

CHAPTER – I

OVERVIEW OF STATE FINANCES

Chapter I: Overview of State Finances

1.1 Profile of the State

Maharashtra is located in the west-central part of the country. It has a long coastline (720 kms) along the Arabian Sea. The State ranks third in terms of geographical area (3.08 lakh square kilometers) and accounts for 9.28 *per cent* of the total population of the country, as per Census 2011. The State has 36 districts. General data relating to the State is given in **Appendix 1.1**.

1.1.1 Gross State Domestic Product

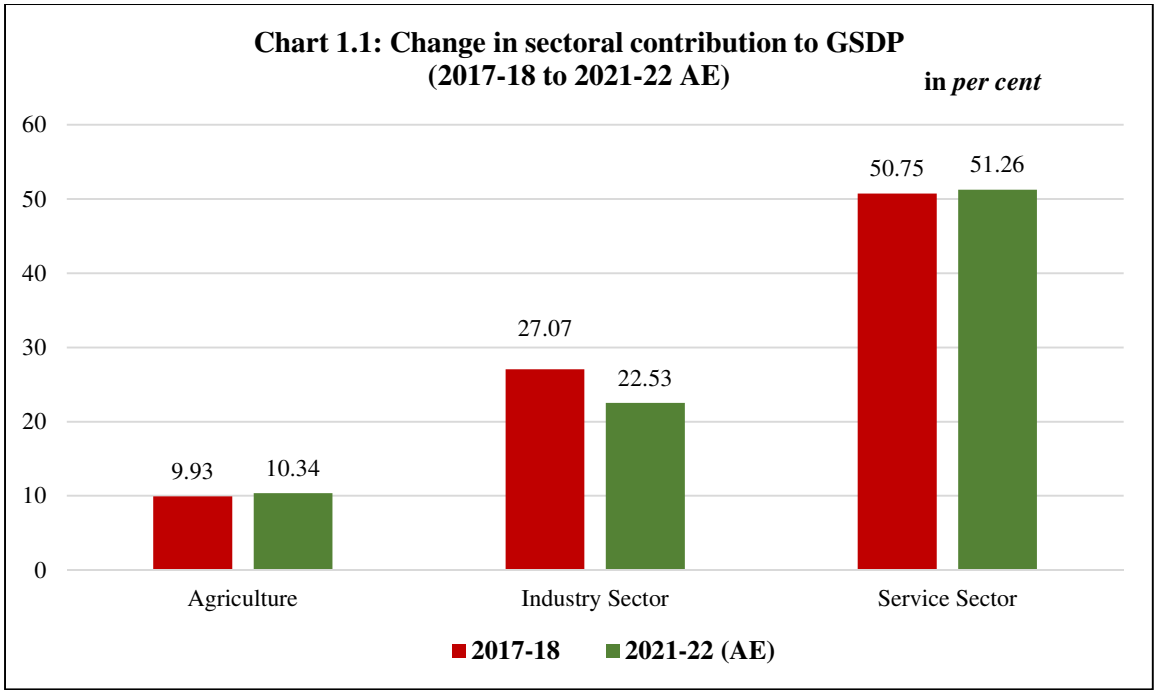
Gross State Domestic Product (GSDP) is the value of all officially recognized goods and services produced within the boundaries of the State in a given period of time. It is important to understand changes in sectoral contribution to the GSDP since they indicate changing structure of the economy. Economic 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 nominal Gross Domestic Product (GDP) and nominal GSDP are indicated in **Table 1.1**.

Table 1.1: Trends in GSDP compared to the GDP

Year	2017-18	2018-19 ⁺⁺⁺	2019-20 ⁺⁺	2020-21 ⁺	2021-22 [§]
Nominal GDP (2011-12 Series)	17090042	18899668	20074856	19800914	23664637
Growth rate of Nominal GDP over previous year (<i>per cent</i>)	11.03	10.59	6.22	(-)1.36	19.51
Nominal GSDP (2011-12 Series)	2352782	2567897	2734552	2711685	3197782
Growth rate of Nominal GSDP over previous year (<i>per cent</i>)	7.03	9.14	6.49	(-)0.84	17.93
Source: MOSPI, GoI (https://mospi.gov.in/web/mospi/download-tables-data/-/reports/view) and Economic Survey of Maharashtra 2021-22					
§ Advance Estimate + First revised estimate ++Second revised estimate +++Third revised estimate					

Chart 1.1 depicts the Sectoral contribution in GSDP during 2021-22, the change in sectoral contribution in GSDP over a period of last five years i.e., 2017-18 to 2021-22 is detailed in **Chart 1.2**.

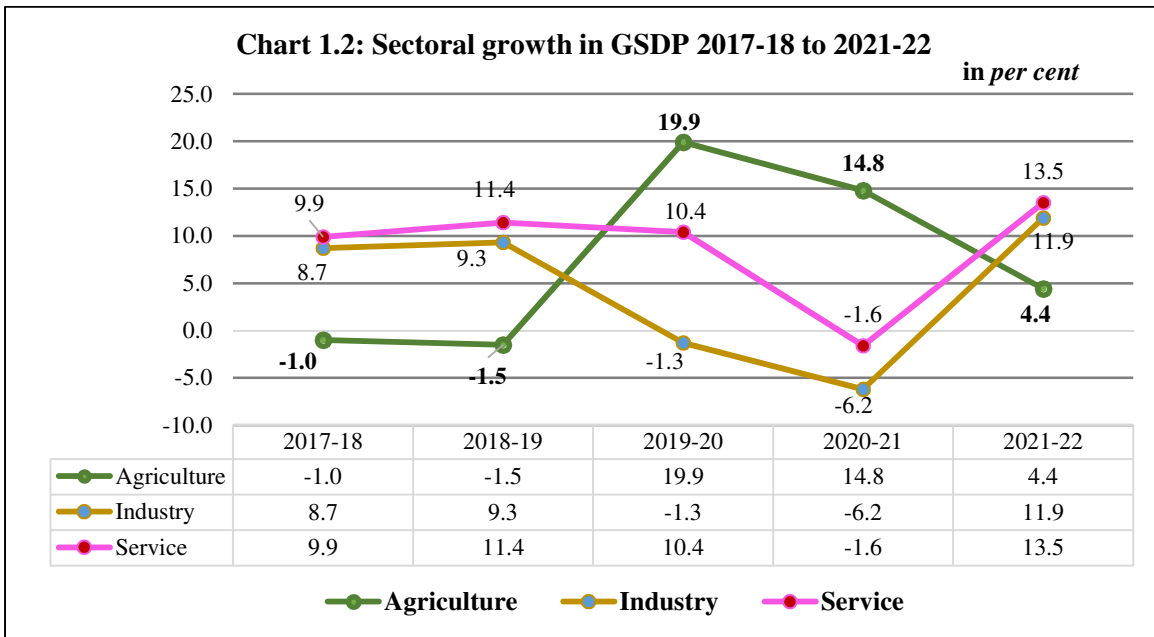


(Source: Economic Survey of Maharashtra 2021-22)

Chart 1.1 reveals that when compared to 2017-18, during 2021-22 the relative share of Industry Sector in GSDP decreased considerably, whereas there was marginal increase in Agriculture and Services Sector.

1.1.2 Sectoral growth in GSDP at current prices

Recovering from the adverse impact of the COVID 19 pandemic, the Industry and Service Sector registered a steady growth of 11.9 per cent and 13.5 per cent over the previous year, whereas growth in Agriculture Sector dwindled to 4.4 per cent as indicated in **Chart 1.2**.



(Source: Economic Survey of Maharashtra 2021-22)

(2018-19: Third RE; 2019-20: Second RE; 2020-21: First RE; 2021-22: 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 & Entitlement)-I, Maharashtra 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)-II, Maharashtra 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 Offices of the Accountant General (Audit)-I and II, Maharashtra;
- 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 XV Finance Commission (FC);
- Maharashtra Fiscal Responsibility and Budgetary Management Act, 2005;
- Guidelines from the Government of India (GoI).

1.3 Report Structure

The SFAR is structured into the following five Chapters:

Chapter – I	Overview of State Finances This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State’s fiscal position including the deficits/surplus.
Chapter –II	Finances of the State This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2017-18 to 2021-22, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.

<p>Chapter– III</p>	<p>Budgetary Management This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.</p>
<p>Chapter – IV</p>	<p>Quality of Accounts & Financial Reporting Practices This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.</p>
<p>Chapter – V</p>	<p>Financial Performance of State Public Sector Undertakings This Chapter presents the financial performance of Government Companies and Statutory Corporations. The term State Government Public Sector Enterprises (SPSEs) encompasses the State government owned companies set up under the Companies Act, 2013 and Statutory Corporations set up under the statutes enacted by the Parliament.</p>

1.4 Overview of Government Account Structure and Budgetary Processes

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 Union 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 of India)

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 GoI.
- **Revenue expenditure** consist 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 the Union 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.

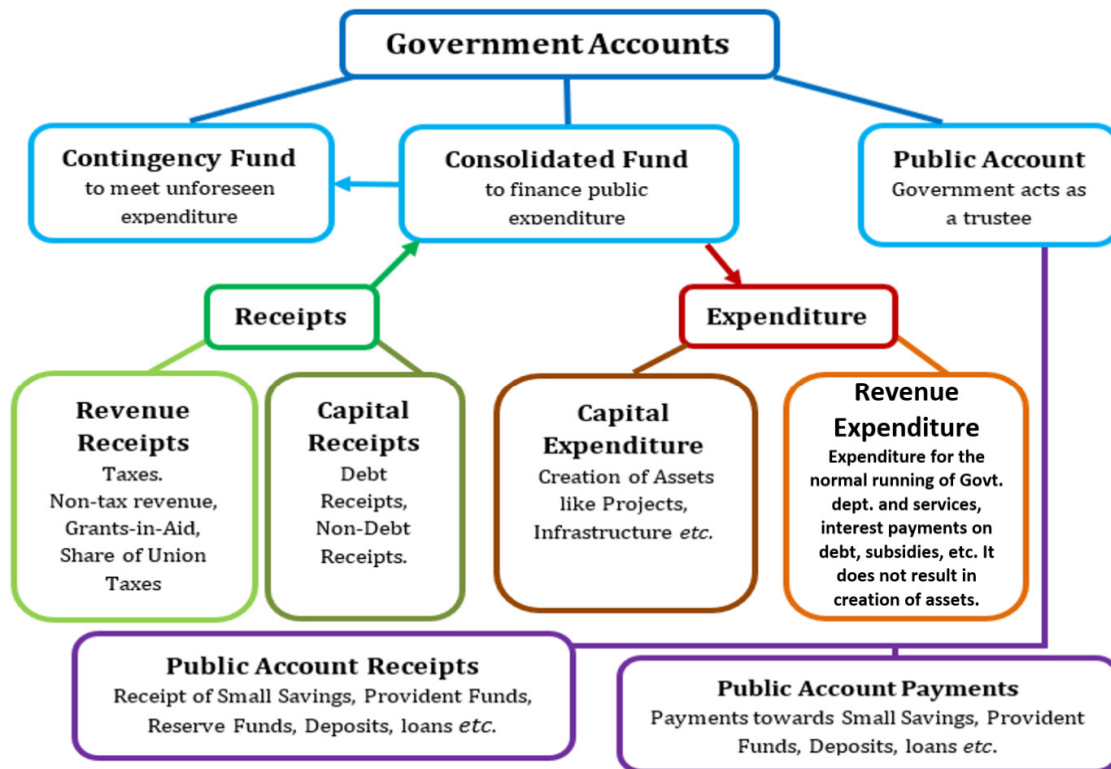
At present, we have an accounting classification system in the State Government that is both functional and economic.

	Attribute of transaction	Classification
Standardized in List of Major and Minor Heads by Controller General of Accounts	Function- Education, Health, <i>etc/</i> Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub-scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head (2-digit) <i>salary, minor works, etc.</i>

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organize these payments as revenue, capital, debt, *etc.* Economic classification is achieved by the numbering logic embedded in the first digit of four-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, *etc.* Economic classification is also achieved by an inherent definition and distribution of some object heads. For

instance, while “salary” object head is revenue expenditure, “construction” object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

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



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 causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2021-22, in the form of an **Annual Financial Statement** (referred to as Budget). 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.

As mentioned in Paragraph 2, Finance Accounts and Appropriation Accounts encompass the core data for preparation of the SFAR. These Accounts are based on actual receipts and expenditure of the State during the year 2021-22 including various inter-governmental and other adjustments carried out by the RBI. Considering that these receipts and expenditure are estimated in the budget and the expenditure has been approved by the State Legislature, it is important to study the budget of the State for 2021-22 closely and analyse the actual receipts and expenditure during the year with reference to the projections made in the budget.

The Maharashtra 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 III** of this Report.

1.4.1 Snapshot of Finances

Table 1.2 provides a snapshot of actual financial results for the year 2020-21 and 2021-22 *vis-à-vis* Budget Estimates (BE) for the year 2021-22.

Table 1.2: Actual *vis-à-vis* Budget Estimates

Sl. No.	Components	2020-21 Actual	2021-22		Percentage of Actual to B.E.	Percentage of Actual to GSDP
			BE	Actual		
1	Tax revenue	200758.99	285533.97	275245.19	96.40	8.61
(i)	Own Tax revenue	164254.98	243490.37	220927.13	90.73	6.91
(ii)	Share of Union Taxes/Duties	36504.01	42043.60	54318.06	129.19	1.70
2	Non-tax revenue	15975.46	26650.27	19306.70	72.44	0.60
3	Grants-in-aid and Contributions	52733.46	56802.62	38759.68	68.24	1.21
4	Revenue Receipts (1+2+3)	269467.91	368986.86	333311.57	90.33	10.42
5	Recoveries of Loans and Advances	1612.35	2332.35	1178.88	50.54	0.04
6	Other Receipts	0	0.00	0	0	0
7	Borrowings and other Liabilities ^(a)	71558.05 [#]	66641.35 [#]	64301.86	96.49	2.01
8	Capital Receipts (5+6+7)	73170.40	68973.70	65480.74	94.94	2.05
9	Total Receipts (4+8)	342638.31	437960.56	398792.31	91.06	12.47
10	Revenue Expenditure of which	310609.76	379212.52	349685.89	92.21	10.94
11	Interest payments	36969.77	42997.62	40158.04	93.40	1.26
12	Capital Expenditure of which	32028.55	58748.04	49106.42	83.59	1.54
13	Capital outlay	29686.70	55613.04	46670.39	83.92	1.46
14	Loan and advances	2341.85	3135.00	2436.03	77.70	0.08
15	Total Expenditure (10+12)	342638.31	437960.56	398792.31	91.06	12.47
16	Revenue Deficit/Surplus (4-10)	(-)41141.85	(-)10225.66	(-)16374.32	160.13	-0.51
17	Fiscal Deficit {(4+5+6)-15}	(-)71558.05	(-)66641.35	(-)64301.86	96.49	-2.01
18	Primary Deficit (17-11)	(-)34588.28	(-)23643.73	(-)24143.82	102.12	-0.76

(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

GST Compensation is the revenue of the State Government under GST (Compensation to States) Act, 2017. In addition to receiving the GST compensation of ₹ 17,834.22 crore as revenue receipts, due to inadequate balance in GST compensation fund during the year 2020-21 and 2021-22, the Union Government borrowed funds and passed it to the States as back to back loans, with no repayment liability for the States. Maharashtra received back-to-back loan of ₹ 13,782.36 crore during 2021-22 and ₹ 11,977 crore during 2020-21. Due to this arrangement, the revenue deficit of ₹ 16,374.32 crore and fiscal

deficit of ₹ 64,301.86 crore during the year 2021-22 may be read in conjunction with debt receipt of ₹ 13,782.36 crore in lieu of GST compensation.

1.4.2 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 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 1.3** gives an abstract of such liabilities and the assets as on 31 March 2022, compared to the corresponding position on 31 March 2021.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
	2020-21	2021-22	Per cent increase		2020-21	2021-22	Per cent increase		
Consolidated Fund									
A	Internal Debt	408036.24	445079.61	9.08	a	Gross Capital Outlay	389218.81	435889.20	11.99
B	Loans and Advances from GoI	20445.54	37955.69	85.64	b	Loans and Advances	26830.05	28087.20	4.69
Contingency Fund		150.00	150.00	0					
Public Account									
A	Small Savings, Provident Funds, etc.	28190.29	29156.93	3.43	a	Advances	10.59 [#]	13.11	23.80
B	Deposits	79196.83	81802.99	3.29	b	Remittances			
C	Reserve Funds	58751.91	67435.73	14.78	c	Suspense and Miscellaneous			
D	Remittances	1699.38*	1110.65	-34.64		Cash balance	22152.94	22556.61	1.82
						Investment in Earmarked Fund	46444.35	55135.68	18.71
E	Suspense and Miscellaneous	12772.67*	19952.23	56.21		Cash Total	68597.29	77692.29	13.26
						Deficit in Revenue Account	125119.84	141495.75 [§]	13.09
						Misc. Capital Receipt	(-)533.72	(-)533.72	0
Grand Total		609242.86	682643.83	12.05		Grand Total	609242.86	682643.83	12.05
Source: Finance Accounts of respective years									
*Higher rounding # Lower rounding § includes amount closed to Government Accounts (₹ 1.59 crore)									

The growth rate of assets increased from 7.34 per cent in 2020-21 to 11.78 per cent in 2021-22, similarly the growth rate of liabilities increased from 11.79 per cent in 2020-21 to 12.05 in 2021-22. The cash balance of the State at the end of the year was ₹ 22,556.61 crore. The increase in the cash balance was 1.82 per cent over the previous year.

1.5 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, Fiscal deficit and Primary deficit. 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 are 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 MFRBM 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 MFRBM 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 2021-22. Due to the adverse impact of the pandemic on the State finances, the State Government, as directed by the GoI decided to avail the additional borrowing of two *per cent* of GSDP in 2020-21 and one *per cent* of the GSDP in 2021-22, Accordingly, as per the MFRBM (Second Amendment) Act 2021, the fiscal deficit target for 2021-22 was revised to four *per cent* of GSDP.

A trend analysis of key fiscal parameters prescribed in Fiscal Responsibility Act *vis-à-vis* achievements during the last five year period (2017-18 to 2021-22) is given in **Table 1.4**.

Table 1.4: Trend analysis of key fiscal targets prescribed in the Act during 2017-18 to 2021-22

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus	2082.49	11974.60	(-)17115.63	(-)41141.85	(-)16374.32
		✓	✓	✗	✗	✗
Fiscal Deficit (-) (as <i>percentage of GSDP</i>)	Four <i>per cent</i>	(-)23960.97 (-1.02)	(-)23015.33 (-0.90)	(-)53886.19 (-1.97)	-71558.05 (-2.64)	-64301.86 (-2.01)
		✓	✓	✓	✓	✓
Ratio of total outstanding debt to GSDP (in <i>per cent</i>)	Target	16.26	16.52	15.83	16.15	20.64
	Achievement	18.38	17.01	17.55	19.77	18.53*
		✗	✗	✗	✗	✓

*As per Department of Expenditure, Ministry of Finance, GoI, the borrowings under the Special Window (₹13,782.36 crore) was not treated as debt of the State for any norms prescribed by the Finance Commission etc
Source: Finance Accounts and Budget documents of respective years

As seen from **Table 1.4**, during the five-year period 2017-18 to 2021-22, the State could achieve Revenue Surplus only during 2017-18 and 2018-19. The revenue deficit of ₹ 41,141.85 crore in 2020-21 decreased to ₹ 16,374.32 crore in 2021-22. The State was successful in containing the Fiscal Deficit below three *per cent* during 2021-22 against the target of four *per cent*.

1.5.1 Comparison of targets of fiscal parameters projected in Medium Term Fiscal Policy Statement (MTFPS) with actuals for the current year

As prescribed in the FRBM Rules, 2006 (as amended in 2008), the State Government has to lay before the State Legislature the MTFPS setting forth the target for the prescribed fiscal indicators. **Table 1.5** indicates the variation between the projections made for 2021-22 in MTFPS presented to the State Legislature along with the Annual Budget for 2021-22 and actuals of the year.

Table 1.5: Actuals vis-à-vis projection in MTFPS for 2021-22

Sl. No.	Fiscal Variables	Projection as per MTFPS	Actuals	Variation (in per cent)
		(₹ in crore)		
1	Tax Revenue	243490.37	220927.13	(-)9.27
2	Non-Tax Revenue	26650.27	19306.70	(-)27.56
3	Share of Union Taxes	42043.60	54318.06	29.19
4	Grants-in-aid from GoI	56802.62	38759.68	(-)31.76
5	Revenue Receipts (1+2+3+4)	368986.86	333311.57	(-)9.67
6	Revenue Expenditure	379212.50	349685.89	(-)7.79
7	Revenue Deficit (-)/ Surplus (+) (5-6)	(-)10225.64	(-)16374.32	60.13
8	Fiscal Deficit (-)/ Surplus (+)	(-)66640.83	(-)64301.86	(-)3.51
9.	Primary Deficit	(-)23643.21	(-)24143.82	(-)2.12
10	Debt-GSDP ratio (<i>per cent</i>)	20.64	18.53*	(-)10.22
11	GSDP growth rate at current prices (<i>per cent</i>)	12.00	17.93	49.42

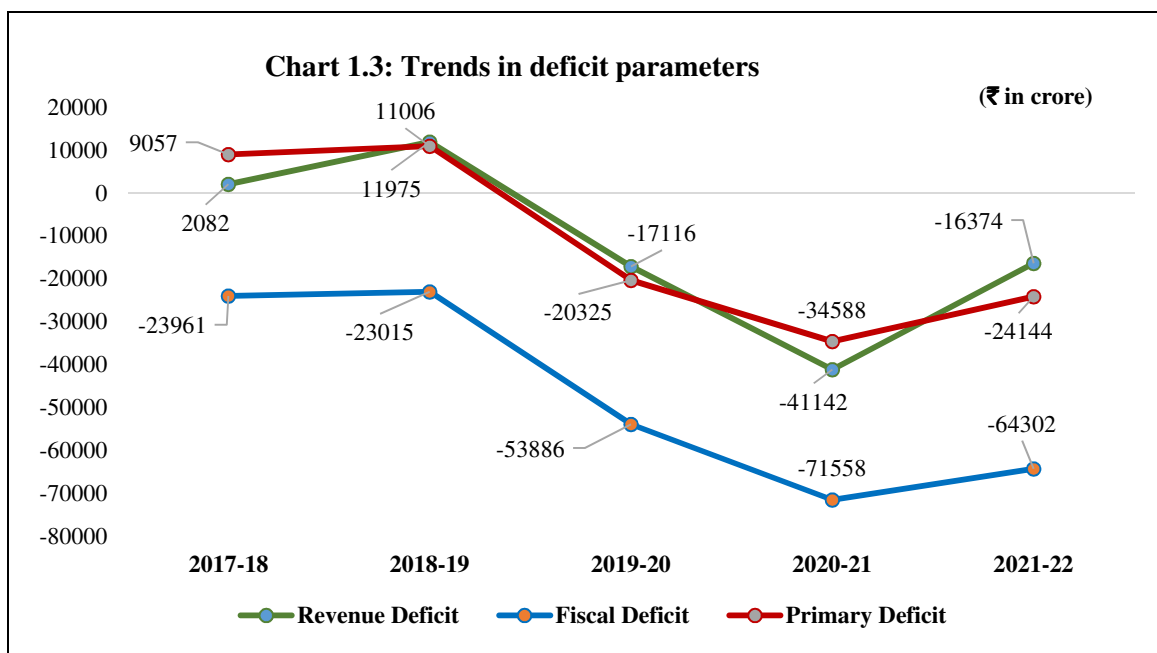
*As per Department of Expenditure, Ministry of Finance, GoI, the borrowings under the Special Window (₹13,782.36 crore) was not treated as debt of the State for any norms prescribed by the Finance Commission etc.

Source: Finance Accounts and Budget documents 2021-22

As may be seen from the table above, only share in Union taxes improved significantly during 2021-22 *vis-à-vis* the projections made in the MTFPS. The targets for tax revenue, non-tax revenue, grant-in-aid, primary deficit and fiscal deficit were not met in 2021-22. During 2021-22, the Fiscal liability (total outstanding debt) to GSDP ratio (18.53 *per cent*) was lower than the Medium Term Fiscal Policy Statement (MTFPS) target (BE 20.64 *per cent* and RE 17.90 *per cent*) and the limit recommended by the XV-Finance Commission (26.0 *per cent*).

1.5.2 Trends in Deficit/Surplus

The trends in surplus/deficits over the five-year period (2017-18 to 2021-22) are depicted in **Chart 1.3**; trends in surplus/deficit relative to GSDP are given in **Chart 1.4** and trends of fiscal liabilities and GSDP are given in **Chart 1.5**.



(Source: Finance Accounts of respective years)

Revenue surplus/deficit

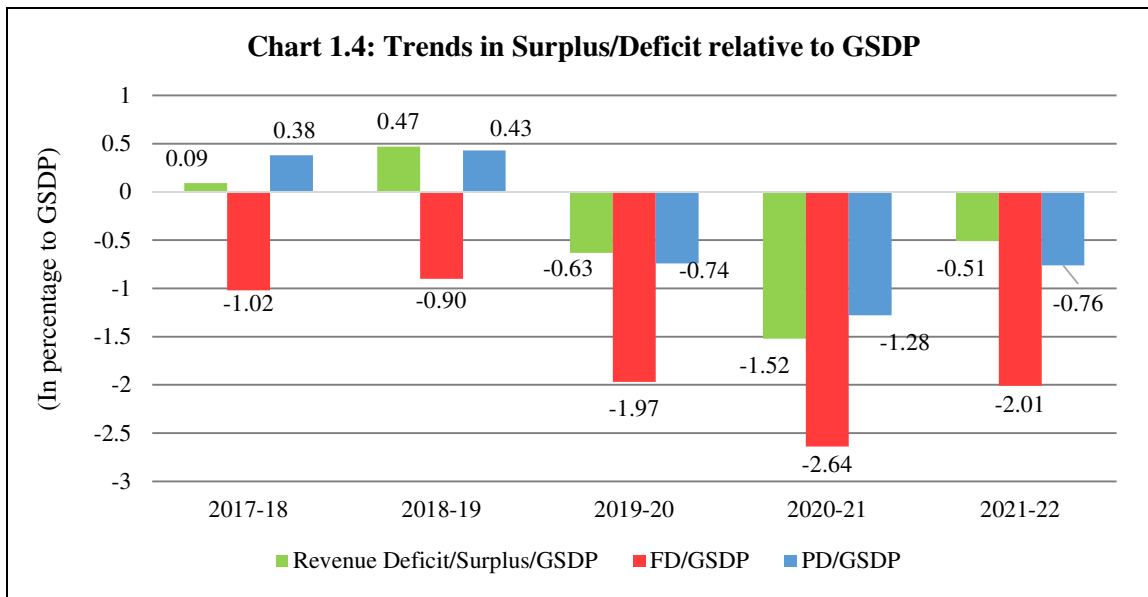
The Revenue Surplus ₹ 2,082 crore (**Chart 1.3**) during 2017-18 increased to ₹ 11,975 crore in 2018-19. During 2019-20, the Revenue Surplus turned into Revenue Deficit (₹ 17,116 crore) and further increased to ₹ 41,142 crore in 2020-21. During 2021-22, the Revenue Deficit decreased to ₹ 16,374 crore.

Fiscal deficit

The Fiscal Deficit of ₹ 23,961 crore (**Chart 1.3**) in 2017-18 decreased to ₹ 23,015 crore in 2018-19. The Fiscal Deficit showed a steep rise to ₹ 53,886 crore and ₹ 71,558 crore in 2019-20 and 2020-21 respectively. During 2021-22 the Fiscal deficit decreased to ₹ 64,302 crore.

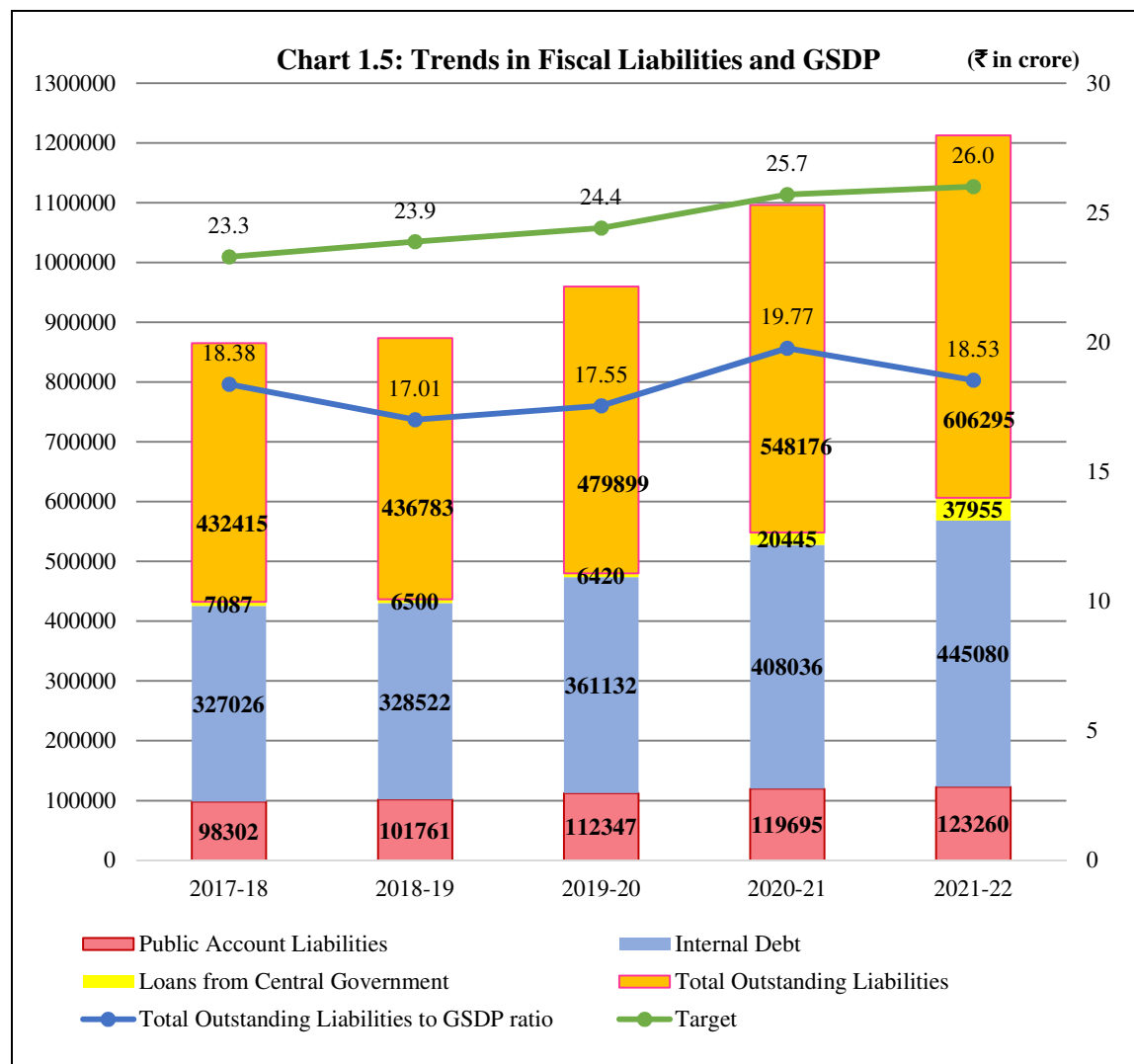
Primary Surplus/Deficit

During 2017-18 and 2018-19 there was Primary Surplus of ₹ 9,057 crore and ₹ 11,006 crore respectively. In 2019-20 there was Primary Deficit (₹ 20,325 crore) which further increased to ₹ 34,588 crore in 2020-21. During 2021-22, the Primary Deficit decreased to ₹ 24,144 crore.



(Source: Finance Accounts of respective years)

As shown in **Chart 1.4**, during 2021-22 the deficit parameters (RD, FD and PD) relative to GSDP decreased considerably as compared to 2020-21.



(Source: Finance Accounts of respective years)

The Fiscal liabilities of the State increased from ₹ 4,32,415 crore in 2017-18 to ₹ 6,06,295 crore in 2021-22. Internal debt constituted 73.41 *per cent*, Loans from GoI 6.26 *per cent* and Public Account borrowings 20.33 *per cent* of the total fiscal liabilities during 2021-22. The outstanding debt to GSDP ratio of 18.53¹ *per cent* during 2021-22 was lower than the limits prescribed by the FRBM Act (20.64 *per cent*).

1.6 Deficits after examination by Audit

Misclassification of revenue expenditure as capital impacts deficit figures. Besides, deferment of clear-cut liabilities, non-deposition of cess /royalty to Consolidated Fund, short contribution to New Pension Scheme, sinking and redemption funds etc. also impact the revenue and fiscal deficit figures. In order to arrive at actual deficit figures, the impact of such irregularities need to be reversed.

Table 1.6 assesses actual surplus/deficit after taking into account short/non-contribution to funds and incorrect classifications/booking by the State Government during 2021-22.

Table 1.6: Impact of certain transactions on Revenue deficit and Fiscal deficit during 2021-22

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	(+)1662.63	-	Chapter 3 Para 3.3.6
Non-adjustment of interest against Reserve Fund and Deposits bearing interest	(+)667.83	667.83	Chapter 4 Para 4.2
Excess-transfer of Funds accumulated under New Pension Scheme	(-)586.41	586.41	Chapter 2 Para 2.4.2.3
Non-Transfer of Cess	(+)1029.27	1029.27	Chapter 2 Para 2.5.2.5
Total	3946.14	2283.51	

Source: Finance Account 2021-22

- Indian Government Accounting Standards (IGAS)-2 prescribes that grant-in-aid should be booked under revenue expenditure. However, the State Government incorrectly budgeted and booked Expenditure of ₹ 1,662.63 crore 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 ₹ 667.83 crore, 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

¹ As per Department of Expenditure, Ministry of Finance, GoI, the borrowings under the Special Window (₹13,782.36 crore) was not treated as debt of the State for any norms prescribed by the Finance Commission etc.

designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank. During the year 2021-22, against the employees' contribution the State Government contributed ₹ 3,143.22 crore instead of ₹ 2,556.81 crore towards NPS, resulting in excess transfer of ₹ 586.41 crore.

- Cess (other than Labour Cess) amounting to ₹ 1,029.77 crore collected under Consolidated Fund of the State was not transferred to the respective fund account in Reserve Fund.

As can be seen from **Table 1.6**, the Revenue deficit and Fiscal deficit were understated by ₹ 3,946.14 crore and ₹ 2,283.51 crore respectively in 2021-22. Thus, the State's actual revenue deficit would be ₹ 20,320.46 crore, if the items of non-contribution, short-contribution, non-discharge of liabilities and incorrect classification are factored in.