1.1 Introduction

The Finance Accounts of the Government of Maharashtra are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Accounts of the State of Maharashtra. The lay out of the Finance Accounts is depicted in the box below:

Box 1.1: Lay out of Finance Accounts

Statement No.1 presents the summary of transactions of the State government –receipts and expenditure, revenue and capital, public debt receipts and disbursements etc in the Consolidated Fund, Contingency Fund and Public Account of the State.

Statement No.2 contains the summarised statement of capital outlay showing progressive expenditure to the end of 2003-04.

Statement No.3 gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.

Statement No.4 indicates the summary of debt position of the State which includes borrowing from internal debt, Government of India, other obligations and servicing of debt.

Statement No.5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears etc.

Statement No.6 gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, local bodies and other institutions.

Statement No. 7 gives the summary of cash balances and investments made out of such balances.

Statement No.8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2004.

Statement No.9 shows the revenue and expenditure under different heads for the year 2003-04 as a percentage of total revenue/expenditure.

Statement No.10 indicates the distribution between the charged and voted expenditure incurred during the year.

Statement No.11 indicates the detailed account of revenue receipts by minor heads.

Statement No.12 provides accounts of revenue expenditure by minor heads under non–plan and plan separately and capital expenditure by major head wise.

Statement No.13 depicts the detailed capital expenditure incurred during and to the end of 2003-04.

Statement No.14 shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies etc up to the end of 2003-04.

Statement No.15 depicts the capital and other expenditure to the end of 2003-04 and the principal sources from which the funds were provided for that expenditure.

Statement No.16 gives the detailed account of receipts disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.

Statement No.17 present detailed account of debt and other interest bearing obligations of the Government of Maharashtra.

Statement No.18 provides the detailed account of loans and advances given by the Government of Maharashtra, the amount of loan repaid during the year, the balance as on 31 March 2004.

Statement No.19 gives the details of earmarked balances of reserve funds.

1.2 Trend of Finances with reference to previous year

Financial position of the State Government during the current year as compared to the previous year was as under:

(Rupees in crore)

2002-03	Sr. No	Major Aggregates	2003-04
31103	**1.**	**Revenue Receipts (2+3+4)**	**34370***
22800	2.	Tax Revenue (Net)	25162
4517	3.	Non-Tax Revenue	3549
3786	4.	Other Receipts	5659
469	**5.**	**Non-Debt Capital Receipts**	**482**
469	6.	*Of which* Recovery of Loans	482
31572	**7.**	**Total Receipts (1+5)**	**34852**
40973	**8.**	**Non-Plan Expenditure**	**45501**
37230	9.	On Revenue Account	39135
7130	10.	*Of which* Interest Payments	8335
3743	11.	On Capital Account	4464
1704	12.	On Loans disbursed	1902
4889	**13.**	**Plan Expenditure**	**7280**
3244	14.	On Revenue Account	3545
1645	15.	On Capital Account	3735
--	16.	On Loans disbursed	--
45862	**17.**	**Total Expenditure (13+8)**	**52781**
9371	18.	Revenue Deficit (9+14-1)	8310
14290	19.	Fiscal Deficit (17-1-5)	17929
7160	20.	Primary Deficit (19-10)	9594+

1.3 Summary of Receipts and Disbursements

Table-1 summarises the finances of the Government of Maharashtra for the year 2003-04 covering revenue receipts and expenditure, capital receipts and expenditure and public accounts receipts/disbursements as emerging from Statement-1 of Finance Accounts and other detailed statements.

* Lower rounding + Higher rounding

Table-1: Summary of receipts and disbursements for the year 2003-04

(Rupees in crore)

2002-03	Receipts	2003-04	2002-03	Disbursements	2003-04		
				Section-A: Revenue	**Non Plan**	**Plan**	**Total**
31103.05	**I Revenue receipts**	**34370.52**	**40474.30**	**I Revenue expenditure**	**39135.36**	**3544.70**	**42680.06**
22799.46	Tax revenue	25162.16	17946.81	General services	19782.77	37.31	19820.08
4517.47	Non-tax revenue	3548.94	14217.83	Social services	13678.62	2311.70	15990.32
2279.96	Share of Union Taxes/Duties	3389.49	7635.77	Economic services	4689.76	1193.24	5883.00
1506.16	Grants from Government of India	2269.93	673.89	Grants-in-aid and Contributions	984.21	2.45	986.66
				Section-B: Capital			
697.70	**II Opening Cash balance**	**1435.20**	**3683.68**	**II Capital Outlay**	**4464.06**	**3735.08**	**8199.14**
469.16	**III Recoveries of Loans and Advances**	**482.16**	**1704.08**	**III Loans and Advances disbursed**	--	--	**1901.99**#
9758.42	**IV Public debt receipts**	**22381.11**	**1355.31**	**IV Repayment of Public Debt**	--	--	**8253.17**#
450.00	**V Appropriation from Contingency Fund**	**850.00**	**450.00**	**V Appropriation to Contingency Fund**	--	--	**850.00**#
465.80	**VI Contingency Fund**	**886.85**	**486.85**	**VI Contingency Fund**	--	--	**897.50**#
44867.16	**VII Public Account receipts**	**24452.02**	**38221.87**	**VII Public Account disbursements**	--	--	**19637.06**#
--	**VIII Closing Overdraft from RBI**	--	**1435.20**	**VIII Closing Cash Balance**	--	--	**2438.94**#
87811.29	**Total**	**84857.86**	**87811.29**	**Total**			**84857.86**

Bifurcation of plan and non plan not available

1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure in the light of time series data **(Appendix I to IV)** and periodic comparisons.

The key indicators adopted for the purpose are (i) Resources by volume and sources, (ii) Application of resources, (iii) Assets and Liabilities and (iv) Management of deficits. Audit observations also take into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

The reporting parameters are depicted in the Box 1.2.

Box 1. 2: Reporting Parameters

Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the Gross State Domestic Product (GSDP) at current market prices. The New GSDP series with 1993-94 as base as published by the Director of Economics and Statistics of the State Government have been used.

For tax revenues, non-tax revenues, revenue expenditure etc, buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP.

Some of the terms used here are explained in **Appendix V**.

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account, as defined in Box 1.3.

Box 1.3: State Government Funds and the Public Account

Consolidated Fund	Contingency Fund	Public Account
All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.	Contingency Fund of State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.	Besides the normal receipts and expenditure of the Government which relate to the Consolidated Fund, certain other transactions enter the Government Accounts, in respect of which the Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the related disbursements are made from it.

State Finances by key Indicators

1.5 Resources by volumes and sources

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Government of India (GOI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account.

Table-2 shows that the total receipts of the State Government for the year 2003-04 was Rs 83422 crore. Of these, the revenue receipts were Rs 34370 crore, constituting 41 *per cent* of the total receipts. The balance came from borrowings, receipts from Contingency Fund and Public Account.

Table-2: Resources of Maharashtra **(Rupees in crore)**

I Revenue Receipts		**34370***
II Capital Receipts		**22863**
Recovery of Loans and Advances	482	
Public Debt Receipts	22381	
III Appropriation from Contingency Fund		**850**
IV Contingency Fund		**887**
V Public Account Receipts		**24452**
a. Small Savings, Provident Fund *etc*	1714	
b. Reserve Fund	5441	
c. Deposits and Advances	5609	
d. Suspense and Miscellaneous	1461	
e. Remittances	10227	
Total Receipts		**83422**

1.5.1 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax and non-tax revenues, central tax transfers and grants-in-aid from GOI.

Overall revenue receipts, its annual rate of growth, ratio of these receipts to the GSDP and its buoyancies are indicated in table-3.

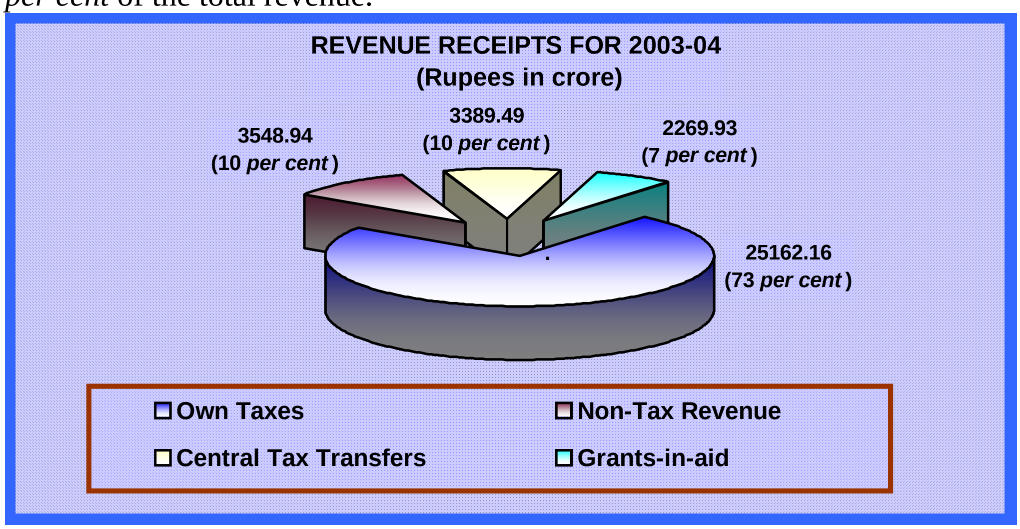
* Lower rounding

Table-3: Revenue Receipts - Basic Parameters

	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue Receipts (RR) (Rupees in crore)	25269	29567	30093	31103	34370
Own Taxes (*per cent*)	68.3	66.7	71.7	73.3	73.2
Non-Tax Revenue (*per cent*)	15.5	18.9	15.4	14.5	10.3
Central Tax Transfers (*per cent*)	10.3	9.4	8.7	7.3	9.8
Grants-in-aid (*per cent*)	5.7	4.9	5.5	4.8	6.6
Rate of growth of RR (*per cent*)	16.2	17.0	1.7	3.3	10.5
RR/GSDP (*per cent*)	10.5	11.4	11.0	10.5	10.4
Revenue Buoyancy (ratio)	77.439	2.264	0.350	0.383	0.879
GSDP Growth (*per cent*)	0.210	7.510	5.090	8.760	11.950

The revenue receipts of the State increased from Rs 25269 crore in 1999-2000 to Rs 34370 crore in 2003-04. It grew by about 11 *per cent* over the previous year mainly due to increase in Sales Tax (Rs 1838 crore) as an impact of measures implemented and increase in prices of petro products, increase in State's share of union taxes and duties (Rs 1109 crore) and increase in grants-in-aid from GOI (Rs 764 crore).

While 83 *per cent* of the revenue during 2003-04 came from the State's own resources, central tax transfers and grants-in-aid together contributed only 17 *per cent* of the total revenue.



Sales Tax was the major contributor (61 *per cent*) of tax revenue followed by Stamps and Registration fees (13 *per cent*), State Excise (9 *per cent*) and Taxes on Vehicles (5 *per cent*). Of non-tax revenue sources, Dairy Development (22 *per cent*) and Miscellaneous General Services (20 *per cent*) were the principal contributors. The grants-in-aid from GOI increased to 7 *per cent* in 2003-04 from 5 *per cent* in 2002-03.

The Medium Term Fiscal Reforms Programme (MTFRP) agreed to (October 2002) by the Government of Maharashtra with GOI provides for improving cost recoveries for Government services by enhancing user charges periodically and bringing new areas of Government services for cost recovery. Non-tax revenue in nominal terms has, however, steadily declined from

Rs 5596 crore in 2000-01 to Rs 3549 crore in 2003-04. The current levels of cost recovery in supply of goods and services by Government are 0.14 *per cent* for secondary education, 0.24 *per cent* for university and higher education, 6 *per cent* for technical education, 6 *per cent* in health and family welfare, 1 *per cent* in water supply and sanitation and 11 *per cent* in minor irrigation.

The arrears of revenue increased by 17 *per cent* from Rs 5879 crore as of March 2003 to Rs 6866 crore as of March 2004. Arrears mainly pertained to taxes on Sales, Trade *etc* (Rs 6668 crore), Motor Vehicles (Rs 158 crore), Electricity Duty (Rs 24 crore) and State Excise (Rs 12 crore).

The arrears of revenue, however, do not reflect the position of total arrears, as information from all departments was not made available.

The source of receipts under different heads as well GSDP during 1999-2004 is indicated in table-4.

Table-4: Source of Receipts – Trends **(Rupees in crore)**

Year	Revenue Receipts	Capital Receipts				Total Receipts	Gross State Domestic Product
		Non-Debt Receipts[+]	Debt Receipts	Contingency Fund Receipts	Accruals in Public Account		
1999-2000	25269	1251	6058	1773	37750[1]	72101	240224
2000-01	29567	3295	6744	367	38319	78292	258272
2001-02	30093	898	8671	306[1]	42369	82337	271406
2002-03	31103	919	9759[1]	466	44867	87114	295191[A]
2003-04	34370[*]	1332	22381	887	24452	83422	330466[B]

1.6 Application of resources

1.6.1 Trend of growth of total expenditure

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure major heads. The total expenditure of the State increased from Rs 37226 crore in 1999-2000 to Rs 52781 crore in 2003-04.

Total expenditure, its annual growth rate and ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in table-5.

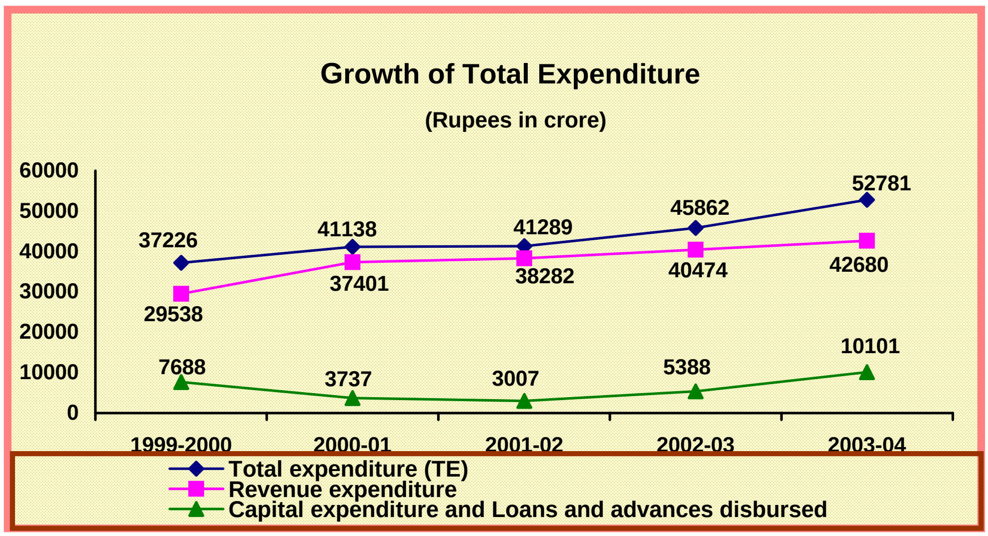
[+] Including Appropriation from Contingency Fund, Inter State Settlement and Recoveries of Loans and Advance.
[1] Higher rounding.
[A] Based on Economic Survey of Maharashtra.
[*] Lower rounding
[B] Provisional.

Table-5: Total Expenditure – Basic Parameters

	1999-2000	2000-01	2001-02	2002-03	2003-04
Total expenditure (TE)* (Rupees in crore)	37226	41138	41289	45862	52781
Rate of Growth (*per cent*)	26.3	10.5	0.3	11.0	15.0
TE/GSDP Ratio (*per cent*)	15.5	15.9	15.2	15.5	15.9
RR /TE Ratio (*per cent*)	67.8	71.8	72.8	67.8	65.1
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	125.428	1.399	0.072	1.264	1.262
RR (ratio)	1.620	0.618	0.206	3.300	1.436

* Total expenditure includes revenue expenditure, capital expenditure and loans and advances.

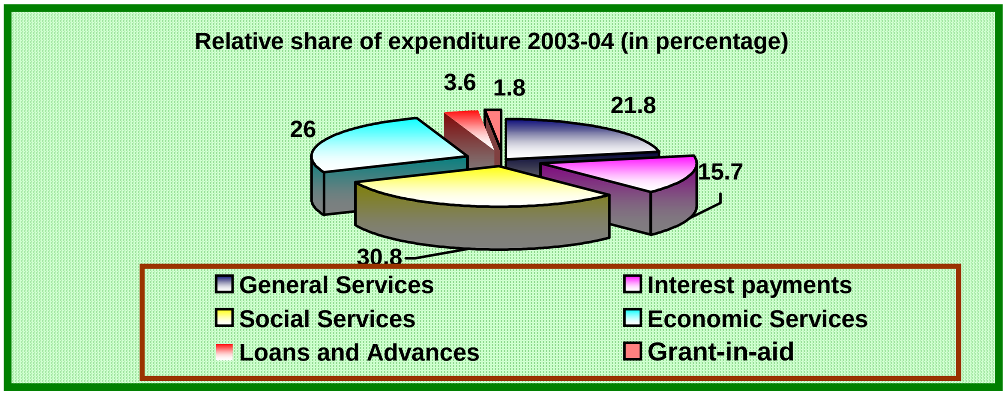
The total expenditure in 2003-04 has shown a huge increase of Rs 6919 crore over that of previous year. This was due to increase in non-plan revenue expenditure by Rs 1905.47 crore, in plan revenue expenditure by Rs 300.29 crore, in capital expenditure by Rs 4515.46 crore and in loans and advances disbursed by Rs 197.91 crore compared to previous year.



In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services, grants-in-aid and loans and advances. Relative share of these components in total expenditure is indicated in table-6.

Table-6: Components of Expenditure – Relative Share (in *per cent*)

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Services	20.7	23.1	27.4	23.6	21.8
Interest payments	13.1	12.7	15.5	15.5	15.7
Social Services	30.5	35.1	34.5	31.3	30.8
Economic Services	23.5	29.0	20.9	24.2	26.0
Grants-in-aid	1.5	1.6	1.3	1.4	1.8
Loans and Advances	10.5	(-) 1.7	0.1	3.7	3.6



The relative share of interest payments in total expenditure has been on the rise over the years, due to sharp increase in the interest payments. There were inter-year variations in the other components. Of the total expenditure, the non-developmental expenditure during 2003-04 (General services including interest payments) accounted for 38 *per cent*, the development expenditure (on Social services and Economic services) accounted for 57 *per cent* and loans and advances and Grants-in-aid accounted for 5 *per cent*.

1.6.2 Incidence of Revenue expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payment, for the past obligations and as such does not result in any addition to the States infrastructure and service network.

The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in table-7.

Table-7: Revenue Expenditure: Basic Parameters

	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue Expenditure (RE) (Rupees in crore)	29538	37401	38282	40474	42680
Rate of Growth (*per cent*)	15.1	26.6	2.3	5.7	5.4
RE/GSDP (*per cent*)	12.3	14.4	14.1	13.7	12.9
RE as *per cent* of TE	79.3	90.9	92.7	88.2	80.8
RE as *per cent* of RR	116.8	126.5	127.2	130.1	124.1
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	71.962	3.543	0.463	0.653	0.456
Revenue Receipts (ratio)	0.929	1.565	1.324	1.706	0.519

Even though revenue expenditure during 2003-04 decreased marginally to 5 *per cent* from 6 *per cent* in the previous year, the revenue expenditure accounted for 81 *per cent* of the total expenditure during 2003-04. This was higher than the share of the revenue receipts (41 *per cent*) in the total receipts of the State Government. This led to revenue deficit of Rs 8310 crore. The ratio of revenue expenditure to revenue receipt decreased from 130 *per cent* in 2002-03 to 124 *per cent* in 2003-04. The revenue expenditure included non-developmental expenditure viz. Salaries (Rs 16680 crore), Interest payments

(Rs 8335 crore) and Pension (Rs 2636 crore) which alone consumed more than three-fourth (80 *per cent)* of the revenue receipts of the State during the year.

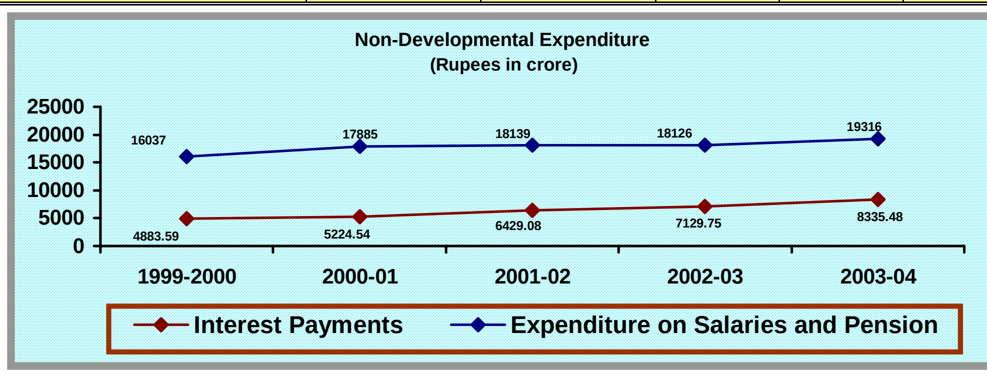
1.6.3 Committed Expenditure

➢ ***High salary expenditure and pension payments***

Expenditure on salaries and pension alone accounted for nearly 56 *per cent* of the revenue receipts during 2003-04 and posted an increase of 20 *per cent* over a period of five years. It ranged between 6 and 7 *per cent* of GSDP during the period from 1999-2000 to 2003-04 as indicated in the table-8.

Table-8: Salary and Pension expenditure **(Rupees in crore)**

Heads	1999-2000	2000-01	2001-02	2002-03	2003-04
Salary and Pension Expenditure♠	16037	17885	18139	18126	19316
As *per cent* of GSDP	6.7	6.9	6.7	6.1	5.8
As *per cent* of RR	63.5	60.5	60.3	58.3	56.2



➢ ***Interest payments***

In absolute terms, interest payments increased by 71 *per cent* from Rs 4884 crore in 1999-2000 to Rs 8335 crore in 2003-04 primarily due to continued reliance on borrowings for financing the fiscal deficit.

Table-9: Interest payments

Year	Total Revenue Receipts	Interest Payments*	Percentage of Interest payments with reference to	
	(Rupees in crore)		Total Revenue Receipts	Revenue Expenditure
1999-2000	25269	4884	19	17
2000-01	29567	5225	18	14
2001-02	30093	6429	21	17
2002-03	31103	7130	23	18
2003-04	34370[A]	8335	24	20

The Eleventh Finance Commission (August 2000) had recommended that as a medium term objective, States should endeavour to keep interest payments as a ratio to revenue receipts at 18 *per cent*. It was, however, observed that

♠ Salary figures are obtained from Finance Department, Government of Maharashtra and Pension expenditure are as per Finance Accounts of the respective years.

* Rounded to nearest whole number.

[A] Lower rounding.

interest payments were between 18 and 24 *per cent* of revenue receipts and steadily risen from 18 *per cent* in 2000-01 to 24 *per cent in* 2003-04. The steady increase in the interest payments was primarily due to ever increasing debt stock of the State.

During 2003-04, the State Government raised Rs 7472.47 crore at the average interest rate of 7 *per cent* from open market. Besides, it also borrowed Rs 13656.23 crore from National Small Savings Fund, Life Insurance Corporation of India and other institutions and Rs 1252.41 crore from GOI during the year.

The debt service burden caused by rising Government's debt has been compounded by prevalence of high real interest rates. The high real interest rates not only entail an unsustainable burden on the Government but also results in high cost of capital, which constricts economic growth.

1.6.4 Subsidies

Though the finances of the State are under strain, State Government has been paying subsidies to various Corporations, etc. During the last three years, State Government paid the subsidies as under:

Table-10: Subsidies

Year	Amount (Rupees in crore)	Percentage increase (+)/ decrease (-) over previous year	Percentage of subsidy in total expenditure
2001-02	1800	284.0	4
2002-03	2009	11.6	4
2003-04	975	(-) 51.4	2

During the current year, subsidies constituted about two *per cent* of the total expenditure, major recipient were Maharashtra State Electricity Board (27 *per cent*), Co-operative societies (15 *per cent*) and Maharashtra State Road Development Corporation (7 *per cent*).

1.7 Expenditure by Allocative Priorities

1.7.1 The expenditure of the State in the nature of plan expenditure, capital expenditure and developmental expenditure reflects its quality. Higher the ratio of these components to total expenditure, better is the quality of expenditure. Table-11 gives these ratio during 1999-2004.

Table-11: Quality of expenditure (*per cent* to total expenditure)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Plan Expenditure	16.4	15.7	10.5	11.0	14.3
Capital Expenditure	11.2	10.6	7.1	8.3	16.1
Developmental Expenditure	60.4	63.1	55.6	57.7	59.0

(Total expenditure does not include Loans and Advances).

All the three components of quality of expenditure indicated inter year variations. The share of plan expenditure, capital expenditure and developmental expenditure (expenditure on economic and social services) was 12 *per cent* higher compared to the previous year.

1.7.2 During the year expenditure on social services (Rs 16273 crore) accounted for 54 *per cent* of the developmental expenditure. Expenditure on Education, Health and Family Welfare and Water Supply and Sanitation constituted 82 *per cent* of the expenditure on social sector as compared to 74 *per cent* in previous year.

Table-12: Expenditure on Social Sector **(Rupees in crore)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Education, Sports, Art and Culture	7303	9420	9388	8941	9441
Health and Family Welfare	1393	1634	1835	1752	1925
Water Supply, Sanitation, Housing and Urban Development	1279	1479	1011	1496	1908
Total	**9975**	**12533**	**12234**	**12189**	**13274**

1.7.3 The expenditure on Economic Services (Rs 13750.95 crore), accounted for 46 *per cent* of the developmental expenditure. Of this, Agriculture and Allied activities, Irrigation and Flood Control, Energy and Transport consumed nearly 82 *per cent* of the expenditure.

Table-13: Expenditure on Economic Sector **(Rupees in crore)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Agriculture, Allied Activities	3356	3041	2893	2801	2808
Irrigation and Flood Control	3349	2823	3053	4325♣	6459
Energy	232	4600	1006	1050	650
Transport	947	750	874	1519	1296
Total	**7884**	**11214**	**7826**	**9695**	**11213**

Financial Assistance to local bodies and other institutions

1.7.4 Extent of assistance

The quantum of assistance provided by way of grants and loans to local bodies and others during the five year period 1999-2004 was as follows:

Table-14: Financial Assistance **(Rupees in crore)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	2660.04	2633.08	1483.20	525.60	7120.52
Municipal Corporations and Municipalities	563.73	552.88	612.50	378.40	1710.61
Zilla Parishads and Other Panchayati Raj Institutions	3220.94	1958.15	3383.96	696.96	8184.07
Development Agencies	1071.20	124.45	1277.55	441.62	302.63
Hospital and Other Charitable Institutions	38.35	52.57	232.49	208.19	435.53
Other Institutions	1917.33	1979.46	3990.44	3007.78	7041.08
Total	**9471.59**	**7300.59**	**10980.14**	**5258.55**	**24794.44**[#]
Assistance as per percentage of RE	32	20	29	13	58

The assistance to local bodies and others during the year was 58 *per cent* of revenue expenditure compared to 13 *per cent* in the previous year.

♣ Includes notional interest of Rs 1523 crore on 14 irrigation projects handed over to Irrigation Development Corporations (SPVs).

[#] Figure is under reconciliation.

1.7.5 Delay in furnishing utilisation certificates

Of the 63066 utilisation certificates (UC) due in respect of grants and loans aggregating Rs 8136 crore paid upto 2003-04, 61035 UCs for an aggregate amount of Rs 7608 crore were in arrears. Details of department-wise break-up of outstanding UCs are given in **Appendix VI**.

1.7.6 Delay in submission of accounts

In order to identify the institutions which attract audit under Section 14/15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of the Department are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. As of July 2004, 24 departments of the Government have not furnished details for the year 2003-04 as shown in **Appendix VII**.

1.7.7 Abstract of performance of the autonomous bodies

The audit of accounts of 11 bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature is indicated in **Appendix VIII**.

1.7.8 Misappropriations, losses, defalcations, etc

State Government reported 289 cases of misappropriation, defalcation, etc involving Government money amounting to Rs 6.43 crore upto the period September 2004 on which final action was pending. The department-wise break up of pending cases is given in **Appendix IX**.

1.7.9 Write off of losses, etc

As reported to Audit, losses due to theft, fire and irrecoverable revenue, *etc* amounting to Rs 162.54 crore in 382 cases were written-off during 2003-04 by competent authorities. The relevant details are given in **Appendix X**.

1.8 Assets and Liabilities

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix I** gives an abstract of such liabilities and the assets as on 31 March 2004, compared with the corresponding position on 31 March 2003. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. Appendix I shows that the liabilities grew by 20 *per cent* and the assets grew by 18 *per cent* over the previous year.

The liabilities depicted in the Finance Accounts, however, do not include the pension and other retirement benefits payable to serving/retired State employees and guarantees/letters of comforts issued by the State Government. In Fiscal Responsibility and Budgetary Management Bill (FRBMB) 2003, the Government has agreed to present to the State Legislature, every year along with annual budget the pension liabilities worked out on actuarial basis. **Appendix IV** depicts the time series data on State Government finances for the period 1999-2004.

1.8.1 Financial results of irrigation works

Out of 18 irrigation projects, 14 irrigation projects have been handed over to the five Irrigation Corporations created during 1996-1998. The financial results of the remaining four major irrigation projects with a capital outlay of Rs 303.92 crore at the end of March 2004, showed that revenue realised from these projects during 2003-04 (Rs 63.17 crore) was 21 *per cent* of the capital outlay. After considering the working and maintenance expenses (Rs 9.08 crore) and interest charges (Rs 31.20 crore), the schemes gained a net profit of Rs 22.89 crore during 2003-04.

1.8.2 Incomplete projects

As of 31 March 2004, there were 146 incomplete projects in which Rs 4224.89 crore were blocked. Of these, 75 projects (expenditure: Rs 2304.76 crore) were incomplete for less than five years, 46 projects (expenditure: Rs 1751.93 crore) were incomplete for period ranging from five to ten years, one project (expenditure: Rs 1.24 crore) was incomplete for period of 18 years and three projects (expenditure: Rs 71.41 crore) were incomplete for more than 20 years. Details in respect of 21 projects involving capital of Rs 95.55 crore are not available. This showed that the Government was spreading its resources thinly, which failed to yield any return. Reasons for incomplete projects were paucity of funds, works left incomplete by contractors, change in site/design of the project(s), defective planning, etc.

The Government in Irrigation Department has constituted a Cabinet Sub-Committee (May 2003) to study the issue of time overrun and cost overrun in respect of irrigation projects and to suggest measures to overcome these. The Sub-Committee is yet to submit its report (July 2004). Comments on some incomplete projects had been included in the Civil Audit Reports.

1.8.3 Departmental Commercial Undertakings

Activities of *quasi*-commercial nature are performed by the departmental undertakings of certain Government departments. These undertakings are required to prepare annually *pro forma* accounts in prescribed format showing the results of financial operation so that Government can assess the results of their working.

As of March 2004, there were 50 such undertakings (43 Government Milk Schemes, four Land Development by Bulldozer Schemes, two Food and Civil Supplies and one Saw Mill and Timber Depot) in the State. Out of 43

Government Milk Schemes (GMSs) in six regions[1] only 33 GMSs have finalised their *pro forma* accounts for 2003-04 by 30 September 2004 and accounts of balance 10 GMSs are in arrears. Accounts of remaining seven undertakings are in arrears. In 33 GMSs, the Government mean capital as of 31 March 2004 was Rs 546.49 crore, with a turn over of Rs 636.61 crore. These 33 GMSs suffered the net loss of Rs 158.69 crore during the year. In remaining 10 GMSs, the net loss of Rs 24.30 crore has virtually wiped out nearly 50 *per cent* of the Government mean capital of Rs 58.94 crore as of 31 March 2003. The presses have not compiled *pro forma* accounts since 1968-69 (from December 1968) these were declared as commercial undertaking.

The Comptroller and Auditor General of India have repeatedly commented about the arrears in preparation of accounts. Accountant General (Commercial Audit) reminded Principal Secretary (Finance) and the Secretary of the departments concerned regularly in this matter. The department-wise position of arrears in preparation of *pro forma* accounts and the investment made by the Government are given in **Appendix XI and XII** respectively. The summarised financial statement of these undertakings is given in **Appendix XIII**.

1.8.4 Investments and returns

As of 31 March 2004, Government had invested Rs 19790.89 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives. The return on this investment was less than half *per cent* in the last five years while the Government paid interest at the average rate of 9 to 10 *per cent* on its borrowings during 1999-2004.

Table-15: Return on Investment

Year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on government borrowing	Difference between interest rate and return
	(Rupees in crore)		(*per cent*)		
1999-2000	6784.45*	3.96	0.06	10.30	10.24
2000-01	9685.85*	3.95	0.04	9.10	9.06
2001-02	11155.07	4.53	0.04	9.38	9.34
2002-03	13781.40*	1.87	0.01	8.91	8.90
2003-04	19790.89	18.92	0.10	8.76	8.66

The sharp increase in investments during 2003-04 was attributable to increased Capital Contributions to Maharashtra Krishna Valley Development Corporation (Rs 1834 crore) and four other Irrigation Development Corporations (Rs 1605 crore) as compared to previous year and fresh investment of Rs 50 crore in Maharashtra Water Conservation Development Corporation in the current year.

[1] Amravati, Aurangabad, Mumbai, Nagpur, Nashik and Pune

* Differs from previous years Closing Balance due to Proforma corrections

As on March 2004, 57 companies in which Government had invested Rs 5705.52[+] crore (Share Capital: Rs 807.81 crore, Loan: Rs 4897.71 crore) were incurring losses and their accumulated losses amounted to Rs 1830.03 crore. As on March 2004[#], 10045 societies with an aggregate investment of Rs 197.52 crore (Rs 121.60 crore by way of equity and Rs 75.92 crore by way of loan) had incurred losses and their accumulated losses (Rs 163.58 crore) had eroded 83 *per cent* of the investments made in these societies.

Further, in most cases, Government orders sanctioning the loans did not specify the terms and conditions for these loans.

1.8.5 Loans and advances by State Government

In addition to investments in Co-operative societies, Corporation and Companies, Government has also been providing loans and advances to many of these institutions/organisations. Total outstanding loans and advances as on 31 March 2004, was Rs 10942 crore (table 16). Interest received against these loans advanced was three *per cent* during 2003-04 as against two *per cent* in previous year.

Table-16: Average Interest Received on Loans Advanced by the State Government (Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Opening Balance	8342	12018	8697	8458	9522[$]
Amount advanced during the year	3927	-726	59	1704	1902
Amount repaid during the year	251	2595	298	469	482
Closing Balance	12018	8697	8458	9693	10942
Net addition	3676	-3321	-239	1235	1420
Interest Received[♣]	245	1685	341	176	337
Interest received as *per cent* to Loans advanced	2.41	16.27	3.98	1.94	3.29
Average interest paid by the State (*per cent*)	10.30	9.10	9.38	8.91	8.76
Difference between interest paid and received (*per cent*)	-7.89	7.17	-5.40	-6.97	-5.47

1.8.6 Management of cash balances

To take care of any temporary mismatches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India (RBI) has been put in place. Though WMA limit has been increased by RBI to Rs 905 crore from 1 April 2003, the State has been continuously dependent on RBI for cash management by using this mechanism for 168 days during the year.

Resort to overdraft, which is over and above the WMA limits, is all the more undesirable. The State used the overdraft facilities for 39 days on 23 occasions during the year as against 154 days on 17 occasions last year although it borrowed Rs 7472 crore from the market on 19 occasions. Besides, the

[+] Figure is under reconciliation by Accountant General (Commercial).
[#] According to the information furnished by the Commissioner for Co-operation and Registrar of Co-operative Societies.
[$] Differs from previous years closing balance due to *Pro forma* corrections
[♣] excludes notional interest accounted arising out of book adjustments.

Government has been resorting to off-budget borrowings through the Special Purpose Vehicles created by them (please refer to paragraph 1.9.3).

Table-17: Ways and Means and Overdrafts of the State **(Rupees in crore)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Ways and Means Advance					
Taken in the Year	298.97	4415.13	7739.88	7716.25	7898.67
Outstanding	--	--	--	--	--
Interest Paid	--	12.18*	33.99	34.46	29.20
Number of Days	--	--	332+	301+	168#
Overdraft					
Taken in the year	--	1536.54	4691.87	6281.28	1422.70
Interest Paid	--	--	7.04	8.42	4.92
Number of Days	--	49	76	154	39#

1.9 Undischarged Liabilities

1.9.1 Fiscal Liabilities - Public Debt and Guarantees

Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature.

Table-18 gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table-18: Fiscal Liabilities - Basic Parameters

	1999-2000	2000-01	2001-02	2002-03	2003-04
Fiscal Liabilities (Rupees in crore)	51993	62826	74209	85800	104404
Rate of Growth (*per cent*)	21.24	20.84	18.12	15.62	21.68
Ratio of Fiscal Liabilities to					
GSDP (*per cent*)	21.6	24.3	27.3	29.1	31.6
Revenue Receipts (*per cent*)	205.8	212.5	246.6	275.9	303.8
Own Resources (*per cent*)	245.2	248.1	286.0	314.1	363.6
GSDP (ratio)	101.204	2.773	3.563	1.782	1.814
Revenue Receipts (ratio)	1.307	1.225	10.184	4.654	2.064
Own Resources (ratio)	1.101	1.072	7.400	2.949	4.249

Overall fiscal liabilities of the State increased from Rs 51993 crore in 1999-2000 to Rs 104404 crore in 2003-04. The growth rate was 22 *per cent* during 2003-04. The ratio of fiscal liabilities to GSDP also increased from 22 *per cent* in 1999-2000 to nearly 32 *per cent* in 2003-04. These liabilities stood at three times the revenue receipts and four times of the States own resources as at the end of 2003-04.

The fiscal liabilities, however, do not include the pension liabilities payable to serving/retired State employees, off-budget borrowings/liabilities, risk weighted guarantees/contingent liabilities, power subsidies payable to MSEB etc. In the FRBMB introduced in the State Legislature in April 2003, the

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* Rs 12.18 crore includes interest paid on ways and means and overdraft.
+ Figures are taken from Reserve Bank of India State Finances 2002-03.
# As per Finance Accounts 2003-04.

Government has agreed to disclose the pension liabilities worked out on actuarial basis for the next ten years and classify the guarantee obligation based on risk of devolvement.

In addition to these liabilities, Government had guaranteed loans of Rs 82228.45 crore (25 *per cent* of GSDP) to its Corporations and others as of 31 March 2004. The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment, the State has to honour these commitments.

Besides these, the Government has also been resorting to the off-budget borrowing through special purpose vehicles (refer para 1.9.3). The fast rising fiscal liabilities to GSDP ratio (32 *per cent* of GSDP) followed by substantial exposure in guarantees (25 *per cent* of GSDP) and off-budget borrowings raised the issue of sustainability.

Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP. Maharashtra during 2003-04 for the first time achieved this parameter and weighted interest rate was lower than GSDP growth as indicated in table-19.

Table-19: Debt Sustainability–Interest Rate and GSDP Growth (in *per cent*)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Weighted Interest Rate	10.30	9.10	9.38	8.91	8.76
GSDP Growth	0.21	7.51	5.09	8.76	11.95
Interest spread	(-)10.90	(-)1.59	(-)4.29	(-)0.15	3.19

Another important indicator of debt sustainability is net availability of the funds after repayment of principal and interest. Table-20 below gives the position of the receipt and repayment of internal debt and other fiscal liabilities of the State over the last five years. The net availability of funds from the borrowings (public debt, loans and advances from the GOI and other debt receipts) varied from 20.9 *per cent* to 28.3 *per cent* during 1999-2004. The net availability, however, increased during 2003-04 despite increased repayment during the current year.

Table-20: Net Availability of Borrowed Funds **(Rupees in crore)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Internal Debt[2]					
Receipt	1155	1343	2335	8797	21129
Repayment (Principal+Interest)	825	958	2298	3064	4466
Net Fund Available	330	385	37	5733	16663
Net Fund Available (*per cent*)	28.5	28.6	1.5	65.1	78.8
Loans and Advances from GOI					
Receipt	4903	5401	6337	962	1252
Repayment (Principal+Interest)	3853	4470	4017	4179	10892
Net Fund Available	1050	931	2320	(-)3217	(-)9640
Net Fund Available (*per cent*)	21.4	17.2	36.6	(-)334.4	(-)769.9
Other obligations					
Receipt	9106	9825	11474	10774	12435
Repayment (Principal+Interest)	6263	7177	9002	8981	9582
Net Fund Available	2843	2648	2472	1793	2853
Net Fund Available (*per cent*)	31.2	26.9	21.5	16.6	22.9
Total liabilities					
Receipt	15164	16569	20146	20533	34816
Repayment (Principal+Interest)	10941	12605	15317	16224	24940
Net Fund Available	4223	3964	4829	4309	9876
Net Fund Available (*per cent*)	27.8	23.9	23.9	20.9	28.3

The State Government raised market loans of Rs 7472.47 crore during the year. The average rate of market borrowing during the year was 7 *per cent*. Whereas on 31 March 2004, 38 *per cent* of the existing market loans carried interest rate exceeding 10 *per cent*. Thus the effective cost of borrowings on the past loans is much higher than the rate at which they are able to raise resources at present from the market. The maturity profile of market loans indicates that nearly one-third (30 *per cent*) of the total market loans are repayable within the next five years while remaining 70 *per cent* loans are to be repaid within five to 15 years.

1.9.2 Status of Guarantees – a contingent liability

Guarantees constitute contingent liabilities on the Consolidated Fund of the State. No explicit ceiling on giving guarantees upon the security of Consolidated Fund of the State has been fixed. The State has resorted to giving guarantees for raising the resources in a big way during last five years. Table 21 indicates the status of guarantees.

[2] Excluding Ways and Means Advances and Overdrafts from Reserve Bank of India/ Government of India.

Table-21: Guarantees given by the Government of Maharashtra

(Rupees in crore)

Year	Maximum amount guaranteed[A]	Outstanding[*] amount of guarantees	Percentage of maximum amount guaranteed to total revenue receipt
1999-2000	29215	32271	116
2000-01	35540	48111	120
2001-02	33974	55381	113
2002-03	37521	62428	121
2003-04	82228	70126	239

During 2003-04, outstanding guarantees (Rs 70126 crore) accounted for 204 *per cent* of the revenue receipt (Rs 34371 crore). The increasing outstanding guarantees imply that contingent liability was on the rise.

The State Government has honoured guarantees worth Rs 107.48 crore during 2003-04 invoked by three financial institutions.

The Government of Maharashtra created five[#] irrigation corporations during 1996-1998. In spite of huge accumulated losses (Rs 4921.83 crore) of these Corporations as on 31 March 2003, Government extended guarantees (Rs 1351.83[$] crore) to them for the loans/bonds raised during 2003-04 with the inherent risk of invocation. The Government had also further invested Rs 5674.33 crore during 2003-04.

1.9.3 Off-Budget Borrowings

The borrowings of a State are governed under Article 293 of the Constitution of India. Though off-budget borrowings are not permissible under Article 293 (3), the State continues to undertake such off-budget borrowings as per the data furnished by the Finance Department. The Government has raised the off-budget borrowings of Rs 12515 crore during the period 1999-2000 to 2003-04 as under:

Table-22: Off-Budget Borrowings

Year	1999-2000	2000-01	2001-02	2002-03	2003-04	Total
Amount (Rupees in crore)	3150	3572	1850	1782	2161	**12515**

The Government created a number of special purpose vehicles in irrigation, road development and sales tax sector during 1997-1999 to raise the off-budget borrowings by way of bonds from the market or on private placement

[A] As per Finance Accounts of respective years

[*] As per information received from Finance Department compiled on the basis of information received from Administrative Departments

[#] Maharashtra Krishna Valley Development Corporation (MKVDC), Konkan Irrigation Development Corporation (KIDC), Tapi Irrigation Development Corporation (TIDC), Vidarbha Irrigation Development Corporation (VIDC) and Godavari Marathwada Irrigation Development Corporation (GMIDC).

[$] KIDC (Rs 175.07 crore), MKVDC (Rs 945.62 crore) and TIDC (Rs 231.14 crore).

basis. The payment of principal and interest on these bonds is normally guaranteed by the Government. The Government makes the budgetary provisions in the years of repayment of interest and principal of the bonds. The MTFRP agreed to (October 2002) by the Government of Maharashtra with the GOI provided for reduction of off-budget borrowings. However, off-budget borrowing had gone up from Rs 1782 crore in stages starting from financial year 2002-03 to Rs 2161 crore in 2003-04.

1.9.4 Avoidable expenditure on payment of penal interest on loan repayments

The Government raises loans on behalf of Zilla Parishad's (ZPs) and Urban Local Bodies to implement Rural/Urban Drinking Water Supply Schemes. The loans are raised by the Maharashtra Jeevan Pradhikaran (MJP), from Life Insurance Corporation (LIC)/Housing and Urban Development Corporation (HUDCO) and Public Bonds for execution of these schemes. The loan instalments in respect of Rural Schemes are repaid by the Government through grants-in-aid (GIA) to the ZPs. As regards bonds raised, the Government had taken the responsibility of repayment of loan and interest. The amount sanctioned by the Government for repayment of above loans are being paid to MJP for onward transmission to all the financial institutions and bond holders.

A test-check of records revealed that the Government had to pay penal interest of Rs 116 crore due to failure in repayment of loan instalments/interest on due dates to the financial institutions.

1.9.5 Non-payment of Guarantee fees by Zilla Parishads

Zilla Parishads (ZPs) are liable to pay guarantee fees to the Government at the prescribed rate against loan raised from LIC on behalf of the ZPs for execution of Water Supply Schemes, for which Government stands guarantee. It was, however, noticed that Government released 100 *per cent* grants-in-aid (GIA) to the ZPs for payment of guarantee fees to the Government.

The position of guarantee fee payable by ZPs, GIA sanctioned by the Government on this account and guarantee fees paid back by ZPs as at the end of June 2004 was as indicated in the table-23. The whole process showed that the Government realised revenue by spending its own funds.

Table-23 **(Rupees in crore)**

Year	Guarantee fee payable	GIA released by GOM	Guarantee fee paid by ZPs	Unpaid amount of guarantee fee by ZPs (3-4)
(1)	**(2)**	**(3)**	**(4)**	**(5)**
2002-03	3.78	3.78	3.62	0.16
2003-04	4.04	4.04	3.01	1.03
Total	**7.82**	**7.82**	**6.63**	**1.19**

Though Government released Rs 7.82 crore by way of GIA, guarantee fee of Rs 1.19 crore for the years 2002-2004 was recoverable from ZPs.

1.10 Management of deficits

Fiscal Imbalances

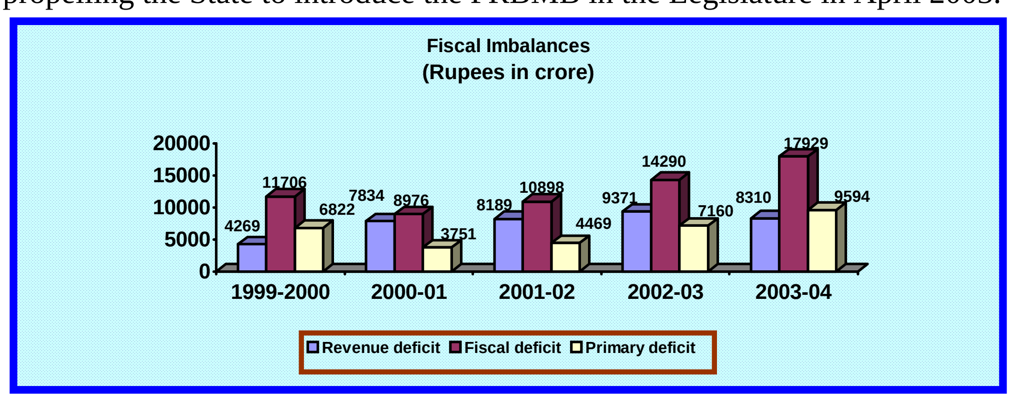
The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. The revenue deficit of the State which indicates the excess of its revenue expenditure over revenue receipts increased from Rs 4269 crore in 1999-2000 to Rs 8310 crore in 2003-04. However, it declined as compared to Rs 9371 crore in previous year. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, increased from Rs 11706 crore in 1999-2000 to Rs 17929 crore in 2003-04. The State also had a primary deficit of Rs 6822 crore in 1999-2000 which increased to Rs 9593 crore in 2003-04 as indicated in table-24.

The ratio of revenue deficit to fiscal deficit had increased from 36 *per cent* in 1999-2000 to 46 *per cent* 2003-04 indicating that nearly half of the borrowed funds were used for current consumption. As proportion to GSDP, the revenue deficit had reached 2.5 *per cent* and fiscal deficit had reached 5.4 *per cent* in 2003-04. Persistently, high ratio of revenue deficit to fiscal deficit also indicated that the asset base of the State was continuously shrinking and increasingly a part of borrowings (fiscal liabilities) were not having any asset backup.

Table-24: Fiscal Imbalances: Basic Parameters

Parameters	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue deficit (Rupees in crore)	4269	7834	8189	9371	8310
Fiscal deficit (Rupees in crore)	11706	8976	10898	14290	17929
Primary deficit (Rupees in crore)	6822	3751	4469	7160	9593
RD/GSDP (*per cent*)	1.7	3.0	3.0	3.1	2.5
FD/GSDP (*per cent*)	4.8	3.4	4.0	4.8	5.4
PD/GSDP (*per cent*)	2.8	1.4	1.6	2.4	2.9
RD/FD (*per cent*)	36.4	87.2	75.1	65.5	46.3

Persistent fiscal deficits indicate deteriorating fiscal health of the State, propelling the State to introduce the FRBMB in the Legislature in April 2003.



1.11 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table-25 below presents a summarised position of Government finances over 1999-2004, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their applications, highlights areas of concern and captures its important facts.

Table-25: Indicators of Fiscal Health (in *per cent*)

Fiscal Indicators	1999-2000	2000-01	2001-02	2002-03	2003-04
I Resource Mobilisation					
Revenue Receipt/GSDP	10.5	11.4	11.0	10.5	10.4
Revenue Buoyancy	77.439	2.264	0.350	0.383	0.879
Own Tax/GSDP	7.1	7.6	7.8	7.7	7.6
II Expenditure Management					
Total Expenditure/GSDP	15.5	15.9	15.2	15.5	15.9
Total Expenditure/Revenue Receipts	147.3	139.1	137.2	147.4	153.5
Revenue Expenditure/Total Expenditure	79.3	90.9	92.7	88.2	80.8
Capital Expenditure/Total Expenditure	11.2	10.6	7.1	8.3	16.1
Developmental Expenditure/ Total Expenditure	60.4	63.1	55.6	57.7	59.0
Buoyancy of TE with RR	1.62	0.62	0.21	3.30	1.44
Buoyancy of RE with RR	0.929	1.565	1.326	1.706	0.519
III Management of Fiscal Imbalances					
Revenue deficit (Rs in crore)	4269	7834	8189	9371	8310
Fiscal deficit (Rs in crore)	11706	8976	10898	14290	17929
Primary Deficit (Rs in crore)	6822	3751	4469	7160	9593
Revenue Deficit/Fiscal Deficit	36.4	87.2	75.1	65.5	46.3
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	21.6	24.3	27.3	29.1	31.6
Fiscal Liabilities/RR	205.8	212.5	246.6	275.9	303.8
Buoyancy of FL with RR	1.307	1.225	10.184	4.654	2.064
Buoyancy of FL with Own Receipt	1.101	1.072	7.400	2.949	4.249
Interest spread	-10.09	-1.59	-4.29	-0.15	3.19
Net Fund Available	27.8	23.9	23.9	20.9	28.3
V Other Fiscal Health Indicators					
Return on Investment	0.06	0.04	0.04	0.01	0.10
Balance from Current Revenue (Rs in crore)	-2186	-5644	-6501	-7101	-6203
Financial Assets/Liabilities	0.8	0.7	0.6	0.6	0.6

1.12 Conclusion

It is common for a State to borrow for increasing its social and economic infrastructure support and creating additional income generating assets. However, ever increasing ratio of fiscal liabilities to GSDP, which stood at 32 *per cent* together with a large revenue deficit indicated that the State was gradually getting into a debt trap. Similarly, the higher buoyancy of debt both with regard to its revenue receipts and own resource indicated its increasing unsustainability. The State's high cost borrowing for investments, which yields meagre return indicated an implicit subsidy. Guarantees extended by the State to various institutions with accumulated losses had the inherent risk of invocation, which the State has to honour. Thus, the State has either to generate more revenue from out of its existing assets or need to provide from its current revenue for servicing its debt obligations. Long term fiscal stability can be achieved only through reducing revenue/fiscal deficit by compressing non-developmental revenue expenditure in a medium term framework, prudential debt management and greater transparency in fiscal operations.