

EXECUTIVE SUMMARY

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Background

The Audit 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 2021-22 and to provide the State Government and the 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 Fiscal Responsibility and Budgetary Management (FRBM) Act, 2005 and the Budget Estimates of 2021-22.

The Report

Based on the audited accounts of the Government of Maharashtra for the year ended 31 March 2022, this Report provides an analytical review of the finances of the State Government. The Report is structured in 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.

Chapter III – Budgetary Management - This Chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government. It reports on deviations from Constitutional provisions and highlight issues affecting transparency.

Chapter IV – Quality of Accounts and Financial Reporting Practices - This Chapter provides an overview and status of compliance of the departments of the State Government with various financial rules, procedures and directions during the current year.

Chapter V - Financial Performance of State Public Sector Undertakings- This Chapter presents the summary of financial performance of State Public Sector Undertakings as revealed from their accounts/ information furnished by them and highlights some of significant comments issued as a result of supplementary audit of the accounts of the PSUs conducted by the CAG.

The Report also includes appendices of additional data collected from several sources in support of these findings.

Audit findings

Fiscal position

The fiscal position of the State is viewed in terms of three key fiscal parameters – Revenue Surplus/Deficit, Fiscal Deficit and the ratio of Outstanding Debt to GSDP.

During the five-year period 2017-18 to 2021-22, 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 as against the target of four *per cent*.

During 2021-22, the Fiscal liability (total outstanding debt) to GSDP ratio at 18.53¹ *per cent* was lower than the targets prescribed in the Maharashtra Fiscal Responsibility and Budgetary Management Act, 2005.

(Chapter I)

Finances of the State

Revenue Receipts increased by 36.80 *per cent* from ₹ 2,43,653.56 crore in 2017-18 to ₹ 3,33,311.57 crore in 2021-22 at Compound Annual Growth Rate (CAGR) of 8.15 *per cent*. Significant portion of the revenue receipts (72 *per cent*) during 2021-22 came from the State's own resources, while Union Tax Transfers and Grants-in-Aid together contributed 28 *per cent*. Ratio of revenue receipts to GSDP² has remained steady between 10.36 and 10.86 *per cent* except for a slight decrease to 9.94 *per cent* in 2020-21. The growth rate of State's Own Tax Revenue during 2021-22 was 34.50 *per cent* over 2020-21 and was higher than the average of General States'. The major contributors of Own Tax revenue were State Goods and Service Tax (44.04 *per cent*), Taxes on Sales, Trades, etc (20.79 *per cent*) and Stamp Duty and Registration Fees (16.11 *per cent*). The growth rate of Non-Tax Revenue in the State was 20.85 *per cent* during 2021-22 as compared to 2020-21 while the average growth rate in General States' was 45.35 *per cent*.

Revenue expenditure had a predominant share in total expenditure. During 2021-22, revenue expenditure constituted 87.69 *per cent* of the total expenditure. The growth rate of revenue expenditure increased considerably from 3.43 *per cent* in 2020-21 to 12.58 *per cent* in 2021-22. Committed expenditure (salary and wages, interest payment, pension payment) constituted 56.63 *per cent* of the revenue expenditure of the State during 2021-22. Revenue expenditure (₹ 3, 49,685.89 crore) exceeded the revenue receipt (₹ 3,33,311.57 crore) by ₹ 16,374.32 crore resulting in a revenue deficit.

Capital outlay increased by 57.21 *per cent* (₹ 16,983.69 crore) during 2021-22 as compared to 2020-21. Of the total capital outlay of ₹ 46,670.39 crore incurred in 2021-22, ₹ 20,487.61 crore (43.90 *per cent*) was spent on Roads and bridges, ₹ 10,206.77 crore

¹ As per DoE, MoF, 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.

² Advance estimates; obtained from Economic Survey of Maharashtra 2021-22.

(21.87 per cent) for Irrigation and flood control activities (major, medium and minor irrigation projects) followed by ₹5,278.69 crore (11.31 per cent) for Agriculture and allied services.

Under the National Pension System (NPS), as on 31 March 2022, cumulative balance amount of ₹ 9,050.14 crore was yet to be transferred to NSDL. This is fraught with the risk of diversion of funds belonging to the employees, thereby creating uncertainty in respect of the benefits due to the employees and avoidable future liability to the Government.

The Outstanding Debt (Fiscal Liabilities) of the State increased from ₹ 5,48,176 crore in 2020-21 to ₹ 6,06,295 crore at the end of 2021-22. Outstanding Debt to GSDP during 2021-22 was 18.53 per cent.

(Chapter II)

Budgetary Management

The programme implementation of various social and developmental programmes in the State left an overall savings of ₹ 1,11,536.03 crore, there was excess expenditure in 10 voted grants and two charged appropriations amounting to ₹ 486.35 crore which requires regularization as per Article 205 of the Constitution of India.

Excess expenditure amounting to ₹ 2,432.17 crore for the year 2017-18 to 2020-21 in respect of 32 grants and 13 appropriations was pending for regularization as on 31 March 2022.

Supplementary provisions (₹ 10 crore and above in each case) aggregating to ₹ 23,068.07 crore obtained during the year proved unnecessary as the actual expenditure (₹ 1,80,531.15 crore) on these grants did not reach the levels of the original provision (₹ 2,22,880.01 crore).

(Chapter III)

Quality of Accounts and Financial Reporting Practices

As on 30 June 2022, utilization certificates (UCs) amounting to ₹ 37,931.83 crore due in respect of grants released upto 2020-21 were in arrears. In the absence of the UCs, audit could not ascertain whether the recipients had utilized the grants for the intended purpose.

As on 31 March 2022, 1,652 PD accounts showed a total closing balance of ₹ 10,522.67 crore. Retention of funds in PLAs 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.

As on 30 June 2022, 1,901 DC bills amounting to ₹ 4,316.50 crore against Abstract Contingent (AC) bills drawn, were not received. To the extent of non-submission of Detailed Contingency Bill, the expenditure shown in the Finance Accounts could not be vouched as correct or final.

(Chapter IV)

Financial Performance of State Public Sector Undertakings

As on 31 March 2022, there were 105 PSUs in Maharashtra under the audit jurisdiction of CAG, of which 88 are working PSUs and 17 are inactive PSUs. Out of the 88 working PSUs, Financial Statements for the year 2021-22 were received only from 10 PSUs within stipulated time (30 September 2022). Four PSUs have not submitted their first accounts since their inception.

The investment of the State Government in equity and long-term loans was ₹ 2,32,913.26 crore against total investment of ₹ 4,56,865.26 crore at the end of 31 March 2022. The outstanding long term loans of these PSUs as on 31 March 2022 decreased from ₹ 1,308.30 crore in 2020-21 to ₹ 1,148.47 crore.

Out of the 105 PSUs, 43 PSUs earned profits (₹ 2,309.95 crore), while 47 PSUs incurred losses (₹ 4,957.16 crore) and 11 PSUs had reported neither profit nor loss. As on 30 September 2022, 49³ PSUs had accumulated losses of ₹ 49,373.40 crore, 45⁴ PSUs had accumulated profit of ₹ 6,466.28 crore and seven PSUs had neither accumulated profit nor loss as per their latest accounts.

The functioning of all loss making PSUs needs to be reviewed and necessary steps taken to improve their financial performance.

(Chapter V)

³ Includes one PSU (accumulated loss of ₹ 0.02 crore) which is a section 8 company (a non-profit organisation).

⁴ Includes three PSUs (accumulated profit of ₹ 0.98 crore) out of which one PSU is a section 8 company and two PSUs recoups its expenditure from Grants and is no profit no loss company.