EXECUTIVE SUMMARY

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Background

This Report on the Finances of the Government of Maharashtra is being brought out with a view to objectively assess the financial performance of the State during 2018-19 and to provide the State Government and State Legislature with timely inputs, based on analysis of the financial data. In order to give a perspective to the analysis, an effort has been made to compare the achievements with the targets envisaged by the State Government in their Fiscal Responsibility and Budgetary Management (FRBM) Act, 2005 and the Budget Estimates of 2018-19.

The Report

Based on the audited accounts of the Government of Maharashtra for the year ended March 2019, this Report provides an analytical review of the Annual Accounts of the Government. The Report is structured in three Chapters.

Chapter I is based on the audit of Finance Accounts and makes an assessment of the State's fiscal position as on 31 March 2019. It provides an insight into trends of committed expenditure and the borrowings made by the State.

Chapter II is based on audit of Appropriation Accounts and gives a grant-wise description of Appropriations voted for by the Legislature and the extent to which the allocated resources were managed by the service delivery Departments of the Government.

Chapter III gives a selected insight into the State Government's compliance to various reporting requirements and Financial Rules. The Report also compiles the data collated from various Government Departments/Organisations in support of the audit findings.

Audit findings and recommendations

Overview of the Finances of the State Government

The State registered Revenue Surplus (₹ 11,975 crore) and Primary Surplus (₹ 11,006 crore) for the second consecutive year in 2018-19. During 2018-19, the State achieved all the three major fiscal indicators specified in the Fourteenth Finance Commission (FFC) Report i.e. (i) the fiscal deficit as percentage of Gross State Domestic Product (GSDP) stood at 0.87 *per cent* which was within the limits of 3.25 *per cent* recommended by FFC and State's Medium Term Fiscal Policy Statement (MTFPS) (1.81 *per cent*) (ii) the ratio of debt to GSDP at 16.42 *per cent* was lower than the FFC target of 23.88 *per cent* and MTFPS target of 16.52 *per cent* (iii) the ratio of interest payment to revenue receipt at 12.19 was lower than the norm prescribed by FFC (12.27) but slightly higher than the target fixed by the State's Medium Term Fiscal Policy Statement (12.02).

The revenue receipt of the State remained between nine *per cent* and 10.5 *per cent* of the GSDP during 2014-19. A slight upward surge in the ratio during 2017-18 and 2018-19 at 10 *per cent* and 10.5 *per cent* respectively was largely, a consequence of tax reforms brought in through the implementation of the Goods and Services tax (GST).

The contribution of Tax Revenue in the Revenue receipt was between 67 *per cent* and 69 *per cent* during 2014-19. There was an increase in tax revenue by ₹ 19,504 crore (12 *per cent*) during 2018-19 over the previous year due to increased collection under taxes on sales, trade etc. and GST by ₹ 13,120 crore (13 *per cent*). The non-tax revenue during 2014-19 fluctuated between six *per cent* and eight *per cent* whereas central transfers increased from 23 *per cent* in 2014-15 to 27 *per cent* in 2018-19. The non-tax receipt relative to GSDP has shown a steady decline during 2014-19 indicating that the State needs to devise measures to enhance non-tax revenue to augment its Revenue Receipts. Capital Expenditure as percentage of total expenditure remained between 10 *per cent* and 12 *per cent* during 2014-19.

Debt Management: Debt sustainability implies State's ability to service the debt in future. Internal Debt had a major share (75 *per cent*) in the total fiscal liabilities of the State.

Net availability of borrowed funds is the difference between debt redemption (principal and interest payments) and total debt receipts, indicating the extent to which the debt receipts were used for redemption of old debts. During 2018-19 as debt redemption (₹ 1,09,159 crore) was more than debt receipts (₹ 79,506 crore), borrowed funds were not available for current operations. This was primarily due to reduction in debt receipts by ₹ 21,005 crore during 2018-19. The State Government was able to pay-off major portion of the interest component from its revenue receipts and did not resort to borrowing to that extent.

The maturity profile of the internal debt indicates that the liability of the State to repay the debt during the periods 2019-20, 2020-22 and 2022-24 would be ₹ 20,881 crore, ₹ 57,950 crore and ₹ 56,959 crore respectively. The Government needs to formulate a clear road-map for servicing of the debt profile.

Review of Government investments: As of 31 March 2019, Government invested ₹ 1,53,322.10 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives. The average return on this investment was a meagre 0.07 *per cent* during 2014-19 while the Government paid an average interest rate of 7.8 *per cent* on its borrowings during the same period. 28 Public Sector Undertakings (PSUs) had incurred losses and their net accumulated losses amounted to ₹ 20,214.14 crore. The net worth was eroded in 12 PSUs.

Cash balances: The State Government's cash balances of ₹ 67,269 crore at the end of the current year showed a decrease of 24 *per cent* (₹ 21,200 crore) over the previous year. An amount of ₹ 35,218 crore was invested in GoI Treasury Bills which earned an interest of ₹ 3,032 crore during the year. No Ways and means advances were taken during the current year.

Financial Management and Budgetary Control

The programme implementation of various social and developmental programmes in the State left an overall savings of ₹ 73,856.35 crore set-off by an excess of ₹ 946.16 crore. This requires regularisation under Article 205 of the Constitution of India. There were instances of inadequate provision of funds. Rush of expenditure at the end of the financial year was another chronic feature noticed in the State. In many cases, the anticipated savings were surrendered on the last two days of March 2019.

Supplementary provisions (₹ 10 crore and above in each case) aggregating to ₹ 12,990.69 crore obtained during the year proved unnecessary as the actual expenditure (₹1,34,453.22 crore) on these grants did not reach the level of the original provision (₹ 1,62,720.96 crore).

Departments surrendered ₹ 68,721 crore (20 *per cent* of total voted provision of ₹ 3,44,943 crore) on the last two days of March 2019. Surrender of savings in the last two working days of the financial year indicated inadequate financial discipline.

As on 31 March 2019, 2,135 Personal Deposit Accounts showed a total closing balance of ₹ 10,953.53 crore. Retention of funds in Personal Deposit/Personal Ledger Accounts not only led to expenditure booked under the service heads being inflated without actual outgo, but also resulted in dilution of treasury control over actual expenditure.

Financial Reporting

As on 31 March 2019, Utilization Certificates (UCs) aggregating to ₹ 47,483.36 crore due in respect of grants released upto 2017-18 were in arrears. In the absence of the UCs, audit could not ascertain whether the recipients had utilized the grants for the intended purpose.

Non-reconciliation of 32 *per cent* (₹ 78,121 crore) of total expenditure and six *per cent* (₹ 11,369 crore) of total receipts during the year, (excluding expenditure and receipts adjusted through Transfer Entry and periodical adjustment) had an impact on the assurance of completeness and correctness of the receipt and expenditure figures by the Department.

As on 31 March 2019, 2,612 Detailed Contingent (DC) bills amounting to ₹ 1,964.37 crore against Abstract Contingent (AC) bills drawn, were not received. To the extent of non-submission of DC bills, the expenditure shown in the Finance Accounts could not be vouched as correct or final. An effective monitoring mechanism needs to be put in place in the Departments to adjust the advances drawn on Abstract Contingent Bills within the stipulated period, as required under the extant rules.