

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

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Profile of the State

Manipur is located strategically in the north-eastern corner of India. The total geographical area of 22,327 sq. km. of the State is divided into two parts – the central valley and the hills surrounding the valley. There are nine districts in the State, of which four are in the valley and five districts are located in the hills. As per Census of 2011, the State's population increased from 21.67 lakh in 2001 to 25.70 lakh in 2011 recording a decadal growth of 12.05 *per cent*. Out of the total population, 32.45 *per cent* people (8.35 lakh) live in urban areas and the remaining 67.55 *per cent* (17.35 lakh) in rural areas. The density of population is 115 per sq. km. The percentage of population below the poverty line was 17.30 *per cent* (All India Average- 27.5). The State's literacy rate has increased from 70.53 *per cent* (as per 2001 census) to 79.21 *per cent*. Other related details are given in **Appendix 1.1 (Part D)**. The source of revenue receipt of the State is largely dependent on Central Government which range between 88 *per cent* to 92 *per cent* as Union taxes and duties and Grants-in-aid from the Central Government during 2010-15.

About this Chapter

This chapter provides a broad perspective of the finances of the Government of Manipur during 2014-15 and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years (2010-15). The details of structure, form of Government accounts, layout of Finance Accounts, methodology adopted for assessment of fiscal position, profile of the State *etc.* are given in **Appendix 1.1 (Part C)**.

1.1 Introduction

1.1.1 Gross State Domestic Product

Gross State Domestic Product (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 of the State's economy. The trends in the annual growth at current prices of the State's GSDP are indicated in the following table:

Table 1.1: GSDP and the rate of growth during 2010-15

Year	2010-11	2011-12	2012-13	2013-14	2014-15
State's GSDP ¹	9137	11123	12697(Q)	14324 (A)	16364 (P)
Growth rate of GSDP (<i>per cent</i>)	10.70	21.74	14.15	12.81	14.24

(Source: Department of Economics and Statistics, Government of Manipur)

GSDP of the State grew at the rate of 14.24 *per cent* (₹ 16364 crore) at current price during 2014-15 against a growth of 12.81 *per cent* (₹ 14324 crore) during 2013-14. The Compounded Annual Growth Rate (CAGR) of GSDP of the State during 2005-15 was 12.39 *per cent* (**Appendix-1.1 - Part D**).

1.1.2 Summary of fiscal transactions

The following table presents the summary of the State Government's fiscal transactions during the current year (2014-15) *vis-à-vis* the previous year (2013-14), while **Appendix 1.2** provides details of Receipts and Disbursements as well as the overall fiscal position during 2014-15.

Table 1.2: Summary of Fiscal operations

Receipts	2013-14	2014-15	Disbursements	2013-14	2014-15		
Section-A: Revenue					Non Plan	Plan	Total
Revenue receipts	7282.79	7998.27	Revenue expenditure	5718.83	4968.11	2299.18	7267.29
Tax revenue	472.73	516.83	General Services	2441.07	2737.39	13.74	2751.13
Non-tax revenue	260.67	183.73	Social Services	1603.66	1085.20	942.86	2028.06
Share of Union Taxes/ Duties	1438.79	1526.89	Economic Services	1338.61	816.15	1196.22	2012.37
Grants-in-aid from the Government of India	5110.60	5770.82	Grants-in-aid and Contributions	335.49	329.37	146.36	475.73
Section-B: Capital							
Miscellaneous Capital Receipts	-	-	Capital expenditure	1291.89	(-)0.52	1332.96	1332.44
Recoveries of Loans and Advances	1.23	0.97	Loans and Advances disbursed	0.04	0.34	-	0.34
Public Debt receipts ²	382.68	489.40	Repayment of Public Debt	260.07			273.24
Contingency Fund	-	-	Contingency Fund	-			-
Public Account receipts	3883.75	2901.43	Public Account disbursements	3760.41			2858.83
Opening Cash Balance	(-) 55.37	463.84	Closing Cash Balance	463.84			121.77
Total	11495.08	11853.91	Total	11495.08			11853.91

(Source: Finance Accounts)

¹ At current price with base year 2004-05. (Q) - Quick estimates, (A) - Advanced estimates, (P)- Provisional estimates. The Quick estimates and Advanced estimates of 2013-14 has since been revised by the Department.

² Under Internal debt receipt/repayment only the Net transactions under Ways and Means Advances is taken

The following are the significant changes during 2014-15 over the previous year:

- Revenue receipts increased by ₹ 715.48 crore (9.82 per cent) over the previous year. The increase was mainly due to increase in Grants-in-Aid from Government of India (₹ 660.22 crore), Share of Union Taxes/duties (₹ 88.10 crore) and Tax revenue (₹ 44.10 crore).
- Revenue expenditure increased by ₹ 1548.46 crore (27.08 per cent) over the previous year. The increase was mainly due to increase in expenditure under Economic Services (₹ 673.76 crore) and Social Services (₹ 424.40 crore). Capital expenditure increased by ₹ 40.55 crore (3.14 per cent) over the previous year.
- Public debt receipts increased by ₹ 106.72 crore (27.89 per cent) over the previous year. As compared to receipts, Repayment of Public debt increased by ₹ 13.17 crore (5.06 per cent) over the previous year.
- Both Public Account receipts and Public Account disbursement decreased by ₹ 982.32 crore (25.29 per cent) and ₹ 901.58 crore (23.98 per cent) respectively over the previous year.
- The total inflow during 2014-15 was ₹ 11,853.91 crore against ₹ 11,495.08 crore in 2013-14, while the total outflow during 2014-15 was ₹ 11,732.14 crore against ₹ 11,031.24 crore during the previous year. There was closing cash balance of ₹ 121.77 crore at the end of 2014-15 as compared to cash balance of ₹ 463.84 crore at the end of the previous year (2013-14).

1.1.3 Review of the fiscal situation

The State Government enacted the Manipur Fiscal Responsibility and Budget Management (FRBM) Act in August 2005 to ensure prudence in fiscal management and fiscal stability by achieving sufficient revenue surplus; reduction in Fiscal deficit; prudent debt management consistent with fiscal sustainability; and greater transparency in fiscal operations of the Government. As per Manipur FRBM Rules 2005 (enacted in December 2005 and subsequent amendments thereafter) framed under the Act, various fiscal targets of revenue surplus and fiscal deficit *etc.* were set. The targets under the Act and the Rules are given in **Appendix-1.1 (Part E)**. Yearly targets are also set in the Medium Term Fiscal Policy Statements (MTFPS) placed in the State Legislative Assembly. During 2014-15, targets of Revenue surplus, Fiscal deficit-GSDP ratio, *etc.* was set in the MTFPS.

Major fiscal variables provided in the recommendations of the 13th Finance Commission (FC), targeted in the FRBM Act and FRBM Rules, and MTFPS of the State is depicted in the following table:

Table 1.3: Trends in Major fiscal parameters/variables vis-à-vis targets for the year 2014-15
(₹ in crore)

Fiscal variables	Targets			
	13 th FC	FRBM Act	MTFPS	Actual
Revenue Deficit (-)/ Surplus (+)	Eliminate Revenue deficit by 2011-12 and maintain revenue balance or attain a surplus thereafter	Maintain Revenue surplus	(+)1198.80	(+) 730.98
Fiscal Deficit/GSDP (in per cent)	3 per cent	Below 3 per cent	3.41	3.67
State's outstanding guarantees	NA	Not to exceed thrice the State's own tax revenue receipts of the second preceding year i.e. ₹ 1418.19 crore ³	NA	192.95
Salary expenditure	1427.76	35 per cent of Revenue expenditure net interest payment and pension i.e. ₹ 2050.92 crore ⁴	2829.70	2646.04 ⁵
Total outstanding debt ⁶ /GSDP (in per cent)	54.30 per cent	Reduce outstanding debt to a maximum of 54.30 per cent of GSDP by end of 2014-15.	44.92	44.96

(NA: - Not available)

(Source: 13th FC, FRBM Act, MTFPS and Finance Accounts)

While the State could maintain Revenue surplus as envisaged in the recommendation of 13th FC and FRBM Act, the Revenue surplus (₹ 730.98 crore) was short by ₹ 467.82 crore vis-a-vis the projections of MTFPS (₹ 1198.80 crore).

The Fiscal Deficit – GSDP ratio (3.67 per cent) exceeded the targets of 13th FC and FRBM Act (3 per cent and below) and MTFPS (3.41 per cent). During 2014-15, there was Fiscal Deficit of ₹ 600.83 crore against Fiscal Surplus of ₹ 273.26 crore in 2013-14.

The target of limiting State's outstanding guarantee as set out in the FRBM Act (₹ 1418.19 crore) was fully achieved as the outstanding guarantee was restricted at ₹ 192.95 crore. No fresh guarantee has been reported by the State Government during 2014-15.

Total outstanding debt-GSDP ratio (44.96 per cent) was also kept within the targets of 13th FC and FRBM Act (54.30 per cent). However, it was marginally more than what was targeted in MTFPS (44.92 per cent).

³ ₹ 472.73 crore x 3

⁴ 35 per cent of (₹ 7267.29 crore – ₹ 473.19 crore – ₹ 934.32 crore)

⁵ Including ₹ 8.59 crore on wages and excluding ₹ 63.01 crore (Leave Encashment benefits) booked under 'Major Head – 2071 – "Pensions and Other Retirement Benefits"

⁶ Fiscal Liability as per Finance Accounts

Salary expenditure exceeded the corresponding target figures. Against targeted amount of ₹ 1427.76 crore (13th FC) and ₹ 2050.92 crore (FRBM Act), the actual expenditure on salary was ₹ 2646.04 crore. This, however, was lesser than the MTFPS projection of salary expenditure of ₹ 2829.70 crore.

Off-budget borrowings

The State Government has not reported (September 2015) any off-budget borrowings during 2014-15.

1.1.4 Budget estimates and actual

The budget papers presented by the State Government provide descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the Budget Estimates are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, some within the control of the Government and some beyond the control of the Government. The following table and chart present the consolidated picture of budget estimates and actuals of the State Finances during 2014-15.

Table 1.4: Statement showing budget estimates and actual

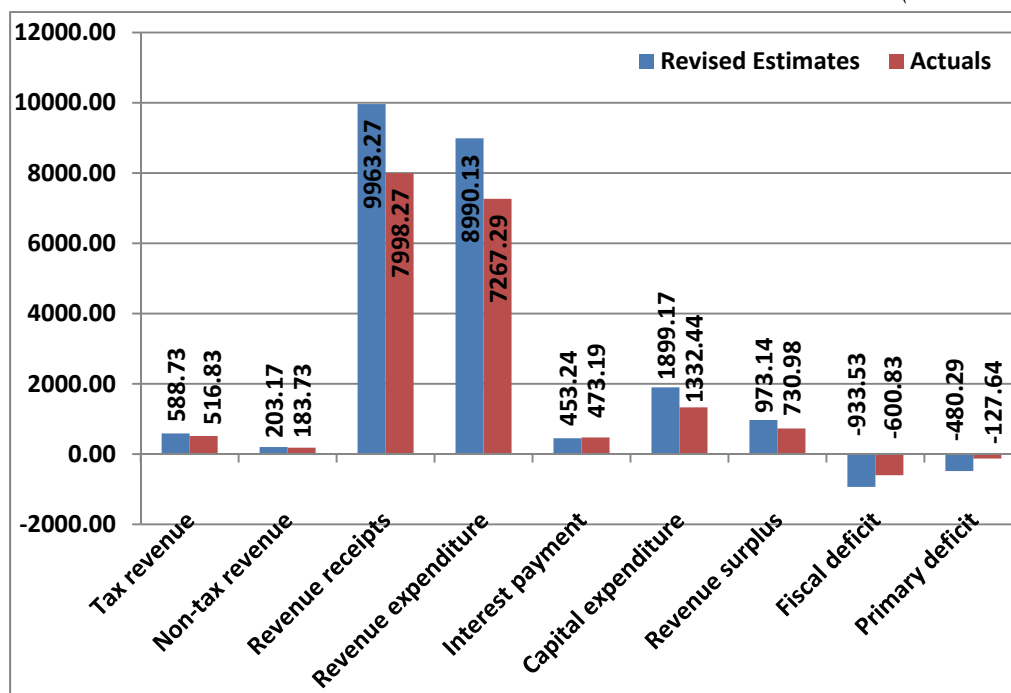
(₹ in crore)

Particulars	Budget Estimates (BE)	Revised Estimates (RE)	Actual	Percentage of excess (+)/ shortfall (-) w.r.t RE
Tax revenue	620.83	588.73	516.83	(-) 12.21
Non-tax revenue	284.06	203.17	183.73	(-) 9.57
Revenue receipts	8826.42	9963.27	7998.27	(-) 19.72
Revenue expenditure	7627.62	8990.13	7267.29	(-) 19.16
Interest payment	445.01	453.24	473.19	(+) 4.40
Capital expenditure	1739.33	1899.17	1332.44	(-) 29.84
Disbursement of Loans & Advances	12.20	11.30	0.34	(-) 96.99
Revenue surplus	1198.8	973.14	730.98	(-) 24.88
Fiscal deficit (-)/ surplus (+)	(-) 549.03	(-) 933.53	(-) 600.83	(+) 35.64
Primary deficit (-)/surplus (+)	(-)104.02	(-) 480.29	(-)127.64	(+) 73.42
Recoveries of Loans and Advances	3.7	3.8	0.97	(-) 74.47

(Source: Budget documents and Finance Accounts)

Chart 1.1: Selected fiscal parameters, budget estimates *vis-à-vis* actual

(₹ in crore)



(Source: Budget documents and Finance Accounts)

It can also be seen from the preceding table there was a variation between budget Revised Estimates (RE) and Actuals for Tax Revenue collection by 12.21 *per cent*. In case of Non-Tax Revenue, the projection of RE and Actuals varied by 9.57 *per cent* (₹ 19.44 crore). In both cases, actual receipt were less than budget projection. The Revenue Surplus was also less by 24.88 *per cent* than the projection made in the budget. As such, budgetary projection was unrealistic and requires greater attention in future.

Under Capital expenditure, there was a difference of ₹ 566.73 crore between RE and Actual. The reduction in capital expenditure resulted in better fiscal deficit and Primary deficit than what was projected in the budget.

1.1.5 Major policy initiatives in the budget

During the Budget speech, the Chief Minister, Government of Manipur emphasised the achievements of the following sectors:-

Power Sector: The erstwhile Electricity Department was corporatized and unbundled into two Companies *i.e.* Manipur State Power Company Limited and the Manipur State Power Distribution Company Limited and had become fully functional from 1 April 2014. Computerized billing system introduced in some divisions were to be expanded. Laying of underground cables and installation of distribution transformers in and around core areas of Imphal city had been completed.

Road infrastructure: Major stretches of national highways running through the Imphal city have been widened. Land acquisition for 6 laning of National highway from Keishampat to Malom is under progress.

Health Sector: Infant Mortality rate in the State was the lowest in the country. Maternal Mortality rate was well below the National average.

Drinking water and Sanitation: The huge gap in demand and supply of drinking water in Imphal city was area of concern. For this various water Supply Schemes are planned including a scheme for drawing raw water from the Thoubal Dam. Construction of Imphal Sewerage Project Zone-I was on the verge of completion.

Irrigation: To ensure optimum utilization of scarce irrigation water, it was proposed to introduce Manipur Participatory Irrigation Management Bill to facilitate formation of Water Users Association.

Others: The speech also gave emphasis on Border and Hill areas development, Welfare of STs, SCs and Minorities, Agriculture, Information Technology and completion of Central Sector Schemes.

The total Revenue receipt of the State was estimated at ₹ 8826.42 crore. Against this the actual Revenue receipt was ₹ 7998.27 crore. Revenue collection from VAT, Motor vehicles Tax and Professional Tax are the major sources of own receipts. Considering that the power sector has been corporatized, receipts from power have been excluded from estimates of non-Tax receipts. Given the need to increase developmental expenditure, steps to enhance revenue during the year were mentioned in the speech. However, the speech did not mention a clear-cut policy in this regard.

The Plan Outlay for the year 2014-15 was estimated at ₹ 3200 crore. Against this the actual expenditure on Plan Outlay was ₹ 3632.13 crore in 2014-15. The actual Capital expenditure of ₹ 1332.44 crore was also lesser than the Budgeted figure of ₹ 1739.33 crore.

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 main 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 recoveries of Loans and Advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and Loans and Advances from the GoI. Besides the funds available in the Public Accounts after disbursement is also

utilised by the State Government to finance its deficit. **Table 1.2** presents the receipts and disbursements of the State during the current year (2014-15) as recorded in the Finance Accounts of the State Government.

The components and major sub-components of revenue are shown in **Chart 1.2** as a flow diagram. **Chart 1.3** depicts the trends in various components of the receipts of the State during 2010-15. **Chart 1.4** depicts the composition of resources of the State during 2014-15.

Chart 1.2: Components and Major sub-components of Revenue during 2014-15

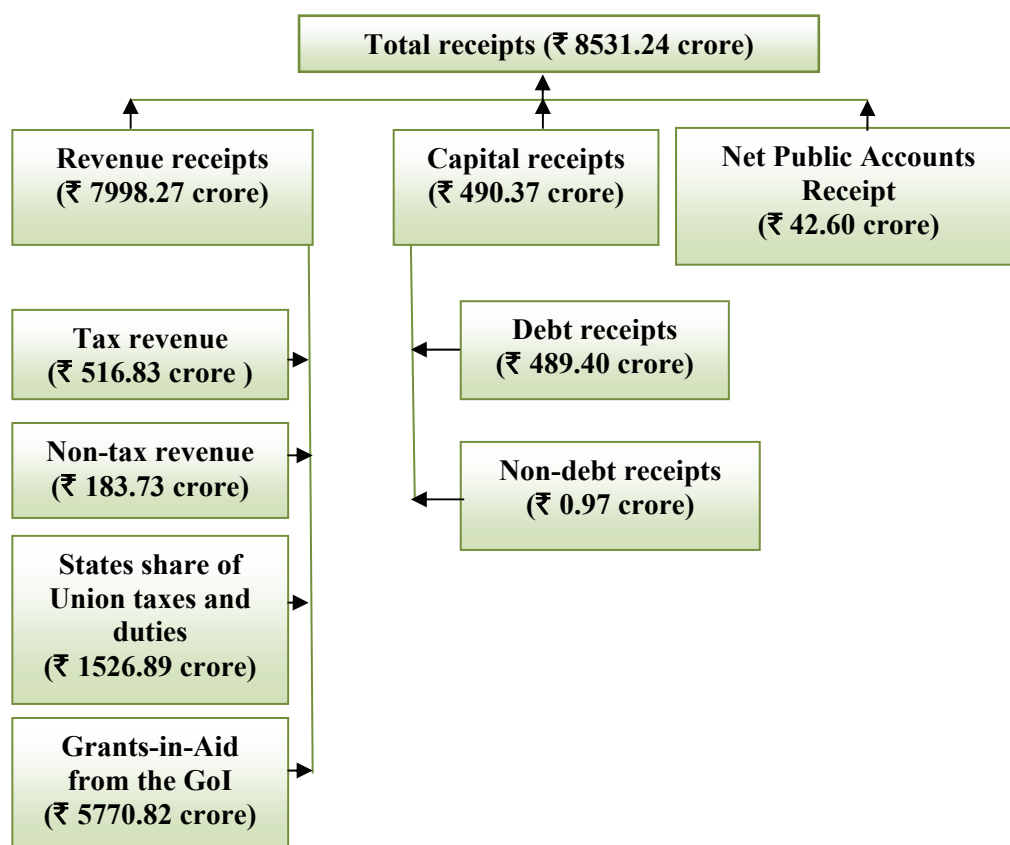


Chart 1.3: Trends in Receipts

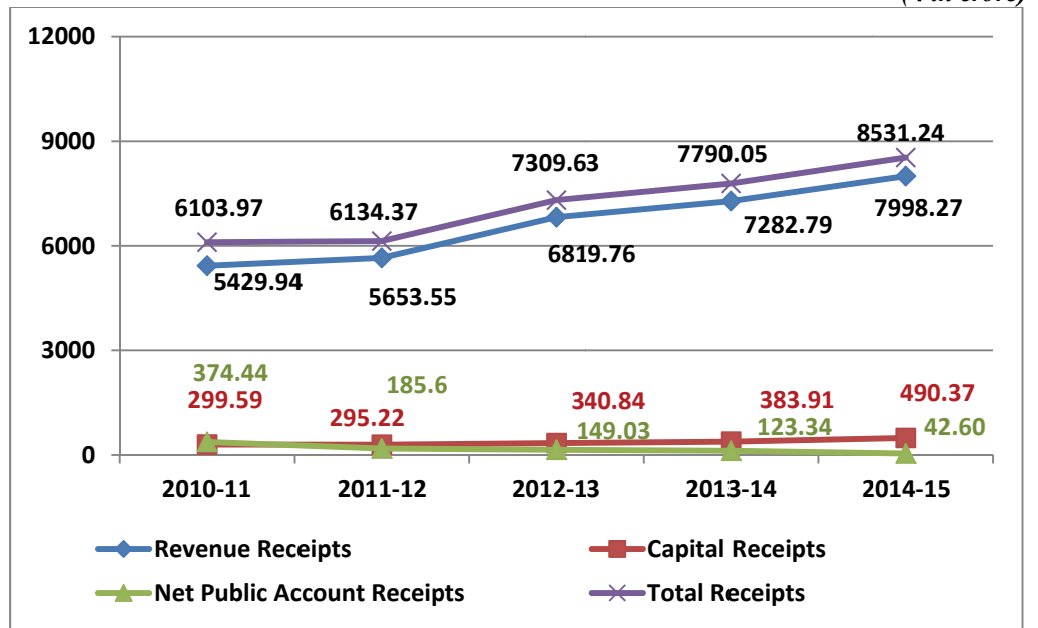
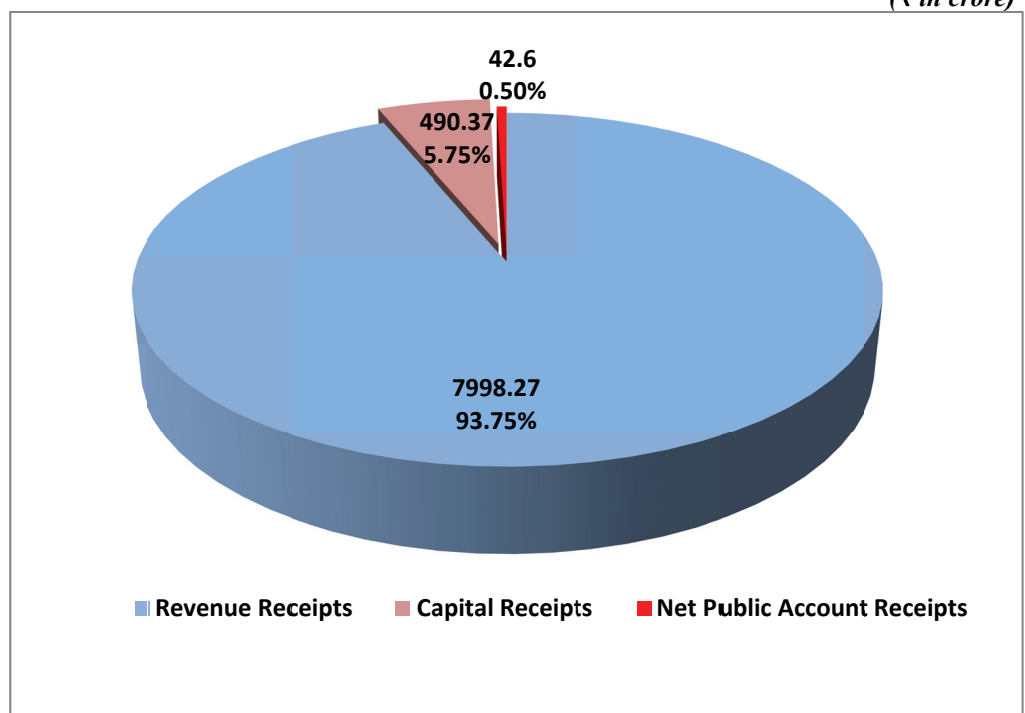


Chart 1.4: Composition of Receipts during 2014-15



Total receipts of the State increased from ₹ 7790.05 crore in 2013-14 to ₹ 8531.24 crore in 2014-15. The increase in total receipts was mainly due to increase in Revenue receipts (₹ 715.48 crore). While Net Public accounts receipts decreased by ₹ 80.74 crore, Capital receipts increased by ₹ 106.46 crore in 2014-15 over the previous year (2013-14).

Contribution of the State's own revenue to the Revenue receipt was in the range of 8 *per cent* to 12 *per cent* for the period 2010-15. The State's share of Union taxes and duties and Grants-in-Aid from GoI contributed in the range of 88 *per cent* to 92 *per cent* to the Revenue receipt during 2010-15 and remained the main contributor to Revenue receipt of the State.

1.2.2 Funds directly transferred to State Implementing Agencies

The Government of India has been transferring a sizeable quantum of funds directly to the State Implementing Agencies⁷ for implementation of various critical schemes/programmes in Social and Economic sectors. In the present mechanism, 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 include the quantum of receipt and expenditure of this category.

During the year 2014-15, Central funds of ₹ 74.63 crore were transferred directly to the State implementing agencies. The programmes assisted by Government of India where funds were transferred are presented in **Appendix 1.3**. Amounts released for implementation of some major programmes/schemes are detailed in the following table:

Table 1.5: Funds transferred directly to State Implementing Agencies

(₹ in crore)

Programme/Scheme	Implementing Agency	Funds transferred directly by the GoI during 2014-15
MPs Local Area Development Scheme and Churachandpur	Deputy Commissioner, Imphal West and Churachandpur	15.00
NER-Textile Promotion Scheme	Department of Commerce & Industries, Manipur	7.41
Promotion and Dissemination of Art and Culture	315 NGOs (Dance and Cultural Organisation)/ Individuals	6.52
National Rural Health Mission	State Health Society, Manipur	5.78
Infrastructure Development & Capacity Building	Department of Commerce & Industries, Manipur	3.28
Human Resource Department	Department of Commerce & Industries, Manipur	3.12
Institute of Hotel Management Catering Technology and Applied Nutrition, Manipur	Assistance to IHMS, FCIS Tourism Department	3.00
Total		44.11

(Source: Finance Accounts)

The above table shows that an amount of ₹ 15 crore (about 20 *per cent* of the total funds transferred) was for the MPs Local Area Development Scheme, ₹ 7.41 crore (about 10 *per cent*) for the NER-Textile Promotion Scheme,

⁷ State Implementing Agencies include any organization/institution including Non-Governmental organizations, which are authorized by the State Government to receive funds from the Government of India for implementing specific programmes in the State.

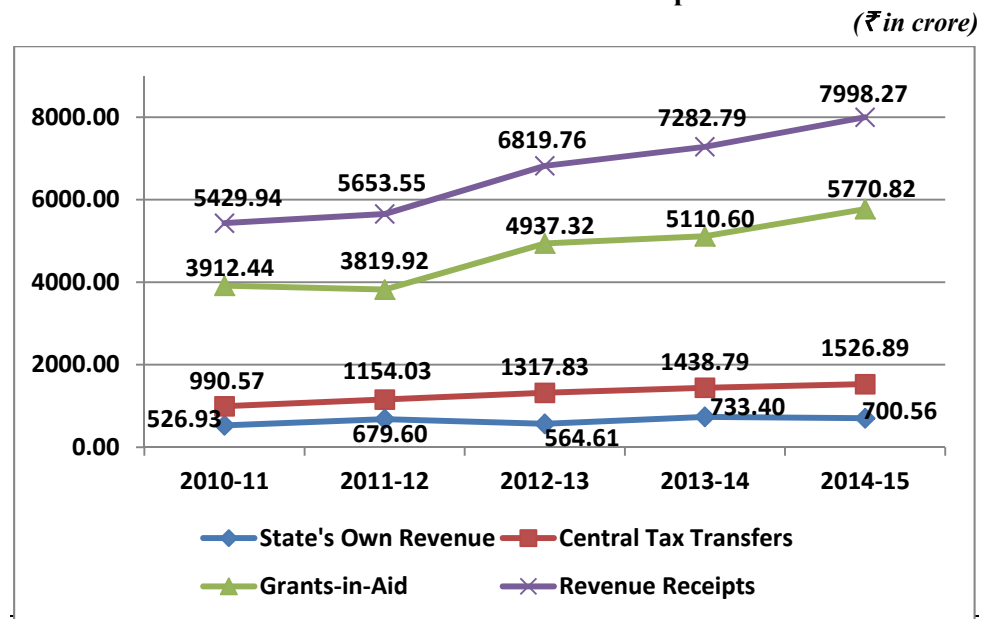
₹ 6.52 crore (about 9 per cent) for Promotion and Dissemination of Art and Culture and ₹ 5.78 crore (8 per cent) for the National Rural Health Mission.

As there is no central monitoring mechanism for utilisation of funds under this category, reliable data on quantum of expenditure is not readily available to Audit. However, only ₹ 74.63 crore was released to Implementing Agencies in 2014-15 as compared to ₹ 802.99 crore⁸ released in previous year (2013-14). Therefore, transfer of funds outside the State Budget has been drastically restricted in 2014-15.

1.3 Revenue Receipts

The Revenue receipts of the State Government consist of the State's own tax and non-tax revenues, central tax transfers and Grants-in-aid from the GoI. The trends and composition of revenue receipts over the period 2010-15 are presented in **Appendix 1.4** and are also depicted in the following chart:

Chart 1.5: Trends in Revenue receipts



Revenue receipt increased by ₹ 715.48 crore from ₹ 7282.79 crore in 2013-14 to ₹ 7998.27 crore in 2014-15. The increase was mainly due to increase in Grants-in-Aid from Government of India (₹ 660.22 crore) and Share of Union Taxes/duties (₹ 88.10 crore). The Grants-in-Aid (₹ 5770.82 crore) and Share of Union Taxes/duties (₹ 1526.89 crore) constituted about 91.24 per cent of Revenue receipts. The trends in revenue receipts relative to GSDP are presented in the following table:

⁸ Figure as reported in Finance Accounts (FA) 2013-14 has since been revised/updated in FA 2014-15

Table 1.6: Trends in Revenue Receipts relative to GSDP

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue Receipts (RR)	5429.94	5653.55	6819.76	7282.79	7998.27
Rate of growth of RR (<i>per cent</i>)	40.19	4.12	20.63	6.79	9.82
GSDP ⁹	9137	11123	12697(Q)	14324(A)	16364 (P)
Rate of growth of GSDP (<i>per cent</i>)	10.70	21.74	14.15	12.81	14.24
RR/GSDP (<i>per cent</i>)	59.43	50.83	53.71	50.84	48.88
Buoyancy Ratios ¹⁰					
Revenue Buoyancy w.r.t GSDP	3.76	0.19	1.46	0.53	0.69
State's Own Tax Buoyancy w.r.t GSDP	1.95	1.33	(-) 1.19	2.33	(-) 0.31
Revenue Buoyancy with reference to State's own taxes	1.92	0.14	(-) 1.22	0.23	(-) 2.19

(Source: Finance Accounts)

From the above table, it is seen that the Revenue receipts of the State increased marginally during 2011-12. However, the increase in Revenue receipts was appreciable during 2012-13, which corresponds to the significant increase in Grants-in-Aid from the Government of India. In 2014-15, Revenue Receipts grew by a significant rate of 9.82 *per cent*. This could be due to more devolution of Grants-in-Aid to the State Budget instead of transferring the funds directly to the Implementing Agencies.

In the year 2010-11, the growth rate of Revenue receipts was more than three times that of GSDP growth rate, which came down to below half times the growth of GSDP in 2011-12 and 2013-14. As compared to GSDP growth of 14.24 *per cent* in 2014-15, the rate of growth of Revenue Receipts was 9.82 *per cent* in 2014-15. These uneven trends in the growth rate illustrates that Revenue receipts collection does not have a direct relation with the growth of GSDP.

1.3.1 State's Own Resources

As the State's share in Central taxes and Grants-in-Aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources was assessed in terms of its own resources comprising own tax and non-tax sources.

The contribution of Tax revenue to the Total Revenue Receipts of the State ranged between 5 *per cent* to 7 *per cent* during 2010-15. Tax revenue increased from ₹ 472.73 crore in 2013-14 to ₹ 516.83 crore in 2014-15 mainly due to increase in Taxes on Sales, Trades *etc.* and Other Taxes and Duties on Commodities and services.

⁹ At current price with base year 2004-05. (Q) - Quick estimates, (A) - Advanced estimates, (P)- Provisional estimates. The Quick estimates and Advanced estimates of 2013-14 has since been revised by the Department.

¹⁰ 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 of 0.6 implies that revenue receipts tend to increase by 0.6 percentage points if the GSDP increases by one *per cent*.

The State's actual Tax and Non-tax receipts for the year 2014-15 *vis-a-vis* assessment made by the 13th Finance Commission (FC) and MTFPS are shown in the following table:

Table 1.7: Own Tax revenue and Own Non-tax revenue *vis-à-vis* targets

(₹ in crore)					
Particular	2010-11	2011-12	2012-13	2013-14	2014-15
Own Tax Revenue					
13 th FC projections	223.41	253.17	287.47	326.27	370.16
Budget estimates	288.74	317.84	325.51	491.87	620.83
MTFPS projection	288.74	317.84	325.51	491.87	620.83
Actual	267.05	368.07	332.83	472.73	516.83
Own Non-tax Revenue					
13 th FC projections	49.96	82.90	211.76	231.38	252.27
Budget estimates	456.63	459.72	385.84	429.77	284.06
MTFPS projection	456.63	459.72	385.84	429.77	284.06
Actual	259.88	311.53	231.78	260.67	183.73

(Source: Budget documents, 13th FC Report, MTFPS and Finance Accounts)

From the above table, it is seen that during 2014-15 the actual Own Tax revenue was more than the normative assessment of the 13th FC by ₹ 146.67 crore (39.62 *per cent*) but was less than the budget estimates/MTFPS projection by ₹ 104 crore (16.75 *per cent*). The Own non-Tax revenue realised during the year was less than the normative assessment made by the 13th FC projection by ₹ 68.54 crore (27.17 *per cent*) and also less than the budget estimates/MTFPS projection by ₹ 100.33 crore (35.32 *per cent*).

Non-tax revenue collection was less than the 13th FC projections/Budget estimates/MTFPS projections as receipts from Power sector was excluded after corporatization of the State Electricity Department.

1.3.1.1 Tax revenue

The gross collection in respect of major taxes and duties are given in the following table:

Table 1.8: Components of State's own resources

(₹ in crore)						
Revenue Head	2010-11	2011-12	2012-13	2013-14	2014-15	% increase over previous year
Taxes on sales, trades <i>etc.</i>	227.57	296.92	258.52	395.74	433.33	9.5
State excise	6.61	9.80	9.94	9.20	9.32	1.3
Taxes on vehicles	4.44	13.21	15.83	18.73	20.77	10.89
Stamp duty and Registration fees	3.57	4.82	5.98	7.90	7.76	(-) 1.77
Land revenue	1.29	0.84	1.24	1.12	1.42	26.79
Taxes on goods and passengers	0.90	1.40	1.43	1.24	1.20	(-) 3.23
Other taxes ¹¹	22.67	41.08	39.89	38.80	43.03	10.9
Total	267.05	368.07	332.83	472.73	516.83	9.33

(Source: Finance Accounts for the respective years)

¹¹ Other taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity and agricultural income.

During the year 2014-15, the collection of State's Own Tax was ₹ 516.83 crore. Sales tax (₹ 433.33 crore) was the main contributor to the State's Own Tax revenue and accounted for 84 *per cent* of the Tax revenue. The Tax revenue during 2014-15 increased by ₹ 44.1 crore (9.32 *per cent*) over the previous year (₹ 472.73 crore). Other than Sales tax and Taxes on vehicles, revenue collection from other sources was negligible.

1.3.1.2 Non-tax revenue

Non-Tax revenue was around 2 *per cent* of Revenue receipts in 2014-15. Non-tax revenue decreased by ₹ 76.94 crore over the previous year mainly due to decrease in revenue collection in Power (₹ 96.13 crore), and Interest Receipts (₹ 2.5 crore) partially offset by increase in revenue collection in Miscellaneous General Service (₹ 21.65 crore). The trends in Non-Tax revenue during 2010-15 is given in the following table:

Table 1.9: Trends of Non-Tax Revenue during 2010-15

(₹ in crore)

Revenue Head	2010-11	2011-12	2012-13	2013-14	2014-15	% increase over previous year
Interest receipts	44.65	25.18	20.66	33.10	30.60	7.55
Miscellaneous General Service	76.87	138.33	75.29	110.83	132.48	19.53
Power	88.29	106.59	108.30	96.23	0.10	(-) 99.90
Others	50.07	41.43	27.53	20.51	20.55	0.20
Total	259.88	311.53	231.78	260.67	183.73	(-) 29.52

(Source: Finance Accounts)

As seen from the table, Other non-tax receipts decreased sharply in 2011-12 and then significantly in 2012-13. Interest receipt decreased from ₹ 25.18 crore in 2011-12 to ₹ 20.66 crore in 2012-13, then increased to ₹ 33.10 crore in 2013-14 and again decreased to ₹ 30.60 crore in 2014-15. The receipts from the Miscellaneous General Service which declined considerably in 2012-13 made a significant improvement in 2013-14 and in 2014-15. The significant decrease in revenue collection in Power sector was due to corporatisation of the Electricity Department.

Cost of recovery in supply of merit goods and services

The cost of recovery of Non-Tax Revenue Receipts (NTR) as a percentage of Non-plan Revenue Expenditure (NPRE) in supply of merit goods and services of two selected socio-economic services by Government are shown in the following table:

Table 1.10: Cost of recovery of socio-economic services during 2013-15*(₹ in crore)*

Name of Services	2013-14			2014-15		
	Non-tax revenue (NTR) receipts	Non-plan revenue expenditure (NPRE)	NTR as percentage of NPRE	NTR receipts	NPRE	NTR as percentage of NPRE
Water Supply and Sanitation	2.11	58.67	4	2.55	62.55	4
Irrigation	2.56	28.07	9	2.31	31.81	7

(Source: Finance Accounts)

NTR as a percentage of NPRE under Water Supply and Sanitation remained same at 4 per cent in 2013-14 and in 2014-15. In case of Irrigation, NTR as a percentage of NPRE decreased from 9 per cent to 7 per cent. As NTR as a percentage of NPRE is very low, the Government may make efforts to limit NPRE and increase NTR collection so as to make the provision of these important services self sufficient.

1.3.2 Grants-in-Aid from the Government of India

The details of Grants-in-Aid from the Government of India during 2010-15 are shown in the following table:

Table 1.11: Grants-in-Aid from the Government of India during 2010-15*(₹ in crore)*

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Non-Plan Grants	1302.84	1293.10	1882.87	1769.87	1899.17
Grants for State Plan Schemes	2137.55	2119.73	2659.00	2588.52	2929.12
Grants for Central Plan Schemes	12.71	12.47	36.56	13.64	14.05
Grants for Centrally Sponsored Schemes	413.20	349.81	306.34	652.68	836.14
Grants for Special Plan Schemes	46.14	44.81	52.55	85.89	92.34
Total	3912.44	3819.92	4937.32	5110.60	5770.82
Percentage of increase over previous year	37.77	(-2.36)	29.25	3.51	12.92
Total grants as a percentage of Revenue Receipts	72.05	67.57	72.40	70.17	72.15

(Source: Finance Accounts)

Grants-in-Aid from Government of India increased by ₹ 660.22 crore from ₹ 5110.60 crore in 2013-14 to ₹ 5770.82 crore in 2014-15. The increase in Grants-in-Aid was mainly due to increase in State Plan Schemes (₹ 340.6 crore) and Centrally Sponsored Schemes (₹ 183.46 crore). As in the previous years, the Grants-in-Aid continue to be the major contributor to the Revenue receipts of the State. The Grants-in-Aid was in the range of 67.57 per cent to 72.40 per cent of the Revenue receipts of the State during 2010-15.

1.3.3 Optimisation of the 13th Finance Commission Grants

The details of funds transferred to the State as recommended by the 13th FC during award period of 2010-15, and fund released and expenditure thereon as on 31 March 2015 are shown in the following table:

Table 1.12: Transfer of funds under 13th FC

(₹ in crore)

Sl. No.	Transfers/Items	Recommendation of the 13 th FC grants	Actual release (upto 2014-15)	Expenditure under relevant revenue head of account	Percentage of release of fund vis-a-vis 13 th FC recommendation
(1)	(2)	(3)	(4)	(5)	(6)
1	Local Bodies, of which	315.90	235.69	235.69	74.61
	<i>General Basic Grant to PRIs</i>	143.16	145.00	145.00	101.29
	<i>General Performance Grant to PRIs</i>	75.84	41.93	41.93	55.29
	<i>General Basic Grant to ULBs</i>	53.54	34.28	34.28	64.03
	<i>General Basic Performance to ULBs</i>	28.36	3.49	3.49	12.31
	<i>Special Areas Basic Grant</i>	8.80	8.08	8.08	91.82
	<i>Special Areas Performance Grant</i>	6.20	2.91	2.91	46.94
2	Disaster Relief	35.90 ¹²	31.95	31.95	88.99
3	Elementary Education	15.00	6.00	6.00	40.00
4	Improving outcome grants	38.60	25.64	25.08	66.42
5	Environment related grants	158.30	150.33	150.33	94.96
6	Maintenance of Roads and Bridges	100.00	100.00	100.00	100.00
7	State specific grants, of which	301.00	233.40	233.40	77.54
	<i>Development and maintenance of Kangla Fort</i>	8.00	6.00	6.00	75
	<i>Renovation and maintenance of Raj Bhavan</i>	10.00	7.50	7.50	75
	<i>Up gradation of Manipur Police Training School to Manipur Police Training College</i>	84.00	63.00	63.00	75
	<i>Infrastructure for Police Stations in Rural and Remote Areas</i>	23.00	17.25	17.25	75
	<i>Border Area Development</i>	25.00	18.75	18.75	75
	<i>Special Up gradation grants for Sports</i>	100.00	75.00	75.00	75
	<i>Infrastructures for ADCs</i>	51.00	45.90	45.90	90
Total		964.70	783.01	782.45	81.17

(Source: 13th FC and State Finance Department)

The 13th FC had recommended transfer of ₹ 964.70 crore during 2010-15 for the items as mentioned in the above table. Against this, ₹ 783.01 crore (81.17 per cent) had been released by Government of India till the end of award period i.e. 31 March 2015. Out of this amount (₹ 783.01 crore) released by the Government of India, ₹ 782.45 crore has been spent by the State Government. There was significant shortage in release of fund in case of Elementary Education as ₹ 6 crore (40 per cent) was released against recommended amount of ₹ 15 crore. In case of Maintenance of Roads and Bridges, the whole amount (₹ 100 crore) recommended by the 13th FC had been released. The

¹² Excluding ₹ 5 crore for Capacity building

percentage of release *vis-a-vis* 13th FC recommendation ranged from 40 *per cent* to 100 *per cent*.

1.4 Capital Receipts

The details of Capital receipts during 2010-11 to 2014-15 are shown in the following table:

Table 1.13: Trends in growth and composition of receipts

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Capital Receipts (CR)	299.59	295.22	340.84	383.91	490.37
Miscellaneous Capital Receipts	-	-	-	-	-
Recovery of Loans and Advances	1.19	1.89	0.59	1.23	0.97
Public Debt Receipts	298.40	293.33	340.25	382.68	489.40
Rate of growth of debt capital receipts	(-) 42.60	(-) 1.70	16.00	12.47	27.88
Rate of growth of non-debt capital receipts	(-) 63.72	58.82	(-) 68.78	108.47	(-) 21.13
Rate of growth of CR (<i>per cent</i>)	(-) 42.74	(-) 1.46	15.45	12.64	27.73
Rate of growth of GSDP	10.70	21.74	14.15	12.80	14.24

(Source: Finance Accounts)

As can be seen from above table, major share of Capital receipts was contributed by Public debt receipts. Public Debt receipt increased by ₹ 106.72 crore from ₹ 382.68 crore in 2013-14 to ₹ 489.40 crore in 2014-15. The main contributors to the increase in Public Debt receipt were Market borrowings (₹ 463 crore) and Special securities issued to NSSF of the Central Government (₹ 18.49 crore). The State had raised Market borrowings of ₹ 463 crore at interest rate of ranging from 8.06 *per cent* to 8.91 *per cent*.

1.4.1 Recoveries of loans and advances

Recovery of loans and advances decreased to ₹ 0.97 crore in 2014-15 from ₹ 1.23 crore in 2013-14. Recovery from Loans to Government Servants (₹ 76.26 lakh) was the only significant heads under which transactions occurred during 2014-15. At the end of the year, there was a closing outstanding Loan of ₹ 204.51 crore, especially under Social Security and Welfare Programmes. The Government needs to give attention to recover the outstanding loans and advances.

1.4.2 Loans and advances from the Government of India

No Central loans were contracted during the year 2014-15. The opening balance of the Loans and Advances from the Government of India to the State were ₹ 483.34 crore as on 1 April 2014. The State repaid an amount of ₹ 44.17 crore of the Central Loans. Thus, an amount of ₹ 439.17 crore

remained as outstanding Loans and Advances from Government of India as on 31 March 2015.

1.5 Public Accounts Receipt

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances *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 of India and are not subjected 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. The details of Net Public Account Receipts are shown in the following table:

Table 1.14: Net Public Account receipts

(₹ in crore)

Resources under various heads	2010-11	2011-12	2012-13	2013-14	2014-15
Small Savings, Provident Fund <i>etc.</i>	41.30	233.68	138.01	103.12	86.29
Reserve Fund	27.87	38.35	48.08	48.45	64.55
Deposits and Advances	386.78	(-) 114.24	(-) 36.74	(-) 14.43	(-) 70.88
Suspense and Miscellaneous	(-) 0.29	6.23	1.78	1.90	(-) 15.56
Remittances	(-) 81.22	21.58	(-) 2.10	(-) 15.70	(-) 21.80
Total	374.44	185.60	149.03	123.34	42.60

(Source: Finance Accounts)

As may be seen from the above table, Net Public Account receipts decreased significantly by ₹ 80.74 crore in 2014-15 over the previous year (2013-14). The decrease in Net Public Account receipts was mainly due to reduction in Suspense and Miscellaneous (₹ 17.46 crore) and Deposits and Advances *etc.* (₹ 56.45 crore) partially offset by increase in Reserve Fund (₹ 16.10 crore).

1.6 Application of Resources

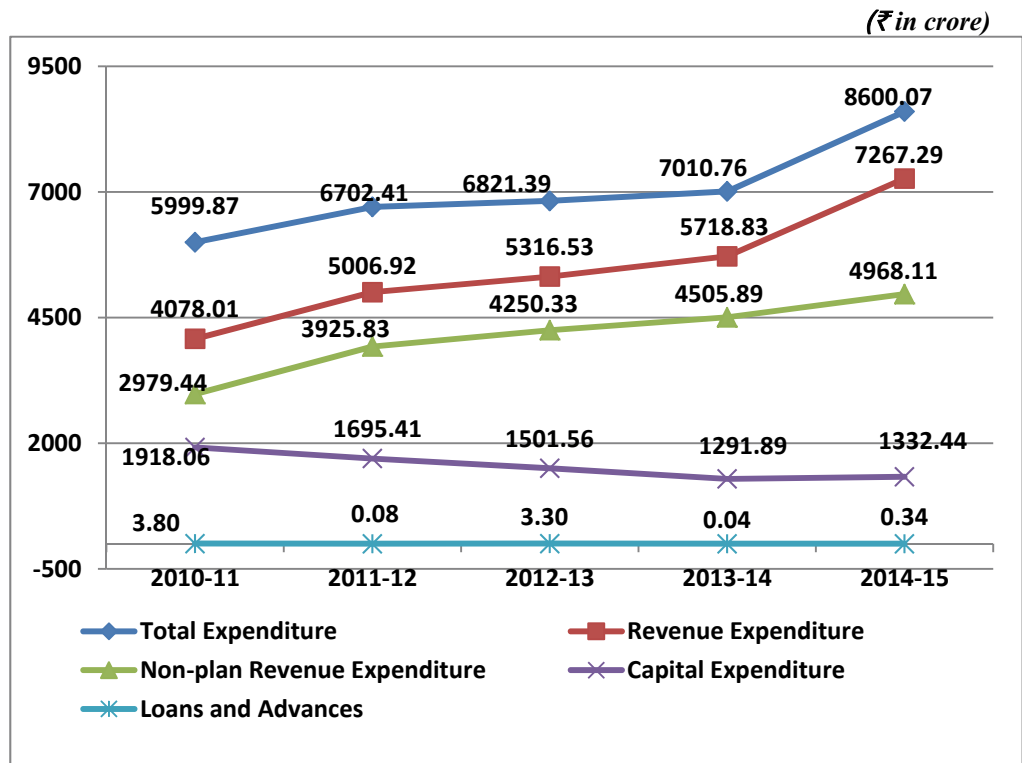
Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with the State Government. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed 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 sector.

1.6.1 Growth and Composition of Expenditure

Chart 1.6 presents the trends in total expenditure over a period of the last five years (2010-15). The composition of expenditure both in terms of ‘economic

classification' and 'expenditure by activities' is depicted respectively in Charts 1.7 and 1.8.

Chart 1.6: Trends in various components of Total Expenditure during 2010-15



The total expenditure of the State increased by ₹ 2600.20 crore (43.34 per cent) from ₹ 5999.87 crore in 2010-11 to ₹ 8600.07 crore in 2014-15. The Revenue expenditure of the State increased by ₹ 3189.28 crore (78.21 per cent) from ₹ 4078.01 crore in 2010-11 to ₹ 7267.29 crore in 2014-15. A similar trend of increase was also depicted by the Non-plan Revenue Expenditure, which increased by ₹ 1988.67 crore (66.75 per cent) from ₹ 2979.44 crore in 2010-11 to ₹ 4968.11 crore in 2014-15. However, Capital expenditure decreased by ₹ 585.62 crore (30.53 per cent) from ₹ 1918.06 crore in 2010-11 to ₹ 1332.44 crore in 2014-15.

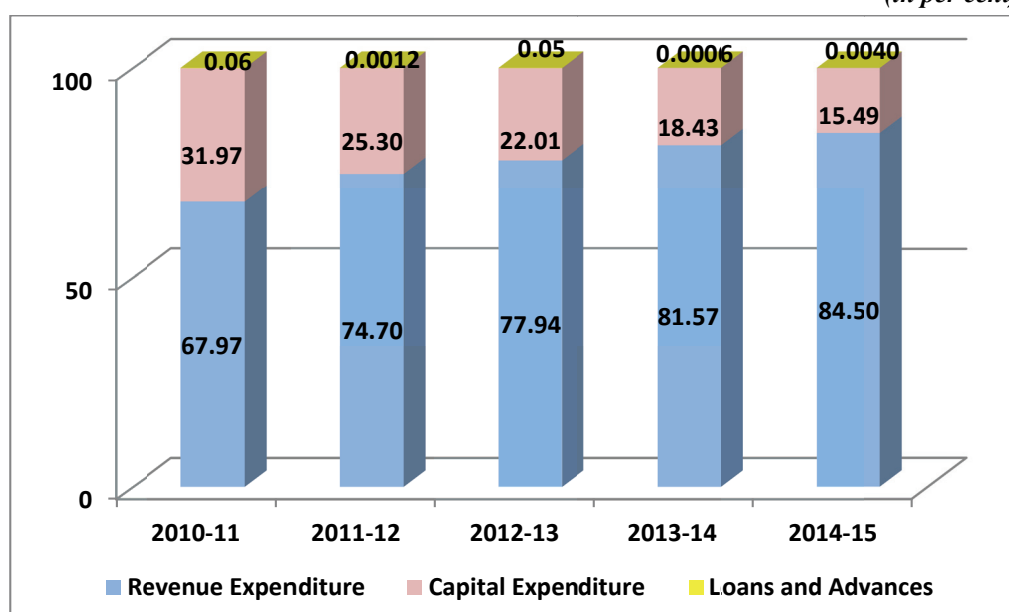
Revenue expenditure increased by ₹ 1548.46 crore in 2014-15 over the previous year (2013-14). The increase was mainly due to increase in expenditure under Economic Services (₹ 673.76 crore) and Social Services (₹ 424.40 crore). Capital expenditure also increased by ₹ 40.55 crore in 2014-15 over the previous year (2013-14). The increase was mainly due to increase in Water Supply and Sanitation (₹ 101.43 crore) and Education, Sports, Art and Culture (₹ 89.45 crore) and Major Irrigation (₹ 86.45 crore) partly offset by decreased in expenditure under Power Projects (₹ 159.46 crore) and Flood Control Projects (₹ 62.42 crore).

Capital expenditure exhibited a declining trend since 2010-11 to 2013-14 and again increased in 2014-15. Revenue expenditure, on the other hand has increased steadily during 2010-15. Revenue expenditure as a percentage of the total expenditure increased from 67.97 per cent in 2010-11 to 84.50 per cent in 2014-15. This shows that a bulk of the total expenditure has been increasingly spent to meet expenditure on maintenance, salary, etc.

The composition of Revenue expenditure, Capital expenditure and Loans and Advances as a percentage of Total expenditure during 2010-11 to 2014-15 are shown in the following chart:

Chart 1.7: Trends showing share of components of Total expenditure

(in per cent)



The details of expenditure in terms of Plan expenditure and Non-plan expenditure are given in the following table:

Table 1.15: Trends in composition of expenditure as Plan and Non-Plan expenditure
(₹ in crore)

Types of Expenditure	2010-11	2011-12	2012-13	2013-14	2014-15
NON-PLAN					
Revenue	2979.44	3925.83	4250.33	4505.89	4968.11
Capital	0.99	(-) 3.22	7.87	(-) 0.01	(-) 0.52
Loans and Advances	0.25	0.08	2.30	0.04	0.34
Sub-total *	2980.68 (50)	3922.69 (59)	4260.50 (62)	4505.92 (64)	4967.93 (58)
PLAN					
Revenue	1098.57	1081.09	1066.20	1212.94	2299.18
Capital	1917.07	1698.63	1493.69	1291.90	1332.96
Loans and Advances	3.55	-	1.00	-	-
Sub-total *	3019.19 (50)	2779.72 (41)	2560.89 (38)	2504.84 (36)	3632.14 (42)
Total (Non-Plan & Plan)					
Revenue	4078.01	5006.92	5316.53	5718.83	7267.29
Capital	1918.06	1695.41	1501.56	1291.89	1332.44
Loans and Advances	3.80	0.08	3.30	0.04	0.34
Total Expenditure	5999.87	6702.41	6821.39	7010.76	8600.07

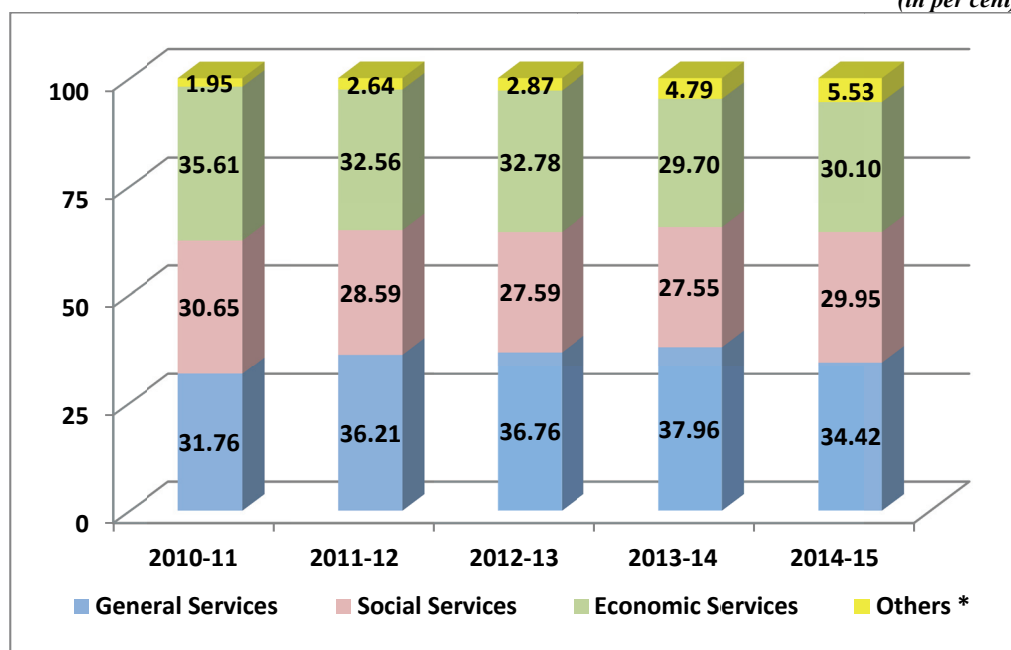
(Source: Finance Accounts)

*Figures in bracket represent percentage with respect to the Total Expenditure

The table above shows that Non-plan expenditure as a percentage of total expenditure increased from 50 per cent in 2010-11 to 64 per cent in 2013-14 and then reduced to 58 per cent in 2014-15. Correspondingly, Plan expenditure as a percentage of total expenditure decreased from 50 per cent in 2010-11 to 36 per cent in 2013-14 and then increased to 42 per cent in 2014-15. Under Plan expenditure, there was substantial increase in Revenue expenditure (₹ 1086.24 crore) in 2014-15 over the previous year (2013-14).

Expenditure is also classified by its activities like General Service, Social Service, etc. Percentage of expenditure under General Services, Social Services, Economic Services, etc. against total expenditure is given in the following chart:

Chart 1.8: Percentage of expenditure by activities against total expenditure
(in per cent)



* Grants-in-Aid and Contributions

The share of expenditure on account of Economic Services decreased from 35.61 per cent in 2010-11 to 30.10 per cent in 2014-15. Similarly, the share of Social Services decreased from 30.65 per cent in 2010-11 to 29.95 per cent in 2014-15. The share of expenditure on General Services, on the other hand, increased from 31.76 per cent in 2010-11 to 34.42 per cent in 2014-15. Thus, share of Development expenditure *i.e.* expenditure on Economic Services and Social Services substantially decreased during the period 2010-15.

The details of Revenue receipts, Revenue expenditure and Revenue surplus as percentage of GSDP are given in the following table:

Table 1.16: Trends of Revenue receipt and expenditure

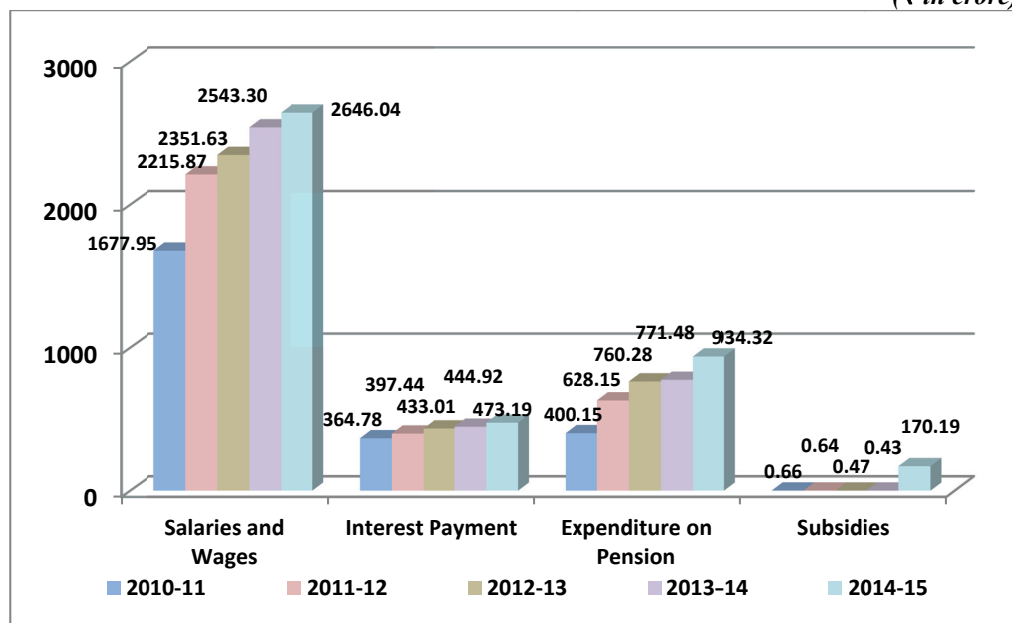
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue Receipt as a percentage of GSDP	59.43	50.83	53.71	50.84	48.88
Revenue Expenditure as a percentage of GSDP	44.63	45.01	41.87	39.92	44.41
Revenue Surplus as a percentage of GSDP	14.79	5.81	11.84	10.92	4.47

(Source: Finance Accounts and Department of Economics and Statistics, Govt. of Manipur)

The Revenue receipts as a percentage of GSDP was in the range of 48.88 per cent to 59.43 per cent during 2010-15 while Revenue Expenditure as a percentage of GSDP was in the range of 39.92 per cent to 45.01 per cent. Revenue expenditure as a percentage of GSDP increased from 44.63 per cent in 2010-11 to 45.01 per cent in 2011-12 and then decreased to 39.92 per cent in 2013-14 before it increased to 44.41 per cent in 2014-15. The table

Chart 1.9: Trend of Committed expenditure for the years 2010-15

(₹ in crore)



Salaries and Wages:- Salaries and Wages accounted about 33 *per cent* of the Revenue receipts of the State during 2014-15 and increased by ₹ 102.74 crore (4 *per cent*) over the previous year (2013-14). Salary expenditure under non-plan head increased from ₹ 2320.45 crore in 2013-14 to ₹ 2412.70 crore in 2014-15. The Non-plan salary expenditure (₹ 2412.70 crore) was more than the projection made by the 13th Finance Commission (₹ 1427.76 crore) but less than the Budget figure (₹ 2750.09 crore).

Interest payment:- Interest payment increased by ₹ 28.27 crore from ₹ 444.92 crore in 2013-14 to ₹ 473.19 crore in 2014-15. Interest payment increased continually from ₹ 364.78 crore in 2010-11 to ₹ 473.19 crore in 2014-15. As in the previous year, Interest on internal debt constituted a major portion of Interest payment and accounted for 68 *per cent* while the remaining share was for payment of interest on Small Savings, Provident Funds *etc.* and on Loans and Advances from Central Government. Interest payment was more than the Budget estimate by ₹ 28.18 crore during 2014-15. Further, Interest payment exceeded the 13th Finance Commission projection (₹ 425.99 crore) by ₹ 47.20 crore.

Pension payment:- Pension payment increased by ₹ 534.17 crore (133 *per cent*) from ₹ 400.15 crore in 2010-11 to ₹ 934.32 crore in 2014-15. Pension payment increased from ₹ 771.48 crore in 2013-14 to ₹ 934.32 crore in 2014-15. The increase was mainly due to increase in Superannuation and Retirement Allowances (₹ 62.19 crore), Leave Encashment Benefits (₹ 26.05 crore) and Government Contribution for Defined Contribution Pension Scheme (₹ 23.78 crore).

The State Government had adopted (August 2010) the new Restructured Defined Contribution Pension Scheme of the GoI *mutatis mutandis* in respect of new entrants to the State's service with effect from 1 January 2005. The funds available under the head "Defined Contribution Pension Scheme for Government Employees" increased from ₹ 82.23 crore in 2013-14 to ₹ 88.88 crore in 2014-15.

Subsidies: - As per Finance Accounts, amounts ranging from ₹ 0.43 crore to ₹ 0.66 crore is shown to have been given as subsidies by State Government to various departments during 2010-11 to 2013-14. It was reported in the Audit Report (State Finances) 2013-14 that the State Government could be implicitly providing higher levels of support, particularly in the power sector, as cost of purchase of power (₹ 233.37 crore) was less than Non-tax revenue collection under Power (₹ 96.23 crore). Therefore, there is a need for proper booking of subsidies under appropriate head of account, so that the finances of the State could be depicted in a more transparent manner. In 2014-15, the State Government have booked ₹ 170 crore as subsidy under Power Sector.

1.6.3 Non-plan Revenue expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for past obligations and as such does not result in any addition to the State's infrastructure and service network.

The targets of various components of expenditure fixed by the 13th Finance Commission *vis-à-vis* Actuals in respects of NPRE during 2010-15 and its component are as shown in the following table:-

Table 1.18: 13th FC recommendations of NPRE *vis-à-vis* Actuals

(₹ in crore)

Sector	13 th FC (Actual)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Salary*	1242.73 (1595.49)	1287.66 (2091.56)	1333.51 (2214.66)	1380.23 (2320.45)	1427.76 (2406.66)
General Service (GS) <i>of which</i>	738.34 (972.69)	804.97 (1284.13)	869.95 (1407.59)	944.33 (1482.85)	1010.94 (1700.28)
Interest Payment	350.29 (364.78)	373.90 (397.44)	400.16 (433.01)	425.17 (444.92)	452.99 (473.19)
Pension	273.78 (400.15)	301.15 (628.15)	331.27 (760.28)	364.40 (771.48)	400.84 (934.32)
Social Services (SS)	151.54 (70.80)	163.66 (74.30)	176.76 (79.73)	190.90 (70.67)	206.17 (101.15)
Economic Services (ES)	135.95 (227.35)	144.39 (299.18)	153.39 (355.13)	163.00 (387.85)	173.25 (430.65)
Assignment to Local Bodies	110.46 (113.11)	119.30 (176.66)	617.06 (193.22)	651.77 (244.07)	688.54 (329.37)
Total	2379.02 (2979.44)	2519.98 (3925.83)	3150.67 (4250.33)	3330.23 (4505.89)	3506.66 (4968.11)

* Under GS, SS and ES, the salary booked under these sectors has been deducted from the NPRE of respective sectors

(Source: 13th Finance Commission Report and Finance Accounts)

All the components of expenditure except for expenditure under Social sectors exceeded the limits set by the 13th FC of NPRE during 2010-15. In case of Assignment to Local Bodies, NPRE was also lesser than 13th FC recommendation during 2012-15. Non-plan revenue expenditure (NPRE) in 2014-15 was ₹ 4968.11 crore and was nearly 58 *per cent* of the Total expenditure (₹ 8600.07 crore).

1.6.4 Financial Assistance by the State Government to Local Bodies, Urban Local Bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and other institutions during 2014-15 relative to the previous years is presented in the following table:

Table 1.19: Financial Assistance to local bodies, other institutions etc.

(₹ in crore)

Financial Assistance to Institutions ¹⁴	2010-11	2011-12	2012-13	2013-14	2014-15	
					BE*	Actual
Educational Institutions (Aided Schools, Aided Colleges, Universities etc.)	35.17	44.81	42.24	95.48	120.11	91.65
Municipal Corporations and Municipalities	3.81	3.72	15.57	14.72	36.72	25.05
Co-operative institutions	**	1.39	0.63	0.59	0.42	0.42
Power	-	-	-	-	366.02	448.23
Other Institutions	2.11	0.86	6.42	17.63	32.55	21.27
Total	41.09	50.78	64.86	128.42	555.82	586.62
Assistance as percentage of RE	1.01	1.01	1.22	2.25	7.29	8.07

* BE – Budget estimates, ** included in Other Institutions
(Source: Budget documents and Finance Accounts)

The total assistance (₹ 586.62 crore) provided during 2014-15 was more than the estimates made in the budget (₹ 555.82 crore) by ₹ 30.80 crore. As compared to 2013-14, the total assistance increased by ₹ 458.20 crore in 2014-15. Financial assistance to Power alone constituted 76.41 *per cent* of the total assistance of the State Government during 2014-15. The assistance increased from 2.25 *per cent* of the total Revenue expenditure in 2013-14 to 8.07 *per cent* in 2014-15.

1.6.4.1 Local Bodies and Urban Local Bodies

The 73rd and 74th Constitutional amendment Acts marked a new era in the federal democratic set up of the country so far as it conferred constitutional status to the Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) and recognized them as the third tier of Government. The Constitutional amendments provide for devolution of powers and

¹⁴ Only minor heads relating to “Assistance” under the respective major head of accounts had been considered. This may be inclusive of Subsidy, as these figures are not easily segregated. However, in 2014-15, subsidy of Co-operative (₹ 0.17 crore) and Power (₹ 170 crore) could be segregated.

responsibilities with respect to preparation of plans and programmes for economic development and social justice and implementation of 29 subjects to PRIs and 18 subjects to ULBs listed in XIth and XIIth Schedule of the Constitution of India respectively.

Post the 73rd Constitutional amendment, the State Government enacted the Manipur Panchayati Raj (MPR) Act, 1994 and established a two-tier PRI system at the village and district levels. The State has 9 districts of which five districts are located in the hill areas and 4 districts are spread out in the valley. As of March 2015, there were 4 Zilla Parishads and 161 Gram Panchayats in the State. Consequent upon the 74th Constitutional amendment the Government enacted the Manipur Municipality Act, 1994. There are three categories of ULBs in the State *viz.*, Municipal Councils (MCs), Nagar Panchayats (NPs) and Small Town Committee (STC). As of March 2015, there were 9 MCs, 18 NPs and one STC in the State.

Devolution of funds, functions and functionaries (3 Fs) to PRIs and ULBs

The 73rd Constitutional amendment and the Manipur Panchayati Raj Act, 1994 envisaged transfer of the functions to PRIs listed in the XIth Schedule. Accordingly, the State Government through executive orders had to transfer all the 29 functions to the PRIs. For effective functioning of both the State Government and PRIs, Activity Mapping delineated the role and responsibility of PRIs. Out of 29 functions, the State Government devolved functions of 16 departments to PRIs as of March 2015. There has been no change in the 3Fs transferred since the first time the order was issued in 2005.

The 74th Constitutional amendments provide for devolution of powers and responsibilities with respect to preparation of plans and programmes for economic development and social justice and implementation relating to 18 subjects listed in the XIIth Schedule for ULBs. The Directorate of Municipal Administration, Housing and Urban Development (MAHUD), Government of Manipur intimated (December 2013) that out of 18 functions, 7 functions are now being performed by ULBs.

Thus, transfer of funds, functions and functionaries to PRIs and ULBs was not adequate and effective to enable them to function as institutions of local self government.

Accounting and auditing arrangement of PRIs and ULBs

PRIs: Sections 43 and 73 of MPR Act, 1994 stipulated that the accounts of GPs and ZPs shall be kept in such form and manner as may be prescribed. However, the PRIs did not maintain basic records like Advance Register, Cheque Issue Register, Assets Registers and Receipt and Payment Accounts.

The State Government issued an order in July 2014 that the accounts of the PRIs would be maintained in the format as envisaged in the Model Accounting System as prescribed by the Ministry of Panchayati Raj, Government of India in consultation with the Comptroller and Auditor General of India with effect from April 2013. However, none of the PRIs in the State maintained their accounts in the prescribed format as of March 2015.

The Director, Local Fund Audit (DLFA), Government of Manipur is the Primary Auditor and conducts audit of accounts of GPs and ZPs under Sections 44(1) and 74(1) of the Manipur Panchayati Raj Act, 1994 and is to forward the audit reports to GPs and ZPs within one month from the date of completion of audit. The DLFA intimated (October 2015) that out of 165 PRIs none of the PRIs have planned for audit during the year 2014-15. The Director further stated that no Audit Report for the PRIs and ULBs was compiled for placement before the State Legislature as there was no such instruction from the State Government.

The Principal Accountant General (Audit), Manipur conducts audit of the accounts of PRIs under Sections 14(1) and 20(1) of C&AG's Duties, Power and Condition of Service (DPC) Act, 1971. The State Government had entrusted audit of PRIs to the C&AG of India under Technical Guidance and Support (TG&S) arrangement in March 2012 by way of Gazette notification in pursuance of the 13th Finance Commission recommendations.

ULBs: The Ministry of Urban Development, GoI and the C&AG of India developed (December 2004) National Municipal Accounts Manual (NMAM) which is based on double entry accrual based accounting system and circulated it to the State Governments for adoption for greater transparency and control over finances. The State Government also issued an order to all ULBs in March 2011 for adoption of NMAM with immediate effect. Accordingly, the ULBs in the State were required to prepare their budget and maintain their accounts in the formats as prescribed in NMAM with appropriate codifications and classifications. It was, however, observed that none of the ULBs had adopted NMAM as of March 2015. All ULBs kept their accounts in conventional method without following any acceptable accounting standards. Due to non-maintenance of accounts in prescribed format, the actual financial position of ULBs in the State could not be ascertained.

The Director, Local Fund Audit (DLFA) conducts audit of accounts of MCs, NPs and STC under Sections 72(1) of the Manipur Municipalities Act, 1994. In September 2014, the DLFA intimated that the audits of accounts of 17 units out of 28 auditable ULBs units were conducted during the year 2013-14.

The Principal Accountant General (Audit), Manipur conducts the audit of the accounts of ULBs under Section 20(1) of C&AG's DPC Act, 1971 under

TG&S module, as entrusted by the State Government in pursuance of the recommendation of the 13th Finance Commission. The State Gazette notification regarding entrustment of TG&S to the C&AG of India was issued in March 2012.

Reporting arrangement

Under TG&S arrangement, audit findings of test checked accounts of PRIs and ULBs conducted by the Principal Accountant General (Audit) are presented in the form of Annual Technical Inspection Report (ATIR) and submitted to the State Government for necessary action. There is a provision in the terms and conditions of TG&S entrustment that the C&AG of India or his representative will have the right to report the result of audit to the State Legislature. Accordingly, the ATIR for the year 2013-14 was placed before the State Legislature on 01 July 2015. The Public Accounts Committee (PAC) is yet to discuss the ATIR for the year 2013-14.

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 provisions 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 developmental heads from the point of view of social and economic development, it is important for the State Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods¹⁵. Apart from improving the allocation towards development expenditure¹⁶, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components (Development expenditure or Capital expenditure) to total expenditure (and/or GSDP), the better would be the quality of expenditure. The following table presents the trends in development expenditure relative to the aggregate expenditure of the State during 2014-15 *vis-à-vis* budgeted and the previous years.

¹⁵ Refer glossary in Appendix 1.7

¹⁶ Refer glossary in Appendix 1.7

Table 1.20: Components of Development Expenditure

Components of Development Expenditure	2010-11	2011-12	2012-13	2013-14	2014-15	
					BE*	Actual
					Development Revenue Expenditure	2322.15 (38.70)
Development Capital Expenditure	1653.30 (27.55)	1402.00 (20.92)	1275.69 (18.70)	1071.57 (15.28)	1196.0	1123.62 (13.07)
Development Loans and Advances	3.55 (0.06)	-	1.00 (0.01)	-	1	-

* BE- Budget estimates (Figures in parentheses indicate percentage to Total/Aggregate expenditure)
(Source: Budget documents and Finance Accounts)

Development Revenue expenditure increased by ₹ 1098.17 crore from ₹ 2942.27 crore in 2013-14 to ₹ 4040.44 crore in 2014-15. However, Development Revenue expenditure was less by ₹ 876.73 crore than the budget estimate. Development Capital expenditure increased by ₹ 52.05 crore from ₹ 1071.57 crore in 2013-14 to ₹ 1123.62 crore in 2014-15. The Development Capital expenditure shows a steady declining trend since 2010-11 before it increased in 2014-15.

The ratio of Aggregate Expenditure – GSDP and Capital Expenditure – Aggregate Expenditure in 2011-12 and 2014-15 are shown in the following table:-

Table 1.21: Fiscal Priority in 2011-12 and 2014-15

Fiscal Priority	AE*-GSDP ratio	Capital Expenditure – AE* ratio
2011-12		
SCS states ¹⁷	26.39	14.02
Manipur	60.26	25.30
2014-15		
SCS states	-	14.22
Manipur	52.55	15.49

* AE - Aggregate Expenditure

As compared to other SCS states, Manipur had a higher ratio of Aggregate Expenditure to GSDP in 2011-12. The state had also higher ratio of Capital expenditure to Aggregate Expenditure both in 2011-12 and 2014-15.

1.7.2 Efficiency of expenditure in Social and Economic Services

Percentages of Capital expenditure, Salaries and Wages and expenditure on Operation and Maintenance to the Total/Aggregate expenditure of the sector/sub-sector of some selected Social and Economic Services are shown in the following table:

¹⁷ SCS – Special category states i.e. Assam, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand

Table 1.22: Efficiency of expenditure in Social and Economic Services

(in per cent)

Sector	2013-14			2014-15		
	Percentage of Capital expenditure (CE) to Total expenditure (TE) of the respective sector	Percentage of Revenue expenditure ¹⁸ (RE) vis-a-vis		Percentage of CE to TE	Percentage of RE ¹⁹ vis-a-vis	
		Salaries & wages	OM*		Salaries & wages	OM*
Social Services	16.98 (CE-₹ 328.05 crore) (TE-₹ 1931.71 crore)	69.79	0.49	21.26 (CE- ₹ 547.63 crore) (TE-₹ 2575.69 crore)	58.35	1.62
Economic Services	35.71 (CE-₹ 743.52 crore) (TE-₹ 2082.13 crore)	35.25	5.32	22.25 (CE- ₹ 575.99 crore) (TE-₹ 2588.36 crore)	20.84	3.64

* Operation and Maintenance

(Source: Finance Accounts)

Capital expenditure under Social services increased by ₹ 219.58 crore from ₹ 328.05 crore in 2013-14 to ₹ 547.63 crore in 2014-15. The share of Capital expenditure to total expenditure increased from 16.98 *per cent* in 2013-14 to 21.26 *per cent* in 2014-15 under Social Services. Salaries and Wages as a percentage of Revenue expenditure decreased from 69.79 *per cent* in 2013-14 to 58.35 *per cent* in 2014-15. Major outgo of Revenue expenditure under Social services is for payment of Salary and Wages.

Capital expenditure under Economic services decreased by ₹ 167.53 crore from ₹ 743.52 crore in 2013-14 to ₹ 575.99 crore in 2014-15. The outflow of Salaries and Wages as a percentage of Revenue expenditure was much better under Economic services as compared to Social services. Under Social services 58.35 *per cent* of Revenue Expenditure was utilised as Salary and Wages. However, it was only 20.84 *per cent* under Economic services. Under Economic services Operation and maintenance cost as a percentage of Revenue expenditure decreased from 5.32 *per cent* in 2013-14 to 3.64 *per cent* in 2014-15.

1.8 Financial analysis of expenditure and investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover the cost of borrowed funds rather than bearing the same in its budget in the form of implicit subsidy; and along with requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during 2014-15 *vis-à-vis* previous years.

¹⁸ Revenue Expenditure - ₹ 1603.66 crore (Social Sector) and ₹ 1338.61 crore (Economic Sector)

¹⁹ Revenue Expenditure - ₹ 2028.06 crore (Social Sector) and ₹ 2012.37 crore (Economic Sector)

1.8.1 Incomplete projects:

The department-wise information pertaining to some major incomplete projects of which the scheduled date of completion is already over as on 31 March 2015 is given in the following table:

Table 1.23: Department-wise Profile of Incomplete Projects

(₹ in crore)

Department	Year of commencement of the Projects	No. of incomplete Projects ²⁰	Initial Budgeted Cost	Cumulative expenditure as on 31.03.2015
Fisheries	March 2010	1	4.20	1.59
IFCD	Between 2010-11 and 2013-14	4	27.78	21.97
PHED	2011-12	2	10.98	7.24
Public Works	2011-12	2	11.44	5.90
		9	54.40	36.70

* IFCD - Irrigation and Flood Control Department & PHED - Public Health Engineering Department
(Source: Finance Accounts)

As of 31 March 2015, there were 9 incomplete projects each costing ₹ 1.00 crore and above, involving a total budgeted cost of ₹ 54.40 crore on which an expenditure of ₹ 36.70 crore had already been incurred. Delay in completion of works invites the risk of escalation in cost of the works besides depriving the benefits of the projects to the beneficiaries.

1.8.2 Investment in companies, corporations and co-operative societies and returns

As of 31 March 2015, the State Government had invested ₹ 167.13 crore²¹ in statutory corporations, rural banks, joint stock companies and co-operatives. Against Investment ranging from ₹ 160.18 crore to ₹ 176.31 crore during 2010-15, the State Government could earn only ₹ 16,000 during 2010-15 from the investment made on these corporations/companies *etc.* while it paid an average rate of interest ranging from 6.21 *per cent* to 6.56 *per cent* on its borrowings. Investments as on 31 March 2015 were made in two statutory corporations, 16 Government companies and various types of co-operative banks and institutions. Return on investment from Companies/Corporations *etc.* are shown in the following table:

Table 1.24: Return on Investment from Companies/Corporations *etc.*

(₹ in crore)

Investment/Return/Cost of Borrowings	2010-11	2011-12	2012-13	2013-14	2014-15
Investment at the end of the year	176.31	160.18	160.29	160.30	167.13
Return	Δ	*	Δ	*	**
Return (<i>per cent</i>)	-	-	-	-	-
Average rate of interest on Govt. borrowing (<i>per cent</i>)	6.21	6.27	6.52	6.42	6.56
Difference between interest rate and return (<i>per cent</i>)	6.21	6.27	6.52	6.42	6.56

Δ only ₹ 4,000; * only ₹ 3,000; ** only ₹ 2,000 (Source: Finance Accounts)

²⁰ The above list does not include projects for which the targeted dates of completion have been revised.

²¹ Investment/Share as featured in Statement 1 of Finance Accounts has been adopted

To improve the financial situation of the State, it would be expedient to ensure that the investment fetches a commensurate return. Earning of return of only ₹ 2,000 against investment of ₹ 160.30 crore²² is negligible. The State Government may need to critically review the functioning of the corporations, companies and co-operatives to make their operations viable.

1.8.3 Investment in Public Private Partnership (PPP) projects

The State Government has not reported (October 2015) any investment through Public Private Partnership mode during 2014-15.

1.8.4 Loans and advances by the State Government

In addition to investments in co-operative societies, corporations and companies, the State Government had also been providing loans and advances to many institutions/organizations. The following table presents the outstanding loans and advances as on 31 March 2015 and Interest receipts *vis-à-vis* Interest payments during 2010-11 to 2014-15.

Table 1.25: Average Interest Received on Loans and Advances by the State Government
(₹ in crore)

Quantum of Loans/Interest Receipts/Cost of Borrowings	2010-11	2011-12	2012-13	2013-14	2014-15	
					BE*	Actual
Opening Balance	202.81	205.42	203.61	206.32	205.13	205.13
Amount advanced during the year	3.80	0.08	3.30	0.04	12.20	0.34
Amount repaid during the year	1.19	1.89	0.59	1.23	3.70	0.97
Closing Balance	205.42	203.61	206.32	205.13	221.03	204.50
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	NA	NA	NA	NA	NA	NA
Net addition	2.61	(-) 1.81	2.71	(-) 1.19	(-) 1.94	(-) 0.63
Interest Receipts	7.37	1.25	0.94	0.35	NA	0.55
Interest receipts as <i>per cent</i> to outstanding Loans and Advances	3.59	0.61	0.46	0.17	NA	0.27
Total Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government	5.89	6.13	6.37	6.30	NA	6.43
Difference between interest payments and interest receipts (<i>per cent</i>)	2.30	5.52	5.91	6.13	NA	6.16

* BE- Budget estimates

** NA - Not available

(Source: Budget documents and Finance Accounts)

The opening balance of outstanding Loans and Advances as on 31 March 2015 was ₹ 205.13 crore. Against repayment of Loans/Advances of ₹ 0.97 crore, an amount of ₹ 0.34 crore was disbursed during 2014-15. Interest receipt has decreased significantly from ₹ 7.37 crore in 2010-11 to ₹ 0.35 crore in 2013-14 before it increased marginally to ₹ 0.55 crore in 2014-15. Pertinently, Interest receipt of ₹ 0.55 crore against an opening balance of ₹ 205.13 crore is insignificant. The State Government may therefore need to ensure realisation of commensurate receipt of interest from the Loans and Advances.

²² Opening balance of 2014-15

1.8.5 Cash Balances and Investment of Cash Balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatch in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from RBI has been put in place. The operative limit for Normal Ways and Means Advances is reckoned on the three years average of revenue receipts and the operative limit for Special Ways and Means Advances is fixed by the RBI from time to time, depending on the holding of Government securities. The limit for Normal Ways and Means Advances was fixed (April 2006) at ₹ 60 crore by the RBI. The position of Ways and Means Advances and Overdraft is shown in the following table:

Table 1.26: Ways and Means Advances and Overdrafts

	(₹ in crore)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Ways and Means Advance					
Availed in the year	-	89.95	534.65	274.52	-
Outstanding WMAs	-	89.95	97.92	-	-
Interest paid	-	-	1.21	0.19	-
Number of days	-	1	72	13	-
Overdraft					
Number of days	-	1	31	8	-

(Source: Finance Accounts)

The State Government resorted to Ways and Means Advance during the last three years during 2011-12 to 2013-14. However, during 2014-15 the State Government did not avail any Ways and Means Advance.

The following table depicts the cash balances and investments made by the State Government out of cash balances at the beginning and at end of 2014-15:

Table 1.27: Cash balances and investment of cash balances as on 31 March 2015

	(₹ in crore)	
Particulars	Opening balance on 1.4.2014	Closing balance on 31.3.2015
(a) General Cash Balance -		
Cash in Treasuries	4.62	4.64
Deposits with Reserve Bank	(-) 72.82	(-) 297.96
Deposits with other Banks	-	-
Remittances in transit - Local	0.08	-
Sub-total	(-) 68.12	(-) 293.32
Investments in Cash Balance investment account ²³	315.10	125.65
Total (a)	246.98	(-) 167.67
(b) Other Cash Balances and Investments		
Cash with departmental officers ²⁴	36.85	53.45
Permanent advances for contingent expenditure with departmental officers	0.02	0.02
Investment of earmarked funds	179.99	235.97
Total (b)	216.86	289.44
Grand total (a)+ (b)	463.84	121.77

(Source: Finance Accounts)

²³ GoI Treasury bills-₹ 125.65 crore, Long term investment- Nil, Other investment-Nil

²⁴ Public Works Department Officers, and Forest Department Officers

Against opening cash balance of ₹ 463.84 crore at the beginning of 2014-15, the cash balance closed at an amount of ₹ 121.77 crore at the end of the year. This was mainly due to decrease in balance kept in Cash Balance Investment account (₹ 189.45 crore) and Deposits with the RBI (₹ 225.14 crore) partly offset by increase in balance in Earmarked funds (₹ 55.98 crore). There was cash balance of ₹ 53.45 crore lying with the departmental officers.

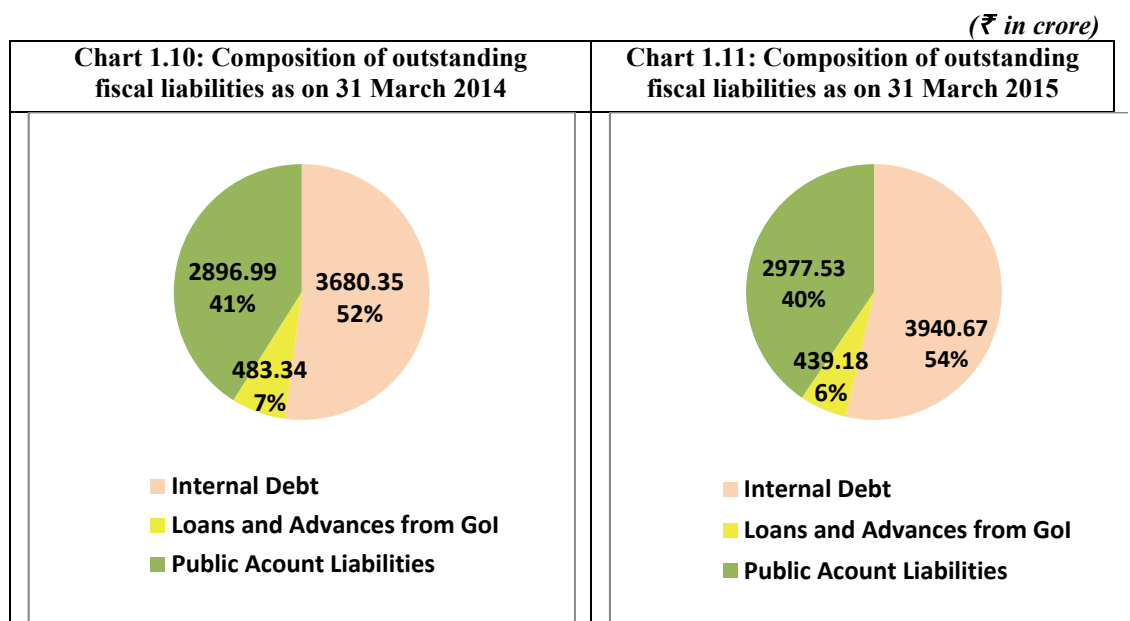
1.9 Assets and Liabilities

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 1.5** gives an abstract of such liabilities and assets as on 31 March 2015, compared with the corresponding position on 31 March 2014. The liabilities in this Appendix consist mainly of internal borrowings, receipts from the Public Account, Small Savings, Provident Funds and Loans and Advances from Central Government. The assets comprise mainly of the capital expenditure, Remittance Balance and Loans and Advances given by the State Government.

1.9.2 Fiscal Liabilities

The composition of Fiscal liabilities during 2014-15 *vis-à-vis* the previous year are presented in the following Charts:



The following table presents the Fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP and Revenue receipts.

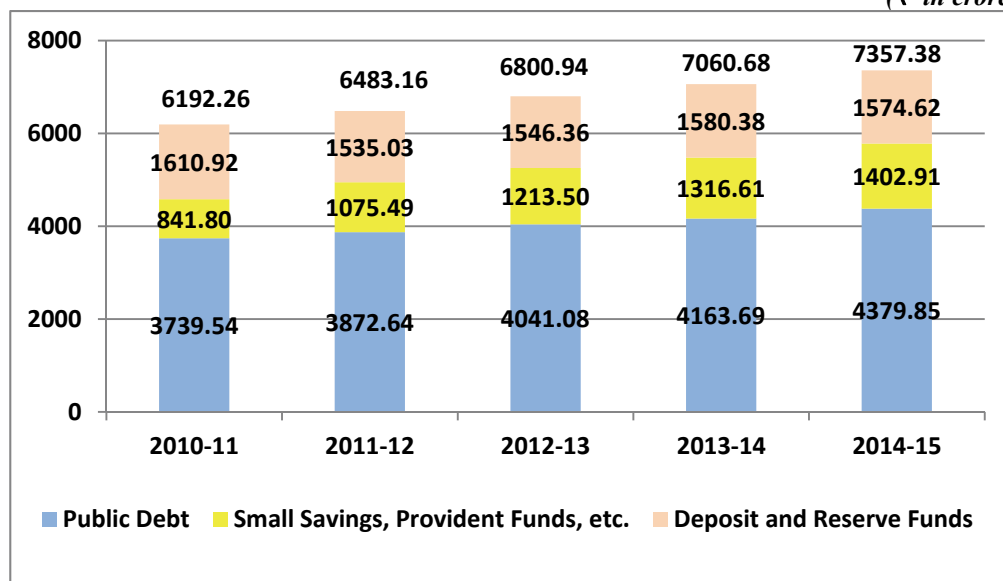
Table 1.28: Details showing Fiscal liabilities, its growth rate and ratio to GSDP
(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Fiscal liabilities ²⁵	6192.26	6483.16	6800.94	7060.68	7357.38
Rate of growth (per cent)	11.51	4.70	4.90	3.82	4.20
Ratio of Fiscal liabilities to					
GSDP (per cent)	67.77	58.29	53.56	49.29	44.96
Revenue receipts (per cent)	114.04	114.67	99.72	96.95	91.99

The overall Fiscal liabilities of the State Government increased by ₹ 296.70 crore from ₹ 7060.68 crore in 2013-14 to ₹ 7357.38 crore in 2014-15.

The Fiscal liabilities to GSDP ratio maintained a decreasing trend during 2010-15, decreasing from 67.77 per cent in 2010-11 to 44.96 per cent in 2014-15. This indicates that the rate of Fiscal liabilities has grown at a slower pace as compared to the growth of GSDP during 2010-11 and 2014-15. The ratio of Fiscal liabilities to Revenue receipts was above 100 per cent during 2010-12 and then reduced in subsequent years to 91.99 per cent in 2014-15. The trends showing composition of Fiscal Liabilities are further depicted in the following chart.

Chart 1.12: Trend showing composition of fiscal liabilities during 2010-15
(₹ in crore)



(Source: Finance Accounts)

The increase in Fiscal liabilities (₹ 296.70 crore) was mainly due to increase in Internal Debt (₹ 260.32 crore) and Small Savings, Provident Funds etc. (₹ 86.30 crore) partially offset by decrease in Loans and Advances from the Government of India (₹ 44.16 crore).

²⁵ Refer glossary in Appendix 1.7. Fiscal Liabilities as shown in the Table is inclusive of Investment out of Reserved Funds

The increase in Internal Debt was mainly due to four market loans totalling to ₹ 463 crore, borrowed with interest rate ranging from 8.06 *per cent* to 8.91 *per cent*. The increase in Small Savings, Provident Funds *etc.* was mainly due to State Provident Funds (₹ 86.84 crore). Loans and Advances from Government of India decreased as repayment of ₹ 44.16 crore was made and no further loans were obtained from Government of India.

1.9.3 Transactions under Reserve fund

The State has four Reserve Funds *viz.*, State Disaster Response Funds, Sinking Funds, Depreciation Reserve Funds of Government Commercial Departments/Undertakings and Guarantee Redemption Funds.

The State Disaster Response Fund was set up by the State Government in 2010-11, as per the recommendations of the 13th Finance Commission (FC). The Central and the State Government are required to contribute to the corpus of the fund in the proportion of 90:10. The Government of India had released ₹ 4.95 crore (including ₹ one crore released for Capacity Building Disaster Response) in 2014-15. Against this, the State Government transferred ₹ 8.57 crore to the Fund in 2014-15. As on 31 March 2015, ₹ 38.68 crore²⁶ was lying idle under this head/fund.

The Consolidated Sinking Fund for amortization of market borrowings, other loans and debt obligations was set up (February 2008) by the State Government, as per the recommendation of the 12th FC. As per guidelines of the fund, the State Government is required to contribute a minimum of 0.5 *per cent* of its outstanding liabilities (internal debt plus public accounts) as at the end of the previous year. Accordingly, the contribution due from the State Government in 2014-15 was ₹ 35.30 crore (0.5 *per cent* of outstanding liabilities of ₹ 7060.68 crore as on 31 March 2014). Against this the State Government contributed ₹ 25.37 crore to the Fund in 2014-15. The Reserve Bank of India (RBI) deposited ₹ 18.03 crore during the year as interest accrued on investment of earlier year. The entire corpus of the Fund as of 31 March 2015 amounting to ₹ 188.57 crore was invested in Government of India Securities.

The State Government had set up (February 2008) a guarantee redemption fund to meet the contingent liabilities arising from such guarantees, as per the recommendation of the 12th FC. The State Government transferred an amount of ₹ 9.57 crore to this fund during 2014-15. The RBI deposited ₹ 3.01 crore during 2014-15 as interest accrued on investment of earlier year. The entire corpus of the Fund as of 31 March 2015 amounting to ₹ 37.21 crore was invested in Government of India Securities.

²⁶ Under Major Heads – 8121 (₹ 35.51 crore) and 8235 (₹ 3.17 crore)

One reserve fund viz., Depreciation Reserve Funds of Government Commercial Department/Undertakings had been inoperative for the last four years. An amount of ₹ 23.98 lakh is lying unutilised in the account for the last five years. The State Government may need to consider an arrangement to invest the amount so that some interest may be earned.

1.9.4 Contingent liabilities

Status of Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee had been extended. As per the FRBM Act and the Manipur Ceiling on State Government Guarantee Act, 2004, the total outstanding guarantees as of 1 April of any year shall not exceed thrice the State's own tax revenue receipts of the second preceding year.

The maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years is given in the following table:

Table 1.29: Guarantees given by the Government of Manipur

Guarantees		2010-11	2011-12	2012-13	2013-14	2014-15
Maximum amount guaranteed		196.04	195.55	193.98	197.45	197.45
Outstanding at the beginning of the year	Principal	110.34 [@]	111.98	78.84	76.69	75.57
	Interest	97.10	120.62	96.51	123.04	139.73
	Total	207.44	232.60	175.35	199.73[@]	215.30
Invoked during the year (Discharge)		16.39	33.14	6.80	-	23.34
Outstanding at the end of the year	Principal	111.98	78.84	76.69	75.57	62.96
	Interest	120.62	96.51	123.04	139.73	129.99
	Total	232.60	175.35	199.73[@]	215.30	192.95
Number of guarantees		15	14	13	13	13
Percentage of maximum amount guaranteed to Total revenue receipts		3.61	3.47	2.84	2.71	2.47

(Source: Finance Accounts) NA:-Not available

[@] Closing balances of 2009-10 and 2012-13 (Audit Report 2012-13) since reconciled between concerned Departments and Finance Department

The outstanding guarantee of ₹ 192.95 crore was kept within the limit²⁷ of the FRBM Act *ibid*. An amount of ₹ 23.34 crore was invoked by the State Government during 2014-15. There was a closing outstanding guarantee of ₹ 192.95 crore, of which ₹ 62.96 crore was the principal amount and ₹ 129.99 crore was the interest amount. As can be seen, the interest amount was about 206 per cent of the principal amount. As against the outstanding guarantee of ₹ 192.95 crore, the corpus available in the Guarantee Redemption Fund was only ₹ 37.21 crore at the end of 2014-15.

²⁷ Not to exceed thrice the State's own tax revenue receipts of the second preceding year as on 1 April of that year i.e, ₹ 1418.19 crore (472.73 x 3)

1.10 Debt Management

Fiscal deficit is usually managed by way of borrowings by the State. The rate of growth of debt, the debt repayment liability, Public debt repayment, reliance on debt for financing current expenditure (not capital expenditure) are discussed in succeeding paragraphs.

1.10.1 Debt Profile

The maturity profile of debt at the end of 2014-15 is shown in the following table:

Table 1.30: Maturity Profile of debt

<i>(₹ in crore)</i>		
Maturity profile (in years)	Year of maturity	Amount
0 - 1	2015-16	191.94
1 - 3	2016-18	442.60
3 - 5	2018-20	691.93
5 - 7	2020-22	730.56
7 - 9	2022-24	641.42
9 - 11	2024-26	914.03
11 - 14	2026-29	7.96
Miscellaneous*	-	759.41
Total		4379.85

* Year of Maturity not known

(Source: Finance Accounts)

Maturity profile of the existing debt of the State shows that repayment burden will increase from ₹ 191.94 crore in the (0-1) year slab to ₹ 442.60 crore in the (1-3) years slab. In the next (3-5) years slab, this will increase to ₹ 691.93 crore. There will be higher repayment pressure in the (5-7) years slab (₹ 730.56 crore) and in the (9-11) years slab (₹ 914.03 crore). The year wise details of maturity profile of debt at the end of 2014-15 is given in **Appendix 1.6**.

1.10.2 Debt sustainability

Apart from the magnitude of the debt of State Government, it is important to analyze various indicators that determine the debt sustainability²⁸ of the State, sufficiency of non-debt receipts²⁹; net availability of borrowed funds³⁰ etc. The following table analyzes the debt sustainability of the State according to these indicators during 2010-15.

²⁸ Refer glossary in Appendix 1.7

²⁹ Refer glossary in Appendix 1.7

³⁰ Refer glossary in Appendix 1.7

Table 1.31: Debt sustainability, Indicators and Trends

(₹ in crore)

Indicators of debt sustainability	2010-11	2011-12	2012-13	2013-14	2014-15
Outstanding Debt ³¹ -GSDP ratio	67.77	58.29	53.56	49.29	44.96
Sufficiency of non-debt receipts (Resource gap)	(+) 164.26	(-) 478.23	1045.93	274.30	(-) 874.09
Net availability of borrowed funds	240.12	(-) 137.51	(-)151.56	(-) 185.18	(-) 176.50
Burden of interest payments (IP/RR* Ratio percentage)	6.72	7.03	6.35	6.11	5.92

* IP – Interest Payment and RR – Revenue Receipts

(Source: Finance Accounts)

The Outstanding Debt – GSDP ratio maintained declining trend from 67.77 *per cent* in 2010-11 to 44.96 *per cent* in 2014-15. The Resource gap in 2014-15 was minus ₹ 874.09 crore as compared to ₹ 274.30 crore in 2013-14. This indicates that Incremental Non-debt receipt was not sufficient to meet incremental Total expenditure in 2014-15. Another area of concern is Net availability of borrowed funds was in negative figures during 2011-15, indicating that borrowed funds was solely utilised for re-payment of past loans and its interest liabilities. This trend has been increasing in each successive year during 2011-15. The burden of interest payment reduced from 7.03 *per cent* in 2011-12 to 5.92 *per cent* in 2014-15.

1.10.3 Debt consolidation and relief facility

The States' enactment/amendment of the FRBM Act, incorporating the targets prescribed in the 13th FC was a pre-condition for release of all State-specific grant and debt relief measures. The State Government enacted the Manipur FRBM Act in August 2005 to ensure prudence in fiscal management and fiscal stability by achieving sufficient revenue surplus, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability, and greater transparency in fiscal operations of the Government. As per Manipur FRBM Rules 2005 (enacted in December 2005) and subsequent amendments framed under the FRBM Act of August 2005, the various fiscal targets in respect of revenue surplus and fiscal deficit were set. The targets prescribed under the Act and the Rules are given in **Appendix-1.1 Part E**.

1.11 Fiscal imbalances

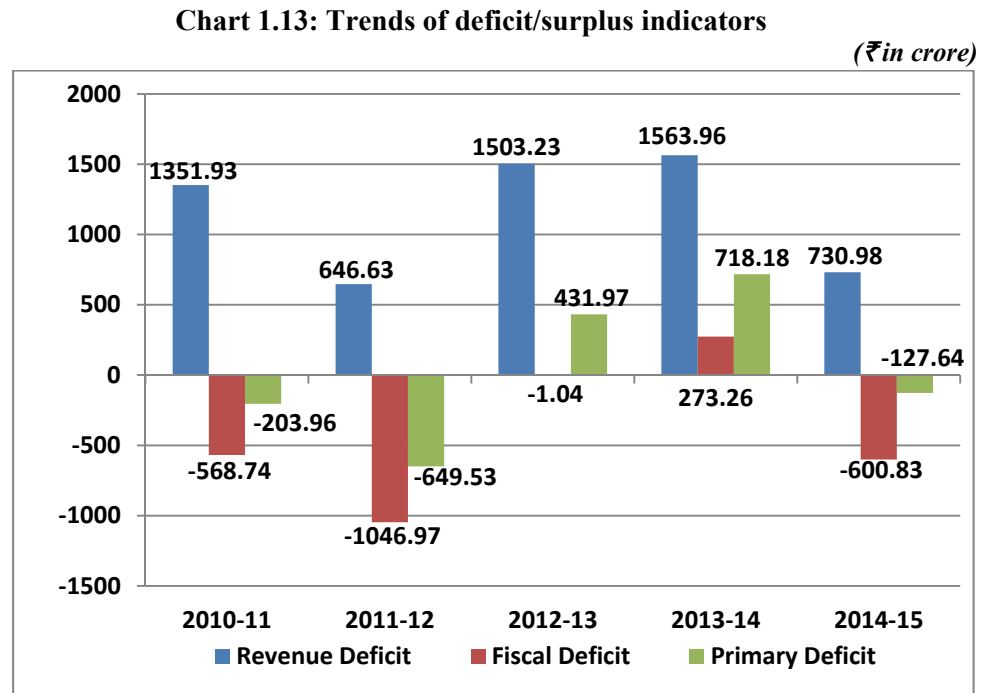
Three key fiscal parameters *i.e.* revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied,

³¹ Fiscal Liability as per Finance Accounts

are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits.

1.11.1 Trends in Deficits/Surplus

The following chart presents the trends in deficit indicators during 2010-15:



The Fiscal deficit has been continually reduced from its peak figure of ₹ 1046.97 crore in 2011-12 to ₹ 1.04 crore in 2012-13 before turning into Fiscal surplus of ₹ 273.26 crore in 2013-14. The Fiscal Deficit-GSDP ratio was 44.96 per cent in 2014-15. The Revenue surplus also improve considerably in 2012-13 and increased further to ₹ 1563.96 crore in 2013-14. The Primary deficit experienced during 2010-11 to 2011-12 turned its trend in 2012-13 to surplus of ₹ 431.97 crore. This improved further to a Primary surplus of ₹ 718.18 crore in 2013-14. The overall improvement of fiscal situation experienced in 2013-14, however, reversed in 2014-15.

Revenue Surplus was reduced by ₹ 832.98 crore from ₹ 1563.96 crore in 2013-14 to ₹ 730.98 crore in 2014-15. This is despite the fact that most funds transferred directly to the Implementing Agencies in 2013-14 were channelized through the State accounts in 2014-15. The fiscal scenario worsen as there was Fiscal Deficit of ₹ 600.83 crore in 2014-15 from Fiscal Surplus of ₹ 273.26 crore in 2013-14. Primary Surplus of ₹ 718.18 crore in 2013-14 also turned into Primary Deficit of ₹ 127.64 crore in 2014-15. This indicates that nearly 79³² per cent of Fiscal Deficit of 2014-15 was due to past obligations.

³² $(600.83 - 127.64) \times 100 / 600.83$

As stated earlier, Net availability of borrowed funds were negative during 2011-15. As such, borrowed funds were being utilised to meet the obligations of re-payment of past loans and interest.

Thus, the State Government may consider stepping up collecting more Revenues as collected in the current year (2014-15), recovering Loans, earning more Interest on investments and maintaining a proper growth of Capital expenditure so that pace of development activities and creation of concrete assets are increased.

1.11.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit is shown in the following table:-

Table 1.32: Components of fiscal deficit and its financing pattern

(₹ in crore)

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
	Decomposition of fiscal deficit (-) /surplus (+)	(-)568.74	(-)1046.97	(-)1.04	(+) 273.26	(-) 600.83
1	Revenue surplus	1351.93	646.63	1503.23	1563.96	730.98
2	Net capital expenditure	(-)1918.06	(-)1695.41	(-)1501.56	(-) 1291.89	(-) 1332.44
3	Net Loans and Advances	(-)2.61	1.81	(-)2.71	1.19	0.63
Financing/utilisation pattern of fiscal deficit/surplus*						
1	Market Loans	206.20	76.97	182.01	288.17	339.23
2	Loans from the GoI	(-) 45.27	(-)64.93	(-)44.01	(-) 47.08	(-) 44.17
3	Special Securities Issued to NSSF**	(-) 5.91	(-)12.85	(-)16.19	(-) 21.50	(-) 26.03
4	Loans from Financial Institutions and other loans	28.36	43.96	38.66	0.94	(-) 52.87
5	Ways and Means Advance	-	89.95	7.97	(-) 97.92	-
6	Small Savings, PF** etc.	41.31	233.69	138.01	103.11	86.30
7	Deposits and Advances	386.78	(-)114.24	(-)36.74	(-) 14.43	(-) 70.88
8	Suspense and Miscellaneous	(-) 0.28	6.23	1.77	1.91	(-) 15.56
9	Remittances	(-) 81.22	21.57	(-)2.09	(-) 15.71	(-) 21.81
10	Reserve Fund	27.87	38.35	48.08	48.46	64.55
	Increase (-)/decrease (+) in cash balance	10.92	728.28	(-)316.43	(-) 519.21	342.07

* All these figures are net of additions and discharges during the year

** NSSF – National Small Saving Funds and PF – Provident Funds

(Source: Finance Accounts)

The Fiscal Deficit of ₹ 600.83 crore in 2014-15 was mainly due to expenditure on Capital account. The deficit was mainly financed by Market loan (₹ 339.23 crore) and Small Savings, Provident Funds etc. (₹ 86.30 crore). The Fiscal

Deficit of 2014-15 also resulted in reduction of cash balance by ₹ 342.07 crore in 2014-15 as compared to previous year (2013-14).

1.11.3 Quality of Deficit/Surplus

The decomposition of Primary deficit into Primary revenue deficit/surplus and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances; which would further indicate the extent to which the deficit/surplus has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy. The following table indicates decomposition of primary deficit/surplus:

Table 1.33: Primary deficit/surplus, Bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary revenue expenditure *	Capital expenditure	Loans and Advances	Primary expenditure	Primary revenue surplus	Primary deficit (-)/ surplus (+)
(1)	(2)	(3)	(4)	(5)	6 (3+4+5)	7 (2-3)	8 (2-6)
2010-11	5431.13	3713.23	1918.06	3.80	5635.09	1717.90	(-) 203.96
2011-12	5655.44	4609.48	1695.41	0.08	6304.97	1044.07	(-) 649.53
2012-13	6820.35	4883.52	1501.56	3.30	6388.38	1936.83	(+) 431.97
2013-14	7284.02	5273.91	1291.89	0.04	6565.84	2010.11	(+) 718.18
2014-15	7999.24	6794.10	1332.44	0.34	8126.88	1205.14	(-) 127.64

* Net of Revenue expenditure and Interest payment
(Source: Finance Accounts)

The Non-debt receipts of the State during 2010-15 were sufficient to meet the Primary revenue expenditure. During 2012-13 and 2013-14 it was more than the Primary expenditure, resulting in primary surplus. In 2010-11, 2011-12 and 2014-15 the Primary Revenue surplus was not adequate to cover the Capital expenditure and Loans and Advances. The non-debt receipt of the State increased by 47 *per cent* from ₹ 5431.13 crore in 2010-11 to ₹ 7999.24 crore in 2014-15. The Primary expenditure increased by 44 *per cent* from ₹ 5635.09 crore in 2010-11 to ₹ 8126.88 crore in 2014-15. Capital expenditure, however, reduced by 33 *per cent* from ₹ 1918.06 crore to ₹ 1291.89 crore during 2010-14 before it increased by 3 *per cent* in 2014-15 (₹ 1332.44 crore) over the previous year (2013-14).

1.12 Conclusion and recommendations

Revenue receipts

Revenue receipts increased by ₹ 715.48 crore (9.82 *per cent*) in 2014-15 over the previous year (2013-14). The increase was mainly due to increase in Grants-in-Aid from Government of India (₹ 660.22 crore), Share of Union Taxes/duties (₹ 88.10 crore) and Tax revenue (₹ 44.10 crore) in 2014-15 over the previous year (2013-14). Contribution of the State's own revenue to the

Revenue receipt was in the range of 8 per cent to 12 per cent for the period 2010-15. The State's share of Union taxes and duties and Grants-in-Aid from GoI contributed in the range of 88 per cent to 92 per cent to the Revenue receipt during 2010-15 and remained the main contributor to Revenue receipt of the State. Own Tax revenue was more than the normative assessment of the 13th FC by ₹ 146.67 crore (39.62 per cent) but was less than the budget estimates/MTFPS projection by ₹ 104 crore (16.75 per cent). The Own non-Tax revenue realised during the year was less than the normative assessment made by the 13th FC projection by ₹ 68.54 crore (27.17 per cent) and also less than the budget estimates/MTFPS projection by ₹ 100.33 crore (35.32 per cent). Non-tax revenue collection was less than the 13th FC projections/Budget estimates/MTFPS projections as receipts from Power sector has been excluded after corporatization of the State Electricity Department. **(paras 1.1.2, 1.2.1 and 1.3.1)**

The State Government may consider to:

- *maintain the trend of Tax collection in coming years for overall positive fiscal health of the State;*
- *Focus more on Non-tax revenue as collection under Power sector is outside the State Accounts*

Expenditure Status

The total expenditure of the State increased by ₹ 2600.20 crore (43.34 per cent) from ₹ 5999.87 crore in 2010-11 to ₹ 8600.07 crore in 2014-15. The Revenue expenditure of the State increased by ₹ 3189.28 crore (78.21 per cent) from ₹ 4078.01 crore in 2010-11 to ₹ 7267.29 crore in 2014-15. A similar trend of increase was also depicted by the Non-plan Revenue Expenditure, which increased by ₹ 1988.67 crore (66.75 per cent) from ₹ 2979.44 crore in 2010-11 to ₹ 4968.11 crore in 2014-15. However, Capital expenditure decreased by ₹ 585.62 crore (30.53 per cent) from ₹ 1918.06 crore in 2010-11 to ₹ 1332.44 crore in 2014-15. Revenue expenditure as a percentage of the total expenditure increased from 67.97 per cent in 2010-11 to 84.5 per cent in 2014-15. This shows that a bulk of the total expenditure has been increasingly spent to meet expenditure on maintenance, salary, etc. Salaries and Wages accounted for about 33 per cent of the Revenue receipts of the State during 2014-15 and increased by ₹ 102.74 crore (4 per cent) over the previous year (2013-14). Interest payment increased by ₹ 28.27 crore from ₹ 444.92 crore in 2013-14 to ₹ 473.19 crore in 2014-15. Interest payment increased continually from ₹ 364.78 crore in 2010-11 to ₹ 473.19 crore in 2014-15. **(paras 1.6.1 and 1.6.2)**

The State Government may consider to:

- *Focus more on Capital expenditure to ensure the long term economic health of the State and*
- *Rationalise Non-Plan Revenue expenditure as it has grown substantially during 2014-15.*

Investment made in Government corporations/companies and recovery of Loans and Advances

As of 31 March 2015, the State Government had invested ₹ 167.13 crore in statutory corporations, rural banks, joint stock companies and co-operatives. Against Investment ranging from ₹ 160.18 crore to ₹ 176.31 crore during 2010-15, the State Government could earn ₹ 16,000 only during 2010-15 from the investment made on these corporations/companies *etc.* while it paid an average rate of interest ranging from 6.21 *per cent* to 6.56 *per cent* on its borrowings. The opening balance of outstanding Loans and Advances as on 31 March 2015 was ₹ 205.13 crore. Against repayment of Loans/Advances of ₹ 0.97 crore, an amount of ₹ 0.34 crore was disbursed during 2014-15. Interest receipt has decreased significantly from ₹ 7.37 crore in 2010-11 to ₹ 0.35 crore in 2013-14 before it increased marginally to ₹ 0.55 crore in 2014-15. Pertinently, Interest receipt of ₹ 0.55 crore against an opening balance of ₹ 205.13 crore is insignificant. **(paras 1.8.2 and 1.8.4)**

The State Government may consider to critically review the functioning of the corporations, companies and co-operatives and may initiate appropriate actions to make their operation viable and also ensure appropriate receipt of interest from Loans and Advances.

Fiscal liabilities and fiscal position

The Fiscal Deficit – GSDP ratio (3.67 *per cent*) exceeded the targets of 13th FC and FRBM Act (3 *per cent* and below) and MTFPS (3.41 *per cent*). The overall Fiscal liabilities of the State Government increased by ₹ 296.70 crore from ₹ 7060.68 crore in 2013-14 to ₹ 7357.38 crore in 2014-15. The increase in Fiscal liabilities (₹ 296.70 crore) was mainly due to increase in Internal Debt (₹ 260.32 crore) and Small Savings, Provident Funds *etc.* (₹ 86.30 crore) partially offset by decrease in Loans and Advances from the Central Government (₹ 44.16 crore). The Outstanding Debt – GSDP ratio maintained declining trend from 67.77 *per cent* in 2010-11 to 44.96 *per cent* in 2014-15. Resource gap in 2014-15 was minus ₹ 874.09 crore. This indicates that Incremental Non-debt receipt was not sufficient to meet incremental Total expenditure in 2014-15. Net availability of borrowed funds was in negative figures during 2011-15. This indicates that during 2011-15 borrowed funds

was solely utilised for re-payment of past loans and its interest liabilities. The fiscal scenario worsen as there was Fiscal Deficit of ₹ 600.83 crore in 2014-15 from Fiscal Surplus of ₹ 273.26 crore in 2013-14. Primary Surplus of ₹ 718.18 crore in 2013-14 also turned into Primary Deficit of ₹ 127.64 crore in 2014-15. This indicates that nearly 79 per cent of Fiscal Deficit of 2014-15 was due to past obligations. (paras 1.1.3, 1.9.2, 1.10.2 and 1.11.1)

The State Government may consider to limit Fiscal Deficit-GSDP ratio as per targets set in the 13th FC, FRBM Act and MTFPS and ensure that borrowings are channelized for asset creation and the development activities in order to increase growth and productivity. Otherwise, the accumulated liability may prove to be a strain to the economy of the State.

The fiscal position of the State may be evaluated as there is deterioration of financial situation, which has been experienced by the State Government in the current year (2014-15).