

**CHAPTER – I**  
**OVERVIEW**



# Chapter I: Overview

## 1.1 Profile of the State

Maharashtra is situated in the western part of India, bordered by the Arabian Sea to the west. It is surrounded by the states of Gujarat to the northwest, Madhya Pradesh to the north, Chhattisgarh to the east, Telangana to the southeast, Karnataka to the south, and Goa to the southwest. It has a coastline of 720 kilometre. It is the third-largest state in terms of geographical area (3.08 lakh square kilometres) and the second-most populous state in the country.

The State's population increased from 11.49 crore in 2013 to 12.64 crore in 2023, recording a decadal growth of 9.98 *per cent*. The percentage of population below poverty line was 17.35 *per cent* in 2011-12 as compared to the All India Average of 21.92 *per cent*. The State has 36 districts and 358 talukas. The State's literacy rate was 82.30 *per cent* which was nine *per cent* above the All India Average of 73 *per cent*. (as per 2011 census). The profile of the State is shown in **Appendix 1.1**.

### 1.1.1 Gross State Domestic Product of the State

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. Growth in GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over the period of time.

The trends in the annual growth of Gross Domestic Product (GDP) and GSDP are indicated at current prices in **Table 1.1**.

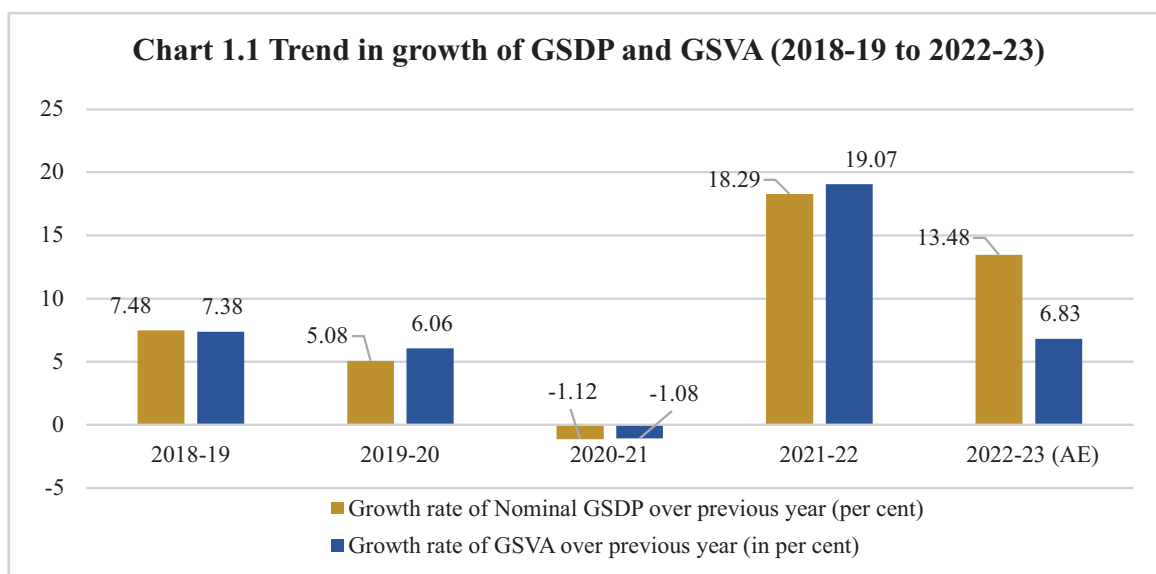
**Table 1.1: Trends in GSDP compared to the GDP (at current prices)**

Year	2018-19	2019-20 <sup>++</sup>	2020-21 <sup>++</sup>	2021-22 <sup>+</sup>	2022-23 <sup>§</sup> (AE)
<b>INDIA</b>					
GDP (2011-12 Series)	18899668	20103593	19829927	23471012	27240712
GVA (at current Price)	17175128	18381117	18188780	21438883	24742871
Growth rate of GDP over previous year (in <i>per cent</i> )	10.59	6.37	-1.36	18.36	16.06
Growth rate of GVA over previous year (in <i>per cent</i> )	10.77	7.02	-1.05	17.87	15.41
Per capita GDP (in ₹)	142424	149915	146301	171498	196983
<b>MAHARASHTRA</b>					
GSDP (2011-12 Series)	2528854	2657371	2627542	3108022	3527084
GSVA (at current Price)	2216768	2351135	2325838	2769435	2958694
Growth rate of GSDP over previous year ( <i>per cent</i> )	7.48	5.08	-1.12	18.29	13.48
Growth rate of GSVA over previous year (in <i>per cent</i> )	7.38	6.06	-1.08	19.07	6.83
Per capita GSDP (in ₹)	207833	216365	211965	248632	279974
Source: MOSPI, GoI ( <a href="https://mospi.gov.in/web/mospi/download-tables-data/-/reports/view">https://mospi.gov.in/web/mospi/download-tables-data/-/reports/view</a> )					
§ Advance Estimate + First revised estimate ++Second revised estimate +++Third revised estimate					

The GSDP of Maharashtra grew from ₹ 25,28,854 crore in 2018-19 at current prices to ₹ 35,27,084 crore in 2022-23 at current prices (AE) at a compounded annual growth rate of 8.67 per cent. The growth rate of GSDP during 2018-19 to 2022-23 was lower than the growth rate of GDP during this period except during 2020-21.

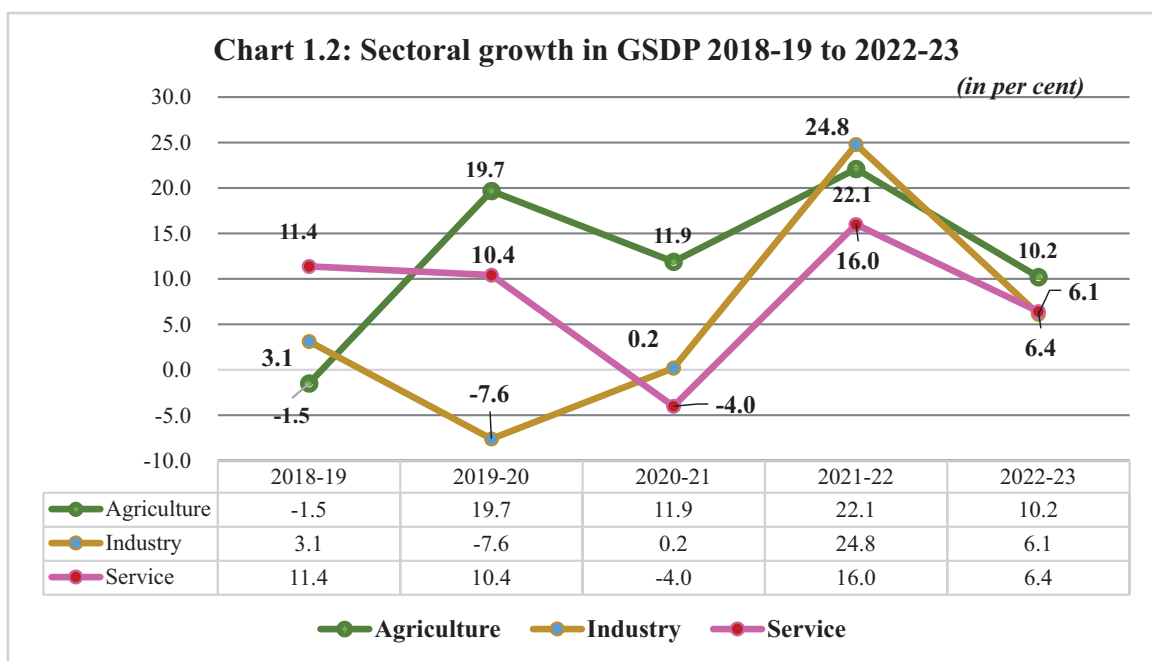
Gross Value Added (GVA) is being used for economic analysis by Government of India (GoI) and international organisations like International Monetary Fund (IMF) and World Bank as GVA is considered a better indicator of economic growth compared to GDP and as it ignores the impact of taxes and subsidies. GDP can be and is computed as the sum of the various type of expenditure incurred in the economy including private consumption spending, government consumption spending and gross fixed capital formation or investment spending, reflecting essentially on the demand conditions in the economy. Both measures differ in treatment of subsidies and net taxes. GVA does not include taxes whereas GDP does. As a result of these differences inclusion of taxes, GDP may differ from the real output situation. From a policymaker’s perspective it is therefore vital to have a comparison of the GVA and GSVa data for better analysis and for making policy interventions.

The trends in growth of GSDP and GSVa for the period from 2018-19 to 2022-23 is indicated in **Chart 1.1**



(Source: Economic Survey of Maharashtra 2022-23)

Changes in sectoral contribution to the GSDP are an indication of the changing structure of the economy. Sectoral growth of GSDP over the past five years is detailed in **Chart 1.2**.



(Source: Economic Survey of Maharashtra 2022-23)

(2019-20: Third RE; 2020-21: Second RE; 2021-22: First RE; 2022-23: Advance Estimates)

**Chart 1.2** shows that, during 2021-22, there was significant growth in all the three sectors contributing to GSVA, which was attributed to recovery of economic activity post COVID-19 pandemic.

## 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.

Accountant General (Accounts & Entitlement)-I, Maharashtra, Mumbai 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 Principal Accountant General (Audit)-I, 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 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 Principal Accountant General (Audit)-I, Maharashtra, Mumbai and Accountant General (Audit) II, Maharashtra, Nagpur.
- Other financial data obtained from departmental authorities and Treasuries.

- GSDP data and other State related Statistics,
- Report on the recommendations of the XV Finance Commission (FC).
- Maharashtra Fiscal Responsibility and Budgetary Management Act, 2005.
- Guidelines from the Government of India (GoI).

Replies of the Government, where received have been incorporated in this report at appropriate place.

### **1.3 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 the 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.

### ***Budget Documents***

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. Further, the budget must distinguish expenditure on the revenue account from other expenditures. It includes:

- **Revenue receipts** consist of Tax Revenue, Non-tax Revenue, share of Union Taxes/Duties and grants from GoI.

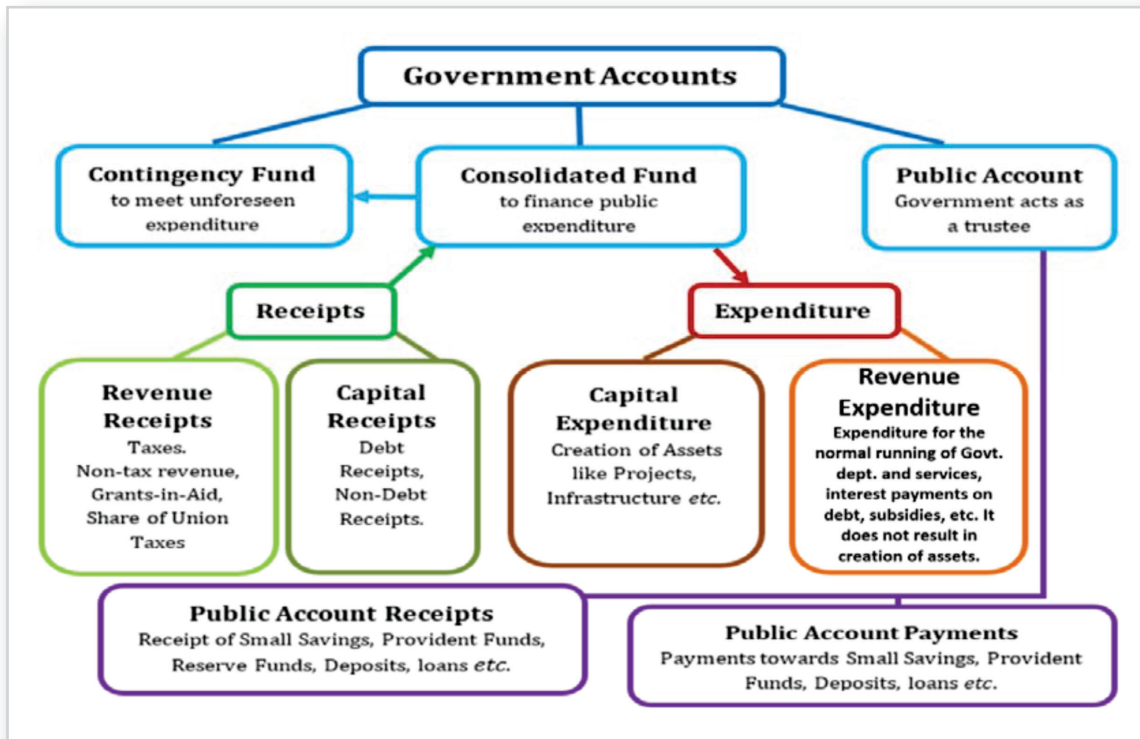
- **Revenue expenditure** consists of all those expenditures of the State Government, which do not result in the creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the State Government departments and various services, interest payments on debt 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: -



### Public Debts and Public liabilities

In this Report 'public debt' comprises market borrowing, institutional loans, special securities issued to National Small Savings Fund (NSSF), loan given by Central Government etc. For this purpose, the major heads 6003 and 6004-Public Debt have been taken into consideration.

Further the transactions related to 'Small Savings Provident Fund etc.', 'Reserve funds' and 'Deposit and advances' under Public Account are such that the Government incurs a liability to repay the money received or has a claim to recover the amounts paid. The transactions relating to 'Remittances' and 'Suspense' under Account, includes merely adjusting heads such as transactions as remittances of cash between treasuries and currency chests and transfer between different accounting circles.

In this report, 'Public Liability' has been taken to include the transactions under major heads 8001 to 8554 relating to 'Small Saving, Provident Fund', etc., 'Reserve Fund' and 'Deposit and advances' along with the transactions under major heads 6003 and 6004.

### 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 2022-23, 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.

The Finance Accounts and the 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 2022-23 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 2022-23 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.

### 1.3.1 Snapshot of Finances

The following table provides a snapshot of actual financial results for the year 2021-22 and 2022-23 *vis-à-vis* Budget Estimates (BE) for the year 2022-23.

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

Sl. No.	Components	2021-22 Actual	2022-23		Percentage of Actual to BE	Percentage of Actual to GSDP
			BE	Actual		
1	Tax revenue	275245.19	308113.46	337487.28	109.53	9.57
	<i>Own Tax revenue</i>	220927.13	256525.71	277486.31	108.17	7.87
	<i>Share of Union Taxes/ Duties</i>	54318.06	51587.75	60000.97	116.31	1.70
2	Non-tax revenue	19306.70	27128.13	16776.41	61.84	0.48
3	Grants-in-aid and Contributions	38759.68	68185.64	51414.24	75.40	1.46
<b>4</b>	<b>Revenue Receipts (1+2+3)</b>	<b>333311.57</b>	<b>403427.23</b>	<b>405677.93</b>	<b>100.56</b>	<b>11.50</b>
5	Recoveries of Loans and Advances	1178.88	2378.99	642.62	27.01	0.02
6	Other Receipts	0	0	0	0	0
7	Borrowings and other Liabilities <sup>(a)</sup>	64301.86	89598.34	67601.87	75.45	1.92
<b>8</b>	<b>Capital Receipts (5+6+7)</b>	<b>65480.74</b>	<b>91977.33</b>	<b>68244.49</b>	<b>74.20</b>	<b>1.93</b>
<b>9</b>	<b>Total Receipts (4+8)</b>	<b>398792.31</b>	<b>495404.56</b>	<b>473921.55</b>	<b>95.66</b>	<b>13.44</b>
<b>10</b>	<b>Revenue Expenditure of which</b>	<b>349685.89</b>	<b>427780.12</b>	<b>407614.40</b>	<b>95.29</b>	<b>11.56</b>
11	Interest payments	40158.04	46763.23	41689.16	89.15	1.18
<b>12</b>	<b>Capital Expenditure of which</b>	<b>49106.42</b>	<b>67624.43</b>	<b>66308.02</b>	<b>98.05</b>	<b>1.88</b>
13	Capital outlay	46670.39	65210.39	61643.61	94.53	1.75
14	Loans and advances	2436.03	2414.04	4664.41	193.22	0.13
<b>15</b>	<b>Total Expenditure (10+12)</b>	<b>398792.31</b>	<b>495404.55</b>	<b>473922.42</b>	<b>95.66</b>	<b>13.44</b>
<b>16</b>	<b>Revenue Deficit (4-10)</b>	<b>(-16374.32)</b>	<b>(-24352.89)</b>	<b>(-1936.47)</b>	<b>7.95</b>	<b>(-)0.05</b>
<b>17</b>	<b>Fiscal Deficit {(4+5+6)-15}</b>	<b>(-64301.86)</b>	<b>(-89598.33)</b>	<b>(-67601.87)</b>	<b>75.45</b>	<b>(-)1.92</b>
<b>18</b>	<b>Primary Deficit (17-11)</b>	<b>(-24143.82)</b>	<b>(-42835.10)</b>	<b>(-25912.71)</b>	<b>60.49</b>	<b>(-)0.73</b>

Source: Finance Accounts of respective years  
(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.

During 2022-23, the actual tax revenue of the State exceeded the budget estimate by ₹ 29,373.82 crore (9.53 per cent). During 2022-23, revenue expenditure (₹ 4,07,614.40

crore) exceeded revenue receipts (₹ 4,05,677.93 crore), resulting in a revenue deficit of ₹ 1,936.47 crore.

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.

### 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 GoI, receipts from public accounts 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 2023, compared to the corresponding position on 31 March 2022.

**Table 1.3: Summarised position of Assets and Liabilities**

(₹ in crore)

Liabilities				Assets					
	2021-22	2022-23	Per cent increase		2021-22	2022-23	Per cent increase		
<b>Consolidated Fund</b>									
A	Internal Debt	445079.61	485782.24	9.15	a	Gross Capital Outlay	435889.20	497532.81	14.14
B	Loans and Advances from GoI	37955.69	47160.11	24.25	b	Loans and Advances	28087.20	32108.99	14.32
<b>Contingency Fund</b>		150.00	150.00	0					
<b>Public Account</b>									
A	Small Savings, Provident Funds, etc.	29156.93	29733.37	1.98	a	Advances	13.11	14.51	10.68
B	Deposits	81802.99	85526.83	4.55	b	Remittances	0	0	0
C	Reserve Funds	67435.73	73395.17	8.84	c	Suspense and Miscellaneous	0	0	0
D	Remittances	1110.65	1639.14	47.58		<b>Cash balance</b>	<b>22556.61</b>	<b>20646.73</b>	<b>(-8.47)</b>
						Investment in Earmarked Fund	55135.68	60843.98	22.13
E	Suspense and Miscellaneous	19952.23	30659.80	53.67		<b>Cash Total</b>	<b>77692.29</b>	<b>81490.71</b>	<b>4.89</b>
						Deficit in Revenue Account	141495.75 <sup>s</sup>	143433.36	1.37
						Misc. Capital Receipt	(-)533.72	(-)533.72	0
<b>Grand Total</b>		<b>682643.83</b>	<b>754046.66</b>	<b>10.46</b>	<b>Grand Total</b>		<b>682643.83</b>	<b>754046.66</b>	<b>10.46</b>
Source: Finance Accounts of respective years									
<sup>s</sup> Includes amount closed to Government Accounts (₹ 1.59 crore)									

It can be seen from the above table that during 2022-23, assets increased by 12.84 per cent, while liabilities increased by 10.46 per cent over the previous year. The cash balance of the State at the end of the year was ₹ 20,646.73 crore in 2022-23. The decrease in the cash balance was 8.47 per cent over the previous year.

#### 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, fiscal deficit, and primary deficit. The 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 (MFRBM) Act, 2005.

The State Government has enacted the MFRBM Act, 2005, and has amended it 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.

The COVID 19 pandemic has adversely affected the resources of the state. In view of this to raise additional resources, the Union Government has allowed an additional borrowing limit of 0.5 *per cent* of GSDP to the State for the year 2022-23. Therefore, the Government of Maharashtra has enhanced its fiscal deficit limit to 3.5 *per cent* of GSDP from 3.0 *per cent* under the amendment of MFRBM Rules.

A trend analysis of key fiscal parameters prescribed in MFRBM Act 2005 *vis-à-vis* achievements during the last five-year period (2018-19 to 2022-23) is given in **Table 1.4(a)**.

**Table 1.4(a): Trend analysis of key fiscal targets prescribed in the Act during 2018-19 to 2022-23**

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus after 2021-22 <sup>1</sup>	11974.60	(-17115.63)	(-41141.85)	(-16374.32)	(-1936.47)
		✓	✓	✓	✓	x
Fiscal Deficit (-) (As percentage of GSDP)	3.5 <i>per cent</i>	(-23015.33 (-0.91)	(-53886.19 (-2.03)	(-71558.05 (-2.72)	(-64301.86 (-2.07)	(-67601.87 (-1.92)
		✓	✓	✓	✓	✓

<sup>1</sup> As per Finance Department, GoM notification dated 21 January 2022

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2018-19	2019-20	2020-21	2021-22	2022-23
Ratio of total outstanding liabilities to GSDP (in per cent)	Target	16.52	15.83	16.15	20.64	18.14
	Achievement	17.27	18.06	20.41*	19.06*	18.73
		X	X	X	✓	X

Source: Finance Accounts and Budget documents of respective years

\* During the year 2020-21 and 2021-22 the GoM received back-to-back loan of ₹ 11,977 crore and ₹ 13,782.36 crore respectively in lieu of GST compensation. As per Department of Expenditure, Ministry of Finance, GoI, the borrowings under the Special Window (₹ 11,977 crore for 2020-21 and ₹13,782.36 crore for 2021-22) was not treated as debt of the State for any norms prescribed by the Finance Commission etc.

As seen from **Table 1.4 (a)**, during the five-year period 2018-19 to 2022-23, the State could achieve Revenue Surplus only during 2018-19. The revenue deficit of ₹ 16,374.32 crore in 2021-22 decreased to ₹ 1,936.47 crore in 2022-23. The State was successful in containing the Fiscal Deficit below two per cent during 2022-23 against the target of 3.5 per cent.

The targets set by XV FC and those projected in the State budget *vis-à-vis* achievements in respect of major fiscal aggregates with reference to GSDP during 2022-23 are given in **Table 1.4(b)**

**Table 1.4(b): Targets *vis-à-vis* achievements in respect of major fiscal aggregates for the year 2022-23**

Fiscal Variables	Targets as prescribed by XV FC	Targets in the Budget	Actual	Percentage variations of actuals over	
				Targets of XVFC	Targets in Budget
Revenue Deficit(-)/Surplus (+) GSDP (per cent)	0.97	(-)1.42	(-)0.05	(-) 1.02	0.73
Fiscal Deficit/GSDP (per cent)	(-)3.5	(-)2.50	(-)1.92	1.58	0.58
Total outstanding liability/GSDP (per cent)	27.5	18.14	18.73	(-)9.16	0.20

Source: Recommendation of XVFC, Annual Financial Statement of GoM, Finance Accounts

During the year 2022-23, the Fiscal deficit and total outstanding liability as percentage of GSDP was well within the targets fixed by XVFC. However, the State Government could not achieve the revenue surplus of as targeted by the XVFC. The revenue deficit as percentage of GSDP was 0.05 per cent.

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

As prescribed in the MFRBM 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 2022-23 in MTFPS presented to the State Legislature along with the Annual Budget for 2022-23 and actuals of the year.

Table 1.5: Actuals vis-à-vis projection in MTFPS for 2022-23

Sl. No	Fiscal Variables	Projection as per MTFPS	Actuals	Variation (in per cent)
		₹ in crore		
1	Own Tax Revenue	256525.71	277486.31	8.17
2	Non-Tax Revenue	27128.13	16776.41	(-)38.16
3	Share of Union Taxes	51587.75	60000.97	16.31
4	Grants-in-aid from GoI	68185.64	51414.24	(-)24.60
5	Revenue Receipts (1+2+3+4)	403427.23	405677.93	0.56
6	Revenue Expenditure	427780.12	407614.40	(-)4.71
7	Revenue Deficit (-)/ Surplus (+) (5-6)	(-)24352.89	(-)1936.47	(-)92.05
8	Fiscal Deficit (-)/ Surplus (+)	(-)89598.34	(-)67601.87	(-)24.55
9	Primary Deficit	(-)42835.11	(-)25912.71	(-)39.50
10	Total outstanding liabilities /GSDP (per cent)	18.14	18.73	3.25
11	GSDP growth rate at current prices (per cent)	12.00	13.48	12.33

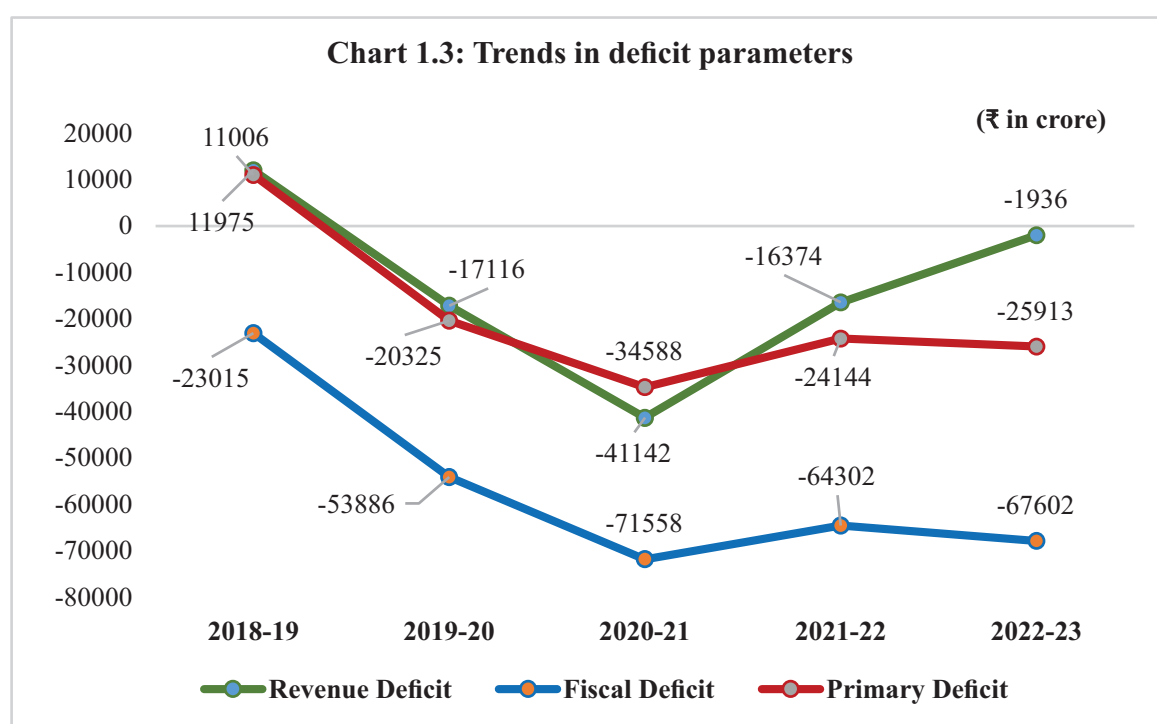
Source: Finance Accounts and Budget documents 2022-23

As can be seen from **Table 1.5**, all the three key fiscal parameters i.e., Revenue deficit, Fiscal Deficit and Primary deficit were significantly lower than the projections made in MTFPS by 92.05 per cent, 24.55 per cent and 39.50 per cent respectively during 2022-23, due to decrease in revenue expenditure and increase in revenue receipt than the projections in the MTFPS.

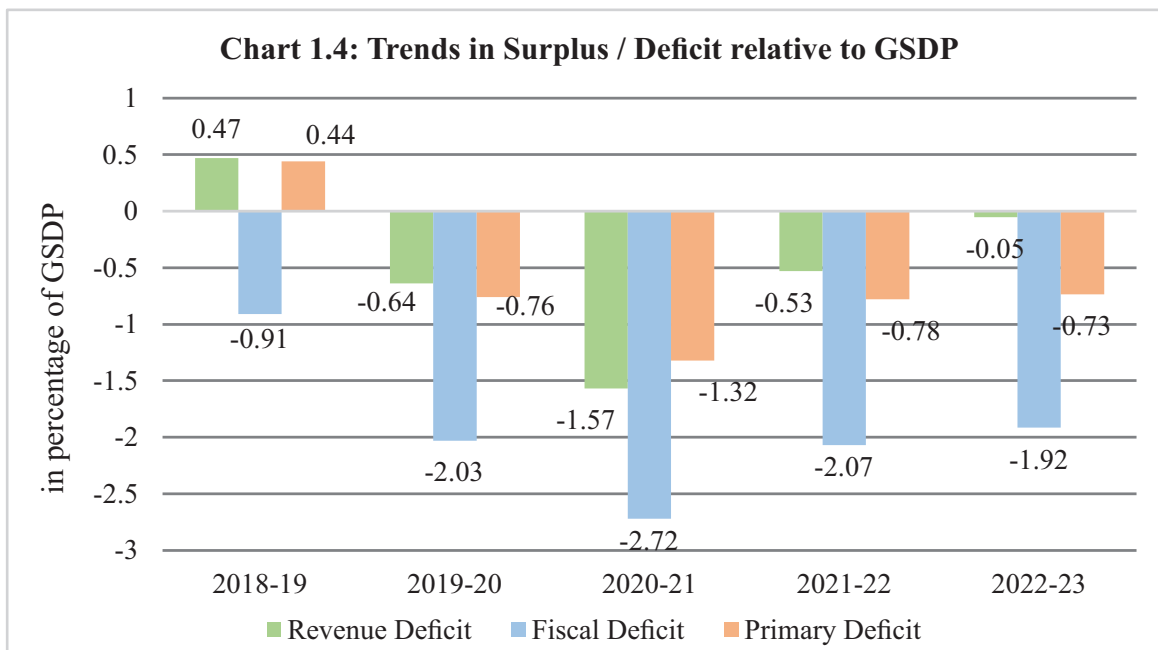
During 2022-23, the total outstanding liabilities to GSDP ratio (18.73 per cent) was slightly higher than the projections made in the MTFPS (18.14 per cent) but lower than the limit recommended by the XV-Finance Commission (27.5 per cent).

#### 1.4.2 Trends in Deficit/Surplus

The trends in surplus/deficits over the five-year period (2017-18 to 2022-23) 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)

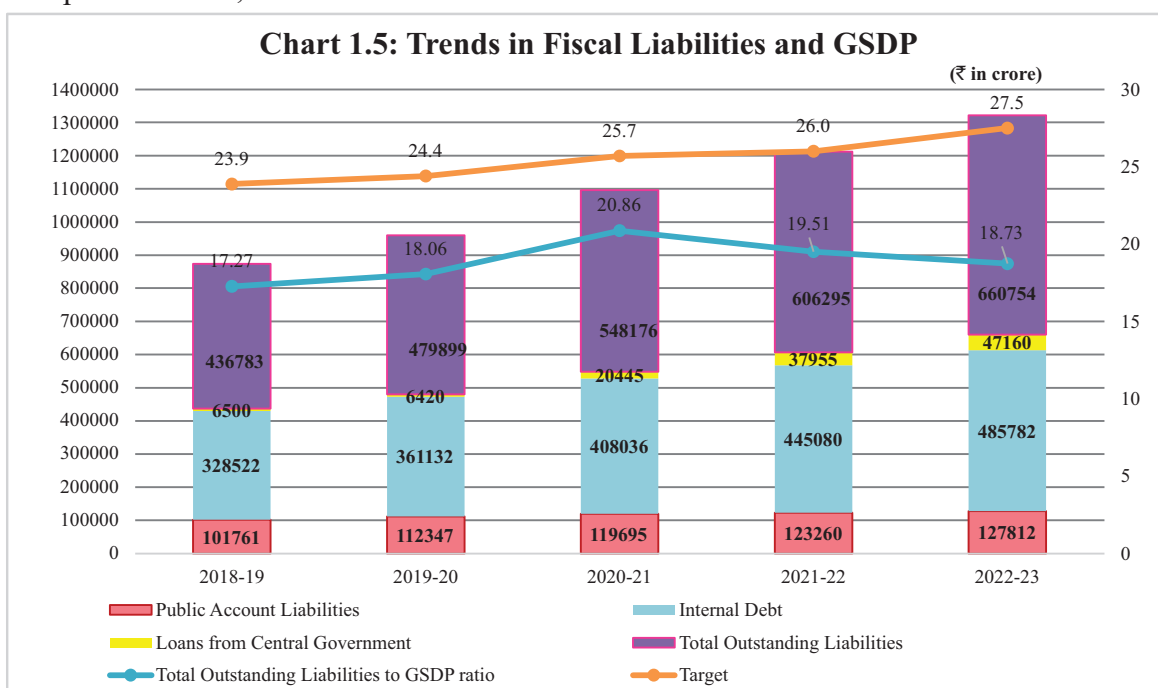


(Source: Economic Survey of Maharashtra 2022-23 and Finance Accounts of respective years)

**Revenue deficit** indicates that the Revenue Receipts were insufficient to meet the Revenue Expenditure. As compared to the previous years (2018-19 to 2021-22), the revenue deficit has decreased significantly to ₹ 1,936.47 crore in 2022-23. The revenue deficit as ratio of GSDP during 2022-23 was 0.05 per cent.

**Fiscal Deficit** represents the gap between the non-debt receipts and total expenditure. This gap can be met either by additional Public Debt or using surplus funds from Public Accounts. Fiscal Deficit normally represents the net incremental liabilities of the Government or its additional borrowing requirements. The Fiscal Deficit increased substantially from ₹ 64,302 crore in 2021-22 to ₹ 67,602 crore in 2022-23. However, the Fiscal deficit as ratio of GSDP decreased from 2.07 per cent in 2021-22 to 1.92 per cent in 2022-23.

**Primary Deficit**, indicates the excess of primary expenditure (total expenditure minus net of interest payment) over non-debt receipts was ₹ 25,913 crore in 2022-23 as compared to ₹ 24,144 crore in 2021-22.



(Source: Finance Accounts of respective years)

Due to rising internal debt, total outstanding liability has consistently risen during 2018-19 to 2022-23. During the year 2020-21 and 2021-22 the GoM received back-to-back loan of ₹ 11,977 crore and ₹ 13,782.36 crore respectively in lieu of GST compensation. As per Department of Expenditure, Ministry of Finance, GoI, the borrowings under the Special Window (₹ 11,977 crore for 2020-21 and ₹ 13,782.36 crore for 2021-22) was not treated as debt of the State for any norms prescribed by the Finance Commission etc. During 2022-23, outstanding fiscal liabilities of the state increased by ₹ 54,459 crore (8.98 per cent) over the previous year. Internal debt constituted 73.52 per cent, Loans from GoI 7.14 per cent and Public Account liabilities 19.34 per cent of the total fiscal liabilities during 2022-23. The outstanding debt to GSDP ratio of 18.73 per cent during 2022-23 was slightly higher than the limits prescribed by the FRBM Act (18.14 per cent).

### 1.4.3 Performance of the State Government with respect to borrowings according to the limits fixed by Government of India

Article 293 (3) of the Constitution of India, *inter alia*, provides that a State may not raise any loan without the consent of Government of India (GoI), if any part of a loan, which has been made to the State by GoI, is still outstanding.

The GoI, Ministry of Finance, Department of Expenditure fixed (March 2021) the net borrowing ceiling of the State Government for the financial year 2022-23 as ₹ 1,23,448 crore<sup>2</sup> and instructed the State Government to ensure that its incremental borrowings from all sources remained within this ceiling. While fixing the Net Borrowing ceiling of the states for the year 2022-23 it was decided (March 2022) by the GoI that State Public Sector Companies/corporations, and other equivalent instruments where principal and interest were serviced out of the state Budgets or by assignment of taxes/cess or any state revenue shall be considered as borrowing made by the state itself for the purpose of issuing the consent under the Article 293 (3) of the Constitution of India.

As per Statement 6 of the Finance Accounts viz. statement of borrowings and other liabilities, incremental borrowings and other liabilities of the State Government were ₹ 54,458.47 crore during the financial year 2022-23 which remained within the borrowing ceiling of ₹ 1,23,448 crore.

### 1.5 Deficits after examination in 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. To arrive at actual deficit figures, the impact of such irregularities needs 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 2022-23.

2 3.5 per cent of GSDP (₹ 35,27,084 crore) of the year 2022-23 based on the GSDP data published by NSO and methodology prescribed by 15<sup>th</sup> Finance Commission

**Table 1.6: Impact of certain transactions on Revenue deficit and Fiscal deficit during 2022-23**

Particulars	Impact on Revenue deficit (understatement (+)/overstatement (-) (₹ in crore)	Impact on Fiscal deficit (understatement) (+) (₹ in crore)	Para reference
Misclassification between revenue and Capital Expenditure	(+)3440.70	-	Chapter 3 Para 3.3.6
Non-adjustment of interest against Reserve Fund and Deposits bearing interest	(+)232.61	(+)232.61	Chapter 4 Para 4.1
Consolidated Sinking Fund	(+)1531.48	(+)1531.48	Chapter 2 Para 2.5.2.1
Guarantee Redemption Fund	(+)42.85	(+)42.85	Chapter 2 Para 2.5.2.3
Non-Transfer of Cess/fee/surcharge	(+) 1156.76	(+) 1156.76	Chapter 2 Para 2.5.2.5
<b>Total</b>	<b>6404.40</b>	<b>2963.70</b>	
Source: Finance Account 2022-23			

- Indian Government Accounting Standard (IGAS)-2 prescribes that grant-in-aid should be booked under revenue expenditure. However, the State Government incorrectly budgeted and booked expenditure of ₹ 3,440.70 crore of grant-in-aid under Capital Section instead of Revenue Section.
- The State Government was required to pay interest on the uninvested balances lying under Reserve Funds and Deposits bearing interest. The interest liability on certain Reserve Funds and Deposits and Advances bearing interest worked out to ₹ 232.61 crore was not provided.
- As per the guidelines of the Consolidated Sinking Fund, States may 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 2022 was ₹ 6,06,295.26 crore. However, during the year 2022-23, the State Government contributed only ₹ 1,500 crore as against ₹ 3,031.48 crore required to be contributed to the Sinking Fund.
- Cess (other than Labour Cess) amounting to ₹ 1,156.76 crore collected under Consolidated Fund of the State was not transferred to the respective fund account in Reserve Fund.

During 2022-23, the revenue deficit and fiscal deficit was ₹ 1,936.47 crore (0.05 per cent of GSDP) and ₹ 67,601.87 crore (1.92 per cent of GSDP) respectively, as shown in **Chart 1.3** and **Chart 1.4** of **Paragraph 1.4.2**. If the transactions shown in **Table 1.6** were taken into account, the actual Revenue deficit and Fiscal deficit would work out to ₹ 8,340.87 crore (0.24 per cent of GSDP) and ₹ 70,565.57 crore (2.00 per cent of GSDP) respectively.