efforts are needed to bring the assessment to meet O & M cost and also to effect recovery as per the assessment.

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

1.3.2 Receipts from Government of India

1.3.2.1 Grants-in-aid from Government of India

The grants-in-aid from GoI decreased by 16 *per cent* from ₹ 20,140 crore in 2014-15 to ₹ 16,899 crore in 2015-16. The decrease in 2015-16 was mainly under State Plan Schemes (52 *per cent*), Central Plan Schemes (51 *per cent*), Non-plan Grants (17 *per cent*) and Centrally Sponsored Plan Schemes (four *per cent*) as shown in **Table 1.10**. The trend of total grants from GoI as a percentage of revenue receipts continuously decreased from 2011-12 to 2013-14, however, it increased to 12.2 during 2014-15 and again decreased to 9.1 during 2015-16.

Table 1.10: Grants-in-aid from Government of India

	2011-12	2012-13	2013-14	2014-15	2015-16
Non-plan grants	1723	4676	5533	7304	6080
Grants for State Plan Schemes	6380	5630	3684	1665	791
Grants for Central Plan Schemes	65	113	648	1399	688
Grants for Centrally sponsored Plan Schemes	3999	3903	3377	9772	9340
Total	12167	14322	13242	20140	16899
Percentage of increase/decrease over previous year	8.67	17.71	(-)7.54	52.10	(-)16.09
Total grants as a percentage of revenue receipts	10	10	8.8	12.2	9.1

Source: Finance Accounts of respective years

The decrease under Central Plan Schemes (₹ 711 crore) was mainly under Rural Development (₹ 599 crore) and Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹ 82 crore). The decrease under grants from Centrally Sponsored Plan Schemes (₹ 432 crore) was mainly due to decrease under (a) Crop Husbandry (₹ 377 crore), (b) Water Supply and Sanitation (₹ 334 crore), (c) Family Welfare (₹ 306 crore), (d) General Education (₹ 188 crore), (e) Urban Development (₹ 124 crore), set-off by an increase under (f) Special Programmes for Rural Development (₹ 520 crore), and (g) Rural Employment (₹ 439 crore).

Decrease under State Plan and Non-Plan Schemes

The Grants for State Plan Schemes comprises mainly of grants under Article 275(1) of the Constitution of India (these are basically grants for tribal sub-plan) and Block Grants⁸.

Table 1.11 below shows the Grants-in-aid received from GoI under proviso to Article 275(1) of the Constitution and Block Grants during 2011-12 to 2015-16.

⁸ see Glossary at page 120.

Table 1.11: Year wise Grants-in-aid from Government of India under proviso to Article 275(1) of the Constitution and Block Grants

(₹ in crore)

	Particulars	Classification	2011-12	2012-13	2013-14	2014-15	2015-16
Under proviso to Article 275(1) of the Constitution	Non-plan grants	1601-01-104	0	0	75	2329	0
	Plan grants	1601-02-104	1270	1033	125	117	134
	Non-Plan grants	1601-03-104	1	0	0	0	0
Block Grants			3936	3247	2832	1091	284
(1601-02-101)	Accelerated Irrigation Benefits Programme and other water related schemes		1302	1023	280	32	265
	Normal Central Assistance		630	644	766	790	0
	Backward Region Grants Fund		60	50	247	0	0
	Other Schemes		1944	1530	1539	269	19

Source: Finance Accounts of respective years

From **Table 1.11** it could be seen that no Grants-in-aid was received under proviso to Article 275(1) of the Constitution in respect of the non-plan grants in 2015-16 as against ₹ 2,329 crore received in 2014-15. Block grants decreased by ₹ 807 crore (75 per cent) in 2015-16. However, grants to AIBP and other water related schemes increased by ₹ 233 crore. The reduction in Grant-in-aid is offset by increase in tax devolution from 32 per cent to 42 per cent as per the recommendations of FFC.

The overall decrease in grants for the State Plan Schemes (₹ 875 crore) was mainly due to decrease in grants under Block Grants-Normal Central Assistance (₹ 790 crore).

1.3.2.2 Central Tax Transfers

Due to higher devolution of Central taxes under FFC, Central tax transfers increased by 60 per cent from ₹ 17,603 crore in 2014-15 to ₹ 28,106 crore in 2015-16.

1.3.2.3 Comparison of the devolution of taxes as well as grants-in-aid

Fourteenth Finance Commission

Consequent upon acceptance of the recommendations of the FFC (award period 2015-16 to 2019-20) by GoI, the devolution to States with effect from 2015-16 has increased from 32 per cent to 42 per cent of the net union tax receipts. The devolution of different components of States share of union taxes during the first year of FFC compared with the last year of Thirteenth Finance Commission (ThFC) is as given in **Table 1.12**.

Table 1.12: Devolution of different components of State's share of Union Taxes

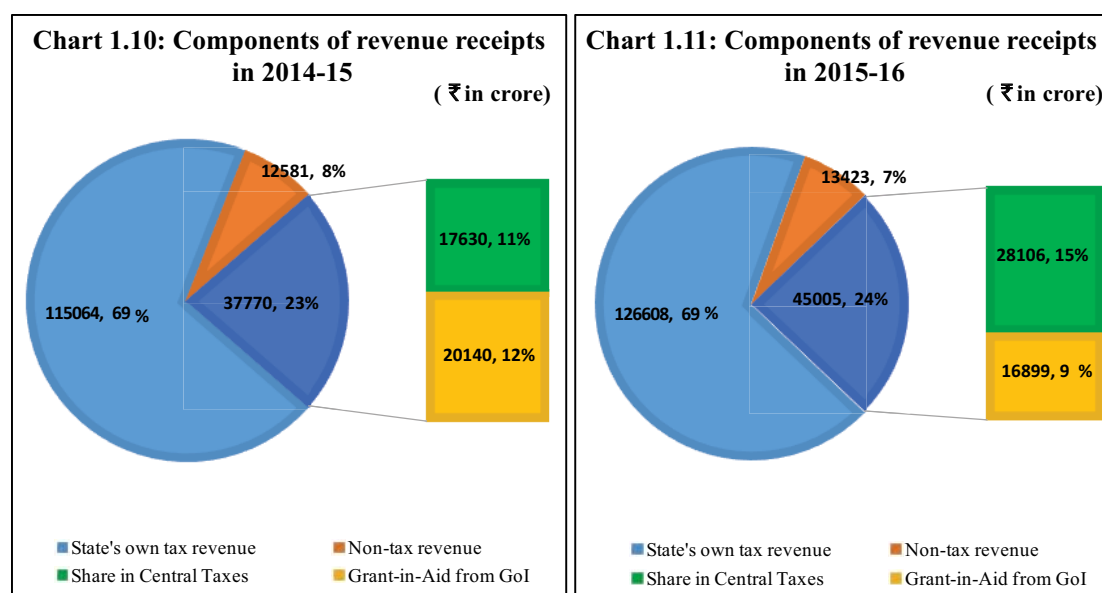
(₹ in crore)

Components of State's share of Union taxes	2014-2015 (Last year of ThFC award period)	2015-2016 (First year of FFC award period)	Difference	Percentage increase/decrease
Corporation Tax	6147.05	8835.19	2688.14	44
Customs	2846.89	4486.57	1639.68	58
Income Tax	4389.58	6144.85	1755.27	40
Other taxes and duties on commodities and services	24.08	19.33	(-) 4.75	(-) 20
Other taxes on income and expenditure	0.15	0.18	0.03	20
Service tax	2595.15	4887.46	2292.31	88
Taxes on wealth	16.60	2.00	(-) 14.60	(-) 88
Union excise duties	1583.47	3730.37	2146.90	136
Grand Total	17602.97	28105.95	10502.98	60
Devolution as a percentage of revenue receipts	10.6	15.2		

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

The devolution of States share of Union taxes assigned to the State substantially increased by 60 per cent during the first year of the award period of FFC when compared to the previous year of ThFC. There was an increasing trend in all the components of the State's share of Union taxes except in respect of other taxes on income and expenditure and taxes on wealth. The percentage of increase was mainly under union excise duties (136 per cent) followed by service tax (88 per cent) and customs (58 per cent).

The increase in tax devolution to States by the FFC to give larger fiscal space has meant sharp cuts for Central Plan Schemes/Centrally Sponsored Schemes. The components of revenue receipts during 2014-15 and 2015-16 are shown in **Chart 1.10** and **Chart 1.11** respectively.



(Source: Finance Accounts of the respective years)

(Source: Finance Accounts of the respective years)

Tax devolution increased from ₹ 17,603 crore in 2014-15 (11 *per cent* of revenue receipts) to ₹ 28,106 crore in 2015-16 (15 *per cent* of revenue receipts). Grants-in-aid from GoI which constituted 12 *per cent* of revenue receipt in 2014-15 decreased to nine *per cent* in 2015-16.

Sub-optimal use of increased receipts

The increase in devolution to States due to FFC recommendations is expected to be reflected in the States' expenditure programmes. The details of expenditure incurred during 2014-15 and 2015-16 is shown in **Table 1.13**.

Table 1.13: Details of expenditure during 2014-15 and 2015-16

(₹ in crore)

Year	GSDP	Total expenditure	Revenue expenditure	Capital expenditure [#]	Development expenditure ⁹	Non-development expenditure
2014-15	1792122	198217	177553	20664	134131	64086
		(11)	(10)	(1)	(7)	(4)
2015-16	1969184*	214282	190374	23908	142415	71867
		(11)	(10)	(1)	(7)	(4)

Figures in parenthesis indicate percentage to GSDP

Source: Finance Accounts and Economic Survey of respective years

* Advance estimates Economic Survey of Maharashtra 2015-16

[#]Capital expenditure includes disbursement of loans and advances

As shown in **Table 1.13**, the State's total expenditure as percentage of GSDP and the development expenditure-GSDP ratio remained constant during 2014-15 and 2015-16.

There was an increase of 16 *per cent* in capital expenditure (including disbursement of loans and advances) from ₹ 20,664 crore in 2014-15 to ₹ 23,908 crore in 2015-16. However, the development expenditure component of capital expenditure had increased only by 13 *per cent* against the increase of 59 *per cent* in non-development component of capital expenditure as shown in **Table 1.14**.

Table 1.14: Components of Capital expenditure

(₹ in crore)

Year	Development expenditure	Non-development expenditure	Total
2014-15	19492	1172	20664
2015-16	22046 (13)	1862 (59)	23908 (16)

Source: Finance Accounts of respective years

Figures in parenthesis indicate the growth rate

1.3.2.4 Centrally Sponsored Schemes

The Planning Commission, GoI restructured (July 2013) the existing Centrally Sponsored Schemes in the Twelfth Five-Year Plan into 66 schemes, including 17 Flagship Programmes. Details of releases of Central share and State share in respect of major schemes are given in Annexure to Statement No. 15 of Finance Accounts 2015-16.

Instances have been noticed in audit regarding delay in surrendering unutilized balances to GoI, non-surrender of unutilized balances to GoI, non-utilization of

⁹ The analysis of expenditure data is segregated into development and non-development expenditure. All expenditure relating to revenue account, capital outlay and loans and advances are 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

GoI funds, non-release of State share, and non-release of GoI share as enumerated succeeding paragraphs.

Delay in surrendering unutilized balances to Government of India

There were inordinate delays up to eight years in refunding/surrendering unutilized balances to GoI in respect of six Central Schemes (i) Strengthening and Modernization of Pest Management Approach in India, (ii) Establishment of village grain banks in the State of Maharashtra, (iii) National Project on organic farming, (iv) Preparation of Disaster Management Plan, (v) Livestock Census and Breed Survey, and (vi) Poultry Development (Rural Backyard Poultry Development Component). These are detailed in **Appendix 1.8**.

Non-release/Non-utilization of Government of India funds

Under the Centrally Sponsored Scheme for Strengthening and upgradation of State Government Medical Colleges for starting new post graduate disciplines and increasing post graduate seats, GoI released ₹ 129.57 crore in October 2011 (out of its share of ₹ 313.33 crore) directly into the savings accounts of the colleges of which, an expenditure of only ₹ 10.69 crore was incurred. Though the Central share was made available in October 2011, there was a delay of two years on the part of the State Government in opening of new accounting head for the State share. As a result, of the total State share of ₹ 104.44 crore, an expenditure of only ₹ 42.24 crore was incurred till March 2016. Non-release of State share and non-utilization of Central share resulted in non-receipt of balance funds of ₹ 183.76 crore.

1.4 Capital Receipts

Capital receipts of the State Government include non-debt and debt receipts, whose composition has been discussed in **Paragraph 1.2.1**. The public debt receipts during the year (₹ 37,976 crore) comprised internal debt of ₹ 37,393 crore (98.5 per cent) and loans and advances from GoI ₹ 584 crore (1.5 per cent). Market borrowings had a predominant share under internal debt comprising 87 per cent followed by NSSF loans (11 per cent) and negotiated loans (two per cent). The trends in composition of capital receipts and a time series data on public debt receipts are shown in **Table 1.15** and **Table 1.16**.

Table 1.15: Trends in growth and composition of Capital Receipts

Sources of State's receipts	2011-12	2012-13	2013-14	2014-15	2015-16
Capital Receipts (CR)	25467	22588	27463	30348	38858
Miscellaneous Capital Receipts	456	0	0	0	17
Recovery of Loans and Advances	559	863	728	975	865
Public Debt Receipts	24452	21725	26735	29373	37976
Rate of growth of debt capital receipts	17.9	(-)11.1	23.1	9.9	29.3
Rate of growth of non-debt capital receipts	54.5	(-)15.0	(-)15.6	33.9	(-)9.5
Rate of growth of GSDP	-	13.8	13.7	8.8	9.9
Rate of growth of CR (per cent)	19.0	(-) 11.3	21.6	10.5	28.0

Source: Finance Accounts of respective years

Table 1.15 shows that the growth of capital receipts increased from 10 per cent in 2014-15 to 29 per cent in 2015-16. The non-debt capital receipts registered a negative growth of 9.5 per cent in 2015-16 as against positive growth of 33.9 per cent in 2014-15.

Table 1.16: Time-series data on Public Debt Receipts

(₹ in crore)

	2011-12	2012-13	2013-14	2014-15	2015-16
Open Market Borrowings	21000 (85.9)	17500 (80.5)	23600 (88.3)	25083 (85.4)	32440 (85.4)
National Small Savings Fund	1965 (8)	2664 (12.3)	1425 (5.3)	2982 (10.1)	4015 (10.6)
Other Financial Institutions	1181 (4.8)	810 (3.7)	745 (2.8)	766 (2.6)	937# (2.5)
Loans and Advances from GoI	306 (1.2)	751 (3.5)	965 (3.6)	542 (1.8)	584 (1.5)
Public Debt Receipts	24452	21725	26735	29373	37976
Public Debt Repayments	6458	6653	10262	8828	10043

Figures in parenthesis indicate percentages to Public Debt receipts
 Source: Finance Accounts of respective years
 # Lower rounding

Capital receipts increased from ₹ 25,467 crore in 2011-12 to ₹ 38,858 crore in 2015-16. Debt receipts had a predominant share in capital receipts and were between 96 and 98 *per cent* during 2011-15. As per FFC recommendations, the involvement of the States in the National Small Saving Fund (NSSF) scheme with effect from April 2015 may be limited solely to discharging the debt obligations already incurred by them until that date (April 2015). However, the NSSF loans increased by ₹ 1,033 crore in 2015-16 contrary to the FFC recommendations.

During 2015-16, the public debt receipts increased by 29 *per cent* (₹ 8,603 crore) and public debt repayment increased by 14 *per cent* (₹ 1,215 crore) resulting in net increase of ₹ 7,388 crore in public debt receipts.

1.4.1 Recoveries of Loans and Advances

The details of loans and advances given by the State Government during 2011-16 are indicated in **Table 1.17**.

Table 1.17: Position of Loans and Advances given by the State Government

(₹ in crore)

Year	Balance of loans and advances as on 1 April	Disbursements by the Government during the year	Recoveries during the year	Balance as on 31 March (2+3-4)	Percentage of recovery with reference to opening balance (4/2*100)
(1)	(2)	(3)	(4)	(5)	(6)
2011-12	19909.08	836.29	558.74	20186.63	2.8
2012-13	20186.63	1415.94	862.85	20739.72	4.3
2013-14	20739.72	1645.10	728.03	21656.79	3.5
2014-15	21656.79	1140.54	975.08	21822.25	4.5
2015-16	21822.25	1114.63	865.11	22071.77	4.0

Source: Finance Accounts of the respective years

Recoveries of loans and advances decreased by ₹ 110 crore (11 *per cent*) mainly on account of less recoveries under 'Loans for Co-operation' (₹ 66 crore), 'Loans for Power Projects' (₹ 55 crore) and 'Loans for Housing' (₹ 23 crore), set-off by an increase under 'Loans for Water Supply and Sanitation' (₹ 17 crore) and 'Loans to Government Servants' (₹ 14 crore). The percentage of recovery was meagre at 2.8 to 4.5 during the last five years. The complete information regarding arrears in repayments, and loans in perpetuity were not furnished by Government.

Non-recovery of interest free loans from Co-operative Societies

The State Government sanctioned (August 2009) ₹ 200 crore as interest free financial assistance in the form of loan to the Urban and Rural Co-operative Societies in Maharashtra who were in financial distress and were unable to repay the fixed deposits of small depositors on maturity. The financial assistance was to be used by the Societies for repayment of maturity amount of ₹ 10,000 to the investors having deposits up to ₹ 50,000, and it was binding on the Societies to repay the interest free loan to the State Government within one year of disbursement. The outstanding dues collected by the Societies from the borrowers were to be used to liquidate the interest free loan of the State Government. The Commissioner, Co-operative Societies was appointed as the implementing authority for the Scheme. Of the sanctioned package of ₹ 200 crore, ₹ 173.49 crore was disbursed to the Societies up to June 2012.

Audit analysis revealed that an amount of ₹ 133.16 crore from different Co-operative Societies was pending recovery as of 31 March 2016. It is pertinent to note that the Government sanction did not provide for levy of any penalty on the Co-operative Societies for their default.

The District Deputy Registrar of Co-operative Societies stated (May 2016) that recovery action was being taken. The comments of the Commissioner were awaited (May 2016).

1.5 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as, small savings, provident funds, reserve funds, deposits, suspense, remittances *etc.*, which do not form part of the Consolidated Fund of the State, are kept in the Public Account set up under Article 266 (2) of the Constitution of India and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

Table 1.18: Trends of receipts under Public Account

(₹ in crore)					
Resources under various heads	2011-12	2012-13	2013-14	2014-15	2015-16
Public Account receipts					
a. Small Savings, Provident Fund etc.	4449.03 (2260)	4759.89 (2188)	4868.46 (1894)	4642.54 (1260)	4798.96 (1208) [#]
b. Reserve Fund	3052.51 (1399)	4960.13 (1976)	5540.03 (2742)	5908.54 (3158)	7226.11 (3465)
c. Deposits and Advances	25544.27 (4532)	26657.82 (6442)	32347.23 (6772)	31249.40 (4411)	34855.80 (2773)
d. Suspense and Miscellaneous	(-) 1491.27 (-1509)	(-) 11307.73 (100)	(-)2693.61 (-2705)	17039.01 (5222)	(-) 569.16 (-876)
e. Remittances	21834.84 (-256)	21989.52 (842)	23958.08 (-1117)	24182.45 (14)	26435.49 (-235)
Total	53389.38 (6426)	47059.63 (11549)	64020.19 (7585)	83021.94 (14036)	72747.20 (6335)
<i>Figures in parenthesis indicate net receipts</i>					
<i>[#] Lower rounding</i>					
<i>Source: Finance Accounts of respective years</i>					

Public Account receipts increased by 36.3 *per cent* over the period 2011-16. Decrease in Public Account receipts by ₹ 10,275 crore (12.4 *per cent*) in 2015-16 over the previous year was on account of decrease under Suspense and

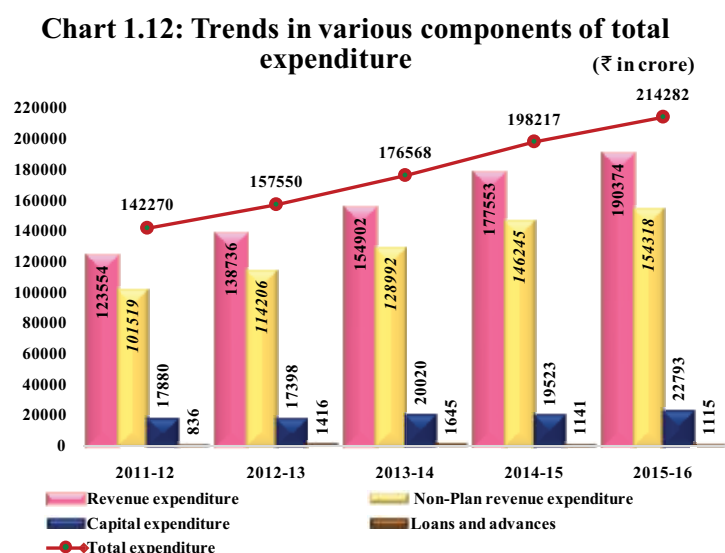
Miscellaneous (₹ 17,608 crore), set-off by an increase in Deposits and Advances (₹ 3,606 crore), Remittances (₹ 2,253 crore) and Reserve Fund (₹ 1,318 crore).

1.6 Application of Resources

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

1.6.1 Growth and composition of expenditure

Chart 1.12 presents the trends in total expenditure over the period of last five years (2011-16), as well as its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted in **Chart 1.13** and **1.14** respectively.



(Source: Finance Accounts of respective years)

Total expenditure

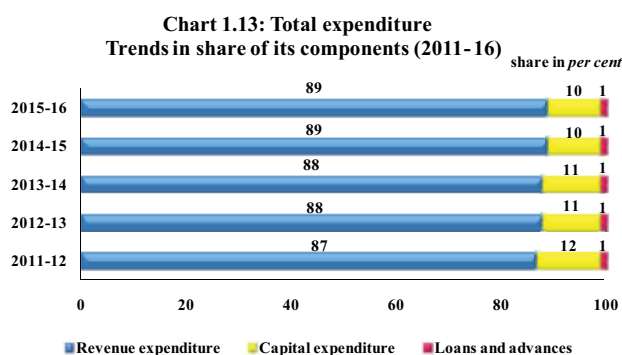
The total expenditure and its composition during 2011-16 are presented in **Table 1.19** and **Chart 1.13**.

Table 1.19: Total expenditure and its composition

	2011-12	2012-13	2013-14	2014-15	2015-16
Total expenditure	142270	157550	176568	198217	214282
Revenue expenditure	123554	138736	154902	177553	190374
	(87)	(88)	(88)	(89)	(89)
<i>of which, Non-Plan revenue expenditure</i>	101519	114206	128992	146245	154318
Capital expenditure	17880	17398	20020	19523	22793
	(12)	(11)	(11)	(10)	(10)
Loans and advances	836	1416	1645	1141	1115
	(1)	(1)	(1)	(1)	(1)

Figure in parenthesis indicate percentage to total expenditure

Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

The total expenditure of the State increased at an average growth rate of 11.3 *per cent* from ₹ 1,42,270 crore in 2011-12 to ₹ 2,14,282 crore in 2015-16 but, the percentage of capital expenditure to total expenditure decreased from 12 *per cent* in 2011-12 to 10 *per cent* in 2015-16. The total expenditure, its annual growth rate, the ratio of total

expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.20**

During 2006-07 to 2014-15, the CAGR of total expenditure (24.8 *per cent*) was more than the growth rate of GCS (16.7 *per cent*). The growth of the total expenditure during 2015-16 over 2014-15 (8.1 *per cent*) was lower than the growth rate of GCS (16.4 *per cent*) as shown in **Appendix 1.1**.

Table 1.20: Total expenditure – basic parameters

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Total expenditure (TE) (₹ in crore)	142270	157550	176568	198217	214282
Rate of growth of TE over previous year (<i>per cent</i>)	13.5	10.7	12.1	12.3	8.1
TE/GSDP (<i>per cent</i>)	11.2	10.9	10.7	11.1	10.9
RR /TE (<i>per cent</i>)	85.3	90.7	84.9	83.5	86.4
Buoyancy of Total expenditure with reference to:					
GSDP (ratio)	1.168	0.775	0.883	1.398	0.818
RR (ratio)	0.925	0.598	2.521	1.183	0.681

(Source: Finance Accounts of respective years)

Table 1.19 and **Table 1.20** further show that an increase of ₹ 16,065 crore (8.1 *per cent*) in total expenditure in 2015-16 over the previous year was on account of an increase of ₹ 12,821 crore in revenue expenditure and ₹ 3,270 crore in capital expenditure.

The total expenditure remained around 11 *per cent* of GSDP during 2011-16. Revenue receipts fluctuated between 85.3 *per cent* (2011-12) and 86.4 *per cent* (2015-16) of total expenditure. **Table 1.20** shows that on an average, 86 *per cent* of total expenditure was met from revenue receipts during 2011-16.

The ratio of buoyancy of total expenditure to GSDP and revenue receipts showed a mixed trend. The ratio of buoyancy of total expenditure with reference to GSDP decreased to 0.818 in 2015-16 from 1.398 in 2014-15. This indicated that during 2015-16 for each one *per cent* increase in GSDP, total expenditure grew by 0.818 *per cent*. The ratio of buoyancy of total expenditure with reference to revenue receipts decreased to 0.681 in 2015-16 from 1.178 in 2014-15.

Of the total expenditure during 2015-16, non-plan expenditure was 74 *per cent* while plan expenditure was 26 *per cent*. Of the increase of ₹ 16,065 crore in total expenditure, the share of plan expenditure increased by 52 *per cent* while non-plan expenditure increased by 48 *per cent*.

During 2006-07 to 2014-15, the CAGR of capital expenditure (8.6 per cent) was lower than the growth rate of GCS (13.2 per cent). The growth of the capital expenditure during 2015-16 over 2014-15 (16.8 per cent) was lower than the growth rate of GCS (25.8 per cent) as shown in **Appendix 1.1**.

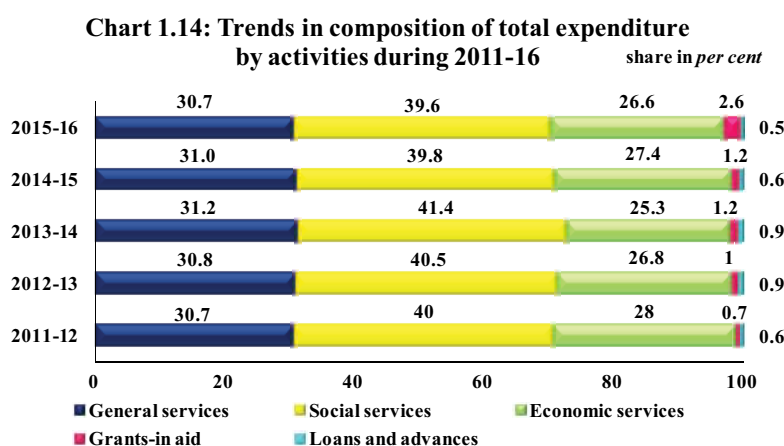
Trends in total expenditure in terms of activities

In terms of activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, Grants-in-aid and Loans and Advances. Relative shares of these components in the total expenditure are indicated in **Table 1.21** and **Chart 1.14**.

Table 1.21: Components of total expenditure – relative shares

	(in per cent)				
	2011-12	2012-13	2013-14	2014-15	2015-16
General Services	30.7	30.8	31.2	31.0	30.7
<i>of which, Interest Payments</i>	12.3	12.1	12.0	12.1	12.0
Social Services	40.0	40.5	41.4	39.8	39.6
Economic Services	28.0	26.8	25.3	27.4	26.6
Grants-in-aid	0.7	1.0	1.2	1.2	2.6
Loans and Advances	0.6	0.9	0.9	0.6	0.5

Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

shortfalls were however, set-off by an increase in Grants-in-aid.

The decrease under Social Services was mainly under Social Welfare and Nutrition (₹ 681 crore). The share of Grants-in-aid in total expenditure increased by ₹ 3,207 crore. The increase in Grants-in-aid was mainly due to increase under the head 'Compensation and Assignment to Local Bodies and Panchayati Raj Institutions' (₹ 2,953 crore).

Though the share of General, Social and Economic Services in total expenditure had decreased, the expenditure on these services increased by ₹ 4,278 crore, ₹ 5,991 crore and ₹ 2,615 crore respectively. Under General Services, the increase was mainly under Interest payments (₹ 1,807 crore), Pensions and Other Retirement Benefits (₹ 1,078 crore) and Police (₹ 1,002 crore). The increase under Social Services was mainly under General Education (₹ 2,894 crore), Urban Development (₹ 2,038 crore) and Water Supply and Sanitation (₹ 976 crore). The increase under

Economic Services was mainly due to increase in Major and Medium Irrigation (₹ 1,117 crore) and Roads and Bridges (₹ 801 crore).

Revenue expenditure

Revenue expenditure during 2015-16 increased by ₹ 12,821 crore (seven per cent) over 2014-15 mainly due to increase in expenditure on General Services (₹ 3,884 crore), Social Services (₹ 5,365 crore), Economic Services (₹ 365 crore) and Grants-in-aid and Contributions (₹ 3,207 crore). While 37 per cent of the increase was under Plan head, the remaining 63 per cent was under Non-Plan head. The revenue expenditure during 2015-16 (₹ 1,90,374 crore) was lower than the assessment made by the State Government in its FCP/MTFPS/Budget estimates by 6.1 per cent. The Non-Plan Revenue expenditure (₹ 1,54,318 crore) was less than the State Government's projections in FCP/MTFPS/Budget estimates (₹ 1,54,509 crore) (Table 1.23).

Revenue expenditure constituted 89 per cent of the total expenditure (Chart 1.13). The increase in revenue expenditure was mainly under General Education (₹ 2,876 crore), Urban Development (₹ 1,827 crore), Interest Payments (₹ 1,807 crore), Police (₹ 1,107 crore) and Pension and other Retirement Benefits (₹ 1,078 crore).

Incidence of Revenue expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for past obligations and as such, does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, the ratio of non-plan revenue expenditure to GSDP and to revenue receipts, and buoyancy of revenue expenditure with GSDP and revenue receipts during the last five years are indicated in Table 1.22.

Table 1.22: Revenue expenditure – basic parameters

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue expenditure (RE),	123554	138736	154902	177553	190374
<i>of which</i>					
Non-Plan Revenue expenditure (NPRE)	101519	114206	128992	146245	154318
Plan Revenue expenditure (PRE)	22035	24530	25910	31308	36056
Rate of Growth of					
RE (per cent)	16.1	12.3	11.7	14.6	7.2
NPRE (per cent)	13.4	12.5	12.9	13.4	5.5
PRE (per cent)	30.2	11.3	5.6	20.8	15.2
Revenue Expenditure as percentage to TE	86.8	88.1	87.7	89.6	88.8
NPRE/GSDP (per cent)	8.0	7.9	7.8	8.2	7.8
NPRE as percentage of TE	71.4	72.5	73.1	73.8	72.0
NPRE as percentage of RR	83.7	79.9	86.1	88.4	83.4
Buoyancy of Revenue expenditure with					
GSDP (ratio)	1.396	0.891	0.854	1.659	0.727
Revenue Receipts (ratio)	1.103	0.687	2.438	1.404	0.605
<i>Source: Finance Accounts of respective years</i>					

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

Plan revenue expenditure

The Plan Revenue Expenditure increased by ₹ 4,748 crore (15 per cent) in 2015-16 over the previous year mainly due to increase in expenditure under

Urban Development (₹ 1,827 crore), Power (₹ 1,213 crore), Roads and Bridges (₹ 629 crore) and Secretariat (₹ 515 crore).

Non-plan revenue expenditure

During 2015-16, Non-Plan Revenue Expenditure (NPRE) constituted 81 *per cent* of revenue expenditure and increased by ₹ 8,073 crore (six *per cent*) over the previous year, mainly due to increase under General Services (₹ 3,936 crore) and Education, Sports, Arts and Culture (₹ 3,264 crore). The NPRE as a percentage of revenue receipts (**Table 1.22**) showed that on an average, 84 *per cent* of the revenue receipts were used to meet the NPRE.

Table 1.23 provides a comparative status of NPRE with reference to assessments made by the ThFC/FFC, FCP and MTFPS/Budget projections of the State Government.

Table 1.23: NPRE vis-à-vis assessment made by the ThFC/FFC, FCP and MTFPS

(₹ in crore)

Year	Assessments made by the ThFC/FFC	Projection in FCP	Projection in MTFPS/ Budget	Actuals
2014-15	101881	154084	141354	146245
2015-16	*	154509	154509	154318

* Year-wise figures were not available in FFC Report
 Source: Finance Accounts and budget documents of respective years and Report of the ThFC/FFC

As may be seen, the NPRE during 2014-15 remained significantly higher than the normative assessments of the ThFC/FFC and MTFPS/Budget projections but lower than the FCP projections. During 2015-16, NPRE was less than the MTFPS/FCP/ Budget projections.

Cost of collection

The gross collection in respect of four major heads of revenue receipts, the expenditure incurred on their collection and the comparative percentage of such expenditure to the gross collection along with the relevant all-India average percentage of expenditure on gross collection for the year 2014-15 are given in the **Table 1.24**.

Table 1.24: Expenditure incurred on collection of taxes

Sr No	Head of revenue	Year	Gross collection (₹ in crore)	Expenditure on collection (₹ in crore)	Percentage of expenditure to gross collection	All India average percentage for the year 2014-15
1	Taxes on Sales, Trade etc.	2013-14	62530.04	389.98	0.6	0.9
		2014-15	67466.29	455.18	0.7	
		2015-16	69660.82	469.88	0.7	
2	State Excise	2013-14	10101.12	86.47	0.9	2.1
		2014-15	11397.07	100.33	0.9	
		2015-16	12469.56	104.77	0.8	
3	Taxes on Vehicles	2013-14	5095.92	1454.71	28.5	6.1
		2014-15	5404.97	1598.78	29.6	
		2015-16	6017.19	1220.86	20.3	
4	Stamps and Registration Fees	2013-14	18675.98	153.98	0.8	3.6
		2014-15	19959.29	129.58	0.6	
		2015-16	21766.99	141.82	0.6	

Source: Finance Accounts of respective years

It would be seen that the cost of collection of revenue in the State is less than the all India average in all the important heads of revenue except Taxes on Vehicles. Efforts need to be made to improve the tax administration in order to reduce the cost of collection in respect of Taxes on vehicles.

Subsidies

Subsidies given by the State Government during 2011-12 to 2015-16 are shown in **Table 1.25**.

Table 1.25: Expenditure on subsidies

(₹ in crore)

	2011-12	2012-13	2013-14	2014-15	2015-16	
					BE	Actuals
Subsidies	9833 (8)	9268 (6)	12063 (8)	19753 (12)	14687 (7)	17766 (10)
Total Revenue Expenditure	123554	138736	154902	177553	201988	190374
Revenue Receipts	121286	142947	149822	165415	198231	185036

Figures in parenthesis indicate percentage to Revenue Receipts

Source: Finance Accounts of respective years

Table 1.25 indicates that expenditure under subsidies decreased by 10 per cent from ₹ 19,753 crore in 2014-15 to ₹ 17,766 crore in 2015-16. During the current year, subsidies constituted about nine per cent of the total revenue expenditure. The major schemes which received subsidy include subsidy to Distribution/Transmission Licences for reduction in Agriculture and Power loom Tariff (43 per cent), Medium and Large Industries under the Graded Package Scheme of Incentives (16 per cent), Transport (six per cent), Food grain Transactions (six per cent) and reimbursement to Maharashtra State Road Transport Corporation for concession in fares to Senior Citizens (2.5 per cent).

The subsidies projected by the Government in the FCP and the actual expenditure incurred during 2014-15 and 2015-16 are presented in **Table 1.26**.

Table 1.26: Subsidies vis-à-vis FCP

(₹ in crore)

	2014-15		2015-16	
	Projections in FCP	Actuals	Projections in FCP	Actuals
Power (Subsidy for reduction in Agriculture and Power loom Tariff)	10500	10500	4963	7717
General/Others	10089	9253	9724	10049
Total	20589	19753	14687	17766

Source: Finance Accounts and Budget documents of respective years

As against the budget of ₹ 4,963 crore earmarked for subsidy to Power during 2015-16, the actual expenditure was ₹ 7,717 crore. The subsidies given to Power decreased by ₹ 2,783 crore (27 per cent) during 2015-16 compared to previous year.

The major components under 'General/Others' as shown in **Table 1.26** were (a) Subsidy to Medium and Large Industries under the Graded Package Scheme of Incentives under which the Government provided ₹ 3,150 crore in the State budget 2015-16 but, the actual expenditure incurred was ₹ 2,835 crore, (b) subsidy on loss to Maharashtra State Road Transport Corporation for which Government provided ₹ 1,613 crore during 2015-16 but, the actual expenditure incurred was ₹ 450 crore, and (c) Food subsidy under which the Government provided ₹ 910 crore in the State budget 2015-16 but, the actual expenditure was ₹ 1,087 crore.

Capital expenditure

During 2015-16, capital expenditure (₹ 22,793 crore) constituted 10 per cent of the total expenditure (**Chart 1.13**) and increased by 17 per cent over 2014-15. The

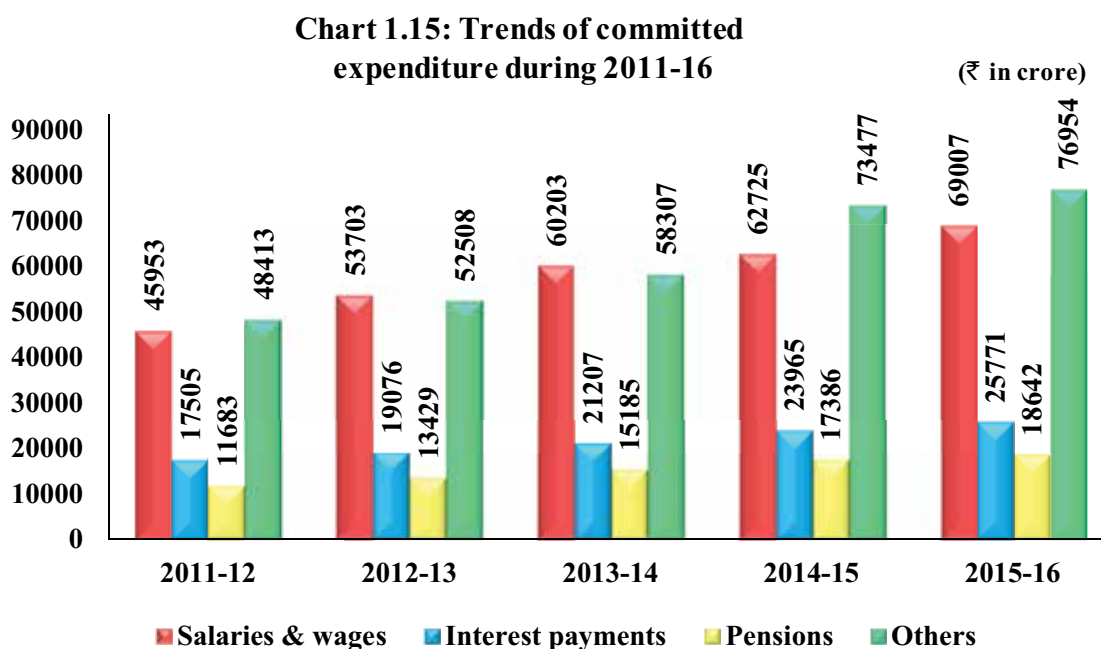
increase was mainly on account of increase in Capital Outlay on Major and Medium Irrigation (₹ 1,036 crore), Capital Outlay on Roads and Bridges (₹ 892 crore) and Capital Outlay on Rural Development (₹ 529 crore). During 2015-16, the capital expenditure (₹ 22,793 crore) was lower than the assessment made by the State Government in its FCP/Budget estimates by ₹ 27,104 crore (16 per cent) and projections made in MTFPS by ₹ 28,074 crore (19 per cent). The major areas of decrease are commented in **Paragraph 1.1.3**.

Loans and Advances

Loans and advances constituted one per cent of the total expenditure every year during 2011-16 (**Chart 1.13**). Disbursements of loans and advances during 2015-16 decreased by ₹ 26 crore (two per cent) over 2014-15.

1.6.2 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages and pensions. Despite recommendations of the Twelfth Finance Commission, the statement of committed liabilities could not be included in the Finance Accounts due to non-receipt of the complete information from the State Government. **Chart 1.15** and **Table 1.27** present the trends in the expenditure on these components during 2011-16.



(Source: Finance Accounts of respective years)

Table 1.27: Components of committed expenditure

(₹ in crore)

Components of committed expenditure	2011-12	2012-13	2013-14	2014-15	2015-16	
					BE	Actuals
Salaries and Wages	45953	53703	60203	62725	72209	69007 ^s
	(38)	(38)	(40)	(38)	(36)	(37)
<i>of which</i>	42955	50165	56985	58457		63803
<i>Non-Plan Head</i>	(35)	(35)	(38)	(35)		(34)
<i>of which</i>	2998	3538	3218	4268		5204
<i>Plan Head**</i>	(2)	(2)	(2)	(3)		(3)
Interest Payments	17505	19076	21207	23965	27663	25771
	(14)	(13)	(14)	(14)	(14)	(14)
Pensions	11683	13429	15185	17386	19929	18642
	(10)	(9)	(10)	(11)	(10)	(10)
Total Committed expenditure	75141	86208	96595	104076	119801	113420
	(62)	(60)	(64)	(63)	(60)	(61)
Other Components ¹⁰	48413	52508	58307	73477	115845	76954
	(40)	(37)	(39)	(44)	(58)	(42)
Total Revenue Expenditure	123554	138736	154902	177553	201988	190374
Revenue Receipts	121286	142947	149822	165415	198231	185036

Figures in parenthesis indicate percentage to Revenue Receipts

^s Salaries: ₹ 65999 crore + Wages: ₹ 3008 crore

** Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes

Note: Expenditure on Salaries and Wages included grants-in-aid component during 2011-12 (₹ 27,358 crore), 2012-13 (₹ 32,870 crore), 2013-14 (₹ 37,334 crore), 2014-15 (₹ 38,225 crore) and 2015-16 (₹ 41,254 crore)

Source: Finance Accounts of respective years

Salaries and wages

The average annual growth in salaries and wages during 2011-16 was 10.5 per cent. The expenditure on salaries and wages increased by ₹ 6,282 crore (10 per cent) from ₹ 62,725 crore in 2014-15 to ₹ 69,007 crore in 2015-16. The expenditure of ₹ 69,007 crore on salaries and wages during 2015-16 was lower than the projections made in FCP/MTFPS (₹ 72,209 crore).

During 2006-07 to 2014-15, the CAGR of salary and wages (14.8 per cent) was lower than the growth rate of GCS (15.5 per cent). The growth of the salary and wages during 2015-16 over 2014-15 (13.3 per cent) was higher than the growth rate of GCS (10 per cent) as shown in **Appendix 1.1**.

Pension payments

The expenditure on pension payments had increased at an average annual growth of 13.6 per cent from ₹ 11,683 crore in 2011-12 to ₹ 18,642 crore in 2015-16. The increase in pension payments of ₹ 1,256 crore (seven per cent) during 2015-16 over the previous year was mainly due to more expenditure on Pensions and Other Retirement Benefits.

During 2006-07 to 2014-15, the CAGR of pension (19 per cent) was higher than the growth rate of GCS (18.6 per cent). This growth of pension during 2015-16 over 2014-15 (7.6 per cent) was lower than the GCS (11.8 per cent) as shown in **Appendix 1.1**.

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

Table 1.28 shows actual pension payments with reference to assessment made by the ThFC/FFC, FCP and MTFPS/Budget projections of the State Government.

Table 1.28: Pension payments vis-à-vis ThFC/FFC assessment and State's projections

(₹ in crore)

Year	Projection in MTFPS	Assessment made by the ThFC/FFC	Projection in FCP	Actuals
2014-15	17633	8889	17663	17386
2015-16	19929	15916	19929	18642

Source: Finance Accounts, Budget documents and Report of the ThFC/FFC

The pension payments during 2015-16 were higher than the normative assessments made by the FFC but lower than the projections of the State Government under MTFPS and FCP.

In order to limit future pension liabilities, the Government had introduced the New Pension Scheme, 2005 for employees recruited after 01 November 2005. An amount of ₹ 1,725.63 crore¹¹ was deposited by the State Government during 2015-16 towards employee's contribution and employer's share. The State Government's liability on this account as on 31 March 2016 was ₹ 3,067.20 crore. Since the inception of the Scheme, it was only in 2015-16 that the State Government had transferred ₹ 3,079.61 crore to the National Securities Depository Limited. The non-transferred amount (₹ 3,067.20 crore) with accrued interest represents the outstanding liability of the State Government.

Interest Payments

Interest payment of the State Government increased by 47 per cent from ₹ 17,505 crore in 2011-12 to ₹ 25,771 crore in 2015-16, primarily due to increase in debt liabilities. The ratio of interest payments to revenue receipts during 2011-16 remained almost constant, as indicated in **Table 1.27**.

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

Table 1.29: Interest Payments vis-à-vis ThFC/FFC, FCP and MTFPS assessments

(₹ in crore)

Year	Projection in MTFPS	Assessment made by the ThFC/FFC	Projection in FCP	Actuals
2014-15	23805	26775 (ThFC)	24283	23965
2015-16	27663	25383 (FFC)	27663	25771

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

The interest payments with reference to the assessments made by the ThFC were lower during 2014-15 but marginally higher than assessments made by FFC in 2015-16. With reference to the projections made in FCP, interest payments were lower during 2014-15 and 2015-16. With reference to the projections made in the MTFPS, interest payments were marginally higher during 2014-15 but lower during 2015-16.

Component-wise details of interest payments made by the State Government during 2011-16 are shown in the **Table 1.30**.

¹¹ Employees contribution: ₹ 1,150.53 crore; Employers' contribution: ₹ 575.10 crore inclusive of interest

Table 1.30: Component-wise details of interest payments made by the State Government during 2011-16

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Interest payments	17505	19076	21207	23965	25771
<i>of which, interest payment on</i>					
1. Internal debt	14220	15145	16680	19001	20816
(i) Market loans	5710	7355	8896	11029	12965
(ii) NABARD	201	238	255	263	299
(iii) NSSF	7888	7192	7218	7437	7349
(iv) Ways and means	0	0	0	5	0
(v) Loans from other financial institutions	406	340	285	236	167
(vi) Management of debt (Payable to Reserve Bank of India for Open Market Borrowings)	15	20	26	31	36
2. Loans from GoI	642	597	572	529	490
3. Small savings, PF etc.	2643	3334*	3955	4435	4465
(i) Small savings, PF	1999	1986	2258	2503	2765
(ii) Reserve funds	10	23	0	5	5
(iii) Deposits	634	1325	1697	1927	1695
Revenue Receipts	121286	142947	149822	165416	185036

Source: Finance Accounts of respective years

* Higher rounding

Interest payment of ₹ 25,771 crore during 2015-16 constituted interest on internal debt (₹ 20,816 crore), interest on loans and advances from the Central Government (₹ 490 crore) and interest on small savings, provident fund etc. (₹ 4,465 crore).

The interest on internal debt increased by 9.5 per cent from ₹ 19,001 crore in 2014-15 to ₹ 20,816 crore in 2015-16 on account of increase in payment of interest on market loans by ₹ 1,936 crore (17.5 per cent) and interest on loans from National Bank for Agricultural and Rural Development by ₹ 36 crore (13.7 per cent) partly offset by decrease in interest paid on Deposits by ₹ 232 crore (12 per cent), interest on NSSF by ₹ 88 crore (one per cent) and interest on loans from other financial institutions by ₹ 69 crore (29 per cent). During 2015-16, there was no ways and means advances from the Reserve Bank of India.

The interest on small savings, provident funds etc. increased by ₹ 30 crore from ₹ 4,435 crore in 2014-15 to ₹ 4,465 crore in 2015-16. The ratio of interest payment to revenue receipts determines the debt sustainability of the State. During the year, the ratio of interest payments to total revenue receipts of the State was 13.9 per cent which was higher than the FFC norm of 12 per cent.

The balance in interest bearing deposit accounts was ₹ 33,353.43 crore at the end of March 2015, which was not invested. The State Government paid an interest of ₹ 1,695.12 crore during 2015-16 on ₹ 32,781.90 crore. No interest was paid on the balance portion of funds of ₹ 571.53 crore. The interest liability on the balance portion of funds during the year works out to ₹ 49.72 crore. The outstanding amount of interest against these uninvested interest bearing deposit funds over the years has not been estimated and this will impact the overall liability of the State Government. The revenue expenditure as well as revenue deficit was understated to the extent of ₹ 49.72 crore.

1.6.3 Financial assistance by State Government to Local Bodies and other Institutions

Local bodies in Maharashtra consist of Panchayati Raj Institutions and Urban Local Bodies. In conformity with the provisions of the 73rd and 74th Constitutional Amendment, the State Government established a three tier system of Panchayati Raj Institutions comprising Zilla Parishads at the district level, Panchayat Samities at the block level and Village Panchayats at the village level. There are Municipal Corporations, Municipal Councils and Nagar Panchayats for urban area population in the State. The Fourth State Finance Commission constituted in February 2011 for the period 2011-12 to 2015-16 was to submit its Report to the State Government by September 2012. However, the Report was still under finalisation (October 2016).

1.6.3.1 Quantum of assistance

The quantum of assistance provided by way of grants and loans to Local Bodies and other Institutions during 2015-16 relative to previous years is shown in **Table 1.31**.

Table 1.31: Financial assistance to local bodies and other institutions

(₹ in crore)

Sr No	Institutions	2011-12	2012-13	2013-14	2014-15	2015-16
1	Educational institutions (Aided Schools, Aided Colleges, Universities, etc.)	18981.18	27186.61	24168.39	25571.20	27071.82
2	Municipal Corporations and Municipalities	4871.33	4401.93	5179.74	5172.30	9187.23
3	Zilla Parishads and other Panchayati Raj Institutions	14294.73	16444.42	18184.73	18769.44	18239.92
4	Development agencies	276.83	246.51	250.70	905.85	251.59
5	Hospital and other charitable institutions	1313.33	1792.44	2196.33	3678.22	4057.52
6	Social Welfare and Nutrition	2888.36	4106.58	5601.02	7174.72	5950.44
7	Agriculture and Allied Activities	2300.01	2128.53	1287.51	824.71	386.49
8	Welfare of SC, ST and OBC	1596.41	2397.81	1962.06	2097.80	2382.64
9	Administrative Services	1159.23	1415.51	1257.77	1392.42	1402.11
10	Housing	1020.31	1267.28	708.97	367.43	58.27
11	Other Institutions	6661.29	2380.29	7252.60	6756.88	13112.59 ¹²
Total		55363.01	63767.91	68049.82	72710.97	82100.62
Assistance as percentage of RE		45	46	44	41	43

Source: Finance Accounts, Vouchers compiled by Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai

It would be seen from **Table 1.31** that financial assistance to Local Bodies and other Institutions by the State Government increased by 13 *per cent* from ₹ 55,363 crore in 2011-12 to ₹ 82,101 crore in 2015-16. During 2015-16, more financial assistance was given to (a) Municipal Corporations and Municipalities (₹ 4,015 crore) mainly due to State assistance *in lieu* of Local Body Tax, and (b) Educational Institutions (₹ 1,501 crore).

1.6.4 Quality of expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects *viz.*, adequacy of expenditure (adequate provisions

¹² Major recipient-Water Supply, Sanitation, Housing and Urban Development ₹ 3,621 crore; Rural Development ₹ 2,661 crore; and Power ₹ 1,039 crore

for providing public services); efficiency of expenditure; and its effectiveness (assessment of outlay-outcome relationships for selected services).

1.6.4.1 Adequacy of public expenditure

The expenditure responsibilities relating to the social sector and the economic infrastructure assigned to the State Governments are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key Social Services like education, health *etc.* Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector if it is below the respective national average. The fiscal priorities given by the State Government for development expenditure, social expenditure and capital expenditure during 2012-13 and 2015-16 is indicated in **Table 1.32**.

Table 1.32: Fiscal Priority of the State during 2012-13 and 2015-16

Fiscal Priority of the State	AE / GSDP	DE [#] / AE	SSE / AE	ESE / AE	CE / AE	Education, Sports, Art and Culture / AE	Health and Family Welfare / AE
General Category States Average (Ratio) 2012-13	14.1	70.0	38.5	29.7	13.7	17.7	4.7
Maharashtra Average (Ratio) 2012-13	10.9	68.2	40.7	27.5	11.1	21.6	4.1
General Category States Average (Ratio) 2015-16	10.1	70.6	36.3	34.3	14.9	15.6	4.5
Maharashtra Average (Ratio) 2015-16	10.9	66.7	39.8	26.9	10.7	20.1	4.7

AE: Aggregate expenditure; DE: Development expenditure;
 SSE: Social Sector expenditure; ESE: Economic Sector expenditure; CE: Capital expenditure
[#] Development expenditure includes development revenue expenditure, development capital expenditure and loans and advances disbursed
 Source: Finance Accounts of respective years

Analysis of the fiscal priorities of the State Government as shown in **Table 1.32** reveals the following:

- The ratio of AE to GSDP in 2012-13 (10.9 *per cent*) was lower in the State as compared to GCS in 2012-13 (14.1 *per cent*) and was slightly higher at 10.9 *per cent* as compared to GCS (10.1 *per cent*) in 2015-16.
- The ratios of DE/AE in 2012-13 and 2015-16 (68.2 *per cent* and 66.7 *per cent*) were lower in the State as compared to GCS (70 *per cent* and 70.6 *per cent*).
- The ratios of SSE/AE in 2012-13 and 2015-16 (40.7 *per cent* and 39.8 *per cent*) were higher in the State as compared to GCS (38.5 *per cent* and 36.3 *per cent*). This meant that Maharashtra had given more priority to Social Sector Expenditure compared to other GCS.
- The ratios of ESE/AE in 2012-13 and 2015-16 (27.5 *per cent* and 26.9 *per cent*) were lower in the State as compared to GCS (29.7 *per cent* and 34.3 *per cent*).
- The ratios of CE/AE in 2012-13 and 2015-16 (11.1 *per cent* and 10.7 *per cent*) were lower in the State as compared to GCS (13.7 *per cent* and 14.9 *per cent*).
- There was a turnaround in the ratio of expenditure on Health and Family Welfare to AE which was 4.7 *per cent* in 2015-16 as compared to 4.1 *per cent*

in 2012-13. The priority given to these areas in Maharashtra was higher than that given to GCS in 2015-16.

1.6.4.2 Efficiency of expenditure use and its effectiveness

In view of importance of public expenditure in social and economic development, it is important for the State Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods¹³. Apart from improving the allocation towards development expenditure, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) 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 total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table 1.33** and **Chart 1.16** present the trends in DE relative to the AE of the State during the current year *vis-à-vis* budget estimates of the current year and the actual expenditure during the previous years.

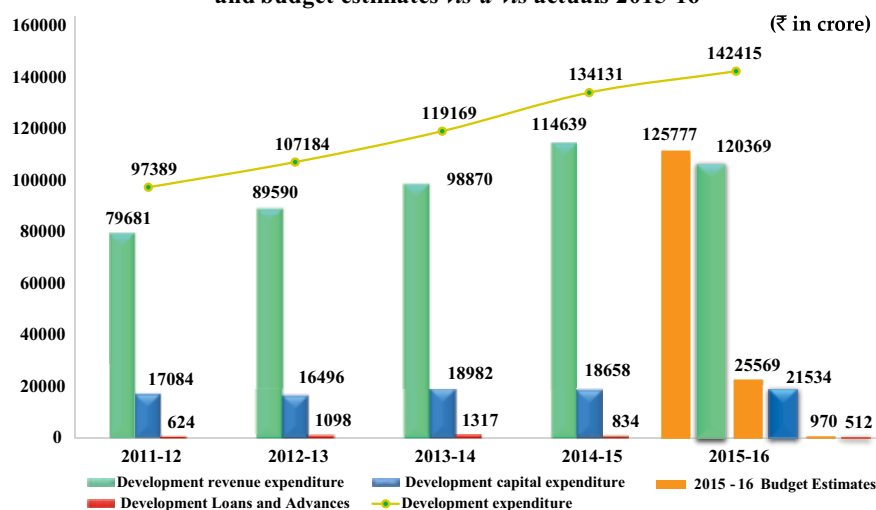
Table 1.33: Development expenditure

(₹ in crore)

Components of Development Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16	
					BE	Actuals
Development expenditure (a to c)	97389 (68.5)	107184 (68.0)	119169 (67.5)	134131 (67.7)	152316 (66.2)	142415 (66.5)
a. Development revenue expenditure	79681 (56.0)	89590 (56.9)	98870 (56.0)	114639 (57.8)	125777 (54.7)	120369 (56.2)
b. Development capital expenditure	17084 (12.0)	16496 (10.5)	18982 (10.8)	18658 (9.4)	25569 (11.1)	21534 (10.0)
c. Development Loans and Advances	624 (0.4)	1098 (0.7)	1317 (0.7)	834 (0.4)	970 (0.4)	512 (0.2)

Figures in parenthesis indicate percentage to total expenditure
 Source: Finance Accounts of respective years

Chart 1.16: Development expenditure for the years 2011-12 to 2014-15 and budget estimates *vis-a-vis* actuals 2015-16



(Source: Finance Accounts of respective years)

¹³ See Glossary at page 120

Development Revenue expenditure

The development revenue expenditure increased by ₹ 5,730 crore from ₹ 1,14,639 crore in 2014-15 to ₹ 1,20,369 crore in 2015-16. The increase was under Social Services (₹ 5,365 crore) and Economic Services (₹ 365 crore). The actual development revenue expenditure was less than the State's projection in the budget by ₹ 5,408 crore.

Development Capital expenditure

The development capital expenditure increased by ₹ 2,876 crore from ₹ 18,658 crore in 2014-15 to ₹ 21,534 crore in 2015-16. The increase was under Economic Services (₹ 2,249 crore) and Social Services (₹ 626 crore). The main components of increase were Capital Outlay on Major and Medium Irrigation (₹ 1,036 crore), Capital Outlay on Roads and Bridges (₹ 892 crore) and Capital Outlay on Rural Development (₹ 529 crore). The actual development capital expenditure was less than the State's projection in the budget by ₹ 4,035 crore.

Development Loans and Advances

Development loans and advances decreased by ₹ 322 crore from ₹ 834 crore in 2014-15 to ₹ 512 crore in 2015-16. The actual development loans and advances were less than the State's projections in the budget by ₹ 459 crore.

Efficiency of expenditure use in selected social and economic services

Table 1.34 provides the details of capital expenditure and the component of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table 1.34: Efficiency of expenditure use in selected social and economic services*(in per cent)*

Social/Economic infrastructure	2014-15			2015-16		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S and W	O & M		S and W	O and M
Social Services (SS)						
Education, Sports, Art and Culture	0.2	83.0	0.4	0.3	76.8	0.3
Health and Family Welfare	5.2	55.4	1.1	6.5	50.3	1.3
Water Supply, Sanitation, Housing and Urban Development	5.9	3.1	4.2	9.0	0.6	3
Total (SS)	2.5	54.3	1.4	3	50.8	1.5
Economic Services (ES)						
Agriculture and Allied Activities	28.6	45.8	0	24.4	25.3	0
Irrigation and Flood Control	73.8	45.3	26.3	74.5	40.1	27.0
Energy	10.5	0.2	0.2	12.6	0.2	0.2
Transport	40.0	0.9	10.7	46.0	0.9	32.3
Total (ES)	30.3	16.9	3.4	33	16.7	6.7
Total (SS+ES)	13.9	42.0	2.1	15.1	40.0	3.1
TE: Total expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S and W: Salaries and Wages; O & M: Operations and Maintenance						
Source: Finance Accounts of respective years						

The trends presented in **Table 1.34** reveal that development capital expenditure as a percentage to total expenditure increased from 13.9 in 2014-15 to 15.1 in 2015-16. The percentage of capital expenditure on Social Services to total expenditure increased from 2.5 in 2014-15 to three in 2015-16. The increase was

mainly seen under Water Supply, Sanitation, Housing, Urban Development, Health and Family Welfare, Education, Sports, Arts and Culture. The percentage of capital expenditure on Economic Services to the total expenditure also increased from 30.3 in 2014-15 to 33 in 2015-16. The increase was mainly seen under Transport, Energy, Irrigation and Flood Control, set-off by decrease in Agriculture and Allied Activities.

The share of salary and wages in revenue expenditure decreased from 42 *per cent* in 2014-15 to 40 *per cent* in 2015-16. The share of salary and wages in revenue expenditure on Social Services decreased from 54.3 *per cent* in 2014-15 to 50.8 *per cent* in 2015-16. The decrease was mainly under Education, Sports, Arts and Culture, Water Supply, Sanitation, Housing, Urban Development and Health and Family Welfare. The share of salary and wages in revenue expenditure on Economic Services also decreased from 16.9 *per cent* in 2014-15 to 16.7 *per cent* in 2015-16. The decrease was mainly under Agriculture and Allied Activities, Irrigation and Flood Control.

The share of O & M in revenue expenditure increased from 2.1 *per cent* in 2014-15 to 3.1 *per cent* in 2015-16. The share of O&M in revenue expenditure on Social Services increased from 1.4 *per cent* in 2014-15 to 1.5 *per cent* in 2015-16. The increase was seen mainly under Health and Family Welfare, set-off by decrease under Water Supply, Sanitation, Housing, Urban Development, Education, Sports, Arts and Culture. The share of operations and maintenance in revenue expenditure on Economic Services increased from 3.4 *per cent* in 2014-15 to 6.7 *per cent* in 2015-16. The increase was seen mainly under Transport, Irrigation and Flood Control.

1.7 Financial analysis of Government expenditure and investments

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

1.7.1 Ongoing projects

1.7.1.1 Water Resources Department

Cost overrun and delays in execution of projects

There were 420 ongoing irrigation projects in three out of five¹⁴ Irrigation Development Corporations (IDCs) under Water Resources Department. Data of all the ongoing projects furnished by the IDCs were analysed in audit to assess the number of years these projects have been under execution. The summarized position is given in **Table 1.35**.

¹⁴ Maharashtra Krishna Valley Development Corporation; Konkan Irrigation Development Corporation; Tapi Irrigation Development Corporation; Vidarbha Irrigation Development Corporation; and Godavari Marathwada Irrigation Development Corporation

Table 1.35: Age profile of ongoing projects under Water Resources Department

Age Profile (Since the date of original AA)	Total projects			
	Major	Medium	Minor	Total
More than 30 years	24	12	21	57
More than 20 years but up to 30 years	4	16	31	51
More than 15 years but up to 20 years	6	18	45	69
More than 10 years but up to 15 years	3	2	46	51
More than 5 years but up to 10 years	4	24	153	181
Up to 5 years	0	3	8	11
Total	41	75	304	420

*Source: Information furnished by IDCs; Status as of June 2016
MKVDC and KIDC were yet to furnish the information*

Table 1.35 shows that 177 projects (42 per cent) were under execution for more than 15 years and of these, 57 projects (13.6 per cent) were under execution for more than 30 years.

Table 1.36: Cost overrun and balance cost in respect of all ongoing projects

(₹ in crore)

IDC	Status of 420 ongoing projects				Status of 339 out of 420 ongoing projects with cost overrun					
	Number of projects	Expenditure	Updated cost	Balance cost	Number of projects	Amount of original AA	Expenditure	Cost overrun	Updated cost	Balance cost
TIDC	37	5071.98	9956.72	4884.74	37	3150	5071.98	1921.98	15028.71	9956.73
VIDC	311	31335.20	64386.46	33051.26	269	8421.68	21516.22	54393.90	62815.58	41299.36
GMIDC	72	13397.30	36932.46	23535.16	33	804.33	12420.32	11615.99	26538.94	14118.62
Total	420	49804.48	111275.64	61471.16	339	12376.01	39008.52	67931.87	104383.23	65374.71

*Source: Information furnished by the IDCs; Status as of June 2016
MKVDC and KIDC were yet to furnish the information*

Table 1.36 shows that the balance estimated cost of 420 ongoing projects was ₹ 61,471.16 crore. Of these 420 projects, there was cost overrun in 339 projects amounting to ₹ 67,931.87 crore *i.e.* an increase of almost five and half times the original cost.

1.7.1.2 Public Works Department

As on 31 March 2016, an expenditure of ₹ 195.91 crore was incurred on 40 ongoing projects (**Appendix 1.9**). There was time overrun of more than five years in respect of one project under roads and bridges (expenditure: ₹ 7.65 crore) and up to five years in respect of one project under buildings (expenditure: ₹ 0.23 crore).

1.7.2 Investment and returns

As of 31 March 2016, Government invested ₹ 1,20,311 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.37**). The average return on this investment was 0.04 per cent during 2011-16 while the Government paid average interest rate of 7.6 per cent on its borrowings during the same period.

Table 1.37: Return on investment

Investment/Return/Cost of Borrowings	2011-12	2012-13	2013-14	2014-15	2015-16
Investment at the end of the year (₹ in crore)	83016	90677.84	101867.20	110671.69	120310.97
Return (₹ in crore)	30.2	47	19.68	28.14	57.27
Return (<i>per cent</i>)	0.04	0.05	0.02	0.03	0.05
Average rate of interest on Government borrowing (<i>per cent</i>)	7.5	7.4	7.5	7.8	7.7
Difference between interest rate and return (<i>per cent</i>)	7.5	7.4	7.5	7.8	7.7

Source: Finance Accounts of respective years

The increase in investments of ₹ 9,639 crore during 2015-16 was mainly due to capital contributions to Vidarbha Irrigation Development Corporation (₹ 3,886 crore), Godavari Marathwada Irrigation Development Corporation (₹ 1,494 crore), Maharashtra Krishna Valley Development Corporation (₹ 1,061 crore), Tapi Irrigation Development Corporation (₹ 551 crore), Konkan Irrigation Development Corporation (₹ 486 crore), Maharashtra State Road Transport Corporation (₹ 419 crore) and Maharashtra Water Conservation Development Corporation (₹ 311 crore).

As on 31 March 2016, 25 Companies (**Appendix 1.10**) in which Government had invested ₹ 98,020.83 crore (share capital: ₹ 97,034.55 crore and loans: ₹ 986.28 crore), were incurring losses and their net accumulated losses as on September 2016 amounted to ₹ 16,316.75 crore.

Information furnished by the Commissioner for Cooperation and Registrar of Co-operative Societies revealed that of the 9,271 Societies with an aggregate Government investment of ₹ 437.14 crore (equity: ₹ 163.51 crore and loan: ₹ 273.63 crore), 4,113 Societies had incurred accumulated losses of ₹ 121.92 crore (31 March 2016) which was 62 *per cent* of the initial investments (₹ 195.14 crore) made in these Societies. Further, 1,854 Societies were under liquidation where the Government had already invested ₹ 167.23 crore as of March 2016.

1.7.2.1 Departmental Commercial Undertakings

Activities of quasi-commercial nature are also performed by Departmental undertakings of certain Government Departments. The State Government has 49 Departmental Commercial Undertakings (DCUs). The position of Department-wise investments by the Government up to the year for which *proforma* accounts have been finalised, net profit/loss as well as return on capital invested in these undertakings are shown in **Appendix 1.11**. It was observed that:

- The State Government had invested ₹ 2,469.03 crore in the undertakings of three¹⁵ Departments during the financial year up to which their accounts were finalised (**Appendix 3.3**).
- Of the three Departments having 49 units, only three¹⁶ units which had finalised their accounts (one unit up to 2013-14 and two units up to 2014-15) could

¹⁵ Agriculture, Animal Husbandry, Dairy Development and Fisheries; Food, Civil Supplies and Consumer Protection; and Revenue and Forest

¹⁶ Unit Scheme, Mumbai (2014-15), Cattle Feed Scheme, Mumbai (2014-15) and Procurement and Distribution and Price Control Scheme in Mumbai and Thane Rationing Area (2013-14) refer Sr No 5, 9 and 48 of Appendix 1.11 and Appendix 3.3

earn net profit amounting to ₹ 144.28 crore against capital investment of ₹ 1,058.41 crore.

- Of the loss-making DCUs, 38¹⁷ DCUs had been incurring losses continuously since the last five years.

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

In view of the heavy losses incurred by majority of the undertakings, Government should review their working to make them self-sustaining.

1.7.3 Loans and Advances by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, the Government has also been providing loans and advances to many institutions/organizations. **Table 1.38** presents the outstanding loans and advances as on 31 March 2016, interest receipts *vis-à-vis* interest payments during the last three years.

Table 1.38: Average interest received on loans advanced by the State Government

	(₹ in crore)		
Quantum of loans/interest receipts/ cost of borrowings	2013-14	2014-15	2015-16
Opening Balance	20740	21657	21822
Amount advanced during the year	1645	1140	1115
Amount repaid during the year	728	975	865
Closing Balance	21657	21822	22072
<i>of which</i>			
Outstanding balance for which terms and conditions have been settled	NA	NA	NA
Net addition	917	165	250
Interest Receipts	166	185	762
Interest receipts as <i>per cent</i> to outstanding loans and advances	0.8	0.8	3.5
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government	7.2	7.6	7.3
Difference between interest receipts and interest payments (<i>per cent</i>)	(-) 6.4	(-)6.6	(-) 3.8
<i>Source: Finance Accounts of respective years</i>			
<i>NA: Not Available</i>			

As can be seen from the **Table 1.38**, the total outstanding loans and advances as on 31 March 2016 was ₹ 22,072 crore. The amount of loans disbursed during the year decreased from ₹ 1,140 crore in 2014-15 to ₹ 1,115 crore in 2015-16. Of the total amount of loans and advances disbursed during the year, ₹ 399 crore went to Economic Services and ₹ 113 crore to Social Services. Under the Economic Services, the major portion of loans went to Power (49 *per cent*). However, interest received against these loans increased from 0.8 *per cent* during 2014-15 to 3.5

¹⁷ Mother Dairy, Kurla; Central Dairy, Goregaon; Agricultural Scheme, Mumbai; Water Supply Scheme, Mumbai; Electrical Scheme, Mumbai; Dairy Project, Dapchari; Government Milk Chilling Centre, Saralgaon (Dist: Thane); Government Milk Schemes in Ahmednagar, Akola, Amravati, Aurangabad, Beed, Bhiwandi, Bhoom, Chalisgaon, Chandrapur, Chiplun, Dhule, Gondia, Kanakavali, Khopoli, Mahabaleshwar, Mahad, Miraj, Nagpur, Nanded, Nandura, Nashik, Parbhani, Pune, Ratnagiri, Satara, Solapur, Udgir, Wani, Wardha, Worli and Yavatmal;

per cent in 2015-16, mainly due to more interest receipts from Loans for Minor Irrigation (₹ 569 crore).

The detailed accounts of loans are maintained by the State Government Departments, who are required to confirm the loan balances to the Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai and also furnish complete information regarding recoveries in arrears. This has not been done. To that extent, the information contained in Finance Accounts 2015-16 in accordance with the Indian Government Accounting Standards (IGAS)-3 was incomplete.

1.7.4 Cash balances and Investment of Cash Balances

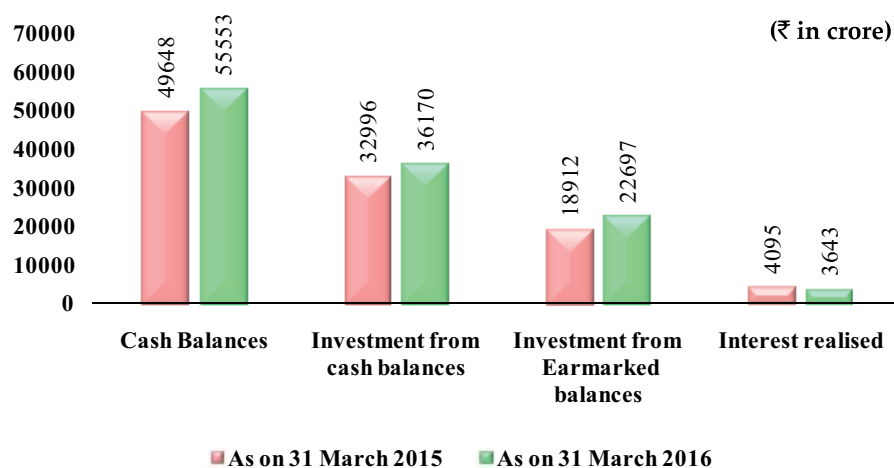
Table 1.39 and Chart 1.17 depict the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.39: Cash balances and investment of cash balances

(₹ in crore)			
Particulars	As on 31 March 2015	As on 31 March 2016	Increase (+)/ Decrease(-)
Cash in treasuries	0.04	0.04	0
Deposits with Reserve Bank of India	(-)2323.40	(-) 3375.55	(-)1052.15
Remittances in transit-Local	57.88	53.48	(-)4.40
Cash with the Departmental officers	5.65	6.92	1.27
Permanent advance for contingent expenditure with Departmental officers	0.57	0.63	0.06
Investments from cash balances (a to d)	32996.05	36169.84	3173.79
a. GoI Treasury Bills	32995.36	36169.15	3173.79
b. GoI Securities	0	0	0
c. Other Securities, if any specify	-	-	0
d. Other Investments	0.69	0.69	0
Fund-wise break-up of investment from Earmarked balances (a to e)	18911.62	22697.24	3785.62
a. General and other Reserve Funds	10.89	10.89	0
b. Sinking Fund	18886.23	22671.85	3785.62
c. Fund for Development of Milk supply	1.00	1.00	0
d. Other Development and Welfare Funds	13.42	13.42	0
e. Miscellaneous Deposits	0.08	0.08	0
Total Cash Balances	49648.41	55552.60	5904.19
Interest Realised	4095.02	3643.16	(-)451.86

Source: Finance Accounts of respective years

Chart 1.17: Cash balances and Investment of cash balances



(Source: Finance Accounts of respective years)

The State Government's cash balances of ₹ 55,553 crore at the end of the current year showed an increase of 12 *per cent* (₹ 5,905 crore) over the previous year. Of the above, ₹ 36,169 crore was invested in GoI Treasury Bills which earned an interest of ₹ 2,247 crore during the year. Further, ₹ 22,697 crore was invested in earmarked funds which earned an interest of ₹ 1,396 crore. Ways and means advances were 'nil' during the current year as shown in the notes below **Table 1.2**.

The cash balances of the State Government at the end of March 2016 (₹ 55,553 crore) was nearly 26 *per cent* of the total expenditure of the State Government (₹ 2,14,282 crore) during the year.

1.7.4.1 Outstanding balances under the head 'Cheques and Bills'

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

As on 31 March 2016, there was an outstanding balance (cumulative) of ₹ 12,412.61 crore. During 2015-16, the total value of lapsed cheques amounted to ₹ 5.43 crore¹⁸.

1.8 Assets and Liabilities

1.8.1 Growth and composition of Assets and Liabilities

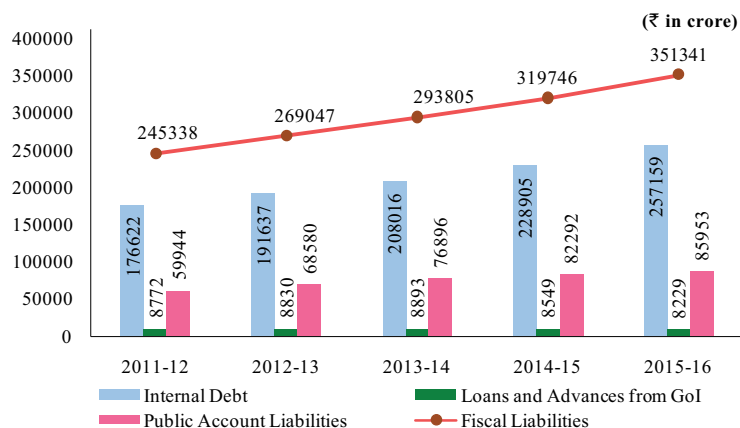
In the existing cash-based Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.12** gives an abstract of such liabilities and the assets as on 31 March 2016, compared with the corresponding position on 31 March 2015. While the liabilities consist mainly of internal borrowings, loans and advances from the GoI, receipts from the Public Account and Reserve Funds, the assets mainly comprise the capital outlay and loans and advances given by the State Government and cash balances.

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

1.8.2 Fiscal Liabilities

The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Chart 1.18**.

¹⁸ Salaries: ₹ 0.18 crore; Pension payments: ₹ 0.75 crore; Telephone, Electricity and Petrol charges: ₹ 0.31 crore; Travelling expenses: ₹ 0.01 crore; Provident Fund disbursements: ₹ 0.04 crore; Insurance and Pension Funds: ₹ 0.07 crore; Civil Deposits: ₹ 0.29 crore; and Others: ₹ 3.78 crore

Chart 1.18: Composition of outstanding fiscal liabilities


(Source: Finance Accounts 2015-16)

Table 1.40 gives the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP, to revenue receipts and to the State's own resources as also the buoyancy of fiscal liabilities with reference to these parameters.

Table 1.40: Fiscal Liabilities – basic parameters

	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Fiscal Liabilities (₹ in crore)	245338	269047	293805	319746	351341
Rate of Growth (<i>per cent</i>)	11.0	9.7	9.2	8.8	9.9
Ratio of Fiscal Liabilities to					
GSDP (<i>per cent</i>)	19.3	18.6	17.8	17.8	17.8
Revenue Receipts (<i>per cent</i>)	202.3	188.2	196.1	193.3	189.9
Own Resources (<i>per cent</i>)	256.2	237.2	244.9	250.5	250.9
Buoyancy of Fiscal Liabilities with reference to :					
GSDP (ratio)	0.957	0.703	0.672	1	1
Revenue Receipts (ratio)	0.753	0.542	1.917	0.846	0.832
Own Resources (ratio)	0.733	0.527	1.614	1.375	1.021

Source: Finance Accounts of respective years

The overall fiscal liabilities of the State increased at an average annual rate of 9.7 *per cent* during the period 2011-16. The growth rate decreased continuously from 11 *per cent* in 2011-12 to 8.8 *per cent* in 2014-15 and increased to 9.9 *per cent* in 2015-16. During 2015-16, the debt to GSDP ratio at 17.8 *per cent* was higher than the projections made in MTFPS (17.6 *per cent*) but lower than the FFC (21.9 *per cent*). These liabilities were nearly twice the revenue receipts and more than twice the State's own resources at the end of 2015-16. The buoyancy of these liabilities with respect to GSDP during 2015-16 was one, indicating that GSDP and fiscal liabilities grew at the same rate.

Of the total fiscal liabilities, the share of public debt was maximum (75 *per cent*), followed by deposits¹⁹ (15 *per cent*), Small Savings, Provident fund²⁰, etc. (seven *per cent*) and reserve funds (three *per cent*). Fiscal liabilities increased by

¹⁹ Deposits include Security Deposits, Deposits from Government Companies, Corporations, etc.; Defined Contribution Pension Scheme for Government Employees; and Civil Deposits which are liable to be repaid by the Government to the subscribers and depositors

²⁰ Small Savings, Provident Fund include State Provident Fund and Insurance and Pension Funds which are liable to be repaid by the Government to the subscribers and depositors

₹ 31,595 crore from ₹ 3,19,746 crore in 2014-15 to ₹ 3,51,341 crore in 2015-16, mainly due to increase in Public Debt (₹ 27,933 crore), Deposits (₹ 2,774 crore), and Small Savings and Provident Funds (₹ 1,209 crore), set-off by decrease in Reserve Fund (₹ 321 crore).

The State Government set up a Consolidated Sinking Fund during the financial year 1999-2000 for amortization of open market loans. As on 31 March 2016, the closing balance in the Sinking Fund was ₹ 22,671.85 crore which included ₹ 3,786 crore for 2015-16 and the entire balance was invested.

1.8.2.1 Implementation of UDAY Scheme in Maharashtra

The GoI approved (November 2015) Ujwal Discom Assurance Yojana (UDAY), a Scheme for operational and financial turnaround of State-owned power distribution companies. As per the Scheme, the State Governments were to take over 75 per cent of Discom debts as on 30 September 2015 over a period of two years *i.e.* 50 per cent debt was to be taken over in 2015-16 and the remaining 25 per cent in 2016-17. The Maharashtra State Electricity Distribution Company Limited submitted a proposal (July 2016) to the State Government for financial assistance of ₹ 16,572 crore (75 per cent of ₹ 22,097 crore). Thus, during 2015-16, no debt of Maharashtra State Electricity Distribution Company Limited was taken over by the State Government.

1.8.2.2 Increasing trend of balance under 8443-Civil Deposits

During 2011-12 to 2015-16, the closing balance at the end of the financial year under the Major Head 8443-Civil Deposits showed an increasing trend as indicated in **Table 1.41**.

Table 1.41: Balance under 8443-Civil Deposits

(₹ in crore)

Year	Opening balance 8443-Civil Deposits as on 01 April	Receipts	Disbursements	Closing balance of 8443-Civil Deposits as on 31 March	Net increase during the year	Closing balance of 8443-106-Personal Deposits as on 31 March in (percentage)
2011-12	10536.51	19517.15	18721.93	11331.72	795.22	6533.47 (58)
2012-13	11331.72	19509.83	17331.91	13509.64	2177.92	7952.89 (59)
2013-14	13509.64	24727.68	22545.07	15692.25	2182.61	9254.78 (59)
2014-15	15692.25	22714.76	21665.23	16741.78	1049.54	9726.09 (58)
2015-16	16741.78	26102.23	24579.51	18264.50	1522.72	11160.06 (61)

Source: Finance Accounts of respective years

It may be seen that the balance in 106 – Personal Deposits constituted more than 50 per cent of the balances under the Major Head 8443-Civil Deposits during 2011-12 to 2015-16. Further, if funds are transferred to the Personal Deposit Accounts from the Consolidated Fund of the State, the balances at the close of the financial year should be transferred back to the Consolidated Fund. The Finance Accounts 2015-16 however, revealed that the quantum of funds which need to be transferred back to the Consolidated Fund at the end of the financial year was not ascertainable. As a result, the actual liabilities under the Major Head 8443-Civil Deposits were also not ascertainable.

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

As per the Finance Accounts 2015-16, there was an unreconciled balance of ₹ 4,816.28 crore under Civil Deposits and Other Civil Deposits pertaining to the period 1960-61 to 2015-16. Of the above, 'Provident Fund Accounts maintained by

Departmental Officers' was the major item pertaining to 1960-61 to 2015-16 that remained unreconciled (₹ 4,809.26 crore) as of March 2016.

1.8.3 Transactions under Reserve Funds

In Maharashtra, there were 18 reserve funds earmarked for specific purposes of which, nine funds were active and nine were inactive, as shown in **Appendix 1.13**. The total accumulated balance as on 31 March 2016 in these funds was ₹ 32,228.80 crore (₹ 32,199.79 crore in active funds and ₹ 29.01 crore in inoperative funds). However, the investment out of this balance was only ₹ 22,697.16 crore (70 per cent). An account of these funds is included in Statement No. 22 of Finance Accounts 2015-16.

1.8.4 Contingent Liabilities

1.8.4.1 Status of Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The maximum amount for which guarantees were given by the State Government and the outstanding guarantees during the last three years as given in the Statement No. 9 of the Finance Accounts 2015-16 are summarised in **Table 1.42**.

Table 1.42: Guarantees given by the Government of Maharashtra

	(₹ in crore)		
Guarantees	2013-14	2014-15	2015-16
Maximum amount guaranteed	32247	34564	30483
Outstanding amount of guarantees	7235	7999	7807
Percentage of maximum amount guaranteed to total revenue receipts	22	21	16

Source: Finance Accounts of respective years

Limits on guarantees to be given by the State Government have not been fixed by the State Legislature. The MFRBM Act, 2005 also does not prescribe any limits. During 2015-16, guarantees of ₹ 1,200.62 crore were given by the State Government to (a) Maharashtra State Co-operative Bank (₹ 467.62 crore); (b) Maharashtra State Co-operative Cotton Producers Marketing Federation Limited, Mumbai (₹ 700 crore); (c) Vasantrao Dada Patil Co-operative Sugar Factory Limited, Vithewadi, Nasik (₹ seven crore); (d) Maharashtra State Co-operative Marketing Federation Limited, (₹ 10 crore); (e) Shri Chhatrapati Co-operative Sugar Factory Limited, Bhavani Nagar, Indapur, Pune (₹ nine crore); and (f) Siddheshwar Co-operative Sugar Factory Limited, (₹ seven crore). Outstanding guarantees (₹ 7,807 crore) during 2015-16 accounted for four per cent of the revenue receipts (₹ 1,85,036 crore) and 0.4 per cent of the GSDP (₹ 19,69,184 crore).

The Twelfth Finance Commission recommended setting up Guarantee Redemption Fund through earmarked guarantee fees to meet the contingent liabilities arising from the guarantees given by the State Government. The MTFPS for the year 2009-10 mentioned that the State was in the process of setting up Guarantee Redemption Fund. However, the State Government had not created the fund as of March 2016.

The State Government charged guarantee fees for guarantees given to institutions and the same was booked under 'Miscellaneous General Services'. Receipts under guarantee fees decreased to ₹ 29.09 crore during 2015-16 from ₹ 47.87 crore during 2014-15. The guarantee fee of ₹ 29.09 crore received during the year was taken as revenue receipts due to non-creation of the guarantee redemption fund and thus, the revenue deficit of the State stands understated to that extent.

Guarantee fee receivable

Against the total estimated guarantee fee receivable (₹ 1,454.18 crore), only ₹ 26.93 crore was received during the year. The guarantee fee received included a book adjustment made by the State Government towards the guarantee fee payable to it by Maharashtra Irrigation Finance Company Limited (₹ 6.52 crore) by way of investment in share capital. Consequently, the net shortfall in guarantee fee received was ₹ 1,433.77 crore.

1.8.4.2 Off-Budget Borrowings

The borrowings of a State are governed under Article 293 of the Constitution of India. In addition to the contingent liabilities shown in **Table 1.42**, the State also guaranteed loans availed of by the Government Companies and Corporations. These Companies and Corporations borrowed funds from the market and financial institutions for implementation of various State Plan programmes projected outside the State budget. Although the State Government maintains that funds for these programmes would be met out of the resources mobilised by these Companies and Corporations outside the State budget, in reality, the borrowings of many of these concerns ultimately turn out to be the liabilities of the State Government termed as 'off-budget borrowings'. Off-budget borrowings are not permissible under Article 293 (3) of the Constitution of India. As per the MTFPS Statement 2008-09, the State Government had completely stopped off-budget borrowings from the year 2005-06. There were no off-budget borrowings during the years 2006-07 to 2015-16. However, at the close of 2014-15, ₹ 1,011 crore was outstanding on account of off-budget borrowings made prior to 2005-06.

1.8.4.3 Information on Committed Liabilities

The Twelfth Finance Commission in its report (November 2004) recommended inclusion of eight additional Statements/information in State Government accounts for greater transparency and to enable informed decision-making, pending transition from cash to accrual based accounting. However, the State Government failed to provide information on committed liabilities (to be reflected in one of the eight Statements). As a result, the Finance Accounts 2015-16 were incomplete to that extent.

1.9 Debt Management

Debt Profile

Per capita debt of the State Government is as given in **Table 1.43**

Table 1.43: Time series analysis showing the per capita debt

	2011-12	2012-13	2013-14	2014-15	2015-16
Internal Debt	176622	191637	208016	228906	257159
Loans and Advances from GoI	8772	8830	8893	8549	8229
Total	185394	200467	216909	237455	265388
Population (as per Census 2001/2011) in crore	11.24	11.24	11.24	11.24	11.24
Per Capita Debt (in ₹)	16494.13	17835.14	19297.95	21125.89	23611.03

Source: Finance Accounts and Economic Survey of Maharashtra of respective years

The per capita debt increased from ₹ 16,494.13 in 2011-12 to ₹ 23,611.03 in 2015-16.

Debt Sustainability

Debt sustainability implies State's ability to service the debt. Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. Analysis of various debt sustainability indicators for the period of five years beginning from 2011-12 is given in **Table 1.44**.

Table 1.44: Debt Sustainability: Indicators and trends

(₹ in crore)					
Indicators of debt sustainability	2011-12	2012-13	2013-14	2014-15	2015-16
Outstanding debt	245338	269047	293805	319746	351341
Rate of growth of outstanding debt (in per cent)	11.0	9.7	9.2	8.8	9.9
GSDP	1272967	1448466	1647506	1792122	1969184
Rate of growth of GSDP	-	13.8	13.7	8.8	9.9
Debt/GSDP (per cent)	19.3	18.6	17.8	17.8	17.8
Revenue receipts	121286	142947	149822	165416	185036
Debt/RR (per cent)	202.3	188.2	196.1	193.3	189.9
Average interest rate of outstanding debt	7.5	7.4	7.5	7.8	7.7
Burden of interest payment in per cent (IP/RR)	14.4	13.3	14.1	14.5	14.0
Debt repayment	32760 [#]	34342	45400	50998	52319
Debt receipts	57148	58051*	70157	76939	83914
Net debt available to the State	6883	4633	3551	1976	5824

Source: Finance Accounts and Economic survey of respective years
 * Proforma correction for refund received on excess instalment paid (₹ 30 crore) and lower rounding
 # lower rounding

Table 1.44 reveals that though outstanding debt increased from ₹ 2,45,338 crore in 2011-12 to ₹ 3,51,341 crore in 2015-16, the percentage of debt to GSDP depicted a declining trend during 2011-14 and thereafter, remained constant. Outstanding debt and GSDP grew at the same rate during 2014-16. However, the rate of growth of outstanding debt was higher than the average interest rate of outstanding debt. The outstanding debt at the end of 2011-12 was 202.3 per cent of the revenue receipts of 2011-12 which reduced to 189.9 per cent in 2015-16.

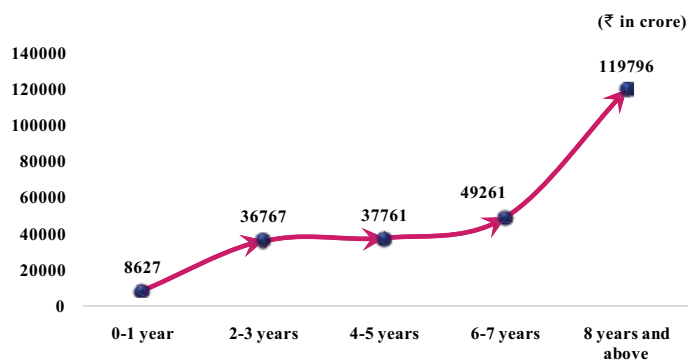
The net funds available from borrowed funds after providing for the interest payment and repayment declined sharply from ₹ 6,883 crore in 2011-12 to ₹ 1,976 crore in 2014-15 and again increased to ₹ 5,824 crore in 2015-16. The ratio of interest payment to revenue receipts ranged between 14.5 per cent to 13.3 per cent during 2011-12 to 2015-16.

The maturity profile of the State Debt is shown in **Table 1.45** and **Chart 1.19**.

Table 1.45: Maturity profile of State Debt

Maturity Profile (in years)	Amount (₹ in crore)	per cent
0 – 1	8627.02	3.3
2 – 3	36767.28	14.3
4 – 5	37761.42	14.7
6 – 7	49261.42	19.2
8 and above	119795.69	46.6
Information not furnished by the State Government	4946.61	1.9
Total	257159.44	100

Source: Finance Accounts 2015-16

Chart 1.19: Maturity profile of the State debt


(Source: Finance Accounts 2015-16)

The maturity profile of the State debt indicates that nearly 51.5 per cent of the total State debt is repayable within the next seven years. Table 1.46 further indicates that the liability of the State to repay the debt would be ₹ 37,761.42 crore during the period 2019-21 and ₹ 49,261.42 crore during 2021-23 which would put a strain on the Government budget during that period.

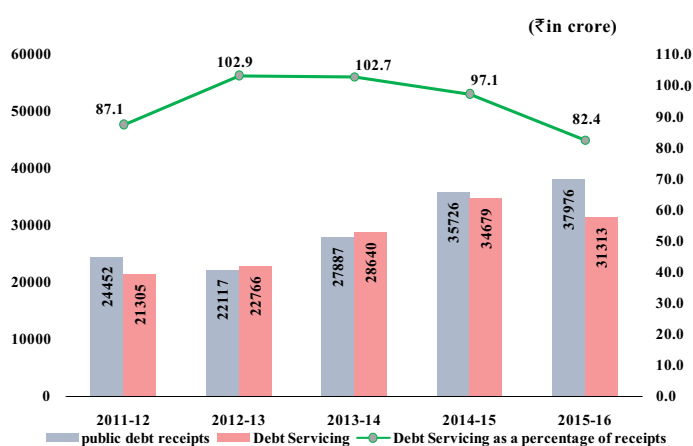
Servicing of Public Debt

The interest payment and repayment of principal on public debt for the period from 2011-12 to 2015-16 is given in **Table 1.46** and **Chart 1.20**.

Table 1.46: Servicing of Public Debt

Period	Public Debt									Debt servicing			As a percentage of receipts
	Public Debt Receipts			Repayment of Principal			Interest payment			(Repayment of principal + interest payment)			
	Internal debt	Loans from GoI	Total	Internal debt	Loans from GoI	Total	Internal debt	Loans from GoI	Total	Internal debt	Loans from GoI	Total	
2011-12	24146	306	24452	5838	620	6458	14204	643	14847	20042	1263	21305	87.1
2012-13	21366	751	22117	6351	693	7044	15125	597	15722	21476	1290	22766	102.9
2013-14	26923	964	27887	10543	871	11414	16654	572	17226	27197	1443	28640	102.7
2014-15	35184	542	35726	14294	886	15180	18970	529	19499	33264	1415	34679	97.1
2015-16	37392	584	37976	9138	905	10043	20780	490	21270	29918	1395	31313	82.4
Total			148158									138703	

(Source: Finance Accounts of respective years)

Chart 1.20: Servicing of Public Debt


(Source: Finance Accounts of respective years)

It can be seen from **Table 1.46** and **Chart 1.20** that 87 per cent of public debt receipts in 2011-12 were utilised for debt servicing. During 2012-13 and 2013-14, the entire public debt receipts were utilised for debt servicing. In 2015-16, the debt servicing was 82 per cent of public debt receipts as against 97 per cent in 2014-15. Thus, the average expenditure on debt servicing during 2011-16 was ₹ 27,741 crore which accounted for 93.6 per cent of average public debt

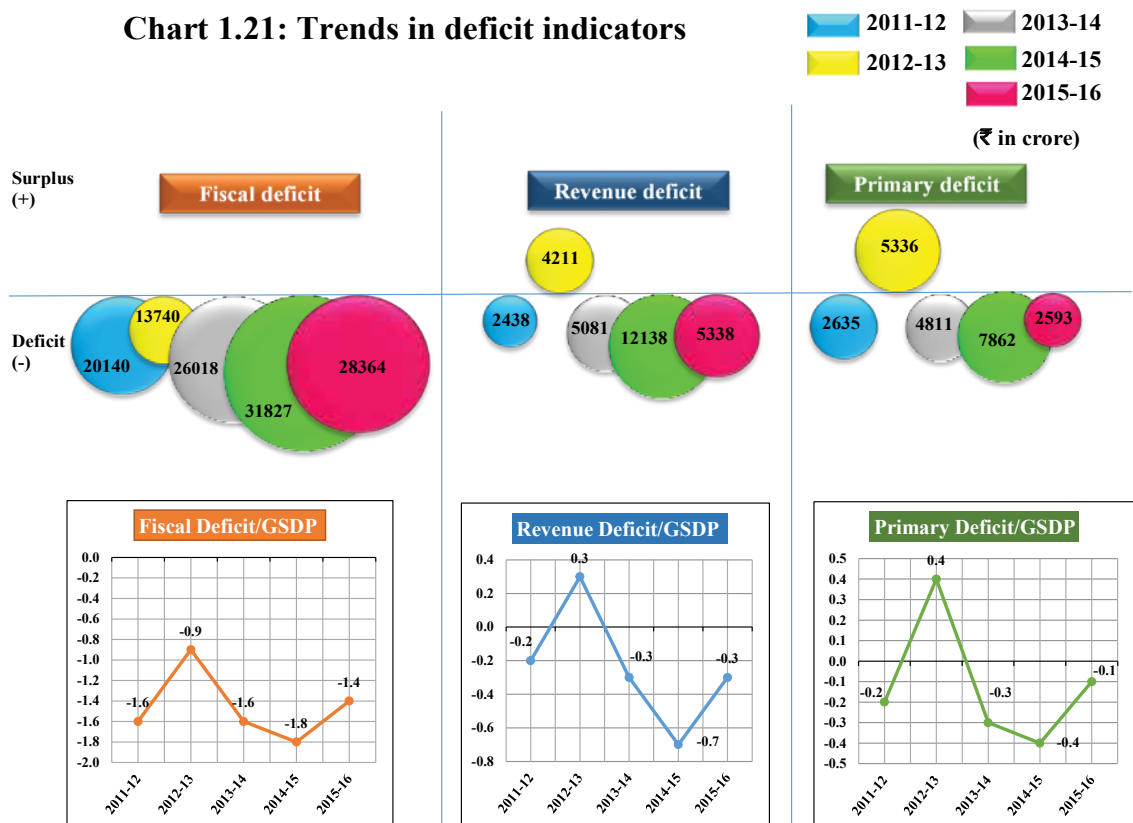
receipts during the same period, implying that a larger percentage of debt was being used for debt servicing. This also indicated that a very insignificant portion of the debt was available for meeting developmental expenditure to promote growth.

1.10 Fiscal Imbalances

Three key fiscal parameters *viz.*, revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature and magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under MFRBM Act/Rules for the financial year 2015-16.

1.10.1 Trends in Deficits

Chart 1.21 presents the trends in deficit indicators over the period 2011-16.



(Source: Finance Accounts of respective years)

As per the MFRBM Rules (Second Amendment), 2011, the revenue deficit was to be brought down to 'zero' by 2011-12 and revenue surplus was to be generated thereafter. However, the revenue deficit during 2011-12 was ₹ 2,438 crore, mainly due to increase in revenue expenditure. But, a revenue surplus of ₹ 4,211 crore was achieved in 2012-13, mainly due to increase in revenue receipts by 18 *per cent* as against an increase in revenue expenditure by 12 *per cent*. The revenue surplus turned out to revenue deficit (₹ 5,081 crore) during 2013-14 due to sharp increase in revenue expenditure. During 2014-15, the revenue deficit increased by 2.4 times to ₹ 12,138 crore as compared to previous year and in 2015-16, it decreased to ₹ 5,338 crore.

The fiscal deficit of ₹ 31,827 crore during 2014-15 decreased to ₹ 28,364 crore during 2015-16.

Primary deficit²¹ in 2011-12 (₹ 2,635 crore) turned to primary surplus during 2012-13 (₹ 5,336 crore). This again turned to primary deficit during 2013-14 (₹ 4,811 crore), 2014-15 (₹ 7,862 crore) and 2015-16 (₹ 2,593 crore). The decrease in primary deficit during 2015-16 was due to decrease in fiscal deficit (₹ 3,463 crore) and increase in interest payment (₹ 1,806 crore) over the previous year.

During 2015-16, there were transactions outside the Consolidated Fund, budgeting and booking under incorrect heads, non-provision of interest on reserve funds and deposit accounts *etc.* As a result, the revenue deficit was overstated by ₹ 871.42 crore and understated by ₹ 603.98 crore.

1.10.2 Composition of Fiscal Deficit and its financing pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.47**.

Table 1.47: Components of Fiscal Deficit and its financing pattern

		(₹ in crore)				
Particulars		2011-12	2012-13	2013-14	2014-15	2015-16
Composition of Fiscal Deficit(-)/ Surplus (+)		(-)20140	(-)13740	(-)26018	(-)31827	(-)28364
(1+2+3) (a)		(-1.6)	(-0.9)	(-1.6)	(-1.8)	(-1.4)
1	Revenue Deficit(-)/ Surplus (+)	(-)2438	4211	(-)5081	(-)12138	(-)5338
		(-0.2)	(0.3)	(-0.3)	(-0.7)	(-0.3)
2	Net Capital Expenditure	(-)17424	(-)17398	(-)20020	(-)19524	(-)22776
		(-1.4)	(-1.2)	(-1.2)	(-1.1)	(-1.2)
3	Net Loans and Advances	(-)278	(-)553	(-)917	(-)165	(-)250
		(0)	(0)	(-0.1)	(0)	(0)
Financing Pattern of Fiscal Deficit^(b)						
1	Market Borrowings	19420	16324	19163	22263	28938
		(1.5)	(1.1)	(1.2)	(1.2)	(1.5)
2	Loans from GoI	(-)144	58	94	(-)344	(-)321
		(0)	(0)	(0)	(0)	(0)
3	Special Securities Issued to National Small Savings Fund	(-)1172	(-)936	(-)2286	(-)805	(-)286
		(-0.1)	(-0.1)	(-0.1)	(0)	(0)
4	Loans from Financial Institutions and other Loans	60	(-)373	(-)499	(-)568	(-)397
		(0)	(0)	(0)	(0)	(0)
5	Small Savings, PF <i>etc.</i>	2260	2188	1893	1259	1208
		(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
6	Deposits and Advances	4532	6442	6772	4411	2773
		(0.4)	(0.4)	(0.4)	(0.2)	(0.1)

²¹ See Glossary at page 120

Particulars		2011-12	2012-13	2013-14	2014-15	2015-16
7	Suspense and Miscellaneous	(-1509)	100	(-2705)	5222	(-876)
		(-0.1)	(0)	(-0.2)	(0.3)	(0)
8	Remittances	(-256)	843	(-1117)	(-14)	(-236)
		(0)	(0.1)	(-0.1)	(0)	(0)
9	Reserve Funds	1400	1976	2742	3158	3465
		(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
10	Contingency Fund	(-489)	140	(-500)	2010	(-2000)
		(0)	(0)	(0)	(0.1)	(-0.1)
11	Appropriation to/ from Contingency fund	500	(-150)	500	(-2000)	2000
		(0)	(0)	(0)	(-0.1)	(0.1)
12	Total (1 to 11) (b)	24602	26612	24058	34592	34268
13	Increase(-)/ Decrease (+) in Cash Balance (a) – (b)	(-4462)	(-12872)	1960	2765	(-5904)
		(-0.4)	(-0.9)	(0.1)	(0.2)	(-0.3)
14	Overall deficit (12+13)	20140	13740	26018	31827	28364
		(1.6)	(0.9)	(1.6)	(1.8)	(1.4)

Figures in parenthesis indicate the per cent to GSDP

All figures are net of disbursements/outflows during the year

Source: Finance Accounts of respective years

During 2015-16, the fiscal deficit decreased by ₹ 3,463 crore over the previous year due to decrease in revenue deficit. The net capital expenditure as a percentage of fiscal deficit increased from 61 per cent in 2014-15 to 80 per cent in 2015-16.

Table 1.48 below shows an overall deficit (decrease in cash balance) after financing the fiscal deficit during 2015-16.

Table 1.48: Receipts and disbursements components financing the Fiscal Deficit during 2015-16

(₹ in crore)

Particulars		Receipts	Disbursements	Net
1	Market Borrowings	32440	3502	28938
2	Loans from GoI	584	905	(-321)
3	Special Securities Issued to NSSF	4015	4301	(-286)
4	Loans from Financial Institutions and other Loans	938	1335	(-397)
5	Small Savings, PF etc.	4798#	3590	1208
6	Deposits and Advances	34856	32083	2773
7	Suspense and Miscellaneous	(-569)	307	(-876)
8	Remittances	26435	26671	(-236)
9	Reserve Funds	7226	3761	3465
10	Contingency Fund	962	2962	(-2000)
11	Appropriation to/ from Contingency Fund	2962	962	2000
12	Total (1 to 11) (b)	114647	80379	34268
13	Increase(-)/ Decrease (+) in Cash Balance (a) – (b)			(-5904)
14	Overall deficit (12+13) (a)			28364

Source : Finance Accounts 2015-16

lower rounding

1.10.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the bifurcation of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for

current consumption. During the current year, this ratio was 0.2 *i.e.* 20 *per cent* of the borrowing was used for current consumption.

Non-debt receipts of the State were sufficient to meet the primary expenditure requirements in the revenue account. But, these were not sufficient to meet the expenditure requirements under capital account, resulting in primary deficit during 2011-12 as well as in 2013-16. However, during 2012-13, non-debt receipts were sufficient to meet the expenditure requirements both under revenue and capital account, resulting in primary surplus. The details are indicated in **Table 1.49**.

Table 1.49: Bifurcation of Primary Deficit/Surplus

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary revenue deficit(-)/surplus(+)	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2011-12	122131	106050	17880	836	124766	16081	(-) 2635
2012-13	143810	119660	17398	1416	138474	24150	5336
2013-14	150550	133695	20021	1645	155361	16855	(-)4811
2014-15	166390	153588	19523	1141	174252	12802	(-)7862
2015-16	185918	164603	22793	1115	188511	21315	(-) 2593

Source: Finance Accounts of respective years

The capital expenditure as a percentage to primary expenditure²² decreased from 14.3 *per cent* during 2011-12 to 12.1 *per cent* during 2015-16.

1.11 Follow Up

The State Finance Report is being presented to the State Legislature from 2008-09 onwards. However, the Reports were yet to be taken up for discussion by the State Public Accounts Committee.

1.12 Conclusion and Recommendations

- (i) The revenue receipts (₹ 1,85,036 crore) increased during the year by 12 *per cent* over the previous year which was the net effect of increase in tax revenue (10 *per cent*), Central tax transfers (60 *per cent*) and decrease in grants-in-aid from GoI (16 *per cent*). The revenue receipts were 93 *per cent* of budget estimates for the year 2015-16. The non-tax revenue receipts of the State Government were less than the projections made in the FCP and the budget estimates by 35 *per cent*.
- (ii) The revenue expenditure increased by seven *per cent* over the previous year and constituted 89 *per cent* of the total expenditure during 2015-16. Non-plan revenue expenditure constituted 81 *per cent* of the revenue expenditure and as a percentage of revenue receipts, it decreased to 83 *per cent* in 2015-16 from 88 *per cent* in 2014-15. The NPRE at ₹ 1,54,318 crore remained lower than the normative assessment made in the budget estimates and FCP (₹ 1,54,509 crore). The Plan revenue expenditure and NPRE increased by 15 *per cent* and six *per cent* respectively over the previous year. Interest payments

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

(₹ 25,771 crore), which increased by eight *per cent* during the year over 2014-15, was marginally more than the projections made in the Fourteenth Finance Commission (₹ 25,383 crore).

- (iii) As against the projected revenue deficit of ₹ 3,757 crore made in the budget estimates 2015-16, the actual deficit was ₹ 5,338 crore due to gap between the growth rates of the revenue receipts (12 *per cent*) and revenue expenditure (seven *per cent*) over the previous year. The fiscal deficit (₹ 28,364 crore) decreased as compared to the previous year and constituted 1.4 *per cent* of Gross State Domestic Product. The primary deficit during 2015-16 was ₹ 2,593 crore. Thus, the State Government had managed its Fiscal Deficit within the limits set under the Fiscal Responsibility and Budgetary Management Act.

The Government may make concerted efforts to bridge the revenue gap and reduce its non-productive non-plan revenue expenditure so as to move towards revenue surplus status. For this, the Government may consider mobilizing additional resources through tax and non-tax sources.

- (iv) Expenditure under subsidies decreased by 10 *per cent* over the previous year and constituted about nine *per cent* of the revenue expenditure. The expenditure on salaries and wages (including the grants-in-aid component) was lower than the State's own Fiscal Correction Path and the projections made in the budget estimates. Financial assistance to local bodies and other institutions, which constituted 43 *per cent* of the revenue expenditure during 2015-16, increased by 13 *per cent* over the previous year.
- (v) The capital expenditure, which constituted 10 *per cent* of the total expenditure, increased by 17 *per cent* during 2015-16 over the previous year. The percentage of capital expenditure to total expenditure showed a declining trend from 12 *per cent* in 2011-12 to 10 *per cent* in 2015-16. The actual capital expenditure was less than the original budget estimates of 2015-16 by ₹ 4,311 crore (16 *per cent*).

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

- (vi) The average return on the State Government's investment in Government Companies, Joint Stock Companies and Partnerships and Statutory Corporations *etc.* was 0.04 *per cent* during 2011-16 while the Government paid an average interest rate of 7.6 *per cent* on its borrowings during the same period.

The Government may take steps to ensure better value for money in investments. Otherwise, high-cost borrowed funds will continue to be invested in projects with low financial returns.

- (vii) The average expenditure on debt servicing during 2011-16 was ₹ 27,741 crore which accounted for 93.6 *per cent* of average public debt receipts during the same period, implying that a larger percentage of debt was being used for debt servicing. This also indicated that a very insignificant portion of the debt was available for meeting developmental expenditure to promote growth.

(viii) There was an increase of 12 *per cent* in the cash balances of the State Government over the previous year, significant part of which pertained to balances in Public Account. Cash balances of the State at the close of 2015-16 was ₹ 55,553 crore of which, ₹ 36,170 crore was in cash balance investment account.