

CHAPTER – I
OVERVIEW

Chapter I: Overview

1.1 Profile of the State

Maharashtra is located in west-central part of the country. It has a long coastline (720 kms.) along the Arabian Sea. The State ranks second by population and third in terms of geographical area. The State has 36 districts. These districts are divided into six revenue divisions *viz.* Amravati, Aurangabad, Konkan, Nagpur, Nashik and Pune.

Key indicators of the State are given in **Table 1.1**.

Table 1.1: Key indicators of the State

Indicators	Year	Unit	Maharashtra [#]	India [§]
Geographical Area	2011	Lakh Sq. Km.	3.08	32.87
Population	2011	Creore	11.24	121.09
Decadal Growth Rate	2011-21	Percentage	10.51	12.30
Population Density	2011	Persons per sq. km.	365	382
Sex Ratio	2011	Females per 1,000 Males	929	943
Literacy Rate	2011	Percentage	82.30	73.0
Infant Mortality Rate	2019	Per 1,000 live births	17	30
Life Expectancy at birth	2014-18	Years	72.50	69.40
Population Below Poverty Line (BPL)	2011-12	Percentage	17.35	21.92
Gross Domestic Product [†]	2020-21	₹ in crore	2661629	19745670
CAGR of GSDP	2011-21	Percentage	8.47	9.48
Per capita GSDP	2020-21	₹	2,14,715	1,45,680
CAGR of per capita GSDP	2011-21	Percentage	7.37	8.21

Source: Central Statistical Office (CSO), Ministry of Statistics and Programme Implementation 2020-21, [#]Economic Survey of Maharashtra 2020-21, [§]Economic Survey of India 2020-21

[†] Advance Estimate

The percentage of population below the poverty line at 17.35 *per cent* was lower than the All-India average of 21.92 *per cent*. The State's literacy rate has increased from 76.9 *per cent* (Census 2001) to 82.30 *per cent* (Census 2011), which was higher than the All-India average of 73 *per cent*.

The density of population of Maharashtra has increased from 315 persons per sq. km. (Census 2001) to 365 persons per sq. km. (Census 2011). Maharashtra's Gross State Domestic Product (GSDP) in 2020-21 at current prices was ₹ 26,61,629 crore (advance estimates). The Compound Annual Growth Rate (CAGR)¹ of GSDP for the period 2011-2021 at 8.47 *per cent* was lower than the CAGR of Gross Domestic Product at 9.48 *per cent*. The per capita GSDP of the State during 2020-21, as per advance estimates at ₹ 2,14,715 was higher than the per capita GDP of ₹ 1,45,680.

¹ Rate of Compound Annual Growth $\left[\left(\frac{\text{Value of 2020-21}}{\text{Value of 2011-12}} \right)^{\frac{1}{(10-1) \text{ years}}} - 1 \right] * 100$

1.1.1 Gross State Domestic Product of the State

GSDP is the value of all officially recognized goods and services produced within the boundaries of the State in a given period of time. It is important to understand changes in sectoral contribution to the GSDP since they indicate changing structure of economy. Economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors. The trends in the annual growth of National GDP and that of the State, at current prices are indicated in **Table 1.2**.

Table 1.2: Trends in GSDP compared to the National GDP

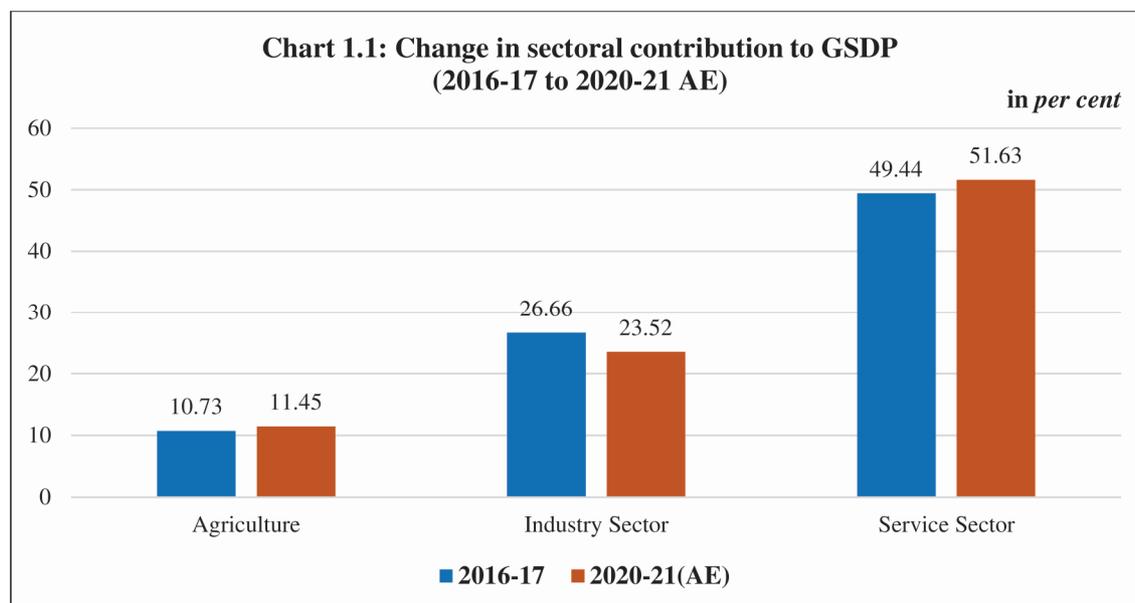
Year	2016-17	2017-18 ⁺⁺⁺	2018-19 ⁺⁺	2019-20 ⁺	2020-21 [§]
GDP (2011-12 series)	15391669	17090042	18886957	20351013	19745670
Growth rate of GDP (in per cent)	11.76	11.03	10.51	7.75	(-)2.97
State's GSDP (2011-12 series)	2198185	2352782	2579628	2818555	2661629
Growth rate of GSDP (in per cent)	11.80	7.03	9.64	9.26	(-)5.57

Source: GoI's Economic Survey (2020-21) and Department of Economics and Statistics, Government of Maharashtra
[§] Advance Estimate ⁺ First revised estimate ⁺⁺ Second revised estimate ⁺⁺⁺ Third revised estimate

The extraordinary situation of COVID-19 pandemic, the complete lockdown and then step by step removal of these restrictions had impacted the economic activities drastically, as a result of which the GSDP of Maharashtra registered a negative growth rate in 2020-21.

Change in sectoral contribution to GSDP (2016-17 to 2020-21)

The change in sectoral contribution to GSDP is shown in **Chart 1.1**.

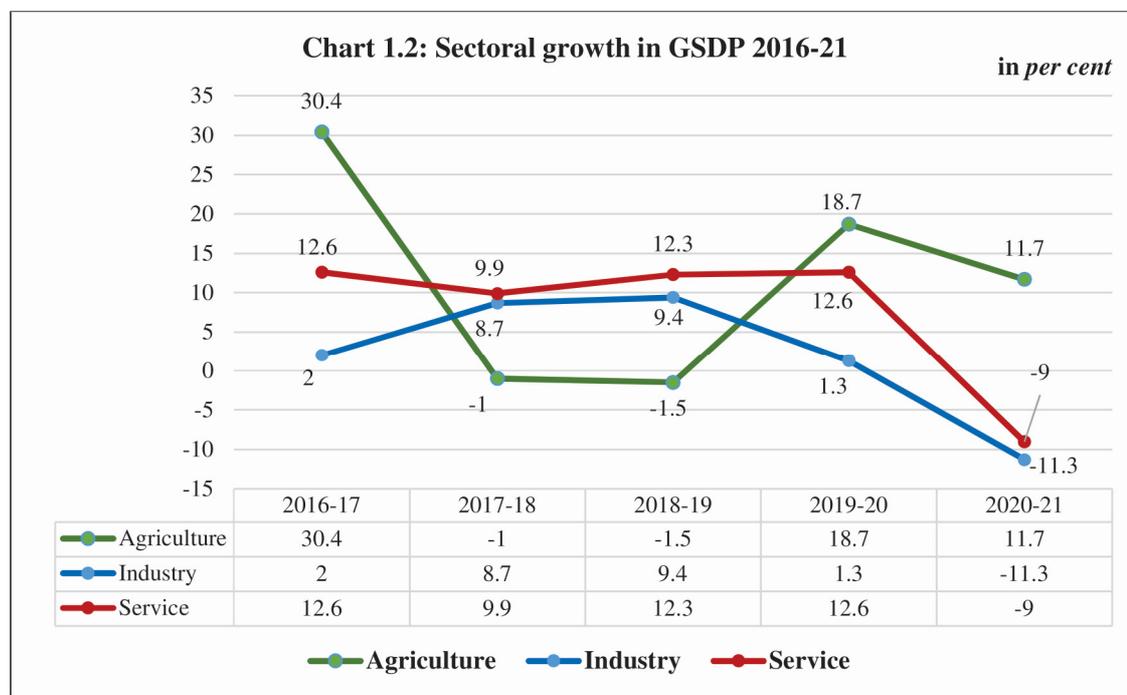


(Source: Economic Survey of Maharashtra 2020-21)

Chart 1.1 reveals that during 2016-17 and 2020-21, while there was a decrease in the relative share of Industry to GSDP, there was a marginal increase in the relative share of Agriculture and Services sector.

Sectoral growth in GSDP at current prices

In 2020-21, among the three major sectors of the economy, 'Agriculture and allied activities' sector was the only sector which contributed positively to GSDP and was least impacted by the COVID -19 pandemic. The Industry and Service sector registered a negative growth rate of 11.3 per cent and nine per cent respectively as indicated in Chart 1.2.



(Source: Economic Survey of Maharashtra 2020-21)
(2017-18: Third RE; 2018-19: Second RE; 2019-20: First RE; 2020-21: Advance Estimates)

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the Reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

Principal Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for maintaining initial accounts and the statements received from the Reserve Bank of India. These accounts are audited independently by the Accountant General (Audit) and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this report. The analysis is also carried out considering the other sources which include the following:

- Budget of the State- for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;

- Results of audit carried out by the Office of the Accountant General (Audit);
- Other financial data obtained from various Government Departments, Treasuries and organisations;
- GSDP data and other State related Statistics, Directorate of Economics and Statistics, Government of Maharashtra;
- Recommendations of the XIV and XV Finance Commission (FC);
- Maharashtra Fiscal Responsibility and Budgetary Management Act, 2005;
- Guidelines from the Government of India.

1.3 Structure of Government Accounts

The Accounts of the State Government are kept in three parts:

1. Consolidated Fund of the State (Article 266(1) of the Constitution of India)

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.*, salaries of Constitutional authorities, loan repayments *etc.*), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

2. Contingency Fund of the State (Article 267(2) of the Constitution of India)

This Fund is in the nature of an imprest which is established by the State Legislature by law and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

3. Public Accounts of the State (Article 266(2) of the Constitution)

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayable like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

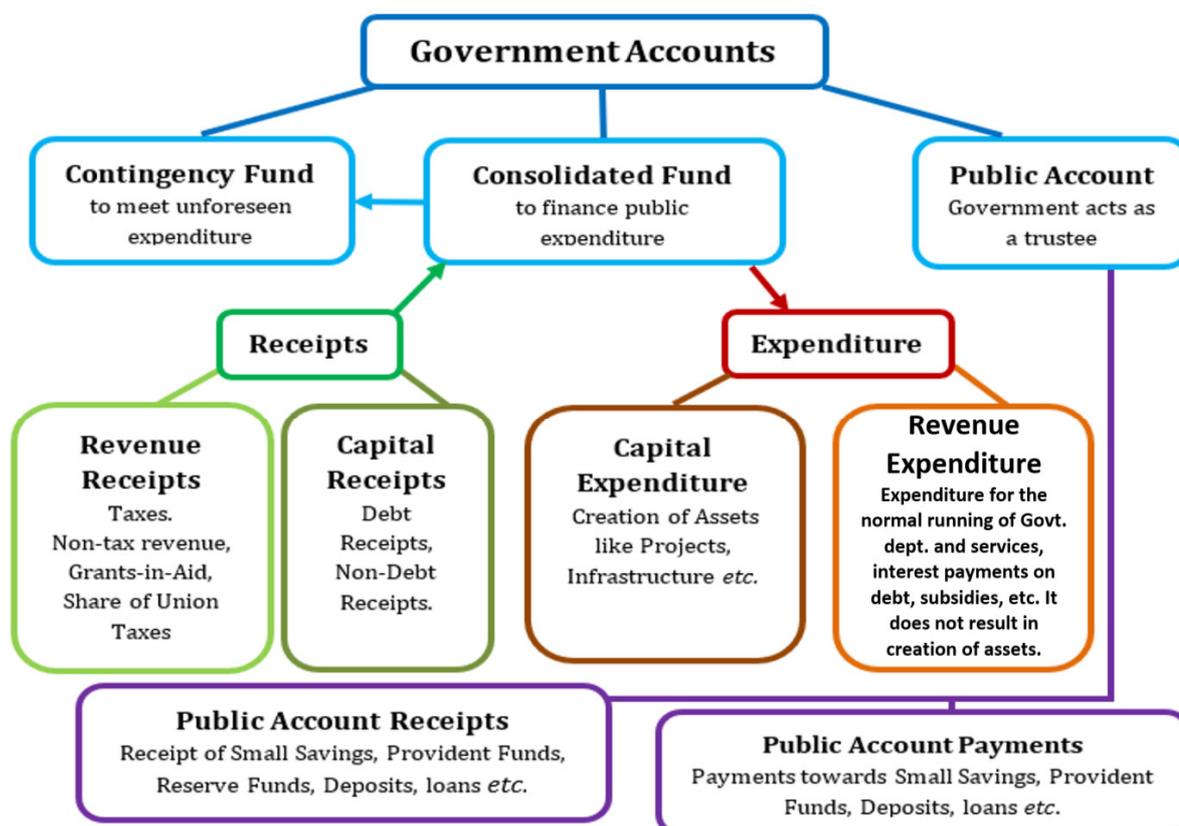
There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures

of the State Government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. It includes:

- **Revenue receipts** consist of Tax Revenue, Non-tax Revenue, share of Union Taxes/Duties and grants from Government of India.
- **Revenue expenditure** consists of all those expenditures of the State Government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the State Government Departments and various services, interest payments on debt incurred by the State Government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).
- **Capital receipts** consist of:
 - **Debt receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, etc.;
 - **Non-debt receipts:** Proceeds from disinvestment, Recoveries of loans and advances;
- **Capital Expenditure** includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares and loans and advances by the State Government to PSUs and other parties.

The pictorial description of the structure of Government Accounts is given below:-

Structure of State Government Accounts



Fund based accounting coupled with functional and economic classification of transactions facilitates in-depth analysis of Government activities/ transactions and enables Legislative oversight over public finances.

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2020-21, in the form of an **Annual Financial Statement**. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

1.3.1 Snapshot of Finances

Appendix 1.1 provides the details of receipts and disbursements as well as the overall fiscal position of the State during 2016-17 to 2020-21. The fiscal Priority of the State during 2020-21 and its growth over 2019-20 compared with the All-India figures and figures of other than North Eastern and Himalayan States is given in **Appendix 1.2**. The following table provides the details of actual financial results *vis-a-vis* budget estimates for the year 2020-21 *vis-a-vis* actual of 2019-20.

Table 1.3: Actual vis-à-vis Budget Estimates

(₹ in crore)

Sl. No.	Components	2019-20 Actual	2020-21		Percentage of Actual to B.E.	Percentage of Actual to GSDP
			BE	Actual		
1	Tax revenue	188947.57	225071.20	164254.98	72.98	6.17
2	Non-tax revenue	14297.00	20506.16	15975.46	77.91	0.60
3	Share of Union Taxes/Duties	36219.64	48109.49	36504.01	75.88	1.37
4	Grants-in-aid and Contributions	43725.37	53770.03	52733.46	98.07	1.98
5	Revenue Receipts (1+2+3+4)	283189.58	347456.88	269467.91	77.55	10.12
6	Recoveries of Loans and Advances	1614.87	2309.25	1612.35	69.82	0.06
7	Other Receipts	0	0	0	0	0
8	Borrowings and other Liabilities ^(a)	53886.19	54618.39	71558.05 [#]	131.01	2.69
9	Capital Receipts (6+7+8)	55501.06	56927.64	73170.40	128.53	2.75
10	Total Receipts (5+9)	338690.64	404384.52	342638.31	84.73	12.87
11	Revenue Expenditure of which	300305.21	356967.60	310609.76	87.01	11.67
12	Interest payments	33560.73	35530.64	36969.77	104.05	1.39
13	Grant-in-aid for creation of Capital assets	21264.17	23675.59	20396.38	86.15	0.77
14	Capital Expenditure of which	38385.43	47416.92	32028.55	67.55	1.20
15	Capital outlay	36415.57	45123.97	29686.70	65.79	1.12
16	Loan and advances	1969.86	2292.95	2341.85	102.13	0.09
17	Total Expenditure (11+ 14)	338690.64	404384.52	342638.31	84.73	12.87
18	Revenue Deficit/Surplus (5-11)	(-17115.63)	(-9510.72)	(-41141.85)	432.58	(-1.55)
19	Effective Revenue Deficit/Surplus (18-13)	4148.54	14164.87	(-20745.47)	(-146.46)	(-0.78)
20	Fiscal Deficit {(5+6+7)-17}	(-53886.19)	(-54618.39)	(-71558.05)	131.01	(-2.69)
21	Primary Deficit (20-12)	(-20325.46)	(-19087.75)	(-34588.28)	181.21	(-1.30)

(a) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.
[#]Lower rounding

The Budget of Maharashtra for the year 2020-21 was presented on 06 March 2020. The Revenue Deficit of the State was ₹ 41,141.85 crore as against the Budget estimate of ₹ 9,510.72 crore.

GST Compensation is the revenue of the State Government under GST (Compensation to States) Act, 2017. However, in addition to receiving the GST compensation of ₹ 17,423.37 crore as revenue receipts, due to inadequate balance in GST compensation fund during the year 2020-21 Maharashtra also received back-to-back loan of ₹ 11,977 crore under debt receipts of the State Government, with no repayment liability for the State. Due to this arrangement, the revenue deficit of ₹ 41,141.85 crore and fiscal deficit of ₹ 71,558.05 crore during the year 2020-21 may be read in conjunction with debt receipt of ₹ 11,977 crore in lieu of GST compensation.

1.3.2 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from Government of India (GoI), receipts from public

account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

Table 1.4 gives an abstract of such liabilities and the assets as on 31 March 2021, compared with the corresponding position on 31 March 2020. The liabilities consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Funds. Similarly, the assets mainly comprise the capital outlay and loans and advances given by the State Government and cash balances.

Table 1.4: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets					
	2019-20	2020-21	Per cent increase		2019-20	2020-21	Per cent increase			
Consolidated Fund										
A	Internal Debt	361132.26	408036.24	12.99	a	Gross Capital Outlay	359532.11	389218.81	8.26	
B	Loans and Advances from GoI	6420.15 [§]	20445.54	218.46	b	Loans and Advances	26100.55	26830.05	2.79	
Contingency Fund		10150.00	150.00	(-)98.52	Contingency Fund (un recouped)		9000	0		
Public Account										
A	Small Savings, Provident Funds, etc.	27450.40	28190.29	2.7	a	Advances	9.39 #	10.59#	12.78	
B	Deposits	73189.49	79196.83	8.21	b	Remittances	428.48 #	-	(-)100	
C	Reserve Funds	53581.77 [§]	58751.91	9.65	c	Suspense and Miscellaneous	-	-		
D	Remittances	-	1699.38*	100	Cash balance		14607.35	22152.94	51.66	
					Investment in Earmarked Fund		41874.93 [§]	46444.35	10.91	
E	Suspense and Miscellaneous	13073.01	12772.67*	(-)2.3	Cash Total		56482.28[§]	68597.29	21.45	
					Deficit in Revenue Account		93977.99 [§]	125119.84	33.14	
							Misc. Capital Receipt	(-)533.72	(-) 533.72	0
Grand Total		544997.08	609242.86	11.79	Grand Total		544997.08	609242.86	11.79	

Source: Finance Accounts of respective years

*Higher rounding # Lower rounding [§] Figures revised in Finance Accounts 2020-21 due to Proforma correction

The growth rate of assets decreased from 8.45 per cent in 2019-20 to 7.34 per cent in 2020-21, while Liabilities decreased from 12.43 per cent in 2019-20 to 11.79 per cent in 2020-21. The cash balance of the State at the end of the year was ₹ 22,152.94 crore. The increase in the cash balance was 51.66 per cent over the previous year.

1.3.3 Functioning of State Public Sector Undertakings

There were 109 State Public Sector Undertakings (PSUs) as on 31 March 2021. These State PSUs were incorporated between 1957-58 and 2020-21 and included 99 Government Companies and 10 Statutory Corporations. These Government Companies further included 80 working companies (47 held directly by State Government² and 33 subsidiaries of other Government Companies) and 19 inactive companies (seven held directly by State Government and 12 subsidiaries of other Government Companies). None of these

² Of these, Maharashtra Bamboo Promotion Foundation, Chhatrapati Shahu Maharaj Research, Training and Human Development Institute (SARTHI), Babasaheb Ambedkar Samata Pratishthan, Waghadi Nadi Punarujjeevan Foundation and Mahatma Jyotiba Phule Research and Training Institute are companies limited by guarantee and not having share capital

Government Companies were listed on the stock exchange. During the year 2020-21, three³ PSUs were incorporated and one⁴ PSU was taken over by a private party.

The State Government provides financial support to the State PSUs in the form of equity, loans and grants/subsidy from time to time. Of the 109 State PSUs, the State Government invested funds in the form of equity and long-term loans in 59 State PSUs⁵ only while five PSUs did not have a share capital, being companies limited by guarantee and the State Government did not infuse any funds in 45 Government Companies, which were incorporated as joint venture/subsidiary of other Government Companies. Equity of these 45 joint venture/subsidiary companies was contributed by the respective Co-partner/Holding Companies.

1.3.3.1 Turnover of PSUs vis-à-vis GSDP

A ratio of turnover of the PSUs to the GSDP shows the extent of activities of the PSUs in the economy of the State. The details of turnover of State PSUs vis-à-vis GSDP of Maharashtra for a period of five years ending March 2021 is given in **Table 1.5**.

Table 1.5: Turnover of PSUs vis-à-vis GSDP

Particulars	₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Turnover	86377.84	90334.69	102195.78	110256.45	114929.10
Per cent change in turnover as compared to turnover of preceding year	(-) 5.49	4.58	13.13	7.89	4.24
GSDP of Maharashtra	2198185	2352782	2579628	2818555	2661629
Per cent change in GSDP as compared to the GSDP of the preceding year	11.80	7.03	9.64	9.26	(-)5.57
Per cent of Turnover to GSDP	3.93	3.84	3.96	3.91	4.32
Source: The figures of turnover have been compiled based on the latest finalized financial statements of the respective PSUs					

The turnover of these PSUs recorded increase during 2017-18 to 2020-21. The change in turnover ranged between (-) 5.49 per cent and 13.13 per cent during the period 2016-21 while the increase in GSDP ranged between (-)5.57 per cent and 11.80 per cent during the same period. The compounded annual growth is a useful method to measure growth rate over multiple time periods. The compounded annual growth⁶ rate (CAGR) of the GSDP was 4.90 per cent during the period 2016-17 to 2020-21 whereas the CAGR of the State Public Sector Undertakings was 7.40 per cent during the same period. The turnover of the State PSUs as percentage to GSDP increased from 3.93 per cent in 2016-17 to 4.32 per cent in 2020-21.

1.3.3.2 Investment in State PSUs

In Maharashtra, the PSUs are classified in different sectors according to their activities and the administrative department of the Government of Maharashtra (GoM) under which they function. The details of investment made in the 109 State PSUs in the form of equity and long-term loans up to 31 March 2021 are shown in **Appendix 1.3**.

³ Waghadi Nadi Punarujjeevan Foundation, Mahatma Jyotiba Phule Research and Training Institute and Mahasamriddhi Renewable Energy Limited

⁴ Kharghar Vikhroli Transmission Private Limited

⁵ Of these, one statutory corporation – Maharashtra Industrial Development Corporation (MIDC) though directly held by GoM, does not have a share capital

⁶ Rate of Compounded Annual Growth $\left[\left\{ \frac{\text{Value of 2020-21}}{\text{Value of 2016-17}} \right\}^{(1/4 \text{ years})} - 1 \right] * 100$

The sector-wise summary of total investment in these State PSUs as on 31 March 2021 is given in **Table 1.6**.

Table 1.6: Sector-wise investment in State PSUs

Name of sector	Government Companies		Statutory Corporations Working	Total	Investment (₹ in crore)			Per cent to total investment
	Working	Inactive			Capital	Loans	Total	
Power	8	0	0	8	171209.89	70386.36	241596.25	57.10
Agriculture and Allied	10	5	7	22	130515.10	186.77	130701.87	30.89
Infrastructure	22	5	1	28	15854.13	25123.16	40977.29	9.69
Service	3	--	1	4	5473.24	204.43	5677.67	1.34
Finance	17	--	1	18	2460.37	972.13	3432.50	0.81
Manufacturing	9	7	--	16	306.93	379.31	686.24	0.16
Miscellaneous	11	2	0	13	30.44	7.13	37.57	0.01
Total	80	19	10	109	325850.10	97259.29	423109.39	100

Source: Based on the latest finalized financial statements of the respective PSUs

As on 31 March 2021, the total investment (equity and long-term loans) in these 109 PSUs was ₹ 4,23,109.39 crore. The investment consisted of 77.01 per cent towards equity and 22.99 per cent as long-term loans. The long-term loans advanced by the State Government constituted 1.35 per cent (₹ 1,308.30 crore) of the total long-term loans of the PSUs whereas 98.65 per cent (₹ 95,950.99 crore) of the total long-term loans were availed from Central Government and other financial institutions. The investment has grown by 25.26 per cent from ₹ 3,37,775.59 crore in 2016-17 to ₹ 4,23,109.39 crore in 2020-21.

1.3.3.3 Budgetary Support to State PSUs

The Government of Maharashtra provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity during the year in respect of PSUs during 2018-19 to 2020-21 is given in **Table 1.7**.

Table 1.7: Details regarding budgetary support to State PSUs during the years

(₹ in crore)

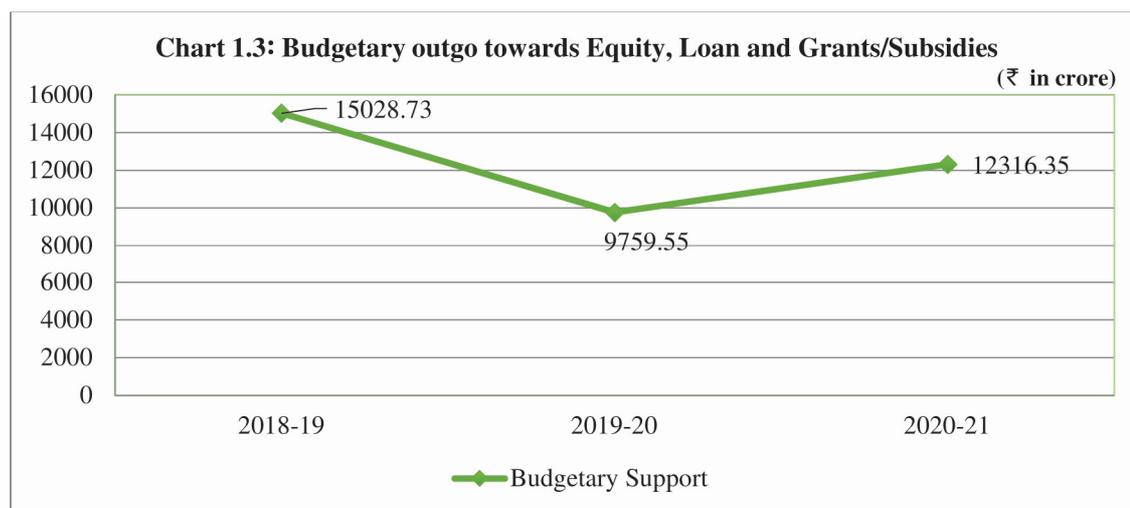
Particulars ⁷	2018-19		2019-20		2020-21	
	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
Equity Capital outgo (i)	2	854.38	1	3180.66	1	0.30
Loans given (ii)	-	-	-	-	-	-
Grants/Subsidy provided (iii)	13	14174.35	8	6578.89	5	12,316.05
Total Outgo⁸ (i+ii+iii)	15	15028.73	8	9759.55	6	12,316.35
Loan repayment written off	-	-	-	-	-	-
Loans converted into equity	1	0.56	-	-	-	-
Guarantees issued	1	70	1	11.85	1	4,000.00
Guarantee Commitment	5	1054.50	2	56.95	1	48.49

Source: Based on the latest information received from respective PSUs

⁷ Amount represents outgo from State Budget only. This does not include loans or grants/subsidy given by Central Government or any other institution/agency of the State

⁸ The figure represents number of PSUs which have received outgo from budget under one or more heads i.e. equity, loans, grants/subsidy

Chart 1.3 gives the details of budgetary outgo towards equity, loans and grants/subsidies during 2018-19 to 2020-21.



(Source: Compiled based on information received from PSUs)

The annual budgetary assistance to these PSUs ranged between ₹ 9,759.55 crore and ₹ 15,028.73 crore during the period 2018-19 to 2020-21. The budgetary assistance of ₹ 12,316.35 crore during 2020-21 included ₹ 0.30 crore and ₹ 12,316.05 crore in the form of equity and grants/subsidy respectively. The State Government did not provide any loans to these PSUs during 2020-21. The State Government provided significant assistance to Maharashtra State Electricity Distribution Company Limited (₹ 10,715.76 crore) and Tapi Irrigation Development Corporation (₹ 787.30 crore) in the form of Grants/Subsidy for different projects and to Police Housing and Welfare Corporation Limited (₹ 437.88 crore) for the purpose of construction of police quarters and administrative buildings. Out of the budgetary assistance of ₹ 12,316.35 crore given to State PSUs during 2020-21, an amount of ₹ 357.86 crore was given to Maharashtra State Road Transport Corporation Limited (MSRTC), a loss-making Statutory Corporation, which receives budgetary support in lieu of transport related subsidies announced by GoM to benefit various sections of the society such as students, ex-servicemen, senior citizens *etc.*

In order to enable PSUs to obtain financial assistance from banks and financial institutions, State Government gives guarantee for which the guarantee fee is being charged. This fee varies from 0.50 *per cent* to two *per cent*, as decided by the State Government, depending upon the loanees. The guarantee commitment of State Government decreased to ₹ 48.49 crore during 2020-21 from ₹ 56.95 crore in 2019-20. Further, two PSUs did not pay guarantee fees/commission which was payable during the year. The accumulated/outstanding guarantee fees/commission was ₹ 87.20 crore as on 31 March 2021.

1.4 Fiscal Balance: Achievement of deficit and total debt targets

When a Government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture government deficit *i.e.* Revenue deficit/surplus, Fiscal deficit and Primary deficit/surplus. Nature of deficit is an indicator of the prudence of the fiscal management of the Government. Further, the ways in which the deficits are

financed, and the application of the resources raised is important pointers to the fiscal health of the state. This section presents trends, nature, 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 Maharashtra Fiscal Responsibility and Budgetary Management (FRBM) Act 2005.

The State Government has enacted the Maharashtra FRBM Act 2005, amended from time to time, with the objective of achieving inter-generational equity in fiscal management and long-term macro-economic stability. The Act envisages progressive elimination of revenue deficit, reduction in fiscal deficit and prudent debt management consistent with fiscal sustainability.

The Maharashtra FRBM Rules were framed in February 2006 and subsequently amended from time to time. 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. Thus, in broader definition of 'total outstanding debt/liabilities, includes the liabilities upon the Consolidated Fund, liabilities upon Public Account and the borrowings by State Public Sector Companies and by Special Purpose Vehicles (SPVs) and other equivalent instruments where the principal and/or interest are to be serviced out of the State budgets.

The major fiscal targets for the State were to contain the fiscal deficit as a ratio of GSDP below three *per cent* and maintaining revenue surplus after 2011-12 onwards. However, vide further amendments in subsequent years, the clause regarding 'revenue surplus after 2011-12' was relaxed during 2013-14 to 2020-21. The State Government, as directed by Government of India decided to avail the additional borrowing of two *per cent* of GSDP in 2020-21 due to the adverse impact of COVID on the State finances, Accordingly, as per the MFRBM (Second Amendment) Act 2020, the fiscal deficit target for 2020-21 was revised to four *per cent* of GSDP.

As seen from **Table 1.8**, the State during the five-year period 2016-21, could achieve Revenue Surplus only during 2017-18 and 2018-19. The revenue deficit of ₹17,116 crore in 2019-20 increased to ₹ 41,141.85 crore in 2020-21. The State was successful in containing the Fiscal Deficit below three *per cent* during 2020-21 against the target of four *per cent*.

During 2020-21, the Fiscal liability (total outstanding debt) to GSDP ratio (20.15 *per cent*) was higher than the FRBM and Medium Term Fiscal Policy Statement (MTFPS) target (BE 16.15 *per cent* and RE 20.22 *per cent*) but lower than the limit (25.7 *per cent*) recommended by the XV-Finance Commission.

The targets for revenue and fiscal deficits along with their actual levels are given in **Table 1.8**.

Table 1.8: Compliance with provisions of State FRBM Act

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue	(-)8535.59	2082.49	11974.60	(-)17115.63	(-)41141.85
	Surplus	X	✓	✓	X	X
Fiscal Deficit (-) (as percentage of GSDP)	Four per cent	(-)33657 (-1.53)	(-)23960.97 (-1.02)	(-)23015.33 (-0.89)	(-)53886.19 (-1.91)	(-)71558.05 (-2.69)
		✓	✓	✓	✓	✓
Ratio of total outstanding debt to GSDP (in per cent)	Target	16.15	16.26	16.52	15.83	16.15
	Achievement	18.01	18.38	16.93	17.03	20.15*
		X	X	X	X	X

*Arrived at after exclusion of GST compensation of ₹11,977 crore received as back to back loan under debt receipt from the total outstanding liabilities

The ratio of total outstanding debt to GSDP as per the Finance Accounts is 20.60 per cent. However, the effective outstanding debt to GSDP ratio (20.15 per cent) has been arrived at after excluding GST compensation of ₹ 11,977 crore received as back to back loan under debt receipt, from the total outstanding liabilities as the Department of Expenditure, GoI has decided that it will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

As prescribed in the FRBM Rules, 2006 (as amended in 2008), the State Government has to lay before the State Legislature the Medium Term Fiscal Policy Statement (MTFPS) setting forth the target for the prescribed fiscal indicators. Table 1.9 indicates the variation between the projections made for 2020-21 in MTFPS presented to the State Legislature along with the Annual Budget for 2020-21 and actuals of the year.

Table 1.9: Actuals vis-à-vis projection in MTFPS for 2020-21

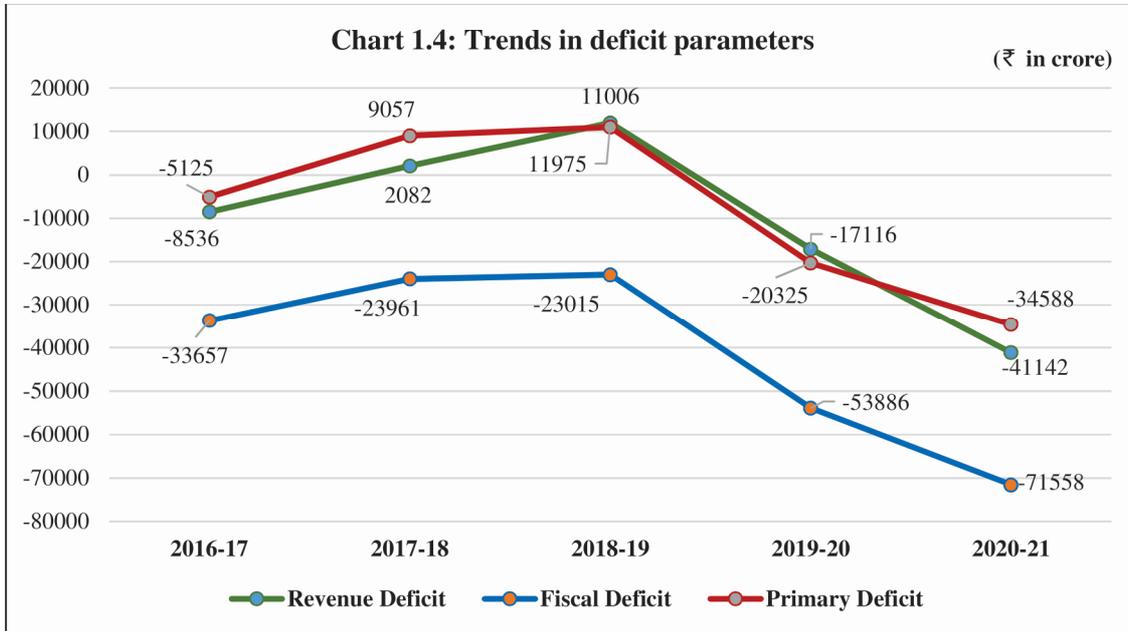
Sl. No	Fiscal Variables	Projection as per MTFPS	Actuals	Variation (in per cent)
		(₹ in crore)		
1	Tax Revenue	225071.21	164254.98	(-)27.02
2	Non-Tax Revenue	20506.16	15975.46	(-)22.09
3	Share of Central Taxes	48109.49	36504.01	(-)24.12
4	Grants-in-aid from GoI	53770.03	52733.46	(-)1.93
5	Revenue Receipts (1+2+3+4)	347456.89	269467.91	(-)22.45
6	Revenue Expenditure	356967.60	310609.76	(-)12.99
7	Revenue Deficit (-)/ Surplus (+) (5-6)	(-)9510.71	(-)41141.85	332.58
8	Fiscal Deficit (-)/ Surplus (+)	(-)54618.39	(-)71558.05	31.01
9.	Primary Deficit	(-)19087.75	(-)34588.28	81.21
10	Debt-GSDP ratio (per cent)	16.15	20.15*	27.49
11	GSDP growth rate at current prices (per cent)	12.0	(-)5.57	146.42

* Arrived at after exclusion of GST compensation of ₹11,977 crore received as back to back loan under debt receipt from the total outstanding liabilities
Source: Finance Accounts and Budget documents 2020-21

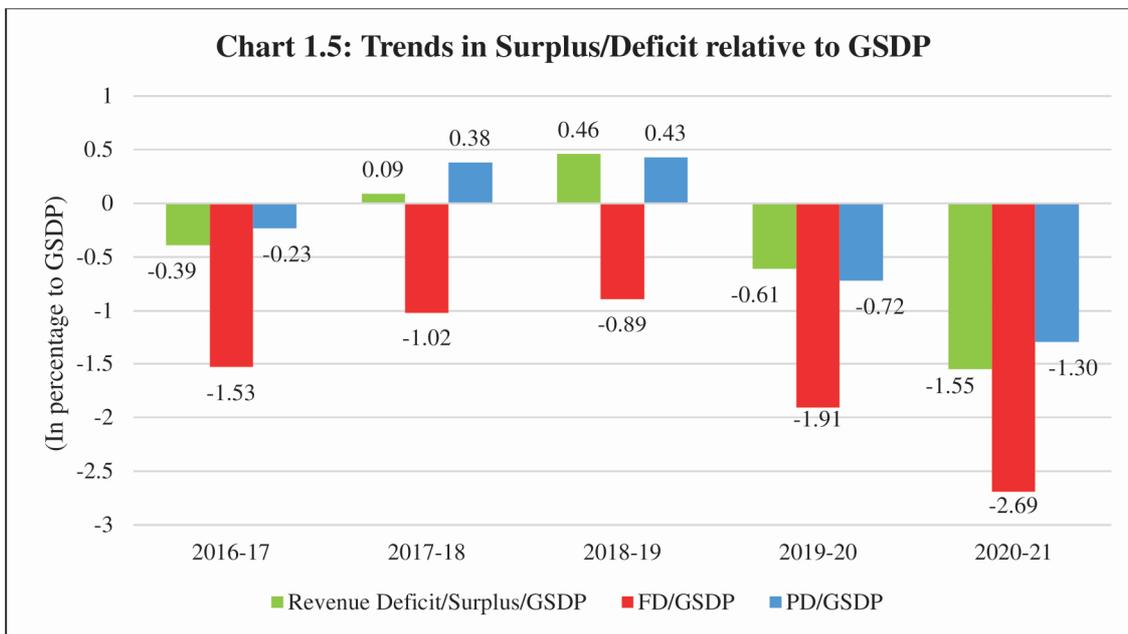
During 2019-20 there was shortfall in revenue receipts by 10 per cent and revenue expenditure was lower by 10.16 per cent as compared to the Projections in the MTFPS. The shortfall in revenue receipt increased to 22.45 per cent and revenue expenditure was lower by 12.99 per cent compared to MTFPS projections in 2020-21. The COVID-19 related lockdown and containment measures had adverse impact on the States' revenue.

Trends in Deficit/Surplus

The trend of surplus and deficits of key fiscal parameters over the five-year period from 2016-17 to 2020-21 is depicted in **Chart 1.4** and trend in surplus and deficit relative to GSDP is given in **Chart 1.5**.



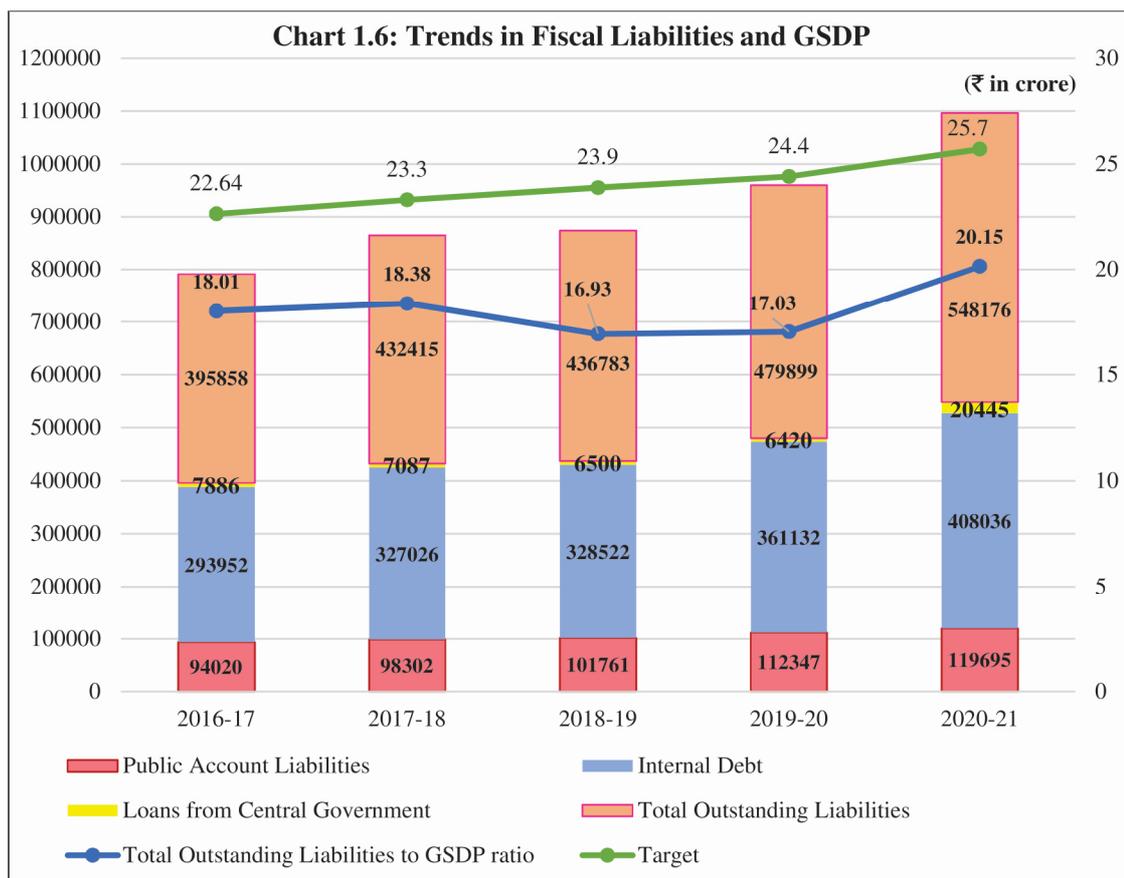
(Source: Finance Accounts of respective years)



(Source: Finance Accounts of respective years)

Trends in Fiscal Liabilities and its ratio to GSDP

Chart 1.6 shows the composition of outstanding fiscal liabilities of the State and its ratio to GSDP during the years 2016-17 to 2020-21.



(Source: Finance Accounts of respective years)

The total liabilities of the State increased by 38.48 *per cent* from ₹ 3,95,858 crore in 2016-17 to ₹ 5,48,176 crore⁹ in 2020-21. Internal debt constituted 74.44 *per cent* and Public Account borrowings 21.84 *per cent* of the total fiscal liabilities during 2020-21. The total liabilities to GSDP were on an increasing trend from 18.01 *per cent* in 2016-17 to 20.15 *per cent*¹⁰ in 2020-21 and was higher than the targets fixed in the MFRBM/MTFPS (16.15 *per cent*) but lower than the targets fixed by the XV Finance Commission (25.70 *per cent*) during 2016-21.

1.5 Deficits after examination by Audit

Scrutiny of certain transactions during 2020-21 revealed that the level of Revenue Deficit and Fiscal Deficit were affected by certain accounting adjustments as brought out in **Table 1.10**.

⁹ The effective outstanding fiscal liabilities would be ₹ 5,36,199.45 crore as the Department of Expenditure, GoI has decided that GST compensation of ₹ 11,977 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission

¹⁰ Arrived at after exclusion of GST compensation of ₹ 11,977 crore received as back to back loan under debt receipt from the total outstanding liabilities

Table 1.10: Impact of certain transactions on revenue deficit and fiscal deficit during 2020-21

Particulars	Impact on Revenue deficit (understatement (+)/overstatement (-)) (₹ in crore)	Impact on Fiscal deficit (understatement) (₹ in crore)	Para reference
Booking of capital expenditure instead of revenue expenditure	+1423.66	-	Chapter 3 Para 3.3.7
Non-adjustment of interest against Reserve Fund and Deposits bearing interest	+519.80	519.80	Chapter 4 Para 4.2
Non-transfer of Funds accumulated under New Pension Scheme	+183.05	183.05	Chapter 2 Para 2.4.2.3
Short contribution to Consolidated Sinking Fund	+1399.50	1399.50	Chapter 2 Para 2.5.2.1
Central Road Fund (Short transfer of fund)	+58.88	58.88	Chapter 2 Para 2.5.2.6
Non-Transfer of Cess	+804.77	804.77	Chapter 2 Para 2.5.2.5
Total	4389.66	2966.00	

The above transactions are discussed below:

- Expenditure of ₹ 1,423.66 crore was incorrectly booked under Capital Section instead of Revenue Section.
- The State Government was required to pay interest on the un-invested balances lying under Reserve Funds and Deposits bearing interest. The interest liability on Reserve Funds at four *per cent* (average interest rate for Ways and Means Advances) and at 7.1 *per cent* for Deposits and Advances bearing interest worked out to ₹ 519.80 crore, which was not provided.
- The State Government employees recruited on or after November 2005 are covered under the National Pension System (NPS) which is a Defined Contribution Pension Scheme. The total contribution (employers and employees) is to be transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank. During the year 2020-21, against the ‘employees’ contribution the State Government contributed ₹ 2,870.55 crore instead of ₹ 3053.60 crore towards NPS, resulting in short transfer of ₹ 183.05 crore.
- The State had to contribute a minimum of 0.5 *per cent* of their outstanding liabilities (public debt + public account) as at the end of the previous year to the Consolidated Sinking Fund. The outstanding liabilities as on 31 March 2020 was ₹ 4,79,899.14 crore, accordingly, the required contribution was ₹ 2399.50 crore, however the State Government transferred only ₹ 1,000 crore during 2020-21, resulting in short contribution of ₹ 1,399.50 crore.
- The State Government received annual grants of ₹ 675.84 crore from GoI towards Central Road Fund, of which an amount of ₹ 616.96 crore was transferred to the Deposit Head 8449, leaving an un-transferred amount of ₹ 58.88 crore to the fund.

- Cess (other than Labour Cess) amounting to ₹ 804.77 crore collected under Consolidated Fund of the State was not transferred to the fund account in Reserve Fund.

As can be seen from **Table 1.10**, the Revenue deficit and Fiscal deficit were understated by ₹ 4,389.66 crore and ₹ 2,966.00 crore respectively in 2020-21.