
Chapter 1

**FINANCES OF THE STATE
GOVERNMENT**

Chapter 1 - Finances of the State Government

1.1 Introduction

This Chapter provides a broad perspective on the finances of the State Government during 2018-19, analyses the critical changes in major fiscal aggregates relative to 2017-18 keeping in view overall trends during the preceding five years, debt profile of the State and key public account transactions, based on the Finance Accounts of the Government of Madhya Pradesh (GoMP).

1.2 Profile of the State

Madhya Pradesh is the second largest State in the country. The State is spread over a geographical area of 3,08,245 sq.km. (9.38 *per cent* of the country's total geographical area) and is home to around 7.26 crore persons (6 *per cent* of the population of the country) as per Census 2011. At 15.79 *per cent*, the decadal (2009-2019) growth of population of the State was more than the all India growth rate of 12.84 *per cent*.

General and financial data of the State is given in *Appendix 1.1*.

1.3 Gross State Domestic Product (GSDP)

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

The trends in annual growth of Gross Domestic Product (GDP) of India and GSDP of the State at current prices and constant prices (base year: 2011-12) are given in **Table 1.1**.

Table 1.1: GDP of India and GSDP of the State					
	(₹ in crore)				
Particular	2014-15	2015-16	2016-17	2017-18	2018-19
GDP of India at current prices	1,24,67,959	1,37,71,874	1,53,62,386	1,70,95,005	1,90,10,164
Growth rate of GDP (in <i>per cent</i>)	10.99	10.46	11.55	11.28	11.20
GSDP of the State at current prices	4,79,939	5,41,189	6,48,849	7,28,242	8,09,327
Growth rate of GSDP at current prices (in <i>per cent</i>)	9.21	12.76	19.89	12.24	11.13
GSDP of the State at constant prices	3,83,944	4,18,856	4,71,016	5,00,151	5,35,362
Growth rate of GSDP at constant prices (in <i>per cent</i>)	5.15	9.09	12.45	6.19	7.04

(Source: Statement released by Ministry of Statistics and Programme Implementation dated 1 August 2019 and Directorate of Economic and Statistics, Government of Madhya Pradesh)

The per capita GSDP of Madhya Pradesh during 2018-19 was ₹99,783 (per capita GDP of India ₹1,42,719). It was better than the neighbouring States of Bihar (₹47,541),

Uttar Pradesh (₹68,792) and Jharkhand (₹82,430) but lower than that of Chhattisgarh (₹1,08,058).

It is necessary to understand the structure of Government Accounts in order to appreciate the analysis of the finances of the State Government given in this Chapter. The structure of Government Accounts and the layout of the Finance Accounts is explained in *Part A* and *Part B* of *Appendix 1.2*. Definitions of selected terms used in assessing the trends and pattern of fiscal aggregates is given in *Part C* of *Appendix 1.2*.

1.4 Summary of fiscal transactions

Tables 1.2 and 1.3 present a summary of receipts and expenditure of the State Government during 2014-19. *Appendix 1.3* provides an abstract of receipts and disbursements as well as the overall fiscal position during 2018-19.

Table 1.2: Summary of Receipts during 2014-19						Percentage of increase / decrease in 2018-19 over 2017-18
	(₹ in crore)					
	2014-15	2015-16	2016-17	2017-18	2018-19	
Section-A: Revenue						
Revenue Receipts	88,640.78	1,05,510.60	1,23,306.79	1,34,875.39	1,48,892.79	10.39
Tax Revenue	36,567.12	40,213.66	44,193.65	44,810.85	50,882.41	13.55
Non-Tax Revenue	10,375.23	8,568.79	9,086.51	9,061.18	11,898.69	31.32
Share of Union Taxes/Duties	24,106.99	38,397.84	46,064.10	50,853.07	57,487.01	13.05
Grants from Gol	17,591.44	18,330.31	23,962.53	30,150.29	28,624.69	(-5.06)
Section-B: Capital and others						
Misc. Capital Receipts	27.73	26.47	24.19	19.35	13.04	(-32.61)
Recoveries of Loans and Advances	6,765.05	162.32	772.05	5,069.53	69.88	(-98.62)
Inter-State Settlement	0.91	1.93	0.01	-0.05	0.75	1600.00
Public Debt Receipts	15,068.71	19,985.30	29,847.41	21,892.17	32,497.42 ¹	48.44
Contingency Fund	300.00	1.08	-	-	-	-
Public Account Receipts	1,10,294.74	1,32,772.19	1,61,078.58	1,71,664.83	1,86,344.24	8.55
Opening Cash Balance	4,477.03	5,401.96	10,898.72	10,993.66	7,135.56	(-35.09)
Total	2,25,574.95	2,63,861.85	3,25,927.75	3,44,514.88	3,74,953.68	8.84

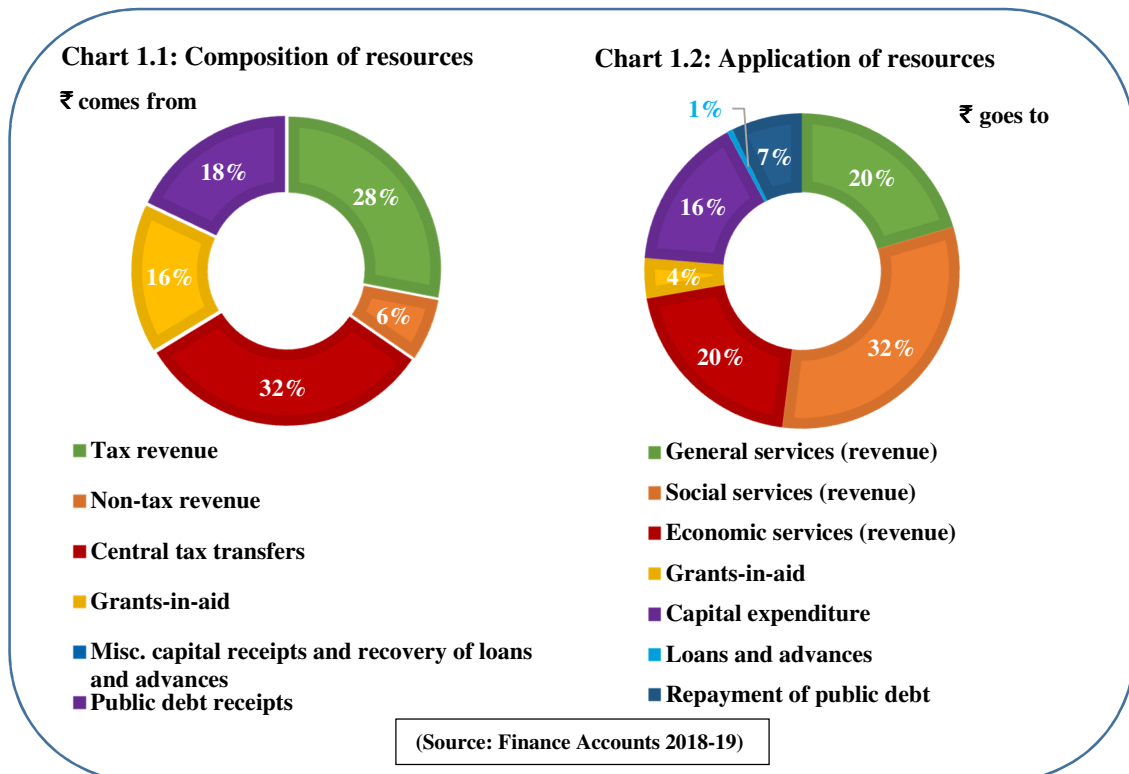
(Source: Finance Accounts of the respective years)

¹ Includes ways and means advances amounting to ₹3,376.38 crore obtained from Reserve Bank of India (RBI)

Table 1.3: Summary of Expenditure during 2014-19						Percentage of increase / decrease in 2018-19 over 2017-18
	(₹ in crore)					
	2014-15	2015-16	2016-17	2017-18	2018-19	
Section-A: Revenue						
Revenue	82,372.82	99,770.70	1,19,537.37	1,30,246.09	1,42,149.21	9.14
Expenditure						
General Services	22,365.11	25,700.26	27,903.12	32,100.08	38,112.57	18.73
Social Services	32,067.15	42,650.93	47,942.43	58,346.17	58,707.31	0.62
Economic Services	23,715.12	25,528.52	36,884.73	32,734.59	37,657.67	15.04
Grants-in-aid & Contributions	4,225.44	5,890.99	6,807.09	7,065.24	7,671.66	8.58
Section-B: Capital and Others						
Capital Outlay	11,877.68	16,835.47	27,288.31	30,913.22	29,424.19	(-)4.82
Loans and Advances Disbursed	12,534.61	3,157.91	4,940.27	1,550.20	1,089.66	(-)29.71
Inter-State Settlement	0.98	1.94	0.66	-0.01	1.05	10600.00
Repayment of Public Debt	4,920.52	4,860.36	4,925.41	5,776.38	13,523.72 ²	134.12
Contingency Fund	301.08	-	-	-	-	-
Public Account Disbursement	1,08,165.30	1,28,336.75	1,58,242.07	1,68,893.44	1,83,376.83	8.58
Closing Cash Balance	5,401.96	10,898.72	10,993.66	7,135.56	5,389.02	(-)24.48
Total	2,25,574.95	2,63,861.85	3,25,927.75	3,44,514.88	3,74,953.68	8.84

(Source: Finance Accounts of the respective years)

Composition of resources and application of resources in the Consolidated Fund of the State during 2018-19 is given in **Chart 1.1** and **Chart 1.2**.



² Includes repayment of ways and means advances amounting to ₹3,376.38 crore obtained from RBI

1.4.1 Major changes in Key Fiscal Aggregates during 2018-19 vis-à-vis 2017-18

Table 1.4 gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2018-19, compared to the previous year.

Table 1.4: Changes in key fiscal aggregates in 2018-19 compared to 2017-18	
Revenue Receipts	<ul style="list-style-type: none"> ➤ Revenue Receipts of the State increased by 10.39 per cent ➤ Own Tax Receipts of the State increased by 13.55 per cent ➤ Own Non-Tax Receipts increased by 31.32 per cent ➤ State's Share of Union Taxes and Duties increased by 13.05 per cent ➤ Grants-in-Aid from Government of India decreased by 5.06 per cent
Revenue Expenditure	<ul style="list-style-type: none"> ➤ Revenue Expenditure increased by 9.14 per cent ➤ Revenue Expenditure on General Services increased by 18.73 per cent ➤ Revenue Expenditure on Social Services increased by 0.62 per cent ➤ Revenue Expenditure on Economic Services increased by 15.04 per cent ➤ Expenditure on Grants-in-Aid increased by 8.58 per cent
Capital Expenditure	<ul style="list-style-type: none"> ➤ Capital Expenditure decreased by 4.82 per cent ➤ Capital Expenditure on General Services decreased by 2.68 per cent ➤ Capital Expenditure on Social Services increased by 6.74 per cent ➤ Capital Expenditure on Economic Services decreased by 7.38 per cent
Loans and Advances	<ul style="list-style-type: none"> ➤ Disbursement of Loans and Advances decreased by 29.71 per cent ➤ Recoveries of Loans and Advances decreased by 98.62 per cent
Public Debt	<ul style="list-style-type: none"> ➤ Public Debt Receipts increased by 48.44 per cent ➤ Repayment of Public Debt increased by 134.12 per cent
Public Account	<ul style="list-style-type: none"> ➤ Public Account Receipts increased by 8.55 per cent ➤ Disbursement of Public Account increased by 8.58 per cent
Cash Balances	➤ Cash balance decreased by ₹1,746.54 crore (24.48 per cent)

Each of the above indicators is analysed in the succeeding paragraphs.

- Revenue receipts increased by ₹14,017.40 crore (10.39 per cent) mainly due to increase in State Goods and Services Tax (SGST) receipts by ₹9,812.38 crore (112.84 per cent) and non-tax revenue by ₹2,837.51 crore (31.32 per cent).
- Revenue expenditure increased by ₹11,903.12 crore (9.14 per cent) primarily on account of Agriculture and Allied Activities (by ₹3,675 crore) and Education, Sports, Art and Culture (by ₹2,521 crore).
- Capital expenditure decreased by ₹1,489.03 crore (4.82 per cent) due to less expenditure under Energy head by ₹5,207 crore. This was mainly because of not incurring any expenditure under UDAY during 2018-19 as compared to expenditure of ₹4,622 crore during 2017-18. This is further discussed in **Paragraph 1.10.2**.

The details of the sources and application of funds during 2017-18 and 2018-19 are shown in **Table 1.5** below:

Table 1.5: Details of Sources and Application of funds during 2017-18 and 2018-19				
Particulars	₹ in crore		Increase/ Decrease (per cent)	
	2017-18	2018-19		
Sources	Opening Cash Balance	10,993.66	7,135.56	-35.09
	Revenue Receipts	1,34,875.39	1,48,892.79	10.39
	Capital Receipts	19.35	13.04	-32.61
	Recoveries of Loans & Advances	5,069.53	69.88	-98.62
	Public Debt Receipts (Net)	16,115.79	18,973.70	17.73
	Public Account Receipts (Net)	2,771.39	2,967.41	7.07
	Inter-State Settlement	-0.05	0.75	1600.00
Total	1,69,845.06	1,78,053.13	4.83	
Application	Revenue Expenditure	1,30,246.09	1,42,149.21	9.14
	Capital Expenditure	30,913.22	29,424.19	-4.82
	Disbursement of Loans & Advances	1,550.20	1,089.66	-29.71
	Inter-State Settlement	-0.01	1.05	10600.00
	Closing Cash Balance	7,135.56	5,389.02	-24.48
	Total	1,69,845.06	1,78,053.13	4.83

(Source: Finance Accounts of the respective years)

1.4.2 Trends of Revenue Receipts/Revenue Expenditure/Capital Expenditure relative to GSDP

The trends in revenue receipts (RR)/revenue expenditure (RE)/capital expenditure (CE) relative to GSDP are presented in **Table 1.6** below:

Table 1.6: Trends in RR/ RE/CE relative to GSDP					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue receipts relative to GSDP					
RR at current prices (₹ in crore)	88,641	1,05,511	1,23,307	1,34,875	1,48,893
Rate of growth of RR at current prices (per cent)	17.02	19.03	16.87	9.38	10.39
RR / GSDP (in per cent)	18.47	19.50	19.00	18.52	18.40
Revenue expenditure relative to GSDP					
RE at current prices (₹ in crore)	82,373	99,771	1,19,537	1,30,246	1,42,149
Rate of growth of RE at current prices (in per cent)	17.89	21.12	19.81	8.96	9.14
RE/ GSDP (in per cent)	17.16	18.44	18.42	17.88	17.56
Capital expenditure relative to GSDP					
CE at current prices (₹ in crore)	11,878	16,835	27,288	30,913	29,424
Rate of growth of CE at current prices (in per cent)	9.85	41.73	62.09	13.28	-4.82
CE/GSDP (in per cent)	2.47	3.11	4.21	4.24	3.64

(Source: Finance Accounts of the respective years and information furnished by Directorate of Economic and Statistics, Government of Madhya Pradesh)

As is evident from the table above, while revenue receipts and revenue expenditure have increased from 2014-15 to 2018-19, capital expenditure increased during 2014-18 but decreased during 2018-19.

The rate of growth decreased in revenue receipts, revenue expenditure and capital expenditure in 2018-19, as compared to that of 2014-15. As compared to 2017-18, there was an increase in rate of growth in revenue receipts and revenue expenditure. The rate of growth of capital expenditure, however, was significantly lower than the previous year.

1.4.3 Trends in Buoyancy ratio

Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. The value more than one indicates high degree of responsiveness of the fiscal variable to the base variable. As GSDP grows, the ability of the Government to mobilize revenue should also increase. **Table 1.7** shows the buoyancy of revenue receipts with respect to changes in GSDP.

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Gross State Domestic Product (₹ in crore)	4,79,939	5,41,189	6,48,849	7,28,242	8,09,327
Revenue receipts buoyancy w.r.t. GSDP	1.85	1.49	0.85	0.77	0.93
State's own taxes buoyancy w.r.t. GSDP	0.98	0.78	0.50	0.11	1.22
Revenue receipts w.r.t. State's own taxes	1.89	1.91	1.70	6.70	0.77

(Source: Finance Accounts of the respective years)

As can be seen from the **Table 1.7**, the buoyancy of revenue receipts to GSDP was lower than one, during the period 2016-19 indicating that revenue receipts grew at a slower rate than GSDP. State's own tax buoyancy to GSDP during 2014-18 was lower than one, however, it increased during 2018-19 indicating that own tax revenue grew at a faster rate than GSDP.

1.5 Review of the fiscal situation

1.5.1 Fiscal Correction Path

State Government enacted the Madhya Pradesh Fiscal Responsibility and Budget Management (MPFRBM) Act, 2005 in line with the Union FRBM Act, 2003, to ensure fiscal stability and sustainability, improve efficiency and transparency in management of public finances, enhance the availability of resources by achieving sufficient revenue surplus, reduce fiscal deficit and remove the impediments to effective conduct of fiscal policy and prudent debt management.

1.5.2 MPFRBM Targets on Key Fiscal Parameters and Achievements thereon

As per the MPFRBM Act, the State Government was to eliminate revenue deficit by 31 March 2009 and maintain revenue surplus thereafter; reduce fiscal deficit to three *per cent* of the estimated GSDP by 31 March 2009 and maintain the same level thereafter. Further, the Act also envisaged that the State Government would limit the total outstanding debt to GSDP to 40 *per cent* as on 31 March 2015.

The amendment to the MPFRBM Act in January 2016 incorporated the recommendations of the Fourteenth Finance Commission (XIV FC) relating to limit of fiscal deficit recommended for the states during its award period (2015-16 to 2019-20). The Act provided that the fiscal deficit be anchored to an annual limit of 3.50 *per cent* of GSDP in any financial year.

The performance of the State during 2018-19 under key fiscal indicators provided in the budget, recommendations of the XIV FC and targets in the MPFRBM Act, 2005 as per actuals is given in **Table 1.8**.

Key fiscal indicators	Targets set by the XIV FC	Targets as per MPFRBM Act	Targets in budget estimates (MTFPS ³)	Actuals
Revenue Deficit/ Surplus	No target fixed	Nil deficit	0.03 <i>per cent</i> of GSDP (+) ₹262 crore	0.83 <i>per cent</i> of GSDP (+) ₹6,744 crore
Fiscal Deficit	3.25 <i>per cent</i> of GSDP	3.50 <i>per cent</i> of GSDP	3.24 <i>per cent</i> of GSDP (-) ₹26,781 crore	2.93 <i>per cent</i> of GSDP (-) ₹23,688 crore
Ratio of total outstanding debt to GSDP (in <i>per cent</i>)	25.63 <i>per cent</i>	25.00 <i>per cent</i>	26.34 <i>per cent</i>	24.01 <i>per cent</i> (₹1,94,309 crore)
Primary Deficit	--	--	(-) ₹13,913.42 crore	(-) ₹10,991.96 crore

(Source: XIV FC recommendations 2015-20, Statement laid before the Legislature along with the Budget under FRBM Act during 2018-19 and Finance Accounts 2018-19)

The State has achieved all the targets of revenue surplus, fiscal deficit and ratio of outstanding debt to GSDP prescribed in the budget estimates (BE) 2018-19, FRBM and recommendations of XIV FC. The target of the Primary Deficit as prescribed in the BE has also been met.

The State achieved revenue surplus during the period 2015-19. During 2018-19, the revenue surplus was ₹6,744 crore. However, as detailed in **Table 1.9**, this surplus has to be viewed in the light of non-contribution to the required causes by the State Government and misclassification of revenue items under capital category.

The State was successful in containing the fiscal deficit below 3.50 *per cent* of GSDP during 2015-19.

During the period 2015-19, outstanding debt of the State remained consistently below 25 *per cent* of GSDP, *i.e.*, within the norms prescribed in the MPFRBM Act, 2005.

1.5.3 Actual Revenue Surplus and Fiscal Deficit

Excessive focus on short-term objectives for overcoming budget deficit, encourages creative accounting and recourse to one-off deficit-reducing measures. **Table 1.9** assesses actual surplus/ deficit after taking into account short/ non-contribution to funds and incorrect classifications/ booking by the State Government during 2018-19.

³ Medium Term Fiscal Policy Statement

Table 1.9: Actual Revenue Surplus and Fiscal Deficit		
(₹ in crore)		
Particulars	Impact on Revenue Surplus (Overstated)	Impact on Fiscal Deficit (Understated)
Misclassification between revenue and capital expenditure (Para no. 1(v) of the Notes to Accounts, Finance Accounts Volume-I)	1,111.97	-
Short transfer of contribution to NSDL/Trustee Bank (Para no. 3(i) of the Notes to Accounts, Finance Accounts Volume-I)	113.10	113.10
Non-transfer of Grant from 'NDRF to SDRF' (Para no. 3(v) of the Notes to Accounts, Finance Accounts Volume-I)	334.00	334.00
Non-contribution to Consolidated Sinking Fund (Para no. 3(vi)(a) of the Notes to Accounts, Finance Accounts Volume-I)	861.82	861.82
Short contribution to Guarantee Redemption Fund (Para no. 3(vi)(b) of the Notes to Accounts, Finance Accounts Volume-I)	51.92	51.92
Non-payment of interest on Reserve Funds and Deposits bearing interest (Para no. 3(viii) of the Notes to Accounts, Finance Accounts Volume-I)	7.43	7.43
Total	2,480.24	1,368.27

(Source: Finance Accounts 2018-19)

As can be seen from the above table, there was an overstatement of Revenue Surplus and understatement of Fiscal Deficit by ₹2,480.24 crore and ₹1,368.27 crore respectively during the year. However, considering that the overall Revenue Surplus and Fiscal Deficit depicted in the accounts were ₹6,743.58 crore and ₹23,687.65 crore respectively, the State had a Revenue Surplus of ₹4,263.34 crore during 2018-19 even after considering the items given in **Table 1.9**.

1.5.4 Medium Term Fiscal Policy Statement

As per the MPFRBM Act, the State Government shall in each financial year lay before the State Legislature, along with the Budget the Medium Term Fiscal Policy Statement (MTFPS) which contains the fiscal objectives of the State Government and five-year rolling targets.

Table 1.10 indicates the variation between the projections made for 2018-19 in MTFPS presented to the State Legislature along with the Annual Budget for 2018-19 and actuals of the year.

(₹ in crore)			
Fiscal Variables	Projection as per MTFPS	Actuals (2018-19)	Variation (in per cent)
Own Tax Revenue	54,655.24	50,882.41	-6.90
Non-Tax Revenue	10,933.78	11,898.69	8.83
Share of Central Taxes	59,489.92	57,487.01	-3.37
Grants-in-Aid from GoI	30,807.53	28,624.69	-7.09
Revenue Receipts	155,886.47	148,892.79	-4.49
Revenue Expenditure	1,55,623.91	142,149.21	-8.66
Revenue Deficit (-)/ Surplus (+) as a percentage of GSDP	0.03	0.83	-
Fiscal Deficit (-)/ Surplus (+) as a percentage of GSDP	(-)3.24	(-)2.93	-
Debt-GSDP ratio (<i>per cent</i>)	26.34	24.01	-

As can be seen from the above table, the projections made in MTFPS relating to three key fiscal parameters *i.e.*, revenue surplus, fiscal deficit and Debt-GSDP ratio improved significantly during 2018-19 compared to the projections.

1.5.5 Composition and financing pattern of Fiscal Deficit

Fiscal Deficit represents the total financing that the State requires (predominantly by drawing on its cash and investment balances with the RBI and by borrowing) to meet the excess of the revenue and capital expenditure (including loans and advances) over revenue and non-debt receipts. The financing pattern of Fiscal Deficit is reflected in **Table 1.11**.

(₹ in crore)						
Particulars		2014-15	2015-16	2016-17 ⁴	2017-18	2018-19
Fiscal Deficit (figures in brackets indicate <i>per cent</i> to GSDP)		11,352	14,065	27,664	22,745	23,688
		(2.37)	(2.60)	(4.26)	(3.12)	(2.93)
1	Revenue Surplus	6,268	5,740	3,770	4,629	6,744
2	Net Capital Expenditure	-11,850	-16,809	-27,265	-30,894	-29,411
3	Net Loans and Advances	-5,770	-2,996	-4,169	3,520	-1,021
Financing Pattern of Fiscal Deficit**						
1	Market Borrowings	8,171	12,991	14,551	13,125	15,001
2	Loans from GoI	536	414	249	824	2,647
3	Special Securities Issued to NSSF	1,184	922	1,266	1,348	1,086
4	Loans from Financial Institutions	258	798	1,590	913	334
5	Reserve Funds	143	1,733	-498	-1,038	590
6	Small Savings, PF etc.	962	1,025	813	680	2,249
7	Deposits and Advances	618	574	3,436	2,316	164
8	Suspense and miscellaneous	462	1,457	-842	110	-677
9	Remittances	-57	-352	-72	704	642
10	Others ⁵	-925	-5,497	+7,171	+3,763	+1,652
Fiscal Deficit		11,352	14,065	27,664	22,745	23,688

**All these figures are net of disbursements/outflows during the year

(Source: Finance Accounts of the respective years)

⁴ Includes impact of UDAY

⁵ Transactions under Contingency Fund, Cash Balances, Investment and Bonds

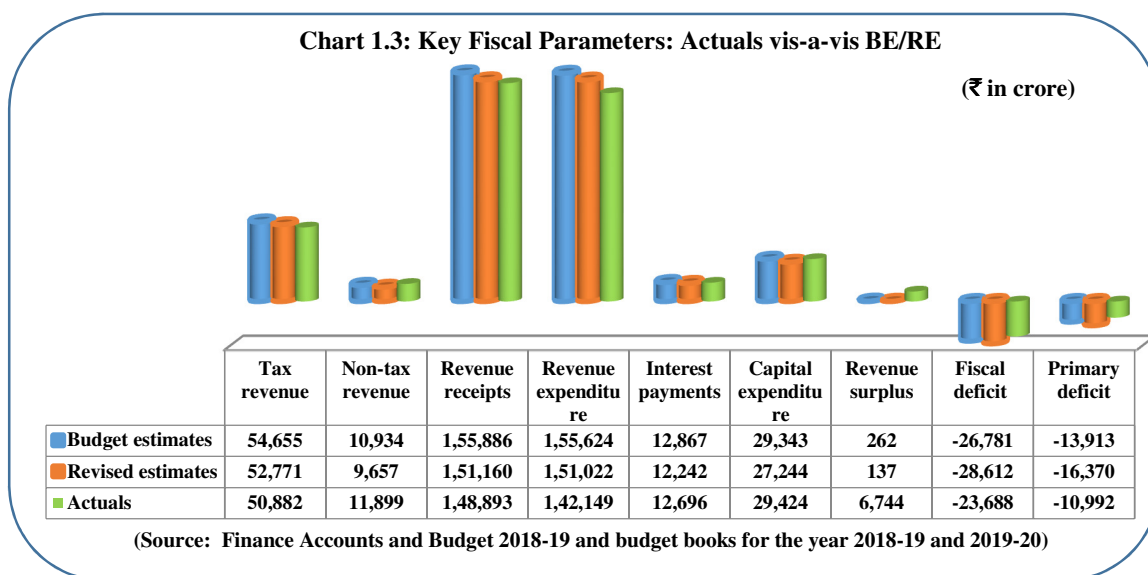
Market borrowings continued to finance a major portion of fiscal deficit with ₹15,001 crore out of the total Fiscal Deficit of ₹23,688 crore. Its share in financing fiscal deficit increased from 57.70 per cent in 2017-18 to 63.33 per cent in 2018-19.

The other major components that financed Fiscal Deficit during 2018-19 were loans from GoI (₹2,647 crore) and small savings and provident fund etc. (₹2,249 crore).

1.6 Budget estimates, Revised estimates and Actuals

Shortfall of actual receipts and expenditure against budget estimates (BE), either due to unanticipated and unforeseen events or under/over estimation of expenditure or revenue at the stage of budget preparation, adversely impacts the desired fiscal objectives.

A comparison of actuals of key fiscal parameters with BE and RE for the year 2018-19 is given in **Chart 1.3** below and detailed comparison of actuals vis-à-vis BE is given in **Appendix 1.4**.



An analysis of **Chart 1.3** is given below:

- Revenue receipts were lower than BE primarily due to reduced tax revenue by ₹3,773 crore and Central transfers by ₹4,186 crore, which were partly offset by increased receipts of ₹965 crore under non-tax revenue.
- Most of the constituents of tax revenue were lower than the projections made in BE especially taxes on sales, trade etc. (by ₹1,597 crore) and SGST (by ₹1,599 crore) which are detailed in **Appendix 1.4**. Higher receipts under non-tax revenue were mainly under Interest (by ₹530 crore) and Education, Sports, Art and Culture (by ₹411 crore).
- Revenue expenditure was less than the BE due, primarily, to shortfall in economic services (₹7,165 crore) on account of lesser assistance to Electricity Boards than budgeted (by ₹4,070 crore).

- Capital expenditure was in excess of BE and RE by ₹81 crore and ₹2,180 crore respectively due to increased expenditure of ₹2,272 crore under Energy and ₹6,892 crore under Transport against RE of ₹1,007 crore and ₹5,743 crore respectively.

1.6.1 Gender budgeting

Gender budget of the State discloses the expenditure proposed to be incurred within the overall budget on schemes which are designed to benefit women fully or partially. Gender budgeting was introduced in Madhya Pradesh during 2007-08. Schemes relating to gender budget were bifurcated in two categories (i) Schemes in which 100 per cent budget provisions were related to women and (ii) Schemes in which at least 30 per cent of budget provisions were related to women.

Year-wise allocation and expenditure in respect of categories 1 and 2 for the years from 2014-15 to 2018-19 are given in **Table 1.12**.

Table 1.12: Gender Budgetary allocations during 2014-19						
(₹ in crore)						
Year	Category 1			Category 2		
	Outlay	Expenditure	Percentage of expenditure to outlay	Outlay	Expenditure	Percentage of expenditure to outlay
2014-15	1,813.41	890.48	49.11	36,340.81	27,501.26	75.68
2015-16	2,582.59	2,441.72	94.55	36,514.60	30,543.77	83.65
2016-17	2,359.33	1,422.27	60.28	40,848.26	36,327.84	88.93
2017-18	2,617.70	2,411.88	92.14	44,391.09	45,689.86	102.93
2018-19	3,288.41	NA*	-	48,948.00	NA*	-

*NA-Not provided by Finance Department

(Source: Information provided by Finance Department, GoMP)

1.6.1.1 Shortfall in utilisation of gender budget

Shortfall in utilisation of gender budget under categories 1 and 2 in respect of Directorate of Public Instruction, State Education Center and Development Commissioner to which the highest budget was allocated during 2018-19 is shown in **Table 1.13**.

Table 1.13: Category-wise provision and expenditure during 2018-19								
(₹ in crore)								
Name of Department	Category 1 (100 per cent)				Category 2 (30 per cent)			
	No. of schemes	Total provision	Total expenditure	Shortfall (per cent)	No. of schemes	Total provision	Total expenditure	Shortfall (per cent)
Public Instruction	01	0.80	0.02	97.50	24	10,915.95	7,681.04	29.63
State Education Center	02	27.26	2.64	90.32	03	3,671.54	3,194.41	13.00
Development Commissioner	--	--	--	--	06	10,954.34	8,555.19	21.90

(Source: Information furnished by the concerned Departments)

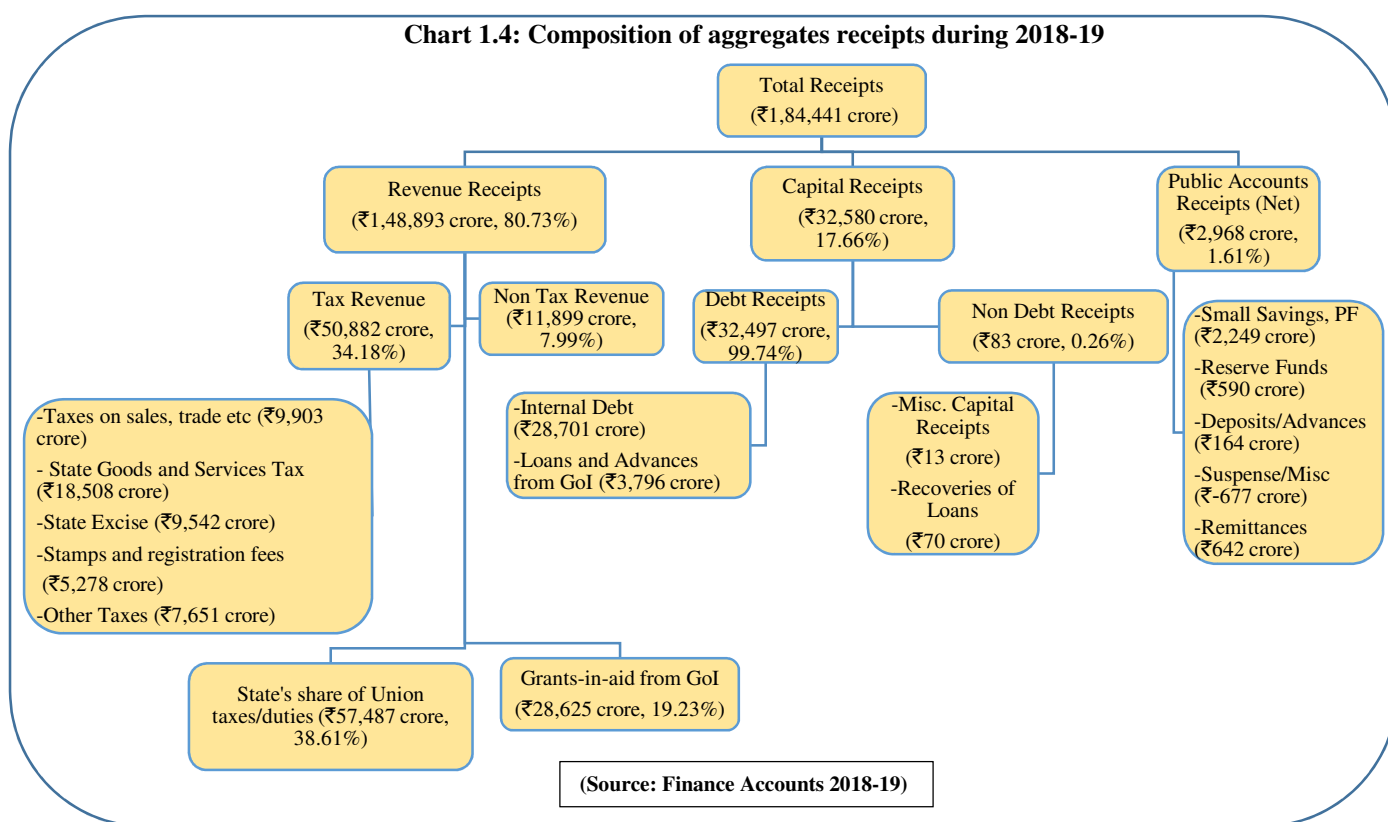
It was further observed that two schemes under Category 1 and 24 schemes under Category 2 witnessed shortfalls for more than ₹ one crore and provisions earmarked in these schemes remained unutilised between one per cent and 100 per cent, details of which are shown in **Appendix 1.5**. This indicated poor utilisation of funds provided for implementing women-oriented schemes.

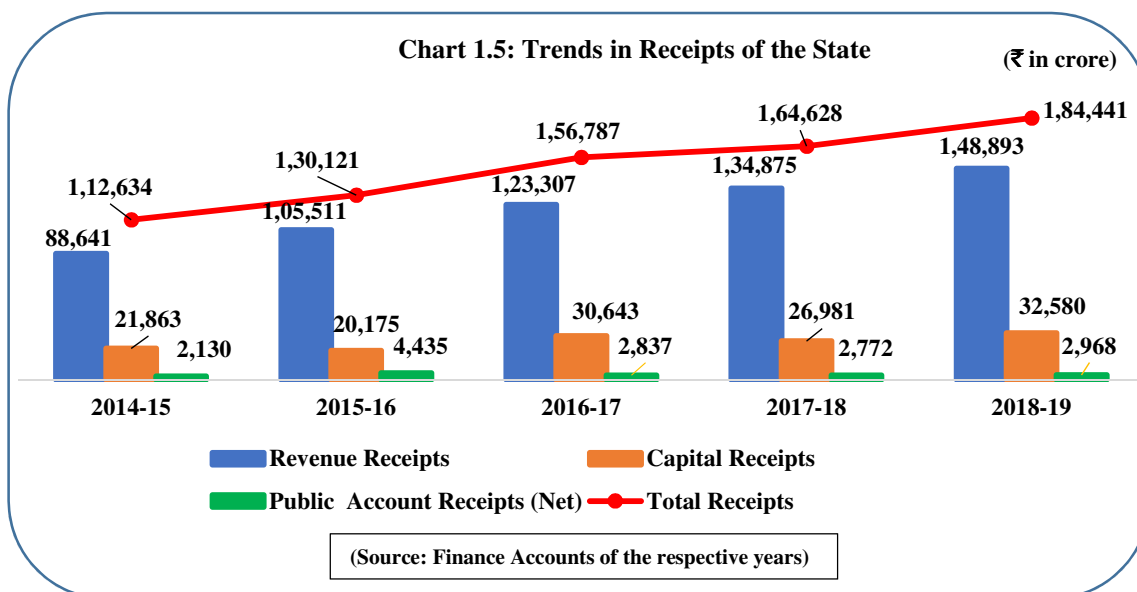
1.7 Financial resources of the State

1.7.1 Resources of the State as per Annual Finance Accounts

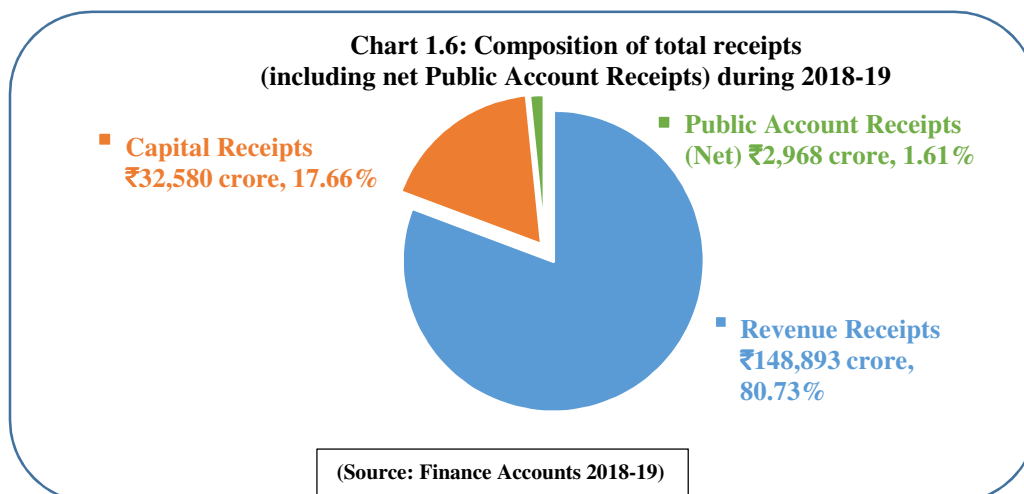
Revenue receipts consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from GoI. Receipts under Capital Section comprise Miscellaneous Capital Receipts under the Capital Section such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks) and loans and advances from GoI as well as balances in Public Accounts.

Chart 1.4, 1.5 and 1.6 below depicts the composition of aggregate receipts, trends in various components of receipts during 2014-19 and the composition of resources during 2018-19 respectively.



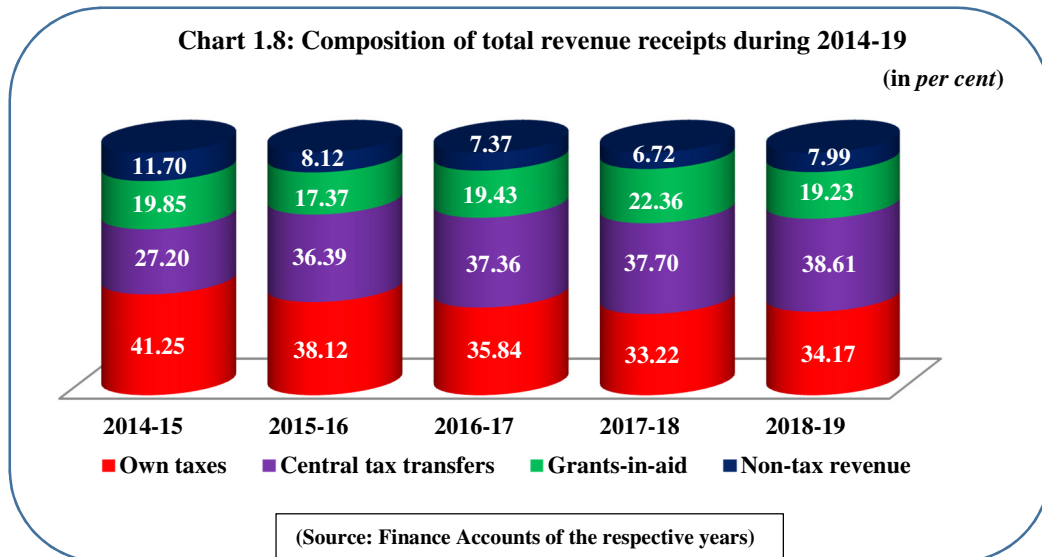
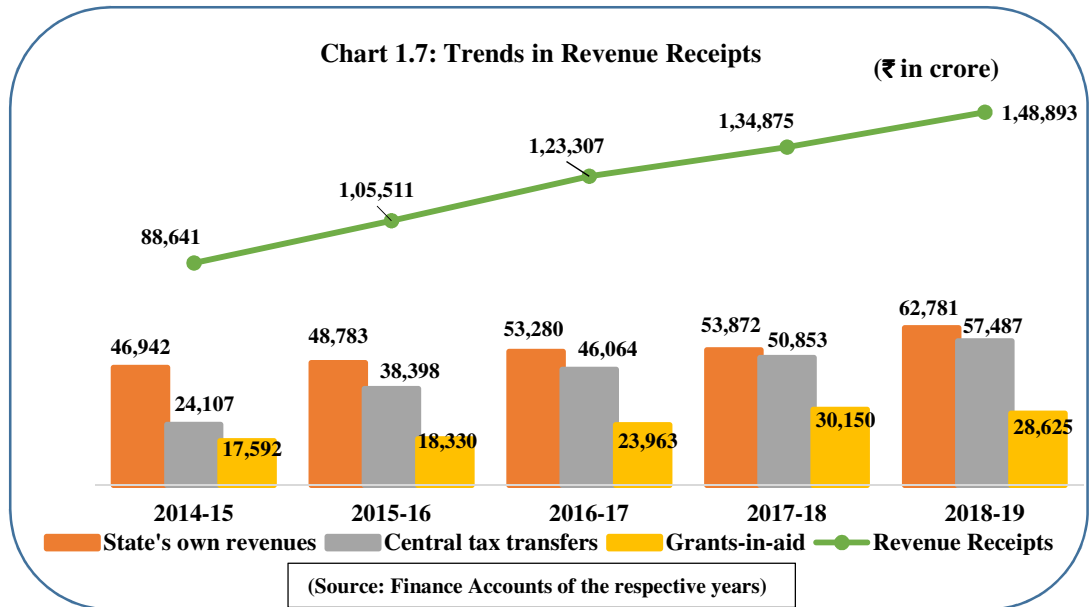


- During 2014-19, total receipts of the Government increased by ₹71,807 crore at compound annual growth rate (CAGR) of 13.12 per cent.
- Revenue receipts, capital receipts (includes miscellaneous capital receipts, recovery of loans and advances and public debt receipts) and public account receipts (net) increased by ₹60,252 crore (67.97 per cent), ₹10,717 crore (49.02 per cent) and ₹838 crore (39.34 per cent) respectively during the same period.



1.7.2 Revenue receipts

Statement 14 of the Finance Accounts gives details of the revenue receipts of the Government. The trends and composition of revenue receipts during 2014-19 are presented in *Appendix 1.6* and also depicted in **Chart 1.7** and **Chart 1.8** respectively.



1.7.2.1 State's Own Resources

The State's own resources consist of tax and non-tax revenue generated by the State. Details of collection of tax revenue and non-tax revenue during the five year period 2014-19 are presented in *Appendix 1.7*.

During 2014-19, the State's own resources increased by ₹15,839 crore at a CAGR of 7.54 per cent. The State's own revenue increased from 1.11 per cent in 2017-18 to 16.54 per cent during 2018-19 mainly due to increase in SGST by ₹9,812 crore (112.83 per cent) and non-tax revenue by ₹2,838 crore (31.32 per cent).

Tax Revenue

Details of tax revenue during 2014-19 are given in **Table 1.14**.

Table 1.14: Components of tax revenue					
(₹ in crore)					
Revenue Head	2014-15	2015-16	2016-17	2017-18	2018-19
Taxes on sales, trades etc.	18,136	19,806	22,561	14,984	9,903
State Goods and Services Tax	-	-	-	8,696	18,508
State excise	6,696	7,923	7,533	8,245	9,542
Taxes on vehicles	1,824	1,933	2,252	2,692	3,008
Stamps and registration fees	3,893	3,868	3,925	4,789	5,278
Land Revenue	243	277	407	491	384
Taxes on goods and passengers	2,686	3,085	3,805	1,159	118
Taxes and duties on electricity	2,010	2,258	2,621	2,590	2,616
Other taxes ⁶	1,079	1,064	1,090	1,165	1,525
Total	36,567	40,214	44,194	44,811	50,882
GSDP at current prices	4,79,939	5,41,189	6,48,849	7,28,242	8,09,327
Tax revenue as percentage of GSDP (in per cent)	7.62	7.43	6.81	6.15	6.29

(Source: Finance Accounts of the respective years)

The increase in own tax revenue by 13.55 per cent in 2018-19 compared to the previous year was due to increase in SGST receipts by ₹9,812 crore and State Excise by ₹1,297 crore. GoI had also provided compensation for loss on account of rolling out GST amounting to ₹2,866 crore as grants-in-aid. However, own tax revenue during 2018-19 fell short of the assessment made by XIV FC (₹74,926 crore).

Non-Tax Revenue

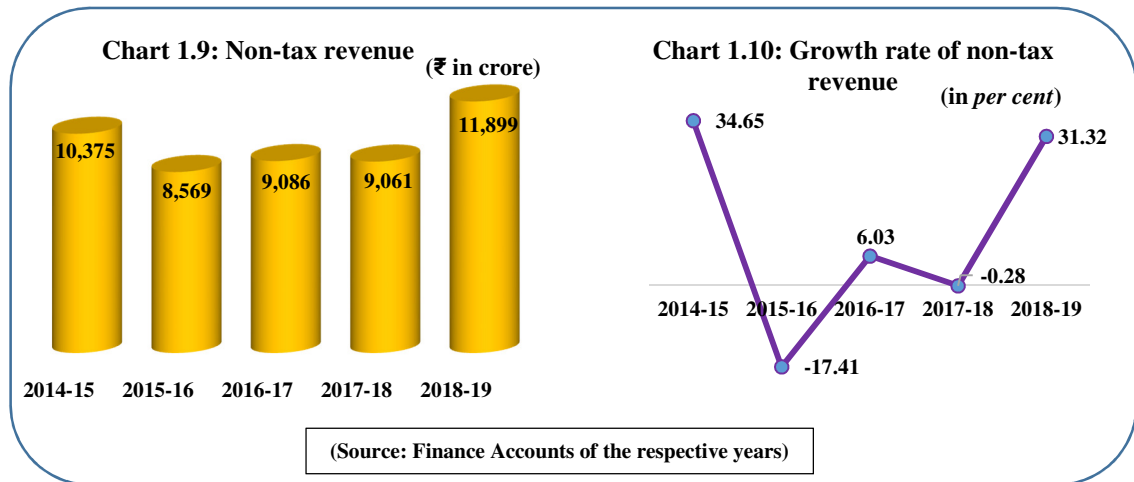
Details of non-tax revenue, its trend and growth during 2014-19 are given in Table 1.15, Chart 1.9 and Chart 1.10 respectively:

Table 1.15: Components of non-tax revenue					
(₹ in crore)					
Revenue Head	2014-15	2015-16	2016-17	2017-18	2018-19
Non-ferrous Mining, Metallurgical and Industries	2,814	3,060	3,168	3,641	3,934
Education, Sports, Art and Culture	3,276	1,292	1,824	1,310	2,366
Forestry and Wildlife	969	1,002	918	1,112	1,043
Interest receipts	1,261	429	582	639	880
Dividends and Profits	80	130	231	622	347
Other non-tax receipts	1,975	2,656	2,363	1,737	3,329 ⁷
Total	10,375	8,569	9,086	9,061	11,899

(Source: Finance Accounts of the respective years)

⁶ Other taxes include Taxes on Immovable Property other than Agricultural Land, Other Taxes on Income and Expenditure and Duties on Commodities and Services.

⁷ Includes receipts under Miscellaneous General Services (₹773.18 crore, 1329 per cent), Minor Irrigation (₹545.04 crore, 54 per cent), Other Administrative Services (₹355.97 crore, 168 per cent), Medium Irrigation (₹226.40 crore, 57 per cent), Contribution and recoveries towards pension and other retirement benefits (₹222.35 crore, 364 per cent), Medical and Public Health (₹214.46 crore, 66 per cent), Power (₹190.32 crore, -2 per cent), Public Works (₹151.75 crore, 21 per cent), Police (₹145.70 crore, 17 per cent), Other Social Services (₹92.69 crore, 63 per cent), Village and Small Industries (₹88.13 crore, 484 per cent), Crop Husbandry (₹62.14 crore, 27 per cent), Major Irrigation (₹37.07 crore, 45 per cent) and Other Receipts (₹223 crore, -21 per cent).



During 2018-19, increase in non-tax revenue was mainly under Education, Sports, Art and Culture (by ₹1,056 crore). This was primarily due to misclassification of receipts under Samagra Shiksha Abhiyan. Rajya Shiksha Kendra (August 2020) informed that during 2018-19, GoI reimbursed ₹1,018 crore for implementation of Samagra Shiksha Abhiyan and State Government released it along with its matching 40 per cent share of ₹679 crore to Rajya Shiksha Kendra under Major Head 2202. However, Rajya Shiksha Kendra had misclassified the amount and credited the entire amount of ₹1,697 crore (₹1,018 crore + ₹679 crore) to Major Head 0202 instead of to Major Head 2202, resulting in increase of non-tax revenue and revenue expenditure of the State by ₹1,697 crore.

1.7.2.2 Grants-in-aid from GoI

The State Government receives grants-in-aid and share of Union taxes and duties, based on the recommendations of the Finance Commission. Details of GoI grants to the State are given below in **Table 1.16**.

(₹ in crore)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Non-plan grants	4,425	3,990	5,473	4,408	4,921
Grants for State plan schemes	9,011	13,371	17,702	23,164	20,821
Grants for Central plan schemes	1,263	359	257	67	17
Grants for Centrally sponsored schemes	2,893	610	531	-	-
Other grants to States (Compensation for loss of revenue arising out of implementation of GST)	-	-	-	2,511	2,866
Total	17,592	18,330	23,963	30,150	28,625
Percentage of increase(+)/decrease(-) over previous year	49.38	4.19	30.73	25.82	(-5.06)
Revenue receipts	88,641	1,05,511	1,23,307	1,34,875	1,48,893
Total grants as a percentage of revenue receipts	19.85	17.37	19.43	22.35	19.23

(Source: Finance Accounts of the respective years)

Increase in non-plan grants during 2018-19 was mainly due to increased funds (by ₹492 crore) received under XIV FC – Grant for Local Bodies as compared to the previous year, while decrease in grants for State plan schemes was attributable to

reduced grants for welfare of Scheduled Castes, Scheduled Tribes and other backward classes by ₹1,689 crore as compared to the previous year.

1.7.2.3 Central tax transfers

Details of GoI transfers to the State Government during 2014-19 are given in **Table 1.17:**

Table 1.17: Trends in Central tax/ duty transfer					
(₹ in crore)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Total Central tax transfer	24,107	38,398	46,064	50,853	57,487
Central Goods and Services Tax	-	-	-	716	14,188
Integrated Goods and Services Tax	-	-	-	5,132	1,132
Service tax	3,554	6,656	7,434	5,795	531
Taxes on income other than Corporation tax	6,011	8,400	10,252	13,147	14,722
Union excise duties	2,202	5,100	7,246	5,363	2,708
Corporation tax	8,418	12,078	14,752	15,569	19,990
Taxes on wealth	23	3	34	0	7
Customs	3,899	6,134	6,346	5,131	4,075
Other taxes and duties on commodities and services	0	27	0	0	30
Other Taxes on Income and Expenditure	0	0	0	0	104

(Source: Finance Accounts of the respective years)

The increase of Central tax transfers in 2018-19 over the previous year was mainly under Central Goods and Service Tax (₹13,472 crore), Corporation tax (₹4,421 crore) and Other taxes on Income and Expenditure (₹104 crore) which was offset by a decrease in revenue mainly under Service Tax (₹5,264 crore), Integrated Goods and Services Tax (₹4,000 crore) and Union Excise Duties (₹2,655 crore).

1.7.2.4 Status of Goods and Services Tax

Goods and Services Tax (GST) was implemented w.e.f. 1 July 2017. According to GST (Compensation to the States) Act 2017, Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. As per the provisions of the Act, the projected revenue for Madhya Pradesh was calculated at ₹22,711 crore for the year 2018-19 by applying the projected growth at the rate of 14 per cent per annum over the base year (2015-16) revenue of ₹15,329 crore.

During 2018-19, the State Government received ₹18,508 crore (including ₹2,147 crore on account of advance apportionment of IGST) as revenue under Major Head '0006 State Goods and Services Tax'. Further, GoI released ₹2,866 crore during the year as compensation for the loss of revenue arising out of implementation of GST.

With the automation of the collection of Goods and Services Tax (GST) having taken place, it is essential for Audit to transition from sample checks to a comprehensive check of all transactions, to fulfill the CAG's Constitutional mandate of certifying the Accounts. The required access to data is yet to be provided. Not having access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST receipts. The accounts for the year 2018-19 are, therefore, certified

on the basis of test audit, as was done when records were manually maintained, as a one-time exception.

1.7.3 Receipts under Capital section

Trends of receipts of the State government under Capital section during the five year period 2014-19 are given below in **Table 1.18**.

Table 1.18: Trends in receipts under the Capital Section					
(₹ in crore)					
Sources of State's Receipts	2014-15	2015-16	2016-17	2017-18	2018-19
Miscellaneous capital receipts	28	26	24	19	13
Inter-State settlement	1	2	-	-	-
Recovery of loans and advances	6,765 ⁸	162	772 ⁹	5,070 ¹⁰	70
(A) Non-debt capital receipts	6,794	190	796	5,089	83
Rate of growth of non-debt capital receipts (per cent)	5,086.26	(-97.20)	318.95	539.32	(-98.37)
Internal Debt	13,697	18,659	28,581	19,975	28,701
Loans and advances from the Central Government	1,372	1,326	1,267	1,917	3,796
(B) Public debt receipts	15,069	19,985	29,847	21,892	32,497
Receipts under Capital section (A+B)	21,863	20,175	30,643	26,981	32,580
Rate of growth of Public Debt receipts (per cent)	57.94	32.62	49.35	(-) 26.65	48.44
Rate of growth of receipts under Capital section (per cent)	126.04	(-)7.72	51.89	(-)11.95	20.75

(Source: Finance Accounts of the respective years)

1.7.3.1 Debt Receipts from internal sources

Details of debt receipts from internal sources during 2014-19 are given in **Table 1.19**.

Table 1.19: Debt receipts from internal sources					
(₹ in crore)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Market Borrowings	10,300	14,700	16,100	15,000	20,496
Ways and Means Advances from the Reserve Bank of India	-	-	-	-	3,376
Loans from financial institutions	1,483	2,075	2,603	2,101	1,858
Compensation and other bonds	-	-	7,360	-	-
Special Securities issued to NSSF	1,914	1,884	2,518	2,874	2,971
Total debt receipts from internal sources	13,697	18,659	28,581	19,975	28,701

(Source: Finance Accounts of the respective years)

The State Government was not able to maintain the minimum balance of ₹1.96 crore with the Reserve Bank of India on 25 days during 2018-19. Hence, it had to obtain ordinary ways and means advances amounting to ₹3,376 crore from Reserve Bank of India during the year. The entire amount was repaid along with interest of ₹1.16 crore. Ordinary ways and means advances obtained on any particular day had not exceeded the maximum limit of ₹1,600 crore.

⁸ Of this, ₹6,694 crore pertains to recovery of 'loans for power projects'

⁹ Of this, ₹507 crore pertains to recovery of loans to agriculture and allied activities

¹⁰ Of this, ₹4,622 crore pertains to recovery of 'loans for power projects'

1.7.3.2 Loans and advances from GoI

Loans and advances received by the State government from GoI mainly consist of loans for State/Union Territory plan schemes. The details of loans and advances received from GoI during 2014-15 to 2018-19 are given in **Table 1.20**.

Table 1.20: Loans and advances from GoI					
(₹ in crore)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Loans and advances from GoI	1,372	1,326	1,267	1,917	3,796

(Source: Finance Accounts of the respective years)

The increase in loans and advances from GoI during the year 2018-19 as compared to the previous year was due to increased receipts under Back to Back basis loan by ₹1,879 crore.

1.7.3.3 Public Account receipts

Receipts and disbursements under Small Savings, Provident Funds and Reserve Funds *etc.*, which do not form part of the Consolidated Fund, are kept in Public Account set up under Article 266(2) of the Constitution of India and are not subject to vote by the Legislature. The Government acts as a banker or trustee in respect of these accounts. The status of receipts and disbursements under Public Account are shown in Statement 21 of the Finance Accounts and the details are given in **Table 1.21**.

Table 1.21: Status of Public Accounts (Net)					
(₹ in crore)					
Resources under various heads	2014-15	2015-16	2016-17	2017-18	2018-19
Public Account (Net)	2,130	4,435	2,837	2,772	2,968
a. Small savings, provident funds etc.	963	1,024	813	680	2,249
b. Reserve funds	144	1,733	(-)498	(-)1,038	590
c. Deposits and advances	618	574	3,436	2,316	164
d. Suspense and miscellaneous	462	1,457	(-)842	110	(-)677
e. Remittances	(-)57	(-)353	(-)72	704	642

(Source: Finance Accounts of respective years)

1.8 Evasion of tax detected by the Department

The details of cases of evasion of tax detected, cases finalised and the demands for additional tax raised as on 31 March 2019 as reported by the Mining Department, Department of Registration and Stamps and Department of Commercial Taxes are given in **Table 1.22**.

Table 1.22: Evasion of Tax						
Nature of Revenue	No. of cases pending as on 31.03.2018	No. of cases detected during 2018-19	Total no. of cases	No. of cases in which investigation completed and additional demand including penalty raised		No. of pending cases as on 31.03.2019
				No. of cases	Amount (₹ in crore)	
Mining	3,625	16,504	20,129	15,298	52.37	4,831
Stamps and Registration fees	13,353	10,304	23,657	9,720	52.93	13,937
Commercial tax*	510	73	583	383	40.15	200
Total	17,488	26,881	44,369	25,401	145.45	18,968

(Source: Information furnished by concerned Departments)

*Includes VAT, Entry Tax and Central Goods and Service Tax

1.9 Cost of collection

Details of collection and cost thereof in respect of major revenue receipts during 2018-19 are given in **Table 1.23** below:

Particulars	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All India average of previous year
	₹ in crore			
Taxes on sales, trades etc./ State Goods and Services Tax	28,411	207.07	0.73	0.69
Taxes on vehicles	3,008	55.91	1.86	2.61
State excise	9,542	140.56	1.47	1.83
Stamps and registration fees	5,278	61.35	1.16	2.96

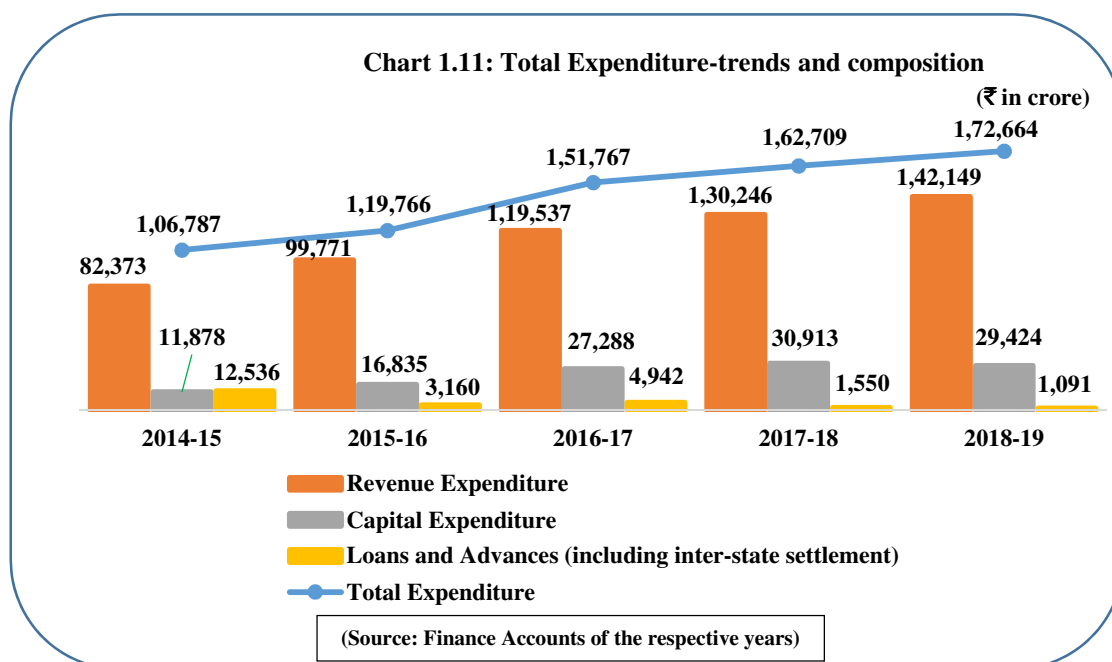
(Source: Finance Accounts 2018-19)

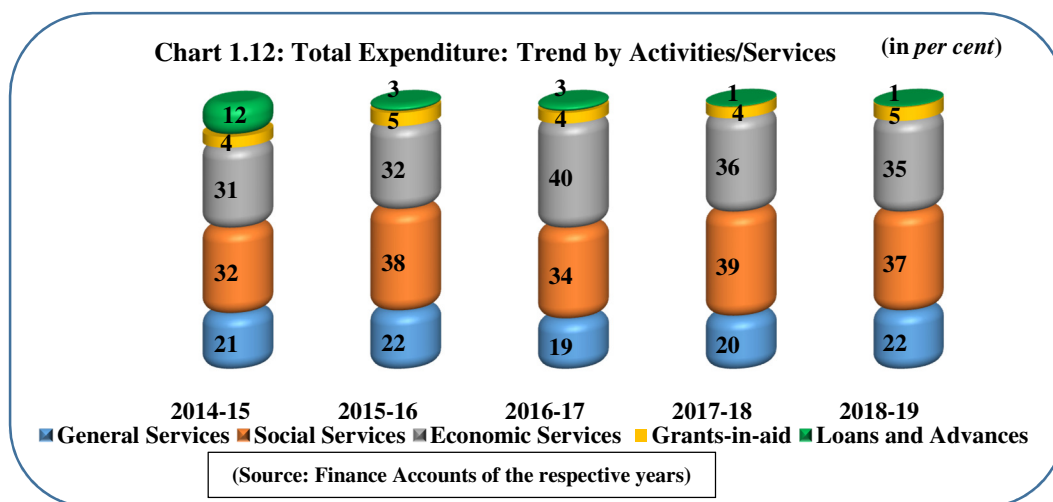
The State's cost of collection under the major revenue heads was significantly lower than all India average cost of collection, except taxes on sales, trade etc./State Goods and Services Tax.

1.10 Application of Resources

1.10.1 Growth and composition of expenditure

Charts 1.11 and **1.12** present the trends and composition of total expenditure and activity-wise expenditure during 2014-19 respectively.





1.10.2 Capital expenditure

Details of capital expenditure are given in **Table 1.24**.

Table 1.24: Details of Capital Expenditure					
(₹ in crore)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Capital expenditure	11,878	16,835	27,288	30,913	29,424
Rate of growth of Capital expenditure (in per cent)	9.85	41.73	62.09	13.28	(-)4.82
Capital expenditure as a percentage of GSDP at current prices (in per cent)	2.47	3.11	4.21	4.24	3.64
Revenue surplus	6,268	5,740	3,770 ¹¹	4,629	6,744

(Source: Finance Accounts of the respective years)

Capital expenditure increased significantly during 2014-15 to 2017-18 indicating utilisation of revenue surplus for funding capital expenditure. It, however, decreased by ₹1,489 crore (4.82 per cent) during 2018-19 over the previous year due to less expenditure under Energy by ₹5,207 crore. This was mainly because of not incurring any expenditure under UDAY during 2018-19 as compared to an expenditure of ₹4,622 crore during 2017-18.

1.10.3 Revenue expenditure

Details of revenue expenditure are given in **Table 1.25**.

Table 1.25: Details of Revenue Expenditure					
(₹ in crore)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue expenditure	82,373	99,771	1,19,537	1,30,246	1,42,149
Rate of growth of revenue expenditure (in per cent)	17.89	21.12	19.81	8.96	9.14

(Source: Finance Accounts of the respective years)

Increase in revenue expenditure during 2018-19 was mainly under Agriculture and Allied Activities (by ₹3,675 crore), Pension and other retirement benefits (by

¹¹ Includes impact of UDAY. On excluding impact of UDAY, revenue surplus would be ₹7,781 crore

₹2,694 crore), Education, Sports, Art and Culture (by ₹2,521 crore), interest payment (by ₹1,650 crore), and Police (by ₹860 crore).

1.10.4 Committed expenditure

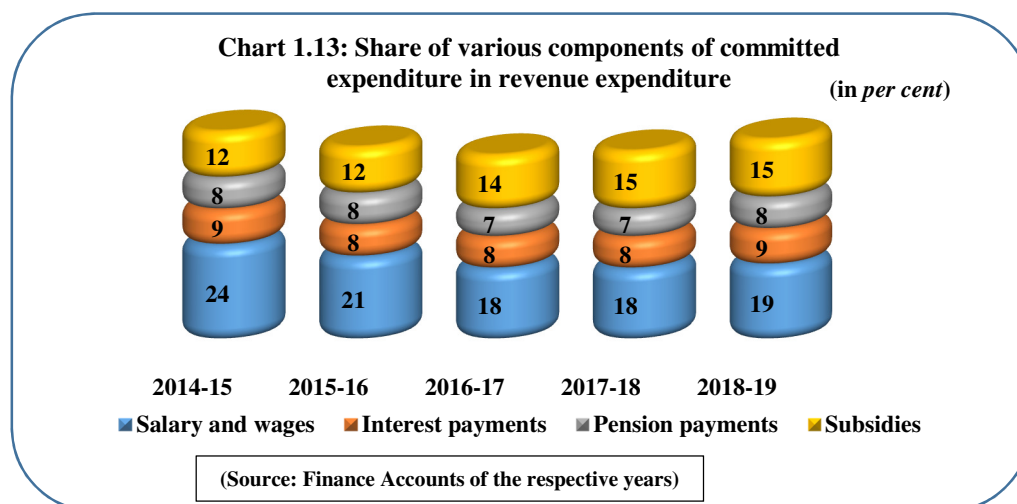
Committed expenditure constituted a major component of revenue expenditure and accounted for 51.47 per cent of the revenue expenditure (₹1,42,149 crore) during 2018-19. **Table 1.26** presents the trends under committed expenditure during the five year period 2014-19 and **Chart 1.13** depicts the share of components of committed expenditure in revenue expenditure.

Components of committed expenditure	(₹ in crore)					
	2014-15	2015-16	2016-17	2017-18	2018-19	
					BE	Actuals
Salaries* and wages	19,997 (22.56)	20,554 (19.48)	21,577 (17.50)	24,026 (17.81)	31,920 (20.48)	27,256 (18.31)
Interest payments	7,071 (7.98)	8,091 (7.67)	9,079 (7.36)	11,045 (8.19)	12,867 (8.25)	12,696 (8.53)
Pension payments	6,836 (7.71)	7,819 (7.41)	8,793 (7.13)	9,290 (6.89)	12,557 (8.06)	11,984 (8.05)
Subsidies	9,954 (11.23)	11,725 (11.11)	16,512 (13.39)	19,381 (14.37)	22,510 (14.44)	21,222 (14.25)
Total	43,858 (49.48)	48,189 (45.67)	55,961 (45.38)	63,742 (47.26)	79,854 (51.23)	73,158 (49.13)
Percentage of committed expenditure to revenue expenditure	53.24	48.30	46.81	48.94	51.31	51.47

Note: Figures in parentheses indicate percentage of Revenue Receipts

*Also includes salaries paid out of Grants-in-aid.

(Source: Finance Accounts of respective years and budget books for the year 2018-19)



1.10.4.1 Salaries and Wages

During 2018-19, the expenditure on salaries and wages increased by 13.44 per cent over the previous year, which was 11.35 per cent in 2017-18. However, actual expenditure on salaries and wages fell short of assessment made by the State Government in MTFPS (₹31,920 crore) by ₹4,664 crore.

1.10.4.2 Interest payments

Interest payments increased by ₹5,625 crore at CAGR of 15.76 *per cent* during 2014-19. Major component of interest payments in 2018-19 was interest on market loans (₹7,330 crore).

1.10.4.3 Subsidies

The department/head-wise details of subsidies paid by the State Government during 2018-19 are given in Appendix II of the Finance Accounts. The subsidy given to major activities were under Energy: ₹9,684 crore (45.63 *per cent*); Farmers welfare and agriculture development: ₹5,708 crore (26.90 *per cent*) and Horticulture and Food Processing: ₹932 crore (4.39 *per cent*).

1.10.4.4 Pension Payments

During 2018-19, expenditure on pension payments was ₹11,983.83 crore, out of which, ₹728.88 crore was incurred towards National Pension System (NPS) as discussed below.

National Pension System (NPS)

New Pension Scheme was initially designed for Government employees with effect from 1 January 2005. It was further redesigned as National Pension System (NPS) in 2009. In terms of the scheme, the employee contributes 10 *per cent* of basic pay and dearness allowance, which is matched by the State Government and the entire amount is transferred to the designated Fund Manager through the National Securities Depository Limited (NSDL).

Out of the total collected contribution of ₹1,153.70 crore (employees' contribution and Government contribution) during the year 2018-19, the State Government transferred only ₹1,040.60 crore to NSDL, resulting in a short transfer ₹113.10 crore to the designated authority during 2018-19 for further investment as per the provision of the scheme. Thus, the current liability stands deferred to future years. Further, the State Government has created avoidable interest liability on the amount not transferred to NSDL.

Non-deduction of NPS

Out of the total 102¹² offices of Superintendents of Police/ Commandants, Special Armed Force/Hawk Force in Madhya Pradesh, 86¹³ offices (84 *per cent*) were audited during 2018-20. During the audit of these offices, non-deduction of NPS in six offices was observed where the employer had neither deducted NPS contribution amounting to ₹35.54 lakh of 3,310 employees from arrears of Seventh Pay Commission and dearness allowance, nor matched it with equal share. The details are given in **Part (A) of Table 1.27**.

¹² Includes 77 offices of Superintendent of Police, 24 offices of Commandant, Special Armed Force and one office of Commandant, Hawk Force

¹³ Includes 66 offices of Superintendent of Police, 19 offices of Commandant, Special Armed Force and one office of Commandant, Hawk Force

Similarly, out of a total 322 offices of Block Education Officer (BEO), 143 offices (44 per cent) were audited during 2018-20. During the audit of these offices, non-deduction of NPS was observed in five offices where the employer had neither deducted NPS contribution amounting to ₹25.39 lakh of 140 employees from salaries nor matched it with equal share. The details are given in **Part (B)** of **Table 1.27**.

Table 1.27: Unit-wise details of non-deduction of NPS from arrears of 7 th Pay Commission/ salaries							
(₹ in lakh)							
Sl. No.	Name of the office	Year of Audit	Number of employees	Period during which amount was not deducted	Employees' contribution not deducted	Matching share of employer	Amount not transferred to NSDL
A. Cases of non-deduction of NPS from arrears of 7th CPC							
1.	Superintendent of Police, Morena	2018-19	672	July – Sept. 2017	9.22	9.22	18.44
2.	Superintendent of Police, Mandasaur	2018-19	571	July – Sept. 2017	6.45	6.45	12.90
3.	Commandant, Hawk Force, Bhopal	2019-20	787	July – Oct. 2017	6.17	6.17	12.34
4.	Commandant, 8 th Battalion, SAF, Chhindwara	2018-19	399	July – Aug. 2017	2.66	2.66	5.32
5.	Superintendent of Police, Khandawa	2019-20	474	July – Nov. 2017	5.97 ¹⁴	5.97	11.94
6.	Superintendent of Police, Burhanpur	2019-20	407	July – Oct. 2017	5.07	5.07	10.14
Total (A)			3,310		35.54	35.54	71.08
B. Cases of non-deduction of NPS from salaries							
1	Block Education Officer, Patharia, District- Damoh	2019-20	14	Apr 2017, Jun 2017 and Aug 2017	0.92	0.92	1.84
2.	Block Education Officer, Hatta District-Damoh	2018-19	51	June 2017 and Aug. 2017	1.22	1.22	2.44
3.	Block Education Officer, Malthon, District- Sagar	2019-20	30	Aug 2018	0.75	0.75	1.50
4.	Block Education Officer, Guna	2018-19	28	Nov. 2014 - Aug 2018	15.54	15.54	31.08
5.	Block Education Officer, Kurwai, Vidisha	2018-19	17	Mar. 2017 - Sep 2018	6.96	6.96	13.92
Total B			140		25.39	25.39	50.78
Grand Total (A&B)			3,450		60.93	60.93	121.86

(Source: Information furnished by concerned Departments)

It can be seen from **Table 1.27** that employers had neither deducted the contribution of 3,450 State Government employees to NPS amounting to ₹60.93 lakh from salaries and arrears of Seventh Pay Commission, nor contributed the share of the Government, which resulted in short transfer of ₹121.86 lakh to NSDL/Trustee bank. This has deprived the Government employees of the benefit of NPS.

On this being pointed out, Superintendents of Police and Commandants replied that deduction could not be made due to non-availability of provision for deducting NPS subscription from arrears in the Integrated Financial Management Information System

¹⁴ Inclusive of ₹0.62 lakh pertaining to arrears of dearness allowance

(IFMIS) software and BEOs replied that contribution could not be deducted due to non-receipt of Permanent Retirement Account Number (PRAN).

The replies are not acceptable, as Principal Secretary, Finance Department had instructed (September 2017) heads of all the Departments to draw arrears of NPS subscribers as per previous pattern, till the necessary change is made in the IFMIS software. Further, Secretary, Finance Department vide its order (January 2016) has stipulated the time limit of 20 days for generating PRAN from the date of appointment of the employee.

1.10.5 Adequacy of public expenditure

The fiscal priorities of the State Government with regard to development expenditure, social services expenditure and capital expenditure during 2014-15 and 2018-19 are analysed in **Table 1.28**.

Table 1.28: Fiscal priority of the State in 2014-15 and 2018-19									
(in per cent)									
Fiscal Priority (percentage to GSDP)			AE/ GSDP	DE [#] / AE	SSE/ AE	ESE/ AE	CE/AE	Education/ AE	Health/ AE
General Category States Average (Ratio) 2014-15			15.99	68.51	36.15	32.36	14.02	16.54	4.92
Madhya Pradesh's Ratio 2014-15			22.25	74.86	31.98	42.88	11.12	15.50	4.46
General Category States Average (Ratio) 2018-19			16.05	67.04	36.59	30.45	14.28	14.99	5.07
Madhya Pradesh's Ratio 2018-19			21.33	73.03	37.46	35.57	17.04	15.74	4.48
AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Services Expenditure; ESE: Economic Services Expenditure; CE: Capital Expenditure. # Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.									

The ratio depicting the adequacy of public expenditure of Madhya Pradesh in 2018-19 was higher than the average of General category states except in the health sector.

1.10.6 Efficiency of expenditure use

Details of capital and revenue expenditure on maintenance of social and economic services are given in **Table 1.29** below:

Table 1.29: Efficiency of expenditure use in selected social and economic services						
Social/Economic Infrastructure	2017-18			2018-19		
	Ratio of CE to TE	Revenue expenditure (₹ in crore)		Ratio of CE to TE	Revenue expenditure (₹ in crore)	
		S&W	O&M		S&W	O&M
Social Services (SS) Total	8.38	12,565	429	8.84	14,061	356
Economic Services (ES) Total	42.25	3,842	1,250	37.42	4,201	954
Total (SS+ES)	24.60	16,408	1,679	22.76	18,262	1,310
Major components of Social Services						
Education, Sports, Art and Culture	2.82	8,232	28	3.47	9,105	30
Health and Family Welfare	13.96	2,828	19	15.74	3,223	16
Water Supply, Sanitation, Housing and Urban Development	11.91	323	363	16.66	376	285
Other Social Services	10.35	1,183	19	6.18	1,357	25
Major components of Economic Services						
Agriculture and Allied Activities	3.18	2,424	16	10.68	2,581	15
Irrigation and Flood Control	92.51	660	74	88.76	715	65
Power and Energy	36.84	1	19	17.85	1	12
Transport	85.31	82	490	87.03	157	364
Other Economic Services	20.98	676	651	25.93	747	498
TE: Total Expenditure; CE: Capital Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance.						

(Source: Finance Accounts and VLC data of Pr. AG (A&E)-I, M.P. for the years 2017-18 and 2018-19)

- The share of capital expenditure to total expenditure during 2018-19 over the previous year increased by 0.46 *per cent* under social services and decreased by 4.83 *per cent* under economic services.
- The share of salaries and wages in revenue expenditure increased by ₹1,854 crore (11.30 *per cent*) in 2018-19 as compared to 2017-18. The overall share of O&M expenditure in the revenue expenditure decreased by ₹369 crore (21.98 *per cent*).

1.11 Government expenditure and investments

1.11.1 Financial results of irrigation works

Thirteenth and XIV Finance Commissions had prescribed cost recovery rates of irrigation projects (revenue receipts as compared to revenue expenditure) for assessing the commercial viability of these projects. The financial results of irrigation projects in the State for the period 2014-19 are depicted in **Table 1.30**.

Table 1.30: Cost recovery position of irrigation projects				
Year	Revenue receipts	Revenue expenditure	Cost recovery assessment of XIII FC(2010-15)/ XIV FC (2015-20)	Percentage of revenue receipts to revenue expenditure
1	2	3	4	5
	₹ in crore		In per cent	
2014-15	437	839	75.00	52.09
2015-16	483	625	35.00	77.28
2016-17	574	680	35.00	84.41
2017-18	524	637	35.00	82.26
2018-19	809	1,052	35.00	76.90

(Source: Finance Accounts of the respective years and Reports of XIII and XIV Finance Commission)

As may be seen from the above table, the cost recovery of irrigation projects in the State during 2014-15 was below the assessment made by XIII FC. However, it improved from 2015-16 onwards and was above the assessment made by XIV FC during 2015-19.

1.11.2 Incomplete projects

Blocking of funds on incomplete works impinges negatively on the quality of expenditure. The details of incomplete projects as on 31 March 2019 as given in the Finance Accounts are summarised below in **Table 1.31**.

Table 1.31: Department-wise profile of incomplete projects as on 31 March 2019							
(₹ in crore)							
Particulars	Number of incomplete projects	Initial budgeted cost of all incomplete projects	Cumulative actual expenditure of all incomplete projects	No. of projects for which costs were revised	Estimated cost of project for which costs were revised		
					Initial	Revised estimated cost	Cost overrun
Irrigation	33	3,463.98	2,803.76	05	567.58	1,503.81	936.23
Public Works Department	22	217.44	146.77	01	12.00	16.47	4.47
Total	55	3,681.42	2,950.53	06	579.58	1,520.28	940.70

(Source: Appendix IX of Finance Accounts 2018-19)

It can be seen from **Table 1.31** that delay in completion of projects resulted in cost overrun of ₹940.70 crore in six projects apart from delaying the envisaged benefits.

1.11.3 Investments and returns

As on 31 March 2019, Government had invested ₹35,240.10 crore which included investment in 41 Government Companies (₹24,349.56 crore), 34 Statutory Corporations (₹9,259.66 crore), 130 Co-operative institutions (₹1,629.57 crore) and 24 Joint Stock Companies and partnerships (₹1.31 crore).

The position of dividend/interest received on investment during 2014-19 is given in **Table 1.32**.

Table 1.32: Returns on Investments					
Investment/Return/Cost of Borrowings	2014-15	2015-16	2016-17	2017-18	2018-19
Investment at the end of the year (₹ in crore)	15,029	15,524	21,827	29,537	35,240
Dividend/Interest received (₹ in crore)	80.35	129.64	231.50	622.36	347.26
Dividend/Interest received (<i>per cent</i>)	0.53	0.83	1.06	2.11	0.99
Average rate of interest on Government borrowings ¹⁵ (<i>per cent</i>)	6.88	6.86	6.42	6.73	6.92
Difference between interest rate on market borrowings and rate of return on investment (<i>per cent</i>)	6.35	6.03	5.36	4.62	5.93

(Source: Finance Accounts of respective years)

¹⁵ Interest payment / [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100

During 2018-19, the return on these investments was 0.99 *per cent* while the Government paid interest at an average rate of 6.92 *per cent* on its borrowings during the year.

During the exit conference (February 2020), Additional Chief Secretary (ACS), Finance Department replied that while necessary steps would be taken in this regard, the objective of investment in these institutions was not to earn returns, but to further public purpose.

1.11.4 Loans and advances by State Government

Table 1.33 presents the outstanding loans and advances as on 31 March 2019 and interest receipts vis-à-vis interest payments during the last five years.

Table 1.33: Outstanding loans and advances and interest receipts and payments by State Government					
(₹ in crore)					
Quantum of loans/interest receipts/ cost of Borrowings	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Balance of loans and advances	32,072	37,842	40,827¹⁶	44,989¹⁷	41,124¹⁸
Amount disbursed during the year	12,535	3,158	4,941	1,550	1,090
Amount recovered during the year	6,765	162	772	5,070	70
Closing Balance of loans and advances	37,842	40,838	44,996	41,469	42,144
Net addition of loans and advances	5,770	2,996	4,169	(-3,520)	1,020
Interest receipts	1,058	139	62	97	235
Interest receipts as percentage of outstanding loans and advances	2.80	0.34	0.14	0.23	0.56
Average rate of interest on Government borrowings (<i>per cent</i>)	6.88	6.86	6.42	6.73	6.92
Difference between interest rate on market borrowings and interest received on loans (<i>per cent</i>)	4.08	6.52	6.28	6.50	6.36

(Source: Finance Accounts of the respective years)

Considering that the average interest paid on borrowings was 6.92 *per cent* during 2018-19, the rate of interest received was only 0.56 *per cent* on loans and advances given by the Government.

Details of loans and advances made by the Government are detailed in Section 1 of Statement 18 of the Finance Accounts.

1.11.5 Cash balances and investment of cash balances

Table 1.34 depicts the cash balances and investments made by the State Government out of cash balances during 2018-19.

¹⁶ Opening balance decreased by ₹10.21 crore due to proforma transfer to Chhattisgarh

¹⁷ Opening balance decreased by ₹6.74 crore due to proforma transfer to Chhattisgarh

¹⁸ Opening balance decreased by ₹345.35 crore due to proforma transfer to Chhattisgarh

Table 1.34: Cash balances and investment of Cash Balances		
(₹ in crore)		
Particulars	Opening balance as on 1 April 2018	Closing balance as on 31 March 2019
(a) General Cash Balance		
Cash in treasuries	--	--
Deposits with Reserve Bank of India	(-)693.65	(-)3,663.52 ¹⁹
Remittances in transit - local	--	--
Total	(-)693.65	(-)3,663.52
Investments held in Cash Balance Investment account	7,412.19	8,638.46
Total (a)	6,718.54	4,974.94
(b) Other Cash Balances and Investments		
Departmental cash balances	(-)0.23	(-)3.17
Permanent imprest	0.83	0.83
Investment out of earmarked funds	416.42	416.42
Total (b)	417.02	414.08
Grand Total (a)+(b)	7,135.56	5,389.02

(Source: Finance Accounts 2017-18 and 2018-19)

The position of closing cash balance during the last five years showed a growing trend from ₹5,401.96 crore (as on March 2015) to ₹10,993.66 crore (as on March 2017) and then declined to ₹5,389.02 crore (as on March 2019). During 2018-19, the cash balance decreased by ₹1,746.54 crore compared to that of 2017-18 from opening cash balance of ₹7,135.56 crore to closing cash balance of ₹5,389.02 crore. It is appreciated that the State Government had reduced its balance by ₹1,746.54 crore. The cash balance investment decreased from ₹10,628 crore (as on 31 March 2017) to ₹8,638.46 crore as on 31 March 2019 and constituted 30.01 per cent of internal debt (₹28,701 crore) of the State Government as on March 2019. The surplus cash balance was invested in Government of India Treasury Bills.

The surplus cash balance held in investment account was ₹8,638.46 crore while the State Government raised market loan of ₹20,496 crore during 2018-19. The State Government had a surplus cash balance mainly due to raising of market loans under public debt. The build-up of large cash balances increases the interest cost burden for the State Government. The major component of interest payments was interest on market loans (₹7,330 crore). The State Government could have lowered its borrowings and the burden of interest by utilising the surplus cash balance available with it.

1.12 Assets and Liabilities

1.12.1 Growth and composition of assets and liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like lands and buildings owned by the Government is not done. However, Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.8** gives an abstract of such liabilities and assets as on 31 March 2019 compared to the corresponding position as on 31 March 2018.

¹⁹ At the close of March 2019 there was a net difference of ₹1,360.71 crore between the figures reflected in the Finance Accounts and those intimated by RBI ₹2,302.81 crore under 'Deposits with Reserve Bank' due to misreporting of transactions by Agency Bank to RBI and Treasury Officers in the accounts.

1.12.2 Transactions under Reserve Funds

There are 11 Reserve Funds in the accounts of the State Government, which have been created for specific purposes. Details are summarised in **Table 1.35**.

Table 1.35: Position of Reserve Funds during 2016-19							
(₹ in lakh)							
Sl. No.	Head of Accounts	Number of Reserve Funds		Opening balance as on 1 April 2016	Receipts during 2016-19	Disbursements during 2016-19	Closing balance as on 31 March 2019
		Operative	Inoperative				
Reserve Funds bearing interest							
1	8121- General and other Reserve Funds	02	00	77,046.44	5,28,212.92	5,28,189.00	7,542.76 ²⁰
Reserve Funds not bearing interest							
1	8223-Famine Relief Fund	-	01	598.15	-	-	598.15
2	8226- Depreciation / Renewal Reserve Funds	-	01	463.58	-	-	463.58
3	8228- Revenue Reserve Funds	-	01	2,409.27	-	-	2,409.27
4	8229- Development and Welfare Funds	03	01	6,92,459.58	2,89,476.97	3,85,557.68	5,96,378.87
5	8235- General and Other Reserve Funds	01	01	2.21	1,420.72	1,420.72	2.21
Total		06	05	7,72,979.23	8,19,110.61	9,15,167.40	6,07,394.84²⁰

(Source: Finance Accounts of the respective years)

Out of the total 11 Reserve Funds with a balance of ₹6,073.95 crore, five²¹ funds with balance of ₹35.03 crore were inoperative during the period 2016-19. Out of ₹5,963.79 crore lying under Reserve Fund 8229- Development and Welfare Funds, only ₹0.07 crore was invested at the end of 31 March 2019.

1.12.2.1 State Disaster Response Fund (SDRF)

Guidelines of the SDRF stipulate that States should transfer the amount received from GoI to SDRF within 15 days of its receipt and any delay will require the State Government to release the amount, with interest, at bank rate of RBI, for the number of days of delay. Further, States shall pay interest to the SDRF at the interest applicable to overdrafts under Overdraft Regulation Guidelines of the RBI.

²⁰ Closing balance decreased by ₹69,527.60 lakh due to proforma correction of ₹66,800 lakh during 2017-18 and proforma transfer of ₹2,727.60 lakh to Chhattisgarh during 2018-19

²¹ 1. 8223-101-Famine Relief Fund, 2. 8226-102- Depreciation Reserve Fund of Government Non-commercial Departments, 3. 8229-103-Development Funds for Agriculture purposes, 4. 8228-101-Revenue Reserve Funds, 5. 8235-200-Other Funds

As of 1 April 2018, there was a balance of ₹75.19 crore in SDRF. During 2018-19, the State Government received ₹914.40 crore from GoI. State Government transferred this amount along with its own share of ₹101.60 crore to SDRF. During the year 2018-19 GoMP incurred an expenditure of ₹1,016 crore on natural calamities. However, the balance amount of ₹75.19 crore was not invested and no amount of interest (₹6.20 crore²²) was also credited to the Fund during the year.

GoI had released grant-in-aid of ₹334 crore to Madhya Pradesh as assistance from National Disaster Response Fund on 27 September 2018. However, GoMP did not transfer this amount to SDRF at the end of 31 March 2019. As per the SDRF guidelines, GoMP was required to pay an interest of ₹10.44 crore on un-deposited amount of ₹334 crore into SDRF at Bank rate of RBI.

Non-transfer of funds and non-payment of interest to SDRF had overstated revenue surplus and understated fiscal deficit by ₹350.64 crore.

During the exit conference (February 2020), ACS, Finance Department replied that necessary instructions would be issued to the concerned department.

1.12.2.2 Guarantee Redemption Fund (GRF)

The State Government constituted the Guarantee Redemption Fund (GRF) in 2005-06 in view of the recommendation of XII Finance Commission. As per the scheme, GoMP was required to contribute to the fund ₹51.92²³ crore during 2018-19, but no amount was contributed by GoMP. This has resulted in overstatement of revenue surplus and understatement of fiscal deficit by ₹51.92 crore. As on 31 March 2019, the balance in the Fund was ₹408.79 crore against total outstanding guarantees of ₹30,763.38 crore which was invested in Central Government dated Securities.

During the exit conference (February 2020), ACS, Finance Department replied that State Government had sufficient balance in GRF.

1.12.2.3 Sinking Fund

The XII Finance Commission recommended that States should set up Sinking Funds for amortisation of loans. In terms of the guidelines of the Reserve Bank of India, States are required to contribute to the Consolidated Sinking Fund, a minimum of 0.50 *per cent* of their outstanding liabilities as at the end of the previous year.

However, the State Government did not constitute the Consolidated Sinking Fund and therefore, had not contributed ₹861.82 crore in 2018-19 (0.50 *per cent* of outstanding liabilities of ₹1,72,363.11 crore as on 31 March 2018). Thus, the Revenue Surplus has been overstated and Fiscal Deficit understated by ₹861.82 crore.

During the exit conference (February 2020), ACS, Finance Department stated that the GoMP had decided not to constitute the Consolidated Sinking Fund and did not agree with the implication on Revenue Surplus and Fiscal Deficit as pointed out by audit.

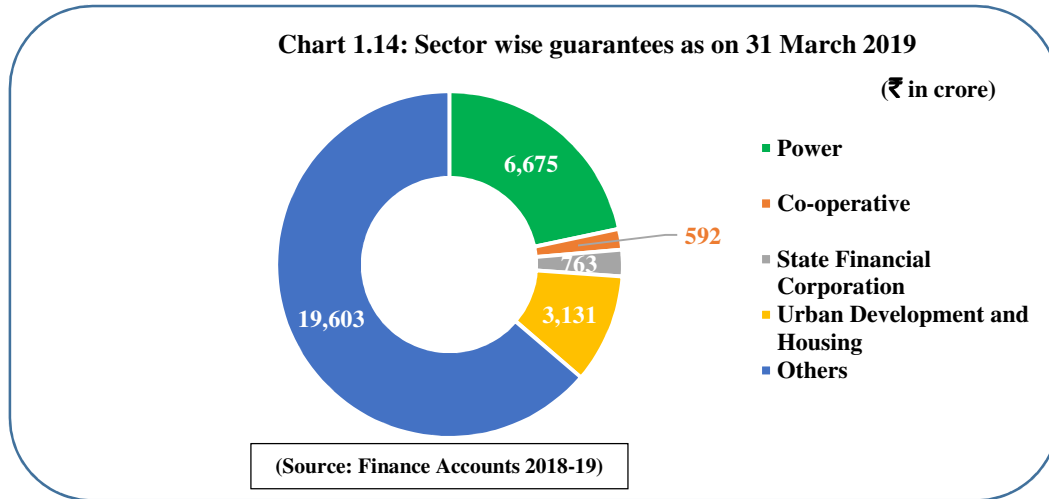
²² Calculated at the average rate of 8.25 *per cent* applicable to overdrafts under overdraft regulation guidelines of Reserve Bank of India

²³ ₹25.96 crore realised as guarantee fees during 2017-18 and equal share by GoMP

However, it is pertinent to note that the State Government had made a token provision of ₹1,000 for Sinking Fund in the Budget for the year 2018-19.

1.12.3 Contingent Liabilities – Status of Guarantees

During 2018-19, the total outstanding guarantees were within the ceilings fixed under the FRBM Act²⁴. The details of outstanding guarantees given by GoMP and maximum amount guaranteed are given in **Appendix 1.6**. Sector wise composition of guarantees outstanding as on 31 March 2019 is shown in **Chart 1.14**.



GoMP did not pay any amount towards guarantees on account of default by the borrowers during 2018-19. The composition of the maximum amount guaranteed was towards six²⁵ entities of power sector (₹14,019 crore), one²⁶ institution of co-operative sector (₹5,150 crore), six²⁷ institutions of urban development and housing (₹6,283 crore), five²⁸ institutions of other sectors (₹28,888 crore) and State Financial Corporation (₹1,300 crore).

Guarantee fee is charged from the principal debtors unless exempted specifically. During 2018-19, GoMP received ₹14.73 crore as guarantee fees out of total receivable of ₹81.06 crore.

1.13 Debt Management

1.13.1 Composition of fiscal liabilities of the State Government

The composition of fiscal liabilities of the State Government during 2014-15 to 2018-19 is detailed in **Table 1.36**.

²⁴ Total guarantees should not exceed 80 per cent of the total revenue receipts in the preceding year

²⁵ 1. M.P. Power Generating Company Ltd., Jabalpur, 2. M.P. Power Transmission Company Ltd., Jabalpur, 3. M.P. Poorv Kshetra Power Distribution Company Ltd., Jabalpur, 4. M.P. Madhya Kshetra Power Distribution Company Ltd., Bhopal, 5. M.P. Paschim Kshetra Power Distribution Company Ltd., Indore, 6. M.P. Power Management Co. Ltd., Jabalpur

²⁶ Credit Co-operative

²⁷ 1. Nagar Nigam, 2. Nagar Palika, 3. Nagar Panchayat, 4. State Urban Development Authority, 5. Nagar Parishad, 6. M.P. Police Housing Corporation Ltd

²⁸ 1. M.P. Khadi Gramoudyog Board, 2. M.P. Commerce, Industry and Employment Department, 3. M.P. Food and Civil Supply Department, 4. Public Works Department, 5. Higher Education

Table 1.36: Composition of fiscal liabilities of the State Government					
Nature of Borrowings	Balances (₹ in crore)				
	31 March 2015	31 March 2016	31 March 2017	31 March 2018	31 March 2019
(A) Public Debt					
Internal Debt of the State Government ²⁹	69,008	83,718	1,08,391	1,23,683	1,40,009
Loans and Advances from GoI	13,254	13,668	13,917	14,741	17,389
Total (A)	82,262	97,386	1,22,308	1,38,424	1,57,398
(B) Other Public Account Liabilities					
Small Savings, Provident Fund	12,659	13,682	14,493	14,331	16,577
Reserve Funds	5,995	7,730	7,218	5,512	6,074
Deposits	7,772	8,346	11,781	14,096	14,260
Total (B)	26,426	29,758	33,492	33,939	36,911
Total debt stock of the State Government³⁰ (A+B)	1,08,688	1,27,144	1,55,800	1,72,363	1,94,309

(Source: Finance Accounts of respective years)

During the five year period 2014-15 to 2018-19, the total debt stock of the Government increased from ₹96,824 crore (1 April 2014) to ₹1,94,309 crore (31 March 2019). Maturity profile of public debt is detailed in **Table 1.37**.

Table 1.37: Maturity Profile of Public Debt				
Maturity Year	(₹ in crore)			
	Internal Debt	Loans and Advances from GoI	Total	Per cent
1 to 3 years	16,685	1,243	17,928	11.39
3 to 7 years	41,238	2,199	43,437	27.60
Above 7 years	72,135	960	73,095	46.44
Maturity year not available	9,951	12,987	22,938	14.57
Total	1,40,009	17,389	1,57,398	100.00

(Source: Finance Accounts 2018-19)

The maturity profile of public debt revealed that the redemption pressure was likely to rise from the year 2024-25 and would reach a peak in the year 2027-28 due to maturity of Madhya Pradesh State Development Loan (MPSDL).

1.13.2 Net availability of borrowed funds

Details of net availability of funds on account of receipts and repayments under public debt and public account liabilities during 2014-19 are given in **Table 1.38**.

²⁹ Internal debt consists of market loans and loans from Financial Institutions, viz., Life Insurance Corporation of India, General Insurance Corporation of India, National Bank for Agriculture and Rural Development, National Co-operative Development Corporation and other institutions

³⁰ In Table 1.36, debt stock during 2016-17 includes borrowings on account of Ujwal Discom Assurance Yojana (UDAY) so as to match Finance Accounts figures. The debt stock excluding UDAY borrowings was ₹ 1,48,440 crore, which has been taken for computing debt sustainability and other fiscal parameters for 2016-17

Table 1.38: Net availability of funds on account of public debt and other obligation					
(₹ in crore)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Receipts under public debt and other liabilities	35,552	49,524	64,106	52,579	71,063
Repayments (principal and interest) under public debt and other liabilities	30,759	39,157	44,528	45,551	61,783
Net funds available	4,793	10,367	19,578	7,028	9,280
Percentage of net funds available to receipts under public debt and other liabilities	13.48	20.93	30.54	13.37	13.06

(Source: Finance Accounts of respective years)

As is evident from **Table 1.38**, 86.94 *per cent* of borrowed funds were used for discharging existing liabilities during 2018-19 and could not be used for capital formation/development activities of the State.

1.13.3 Debt sustainability

Debt sustainability indicates the ability of the State to service its debts in future. Fiscal liabilities are considered sustainable if the Government is able to service the stock of these liabilities over the foreseeable future and the debt/GSDP ratio does not grow to unmanageable proportions. **Table 1.39** presents indicators of debt sustainability for the period of five years beginning from 2014-15.

Table 1.39: Debt Sustainability: Indicators and Trend					
(₹ in crore)					
Indicators of Debt Sustainability	2014-15	2015-16	2016-17 ³¹	2017-18	2018-19
Net funds available on account of Public Debt and Public Account liabilities	4,793	10,367	19,578	7,028	9,280
Burden of Interest Payments (interest payment/Revenue Receipt ratio) (in <i>per cent</i>)	7.98	7.67	7.36	8.19	8.53
Revenue Receipts	88,641	1,05,511	1,23,307	1,34,875	1,48,893
Outstanding debt (fiscal liabilities)	1,08,688	1,27,144	1,55,800	1,72,363	1,94,309
Rate of growth of outstanding debt (fiscal liabilities) (in <i>per cent</i>)	12.25	16.98	22.54	10.63	12.73
GSDP	4,79,939	5,41,189	6,48,849	7,28,242	8,09,327
Rate of growth of GSDP (in <i>per cent</i>)	9.21	12.76	19.89	12.24	11.13
Outstanding Debt (fiscal liabilities)/GSDP (in <i>per cent</i>)	22.65	23.49	24.01	23.67	24.01
Interest Payment	7,071	8,091	9,079	11,045	12,696
Average interest rate of outstanding debt (in <i>per cent</i>)	6.88	6.86	6.42	6.73	6.92

(Source: Finance Accounts of the respective years)

An important condition for debt sustainability is stabilisation in terms of debt/ GSDP ratio. The ratio of interest payment to revenue receipts increased from 8.19 *per cent* to 8.53 *per cent* during 2017-19 and the debt/GSDP ratio also increased from 23.67 *per cent* in 2017-18 to 24.01 *per cent* during 2018-19.

As mentioned in **paragraph 1.5** the State Government was able to contain the fiscal deficit and debt to GSDP ratio below the FRBM targets during 2014-19. However, targets for ratio of interest payment to revenue receipts (burden of interest payment)

³¹ Including impact of UDAY

were not achieved and this ratio in fact increased from 7.36 *per cent* (2016-17) to 8.53 *per cent* (2018-19). Thus, despite achieving the targets for fiscal deficit to GSDP and debt stock to GSDP, the movement in interest payment do not seem to be on the path anticipated by the XIV FC for fiscal consolidation at the targeted level by the year 2019-20.

1.13.4 Ujwal DISCOM Assurance Yojana (UDAY)

UDAY was launched by the GoI in November 2015 for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). The Scheme aimed at reducing interest burden, cost of power, power losses in distribution sector and improve operational efficiency of DISCOMs.

GoMP entered into a tripartite MoU with MP DISCOMs³² and Ministry of Power (GoI) in August 2016 wherein GoMP would take over debt amounting to ₹26,055 crore (75 *per cent* of the total debt of MP DISCOMs of ₹34,739 crore) as on 30 September 2015 in five³³ years. GoMP was required to take over debt of ₹4,622 crore during 2018-19 in the form of the grant. This was not done. However, as committed in the MoU, GoMP took over five *per cent* of the losses of MP DISCOMs for the year 2017-18 amounting to ₹253.21 crore.

In response, Under Secretary, Finance Department stated (December 2019) that certain parameters were stipulated in the MoU to make DISCOMs eligible for transfer of amount and the DISCOMs could not fulfill the parameters as envisaged. Further, keeping in view other priorities (like debt waiver to farmers, decrease in electricity charges, paying suitable price for crops to farmers etc.) and requirements to comply with various financial and fiscal targets set under FRBM Act, no transaction was made under UDAY.

Non-fulfillment of obligation made in the MoU has defeated the main purpose of UDAY. Moreover, had GoMP transferred ₹4,622 crore to DISCOMs during 2018-19, revenue surplus and fiscal deficit of the State would have been ₹2,122 crore and ₹28,310 crore respectively which would still be within the limit set under FRBM Act.

1.14 Follow up

Separate Report on State Finances is being prepared from the year 2008-09 onwards and presented to the State Legislature. The Public Accounts Committee is yet to discuss these reports.

1.15 Conclusion

The State Government registered an increase of 10.39 per cent in its Revenue Receipts during 2018-19 compared to the previous year, although it could not achieve the extent targeted in the Budget for the year. Apart from an increase of 13.55 per cent in its Own

³² MPDISCOMs comprise Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (MPPKVVCL), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVVCL) and Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (MPPKVVCL)

³³ 1. ₹7,568 crore during 2016-17, 2. ₹4,622 crore during 2017-18, 3. ₹4,622 crore during 2018-19, 4. ₹4,622 crore during 2019-20, 5. ₹4,621 crore during 2020-21

Tax receipts, owing primarily to GST receipts, there was a significant increase of 31.32 per cent in the Non-Tax Revenue during the year 2018-19.

Out of the total collected contribution of ₹1,153.70 crore (employees contribution and Government contribution) towards National Pension System during the year 2018-19, the State Government transferred only ₹1,040.60 crore to NSDL. Test check in Audit revealed instances of non-deduction of NPS from the salaries and arrears in 11 offices of Police and Education Departments.

Development expenditure on social and economic sectors of the State was more than that of the average of General Category States (GCS) during 2018-19, except expenditure on health (4.48 per cent,) which was lower than the average of GCS (5.07 per cent).

The State continued to be non-compliant with the Indian Government Accounting Standards (IGAS-2) as regards the accounting treatment given to expenditure incurred out of grant-in-aid, which had the impact of distorting its expenditure under several Heads of Account, apart from inflating the Revenue Surplus.

The State Government did not honour its commitment/obligation made in its MoU with GoI and the DISCOMs under the UDAY scheme. It did not also set up the Consolidated Sinking Fund and contribute the mandated share of ₹861.82 crore to the Fund. Further, there was short contribution to the Guarantee Redemption Fund.

1.16 Recommendations

- i) It is imperative for the State Government to review the classification of expenditure met out of grants-in-aid and take necessary corrective action in formulating its budget and booking its expenditure in this regard, to ensure that its fiscal parameters like revenue surplus/deficit and fiscal deficit reflect the correct position of its finances.
- ii) State Government needs to institute an appropriate mechanism to ensure that the employees' share of NPS is deducted by all the Government Departments scrupulously; match such deductions with its own share, and transfer the funds to the designated Fund Manager along with interest expeditiously.
- iii) State Government also needs to transfer on priority to SDRF, funds released by GoI for the purpose, along with interest as per SDRF guidelines.
- iv) State Government needs to honour its commitment/obligation made in the tripartite MoU with the GoI and the DISCOMs with regard to the debt of the latter.