Lockdown chokes Maharashtra’s economic life line

The industrial hub faces a massive shortfall in revenues amid growing cost of combating the pandemic

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Announcing that Maharashtra’s financial condition has deteriorated to the extent that it could not even afford to go ahead with annual transfers of government employees in the ongoing fiscal, the State’s Finance Department on Monday said there will be no new projects until new construction work be undertaken in the financial year 2020-21, in an effort to reduce expenses.

The government also announced that all ongoing works except pre-monsoon necessities, will not be allocated any funds.

The government also said the salary for March for A, B and C class government employees will be paid in two instalments. Directions have also been issued to stop new recruitment as well as canceling purchase orders or new tenders.

Revenues slump

According to data available with The Hindu, the revenue received by the State through non-GST sources in April in financial year 2019-20 was Rs.1,829.44 crore and Rs.2,251.2 crore, respectively. However, this year, the receipts for April are barely Rs.334.42 crore.

Of this, the major contribution comes from sales tax on fuel which is around Rs.2,289.32 crore. Stamp duty from registrations brought in Rs.609.35 crore and excise duties Rs.277.55 crore.

According to officials, the State was expecting the revenue around Rs.2,400 crore and Rs.2,000 crore in April from sales tax, stamp duty and excise.

The State has also not received its GST refund worth Rs.664.54 crore from the Centre, which was due before March 31. Maharashtra Deputy Chief Minister and Finance Minister Ajit Pawar has since sent three reminders to the Union Finance Ministry seeking cooperation from the Centre.

He has also sought a special package of Rs.25,000 crore from the Centre for Maharashtra, given the massive losses suffered by the highly industrialised State due to the COVID-19 outbreak.

Despite the crippling impact of the lockdown and the mounting healthcare costs, the Centre has so far released only Rs.400 crore in advance of its first installment of State Disaster Relief Fund for the year 2020-21.

The State government has said the amount will not be enough given the extent of the disaster. Sources within the government mentioned that apart from Rs.400 crore and medical equipment required to treat coronavirus patients, including 1,489 laddi N-95 masks, around 17 liquid layer masks and 36,480 PPE kits, the State has received no help from the centre.

Though Maharashtra has not announced any relief package so far, it has become the first State in the country to provide free and cashless insurance protection to its citizens. The Mahanagara Police Jan Aurangabad Vaya (MPJAV) will now cover government, semi-government employees and as well as white ration card holders. The government has made COVID-19 vaccine and treatment free and capped the disease’s treatment at private hospitals.

The State has also set up a special website for industries to seek clearances to resume work. Till May 5, the government had received 38,363 applications out of which 12,336 have already gone in operation.

In view of the crisis, the State’s Power Department has decided to reduce power tariff on an average by 10% for consumers. For the industrial and commercial consumers, the reduction in the tariff would be 10-15%, while for residential consumers, the reduction in the same would be 5%.

Further, for the next three months, industrial and commercial consumers will have to pay fixed charges. There will be no increase in tariff for agricultural consumers, and those using power derived from solar roof sources will not have to pay any additional charges.

Maharashtra government has formed two committees – one of experts and another of ministers to tackle the financial recovery of the State in post-corona times. At its first meeting, the committees’ panel recommended that the State government rethink the budget estimates, especially about borrowing and expenditure. It observed that with March and April gone, the State is already staring at a shortfall of around Rs.45,000 crore in revenue receipts. It also observed that receipts through GST collection are also likely to be hit by 30%.

Increased borrowing

The State is also considering to raise its debt limit. In 2020-21, it is expected to cross Rs.20,000 crore which will be 16.15% of the Gross State Domestic Product (GSDP). The idea to raise the limit by 2% is currently being discussed to tackle the expected shortfall of revenue receipts. It is being justified on the basis that the State spends 83.1% of its revenue on salaries, pension and interest on loans. The State spends approximately Rs.42,000 crore per month on salaries.

Former Union minister Shriad Pawar has estimated that Maharashtra is going to face a shortfall of Rs.60,000 crore in 2020-21. The State was already staring at a revenue deficit of Rs.45,000 crore. Without financial aid, the State government decided to cut down on non-essential expenditure in FY 2020-21 and sought help from the Centre in the form of additional grants of an unspecified nature.

As per the budget presented on March 6, 2020, the State was already planning to cut down on non-essential expenditure at a revenue deficit of Rs.45,200 crore. With financial aid, the Centre closed down for over 40 days now and all sources of revenue dried up and the deficit is likely to soar.