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# **CHAPTER 1: FINANCES OF THE STATE GOVERNMENT**

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## Profile of State

Tripura is located in the North Eastern Region of India. It is the third smallest State in the country in terms of geographical area (10,491.69 sq. km) and second most populous State of North East after Assam. The State stands 18<sup>th</sup> in terms of population density in the country. As indicated in **Appendix 1.1 (Part-D)** the State's population increased from 31.99 lakh (2001) to 36.74 lakh (2011) recording a decadal growth of 14.85 *per cent*. The State's literacy rate increased from 73.20 *per cent* (as per 2001 census) to 87.22 *per cent* as against All India Average of 73 *per cent* (as per 2011 census). The Per Capita income (Economic Review of Tripura 2013-14) of the State was estimated at ₹ 69,705 (P) in 2013-14 while it was ₹ 57,402 in 2012-13.

## Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates the standard of living of the State's population. The trends in the annual growth of India's GDP at factor cost at current market price and the State GSDP at factor cost at current prices are indicated below:

### Annual growth rate of GDP and GSDP at factor cost at current prices

| Year                                   | 2010-11  | 2011-12  | 2012-13  | 2013-14     | 2014-15      |
|--|----------|----------|----------|-------------|--------------|
| India's GDP (₹ in crore)*              | 7248860  | 8391691  | 9388876  | 10472807(P) | 11694849**   |
| Growth rate of GDP (percentage)        | 18.66    | 15.77    | 11.88    | 11.54       | 11.67        |
| State's GSDP (₹ in crore) <sup>#</sup> | 17867.73 | 19973.91 | 22697.07 | 26809.59(P) | 30922.12 (A) |
| Growth rate of GSDP                    | 16.00    | 11.79    | 13.63    | 18.12       | 15.34        |

\* Central Statistical Office (CSO), Ministry of Statistics and Programme Implementation.

<sup>#</sup> Quarterly review report of the Finance Minister for the third Quarter 2014-15 and the Stastical Department; (P): Provisional Estimate, (A) Advance Estimate.

\*\* Except Himachal Pradesh, Manipur, Mizoram, Sikkim and Goa.

## 1.1 Introduction

### 1.1.1 Summary of Fiscal Transactions in 2014-15

**Table 1.1** presents the summary of the State Government's fiscal transactions while **Appendix 1.2** provides details of receipts and disbursements as well as the overall fiscal position during the current year (2014-15) *vis-à-vis* the previous year (2013-14).

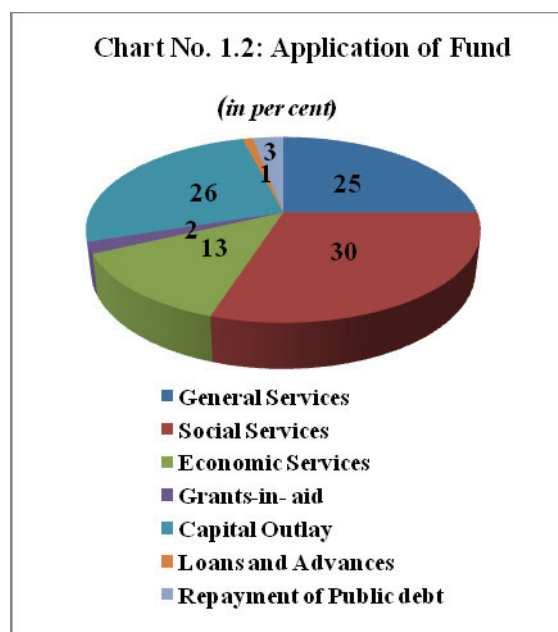
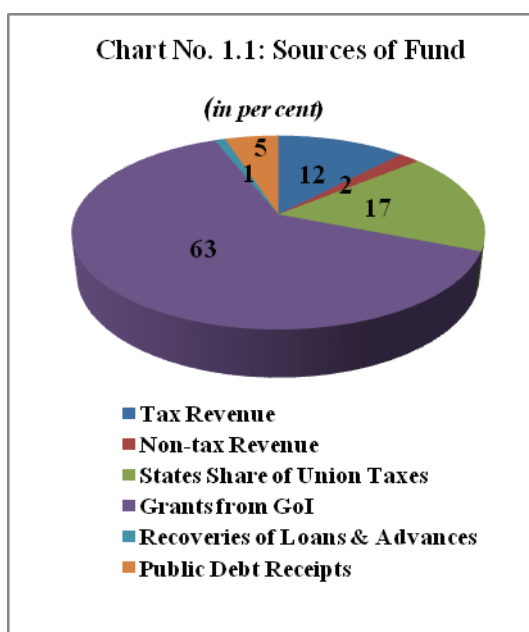
**Table No. 1.1: Summary of Fiscal operations in 2014-15**

(₹ in crore)

| Receipts                         |                 |                 | Disbursements                   |                 |                |                |                 |
|----------------------------------|-----------------|-----------------|---------------------------------|-----------------|----------------|----------------|-----------------|
| Particulars                      | 2013-14         | 2014-15         | Particulars                     | 2013-14         | 2014-15        |                |                 |
| Section-A: Revenue               |                 |                 |                                 |                 | Non-Plan       | Plan           | Total           |
| <b>Revenue receipts</b>          | <b>7650.18</b>  | <b>9239.73</b>  | <b>Revenue expenditure</b>      | <b>5948.96</b>  | <b>5476.45</b> | <b>1966.46</b> | <b>7442.91</b>  |
| Tax revenue                      | 1073.91         | 1174.26         | General Services                | 2345.29         | 2659.80        | 16.21          | 2676.01         |
| Non-tax revenue                  | 246.52          | 195.64          | Social Services                 | 2407.89         | 1644.40        | 1539.94        | 3184.34         |
| Share of Union Taxes/ Duties     | 1630.25         | 1730.13         | Economic Services               | 1048.29         | 992.43         | 410.31         | 1402.74         |
| Grants from Government of India  | 4699.50         | 6139.70         | Grants-in-aid and Contributions | 147.49          | 179.82         | -              | 179.82          |
| Section-B: Capital & others      |                 |                 |                                 |                 |                |                |                 |
| Misc. Capital Receipts           | 0.00            | 0.00            | Capital Outlay                  | 1640.73         | 10.88          | 2821.41        | 2832.29         |
| Recoveries of Loans and Advances | 0.96            | 2.18            | Loans and Advances Disbursed    | 15.77           | 0.31           | 15.43          | 15.74           |
| Public Debt Receipts             | 786.98          | 537.27          | Repayment of Public Debt        | 219.91          | 300.00         | 0.00           | 300.00          |
| Contingency Fund                 | 0.00            | 0.00            | Contingency Fund                | 0.00            | 0.00           | 0.00           | 0.00            |
| Public Account Receipts          | 2631.12         | 2985.73         | Public Account Disbursements    | 2116.13         | 2580.42        | 0.00           | 2580.42         |
| Opening Cash Balance             | 2659.45         | 3787.19         | Closing Cash Balance            | 3787.19*        | -              | -              | 3380.74         |
| <b>Total:</b>                    | <b>13728.69</b> | <b>16552.10</b> | <b>Total:</b>                   | <b>13728.69</b> |                |                | <b>16552.10</b> |

(Source: Finance Accounts)

\*The closing cash balance has been taken on the higher side at ₹ 3,787.19 crore instead of ₹ 3,787.18 crore due to rounding off.



The following are the major changes in fiscal transactions during 2014-15 over the previous year:-

|                     |   |
|---------------------|---|
| Revenue Receipts    | <ul style="list-style-type: none"> <li>➤ Revenue Receipts increased by 21 per cent,</li> <li>➤ Tax revenue increased by 9 per cent,</li> <li>➤ States share of Union Taxes and Duties increased by 6 per cent,</li> <li>➤ Grants from Government of India increased by 31 per cent</li> <li>➤ Non tax Revenue decreased by 21 per cent</li> </ul>   |
| Revenue Expenditure | <ul style="list-style-type: none"> <li>➤ Revenue Expenditure increased by 25 per cent. Plan expenditure increased by 40 per cent and NPRE increased by 20 per cent</li> <li>➤ General Services increased by 14 per cent</li> <li>➤ Social Services increased by 32 per cent</li> <li>➤ Economic services increased by 34 per cent</li> <li>➤ Grant-in-Aid increased by 22 per cent</li> </ul> |
| Capital Expenditure | <ul style="list-style-type: none"> <li>➤ Increased by 73 per cent</li> </ul>  |
| Loans and Advances  | <ul style="list-style-type: none"> <li>➤ Recoveries increased by 127 per cent</li> <li>➤ Disbursement of loans and advances decreased by 0.19 per cent</li> </ul>   |
| Public Debt         | <ul style="list-style-type: none"> <li>➤ Receipts decreased by 32 per cent</li> <li>➤ Repayment increased by 36 per cent</li> </ul>   |
| Cash Balance        | <ul style="list-style-type: none"> <li>➤ Decreased by 11 per cent at the end of the year 2014-15.</li> </ul>  |

### 1.1.2 Review of the Fiscal Situation

#### *Tripura Fiscal Responsibility and Budget Management (TFRBM) Act, 2005*

As per recommendations of the XIII Finance Commission (XIII FC), State Government had amended the TFRBM Act and had revised the Mid Term Fiscal Policy Statement (MTFPS) targets since 2010-11 for the XIII FC Award period upto 2014-15.

Major fiscal variables provided in the budget based on recommendations of the XIII Finance Commission and the actuals *vis-a-vis* the target in the FRBM Act of the State, are depicted in **Table No. 1.2** below:

**Table No. 1.2: Trends in major fiscal variations *vis-à-vis* projections for 2014-15**

| Fiscal variables  | 2014-15                       |                                    |                           |             |
|---|-------------------------------|------------------------------------|---------------------------|-------------|
|   | XIII FC targets for the State | Targets as prescribed in TFRBM Act | Projections made in MTFPS | Performance |
| Revenue Deficit (-)/Surplus (+) (₹ in crore)              | To maintain Revenue surplus   |                                    |                           | 1796.82     |
| Fiscal Deficit(-)/Surplus (+) to GSDP ratio (in per cent) | (-) 3.00                      | (-) 3.00                           | (-) 3.00                  | (-) 3.39    |
| Ratio of outstanding debt to GSDP (in per cent)           | 44.00                         | 44.20                              | 44.20                     | 30.14       |

**Source:** XIII FC, Medium Term Fiscal Policy Statement, Finance Accounts.

The State had maintained revenue surplus during the current year 2014-15 as well. The State Government was not able to achieve the fiscal deficit ratio of 3.00 *per cent* set in the FRBM Act and MTFPS. The debt-GSDP ratio of 30.14 *per cent* had been maintained within the target of 44.20 *per cent* prescribed in TFRBM Act and MTFPS and also XIII FC projection for the year 2014-15.

During 2014-15, fiscal deficit stood at ₹ 1049.03 crore against the surplus of ₹ 45.68 crore during 2013-14.

### 1.1.3 Budget Estimates and Actuals

The Budget Estimates of the State Government provides an estimate of revenue receipts and expenditure thereof for a particular financial year. Government has set various parameters to come out with these estimates based on past experience on various fiscal variables. The projected estimates are important as they guide the State Government's Fiscal Policy for a financial year. The accuracy in the estimates of receipt and expenditure reflects the fiscal marksmanship and effective implementation of fiscal policies for the overall socio-economic development of the State. Deviation from the estimates on the other hand indicates poor planning and implementation of fiscal objectives. The following table shows the Budget Estimates and Actuals for selected Parameters.

**Table No. 1.3: Budget and Actuals 2014-15**

(₹ in crore)

| Sl. No. | Particulars                           | Budget Estimates (RE) | Actuals      |
|---------|---------------------------------------|-----------------------|--------------|
| 1       | Tax Revenue                           | 1,241.00              | 1,174.26     |
| 2       | Non-Tax Revenue                       | 222.90                | 195.64       |
| 3       | State Share of Union Taxes and Duties | 1,800.40              | 1,730.13     |
| 4       | Capital Receipts (Borrowings)         | 888.00                | 537.27       |
| 5       | Revenue Expenditure                   | 8,303.07              | 7,442.91     |
| 6       | Capital Expenditure                   | 3,667.40              | 2,832.29     |
| 7       | Revenue Deficit (-)/Surplus (+)       | (+) 2,360.38          | (+) 1,796.82 |
| 8       | Fiscal Surplus (+)/Deficit (-)        | (-) 1,320.89          | (-) 1,049.03 |

It was seen that the collection of state revenue (*tax revenue + non-tax revenue*) was lower than the Revised Estimate by ₹ 94.00 crore (6 *per cent*) during the year 2014-15. The collection of non-tax revenue decreased by ₹ 27.26 crore (12 *per cent*) during the same period. There was less expenditure compared to the projected revenue expenditure of ₹ 860.16 crore (10 *per cent*) during the year. There was a shortfall in capital expenditure by ₹ 835.11 crore *i.e.* 23 *per cent* less than the budget estimates for the year 2014-15 as mentioned in the budget speech of the Finance Minister 2015-16.

Details of variations on Budget Estimates vis-a-vis the actual on various components for the year 2014-15 are given in **Appendix 1.3**.

With the aim of improving efficiency, ensure transparency and making it dealers' friendly, the State had implemented "Mission Mode Project for Computerisation of Tax Administration (MMPCT)" at a cost of ₹ 730.41 lakh. Utilising this project the

State Government realised an approximate amount of ₹ 192.60 crore during the year 2014-15.

### Mode of Financing Fiscal Deficit

According to the Budget Speech 2014-15, the fiscal deficit was anticipated to be ₹ 158.66 crore. It was stated in the Budget Speech that this deficit would be met by means of implementing austerity measures and mobilising additional revenue by means of better tax compliance during the year. The fiscal deficit, however, was projected in the revised estimate as (-) ₹ 1,320.89 crore for the year 2014-15 but the actual deficit was ₹ 1,049.03 crore.

The State Government rationalised the rates of different taxes and excise duties for the purpose of additional resource mobilisation. With a view to collect additional revenue, the Government had reduced (14 October 2014) VAT on some products while the rate of Luxury Tax had been enhanced by 5 *per cent* (17 October 2014) by amending “The Tripura Tax on Luxuries in Hotels and Lodging Houses (Second Amendment) Act, 2014” as indicated in the Budget Speech 2015-16.

#### 1.1.4 Gender Budgeting

In order to create a positive environment through economic and social policies for development of women and children to enable them to realise their full potential and to ensure equal rights and opportunities to them in their social and economic life and for their protection, the State Government introduced Gender Budget with ₹ 149.82 crore in the year 2005-06 out of total budget of ₹ 3,689.15 crore for the year. The State Government allocates funds for women fully or partly on schemes within the overall budget. An amount of ₹ 551.71 crore (13 *per cent*) was allocated to 18 departments in the revised estimates for the year 2014-15 out of total plan outlay of ₹ 4,326.02 crore for the year.

Scrutiny of budget records revealed that out of a total provision for plan outlay, 13 to 28 *per cent* was allocated for women during 2010-11 to 2014-15 of which the expenditure ranged between 61 and 71 *per cent* during the period. Details are given in table below:

**Table No. 1.4: Provision and achievement of Gender Budget during 2010-15**

(₹ in crore)

| Year    | Total budget for plan outlay | Provision for gender budget (percentage of total plan provision) | Expenditure (percentage of achievement) |
|---------|------------------------------|--|---|
| 2010-11 | 1,053.92                     | 294.84 (28)  | 194.54 (66)                             |
| 2011-12 | 1,302.36                     | 304.64 (23)  | 142.86 (47)                             |
| 2012-13 | 1,864.55                     | 421.44 (23)  | 289.93 (69)                             |
| 2013-14 | 2,039.96                     | 360.25 (18)  | 254.56 (71)                             |
| 2014-15 | 4,326.02                     | 551.71(13)   | 336.63 (61)                             |

Source: Budget at a Glance 2014-15

During 2014-15, the expenditure was about 61 *per cent* of the budget provision for women as compared to 71 *per cent* in 2013-14. Analysis of the plan outlay and expenditure of the various departments under Gender Budget revealed that during

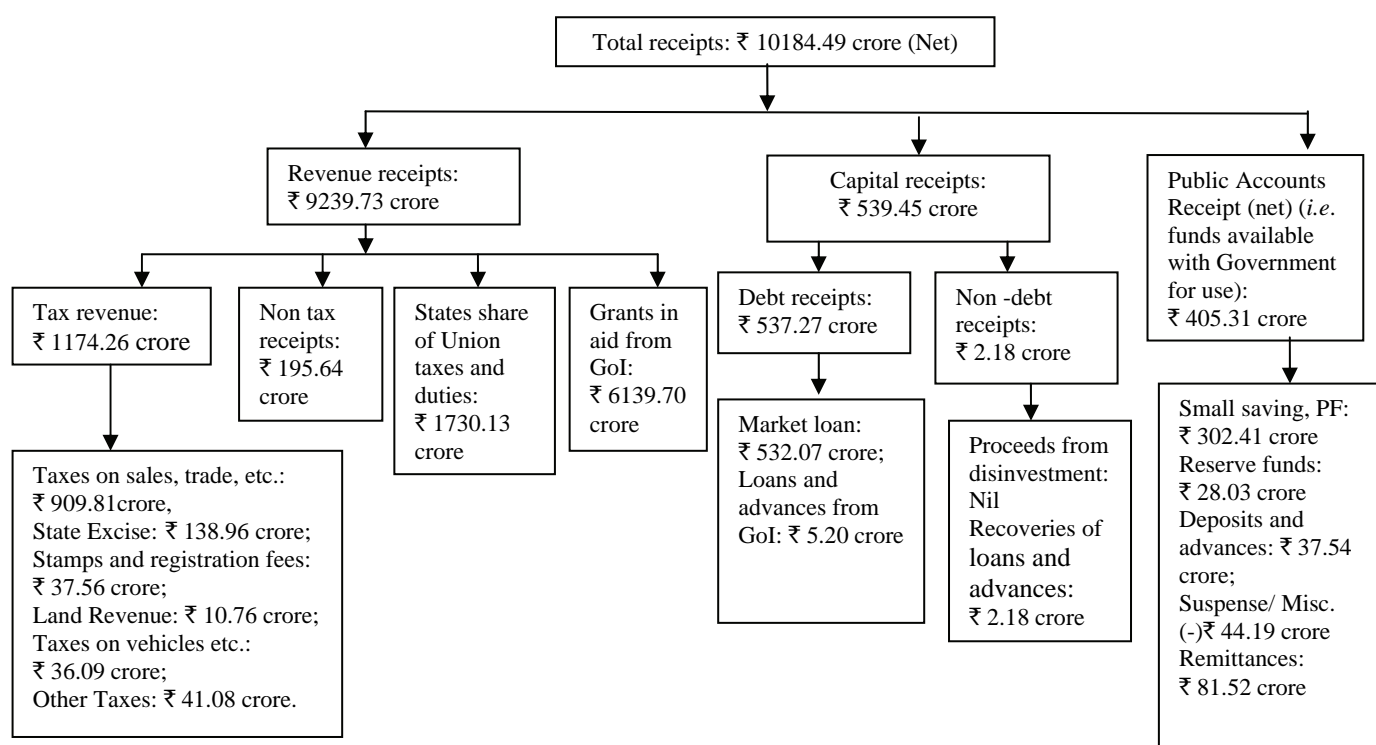
2014-15, the achievement in respect of Rural Development Department was only 7 per cent and in three cases (agriculture department, scheduled caste Welfare department and other backward classes welfare department), the expenditure was below 20 per cent. However, the expenditure for the Gender budget in respect of three Departments i.e. Family Welfare, Scheduled Tribes and Youth Affairs & Sports Department was more than 100 per cent during the year 2014-15.

## 1.2 Resources of the State

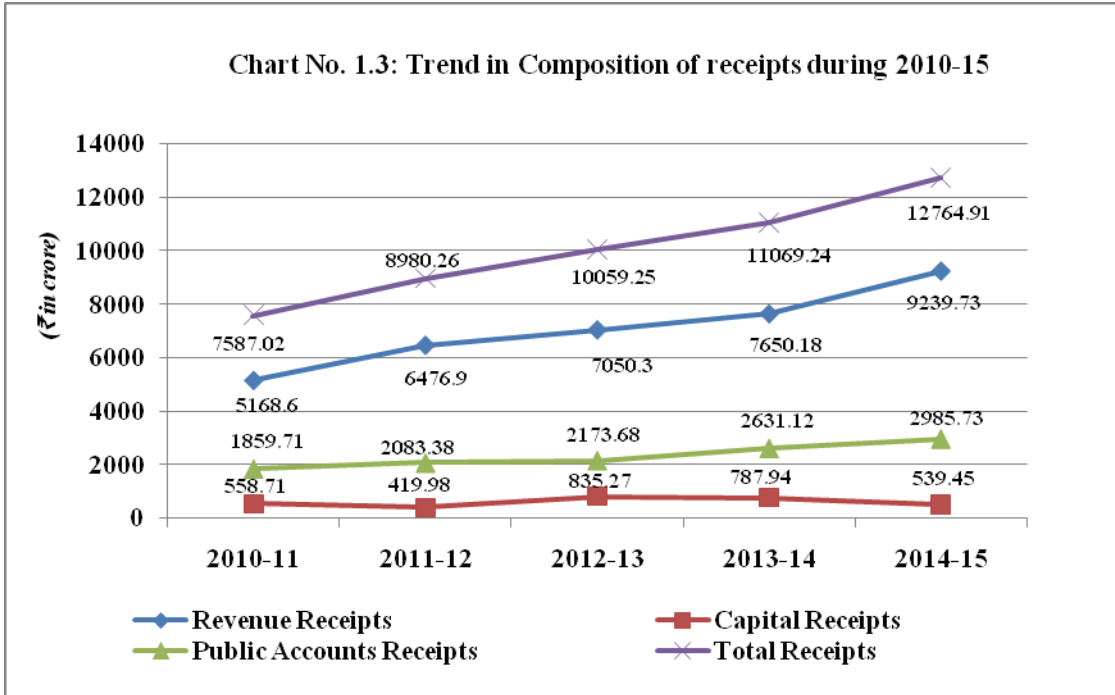
### 1.2.1 Resources of the State as per the Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of Tax Revenues, Non-tax Revenues, State's share of Union Taxes and Duties and Grants-in-aid from the Government of India (GoI). Capital receipts comprise Miscellaneous Capital Receipts such as proceeds from Disinvestments, Recoveries of Loans and Advances, Debt receipts from internal sources (Market Loans, Borrowings from Financial Institutions/ Commercial Banks) and Loans and Advances from GoI. Besides the funds available in the Public Accounts after disbursement is also utilised by the Government to finance its requirement. **Table No.1.1** and **Appendix 1.2** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart No. 1.1** depicts the percentage of funds receipts from various components during 2014-15.

Following flowchart shows the components and sub-components of resources of the State.







Revenue receipts of the State increased from ₹ 5,168.60 crore in 2010-11 to ₹ 9,239.73 crore in 2014-15 which represented an increase of about 79 per cent over a period of five years. The contribution in the Revenue receipts during 2014-15 were 13 per cent in Tax Revenue, 2 per cent in Non-Tax, 19 per cent in State’s share of Union Taxes and Duties and 66 per cent in Grants-in-aid from the Government of India (Appendix 1.4).

On the other hand, the Capital receipts inclusive of Recoveries from Loans and Advances of the State had increased to ₹ 835.27 crore in 2012-13 and thereafter decreased to ₹ 539.45 crore in 2014-15 as compared to previous years. This decrease however, was mainly due to less borrowing from market during the year as compared to the previous year.

### 1.3 Revenue Receipts

Statement-14 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts of the State consist of its own tax and non-tax revenues, central tax transfers and grants-in-aid from GoI. The trends and composition of revenue receipts over the period 2010-15 are presented in **Chart No. 1.4**.

#### 1.3.1 Funds transferred to State Implementing Agencies outside the State Budget

The Central Government has been transferring a sizeable quantum of funds directly to the State implementing agencies<sup>1</sup> as of the XIII FC Award period till 31 March 2015, for implementation of various schemes/programmes in social and economic Services,

<sup>1</sup> State implementing agencies include any organisation/institution including Non-Governmental organisation which is authorised by the State Government to receive funds from the Government of India for implementing specific programmes in the State.

which are recognised as critical. These funds are not routed through the State Budget/State Treasury System and hence do not find mention in the finance Accounts of the State. As such, the Annual Finance Accounts of the State does not provide a complete picture of the resources of the State. However, an appendix comprising the flow of such funds has been appended in the Finance Accounts of the State and is also shown in a statement in the Budget at a glance of the State partially in every year. As per GoI decision all assistance to CSS/ACA under the 66 umbrella schemes would be released directly to the State Government and not to the implementing agencies and hence these funds would, however, be routed through the State Budget from the financial year 2015-16. The funds transferred directly to the State Implementing Agencies during the last five years are presented in **Table No. 1.5**.

**Table No. 1.5: Funds transferred by Central Government directly to the State Implementing Agencies outside the State Budget**

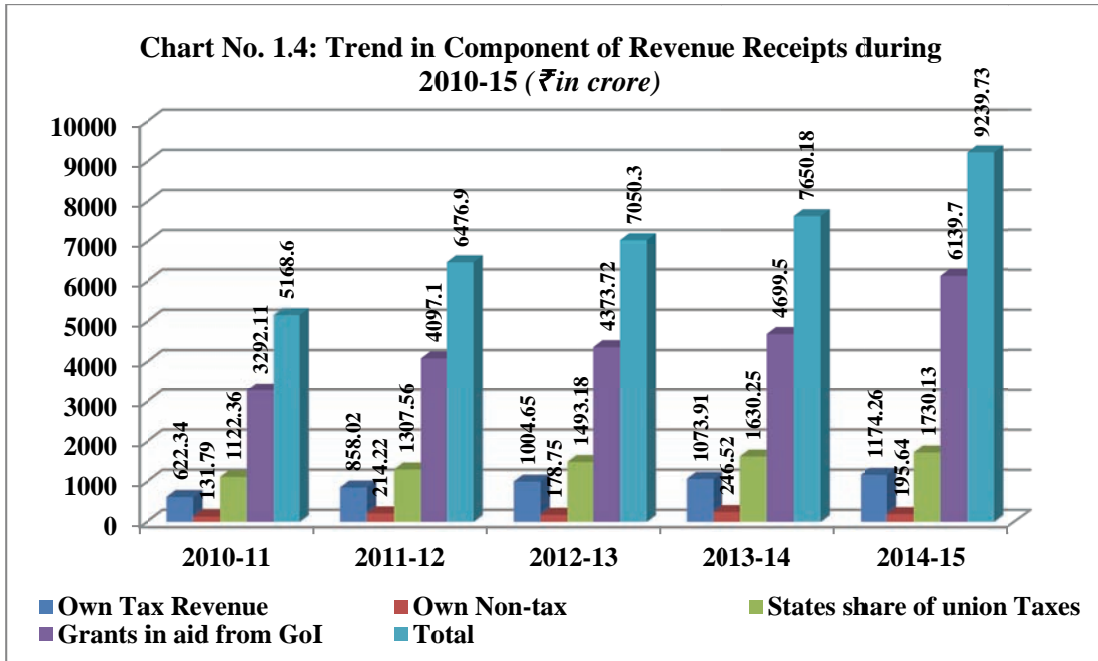
(₹ in crore)

| Particulars  | Funds Transferred |          |          |          |         |
|--|-------------------|----------|----------|----------|---------|
|  | 2010-11           | 2011-12  | 2012-13  | 2013-14  | 2014-15 |
| No. of Programmes / Schemes under which funds were transferred | 73                | 68       | 63       | 57       | 45      |
| Total Funds transferred by Central Government                  | 962.59            | 1,753.28 | 1,618.36 | 1,763.55 | 110.90  |

**Source:** ‘Central Plan Scheme Monitoring System’ portal of the Controller General of Accounts’ website.

During the year 2014-15, an approximate amount of ₹ 110.90 crore was transferred directly by Government of India to the State Implementing Agencies under 45 schemes. The details of the Implementing Agencies to which the funds were transferred are presented in **Appendix 1.5**.

Out of ₹ 110.90 crore released during the year, ₹ 12.50 crore (11.27 per cent) was released towards MPs Local Area Development Scheme (MPLADS) under Dhalai and West Tripura Districts and ₹ 1.18 crore under Science and Technology Programme. Besides, an amount of ₹ 79.80 crore was released to two central implementing agencies (National Institute of Technology, Agartala: ₹ 79.72 crore; Tripura University: ₹ 0.08 crore) during the year 2014-15.



Over the last five years, the increase in own tax revenue receipts was mainly due to increase in receipt on Tax on sales, trade, etc (VAT) which was due to revision of rates (4<sup>th</sup> May 2011 and 17 October 2014) by the State Government.

**Table No. 1.6: Trends in Revenue Receipts and Buoyancy Ratios relative to GSDP**

|  | 2010-11        | 2011-12        | 2012-13        | 2013-14        | 2014-15        |
|--|----------------|----------------|----------------|----------------|----------------|
| <b>Revenue Receipts (RR) (₹ in crore)</b>            | <b>5168.60</b> | <b>6476.90</b> | <b>7050.30</b> | <b>7650.18</b> | <b>9239.73</b> |
| Rate of growth of RR ( <i>per cent</i> )             | 17.43          | 25.31          | 8.85           | 8.51           | 20.78          |
| R R/GSDP ( <i>per cent</i> )                         | 28.93          | 32.43          | 31.06          | 28.54          | 29.88          |
| <b>Buoyancy Ratios<sup>2</sup></b>                   |                |                |                |                |                |
| Revenue Buoyancy w.r.t GSDP                          | 1.81           | 2.15           | 0.65           | 0.46           | 1.35           |
| State's Own Tax Buoyancy w.r.t GSDP                  | 1.13           | 3.21           | 1.25           | 0.38           | 0.61           |
| Revenue Buoyancy with reference to State's own taxes | 0.96           | 0.67           | 0.52           | 1.24           | 2.22           |

As shown in the table 1.6, the revenue buoyancy with respect to GSDP was in the range of 0.46 and 2.15 during the period of 2010-15 which indicates that the revenue receipts increased sharply, except two years where the revenue buoyancy was 0.65 (2012-13) and 0.46 (2013-14), as compared to the Growth rate of GSDP. During 2014-15, there were significant changes as compared to the previous two years in the rate of growth of revenue receipts with the rate of growth being 20.78 *per cent*.

This was due to increase in the share of net proceeds assigned to all states and increase of state excise duty under foreign liquor and spirits.

The State's Own Tax Buoyancy with respect to GSDP was in the range of 0.38 to 3.21 during 2010-15. The buoyancy ratio had been positive for all the years and it stood at 0.61 *per cent* in 2014-15.

<sup>2</sup> Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance revenue buoyancy at 0.6 implies that revenue receipts tend to increase by 0.6 percentage points if the GSDP increases by one *per cent*.

**Growth Rate (CAGR) of Revenue (20.78 per cent) of the State was higher than the average CAGR of Special Category states (15.34 per cent) and that of 17 General category states (16.10 per cent) during the year 2014-15.**

### 1.3.2 State's Own Resources

State's share in Central Taxes and Grants-in-aid are determined on the basis of recommendations of the Finance Commission and the State's performance in mobilisation of resources is assessed in terms of its own resources comprising own tax and non-tax sources. Though the Tax and Non-Tax revenue formed a minor part of the States resources, the performances of the State in mobilisation of Tax and Non-Tax is important in the long run for attaining self sufficiency or reduced dependency on Central Government. The State had adopted various fiscal policy measures viz; TFRBM Act, MTFPS to achieve this goal.

**Table No. 1.7: Projection of XIII FC, MTFPS, Revised Estimates vis-a-vis the actuals in respect of Tax and Non-Tax Revenue for 2014-15**

(₹ in crore)

|                 | XIII FC projections | MTFPS projection | Revised Estimates | Actuals  |
|-----------------|---------------------|------------------|-------------------|----------|
| Tax revenue     | 894.17              | 1,241.00         | 1,241.00          | 1,174.26 |
| Non-tax revenue | 187.93              | 222.90           | 222.90            | 195.64   |

The receipt of Tax and Non-Tax Revenue was higher than the XIII FC Projections by 31.32 per cent and 4.10 per cent respectively during the year 2014-15 (table no. 1.7). But it was lower than the Revised Estimates by 5.38 per cent and 12.23 per cent respectively during 2014-15.

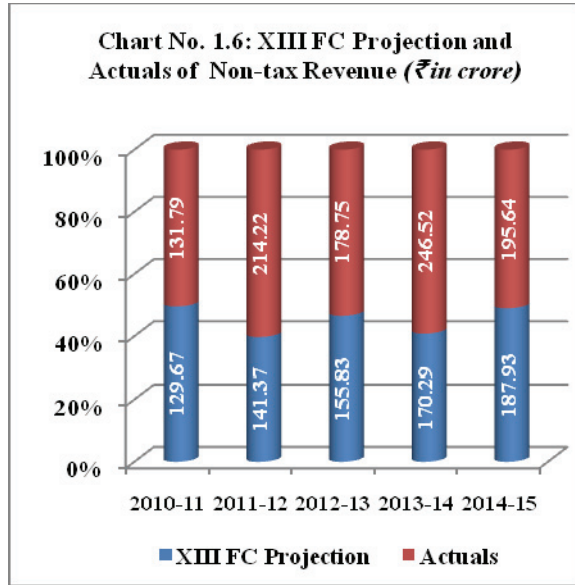
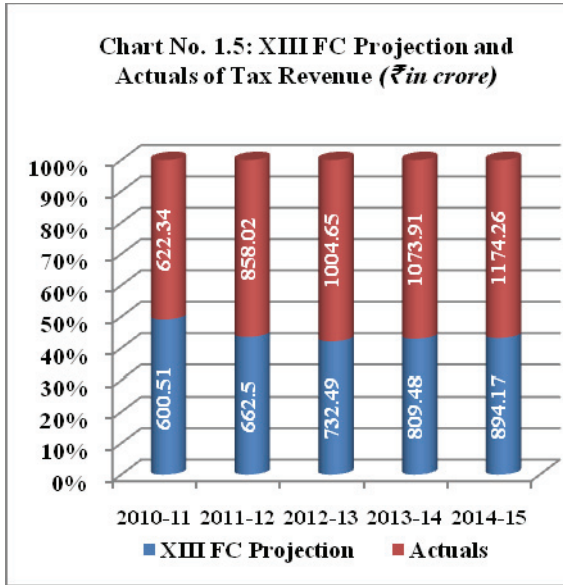
**Table No. 1.8: Tax and Non-tax Revenue projected by XIII FC and Actual collection during 2010-15.**

(₹ in crore)

| Year          | XIII FC projection |               | Actuals         |               | Excess Collections  |                   |
|---------------|--------------------|---------------|-----------------|---------------|---------------------|-------------------|
|               | Tax                | Non-tax       | Tax             | Non-tax       | Tax                 | Non-tax           |
| 2010-11       | 600.51             | 129.67        | 622.34          | 131.79        | (+) 21.83           | (+) 2.12          |
| 2011-12       | 662.50             | 141.37        | 858.02          | 214.22        | (+) 195.52          | (+) 72.85         |
| 2012-13       | 732.49             | 155.83        | 1,004.65        | 178.75        | (+) 272.16          | (+) 22.92         |
| 2013-14       | 809.48             | 170.29        | 1,073.91        | 246.52        | (+) 264.43          | (+) 76.23         |
| 2014-15       | 894.17             | 187.93        | 1,174.26        | 195.64        | (+) 280.09          | (+) 7.71          |
| <b>Total:</b> | <b>3,699.15</b>    | <b>785.09</b> | <b>4,733.18</b> | <b>966.92</b> | <b>(+) 1,034.03</b> | <b>(+) 181.83</b> |

Source: XIII FC & Finance Accounts.

**Table No. 1.8** shows that during the period of 2010-15, the State had collected both the Tax and Non-tax Revenue more than the XIII FC projection made for the Award period. Overall collection of Tax and Non-tax Revenue were 27.95 per cent and 23.16 per cent respectively above the XIII FC projection during the period.



**i) Tax Revenue**

Overall increase of Tax revenue of the State during the year was 9.34 per cent from ₹ 1,073.91 crore in 2013-14 to ₹ 1,174.26 crore in 2014-15. The increase in tax revenue was mainly under the major heads taxes viz. State Excise (20.65 per cent), Taxes on Sales, Trades, etc. (8.69 per cent) and Land Revenue (33.33 per cent), while there was a decrease in respect of Stamp duty and Registration fees (4.28 per cent) and Taxes on Vehicles (1.90 per cent) as shown in **Table No. 1.9**.

**Table No. 1.9: Components of State’s Tax revenue**

(₹ in crore)

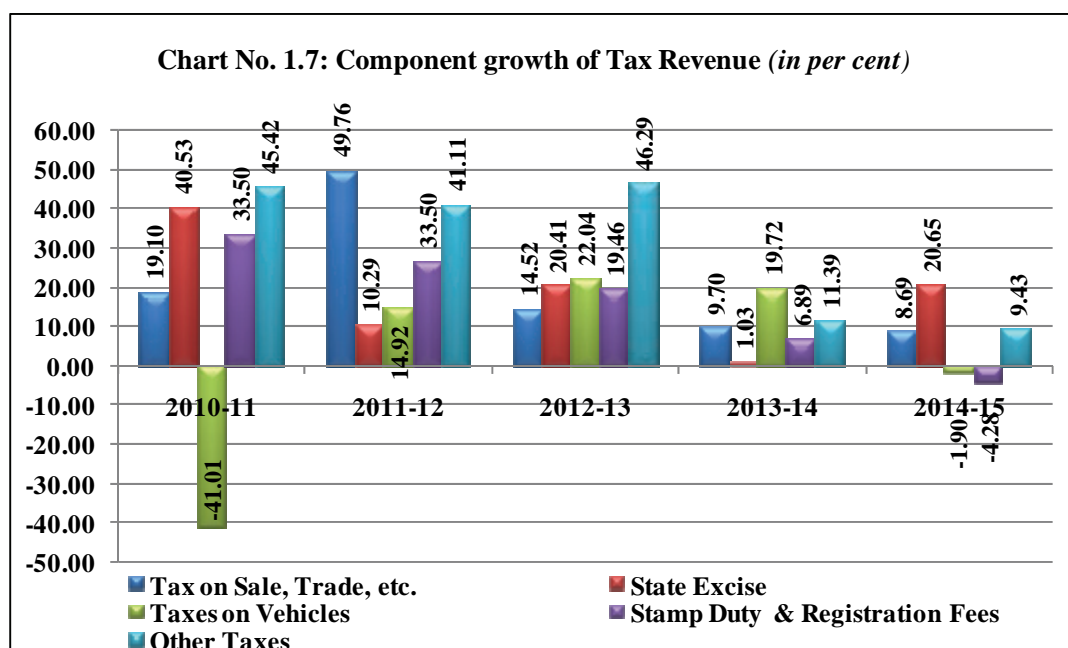
| Revenue Head                     | 2010-11       | 2011-12       | 2012-13         | 2013-14         | 2014-15         | Percentage increase in 2014-15 over 2013-14 |
|----------------------------------|---------------|---------------|-----------------|-----------------|-----------------|---|
| Taxes on sales, trades, etc.     | 444.93        | 666.32        | 763.07          | 837.09          | 909.81          | 8.69  |
| State excise                     | 85.85         | 94.68         | 114.00          | 115.18          | 138.96          | 20.65                                       |
| Taxes on vehicles                | 21.91         | 25.18         | 30.73           | 36.79           | 36.09           | (-) 1.90                                    |
| Stamp duty and Registration fees | 24.23         | 30.73         | 36.71           | 39.24           | 37.56           | (-) 4.28                                    |
| Land revenue                     | 15.25         | 9.33          | 26.44           | 8.07            | 10.76           | 33.33                                       |
| Other taxes <sup>3</sup>         | 30.17         | 31.78         | 33.70           | 37.54           | 41.08           | 9.43  |
| <b>Total:</b>                    | <b>622.34</b> | <b>858.02</b> | <b>1,004.65</b> | <b>1,073.91</b> | <b>1,174.26</b> | <b>9.34</b>                                 |

Source: Finance Accounts for the respective years

*The growth of Tax revenue of the State was 9.34 per cent against the average of 13.19 per cent in respect of 9 Special Category States and 10.51 per cent in respect of 17 General Category States for the year 2014-15.*

The component-wise increase in Tax revenue (in per cent) during the year 2010-15 is depicted in **Chart No. 1.7**:

<sup>3</sup> Other taxes include other taxes on commodities & services; taxes and duties on electricity; agricultural income; and taxes on profession, trade, callings & employment.



## ii) Non-tax Revenue

The Non-tax Revenue receipts of the State stood at ₹ 195.64 crore including ₹ 2.56 crore on account of eventual adjustment of excess repayment of GoI loan made after March 2010 and booked under Major Head 0075- Miscellaneous General Services in 2014-15, against ₹ 246.52 crore in 2013-14, which shows a decrease of 20.64 per cent over the year (Table No. 1.10). This decrease was mainly due to less 'Interest receipts' in which only ₹ 46.02 crore was collected during 2014-15 against ₹ 86.47 crore in 2013-14. Dividend receipts from Public Sector Undertakings was only ₹ 0.51 crore during the year 2014-15 though it was nil in previous year.

**Table No. 1.10: Component-wise trend of Non-tax revenue receipts**

(₹ in crore)

| Revenue Head           | 2010-11       | 2011-12       | 2012-13       | 2013-14       | 2014-15       | Percentage increase(+)/ decrease(-) in 2014-15 over 2013-14 |
|------------------------|---------------|---------------|---------------|---------------|---------------|---|
| Interest receipts      | 23.24         | 50.66         | 67.88         | 86.47         | 46.02         | (-) 46.78   |
| Dividends & Profits    | 0.13          | 25.95         | 0.67          | -             | 0.51          | (+) 100   |
| Other non-tax receipts | 108.42        | 137.61        | 110.20        | 160.05        | 149.11        | (-) 6.84  |
| <b>Total:</b>          | <b>131.79</b> | <b>214.22</b> | <b>178.75</b> | <b>246.52</b> | <b>195.64</b> | <b>(-) 20.64</b>  |

**Table No. 1.11: Sector-wise non-tax revenue receipts**

(₹ in crore)

| Name of Sector                     | 2010-11          | 2011-12          | 2012-13          | 2013-14          | 2014-15          |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| General Service                    | 50.75<br>(38.51) | 64.35<br>(30.04) | 44.55<br>(24.93) | 70.80<br>(28.72) | 57.90<br>(29.60) |
| Social Service                     | 8.60<br>(6.53)   | 10.82<br>(5.05)  | 11.98<br>(6.70)  | 14.30<br>(5.80)  | 8.90<br>(4.55)   |
| Economic Service                   | 49.07<br>(37.23) | 62.44<br>(29.15) | 53.66<br>(30.02) | 74.95<br>(30.40) | 82.31<br>(7.36)  |
| Interest Receipts, dividends, etc. | 23.37<br>(17.73) | 76.61<br>(35.76) | 68.55<br>(38.35) | 86.47<br>(35.08) | 46.53<br>(23.78) |
| <b>Total:</b>                      | <b>131.79</b>    | <b>214.22</b>    | <b>178.75</b>    | <b>246.52</b>    | <b>195.64</b>    |

Table No. 1.11 shows that there was a sharp decline in receipt of Non-tax Revenue in respect of General Service and Interest receipts. There was increase upto 2013-14 which fell by approximately 5 crore in 2014-15 in the social service sector. While there was an increase in receipt of the Economic Services by ₹ 7.36 crore during the year 2014-15 as compared to previous year. The increase in Economic Services was due to more collection from Forestry by 38 per cent and Minor Irrigation (215 per cent) during 2014-15 as compared to previous year.

*The decline of Non-tax revenue of the State during the year 2014-15 was (-) 20.64 per cent as compared to the average CAGR of (-) 6.78 per cent in respect of Special Category States during the year.*

### 1.3.3 Grants-in-aid from GoI

Grants-in-aid from Centre to the State, a discretionary component of central transfers, is considered to be an integral element of the revenue receipts of the State. The grants-in-aid increased every year in absolute terms, but as a percentage to total revenue receipts there had been a declining trend during 2010-14 but increased by 5 per cent in 2014-15 over previous year. The table below shows the composition of the Grants-in-aid and its trend over the last five years:

**Table No. 1.12: Grants-in-aid received from GoI**

(₹ in crore)

| Particulars                                      | 2010-11        | 2011-12        | 2012-13        | 2013-14        | 2014-15        |
|--|----------------|----------------|----------------|----------------|----------------|
| Non-Plan Grants                                  | 1195.43        | 1230.57        | 1289.76        | 1150.62        | 1086.53        |
| Grants for State Plan Schemes                    | 1745.48        | 2450.06        | 2691.59        | 3004.78        | 4720.17        |
| Grants for Central Plan Schemes                  | 29.29          | 46.79          | 33.34          | 35.21          | 32.74          |
| Grants for Centrally Sponsored Schemes           | 279.81         | 312.25         | 321.04         | 424.04         | 235.49         |
| Grants for Special Plan Schemes                  | 42.10          | 57.43          | 37.99          | 84.85          | 64.77          |
| <b>Total:</b>                                    | <b>3292.11</b> | <b>4097.10</b> | <b>4373.72</b> | <b>4699.50</b> | <b>6139.70</b> |
| Percentage of increase over previous year        | 8.20           | 24.45          | 6.75           | 7.45           | 30.65          |
| Total grants as a percentage of Revenue Receipts | 64             | 63             | 62             | 61             | 66             |

During 2014-15, the State had received an amount of ₹ 6,139.70 crore as Grants-in-aid from GoI out of which ₹ 1,086.53 crore was Non-plan Grants. An amount of ₹ 600 crore was received as Revenue Deficit Grant, ₹ 22.12 crore towards the State Disaster Response Fund (SDRF), ₹ 37.00 crore was grants for Maintenance of Roads and Bridges and ₹ 23.88 crore being the grants for maintenance of Forest under Non-

plan during the year 2014-15. There was a steep increase in receipt of grants under State plan schemes during 2014-15 while the grants for the centrally sponsored schemes during the year decreased substantially by ₹ 188.55 crore.

### 1.3.4 Debt waiver under the Debt Consolidation and Relief Facilities

The State Government enacted the Tripura Fiscal Responsibility and Budget Management Act, 2005 and the rules for carrying out the provisions of the Act were published in October 2006. As per recommendation of the XIII FC, the State Government had amended the TFRBM Act, 2005 in April 2011 and renamed it as Tripura Fiscal Responsibility and Budget Management (3<sup>rd</sup> Amendment) Act, 2011. Accordingly, the State had also revised its MTFPS targets since 2010-11 for the XIII FC Award period.

On the recommendation of XIII FC, Central loan under Central Plan Schemes and Centrally Sponsored Schemes, advanced to the State Government by the different Ministries other than the Ministry of Finance and outstanding as on 31-03-2010 had been written off. Ministry of Finance permitted the State Government to adjust the excess repayment of principal and interest made from the date of the orders (31 March 2010) and its implementations against future repayment to the Ministry of Finance. The State Government paid ₹ 6.88 crore in excess (Principal: ₹ 2.79 crore and Interest: ₹ 4.09 crore) after the effective date of which the Ministry of Finance had adjusted only ₹ 2.56 crore leaving a balance of ₹ 4.32 crore (Principal: ₹ 2.01 crore and Interest: ₹ 2.31 crore) unadjusted as on 31 March 2015. This resulted in overstatement of Public Debt of the State Government to that extant.

### 1.3.5 Central Tax Transfers

The XIII FC recommended 32 *per cent* share of Union Taxes to all states including Tripura during the XIII FC period from 2010-11 to 2014-15. The XIII FC also recommended average devolution of State Share of Union Taxes at 9.31 *per cent* of GSDP during the period.

During the last five year period from 2010-11 to 2014-15, the devolution of different component of State's Share of Union Taxes were as under:

**Table No. 1.13: Trend in components of State's share of Union Taxes**

| Component of State's Share of Union Taxes | (₹ in crore)    |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | 2010-11         | 2011-12         | 2012-13         | 2013-14         | 2014-15         |
| Corporation tax                           | 438.70          | 514.68          | 536.36          | 548.28          | 604.18          |
| Income tax                                | 231.83          | 261.43          | 321.11          | 361.03          | 431.44          |
| Taxes on wealth                           | 0.90            | 1.98            | 0.91            | 1.51            | 1.63            |
| Union Excise & Customs                    | 339.03          | 373.42          | 416.75          | 453.86          | 437.82          |
| Service tax & others                      | 111.90          | 156.05          | 218.05          | 265.57          | 255.06          |
| <b>Total:</b>                             | <b>1,122.36</b> | <b>1,307.56</b> | <b>1,493.18</b> | <b>1,630.25</b> | <b>1,730.13</b> |

There was an increasing trend of devolution in the components of the State's Share of Union Taxes during the last five year period. Corporation Tax, Union Excise & Customs and Income Tax contributed a major part to State's share of Union Taxes



during the year 2014-15. The Share of Union Taxes for the year 2014-15 as percentage of GSDP stood at 5.60 per cent.

### 1.3.6 Optimisation of the XIII FC Grants during 2010-15

The Thirteenth Finance Commission (XIII FC) was constituted by the President under Article 280 of the Constitution of India on 13 November 2007 to give recommendations on specified aspects of Centre-State fiscal relations during 2010-15 (award period). The XIII FC, as per the terms of reference, has three constitutionally mandated tasks, namely, the distribution of net revenues from the divisible pool of taxes, grants-in-aid to the needy states and measures for supplementing the states resources for devolution to local bodies.

The details of the grants recommended by the XIII FC and released by GoI during 2010-15 are given below:

**Table No. 1.14: Recommendations of XIII FC and actual release of funds by GoI during 2010-15**

(₹ in crore)

| Sl. No.       | Purpose for which grants is released         | Amount to be released by the GoI as per the recommendation of the XIII FC | Actual released by GoI | Short release of funds      |
|---------------|--|---|------------------------|-----------------------------|
| 1             | Local Bodies and PRIs                        | 369.60  | 248.57                 | (-) 121.03                  |
| 2             | State Disaster Response fund (SDRF)          | 106.70  | 101.03                 | (-) 5.67                    |
| 3             | State Specific needs                         | 500.00  | 303.09                 | (-) 196.91                  |
| 4             | Maintenance of Roads and Bridges             | 122.00  | 96.00                  | (-) 26.00                   |
| 5             | Maintenance of Forest                        | 95.52   | 83.58                  | (-) 11.94                   |
| 6             | Education Sector                             | 23.00   | 5.00                   | (-) 18.00                   |
| 7             | Grants in aid for water sectors              | 8.00  | 2.00                   | (-) 6.00                    |
| 8             | District Innovation Fund                     | 4.00  | 2.80                   | (-) 1.20                    |
| 9             | Improvement of Justice Delivery              | 24.02   | 12.16                  | (-) 11.86                   |
| 10            | Incentive for reducing Infant Mortality Rate | 6.40  | 1.91                   | (-) 4.49                    |
| 11            | Improvement of statistical system            | 4.00  | 1.60                   | (-) 2.40                    |
| 12            | Employee & Pension database                  | 5.00  | 2.50                   | (-) 2.50                    |
| <b>Total:</b> |  | <b>1,268.24</b>   | <b>860.24</b>          | <b>(-) 408.00<br/>(32%)</b> |

**Source:** XIII FC recommendations, Finance Accounts and departmental records.

As of 31 March 2015, the Government of Tripura received ₹ 860.24 crore from the GoI against the recommended amount of ₹ 1,268.24 crore to be released by the GoI for the purpose as indicated in table above during the XIII FC Award period. There was short release of funds by GoI amounting to ₹ 408.00 crore (32 per cent) during 2010-15.

During the XIII FC award period, the State Government received ₹ 5,952.91 crore as Non-Plan grants out of which ₹ 4,939.45 crore (83 per cent) was received as Revenue deficit gap grant from GoI against ₹ 4,453.30 crore recommended by XIII FC. There was an excess release of ₹ 486.15 crore as of March 2015.

## Grants for States Specific Needs

The XIII FC has recommended ₹ 500 crore being States specific needs grants to the Government of Tripura, of which GoI released only ₹ 303.09 crore as of 31 March 2015, resulting in short release of ₹ 196.91 crore during 2010-15. The details of the funds recommended vis-a-vis actual released by GoI alongwith the purpose for which grants were released are given in **Appendix-1.6**.

It was noticed that out of total grants of ₹ 500 crore towards the State Specific Needs recommended by the XIII FC, ₹ 200 crore was for construction work of drainage system in the State Capital City of Agartala of which only ₹ 70 crore was released by the GoI as of 31 March 2015. It was also noticed that the XIII FC has recommended a grant of ₹ 30 crore for construction works of New Raj Bhawan at Capital Complex, Agartala and GoI released ₹ 21.85 crore as of 31 March 2015. But State Government utilised only ₹ 8.06 crore on the project which was started on 3 May 2012 stipulating to complete the work by May 2014 but remained incomplete as of 31 March 2015.

### 1.4 Capital Receipts

All Government receipts which either create liabilities (eg; market borrowing, public account receipts) or reduce assets (eg; disinvestment, recovery of loans and advances) are treated as capital receipts. Thus when Government raises funds either by incurring a liability or by disposing off its assets, it is called capital receipt.

**Table No. 1.15** shows trend in growth and composition of two components of capital receipts of the State Government during the last five years period. The table shows a fluctuating scenario of capital receipt and decrease by ₹ 248.49 crore (32 per cent) from ₹ 787.94 crore in 2013-14 to ₹ 539.45 crore in 2014-15.

**Table No. 1.15: Trends in growth and composition of capital receipts**

(₹ in crore)

| Sources of State's Receipts                                     | 2010-11       | 2011-12       | 2012-13       | 2013-14       | 2014-15       |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Capital Receipts (CR)</b>                                    | <b>558.71</b> | <b>419.98</b> | <b>835.27</b> | <b>787.94</b> | <b>539.45</b> |
| Miscellaneous Capital Receipts                                  | 0.00          | 0.00          | 0.00          | 0.00          | 0.0           |
| Non-debt Capital Receipts                                       | 2.80          | 2.10          | 1.26          | 0.96          | 2.18          |
| Public Debt Receipts  | 555.91        | 417.88        | 834.01        | 786.98        | 537.27        |
| Rate of growth of Public Debt Receipts ( <i>per cent</i> )      | 12.58         | (-) 24.83     | 99.58         | (-) 5.64      | (-) 31.73     |
| Rate of growth of Non-debt Capital Receipts ( <i>per cent</i> ) | (-) 20.23     | (-) 25.00     | (-) 40.00     | (-) 23.81     | (+) 127.08    |
| Rate of growth of GSDP ( <i>per cent</i> )                      | 16.00         | 11.79         | 13.63         | 18.12         | 15.34         |
| Rate of growth of CR ( <i>per cent</i> )                        | 12.34         | (-) 24.83     | 98.88         | (-) 5.67      | (-) 31.54     |

#### 1.4.1 Recoveries of Loans and Advances

Non-debt capital receipts i.e, Recovery of Loans and Advances by the State during the period 2010-11 to 2014-15 was not only meagre but also showed a decreasing trend from ₹ 2.80 crore in 2010-11 to ₹ 0.96 crore in 2013-14. However, it increased slightly in 2014-15 over the previous year. Outstanding loans and advances as on 31 March 2014 was ₹ 127.04 crore. During the year 2014-15, the State Government had given loans to the Government Servants and other Co-operative Societies under

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Social and Economic Services for various developmental activities amounting to ₹ 15.74 crore. Only ₹ 2.18 crore had been recovered from them during the year, of which ₹ 0.61 crore was received from the Government Servants. As on 31 March 2015, the outstanding Loans and Advances stood at ₹ 140.60 crore.

#### 1.4.2 Public Debt Receipts

A time series data on public debt receipts during 2010-15 is shown below:

**Table No.1.16: Time series data on public debt receipts 2010-15**

| Public Debt                                   | 2010-11                   | 2011-12                   | 2012-13                   | 2013-14                   | 2014-15                   | Total                      |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------------|
| <b>Internal debt</b>                          |                           |                           |                           |                           |                           |                            |
| Loans from Market                             | 285.00<br>(51.27)         | 300.00<br>(71.79)         | 645.00<br>(77.34)         | 550.03<br>(69.89)         | 150.00<br>(27.92)         | 1930.03<br>(61.62)         |
| National Small Savings Provident Fund (NSSPF) | 174.05<br>(31.31)         | 12.52<br>(0.30)           | 41.28<br>(4.95)           | 74.41<br>(9.46)           | 182.07<br>(33.89)         | 484.33<br>(15.46)          |
| Loans from other Financial institutions       | 93.50<br>(16.82)          | 99.29<br>(23.76)          | 144.25<br>(17.30)         | 158.82<br>(20.18)         | 200.00<br>(37.23)         | 695.86<br>(22.22)          |
| <b>Total Internal Debt</b>                    | <b>552.55<br/>(99.40)</b> | <b>411.81<br/>(98.55)</b> | <b>830.53<br/>(99.58)</b> | <b>783.26<br/>(99.52)</b> | <b>532.07<br/>(99.03)</b> | <b>3110.22<br/>(99.30)</b> |
| Loans and Advances from GoI                   | 3.36<br>(0.60)            | 6.07<br>(1.45)            | 3.48<br>(0.42)            | 3.73<br>(0.47)            | 5.20<br>(0.97)            | 21.84<br>(0.70)            |
| <b>Total Public Debt Receipts</b>             | <b>555.91</b>             | <b>417.88</b>             | <b>834.01</b>             | <b>786.98</b>             | <b>537.27</b>             | <b>3132.05</b>             |
| Public Debt Repayment                         | 205.70                    | 217.52                    | 312.49                    | 219.91                    | 300.00                    | 1255.62                    |
| Balance of Public Debt                        | 350.21                    | 200.36                    | 521.52                    | 567.07                    | 237.27                    | 1876.43                    |

**Note:** Figures in parenthesis indicates percentage to Public Debt Receipts.

**Source:** Finance Accounts.

Table above indicates that the share of open market borrowings in Public debt receipts ranged between 27.92 per cent and 77.34 per cent during the period 2010-15. The share of borrowings from National Small Savings Provident Fund (NSSPF) ranged between 0.30 per cent and 33.89 per cent during the same period. During 2014-15, the borrowing from open market considerably decreased by 72.73 per cent while it substantially increased by 144.68 per cent in respect of NSSPF as compared to the previous year.

Loan and advances from GoI slightly increased by ₹ 1.47 crore (39.41 per cent) which was less than one per cent of the total Public Debt Receipts during the year 2014-15.

During 2014-15, the Public Debt Receipts decreased to ₹ 537.27 crore (by 31.73 per cent) but repayment of Public Debt was increased to ₹ 300.00 crore (by 36.42 per cent) as compared to previous year.

During last five year period from 2010-11 to 2014-15, balance of public debt was ₹ 1876.43 crore excluding the interest on the debt.

## 1.5 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, etc., which do not form part of the Consolidated Fund are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here the Government acts as a banker. The balance after disbursements is the fund available with the government for use. Public account receipt for the last five years are shown in **Table No. 1.16**.

**Table No. 1.17: Public Account Balances**

| (₹ in crore)                            |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|
| Resources under Public Account balances | 2010-11        | 2011-12        | 2012-13        | 2013-14        | 2014-15        |
| a. Small Savings, Provident Fund, etc.  | 2002.94        | 2146.29        | 2385.57        | 2712.56        | 3014.96        |
| b. Reserve Fund                         | 430.60         | 506.75         | 582.56         | 651.54         | 679.57         |
| c. Deposits                             | 250.50         | 241.41         | 215.37         | 309.06         | 334.70         |
| <b>Total:</b>                           | <b>2684.04</b> | <b>2894.45</b> | <b>3183.50</b> | <b>3673.16</b> | <b>4029.23</b> |

**Table No. 1.17** shows that after disbursement of the fund receipts from the Public Account in various heads during last five year period, there was an increasing trend in the balances of funds which stood at ₹ 4,029.23 crore as on 31 March 2015. The overall increase was ₹ 368.11 crore (10 per cent) in 2014-15 over the balance of 2013-14. The Government could use the available funds of ₹ 4,029.23 crore under Public Account for development purposes. The major share (75 per cent) of the Public Account was from Small Savings, Provident Funds, etc. which bears an interest liability of the State at the rate of 8.70 per cent per annum. Out of ₹ 679.57 crore under Reserve Fund, ₹ 529.21 crore was invested in the earmarked fund (Sinking Fund) during the year 2014-15.

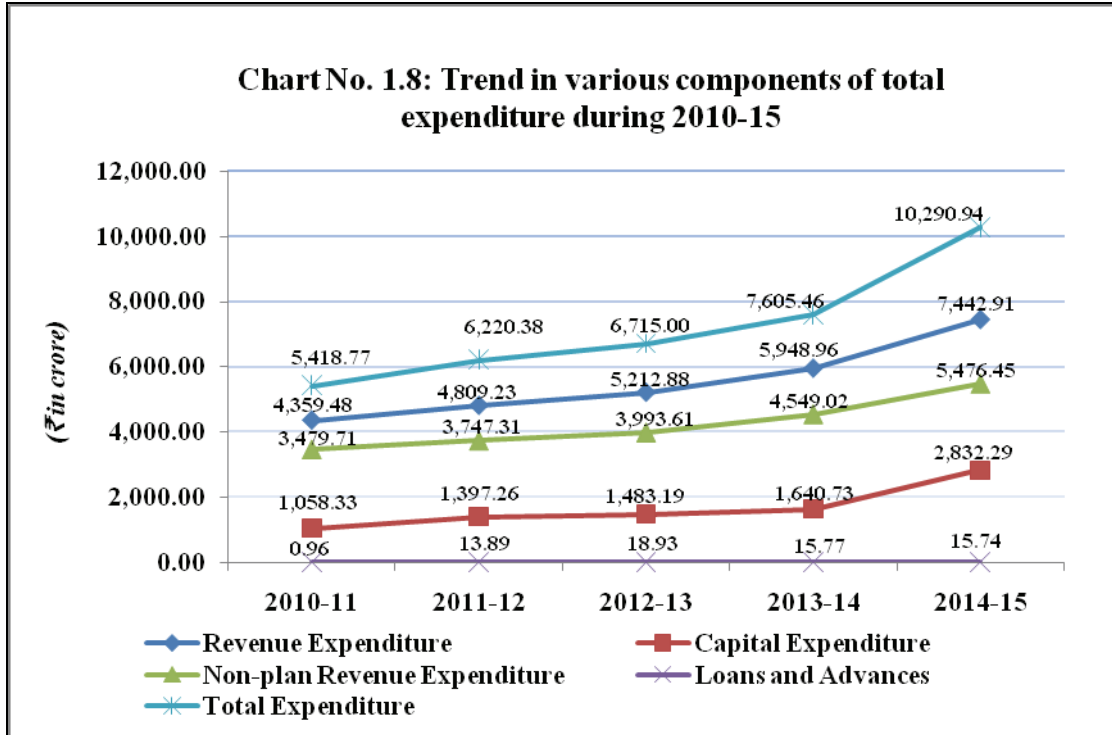
During 2014-15, the contribution to the net balance of small savings, the share of provident funds, etc. was ₹ 302.40 crore including interest of ₹ 239.79 crore adjusted while it was ₹ 28.03 crore in respect of reserve funds. Contribution to the balance of Deposits was ₹ 25.64 crore in 2014-15. The actual contribution to the balance of Deposits during the year was ₹ 37.68 crore as a result of reducing an amount of ₹ 12.04 crore from the previous year balance by proforma transfer to the appropriate Minor heads due to rectification of misclassification of previous year.

## 1.6 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance as it is an important aspect of fiscal policy to achieve developmental goals. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially the expenditure directed towards development of social Service.

### 1.6.1 Growth and Composition of Expenditure

**Chart No. 1.8** presents the trends in total expenditure over a period of five years (2010-15) and its composition in terms of ‘expenditure by activities’ is depicted in **Chart No. 1.9**.



During the period 2010-11 to 2014-15, the total expenditure of the State was on increasing trend and stood at ₹ 10,290.94 crore in 2014-15 from ₹ 5,418.77 crore in 2010-11 with an increase of 90 per cent over the period of five years. However, the total expenditure during 2014-15 increased by 35 per cent over the previous year. Revenue expenditure increased by 71 per cent during last five years period and 25 per cent during 2014-15 as compared to previous year. Expenditure in capital head increased by 73 per cent during 2014-15 as compared to previous year. Disbursement of Loans and Advances decreased by a meagre amount from previous year and stood at ₹ 15.74 crore during 2014-15.

Out of the total revenue expenditure of ₹ 7,442.91 crore during 2014-15, 74 per cent was in non-plan and 26 per cent on plan activities. The trend in composition of revenue expenditure (both plan and non-plan) is depicted in **Table No. 1.18**.

**Table No. 1.18: Trends in Composition of revenue expenditure (Non-plan and Plan) during 2010-15**

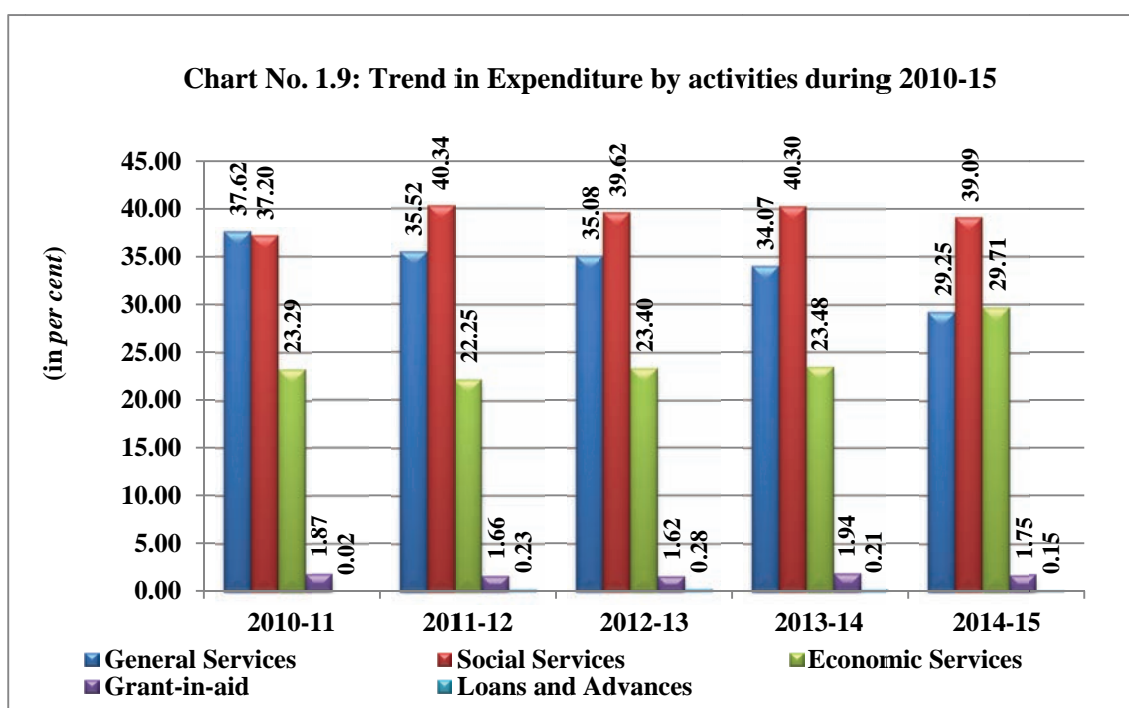
(₹ in crore)

|               | 2010-11         | 2011-12         | 2012-13         | 2013-14         | 2014-15         |
|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Non-plan      | 3,479.71(80)    | 3,747.31(78)    | 3,993.61(77)    | 4,549.02(76)    | 5,476.45(74)    |
| Plan          | 879.77(20)      | 1,061.92(22)    | 1,219.27(23)    | 1,399.94(24)    | 1,966.46(26)    |
| <b>Total:</b> | <b>4,359.48</b> | <b>4,809.23</b> | <b>5,212.88</b> | <b>5,948.96</b> | <b>7,442.91</b> |

(Figures in bracket indicate percentage of total expenditure)

The non-plan revenue expenditure (₹ 5,476.45 crore) of the State was significantly higher than the XIII FC projection (₹ 3,687.64 crore) for the year 2014-15. The percentage of Plan Revenue Expenditure (PRE) to total expenditure was in increasing trend during 2010-15 and stood at 19 per cent in 2014-15 against 18 per cent in 2013-14. The Non-Plan Revenue Expenditure (NPRE) as a percentage of the total revenue expenditure was, however, decreased from 80 per cent in 2010-11 to 74 per cent in 2014-15. The ratio of revenue expenditure to total expenditure was 72 per cent during 2014-15.

The trends in composition of total expenditure by activities as depicted in **Chart No. 1.9** shows that the share of General Services to total expenditure ranged between 29.25 and 37.62 per cent and the share of Social Services to total expenditure increased gradually from 37.20 per cent in 2010-11 to 40.34 per cent in 2011-12 but decreased marginally to 39.09 per cent in 2014-15 from 40.30 per cent in 2013-14. The expenditure on Economic Services however, showed a declining trend over the years upto 2013-14 and further increased to 29.71 per cent in 2014-15. Payment of grants-in-aid however, remained below 2 per cent in all the five years while repayment of Loans and Advances was below 1 per cent of the total expenditure during the period.



Revenue expenditure on some of the components in Social and Economic Services during 2010-15 are given below:

**Table No. 1.19: Trend in Revenue expenditure on some important component in Social and Economic Sector during 2010-15.**

(₹ in crore)

| Particular                                   | 2010-11 | 2011-12 | 2012-13 | 2013-14  | 2014-15  |
|--|---------|---------|---------|----------|----------|
| General Education                            | 812.62  | 861.79  | 929.23  | 1,073.56 | 1,441.30 |
| Medical, Public Health & Family Welfare      | 202.85  | 220.83  | 230.49  | 303.71   | 543.62   |
| Maintenance Expenditure for Minor Irrigation | 1.45    | 1.38    | 0.56    | NIL      | 0.61     |
| Subsidies                                    | 11.07   | 12.62   | 37.57   | 104.18   | 145.50   |

The table indicates that the Revenue expenditure on General Education increased to ₹ 1,441.30 crore in 2014-15 from ₹ 812.62 crore in 2010-11 thereby recording an increase of 77 per cent during the period. Revenue expenditure on Health Sectors increased by 167.99 per cent while payment of subsidy increased by 1214 per cent during the period 2010-15.

### 1.6.2 Revenue Expenditure

Revenue expenditure during 2014-15 increased by 25 per cent over the previous year and in respect of GSDP, its share was increased by about two per cent. On the other hand, Revenue receipts increased by 21 per cent (29.88 per cent of GSDP) during the year 2014-15 while it was only 8 per cent during 2013-14 over the previous year. The revenue surplus as percentage of GSDP decreased from 6.35 per cent in 2013-14 to 5.81 per cent in 2014-15 as shown in **Table No. 1.20**.

**Table No. 1.20: Revenue receipts vis-a-vis revenue expenditure and their percentage with the GSDP during 2010-15**

(₹ in crore)

|                       | 2010-11  | 2011-12  | 2012-13  | 2013-14  | 2014-15  |
|-----------------------|----------|----------|----------|----------|----------|
| Revenue receipts      | 5,168.60 | 6,476.90 | 7,050.30 | 7,650.18 | 9,239.73 |
| As percentage of GSDP | 28.93    | 32.43    | 31.06    | 28.54    | 29.88    |
| Revenue expenditure   | 4,359.48 | 4,809.23 | 5,212.88 | 5,948.96 | 7,442.91 |
| As percentage of GSDP | 24.40    | 24.08    | 21.85    | 22.82    | 24.07    |
| Revenue surplus       | 809.12   | 1,667.67 | 1,837.42 | 1,701.22 | 1,796.82 |
| As percentage of GSDP | 4.53     | 8.35     | 8.10     | 6.35     | 5.81     |

### 1.6.3 Committed Expenditure

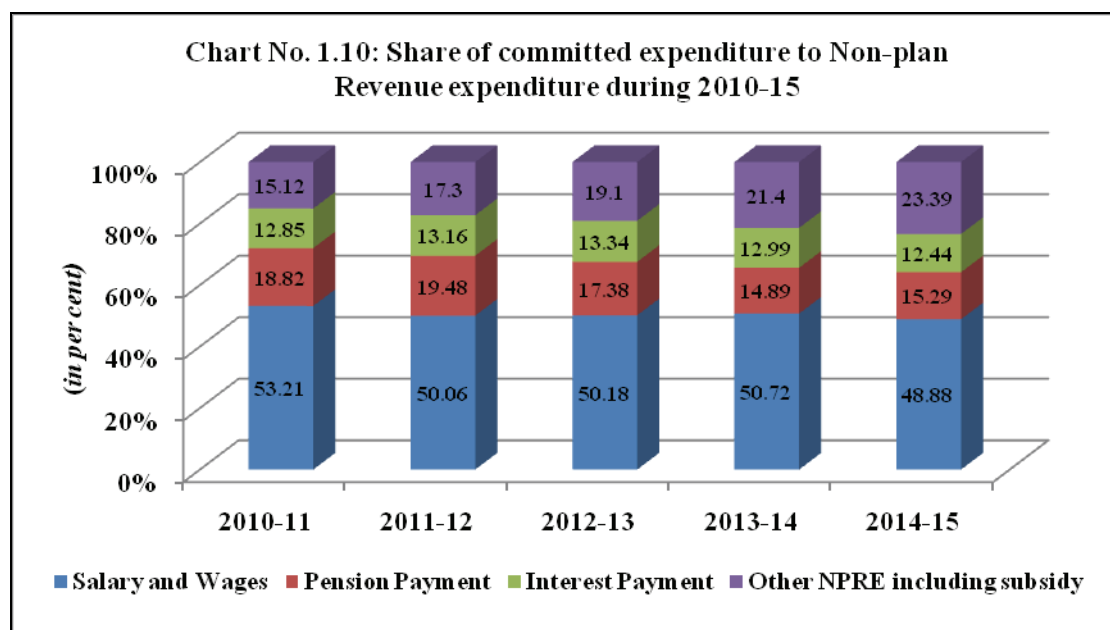
The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pension and subsidies. **Table No. 1.21** and **Chart No. 1.10** present the trends in the expenditure on these components during 2010-15.

**Table No. 1.21: Components of Committed Expenditure**

(₹ in crore)

| Components of Committed Expenditure      | 2010-11         | 2011-12         | 2012-13         | 2013-14         | 2014-15         |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  |                 |                 |                 |                 | BE              | Actuals         |
| <b>1 Salaries* &amp; Wages, of which</b> | <b>2,143.15</b> | <b>2,189.77</b> | <b>2,467.90</b> | <b>2,687.68</b> | <b>3,530.73</b> | <b>3,348.43</b> |
| 1.1 Non-Plan Head                        | 1,851.55        | 1,875.95        | 2,003.83        | 2,307.23        | 3,128.74        | 2,676.68        |
| 1.2 Plan Head                            | 291.60          | 313.82          | 464.07          | 380.45          | 401.99          | 446.45          |
| 2 Interest Payments                      | 447.32          | 493.27          | 532.81          | 590.96          | 696.99          | 681.68          |
| 3 Expenditure on Pensions                | 654.77          | 730.02          | 694.19          | 677.25          | 799.06          | 837.18          |
| 4 Subsidies                              | 11.07           | 12.62           | 37.57           | 104.18          | 71.24           | 145.50          |
| <b>Total:</b>                            | <b>3,256.31</b> | <b>3,425.68</b> | <b>3,732.47</b> | <b>4,060.07</b> | <b>5,098.02</b> | <b>5,012.79</b> |

\*Includes grants-in-aid (2012-13: ₹ 88.06 crore and 2014-15: ₹ 185.52 crore)



The XIII FC recommendations *vis-a-vis* the actual in respect of non-plan revenue expenditure during Finance Commission Award period 2010-15 are given below:

**Table No. 1.22: XIII FC recommendation vis-à-vis the actual in respect of Non-Plan Revenue Expenditure**

(₹ in crore)

| Component                         | XIII FC Projection |                  |                  |                  |                 | Actual             |                     |                     |                     |                    |
|-----------------------------------|--------------------|------------------|------------------|------------------|-----------------|--------------------|---------------------|---------------------|---------------------|--------------------|
|                                   | 2010-11            | 2011-12          | 2012-13          | 2013-14          | 2014-15         | 2010-11            | 2011-12             | 2012-13             | 2013-14             | 2014-15            |
| Salary<br>(per cent)              | 1505.05<br>(53)    | 1,528.20<br>(52) | 1,548.67<br>(46) | 1,566.06<br>(45) | 1579.92<br>(43) | 1851.55<br>(53.21) | 1,875.95<br>(50.06) | 2,003.83<br>(50.18) | 2,307.23<br>(50.72) | 2676.68<br>(48.88) |
| Interest<br>Payment<br>(per cent) | 458.61<br>(16)     | 491.49<br>(16)   | 527.07<br>(16)   | 565.54<br>(16)   | 607.17<br>(16)  | 447.32<br>(12.85)  | 493.27<br>(13.16)   | 532.81<br>(13.34)   | 590.96<br>(12.99)   | 681.68<br>(12.44)  |
| Pension<br>(per cent)             | 455.21<br>(16)     | 500.73<br>(17)   | 550.80<br>(16)   | 605.88<br>(17)   | 666.47<br>(18)  | 654.77<br>(18.82)  | 730.03<br>(19.48)   | 694.19<br>(17.38)   | 677.25<br>(14.89)   | 837.18<br>(15.29)  |
| Others<br>(per cent)              | 407.30<br>(14)     | 439.68<br>(15)   | 733.65<br>(22)   | 777.55<br>(22)   | 834.08<br>(23)  | 52.07<br>(15.12)   | 648.06<br>(17.29)   | 762.78<br>(19.10)   | 973.58<br>(21.40)   | 1280.91<br>(23.39) |
| <b>Total:</b>                     | <b>2,826.17</b>    | <b>2,960.10</b>  | <b>3,360.19</b>  | <b>3,515.03</b>  | <b>3,687.64</b> | <b>3,479.71</b>    | <b>3,747.31</b>     | <b>3,993.61</b>     | <b>4,549.02</b>     | <b>5,476.45</b>    |

Source: Finance Accounts and XIII FC recommendations

### Expenditure on Salary

During 2014-15, the salary and wages expenditure of the State stood at 48.88 per cent of revenue expenditure net of interest payment and pension which was higher by 14 per cent of the XIII FC ceiling. During 2010-11 to 2014-15, the salary and wages expenditure were much higher than the XIII FC Projections in Non-plan revenue. However, the salary expenditure was below the budget estimates for the year 2014-15.

### Expenditure on Pension Payments

The table shows that the expenditure on pension payments during 2014-15 was higher than the XIII FC projections by 26 per cent and also higher than the budget estimates by 5 per cent for the year 2014-15. The expenditure on pensions was increased by 24 per cent as compared to the previous year. During 2014-15, ₹ 837.18 crore was spent



on pension payment for 54,571 pensioners including 122 MLAs and family pensioners (average pension of Rs. 12784 per month). Besides, as per information furnished by the State Government, there are 3,06,588 Social pensioners drawing pensions under different Social Welfare Schemes on which expenditure of ₹ 140.37 crore was incurred during 2014-15.

### Interest Payments

The expenditure on interest payments was on an increasing trend and stood at 9.16 *per cent* of the revenue expenditure during 2014-15. Interest payments increased by 15.35 *per cent* during 2014-15 as compared to the previous year mainly due to more payments on internal borrowings from market and other financial institutions by ₹ 68.13 crore and loans from small savings provident funds by ₹ 25.42 crore. Interest payment on loans from Government of India during the year however, decreased by ₹ 2.83 crore. During the last five years period of the XIII FC, interest payments was higher than the projection made by the XIII FC except in 2010-11 which could be seen in **Table No. 1.22**

### Subsidies

The subsidies provided by the State include both implicit and explicit subsidies which were utilised to bridge the gap between income and expenditure to certain selected Departments/Corporations/Government Companies. The State Government paid ₹ 145.50 crore as explicit subsidies relating to Agriculture and other Allied Activities and co-operations. Out of ₹ 145.50 crore, ₹ 43.19 crore was given as food subsidy through the Food, Civil Supplies and Consumers Affairs Department to the BPL and AAY Families, ₹ 7.43 crore for procurement of sugar for distribution through PDS and ₹ 16.19 crore was given to PDS beneficiaries in lieu of supplying Mustard oil and Dal through direct transfer to their bank account. An amount of ₹ 62.00 crore was given to the Tripura State Electricity Corporation Ltd. as subsidy during the year 2014-15. Government stated that the subsidy provided to TSECL was for meeting the gap between income and expenditure of the Corporation.

As per information furnished by the Education (School) Department (July 2015) during 2014-15, expenditure of ₹ 30.27 crore was incurred on free supply of uniform to the school going children and ₹ 10.05 crore was incurred on free supply of Bicycles to the girls students studying standard IX having family income not exceeding ₹ 1.25 lakh per annum, which was treated as implicit subsidy during 2014-15. Further, according to the information furnished by the Food, Civil Supplies and Consumer Affairs Department (June 2015), under the scheme of National Social Assistance Programme (NSAP), the State Government incurred an expenditure of ₹ 0.57 crore during the year 2014-15 on Annapurna scheme for distribution of foodgrains to the old age women which was also treated as subsidy.

Out of total subsidy of ₹ 145.50 crore, ₹ 129.51 crore was on non-plan revenue account during the year which was 2.36 *per cent* of non-plan revenue expenditure.

Department-wise explicit subsidy given by the State Government during last five years from 2010-11 to 2014-15 are given in **Table No. 1.23**.

**Table No. 1.23: Department-wise explicit subsidy given by the Government during 2010-15**

(₹ in crore)

| Sl. No.       | Name of Department                                  | Amount of subsidy given |              |              |               |               |
|---------------|---|-------------------------|--------------|--------------|---------------|---------------|
|               |   | 2010-11                 | 2011-12      | 2012-13      | 2013-14       | 2014-15       |
| 1             | Tribal Welfare Department                           | 3.31                    | 2.63         | 4.28         | 4.75          | 4.16          |
| 2             | Welfare of SC, OBC & Minorities Department          | 1.99                    | 3.13         | 3.66         | 3.45          | 2.50          |
| 3             | Agriculture Department                              | 5.77                    | 6.86         | 3.86         | 6.90          | 9.05          |
| 4             | Food, Civil Supplies & Consumers Affairs Department | 0.00                    | 0.00         | 25.32        | 48.08         | 66.81         |
| 5             | Industries & Commerce Department                    | 0.00                    | 0.00         | 0.45         | 0.00          | 0.00          |
| 6             | Co-operation Department                             | 0.00                    | 0.00         | 0.00         | 40.00         | 0.18          |
| 7             | Horticulture Department                             | 0.00                    | 0.00         | 0.00         | 1.00          | 0.80          |
| 8             | Power Department                                    | 0.00                    | 0.00         | 0.00         | 0.00          | 62.00         |
| <b>Total:</b> |   | <b>11.07</b>            | <b>12.62</b> | <b>35.57</b> | <b>104.18</b> | <b>145.50</b> |

#### 1.6.4 Financial Assistance by State Government to Local Bodies and other institutions

##### Local Bodies

Post 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments, the Government of Tripura enacted the Tripura Panchayats Act, 1993 and Tripura Municipal Act, 1994 empowering Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) to function as institutions of self government and to accelerate economic development in rural and urban areas which would enable them to function as local self government institutions.

##### Classification of Local Bodies

**Panchayati Raj Institutions (PRIs):** Consequent upon the 73<sup>rd</sup> Constitutional Amendment, the Tripura Panchayats Act, 1993 was enacted and three tiers of Panchayati Raj system was established in the State comprising Gram Panchayats (GPs) at village level, Panchayat Samitis (PSs) at block level and Zilla Parishads (ZPs) at district level. All the PRIs are governed by Tripura Panchayats Act, 1993. As of March 2015 there were 8 ZPs, 35 PSs and 591 GPs in the State. In the Tripura Tribal Areas Autonomous District Council (TTAADC) areas, there were 527 Village Development Committees (VDCs) and 40 Block Advisory Committees (BACs) which were synonymous to GPs and PSs respectively.

**Urban Local Bodies (ULBs):** Consequent upon the 74<sup>th</sup> Constitutional Amendment, the Government of Tripura had enacted the Tripura Municipal Act, 1994. There were three categories of ULBs in the State *e.g.* Municipal Corporation, Municipal Councils (MC) and Nagar Panchayats (NPs). All the ULBs were governed by the Tripura Municipal Act, 1994. There was one Municipal Corporation, 10 Municipal Councils and nine Nagar Panchayats in the State as of March 2015.

### Financial Profile

The quantum of assistance provided by way of grants and loans to local bodies and others during the last five years is presented in **Table 1.24**.

**Table No. 1.24: Financial Assistance to Local Bodies etc.**

| Financial assistance to Institutions   | 2010-11       | 2011-12       | 2012-13       | 2013-14       | 2014-15       |
|--|---------------|---------------|---------------|---------------|---------------|
| Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.) | 33.91         | 34.70         | 37.51         | 34.92         | 71.80         |
| Municipal Council and Nagar Panchayats                                       | 70.65         | 132.93        | 241.52        | 170.76        | 242.51        |
| Zilla Parishads and Other Panchayati Raj Institutions                        | 29.93         | 45.04         | 45.36         | 37.12         | 69.88         |
| Other Institutions   | 125.31        | 5.16          | 6.09          | Nil           | Nil           |
| <b>Total:</b>  | <b>259.80</b> | <b>217.83</b> | <b>330.48</b> | <b>242.80</b> | <b>384.19</b> |
| <b>Assistance as percentage of Revenue Expenditure</b>                       | <b>5.96</b>   | <b>4.53</b>   | <b>6.34</b>   | <b>4.08</b>   | <b>5.16</b>   |

The quantum of financial assistance to the Zilla Parishads and other Panchayati Raj Institutions and Municipalities increased substantially during 2014-15 due to devolution of funds to Local Bodies to facilitate their functioning as vibrant institutions of Local Self Government as per the policy of the State Government. However, the assistance to the Agartala Municipal Corporation and 19 Municipal Councils/Nagar Panchayats increased by ₹ 71.75 crore during 2014-15 over the previous year. Overall assistance to the Local Bodies decreased to ₹ 242.80 crore during 2013-14 as compared to ₹ 330.48 crore in 2012-13 which was 4.08 per cent of revenue expenditure for the year. It increased by ₹ 141.39 crore in 2014-15. The percentage of assistance to total revenue expenditure during the year was 5.16 per cent.

### Devolution of Functions, Functionaries and Funds (3Fs) to PRIs and ULBs

The 73rd and 74th Constitutional Amendments gave the constitutional status to PRIs and ULBs and established a system of uniform structure, holding of regular elections, regular flow of funds through Central and State Finance Commission allocations etc. As a follow up, the State was required to entrust these bodies such power, functions and funds so as to enable them to function as Institutions of self- government. In particular, the PRIs and ULBs were required to prepare plans and implement schemes for economic development and social justice including those subjects enumerated in the Eleventh Schedule (related to PRIs) and Twelfth Schedule (related to ULBs) of the Constitution of India.

The Tripura Panchayats Act, 1993 had provision for transfer of subjects to different tiers of PRIs. The State Government had devolved five subjects<sup>4</sup> to PRIs out of 29 subjects listed in the Eleventh Schedule of the Constitution (August, 2006 & August,

<sup>4</sup> (1) Water Resources, (2) Primary School, (3) Adult and Non- Formal Education, (4) Social Welfare including Welfare of the Handicapped and Mentally Retarded and (5) Women and Child Development.

2007). The remaining 24 subjects had not been transferred (October 2015). Out of these five subjects, only funds for payment of wages of pump operators and power consumption charges had been transferred to the PRIs.

Besides, the transfer of functionaries to PRIs was not done which was a prerequisite for successful working of local self government at the grass-root level. The works of the PRIs were being performed by the State Government functionaries.

As per information furnished by Rural Development (Panchayats) Department during the year 2014-15, an amount of ₹ 80.87 crore was received by the Department as Finance Commission grants and incurred the same during the year.

### Urban Local Bodies

- The Tripura Municipal Act 1994 envisaged transfer of functions of various departments of the State Government to ULBs. All the 18 functions listed in the XII Schedule of the Constitution had been transferred by the State Government to the ULBs. But in practice, functions like fire service, roads and bridges were still controlled by the State Government departments.
- ULBs receive funds by way of grants both from Central and State Government. The position of funds received by the ULBs and expenditure thereof on various schemes and other purposes during 2014-15 are given below:

**Table No. 1.25: Position of funds (received and expenditure) of ULBs during 2014-15**

(₹ in crore)

| Purpose of funds | Received     |               |               | Expenditure  |               |               |
|------------------|--------------|---------------|---------------|--------------|---------------|---------------|
|                  | Non-Plan     | Plan          | Total         | Non-plan     | Plan          | Total         |
| TUEP             | -            | 60.00         | 60.00         | -            | 60.00         | 60.00         |
| JNNURM           | -            | 45.27         | 45.27         | -            | 45.27         | 45.27         |
| 13 FC Grants     | 4.64         | 35.00         | 39.64         | 4.64         | 35.00         | 39.64         |
| NULM             | -            | 25.93         | 25.93         | -            | 25.93         | 25.93         |
| NLCPR            | -            | 6.68          | 6.68          | -            | 6.68          | 6.68          |
| SCA              | -            | 9.97          | 9.97          | -            | 9.97          | 9.97          |
| SPA              | -            | 14.97         | 14.97         | -            | 14.97         | 14.97         |
| Others           | 77.46        | 85.14         | 162.60        | 77.12        | 1.72          | 78.86         |
| <b>Total:</b>    | <b>82.10</b> | <b>282.98</b> | <b>365.06</b> | <b>81.76</b> | <b>199.58</b> | <b>281.34</b> |

As per information furnished (July 2015) by the Urban Development Department an amount of ₹ 365.06 crore was received by the Department and released to ULBs during the year 2014-15 including State share of which ₹ 39.93 crore was XIII Finance Commission grants for implementation of various programme during the year. The department incurred an expenditure amounting to ₹ 281.34 crore during the year 2014-15 (Table No. 1.25) leaving an unspent amount of ₹ 83.72 crore.

### Accounting and Auditing arrangement of PRIs and ULBs

**PRIs:** Rural Development (Panchayats) Department, Government of Tripura instructed PRIs to maintain the accounts in New Accounting Structure 2009 w.e.f

01.04.2010 as devised by the Ministry of Panchayati Raj, Government of India in consultation with the Comptroller and Auditor General of India. In practice, the PRIs started maintaining their accounts as per the new Accounting Structure from the year 2011-12. The State Government had engaged Chartered Accountant (CA) firms to introduce Double Entry Accounting System (DEAS) in PRIs and they were to train the GP staff in the software implementation and ensure preparation of accounts in double entry system.

Government of Tripura, Finance Department framed the 'Tripura Local Fund Audit Rules 2011' for audit of accounts of local bodies by the Director, Local Fund Audit and a gazette notification was issued on 12 January 2012 for implementation of the rules. Rule 3 (1) provides that the State Government or such authority as it may direct; shall appoint a person to be the Director, Local Fund Audit (LFA).

The Comptroller and Auditor General of India conducts audit of accounts of PRIs as entrusted by the State Government under standard terms and conditions of Technical Guidance and Support (TG&S) module under Section 20(1) of the CAG's DPC Act, 1971.

**ULBs:** Based on the recommendations of Eleventh Finance Commission, the Ministry of Urban Development, GoI in consultation with Comptroller and Auditor General of India developed the National Municipal Accounts Manual (NMAM) which was based on double entry accrual system of accounting. The Urban Development Department, Government of Tripura had drafted (June 2010) the 'Tripura Municipal Accounting Manual' based on the NMAM. The Manual was finalised in June 2011. The Municipal Councils and Nagar Panchayats had not implemented the manual.

As per Section 264, 265 and 266 of the Tripura Municipal Act, 1994, the accounts of the Municipality shall be examined and audited by an auditor appointed in this regard by the State Government. The State Government shall by rules make provision with respect to the maintenance of accounts of the Municipalities and auditing of such accounts, including the power of the auditor. The auditor shall submit the audit report to the Chairperson of the Municipality and a copy thereof to the State Government.

Comptroller and Auditor General of India conducts audit of accounts of ULBs as entrusted by the State Government under standard terms and conditions of Technical Guidance and Support (TG&S) module under Section 20(1) of the CAG's DPC Act.

### **Reporting Arrangement**

Under TG&S arrangement, audit findings on test-check of accounts of PRIs and ULBs conducted by the CAG are presented in the form of Annual Technical Inspection Report (ATIR) to the State Government. ATIR for the years 2010-11, 2011-12 and 2012-13 were submitted to the State Government. However, the ATIR for 2010-11 was placed in the State Legislature on 13 May 2013.

## 1.7 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects *viz.*, adequacy of expenditure (i.e. adequate provision for providing public services), efficiency of expenditure use and its effectiveness (assessment of outlay-outcome relationships for selected services).

### 1.7.1 Adequacy of Public Expenditure

In view of the importance of public expenditure on development heads from the point of view of Social and economic development, it is important for the Government to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods<sup>5</sup> like, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation, etc. Expenditure on Social and Economic Services together constitute the development expenditure while the expenditure on general services is treated as non-development expenditure. The trend of development and non-development expenditure on revenue heads along with the rate of growth during the period 2010-15 are as under:

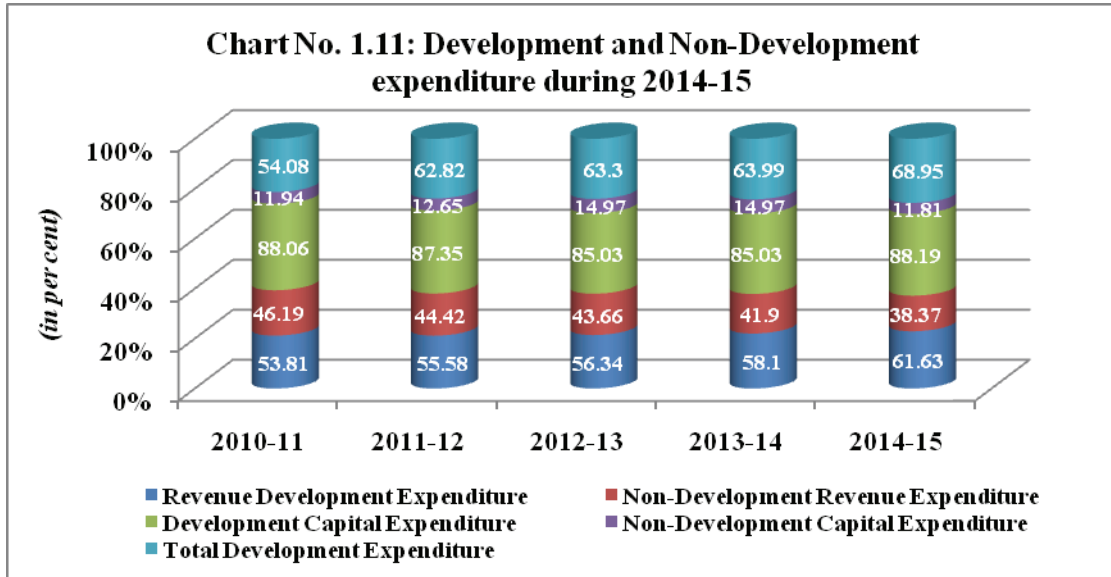
**Table No. 1.26: Development and non-development revenue expenditure**

| Nature of expenditure   | ₹ in crore          |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2010-11             | 2011-12             | 2012-13             | 2013-14             | 2014-15             |
| Development expenditure<br>(% of total revenue expenditure)     | 2,345.88<br>(53.81) | 2,672.97<br>(55.58) | 2,936.80<br>(56.34) | 3,456.18<br>(58.10) | 4,587.08<br>(61.63) |
| Rate of growth (in per cent)                                    | 3.68                | 13.94               | 9.87                | 17.69               | 32.72               |
| Non-development expenditure<br>(% of total revenue expenditure) | 2,013.60<br>(46.19) | 2,136.26<br>(44.42) | 2,276.08<br>(43.66) | 2,492.78<br>(41.90) | 2,855.83<br>(38.37) |
| Rate of growth (in per cent)                                    | 3.20                | 6.09                | 6.54                | 9.52                | 14.56               |
| Total revenue expenditure                                       | 4,359.48            | 4,809.23            | 5,212.88            | 5,948.96            | 7,442.91            |
| Rate of growth (in per cent)                                    | 3.46                | 10.32               | 8.39                | 14.12               | 25.11               |

The Development expenditure increased by ₹ 1,130.90 crore (32.72 per cent) in 2014-15 compared to the previous year. The Development expenditure as a percentage of total revenue expenditure increased marginally from 58.10 per cent in 2013-14 to 61.63 per cent in 2014-15. The development expenditure increased mainly on Education, Health, Welfare of Scheduled Castes & Other Backward Classes and Social Welfare under Social Sector and also on Agriculture, Transport and General Economic Services under Economic Sector during the year.

<sup>5</sup> Core public goods are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure, etc. Merit goods are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept or need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. The examples of such goods include the provision of free or subsidised food for the poor to support nutrition, the delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

Non-development expenditure increased by ₹ 363.05 crore (14.56 per cent) in 2014-15 over the previous year mainly due to increase in expenditure on interest payment by ₹ 90.72 crore (15.35 per cent). It was observed that non-development expenditure as a percentage of total revenue expenditure showed a decreasing trend from 46.19 per cent in 2010-11 to 38.37 per cent in 2014-15, which indicates that the State Government had given priority to the development work during the period.



The following table shows the fiscal priorities given by the Government under various heads of expenditure with reference to GSDP and Aggregate Expenditure (AE) during 2014-15 as compared to 2011-12.

**Table No. 1.27: Fiscal Priority of the State in 2011-12 and 2014-15**

| Fiscal Priority by the State                                 | AE/GSDP | DE/AE | SSE/AE | CE/AE | Education/AE | Health / AE |
|--|---------|-------|--------|-------|--------------|-------------|
| Special Category States Average (Ratio) 2011-12              | 26.39   | 61.26 | 37.02  | 14.02 | 18.86        | 5.40        |
| Tripura Average 2011-12                                      | 30.33   | 60.51 | 37.20  | 19.53 | 17.85        | 4.58        |
| <sup>6</sup> Special Category States Average (Ratio) 2014-15 | NA      | 63.51 | 38.14  | 14.22 | 19.31        | 5.49        |
| Tripura Average 2014-15                                      | 33.28   | 68.95 | 39.09  | 27.52 | 15.94        | 6.28        |

AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Service Expenditure  
CE: Capital Expenditure  
# Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.  
**Source:** For GSDP, Information furnished by Directorate of Economics and Statistics, Government of Tripura.

It can be seen that during 2014-15 Development Expenditure as percentage of Aggregate Expenditure increased by 8.44 per cent point as compared to 2011-12. In respect of Social Service, the increase in Expenditure was 1.89 per cent point. The Capital Expenditure as percentage of Aggregate Expenditure increased by 7.99 per cent point in 2014-15 as compared to that of 2011-12. Further, the expenditure on Education as ratio of Aggregate Expenditure decreased from 17.85 per cent in 2011-12 to 15.94 per cent in 2014-15. The expenditure on Health as a ratio of Aggregate

<sup>6</sup> Based on 8 Special Category States.

Expenditure however, marginally increased to 6.28 *per cent* during the year from 4.58 *per cent* in 2011-12.

From the data adopted in the table above it can be seen that ratio of Development expenditure to Aggregate expenditure of the State was higher than the average ratio of 9 Special Category States and also nearest of the average ratio of 18 General Category States during the year 2014-15. The ratio of capital expenditure to Aggregate expenditure in Tripura was also almost double with that of Special Category States and General Category States during the year 2014-15. The ratio of Education however, remained below the average ratio of both the category states during the year while ratio of Health remained almost same in the State in 2014-15.

*The ratio of growth of the State in respect of Revenue expenditure on Education and Health were arrived at 32.18 per cent and 78.99 per cent respectively during the year 2014-15. These ratios were higher than the average ratio of 9 Special Category States (17.68 per cent and 23.67 per cent) while it was 14.55 per cent and 28.73 per cent respectively for 18 General Category States.*

The adequacy of Government expenditure both under Revenue and Capital account and also Plan and Non-Plan components are reflected in the table below:

**Table No. 1.28: Expenditure on Revenue and Capital (Plan and Non-Plan)**

(₹ in crore)

| Expenditure    | Plan           |                |                |                |                | Non-Plan       |                |                |                |                |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                | 2010-11        | 2011-12        | 2012-13        | 2013-14        | 2014-15        | 2010-11        | 2011-12        | 2012-13        | 2013-14        | 2014-15        |
| Revenue        | 879.77         | 1061.92        | 1219.27        | 1399.94        | 1966.46        | 3479.71        | 3747.31        | 3993.61        | 4549.02        | 5476.45        |
| Capital        | 1006.70        | 1321.14        | 1450.67        | 1646.94        | 2821.41        | 51.63          | 76.12          | 32.52          | (-) 6.21       | 10.88          |
| <b>Total :</b> | <b>1886.47</b> | <b>2383.06</b> | <b>2669.94</b> | <b>3046.88</b> | <b>4787.87</b> | <b>3531.34</b> | <b>3823.41</b> | <b>4026.13</b> | <b>4542.81</b> | <b>5487.33</b> |

It can be seen from **Table No. 1.28** that under the plan head, the total expenditure (both Revenue and Capital) increased from ₹ 1,886.47 crore in 2010-11 to ₹ 4,787.87 crore in 2014-15. The Non-plan expenditure was increased by 55.39 *per cent* during last five year period.

Under Non-Plan head, the revenue expenditure constituted a major portion (99.80 *per cent*) which stood at ₹ 5,476.45 crore in 2014-15. The Non-Plan revenue expenditure (₹ 5,476.45 crore) during 2014-15 exceeded the XIII FC Projection (₹ 3,687.64 crore) by ₹ 1,788.81 crore (48.51 *per cent*).

### 1.7.2 Efficiency of Expenditure Use

Apart from improving the allocation towards development expenditure<sup>7</sup>, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue

<sup>7</sup> The analysis of the expenditure data is disaggregated into development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances are categorised into social services and economic services which together constitute development expenditure, while expenditure on general services is treated as non-development expenditure.



expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table No. 1.29** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* the previous year, **Table No. 1.30** provides the ratio of capital expenditure and the component of revenue expenditure incurred on the maintenance of the selected social and economic services.

**Table No. 1.29: Development Expenditure**

(₹ in crore)

| Components of Development Expenditure   | 2010-11             | 2011-12             | 2012-13             | 2013-14             | 2014-15            |
|---|---------------------|---------------------|---------------------|---------------------|--------------------|
| <b>Development Expenditure (a to c)</b> | 3,278.68<br>(60.02) | 3,907.31<br>(62.81) | 4,250.56<br>(63.30) | 4,866.80<br>(63.98) | 7095.90<br>(68.95) |
| a. Development Revenue Expenditure      | 2,345.88<br>(43)    | 2,672.97<br>(42.97) | 2,936.80<br>(43.73) | 3,456.18<br>(45.44) | 4587.08<br>(44.57) |
| b. Development Capital Expenditure      | 931.96<br>(17)      | 1,220.53<br>(19.62) | 1,295.11<br>(19.29) | 1,395.12<br>(18.34) | 2493.08<br>(24.22) |
| c. Development Loans and Advances       | 0.84<br>(0.02)      | 13.81<br>(0.22)     | 18.65<br>(0.28)     | 15.50<br>(0.20)     | 15.74<br>(0.15)    |

**Source:** Finance Accounts; Figures in the parentheses indicate *per cent* to aggregate expenditure

Table above shows that the development expenditure, combining the expenditure on Social and Economic Services increased by 49 *per cent* from ₹ 4,866.80 crore in 2013-14 to ₹ 7,095.90 crore in 2014-15. The relative share of the Development Revenue Expenditure was 45 *per cent* of the total development expenditure while the share in respect of development capital expenditure was 24 *per cent* which was higher by 5.88 *per cent* than the previous year. Out of total amount of ₹ 15.74 crore disbursed as development loans during the year, ₹ 15.00 crore was disbursed to the Tripura Medical College and Dr. BRAM Teaching Hospital, Agartala as interest free loan.

The efficiency of Government expenditure on selected parameters in some major areas under Social and Economic Services is depicted in the following table.

**Table No. 1.30: Efficiency of expenditure use in selected Social and Economic Services**

(in per cent)

| Social/Economic Infrastructure                            | 2013-14           |                     |              | 2014-15           |                     |              |
|---|-------------------|---------------------|--------------|-------------------|---------------------|--------------|
|   | Ratio of CE to TE | In RE, the share of |              | Ratio of CE to TE | In RE, the share of |              |
|   |                   | S &W                | O&M          |                   | S&W                 | O &M         |
| <b>Social Services (SS)</b>                               |                   |                     |              |                   |                     |              |
| Education, Sports, Art & Culture                          | 11.23             | 90.46               | 9.54         | 8.40              | 72.61               | 27.39        |
| Health & Family Welfare                                   | 25.71             | 72.22               | 27.79        | 15.90             | 47.23               | 52.77        |
| Water Supply, Sanitation, and Housing & Urban Development | 61.25             | 29.55               | 70.45        | 67.18             | 38.38               | 61.62        |
| Other Social Services                                     | 9.14              | 5.68                | 94.32        | 11.71             | 17.10               | 82.90        |
| <b>Total (SS)</b>   | <b>21.44</b>      | <b>56.18</b>        | <b>43.82</b> | <b>20.84</b>      | <b>50.00</b>        | <b>50.00</b> |
| <b>Economic Services (ES)</b>                             |                   |                     |              |                   |                     |              |
| Agriculture & Allied Activities                           | 17.99             | 39.03               | 60.97        | 12.96             | 37.13               | 62.87        |
| Irrigation & Flood Control                                | 53.46             | 90.60               | 9.40         | 37.81             | 80.15               | 19.85        |
| Power & Energy  | 58.98             | 4.73                | 95.27        | 37.46             | 2.97                | 97.03        |
| Transport   | -                 | -                   | -            | 67.66             | -                   | 100.00       |

**Table No. 1.30: Efficiency of expenditure use in selected Social and Economic Services (concl.)**

(in per cent)

| Social/Economic Infrastructure | 2013-14           |                     |              | 2014-15           |                     |              |
|--------------------------------|-------------------|---------------------|--------------|-------------------|---------------------|--------------|
|                                | Ratio of CE to TE | In RE, the share of |              | Ratio of CE to TE | In RE, the share of |              |
|                                |                   | S &W                | O&M          |                   | S&W                 | O &M         |
| Other Economic Services        | 49.82             | 42.55               | 57.45        | 68.82             | 65.07               | 34.93        |
| <b>Total (ES)</b>              | <b>41.31</b>      | <b>42.82</b>        | <b>58.58</b> | <b>54.19</b>      | <b>38.52</b>        | <b>61.48</b> |
| <b>Total (SS+ES)</b>           | <b>28.56</b>      | <b>52.13</b>        | <b>47.87</b> | <b>35.25</b>      | <b>46.51</b>        | <b>53.49</b> |

TE: Total Expenditure (CE+RE of the sub-sectors); CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations and Maintenance.

The table above depicts the various component wise percentage of Revenue and Capital expenditure, percentage of expenditure on salary and wages, and operation and maintenance cost in relation to revenue expenditure in Social and Economic Services for the year 2013-14 and 2014-15 respectively.

The ratio of capital expenditure to total expenditure under Social Services decreased marginally during 2014-15 as compared to 2013-14 mainly due to decrease in expenditure under the Education Sector during the year. The ratio of salary and wage expenditure in Social Services under Revenue also decreased by 6.18 *per cent* during the year 2014-15 mainly due to decrease in expenditure in Health and Family Welfare Sectors by 24.99 *per cent*.

Ratio of Capital Expenditure to total expenditure in Economic Services substantially increased to 54.19 *per cent* mainly due to incurring of more expenditure in Transport Sectors while cent *per cent* revenue expenditure was incurred by the State Government for operations and maintenance purpose. The ratio of salary and wage expenditure in revenue expenditure decreased by 4.30 *per cent* while O & M expenditure increased by 2.90 *per cent* during the year 2014-15. Overall increase in OM expenditure during the year 2014-15 was 5.62 *per cent*.

## **1.8 Financial analysis of Government Expenditure and Investments**

### **1.8.1 Financial results of Irrigation Projects**

During 2014-15, Non-Plan revenue expenditure on Minor and Medium Irrigation Projects was ₹ 41.00 crore. According to Para 6 (x) of Terms of Reference (TOR) of the XIII FC, there was a need for ensuring the commercial viability of irrigation projects, etc. in the State through various means including levy of user charges and adoption of measures to promote efficiency. There was no commercial Irrigation Project in the State of Tripura.

### **1.8.2 Incomplete Projects**

As per information furnished by the State Public Works Department, there were 68 ongoing/incomplete projects as on 31 March 2015 with initial budgeted cost of ₹ 5 crore and above in each case. Category-wise details of ongoing works/projects with initial budgeted cost and their cumulative expenditure incurred up to 31 March 2015 are given in **Table 1.31**.

**Table No. 1.31: Category-wise profile of Incomplete Projects***(₹ in crore)*

| Category of works/projects | No. of incomplete works/projects | Initial budgeted cost | Actual expenditure incurred during 2014-15 | Cumulative actual expenditure as on 31.3.2015 (percentage over approved cost) |
|----------------------------|----------------------------------|-----------------------|--|---|
| Building works             | 38                               | 450.50                | 104.10                                     | 249.95 (55)   |
| Bridge works               | 9                                | 65.52                 | 6.30                                       | 24.75 (38)  |
| Road works                 | 15                               | 390.72                | 108.44                                     | 278.21 (71)   |
| Water Resource works       | 6                                | 129.91                | 6.03                                       | 129.87 (100)  |
| <b>Total:</b>              | <b>68</b>                        | <b>1036.65</b>        | <b>224.87</b>                              | <b>682.78 (66)</b>  |

**Source:** Finance Accounts 2014-15.

Out of 68 ongoing/incomplete projects, 38 are building works, most of which pertains to the Health and Education Departments. There are 9 major projects having estimated cost of more than ₹ 10 crore each, of which 4 were building works (**Appendix 1.7**).

Further, information pertaining to incomplete projects whose scheduled date of completion was up to 31 March 2015 is given in the **Table 1.32**.

**Table No. 1.32: Category-wise profile of Incomplete Projects which were scheduled to be completed by 31 March 2015***(₹ in crore)*

| Name of Projects     | No. of incomplete projects | Initial budgeted cost | Cumulative actual expenditure as on 31.3.2015 |
|----------------------|----------------------------|-----------------------|---|
| Bridge Works         | 2                          | 12.89                 | 6.64  |
| Building works       | 9                          | 130.60                | 79.89   |
| Road works           | 7                          | 92.63                 | 42.88   |
| Water Resource works | 5                          | 46.90                 | 43.10   |
| <b>Total:</b>        | <b>23</b>                  | <b>283.02</b>         | <b>172.51</b>                                 |

**Source:** Finance Accounts 2014-15.

Out of 68 ongoing projects, 23 projects with initial budgeted cost of ₹ 283.02 crore remained incomplete though the completion date of those projects had already elapsed as on 31 March 2015. The cumulative expenditure on those 23 projects was ₹ 172.51 crore (61 *per cent* of budgeted cost) till March 2015. Out of 23 incomplete projects eight are major projects having estimated cost of more than ₹ 10 crore. Delay in completion of works runs the risk of escalation in the cost of the works. The actual cost overrun would however, be available on closure of the claims of the construction agencies after completion. Besides, due to delay in completion of the projects, the intended benefits from those projects did not reach the beneficiaries in the State.

### 1.8.3 Investment and Returns

As on 31 March 2015, Government's investment was ₹ 1,303.73 crore in 2 Statutory Corporations, 12 Government Companies, 27 Co-operatives and one rural bank (**Table No. 1.33**).

**Table No. 1.33: Return on Investment**

| Investment/Return/Cost of Borrowings                                 | 2012-13  | 2013-14  | 2014-15 |
|--|----------|----------|---------|
| Investment at the end of the year ( <i>₹ in crore</i> )              | 1,075.42 | 1,199.55 | 1303.73 |
| Return on investment( <i>₹ in crore</i> )                            | 0.67     | 0.00     | 0.51    |
| Return on investment ( <i>per cent</i> )                             | 0.06     | 0.00     | 0.04    |
| Average rate of interest on Government borrowing ( <i>per cent</i> ) | 8.44     | 8.53     | 7.91    |
| Difference between cost of funds and return ( <i>per cent</i> )      | 8.38     | 8.53     | 7.87    |

**Source:** Finance Accounts

Out of ₹ 1,303.73 crore, ₹ 990.45 crore was invested in 12 Government Companies, ₹ 156.78 crore in 2 Statutory Corporations, ₹ 118.78 crore in 27 Co-operative Societies and ₹ 37.72 crore in one Rural Bank. The investment increased by 21 *per cent* during last three year period from ₹ 1,075.42 crore at the end of March 2013 to ₹ 1,303.73 crore at the end of March 2015.

Compared with a meagre return of 0.04 *per cent* on investment made by the state government, the interest on state's borrowings was 7.91 *per cent* which was high in comparison.

During 2014-15, the Government invested ₹ 83.18 crore in eight Government Companies (₹ 82.78 crore) and one Statutory Corporation (TRTC: ₹ 0.40 crore) while ₹ 21.00 crore was invested in Co-operative Banks and societies.

Out of an investement of ₹ 82.78 crore in Government Companies during the year, ₹ 39.00 crore was invested in the Tripura State Electricity Corporation Limited as equity followed by ₹ 21.00 crore in the Tripura Jute Mills Ltd. During 2014-15, an amount of ₹ 0.51 crore was received as dividend.

#### 1.8.4 Loans and Advances by State Government

In addition to investments as equity capital in Corporations, Companies and Co-operative societies, Government had also been providing loans and advances to those Institutions/Organisations. The Government further provides loans to its employees for construction of houses and other miscellaneous purposes.

**Table No. 1.34** presents the outstanding loans and advances as on 31 March 2015, interest receipts *vis-a-vis* interest payments during the last five years.

**Table No. 1.34: Average interest receipt on loans advanced by the State Government**

| Quantum of Loans/Interest Receipts/ Cost of Borrowings                 | 2010-11      | 2011-12      | 2012-13       | 2013-14       | 2014-15   |               |
|--|--------------|--------------|---------------|---------------|-----------|---------------|
|  |              |              |               |               | RE        | Actual        |
| Opening Balance  | 84.62        | 82.78        | 94.57         | 112.24        | 127.05    | 127.05        |
| Amount advanced during the year  | 0.96         | 13.89        | 18.93         | 15.77         | 15.88     | 15.74         |
| Amount repaid during the year  | 2.80         | 2.10         | 1.26          | 0.96          | 2.00      | 2.18          |
| <b>Closing Balance</b>   | <b>82.78</b> | <b>94.57</b> | <b>112.24</b> | <b>127.05</b> | <b>NA</b> | <b>140.61</b> |
| Net addition of loans  | (-) 1.84     | 11.79        | (-) 17.67     | 14.81         | 2.00      | 13.56         |
| Interest Receipts  | 0.98         | 0.91         | 1.39          | 1.27          | NA        | 1.08          |
| Interest receipts as <i>per cent</i> to outstanding Loans and advances | 1.18         | 0.96         | 1.24          | 0.99          | NA        | 0.76          |

(*₹ in crore*)

**Table No. 1.34: Average interest receipt on loans advanced by the State Government (concl.)**

(₹ in crore)

| Quantum of Loans/Interest Receipts/ Cost of Borrowings  | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |        |
|---|---------|---------|---------|---------|---------|--------|
|   |         |         |         |         | RE      | Actual |
| Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government. | 6.92    | 7.18    | 6.93    | 6.77    | NA      | 7.31   |
| Difference between interest payments and interest receipts ( <i>per cent</i> )                  | 5.74    | 6.22    | 5.69    | 5.79    | NA      | 6.55   |

NA: Not available

As of March 2015, the balance of loans and advances by the State Government was ₹ 140.61 crore, of which loans for ₹ 43.50 crore was outstanding in respect of TSECL while ₹ 45.00 crore remained outstanding from the Society for Tripura Medical College and Dr. BRAM Teaching Hospital, Agartala. Interest receipts during the year was ₹ 1.08 crore from Government servants which as percentage of outstanding loans and advances was 0.76 *per cent* against interest paid by the Government as percentage of outstanding liabilities of 7.31 *per cent*. During the year 2014-15, Loans and Advances disbursed amounted to ₹ 15.74 crore out of which ₹ 15.00 crore was advanced to Society for Tripura Medical College as interest free loan and was repayable in 30 instalments from next financial year within 15 years. An amount of ₹ 0.43 crore was given to the Co-operative Bank Ltd. under Plan head at interest rate of 10.25 *per cent* per annum for 3 years.

### 1.8.5 Cash Balances and investment of Cash Balances

It is desirable that the flow of State's resources matches its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA)-ordinary or special and overdraft from Reserve Bank of India (RBI) had been put in place. The operative limit for normal WMA was ₹ 150 crore for the State with effect from 1 November 2013 and the operative limit for special WMAs had been revised by the Bank from time to time.

Under the agreement with the RBI, the State Government has to maintain a minimum cash balance of ₹ 29.00 lakh with the Bank. If the balance falls below the agreed minimum balance on any day, the deficiency is to be made up by taking WMAs overdrafts. However, the State had not availed any Ways and Means Advances (ordinary or special) during the year 2014-15. **Table No. 1.35** depicts the cash balances and investments made by the State Government out of cash balances during the year 2013-14 and 2014-15.

**Table No. 1.35: Cash balances and investments of Cash balances**

(₹ in crore)

| Particulars  | Opening balance on 1-4-2014 | Closing balance on 31-3-2015 |
|--|-----------------------------|------------------------------|
| (a) General Cash Balance -   |                             |                              |
| Cash in Treasuries   | 0.00                        | 0.00                         |
| Deposits with Reserve Bank   | (-) 209.71                  | (-) 542.81                   |
| Deposits with other Banks  | 0.00                        | 0.00                         |
| Remittances in transit - Local   | (-) 1.13                    | (-) 1.13                     |
| <b>Total:</b>  | <b>(-) 210.84</b>           | <b>(-) 543.94</b>            |
| Investments held in Cash Balance investment account  | 3,460.88                    | 3,371.25                     |
| <b>Total (a):</b>  | <b>3,250.04</b>             | <b>2,827.31</b>              |
| (b) Other Cash Balances and Investments  |                             |                              |
| Cash with departmental officers viz ,Public Works Department Officers, Forest Department Officers, District Collectors | 7.98                        | 24.27                        |
| Permanent advances for contingent expenditure with departmental officers   | (-) 0.05                    | (-) 0.05                     |
| Investment of earmarked funds  | 529.21                      | 529.21                       |
| <b>Total (b):</b>  | <b>537.14</b>               | <b>553.43</b>                |
| <b>Grand total (a)+ (b):</b>   | <b>3,787.18</b>             | <b>3,380.74</b>              |

The above table shows that ₹ 3,371.25 crore had been held in cash balance investment account while ₹ 529.21 crore was in earmarked (sinking fund) fund as on 1<sup>st</sup> April 2015. The funds in Cash balance Investment Account decreased by ₹ 89.63 crore (3 per cent) as compared to previous year which resulted in total cash balance of ₹ 3,380.74 crore at the end of 31 March 2015. The entire balance of ₹ 3,371.25 crore under Cash balance investment account was invested in Government of India's 14 days Treasury bills as on 31 March 2015. Interest of ₹ 44.94 crore was realised on the investment of cash balance during 2014-15.

### Fresh borrowings by the State

The XIII FC suggested that there should be a directed effort by States with large balances to utilise existing cash balances before resorting to fresh borrowings. Further, it also suggested to consider utilising surplus cash balances for lumpsum repayment of market borrowings raised for debt swap during the period 2002-05 which was likely to become due during the next few years. The Reserve Bank of India also had reiterated the fact and advised the States to manage their cash balance more efficiently.

During 2014-15, the State Government resorted to fresh borrowings to the tune of ₹ 532.07 crore of which ₹ 150 crore was from Open Market Borrowings (OMB), ₹ 182.07 crore from National Small Savings Fund and ₹ 200.00 crore from other Financial Institutions. The repayment on borrowings during the year was ₹ 268.78 crore. On the other hand, as pointed out in **Para 1.8.5**, the balance in Cash Balance Investment Account at the beginning of the year 2014-15 was ₹ 3,460.88 crore. Despite the huge balance in Cash Balance Investment Accounts, the State Government resorted to fresh borrowing to the tune of ₹ 532.07 crore during the year 2014-15. The rate of interest on the borrowing of ₹ 150.00 crore raised by way of

auctioning Government stock was 8.09 *per cent* which will be redeemable in 2025. ₹ 182.07 crore loans was raised from the National Small Savings Fund during the year at an interest rate of 9.50 *per cent* and the outstanding balance from this source at the end of 31 March 2015 stood at ₹ 1,358.13 crore. The overall interest payment during 2014-15 was ₹ 681.68 crore.

The following table shows the Receipts and Repayment of the borrowings from market by the State Government for the last five year period from 2010-11 to 2014-15:

**Table No. 1.36: Trend in market borrowings during 2010-15.**

| <i>(₹ in crore)</i> |                         |                           |                          |                        |   |
|---------------------|-------------------------|---------------------------|--------------------------|------------------------|---|
| Year                | Receipt during the year | Repayment during the year | Addition during the year | Balance as on 31 March | Amount on investment account as on 31 March |
| 2010-11             | 552.55                  | 173.77                    | 378.78                   | 3319.69                | 657.41                                      |
| 2011-12             | 411.81                  | 172.63                    | 239.18                   | 3558.87                | 1104.30                                     |
| 2012-13             | 830.53                  | 281.28                    | 549.25                   | 4108.13                | 2305.70                                     |
| 2013-14             | 783.25                  | 172.14                    | 611.11                   | 4719.24                | 3460.88                                     |
| 2014-15             | 532.07                  | 268.78                    | 263.29                   | 4982.50                | 3371.25                                     |
| <b>Total:</b>       | <b>3110.21</b>          | <b>1068.60</b>            | <b>2041.61</b>           | <b>20693.43</b>        | <b>10905.54</b>                             |

During last five year period, an amount of ₹ 2,041.61 crore had been added to the total liabilities from market borrowing which increased the net balance to ₹ 4,982.50 crore at the end of 31 March 2015, while ₹ 3,371.25 crore was lying in cash balance investment Account. Huge balance in cash balance investment Account indicates the need for better cash management policy. The State Government should adopt the policy of need based borrowing and maintenance of minimum cash balance.

## 1.9 Assets and Liabilities

### 1.9.1 Growth and Composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.8** gives an abstract of such liabilities and the assets as on 31 March 2015 compared with the corresponding position on 31 March 2014. While the liabilities in the Appendix consist mainly of internal borrowings, loans and advances from the GoI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and cash balances.

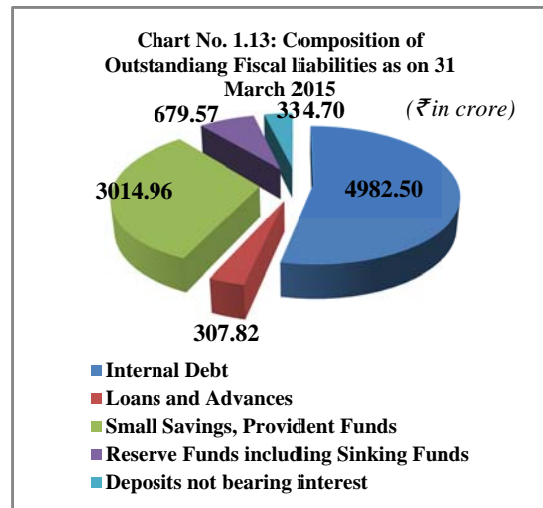
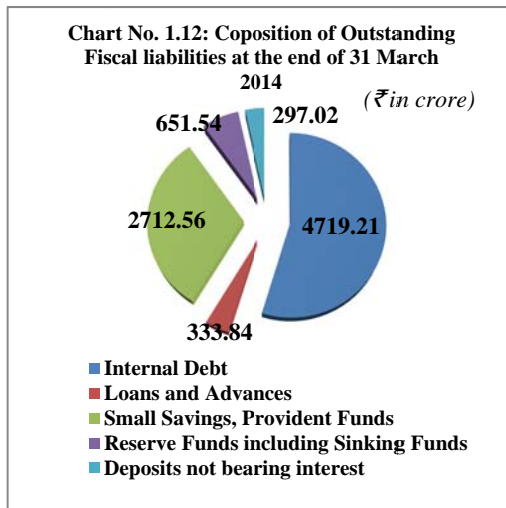
The FRBM Act of the State has defined the total liabilities as follows: “*The total liabilities means the liabilities under the Consolidated Fund and the Public Account of the State and shall also include borrowings by the public sector undertakings and the special purpose vehicles and other equivalent instruments including guarantees where principal and/or interest are to be serviced out of the State budget*”.

As per statement of the Finance Accounts, the liabilities of the State Government comprise of the following:

- Market loans
- Loans from Financial Institutions
- Special Securities issued to National Small Savings Fund
- Loans from Government of India
- Small Savings, Provident Funds, etc.
- Reserve Funds
- Deposits, etc.

### 1.9.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.8**. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year are presented in **Chart No. 1.12 & 1.13**.



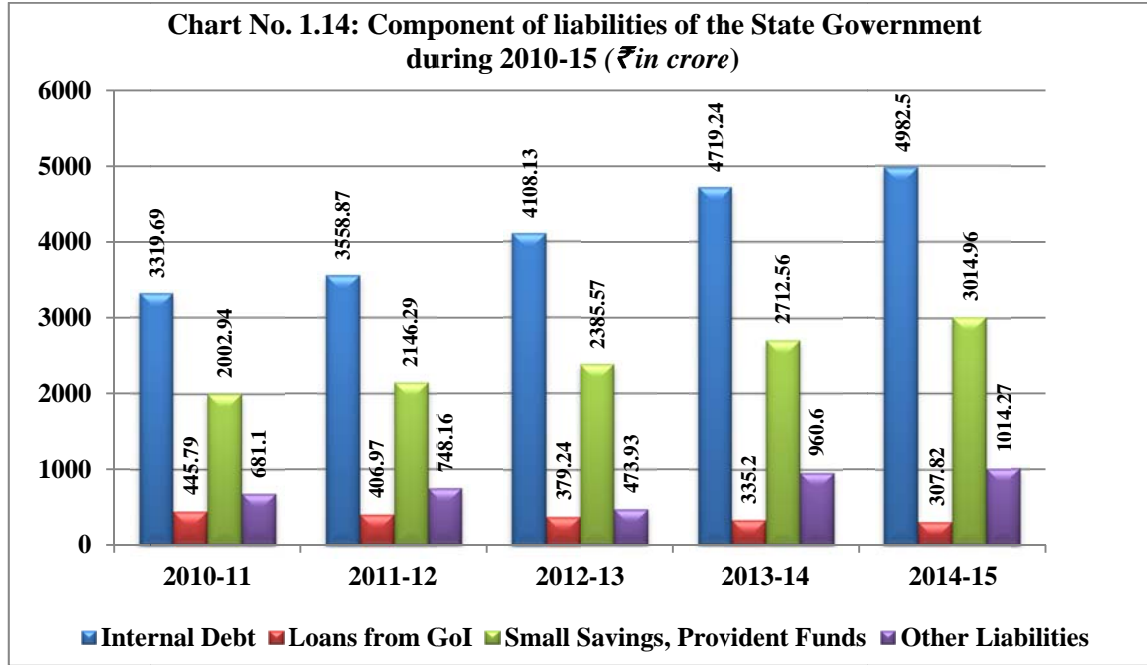
The outstanding fiscal liabilities of the State as on 31 March 2014 was ₹ 8714.17 crore which increased to ₹ 9,319.55 crore at the end of March 2015 (6.95 per cent). Outstanding liabilities on account of internal debt increased by ₹ 263.29 crore (5.58 per cent) and Public Account by ₹ 356.07 crore (13.57 per cent) offset by decrease in loans and advances from GoI by ₹ 27.39 crore (8 per cent) over the previous year. However, the actual liabilities of GoI loan decreased by ₹ 26.01 crore during the year due to proforma transfer to appropriate major head being rectification of misclassification of previous year loan amount under State plan. The State managed to contain the outstanding liabilities within the revised estimated liabilities of ₹ 9,572.88 crore for the year 2014-15. During 2014-15, the percentage of Internal Debt liabilities to total revenue receipts was 53.92 per cent while the percentage of total liabilities to revenue receipts was 100.99 per cent.

During the last five year period of 2010-15, the outstanding liabilities consistently increased from ₹ 6,462.90 crore in 2010-11 to ₹ 9,319.55 crore in 2014-15. The percentage of outstanding liabilities to GSDP during 2014-15 was 30.14 which is well



within the projection in the MTFP statement (43.8 per cent) and was also within the projection (44 per cent) made in XIII FC.

The liabilities of the State Government during 2010-15 are shown in the **Chart No. 1.14** and **Appendix 1.4**.



### 1.9.3 Transactions under Reserve Fund

As on 31 March 2015, two types of Reserve Funds viz; (i) Interest bearing and (ii) Non-Interest bearing reserve funds were operated by the Government of Tripura:

#### i) Interest Bearing Reserve Funds

According to the recommendation of XIII Finance Commission, the State Government constituted the State Disaster Response Fund under the Major Head-8121 as interest bearing Reserve Fund during the year 2010-11. As per the guidelines of the fund, the share of contribution between the Central and State Government to the fund was 90:10. During 2014-15 Government of India released ₹ 22.12 crore including ₹ 1 crore for capacity building to the State Government.

The State Government transferred an amount of ₹ 33.47 crore towards the SDRF fund including State Share during the year 2014-15. Out of ₹ 33.47 crore transferred as SDRF fund in 2014-15, ₹ 31.18 crore was Central Share (for 2013-14: ₹ 10.06 crore and 2014-15: ₹ 21.12 crore) and ₹ 2.29 crore was State Share. At the end of 31 March 2015, the balance of this fund stood at ₹ 144.12 crore after disbursement of ₹ 6.23 crore during the year 2014-15.

#### ii) Reserve Funds not Bearing Interest

Two major heads comprising 8222 – Sinking Funds and 8235 – General and Other Reserve Funds had been operated by the Government in this category of Reserve Funds. Sinking Funds is Earmarked Fund under the non-interest bearing RF created

by the Government as per recommendation of XII FC. The accumulated funds in this Investment Account was ₹ 529.21 crore at the end of 31 March 2015.

Under major head 8235 – General and Other Reserve Funds, an amount of ₹ 0.79 crore was credited during 2014-15 as Guarantee Redemption Fee/Commission received during the year from four Co-operative Societies. The closing balance in this fund stood at ₹ 6.25 crore at the end of 31 March 2015 from ₹ 5.46 crore at the end of March 2014.

### 1.9.4 Contingent liabilities

#### Status of Guarantees

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by borrower for whom the guarantee had been extended. Under Article 293 of the Constitution of India the State Legislature passed the limits of annual incremental risk weighted guarantees to 1 *per cent* of the GSDP of that year within which Government may give guarantee on the security of the Consolidated Fund of the State.

The State Government also introduced ‘The Tripura Government Guarantee Redemption Fund Scheme’ in 2007 and decided to charge 1 *per cent* Guarantee Redemption Fee on the fresh guarantee to cover the risk of the liabilities which may arise on invocation of the guarantees. The detail outstanding position of guarantees are given in **Table No. 1.37**.

**Table No. 1.37: Status of Guarantees – Contingent Liabilities**

| Particulars   | ₹ in crore  |             |             |            |            |
|---|-------------|-------------|-------------|------------|------------|
|   | 2010-11     | 2011-12     | 2012-13     | 2013-14    | 2014-15    |
| Maximum amount guaranteed during the year                               | 6.10        | 99.99       | 121.42      | 25.00      | 79.00      |
| Outstanding amount of guarantees, of which                              | 35.64       | 115.72      | 193.27      | 187.80     | 241.48     |
| <i>i) Principal</i>   | 30.35       | 115.64      | 193.19      | 187.72     | 241.40     |
| <i>ii) Interest</i>   | 5.29        | 0.08        | 0.08        | 0.08       | 0.08       |
| Ceiling fixed by the State Government act, if any                       | 1 % of GSDP | 1 % of GSDP | 1 % of GSDP | 1% of GSDP | 1% of GSDP |
| Outstanding amount of guarantee to Revenue Receipts ( <i>per cent</i> ) | 0.69        | 1.79        | 2.74        | 2.45       | 2.61       |

During 2014-15, the State Government had given fresh guarantees amounting to ₹ 79.00 crore for repayment of loans raised by four Co-operative Societies. The Government received ₹ 0.79 crore as guarantee commission/fee from the four Co-operative Societies. However, the Guarantee fees of ₹ 0.30 crore receivable on the guarantees given by the State Government for the year 2012-13 had not been received till the end of March 2015. As on 31 March 2015, outstanding guarantees stood at ₹ 241.48 crore including interest of ₹ 0.08 crore against ₹ 187.72 crore at the end of 2014. Maximum outstanding guarantee was in respect of Power Corporation amounting to ₹ 121.91 crore followed by 4 Co-operative Societies. However, the incremental guarantee liability of the State had decreased which was within the limit fixed by the Legislature for the year.

## Off Budget Borrowings

There was no off-budget borrowing for the year 2014-15. As such, the Government had not exceeded the annual permissible limit of 0.5 per cent of the GSDP for off-budget borrowings according to the TFRBM Act, 2005.

### 1.10 Analysis of Borrowings of Government

#### (i) Debt Management

**Table No. 1.38: Public Debt Management**

(₹ in crore)

| Particulars   | 2010-11          | 2011-12           | 2012-13           | 2013-14           | 2014-15           |
|---|------------------|-------------------|-------------------|-------------------|-------------------|
| i) Total Public Debt received   | 555.91           | 417.88            | 834.01            | 786.98            | 537.27            |
| ii) Less : Debt Repayment   | 505.92           | 549.64            | 653.05            | 219.91            | 300.00            |
| iii) Less: Net Disbursement of Loans and Advances by the State        | (-) 1.84         | (+) 11.79         | (+) 17.67         | (+) 14.81         | 13.56             |
| <b>Net Debt Utilised (i) – (ii) - (iii)</b>                           | <b>(+) 51.83</b> | <b>(-) 143.55</b> | <b>(+) 163.29</b> | <b>(+) 552.26</b> | <b>(+) 223.71</b> |
| Ratio of Net Debt Utilised to Total Debt Received ( <i>per cent</i> ) | 9                | (-) 34            | 20                | 70                | 42                |

Fiscal deficit is usually financed by way of borrowings by the State. The table shows that during 2014-15 the State Government borrowed funds from the Open Market and GoI amounting to ₹ 537.27 crore and repaid ₹ 300.00 crore during 2014-15 and ₹ 441.89 crore was paid as interest on outstanding public debt.

#### (ii) Debt Profile

A time series analysis of Public Debt for the previous five years and per capita debt are given in **Table No. 1.39**.

**Table No. 1.39: Per capita debt**

| Year                            | 2010-11   | 2011-12   | 2012-13   | 2013-14   | 2014-15   |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|
| Total Debt (₹ in crore)         | 3,765.48  | 3,965.84  | 4,487.37  | 5,054.45  | 5,290.32  |
| Population*                     | 35,99,000 | 36,73,917 | 36,83,000 | 37,25,000 | 36,73,917 |
| Per capita Debt ( <i>in ₹</i> ) | 10,462.57 | 10,794.58 | 12,184.00 | 13,568.99 | 14,399.67 |

**Source:** \*Information furnished by Directorate of Economic & Statistics, Government of Tripura.

The per capita debt of the State increased from ₹ 13,568.99 in 2013-14 to ₹ 14,399.67 in 2014-15 registering an increase of 6.12 *per cent* during the year. During the same period, the percentage increase of outstanding public debt was 4.67 *per cent* which was 17.11 *per cent* of GSDP.

**Table No. 1.40: Maturity Profile of Outstanding Debt**

(₹ in crore)

| Amount of Debt Maturing                       | During 2015-16 | Between 2016-17 & 2017-18 | Between 2018-19 & 2019-20 | Between 2020-21 & 2021-22 | 2022-23 onwards |
|---|----------------|---------------------------|---------------------------|---------------------------|-----------------|
| Particulars                                   |                |                           |                           |                           |                 |
| <b>(A) Internal Debt, of which</b>            | <b>364.31</b>  | <b>509.74</b>             | <b>789.19</b>             | <b>835.96</b>             | <b>2483.29</b>  |
| (i) <i>Market Loans</i>                       | 219.53         | 236.94                    | 506.00                    | 585.00                    | 1345.00         |
| (ii) <i>Loans from Financial Institutions</i> | 87.91          | 159.06                    | 169.45                    | 137.22                    | 178.25          |
| (iii) <i>NSSF Loans</i>                       | 56.87          | 113.74                    | 113.74                    | 113.74                    | 960.04          |

**Table No. 1.40: Maturity Profile of Outstanding Debt (concl'd.)**

(₹ in crore)

| Amount of Debt Maturing                      | During 2015-16 | Between 2016-17 & 2017-18 | Between 2018-19 & 2019-20 | Between 2020-21 & 2021-22 | 2022-23 onwards |
|--|----------------|---------------------------|---------------------------|---------------------------|-----------------|
| (B) Loans from Government of India, of which | 31.16          | 61.86                     | 61.75                     | 61.55                     | 91.33           |
| (i) Plan Loans                               | 30.56          | 60.75                     | 60.71                     | 60.57                     | 89.44           |
| (ii) Non-Plan Loans                          | 0.60           | 1.11                      | 1.04                      | 0.98                      | 1.89            |
| (C) Average interest rate                    | 7.50           | 8.50                      | 8.80                      | 8.80                      | 12.50           |

During 2014-15, an amount of ₹ 268.78 crore (Market Loan: ₹ 117.95 crore; NSSF: ₹ 57.00 crore and Loans from Other Financial Institutions: ₹ 93.83 crore) was due and paid by the State Government. As of 31 March 2015, there was an outstanding internal debt of ₹ 4,982.50 crore which would mature for repayment upto the end of the year 2038-39. There was outstanding Central Loans of ₹ 307.82 crore which would mature for repayment till the year 2052-53 at an interest rate of 7 to 14 per cent per annum. Out of outstanding Central Loans of ₹ 307.82 crore, ₹ 211.35 crore was raised by the Government at the interest rate of 7 per cent to 7.99 per cent, ₹ 79.13 crore at 9 per cent to 9.99 per cent and ₹ 17.16 crore at the interest rate of 10 per cent to 13.99 per cent.

### Debt Sustainability

Debt sustainability refers to the state's ability to maintain a constant debt-GDP ratio over a period of time. Thus, it implies State's ability to service its debt.

Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability<sup>8</sup> of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation<sup>9</sup>; sufficiency of non-debt receipts<sup>10</sup>; net availability of borrowed funds<sup>11</sup>; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table No. 1.41** analyses the debt sustainability of the State according to these indicators for the period of three years beginning from 2012-13.

<sup>8</sup> The debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.

<sup>9</sup> A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt\*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

<sup>10</sup> Adequacy of incremental non-debt receipt of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipt could meet the incremental interest burden and the incremental primary expenditure.

<sup>11</sup> Defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

**Table No. 1.41: Debt Sustainability: Indicators and Trends**

| Indicators of Debt Sustainability  | 2012-13     | 2013-14    | 2014-15     |
|--|-------------|------------|-------------|
| Debt Stabilisation<br>(Quantum Spread + Primary Deficit/Surplus) ( <i>₹ in crore</i> ) | (+) 1077.58 | (+) 671.19 | (+) 1068.98 |
| Sufficiency of Non-debt Receipts (Resource Gap) ( <i>₹ in crore</i> )                  | (+) 168.91  | (-) 136.20 | (+) 95.60   |
| Net Availability of Borrowed Funds ( <i>₹ in crore</i> )                               | (+) 180.97  | (+) 567.07 | (-) 142.00  |
| Burden of Interest Payments (IP/RR Ratio) ( <i>in per cent</i> )                       | 7.56        | 7.72       | 7.44        |

The above table shows that the Debt of the State had been quite stable since 2012-13 as the quantum spread *plus* primary deficit remained positive. During 2014-15, the sufficiency of non-debt receipts of the State was ₹ 95.60 crore against (-) ₹ 136.20 crore in 2013-14, which indicated that incremental non-debt receipts was able to cover the incremental interest burden. The net Availability of Borrowed Funds was positive during the last two years and stood at ₹ 567.07 crore during 2013-14. But it was negative balance of ₹ 142.00 crore during 2014-15 after payment of interest burden on borrowed funds.

### (i) Market Borrowings

To augment the resources of the State for undertaking development activities the State Government may borrow funds from the open market. The limit of borrowing for a particular financial year is fixed by the Planning Commission of Government of India under Article 293 of the Constitution of India.

During last five year period from 2010-15, the position of funds raised from open market as well as the repayment are given in **Table No. 1.42**.

**Table No. 1.42: Market borrowing during 2010-15**

| Year    | Opening balance | Amount raised | Amount repaid | Closing balance | ( <i>₹ in crore</i> )         |
|---------|-----------------|---------------|---------------|-----------------|-------------------------------|
|         |                 |               |               |                 | Increase (+)/<br>Decrease (-) |
| 2010-11 | 1,443.93        | 285.00        | 92.88         | 1,636.05        | 192.12                        |
| 2011-12 | 1,636.05        | 300.00        | 73.47         | 1,862.58        | 226.53                        |
| 2012-13 | 1,862.58        | 645.00        | 119.43        | 2,388.15        | 525.57                        |
| 2013-14 | 2,388.15        | 550.03        | 77.67         | 2,860.51        | 472.36                        |
| 2014-15 | 2,860.51        | 150.00        | 118.02        | 2,892.49        | 31.98                         |

**Source:** Finance Accounts.

It would be seen from **Table No. 1.42** that during the period 2010-15, the State Government borrowed ₹ 1,930.03 crore from the open market and repaid ₹ 481.47 crore during the years resulting in net addition to the internal debt liability of the State to ₹ 31.98 crore during the period. Interest rates on the market borrowings ranged between 7.77 *per cent* and 9.67 *per cent* during the past five years up to 2014-15. The State Government raised market loan of ₹ 150.00 crore during 2014-15 which was redeemable by 2024 at the annual interest rate ranging between 9.39 and 9.67 *per cent*. Total internal debt of the State as on 31 March 2015 stood at ₹ 4,982.50 crore including interest bearing market loan of ₹ 2,892.48 crore (**Appendix 1.8**).

### (ii) Cash Balance Investment

The position of the cash balance investment account during the last five year period upto 2014-15 are detailed in **Table No. 1.43**.

**Table No. 1.43: Year-wise position of cash balance investment account 2010-15**  
(₹ in crore)

| Year    | Opening Balance | Closing Balance | Interest receipt on investment | Interest paid on market loan |
|---------|-----------------|-----------------|--------------------------------|------------------------------|
| 2010-11 | 260.05          | 657.41          | 22.26                          | 113.81                       |
| 2011-12 | 657.41          | 1,104.30        | 48.91                          | 131.13                       |
| 2012-13 | 1,104.30        | 2,305.70        | 66.49                          | 148.40                       |
| 2013-14 | 2,305.70        | 3,460.88        | 85.20                          | 185.51                       |
| 2014-15 | 3,460.88        | 3,371.25        | 44.94                          | 242.98                       |

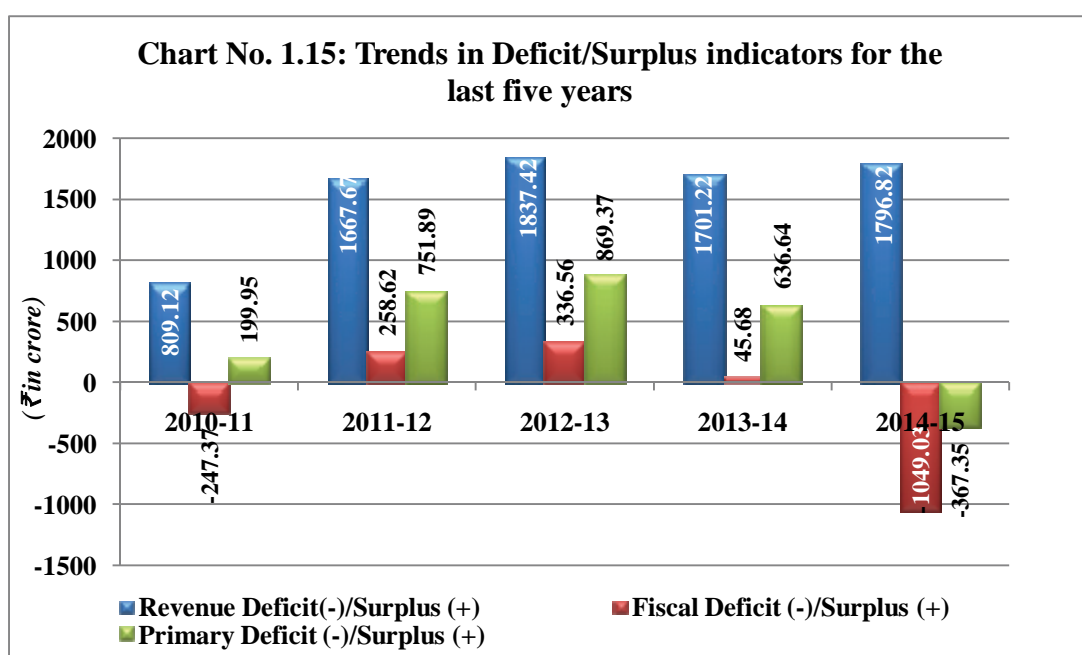
From the balances of cash balance investment account it was seen that the balance had substantially increased from ₹ 657.41 crore in 2010-11 to ₹ 3,460.88 crore in 2013-14 and after that it reduced to ₹ 3,371.25 crore as on 31 March 2015. As on 31 March 2015, the entire balance was invested in Government of India 14 days Treasury Bills with RBI. During 2014-15 the Government received ₹ 44.94 crore as interest on the investment while the interest paid on market borrowings was ₹ 242.98 crore.

### 1.11 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The nature and quantum of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and applied are also important pointers to its fiscal management. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-a-vis* targets set under FRBM Act/Rules for the financial year 2014-15.

#### 1.11.1 Trends in Deficits

**Chart 1.15** presents the trends in deficit/surplus indicators over the period 2010-15.



The State was able to achieve revenue surplus during 2010-15 and it ranged between 4.53 and 7.95 *per cent* of GSDP during the period. During 2014-15, the revenue surplus was ₹ 1,796.82 crore (5.81 *per cent* of GSDP). The State had witnessed primary surplus during 2010-14 but it turned to primary deficit of ₹ 367.34 crore which was 1.19 *per cent* of GSDP during 2014-15. There was fiscal deficit in two out of last five year period upto 2014-15. During 2014-15, the fiscal deficit of the State was ₹ 1,049.03 crore against fiscal surplus of ₹ 45.68 crore during 2013-14.

### 1.11.2 Composition of Fiscal Deficit/Surplus and its Financing Pattern

The financing pattern of the fiscal deficit/surplus had undergone a compositional shift as reflected in the table below:

**Table No. 1.44: Decomposition and Financing Pattern of Fiscal Deficit**

(₹ in crore)

| Particulars  | 2012-13      | 2013-14      | 2014-15      |
|--|--------------|--------------|--------------|
| 1  | 2            | 3            | 4            |
| Decomposition of Fiscal Deficit (-) / Surplus (+)            | (+) 336.56   | (+) 45.68    | (-) 1,049.03 |
| Fiscal Deficit/Surplus as percentage to GSDP                 | (+) 1.41     | (+) 0.18     | (-) 3.39     |
| Revenue Deficit (-) / Surplus (+)                            | (+) 1,837.42 | (+) 1,701.22 | (+) 1,796.82 |
| Capital Expenditure  | 1,483.19     | 1,640.73     | 2,832.29     |
| Net Loans and Advances                                       | (-)17.67     | (-) 14.81    | (-) 13.56    |
| <b>Financing Pattern of Fiscal Deficit (-) / Surplus (+)</b> |              |              |              |
| Market Borrowings (Net)                                      | (+)377.17    | (+) 472.36   | (+) 31.92    |
| Loans from GoI (Net)   | (-)59.52     | (-) 44.04    | (+) 13.56    |
| Special Securities Issued to NSSF (Net)                      | (-)134.01    | (+) 17.53    | (+) 125.07   |
| Loans from Financial Institutions (Net)                      | (-)2.67      | (+) 121.22   | (+) 202.69   |
| Small Savings, Provident Fund, etc. (Net)                    | (+)47.01     | (+) 326.99   | (+) 302.40   |
| Deposits and Advances (Net)                                  | (-)26.04     | (-) 14.81    | (+) 37.61    |
| Suspense and Misc. (Net)                                     | (-)19.34     | (+) 19.68    | (+) 33.36    |
| Remittances (Net)  | (+)10.31     | (-) 45.97    | (-) 47.61    |
| Others (R F) (Net)   | (+)0.82      | (+) 18.65    | (+) 28.09    |
| Increase (+) / decrease (-) in cash balance                  | (+)1,138.10  | (+) 1,127.74 | (-) 406.45   |

The source of funds of the State Government comprises of revenue receipts, non-debt capital receipts, public debt receipts and net receipts from public accounts. The State Government received a substantial amount of ₹ 6,139.70 crore from Central Government as grants during the year 2014-15 and with this amount the total revenue receipts stood at ₹ 9,239.73 crore. The revenue expenditure was only ₹ 7,442.91 crore resulting in revenue surplus of ₹ 1,796.82 crore during 2014-15. The State had a revenue surplus since 2005-06 and with gradual improvement in its fiscal policy implementation the State had also begun to have fiscal surplus from 2011-12 and stood at ₹ 45.68 crore during 2013-14. But in 2014-15, the State witnessed a fiscal deficit to ₹ 1,049.03 crore due to more capital expenditure during the year.

### 1.11.3 Quality of Deficit/Surplus

**Table No. 1.45** indicates the extent to which the deficit/surplus had been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

**Table No. 1.45: Primary deficit/Surplus – Bifurcation of factors**

(₹ in crore)

| Year    | Non-debt receipts | Primary Revenue Expenditure | Capital Expenditure | Loans and Advances | Primary Expenditure | Non-debt receipts vis-à-vis primary revenue expenditure | Primary deficit (-)/surplus (+) |
|---------|-------------------|-----------------------------|---------------------|--------------------|---------------------|---|---------------------------------|
| 1       | 2                 | 3                           | 4                   | 5                  | 6 (3+4+5)           | 7 (2-3)   | 8 (2-6)                         |
| 2010-11 | 5,171.40          | 3,912.16                    | 1,058.33            | 0.96               | 4,971.45            | 1,259.24  | (+) 199.95                      |
| 2011-12 | 6,479.00          | 4,315.96                    | 1,397.26            | 13.89              | 5,727.11            | 2,163.04  | (+) 751.89                      |
| 2012-13 | 7,051.56          | 4,680.07                    | 1,483.19            | 18.93              | 6,182.19            | 2,371.49  | (+) 869.37                      |
| 2013-14 | 7,651.14          | 5,358.00                    | 1,640.73            | 15.57              | 7,014.50            | 2,293.14  | (+) 636.64                      |
| 2014-15 | 9241.91           | 6761.23                     | 2832.29             | 15.74              | 9609.26             | 2480.68   | (-) 367.35                      |

The non-debt receipts of the State during 2010-15 were sufficient to meet the primary revenue expenditure. The non-debt receipts increased by 78.71 per cent from ₹ 5,171.40 crore in 2010-11 to ₹ 9,241.91 crore in 2014-15. The primary revenue expenditure however, increased by 72.82 per cent from ₹ 3,912.16 crore in 2010-11 to ₹ 6,761.23 crore in 2014-15. During the period (2010-15) Capital Expenditure grew by 167.62 per cent. The State had a primary deficit of ₹ 367.35 crore during 2014-15 against the primary surplus of ₹ 636.64 crore in 2013-14.

## 1.12 Conclusion and Recommendations

### Surplus/Deficit

The fiscal position of the State viewed in terms of key fiscal parameters – revenue surplus, fiscal deficit, primary deficit, etc., indicated that the State had maintained revenue and primary surplus during the last five years except in 2014-15 where the State had witnessed primary deficit. During the current year, revenue surplus of the State has increased as compared to the previous year. Fiscal surplus ₹ 45.68 crore in 2013-14 turned to fiscal deficit of ₹ 1,049.03 crore during 2014-15.

### Revenue Receipts

During 2014-15, ₹ 7,869.83 crore (85 per cent) of the total revenue was from the Government of India as State Share of Central Taxes of ₹ 1,730.13 crore (19 per cent) and Grants-in-aid of ₹ 6,139.70 crore (66 per cent). The Own Tax Revenue of the State constituted ₹ 1,174.26 crore (13 per cent) of the total revenue receipts. The OTR during 2014-15 remained above the normative assessment of ₹ 894.17 crore made by the XIII Finance Commission for the State but it has remained below the State's own projections of ₹ 1,241.00 crore in RE. The non-tax revenue was ₹ 195.64 crore which constituted about (2 per cent) of the revenue receipts (₹ 9,239.73 crore) which was higher than the projection made by the XIII FC (₹ 187.93 crore) but below the estimates made by the State (₹ 222.90 crore) for the year.

*The tax compliance measures have been enforced by the State Government. The Government should maintain the same momentum.*

### Expenditure of the State Government

During 2014-15, the Revenue expenditure increased to ₹ 7,442.91 crore (72 per cent of the total expenditure) from ₹ 5,948.96 crore in 2013-14 recording a growth of 25

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*per cent* over the previous year. Capital expenditure in 2014-15 increased by ₹ 1,191.56 crore (73 *per cent*) over the previous year which as a percentage of total expenditure during the year was 28 *per cent*.

During 2014-15, the Development Expenditure (₹ 7,095.90 crore) increased by 46 *per cent* over the previous year and constituted about 69 *per cent* of total expenditure. The relative share of the revenue development expenditure was 45 *per cent* of the total expenditure while the share in respect of capital development expenditure was only 24 *per cent*.

During 2014-15, Non-Plan Revenue Expenditure on Salary was ₹ 2,676.88 crore. Non-Plan Revenue Expenditure on salary component during 2014-15 was also significantly higher by ₹ 1,096.76 crore (around 69 *per cent*) than the assessment made by the XIII FC for the State (₹ 1,579.92 crore) for 2014-15.

*The high proportion of salaries to total revenue expenditure which is much beyond the assessment of the XIII FC may have adverse impact on the State's financial health, as the State's own resources are meagre.*

### **Fiscal Correction Path**

During 2014-15, the State had revenue surplus which stood at ₹ 1,796.82 crore which increased by ₹ 95.60 crore from ₹ 1,701.22 crore in 2013-14 and the fiscal deficit ₹ 1,049.03 crore against fiscal surplus of ₹ 45.68 crore in 2013-14. The fiscal deficit as percentage of GSDP of the State during 2014-15 stood at 3.39 *per cent* of GSDP against the target of fiscal deficit of 3.00 *per cent* as projected in the TFRBM Act, 2005 for the year 2014-15.

*Keeping in view the recommendations of the XIII Finance Commission, the State should continue to maintain fiscal surplus to achieve the targets as fixed in the FRBM in the ensuing years.*

### **Fiscal Liabilities**

The percentage of outstanding liabilities to GSDP during 2014-15 was 30.18, which was lower than the projection (44.20 *per cent*) in the Medium Term Fiscal Policy Statement (MTFPS) and the projection made in the TFRBM Act. During 2014-15, interest receipts as percentage of outstanding loans and advances by the Government was 0.76 *per cent* whereas interest paid by the Government as a percentage of outstanding liabilities was 7.31 *per cent*.

### **Investment and Returns**

Investment of Government money in Government Companies and Statutory Corporations is increasing year after year but only ₹ 0.51 crore was received as return from the investments of the Government during 2014-15. The average rate of interest on Government borrowings was 8.53 *per cent* during the year 2014-15.

*The State Government may review the functioning of the Companies and Statutory Corporations to improve their efficiency.*

