

Annex 8.3

EXPLANATORY NOTES

1. The Accounts of the State Government is kept in the following three parts:-

Part I	...	...	...	Consolidated Fund
Part II	...	...	...	Contingency Fund
Part III	...	...	...	Public Account
2. Consolidated Fund:- In Par I (Consolidated Fund, the scope of which has been defined in Article 266 (1) of the Constitution), there are three main divisions, namely:-
 - i. Revenue
 - ii. Capital and
 - iii. Debt (comprising Public Debt, Loans and Advances and Inter-State Settlement)
3. The first division which is known as 'Revenue Account' deals with the proceeds of taxation and other receipts classed as revenue and the expenditure there from, the net result of which represents the revenue surplus or deficit for the year.
4. The second division, which is known as 'Capital Expenditure outside the Revenue Account' deals with the expenditure met usually from borrowed funds with the main object of creating assets of material character. It also includes receipts of a capital nature intended to be applied as a set-off against capital expenditure.
5. The third division comprises loans and advances received from the Central Government and the loan raised by the State government classed as internal debt of the State government (such as market loans, ways and means advances and other loans) and Loans and Advances made by Government together with repayments of the former and recoveries of the latter. Inter-State Settlement transactions arising since the time of reorganization of States are also included in this division.
6. Contingency Fund:- In Part II of the Accounts, the transactions connected with the Contingency Fund set-up by the Government of Maharashtra, under Article 267 (2) of the Constitution of India are recorded. This fund is of the nature of an imprest and enables the Executive Government to meet unforeseen and emergent expenditure pending its authorization by the Legislature by law. The amounts drawn from the fund are recouped by taking a supplementary grant from the Legislature.
7. Public Account:- In Part III of the Accounts (Public Account, the scope of which has been defined in Article 266 (2) of the Constitution) there are two main divisions, namely:-
 - (1) Debt transactions, other than those included in Part I, relating to Provident Fund, Reserve Fund and Deposits and Advances and
 - (2) Remittances.
8. The first division comprises receipts and payments, other than those falling under Debt heads pertaining to part I, in respect of which Government incurs a liability to repay the money received or has a claim to recover the amounts paid, together with repayments of the former and recoveries of the latter. The second division embraces merely adjusting heads, under which appear remittances of cash between treasuries and transfers between different accounting circles. The initial debits or credits to the heads in this division are cleared eventually by corresponding receipts or payments either within the same circle of account or in an other account circle.
9. The different terms used in the Budget literatures and used in this publication as well, are defined briefly in the following paragraphs.

10. Internal Debt of the State Government:- this comprises Market Loans, Ways and Means Advances and other loans.
11. Market loans:- This generally covers loans raised in the open market and having a currency of more than twelve months.
12. Ways and Means Advances:- This item covers borrowing of a purely temporary nature repayable within twelve months, such as Ways and Means Advances from the Reserve Bank of India.
13. Other Loans:- This refers to loans from (a) the National Agricultural Credit (Long-term Operation) fund of the Reserve Bank of India, (b) the National Co-operative Development Corporation, (c) Indian Dairy Corporation, (d) Life Insurance Corporation of India, (e) Employee's State Insurance Corporation, etc.
14. Provident Fund and Other Accounts:- This heading covers interest bearing obligations of Government in respect of funds deposited with them (e.g. State Provident Fund, Other Provident Funds, Insurance Fund, etc.
15. Cash Balance Investment Account:- Under this head, transactions of the State Government by way of investment of its cash balances in short and long-term securities and loans i.e. Treasury Bills of the Government of India and the Government of India Securities or loans of the other State Governments are recorded. The profits derived from such investments are credited as receipts under the head '0049, Interest receipts' in the Revenue Section. The amount appearing on the disbursement side of this head in the total of the amount invested for short or long periods during the course of the year and on the receipt side, the total amounts realized on maturity (less the discount earned or interest derived there from) during the year.
16. Transfer of Funds:- Under this, amounts transferred to funds and treated as revenue expenditure under different heads are covered. Some of the funds so covered are (1) Education Cess Fund, (2) State Electricity Fund, (3) State Road Fund, (4) Employment Guarantee Fund, (5) State Health and Nutrition Fund, etc.
17. Tax Revenue*:- Tax revenue is sub-divided in three groups mentioned below according to nature of tax:
- (a) Taxes on Income and expenditure include income other than corporation tax (0021), Taxes on agricultural income (0022) and other taxes on income and expenditure (0028).
- (b) Taxes on property and capital transactions include Land Revenue (0029), Stamps and Registration fee (0030), Estate Duty (0031), and Taxes on immovable property other than agricultural land (0035).
- (c) Taxes on commodities and services include State Excise (0039), Sales Tax (0040), Taxes on Vehicles (0041), Taxes on goods and passenger (0042), Taxes and duties on electricity (0043) and Other taxes: and duties on commodities and services (0045). State's share of union excise duties (1603) is treated as tax revenue.
18. Non-Tax Revenue:- This group includes Interest receipts (0049), Dividend and Profits (0050) and miscellaneous receipts in respect of General Services and Social Services and Economic Services and Grants-in-aid from Central Government (1601).
19. Development and Non-Development Expenditure:- One of the usual methods of presenting Government expenditure is to classify it into two categories, viz. Development Expenditure and Non-Development Expenditure. Expenditure on debt services is separately shown and is not classified either as Development or Non-Development Expenditure.
16. Transfer of Funds:- Under this, amounts transferred to funds and treated as revenue expenditure under different heads are

* The figures in bracket indicate the numbers of the relevant Budget heads.

20. Development Expenditure is broadly defined to include all items of expenditure that are designed directly to promote economic development and social welfare. In this publication, while building up the estimates of development expenditure on Revenue Account, expenditure on budget heads under groups Social Services and; Economic Services, excluding Secretariat-Social Service (2251) and Secretariat economic services (3451), is treated as development expenditure. Transfers to developmental funds spent on development activities provided through Budget head under fiscal services are treated as development expenditure and are classified here under appropriate group headings. Budget heads included under Social Services and Economic Services are given below.
21. Social Services:- Under this sector the expenditure in the following sub-sectors are covered. They are (i) Public Works (2059), (ii) Education, Sports, Art and Culture (2202 to 2205), (iii) Health and Family Welfare (2210 and 2211), (iv) Water Supply, Sanitation, Housing and Urban Development (2215 to 2217), (v) Information and Broadcasting (2220 to 2221), (vi) Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes (2225), (vii) Labour and Labour Welfare (2230), (viii) Social Welfare and Nutrition (2235, 2236 and 2245) and (ix) Other Social Services (2252).
22. Economic Services:- Under Economic Services are included activities and services meant for economic development. These are divided into following sub-sectors (i) Agriculture and Allied Activities (2401 to 2435), (ii) Rural Development (2501, 2505, 2506 and 2515), (iii) Special Areas Programmes (2575), (iv) Irrigation and Flood Control (2701,2702, 2705 and 2711), (v) Energy (2801 and 2810), (vi) Industry and Minerals (2851 to 2853,2875 and 2885), (vii) Transport (3001,3051 to 3056 and 3075), (viii) Communications (3275), (ix) Science, Technology and Environment (3402 to 3435) and (x) General Economic Services excluding Secretariat Economic Services (3452, 3454, 3456 and 3475).
23. Non-Development Expenditure:- This includes expenditure appearing under general services except expenditure on Public Works (2059). It includes expenditure pertaining to the general services rendered by the Government such as preservation of law and order, defence of the country and the maintenance of the general organs of the Government. Following sub-sectors are included.
24. Organs of State:- This includes Budget heads: State Legislature (2011), Governor (2012), Council of Ministers (2013), Administration of Justice (2014) and Elections (2015).
25. Fiscal Services:- This includes tax collection expenditure classified by nature of Tax, viz., (i) collection of taxes on income and expenditure (2020), (ii) collection of taxes on property and capital transactions e.g. land revenue, stamps and registration and collection of other taxes on property and capital transactions (Budget heads 2029, 2030 and 2035 respectively) and (iii) collection of taxes on commodities and services e.g. State excise (2039), Sales tax (2040), Taxes on vehicles (2041) and other taxes and duties on commodities and services (2045). Transfers to developmental funds are excluded and expenditure under other fiscal services (2047) is included.
26. Administrative Services:- This includes Budget heads 2051 to 2058 and 2070 dealing with law and other general services rendered by Government and include public service commissions, Secretariat - General Services, District administration, Treasury and accounts administration, Police, Jails, Supplies and disposals, Stationery and Printing and other administrative services.
27. Pensions and Miscellaneous General Services:- This includes Pensions and other

retirement benefits (2071) and Miscellaneous general services (2075).

28. Other Non-Development Expenditure:- This includes expenses on Secretariat social services (2251), Secretariat economic services (3451), Compensation and assignments to local bodies and panchayati institutions (3604) and Materials and equipment (3606).
29. Debt Services:- Under this item, expenses of interest charges on different loans and other miscellaneous charges connected with the management of loans, contributions to

sinking funds and "Other appropriations" etc. are included. Expenditure under Budget head 2048 and 2049 is included here. This expenditure is not treated as development or non-development expenditure but shown separately.

30. For Capital Expenditure outside the Revenue Account, expenditure on all items except on the following heads is classified as development expenditure. The heads that are excluded are: Appropriation to the contingency fund (7999) and Capital outlay on printing and stationery (4058) and Other administrative services (4070).