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An Evaluation of State Finances

with respect to

Madhya Pradesh

for

Fourteenth Finance Commission

by

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RD/GSDP = 31.46
RB Capital Exp. = 94,95,43
Loan from Centre = 43,102

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PREFACE

A Finance Commission constituted by the President of India vide order dated 2nd January, 2013 has engaged the undersigned for taking up a study on "Evaluation of State Finances with respect to the State of Madhya Pradesh". A copy of the letter dated 7th March, 2013 of Shri A.N.Jha, Secretary, Fourteenth Finance Commission and the enclosed TOR for the 'study' are given in annexure.

The study report covers a period of ten years ranging from the fiscal 2001-02 to the year 2011-12. In the evaluation of finances over a decade the data pertaining to second half is more important for meaningful projections. Moreover, the global slowdown in economic activities in the year 2008 did have impact on state finances as well. For this reason also a some what detailed analysis of fiscal performance during 2007-08 and 2011-12 was considered desirable.

The evaluation of financial status and performance is essentially based upon the annual financial statements and other related documents presented before the state legislature. In addition, publications of RBI, CAG, Planning Commission and Directorate of Economis & Statistics of the State have been made use of. On certain specific issues information from the departmental heads (HODs) was also obtained.

In Madhya Pradesh the FRBM Act has been made effective w.e.f May, 2005. As a result various statements required to be presented before the legislature, along with the annual financial statement, were also available for the fiscal 2006-07 onwards. The ratios of fiscal indicators have been taken from such statements and in most of the years the ratios are based upon the "quick estimates" of GSDP.

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However in Appendix 1.3 relating to Tax-GSDP ratio the information in GSDP column reflects the final figures. As a result sometimes there may be a minor variation in the ratios of fiscal indicators, when worked out taking figures of appendix 1.3 as the base. However, this will not affect the trend of any time series.

I found the annual reports prepared by the CAG of India on state finances of M.P. very useful for the analysis of fiscal performance over a time series. Somehow the report of CAG for the year 2011-12 was not made available since it could not be placed before the legislature till the finalization of this report. I, therefore, have taken the data for fiscal 2011-12, whenever required for updating the financial analysis, from the state budget. The figures taken from the State budget are the final figures of the finance accounts which are published after a time-lag of two years. Thus the figures for 2011-12 have been taken from the state budget of 2013-14. Whenever the figures of BE or RE are used a specific mention, to that effect, has been made.

The study report has been divided into 12 chapters each covering a specific term of reference. Following this pattern the analysis of fiscal indicators and balance from current revenues has been done in chapter IV carrying the heading as "Analysis of Deficits"

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Annexure

Study on Evaluation of State Finances

The Fourteenth Finance Commission intends to engage your Institution to write a paper on the above topic. The study should provide an analysis of the State Finances over a period of 10 years starting from 1st April, 2002.

Specifically, the study should include (and may not be restricted to) the following:

i. Estimation of revenue capacities of State and Measures to improve the tax-GSDP ratio during last five years. Suggestions for enhancing the revenue productivity of the tax system in the State.

ii. Analysis of the state's own non-tax revenues and suggestions to enhance revenues from user charges and profits from departmental enterprises and dividends from non-departmental commercial enterprises.

iii. Expenditure pattern and trends separately for Non-Plan and Plan, Revenue and Capital, and major components of expenditure thereunder. Measures to enhance allocative and technical efficiency in expenditures during the last 5 years. Suggestion for improving efficiency in public spending.

iv. Analysis of Deficits – Fiscal and Revenue along with Balance of Current Revenues for Plan financing.

v. The level of Debt GSDP ratio and the use of debt (lie whether it has been used for capital expenditure or otherwise). Composition of the state's debt in terms of market borrowing, Central government debt (including those from

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bilateral/multilateral lending agencies routed through the Central government), liabilities in public account (small savings, provident funds etc.) and borrowings from agencies such as NABARD, LIC etc.,

vi. Implementation of FRBM Act and commitment towards targets. Analysis of MTFP of various departments and aggregate.

vii. Analysis of the state's transfers to urban and rural local bodies in the state. Major decentralization initiatives. Reforms undertaken under JNNURM conditionalities.

viii. Impact of State Public Enterprises finances on the States' financial health and measures taken to improve their performance and/or alternatives of closure disinvestment etc.

ix. Public Expenditure and Financial Management (PEFM) Reforms implemented in the State.

x. Impact of Power Sector Reforms on States' fiscal health. In case reforms have not been implemented, the likely outcome on the States' fiscal health.

xi. Analysis of contingent liabilities of the state.

xii. Subsidies given by the States (other than Central subsidies), its targeting and evaluation.

The evaluation study is expected to critically analyze the overall States; finances over the ten-year period with reference to above and the ToRs of the 14th Finance Commission. Suggestions for improved financial performance may also be given.

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Chapter-I - Tax Revenue.

TOR-Estimation of revenue capacities of State and Measures to improve the tax-GSDP ratio during last five years. Suggestions for enhancing the revenue productivity of the tax system in the State.

1.1 The revenue receipts of the State for a period of 10 years i.e. from 2002-03 to 2011-12 may be seen in appendix 1.1, with a break up into major components i.e. State's own tax revenue (SOTR), State's non tax revenue (SNOTR), share from central taxes and grant-in-aid from the GOI. The growth of States Own Tax Revenue during the fiscal consolidation period i.e. from 2004-05 to 2007-08 has been fairly satisfactory ranging above 14% during each year. The growth of SOTR during the first year of economic slowdown i.e.2008-09 dipped to 13.27%. However during the subsequent year 2009-10 it made up by achieving a growth rate of 26.87%. One reason for an apparently high figure is the low base for working out the growth percentage. Triennial growth rate presents a more balanced picture as may be seen from the following table and graph containing data of seven years; three years on each side of 2008-09.

Table 1.1

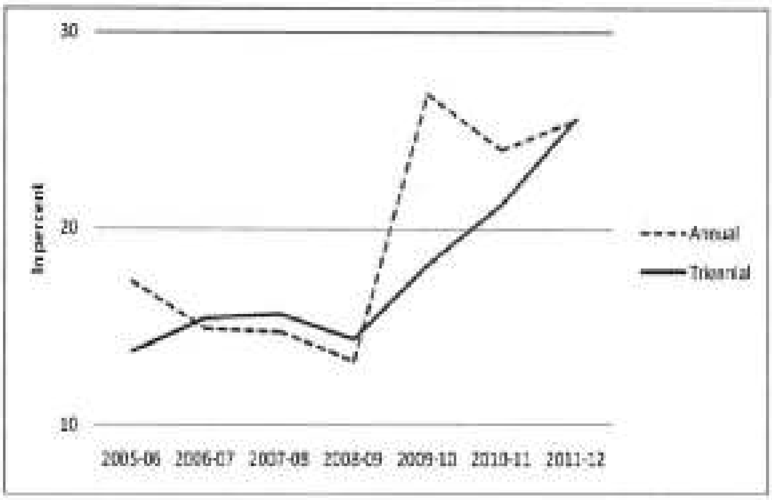
Growth rate of State's own tax revenue

Years	Own tax revenue (Rs. in Crore)	Growth Rate (In percent)	
		Annual	Triennial
2005-06	9114.70	17.29	13.76
2006-07	10473.13	14.90	15.43
2007-08	12017.64	14.75	15.64
2008-09	13613.50	13.27	14.39
2009-10	17272.77	26.87	18.14
2010-11	21419.33	24.00	21.24
2011-12	26973.44	25.53	25.60

(154)

The AGR of SOTR declined to 13.27% in 2008-09. Next year it had a record figure of 26.87% before dipping to 24% in 2010-11. The triennial growth rate though dipped in 2008-09 because of economic slow down but thereafter continued to climb a steady and steep slope to meet AGR in 2011-12.

G 1.1



1.2 The average annual growth rates of four items namely, SOTR, SNOTR, share in central taxes and total tax revenue are given in Appendix 1.2. The annual growth rate of SOTR is less than 14% in two years; 2003-04 and 2008-09. During these years it is less than the AGR of GSDP reflecting poor buoyancy. However, it picked up in the following years. Another noticeable feature in this appendix is the negative growth of SONTR in 2003-04 and thereafter more than 200% in 2004-05. Further analysis reveals that the receipts of SNOTR in 2004-05 include Rs 2749.36 crore of an earlier grant returned by MPSEB. Giving allowance for this, the actual figure works out to only 1982.50 crore indicating a CAGR of 11% over the revenue of 2002-03.The growth rate of share in central taxes was only 2.87% in 2009-10 but recorded an all time high growth rate of 41.18% in the following year 2010-11.There are two apparent reasons; one low base figure and second comparatively higher devolution in 2010-11 as per recommendations of the Thirteenth FC. The growth rates of these three i.e. share in central taxes, SOTR and TTR during preconsolidation, consolidation, critical and subsequent periods may be seen in table 1.2.

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Table 1.2

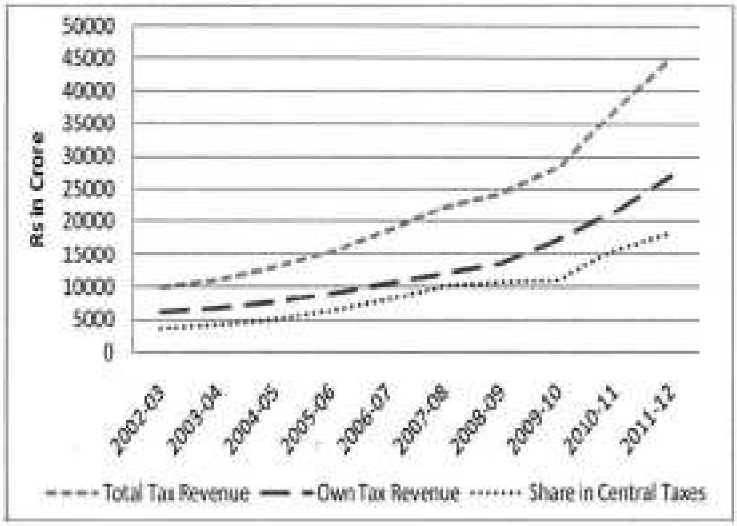
Growth Rates (in per cent)

Item	2002-04*	2004-08*	2009-10	2011-12
States Own Tax Revenue	9.95	15.64	26.87	24.00
Share in Central Taxes	14.23	26.17	2.87	16.50
Total Tax Revenue	11.55	20.03	16.27	21.95

* CAGR for the period.

G 1.2

The lowest curve depicts tardy growth of the share in central taxes during2008-09 and 2009-10. The gap with the SOTR line in 2009-10 is much more vis-à-vis the gap in 2006-07. The growth of the share in central taxes picked up from 2010-11 giving a fine slope to the graph of TTR.



1.3 The ratio of important revenue indicators of the State vis-à-vis GSDP is given in Appendix 1.3. A cursory glance at this appendix indicates a substantial improvement in tax GDP ratio during the last two years i.e. 2010-11 and 2011-12. Tax GDP ratio of the State during the fiscal consolidation period i.e. 2004-05 to 2007-08 was 6.88% in the first year and thereafter above 7% during the remaining three years. This ratio dipped to 6.9% in 2008-09 but then reached at a fairly satisfactorily level of 7.57%.in the following year 2009-10.The improvement continued recording percentages of 8.23% in 2010-11 and 8.70% in 2011-12. The ratio to GSDP of TTR and TRR was also best in the year 2011-12.

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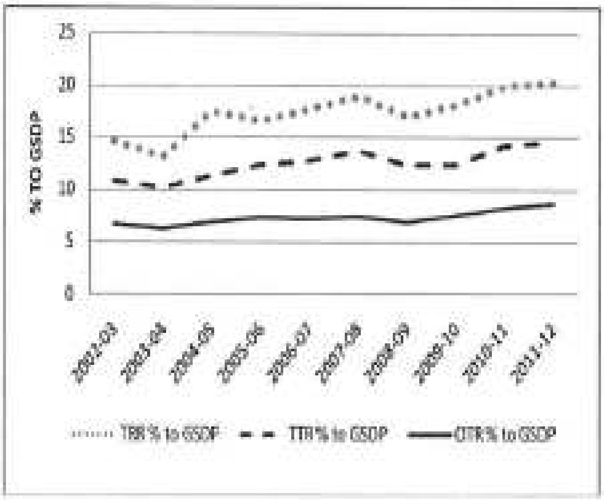
G 1.3

All the three curves in the adjoining graph dipped in the year 2008-09 because of the decline in their percentages against GSDP. Subsequent improvement is more visible in the lowest curve. The TRR-GSDP ratio exceeded 20% in the year 2011-12 while that of TTR was little short of 15%.



1.4 The 10 years data pertaining to various taxes included in the States Own Tax Revenue (SOTR) is given in Appendix 1.4. It is observed that out of the ten different category of taxes seven account for more than 96% of SOTR. Therefore a further detailed analysis of these selected seven taxes has been done and the figures from the 2005-06 to 2011-12 may be seen in Appendix 1.5. The growth rates of these selected taxes are given in Appendix 1.6. During 2008-09 the total tax revenue increased by only 9.71% though the growth of SOTR was 13.27%. This is because the amount received as share in central taxes was only 5.52% more than the preceding year. In the following year, despite a low base figure, the increase in such share was only 2.87%. However it improved in subsequent years partly due to economic upswing and partly because of higher devolution. Another noticeable feature of the economic slow down period is the 'nil' growth of entry tax in 2009-10. An all time high growth rate of 45.40% in 2008-09 may be a contributory reason. In the subsequent year i.e.in 2010-11 also the growth rate of entry tax is 31%.

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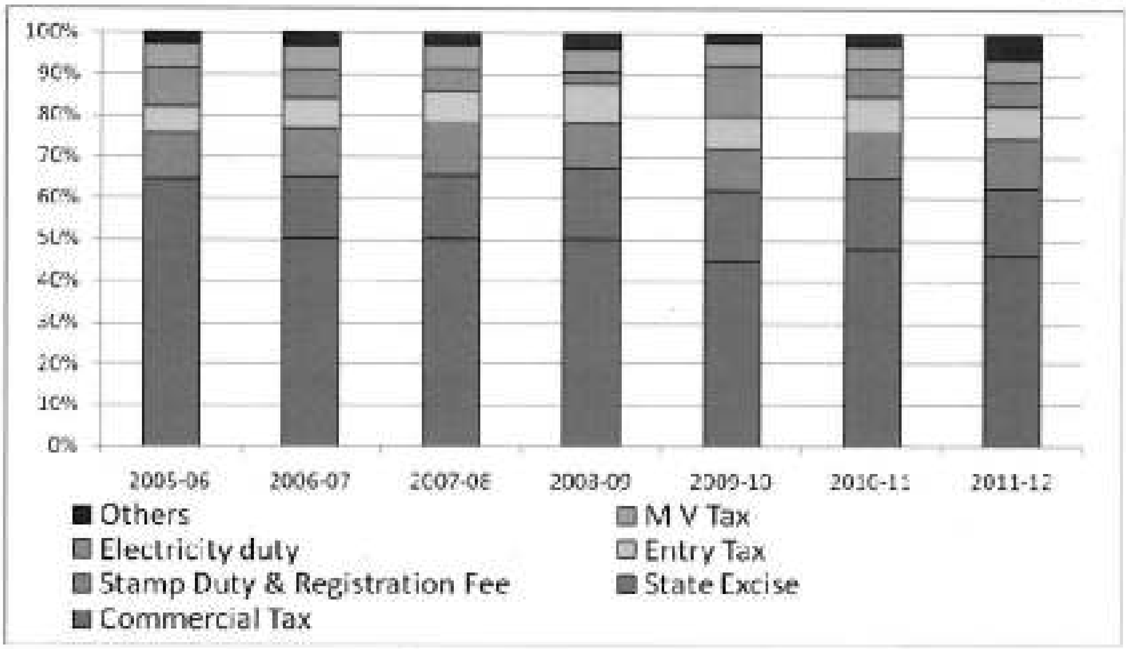
G 1.4



The share of commercial tax in SOTR is almost 50% till 2008-09. During the later years also it is around 45%. Three taxes at the lower end of the bar contribute more than 70% in the SOTR basket.

1.5 One observes from table 1.3 that the revenue from stamps and registration has recorded an annual growth rate of 7.9% between 2007-08 and 2009-10. However there is a remarkable improvement in the revenue from Stamp Duty and Registration fees from the year 2010-11. In that year it recorded a growth rate of 41%. Moreover even at such a high base, the growth rate in 2011-12 was 30.63%; a figure never touched during any year from 2003-04 to 2009-10. Such growth rates evoke curiosity for further analysis. The break up of receipts from judicial/non-judicial stamps and registration fees are given in the following table:

Table 1.3

Receipts from Stamp Duty & Registration Fee

(Rs. in Crore)

Years	Total Receipts	Receipts from		
		Judicial	Non-Judicial	Registration
2005-06	1009.47	36.88 (3.65)	821.82 (81.41)	150.75 (14.93)
2006-07	1251.09	32.01 (2.55)	1065.76 (85.18)	153.32 (12.25)
2007-08	1531.54	85.37 (5.57)	1160.54 (75.77)	285.61 (18.64)
2009-10	1783.15	41.04 (2.30)	1542.01 (86.47)	200.08 (11.22)
2010-11	2514.26	88.52 (3.52)	646.89 (25.72)	1778.84 (70.75)
2011-12	3284.40	129.62 (3.94)	1361.59 (41.45)	1793.18 (54.59)

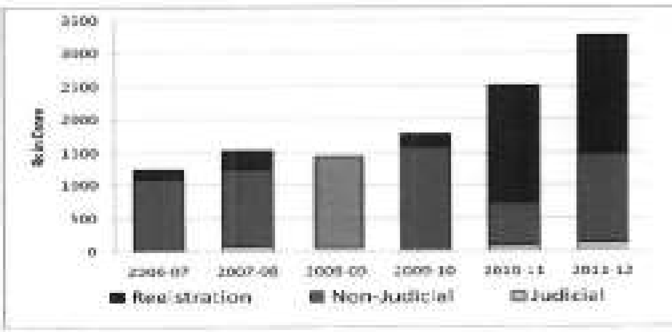
Figures in parenthesis indicate percentage share in total receipts.

- Figures for 2008-09 are not given for want of reliable break-up into 3 categories

1.6 The receipts under this head i.e. stamp duty and registration zoomed in 2010-11 and the share of registration fees in such receipts which used to be between 11%-18% jumped to 70.75%. The revenue collected from registration fees alone during 2010-11 was Rs.1778.84crore, while during any earlier year it had not crossed the figure of Rs.300crore. The total revenue from stamp duty and registration fee during 2011-12 showed a further improvement and reached Rs.3284.40crore.

For want of reliable figures of three components during 2008-09 the bar chart of that year does not depict the segregated information of that year. Moreover before 2008-09 the composition of total revenue from stamp duty and registration had a similar pattern. It is only from 2010-11 that the revenue from registration had an extraordinary leap.

G 1.5



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1.7 The annual growth rate of commercial tax has also registered a significant improvement during the year 2010-11 giving an increase of 32.79% over the figures of the preceding year. The report of CAG for the year 2010-11 contains analysis of commercial tax collection during that year. It has appreciated the computerization of the tax collection system and establishment of check posts at 23 places between April 2006 and October 2009. Out of these CAG selected randomly seven check posts for performance audit. The report, however, draws attention towards inappropriate location of a number of check posts and evasion of tax by unregistered dealers.

1.8 The Central Sales Tax Act, 1956 provides for payment of tax at concessional rate for inter-state transactions between two registered dealers. Earlier the ceiling of tax under the CST Act was 4% which was reduced to 3% w.e.f. 01/04/2007 and further reduced to 2% w.e.f. 01/06/2008. The tax receipts to the state under CST Act are given in table 1.4.

Table 1.4

Share of Central Sales Tax in Commercial Tax

(Rs. in Crore)

Years	Commercial Tax	CST	% Share of CST
2005-06	4508.42	416.64	9.24
2006-07	5261.40	565.84	10.75
2007-08	6045.07	556.93	9.41
2008-09	6842.98	519.77	7.59
2009-10	7723.81	569.98	7.37
2010-11	10256.76	682.71	6.65
2011-12	12516.73	871.98	6.96

1.9 It may be observed from the above table that the share of CST in the commercial tax revenue of the state has been declining from the year 2007-08 presumably because of reduction in the tax rate w.e.f. 01/04/2007. On account of further reduction w.e.f. 01/06/2008 the figures from 2008-09 have also gone down. During subsequent years

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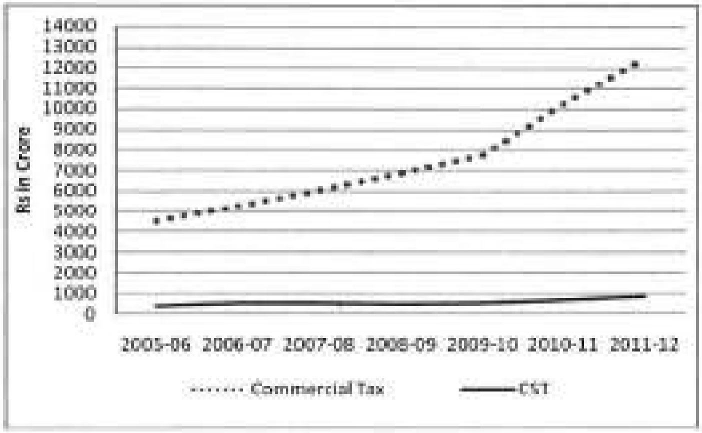
there is a nominal increase in revenue collected but the growth rate has been much less then that of VAT resulting in declining percentage share of CST in the total Commercial Tax. Since CST is an important source of revenue for the state governments, they could agree only for gradual reduction of the rate of CST. Even at the reduced rate of 2% the amount of revenue of CST is quite sizable since it contributed nearly Rs872 crores to the revenue basket of the State in the year 2011-2012.

G 1.6

From this graph one can appreciate the dropping share of CST in the total commercial tax. After 2009-10 it is even less than 7%. Though it could not reach Rs 1000/ crore till 2011-12 but an amount of Rs 871.98 crore is rather too big to be ignored.



1.10 The expenditure incurred by the state government on the collection of a few selected important taxes during the year 2011-12 is set out below.

Table 1.5

Item	**Collection**	**Expenditure On Collection**	**Expenditure On Collection in %**	**All India Average (2010-11)**
Commercial Tax	12516.73	111.36	0.89	0.75
State Excise	4316.49	973.88	22.56	3.05
Stamp Duty & Registration Fee	3284.41	63.71	1.94	1.60
Motor Vehicles Tax	1357.12	40.40	2.98	3.71

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1.11 The figures in the above table indicate that the expenditure on the collection as percentage of total collection in the case of State Excise is abnormally high. It is more then seven times of the All India Average. It has been pointed out in the report of CAG that in the finance accounts there is no separate head showing "Collection Charges" for state excise as is available in the case of other taxes.

1.12 For the year 2011-12 the Thirteenth Finance Commission had fixed a normative target of Rs.1, 975.00 crore for the SOTR. The State Government, under medium term fiscal policy (MPFP) had revised this target upwards to Rs.23, 118.00crore. It is noteworthy that actual collection of SOTR during 2011-12 was Rs.26, 973.00 crore which was nearly 36% higher then the target fixed by FCXIII.

1.13 The word productivity in common parlance means the ratio of real value of output to the combined value of input. It is used both in "average" and "marginal" terms. In the field of public finance it broadly signifies impact of tax rate on the revenue collected. However there are a number of factors which affect the total amount of revenue collected at a given tax rate, and therefore play an important role in shaping productivity. These are i) conditions attached to the scheme for working out tax liability ii) state of the economy i.e. whether it is passing through a phase of economic slowdown or upswing iii) infrastructure for economic activities, iv)procedure for tax assessment and collection, v)skill of manpower responsible for tax revenue vi) general climate of investment and competition. Thus revenue productivity is a function of a number of variables besides the tax rate.

1.14 The most widely used measure of tax-revenue productivity is the Tax/GDP ratio. In the state of Madhya Pradesh the Tax/GDP ratio has been above the all India average as well as the target fixed under FRBM Act since 2006. None the less the state has been making efforts

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for mobilizing more revenue. The thrust has been on the factors other than the tax rate, since any increase in the tax rate attracts public ire. However in some cases the increases in tax rate coupled with tightening of conditions have yielded good results. A sharp increase in the revenue from registration from 2009-10 onwards is an example. There may be a few other cases also where the present tax rate is on the left side of the peak of the revenue-tax rate curve. Even for price inelastic goods there will be a tax revenue maximization point.

1.15 Marginal productivity is the real change in revenue caused by a shift of a particular variable. The response, for a given tax rate, will vary for each of the variables mentioned above and will also depend upon the category of tax. With the objective of bringing efficiency in the collection of state taxes the government has gone for total computerization and such work in major tax raising departments is almost complete. This has made the tax collection more effective and has also led to a speedy disposal of disputes.

1.16 There is a need for imparting training to the personnel engaged in the field of tax assessment and tax collection. This would not only improve the quality of their output i.e. prompt disposal of matters and a higher revenue but will also lead to reduction in disputes and the number of pending cases. Thus the advantage of such steps would be an increase in the marginal productivity resulting in a significant and everlasting benefit.

1.17 The state government, for improving real collection of commercial tax has established additional check posts and has also relocated some of the old ones after carrying out a survey. This is expected to reduce tax evasion and thereby improve the tax productivity. A few systemic improvements in the field of registration have yielded good results from 2010-11 onwards.

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1.18 Another measure to improve tax productivity is to reduce the cost of collection so that the net value of revenue goes up. The cost of collection in Commercial tax, transport is marginally higher than the all India average indicating a scope for some improvement. But in the case of state excise it is 22.56% against the all India average of 3.05%.It has been pointed out by the CAG also that the method of apportioning the cost of collection needs rationalization. The overall improvement in the tax productivity is reflected in the ascending SOTR-GSDP ratio after the period of economic slow down.

Chapter-II – Non Tax Revenue.

TOR-Analysis of the state's own non-tax revenues and suggestions to enhance revenues from user charges and profits from departmental enterprises and dividends from non-departmental commercial enterprises.

2.1 The contribution of non tax revenue to the State exchequer may be seen in Appendix 2.1. The figures in this appendix make it apparent that main sources of Non Tax Revenue in the State of MP are forest and minerals. In addition there is an emphasis for increasing revenue from irrigation charges.

2.2 The State has a forest area of 94.69 thousand sq.km and covers a little more than 30% of its total geographical area. Out of the total forest area 65% comes under reserve forest, 33% under protected forest; and the balance 2% under unclassified forest. The state has 12.4% of the country's forest area; the highest among the states. The forest revenue essentially comes from the sale of timber; and the contribution of fire wood and bamboo is quite nominal. The quantity of timber produced during the period ranging from 2007-08 to 2011-12 and revenue for each year are given in the following table.

Table 2.1

Year	**Quantity of Timber (In Lakhs cmt.)**	**Revenue (Rs. in crore)**
2007-08	2.45	608.89
2008-09	2.15	685.60
2009-10	2.58	802.00
2010-11	2.78	836.61
2011-12	2.43	878.81

(Source: Economic Survey of M.P. 2012-13 published by Directorate of Economic & Statistics)

2.3 It may be observed from the above table that there is practically no increase in the quantity of timber exploited in each of the five

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years. This is due to the restrictions imposed on the cutting of forest trees in ecological interest. However there is nominal increase in the revenue realized; obviously attributable to the growing market price of timber because of supply falling short of demand. It may be mentioned that the quality of teak wood produced in the State of M.P., known as CP teak, is only next to the teak wood produced in Burma. In view of this the revenue foregone by the state on account of under exploitation of forest is quite substantial. The Thirteenth Finance Commission appreciating this point had recommended some monetary compensation. Since the revenue foregone has gone up many fold, because of the increase in price of timber, the compensation to the State for such a heavy financial loss needs a fresh look.

2.4 The total revenue realised from irrigation schemes has shown some improvement from the year 2007--2008 onwards. The break-up of revenue from major/ medium/ minor irrigation schemes during last five years is set out below.

Table 2.2

Revenue from Irrigation Schemes

(Rs. in Crores)

Years	Revenue from Irrigation			Total
	Major	Medium	Minor	
2007-08	17.23	20.17	13.40	50.82
2008-09	13.14	23.92	8.06	45.15
2009-10	12.22	44.52	7.75	64.51
2010-11	67.73	127.15	46.71	241.60
2011-12	101.17	161.97	41.31	304.47

(Source:Economic Survey of M.P. 2012-13)

2.5 From the information laid on the table of the legislature it is observed that a substantial amount of revenue is outstanding against the beneficiaries of irrigation schemes. Further, the total amount of arrears falls under non disputed category. The figures of last five years are set out below.

Table 2.3

Outstanding Amount against Beneficiaries

(Rs. in Crore)

Years	Major		Medium		Minor		Total
	Amt. Under Dispute	Amt. Not Under Dispute	Amt. Under Dispute	Amt. Not Under Dispute	Amt. Under Dispute	Amt. Not Under Dispute	
2007-08	0	357.93	0	81.21	0	364.75	803.89
2008-09	0	463.01	0	52.98	0	376.84	892.83
2009-10	0	1115.77	0	61.23	0	652.15	1829.15
2010-11	0	808.05	0	58.47	0	705.13	1571.65
2011-12	0	833.98	0	56.14	0	664.69	1554.81

(Source: Information laid on the table of State Legislature under FRBM Act)

2.6 The outstanding amount of the arrears has gone down by Rs257.50 cr at the end of 2010-2011. However the total revenue realized during that year is given as Rs241.60 cr. These figures obviously require reconciliation. The amount recovered every year when seen in juxtaposition of the over dues for that year appears too small in the case of major and minor schemes. Even in the case of medium schemes the overdue amount is more than the recovery during any of the first three years. The relevant figures may be seen in Appendix2.2. The figures given in the table 2.3 indicate an obvious need to improve collection of out standing dues from the beneficiaries especially when the amount involved is totally undisputed.

2.7 The Thirteenth Finance Commission had recommended setting up of a Water regulatory Authority in each state to periodically review the water sector cost and revenues. It was also expected to fix and regulate the water tariff system for domestic, agriculture, industrial and other purposes. An amount of Rs.5,000 crore was recommended as an incentive grant to the states. The share of Madhya Pradesh worked out to Rs.148.00crore. This grant was to be released in four equal annual installments of Rs.37.00crore each beginning from the

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year 2011-12. The state of M.P. has issued an ordinance for constituting a "Water Regulatory Commission" and the said ordinance has come into force on 1st day of July, 2013.

2.8 The figures of revenue from mineral resources, both major and minor, over last seven years are given in the following table:-

Table 2.4

Revenue from Mineral Resources

(Rs. in Crores)

Years	**Total**	**Revenue from Minerals**	
		Major	**Minor**
2005-06	815.30	786.10	26.13
2006-07	923.91	904.81	17.61
2007-08	1125.39	827.49	286.87
2008-09	1361.07	1095.11	267.55
2009-10	1590.46	1360.40	230.58
2010-11	*2121.49	1196.66	317.83
2011-12	^2038.30	1057.01	818.13

** Includes Rs 607.54 crore of "Rural Infrastructure and Road Development Tax".*
^ Includes Rs 164.97 crore of "Rural Infrastructure and Road Development Tax".*

2.9 The revenue from minor mineral has shown a substantial improvement from the year 2007-08. The jump in the revenue from major minerals in the year of 2008-09 (an increase of 32.34% over the preceding year) is primarily attributable to the revision of coal royalty. The Govt of India increased the rate of cola royalty w.e.f. 1-8-2007 and the level of increase depended upon the grade of coal. The State produces non-coking coal and its different grades got an increase between fifteen to thirty percent. It is further observed that the total amount of revenue in the year 2010-11 and 2011-12 is much more than the sum total of revenue from major and minor minerals. In the year 2010-11 there is revenue of Rs.607.54crore under the head of "Rural Infrastructure and Road Development Tax". I was informed that on account litigation, arrears of a few years under this head were received in the year 2010-11. In the following year i.e. 2011-12 the

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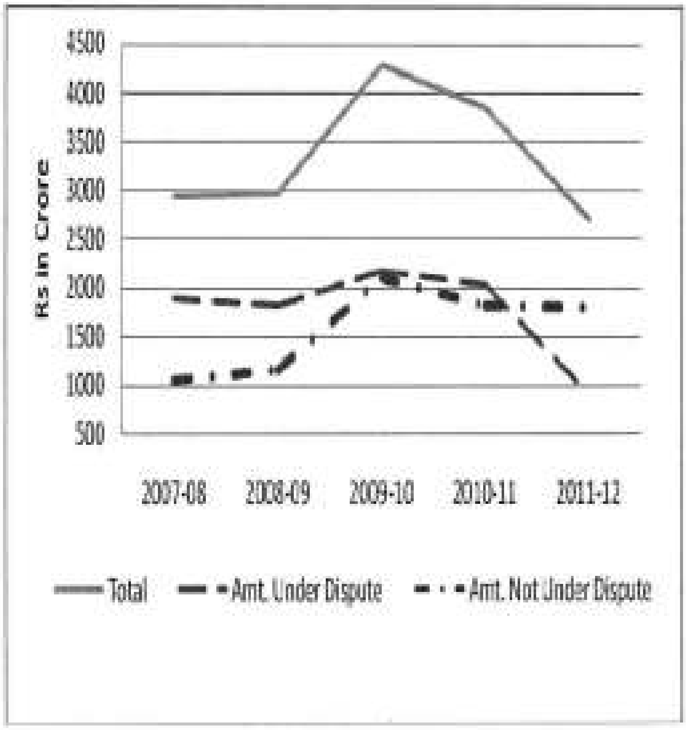
receipt in this sub head were Rs.164.97crore. After taking into consideration the aforementioned receipts the comparable figures for the year 2010-11 and 2011-12 worked out to Rs.1513.95crore and Rs.1873.33crore respectively.

2.10 The State government, along with the annual financial statement, submits information in a number of formats under FRBM,Act. In one of such statements F10 information regarding amount due to the State but not yet realized is given. The figures of such outstanding revenue over a period of five years are set out in the Appendix2.3.These figures indicate the total and include the figures relating to the irrigation schemes already mentioned above. A glance at the figures of last two years shows that while the amount of arrears "under dispute" category has gone down substantially the figures pertaining to "amount not under dispute" show practically no improvement. Following two graphs portray the status of recovery.

G 2.1

*The amount due for recovery, under dispute, has come down from Rs 1893.67 cr to Rs 908.35 cr during the five years period. On the other hand the figures of the amount **not under dispute** have gone up from Rs 1047.21 cr to Rs 1801.59 cr. It is quite obvious that the recovery efforts for the second category call for a strategical shift.*



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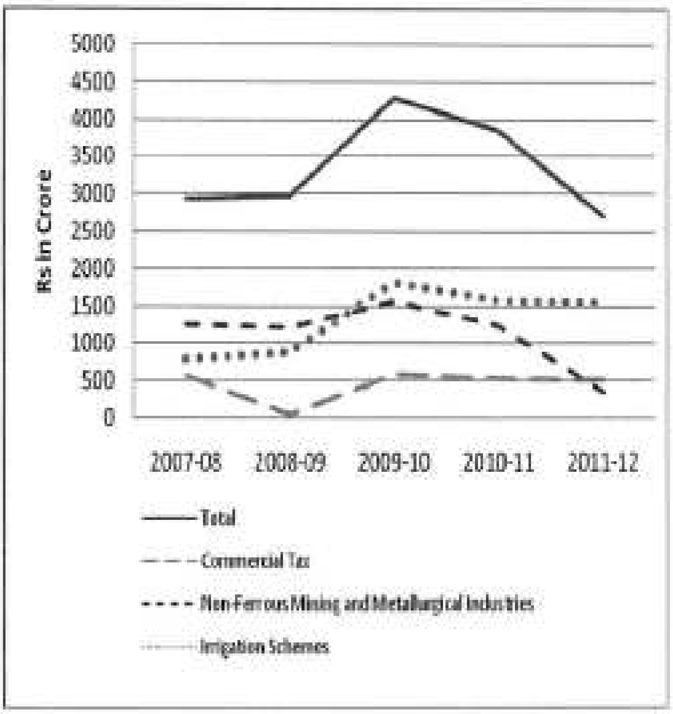
G 2.2

The recovery curves of commercial tax and irrigation schemes show no improvement during last three years period. While in the case of commercial tax the amount due is less than 5% of the collection in 2011-12 the outstanding irrigation dues are almost six times of the collection in that year.



2.11 In appendix 2.3 the amount at the top of column 3 is Rs 1047.21 crore and at the bottom Rs 1801.59 crore. It is not clear whether the figures in the first category i.e. column 2, have improved as a result of actual recovery or there has been some sort of reconciliation/settlement. Because the amount outstanding against non ferrous mining and metallurgical industries as at the end of 2010-11 has come down from Rs1240.82 crore to Rs 353.21 crore in just one year. In the amount outstanding as at the end of 2011-12 irrigation schemes have the largest share of 57.37% in the total. Nonetheless the figures in this appendix call for a greater attention towards recovery efforts especially for the dues pertaining to the irrigation schemes.

2.12 The profit and dividend from State Enterprises has a very little share in the non tax revenue receipts. In a number of years their contribution to the state exchequer can be considered as negligible.

The information on profit and dividend from State Enterprises is given in Appendix 2.4. This appendix indicates that only two i.e. MP State Mineral Development Corporation and MP State Civil Supplies Corporation have been making some mentionable contribution. The income from Provident Investment Company (PIC), Mumbai had given good income during the year 2006-07 and 2007-08. Thereafter in 2008-09 income from this company was nil. PIC company has a long history and was in existence even before independence, when it was owned by the Gwalior State. It has a good size farmland in Kerala and a substantial urban land in Mumbai. I am informed that disposal of its immovable property is now under active consideration. In this chapter only the enterprises making actual revenue contribution to the State treasury and thus finding place in the receipt budget of the State have been mentioned. The number of State undertakings, as at the end of 2010-11, is 61 and their performance has been discussed in chapter VIII. Some of them have also shown balance sheet profits, in a number of years, which do not figure in the receipt budget of the State.

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Chapter-III - Expenditure Pattern.

TOR-Expenditure pattern and trends separately for Non-Plan and Plan, Revenue and Capital, and major components of expenditure thereunder. Measures to enhance allocative and technical efficiency in expenditures during the last 5 years. Suggestions are improving efficiency in public spending.

3.1 The figures of total expenditure over the last 10 years i.e. from 2002-03 to 2011-12 along with the breakup into revenue/capital/loans and advances have been given in Appendix 3.1. The percentages of the total expenditure as well as of capital expenditure to GSDP during each year may also be seen in the same appendix. The range of expenditure during the said period vis-à-vis GSDP has been from 19.04% in 2002-03 to 25.06% in 2011-12. During the second half of the ten years period expenditure has been above 20% of GSDP with an exception of 2008-09 when it was 19.30% of GSDP.

3.2 The details of plan expenditure and non-plan expenditure during similar 10 years period are in Appendix 3.2 and 3.3 respectively. During the 12th plan period i.e. 2007-08 to 2011-12 the growth rates of various components of plan expenditure are given in the following table.

Table 3.1

Plan Expenditure – Annual Growth Rate during 12th Plan

Years	2007-08	2008-09	2009-10	2010-11	2011-12
Total Plan Expenditure	30.18	7.54	24.15	13.71	16.64
Plan Revenue Expenditure	24.83	11.97	29.07	31.23	24.05
Plan Capital Expenditure	34.07	Nil	20.91	10.08	4.22
Loan & Advances	69.29	51.70	Nil	40.79	28.97

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3.3 The figures for 2007-08 do appear high since they represent expenditure growth in the first year of 12th plan over the figures of the terminal year of the previous plan. The plan capital expenditure during 2008-09 was Rs 6503.45 crore as against Rs 6510.47 crore in preceding year; but it made up in 2009-10 by achieving the figure of Rs 7863.83 crore. As per expenditure figures given in appendix 3.2 the compound annual growth rate of plan expenditure during the total 12th plan period has been 17.63%%. The compound rate of growth, during the same period, of plan revenue expenditure and plan capital expenditure works out to 19.96% and 13.19% respectively. As far as non-plan revenue expenditure is concerned its annual growth rate during the same 5 years period has been 17.53%.

3.4 Appendix 3.3 gives ten years' figures of non plan expenditure; containing a significant portion as non plan revenue expenditure (NPRE). The information for the 12th plan period is set out below:-

Table 3.2

Trend of Non Plan Revenue Expenditure

(Rs. in crore)

Year	Revenue Expenditure	Non Plan Revenue Expenditure	Percentage of NPRE to	
			Revenue Expenditure	GSDP
2007-08	25601.11	18794.82	73.41	11.63
2008-09	29513.88	21892.29	74.17	11.09
2009-10	35856.90	26059.22	72.59	11.43
2010-11	45011.59	32100.87	71.31	12.33
2011-12	52693.71	36677.17	69.60	11.84

3.5 The data given in the above table indicates that the share of NPRE in the total revenue expenditure as well as percentage of NPRE to GSDP both are rather high and need to be brought down. The CAG report also mentions that in the year 2010-11 a NPRE of Rs.32100.87crores was much higher than the normatively assessed

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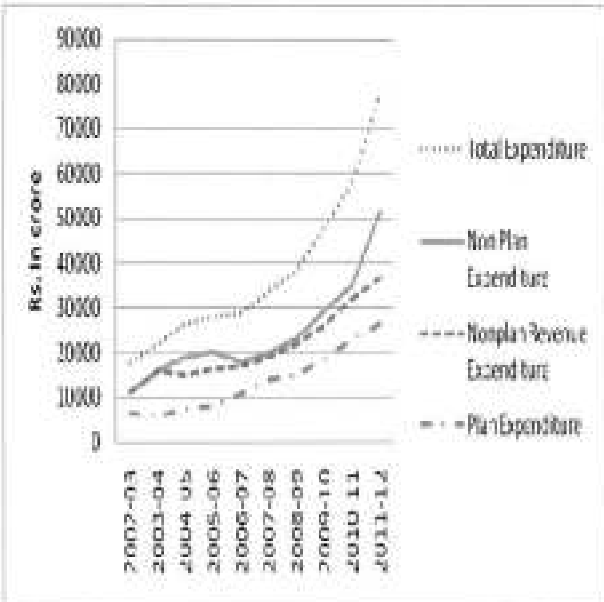
level of Rs 25074crore. Similarly the percentage of NPRE to GSDP is more then 11% in each of the year mentioned above. In the year 2010-11 it was 12.33%. Ideally speaking it should be managed within 10%.

G 3.1

The total expenditure has zoomed to Rs 77613.12 cr from Rs 17493.40 cr over a period of nine years registering a CAGR of 18%.The CAGR of plan and nonplan expenditure in the same period are 16.92% and18.59% respectively. The slope of expenditure curves has become rather steep between 2008-09 and 2011-12.The CAGR of the "Total and "Nonplan" expenditures are 26.77% and 30.15% respectively in this period.



3.6 The expenditure on salaries & wages, pension and interest payments being a sort of committed expenditure takes precedence over other expenditures. The figures for six years ranging from 2006-07 to 2011-12 are given in Appendix3.4.These figures indicate that the total expenditure on the three mentioned items has declined from 47.16% of total revenue receipts in 2006-07 to 38.37% in 2011-12. Though the percentage of expenditure on salary & wages to TRR has shown only a minor decline but the burden of interest payment has gone down from 15.68% to 8.47% of TRR.

3.7 From the year 2008-09 onwards there is a big increase in the expenditure on salaries and wages of working employees as well as on the pension payable to retired officials. This is on account of the benefit given to them of Sixth Pay Commission recommendations. The expenditure on salaries and wages jumped to Rs 8546.87cr in 2008-09 from Rs 6983.08cr in 2007-08; an increase of Rs 1563.79cr in real terms and percentage growth of 22.39%. Further, despite a reduction of more than one percentage point in the share of interest payments in2008-09 the total share of these three items in the revenue receipts has gone up from 42.81% to 44.33%. Similarly in the year 2010-11 the benefit of reduction in interest payments was offset by increase in the other two. From the year 2011-12 the growth rate of expenditure on salary & wages and pension came down to its normal pattern enabling the reduction in the share of expenditure on three aforementioned items to 38.37% of TRR. The annual growth rates of salary & wages and pension payments are set out below.

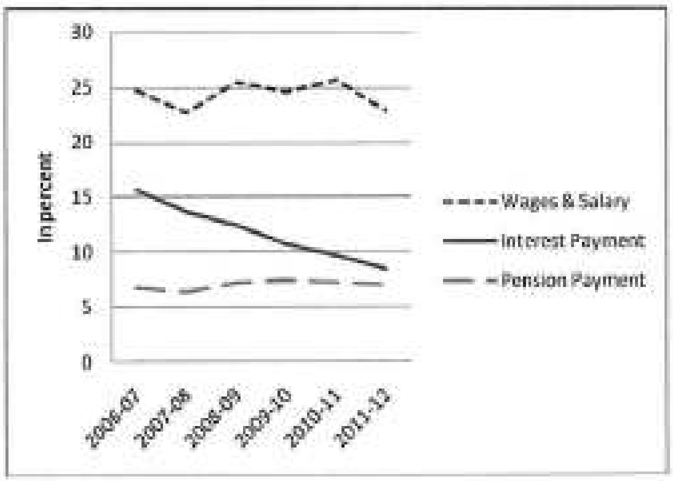
Table 3.2

Annual Growth Rate of Wages, Salary and Pension Payments

Years	2007-08	2008-09	2009-10	2010-11	2011-12
Salary & Wages	10.19	22.39	19.08	30.58	7.83
Pension	12.13	23.86	26.47	22.40	16.52

G 3.2

The increased level of expenditure on salaries and wages as percentage to TRR from 2008-09 to 2010-11 reflects the impact of the Sixth Pay Comm. The increase in expenditure on pension is also for the same reason. However, the burden of interest payment has shown a welcome decline from15.68% to 8.47% during 2006-07 and 2011-12.



3.8 Besides classification of the annual expenditure in plan and non-plan heads, an additional category of classification for expenditure analysis has come into use and it is development/non-development expenditure. Broadly, the expenditure on social and economic services constitutes development expenditure, while expenditure on general services is treated as non-development expenditure. The figures pertaining to development expenditure are set out in the table below.

Table 3.3

Development Expenditure

(Rs. in Crore)

Component of Development Expenditure	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Total Dev Expenditure	22339 (66)	25999 (68)	32910 (69)	39741 (69)	57908 (74)
Revenue Dev Expenditure	14683 (44)	17577 (46)	21333 (45)	27430 (48)	33262 (43)
Capital Dev Expenditure	6759 (20)	6588 (17)	7805 (16)	8621 (15)	8888 (11)
Loans and Advances	897 (3)	1834 (5)	3772 (8)	3690 (6)	15758 (20)

(The figures in parenthesis indicate percentage to total aggregate expenditure.)

3.9 The figures given above indicate that the share of development expenditure has gone up from 66.00% to 74.00% of the total expenditure during the period ranging from 2007-08 to 2011-12. The percentage share of loans and advances during the year 2011-12 shows a very sharp increase to 20% in the total expenditure while during earlier years it was within single digit. This is primarily because of payments made for the restructuring of State Electricity Board. This is also the reason for a sudden drop in the percentage of capital expenditure. Although in actual terms the capital expenditure for development has gone up from Rs.6759.00crore in 2007-08 to Rs.8888.00crore in the year 2011-12 giving an annual growth rate of over 7% during the said period.

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3.10 In the report of CAG expenditure incurred on the maintenance of selected Social and Economic Services has also been analyzed. In such analysis Capital Expenditure as well as component of Revenue Expenditure have been included. There are three specific sectors in Social Services and four in Economic Services. The shares of capital expenditure to total expenditure as well as the component of revenue expenditure utilized on Salary & Wages and Operations & Maintenance have been given. The data for three years ending 2010-11 may be seen in Appendix 3.5. It may be observed from this appendix that the share of the Capital Expenditure in the Total Expenditure on these selected services has been steadily going down and this may also be apparent from the following table.

Table 3.4

Share of Capital Expenditure in Selected Social and Economic Services

Year	Share of CE in TE on Economic & Social Services	Share of CE in Total Aggregate Expenditure
2008-09	25.34	17.62
2009-10	23.72	16.63
2010-11	21.69	15.29

3.11 It would appear, at the first glance, that the selected Social and Economic Services have been relegated to background as far as Capital Expenditure is concerned. However, we may see from the figures in the next column that the percentage of Capital Expenditure to total aggregate expenditure is also going down. Thus the declining trend is for the entire capital expenditure and not for any group of services in particular.

3.12 In the State of Madhya Pradesh a good part of Revenue Expenditure is being utilized for developmental activities. Publications of RBI on State finances for the years 2011-12 and 2012-13 contain the analysis of revenue expenditure of various states for the year

2009-10 and 2010-11. In addition average figures for the period 2004-08 have also been mentioned. These figures are set out below:-

Table 3.4

Share of Development Expenditure in Revenue Expenditure

(Rs. in Crore)

State	2004-08 (Avg.)			2009-10			2010-11		
	RE/ GDP	DRE/ GDP	NDRE/ GDP	RE/ GDP	DRE/ GDP	NDRE/ GDP	RE/ GDP	DRE/ GDP	NDRE/ GDP
Madhya Pradesh	16.00	8.9	6.1	16.5	9.8	5.5	16.6	10.1	5.4
Non-Special Category States	13.7	7.6	5.8	13.8	8.3	5.2	13.7	8.25	5.1
All States	11.9	6.6	5.0	12.4	7.4	4.7	12.1	7.3	4.6

3.13 The data in the above table indicates that the DRE/GDP ratios of the State of Madhya Pradesh are better than the average of NSC states in all the three sets of figures.

3.14 It is noticed that the budget provisions for various plan schemes have not been fully utilized in any year of the 12^{th} plan period. In fact during the fiscal 2010-11 utilization was less then 90% of the available budget.

Table 3.6

UTILIZATION OF BUDGET PROVISION UNDER ANNUAL PLAN

(Rs. in Crore)

YEARS	BE	RE	ACCTS.	UTILIZATION vis-à-vis RE (%)
2007-08	13118.13	14216.60	13763.15	96.81
2008-09	15351.84	15706.80	14802.22	94.24
2009-10	19028.03	20259.54	18378.41	91.70
2010-11	21939.13	25111.64	22520.86	89.68
2011-12	25578.79	27323.27	26268.66	96.13

(Source: FS memorandum of various years)

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3.15 The figures in the above table indicate that the lowest percentage of utilization is in the year 2010-11 but this was essentially due to a substantial increase in the RE over BE(14.46%) . It is highest increase in any of the years. However in the year2008-09 the expenditure recorded in the final accounts is even less than the BE.

3.16 Fifteen departments spend more than 80% of the plan budget. An analysis of plan expenditure by these major departments, over a period of five years, has been tabulated in Appendix 3.6. The actual expenditure during a year has been analyzed vis-a-vis the revised estimates for that particular year. This takes care of the developments relating to, financial allocation and implementation status of related programmes, after the finalization of main budget estimates. Generally speaking there should not be any significant variation in the expenditure figures of RE and accounts. However, it is observed from appendix 3.6 that in the utilization of plan budget there has been a considerable short fall during a number of years by important departments like Rural Development, Agriculture, Women and Child Development and School Education. In the case of the department of rural development there has been a short fall in actual expenditure vis-a-vis RE of nearly Rs.500crore in 2009-10, Rs.800crore in 2010-11 and more then Rs.1000crore in the year 2011-12. It is further observed that a large number of departments could not utilize their budget provision during the year 2009-10.The utilization of plan budget by these departments has been praiseworthy only during the year 2011-12 when the expenditure reflected in the final accounts was it 97.41% of the revised estimates.

3.17 The expenditure, over the period of a financial year, should ideally be distributed evenly. There may be some exception like

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purchase of an expensive item. It is being reported by CAG that in a number of schemes more than 50% of annual expenditure is in the month of March. Illustratively, information pertaining to fiscal 2010-11 and 2009-10 is set out in Appendix 3.7. We would observe that an amount of Rs2874.36 crore was spent in the last month of the financial year 2010-11 under 9 major heads amounting to 62.39% of the total expenditure. This was not an unusual phenomenon for the year 2010-11.A year earlier in 2009-2010 also under 10 major heads an amount of Rs 4499.12 crore was spent in the month of March which was 71.37% of the annual expenditure. In some major heads more than 90% of the annual budget was spent in the month of March. This is a very old phenomenon of expenditure pattern which simply refuses to change. There may be some justification, for such expenditure pattern, in the purchases of single heavy items. However there is a need to have a quarterly monitoring system wherein the allocation earmarked for a particular quarter, if not utilized fully the remaining balance amount will lapse. Quarterly allocations should not be done mechanically by dividing the annual allocation in four equal portions; but should be worked out for each individual scheme on the basis of pragmatic expenditure requirements and possibilities.

3.18 It is noticed that during the year ending March 2012, in more then 50 schemes, the entire budget provision was surrendered at the end of the year, thereby meaning that no amount could be utilized. The list given of such schemes is pretty long and does not make a happy reading. Some of the schemes are set out below.

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Table 3.7

Grant	Department	Scheme	Amount (Rs. in Crore)
40	Water Resources	Development of command areas of major and medium projects (CSS).	100.00
41	Planning, Economic and Statistics	Assistance for TSP schemes.	51.26
61	Bundelkhand Package	Central assistance for storage and marketing.	169.24
64	Planning, Economic and Statistics	Assistance for SC sub plan.	84.95
75	Urban Development	Grant for water supply in urban areas.	50.00
75	Urban Development	Scheme is compensation for electricity expenditure on water supply schemes as per recommendation of SFC.	10.00
75	Urban Development	Special grant as recommended by SFC.	10.00

3.18 It is quite apparent from the above table that there has been 100% surrender of the budget provision in a number of important schemes. During the year 2010-11 also things were no better. The report of CAG of that year highlights that in as many as 137 schemes the amount surrendered was more then 50% of the budget provision.

3.19 RBI publications indicate that out of the combined expenditure of the Central and State Governments the expenditure of the State Governments account for around 60%. It is, therefore, essential to ensure that the public expenditure of the state governments is channelized in the right direction. Secondly, proper end use of funds is also critical especially because the growth pattern is contingent not only upon the nature of the schemes but also on the quality of fund

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utilisation. The State has been endeavoring to increase the flow of capital expenditure and the share of capital outlay has been showing an increasing trend. However, it is observed that many key departments have not been able to do justice to their budgetary allocation.

3.20 For expenditure on a few selected schemes/programmes, in the social and economic sectors, the Central Government has been transferring funds directly to the State implementing agencies outside the State budget. The amount of such transfers during a period of three years is indicated in the following table:

Table 3.8

Funds Transferred outside the State Budget to State Implementing Agencies/ Voluntary Organizations/ NGOs

(Rs in crores)

Years	Total Transfer	VOs/ NGOs	Amount exceeding Rs.25 lacs to an individual VO/NGO
2009-10	8153.52	74.75	5.64
2010-11	9002.13	43.21	11.63
2011-12	9497.91	71.47	46.15

3.21 It is quite apparent that the practice of such transfers is on an increase although repeatedly it has attracted adverse comments from the CAG. The CAG in its report for 2010-11 has explicitly mentioned that as these funds are not routed through the State Budget/ Treasury System, finance account do not capture the flow of these funds and it escapes audit. Moreover direct transfer from the Union to the State implementing agencies runs the risk of poor monitoring of utilization of funds by these agencies. The Thirteenth Finance Commission, on such transfers out side the budget frame work, has also made adverse observations calling it an undesirable trend. It may also be noticed from the above table that the share of voluntary organizations and non

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government organization has been increasing. In the year 2011-12 a good number of VO/NGO got an amount exceeding Rs.25.00lacs and the sum total of such amount was Rs.46.15crores. During mid nineties, when financial position of the States was rather tight, there could be occasional delays in the release of central assistance to the implementing agencies. In the present scenario when most of the States are having positive treasury balance there can be no apprehension for any delay in the release of such funds. In fitness of things, such practice needs to be discontinued.

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Chapter-IV - Analysis of Deficits.

TOR-Fiscal and Revenue along with Balance of Current Revenues for Plan financing.

4.1 The revenue expenditure in the State of MP has been less than the revenue receipts giving a comfortable revenue surplus in each year of the 12th plan period. The annual growth rate of revenue receipts has been between 11.65% to 25.26%% during these years. The lowest growth rate was recorded in the year 2008-09 and the highest in 2010-11. The CAGR during this period works out to 19.51%. The percentage share of revenue receipts vis-à-vis GSDP showed a decline only in 2008-09.The details are set out below:-

Table 4.1

Revenue Receipt/ Expenditure/ Surplus

(As percentage of GSDP)

Items	2007-08	2008-09	2009-10	2010-11	2011-12
Revenue Receipts	30688.73	33577.21	41394.70	51854.19	62604.08
Revenue Expenditure	25601.11	29513.88	35896.90	45011.59	52693.71
Revenue Surplus	5087.62	4063.33	5497.80	6842.60	9910.37
RR as % of GSDP	19.00	17.02	18.15	19.92	20.23
Revenue Surplus as % to GSDP	3.15	2.05	2.41	2.62	3.20
Revenue Receipt Annual Growth Rate	19.43	11.65	23.28	25.26	20.73

4.2 The actual values of fiscal indicators i.e. Fiscal Deficit, Revenue Deficit and Primary Deficit of the State of Madhya Pradesh during last five years have been as follows:-

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Table 4.2

Fiscal Indicators

(Rs. in Crore)

Years	Fiscal Deficit	Revenue Surplus	Primary Deficit
2007-08	-2783.92	5087.62	1406.85
2008-09	-4433.60	4063.33	241.61
2009-10	-6198.92	5497.80	-1744.61
2010-11	-5272.03	6842.59	-223.08
2011-12	-5861.18	9910.37	-561.41

4.3 It may be seen from the above table that that in all the years there has been a good amount of revenue surplus touching the figure of Rs.9910.37crores in the year 2011-12. The fiscal deficit during first two years is less than the interest payments meaning thereby that a part of the interest burden has been met without the help of fresh borrowings. During other three years the fiscal deficit in real terms is more than the interest payments. This has been analysed in the report of CAG for the year 2010-11 with the conclusion that the primary deficit is on account of enhancement in capital expenditure. The figures covering a span of 5yrs are set out below.

Table 4.3

Primary deficit/surplus – bifurcation of factors

Year	Non-debt Receipt	Primary Revenue Exp.	Capital Exp. (CE)	Loans and Advances*	Primary Exp. (PE)	Non-debt receipt vis-à-vis Primary revenue exp.	Primary deficit (-) /surplus (+)
1	2	3	4	5	6(3+4+5)	7(2-3)	8(2-6)
2006-07	25,732	18,334	5,170	954	24,458	7,398	1,274
2007-08	30,807	21,410	6,833	1,157	29,400	9,397	1,407
2008-09	33,656	25,332	6,713	1,862	33,897	8,334	-241
2009-10	41,443	31,443	7,925	3,820	43,188	10,000	-1,745
2010-11	52,257	39,963	8,800	3,717	52,480	12,294	-223

**Including Inter-State settlement*

(Source: Report of CAG on State Finances for the year 2010-11)

4.4 The figures in the above table indicate that the non-debt receipts were not only adequate to meet the primary revenue expenditure but also met a part of the capital expenditure. However the surplus non-debt receipts were not enough to meet the entire capital expenditure and loans and advances resulting in primary deficit during last three

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years. Thus the primary deficit is on account of a substantial increase in the capital expenditure over these years as may be apparent from column 4 and column 5.

4.5 The percentages of fiscal indicators to the State GSDP, along with the percentage of total outstanding liabilities, may be seen in the following table.

Table 4.3

Fiscal Indicators as percentage of GSDP

Years	Revenue Surplus	Fiscal Deficit	Primary Deficit	Total Outstanding Liabilities
2007-08	3.15	1.95	.98	42.73
2008-09	2.05	2.73	.15	39.47
2009-10	2.41	2.86	.91	32.99
2010-11	2.62	1.94	.08	27.79
2011-12	3.20	1.86	.18	26.87

4.6 All the three main fiscal indicators are well within the limit prescribed under FRBM Act as well as the targets indicated by the Government of India. Keeping in view the economic slow down the target for fiscal deficit was revised to 4% for 2009-10 and 3.5% for the year 2010-11. However the state could maintain fiscal deficit of less than 3% in both the years; though it recorded an increase in 2008-09 and2009-10 before coming down to the earlier level in 2010-11. The RBI report on State Finances for the year 2011-12, in the chapter with title "Deficit Indicators of State Government" has mentioned about the performance of the Madhya Pradesh in particular. At one place it is stated that the State of Madhya Pradesh recorded an increase in its RS-GSDP ratio in 2009-10. In para 5.4 of this report it is mentioned that "Madhya Pradesh was the only NSC State in which the GFD-GSDP ratio widened in 2009-10 on account of a higher CO- GSDP ratio and a substantial increase in net landing". Thus the State has been able to maintain the level of capital outlay even in the period of economic slow down.

4.7 The details of balance from current revenue for the twelfth plan period have been given in appendix 4.1. The share of BCR in total plan expenditure has been quite substantial and reached the level of 66% in 2011-12. The annual figures for the twelfth plan period are given in the following table:

Table 4.4

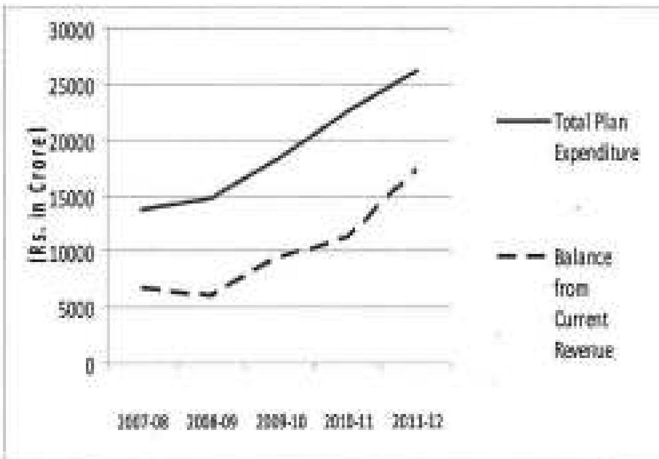
Share of BCR in Total Plan Revenue

(Rs. in Cr)

Particular	2007-08	2008-09	2009-10	2010-11	2011-12
Total Plan Expenditure	13763.15	14802.22	18378.41	22520.86	26268.66
Balance from Current Revenue	6799.03	6081.50	9508.98	11256.57	17342.45
Share of BCR in Total Plan Expenditure (%)	49.40	41.08	51.73	49.98	66.01

G 4.1

The top graph indicates that the growth in plan expenditure after 2008-09 has been fairly good. The CAGR for the last four year's period works out to around 21%.The BCR during the same period has recorded a CAGR of 41.80%.Thus even for a good size plan the BCR contributes almost two third of expenditure.



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4.8 The plan expenditure of various departments including their performance in the utilization of plan allocation has been discussed in the earlier chapter. On the basis of the figures given above the CAGR of plan expenditure during the 12th plan period works out to 17.53%. However, during the same period, the growth of BCR has registered a CAGR of 26.32%. The ratios of annual plan expenditure to GSDP during the 12th plan period have been set out below:-

Table 4.6

Different Categories of Expenditure as Percentage of GSDP

(As percentage of GSDP)

Items	2007-08	2008-09	2009-10	2010-11	2011-12
Revenue Exp (%)	15.85	14.96	15.74	17.29	17.01
Capital Outlay*. (%)	4.94	4.34	5.15	4.81	8.04
Plan Exp.	8.52	7.50	8.06	8.65	8.48
Non Plan Exp.	12.27	11.80	12.83	13.45	16.57
Non Plan Revenue Exp.	11.63	11.09	11.43	12.33	11.84

**Includes loans and advances*

4.9 The percentage of capital outlay to GSDP in the year 2011-12 is high because of a loan component of Rs 10257 crore given for the restructuring of power sector companies. For the same reason the percentage of non-plan expenditure appears unusual. The plan expenditure has been above eight percent of the GSDP with the exception of 2008-09.

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Chapter-V - State Debt.

TOR-The level of the Debt GSDP ratio and the use of debt (i.e. whether it has been used for capital expenditure or otherwise). Composition of the state's debt in terms of market borrowing, Central Government debt (including those from bilateral/multilateral lending agencies routed through the Central Government liabilities in public account (small saving, provident funds etc.) and borrowings from agencies such as NABARD, LIC etc.)

5.1 The composition of the outstanding liabilities of the state government in terms of market borrowings, loan from the center etc is given in Appendix - 5.1. The ratios of various liabilities, as well as of total liabilities, to GSDP of the state are set out below:-

Table 5.1

Percentage Share of State Government Liabilities to GSDP

(Rs. in Crore)

Item	As at the end of March				
	2008	2009	2010	2011	2012
1. Internal Debt	**20.58**	**18.81**	**18.61**	**17.98**	**16.14**
i. Market Borrowings.	7.83	8.41	9.48	9.56	9.05
ii. NSSF Securities.	8.85	7.18	6.43	6.24	5.19
iii. Banks and FIs	3.90	3.22	2.70	2.18	1.90
2. Loans and Advance from Center.	**5.43**	**4.81**	**4.55**	**4.21**	**3.66**
3. Public Account	**8.21**	**6.99**	**6.58**	**6.81**	**6.58**
Total Liabilities	**34.22**	**30.61**	**29.14**	**29.00**	**26.38**

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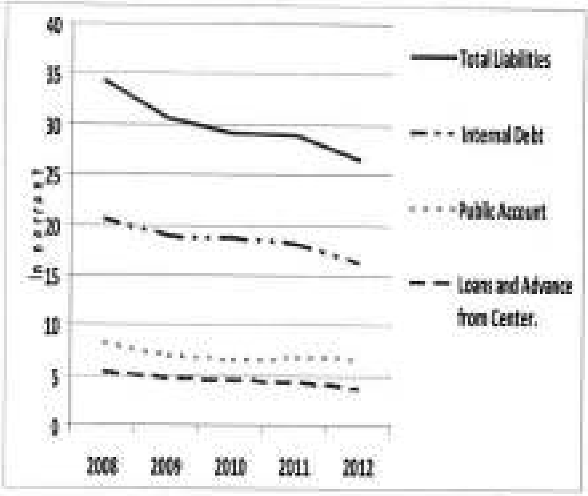
G 5.1

The adjoining graph shows that the share of total liabilities and internal debt to GSDP is on a decline. Only the share of public account continues at the same level for four years



5.2 The share of various components of liabilities i.e. (i) internal debt (ii) loans and advances from centre and (iii) public account over a five years period is set out below. It is seen that the share of market borrowings has steadily gone up to 34.29% from 22.86%; an increase of nearly twelve percentage points. The share of loans and advances from centre has gone down to 13.89% from 15.87%. The borrowings from banks and FIs have also got their share reduced to 7.19% from 11.41%

Table 5.7

Share of various components in the outstanding liabilities

(in percent)

Item	2007-08	2008-09	2009-10	2010-11	2011-12
1. Internal Debt	60.12	61.44	62.57	61.98	61.14
i. Market Borrowings.	22.86	27.47	31.86	32.94	34.29
ii. NSSF Securities.	25.85	23.45	21.61	21.51	19.66
iii. Banks and FIs	11.41	10.52	9.10	7.53	7.19
2. Loans and Advance from Center.	15.87	15.70	15.29	14.50	13.89
3. Public Account	23.95	22.83	22.12	23.48	24.93

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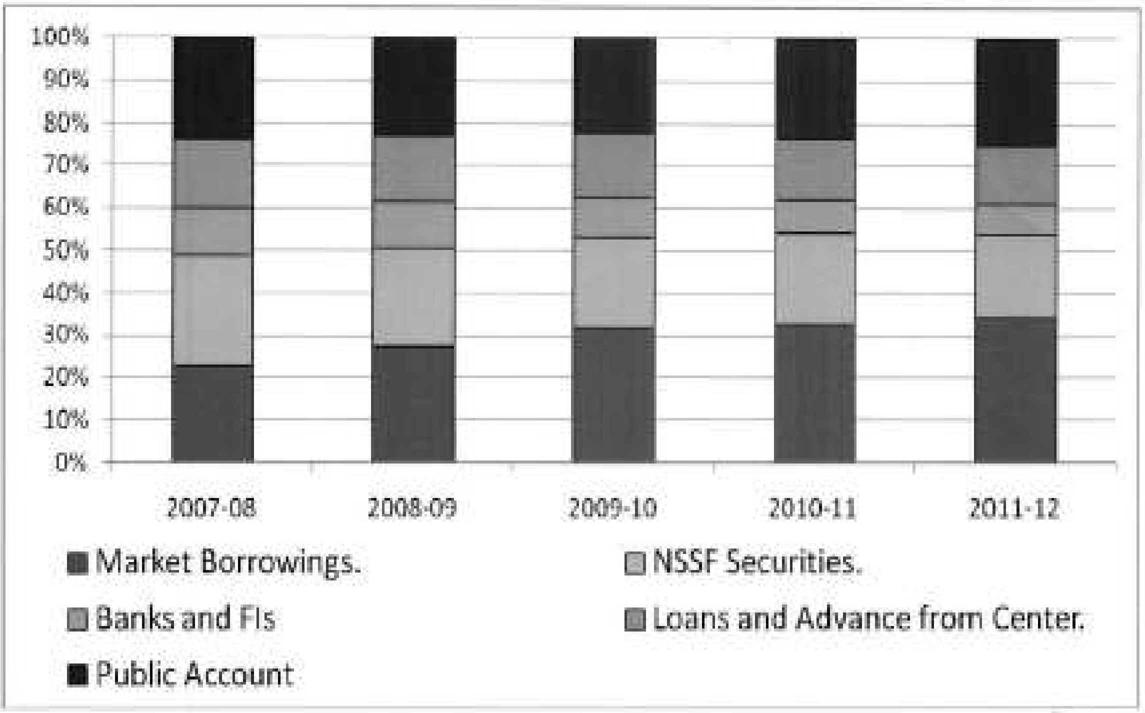
G 5.2



This bar chart indicates that in internal debt comprising of market borrowings, NSSF securities and borrowings from banks and FIs the share of market borrowing has increased from 22.86% to34.29%. The share of loans and advances has gone down by two percentage points with one percentage point increase in each of the other two.

5.2 The figures in table 5.1 indicate a steady improvement over the years. The ratio of total liabilities to GSDP has come down from 34.22% as at the end of March, 2008 to 26.38% at the end of March, 2012 and some improvements are also visible in each of the three items.

5.3 The RBI, in its publications relating to state finances, has classified the evolution of the debt of States into four phases and they are (i) 1980-81 to 1997-1998, (ii) 1998-99 to 2000-04, (iii) 2004-05 to 2007-08 and (iv) 2008-09 to 2012-13. The percentage of outstanding liabilities to GSDP in case the Madhya Pradesh vis-à-vis. all India average of all the states put together during these four phases may be seen in the following table:-

Item	Phase I	Phase II	Phase III	Phase IV
Madhya Pradesh	22.0	36.9	34.0	26.9
All States	21.0	31.8	26.6	21.9

5.4 The figures in the above table indicate that the ratio of outstanding liabilities to GSDP of Madhya Pradesh has always been higher than the all India average. There was a sharp increase in Phase II, but it started declining from Phase III i.e. 2004-05 to 2007-08 also known as fiscal consolidation phase. However the distance from all India average further widened, presumably because of substantial improvement in all India figure also of this fiscal indicator. This gap in phase IV came back to five percentage points i.e. similar to phase II.

5.5 The state government of Madhya Pradesh has taken due advantage of the debt swap scheme (DSS) as well as of the debt consolidation and relief facility (DCRF) from the Government of India. The total debt swapped under DSS by the State is Rs3323cr. The details are as follows:

Table 5.1

Amount of Debt Swapped Under DSS

(Rs. in Crore)

Years	Amount Swapped of		Total
	Market Borrowings	Small Savings	
2002-03	411	177	588
2003-04	786	722	1508
2004-05	398	829	1227
Total	**1595**	**1728**	**3323**

Source: RBI publication on State Finances 2012-13

5.6 The RBI report mentions that out of the total debt swapped at the all India level, 52.5% was through market borrowing at an interest rate below 6.5%. The balance 47.5% through the issue of special securities to the NSSF at a fix rate of 9.5% as compared to earlier rate of 13% per annum. In the case of Madhya Pradesh out of the total debt swapped 48% was through market borrowings and 52% through special securities to the NSSF. The state got an interest relief of about Rs 225 crores because of such debt swapping.

5.7 The market borrowing raised by the State of Madhya Pradesh during last five years and their contribution in financing GFD of the State are given below:-

Table 5.1

Market Borrowings

(Rs. in Crore)

Years	**Outstanding at the beginning**	**Transaction During the year**		**Net Amount**	**GFD**	**% of Net Amount to GFD**
		Amount raised	**Amount repaid**			
1	2	3	4	5	6	7
2007-08	11309.38	1875.00	537.95	1337.05	2783.92	48.02
2008-09	12646.45	4495.25	537.89	3957.36	4433.60	89.23
2009-10	16603.81	5821.00	804.50	5016.50	6198.92	80.92
2010-11	21620.30	3900.00	642.54	3257.46	5272.03	61.78
2011-12	24877.76	4000.00	833.78	3166.22	5861.18	54.02

Source: Statements laid before legislature in compliance of FRBM Act

5.8 The above table indicates that during two years 2008-09 and 2009-10 i.e. the period of economic slowdown, the State resorted to higher market borrowings and their share in financing GFD was over 80%. Nearly all the states had to take larger borrowings during these years to finance their fiscal deficit. The borrowings taken for bridging the gap between income and expenditure provides only a temporary relief. For achieving fiscal sustainable level three important parameters are (i) growth rate, (ii) ratio of revenue receipts to GSDP and

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(iii) interest rate on borrowings. In the case of Madhya Pradesh RR-GSDP ratio improved to 20.21 in 2011-12 from17.02 in the year 2008-09.The GSDP recorded a CAGR of 17.67% during the same period. The weighted average interest rate on the outstanding liabilities showed only a marginal improvement but the interest payments to revenue receipts ratio came down to 8.47% in 2011-12 from 13.66% in 2007-08. Thus over these years there was improvement in the capacity to service the debt leading to fiscal sustainability

5.9 The weighted average interest rates on various categories of state government liabilities are given in Appendix 5.2. A glance at this appendix indicates that the over all interest rate was lowest in the year 2008-09. During this year, not only the market borrowings could be raised at a comparatively lower interest rate (7.11% p.a.), but the loan from the centre was also at an interest of 5.99% p.a. i.e. much lower than the average interest rate of 9%p.a.during other years. The over all average interest rate during the last two years has also been at a reasonable level of 8.28% and 8.5 % respectively. However, the special securities issued to NSSF have been most expensive at 9.5% per annum for all the years. The Committee on Comprehensive Review of National Small Saving Fund has recommended reduction in the mandatory allocation to the States, of small savings collections to 50% from the existing level of 80%. This is with a view to equalize the burden shared by the Centre and the State in the borrowings from NSSF which are always at a rate higher than the market rates. I understand that the State Govt has already made a move in this regard.

5.10 In view of the increasing interest burden of State Governments, various Finance Commissions have suggested corrective measures. The 12th Finance Commission (FC-XII) linked relief to rule based

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legislative reforms and recommended that the states should enact a fiscal responsibility act and a debt write off scheme linked to fiscal performance. For this purpose it recommended DCRF having two components of relief, viz, debt consolidation and debt write off. The benefit under debt consolidation provided for consolidation of all central loans contracted by the State until March 2004 and outstanding as at the end of March 2005 into fresh loans for 20 years at an interest rate of 7.5%. DCRF however excluded two categories i) loans received by the State for centrally sponsored schemes and ii) loans in the form of special securities of NSSF. Benefit under DCRF was also subject to the condition that the State Government concerned has a FRBM Act in place. The State of Madhya Pradesh enacted FRBM Act in the year 2005 and it came into operation w.e.f 01.01.2006. Another condition was to bring down revenue deficit to zero by the end of 2008-09. Since Madhya Pradesh fulfilled both the above conditions, it was able to get benefit of debt consolidation as well as debt/ interest relief. Under DCRF Madhya Pradesh got an interest relief of Rs 1320cr and another Rs.1820 cr as debt relief. In the RBI report on state finances Madhya Pradesh is mentioned as one of the states which benefitted the most, among NSC states, from interest relief and debt waiver schemes. The benefit of such relief is also reflected in the lower interest rate of 5.99 % p.a. on loan from the centre during the year 2008-09.The annual growth rate of debt stock also came down to a single digit figure; 6.69% at the end of March,2007 and 3.92% at the end of March, 2008.

5.11 The capital expenditure has registered a CAGR of 7.29% during 2007-08 and 2011-12. When the capital expenditure of these years is seen in juxtaposition with the borrowing of those years, it would be quite evident that, except the year 2009-10, in other four years all

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fresh borrowings have totally gone for financing the capital expenditure. Sometimes a minor difference gets camouflaged when the expenditure as loans and advances is taken as a part of capital expenditure or when the figures of net rather than fresh borrowings are used. However, in the year 2009-10 after adding the figure of expenditure in the form of loans and advances the amount comes much more than that of fresh borrowings. Year wise figures from 2007-08 to 2011-12 are set out below:-

Particulars	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Market borrowings raised	1875.00	4495.25	5821.00	3900.00	4000.00
Loans from the Centre	539.02	1153.68	1344.54	1094.33	1032.60
Borrowings from financial institutions					
i) NABARD	652.70	752.21	602.30	369.57	1250.00
ii) NCDC	30.89	36.91	0.67	31.75	26.62
iii) LIC	Nil	1.29	0.17	-	-
iv) W&M Adv	-	19.01	-	-	-
iv) Spl securities issued to NSSF	246.05	70.77	810.00	2038.41	441.03
v) others	27.29	23.85	23.32	23.71	Nil
Total	**3370.95**	**6552.97**	**8602.50**	**7457.77**	**6750.25**
Capital expenditure	6832.70	6713.15	7924.88	8799.88	9055.16

Source 'account' figures from FS memorandums

5.11 The figures of capital expenditure as percentage to GSDP, during the years 2002-03 to 2011-12 are given in the last row of appendix 3.1.There is improvement from 2004-05 and it reached the peak of 5.32% in 2005-06.During the years from 2008-09 to 2010-11 it was around 3.4%. However it dipped to 2.92% in 2011-12. That year the revenue expenditure despite a growth of 17.06% got its share, in the total expenditure, sliced down to 67.89% from the preceding year's figure of 78.24%. The obvious reason is more than four times increase in the category of loans and advances. In 2011-12 an amount of Rs 10257 crore was given for the financial restructuring of electricity companies.

5.12 It is noticed that there is some discrepancy in the figures of public debt mentioned in the FS memorandum and in the statement F-5 laid in compliance of FRBM, Act. Illustratively according to the FS memorandums outstanding public debt figures as at the end of March, 2010, March,2011 and March,2012 were Rs 61532crore, 67197.84 crores and Rs71478.10crore respectively. On the other hand F-5 statements give the amount of outstanding liabilities, as on the same dates, as Rs 67852.56 crore, Rs 75504.31 crores and Rs81756.54crores. It is further noticed that while the figures for various components of internal debt and loans and advances from centre tally the difference is only in the figures of public account. In response to a query I was informed that in the debt figures mentioned in the FS memorandum against public account some interest free deposits have not been added as per the prevailing practice. However, such deflated figures of debt give not only misleading debt-GDP ratios but affect the total financial analysis. In my view to ensure that FS memorandum reflects the correct picture of outstanding debt, it should give the figure similar to the statement F-5.

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Chapter-VI - Implementation of FRBM Act.

TOR-Implementation of FRBM Act and commitment towards targets. Analysis of MTFP of various departments and aggregate.

6.1 The State Government of Madhya Pradesh has enacted Fiscal Responsibility and Budget Management Act which was published in extra ordinary gazette dated 26.08.2005. The Act has come into force from 01.01.2006 and provides for the responsibility of the State Government to ensure prudence in fiscal management. As per Section-9 sub section (2)of the Act, the fiscal targets prescribed for the State Government are as follows :-

(a) Reduce revenue deficit in each financial year so as to eliminate it by 31st March 2009 and generate revenue surplus thereafter.

(b) Reduce fiscal deficit in each financial year so as to bring it down to not more than 3.0 per cent of GSDP by 31st March 2009.

(c) Ensure within a period of 10 years i.e as on the 31st day of March 2015, that total liabilities do not exceed40 per cent of the estimated GSDP for that year

(d) Limit the annual incremental guarantees so as to ensure that the total guarantees do not exceed 80 per cent of the total revenue receipts in the year preceding the current year

6.2 Sub section (2) of Sec 9 was amended in the year 2012 by issuing an ordinance published in the gazette dated 12th January, 2012. It was subsequently replaced by an amendment Act, notified in the state gazette dated 31st March, 2012. The amended clause (c) is as follows:-

> *(c) ensure that the total outstanding debt do not exceed 37.6 per cent, 36.8 per cent, 36.0 per cent and 35.3 per cent for the financial year, 2011-12, 2012-13, 2013-14and 2014-15 of the estimated GSDP for that year respectively.*

6.3 Thus the target of containing total liability to GSDP within 40 % by the end of March 2015 has been revised as above. The revised target is to ensure that debt to estimated GSDP ratio does not exceed 37.6% at the end of 2011-12 and 35.3 % as on the 31st day of March 2015. The figures in following table indicate that the State has achieved targets laid down under the FRBM, Act. The revenue deficit was to be eliminated by 31st March 2009. As against that the state has a revenue surplus right from 2004-05. The fiscal deficit is also less than 3% of GSDP in all the five years mentioned below. The percentage of total liabilities to GSDP is also being maintained well below 35.3% right from the year 2006-07. The actual values of these deficit indicators are given in the following table:-

Table 6.1

S. No	Item	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
1	Revenue surplus as percentage of GSDP	2.60	3.57	2.50	2.53	2.52	3.14
2	Fiscal deficit	2.20	1.95	2.73	2.86	1.94	1.86
3	Total outstanding liabilities as percentage of GSDP	42.73	39.47	32.99	27.79	26.87	25.83 (RE)

Source: Statements laid in compliance of FRBM Act

6.4 The Government of Madhya Pradesh, every year, has been laying on the of Table of the State Legislature a Medium Terms Fiscal

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Policy (MTFP) statement as required by Section-4 of the Act. The statement contains a projection of important fiscal parameters e.g., revenue receipts, capital receipts, revenue expenditure, capital outlay, growth in GSDP, etc. There is a separate assessment of sustainability as well as new policy initiatives in fiscal sector.

6.5 The rules under FRBM Act were notified on 30th January 2006 and these rules contain the details of the statements, the State Government is obliged to lay before the legislature every year. These rules also describe the formats under which the requisite information has to be given. The macro economic frame work statement has to be in Form F1, medium term policy statement in Form F2 and fiscal policy strategy statement in form F3. In addition, at the time of presenting the budget, the State Government has to make certain disclosures as required under section 10 of the Act. The prescribed statements for such disclosure are:-

a. Form F4- A statement of select indictors of fiscal situation.
b. Form F5- A statement of component of State Government liabilities.
c. Form F6- A statement on a consolidated sinking fund.
d. Form F7- A statement on guarantees given by the Government.
e. Form F8- A statement on Guarantee redemption fund.
f. Form F9- A statement of Financial assets
g. Form F10- A statement on claims and commitments made by the State Government.
h. Form F11- A statement on the details of number of employee in the State Government, State PSUs and State Aided Institutions and related salaries.

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6.6 The State Government has to lay before the legislature a medium term fiscal policy statement and the in the forms as prescribed under the rules. Rule-4 mentions that such statement shall be in Form F2. It has been observed that after the commencement of the rules in January 2006 the State Government has been regularly laying such information in the legislature. Sufficiently detailed information relating to state finance is given in Form F2. These include rolling targets of fiscal indicators, projection of fiscal indicators, growth in GSDP, assessment of fiscal sustainability and projections of pension liability. The performance of the State Government on fiscal indicators, receipts both revenue and capital, various forms of expenditure, borrowings etc. have been discussed in other chapter of this report. I, therefore do not see any need to repeat that analysis here. However in form F2 presented alongwith the budget of 2011-12 it has been mentioned that the sudden spurt in expenditure on salaries and pensions is on account of the benefit given to State employees and pensioners of the Sixth Pay Commission. A new item mentioned in F2, which has not been covered in other chapters of the report, is the long term projection expenditure on pension liability. In the F2 statement presented alongwith the budget for 2010-11 the estimated pension liability for the year 2019-20 has been indicated as Rs.9165.11 crores. In the form F2 presented alongwith the budget of next i.e. 2011-12 the projected pension liability for the year 2019-20 is Rs.12771.14 crores and that of 2020-21 is Rs.14303.68crores. The increase for the projected liability for the year 2019-20 indicates that the projections are being worked out every year. This is a good sign that the projections are being worked out independently every year on the basis of the latest figures. Keeping in view the actual payment

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expenditure of Rs.4388.91crores in the year 2011-12 the CAGR works out to nearly 14%.

6.7 In the scheme of MTFP there are no separate targets for other departments. In fact the whole information required by various formats under the rules comes within the purview and responsibility of the Finance Department. However the other department have to cooperate to the extent so as to contain their expenditure and other liabilities within the budget. Secondly, the other departments have also to make sincere efforts for the recovery of dues they are responsible for. Because all such actions of other department which affects the income and expenditure of the State Government have a direct bearing on the fiscal indicators.

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Chapter-VII - State's Transfers to Rural and Urban Local Bodies.

TOR-Analysis of the state's transfers to urban and rural local bodies in the state Major decentralization initiative. Reforms undertaken under JNNURM conditionalities.

7.1 The urban population of Madhya Pradesh is two crores having a share of 27.63% in the total population of 7.25crores. The number of Urban Local Bodies (ULBs) is 377 comprising of fourteen Municipal Corporations, one hundred Municipal Councils and 263 Nagar Panchayats. The Municipal Corporations are governed by the Madhya Pradesh Municipal Corporation Act, 1956 and the remaining two i.e. Municipal Councils and Nagar Panchayats are governed by Madhya Pradesh Municipalities Act, 1961. In the State four cities have a population of more than a million and 32 cities have a population exceeding one lac. The local bodies for rural areas are village panchayats at village level and janpad panchayats at the development block level. In every district there is a zila panchayat to coordinate and supervise the activities of village/janpad panchayats. These rural local bodies are governed by Madhya Pradesh Panchayat Act, 1993.

7.2 After 73rd and 74th amendments to the Constitution in 1993 there is a considerable emphasis on the empowerment of Panchayati Raj Institutions (PRI) and Urban Local Bodies (ULB) in functional as well as in financial terms. This is important because these bodies provide basic services at the grass root level and thus are primary interface for the citizen interaction with the government. Article 243 (i) provides for setting up of a State Finance Commission (SFC) in every state for recommending devolution of resources to these bodies.

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7.3 In the state of Madhya Pradesh so far three SFCs have given their recommendations. The report of third SFCs was received towards the end of October, 2008. The main features of this report are as follows:

a. The **net tax revenue** should be calculated after deducting 10% of the amount as expenditure on collection from the state's own tax revenue. The amount given to PRIs and ULBs as per provisions of various Acts and Rules should be further deducted from the **net tax revenue;** the balance such arrived at should be treated as the **divisible pool.**

b. 5% of the **divisible pool** should be given as share in state taxes to PRIs and ULBs in the ratio of 4:1.It means that 80% of the amount to PRIs and the remaining 20% to ULBs

7.4 For computing the amount of divisible pool, the revenue collected against taxes already assigned to ULBs/PRIs under earlier ongoing Acts is to be deducted from the net tax revenue. There are as many as eleven items for deduction. For better appreciation, computation of the devolution amount for the year 2011-12 is given in Appendix 7.1. It may be observed from this appendix that the total deduction of already assigned revenues is over Rs.4035crores. The major transfer of revenue under the assigned taxes is to ULBs and the share of PRIs is rather small. However, since the entire amount is deducted for working out net divisible pool; this method becomes unfair to PRIs. In fact if there is no such deduction and the proportionate share of ULBs and PRIs are determined on the basis of net tax revenue the PRIs will stand to gain.

7.5 After working out the share of PRIs in the divisible pool, financial devolution to different tiers of PRIs has been recommended as follows:

i. 35% to 21527villages each having a population less then 500.

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ii. 26% to 16235villages each having a population between 501 and 1000.

iii. 21% to7102 villages each having a population between 1001 and 1500.

iv. 18% to 7235villages each having a population of more then 1500.

7.6 The distribution among four aforementioned categories is further subject to the condition that the amount per capita should not be less than Rs100, Rs75, Rs60 and Rs50 respectively.

7.7 In addition to devolution from net tax revenue the SFC has recommended grants to PRIs, from the consolidated fund of the state as per the details given below:

i. 23040 Village Panchayat be given grant @Rs.25/per person per year. The amount in this category works out to Rs.110.95crore.

ii. An amount of Rs.20.00crore per year be given to Janpad Panchayat and Rs.5.00crore per year to Zila Panchayat as general purpose grant.

iii. The practice of giving establishment grant to PRIs be continued.

iv. For the maintenance and upkeep of assets at Village Panchayat level a grant of Rs.50.00crore be given and the same should be distributed on the basis of population.

v. The Gram Panchayats, running piped drinking water supply schemes should be fully compensated for the electricity charges.

7.8 The recommendations for financial devolution to ULBs are as follows:

i. The share of ULBs in the divisible pool should be distributed on the basis of year 2001 population, as under:

a. 45% to Nagar Panchayat.

b. 40% to Municipalities.

c. 10% to those Municipal Corporations not receiving and assistance under JNNURM.

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d. 5% to Municipal Corporations receiving assistance under JNNURM.

ii. The practice of giving Entry Tax and Surcharge/Cess to ULBs be continued.

iii. The payment of 15% surcharge on commercial tax to ULBs has been discontinued w.e.f. 31/03/2006. To compensate this loss, the ULBs be given a grant amounting 5% of the revenue collected under VAT.

iv. The ULBs recovering the full Water Charges be given financial assistance, to meet the expenditure of electricity bills for running schemes according to the following scale:

a. ULBs having population less than 10000–50%.

b. ULBs having population between 10000 to 20000–30%.

c. ULBs having Population between 20000 to 50000–25%.

7.9 The State Government has accepted practically all the major recommendations of the SFC. The recommendation pertaining to calculation of divisible pool and also the recommendation of devolving 5% of divisible pool to PRIs and ULBs in the ratio 4:1 have been accepted. The recommendation for giving a grant of Rs.110.95crores to 23040 village panchayat has been accepted with the condition that only the village panchayat levying and collecting taxes would be eligible for such grant. The recommendation for giving a grant of Rs.20.00crores to Janpad Panchayat and Rs.5.00crores to Jila Panchayat as general purpose grant, to be distributed on the basis of the population has also been accepted. Similarly all the major recommendations having financial out go in favour of ULBs have been accepted. The recommendation relating to compensation for electricity bills to nagar panchayat for water supply schemes has been accepted with a rider that the nagar panchayat would have to recover 90% of water charges. Further, nagar panchayat having a population of less then 10000 will be eligible for 50% of the electricity bill. Such percentage for nagar panchayats having population between 10,000 to

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20,000 and 20,000 to 50,000 will be eligible for receiving 33% and 25% respectively of such expenditure on electricity bills.

7.10 The State Government has not accepted following two recommendations of the SFC

i. Reorganization of panchayats on the basis of area and population.
ii. Creation of a pool of technically competent persons at Janpad Panchayat level so that Village Panchayat can avail their services on some reasonable payment.

7.11 A few other recommendations of FSC are under consideration of the Government. The important one, among these, is doing away with the classification of taxes into compulsory and discretionary categories.

7.12 The Thirteenth Finance Commission in Para 10.161 of its report has laid down certain conditions for making a State eligible for general performance grant. These conditions and the status of action taken, to fulfill them, by the State Government are as follows:-

Sr. No.	Conditions	Action Taken
1.	The State Government must put in place a supplement to the budget document for local bodies furnishing the details indicated in Para 10.110. They should require the PRIs and ULBs to maintain accounts as specified in this chapter.	A supplement to the budget documents is being given from the fiscal 2009-10. The PRIs and ULBS have also been directed to maintain accounts in modified format.
2.	The State Government must put in place an audit system for all local bodies as indicated in Para 10.121. The Annual report of the	This has been complied with. The annual reports of the Director of Local Fund Audit are also being placed before

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	Director of Local Fund Audit must be placed before the State legislature.	the State legislature.
3.	The State Government must put in place a system of independent local body Ombudsmen who will look in to complaints of corruption and maladministration against the functionaries of local bodies, both elected members and officials	The State Government has authorized the Lok Ayukt of the State to look in to the matters of corruption and maladministration against the functionaries of local bodies. This has become functional and at present a good number of such complaints are under consideration of the State Lok Ayukt.
4.	The State Government must put in place a system to electronically transfer local body grants provided by this Commission, to the respective local bodies with in five days of their receipt.	This is being done. In fact practically all assistance to local bodies is being transmitted electronically.
5.	The State Government must prescribe through an Act the qualification of persons eligible for appointment as member of the SFC consistence with Article 243I (2) of the Constitution.	In the State SFC Act, 1994 a provision to this effect already exists.
6.	All local bodies should be fully enabled to levy property tax and any hindrances in this regard must be removed.	Such provision already exists and the State Government has furnished compliance in this regard to GOI.
7.	The State Government must put in place a State level property	State Property Tax Board has been constituted vide

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	tax board which will assist all ULBs to put in place and independent and transparent procedure for assessing property tax.	notification dated 25-03-2011.
8.	The State Government must notify or cause all the Municipal Corporation and Municipalities to notify by the end of a fiscal year the service standards for four service sectors- water supply, sewerage, storm water drainage and solid waste management to post to be achieved by them by the end of a succeeding fiscal year.	The State Government has been notifying such benchmark of service from March 2012.
9.	All Municipal Corporation with a population more then one million (2001 censes) must put in place a fire hazard response and mitigation plane for their respective jurisdiction.	All the four cities, having a population of more then one million, have facility for fire hazard response.

7.13 The 13th Finance Commission has laid a great emphasis on the development of proper and credit worthy accounting system for PRIs/ULBs. This assumes further significance in view of the quantum of devolution to these bodies. The 13th FC has recommended for laying of the reports of the Director Local Fund Audit in the state assembly. The C&AG had set up a task force way back in 2002 to recommend appropriate accounting and budget formats for ULBs. Following this the National Municipal Accounts Manual was prepared suggesting accounting format and codification pattern.

7.14 The Acts pertaining to Municipal Corporation and Municipalities were amended in the year 2012 empowering the Director Local Fund

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Audit to prepare an annual report on the finances of local bodies which should be placed on table of state assembly. I am informed that the first annual report is in the final stage of preparation and would be available for laying on the table of legislative assembly in the forthcoming session.

7.15 The ULBs as well as Panchayati Raj Institutions get financial assistance from the State Government in addition to their own resources. In the State budget a separate part (volume 7) is being devoted from fiscal 2009-10 wherein budget provisions pertaining to local bodies are mentioned. The ULBs are expected to levy taxes of compulsory as well as discretionary category. In the first category the taxes are property tax, water charges, local body tax and general sanitary, lighting & fire tax. In the category of the grant-in-aid the major source from the State Government are compensation in lieu of abolishing octroi and passenger tax.

7.16 During the five years period ranging from 2008-09 to 2011-12 the financial assistance to ULBs against the share in state taxes and other assigned taxes has been set out below:

Table 7.1

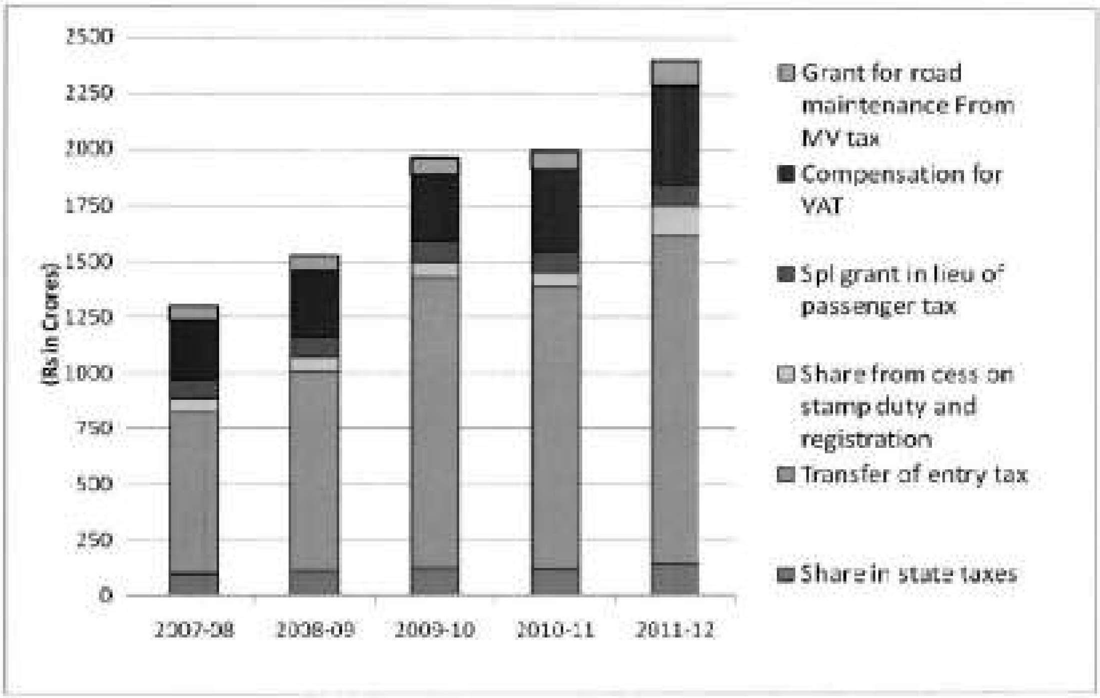
Transfers from State to ULBs

(Rs in Crore)

Item	2007-08	2008-09	2009-10	2010-11	2011-12
Share in state taxes	100.85	115.73	131.09	122.74	141.91
Transfer of entry tax	729.70	895.90	1305.39	1268.46	1475.38
Share from cess on stamp duty and registration	59.19	64.00	66.00	64.68	140.15
Spl grant in lieu of passenger tax	78.31	86.14	90.00	90.00	89.97
Compensation for VAT	271.92	299.11	300.00	369.00	440.13
Grant for road maintenance From MV tax	59.84	66.24	69.95	80.00	110.97
Total	1299.81	1527.12	1962.43	1994.88	2398.01

(99)

G 7.1



Transfer of entry tax and compensation for VAT put together contribute more than three-fourth of the total transfer mentioned above. Entry tax alone has a share of more than 60% in the total during last three years. Further, the CAGR of the transfer of entry tax, during the given period, has been 19.24% as against 16.54% of the total transfers.

7.17 The ULBs get grants from the state for a number of schemes besides the amount indicated above. A number of departments implement schemes in urban areas out of their own budget.

7.18 The Panchayati Raj Institutions (PRIs), in addition to share in State taxes and performance grant based on the recommendations of Thirteenth Finance Commission, also get royalty on Minor Minerals and share from additional stamp duty. The performance grant on the recommendations of 13th finance Commission has commenced from the year 2011-12 and the amount received is Rs.220.72crores. The actual flow of funds to PRIs under other schemes is set out below:

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Table 7.2

Transfers from State to PRIs

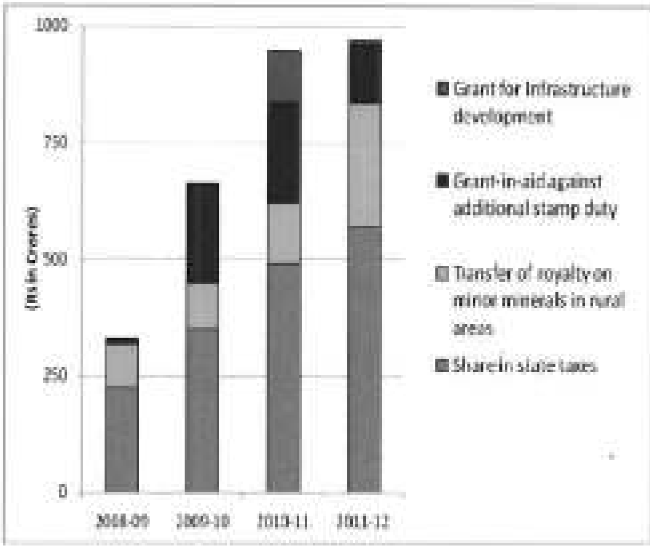
(Rs. in crore)

Sr. No.	Item	2008-09	2009-10	2010-11	2011-12
1	Transfer of royalty on minor minerals in rural areas	91.80	100.80	130.00	269.15
2	Grant-in-aid against additional stamp duty	12.75	213.31	216.43	126.00
3	Grant for Infrastructure development	00.00	00.00	110.94	8.55
4	Share in state taxes	226.00	349.50	490.94	568.60
5	Total	330.55	663.61	948.32	972.30

Source-Directorate of Panchayat Raj, Madhya Prdesh.

G 7.2

The adjoining bar chart indicates that share in taxes and royalty from minor minerals are two steadily growing and important sources of revenue for PRIs. Transfers against additional stamp duty have shown an unusual growth after 2008-09. Infrastructure development grants started from 2010-11 on the recommendations of 3[rd] SFC



7.19 The State Government has implemented a large number of reforms in the urban sector. The action taken by the Government on such reforms is given in Appendix 7.2. In addition to the acceptance, in general, of the conditions mentioned above the State Government has been submitting reports every year to the central government on related issues for the release of performance grant. Regarding the condition of elections of ULBs last election was held in November 2009 and the next is due in November 2014. The utilization certificates for

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installments drawn have been submitted in the year 2013. The last installment of grant of Rs.94.26crores was drawn and disbursed to ULBs within ten days of the receipt from the Central Government. The fire hazard and mitigation plan for corporations with a population of more then one million are in place and necessary notification for the year 2012-13 have also been issued. Accrual based Double Entry Accounting System (DEAS) is now under operation in all the four JNNURM cities. In addition the new MP Municipal Accounts Manual prepared in July 2007 in under implementation in the fourteen Municipal Corporations and 96 Municipal Councils. As far as user charges are concerned a separate provision has been introduced in the Municipal Acts and such amendment has been notified in the official gazette dated 19-04-2013.

7.20 A public disclosure law is being implemented from the year 2008-09 by making necessary provision in the Act and framing of the rules. The reforms pertaining to rent control have also been published in the official gazette on 23-04-2012. The procedure for sanctioning building plans have been streamlined and a provision of deemed permission is there in case of non-approval of plan within 30days. A provision for rain water harvesting in all buildings is implemented and now it is mandatory for the plots of the size 140Sq.M. and above to have rain water harvesting. For effective audit of all tiers of ULBs Director Local Fund Audit has been authorized and its report is being placed before the State legislature.

7.21 In the implementation of JNNURM 28 projects have been taken under UIG sub- mission and 22 under BSUP sub- mission. The details relating to the cost of projects and shares of Central Govt, State Govt and the ULB are set out below:-

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Table 7.3

Projects under JNNURM

(Rs in crores)

No. of Projects	Sectioned Cost	Award Cost	ACA Share	State Share	ULB Share	Expenditure
28	2669.55	3175.21	1365.01	359.74	581.31	1775.89
22	704.26	1396.73	347.33	106.04	245.00	635.53
Total JNNURM	3373.81	4571.94	1712.34	465.78	826.31	2411.42

Source: Information from the State department of Urban Development

7.22 After sectioning of the projects when tenders were invited for actual implementation, it was noticed that an additional amount of Rs.1121.00crores would be required for their completion. The State Government is going to bear this entire additional cost amounting to Rs.654.56crores for UIG and Rs.466.46crores for BSUP. A loan from HUDCO has been negotiated for meeting this requirement. The works in the majority of projects are still in progress, and out of 28 projects under UIG 12 have been completed while under BSUP the number of completed projects so far is only three.

7.23 In the budget documents presented in the state assembly a separate volume containing details of the financial flow to ULBs and PRIs is being placed from the year 2009-10. Further, in the state budget there are distinct minor heads for each category; 191,192 and193 for municipal corporations, municipalities and nagar panchayats respectively. On a similar pattern minor heads 196,197 and 198 pertain to zila panchayats, janpad panchayts and gram panchayts respectively. This has helped the officials as well as the elected representatives of ULBS and PRIs in understanding the budget provisions. Now under any major head one can easily find the figure for a particular category of PRI/ULB.

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7.24 The conditions laid down by the Thirteenth Finance Commission for receiving Central assistance have been met by PRIs also. Information on all the nine points mentioned in the para 10.161 of the 13th FC report has already been given above. However compliance on certain additional points specific to PRIs is given in Appendix 7.3.

7.25 The condition relating to putting a proper audit system in place has been fulfilled. In addition the department has also started a procedure for concurrent audit. It was noticed that most of the audit reports of Gram Panchayat carry a remark, that records are either not kept properly or are not available. The procedure has now been streamlined and as against 19 registers the Panchayat Secretary is now required to maintain only 8 registers identified by the CAG. Software, for conducting concurrent audit, has also been developed and the scheme has become operational.

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Chapter-VIII - Impact of State PSUs on the Financial Health of the State.

TOR-Impact of State Public Enterprises finances on the States' financial health and measures taken to improve their performance and/or alternatives of closure, disinvestment etc.

8.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statuary Corporations. As on 31st March 2010 there were 61 PSUs out of which 51 were working and the remaining 10 were non-working PSUs. Out of 61 PSUs 4 were statutory corporations and all of them were in the category of working PSUs. The turnover of State PSUs and their share in the State GDP during a period of five years is set out below:-

Table 8.1

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover	14257.18	12800.73	20735.68	26067.37	31637.50
GSDP	144576.81	161479.39	197276.20	227983.75	260198.47
Percentage of Turnover to GSDP	10.14	12.61	9.51	8.74	8.22

8.2 The accounts of the State Govt. Companies are audited by statutory auditors appointed by CAGs. Out of 4 statutory corporations CAG is the soul auditor for two i.e. MP State Electricity Board and MP State Road Transport Corporation. In the case of remaining two i.e. MP State Warehousing Corporation and MP Financial Corporation, the audit is conducted by chartered accountant and supplementary audit by CAG.

8.3 The figures of investments in Govt. companies as well as statutory corporations during last 5 years are given in Appendix 8.1. It may be observed that the number of statutory corporations has remained four in all the five years and all are working undertakings. There is no non working statutory corporation in the State. In the case of government companies the number of working units has gone up from 31 to 47 and that of non working from 9 to 10 during the same period i.e. from 2007 to 2011. Secondly the capital investment in Govt. non-working companies has remained more or less at the same level. The figures of outstanding long term loan are also static there by meaning that even accrual of interest has not been taken into consideration.

8.4 The investment of the State Government in PSUs, as at the end of 2010-2011 was Rs24400.17crore consisting of 44.27% towards capital and 55.73% in long term loans. The sector wise break-up of investment is set out below

Table 8.2

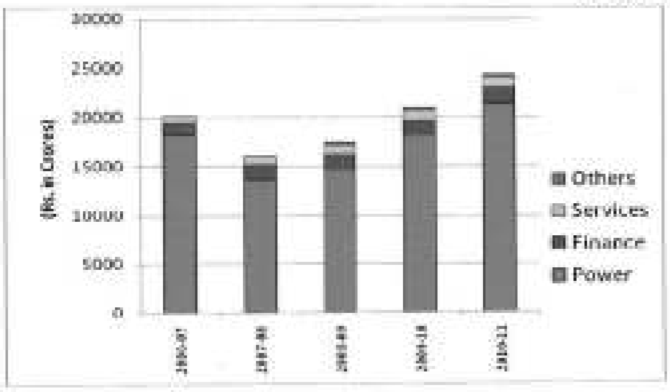
Sector wise Investment in State PSUs

(Rs. in Crore)

Years	Power	Finance	Services	Others	Total
2004-05	3959.49	1012.77	184.33	481.00	5637.59
2005-06	17302.82	1103.01	189.92	427.56	19023.31
2006-07	18273.04	1143.39	601.96	136.81	20538.85
2007-08	13663.28	1421.16	858.65	137.13	16474.86
2008-09	14629.98	1538.02	927.91	352.02	17447.93
2009-10	18138.23	1527.71	923.64	390.07	20979.65
2010-11	21414.20	1598.32	923.64	464.01	24400.17

G 8.1

This bar chart depicts the predominance of investment in PSUs of power sector. Their share in 2010-11 has exceeded the level of total investment in all PSUs in 2006-07. However the % to total has marginally declined from88.96% to 87.76%.



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8.5 The figures given in the above table indicate that the investment in PSUs by the State is essentially in the Power Sector. Further its share in the total investments in PSUs increased from 70.23% in 2004-05 to 87.76% in 2010-11.

8.6 The details regarding budgetary outgo from the State Government towards State PSUs are given in the Appendix 8.2. It may be observed that in the total budgetary outgo the share of grant/subsidy is quite substantial. In the year 2008-09 it was almost 70%. Even in the year 2010-2011 the share of grant/subsidy was 51% of the total budgetary outgo. Further in 2009-2010 three PSUs got their loan amount of 1336.54 converted into equity. During this very year government issued guarantees for Rs 2438.30 crore in favour of 8 PSUs.

8.7 The PSUs are liable to pay guarantee commission at rates ranging from 0.5% to 1.0% per annum to the State Government on the maximum amount on the given guarantee irrespective of the amount availed or outstanding. As on 31st March 2010 a guarantee commission of Rs.5.41crore was payable by six PSUs against which the actual payment was only Rs.1.47crore by four PSUs.

8.8 It has been highlighted by the CAG, practically every year that there is lot of difference in the figures appearing in the Finance Account of the State and the record of State PSUs. The difference in the figures of equity, loan and guarantees during the years 2009-10 and 2010-11has been indicated in the following table.

Table 8.3

Difference in the Figures of State Finance Accounts and Records of PSUs

(Rs. in crore)

Outstanding in respect of	**March 2010**			**March 2011**		
	Amount as per Finance Accounts	Amount as per records of PSUs	**Difference**	Amount as per Finance Accounts	Amount as per records of PSUs	**Difference**
Equity	6022.26	10819.57	**4797.31**	6323.86	10389.41	**4065.55**
Loans	2027.18	10160.08	**8132.90**	1617.34	5554.43	**3937.10**
Guarantees	89.00	1031.10	**942.10**	3604.00	3247.37	**356.63**

8.9 It has been highlighted by the CAG that such inordinate delay in finalization of accounts, apart from violation of the provisions of the Companies Act, 1956 is fraught with the risk of fraud and leakage. If the existing staff is inadequate then the Government may consider outsourcing the work relating to preparation of accounts.

8.10 Some key parameters pertaining to PSUs like i) return on capital employed ii) turnover iii) debt iv) accumulated profit/loss etc are given in appendix8.3 A glance at this appendix indicates that though all PSUs put together are giving loss every year but their turnover as percentage to GSDP has gone up from5.92% in 2004-05 to 11.65% in 2010-11. This percentage is the key parameter to reflect the extent of PSUs activities in the overall State economy. Appendix 8.3 further indicates that the percentage of turnover to GSDP has been consistently improving from the year 2004-05 to year 2009-10 with an exception of only 1 year i.e. 2007-08. Anyway in view of other key parameters the performance of PSUs has been highly unsatisfactory. The return on capital is either nil or negative from the year 2007-08 onwards. The accumulated loss figures have gone up nearly four times between 2006-07 and 2010-11.

8.11 The information contained in the above para gives loss figures of all PSUs put together. The performance of working PSUs is equally a cause for concern since 99% of the investment is in the working PSUs. The annual profit/loss figures given in the following table shows that working PSUs earned an overall profit till 2006-07 but started incurring huge losses thereafter. The major contributors to loss were the companies in the power sector. During 2009-10 the final figures would have been in positive but for four companies responsible for a loss of over rupees three thousand six hundred crore. All these four were in the power sector; three for generation and one for distribution.

Table 8.4

Profit/Loss earned/incurred by Working PSUs

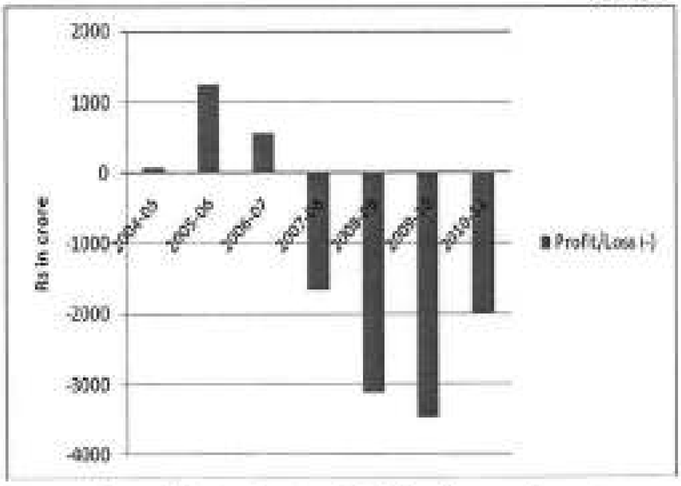
(Rs. in crore)

Year	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Profit/Loss (-)	74.48	1242.13	555.78	- 1668.65	- 3120.13	- 3486.00	- 1999.15

Source: Reports of CAG ending March,2010 and March,2011.

G 8.2

The working PSUs, as whole, have been incurring losses after 2006-07. The only redeeming feature is that the aggregate loss in 2010-11 is less than the figure of previous year.



8.12 The return on capital employed in State PSUs has also been showing a decreasing trend. It may be seen from appendix 8.3 that the return on capital employed was 8.2% in 2004-05 and it went down to 5.51% in 2006-07 and thereafter it turned negative. The State Government had formulated a dividend policy in July 1998 for payment of minimum 12% dividend on the equity contribution. However this policy was revised to 20% on profit after tax in July

2005. As per the accounts finalized up to 2009-10, 27 PSUs earned an aggregate profit of Rs.147.82crore while only 7 PSUs declared a dividend of Rs.13.64 crore. The remaining 20 profit making PSUs did not declare any dividend.

8.13 The companies are required to finalize accounts for every financial year within 6 months i.e. September of the relevant year. It is observed that most of the PSUs have been defaulting on this statutory provision of the companies act. The details are set out in the table below.

Table 8.5

Sr. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1	Number of working PSUs	33	35	35	40	47	51
2	Number of accounts finalized during the year	26	31	37	25	49	59
3	Number of accounts in arrears	48	52	54	69	67	58
4	Number of working PSUs with arrears in accounts	39	30	25	29	1.43	26
5	Extent of arrears	1 to 7 years	1 to 7 years	1 to 7 years	1 to 8 years	1 to 8 years	1 to 7 years

8.14 As on 31st March 2011 there were 10 non-working PSUs. Out of these following seven PSUs have commenced the process of winding-up. In the case of remaining three the closing instructions have been issued but the liquidation process is yet to start.

Table 8.6

Sr. No	Name of the PSU	Paid up Capital	Accumulated Profit/Loss
1	MP Lift Irrigation Corporation Ltd.	5.92	(-)6.33
2	MP Film Development Corporation Ltd.	1.02	-
3	MP Panchayati Raj Vitt Avam Gramin Vikas Nigam	0.16	0.02
4	MP Rajya Setu Nirman Nigam Ltd.	5.00	(-)2.15
5	Octal Tele Communication Ltd.	23.97	(-)131.76
6	MP Vidyut Yantra Ltd.	1.50	0.04
7	MP State Dairy Development Corpn Ltd.	-	-

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8.15 This chapter relating to the performance and the status of State PSUs does not make a happy reading. Despite substantial financial support from the State government most of the PSUs are in the area of concern. The return on capital is 'nil' since 2007-08 though 27 PSUs had earned an aggregate profit till the end of 2009-10. The point of still greater concern is the fact that the figures in respect of Equity, Loans and Guarantees outstanding as per records of PSUs do not tally with those appearing in the Finance Accounts of the State. The difference between the two is pretty large as may be evident from the figures given above in table 8.2. Allowing such a situation to continue for a long period is fraught with the danger of fraud. Therefore this difference in the figures needs to be reconciled on top priority.

Chapter-IX - Public Expenditure and Financial Management Reforms.

TOR- Public Expenditure and Financial Management (PEFM) Reforms implemented in the State.

9.1 It is needless to mention that due prudence has to be exercised while incurring any expenditure from the public funds and the persons given such responsibility are also accountable for the same. There is already a system of presenting annual budget in the legislature which is passed after long deliberations. This ensures fiscal transparency as well as the participation of public representatives in the budget process. In fact no expenditure from the state exchequer can be incurred without the approval of legislature. The department wise allocation is proposed after a good deal of deliberations at the highest level of the government machinery. This procedure when followed with due diligence ensures fiscal transparency as well as accountability of persons responsible for it. With the onset of twenty first century the process of change has also paced up, primarily on account of a rapid development in the field of communication technology. The transparency has substantially improved and now all important information relating to budget is available on the web-site. All this has enabled to undertake major reforms in the field of public expenditure.

9.2 With the objective to improve management of public expenditure, the government of MP started a state management financial system from the year 2003-04. The starting point was to develop a proper and transparent information system. The computerization of district treasuries started way back in 1993-94, got a real boost from the year 2003-04. Initial focus was on the offices responsible for the work

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relating to expenditure. Gradually a number of sub system modules were developed to cover other fields like cadre management, court case monitoring etc. The system now maintains a database of around 5 lac employees of the state government wherein each employee has been allocated a unique code which has helped in various administrative matters also, besides monitoring of payments made.

9.3 In the state of MP electronic payments have now come into use in a big way. This is also a part of green initiative since in the transfer of fund electronically, paper cheques are not required. In addition this system has eliminated many manual activities leading to reduction in manpower requirements. Another advantage is that a drawing and disbursing officer can track the status of a particular bill from the website and thus can monitor the expenditure in a more fruitful manner.

9.4 Adoption of electronic fund transfer system has now replaced the issuing of physical cheques for government payments. Now-a-days e-payments are being used not only for salary and pension payments but also for works and vendor payments. Any payment over and above Rs.1000/- has to be made using e-payment system and for this purpose necessary amendments in the Madhya Pradesh Treasury Code have been made. There has been a good progress in the field of electronic payments during last four years. The number of bills paid electronically and amount involved is set out below:-

Table 9.1

Progress in electronic payments

(Rs. in Crores)

Years	No of Bills	Amount	% to Total payments
2009-10	9585	164.72	1.28
2010-11	444690	6001.14	22.85
2011-12	1358801	25432.46	64.82
2012-13	1879704	51723.82	90.81

9.5 Besides e-payment by the Government, there is also a system of receiving Government dues electronically. The status of cyber receipts during last four year period is set out below in table 9.2.

Table 9.2

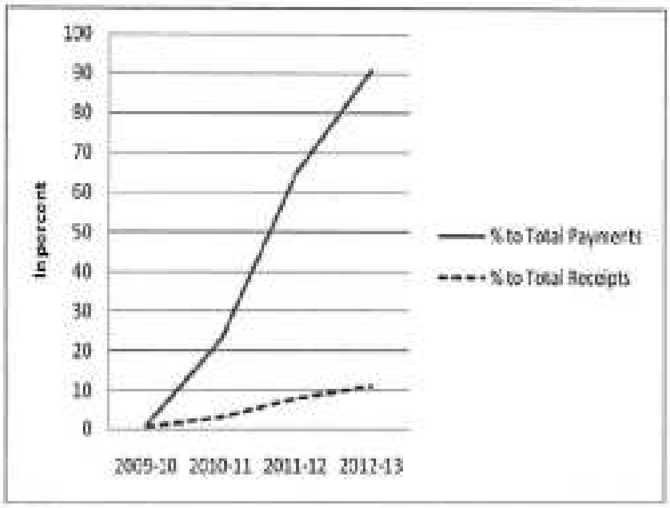
Status of Cyber Receipts

(Rs. in crores)

Sr. No.	Year	No of Challan		Amount	
		Cyber	% to Total	Cyber	% to Total
1	2009-10	639.91	13.29	651.12	0.76
2	2010-11	859.80	15.74	3305.16	3.21
3	2011-12	1012.03	16.68	7614.97	7.89
4	2012-13	1431.78	21.35	11033.26	10.85

G 9.1

This is a graphic depiction of the progress made in the field of e-paymemts and cyber receipts. Apparently the depositors of government revenue have yet to appreciate its advantages. A systemic change is perhaps required



9.6 We may observe from the above tables that while the share of cyber receipts during the four years period ranging from 2009-10 to 2012-13 has gone up from 0.76% to 10.85% the share of e-payments during the same period has zoomed from1.28% to 90.81%. Reaching up to such a level of e-payments that their share is more than 90% of the total is really a big achievement of the public expenditure reform initiative. Some systemic change may be necessary so that the depositors are encouraged to adopt the electronic mode.

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9.7 A few departments of State Government have made a note worthy achievement in the field of e-payments. Information relating to ten top departments has been given in Appendix 9.1. One could observe that the departments paying less then 1% of their bills electronically in the year 2009-10 are now, in the year 2012-13, paying more then 90% of bills electronically. The amount paid electronically has also gone up substantially. For example the departments of energy, local government and food and civil supplies made e-payments of less then Rs.1.00crore in 2009-10. The e-payments by these departments in the year 2012-13 are Rs.6080.21cr, Rs.4139.04cr and Rs.2011.18cr respectively. In fact the e-payments made by the department of food and civil supplies are 99.60% of the total expenditure of that department.

9.8 The benefit of such reforms in the field of public expenditure is not only to the Finance Department of the State but other departments have also gained a lot for the management of their funds. The benefits have percolated down to the drawing disbursing officers of various departments who can monitor the movement of their bills on the web-site. Now a head of department can online supervise the pattern of expenditure being incurred by the officers working under him. He can also check the status of progress of any project and can call for the reports from field officers using electronic mode.

Chapter-X – Impact of Power Sector Reforms on State Finances

TOR-Impact of Power Sector Reforms on States' fiscal health. In case reforms have not been implemented, the likely outcome on the States' fiscal health.

10.1 A major step in the field of power sector reforms was the reorganization of Madhya Pradesh State Electricity Board (MPEB). This was done in the year 2002 when MPEB was unbundled and 6 new companies, under Companies Act 1956 were set up. In the beginning these companies were functioning as agent of MPEB and w.e.f. 01/06/2005 these companies are authorized to function independently. At that point of time the total revenue receipts of these companies were falling much short for meeting the essential expenditure requirements and all of them, therefore, were facing the problem of liquidity. The state government prepared a long term plan for reducing the losses of these companies. This was also necessary to make these companies viable units for raising institutional finance. As a result of such efforts there was a noticeable improvement during subsequent years in the performance of these companies as may be apparent from the following table. The revenue collection figures went up by 88.66% during a period of 5 years giving a compound annual growth rate of 13.53%.

Table 10.1

Performance of Discoms

Item	2005-06	2010-11	Achievement
Transmission losses (in %)	5.23	3.87	Reduction by 1.36%
AT & C losses (in %)	42.30	33.60	Reduction by 8.08%
Annual Revenue Rs. in crore)	5283	9967	88.66% increase in the revenue collection

Source: Information from Department of Energy.

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10.2 The improvements in the electricity sector essentially consist of reduction in AT & C losses and increase in PLF. At present there are three power distribution companies and all of them are unable to pay the amount of electricity duty collected from consumer on behalf of state government. This amount is of the tune of Rs.950.00crore per annum. After examination of various strategies for improving the financial status of power dis. coms the State Cabinet took following decisions in June 2011:

i. The amount of loan given to power dis. coms. by the state government and outstanding as at the end of March 2011 be converted into a perpetual loan. There should be a moratorium of three years and the interest rate should be equivalent to the base rate of SBI.

ii. Leaving aside the districts having franchise for power distribution, in remaining districts the electricity duty and cess collected by power dis. coms. be converted into perpetual loans. This facility will be available for the financial year 2012, 2013 and 2014. The interest chargeable could be same as base rate of SBI.

iii. In the financial years 2012, 2013 and 2014 the amount pertaining to Sardar Sarovar Scheme is also converted into a perpetual loan. This loan will also have a moratorium of three years and interest chargeable at base rate of SBI.

iv. There should be a regular review of the loan made available to dis. coms. for their working capital requirements. Efforts should be made to bring down such requirements to zero in next three years. This working capital loan would have a moratorium of three years and thereafter shall be repayable in quarterly installments over next 12 years.

10.3 The financial restructuring plan approved by the Govt. of Madhya Pradesh for Power Distribution Companies involved rescheduling of existing liabilities into a perpetual loan at an interest rate equivalent to the base rate of SBI. It was argued on behalf of the power distribution companies that rescheduling of loans only defers the recovery of due

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amount and as such has no substantial financial benefit. However this view is not sustainable. The conversion of outstanding working capital loan into perpetual loan at the interest rate equivalent to base rate of SBI has a substantial financial gain for the loanee and consequently a pro rata loss for the lender. The imaginary loss of revenue on the outstanding loan amount of Rs8144,65 crore was estimated at Rs.2532.90crores by the Finance Department of the State. The total amount of imaginary loss on various concessions worked out as under:-

(Rs. in Crore)

i)	Conversion of working capital loan into a perpetual loan with a moratorium of 3 years	2532.90
ii)	Conversion as above of outstanding capital loan	285.54
iii)	Facility as above for the amount pertaining to Sardar Sarovar Scheme	95.70

10.4 The estimated probable loss works out to Rs. 2914.14cr. The restructuring plan with full knowledge of estimated loss of revenue was approved by the State Cabinet. This package was approved in the interest of smooth running of power distribution in the State. The State Government was in a position to bear this financial burden with out much difficulty with an expectation that effective and continuous power supply would lead to economic prosperity as well as higher flow of revenue to the State. After a well thought out and a substantial financial assistance the power sector should now look up. However since the latest installment of assistance has been given only in 2011-12 the improvement would be visible only in the coming years.

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Chapter-XI - Contingent Liabilities.

TOR-Analysis of contingent liabilities of the State.

11.1 The state undertakings borrow money from the financial institutions both, for creating capital assets as well as for the working capital. It is neither possible nor desirable for a state government to meet their total financial requirements. In fact all state governments are keen that its undertakings get adequate financial support from the lending institutions. However a financial institution, before lending money has to be fully satisfied, not only about the viability of the related project but also about the timely repayments as per the schedule. For this purpose they insist for a sovereign guarantee. To facilitate the flow of institutional finance for its undertakings the state government extends guarantee for the repayment i.e. in case of any default by the borrowing undertaking the state government would fulfill the repayment obligation. By extending such guarantee the state government exposes itself to a contingent liability. However the contingent liabilities are not a part of State debt obligations but in the event of default, by the borrowing undertaking, the State has to bear that financial burden.

11.2 A working group, set up by the Reserve Bank, to make an assessment of the fiscal risk of state government guarantee had recommended that the transparency in information discloser is essential. Under the FRBM Act the state government is obliged to give information on outstanding guarantees along with the annual budget documents.

11.3 The State legislature of Madhya Pradesh has not fixed any limit for the total amount of government guarantees. However, the state government has framed rules for regulating the manner of giving such guarantees. According to these rules no state government guarantee shall normally be given in favour of any person or private institution. In order to safeguard government's financial interest the administrative department of the borrowing institution is required to enter into an agreement with the principal debtor and is also responsible for the maintenance of complete record. The borrowing institution has to furnish periodical reports to the administrative department. The government has to observe due prudence while giving guarantees in favor of a particular undertaking keeping in view the associated fiscal risk. Apparently this is being done. A guarantee redemption fund (GRF) has also been set up to meet the requirement of contingent liability as and when required.

11.4 The amount of guarantees issued by the state government and outstanding, over a period of five years, may be seen in the following table.

Table 11.1

Amount of Outstanding Government Guarantees

(Rs. in Crore)

Sr. No.	Item	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Amount Outstanding at the end of year	6890.07	3723.85	4177.70	4975.52	5073.61
2.	% of (1) to Total Revenue Receipts of the preceding year	26.81	12.13	12.44	12.01	9.78
3.	Maximum outstanding amount during the year	9250.97	9132.79	9480.17	10576.18	12638.81
4.	% of (3) to Total Revenue Receipts of the preceding year	36.00	29.75	28.23	25.54	24.37

Source: Information laid in the House, during various years, in Compliance of FRBMs Act (F-7).

11.5 It may be observed from the above table that the percentage of the guarantee amount to the total revenue receipts of the preceding year is much less than the prescribed ceiling of 80% in FRBM, Act.

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Further, there has been no withdrawal from the guarantee redemption fund. The details of GRF are set out below.

Table 11.2

Balance **Guarantee Redemption Fund**

(Rs. in Crores)

Years	Outstanding at the end of previous year	Addition during the current year	Withdrawal during the current year	Outstanding at the end of the current year	Balance
2007-08	205.31	100.00	Nil	305.31	
2008-09	305.31	0·35 1.00	Nil	306.31	305.66
2009-10	305.66	63.57 1.00	Nil	306.66	369.23
2010-11	369.23 305.66	63.57	Nil Nil	369.23	
2011-12	369.23	1.50	-	370.73	387.81 Fin A/c

Source: Information laid in the House, during various years, in Compliance of FRBMs Act (F-8).

11.6 It has been noticed from the 18.64 budget documents for the year 2009-10 that MP Cooperative Society of Dairy Federations had defaulted on the repayment of loan taken from National Diary Development Board (NDDB). The default amount was Rs.101.10crores. I am given to understand that the matter has been sorted out with NDDB after mutual negotiations by paying the settled amount, and therefore there has been no withdrawal from the GRF.

11.7 The budget documents of 2011-12 indicate that Madhya Pradesh Land Development Bank is in default to the extent of Rs.130.80crores to NABARD under a scheme of extending long term loan to farmers. The budget documents of 2012-13 have also same entry of default. It is not clear whether the matter is still pending or has been sorted out. However there is no reported out go from the GRF.

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Chapter-XII - State Subsidies.

TOR-Subsidies given by the States (Other then Central subsidies), its targeting and evaluation.

12.1 The year wise information, for a period of five years, on the amount of subsidy given under various schemes implemented by the State Government is given in the following table:

Table 12.1

Subsidies and Grants in Aid

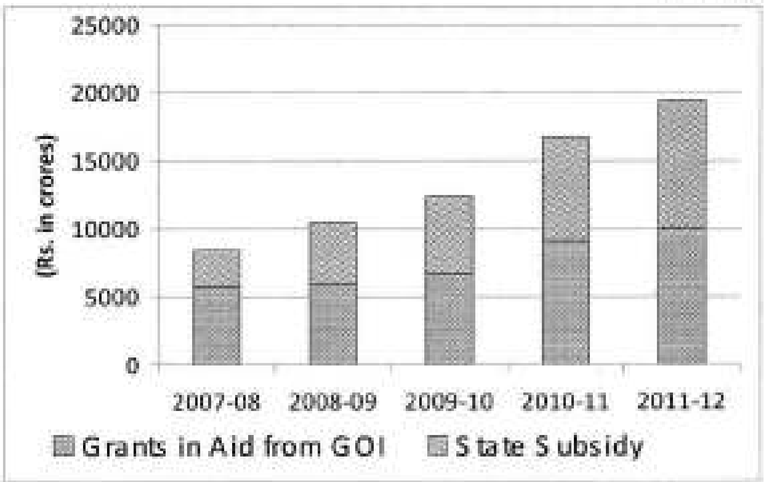
(Rs. in Crore)

Years	Total Amount of Subsidies	Grants in Aid from GOI	State Subsidy
1	2	3	(2) - (3)
2007-08	8468.27	5729.41	2738.86
2008-09	10479.85	5853.71	4626.14
2009-10	12391.63	6662.87	5728.76
2010-11	16709.14	9076.56	7632.58
2011-12	19483.54	9928.77	9554.77

Source: Budget documents of different years

G 12.1

The adjoining bar chart indicates that while in 2007-08 the size of state subsidy was less than half of grants-in-aid from centre, it is almost equal in 2011-12, despite a 73.29% increase in the grants-in-aid amount. During the same period the state subsidy has recorded more than three fold increase.



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12.2 The above figures have been taken from the statements laid in the legislature in compliance of the provisions of FRBM, Act. The figures in column 2 include the subsidies received from the Govt. of India as well. There is no separate budget head for the subsidy borne exclusively by the state exchequer. However the amount of grant in aid received from the Govt. of India includes the receipts under various central plan and centrally sponsored schemes. Thus by deducting the figures of central grants- in- aid from the total subsidy amount one can make a fair assessment of the subsidy borne by the state on its own. The breakup of grants in aid from the central government during last three yeas is given below:

Table 12.2

Grants in Aid from Central Govt.

(Rs. in Crores)

Item	2009-10	2010-11	2011-12
Non-Plan Grants	1532.87	1636.13	2113.47
Grants for State Plan Schemes	3102.44	4520.91	4215.28
Grants for Central Plan Schemes	392.57	649.44	364.20
Grants for Centrally Sponsored Plan Schemes	1634.99	2270.07	3235.82
Total	**6662.87**	**9076.55**	**9928.77**

12.3 As mentioned above the present budgetary mechanism does not capture the data for the subsidy given by the State out of its own resources. Even in the report of CAG on State Finances, in the chapter relating to subsidy payments, the figures pertaining to Central Sector Schemes and Central Plan Schemes have been included. Even after such inclusion the total amount of subsidy shown by the CAG in 2010-11 is only Rs.1810.29crores against the figure of Rs16709.14cr mentioned in the format laid on the table of legislature. After deducting the amount of central grants-in-aid the amount of state subsidy works out to Rs. 7632.58 cr.

12.4 The total number of subsidy schemes operated by various departments of the State exceeds one thousand. Seven departments have more than 50 subsidy schemes each. In the department of rural industries there are as many as 79 schemes with an annual expenditure ranging between Rs26.77cr to Rs43.86cr. On the other hand the department of energy has spent more than rupees one thousand crores during each year on just 15 schemes. The information pertaining to the departments having more then 10 schemes has been compiled and is given in Appendix 12.1. The total expenditure is also substantial. It crossed the figure of Rs.10,000 crores in 2008-09 and reached Rs 19483.54crores in 2011-12. However, this amount includes the subsidy received from the Central Government and passed through State Budget.

Table 12.3

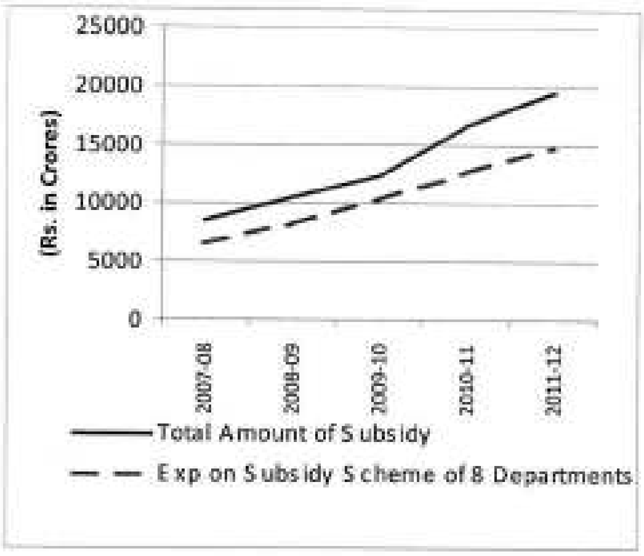
Expenditure on Subsidy Schemes in Selected Departments

(Rs. in crore)

Sr. No.	Name of Department	No. of Scheme	2007-08	2008-09	2009-10	2010-11	2011-12
1	Energy	15	1046.67	1375.53	1623.34	1568.95	1935.46
2	Urban Admin. & Dev.	65	1565.61	1882.37	2430.97	2651.50	3199.84
3	School Education	66	880.73	1301.18	1919.74	2893.29	3591.07
4	Panchayat	38	759.28	557.59	1291.09	1450.84	2265.63
5	Tribal Welfare	68	281.19	425.49	510.56	649.24	778.12
6	Food & Civil Supplies	20	70.75	521.54	520.99	689.81	1094.86
7	Scheduled Cast Welfare	58	230.13	293.59	290.55	335.34	257.24
8	Rural Development	47	1713.74	1736.79	1666.91	2379.50	1722.75
	Total	**377**	**6548.10**	**8094.08**	**10254.15**	**12618.47**	**14844.97**
	Total Amount of Subsidy		8468.27	10479.85	12391.63	16709.14	19483.54
	% Share of Selected Deppt.		**77.32**	**77.23**	**82.67**	**75.51**	**76.19**

G 12.2

One may observe from the adjoining graph that the selected 8 departments continue to have a lion's share in the subsidy amount. In 2009-10 they cornered more than 82% but later on settled at the earlier level of little over three fourth.



12.5 It may be noticed from table 12.3 that eight departments share more then three fourth of the subsidy. In one year 2009-10 these eight departments gobbled up 82.67% of the subsidy amount. Four out of these eight departments have more then 50 subsidy schemes. This requires a thorough review of all subsidy run schemes. Firstly, from the angle of utility of the ongoing schemes and secondly for the need to continue a particular scheme further in view of subsequent new schemes. Moreover the schemes having a large size outlay may require redesigning based on the development in the technology. Such review will also help in ensuring a proper end use of funds.

12.6 With a view to appreciate the burden of subsidies I have worked out the percentage share of subsidies vis-à-vis the amount of revenue receipts minus central grants-in-aid and the said data is tabulated below

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Table 12.4

Share of State Subsidy

(Rs. in Crore)

Years	**State Subsidy**	**Revenue Receipts Minus Central Grants in Aid**	**(2) as % of (3)**
1	2	3	4
2007-08	2738.86	24959.32	10.97
2008-09	4626.14	27723.50	16.68
2009-10	5728.76	34731.83	16.49
2010-11	7632.58	42777.63	17.84
2011-12	9554.77	52675.31	18.13

12.7 We may observe from the figures given above that the subsidy share in the total revenue receipts ,after excluding the central grants, has increased from 10.97% in the year 2007-08 to 18.13% in 2011-12. In absolute terms it has become three and a half times over a period of five years.

Appendix 1.1

REVENUE RECEIPTS

(Rs. in Crore)

Sr. No	Item	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Own Tax Revenue	6189.48	6805.10	7769.91	9113.83	10472.20	12017.63	13613.50	17272.80	21419.34	26973.44
2.	Non Tax Revenue	1635.48	1479.82	4461.86*	2208.20	2658.46	2738.18	3342.86	6382.04	5719.77	7482.73
3.	Revenue raised by the State Govt.	7824.96	8284.92	12231.77	11322.03	13130.66	14755.81	16956.36	23654.84	27139.11	34456.17
4.	Share in Central Taxes	3703.81	4230.90	5079.74	6342.23	8089.47	10203.51	10767.14	11076.99	15638.51	18219.14
5.	Total Tax Revenue	9893.29	11036.00	12849.65	15456.06	18561.67	22221.14	24380.64	28349.79	37057.86	45192.58
6.	Grants-in-ad from Govt. of India	1861.63	1773.14	2431.74	2932.54	4474.15	5729.41	5853.71	6662.87	9076.56	9928.77
7.	**Total Revenue Receipts (3+4+6)**	**13390.40**	**14288.96**	**19743.25**	**20596.80**	**25694.28**	**30688.73**	**33577.21**	**41394.70**	**51854.19**	**62604.08**
8.	***Share of OTR in Total Tax Revenue (%) 1/5***	***62.56***	***61.66***	***60.46***	***58.96***	***56.41***	***54.08***	***55.83***	***60.92***	***57.79***	***59.68***
9.	***Share of own revenue in total revenue receipts 3/7***	***58.43***	***57.98***	***61.95***	***54.96***	***51.10***	***48.08***	***50.49***	***57.14***	***52.33***	***55.03***

**includes Rs 2749.36 crore of earlier grant returned back by MPSEB*
Source: FS memorandums of different years.

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Appendix 1.2

ANNUAL GROWTH RATE

(in percent)

Sr. No.	Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
1	Total Tax Revenue	11.55	16.43	20.28	20.09	19.71	9.71	16.27	30.75	21.95
2	State's Own Tax Revenue	9.94	14.17	17.29	14.90	14.75	13.27	26.87	24.00	25.93
3	State's Non Tax Revenue	(9.52)↓	201.51	49.49	20.39	2.99	22.08	90.91	8.96	30.82
4	Share in Central Taxes	14.23	20.06	24.85	27.55	26.13	5.52	2.87	41.18	16.50
5	GSDP	18.14	4.07	10.05	16.33	11.69	22.16	15.56	14.13	19.01
6	SOTR to GSDP	.54	3.48	1.72	.91	1.26	.59	1.72	1.69	1.36

**Source: Derived from appendix 1.1*

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Appendix 1.3

TAX - GSDP RATIO

(Rs. in Crore)

Years	GSDP	Own Tax Revenue		Own Non Tax Revenue		Total Tax Revenue		Total Revenue Receipts	
		Amt.	% to GSDP	Amt.	%to GSDP	Amt.	% to GSDP	Amt.	% to GSDP
2002-03	91847.35	6189.48	6.73	1635.48	1.78	9893.29	10.77	13390.40	14.57
2003-04	108509.72	6805.10	6.27	1479.82	1.36	11036.00	10.17	14288.96	13.16
2004-05	112926.89	7769.91	6.88	4461.86	3.94	12849.65	11.37	19743.25	17.48
2005-06	124279.99	9113.83	7.33	2208.20	1.77	15456.06	12.43	20596.80	16.57
2006-07	144576.81	10472.20	7.24	2658.46	1.83	18561.67	12.83	25694.28	17.77
2007-08	161479.39	12017.63	7.44	2738.18	1.69	22221.14	13.76	30688.73	19.00
2008-09	197276.20	13613.50	6.90	3342.86	1.69	24380.64	12.35	33577.21	17.02
2009-10	227983.75	17272.80	7.57	6382.04	2.79	28349.79	12.43	41394.70	18.15
2010-11	260198.47	21419.34	8.23	5719.77	2.19	37057.86	14.23	51854.19	19.92
2011-12	309686.91	26973.44	8.70	7482.73	2.41	45192.58	14.59	62604.08	20.21

Source: For GSDP- State Planning Commission. Revenue figure from appendix 1.1

Tab-11 GSDP
Mem

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Appendix 1.4

STATE'S OWN TAX REVENUE

(Rs. in Crore)

Item	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Total Own Tax Revenue	**6189.48**	**6805.10**	**7769.90**	**9113.83**	**10472.20**	**12017.63**	**13613.50**	**17272.80**	**21419.34**	**26973.44**
Hotel Tax	3.93	4.40	4.75	5.37	4.92	7.79	9.67	12.20	15.85	18.33
Professional Tax	193.13	188.80	149.87	152.71	163.40	185.02	172.29	203.92	217.89	248.90
Land Revenue	40.44	43.63	46.80	77.16	132.21	129.15	338.84	180.03	360.81	279.06
Stamps & Registration	535.05	614.49	788.71	1009.48	1251.10	1531.54	1479.29	1783.15	2514.27	3284.41
State Excise	890.32	1085.89	1192.36	1370.38	1546.68	1853.83	2301.95	2951.94	3603.42	4316.49
Commercial Tax	2906.21	3293.26	3912.00	4508.42	5261.41	6045.07	6842.99	7723.82	10256.76	12516.73
M V Tax	428.64	454.92	488.65	556.02	634.30	702.62	772.56	919.01	1198.38	1357.12
Entry Tax	351.20	390.99	468.07	578.58	744.60	916.44	1332.57	1332.88	1746.20	2047.46
Electricity Duty	801.26	697.06	707.18	842.27	714.56	626.08	343.06	2146.49	1476.32	1773.32
Entertainment Tax	39.30	31.66	11.56	13.64	19.05	20.10	20.28	19.21	29.42	52.29

Source: FS memorandums of different years.

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Appendix 1.5

SHARE OF SELECTED TAXES IN OWN TAX REVENUE OF THE STATE

(Rs. in crore)

Item	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Own Tax Revenue	**9114.70**	**10473.13**	**12017.64**	**13613.50**	**17272.77**	**21419.33**	**26973.44**
Commercial Tax	4508.42 (49.46)	5261.41 (50.24)	6045.47 (50.30)	6842.99 (50.27)	7723.82 (44.72)	10256.76 (47.89)	12516.73 (46.40)
State Excise	1370.38 (15.04)	1546.68 (14.77)	1853.83 (15.43)	2301.95 (16.91)	2951.94 (17.09)	36.03.42 (16.82)	4316.49 (16.00)
Stamp Duty & Registration Fee	1009.48 (11.07)	1251.10 (11.95)	1531.54 (12.74)	1479.29 (10.87)	1783.15 (10.32)	2514.27 (11.74)	3284.41 (12.17)
Entry Tax	578.58 (6.34)	744.60 (7.11)	916.44 (7.62)	1332.57 (9.78)	1332.88 (7.71)	1746.20 (8.15)	2047.46 (7.59)
Electricity duty	842.27 (9.24)	714.55 (6.82)	626.08 (5.21)	343.06 (2.52)	2146.49 (12.43)	1476.32 (6.89)	1733.32 (6.57)
M V Tax	556.02 (6.10)	634.30 (6.06)	702.62 (5.85)	772.56 (5.68)	919.01 (5.32)	1198.38 (5.59)	1357.12 (5.03)
Share of above 6 taxes in OTR	*97.25*	*96.95*	*97.15*	*96.03*	*97.59*	*97.08*	*93.76*

Figures in the parenthesis indicate percentage share in the total own tax revenue for the year.
Source: FS memorandums of different years.

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Appendix 1.6

ANNUAL GROWTH RATE OF SELECTED TAXES

(In percent)

Item	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Total Tax Revenue	11.55	16.43	20.28	20.09	19.71	9.71	16.27	30.71	21.95
States' Own Tax Revenue	9.94	14.17	17.29	14.90	14.75	13.27	26.87	24.00	25.93
Commercial Tax	13.31	18.78	15.24	16.70	14.89	13.19	12.87	32.79	22.03
State Excise	21.96	9.80	14.93	12.86	19.85	24.17	28.23	22.06	19.78
Stamp & Registration	14.84	28.35	27.99	23.93	22.41	(3.4)↓	20.54	41.00	30.63
Entry Tax	11.32	19.71	23.60	28.69	23.07	45.40	Nil	31.00	17.25

** The figures indicate percentage growth in revenue over the preceding year.*
Source: from appendix 1.4

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Appendix 2.1

NON TAX REVENUE

(Rs. in Crore)

Item	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Total Non Tax Revenue	**1635.48**	**1479.82**	**4461.86***	**2208.20**	**2658.46**	**2738.18**	**3342.86**	**6382.04**	**5719.77**	**7482.73**
Forest	497.30	496.75	559.11	490.40	536.50	608.89	685.60	802.00	836.61	878.81
Irrigation	35.22	45.02	45.23	37.33	38.75	50.82	45.15	64.51	241.60	304.47
Mining	590.69	646.71	733.72	815.31	923.91	1125.39	1361.08	1590.47	2121.49	2038.31
Other NTR	512.27	291.34	3123.80	865.16	1159.30	953.08	1251.03	3925.06	3182.34	4261.14

Includes Rs 2749.36 crore of earlier grant returned back by MPSEB
Source: FS memorandums of different years.

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Appendix 2.2

ANNUAL RECOVERY FROM IRRIGATION SCHEMES AND OUTSTANDING OVERDUES

(Rs. in Crore)

Year	Major		Medium		Minor		Total	
	Recovery	Overdues	Recovery	Overdues	Recovery	Overdues	Recovery	Overdues
2007-08	17.23	357.53	20.17	81.21	13.40	364.75	50.82	803.89
2008-09	13.14	463.01	23.92	52.98	8.06	376.84	45.15	892.83
2009-10	12.22	1115.77	44.52	61.23	7.75	652.15	64.51	1829.15
2010-11	67.73	808.05	127.15	58.47	46.71	705.13	241.60	1571.65
2011-12	101.17	833.98	161.57	56.14	41.31	664.61	304.47	1554.81

Figures in the column of recovery give "recovery during the year" while overdues are as at the end of year
Source: from Statements laid in compliance of FRBM Act.

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Appendix 2.3

REVENUE RAISED BUT NOT REALIZED

(Rs. in Crore)

As at the end of year	Amt. Under Dispute	Amt. Not Under Dispute	Total	Out of column 4			
1	2	3	4	State Excise	Commercial Tax	Non-Ferrous Mining and Metallurgical Industries	Irrigation Schemes
2007-08	1893.67	1047.21	2940.88	58.92	571.53	1252.79	803.89
2008-09	1825.58	1158.06	2983.64	546.04	58.92	1214.30	892.83
2009-10	2183.89	2105.52	4289.41	60.28	586.93	1558.50	1829.15
2010-11	2026.41	1814.09	*3840.50	66.03	529.80	1240.82	1571.65
2011-12	908.35	1801.59	^2709.94	66.67	517.93	353.21	1554.81

**Also includes Rs.245.15crores of land revenue and Rs.98.40crores of stamp duty and registration fees.*

^ Includes Rs.102.17crores of stamp duty and registration fees.

Sources: as per appendix 2.2

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Appendix 2.4

PROFIT AND DIVIDENT FROM STATE ENTERPRISES

(Rs. in Crore)

Sr. No.	Name of the Enterprises	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
1	MP Laghu Udyog Nigam	0	0	1.22	1.47	2.49	0
2	MP State Mineral Development Corpn.	2.75	10.02	5.32	6.78	9.05	8.66
3	MP State Warehousing Corpn.	0	0	0	0.20	0.20	0
4	MP State Civil Supplies Corpn.	0	11.91	53.91	6.87	2.43	3.02
5	Manganese Ore of India, Nagpur	0	0	0	3.25	0	0
6	MP State Forest Development Corpn.	0	0	0.76	0	0	0
7	Provident Investment Company, Mumbai	10.39	33.88	0	1.57	1.08	2.41
8	MP State Mining Corpn. Ltd., Bhopal	NA	2.85	7.66	3.22	NA	NA

(during the year 2011-12 there was an income of Rs 0.17 crore from MP State Electronic Development Corpn and another Rs 19.91 cr from joint stock companies)

Source: Receipt budget of different years.

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Appendix 3.1

ANNUAL EXPENDITURE

(Rs. in Crore)

Particular	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Revenue Expenditure	14559.80 *(83.22)*	18764.72 *(86.68)*	18026.38 *(68.57)*	20563.48 *(73.38)*	22362.60 *(78.33)*	25601.11 *(76.21)*	29513.88 *(74.48)*	35896.90 *(75.34)*	45011.59 *(78.24)*	52693.71 *(67.89)*
Capital Expenditure	2454.90 *(14.03)*	2678.64 *(12.37)*	4950.98 *(18.83)*	6623.28 *(23.63)*	5169.94 *(18.11)*	6832.70 *(20.34)*	6713.15 *(17.62)*	7924.88 *(16.63)*	8799.88 *(15.29)*	9055.16 *(11.66)*
Loans & Advances	480.70 *(2.74)*	204.36 *(0.94)*	3310.86 *(12.59)*	834.44 *(2.97)*	1014.39 *(3.55)*	1156.94 *(3.44)*	1862.19 *(4.88)*	3819.66 *(8.01)*	3716.58 *(6.46)*	15864.25 *(20.44)*
Total Expenditure	**17495.40**	**21647.72**	**26288.22**	**28021.20**	**28546.93**	**33590.75**	**38089.22**	**47641.44**	**57528.05**	**77613.12**
Total Exp./GSDP (in percent)	19.04	19.95	23.27	22.54	19.74	20.80	19.30	20.90	22.10	25.06
Capital Expenditure as % of GSDP	2.67	2.46	4.38	5.32	3.57	4.23	3.40	3.47	3.38	2.92

Figures in parenthesis indicate percentage to total expenditure in that particular year.
Source: FS memorandums of different years.

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Appendix 3.2

PLAN EXPENDITURE

(Rs. in Crore)

Particular	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Plan Expenditure	**6433.20** *(36.77)*	**5684.73** *(26.26)*	**7269.38** *(27.65)*	**7950.20** *(28.37)*	**10571.74** *(37.03)*	**13763.15** *(40.97)*	**14802.22** *(38.86)*	**18378.41** *(38.57)*	**22520.86** *(39.14)*	**26268.66** *(33.84)*
Revenue Expenditure	3520.30	2816.14	3165.18	4212.48	5452.09	6806.29	7621.59	9837.68	12910.72	16016.54
Capital expenditure	2248.47	2672.65	3567.99	3699.81	4855.97	6510.47	6503.45	7863.83	8657.07	9022.87
Loans and advances	464.43	195.94	536.21	37.91	263.68	446.39	677.18	676.90	953.07	1229.25

Source: FS memorandums of different years.

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Appendix 3.3

NON PLAN EXPENDITURE

(Rs. in Crore)

Particular	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Non Plan Expenditure	**11062.20** *(63.22)*	**15962.99** *(73.73)*	**19018.84** *(72.34)*	**20071.00** *(71.62)*	**17975.19** *(62.96)*	**19827.60** *(59.02)*	**23287.00** *(61.13)*	**29263.03** *(61.42)*	**35007.19** *(60.85)*	**51344.46** *(66.15)*
Nonplan Revenue Expenditure	11039.50	15948.58	14861.20	16351.00	16910.51	18794.82	21892.29	26059.22	32100.87	36677.17
Interest payment and exp. on avoidance of debt	2502.31	3206.50	3661.14	3421.79	4028.95	4190.77	4191.99	4454.30	5048.95	5299.77
Capital expenditure	6.43	5.99	1382.99	2923.47	313.97	322.23	209.70	61.05	142.81	32.29
Loans and advances	16.27	8.42	2774.65	796.53	750.71	710.55	1185.01	3142.76	2763.51	14635.00

* *The figures in parentheses indicate percentage to total expenditure during that year.*
Source: FS memorandums of different years.

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Appendix 3.4

EXPENDITURE ON SALARY, PENSION AND INTREST PAYMENTS

(Rs. in crore)

Sr. No.	Item	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
1	Interest Payment	4038.95 (15.68)	4190.77 (13.66)	4191.99 (12.48)	4454.30 (10.76)	5048.95 (9.74)	5299.77 (8.47)
2	Wages & Salary	6337.02 (24.66)	6983.08 (22.75)	8546.87 (25.45)	10178.17 (24.59)	13290.76 (25.63)	14331.99 (22.89)
3	Pension Payment	1751.69 (6.82)	1964.28 (6.40)	2433.05 (7.25)	3077.18 (7.43)	3766.53 (7.26)	4388.91 (7.01)
	Total (1+2+3)	(47.16)	(42.81)	(44.33)	(42.78)	(42.63)	(38.37)

The figures in parenthesis indicate percentage to total revenue receipts.
Source: Budget document of different years.

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Appendix 3.5

EFFICIENCY OF EXPENDITURE USE IN SELECTED SOCIAL AND ECONOMIC SERVICES

(In percent)

Social/ Economic Infrastructures	2008-09			2009-10			2010-11		
	Share of CE to TE	In concerned sector of RE, the share of		Share of CE to TE	In concerned sector of RE, the share of		Share of CE to TE	In concerned sector of RE, the share of	
		S&W	O&M		S&W	O&M		S&W	O&M
Social Services									
Education, Sports, Art and Culture	4.79	61.46	0.14	3.54	59.53	0.13	3.17	55.97	0.06
Health and Family Welfare	4.96	66.13	0.40	4.73	69.63	0.34	5.33	66.67	1.71
Water Supply, Sanitation, Housing and Urban Development	32.70	21.50	9.13	29.55	25.04	9.95	26.47	22.43	9.38
Total (SS)	**11.09**	**43.88**	**1.13**	**8.21**	**42.87**	**1.00**	**8.03**	**39.78**	**1.11**
Economic Services									
Agriculture and Allied Activities	1.65	42.25	0.26	0.94	45.67	0.27	5.31	39.97	0.23
Irrigation and Flood Control	83.34	81.78	9.23	80.85	86.70	7.65	84.89	87.11	5.48
Power and Energy	23.11	0.00	0.79	27.34	0.00	0.68	7.40	--	0.66
Transport	72.43	27.39	65.38	77.97	46.36	46.19	76.29	45.41	45.13
Total (ES)	**36.95**	**24.97**	**6.29**	**35.69**	**27.74**	**3.88**	**34.29**	**27.73**	**3.44**
Grand Total (SS+ES)	**25.34**	**35.89**	**3.31**	**23.72**	**36.93**	**2.13**	**21.69**	**35.35**	**1.974**

Source: CAG Report on State Finances - for the year ending March, 2011.

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Appendix 3.6

PLAN EXPENDITURE BY MAJOR DEPARTMENTS

(Rs. in Crore)

Department	2007-08		2008-09		2009-10		2010-11		2011-12	
	RE	Accts.	RE	Accts.	RE	Accts.	RE	Accts.	RE	Accts.
Forest	303.78	385.74	361.82	391.74	525.07	299.41	547.02	365.55	548.91	442.41
Energy	760.65	717.01	1060.37	1106.17	2251.81	2422.85	1416.10	1107.07	2011.80	2203.21
Agriculture	446.98	362.18	527.85	407.41	798.49	471.20	1103.25	985.77	1295.53	943.70
Public Health & Family Welfare	345.06	214.64	374.74	329.77	377.25	400.12	558.09	495.10	916.12	692.35
Urban Administration and Development	596.78	558.07	607.61	538.13	680.47	653.96	802.72	679.39	806.80	813.39
Public Works	1848.97	1829.45	1646.39	1693.69	1871.55	2003.75	2154.24	2049.29	1785.56	1767.91
School Education	744.76	600.61	1200.48	914.88	1410.65	1204.58	2036.27	1942.72	2343.34	2237.96
Panchayat	628.88	596.72	568.54	395.24	826.09	871.85	620.15	561.15	616.91	1192.38
Tribal, Schedule cast and backward classes welfare	752.70	799.83	902.74	892.81	1025.93	873.01	1171.76	1226.52	1481.22	1452.34
Water Resources	1494.14	1442.14	1443.17	1450.50	1525.08	1378.92	2596.61	2602.09	2206.32	2323.43
Public Health Engineering	799.73	686.65	731.27	725.16	719.09	609.45	814.61	759.66	809.80	816.43
Women and Child Development	678.15	581.78	900.00	770.98	1667.93	1352.65	2012.83	1843.54	2255.37	2732.68
Minority and Backward Class	192.73	187.99	189.39	190.03	263.43	327.26	416.26	478.18	429.50	520.96
Schedule cast Welfare	368.24	344.80	416.09	426.45	468.09	440.74	544.98	540.82	673.83	631.60
Rural Development	1925.10	1898.60	2298.25	1969.18	2388.26	1863.93	3857.42	3010.63	3561.53	2408.73
Total	11886.65	11206.21	13228.71	12202.14	16799.19	15173.68	20652.31	18647.48	21742.54	21179.48
Percentage to total plan expenditure during the year		81.42		82.43		82.56		82.80		80.62

Source :Budget documents of different years.

Appendix 3.7

CASES OF RUSH OF EXPENDITURE TOWARD THE END OF THE FINANCIAL YEAR

(Rs. in Crore)

Major Head	Deptt./ Scheme	Expenditure during March 2011	
		Amount	% to Total Expenditure
2810	**Non Conventional Sources of Energy**	**15.34**	**72.09**
4055	Capital Outlay on Police	19.15	95.04
4202	Capital Outlay on Education, Sports, Art and Culture	181.73	67.02
4210	Capital Outlay on Medical Education and Public Health	62.96	54.81
4235	Capital Outlay on Social Security and Welfare	149.47	94.32
4705	Capital Outlay on Command Area Development	83.28	80.89
4801	Capital Outlay on Power Project	283.04	69.10
5452	Capital Outlay on Tourism	18.78	57.15
6801	Loans for Power Projects	2060.61	59.29
	Total	**2874.36**	**62.39**

Major Head	Deptt./ Scheme	Expenditure during March 2010	
		Amount	% to Total Expenditure
4055	Capital Outlay on Police	17.55	83.77
4202	Capital Outlay on Education, Sports, Art and Culture	121.03	52.59
4210	Capital Outlay on Medical Education and Public Health	46.48	59.17
4216	Capital Outlay on Housing	21.39	76.09
4225	Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes	163.68	63.34
4235	Capital Outlay on Social Security and Welfare	44.57	94.77
4801	Capital Outlay on Power Projects	1569.89	79.43
5452	Capital Outlay on Tourism	30.20	54.32
6075	Loans for Miscellaneous General Servies	24.82	55.49
6801	Loans for Power Projects	2459.51	69.02
	Total	**4499.12**	**71.37**

Source: CAG Report on State Finances for MP - For the year 2011-12/2010-11

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Appendix 4.1

BALANCE FROM CURRENT REVENUE

(Rs. in Crore)

Particular	2007-08	2008-09	2009-10	2010-11	2011-12
Non Plan Revenue Receipts	**25638.22**	**27875.47**	**35438.31**	**43043.45**	**54019.62**
1. Share in Central Taxes	10203.51	10767.14	11076.98	15638.53	18218.87
2. State's Own Tax Revenue	11460.72	13093.73	16702.81	20853.24	26972.90
3. State's Own Non-Tax Revenue	2514.81	3078.62	6086.03	5405.78	7483.54
4. Non Plan Grant from Central	861.17	770.04	1305.64	1145.90	1344.31
a. Central Share of Calamity Relief Fund	151.48	208.04	214.41	376.88	236.97
b. Grant for Local Bodies	368.70	274.60	571.10	542.34	795.87
c. Other Non-Plan Grants (including VAT compensation)	340.99	287.40	479.60	226.68	311.47
Non Plan Revenue Expenditure	**18839.19**	**21793.97**	**25929.33**	**31786.88**	**36677.17**
1. Non Development Expenditure	10609.08	11771.01	14222.41	17506.30	19002.24
2. Development Expenditure	7961.40	9857.02	11540.78	14239.65	14248.81
3. Non Plan Transfer to Local Bodies	1321.31	1548.47	2200.37	2388.62	3426.12
4. Non Plan Transfer to Rural Local Bodies					590.04
5. Transfer to Urja Vikas Nidhi	267.71	165.94	166.14	40.93	0.00
Balance from Current Revenue	**6799.03**	**6081.50**	**9508.98**	**11256.57**	**17342.45**

Source: Information received from the State Planning Commission.

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Appendix 5.1

COMPONENTS OF STATE GOVERNMENT LIABILITIES

(Rs. in Crore)

Category	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Market Borrowings	113309.38	12646.45	16603.81	21620.30	24877.76	28043.97
Loans from Centre	8679.70	8781.85	9490.67	10378.95	10955.32	11358.91
Special Securities issued to the NSSF	14172.56	14300.39	14174.43	14666.25	16248.20	16081.02
Borrowings from Financial Institutions/ Banks	6184.74	6311.65	6363.39	6175.26	5687.67	5886.02
WMA/OD from RBI	0.00	0.00	0.00			
Public Account	7879.44	132.70.53	13800.13	15011.80	17734.86	20386.62
Other Deposits						
Total	4822.82	55310.87	60432.49	67852.56	75504.31	81766.54

Source: from Statements laid in compliance of FRBM Act.

Appendix 7.1

COMPUTATION OF DIVISIBLE POOL FOR LOCAL BODIES

(Rs. in Crore)

Sr. No.	Item	Amount
1.	**State Own Tax Revenue.**	**26973.44**
2.	Deduct 10% as correction charges.	2697.34
3.	**Net Tax Revenue.**	**24276.10**
4.	**Deduct Already assigned revenues.**	
	i. Cess on Registration and Stamp Duties.	173.04
	ii. 80% of Nazul Revenue as grant to ULBs.	4.10
	iii. Grant to ULBs for road maintenance from motor vehicle tax.	110.97
	iv. Transfer of entry tax revenue to ULBs.	1475.38
	v. Compensation to ULBs as result of VAT system.	440.13
	vi. Special Grant ULBs in lieu of passenger tax.	89.97
	vii. Share out of additional stamp duties (upkar)	89.13
	viii. Share out of additional stamp duties (janpad)	342.37
	ix. Mining Cess.	1079.33
	x. Forest Cess.	0.00
	xi. Energy Development Cess.	230.94
5.	**Net Revenue for divisible pool**	**20240.69**
	i. Transfer to ULBs – 1% of divisible pool.	202.40
	ii. Transfer to PRIs – 4% of divisible pool.	809.62

Source: All figures are based on State Budget.

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Appendix 7.2

IMPLEMENTATION STATUS OF REFORMS IN URBAN SECTOR

Sr. No.	Reforms	Implementation Status
1	Assigning/associating elected representatives in city planning.	- Implemented. - Power of preparation of Zoning Plans vested in Municipalities.
2	Repealing Urban Land ceiling Act.	- Implemented. - Act has been repealed in year 2000.
3	Rationalization of Stamp Duty	- Implemented. - Reduction in rates by 0.5% implemented in year 2008-09, that continued for FY 09-10 and 10-11. - Rate reduced to 5% w.e.f. 1st April, 2011.
4	Enactment of Community Participation Law	- Implemented. Provision made in Municipal Acts. Rules have been framed for prescribing procedure.
5	Enactment of Public Disclosure Law	- Implemented in 2008-09. Provision has been made in Acts. Rules have been framed.
6	Streamlining process of building plans	- Implemented. Provision of deemed permission in case of non approval of plans within 30 days exists.
7	Rent Control Reforms.	- The MP Parisar Kiraedari Adhiniyam, 2012 enacted. Published in official gazette on 23-04-2012.
8	Provision for rain water harvesting in all buildings	- Implemented. Provision made mandatory for plots of the size 140 Sq.M and above. Exemption from property tax for one year allsowed. - Advance deposit of cost for RWH to ensure compliance.
9	Earmarking 20-25% of developed land for EWS/LIG	- Provisions have been rationalized as under:- • 15% Plots/Houses shall be reserved against the total No. of Plots/Houses of other categories in a colony in 3:2 ratio for EWS & LIG respectively. • Plotted development below 5 acre and group housing below 2.5 acre exempted on deposit of shelter fee. • All the colonizers are also required to deposit shelter fee at a prescribed rate separately.
10	Internal Earmarking of funds for BSUP	- Implemented. Instructions issued to all the ULBs in the State to earmark at least 25% of their receipts for BSUP in the budget. - Fund has been made non-lapsable.
11	Intro. Of computerized process of registration.	- Under implementation by The Commercial Tax Department, Process for selection of agency for procurement of hardware in the final stage.
12	Bye-laws on re-use of recycled water	- Implemented. - Bye-laws published in the gazette on 26th May,2010.
13	Property Tax reforms	- Unit area based, non discretionary, self assessment system in existence from year 1996.
14	Accrual Based Double Entry Accounting System (DEAS)	- Madhya Pradesh Municipal Accounts Manual prepared and circulated in July 2007. - Under implementation in al the 14 Municipal Corporations and 96 Municipal Councils. - All the 4 JNNURM cities have switched over to DEAS
15	Levy of User Charges	- User Charges have been defined in the Municipal Acts. - Separate Provision for User Charges has been introduced in Municipal Acts. - Amendment as above have been notified in official gazette dated 19-04-2010.
16	E-Governance	- The e-governance action plan is under implementation in JNNURM cities with the support of DFID funded MPUSP, MAS fully implemented in Bhopal being rolled out in the other cities under MPUSP.
17	Implementation of 7 point BSUP charter	- Implementation of all the points of charter being ensured. - Security of tenure ensured under Patta Act.

Source: Information received from the State Department of Urban Administration.

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Appendix 7.3

ASSESSMENT OF ELIGIBILITY FOR PERFORMANCE GRANT FOR PRIS

(Rs. in Crore)

Sr. No.	Condition	Fulfillment Status
1	**General Conditions.** i) Election of PRIs. ii) Utilization for the previous instalment drawn.	i)Elections to panchayats were held in 2009-10.Next elections are due in 2015. ii)Utilization certificates of both the installments received in 2012-13 have been sent to GOI
2.	**Finance Account & Budget.** i) Supplement to the budget documents. ii) Implement accounting system for maintenance of accounts by PRIs and codification pattern consistent with Model Accounting System (MAS) of Panchayats. Compile eight data base formats prescribed by C&AG.	i)A supplement to the budget documents containing details separately for PRIs and ULBs is being placed from 2009-10; and has been done for 2013-14 also. ii)Eight data base formats prescribed by CAG are being maintained.
3	**Audit of all tiers PRIs.** i) CAG must be asked for TG&S over audit. ii) Annual Reports of CAG's Technical Inspection and Director of Local fund Audit be placed before the State legislature.	This practice has commenced from2013-14.after making necessary amendments to the M.P.Panchayat Raj & Gram Swaraj Adhiniyam,1993.
4	Transfer of Fund	All funds are now being remitted to the account of gram panchayats by electronic mode.
5	Levy of Property Tax.	Sec 77 of the Act has been suitably amended for this purpose,

Source: Information received from the State Department of Panchayat and Rural Development.

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Appendix 8.1
INVESTMENTS IN STATE PSUs

(Rs. in Crore)

As at the end of March	Govt. Companies				Statutory Corporations				Grand Total
	No.	Capital	Long Term Loan	Total	No.	Capital	Long Term Loan	Total	
2007									
a. Working	31	4351.24	5492.94	9844.18	4	1136.79	9327.39	10464.8	20308.98
b. Non-Working	9	59.60	169.38	228.58	0	0	0	0	228.58
2008									
a. Working	31	6279.42	7811.03	14090.95	4	962.77	1182.47	2145.24	16236.19
b. Non-Working	9	59.61	176.86	236.47	0	0	0	0	236.47
2009									
a. Working	36	6488.82	7951.88	14440.70	4	1589.01	1180.29	2763.30	17210.00
b. Non-Working	10	61.10	176.83	237.93	0	0	0	0	237.93
2010									
c. Working	43	9130.78	8814.97	17945.75	4	1627.69	1169.49	2797.18	20742.93
d. Non-Working	10	61.10	175.62	236.72	0	0	0	0	236.72
2011									
c. Working	47	10159.33	12178.18	22337.51	4	580.62	1245.32	1825.94	24163.45
d. Non-Working	10	61.10	175.62	236.72	0	0	0	0	236.72

Source: Report of CAG – Ending March, 2011 No.4 - Commercial

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Appendix B.2

BUDGETARY OUTGO AND OTHER COMMITMENTS TOWARDS PSUs

(Rs. in Crore)

Sr. No.	Particulars	2007-08		2008-09		2009-10		2010-11	
		No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
1	Equity Capital outgo	7	1541.19	10	679.73	10	1047.85	10	1060.63
2	Loans outgo	6	638.71	4	215.63	6	1649.19	6	989.25
3	Grants/subsidy outgo	14	1464.68	17	2045.19	14	1879.29	14	2467.91
4	Total outgo (1+2+3)		3644.58		2940.55		4576.33		4817.79
5	Loans converted into equity	-	-	1	2.00	3	1336.54	-	
6	Guarantees issued	8	153.43	5	318.85	8	2438.30	6	748.63
7	Guarantees Commitment	10	618.04	11	2751.27	11	1031.10	7	3247.37

Source: *Report of CAG - 2010-11-Commercial*

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Appendix 8.3

SOME KEY PARAMETER PERTAINING TO PSUs

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on capital employed (in %)	18.20	12.81	5.51	Nil	Nil	Nil	Nil
Debt	5154.16	14337.67	14989.72	9170.36	9309.00	10160.08	13599.12
Turnover	6327.41	7375.32	14257.18	12800.73	20735.68	26067.37	31637.50
Debt/Turnover	0.81	1.94	1.05	0.72	0.45	0.39	0.43
% of Turnover to GSDP	5.92	6.31	10.92	8.98	12.76	13.41	11.65
Interest Payment	427.77	391.20	734.80	1228.69	545.89	1117.00	2082.37
Accumulated Profit (Loss)	(4062.48)	(2618.22)	(3400.63)	(6274.55)	(6755.18)	(11492.22)	(13923.97)

Source: Report of CAG – 2010-11-Commercial

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Appendix 9.1

PROGRESS IN E-PAYMENTS BY SELECTED DEPARTMENTS

(Rs. in Crores)

Departments	2009-10	2010-11	2011-12	2012-13	2009-10		2010-11		2011-12		2012-13	
	Number of Bills (% to Total)				Amt.	%	Amt.	%	Amt.	%	Amt.	%
School Education	0.56	27.24	72	90.54	29.02	0.62	1322.72	21.04	4902.23	66.98	7520.90	93.2
Energy	0.64	27.24	80.4	97.76	0.29	0.01	90.41	2.44	1112.52	19.55	6080.21	89.6
Home	0.65	21.89	69.95	95.57	28.34	1.68	785.89	37.99	1739.61	73.68	2758.91	93.3
Local Government	2.3	33.25	73.06	98.67	0.48	0.02	79.69	2.72	1092.93	31.4	4139.04	92.4
Tribal Welfare	0.08	20.57	71.1	92.81	1.79	0.1	327.17	14.99	1094.22	59.03	2550.77	92.3
Rural Development	0.4	28.96	75	91.64	1.14	0.06	69.58	2.38	1649.54	52.72	2545.28	93.7
Public Health & Family Welfare	0.5	30.55	80.2	98.47	8.92	0.7	505.81	33.26	1430.12	77.06	2120.63	97.6
Panchayat	0.15	20.74	62.08	87.76	0.33	0.03	32.49	2.12	289.76	16.54	3463.73	98.5
Women and Child Development	0.33	12.81	52.26	86.97	1.21	0.09	56.83	3.12	1208.28	48.39	2306.52	64.7
Food and Civil Supplies	0.88	29.33	76.45	95.78	0.81	0.15	31.58	4.34	659.00	50.72	2011.18	99.6

Source: Information received from the Directorate of Treasury and Accounts – GoMP.

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Appendix 12.1

EXPENDITURE ON SUBSIDY SCHEMES IN VARIOUS DEPARTMENT OF THE STATE

(Rs. in crore)

Sr. No.	Name of Department	No. of Scheme	2007-08	2008-09	2009-10	2010-11	2011-12
1	General Administration	13	24.39	26.48	36.03	41.78	58.65
2	Home	15	1.79	2.67	1.79	3.20	2.27
3	Religious Endowments	15	8.94	10.17	9.97	9.40	10.51
4	Revenue	22	424.09	593.73	168.35	1030.55	568.63
5	Sports & Youth Welfare	27	17.82	26.51	20.45	23.53	77.59
6	Commerce & Industries	34	64.15	78.69	87.82	114.83	163.17
7	Energy	15	1046.67	1375.53	1623.34	1568.95	1935.46
8	Agriculture Dev. and Farmers Welfare	64	344.43	368.56	383.44	710.86	865.33
9	Corporation	27	70.21	35.75	82.39	196.07	448.21
10	Public Health & Family Welfare	27	17.64	107.07	135.66	160.12	195.87
11	Urban Admin. & Dev.	65	1565.61	1882.37	2430.97	2651.50	3199.84
12	School Education	66	880.73	1301.18	1919.74	2893.29	3591.07
13	Panchayat	38	759.28	557.59	1291.09	1450.84	2265.63
14	Tribal Welfare	68	281.19	425.49	510.56	649.24	778.12
15	Social Justice	37	193.05	234.86	353.49	468.15	512.47
16	Food & Civil Supplies	20	70.75	521.54	520.99	689.81	1094.86
17	Culture	43	16.78	18.34	13.95	16.59	58.99
18	Housing & Environment	19	139.54	154.41	26.58	12.83	16.02
19	Tourism	15	11.04	19.33	13.88	22.83	32.98
20	Public Health Engineering	33	71.49	51.47	40.16	64.29	55.26
21	Animal Husbandry	54	29.61	35.14	54.01	165.93	156.66
22	Fisheries	16	4.71	4.09	9.84	26.65	25.26
23	Higher Education	48	103.70	125.05	101.98	98.75	99.69
24	Science and Technology	22	14.41	14.25	18.35	17.05	24.33
25	Man Power Planning	18	27.89	23.77	60.13	43.43	52.98
26	Women & Child Dev.	22	37.50	148.69	267.74	340.62	74.808
37	Rural Industries	79	26.77	34.97	27.03	39.63	43.86
38	Medical Education	28	35.05	32.33	37.16	80.72	83.83
39	Backward Classes and Minority Welfare	12	2.27	2.41	5.64	8.96	13.26
40	Scheduled Cast Welfare	58	230.13	293.59	290.55	335.34	257.24
41	Information Technology	11	24.84	29.72	23.18	25.18	18.19
42	Rural Development	47	1713.74	1736.79	1666.91	2379.50	1722.75
43	Industrial and Food Processing	40	44.46	78.77	90.35	122.93	147.23
		1118.00	8304.67	10351.31	12323.52	16463.35	18651.02

Source: From State Budget documents of different years.

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