

CHAPTER - I

FINANCES OF THE STATE GOVERNMENT

Chapter I

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 population as per 2011 census) and has geographical area of 3.08 lakh square kilometres (Sq Km). As indicated in **Appendix 1.1** according to census 2011, the State's population has increased from 9.69 crore to 11.24 crore recording a decadal growth of 16 *per cent*. The density of population of Maharashtra has also recorded increase from 315 persons per sq. km. (census 2001) to 365 persons per sq. km. (census 2011) as against the all India average of 382.

The percentage of population below the poverty line at 17.4¹ *per cent* was lower than the all India average of 21.9 *per cent*. The Gross State Domestic Product (GSDP) in 2016-17 at current prices was ₹ 22,67,789 crore (advance estimates). The Compounded Annual Growth Rate (CAGR) of GSDP for the period 2007-08 to 2016-17 has been 14.2 *per cent* as against 14.6 *per cent* in the General Category States (GCS) of the country. The State's literacy rate has increased from 76.9 *per cent* (census 2001) to 82.3 *per cent* (census 2011). The per capita income of the State stood at ₹ 1,87,554² as against the country average of ₹ 1,18,830³. 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 Gross Domestic Product (GDP) at current prices are indicated in **Table 1.1** and **Chart 1.1**.

Table 1.1 Trends in annual growth rate of GSDP

Year	2012-13	2013-14	2014-15	2015-16	2016-17
India's GDP (₹ in crore)	9944013	11233522	12445128	13682035	15183709
Growth rate of GDP (percentage)	13.8	13.0	10.8	9.9	11.0
State's GSDP (₹ in crore)	1448466	1647506	1792122	2001223 [#]	2267789*
Growth rate of GSDP (percentage)	13.8	13.7	8.8	11.7	13.3
GDP and GSDP at current prices					
[#] Actuals/ [*] Advance estimates – as per Economic Survey of Maharashtra 2016-17					

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

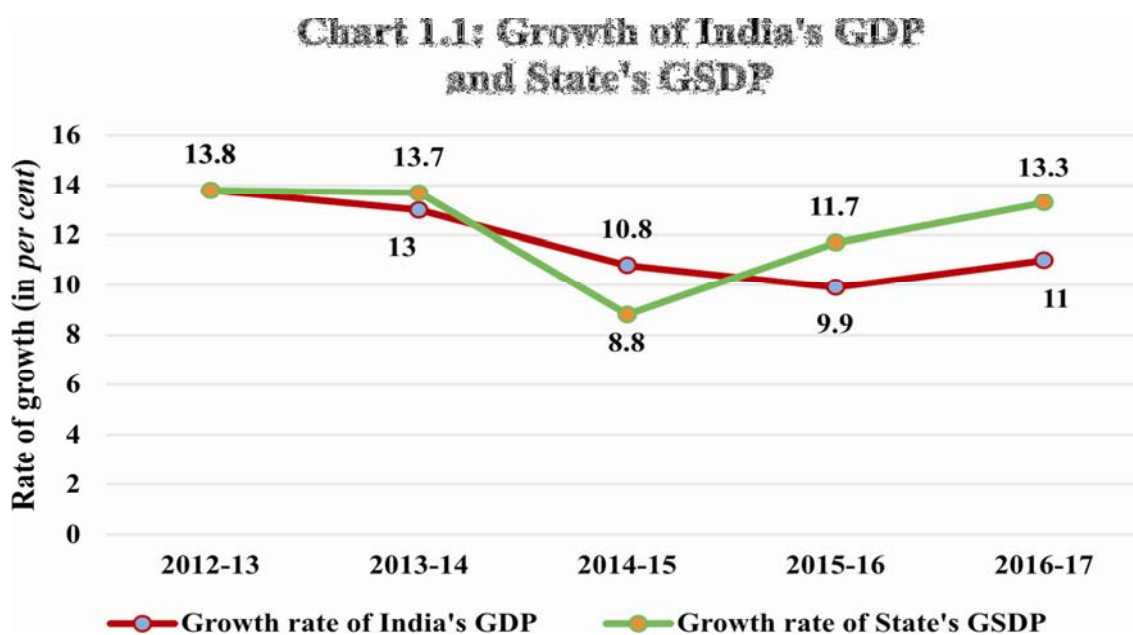


Table 1.1 shows that the growth rate of GSDP showed an increase during past two years *i.e.* 2015-16 and 2016-17 and also higher as compared to India's GDP.

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 2017. It provides a broad perspective of the finances of the State during 2016-17 and analyses critical changes observed in the major fiscal aggregates in relation to the previous year, keeping in view the overall trend during the last five 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 2016-17 in the State Legislature in March 2016.

1.1.1 Summary of Fiscal transactions in 2016-17

The **Table 1.2** presents the summary of the State Government's fiscal transactions during the current year (2016-17) *vis-à-vis* the previous year (2015-16), 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 2016-17

(₹ in crore)

2015-16	Receipts	2016-17	2015-16	Disbursements	2016-17		
Section-A: Revenue					Non-Plan	Plan	Total
185036	Revenue receipts	204693	190374	Revenue expenditure	171140	42089	213229
126608	Tax revenue	136616	64370	General services	70851	758	71609
13423	Non-tax revenue	12709	82317	Social services	63956 [#]	26326*	90282
28106	Share of Union Taxes/Duties	33715	38052	Economic services	29006	14837	43843
16899	Grants from Government of India	21653	5635	Grants-in-aid and Contributions	7327	168	7495
Section B: Capital and Others							
17	Miscellaneous Capital Receipts	0	22793	Capital Outlay	5201	20348	25549
865	Recoveries of Loans and Advances	1746	1115	Loans and Advances disbursed			6277
37977*	Public debt receipts ^{\$}	48336	10043	Repayment of Public Debt ^{\$}			11887
2962	Appropriation from Contingency fund	0	962	Appropriation to Contingency fund			0
962	Contingency Fund	0	2962	Contingency Fund			0
72747	Public Account Receipts	82466	66412	Public Account Disbursements			67102 [#]
49648	Opening Cash Balance	55553	55553	Closing Cash Balance			68750
350214	Total	392794	350214	Total			392794

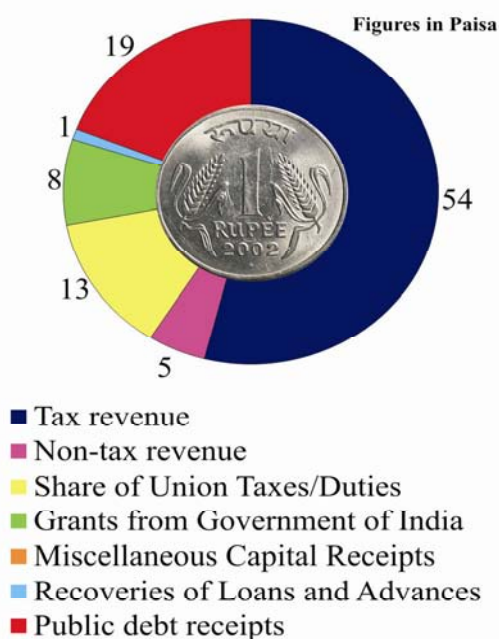
Source: Finance Accounts of respective years

^{\$}Excluding ways and means advances (Receipt: ₹ nil and Disbursement: ₹ nil)

*Higher rounding #Lower rounding

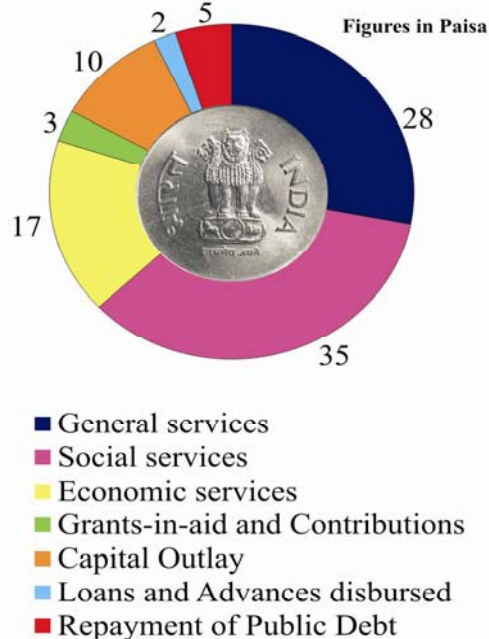
Composition of sources and application of funds in the Consolidated Fund during 2016-17 is given in **Chart 1.2** and **1.3**.

Chart 1.2



(Source: Finance Accounts 2016-17)

Chart 1.3



(Source: Finance Accounts 2016-17)

The following are the major changes in fiscal transactions during 2016-17 over the previous year:

Revenue Receipts	<ul style="list-style-type: none"> Increased by 11 <i>per cent</i> Own tax revenue increased by eight <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none"> Increased by 12 <i>per cent</i> Plan expenditure increased by 17 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none"> Increased by 12 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none"> Recoveries increased by 102 <i>per cent</i> Disbursements increased by 463 <i>per cent</i>
Public Debt	<ul style="list-style-type: none"> Receipts increased by 27 <i>per cent</i> Repayment increased by 18 <i>per cent</i>
Cash Balance	<ul style="list-style-type: none"> Increased by 24 <i>per cent</i>

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**.

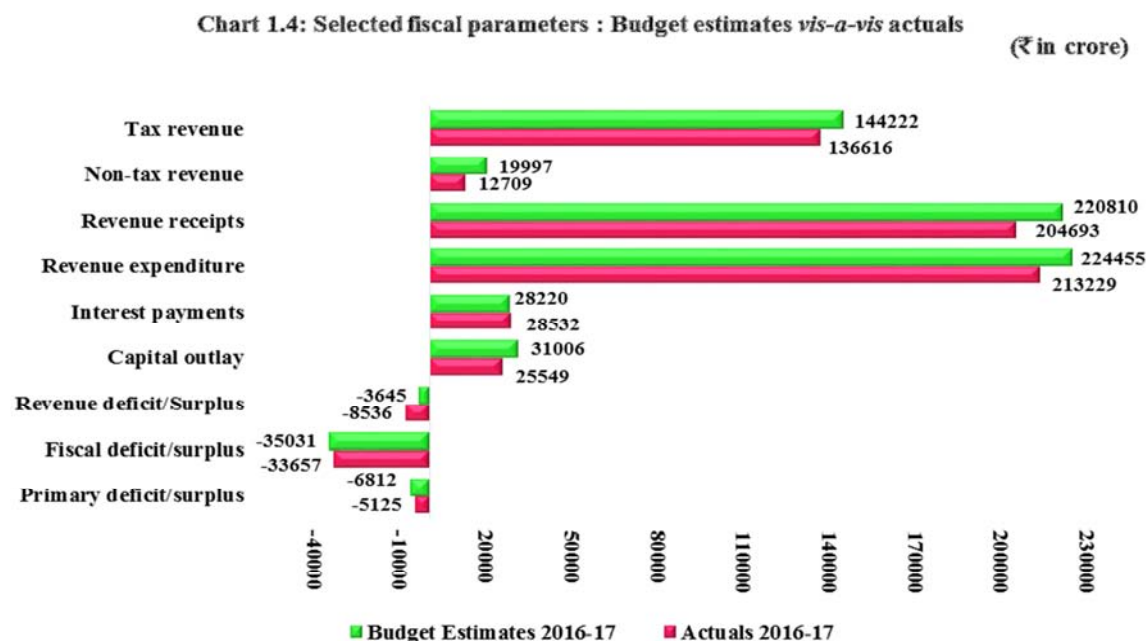
Table 1.3 Review of the Fiscal situation

Sr No	Fiscal variables	2016-17			
		FFC targets for the State in percentage	Targets proposed in the budget/ MTFPS	Projections made in five year FCP	Actuals
1	Fiscal deficit/GSDP (in <i>per cent</i>)	3.25	1.59	1.60	1.48*
2	Total outstanding debt of the Government to GSDP (in <i>per cent</i>)	22.64	16.15	17.35	17.46
3	Interest Payment/Revenue Receipt (IP/RR) (in <i>per cent</i>)	12.17	12.78	13.03	13.94
4	Revenue Deficit (₹ In crore)	0	3644.55	570.42	8535.59
* excluding Ujwal DISCOM Assurance Yojana (1.70 including Ujwal DISCOM Assurance Yojana)					
Source: MTFPS/FCP/FFC					

From **Table 1.3** it can be seen that during 2016-17, the State achieved two of the three major parameters (sr.no. 1, 2 and 3) specified by the FFC *i.e.* (i) the fiscal deficit at 1.5 *per cent* of GSDP and (ii) the ratio of debt to GSDP at 17.5 *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 State's MTFPS (13 *per cent*).

1.1.3 Budget estimates and actuals

Though the State's revenue expenditure was lower than the budget estimates by five *per cent* in 2016-17, there was a revenue deficit of ₹ 8,536 crore since the actual revenue receipts were lower than the budget estimates by 7.3 *per cent*. The capital outlay decreased by 17.6 *per cent* whereas interest payments increased marginally by 1.1 *per cent* over the budget estimates.



(Source: Finance Accounts 2016-17)

As may be observed from **Chart 1.4** (also see **Appendix 1.6**), there were variation between budget estimates and actuals in the case of several key parameters. Revenue receipts had a shortfall (₹ 16,117 crore: 7.3 *per cent*) over budget estimates since State Excise, Stamps and Registration fees and Land Revenue were lower than the budget estimates.

The decrease in revenue receipts was the net result of decrease in tax revenue by five *per cent*, non-tax revenue by 36 *per cent*. There was increase in Share of Union Taxes and Duties by seven *per cent* and Grants-in-aid from Government of India (GoI) by 13 *per cent*.

Actual revenue deficit of ₹ 8,536 crore was more than the budget estimates of ₹ 3,645 crore due to decrease in revenue receipts by ₹ 16,117 crore.

The revenue expenditure decreased by five *per cent* over the budget estimates, mainly because of less expenditure under General Services (seven *per cent*) and Social Services (eight *per cent*). The decrease was largely under Education, Sports, Art and Culture (seven *per cent*), Social Welfare and Nutrition (15 *per cent*) and Welfare of Schedule Caste, Schedule Tribes and Other Backward Classes (15 *per cent*).

The actual Capital Outlay was less by ₹ 5,457 crore (18 *per cent*) against the original Budget estimates of 2016-17. The decrease was mainly under Rural Development (62 *per cent*), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (73 *per cent*) and Education, Sports, Art and Culture (64 *per cent*).

Fiscal deficit (₹ 33,657⁴ crore without UDAY) was less than the assessment made in the budget estimates (₹ 35,031 crore) by four *per cent*, mainly due to lower growth of revenue and capital outlay.

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

Table 1.4 presents the trends in growth and composition of receipts of the State during 2012-13 to 2016-17.

Table 1.4: Trends in growth and composition of total receipts

(₹ in crore)					
Sources of State's receipts	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue receipts	142947	149822	165415	185036	204693
Capital receipts	22588	27463	30348	38858	50082
Contingency Fund	875	860	4360	962	0
Public Account receipts	47060	64020	83022	72747	82467*
Total receipts	213470	242165	283145	297603	337242
* Higher rounding					
Source: Finance Accounts of respective years					

Chart 1.5 depicts the trends in various components of the receipts of the State during 2012-17. **Chart 1.6** and **Flow chart 1.1** depicts the composition of the receipts of the State during the current year.

⁴ Excludes ₹ 4,959.75 crore expenditure on account of taking over of 75 *per cent* of Medium and Short term debts of Maharashtra DISCOM for Ujwal DISCOM Assurance Yojana

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

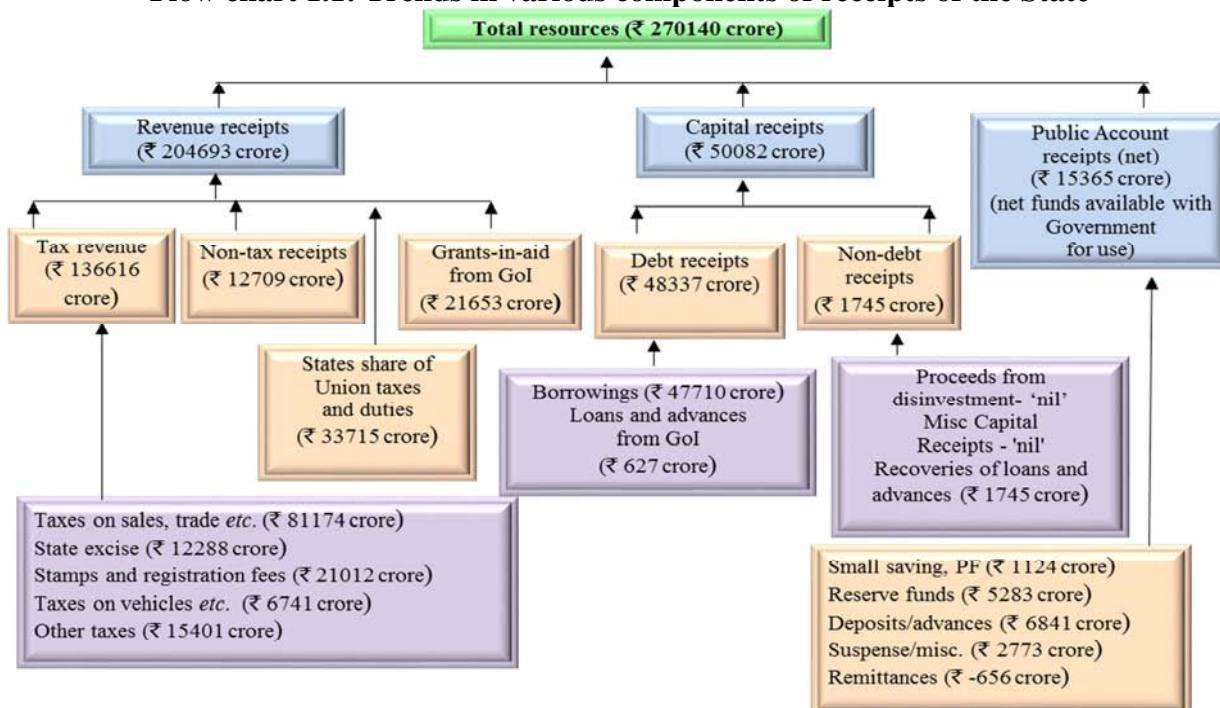
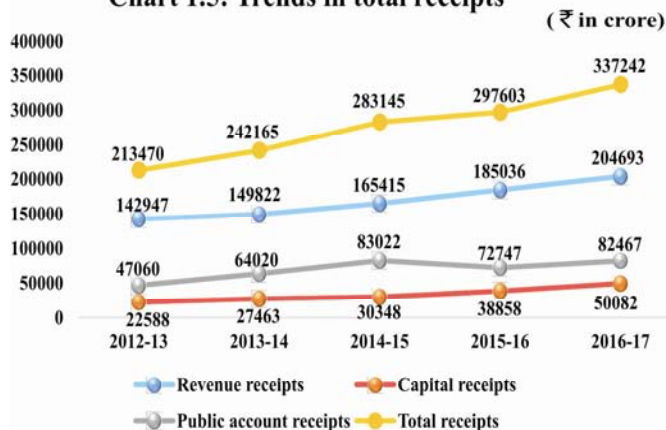
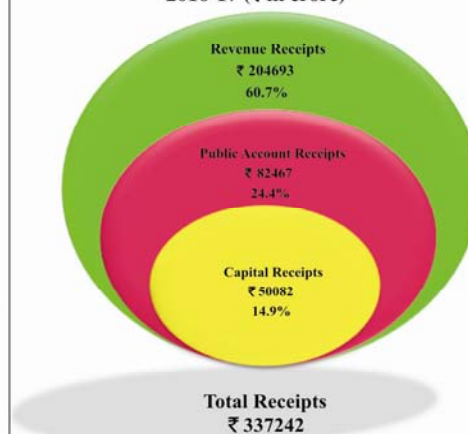


Chart 1.5: Trends in total receipts



(Source: Finance Accounts of respective years)

Chart 1.6: Composition of total receipts during 2016-17 (₹ in crore)



(Source: Finance Accounts 2016-17)

The total receipts of the State increased by ₹ 1,23,772 crore (58 *per cent*) from ₹ 2,13,470 crore in 2012-13 to ₹ 3,37,242 crore in 2016-17. The share of revenue receipts in total receipts of the State decreased from 67 *per cent* in 2012-13 to 61 *per cent* in 2016-17 while the share of Public Account receipts in total receipts of the State increased from 22 *per cent* in 2012-13 to 24 *per cent* in 2016-17.

1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

Government of India decided to release all assistance related to Centrally Sponsored Schemes/ Additional Central Assistances directly to the State Government and not to implementing agencies from 01 April 2014.

During 2016-17, the GoI, however released ₹ 1,592.11⁵ crore to the State implementing agencies as shown in Appendix–VI of Finance Account 2016-17.

Funds thus released in 2016-17 were 3.5 times the amount released in 2015-16 (₹ 451 crore). The implementing agencies which received major transfers are as shown in **Table 1.5**.

Table 1.5: Implementing Agencies which received major transfers

(₹ in crore)

Government of India Scheme	Implementing Agency	2015-16	2016-17	Increase (+)/ Decrease(-)
National Rural Employment Guarantee Scheme (MGNREGA) CS	MGNREGA State Fund Association Maharashtra	0.72	162.60	161.88
National AIDS and STD control programme	Maharashtra State AIDS Control Society	0	95.10	95.10
Major Ports Shipping	Maharashtra Maritime Board	5.90	0.00	49.91
Sagarmala Project and Ports - NP		0.00	55.81	
NHAI from CRF	Sub-Divisional Officer, Beed and Executive Engineer, NHD Nasik	0.21	46.27	46.06
National Mission for Justice Delivery and Legal Reforms	Registrar General, High Court of Bombay	0	38.25	38.25
Pradhan Mantri Koushal Vikas Yojana CS	Directorate of Vocational Education and Training	0	19.79	19.79
Management support to RD programs and strengthening of District planning process in lieu of programmes and other Training Programmes	Yashwantrao Chavan Academy of Development Administration	5.03	23.80	18.77
National Rural Livelihood Mission CS	Maharashtra State Rural Livelihoods Mission (MSRLM)	3.04	20.36	17.32

Source: Appendix – VI of Finance Accounts 2016-17

Funds transferred directly from the GoI to the State Implementing Agencies results in lack of monitoring the expenditure incurred by them on various schemes as these funds are not reflected in the State Budget.

1.2.3 Funds operated outside legislative scrutiny

As per Thirteenth Finance Commission recommendations, public expenditure through creation of funds outside the Consolidated Fund of the State needs to be discouraged. An instance wherein public expenditure was met through creation of fund outside the Consolidated Fund was mentioned in earlier Report⁶ of the Comptroller and Auditor General on State Finances. This procedure was continued during current year. The Housing Department, Government of Maharashtra (GoM) created (May 2010) Maharashtra Nivara Nidhi (MNN) with the objective of supplementing the resources of the Government for undertaking various housing schemes through Central assistance. This fund was created under the jurisdiction of Maharashtra Housing and Area Development Authority (MHADA) (without any amendment to the MHADA Act, 1976) outside the Consolidated Fund as well as the Public Accounts of the GoM.

⁵ As per the Public Financial Management System portal of the Controller General of Accounts

⁶ **Paragraph 1.2.3** and **Paragraph 1.5.2** of the Report of the Comptroller and Auditor General on State Finances for the year 2013-14 and 2014-15 respectively

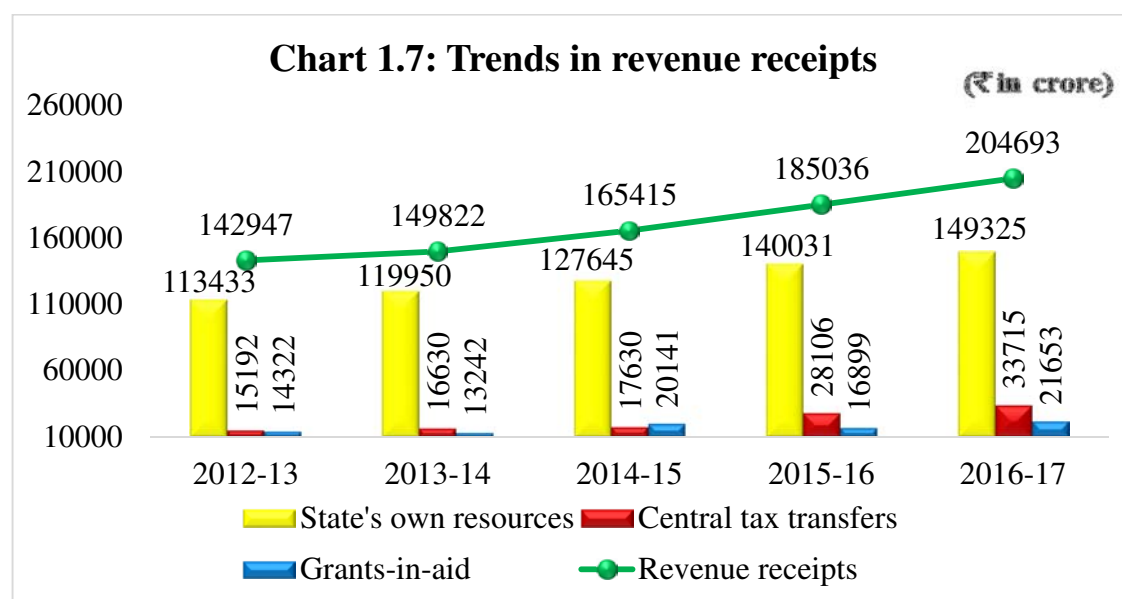
Since its inception till March 2017, MNN received ₹ 17,237.99 crore from GoM, MHADA and a recurring contribution from Slum Rehabilitation Authority by way of 90 per cent of the land premium collected by the Authority.

Further, the Annual Accounts and the Audit Report of the receipts and expenditure incurred out of MNN were not submitted (December 2017) to the State Legislature, despite the fact that ₹ 3,968 crore were spent from this fund till March 2017. Thus, creation and operation of MNN outside the Government accounts escaped the legislative scrutiny through the regular process of authorisation. It would be appropriate if the activities planned under MNN are carried out through regular budgetary process.

Finance Department have directed (August 2017) Housing Department to make necessary amendments in the MHADA Act, 1976 ensuring Administrative and Financial independence for MNN and to ensure audit of this fund by the CAG.

1.3 Revenue Receipts

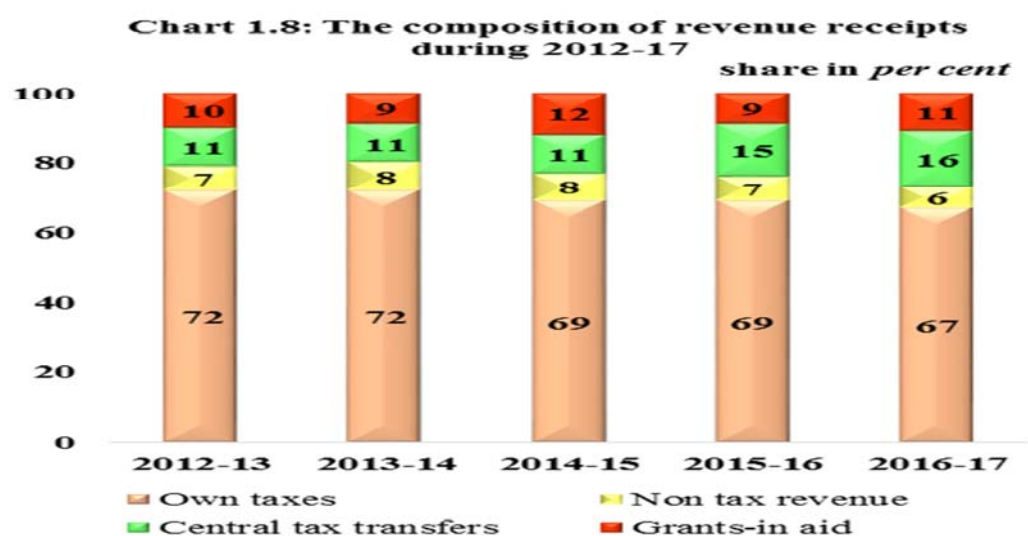
Statement 14 of the Finance Accounts details the revenue receipts of the Government. These consist of the State's own tax and non-tax revenues, Central tax transfers and grants-in-aid from GoI. The trends of revenue receipts over the period 2012-13 to 2016-17 are presented in **Chart 1.7** and also in **Appendix 1.7**.



(Source: Finance Accounts of respective years)

Revenue receipts grew by ₹ 19,657 crore (11 per cent) in 2016-17 over 2015-16. The increase was the net effect of increase in tax revenue by ₹ 10,008 crore (eight per cent), State's share of Union Taxes and Duties by ₹ 5,609 crore (20 per cent) and Grants-in-aid from Government of India by ₹ 4,754 crore (28 per cent), set-off partially by decrease in non-tax revenue by ₹ 714 crore (five per cent). The revenue receipts at ₹ 2,04,693 crore was almost 91 per cent of the assessments made by the State Government in its FCP (₹ 2,25,388 crore) and 93 per cent of MTFPS (₹ 2,20,811 crore) for the year 2016-17. During the year 2012-13 to 2016-17 there was a decline in Tax Revenue by five per cent.

The composition of revenue receipts over the period 2012-13 to 2016-17 are presented in **Chart 1.8**.



(Source: Finance Accounts of respective years)

As shown in **Chart 1.8**, the share of State's own taxes in revenue receipts was 72 *per cent* during the period 2012-14, which however, decreased to 69 *per cent* in 2014-15 and remained constant in 2015-16. During 2016-17, it further decreased to 67 *per cent*. The share of non-tax revenue increased marginally during 2013-14 and remained constant during 2014-15 and marginally decreased in 2015-16 and further in 2016-17. The share of Central transfers was relatively stable during 2012-15 and marginally increased during 2015-16 and further in 2016-17. The share of Grants-in-aid indicated a fluctuating trend during 2012-17.

During 2007-08 to 2015-16, the CAGR of revenue receipts (11.1 *per cent*) was less than the growth rate of GCS (14.6 *per cent*). This growth of revenue receipts during 2016-17 over 2015-16 (10.6 *per cent*) was also lower than the growth rate of GCS (11.5 *per cent*) as shown in **Appendix 1.1**.

The trends in revenue receipts relative to GSDP at current prices are presented in **Table 1.6**.

Table 1.6: Trends in Revenue Receipts relative to Gross State Domestic Product

	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue receipts (₹ in crore)	142947	149822	165415	185036	204693
Rate of growth ⁷ of RR (<i>per cent</i>)	17.9	4.8	10.4	11.9	10.6
RR/GSDP (<i>per cent</i>)	9.9	9.1	9.2	9.2	9.0
Buoyancy ratios⁸					
Revenue receipts buoyancy w.r.t. GSDP	1.297	0.350	1.182	1.017	0.798
State's own taxes buoyancy w.r.t. GSDP	1.312	0.365	0.682	0.857	0.590
Gross State Domestic Product (₹ in crore)	1448466	1647506	1792122	2001223	2267789
Revenue receipts buoyancy w.r.t. State's own taxes	0.989	0.960	1.733	1.190	1.340

Source: Finance Accounts of respective years

⁷ see Glossary at page 131

⁸ 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 131)

There was a decrease in the rate of growth of Revenue Receipts from 11.9 *per cent* in 2015-16 to 10.6 *per cent* in 2016-17.

The ratio of State's own tax buoyancy with reference to GSDP decreased from 1.312 in 2012-13 to 0.365 in 2013-14 and increased to 0.682 during 2014-15. This ratio increased to 0.857 in 2015-16 and decreased to 0.590 in 2016-17.

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 2016-17 *vis-à-vis* assessment made by the FFC and the MTFPS (2016-17) are given in **Table 1.7**.

Table 1.7: Actual Tax and Non-Tax Receipts

	FFC projection	Budget estimates	MTFPS projection	(₹ in crore) Actual
Tax revenue	177565	144222	144222	136616
Non-tax revenue	21752	19997	19997	12709
Source: Finance Accounts/FFC/Budget/MTFPS				

Table 1.7 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 42 *per cent*.

1.3.1.1 Tax Revenue

The gross collection in respect of major taxes and duties during 2012-17 are given in **Table 1.8** and actuals for 2016-17 in **Chart 1.9**.

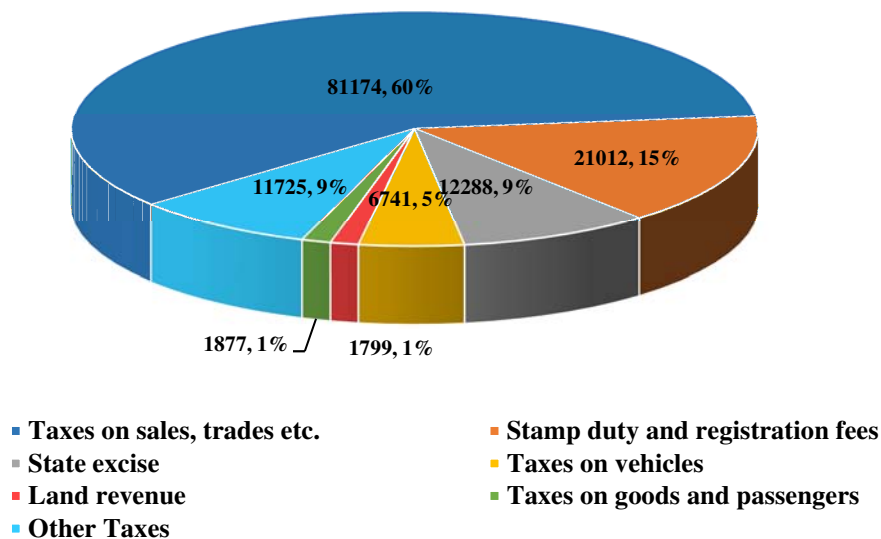
Table 1.8: Components of State's Own Tax Revenue

Revenue Head	2012-13	2013-14	2014-15	2015-16	2016-17	(₹ in crore) Variation in 2016-17 over previous year (in <i>per cent</i>)
Taxes on sales, trade <i>etc.</i>	60080	62530	67466	69661	81174	17
Stamp duty and registration fees	17548	18676	19959	21767	21012	(-)3
State excise	9297	10101	11397	12470	12288	(-)1
Taxes on vehicles	5028	5096	5405	6017	6741	12
Land revenue	1074	1089	1272	1748	1799	3
Taxes on goods and passengers	691	1241	587	1582	1877	19
Other taxes ⁹	9731	9865	8978	13363	11725	(-)12
Total	103449	108598	115064	126608	136616	8
Source: Finance Accounts of respective years						

⁹ Other taxes include taxes on professions, trades, callings and employment; and taxes and duties on electricity

Chart 1.9: Components of State's Own Tax Revenue in 2016-17

(₹ in crore)



(Source: Finance Accounts 2016-17)

The increase in tax revenue by ₹ 10,008 crore (eight *per cent*) over the previous year was mainly under (a) Taxes on sales, trade, *etc.* by ₹ 11,513 crore (17 *per cent*) due to increase in collection under 'Value Added Tax', (b) Taxes on Vehicles by ₹ 724 crore (12 *per cent*) due to increase in proceeds from State Motor vehicles Taxation Act and Environment tax; setoff by decrease in Taxes and duties on electricity by ₹ 1,837 crore (22 *per cent*) due to less collection of taxes on consumption and sale of electricity.

During 2007-08 to 2015-16, the CAGR of tax revenue (13 *per cent*) was less than the growth rate of GCS (14.8 *per cent*). The growth of own tax revenue during 2016-17 over 2015-16 (7.9 *per cent*) was also lower than the growth rate of GCS (13.5 *per cent*) as shown in **Appendix 1.1**.

During 2016-17, the tax revenue as a percentage of GSDP (six *per cent*) was less than the normative assessment of the FFC (8.5 *per cent*) and FCP (seven *per cent*) and same as MTFPS (six *per cent*).

1.3.1.2 Non-Tax Revenue

Growth rate of Non-Tax Revenue during 2012-17 is shown in **Table 1.9** and actuals for 2016-17 in **Chart 1.10**.

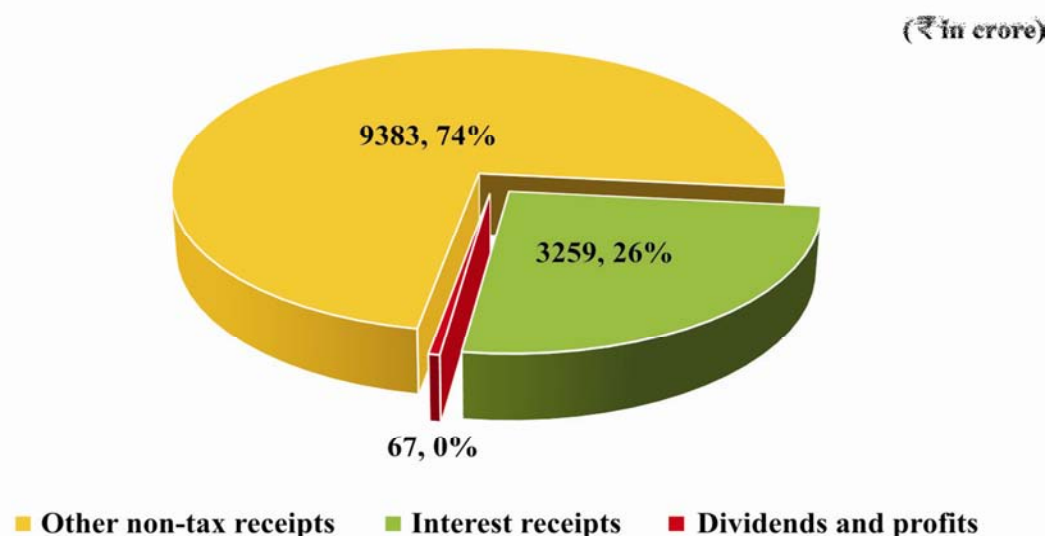
Table 1.9: Growth rate of Non-Tax Revenue

Revenue head	2012-13	2013-14	2014-15	2015-16	2016-17	Percentage increase in 2016-17 over previous year
	(₹ in crore)					
Interest receipts	2464	3934	3351	3080	3259	6
Dividends and profits	47	20	28	57	67*	17
Other non-tax receipts	7473	7398	9202	10286	9383	(-) 9
Total	9984	11352	12581	13423	12709	(-)5

* Dividend of ₹ 39 crore from other Corporations, for which list is not made available (Finance Accounts 2016-17)
Source: Finance Accounts of respective years

* Dividend of ₹ 39 crore from other Corporations, for which list is not made available (Finance Accounts 2016-17)

Source: Finance Accounts of respective years

Chart 1.10: Components of non-tax revenue in 2016-17

(Source: Finance Accounts 2016-17)

The decrease in non-tax revenue receipts by ₹ 714 crore (five *per cent*) over 2015-16 was mainly due to 58 *per cent* decrease (₹ 350 crore) in Education, Sports, Art and Culture, 58 *per cent* decrease (₹ 267 crore) in Major Irrigation and 47 *per cent* decrease (₹ 224 crore) under Miscellaneous General Services set-off by increase of 23 *per cent* (₹ 140 crore) under Power. The non-tax revenue receipts (₹ 12,709 crore) during the current year was lower than the projections made in the FCP ₹ 21,698 crore (41 *per cent*), MTFPS/Budget ₹ 19,997 crore (36 *per cent*) as well as the normative assessment of the FFC ₹ 21,752 crore (42 *per cent*).

During 2007-08 to 2015-16, the CAGR of non-tax revenue (-2.9 *per cent*) was less than the growth rate of GCS (9.5 *per cent*). The growth of non-tax revenue during 2016-17 over 2015-16 (-5.3 *per cent*) was also lower than the growth rate of GCS (12.1 *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 the budgeted estimates of ₹ 331 crore during 2016-17, the actual interest realised on Investment of Cash Balances was ₹ 2,214.19 crore of which, 14 day TBs yielded ₹ 651.49 crore and 91 day TBs yielded ₹ 1,562.70 crore.

The interest realised on Loans and Advances given by the State Government to its Companies/Corporations *etc.* stood at ₹ 407 crore during 2016-17 which worked out to 1.5 *per cent* of the outstanding balances of Loans and Advances (₹ 26,603.40 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 2016-17 was ₹ 66.81 crore. Considering the magnitude of Government investment (₹ 1,29,983.79 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 2012-17 based on the water rates for the control period¹⁰ 2010-2013 is shown in **Table 1.10**.

Table 1.10: Details of Operation and Maintenance cost of water resources project, assessment of water charges and recovery of water charges

(₹ in crore)

Year	Operation and Maintenance cost (Establishment + Maintenance and repair)			Arrears of water charges				
	Salary (Establishment)	Non-salary (Maintenance and Repairs)	Total	Opening Balance*	Assessment	Total Dues (5 + 6)	Recovery of water charges	Balance to be recovered (7-8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2012-13	593.14	158.06	751.20	1028.36	753.10	1781.46	506	1275.46
2013-14	632.15	206.05	838.20	1267.46	607.04	1874.50	515	1359.50
2014-15	620.15	126.15	746.30	1309.00	671.74	1980.74	637	1343.74
2015-16	680.06	180.79	860.85	1346.56	740.17	2086.73	573	1513.73
2016-17	651.88	134.65	786.53	1513.66	764.00	2277.66	573	1704.66
Total	3177.38	805.70	3983.08		3536.05		2804	

* Opening balance was revised after reconciliation

Source: Information furnished by Maharashtra Water Resources Regulatory Authority

From the **Table 1.10** it can be seen that the water charges recovered during 2012-17 was less than the O&M cost by ₹ 1,179.08 crore. Arrears in recovery during 2012-17 was ₹ 1,704.66 crore. In addition, there was a gap of ₹ 447.03 crore between O&M cost and assessment made during 2012-17. Efforts are needed to bring the assessment to meet O&M cost and also to effect recovery as per the assessment.

1.3.2 Receipts from Government of India

1.3.2.1 Grants-in-aid from Government of India

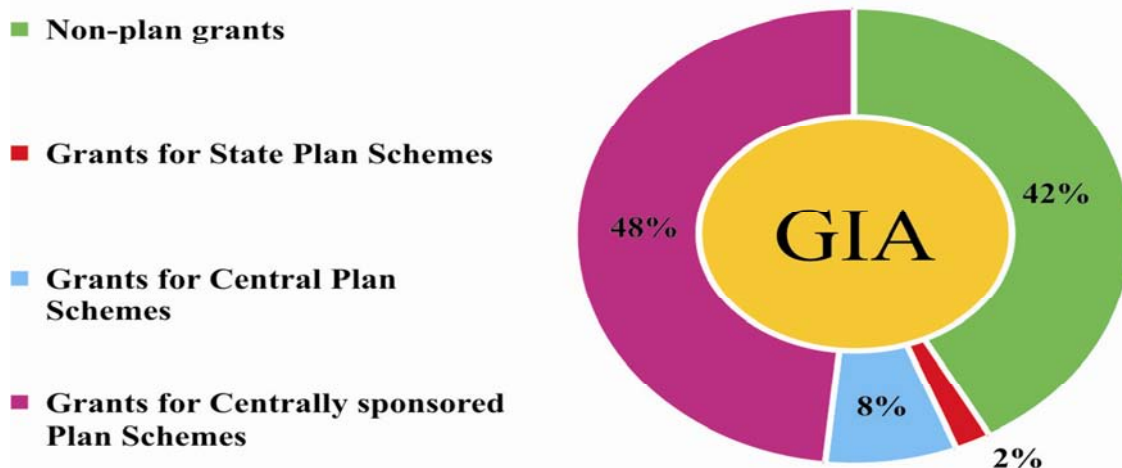
The grants-in-aid from GoI increased by 28 per cent from ₹ 16,899 crore in 2015-16 to ₹ 21,653 crore in 2016-17. The increase in 2016-17 was mainly under Central Plan Schemes (141 per cent), Non-plan Grants (49 per cent) and Centrally Sponsored Plan

¹⁰ 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.

Schemes (12 *per cent*) as shown in **Table 1.11** and composition of GIA in **Chart 1.11**. The trend of total grants from GoI as a percentage of revenue receipts was fluctuating during 2012-17.

Table 1.11: Grants-in-aid from Government of India

	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Non-plan grants	4676	5533	7304	6080	9073*
Grants for State Plan Schemes	5630	3684	1665	791	455
Grants for Central Plan Schemes	113	648	1399	688	1657
Grants for Centrally sponsored Plan Schemes	3903	3377	9772	9340	10468
Total	14322	13242	20140	16899	21653
Percentage of increase/decrease over previous year	17.71	(-)7.54	52.10	(-)16.09	28.13
Total grants as a percentage of revenue receipts	10	8.8	12.2	9.1	10.6
* Higher rounding					
Source: Finance Accounts of respective years					

Chart 1.11: Composition of Grants-in-aid in 2016-17

(Source: Finance Accounts 2016-17)

The increase under Central Plan Schemes (₹ 969 crore) was mainly under Rural Development (₹ 430 crore) and Grants under Proviso to Article 275(1) of the Constitution (₹ 677 crore). The increase under grants from Centrally Sponsored Plan Schemes (₹ 1,128 crore) was mainly due to increase under (a) Urban Development (₹ 1,869 crore), set-off by a decrease under (b) Rural Employment (₹ 421 crore) and (c) Crop Husbandry (₹ 471 crore). The increase under Non-Plan Grants (₹ 2,993 crore) was mainly under Other Grants (₹ 2,610 crore).

Decrease under State Plan

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 Grants¹¹.

Table 1.12 shows the Grants-in-aid received from GoI under proviso to Article 275(1) of the Constitution and Block Grants during 2012-13 to 2016-17.

¹¹ see Glossary at page 131

Table 1.12: 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	2012-13	2013-14	2014-15	2015-16	2016-17
Under proviso to Article 275(1) of the Constitution	Non-plan grants	1601-01-104	0	75	2329	0	0
	Plan grants	1601-02-104	1033	125	117	134	115
	Non-Plan grants	1601-03-104	0	0	0	0	0
Block Grants			3247	2832	1091	284	210
(1601-02-101)	Accelerated Irrigation Benefits Programme and other water related schemes		1023	280	32	265	187
	Normal Central Assistance		644	766	790	0	0
	Backward Region Grants Fund		50	247	0	0	0
	Other Schemes		1530	1539	269	19	23

Source: Finance Accounts of respective years

From **Table 1.12** it could be seen that Block grants decreased by ₹ 74 crore (26 per cent) in 2016-17 and grants to AIBP and other water related schemes by ₹ 78 crore.

1.3.2.2 Central Tax Transfers

Due to higher devolution of Central taxes under FFC, Central tax transfers increased by 20 per cent from ₹ 28,106 crore in 2015-16 to ₹ 33,715 crore in 2016-17.

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 first two years of FFC is as given in **Table 1.13**.

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

(₹ in crore)

Components of State's share of Union taxes	FFC award period		Difference	Percentage increase/decrease
	2015-2016	2016-17		
Corporation Tax	8835.19	10790.20	1955.01	22
Customs	4486.57	4641.53	154.96	3
Income Tax	6144.85	7499.22	1354.37	22
Other taxes and duties on commodities and services	19.33	0.09	(-)19.24	(-)100
Other taxes on income and expenditure	0.18	0	(-)0.18	(-)100
Service tax	4887.46	5458.92	571.46	12
Taxes on wealth	2	24.71	22.71	1136
Union excise duties	3730.37	5300.23	1569.86	42
Grand Total	28105.95	33714.90	5608.95	20
Devolution as a percentage of revenue receipts	15.2	16.5		

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 increased by 20 per cent during the second year of the award period of FFC compared to first year of FFC. There was an increasing trend in all the components of the State's Share of Union Taxes except in respect of other taxes and duties on commodities and services and other

Taxes on Income and Expenditure. The increase was mainly under Union Excise duties (42 *per cent*) followed by Corporation tax (22 *per cent*) and Income Tax (22 *per cent*).

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 2016-17.

Out of 73 Centrally Sponsored Schemes and one Externally Aided Project under Additional Central Assistance, State Government could map 70 Centrally Sponsored Schemes. The details of three Centrally Sponsored Schemes unmapped are as shown below:-

- Scheme for Training of Trainers and Anti-Human Trafficking Units (scheme code 1319) under Home Department;
- Scheme for Educational Development of OBCs at De-notified and Nomadic Tribes (scheme code 9188) under Social Justice and Special Assistance Department; and
- Pre-Matric Scholarship for OBC CASP (scheme code 9493) under Social Justice and Special Assistance Department.

1.4 Capital Receipts

Capital receipts of the State Government included non-debt and debt receipts, whose composition has been discussed in **Paragraph 1.2.1**. The public debt (Market borrowings and Loans from Government of India) receipts during the year (₹ 48,337 crore) comprised internal debt of ₹ 47,710 crore (98.7 *per cent*) and loans and advances from GoI ₹ 627 crore (1.3 *per cent*). Market borrowings had a predominant share under internal debt comprising 94 *per cent* followed by negotiated loans (six *per cent*). The trends in composition of capital receipts and a time series data on public debt receipts are shown in **Table 1.14** and **Table 1.15**.

Table 1.14: Trends in growth and composition of Capital Receipts

(₹ in crore)					
Sources of State's receipts	2012-13	2013-14	2014-15	2015-16	2016-17
Capital Receipts (CR)	22588	27463	30348	38858	50082
Miscellaneous Capital Receipts	0	0	0	17	0
Recovery of Loans and Advances	863	728	975	865	1745
Public Debt Receipts	21725	26735	29373	37976	48337
Rate of growth of debt capital receipts	(-)11.1	23.1	9.9	29.3	27.3
Rate of growth of non-debt capital receipts	(-)15	(-)15.6	33.9	(-)9.5	97.8
Rate of growth of GSDP	13.8	13.7	8.8	11.7	13.3
Rate of growth of CR (<i>per cent</i>)	(-) 11.3	21.6	10.5	28	28.9
Source: Finance Accounts of respective years					

As seen in **Table 1.14**, capital receipts increased from 28 *per cent* in 2015-16 to 29 *per cent* in 2016-17. The non-debt capital receipts registered a positive growth of 97.8 *per cent* in 2016-17 as against negative growth of 9.5 *per cent* in 2015-16.

Capital receipts increased from ₹ 22,588 crore in 2012-13 to ₹ 50,082 crore in 2016-17. Debt receipts had a predominant share in capital receipts and were between 96 and 98 *per cent* during 2012-17. 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 discharge the debt obligations already incurred by them until that date (April 2015). The increase was nil under the NSSF loans in 2016-17 as recommended by FFC.

During 2016-17, the public debt receipts increased by 27 *per cent* (₹ 10,361 crore) and public debt repayment increased by 18 *per cent* (₹ 1,844 crore) resulting in net increase of ₹ 8,516 crore in public debt receipts.

Table 1.15: Time-series data on Public Debt Receipts

(₹ in crore)

	2012-13	2013-14	2014-15	2015-16	2016-17
Open Market Borrowings	17500 (80.5)	23600 (88.3)	25083 (85.4)	32440 (85.4)	44960 (93.0)
National Small Savings Fund	2664 (12.3)	1425 (5.3)	2982 (10.1)	4015 (10.6)	0 (0)
Other Financial Institutions	810 (3.7)	745 (2.8)	766 (2.6)	937 [#] (2.5)	2750 (5.7)
Loans and Advances from GoI	751 (3.5)	965 (3.6)	542 (1.8)	584 (1.5)	627 (1.3)
Public Debt Receipts	21725	26735	29373	37976	48337
Public Debt Repayments	6653	10262	8828	10043	11887

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

1.4.1 Recoveries of Loans and Advances

The details of loans and advances given by the State Government during 2012-17 are indicated in **Table 1.16**.

Table 1.16: 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)
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
2016-17	22071.77	6277.21	1745.58	26603.40	7.9

Source: Finance Accounts of respective years

Recoveries of loans and advances increased by ₹ 880 crore (102 *per cent*) mainly on account of more recoveries under 'Loans for Power Projects' (₹ 779 crore), 'Loans for Forestry and Wild Life' (₹ 54 crore) and 'Loans to Government Servants' (₹ 32 crore). The percentage of recovery was meagre at 3.5 to 7.9 during the last five years. The complete information regarding arrears in repayments, and loans in perpetuity were not furnished by Government.

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/trustee for custody of public money, since these transactions are mere pass through transactions. The trend of net receipts under Public Account covering the period 2012-13 to 2016-17 are indicated in **Table 1.17**.

Table 1.17 Trends of receipts under Public Account

Resources under various heads	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Public Account receipts					
a. Small Savings, Provident Fund <i>etc.</i>	4759.89 (2188)	4868.46 (1894)	4642.54 (1260)	4798.96 (1208) [#]	4947.53 (1124)
b. Reserve Fund	4960.13 (1976)	5540.03 (2742)	5908.54 (3158)	7226.11 (3465)	8566.92 (5283)
c. Deposits and Advances	26657.82 (6442)	32347.23 (6772)	31249.40 (4411)	34855.80 (2773)	39356.10 (6841)
d. Suspense and Miscellaneous	(-) 11307.73 (100)	(-) 2693.61 (-2705)	17039.01 (5222)	(-) 569.16 (-876)	3034.27 (2773)
e. Remittances	21989.52 (842)	23958.08 (-1117)	24182.45 (14)	26435.49 (-235)	26561.67 (-656)
Total	47059.63 (11549)	64020.19 (7585)	83021.94 (14036)	72747.20 (6335)	82466.49 (15365)
Figures in parenthesis indicate net receipts [#] Lower rounding Source: Finance Accounts of respective years					

Table 1.17 shows that Public Account receipts increased by 54.6 *per cent* over the period 2012-17. Increase in Public Account receipts by ₹ 9,719 crore (13.4 *per cent*) in 2016-17 over the previous year was on account of increase under Deposits and Advances (₹ 4,500 crore), Suspense and Miscellaneous (₹ 3,603 crore) and Reserve Fund (₹ 1,341 crore).

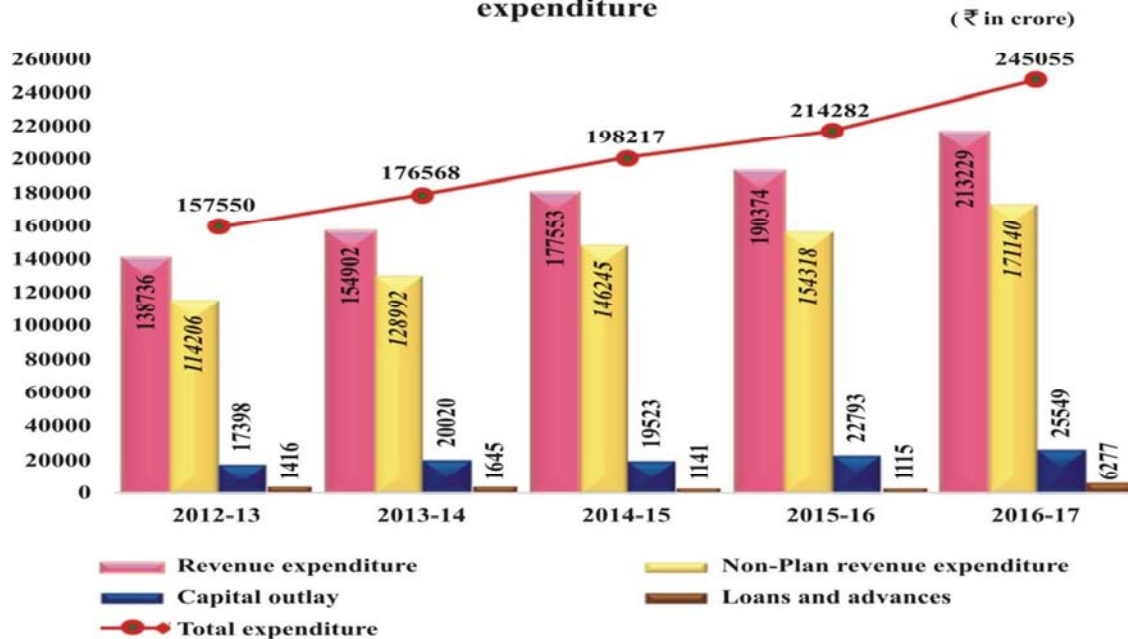
1.6 Application of Resources

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 (2012-17) as well as its composition under revenue, capital and loans and advances.

Chart 1.12: Trends in various components of total expenditure



(Source: Finance Accounts of respective years)

Total expenditure

The total expenditure and its composition during 2012-17 are presented in **Table 1.18** and **Chart 1.13**.

Table 1.18: Total expenditure and its composition

	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Total expenditure	157550	176568	198217	214282	245055
Revenue expenditure	138736	154902	177553	190374	213229
	(88)	(88)	(89)	(89)	(87)
<i>of which, Non-Plan revenue expenditure</i>	114206	128992	146245	154318	171140
Capital Outlay	17398	20020	19523	22793	25549
	(11)	(11)	(10)	(10)	(10)
Loans and advances	1416	1645	1141	1115	6277
	(1)	(1)	(1)	(1)	(3)

Figure in parenthesis indicate percentage to total expenditure

Source: Finance Accounts of respective years

Chart 1.13: Total expenditure Trends in share of its components (2012-17) share in per cent



(Source: Finance Accounts of respective years)

The total expenditure of the State increased at an average growth rate of 11.5 *per cent* from ₹ 1,57,550 crore in 2012-13 to ₹ 2,45,055 crore in 2016-17 but, the percentage of capital expenditure to total expenditure decreased from 11 *per cent* in 2012-13 to 10 *per cent* in 2016-17. 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 1.19**.

During 2007-08 to 2015-16, the CAGR of total expenditure (13.6 *per cent*) was less than the growth rate of GCS (15.8 *per cent*). The growth of the total expenditure during 2016-17 over 2015-16 (14.4 *per cent*) was also lower than the growth rate of GCS (15.3 *per cent*) as shown in **Appendix 1.1**.

Table 1.19: Total expenditure – basic parameters

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Total expenditure (TE) (₹ in crore)	157550	176568	198217	214282	245055
Rate of growth of TE over previous year (<i>per cent</i>)	10.7	12.1	12.3	8.1	14.4
TE/GSDP (<i>per cent</i>)	10.9	10.7	11.1	10.7	10.8
RR /TE (<i>per cent</i>)	90.7	84.9	83.5	86.4	83.5
Buoyancy of Total expenditure with reference to:					
GSDP (ratio)	0.775	0.883	1.398	0.692	1.078
RR (ratio)	0.598	2.521	1.183	0.681	1.400
Source: Finance Accounts of respective years					

Table 1.18 and **Table 1.19** further show that an increase of ₹ 30,773 crore (14.4 *per cent*) in total expenditure in 2016-17 over the previous year was on account of an increase of ₹ 22,855 crore in revenue expenditure and ₹ 2,756 crore in capital expenditure.

The total expenditure remained around 11 *per cent* of GSDP during 2012-17. Revenue receipts fluctuated between 83.5 *per cent* (2016-17) and 90.7 *per cent* (2012-13) of total expenditure. **Table 1.19** shows that on an average, 86 *per cent* of total expenditure was met from revenue receipts during 2012-17.

The ratio of buoyancy of total expenditure to GSDP and revenue receipts showed a mixed trend during 2012-13 to 2016-17. The ratio of buoyancy of total expenditure with reference to GSDP increased to 1.078 in 2016-17 from 0.692 in 2015-16. This indicated that during 2016-17 for each one *per cent* increase in GSDP, total expenditure grew by 1.078 *per cent*. The ratio of buoyancy of total expenditure with reference to revenue receipts increased to 1.400 in 2016-17 from 0.681 in 2015-16.

Of the total expenditure during 2016-17, non-plan expenditure was 74 *per cent* while plan expenditure was 26 *per cent*. Of the increase of ₹ 30,773 crore in total expenditure, the share of non-plan expenditure increased by 79 *per cent* while plan expenditure increased by 21 *per cent*.

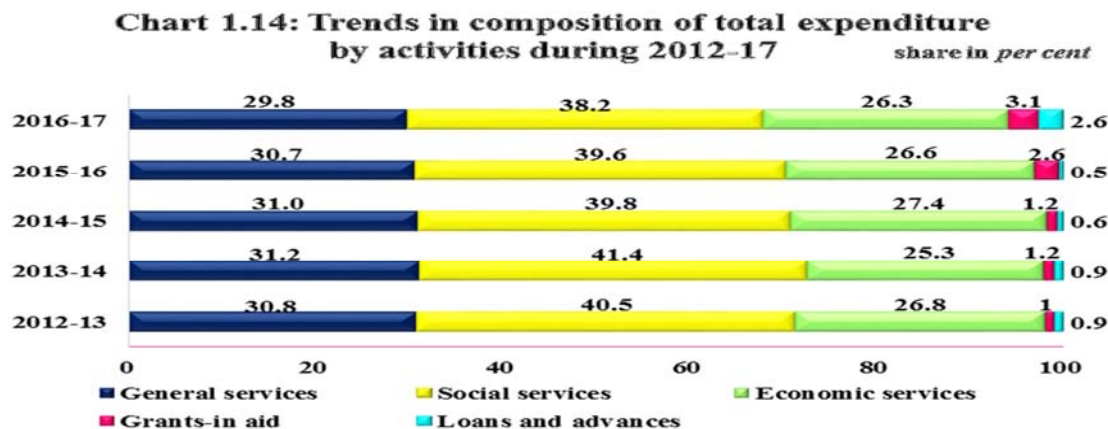
Trends in total expenditure in terms of activities

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 1.20** and **Chart 1.14**.

Table 1.20: Components of total expenditure – relative shares

	2012-13	2013-14	2014-15	2015-16	2016-17
General Services	30.8	31.2	31.0	30.7	29.9
<i>of which, Interest Payments</i>	12.1	12.0	12.1	12.0	11.6
Social Services	40.5	41.4	39.8	39.6	38.2
Economic Services	26.8	25.3	27.4	26.6	26.4
Grants-in-aid	1	1.2	1.2	2.6	3.1
Loans and Advances	0.9	0.9	0.6	0.5	2.6

Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

The movement of the relative share of the components of total expenditure shown in **Table 1.20** indicated that the share of General Services, Social Services and Economic Services in the total expenditure decreased during 2016-17 over the previous year. The shortfalls were however, set-off by an increase in Grants-in-aid and Loans and Advances.

The decrease under Social Services was mainly under Social Welfare and Nutrition (₹ 1,752 crore). The share of grants-in-aid in total expenditure increased by ₹ 1,860 crore. The increase in grants-in-aid was mainly due to increase under the head 'Other Grants' (₹ 2,610 crore) set-off by decrease in 'Assistance from National Disaster Response Fund' (₹ 637 crore) and Social Security and Welfare (₹ 143 crore).

Though the share of General, Social and Economic Services in total expenditure had decreased in 2016-17, the expenditure on these services increased by ₹ 7,529 crore, ₹ 8,725 crore and ₹ 12,546 crore respectively.

Under General Services, the increase was mainly under Interest payments and Servicing of Debt (₹ 3,141 crore), Pensions and Other Retirement Benefits (₹ 1,531 crore) and Police (₹ 1,822 crore).

The increase under Social Services was mainly under General Education (₹ 2,429 crore) and Water Supply, Sanitation, Housing and Urban Development (₹ 5,061 crore).

The increase under Economic Services was mainly due to increase in Energy (₹ 4,415 crore), Agriculture and Allied Activities (₹ 3,922 crore), Rural Development (₹ 1,632 crore) and Transport (₹ 1,301 crore).

Revenue expenditure

Revenue expenditure during 2016-17 increased by ₹ 22,855 crore (12 *per cent*) over 2015-16. This was mainly due to increase in expenditure on General Services (₹ 7,240 crore), Social Services (₹ 7,965 crore), Economic Services (₹ 5,791 crore) and 'Grants-in-aid and Contributions' (₹ 1,860 crore). While 26 *per cent* of the increase was under Plan head, the remaining 74 *per cent* was under Non-Plan head. The revenue expenditure during 2016-17 (₹ 2,13,229 crore) was lower than the assessment made by the State Government in its FCP/MTFPS/Budget estimates by five *per cent*. The Non-Plan Revenue expenditure (₹ 1,71,140 crore) was also less than the State Government's projections in FCP (₹ 1,73,668 crore) and MTFPS/Budget estimates (₹ 1,75,193 crore) (**Table 1.22**).

Revenue expenditure constituted 87 *per cent* of the total expenditure (**Chart 1.13**). The increase in revenue expenditure was mainly under Water Supply, Sanitation, Housing and Urban Development (₹ 5,295 crore), Education, Sports, Art and Culture (₹ 2,491 crore), Agriculture and Allied Activities (₹ 3,585 crore), Rural Development (₹ 1,409 crore), Interest Payments (₹ 3,141 crore), 'Pension and other Retirement Benefits' (₹ 1,521 crore), Police (₹ 1,383 crore) and Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹ 949 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 1.21**.

Table 1.21: Revenue expenditure – basic parameters

	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue expenditure (RE), of which	138736	154902	177553	190374	213229
Non-Plan Revenue expenditure (NPRE)	114206	128992	146245	154318	171140
Plan Revenue expenditure (PRE)	24530	25910	31308	36056	42089
Rate of Growth of					
RE (<i>per cent</i>)	12.3	11.7	14.6	7.2	12.0
NPRE (<i>per cent</i>)	12.5	12.9	13.4	5.5	10.9
PRE (<i>per cent</i>)	11.3	5.6	20.8	15.2	16.7
Revenue Expenditure as percentage to TE	88.1	87.7	89.6	88.8	87.0
NPRE/GSDP (<i>per cent</i>)	7.9	7.8	8.2	7.7	7.6
NPRE as percentage of TE	72.5	73.1	73.8	72	69.8
NPRE as percentage of RR	79.9	86.1	88.4	83.4	83.6
Buoyancy of Revenue expenditure with					
GSDP (ratio)	0.891	0.854	1.659	0.615	0.902
Revenue Receipts (ratio)	0.687	2.438	1.404	0.605	1.132
Source: Finance Accounts of respective years					

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 ₹ 6,033 crore (17 per cent) in 2016-17 over the previous year mainly due to increase in expenditure under Water Supply, Sanitation, Housing and Urban Development (₹ 4,190 crore), Rural Development (₹ 490 crore), Transport (₹ 490 crore), General Services (₹ 481 crore) and General Economic Services (₹ 268 crore).

Non-plan revenue expenditure

During 2016-17, Non-Plan Revenue Expenditure (NPRE) constituted 80 per cent of revenue expenditure and increased by ₹ 16,822 crore (11 per cent) over the previous year, mainly due to increase under General Services (₹ 6,758 crore), 'Education, Sports, Art and Culture' (₹ 2,203 crore), Agriculture and Allied Activities (₹ 3,582 crore), Rural Development (₹ 919 crore) and Energy (₹ 861 crore). The NPRE as a percentage of revenue receipts (**Table 1.21**) showed that on an average, 84 per cent of the revenue receipts were used to meet the NPRE.

Table 1.22 provides a comparative status of NPRE with reference to assessments made by the FFC, FCP and MTFPS/Budget projections of the State Government.

Table 1.22: NPRE vis-à-vis assessment made by the FFC, FCP and MTFPS

(₹ in crore)

Year	Assessments made by the FFC	Projection in FCP	Projection in MTFPS/ Budget	Actuals
2015-16	*	154509	154509	154318
2016-17	*	173668	175193	171140

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

As may be seen, the NPRE during 2015-16 and 2016-17 remained lower than the normative assessments of the MTFPS/Budget/FCP 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 2015-16 are given in the **Table 1.23**.

Table 1.23: 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 2015-16
1	Taxes on Sales, Trade etc.	2014-15	67466.29	455.18	0.7	0.7
		2015-16	69660.82	469.88	0.7	
		2016-17	81174.17	522.25	0.6	
2	State Excise	2014-15	11397.07	100.33	0.9	3.2
		2015-16	12469.56	104.77	0.8	
		2016-17	12287.91	111.02	0.9	
3	Taxes on Vehicles	2014-15	5404.97	1598.78	29.6	5.0
		2015-16	6017.19	1220.86	20.3	
		2016-17	6741.21	1742.46	25.9	
4	Stamps and Registration Fees	2014-15	19959.29	129.58	0.6	2.9
		2015-16	21766.99	141.82	0.6	
		2016-17	21011.83	138.15	0.7	

Source: Finance Accounts of respective years

It would be seen that the cost of collection of revenue in the State is same as all-India average in Taxes on Sales, Trade *etc.*, and is less than the all India average in State Excise and Stamps and Registration Fees except for Taxes on Vehicles. Expenditure on collection of Taxes on Vehicles included subsidies amounting to ₹ 1,508 crore (28 *per cent* of gross collection) in 2014-15, ₹ 1,113 crore (18.5 *per cent* of gross collection) in 2015-16 and ₹ 1,623 crore (24.1 *per cent* of gross collection) in 2016-17.

Subsidies

Subsidies given by the State Government during 2012-13 to 2016-17 are shown in **Table 1.24**.

Table 1.24: Expenditure on subsidies

(₹ in crore)

	2012-13	2013-14	2014-15	2015-16	2016-17
Subsidies	9268	12063	19753	17766	20984
	(6)	(8)	(12)	(10)	(10)
Revenue Receipts	142947	149822	165415	185036	204693
Figures in parenthesis indicate percentage to Revenue Receipts Source: Finance Accounts of respective years					

Table 1.24 indicates that expenditure under subsidies increased by 18 *per cent* from ₹ 17,766 crore in 2015-16 to ₹ 20,984 crore in 2016-17. During the current year, subsidies constituted about 10 *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 (36 *per cent*), Medium and Large Industries under the Graded Package Scheme of Incentives (13 *per cent*), Transport Commissioner (eight *per cent*), Food-grain Transactions (six *per cent*) and reimbursement to Maharashtra State Road Transport Corporation for concession in fares to Senior Citizens (2.6 *per cent*).

The subsidies projected by the Government in the FCP and the actual expenditure incurred during 2015-16 and 2016-17 are presented in **Table 1.25**.

Table 1.25: Subsidies vis-à-vis FCP

(₹ in crore)

	2015-16		2016-17	
	Projections in FCP	Actuals	Projections in FCP	Actuals
Power (Subsidy for reduction in Agriculture and Power loom Tariff)	4963	7717	5211	7641
General/Others	9724	10049	10211	13343
Total	14687	17766	15422	20984
Source: Finance Accounts and Budget documents of respective years				

As against the budget of ₹ 5,211 crore earmarked for subsidy to Power during 2016-17, the actual expenditure was ₹ 7,641 crore. The subsidies given to Power decreased by ₹ 76 crore (one *per cent*) during 2016-17 compared to previous year.

The major components under 'General/Others' as shown in **Table 1.25** where the actual expenditure incurred during 2016-17 on (a) subsidy to Medium and Large Industries under the Graded Package Scheme of Incentives during 2016-17 was ₹ 2,633 crore, (b) subsidy on loss to Transport Commissioner was ₹ 1,623 crore, and (c) Food subsidy was ₹ 1,238 crore.

Capital expenditure

During 2016-17, Capital Outlay (₹ 25,549 crore) constituted 10 *per cent* of the total expenditure (**Chart 1.13**) and increased by 12 *per cent* over 2015-16. The increase was mainly on account of increase under Capital Outlay on other Social Services (₹ 1,443 crore), Capital Outlay on Irrigation and Flood Control (₹ 702 crore) and Capital Outlay on Transport (₹ 736 crore). During 2016-17, the Capital Outlay (₹ 25,549 crore) was lower than the assessment made by the State Government in its FCP (₹ 33,386 crore) by 23 *per cent* and projections made in MTFPS/Budget estimates (₹ 31,006 crore) by 18 *per cent*. The major areas of increase are commented in **Paragraph 1.1.3**.

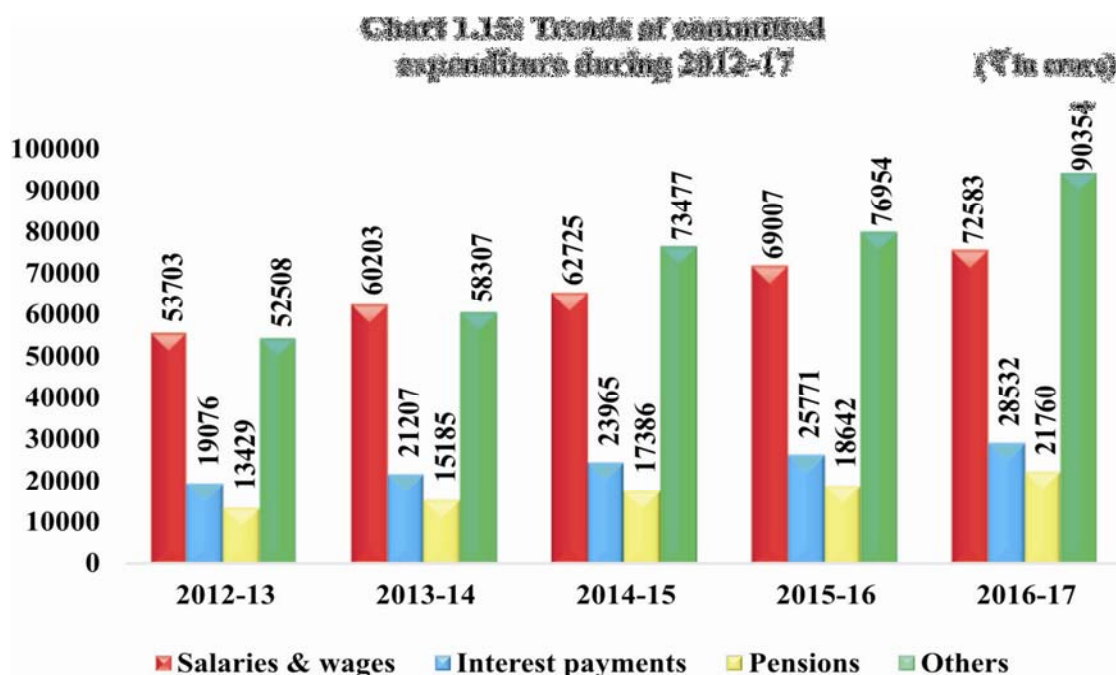
During 2007-08 to 2015-16, the CAGR of capital outlay (8.9 *per cent*) was lower than the growth rate of GCS (14.5 *per cent*). The growth of the capital outlay during 2016-17 over 2015-16 (12.1 *per cent*) was also lower than the growth rate of GCS (17.9 *per cent*) as shown in **Appendix 1.1**.

Loans and Advances

Loans and advances constituted one *per cent* of the total expenditure during 2012-16 and three *per cent* during 2016-17 (**Chart 1.13**). Disbursements of loans and advances during 2016-17 increased by ₹ 5,163 crore over 2015-16.

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. The statement of committed liabilities (Appendix XII-Finance Accounts) was incomplete as the data was not made available by the State Government. **Chart 1.15** and **Table 1.26** present the trends in the expenditure on these components during 2012-17.



(Source: Finance Accounts of respective years)

Table 1.26: Components of committed expenditure

(₹ in crore)

Components of committed expenditure	2012-13	2013-14	2014-15	2015-16	2016-17	
					BE	Actuals
Salaries and Wages	53703 (38)	60203 (40)	62725 (38)	69007 (37)	78414 (36)	72583 ⁵ (35)
of which Non-Plan Head	50165 (35)	56985 (38)	58457 (35)	63803 (34)		67535 (33)
of which Plan Head**	3538 (2)	3218 (2)	4268 (3)	5204 (3)		5048 (2)
Interest Payments	19076 (13)	21207 (14)	23965 (14)	25771 (14)	28807 (13)	28532 (14)
Pensions	13429 (9)	15185 (10)	17386 (11)	18642 (10)	24370 (11)	21760 (11)
Total Committed expenditure	86208 (60)	96595 (64)	104076 (63)	113420 (61)	131591 (60)	122875 (60)
Other Components ¹²	52508 (37)	58307 (39)	73477 (44)	76954 (42)	92864 (42)	90354 (44)
Total Revenue Expenditure	138736	154902	177553	190374	224455	213229
Revenue Receipts	142947	149822	165415	185036	220810	204693

Figures in parenthesis indicate percentage to Revenue Receipts
 \$ Salaries: ₹ 69,896 crore + Wages: ₹ 2,687 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 2012-13 (₹ 32,870 crore), 2013-14 (₹ 37,334 crore), 2014-15 (₹ 38,225 crore), 2015-16 (₹ 41,254 crore) and 2016-17 (₹ 43,829 crore)
 Source: Finance Accounts of respective years

Salaries and wages

The average annual growth in salaries and wages during 2012-17 was 9.7 *per cent*. The expenditure on salaries and wages increased by ₹ 3,576 crore (five *per cent*) from ₹ 69,007 crore in 2015-16 to ₹ 72,583 crore in 2016-17. The expenditure of ₹ 72,583 crore on salaries and wages during 2016-17 was lower than the projections made in MTFPS/Budget (₹ 79,941 crore).

During 2007-08 to 2015-16, the CAGR of salary and wages (15.4 *per cent*) was higher than the growth rate of GCS (14.9 *per cent*). The growth of the salary and wages during 2016-17 over 2015-16 (3.6 *per cent*) was however lower than the growth rate of GCS (13.1 *per cent*) as shown in **Appendix 1.1**.

Pension payments

The expenditure on pension payments had increased at an average annual growth of 13.3 *per cent* from ₹ 13,429 crore in 2012-13 to ₹ 21,760 crore in 2016-17. The increase in pension payments of ₹ 3,118 crore (16.7 *per cent*) during 2016-17 over the previous year was mainly due to more expenditure on Pensions and Other Retirement Benefits.

During 2007-08 to 2015-16, the CAGR of pension (17.6 *per cent*) was higher than the growth rate of GCS (17.2 *per cent*). This growth of pension during 2016-17 over 2015-16 (9.9 *per cent*) was lower than the GCS (10.6 *per cent*) as shown in **Appendix 1.1**.

Table 1.27 shows actual pension payments with reference to assessment made by the FFC, FCP and MTFPS/Budget projections of the State Government.

¹² Revenue expenditure under General Services, Social Services, Economic Services and Grants-in-aid (excluding salary and wages, interest payments and pension payments)

Table 1.27: Pension payments vis-à-vis FFC assessment and State's projections

(₹ in crore)

Year	Projection in MTFPS	Assessment made by the FFC	Projection in FCP	Actuals
2015-16	19929	15916	19929	18642
2016-17	24370	17507	24313	21760

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

The pension payments during 2016-17 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, which is a defined contribution scheme. The contribution of employees (10 *per cent* of basic pay plus dearness allowance) along with matching contribution of employer (State Government) is to be transferred to the Public Account under Head of Account 8342-Other Deposits-117 Defined Contribution Pension Scheme for Government Employees and thereafter entire amount remitted to the designated Fund Manager through National Securities Depository Limited (NSDL)/Trustee Bank. The Directorate of Accounts and Treasuries is the State Record Keeping Agency and Nodal Officer for the Scheme.

During 2016-17, the State Government deposited ₹ 2,484.52 crore¹³ into the Fund created under Head of Account 8342-Other Deposits-117 Defined Contribution Pension Scheme for Government Employees. Of this amount, the State Government has transferred only ₹ 1,962.90 crore to the NSDL during 2016-17. The total non-transferred funds available with the State Government (including un-transferred balances of earlier years) as on 31 March 2017 was ₹ 3,588.81 crore, which along with the accrued interest represents the outstanding liability of the State Government.

Interest Payments

Interest payments of the State Government increased by 50 *per cent* from ₹ 19,076 crore in 2012-13 to ₹ 28,532 crore in 2016-17, primarily due to increase in debt liabilities as shown in **Table 1.29**. The ratio of interest payments to revenue receipts during 2012-17 remained almost constant, as indicated in **Table 1.43**.

Table 1.28 shows actual interest payments with reference to assessment made by the FFC, FCP and MTFPS of the State Government.

Table 1.28: Interest Payments vis-à-vis FFC, FCP and MTFPS assessments

(₹ in crore)

Year	Projection in MTFPS	Assessment made by the FFC	Projection in FCP	Actuals
2015-16	27663	25383	27663	25771
2016-17	28220	29697	29361	28532

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

¹³ Employees contribution: ₹ 1,427.73 crore; Employers' contribution: ₹ 1,056.79 crore inclusive of interest

With reference to the projections made in the FCP, interest payments were lower during 2015-16 and 2016-17. With reference to the projections made in MTFPS, interest payments were lower during 2015-16 but marginally higher during 2016-17.

Component-wise details of interest payments made by the State Government during 2012-17 are shown in the **Table 1.29**.

Table 1.29: Component-wise details of interest payments made by the State Government during 2012-17

	(₹ in crore)				
Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Interest payments	19076	21207	23965	25771	28532
<i>of which, interest payment on</i>					
1. Internal debt	15145	16680	19001	20816	23553
(i) Market loans	7355	8896	11029	12965	15769
(ii) NABARD	238	255	263	299	287
(iii) NSSF	7192	7218	7437	7349	7311
(iv) Ways and means	0	0	5	0	0
(v) Loans from other financial institutions	340	285	236	167	140
(vi) Management of debt (Payable to Reserve Bank of India for Open Market Borrowings)	20	26	31	36	45
2. Loans from GoI	597	572	529	490	469
3. Small savings, PF, Reserve Fund, Deposits etc.	3334	3955	4435	4465	4509
(i) Small savings, PF	1986	2258	2503	2765	1855
(ii) Reserve funds	23	0	5	5	4
(iii) Deposits	1325	1697	1927	1695	2650
Revenue Receipts	142947	149822	165416	185036	204693

Source: Finance Accounts of respective years

Interest payment of ₹ 28,532 crore during 2016-17 constituted interest on internal debt (₹ 23,553 crore), interest on loans and advances from the Central Government (₹ 469 crore) and interest on small savings, provident fund *etc.* (₹ 4,509 crore).

The interest on internal debt increased by 13.1 *per cent* from ₹ 20,816 crore in 2015-16 to ₹ 23,553 crore in 2016-17 on account of increase in payment of interest on market loans by ₹ 2,804 crore (21.6 *per cent*) and interest paid on Deposits by ₹ 955 crore (56 *per cent*), partly offset by decrease in interest on loans from National Bank for Agricultural and Rural Development by ₹ 12 crore (four *per cent*), interest on NSSF by ₹ 38 crore (0.5 *per cent*) and interest on loans from other financial institutions by ₹ 27 crore (16 *per cent*). During 2016-17, there was no ways and means advances from the Reserve Bank of India.

The interest on Small Savings, Provident Funds *etc.* increased by ₹ 44 crore from ₹ 4,465 crore in 2015-16 to ₹ 4,509 crore in 2016-17. The ratio of interest payment to revenue receipts determines the debt sustainability of the State. During the year, the interest payments to total revenue receipts of the State was 13.9 *per cent* which was higher than the FFC norm of 12.2 *per cent*.

Of the accumulated balance of Deposit Account of ₹ 52,896.14 crore as on 31 March 2016, ₹ 18,291.50 crore related to non-interest bearing deposit and ₹ 34,604.64 crore related to interest bearing deposits. During 2016-17, the entire balance of interest bearing deposit account was not invested. The State Government

paid an interest of ₹ 2,649.51 crore during 2016-17 on ₹ 34,040.82 crore, and did not pay any interest on the balance portion of funds of ₹ 563.82 crore. The interest liability on the balance portion of funds during the year works out to ₹ 45.11 crore. The revenue expenditure as well as revenue deficit was understated to the extent of ₹ 45.11 crore.

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

Local bodies in Maharashtra consist of Panchayati Raj Institutions and Urban Local Bodies. In conformity with the provisions of the 73rd and 74th Constitutional Amendment, the State Government established a three tier system of Panchayati Raj Institutions comprising Zilla Parishads at the district level, Panchayat Samities at the block level and Village Panchayats at the village level. There are Municipal Corporations, Municipal Councils and Nagar Panchayats for urban area population in the State. The Fourth State Finance Commission constituted in February 2011 for the period 2011-12 to 2015-16 was to submit its Report to the State Government by September 2012. However, the date for submission of report was extended by the State Government up to December 2014. The Report was reported to be under printing (November 2017).

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 2016-17 relative to previous years is shown in Table 1.30.

Table 1.30: Financial assistance to local bodies, educational and other institutions

(₹ in crore)

Sr No	Institutions	2012-13	2013-14	2014-15	2015-16	2016-17
1	Educational institutions (Aided Schools, Aided Colleges, Universities, etc.)	27187	24168	25571	27072	29037
2	Municipal Corporations and Municipalities	4402	5180	5172	9187	13850
3	Zilla Parishads and other Panchayati Raj Institutions	16444	18185	18770*	18240	18627
4	Development agencies	246 [#]	251	906	252	807
5	Hospital and other charitable institutions	1792	2196	3678	4058	5038
6	Social Welfare and Nutrition	4107	5601	7175	5950	4021
7	Agriculture and Allied Activities	2129	1287 [#]	825	386	463
8	Welfare of SC, ST and OBC	2398	1962	2098	2383	2904
9	Administrative Services	1416	1258	1392	1402	446
10	Housing	1267	709	367	58	326
11	Other Institutions	2380	7253	6757	13113	21320 ¹⁴
Total		63768	68050	72711	82101	96839
Assistance as percentage of RE		46	44	41	43	45
*Higher rounding #Lower rounding Source : Finance Accounts, Vouchers compiled by Principal Accountant General (Accounts and Entitlements)-I, Maharashtra, Mumbai						

The financial assistance to Local Bodies and other institutions by the State Government increased from ₹ 63,768 crore in 2012-13 to ₹ 96,839 crore in 2016-17. As compared to the previous year, the assistance during 2016-17 increased by

¹⁴ Major recipient-Water Supply, Sanitation, Housing and Urban Development ₹ 4,838 crore; Rural Development ₹ 3,373 crore; and Power ₹ 1,480 crore

18 per cent. During 2016-17, more financial assistance was given to (a) Municipal Corporations and Municipalities (₹ 4,663 crore) mainly due to State assistance *in lieu* of Local Body Tax, and (b) Educational Institutions (₹ 1,966 crore).

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

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 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 2013-14 and 2016-17 is indicated in **Table 1.31**.

Table 1.31: Fiscal Priority of the State during 2013-14 and 2016-17

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 (<i>per cent</i>) 2013-14	14.8	70.0	38.2	29.8	13.7	17.7	4.6
Maharashtra (<i>per cent</i>) 2013-14	10.7*	67.5	41.5	26.0	11.3	21.7	4.2
General Category States Average (<i>per cent</i>) 2016-17	16.7	70.9	32.2	35.1	19.7	15.2	4.8
Maharashtra (<i>per cent</i>) 2016-17	10.8	67.0	38.4	28.6	10.5	18.6	4.4
AE: Aggregate expenditure ¹⁵ ; DE: Development expenditure; SSE: Social Sector expenditure; ESE: Economic Sector expenditure; CE: Capital expenditure (Outlay) # Development expenditure includes development revenue expenditure, development capital expenditure and loans and advances disbursed * Ratio is corrected due to revised GSDP figures as per base year 2011-12 Source: Finance Accounts of respective years							

Analysis of the fiscal priorities of the State Government as shown in **Table 1.31** reveals the following:

- The ratio of AE to GSDP in 2013-14 (10.7 *per cent*) was lower in the State as compared to GCS in 2013-14 (14.8 *per cent*) and was much lower at 10.8 *per cent* as compared to GCS (16.7 *per cent*) in 2016-17.

¹⁵ Aggregate Expenditure = Revenue Expenditure + Capital Expenditure + Disbursement of Loans and Advances - MH 7610 Loans to Government Servants

- The ratios of DE/AE in 2013-14 and 2016-17 (67.5 per cent and 67 per cent) were lower in the State as compared to GCS (70 per cent and 70.9 per cent).
- The ratios of SSE/AE in 2013-14 and 2016-17 (41.5 per cent and 38.4 per cent) were higher in the State as compared to GCS (38.2 per cent and 32.2 per cent). This meant that Maharashtra had given more priority to Social Sector Expenditure compared to other GCS.
- The ratios of ESE/AE in 2013-14 and 2016-17 (26 per cent and 28.6 per cent) were lower in the State as compared to GCS (29.8 per cent and 35.1 per cent).
- The ratios of CE/AE in 2013-14 and 2016-17 (11.3 per cent and 10.5 per cent) were lower in the State as compared to GCS (13.7 per cent and 19.7 per cent).
- There was a turnaround in the ratio of expenditure on Health and Family Welfare to AE which was 4.4 per cent in 2016-17 as compared to 4.2 per cent in 2013-14. The priority given to these areas in Maharashtra was lower than that given to GCS in 2013-14 and 2016-17.

1.6.4.2 Efficiency of expenditure use and its effectiveness

In view of importance of public expenditure on development heads, from the point of view of social and economic development, it is important for the State Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods¹⁶. Apart from improving the allocation towards development expenditure¹⁷, the efficiency of expenditure is reflected in the percentage of capital expenditure to total expenditure and the proportion of revenue expenditure being spent on O&M in the Social and Economic services. The higher the percentage of these components to total expenditure, the better would be the quality of expenditure. **Table 1.32** and **Chart 1.16** present the trends in DE relative to the total expenditure of the State during the current year *vis-à-vis* budget estimates of the current year and the actual expenditure during the previous years.

Table 1.32: Development expenditure

(₹ in crore)

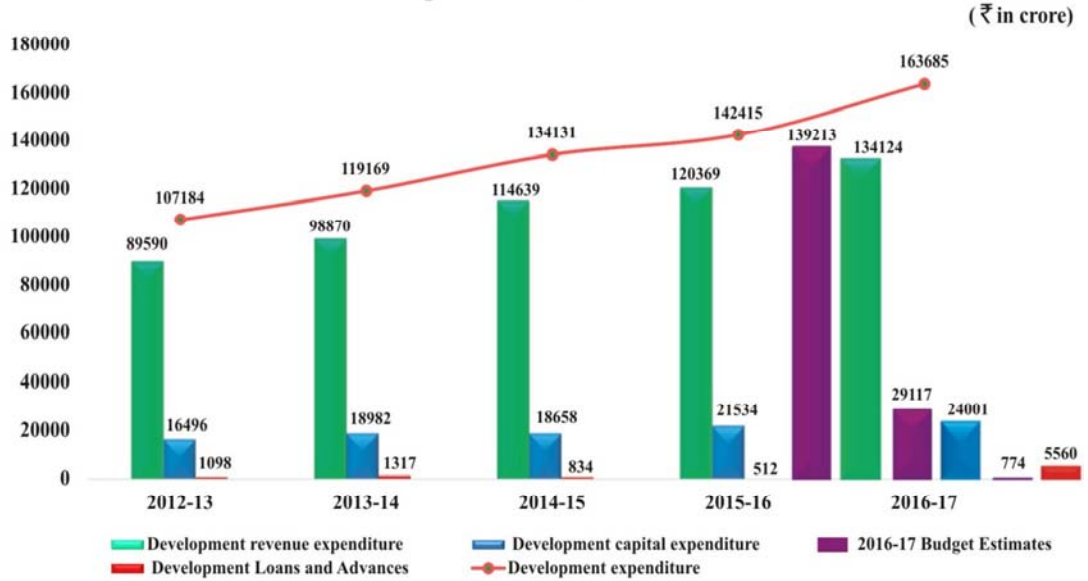
Components of Development Expenditure	2012-13	2013-14	2014-15	2015-16	2016-17	
					BE	Actuals
Development expenditure (a to c)	107184	119169	134131	142415	169104	163685
	(68.0)	(67.5)	(67.7)	(66.5)	(62.5)	(66.8)
a. Development revenue expenditure	89590	98870	114639	120369	139213	134124 [#]
	(56.9)	(56)	(57.8)	(56.2)	(51.4)	(54.7)
b. Development capital outlay	16496	18982	18658	21534	29117	24001
	(10.5)	(10.8)	(9.4)	(10.0)	(10.8)	(9.8)
c. Development Loans and Advances	1098	1317	834	512	774	5560 ^{\$}
	(0.7)	(0.7)	(0.4)	(0.2)	(0.3)	(2.3)

Figures in parenthesis indicate percentage to total expenditure
[#] Lower rounding
^{\$} Includes loan of ₹ 4,959.75 crore incurred on account of taking over of 75 per cent of Medium and Short term debts of DISCOMs under Ujwal DISCOM Assurance Yojana
 Source: Finance Accounts of respective years

¹⁶ See Glossary at page 131

¹⁷ Development Expenditure consists of expenditure on Social and Economic services relating to Revenue Account, Capital Outlay and Loans and Advances

Chart 1.16: Development expenditure for the years 2012-13 to 2015-16 and budget estimates vis-a-vis actuals 2016-17



(Source: Finance Accounts of respective years)

Development Revenue expenditure

The development revenue expenditure increased by ₹ 13,756 crore from ₹ 1,20,369 crore in 2015-16 to ₹ 1,34,124 crore in 2016-17. The increase was under Social Services (₹ 7,965 crore) and Economic Services (₹ 5,791 crore). The actual development revenue expenditure was less than the State's projection in the budget by ₹ 5,089 crore.

Development Capital expenditure

The development capital expenditure (outlay) increased by ₹ 2,467 crore from ₹ 21,534 crore in 2015-16 to ₹ 24,001 crore in 2016-17. The increase was under Economic Services (₹ 1,785 crore) and Social Services (₹ 682 crore). The main components of increase were Capital Outlay on Transport (₹ 735 crore), Capital Outlay on Irrigation and Flood Control (₹ 702 crore) and Maharashtra Irrigation Finance Company under Capital Outlay on General Economic Services (₹ 477 crore). The actual development capital expenditure was less than the State's projection in the budget by ₹ 5,116 crore.

Development Loans and Advances

Development loans and advances increased by ₹ 5,048 crore from ₹ 512 crore in 2015-16 to ₹ 5,560 crore in 2016-17. The actual development loans and advances were more than the State's projections in the budget by ₹ 4,786 crore.

Efficiency of expenditure use in selected social and economic services

Table 1.33 details the percentage share of salary and wages and of O&M in the Revenue expenditure in selected Social and Economic services. It also indicates the proportion of capital expenditure in the total expenditure of these selected services.

Table 1.33: Efficiency of expenditure use in selected social and economic services

(in per cent)

Social/Economic infrastructure	2015-16			2016-17		
	CE to TE	In RE, the share of		CE to TE	In RE, the share of	
		Salary and Wages	O & M		Salary and Wages	O and M
Social Services (SS)						
Education, Sports, Art and Culture	0.3	76.8	0.3	0.1	83.6	0.1
Health and Family Welfare	6.5	50.3	1.3	5.6	54.7	0.3
Water Supply, Sanitation, Housing and Urban Development	9	0.6	3	4.2	1.8	0
Total (SS)	3	50.8	1.5	3.5	53.5	0.6
Economic Services (ES)						
Agriculture and Allied Activities	24.4	25.3	0	20.5	15.2	0
Irrigation and Flood Control	74.5	40.1	27	77.5	33.1	27
Energy	12.6	0.2	0.2	6.3	0.1	0.2
Transport	46	0.9	32.3	47.2	0.3	18
Total (ES)	33	16.7	6.7	29.6	16	4.1
Total (SS+ES)	15.1	40	3.1	14.7	41.2	1.7
TE: Total expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; O & M: Operations and Maintenance						
Source: Finance Accounts of respective years						

The trends presented in **Table 1.33** reveal that development capital expenditure as a percentage to total expenditure decreased from 15.1 in 2015-16 to 14.7 in 2016-17. The percentage of capital expenditure on Social Services to total expenditure increased from three in 2015-16 to 3.5 in 2016-17. The increase was mainly seen under Capital Outlay on Other Social Services (Natural Calamities). The percentage of capital expenditure on Economic Services to the total expenditure decreased from 33 in 2015-16 to 29.6 in 2016-17. The decrease was mainly seen under Energy, Agriculture and Allied Activities, set-off by increase in Transport, Irrigation and Flood Control.

The share of salary and wages in revenue expenditure increased from 40 *per cent* in 2015-16 to 41.2 *per cent* in 2016-17. The share of salary and wages in revenue expenditure on Social Services increased from 50.8 *per cent* in 2015-16 to 53.5 *per cent* in 2016-17. The increase was mainly under Education, Sports, Arts and Culture, Health and Family Welfare and Water Supply, Sanitation, Housing, Urban Development. The share of salary and wages in revenue expenditure on Economic Services decreased from 16.7 *per cent* in 2015-16 to 16 *per cent* in 2016-17. The decrease was mainly under Agriculture and Allied Activities, Irrigation and Flood Control, Energy and Transport.

The share of O& M in revenue expenditure decreased from 3.1 *per cent* in 2015-16 to 1.7 *per cent* in 2016-17. The share of O&M in revenue expenditure on Social Services decreased from 1.5 *per cent* in 2015-16 to 0.6 *per cent* in 2016-17. The decrease was seen mainly under Health and Family Welfare, Water Supply, Sanitation, Housing and Urban Development and Education, Sports, Art and Culture. The share of operations and maintenance in revenue expenditure on Economic Services also decreased from 6.7 *per cent* in 2015-16 to 4.1 *per cent* in 2016-17. The decrease was seen mainly under Transport.

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

Expenditure and delays in execution of projects

There were 428 ongoing irrigation projects in five¹⁸ 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 1.34**.

Table 1.34: 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	28	18	31	77
More than 20 years but up to 30 years	18	21	31	70
More than 15 years but up to 20 years	9	15	24	48
More than 10 years but up to 15 years	2	5	44	51
More than 5 years but up to 10 years	3	24	127	154
Up to 5 years	0	4	1	5
Work not started	6	0	17	23
Total	66	87	275	428

Source: Information furnished by IDCs; Status as of March 2017

Table 1.34 shows that 195 projects (45.6 per cent) were under execution for more than 15 years and of these, 77 projects (18 per cent) were under execution for more than 30 years.

Table 1.35: Actual expenditure and estimated cost in respect of all ongoing projects

(₹ in crore)

Irrigation Development Corporation	Number of projects	Original Administrative Approval	Expenditure	Estimated Cost
Godavari Marathwada Irrigation Development Corporation	63	4665.24	16117.50	34522.27
Tapi Irrigation Development Corporation	35	3116.69	4874.09	13931.66
Vidarbha Irrigation Development Corporation	220	11343.65	29358.49	66909.54
Maharashtra Krishna Valley Development Corporation	54	9280.82	18576.40	43686.85
Konkan Irrigation Development Corporation	56	1483.35	7858.30	18752.42
Total	428	29889.75	76784.78	177802.72

Source: Information furnished by respective IDCs

Table 1.35 shows that the estimated cost of 428 ongoing projects was ₹ 1,77,802.72 crore whereas the actual expenditure incurred was ₹ 76,784.78 crore. The

¹⁸ Maharashtra Krishna Valley Development Corporation; Konkan Irrigation Development Corporation; Tapi Irrigation Development Corporation; Vidarbha Irrigation Development Corporation; and Godavari Marathwada Irrigation Development Corporation

expenditure on these ongoing projects have not resulted in the projected benefit even after the considerable period of time.

1.7.2 Investment and returns

As of 31 March 2017, Government invested ₹ 1,29,983 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.36**). The average return on this investment was 0.04 *per cent* during 2012-17 while the Government paid average interest rate of 7.6 *per cent* on its borrowings during the same period.

Table 1.36: Return on investment

Investment/Return/Cost of Borrowings	2012-13	2013-14	2014-15	2015-16	2016-17
Investment at the end of the year (₹ in crore)	90677.84	101867.20	110671.69	120310.97	129983.79
Return (₹ in crore)	47	19.68	28.14	57.27	66.81
Return (<i>per cent</i>)	0.05	0.02	0.03	0.05	0.05
Average rate of interest on Government borrowing (<i>per cent</i>)	7.4	7.5	7.8	7.7	7.6
Difference between interest rate and return (<i>per cent</i>)	7.4	7.5	7.8	7.7	7.6

Source: Finance Accounts of respective years

The increase in investments of ₹ 9,673 crore during 2016-17 was mainly due to capital contributions to Vidarbha Irrigation Development Corporation (₹ 3,785 crore), Godavari Marathwada Irrigation Development Corporation (₹ 1,629 crore), Maharashtra Krishna Valley Development Corporation (₹ 1,285 crore), Tapi- Irrigation Development Corporation (₹ 813 crore), Konkan Irrigation Development Corporation (₹ 541 crore), Maharashtra Irrigation Finance Company Ltd., (₹ 541 crore), Maharashtra State Road Transport Corporation (₹ 487 crore), Maharashtra State Power Generation Corporation Ltd., (₹ 393 crore) and Maharashtra Water Conservation Development Corporation (₹ 120 crore).

As on 31 March 2017, 26 Companies (**Appendix 1.8**) in which Government had invested ₹ 4,785.27 crore (share capital: ₹ 4,613.54 crore and loans: ₹ 171.73 crore), were incurring losses and their net accumulated losses as on August 2017 amounted to ₹ 46,615.91 crore.

In seven Companies/Corporations which had a paid up capital of ₹ 1,187.93 crore, the accumulated losses resulted in erosion of the net-worth¹⁹ amounting to ₹ 1,854.16 crore.

Information furnished by the Commissioner for Cooperation and Registrar of Co-operative Societies revealed that of the 7,465 Societies with an aggregate Government investment of ₹ 390.88 crore (equity: ₹ 153.03 crore and loan: ₹ 237.85 crore), 3,498 Societies had incurred accumulated losses of ₹ 224.26 crore (31 March 2017) which was 122 *per cent* of the initial investments (₹ 183.46 crore)

¹⁹ Maharashtra State Handloom Corporation Limited (₹ 38.81 crore); Development Corporation of Konkan Limited (₹ 6.13 crore); Maharashtra State Road Development Corporation Limited (₹ 95.03 crore); Maharashtra State Finance Corporation (₹ 579.04 crore); Development Corporation of Vidarbha Limited (₹ 7.34 crore); Maharashtra Electronics Corporation Limited (₹ 325.67 crore); and Maharashtra State Textile Corporation Limited (₹ 802.14 crore)

made in these Societies. Further, 1,211 Societies were under liquidation where the Government had already invested ₹ 87.33 crore as of March 2017.

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 profits/loss as well as return on capital invested in these undertakings are shown in **Appendix 1.9**. It was observed that:

- The State Government had invested ₹ 2,513.26 crore in the undertakings of three²⁰ Departments during the financial year up to which their accounts were finalised (**Appendix 3.4**).
- Of the three Departments having 49 units, only three²¹ units (two units up to 2014-15 and one unit up to 2015-16) which had finalised their accounts could earn net profit amounting to ₹ 253.26 crore against capital investment of ₹ 1,128.77 crore.
- Of the loss-making DCUs, 32²² 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 1.37** presents the outstanding loans and advances as on 31 March 2017, interest receipts *vis-à-vis* interest payments during the last three years.

²⁰ Agriculture, Animal Husbandry, Dairy Development and Fisheries; Food, Civil Supplies and Consumer Protection; and Revenue and Forest

²¹ Unit Scheme, Mumbai (2014-15), Cattle Feed Scheme, Mumbai (2014-15) and Procurement and Distribution and Price Control Scheme Mofussil Area (2015-16) refer Sr No 5, 9 and 49 of **Appendix 1.9** and **Appendix 3.4**

²² Greater Mumbai Milk Scheme, Worli; Mother Dairy, Kurla; Cattle Breeding and Rearing Farm, Palghar; 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, Khopoli, Mahabaleshwar, Mahad, Miraj, Nanded, Nashik, Parbhani, Pune, Ratnagiri, Satara, Solapur, Udgir, Wani, Wardha, and Yavatmal

Table 1.37: Average interest received on loans advanced by the State Government

(₹ in crore)			
Quantum of loans/interest receipts/cost of borrowings	2014-15	2015-16	2016-17
Opening Balance	21657	21822	22072
Amount advanced during the year	1140	1115	6277
Amount repaid during the year	975	865	1746*
Closing Balance	21822	22072	26603
of which Outstanding balance for which terms and conditions have been settled	NA	NA	NA
Net addition	165	250	4531
Interest Receipts	185	762	407
Interest receipts as <i>per cent</i> to outstanding loans and advances	0.8	3.5	1.5
Average Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government	7.6	7.3	7.6
Difference between interest receipts and interest payments (<i>per cent</i>)	(-)6.6	(-) 3.8	(-) 6.1
NA: Not Available* higher rounding Source: Finance Accounts of respective years			

As can be seen from the **Table 1.37**, the total outstanding loans and advances as on 31 March 2017 was ₹ 26,603 crore. The amount of loans disbursed during the year increased from ₹ 1,115 crore in 2015-16 to ₹ 6,277 crore in 2016-17. Of the total amount of loans and advances disbursed during the year, ₹ 5,370 crore went to Economic Services and ₹ 190 crore to Social Services. Under the Economic Services, the major portion of loans went to Power (82 *per cent*). However, interest received against these loans decreased from 3.5 *per cent* during 2015-16 to 1.5 *per cent* in 2016-17, mainly due to less interest receipts in 2016-17 from Loans for minor Irrigation (₹ 569 crore) set-off by increase in Loans for Forestry and Wildlife (₹ 240 crore).

The detailed accounts of loans are maintained by the State Government Departments, who are required to confirm the loan balances to the 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 2016-17 in accordance with the Indian Government Accounting Standards (IGAS)-3 was incomplete.

1.7.4 Cash balances and Investment of Cash Balances

Table 1.38 and **Chart 1.17** depict the cash balances and investments made by the State Government out of cash balances during the year.

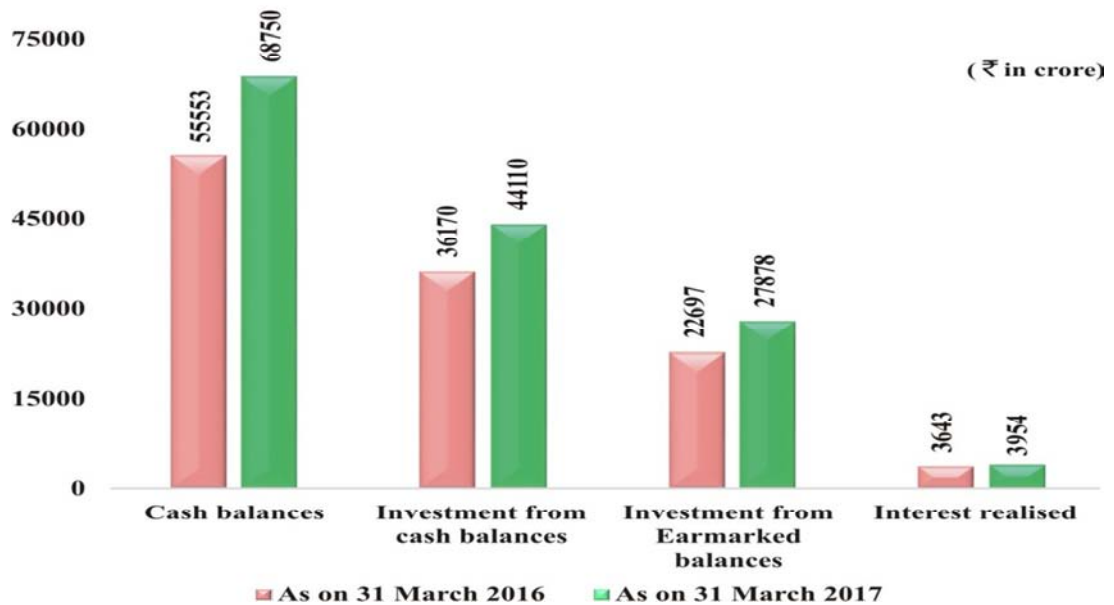
Table 1.38: Cash balances and investment of cash balances

(₹ in crore)			
Particulars	As on 31 March 2016	As on 31 March 2017	Increase (+)/ Decrease(-)
Cash in treasuries	0.04	0.04	0
Deposits with Reserve Bank of India	(-) 3375.55	(-) 3304.11	71.44
Remittances in transit-Local	53.48	53.44	(-)0.04
Cash with the Departmental officers	6.92	12.10	5.18
Permanent advance for contingent expenditure with Departmental officers	0.63	0.66	0.03
Investments from cash balances (a to d)	36169.84	44110.07	7940.23
a. GoI Treasury Bills	36169.15	44109.38	7940.23
b. GoI Securities	0	0	0
c. Other Securities, if any specify	-	-	0
d. Other Investments	0.69	0.69	0

Particulars	As on 31 March 2016	As on 31 March 2017	Increase (+)/ Decrease(-)
Fund-wise break-up of investment from Earmarked balances (a to e)	22697.24	27877.50	5180.26
a. General and other Reserve Funds	10.89	9.59	1.30
b. Sinking Fund	22671.85	27853.41	5181.56
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	55552.60	68749.70	13197.10
<i>Interest Realised</i>	<i>3643.16</i>	<i>3954.06</i>	<i>310.90</i>

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 ₹ 68,750 crore at the end of the current year showed an increase of 24 *per cent* (₹ 13,197 crore) over the previous year. Of the above, ₹ 44,110 crore was invested in GoI Treasury Bills which earned an interest of ₹ 2,214 crore during the year. Further, ₹ 27,878 crore was invested in earmarked funds which earned an interest of ₹ 1,740 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 2017 (₹ 68,750 crore) was nearly 28 *per cent* of the total expenditure of the State Government (₹ 2,45,055 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-encashed cheques.

As on 31 March 2017, there was an outstanding balance (cumulative) of ₹ 15,456.87 crore. During 2016-17, the total value of lapsed cheques amounted to ₹ 25.39 crore²³.

1.8 Assets and Liabilities

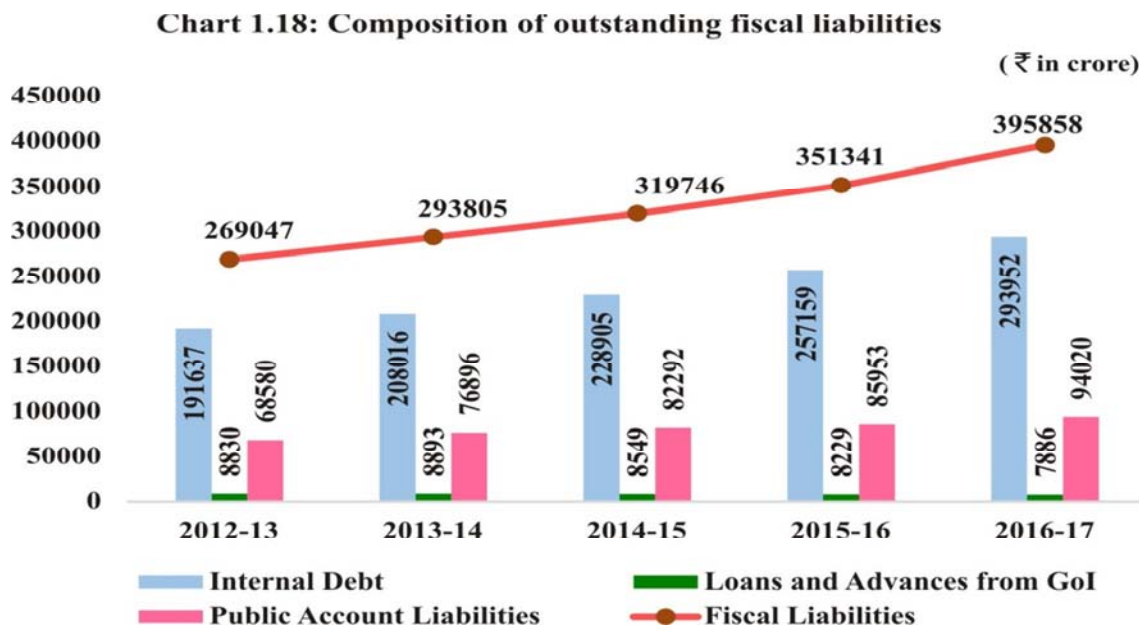
1.8.1 Growth and composition of Assets and Liabilities

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 1.10** gives an abstract of such liabilities and the assets as on 31 March 2017, compared with the corresponding position on 31 March 2016. 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**.



(Source: Finance Accounts of respective years)

Table 1.39 gives the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP, to revenue receipts and to the State's own resources comprising tax revenue and non-tax revenue of the State as also the buoyancy of fiscal liabilities with reference to these parameters.

²³ Grant-in-aid: ₹ 13.73 crore; Contingent Expenditure: ₹ 6.95 crore; Pension payments: ₹ 1.71 crore; Civil Deposits: ₹ 1.08 crore; Salaries: ₹ 0.35 crore; Telephone, Electricity and Petrol charges: ₹ 0.24 crore; Insurance and Pension Funds: ₹ 0.09 crore; Provident Fund disbursements: ₹ 0.07 crore; Travelling expenses: ₹ 0.04 crore; and Others: ₹ 1.13 crore

Table 1.39: Fiscal Liabilities – basic parameters

(₹ in crore)

	2012-13	2013-14	2014-15	2015-16	2016-17
Fiscal Liabilities (₹ in crore)	269047	293805	319746	351341	395858
Rate of Growth (<i>per cent</i>)	9.7	9.2	8.8	9.9	12.7
Fiscal Liabilities as percentage to					
GSDP (<i>per cent</i>)	18.6	17.8	17.8	17.6	17.5
Revenue Receipts (<i>per cent</i>)	188.2	196.1	193.3	189.9	193.4
Own Resources (<i>per cent</i>)	237.2	244.9	250.5	250.9	265.1
Buoyancy of Fiscal Liabilities with reference to :					
GSDP (ratio)	0.703	0.672	1.003	0.846	0.950
Revenue Receipts (ratio)	0.542	1.917	0.846	0.832	1.200
Own Resources (ratio)	0.527	1.614	1.375	1.021	1.910
Source: Finance Accounts of respective years					

The overall fiscal liabilities of the State increased at an average annual rate of 10 *per cent* during the period 2012-17. The growth rate decreased continuously from 9.7 *per cent* in 2012-13 to 8.8 *per cent* in 2014-15 and increased to 9.9 *per cent* in 2015-16 and further increased to 12.7 *per cent* in 2016-17. During 2016-17, the debt to GSDP ratio at 17.5 *per cent* was higher than the projections made in MTFPS (16.2 *per cent*) but lower than the FFC (22.6 *per cent*). The buoyancy of these liabilities with respect to GSDP during 2016-17 was 0.950, indicating that GSDP and fiscal liabilities grew at the same rate. The Fiscal Liabilities at the end of 2012-13 was 188.2 *per cent* of the revenue receipts of 2012-13 which increased to 193.4 *per cent* in 2016-17. These liabilities were nearly twice the revenue receipts and more than twice the State's own resources at the end of 2016-17.

Of the total fiscal liabilities, the share of Internal Debt was maximum (74 *per cent*), followed by Public Account Liabilities (24 *per cent*) and Loans from GoI (two *per- cent*). Fiscal liabilities increased by ₹ 44,517 crore from ₹ 3,51,341 crore in 2015-16 to ₹ 3,95,858 crore in 2016-17, mainly due to increase in Public Debt (₹ 36,450 crore), Deposits (₹ 6,840 crore) and Small Savings and Provident Funds (₹ 1,123 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 2017, the closing balance in the Sinking Fund was ₹ 27,853.41 crore which included ₹ 5,182 crore for 2016-17 and the entire balance was invested.

1.8.2.1 Implementation of UDAY Scheme in Maharashtra

The Government of India approved (November 2015) Ujwal DISCOM Assurance Yojana (UDAY) a scheme for operational and financial turnaround of the 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* in 2015-16 and the remaining 25 *per cent* in 2016-17.

The total outstanding debt of Maharashtra State Electricity Distribution Company Limited as on 30 September 2015 was ₹ 22,097 crore, out of which Medium and Short term Loans (excluding overdraft loans) was ₹ 6,613 crore. Debt of Maharashtra State Electricity Distribution Company Limited was not taken over by the State Government during 2015-16.

During 2016-17, State Government raised Special Bonds of ₹ 4,959.75 crore (75 per cent of Medium and Short term debts) and gave as Loans to the Maharashtra State Electricity Distribution Company Limited. For the balance ₹ 1,653.25 crore (25 per cent of Medium and Short term loans) Maharashtra State Electricity Distribution Company Limited has been authorised to raise funds with the guarantee of the State Government.

1.8.2.2 Increasing trend of balance under 8443-Civil Deposits

During 2012-13 to 2016-17, 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 1.40.

Table 1.40: 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 (percentage)
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)
2016-17	18264.50	29071.87	25471.66	21864.71	3600.21	13334.52 (61)

Source: Finance Accounts of respective years

It may be seen that under the Major Head 8443-Civil Deposits the balance in 106 – Personal Deposits constituted nearly 60 per cent of the balances during 2012-13 to 2016-17. 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 2016-17 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 2016-17, there was an unreconciled balance of ₹ 5,986.04 crore under Civil Deposits and Other Civil Deposits pertaining to the period 2008-09 to 2016-17. Of the above, ‘Aided Secondary & Special School Provident Fund’ was the major item pertaining to 2011-12 to 2016-17 that remained unreconciled (₹ 3,286.69 crore) as of March 2017.

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 1.11. The total accumulated balance as on 31 March 2017 in these funds was ₹ 37,515.56 crore (₹ 37,486.55 crore in active funds and ₹ 29.01 crore in inoperative funds). However, the investment out of this balance was only ₹ 27,877.42 crore (74 per cent). An account of these funds is included in Statement No. 22 of Finance Accounts 2016-17.

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

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 2016-17 are summarised in **Table 1.41**.

Table 1.41: Guarantees given by the Government of Maharashtra

(₹ in crore)			
Guarantees	2014-15	2015-16	2016-17
Maximum amount guaranteed	34564	30483	22802
Outstanding amount of guarantees	7999	7807	7306
Percentage of maximum amount guaranteed to total revenue receipts	21	16	11
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 2016-17, guarantees of ₹ 1,005 crore were given by the State Government to (a) Maharashtra State Co-operative Bank (₹ 495 crore); (b) Maharashtra State Co-operative Cotton Producers Marketing Federation Limited, Mumbai (₹ 400 crore); and (c) Maharashtra State Co-operative Marketing Federation Limited Mumbai, (₹ 110 crore). Outstanding guarantees (₹ 7,306 crore) during 2016-17 accounted for 3.6 *per cent* of the revenue receipts (₹ 2,04,693 crore) and 0.3 *per cent* of the GSDP (₹ 22,67,789 crore).

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

The State Government charged guarantee fees for guarantees given to institutions and the same was booked under 'Miscellaneous General Services'. Receipts under guarantee fees decreased to ₹ 9.87crore during 2016-17 from ₹ 29.09 crore during 2015-16.

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

Against the total estimated guarantee fee receivable (₹ 1,464.58 crore), only ₹ 9.87 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 (₹ 1.31 crore) by way of investment in share capital. Consequently, the net shortfall in guarantee fee received was ₹ 1,454.71 crore.

1.8.4.2 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 2016-17. However, at the close of 2015-16, ₹ 550 crore was outstanding on account of off-budget borrowings made prior to 2005-06.

1.9 Debt Management

Debt Sustainability

Debt sustainability implies State's ability to service the debt in future. Apart from the magnitude of debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. Analysis of various debt sustainability indicators for the period from 2012-13 to 2016-17 is given in **Table 1.42**.

Table 1.42: Debt Sustainability: Indicators and trends

(₹ in crore)

Indicators of debt sustainability	2012-13	2013-14	2014-15	2015-16	2016-17
Interest Payment	19076	21207	23965	25771	28532
Burden of interest payment in <i>per cent</i> (IP/RR)	13.3	14.1	14.5	14	13.9
Debt repayment	34342	45400	50998	52319	55602
Debt receipts	58051*	70157	76939	83914	100118
Net debt available to the State	4633	3551	1976	5824	15984

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

The net funds available from borrowed funds after providing for the interest payment and repayment declined sharply from ₹ 4,633 crore in 2012-13 to ₹ 1,976 crore in 2014-15 which increased to ₹ 5,824 crore in 2015-16 and further increased to ₹ 15,984 crore in 2016-17. The ratio of interest payment to revenue receipts ranged between 14.5 *per cent* and 13.3 *per cent* during 2012-13 to 2016-17.

The maturity profile of the State Debt is shown in **Table 1.43** and **Chart 1.19**.

Table 1.43: Maturity profile of State Debt

Maturity Profile (in years)	Amount (₹ in crore)	Per cent
0 – 1	13717.06	4.7
2 – 3	43952.10	14.9
4 – 5	50221.17	17.1
6 – 7	50778.77	17.3
8 and above	128814.98	43.8
Information not furnished by the State Government	6467.70	2.2
Total	293951.78	100

Source: Finance Accounts 2016-17



(Source: Finance Accounts of respective years)

The maturity profile of the State debt indicates that nearly 54 *per cent* of the total State debt is repayable within the next seven years. **Table 1.43** further indicates that the State has to mobilise the resources for repayment of ₹ 43,952.10 crore (an increase of ₹ 30,235.04 crore compared to the period 2016-18) during the period 2018-20. Unless there is a definite plan to meet this liability, the resources available for development may shrink further.

Servicing of Public Debt

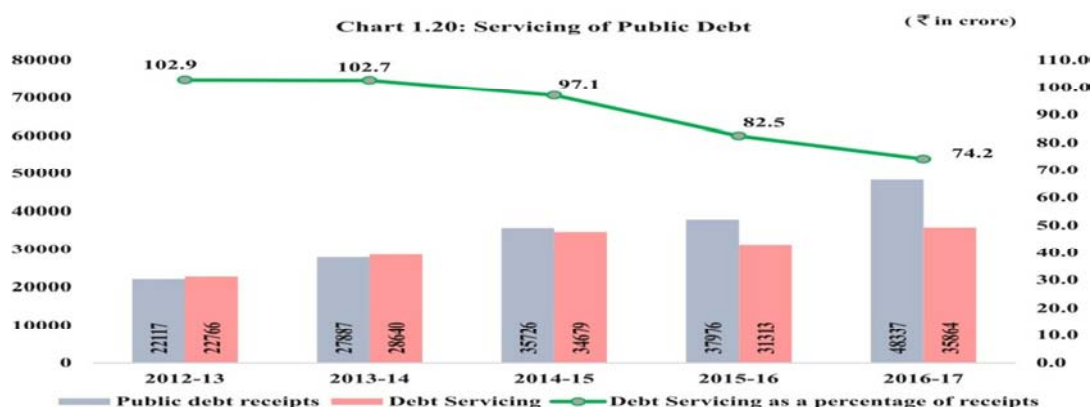
The interest payment and repayment of principal on public debt for the period from 2012-13 to 2016-17 is given in **Table 1.44** and **Chart 1.20**.

Table 1.44: Servicing of Public Debt

(₹ in crore)

Period	Public Debt									Debt servicing			
	Public Debt Receipts			Repayment of Principal			Interest payment			(Repayment of principal + interest payment)			As a percentage of receipts
	Internal debt	Loans from GoI	Total	Internal debt	Loans from GoI	Total	Internal debt	Loans from GoI	Total	Internal debt	Loans from GoI	Total	
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
2016-17	47710	627	48337	10917	970	11887	23508	469	23977	34425	1439	35864	74.2
Total			172043									153262	

Source: Finance Accounts of respective years



(Source: Finance Accounts of respective years)

It can be seen from **Table 1.44** and **Chart 1.20** that during 2012-13 and 2013-14, the entire public debt receipts were utilised for debt servicing. In 2016-17, the debt servicing out of the debt receipts was 74 *per cent* as against 82 *per cent* in 2015-16. Thus, the average expenditure on debt servicing during 2012-17 was ₹ 30,652 crore which accounted for 89.1 *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.

The per capita debt increased from ₹ 17,835.14 in 2012-13 to ₹ 26,853.91 in 2016-17.

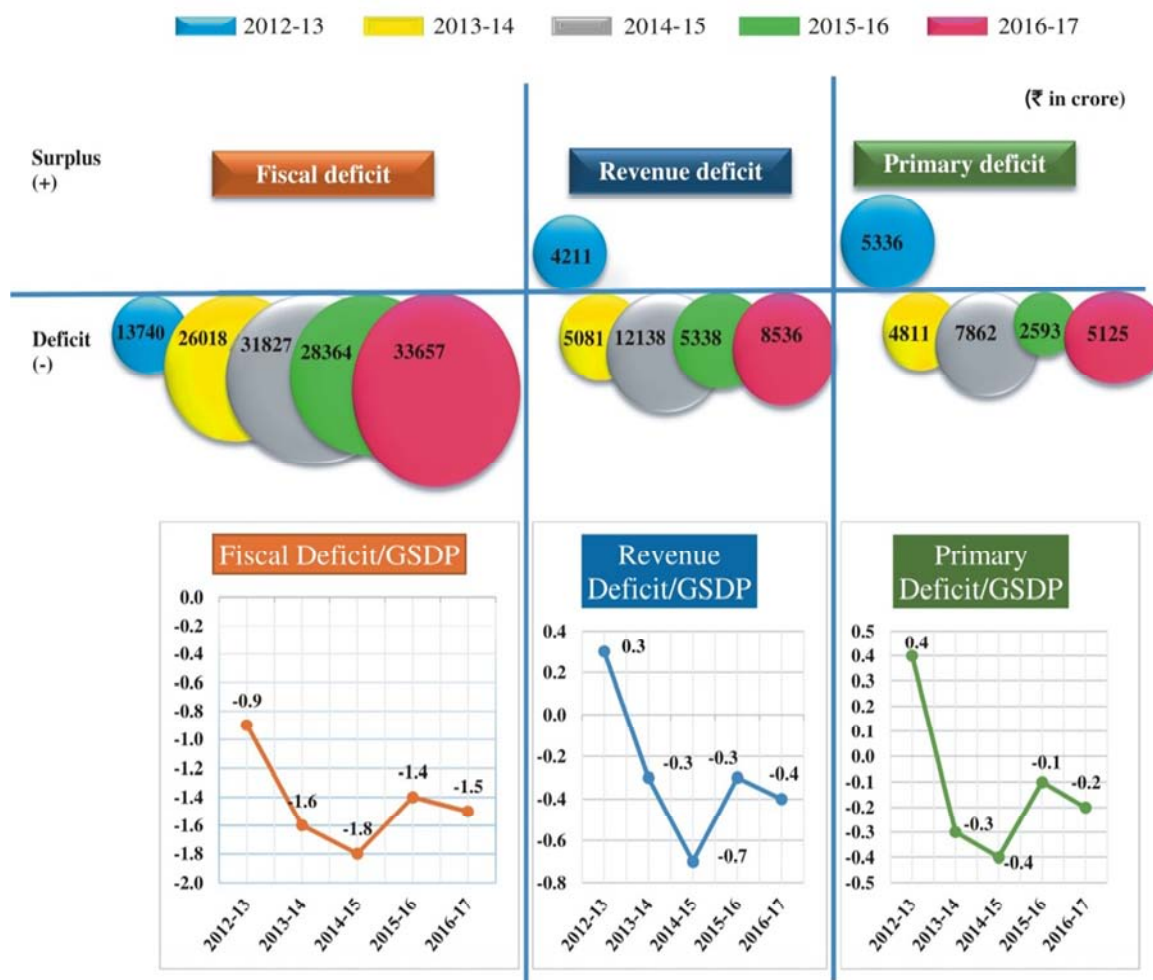
1.10 Fiscal Imbalances

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 2016-17.

1.10.1 Trends in Deficits

Chart 1.21 presents the trends in deficit indicators over the period 2012-17.

Chart 1.21: Trends in deficit indicators



(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, 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 the previous year and in 2015-16, it decreased to ₹ 5,338 crore and further increased to ₹ 8,536 crore in 2016-17.

The fiscal deficit of ₹ 28,364 crore during 2015-16 increased to ₹ 33,657 crore without UDAY (₹ 38,616 crore with UDAY) during 2016-17.

Primary surplus during 2012-13 (₹ 5,336 crore) was turned to primary deficit²⁴ during 2013-14 (₹ 4,811 crore), 2014-15 (₹ 7,862 crore), 2015-16 (₹ 2,593 crore) and 2016-17 (₹ 5,125 crore). The increase in primary deficit during 2016-17 was due to increase in fiscal deficit (₹ 5,293 crore) and increase in interest payment (₹ 2,761 crore) over the previous year.

During 2016-17, 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 ₹ 926.28 crore and understated by ₹ 2,033.71 crore, net impact was an understatement of revenue deficit by ₹ 1,107.43 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 the **Table 1.45**.

Table 1.45: Components of Fiscal Deficit and its financing pattern

		(₹ in crore)				
Particulars		2012-13	2013-14	2014-15	2015-16	2016-17
Composition of Fiscal Deficit(-)/ Surplus (+) (1+2+3) (a)		(-)13740	(-)26018	(-)31827	(-)28364	(-)33657[@]
		(-0.9)	(-1.6)	(-1.8)	(-1.4)	(-1.5)
1	Revenue Deficit(-)/ Surplus (+)	4211	(-)5081	(-)12138	(-)5338	(-)8536
		(0.3)	(-0.3)	(-0.7)	(-0.3)	(-0.4)
2	Net Capital Outlay	(-)17398	(-)20020	(-)19524	(-)22776	(-)25549
		(-1.2)	(-1.2)	(-1.1)	(-1.1)	(-1.1)
3	Net Loans and Advances	(-)553	(-)917	(-)165	(-)250	428 [†]
		(0)	(-0.1)	(0)	(0)	(0.0)
Financing Pattern of Fiscal Deficit[#] (b)						
1	Market Borrowings	16324	19163	22263	28938	40349 [§]
		(1.1)	(1.2)	(1.2)	(1.5)	(1.8)
2	Loans from GoI	58	94	(-)344	(-)321	(-)343
		(0)	(0)	(0)	(0)	(0)
3	Special Securities Issued to National Small Savings Fund	(-)936	(-)2286	(-)805	(-)286	(-)5078
		(-0.1)	(-0.1)	(0)	(0)	(-0.2)

²⁴ See Glossary at page 131

Particulars		2012-13	2013-14	2014-15	2015-16	2016-17
4	Loans from Financial Institutions and other Loans	(-)373 (0)	(-)499 (0)	(-)568 (0)	(-)397 (0)	1521 (0.1)
5	Small Savings PF etc.	2188 (0.2)	1893 (0.1)	1259 (0.1)	1208 (0.1)	1124 (0.1)
6	Deposits and Advances	6442 (0.4)	6772 (0.4)	4411 (0.2)	2773 (0.1)	6841 (0.3)
7	Suspense and Miscellaneous	100 (0)	(-)2705 (-0.2)	5222 (0.3)	(-)876 (0)	2773 (0.1)
8	Remittances	843 (0.1)	(-)1117 (-0.1)	(-)14 (0)	(-)236 (0)	(-)656 (0)
9	Reserve Funds	1976 (0.1)	2742 (0.2)	3158 (0.2)	3465 (0.2)	5283 (0.2)
10	Contingency Fund	140 (0)	(-)500 (0)	2010 (0.1)	(-)2000 (-0.1)	0 (0)
11	Appropriation to/ from Contingency fund	(-)150 (0)	500 (0)	(-)2000 (-0.1)	2000 (0.1)	0 (0)
12	Total (1 to 11) (b)	26612	24058	34592	34268	51814
13	Increase(-)/ Decrease (+) in Cash Balance (a) – (b)	(-)12872 (-0.9)	1960 (0.1)	2765 (0.2)	(-)5904 (-0.3)	(-)13197 (-0.6)
14	Overall deficit (12+13)	13740 (0.9)	26018 (1.6)	31827 (1.8)	28364 (1.4)	38616 [§] (1.7)

Figures in parenthesis indicate the *per cent* to GSDP

#All figures are net of disbursements/outflows during the year

©Net of Ujwal DISCOM Assurance Yojana eligible for exclusion from Fiscal deficit as per GoI's order

£Includes receipts of ₹ 991.75 crore on account of repayment of loan

§Includes expenditure of ₹ 4,959.75 crore incurred on account of taking over of 75 *per cent* of Medium and Short term debts of DISCOMs under Ujwal DISCOM Assurance Yojana

Source: Finance Accounts of respective years

During 2016-17, the fiscal deficit increased by ₹ 5,292 crore over the previous year due to increase in revenue deficit. The net capital expenditure as a percentage of fiscal deficit decreased from 80 *per cent* in 2015-16 to 76 *per cent* in 2016-17.

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 State's 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 0.22 *i.e.* 22 *per cent* of the borrowing was used for current consumption.

Non-debt receipts of the State were sufficient to meet the primary expenditure requirements in the revenue account. But, these were not sufficient to meet the expenditure requirements under capital account, resulting in primary deficit during 2013-17. 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 1.46**.

Table 1.46: Bifurcation of Primary Deficit/Surplus

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Outlay	Loans and Advances	Primary Expenditure	Primary revenue deficit(-)/surplus(+)	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
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
2016-17	206439	184697	25549	1318 [§]	211564	21742	(-) 5125

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

The capital expenditure as a percentage to primary expenditure²⁵ decreased from 12.6 *per cent* during 2012-13 to 11.8 *per cent* during 2016-17.

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

The State's revenue receipts (₹ 2,04,693 crore) increased during the year by 11 *per cent* over the previous year which was the net effect of increase in tax revenue (eight *per cent*), grants-in-aid from GoI (28 *per cent*) and Central tax transfers (20 *per cent*) and decrease in non-tax revenue (five *per cent*). The revenue receipts were 93 *per cent* of budget estimates for the year 2016-17. The non-tax revenue receipts of the State Government were less than the projections made in the FCP by 41 *per cent* and the budget estimates by 36 *per cent*.

There was an increase in the State's revenue expenditure by 12 *per cent* over the previous year and the same constituted 87 *per cent* of the total expenditure during 2016-17. Non-plan revenue expenditure constituted 80 *per cent* of the revenue expenditure and as a percentage of revenue receipts, it increased to 84 *per cent* in 2016-17 from 83 *per cent* in 2015-16. The NPRE at ₹ 1,71,140 crore remained lower than the normative assessment made in the budget estimates and FCP (₹ 1,75,193 crore). The Plan revenue expenditure and NPRE increased by 17 *per cent* and 11 *per cent* respectively over the previous year. Interest payments (₹ 28,532 crore), which increased by 11 *per cent* during the year over 2015-16 was lower than the projections made in the Fourteenth Finance Commission (₹ 29,697 crore).

Thus, the State Government had managed its Fiscal Deficit within the limits set under the Fiscal Responsibility and Budgetary Management Act. However, as against the projected revenue deficit of ₹ 3,645 crore made in the budget estimates 2016-17, the actual deficit was ₹ 8,536 crore due to gap between the growth rates of the revenue receipts (11 *per cent*) and revenue expenditure (12 *per cent*) over the previous year. The fiscal deficit (₹ 33,657 crore without UDAY) increased as compared to the previous

²⁵ 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

year and constituted 1.5 *per cent* of Gross State Domestic Product. The primary deficit during 2016-17 was ₹ 5,125 crore.

Expenditure under subsidies increased by 18 *per cent* over the previous year and constituted about 10 *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 47 *per cent* of the revenue expenditure during 2016-17, had increased by 18 *per cent* over the previous year.

The State's capital expenditure, which constituted 10 *per cent* of the total expenditure, increased by 12 *per cent* during 2016-17 over the previous year, however the same was less than the original budget estimates of 2016-17 by ₹ 5,457 crore (18 *per cent*).

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 2012-17 while the Government paid an average interest rate of 7.6 *per cent* on its borrowings during the same period.

The State's total outstanding debt as on March 2017 was ₹ 3,95,858 crore. The average expenditure on debt servicing during 2012-17 was ₹ 30,652 crore which accounted for 89.1 *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 portion of the debt available for meeting developmental expenditure to promote growth, was insignificant. Further, the State has to mobilise the resources for repayment of ₹ 43,952.10 crore (an increase of ₹ 30,235.04 crore compared to the period 2016-18) during the period 2018-20. Unless there is a definite plan to meet this liability the resources available for development may shrink.

There was an increase of 24 *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 2016-17 was ₹ 68,750 crore of which, ₹ 44,110 crore was in cash balance investment account. During 2016-17 and 2015-16 the State Government managed to maintain the minimum cash balance required with the Reserve Bank of India and did not resort to Ways and Means Advances.

1.13 Recommendations

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