
CHAPTER-I
FINANCES OF THE STATE GOVERNMENT

Profile of State

The State of Tripura is located in the North Eastern Region of India. It is the third smallest State of the country in terms of geographical area (10,491.69 sq. km) and second most populous State, after Assam, of North East India. The State is categorised as a Special Category State on account of which certain special privileges are given by Government of India (GoI) viz. 90 *per cent* grants and 10 *per cent* State share against 70 *per cent* grants and 30 *per cent* State share to General Category States in all the Centrally Sponsored Schemes (CSS). The State stands 18th in terms of population density in the country. As indicated in **Appendix - 1.1 (Part-D)** the State's population increased from 31.99 lakh (2001) to 36.74 lakh (2011) recording a decadal growth rate of 14.85 *per cent* and estimated 11.43 *per cent* growth during 2007 to 2016 from population of 35 lakh to 39 lakh during the period. The State's literacy rate increased from 73.20 *per cent* (as per 2001 census) to 87.22 *per cent* against the All India Average of 73.00 *per cent* (as per 2011 census). The per capita income of the State was ₹ 88,555 (Provisional) in 2015-16 and ₹ 94,563.33 (Advance) in 2016-17.

Gross State Domestic Product

Gross State Domestic Product (GSDP) is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates the standard of living of the State's population. The trends in the annual growth of India's Gross Domestic Product (GDP) at factor cost at current market price and the State GSDP at factor cost at current prices (base year 2011-12) are indicated below:

Annual growth rate of GDP and GSDP at current prices

| Year | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---------------------------------|-----------|-------------|-------------|------------------|------------------|
| India's GDP (₹ in crore)* | 99,44,013 | 1,12,33,522 | 1,24,45,128 | 1,36,82,035 | 1,51,83,709 |
| Growth rate of GDP (percentage) | 13.82 | 12.97 | 10.79 | 9.94 | 10.98 |
| State's GSDP (₹ in crore)# | 21,663 | 25,593 | 29,667 | 32,861.70 (P) | 36,879.70 (A) |
| Growth rate of GSDP | 12.78 | 18.14 | 15.92 | 10.77 | 12.23 |

* Central Statistical Office, Ministry of Statistics and Programme Implementation.

Quarterly review report of the Finance Minister for the third Quarter 2016-17 and the Directorate of Economic & Statistics, Government of Tripura. (P): Provisional, (A): Advance Estimate.

1.1 Introduction

1.1.1 Summary of Fiscal Transactions in 2016-17

Table 1.1 presents the summary of the State Government's fiscal transactions while **Appendix - 1.2** provides details of receipts and disbursements as well as the overall fiscal position during the current year (2016-17) *vis-à-vis* the previous year (2015-16).

Table No. 1.1: Summary of Fiscal operations in 2016-17

(₹ in crore)

| Receipts | | | Disbursements | | | | |
|---|------------------|------------------|---------------------------------|------------------|-----------------|-----------------|------------------|
| Particulars | 2015-16 | 2016-17 | Particulars | 2015-16 | 2016-17 | | |
| Section-A: Revenue | | | | | Non-plan | Plan | Total |
| Revenue Receipts | 9,426.74 | 9,645.46 | Revenue Expenditure | 7,868.47 | 6,600.14 | 2,255.00 | 8,855.14 |
| Tax Revenue | 1,332.25 | 1,422.01 | General Services | 3,045.18 | 3,482.58 | 20.59 | 3,503.17 |
| Non-tax Revenue | 262.60 | 218.85 | Social Services | 3,310.89 | 1,937.84 | 1,744.94 | 3,682.78 |
| State's Share of Union Taxes and Duties | 3,266.02 | 3,909.12 | Economic Services | 1,314.47 | 981.79 | 489.47 | 1,471.26 |
| Grants-in-aid from Gol | 4,565.87 | 4,095.48 | Grants-in-aid and Contributions | 197.93 | 197.93 | - | 197.93 |
| Section-B: Capital and Others | | | | | | | |
| Misc. Capital Receipts | 0.00 | 0.00 | Capital Outlay | 3,188.02 | 18.92 | 3,274.65 | 3,293.57 |
| Recoveries of Loans and Advances | 1.14 | 0.91 | Loans and Advances Disbursed | 21.84 | 13.95 | 13.33 | 27.28 |
| Public Debt Receipts | 1,119.79 | 1,139.56 | Repayment of Public Debt | 447.29 | 512.63 | - | 512.63 |
| Contingency Fund | 0.00 | 0.00 | Contingency Fund | 0.00 | 0.00 | 0.00 | 0.00 |
| Public Account Receipts | 3,324.03 | 3,931.53 | Public Account Disbursements | 2,964.47 | - | - | 3,134.96 |
| Opening Cash Balance | 3,380.74 | 2,835.35* | Closing Cash Balance | 2,762.35 | - | - | 1,729.23 |
| Total: | 17,252.44 | 17,552.81 | Total: | 17,252.44 | - | - | 17,552.81 |

Source: Finance Accounts

Note: * Increased by ₹ 73 crore due to inclusion of amount of investment from SDRF during the year 2015-16.

The following are the major changes in fiscal transactions during the year 2016-17:-

| | |
|---------------------|--|
| Revenue Receipts | <ul style="list-style-type: none"> ➤ Revenue Receipts increased by 2.32 per cent ➤ Tax Revenue increased by 6.74 per cent ➤ Non-tax Revenue decreased by 16.66 per cent ➤ State's Share of Union Taxes and Duties increased by 19.69 per cent ➤ Grants-in-aid from Gol decreased by 10.30 per cent ➤ Overall central transfer increased by 2.21 per cent |
| Revenue Expenditure | <ul style="list-style-type: none"> ➤ Revenue Expenditure increased by 12.54 per cent ➤ Revenue Expenditure on General Services increased by 15.04 per cent ➤ Revenue Expenditure on Social Services increased by 11.23 per cent ➤ Revenue Expenditure on Economic Services decreased by 11.93 per cent ➤ No change in disbursement of Grants in-aid during the year |
| Capital Expenditure | <ul style="list-style-type: none"> ➤ Capital Expenditure increased by 3.31 per cent ➤ Capital Expenditure on General Services increased by 38.64 per cent ➤ Capital Expenditure on Social Services increased by 103.48 per cent ➤ Capital Expenditure on Economic Services decreased by 28.78 per cent |
| Loans and Advances | <ul style="list-style-type: none"> ➤ Disbursement of Loans and Advances increased by 24.91 per cent ➤ Recoveries of Loans and Advances decreased by 20.18 per cent |
| Public Debt | <ul style="list-style-type: none"> ➤ Public Debt Receipts increased by 1.77 per cent ➤ Repayment of Public Debt increased by 14.61 per cent |

1.1.2 Review of the Fiscal Situation

Tripura Fiscal Responsibility and Budget Management Act, 2005

As per recommendations of the Finance Commission, the State Government had introduced the Tripura Fiscal Responsibility and Budget Management (TFRBM) Act, 2005 (revised in 2011) and had revised the Medium Term Fiscal Policy Statement (MTFPS) targets since 2010-11.

Accordingly, some Major fiscal variables provided in the budget based on the recommendations of the XIV Finance Commission (XIV FC) and the actual *vis-a-vis* the target in the TFRBM Act of the State are depicted in **Table No. 1.2** below:

Table No. 1.2: Trends in major fiscal variations vis-à-vis projections for 2016-17

| Fiscal variables | 2016-17 | | | |
|---|------------------------------|------------------------------------|---------------------------|-------------|
| | XIV FC targets for the State | Targets as prescribed in TFRBM Act | Projections made in MTFPS | Achievement |
| Revenue Deficit (-)/Surplus (+) (₹ in crore) | To maintain Revenue surplus | | | (+) 790.32 |
| Fiscal Deficit(-)/Surplus (+) to GSDP ratio (in per cent) | (-) 3.25 | (-) 3.25 | (-) 3.25 | (-) 6.86 |
| Ratio of outstanding liabilities to GSDP (in per cent) | 35.00 | 35.00 | 34.75 | 32.24 |

Source: XIV FC, MTFPS, Finance Accounts.

The State had maintained Revenue Surplus during the current year 2016-17. The State Government was not able to achieve the Fiscal Deficit-GSDP ratio of 3.25 per cent set in the TFRBM Act and MTFPS. The outstanding liabilities to GSDP ratio was within the target of 35 per cent as prescribed in TFRBM Act and MTFPS and also projection made by XIV FC for the year 2016-17 for the State.

During the year 2016-17, the State witnessed a Fiscal Deficit of ₹ 2,529.62 crore as against the deficit of ₹ 1,650.45 crore in 2015-16 with an increase of 53 per cent during the year.

1.1.3 Budget Estimates and Actual

The Budget Estimates of the State Government provides an estimate of Revenue Receipts and Expenditure thereof for a particular financial year. The projected estimates are important as they guide the State Government's fiscal policy for a financial year. The accuracy in the estimates of receipt and expenditure reflects the fiscal marksmanship and effective implementation of fiscal policies for the overall socio-economic development of the State. The following table shows the Budget Estimates and Actual for selected parameters.

Table No. 1.3: Budget and Actual of selected fiscal parameters 2016-17

(₹ in crore)

| Sl. No. | Particulars | Budget Estimates | Actual | Percentage |
|---------|---|------------------|--------------|------------|
| 1 | Tax Revenue | 1,439.98 | 1,422.01 | 98.75 |
| 2 | Non-tax Revenue | 295.14 | 218.85 | 74.15 |
| 3 | State's Share of Union Taxes and Duties | 4,299.00 | 3,909.12 | 90.93 |
| 4 | Grants-in-aid from Gol | 6,851.86 | 4,095.48 | 59.77 |
| 5 | Capital Receipts (Borrowings) | 1,572.00 | 1,339.56 | 85.21 |
| 6 | Revenue Expenditure | 10,525.67 | 8,855.14 | 84.13 |
| 7 | Capital Expenditure | 4,720.85 | 3,293.57 | 69.77 |
| 8 | Revenue Deficit (-)/Surplus (+) | (+) 2,360.31 | (+) 790.32 | 33.48 |
| 9 | Fiscal Surplus (+)/Deficit (-) | (-) 1,752.35 | (-) 2,529.62 | 144.36 |
| 10 | Primary Deficit (-)/Surplus (+) | (-) 752.71 | (-) 1,735.31 | 230.54 |

The State had achieved 98.75 *per cent* and 74.15 *per cent* respectively of collection of State's Tax Revenue and Non-tax Revenue against the Budget Estimates during the year 2016-17. State's Share of Union Taxes and Duties and Grants-in-aid from Gol were lesser than the Budget Estimates by ₹ 389.88 crore and ₹ 2756.38 crore respectively. Borrowings from Public Debt during the year 2016-17 remained within the Budget Estimates. Revenue and Capital Expenditure were lower by 15.87 *per cent* and 30.23 *per cent* respectively than the Budget Estimates made for the year. The actual Fiscal Deficit during the year stood at ₹ 2,529.62 crore against the Budget Estimates of ₹ 1,752.35 crore.

Mode of Financing Fiscal Deficit

According to the Budget at a Glance 2017-18, the Fiscal Deficit for 2016-17 was anticipated to be ₹ 1,752.35 crore. The Finance Minister stated in the Budget Speech (2016-17) that this deficit would be met by means of implementing austerity measures and mobilising additional revenue by means of better tax compliance during the year.

1.1.4 Gender Budget

In order to create a positive environment through economic and Social policies for Development of women and children to enable them to realise their full potential and to ensure equal rights and opportunities to them in their social and economic life and for their protection, the State Government introduced Gender budget since 2005-06 and allocates funds for women fully or partly on various Schemes within the overall budget. During the year 2016-17, an amount of ₹ 1,290.35 crore (28.51 *per cent*) out of total Plan of ₹ 4,525.97 crore was allocated to 18 departments in the Revised Estimates. The budget provision and financial achievement for the last five-year period up to 2016-17 are shown below:

Table No. 1.4: Provision and achievement of Gender Budget during 2012-17

(₹ in crore)

| Year | Total budget for plan outlay | Provision for gender budget (percentage of total plan provision) | Financial achievement (percentage of achievement) |
|---------|------------------------------|--|---|
| 2012-13 | 1,864.55 | 421.44 (23) | 289.93 (69) |
| 2013-14 | 2,039.96 | 360.25 (18) | 254.56 (71) |
| 2014-15 | 4,326.02 | 551.71 (13) | 336.63 (61) |
| 2015-16 | 4,298.57 | 1,239.52 (29) | 734.40 (59) |
| 2016-17 | 4,525.97 | 1,290.35 (28) | 909.82 (70) |

Source: Budget at a Glance 2013-14 to 2017-18.

Scrutiny of budget records (Budget at a Glance) revealed that out of total provision of ₹ 1,290.35 crore for women during 2016-17, ₹ 909.82 crore was utilised through 18 departments resulting in short utilisation of funds of ₹ 380.53 crore (30 *per cent* of allocated funds). During the last five year period from 2012-13 to 2016-17, the shortfall in achievement of utilisation of budget provision for women ranged from 29 *per cent* to 41 *per cent*.

The State Government should utilise the total provision made in the gender budget to achieve the goal.

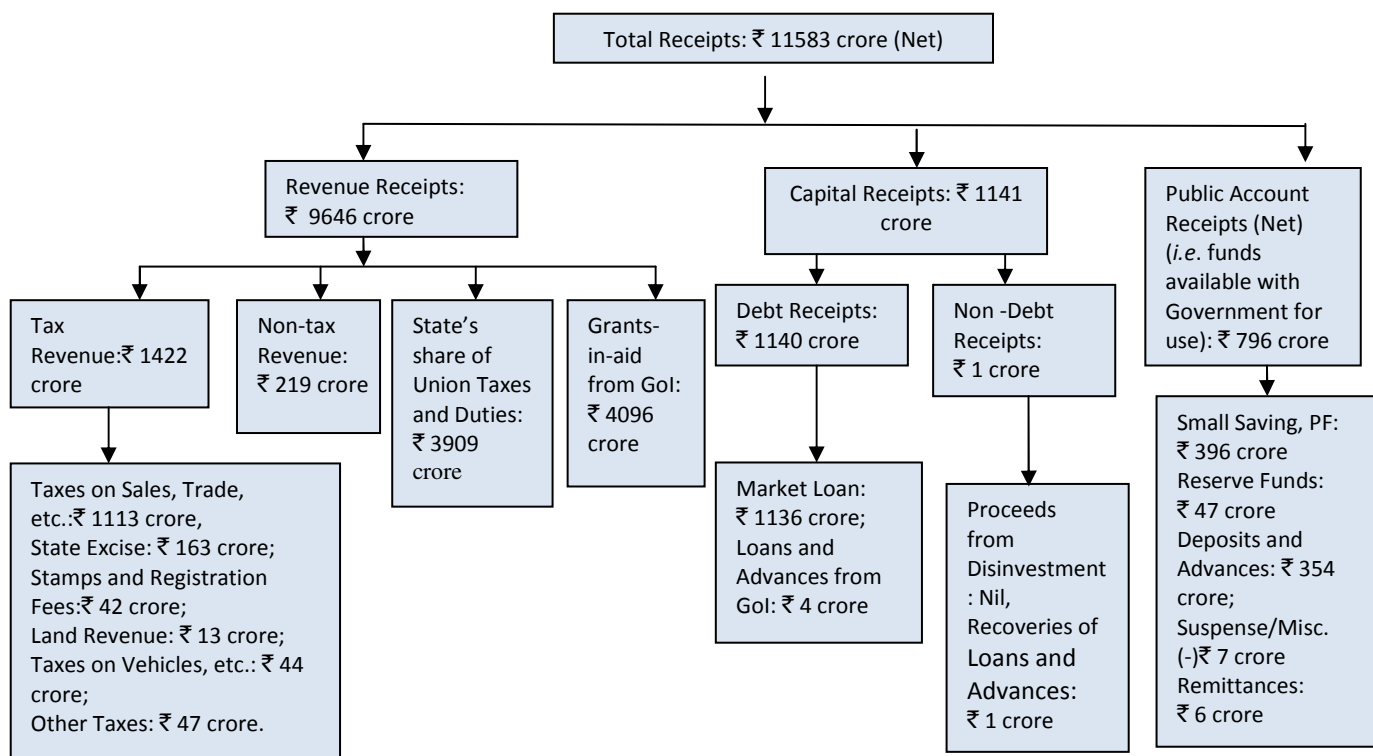
1.2 Resources of the State

1.2.1 Resources of the State as per the Annual Finance Accounts

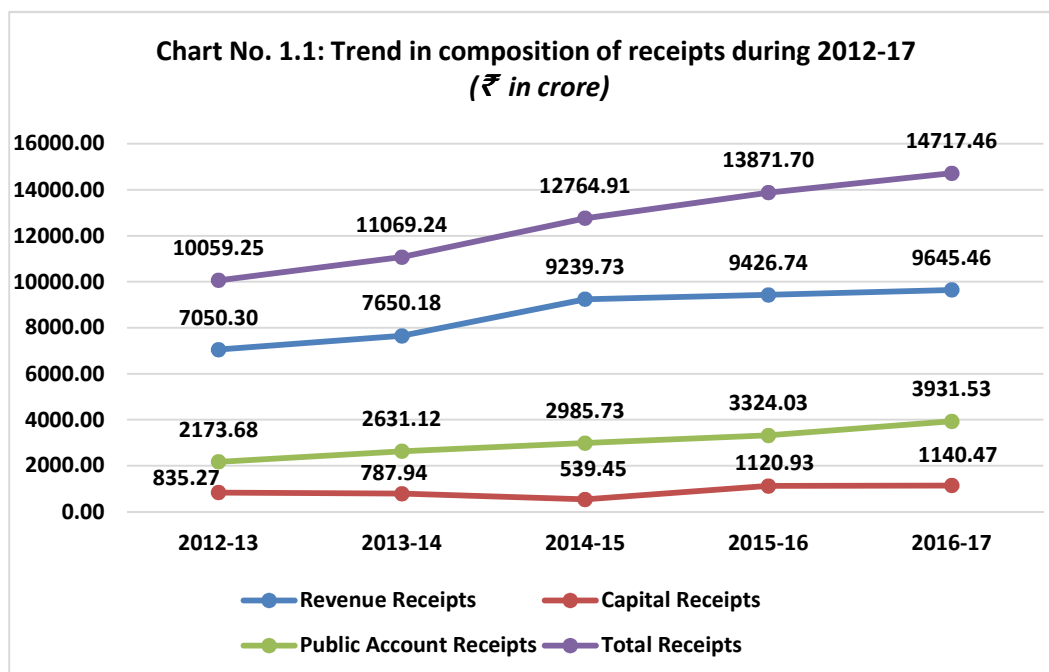
Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of Tax Revenue, Non-tax Revenue, State's Share of Union Taxes and Duties and Grants-in-aid from Gol. Capital Receipts comprises of Miscellaneous Capital Receipts such as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

Following flowchart shows the components and sub-components of resources of the State during 2016-17:

Resources of the State during 2016-17



The trend in composition of receipts during 2012-17 is detailed in the chart below:



Revenue Receipts of the State increased from ₹ 7,050.30 crore in 2012-13 to ₹ 9,645.46 crore in 2016-17 which represented an increase of about 36.81 per cent over a period of five years. The contribution of Tax Revenue, Non-Tax Revenue, State's Share of Union Taxes and Duties and Grants-in-aid from Gol to the total Revenue Receipts during 2016-17 were 15 per cent, 2 per cent, 41 per cent and 42 per cent respectively.

On the other hand, though the Capital Receipts inclusive of recoveries from Loans and Advances of the State had increased from ₹ 1,120.93 crore in 2015-16 to ₹ 1,140.47 crore in 2016-17, there have been fluctuations in the trend line over the last five years due to increase and decrease in Public Debt Receipts during the period. The increase in 2016-17 was mainly due to more borrowing from the market (₹ 990.32 crore) during the year as compared to the previous year (₹ 575.00 crore).

1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

As per Gol decision all assistance to CSS and Additional Central Assistance (ACA) under various schemes would be released directly to the State Government and not to the State Implementing Agencies and hence these funds would be routed through the State budget from the year 2015-16 onwards. But as per records of the Public Financial Management System (PFMS) portal of Controller General of Accounts, it was seen that an approximate amount of ₹ 830.68 crore under 57 schemes (**Appendix-1.3**) was released directly to the State Implementing Agencies and the

Non-Government Organisations during the year which were not routed through the budget of the State Government.

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

(₹ in crore)

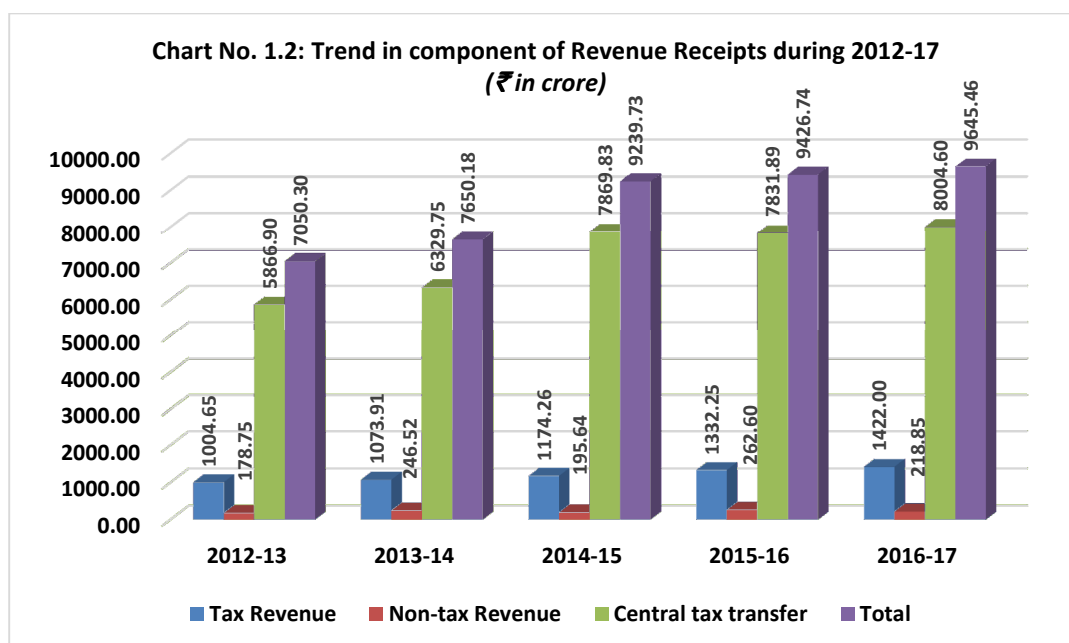
| Particulars | Funds transferred | | | | |
|---|-------------------|----------|---------|---------|---------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Number of Programmes/Schemes under which funds were transferred | 63 | 57 | 43 | 38 | 57 |
| Total funds transferred by Central Government | 1,618.36 | 1,763.55 | 110.90 | 121.22 | 830.68 |

Source: Public Financial Management System portal of Controller General of Accounts.

Out of ₹ 830.68 crore released during the year 2016-17, ₹ 660.14 crore was released for Mahatma Gandhi National Rural Employment Guarantee scheme (MGNREGA), ₹ 22.49 crore for NER-Textile Promotion Scheme under Tripura Handloom and Handcrafts Development Corporation Limited; ₹ 26.31 crore to the Tripura Tourism Development Corporation Limited for Swadesh Darshan Scheme; and ₹ 26.46 crore to TIDCL for Industrial Infrastructure upgradation Scheme. Towards the Distributed and Decentralised Renewable Power Scheme, ₹ 14.42 crore was released to the Tripura Renewable Energy Development Agency (TREDA) during the year while ₹ 10 crore was released for MPLADS to the DM, West Tripura and ₹ 70.86 crore was released to others during 2016-17. With the release of these funds directly to the Implementing Agencies in the State, the resources of the State during the year 2016-17 stood at ₹ 12,414 crore (including the net receipts of ₹ 11,583 crore in the State) as on 31 March 2017.

1.3 Revenue Receipts

The Revenue Receipts of the State Government consist of its Tax Revenue and Non-tax Revenue and Central tax transfer including Grants-in-aid from GoI. Details of the Revenue Receipts of the Government are in Statement-14 of the Finance Accounts (2016-17). The trends and composition of Revenue Receipts for the last five year period (2012-17) are presented in **Chart No. 1.2** and **Appendix-1.4**.



The contribution of Tax Revenue to the Revenue Receipts during 2016-17 was 15 *per cent*, whereas Non-tax Revenue constituted about 2 *per cent* of Revenue Receipts. State's Share of Union Taxes and Duties constituted about 41 *per cent* while Grants-in-aid from the GoI constituted about 42 *per cent* during the year 2016-17. During 2016-17, the receipts of State's Share of Union Taxes and Duties increased by 20 *per cent* whereas Grants-in-aid from GoI decreased by 10 *per cent* over the previous year.

Over the last five year period, the trend and growth of Revenue Receipts and its buoyancy with respect to GSDP at current prices (base year 2011-12) are shown in **Table No. 1.6**.

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

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue Receipts (RR) (₹ in crore) | 7,050.30 | 7,650.18 | 9,239.73 | 9,426.74 | 9,645.46 |
| Rate of growth of RR (<i>per cent</i>) | 8.85 | 8.51 | 20.78 | 2.02 | 2.32 |
| R R/GSDP (<i>per cent</i>) | 32.54 | 29.89 | 31.14 | 28.40 | 26.15 |
| Buoyancy Ratios¹ | | | | | |
| Revenue Buoyancy w.r.t GSDP | 0.69 | 0.46 | 1.30 | 0.15 | 0.19 |
| State's Tax Buoyancy w.r.t GSDP | 1.34 | 0.38 | 0.59 | 1.13 | 0.52 |
| Revenue Buoyancy with reference to State's Taxes | 0.52 | 1.24 | 2.22 | 0.15 | 0.34 |

It was noticed that though the Revenue Receipts increased from ₹ 7,050.30 crore in 2012-13 to ₹ 9,645.46 crore in 2016-17, its ratio relative to GSDP came down to 26.15 *per cent* in 2016-17 from 32.54 *per cent* in 2012-13. The growth rate of Revenue Receipts in 2016-17 over the previous year was 2.32 *per cent*. Revenue Buoyancy during 2016-17 was better than the previous year. However, State's Tax Buoyancy with respect to GSDP was lower in 2016-17 than the previous year.

¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance revenue buoyancy at 0.15 implies that revenue receipts tend to increase by 0.15 percentage points if the GSDP increases by one *per cent*.

The growth rate of Revenue Receipts of the State was 2.32 per cent whereas the average growth rate of 11 Special Category States was 14.44 per cent in 2016-17 over the previous year.

1.3.1 State's Own Resources

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

The projections of the Finance Commission, MTFPS and actual collections in respect of Tax and Non-tax Revenue for the year 2016-17 are given in **Table No. 1.7**.

Table No. 1.7: Projection of XIV FC, MTFPS, Budget Estimates vis-a-vis the Actual in respect of Tax and Non-tax Revenue for 2016-17

| | (₹ in crore) | | | |
|-----------------|--------------------|------------------|------------------|---------|
| | XIV FC Projections | MTFPS Projection | Budget Estimates | Actual |
| Tax Revenue | 1938.00 | 1410.00 | 1439.98 | 1422.01 |
| Non-tax Revenue | 408.00 | 251.00 | 295.14 | 218.85 |

Actual collection of Tax and Non-tax Revenue were lower than the XIV FC projection for the year 2016-17. However, the Tax Revenue collection was higher than the MTFPS projection but lower than the Budget Estimates made by the State while Non-tax Revenue was lower than the projection by ₹ 32.15 crore (12.81 per cent) made in MTFPS for the year 2016-17.

i) Tax Revenue

Overall increase of Tax Revenue of the State during the year 2016-17 was 6.74 per cent over the previous year. The increase was mainly due to increase in collection of Sales Tax and State excise. A major part of Sales Tax was from Value Added Tax (VAT) which increased by 20 per cent in 2016-17 from ₹ 921.49 crore in 2015-16 to ₹ 1,108.68 crore in 2016-17. The component-wise trends of State's Tax Revenue during 2012-17 are shown in **Table No. 1.8**.

Table No. 1.8: Components of State's Tax Revenue*(₹ in crore)*

| Revenue Head | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Taxes on Sales, Trades, etc. | 763.07 | 837.09 | 909.81 | 1,058.48 | 1,112.89 |
| State Excise | 114.00 | 115.18 | 138.96 | 143.56 | 163.19 |
| Taxes on Vehicles | 30.73 | 36.79 | 36.09 | 37.62 | 43.60 |
| Stamp Duty and Registration Fees | 36.71 | 39.24 | 37.56 | 42.49 | 41.83 |
| Land Revenue | 26.44 | 8.07 | 10.76 | 5.97 | 13.32 |
| Other Taxes ² | 33.70 | 37.54 | 41.08 | 44.13 | 47.18 |
| Total: | 1,004.65 | 1,073.91 | 1,174.26 | 1,332.25 | 1,422.01 |

Source: Finance Accounts for the respective years

The growth rate of Tax Revenue of the State was 6.74 per cent whereas it was 4.99 per cent in respect of the 11 Special Category States for the year 2016-17 as compared to the previous year.

ii) Non-tax Revenue

The overall Non-tax Revenue receipts of the State during 2016-17 decreased by ₹ 43.75 crore (16.66 per cent) from ₹ 262.60 crore in 2015-16 to ₹ 218.85 crore in 2016-17. This decrease was mainly due to decrease in collection from Economic Services and Interest Receipts. The sector-wise collection of Non-tax Revenue for the five year period from 2012-13 to 2016-17 are shown in **Table No. 1.9**.

Table No. 1.9: Sector-wise Non-tax Revenue Receipts*(₹ in crore)*

| Name of Sector | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---------------------------------------|------------------|------------------|------------------|-------------------|-------------------|
| General Service | 44.55 (24.93) | 70.80 (28.72) | 57.90 (29.60) | 64.74 (24.65) | 71.41 (32.63) |
| Social Service | 11.98 (6.70) | 14.30 (5.80) | 8.90 (4.55) | 12.60 (4.80) | 10.10 (4.62) |
| Economic Service | 53.66 (30.02) | 74.95 (30.40) | 82.31 (42.07) | 116.61 (44.41) | 100.22 (45.79) |
| Interest Receipts, Dividends, etc. | 68.55 (38.35) | 86.47 (35.08) | 46.53 (23.78) | 68.65 (26.14) | 37.12 (16.96) |
| Total: | 178.75 | 246.52 | 195.64 | 262.60 | 218.85 |

Scrutiny of the Finance Accounts of the State for the year 2016-17 revealed that the Non-tax Revenue collection under General Services increased by 10 per cent during the year mainly due to increase in collection under Major Heads 0055-Police (₹ 48.07 crore), 0059-Public Works (₹ 8.08 crore) and 0075-Miscellaneous General Services (₹ 7.25 crore) from unclaimed deposits and other receipts.

On the other hand the collection of Non-tax Revenue under Economic Services decreased by ₹ 16.39 crore (14 per cent) mainly due to decrease in collection from Crop Husbandry by 39 per cent, Industries by 20 per cent and Forestry and Wild Life by 14 per cent during the year as compared to previous year.

² Other Taxes include Other Taxes on Commodities & Services; Taxes and Duties on Electricity; Agricultural Income; and Taxes on Profession, Trade, Callings & Employment.

Non-tax Revenue collection under Economic Services decreased by 14 *per cent* while Interest Receipts decreased by 46 *per cent* in 2016-17 mainly due to decrease in realisation of Interest from Cash Balance Investment by ₹ 17.03 crore (32 *per cent*) and Dividend decreased by ₹ 13.36 crore (99 *per cent*) from the public undertakings over the previous year.

During 2016-17, an amount of ₹ 5.07 lakh was received as Dividend from the Tripura Forest Development Corporation Limited (Public Sector Undertaking). The trends of Interest Receipts and Dividend during the last five years are shown in **Table No. 1.10**.

Table No. 1.10: Trends of Interest Receipts and Dividend during 2012-17

(₹ in crore)

| Revenue Head | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---------------------|--------------|--------------|--------------|--------------|--------------|
| Interest Receipts | 67.88 | 86.47 | 46.02 | 55.24 | 37.07 |
| Dividends & Profits | 0.67 | - | 0.51 | 13.41 | 0.05 |
| Total: | 68.55 | 86.47 | 46.53 | 68.65 | 37.12 |

1.3.2 Grants-in-aid from Government of India

Grants-in-aid from Centre to the State, a discretionary component of Central transfers, is considered to be an integral element of the Revenue Receipts of the State. The GoI released funds as grants under different schemes to the State for the last five year period as shown in **Table No. 1.11**.

Table No. 1.11: Grants-in-aid received from GoI

(₹ in crore)

| Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Non-plan Grants | 1,289.76 | 1,150.62 | 1,086.53 | 1,249.14 | 1,309.10 |
| Grants for State Plan Schemes | 2,691.59 | 3,004.78 | 4,720.17 | 2,867.77 | 2,401.04 |
| Grants for Central Plan Schemes | 33.34 | 35.21 | 32.74 | 376.11 | 186.49 |
| Grants for Centrally Sponsored Schemes | 321.04 | 424.04 | 235.49 | 36.28 | 136.71 |
| Grants for Special Plan Schemes | 37.99 | 84.85 | 64.77 | 36.57 | 62.14 |
| Total: | 4,373.72 | 4,699.50 | 6,139.70 | 4,565.87 | 4,095.48 |
| Percentage of increase/decrease over previous year | 6.75 | 7.45 | 30.64 | (-) 25.63 | (-) 10.30 |
| Total grants as a percentage of Revenue Receipts | 62 | 61 | 66 | 48 | 42 |

During the year 2016-17, Grants-in-aid released by GoI decreased by 10.30 *per cent*. This decrease was mainly due to decrease in grants for State Plan Schemes by 16.28 *per cent* and grants for Central Plan Schemes by 50.41 *per cent*. Non-plan grants during the year however, increased by 4.80 *per cent* of which a major part was Revenue Deficit Grant (₹ 1,089.00 crore) for 2016-17. An amount of ₹ 29.70 crore was released towards the State Disaster Response Fund (SDRF) by GoI during the year 2016-17 as per recommendations of the XIV FC. During 2016-17, GoI released ₹ 56.76 crore to the Rural Local Bodies and ₹ 29.65 crore to the Urban Local Bodies as recommended by the XIV FC which are included in the total Non-plan Grants.

Major part of the grants under State Plan Schemes released during 2016-17 from the GoI were towards; i) MGNREGA (₹ 356.15 crore), ii) PMGSY (₹ 392.27 crore), iii) PMAY (₹ 134.55 crore), iv) National Health Mission (NHM) (₹ 129.78 crore) and v)

Urban Development and Urban Poverty Alleviation (PMAY) (₹ 288.85 crore) respectively. Besides an amount of ₹ 52.80 crore was released for Mid-Day-Meal programme, ₹ 191.91 crore for Sarva Shiksha Abhiyan and ₹ 13.84 crore for Rashtriya Madhyamik Shiksha Abhiyan during 2016-17. ₹ 26.27 crore was released as Tribal Sub-Plan under proviso to Article 275 (1) of the Constitution while ₹ 175.60 crore was released as block grants (BADP: ₹ 70.89 crore; EAP: ₹ 32.53 crore and NLCPR: ₹ 72.18 crore) during the year 2016-17 which are included with the total grants (₹ 4,095.48 crore) received during the year from Gol.

1.3.3 Debt waiver under the Debt Consolidation and Relief Facilities

The State Government enacted the TFRBM Act, 2005 and the rules for carrying out the provisions of the Act were published in October 2006.

Subsequently, the State Government had amended the TFRBM Act, 2005 in April 2011 and renamed it as TFRBM (3rd Amendment) Act, 2011. Accordingly, the State had also revised its MTFPS targets since 2010-11.

On the recommendation of XIII FC, Central loan under Central Plan Schemes and Centrally Sponsored Schemes advanced to the State Government by the different Ministries other than the Ministry of Finance (MoF) and outstanding as on 31 March 2010, had been written off.

The MoF permitted the State Government to adjust the excess repayment of Principal and Interest made by the State after 31 March 2010 against repayment to the MoF. The State Government made excess payment of loans of ₹ 6.88 crore (Principal: ₹ 2.79 crore and Interest: ₹ 4.09 crore) after the effective date out of which only ₹ 2.56 crore had been adjusted by MoF leaving a balance of ₹ 4.32 crore (Principal: ₹ 2.01 crore and Interest: ₹ 2.31 crore) unadjusted as of March 2017. This resulted in over statement of outstanding Public Debt of the State Government to that extent upto March 2017. During the year 2016-17, ₹ 31.62 crore of Central Loan (Non-plan: ₹ 0.57 crore; State Plan loan: ₹ 29.47 crore, CSS and other loans: ₹ 1.90 crore) was repaid to the Gol without adjusting the balance of ₹ 4.32 crore under the Debt Consolidation and Relief Facilities.

1.3.4 State's Share of Central Taxes

As per recommendation of the XIV FC, 42 *per cent* of State's Share of Union Taxes and Duties should be released to the State during the XIV FC award period from 2015-16 to 2019-20. During 2016-17, the devolution of State's Share of Union Taxes and Duties was ₹ 3,909.12 crore which was an increase of 19.69 *per cent* from ₹ 3,266.02 crore in 2015-16.

The devolution of different component of State's Share of Union Taxes and Duties during the last five year period from 2012-13 to 2016-17, are shown in **Table No. 1.12:**

Table No. 1.12: Trends in components of State's Share of Union Taxes and Duties

(₹ in crore)

| Component of State's Share of Union Taxes and Duties | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Corporation Tax | 536.36 | 548.28 | 604.18 | 1,031.98 | 1,254.73 |
| Income Tax | 321.11 | 361.03 | 431.44 | 720.42 | 872.03 |
| Taxes on Wealth | 0.91 | 1.51 | 1.63 | 0.18 | 2.87 |
| Union Excise & Customs | 416.75 | 453.86 | 437.82 | 953.32 | 1,156.05 |
| Service Tax & Others | 218.05 | 265.57 | 255.06 | 560.12 | 623.44 |
| Total: | 1,493.18 | 1,630.25 | 1,730.13 | 3,266.02 | 3,909.12 |
| Percentage of GSDP | 7.01 | 6.51 | 5.94 | 9.84 | 10.60 |

There was an increasing trend of devolution in absolute terms in the components of the State's Share of Union Taxes and Duties during the last five years. Corporation Tax, Union Excise & Customs and Income Tax were the major contributors to State's Share of Union Taxes and Duties during the years. The contribution of Corporation Tax was 32 per cent while in respect of Union Excise and Custom Duties it was 30 per cent during 2016-17. The contribution of Union Excise and Customs to the State's Share of Union Taxes increased by 21 per cent from the previous year.

1.3.5 Optimisation of XIV Finance Commission Grants during 2016-17

The XIV FC was constituted by the President under Article 280 of the Constitution of India on 2nd January 2013 to give recommendations on specified aspects of Centre-State fiscal relations during the period 2015-20. As per the terms of reference, the XIV FC had three constitutionally mandated tasks, *namely*, the distribution of net proceeds of taxes between Union and States, Grants-in-aid to the needy States and measures for supplementing the States resources for devolution to the Panchayats and Municipalities in the State. The Commission submitted its Report to the President on 15th December 2014.

Table No. 1.13: Recommendations of XIV FC and actual release of funds by Gol during last two years 2015-16 and 2016-17

(₹ in crore)

| Sl. No. | Purpose for which grants is released | Recommended by the XIV FC | | Actual released by Gol | |
|---------|--------------------------------------|---------------------------|-----------------|------------------------|-----------------|
| | | 2015-16 | 2016-17 | 2015-16 | 2016-17 |
| 1. | Revenue Deficit Grants | 1,089.00 | 1,089.00 | 1,089.00 | 1,089.00 |
| 2. | Grants for Local Bodies | | | | |
| | a. Basic Grant | | | | |
| | (i) Rural Local Bodies | 36.24 | 50.18 | 36.24 | 50.18 |
| | (ii) Urban Local Bodies | 21.41 | 29.65 | 21.41 | 29.65 |
| | Sub Total | 57.65 | 79.83 | 57.65 | 79.83 |
| | b. Performance Grant | | | | |
| | (i) Rural Local Bodies | - | 6.58 | - | 6.58 |
| | (ii) Urban Local Bodies | - | 8.75 | - | - |
| | Sub Total | - | 15.33 | - | 6.58 |
| 3. | Grants towards SDRF | 28.00 | 28.00 | 27.90 | 29.70 |
| | Total: | 1,174.65 | 1,213.16 | 1,174.55 | 1,205.11 |

Source: XIV FC recommendations, Finance Accounts.

1.4 Capital Receipts

All Government receipts which either create liabilities (e.g. Market Borrowings, Public Account Receipts) or reduce assets (e.g. Disinvestment, Recovery of Loans and Advances) are treated as Capital Receipts. Thus, when Government raises funds either by incurring a liability or by disposing off its assets, it is called Capital Receipts.

The growth and composition of Capital Receipts during the last five year period are shown in **Table No. 1.14**. The rate of growth of Capital Receipts in 2016-17 was 1.74 *per cent* as compared to 107.79 *per cent* in the previous year. About 99 *per cent* of Capital Receipts during the year 2016-17 was from Public Debt which constituted 3.09 *per cent* of GSDP for the year. A major source of Public Debt receipts during the year 2016-17 was from Market Borrowings (₹ 1,135.94 crore) at interest rates ranging between 8.11 *per cent* and 8.65 *per cent* per annum.

Table No. 1.14: Trends in growth and composition of receipts

| (₹ in crore) | | | | | |
|--|---------------|---------------|---------------|-----------------|-----------------|
| Sources of State's Receipts | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Capital Receipts (CR) | 835.27 | 787.94 | 539.45 | 1,120.93 | 1,140.47 |
| Miscellaneous Capital Receipts | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 |
| Recovery of Loans and Advances | 1.26 | 0.96 | 2.18 | 1.14 | 0.91 |
| Public Debt Receipts | 834.01 | 786.98 | 537.27 | 1,119.79 | 1,139.56 |
| Rate of growth of Debt Capital Receipts (%) | 99.58 | (-) 5.64 | (-) 31.73 | (+) 108.42 | (+) 1.76 |
| Rate of growth of Non-Debt Capital Receipts (%) | (-) 40.00 | (-) 23.81 | (+) 127.08 | (-) 47.71 | (-) 20.18 |
| Rate of growth of GSDP (%) | 12.78 | 18.14 | 15.92 | 11.87 | 12.23 |
| Rate of growth of Capital Receipts (<i>per cent</i>) | 98.88 | (-) 5.67 | (-) 31.54 | (+) 107.79 | (+) 1.74 |

1.4.1 Recoveries of Loans and Advances

Non-Debt Capital Receipts i.e. Recovery of Loans and Advances by the State during the period 2012-17 was below one *per cent* of Public Debt receipts. During the year 2016-17, the State Government had given loans to the State Government Servants and to other Social and Economic Sectors for various developmental activities amounting to ₹ 27.28 crore. The total outstanding Loans and Advances as on 31 March 2016 was ₹ 161.30 crore, which had increased to ₹ 187.67 crore as on 31 March 2017 with recovery of ₹ 0.91 crore during the year. During the year 2016-17, maximum loan was given for power project to the Tripura State Electricity Corporation Limited (TSECL) amounting to ₹ 13.25 crore. The outstanding Loans and Advances with the TSECL as on 31 March 2017 stood at ₹ 56.75 crore.

Out of the recovery of ₹ 0.91 crore Loans and Advances during the year, ₹ 0.57 crore pertained to the loans given to the State Government Servants.

Public Debt Receipts

Public Debt Receipts comprise of Internal Debt Receipts and Loans and Advances from Gol.

A time series data on Public Debt Receipts during the last five year period 2012-17 is shown in **Table No. 1.15**.

Table No.1.15: Time series data on Public Debt Receipts 2012-17

| | (₹ in crore) | | | | |
|---|---------------------------------|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Source of Public Debt | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Market Loans | 645.00 (77.34) | 550.03 (69.89) | 150.00 (27.92) | 575.00 (51.35) | 990.32 (86.90) |
| National Small Savings Fund | 41.28 (4.95) | 74.41 (9.46) | 182.07 (33.89) | 254.88 (22.76) | Nil |
| Loans from other Financial Institutions | 144.25 (17.30) | 158.82 (20.18) | 200.00 (37.23) | 283.98 (25.36) | 145.62 (12.78) |
| Total Internal Debt | 830.53 (99.58) | 783.26 (99.52) | 532.07 (99.03) | 1,113.86 (99.47) | 1,135.94 (99.68) |
| Loans and Advances from Gol | 3.48 (0.42) | 3.73 (0.47) | 5.20 (0.97) | 5.93 (0.53) | 3.62 (0.32) |
| Public Debt Receipts | 834.01 | 786.99 | 537.27 | 1,119.79 | 1,139.56 |
| Public Debt Repayment | 312.49 | 219.91 | 300.00 | 447.29 | 512.63 |
| Balance of Public Debt | 521.52 | 567.08 | 237.27 | 672.50 | 626.93 |

Note: Figures in parenthesis indicates percentage to Public Debt receipts.

Source: Finance Accounts.

The table above shows that, during 2016-17, 87 per cent of Public Debt receipts was from Market Loan while 13 per cent was from other Financial Institutions. The borrowings from open market during the last five years ranged between 28 per cent and 87 per cent and the increase in 2016-17 over the previous year was 72 per cent. During the year 2016-17, Government borrowed funds from the open market to the tune of ₹ 990.32 crore at interest rates ranging from 7.22 per cent to 8.05 per cent. No loans from National Small Savings Fund (NSSF) had been taken during the year 2016-17.

Loans and Advances from Gol decreased by 39 per cent from ₹ 5.93 crore in 2015-16 to ₹ 3.62 crore in 2016-17. After repayment of Public Debt of ₹ 512.63 crore during the year 2016-17, the outstanding Public Debt of the State Government increased by ₹ 626.93 crore during the year.

1.5 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, etc., which do not form part of the Consolidated Fund are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. Here the Government acts as a banker. The balance after disbursements is the fund available with the Government for use. Details of Public Account balances for five years are shown in **Table No. 1.16**.

Table No. 1.16: Public Account Balances

| (₹ in crore) | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Resources under Public Account Balances | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| a. Small Savings, Provident Funds, etc. | 2,385.57 | 2,712.56 | 3,014.96 | 3,355.00 | 3,751.00 |
| b. Reserve Funds | 582.56 | 651.54 | 679.57 | 625.03 | 745.37 |
| c. Deposits and Advances | 215.37 | 309.06 | 334.70 | 438.73 | 791.48 |
| Total: | 3,183.50 | 3,673.16 | 4,029.23 | 4,418.76 | 5,287.85 |

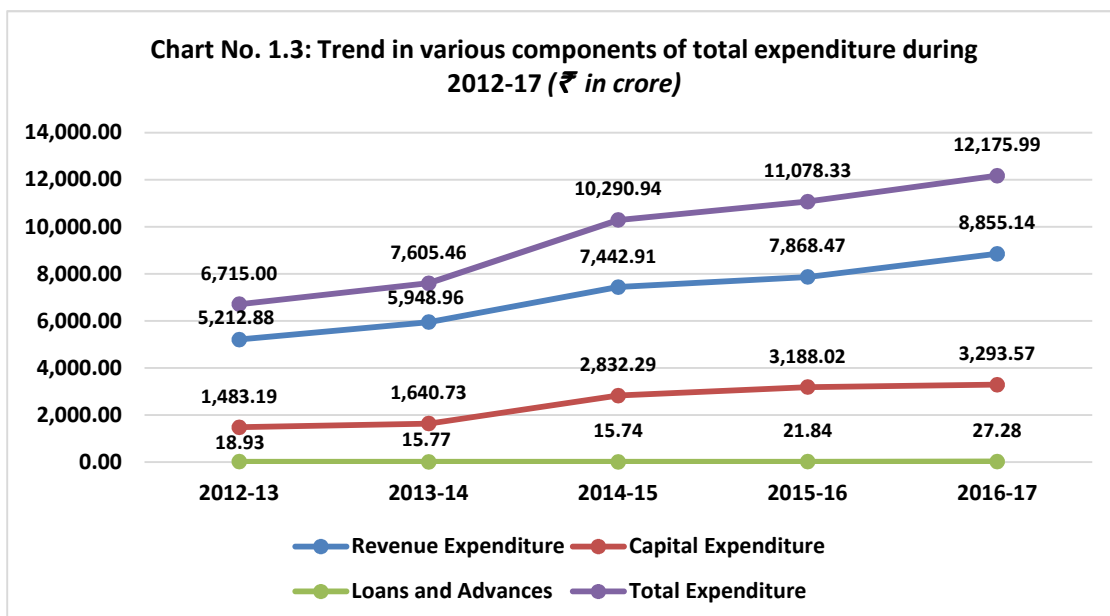
There has been an increasing trend in the balances of funds relating to Public Account receipts during the last five years. After disbursement of the funds under various heads of Public Account, the balance at the end of 31 March 2017 stood at ₹ 5,287.85 crore of which ₹ 3,751.00 crore (71 per cent) was in respect of Small Savings, Provident Funds, etc. which the State Government could use for various development activities in the State. Out of ₹ 745.37 crore under Reserve Funds, the Government had invested an amount of ₹ 529.21 crore in earmarked fund (Sinking Fund) upto 2016-17. Out of the balance amount of ₹ 216.16 crore, ₹ 208.61 crore pertained to SDRF of which ₹ 100 crore was invested in various banks upto the end of 31 March 2017 leaving an uninvested amount of ₹ 108.61 crore in this account.

1.6 Application of Resources

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

1.6.1 Trend and Composition of Expenditure

Chart No.1.3 presents the trends and composition of total expenditure during last five year period from 2012-13 to 2016-17.



During the period 2012-13 to 2016-17, the total expenditure of the State was on an increasing trend and stood at ₹ 12,175.99 crore in 2016-17 from ₹ 6,715.00 crore in 2012-13 with an increase of 81 per cent over the years. Revenue Expenditure increased by 13 per cent and Capital Expenditure increased by 3 per cent during 2016-17 as compared to previous year. Disbursement of Loans and Advances increased by 25 per cent from ₹ 21.84 crore in 2015-16 to ₹ 27.28 crore in 2016-17.

Out of the total Revenue Expenditure of ₹ 8,855.14 crore during 2016-17, 75 per cent was on Non-plan and 25 per cent on Plan activities. The trend in composition of Revenue and Capital Expenditure (both Plan and Non-plan) is depicted in **Table No. 1.17**.

Table No. 1.17: Trends in composition of Revenue and Capital Expenditure (Non-plan and Plan) during 2012-17

(₹ in crore)

| Revenue Expenditure | | | | | |
|---------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Non-plan | 3,993.61 (77) | 4,549.02 (76) | 5,476.45 (74) | 6,001.95 (76) | 6,600.14 (75) |
| Plan | 1,219.27 (23) | 1,399.94 (24) | 1,966.46 (26) | 1,866.52 (24) | 2,255.00 (25) |
| Total: | 5,212.88 (78) | 5,948.96 (78) | 7,442.91 (72) | 7,868.47 (71) | 8,855.14 (73) |
| Capital Expenditure | | | | | |
| Non-plan | 32.52 (2) | (-) 6.21 (-) | 10.88 (1) | 11.71 (1) | 18.92 (1) |
| Plan | 1,450.67 (98) | 1,646.94 (100) | 2,821.41 (99) | 3,176.31 (99) | 3,274.65 (99) |
| Total: | 1,483.19 (22) | 1,640.73 (22) | 2,832.29 (28) | 3,188.02 (29) | 3,293.57 (27) |
| Grand Total: | 6,696.07 | 7,589.69 | 10,275.20 | 11,056.49 | 12,148.71 |

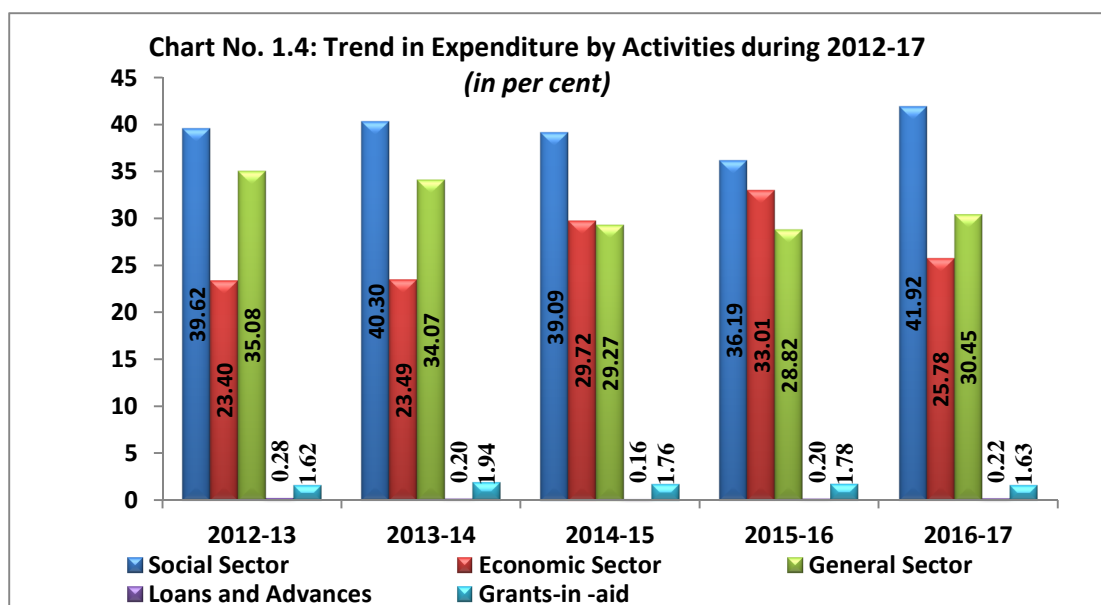
The Non-plan Revenue Expenditure (NPRE) of the State increased by ₹ 598.19 crore (9.97 per cent) from ₹ 6,001.95 crore in 2015-16 to ₹ 6,600.14 crore in 2016-17. The

increase in NPRE during the period from 2012-13 to 2016-17 was 65.27 *per cent*. Plan Revenue Expenditure (PRE) increased by 84.95 *per cent* during the last five year period. The ratio of Revenue Expenditure to total expenditure during the year was 73 *per cent*.

The growth rate of total expenditure in the State was 9.91 per cent in 2016-17 whereas it was 18.78 per cent in respect of average rate of growth of 11 Special Category States in 2016-17 over the previous year.

1.6.2 Trend and Composition of Expenditure by Activities

The trends in composition of total expenditure by activities during the period from 2012-13 to 2016-17 as depicted in **Chart No. 1.4** shows that the share of General Services to total expenditure ranged between 28.82 and 35.08 *per cent* and that of Social Services ranged between 36.19 and 41.92 *per cent*. The expenditure on Economic Services however, showed an increasing trend over the years from 23.40 *per cent* in 2012-13 to 33.01 *per cent* in 2015-16 and thereafter decreased to 25.78 in 2016-17. During 2012-13 to 2016-17, payment of Grants-in-aid remained below 2 *per cent* while recoveries of Loans and Advances were below 1 *per cent* of the total expenditure in all the last five years.



1.6.3 Revenue Expenditure

Revenue Expenditure during 2016-17 increased by ₹ 986.67 crore (12.54 *per cent*) while Revenue Receipts increased by ₹ 218.72 crore (2.32 *per cent*) over the previous year. The ratio of Revenue Expenditure and the Revenue Receipts during the year with respect to GSDP at current price (base year 2011-12) was 24.01 *per cent* and 26.15 *per cent* respectively.

The trend of Revenue Receipts *vis-a-vis* Revenue Expenditure and their percentage with respect to GSDP are given in **Table No. 1.18**.

Table No. 1.18: Revenue Receipts vis-à-vis Revenue Expenditure and their percentage with the GSDP during 2012-17

| | (₹ in crore) | | | | |
|-----------------------|--------------|----------|----------|----------|----------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Revenue Receipts | 7,050.30 | 7,650.18 | 9,239.73 | 9,426.74 | 9,645.46 |
| As percentage of GSDP | 32.54 | 29.89 | 31.15 | 28.40 | 26.15 |
| Revenue Expenditure | 5,212.88 | 5,948.96 | 7,442.91 | 7,868.47 | 8,855.14 |
| As percentage of GSDP | 24.06 | 23.24 | 25.09 | 23.71 | 24.01 |
| Revenue Surplus | 1,837.42 | 1,701.22 | 1,796.82 | 1,558.27 | 790.32 |
| As percentage of GSDP | 8.48 | 6.65 | 6.06 | 4.69 | 2.14 |

Though the XIV FC had not recommended any specific grants for any specific sectors, it considered the services in Health, Education, Drinking Water and Sanitation as public services of national importance, having significant inter State externalities. The XIV FC opined that the grants to these sectors should be carefully designed and implemented and effective monitoring mechanism put in place with the involvement of Union, States and domain expertise.

There was an increasing trend in expenditure in most of the components under Social and Economic Sectors particularly in General Education, Public Health and Power during the period 2012-17 which indicated that the State Government had given priority to these services. There was decrease in expenditure under Water Supply and Sanitation, Forestry and Roads & Bridges respectively during 2016-17 over the previous year.

The growth rate of Revenue Expenditure on Education and Health was 10.25 per cent and 7.53 per cent during 2016-17 where as it was 13.86 per cent and 20.55 per cent respectively in respect of 11 Special Category States during the year over the previous year.

1.6.4 Committed Expenditure

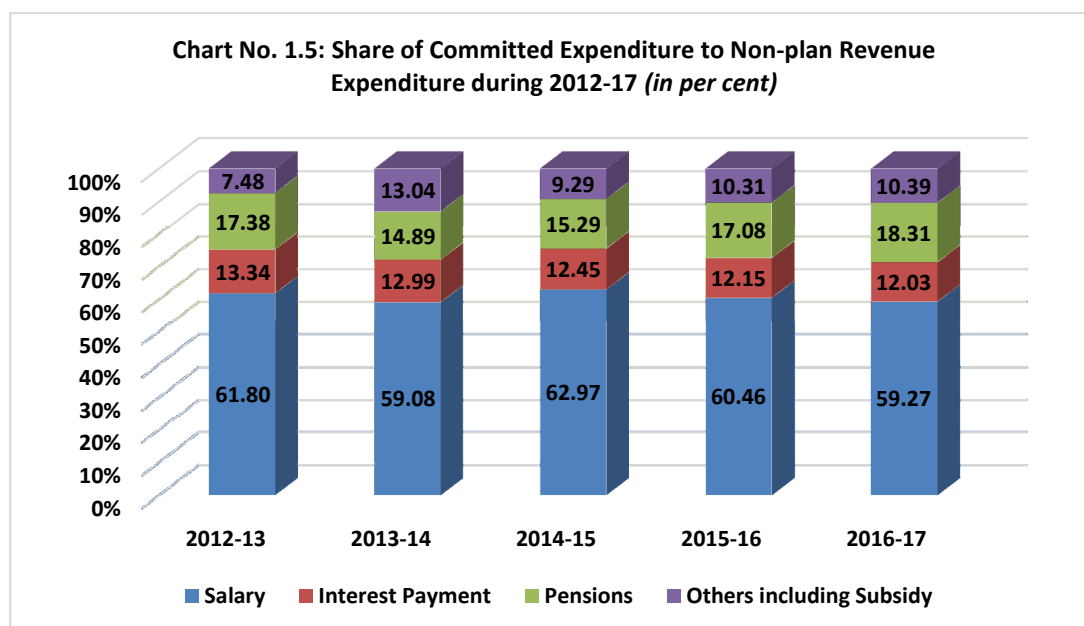
The Committed Expenditure of the State Government on revenue account mainly consists of Salaries and Wages, Interest Payments, Pension and Subsidies. The trend of components of Committed Expenditure are presented in **Table No. 1.19**.

Table No. 1.19: Components of Committed Expenditure

| Components of Committed Expenditure | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| | | | | | BE | Actuals |
| Salaries & Wages , of which | 2,467.90 | 2,687.68 | 3,123.13 | 3,628.51 | 4,319.60 | 3,911.88* |
| <i>Non-plan Head</i> | 2,003.83 | 2,307.23 | 2,676.68 | 3,059.91 | 3,833.66 | 3,287.71 |
| <i>Plan Head</i> | 464.07 | 380.45 | 446.45 | 568.60 | 485.94 | 624.17 |
| Interest Payments | 532.81 | 590.96 | 681.68 | 729.39 | 999.64 | 794.31 |
| Expenditure on Pensions | 694.19 | 677.25 | 837.18 | 1,025.31 | 1,220.00 | 1,208.67 |
| Subsidies | 37.57 | 104.18 | 145.50 | 133.93 | 50.00 | 102.13 |
| Total: | 3,732.47 | 4,060.07 | 4,787.49 | 5,517.14 | 6,589.24 | 6,016.99 |

Note: *excluding Grants-in-aid ₹ 195.25 crore and Wages: ₹ 26.86 crore during 2016-17.

The share of Committed Expenditure to NPRE during 2012-17 is depicted in **Chart No. 1.5**.



Expenditure on Salary

A significant part of the Committed Expenditure (**Table No. 1.19**) of the State was on Salary and Wages.

During 2016-17, the expenditure on Salary and Wages constituted 57.09 *per cent* of Revenue Expenditure net of Interest Payments and Pensions and it was 59.27 *per cent* of Non-plan Revenue Expenditure during the year. The expenditure on Salary and Wages increased by ₹ 283.37 crore (7.81 *per cent*) as compared to the year 2015-16. The expenditure on Salary and Wages during 2016-17 in respect of Non-plan Revenue Expenditure was lesser by ₹ 545.95 crore as compared to the Budget Estimates (₹ 3,833.66 crore) while it was higher by ₹ 138.23 crore in Plan expenditure as compared to the Budget Estimates. However, the percentage expenditure on Salary and Wages under Revenue Expenditure net of Interest Payments and Pensions decreased from 2015-16 to 2016-17 mainly due to more payments of Pensions, etc. as compared to the previous year.

The growth rate of expenditure on Salary and Wages of the State during 2016-17 was 7.81 per cent whereas the average growth rate was 4.41 per cent in respect of 11 Special Category States during the year over the previous year.

Expenditure on Pension Payments

The expenditure on payment of Pensions and other retirement benefits of the retired employees and Family Pensioners including Member of Legislative Assembly (MLA) during the year 2016-17 was ₹ 1,208.67 crore which was 18 *per cent* of the NPRE. The expenditure on Pension increased by ₹ 183.36 crore (by 17.88 *per cent*) during 2016-17 as compared to previous year. The expenditure on Pension was however, lower than the Budget Estimates by ₹ 11.33 crore but higher than the projected amount (₹ 968 crore) of XIV FC for 2016-17.

As per retirement profile given in the Budget at a Glance 2017-18, 43,626 State Government employees will retire from service during the period from 2017-18 to 2026-27 out of which 4,009 employees will retire during 2017-18 and provision for Pension liability on these employees had been made in the budget for 2017-18 at ₹ 1,500 crore. Hence, the expenditure on Pension would increase in the coming years. The XIV FC had suggested that the State Government which had not implemented the NPS may consider doing so for new recruits to reduce their future burden from Pension liability. However, the NPS had not been introduced in the State.

As per records there were 60,512 pensioners as on 31 March 2017, including 69 MLA Pensioners and 53 MLAs Family Pensioners in the State.

The growth rate of Pension payment of the State during the year 2016-17 was 17.88 per cent while the average growth rate was 11.76 per cent in respect of 11 Special Category States over the previous year.

Interest Payments

During 2016-17, the expenditure for Interest Payments was ₹ 794.31 crore (12.03 per cent of NPPE) which was higher by ₹ 64.92 crore (8.90 per cent) over the previous year (**Table No. 1.19**). However, it was lower than the Budget Estimates (₹ 999.64 crore) of the State as well as the projection (₹ 801.00 crore) made by the XIV FC for the year 2016-17 for the State of Tripura.

Out of total expenditure of ₹ 794.31 crore as Interest Payments, ₹ 501.99 crore was paid on borrowings from Market and other Financial Institutions, of which ₹ 294.91 crore was paid on Market Loan, ₹ 140.33 crore towards NSSF, ₹ 57.33 crore for loans taken from the NABARD, ₹ 9.42 crore to other financial institutions. An amount of ₹ 22.90 crore was paid as Interest on past Loans from Gol and ₹ 269.42 crore was paid on Small Savings, Provident Funds, etc. during the year.

Subsidies

Subsidies provided by the State Government include both implicit and explicit subsidies which were utilised to bridge the gap between income and expenditure to certain selected Departments/Corporations/Government Companies.

During the year 2016-17, the State Government provided ₹ 102.13 crore as subsidy to various Departments and Government Companies/Corporations. The Department-wise and year-wise explicit subsidies given by the State for the last five years from 2012-13 to 2016-17 are presented in **Table No. 1.20**.

Table No. 1.20: Department-wise explicit subsidies given by the Government during 2012-17*(₹ in crore)*

| Sl. No. | Name of Department | Amount of subsidies given | | | | |
|---------------|---|---------------------------|---------------|---------------|---------------|---------------|
| | | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| 1 | Tribal Welfare Department | 4.28 | 4.75 | 4.16 | 4.11 | 6.17 |
| 2 | Welfare of SC, OBC & Minorities Department | 3.66 | 3.45 | 2.50 | 2.39 | 5.16 |
| 3 | Agriculture Department | 3.86 | 6.90 | 9.05 | 6.85 | 1.00 |
| 4 | Food, Civil Supplies & Consumers Affairs Department | 25.32 | 48.08 | 66.81 | 51.58 | 49.63 |
| 5 | Industries & Commerce Department | 0.45 | 0.00 | 0.00 | 0.00 | 0.00 |
| 6 | Co-operation Department | 0.00 | 40.00 | 0.18 | 0.00 | 0.17 |
| 7 | Horticulture Department | 0.00 | 1.00 | 0.80 | 0.00 | 0.00 |
| 8 | Power Department (TSECL) | 0.00 | 0.00 | 62.00 | 69.00 | 40.00 |
| Total: | | 37.57 | 104.18 | 145.50 | 133.93 | 102.13 |

It is seen from the above table that the State Government provided ₹ 40.00 crore to the Tripura State Electricity Corporation Limited (TSECL), Power Department during 2016-17. During the year 2016-17, maximum amount of subsidy provided to the Food, Civil Supply and Consumer Affairs Department was mainly for the consumers under Below Poverty Line and Antyodaya Anna Yojana families (₹ 16.63 crore) and also direct cash transfer to PDS beneficiaries in lieu of supply of Mustard Oil and Dal (₹ 33.00 crore) through Public Distribution System (PDS). However, the subsidy under Food, Civil Supply and Consumer Affairs Department decreased by ₹ 1.95 crore (4 per cent) during 2016-17 as compared to the previous year.

1.6.5 Local Bodies

The 73rd and 74th Constitutional Amendments Act marked a new era in the federal democratic set up in the grass root level. This amendment gave a constitutional status to the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) and recognised 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 73rd and 74th Constitutional amendment, the Government of Tripura (GoT) enacted the Tripura Panchayats Act, 1993 and Tripura Municipal Act, 1994 empowering Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) to function as institutions of self government and to accelerate economic development in rural and urban areas which would enable them to function as Local Self Government Institutions.

Panchayati Raj Institutions: Panchayati Raj system was established in the State comprising of Gram Panchayats (GPs) at village level, Panchayat Samitis (PSs) at block level and Zilla Parishads (ZPs) at district level. All the PRIs are governed by Tripura Panchayats Act, 1993. As of March 2017 there were 8 ZPs, 35 PSs and 591

GPs in the State. In the Tripura Tribal Areas Autonomous District Council (TTAADC) areas, there were 587 Village Development Committees (VDCs) and 40 Block Advisory Committees (BACs) which were synonymous to GPs and PSs respectively.

Urban Local Bodies: There were three categories of ULBs in the State *e.g.* Municipal Corporation, Municipal Councils (MCs) and Nagar Panchayats (NPs). All the ULBs were governed by the Tripura Municipal Act, 1994. There was one Municipal Corporation, 10 MCs and nine NPs in the State as of March 2017.

Devolution of Funds, Functions and Functionaries (3Fs) to Panchayati Raj Institutions and Urban Local Bodies

The 73rd Constitutional amendment and the Tripura Panchayats Act, 1993 had provision for transfer of subjects to different tiers of PRIs. The State Government had devolved five subjects³ to PRIs out of 29 subjects listed in the Eleventh Schedule of the Constitution (August, 2006 & August, 2007). The remaining 24 subjects had not been transferred (October 2017). Out of these five subjects, only funds for payment of wages of pump operators and power consumption charges under Water Resources had been transferred to the PRIs.

The 74th Constitutional amendments and the Tripura Municipal Act 1994 envisaged transfer of functions of various departments of the State Government to ULBs. All the 18 functions listed in the XII Schedule of the Constitution had been transferred by the State Government to the ULBs. But in practice, functions like Fire Service, Roads and Bridges were controlled by the State Government departments.

Auditing Arrangement of PRIs and ULBs

The CAG conducts audit of accounts of PRIs and ULBs as entrusted by the State Government under standard terms and conditions of Technical Guidance and Supervision (TGS) module under Section 20(1) of the CAG's DPC Act, 1971.

Reporting Arrangement

As per the TGS arrangement, the CAG or his representative will have the right to report to the State Legislature, through the State Government, the results of audit at his discretion. Accordingly, audit findings on test-check of accounts of PRIs and ULBs conducted by the CAG are presented in the form of Annual Technical Inspection Report (ATIR) and submitted to the State Government for placement before the State Legislature. ATIR for the year 2013-14 was presented in the State Legislature on 16 December 2016. Information on placement of ATIR for the years 2011-12 and 2012-13 had not been received (October 2017).

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

1.7 Quality of Expenditure

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

1.7.1 Adequacy of Public Expenditure

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the Government to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods⁴ like, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation, etc. Expenditure on Social and Economic Services together constitute the Development Expenditure while the expenditure on General Services is treated as Non-Development Expenditure. The trend of Development and Non-Development Expenditure on Revenue Heads alongwith the growth rate during the period 2012-17 are as under:

Table No. 1.21: Development and Non-Development Revenue Expenditure

| (₹ in crore) | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|--------------------|
| Nature of expenditure | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Development Expenditure (% to total Revenue Expenditure) | 2,936.80 (56.34) | 3,456.18 (58.10) | 4,587.08 (61.63) | 4,625.36 (58.78) | 5154.04 (58.20) |
| Rate of growth (in <i>per cent</i>) | 9.87 | 17.69 | 32.72 | 0.83 | 11.43 |
| Non-Development Expenditure (% to total Revenue Expenditure) | 2,276.08 (43.66) | 2,492.78 (41.90) | 2,855.83 (38.37) | 3,243.11 (41.22) | 3701.10 (41.80) |
| Rate of growth (in <i>per cent</i>) | 6.54 | 9.52 | 14.56 | 13.56 | 14.12 |
| Total Revenue Expenditure | 5,212.88 | 5,948.96 | 7,442.91 | 7,868.47 | 8855.14 |
| Rate of growth (in <i>per cent</i>) | 8.39 | 14.12 | 25.11 | 5.72 | 12.54 |

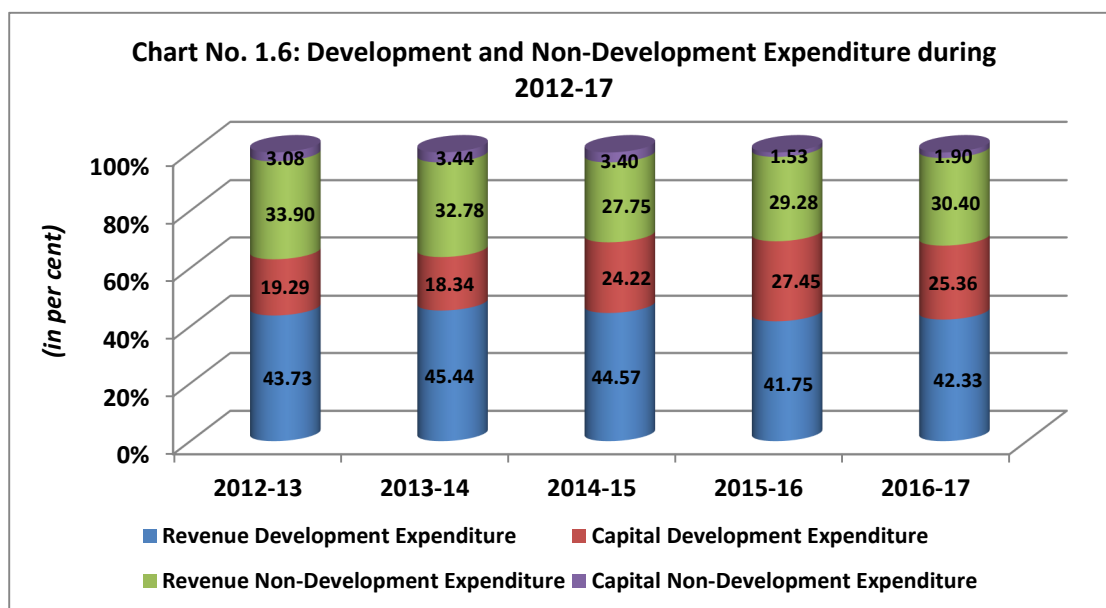
The share of total Revenue Expenditure to development expenditure stood at 58.20 *per cent* in 2016-17 from 58.78 *per cent* in 2015-16. Conversely, it was also observed that Non-Development Expenditure as a percentage of total Revenue Expenditure was about 41 *per cent* in 2015-16 and 2016-17.

The Development Expenditure under revenue account increased by ₹ 528.68 crore (11.43 *per cent*) and Non-Development Expenditure increased by ₹ 457.99 crore (14.12 *per cent*) in 2016-17 as compared to the previous year. The Development

⁴ Core public goods are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g., enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure, etc. Merit goods are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept or need, rather than ability and willingness to pay the Government and therefore wishes to encourage their consumption. The examples of such goods include the provision of free or subsidised food for the poor to support nutrition, the delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation, etc.

Expenditure increased mainly on account of Education, Health, Water Supply and Sanitation under Social Sector and Agriculture and Allied activities, Rural Development, Transport and Power under Economic Sector. Increase in Non-Development Revenue Expenditure was due to increase in Interest Payments by ₹ 64.92 crore (9 per cent) and Pensions by ₹ 183.36 crore (18 per cent) over the previous year.

Chart No. 1.6 shows the trend of Development and Non-Development Expenditure under both Revenue and Capital Heads during last five year period (2012-17).



Development expenditure on Revenue head as a percentage of total Revenue Expenditure decreased from 59 per cent in 2015-16 to 58 per cent in 2016-17. **Table No. 1.22** shows the fiscal priorities given by the Government under various heads of expenditure with reference to GSDP and Aggregate Expenditure during 2016-17 as compared to 2012-13.

Table No. 1.22: Fiscal priority of the State

| Fiscal priority by the State | <i>(in per cent)</i> | | | | | |
|--|----------------------|-------|--------|-------|--------------|-----------|
| | AE/GSDP | DE/AE | SSE/AE | CE/AE | Education/AE | Health/AE |
| Special Category States Average (Ratio) 2012-13 | 24.80 | 61.10 | 34.30 | 15.10 | 18.10 | 5.30 |
| Tripura Average 2012-13 | 31.54 | 63.30 | 39.62 | 22.09 | 16.68 | 4.64 |
| Special Category States Average (Ratio) 2015-16 ⁵ | 24.70 | 63.90 | 36.30 | 14.00 | 18.50 | 6.00 |
| Tripura Average 2015-16 | 33.38 | 69.39 | 36.39 | 28.78 | 16.07 | 5.51 |
| Special Category States Average (Ratio) 2016-17 | 27.40 | 61.50 | 34.20 | 13.60 | 16.60 | 5.40 |
| Tripura Average 2016-17 | 33.02 | 67.91 | 41.92 | 27.05 | 16.26 | 5.60 |

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

⁵ Excluding Jammu & Kashmir

It can be seen that during 2016-17, Development Expenditure as a percentage of Aggregate Expenditure decreased by 1.48 *per cent* as compared to 2015-16. In respect of expenditure on Social Services, it increased substantially by 5.53 *per cent* during 2016-17 as compared to the previous year. The Capital Expenditure as percentage of Aggregate Expenditure slowed down to 27.05 *per cent* in 2016-17 from 28.78 *per cent* in 2015-16. Further, the expenditure on Education as ratio of Aggregate Expenditure remained almost same while the expenditure on Health as a ratio of Aggregate Expenditure marginally increased to 5.60 *per cent* during 2016-17 as compared to 5.51 *per cent* in the previous year.

The ratios of the priority of expenditure to total expenditure of the State during 2016-17 were higher than the average ratios of the 11 Special Category States except expenditure on Education sector which was marginally lower than the average ratio of Special Category States.

1.7.2 Efficiency of Expenditure Use

Apart from improving the allocation towards Development Expenditure⁶, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure to total expenditure (and/or GSDP) and proportion of Revenue Expenditure being spent on Operation and Maintenance of the existing Social and Economic Services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table No. 1.23** presents the trends in Development Expenditure relative to the Aggregate Expenditure of the State during the current year *vis-à-vis* the previous years.

Table No. 1.23: Development Expenditure on Social and Economic Services

| (₹ in crore) | | | | | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Components of Development Expenditure | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Development Expenditure (a to c) | 4,250.56 (63.30) | 4,866.80 (63.98) | 7,095.90 (68.95) | 7,687.68 (69.39) | 8,269.64 (67.92) |
| a. Development Revenue Expenditure | 2,936.80 (43.73) | 3,456.18 (45.44) | 4,587.08 (44.57) | 4,625.36 (41.75) | 5,154.04 (42.33) |
| b. Development Capital Expenditure | 1,295.11 (19.29) | 1,395.12 (18.34) | 2,493.08 (24.22) | 3,040.48 (27.45) | 3,089.02 (25.37) |
| c. Development Loans and Advances | 18.65 (0.28) | 15.50 (0.20) | 15.74 (0.15) | 21.84 (0.20) | 26.58 (0.22) |

Source: Finance Accounts (Figures in the parentheses indicate *per cent* to Aggregate Expenditure)

Table above shows that the Development Expenditure on Social and Economic Services increased by 7.57 *per cent* from ₹ 7,687.68 crore in 2015-16 to ₹ 8,269.64 crore in 2016-17. The relative share of the Revenue Development Expenditure was 42 *per cent* of the total expenditure while the share in respect of Development Capital Expenditure was 25 *per cent* which increased by 2 *per cent* in 2016-17 as compared to total expenditure over the previous year. But the overall percentage of

⁶ The analysis of the expenditure data is disaggregated into Development Expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances are categorised into Social Services and Economic Services which together constitute Development Expenditure, while expenditure on General Services is treated as Non-Development Expenditure.

Development Expenditure to total expenditure decreased to 67.92 *per cent* in 2016-17 against 69.39 *per cent* in the previous year. Out of total amount of ₹ 26.58 crore disbursed as development loans during the year, ₹ 12 crore was disbursed towards loan for Medical and Public Health under Social Services and ₹ 13.25 crore to TSECL for power project during the year 2016-17.

The efficiency of Government expenditure on selected parameters in some major areas under Social and Economic Services during 2016-17 as compared to the previous year are depicted in **Table No. 1.24**.

Table No. 1.24: Efficiency of expenditure use in selected Social and Economic Services
(in per cent)

| Social/Economic Infrastructure | 2015-16 | | | 2016-17 | | |
|---|-------------------|---------------------|--------------|-------------------|---------------------|--------------|
| | Ratio of CE to TE | In RE, the share of | | Ratio of CE to TE | In RE, the share of | |
| | | S & W | O&M | | S&W | O & M |
| Social Services (SS) | | | | | | |
| Education, Sports, Art & Culture | 6.49 | 76.93 | 23.07 | 7.47 | 82.42 | 17.58 |
| Health & Family Welfare | 18.34 | 60.45 | 39.55 | 21.41 | 61.73 | 38.27 |
| Water Supply, Sanitation, and Housing & Urban Development | 62.07 | 43.29 | 56.71 | 76.26 | 31.69 | 68.31 |
| Other Social Services | 5.46 | 19.33 | 80.67 | 18.69 | 5.68 | 19.32 |
| Total (SS) | 17.42 | 56.33 | 43.67 | 27.84 | 54.03 | 45.97 |
| Economic Services (ES) | | | | | | |
| Agriculture & Allied Activities | 15.27 | 53.78 | 46.22 | 15.27 | 53.50 | 46.50 |
| Irrigation & Flood Control | 40.30 | 93.09 | 6.91 | 27.42 | 90.19 | 9.81 |
| Power & Energy | 46.90 | 11.06 | 88.94 | 12.49 | 7.76 | 92.24 |
| Transport | 71.47 | - | 100 | 81.90 | 3.73 | 96.27 |
| Other Economic Services | 80.71 | 76.55 | 23.45 | 56.33 | 44.90 | 55.10 |
| Total (ES) | 64.05 | 48.86 | 51.14 | 53.12 | 42.58 | 57.42 |
| Total (SS+ES) | 39.66 | 54.24 | 45.76 | 37.47 | 50.76 | 49.24 |

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

The ratio of Capital Expenditure to total expenditure under Social Services increased substantially during 2016-17 as compared to 2015-16 mainly due to increase in expenditure on Health and Family Welfare, Water Supply, Sanitation, Housing and Urban Development, etc. The share of Salary and Wages expenditure in Social Services under Revenue however, marginally decreased by 2.30 *per cent* during the year 2016-17 mainly due to decrease in salary expenditure in Water Supply, Sanitation etc. services by 11.60 *per cent*.

Ratio of Capital Expenditure to total expenditure in Economic Services substantially decreased to 53.12 *per cent* in 2016-17 as compared to the previous year mainly due to decrease in expenditure on Irrigation and Flood Control and Power Sectors. The ratio of Salary and Wages expenditure in relation to Revenue Expenditure also decreased from 48.86 *per cent* in 2015-16 to 42.58 *per cent* in 2016-17 under Economic Sector. As a percentage of Revenue Expenditure, the share of Operation and Maintenance expenditure substantially increased by 6.28 *per cent* from 51.14 *per cent* in 2015-16 to 57.42 *per cent* in 2016-17.

1.8 Financial Analysis of Government Expenditure and Investments

1.8.1 Financial Results of Irrigation Projects

During the year 2016-17, Revenue Expenditure on Minor and Medium Irrigation Projects was ₹ 43.22 crore (Non-plan: ₹ 42.98 crore, Plan: ₹ 0.24 crore) out of which the cost of maintenance on these projects was ₹ 1.08 crore. There was no commercial irrigation project in the State of Tripura.

1.8.2 Incomplete Projects

As per information furnished by the State Public Works Department, there were 125 ongoing/incomplete projects as on 31 March 2017 with initial budgeted cost of ₹ 5 crore and above in each case. The cumulative expenditure incurred up to 31 March 2017 on those 125 project was ₹ 1505.02 crore which was 71 per cent of their initiated budgeted cost.

As on 31 March 2017, there was 92 incomplete works/projects whose scheduled date of completion was 31 March 2017. The cumulative expenditure upto 31 March 2017 was ₹ 966.15 crore on those works/projects against budgeted cost of ₹ 1,251.73 crore.

The summarised position of the incomplete works alongwith their total cumulative expenditure upto 31 March 2017 are given in **Table No. 1.25**.

Table No. 1.25: Category-wise profile of incomplete projects which were scheduled to be completed by 31 March 2017

(₹ in crore)

| Name of projects | No. of incomplete projects | Initial budgeted cost | Cumulative actual expenditure as on 31 March 2017 (Percentage) |
|-----------------------|----------------------------|-----------------------|--|
| Building Works | 49 | 558.14 | 435.62 (78) |
| Bridge Works | 12 | 84.34 | 40.40 (48) |
| Road Works | 14 | 350.18 | 280.68 (80) |
| Water Resource Works | 15 | 248.83 | 204.11 (83) |
| Drinking Water Scheme | 2 | 10.24 | 5.34 (52) |
| Total: | 92 | 1251.73 | 966.15 (77) |

Source: Finance Accounts 2016-17.

Delay in completion of work invites the risk of escalation in the cost of the work. Further, due to delays in completion of the projects/work, the beneficiaries were deprived of the intended benefits from the projects/works.

1.8.3 Investment and Returns

As on 31 March 2017, Government's investment was ₹ 1,446.06 crore in two Statutory Corporations, 13 Government Companies, 25 Co-operatives Societies and one Rural Bank (**Table No. 1.26**).

Table No. 1.26: Return on investment

| Investment/Return/Cost of borrowings | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|----------|----------|----------|----------|
| Investment at the end of the year (<i>₹ in crore</i>) | 1,199.55 | 1,303.73 | 1,385.69 | 1,446.06 |
| Return on investment (<i>₹ in crore</i>) | 0.00 | 0.51 | 13.41 | 0.05 |
| Return on investment (<i>per cent</i>) | 0.00 | 0.04 | 0.97 | # |
| Average rate of interest on Government borrowings (<i>per cent</i>) | 12.39 | 13.18 | 12.95 | 7.50 |
| Difference between cost of funds and return (<i>per cent</i>) | 12.39 | 13.14 | 11.98 | 7.50 |

Source: Finance Accounts

Note: # negligible

Out of ₹ 1,446.06 crore, ₹ 1,121.54 crore was invested in 13 Government Companies, ₹ 148.53 crore in two Statutory Corporations, ₹ 142.36 crore in 25 Co-operative Societies and ₹ 33.63 crore in one Rural Bank upto the end of 31 March 2017.

During the year 2016-17, only ₹ 0.05 crore (₹ 5,07,551) was received as dividend from Tripura Forest Development Corporation Ltd. (TFDCL) by the Government. Against the average rate of interest on Government borrowings of 7.50 *per cent*, return had been reported as only ₹ 0.05 crore during the year.

1.8.4 Loans and Advances by State Government

In addition to investments as equity capital in Corporations, Companies and Co-operative Societies, Government had also been providing Loans and Advances to those Institutions/Organisations. The Government further provides loans to its employees for construction of houses and other miscellaneous purposes. **Table No. 1.27** presents the outstanding Loans and Advances as on 31 March 2017 and Interest Receipts *vis-a-vis* Interest Payments during the last five year period.

Table No. 1.27: Average Interest Receipts on Loans advanced by the State Government
(*₹ in crore*)

| Quantum of Loans/Interest Receipts/Cost of borrowings | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|---------------|---------------|---------------|---------------|---------------|
| Opening Balance | 94.57 | 112.24 | 127.05 | 140.61 | 161.31 |
| Amount advanced during the year | 18.93 | 15.77 | 15.74 | 21.84 | 27.28 |
| Amount repaid during the year | 1.26 | 0.96 | 2.18 | 1.14 | 0.91 |
| Closing Balance | 112.24 | 127.05 | 140.61 | 161.31 | 187.68 |
| Net addition of Loans | (-) 17.67 | 14.81 | 13.56 | 20.70 | 26.37 |
| Interest Receipts | 1.39 | 1.27 | 1.08 | 2.55 | 1.41 |
| Interest Receipts as <i>per cent</i> to outstanding Loans and Advances | 1.24 | 0.99 | 0.76 | 1.58 | 0.84 |

Table No. 1.27: Average Interest Receipts on Loans advanced by the State Government(concl.d.)

(₹ in crore)

| Quantum of Loans/Interest Receipts/Cost of borrowings | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---------|---------|---------|---------|---------|
| Interest Payments as <i>per cent</i> to outstanding Fiscal Liabilities of the State Government. | 6.93 | 6.77 | 7.31 | 7.02 | 7.50 |
| Difference between Interest Payments and Interest Receipts (<i>per cent</i>) | 5.69 | 5.79 | 6.55 | 5.44 | 6.66 |

As on 31 March 2017, the balance of Loans and Advances given by the State Government to various organisations for development purposes was ₹ 187.68 crore. During 2016-17, ₹ 12.00 crore interest free loan was given to the Society for Tripura Medical College and Dr. B.R. Ambedkar Memorial Teaching Hospital, Agartala bringing their total loans to ₹ 76.50 crore. An amount of ₹ 56.75 crore remained outstanding with TSECL as on 31 March 2017 of which ₹ 13.25 crore had been disbursed interest free to TSECL during the year 2016-17 repayable in 30 instalments within a period of 15 years from next financial year. During 2016-17, an amount of ₹ 0.70 crore was given as Loans to the Government servants by the State Government. After recovery of ₹ 0.57 crore during the year, the outstanding loans to the Government servants stood at ₹ 11.12 crore at the end of March 2017. ₹ 1.41 crore was received as interest from the Government servants during 2016-17. Overall disbursement of Loans and Advances during the year was ₹ 27.28 crore.

1.8.5 Cash Balances and Investment of Cash Balances

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

Under the agreement with the RBI, the State Government had to maintain a minimum cash balance of ₹ 29.00 lakh with the Bank. If the balance fell below the agreed minimum balance on any day, the deficiency was to be made good by taking WMAs/overdrafts. However, the State had not availed any WMAs (ordinary or special) during the year 2016-17. **Table No. 1.28** depicts the Cash Balances and investments made by the State Government out of Cash Balances during the year 2015-16 and 2016-17.

Table No. 1.28: Cash Balances and Investments of Cash Balances

(₹ in crore)

| Particulars | Opening balance on 1-4-2016 | Closing balance on 31-3-2017 |
|--|-----------------------------|------------------------------|
| (a) General Cash Balance - | | |
| • Cash in Treasuries | 0.00 | 0.00 |
| • Deposits with Reserve Bank | 6.76 | (-) 299.87 |
| • Deposits with other Banks | 0.00 | 0.00 |
| • Remittances in transit - Local | (-) 1.13 | (-) 1.13 |
| Total: | 5.63 | (-) 301.00 |
| Investments held in Cash Balance Investment Account | 2,207.79 | 1,356.72 |
| Total (a): | 2,213.42 | 1,055.72 |
| (b) Other Cash Balances and Investments | | |
| • Cash with departmental officers viz, Public Works Department Officers, Forest Department Officers, District Collectors | 19.72 | 41.59 |
| • Permanent advances for contingent expenditure with departmental officers | 0.00 | 0.00 |
| • Investment of Earmarked Funds | 529.21 | 631.92 |
| Total (b): | 548.93 | 673.51 |
| Grand total (a)+ (b): | 2,762.35 | 1,729.23 |

The above table shows that ₹ 1,356.72 crore had been held in Cash Balance Investment Account while ₹ 631.92 crore was in earmarked fund (Sinking Fund: ₹ 529.21 crore; SDRF: ₹ 100 crore and other: ₹ 2.71 crore) as on 1 April 2017. The funds in Cash Balance Investment Account decreased by ₹ 851.07 crore (about 39 per cent) as compared to previous year which resulted in total cash balance of ₹ 1,729.23 crore at the end of 31 March 2017. The entire balance of ₹ 1,356.72 crore under Cash Balance Investment Account was invested in Gol's 14 days Treasury bills as on 31 March 2017. Interest of ₹ 35.66 crore was realised on the investment of Cash Balance during 2016-17.

Fresh Borrowings by the State

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

The XIV FC recommended that it would be appropriate to exclude the State from the operation of the Scheme in future to borrow from the National Small Savings Funds with effect from 1 April 2015. The XIV FC also recommended that involvement of the States in the NSSF may be limited solely to discharging the debt obligations already incurred by them prior to 1 April 2015, since the scheme has been administered almost in its entirety by the Union Government.

During the year 2016-17, the State Government resorted to fresh borrowings to the tune of ₹ 1,135.94 crore (3.08 per cent of GSDP) of which ₹ 990.32 crore was from Market Loan bearing interest, ₹ 144.12 crore from NABARD and ₹ 1.50 crore from

National Development Corporation. The borrowings of the State Government during 2016-17 exceeded the borrowing limit of 3 *per cent* of GSDP recommended by the XIV FC. The repayment of borrowings during the year was ₹ 481.01 crore (1.30 *per cent* of GSDP). On the other hand, as pointed out in **Paragraph No. 1.8.5**, the balance in Cash Balance Investment Account at the beginning of the year 2016-17 was ₹ 2,207.79 crore. No loan was raised from the NSSF during the year 2016-17. The overall interest payment during 2016-17 was ₹ 794.31 crore of which ₹ 501.99 crore was paid on Internal Debt including an amount of ₹ 294.91 crore paid for Market Loans.

The following table shows the receipts and repayments of the borrowings from Market Borrowings by the State Government for the last five year period from 2012-17:

Table No. 1.29: Trend in Market Borrowings during 2012-17

(₹ in crore)

| Year | Receipts during the year | Repayment during the year | Addition during the year | Balance as on 31 March | Cash balance of the Govt. in Cash Balance Investment Account as on 31 March |
|---------------|--------------------------|---------------------------|--------------------------|------------------------|---|
| 2012-13 | 830.53 | 281.28 | 549.25 | 4,108.13 | 2,305.70 |
| 2013-14 | 783.25 | 172.14 | 611.11 | 4,719.24 | 3,460.88 |
| 2014-15 | 532.07 | 268.78 | 263.29 | 4,982.50 | 3,371.25 |
| 2015-16 | 1,113.86 | 415.65 | 698.21 | 5,680.71 | 2,207.79 |
| 2016-17 | 1,135.94 | 481.01 | 654.93 | 6,335.64 | 1,356.72 |
| Total: | 4,395.65 | 1,618.86 | 2,776.79 | | |

The total outstanding liabilities on account of market borrowings of the State increased from ₹ 4,108.13 crore in 2012-13 to ₹ 6,335.64 crore in 2016-17 which was an increase of 54 *per cent* during the last five years period. As on 31 March 2016, the State Government had ₹ 2,207.79 crore in Cash Balance Investment Account. Despite having huge balance in Cash Balance Investment Accounts, the State Government resorted to fresh borrowings to the tune of ₹ 1,135.94 crore which resulted in net addition of ₹ 654.93 crore (12 *per cent*) to the outstanding liabilities on account of market borrowings. The balance in market borrowing increased by 11.53 *per cent* from ₹ 5,680.71 crore at the end of 31 March 2016 to ₹ 6,335.64 crore at the end of 31 March 2017.

The State Government should adopt a policy of need based borrowing and should consider the possibility of utilising the existing cash balances before resorting to fresh market borrowings.

1.9 Assets and Liabilities

1.9.1 Growth and Composition of Assets and Liabilities

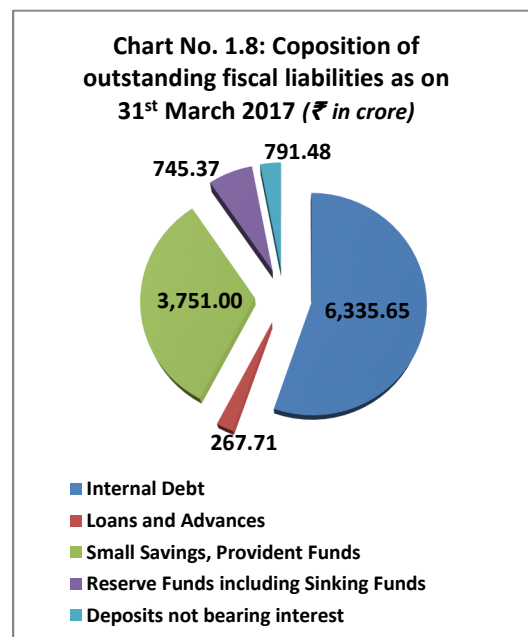
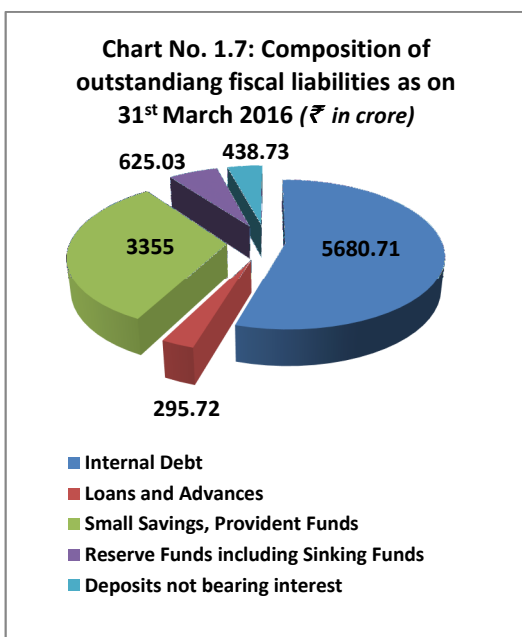
In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix - 1.5** gives an abstract of such liabilities and the assets as on 31 March 2017 compared with the corresponding position on 31 March 2016. While the liabilities in the Appendix consist mainly of Internal Borrowings, Loans and Advances from the GoI, receipts from the Public Account and Reserve Funds, the Assets comprise mainly of the Capital Outlay, Loans and Advances given by the State Government and Cash Balances.

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

As per statement of the Finance Accounts the liabilities of the State Government comprise of Market Loans, Loans from Financial Institutions, Special Securities issued to NSSF, Loans from GoI, Small Savings, Provident Funds, etc., Reserve Funds and Deposits, etc.

1.9.2 Fiscal Liabilities

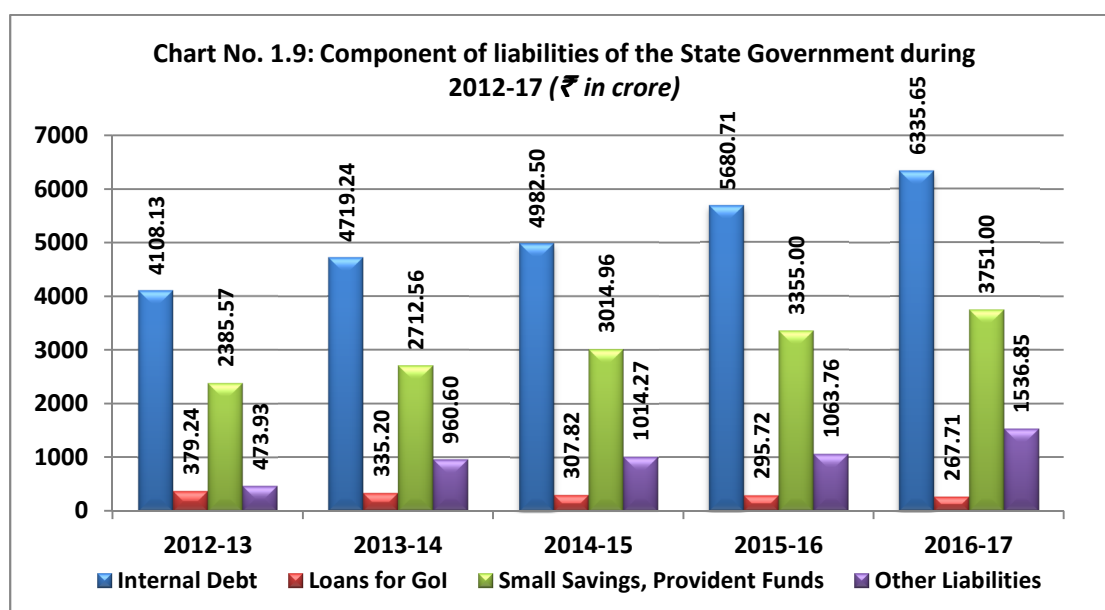
The trends in outstanding fiscal liabilities of the State are presented in **Appendix - 1.5**. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Chart Nos. 1.7** and **1.8** respectively.



The outstanding fiscal liabilities of the State as on 31 March 2017 was ₹ 11,891.21 crore as compared to ₹ 10,395.19 crore at the end of 31 March 2016 with an increase of 14 *per cent* during the year. Outstanding fiscal liabilities on account of Internal Debt increased by ₹ 654.94 crore (12 *per cent*) and Public Account by ₹ 869.09 crore (19.67 *per cent*) offset by decrease in Loans and Advances from Gol by ₹ 28.01 crore (9 *per cent*) over the previous year.

The percentage of outstanding liabilities to GSDP during 2016-17 was 32.24 against the projection in the MTFPS (34.75 *per cent* of GSDP) and was also within the projection (35 *per cent* of GSDP) made by the XIV FC and the TFRBM Act.

The liabilities of the State Government during 2012-17 are shown in **Chart No. 1.9**.



1.9.3 Transactions under Reserve Funds

As on 31 March 2017, two types of Reserve Funds *viz*; (i) Interest bearing and (ii) Non-Interest bearing Reserve Funds were operated by the State Government:

i) Interest Bearing Reserve Funds

According to the recommendations of the Finance Commissions, the State Government constituted the State Disaster Response Fund (SDRF) under the Major Head-8121 as Interest bearing Reserve Fund during the year 2010-11. As per the guidelines of the fund, the share of contribution between the Central and State Government to the fund was 90:10. During the year 2016-17, Gol released ₹ 29.70 crore as Central Share towards SDRF against ₹ 28 crore recommended by the XIV FC for the year and the State Government credited the same as Revenue receipts. The State Government should transfer the amount to the SDRF under Public Account along with its share as per the guidelines. The State Government released an amount of ₹ 34.55 crore including State share of ₹ 4.85 crore (₹ 1.55 crore for 2015-16 and ₹ 3.30 crore for 2016-17). As per the guidelines, the State Government was to release State share of ₹ 2.97 crore for 2016-17, but instead ₹ 3.30 crore was released

as State share resulting in excess release of State share of ₹ 0.33 crore during the year 2016-17.

The balance in SDRF increased from ₹ 161.91 crore (₹ 88.91 crore under Public Account and ₹ 73 crore investment in banks) as on 31 March 2016 to ₹ 223.35 crore during 2016-17 with the credit of ₹ 34.55 crore in the SDRF as mentioned above and the deposit of ₹ 26.89 crore in the SDRF by challan, being the encashment of fixed deposits of erstwhile Calamity Relief Funds. During 2016-17, the State Government had incurred an expenditure of ₹ 14.74 crore on natural calamities and ₹ 27 crore was also invested in banks. As on 31 March 2017, the balance in SDRF stood at ₹ 208.61 crore (₹ 108.61 crore under Public Account and ₹ 100 crore investment in banks).

As on 31 March 2017, the total investment of SDRF in banks was ₹ 100 crore (₹ 73 crore in 2015-16 and ₹ 27 crore in 2016-17) and the balance of SDRF under Public Account was ₹ 108.61 crore which could have been invested in nationalised banks.

The Government may consider investing the unspent balance of the fund in some nationalised bank.

ii) Reserve Funds not Bearing Interest

Two major heads 8222 – Sinking Funds and 8235 – General and Other Reserve Funds, had been operated by the Government in this category of Reserve Funds. Sinking Fund is an earmarked fund under the Non-Interest bearing Reserve Funds created by the Government as per the recommendation of the FC. During 2016-17, no amount had been credited to the Sinking Fund. The accumulated balance in the Sinking Fund at the end of 31 March 2017 was ₹ 529.21 crore.

Under the Major Head 8235 – General and other Reserve Funds, an amount of ₹ 0.64 crore was credited during the year 2016-17 as Guarantee Redemption Fee/ Commission received during the year from three Co-operative Societies. The closing balance in this fund stood at ₹ 7.56 crore at the end of 31 March 2017 with the addition of ₹ 2.71 crore during 2016-17. Total investment from the Reserve Fund stood at ₹ 631.92 at the end of 31 March 2017.

1.9.4 Contingent Liabilities

Status of Guarantees

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

The State Government also introduced 'The Tripura Government Guarantee Redemption Fund Scheme' in July 2007 and the scheme was implemented with

effect from the financial year 2007-08. It was decided by the Government to charge 1 *per cent* Guarantee Redemption Fee on the fresh guarantee to cover the risk of the liabilities which may arise on invocation of the guarantees. The scheme was revised as Guarantees Redemption Fund Scheme by the Government and notified in the Tripura Gazette on 29th January 2016, effective from the financial year 2015-16.

According to the revised guidelines, the State Government shall contribute minimum 0.5 *per cent* of outstanding guarantee every year to achieve a minimum level of 3 *per cent* of GSDP in the next five years. The fund shall be gradually increased to a desirable level of 5 *per cent*. If guarantees have been invoked or are likely to be invoked, additional funds (over and above 5 *per cent*) shall be maintained. Further, it states that in order to enable the transfer of total contribution amount to the fund, the Government would make suitable budget provision under Major Head “2075-Miscellaneous General Services, 797-Transfer to Reserve Fund and Deposit Accounts – Guarantees Redemption Fund”. But the State Government did not make any budget provision for the financial year 2016-17 for contribution to this fund though the scheme had been effective from the financial year 2016-17. The details of outstanding position of guarantees are given in **Table No. 1.30**.

Table No. 1.30: Status of Guarantees – Contingent Liabilities

| Particulars | (₹ in crore) | | | | |
|---|--------------|------------|------------|------------|------------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Maximum amount guaranteed during the year | 121.42 | 25.00 | 79.00 | 67.00 | 64.00 |
| Outstanding amount of guarantees, of which | 193.27 | 187.80 | 241.48 | 287.78 | 312.53 |
| <i>i) Principal</i> | 193.19 | 187.72 | 241.40 | 287.70 | 312.45 |
| <i>ii) Interest</i> | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 |
| Ceiling fixed by the State Government Act, if any | 1 % of GSDP | 1% of GSDP | 1% of GSDP | 1% of GSDP | 1% of GSDP |
| Outstanding amount of guarantee to Revenue Receipts (<i>per cent</i>) | 2.74 | 2.45 | 2.61 | 3.05 | 3.24 |

During the year 2016-17, the State Government had given fresh guarantees amounting to ₹ 64.00 crore for repayment of loans raised by three⁷ Co-operative Societies. The Government received ₹ 0.64 crore as guarantee commission/fee from the three Co-operative Societies and credited to Major Head 8235-00-117 during the year. As on 31 March 2017, outstanding guarantees stood at ₹ 312.53 crore including interest of ₹ 0.08 crore against ₹ 287.78 crore at the end of March 2016. Among the six co-operative societies, maximum outstanding guarantee was with the Tripura OBC Co-operative Development Corporation (₹ 52.40 crore) followed by Tripura Minorities Co-operative (₹ 48.13 crore). An amount of ₹ 117.82 crore guarantee remained outstanding with the Power Department as on 31 March 2017. However, the incremental guarantee liability of the State had decreased which was within the limit fixed by the Legislature for the year. The outstanding guarantee was 0.85 *per cent* of GSDP and 3.24 *per cent* of Revenue Receipts for the year 2016-17.

⁷ 1. Tripura SC Cooperative Development Corporation = ₹ 19 crore
2. Tripura OBC Cooperative Development Corporation = ₹ 25 crore
3. Tripura Minorities Cooperative Development Corporation = ₹ 20 crore

Off Budget Borrowings

There was no off-budget borrowing for the year 2016-17. As such, the Government had not exceeded the annual permissible limit of 0.5 per cent of the GSDP for off-budget borrowings according to the TFRBM Act, 2005.

1.10 Analysis of Borrowings of Government

(i) Debt Management

Table No. 1.31: Public Debt Management

(₹ in crore)

| Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| i) Total Public Debt received | 834.01 | 786.98 | 537.27 | 1119.79 | 1139.56 |
| ii) Less : Debt Repayment | 653.05 | 219.91 | 300.00 | 447.29 | 512.63 |
| iii) Less: Net disbursement of Loans and Advances by the State | (+) 17.67 | (+) 14.81 | (+) 13.56 | (+) 20.70 | (+) 26.37 |
| Net Debt utilised (i) – (ii) - (iii) | (+) 163.29 | (+) 552.26 | (+) 223.71 | (+) 651.80 | (+) 600.56 |
| Ratio of Net Debt utilised to total Debt received (<i>per cent</i>) | 20 | 70 | 42 | 58 | 53 |

Fiscal Deficit is usually financed by way of borrowings by the State. The table shows that during 2016-17 the State Government borrowed funds from the open market and Gol amounting to ₹ 1,139.56 crore and repaid ₹ 512.63 crore. During the year 2016-17, ₹ 524.89 crore was paid as interest on outstanding debt, of which ₹ 501.99 crore pertained to Internal Debt and ₹ 22.90 crore was paid as interest to Gol on Loans and Advances during the year.

(ii) Debt Profile

The maturity profile of Outstanding Debt of the State is given in the table below:

Table No. 1.32: Maturity Profile of Outstanding Debt

(₹ in crore)

| Amount of Debt Maturing | During 2017-18 | Between 2018-19 & 2019-20 | Between 2020-21 & 2021-22 | 2022-23 onwards | Total |
|--|----------------|---------------------------|---------------------------|-----------------|---------------------------|
| Particulars | | | | | |
| (A) Internal Debt, of which | 136.74 | 789.44 | 837.44 | 4572.43 | 6335.65 |
| (i) Market Loans | Nil | 506.00 | 585.00 | 2910.33 | 4001.33 |
| (ii) Loans from Financial Institutions | 79.87 | 169.70 | 138.30 | 524.63 | 912.50 |
| (iii) NSSF Loans | 56.87 | 113.74 | 113.74 | 1137.47 | 1421.82 |
| (B) Loans from Gol, of which | 31.44 | 62.79 | 62.71 | 110.59 | 267.53⁸ |
| (i) Plan Loans | 30.90 | 61.75 | 61.73 | 108.70 | 263.08 |
| (ii) Non-plan Loans | 0.54 | 1.04 | 0.98 | 1.89 | 4.45 |
| (C) Average interest rate | NA | NA | NA | NA | NA |

Source: Finance Account 2016-17

⁸ Excluding pre 1984-85 loan amounting to ₹ 0.18 crore

During the year 2016-17, an amount of ₹ 481.01 crore (Market Loans: ₹ 236.94 crore; NSSF: ₹ 112.57 crore and loans from other Financial Institutions: ₹ 131.50 crore) was due and paid by the State Government. As on 31 March 2017, the outstanding Internal Debt stood at ₹ 6,335.65 crore which would mature for repayment during the period from 2017-18 to 2042-43. During 2016-17, Central Loan of ₹ 31.62 crore was due and repaid to the Central Government, leaving a balance of ₹ 267.71 crore which would mature for repayment during the period from 2017-18 to 2054-55 onwards at an interest rate of 6 to 15 *per cent* per annum. Information in respect of loan amounting to ₹ 0.18 crore prior to 1984-85 had not been received from the State Government. Total outstanding debts of the Government are shown in **Appendix 1.5**.

(iii) Debt Sustainability

Debt sustainability refers to the State's ability to service its debt in future. It is important to analyse various indicators that determine the debt sustainability of the State. If the rate of growth of economy (GSDP) exceeds the interest rate of public borrowings, the Debt-GSDP ratio of the State is likely to be stable. The indicators of debt sustainability of the State for the last five years from 2012-13 to 2016-17 are given in **Table No. 1.33**:

Table No. 1.33: Debt Sustainability, Indicators and Trends

| Indicators of Debt Sustainability | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|------------|------------|------------|------------|------------|
| Outstanding Public Debt (₹ in crore) | 4487.37 | 5054.45 | 5290.32 | 5976.43 | 6603.36 |
| Rate of growth | 13.15 | 12.64 | 4.67 | 12.97 | 10.49 |
| Debt/GSDP (<i>per cent</i>) | 2.07 | 19.75 | 17.83 | 18.19 | 17.91 |
| Rate of growth of GSDP | 12.78 | 18.14 | 15.92 | 11.87 | 12.23 |
| Average interest rate of outstanding Public Debt (<i>in per cent</i>) | 12.61 | 12.39 | 13.18 | 12.95 | 8.34 |
| Net Debt available | (+) 180.97 | (+) 190.48 | (-) 142.00 | (+) 205.78 | (+) 102.04 |
| Burden of Interest Payments (1P/RR) (<i>per cent</i>) | 7.56 | 7.72 | 7.44 | 7.74 | 5.44 |

The above table shows that the growth of outstanding Public Debt during 2012-13 to 2016-17 ranged between 5 and 13 *per cent* while the growth of GSDP ranged between 12 and 18 *per cent* respectively. On the other hand, the average interest rate of the outstanding Public Debt ranged between 8 and 13 *per cent* during the same period. The rate of growth of GSDP however exceeded the average rate of interest paid on the outstanding debt except in 2015-16, which indicated that the State was quite stable during 2012-13 to 2014-15. There was sufficient debt after redemption of debt with the State Government during the period except in 2014-15 when the net balance of debt was negative. There was a net balance of ₹ 102.04 crore during the year 2016-17 after repayment of debt including interest of ₹ 524.89 crore during the year.

(iv) Cash Balance Investment

The position of the Cash Balance Investment Account during the last five year period upto 2016-17 are detailed in **Table No. 1.34**.

Table No. 1.34: Year-wise position of Cash Balance Investment Account 2012-17

(₹ in crore)

| Year | Opening balance | Closing balance | Interest receipts on investment | Interest paid on market loan |
|---------|-----------------|-----------------|---------------------------------|------------------------------|
| 2012-13 | 1,104.30 | 2,305.70 | 66.49 | 148.40 |
| 2013-14 | 2,305.70 | 3,460.88 | 85.20 | 185.51 |
| 2014-15 | 3,460.88 | 3,380.74 | 44.94 | 242.19 |
| 2015-16 | 3,380.74 | 2,207.79 | 52.69 | 249.96 |
| 2016-17 | 2,207.79 | 1,356.72 | 35.66 | 249.91 |

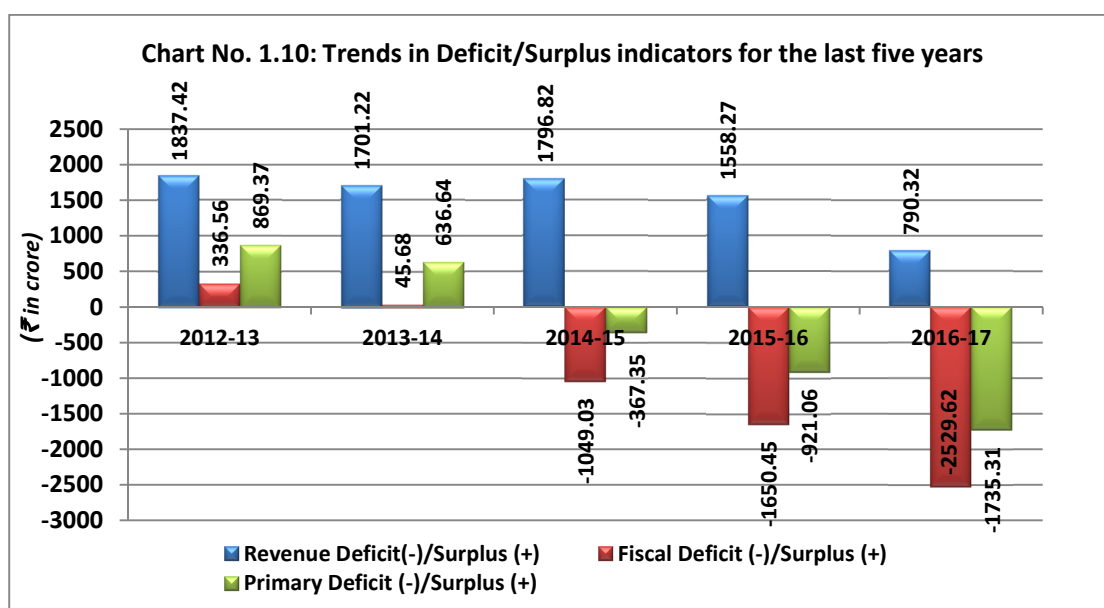
From the above table it was seen that the balance of cash balance investment account had gradually decreased from ₹ 3,460.88 crore in 2013-14 to ₹ 1,356.72 crore in 2016-17. As on 31 March 2017, the entire balance was invested in Gol 14 days Treasury Bills with RBI. During the year 2016-17, the Government received ₹ 35.66 crore as interest on the investment while the Government paid ₹ 249.91 crore as interest on Market Loans.

1.11 Fiscal Imbalances

Three key fiscal parameters - Revenue, Fiscal and Primary Deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The nature and quantum of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and applied are also important pointers to its fiscal management. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and Fiscal Deficits *vis-a-vis* targets set under FRBM Act/Rules for the financial year 2016-17.

1.11.1 Trends in Deficits

Chart 1.10 presents the trends in Deficit/Surplus indicators over the period 2012-17.



The State was able to achieve Revenue Surplus during 2012-17 and it ranged between 2.14 and 8.63 *per cent* of GSDP during the period. During 2016-17 the Revenue Surplus was 2.14 *per cent* of GSDP. The State had witnessed Primary Deficit and Fiscal Deficit during the last three years. During the year 2016-17 the Fiscal Deficit of the State was ₹ 2,529.62 crore (32.24 *per cent* of GSDP) while it was ₹ 1,650.45 crore (31.32 *per cent* of GSDP) in 2015-16, an increase of 53 *per cent* during the year.

1.11.2 Composition of Fiscal Deficit/Surplus and its Financing Pattern

The financing pattern of the Fiscal Deficit/Surplus had undergone a compositional shift as reflected in the table below:

Table No. 1.35: Decomposition and financing pattern of Fiscal Deficit

| (₹ in crore) | | | | |
|--|--------------|--------------|--------------|--------------|
| Particulars | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| 1 | 2 | 3 | 4 | 5 |
| Decomposition of Fiscal Deficit (-)/Surplus (+) | (+) 45.68 | (-) 1,049.03 | (-) 1,650.45 | (-) 2,529.62 |
| Fiscal Deficit/Surplus as percentage to GSDP | (+) 0.18 | (-) 3.39 | (-) 4.97 | (-) 6.86 |
| Revenue Deficit (-)/Surplus (+) | (+) 1,701.22 | (+) 1,796.82 | (+) 1,558.27 | (+) 790.32 |
| Capital Expenditure | 1,640.73 | 2,832.29 | 3,188.02 | 3,293.57 |
| Net Loans and Advances | 14.81 | 13.56 | 20.70 | 26.37 |
| Financing Pattern of Fiscal Deficit (-)/Surplus (+) | | | | |
| Market Borrowings (Net) | (+) 472.36 | (+) 32.00 | (+) 355.47 | (+) 753.38 |
| Loans from GoI (Net) | (-) 44.04 | (-) 26.02 | (-) 25.71 | (-) 28.00 |
| Special Securities Issued to NSSF (Net) | (+) 17.53 | (+) 125.07 | (+) 176.26 | (-) 112.57 |
| Loans from Financial Institutions (Net) | (+) 121.22 | (+) 106.22 | (+) 166.48 | (+) 14.12 |
| Small Savings, Provident Fund, etc. (Net) | (+) 326.99 | (+) 302.41 | (+) 340.04 | (+) 396.01 |
| Deposits and Advances (Net) | (+) 92.72 | (+) 37.54 | (+) 111.39 | (+) 354.29 |
| Suspense and Misc. (Net) | (-) 19.68 | (-) 44.19 | (-) 25.98 | (-) 7.48 |
| Remittances (Net) | (+) 45.98 | (+) 81.52 | (-) 11.35 | (+) 6.41 |
| Others (Reserve Funds) (Net) | (+) 68.98 | (+) 28.03 | (-) 54.54 | (+) 47.34 |
| Increase (+)/decrease (-) in cash balance | (+) 1,127.74 | (-) 406.45 | (-) 618.39 | (-) 1,106.12 |

Source: Finance Accounts

The source of funds of the State Government comprises of Revenue Receipts, Non-Debt Capital Receipts, Public Debt Receipts and net receipts from Public Accounts. The State Government received a substantial amount of ₹ 4,095.48 crore from Central Government as grants during the year 2016-17 and with this amount the total Revenue Receipts stood at ₹ 9,645.46 crore. The Revenue Expenditure was only ₹ 8,855.14 crore thereby resulting in a Revenue Surplus of ₹ 790.32 crore during 2016-17. The State had been enjoying Revenue Surplus since 2005-06 and with gradual improvement in its fiscal policy implementations, the State had Fiscal Surplus upto 2013-14. But the State witnessed Fiscal Deficit during the last three years and reached ₹ 2,529.62 crore during 2016-17, which was an increase of ₹ 879.17 crore over the previous year. Overall fiscal position of the State Government for the years 2012-17 are given in **Appendix - 1.5**.

1.11.3 Quality of Deficit/Surplus

Table No. 1.36 indicates the extent to which the Deficit/Surplus had been on account of enhancement in Capital Expenditure which may be desirable to improve the

productive capacity of the State's economy.

Table No. 1.36: Primary Deficit/Surplus – Bifurcation of factors

(₹ in crore)

| Year | Non-Debt Receipts | Primary Revenue Expenditure | Capital Expenditure | Loans and Advances | Primary Expenditure | Non-Debt Receipts vis-à-vis Primary Revenue Expenditure | Primary Deficit (-)/ Surplus (+) |
|---------|-------------------|-----------------------------|---------------------|--------------------|---------------------|---|----------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 (3+4+5) | 7 (2-3) | 8 (2-6) |
| 2012-13 | 7,051.56 | 4,680.07 | 1,483.19 | 18.93 | 6,182.19 | 2,371.49 | (+) 869.37 |
| 2013-14 | 7,651.14 | 5,358.00 | 1,640.73 | 15.57 | 7,014.50 | 2,293.14 | (+) 636.64 |
| 2014-15 | 9,241.91 | 6,761.23 | 2,832.29 | 15.74 | 9,609.26 | 2,480.68 | (-) 367.35 |
| 2015-16 | 9,427.88 | 7,139.08 | 3,188.02 | 21.84 | 10,348.94 | 2,288.79 | (-) 921.06 |
| 2016-17 | 9,646.37 | 8,060.83 | 3,293.57 | 27.28 | 11,381.68 | 1,585.54 | (-) 1,735.31 |

Source: Finance Accounts

Non-Debt Receipts of the State during 2012-17 were sufficient to meet the Primary Revenue Expenditure. Non-Debt Receipts during the period 2012-17 increased by 36.80 per cent. The Primary Revenue Expenditure increased by 72.24 per cent during the same period due to increase in expenditure in Social Services by 79 per cent and General Services by 62 per cent. During the period (2012-17) Capital Expenditure grew by 122 per cent. The State had a Primary Deficit of ₹ 1,735.31 crore during 2016-17 against the Primary Deficit of ₹ 921.06 crore in 2015-16, an increase by 88 per cent within a year.

1.12 Conclusion and Recommendations

Surplus/Deficit

The fiscal position of the State viewed in terms of key fiscal parameters – Revenue Surplus, Fiscal Deficit, Primary Deficit, etc. indicated that the State had maintained Revenue Surplus during the last five year period while the State had witnessed Primary Deficit in the last three years of the last five years. During the current year, Revenue Surplus of the State decreased by ₹ 767.95 crore as compared to the previous year. Fiscal Deficit during 2016-17 stood at ₹ 2,529.62 crore which increased by 53 per cent over the previous year.

Revenue Receipts

During 2016-17, 83 per cent of the Revenue Receipts (₹ 8,004.60 crore) was from GoI as Central transfer while only 17 per cent revenue was collected from State's own sources (i.e. Tax and Non-tax Revenue). The collection of Tax (₹ 1,422.01 crore) and Non-tax Revenue (₹ 218.85 crore) during the year 2016-17 were much below the XIV FC projection for the year.

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

Expenditure of the State Government

During 2016-17, 73 per cent of total expenditure was on revenue account (₹ 8,855.14 crore) of which 75 per cent of Revenue Expenditure was on Non-plan head. On the

other hand, Capital Expenditure (₹ 3,293.57 crore) was 27 per cent of total expenditure for the year 2016-17 which decreased by 2 per cent relating to the total expenditure as compared to previous year.

Development Expenditure during the year 2016-17 was ₹ 8,269.64 crore which increased by 8 per cent over the previous year.

Expenditure on Salary and Wages during 2016-17 was ₹ 3,911.88 crore which was 32 per cent of total expenditure and 57 per cent of Revenue Expenditure net of Interest Payments and Pension.

Fiscal Correction Path

During 2016-17, the State had Revenue Surplus which was 2.14 per cent of GSDP against the projection of Revenue Deficit of 1.07 per cent as recommended by the XIV FC. During the year, Fiscal Deficit was 6.86 per cent of GSDP against the projection of 3.25 per cent by XIV FC.

Keeping in view the XIV FC projections, the State should reduce the Fiscal Deficit gap in the ensuing years of FC award period.

Fiscal Liabilities

The percentage of outstanding liabilities to GSDP during 2016-17 was 32.24 per cent, which was within the projection in the MTFPS (34.75 per cent) and the projection made by the XIV FC (35 per cent) for the year. During 2016-17, Interest Receipts as percentage of outstanding Loans and Advances by the Government was 0.84 per cent while interest paid by the Government as a percentage of outstanding liabilities was 7.50 per cent which stood at ₹ 11,891.21 crore at the end of March 2017.

Investment and Returns

Investment of Government money in Government Companies and Statutory Corporations is increasing year after year. The Government received an amount of ₹ 0.05 crore only as Dividend from a Government company during 2016-17. The average rate of interest on Government borrowings was 7.50 per cent during the year.

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