

# CHAPTER I

## FINANCES OF THE STATE GOVERNMENT

### Profile of the State

Manipur is located in the north-eastern part of India. The total geographical area of the State is 22,327 sq. km. comprising 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. 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 46.70 *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* in 2011. Other related details are given in **Appendix 1.1 (Part D)**. Manipur is categorised as Special Category State (SCS) as 90 *per cent* of plan assistance is given by the centre as grants and 10 *per cent* as loans against 70:30 for general category states. The primary source of revenue receipt of the State is the Central Government which contributed between 88 *per cent* to 92 *per cent* of the Total revenue of the State in the form of State's share of Union taxes and duties and Grants-in-Aid (GIA) during 2011-16.

### About this Chapter

This chapter provides a broad perspective of the finances of the Government of Manipur during 2015-16 and analysis of critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years (2011-16). 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 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 of the State, All India GDP and the rate of growth during 2011-16**

| Year                           | (₹ in crore)    |            |             |             |             |
|--------------------------------|-----------------|------------|-------------|-------------|-------------|
|                                | 2011-12         | 2012-13    | 2013-14     | 2014-15     | 2015-16     |
| All India GDP                  | 8,73,60,39      | 9,95,13,44 | 11,27,27,64 | 12,48,82,05 | 13,57,60,86 |
| Growth rate of GDP (per cent)  | -- <sup>@</sup> | 13.91      | 13.28       | 10.78       | 8.71        |
| State's GSDP <sup>1</sup>      | 1,29,15         | 1,37,48    | 1,61,98     | 1,80,43 (Q) | 1,98,90 (A) |
| Growth rate of GSDP (per cent) | -- <sup>@</sup> | 6.45       | 17.82       | 11.39       | 10.24       |

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

<sup>@</sup> Growth rate of GDP and GSDP not indicated, since comparison with the year 2010-11 could not be made as the base year has been revised to 2011-12.

GSDP of the State grew at the rate of 10.24 per cent (₹ 1847 crore) at current price during 2015-16 against a growth of 11.39 per cent (₹ 1845 crore) during 2014-15.

### **1.1.2 Summary of fiscal transactions**

The following table presents the summary of the State Government's fiscal transactions during the current year (2015-16) *vis-à-vis* the previous year (2014-15), while **Appendix 1.2** provides details of receipt and disbursements as well as the overall fiscal position during 2015-16.

<sup>1</sup> At current price with base year 2011-12. (Q) - Quick estimates, (A) - Advanced estimates.

Table 1.2: Summary of Fiscal operations

(₹ in crore)

| Receipts                                   | 2014-15         | 2015-16         | Disbursements                   | 2014-15         | 2015-16         |             |                 |
|--------------------------------------------|-----------------|-----------------|---------------------------------|-----------------|-----------------|-------------|-----------------|
| <b>Section-A: Revenue</b>                  |                 |                 |                                 |                 | <b>Non Plan</b> | <b>Plan</b> | <b>Total</b>    |
| Revenue receipt                            | 7998.27         | 8280.10         | Revenue expenditure             | 7267.29         | 5065.34         | 2317.23     | 7382.57         |
| Tax revenue                                | 516.83          | 550.44          | General services                | 2751.13         | 2935.89         | 14.91       | 2950.80         |
| Non-tax revenue                            | 183.73          | 149.48          | Social services                 | 2028.06         | 1130.47         | 843.13      | 1973.60         |
| Share of Union Taxes/ duties               | 1526.89         | 3142.42         | Economic services               | 2012.37         | 787.35          | 1322.77     | 2110.12         |
| Grants-in-Aid from the Government of India | 5770.82         | 4437.76         | Grants-in-Aid and Contributions | 475.73          | 211.63          | 136.42      | 348.05          |
| <b>Section-B: Capital</b>                  |                 |                 |                                 |                 |                 |             |                 |
| Miscellaneous Capital receipt              | -               | -               | Capital expenditure             | 1332.44         | 0.01            | 1237.86     | 1237.87         |
| Recoveries of Loans and Advances           | 0.97            | 1.02            | Loans and Advances disbursed    | 0.34            | 1.60            | -           | 1.60            |
| Public debt receipt <sup>2</sup>           | 489.40          | 925.79          | Repayment of Public debt        | 273.24          |                 |             | 446.08          |
| Contingency Fund                           | -               |                 | Contingency Fund                | -               |                 |             | -               |
| Public Account receipt                     | 2901.43         | 2871.65         | Public Account disbursement     | 2858.83         |                 |             | 2747.02         |
| Opening Cash Balance                       | 463.84          | 121.77          | Closing Cash Balance            | 121.77          |                 |             | 385.19          |
| <b>Total</b>                               | <b>11853.91</b> | <b>12200.33</b> | <b>Total</b>                    | <b>11853.91</b> |                 |             | <b>12200.33</b> |

(Source: Finance Accounts)

The following are the significant changes during 2015-16 over the previous year:

- Revenue receipt increased by ₹ 281.83 crore (3.52 per cent) over the previous year. The increase was mainly due to increase in Share of Union Taxes/duties (₹ 1615.53 crore) offset by decrease in GIA from Government of India (GoI) (₹ 1333.06 crore).
- Revenue expenditure increased marginally by ₹ 115.28 crore (1.59 per cent) over the previous year. There was increase in General services (₹ 199.67 crore) and Economic services (₹ 97.75 crore) but decrease in Social services (₹ 54.46 crore) and GIA and Contributions (₹ 127.68 crore). Capital expenditure decreased by 7.10 per cent (₹ 94.57 crore) over the previous year.
- Public debt receipt increased significantly by 89.17 per cent (₹ 436.39 crore) over the previous year. There were also significant increase in Repayment of Public debt by 63.26 per cent (₹ 172.84 crore) over the previous year.

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

- Both Public Account receipt and Public Account disbursement decreased by 1.03 *per cent* (₹ 29.78 crore) and 3.91 *per cent* (₹ 111.81 crore) respectively over the previous year.
- The total inflow during 2015-16 was ₹ 12,200.33 crore against ₹ 11,853.91 crore in 2014-15. There was closing cash balance of ₹ 385.19 crore at the end of 2015-16 as compared to cash balance of ₹ 121.77 crore at the end of the previous year (2014-15).

### 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 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 2015-16, targets of Revenue surplus, Fiscal deficit-GSDP ratio, *etc.* was set in the MTFPS.

The targets for major fiscal variables provided in the FRBM Act and Rules thereunder, and in the recommendations of 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 2015-16**

| Fiscal variables                                                | Targets                                                                                                                                                                                             |         |         |
|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|
|                                                                 | FRBM Act                                                                                                                                                                                            | MTFPS   | Actuals |
| Revenue deficit (-)/ surplus (+)                                | Maintain Revenue surplus                                                                                                                                                                            | 692.77  | 897.53  |
| Fiscal deficit/GSDP (in <i>per cent</i> )                       | Below 3 <i>per cent</i>                                                                                                                                                                             | 3.12    | 1.71    |
| State's outstanding guarantees <sup>3</sup>                     | The total outstanding guarantees as on first of April of any year shall not exceed thrice the State's Own Tax Revenue receipt of the second preceding year <i>i.e.</i> ₹ 1550.49 crore <sup>4</sup> | NA      | 339.53  |
| Salary expenditure (including Wages)                            | 35 <i>per cent</i> of Revenue expenditure net interest payment and pension <i>i.e.</i> ₹ 2049.63 crore <sup>5</sup>                                                                                 | 3067.59 | 2772.71 |
| Total Outstanding Debt <sup>6</sup> /GSDP (in <i>per cent</i> ) | Reduce Outstanding Debt to a maximum of 54.30 <i>per cent</i> of GSDP.                                                                                                                              | 41.95   | 38.91   |

(NA: - Not available)

(Source: FRBM Act, MTFPS and Finance Accounts)

<sup>3</sup> Closing balance of outstanding guarantees at the end of the year 2015-16 *i.e.* as on March 2016 is taken here.

<sup>4</sup> ₹ 516.83 crore (in 2014-15) x 3

<sup>5</sup> 35 *per cent* of (₹ 7382.57 crore - ₹ 516.23 crore - ₹ 1010.25 crore)

<sup>6</sup> Including Debt under Public Accounts *i.e.* Small Savings *etc.*, & Deposits

The State could maintain Revenue surplus (₹ 897.53 crore) as envisaged in the FRBM Act which was also more than the projection made in the MTFPS (₹ 692.77 crore). The Fiscal deficit – GSDP ratio (1.71 *per cent*) was kept below the targets of FRBM Act (3 *per cent*) and MTFPS (3.12 *per cent*).

The target of limiting State's outstanding guarantee as set out in the FRBM Act (₹ 1550.49 crore) was fully achieved as the outstanding guarantee was restricted at ₹ 339.53 crore. While Salary<sup>7</sup> expenditure (₹ 2772.71 crore) was lower than the target provided by MTFPS (₹ 3067.59 crore) it exceeded the projection made in the FRBM Act (₹ 2049.63 crore).

Total Outstanding Debt-GSDP ratio (38.91 *per cent*) was also kept within the targets of FRBM Act (54.30 *per cent*) and of MTFPS (41.95 *per cent*).

The Fourteenth Finance Commission (XIV FC) recommended limiting Fiscal deficit-GSDP ratio at 3.25 *per cent* if Debt-GSDP ratio is less than 25 *per cent* in the preceding year. Against this, the Fiscal deficit-GSDP ratio in 2015-16 was 1.71 *per cent*.

### ***Off-budget borrowings***

The State Government has not reported (November 2016) any off-budget borrowings during 2015-16.

#### **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 2015-16.

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<sup>7</sup> Including Wages

**Table 1.4: Statement showing Budget estimates and Actuals**

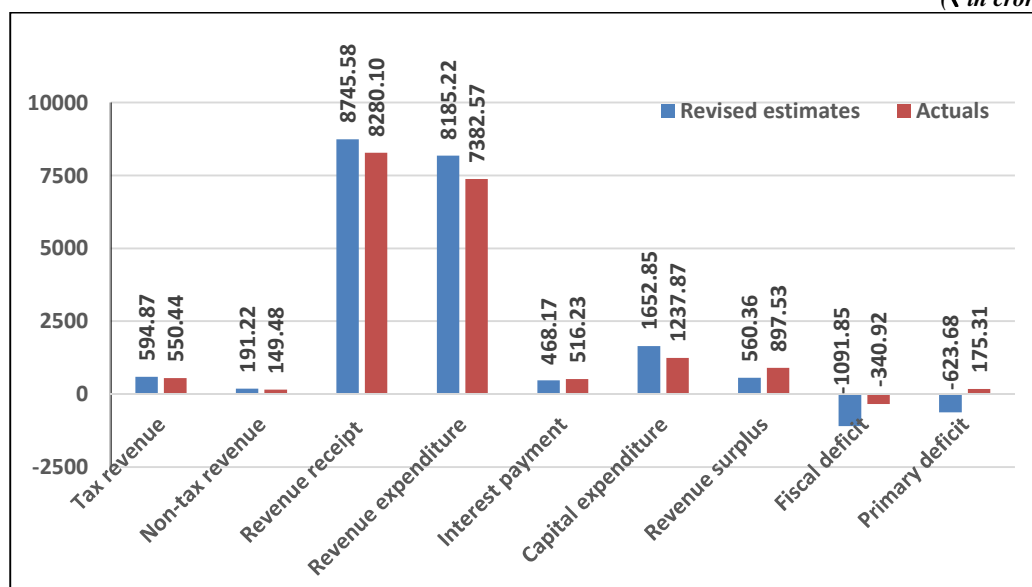
(₹ in crore)

| Particulars                        | Budget estimates (BE) | Revised estimates (RE) | Actual     | Percentage of increase / decrease w.r.t RE |
|------------------------------------|-----------------------|------------------------|------------|--------------------------------------------|
| Tax revenue                        | 671.15                | 594.87                 | 550.44     | (-) 7.47                                   |
| Non-tax revenue                    | 219.42                | 191.22                 | 149.48     | (-) 21.83                                  |
| Revenue receipts                   | 8657.86               | 8745.58                | 8280.10    | (-) 5.32                                   |
| Revenue expenditure                | 7965.08               | 8185.22                | 7382.57    | (-) 9.81                                   |
| Interest payment                   | 463.84                | 468.17                 | 516.23     | (+) 10.27                                  |
| Capital expenditure                | 1277.79               | 1652.85                | 1237.87    | (-) 25.11                                  |
| Disbursement of Loans and Advances | 3.60                  | 3.15                   | 1.60       | (-) 49.21                                  |
| Revenue surplus                    | 692.78                | 560.36                 | 897.53     | (+) 60.17                                  |
| Fiscal deficit (-)/ surplus (+)    | (-) 584.82            | (-) 1091.85            | (-) 340.92 | (+) 68.78                                  |
| Primary deficit (-)/surplus (+)    | (-) 120.97            | (-) 623.68             | (+) 175.31 | (+) 128.11                                 |
| Recoveries of Loans and Advances   | 3.80                  | 3.80                   | 1.02       | (-) 73.16                                  |

(Source: Budget documents and Finance Accounts)

**Chart 1.1: Selected fiscal parameters, Budget estimates vis-à-vis Actuals**

(₹ in crore)



(Source: Budget documents and Finance Accounts)

It can also be seen from the preceding table that there was a variation between Revised estimates (RE) and Actuals for Tax Revenue collection by 7.47 per cent (₹ 44.43 crore). In case of Non-Tax Revenue, the projection of RE and Actuals varied by 21.83 per cent (₹ 41.74 crore). In both cases, Actual receipt was less than budget projection.

Under Revenue expenditure, the variation was 9.81 per cent (₹ 802.65 crore) between RE and Actuals. This margin was 25.11 per cent (₹ 414.98 crore) in case of Capital expenditure. In both cases, Actual expenditure was less than the RE projections. This resulted in better Revenue surplus, Fiscal deficit and Primary deficit than the projections of RE.

The variation in Revenue surplus was 60.17 *per cent* (₹ 337.17 crore) and in Fiscal deficit 68.78 *per cent* (₹ 750.93 crore). Primary deficit of ₹ 623.68 crore was projected in the RE. However, the State could achieve Primary surplus (₹ 175.31 crore), indicating better fiscal management than that was projected in RE.

### 1.1.5 Major policy initiatives in the budget

The Chief Minister<sup>8</sup> (CM), Government of Manipur while introducing the Budget speech, emphasised on the realm of changes in planning, flow of development assistance to state and sharing of resources between Centre and States. A need, therefore, was felt to utilize the scarce resources carefully and mobilize additional tax and non-tax. The CM's stance to continue its commitment to fiscal consolidation was largely achieved. The State continued with Revenue surplus in 2015-16, Fiscal deficit-GSDP ratio was confined at 1.71 *per cent* and Fiscal liabilities-GSDP ratio was 40.85 *per cent*.

Against budgeted<sup>9</sup> Revenue expenditure of ₹ 8038.27 crore, the actual Revenue expenditure was ₹ 7382.57 crore. Capital expenditure was estimated at ₹ 1690.33 crore at 17 *per cent* of the Total expenditure. Against this the Capital expenditure was only ₹ 1237.87 crore at 14 *per cent* of Total expenditure.

To curb unproductive expenditure, Non-plan revenue expenditure (NPRE) was projected at ₹ 5163.74 crore, which was inclusive of expenditure on account of Salary of ₹ 2722.43 crore, Pension of ₹ 963.66 crore and Interest payment of ₹ 463.34 crore. Against this the actual NPRE was only ₹ 5065.34 crore and Non-plan Salary (including Wages) was ₹ 2566.18 crore. However, Pension expenditure of ₹ 1010.25 crore and Interest payment of ₹ 516.23 crore exceeded the Budget provision.

## 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 receipt that constitute the main resources of the State Government. Revenue receipt consist of Tax revenues, Non-tax revenues, State's share of Union Taxes and Duties and GIA from GoI. Capital receipt comprise miscellaneous Capital receipt such as recoveries of Loans and Advances, debt receipt from internal sources (market loans, borrowings from financial institutions/commercial banks) and Loans and Advances from GoI. Besides the funds available in the Public Accounts after disbursement is also utilised by the State Government to finance its deficit.

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<sup>8</sup> Holding the charge of Finance Department

<sup>9</sup> In budget speech, the gross amount was mentioned.

**Table 1.2** presents the receipt and disbursements of the State during the current year (2015-16) 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 receipt of the State during 2011-16. **Chart 1.4** depicts the composition of resources of the State during 2015-16.

**Chart 1.2: Components and Major sub-components of Revenue during 2015-16**

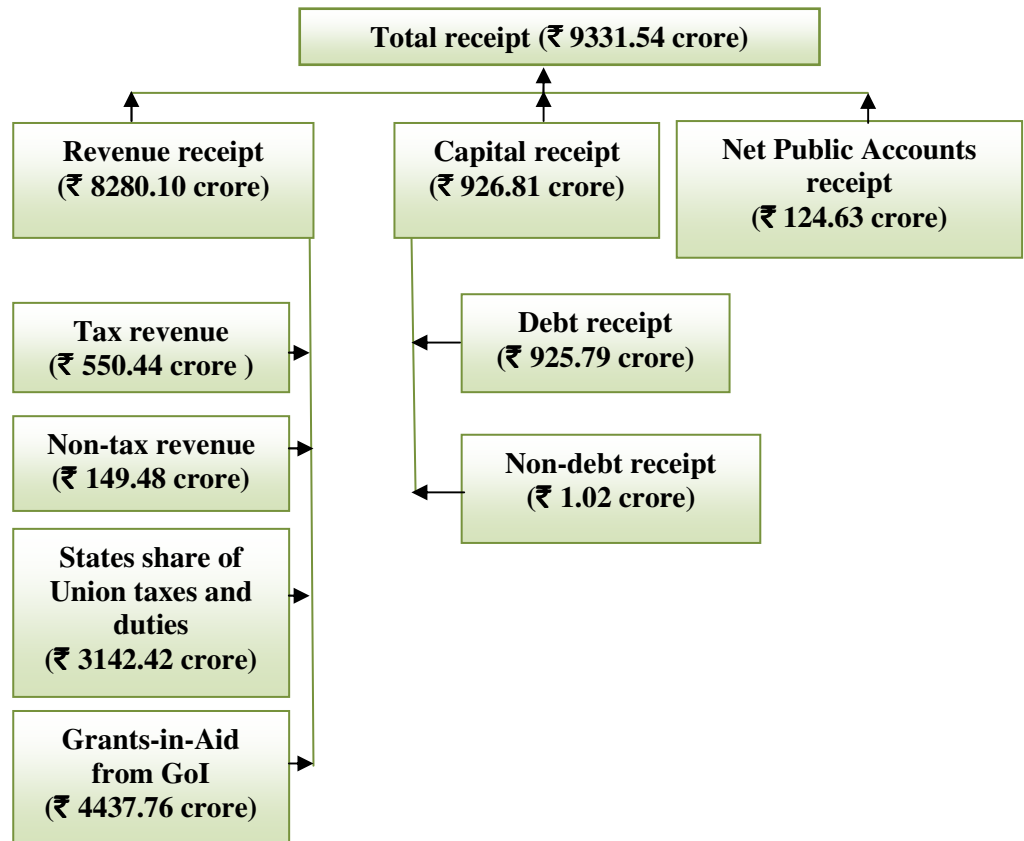




Chart 1.3: Trends in Receipt

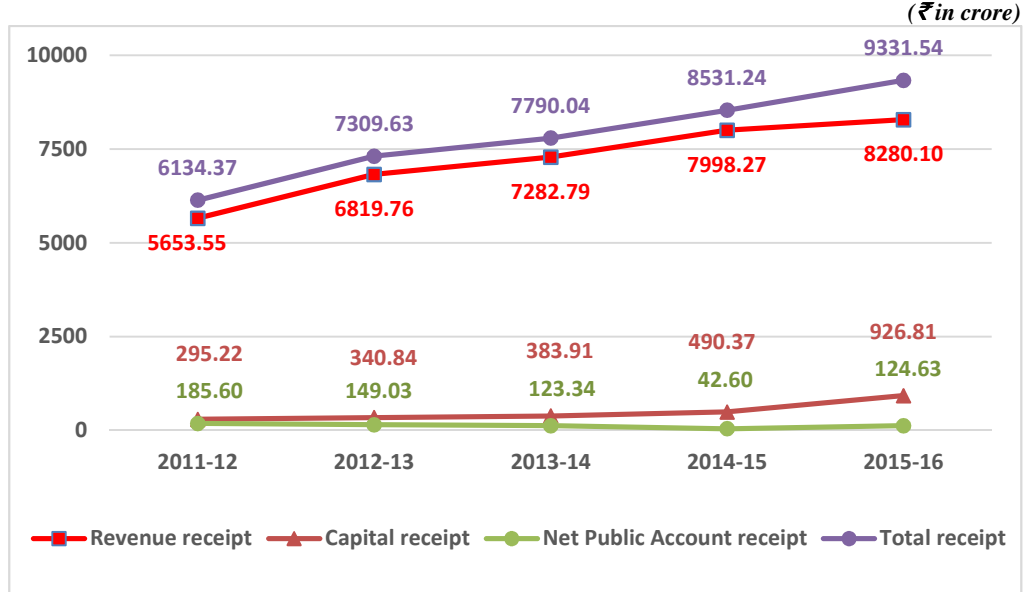
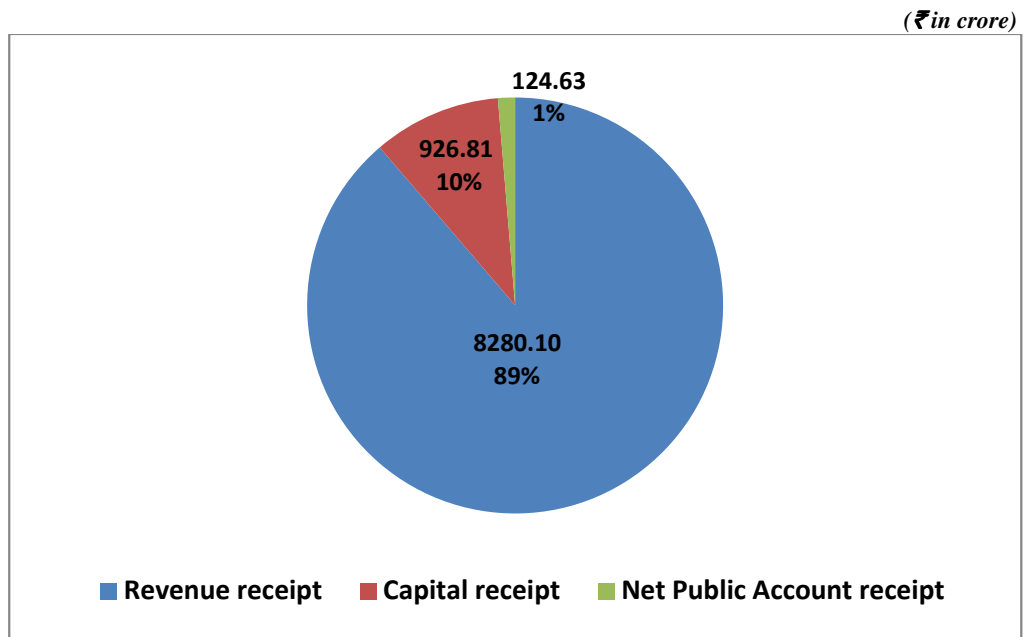


Chart 1.4: Composition of Receipt during 2015-16



Total receipt of the State increased by ₹ 3197.17 crore from ₹ 6134.37 crore in 2011-12 to ₹ 9331.54 crore in 2015-16. The increase in Total receipt was mainly due to increase in Revenue receipt (₹ 2626.55 crore). Net Public accounts receipt decreased from ₹ 185.60 crore in 2011-12 to ₹ 124.63 crore in 2015-16. Public debt receipt, which comprised the major portion of Capital receipt increased from ₹ 293.33 crore in 2011-12 to ₹ 925.79 crore in 2015-16.

## 1.2.2 Funds directly transferred to State Implementing Agencies

GoI has been transferring a sizeable quantum of funds directly to the State Implementing Agencies<sup>10</sup> for implementation of various critical schemes/programmes in Social and Economic services. 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 2015-16, Central funds of ₹ 124.75 crore were transferred directly to the State Implementing Agencies. The programmes assisted by GoI 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 2015-16 |
|----------------------------------------------------|---------------------------------------------------|------------------------------------------------------|
| NER-Textile Promotion Scheme                       | Directorate of Sericulture, Government of Manipur | 32.75                                                |
| Off Grid scheme                                    | Manipur Renewable Energy Development Agency       | 11.95                                                |
| Member of Parliament Local Area Development Scheme | Deputy Commissioner, Imphal West & Churachandpur  | 10                                                   |
| India Entrepreneurship and Agro Industry Fund      | Department of Commerce & Industries               | 6.34                                                 |
| Infrastructure Development and Capacity Building   | -do-                                              | 6.00                                                 |
| <b>Total</b>                                       |                                                   | <b>67.04</b>                                         |

(Source: Finance Accounts)

The four schemes/ programmes as shown above constituted 54 per cent of the total funds of ₹ 124.75 directly transferred to the State Implementing Agencies. An amount of ₹ 32.75 crore (26 per cent of the total funds of ₹ 124.75 directly transferred) was for Textile Promotion Scheme and ₹ 11.95 crore (about 10 per cent) for Off Grid scheme<sup>11</sup>.

As compared to ₹ 74.63 crore transferred directly in 2014-15, ₹ 124.75 crore was transferred directly in 2015-16, resulting in increase of ₹ 50.12 crore. 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.

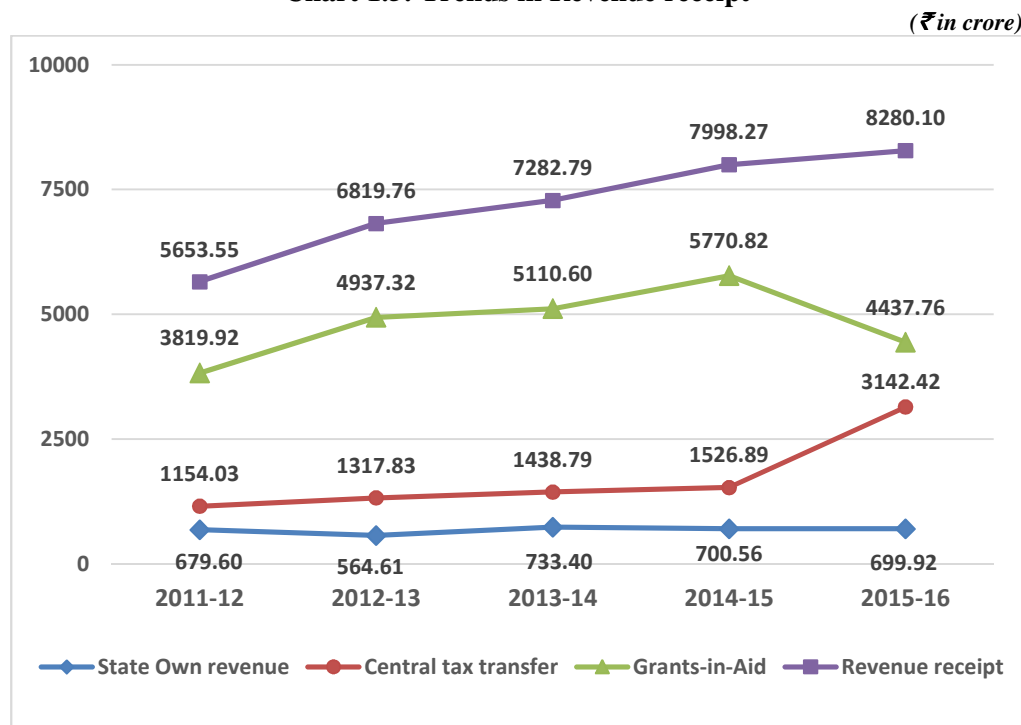
<sup>10</sup> State Implementing Agencies include any organization/institution including Non-Governmental organizations, which are authorized by the State Government to receive funds from the Government of India for implementing specific programmes in the State.

<sup>11</sup> Off Grid scheme is to provide facilities that produce all their own energy and are not connected to any external source, such as the electrical power grid.

### 1.3 Revenue receipt

The Revenue receipt of the State Government consist of the State's Own Tax revenue and Non-tax revenues, central tax transfers and GIA from the GoI. The trends and composition of Revenue receipt over the period 2011-16 are presented in **Appendix 1.4** and are also depicted in the following chart:

**Chart 1.5: Trends in Revenue receipt**



During 2011-12 and 2015-16, Revenue receipt increased by ₹ 2626.55 crore. During these years (2011-16), Central share of Union taxes and duties maintained an increasing trend. Both State's Own revenue and GIA presented a fluctuating trend.

As compared to previous year (2014-15), Revenue receipt increased by 3.52 per cent (₹ 281.83 crore). The increase was mainly due to Central share of Union taxes and duties (₹ 1615.53 crore) partly offset by decrease in GIA (₹ 1333.06 crore).

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 2011-16. The State's share of Union taxes and duties and GIA from GoI contributed in the range of 88 per cent to 92 per cent to the Revenue receipt during 2011-16 and remained the main contributor to Revenue receipt of the State.

The trends in Revenue receipt relative to GSDP are presented in the following table:

**Table 1.6: Trends of Revenue receipt relative to GSDP**

|                                                          | (₹ in crore) |          |          |              |              |
|----------------------------------------------------------|--------------|----------|----------|--------------|--------------|
|                                                          | 2011-12      | 2012-13  | 2013-14  | 2014-15      | 2015-16      |
| Revenue receipt (RR)                                     | 5653.55      | 6819.76  | 7282.79  | 7998.27      | 8280.10      |
| Rate of growth of RR<br>(per cent)                       | 4.12         | 20.63    | 6.79     | 9.82         | 3.52         |
| GSDP                                                     | 12914.61     | 13747.79 | 16198.43 | 18042.76 (Q) | 19889.88 (A) |
| Rate of growth of<br>GSDP (per cent)                     | -            | 6.45     | 17.83    | 11.39        | 10.24        |
| RR/GSDP (per cent)                                       | 43.78        | 49.61    | 44.96    | 44.33        | 41.63        |
| Buoyancy Ratios <sup>12</sup>                            |              |          |          |              |              |
| Revenue Buoyancy<br>w.r.t GSDP                           | -            | 3.20     | 0.38     | 0.86         | 0.34         |
| State's Own Tax<br>Buoyancy w.r.t GSDP                   | -            | (-) 1.48 | 2.36     | 0.82         | 0.63         |
| Revenue Buoyancy<br>with reference to<br>State's Own Tax | 0.11         | (-) 2.16 | 0.16     | 1.05         | 0.54         |

Q – Quick estimates & A – Advance estimates

(Source: Finance Accounts)

Increase in Revenue receipt was appreciable during 2012-13, which corresponds to the significant increase in GIA from the GoI. In 2015-16, Revenue receipt grew by 3.52 per cent as compared to 9.82 per cent in 2014-15, which also corresponds to reduction of GIA in 2015-16.

In the year 2011-16, the GSDP growth rate was in the range of 6.45 per cent to 17.83 per cent while the growth rate of Revenue receipt was in the range of 3.52 per cent to 20.63 per cent.

### 1.3.1 State's Own Resources

As the State's share in Central taxes and GIA 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 State's Own Tax and Non-tax receipt during 2011-12 to 2015-16 *vis-a-vis* assessment made by the XIII FC/XIV FC, Budget and MTFPS are shown in the following table:

<sup>12</sup> Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy of 0.6 implies that revenue receipt tend to increase by 0.6 percentage points if the GSDP increases by one per cent.

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

(₹ in crore)

| Particular                  | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|-----------------------------|---------|---------|---------|---------|---------|
| <b>Own Tax revenue</b>      |         |         |         |         |         |
| XIII FC projections/ XIV FC | 253.17  | 287.47  | 326.27  | 370.16  | 689.00  |
| Budget estimates            | 317.84  | 325.51  | 491.87  | 620.83  | 671.15  |
| MTFPS projection            | 317.84  | 325.51  | 491.87  | 620.83  | 671.15  |
| Actual                      | 368.07  | 332.83  | 472.73  | 516.83  | 550.44  |
| <b>Own Non-tax revenue</b>  |         |         |         |         |         |
| XIII FC projections/ XIV FC | 82.90   | 211.76  | 231.38  | 252.27  | 175.00  |
| Budget estimates            | 459.72  | 385.84  | 429.77  | 284.06  | 219.42  |
| MTFPS projection            | 459.72  | 385.84  | 429.77  | 284.06  | 219.42  |
| Actual                      | 311.53  | 231.78  | 260.67  | 183.73  | 149.48  |

XIII FC from 2011-12 to 2014-15 & XIV FC for the year 2015-16

(Source: Budget documents, XIII/XIV FC Report, MTFPS and Finance Accounts)

During 2011-12 to 2014-15, Own Tax revenue was more than the assessment of the XIII FC, but in 2015-16 it was less than the assessment of XIV FC. As compared to Budget estimates & MTFPS, the Actual was more than the assessment during 2011-12 and 2012-13. The trend, however, reversed from 2013-14 onwards as it was less than the projected figures.

As in the case of Own Tax, Non-tax revenue was more than the assessment of the XIII FC during 2011-12 to 2013-14, but in 2014-15 and 2015-16 it was less than the assessment the FCs. As compared to Budget estimates & MTFPS, it was less than the assessment during 2011-12 to 2015-16.

As can be from the above table, both Own Tax revenue and Non-tax revenue could not achieve the targets/assessment of XIV FC, Budget estimates and MTFPS during 2015-16.

The State Government should enforce adequate measures to increase own resources of revenue.

### 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                     | 2011-12       | 2012-13       | 2013-14       | 2014-15       | 2015-16       | % increase over previous year |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|-------------------------------|
| Taxes on sales, trades etc.      | 296.92        | 258.52        | 395.74        | 433.33        | 466.51        | 7.66                          |
| State excise                     | 9.80          | 9.94          | 9.20          | 9.32          | 8.78          | (-) 5.79                      |
| Taxes on vehicles                | 13.21         | 15.83         | 18.73         | 20.77         | 23.29         | (+) 12.13                     |
| Stamp duty and Registration fees | 4.82          | 5.98          | 7.90          | 7.76          | 10.45         | 34.66                         |
| Land revenue                     | 0.84          | 1.24          | 1.12          | 1.42          | 2.59          | 82.39                         |
| Taxes on goods and passengers    | 1.40          | 1.43          | 1.24          | 1.20          | 1.02          | (-) 15.00                     |
| Other taxes <sup>13</sup>        | 41.08         | 39.89         | 38.80         | 43.03         | 37.80         | (-) 12.15                     |
| <b>Total</b>                     | <b>368.07</b> | <b>332.83</b> | <b>472.73</b> | <b>516.83</b> | <b>550.44</b> | <b>6.50</b>                   |

(Source: Finance Accounts)

During the year 2015-16, the collection of State's Own Tax was ₹ 550.44 crore. Sales tax (₹ 466.51 crore) was the main contributor to the State's Own Tax revenue and accounted for 85 per cent of the Tax revenue. The Tax revenue during 2015-16 increased by ₹ 33.61 crore (6.50 per cent) over the previous year (2014-15). Other than Sales tax and Taxes on vehicles, revenue collection from other sources was negligible.

### 1.3.1.2 Non-tax revenue

The trends in Non-tax revenue during 2011-16 is given in the following table:

**Table 1.9: Trends of Non-tax revenue during 2010-15**

(₹ in crore)

| Revenue Head                  | 2011-12       | 2012-13       | 2013-14       | 2014-15       | 2015-16       | % increase over previous year |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|-------------------------------|
| Interest receipt              | 25.18         | 20.66         | 33.10         | 30.60         | 27.43         | (-) 10.36                     |
| Miscellaneous General Service | 138.33        | 75.29         | 110.83        | 132.48        | 106.09        | (-) 19.92                     |
| Power                         | 106.59        | 108.30        | 96.23         | 0.10          | 0.01          | (-) 90                        |
| Others                        | 41.43         | 27.53         | 20.51         | 20.55         | 15.95         | (-) 23.38                     |
| <b>Total</b>                  | <b>311.53</b> | <b>231.78</b> | <b>260.67</b> | <b>183.73</b> | <b>149.48</b> | <b>(-) 18.64</b>              |

(Source: Finance Accounts)

As seen from the table, receipt from the Miscellaneous General Service depicted a fluctuating trend ranging from ₹ 75.29 crore in 2012-13 to ₹ 138.33 crore in 2011-12. Collection from Miscellaneous General Service remained the main contributor to Non-tax revenue during 2011-12 to 2015-16. Interest receipt during 2011-12 to 2015-16 remained in the range between ₹ 20.66 crore to ₹ 33.10 crore. There was significant decrease in revenue collection in

<sup>13</sup> Other taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity and agricultural income.

Power sector from 2014-15 onwards. Non-tax revenue decreased by ₹ 34.25 crore in 2015-2016 over the previous year (2014-15) mainly due to decrease in collection in Miscellaneous General Service (₹ 25.99 crore).

### *Cost of recovery in supply of merit goods and services*

The cost of recovery of Non-tax revenue receipt (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 2014-16**

(₹ in crore)

| Name of Services            | 2014-15                       |                                     |                           | 2015-16     |       |                           |
|-----------------------------|-------------------------------|-------------------------------------|---------------------------|-------------|-------|---------------------------|
|                             | Non-tax revenue (NTR) receipt | Non-plan revenue expenditure (NPRE) | NTR as percentage of NPRE | NTR receipt | NPRE  | NTR as percentage of NPRE |
| Water Supply and Sanitation | 2.55                          | 62.55                               | 4.08                      | 2.27        | 51.67 | 4.39                      |
| Irrigation                  | 2.31                          | 31.81                               | 7.26                      | 0.79        | 33.17 | 2.38                      |

(Source: Finance Accounts)

NTR as a percentage of NPRE under Water Supply and Sanitation remained same at about 4 per cent in 2014-15 and in 2015-16. In case of Irrigation, NTR as a percentage of NPRE decreased from 7.26 per cent to 2.38 per cent. As NTR as a percentage of NPRE is very low, the Government may make efforts to increase NTR collection so as to make the provision of these important services self-reliant.

### **1.3.2 Grants-in-Aid (GIA) from Government of India**

The details of GIA from GoI during 2011-16 are shown in the following table:

**Table 1.11: Grants-in-Aid from Government of India during 2011-16**

(₹ in crore)

| Particulars                                     | 2011-12        | 2012-13        | 2013-14        | 2014-15        | 2015-16        |
|-------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Non-Plan Grants                                 | 1293.10        | 1882.87        | 1769.87        | 1899.17        | 2218.18        |
| Grants for State Plan Schemes                   | 2119.73        | 2659.00        | 2588.52        | 2929.12        | 1758.39        |
| Grants for Central Plan Schemes                 | 12.47          | 36.56          | 13.64          | 14.05          | 83.13          |
| Grants for Centrally Sponsored Schemes          | 349.81         | 306.34         | 652.68         | 836.14         | 178.36         |
| Grants for Special Plan Schemes                 | 44.81          | 52.55          | 85.89          | 92.34          | 199.70         |
| <b>Total</b>                                    | <b>3819.92</b> | <b>4937.32</b> | <b>5110.60</b> | <b>5770.82</b> | <b>4437.76</b> |
| Percentage of increase over previous year       | (- )2.36       | 29.25          | 3.51           | 12.92          | (- ) 23.10     |
| Total grants as a percentage of Revenue receipt | 67.57          | 72.40          | 70.17          | 72.15          | 53.60          |

(Source: Finance Accounts)

GIA from GoI maintained an increasing trend from ₹ 3819.92 crore in 2011-12 to ₹ 5770.82 crore in 2014-15, but declined to ₹ 4437.76 crore in 2015-16. As a percentage to Revenue receipt, GIA was in the range of 53.60 *per cent* to 72.40 *per cent*, and thus remained a major contributor to Revenue receipt of the State during 2011-16. GIA decreased by ₹ 1333.06 crore (23.10 *per cent*) in 2015-16 over the previous year (2014-15). This was mainly due to decrease in Grants for State Plan Schemes (₹ 1170.73 crore) and Grants for Centrally Sponsored Schemes (₹ 657.78 crore) partly offset by increase in Non-plan Grants (₹ 319.01 crore).

#### **1.4 Capital receipt**

The details of Capital receipt during 2011-12 to 2015-16 are shown in the following table:

**Table 1.12: Trends in growth and composition of receipt**

| Particulars                                | (₹ in crore) |           |         |           |         |
|--------------------------------------------|--------------|-----------|---------|-----------|---------|
|                                            | 2011-12      | 2012-13   | 2013-14 | 2014-15   | 2015-16 |
| Capital receipt (CR)                       | 295.22       | 340.84    | 383.91  | 490.37    | 926.81  |
| Miscellaneous Capital receipt              | -            | -         | -       | -         | -       |
| Recovery of Loans and Advances             | 1.89         | 0.59      | 1.23    | 0.97      | 1.02    |
| Public Debt Receipts                       | 293.33       | 340.25    | 382.68  | 489.40    | 925.79  |
| Rate of growth of debt capital receipt     | (-) 1.70     | 16.00     | 12.47   | 27.88     | 89.17   |
| Rate of growth of non-debt capital receipt | 58.82        | (-) 68.78 | 108.47  | (-) 21.13 | 5.15    |
| Rate of growth of CR ( <i>per cent</i> )   | (-) 1.46     | 15.45     | 12.64   | 27.73     | 89.00   |
| Rate of growth of GSDP                     | -            | 6.45      | 17.83   | 11.39     | 10.24   |

(Source: Finance Accounts)

As can be seen from above table, Capital receipt was almost entirely contributed by Public debt receipt. Public debt receipt increased by ₹ 436.39 crore (89 *per cent*) from ₹ 489.40 crore in 2014-15 to ₹ 925.79 crore in 2015-16. The main contributors to the increase in Public debt receipt were Market borrowings (₹ 600.00 crore<sup>14</sup>) and Ways and Means Advance from RBI (₹ 184.75 crore). During 2015-16, the State Government has raised ₹ 600 crore through six instruments at interest rates ranging from 8.07 *per cent* to 8.63 *per cent*.

<sup>14</sup> Against Market Loans, repayment of ₹ 288.71 crore was made during 2015-16



### 1.4.1 Recoveries of Loans and Advances

Recovery of Loans and Advances increased to ₹ 1.02 crore in 2015-16 from ₹ 0.97 crore in 2014-15. Recovery was made mostly from Loans to Government Servants (₹ 57.97 lakh) and Co-operatives (₹ 43.71 lakh). At the end of the year, there was a closing outstanding Loan of ₹ 205.09 crore, mostly 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 Government of India

No Central loans were contracted during the year 2015-16. The opening balance of the Loans and Advances from GoI to the State were ₹ 439.17 crore as on 1 April 2015. The State repaid an amount of ₹ 44.13 crore of the Central Loans during 2015-16. Thus, an amount of ₹ 395.04 crore remained as outstanding Loans and Advances from GoI as on 31 March 2016.

## 1.5 Public Accounts receipt

Receipt 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 receipt are shown in the following table:

**Table 1.13: Net Public Account receipt**

| Resources under various heads             | 2011-12       | 2012-13       | 2013-14       | 2014-15      | 2015-16       |
|-------------------------------------------|---------------|---------------|---------------|--------------|---------------|
| Small Savings, Provident Fund <i>etc.</i> | 233.68        | 138.01        | 103.12        | 86.29        | 60.74         |
| Reserve Fund                              | 38.35         | 48.08         | 48.45         | 64.55        | 110.71        |
| Deposits and Advances                     | (-) 114.24    | (-) 36.74     | (-) 14.43     | (-) 70.88    | 116.85        |
| Suspense and Miscellaneous                | 6.23          | 1.78          | 1.90          | (-) 15.56    | (-) 19.13     |
| Remittances                               | 21.58         | (-) 2.10      | (-) 15.70     | (-) 21.80    | (-) 144.54    |
| <b>Total</b>                              | <b>185.60</b> | <b>149.03</b> | <b>123.34</b> | <b>42.60</b> | <b>124.63</b> |

(Source: Finance Accounts)

As may be seen from the above table, Net Public Account receipt increased significantly by ₹ 82.03 crore (192.56 *per cent*) in 2015-16 over the previous year (2014-15). The increase in Net Public Account receipt was mainly due to increase in Deposits and Advance from minus ₹ 70.88 crore in 2014-15 to ₹ 116.85 crore in 2015-16 and ₹ 46.16 crore under Reserve Fund partly offset by decrease of ₹ 122.74 crore under Remittance head.

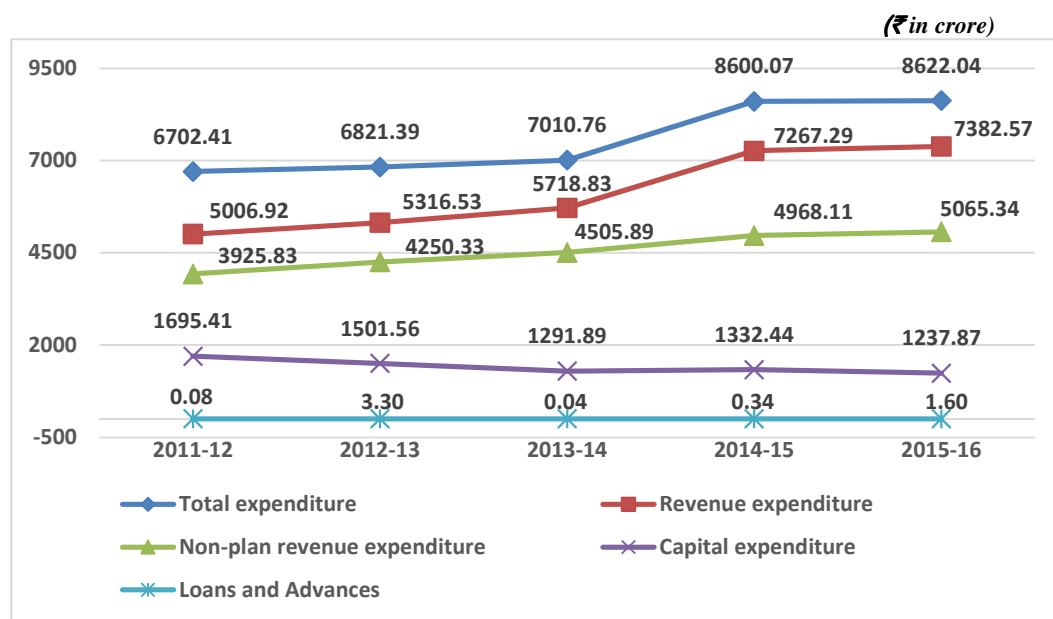
## 1.6 Application of Resources

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 services.

### 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 (2011-16). 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 2011-16



The Total expenditure of the State increased by ₹ 1919.63 crore (28.65 per cent) from ₹ 6702.41 crore in 2011-12 to ₹ 8622.04 crore in 2015-16. The Revenue expenditure of the State increased by ₹ 2375.65 crore (47.45 per cent) from ₹ 5006.92 crore in 2011-12 to ₹ 7382.57 crore in 2015-16. Non-plan revenue expenditure increased by ₹ 1139.51 crore (29.03 per cent) from ₹ 3925.83 crore in 2011-12 to ₹ 5065.34 crore in 2015-16. However, Capital expenditure decreased by ₹ 457.54 crore (26.99 per cent) from ₹ 1695.41 crore in 2011-12 to ₹ 1237.87 crore in 2015-16.

Revenue expenditure increased by ₹ 115.28 crore in 2015-16 over the previous year (2014-15). The increase was mainly due to increase in expenditure under General services (₹ 199.68 crore) partly offset by decrease in expenditure under Social services (₹ 54.46 crore). Capital expenditure decreased by ₹ 94.57 crore in 2015-16 over the previous year (2014-15). The decrease was mainly due to decrease in expenditure under Medical and Public Health (₹ 115.90 crore) and Education, Sports, Art and Culture (₹ 55.89 crore) offset by increase in expenditure under Capital Outlay on North Eastern Areas (₹ 59.01 crore) and under Roads and Bridges (₹ 35.12 crore).

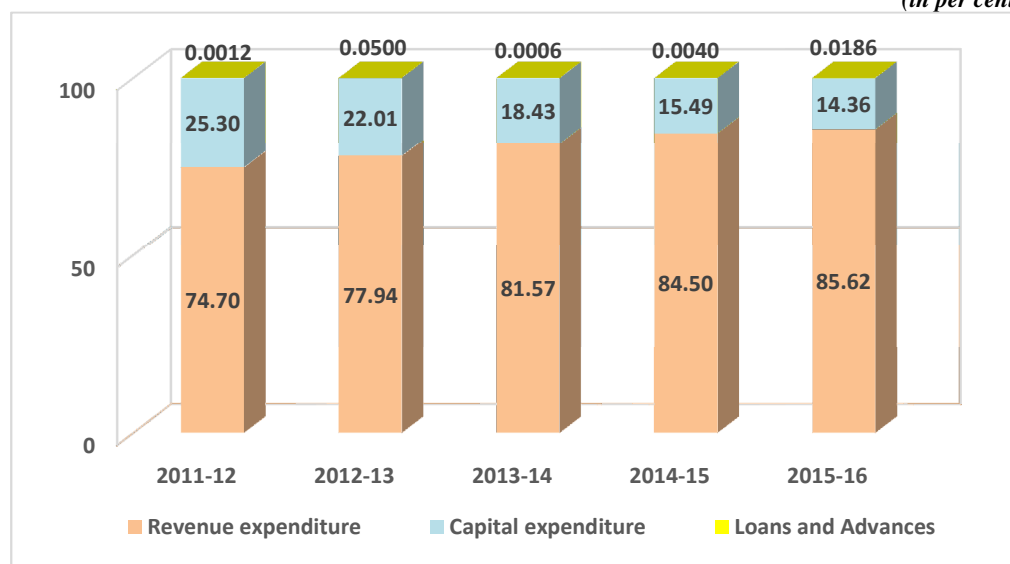
Capital expenditure exhibited a declining trend since 2011-12 to 2013-14. It increased in 2014-15 and then decreased again in 2015-16. Revenue expenditure, on the other hand has increased steadily during 2011-16. Revenue expenditure as a percentage of the Total expenditure increased from 74.70 per cent in 2011-12 to 85.62 per cent in 2015-16. This shows that a bulk of the total expenditure has been increasingly spent to meet expenditure on maintenance, salary, etc.

As such, the State Government may give priority to increase Capital expenditure.

The composition of Revenue expenditure, Capital expenditure and Loans and Advances as a percentage of Total expenditure during 2011-12 to 2015-16 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 1.14: Trends in composition of expenditure as Plan and Non-Plan expenditure**  
(₹ in crore)

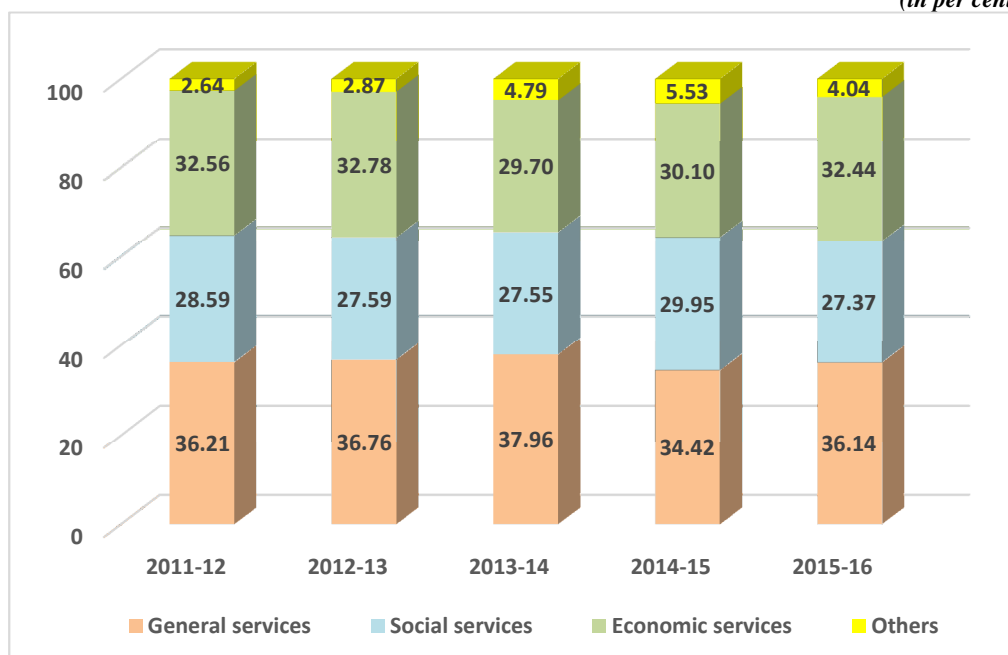
| Types of expenditure               | 2011-12                | 2012-13                | 2013-14                | 2014-15                | 2015-16                |
|------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>NON-PLAN</b>                    |                        |                        |                        |                        |                        |
| Revenue                            | 3925.83                | 4250.33                | 4505.89                | 4968.11                | 5065.34                |
| Capital                            | (-) 3.22               | 7.87                   | (-) 0.01               | (-) 0.52               | 0.01                   |
| Loans and Advances                 | 0.08                   | 2.30                   | 0.04                   | 0.34                   | 1.60                   |
| <b>Sub-total *</b>                 | <b>3922.69</b><br>(59) | <b>4260.50</b><br>(62) | <b>4505.92</b><br>(64) | <b>4967.93</b><br>(58) | <b>5066.95</b><br>(59) |
| <b>PLAN</b>                        |                        |                        |                        |                        |                        |
| Revenue                            | 1081.09                | 1066.20                | 1212.94                | 2299.18                | 2317.23                |
| Capital                            | 1698.63                | 1493.69                | 1291.90                | 1332.96                | 1237.86                |
| Loans and Advances                 | -                      | 1.00                   | -                      | -                      | -                      |
| <b>Sub-total *</b>                 | <b>2779.72</b><br>(41) | <b>2560.89</b><br>(38) | <b>2504.84</b><br>(36) | <b>3632.14</b><br>(42) | <b>3555.09</b><br>(41) |
| <b>Total (Non-Plan &amp; Plan)</b> |                        |                        |                        |                        |                        |
| Revenue                            | 5006.92                | 5316.53                | 5718.83                | 7267.29                | 7382.57                |
| Capital                            | 1695.41                | 1501.56                | 1291.89                | 1332.44                | 1237.87                |
| Loans and Advances                 | 0.08                   | 3.30                   | 0.04                   | 0.34                   | 1.60                   |
| <b>Total expenditure</b>           | <b>6702.41</b>         | <b>6821.39</b>         | <b>7010.76</b>         | <b>8600.07</b>         | <b>8622.04</b>         |

\*Figures in bracket represent percentage with respect to the Total expenditure

(Source: Finance Accounts)

The table above shows that Non-plan expenditure as a percentage of Total expenditure increased from 59 per cent in 2011-12 to 64 per cent in 2013-14 and then reduced to 59 per cent in 2015-16. Correspondingly, Plan expenditure as a percentage of Total expenditure decreased from 41 per cent in 2011-12 to 36 per cent in 2013-14 and then increased to 41 per cent in 2015-16. Thus, the increasing trend of Non-plan expenditure during 2011-12 to 2013-14 was reversed during 2014-15 and 2015-16.

Expenditure is also classified by its activities like General services, Social services, 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 32.56 per cent in 2011-12 to 29.70 per cent in 2013-14. The trend reversed in 2014-15 and the share of Economic services stood at 32.44 per cent in 2015-16. Except for 2014-15, the share of expenditure on account of Social services maintained a declining trend from 28.59 per cent in 2011-12 to 27.37 per cent in 2015-16. Share of expenditure on account of General services remained at about 36 per cent during the last five years except for the year 2014-15 which declined to 34.42 per cent. Thus, there is no appreciable change amongst the share of expenditure on account of General, Social and Economic services during 2011-12 to 2015-16.

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

**Table 1.15: Trends of Revenue receipt and expenditure**

| Particulars*                                | 2011-12            | 2012-13            | 2013-14            | 2014-15            | 2015-16            |
|---------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Revenue receipt as a percentage of GSDP     | (5653.55)<br>43.78 | (6819.76)<br>49.61 | (7282.79)<br>44.96 | (7998.28)<br>44.33 | (8280.10)<br>41.63 |
| Revenue expenditure as a percentage of GSDP | (5006.92)<br>38.77 | (5316.53)<br>38.67 | (5718.83)<br>35.30 | (7267.29)<br>40.28 | (7382.57)<br>37.12 |
| Revenue surplus as a percentage of GSDP     | (646.63)<br>5.01   | (1503.23)<br>10.93 | (1563.96)<br>9.66  | (730.98)<br>4.05   | (897.53)<br>4.51   |

\*Figure in bracket indicates Actuals

(Source: Finance Accounts and Department of Economics and Statistics)

The Revenue receipt as a percentage of GSDP was in the range of 41.63 *per cent* to 49.61 *per cent* during 2011-16 while Revenue expenditure as a percentage of GSDP was in the range of 35.30 *per cent* to 40.28 *per cent*. Revenue expenditure as a percentage of GSDP increased from 38.77 *per cent* in 2011-12 to 40.28 *per cent* in 2014-15 and then decreased to 37.12 *per cent* in 2015-16.

The table indicates that in 2014-15, there was a better Revenue receipt *vis-à-vis* GSDP as compared to 2015-16. Revenue expenditure *vis-à-vis* GSDP decreased in 2015-16 as compared to previous year (2014-15). The Revenue surplus-GSDP ratio decreased substantially in 2015-16 as compared to 2012-13 and 2013-14.

### 1.6.2 Committed expenditure

The Committed expenditure of the State Government on revenue account mainly consists of Interest payments, expenditure on Salaries and Wages, Pensions and Subsidies. The following table presents the trends in the expenditure on these components during 2011-2016.

**Table 1.16: Components of Committed expenditure**

(₹ in crore)

| Components of Committed expenditure | 2011-12                          | 2012-13                          | 2013-14                          | 2014-15                          | 2015-16        |                                  |
|-------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------|----------------------------------|
|                                     |                                  |                                  |                                  |                                  | BE*            | Actuals                          |
| Salaries & Wages, of which          | 2215.87<br>(39.19)               | 2351.63<br>(34.48)               | 2543.30<br>(34.92)               | 2646.04<br>(33.08)               | 2862.74        | 2772.71**<br>(33.48)             |
| Non-Plan Head                       | 2091.56                          | 2217.97                          | 2320.45                          | 2412.70                          | 2698.28        | 2566.18                          |
| Plan Head                           | 124.31                           | 133.66                           | 222.85                           | 233.34                           | 164.46         | 206.54                           |
| Interest Payments                   | 397.44<br>(7.03)                 | 433.01<br>(6.35)                 | 444.92<br>(6.11)                 | 473.19<br>(5.92)                 | 463.84         | 516.23<br>(6.23)                 |
| Expenditure on Pensions             | 628.15<br>(11.11)                | 760.28<br>(11.15)                | 771.48<br>(10.59)                | 934.32<br>(11.68)                | 963.66         | 1010.25<br>(12.20)               |
| Subsidies <sup>15</sup>             | 0.64<br>(0.01)                   | 0.47<br>(0.01)                   | 0.43<br>(0.01)                   | 170.19<br>(2.13)                 | NA             | 185.22<br>(2.24)                 |
| <b>Total</b>                        | <b>3242.10</b><br><b>(57.35)</b> | <b>3545.39</b><br><b>(51.99)</b> | <b>3760.13</b><br><b>(51.63)</b> | <b>4223.74</b><br><b>(52.81)</b> | <b>4290.24</b> | <b>4484.41</b><br><b>(54.16)</b> |

\* Budget estimates \*\* Including ₹ 9.41 crore on wages and excluding Leave Encashment benefits booked under 'Major Head – 2071 – Pensions and Other Retirement Benefits'

(Figures in the parentheses indicates percentage to Revenue receipt)

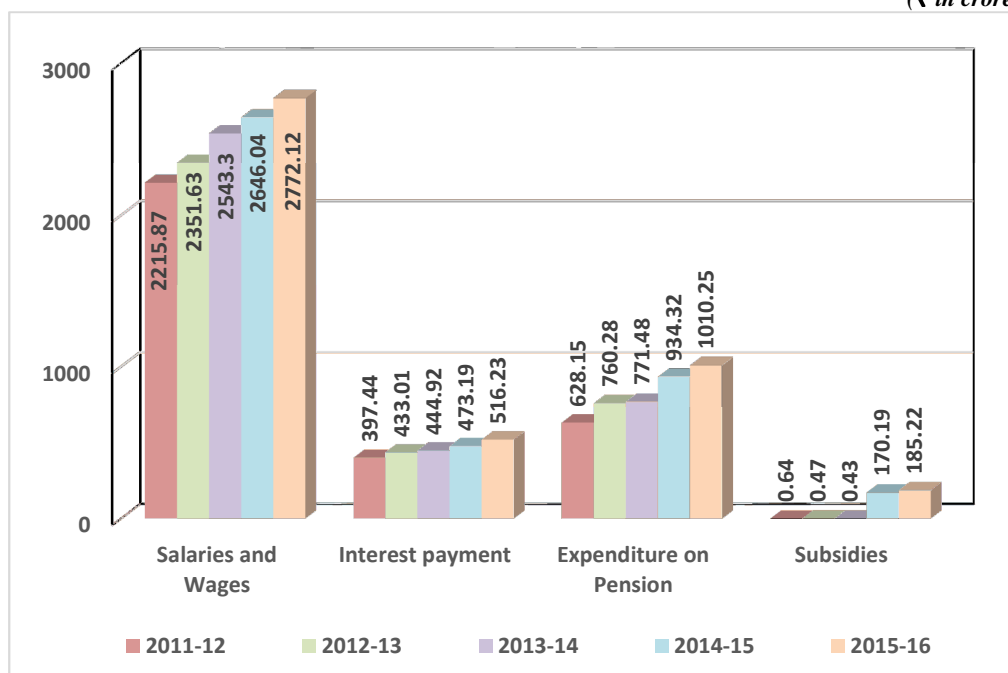
(Source: Voucher Level Computerisation data for Salaries & Wages and Finance Accounts for others)

A graphical representation of the Committed expenditure of the State is shown in the following chart:

<sup>15</sup> The subsidy figures as featured in Statement 2 of Finance Accounts has been adopted

Chart 1.9: Trend of Committed expenditure for the years 2011-16

₹ in crore)



**Salaries and Wages:-** Salaries and Wages accounted about 33 *per cent* of the Revenue receipt of the State during 2015-16 and increased by ₹ 126.68 crore (4.78 *per cent*) over the previous year (2014-15). Salary expenditure under non-plan head increased from ₹ 2412.70 crore in 2014-15 to ₹ 2566.18 crore in 2015-16. Against the budget estimate of ₹ 2862.74 crore, expenditure on salary and wages was ₹ 2722.71 crore during 2015-16.

**Interest payment:-** Interest payment increased continually from ₹ 397.44 crore in 2011-12 to ₹ 516.23 crore in 2015-16. Interest payment increased by ₹ 43.04 crore from ₹ 473.19 crore in 2014-15 to ₹ 516.23 crore in 2015-16. As in the previous year, Interest on internal debt constituted a major portion of Interest payment and accounted for 70.11 *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 ₹ 52.39 crore during 2015-16.

**Pension payment:-** Pension payment increased continually from ₹ 628.15 crore in 2011-12 to ₹ 1010.25 crore in 2015-16. Pension payment increased by ₹ 75.93 crore (8.13 *per cent*) from ₹ 934.32 crore in 2014-15 to ₹ 1010.25 crore in 2015-16. The increase was mainly due to increase in payment on Superannuation, Commutation value of pension, Leave encashment benefits *etc.* (₹ 54.82 crore) and Family Pension (₹ 14.99 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” decreased from ₹ 88.88 crore in 2014-15 to ₹ 84.85 crore in 2015-16. The balance of ₹ 84.85 crore remained to be transferred to National Security Depository Limited.

**Subsidies:** - As per Finance Accounts, amounts ranging from ₹ 0.43 crore to ₹ 0.64 crore was given as subsidies by State Government to various departments during 2011-12 to 2013-14. Since 2014-15 onwards, there was sharp increase of subsidies, which was ₹ 170.19 crore in 2014-15 and ₹ 185.22 crore in 2015-16. In 2015-16, the State Government had booked ₹ 184.89 crore as subsidy under Power sector, which constituted 99.82 *per cent* of the subsidy given during the year.

### **1.6.3 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 2015-16 relative to the previous years is presented in the following table:

**Table 1.17: Financial Assistance to local bodies, other institutions etc.**

(₹ in crore)

| Financial Assistance to Institutions <sup>16</sup>                          | 2011-12      | 2012-13      | 2013-14       | 2014-15       | 2015-16       |               |
|-----------------------------------------------------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|
|                                                                             |              |              |               |               | BE*           | Actual        |
| Educational Institutions (Aided Schools, Aided Colleges, Universities etc.) | 44.81        | 42.24        | 95.48         | 91.65         | 39.86         | 28.67         |
| Municipal Corporations and Municipalities                                   | 3.72         | 15.57        | 14.72         | 25.05         | 28.58         | 30.94         |
| Co-operative institutions                                                   | 1.39         | 0.63         | 0.59          | 0.42          | 0.17          | 0.17          |
| Power                                                                       | -            | -            | -             | 448.23        | 475.32        | 531.42        |
| Other Institutions                                                          | 0.86         | 6.42         | 17.63         | 21.27         | 129.57        | 118.48        |
| <b>Total</b>                                                                | <b>50.78</b> | <b>64.86</b> | <b>128.42</b> | <b>586.62</b> | <b>673.50</b> | <b>709.68</b> |
| Assistance as percentage of Revenue expenditure                             | 1.01         | 1.22         | 2.25          | 8.07          | 8.46          | 9.61          |

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

The total assistance (₹ 709.68 crore) provided during 2015-16 was more than the estimates made in the budget (₹ 673.50 crore) by ₹ 36.18 crore. As compared to 2014-15, the total assistance increased by ₹ 123.06 crore in 2015-16. Financial assistance to Power alone constituted 74.88 *per cent* of the total assistance of the State Government during 2015-16. The percentage of assistance to the total Revenue expenditure increased from 1.01 in 2011-12 to 9.61 in 2015-16.

<sup>16</sup> 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.



#### 1.6.4 Local Bodies and Urban Local Bodies

The 73<sup>rd</sup> and 74<sup>th</sup> Constitutional amendment Acts marked a new era in the federal democratic set up at the grass root level 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 responsibilities with respect to preparation of plans and programmes for economic development and social justice relating to 29 subjects to PRIs and 18 subjects to ULBs listed in the XI and XII Schedule of the Constitution of India respectively.

After the 73<sup>rd</sup> 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 nine districts of which five districts are located in the hill areas and four districts are in the valley. As of March 2016, there were four Zilla Parishads and 161 Gram Panchayats in the State. Consequent upon the 74<sup>th</sup> Constitutional amendment the Government enacted the Manipur Municipality Act, 1994. The ULBs in the State are governed by the Act. The ULBs are spread out in the four valley districts except Moreh Small Town Committee (Moreh STC) which is located in Chandel district (a hill district). As of March 2016, there is one Municipal Corporation, 18 Municipal Councils (MCs), 8 Nagar Panchayats (NPs) and one Small Town Committee (STC) in the State.

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

The 73<sup>rd</sup> Constitutional amendment and the Manipur Panchayati Raj Act, 1994 envisaged transfer of the functions to PRIs listed in the XI 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 2016.

The 74<sup>th</sup> 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 XII Schedule for ULBs. The Directorate of Municipal Administration, Housing and Urban Development (MAHUD), Government of Manipur intimated (September 2014) that out of 18 functions, seven functions are now being performed by ULBs.

However, funds and functionaries related to the transferred subjects were not transferred to PRIs and ULBs. The State Government allocated funds to PRIs and ULBs as per the recommendations of the State Finance Commission.

***Accounting and auditing arrangement of PRIs and ULBs***

**Panchayat Raj Institutions (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, GoI in consultation with the Comptroller and Auditor General (CAG) 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 2016.

The Director, Local Fund Audit (DLFA), Government of Manipur is the Statutory Auditor and conducts audit of accounts of GPs and ZPs under Sections 44(1) and 74(1) of the MPR 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 (April 2016) that out of 165 PRIs, 45 PRIs were planned for audit during the year 2015-16. The Director further intimated that Audit Report on PRIs and ULBs for the year 2014-15 was forwarded to Government of Manipur for placement before the State Legislature.

**Urban Local Bodies (ULBs):** The Ministry of Urban Development, GoI in consultation with the CAG 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 2016. The accounts of all the ULBs were not kept as per NMAM. Due to non-maintenance of accounts in prescribed format, the actual financial position of ULBs in the State could not be ascertained.

The DLFA also conducts audit of accounts of Municipal Corporation, MCs, NPs and STC under Sections 72(1) of the Manipur Municipalities Act, 1994. The DLFA intimated (April 2016) that, out of 28 ULBs units, 27 ULBs units were planned for audit during the year 2015-16. The report of the DLFA has not been forwarded (October 2016) to the Accountant General (Audit).

### ***Audit of PRIs and ULBs by CAG of India***

The Accountant General (Audit), Manipur conducts the audit of the accounts of PRIs & ULBs under Sections 14 (1) and 20(1) of CAG's DPC Act, 1971 under Technical Guidance & Support (TG&S) module, as entrusted by the State Government. The State Gazette notification regarding entrustment of TG&S to the CAG 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 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 CAG of India or his representative will have the right to report the result of audit to the State Legislature. Accordingly, the ATIR are placed before the State Legislature. The ATIR for the year 2014-15 was placed before the State Legislature on 2 September 2016.

### **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 goods<sup>17</sup>. Efficiency of expenditure is also reflected by ratio of allocation towards Development expenditure<sup>18</sup> and Capital expenditure to Total expenditure (and/or GSDP) and proportion of Revenue expenditure 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

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<sup>17</sup> Refer glossary in Appendix 1.7

<sup>18</sup> Refer glossary in Appendix 1.7

the Total expenditure of the State during 2015-16 *vis-à-vis* budgeted and the previous years.

**Table 1.18: Components of Development expenditure**

(₹ in crore)

| Components of Development expenditure | 2011-12            | 2012-13            | 2013-14            | 2014-15            | 2015-16 |                    |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|---------|--------------------|
|                                       |                    |                    |                    |                    | BE*     | Actual             |
| Development Revenue expenditure       | 2696.66<br>(40.23) | 2841.48<br>(41.66) | 2942.27<br>(41.97) | 4040.44<br>(46.98) | 5076.76 | 4083.72<br>(47.36) |
| Development Capital expenditure       | 1402.00<br>(20.92) | 1275.69<br>(18.70) | 1071.57<br>(15.28) | 1123.62<br>(13.07) | 1084.03 | 1072.83<br>(12.44) |
| Development Loans and Advances        | -                  | 1.00<br>(0.01)     | -                  | -                  | -       | -                  |

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

While Development Revenue expenditure increased marginally by ₹ 43.28 crore, Development Capital expenditure decreased marginally by ₹ 50.79 crore during 2015-16 over the previous year (2014-15). However, both Development Revenue expenditure and Development Capital expenditure was less than budget estimate. The Development Revenue expenditure shows a steady increasing trend during 2011-12 and 2015-16.

The various parameters of Fiscal Priority of the State during 2012-13 and 2015-16 is given in the following table:-

**Table 1.19: Fiscal priority in 2012-13 and 2015-16**

(in per cent)

| Fiscal Priority of the State | TE/GSDP | SSE/TE | ESE/TE | DE/TE | CE/TE | Education/TE | Health/TE |
|------------------------------|---------|--------|--------|-------|-------|--------------|-----------|
| SCS Average 2012-13          | 22.23   | 38.42  | 31.50  | 69.92 | 15.53 | 20.86        | 5.58      |
| Manipur 2012-13              | 49.62   | 27.59  | 32.76  | 60.36 | 22.01 | 10.84        | 3.56      |
| SCS Average 2015-16          | 21.66   | 39.78  | 30.63  | 70.41 | 13.95 | 20.63        | 6.41      |
| Manipur 2015-16              | 43.35   | 27.37  | 32.44  | 59.81 | 14.36 | 11.64        | 4.95      |

\* TE - Total expenditure; DE – Developmental expenditure; SSE – Social services expenditure; ESE – Economic services expenditure, CE – Capital expenditure; SCS – Special Category States

(Source: Finance Accounts)

The Total expenditure as percentage of GSDP of Manipur was more than that of other Special Category States (SCS) during 2012-13 and 2015-16. As compared to other SCS, Manipur had a better Fiscal priority on Economic services and Capital expenditure during 2012-13 and 2015-16. The Fiscal priority of Manipur in other areas *viz.* Social services, Developmental expenditure, Education and Health was lesser than other SCS during 2012-13 and 2015-16.

As compared to 2012-13, the State had a substantial reduction of Capital expenditure *vis-a-vis* Total expenditure in 2015-16. The State's Fiscal priority on Social services, Economic services and Development expenditure remained static during 2011-12 and 2015-16. However, there was marginal

improvement in allocation of resource in Education and Health in 2015-16 then in 2011-12.

### 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 expenditure of the sector/sub-sector of some selected Social and Economic Services are shown in the following table:

**Table 1.20: Efficiency of expenditure in Social and Economic Services**  
(in per cent)

| Sector            | 2014-15                                                                                   |                                                                |      | 2015-16                                                |                                          |       |
|-------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------------------|------|--------------------------------------------------------|------------------------------------------|-------|
|                   | Percentage of Capital expenditure (CE) to Total expenditure (TE) of the respective sector | Percentage of Revenue expenditure <sup>19</sup> (RE) vis-a-vis |      | Percentage of CE to TE of the respective sector        | Percentage of RE <sup>20</sup> vis-a-vis |       |
|                   |                                                                                           | Salaries & wages                                               | OM*  |                                                        | Salaries & wages                         | OM*   |
| Social services   | 21.26<br>(CE- ₹ 547.63 crore)<br>(TE- ₹ 2575.69 crore)                                    | 58.35                                                          | 1.62 | 16.35<br>(CE- ₹ 385.88 crore)<br>(TE- ₹ 2359.48 crore) | 61.98                                    | 3.08  |
| Economic services | 22.25<br>(CE- ₹ 575.99 crore)<br>(TE- ₹ 2588.36 crore)                                    | 20.84                                                          | 3.64 | 24.56<br>(CE- ₹ 686.96 crore)<br>(TE- ₹ 2797.08 crore) | 19.77                                    | 22.10 |

\* Operation and Maintenance

(Source: Finance Accounts)

Capital expenditure under Social services decreased by ₹ 161.75 crore from ₹ 547.63 crore in 2014-15 to ₹ 385.88 crore in 2015-16. The share of Capital expenditure to Total expenditure decreased from 21.26 per cent in 2014-15 to 16.35 per cent in 2015-16 under Social services. Salaries and Wages as a percentage of Revenue expenditure increased from 58.35 per cent in 2014-15 to 61.98 per cent in 2015-16. Thus, major outgo of Revenue expenditure under Social services is for payment of Salary and Wages.

Capital expenditure under Economic services increased by ₹ 110.97 crore from ₹ 575.99 crore in 2014-15 to ₹ 686.96 crore in 2015-16. 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 61.98 per cent of Revenue expenditure was utilised as Salary and Wages. However, it was only 19.77 per cent under Economic services. Under Economic services, Operation and maintenance cost as a percentage of Revenue expenditure increased substantially from 3.64 per cent in 2014-15 to 22.10 per cent in 2015-16.

## 1.8 Financial analysis of expenditure and investments

In the post-FRBM framework, the State is expected to keep its Fiscal deficit 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

<sup>19</sup> Revenue Expenditure - ₹ 2028.06 crore (Social services) and ₹ 2012.37 crore (Economic services)

<sup>20</sup> Revenue Expenditure - ₹ 1973.60 crore (Social services) and ₹ 2110.12 crore (Economic services)

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 2015-16 *vis-à-vis* previous years.

### **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 2016 is given in the following table:

**Table 1.21: Department-wise Profile of Incomplete Projects**

(₹ in crore)

| Department                                       | Year of commencement of the Projects | No. of incomplete Projects <sup>21</sup> | Initial Budgeted Cost | Cumulative expenditure as on 31.03.2016 |
|--------------------------------------------------|--------------------------------------|------------------------------------------|-----------------------|-----------------------------------------|
| Tourism                                          | Between 2009 and 2014                | 44                                       | 375.82                | 171.35                                  |
| Manipur State Power Company Limited              | Between 2008 and 2014                | 25                                       | 456.85                | 363.64                                  |
| Education (S)                                    | 2015                                 | 11                                       | 56.43                 | 7.57                                    |
| Minorities and Other Backward Classes            | Between 2011 and 2015                | 11                                       | 18.74                 | 2.85                                    |
| Public Health Engineering Dept.                  | Between 2011-12 and 2015-16          | 3                                        | 92.31                 | 49.53                                   |
| Commerce & Industries                            | Between 2005 and 2012-13             | 2                                        | 66.01                 | 55.73                                   |
| Agriculture                                      | Between 2013-14 and 2014-15          | 2                                        | 22.38                 | 22.38                                   |
| State Council of Educational Research & Training | 2014                                 | 1                                        | 5.51                  | 4.96                                    |
| Command Area Development Authority               | 2015-16                              | 1                                        | 1.99                  | NA                                      |
| <b>Total</b>                                     |                                      | <b>100</b>                               | <b>1096.04</b>        | <b>678.01</b>                           |

(Source: Finance Accounts)

As of 31 March 2016, there were 100 incomplete projects each costing ₹ 1.00 crore and above, involving a total budgeted cost of ₹ 1096.04 crore on which an expenditure of ₹ 678.01 crore had already been incurred. Of these, 91 incomplete works pertains to four Departments *viz.* Tourism, Manipur State Power Company Limited, Education (S) and Minorities and Other Backward Classes. Delay in completion of works invites the risk of escalation in cost of the works besides depriving the benefits of the projects to the State.

<sup>21</sup> The above list does not include projects for which the targeted dates of completion have been revised.

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

During 2011-16, investment in companies, corporations and co-operative societies ranging from ₹ 160.18 crore to ₹ 175.24 crore was made by the State Government. Against this, the State Government could earn only ₹ 15,000 during 2011-16, as shown in the following table:-

**Table 1.22: Return on Investment from Companies/Corporations etc.**  
(₹ in crore)

| Investment/Return/Cost of Borrowings                   | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|--------------------------------------------------------|---------|---------|---------|---------|---------|
| Investment at the end of the year                      | 160.18  | 160.29  | 160.30  | 167.13  | 175.24  |
| Return                                                 | *       | Δ       | *       | **      | *       |
| Return (per cent)                                      | -       | -       | -       | -       | -       |
| Average rate of interest on Govt. borrowing (per cent) | 6.27    | 6.52    | 6.42    | 6.56    | 6.67    |
| Difference between interest rate and return (per cent) | 6.27    | 6.52    | 6.42    | 6.56    | 6.67    |

Δ only ₹ 4,000; \* only ₹ 3,000; \*\* only ₹ 2,000

(Source: Finance Accounts)

As of 31 March 2016, the State Government had invested ₹ 175.24 crore<sup>22</sup> in two statutory corporations, 17 Government companies and 5 numbers of various types of co-operative banks and institutions. During 2015-16, the State Government could earn ₹ 3,000 against the investment. The State Government paid an average rate of interest ranging from 6.27 per cent to 6.67 per cent on its borrowings. However, the rate of return from the investment was insignificant.

The State Government may critically review the functioning of the corporations and companies to make their operations viable to ensure more returns on the investments.

### 1.8.3 Investment in Public Private Partnership projects

The State Government has not reported (November 2016) any investment through Public Private Partnership mode during 2015-16.

### 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 2016 and Interest receipt *vis-à-vis* Interest payments during 2011-12 to 2015-16.

<sup>22</sup> Investment/Share as featured in Statement 1 of Finance Accounts has been adopted

**Table 1.23: Average Interest Received on Loans and Advances by the State Government**  
(₹ in crore)

| Quantum of Loans/Interest receipt/Cost of Borrowings                                                 | 2011-12       | 2012-13       | 2013-14       | 2014-15       | 2015-16   |               |
|------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|-----------|---------------|
|                                                                                                      |               |               |               |               | BE*       | Actual        |
| Opening Balance                                                                                      | 205.42        | 203.61        | 206.32        | 205.13        | NA        | 204.51**      |
| Amount advanced during the year                                                                      | 0.08          | 3.30          | 0.04          | 0.34          | 3.60      | 1.60          |
| Amount repaid during the year                                                                        | 1.89          | 0.59          | 1.23          | 0.97          | 3.80      | 1.02          |
| <b>Closing Balance</b>                                                                               | <b>203.61</b> | <b>206.32</b> | <b>205.13</b> | <b>204.50</b> | <b>NA</b> | <b>205.09</b> |
| <i>Of which</i> Outstanding balance for which terms and conditions have been settled                 | NA            | NA            | NA            | NA            | NA        | NA            |
| Net addition                                                                                         | (-) 1.81      | 2.71          | (-) 1.19      | (-) 0.63      | (-) 0.20  | 0.58          |
| Interest receipt                                                                                     | 1.25          | 0.94          | 0.35          | 0.55          | NA        | 0.32          |
| Interest receipt as <i>per cent</i> to outstanding Loans and Advances                                | 0.61          | 0.46          | 0.17          | 0.27          | NA        | 0.16          |
| Total Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government | 6.13          | 6.37          | 6.30          | 6.43          | NA        | 6.35          |
| Difference between interest payments and interest receipt ( <i>per cent</i> )                        | 5.52          | 5.91          | 6.13          | 6.16          | NA        | 6.19          |

\* BE- Budget estimates

\*\* Difference due to opening balance & closing balance due to rounding

NA - Not available

(Source: Budget documents and Finance Accounts)

The opening balance of outstanding Loans and Advances as on 1 April 2015 was ₹ 204.51 crore. Against repayment of Loans and Advances of ₹ 1.02 crore, an amount of ₹ 1.60 crore was disbursed during 2015-16. Interest receipt has decreased from ₹ 1.25 crore in 2011-12 to ₹ 0.32 crore in 2015-16. Pertinently, Interest receipt of ₹ 0.32 crore against Loan of ₹ 204.51 crore<sup>23</sup> is insignificant. The State Government may therefore need to ensure realisation of commensurate receipt of interest from the Loans and Advances.

### 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 based on the three years average of revenue receipt and the operative limit for Special Ways and Means Advances/Special Drawing Facility 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 at ₹ 90 crore by the RBI for the year 2015-16 (revised to ₹ 195 crore with effect from February 2016). The position of Ways and Means Advances and Overdraft is shown in the following table:

<sup>23</sup> Opening balance of Loan



**Table 1.24: Ways and Means Advances and Overdrafts***(₹ in crore)*

|                               | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|-------------------------------|---------|---------|---------|---------|---------|
| <b>Ways and Means Advance</b> |         |         |         |         |         |
| Availed in the year           | 89.95   | 534.65  | 274.52  | -       | 184.75  |
| Outstanding WMAs              | 89.95   | 97.92   | -       | -       | 184.75  |
| Interest paid                 | -       | 1.21    | 0.19    | -       | -       |
| Number of days                | 1       | 72      | 13      | -       | 1       |
| <b>Overdraft</b>              |         |         |         |         |         |
| Number of days                | 1       | 31      | 8       | -       | -       |

(Source: Finance Accounts)

The State Government resorted to Ways and Means Advance (WMA) during 2011-12 to 2013-14. However, during 2014-15 the State Government did not avail any Ways and Means Advance. During 2015-16, an amount of ₹ 184.75 crore was availed of as WMA for one day.

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 2015-16:

**Table 1.25: Cash balances and investment of cash balances as on 31 March 2016***(₹ in crore)*

| Particulars                                                              | Opening balance on 1.4.2015 | Closing balance on 31.3.2016 |
|--------------------------------------------------------------------------|-----------------------------|------------------------------|
| <b>(a) General Cash Balance -</b>                                        |                             |                              |
| Cash in Treasuries                                                       | 4.64                        | 4.64                         |
| Deposits with Reserve Bank                                               | (-) 297.96                  | (-) 5.14                     |
| Deposits with other Banks                                                | -                           | -                            |
| Remittances in transit - Local                                           | -                           | -                            |
| <b>Sub-total</b>                                                         | <b>(-) 293.32</b>           | <b>(-) 0.50</b>              |
| Investments in Cash Balance investment account <sup>24</sup>             | 125.65                      | -                            |
| <b>Total (a)</b>                                                         | <b>(-) 167.67</b>           | <b>(-) 0.50</b>              |
| <b>(b) Other Cash Balances and Investments</b>                           |                             |                              |
| Cash with departmental officers <sup>25</sup>                            | 53.45                       | 34.69                        |
| Permanent advances for contingent expenditure with departmental officers | 0.02                        | 0.02                         |
| Investment of earmarked funds                                            | 235.97                      | 350.98                       |
| <b>Total (b)</b>                                                         | <b>289.44</b>               | <b>385.69</b>                |
| <b>Grand total (a)+ (b)</b>                                              | <b>121.77</b>               | <b>385.19</b>                |

(Source: Finance Accounts)

Against opening cash balance of ₹ 121.77 crore at the beginning of 2015-16, the cash balance closed at an amount of ₹ 385.19 crore at the end of the year. This was mainly due to increase in Deposits with Reserve Bank from (-) ₹ 297.96 crore in 2014-15 to (-) ₹ 5.14 crore in 2015-16. Investment of earmarked fund also increased from ₹ 235.97 crore in 2014-15 to ₹ 350.98 crore in 2015-16. However, there was no balance lying in Cash Balance investment account at the end of 2015-16.

<sup>24</sup> GoI Treasury bills-₹ 125.65 crore, Long term investment- Nil, Other investment-Nil<sup>25</sup> Public Works Department Officers, and Forest Department Officers

## 1.9 Assets and Liabilities

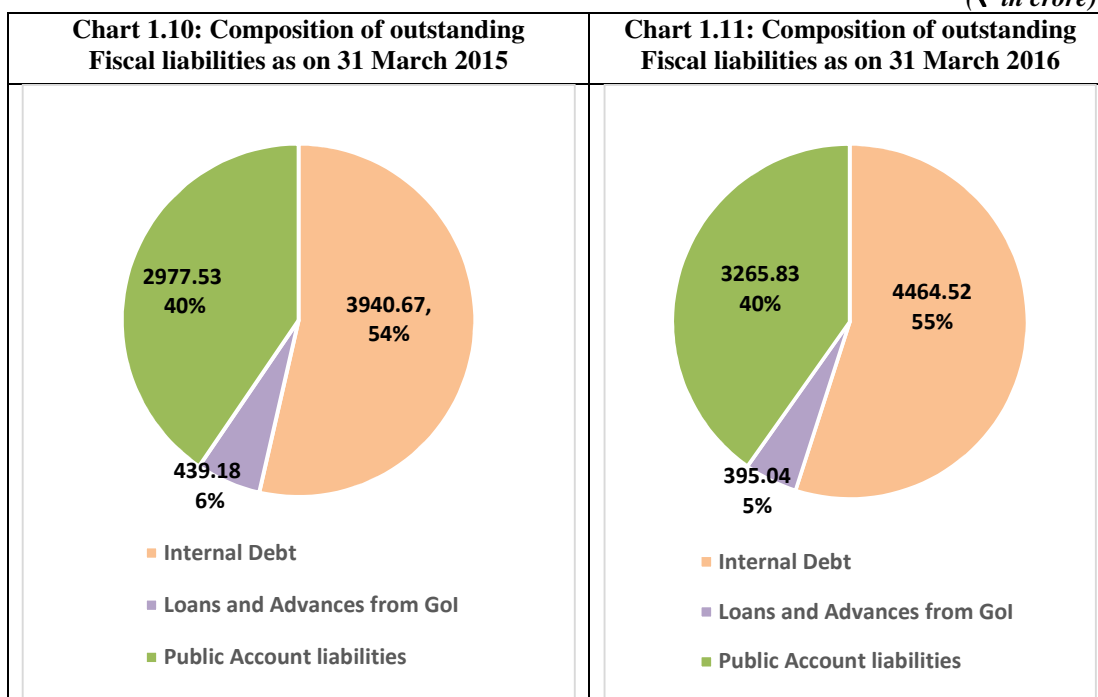
### 1.9.1 Growth and Composition of Assets and Liabilities

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 2016, compared with the corresponding position on 31 March 2015. The liabilities in this Appendix consist mainly of internal borrowings, receipt 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 2015-16 *vis-à-vis* the previous year are presented in the following charts:

(₹ in crore)



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

**Table 1.26: Details showing Fiscal liabilities, its growth rate and ratio to GSDP**  
(₹ in crore)

| Particulars                         | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|-------------------------------------|---------|---------|---------|---------|---------|
| Fiscal liabilities <sup>26</sup>    | 6483.16 | 6800.94 | 7060.68 | 7357.38 | 8125.39 |
| Rate of growth ( <i>per cent</i> )  | 4.70    | 4.90    | 3.82    | 4.20    | 10.44   |
| Percentage of Fiscal liabilities to |         |         |         |         |         |
| GSDP ( <i>per cent</i> )            | 50.20   | 49.47   | 43.59   | 40.78   | 40.85   |
| Revenue receipt ( <i>per cent</i> ) | 114.67  | 99.72   | 96.95   | 91.99   | 98.13   |

(Source: Finance Accounts & Directorate of Economics & Statistics)

The overall Fiscal liabilities of the State Government maintained an increasing trend during 2011-12 and 2015-16, which increased from ₹ 6483.16 crore in 2011-12 to ₹ 8125.39 crore in 2015-16. The Fiscal liabilities increased by 10.44 *per cent* (₹ 768.01 crore) in 2015-16 over the previous year (2014-15). This was mainly due to increase of ₹ 523.84 crore under Internal Debt, which constituted 68.21 *per cent* of the increase of the Fiscal liabilities in 2015-16.

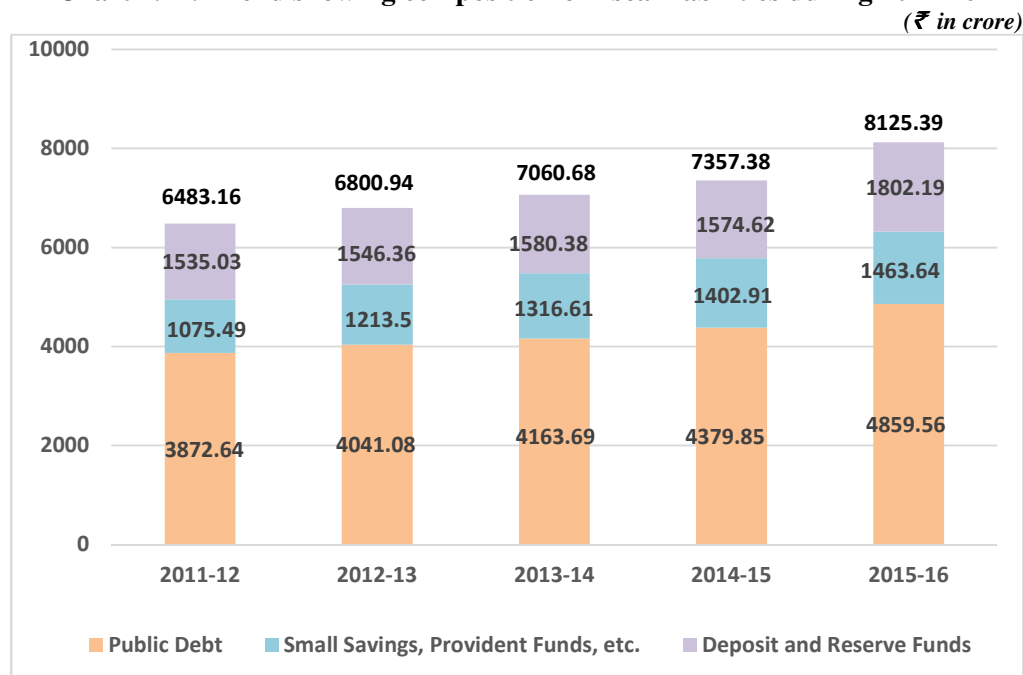
As compared to 10.44 *per cent* increase of Fiscal liabilities in 2015-16, the annual growth rate of Fiscal liabilities was around 4 *per cent* only during 2011-12 to 2014-15. This underlines the extent of increase of Fiscal liabilities in 2015-16. Such a trend, if continued in coming years, would put pressure on the State Government in meeting the burden on re-payment of debt and interest thereon.

Percentage of Fiscal liabilities to GSDP remained steady at about 40 *per cent* during 2014-15 and 2015-16. Percentage of Fiscal liabilities to Revenue receipt ratio increased from 91.99 *per cent* in 2014-15 to 98.13 *per cent* in 2015-16. This indicates that Fiscal liabilities grew at a faster rate than Revenue receipt during 2015-16.

The trends showing composition of Fiscal liabilities are further depicted in the following chart:-

<sup>26</sup> Refer glossary in Appendix 1.7. Fiscal Liabilities as shown in the Table is inclusive of Investment out of Reserved Funds

Chart 1.12: Trend showing composition of fiscal liabilities during 2011-16



(Source: Finance Accounts)

The increase in Fiscal liabilities (₹ 768.01 crore) during 2015-16 as compared to 2014-15 was mainly due to increase in Internal Debt (₹ 523.84 crore), Deposits (₹ 116.85 crore) and Reserved Funds (₹ 110.72 crore).

The increase in Internal Debt was mainly due to six market loans totalling to ₹ 600 crore, through six instruments at interest rates ranging from 8.07 per cent to 8.63 per cent, partially offset by repayments under other heads. The increase in Deposits was mainly due to increase under the head '8443 – Civil Deposits' (₹ 262.79 crore) partially offset by decrease under the head '8449 – Other Deposit' (₹ 141.91 crore). The increase in Reserve Fund was due to increase in Sinking fund (₹ 88.03 crore). Loans and Advances from GoI decreased as repayment of ₹ 44.13 crore was made and no further loans were obtained from GoI during 2015-16.

The State Government should review the Internal Debt of the State and devise a road map to handle re-payment of principal and interest.

### 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.

#### Consolidated Sinking Fund (CSF)

The State Government created (February 2008) a Consolidated Sinking Fund for amortization of market borrowings, other loans and debt obligation liabilities, as recommended by the XII Finance Commission. As per the guidelines, the State Government was required to contribute a minimum of 0.5

per cent of its outstanding liabilities (i.e. internal debt plus public account) as at the end of the previous year. Accordingly, the contribution due from the State Government in 2015-16 was ₹ 36.79 crore (0.5 per cent of outstanding liabilities of ₹ 7,357.38 crore as on 31 March 2015). Against this, the State Government contributed ₹ 27.40 crore to the Fund in 2015-16 resulting in short contribution of ₹ 9.39 crore during 2015-16.

The corpus of the Fund (including accumulated interest) amounting to ₹ 276.61 crore as on 31 March 2016, was invested by the Reserve Bank of India in GoI Securities.

### State Disaster Response Fund (SDRF)

The State has commenced operation of the “State Disaster Response Fund” (SDRF) in 2010-11<sup>27</sup>. The closing balance of the erstwhile Calamity Relief Fund<sup>28</sup> by the end of March 2015 was to be transferred to this Head during this year.

GoI released ₹ 21.05 crore<sup>29</sup> towards SDRF in 2015-16. The State Government transferred ₹ 23.49 crore (₹ 21.05 crore Central share and ₹ 2.44 crore State share) to the Fund in 2015-16. Out of the corpus of ₹ 44.56 crore as on 31 March 2016, ₹ 10.19 crore was invested. In terms of guidelines applicable to the Reserve Funds, the Government is required to pay interest at 7.5 per cent per annum on the fund balances of the previous year. Therefore, ₹ 2.90 crore was required to be provided as interest for the uninvested balance of ₹ 38.68 crore<sup>30</sup>, which was not done.

### In-operative Reserve Funds

The total amount lying under in-operative Reserve Funds was ₹ 0.24 crore at the end of the year. The fund was lying under the Major Head- ‘8226-Depreciation/Renewal Reserve Fund’, Minor Head ‘101-Depreciation Reserve Fund of Government Commercial Department’. This fund was in-operative from 1975-76.

## 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

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<sup>27</sup> under Major Head ‘8121-General and Other Reserve Funds, 122-State Disaster Response Fund’

<sup>28</sup> Under Major Head ‘8235-General and Other Reserve Funds, 111- State Disaster Response Fund’, operated under ‘(b) Reserve Fund not bearing interest’

<sup>29</sup> ₹38.71 crore was also transferred from National Disaster Response Fund (NDRF)

<sup>30</sup> ₹ 35.51 crore + (₹ 13.35 - ₹ 10.19 crore)

Act, 2004, the total outstanding guarantees as of 1 April of any year shall not exceed thrice the State's Own Tax revenue receipt 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 1.27: Guarantees given by Government of Manipur**

| Guarantees                                                       |              | (₹ in crore)  |                           |                           |               |               |
|------------------------------------------------------------------|--------------|---------------|---------------------------|---------------------------|---------------|---------------|
|                                                                  |              | 2011-12       | 2012-13                   | 2013-14                   | 2014-15       | 2015-16       |
| Maximum amount guaranteed                                        |              | 195.55        | 193.98                    | 197.45                    | 197.45        | 588.00        |
| Outstanding at the beginning 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        |
|                                                                  | <b>Total</b> | <b>232.60</b> | <b>175.35</b>             | <b>199.73<sup>@</sup></b> | <b>215.30</b> | <b>192.95</b> |
| Invoked during the year (Discharge)                              |              | 33.14         | 6.80                      | -                         | 23.34         | 28.17         |
| Outstanding at the end of the year                               | Principal    | 78.84         | 76.69                     | 75.57                     | 62.96         | 269.96        |
|                                                                  | Interest     | 96.51         | 123.04                    | 139.73                    | 129.99        | 69.57         |
|                                                                  | <b>Total</b> | <b>175.35</b> | <b>199.73<sup>@</sup></b> | <b>215.30</b>             | <b>192.95</b> | <b>339.53</b> |
| Number of guarantees                                             |              | 14            | 13                        | 13                        | 13            | 14            |
| Percentage of maximum amount guaranteed to Total revenue receipt |              | 3.47          | 2.84                      | 2.71                      | 2.47          | 7.10          |

<sup>@</sup> Closing balance of 2012-13 (Audit Report 2012-13) since reconciled between concerned Departments and Finance Department  
(Source: Finance Accounts)

The outstanding guarantee of ₹ 339.53 crore at the end of 2015-16 was kept within the limit of the FRBM Act *i.e.* ₹ 1550.49 crore <sup>31</sup>. An amount of ₹ 28.17 crore was invoked by the State Government during 2015-16. During 2015-16, the State Government issued fresh guarantee of ₹ 213.02 crore to Manipur State Power Distribution Company Limited. However, guarantee fee of ₹ 2.13 crore from the PSU was not collected. There was a outstanding guarantee of ₹ 339.53 crore, of which ₹ 269.96 crore was the principal amount and ₹ 69.57 crore was the interest amount at the end of 2015-16. As against the outstanding guarantee of ₹ 339.53 crore, the corpus available in the Guarantee Redemption Fund was only ₹ 64.19 crore at the end of 2015-16.

## 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 2015-16 is shown in the following table:

<sup>31</sup> Not to exceed thrice the State's Own Tax revenue receipt of the second preceding year as on 1 April of that year *i.e.* ₹ 1550.49 crore (₹ 516.83 crore (in 2014-15) x 3)

Table 1.28: Maturity Profile of debt<sup>32</sup>

| (₹ in crore)                |                  |                |
|-----------------------------|------------------|----------------|
| Maturity profile (in years) | Year of maturity | Amount         |
| 0 - 1                       | 2016-17          | 126.52         |
| 1 - 3                       | 2016-18          | 559.00         |
| 3 - 5                       | 2018-20          | 624.56         |
| 5 - 7                       | 2020-22          | 691.03         |
| 7 - 9                       | 2022-24          | 1215.19        |
| 9 -11                       | 2024-26          | 616.96         |
| 11-13                       | 2026-29          | 5.28           |
| Miscellaneous*              | -                | 1021.02        |
| <b>Total</b>                |                  | <b>4859.56</b> |

\* Year of Maturity not known (Source: Finance Accounts)

Maturity profile of the existing debt of the State shows that repayment burden will increase from ₹ 126.52 crore in the (0-1) year slab to ₹ 559 crore in the (1-3) years slab. In the next (3-5) years slab, this will increase to ₹ 624.56 crore and will increase further to ₹ 691.03 crore in the (5-7) years slab. During the (0-7) years slab, the repayment burden is ₹ 2001.11 crore, which constitutes 41 per cent of the total maturity profile. The repayment burden peaks in (7-9) years slab at ₹ 1215.19 crore before decreasing to ₹ 616.96 crore in the (9-11) years slab. The year wise details of maturity profile of debt at the end of 2015-16 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 sustainability<sup>33</sup> of the State, sufficiency of non-debt receipt<sup>34</sup>; net availability of borrowed funds<sup>35</sup> etc. The following table analyzes the debt sustainability of the State according to these indicators during 2011-16.

Table 1.29: Debt sustainability, Indicators and Trends

| (₹ in crore)                                                   |            |            |            |            |         |
|----------------------------------------------------------------|------------|------------|------------|------------|---------|
| Indicators of debt sustainability                              | 2011-12    | 2012-13    | 2013-14    | 2014-15    | 2015-16 |
| Outstanding Debt <sup>36</sup>                                 | 6369.36    | 6639.06    | 6850.34    | 7082.50    | 7739.79 |
| Rate of growth of Debt                                         | 4.13       | 4.23       | 3.18       | 3.39       | 9.28    |
| Rate of growth of GSDP                                         | -          | 6.45       | 17.83      | 11.39      | 10.24   |
| Average interest rate of outstanding public debt (in per cent) | 6.13       | 6.37       | 6.30       | 6.43       | 6.35    |
| Net availability of borrowed funds                             | (-) 137.51 | (-) 151.56 | (-) 185.18 | (-) 176.50 | 141.07  |
| Burden of interest payments (IP/RR* Ratio percentage)          | 7.03       | 6.35       | 6.11       | 5.92       | 6.23    |

\* IP – Interest Payment and RR – Revenue Receipt

(Source: Finance Accounts)

<sup>32</sup> Excluding debt under Public Accounts

<sup>33</sup> Refer glossary in Appendix 1.7

<sup>34</sup> Refer glossary in Appendix 1.7

<sup>35</sup> Refer glossary in Appendix 1.7

<sup>36</sup> Including Debt under Public Accounts other than Reserve Fund

The growth rate of Outstanding Debt which ranged between 3.18 *per cent* to 4.23 *per cent* during 2011-12 and 2014-15 grew substantially by 9.28 *per cent* in 2015-16. This was nearly equal to the growth rate of GSDP in 2015-16, which hitherto had maintained a higher growth rate than the growth rate of Outstanding Debt during 2011-12 to 2014-15. The increase in Outstanding Debt was mostly due to increase in Internal Debt.

Unlike the last four years during 2011-12 to 2014-15 when Net availability of borrowed funds was negative, there was Net availability of borrowed funds of ₹ 141.07 crore in 2015-16. This indicates that funds from Borrowed funds were available for other purpose after meeting the re-payment obligations of past debt and Interest. Interest payment-Revenue receipt ratio which depicted a declining trend from 7.03 *per cent* in 2011-12 to 5.92 *per cent* in 2014-15 reversed its trend in 2015-16 and increased to 6.23 *per cent*. As Debt has increased substantially in 2015-16, there is a likelihood that the ratio may increase further unless Revenue receipt grows at a faster rate.

### **1.10.3 Debt consolidation and relief facility**

The States' enactment/amendment of the FRBM Act, incorporating the targets prescribed in the Finance Commission 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**

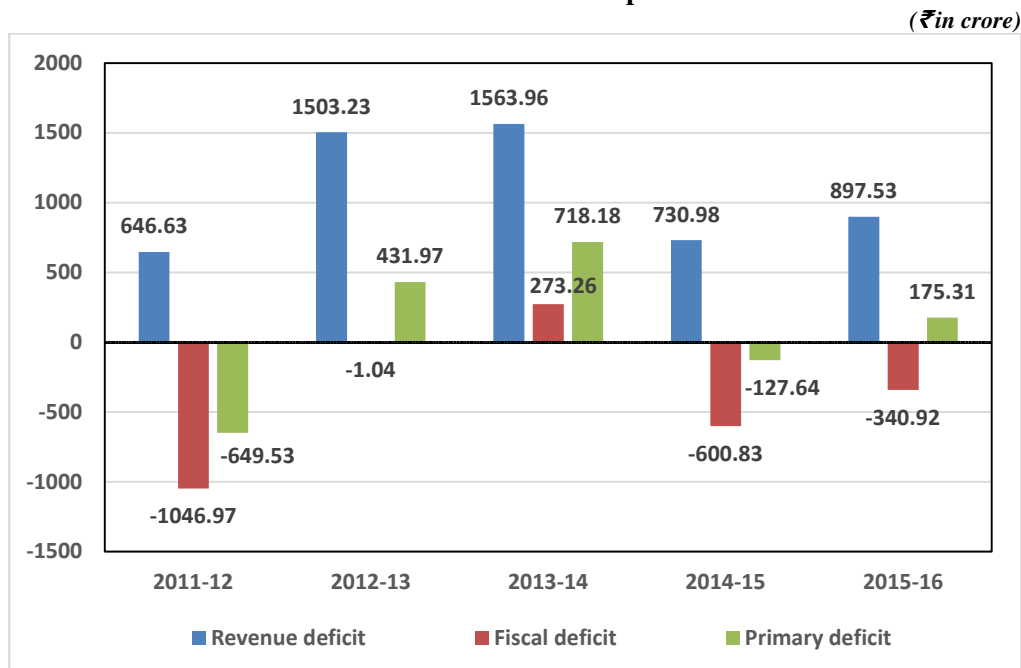
Three key fiscal parameters *i.e.* Revenue, Fiscal and Primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit/surplus in the Government accounts represents the gap between its receipt and expenditure. The nature of deficit/surplus 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, are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits/utilisation of surplus.



### 1.11.1 Trends in Deficits/Surplus

The following chart presents the trends in deficit indicators during 2011-16:

**Chart 1.13: Trends of deficit/surplus indicators**



The State was able to maintain Revenue surplus throughout 2011-12 to 2015-16, which ranged from ₹ 646.63 crore to ₹ 1563.96 crore. As compared to 2014-15, Revenue surplus improved by ₹ 166.55 crore in 2015-16.

The Fiscal deficit has been reduced from its peak level 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 trend reversed to a Fiscal deficit of ₹ 600.83 crore in 2014-15. However, Fiscal deficit was reduced to ₹ 340.92 crore in 2015-16.

The Primary deficit of ₹ 649.53 crore experienced in 2011-12 turned its trend in 2012-13 to a 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 to Primary deficit of ₹ 127.64 crore. This, however, again reverted into a surplus of ₹ 175.31 crore in 2015-16.

Reduction of growth of expenditure by the State Government in 2015-16 resulted in corresponding improvement of these key fiscal parameters *i.e.* Revenue, Fiscal and Primary deficits to tighten the overall fiscal imbalances in the Finances of the State Government in 2015-16. Reduction of Capital expenditure in 2015-16 needs to be reviewed so that pace of development

activities and creation of assets are not compromised. Thus, the State Government may consider stepping up of collection of more revenues, recovering loans, earning more returns on investments.

### 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 1.30: Components of Fiscal deficit and its financing pattern**

(₹ in crore)

| Sl. No.                                                         | Particulars                                       | 2011-12    | 2012-13    | 2013-14     | 2014-15     | 2015-16     |
|-----------------------------------------------------------------|---------------------------------------------------|------------|------------|-------------|-------------|-------------|
| Decomposition of Fiscal deficit (-) /surplus (+)                |                                                   | (-)1046.97 | (-)1.04    | (+) 273.26  | (-) 600.83  | (-) 340.92  |
| 1                                                               | Revenue surplus                                   | 646.63     | 1503.23    | 1563.96     | 730.98      | 897.53      |
| 2                                                               | Net capital expenditure                           | (-)1695.41 | (-)1501.56 | (-) 1291.89 | (-) 1332.44 | (-) 1237.87 |
| 3                                                               | Net Loans and Advances                            | 1.81       | (-)2.71    | 1.19        | 0.63        | (-) 0.58    |
| <b>Financing/utilisation pattern of Fiscal deficit/surplus*</b> |                                                   |            |            |             |             |             |
| 1                                                               | Market Loans                                      | 76.97      | 182.01     | 288.17      | 339.23      | 311.29      |
| 2                                                               | Loans from the GoI                                | (-)64.93   | (-)44.01   | (-) 47.08   | (-) 44.17   | (-) 44.13   |
| 3                                                               | Special Securities Issued to NSSF**               | (-)12.85   | (-)16.19   | (-) 21.50   | (-) 26.03   | 18.51       |
| 4                                                               | Loans from Financial Institutions and other loans | 43.96      | 38.66      | 0.94        | (-) 52.87   | 9.29        |
| 5                                                               | Ways and Means Advance                            | 89.95      | 7.97       | (-) 97.92   | -           | 184.75      |
| 6                                                               | Small Savings, PF** etc.                          | 233.69     | 138.01     | 103.11      | 86.30       | 60.74       |
| 7                                                               | Deposits and Advances                             | (-)114.24  | (-)36.74   | (-) 14.43   | (-) 70.88   | 116.85      |
| 8                                                               | Suspense and Miscellaneous                        | 6.23       | 1.77       | 1.91        | (-) 15.56   | (-) 19.13   |
| 9                                                               | Remittances                                       | 21.57      | (-)2.09    | (-) 15.71   | (-) 21.81   | (-) 144.54  |
| 10                                                              | Reserve Fund                                      | 38.35      | 48.08      | 48.46       | 64.55       | 110.71      |
| Increase (-)/decrease (+) in cash balance                       |                                                   | 728.28     | (-)316.43  | (-) 519.21  | 342.07      | (-) 263.42  |

\* 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 ₹ 340.92 crore in 2015-16 was mainly due to expenditure on Capital account partially reduced by the Revenue surplus. The deficit was mainly financed by Market loan and Other Loans (₹ 311.29 crore) and Ways and Means Advance (₹ 184.75 crore) partially reduced by outflow of Loans from the GoI (₹ 44.13 crore). As stated earlier, increase of Internal Debt of ₹ 523.84 crore<sup>37</sup> in 2015-16 is higher than ₹ 260.33 crore<sup>38</sup> made in 2014-15.

<sup>37</sup> Market Loans (₹ 311.29 crore) + Special Securities issued to NSSF (₹ 18.51 crore) + Loans from Financial Institutions etc. (₹ 9.29 crore) + WMA (₹ 184.75 crore)

### 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 1.31: Primary deficit/surplus, Bifurcation of factors**

(₹ in crore)

| Year    | Non-debt receipt | 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)                         |
| 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                      |
| 2015-16 | 8281.12          | 6866.34                       | 1237.86             | 1.60               | 8105.81             | 1414.78                 | (+) 175.31                      |

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

The Non-debt receipt of the State during 2011-16 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 2011-12 and 2014-15 the Primary revenue surplus was not adequate to cover the Capital expenditure and Loans and Advances, resulting in Primary deficit during these years. There was Primary surplus of ₹ 175.31 crore in 2015-16 reverting the trend of the previous year (2014-15). As compared to growth of Non-debt receipt by 9.82 per cent in 2014-15, Non-debt receipt in 2015-16 grew by only 3.52 per cent. Against this, Primary expenditure which increased by 23.78 per cent in 2014-15 decreased by 0.26 per cent in 2015-16. This was the main reason of achieving Primary surplus in 2015-16.

<sup>38</sup> Market Loans (₹ 339.23 crore) + Special Securities issued to NSSF (minus ₹ 26.03 crore) + Loans from Financial Institutions etc. (minus ₹ 52.87 crore)

## **1.12 Conclusion and recommendations**

### ***Revenue receipt***

Revenue receipt increased by ₹ 281.83 crore (3.52 per cent) over the previous year. The increase was mainly due to increase in Share of Union Taxes and duties (₹ 1615.53 crore) offset by decrease in Grants-in-Aid (GIA) from Government of India (GoI) (₹ 1333.06 crore). 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 2011-16. The State's share of Union taxes and duties and GIA from GoI contributed in the range of 88 per cent to 92 per cent to the Revenue receipt during 2011-16 and remained the main contributor to Revenue receipt of the State.

Both under Own Tax revenue and Non-tax revenue targets/assessment of XIV FC, Budget estimates and MTFPS could not be achieved during 2015-16. (paras 1.1.2, 1.3 and 1.3.1)

*The State Government should enforce adequate measures to increase own resources of revenue.*

### ***Expenditure status***

Total expenditure of the State increased by ₹ 1919.63 crore (28.65 per cent) from ₹ 6702.41 crore in 2011-12 to ₹ 8622.04 crore in 2015-16. The Revenue expenditure of the State increased by ₹ 2375.65 crore (47.45 per cent) from ₹ 5006.92 crore in 2011-12 to ₹ 7382.57 crore in 2015-16.

Capital expenditure exhibited a declining trend since 2011-12 to 2013-14. It increased in 2014-15 and then decreased again in 2015-16. Revenue expenditure, on the other hand has increased steadily during 2011-16. Revenue expenditure as a percentage of the Total expenditure increased from 74.70 per cent in 2011-12 to 85.62 per cent in 2015-16. This shows that a bulk of the Total expenditure has been increasingly spent to meet expenditure on maintenance, salary, etc. (para 1.6.1)

*The State Government may give priority to increase Capital expenditure.*

### ***Investment in companies, corporations and co-operative societies and returns***

During 2011-16, investment in companies, corporations and co-operative societies ranging from ₹ 160.18 crore to ₹ 175.24 crore was made by the State Government. Against this, the State Government could earn only ₹ 15,000 during 2011-16. The State Government paid an average rate of interest ranging

from 6.27 *per cent* to 6.67 *per cent* on its borrowings. However, the rate of return from the investment was insignificant. **(para 1.8.2)**

*The State Government may critically review the functioning of the corporations and companies to make their operations viable to ensure more returns on the investments.*

***Fiscal liabilities and fiscal position***

The overall Fiscal liabilities of the State Government increased from ₹ 6483.16 crore in 2011-12 to ₹ 8125.39 crore in 2015-16. This was mainly due to increase of ₹ 523.84 crore under Internal Debt.

Fiscal liabilities in 2015-16 increased by 10.44 *per cent* as compared to 2014-15. However, the annual growth rate of Fiscal liabilities during 2011-12 to 2014-15 was around 4 *per cent*. This underlines the extent of increase of Fiscal liabilities in 2015-16. Such a trend, if continued in coming years, would put pressure on the State Government in meeting the burden on re-payment of debt and interest thereon. **(paras 1.9.2)**

*The State Government should review the Internal Debt of the State and devise a road map to handle re-payment of principal and interest.*

