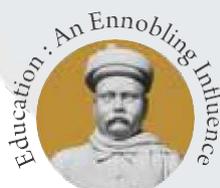
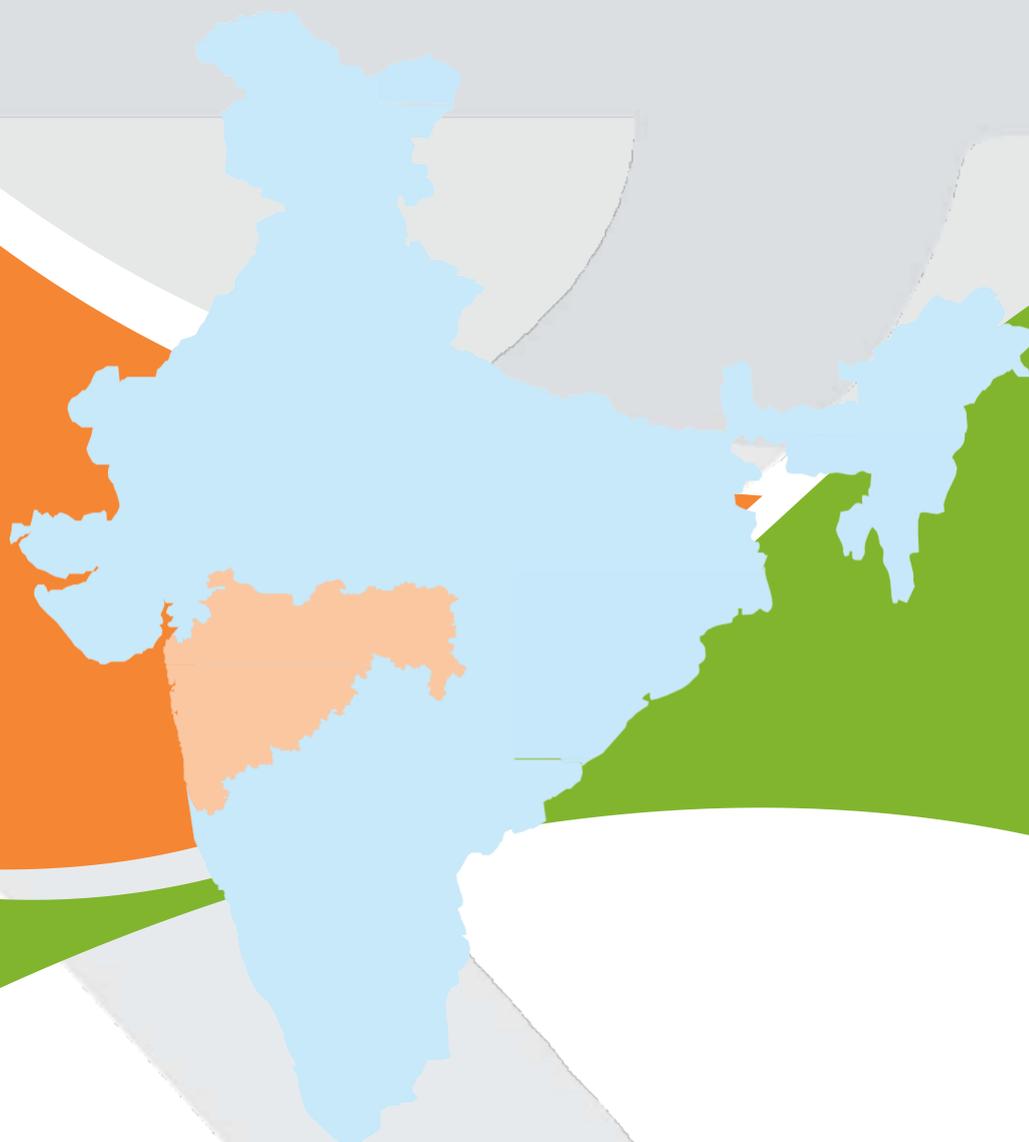


Report

On

# Evaluation of State Finances of Maharashtra

Submitted to the XVI<sup>th</sup> Finance Commission



Gopal Krishna Gokhale

**GOKHALE INSTITUTE OF POLITICS AND ECONOMICS, PUNE**

**JUNE 2025**

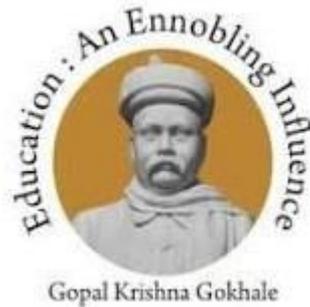
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**By**



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**June 2025**

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I am sure that the insights presented in this report will serve as a useful input into the decisions of the XVI<sup>th</sup> Finance Commission.

Thank you

27<sup>th</sup> June, 2025

Prof. K.S. Hari  
Principal Investigator

## Executive Summary

Maharashtra, India's second-largest state by area and population, is a high-income state contributing significantly to the national economy. With a GSDP of ₹ 40.44 lakh crore (2023-24) and a per capita income 78 percent higher than the national average, it remains an industrial and financial powerhouse, led by sectors like chemicals, automobiles, and textiles. However, post- 2016-17, its GSDP growth lagged the national average due to slower agricultural and industrial growth, though the service sector exhibited resilience and higher tax revenue generation post-GST implementation.

The structural composition of Maharashtra's economy highlights its service-oriented nature, contributing 60 per cent of the gross value added (GVA), followed by the industrial (30 percent) and agriculture (10 percent) sectors (2023-24). Despite theoretical sectoral shifts, employment transition has been slow, with 43 percent of workers still dependent on agriculture (2022-23), underscoring delayed structural transformation.

Demographically, Maharashtra's population grew to 112.3 million in 2011, with a sex ratio of 929 and 45 percent urbanization. Despite high urbanization, disparities exist, with Konkan being the most urbanized region and Marathwada the least.

Health indicators show mixed results, with declining infant mortality (16 per thousand live births, 2019-20) but worsening nutrition levels; 36 percent of children under five are underweight, and anaemia affects 68.9 percent of children age 6-59 months (2019-20). Education indicators show the improved Gross Enrolment Ratio (GER) lower Dropout Rates as compared to All India average. However, education indicators of the children belong to disadvantaged groups are not satisfactory (about 20 per cent dropout at secondary level of ST children, 2021-22). Housing (only about 62 per cent of rural households live in Pucca houses, 2019-20) and sanitation (only about 65 per cent of rural households have sanitation facility, 2019-20) sectors remains challenge.

Sustainability metrics are promising, with Maharashtra ranking 12th on India's SDG composite score (73/100 in 2023-24). However, translating economic growth into equitable human development remains a challenge, as gaps in employment, health, education, and social inequalities are not adequately addressed.

Maharashtra's fiscal performance over recent years reflects resilience and adaptability in the face of challenges. The state's own tax revenues, which form a significant part of its

total revenue, recovered soon to pre-pandemic levels and surpassed it despite the downturn caused by COVID-19. However, non-tax revenues have not kept pace with GSDP growth and remain a small, fluctuating proportion of total receipts, highlighting the state's reliance on tax revenue.

In case of managing the deficit indicators, the state has performed well. The revenue deficit has shown varying trends, with occasional surpluses in specific years. However, the deficit significantly rose during the 15th Finance Commission (FC) period, averaging ₹19,746 crores (0.68 percent of GSDP), primarily due to pandemic-related disruptions and increased public spending. Otherwise, the magnitude of revenue deficit has been smaller over the years. Further, the state managed to keep the fiscal deficit below the stipulated limit of 3 per cent of GSDP for all the years, even during the Covid-19 pandemic as well.

On the expenditure front, Maharashtra has shown a strategic shift toward capital investments. Total expenditure as a share of GSDP rose from 12.49 percent in 2010-11 to 15.41 percent in 2024-25 (BE), with a notable increase in capital expenditure. The share of capital expenditure in total spending increased to 22 percent during the 15th FC period, emphasizing a focus on infrastructure development in sectors such as transport and health. Developmental expenditure also grew consistently, averaging 51.9 percent of total expenditure during the 15th FC period, while non-developmental spending, including salaries, pensions, and interest payments, saw a relative decline. These trends reflect a deliberate move toward fostering long-term economic growth by prioritizing infrastructure and social welfare sectors.

Maharashtra's debt management has been commendable, with the debt-to-GSDP ratio remaining below 20 percent throughout the period 2010-2024. This stability has been supported by lower primary deficits and a positive growth-interest rate differential. However, contingent liabilities, such as guarantees given to institutions, have sharply increased in recent years, posing potential fiscal risks. The state has taken measures like establishing a Guarantee Redemption Fund in 2018-19, but further scrutiny is needed to manage these hidden liabilities effectively.

The Government of Maharashtra has reported better compliance with the targets prescribed under the MFRBM Act for fiscal deficit and debt to GSDP ratio, however, achieving target of revenue surplus remained challenging. The state has also complied better with the

MTFPS targets in recent years, however, there is a need to align MTFPS targets with the MFRBM Act targets.

Local governance in Maharashtra faces significant challenges. Over 90 percent of rural local bodies' revenues come from state and central transfers, while urban local bodies have seen a decline in own-tax revenue post-GST, increasing their reliance on intergovernmental transfers. Furthermore, underutilization of allocated funds has been a recurring issue, with Panchayat Raj Institutions spending only 50 percent of received resources in 2023-24. Rejection of key State Finance Commission recommendations for tax devolution further limits fiscal autonomy, underscoring the need for reforms to enhance local revenue generation and resource utilization.

The PSUs continues to drain on state resources and thereby continue to be a financial burden on the state. the PSU sector in the state is characterized with heavy investment, lower return, huge accumulated losses, lower dividend paying capacity, and so on. The major reforms of PSUs in the state is warranted for financial restructuring, business restructuring, and speedy closure of inactive PSUs in the State.

Subsidies in Maharashtra have increased substantially, particularly in the agriculture and industry sectors. Major subsidies include concessions in energy tariffs for agricultural pump users, premium subsidies under crop insurance schemes, and incentives for the industry sector. However, significant deviations between budget estimates and actual expenditures have been observed, highlighting inefficiencies in subsidy management. The share of power sector subsidies has grown at a slower pace, while subsidies for agriculture, allied sectors, and food security have shown considerable increases.

Sectoral outcomes reveal critical gaps. Growth in irrigated area and agricultural production has slowed, while the industrial sector has seen reduced growth in factories, employment, and MSME contributions. In the energy sector, per capita electricity consumption remains low, and AT&C losses are high. Social indicators also present challenges, with low secondary education GER for SCs/STs, high dropout rates, increased malnutrition, and anemia among children. Employment metrics show lower labor force participation rates and higher unemployment for the 15–29 age group compared to national averages. These issues are compounded by low budget utilization across sectors, hindering progress.

Maharashtra's debt remains sustainable, with the Debt/GSDP ratio projected to stay within fiscal responsibility limits even with increased borrowing up to 3 per cent of GSDP. The roadmap emphasizes the importance of continued infrastructure investments and efficient fiscal management. However, addressing the growing revenue deficit and enhancing local governance structures are critical for achieving long-term economic and social development. By focusing on these priorities, Maharashtra can strengthen its fiscal position and ensure sustained growth.

# CHAPTER - I

## SOCIO-ECONOMIC PROFILE OF MAHARASHTRA

### 1.1 Introduction

Maharashtra occupies the western and central part of India and has a long coastline stretching nearly 720 kilometers along the Arabian Sea. Maharashtra's total geographical area is 3.08 lakh sq. km, with a forest cover of 61,358 sq. km, over 20 percent of its geographical area.

**Table 1.1: Maharashtra Fact Sheet**

Variable	Value
No. of Districts	36
GSDP 2023-24 (Current Prices 2011-12 series) Crores	40,44,251
Percapita Income 2023-24 (Current Prices 2011-12 series) Rs.	2,77,603
Population, total (crore) (2011)	1,88,896
Population growth (decennial %) (2011)	15.99
Rural Population (54.8%) (2011)	6,15,56,074
Urban Population (45.2%) (2011)	5,08,18,259
Scheduled Caste persons (11.8%) (2011)	1,32,75,898
Scheduled Tribes persons (9.4%) (2011)	1,05,10,213
Literacy rate (2011)	82.34
Density (per sq.Km) (2011)	365
Sex Ratio (2011)	929
Education: Primary Schools (2023)	1,04,781
Enrolment in 000	14,603
Secondary Schools incl. higher secondary	28,532
Enrolment in 000	6,630
Health: Hospitals (2023) (only Govt health institutions)	594
Dispensaries	1,094
Beds per lakh population	60.8
Birth rate	16
Death rate	6
Infant Mortality Rate	19
Total Road length km (2016)	3,25,489
Motor vehicles in 000	43,299
Local Self Govt. Institutions (2022-23)	
Zilla Parishads	34
Gram Panchayats	27,913
Panchayat Samitees	351
Municipal councils	245
Municipal Corporation	29
Nagar Panchayat	146
Cantonment Boards	7

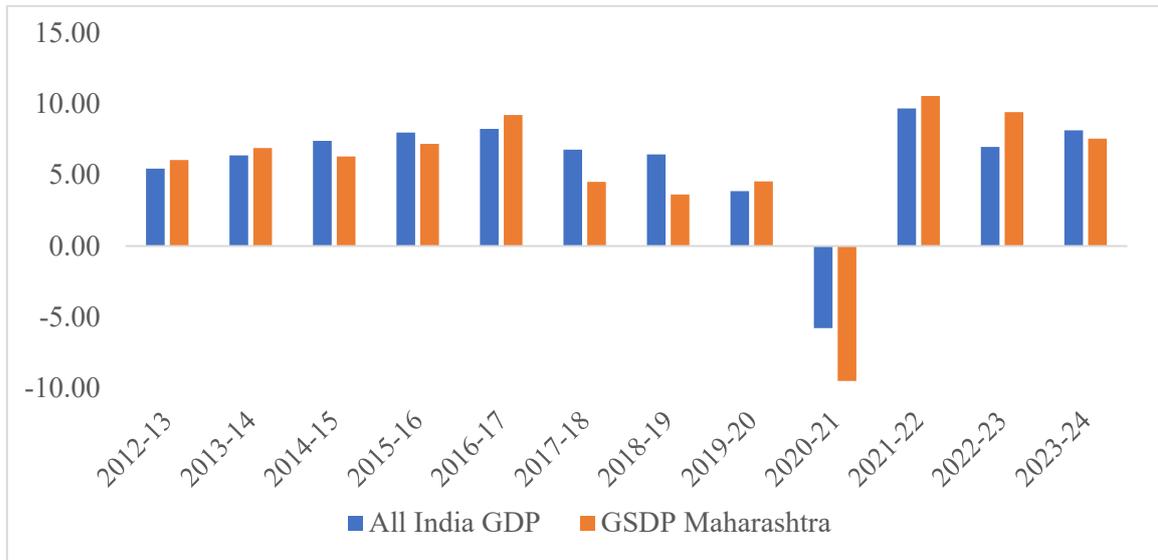
*Source: Maharashtra Economic Survey 2023-24*

The Western Ghats zone comprises the Malabar Plains and the Western Ghat mountains, 12.2 percent of the state's geographical area. The state receives moderate rainfall and has a large drought-prone rain shadow area. A substantial geographical area of the state continues to depend on monsoons for rain-fed agriculture. Maharashtra, comprising 9.4 percent of India's geographical area, is its second largest state in terms of area, and, with a population of 11.24 crore (9.3 percent of the total population of India), is also the second largest state in terms of population. It is highly urbanized, with 45.2 percent of urban residents. Mumbai, the capital of Maharashtra, is India's financial capital. It houses the headquarters of most of the major corporate & financial institutions. India's leading stock exchanges & capital market, and commodity exchanges are in Mumbai. Maharashtra is one of the most industrialized states of India and has been a pioneer in the chemical, automobile & textile industries. The basic fact sheet for the state is given in Table 1.1.

### **1.2 Status of the Economy – Composition and Trends**

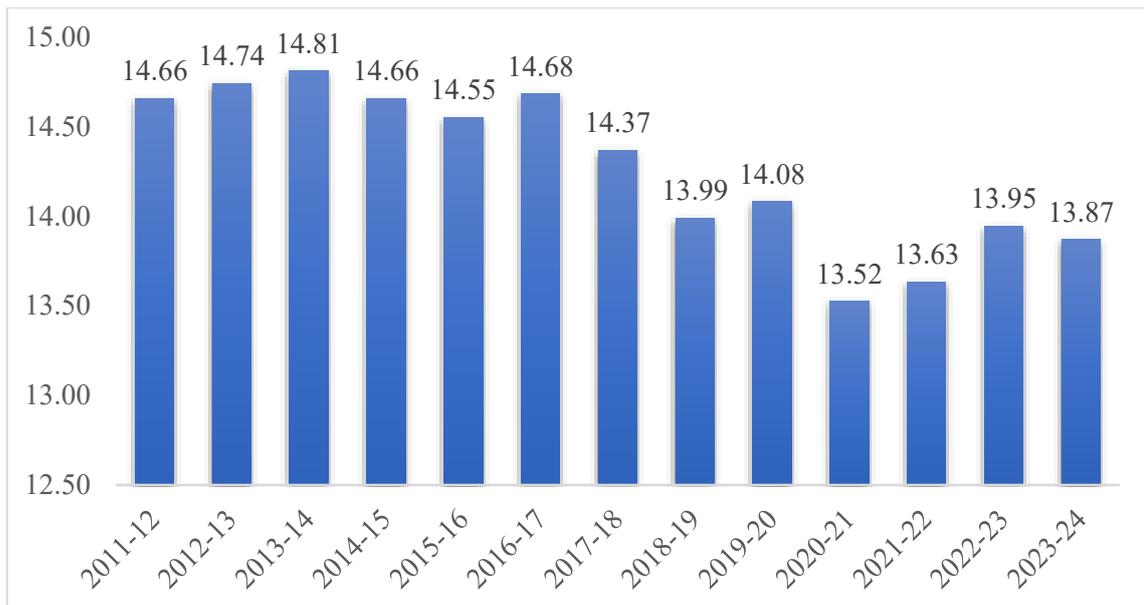
Maharashtra belongs to a high-income state of the Indian Union. The state's Gross State Domestic Product (GSDP) recorded marginally higher growth rates than the all-India average from 2011-12 to 2016-17; however, its growth fell below the national average afterward. Growth picked up after 2020-21, exceeding the national average (except for 2023-24). The average GSDP growth rate for Maharashtra was 5.35 per cent compared to the national average of 5.82 per cent between 2012-13 and 2019-20, but it plunged to -9.50 per cent in Maharashtra and -5.78 per cent in India during the COVID-19 year of 2020-21. Growth recovered in 2021-22, with Maharashtra and India registering average growth rates of 5.59 per cent and 4.98 per cent, respectively, between 2021-22 and 2023-24 (Figure 1.1). The slower growth after 2016-17 was primarily due to poor performance of agricultural and industrial sectors (Figures 1.4 & 1.5). As a result of slow growth rates, Maharashtra's share in India's GDP gradually declined after 2016-17 and remained below 14 per cent (Figure 1.2).

**Figure 1.1: Comparison of Maharashtra's GSDP growth with India's GDP growth rate (2011-12 prices)**



Source: CSO

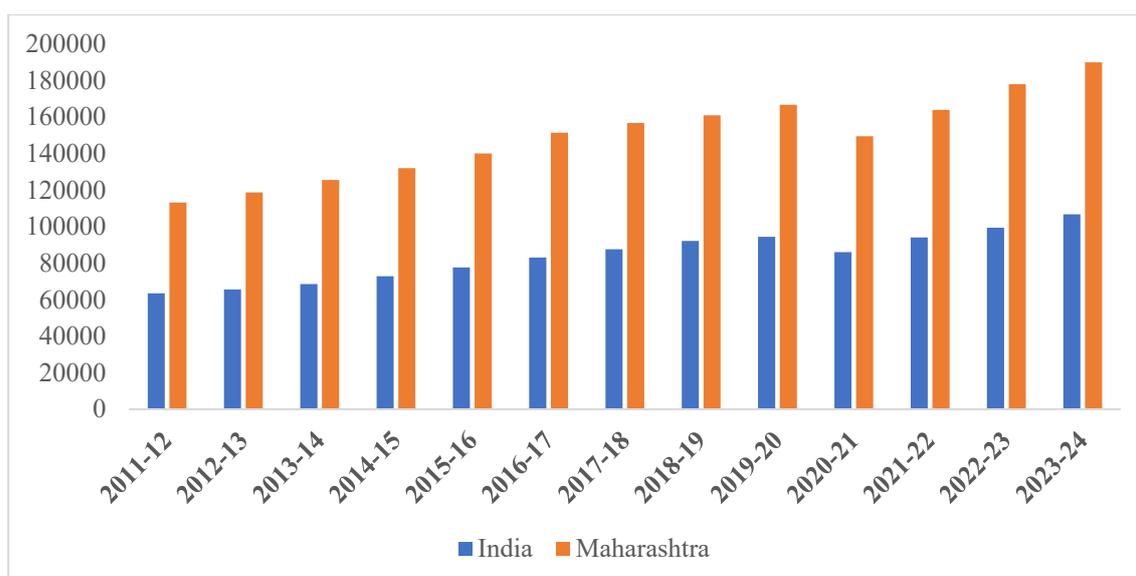
**Figure 1.2: Share of Maharashtra's GSDP in India's GDP**



Source: CSO

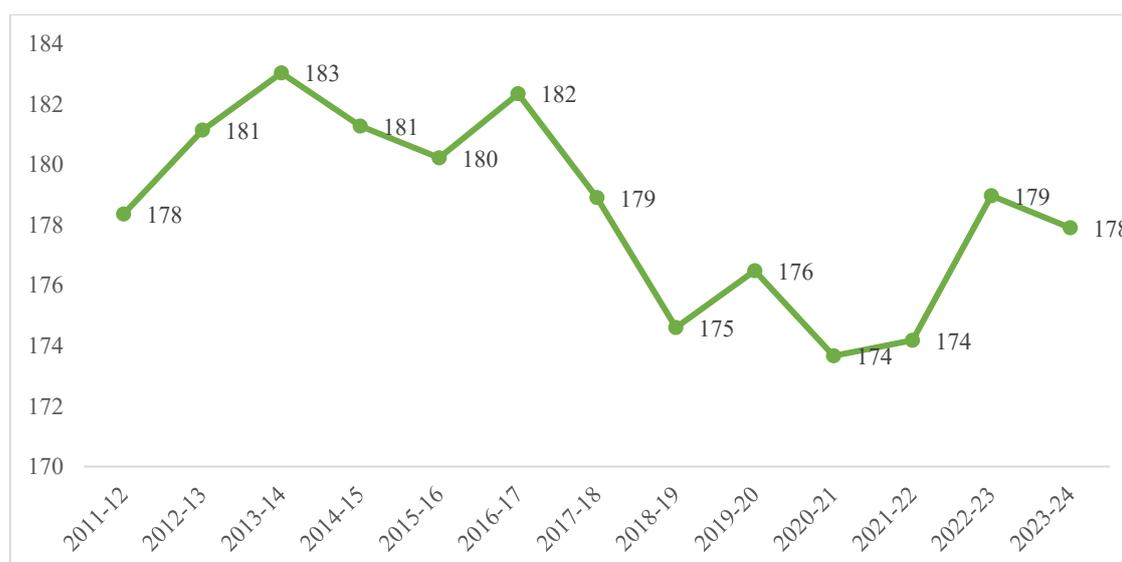
The state retain a better position in India in terms of percapita Income. The state percapita income has historically been higher compared to the all India average. The trend continued during the period 2011-12 to 2023-24 as well, though it worsened during the Covid years. The percapita income of the state is currently 78 per cent more than the percapita income at the all India level (Figure 1.3 and Figure 1.4).

**Figure 1.3: Per capita Income Maharashtra and India**



Source: CSO

**Figure 1.4: Maharashtra's per capita income as percentage of India in India's per capita GDP**



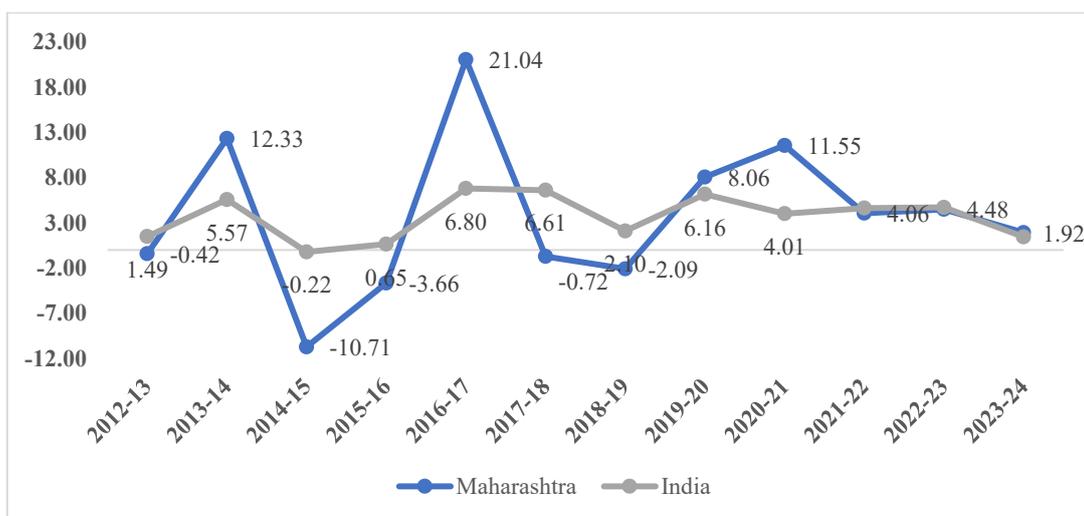
Source: CSO

### 1.3 Growth Rates of Various Sectors

#### 1.3.1 Agriculture and Allied Sectors

The growth rate of value added in the agriculture and allied sectors in Maharashtra has been lower than the all-India average for most of the years during the reference period. Furthermore, Maharashtra exhibits significant fluctuations in agricultural value added, as shown in Figure 1.5, primarily due to monsoon variability.

**Figure 1.5: Growth rate of agriculture and allied sectors GVA (2011-12 prices)**

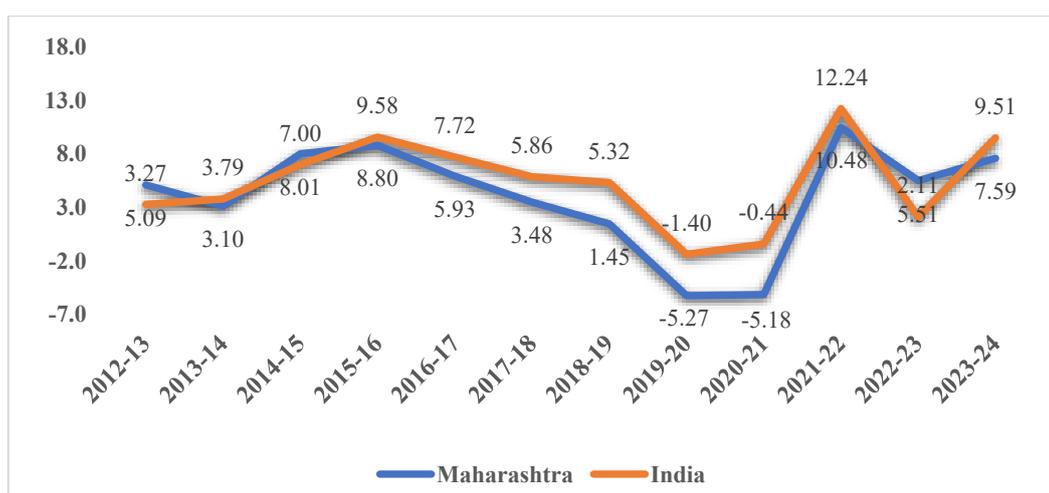


Source: CSO

### 1.3.2 Industrial Sector

Maharashtra, historically one of the most industrialized states in the country, has recorded slower growth compared to the all-India average during the period from 2011-12 to 2023-24 (Figure 1.6). The growth rate increased from -5.27 per cent in 2020-21 to 10.48 per cent in 2021-22 but then declined to 2.11 per cent in 2022-23 before rising to 9.51 per cent in 2023-24. The slower and fluctuating growth rates in the industrial sector will have an implication on the total revenue generation in the state.

**Figure 1.6: Growth rate of industrial sector GVA (2011-12 prices)**



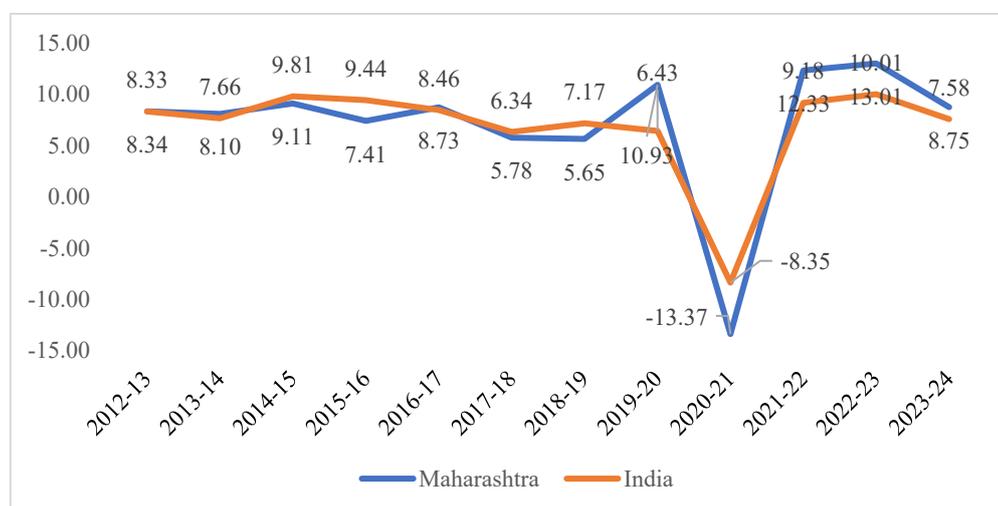
Source: CSO

### 1.3.3 Service Sector

The service sector of Maharashtra had grown at 6.30 per cent compared to the all India average of 6.19 per cent during the period from 2011-12 to 2023-24. Notably, since 2020-

21, the state's service sector growth rate has consistently exceeded the national average and this higher growth rate is likely to provide more tax revenue to the state since the introduction of Goods and Services Tax.

**Figure 1.7: Growth rate of service sector GVA (2011-12 prices)**



Source: CSO

### 1.3.4 Growth rate of Subsectors

The aggregate GSDP growth rate of Maharashtra, at 4.99% for the period 2011-12 to 2023-24, is lower than the all-India growth rate of 5.43%. While the growth of Maharashtra's primary sector matched the all-India rate, its manufacturing and key service sector sub-sectors recorded lower growth compared to the national average, except for public administration, defence, and other services (Table 1.2).

**Table 1.2: Sub Sectoral Growth Rate, 2011-12 to 2023-24 (2011-12 Constant Prices)**

Sector	Maharashtra	India
Agriculture, Livestock, Forestry & Fishing	3.23	3.35
Mining & Quarrying	2.61	2
Manufacturing	3.47	5.28
Electricity, Gas, Water Supply & Other Utility Services	4.37	5.49
Construction	4.6	4.83
Trade, Hotels, Transport, Communication & Services related to Broadcasting	5.27	5.84
Financial, Real Estate & Professional Services	6.97	7.01
Public Administration, Defence & Other Services	6.34	5.36
Total GSVA/GVA at Basic Prices	5.06	5.3
GSDP/GDP	4.99	5.43
Per Capita GSDP/GDP	4.06	4.08

Source: CSO

### **1.3.5 Factors contributing to declining per capita income in Maharashtra**

The above analysis indicates that Maharashtra's per capita GSDP, its share in India's total GSDP, and its ranking in per capita GSDP have all declined over the years. One of the major factors contributing to this trend is the slower growth of the industrial sector in Maharashtra, particularly the manufacturing sector. Between 2011–12 and 2023–24, the manufacturing sector in India grew at an annual rate of 5.28 per cent, whereas Maharashtra's manufacturing sector grew at only 3.47 per cent per annum during the same period.

We analysed capital expenditure incurred by the State Government and Gross Fixed Capital Formation (GFCF) in industry sector during the period 2011-12 and 2022-23 (Table 1.3). The investment in the state is undertaken by both Public and Private sector. We have considered GFCF in the industrial sector as a proxy for private GFCF.

The data show that Maharashtra's public investment has remained below 1.5 per cent of GSDP in most years. Meanwhile, GFCF in the industrial sector has been both low and declining. In 2011–12, GFCF as a share of Maharashtra's GSDP was 3.64 per cent, which fell to 1.90 per cent by 2021–22. Similarly, GFCF as a percentage of industrial Gross Value Added (GVA) declined from 25.98 per cent in 2011–12 to 18.62 per cent in 2021–22. This suggests that overall capital formation in the state may have declined during the period from 2011–12 to 2021–22. This could be one of the major reasons for declining in per capita GSDP in Maharashtra during this period. It is worth noting that public capital crowd-in private capital. However, stagnancy in public investment could be one of the reasons for decline in GFCF in industry sector. Therefore, in order to boost the private capital formation, the Government of Maharashtra should increase its capital investment. It is also important to note that the MFRBM Act allows states to borrow up to 3 per cent of GSDP. However, the Government has not fully utilized its borrowing space.

Thus, considering the declining in Maharashtra's income over the years, we recommend that the Maharashtra should fully utilize its available borrowing space under the MFRBM Act. This would encourage the private sector to invest (crowding-in of private investment) and thereby improve the State's GSDP in addition to the improvement in GSDP on account of increase in public investment.

**Table 1.3: Public capital expenditure and GFCF as percentage of GSDP and Industrial GVA (Rs. Cr)**

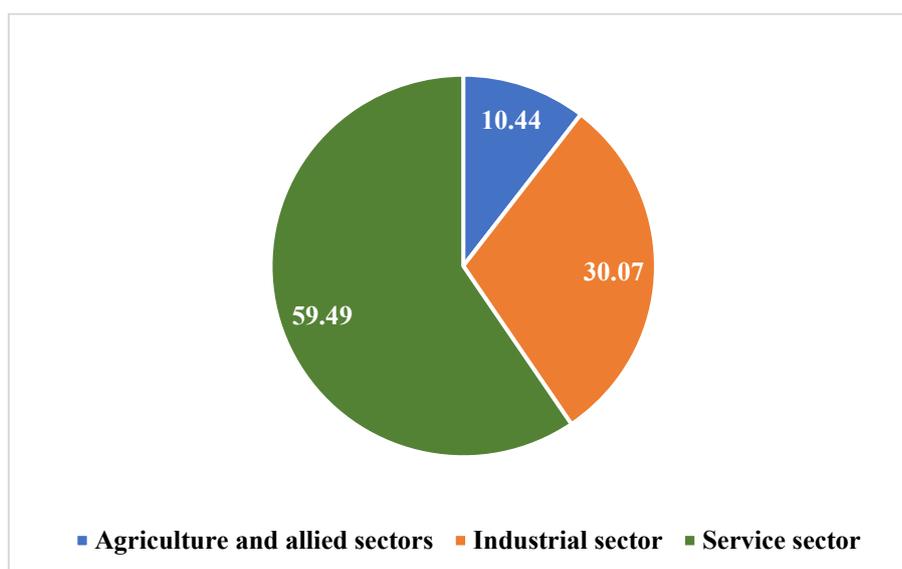
Year	GSDP (Current Prices)	Capex Total	% of Capex to GSDP	Gross Fixed Capital Formation	% of GFCF to GSDP	% of GFCF to Industrial GVA
2011-12	1280369	18716	1.46	46558	3.64	25.98
2012-13	1459629	18814	1.29	56531	3.87	27.91
2013-14	1649647	21666	1.31	56099	3.40	24.54
2014-15	1779138	20664	1.16	55199	3.10	23.09
2015-16	1966225	23908	1.22	44643	2.27	17.97
2016-17	2198185	31826	1.45	41611	1.89	17.18
2017-18	2352782	27821	1.18	48055	2.04	18.58
2018-19	2528854	36594	1.45	58224	2.30	25.05
2019-20	2657371	38385	1.44	69961	2.63	32.41
2020-21	2610651	32029	1.23	45306	1.74	18.90
2021-22	3144138	49106	1.56	59765	1.90	18.62
2022-23	3645884	77396	2.12	-	-	-

Source: Annual Survey of Industries (ASI), various years

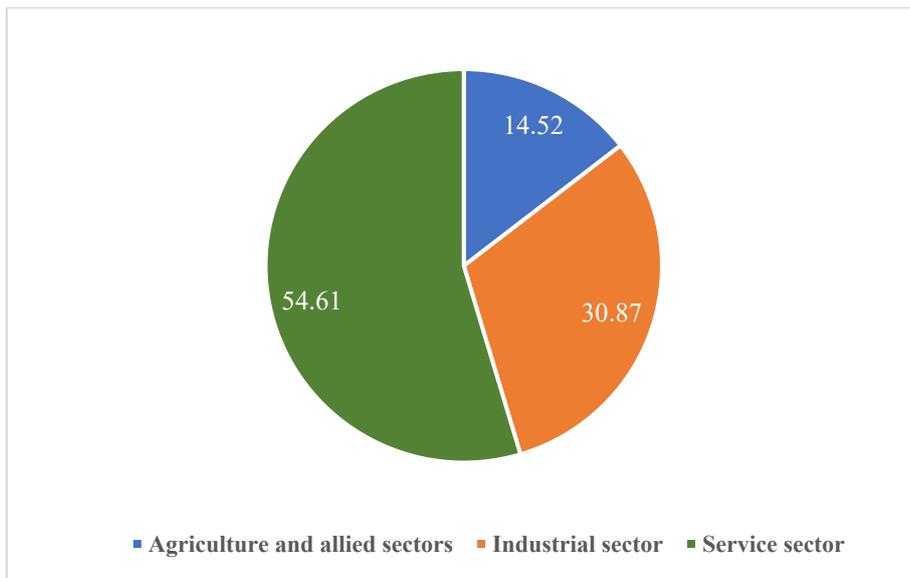
#### 1.4 Structural Composition of Gross State Value Added

Service sector contributes more than half of the gross value added of the Maharashtra Economy. This is followed by 30 per cent contribution from the Industrial Sector. The agriculture and allied Sectors contributes 10 per cent to the state value added. The state is more service oriented compared to the national average during the year 2023-24 (Figure 1.8 and 1.9).

**Figure 1.8: Sectoral composition of GSVA, Maharashtra 2023-24**



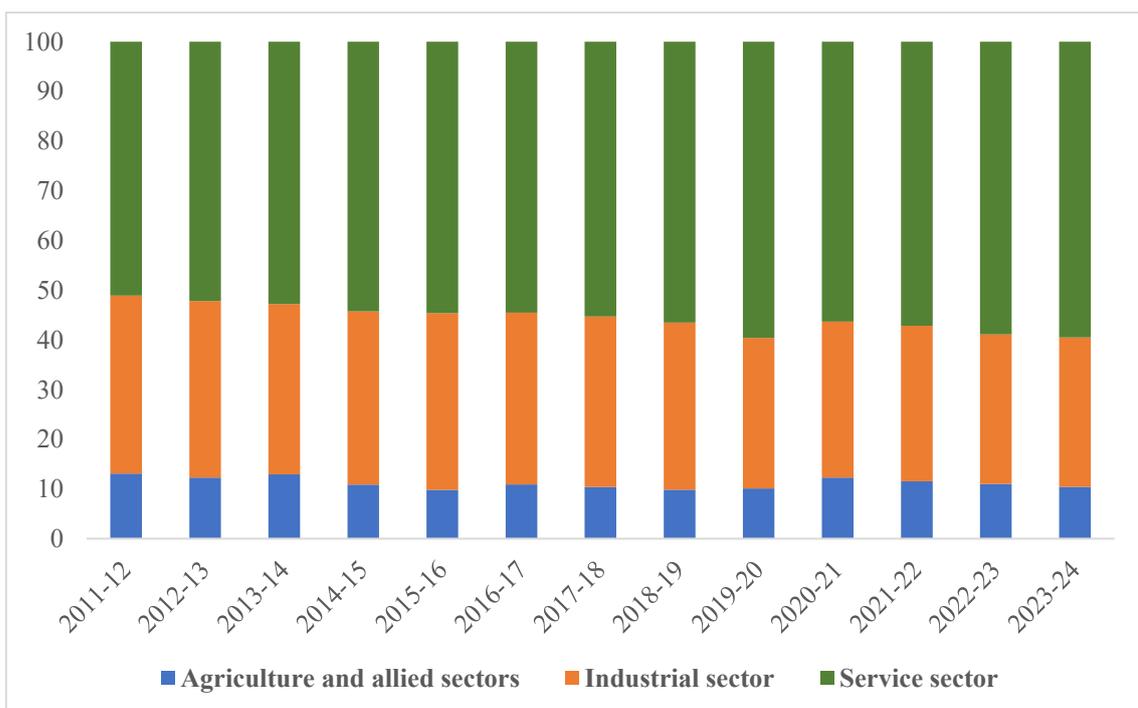
**Figure 1.9: Sectoral composition of GVA, India 2023-24**



Source: CSO

During the period from 2011-12 to 2018-19, the share of agriculture sector declined from 13.11 percent to 10.44 percent of the gross value added of the state. The industrial sector also recorded a decline from 35.82 per cent to 30.07 per cent. This was compensated by a higher contribution from the service sector. The service sector share increased from 51.07 per cent to 59.49 per cent (Figure 1.10).

**Figure 1.10: Structural composition of Maharashtra GSVA**



## 1.5 The Case of Delayed Structural Transformation

Economic growth leads to a shift in the structure of production from agriculture to industry and then to services. The Maharashtra economy had undergone a theoretical sectoral shift in the income dimension but failed to translate this into transformation in the more important employment dimension. Theoretically the structural shift in income should be followed by a shift in employment for a complete structural change to happen. The manufacturing sector, which constituted the major share in the secondary sector NSDP, is expected to absorb more labour from the agricultural sector. How far this sector has been successful in absorbing labour force from agriculture becomes a relevant question. The NSSO and PLFS give the industrial distribution of the workers among various sub sectors of the economy over a period of time.

When one looks at the Maharashtra figures, the speed at which this transformation happening is very slow (Table 1.3.).

**Table 1.4: Distribution of workforce by sector**

Sector	2011-12	2017-18	2020-21	2023-24
<b>Agriculture and allied</b>	<b>49.10</b> <b>(48.90)</b>	<b>47.79</b> <b>(44.14)</b>	<b>49.36</b> <b>(46.46)</b>	<b>43.22</b> <b>(46.07)</b>
<b>Manufacturing</b>	12.17 (12.60)	11.74 (12.13)	10.99 (10.91)	12.66 (11.44)
<b>Electricity, gas, water supply</b>	0.46 (0.52)	0.37 (0.59)	0.90 (0.58)	0.70 (0.54)
<b>Construction</b>	6.28 (10.6)	5.75 (11.67)	6.46 (12.08)	6.98 (11.98)
<b>Industry</b>	<b>19.05</b> <b>(24.26)</b>	<b>18.04</b> <b>(24.80)</b>	<b>18.50</b> <b>(23.89)</b>	<b>20.57</b> <b>(24.19)</b>
<b>Trade, hotels, and restaurants</b>	11.25 (10.96)	11.04 (11.96)	11.66 (12.23)	12.48 (12.23)
<b>Transport, storage, and communication</b>	6.14 (4.83)	6.81 (5.92)	6.32 (5.41)	8.02 (5.63)
<b>Finance, insurance, and real estate</b>	2.08 (1.10)	1.95 (1.26)	2.07 (1.22)	2.29 (1.27)
<b>Public administration and other services</b>	12.37 (9.95)	14.38 (11.90)	12.09 (10.78)	13.42 (10.60)
<b>Service sector</b>	<b>31.84</b> <b>(26.84)</b>	<b>34.18</b> <b>(31.04)</b>	<b>32.14</b> <b>(29.64)</b>	<b>36.21</b> <b>(29.73)</b>

*Source: NSSO and PLFS various rounds*

Although 43.22 per cent of all workers are depending on the agricultural sector for their livelihood, their contribution to output or the sectoral product has been very low as we observed in the previous section. The secondary sector failed to absorb the workers and the

additional workers were mainly absorbed in the tertiary activities. The sub-sectoral distribution of the workforce indicates that agriculture and allied activities provide the maximum employment opportunities in the regional economy. Notably, during the pandemic year of 2020-21, the share of the workforce employed in agriculture rose from 47.79 per cent to 49.36 per cent, more than the national average of 46.46 per cent. Nevertheless, there has been a faster movement away from agriculture in subsequent years, with the share declining to 43.22 per cent in 2023-24. Public administration is the second leading subsector followed by the manufacturing sector. Maharashtra thus gives a classic case of delayed structural transformation in employment.

## 1.6 Social Sector Development in the State

### 1.6.1. Demographic and Health Indicators

In 50 years after the formation of the state, Maharashtra's population increased from 39.6 million in 1961 to 112.3 million in 2011. The demographic details of the state are given in Table 1.4. The first three decades actually witnessed the population doubling itself. The state recorded above replacement level growth rate of population till the last decade. It has now come down to below 2 per cent level. The density of population in the state is relatively low given the vast area of the land available in the rural areas. The Sex ratio in Maharashtra is not favorable to women and the ratio is slightly decreasing over the years.

**Table 1.5: Population Size, Growth Rate, Sex Ratio and Density of Population in Maharashtra**

Year	Population (million)	Growth Rate (%)	Sex Ratio	Density (Per sq.km)
1961	39.6	-	936	129
1971	50.4	2.44	930	164
1981	62.8	2.22	937	204
1991	78.9	2.29	934	257
2001	96.8	2.04	922	314
2011	112.3	1.5	925	365

Source: Census 2011

It is concerning that, despite being an economically developed state, Maharashtra has experienced a decline in the sex ratio, particularly the child sex ratio, with significant variations across districts. Preference for male children has led to widespread sex-selective

abortions, contributing to the declining child sex ratio in the state (Ghoshal and Dhar, 2021; Mishra et al., 2009).

### **Urbanisation**

Maharashtra, the second most urbanised state in India with 42.4 per cent of the population living in towns and cities and metropolis like Mumbai. The huge urban population accounts for 14.4 per cent of India's entire urban population. Till 1991, Maharashtra was the most urbanised state, and now Tamil Nadu is the most urbanised state with 43.9 per cent of its population in urban areas. The percentage of urban population can be considered as important developmental indicator influencing the demographic transition. Across Maharashtra, there are sharp variations in the levels of urbanisation, in terms of both numbers of cities and towns as well as populations contained therein. The Konkan region is the most urbanised region in Maharashtra with two districts, Mumbai and Mumbai suburban, being 100 per cent urban and Thane district having 73 per cent urban population. Marthwada is the least urbanised and Western Maharashtra is more urbanised than Vidharbha.

### **Longevity**

The life expectancy level in the state marginally increased from 72.0 years in 2011- 15 to 72.9 in 2016-20. This level was higher than 70.0 years recorded for All-India. Female life expectancy in Maharashtra was 74.3 years, higher than the level of 71.4 years for all India (GoI 2022).

### **Infant Mortality**

Infant mortality rate (IMR) in the state has declined marginally from 23.9 per thousand live births in 2015-16 to 23.2 per thousand live births in 2019-21, compared to an all India reduction from 40.7 to 35.2 per thousand live births (Table 1.5).

### **Nutritional Level**

The nutritional indicators for children in Maharashtra performed slightly better than the all-India average in 2015-16; however, the scenario changed by 2019-21. The proportion of underweight children remained unchanged in Maharashtra during the period from 2015-16 to 2019-21, while it declined at the national level. In 2019-21, 36.1 per cent of children under the age of five in Maharashtra were underweight, compared to 32.1 per cent for India (Table 1.5). Additionally, the proportion of stunted children under five increased in the

state, whereas it decreased at the national level. Anaemia among children rose in both Maharashtra and India during the reference period. Despite being one of the richest states in India, nutritional indicators in Maharashtra have worsened over time.

**Table 1.6: Selected health indicators**

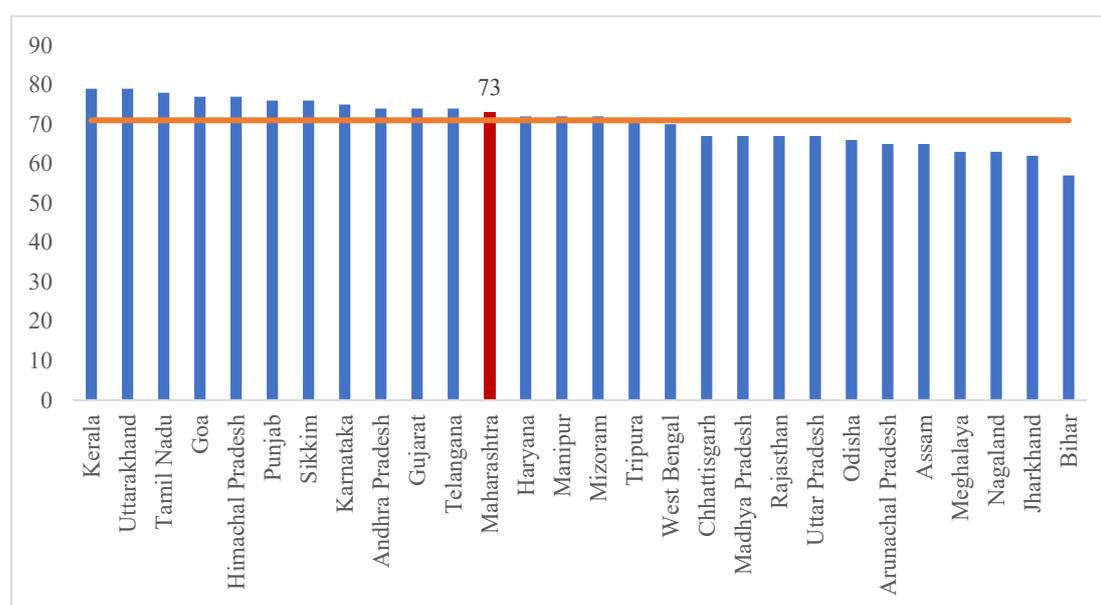
Items	Maharashtra		India	
	2015-16	2019-21	2015-16	2019-21
<b>Availability of safe drinking water (% household)</b>	91.5	93.8	94.4	95.9
<b>Availability of toilets (% household)</b>	71.2	82.6	48.5	70.2
<b>Underweight children (%)</b>	36.0	36.1	35.8	32.1
<b>Stunting among children (%)</b>	34.4	35.2	38.4	35.5
<b>Anaemia among children (%)</b>	53.8	68.9	58.6	67.1
<b>Women with below normal BMI (%)</b>	23.5	20.8	22.9	18.7
<b>Anaemia among women (%)</b>	48.0	54.2	53.1	57.0
<b>Institutional Deliveries</b>	90.3	94.7	78.9	88.6
<b>Infant Mortality Rate</b>	23.9	23.2	40.7	35.2
<b>Total Fertility Rate (children per woman)</b>	1.9	1.7	2.2	2.0

Source: NFHS-4, NFHS-5

### 1.6.2 Sustainable Development Goal

Maharashtra's composite score for the Sustainable Development Goals (SDGs) increased from 70 to 73 between 2020-21 and 2023-24, ranking 12th among Indian states.

**Figure 1.11: SDG scores across Indian States**



Source: NITI Aayog, Government of India

## **1.7 Conclusion**

This chapter tried to give an overview of the economic growth at the aggregate and sectoral level at Maharashtra in a comparative perspective with all India. We found that Maharashtra's growth rate from 2011-12 to 2023-24 was marginally lower than India's overall growth rate. The slowdown in the agricultural and industrial sectors, particularly after 2016-17, contributed to the decline in Maharashtra's GSDP. In terms of per capita income, Maharashtra is significantly ahead of the national average. Even though the state has performed better than the national average on many socio-economic indicators, the state failed to translate its higher economic growth into higher human development and be in a virtuous growth path.

## **CHAPTER II**

### **TRENDS IN TAX REVENUE**

#### **2.1 Introduction**

This chapter examines the tax revenue trends of Maharashtra state across three consecutive Finance Commission periods: the 13th, 14th, and 15th Finance Commissions. The analysis spans from 2010-2011 to 2024-2025, providing a comprehensive overview of the state's fiscal performance and evolution over a 15-year timeframe.

Maharashtra, as one of India's most economically significant states, offers a crucial case study in understanding the dynamics of state-level tax revenues and their relationship to economic growth. By examining the trends in total receipts, revenue receipts, and capital receipts—both in absolute terms and as percentages of the Gross State Domestic Product (GSDP)—we can gain valuable insights into the state's fiscal health, revenue generation capacity, and the effectiveness of its tax policies.

#### **2.2 Total Receipts and Major Components:**

The state of Maharashtra has demonstrated significant growth in its revenue receipts over the years, marked by fluctuations in both total receipts and their composition. The overall revenue structure can be divided into revenue receipts and capital receipts. Revenue receipts are generally composed of taxes, non-tax revenue, and grants-in-aid, while capital receipts typically include loans, borrowings, and disinvestments. Observing the trends over the past three Finance Commission (FC) periods—13th, 14th, and 15th—gives a comprehensive understanding of how the state's revenue components have evolved relative to the state's Gross State Domestic Product (GSDP).

The following sections will delve into key findings, notable trends, and a comparative analysis across the three Finance Commission periods. This examination will shed light on Maharashtra's fiscal journey, highlighting areas of improvement, persistent challenges, and strategies for enhancing the state's potential revenue productivity in the coming years.

There is an increasing trend in total receipts across the finance commission periods. The average total receipts nearly doubled from the 13th FC to the 14th FC and almost doubled again from the 14th FC to the 15th FC. Revenue dominance is observed across all three finance commission periods. Revenue receipts consistently form the majority of total receipts, generally accounting for 75-85% of total receipts. The Capital Receipts of the

States have increased over the years in absolute terms with the greatest increase seen in the 15<sup>th</sup> FC period. This is owing to the change of the calculation formula during this particular FC period. Further, marked by the Covid-19 pandemic, the 15<sup>th</sup> FC period (2020-21 to 2024-25) shows more fluctuations in the Capital Receipts.

The Table 2.1 also captures the trends in revenue and capital receipts as a percentage of the GSDP. The revenue receipts as a percentage of GSDP show a gradual but consistent improvement across the three finance commission periods, indicating an enhanced ability to generate revenue relative to the state's economic growth or increase in the Central transfers or a combination of both. However, capital receipts as a percentage of GSDP have shown high fluctuations, particularly in the 15<sup>th</sup> Finance Commission period, ranging from 2.38% to 4.71%. Barring a few outliers, the proportion of revenue and capital receipts has remained around 80:20. This is especially the case for the 15<sup>th</sup> FC period where the ratio is higher for the capital receipts. This is a good sign as only one-fifth of the total receipts are being generated from the capital account or the borrowings from the government.

Further, Table 2.2 presents a clearer picture of the trends in total receipts and their components during each of the Finance Commission periods. Firstly, total receipts consistently increased as a percentage of GSDP, rising from 11.69% during the 13<sup>th</sup> Finance Commission (FC) to 15.25% in the 15<sup>th</sup> FC. Secondly, revenue receipts have shown steady growth relative to GSDP, increasing from 9.49% in the 13<sup>th</sup> FC to 11.45% in the 15<sup>th</sup> FC. Thirdly, there's a notable jump in capital receipts during the 15<sup>th</sup> FC period, from 2.28% of GSDP in the 14<sup>th</sup> FC to 3.80% in the 15<sup>th</sup> FC, pointing to a significant shift in capital financing strategies.

The growth rate of total receipts (11.43%) has consistently outpaced GSDP growth (9.81%) over the entire period (Table 2.3). Lastly, all fiscal components show accelerated growth trends in the 15<sup>th</sup> FC period.

## 2.1 Total Receipts and its Major Components (Rs.Cr.)

Period	Year	Total Receipts	Revenue Receipts	Capital receipts	Total Receipts as a % of GSDP	Revenue receipts as a % of GSDP	Capital Receipt as a % of GSDP
<b>13th FC</b>	2010-2011	129607	105868 (81.68)	23739 (18.32)	12.35	10.09	2.26
	2011-2012	149623	121286 (81.06)	28336 (18.94)	11.69	9.47	2.21
	2012-2013	164789	142947 (86.75)	21842 (13.25)	11.29	9.79	1.50
	2013-2014	188749	149822 (79.38)	38928 (20.62)	11.44	9.08	2.36
	2014-2015	211354	165415 (78.26)	45939 (21.74)	11.88	9.30	2.58
	<b>Average</b>	<b>168824</b>	<b>68534</b>	<b>15878</b>	<b>11.73</b>	<b>9.55</b>	<b>2.18</b>
<b>14th FC</b>	2015-2016	223268	185036 (82.88)	38233 (17.12)	11.36	9.41	1.94
	2016-2017	256993	204693 (79.65)	52300 (20.35)	11.69	9.31	2.38
	2017-2018	286111	243654 (85.16)	42458 (14.84)	12.16	10.36	1.80
	2018-2019	329674	278996 (84.63)	50678 (15.37)	13.04	11.03	2.00
	2019-2020	365909	283190 (77.39)	82719 (22.61)	13.77	10.66	3.11
	<b>Average</b>	<b>292391</b>	<b>119557</b>	<b>26639</b>	<b>12.40</b>	<b>10.15</b>	<b>2.25</b>
<b>15th FC</b>	2020-2021	393222	269468 (68.53)	123754 (31.47)	14.97	10.26	4.71
	2021-2022	442402	333312 (75.34)	109091 (24.66)	14.23	10.72	3.51
	2022-2023	505946	405678 (80.18)	100268 (19.82)	14.34	11.50	2.84
	2023-2024 (RE)	656113	486116 (74.09)	169997 (25.91)	16.91	12.53	4.38
	2024-2025 (BE)	657487	498758 (75.86)	158729 (24.14)	15.41	11.69	3.72
	<b>Average</b>	<b>531034</b>	<b>199333</b>	<b>66184</b>	<b>15.17</b>	<b>11.34</b>	<b>3.83</b>
<b>Average 2010-11 to 2024-25</b>		<b>330750</b>	<b>143491</b>	<b>40260</b>	<b>13.10</b>	<b>10.35</b>	<b>3.66</b>

Source: Budget Document Gov. of Maharashtra

**Table 2.2 Total Receipts and Components as a percentage of GSDP**

Period	2010-11 to 2024-25 (BE)	13th FC	14th FC	15th FC
<b>Total Receipts</b>	13.66	11.69	12.49	15.25
<b>Revenue Receipts</b>	10.66	9.49	10.22	11.45
<b>Capital Receipts</b>	2.99	2.20	2.28	3.80

Source: Budget Document Gov. of Maharashtra

**Table 2.3 Total Receipts and Major Components: Growth Rates**

<b>Period</b>	<b>2010-11 to 2023-24 (RE)</b>	<b>13th FC</b>	<b>14th FC</b>	<b>15th FC</b>
<b>Total Receipts</b>	11.43	10.27	10.38	10.83
<b>Revenue Receipts</b>	10.89	9.34	8.88	13.10
<b>Capital Receipts</b>	13.50	14.12	16.69	5.10
<b>GSDP</b>	<b>9.81</b>	<b>11.14</b>	<b>6.21</b>	<b>10.19</b>

*Source: Budget Document Gov. of Maharashtra*

The Total Receipts show a small and gradual overall increase for the three finance commissions. What is especially noteworthy is that the capital receipts for the 15<sup>th</sup> FC years shows a marked decline over the previous commissions. This decline is from the years 2020-21 to 2022-23 which happen to coincide with the Covid-19 pandemic. When we remove these years from consideration, we see a reversion to the original increasing trend.

### **2.3 Revenue Receipts**

In this section, we try to have a disaggregate analysis of the revenue receipts of the government

of Maharashtra. The revenue receipts of the state government are comprised of tax revenue and non-tax revenue, shares in central taxes, and grants in aid from the central government. Maharashtra's revenue receipts have shown a consistent upward trend from 2010-11 to 2024-25, with total revenue receipts growing from ₹1,05,868 crores to ₹4,98,758 crores. Own Tax Revenue has remained the largest component, consistently accounting for 60-72% of total revenue receipts. However, its share slightly declined from the 13th FC period to the 15th FC period. Own Non-Tax Revenue has shown a declining trend in its share, dropping from around 7-8% in the early years to 5-6% in recent years. Share in Central Taxes has fluctuated but generally increased, from about 10-11% in the 13th FC period to 12-16% in the 14th and 15th FC periods.

**Table 2.4: Revenue Receipts and its Components (Own tax revenue, Own Non-Tax Revenue, Share in Central Taxes and Grants from the Centre)**

Period	Year	Total Revenue Receipts	Own Tax Revenue	Own Non-Tax Revenue	Share in Central Taxes	Grants from the Centre
13th FC	2010-11	105868	75028	8225	11420	11196
			(70.87)	(7.77)	(10.79)	(10.58)
	2011-12	121286	87648	8168	13343	12167
			(72.27)	(6.73)	(11.00)	(10.03)
	2012-13	142947	103448	9984	15192	14322
			(72.37)	(6.98)	(10.63)	(10.02)
	2013-14	149822	108641	11352	16630	13241
			(72.51)	(7.58)	(11.10)	(8.84)
	2014-15	165415	115090	12581	17630	20141
			(69.58)	(7.61)	(10.66)	(12.18)
14th FC	2015-16	185036	126628	13423	28106	16899
			(68.43)	(7.25)	(15.19)	(9.13)
	2016-17	204693	136616	12709	38770	21653
			(66.74)	(6.21)	(15.92)	(10.58)
	2017-18	243654	167948	16680	33465	21823
			(68.93)	(6.85)	(13.73)	(8.96)
	2018-19	278996	187538	15844	41150	33662
			(67.22)	(5.68)	(14.75)	(12.07)
	2019-20	283190	188971	14297	36222	43725
			(66.73)	(5.05)	(12.79)	(15.44)
15th FC	2020-21	269468	164280	15975	36504	52733
			(60.96)	(5.93)	(13.55)	(19.57)
	2021-22	333312	220982	19307	54318	38760
			(66.30)	(5.79)	(16.30)	(11.63)
	2022-23	405678	277584	16776	60002	51414
			(68.42)	(4.14)	(14.79)	(12.67)
	2023-24	486116	326398	24620	69771	65444
			(67.14)	(5.06)	(14.35)	(13.46)
	2024-25	498758	343040	26775	77054	52011
			(68.78)	(5.37)	(15.43)	(10.43)

Source: Budget Document Gov. of Maharashtra

**Table 2.5: Revenue Receipts and its Components Summary Statistics (Own tax revenue, Own Non-Tax Revenue, Share in Central Taxes and Grants from Centre)**

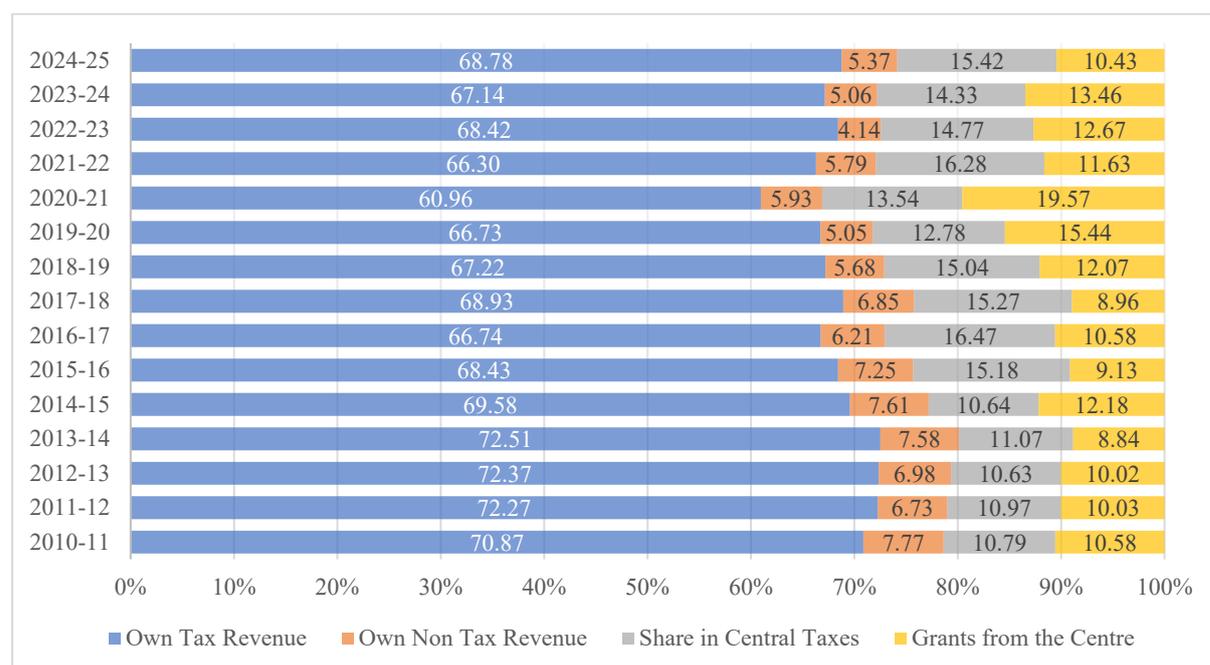
Item		Total Revenue Receipts	Own Tax Revenue	Own Non-Tax Revenue	Share in Central Taxes	Grants from Centre
<b>2010-11 to 2024-25(BE)</b>	Mean	258283	175323	15114	36566	31279
	STD DEV	126040	84033	5361	20841	18075
	CV	0.49	0.48	0.35	0.57	0.58
<b>13th FC</b>	Mean	137068	97971	10062	14821	14213
	STD DEV	23576	16355	1935	2494	3514
	CV	0.17	0.17	0.19	0.17	0.25
<b>14th FC</b>	Mean	239114	161540	14590	35431	27552
	STD DEV	43770	28764	1652	5078	10955
	CV	0.18	0.18	0.11	0.14	0.4
<b>15th FC</b>	Mean	398666	266457	20691	59446	52072
	STD DEV	98334	74313	4794	15528	9446
	CV	0.25	0.28	0.23	0.26	0.18

Source: Budget Document Gov. of Maharashtra

From Figure 2.1 we can infer that Grants from the Centre have shown significant volatility, ranging from 8% to nearly 20% of total revenue receipts, with a notable spike to 19.57% in 2020-21, likely due to pandemic-related support. The composition of revenue receipts has thus shifted slightly over time, with a decreased reliance on own sources and an increased share from central transfers.

Overall, Table 2.5 shows consistent growth across all revenue components from the 13th to the 15th Finance Commission periods. Total revenue receipts and own tax revenue saw significant average increases, with total revenue receipts rising from ₹137,068 Cr to ₹398,666 Cr.

**Figure 2.1 Breakup of total revenue receipts for Maharashtra 2010-11 to 2024-25 (BE)**



However, there was growing volatility in both total receipts and the share of central taxes, reflected by rising CVs and standard deviations.

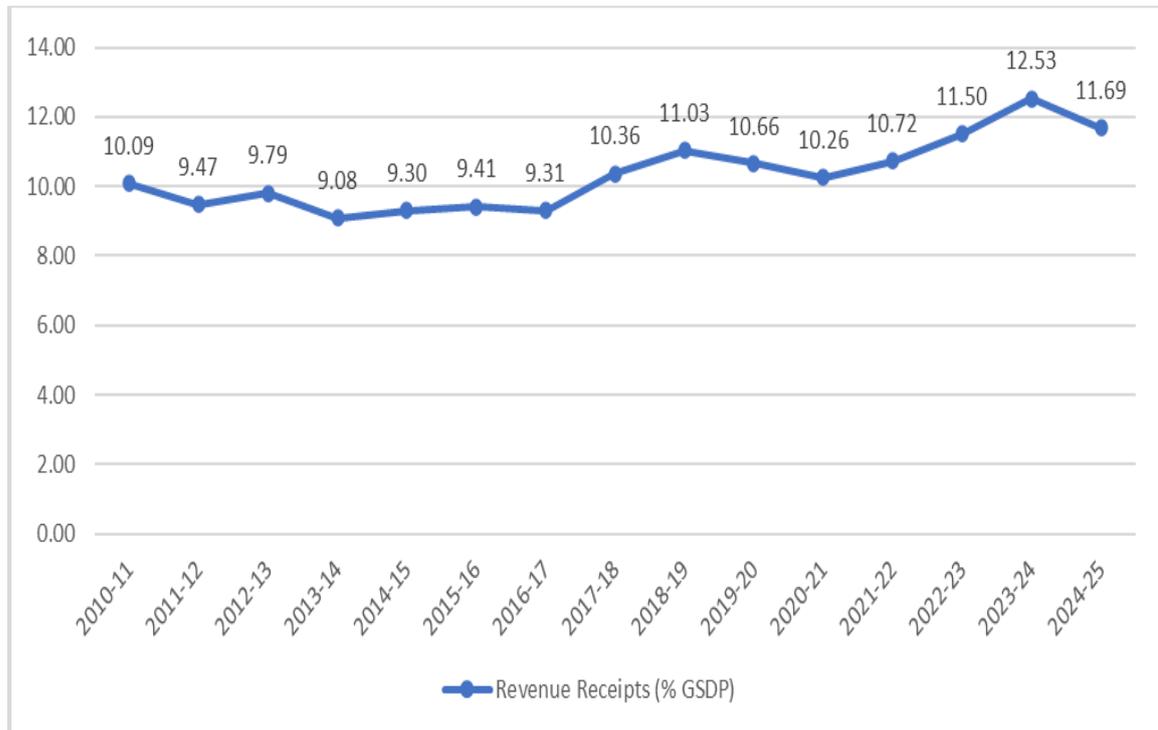
**Table 2.6: Revenue Receipts as a Percentage of GSDP through the FCs**

Item	2010-11 to 2024-25 (BE)	13th FC	14th FC	15th FC
<b>Total Revenue Receipts</b>	10.34	9.37	10.49	11.15
<b>Own Tax Revenue</b>	7.1	6.7	7.2	7.41
<b>Own Non-Tax Revenue</b>	0.63	0.69	0.63	0.58
<b>Share in Central Taxes</b>	1.4	1.02	1.52	1.66
<b>Grants from Centre</b>	1.21	0.97	1.15	1.5

Own Tax Revenue, the largest component, has also gradually increased from 6.79% to 7.65% of GSDP across the three FC periods, indicating improved tax collection efficiency or expansion of the tax base. Own Non-Tax Revenue, however, has slightly declined from 0.70% to 0.59% of GDP. The state's share in Central Taxes has significantly improved, rising from 1.03% to 1.71% of GSDP, reflecting changes in tax devolution policies. Grants

from the Centre have also increased as a proportion of GSDP, from 0.98% to 1.50%, suggesting greater central support. These trends indicate that while Maharashtra has improved its overall revenue position relative to its economic size, the improvement has been driven more by increased central transfers than by growth in the state's own revenue sources.

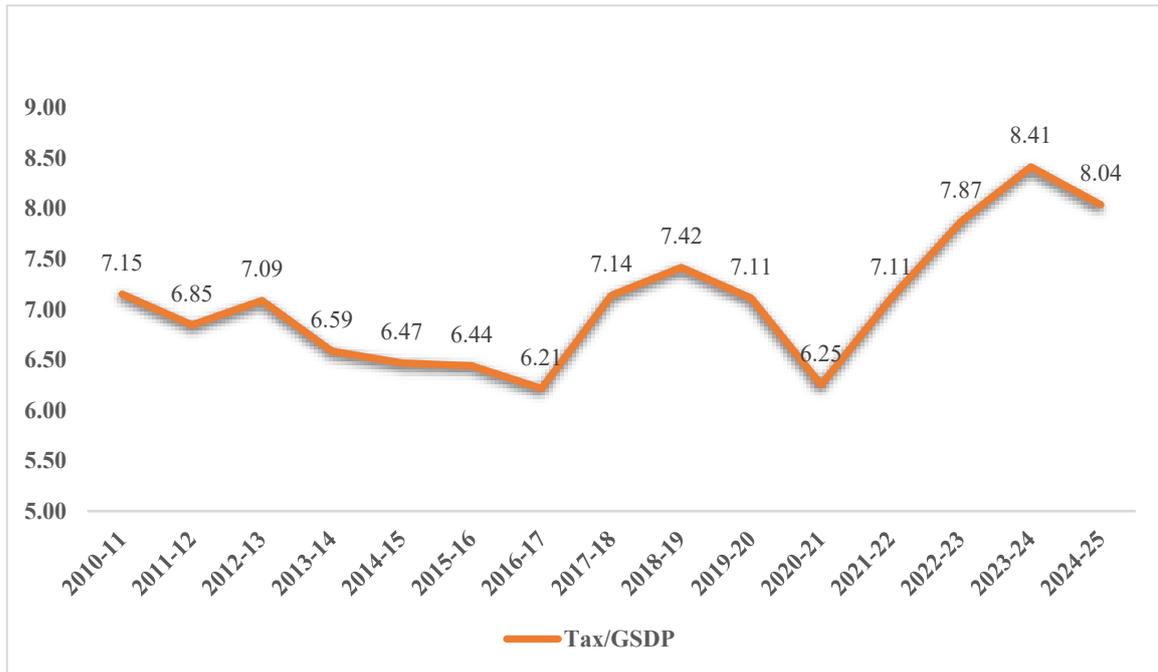
**Figure 2.2: Total Revenue receipts as a percentage of GSDP**



## 2.4 Own Tax revenues

A substantial component of the Own Revenue Receipts of the state is its Own Tax Revenue, hence in this section, we analyze the own tax revenue of the government of Maharashtra for the period 2010-11 to 2024-25 (BE). From Figure 2.3 we can observe a shift in the tax/GSDP of the State from 2016-27 to 2020-21 where it initially increases and then decreases to previous levels. Thereafter, there is a sharp uptake over the next three years. However, the total tax effort remains below 8.5 percent. We will now study the various taxes that make up the own-tax revenue collection for the state and identify major contributors to the same.

**Figure 2.3: Tax Effort of Maharashtra Finance Commission Periods**



Maharashtra's State's Own Tax Revenue shows a varying growth pattern across different Finance Commission (FC) periods, with a notable acceleration in the 15th FC. The overall growth rate increased from 8.93% in the 13th FC to 15.86% in the 15th FC as seen in Table 2.7. Stamp and Registration Fees, show significant growth acceleration, jumping from 8.11% in the 14th FC to 16.68% in the 15th FC. State Excise also demonstrates a similar trend, with growth rates of 13.84%, 4.35%, and 15.11% across the three FC periods. Taxes on Vehicles maintain a steady growth trajectory, culminating in a 17.45% growth rate in the 15th FC. Taxes and duties on electricity show a recovery from negative growth in the 13th FC to 11.16% in the 15th FC. The data suggests that while most tax categories have seen accelerated growth in the 15th FC period, there's considerable variation across different revenue sources.

Of particular importance to note is the impact of the Covid-19 pandemic years on the growth of the state's own tax revenue. In our calculations we've utilized the CAGR approach for consistency which over-inflates the growth rates of the 15<sup>th</sup> FC period on account of the 2020-21 Covid-19 pandemic base year effect. We have purposely kept these intact and not removed the pandemic years' effect to further highlight the recovery of Maharashtra. In terms of sheer magnitude, we can see that there has been an increase in the state's own tax revenue in the 15<sup>th</sup> FC period compared to the 14<sup>th</sup> FC period even when

including the Covid-19 pandemic period. However, if we were to not include these years the effect would be more pronounced. For instance, the state's own tax revenue in the year 2019-20 was ₹1,88,971 Cr. while in the year 2022-23, it rose to ₹2,77,584 Cr. which is an increase of 47%. Further items such as Taxes on goods and passengers can be attributed to the extremely low base year value while Taxes on Agricultural revenue suffers from one period effect in the year 2020-21 (₹2 crore) and none before or since.

**Table 2.7: State's Own Tax Revenue: Growth Rate**

Sr. No	Item	2010-11 to 2024-25 (BE)	13th FC	14th FC	15th FC
0	State's own Tax Revenue (1 to 11)	10.66	8.93	8.34	15.86
1	Sales Tax/Tax on Sales, trade etc.*	2.61	9.69	- 11.52	13.52
2	Stamps and Registration fees	9.81	8.11	5.69	16.68
3	State excise duties	11.5	13.84	4.35	15.11
4	Electricity duties/Taxes and Duties on Electricity**	7.59	-1.66	2.49	11.16
5	Other Taxes on Income and Expenditure	4.99	5.22	2.67	7.19
6	Taxes on vehicles	10.06	8.88	7.07	17.45
7	Other Taxes and duties on commodities and services	2.19	11.74	- 19.06	12.46
8	Taxes on goods and passengers	7.44	-0.45	- 13.34	165.66
9	Land Revenue	6.95	3.05	4.27	7.78
10	Taxes on Agricultural Revenue	0	0	0	-100
11	State Goods and Service Tax	15.24	0	18.17	17.36

Source: Budget Document Gov. of Maharashtra

In order to understand the responsiveness of the own tax revenue with that of the domestic income growth, we have estimated the tax buoyancy for the aggregate taxes as well as the individual taxes for our study period. The results are given in Table 2.8 below. The maximum of tax buoyancy for the State's Own Tax Revenue is 1.56. and the minimum is 0.80. We see that there is a change in buoyancy between the 13<sup>th</sup> and the 15<sup>th</sup> FC periods where all heads under the State's Own Tax Revenue excepting Excise and Other Duties were below unity, almost all are now above unity. Thus, we can surmise that revenues are keeping pace with the income growth of the state. Further, the taxes on goods and passengers show a dramatic increase on account of the base effect of Covid-19 previously

mentioned above, and taxes on and revenue being collected in only one year is of no real insight. We have included it here to maintain continuity.

**Table 2.8: Tax Buoyancy**

Sr.	Item	13th FC	14th FC	15th FC
1	State's own Tax Revenue (1 to 11)	0.80	1.34	1.56
2	Sales Tax/Tax on Sales, trade etc.	0.87	-1.85	1.33
3	Stamps and Registration fees	0.73	0.92	1.64
4	State excise duties	1.24	0.70	1.48
5	Electricity duties/Taxes and Duties on Electricity**	-0.15	0.40	1.10
6	Other Taxes on Income and Expenditure	0.47	0.43	0.71
7	Taxes on vehicles	0.80	1.14	1.71
8	Other Taxes and duties on commodities and services	1.05	-3.07	1.22
9	Taxes on goods and passengers	-0.04	-2.15	16.26
10	Land Revenue	0.27	0.69	0.76
11	Taxes on Agricultural Revenue	0.00	0.00	-9.82

Source: Budget Document Gov. of Maharashtra

In Table 2.9 below, the State's Own Tax Revenue as a percentage of GSDP shows a gradual but consistent increase from 6.79% in the 13th FC to 7.65% in the 15th FC, indicating improved tax collection efficiency or expansion of the tax base relative to economic growth. Taxes on Sales and Trade declined from 3.92% to 1.48% while State Excise shows steady growth, increasing from 0.63% to 0.65% of GSDP. However, Taxes on Income and Expenditure show a declining trend, dropping from 0.14% to 0.09% of GSDP, suggesting a shift in the tax structure towards indirect taxes. Taxes on Vehicles and Taxes and duties on Electricity maintain relatively stable shares of GSDP. The introduction of Goods and Service Tax contributes a significant 3.38% to GSDP, indicating its growing importance in the state's tax structure. Overall, the data reveals a tax system increasingly reliant on indirect taxes and property-related revenues, with the potential for further growth in direct tax collections relative to the state's economic size.

**Table 2.9: State's Own Tax Revenue as Percentage of GSDP**

Sr. No.	Item	2010-11 to 2023-24 (RE)	13th FC	14th FC	15th FC
0	State's own Tax Revenue (1 to 11)	7.24	6.79	6.9	7.65
1	Sales Tax/Tax on Sales, trade etc.*	1.58	3.92	2.39	1.48
2	Stamps and Registration fees	0.89	1.17	1.08	1.22
3	State excise duties	0.48	0.63	0.59	0.65
4	Electricity duties/Taxes and Duties on Electricity**	0.26	0.36	0.36	0.34
5	Other Taxes on Income and Expenditure	0.08	0.14	0.1	0.09
6	Taxes on vehicles	0.24	0.32	0.33	0.33
7	Other Taxes and duties on commodities and services	0.05	0.13	0.08	0.04
8	Taxes on goods and passengers	0.03	0.05	0.05	0.03
9	Land Revenue	0.06	0.08	0.09	0.08
10	Taxes on Agricultural Revenue	0	0	0	0
11	State Goods and Service Tax	1.81	0	1.84	3.38

Source: Budget Document Gov. of Maharashtra

## 2.5 Devolution of Central Taxes and Grants

The total Central devolution as a percentage of GSDP is increasing in absolute terms but the mix is shifting, with greater weight on tax share recently. Table 2.10 captures a clear upward trend in total central devolution from an average of approximately 2.0 per cent during the 13th FC to approximately 3.0 per cent during the 15th FC.

The data reveals a significant jump in the share of central taxes, from around 1.0 per cent in 13th Finance Commission to 1.41–1.76% per cent under 14th Finance Commission, reflecting the increased tax devolution share (42%) mandated by the 14th Finance Commission.

The share in grants from the centre appears to be more volatile, and achieved the highest value in 2020-21 (3.42%), coinciding with pandemic-era fiscal measures and increased grants. There is also considerable year-to-year volatility, especially in grants, indicating the impact of specific policy decisions or economic conditions.

**Table 2.10: Trends in Central Devolution of Taxes and Grants to Maharashtra**

FC	Year	Share in Central Taxes as a proportion of GSDP	Grants from the Centre as a proportion of GSDP	Total Central Devolution as a proportion of GSDP
13th FC	2010-11	0.99	0.98	1.97
	2011-12	1.04	0.95	1.99
	2012-13	1.04	0.98	2.02
	2013-14	1.01	0.8	1.81
	2014-15	0.99	1.13	2.12
14th FC	2015-16	1.41	0.85	2.27
	2016-17	1.76	0.99	2.75
	2017-18	1.42	0.93	2.35
	2018-19	1.63	1.33	2.96
	2019-20	1.36	1.65	3.01
15th FC	2020-21	1.4	2.02	3.42
	2021-22	1.73	1.23	2.96
	2022-23	1.65	1.41	3.06
	2023-24 (RE)	1.73	1.62	3.34
	2024-25 (BE)	1.81	1.24	3.04

Source: Budget Document Gov. of Maharashtra

Overall, the data reveals a growing fiscal dependence of Maharashtra on central transfers, which could have implications for the state's fiscal autonomy and planning.

**Table 2.11: Trends in Central Devolution of Taxes and Grants to Maharashtra as Percentage of Revenue receipts**

Item	2010-11 to 2024-25 (BE)	13 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC
Share in Central Taxes as a proportion of Revenue Receipts	11.49	10.81	14.12	10.14
Grants from the Centre as a proportion of Revenue Receipts	12.11	10.37	11.52	13.06
Total Central Devolution as a proportion of Revenue Receipts	23.6	21.18	25.65	23.2

Source: Budget Document Gov. of Maharashtra

Table 2.11 reveals a notable upward trend in the state's dependency on central devolution as a proportion of its revenue receipts from 2010-11 to 2024-25 (BE) as well. The total central devolution as a share of revenue receipts has increased from 21.18% in the 13th FC to 25.65% in the 14th FC, and then decreased to 23.20% in the 15th FC.

Within the total devolution, grants from the center have shown an increasing trend throughout the period of the study. They have grown from 10.37% in the 13th FC, to 11.52% in the 14th FC, and reaching 13.06% in the 15th FC. On the other hand, the share of central taxes to revenue receipts have a more inconsistent growth pattern, rising from 10.81% during the 13th Finance Commission (FC) period to 14.12% in the 14th FC, and then declining to 10.14% in the 15th FC.

## **2.6 Government of Maharashtra's Initiative to Improve Tax Productivity and the Way Forward**

Recently, the Government of Maharashtra has undertaken various initiatives to improve tax productivity. Following are the major initiatives undertaken by the Government.

### **2.6.1 Tax Administration Reforms**

Improving tax administration is one of the proven ways to improve compliance. The Government of Maharashtra has recently taken initiative to improve tax administration by making use of information technology. The efforts are being made by the Government to bring all tax and non-tax collection and transaction on the Government Revenue Accounting System (GRAS). This would enable audit and enforcement measures in addition to improve the efficiency of tax collection (Yellow Book 2023-24, Budget Documents, Government of Maharashtra). Under this system, the Government has decided to receive payments electronically (e-payment) (Government Receipts and Accounting System, Virtual Treasury, Directorate of Accounts and Treasuries, Finance Department, Government of Maharashtra).

### **2.6.2 Stamp Duty and Land Registration Fees**

The Government of Maharashtra has embarked on resolving longstanding issue of subjective assessment of Ready Reckoner (RR) rates in the state. Under the present subjective assessment, the RR rates are estimated based on the average of market rates, local enquiries, documents registered with the department, information from media reports, real estate exhibitions, and market intelligence. Therefore, in order to make RR rates more realistic, the Government has initiated the GIS mapping of land parcels across the state and the mapping is at near completion stage.

Maharashtra Remote Sensing Application Centre (MRSAC) has completed Geographic Information System (GIS) mapping all rural areas and 50 per cent of urban regions and

influential value zones in the state by December 2024. This data would be used in deciding the RR rates.

Considering the removal of random rate assignments and growing real estate construction and property transactions in rural areas owing to mega infrastructure projects announced by the Government, the GIS mapping is likely to result in enhanced revenue from Stamp Duty and Registration Fees to the State Government in coming years.

In addition to the present initiatives, the Government of Maharashtra may consider the following initiatives

- Making e-stamping mandatory for transactions involving non-judicial stamp paper
- Setting up of a portal for speedy disposal of cases
- Speedy recovery of arrears

### ***Changes in the Stamp duty rates***

To boost the real estate sector hit by pandemic, the Government had reduced the stamp duty charges. The Government has reduced the stamp duty by 3.0 per cent in Mumbai District and Mumbai Sub-Urban District and by 2.0 per cent in rest of Maharashtra for the period starting from 1st September 2020 to 31st December 2020. The Government continued to rate cuts for the period starting from 1st January 2021 to 31st of March 2021. During this period, the stamp duty was reduced by 2.0% in Mumbai District and Mumbai Sub-Urban District and by 1.5% in rest of Maharashtra (Yellow Book 2021-22, Budget Documents, Government of Maharashtra).

In addition, a 1% concession is being given in Stamp Duty (cess) applicable during document registration within Mumbai Metropolitan Region, Pune, Pimpri Chinchwad and Nagpur Municipal Corporations for next 2 years from 01 April 2020 (Yellow Book 2021-22, Budget Documents, Government of Maharashtra).

Moreover, the Government is also committed to increase the revenue from the stamp duty in coming years preventing leakages of revenue, recovery of tax arrears and formulating a strict action for tax evasion (Yellow Book 2024-25, Budget Documents, Government of Maharashtra).

### **2.6.3 Excise Duty**

Maharashtra's revenue from Excise Duty nearly doubled between FY 2021 and FY 2024 from Rs. 6,655 in 2020-21 to 12,500 in 2023-24. The improved collection was mainly due upward revision in the license fee, special fees, and excise duty during 2022-23 by the Government. The license fee also increased during 2023-24 and 2024-25 (Yellow Book for various years, Budget Documents, Government of Maharashtra). The increased rates would continue to improve revenue collection in coming years as well.

In addition to the revision of rates, the following initiatives could be considered

- e-auction of new and renewal of licenses

Overall, in order to improve the tax productivity, the use of information technology, ease of doing business through online portals, use of Artificial Intelligence, periodical revision of rates, establishment of tax analysis unit, etc. would be beneficial.

## 2.7 Major Findings

- The Tax Revenues of the state along with all its major components have seen an increase over the years from the 13<sup>th</sup> to the 15<sup>th</sup> Finance Commission periods.
- Maharashtra's revenue from Stamps and Registration Fees nearly doubled between FY 2021 and FY 2024 due to a mix of policy incentives and market dynamics<sup>1</sup>. The Government of Maharashtra temporarily reduced stamp duty rates during the COVID-19 pandemic to boost real estate activity.
- From September to December 2020, stamp duty was reduced by 3% in Mumbai and its suburbs, and by 2% in the rest of the state. From January to March 2021, the reduction was adjusted to 2% in Mumbai and 1.5% elsewhere, lowering the standard 5% rate to as low as 2%<sup>2</sup>.
- These reductions led to a significant increase in property registrations as buyers rushed to take advantage of the lowered rates. Even after rates were restored, transaction volumes remained strong due to post-COVID pent-up demand and rising property prices.
- Infrastructure projects such as the Mumbai Metro, Coastal Road, and the Trans Harbour Link boosted real estate activity in peripheral areas. Improved digital infrastructure, e-registration systems, and anti-evasion measures strengthened compliance and reduced revenue leakages<sup>3</sup>.
- The Covid-19 Pandemic affected the state's revenue for the concerned years, but the state has made a recovery despite the downturn to pre-pandemic levels

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<sup>1</sup> Comptroller and Auditor General of India (2023). State Finances Audit Report for Maharashtra, 2022–23, CAG Report No. 4 of 2023.

<sup>2</sup> **Government of Maharashtra.** (2020, August 29). *Reduction of Stamp Duty on Instruments of Conveyance – GR No. Mudrank-2020/CR.No.136/M-1 (Policy)*. Revenue and Forest Department.

<sup>3</sup> Reserve Bank of India (2022). State Finances: A Study of Budgets 2022–23. [https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State%20Finances%20:%20A%20Study%20of%200Budgets](https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State%20Finances%20:%20A%20Study%20of%20Budgets)

## **CHAPTER - III**

### **TRENDS IN OWN NON- TAX REVENUE**

#### **3.1: Introduction**

This chapter will analyse the state's own non-tax revenues. It will identify the major contributors to the state's own non-tax revenue and identify methods to enhance collections from the same. Furthermore, it will also study the relationship between the state's investments in PSUs and statutory corporations and dividends received in turn.

The non-tax revenue of state governments in India consists of (a) income from assets, including common property resources managed by the government, which generates fees, royalties from renewable natural resources, and returns from previous investments like Public Sector Undertakings, irrigation, roads, and state loans, yielding dividends and interest. (b) Revenue from the sale of goods and services directly provided by the government, collected through user charges, and (c) income from the sale of licenses and permits for regulated activities, such as vehicle permits.

#### **3.2 Maharashtra's Non-Tax Revenue Trends**

Table 3.1 summarises key trends in Maharashtra's non-tax revenue components across the 13th, 14th, and 15th Finance Commission (FC) periods. Overall, the mean own non-tax revenue increased steadily across the FC cycles, from ₹10,062 crore during the 13th FC to ₹19,507 crore during the 15th FC. Despite some growth over the Finance Commission periods, Maharashtra's own non-tax revenue remains relatively low, especially when compared to the state's economic size and expenditure commitments. The average own non-tax revenue from 2010–11 to 2024–25 (BE) is around ₹non-tax reve, which is modest given Maharashtra's large GSDP and high fiscal needs. Among the components, economic services contributed the highest average revenue (₹6,382 crore), with the most pronounced growth during the 15th FC period (mean ₹9,270 crore), although variability also increased (CV 0.42). Social services and general services also saw a rise in average collections, with general services showing a near threefold increase in mean values from the 13th to the 15th FC. Notably, interest receipts, dividends, and profits had a low CV during the 15th FC (0.11), indicating a more predictable and consistent income stream in recent years. Meanwhile, aggregate non-tax revenue witnessed a substantial jump in the 15th FC period (mean ₹5.14 lakh crore), accompanied by a lower CV (0.22), suggesting improved buoyancy and stability in the state's non-tax revenue system in recent years.

**Table 3.1: Gross Non-Tax Revenue: Summary Statistics (Rs. Crores)**

Items	2010-11 to 2024-25(BE)		13th FC		14th FC		15th FC	
	Mean	CV	Mean	CV	Mean	CV	Mean	CV
<b>Interest Receipts, Dividends and Profits</b>	3,055.70	0.3	2,540.03	0.45	3,784.30	0.19	2,842.78	0.11
<b>General Services</b>	2,446.84	0.5	1,358.88	0.2	2,347.42	0.33	3,634.21	0.31
<b>Social Services</b>	3,229.73	0.52	1,816.56	0.48	2,929.03	0.13	4,943.61	0.32
<b>Economic Services</b>	6,382.07	0.47	4,346.48	0.04	5,529.63	0.08	9,270.09	0.42
<b>Non-Tax Revenue</b>	14,281	0.56	10,062	0.24	14,590	0.38	19,507	0.22

Source: Budget Document Gov. of Maharashtra

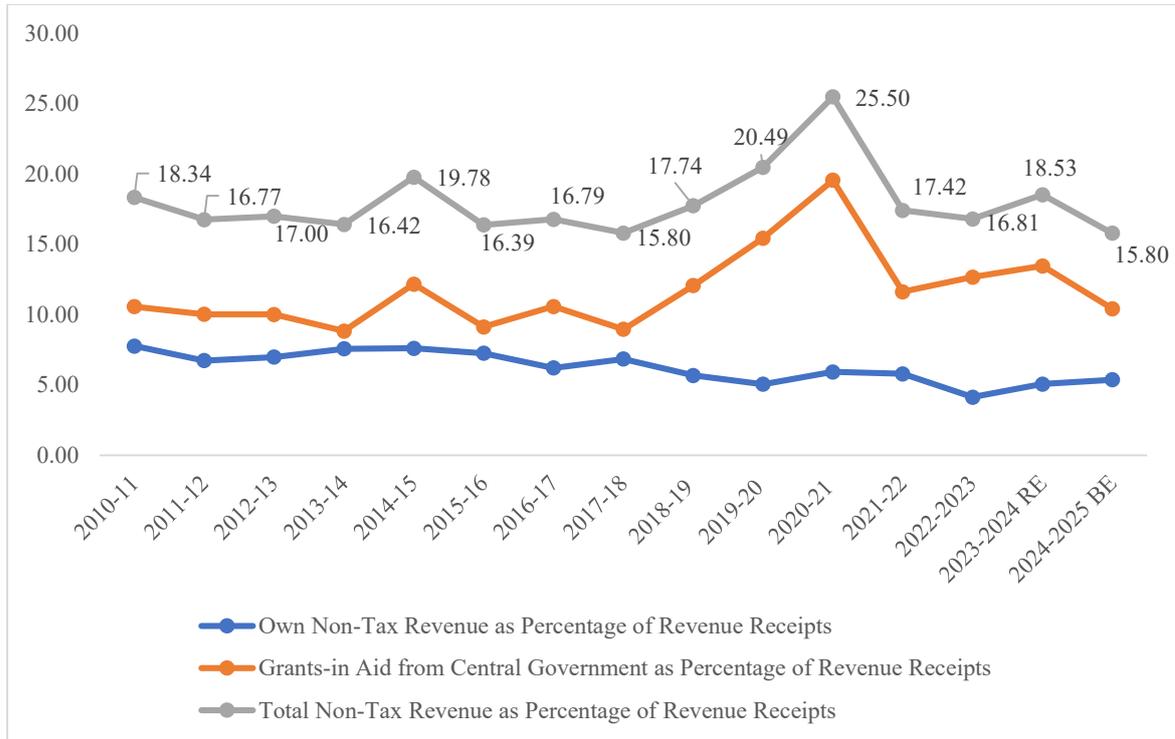
Figure 3.1 shows the trend of states' total non-tax revenue as a proportion of total revenue receipts from 2010-11 to 2024-25 (BE). There is a noticeable fluctuation throughout the years.

Total non-tax revenue as a proportion of total revenue receipts indicates that the share starts at 18.34% in 2011–12 and gradually declines to a low of 14.11% in 2017–18, reflecting the state's increasing dependence on tax revenues and a declining role of non-tax sources (Figure 3.1).

A sharp recovery is observed post-2018–19, with the share peaking at 25.5% in 2021–22, possibly due to extraordinary or one-time receipts during the pandemic period. However, this is followed by renewed volatility, with the share falling to 17.42% in 2022–23, and projected to decline again to 15.80% in 2024–25 (BE). It is noteworthy that during the same period, there was a near stagnancy in the State's own non-tax revenue around 5 per cent of total revenue receipts. As a result, the total non-tax revenue could not improve its share in total revenue receipts despite improvement in grants-in-aid from the Centre in recent years.

The overall trend suggests that non-tax revenues have not remained a consistent or reliable contributor to the state's revenue mix mainly due to stagnancy in own non-tax revenue. Importantly, the declining share of non-tax revenue also implies an increasing burden on tax revenues to meet the state's growing fiscal demands, highlighting the need to diversify revenue sources and strengthen non-tax revenue mobilization. This continued reliance on tax revenues could limit fiscal flexibility, potentially affecting states' ability to respond to economic shocks or fund new development initiatives.

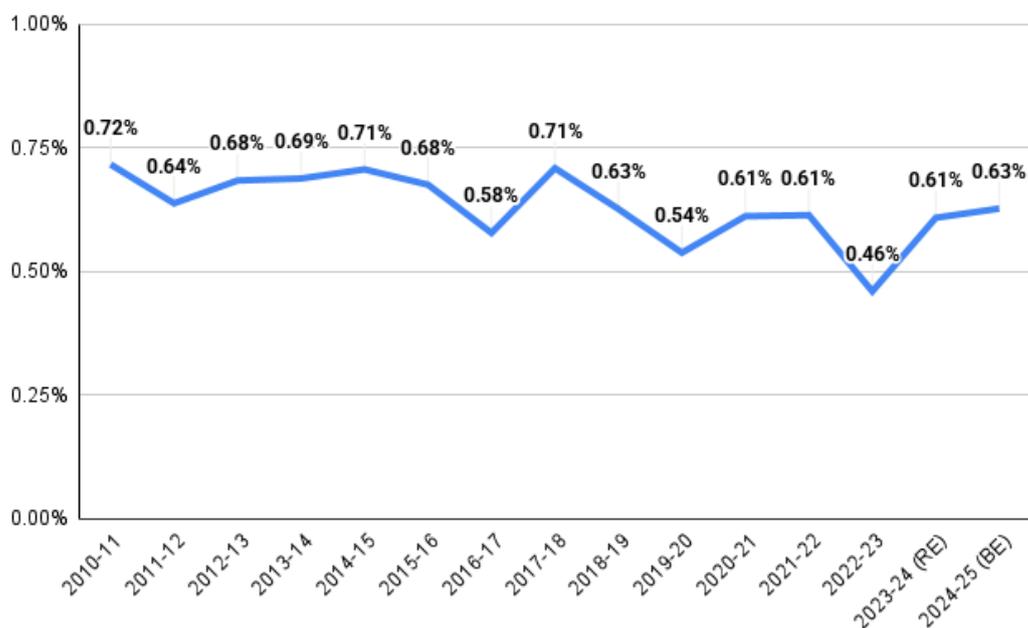
**Figure 3.1: Total Non-Tax Revenue and its Components as a Percentage of Total Revenue Receipts (In per cent)**



Within the Total non-tax revenue, if we take a closer look at the States own non-tax revenue as a percentage of GSDP, as seen in figure 3.2, it indicates a declining trend in a key fiscal indicator. Starting at 0.72% in 2010–11, the ratio experiences some fluctuations but consistently trends downward, reaching a low of 0.46% in 2022–23 (RE). This decline suggests a gradual weakening in the state’s ability to generate non-tax revenues, such as fees, fines, user charges, and returns on state assets, relative to the size of its economy. While a slight recovery is projected in 2024–25 to 0.63%, the level still falls short of earlier benchmarks.

The downward trend may reflect under-pricing of public services, poor cost recovery, low returns on government investments, and limited monetisation of public assets. The following section will proceed to unpack the components of the State’s own non-tax revenue.

**Figure 3.2: State's own Non-Tax Revenue as a percentage of GSDP**



### 3.2.1 Components of State Non-Tax Revenue

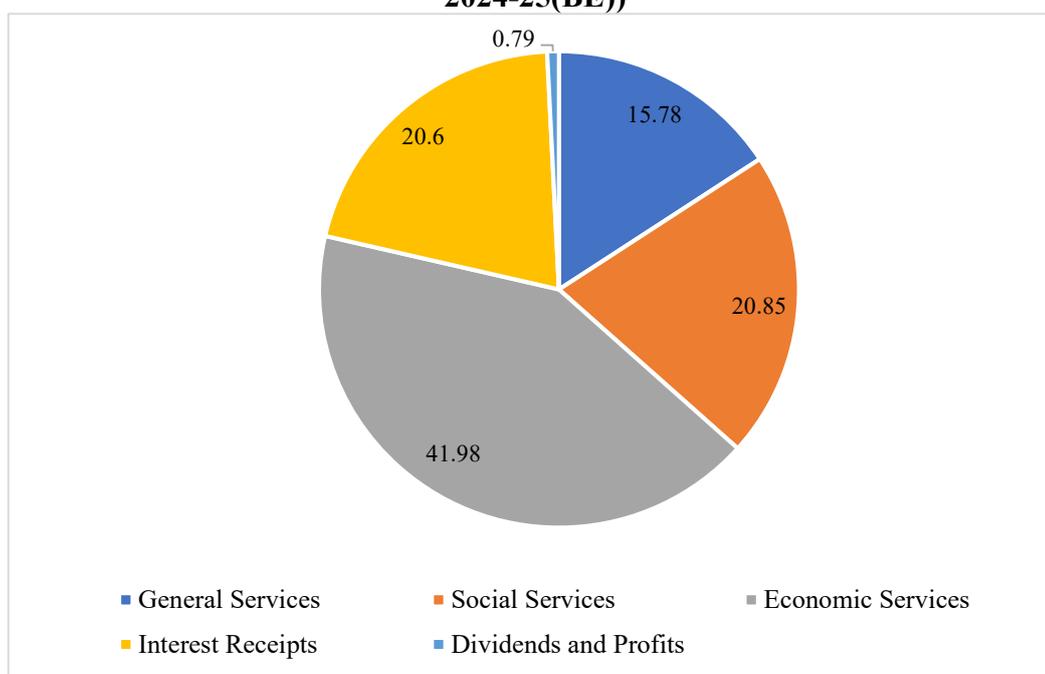
Figure 3.3 and Table 3.2 highlight the percentage share of various components of Maharashtra's non-tax revenue from 2010-11 to 2024-25 (BE). Economic Services, which comprise services like crop husbandry, animal husbandry, Power, Petroleum, road transport etc., have consistently made up the largest portion, averaging 41.98% throughout the period. Social Services like education, Medical and Public Health, urban development etc. have shown notable growth, increasing from 17.39% during the 13th Finance Commission (FC) to 25.01% in the 15th FC. General Services have maintained a stable share, averaging 15.78%. Interest Receipts, however, have declined, dropping from 23.98% in the 13th FC to 13.26% in the 15th FC, indicating reduced returns on government investments or loans. This trend warrants attention as it could impact the state's overall revenue. Furthermore, the consistently low share of Dividends and Profits (averaging less than 1%) indicates limited returns from state-owned enterprises. This presents an opportunity for improvement in the performance of public sector undertakings.

**Table 3.2: Percentage Share of Various Components of State Non-Tax Revenue**

Year	General Services	Social Services	Economic Services	Interest Receipts	Dividends & Profits
2010-11	20.93	10.76	50.48	17.29	0.54
2011-12	15.49	14.82	52.68	16.64	0.37
2012-13	11.18	20.93	42.73	24.68	0.47
2013-14	9.81	15.67	39.69	34.65	0.17
2014-15	12.54	24.78	35.81	26.64	0.22
2015-16	13.93	22.03	40.66	22.94	0.43
2016-17	13.99	18.40	41.43	25.64	0.53
2017-18	22.16	19.31	30.55	24.96	3.01
2018-19	14.34	17.97	39.50	26.45	1.74
2019-20	14.83	22.94	38.96	22.88	0.40
2020-21	20.79	27.76	34.63	14.31	2.51
2021-22	12.26	40.25	33.48	13.56	0.46
2022-23	16.88	24.15	44.27	14.49	0.21
2023-24 (RE)	19.03	16.16	52.22	12.19	0.41
2024-25 (BE)	18.55	16.74	52.55	11.76	0.39

Source: Budget Document Gov. of Maharashtra

**Figure 3.3: Average Share of Various Components of Non- Tax Revenue (2010-11 to 2024-25(BE))**



The proportional contribution of various components has performed differently over the last

three Finance Commission award periods. Economic Services consistently dominate non-tax revenue, maintaining the largest share with an average of 41.98%, despite a slight dip during the 14th FC. Social Services show a clear upward trend, growing from 17.39% in the 13th FC to 25.01% in the 15th FC, indicating an increasing contribution from the social sector. General Services too demonstrate a steady rise, from 13.99% to 17.50%, reflecting their stable role. However, Interest Receipts have significantly declined, falling from 23.98% in the 13th FC to 13.26% in the 15th FC, suggesting a reduced reliance on interest income. Dividends and Profits contribute a consistently small share, averaging 0.79% throughout the period.

**Table 3.3: Percentage Share of Various Components of Non-Tax Revenue**

<b>Name of the Components</b>	<b>13th</b>	<b>14th</b>	<b>15th</b>	<b>Average 2020-11 to 2024-25 (BE)</b>
<b>General Services</b>	13.99	15.85	17.5	15.78
<b>Social Services</b>	17.39	20.13	25.01	20.85
<b>Economic Services</b>	44.28	38.22	43.43	41.98
<b>Interest Receipts</b>	23.98	24.57	13.26	20.6
<b>Dividends and Profits</b>	0.36	1.22	0.8	0.79

*Source: Budget Document Gov. of Maharashtra*

The growth rates of various components of non-tax revenue across the 13th, 14th, and 15th Finance Commission (FC) periods, highlight a significant growth of 18.17% during the 13th FC for Interest receipts, dividends and profits, followed by a sharp decline to 1.19% in the 14th FC, averaging 5.46% over the entire period. General Services experienced negative growth during the 13th FC (-1.73%) but rebounded in the 15th FC with a growth rate of 8.38%, leading to an average growth of 7.32%. Social Services on the other hand, had an exceptionally high growth rate of 28.65% during the 13th FC, which declined significantly to 2.09% in the 14th FC and nearly stagnated at 0.22% in the 15th FC, resulting in an overall average growth rate of 11.42%. Economic Services experienced low growth during the 13th and 14th FC periods, but surged with a strong growth rate of 20.53%

during the 15th FC, averaging 8.48% over the entire period. Overall, non-tax revenue growth has been moderate, averaging 8.19%, with the 15th FC seeing a rebound at 10.88% after a slow growth rate of 1.27% in the 14th FC. These trends suggest a mixed performance, with Economic Services driving recent growth while other components, particularly Social Services, have seen declining or stagnating growth rates.

**Table 3.4: Growth Rate of Various Components of Non-Tax Revenue**

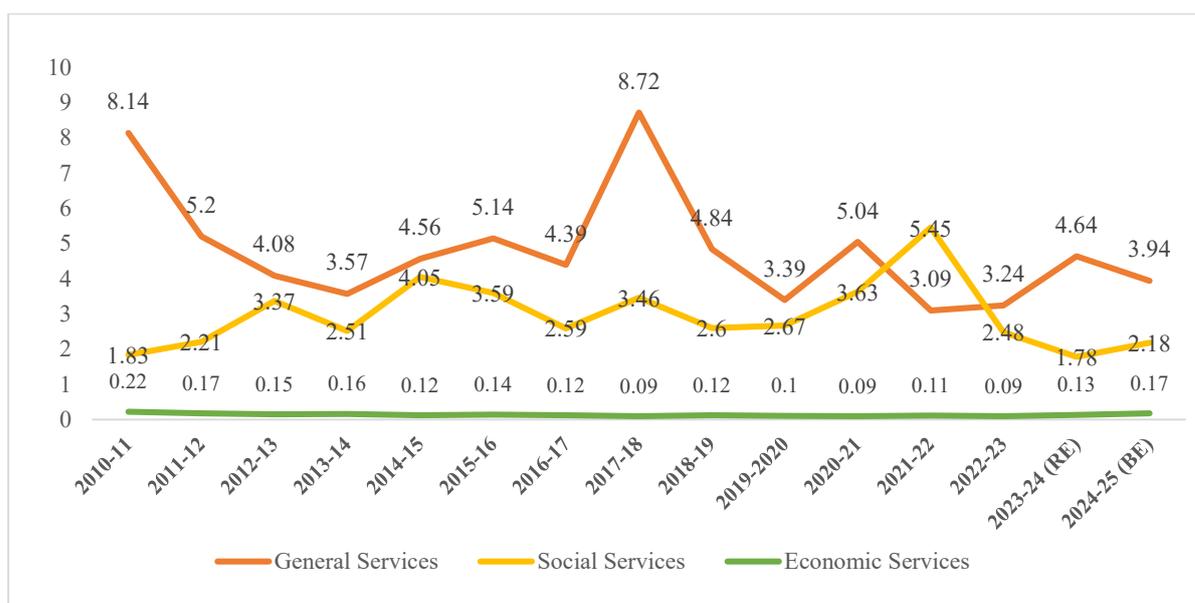
Name of the Components	2010-2011 to 2024-25 (BE)	13th FC	14th FC	15th FC
<b>Interest Receipts, Dividends and Profits</b>	5.46	18.17	1.19	3.91
<b>General Services</b>	7.32	-1.73	2.54	8.38
<b>Social Services</b>	11.42	28.65	2.09	0.22
<b>Economic Services</b>	8.48	1.65	0.41	20.53
<b>Non Tax Revenue</b>	8.19	8.87	1.27	10.88

*Source 1 Maharashtra Budget documents*

### 3.3 Cost Recovery

Non-tax revenues generated from social and economic services can be viewed as the government's attempt to recover costs for the services it delivers. The government incurs current expenditures to provide these services, and comparing the revenue recoveries to these expenditures helps calculate recovery rates. These rates highlight how much the government subsidizes these services. In most Indian states, including Maharashtra, the recovery rates for economic and social services tend to be low, indicating significant subsidization across the board. Figure 3.4 and table 3.5, provide insights into the growth trends and cost recovery rates for non-tax revenue across General, Social, and Economic Services from 2010-11 to 2024-25 (BE). The graph shows significant fluctuations in **General Services**, which experienced volatile growth, peaking at 8.72% in 2017-18, followed by sharp declines and eventual stabilization at 3.94% in 2024-25 (BE). **Social Services**, in contrast, maintain a more stable trajectory, with growth rates varying modestly, reaching a high of 3.59% in 2015-16 and stabilizing at 1.78% in the forecast period. **Economic Services** exhibit consistently low growth rates, remaining flat around 0.1-0.2% throughout the observed period, indicating little to no growth in non-tax revenue from this sector.

**Figure 3.4: Cost Recovery of Services (percent)**



Source : Own calculations

The table further highlights the **cost recovery** rates across these sectors, across finance commission periods. **General Services** exhibit the highest cost recovery, averaging 4.80% over the entire period, declining from 5.30% during the 14th FC to 3.99% in the 15th FC. **Social Services** show a more consistent pattern, with a slight upward trend in cost recovery, moving from 2.79% in the 13th FC to 3.10% in the 15th FC, averaging 2.96% overall. Meanwhile, **Economic Services** have persistently low-cost recovery rates, averaging just 0.13% over the entire period, indicating that the government recovers very little revenue from these services.

**Table 3.5: Cost Recovery Rates Across Finance Commission Periods**

Item	2010-11 to 2024-25(BE)	13th FC	14th FC	15th FC
<b>General Services</b>	4.8	5.11	5.3	3.99
<b>Social Services</b>	2.96	2.79	2.98	3.1
<b>Economic Services</b>	0.13	0.16	0.12	0.12

Source: Budget Document Gov. of Maharashtra

We can observe that while General and Social Services contribute more substantially to non-tax revenue, Economic Services lag far behind in both growth and cost recovery. For a more thorough analysis of cost recovery, a separate estimation for merit goods and non-merit categories will be beneficial. This will enable identifying those non-merit services where cost recovery can be improved.

Given the aggregate picture on own-non tax revenue and its major components, we will now

proceed to analyse some of the individual items on own- non tax revenue that have implications on the state budget.

### **3.4: Dividends from Public Sector Undertakings**

State Public Sector Undertakings (PSUs) in Maharashtra comprise state government companies and statutory corporations. These PSUs are set up to engage in commercial activities with a focus on promoting public welfare. In Maharashtra, they primarily operate in sectors such as power and infrastructure.

Overall, the dividends from PSUs and other investments, as shown in Figure 3.5 and table 3.6, exhibit substantial fluctuations from 2010-11 to 2022-23, indicating significant volatility in this revenue stream. Between 2010-11 and 2017-18, dividends were relatively stable, though modest, ranging from Rs. 20 crore in 2013-14 to Rs. 66.81 crore in 2016-17. A sharp upward trend is observed in 2017-18, with dividends skyrocketing to Rs. 502.40 crore, followed by another peak in 2020-21, where dividends reached a record Rs. 401.02 crore.

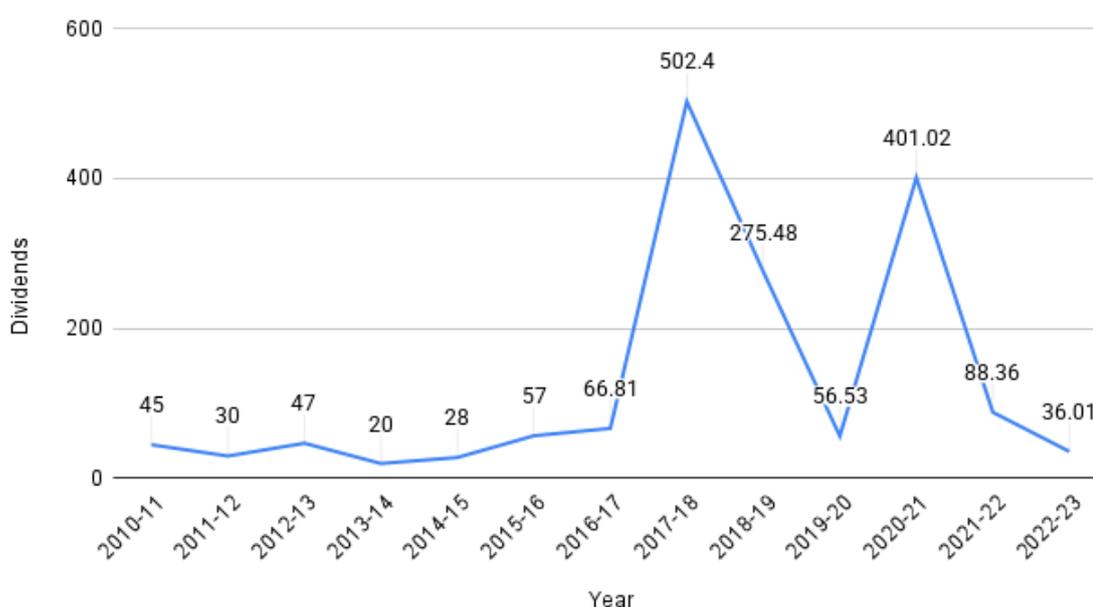
**Table 3.6: Dividends from PSUs and other Investments (in Cr.)**

<b>Year</b>	<b>Dividends</b>
<b>2010-11</b>	45
<b>2011-12</b>	30
<b>2012-13</b>	47
<b>2013-14</b>	20
<b>2014-15</b>	28
<b>2015-16</b>	57
<b>2016-17</b>	66.81
<b>2017-18</b>	64.63
<b>2018-19</b>	275.48
<b>2019-20</b>	56.53
<b>2020-21</b>	401.02
<b>2021-22</b>	88.36
<b>2022-23</b>	36.01

*Source 2 CAG reports*

This mainly explained by the higher dividends received from Western Maharashtra Development Corporation, Pune, Maharashtra State Co-operative Bank Limited and other Co-operative Banks etc. with a remarkable increase in dividends received from Other Corporations.

**Figure 3.5: Dividends from PSU & Other Investment (Rs. Cr.)**



However, this growth proved unsustainable as dividends sharply fell to Rs. 88.36 crore in 2021-22 and further to Rs. 36.01 crore in 2022-23, signalling a return to earlier lower levels. The table also shows that the overall trend remains inconsistent despite these occasional high returns. The data underscores that while certain years' experience exceptional growth, the state's dividends from PSUs lack stability, making long-term financial planning difficult. This volatility in dividend income suggests that the state may need to explore strategies for stabilizing returns from its investments in public sector undertakings.

The long-term trends on the state investments in Public Sector Undertakings are given in Table 3.7. Despite the highly irregular and largely low dividends, the total investments have seen a consistent upward trend. The table provides detailed figures on investments made by the State in Public Sector Undertakings (PSUs), categorized under Statutory Corporations, Government Companies, Cooperative Banks/Societies and Local Bodies.

**Table 3.7: Total Investment at the end of the year in Public Sector Undertakings (in Rs. Cr.)**

<b>Year</b>	<b>Statutory Corporations</b>	<b>Government Companies</b>	<b>Cooperative Banks/Societies and Local Bodies</b>	<b>Total</b>
<b>2010-11</b>	67531.3	3444.26	3379.47	74355.1
<b>2011-12</b>	75358.7	4139.52	3471.5	82969.7
<b>2012-13</b>	82535.8	4486.93	3608.82	90631.5
<b>2013-14</b>	93265.1	4796.44	3755.23	101817
<b>2014-15</b>	101429	5034.85	4157.13	110621
<b>2015-16</b>	110582	5357.46	4320.81	120261
<b>2016-17</b>	119172	6440.86	4320.4	129933
<b>2017-18</b>	128970	6617.78	4565.15	140153
<b>2018-19</b>	141053	7587.67	4640.32	153281
<b>2019-20</b>	152197	8094.24	4683.07	164974
<b>2020-21</b>	160811	8395.1	4715.51	173922
<b>2021-22</b>	174491	9,318.15	4,740.77	188550
<b>2022-23</b>	188591	13,823.06	4,834.86	207249

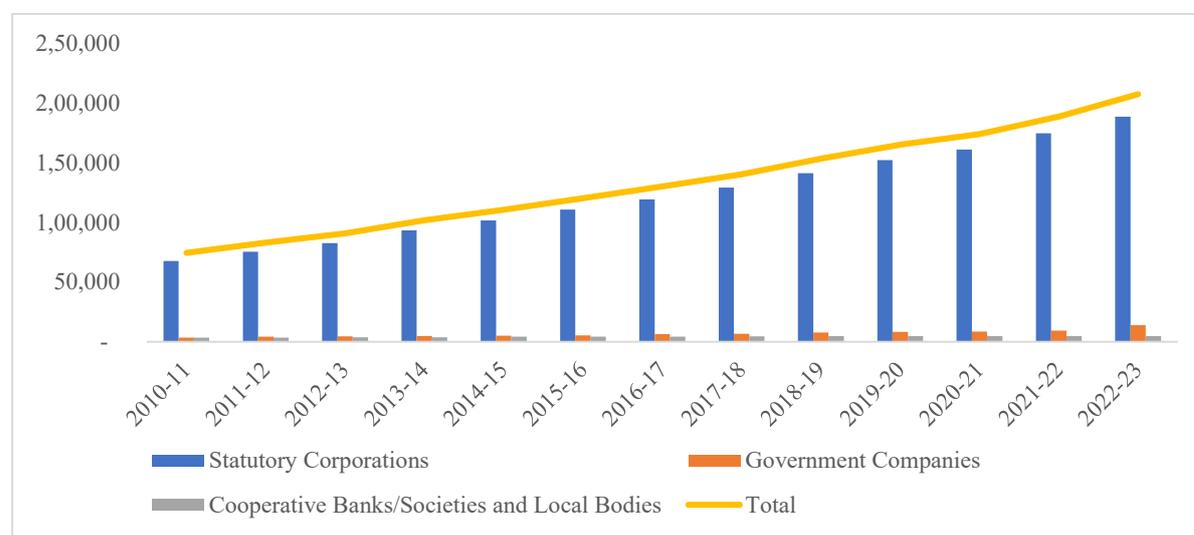
*Source: Budget Document Gov. of Maharashtra*

In Statutory Corporations, investments increased from ₹67,531.34 crores in 2010-11 to ₹1,88,590.65 crores in 2022-23, demonstrating their dominant role in the state's overall investment portfolio. Government Companies, though much smaller in scale, also saw steady growth, from ₹3,444.26 crores in 2010-11 to ₹13,823.06 crores in 2022-23. Similarly, Cooperative Banks/Societies and Local Bodies showed modest increases, from ₹3,379.47 crores in 2010-11 to ₹4,834.86 crores in 2022-23.

The cumulative total investment across these sectors expanded from ₹74,355.07 crores in 2010-11 to ₹2,07,248.57 crore in 2022-23, almost tripling over the period. The most significant contributions were from Statutory Corporations, consistently accounting for the bulk of the state's PSU investments. This focus on Statutory Corporations aligns with key

sectors like infrastructure and power, which require substantial financial support for growth.

**Figure 3.6: Investment at the End of the Year in PSUs (in Cr)**



However, the total dividends received from PSUs show a mixed trend, with peaks in certain years like 2015-16 (₹57.24 crore) and 2017-18 (₹60.30 crore), but overall, a modest scale of returns compared to the large investments made.

**Table 3.8: Dividend/ Interest Received from PSUs (in Cr) (2010-11 to 2022-23)**

Year	Statutory Corporations	Government Companies	Cooperative Banks/Societies and Local Bodies	Total
2010-11	0	10.14	34.36	44.5
2011-12	16.08	11.33	0.76	28.17
2012-13	22.52	5.71	18.73	46.96
2013-14	7	2.4	0	9.4
2014-15	2.32	8.11	10	20.43
2015-16	37.87	9.12	10.25	57.24
2016-17	0.25	0	19.45	19.7
2017-18	0.25	49.18	10.87	60.3
2018-19	1	8.73	10.38	20.11
2019-20	1.5	7.52	0.56	9.58
2020-21	1.05	14.93	10	25.98
2021-22	1.9	10.16	-	12.06
2022-23	1.08	7.28	-	8.36

Source: Budget Document Gov. of Maharashtra

For instance, in 2022-23, despite the state's growing investment in PSUs (as illustrated in table 3.7 and graph 3.6), the total return was a mere ₹8.36 crore (Table 3.8). This indicates that the returns from PSUs have not been commensurate with the scale of investment, pointing to potential inefficiencies or lower profitability in these entities.

Statutory Corporations and Government Companies require thorough evaluation to assess their long-term sustainability. Privatization, strategic partnerships, or comprehensive operational reforms may be necessary to enhance efficiency and profitability. Introducing performance-based accountability frameworks for managing these entities while aligning their objectives with financial sustainability and public welfare could facilitate a more balanced approach. Despite the important socio-economic role of PSUs, current trends suggest inefficiencies and inadequate financial management, which compromise their ability to effectively fulfil both their commercial and welfare mandates.

A detailed analysis of the working of the PSUs is undertaken in the forthcoming chapters.

### 3.5 Revenue from Non-Ferrous Mining and Metallurgical Industries

The royalties from mining is one of the major sources of non-tax revenue of the state. Its share in total non-tax revenue has improved from 20.67 per cent in the 13<sup>th</sup> FC to 28.40 per cent in 15<sup>th</sup> FC period, highlighting its growing importance for the state's finances (Table 3.9). This can further be seen in its improving buoyancy (more than unity during the 15<sup>th</sup> FC) and remarkable growth rate during the successive FCs and which also surpass the buoyancy and growth rates of total non-tax revenue during the 15<sup>th</sup> FC period.

**Table 3.9: State Own Non-Tax Revenue (ONTR) collection from Non-Ferrous Mining and Metallurgical Industries**

FC	Non-Ferrous Mining and Metallurgical Industries.				Total Non-Tax Revenue		
	Average (Rs. Crore)	Average Share in Total ONTR	Buoyancy	Growth Rate	Average (Rs. Crore)	Buoyancy	Growth Rate
13 <sup>th</sup>	2,080	20.67	0.39	5.35	10,062	0.76	12.52
14 <sup>th</sup>	3,553	24.35	0.85	8.24	14,590	0.19	3.53
15 <sup>th</sup>	5,876	28.40	1.67	19.57	20,691	1.08	13.61

Source: Budget Document Government of Maharashtra

The State Government has undertaken various initiatives to improve collection from mining royalties. Under the Department of Revenue, the mahakhanij System (Integrated Mining Lease Management System, 2013) have been initiated.

Under the mahakhanij system, various initiatives have been undertaken such as e-Tendering and e-Auction of Plots/Quarries, Demand Note Generation, Payment Collections and Reconciliation, Master Entity Registration and Allotment, e-TP Generation module, Monitoring, Mineral Vehicle Tracking System, Analysis and Reports, and online royalty collection.

These initiatives have helped the State improve its revenue collection under mining royalties.

### 3.6 Receipts from Urban Development

It is also important to note that the receipts from Urban Development has improved remarkably during the 15<sup>th</sup> FC period as compared to the previous FCs (Table 3.10). Average receipts from Urban Development has more than doubled during the 15<sup>th</sup> FC (Rs. 2,450 crore) as compared to 14<sup>th</sup> FC (Rs. 1,152 crore). This has further resulted in remarkable improvement of its share in total non-tax revenue from 7.90 per cent during 14<sup>th</sup> FC to 11.84 per cent during 15<sup>th</sup> FC. The buoyancy on receipts from Urban Development has also more improved during the 15<sup>th</sup> FC as compared to 14<sup>th</sup> FC.

Thus, improved collection under the Urban Development likely to aid the exchequer in coming years.

**Table 3.10: State Own Non-Tax Revenue (ONTR) collection from Urban Development**

FC	Urban Development			
	Average (Rs. Crore)	Average Share in Total NTR	Buoyancy	Growth Rate
<b>Thirteenth</b>	689	6.84	11.51	61.2
<b>Fourteenth</b>	1,152	7.9	1.27	12.22
<b>Fifteenth</b>	2,450	11.84	1.97	4.89

Source: Budget Document Government of Maharashtra

### 3.7 Revision of Water Rates

Maharashtra Water Resources Regulatory Authority has issued Bulk Water Tariff Order (2022) on revision of water rates which will be applicable for three years starting from 1<sup>st</sup>

July, 2022. Bulk Water Tariff for agricultural irrigation, domestic and industrial purposes have been revised. The annual 10 per cent increase shall be applicable from 1<sup>st</sup> of July, 2023 to 30<sup>th</sup> June, 2024 and 20 per cent increase from 1<sup>st</sup> of July, 2024 to 30<sup>th</sup> June, 2025.

The upward revision of water rates and automatic increase thereafter for certain period of time would increase the non-tax revenue collection of the State.

### **3.8 Other initiatives of Government of Maharashtra**

As pointed out in the previous chapter, the Government has been trying to bring all tax and non-tax collection, transaction on the government revenue accounting system (GRAS) (Yellow Book 2023-24, Budget Documents, Government of Maharashtra).

The Government has proposed to revise the present rates of fees/fines under various laws and rules related to all departments (Yellow Book 2018-19 and 2019-20, Budget Documents, Government of Maharashtra). Accordingly, the Government appointed a High-Powered Committee for Additional Resource Mobilisation (2017). After the implementation of GST, the only means to increase the revenue receipts is through non-tax revenue. Therefore, the Government undertook revision of fees, fines, and rates under all departments.

### **3.9 Way Forward**

The above-mentioned initiatives indicate that the Government of Maharashtra has been putting efforts in improving its non-tax revenue receipts in recent years.

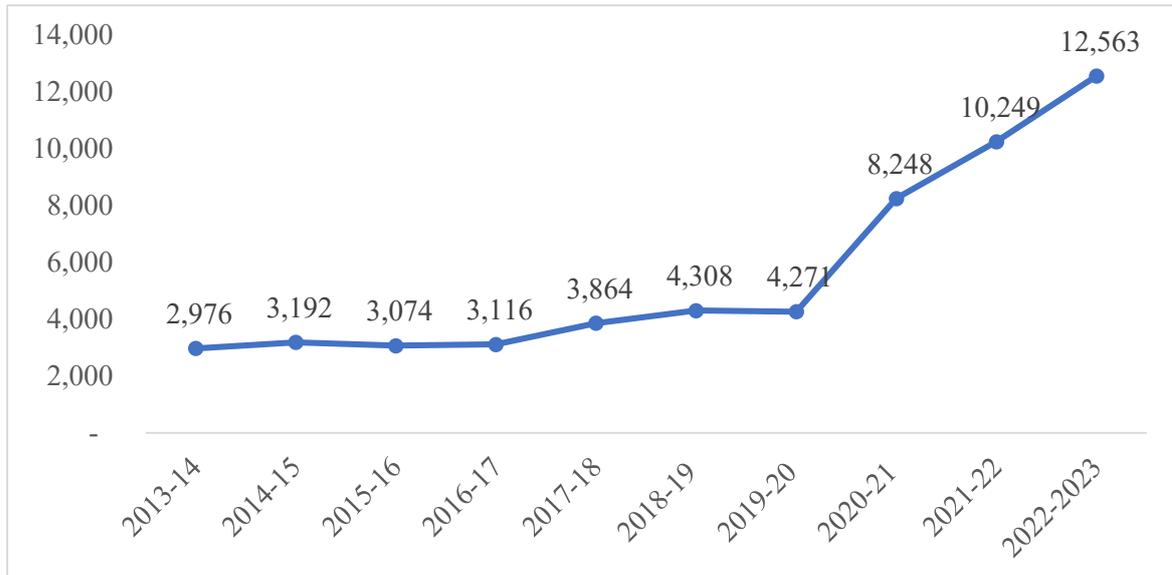
The study puts following issues for further considerations.

- Recovery of Arrears of Non-Tax Revenue

In recent years, the arrears of non-tax revenue of the State have increased drastically (Figure 3.6). Therefore, the Government need to devise a mechanism for faster liquidation of arrears.

The analysis presented in the chapter indicates a lower cost recovery rate of public services provided by the state. We are of opinion that there should be a separate categorization of merit goods and non-merit.

**Figure 3.7: Arrears of Non-Tax Revenue (Rs. Crore)**



- Efforts to improve cost recovery of public services

This will enable identifying those non-merit services where cost recovery can be improved.

- Improving financial performance of PSUs

Considering the lower revenues received from the PSUs in the State, we recommend to introducing performance-based accountability frameworks for managing these entities while aligning their objectives with financial sustainability and public welfare could facilitate a more balanced approach.

- Periodical revision of rates, fees/fines, charges

In addition, the State need to ensure the periodical revision of rates, fees/fines, and user charges of various departments.

### **3.10 Major Findings**

- The stagnancy in State's own non-tax revenue over the years resulted in lower contribution of total non-tax revenue to total receipts, despite increase in grant-in-aid from the Centre in recent years.
- As a result, the state remains highly dependent on tax revenues. However, after implementation of GST, the State's autonomy to revise tax rate has foregone. Therefore, the State is putting more efforts in improving its non-tax revenue collection.
- Recently, the State has improved its administration with use of information technology in certain important areas such as mining and revised the water rates.
- However, there are further scope for improving non-tax revenue of the States by focusing on crucial areas of recovery arrears, cost recovery of public services, revitalization and rejuvenating PSUs, and periodical revision of rates, fees/fines, and user charges.

## **CHAPTER IV**

### **PUBLIC EXPENDITURE: TRENDS AND PATTERNS**

#### **4.1. Introduction**

This chapter examines the trends and patterns of public expenditure in Maharashtra from 2010-11 to 2024-25, particularly emphasizing its evolving composition between Revenue Expenditure (RE) and Capital Expenditure (CE). Throughout three Finance Commission (FC) periods—13th, 14th, and 15th FCs—Maharashtra's fiscal landscape has undergone significant changes, reflecting broader strategic shifts aimed at enhancing both economic growth and social development.

The analysis begins by mapping the steady increase in total expenditure (TE) as a percentage of the state's Gross State Domestic Product (GSDP). From 12.49% in 2010-11 to a projected 15.41% in 2024-25, this upward trajectory underscores the expanding role of public spending in driving the state's economic strategy. Within this broader context, the composition of expenditure has shifted noticeably. Revenue expenditure, which traditionally accounted for the majority of spending, covering recurring costs such as salaries and pensions, has gradually decreased in relative share, while capital expenditure, which is associated with long-term investments in infrastructure and capital formation, has gained prominence.

The chapter highlights a pivotal shift in fiscal priorities, with the share of capital expenditure in total expenditure rising from an average of 18% during the 13th and 14th FC periods to 22% during the 15th FC. This growing focus on capital expenditure reflects Maharashtra's increasing investment in infrastructure, particularly in sectors such as transport, health, and social services. These areas are critical for sustaining long-term growth and improving social outcomes. Conversely, the relative decline in the share of revenue expenditure, particularly in non-developmental expenditure such as administrative and salary costs, may signal a deliberate reallocation of resources towards sectors with higher developmental impact.

In examining growth dynamics, the chapter identifies a key trend: capital expenditure has grown at a faster pace than revenue expenditure in recent years. During the 15th FC period, the compound annual growth rate (CAGR) of capital expenditure was 13.13%. This shift is further supported by an increasing capital expenditure-to-GSDP ratio, signalling a shift towards fostering infrastructure-driven growth. The discussion also extends to the

specific components of expenditure, illustrating how the focus on developmental spending within revenue expenditure has strengthened, with growing allocations directed toward education, health, and welfare services.

The categorization of expenditure into developmental and non-developmental components reveal Maharashtra's sustained commitment to developmental spending. This prioritization is evident in the consistent increase in developmental expenditure as a share of total expenditure, underscoring the state's focus on sectors critical to long-term socio-economic progress. Additionally, the analysis tracks a gradual reduction in committed expenditures—such as salaries, pensions, and interest payments—enabling the state to redirect fiscal resources toward more productive public investments.

By tracing these expenditure trends, this chapter provides a detailed examination of Maharashtra's evolving fiscal strategy, highlighting the state's transition toward a more capital-intensive and development-focused expenditure model. This shift reflects a balancing of immediate fiscal responsibilities with long-term growth objectives, as the state continues to realign its fiscal policy to support sustainable economic and social development.

#### **4.2. Trends and Patterns in Total Expenditure and its Components**

The Total Expenditure (TE) reflects the total size of the budget. The total expenditure is classified into two categories, viz., Revenue Expenditure (RE) and Capital Expenditure (CE) in the accounting sense. The trends in the total expenditure, revenue expenditure and capital expenditure for the period of 2010-11 to 2024-25 are presented in Table 4.1 and Figure 3.1. The total period encompasses the periods of three Finance Commissions (FCs), viz., 13th FC, 14th FC and 15th FC. The absolute figures of the revenue expenditure, capital expenditure and total expenditure as presented in columns (1), (2) and (3), respectively. The share of revenue expenditure and capital expenditure in total expenditure is presented in columns (4) and (5), respectively. Columns (7), (8) and (9) present, respectively, the total revenue, and capital expenditure as a percentage of GDP.

The state's total expenditure as percent of GSDP in the year 2024-25 (BE) stands at 15.41%. The same was 12.49% in 2010-11. The total expenditure as percentage of GSDP shows a marginally increasing trend over the period 2010-11 to 2024-25. The average total expenditure as percentage of GSDP was 11.80% during the period of 13th FC, 12.65% during the period of 14th FC and 15.33% during the period of 15th FC. This indicates that

the growth of public expenditure has kept a marginally higher pace compared to the income growth of the state (see Figure 1).

The major component of the total expenditure is the revenue expenditure which stands between 77% to 84.5% during the period of 2010-11 to 2024-25. The share of revenue expenditure in the total expenditure has shown a marginal decline in recent years (Figure 1). The average share of the revenue expenditure in total expenditure during the period of 13th FC was 82.36%, 81.93% during the period of 14th FC and 77.99% during the period of 15th FC. The share of capital expenditure is relatively lower at around 16% to 23%. Corresponding to the decline in the share of revenue expenditure, the share of the capital expenditure in total expenditure has increased marginally. The average share of capital expenditure in total expenditure was 17.64% during the period of 13th FC, 18.07% during the period of 14th FC and 22% during the period of 15th FC. Corresponding to the recent marginal increase in the total expenditure as a per cent of GSDP, the revenue and capital expenditures as a per cent of GSDP have increased marginally during the 15th FC (Figure 4.1).

The elevated ratio of total expenditure to GSDP observed during the 15th Finance Commission (FC) period, relative to the preceding FCs (Table 4.1), reflects a discernible intensification in public spending. This is substantiated by Table 4.2, which indicates that the log-linear growth of total expenditure during the 15th FC period (2020–21 to 2024–25) was approximately 14%, compared to 12.5–13% over the periods corresponding to the 13th and 14th FCs. A compositional shift is also evident in the expenditure structure: the share of capital expenditure in total expenditure increased modestly from an average of 18% in the preceding two FC periods to 22% in the 15th FC period. Capital outlays recorded a compound annual growth rate (CAGR) of 13.13%, with a corresponding log-linear rate of 15.59%, while revenue expenditure grew at a marginally lower pace, with a CAGR of 13.11% and a log-linear growth of 13.55%.

The capital expenditure–GSDP ratio reached its highest level under the period of the 15th FC compared to earlier periods, marking a qualitative shift in the fiscal stance towards asset creation.

Notably, the growth of capital expenditure exceeded that of both revenue and aggregate expenditures, underscoring its predominant role in driving the overall expansion in public outlays. This reorientation towards capital spending is consistent with a development-oriented fiscal framework and is supported by the broader increase in state-level government expenditure during this period. The resulting enhancement in public investment signals a favourable trajectory for long-term growth and state capacity enhancement.

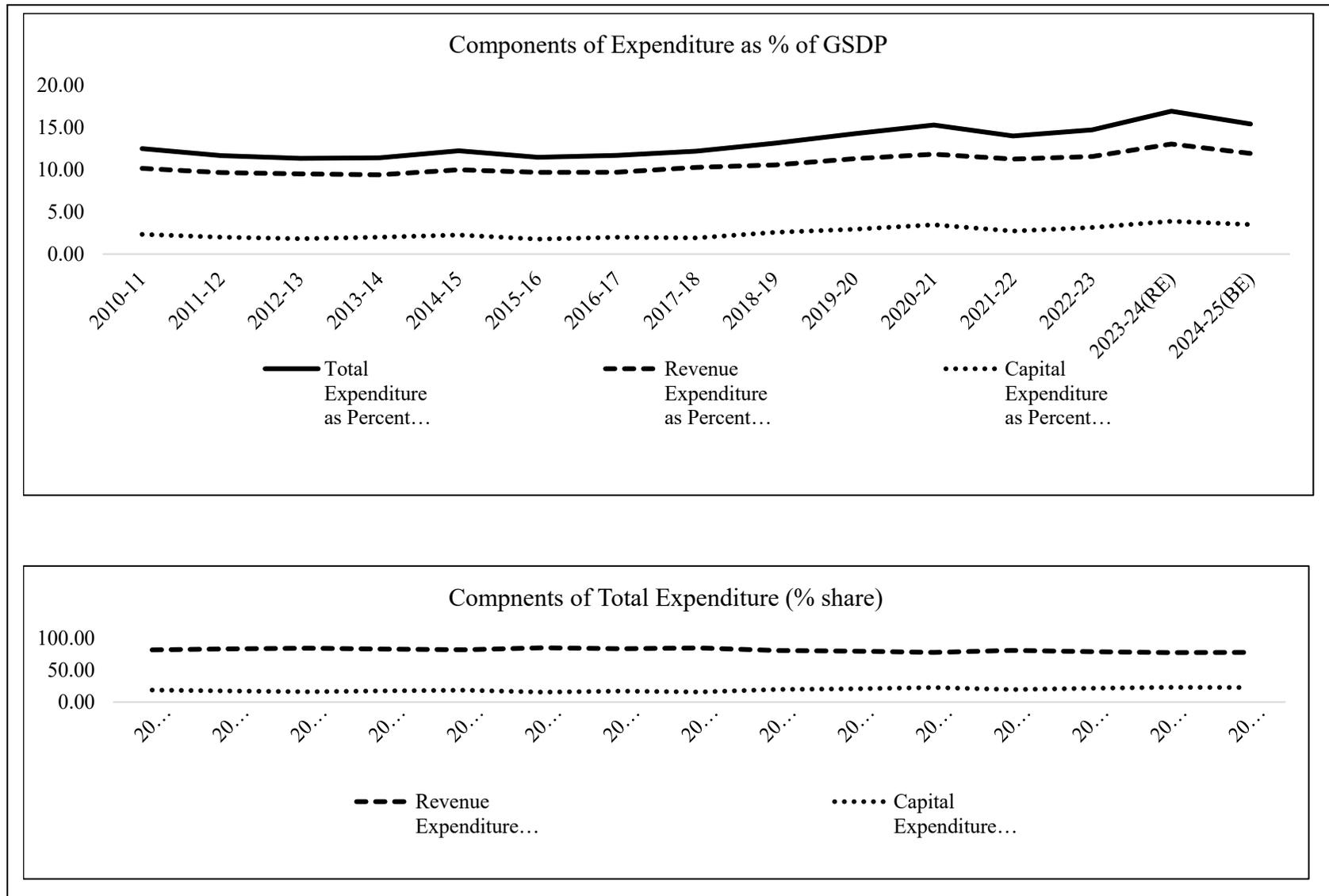
**Table 4.1 Total Expenditure and its Components: Long-term trend (Amount in Rs. Crores)**

FC	Year	RE	CE	TE	% share of RE in TE	% share of CE in TE	TE as % of GSDP	RE as % of GSDP	CE as % of GSDP
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>13th FC</b>	2010-11	106459.38	24546.05	131005.43	81.26	18.74	12.49	10.15	2.34
	2011-12	123554.19	25674.18	149228.37	82.80	17.20	11.66	9.65	2.01
	2012-13	138735.98	26732.94	165468.92	83.84	16.16	11.34	9.50	1.83
	2013-14	154902.42	33079.73	187982.15	82.40	17.60	11.39	9.39	2.01
	2014-15	177553.11	40194.69	217747.81	81.54	18.46	12.24	9.98	2.26
	Average	140241.02	30045.52	170286.54	82.36	17.64	11.80	9.71	2.08
<b>14th FC</b>	2015-16	190374.05	34912.89	225286.94	84.50	15.50	11.46	9.68	1.78
	2016-17	213228.73	43692.88	256921.61	82.99	17.01	11.69	9.70	1.99
	2017-18	241571.07	45197.64	286768.71	84.24	15.76	12.19	10.27	1.92
	2018-19	267021.67	65238.72	332260.39	80.37	19.63	13.14	10.56	2.58
	2019-20	300305.24	78361.28	378666.52	79.31	20.69	14.25	11.30	2.95
	Average	242500.15	53480.68	295980.83	81.93	18.07	12.65	10.36	2.28
<b>15th FC</b>	2020-21	310609.76	91115.10	401724.86	77.32	22.68	15.29	11.82	3.47
	2021-22	349685.89	85139.51	434825.39	80.42	19.58	13.99	11.25	2.74
	2022-23	407614.40	111303.06	518917.47	78.55	21.45	14.71	11.56	3.16
	2023-24(RE)	505647.17	150847.96	656495.13	77.02	22.98	16.92	13.03	3.89
	2024-25(BE)	508491.88	149227.34	657719.20	77.31	22.69	15.41	11.91	3.50
Average	416409.82	117526.59	533936.41	77.99	22.01	15.33	11.96	3.39	
<b>Average (2010-11 to 2023-24 RE)</b>		263527.21	266383.66	67017.60	333401.26	79.90	20.10	13.91	11.12

**RE=Revenue Expenditure; CE=Capital Expenditure; TE=Total Expenditure; GSDP=Gross State Domestic Product. The figures are actuals for all the years except for 2023-24 and 2024-25 for which Revised Estimates (RE) & Budget Estimates (BE) are presented.**

*Source: Budget Document Gov. of Maharashtra*

**Figure 4.1: Trends in total expenditure and its components**



**Table 4.2 Growth of revenue, capital and total expenditure**

		<b>13th FC</b>	<b>14th FC</b>	<b>15th FC</b>	<b>Overall</b>
<b>Type of Expenditure</b>	Growth	2010-11 to 2014-15	2015-16 to 2019-20	2020-21 to 2024-25	2010-11 to 2024-25
<b>Revenue Expenditure</b>	Overall Growth (%)	66.78	57.74	63.71	377.64
	Log-linear Growth	12.49	11.37	13.55	11.02
	CAGR (%)	13.64	12.07	13.11	11.82
<b>Capital Expenditure</b>	Overall Growth (%)	63.75	124.45	63.78	507.95
	Log-linear Growth	12.40	20.18	15.59	13.80
	CAGR (%)	13.12	22.40	13.13	13.76
<b>Total Expenditure</b>	Overall Growth (%)	66.21	68.08	63.72	402.05
	Log-linear Growth	12.47	12.96	13.98	11.57
	CAGR (%)	13.54	13.86	13.12	12.22
<b>GSDP</b>	Overall Growth (%)	69.58	35.15	62.42	306.78
	Log-linear Growth	13.10	7.43	11.92	9.05
	CAGR (%)	14.12	7.82	12.89	10.54
<p><b>The figures for 2023-24 are revised estimates, and for 2024-25 are budget estimates.</b>  <i>Source: Budget documents of the Government of Maharashtra.</i></p>					

### 4.3. Trends and Patterns in Components of Revenue and Capital Expenditure

In light of the earlier discussion on the trajectory of total and capital expenditures, it is instructive to examine the disaggregated trends in the components of revenue and capital expenditure. Table 4.3 delineates the composition of revenue expenditure across major heads for the period 2010–11 to 2024–25. The observed decline in the share of revenue expenditure within total expenditure is largely attributable to the reduced allocations to two key functional categories: social services and economic services. Within these broad heads, the contraction has specifically affected expenditure on education and health under social services, and on rural development, irrigation, energy, transport, and communication under economic services.

Despite this overall decline, the share of development expenditure within total revenue expenditure—traditionally the dominant component—has shown a modest upward trend, rising from approximately 65% in 2010–11 to 66% in 2014–15, 67% in 2019–20, and reaching 70% in the 2023–24 revised estimates. This expansion in developmental outlays has been accompanied by a corresponding contraction in non-developmental expenditure. The reduction in the latter has primarily been facilitated by declining shares of interest payments, salary-related expenditures, and administrative services. However, one exception to this trend is the pension component, whose share has registered a marginal increase over the past decade. The expansion in development expenditure has enabled enhanced allocations toward social welfare and nutrition under social services, greater emphasis on agriculture and allied activities within economic services, and increased grants to local bodies. It is important to underscore that the declining share of revenue expenditure in total expenditure is primarily due to fiscal consolidation on the non-development side—specifically, the reduced fiscal burden associated with debt servicing, personnel costs, and general administration.

Turning to capital expenditure, Table 4.4 presents the compositional breakdown of its key components. In contrast to revenue expenditure—where social services account for the largest share—capital expenditure is predominantly oriented towards economic services. The past decade has witnessed an increasing share of capital expenditure relative to revenue expenditure, signaling a shift toward asset-creating outlays.

This reallocation has translated into higher investments in general services and health under the social services category, and in irrigation and transport under economic services. However, this surge in capital expenditure has not been accompanied by proportionate increases in allocations toward education—an essential social sector investment—or power infrastructure, which constitutes a critical component of economic services and underpins broader infrastructure development.

**Table 4.3. Share of Components of Revenue Expenditure (%)**

Items	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24(RE)	2024-25(BE)
	13th FC					14th FC					15th FC				
<b>Development Expenditure</b>	64.58	65.32	65.64	65.15	65.93	66.19	66.41	67.49	68.26	66.68	66.56	65.18	67.96	69.82	63.27
<b>Social Services</b>	45.35	44.36	44.72	45.76	43.34	43.24	42.34	38.52	40.97	40.94	39.29	40.76	40.07	44.22	40.51
<b>Education</b>	25.31	24.18	24.40	24.69	22.36	22.41	21.50	20.07	19.07	20.76	20.03	19.60	19.92	19.01	19.34
<b>Health</b>	4.20	4.05	4.28	4.40	4.79	4.92	4.75	4.80	4.48	4.52	5.18	5.56	4.58	4.81	4.73
<b>Social Welfare &amp; Nutrition</b>	4.77	5.29	5.66	6.45	6.82	5.99	4.55	3.02	6.26	6.66	6.07	5.67	5.05	5.53	4.42
<b>Economic Services</b>	18.12	20.14	19.86	18.07	21.23	19.99	20.56	22.43	19.76	18.66	20.71	17.00	19.83	19.28	16.30
<b>Agriculture &amp; Allied</b>	5.29	4.97	5.20	5.05	4.83	5.07	6.21	10.82	7.50	6.88	10.27	5.06	6.58	6.89	5.25
<b>Rural Development</b>	2.11	2.04	3.17	2.02	3.48	2.95	3.29	2.73	2.62	2.74	3.17	2.60	3.52	4.31	3.45
<b>Irrigation and Flood Control</b>	2.37	2.19	1.86	1.77	1.40	1.45	1.19	0.89	0.71	0.72	0.66	0.63	0.57	0.47	0.60
<b>Energy</b>	3.40	4.47	3.94	3.70	6.13	4.94	4.51	3.70	4.17	3.74	3.18	3.49	3.41	2.72	2.21
<b>Transport and Communication</b>	3.21	3.40	3.04	3.05	3.13	2.91	2.86	2.26	2.37	2.39	1.66	2.48	2.97	2.51	2.63
<b>Grants to LBs</b>	1.12	0.83	1.07	1.33	1.37	2.96	3.51	6.54	7.53	7.08	6.57	7.42	8.07	6.31	6.46
<b>Non-Development Expenditure</b>	35.42	34.68	34.36	34.85	34.07	33.83	33.58	32.51	31.74	33.32	33.44	34.82	32.04	30.18	36.73
<b>General Services</b>	19.87	19.70	19.71	20.13	19.50	19.11	18.98	17.56	17.58	20.81	21.21	21.90	21.44	19.98	24.79
<b>Salary</b>	39.21	36.80	38.41	38.56	34.99	35.96	33.80	31.08	30.04	33.57	32.07	30.82	30.50	28.22	31.28
<b>Administrative Services</b>	9.20	8.78	8.99	9.04	8.50	8.73	8.70	7.83	7.77	8.93	8.28	8.61	8.38	7.99	10.11
<b>Pensions</b>	8.45	8.56	8.40	8.50	8.11	8.12	7.97	7.75	7.81	9.31	10.48	11.10	10.65	9.16	11.87
<b>Interest Payments</b>	15.46	14.98	14.65	14.72	14.41	14.70	14.60	14.95	14.16	12.51	12.22	12.91	10.60	10.20	11.94

Source: Budget documents of the Government of Maharashtra

#### 4.4. Trends and Patterns in Committed Expenditure

Committed expenditure refers to the state's obligatory spending on salaries, pensions, and interest payments, all of which are accounted for under the revenue budget. These categories represent recurring liabilities for which the government must make annual budgetary provisions. As such, committed expenditure, expressed as a percentage of total revenue expenditure, serves as a useful proxy for assessing the rigidity and predictability of the government's expenditure structure. Table 4.5 presents the average magnitude of committed expenditure, along with its share in revenue expenditure, over the periods corresponding to the 13th, 14th, and 15th Finance Commissions (FCs), as well as for the broader period spanning 2010–11 to 2024–25.

A notable downward trend is observed in the share of committed expenditure within total revenue expenditure over the past fifteen years. The average share declined from 61% during the 13th FC period to 56% in the 14th FC, and further to 55% in the 15th FC, indicating gradual fiscal space being created through the relative compression of these obligatory outlays.

Within committed expenditure, salaries consistently constitute the largest component. During the 13th FC period, of the 61% average committed expenditure from the revenue account, 37% was allocated to salaries, 14% to interest payments, and 10% to pensions. Although the overall share of committed expenditure has declined during the 15th FC period, the growth rate of these expenditures has accelerated relative to earlier FC periods. Specifically, the 15th FC period witnessed a compound annual growth rate (CAGR) of 10.26% and a log-linear growth of 12.22%, which compares with a CAGR of roughly 9% and log-linear growth of 10–11% during the 13th and 14th FCs.

The reduction in the share of committed expenditure under the 15th FC, relative to the 13th FC, is primarily attributed to the declining shares of salaries and interest payments. Their respective shares fell from 37% and 14% during the 13th FC to 30% and 11% in the 15th FC period. Nonetheless, these two categories have registered higher growth rates in absolute terms under the 15th FC compared to the earlier FC periods, as detailed in Table

In contrast, expenditure on pensions has shown a consistent upward trend over the last fifteen years. Moreover, the pace of growth in pensions has accelerated during the 15th FC period, surpassing the overall growth in committed expenditure. Pension outlays grew at a

CAGR of 12.43%, with a log-linear growth rate of 13.79%, thereby contributing to a growing share in the committed expenditure profile.

The relative decline in committed expenditure as a proportion of revenue expenditure over the past fifteen years constitutes a favourable development from a public finance perspective. The reduced fiscal burden from salaries and interest payments has enhanced budgetary flexibility. However, the underlying growth in these categories remains robust, and future fiscal prudence would require further containment, especially considering that their declining shares have been made possible primarily by the faster expansion of total revenue expenditure rather than substantive reforms in expenditure management.

**Table 4.4 Composition of Capital Expenditure (Per cent share)**

		2009-10	2010-11	2011-2012	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 RE	2024-25 BE
<b>General Services</b>		3.21	2.87	3.72	4.34	4.55	3.61	4.82	5.47	3.99	4.02	3.17	3.95	4.8	5.72	8.54	8.34
<b>Social Services</b>		6.68	5.87	9.86	8.8	9.98	8.2	9.92	11.57	7.97	11.38	10.88	9.47	7.31	14.82	22.57	12.62
	Education	0.8	0.66	0.72	0.8	0.45	0.4	0.44	0.18	0.37	0.95	0.55	0.3	0.39	0.57	1.24	0.65
	Health	0.97	0.86	1.89	2.22	2.42	1.96	2.49	2.15	2	2.71	2.83	2.61	2.89	2.8	7.37	4.23
<b>Economic Services</b>		90.11	91.26	86.42	86.86	85.47	88.19	85.25	82.96	88.03	84.61	85.96	86.58	87.89	79.46	68.89	79.04
	Irrigation	11.05	43.27	37.75	12.72	34.67	29.38	30.98	31.07	33.21	31.29	28.17	22.09	20.34	18.04	19.28	21.77
	Power	18.68	9.98	8.74	26.34	7.34	5.65	5.58	2.76	2.74	1.38	0.34	0.46	2.28	0.8	1.83	2.82
	Transport	14.7	11.84	13.16	21.42	20.11	15.45	18.1	19.29	23.28	26.32	32.58	31.13	37.7	43.3	34.24	35.15

Source: Budget Document Gov. of Maharashtra

**Table 4.5 Committed Expenditure of Government of Maharashtra (Rs. Crores)**

	13th FC	14th FC	15th FC	2010-11 to 2024-25 BE
<b>Salary</b>	52473.20 (37.41)	79325.20 (32.71)	126692.80 (30.42)	86163.73 (32.34)
<b>Pension</b>	13513.80 (9.63)	25376.20 (10.46)	55867.60 (13.41)	31585.87 (11.85)
<b>Interest Payments</b>	19480.20 (13.89)	30980.60 (12.77)	44824.40 (10.76)	31761.73 (11.92)
<b>Total committed expenditure</b>	85467.20 (60.94)	135682.00 (55.95)	227384.80 (54.60)	149511.33 (56.12)
<b>Revenue Expenditure</b>	140241.02	242500.15	416409.82	266383.66

**Notes: Figures are averages during the mentioned periods. The figures in parentheses are percent shares in revenue expenditure.**

Source: Budget Document Gov. of Maharashtra

**Table 4.6 Committed Expenditure as a Percentage of Revenue Receipts**

	13th FC						14th FC						15th FC					
	2010-11	2011-12	2012-13	2013-14	2014-15	Average	2015-16	2016-17	2017-18	2018-19	2019-20	Average	2020-21	2021-22	2022-23	2023-24 RE	2024-25 BE	Average
<b>Salary</b>	39.43	37.49	37.28	39.87	37.56	<b>38.33</b>	36.99	35.21	30.82	28.75	35.60	<b>33.47</b>	36.97	32.33	30.65	29.36	31.89	<b>32.24</b>
<b>Pension</b>	9.34	9.63	9.40	10.14	10.51	<b>9.80</b>	10.08	10.63	9.79	9.51	12.74	<b>10.55</b>	15.29	14.74	13.45	12.43	14.84	<b>14.15</b>
<b>Interest Payments</b>	14.78	14.43	13.34	14.15	14.49	<b>14.24</b>	13.93	13.94	13.55	12.19	11.85	<b>13.09</b>	13.72	12.05	10.28	9.99	11.37	<b>11.48</b>
<b>Total CE</b>	63.55	61.55	60.02	64.16	62.55	<b>62.37</b>	61.00	59.78	54.16	50.46	60.19	<b>57.12</b>	65.97	59.12	54.37	51.79	58.10	<b>57.87</b>
<b>CE = Committed Expenditure</b>																		
<i>Source: Budget Document Gov. of Maharashtra</i>																		

**Table 4.7 Growth of committed expenditure**

	CAGR (%)				Log-linear growth (%)			
	13th FC	14th FC	15th FC	2010-11 to 2024-25 BE	13th FC	14th FC	15th FC	2010-11 to 2024-25 BE
<b>Revenue Expenditure</b>	10.77	9.54	10.36	10.99	12.49	11.37	13.55	11.02
<b>Salary</b>	8.27	8.05	9.81	9.33	10.68	8.81	12.17	8.97
<b>Pension</b>	11.95	14.12	12.43	14.36	13.91	15.19	13.79	14.20
<b>Interest Payments</b>	8.90	5.42	8.94	8.97	10.44	7.04	10.47	8.43
<b>Total committed expenditure</b>	8.99	8.59	10.26	10.22	11.14	9.65	12.22	9.89

*Source: Budget Document Gov. of Maharashtra*

Table 4.6 presents the ratio of committed expenditure on various components to the revenue receipts. This ratio is a good indicator of the government's foreseen expenditure in relation to revenue receipts and shows how much of the revenue receipts are used for committed expenditure.

The average committed expenditure as a ratio to the average revenue receipts decreased during the 10-year period corresponding to the 13th and 14th FCs from 62% to 57%, essentially due to the decrease in the expenditure on the salary and interest payments. Comparing the periods of 14th and 15th FC, the average committed expenditure as a ratio to the average revenue receipts increased very marginally from 57% to 58%, essentially due to the increase in the expenditure on pension, the share of expenditure on salary and interest payments continued decreasing. Considering the 15-year period of 2010-11 to 2024-15, a positive development is that the spending on interest payments and the salary has decreased, although the spending on pensions increased.

#### **4.5. Trends and Patterns in Developmental and Non-Developmental Expenditure**

The classification of government expenditure into developmental and non-developmental categories holds critical significance in public finance, as it facilitates the evaluation of public spending patterns and their implications for socio-economic outcomes. Developmental expenditure encompasses allocations toward social services such as education, public health, water supply, and sanitation, as well as economic services including agriculture, rural development, and transport. These expenditures contribute directly to human capital formation and infrastructure development, and may take the form of either capital outlays—entailing asset creation—or revenue expenditures, which typically finance recurring operational costs. In contrast, non-developmental expenditure comprises allocations toward administrative functions, interest payments, pensions, and other obligatory outlays, which, while necessary for maintaining state capacity, do not directly enhance productive capacity or economic growth.

Table 4.8 provides a comparative analysis of developmental and non-developmental expenditure across the 13th, 14th, and 15th Finance Commission (FC) periods, extending through 2024–25 (BE). During the 13th FC period (2010–11 to 2014–15), total average government expenditure stood at ₹218,824 crore, with developmental expenditure accounting for 50.94%—indicative of a relatively balanced fiscal allocation between growth-inducing and maintenance-oriented functions. Both expenditure categories

experienced growth over time. In the 14th FC period (2015–16 to 2019–20), developmental spending averaged ₹194,336 crore and comprised 51.71% of total expenditure, reaching a peak of 52.79% in 2016–17. This suggests a moderate increase in the emphasis on developmental priorities. The average developmental expenditure during the 15th FC period (2020–21 to 2024–25) rose significantly to ₹370,506 crore, maintaining a similar share of 51.90% of total spending.

Despite the generally stable share of developmental spending, some intertemporal fluctuations are evident. Notably, non-developmental expenditure reached its highest share—52.77%—in 2020–21, indicating a temporary shift toward non-discretionary and administrative spending during that fiscal year. However, developmental expenditure rebounded to a high of 55.36% in the revised estimates for 2023–24, before a projected reversal in 2024–25 (BE), where non-developmental expenditure is again expected to marginally outpace developmental spending. These variations reflect the evolving fiscal priorities and constraints over time.

Growth trends in these expenditure components are further examined in Table 4.9, using both compound annual growth rates (CAGR) and log-linear estimates across Finance Commission periods. Developmental expenditure registered a robust CAGR of 11.62% during the 15th FC period, higher than in preceding periods, underscoring an intensified policy focus on socio-economic development. In contrast, the growth of non-developmental expenditure moderated to 9.83% in the same period. However, over the full horizon from 2010–11 to 2024–25, non-developmental expenditure posted a marginally higher average growth rate of 11.71%, compared to 10.90% for developmental expenditure. Log-linear growth rates corroborate these patterns, especially highlighting the acceleration of developmental spending in the most recent period.

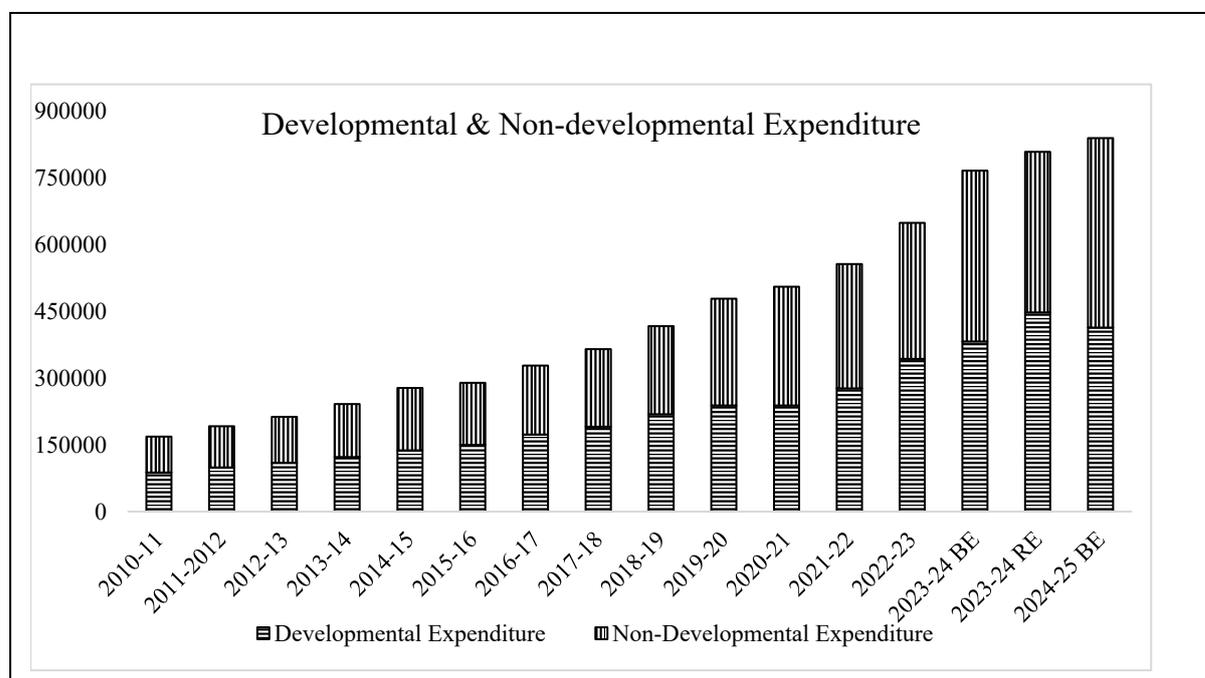
Taken together, the analysis suggests a sustained emphasis on developmental expenditure across the Finance Commission periods, with evidence of a deliberate shift in fiscal allocations toward socio-economic priorities. Nonetheless, the observed fluctuations in non-developmental spending signal the influence of exogenous pressures—such as debt servicing obligations or administrative costs—on the composition of public expenditure.

**Table 4.8 Developmental and Non-Developmental Expenditure (Rs. Crore)**

FC	Year	Developmental Expenditure		Non-Developmental Expenditure		Total
		Absolute	% share in Total	Absolute	% share in Total	
13th FC	2010-11	87678	51.97	81032	48.03	168710
	2011-12	99417	51.76	92664	48.24	192081
	2012-13	109884	51.56	103250	48.44	213135
	2013-14	122589	50.66	119373	49.34	241961
	2014-15	137731	49.50	140502	50.50	278234
	<b>Average</b>	<b>111460</b>	<b>50.94</b>	<b>107364</b>	<b>49.06</b>	<b>218824</b>
14th FC	2015-16	149912	51.75	139774	48.25	289686
	2016-17	173419	52.79	155106	47.21	328525
	2017-18	190858	52.25	174446	47.75	365303
	2018-19	218851	52.48	198174	47.52	417025
	2019-20	238640	49.85	240076	50.15	478717
	<b>Average</b>	<b>194336</b>	<b>51.71</b>	<b>181515</b>	<b>48.29</b>	<b>375851</b>
15th FC	2020-21	238785	47.23	266794	52.77	505579
	2021-22	277047	49.78	279524	50.22	556571
	2022-23	343332	52.86	306177	47.14	649508
	2023-24 RE	447901	55.36	361191	44.64	809092
	2024-25 BE	413744	49.25	426353	50.75	840097
	<b>Average</b>	<b>370506</b>	<b>51.90</b>	<b>343311</b>	<b>48.10</b>	<b>713817</b>

Source: Budget documents of the Government of Maharashtra.

**Figure 4.2: Developmental and Non-Developmental Expenditure**



#### 4.5.1. Components of Development Expenditure – Social Sector Spending

Building on the earlier analysis of developmental and non-developmental expenditures, this section turns attention to Social Sector Expenditure (SE)—a critical

subset of developmental spending that encompasses government outlays on essential public services, including education, public health, sanitation, and family welfare.

As shown in Table 4.10, SE has expanded considerably over successive Finance Commission (FC) periods. The average absolute level of SE increased markedly from ₹62,593 crore during the 13th FC to ₹171,495 crore in the 15th FC, reflecting a substantial escalation in the government's fiscal commitment to social sectors. Correspondingly, the Compound Annual Growth Rate (CAGR) of SE rose from 9.77% during the 13th FC period to 11.62% in the 15th FC period, underscoring the growing policy emphasis on social development. Notably, the elasticity of SE with respect to Gross State Domestic Product (GSDP) peaked at 1.57 during the 14th FC, indicating that social sector expenditure outpaced economic growth during that period, highlighting its responsiveness to the expanding fiscal space.

However, this increase in absolute levels of SE masks a declining trend in its proportional share within broader expenditure aggregates. Specifically, SE's share in Developmental Expenditure (DE) fell from 56.16% in the 13th FC to 49.83% in the 15th FC, and its share in Total Expenditure (TE) declined from 36.76% to 32.12% over the same period. These shifts suggest a relative rebalancing of expenditure priorities, possibly in favor of other sectors within the developmental or non-developmental categories. Nevertheless, SE's share in GSDP rose from 4.34% to 4.93% during the 15th FC period, reaffirming its growing significance in the fiscal landscape and the economy at large.

Table 4.11 offers further disaggregation of SE across the Revenue and Capital accounts. During the 13th FC, average SE was ₹62,593 crore on the Revenue Account, compared to ₹1,884 crore on the Capital Account, indicating a strong emphasis on recurrent, service-delivery-related spending. In the 14th FC, this pattern continued with increases in both categories: SE averaged ₹99,598 crore on the Revenue side and ₹3,356 crore on the Capital side. The 15th FC period saw a substantial uptick in both dimensions—₹183,863 crore in Revenue and ₹10,806 crore in Capital expenditures—signifying a growing tilt toward capital-intensive investments in social infrastructure.

While SE's share in Revenue Expenditure remained relatively stable at around 42%, its share in Capital Expenditure increased from an average of 9% in the 13th FC to 14% in the 15th FC, reaching a peak of 23% in 2023–24 (RE). This trajectory suggests a deliberate shift in policy toward asset-creating social investments such as schools, hospitals, and

sanitation infrastructure. Growth trends reinforce this interpretation: during the 15th FC period, capital account SE registered an impressive CAGR of 24.31%, compared to 11.04% for revenue account SE (Table 4.12). This divergence in growth rates signals a strategic reorientation in public spending—prioritizing long-term, infrastructure-based social sector development over short-term, recurrent expenditures.

**Table 4.9 Growth of development and non-development expenditure**

	CAGR (%)				Log-linear growth (%)			
	13th FC	14th FC	15th FC	2010-11 to 2024-25 BE	13th FC	14th FC	15th FC	2010-11 to 2024-25 BE
<b>Development Expenditure</b>	9.45	9.74	11.62	10.90	11.13	11.62	15.80	11.31
<b>Non-Development Expenditure</b>	11.64	11.43	9.83	11.71	13.54	13.27	11.94	11.38
<b>Total</b>	10.52	10.57	10.69	11.30	12.31	12.43	13.90	11.36

Source: Budget Document Gov. of Maharashtra

**Table 4.10 Social Expenditure, its growth and share**

	13th FC	14th FC	15th FC	2010-11 to 2024-25 BE
<b>Average Absolute SE</b>	62593	99598	171495	116285
<b>Growth of SE(CAGR %)</b>	9.77	9.74	11.62	10.90
<b>Growth of SE (Log-liner)</b>	11.89	9.94	14.98	10.22
<b>Elasticity of SE w.r.t. GSDP</b>	0.88	1.57	1.14	1.11
<b>Share of SE in DE</b>	56.16	51.25	49.83	51.22
<b>Share of SE in TE</b>	36.76	33.65	32.12	33.21
<b>Share of SE in GSDP</b>	4.34	4.26	4.93	4.63
<b>Growth of GSDP (CAGR)</b>	11.14	6.21	10.19	9.81
<b>Growth of GSDP (Log-linear)</b>	13.10	7.43	11.92	9.05
<b>SE=Social Expenditure, DE=Development Expenditure, TE=Total Expenditure</b>				

Source: Budget Document Gov. of Maharashtra

**Table 4.11 Social Expenditure and its Share in Revenue and Capital Expenditure**

<b>FC</b>	<b>Year</b>	<b>Social expenditure (Revenue)</b>	<b>Social expenditure (Capital)</b>	<b>Share in Revenue</b>	<b>Share in Capital</b>	<b>Share in Total</b>
<b>13th FC</b>	2010-11	48282	1244	45	6	39
	2011-12	54812	2107	44	10	39
	2012-13	62039	1828	45	9	40
	2013-14	70879	2277	46	10	41
	2014-15	76952	1962	43	8	39
	Average	62593	1884	45	9	40
<b>14th FC</b>	2015-16	82317	2591	43	10	39
	2016-17	90281	3276	42	12	39
	2017-18	93054	2273	39	8	35
	2018-19	109391	4346	41	11	37
	2019-20	122947	4295	41	11	37
	Average	99598	3356	41	10	38
<b>15th FC</b>	2020-21	122023	3594	39	9	36
	2021-22	142523	4088	41	7	36
	2022-23	163329	9134	40	15	37
	2023-24 BE	192130	9315	41	13	37
	2023-24 RE	223622	19332	44	23	41
	2024-25 BE	205976	10669	41	13	37
	Average	183863	10806	41	14	38
<b>2010-11 to 2024-25 Average</b>		111229	4868	42	11	38

Source: Budget Document Gov. of Maharashtra

**Table 4.12 Growth of Social Sector Spending (% CAGR)**

	13th FC	14th FC	15th FC	2010-11 to 2024-25 BE
<b>On Revenue account</b>	9.77	8.35	11.04	10.15
<b>On Capital account</b>	9.55	10.64	24.31	15.41

Source: Budget Document Gov. of Maharashtra

Finally, Table 4.13 shows the elasticity of social sector spending relative to overall expenditure. Elasticity was higher for the Capital account, averaging 1.59 over the entire period, compared to 0.92 for the Revenue account, emphasizing an increasing emphasis on long-term, capital-intensive investments in the social sector.

**Table 4.13 Elasticity of social sector spending within revenue and capital account**

	13th FC	14th FC	15th FC	2010-11 to 2024-25 BE
<b>Elasticity on revenue account</b>	0.91	0.88	1.07	0.92
<b>Elasticity on capital account</b>	3.85	1.23	1.40	1.59

Source: Budget Document Gov. of Maharashtra

#### 4.5.1.1. Components of Social Sector Spending

The analysis of social sector expenditure patterns in Maharashtra, based on data across the 13th, 14th, and 15th Finance Commissions (FC) periods, offers crucial insights into the state's fiscal priorities and evolving socio-economic needs. This examination considers the composition, share, growth rate, and elasticity of different social sector components, highlighting areas where policy interventions have been effective and where adjustments may be required to meet the state's developmental objectives.

As observed in Table 4.14, "Education, Sports, Art, and Culture" consistently held the largest share of Maharashtra's social sector expenditure, though it declined from 53.88% in the 13th FC to 47.40% in the 15th FC, with an average of 49.47% across the period. However, the expenditure on "Education, Sports, Art, and Culture" relative to Maharashtra's GSDP remained stable, averaging around 2.27% (Table 4.15). In terms of growth rate, the sector reported a higher growth during 15<sup>th</sup> FC as compared to the previous FCs (13<sup>th</sup> FC- 8.06 per cent, 14<sup>th</sup> FC- 7.88 per cent, and 15<sup>th</sup> FC- 9.60 per cent) (Table 4.16).

This downward trend in shares suggests a relative reallocation of fiscal resources, potentially reflecting saturation or efficiency gains in this sector. Despite this reduction, education remains the single most significant component, signifying its foundational role in human capital development. However, given the growing need for skill development and

higher education in Maharashtra, especially to cater to the labor market demands, this declining share warrants closer scrutiny to ensure that education quality and accessibility are not compromised. Further, while the absolute investment in education has increased, it has not necessarily kept pace with the state's economic growth. Given Maharashtra's aspiration to be an economic powerhouse, a stronger emphasis on education could enhance productivity and labor market outcomes.

The health sector shows a positive trend, with "Health and Family Welfare" expenditure rising from 9.82% during the 13th FC to 11.97% in the 15th FC. There was also a rise in health spending from 0.43% to 0.59% of GSDP which is commendable (Table 4.15), showing a deliberate policy shift towards improving public health. However, there was decline in growth rate during the 15<sup>th</sup> FC as compared to previous two FCs (13<sup>th</sup> FC- 13.69 per cent, 14<sup>th</sup> FC- 7.73 per cent, and 15<sup>th</sup> FC- 8.38 per cent) (Table 4.16).

This increase in share and percentage of GSDP of the sector aligns with Maharashtra's response to growing public health challenges, especially in light of the COVID-19 pandemic, and the state's efforts to strengthen healthcare infrastructure. The increased allocation signals a shift towards addressing healthcare deficits but also highlights the need for sustained investment to ensure resilience against future health crises. However, this still lags behind the recommended expenditure levels for health, suggesting that further fiscal commitment is needed to achieve optimal health outcomes for Maharashtra's population. Nevertheless, this growth rate needs to be sustained or enhanced to address healthcare challenges effectively, particularly in underserved rural areas.

"Water Supply, Sanitation, Housing, and Urban Development" experienced a notable rise in its share, from 11.32% to 15.09% by the 15th FC. In terms of percentage of GSDP, "Water Supply, Sanitation, Housing, and Urban Development," reported improvement from 0.49% to 0.74% of GSDP. The growth rate for "Water Supply, Sanitation, Housing, and Urban Development" surged to 20.29% during the 15th FC, reflecting aggressive investment in infrastructure development.

The increased allocation to the sector is reflecting Maharashtra's focus on urban infrastructure and sanitation improvements, perhaps influenced by national programs like the Swachh Bharat Mission and the Smart Cities initiative. Given Maharashtra's rapid urbanization, this prioritization is crucial for maintaining sustainable urban growth. However, ensuring efficiency and effectiveness in this expenditure is vital, given the large-

scale investments involved. While significant growth in spending under the sector aligns with Maharashtra's urbanization trajectory, it also underscores the need to manage these investments efficiently to avoid fiscal stress.

In contrast, sectors like "Labour and Labour Welfare" and "Information and Broadcasting" maintain consistently low shares, averaging around 1.01% and 0.13%, respectively. This indicates that these areas may not be central to the state's immediate social sector objectives, although the low allocation to labor welfare could be a matter of concern, especially in light of the informal workforce's vulnerabilities.

The drastic growth in "Information and Broadcasting" expenditure (50.70% during the 15th FC) might be attributed to temporary factors, such as digital initiatives or COVID-19 communication strategies. While this spike is notable, Maharashtra should assess the long-term impact and necessity of such high growth in this sector, given its relatively small share.

Conversely, the growth rate for "Social Welfare and Nutrition" dropped to 3.55% in the 15th FC, signaling a slowdown in welfare expenditure. This trend is concerning, especially for marginalized communities, and suggests the need for reassessment to ensure that welfare programs remain adequately funded and effective.

Elasticity measures in Table 4.17 show how responsive each sector's expenditure is to changes in GSDP. The elasticity of "Education, Sports, Art, and Culture" remained around 0.92, indicating less-than-proportional responsiveness to GSDP changes. This suggests that education spending is relatively stable, regardless of economic fluctuations, which could be positive in ensuring consistent investment but may also limit the sector's potential to expand with economic growth. "Health and Family Welfare" showed high elasticity during the 13th FC (1.70) but dropped to 0.87 by the 15th FC, implying a slowdown in health expenditure growth relative to GSDP. This may indicate fiscal constraints or a need for more targeted health investments. The elasticity of "Water Supply, Sanitation, Housing, and Urban Development" surged to 2.42 in the 15th FC, demonstrating a significant and responsive investment in this sector relative to economic growth. This high elasticity signals that as Maharashtra's economy grows, investments in infrastructure increase even more rapidly, which is crucial for urban development.

The analysis suggests that Maharashtra should maintain and potentially enhance investments in education and health, given their crucial roles in human capital development

and social welfare. Increased investment in "Water Supply, Sanitation, Housing, and Urban Development" should be accompanied by measures to ensure efficient utilization of resources.

**Table 4.14 Share of Expenditure on different components within the Total Social Sector Expenditure**

	<b>13th FC</b>	<b>14th FC</b>	<b>15th FC</b>	<b>2010-11 to 2024- 25 BE</b>
Education, Sports, Art and Culture	53.88	50.25	47.40	49.47
Health and Family Welfare	9.82	11.37	11.97	11.39
Water Supply, Sanitation, Housing and Urban Dev.	11.32	12.70	15.09	13.67
Information and Broadcasting	0.11	0.10	0.16	0.13
Welfare of S.C., S.T. and O.B.C.	10.26	11.58	11.41	11.24
Labour and Labour Welfare	1.20	0.84	1.04	1.01
Social Welfare and Nutrition	13.29	13.08	12.79	12.97

Source: Budget Document Gov. of Maharashtra

**Table 4.15 Expenditure on different components of Social Sector as % of GSDP**

	<b>13th FC</b>	<b>14th FC</b>	<b>15th FC</b>	<b>2010-11 to 2024- 25 BE</b>
Education, Sports, Art and Culture	2.34	2.14	2.33	2.27
Health and Family Welfare	0.43	0.48	0.59	0.52
Water Supply, Sanitation, Housing and Urban Dev.	0.49	0.54	0.74	0.63
Information and Broadcasting	0.00	0.00	0.01	0.01
Welfare of S.C., S.T. and O.B.C.	0.44	0.49	0.56	0.52
Labour and Labour Welfare	0.05	0.04	0.05	0.05
Social Welfare and Nutrition	0.58	0.56	0.63	0.60

Source: Budget Document Gov. of Maharashtra

**Table 4.16 Growth Rate of Social Sector Components**

	<b>13th FC</b>	<b>14th FC</b>	<b>15th FC</b>	<b>2010-11 to 2024- 25 BE</b>
Education, Sports, Art and Culture	8.06	7.88	9.60	9.02
Health and Family Welfare	13.69	7.73	8.38	11.87
Water Supply, Sanitation, Housing and Urban Dev.	2.68	4.98	20.29	11.31
Information and Broadcasting	21.11	9.48	50.70	19.39
Welfare of S.C., S.T. and O.B.C.	12.38	10.47	18.27	12.04
Labour and Labour Welfare	6.74	5.21	19.99	9.94
Social Welfare and Nutrition	19.00	11.88	3.55	10.42

Source: Budget Document Gov. of Maharashtra

**Table 4.17 Elasticity of expenditures of various components of the social sector with respect to GSDP**

	13th FC	14th FC	15th FC	2010-11 to 2024- 25 BE
Education, Sports, Art and Culture	0.72	1.27	0.94	0.92
Health and Family Welfare	1.70	0.98	0.87	1.32
Water Supply, Sanitation, Housing and Urban Dev.	0.20	0.64	2.42	0.95
Information and Broadcasting	7.88	1.91	2.50	1.71
Welfare of S.C., S.T. and O.B.C.	0.59	1.10	0.36	0.62
Labour and Labour Welfare	0.54	0.50	1.09	0.83
Social Welfare and Nutrition	2.82	2.28	0.18	1.05

Source: Budget Document Gov. of Maharashtra

#### 4.6. Quality of Expenditure

The availability of better social and physical infrastructure in the state generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects viz. adequacy of expenditure (adequate provisions for providing public services), efficiency of expenditure and its effectiveness (assessment of outlay-output--outcome relationship for selected services).

##### 4.6.1. Adequacy of Expenditure

Table 4.18 reveals Maharashtra's fiscal priorities relative to general category states across selected years. Maharashtra's Aggregate Expenditure (AE)/GSDP ratio has consistently been lower than the general category states, starting at 10.15% in 2010-11 and rising to 12.78% by 2022-23, compared to the general category states' 13.61%. This indicates that Maharashtra allocates a smaller proportion of its economic output to public expenditure, which could suggest either efficient fiscal management or a constrained fiscal capacity. The state may need to consider expanding its expenditure to address critical social and economic priorities adequately.

Development Expenditure (DE) is crucial for growth and welfare enhancement. Maharashtra's DE/AE ratio has seen a slight decrease from 63.47% in 2010-11 to 61.23% in 2022-23, remaining mostly comparable with the general category states (which shifted from 59.99% to 63.75%). The marginal reduction indicates a consistent focus on development, but the recent lag behind the general category average suggests that Maharashtra may need to reassess its allocation to maintain competitiveness in

developmental outcomes. Social Sector Expenditure (SSE) in Maharashtra declined from 45.35% in 2010-11 to 40.16% in 2022-23. The general category states remained relatively stable, from 40.01% to 41.13% over the same period. Initially, Maharashtra outperformed the average, but this advantage has diminished, raising concerns about the state's commitment to social services. A reduction in SSE could hinder progress in critical areas like health, education, and social welfare, thus requiring attention to ensure sustained human development.

Maharashtra's CE/AE ratio, representing infrastructure investment, fell sharply from 16.87% in 2010-11 to 9.56% in 2020-21 before recovering to 16.07% in 2022-23. In contrast, the general category states maintained a relatively higher and stable ratio, peaking at 17.44% in 2022-23. The initial decline in Maharashtra's CE is concerning, as it indicates underinvestment in infrastructure, potentially affecting long-term growth. The recent increase is a positive signal, but sustained investment will be necessary to bridge infrastructure gaps. Maharashtra's expenditure on ESAC declined from 25.31% in 2010-11 to 18.37% in 2022-23, while general category states' share decreased more modestly from 20.23% to 16.69%. Although Maharashtra consistently spent more on ESAC, the downward trend could impact education quality and human capital development. The state should prioritize this sector to maintain its edge in fostering a skilled workforce. Maharashtra's HFW expenditure rose from 3.74% to 4.68% between 2010-11 and 2022-23, but it still trails behind the general category states, which increased from 4.17% to 5.14%. This indicates a relatively lower fiscal commitment to health, despite gradual improvements. Given Maharashtra's demographic size, a more significant investment in health is critical to address challenges and ensure broader health coverage.

Maharashtra's fiscal priorities reflect a consistent focus on development and social sector spending. However, the declining trend in social sector and capital expenditure, relative to general category states, suggests potential challenges in sustaining human development and infrastructure growth. To ensure balanced development and economic growth, Maharashtra should consider augmenting its investments, particularly in health, education, and infrastructure, aligning more closely with the general states' spending patterns. This approach will strengthen the state's long-term economic and social outcomes.

**Table 4.18 Fiscal Priority of Maharashtra State**

	AE/GSDP	DE/AE	SSE/AE	CE/AE	ESAC/AE	HFW/AE
<b>General Category States Average (Ratio) 2010-11</b>	14.55	59.99	40.01	16.02	20.23	4.17
<b>Maharashtra Average (Ratio) 2010-11</b>	10.15	63.47	45.35	16.87	25.31	3.74
<b>General Category States Average (Ratio) 2015-16</b>	13.33	64.59	40.74	18.31	18.95	4.38
<b>Maharashtra Average (Ratio) 2015-16</b>	9.68	63.23	43.24	11.97	22.52	4.58
<b>General Category States Average (Ratio) 2020-21</b>	14.25	60.69	39.28	13.47	16.96	5.07
<b>Maharashtra Average (Ratio) 2020-21</b>	11.82	60.00	39.29	9.56	20.03	4.87
<b>General Category States Average (Ratio) 2022-23</b>	13.61	63.75	41.13	17.44	16.69	5.14
<b>Maharashtra Average (Ratio) 2022-23</b>	12.78	61.23	40.16	16.07	18.37	4.68

AE = Aggregate Expenditure. ESAC = Education, Sports, Art and Culture/AE. DE = Development Expenditure. HFW = Health and Family Welfare. SSE = Social Sector expenditure. CE = Capital expenditure. Development expenditure (DE) includes development revenue expenditure, development capital expenditure and loans and advances disbursed. General category states are as follows: Andhra Pradesh, Bihar, Chhattisgarh, Dadra & Nagar Haveli and Daman Diu, Delhi, Goa, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, West Bengal.

#### 4.6.2. Efficiency of Expenditure use and its effectiveness

While the preceding analysis details the trends and patterns of public expenditure across functional categories, a critical aspect of fiscal management lies in enhancing the allocative and technical efficiency of public spending. This section presents a comprehensive discussion of both recent initiatives and potential measures for improving expenditure efficiency in Maharashtra over the last five years, corresponding to the 15th Finance Commission (FC) period.

Allocative efficiency ensures that limited public resources are directed toward sectors and programs with the highest social and economic returns. In recent years, Maharashtra has made notable progress in this regard. One of the most visible indicators of improved allocative efficiency is the increase in the capital orientation of expenditure. As shown in Table 4.1, the share of capital expenditure in total expenditure rose from an average of 18% during the 13th and 14th FC periods to 22% in the 15th FC period, indicating a clear shift toward asset-building and long-term growth-enhancing outlays (Fiscal Health Index 2025, NITI Aayog). This shift is further corroborated by increased capital allocations to infrastructure sectors such as urban development. The emphasis on social infrastructure is also evident: Table 4.12 indicates that capital expenditure on social sector registered a compound annual growth rate (CAGR) of 24.31% during the 15th FC period, suggesting a stronger focus on healthcare infrastructure in the aftermath of the pandemic (NITI Aayog, 2025).

Table 4.19 offers deeper insight into the evolving efficiency of capital and revenue expenditure across key social and economic sectors. For social services, the share of capital expenditure rose from 5.87% in 2010–11 to 12.62% in the 2024–25 BE, while the ratio to revenue expenditure decreased from 44.62% to 40.51%. This pattern reflects a growing focus on infrastructure creation, but also highlights the continued predominance of revenue spending for service maintenance. In the education sector, capital expenditure fell from 0.66% in 2010–11 to 0.30% in 2020–21 before recovering to 0.65% in 2024–25 BE. The corresponding ratio to revenue expenditure declined from 24.68% to 19.34%, indicating that investment in educational infrastructure has been inconsistent—potentially impeding human capital development. In health and family welfare, capital outlays grew from 0.86% to 4.23% over the same period, suggesting greater attention to infrastructure, although the ratio to revenue expenditure only modestly improved from 4.09% to 4.73%. These trends underscore the need to balance capital expansion with sustainable operational capacity.

Equally important, the reduction in committed expenditure has contributed to greater fiscal space for developmental priorities. Table 4.5 shows that the share of salaries and interest payments in revenue expenditure declined from 37% and 14%, respectively, during the 13th FC to 30% and 11% in the 15th FC. This reprioritization allowed enhanced allocations toward sectors such as education, public health, and social welfare. Furthermore, there has been increased emphasis on targeted social spending through better beneficiary identification and fund disbursement mechanisms. With the widespread adoption of Aadhaar-linked systems and Direct Benefit Transfers (DBT), leakages have been curbed and fiscal resources are now being allocated with greater precision.

The efficiency trends in economic services are mixed. Capital expenditure on economic services as a share of capital expenditure declined from 91.26% in 2010–11 to 79.04% in 2024–25 BE (Table 4.19), indicating reduced investment in economic infrastructure. In agriculture and allied sectors, the capital expenditure ratio peaked at 28.48% in 2020–21 but sharply declined to 10.56% in 2024–25 BE, while the ratio to revenue expenditure also fell from 10.13% to 5.25% (Table 4.19). Irrigation and flood control followed a similar path, with its share in capital expenditure declining from 43.27% to 21.77%, and the ratio to revenue expenditure decreasing from 2.41% to 0.60%. In contrast, transport saw a significant rise in capital outlay from 11.84% to 35.15% (Table 4.19), though the ratio to revenue expenditure remained relatively flat around 2.63%, reflecting underinvestment in maintenance. The combined capital expenditure ratio for social and economic services declined from 97.13% in 2010–11 to 91.66% in 2024–25 BE, with a similar downward trend in the ratio to revenue expenditure, from 63.78% to 56.81% (Table 4.19). These patterns suggest that while select sectors have benefitted from increased capital investment, overall efficiency has been constrained by an over-reliance on recurrent spending.

Beyond allocative considerations, technical efficiency—maximizing outcomes for a given level of inputs—has also improved through institutional and technological interventions. Maharashtra has adopted outcome-based budgeting frameworks in sectors such as health, education, and rural development, enabling better alignment of expenditures with measurable outcomes. Moreover, digital public financial management systems have significantly enhanced fiscal transparency and execution efficiency. The deployment of Integrated Financial Management Systems (IFMS) and state-wide e-procurement platforms

has improved real-time tracking of expenditures and brought greater accountability to procurement processes.

In addition, administrative departments have initiated asset utilization reviews to evaluate underused public infrastructure and rationalize new capital outlays accordingly. Such reviews have enabled better use of existing assets, thus improving the productivity of capital spending (NITI Aayog, 2025). Maharashtra has also leveraged Public-Private Partnerships (PPPs) in urban transport, solid waste management, and health diagnostics, enabling the state to deliver services more efficiently while managing fiscal risks (ADB, 2011). Further, investments in training programs for local government officials and functionaries have bolstered the capacity of frontline service delivery institutions and improved the implementation of centrally sponsored schemes (CBGA, 2023).

To build on these gains, several policy measures merit consideration. Institutionalizing regular expenditure reviews of large schemes can ensure alignment with policy priorities and enable reallocation where returns are diminishing. Benchmarking district-level performance using socio-economic indicators can highlight regional disparities and provide insights into efficiency differentials across the state. Strengthening monitoring and evaluation (M&E) systems through independent audits and third-party assessments would enhance accountability and foster evidence-based decision-making. Moreover, deeper integration between state and district-level planning processes would support convergence, reduce duplication, and improve last-mile delivery of public services.

In summary, Maharashtra has undertaken several structural and programmatic initiatives to enhance both the allocative and technical efficiency of public expenditure over the past five years. The shift toward capital and development-oriented spending, complemented by digital reforms, capacity building, and outcome monitoring, provides a solid foundation for efficient public service delivery. At the same time, efficiency in economic infrastructure sectors—particularly agriculture, irrigation, and allied activities—requires renewed focus to reverse declining investment trends. Sustained progress in this direction will require institutionalizing reforms, investing in robust evaluation mechanisms, and strengthening intergovernmental coordination.

**Table 4.19 Efficiency of expenditure use in selected social and economic services (% share)**

Socio-economic infrastructure Expenditure		2010-11		2015-16		2020-21		2024-25 BE	
		Ratio to CE	Ratio to RE						
<b><i>Social Services (SS)</i></b> <b><i>(Total)</i></b>	of which	5.87	44.62	9.92	43.56	9.47	39.88	12.62	40.51
	Education, Sports, Art and Culture	0.66	24.68	0.44	21.90	0.30	19.67	0.65	19.34
	Health and Family Welfare	0.86	4.09	2.49	4.76	2.61	5.08	4.23	4.73
	Water Supply, Sanitation, Housing and Urban Development	1.56	5.95	3.64	4.86	4.59	4.14	4.32	6.39
<b><i>Economic Services (ES)</i></b>	of which	91.26	19.16	85.25	20.42	86.58	20.62	79.04	16.30
	Agriculture and Allied Activities	21.31	5.71	24.23	5.70	28.48	10.13	10.56	5.25
	Irrigation and Flood Control	43.27	2.41	30.98	1.44	22.09	0.65	21.77	0.60
	Energy	9.98	3.31	5.58	4.78	0.46	3.11	2.82	2.21
	Transport	11.84	3.36	18.10	2.92	31.13	1.83	35.15	2.63
<b>Social Services+Economic Services</b>		97.13	63.78	95.18	63.98	96.05	60.50	91.66	56.81

***Salaries & wages  
Operations &  
maintenance***

*Source: Budget Document Gov. of Maharashtra*

#### 4.7. Concluding Remark

This chapter has presented a detailed analysis of the shifting trends in Maharashtra's public expenditure between 2010-11 and 2024-25, revealing key changes in the state's fiscal strategy. The steady increase in total expenditure as a percentage of GSDP, rising from 12.49% in 2010-11 to a projected 15.41% in 2024-25, indicates a growing importance of public spending for economic growth. More significantly, the composition of this expenditure has undergone a structural shift, with a notable reallocation from Revenue Expenditure toward Capital Expenditure. Capital Expenditure, which traditionally played a secondary role, increased its share from an average of 18% during the 13th and 14th Finance Commissions (FCs) to 22% during the 15th FC period. This shift highlights Maharashtra's strategic emphasis on infrastructure development, particularly in key sectors such as transport, health, and social services. The growing share of CE, which supports long-term capital formation, reflects the state's focus on laying the groundwork for sustained economic growth. This investment in infrastructure is critical for enhancing productivity, creating jobs, and improving service delivery, positioning the state for future development challenges. Simultaneously, the chapter reveals a gradual decline in the share of RE, particularly in non-developmental areas such as salaries, pensions, and interest payments. This reduction has allowed the state to redirect resources toward more productive uses, particularly in sectors that directly impact socio-economic development, such as education, healthcare, and welfare programs. The relative decline in RE, combined with an increased focus on CE, demonstrates Maharashtra's attempt to optimize fiscal efficiency while maintaining its commitment to enhancing social welfare outcomes.

A particularly notable trend during the 15th FC period has been the faster growth of capital expenditure relative to revenue expenditure, with CE showing a compound annual growth rate (CAGR) of 13.13%. This shift underscores the state's prioritization of infrastructure-driven growth, evidenced by the increasing CE-to-GSDP ratio. The rising CE growth rate, particularly in sectors such as transport and communication, reflects the state's recognition of infrastructure as a driver of long-term economic resilience and a necessary foundation for sustained development. The chapter also highlights an important reduction in committed expenditures—salaries, pensions, and interest payments. This reduction is critical, as it has allowed the state to reallocate funds from non-developmental expenditure toward developmental sectors, ensuring a more balanced and growth-oriented

fiscal framework. The declining burden of committed expenditures, from 61% of RE during the 13th FC period to 55% in the 15th FC, reflects Maharashtra's improved fiscal discipline, allowing greater flexibility for capital investment. In terms of developmental versus non-developmental expenditure, the chapter reveals that developmental spending has consistently increased as a share of total expenditure. This focus on developmental expenditure, which averaged 51.9% during the 15th FC period, underscores the state's commitment to addressing socio-economic challenges through targeted investments. Additionally, the capital investment in economic services such as irrigation and transport further indicates a policy shift towards sectors that contribute directly to economic expansion.

Overall, the trends identified in this chapter indicate a well-considered rebalancing of Maharashtra's fiscal priorities. The state's increasing focus on capital expenditure, particularly in growth-enabling sectors, coupled with a deliberate reduction in non-productive expenditures, reflects a forward-looking fiscal strategy aimed at securing long-term socio-economic progress. By prioritizing both infrastructure and social services, Maharashtra has positioned itself to not only manage its immediate fiscal responsibilities but also to foster a sustainable path of economic and social development for the future.

## 4.8 Key Findings

- Sustained rise in the state's spending:
  - Total expenditure as a share of GSDP increased from 12.49% in 2010-11 to 15.41% in 2024-25 (BE).
  - The average total expenditure-to-GSDP ratio rose across the Finance Commission (FC) periods, from 11.80% during the 13th FC to 15.33% during the 15th FC.
- Shift in expenditure composition towards capital expenditure:
  - The share of Capital Expenditure in total expenditure increased from an average of 18% during the 13th and 14th FC periods to 22% during the 15th FC.
  - Revenue Expenditure remained the dominant component but showed a gradual decline in its share, particularly in non-developmental areas such as salaries, pensions, and interest payments, decreasing from 82.36% in the 13th FC to 77.99% in the 15th FC.
- Infrastructure Focus:
  - Capital expenditure, which supports long-term asset creation and infrastructure, grew faster than revenue expenditure during the 15th FC period, with a compound annual growth rate (CAGR) of 13.13%.
  - The capital expenditure-to-GSDP ratio reached its highest level during the 15th FC, emphasizing a strategic shift towards infrastructure development, particularly in transport, health, and other capital-intensive sectors.
- Increase in Developmental Expenditure:

- Developmental expenditure consistently increased as a percentage of total expenditure, averaging 51.9% during the 15th FC period, indicating prioritization of sectors like education, health, and welfare.
- Non-developmental expenditure, including administrative and interest payments, saw a relative decline, freeing up fiscal resources for growth-oriented sectors.
- Reduction in Committed Expenditure:
  - The share of committed expenditures (salaries, pensions, and interest payments) in revenue expenditure decreased from 61% in the 13th FC to 55% in the 15th FC period, reflecting a more efficient allocation of fiscal resources. This reduction allowed increase developmental and capital expenditures, particularly in infrastructure and social sectors.
- Focus on economic and social services:
  - A growing portion of CE was directed toward economic services, particularly transport and communication, which experienced significant growth during the 15th FC period.
  - Social services, particularly health, also saw increased capital investment, reflecting commitment to improving public health infrastructure.
- Strategic Emphasis on Infrastructure:
  - The increased focus on capital expenditure underscores Maharashtra's long-term strategy of fostering infrastructure-driven economic growth, which is expected to enhance productivity and stimulate further economic development.

- The rising CE-to-GSDP ratio is a key indicator of this strategic shift, particularly with higher allocations to sectors critical for sustaining future growth.
- **Balanced Fiscal Approach:**
  - Maharashtra's fiscal strategy reflects a balanced approach by reducing non-productive expenditures while increasing capital and developmental spending, particularly in growth-enabling sectors.
- **Implications for Future Economic Growth:**
  - The chapter's analysis points to a reorientation of public spending toward infrastructure and developmental investments, positioning Maharashtra for sustained economic and social progress.
  - The state's shift toward a more capital-intensive expenditure structure, coupled with increased fiscal efficiency, provides a positive outlook for continued growth and socio-economic development.

## **CHAPTER V**

### **ANALYSIS OF DEFICIT- FISCAL AND REVENUE**

#### **5.1 Introduction:**

State governments are important in implementing fiscal policies in India, undertaking more than half of general government spending. This requires a thorough analysis of the deficits, both fiscal and revenue. These two deficits affect the state's financial health and ability to meet expenditure obligations without compromising economic stability.

Fiscal deficit, defined as the excess of total expenditure over total receipts net of debt receipts of the government (excluding borrowing), is a critical indicator of fiscal health. It reflects the state's total borrowing requirements. On the other hand, a revenue deficit results in a shortfall between revenue receipts and expenditures, giving insight into the state's ability to fund its day-to-day operations.

The Maharashtra Government set revenue and fiscal deficit targets under the Maharashtra Fiscal Responsibility and Budgetary Management (FRBM) Act, 2005. The state government has amended this act from time to time, with the objective of achieving inter-generational equity in fiscal management and long-term macroeconomic stability. This chapter analyzes the fiscal and revenue deficits mentioned in the Finance Commission's ToR.

#### **5.2 Revenue Deficit:**

The following table gives the state's revenue deficit over the period from 2010-11 to 2023-24, both in absolute terms and as a percentage of the Gross State Domestic Product (GSDP), based on the base year 2011-12.

The revenue deficit has fluctuated significantly over the years. There were periods of surplus in 2012-13, 2017-18, and 2018-19. The highest deficit was recorded in 2020-21, amounting to 41142 crores, coinciding with the economic impact of the COVID-19 pandemic. As a percentage of GSDP, the revenue deficit also varied considerably. The average revenue deficit over the period is 0.37 percent of GSDP, reflecting moderate fiscal stress with notable exceptions.

The average revenue deficit over the period is 7984.5 crores, with a standard deviation of 12984.86 crores, indicating substantial variability.

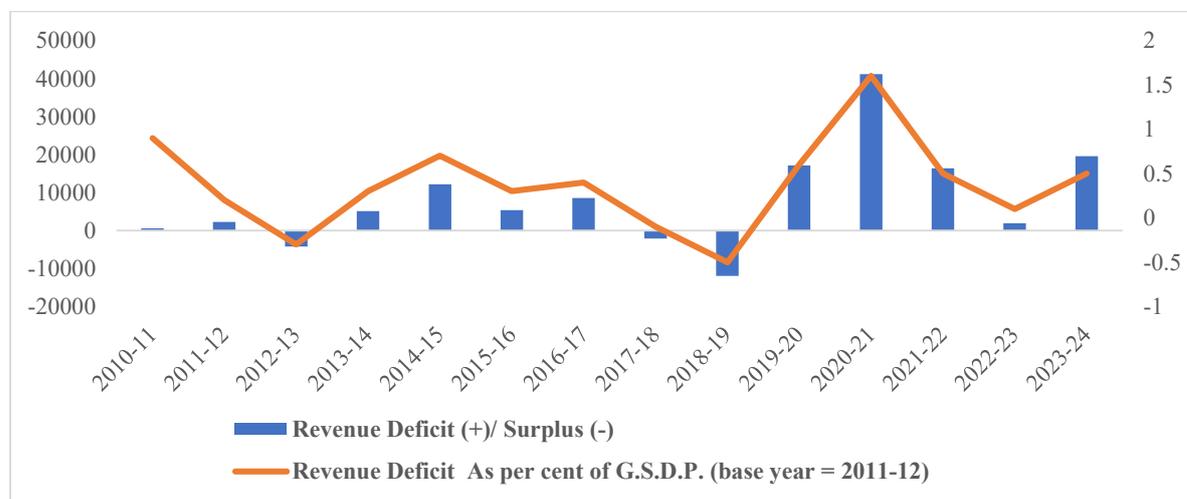
**Table 5.1: Revenue Deficits Across Finance Commission**

Years	Revenue Deficit (+)/ Surplus (-)	Revenue Deficit As per cent of GSDP (base year = 2011-12)
2010-11	591	0.9
2011-12	2268	0.2
2012-13	-4211	-0.3
2013-14	5081	0.3
2014-15	12137	0.7
2015-16	5338	0.3
2016-17	8536	0.4
2017-18	-2082	-0.1
2018-19	-11975	-0.5
2019-20	17116	0.6
2020-21	41142	1.6
2021-22	16374	0.5
2022-23	1936	0.1
2023-24	19532	0.5

*Source: Various Economic Survey of Maharashtra State*

The revenue deficit as a percentage of GSDP has a mean of 0.37 percent and a standard deviation of 0.52 percent, reflecting significant fluctuation.

**Figure 5.1: Revenue Deficit/Surplus and Revenue Deficit as Percentage of GSDP (2010-11 to 2023-24)**



The significant increase in the revenue deficit during 2020-21 underscores the economic challenges posed by the COVID-19 pandemic, impacting the state's fiscal balance. The lockdowns and restrictions implemented to control the virus spread resulted in decreased economic activity, reduced revenue collections, and increased expenditure on healthcare and social welfare measures. In 2021-22, there was a notable reduction in the deficit, suggesting some level of recovery as restrictions eased and economic activities gradually resumed, although the deficit remained above pre-pandemic levels.

To understand the revenue deficit trend as per the different periods of the Finance Commission, we arranged data accordingly.

**Table 5.2: Revenue Deficit and Percentage of GSDP by Finance Commission Periods**

<b>FC</b>	<b>Average Revenue Deficit (+)/ Surplus (-) (Rs. Cr.)</b>	<b>Average % to GSDP</b>
<b>13th FC</b>	3173.2	0.36
<b>14th FC</b>	3386.6	0.14
<b>15th FC (2020-21 to 2023-24 RE)</b>	19746	0.68

*Source: Authors Compilation*

During the 13th FC baring 2012-13, the state recorded a revenue deficit for all years. The 13th FC state saw a moderate revenue deficit, reflecting a balance between revenue collection and expenditure. The relatively low deficit percentage to GSDP indicated that the state could manage its finances without significant strain. During the 14th FC period, though in terms of absolute numbers, the deficit increased, and for the year 2018-19, the state recorded a significant surplus. The deficit as a percentage of GSDP decreased significantly. This decline suggests improving the state's revenue collection capabilities or a better alignment between revenue and expenditure. The period under the 15thFC marks a stark contrast to the previous years, with the average revenue deficit accounting for 0.68 percent of GSDP. This substantial increase is mainly attributable to the economic disruption caused by the COVID-19 pandemic.

### **5.2.1: Revenue Deficit Grant:**

The 15th FC recommended revenue deficit grants for seventeen states. Maharashtra state did not get the revenue deficit grant as 15<sup>th</sup> FC has projected that state will be revenue surplus. The 15<sup>th</sup> FC for the calculation of pre-devolution revenue deficit, the State accounts

were netted of Central transfers of all kinds both grants and tax devolution. Apart from revenue deficit grants 15<sup>th</sup> FC recommended grants and incentives for various sectors. The state's revenue deficit as a percentage of the GSDP is less than one percent, barring the COVID-19 pandemic 2020-21 year. Therefore, the State Government has never received revenue deficit grants from any of these finance commissions.

**Table 5.3: Post Devolution Revenue Grants Received by Maharashtra**

<b>Year</b>	<b>Projected Post devolution Revenue Deficit (+)/ Surplus (-) as per respective FCS</b>	<b>Grants given to cover Revenue Deficit</b>	<b>Actual Revenue Deficit</b>
<b>2010-11</b>	-24926	0	591
<b>2011-12</b>	-31581	0	2268
<b>2012-13</b>	-34283	0	-4211
<b>2013-14</b>	-43964	0	5081
<b>2014-15</b>	-55108	0	12137
<b>2015-16</b>	-26281	0	5338
<b>2016-17</b>	-28924	0	8536
<b>2017-18</b>	-32140	0	-2082
<b>2018-19</b>	-36069	0	-11975
<b>2019-20</b>	-40861	0	17116
<b>2020-21</b>	Not Available	0	41142
<b>2021-22</b>	-17019	0	16374
<b>2022-23</b>	-28371	0	1936

*Source: Various Economic Survey of Maharashtra State*

### **5.3: Fiscal Deficit in Maharashtra:**

Now, we will analyze the state's fiscal deficits. The following table gives information on the fiscal deficit in absolute terms and as a percentage of GSDP for 2010-11 to 2023-24. The state's budgetary deficit shows an increasing trend over time.

In spite of the growing deficit in absolute terms, the economy's GSDP growth outpaced the increase in fiscal deficit, reflecting better fiscal health. The COVID-19 Pandemic year has caused a sharp increase, with the fiscal deficit rising to 2.7 percent of GSDP.

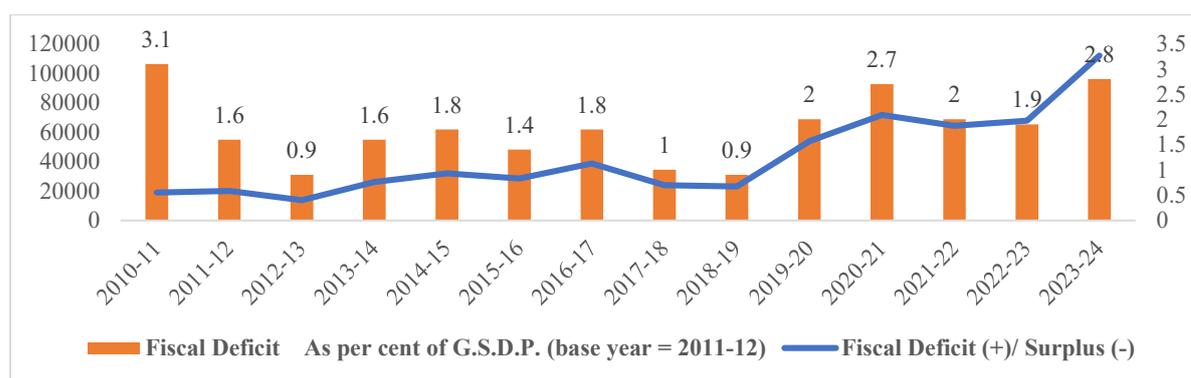
**Table 5.4: Fiscal Deficit and Percentage of GSDP of Maharashtra (2010-11 to 2023-24)**

Years	Fiscal Deficit (+)/ Surplus (-)	Fiscal Deficit As per cent of G.S.D.P.
2010-11	18857	3.1
2011-12	19969	1.6
2012-13	13740	0.9
2013-14	26018	1.6
2014-15	31827	1.8
2015-16	28364	1.4
2016-17	38596	1.8
2017-18	23961	1
2018-19	23015	0.9
2019-20	53886	2
2020-21	71558	2.7
2021-22	64302	2
2022-23	67602	1.9
2023-24	111956	2.8

Source: Various Economic Survey of Maharashtra State

This rise is due to increased government spending on pandemic relief and lower revenues.

**Figure 5.2: Fiscal Deficit as a percentage of GSDP (2010-11 to 2023-24)**



Despite signs of recovery in 2021-22 and 2022-23, fiscal pressures remained, as indicated by the ₹1,11,956 crore deficit in 2023-24. This substantial increase may be attributed to ongoing government spending on capital projects, social programs, or debt servicing, along with challenges in revenue recovery.

In the years prior to the pandemic, the fiscal deficit as a percentage of GSDP demonstrated a downward trend, which undermined prudent fiscal management and efficient resource allocation.

#### **5.4: Major Findings and Conclusion:**

##### **Findings:**

- The revenue deficit fluctuated over the years, with occasional surpluses during 2012-13, 2017-18, and 2018-19.
- The 13th Finance Commission (FC) period (2010-15) showed moderate deficits, with an average of ₹3,173.2 crores and 0.36% of GSDP.
- The 14th FC period (2015-20) had higher absolute deficits, though the average deficit percentage reduced to 0.14% of GSDP, reflecting improved fiscal management.
- The 15th FC period (2020-24) showed a significant rise in deficits, with an average of ₹19,746 crores and 0.68% of GSDP, mainly due to the COVID-19 pandemic disrupting economic activity and increasing public expenditure.
- A notable peak in revenue deficit occurred in 2020-21, amounting to ₹41,142 crores (1.6% of GSDP), reflecting the impact of lockdowns and healthcare expenses.
- The trend indicates increasing fiscal pressure, with the average deficit rising across successive Finance Commissions.

##### **Conclusion:**

The analysis highlights that while there were intermittent improvements, especially during the 14th Finance Commission period, the overall trend points towards growing fiscal imbalances. The 15th Finance Commission period was marked by heightened deficits due to the COVID-19 pandemic, underscoring the vulnerability of state finances to economic shocks. Sustainable economic recovery and fiscal stability will require enhanced revenue generation and judicious public spending to mitigate future fiscal challenges effectively.

## **CHAPTER-VI**

### **THE LEVEL OF DEBT**

#### **6.1 Introduction**

Ensuring the sustainable level of debt is an important aspect of the finances of the government. The excessive level of debt leads to various undesirable outcomes such as high requirements of interest payments, high long-term interest rates, crowding out of private investment, lesser accumulation of capital stock in the economy, lower economic growth, and so on (Rugy and Salmon 2020).

Therefore, the government makes efforts to reduce its debt to a sustainable level, ensuring its ability to meet current and future obligations without falling into a debt trap or default (Blanchard et al., 1991). The government, therefore, manages its debt such that the above obligations are met while ensuring the required amount for development and achieving goals set under a rule-based fiscal policy framework.

In this section, we examine the trends and patterns in the debt taken by the Government of Maharashtra, as well as the composition of debt and its implications on the state finances from 2010-11 to 2024-25 (BE).

#### **6.2 Constituents of total debt stock**

The total debt stock or outstanding liabilities indicates the debt accumulated by states from past borrowing. It includes borrowings using market-based instruments as well as liabilities on public accounts. Every year, the states repay a part of the debt stock and make fresh borrowing, and the net amount is added to the existing debt stock. A higher debt stock implies a higher repayment obligation in the coming years.

The total debt stock comprises the following components

1. Public Debt (a + b)
  - a. Internal Debt (Market Loans, WMA from the RBI, Negotiated loans from Banks and FIs)
  - b. Loans and Advances from the Central Government
2. Provident fund, Small Savings etc.
3. Other interest-bearing obligations (a + b)

- a. Reserve funds
- b. Deposits bearing interest
- 4. Other non-Interest-bearing obligations (a + b)
  - a. Reserve funds
  - b. Deposits bearing interest
- 5. Off-budget debt stock
- 6. Contingency Fund

Public Debt of the state denotes liabilities payable by the State Government, which are contracted against the Consolidated Fund of the State, as provided under Article 266 (1) of the Constitution. In addition to public debt, receipts and Disbursements in respect of certain transactions such as Small Savings (Insurance funds and Pension funds), Provident Funds, Reserve Funds, Deposits, Suspense, Remittances etc., the government set up the Public Fund under Article 266 (2) of the Constitution. For these funds, the Government acts like a banker and are not subject to vote by the State Legislature. The balance after disbursements is the fund available with the Government for use.

Since data on debt taken from Provident Funds and Small Savings under Public Account are reported separately from other interest-bearing obligations and other non-interest-bearing obligations by the Government, we follow the same convention.

The off-budget borrowings refer to the financial resources that are mobilized by the government but not reflected in the budget document of that year. As a result, they remain outside the legislative oversight. These resources comprise borrowings by the government owned entities such as public sector enterprises or departmental commercial undertakings. However, the government has to repay or service the debt from its annual financial statement.

As per the Medium-Term Fiscal Policy Statement 2008-09 of the Government of Maharashtra, the State Government had completely stopped off-budget borrowings from the year 2005-06.

### **6.3 Total debt stock and its components**

The components of total debt stock presented in the Table 6.1 and Table 6.2 indicates that Public Debt stock is the major constitute of total debt stock (above 82 per cent) followed by

Other Interest-Bearing Obligations (about 8.9 per cent), Other non-Interest-Bearing Obligations, and Provident Fund etc. (about 4 per cent) during the Fifteenth FC. The total Public Account debt, thus, constitute about 17 per cent of total debt stock. There is clear reduction in off-budget borrowing during the period under consideration and in the year 2024-25 it is budgeted to be eliminated.

**Figure 6.1: Components of Total Debt Stock of GoM from 2010-11 to 2024-25 (Rs. Cr.)**



**Table 6.1: Total Debt Stock and Components (Rs. crores) from 2010-11 to 2024-25 (BE)**

Year	Consolidate Fund	Public Account			Off-Budget Debt	Contin-gency Fund	Total Debt Stock
	Public Debt	Provident Fund	Other Interest-Bearing Obligations	Other not Interest-Bearing Obligations			
<b>2010-11</b>	1,67,400 (71.6)	14,711 (6.3)	17,680 (7.6)	29,760 (12.7)	3,306 (1.4)	990 (0.42)	2,33,847 (100)
<b>2011-12</b>	1,85,394 (74.8)	16,972 (6.8)	21,531 (8.7)	21,429 (8.6)	2,079 (0.8)	500 (0.2)	2,47,905 (100)
<b>2012-13</b>	2,00,467 (70.7)	19,159 (6.8)	25,654 (9)	36,146 (12.8)	1,412 (0.5)	640 (0.23)	2,83,478 (100)
<b>2013-14</b>	2,16,909 (69.8)	21,053 (6.8)	30,164 (9.7)	41,146 (13.2)	1,229 (0.4)	140 (0.05)	3,10,641 (100)
<b>2014-15</b>	2,37,455 (73.5)	22,313 (6.9)	33,483 (10.4)	26,497 (8.2)	1,011 (0.3)	2150 (0.67)	3,22,908 (100)
<b>2015-16</b>	2,65,388 (75.4)	23,521 (6.7)	34,743 (9.9)	27,677 (7.9)	550 (0.2)	150 (0.04)	3,52,029 (100)
<b>2016-17</b>	3,01,838 (76.2)	24,645 (6.2)	38,285 (9.7)	31,089 (7.8)	51 (0)	150 (0.04)	3,96,058 (100)
<b>2017-18</b>	3,34,131 (77.2)	25192 (5.8)	43,047 (10)	30,051 (6.9)	51 (0)	150 (0.03)	4,32,622 (100)
<b>2018-19</b>	3,35,022 (76.3)	25,684 (5.9)	46,396 (10.6)	29,668 (6.8)	51 (0)	2,150 (0.49)	4,38,971 (100)
<b>2019-20</b>	3,67,549 (76.4)	27,450 (5.7)	56,065 (11.7)	28,822 (6)	51 (0)	1,150 (0.24)	4,81,087 (100)
<b>2020-21</b>	4,28,481 (78.1)	28,190 (5.1)	62,395 (11.4)	29,099 (5.3)	20 (0)	150 (0.03)	5,48,335 (100)
<b>2021-22</b>	4,83,035 (79.6)	29,157 (4.8)	64,657 (10.7)	29,433 (4.9)	20 (0)	150 (0.02)	6,06,452 (100)
<b>2022-2023</b>	5,32,942 (80.6)	29,733 (4.5)	66,540 (10.1)	31,524 (4.8)	20 (0)	150 (0.02)	6,60,909 (100)
<b>2023-2024 (RE)</b>	6,25,465 (84.4)	28,742 (3.9)	57,051 (7.7)	29,858 (4)	20 (0)	150 (0.02)	7,41,286 (100)
<b>2024-25 (BE)</b>	7,05,738 (86.9)	27,380 (3.4)	49,873 (6.1)	28,935 (3.6)	0 (0)	150 (0.02)	8,12,076 (100)

Source: Budget Document, Finance Department, Government of Maharashtra for various years.

**Table 6.2: Total Debt Stock and Components by FCs (Rs. Cr.)**

FC		Public Debt	Provident Fund etc.	Other Interest-Bearing Obligations	Other not Interest-Bearing Obligations	Off-Budget Debt	Contingency Fund	Total Debt Stock
13 <sup>th</sup>	Mean	201525	18842	25702	30996	1807	884	279756
	% to Total Debt Stock	72.0	6.7	9.2	11.1	0.6	0.3	100
14 <sup>th</sup>	Mean	320786	25299	43707	29461	151	750	420153
	% to Total Debt Stock	76.3	6.0	10.4	7.0	0.0	0.2	100
15 <sup>th</sup>	Mean	555132	28640	60103	29770	16	150	673811
	% to Total Debt Stock	82.4	4.3	8.9	4.4	0.0	0.0	100

Source: Author's own calculation based on data from Budget Document, Finance Department, Government of Maharashtra for various years.

During the Fifteenth FC period, however, the government reported an increase in the share of public debt (about 82 per cent) while reduction in public account obligation (about 18 per cent). The increase in public debt was mainly due to increase in Loans and Advances from Central Government and reduction in share of Provident Fund etc. and Other not Interest-Bearing Obligations (about 4 per cent) during post-Covid period as compared to previous two FCs.

#### 6.4 Components of Public Debt Stock

Public debt constitutes internal debt and loans and advances from the Central Government. There was considerable change in the composition of public debt observed during the period under consideration. During Thirteenth and Fourteenth FCs, there was gradual increase in share of internal debt stock and consequent reduction in loans and advances from the Centre. However, during Fifteenth FC, the State reported decline in internal debt (from 98.3 per cent in 2019-20 to 90.3 per cent in 2024-25) and rise in loans and advances from the Centre (from 1.7 per cent to 9.7 per cent during the same period) (Table 6.3 and Table 6.4). The increasing

reliance on the loans and advances from the Centre can also be witnessed from its rising share in total debt stock (which increased from 1.4 per cent to 8.8 per cent during the same period).

The increase in loans and advances from the Centre during the Fifteenth FC was due to back to Back Loans to States in Lieu of GST Compensation Shortfall in 2020-21 and 2021-22 (Rs. 11,977 crore and Rs, 13,782 crores respectively). During 2021-22, 2022-23, 2023-24, and 2024-24, the state had also received Interest Free Loans to Schemes for Special Assistance to States for Capital Expenditure from the Centre (Rs. 772 crores, Rs. 6,744 crores, Rs. 8,923 crores, and Rs. 5,450 crores respectively). This loan was extended in the wake of COVID-19 Pandemic for a timely boost to capital spending by States.

Under Back Loans to States in Lieu of GST Compensation Shortfall, the state does not have repayment liability. As per Department of Expenditure, Ministry of Finance, Government of India, the borrowings under the Special Window was not treated as debt of the State for any norms prescribed by the Finance Commission etc. Similarly, Interest Free Loans to Schemes for Special Assistance to States for Capital Expenditure does not have interest payment liability for the state. As a result, the enhanced loan under these two categories would not put much of a stress on the state finances than otherwise.

**Table 6.3: Composition of public debt stock (in Rs. Crores) and as percentage of total public debt and total debt stock**

FC	Year	Internal Debt of the State Government	Loans and Advances from Central Government	Public Debt	As a percentage of Total Public Debt		As percentage of total Debt Stock	
					Internal Debt of the State Government	Loans and Advances from Central Government	Internal Debt of the State Government	Loans and Advances from Central Government
<b>Thirteenth</b>	2010-11	1,58,314	9,086	1,67,400	94.6	5.4	77.9	4.5
	2011-12	1,76,622	8,772	1,85,394	95.3	4.7	78.2	3.9
	2012-13	1,91,637	8,830	2,00,467	95.6	4.4	77.7	3.6
	2013-14	2,08,016	8,893	2,16,909	95.9	4.1	77.2	3.3
	2014-15	2,28,905	8,549	2,37,455	96.4	3.6	77.8	2.9
<b>Fourteenth</b>	2015-16	2,57,159	8,229	2,65,388	96.9	3.1	79.3	2.5
	2016-17	2,93,952	7,886	3,01,838	97.4	2.6	80.6	2.2
	2017-18	3,27,026	7,105	3,34,131	97.9	2.1	81.3	1.8
	2018-19	3,28,522	6,500	3,35,022	98.1	1.9	80.7	1.6
	2019-20	3,61,132	6,417	3,67,549	98.3	1.7	80.1	1.4
<b>Fifteenth</b>	2020-21	4,08,036	20,445	4,28,481	95.2	4.8	78.6	3.9
	2021-22	4,45,079	37,956	4,83,035	92.1	7.9	77.2	6.6
	2022-2023	4,85,782	47,160	5,32,942	91.2	8.8	77.2	7.5
	2023-2024 (RE)	5,64,814	60,651	6,25,465	90.3	9.7	79.4	8.5
	2024-25 (BE)	6,37,141	68,597	7,05,738	90.3	9.7	81.4	8.8

Source: The author's own calculation is based on data from Budget Document, Finance Department, Government of Maharashtra for various years.

**Table 6.4: Composition of Public Debt Stock by FC as percentage of Total Public Debt Stock and Total Debt Stock**

FC	As percentage of Total Public Debt		As percentage of total Debt Stock	
	Internal Debt of the State Government	Loans and Advances from Central Government	Internal Debt of the State Government	Loans and Advances from Central Government
<b>Thirteenth</b>	95.6	4.4	77.7	3.6
<b>Fourteenth</b>	97.7	2.3	80.4	1.9
<b>Fifteenth</b>	91.5	8.5	78.9	7.3

*Source: Author's own calculation based on data from Budget Document, Finance Department, Government of Maharashtra for various years.*

### **6.5 Internal Debt Stock**

Internal debt comprises

- 1) Market Loans
- 2) Ways and Means Advances from the RBI
- 3) Loans from Banks and Financial Institutions.

The State Government raises market loans from three major sources

- i) State Development Loans (SDL), ii) Power sector bonds (UDAY/Power Bonds), and iii) Loans from National Small Savings Fund (NSSF)

The RBI also gives loans to State Governments to handle temporary mismatch in the cash requirements. This loan is called as a Ways and Means Advance and the rate of interest on the WMA is linked to the repo rate. The State Governments also borrow from banks and Financial Institutions like SBI and other banks, LIC, GIC, NABARD, and NCDC. For the period 2010-11 to 2023-24, the Government of Maharashtra has not resorted to WMA.

**Table 6.5: Composition of Internal Debt Stock from Agencies from 2010-11 to 2023-24 (Rs. Cr.)**

Year	Market Borrowing				Loans from Agencies						Loans from Banks and Fls	Total Internal Debt
	SDLs	UDAY / Power Bonds	Compen sation and other bonds	NSSF	Loans from LIC	Loans from GIC	Loans from NABA RD	Loans from SBI and Other Banks	Loans from NCD C	Loans from other Institutions		
1	2	3	4	5	6	7	8	9	10	11	12= (6 to 11)	13= (2 to 5) +12
2010-11	69,877	509	-	81,185	1,638	-1	2,944	2	596	1,542	6,721	1,58,294
2011-12	89,397	407	3	80,012	1,387	-	3,507	2	619	1,267	6,782	1,76,601
2012-13	1,05,823	306	3	79,076	1,137	-	3,691	2	578	1,001	6,409	1,91,616
2013-14	1,25,028	255	3	76,791	927	-1	3,749	2	476	757	5,909	2,07,985
2014-15	1,47,394	102	3	75,986	717	-1	3,671	2	364	588	5,341	2,28,825
2015-16	1,76,494	-	3	75,699	507	-1	3,770	2	242	423	4,944	2,57,139
2016-17	2,11,883	4,960	3	70,645	353	-1	5,705	2	150	255	6,465	2,93,954
2017-18	2,48,363	4,960	3	65,445	199	-1	7,244	2	685	44	8,174	3,26,944
2018-19	2,51,470	4,960	3	60,136	66	-1	11,827	2	31	-45	11,880	3,28,448
2019-20	2,84,468	4,960	2	54,755	-1	-	16,911	2	-16	-27	16,869	3,61,055
2020-21	3,34,490	4,960	2	49,374	-1	-	19,227	2	-43	-27	19,159	4,07,984
2021-22	3,80,240	-	2	43,993	-1	0	20,917	2	-65	-27	20,826	4,45,061
2022-23	4,23,054	-	1	38,613	1	0	23,988	2	-85	247	24,150	4,85,818
2023-24	4,92,791	-	1	33,232	-1	0	27,682	2	-87	747	28,342	5,54,366

Source: RBI data on State Finances

The composition of outstanding liabilities under the Internal Debt of the State Government reported a significant change between State Development Loans (SDLs) and Loans from NSSF. SDLs are coupon bearing securities issued by State Governments. The share of SDLs in total outstanding liabilities under internal debt has drastically increased from 44.14 per cent in 2010-11 to 88.89 per cent in 2023-24. Whereas, share of Loans from NSSF has declined drastically from 51.21 per cent to 5.99 per cent during the same period.

Following the recommendation of Fourteenth Finance Commission, the State Governments were excluded from the NSSF investment, with effect from 1<sup>st</sup> April 2016. As a result, the outstanding liabilities under the NSSF has reduced drastically with discharge of outstanding NSSF debt obligations and no fresh loans on the account.

The weighted average maturity (WAM) of the Government of Maharashtra's outstanding debt stock of SLDs has declined from 6.25 years in 2018 to 5.76 years in 2023 while all India average has increased from 6.82 years to 8.14 years (Table 6.6). This indicates that the Government of Maharashtra has inclined more towards short tenure bonds in last six years and as compared to others.

**Table 6.6: Weighted Average Maturity (WAM) of outstanding stock of SDLs/SGSs (in Years)**

<b>End-March</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Maharashtra</b>	6.25	5.82	5.81	5.63	5.85	5.76
<b>All India</b>	6.82	6.73	6.95	7.23	7.53	8.14

*Source: Status Paper on Government Debt for various years, Budget Division, Department of Economic Affairs, Ministry of Finance, Government of India.*

Table 6.7 reports the Weighted Average Coupon (WAC) on outstanding liabilities of Maharashtra and All India Average for the period 2019 to 2023. For Maharashtra, the WAC is slightly lower than the All India Average.

The Weighted Average Yield (WAY) on primary issuance of SDLs of Maharashtra is slightly higher than the GOI securities. The spread over the WAY of Central Govt. Securities (primary issuances) of Maharashtra has reached the peak during 0.64 bps in 2019-20 and then declined to 0.35 bps in 2022-23. It was also lower than the All India Average as well as reported a slight decline over the period. This indicates improved market perception of fiscal prudence of the State resulting in favourable interest rate environment.

**Table 6.7: Weighted Average Coupon (WAC)/Yield (WAY) on SDLs/SGSs and Spread over WAY of Central Government Securities (in per cent)**

	<b>WAC – Outstanding at end-March</b>	<b>WAY - Primary Issuances in</b>	<b>Spread over the WAY of Central Govt. Securities (primary issuances) in</b>
<b>Year</b>	<b>2018-19</b>	<b>2018-19</b>	<b>2018-19</b>
<b>Maharashtra</b>	8.09	8.16	0.39
<b>All States</b>	8.2	8.31	0.54
<b>Year</b>	<b>2020</b>	<b>2019-20</b>	<b>2019-20</b>
<b>Maharashtra</b>	7.96	7.48	0.64
<b>All States</b>	8.03	7.22	0.38
<b>Year</b>	<b>2020- 21</b>	<b>2020- 21</b>	<b>2020- 21</b>
<b>Maharashtra</b>	7.62	6.25	0.46
<b>All States</b>	7.71	6.52	0.73
<b>Year</b>	<b>2021-22</b>	<b>2021-22</b>	<b>2021-22</b>
<b>Maharashtra</b>	7.41	6.82	0.54
<b>All States</b>	7.56	6.97	0.69
<b>Year</b>	<b>2022-23</b>	<b>2022-23</b>	<b>2022- 23</b>
<b>Maharashtra</b>	7.45	7.67	0.35
<b>All States</b>	7.55	7.71	0.39

*Source: Status Paper on Government Debt for various years, Budget Division, Department of Economic Affairs, Ministry of Finance, Government of India.*

Under the Ujwal Discom Assurance Yojana (UDAY) scheme (2015), restructuring of a part of Discom liabilities was undertaken by the Government of Maharashtra. Out of total Rs. 22,097 crores of liabilities of the Discom, the Government of Maharashtra undertook restructuring of Rs. 6,613 crores of liabilities. Out of total Rs. 6,613 crores, total bonds issues under the UDAY scheme was Rs. 4,959.75 crores during 2016-17 and remainder was to be issued by Discom (Rs. 1,653 crores). The amount raised under the special issue of bonds was to be repaid by MSEDCL in five instalments i.e. Rs. 991.75 crore in the first year (2016-17) and Rs. 992 crores

in subsequent years (2017-18 to 2020-21). In the year 2020-21, the Government of Maharashtra released a grant of Rs. 992 crores to the DISCOM for repayment of the last instalment (Ministry of Power, Government of India, 2023).

A significant compositional change can be observed in loans from agencies. From 2010-11 to 2018-19, the borrowing from important sources like Loans from LIC, Loans from NCDC, and Loans from other Institutions came to an end. These sources were replaced by Loans from NABARD. The outstanding debt under this category reported a tremendous growth rate of 21.51 per cent during 2010-11 to 2023-24 whereas its share in total internal debt stock increased from 1.86 per cent to 4.99 per cent during the same period. Considering the increasing reliance on the Loan from NABARD, it would relatively reduce the burden of interest payment in future as compared to other sources like LIC, NCDC. It also implies channelling of resources towards crucial sector of Agriculture and Social sectors.

#### **6.6 Loans taken in Public Accounts**

The share of debt stock from public account to total debt stock is showing a declining trend over the period. The share of Provident Fund and Small Savings in total debt stock declined from 6.29 per cent in 2010-11 to 3.37 per cent in 2024-25 (Table 6.8). Similarly, share of Deposits Bearing Interest debt stock was more than 8 per cent during most of the year and reported declining trend in recent three years (5.51 per cent in 2024-25). The reserved funds not bearing interest rate has also drastically come down from 8.21 per cent in 2010-11 to 0.69 per cent in 2024-25.

The components of public account also reported a compositional shift. The share of Provident Fund and Small Savings debt stock improved from 23.63 per cent in 2010-11 to 25.78 per cent in 2024-25. The share of Deposits Bearing Interest debt stock increased from 28.0 per cent in 2010-11 to 42.17 per cent in 2024-25. On the other hand, reserve funds not bearing interest rate has declined from 30.91 per cent in 2010-11 to 5.31 per cent in 2024-25.

**Table 6.8: Components of Public Account Debt Stock (in Rs. Crore)**

Year	Provident Fund and Small Savings	Reserve Fund Bearing Interest	Deposits Bearing Interest	Reserve Fund Not Bearing Interest	Deposits Not Bearing Interest	Public Account	As percentage of Total Debt Stock					
							Provident Fund and	Reserve Fund Bearing	Deposits Bearing	Reserve Fund Not Bearing	Deposits Not Bearing	Public Account
2010-11	14,711	279	17,401	19,211	10,549	62,151	6.29	0.12	7.44	8.21	4.51	26.58
2011-12	16,972	393	21,138	10,077	11,352	59,932	6.85	0.16	8.53	4.06	4.58	24.18
2012-13	19,159	252	25,402	22,618	13,528	80,959	6.76	0.09	8.96	7.98	4.77	28.56
2013-14	21,053	172	29,992	25,438	15,708	92,363	6.78	0.06	9.65	8.19	5.06	29.73
2014-15	22,313	129	33,353	9,731	16,767	82,293	6.91	0.04	10.33	3.01	5.19	25.48
2015-16	23,521	138	34,605	9,402	18,275	85,941	6.68	0.04	9.83	2.67	5.19	24.41
2016-17	24,645	441	37,845	9,198	21,892	94,020	6.22	0.11	9.56	2.32	5.53	23.74
2017-18	25,192	485	42,562	8,959	21,092	98,290	5.82	0.11	9.84	2.07	4.88	22.72
2018-19	25,684	203	46,193	7,885	21,783	1,01,748	5.85	0.05	10.52	1.80	4.96	23.18
2019-20	27,450	3,985	52,080	7,722	21,100	1,12,337	5.71	0.83	10.83	1.61	4.39	23.35
2020-21	28,190	4,642	57,753	7,666	21,433	1,19,684	5.14	0.85	10.53	1.40	3.91	21.83
2021-22	29,157	4,799	59,858	7,501	21,932	1,23,247	4.81	0.79	9.87	1.24	3.62	20.32
2022-2023	29,733	5,512	61,028	7,039	24,484	1,27,797	4.50	0.83	9.23	1.07	3.70	19.34
2023-2024 (RE)	28,742	5,039	52,012	6,389	23,469	1,15,651	3.88	0.68	7.02	0.86	3.17	15.60
2024-25 (BE)	27,380	5,091	44,782	5,640	23,295	1,06,188	3.37	0.63	5.51	0.69	2.87	13.08

Source: Budget Document, Finance Department, Government of Maharashtra for various years.

**Table 6.8: Components of Public Account Debt Stock (in Rs. Crore) Continue...**

Year	As percentage of Total Public Account				
	Provident Fund and Small Savings	Reserve Fund	Deposits Bearing Interest	Reserve Fund Not Bearing Interest	Deposits Not Bearing Interest
2010-11	23.67	0.45	28.00	30.91	16.97
2011-12	28.32	0.66	35.27	16.81	18.94
2012-13	23.67	0.31	31.38	27.94	16.71
2013-14	22.79	0.19	32.47	27.54	17.01
2014-15	27.11	0.16	40.53	11.82	20.37
2015-16	27.37	0.16	40.27	10.94	21.26
2016-17	26.21	0.47	40.25	9.78	23.28
2017-18	25.63	0.49	43.30	9.11	21.46
2018-19	25.24	0.20	45.40	7.75	21.41
2019-20	24.44	3.55	46.36	6.87	18.78
2020-21	23.55	3.88	48.25	6.40	17.91
2021-22	23.66	3.89	48.57	6.09	17.80
2022-2023	23.27	4.31	47.75	5.51	19.16
2023-2024 (RE)	24.85	4.36	44.97	5.52	20.29
2024-25 (BE)	25.78	4.79	42.17	5.31	21.94

Source: Budget Document, Finance Department, Government of Maharashtra for various years.

## **6.7 Component-wise share in total debt stock**

The component-wise share of total debt stock indicates a compositional shift. The share of Public Debt stock has gradually increased, especially in the past six years from 76.40 per cent in 2019-20 to 86.91 per cent in 2024-25 (Table 6.9). The share of Provident Fund and Small Saving reported declining trend from 6.29 per cent in 2010-11 to 3.37 per cent in 2024-25. Whereas, Other Interest-Bearing Obligation reported gradual increase from 7.56 per cent in 2010-11 to 11.65 per cent in 2019-20 and fell to 6.14 per cent in 2024-25.

This implies that the State is more inclined towards Public Debt over the period and reliance on Public Account borrowings have gone down. Similarly, Loans and Advances from Central Government has reported improvement in total debt stock during the post-COVID period.

Within the Public Debt, the State is increasingly relying on market borrowing in the form of SDLs and the share has increased from 29.88 per cent 2010-11 to 66.48 per cent in 2023-24.

Overall, there is a marked compositional shift observed during the period under consideration wherein the State has heavily relied on market borrowings in the form of SDLs.

**Table 6.9: Component wise share in total debt stock (in percentage)**

<b>Year</b>	<b>1. Public Debt (a) + (b)</b>	<b>(a) Internal Debt of the State Government</b>	<b>(a-i) SDLs</b>	<b>(a-ii) Loans from NABARD</b>	<b>(b) Loans and Advances from Central</b>	<b>2. Provident Fund etc.</b>	<b>3. Other Interest Bearing Obligations</b>	<b>(a) Reserve Fund</b>	<b>(b) Deposits Bearing Interest</b>	<b>4. Other not Bearing Interest Obligations</b>	<b>(a) Reserve Fund</b>	<b>(b) Deposits Bearing Interest</b>	<b>5. Off-Budget Debt</b>	<b>7. Total Debt Stock</b>
<b>2010-11</b>	71.59	67.70	29.88	1.26	3.89	6.29	7.56	0.12	7.44	12.73	8.21	4.51	1.41	100
<b>2011-12</b>	74.78	71.25	36.06	1.41	3.54	6.85	8.69	0.16	8.53	8.64	4.06	4.58	0.84	100
<b>2012-13</b>	70.72	67.60	37.33	1.30	3.11	6.76	9.05	0.09	8.96	12.75	7.98	4.77	0.50	100
<b>2013-14</b>	69.83	66.96	40.25	1.21	2.86	6.78	9.71	0.06	9.65	13.25	8.19	5.06	0.40	100
<b>2014-15</b>	73.54	70.89	45.65	1.14	2.65	6.91	10.37	0.04	10.33	8.21	3.01	5.19	0.31	100
<b>2015-16</b>	75.39	73.05	50.14	1.07	2.34	6.68	9.87	0.04	9.83	7.86	2.67	5.19	0.16	100
<b>2016-17</b>	76.21	74.22	53.50	1.44	1.99	6.22	9.67	0.11	9.56	7.85	2.32	5.53	0.01	100
<b>2017-18</b>	77.23	75.59	57.41	1.67	1.64	5.82	9.95	0.11	9.84	6.95	2.07	4.88	0.01	100
<b>2018-19</b>	76.32	74.84	57.29	2.69	1.48	5.85	10.57	0.05	10.52	6.76	1.80	4.96	0.01	100
<b>2019-20</b>	76.40	75.07	59.13	3.52	1.33	5.71	11.65	0.83	10.83	5.99	1.61	4.39	0.01	100
<b>2020-21</b>	78.14	74.41	61.00	3.51	3.73	5.14	11.38	0.85	10.53	5.31	1.40	3.91	0.00	100
<b>2021-22</b>	79.65	73.39	62.70	3.45	6.26	4.81	10.66	0.79	9.87	4.85	1.24	3.62	0.00	100
<b>2022-23</b>	80.64	73.50	64.01	3.63	7.14	4.50	10.07	0.83	9.23	4.77	1.07	3.70	0.00	100
<b>2023-24 (RE)</b>	84.38	76.19	66.48	3.73	8.18	3.88	7.70	0.68	7.02	4.03	0.86	3.17	0.00	100
<b>2024-25 (BE)</b>	86.91	78.46	-	-	8.45	3.37	6.14	0.63	5.51	3.56	0.69	2.87	0.00	100

Source: Budget Document, Finance Department, Government of Maharashtra for various years.

**Table 6.10: Share of major components of debt in total yearly debt (in per cent)**

Source	Market loans	Loans from NABARD	Special Drawing Facility on 91 days	Internal Debt of the State Government	Loans and Advances from Central Government	Provident Fund etc.	Other Interest Bearing Obligations	Other not Bearing Interest Obligations	Reserve Fund not Bearing Interest Obligations	Deposits not Bearing Interest Obligations	Total Debt Stock
<b>2010-11</b>	23.18	1.40	0.00	40.16	1.65	7.83	12.37	38.00	5.62	32.38	100
<b>2011-12</b>	36.75	1.75	0.00	42.25	0.54	7.79	11.28	38.14	3.99	34.15	100
<b>2012-13</b>	30.13	1.18	0.00	36.79	1.29	8.20	15.45	38.27	4.28	33.99	100
<b>2013-14</b>	33.64	0.95	0.00	38.37	1.37	6.94	13.11	40.20	4.86	35.33	100
<b>2014-15</b>	32.60	0.91	0.00	45.73	0.70	6.03	12.82	34.71	4.85	29.86	100
<b>2015-16</b>	27.34	2.87	6.57	44.56	0.70	5.72	13.01	36.02	4.67	31.35	100
<b>2016-17</b>	44.91	2.70	0.00	47.65	0.63	4.94	11.91	34.87	5.31	29.55	100
<b>2017-18</b>	44.07	2.24	0.00	48.48	0.16	4.69	12.85	33.82	6.11	27.71	100
<b>2018-19</b>	26.25	6.76	0.00	32.31	0.43	6.12	18.67	42.47	1.16	41.31	100
<b>2019-20</b>	37.21	4.49	1.35	43.14	0.72	4.74	19.53	31.88	5.50	26.37	100
<b>2020-21</b>	40.19	1.96	18.15	60.30	8.74	3.06	11.04	16.86	2.77	14.08	100
<b>2021-22</b>	43.85	1.99	0.06	45.91	11.88	3.84	13.12	25.25	5.69	19.56	100
<b>2022-2023</b>	42.36	2.97	4.19	49.70	6.02	3.48	12.70	28.10	3.72	24.38	100
<b>2023-2024 RE</b>	52.44	2.04	7.15	63.01	7.80	2.61	8.46	18.13	1.67	16.46	100
<b>2024-2025 BE</b>	53.83	1.60	7.48	63.67	4.85	2.87	9.08	19.53	2.32	17.21	100

Source: Budget Document, Finance Department, Government of Maharashtra for various years.

## 6.8 Interest Payments to Revenue Expenditure

Since the Government of Maharashtra has changed its composition of borrowing, it further implies a change in the cost of borrowing and a change in the maturity structure of the debt. These two factors together impact on the interest liabilities of the government.

The interest payments as a percentage of revenue expenditure have reduced gradually from 13.89 per cent in Thirteenth FC to 10.98 per cent in Fifteenth FC period (Table 6.12).

Interest payments is one of the components of committed expenditure of the State and therefore reduction in it implies freeing of resources for developmental activities.

**Table 6.11: Interest payments as a percentage of Revenue Expenditure (2010-11 to 2024-25)**

<b>Year</b>	<b>Interest Payments</b>	<b>Revenue Expenditure</b>	<b>Interest Payments as % of Revenue Expenditure</b>
<b>2010-11</b>	15,648	1,06,459	14.70
<b>2011-12</b>	17,505	1,23,554	14.17
<b>2012-13</b>	19,076	1,38,736	13.75
<b>2013-14</b>	21,207	1,54,902	13.69
<b>2014-15</b>	23,965	1,77,553	13.50
<b>2015-16</b>	25,771	1,90,374	13.54
<b>2016-17</b>	28,532	2,13,229	13.38
<b>2017-18</b>	33,018	2,41,571	13.67
<b>2018-19</b>	34,021	2,67,022	12.74
<b>2019-20</b>	33,561	3,00,305	11.18
<b>2020-21</b>	36,970	3,10,610	11.90
<b>2021-22</b>	40,158	3,49,686	11.48
<b>2022-23</b>	41,689	4,07,614	10.23
<b>2023-24 RE</b>	48,578	4,65,645	10.43
<b>2024-25 BE</b>	56,727	5,08,492	11.16

*Source: Budget Document, Finance Department, Government of Maharashtra for various years.*

**Table 6.12: Interest Payments as a Percentage of Revenue Expenditure (Arranged by FC)**

FC	Average Interest Payments	Average Revenue Expenditure	Interest Payments as % of Revenue Expenditure
<b>Thirteenth</b>	19,480	1,40,241	13.89
<b>Fourteenth</b>	30,981	2,42,500	12.78
<b>Fifteenth</b>	44,824	4,08,409	10.98

*Source: Budget Document, Finance Department, Government of Maharashtra for various years.*

The reduction in interest payments over the period may also reflect a compositional shift towards lower cost sources of borrowings. As it is depicted in Table 6.13, the average cost of borrowing for the Government has declined.

**Table 6.13: Average rate of interest on Government borrowing (per cent)**

Year	Average rate of interest on Government borrowing (per cent)
<b>2010-11</b>	7.49
<b>2011-12</b>	7.51
<b>2012-13</b>	7.40
<b>2013-14</b>	7.52
<b>2014-15</b>	7.80
<b>2015-16</b>	7.70
<b>2016-17</b>	7.64
<b>2017-18</b>	7.97
<b>2018-19</b>	7.83
<b>2019-20</b>	7.32
<b>2020-21</b>	7.19
<b>2021-22</b>	6.96
<b>2022-23</b>	6.58

*Source: Various CAG reports*

The Government of Maharashtra's prudent debt management strategy has resulted in the lower average cost of borrowing in recent years. The Government has showcased prudent debt management by changing its debt composition towards low cost borrowing. During the period

under consideration, the Government has shifted its composition of debt towards market borrowing, especially in the form of SDLs which are comparatively low cost. At the same time, the Government has reduced its reliance on the Public Accounts, especially Provident Fund and Small Savings, etc. which are considered to be comparatively high cost borrowing. The Deposits Bearing Interest under the Public Account has also come down in recent years. Other components of Public Account have also reported decline in its share in the total debt stock, notably Reserve Funds and Deposits not bearing interest obligations. As a result, the average rate of interest on government borrowing reported decline over the years.

Overall, the lower average cost of borrowing resulting from the compositional shift further resulted in lowering of interest payment to revenue expenditure ratio during the period under consideration. It is also important to note that level of both WPI and CPI during the period 2011-12 to 2023-24 were rising and therefore the interest rate in India may have increased during this period. Thus, the lower cost of borrowing during the period under consideration reflects the cautious compositional shift rather than a favourable interest rate regime. This indicates better debt management practices undertaken by the Government of Maharashtra during this period.

### **6.9 Public Debt to GSDP**

As per the Fiscal Responsibility and Budget Management (FRBM) Act, 2005, amended and renamed as Fiscal Responsibility and Budgetary Management (Amendment) Rules, 2012, the targets were set for outstanding liabilities to ensure prudence in fiscal management and to maintain fiscal stability in the State. Similarly, the Thirteenth, Fourteenth, and Fifteenth Finance Commissions have also given indicative debt paths for the states.

Table 6.14 reports the actual debt to GSDP ratio of the Government of Maharashtra along with MFRBM Act targets and FCs targets. The Government's debt is marginally above the MFRBM Act but well within the FCs indicative debt path. The State has never exceeded 20 percent in the debt to GSDP ratio throughout the period under consideration, bearing two exceptions.

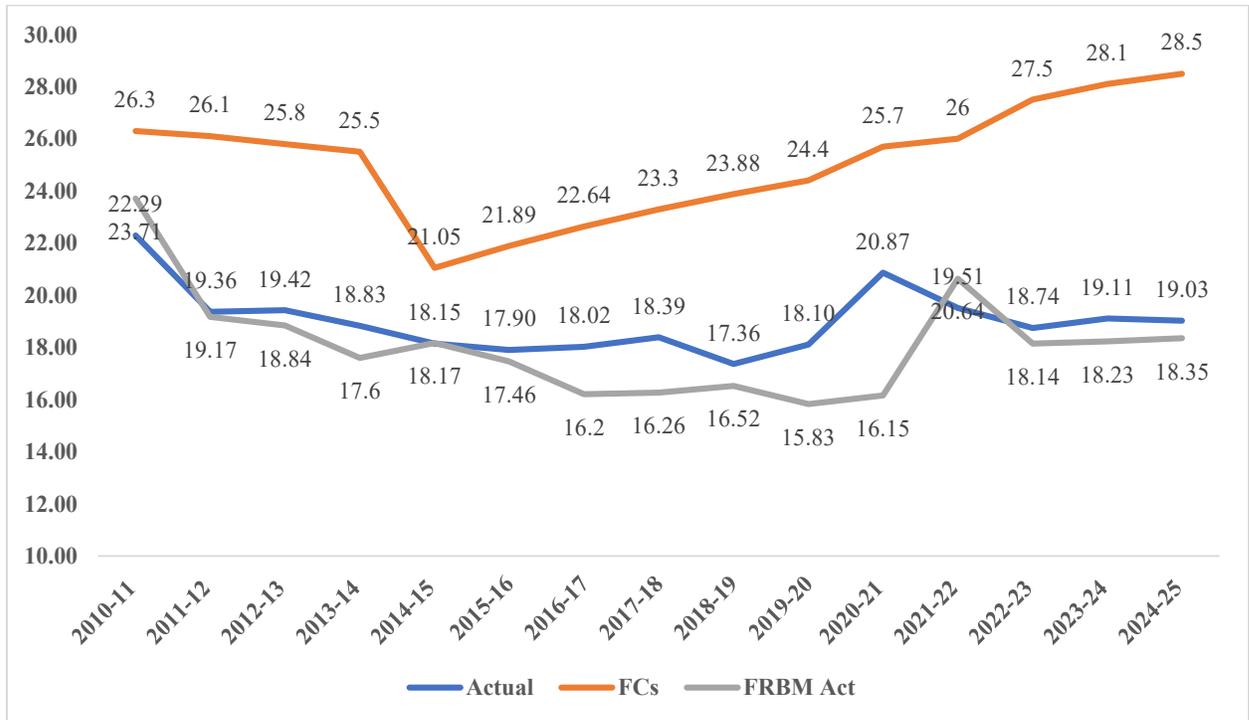
**Table 6.14: Year-wise actual, FCs indicative, and MFRBM Act debt to GSDP ratio (in %)**

<b>Year</b>	<b>Actual</b>	<b>FCs</b>	<b>MFRBM Act</b>
<b>2010-11</b>	22.29	26.30	23.71
<b>2011-12</b>	19.36	26.10	19.17
<b>2012-13</b>	19.42	25.80	18.84
<b>2013-14</b>	18.83	25.50	17.6
<b>2014-15</b>	18.15	21.05	18.17
<b>2015-16</b>	17.90	21.89	17.46
<b>2016-17</b>	18.02	22.64	16.2
<b>2017-18</b>	18.39	23.30	16.26
<b>2018-19</b>	17.36	23.88	16.52
<b>2019-20</b>	18.10	24.40	15.83
<b>2020-21</b>	20.87	25.70	16.15
<b>2021-22</b>	19.51	26.00	20.64
<b>2022-23</b>	18.74	27.50	18.14
<b>2023-24 RE</b>	19.11	28.10	18.23
<b>2024-25 BE</b>	19.03	28.50	-

*Source: Budget Document, Finance Department, Government of Maharashtra for various years and Finance Commissions Reports.*

The FCs-wise average debt stock and its components as a percentage of GSDP are reported in Table 6.15. The debt to GSDP ratio increased during the Thirteenth and Fourteenth FCs. However, in the aftermath of the COVID pandemic and its adverse implications on the economy and government revenues, the debt to GSDP ratio increased during the Fifteenth FC. The internal debt of the State Government has increased during the Fifteenth FC compared to previous two FCs. The Loans and Advances from the Centre have increased significantly during the Fifteenth FC period.

**Figure 6.2: Year-wise actual, FCs indicative, and MFRBM Act required debt to GSDP ratio (in per cent)**



During this period, the State received GST compensation of Rs. 25,759.36 crores, given to the State as a back-to-back loan under debt receipts. However, it would not be treated as the State's debt for any norms that may be prescribed by the Finance Commission. Even if we correct this, debt under this component is still high at 1.20 percent of GDP.

Moreover, reliance on the Provident Fund decreased during the Fifteenth FC period.

**Table 6.15: Debt Stock and Components as a percentage to GSDP by FCs**

<b>FC</b>	<b>1. Public Debt (a) + (b)</b>	<b>(a) Internal Debt of the State Government</b>	<b>(b) Loans and Advances from Central Government</b>	<b>2. Provident Fund etc.</b>	<b>3. Other Interest-Bearing Obligations (a) + (b)</b>	<b>(a) Reserve Fund</b>	<b>(b) Deposits Bearing Interest</b>	<b>3.1. Other not Bearing Interest Obligations (a) + (b)</b>	<b>(a) Reserve Fund</b>	<b>(b) Deposits Bearing Interest</b>	<b>4. Off-Budget Debt</b>	<b>6. Contingency Fund</b>	<b>5. Total Debt Stock</b>
<b>13<sup>th</sup></b>	13.96	13.35	0.61	1.31	1.78	0.02	1.76	2.15	1.21	0.94	0.13	0.06	14.91
<b>14<sup>th</sup></b>	13.70	13.40	0.31	1.08	1.87	0.04	1.82	1.26	0.37	0.89	0.01	0.03	16.60
<b>14<sup>th</sup></b>	15.94	14.59	1.35	0.82	1.73	0.14	1.58	0.85	0.20	0.66	0.00	0.00	17.45

*Source: Budget Document, Finance Department, Government of Maharashtra for various years*

## 6.10 Analysis of Accumulation of Debt

The accumulation of outstanding liabilities gets affected by two factors, first, accumulated primary deficit, and second, the cumulated effect of the difference between growth rate and interest rate (Rangarajan and Srivastava, 2003).

The debt dynamic equation is given by

$$b_t = p_t + b_{t-1}[(1 + i_t)/(1 + g_t)]$$

where,

$b_t$  = debt-GDP ratio in period t

$p_t$  = ratio of primary-deficit to GDP in period t

$g_t$  = growth rate of GDP in period t

$i_t$  = effective nominal interest in period t

The effective nominal interest rate is calculated as

The effective nominal interest rate = Interest payment / [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2] \* 100 (CAG method).

The primary deficit is the excess of primary expenditure, i e, total expenditure minus interest payments over revenue receipts.

For change in debt,

$$z_t = b_t - b_{t-1}$$

$$z_t = p_t - b_{t-1} \left[ \frac{(g_t - i_t)}{(1 + g_t)} \right]$$

The increment in debt can be cumulated over any relevant period t = 1 to T.

Thus

$$\sum_{t=1}^T z_t = \sum_{t=1}^T p_t - \sum_{t=1}^T b_{t-1} \left[ \frac{(g_t - i_t)}{(1 + g_t)} \right]$$

The above equation indicates the role of the growth/interest rate differential in absorbing the impact of the cumulated primary deficits from getting translated into accretion to the debt-GDP ratio.

The debt-GSDP ratio of Maharashtra was 19.20 percent in 2011-12. It reached a peak of 21.0 percent in 2020-21 after the adverse effect of the COVID pandemic on the Indian economy and reduced to 18.33 percent in 2023-24 (RE), adding 1.81 percent and -0.87 percent, respectively, to the initial debt-GSDP ratio.

In the process of debt accumulation, the relative effect of the accumulated primary deficit and the factor reflecting the effect of the growth-interest rate differential are analyzed. During the period under consideration, the Government of Maharashtra has managed to keep primary deficit at a very low level (column 5 in Table 6.16). In addition to that, the real growth rate was in excess of the real interest rate during most of the year (column 12). As a result, the adverse effect of primary deficit on debt accumulation was offset by growth-interest rate differential during most of the years.

**Table 6.16: Debt dynamics of Maharashtra Government's debt**

Year	GDP Growth Rate	Debt-GDP Ratio	Effective Interest Rate	Primary Deficit to GDP Ratio (in Percent)	Change in Debt-GDP Ratio (Per Cent Point)	$w(g-i) [w=b(t-1) / (1+g(t)) ]$ (Per Cent Point)	IDP (GDPmp) 2011-12=100	Inflation Rate (wrt IDP) (Per Cent)	Real Gr Rate (Per Cent)	Real Int Rate (Per Cent)	Real Gr Rate Real Int Rate (Per Cent)	Change in debt to GDP ratio cum b (Percentage Points)	Primary Def to GDP ratio cup p (Per Cent Points)	Factor Reflecting Excess of Gr over Ir Cum w (g-i) (Per Cent Points)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2011-12		19.20	7.59	-0.18	-2.78523	2.60	100.00							
2012-13	14.00	19.32	7.76	1.17	0.12	1.05	107.49	7.49	6.51	0.27	6.24	0.12	1.17	1.05
2013-14	13.02	18.75	7.52	0.37	-0.57	0.94	113.64	5.73	7.29	1.79	5.50	-0.45	1.54	1.99
2014-15	7.85	18.09	7.75	-0.65	-0.66	0.02	115.29	1.45	6.40	6.30	0.10	-1.11	0.90	2.01
2015-16	10.52	17.87	8.01	0.20	-0.21	0.41	118.86	3.09	7.42	4.92	2.51	-1.32	1.10	2.42
2016-17	11.80	18.01	8.12	0.73	0.14	0.59	121.65	2.35	9.45	5.77	3.68	-1.18	1.82	3.01
2017-18	7.03	18.38	8.34	0.15	0.37	-0.22	124.57	2.41	4.63	5.93	-1.31	-0.82	1.97	2.79
2018-19	7.48	17.35	7.87	-1.09	-1.03	-0.07	129.20	3.71	3.77	4.15	-0.38	-1.84	0.88	2.72
2019-20	5.08	18.10	7.65	0.32	0.75	-0.42	132.56	2.60	2.48	5.04	-2.57	-1.10	1.20	2.30
2020-21	-1.12	21.00	7.69	1.17	2.91	-1.74	141.39	6.66	-7.78	1.03	-8.81	1.81	2.37	0.56
2021-22	18.29	19.29	7.32	0.57	-1.72	2.29	153.26	8.39	9.89	-1.07	10.96	0.09	2.93	2.84
2022-23	13.48	18.13	7.57	0.24	-1.16	1.40	157.38	2.69	10.80	4.88	5.92	-1.07	3.17	4.24
2023-24 (RE)	10.00	18.33	7.66	0.73	0.20	-1.39	160.93	2.26	7.74	5.41	2.34	-0.87	3.91	2.85
2024-25 (BE)	10.00	19.03	7.59	1	0.70	0.00								

Source: Own calculation of the study

Note: IPD refers to the implicit price deflector of GSDP at market prices

In the year 2018-19, the real interest rate was higher than the growth rate, however, it was partly offset by primary surplus in the years. On the other hand, in the year 2020-21, a higher real interest rate over real growth rate coupled with higher primary deficit resulted in higher addition to the initial debt stock in the tune of 1.81 per cent points. As a result, the debt-GSDP ratio peaked at 21.0 per cent in 2020-21.

The primary deficit was comparatively higher during the years 2021-22 and 2022-23; however, the growth-interest rate differential was also higher in those years, leading to a lower addition to the debt-GSDP ratio.

Overall, from 2011-12 to 2019-20, the lower primary deficit, together with the positive growth-interest rate differential, resulted in a lowering of the debt-GSDP ratio. However, after the COVID-19 pandemic, the primary deficit increased comparatively, which resulted in a slight addition to the initial debt-GSDP ratio, although the positive growth-interest rate differential partly absorbed these adverse effects.

Thus, both lower primary deficit and positive growth-interest rate differential helped the Government of Maharashtra to achieve a certain debt-GSDP ratio during the period under consideration.

### **6.11 Has Debt been used for Capital Expenditure?**

Borrowed funds should be used for capital expenditures to ensure intergenerational equity. Capital assets benefit both present and future generations, and therefore, both can share the cost of debt servicing. However, using borrowed funds for current expenditures puts an unwarranted financial burden on the future generation. Also, using borrowed funds to repay interest on outstanding debt is unsustainable.

Table 6.16 depicts the utilization of borrowed funds for different purposes. The use of borrowed funds for capital expenditures has reduced from about 86.61 percent in 2010-11 to 61.50 percent in 2024-25. It reached its lowest during 2020-21 at 25.05 percent due to the pandemic effect and then showed signs of improvement. The reduction in revenue deficit and improvement in non-debt capital receipts (recovery of loans and advances) are important factors in ensuring a higher share of borrowed funds utilized for capital expenditure.

Since 2021-22 onwards, loans and advances given by the state government have increased drastically. However, recovery has not improved at a similar pace. As a result, net loans and advances have increased drastically. Although the use of borrowed funds for revenue

expenditure has reduced, due to high net loans and advances together with higher repayment of earlier borrowing, the share of capital expenditure has not improved to a greater extent.

Therefore, the state needs to focus on recovering loans and advances and improving revenue receipts to ensure a higher proportion of borrowed funds is used for capital expenditures.

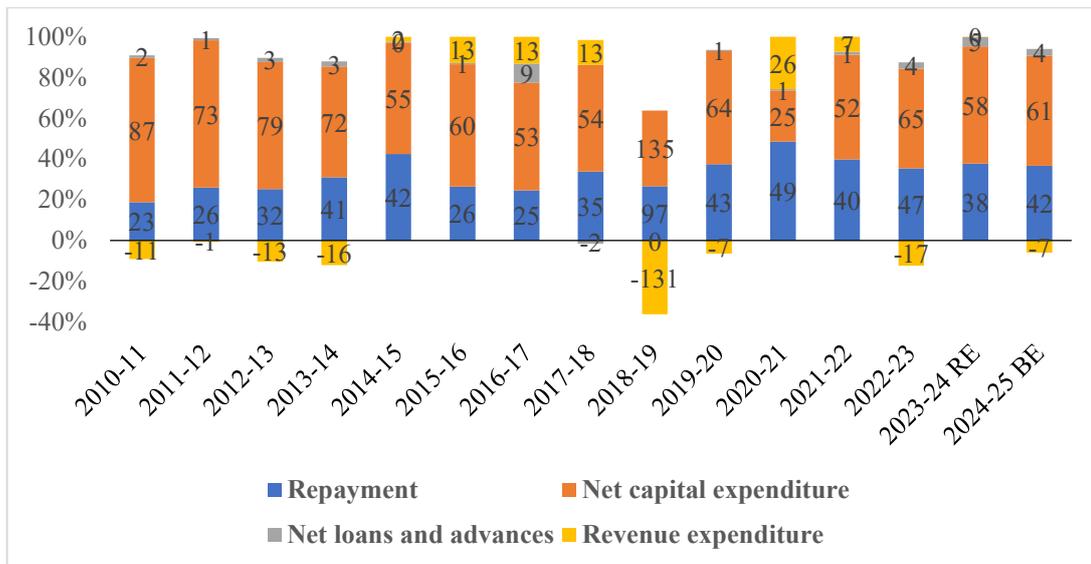
**Table 6.17: Utilization of borrowed funds (in Rs. Crore)**

Year	Receipts from Public Debt	Repayment of earlier borrowings	Expenditure on Capital Account (Net)	Net loans and advances	Portion of Revenue expenditure met out of net available borrowings
2010-11	20,740	4,774	17,963	319	-2316
		(23.02)	(86.61)	(1.54)	(-11.17)
2011-12	24,453	6,458	17,880	278	-163
		(26.41)	(73.12)	(1.14)	(-0.67)
2012-13	22,117	7,044	17,398	553	-2878
		(31.85)	(78.66)	(2.5)	(-13.01)
2013-14	27,887	11,414	20,020	917	-4465
		(40.93)	(71.79)	(3.29)	(-16.01)
2014-15	35,726	15,181	19,523	165	857
		(42.49)	(54.65)	(0.46)	(2.4)
2015-16	37,976	10,043	22,793	250	4891
		(26.45)	(60.02)	(0.66)	(12.88)
2016-17	48,336	11,887	25,529	4,532	6389
		(24.59)	(52.81)	(9.38)	(13.22)
2017-18	49,670	17,376	26,842	-799	6250
		(34.98)	(54.04)	(-1.61)	(12.58)
2018-19	26,025	25,117	35,049	-59	-34082
		(96.51)	(134.67)	(-0.23)	(-130.96)
2019-20	57,153	24,626	36,416	355	-4243
		(43.09)	(63.72)	(0.62)	(-7.42)
2020-21	118,516	57,587	29,687	730	30513
		(48.59)	(25.05)	(0.62)	(25.75)
2021-22	90,587	36,033	46,670	1,257	6626
		(39.78)	(51.52)	(1.39)	(7.31)
2022-23	94,702	44,795	61,644	4,022	-15758
		(47.3)	(65.09)	(4.25)	(-16.64)
2023-24 RE	148,520	55,997	85,657	6,768	99
		(37.7)	(57.67)	(4.56)	(0.07)
2024-25 BE	137,470	57,197	84,542	5,012	-9282
		(41.61)	(61.5)	(3.65)	(-6.75)

Source: Budget Document, Finance Department, Government of Maharashtra for various years

Note: Figures in parenthesis are percentages of Receipts from Public Debt

**Figure 6.3: Trends of Utilization of borrowed funds (in per cent)**



### 6.12 Major Findings

- During the period 2010-11 to 2024-25, there is a marked compositional shift observed wherein the State has heavily relied on comparatively low-cost market borrowings in the form of SDLs with short tenure bonds.
- The compositional shift towards market borrowing in the form of SDLs and reduced reliance on Public Account together with the State’s prudent fiscal management resulted in lower cost of borrowing.
- The reliance on the loans and advances from the Centre has increased in recent five years, mainly directed towards capital expenditure.
- The State has never crossed the debt to GSDP ratio beyond 20 per cent throughout the period under consideration (2010-11 to 2024-25).
- The factors that helped the State to maintain debt to GSDP ratio at lower level was both lower primary deficit and positive growth-interest rate differential.

### Concerns

- The State needs to ensure a higher proportion of borrowed funds for capital expenditure by improving the recovery of loans and advances as well as improving revenue receipts.

## **CHAPTER- VII**

### **IMPLEMENTATION OF THE FRBM ACT**

#### **7.1 Introduction**

Following the central government, the States embarked on a rule-based fiscal policy framework to ensure prudent fiscal management. The Twelfth Finance Commission gave incentives for states to enact their fiscal responsibility legislations by making provisions of debt restructuring, interest rate relief, and writing off a part of the state debt to the central government in case of adherence to the targets.

Consequently, the Government of Maharashtra enacted the Fiscal Responsibility and Budgetary Management Act of 2005. The Act envisages “progressive elimination of revenue deficit, reduction in fiscal deficit and prudent debt management consistent with fiscal sustainability” (CAG Report, 2019). The State Government has amended the FRBM Act, 2005, from time to time.

Additionally, the Maharashtra Fiscal Responsibility & Budgetary Management Rules, 2006 (as amended in 2008) required the State Government to provide three years’ rolling targets for various fiscal aggregates under the Medium Term Fiscal Policy Statement (MTFPS).

The present chapter focuses on the State's compliance with the targets under the MFRBM Rules and the targets under MTFPS.

#### **7.2 Targets and amendments under the MFRBM Rules**

The Maharashtra Fiscal Responsibility and Budgetary Management Rules (MFRBM Rules), framed in February 2006, refer to the following targets

- Elimination of revenue deficit by 2008-09.
- The fiscal deficit in 2008-09 and thereafter should not exceed three *percent* of GSDP

The FRBM Act, 2005, was, however, amended in December 2006 and renamed the Fiscal Responsibility and Budgetary Management (Amendment) Act, 2006. Its rules (Maharashtra Fiscal Responsibility and Budgetary Management Rules, i.e. MFRBMR) were created in 2008. However, the MFRBMR 2008 was not different from the MFRBMR 2006 in terms of fiscal targets.

The MFRBMR were further amended in March 2012 and was renamed as Fiscal Responsibility and Budgetary Management (Amendment) Rules, 2012.

The major fiscal targets for the State as amended were as under:

- The fiscal deficit of the State Government shall not exceed three *per cent* of GSDP in 2010-11 and thereafter.
- The State Government shall maintain the outstanding debt to GSDP up to 25.5 *per cent* in 2013-14, 25.3 *per cent* in 2014-15, 17.6 *per cent* in 2015-16, 15.7 *per cent* in 2016-17 and 16.3 *per cent* in 2017-18.

As per the MFRBM Rules (Second Amendment), 2011, the revenue deficit was to be brought down to ‘zero’ by 2011-12 and Revenue Surplus was to be generated thereafter.

However, it has further amended in subsequent years, the clause regarding ‘revenue surplus after 2011-12’ was relaxed during 2013-14 to 2021-22 (CAG Report, 2022-23).

The State Government, as directed by Government of India decided to avail the additional borrowing of two per cent of GSDP in 2020-21 due to the adverse impact of COVID on the State finances. Accordingly, as per the MFRBM (Second Amendment) Act 2020, the fiscal deficit target for 2020-21 was revised to four per cent of GSDP.

Moreover, in wake of COVID 19 pandemic, 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 (CAG Report, 2024).

### **7.3 Compliance with provisions of MFRBM Act**

The past thirteen years of data on the compliance of the State Government with the targets prescribed under the MFRBM Act is depicted in Table 7.1. The data indicates that the state has not complied with the targets for revenue deficit under the Act for most of the years under consideration. However, the revenue deficit is below 0.7 per cent of GSDP for all but one year. The revenue deficit was at 1.57 per cent of GSDP in the year 2020-21 due to adverse effect on COVID-19 induced economic slowdown.

In regard to fiscal deficit, however, the state never breached the stipulated target for the period under consideration (Table 7.1). Similarly, in case of debt to GSDP ratio, the state has managed to stay within the prescribed limit, except for four years and two of them were COVID-19 pandemic affected years.

Moreover, the Finance Commissions have recommended an indicative debt path for the State. Table 7.1 shows that the actual debt-to-GSDP ratio of the Government of Maharashtra is way below the indicative path recommended by FCs for all the years under consideration.

Overall, the state has performed relatively better in terms of adhering to the targets prescribed under the MFRBM Act. The only concern is to bring down the revenue deficit and turn into surplus as per the Act. In order to generate surplus on the revenue account, the state need to put fiscal efforts to initiate consolidation on revenue account considering the increase in federal fiscal transfers in recent FCs. For that purpose, the state needs to reduce its unwarranted revenue expenditure and improve its own revenue collection.

**Table 7.1: Year-wise Compliance with provisions of MFRBM Act**

Year	Revenue Surplus (+) /Deficit (-) as % of GSDP	FRBM Target	Fiscal Deficit as percentage of GSDP (-)	FRBM Target	Total Debt Stock as percentage of GSDP	FRBM Target	FCs Indicative Debt Path
2012-13	0.32	Surplus	1.04	3	18.64	25.80	25.80
2013-14	-0.34	0	1.72	3	17.84	25.50	25.50
2014-15	-0.68	0	1.78	3	16.59	18.17	21.05
2015-16	-0.27	0	1.43	3	16.32	17.64	21.89
2016-17	-0.38	0	1.71	3	16.16	15.71	22.64
2017-18	0.09	0	0.99	3	16.69	16.54	23.30
2018-19	0.45	0	0.87	3	15.46	16.52	23.88
2019-20	-0.63	0	1.97	3	16.50	15.83	24.40
2020-21	-1.57	0	2.72	4	19.76	16.15	25.70
2021-22	-0.53	0	2.05	4	18.35	20.64	26.00
2022-23	-0.05	Surplus	1.85	3.5	17.26	18.14	27.50
2023-24	-0.48	Surplus	2.77	3	17.59	18.23	28.10
2024-25	-0.47	Surplus	2.59	3	18.35	18.35	28.50

Source: MTFP Document, State Budget, Government of Maharashtra

## **7.4 Compliance with provisions of MTFP targets**

Under the Maharashtra Fiscal Responsibility & Budgetary Management Rules, 2006 (as amended in the year 2008), the State Government is required to provide three years' rolling targets for various fiscal aggregates. While setting the targets, the state considers the need for counter cyclic fiscal measures. The three year rolling target include target set for Budget Estimates of the immediate next year and following two years after budget year.

The Medium Term Fiscal Policy Statement (MTFPS) fixes three year rolling targets on the major fiscal aggregates such as Revenue Deficit, Fiscal Deficit, Debt-to-GSDP ratio. In addition to this, the state also provides targets for tax revenue, contingent liabilities, and interest payments.

Ensuring actual value of various fiscal aggregates to the budget estimates is an important from the point of view of following the adjustment path required for sound and sustainable fiscal path as envisaged under the MTFPS. Any deviation from the MTFPS targets indicates issues in fiscal management and thereby may have repercussions on the sound and sustainable fiscal policy. In the present section we compare the actual and budget estimates of various fiscal aggregates as reported under the MTFPS.

### **7.4.1 Revenue Deficit- Actual vs. Targets**

In case of revenue deficit, there is a wide variation observed during pre-pandemic years (2016-17 to 2018-19). During the post-pandemic years, the difference between the actual and budget estimates was even wider (2020-21 to 2022-23) (Table 7.2).

It is important to note that, as pointed out earlier, the state is required to eliminate revenue deficit for the period 2013-14 to 2021-22. Therefore, the state set the MTFPS target for revenue deficit to zero while deciding two years rolling targets during the period 2016-17 to 2020-21. However, the state revised its MTFPS targets for the period and set target of revenue deficit for the immediate next year while making Budget Estimates for the years 2019-20 and 2020-21 due to pandemic effects.

In the year 2022-23, the revenue deficit was much lower than the BE and rolling targets (-0.05 per cent of GSDP) which is welcome as the state is required to generate revenue account surplus from 2022-23 onwards as per the MFRBM Act.

However, looking at RE of 2023-24 and BE of 2024-25, the state needs to showcase a better fiscal marksmanship to achieve the targets under the MFRBM Act.

The wide variations between BE and each year rolling targets that we observed need to be reduced and make it aligned with the MFRBM Act targets

Moreover, the state is expected to reduce revenue deficit close to zero by 2026-27.

**Table 7.2: Year-wise Compliance with provisions of MTFP targets for Revenue Deficit (in per cent)**

Year	Revenue Surplus (+) /Deficit (-) as percentage of GSDP				
	Actual	BE	RE	Target	Revised
2016-17	-0.38	-0.17	-0.63	0.0	
2017-18	0.09	-0.18	-0.59	0.01	0.0
2018-19	0.45	-0.55	-0.56	0.0	0.0
2019-20	-0.63	-0.68	-1.09	0.0	-0.25
2020-21	-1.57	-0.29	-1.73	0.0	-0.30
2021-22	-0.53	-0.34	-0.96	-0.40	-0.30
2022-23	-0.05	-0.68	-0.57	-0.35	-0.75
2023-24		-0.42	-0.48	-0.75	-0.79
2024-25		-0.47		-0.69	-0.20
2025-26				-0.01	-0.25
2026-27				-0.04	

*Source: MTFP Document, State Budget, Government of Maharashtra*

#### 7.4.2 Fiscal Deficit and Total Debt Stock- Actual vs. Targets

As far as fiscal deficit and total debt stock is concerned, there is variation observed between actual and BE (Table 7.3). However, for the most of the years under consideration, the state reported lower actual than the BE which is welcome, except for 2020-21 mainly on account of pandemic. In addition, there is also comparatively lower variations observed between BE and rolling targets.

However, there is further scope for aligning the rolling targets with the BE which would ensure the predictability of fiscal policy.

Moreover, the fiscal deficit and debt are expected to reach at 2.27 per cent and 18.91 per cent of GSDP by 2026-27, which are well within the target prescribed under the MFRBM Act and FCs and also from the sustainability point of view.

**Table 7.3: Year-wise Compliance with provisions of MTFP targets for Fiscal Deficit and Total Debt Stock (in per cent)**

Year	Fiscal Deficit as percentage of GSDP (-)					Total Debt Stock as percentage of GSDP				
	Actual	BE	RE	Target	Revised	Actual	BE	RE	Target	Revised
2016-17	1.71	1.59	2.22	1.64		16.16	15.71	16.36	17.38	
2017-18	0.99	1.55	1.85	1.65	1.60	16.69	16.54	16.3	17.17	16.02
2018-19	0.87	1.81	2.11	1.61	1.35	15.46	16.52	15.58	15.92	15.87
2019-20	1.97	2.07	2.73	1.26	1.65	16.50	15.83	16.12	15.43	16.25
2020-21	2.72	1.69	3.29	1.60	1.85	19.76	16.15	20.22	16.20	16.55
2021-22	2.05	2.24	2.79	1.80	1.58	18.35	20.64	17.90	16.55	16.55
2022-23	1.85	2.50	2.69	1.40	2.50	17.26	18.14	18.13	16.55	20.50
2023-24 RE		2.46	2.77	2.50	2.52		18.23	17.59	20.50	18.65
2024-25 BE		2.59		2.52	2.19		18.35		18.29	18.47
2025-26				1.95	2.43				18.44	18.61
2026-27				2.27					18.91	

Source: MTFP Document, State Budget, Government of Maharashtra

#### 7.4.3 Tax Revenue, Contingent Liabilities, and Interest Payments- Actual vs. Targets

The tax revenue of the state comprises state's own tax revenue and the share in the Central taxes. In case of tax revenue as percentage of GSDP, the state has reported more tax revenue as compared to BE and the rolling targets under the MTFPS, except for pandemic hit years (2019-20 and 2020-21) (Table 7.4). Although, there is variations between the actual and MTFPS, the state has reported more tax revenue than the targets. This is welcome as it would ensure sound fiscal management, especially by reducing the revenue deficit.

It is also important to note that the MTFPS for the tax revenue has improved over the period so do the actual collection which is welcome. The state is expected to increase tax revenue to GSDP ratio at 11.70 per cent in the year 2026-27, which is higher as compared to any other years under consideration.

On the contrary, the contingent liabilities of the state have reported a large divergence from the MTFPS targets during post-pandemic years (2019-20 to 2022-23), both as a percentage of GSDP and as a percentage of revenue receipts. The actuals as well as the rolling targets have increased manifold during the post-pandemic years. The rolling targets for forthcoming years under the MTFPS is also set very high.

The state is expected to increase its contingent liabilities to GSDP ratio at 2.20 per cent and contingent liabilities as percentage of revenue receipts at 18.78 per cent by 2026-27.

Furthermore, there is also variation observed between actuals and MTFPS targets in regard to interest receipts as percentage of revenue receipts, albeit in moderate magnitude.

However, the actual as well as the MTFPS targets under this head has come down over the period which is a positive sign for freeing the resources for the development purpose.

The interest payment as percentage of revenue receipts is expected to reduce at 10.96 per cent in 2026-27.

Overall, the state has complied with the MTFPS targets in recent years and reported some positive changes in areas where it is required like increased tax revenue and reduced interest payments. Although, the compliance is better, there is need for state to improve its fiscal management in the certain areas like reducing contingent liabilities.

The state should also focus more on setting the MTFPS in align with MFRBM Act targets, especially in case of revenue deficit targets. Eliminating the revenue deficit as envisaged by the MFRBM Act is important for directing borrowed funds towards the productive capital expenditure. In addition, the state has enhanced its fiscal deficit target under MTFPS for the year 2026-27 at 2.27 per cent. This is welcome as it will add to the capital expenditure in a same magnitude given the elimination of revenue deficit. However, the state government should also revise fiscal deficit target upwards to the tune of 3 per cent of GSDP as stipulated by the MFRBM Act.

Moreover, considering the increase in contingent liabilities in coming years almost at 2 per cent of GSDP, the possible stress on state finances, especially on revenue account, need to be considered. The failure of generation of revenue receipts, especially own revenue, to compensate these future liabilities would put the stress on the state finances.

## **7.5 Major Findings**

- The Government of Maharashtra has reported better compliance with the targets prescribed under the MFRBM Act, except for revenue deficit targets.
- The state has also complied better with the MTFPS targets in recent years
- The state reported not only compliance with MTFPS targets but also reported better targets in coming years, especially, increased tax revenue collection and reduced interest payments.

## **Concerns**

- The major challenge is to bring down the revenue deficit and turn into surplus as per the Act.
- The State Government may also think of doing away with the requirement of surplus on revenue account as per the Act and amend it to have zero revenue deficit. This would be theoretically appropriate as the Golden Rule suggest. As per the Golden rule, the revenue expenditure should be financed by revenue receipts and capital expenditure should be financed through borrowing in order to ensure intergenerational equity. The recurrent expenditure benefit present generation and therefore should be met out of recurrent revenue receipts. On the other hand, capital expenditure benefits present generation as well as future generation and therefore borrowing used for incurring capital expenditure ensures that the future generation share the capital cost in terms of debt servicing. Therefore, generating surplus on revenue account and using it for capital expenditure would put undue burden on the present generation. In addition, the Government has 3 per cent of GSDP fiscal space yearly for borrowing purpose. However, the Government has not been utilizing this available borrowing space to the full extent. Therefore, generating surplus on revenue account and using it for capital expenditure would only reduce an additional interest burden since surplus on revenue account is non-debt receipts used for capital expenditure. As pointed out in the present study, the average interest cost on the borrowing of the government is already declining due to compositional shift towards low cost borrowing as well as prudent fiscal management. Therefore, the Government need not have to concern about lowering the interest burden by generating surplus on revenue account to finance capital

expenditure. Instead the Government can take advantage of low-cost borrowing from the market for financing capital expenditure. Thus, we recommend that the Government should amend the MFRBM Act and set the target of zero revenue deficit.

- Another area of concern is to improve its fiscal management in the certain areas like reducing contingent liabilities.

**Table 7.4: Year-wise Compliance with provisions of MTFP targets for tax revenue, contingent liabilities, and interest payments (in per cent)**

Year	Tax Revenue as percentage of GSDP					Total Contingent Liabilities as percentage of GSDP					Total Contingent Liabilities as percentage of Revenue Receipts					Interest Payment as percentage of Revenue Receipts				
	Actual	BE	RE	Target	Revised	Actual	BE	RE	Target	Revised	Actual	BE	RE	Target	Revised	Actual	BE	RE	Target	Revised
2016-17	7.55	7.75	7.54	8.51		0.32	0.37	0.33	0.28		3.57	3.66	3.45	2.74		13.94	12.78	13.1	13.71	
2017-18	8.5	7.64	8.10	8.57	8.05	0.31	0.26	0.26	0.24	0.32	3.13	2.69	2.54	2.36	3.20	13.55	12.73	13.01	13.74	12.8
2018-19	8.72	8.28	8.68	8.10	7.45	0.29	0.26	0.27	0.28	0.23	2.70	2.54	2.54	2.82	2.40	12.20	12.02	11.84	12.34	12.66
2019-20	8.23	8.64	8.19	7.38	8.28	1.51	0.31	0.76	0.18	0.26	14.54	3.65	7.00	1.97	2.60	11.85	11.20	11.00	12.56	12.01
2020-21	7.64	8.47	8.20	8.30	8.68	1.58	0.86	1.53	0.25	0.29	15.43	8.00	14.03	2.58	3.05	13.72	10.20	12.90	12.00	12.10
2021-22	10.60	9.58	8.62	8.70	8.60	1.63	1.78	1.68	0.29	0.98	15.38	14.35	14.63	3.10	8.50	12.05	11.65	11.40	12.15	11.50
2022-23	11.13	8.60	9.52	9.00	9.00	1.63	1.74	1.82	1.07	1.65	14.68	15.43	14.91	9.00	13.54	10.28	11.59	10.65	12.00	12.50
2023-24		11.59	12.02	9.00	7.82		1.85	1.93	1.75	1.76		15.98	16.03	14.85	15.61		11.27	9.99	13.00	11.36
2024-25		11.70		7.89	9.60		2.11		1.79	1.89		18.05		15.77	16.29		11.36		10.89	11.17
2025-26				9.85	11.70				1.90	2.16				16.36	18.44				11.07	11.15
2026-27				11.7					2.20					18.78					10.96	

Source: MTFP Document, State Budget, Government of Maharashtra

## CHAPTER VIII

### ANALYSIS OF THE STATE'S TRANSFERS TO URBAN AND RURAL LOCAL BODIES IN THE STATE. MAJOR DECENTRALIZATION INITIATIVES.

#### 8.1 Introduction:

Articles 243 I and 243 Y of the Constitution of India give powers to the State to constitute a State Finance Commission to review the financial position of the Panchayats and Urban local bodies and to recommend devolution of financial resources from the State Governments to them. The analysis of the finances of the local bodies is an important step in estimating the revenue gap, which the Finance Commission of India fills by recommending financial packages. The present chapter will analyze the State's transfer to urban and rural local bodies and the major decentralization initiatives taken by the State.

The local governance structure in Maharashtra is marked by a diverse and complex network of urban and rural local bodies, which play a pivotal role in administering public services and fostering development at the grassroots level. The state comprises 36 districts across six divisions, each featuring a varied distribution of urban and rural governance bodies. Urban governance is managed through 29 Municipal Corporations and 244 Municipal Councils, while 146 Nagar Panchayats administer smaller urban centers (Table 8.1).

Rural areas are governed by 34 Zilla Parishads, 351 Panchayat Samitis, and a vast network of 27,782 Village Panchayats.

**Table 8.1: Local Bodies Statistics at a Glance**

Division	Konkan	Nashik	Pune	Chatrapati Sambhajinagar	Amravati	Nagpur	Total
<b>No. of Districts</b>	7	5	5	8	5	6	36
<b>Municipal Corporations</b>	9	5	6	5	2	2	29
<b>Municipal Councils</b>	22	43	49	49	40	41	244
<b>Nagar Panchayats</b>	22	16	25	26	16	41	146
<b>Zilla Parishads</b>	5	5	5	8	5	6	34
<b>Panchayat Samitis</b>	45	54	57	76	56	63	351
<b>Village Panchayats</b>	3014	4972	5649	6582	3910	3655	27782
<b>Total</b>	3117	5095	5791	6746	4029	3807	28585

Source: State Election Commission, Maharashtra

This chapter provides a detailed analysis of the state's financial transfers to these urban and rural local bodies, examining how resource allocation supports decentralization, empowers local institutions, and addresses each region's unique governance needs.

This chapter examines the State's financial transfers to urban and rural local bodies and highlights major decentralization initiatives. A significant limitation of this analysis is the availability of data. Although the government has recently begun collecting data and providing comprehensive reports, their publication has been delayed. The most recent report available is from 2020-21. Consequently, our analysis covers the period from 2011-12 to 2020-21, encompassing the 13th and 14th Finance Commission periods.

## **8.2: Finance Commission Grants for Local Bodies:**

According to the 15th FC recommendations, states are expected to receive grants for rural local bodies and urban local bodies in a ratio of 67:33 for 2021-22 & 2022-23, in a ratio of 66:34 for 2023-24 & 2024-25, and in the ratio 65:35 for 2025-26. In the case of rural local bodies, the proportion of the basic grants (untied) and tied grants is 40:60. Urban local bodies have been classified into two categories, viz. Million-Plus Cities and Non-Million-Plus Cities. The Non-Million-Plus Cities are expected to receive basic grants (untied) and tied grants in the ratio of 40:60. The Million Plus Cities are expected to receive performance-linked grants through 'Million Plus Cities Challenge Fund' for ambient air quality, urban drinking water supply, sanitation, and solid waste management. The table below provides a detailed breakdown of funds received and expenditures across several critical sectors, including Panchayat Raj Institutions (PRI), Urban Local Bodies, and the State Disaster Risk Management Fund, from 2020-21 to 2023-24 (Table 8.2).

For Panchayat Raj Institutions, the received and expended amounts remained equal from 2020-21 to 2022-23, indicating efficient fund utilization. Although, in 2023-24, there is a significant drop in expenditure compared to received funds, particularly with Basic Grants and Tied Grants, where expenditures are far lower than the received amount. For instance, Basic Grants received ₹1451.7 crores, but only ₹712.94 crores were spent, showing under-utilization of resources. Similarly, Tied Grants had received ₹2177.5 crores, but only ₹1069.4 crores were expended, which may suggest administrative delays or challenges in executing projects on time.

In Urban Local Bodies, the received and expended funds were consistent until 2022-23, but in 2023-24, no funds were received or expended, particularly for Million Plus Cities, Non-

Million Plus Cities, and grants related to ambient air quality and solid waste management. This sharp decline in fund allocations or utilization might indicate a policy shift or completion of previous projects, but it also raises concerns about continued support for urban infrastructure, especially in critical areas like air quality and waste management.

**Table 8.2: Grants-in-aid received and expenditure incurred under 15th FC recommendations (in Crore)**

Particulars	2020-21		2021-22		2022-23		2023-24	
	Received	Expenditure	Received	Expenditure	Received	Expenditure	Received	Expenditure
<b>Panchayat Raj Institutions</b>	5827	5827	4307	4307	3696.7	3696.7	3629.2	1782.3
<b>Basic grants (untied)</b>	2913.5	2913.5	1722.8	1722.8	1476.9	1476.9	1451.7	712.94
<b>Tied grants</b>	2913.5	2913.5	2584.2	2584.2	2219.8	2219.8	2177.5	1069.4
<b>Urban local bodies</b>	2806	2806	2806	2514	2144.3	2136.3	0	0
<b>Million Plus Cities</b>	1586	1586	1592	1592	1189.3	1181.3	0	0
<b>Ambient air quality</b>	793	793	400	400	321	321	0	0
<b>Incentive grants for Ambient air quality</b>	0	0	0	0	41.34	41.34	0	0
<b>Solid waste management &amp; sanitation</b>	793	793	799	799	827	819.3	0	0
<b>Non Million Plus Cities of which</b>	1220	1220	922	922	955	955	0	0
<b>Basic grants (untied)</b>	610	610	368.8	368.8	382	382	0	0
<b>Tied grants</b>	610	610	553.2	553.2	573	573	0	0
<b>Health Grant For Local Bodies (Rural &amp; Urban)</b>	0	0	1330.7	1330.7	0	0	0	0
<b>State Disaster Risk Management Fund (Central share)</b>	3,222.00	2,577.60	3,222.00	2,577.60	3,383.00	2,308.65	2,841.60	990.29
<b>State Disaster Response Fund</b>	3222	2577.6	2577.6	2577.6	2706.4	2305	2841.6	990.29
<b>State Disaster Mitigation Fund</b>	0	0	644.4	0	676.6	3.66	0	0

Source: Economic Survey 2023-24, Government of Maharashtra

### 8.3: Analysis of Rural Local Bodies:

The table below gives the economic classification of the receipts of the rural local bodies.

**Table 8.3: Rural Local Bodies Receipts (in Crore)**

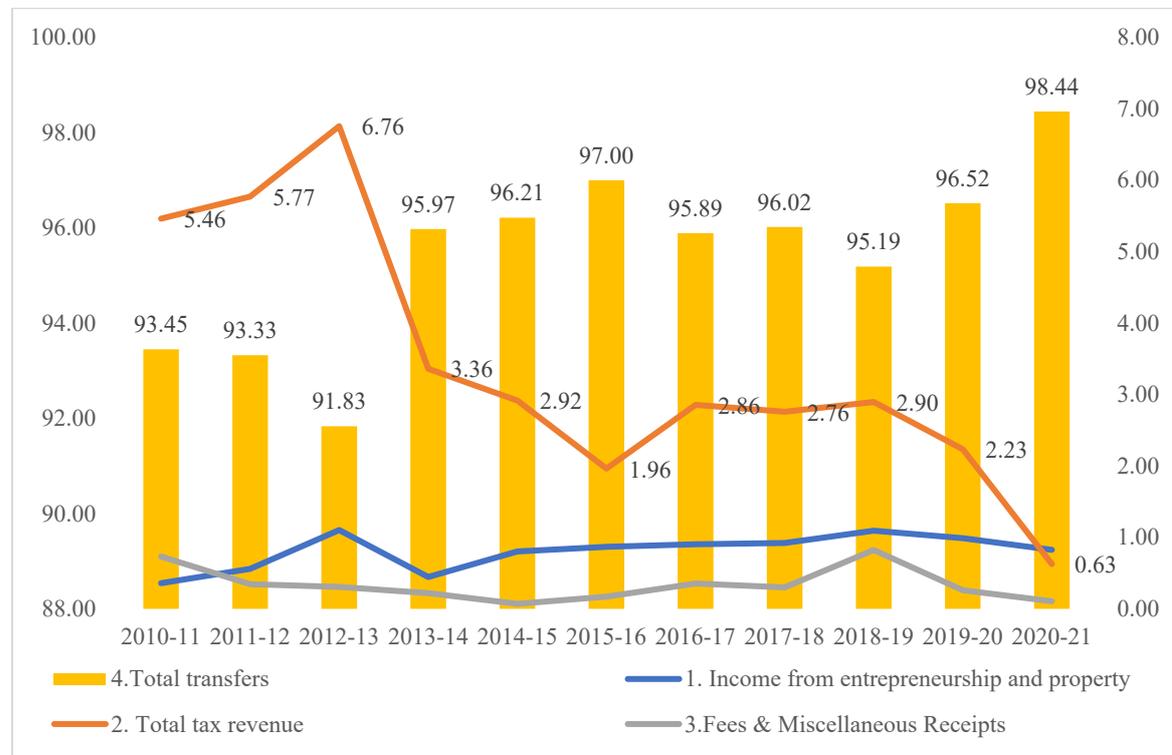
Particulars	13 FC					14 FC					15 FC
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Receipts</b>											
<b>1. Income from entrepreneurship and property</b>	71	129	332	130	236	241	290	304	360	442	370
A) Profits	-	-	1	-	-	-	0.1	1	3	2	1
B) Income from property	71	129	331	130	236	241	290	304	357	440	369
a) Net interest received	63	115	287	124	231	168	275	297	352	429	359
b) Other property receipts	8	14	44	6	5	73	15	7	5	11	10
<b>2. Total tax revenue</b>	1,081	1,335	2,036	976	859	546	918	911	953	1,000	280
A) Total direct taxes	656	727	910	217	145	131	169	297	224	212	37
a) Land revenue	433	493	311	183	85	95	145	264	152	181	32
b) Other direct taxes	224	234	599	34	61	36	24	34	72	30	5
B) Total indirect taxes	425	608	1,126	759	713	415	748	614	728	789	243
a) Stamp duty	-	-	386	444	434	255	529	352	502	653	200
b) Other taxes and duties	425	608	741	315	279	159	220	262	227	136	43
<b>3. Fees &amp; Miscellaneous Receipts</b>	145	80	93	64	21	48	114	99	271	116	48
<b>4. Total transfers</b>	18,505	21,599	27,678	27,883	28,338	26,964	30,809	31,701	31,320	43,217	44,052
A) Current transfer	15,148	17,587	24,418	25,188	25,927	24,667	27,774	28,323	27,732	37,107	38,053
a) Centre	1,437	1,704	694	991	609	635	1,621	662	353	1,634	1,426
b) State	10,772	12,510	22,433	23,190	24,217	22,808	25,042	27,647	27,357	35,466	36,624
c) Others	2,939	3,374	1,291	1,008	1,102	1,224	1,111	14	22	7	3
B) Capital transfer	3,357	4,012	3,259	2,695	2,410	2,296	3,035	3,378	3,588	6,110	5,999
a) Centre	134	478	1,787	81	28	247	583	69	76	4	3
b) States	2,822	2,979	255	2,571	2,368	2,040	2,448	3,309	3,508	6,106	5,995
c) Others	401	555	1,217	42	14	9	4	-	5	-	0
<b>Total Receipts (1+2+3+4)</b>	19,803	23,143	30,139	29,053	29,454	27,798	32,130	33,016	32,904	44,776	44,750

Source: Various local bodies accounts report, DES Government of Maharashtra

The revenue receipts include total transfers, income from entrepreneurship and property, total tax revenue, and fees and miscellaneous receipts.

Total transfers dominated throughout the period, representing over 90% of the total receipts and peaking at 98.44% in 2020-21. This indicates that rural local bodies are heavily reliant on transfers from higher levels of government rather than generating their own revenue.

**Figure 8.1: Composition of Total Receipts of Rural Local Bodies**



In contrast, total tax revenue showed a downward trend after 2013-14, starting from 6.76% and declining sharply to 0.63% in 2020-21, reflecting a significant drop in the ability of rural local bodies to generate tax income. Income from entrepreneurship, property, fees, and miscellaneous receipts remained relatively minor, fluctuating around 1% of total receipts, with no significant upward trends. This highlights the limited capacity of rural local bodies to raise revenue independently, emphasizing their dependence on external financial support to sustain their operations. The sharp decrease in tax revenue during 2020-21 could reflect economic disruptions caused by the COVID-19 pandemic, further exacerbating this reliance on transfers.

### 8.3.1: Total Receipts and Total Expenditure:

The Table 8.4 presents total receipts, expenditures, and their corresponding growth rates for rural local bodies from 2010-11 to 2020-21. The analysis reveals several important trends and insights into these bodies' fiscal management.

The year-on-year a wide fluctuation in growth rate was observed in total receipts whereas total expenditure reported a steady increase especially during the 14<sup>th</sup> FC period (Table 8.4). Moreover, the year-on-year growth rate of total receipts was widely different from the year-on-year growth rate of total expenditure. For example, in the year 2012-13, the total receipts increased by 30.23% while expenditures dropped by 20.15%, indicating a significant fiscal surplus. This implies that the total expenditure is not aligned with the total receipts for most of the years under consideration.

**Table 8.4: Total Rural Receipts Vs. Total Rural Expenditure (in Rs. Crore)**

FC	Year	Total Receipts	Growth Rate in %	Total Expenditure	Growth Rate in %	Absorptive Capacity
13 FC	2010-11	19,803		23,037		116.33
	2011-12	23,143	16.87	26,361	14.43	113.9
	2012-13	30,139	30.23	21,048	-20.15	69.84
	2013-14	29,053	-3.6	20,340	-3.37	70.01
	2014-15	29,454	1.38	21,605	6.22	73.35
14 FC	2015-16	27,798	-5.62	22,328	3.35	80.32
	2016-17	32,130	15.59	23,610	5.74	73.48
	2017-18	33,016	2.75	24,560	4.03	74.39
	2018-19	32,904	-0.34	22,375	-8.9	68
	2019-20	44,776	36.08	32,183	43.83	71.87
15 FC	2020-21	44,750	-0.06	30,638	-4.8	68.46

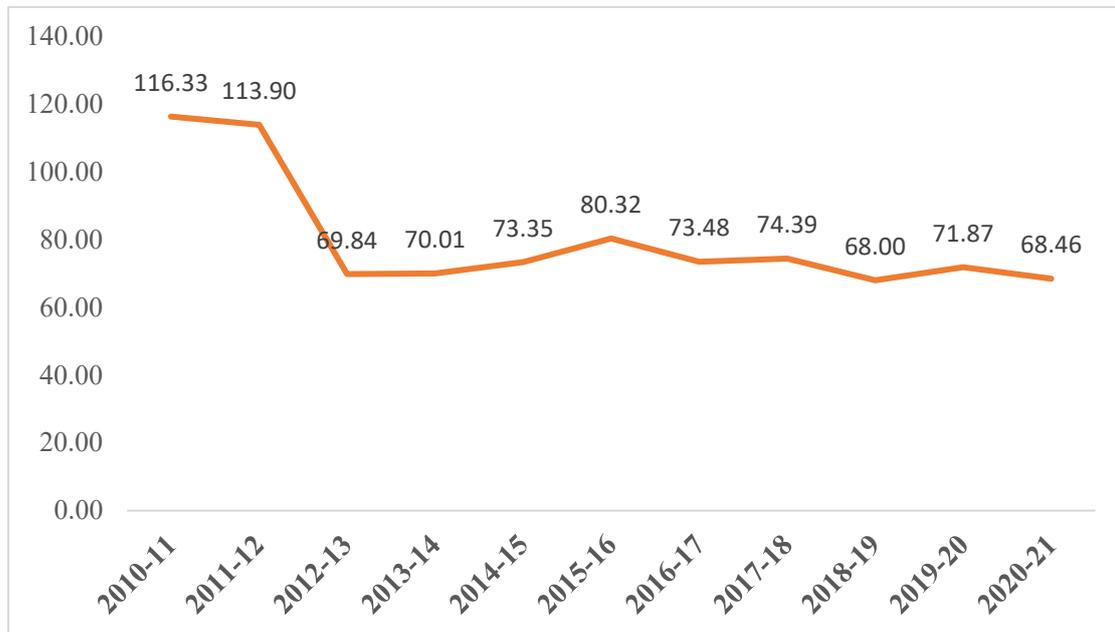
*Source: Various local bodies accounts report, DES Government of Maharashtra*

From 2013-14 to 2017-18, expenditures showed a stagnating trend, whereas receipts showed a fluctuating trend. During the pandemic year (2019-20), however, there was marked increase in total receipts as well as total expenditure as compared to the previous year (2018-19). This increase was under both the heads was more or less maintained during 2020-21.

We have also calculated the absorptive capacity. The absorptive capacity of expenditure as a proportion of income refers to the ability of an entity, whether an individual, organization, or government, to fully utilize available income. If this ratio is greater than 100, it indicates

that most of the income is being used for spending. If it is less than 100, it means that your expenditures are less than your income.

**Figure 8.2: Rural Local Bodies Absorptive Capacity**



The absorptive capacity was high in 2010-11, starting at around 120%. This suggests that the expenditures were greater than the income for that period, possibly reflecting investments, deficit spending, or other high-expenditure activities. However, 2012-13 onwards, absorptive capacity significantly dropped to about 70 to 74 per cent. This indicates a considerable reduction in the expenditure-to-income ratio, possibly due to spending cuts, timely availability of funds, or more conservative spending. In the final years, absorptive capacity further declines, reaching around 68.46% in 2020-21, showing a consistent reduction in the ability to absorb or spend available resources.

## 8.4 Urban Local Bodies Receipts:

The table below gives the economic classification of the receipts of the urban local bodies

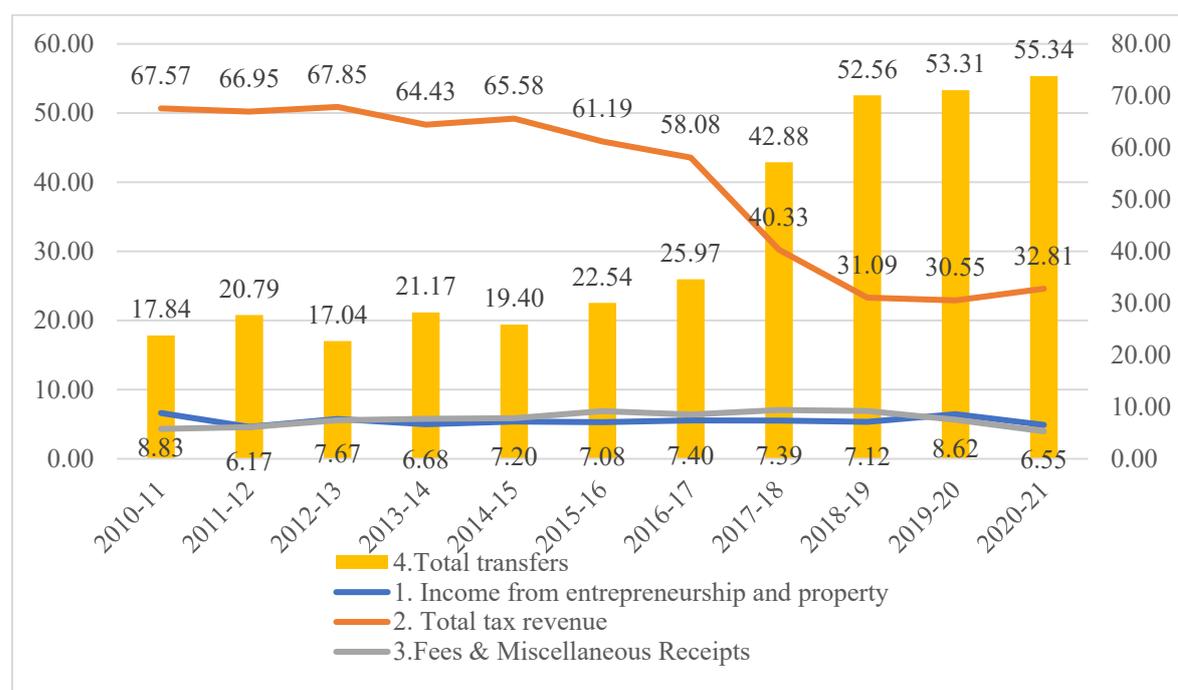
**Table 8.5: Urban Local Bodies Receipts (in Rs. Crore)**

Particulars	13 FC					14 FC					15 FC
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Receipts</b>											
<b>1. Income from entrepreneurship and property</b>	2,071	1,651	2,169	1,839	2,096	2,348	2,659	2,776	2,932	3,718	2,714
<b>A) Profits</b>	118	-	53	-	-	-	-	-	-	-	-
<b>B) Income from property</b>	1,953	1,651	2,116	1,839	2,096	2,348	2,659	2,776	2,932	3,718	2,714
<b>a) Net interest received</b>	1,805	1,483	1,985	1,735	1,964	2,224	2,517	2,615	2,799	3,605	2,585
<b>b) Other property receipts</b>	148	168	131	104	131	124	141	161	133	113	129
<b>2. Total tax revenue</b>	15,850	17,929	19,197	17,738	19,093	20,307	20,853	15,157	12,799	13,179	13,591
<b>A) Total direct taxes</b>	5,201	5,192	6,080	6,408	7,860	9,284	9,089	9,357	9,864	9,009	9,289
<b>a) Land revenue</b>	2,063	2,165	513	143	359	118	252	201	155	1,353	191
<b>b) Other direct taxes</b>	3,138	3,027	5,567	6,265	7,501	9,166	8,836	9,156	9,709	7,657	9,098
<b>B) Total indirect taxes</b>	10,648	12,737	13,117	11,331	11,233	11,023	11,765	5,799	2,934	4,170	4,302
<b>a) Stamp duty</b>	0.3	0.3	55	55	85	59	108	31	41	15	14
<b>b) Other taxes and duties</b>	10,648	12,737	13,062	11,276	11,148	10,965	11,657	5,769	2,894	4,155	4,287
<b>3. Fees &amp; Miscellaneous Receipts</b>	1,351	1,633	2,107	2,124	2,277	3,051	3,068	3,534	3,796	3,245	2,198
<b>4. Total transfers</b>	4,184	5,568	4,821	5,828	5,648	7,479	9,326	16,116	21,636	23,001	22,924
<b>A) Current transfer</b>	3,053	3,632	3,359	2,826	2,531	4,593	5,307	12,933	16,313	17,373	18,359
<b>a) Centre</b>	631	306	892	277	164	316	359	438	386	512	231
<b>b) State</b>	2,321	3,273	2,331	2,464	2,279	4,204	4,887	12,375	15,763	16,724	18,031
<b>c) Others</b>	101	53	136	86	87	72	62	120	164	138	98
<b>B) Capital transfer</b>	1,131	1,935	1,462	3,003	3,117	2,887	4,018	3,182	5,323	5,628	4,565
<b>a) Centre</b>	878	1,387	695	750	1,192	845	1,053	1,053	1,776	2,173	1,364
<b>b) States</b>	252	548	631	2,149	1,799	1,870	2,836	2,004	3,416	3,237	3,065
<b>c) Others</b>	-	-	135	103	126	172	129	125	130	218	137

Source: Various local bodies accounts in Maharashtra Reports, DES Govt. of Maharashtra

The Table 8.5 highlights the evolving composition of receipts for urban local bodies, with their tax revenue being the primary source of income in the earlier years, contributing around 67.57% of total receipts. However, with the introduction of the Goods and Services Tax (GST) in 2017, the share of tax revenue in total receipts declined significantly, dropping below 50% in subsequent years. Before the GST implementation, tax revenues, straightforward taxes (such as land revenue and other direct taxes), constituted a large portion of the income for urban local bodies. For instance, in 2016-17, total taxes amounted to ₹20,85,347 Lakh, but post-GST, by 2020-21, total tax revenue had decreased to ₹13,59,094 Lakh, reflecting a downward trend in the reliance on own tax revenue.

**Figure 8.3: Percentage of Total Receipts Urban Local Bodies**



At the same time, the share of transfers from the central and state governments has increased significantly, particularly post-2017. In 2020-21, total transfers reached ₹22,92,449 Lakh, showing a sharp increase compared to earlier years like 2013-14 (₹5,82,839 Lakh). This shift indicates a growing reliance on intergovernmental transfers, particularly capital transfers from the central government and states, as a vital revenue source for urban local bodies. Even as transfers increased, tax revenue remained relatively high compared to other sources, such as income from property and fees and miscellaneous receipts, which stagnated throughout the period. The stagnation in non-tax revenue sources, such as income from entrepreneurship, property, fees, and miscellaneous receipts, further reinforces the importance of tax revenue and transfers in sustaining urban local bodies'

financial operations. Overall, the transition towards increased reliance on transfers and reduced share of own tax revenue reflects the impact of GST on urban local bodies' fiscal structure.

#### 8.4.1 Urban Receipts Vs Urban Expenditure:

Table 8.6 shows that total expenditures and total receipts for urban local bodies have grown in absolute terms but with differing trends in their growth rates. In the initial years, total receipts increased at relatively higher rates, such as 14.17% in 2011-12, while total current expenditures also grew significantly, with a 27.21% increase in the same year. However, after 2015-16, the growth rate of total receipts began to slow down, with a notable decrease in growth to just 4.67% in 2017-18 and even a decline of -3.97% in 2020-21, reflecting fluctuating fiscal conditions or a possible impact of external factors like the pandemic.

**Table 8.6: Total Urban Receipts Vs. Total Urban Expenditure**

FC	Year	Total Receipts	Growth Rate in %	Total Current Expenditure	Growth Rate in %
13 FC	2010-11	23,456	-	11,244	-
	2011-12	26,780	14.17	14,304	27.21
	2012-13	28,294	5.65	18,142	26.83
	2013-14	27,529	-2.7	20,797	14.64
	2014-15	29,114	5.76	25,472	22.48
14 FC	2015-16	33,186	13.99	25,564	0.36
	2016-17	35,906	8.2	25,450	-0.45
	2017-18	37,582	4.67	30,177	18.58
	2018-19	41,163	9.53	35,927	19.05
	2019-20	43,143	4.81	34,754	-3.26
15 FC	2020-21	41,428	-3.97	37,739	8.59

*Source: Various local bodies accounts report., DES Government of Maharashtra*

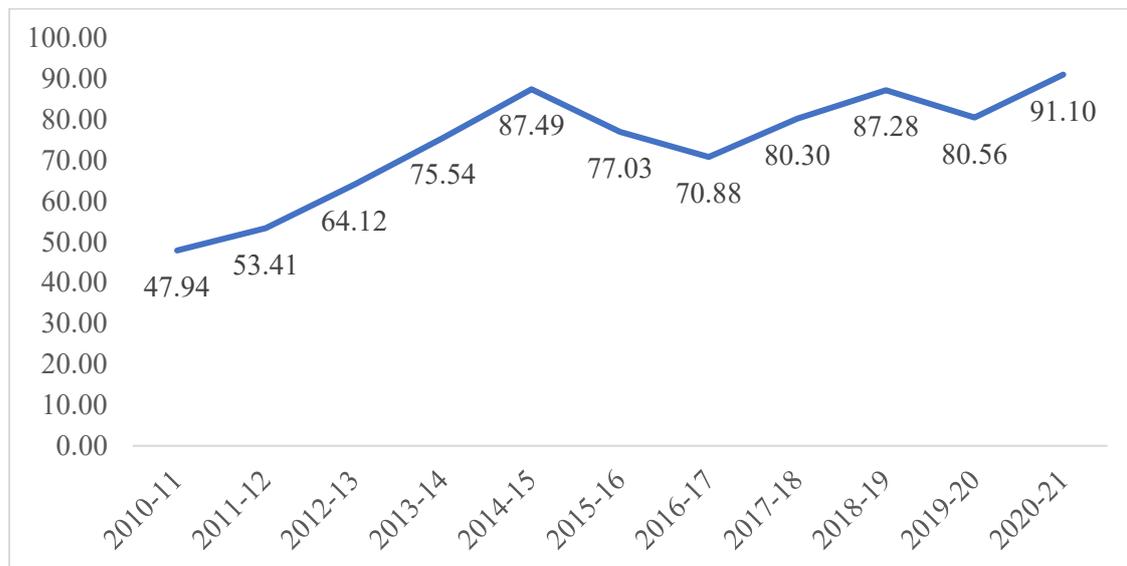
Similarly, total current expenditures also experienced a decline in growth rates after initial years of sharp increases. For example, expenditures grew at 26.83% in 2012-13, but then fluctuated, even showing negative growth in 2016-17 (-0.45%) and 2019-20 (-3.26%), before rebounding to 8.59% in 2020-21. This suggests inconsistent spending patterns by urban local bodies, potentially reflecting difficulties in planning and executing budget allocations.

Throughout the years, total receipts have consistently exceeded total expenditures, indicating that urban local bodies were able to maintain a fiscal surplus. However, this

surplus has gradually diminished recently, with the gap between receipts and expenditures narrowing significantly. In 2020-21, despite declining total receipts, expenditures continued to grow. This trend mirrors challenges seen in rural local bodies, where there has been a similar inability to fully utilize available funds efficiently.

The absorptive capacity of Urban Local Bodies (ULBs) from 2010-11 to 2020-21 shows significant improvement in their ability to utilize funds effectively over time. In 2010-11, less than half of the available funds were utilized, likely due to administrative and implementation challenges. However, by 2014-15, absorptive capacity improved significantly, reaching nearly 87%. This increase may be attributed to better planning and enhanced revenue generation

**Figure 8.4: Urban Local Bodies Absorptive Capacity**



From 2015-16 to 2017-18, the absorptive capacity experienced some fluctuations. Despite this, the trend stabilized around 80%, indicating that ULBs were becoming more efficient in managing their resources. By 2020-21, absorptive capacity reached its highest point at 91%, suggesting that Urban Local Bodies have significantly enhanced their ability to effectively use available funds.

### **8.5 Analysis of Closing Cash Balances and Fund Utilization:**

The fiscal data presented in Tables 8.3 and 8.4 for rural local bodies and Tables 8.5 and 8.6 for urban local bodies suggest that while overall fund allocations and receipts have grown, the corresponding expenditure levels have not kept pace resulting in relatively low absorptive capacities. Specifically, the absorptive capacity for rural local bodies hovered

around 68–74% in recent years, and while urban local bodies demonstrated better performance, their absorptive capacity only reached around 80–91% by 2020-21. These gaps between receipts and expenditures over multiple years have led to the accumulation of substantial closing cash balances with the local bodies. This surplus, while indicating financial prudence or delayed spending, also reflects inefficiencies in project execution, procedural delays, or capacity constraints in fund utilization. For instance, in FY 2020-21, rural receipts amounted to ₹44,75,012 lakh while expenditures were only ₹30,63,765 lakh, pointing to a cash surplus of over ₹14,00,000 lakh. A similar trend is observed in urban bodies, where receipts in FY 2020-21 stood at ₹41,42,768 lakh against expenditures of ₹37,73,881 lakh. These consistent fiscal surpluses suggest that both rural and urban local bodies may have sufficient liquidity buffers, but such underutilization also raises concerns regarding the effectiveness of local public spending and developmental outcomes. Enhanced planning capacity, streamlined project approval processes, and better monitoring mechanisms are essential to convert these cash surpluses into timely and impactful expenditures.

### **8.6 Compensation to Local Bodies on account of Absorption of Octroi/Entry Taxes Into GST**

After the implementation of GST, the local bodies faced with loss of revenue due to abolition of octroi and local body tax. These taxes were subsumed under the GST net. Recognising the possible shortfall of revenue of local bodies, the Government of Maharashtra had enacted Maharashtra Goods and Services Tax (Compensation to the Local Authorities) Act, 2017. Under this act, the State Government is committed to compensate for the loss of local bodies on account of GST implementation. The act ensures compensation to the local bodies considering the base year 2016-17 and yearly increase of 8 per cent annually.

As a result, due to the act, the State Government came under the financial obligation to the local bodies. Since the inception of the act, the State Government has been compensating to the local bodies as reported in Table 8.7. The amount of compensation has increased over the years from Rs. 9,296 crores in 2017-18 to Rs. 28,607 crore in 2024-25. The amount of compensation increased from about 5 per cent of the state's own revenue receipts to about 8 per cent during the same period.

**Table 8.7: Assistance to Municipal Corporations for loss of Revenue arising due to Implementation of Goods and Services Tax (in Rs Crore)**

Year	Assistance to Municipal Corporations for loss of Revenue arising due to Implementation of Goods and Services Tax
2017-18	9,296
2018-19	17,469
2019-20	19,147
2020-21	20,037
2021-22	23,007
2022-23	24,489
2023-24	26,851
2024-25	28,607

Source: Budget Documents, Government of Maharashtra, for various years

This indicates that increased financial obligations to the local bodies on account of enactment of the Act.

### 8.7: State Finance Commission:

Articles 243 I and 243 Y of the Indian Constitution mandate the State to constitute the State Finance Commission to review the financial position of the Panchayat and urban local bodies and recommend deviating financial resources from the State Government to them.

Maharashtra State appointed five State Finance Commissions, the fifth of which was appointed on 1 April 2019 for a five-year period.

**Table 8.8: State Finance Commission Recommendations and their Status**

Sr. No.	State Finance Commission	Total Recommendations	Total Fully Accepted Recommendation by the State Government	Total Partially Accepted Recommendation by the State Government	Recommendations on which action already taken	Total Rejected Recommendation by the State Government
1.	First State FC	129	110	14	-	5
2.	Second State FC	235	162	25	-	48
3.	Third State FC	114	50	11	41	12
4.	Fourth State FC	118	1	6	-	111
5.	Fifth State FC	169	91	30	13	35

Source: Finance Department, Govt. of Maharashtra

The commission's primary task is to assess the financial resources of the State and urban and rural sectors and make recommendations for the devolution of state resources to local bodies.

We have provided a brief overview of each finance commission's recommendations and their status as accepted by the State Government.

The total recommendations given by each SFC were classified in to the four broad categories they are as follows:

1. Direct Financial Burden
2. Indirect Financial Burden
  - a. Related to Finance
  - b. Administrative Reforms
3. Administrative Reforms
4. Other Recommendations.

The recommendations given by various SFCs on the devolution of their own tax revenue to local bodies range from a minimum of three percent to a maximum of forty percent. However, none of the financial recommendations of any finance commission on devolution was accepted by the state government. The government provided a reason for not accepting the recommendation of the commission, saying that due to its expenditure commitments/requirements, the state government may not be in a position to transfer its own revenue to local bodies.

## 8.8: Major Findings and Conclusion:

### Major Findings:

- **Heavy Reliance on Transfers:** Over 90% of rural local bodies' revenue comes from state and central government transfers, indicating limited independent revenue generation.
- **Urban Local Bodies' Declining Tax Revenue:** Post-GST implementation, the share of own tax revenue for urban bodies fell below 50%, increasing their reliance on intergovernmental transfers.
- **Underutilization of Allocated Funds:** Significant underutilization of resources was noted, with only 50% of received funds spent by Panchayat Raj Institutions in 2023-24, reflecting inefficiency in fund utilization.
- **State Finance Commission Recommendations Rejected:** Many recommendations by the State Finance Commission for tax devolution to local bodies were rejected by the Maharashtra government, citing expenditure commitments.
- **Fluctuating Receipts and Expenditures:** Both urban and rural bodies saw fluctuating trends in receipts and expenditures, with pandemic years notably impacting revenue inflows and fund utilization.

### Conclusion:

In conclusion, the analysis of Maharashtra's transfers to urban and rural local bodies highlights a significant reliance on funds from the state and central governments. This is particularly evident in rural local bodies, where over 90% of their revenue comes from such transfers. Despite attempts to decentralize governance, local bodies face challenges due to their limited ability to generate revenue and the underutilization of allocated resources, which hinders effective local governance. Furthermore, rejecting key recommendations from the State Finance Commission exacerbates these issues by restricting fiscal autonomy.

Reforms are necessary to improve local governance, enhance local revenue

## CHAPTER- IX

### IMPACT OF PSU FINANCES ON STATE FINANCE

#### 9.0. Introduction

The genesis of Public Sector Enterprises (PSUs) in the independent India started with Industrial Policy Resolution of 1956 whereby the state undertook proactive participation in the economy. The socialistic inclination of the state becomes apparent during this time as public sector investment was more than 50 per cent of total investment in the country. One of the major intentions of keeping 'core' economic activities with public sector was to ensure efficiency with equitable growth. In addition, it was felt that with the large public sector the government could build basic infrastructure to promote industrialisation and thereby promote employment and balanced regional development. The large and proactive public sector was also intended to prevent concentration of economic power and create self-reliant economy with import substitution and promotion of export (Chhibber and Gupta 2018).

On the similar line, the State Government owns State Public Sector Units (PSUs) which are commercial enterprises. The State-run PSUs have dual and more often than not conflicting objectives of ensuring commercial viability and at the same time ensuring equitable access. As a result, the PSUs find difficult to generate profitability of their operations while designing suitable pricing policy for ensuring equitable access to all citizens. The commercially non-viable PSUs put undue pressure on the State Government's finances and thereby drain on state's resources without much contribution to the economy. The new industrial policy introduced in 1990's, incorporated various initiatives to reduce the financial burden imposed by the commercially non-viable PSUs. These initiatives include disinvestment, listing on stock exchange, withholding or withdrawing budgetary support to loss-making ('sick') PSUs, denial of revision of wages and salaries of sick PSUs, encouragement to lay-off workers in loss-making PSUs, and closure and privatization (Chhibber and Gupta 2018).

Considering the stress of commercially non-viable state PSUs on the state finances, various Finance Commissions have also prescribed qualitative and quantitative norms to ensure better financial performance of the PSEs. These recommendations induce a cap on the number of PSUs, phased disinvestment (10<sup>th</sup> FC), autonomy, professionalism and transparency in management of PSUs, closure, disinvestment, merger of the PSEs and

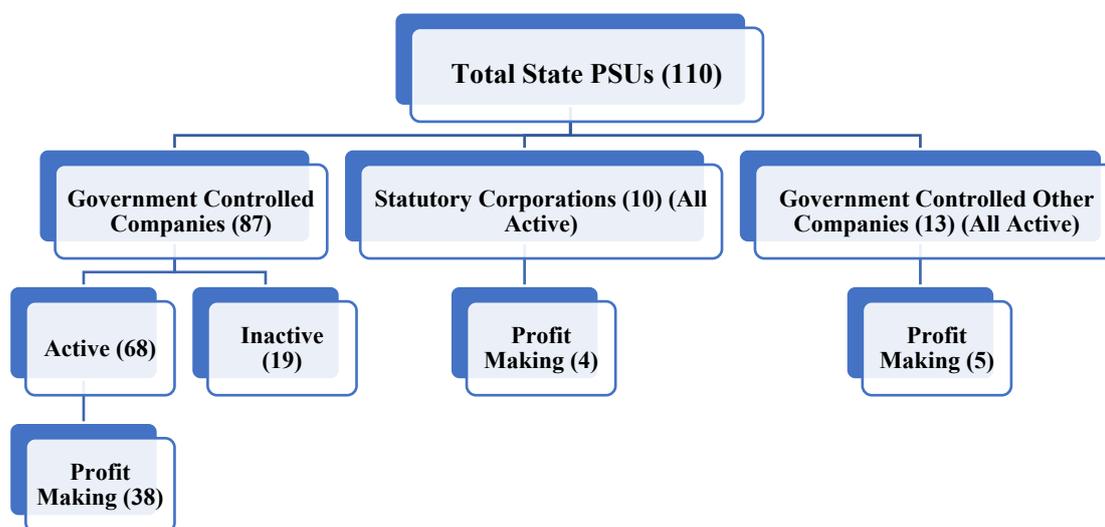
rationalisation of staff (11<sup>th</sup> FC). The Finance Commissions also recommended a norm on rate of returns of PSUs. For example, the Twelfth Finance Commission stipulated a 5 per cent return on equity and 7 per cent rate of interest on loans for the PSEs to be given to the states (Finance Commission Study Report Number 26, 2010).

In case of Maharashtra's PSUs, the process of restructuring and reforms are underway for many years. The process of liquidation, privatisation, and Voluntary Retirement Scheme (VRS) has been undertaken by the government. However, the process has remained unsuccessful for past few decades. As a result, the PSUs in Maharashtra continue to put fiscal stress on the government. In the present chapter, an attempt has been made to assess the nuances of the finances of State-run PSUs in Maharashtra.

### 9.1 Understanding the contribution of PSUs to the Maharashtra economy

The analysis presented in this chapter relies on the data reported in the Audit Reports of the Comptroller and Auditor General (CAG) as the updated accounts of the PSUs was not available. During the 2022-23, total number of PSUs audited by CAG is 110 (Table 9.1 and Figure 9.1). Out of which 87 are Government Controlled Companies (GCC), 10 are Statutory Corporations (SC), and 13 are Government Controlled Other Companies (GCOC). Out of 87 Government Controlled Companies, 68 are active and 19 are inactive. Whereas, all Statutory Corporations and Government Controlled Other Companies are active. Out of total 87 GCC, 38 are profit making companies while 4 SC and 5 GCOC are making profit. It is worth noting that the losses incurred by loss making PSUs surpasses the profit earned by PSUs resulting in huge accumulated losses as a whole.

**Figure 9.1: Structure of PSUs in Maharashtra (2022-23)**



**Table 9. 1. Total number of PSUs in Maharashtra**

Year	Government Controlled Companies	Statutory Corporations	Government Controlled Other Companies	Total
2010-11	81	4	-	85
2011-12	82	4	-	86
2012-13	83	4	-	87
2013-14	83	4	-	87
2014-15	83	4	-	87
2015-16	83	4	-	87
2016-17	83	4	-	88
2017-18	85	10	-	95
2018-19	93	10	-	103
2019-20	97	10	-	107
2020-21	99	10	-	109
2021-22	92	10	3	105
2022-23	87	10	13	110

Source: Report of the Comptroller and Auditor General of India on Public Sector Undertakings, Various years.

Moreover, the 19 inactive PSUs have also put a financial burden on the state. These PSUs have investment of Rs. 1,688.40 crores out of which the state bears Rs. 603.92 crores (Rs. 271.23 crore as capital investment and Rs. 332.69 crore as long-term loans).

## **9.2: Stake of Government of Maharashtra**

The Government of Maharashtra has high financial stake in the PSUs. This stake is mainly three types

- 1) **Share Capital and Loans-** In addition to the share capital contribution, government also provides financial assistance by way of loans to the PSUs from time to time.
- 2) **Special Financial Support-** Government provides budgetary support by way of grants and subsidies to the PSUs.
- 3) **Guarantees-** Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

### **9.2.1: Investment in State PSUs**

The total yearly accumulated investment in PSU consists of equity and long-term loans is represented in the Table 9.2. As it can be seen from the table that the equity share dominates the total investment in the PSUs in Maharashtra. The equity share varied between 70 to 85

per cent of total investment -during the 2014-15 to 2022-23. The remaining investment is made by the Central Government, State PSUs, Financial Institutions, Banks and Central PSUs. The State Government invest in PSUs, both in terms of equity and long-term loans. The share of the state in total equity investment of PSUs dominates. During 2017-18, the state contributed about 71 per cent of total accumulated equity of PSUs. Although, the state dominates in total equity of PSUs, its share has reduced to 66.6 per cent in the year 2022-23. This indicates that the effect of profitability of PSUs have major implication on the state's revenue (own non-tax revenue).

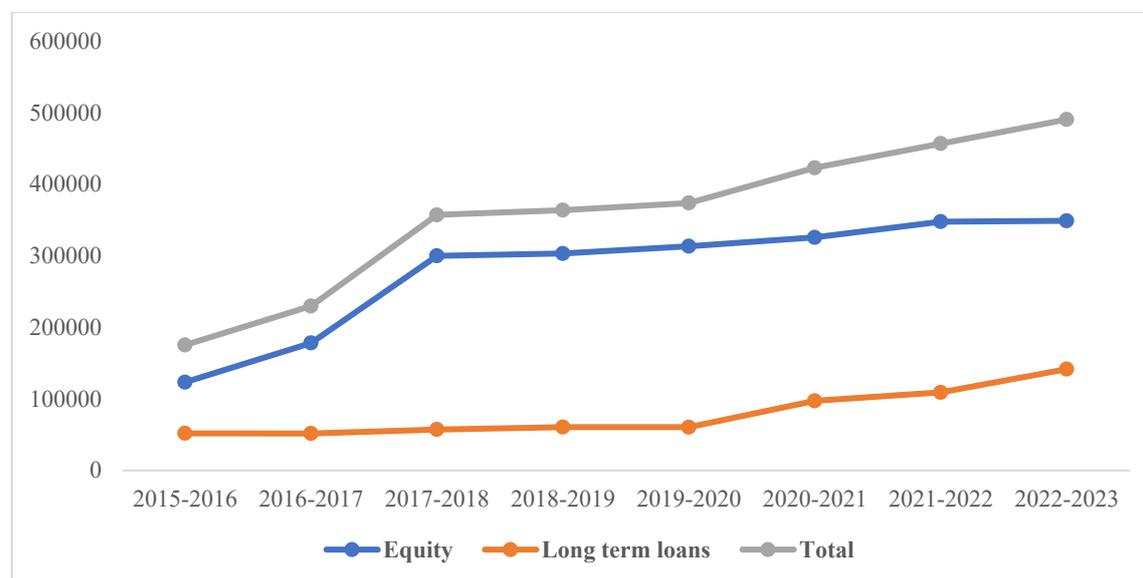
**Table 9. 2. Total Investments in PSUs (Rs. Crores)**

Year	Entity	Equity	Long term loans	Total
2011-12	State Government	-	-	-
	Total	-	-	78,346
2012-13	State Government	-	-	-
	Total	-	-	94,619
2013-14	State Government	-	-	-
	Total	-	-	97,137
2014-15	State Government	-	-	-
	Total	-	-	1,01,520
2015-16	State Government	-	-	-
	Total	1,23,395	51,927	1,75,321
2016-17	State Government	-	-	-
	Total	1,78,179	51,652	2,29,830
2017-18	State Government	2,12,026 (70.65)	1,212 (2.12)	2,13,238 (59.68)
	Total	3,00,095	57,222	3,57,317
2018-19	State Government	2,13,959 (70.55)	1,443 (2.38)	2,15,402 (59.2)
	Total	3,03,267	60,613	3,63,880
2019-20	State Government	2,24,130 (71.5)	1,314 (2.17)	2,25,444 (60.29)
	Total	3,13,487	60,445	3,73,931
2020-21	State Government	2,25,384 (69.17)	1,308 (1.35)	2,26,692 (53.58)
	Total	3,25,850	97,259	4,23,109
2021-22	State Government	2,31,765 (66.64)	1,148 (1.05)	2,32,913 (50.98)
	Total	3,47,769	1,09,096	4,56,865
2022-23	State Government	2,32,406 (66.6)	1,221 (0.86)	2,33,627 (47.62)
	Total	3,48,972	1,41,623	4,90,595

Source: Report of the Comptroller and Auditor General of India on Public Sector Undertakings

The total investment in PSUs grew by 14.23 per cent while equity investment and long-term loans grew by 13.86 per cent and 15.84 per cent respectively (Figure 9.2).

**Figure 9. 2. Total investments in PSU's (Rs. Crores)**



Source: Report of the Comptroller and Auditor General of India on Public Sector Undertakings

The annual increment of investment in PSUs are depicted in the Table 9.3. during 2017-18 there was significant increment in total investment, particularly in equity investment. During this year, there was increase in the investment in Statutory Corporation due to increase in their number from 4 to 10 enterprises.

**Table 9.3. Annual incremental investment (Rs. Crores)**

Year	Equity	Long term loans	Total
2010-11	-	-	7,840
2011-12	-	-	19,956
2012-13	-	-	16,273
2013-14	-	-	2,518
2014-15	-	-	4,383
2015-16	-	-	73,802
2016-17	54,784	-275	54,509
2017-18	1,21,916	5,570	1,27,487
2018-19	3,172	3,392	6,563
2019-20	10,220	-169	10,051
2020-21	12,363	36,815	49,178
2021-22	21,919	11,837	33,756
2022-23	1,203	32,527	33,730

Source: Report of the Comptroller and Auditor General of India on Public Sector Undertakings

The sectoral distribution of investment in PSUs is depicted in the Table 9.4. During 2022-23, the largest investment is directed towards the Power sector (57.04 per cent) followed by Agriculture and Allied sector (28.44 per cent), Infrastructure (12.56 per cent), etc. The Finance and Manufacturing sector received a minimum investment over the years.

**Table 9. 4. Sector wise investment in PSUs**

Year	Power	Finance	Manufacturing	Infrastructure	Agriculture & allied	Miscellaneous	Total
2011-12	67,840 (86.59)	2,797 (3.57)	648 (0.83)	4,471 (5.71)	771 (0.98)	1,819 (2.32)	78,346 (100)
2012-13	82,891 (87.6)	3,174 (3.35)	675 (0.71)	4,622 (4.88)	777 (0.82)	2,482 (2.62)	94,620 (100)
2013-14	86,000 (88.53)	3,347 (3.45)	676 (0.7)	3,618 (3.72)	689 (0.71)	2,807 (2.89)	97,137 (100)
2014-15	89,106 (87.77)	3,560 (3.51)	891 (0.88)	3,712 (3.66)	618 (0.61)	3,632 (3.58)	1,01,520 (100)
2015-16	1,62,063 (92.44)	3,849 (2.2)	889 (0.51)	4,492 (2.56)	576 (0.33)	3,452 (1.97)	1,75,321 (100)
2016-17	2,16,756 (94.31)	3,659 (1.59)	676 (0.29)	4,240 (1.85)	559 (0.24)	3,941 (1.71)	2,29,830 (100)
2017-18	2,18,749 (61.22)	3,459 (0.97)	680 (0.19)	10,097 (2.83)	1,19,885 (33.55)	4,447 (1.24)	3,57,317 (100)
2018-19	2,22,535 (61.16)	3,436 (0.94)	683 (0.19)	11,838 (3.25)	1,20,429 (33.1)	4,959 (1.36)	3,63,880 (100)
2019-20	2,22,271 (59.44)	3,433 (0.92)	685 (0.18)	12,102 (3.24)	1,29,945 (34.75)	5,496 (1.47)	3,73,931 (100)
2020-21	2,41,596 (57.1)	3,433 (0.81)	686 (0.16)	40,977 (9.68)	1,30,702 (30.89)	5,715 (1.35)	4,23,109 (100)
2022-23	2,79,824 (57.04)	3,039 (0.62)	669 (0.14)	61,602 (12.56)	1,39,520 (28.44)	5,942 (1.21)	4,90,595 (100)

Source: Report of the Comptroller and Auditor General of India on Public Sector Undertakings, Various years.

**Table 9. 5. Sector wise investment of State Government in PSUs (in Rs. Crore)**

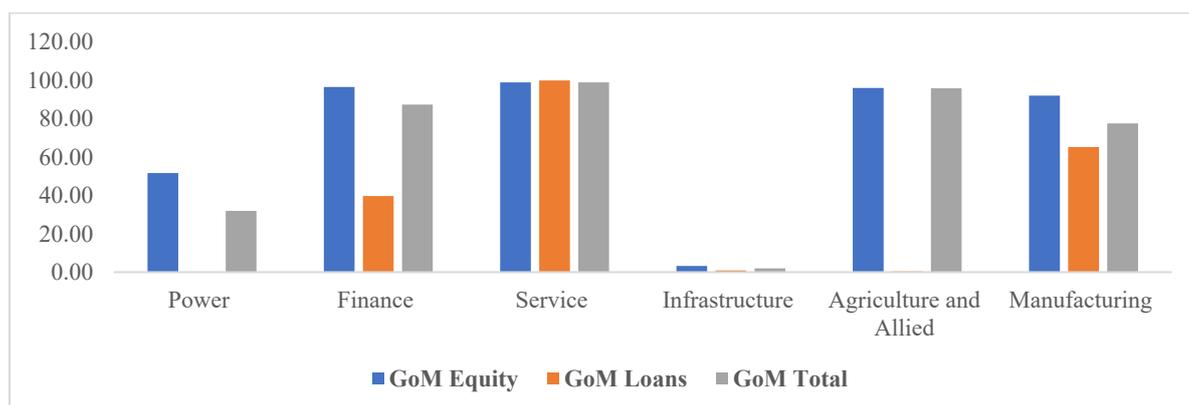
Year	Particulars	Power	Finance	Service	Infrastructure	Agriculture & Allied	Manufacturing	Miscellaneous	Total
<b>2017-18</b>	Investment	2,18,749	3,459	4,410	10,097	1,19,885	680	37	3,57,317
	Investment of GoM	88,121	2,638	4,351	1,252	1,16,327	520	29	2,13,238
	Share of GoM in Total Invest.	40.28	76.27	98.67	12.39	97.03	76.54	79.37	59.68
	Sectoral Share of GoM's Invest.	41.32	1.24	2.04	0.59	54.55	0.24	0.01	100
<b>2018-19</b>	Investment	2,22,535	3,436	4,922	11,838	1,20,429	683	30	3,63,873
	Investment of GoM	89,179	2,673	4,864	1,248	1,16,890	521	36	2,15,409
	Share of GoM in Total Invest.	40.07	77.78	98.80	10.54	97.06	76.30	119.75	59.20
	Sectoral Share of GoM's Invest.	41.40	1.24	2.26	0.58	54.26	0.24	0.02	100
<b>2019-20</b>	Investment	2,22,271	3,433	5,458	12,102	1,29,945	685	38	3,73,931
	Investment of GoM	89,158	2,683	5,399	1,247	1,26,407	521	29	2,25,444
	Share of GoM in Total Invest.	40.11	78.15	98.92	10.30	97.28	76.09	77.72	60.29
	Sectoral Share of GoM's Invest.	39.55	1.19	2.39	0.55	56.07	0.23	0.01	100
<b>2020-21</b>	Investment	2,41,596	3,433	5,678	40,977	1,30,702	686	37	4,23,109
	Investment of GoM	89,429	2,683	5,619	1,247	1,27,164	522	29	2,26,692
	Share of GoM in Total Invest.	37.02	78.15	98.96	3.04	97.29	76.13	79.28	53.58
	Sectoral Share of GoM's Invest.	39.45	1.18	2.48	0.55	56.10	0.23	0.01	100
<b>2022-23</b>	Investment	2,79,824	3,039	5,905	61,602	1,39,520	669	37	4,90,595
	Investment of GoM	89,499	2,656	5,846	1,235	1,33,842	519	29	2,33,627
	Share of GoM in Total Invest.	31.98	87.40	99.00	2.00	95.93	77.58	79.72	47.62
	Sectoral Share of GoM's Invest.	38.31	1.14	2.50	0.53	57.29	0.22	0.01	100

Source: Report of the Comptroller and Auditor General of India on Public Sector Undertakings, Various years.

The sector-wise investment of the State Government indicates that the major trust of the government's investment was in Agriculture and Allied sector (Table 9.5). About 57 per cent of total government's investment was directed towards Agriculture and Allied sector over the years. Moreover, more than 95 per cent of total investment in the sector was undertaken by the State Government. This implies that the Agriculture and Allied sector PSUs are relied primarily on the State Government. Therefore, the performance of the sector has implications on the State Government's finances mainly in terms of dividend as more than 95 per cent of total equity was shared by the State Government and the loan component in the total investment in minimal (less than 0.5 per cent).

The next important sector is Power sector. About 40 per cent of total investment of the State Government is directed towards the sector. The state contributes about 30 to 40 per cent of total investment in the sector. The State Government participated in investment in the sector mainly through equity investment (about 52 per cent of total equity investment) while the sector relied on sources other than the state for debt financing. The state's share in total loan taken by the sector was less than 0.5 per cent. Thus, the dividend earning of the sector is important from the point of view of state finances.

**Figure 9. 3. Share of GoM in Sector's Total Investment, Equity, and Loans (in per cent)**



*Source: Report of the Comptroller and Auditor General of India on Public Sector Undertakings, Various years.*

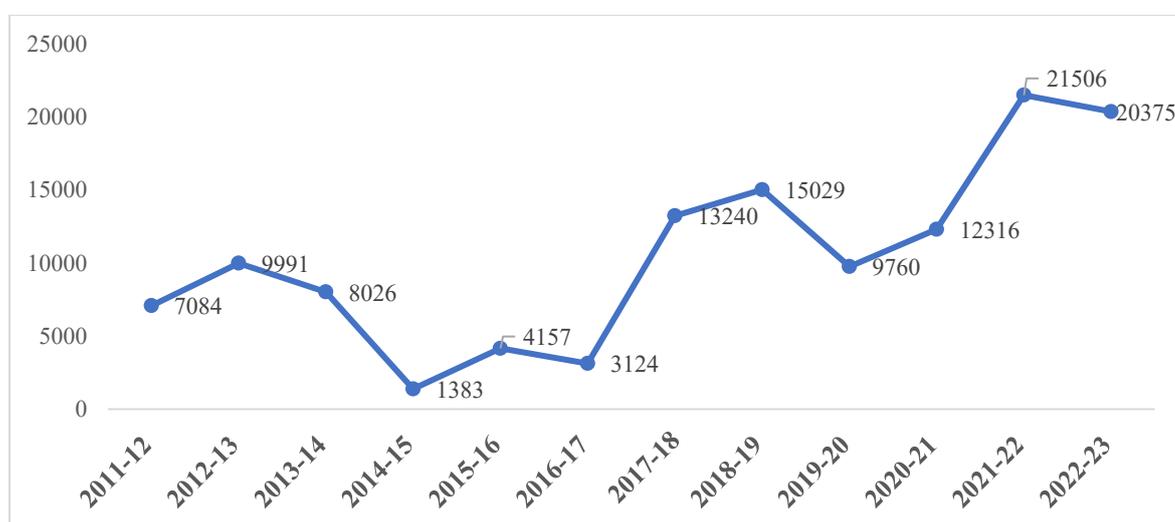
The Agriculture and Allied sector and Power sector together constitute about 95 per cent of the State Government's investment in the PSUs. Although, the State Government was making lesser allocation of its investment in the Finance, Services and Manufacturing sector, the state was the primary investor in these sectors. On the

contrary, in case of Infrastructure, the State Government’s allocation of investment is minimal as well as its share in the sector’s total investment is also minimal.

### 9.3. Budgetary Implications of Public Sector Undertakings

The State Government provides financial help to PSUs in the form of equity, loans, grants/ subsidies, loans repayment/ written off, and guarantees. The budgetary outgo (consists of equity, loans, grants/ subsidies) have shown increasing trend over the years, amid wide fluctuations (Figure 9.4 and Table 9.6). The major component of budgetary outgo is grants/subsidies and the total budgetary outgo moves in line with grants/subsidies (Figure 9.5 and Table 9.6).

**Figure 9. 4. Budgetary outgo towards State PSUs**



Source: Report of the Comptroller and Auditor General of India on Public Sector Undertakings, Various years.

**Figure 9. 5. Grants/ Subsidy received by State PSUs**



Source: Report of the Comptroller and Auditor General of India on Public Sector Undertakings, Various years.

Moreover, the State Government helps the PSUs in raising loans from the banks and Public Financial Institutions by giving guarantee for repayment of principal and interest. Since 2012-13 onwards, the government is expending guarantees to the PSUs. The total outstanding guarantees have also been increased tremendously during 2021-22 and 2022-23 (Table 9.6). If these guarantees are invoked, it would put financial burden on the state exchequer. Therefore, there is need of ensure thorough project viability assessments while extending the guarantees. The recovery of guarantee fees also important source of revenue to the state and therefore, timely recovery of guarantee fees needs to be ensured.

**Table 9.6. Budgetary Implications of PSUs (Rs. Crores)**

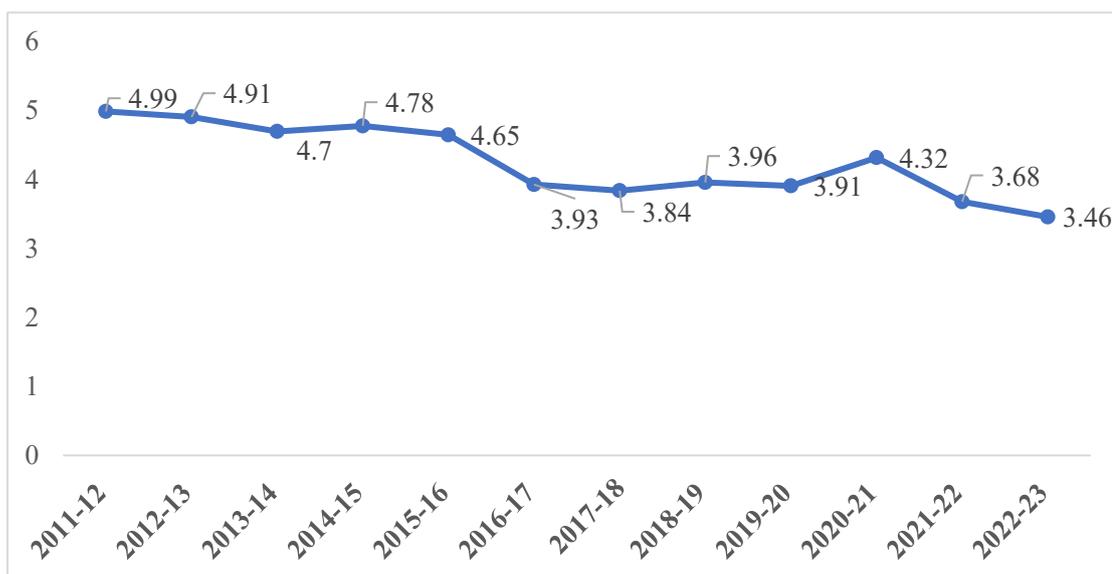
Year	Equity Capital Outgo	Grants/ Subsidy provided	Loans given	Total outgo (i+ii+iii)	Loan repayment /written off	Guarantees issued	Outstanding Guarantees commitment
2011-12	2,133	4,671	281	7,084	18	-	-
2012-13	1,814	6,076	2,101	9,991	0	152	1,283
2013-14	1,995	6,031	-	8,026	0	190	2,679
2014-15	624	749	10	1,383	-	88	2,540
2015-16	1,529	2,422	207	4,157	0	11	2,201
2016-17	1,600	1,271	254	3,124	0	2	1,709
2017-18	3,770	9,470		13,240		7	1,463
2018-19	854	14,174		15,029		70	1,055
2019-20	3,181	6,579		9,760		12	57
2020-21	0	12,316	0	12,316	0	4,000	48
2021-22	3,182	18,325	0	21,506	0	13,868	15,108
2022-23	3,776	16,512	86	20,375	0	5,251	16,102

Source: Report of the Comptroller and Auditor General of India on Public Sector Undertakings, Various years.

#### 9.4. Financial Performance of Public Sector Undertakings

The ratio of turnover of the State PSUs to the Gross State Domestic Product (GSDP) shows the contribution of PSUs to the economy of the State. As it can be seen from the Figure 9.6, the contribution of PSU to the GSDP has been declining over the years. During 2022-23, the PSU contributed 3.46 per cent to the GSDP which came down from 4.99 per cent in 2011-12. It is worth noting that the power sector contributes the largest share in total turnover of PSUs. During the year 2019-20, the share of power sector in total turnover of PSU was 89.08 per cent which improved to 92.38 per cent in 2022-23.

**Figure 9.6. Turnover of PSUs as percentage of GSDP**



Source: Report of the Comptroller and Auditor General of India on Public Sector Undertakings, Various years.

The PSUs in Maharashtra has accumulated a huge volume of losses over the years indicating persistence operational inefficiencies. Various factors can contribute to loss making PSU such as absence of state-of-art technology, growing interest burden, financial liquidity, less than capacity utilisation, lesser productivity, burden of surplus manpower, non-remunerative prices, high input cost, and so on.

During 2022-23, out of total 110 PSUs in Maharashtra 47 PSUs earned profit while 45 reported losses, 10 were no profit no loss, and remaining eight had not even furnished financial accounts. The sector wise analysis indicates that the Agriculture and Allied sector where the state government invest heavily (state's share in total investment is more than 95 per cent) reported consistent profit over the years. On the contrary, Power sector, where the state's share in total investment has been 30 to 40 per cent of total investment, reported consistent losses over the years. Considering the state's larger share in total investment as well as a higher proportion of the state's total investment in PSUs directed towards the sector (about 40 per cent), the profitability of the Power sector has direct bearing on the state's non-tax revenues in the form of dividend.

Infrastructure and Services sectors have also reported a large volume of losses, particularly in recent few years. The state's share in total investment in Services sector is also very high, almost all in case of services sector. However, the state's investment in Infrastructure was very minimal. Thus, huge losses in Service sector has been putting

burden on the state exchequer in the form of loss of non-tax revenue in the form of loss of dividend.

**Table 9.7. Accumulated profit (+)/ Loss (-) of PSUs (Rs. Crores)**

Year	Power	Finance	Service	Infrastructure	Agriculture & Allied	Manufacturing	Miscellaneous	Total
2014-15	-3,388	-764	-1,272	-3,124	666	-1,222	31	-9,072
2015-16	-13,475	708	-1,660	-3,075	666	-1,241	51	-18,027
2016-17	-30,728	-614	-1,782	-3,196	793	-1,304	60	-36,771
2017-18	-38,752	-463	-2,308	-3,374	920	-1,338	62	-45,254
2018-19	-35,851	-402	-3,642	-3,662	1,142	-1,361	72	-43,704
2019-20	-34,453	-391	-4,590	-3,609	1,246	-1,360	85	-43,072
2020-21	-34,316	-291	-4,589	-3,966	1,603	-1,430	151	-42,839
2021-22	-33,593	-234	-5,304	-4,567	2,141	-1,536	184	-42,907
2022-23	-28,203	-121	-8,222	-4,833	2,503	-1,706	202	-40,381

Source: Report of the Comptroller and Auditor General of India on Public Sector Undertakings, Various years.

In order to understand the extent of operational inefficiency of PSUs, the comparison of the accumulated losses of PSU with deficit indicators of the State Government is presented in the Table 9.8. As it can be seen from the table that the accumulated losses of the PSUs are way higher than the revenue deficit of the states over the years. The accumulated losses of PSUs as percentage of fiscal deficit was also very high. In the year 2022-23, it was about 60 per cent of fiscal deficit.

**Table 9.8. Accumulated profit (+)/ Loss (-) of PSUs as compared to Revenue Deficit and Fiscal Deficit (Rs. Crores)**

Years	Revenue Deficit (-)/ Surplus (+)	Fiscal Deficit (-)/ Surplus (+)	Accumulated profit (+)/ Loss (-) of PSUs	Accumulated Losses of PSU as % of Fiscal Deficit
2014-15	-12,137	-31,827	-9,072	28.50
2015-16	-5,338	-28,364	-18,027	63.56
2016-17	-8,536	-38,596	-36,771	95.27
2017-18	2,082	-23,961	-45,254	188.86
2018-19	11,975	-23,015	-43,704	189.89
2019-20	-17,116	-53,886	-43,072	79.93
2020-21	-41,142	-71,558	-42,839	59.87
2021-22	-16,374	-64,302	-42,907	66.73
2022-23	-1,936	-67,602	-40,381	59.73

Source: Report of the Comptroller and Auditor General of India on Public Sector Undertakings, Various years and Economic Survey of Maharashtra State, various years

Return on Capital Employed (ROCE) is a ratio that measures a Company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a Company's earnings before interest and taxes (EBIT) by the capital employed. As it is depicted in Table 9.9, the ROCE is lower and declining in recent years from 3.10 per cent in 2019-20 to 1.94 per cent in 2022-23. The power sector reported comparatively higher ROCE and has improved in recent years. However, considering the huge accumulated losses in the Power sector, there is need for further improvement. The ROCE of Agriculture and Allied sector is very minimal in the recent years. The improvement in ROCE would further improve the improvement in the accumulated profit of the sector which is comparatively higher. The service sector consistently showing negative ROCE and the manufacturing sector reporting either lower or negative ROCE over the years. These sectors need to improve their ROCE as their accumulated losses are also huge.

**Table 9.9. Return on Capital Employed (ROCE) (in per cent)**

Year	Power	Finance	Service	Infrastructure	Agriculture & Allied	Manufacturing	Miscellaneous	Total
2014-15	9.50	0.65	-38.08	-24.39	13.90	-12.44	30.06	9.19
2015-16	-0.40	6.16	-29.86	35.09	14.56	-12.42	11.86	-0.25
2016-17	-5.95	8.26	-7.71	17.97	15.51	-2.07	11.41	-5.47
2017-18	1.94	7.68	-48.41	12.55	0.31	-0.05	11.43	1.26
2018-19	3.96	7.60	-155.97	2.25	0.32	1.24	10.45	2.06
2019-20	5.27	7.50	-276.87	1.41	0.31	0.82	0.97	3.10
2020-21	5.09	7.42	-276.51	1.79	0.19	-1.01	29.87	2.88
2021-22	3.91	5.69	-371.12	0.73	0.23	-2.32	42.19	2.03
2022-23	4.06	5.51	-48.27	0.44	0.23	-0.87	20.75	1.94

*Source: Report of the Comptroller and Auditor General of India on Public Sector Undertakings, Various years.*

The other key financial results about the PSUs in the state indicate the poor performance of these firms (Table 9.10). The interest payments of these firms have kept on increasing over a period of time.

The Debt to Turnover ratio is used to analyse the ability of the companies services the debt owed by the companies to Government, banks and other financial institutions. As

depicted in Table 9.10 the debt to turnover ratio of PSUs improved from 0.76 per cent in 2011-12 to 0.50 in 2018-19 and again deteriorated to 0.74 in 2020-21.

**Table 9.10. Key Parameters of State Public Sector Units**

Year	Debt	Turnover	Deb/Turnover Ratio	Interest Payments
2011-12	47,416	62,315	0.76:1	3,403
2012-13	59,053	67,383	0.88:1	4,062
2013-14	58,911	77,462	0.76:1	7,014
2014-15	54,477	85,639	0.64:1	6,064
2015-16	55,068	91,398	0.60:1	5,983
2016-17	49,628	86,378	0.57:1	7,110
2017-18	54,227	90,335	0.60:1	7,319
2018-19	51,376	1,02,196	0.50:1	6,782
2019-20	67,167	1,10,256	0.61:1	8,957
2020-21	84,514	1,14,929	0.74:1	9,894

Source: Report of the Comptroller and Auditor General of India on Public Sector Undertakings, Various years.

### 9.5. Dividends from Public Sector Undertakings

The Finance Department, Government of Maharashtra issued Government Resolution in 2012 which required all profit making SPSUs to declare minimum dividend of five per cent of profits. However, dividends from PSUs are very nominal as reported in the

**Table 9.11: Dividends from PSUs and other Investments (in Cr.)**

Year	Dividends	Year	Dividends
2010-11	45	2017-18	64.63
2011-12	30	2018-19	275.48
2012-13	47	2019-20	56.53
2013-14	20	2020-21	401.02
2014-15	28	2021-22	88.36
2015-16	57	2022-23	36.01
2016-17	66.81		

Source: Report of the Comptroller and Auditor General of India on Public Sector Undertakings, Various years.

Table 9.11. The minimal volume of dividend indicates the persistence poor performance of the PSUs over the years. Majority of the PSUs in the state are loss making and the few profit-making firms are transferring a very nominal amount to the exchequer as dividend.

During 2022-23, out of 110 SPSUs in Maharashtra, 47 SPSUs reported profit. Out of these, 31 PSUs had earned profit, without accumulated losses and are liable to pay dividend. However, only seven SPSUs have declared/ paid the dividend during 2022-

23. Thus, the major reforms are warranted for improving operational efficiency of state Public Sector Undertakings; otherwise, they will remain as white elephants eating the public money

### **9.6. Restructuring of the Public Sector Undertakings**

The PSUs in Maharashtra are incurring a large volume of losses over the period of time. The State Government has undertaken various financial restructuring strategies for revival of these PSUs. These strategies include issuance of guarantees for raising loans, grants and subsidies for activities such as moratorium on payment of interest/loan, equity capital outgo, Loan repayment/written off, and so on. Recently, as an additional step in financial restructuring of PSUs, the Government of Maharashtra has introduced an amnesty scheme for Public Sector Undertakings (PSUs) with regard to arrears of various taxes levied before the introduction of Goods and Services Tax (GST) (Maharashtra Settlement of Arrears of Tax, Interest, Penalty or Late Fee (Payable by Public Sector Undertaking Companies) Bill, 2025). Under this scheme, the PSUs are supposed to pay full 100 per cent tax amount under undisputed tax category with regard to the matters pertaining to period on or before 31 March 2005 and the matters pertaining to period 1 April 2005 to 30 June 2017. The PSUs, however, under disputed tax category, the amount of waiver is 70 per cent and 50 per cent respectively with regard to above mentioned time window. The interest, penalty, and late fees will be totally waived off under these to time windows.

However, despite these efforts, the PSUs are continuing to incur losses which further resulted in further demand for financial support. This vicious circle has resulted in a burden on the state exchequer. Therefore, there is need for the Government to design an appropriate policy for making PSUs financially independent. The government may initiate the following reform measure to reinvent the PSUs of the state.

#### **(1) Finalisation of Accounts**

One of the major issues with the PSUs in Maharashtra is delays in completion and submission of financial accounts. The timely submission of accounts of PSUs helps in timely audit and suggestions for the course corrections. However, in the absence of final annual financial accounts, the assessment of utilisation of the grants and loans extended by the government for the stated purpose and their accounting could not be carried out. This further would result in the inadequate monitoring by the State

Government, lack of accountability over the funds distributed by the government, and overall financial performance of the PSUs. The financial statements of the companies for every financial year are required to be finalized within six months from the end of relevant financial year and in accordance with the provisos of section 129(2) and placed before the Annual General Meeting of the company in terms of section 96(1) of the Companies Act 2013. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period.

The progress made by PSUs in finalisation of accounts is reported in Table 9.12. As it can be seen from the table that there is a huge extent of arrears in finalization of accounts of PSUs. As a result, the legislative control could not oversight the utilisation of public funds invested in the PSUs from the Consolidated Fund of the State. The Government of Maharashtra should immediately issue necessary instructions to the concerned Administrative Departments to targets for finalisation of the accounts of its PSUs on a war footing so as to liquidate the arrears and thereby to ensure accountability and monitoring of public money.

**Table 9.12: Position relating to finalization of accounts of working PSUs**

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>No. of Working PSUs</b>	65	65	65	65	65	66	74	83	88	90
<b>No. of Accounts Finalized during the year</b>	82	74	78	64	57	55	77	65	49	75
<b>No. of accounts in arrears</b>	13 8	129	116	125	129	137	141	150	189	207
<b>No. of working PSUs with arrears in accounts</b>	53	52	51	54	57	53	61	63	81	84
<b>Extent of arrears (No. in years)</b>	1 to 12	1 to 7	1 to 8	1 to 16	1 to 17	1 to 18	1 to 19	1 to 20	1 to 16	1 to 17

Source: Report of the Comptroller and Auditor General of India on Public Sector Undertakings, Various years.

## **(2) Winding up of non-working PSUs**

As on 31 March 2023, there were 110 SPSUs in Maharashtra and out of these 110 SPSUs, 19 SPSUs are inactive. These inactive SPSUs have investment of Rs. 1,699.40 crore, which includes capital of ₹ 298.28 crore (State Government Rs. 271.23 crore and Others Rs 27.05 crore) and long-term loans of Rs. 1,401.12 crore (State Government Rs. 332.69 crore and Others Rs. 1,068.43 crore). Moreover, the process of winding up of inactive PSUs are quite slow. During 2021-22, four inactive PSUs were wound up. However, the closure of seven subsidiaries of Marathwada Development Corporation Limited (MDCL) was pending, though the Government of Maharashtra had approved its closure on 25 October 2011. The CAG also pointed out that winding up of PSUs through the Court order route takes longer time such as five years for Irrigation Development Corporation of Maharashtra Limited and 22 years for Sahyadri Glass Works Limited. Another time saving route is by voluntary winding up under the Companies Act and therefore this route should be adopted.

As the investments in inactive PSUs do not contribute to the economic growth of the State, the Government may review the inactive Government Companies and may take a decision regarding commencement of liquidation process in respect of inactive PSUs.

For winding up of the inactive PSUs, the Government should consider the following aspects as argued by Katoch and Bahri (2023). The closure decision should be made if a PSU have outlived its purpose, have become non-competitive because of changed market environment, be chronically in losses, have ceased production, and/or require budgetary support just to exist and pay salaries.

## **(3) Disinvestment of PSUs**

As analysed earlier, the inefficient PSUs drag on resources of the Government and adversely affects its public finance in addition to the locking up the resources with high opportunity cost. Therefore, freeing of resources from its current inefficient use and redeploy them into a more socially productive use provides an economic rationale for disinvestment. Additionally, disinvestment helps to reduce financial burden of the government, ensures market discipline and technological upgradation, etc.

The process of disinvestment in Maharashtra started in late 1990s. The Government of Maharashtra set up Maharashtra Board for Restructuring State Enterprises (MBRSE)

under the Maharashtra State Enterprises (restructuring and other special provision) Act, 2000. The MBRSE was set up to decide on disinvesting or restructuring of loss-making PSUs. However, the Act was repealed in 2007 on account of failure of the Government to follow the mandatory recommendations made by the board on closure of eleven enterprises, restructuring of five, and privatization of two state-owned PSUs. After the Act was revoked, the process of closure, restructuring, and privatization has been slowed down.

#### **(4) Restructuring of PSUs**

For the loss-making PSUs, assessing the possibility of improvement in future, the Government may consider financial restructuring. It may include conversion of loan into equity, waiver of loan and interest including penal interest, Government guarantee for raising loans, grant of moratorium on payment of interest/loan. Some of these financial restructuring aspects are already undertaken by the Government of Maharashtra such as amnesty scheme for PSUs for waiver of interest, penalty, and fees (2025) and Government guarantees (reinitiated in the year 2012-13). The conversion of loans into equity option may not be feasible as the loan component of the State Government in PSUs are already low while equity component is very high. However, the Government could think of increasing its equity component further in case of loss-making sectors, particularly Infrastructure sector which has reported higher accumulated losses with lower investment of the Government.

Similarly, the Government should undertake a business restructuring initiative. The past experience on non-performing PSUs indicates various factors leading to inefficiency. These business-related factors include erosion of working capital, outdated technology, limited product diversification, inability to cope up with the changing market demand, increase in cost of production, tough competition from other firms, competition from cheap imports, mounting financial liabilities (including statutory pay-outs), heavy interest burden, low-capacity utilization, low productivity, surplus manpower, high input cost, and non-remunerative prices.

Considering the above-mentioned issues faced by PSUs, the Government of Maharashtra may consider following initiatives.

- Working capital support through the State budget
- Facilitating Bankers Meet for financial support
- Extending assistance in development of policy guidelines for investment of surplus funds by state PSUs
- e-commerce platform for marketing of products of PSUs
- Initiatives to secure contract in public procurement
- Facilitating PSUs in capturing national and international markets
- Product diversification and introduction of new products
- MoU with other companies for technological up-gradation
- Appointment of professional managers
- Convergence and mergers of PSUs manufacturing similar products
- Preparation of master plan of each PSU for short, medium, and long-term
- An online project management and activity monitoring system has been implemented for monitoring and evaluating the project implementation of PSUs.
- A separate Board to undertake reform initiatives in PSUs such as performance planning and monitoring of PSUs, enterprise reconstruction, capacity building, and governance advisory support to State PSUs.
- Right sizing of organizations through VRS/VSS.
- Initiate awards to the best performing PSUs and its employees

### **Way Forward**

Considering the huge potential for restructuring and rejuvenating PSUs in Maharashtra, the Government of Maharashtra may think of commissioning a Task Force on Public Sector Undertaking Reform for framing a clear policy framework for financial restructuring, business restructuring, and speedy closure of inactive PSUs in the State.

The Task Force should also review the ongoing financial restructuring undertaken by the Government in the form of budgetary outgo to PSUs and look into the outcome in terms of financial performance.

### **9.7 Major Finding**

During the 2022-23, out of total 119 PSUs, 19 are inactive, 47 are profit making and 45 incurred losses.

The total investment in PSU increased fivefold during 2011-12 to 2022-23.

The Government of Maharashtra's investment in total investment almost doubled during 2015-16 to 2022-23. Out of total equity shares of PSUs, the Government of Maharashtra share about 70 per cent while its share in long-term loans is very minimal.

About 57 per cent of total State Government's investment is directed towards Agriculture and Allied sector and about 40 per cent to Power sector.

The State Government extended budgetary support for PSUs to the tune of Rs. 20,375 crores in 2022-23, indicating heavy drain on state resources.

The contribution of PSU to the GSDP has been declining over the years, the turnover to GSDP ratio declined to 3.46 per cent in 2022-23 from 4.99 per cent in 2011-12.

Accumulated losses rose from Rs. 9,072 crores in 2014-15 to Rs. 40,381 crores in 2022-23, exceeding the state's revenue deficit in most of the years.

Despite heavy investment by the State Government, the power sector reported huge accumulated losses (Rs. 28,203 crores in 2022-23).

Return on Capital Employed (ROCE) ratio of Agriculture and Allied sector, which the Government heavily invest in, found to be very minimal (0.23 per cent in 2022-23).

Dividends from PSUs remain negligible indicating poor financial performance.

Delayed finalization of accounts and arrears undermine financial transparency and accountability of public money.

The Government of Maharashtra may think of commissioning a Task Force on Public Sector Undertaking Reform for framing a clear policy framework for financial restructuring, business restructuring, and speedy closure of inactive PSUs in the State.

## **CHAPTER – X**

### **IMPACT OF THE POWER SECTOR REFORMS ON THE FISCAL HEALTH OF THE STATE**

#### **10.0 Introduction**

In this chapter, we review the financial and operational performance of the power sector in Maharashtra since the adoption of the Electricity Act 2003. The focus of the section is on overall performance of the sector and its impact on state finances. Before moving further, we must take a look at the pre and post reforms status of the power sector in the state.

#### **10.1: Pre reform era in MSEB**

Historically, the power sector of Maharashtra, except Mumbai, was served by Maharashtra Electricity Board (MSEB), set up in 1960. MSEB was responsible for the generation, transmission, and distribution of power to all the consumers in the state except Mumbai. The power distribution in Mumbai and its suburbs is done through four distributors, namely, Tata Power Company Ltd., Bombay Electric Supply and Transport undertaking (BEST) Reliance Energy and Maharashtra State Electricity Distribution Company Ltd. MSEB was the largest state electricity board in the country in terms of units of power sold till 2005-06 when it was unbundled. The generation capacity of MSEB has grown tremendously over a period of time. It was 760 MW in 1960-61 and it reached 9771 MW in 2001-02. MSEB's thermal power stations were also efficient as they achieved high power availability of 86 per cent and plant load factor of 74 per cent in 2001-02. At present, the installed capacity of the MSGCL (erstwhile MSEB) is 13602 MW in 2017-18. The MSEB's customer base has expanded manifold. It was 1,07,833 in 1960-61, which grew to 14,009,089 in 2001-02. By 2001-02 MSEB had a large transmission and distribution network of 6.67 lakh ckt kms.

##### **10.1.1: Why were reforms needed in the power sector?**

The MSEB from its inception onwards moved with a greater social objective than the commercial orientation in its operations. This sector has been always important instrument in the large scale industrialisation of the state and a means of attracting investment to the state. Government of Maharashtra was subsidising this sector seeing its potential as the major driver of infrastructure and industrial growth in the state. The drought prone agrarian sector of the state also required state support for thriving its operations, especially in bad years. In this backdrop the state liabilities on this sector

have sky rocketed. Tariffs for domestic, power looms and agricultural segments were lower than the average cost of supply and were cross subsidized by industrial and commercial customers. This has widened the gap between average cost of supply and average revenue realisation.

The fragmented structure of the tariffs has led to more and more high paying industrial consumers setting up their own captive generation stations. This has led to decline in consumption of power from MSEB grid by industrial and commercial consumers. But at the same time consumption by subsidised consumers has grown over the years. Share of electricity sold to agricultural customers has grown from 25 per cent in 1993-94 to 34 per cent in 1998-99. During the same period the share of the industry fell from 35 to 32 per cent.

Further, the low tariffs for subsidised consumers led not only to deterioration in financial performance but also to wasteful consumption from this consumer. The impact of lack in commercial focus of company was reflected in both the quality of supply as well as performance of MSEB.

The non-commercial approach of the MSEB has led to deterioration in the financial health of MSEB. MSEB was making commercial profits without subsidy till 1994-95. This profit declined over time and MSEB reported commercial losses of Rs. 1479 crores (without subsidy) in the year 1999-00. But a huge subsidy of Rs. 2084 crores given by the state government has helped MSEB to register a commercial profit of Rs. 605 crores. MSEDCL was finding it difficult to invest in the maintenance and upgradation of power sector infrastructure with this deteriorating financial health. That has resulted in a further decline in the quality of supply and an increase in technical losses. Thus MSEB was trapped in a downward spiral and found it very difficult to escape from declining financial health. Therefore, the power sector reforms were very much needed in the state of Maharashtra.

## **10.2: Major Reforms in the power sector in Maharashtra:**

In the backdrop of the deteriorating financial health of the power sector (MSEB) and its potential impact on the state finances, the government of Maharashtra announced the power sector reforms in the form of white papers in August 2002, indicating the reforms to be undertaken and time frame for the same. Simultaneously, the government constituted the State Electricity Restructuring Committee and the Energy Review Committee to review the performance of the power sector in the state and suggested

reforms to improve the scenario. A summary of the various suggestions given in the white paper published in August 2002 is as follows. These reform suggestions are classified into three groups, namely, internal reforms, independent regulatory mechanisms, and structural changes.

- **Internal Reforms:** These reforms were expected to focus on human resources, implementing loss reduction measures and anti-theft measures. It also includes the consumer grievance redressal systems to improve the quality of demand side management.
- **Independent Regulatory Mechanism:** The government of Maharashtra set up the Maharashtra Electricity and Regulatory Commission (MERC) under the provision of the Electricity Regulatory Commissions Act 1998. The government is committed to ensure the smooth and independent functioning of MERC. Tariff rationalisation was also considered as an important measure to ensure recovery of the cost of power supply.
- **Structural Changes:** It was identified that the vertical integration of MSEB catering to diverse needs had inherent limitations and hence government proposed that MSEB be structured in order to promote and encourage efficiency, autonomy, and accountability in decision making and functional specialisation.

The government also identified some milestones in the white paper issued.

**Legislative milestone:** Government identified the legislative milestones by making anti-theft legislation effective from October 2002 and also bypassing the Maharashtra Electricity Bill in December 2002. The government also identified the measures to improve the efficiency of the power sector; to develop a consumer charter of rights in six months; to reduce technical losses by one per cent and commercial losses by three per cent per year in urban areas and in rural areas technical losses to be reduced by 0.5 per cent, whereas commercial losses by two per cent per year. Further government would adopt measures to increase overall collection efficiency up to 94 per cent in next two years. Efforts should be made to ensure that all agricultural consumers be metered by December, 2004 (power sector white papers 2002).

The Central Government set up Ahluwalia Committee to study the power sector crisis in India. The Committee recommended that the utilities pursue reforms and technical improvements to improve their viability. The Committee also strongly emphasized the need to link the bailout to incentives to implement reforms. The Committee recognized

that the arrears were not due to one-off events but rather to the non-viability of the financial and operational model of the utilities. These recommendations set the stage for the landmark Electricity Act, 2003, and the continuing substantive reform and policy measures put in place in the years since. The Act paved the way for delicensing of thermal power generation, introduction of power trading, adoption of multiyear tariff principles, and promotion of rural electrification and renewable energy. The Act's most important focus was to move the sector toward enhanced competition, accountability, and commercial viability.

As per the Electricity Act, 2003 the states were required to restructure MSEBs by atleast separating the transmission activities. Government of Maharashtra unbundled the MSEB in June 2005 into one holding and three subsidiary companies. The new entities formed were MSEB holding company, Maharashtra State Generation Company Ltd (MSGCL), Maharashtra State Electricity Transmission Company Ltd (MSETCL) and Maharashtra State Electricity Distribution Company Ltd. (MSEDCL).

### **The Electricity Act, 2003, and Subsequent Policies of the Government of India<sup>1</sup>**

Before moving further, we must take a look at the provisions of the act and subsequent policies of the government. One of the fundamental goals of the Electricity Act, 2003, was to improve power sector performance and efficiency by establishing a market-based industry structure. The comprehensive act tackles major issues in generation, transmission, distribution, and trading. The reform requirements of the 2003 act were subsequently crystalized into policies such as the National Electricity Policy (2005), Integrated Energy Policy (2005), the Rural Electricity Policy (2006), and the National Tariff Policy (2006). Salient features of the act and subsequent policies are as follows:

#### **1. Introduce Competition:**

Unbundling of the SEBs: Distribution, generation, transmission, and dispatch functions are required to be independently operated. Delicensing of generation: The license requirement from CEA to build/operate generation plants was removed (except for hydropower projects above a given threshold, currently Rs 10 billion), making it easier for any generation company to enter the market. Open Access: State Electricity Regulatory Commission (SERC) must provide a notification of non-discriminatory

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<sup>1</sup> Compiled from various documents including the World Bank Study number 92490 'Beyond Crisis: Financial Performance of India's Power Sector, 2015.

open access, which permits the sale of electricity directly to consumers outside of power purchase agreements with distributors, providing choice and network access to power procurers and end-users. Introduction of Power Trading: Establish ceilings on trading margins to allow trading of electricity. SERCs issue trading license for intrastate trade, while intrastate trading is licensed by the Central Electricity Regulatory Commission (CERC). SERCs must also introduce scheduling discipline into this multi-seller market by establishing intrastate availability-based tariffs.

## **2. Enhance Accountability and Transparency**

Establish State Electricity Regulatory Commissions (SERC): State power sectors must be independently regulated by SERCs, whose powers and responsibilities include setting tariffs, passing, and in some cases implementing regulations. SERCs are meant to be independent from the state and central governments, though the centre will continue to direct national electricity and tariff policy.

Establish National Appellate Tribunal: The central government established this entity to oversee the implementation of reforms throughout the country and address any disputes or appeals against the orders of the Electricity Act.

Corporatization of Utilities: Utilities are required to register as corporate entities, thereby becoming subject to the requirements of the Companies Act.

## **3. Achieve Cost Recovery and Commercial Viability Improvement in Operational Efficiency:**

State utilities are required to achieve 100 percent metering within two years, adopt stringent measures to deter electricity theft, and reduce cross subsidies in a phased manner.

Competitive Procurement: The Tariff Act (2006) specified that distribution licensees procure long-term power through tariff-based bids under a multiyear tariff framework with a control period of three to five years. Two different procurement modes (Case I and Case II) were developed.

Progress Tariff-Setting: SERCs are required to establish tariff-setting mechanisms to bring tariffs to cost-recovery levels. Ultimately, SERCs should also issue multiyear tariffs to increase pricing certainty.

#### **4. Accomplish Universal Access to Electricity/Rural Electrification Universal Access:**

The Rural Electricity Policy (2006) set an ambitious goal of providing electricity for all by 2009 and required state governments to formulate a Rural Electrification Plan within six months of passing the policy. Affordability and Availability: The Rural Electricity Policy also aimed for high-quality, reliable power available at reasonable rates and a minimum lifeline consumption of 1 kilowatt hour per household per day by 2012.

#### **5. Improve Customer Service and Affordability of Supply Plug Revenue Leakages:**

Meet aggregate technical and commercial reduction targets set by SERC in order to reduce retail tariffs. Establish and Maintain Service Standards: Establish and enforce standards of performance. Establish Consumer Grievance Redressal Forum (CGRF) and appoint an ombudsman.

#### **6. Promote Renewable Energy/Energy Efficiency Initiatives Renewable Energy Framework:**

SERCs are required to specify a percentage of overall purchases from renewable sources for the distribution licensee(s) in their states. This renewable purchase obligation (RPO) guarantees a minimum percentage of renewables in the state's energy consumption mix.

Incentives to Promote Renewables Energy Generation and Energy Efficiency:

Notification of regulations on renewable energy and energy efficiency, including feed-in tariffs, time-of-day tariffs, and time-of-day metering.

#### **7. Revamped Distribution Sector Scheme (RDSS)**

The Government of India introduced Revamped Distribution Sector Scheme with an outlay of Rs.3,03,758 crore for the duration of 5 years i.e. from (FY 2021-22 to FY 2025-26). The objective of the scheme is to improve the quality, reliability and affordability of power supply to consumers through a financially sustainable and operationally efficient distribution sector. The scheme aims to reduce AT&C loss to a pan-India level of 12-15 per cent, closing the Average Cost of Supply (ACS) and Average Revenue Realised (ARR) gap by 2024-25, implementation of smart metering, and upgrading of distribution infrastructure.

## Way Forward

The Government of Maharashtra has introduced the Power Sector Vision 2030 document, which outlines the way forward to address emerging challenges, future disruptions, and potential opportunities in power sector. The following key actions have been identified to achieve the Vision 2030 (Government of Maharashtra 2019).

### Power generation

#### *Capacity addition (renewable energy and new technologies)*

- Continuing to add renewable energy in alignment with Govt. of India targets
- Conduct pilot projects for smaller thermal units, gas-based plants for peak power management
- Conduct pilot projects for new technologies such as hybrids, hydroponics in solar PV plants etc.

#### *Operational improvement*

- Improvements in coal procurement planning and handling logistics
- Reduction in operating expenses through remote monitoring, predictive maintenance, automated robotic maintenance, etc.
- Extending flexibilization technologies to other thermal power plants

### Transmission

#### *Reduction of operating cost*

- Steps to reduce redundancy
- Measures to improve efficiency and reduce operations cost through remote command and control centres, automation of power flows, predictive maintenance practices etc.

### Distribution

#### *Reduction of power purchase cost*

- Procurement from cheaper renewable energy sources
- Procurement of flexible, schedulable power from renewable energy -hybrid projects with storage in a cost-effective manner
- Power trading to realize additional revenue

#### *Operational improvement*

- Network upgradation
- New technologies to reduce AT&C losses
- Implementation of technologies for asset lifecycle management

### 10.3: The current status of power sector in Maharashtra:

As mentioned earlier, the Maharashtra State Electricity Board (MSEB) has been restructured into four new companies in 2005. Due to high level of consumer

dissatisfaction caused by low quality of supply and high losses, number of initiatives focussing on three areas (1) Initiatives to improve quality of supply (2) Initiatives to minimise AT&C losses and (3) Customer Centric initiatives were taken.

Let us now have a look at the present status of the power sector in Maharashtra. Table 10.1 gives us a detailed picture of the source-wise installed capacity of the power generation.

#### **Installed capacity:**

The State ranks second in installed capacity of electricity (10.4 per cent) in India, after Gujarat (12.0 per cent). The total installed capacity of power sector for generating electricity in Maharashtra as on 31st March 2024 was 38,601 MW comprising of public sector 34.5 per cent, private sector 60.4 per cent and Public-Private Partnership 5.1 per cent (Economic Survey of Maharashtra 2023-24).

The installed capacity has increased by 2.1 per cent during 2023 and 2024 and the Central sector allocation to the State has increased by 4.8 per cent than the previous year. The source-wise installed capacity is given in Table 10.1 below.

#### **Electricity Generation:**

The total electricity generated in the State was 1,44,724 Million Units (MU) during 2023-24 which was 7.7 per cent higher than the previous year. In total electricity generated during 2023-24, share of electricity generated through thermal, renewable and other sources was 76.1 per cent, 17.5 per cent and 6.4 per cent respectively (Table 10.2). Still, as far as the potential generation capacity of the state is concerned, the state is not able to realize the full generation potential due to various reasons, such as poor quality of coal and non-availability of gas leading to forced shutdowns.

Maharashtra is one of the states with the highest installed capacity of renewable energy (RE) sources in its overall energy mix and the fastest growing source of electricity generation with CAGR of 11.8 per cent over last five years. The share of RE sources in State's installed capacity was 32.1 percent in financial year 2024, which was 23.0 per cent in financial year 2018 (Table 10.1). In order to boost the growth of RE generation, MERC has issued renewable purchase obligation (RPO) regulations and has set specific targets for solar, mini/micro HEPs and other non-solar RE sources.

**Table 10.1: Source-wise installed capacity (in MW)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Thermal</b>	10366	13946	17206	18436	19066	21496	22096	22096	21176	21176	20966	20066	20366
<b>Renewable</b>	4198	4789	6465	6717	7400	7532	8341	8753	9588	9846	10502	11476	12,355
<b>Hydro</b>	3066	3066	3066	3066	3066	3066	3061	3061	3061	3061	3061	3061	3,061
<b>Natural gas</b>	2740	3072	3112	3072	3072	3072	2819	2819	2819	2189	2189	2189	2189
<b>Central sector allocation</b>	5792	6521	6627	6627	7026	7114	7420	7754	7831	7944	7944	7944	8323
<b>In the state</b>	20370	24873	29849	31291	32604	35166	36317	36729	36644	36902	37348	37422	38601

*Source: Economic Survey, Government of Maharashtra, Various Years*

**Table 10.2: Source-wise electricity generated (in MU)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Thermal</b>	59482	66075	71686	84,882	94,482	89084	93950	98720	95460	87690	98871	103420	110196
<b>Natural gas</b>	17207	10242	6055	4,626	5,302	9481	9062	8452	7999	5964	6125	2430	3970
<b>Hydro</b>	6851	5980	6763	5856	5045	5978	5114	5387	6104	5593	6144	5956	5252
<b>Renewable</b>	5925	5842	7483	8415	8958	10503	12034	14500	13751	15813	18520	22524	25306
<b>Central sector allocation</b>	36755	34382	39900	30401	29179	32582	33003	34238	34988	36166	39581	43933	33962
<b>In the state</b>	89465	88139	91987	103779	113787	115046	120160	127059	123314	115060	129660	134330	144724

*Source: Economic Survey, Government of Maharashtra, Various Years*

#### **10.4 Electricity Consumption:**

During 2022-23 State has highest share (12.3 per cent) in electricity consumption in India (Economic Survey 2023-24). Aggregate consumption of electricity through MSEDCL, Tata Power, Reliance Infrastructure, BEST in the State during 2022-23 was 1,50,771 MUs, higher by 8.6 per cent over the previous year. The consumption of electricity by the industrial sector was largest (39 per cent), followed by agriculture (24.9 per cent) and domestic sector (21.7 per cent) in the State. These three sectors together accounted for 85.6 per cent of the total electricity consumption. The details of sector wise electricity consumed are given in Table 10.3.

It is observed that the demand from the commercial consumers has come down over the years. Similarly, demand from the railways has also fallen sharply. Another major important change in the consumption pattern, which may have positive impact on the overall revenue generation of the sector, is the increase in the industrial consumption and decrease in the agricultural sector consumption of electricity in the recent years. The industrial consumption increased from 35.37 per cent in 2020-21 to 39.03 per cent in 2022-23, while the agricultural share has declined from 27.20 per cent to 24.85 per cent. This involves huge subsidy from the government account as well (Table 10.3).

**Table 10.3: Source-wise electricity consumption (in MU)**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Industrial</b>	36486 (37.75)	38110 (37.86)	38949 (37.82)	41522 (36.79)	40231 (34.46)	33833 (31.2)	40793 (32.92)	48245 (36.60)	46507 (37.06)	44109 (35.37)	53373 (38.45)	58856 (39.03)	46766 (38.58)
<b>Agriculture</b>	21041 (21.77)	22831 (22.68)	23679 (22.99)	26407 (23.4)	28236 (24.19)	28272 (26.07)	30307 (24.45)	33722 (25.57)	29118 (23.20)	33924 (27.20)	36242 (26.11)	37481 (24.85)	29384 (24.24)
<b>Domestic</b>	21693 (22.45)	20984 (20.85)	21725 (21.09)	25428 (22.53)	27001 (23.13)	26874 (24.78)	28282 (22.83)	29175 (22.12)	29301 (23.35)	30229 (24.24)	30699 (22.12)	32741 (21.71)	27263 (22.49)
<b>Commercial</b>	11768 (12.18)	12635 (12.55)	12469 (12.11)	12504 (11.08)	13182 (11.29)	12872 (11.87)	13787 (11.12)	13010 (9.86)	13123 (10.45)	9415 (7.55)	11347 (8.17)	14324 (9.50)	11934 (9.84)
<b>Public Services</b>	3270 (3.38)	3576 (3.55)	3634 (3.53)	4183 (3.71)	4287 (3.67)	4504 (4.15)	6223 (5.02)	6695 (5.07)	6579 (5.24)	6090 (4.88)	5897 (4.24)	6111 (4.05)	4851 (4.00)
<b>Railways</b>	2229 (2.31)	2389 (2.37)	2389 (2.32)	2443 (2.16)	1795 (1.54)	113 (0.1)	163 (0.13)	181 (0.13)	184 (0.14)	135 (0.10)	179 (0.12)	248 (0.16)	273 (0.22)
<b>Other</b>	157 (0.16)	140 (0.14)	144 (0.14)	368 (0.33)	2011 (1.72)	1987 (1.83)	4351 (3.51)	823 (0.62)	652 (0.51)	789 (0.63)	1042 (0.75)	1010 (0.66)	728 (0.60)
<b>All</b>	96644 (100)	100665 (100)	102989 (100)	112855 (100)	116743 (100)	108455 (100)	123906 (100)	131851 (100)	125464 (100)	124691 (100)	138779 (100)	150771 (100)	121199 (100)

Source: Economic Survey, Government of Maharashtra, Various Years

### Installed capacity of renewable energy:

The State ranks fifth in India after Gujarat, Rajasthan, Tamil Nadu and Karnataka in terms of installed capacity of renewable energy (Economic Survey of Maharashtra 2023-24). As far as the potential and installed capacity of renewable resources in Maharashtra is concerned, as on 31st March 2024, it was 12271 MW. The potential capacity of wind power is very high at 98210 MW but the installed capacity is less than 6 per cent. A similar observation can be found in the case of a small hydro project as well, where the potential capacity was 64320 MW but the installed capacity was just 3836 (less than 6 per cent). Power generation from the Bagasse cogeneration is about the 70 per cent of the potential capacity (Table 10.4).

**Table 10.4: Potential and Installed capacity of renewable resources (in MW)**

Source	Potential Capacity	Installed Capacity (As on 31st March)							
		2017	2018	2019	2020	2021	2022	2023	2024
Wind	98210	4769	4782	4792	4998	4998	5011	5011	5209
Bagasse co-generation	3685	1849	1954	2284	2301	2301	2339	2407	2582
Small Hydro Projects (SHP)	64320	304	1017	1058	1662	1917	2552	3429	3836
Biomass	786	215	336	366	370	370	370	370	370
Urban solid waste	781	3	215	215	215	215	215	215	215
Industrial waste	350	9	35	35	38	42	42	42	42
Solar	287	383	3	3	3	3	3	3	14
<b>Total</b>	<b>168419</b>	<b>7532</b>	<b>8342</b>	<b>8753</b>	<b>9587</b>	<b>9846</b>	<b>10502</b>	<b>11476</b>	<b>12271</b>

Source: Economic Survey, Government of Maharashtra, Various Years

### 10.5: Outcome of the Reform:

In this section we will analyse few key indicators on performance in order to understand the outcome of reforms.

#### 10.5.1: Aggregate Technical and Commercial Losses

Energy losses occur in the process of supplying electricity to consumers due to technical and commercial reasons. The technical losses are due to energy dissipated in the conductors, transformers and other equipment used for transmission, transformation, sub-transmission and distribution of power. These technical losses are inherent in a

system and can be reduced to a certain level. Pilferage by hooking, bypassing meters, defective meters, errors in meter reading and in estimating un-metered supply of energy are the main sources of the commercial losses. When Commercial losses are added to Technical losses, it gives Transmission & Distribution (T&D) loss. There is another component of commercial losses, which is attributable to non-recovery of the billed amount, which is reflected in collection efficiency. T&D losses together with loss in collection give us Aggregate Technical & Commercial (AT&C) losses. Ideally, the reduction of technical losses should be the parameter for the evaluation of the performance of DISCOMs. However, the technical losses of the DISCOMs are not available and also it involves a cumbersome process to calculate the technical losses, which vary based on various factors like loading pattern etc. Now, only the T&D losses and AT&C losses are available as the performance parameter for achieving energy efficiency by DISCOMs. Out of the two parameters, T&D loss parameter seems to be appropriate parameter which reflects energy savings to a greater extent as compared to AT&C losses.

High AT& C losses and Transmission losses have been a characteristic feature of the electricity distribution companies in India and this to a great extent contributes to the overall losses of these enterprises. MSEDCL is not an exception to this. The losses of the MSEDCL in transmission, distribution and AT&C have shown a declining trend since 2011-12 to 2013-14 but increased again during the years 2014-15 and 2015-16. This is mainly due an increase in the distribution losses (Figure 10.1).

**Figure 10.1: Transmission, Distribution and AT & C Losses**



Source: MAHATRANSCO, Economic Survey, Government of Maharashtra, Various Years

In subsequent years, distribution and technical losses declined (except for 2020-21). International experience suggests that technical losses should be no more than about 10 percent. Both technical and distribution losses have come down to 16.0 per cent and 14.6 percent respectively in the year 2022-23. But still it is way high than the expected losses. MSEDCL should work more to reduce these losses to improve financial health of the company.

**Table 10.5: Comparative Distribution Losses of Four companies (per cent)**

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
<b>MAHADISCOM</b>	13.90	13.63	15.91	15.29	14.74	14.56	15.33
<b>BEST</b>	5.82	4.18	4.62	4.82	4.63	4.18	4.09
<b>Adani Electricity Mumbai Ltd.</b>	8.16	7.84	7.37	7.81	6.52	5.93	5.46
<b>Tata power Co. Ltd.</b>	0.90	0.63	1.02	1.02	1.31	1.13	1.41

Source: Economic Survey, Government of Maharashtra, Various Years

### 10.5.2: Supply and shortfall of electricity at average peak demand

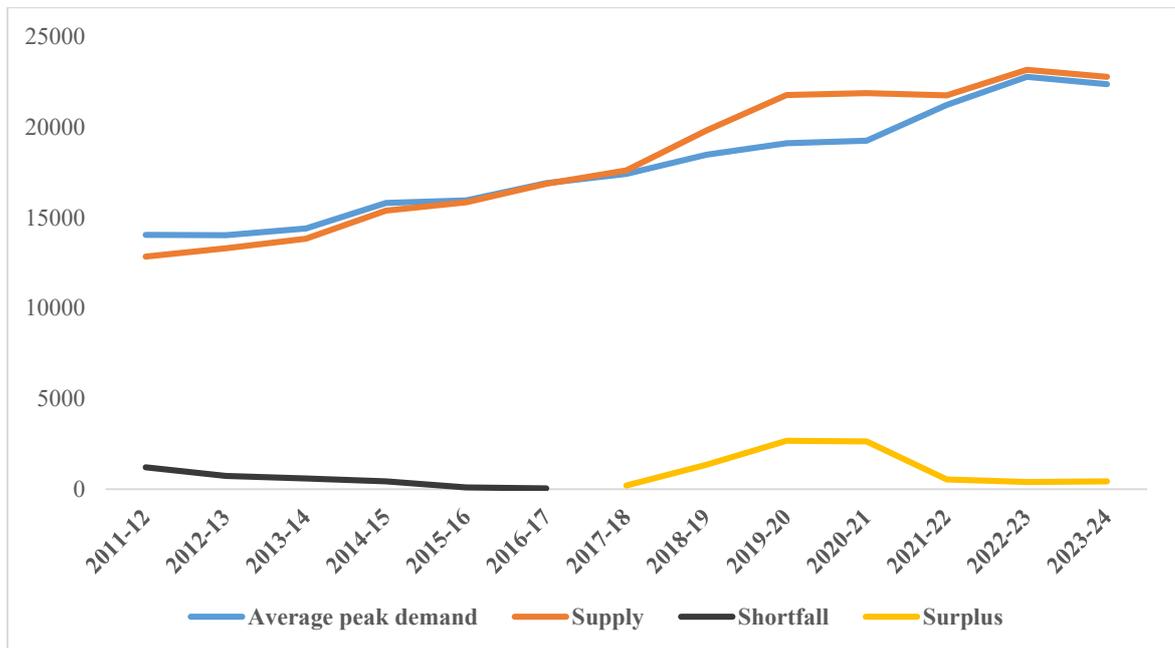
As outcomes of the reforms, along with reduced distribution losses, the gap between the average peak demand for power and the supply of power has almost come down to only 37MW in 2016-17 and registered a surplus in subsequent years, and in 2023-24 the surplus was 422 MV (Table 10.6). This is a major outcome that can be noted here. This has provided relief from the load shedding to the consumers.

**Table 10.6: Supply & shortfall of electricity at average peak demand (in MV)**

Year	Average peak demand	Supply	Shortfall	Surplus
2011-12	14043	12841	1202	-
2012-13	14032	13309	723	-
2013-14	14406	13830	576	-
2014-15	15812	15392	420	-
2015-16	15948	15850	98	-
2016-17	16903	16866	37	-
2017-18	17412	17606	-	194
2018-19	18478	19814	-	1336
2019-20	19103	21771	-	2668
2020-21	19250	21881	-	2631
2021-22	21221	21750	-	529
2022-23	22779	23169	-	390
2023-24	22365	22787	-	422

Source: Economic Survey, Government of Maharashtra, Various Years

**Figure 10.2: Supply & shortfall of electricity at average peak demand (in MV)**



### 10.5.3: Gap between the Costs and Revenue:

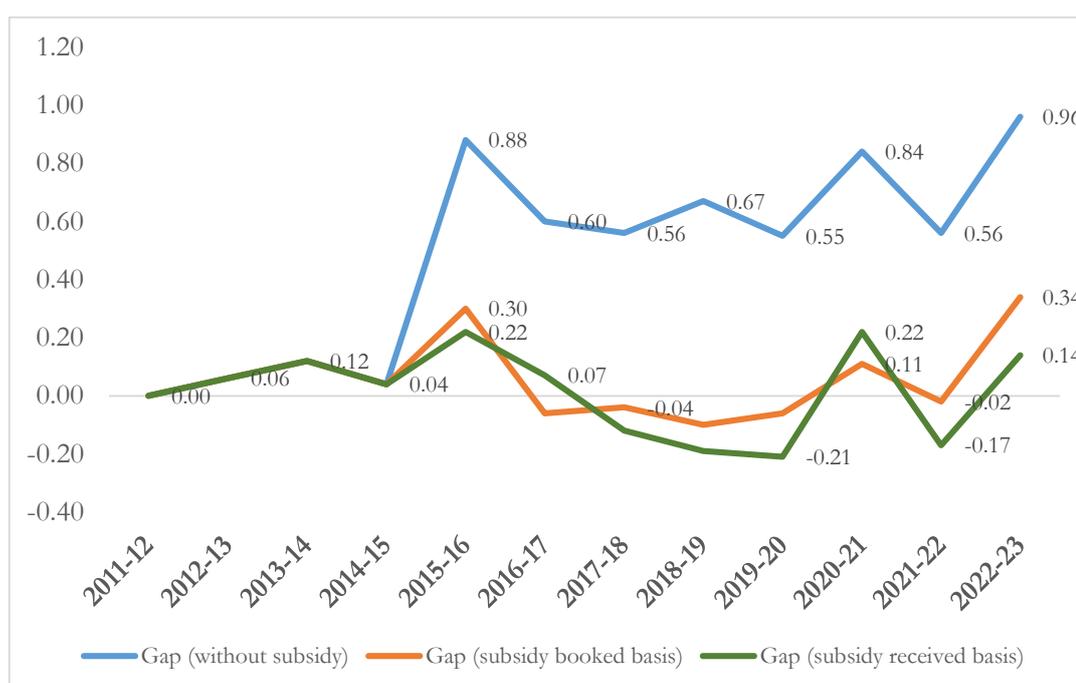
The gap between the average cost of supply and the revenue received indicates the revenue gap per unit of power. Three types of revenue gaps are reported: gap (without subsidy), gap (subsidy booked basis), and gap (subsidy received basis). As shown in Figure 10.3, all three types of revenue gaps remained stable at around 0.15 from 2011-12 to 2014-15. However, the gap sharply increased in 2015-16, with the gap (without

subsidy) rising to 0.88. This rise in the revenue gap resulted in significant losses for MSEDCL during that year. In the following years, the gap declined with some fluctuations, before increasing again to 0.84 in 2020-21, and further rising to 0.96 by 2022-23. During these years, MSEDCL faced substantial losses, with a particularly large loss of Rs. 5,199 crores in 2022-23.

A detailed analysis of the cost structure of MSEDCL, as shown in Table 10.7, reveals that power purchase cost is the major component on the cost side. In 2022-23, it accounted for around 76 percent of the total cost, down from 86.7 percent in 2011-12. While the proportion of power purchase costs has declined over time, other costs have significantly increased. Interest costs, depreciation, and other expenditures have all risen steadily. These increased costs have made the revenue gap to the MSEDCL, which affected the operational profit of this establishment.

Figure 10.4 shows the revenue gap for the state-run utility BEST and the private utility Adani Electricity Mumbai Limited (AEML). Neither company receives any tariff subsidy. For BEST, revenue exceeded costs in 2018-19 and 2019-20. However, in the subsequent years, the revenue gap turned positive and increased to Rs. 2.25 per unit by 2022-23, indicating increasing losses. In contrast, AEML reported a negative revenue gap, which has increased in recent years, suggesting improved profitability.

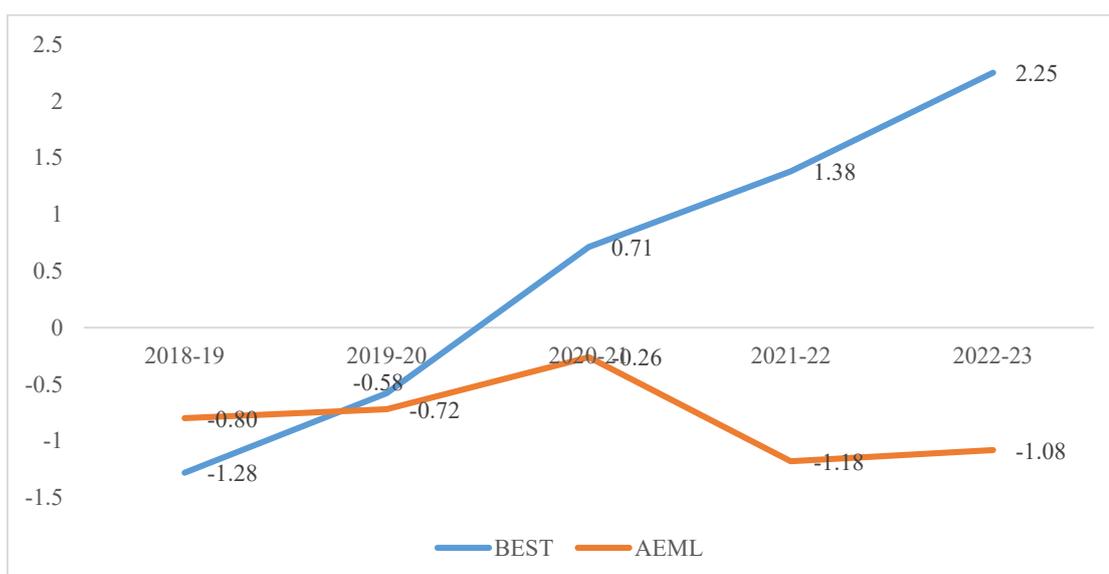
**Figure 10.3: Revenue Gap (Rs/kWh), MSEDCL**



Note: Revenue gap (Rs/kwh)=Average cost of supply – average realisable revenue

Source: Report on Performance of Power Utilities, Power Finance Corporation Ltd., various years

**Figure 10.4: Revenue Gap (Rs/kWh), BEST and AEML**



Source: Report on Performance of Power Utilities, Power Finance Corporation Ltd., various years

**Table 10.7: Cost Structure of MSEDCL (in per cent)**

	Power Purchase	Employees Cost	Interest Cost	Depreciation	Other Exp.
<b>2011-12</b>	86.74	5.68	4.39	1.23	2.75
<b>2012-13</b>	81.65	6.56	4.66	2.16	2.72
<b>2013-14</b>	73.98	7.54	5.43	3.14	7.5
<b>2014-15</b>	84.7	7.85	4.86	2.9	3.09
<b>2015-16</b>	79.22	6.81	4.69	4.6	4.68
<b>2016-17</b>	76.2	6.59	8.37	4.55	4.29
<b>2017-18</b>	77.14	5.92	8.58	4.23	4.13
<b>2018-19</b>	75.7	5.52	5.77	3.51	9.53
<b>2019-20</b>	76.36	5.87	5.1	3.47	9.2
<b>2020-21</b>	74.75	6.41	6.83	4.05	7.97
<b>2021-22</b>	77.72	6.89	5.35	4.07	5.97
<b>2022-23</b>	76.18	5.26	10.02	3.26	5.28

Source: Report on Performance of Power Utilities, Power Finance Corporation Ltd., various years

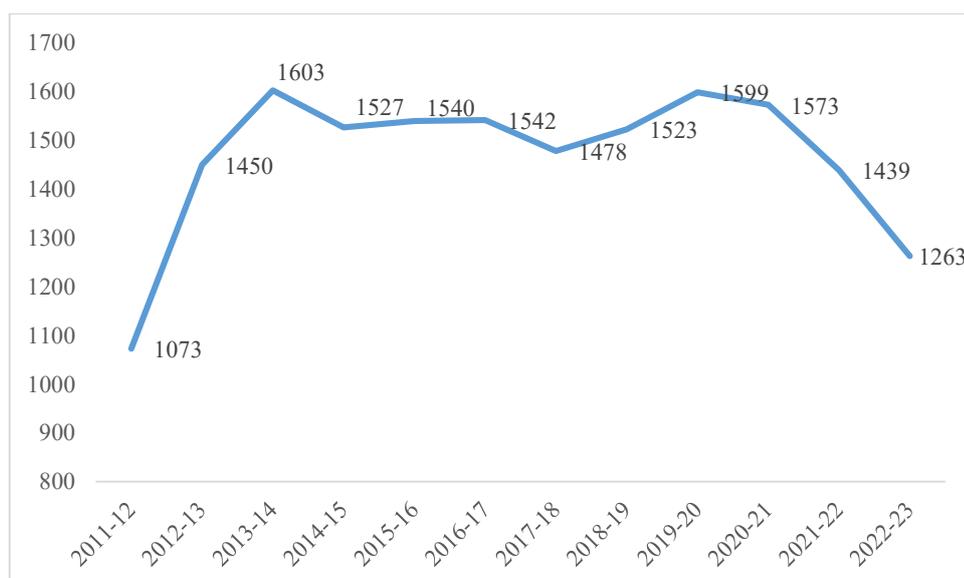
Table 10.8 shows the long-term debt burden of MSEDCL. The long term debt burden of the MSEDCL has increased from Rs. 11496 crores to Rs. 16719 crores between 2011-12 and 2019-20. This has resulted in rise in interest payments. The huge jump in the interest payments is visible from Figure 10.4. In the subsequent years, the long term debt started declining and in 2022-23 the debt was amounted to Rs. 12079 crores.

**Table 10.8: Details of Long-Term Loans (in crores)**

	<b>Closing balance</b>	<b>Interest on long term loan</b>
<b>2011-12</b>	11496	1073
<b>2012-13</b>	13817	1450
<b>2013-14</b>	13171	1603
<b>2014-15</b>	12666	1527
<b>2015-16</b>	13357	1540
<b>2016-17</b>	13695	1542
<b>2017-18</b>	14970	1478
<b>2018-19</b>	14212	1523
<b>2019-20</b>	16719	1599
<b>2020-21</b>	15171	1573
<b>2021-22</b>	13717	1439
<b>2022-23</b>	12079	1263

*Source: MSEDCL annual report 2022-23.*

**Figure 10.5: Interest Payments of MSEDCL (in crores)**



*Source: MSEDCL annual report 2022-23.*

#### **10.5.4. Overall Financial Performance of Power Sector**

The power sector companies are the largest public sector undertakings in Maharashtra in terms of total investment and hence the financial performance of these companies has a direct impact on the fiscal health of state. Huge subsidy is also provided to this sector considering the externality of this sector. In this section, we analyse the profit/loss of the three companies in the power sector of the state. The overall profit of the power sector began on a positive note between 2012-13 and 2014-15, mainly driven by profits from power generation and transmission, as shown in Table 10.9 and Figure

10.6. Between 2017-18 and 2019-20, total profits remained above Rs. 1,000 crores but turned into losses in recent years. In 2022-23, the total loss in the state power sector amounted to Rs. 6,048 crores, largely due to the substantial loss of Rs. 5,199 crores incurred by MSEDCL. The power transmission company, MSETCL, has consistently maintained profits (except for 2016-17), with annual profits increasing from Rs. 570 crores to Rs. 1,037 crores between 2011-12 and 2022-23. Meanwhile, the power generation company, MSPGCL, recorded profits until 2015-16. However, in the recent years of 2021-22 and 2022-23, MSPGCL reported losses after experiencing profits in 2019-20 and 2020-21 (Table 10.9).

The power distribution company MSEDCL consistently incurred losses from 2011-12 to 2015-16. In the following years, the company reported profits until 2019-20. However, in 2022-23, it faced a significant loss of Rs. 5,199 crores. The profits, particularly from the power transmission company MSETCL, helped offset or reduce the overall losses in the power sector. Over the 12-year period, only four years saw the power sector generating financial losses for the state exchequer.

While the state power sector incurred losses, the private player AEML (Adani Electricity Mumbai Limited) remained profitable. Its profit rose from Rs. 747 crores in 2018–19 to Rs. 1,078 crores in 2022–23.

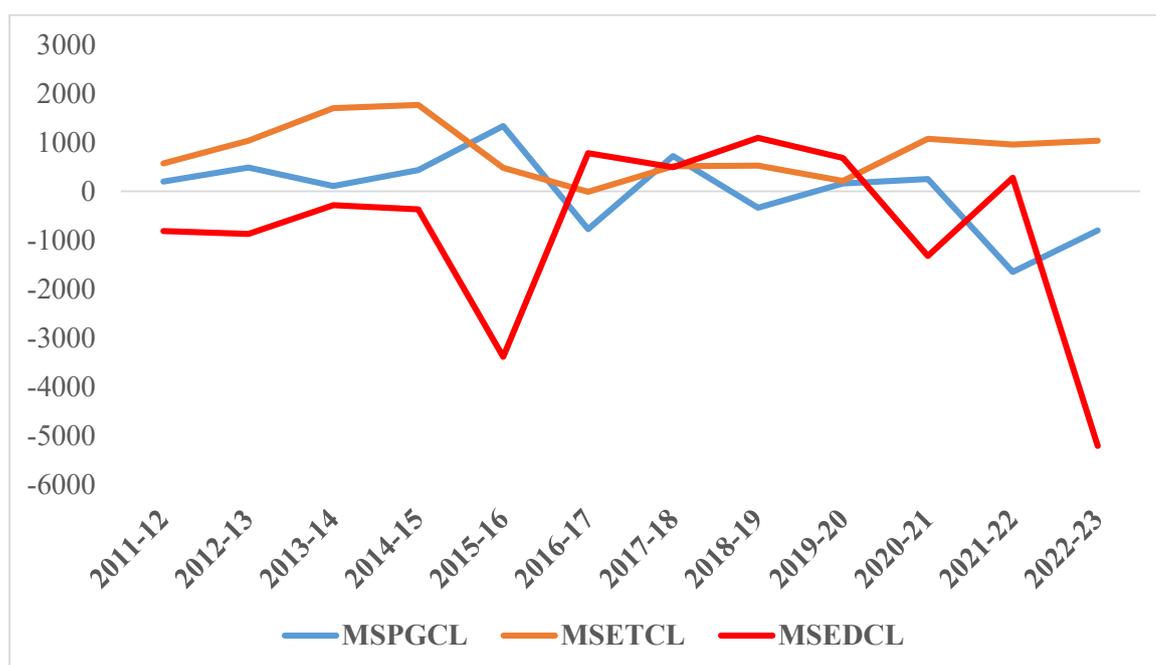
**Table 10.9: Profit after Tax for Power Sector in Maharashtra (Rs. Crores)**

	State Sector					Private Sector
	MSPGCL	MSETCL	MSEDCL	BEST	Total Profit/Loss	AEML
<b>2011-12</b>	200	570	-807	-	-37	-
<b>2012-13</b>	488	1038	-871	-	655	-
<b>2013-14</b>	111	1703	-280	-	1534	-
<b>2014-15</b>	436	1764	-366	-	1834	-
<b>2015-16</b>	1335	481	-3384	-	-1568	-
<b>2016-17</b>	-773	-5	785	-	7	-
<b>2017-18</b>	723	513	492	-	1728	-
<b>2018-19</b>	-334	525	1097	632	1920	747
<b>2019-20</b>	160	214	685	286	1345	679
<b>2020-21</b>	256	1073	-1322	-286	-279	208
<b>2021-22</b>	-1644	955	280	-609	-1018	1042
<b>2022-23</b>	-796	1037	-5199	-1090	-6048	1078

Note: Adani Electricity Mumbai Limited (AEML)

Source: Report on Performance of Power Utilities, Power Finance Corporation Ltd, various years

**Figure 10.6. Profits/loss of the power Sector (Rs. Crores)**



The State Government provides financial support to the State Public Sector Undertakings (SPSUs) through the annual budget in various forms. The budgetary outgo—comprising equity, loans, and grants/subsidies—provided to the power sector in Maharashtra is shown in Table 10.10.

There has been a clear shift in the government’s support from equity and loans to direct grants/subsidies to the power sector after 2017–18. In 2015–16, grants/subsidy given to the power sector was Rs. 1,269 crores, which rose to Rs. 13,447 crores by 2022–23, with its share in total outgo rising from nearly 50 percent to 96 percent during the same period.

**Table 10.10: Budgetary support to State Power Sector (in crores)**

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>1. Equity capital outgo</b>	1093	1087	37	854	0	0	0	468
<b>2. Loans given</b>	207	0	0	0	0	0	0	86
<b>3. Grants/Subsidy received</b>	1269	5	7817	9262	0	10716	12142	13447
<b>4. Total Outgo (1+2+3)</b>	2569	1092	7854	10115	0	10716	12142	14001

Source: State Finance Audit Report of the Comptroller and Auditor General of India, various years

## 10.6 Debt-Equity Ratio

The debt equity ratio of MSEDCL has declined considerably from nearly per cent in 2014-15 to 2.2 per cent by 2022-23 (Table 10.11).

**Table 10.11: Debt Equity Ratio, MSEDCL**

	<b>Debt equity ratio</b>
<b>2011-12</b>	16.11
<b>2012-13</b>	40.04
<b>2013-14</b>	33.66
<b>2014-15</b>	40.14
<b>2015-16</b>	1.02
<b>2016-17</b>	1.21
<b>2017-18</b>	1.20
<b>2018-19</b>	1.28
<b>2019-20</b>	1.22
<b>2020-21</b>	1.31
<b>2021-22</b>	1.39
<b>2022-23</b>	2.20

*Source: MSEDCL annual report, various years.*

## 10.7 Conclusion

Power sector reforms in Maharashtra have helped reduce Aggregate Technical and Commercial (AT&C) losses to 16 per cent by 2023. However, these losses still exceed international benchmarks (10 per cent) and the target set by the Revamped Distribution Sector Scheme (RDSS), which aims for 12–15 per cent. Additionally, the gap between average peak demand and power supply has narrowed, leading to a surplus in recent years. Despite this, the revenue per unit of power in the state's power sector has increased in recent years. The revenue gap for MSEDCL grew to Rs. 0.96 per kWh in 2022-23, resulting in losses of Rs. 5,199 crores for the year. Similarly, the revenue gap for BEST was Rs. 2.25 per kWh, leading to a loss of Rs. 1,090 crores. Interest payments continue to be a key cost driver for MSEDCL, although they have declined in recent years. While the state power sector reported losses, the private player AEML earned a profit of Rs. 1,078 crores in 2022-23.

Overall, the financial performance of the state power sector has worsened, consistently reporting losses since 2020-21. The loss increased from Rs. 279 crores in 2020-21 to Rs. 6,046 crores in 2022-23. This is likely to impact the state's financial health, as the budgetary outlay for the power sector has significantly increased, particularly in the

form of grants and subsidies. In 2020-21, the power sector received grants/subsidies amounting to Rs. 10,716 crores, which increased to Rs. 13,447 crores in 2022-23, accounting for 96 per cent of the total financial support to the power sector in Maharashtra in that year.

In summary, the analysis indicates that power sector reforms have improved the sector's performance. However, the sector has consistently incurred losses in recent years, which has placed a greater burden on the state exchequer, as evidenced by the rise in budgetary allocations to the power sector. This underscores the need to accelerate the ongoing reforms, incorporating the suggestions of the Revamped Distribution Sector Scheme (RDSS) and 'Power Sector Vision 2030'. The state can also draw lessons from other states where the power sector has successfully achieved profitability through reforms focused on improving operational efficiency, developing transmission infrastructure, and enhancing revenue generation while reducing costs.

## 10.8 Major Finding

- Maharashtra's power sector, restructured under the Electricity Act of 2003, comprises three key entities: MSGCL (generation), MSETCL (transmission), and MSEDCL (distribution).
- Power sector reforms improved installed capacity to 38,217 MW by 2024, with 60.4% contribution from the private sector and 32.1% from renewable energy sources.
- Aggregate electricity generation grew to 1,44,724 million units (MU) in 2023-24, a 7.7% increase from the previous year.
- Technical and distribution losses reduced to 16% and 14.6% by 2023, but remain above international standards (10%).
- Revenue gap per unit of power has worsened, peaking at ₹0.96 per kWh in 2022-23, leading to MSEDCL incurring ₹5,199 crores in losses that year.
- While MSETCL has consistently recorded profits, MSPGCL and MSEDCL experienced significant losses in recent years, with the total sector loss reaching ₹4,958 crores in 2022-23.
- The private player Adani Electricity Mumbai Limited (AEML) remained profitable, with its profit rising from ₹747 crore in 2018-19 to ₹1,078 crore in 2022-23
- Long-term debt of MSEDCL declined to ₹12,079 crores in 2022-23, yet interest payments remain a key cost driver.
- The budgetary outlay for the power sector has significantly increased, particularly in the form of grants and subsidies. In 2020-21, the power sector received grants/subsidies amounting to Rs. 10,716 crores, which increased to Rs. 13,447 crores in 2022-23.
- Renewable energy sources have grown rapidly, with a compound annual growth rate (CAGR) of 11.8% over five years, yet renewable potential remains underutilized (e.g., only 6% of wind power potential is tapped).
- Reforms narrowed the gap between power supply and demand, achieving surplus capacity (422 MW) in 2023-24, eliminating load shedding in many areas.

## CHAPTER- XI

### ANALYSIS OF CONTINGENT LIABILITIES OF THE STATE

#### 11.1 Introduction

Contingent liabilities are legal obligations for governments to make payments only if particular events occur, such as failure or default by another party. As a result, there is an element of uncertainty related to future fiscal costs to the state, which could complicate the analysis of future government finances (World Bank 2018).

State Governments issue guarantees on behalf of public sector companies or co-operative societies, which are operating under critical infrastructural and social sector development projects. The reason for ensuring critical investment through issuing guarantees is that the government faces borrowing constraint. Major factors that contribute to this budgetary constraint include limited constitutionally assigned productive tax base, requirement of consent of the Central Government in domestic borrowings, systematic revenue deficit and thereby failure to generate surplus on revenue account, the borrowing ceiling under the FRBM Act, and limited loans extended by the Centre. Therefore, the state government restore to guarantees extended to public sector companies or co-operative societies to finance critical investment projects.

If these guarantees are invoked due to loan default of the company or co-operative society, the governments face vulnerabilities to unexpected and substantial financial demands on their resources, which could lead to increase in debt (Lewis and Mody 1997, Government of India 2019). This risk emanates from the fact that the financial obligations under the contingent liabilities are not captured under the conventional measures of fiscal health indicators such as Revenue Deficits or Fiscal Deficits which typically related to the current revenue streams and expenditure. These liabilities are contingent upon certain events and therefore it is difficult to estimates its potential cost. As a result, these indicators do not factor in the expected future cost of entitlements and contingent liabilities assumed by the Government (Blejer and Cheasty 1991, Razlog et. al., 2020).

Therefore, the analysis of contingent liabilities is important from the point of view of providing the true picture of liabilities of the Government by incorporating them into the analysis of public debt. The analysis of such “Extended Debt” of the Government of Maharashtra is presented in this section.

## 11.2 Definition of Guarantees

Government of India in its Government Guarantee Policy, 2022 defines “Guarantees are contingent liabilities that arise on occurrence of an event covered by the guarantee. Since guarantees result in increase in contingent liability, they should be examined in the same manner as a proposal for a loan, taking into account, inter alia, the credit-worthiness of the borrower, the quantum of risks sought to be covered by a sovereign guarantee, the terms of the borrowing, justification and public purpose to be served, probability of invocation and possible costs of such liabilities, etc. Government will be liable to pay in case the entity/organization defaults in respect of which guarantee is given.”

The contingent liabilities can be ‘explicit’ like government loan guarantees, or ‘implicit’. The implicit contingent liabilities occur even without any specific guarantee. For example, more often than not people expect that the Government would bailout the troubled entities (Mukherjee et. al., 2022).

As per the Report of the Working Group on State Government Guarantees (RBI, 2023) “the word ‘Guarantee’ should be used in a broader sense and may include all such instruments, by whatever name they are called, if these created an obligation on the part of the issuer for making payment on behalf of the borrower at a future date, contingent or otherwise.”

Therefore, the Government Accounting Standards Advisory Board (GASAB) treats “Letters of Comfort” (LOC) issued by the State Governments as implicit guarantees. LOC is issued by the state governments to the lender or supplier of a public agency or enterprise. The government does not guarantee repayment of the loan, however, it provides reassurance to the lending institution that the State Government is aware of the credit facility being sought by the borrowing entity and supports its decision (RBI, 2023).

Thus, the contingent liabilities of the government include all those obligations made by them which has potential of making payments in case of default by borrowers at a future date.

Furthermore, the RBI has set up various committees over the years to look into the matters pertaining contingent liabilities of the state governments. The major recommendations of these committees include fixing a ceiling on guarantees, charging guarantee fees, reporting and monitoring of guarantees, including, letter of comfort and other assured payment arrangements, dissemination of information regarding contingent liabilities including

guarantees in 'Budget at a Glance', and classification of projects/ activities as high risk, medium risk, low risk and very low risk and assigning appropriate risk weights.

A committee constituted by RBI (1999) recommended setting up of Guarantee Redemption Fund. As per the scheme introduced by RBI in 2001, the States had to contribute an amount equal to 1/5<sup>th</sup> of the outstanding invoked guarantees issued during the year. Accordingly, several states set up Guarantee Redemption Fund.

The 12th FC had recommended that the net incremental investment in the Guarantee Reserve Funds of the State Governments would be made into a conditionality for availing of the WMA from the RBI. Accordingly, Guarantee Reserve Funds were set up in a few States in 2006. Some State Governments set up limits on guarantees by benchmarking the contingent liabilities that could be issued in any year to Revenue Receipts in that year's budget.

The Report of the Fiscal Responsibility Legislation at the State Level (2005) recommended fixing a limit on annual incremental risk-weighted guarantees in relation to their GSDP/total revenue receipts. Although, the Twelfth FC has not put a conditionality of this aspect for receiving debt relief, some states voluntarily incorporated this aspect in their FRL.

Maharashtra, however, has refrained from taking any such step in a formal manner. The Maharashtra Fiscal Responsibility and Budgetary Management Act, 2005 does not include any provision for laying down the limits of giving of guarantee by the executive power of the State.

The Medium Term Fiscal Policy Statement for the year 2009-10 stated the intent of setting up a Guarantee Reserve Fund to meet the contingent liabilities arising from the guarantees given by the Government.

In terms of the Fourteenth FC, Government of Maharashtra vide notification dated 20 December 2018, created Guarantee Redemption Fund in 2018-19 to meet contingent liabilities arising from the Guarantees given by the State Government in respect of bonds issued and other borrowings by the State Level Undertakings or other bodies and invoked by the 'beneficiaries'. The fund is intended to be utilized for payment of the guarantees that are not paid by the institutions on whose behalf guarantees were issued (CAG Report 2023).

As per the constitution of the Fund, the State Government is to contribute minimum one per cent of outstanding guarantees at the end of the previous year from 2019-20 initially.

Thereafter 0.5 per cent of such outstanding amount shall be deposited in the fund every year to achieve the level of five per cent of total outstanding by 2027-28 (CAG Report 2023).

Overall, the Government of Maharashtra has been disclosing information on guarantees under FRBM Document (From B-3), follows the format/information provided by Indian Government Accounting Standard, coverage of information includes department-wise totals, and create the Guarantee Redemption Fund.

### 11.3 Trends in Contingent liabilities issued by the Government of Maharashtra

Table 1 reports the trend in outstanding guarantees. An increment in the stock implies the issuance of fresh guarantees, whereas a reduction in the stock implies that more guarantees have been retired than issued.

The data in Table 11.1 indicate that outstanding liabilities were more or less stable from 2013-14 to 2016-17. They reported a sharp increase during 2017-18 and have been increasing ever since. During 2023-24, they reached 16.03 percent of revenue receipts.

**Table 11.1: Year-wise Outstanding guarantees (in Rs. Cr.) and ratio to Revenue Receipts**

Year	Outstanding Guarantees	Y-O-Y Growth	Revenue Receipts	Outstanding Guarantees as % of Revenue Receipts
2013-14	7,709	-	1,49,822	5.15
2014-15	8,274	7.32	1,65,415	5.00
2015-16	7,777	-6.01	1,85,036	4.20
2016-17	7,306	-6.05	2,04,693	3.57
2017-18	26,658	264.89	2,43,654	10.94
2018-19	25,135	-5.71	2,78,996	9.01
2019-20	41,179	63.83	2,83,190	14.54
2020-21	41,580	0.97	2,69,468	15.43
2021-22	51,263	23.29	3,33,312	15.38
2022-23	66,726	30.16	4,05,678	16.45
2023-24	77,924	16.78	4,86,116	16.03

Source: MTFP Document, State Budget, Government of Maharashtra

This indicates the hidden potential burden on the state finances in the future. If all the guarantees are invoked, it would compromise 16.03 per cent of revenue receipts of the government. In this scenario, meeting of FRBM Act target of creating revenue surplus would not be materialized. Therefore, in order to maintain the fiscal consolidation path as

envisaged by the FRBM Act, the state need to examine the potential effects of these increasing outstanding guarantees more acutely.

Now we calculate the “Extended” Debt Stock of the Government, which is defined as the summation of the debt Stock and the stock of outstanding liabilities.

As it can be seen from Table 11.2 that after 2017-18, the extended debt has increased. The increase in deb to GSDP ratio during the period under consideration along with increase in outstanding guarantees to GSDP ratio has resulted in increase in extended debt to GSDP ratio. It also worth noting that when we consider the extended debt, the targets under the FRBM Act since 2017-18 has not met during all but one year.

Thus, it important for the state government to focus on trending outstanding guarantees in recent years for better fiscal management as well as to comply with the FRBM Act targets.

#### **11.4 Analysis of Guarantee fees**

The Government charges guarantee fees at a prescribed rate ranging from 20 paise to rupees two, per hundred rupees per annum for guarantees given except in respect of certain Co-operative Societies.

Table 11.3 reports guarantee receivables as well as received from 2013-14 to 2022-23. The table indicates that there is a marked difference between the receivables and received guarantee fee. The state received a meagre proportion of the fee as compared to receivables.

Non-realization of guarantee fees also has implications on the state finances. The Twelfth FC had recommended that guarantee fees received by the Government could be converted into a Guarantee Reserve Fund, through which the invoked guarantees could be paid. Therefore, improving upon the received amount would put less stress on the government finances in gathering resources from other sources for making payments to the Guarantee Redemption Fund. The excess over the requirement under the Guarantee Redemption Fund would also be utilized for reducing the revenue deficit.

**Table 11.2: Debt to GSDP, Outstanding Guarantees to GSDP and Extended Debt to GSDP**

<b>Year</b>	<b>Debt-GSDP Ratio</b>	<b>Outstanding Guarantees to GSDP Ratio</b>	<b>Extended Debt (Debt Stock + Stock of Outstanding liabilities) to GSDP</b>	<b>FCs Indicative Path</b>	<b>FRBM Act Target</b>
<b>2013-14</b>	16.33	0.47	16.80	25.5	17.6
<b>2014-15</b>	16.54	0.47	17.00	21.05	18.17
<b>2015-16</b>	16.49	0.40	16.88	21.89	17.46
<b>2016-17</b>	16.60	0.33	16.93	22.64	16.20
<b>2017-18</b>	17.10	1.13	18.24	23.30	16.26
<b>2018-19</b>	16.10	0.99	17.09	23.88	16.52
<b>2019-20</b>	16.98	1.55	18.53	24.40	15.83
<b>2020-21</b>	19.76	1.58	21.34	25.70	16.15
<b>2021-22</b>	18.56	1.65	20.21	26.00	20.64
<b>2022-23</b>	17.84	1.89	19.73	27.50	18.14
<b>2023-24</b>	18.33	2.01	20.34	28.10	18.23

Source: MTFP Document, State Budget, Government of Maharashtra

**Table 11.3: Year-wise guarantee fees received and receivable (Rs. Cr.)**

<b>Year</b>	<b>Receivable</b>	<b>Received</b>
<b>2013-14</b>	1,293.9	68.1
<b>2014-15</b>	1,316.8	47.9
<b>2015-16</b>	1,454.2	29.1
<b>2016-17</b>	1,464.6	9.9
<b>2017-18</b>	1,557.5	36.8
<b>2018-19</b>	1,615.8	9.5
<b>2019-20</b>	1,864.2	4.9
<b>2020-21</b>	3,502.5	2.7
<b>2021-22</b>	2,257.1	214.3
<b>2022-23</b>	1,906.4	1,281

Source: MTFP Document, State Budget, Government of Maharashtra

### **11.5 Department-wise distribution of Guarantees**

The outstanding guarantees as well as yearly guarantees given under the departments indicates that after 2017-18 onwards there was sharp increase. The major increase observed under Urban Development Department, Public Works Department, and Industry, and Energy & Labour Department (Energy) (Table 11.4 and 10.5). The guarantees extended under these departments have reported a better track record of returning the borrowed funds over the years. Therefore, these are not so likely to put pressure on the state exchequer. However, the guarantees extended under the Co-operation, Marketing & Textile Department still share considerable guarantees, the state need to examine its vulnerabilities associated with this.

The major institution in terms of extending guarantees in a very high magnitude in recent years include Mumbai Metropolitan Regional Development Authority, Maharashtra State Electricity Distribution Company Ltd., Mumbai, Nagpur Mumbai Super Communication Expressway Ltd, and Maharashtra State Cooperative Cotton Growers Marketing Federation (Table 11.6). Because of a very high magnitude of guarantees to these institutions, the state needs to evaluate the potential fiscal burden on the state finances in case of default event.

**Table 11.4: Department-wise distribution of outstanding guarantee (Rs. Cr.) and share in total guarantees (in per cent)**

Department	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Urban Development Dept.</b>	201	199	198	196	19,170	19,132	19,016	19,016	19,016	27,100
	(2.61)	(2.41)	(2.55)	(2.68)	(71.91)	(76.12)	(46.18)	(45.73)	(37.09)	(40.61)
<b>Public Works Dept.</b>	1,254	1,230	1,205	1,201	1,157	805	13,380	13,000	13,000	18,640
	(16.26)	(14.86)	(15.49)	(16.44)	(4.34)	(3.2)	(32.49)	(31.27)	(25.36)	(27.94)
<b>Co-operation, Marketing &amp; Textile Dept.</b>	2,678	3,797	4,271	4,544	5,273	3,941	4,847	5,775	3,076	2,381
	(34.74)	(45.9)	(54.92)	(62.2)	(19.78)	(15.68)	(11.77)	(13.89)	(6)	(3.57)
<b>Industry, Energy &amp; Labour Dept. (Energy)</b>	1,021	694	372	218	0	-	2,800	2,800	15,220	18,079
	(13.24)	(8.39)	(4.78)	(2.99)	(0)	(0)	(6.8)	(6.73)	(29.69)	(27.09)
<b>Water Supply &amp; Sanitation Dept.</b>	1,291	1,078	551	522	505	492	480	470	30	25
	(16.75)	(13.03)	(7.09)	(7.14)	(1.89)	(1.96)	(1.17)	(1.13)	(0.06)	(0.04)
<b>Social Justice &amp; Special Assistance Dept.</b>	229	512	487	470	268	547	428	401	418	338
	(2.97)	(6.18)	(6.26)	(6.43)	(1)	(2.18)	(1.04)	(0.96)	(0.82)	(0.51)
<b>Water Resources Dept.</b>	98	-	-	-	-	-	53	53	21	-
	(1.28)	(0)	(0)	(0)	(0)	(0)	(0.13)	(0.13)	(0.04)	(0)
<b>Minority Development Dept.</b>	40	43	38	38	39	34	31	29	26	27
	(0.51)	(0.52)	(0.49)	(0.52)	(0.15)	(0.13)	(0.08)	(0.07)	(0.05)	(0.04)
<b>Tribal Development Dept.</b>	34	33	32	32	25	25	50	12	12	16
	(0.44)	(0.39)	(0.41)	(0.44)	(0.09)	(0.1)	(0.12)	(0.03)	(0.02)	(0.02)
<b>Other Backward Bahujan Welfare Dept.</b>	-	-	-	-	-	-	-	25	24	20
	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0.06)	(0.05)	(0.03)
<b>Industry, Energy &amp; Labour Dept.(Industry)</b>	13	13	-	-	-	-	-	-	-	-
	(0.17)	(0.16)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>Planning Dept.</b>	768	674	623	84	80	57	-	-	-	-
	(9.96)	(8.15)	(8.01)	(1.15)	(0.3)	(0.23)	(0)	(0)	(0)	(0)
<b>Home Dept. (Transport)</b>	-	-	-	-	-	-	-	-	420	100
	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0.82)	(0.15)
<b>V.J.N.T.,O.B.C.&amp; S.B.C. Welfare Dept.</b>	-	-	-	-	142	103	94	-	-	-
	(0)	(0)	(0)	(0)	(0.53)	(0.41)	(0.23)	(0)	(0)	(0)
<b>Agriculture and ADF Dept.</b>	81	-	-	-	-	-	-	-	-	-
	(1.05)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>TOTAL</b>	<b>7,709</b>	<b>8,274</b>	<b>7,777</b>	<b>7,306</b>	<b>26,658</b>	<b>25,135</b>	<b>41,179</b>	<b>41,580</b>	<b>51,263</b>	<b>66,726</b>

Source: MTFP Document, State Budget, Government of Maharashtra

**Table 11.5: Department-wise distribution of yearly guarantee (Rs. Cr.)**

Department	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Urban Development Department</b>	0	0	0	0	19016	0	0	0	0	0
<b>Public Works Department</b>	0	0	0	0	0	0	17000	0	0	6551
<b>Co-operation, Marketing and Textiles Department</b>	285	735	1201	1005	2060	660	2106	3016	628	96
<b>Industry, Energy &amp; labour Department (Energy)</b>	0	0	0	0	0	0	2800	0	13868	3007
<b>Social Justice and Special Assistance Department</b>	50	258	0	0	0	325	0	0	0	38
<b>Water Resources Department</b>	0	0	0	0	0	0	0	0	0	0
<b>Minority Development Department</b>	15	0	0	0	0	0	0	0	0	12
<b>Tribal Development Department</b>	0	0	0	0	0	0	50	0	0	7
<b>Home Department (Transport)</b>	0	0	0	0	0	0	0	0	420	50
<b>Agriculture and ADF Department</b>	140	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	490	992.92	1200.62	1005	21076	985	21955.94	3016.3	14915.93	9760.85

Source: MTFP Document, State Budget, Government of Maharashtra

**Table 11.6: Guarantees given to specific institutions/ sectors (Rs. Cr.)**

Institute	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Maharashtra State Co-operative Bank		468	495	570					
MS Co-operative Cotton Producers Marketing Federation Limited	700	700	400						
Maharashtra State Cooperative Cotton Growers Marketing Federation						1800	2500	600	
Maharashtra State Seed Manufacturing Company								2467	
Maharashtra State Co-operative Marketing Federation Limited Mumbai	35	10	110	1,490	630	200			
Mumbai Metropolitan Regional Development Authority				19,016					12000
Maharashtra State Electricity Distribution Company Ltd., Mumbai						2800		11401	
Nagpur Mumbai Super Communication Expressway Ltd						17000			
Mumbai Metro Rail Corporation Ltd.									2200
Maharashtra Rail Infrastructure Development Corporation								420	
Madhukar Co-operative Sugar Factory Ltd.,Faizpur, Jalgaon Dist						7			
Vaidynath Co-operative Sugar Factory Ltd.Pangari, Tal. Parli, Beed Dist						27			
Vitthal Co-operative Sugar Factory, Solapur						60			
Rajgarh Co-operative Sugar Factory, Bhor, Pune Dist						12			
32 Co-operative Sugar Factory							516		
1.Rajgarh Cooperative Sugar Factory, Pune 2.Cooperative Shiromani Vasant Rao Kale, Sholapur								28	
Vasant Rao Dada Patil Co-operative Sugar Factory Ltd, Vithewadi, Nasik		7							
Shri Chhatrapati Co-operative Sugar Factory Ltd, Indapur, Pune		9							

Institute	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Siddheshwar Co-operative Sugar Factory Limited</b>		7							
<b>Shabari Tribal Finance and Development Corporation Limited, Nasik</b>						50			
<b>MS Other Backward Class Finance and Development Corporation</b>	71								
<b>Lokshahir Annabhau Sathe Development Corporation</b>	61								
<b>Sant Rohidas Leather Industries and Cobbler Development Corporation</b>	31								
<b>Vasantrao Naik SC, ST Development Corporation</b>	28								
<b>Vidarbha Co-operative Marketing Federation Limited, Nagpur</b>					30				
<b>Mahatma Phule Backward Development Corporation Limited, Mumbai</b>	68				135				
<b>MS Handicapped Finance and Development Corporation Ltd, Mumbai</b>					70				
<b>Sant Rohidas Leather Industry and Leatherworker Development Corporation Limited, Mumbai</b>					50				
<b>Sahityaratn Lokshahir Annabhau Sathe Development Corporation Limited, Mumbai</b>					70				
<b>Total</b>	993	1201	1005	21076	985	21956	3016	14916	14200

Source: State Budget Document, Government of Maharashtra

## 11.6 Guarantee Redemption Fund

As pointed out earlier, the Government of Maharashtra (December 2018) created Guarantee Redemption Fund in 2018-19 to meet contingent liabilities arising from the Guarantees given by the State Government in respect of bonds issued and other borrowings by the State Level Undertakings or other bodies and invoked by the 'beneficiaries'.

The Fund shall be administered by Central Accounts Section of the Reserve Bank of India and shall be kept outside the General Revenues of the Government. The accretions to the Fund shall be invested in the Government of India Securities, Treasury Bills, Special Securities of Government of India and State Development Loans of other States of such maturities as the Bank may determine from time to time in consultation with the Government of Maharashtra (CAG 2020).

**Table 11.7: Year-wise contribution to the Guarantee Redemption Fund**

<b>Year</b>	<b>Guarantee Redemption Fund</b>
<b>2018-19</b>	266.57
<b>2019-20</b>	161.07
<b>2020-21</b>	259.02
<b>2021-22</b>	264.80
<b>2022-2023</b>	498.82
<b>2023-2024 (RE)</b>	327.31
<b>2024-25 (BE)</b>	430.74

*Source: State Budget Document, Government of Maharashtra*

So far, including 2024-25 (BE), the total amount under the fund is Rs. 2,208.33 crores which is 2.83 per cent of the total amount outstanding by the year 2023-24 (Rs. 77,924.43 crores).

### **11.7 Major Findings**

- The analysis of the state's contingent liabilities indicates a worrisome trend in recent years. Since 2017-18, the outstanding liabilities have increased sharply as a percentage of revenue receipts (more than 15 percent).
- The extended debt would be higher by 1.5 to 2 per cent of GSDP due to contingent liabilities.
- The magnitude of non-realization of guarantee fees is very high.
- The instances of a magnitude of guarantees given to a single institution is very high in recent years (more than Rs. 10,000 Crore).
- The State has created Guarantee Redemption Fund in 2018-19 to meet contingent liabilities arising from the guarantees.

### **Concerns**

- The contingent liabilities are expected increase in coming years as per the MTFPS (18.78 per cent of revenue receipts by 2026-27).
- Considering the hidden financial burden that potentially caused by guarantees, the State need to examine this issue acutely.

## CHAPTER-XII

### ANALYSIS OF STATE GOVERNMENT SUBSIDIES

#### 12.1 Introduction

Certain goods are considered as meritorious and the government provides them free or at subsidized rates. The government want to encourage consumption of these goods based on the need for the society and not on the basis of ability of willingness to pay. These meritorious goods include, for example, provision of basic education to all, drinking water and sanitation facilities, free or subsidized food, health care services, and so on.

Although, subsidies attract economic rationale, the increasing magnitude of subsidies is worry some from the point of view of the state finances. As pointed out by the Fifteenth FC, increase in subsidies have long-term implications on the state finances. The Commission is of view that there is a need for removing inefficiencies in the administration of subsidies and channeling the resulting saving into developmental expenditure in social and economic sector. In case of power sector subsidies, the Commission recommended switching to DBT for the transfer of subsidy to agricultural and other consumers.

Thus, the increasing share of subsidies in total revenue expenditure occupies the space available for incurring developmental expenditure. Therefore, there is need to reduce the magnitude as well as administrative inefficiencies associated with the subsidies.

The present section focuses on the extent to which the Maharashtra State Government has given subsidies over the years.

#### 12.2 Trends and Patterns in Subsidies given by the Government

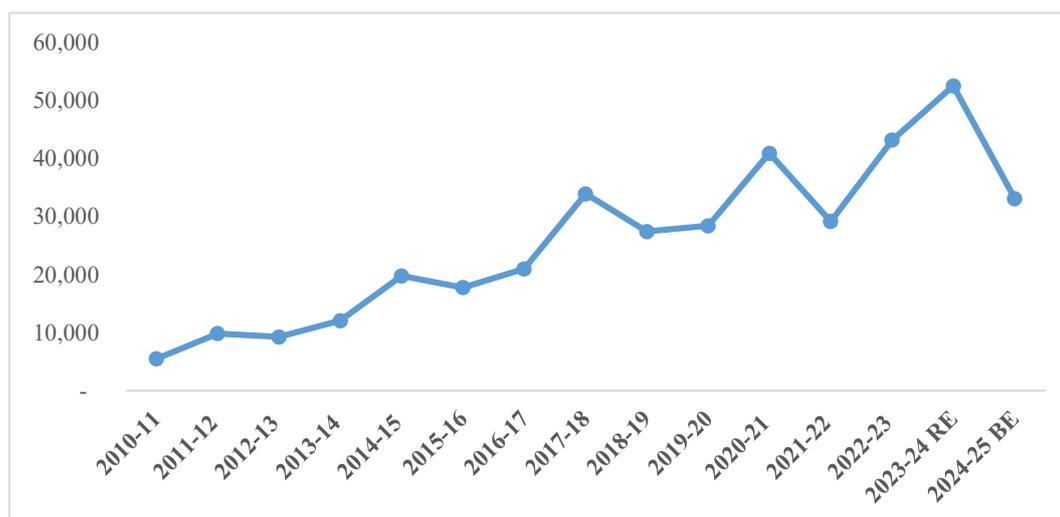
The data indicates that the subsidies in absolute terms has shown steady increase for the period 2010-11 to 2016-17. From 2017-18 to 2023-24, there is a sharp increase in the amount of subsidies (above Rs. 20,000 crores) with wide fluctuations (see Figure 12.1).

**Table 12.1: Year-wise subsidies (Rs. Cr.), Ratio of Subsidies to Revenue Receipts, Revenue Expenditure and GSDP (in per cent)**

Year	Subsidies (₹ in crore)	Subsidies as a percentage of Revenue Receipts	Subsidies as a percentage of Revenue Expenditure	Subsidies as a percentage of GSDP
<b>Thirteenth FC</b>				
2010-11	5,485	5.18	5.15	0.52
2011-12	9,833	8.11	7.96	0.77
2012-13	9,268	6.48	6.68	0.63
2013-14	12,063	8.05	7.79	0.73
2014-15	19,753	11.94	11.13	1.11
<b>Fourteenth FC</b>				
2015-16	17,766	9.60	9.33	0.90
2016-17	20,984	10.25	9.84	0.95
2017-18	33,894	13.91	14.03	1.44
2018-19	27,398	9.82	10.26	1.08
2019-20	28,386	10.02	9.45	1.07
<b>Fifteenth FC</b>				
2020-21	40,862	15.16	13.16	1.56
2021-22	29,137	8.74	8.33	0.94
2022-23	43,158	10.64	10.59	1.22
2023-24 RE	52,484	11.68	11.27	1.35
2024-25 BE	33,063	6.63	6.50	0.77

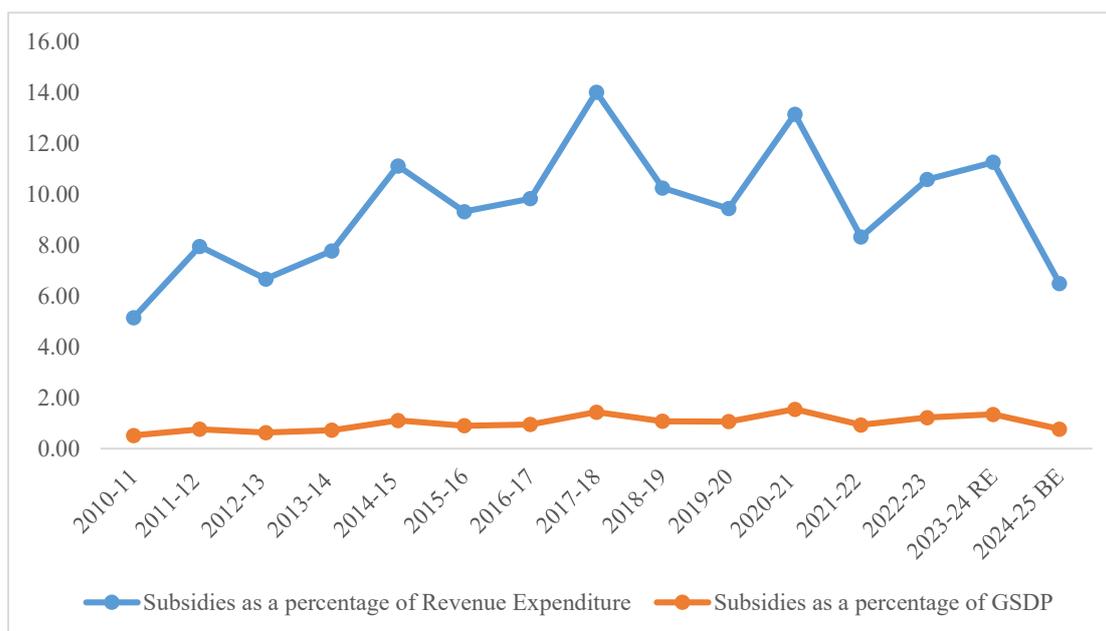
Source: Budget Document, Finance Department, Government of Maharashtra for various years

**Figure 12.1: Subsidies from 2010-11 to 2024-25 (in Rs. Cr)**



The ratio of subsidies to revenue expenditure also shows a similar pattern. For the period 2010-11 to 2016-17, the ratio fluctuated between 5 to 11 per cent and for the period 2017-18 to 2023-24, it was 8 to 14 per cent. In terms of GSDP ratio, it has above 1 per cent post 2017-18 for all but one year.

**Figure 12.2: Ratio of Subsidies to Revenue Expenditure and GSDP**



The FC-wise analysis of subsidies indicates that the ratio of subsidies to revenue expenditure increased during the Fourteenth FC period and then declined during the Fifteenth FC period (Table 12.2). However, in terms of GSDP the subsidies have been increasing over the FCs. The reason is that the growth rate of revenue expenditure was higher during the Fifteenth FC period as compared to growth rate of subsidies resulting in lower ratio.

Moreover, as compared to the Thirteenth FC period, the subsidies were at a higher magnitude and reported growth around 12 per cent during the Fourteenth and Fifteenth FCs period. The subsidies reported a higher growth rate during the Thirteenth FC period.

If the growth of revenue expenditure continues to be higher than the growth rate of subsidies, the share of subsidies in revenue expenditure would fall. However, if the quantum of subsidies remains at a higher level, its ratio to GSDP would remain high. During 2024-25 (BE), the quantum of subsidies is budgeted to reduce by 37 per cent as compared to 2023-24 (RE).

Moreover, there is a marked difference observed between the actual and budgeted subsidies (Table 12.3). The actual expenditure incurred on subsidies was very high as compared to budgeted amount for most of the years under consideration.

**Table 12.2: Finance Commission wise subsidies as per cent of revenue receipts, revenue expenditure, and GSDP and CAGR (in per cent)**

FC	Subsidies as a percentage of Revenue Receipts	Subsidies as a percentage of Revenue Expenditure	Subsidies as a percentage of GSDP	GAGR of Subsidies	CAGR of Revenue Expenditure
Thirteenth	8.23	8.04	0.78	31.88	13.30
Fourteenth	10.74	10.59	1.10	12.79	12.04
Fifteenth	10.15	9.73	1.14	12.12	13.57
All	9.99	9.99	1.06	14.22	11.46

Source: Budget Document, Finance Department, Government of Maharashtra for various years

Since the difference is persistence over the period, the state government need to address this issue.

**Table 12.3: Year-wise actual and budget estimates of subsidies (in Rs. Crore)**

Year	Actual	BE	Percentage Increase in Actual over BE
2015-16	17,766	14,687	20.96
2016-17	20,984	15,046	39.47
2017-18	33,894	17,949	88.84
2018-19	27,398	30,371	-9.79
2019-20	28,386	22,136	28.23
2020-21	40,862	31,520	29.64
2021-22	29,137	27,583	5.63
2022-23	43,158	28,111	53.53
2023-24 (RE)	52,484	30,452	72.35

Source: Budget Document, Finance Department, Government of Maharashtra for various years

It is also important to note that the share of power subsidies in total subsidies has declined over the period (Table 12.4).

**Table 12.4: Year-wise distribution of power and other subsidies (in Rs. Crore)**

Year	Subsidy		Share in Total Subsidy	
	Power	Other	Power	Other
2015-16	7,719	10,047	43.45	56.55
2016-17	7,641	13,343	36.41	63.59
2017-18	6,726	27,169	19.84	80.16
2018-19	7,766	19,632	28.35	71.65
2019-20	8,966	19,420	31.59	68.41
2020-21	7,936	32,926	19.42	80.58
2021-22	9,677	19,460	33.21	66.79
2022-2023	12,220	30,938	28.32	71.68
2023-2024 (RE)	11,325	41,159	21.58	78.42

Source: Budget Document, Finance Department, Government of Maharashtra for various years

The power subsidies have grown at 6.35 per cent while other subsidies at 14.29 per cent. This indicates that the growth in actual subsidies is mainly on account of growth in subsidies other than power subsidies in the state.

### **12.3 Department-wise Composition of Subsidies**

Industries, Energy and Labour Department and Agriculture, Animal Husbandry, Dairy Development and Fisheries Department reported a very high share in total subsidies disbursed over the years (Table 12.5). However, the share of Industries, Energy and Labour Department have come down from 70.1 per cent in 2010-11 to 33.3 per cent in 2023-24 (RE) while the share of Agriculture, Animal Husbandry, Dairy Development and Fisheries Department has increased from 2.8 per cent to 31.7 per cent (Table 12.6). In the year 2023-24 (RE), these two department together constitute 65 per cent of total subsidies given by the State.

The FC-wise share of major departments in total subsidies indicates that during the 15<sup>th</sup> FC period, Industries, Energy and Labour Department, Agriculture, Animal Husbandry, Dairy Development and Fisheries Department, and Co-Operation, Marketing & Textiles reported a higher share in the total subsidies (Table 12.7). However, the share of Industries, Energy and Labour Department reduced considerably over the previous FCs. There was growing emphasis on Agriculture, Animal Husbandry, Dairy Development and Fisheries Department, as its share improved over the FCs.

The emphasis on Agriculture, Animal Husbandry, Dairy Development and Fisheries Department and Industries, Energy and Labour Department, is also visible when we compare the growth rate across the FCs (Table 12.7). The department has reported a higher growth rate during 15<sup>th</sup> FC as compared to the 14<sup>th</sup> FC period. On the other hand, Co-Operation, Marketing & Textiles reported negative growth rate during 15<sup>th</sup> FC period.

Moreover, Agriculture, Animal Husbandry, Dairy Development and Fisheries Department, Food, Civil Supplies and Consumer Protection Department, Industries, Energy and Labour Department, and Rural Development Department reported a higher share in total subsidies as well as a considerable growth rate during the 15<sup>th</sup> FC period. These departments mainly fall under the Economic Services sector implying that a large chunk of subsidies was given to these sectors and also grown considerably over the five years. On the other hand, Co-Operation, Marketing and Textiles Department, which also falls under the Economic Services Sector, reported a higher share but negative growth during the 15<sup>th</sup> FC period.

The subsidies given by the Home Department grew at 22.6 per cent during the 15<sup>th</sup> FC period which most likely to fall under the General Services sector of the government expenditure (Table 12.7).

Under Social Services Sector, Social Justice and Special Assistance Department and Tribal Development Department reported considerably higher growth the 15<sup>th</sup> FC period. Although, the share of these departments in total subsidies is comparatively lower, considering the significant growth rate, the share may improve in coming years.

**Table 12.5: Subsidies given by different Departments from 2010-11 to 2024-25 (Rs. Cr.)**

Name of Department	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Agriculture, Animal Husbandry, Dairy &amp; Fisheries</b>	151	106	325	1563	2470	2120	3812	3570
<b>Co-Operation, Marketing &amp; Textiles</b>	159	50	146	302	349	610	796	15744
<b>Food, Civil Supplies &amp; Consumer Protection</b>	605	326	313	201	903	1090	1238	1632
<b>Home</b>	437	676	828	1377	1527	1116	1623	1317
<b>Industries, Energy &amp; Labour</b>	3839	7540	7227	7543	13011	10685	10402	8921
<b>Rural Development</b>	19	14	10	13	17	100	254	393
<b>Social Justice &amp; Special Assistance</b>	18	6	48	283	272	554	1464	854
<b>Tribal Development</b>	129	201	215	403	655	400	383	717
<b>Water Supply &amp; Sanitation</b>	2	4	2	0	15	5	78	32
<b>Planning</b>	120	145	137	156	323	395	0	19
<b>Various Other</b>	1	764	17	223	211	686	927	695
<b>Total</b>	5480	9832	9268	12063	19753	17766	20984	33894

Name of Department	2018-19	2019-20	2020-21	2021-22	2022-2023	2023-2024 (RE)	2024-25 (BE)
<b>Agriculture, Animal Husbandry, Dairy &amp; Fisheries</b>	3877	4822	4658	5419	6697	16654	9660
<b>Co-Operation, Marketing &amp; Textiles</b>	5866	5986	17334	1204	6641	2729	1531
<b>Food, Civil Supplies &amp; Consumer Protection</b>	1944	1621	2125	2400	3587	3504	1077
<b>Home</b>	1485	1313	2321	2130	3303	3960	1850
<b>Industries, Energy &amp; Labour</b>	10893	12411	10352	15143	18377	17482	12085
<b>Rural Development</b>	535	552	208	263	379	2242	1381
<b>Social Justice &amp; Special Assistance</b>	1032	779	1931	1593	2299	3068	3495
<b>Tribal Development</b>	848	681	1726	869	1772	2390	1333
<b>Water Supply &amp; Sanitation</b>	51	100	100	0	1	275	541
<b>Revenue &amp; Forest</b>	17		5	0	0	1	2
<b>Soil &amp; Water Conservation</b>	1	2	1	5	2	2	4
<b>Planning</b>	22	1					
<b>Other Backward Bahujan Welfare</b>						45	10
<b>Various Other</b>	827	111	100	111	99	132	94
<b>Total</b>	27398	28386	40862	29137	43158	52484	33063

Source: Budget Document, Finance Department, Government of Maharashtra for various years

**Table 12.6: Share of major department in total subsidies (in per cent)**

<b>Name of Department</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
<b>Agriculture, Animal Husbandry, Dairy Development &amp; Fisheries</b>	2.8	1.1	3.5	13	12.5	11.9	18.2	10.5
<b>Co-Operation, Marketing &amp; Textiles</b>	2.9	0.5	1.6	2.5	1.8	3.4	3.8	46.5
<b>Food, Civil Supplies &amp; Consumer Protection</b>	11	3.3	3.4	1.7	4.6	6.1	5.9	4.8
<b>Home</b>	8	6.9	8.9	11.4	7.7	6.3	7.7	3.9
<b>Industries, Energy &amp; Labour</b>	70.1	76.7	78	62.5	65.9	60.1	49.6	26.3
<b>Rural</b>	0.3	0.1	0.1	0.1	0.1	0.6	1.2	1.2
<b>Social Justice &amp; Special Assistance</b>	0.3	0.1	0.5	2.3	1.4	3.1	7	2.5
<b>Tribal Development</b>	2.4	2	2.3	3.3	3.3	2.3	1.8	2.1
<b>Water Supply &amp; Sanitation</b>	0	0	0	0	0.1	0	0.4	0.1

<b>Name of Department</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24 (RE)</b>	<b>2024-25 (BE)</b>
<b>Agriculture, Animal Husbandry, Dairy Development &amp; Fisheries</b>	14.2	17	11.4	18.6	15.5	31.7	29.2
<b>Co-Operation, Marketing &amp; Textiles</b>	21.4	21.1	42.4	4.1	15.4	5.2	4.6
<b>Food, Civil Supplies &amp; Consumer Protection</b>	7.1	5.7	5.2	8.2	8.3	6.7	3.3
<b>Home</b>	5.4	4.6	5.7	7.3	7.7	7.5	5.6
<b>Industries, Energy &amp; Labour</b>	39.8	43.7	25.3	52	42.6	33.3	36.6
<b>Rural</b>	2	1.9	0.5	0.9	0.9	4.3	4.2
<b>Social Justice &amp; Special Assistance</b>	3.8	2.7	4.7	5.5	5.3	5.8	10.6
<b>Tribal Development</b>	3.1	2.4	4.2	3	4.1	4.6	4
<b>Water Supply &amp; Sanitation</b>	0.2	0.4	0.2	0	0	0.5	1.6

Source: Author's own calculation

**Table 12.7: FC-wise share and growth rates of major departments (in per cent)**

Name of Department	13 <sup>th</sup>	14 <sup>th</sup>	15 <sup>th</sup>	13 <sup>th</sup>	14 <sup>th</sup>	15 <sup>th</sup>	All
	Share			Growth Rates			
<b>Agriculture, Animal Husbandry, Dairy Development &amp; Fisheries</b>	8.18	14.17	21.68	128.8	18.1	49.7	37.5
<b>Co-Operation, Marketing &amp; Textiles</b>	1.78	22.58	14.82	40.0	92.8	-31.9	42.8
<b>Food, Civil Supplies &amp; Consumer Protection</b>	4.16	5.86	6.39	3.2	13.3	20.9	21.6
<b>Home</b>	8.59	5.34	6.83	37.9	2.4	22.6	13.6
<b>Industries, Energy &amp; Labour</b>	69.44	41.51	36.96	27.7	3.5	19.3	8.7
<b>Rural Development</b>	0.13	1.43	2.25	-2.7	51.5	111.7	45.6
<b>Social Justice &amp; Special Assistance</b>	1.11	3.65	6.23	152.7	3.4	19.2	49.7
<b>Tribal Development</b>	2.84	2.36	4.07	48.4	20.4	18.4	21.3
<b>Overall</b>	-	-	-	31.9	12.8	12.1	16.1

*Source: Author's Own Calculation*

During 2023-24 (RE), the major schemes under Industries, Energy and Labour Department in terms of subsidies are the Concession in Energy Tariff to Agriculture Pump Consumers (14.02 per cent of total subsidy), Incentives Under Package Scheme of Incentives (11.05 per cent), Concession in Energy Tariff to Power Loom Consumers (3.79 per cent), Concession in Energy Tariff to Industrial Consumers (2.29 per cent) (Table 12.8). In Agriculture, Animal Husbandry, Dairy Development and Fisheries Department, the major schemes include Premium Subsidy under Pradhanmantri Crop Insurance Scheme (9.86 per cent), Namo Shetakari Mahasanmaan Nidhi Yojana (10.99 per cent). In Home Department, the major scheme was Maharashtra state Road Transport Corporation (7.50 per cent).

Three major schemes under these departments provides subsidies to agriculture sector, namely, Concession in Energy Tariff to Agriculture Pump Consumers, Premium Subsidy under Pradhanmantri Crop Insurance Scheme, Namo Shetakari Mahasanmaan Nidhi Yojana.

Thus, a major proportion of subsidies were directed towards, agriculture, medium and large industries, and the transport sector.

**Table 12.8: Year-wise subsidies given under major scheme (in Rs. Cr.)**

Scheme/Department	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 (RE)	2024-25 (BE)
<b>Industries, Energy and Labour department</b>										
Concession In Energy Tariff to Agriculture Pump Consumers						6,886	5,790	5,808	7,356	5,685
Concession In Energy Tariff to Power loom Consumers							1,350	2,050	1,987	800
Concession In Energy Tariff to Industrial Consumers							1,350	3,388	1,200	1,200
Incentives Under Package Scheme of Incentives.	2,835	2,633	2,120	3,035	3,390	2,250	5,300	6,000	5,800	3,600
Concession In Energy Tariff to Textile Consumers							1,187			
Subsidy to Distribution/Transmission Licensee for reduction in Agricultural and Powerloom Tariff			6,726		8,966					
Distribution/Transmission Licenses for reduction in Agriculture and Powerloom tariff	7,717	7,641		7,766						
<b>Agriculture, Animal Husbandry, Dairy development and Fisheries department</b>										
Premium Subsidy under Pradhanmantri Crop Insurance			1,517	1,724	2,346	1,746	2,000	2,416	5,174	5,000
Namo Shetakari Mahasanmaan Nidhi Yojana									5,769	1,000
Nanaji Deshmukh Krishi Sanjivani Prakalpa							980			
<b>Co-operation, Marketing and Textiles department</b>										
Incentive Benefit Scheme under Mahatma Jotirao Phule Shetkari Karjmukti Yojna 2019					3,000	17,080		5,441		
Chhatrapati Shivaji Maharaj Shetkari Sanman Yojana			14,544		1,490					
Maharashtra Rajya Sahakari				1,618						
<b>Food and Civil Supplies</b>										
Subsidy for covering deficit under Centrally Support Price								1,096	823	1
Subsidy for covering deficit under National Food Security							1,405	1,783	1,234	1
Subsidy for covering deficit under Food-grain Transactions	1,087	1,238	1,877							
<b>Home</b>										
Transport Commissioner Establishment.	450	1,623	1,317	1,485	1,313	2,320	2,130	3,278	3,935	1,750

Source: Budget Document, Finance Department, Government of Maharashtra for various years

It is also important to note that the actual expenditure incurred under subsidies head has been very high as compared to the budget estimates for most of the years (Table 12.9). The actual expenditure incurred is more than 100 per cent of BE for major departments such as Food, Civil Supplies and Consumer Protection Department, Home Department, Co-Operation, Marketing and Textiles Department, Industries, Energy and Labour Department, etc.

The state needs to examine these aspects as these may put burden on financial allocation under other heads. Whereas, departments like Rural Development Department, Water Supply and Sanitation Department reported much lower expenditure than the BE.

**Table 12.9: Major department wise ratio of actual expenditure on subsidies to budget estimates**

Name of Department	Actual to BE Ratio						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 RE
<b>Agriculture, Animal Husbandry, Dairy Development and Fisheries</b>	88.7	81.2	93.2	90.8	93.9	104.9	261.8
<b>Co-Operation, Marketing and Textiles Department</b>	3321.9	61.6	631.9	223.5	163.1	678.7	223.0
<b>Food, Civil Supplies and Consumer Protection Department</b>	119.1	93.1	72.8	89.3	91.8	128.6	132.1
<b>Home Department</b>	93.5	102.4	90.6	160.1	146.3	227.8	268.5
<b>Industries, Energy and Labour Department</b>	122.6	140.1	154.8	105.5	136.5	175.1	156.1
<b>Rural Development Department</b>	78.1	79.4	61.4	24.9	31.1	42.2	169.8
<b>Social Justice and Special Assistance Department</b>	78.9	95.3	57.8	94.4	72.5	85.7	95.6
<b>Tribal Development Department</b>	77.9	43.2	60.7	100.9	38.1	93.9	96.5
<b>Water Supply and Sanitation Department</b>	100.0	100.0	16.1	50.0	0.0	0.3	68.8
<b>Grand Total</b>	193.9	90.3	129.1	129.8	105.7	153.9	172.7

Source: Author's own calculation

## **12.4 Major Findings**

- There is persistence increase in subsidies from the Fourteenth and Fifteenth FC both as a ratio of revenue expenditure as well as GSDP.
- The actual expenditure under subsidies is much higher than the budget estimates for most of the years.
- The major share of subsidies given to the agriculture sector (Concession in Energy Tariff to Agriculture Pump Consumers, Premium Subsidy under Pradhanmantri Crop Insurance Scheme, and Namo Shetakari Mahasanmaan Nidhi Yojana), industry sector (Incentives Under Package Scheme of Incentives), and for Maharashtra state Road Transport Corporation.
- Share of power sector subsidies in total has come down as well it grew at lower pace than other subsidies.
- Subsidies given to agriculture and allied sector, Industry and energy sector, marginalized groups, and food security has reported a higher share as well as grew at a considerable pace.

### **Concerns**

- There is a marked deviation observed between the budgeted estimates and actual expenditure on subsidies over the period. This issue needs to be addressed.

## **Chapter XIII**

### **Outcome Evaluation of State Finances**

#### **13.1 Introduction**

The Fifteenth Finance Commission emphasized on output or outcomes rather than input or process and aimed at rewarding the states on the basis of outcomes. The aim was to direct the investment towards human capital in the form of education and health along with issues related to climate change and environmental risks. The outcome-based approach was adopted in order to equip Indian economy for reallocating global production to India.

As the emphasis was on outcome, the States were free to choose inputs for achieving these outcomes based on the local scenario. For the said purpose, the allocation of resources across the States were based on the development needs as well as their past performance. In this manner, the Fifteenth FC incorporated reward for better performance.

In education sector, the Commission has created incentive grants for states to improve learning outcome of school children using the Performance Grading Index (PGI) of the Ministry of Education.

In health sector, the Commission had also included 'Demographic Performance' criteria in its formula to reward states that performed better in population control which is also further depend on performance on health and education sector. The Commission rewarded states with better demographic performance by using Total Fertility Rate (TFR). The reduction in TFR indicates better outcomes in health (especially maternal and child health), nutrition as well as education. Thus, this criterion rewards states with better outcome in controlling population and better outcome achievement in education and health.

In the areas of climate change and environmental risks, the Commission has recommended outcome-based incentives for metropolitan cities for controlling air pollution.

On the similar line, the Fourteenth Finance Commission has recommended grants to act as a catalyst and be used to incentivize improved outcomes in focus areas. The Commission recommended that there is need to link outlays to outcomes by preparing outcome budget and it is essential to spell out key indicators for outputs and to monitor these within an already defined accountability framework.

Against this backdrop, the present chapter focuses on:

- The analysis of the flow of resources from Centre to States through various schemes, the expenditure of States in those schemes, resources of States channeled towards these schemes and the overall impact on development spending of the States.
- States' own schemes for different development objectives.

### **13.2 The Mechanism of Annual Scheme Expenditure of the State**

The Government of Maharashtra carries out developmental expenditure under various schemes. These schemes are broadly categorized as 'shared schemes' with other agencies and 'individual' schemes wherein individual agency carries out the expenditure.

The Shared schemes include

- State and Central Shared scheme (Centrally Sponsored Schemes)
- State and Domestic Financial Institutions (DFI) Shared scheme
- State and Externally Aided Projects (EAP) Shared scheme
- State, Central and EAP Shared scheme
- Under the individually financed schemes, the following agencies carry out the expenditure
- State, Centre (Centre Sector Scheme), DFI, and EAP

The annual scheme expenditure under various sources of funds is reported in the Table 13.1.

**Table 13.1: Year-wise Actual Annual Scheme Expenditure under various sources of funds of Government of Maharashtra  
(in Rs. Crores)**

Source of Fund		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 RE	2024-25 BE
<b>Shared scheme</b>															
<b>State and Central</b>	State	5704	2318	2141	2322	3408	6342	7498	7326	5347	6615	11014	18105	39318	21834
	Central	7228	7227	8016	6777	8121	9938	9889	13585	7708	11231	35677	14763	28934	26731
	<b>Total</b>	<b>12932</b>	<b>9545</b>	<b>10157</b>	<b>9099</b>	<b>11529</b>	<b>16280</b>	<b>17386</b>	<b>20911</b>	<b>13054</b>	<b>17845</b>	<b>46690</b>	<b>32869</b>	<b>68252</b>	<b>48565</b>
<b>State and DFI</b>	State	61	103	45	39	34	42	15	32	1	22	0	42	116	115
	DFI	0	0	22	26	24	41	41	8	11	35	7	18	43	33
	<b>Total</b>	<b>61</b>	<b>103</b>	<b>68</b>	<b>64</b>	<b>57</b>	<b>83</b>	<b>57</b>	<b>39</b>	<b>12</b>	<b>57</b>	<b>8</b>	<b>60</b>	<b>159</b>	<b>148</b>
<b>State and EAP</b>	State	117	120	99	32	44	45	11	79	14	333	882	893	1322	955
	EAP	61	87	1005	435	263	223	145	422	16	955	2025	2144	2163	1693
	<b>Total</b>	<b>177</b>	<b>207</b>	<b>1104</b>	<b>467</b>	<b>308</b>	<b>268</b>	<b>155</b>	<b>502</b>	<b>31</b>	<b>1287</b>	<b>2906</b>	<b>3036</b>	<b>3485</b>	<b>2648</b>
<b>State, Central and EAP</b>	State	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	EAP	0	0	2	1	0	0	0	0	0	0	0	0	0	0
	Central	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Shared</b>		<b>13170</b>	<b>9856</b>	<b>11331</b>	<b>9631</b>	<b>11894</b>	<b>16631</b>	<b>17598</b>	<b>21452</b>	<b>13096</b>	<b>19190</b>	<b>49605</b>	<b>35965</b>	<b>71896</b>	<b>51361</b>
<b>Individual Schemes</b>															
<b>State</b>		26521	28208	29324	35707	39672	45350	74591	77345	91826	67122	105399	155448	185857	164788
<b>CSS</b>		5442	6204	6198	6328	3119	3454	2022	2518	2102	1574	2366	2616	8774	10174
<b>DFI</b>		373	514	585	504	86	167	47	9	6	27	160	436	373	381
<b>EAP</b>		967	795	887	769	482	757	923	620	761	232	636	1163	1025	1000
<b>Other</b>		0	0	0	0	0	0	1	0	0	0	0	267	200	200
<b>Total Individual</b>		<b>33304</b>	<b>35722</b>	<b>36994</b>	<b>43308</b>	<b>43358</b>	<b>49728</b>	<b>77585</b>	<b>80492</b>	<b>94696</b>	<b>68956</b>	<b>108562</b>	<b>159931</b>	<b>196229</b>	<b>176542</b>
<b>Grand Total</b>		<b>46474</b>	<b>45577</b>	<b>48325</b>	<b>52939</b>	<b>55252</b>	<b>66359</b>	<b>95184</b>	<b>101944</b>	<b>107792</b>	<b>88146</b>	<b>158166</b>	<b>195895</b>	<b>268125</b>	<b>227903</b>

Source: Annual Schemes Details, Planning Department, Government of Maharashtra

The Centrally Sponsored Schemes (CSS) are schemes that are implemented through the State Governments and in sectors falling in the State and Concurrent Lists of the Constitution. The expenditure under these schemes are shared between the Centre and States.

The share of the State and the Centre in actual expenditure on aggregate CSS reported in the Table 13.2. The table indicates that the share of the Centre in CSS at aggregate level is more than 50 per cent for all but two years under the consideration. The higher share of expenditure by the Centre further increases the overall development expenditure of the State.

However, if we consider share of the State and Centre in total budget estimates, the Centre's share is around 65 to 70 per cent while the State's share is around 25-30 per cent. It implies that the reduction in the Centre's share in actual as compared to BE is equivalently increased by the State's share in actual as compared to BE. As a result, the state has increased its share in actual as compared to BE for most of the years to compensate for the equivalent reduction by the Centre.

**Table 13.2: Share of State and the Centre in actual expenditure and Budget Estimates under CSS (in per cent)**

FC	Year	Share in Actual expenditure CSS			Share in Budget Estimates CSS		
		State	Central	Total	State	Central	Total
<b>Thirteenth</b>	2011-12	44.11	55.89	100	30.26	69.74	100
	2012-13	24.29	75.71	100	22.31	77.69	100
	2013-14	21.08	78.92	100	18.60	81.40	100
	2014-15	25.52	74.48	100	19.79	80.21	100
<b>Fourteenth</b>	2015-16	29.56	70.44	100	24.58	75.42	100
	2016-17	38.96	61.04	100	33.10	66.90	100
	2017-18	43.12	56.88	100	27.83	72.17	100
	2018-19	35.03	64.97	100	29.40	70.60	100
	2019-20	40.96	59.04	100	27.96	72.04	100
<b>Fifteenth</b>	2020-21	37.07	62.93	100	33.29	66.71	100
	2021-22	23.59	76.41	100	31.20	68.80	100
	2022-23	55.08	44.92	100	31.24	68.76	100
	2023-24 RE	57.61	42.39	100	44.25	55.75	100
	2024-25 BE	44.96	55.04	100	-	-	-

Source: Author's own calculation

This aspect we can further corroborate by looking at actual to BE ratio of the State and Centre. There are wide differences between Actual Expenditure and Budget Estimates at aggregate. As it can be seen from the Table 13.3 that the ratio of actual to BE of CSS has

been less than 60 per cent for most of the years. The primary reason for the lower actual to BE ratio is due to lower actual to BE ratio reported by the Centre under CSS in Maharashtra. The actual to BE ratio of the Centre under CSS in Maharashtra was less than 55 per cent for most of the years. On the other hand, although, the state government has not fully utilized the budgeted allocation, the actual to BE ratio of the State under CSS is much higher than the Centre for most of the years under consideration.

**Table 13.3: Actual to BE ratio of State and the Centre under CSS in Maharashtra (in per cent)**

Year	Budget Estimates			Actual			Ratio of Actual to BE		
	State	Central	Total	State	Central	Total	State	Central	Total
2011-12	2082	4800	6883	5704	7228	12932	273.91	150.58	187.89
2012-13	4611	16057	20668	2318	7227	9545	50.27	45.01	46.18
2013-14	3735	16348	20084	2141	8016	10157	57.31	49.04	50.57
2014-15	3308	13412	16720	2322	6777	9099	70.20	50.53	54.42
2015-16	5068	15551	20619	3408	8121	11529	67.24	52.22	55.91
2016-17	9024	18239	27263	6342	9938	16280	70.28	54.49	59.72
2017-18	9021	23395	32416	7498	9889	17386	83.11	42.27	53.63
2018-19	10135	24334	34470	7326	13585	20911	72.28	55.83	60.66
2019-20	11093	28583	39677	5347	7708	13054	48.20	26.97	32.90
2020-21	12871	25793	38664	6615	11231	17845	51.39	43.54	46.15
2021-22	14694	32405	47098	11014	35677	46690	74.96	110.10	99.13
2022-23	18729	41222	59951	18105	14763	32869	96.67	35.81	54.83
2023-24	23880	30085	53965	39318	28934	68252	164.65	96.17	126.47

Source: Annual Schemes Details, Planning Department, Government of Maharashtra

The implication of CSS expenditure on development expenditure is reported in Table 13.4. The actual expenditure under CSS constitute about 6 to 9 per cent of total developmental expenditure (revenue plus capital) in the state. However, if entire budgeted allocation was turned into the actual expenditure, we get potential developmental expenditure. It can be seen from the table that the total developmental expenditure would have increased by 6 to 8 per cent if entire budget estimates was spent. As a result, the share of CSS in potential developmental expenditure would have been much higher (14 to 16 per cent) as compared to the actual expenditure under CSS to actual developmental expenditure.

**Table 13.4: Ratio of actual expenditure under CSS to Developmental Expenditure and Potential Developmental Expenditure (in Rs. Crores)**

Year	Actual exp CSS	BE CSS	Actual Development Expenditure	Actual expenditure CSS to actual Development Expenditure	Potential Development Expenditure	BE to Potential Development Expenditure	Percentage Increase in Actual Development Expenditure
2011-12	12932	6883	99417	13.01	93368	7.37	-6.08
2012-13	9545	20668	109884	8.69	121007	17.08	10.12
2013-14	10157	20084	122589	8.29	132515	15.16	8.10
2014-15	9099	16720	137731	6.61	145353	11.50	5.53
2015-16	11529	20619	149912	7.69	159002	12.97	6.06
2016-17	16280	27263	173425	9.39	184408	14.78	6.33
2017-18	17386	32416	190858	9.11	205888	15.74	7.87
2018-19	20911	34470	218851	9.55	232410	14.83	6.20
2019-20	13054	39677	238640	5.47	265263	14.96	11.16
2020-21	17845	38664	238785	7.47	259603	14.89	8.72
2021-22	46690	47098	277047	16.85	277455	16.98	0.15
2022-23	32869	59951	343332	9.57	370414	16.18	7.89
2023-24 RE	68252	53965	447901	15.24	433614	12.45	-3.19

Source: Author's own calculation.

The share of each source of annual schemes funds in total developmental expenditure of the State is analyzed in the Table 13.5. As it can be seen from the table that the state's schemes (individual and sharing with other institutes like DFI and EAP) constitute a major share in total developmental expenditure. Its share has improved during post-Covid period (35 to 45 per cent). The Central Government's expenditure in the form of share in CSS and Central Sector Schemes has reported declining share in total developmental expenditure during the 15<sup>th</sup> FC period as compared to previous two FC period. Other sources of finances reported a minimal share in total developmental expenditure of the State.

As a result of improved expenditure on the State's individual schemes, the share of total annual schemes in total developmental expenditure has improved during the 15<sup>th</sup> FC period (55 to 60 per cent) as compared to previous two FCs.

**Table 13.5: Source of fund wise actual expenditure under Annual Scheme Expenditure of Government of Maharashtra (in Rs. Crores)**

Source of Fund	Thirteenth					Fourteenth					Fifteenth				
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 RE	2024-25 BE
State in CSS	3817	5704	2318	2141	2322	3408	6342	7498	7326	5347	6615	11014	18105	39318	21834
State Schemes	30997	26699	28432	29468	35777	39750	45437	74618	77456	91840	67477	106282	156382	187294	165857
Central-CSS	1913	7228	7227	8016	6777	8121	9938	9889	13585	7708	11231	35677	14763	28934	26731
Central-Other	1861	5442	6204	6198	6328	3119	3454	2022	2518	2102	1574	2366	2616	8774	10174
DFI	604	373	514	608	529	109	209	88	16	17	62	168	455	416	414
EAP	1167	1028	882	1894	1205	745	979	1068	1043	778	1187	2660	3307	3189	2693
Other	0	0	0	0	0	0	0	1	0	0	0	0	267	200	200
<b>Grand Total</b>	40359	46474	45577	48325	52939	55252	66359	95184	101944	107792	88146	158166	195895	268125	227903
<b>Development Exp</b>	87678	99417	109884	122589	137731	149912	173425	190858	218851	238640	238785	277047	343332	447901	413744
<b>Share in Total Development Expenditure</b>															
State in CSS	4.35	5.74	2.11	1.75	1.69	2.27	3.66	3.93	3.35	2.24	2.77	3.98	5.27	8.78	5.28
State Schemes	35.35	26.86	25.87	24.04	25.98	26.52	26.20	39.10	35.39	38.48	28.26	38.36	45.55	41.82	40.09
Central-CSS	2.18	7.27	6.58	6.54	4.92	5.42	5.73	5.18	6.21	3.23	4.70	12.88	4.30	6.46	6.46
Central-Other	2.12	5.47	5.65	5.06	4.59	2.08	1.99	1.06	1.15	0.88	0.66	0.85	0.76	1.96	2.46
DFI	0.69	0.38	0.47	0.50	0.38	0.07	0.12	0.05	0.01	0.01	0.03	0.06	0.13	0.09	0.10
EAP	1.33	1.03	0.80	1.54	0.87	0.50	0.56	0.56	0.48	0.33	0.50	0.96	0.96	0.71	0.65
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.04	0.05
<b>Grand Total</b>	46.03	46.75	41.48	39.42	38.44	36.86	38.26	49.87	46.58	45.17	36.91	57.09	57.06	59.86	55.08

Source: Annual Schemes Details, Planning Department, Government of Maharashtra

Furthermore, to assess whether the Centre’s expenditure under the CSS has incentivized the State in channeling the resources towards areas of crucial importance, the elasticities have been estimated (Table 13.6). During the 13<sup>th</sup> FC period, the effect of central expenditure on the state expenditure under CSS is almost negligible. However, during the 14<sup>th</sup> FC period, one percentage increase in the central expenditure lead to 0.48 per cent increase in the state’s expenditure under CSS. The elasticity has come down during the 15<sup>th</sup> FC period mainly due to higher than proportionate expenditure carried out by the Centre during the Covid period (2020-21 and 2021-22). However, during the last three years (2022-23 to 2024-25 BE), the elasticity was 0.69 per cent, the highest over the years.

The higher expenditure by the State under the CSS can also be seen in terms of growth rates. During the 15<sup>th</sup> FC period, the state’s expenditure on CSS grew at the rate of 44.21 per cent and the Centre’s grew at 16.47 per cent.

This indicates that the State is channeling higher resources towards CSS implemented in Maharashtra in recent years.

**Table 13.6: Elasticity of the State’s actual expenditure with respect to the Centre’s actual expenditure under CSS (in per cent)**

FC	Elasticity	Growth Rate	
		State	Central
<b>Thirteenth</b>	-0.03	-17.91	30.12
<b>Fourteenth</b>	0.48	11.02	2.10
<b>Fifteenth</b>	0.37	44.21	16.47
<b>Total</b>	0.62	17.35	14.56

*Source: Author’s own calculation*

### **13.3 Sector-wise analysis of funding pattern of annual scheme expenditure**

In the present section the attempt has been made to analyse the sector-wise expenditure undertaken by the State, Centre and other agencies. It also analyses the outcome achieved under the sectors over the period.

### 13.3.1 Agriculture and Allied Activities Sector

The funding pattern of various sources is reported in Table 13.7. It can be seen from the table that the state's schemes (individual and sharing with other institutes like DFI and EAP) constitute the highest share in total annual scheme expenditure (about 80 per cent during 15<sup>th</sup> FC). The share of state has also improved over the three FCs. In case of CSS, the state's share has increased over the FCs indicating incentivized expenditure by the state. In terms of share in BE and actual, there was fall the Centre's share in actual as compared to BE during the 15<sup>th</sup> FC, however, it was equivalently matched by rise in actual share of the state.

The average actual to BE ratio under annual scheme in this sector is very high, even higher than 100 per cent during 14<sup>th</sup> and 15<sup>th</sup> FC. It was mainly because of higher ratio reported by the state. However, the utilization of budget allocation is lower in case of CSS, for both the state and Centre throughout the FCs.

In terms of growth rate, both the state and Centre reported a very high growth rate during the 15<sup>th</sup> FC. Although, the state reported a higher share in total annual expenditure under the sector, its growth is slowing down during the 15<sup>th</sup> FC.

**Table 13.7: Funding pattern of annual Agriculture and Allied Activities related Schemes in Maharashtra (in Rs. Crores)**

Source of Fund	Average Actual Exp			Average Share in Grand Total (in %)			Average Actual/BE ratio (in %)		
	13 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC	13 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC	13 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC
State in CSS	82	542	1002	1.71	3.64	5.96	92.63	54.04	72.35
State-Schemes	2908	13046	13399	60.36	87.64	79.77	109.86	174.06	125.25
Central-CSS	927	993	1493	19.24	6.67	8.89	64.27	58.71	69.06
Central-Other	745	140	55	15.47	0.94	0.33	95.07	27.14	39.68
Other Agencies	155	165	848	3.23	1.11	5.05	65.98	62.30	155.10
Others	0	0	0	0.00	0.00	0.00	-	-	-
<b>Grand Total</b>	<b>4817</b>	<b>14885</b>	<b>16796</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>91.44</b>	<b>135.72</b>	<b>114.61</b>
<b>CSS</b>	<b>Sharing pattern in CSS (Actual) (in %)</b>			<b>Sharing pattern in CSS (BE) (in %)</b>					
State in CSS	8.16	35.31	40.16	5.81	37.22	38.81	-	-	-
Central-CSS	91.84	64.69	59.84	94.19	62.78	61.19	-	-	-

Source: Author's own calculation

**Table 13.8: Growth rate of various sources of funds across the FCs (in per cent)**

FC	State in CSS	State Schemes	Central-CSS	Central-Other	Other Agencies	Grand Total
Thirteenth	-15.02	25.11	47.27	-28.27	11.46	24.52
Fourteenth	10.80	24.78	7.29	-59.37	-17.09	20.75
Fifteenth	30.70	11.18	28.99	149.22	-5.88	13.30

Source: Author's own calculation

The average annual scheme expenditure under Agriculture sector has improved during 14<sup>th</sup> FC as compared to the 13<sup>th</sup> FC, however, it was not improved to the similar magnitude during the 15<sup>th</sup> FC period. Also, the growth of expenditure by the state is reduced during the 15<sup>th</sup> FC period which reports the highest share.

The outcome of Agriculture sector also reported lower growth. The total irrigated area under all crops as well as some of the important crops has reported sluggish growth or negative growth (Table 13.9). Similarly, irrigated area under the major crops also reported sluggish growth or negative growth (Table 13.10). As a result, the growth rate of production of major agricultural crops reported similar sluggish growth or negative growth (Table 13.11).

**Table 13.9: Year-wise Area Irrigated by Crops in Maharashtra (Thousand Hectares)**

Year	Total Cereals & Millets	Total Pulses	Total Food-grains	Total Food Crops	Total Oilseeds	Total Non-Food Crops	Total Irrigated Area under all crops
2011-12	1492	284	1776	3766	138	407	4173
2012-13	1423	299	1722	3646	132	404	4050
2013-14	1670	469	2139	4139	143	417	4556
2014-15	1687	373	2060	4144	144	420	4564
2015-16	1548	378	1926	4364	96	372	4736
2016-17	1819	500	2320	4289	109	373	4663
2017-18	1523	514	2037	4324	89	368	4692
2018-19	1303	441	1743	4243	79	272	4515
2019-20	1581	524	2105	4476	87	370	4847
2020-21	1622	571	2193	5022	92	377	5399
2021-22	1617	688	2305	5488	93	374	5862
2022-23	1678	744	2422	5578	74	348	5926
Growth Rate	0.43	7.87	2.08	3.44	-5.54	-1.63	3.05

Source: Land Use Statistics at a Glance, Economics, Statistics and Evaluation Division, Department of Agriculture & Farmers Welfare, Ministry of Agriculture & Farmers Welfare.

**Table 13.10: Major Crop-wise Growth of Area Irrigated in Maharashtra  
(in per cent)**

Crop	Growth Rate
Rice	0.48
Jowar	-7.09
Bajra	-3.98
Maize	3.31
Wheat	2.51
<b>Total Cereals &amp; Millets</b>	<b>0.43</b>
Gram	8.40
<b>Total Pulses</b>	<b>7.87</b>
<b>Total Food-grains</b>	<b>2.08</b>
Sugar-cane	2.46
Condiments & Spices	-4.01
Fruits & Vege-tables (including root crops)	7.46
<b>Total Food Crops</b>	<b>3.44</b>
Ground-nut	-1.45
Sun- flower	-21.44
<b>Total Oilseeds</b>	<b>-5.54</b>
Cotton	-0.73
<b>Total Non-Food Crops</b>	<b>-1.63</b>

Source: Author's own calculations based on Land Use Statistics at a Glance

**Table 13.11: Growth rate of production of major agricultural crops in Maharashtra  
(in per cent)**

Articles	Growth Rate
<b>Food-grains</b>	<b>3.90</b>
Rice	1.97
Wheat	6.40
Nutri/Coarse Cereals	1.40
Jowar	-3.88
Bajra	-0.63
Maize	5.41
<b>Total Pulses</b>	<b>8.52</b>
Gram	13.01
Tur (Arhar)	3.24
<b>None Oilseeds</b>	<b>5.66</b>
Groundnut	-0.65
Soybean	6.51
Cotton	0.48
<b>Sugarcane</b>	<b>5.22</b>

Source: Author's own calculations based on Agricultural Statistics at a Glance

Therefore, although the state is putting more efforts in enhancing expenditure under this sector, the state needs to scale up its expenditure further as well as the Centre should enhance the funding under the CSS.

### 13.3.2 Energy Sector

In the energy sector, the annual scheme expenditure is dominated by the state government (Table 13.12). There is no CSS under the sector. The state government also reported a more than 100 percent of expenditure as compared to BE. However, the growth of state's expenditure has come down during the 15<sup>th</sup> FC period (10.14 per cent), as compared to 13<sup>th</sup> FC (29.35 per cent).

**Table 13.12: Funding pattern of annual Energy related Schemes in Maharashtra (in Rs. Crores)**

Source of Fund	Actual			Average Share in Grand Total			Average Actual/BE ratio		
	13 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC	13 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC	13 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC
State in CSS	0	0	0	0.00	0.00	0.00	-	-	-
State Schemes	2286	9015	13362	77.67	97.24	96.15	68.15	157.45	121.4
Central-CSS	0	0	0	0.00	0.00	0.00	-	-	-
Central-Other	295	140	500	10.03	1.51	3.60	86.16	56.43	100.0
Other Agencies	362	115	35	12.30	1.25	0.25	200.8	39.29	73852.6
Others	0	0	0	0.00	0.00	0.00	-	-	-
<b>Grand Total</b>	<b>2943</b>	<b>9271</b>	<b>13897</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>77.90</b>	<b>147.90</b>	<b>121.10</b>

Source: Author's own calculation

In terms of outcomes under the sector, the electricity generation by the state has higher share in total electricity generated in the state (Table 13.13). The Annual Per Capita Consumption of Electricity (Utilities & Non-Utilities) in Maharashtra has improved over the years as well as it is higher than the All India average (Table 13.14). The AT&C Losses of Distribution Utilities Selling Directly to Consumers in Maharashtra has also reduced over the years. However, Annual Per Capita Consumption of Electricity of Maharashtra is comparatively lower than other general category states. Similarly, the AT&C Losses are also comparatively higher than other general category states.

This underscores the scope of improvement in energy sector. As the state is the major financing source of the sector, the state needs to scale-up its resources directed towards the sector.

**Table 13.13: Sector-wise Generation of Electricity (in MU)**

Year	State Total	Sector: State	Sector: Private	Sector: Central	Sector: State	Sector: Private	Sector: Central
	Number				Share in total		
2017-18	124305	52431	51144	20730	42.2	41.1	16.7
2018-19	137171	52156	56119	28896	38.0	40.9	21.1
2019-20	127591	51007	51257	25327	40.0	40.2	19.8
2020-21	117557	49750	47064	20743	42.3	40.0	17.6
2021-22	137429	54061	54116	29252	39.3	39.4	21.3
2022-23	141767	57539	54344	29885	40.6	38.3	21.1
2023-24	150266	61099	57745	31422	40.7	38.4	20.9
<b>Growth Rate</b>	2.57	2.58	1.27	5.35	-	-	-

Source: National Power Portal, Central Electricity Authority, Ministry of Power, Government of India.

**Table 13.14: Annual Per Capita Consumption of Electricity (Utilities & Non-Utilities) in Maharashtra (kWh)**

Year	Maharashtra	All India	State	Per Capita Consumption
2011-12	1204	884	Punjab	2574
2012-13	1239	914	Odisha	2419
2013-14	1183	957	Gujarat	2393
2014-15	1257	1010	Haryana	2360
2015-16	1318	1075	Telangana	2349
2016-17	1307	1122	Chhattisgarh	2117
2017-18	1371	1149	Tamil Nadu	1763
2018-19	1424	1181	Maharashtra	1676
2019-20	1418	1208	Andhra Pradesh	1634
2020-21	1378	1161	Rajasthan	1501
2021-22	1588	1255	Karnataka	1425
2022-23	1676	1331	Madhya Pradesh	1230
<b>Growth Rate</b>	2.95	3.39	Jharkhand	992

Source: All India Electricity Statistics, General Review, Central Electricity Authority, Ministry of Power, Government of India

**Table 13.15: Year-wise AT&C Losses of Distribution Utilities Selling Directly to Consumers (in per cent)**

Year	Maharashtra	Gujarat	Tamil Nadu	Karnataka	All India
2011-12	21.63	19.26	21.7	22.57	26.63
2012-13	21.95	19.87	20.71	20.78	25.45
2013-14	14.39	15.93	22.35	18.93	22.62
2014-15	19.25	16.06	24.74	18.71	25.72
2015-16	21.74	16.23	16.83	17.13	23.96
2016-17	22.73	14.18	18.23	16.82	23.56
2017-18	19.26	12.96	19.47	15.61	22.38
2018-19	16.23	13.99	17.86	19.83	21.74
2019-20	19.24	11.79	15	17.58	20.73
2020-21	26.59	11.56	11.93	16.26	22.25
2021-22	16.49	9.7	11.44	11.51	16.23
2022-23	18.58	10.65	10.31	13.91	15.37

Source: Report on performance of power utilities, Power Finance Corporation Limited, Ministry of Power, Government of India

### 13.3.3 Industry Sector

Under industry sector (Medium & Large-Scale Industries and Village & Small-Scale Industries), the state government predominantly incur expenditure (Table 13.16). The expenditure under CSS in the sector is very marginal.

**Table 13.16: Funding pattern of annual Industry Sector Schemes in Maharashtra (in Rs. Crores)**

Source of Fund	Actual		Average Share in Grand Total		Average Actual/BE ratio	
	14 <sup>th</sup> FC	15 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC
State in CSS	2	3	0.63	0.22	0	0
State Schemes	279	1302	88.22	97.99	78.12	156.96
Central-CSS	13	6	4.03	0.45	0	0
Central-Other	0.0	0.0	0.00	0.00	0.00	0.00
Other Agencies	23	18	7.12	1.34	-	-
Others	0	0	0.00	0.00	-	-
<b>Grand Total</b>	316	1329	100	100	7.41	38.82
CSS	Sharing pattern in CSS (Actual)		Sharing pattern in CSS (BE)			
State in CSS	13.47	33.00	11.87	19.63	-	-
Central-CSS	86.53	67.00	88.13	80.37	-	-

Source: Author's own calculation

**Table 13.17: Estimate of selected characteristics of factory sector by 3-digit industry group (NIC-2008) for Maharashtra and All India**

Year	Maharashtra			All India			% share of Maharashtra in All India		
	No. of Factories	Gross Value Added (Lakh)	No. of Persons Engaged	No. of Factories	Gross Value Added (Lakh)	No. of Persons Engaged	No. of Factories	Gross Value Added	No. of Persons Engaged
2011-12	28215	17922200	1880606	217554	90520894	13430483	13.0	19.8	14.0
2012-13	28949	20257833	1784909	222120	100727950	12950025	13.0	20.1	13.8
2013-14	29123	22857485	1886025	224576	106511164	13538114	13.0	21.5	13.9
2014-15	28601	23907573	1883675	230435	116470249	13881386	12.4	20.5	13.6
2015-16	28210	24847555	1970456	233116	127327968	14299710	12.1	19.5	13.8
2016-17	27010	24215165	1926154	234865	136805049	14911189	11.5	17.7	12.9
2017-18	26393	25863108	2007794	237684	146697043	15614619	11.1	17.6	12.9
2018-19	25972	23238343	2035306	242395	153801928	16280211	10.7	15.1	12.5
2019-20	25610	21586010	2038255	246504	148574512	16624291	10.4	14.5	12.3
2020-21	26059	23968875	1958888	250454	161714846	16089700	10.4	14.8	12.2
2021-22	26350	32089560	2138304	249987	204797151	17215350	10.5	15.7	12.4
2022-23	26446	35882704	2374711	253334	219705605	18494962	10.4	16.3	12.8
<b>Growth</b>	-1.10	4.09	1.76	1.40	7.59	3.06	-	-	-

Source: Annual Survey of Industries, Enterprise Survey Division, Ministry of Statistics and Programme Implementation, GoI.

**Table 13.18: Number of MSMEs incorporated and registered on Udyam Registration Portal in a particular year**

Year	Maharashtra				All India				Percentage share of Maharashtra in All India			
	Micro	Small	Medium	Total	Micro	Small	Medium	Total	Micro	Small	Medium	Total
2018-19	260276	4873	387	265536	1331318	33788	2220	1367326	19.6	14.4	17.4	19.4
2019-20	279358	4037	319	283714	1475824	29372	2078	1507274	18.9	13.7	15.4	18.8
2020-21	443824	3662	287	447773	2167630	27732	1775	2197137	20.5	13.2	16.2	20.4
2021-22	453635	2093	121	455849	2436885	15220	705	2452810	18.6	13.8	17.2	18.6
2022-23	426257	1127	65	427449	2662449	8788	498	2671735	16.0	12.8	13.1	16.0

Source: Ministry of Micro, Small and Medium Enterprises, Government of India.

In terms of outcomes in Industry sector, the Maharashtra reported reduction on number of factories over the years (Table 13.17). The state also reported lower growth rate in Gross Value Added and number of persons employed as compared to All India level. Similarly, the share of Maharashtra in All India has reduced in terms of number of factories, Gross Value Added and number of persons employed. Similarly, Maharashtra's share in All India number of MSMEs incorporated and registered on Udyam Registration Portal has reduced over the period. Therefore, both the CSS and state government expenditure need to be enhanced under the industry sector.

### 13.3.4 Education Sector

Under education sector, the state government incurs a higher proportion of total annual expenditure under the sector (Table 13.19). The CSS also contribute about 38 per cent of total annual scheme expenditure under the sector. The expenditure under the sector by the state (both individual as well as CSS) has increased during the 15<sup>th</sup> FC period. The state government has also reported a higher average actual to be ratio, particularly during the 15<sup>th</sup> FC. Under CSS, the share of state has improved during 15<sup>th</sup> FC as compared to the 14<sup>th</sup> FC. In terms of growth rate of expenditure, both the state and Centre has reported remarkable growth rate during 15<sup>th</sup> FC period, both under CSS as well as individual schemes.

**Table 13.19: Funding pattern of annual Education Sector Schemes in Maharashtra (in Rs. Crores)**

Source of Fund	Actual		Average Share in Total		Average Actual/BE ratio	
	14 <sup>th</sup> FC	15 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC
<b>State in CSS</b>	673	1845	11.79	16.73	59	105
<b>State Schemes</b>	3186	6684	55.84	60.59	86.35	89.85
<b>Central-CSS</b>	1144	2349	20.05	21.29	41	67
<b>Central-Other</b>	702.7	153.8	12.32	1.39	89.45	20.23
<b>Other Agencies</b>	0	0	0.00	0.00	-	-
<b>Others</b>	0	0	0.00	0.00	0.19	-
<b>Grand Total</b>	5705	11032	100	100	67.71	81.33
<b>CSS</b>	Sharing pattern in CSS (Actual)		Sharing pattern in CSS (BE)			
<b>State in CSS</b>	37.03	46.55	28.88	35.51	-	-
<b>Central-CSS</b>	62.97	53.45	71.12	64.49	-	-
<b>Growth Rate</b>						
<b>State in CSS</b>	24.20	58.71	State Schemes		32.01	33.06
<b>Central-CSS</b>	22.67	41.61	Central-Other		-4.04	43.68

Source: Author's own calculation

In terms of outcome, the state reported remarkable achievement under Performance Grading Index for school education (Table 13.20). The Gross Enrolment Ratio (GER) is also satisfactory in case of Primary, Upper Primary, and Secondary Education (Table 13.21). The Dropout Rates is also lower for Primary, Upper Primary, and Secondary Education level as compared to All India average (Table 12.22).

However, the GER of Higher Secondary is considerably lower, especially among the SC and ST children. The Dropout rate of ST children in secondary is a cause of concern as it very high and also higher than the All India average (Table 12.23).

The above analysis indicates that there is need to focus on the children belong to SCs and STs and channel the resources towards their educational attainment. There is also further scope for improving the central resources in the sector by improving the actual expenditure both under CSS and individual schemes.

**Table 13.20: Year-wise grades achieved by Maharashtra under the Performance Grading Index**

Year	Grade/Score	Group level
2017-18	Grade IV (651-700)	Fourth group of states
2018-19	Level IV Grade I (801 - 850)	Second group of states
2019-20	Level III Grade I+ (851 - 900)	Second group of states
2020-21	Level II (901 - 950)	First group of states
2021-22	Prachesta - 3 (581 - 640)	Second group of states

Source- Performance Grading Index, Department of School Education and Literacy, Ministry of Education, Government of India, various years.

**Table 13.21: Year-wise Gross Enrolment Ratio (GER) by level of school education in Maharashtra**

Year	Primary (I-V)	Upper Primary (VI-VIII)	Elementary (I-VIII)	Secondary (IX-X)	Higher Secondary (XI-XII)	SC Higher Secondary (XI-XII)	ST Higher Secondary (XI-XII)
2012-13	102.79	94.9	99.75	80.51	51.06	52.37	32.3
2013-14	102.56	96.28	100.15	83.59	55.29	57.92	34.81
2014-15	102.66	98.49	101.06	87.28	58.6	62.0	38.27
2015-16	102.39	99	101.09	88.18	64.08	69.39	43.73
2016-17	102.88	99.44	101.57	90.48	67.02	73.12	47.01
2017-18	104.65	98.65	102.34	91.63	68.04	74.18	48.74
2018-19	105.39	98.04	102.55	91.14	68.91	75.28	50.7
2019-20	106.33	99.01	103.48	91.41	66.97	71.08	48.05
2020-21	104.82	99.6	102.78	92.64	68.19	71.75	50.07
2021-22	106.86	100.39	104.31	93.65	71.48	76.34	55.16

Source- UDISE+, Department of School Education and Literacy, Ministry of Education, Government of India.

**Table 13.22: Year-wise Drop Out Rate by level of school education in Maharashtra**

Year	Primary			Upper Primary			Secondary		
	Girls	Boys	Overall	Girls	Boys	Overall	Girls	Boys	Overall
2013-14	1.07	0.88	0.97	2.71	0.89	1.73	15.72	16.61	16.2
2014-15	0.59	0.51	0.54	1.5	0	0.61	13.78	15.04	14.47
2015-16	1.26	1.25	1.26	2.83	0.89	1.79	12.58	13.11	12.86
2016-17	0.74	0.65	0.7	1.87	0.7	1.24	11.1	11.43	11.28
2017-18	0.22	0.18	0.2	2.21	1.29	1.72	12.17	12.9	12.57
2018-19	1.06	1.11	1.09	2.55	1.8	2.15	12.84	13.67	13.29
2019-20	0.05	0	0.02	1.52	0.73	1.1	13.99	16.18	15.17
2020-21	0.92	1.08	1	1.65	1.36	1.49	11.1	11.29	11.2
2021-22	0	0.04	0	1.6	1.47	1.53	10.61	10.81	10.72
<b>All India (2021-22)</b>	1.35	1.55	1.45	3.31	2.74	3.02	12.25	12.96	12.61

Source- UDISE+, Department of School Education and Literacy, Ministry of Education, Government of India.

**Table 13.23: Year-wise Drop Out Rate of ST by level of school education in Maharashtra**

Year	Primary			Upper Primary			Secondary		
	Girls	Boys	Overall	Girls	Boys	Overall	Girls	Boys	Overall
2013-14	4.23	3.74	3.97	7.69	5.33	6.43	23.69	23.08	23.35
2014-15	2.82	2.65	2.73	4.97	3	3.92	21.32	21.31	21.31
2015-16	2.48	2.81	2.65	6.56	4.23	5.32	20.61	20.87	20.75
2016-17	1.73	1.89	1.81	4.91	3.12	3.97	19.12	18.25	18.64
2017-18	2.62	2.45	2.54	6.88	5.31	6.05	21.34	21.59	21.47
2018-19	0.89	0.78	0.83	5.5	4.21	4.82	22.85	22.81	22.82
2019-20	0	0	0	3.42	1.99	2.68	25.5	26.7	26.15
2020-21	1.55	1.55	1.55	3.5	2.78	3.13	21.3	21.44	21.38
2021-22	0.74	0.81	0.77	3.24	2.49	2.85	22.03	20.16	21.04
<b>All India 2021-22</b>	2.6	3.04	2.83	5.7	6.35	6.03	15.33	17.87	16.62

Source- UDISE+, Department of School Education and Literacy, Ministry of Education, Government of India.

### 13.3.5 Health Sector

The funding pattern of annual scheme expenditure is depicted in Table 13.24. Unlike other sectors, both the state and Centre contribute considerable share in total expenditure on health in Maharashtra. The Centre reported the highest share under CSS (34.14 per cent) followed by the state's individual schemes (28.48 per cent) and the state's share in CSS (26.55 per cent) during the 15<sup>th</sup> FC period. The actual to BE ratio is considerably high during both the FCs and across various funding sources. The state's share in CSS has gone up and reached to 44.13 per cent during the 15<sup>th</sup> FC implying the state has been incentivized to incur higher expenditure on the health sector.

The growth rate of the state's and Centre's expenditure under CSS has slowed down during the 15<sup>th</sup> FC period, however, the magnitude of expenditure is way higher as compared to

the 14<sup>th</sup> FC period. On the contrary, the growth rate of expenditure of state's and Centre's individual schemes was considerably high during the 15<sup>th</sup> FC period.

The enhanced expenditure in health sector is due to the government's interventions in the health sector to tackle the health pandemic.

**Table 13.24: Funding pattern of annual Health Sector Schemes in Maharashtra (in Rs. Crores)**

Source of Fund	Actual		Average Share in Grand Total		Average Actual/BE ratio	
	14 <sup>th</sup> FC	15 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC
<b>State in CSS</b>	1605	3137	26.13	26.55	108	136
<b>State Schemes</b>	1519	3366	24.74	28.48	104.55	122.05
<b>Central-CSS</b>	2451	4035	39.92	34.14	76	105
<b>Central-Other</b>	554.2	1229.2	9.03	10.40	74.99	87.80
<b>Other Agencies</b>	12	52	0.19	0.44	85.83	70.69
<b>Others</b>	0	0	0.00	0.00	-	-
<b>Grand Total</b>	6141	11819	100	100	88.77	114.32
<b>CSS</b>	Sharing pattern in CSS (Actual)		Sharing pattern in CSS (BE)			
<b>State in CSS</b>	39.56	44.13	31.48	37.99	-	-
<b>Central-CSS</b>	60.44	55.87	68.52	62.01	-	-
<b>Growth Rate</b>						
<b>State in CSS</b>	52.85	1.98	State Schemes		5.92	48.22
<b>Central-CSS</b>	3.75	1.82	Central-Other		14.42	22.09

Source: Author's own calculation

**Table 13.25: Year-wise Infant Mortality Rate in Maharashtra**

Year	Total			Rural			Urban		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
<b>2011-12</b>	25	24	26	30	30	31	17	16	19
<b>2012-13</b>	24	23	25	29	28	29	16	15	17
<b>2013-14</b>	22	21	22	27	27	27	14	13	16
<b>2014-15</b>	21	19	22	26	24	28	14	12	15
<b>2015-16</b>	19	18	19	24	22	25	13	13	13
<b>2016-17</b>	19	18	19	23	21	24	14	14	13
<b>2017-18</b>	19	19	19	24	23	25	14	14	13
<b>2018-19</b>	17	16	18	22	20	24	12	12	11
<b>2019-20</b>	16	15	15	20	19	20	11	11	10
<b>India 2019-20</b>	28	28	28	31	31	32	19	19	18

Source: SRS Bulletin, Sample Registration System, Office of The Registrar General, India, Ministry of Home Affairs, Government of India.

In case of outcomes of health sector, the state government have reported remarkable improvement during 2011-12 to 2019-20 under mortality indicators

. During this period, there was considerable reduction observed in case of Infant Mortality Rate (Table 13.25), Early Neonatal Mortality Rate (ENMR) (0- 7 days), Neonatal Mortality Rate (NMR) (less than 29 days), Under 5 Mortality Rate (U5MR) (Table 13.26), and Maternal Mortality Ratio (Table 13.27).

**Table 13.26: Year-wise Morality Indicators in Maharashtra**

Indicator	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	India - 2019-20
<b>Early Neonatal Mortality Rate (ENMR) (0- 7 days)</b>											
<b>Total</b>	15	14	13	12	11	11	11	10	9	8	15
<b>Rural</b>	18	17	16	15	13	14	14	14	13	11	17
<b>Urban</b>	10	9	8	7	7	7	7	6	5	5	9
<b>Neonatal Mortality Rate (NMR) (less than 29 days)</b>											
<b>Total</b>	18	18	17	16	15	13	13	13	13	11	20
<b>Rural</b>	22	22	21	20	19	17	17	18	17	15	23
<b>Urban</b>	13	12	11	10	10	9	9	8	7	6	12
<b>Under 5 Mortality Rate (U5MR)</b>											
<b>Total</b>	28	28	26	23	21	24	21	22	21	18	32
<b>Male</b>	27	27	26	23	20	21	21	21	20	18	31
<b>Female</b>	28	28	27	24	23	26	22	23	23	19	33
<b>Rural</b>	33	33	32	28	27	29	25	27	27	23	36
<b>Male</b>	33	32	31	28	25	26	24	26	25	22	34
<b>Female</b>	34	33	32	29	29	33	26	29	29	24	37
<b>Urban</b>	19	20	18	15	14	15	16	15	13	12	21
<b>Male</b>	19	19	17	15	13	15	16	14	13	12	22
<b>Female</b>	20	21	19	16	15	16	16	15	14	11	21

Source: Sample Registration System Statistical Report, Office of The Registrar General & Census Commissioner, Ministry of Home Affairs, Government of India

**Table 13.27: Maternal Mortality Ratio in Maharashtra**

Year	Maternal Mortality Ratio
2010-12	87
2011-13	68
2014-16	61
2015-17	55
2016-18	46
2017-19	38
2018-20	33
<b>India- 2018-20</b>	97

Source: Special Bulletin on Maternal Mortality in India, Sample Registration System, Office of The Registrar General, India, Ministry of Home Affairs, Government of India.

Further, nutritional status of women has improved during NFHS-5 (2019-20) as compared to previous rounds (Table 13.28). Nutritional status of nutritional status of rural men has improved while urban men has deteriorated. Obesity among rural men and women has worsen while urban men and women has improved.

**Table 13.28: Nutritional Status of Adults (age 15-49 years) in Maharashtra (in per cent)**

Indicators	NFHS-3 (2005-06)	NFHS-4 (2015-16)	NFHS-5 (2019-20)	India- NFHS-5 (2019-20)
<b>Women whose Body Mass Index (BMI) is below normal (BMI &lt; 18.5 kg/m<sup>2</sup>) (%)</b>				
<b>Total</b>	32.6	23.5	20.8	18.7
<b>Rural</b>	43	30	25	21.2
<b>Urban</b>	20.7	16.8	15.8	13.2
<b>Men whose Body Mass Index (BMI) is below normal (BMI &lt; 18.5 kg/m<sup>2</sup>) (%)</b>				
<b>Total</b>	24.9	19.1	16.2	16.2
<b>Rural</b>	31.8	23.7	16.9	17.8
<b>Urban</b>	17.3	14.5	15.3	13
<b>Women who are overweight or obese (BMI ≥25.0 kg/m<sup>2</sup>) (%)</b>				
<b>Total</b>	17.1	23.4	23.4	24.0
<b>Rural</b>	8	14.6	18.3	19.7
<b>Urban</b>	27.4	32.4	29.6	33.2
<b>Men who are overweight or obese (BMI ≥25.0 kg/m<sup>2</sup>) (%)</b>				
<b>Total</b>	15.9	23.8	24.7	22.9
<b>Rural</b>	8.3	16.4	21.3	19.3
<b>Urban</b>	24.4	31.2	28.9	29.8

Source: National Family Health Survey (NFHS), Department of Health and Family Welfare, Ministry of Health and Family Welfare, Government of India.

**Table 13.29: Nutritional Status of Children (age under 5 years) in Maharashtra (in per cent)**

Indicators	NFHS-4 (2015-16)	NFHS-5 (2019-20)	India- NFHS-5 (2019-20)
<b>Children under 5 years who are stunted (height-for-age) (%)</b>			
<b>Total</b>	34.4	35.2	35.5
<b>Rural</b>	38.4	35.5	37.3
<b>Urban</b>	29.3	34.9	30.1
<b>Children under 5 years who are wasted (weight-for-height) (%)</b>			
<b>Total</b>	25.6	25.6	19.3
<b>Rural</b>	26.1	27.3	19.5
<b>Urban</b>	24.9	23	18.5
<b>Children under 5 years who are severely wasted (weight-for-height) (%)</b>			
<b>Total</b>	9.4	10.9	7.7
<b>Rural</b>	9.4	11.9	7.7
<b>Urban</b>	9.5	9.5	7.6
<b>Children under 5 years who are underweight (weight-for-age) (%)</b>			
<b>Total</b>	36	36.1	32.1
<b>Rural</b>	40	38	33.8
<b>Urban</b>	30.7	33.3	27.3

Source: National Family Health Survey (NFHS), Department of Health and Family Welfare, Ministry of Health and Family Welfare, Government of India.

**Table 13.30: Anemia among Children and Adults in Maharashtra (in per cent)**

Indicators	NFHS-3 (2005-06)	NFHS-4 (2015-16)	NFHS-5 (2019-20)	India- NFHS-5 (2019-20)
<b>Children age 6-59 months who are anemic (&lt;11.0 g/dl) (%)</b>				
<b>Total</b>	-	53.8	68.9	67.1
<b>Rural</b>	-	54	70.7	68.3
<b>Urban</b>	-	53.6	66.3	64.2
<b>Non-pregnant women age 15-49 years who are anemic (&lt;12.0 g/dl) (%)</b>				
<b>Total</b>	-	47.9	54.5	57.2
<b>Rural</b>	-	47.7	56.4	58.7
<b>Urban</b>	-	48.2	52.3	54.1
<b>Pregnant women age 15-49 years who are anemic (&lt;11.0 g/dl) (%)</b>				
<b>Total</b>	57.8	49.3	45.7	52.2
<b>Rural</b>	56.4	49.9	46.5	54.3
<b>Urban</b>	60.1	48.5	44.2	45.7
<b>All women age 15-49 years who are anemic (%)</b>				
<b>Total</b>	49.1	48	54.2	57
<b>Rural</b>	51.1	47.8	56.1	58.5
<b>Urban</b>	46.6	48.2	52	53.8
<b>Men age 15-49 years who are anemic (&lt;13.0 g/dl) (%)</b>				
<b>Total</b>	16.2	17.6	21.9	25
<b>Rural</b>	16.8	19.7	25.4	27.4
<b>Urban</b>	15.6	15.5	17.4	20.4

Source: National Family Health Survey (NFHS), Department of Health and Family Welfare, Ministry of Health and Family Welfare, Government of India.

The cause of concern is that the nutritional status of children is not improved during NFHS-5 (2019-20) period as compared to previous round (Table 13.29). The stunting among children has increased, especially among urban children. Similarly, wasting has not improved and it is deteriorated among rural children. The severely wasting has worsen among rural children. The percentage of underweight children has increased in urban areas. Maharashtra's nutritional status of children in regard to wasting, severely wasting, and underweight is even lower than the All India average during NFHS-5 (2019-20). Similarly, anemia among children, men, and women has increased in Maharashtra during NFHS-5 (2019-20) as compared to the previous round (Table 13.30).

Finally, as pointed out earlier, there was an increased allocation to the health sector during the 15<sup>th</sup> FC due to pandemic. The data also indicates that there is an enhanced allocation to the health sector even after the pandemic years (2022-23 to 2024-25 (BE)) primarily under CSS. The expenditure on nutrition indicates that during 2015-16 to 2019-20, it was ranging between Rs. 2,000 crores to 35,000 crores (average Rs.2,904 crores). During 2020-21 to 2024-25, it was ranging between Rs. 34,000 crores to Rs, 44,000 crores (average Rs. 3,978

crores). This indicates that the enhanced expenditure on the nutritional sector might have reduced the malnourishment in recent five years.

### 13.3.6 Employment Sector

The funding pattern of annual scheme expenditure on employment sector (Employment and Self Employment, Employment Guarantee, and Rural Employment) is reported in Table 13.31. about 50 per cent of expenditure under was incurred by the Centre in the form of CSS during the 15<sup>th</sup> FC period, however, the share has reduced from about 75 per cent during 14<sup>th</sup> FC. As a result, the share of state in CSS has improved from 15.66 per cent to 21.62 per cent. The share of state's individual schemes also shown remarkable improvement from 9.43 per cent to 25.06 per cent.

**Table 13.31: Funding pattern of annual Employment Sector Schemes in Maharashtra (in Rs. Crores)**

Source of Fund	Actual		Average Share in Grand Total		Average Actual/BE ratio	
	14 <sup>th</sup> FC	15 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC
<b>State in CSS</b>	366	500	15.66	21.62	80	103
<b>State Schemes</b>	221	579	9.43	25.06	61.74	54.07
<b>Central-CSS</b>	1748	1148	74.76	49.67	52	38
<b>Central-Other</b>	3.4	84.1	0.15	3.64	4.45	68.81
<b>Other Agencies</b>	0	0	0.00	0.00	-	-
<b>Others</b>	0	0	0.00	0.00	-	-
<b>Grand Total</b>	2338	2311	100	100	54.73	52.24
<b>CSS</b>	Sharing pattern in CSS (Actual)		Sharing pattern in CSS (BE)			
<b>State in CSS</b>	17.32	39.75	11.87	19.63	-	-
<b>Central-CSS</b>	82.68	60.25	88.13	80.37	-	-
<b>Growth Rate</b>						
<b>State in CSS</b>	11.97	28.82	State Schemes		31.09	77.69
<b>Central-CSS</b>	-2.52	63.44	Central-Other		-	56.81

Source: Author's own calculation

However, only the state under CSS reported higher actual to BE ratio while state's individual schemes and the Centre under CSS reported lower ratio. Under CSS, the Centre's share in actual expenditure is drastically reduced as compared to the share in BE and therefore there was equivalent rise in the state's share in actual expenditure under CSS.

This implies that the state is putting additional efforts in incurring expenditure under CSS. Moreover, both the state and Centre reported a significant growth in their expenditure both under CSS and individual schemes during the 15<sup>th</sup> FC. The fuller utilization of allocated funds under the state's schemes and central CSS would have enhanced the expenditure under this sector at a larger magnitude.

In terms of outcomes, the labor force participation rate (LFPR) according to usual status (ps+ss) for Maharashtra (age group 15-29 year) has improved over the time for both male and female as well as their rate in rural and urban areas (Table 13.32). However, LFPR of Maharashtra is lower than the All India average, mainly due to lower LFPR reported by male and female in rural areas. Similarly, LFPR for the age group of 15 years and above, the Maharashtra reported improvement over the years but lower than the All India average mainly due to lower LFPR reported by male in rural areas (Table 13.33).

Further, the Unemployment Rate (UR) according to usual status (ps+ss) for Maharashtra (age groups: 15-29 years) has reduced over the years. However, it is higher than All India average for rural male in Maharashtra. The unemployment among urban female in this category has reduced drastically over the period in Maharashtra.

**Table 13.32: Labour force participation rate (in per cent) according to usual status (ps+ss) for Maharashtra and All-India age groups: 15-29 year**

Year	Maharashtra									all-India								
	Rural			Urban			Rural + Urban			Rural			Urban			Rural + Urban		
	Male	Female	Person	Male	Female	Person	Male	Female	Person	Male	Female	Person	Male	Female	Person	Male	Female	Person
2017-18	55.4	23.4	40.4	57.8	19	38.7	56.4	21.5	39.7	58.9	15.9	38.1	58.5	17.5	38.5	58.8	16.4	38.2
2018-19	57.9	20.6	41.1	57.5	19.7	39.3	57.8	20.2	40.3	58.8	15.8	37.8	58.6	17.1	38.7	58.8	16.2	38.1
2019-20	80.8	53.1	67.5	80.1	28.6	54.8	80.5	42.4	62.1	81.5	35.4	58.5	80.6	25.7	53.5	81.2	32.3	56.9
2020-21	56.5	24	41.7	58.2	22.1	40.8	57.2	23.2	41.3	60.6	22	42	59	19	39.9	60.1	21.1	41.4
2021-22	59.1	22.9	42.7	58.9	24.7	42.8	59	23.7	42.8	62.1	22.3	42.6	58.9	20.2	40.6	61.2	21.7	42
2022-23	59.6	28.6	45.1	60.6	24	43.6	60	26.6	44.4	65.5	25.8	45.9	58.4	20.8	40.7	63.5	24.5	44.5
2023-24	57.6	25.5	42.9	64.2	28	47.6	60.5	26.6	44.9	65.1	30.8	48.1	59.9	23.8	42.6	63.5	28.8	46.5

Source: Periodic Labour Force Survey (PLFS), National Sample Survey Office, Ministry of Statistics and Programme Implementation, Government of India

**Table 13.33: Labour force participation rate (in per cent) according to usual status (ps+ss) for Maharashtra and All-India (15 years & above)**

Year	Maharashtra									all-India								
	Rural			Urban			Rural + Urban			Rural			Urban			Rural + Urban		
	Male	Female	Person	Male	Female	Person	Male	Female	Person	Male	Female	Person	Male	Female	Person	Male	Female	Person
2017-18	75.4	37.7	56.8	74.2	21.6	48.2	74.9	30.8	53.1	76.4	24.6	50.7	74.5	20.4	47.6	75.8	23.3	49.8
2018-19	74.6	38.5	57.1	72.8	22.1	48	73.8	31.6	53.3	76.4	26.4	51.5	73.7	20.4	47.5	75.5	24.5	50.2
2019-20	76.9	48.4	63	73.9	25.7	50.1	75.6	38.7	57.5	77.9	33	55.5	74.6	23.3	49.3	76.8	30	53.5
2020-21	76.8	43.5	60.5	73.4	24.9	49.3	75.4	36	56	78.1	36.5	57.4	74.6	23.2	49.1	77	32.5	54.9
2021-22	77.4	46.7	62.5	75.2	27.6	52	76.4	38.4	57.9	78.2	36.6	57.5	74.7	23.8	49.7	77.2	32.8	55.2
2022-23	78.5	50.2	64.6	75.9	27.6	52.4	77.4	40.7	59.4	80.2	41.5	60.8	74.5	25.4	50.4	78.5	37	57.9
2023-24	77.8	48	63	76.4	29.4	53.6	77.2	40.1	59	80.2	47.6	63.7	75.6	28	52	78.8	41.7	60.1

Source: Periodic Labour Force Survey (PLFS), National Sample Survey Office, Ministry of Statistics and Programme Implementation, Government of India

**Table 13.34: Unemployment Rate (UR) (in per cent) according to usual status (ps+ss) for Maharashtra and All-India age groups: 15-29 years**

Years	Maharashtra									All-India								
	Rural			Urban			Rural + Urban			Rural			Urban			Rural + Urban		
	Male	Female	Person	Male	Female	Person	Male	Female	Person	Male	Female	Person	Male	Female	Person	Male	Female	Person
2017-18	12.1	12.3	12.1	17	24.6	18.9	14.2	17.1	15	17.4	13.6	16.6	18.7	27.2	20.6	17.8	17.9	17.8
2018-19	13.6	17	14.4	13.9	21.5	15.7	13.7	19	14.9	16.6	13.8	16	18.7	25.7	20.2	17.2	17.7	17.3
2019-20	10.2	6	9.1	11.7	15.4	12.7	10.8	10	10.6	13.8	10.3	12.9	18.2	24.9	19.9	15.1	14.6	15
2020-21	9.3	5.5	8.3	16.1	17.6	16.5	12.1	10.4	11.6	11.6	8.2	10.7	16.6	24.9	18.5	13	12.5	12.9
2021-22	9.5	11.2	9.9	11.8	14.5	12.5	10.5	12.7	11.1	11.4	8.5	10.6	15.8	21.6	17.2	12.6	11.8	12.4
2022-23	11.7	4.2	9.5	11.5	16.7	12.8	11.6	9.1	10.9	8.3	7.4	8	13.8	21.7	15.7	9.7	10.6	10
2023-24	10.1	7.5	9.4	12.8	11.1	12.4	11.4	9.2	10.8	8.7	8.2	8.5	12.8	20.1	14.7	9.8	11	10.2

**Table 13.35: Unemployment Rate (UR) (in per cent) according to usual status (ps+ss) for Maharashtra and All-India (15 years and above)**

Years	Maharashtra									All-India								
	Rural			Urban			Rural + Urban			Rural			Urban			Rural + Urban		
	Male	Female	Person	Male	Female	Person	Male	Female	Person	Male	Female	Person	Male	Female	Person	Male	Female	Person
2017-18	3.4	2.8	3.2	6.2	11.4	7.4	4.6	5.4	4.8	5.7	3.8	5.3	6.9	10.8	7.7	6.1	5.6	6
2018-19	4.6	3.3	4.2	5.2	10.2	6.3	4.9	5.4	5	5.5	3.5	5	7	9.8	7.6	6	5.1	5.8
2019-20	3.2	1.1	2.4	4	5.6	4.4	3.5	2.4	3.2	4.5	2.6	3.9	6.4	8.9	6.9	5	4.2	4.8
2020-21	2.9	0.9	2.2	6.1	7.4	6.5	4.1	2.7	3.7	3.8	2.1	3.3	6.1	8.6	6.7	4.5	3.5	4.2
2021-22	3	1.7	2.5	4.8	5.5	5	3.7	2.9	3.5	3.8	2.1	3.2	5.8	7.9	6.3	4.4	3.3	4.1
2022-23	3.1	0.7	2.2	4	6.2	4.6	3.5	2.3	3.1	2.7	1.8	2.4	4.7	7.5	5.4	3.3	2.9	3.2
2023-24	2.8	1.1	2.1	4.9	6	5.2	3.7	2.7	3.3	2.7	2.1	2.5	4.4	7.1	5.1	3.2	3.2	3.2

Source: Periodic Labour Force Survey (PLFS), National Sample Survey Office, Ministry of Statistics and Programme Implementation, Government of India

The above analysis indicates that the better utilization of allocated funds channeled towards rural areas would improve the outcome of the employment sector in Maharashtra.

### 13.3.7 House and Household Amenities Sector

#### Housing

The average annual scheme expenditure on housing has improved drastically during the 15<sup>th</sup> FC as compared to the 14<sup>th</sup> FC (Table 13.36). The majority of expenditure on housing is undertaken by the Centre in the form of CSS, especially during the 15<sup>th</sup> FC period. The share of Centre in CSS is also very high. The state also reported a higher improvement in expenditure on housing especially under CSS and also reported a very high growth rate during the 15<sup>th</sup> FC. Although, the growth of central expenditure under CSS is negative, the magnitude of expenditure is still higher than the previous FC period so as the utilization of allotted budget during the 15<sup>th</sup> FC period.

**Table 13.36: Funding pattern of annual Housing Sector Schemes in Maharashtra (in Rs. Crores)**

Source of Fund	Actual		Average Share in Grand Total		Average Actual/BE ratio	
	14 <sup>th</sup> FC	15 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC
<b>State in CSS</b>	196	1868	23.84	18.74	23	64
<b>State Schemes</b>	42	47	5.12	0.47	15.78	42.43
<b>Central-CSS</b>	536	8056	65.28	80.79	18	100
<b>Central-Other</b>	47.3	0.0	5.76	0.00	31.42	-
<b>Other Agencies</b>	0	0	0.00	0.00	-	-
<b>Others</b>	0	0	0.00	0.00	-	-
<b>Grand Total</b>	820	9971	100	100	19.17	91.77
<b>CSS</b>	Sharing pattern in CSS (Actual)		Sharing pattern in CSS (BE)			
<b>State in CSS</b>	26.75	15.57	22.37	22.52	-	-
<b>Central-CSS</b>	73.25	84.43	77.63	77.48	-	-
<b>Growth Rate</b>						
<b>State in CSS</b>	-0.74	45.62	-	-	-	-
<b>Central-CSS</b>	22.53	-3.67	-	-	-	-

Source: Author's own calculation

The percentage of households living in Pucca houses has increased over the years, especially in urban areas (Table 13.37). However, in rural areas, the proportion is still comparatively low. Considering the enhanced expenditure in recent five years (15<sup>th</sup> FC period), it is likely that the proportion might have increased in the recent years.

**Table 13.37 Households by type of house in Maharashtra and All India (in per cent)**

Type of house	NFHS-3 (2005-06)	NFHS-4 (2015-16)	NFHS-5 (2019-20)	India
<b>Kachha</b>				
<b>Urban</b>	0.1	0.2	0.2	0.9
<b>Rural</b>	4.9	2.6	3.1	6.4
<b>Total</b>	2.6	1.4	1.7	4.6
<b>Semi-pucca</b>				
<b>Urban</b>	10.6	6.4	6.6	13.2
<b>Rural</b>	63.9	43.2	34	44.2
<b>Total</b>	38.2	25.1	21	33.9
<b>Pucca</b>				
<b>Urban</b>	89.1	92.9	92.8	84.9
<b>Rural</b>	30.9	53.5	62.3	48
<b>Total</b>	59	72.9	76.8	60.3

*Source: National Family Health Survey (NFHS), Department of Health and Family Welfare, Ministry of Health and Family Welfare, Government of India.*

### **13.3.8 Water Supply and Sanitation**

The average expenditure under water supply and sanitation sector has increased manifold during the 15<sup>th</sup> FC as compared to the 14<sup>th</sup> FC (Table 13.38). During the 15<sup>th</sup> FC period, the share of Centre under CSS has reduced drastically as compared to the 14<sup>th</sup> FC. As a result, about 82 per cent of total annual expenditure under this sector was incurred by the State under CSS. The state has reported enormous growth under CSS so as the actual to BE ratio.

In terms of outcome, almost all of the urban households are covered with improved drinking-water source while in case of rural areas, about 88 per cent of households are covered.

The major concern is the sanitation facility in Maharashtra. About 72 per cent of households are using an improved sanitation facility in Maharashtra.

Thus, there is need to enhance expenditure under the sector, especially by the Centre under CSS by improving its utilization.

The state has performed well in terms of providing access to electricity to the households (Table 13.38). However, there is special attention needs to be paid to the use of LPG/natural gas in rural areas as the proportion is comparatively low (63.7 per cent). Although, the use of wood for cooking purpose has reduced drastically in rural areas, it is still higher at 26.5 per cent.

**Table 13.38: Funding pattern of annual Water Supply and Sanitation Sector Schemes in Maharashtra (in Rs. Crores)**

Source of Fund	Actual		Average Share in Grand Total		Average Actual/BE ratio	
	14 <sup>th</sup> FC	15 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC	14 <sup>th</sup> FC	15 <sup>th</sup> FC
<b>State in CSS</b>	475	5376	22.46	81.46	62	175
<b>State Schemes</b>	356	166	16.85	2.51	63.86	28.58
<b>Central-CSS</b>	919	1056	43.45	15.99	30	12
<b>Central-Other</b>	354.7	0.0	16.77	0.00	30.77	0.00
<b>Other Agencies</b>	10	2	0.47	0.03	43.45	50.00
<b>Others</b>	0	0	0.00	0.00	-	-
<b>Grand Total</b>	2116	6600	100	100	38.05	65.04
<b>CSS</b>	Sharing pattern in CSS (Actual)		Sharing pattern in CSS (BE)			
<b>State in CSS</b>	34.08	88.36	20.00	34.26	-	-
<b>Central-CSS</b>	65.92	11.64	80.00	65.74	-	-
<b>Growth Rate</b>						
<b>State in CSS</b>	-4.80	108.31	State Schemes		17.55	-40.26
<b>Central-CSS</b>	43.94	51.58	Central-Other		-34.07	-

Source: Author's own calculation

**Table 13.39: Households characteristics in Maharashtra and All India (in per cent)**

Indicator	NFHS-3 (2005-06)	NFHS-4 (2015-16)	NFHS-5 (2019-20)	India
<b>Households with electricity</b>				
Urban	97.4	95.1	99.1	99.1
Rural	70.5	90	96.7	95.7
Total	83.5	92.5	97.8	96.8
<b>Population living in households with an improved drinking-water source</b>				
Urban	99	97.7	99.3	98.7
Rural	86.7	85.6	88.5	94.6
Total	92.7	91.5	93.5	95.9
<b>Population living in households that use an improved sanitation facility</b>				
Urban	48.9	59.8	75.1	81.5
Rural	15.4	44.2	69.4	64.9
Total	31.6	51.9	72	70.2
<b>Households using clean fuel for cooking</b>				
Urban	72.8	87.1	95.6	89.7
Rural	17	33.7	65.4	43.2
Total	43.9	59.9	79.7	58.6
<b>Cooking fuel LPG/natural gas</b>				
Urban	71.9	86	94.7	88.6
Rural	16.1	32.5	63.7	42.3
Total	43	58.8	78.4	57.7
<b>Wood</b>				
Urban	12.4	5.5	2	7.5
Rural	75.4	61.8	26.5	43.7
Total	45	34.1	14.9	31.7

Source: National Family Health Survey (NFHS), Department of Health and Family Welfare, Ministry of Health and Family Welfare, Government of India.

### 13.4 Major Findings

- The share of Centre in the CSS in actual expenditure has come down recently while that of state has improved. The reduction in the actual share with respect to budgeted share of the Centre in turn was compensated by equivalent increase in states share in actual share. This implies that under CSS the state is incurring additional expenditure on its own account.
- The major area of concern is that the ratio of actual to BE is low under CSS for both the state and Centre. However, the state reported relatively higher ratio than the Centre.
- The analysis indicates that the State is channeling higher resources towards CSS implemented in Maharashtra in recent years.
- In case of outcomes, there are major areas that need a special attention.
- In agriculture sector, the data indicates slowing down of growth of area irrigated and production. In energy sector, per capital electricity consumption is comparatively low and AT&C Losses are high. In industry sector, growth is slowing down in case of number of factories, Gross Value Added, number of persons engaged, and reduced share of MSMEs in All India aggregate. In education sector, there is lower GER of SCs and STs and higher Drop Out Rate of STs in the Secondary education. In health sector, there is increased malnourishment among children and anemia. In employment sector, there is lower LFPR reported by male and female in rural areas and higher Unemployment Rate (age group 15-29 year) as compared to All India average. In house and household amenities sector, there is a lower proportion of rural households living in pucca houses and considerable proportion of households do not have improved sanitation facility.
- The major concern with the funding under these sectors is lower utilization of budgeted expenditure as well as lower growth in expenditure.

## CHAPTER-XIV

### DETERMINATION OF A SUSTAINABLE DEBT ROADMAP FOR 2026-31, TAKING INTO ACCOUNT TAX AND NON-TAX TREND FORECASTS

#### 14.1 Introduction

The sustainability of public debt is an important precursor to fiscal stability and prudent management of public finances. Debt is a means through which governments manage their finances and it can be utilized in a variety of ways, some conducive, and some counterintuitive to their overall fiscal health. This is especially so for the state governments given that they are endowed with a greater responsibility towards public expenditure and collection of revenues in the federal fiscal structure enshrined in our nation's constitution. Ergo, the determination of prospective revenues and expenditures is important for any state government from the perspective of sound policy-making. The difference between a state's income in the form of receipts and its expenditures, which are generally in excess of the receipts in the natural course of events, necessitates the incursion of debts to supplement these expenditures. Thus, governments normally run deficits and their borrowings at any period have implications reaching beyond the present, impacting their future revenues and expenditures. This makes the debt sustainability roadmap a necessity.

The components of Tax and Non-Tax Receipts provide an insight into the state's own ability to cover its expenditures and are also important from the perspective of tax devolution. In our analysis of the debt-sustainability of the state of Maharashtra, we utilize a holistic approach that considers the individual Revenue and Capital Accounts, the interactions between them which lead to debt-creation, and the impact of fiscal responsibility legislation in the form of MFRBM, previously discussed at length in section 6 of this document. Certain indicators are important to consider when addressing the sustainability of debt; amongst these are the Debt/GSDP ratio, the Revenue Deficit/GSDP, the Fiscal Deficit/GSDP, etc. We see the following salient features in Maharashtra's fiscal indicators:

- Maharashtra's Debt/GSDP ratio has consistently remained below 20% of its GSDP for the past four finance commission periods. It currently stands at 18.35% of GSDP.
- It is worthwhile to notice that the State's Debt/GSDP has maintained below 20% even during the economically turbulent period of the COVID-19 pandemic.

- Maharashtra's Fiscal Deficit as a percentage of its GSDP has also remained below the 3% threshold of the MFRBM Act.
- We also observe that budget estimates of the Fiscal Deficit of the State are generally in excess of the actuals.
- It is also evident that interest payments as a percentage of revenue receipts have been falling for the past decade with the exception of an increase around 2020-21, which can be attributed to the Covid-19 pandemic.
- While the state's Own tax revenue as a share of the total revenues was falling till 2020-21, it has since returned to its pre-pandemic levels. However, the non-tax revenues of the state continue to fall.

In this section, we have attempted to create a sustainable debt roadmap for the state of Maharashtra for the years 2026-31. We have utilized data on several key fiscal variables obtained from the budget documents of the state of Maharashtra for the years 2010 to 2024 for our calculations. These are available in the public domain.

In our analysis of the sustainable debt roadmap for Maharashtra, we have taken a holistic view of the public finances of the state. We use an integrated approach to study the finances of the state which focuses on various dimensions of the state's finances such as federal fiscal transfer, targets under the FRBM act, and the receipts and expenditures of the state in a single framework. This captures the interdependence of the different fiscal indicators and is more practical as it views the state's finances under the current legislation.

## **14.2 Methodology and Forecasting**

- In order to forecast fiscal indicators for the next five years from 2026-27 to 2030-31, we employ trend growth rates. This is then utilized to compute the forecasts for several key variables. The underlying assumption here is that the growth rate computed using data from the previous years remains the same for the future periods under forecast. This is methodologically sound as the growth rate is an average of the previous years. It is, however, critical to remember this assumption that the growth rate is maintained throughout the forecast years and that it doesn't account for unexpected shocks that may arise.
- We select the year 2024-25 as the baseline for estimation as these are budget estimates for the year and are the most recent data available. Thus, the budget

estimates for Tax-Revenue, Non-Tax Revenue, Revenue Expenditure, and Capital Expenditure for 2024-25 have been used as baseline figures for the forecasts. We know that this constitutes a forecast based on another forecast, but as we have employed trend rates and computed averages, these are expected to have only minor errors.

- We have calculated the trend growth rates of Own-Tax Revenue (10.66), Non-Tax Revenue (8.19), Share in Central Taxes (13.56), Grant-in-Aid (10.78), Revenue Development Expenditure (10.84), Revenue Non-Development Expenditure (11.26), Capital Development Expenditure (11.12), and Capital Non-Development Expenditure (16.72) from 2010-11 to 2024-25. The growth rate of GSDP is calculated at (9.81).
- In order to forecast the values of Revenue Receipts and Revenue Expenditures from the baseline of BE 2024-25, we needed to forecast 4 components: Own Tax Revenue, Non-Tax Revenue, Share in Central Taxes, and Grant-in-Aid. Similarly, for arriving at the values of Revenue Expenditure, we have used the values of their Development and Non-Development components.
- The forecasted values of Revenue Development Expenditure and Revenue Non-Development Expenditure are added to arrive at the forecasted values of Revenue Expenditure. Similarly, Capital Expenditure forecasts are obtained from the Development and Non-Development Capital Expenditures by adding them together.
- We are aware that summing these will lead to the summing of forecast errors, but as the variables are constituent elements, such errors are assumed to be averaged away when variables are taken as a proportion.
- Further, the forecasted values of Revenue Expenditure and Capital Expenditure were added together to derive the forecasts of the Total Expenditure.
- The Revenue Deficit obtained from the forecasted Revenue Receipts and Revenue Expenditures are taken as a percentage of forecasted GSDP values in the last column of the following table. From the table, we can gather that Revenue Deficit as a percentage of GSDP remains rather constant with small declining changes in basis points. An important insight from this is that if the current trends were to continue, it would be difficult to eliminate the Revenue Deficit.

- The near-constant Revenue Deficit also hints towards an inherent systemic issue with the finances of the government of Maharashtra which ought to be addressed.
- The Fiscal Deficit as a percentage of GSDP on the other hand goes on increasing gradually. These projections are the upper bounds and even for these we can make out Maharashtra's capacity to take on more debt.

**Table 14.1: Revenue Deficits**

Years	Own Tax Rev	Non-Tax Rev	Share in Central Taxes	Grants-in-aid from Center	Revenue Receipts	Revenue Expenditure	Revenue Deficit	RD as % of GSDP
2025-26	379624	28967	87365	57618	553574	564377	10802	0.231
2026-27	420109	31339	99213	63831	614491	626405	11914	0.232
2027-28	464911	33904	112668	70713	682196	695254	13057	0.231
2028-29	514492	36680	127948	78337	757456	771672	14216	0.229
2029-30	569359	39682	145299	86783	841124	856492	15368	0.226
2030-31	630079	42931	165004	96140	934154	950639	16485	0.220
2031-32	697273	46445	187381	106506	1037606	1055138	17532	0.213

**Table 14.2: Fiscal Deficits**

Years	Total Receipts	Total Expenditure	Budget Deficit	Borrowings and Other Liabilities	Fiscal Deficit	FD/GSDP
2025-26	733739	733404	335	110857	110523	2.36
2026-27	818985	817971	1015	124064	123049	2.39
2027-28	914306	912489	1817	138844	137027	2.43
2028-29	1020911	1018162	2749	155386	152637	2.46
2029-30	1140157	1136343	3815	173898	170083	2.50
2030-31	1273570	1268555	5015	194615	189600	2.53
2031-32	1422858	1416513	6345	217800	211456	2.57

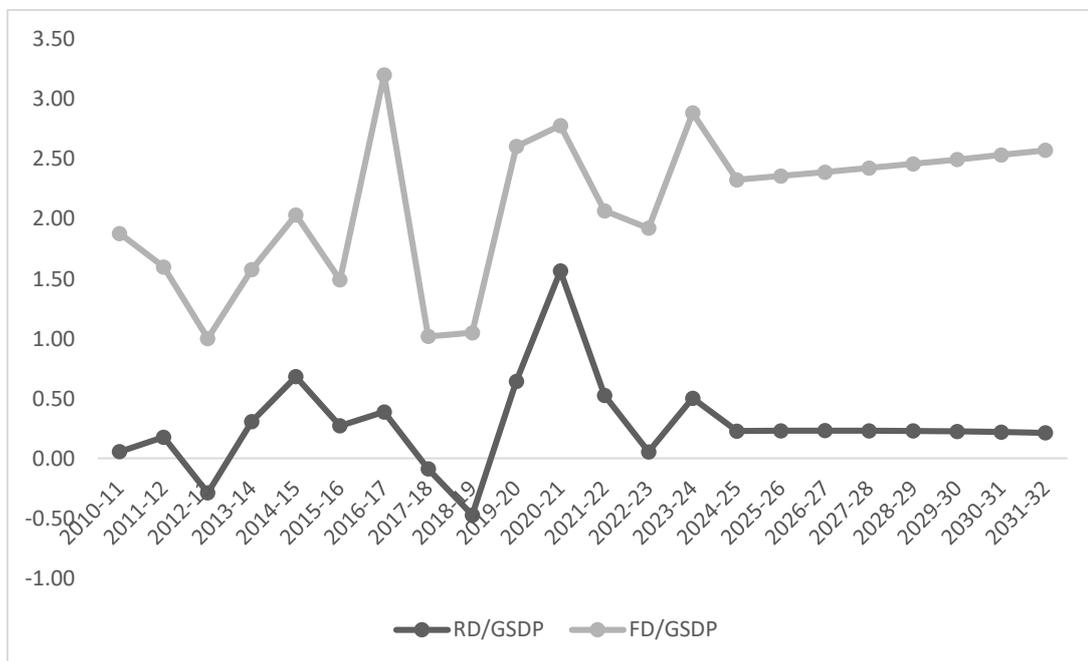
Source: Budget in Brief (Several Years; 2011-12 to 2024-25)

- In Table 14.2.1, we have calculated the projections for Own-Tax Revenues and Non-Tax Revenues. These represent the state's own tax effort.
- In our projections, the Own-Tax Revenue and Non-Tax Revenue as a proportion of the Revenue Receipts fall on account of their historical trends. However, the Own-Tax Revenue of Maharashtra still accounts for the largest share (68%) of the

Revenue Receipts. It is curious to observe that the Share in Central Taxes increases from 15.78 to 18.06 percent of Revenue Receipt, while Grant-in-Aid from the Center remains almost constant at around 10.34 percent. Thus, we can surmise that Maharashtra benefits from tax effort.

From our forecast calculations above, we can surmise that if the current trend were to continue into the future, the fiscal deficit as a percentage of GSDP would be maintained below the prescribed limits of 3% of GSDP, (currently 3.5%, See Section 6) by the FRBM act. We have assumed here that the state maintains its trend of borrowings year after year; this thus gives us an upper estimate of the fiscal deficit given the trend rate of ‘borrowings and other liabilities’ which we have calculated at (11.91). The actual ‘borrowings and other liabilities’ will of course be lower than this and thus the fiscal deficits for the projection period will be lower than the ones estimated here. Thus, the Revenue Deficits decrease very slowly while the Fiscal Deficit increases in our forecasts. This is illustrated in the following graph which shown the behavior of Revenue and Fiscal deficits from 2010-11 to 2024-25 and projections from 2025-26 to 2031-32.

**Figure 14.1: Revenue Deficit and Fiscal Deficit as a percentage of GSDP**



It is readily apparent from the graph that our projections smooth out the variability of the data. There are some years where there are Revenue and Fiscal surpluses and these are countered by high deficits. Our projections thus capture the general overall long-term trend of the Revenue and Fiscal Deficits given the historical trend. It is impossible to calculate

the actual values that these variables will take and so we must make do with an estimate such as this one presented here.

### **14.3 Debt Roadmap with Fiscal Deficit at 3 percent of GSDP**

The debt/GSDP ratio of Maharashtra stands at 18.35 percent and the Fiscal Deficit of the state stands at 2.32 percent of GSDP. Under the FRBM act, the state is allowed a fiscal deficit of up to 3 percent of GSDP and a debt/GSDP ratio of 20% is the benchmark. In the case of Maharashtra, it is observed that the state has not since the introduction of the legislation breached the limits prescribed by the act. The lower Fiscal Deficit and the debt/GSDP ratio imply that the state government is not utilizing its full capacity for borrowing and raising debts. We now consider a scenario where the government decides to fully utilize the borrowing space available. Consequently, the fiscal deficit of the government will remain at 3% of GSDP. We assume that there is an addition of 3 percent of GSDP to the total debt stock and that the additional funds are utilized only for capital expenditure.

In the following table, we calculate the receipts and the addition to the receipts which is the contribution of the new fiscal deficit with full utilization of available fiscal space at 3% of GSDP using trends of historical data. The opening and closing balances of Debt stock are then calculated based on this and finally, the debt/GSDP ratio is arrived at.

From the last column of the table, we can see that the Debt/GSDP ratio rises through the years and crosses the 20 percent mark. As to whether this level of debt is sustainable, we have calculated the sustainable level of debt using threshold regression on Maharashtra's data from 2003 to 2024. Our analysis indicates that the level of debt at 26.4 Debt/GSDP ratio is the threshold limit for sustainability. Further, our projections of the Debt/GSDP for the state in the coming years are much lower than the FC's own indicative debt path which assumes a limit for the debt/GSDP ratio of 28.5 for the year 2024-25 itself. (Refer to table 6.1 from Section 6 in this document for details regarding the same)

Thus, from our own calculation and the indicative path suggested by the FC, we can establish that Maharashtra can take on additional debt burden and that even under full utilization of the fiscal space available to it at Fiscal Deficit of 3% of GSDP, the state's debt would be sustainable.

Some key assumptions made here are important to note. We have here considered that the receipts grow at their historical level; also, repayments of debt are assumed at their historical level, both based on their proportion to the opening balance of debt stock.

**Table 14.3: Debt to GSDP projections if Fiscal Deficit grows at 3 percent of GSDP**

Years	GSDP	Debt Stock (Opening Balance)	Receipts	Addition to Receipts	Receipts at FD 3% of GSDP	Repayments	Net	Debt Stock (Closing Balance)	Debt/GSDP ratio
2025-26	4686249	782991	157287	16700	140587	76801	97186	880177	18.78
2026-27	5145761	880177	176810	22437	154373	86334	112914	993091	19.30
2027-28	5650330	993091	199492	29982	169510	97409	132065	1125156	19.91
2028-29	6204375	1125156	226022	39890	186131	110363	155549	1280705	20.64
2029-30	6812747	1280705	257268	52886	204382	125620	184534	1465239	21.51
2030-31	7480774	1465239	294337	69914	224423	143721	220531	1685770	22.53
2031-32	8214304	1685770	338638	92209	246429	165352	265495	1951265	23.75

Source: Budget in Brief (Several Years; 2011-12 to 2024-25)

**Table 14.4: Threshold Regression Results (2003-2024)**

<b>Dependent Variable: Primary Deficit (% GSDP) (<math>s_t</math>)</b>			
<b>Threshold Variable: Debt-to-GSDP ratio lag (<math>B_{t-1}</math>)</b>			
Variables	Coefficient	t-statistics	Prob.
$(B_{t-1}) < 26.3999$	0.183482	0.976154	0.3435
$26.3999 \leq (B_{t-1})$	2.190789	4.987860	0.0001
<b>Non-Threshold Variables</b>			
<b>Real GDP gap</b>	0.0001	-1.781631	0.0938

Source: Budget in Brief (Several Years; 2011-12 to 2024-25)

Thus, the state government presently has a fiscal deficit of 2.32 percent of GSDP and our calculations suggest that this can be exceeded. We have considered here a scenario with the Fiscal Deficit at a maximum of 3% of GSDP given the fiscal responsibility legislation and we find that under this scenario, the debt of the state will be sustainable.

Based on the exercise carried out above, we wish to make some observations regarding the sustainable roadmap of Maharashtra to the FC.

- We have already established that the finances of the state of Maharashtra are fairly ‘Well-managed’. The debt position of the state has been sustainable since the introduction of the FRBM Act save for the initial transition years. Since then, Maharashtra has always maintained a sustainable level of debt. We thus expect this to continue in the future as is evidenced by our calculations.
- Considering no huge shocks in the near future, we find that the debt roadmap that we’ve shown here is sustainable. It is curious to behold that were the state to completely exhaust its borrowing capacity permissible under the law, it would still be sustainable.
- From the analysis of the past trend of the fiscal variables, it is clear that Maharashtra shows strict adherence to the fiscal targets. The strictness in its financial management while commendable, when overdone, also poses a threat to the overall fiscal health of the state.
- Regarding both Own-Tax income and Non-Tax Income, these have been declining as a share of the Revenue Receipts through the years. Our projections also reflect this trend. This is a little concerning, especially for Non-Tax Incomes which accounts for less than 1 percent of the state’s GSDP and is further declining. We feel that there is an urgent need to renew efforts towards the collection of non-tax incomes with higher user charges on certain services. Thus, the state should focus on two things: targeting a higher tax and non-tax revenue collection along with increased borrowings to the limits available by the law and utilizing this realized gain in revenues towards a higher capital expenditure all the while maintaining the level of revenue expenditure and the debt stock.

To conclude, we find that the debt roadmap of Maharashtra is already sustainable and expected to be sustainable even at the utmost permissible borrowing levels under the MFRBM legislation. The state needs to utilize its potential and capacity to take on additional debt to make productive Capital Expenditure that will benefit the state for years to come.

#### **14. 4 Major Findings**

- The Roadmap of the Debt of Maharashtra is sustainable for the period 2026-2031 with both Fiscal Deficit and Revenue Deficit within the prescribed limits of the fiscal responsibility legislation.
- The Debt/GSDP ratio of the state remains sustainable even if the state were to increase its borrowing with Fiscal Deficit to the tune of 3% of GSDP.
- The sustainable threshold level of Maharashtra's Debt/GSDP ratio stands at (26.4).
- The FC's indicative debt path is much higher than will reasonably be attained by the state of Maharashtra and thus the limit can be reduced.

#### **Concerns**

- As mentioned in section 6 of the document, the major concern before the state would be to reduce its Revenue Deficits
- Another concern, not explicitly highlighted, is that the state appears to be underutilizing its borrowing potential.

## CHAPTER- XV

### MAJOR RECOMMENDATIONS

The state of Maharashtra has shown prudent fiscal management since the implementation of the FRBM act in 2005. The state managed to keep its revenue and fiscal deficit well within the limits set by the respective Finance Commissions. This has helped the state maintain a debt-to- GDP ratio also well within the permissible limit of below 20 percent of the GSDP. Even during the period of the Covid-19 pandemic, the state was successful in maintaining fiscal discipline by limiting its borrowing. After GST implementation, Maharashtra is one of the states that has experienced maximum growth in GST collection. The increased share of the central devolution of funds and grants during the 14th and 15th Finance Commission period has also contributed positively to maintaining fiscal balance in Maharashtra. Maharashtra's fiscal strategy reflects a balanced approach by reducing non-productive expenditures while increasing capital and developmental spending, particularly in growth-enabling sectors. Given this overall fiscal scenario of the state, Maharashtra still has the potential to improve its fiscal performance by reducing the revenue deficit and utilizing the fiscal space for increased capital expenditure, especially in the backward regions of the state. We submit the following recommendations for further improving the fiscal health and overall economic growth of the state of Maharashtra.

#### **On Tax and Non-Tax Revenue Receipts**

The State has undertaken various initiatives to improve tax productivity in recent years, such as tax administration reforms, the use of information and technology in the collection of revenues, and the revision of rates.

The State may also take reforms forward by undertaking initiatives such as

- Use of information technology
- Ease of doing business through online portals
- Use of Artificial Intelligence
- Periodical revision of rates
- Establishment of a tax analysis unit

In case of non-tax revenue, to make it more productive, the State government has undertaken various reforms such as IT-enabled monitoring and allocation in the mining industry, revision of water rates, use of IT for non-tax revenue collection, and constitution of a High-Powered Committee for Additional Resource Mobilisation.

To further strengthen the reforms, the State may consider other initiatives such as

- Mechanism for speedy recovery of arrears of non-tax revenue
- Improvement in cost recovery of public services by categorising the existing services into merit and non-merit services
- Periodical revision of rates, fines/fees, and charges
- Revitalization and rejuvenating PSUs- Privatization, strategic partnerships, or comprehensive operational reforms may be necessary to enhance the efficiency and profitability of PSUs, given that they have not been commensurate with the scale of investment, pointing to potential inefficiencies or lower profitability in these entities.

### **On Expenditure Management**

On the expenditure side, the State has shifted its composition of expenditure more towards capital expenditure. Apart from this positive change, other improvements on the expenditure side include an increase in developmental spending, a reduction in committed expenditure, and improved capital expenditure on social and economic services.

- The 16<sup>th</sup> FC may take this as a positive feature of Maharashtra State Finance and may provide additional incentive grants for completion of pending major capital projects especially in the Irrigation sector.

To further enhance its expenditure management to foster the growth and development in the State further, the State may

- Direct higher expenditure towards infrastructure sectors—particularly agriculture, irrigation, and allied activities
- Address long-standing issue of regional disparities
- Strengthening monitoring and evaluation (M&E) systems through independent audits and third-party assessments
- Deeper integration between state and district-level planning processes
- The state may be encouraged to utilize the full potential of borrowing and use unutilized fiscal space for capital expenditure. This may be utilized especially in the backward regions of the state for a balanced regional development of Maharashtra.

### **On Level of Debt**

In regard to debt management, the State has showcased prudent debt management as it never crossed 20 per cent of the GSDP benchmark, changed its composition of debt towards comparatively low-cost market loans, and reduced interest cost of borrowing on account of composition shift and positive perception of the market due to prudent fiscal management. Since the state has reduced its revenue deficit, the use of borrowed funds for revenue expenditure has decreased in recent years. However, two other components restrict the use of borrowed funds for capital expenditure, namely, net loans and advances and repayment of earlier borrowing.

- Therefore, there is an urgent need for the State to ensure a higher proportion of borrowed funds towards capital expenditure by improving the recovery of loans and advances and improving revenue receipts.

### **On Implementation of The FRBM Act**

On the fiscal accountability front, the State has showcased better compliance with the MFRBM Act and MTFPS targets.

- However, the state needs to ensure alignment of MTFPS targets with MFRBM Act targets.
- The State may also consider amending the MFRBM Act to eliminate the requirement of surplus on revenue account as per the Act and have zero revenue deficit.
- The major concern is about setting a higher target of contingent liabilities as percent of GDP that need to be reduced in coming years.
- Therefore, the present study recommends that the state set a higher target under MTFP for the tax-to-GSDP ratio, fully utilize the available borrowing space, and reduce the target for contingent liabilities as a percentage of GSDP.

### **On Urban and Rural Local Bodies**

Further, the finances of the third tier are characterized by heavy reliance on transfers, lower utilisation of allocated funds, and recommendations of the State Finance Commission are often overlooked by the State. Property tax is one of the major sources of tax revenue for

urban and rural local bodies. The Maharashtra Remote Sensing Application Centre (MRSAC) has completed Geographic Information System (GIS) mapping all rural areas and 50 per cent of urban regions and influential value zones in the state as on December 2024. This would aid in deciding the property tax rates. However, only three ULBs apply the tax rate on the capital value of assets, and others use rental income as taxable income or area.

- Capital value should be applied to all local bodies for better collection and monitoring.
- In addition, the periodical revision of the property tax rate, water tax, and user charges of solid waste management are warranted.
- Timely appointment of the State Finance Commission and serious implementation of its recommendations. The State of Maharashtra has yet to appoint the 6th State Finance Commission though the tenure of 5th FC is over.

#### **On Public Sector Unit (PSUs) Finances**

Regarding PSUs, considering their fiscal burden on the State, immediate attention needs to be given to their financial restructuring, business restructuring, and speedy closure of inactive PSUs in the State. For the said purpose,

- The State may consider commissioning a Task Force on Public Sector Undertaking Reform to frame a clear policy framework for financial restructuring, business restructuring, and speedy closure of inactive PSUs in the State.

#### **On Contingent Liabilities of the State**

The substantial increase in contingent liabilities is another area of concern as it is considered a hidden cost to the state finances. The contingent liabilities were more or less stable from 2013-14 to 2016-17 (3 to 5 per cent of revenue receipts). It has shoot up to 10.9 per cent during 2017-18 and have been increasing ever since. During 2023-24, they reached 16.03 percent of revenue receipts. Further, the magnitude of non-realization of guarantee fees is very high. The instances of a magnitude of guarantees given to a single institution is very high in recent years (more than Rs. 10,000 Crore).

- The state needs to make efforts to curtail the growth of contingent liabilities, recover guarantee fees, and reduce the targets of contingent liabilities under MTFPS.
- The state should restrain itself to issue a large magnitude of guarantees to a single institution.
- In addition, there should be a systematic assessment or rating of the project before issuing guarantees, especially those departments who reported more incidence of guarantees invoked.

### **On State Government Subsidies**

Similarly, the burden of subsidies is mounting on the state exchequer. The ratio of subsidies to revenue expenditure shows a marked increase for the period 2017-18 to 2023-24; it was 8 to 14 per cent as compared to the period 2010-11 to 2016-17 (5 to 11 per cent). Moreover, a marked difference is observed between the actual and budgeted subsidies. The actual expenditure incurred on subsidies was very high as compared to the budgeted amount for most of the years under consideration. On the other hand, the share of power sector subsidies in total has come down as well it grew at slower pace than other subsidies.

- The government should consider rationalising subsidies by considering meritorious services while reducing them for non-meritorious services.
- In addition, the state should also look into a marked deviation observed between the budgeted estimates and actual expenditure on subsidies over the period, with actual expenditure being higher.
- This would also help state in complying with FRBM Act targets, especially reducing revenue deficit.

### **On Outcome Evaluation of State Finances**

In the case of Centrally Sponsored Schemes, it has been observed that the CSS managed to incentivise the state in scaling up the expenditure through CSS. However, the spending is inadequate considering the lower outcomes in specific sectors. Sectors such as Agriculture, Energy, Industry, Education, Health, and house and household amenities require additional funding.

- Enhance allocation to these sectors in coming years to check the declining outcomes

- In addition, it is important to fully utilise the allocated amount for these sectors.

### **On sustainable debt roadmap**

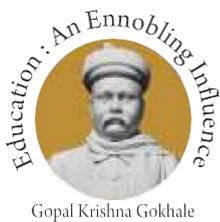
Finally, the state's Debt/GSDP ratio remains sustainable. The sustainable threshold level of Maharashtra's Debt/GSDP ratio stands at 26.4 percent.

- The Government of Maharashtra needs to fully utilise its borrowing limit of 3 percent of GSDP every forthcoming year.
- The state would remain sustainable even after the fuller utilisation of borrowing space

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