CHAPTER I

FINANCES OF THE STATE GOVERNMENT

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Profile of the State

Manipur is located in the north-eastern part of India. The total geographical area of the State is 22,327 sq. km. comprising the central valley and the hills surrounding the valley. There are 16 districts in the State, of which six are in the valley and ten districts are located in the hills. As per Census of 2011, the State's population increased from 22.94 lakh in 2001 to 28.56 lakh in 2011. Out of the total population, 29.21 *per cent* people (8.34 lakh) live in urban areas and the remaining 70.79 *per cent* (20.22 lakh) in rural areas. The density of population is 128 persons per sq. km. The State's literacy rate has increased from 66.61 *per cent* (as per 2001 census) to 76.94 *per cent* in 2011. Other related details are given in **Appendix 1.1 (Part D).** Manipur is categorised as Special Category State (SCS) as 90 *per cent* of plan assistance is given by the Government of India (GoI) as grants and 10 *per cent* as loans against 70:30 for general category states. The primary source of Revenue Receipts of the State is the Central Government which contributed between 90 *per cent* to 92 *per cent* of the Total revenue of the State in the form of State's share of Union taxes and duties and Grants-in-Aid (GIA) during 2013-18.

About this Chapter

This chapter provides a broad perspective of the finances of the Government of Manipur during 2017-18 and analysis of critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years (2013-18). The details of structure, form of Government accounts, layout of Finance Accounts, methodology adopted for assessment of fiscal position, profile of the State *etc*., are given in **Appendix 1.1 (Part A to D).**

1.1 Introduction

1.1.1 Gross State Domestic Product

Gross State Domestic Product (GSDP) is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy. The trends in the annual growth at current prices of the State's GSDP are indicated in the following table:

Table 1.1: GSDP of the State, All India GDP and the rate of growth During 2013-18

(₹in crore)

Year	2013-14	2014-15	2015-16	2016-17	2017-18
All India GDP	1,12,33,522	1,24,67,959	1,37,64,037	1,52,53,114	1,67,73,145
Growth rate of GDP *(per cent)*	12.97	10.99	10.40	10.82	9.96
State's GSDP [1]	16,198	18,129	19,531	21,066 (Q)	23,167 (A)
Growth rate of GSDP *(per cent)*	17.82	11.92	7.73	7.86	9.97

Q – Quick estimates, A – Advance estimates

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

[1] At current price (A) – Advance (Q) - Quick.

The decrease in growth rate of GSDP from the year 2013-14 to 2014-15 was mainly due to decrease in growth rate of Tertiary Sector[2] (from 15.59 to 9.73 *per cent*). During 2015-16 decrease in annual growth rate of GSDP compared to the previous year was mainly due to negative growth in the Primary Sector[3] (-0.72 *per cent*) and reduction in growth rate of Secondary Sector[4] (from 23.87 to 11.20 *per cent*).

In 2017-18, as per Quick and Advance estimates of 2016-17 and 2017-18 respectively, the GSDP of the State grew at the rate of 9.97 *per cent* (₹ 2,101 crore) at current price during 2017-18 against a growth of 7.86 *per cent* (₹ 1,535 crore) during 2016-17. The increase in growth rate of GSDP was mainly due to increase growth rate in the Secondary Sector (from 1.46 *per cent* in 2016-17 to 15.93 *per cent* in 2017-18) and increased growth rate in Primary Sector (from 0.43 to 5.09 *per cent*). The increase in growth rate of the Secondary Sector during 2017-18 was mainly due to growth in Construction and Manufacturing activities. Whereas, increased growth in the Primary Sector was mainly from growth in Agriculture, forestry and fishing.

1.1.2 Summary of fiscal transactions

The following table presents the summary of the State Government's fiscal transactions during the current year (2017-18) *vis-à-vis* the previous year (2016-17), while **Appendix 1.2** provides details of receipt and disbursements as well as the overall fiscal position during 2017-18.

Table 1.2: Summary of Fiscal operations

(₹in crore)

Receipts	2016-17	2017-18	Disbursements	2016-17	2017-18
Section-A: Revenue					
Revenue Receipts	9,129.12	10,357.83	Revenue Expenditure	8,184.76	9,274.00
Tax revenue	586.67	790.94	General services	3,421.19	3,666.88
Non-tax revenue	164.80	174.07	Social services	2,056.76	2,569.42
Share of Union Taxes/ duties	3,757.13	4,154.33	Economic services	2,342.96	2,503.61
GIA from the Government of India	4,620.52	5,238.49	GIA and Contributions[5]	363.85	534.09
Section-B: Capital					
Miscellaneous Capital Receipts	-	-	Capital Expenditure	1,493.57	1,428.31
Recoveries of Loans and Advances	1.15	8.02	Loans and Advances disbursed	0.25	3.40
Public Debt Receipts[6]	1,551.29	1,295.91	Repayment of Public debt	1,144.97	675.53
Contingency Fund	-	-	Contingency Fund	-	-
Public Account Receipts	549.20	2,632.65	Public Account Disbursement	396.83	2,577.17
Opening Cash Balance	385.19	395.58	Closing Cash Balance	395.58	731.58
Total	**11,615.95**	**14,689.99**	**Total**	**11,615.95**	**14,689.99**

(Source: Finance Accounts)

2 Also known as Service Sector, includes various services e.g. trade, transport, communication, public administration, real estate, financial services, *etc*.
3 Primary Sector constitutes Activities related to agriculture, forestry, fishing, mining and animal husbandary, *etc*.
4 Secondary Sector includes manufacturing, electricity, gas, water supply and other utility services, construction, *etc*.
5 Compensation to Local Bodies and Panchayati Raj Institutions.
6 Under Internal Debt Receipts/repayment only the Net transactions under Ways and Means Advances is taken.

The following are the significant changes during 2017-18 over the previous year:

- Revenue Receipts increased by ₹ 1,228.71 crore (13.46 *per cent*) over the previous year. The increase was mainly due to increase in GIA from Government of India (GoI) (₹ 617.97 crore) and increase in Share of Union Taxes/duties (₹ 397.20 crore).
- Revenue Expenditure increased by ₹ 1,089.24 crore (13.31 *per cent*) over the previous year. There was increase in Revenue Expenditure on Social services (₹ 512.66 crore), General services (₹ 245.69 crore), GIA and Contributions (₹ 170.24 crore) and Economic services (₹ 160.65 crore).
- Capital Expenditure decreased marginally by 4.37 *per cent* (₹ 65.26 crore) over the previous year.
- Public Debt Receipts decreased by 16.46 *per cent* (₹ 255.38 crore) over the previous year. There was also decrease in repayment of Public Debt by 41 *per cent* (₹ 469.44 crore) over the previous year.
- Both Public Account Receipts and Public Account disbursement increased significantly by 379.36 *per cent* (₹ 2,083.45 crore) and 549.44 *per cent* (₹ 2,180.34 crore) respectively over the previous year. The increase in receipts was mainly due to increase in Suspense Accounts (₹ 2,778.99 crore) partially offset by decrease in Remittances (₹ 531.63 crore). The increase in disbursement was mainly due to increase in Suspense Accounts (₹ 2,779.03 crore).
- The total inflow of Receipts was ₹ 14,689.99 crore during 2017-18 against ₹ 11,615.95 crore in 2016-17. There was closing cash balance of ₹ 731.58 crore at the end of 2017-18 as compared to cash balance of ₹ 395.58 crore at the end of the previous year (2016-17).

1.1.3 Achievement against Targets prescribed under the FRBM Act and the Rules

The State Government enacted the Manipur Fiscal Responsibility and Budget Management (FRBM) Act in August 2005 to ensure prudence in fiscal management and fiscal stability by achieving sufficient Revenue surplus, reduction in Fiscal deficit, prudent debt management consistent with fiscal sustainability, and greater transparency in fiscal operations of the Government. As per Manipur FRBM Rules 2005 (enacted in December 2005 and amendments thereafter) framed under the Act, various fiscal targets of Revenue surplus and Fiscal deficit *etc.*, were fixed. The targets under the Act and the Rules are given in **Appendix-1.1 (Part E).** Yearly targets are also set in the Medium Term Fiscal Policy Statements (MTFPS) placed in the State Legislative Assembly. However, during 2017-18, MTFPS was not placed in the Legislative Assembly. The targets for major fiscal variables provided in the FRBM Act and Rules thereunder of the State is depicted in the following table:

Table 1.3: Trends in Major fiscal parameters/variables *vis-à-vis* targets for the year 2017-18

(₹in crore)

Fiscal variables	Targets		Remarks
	FRBM Act	Actuals	
Revenue deficit (-)/ surplus (+)	Maintain Revenue surplus	1083.83	Revenue surplus was achieved.
Fiscal deficit/GSDP (in *per cent)*	Below three *per cent*	1.47	It was kept below the limit fixed by FRBM act.
State's outstanding guarantees[7]	The total outstanding guarantees as on first of April of any year shall not exceed thrice the State's Own Tax Revenue Receipts of the second preceding year *i.e.*₹ 1651.32 crore [8]	490.19	It was within the limit set by the Act.
Salary expenditure (including Wages)	35 *per cent* of Revenue Expenditure net interest payment and pension *i.e.* ₹ 2585.35 crore[9]	3381.43	Expenditure under salary and wages exceeded the limit set in FRBM Act
Total Outstanding Debt[10] /GSDP (in *per cent*)	Reduce Outstanding Debt to a maximum of 54.30 *per cent* of GSDP.	38.36	It was within the limit set by the Act.

(Source: FRBM Act and Finance Accounts)

The State could maintain Revenue surplus (₹ 1,083.83 crore) as envisaged in the FRBM Act. The Fiscal deficit – GSDP ratio (1.47 *per cent*) was kept below the targets of FRBM Act (three *per cent).*

The target of limiting State's outstanding guarantee as set out in the FRBM Act (₹ 1,651.32 crore) was fully achieved as the outstanding guarantee was restricted at ₹ 490.19 crore. Salary[11] expenditure (₹ 3,381.43 crore) exceeded the limit set in the FRBM Act (₹ 2,585.35 crore) by ₹ 796.08 crore .

Total Outstanding Debt-GSDP ratio (38.36 *per cent*) was also kept within the targets of FRBM Act (54.30 *per cent*).

The Fourteenth Finance Commission (XIV FC) recommended limiting Fiscal deficit-GSDP ratio at 3.25 *per cent*[12]. Against this, the Fiscal deficit-GSDP ratio in 2017-18 was 1.47 *per cent*.

Thus, on the positive side, the State achieved the targets fixed by FRBM Act in respect of maintaining Revenue surplus and limiting fiscal deficit, outstanding guarantees and Outstanding Debt-GSDP ratio. However, in respect of expenditure under Salary and wages, the State Government could not achieve the target/limit fixed by the Act.

Off-budget borrowings

The borrowings of the State Government are governed by Article 293(1) of the Constitution of India. In addition to the contingent liabilities, the State Government also extended guarantees against loans availed of by Government Companies/Corporations. These Companies/ Corporations borrowed funds from the market/ financial institutions for implementation of various State plan programmes envisaged from outside the State budget. Funds for those

7 Closing balance of outstanding guarantees at the end of the year 2017-18 *i.e.* as on March 2018 is taken here.
8 ₹ 550.44 crore (in 2015-16) x 3.
9 35 *per cent* of (₹ 9274.00 crore –₹ 562.96 crore –₹ 1324.32 crore).
10 Including Debt under Public Accounts *i.e.* Small Savings *etc*, & Deposits.
11 Including Wages.
12 A state can have a maximum fiscal deficit-GSDP limit of 3.5 *per cent* on fulfilling certain criteria.

programmes were to be met out of resources mobilised by those Companies/Corporations outside the State budget but in reality the borrowings of those concerns ultimately turn out to be the liabilities of the State Government termed 'off-budget borrowings' and the Government had to repay the loans availed of by those Companies/ Corporations including interest through regular budget provision under capital account.

The State Government has not reported (November 2018) any off-budget borrowings during 2017-18.

1.1.4 Budget estimates and actual

The budget papers presented by the State Government provide descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the Budget estimates are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of reasons, some within and some beyond the control of the Government. The following table and chart present the consolidated picture of Budget estimates and Actuals of the State Finances during 2017-18.

Table 1.4: Statement showing Budget estimates and Actuals for the year 2017-18

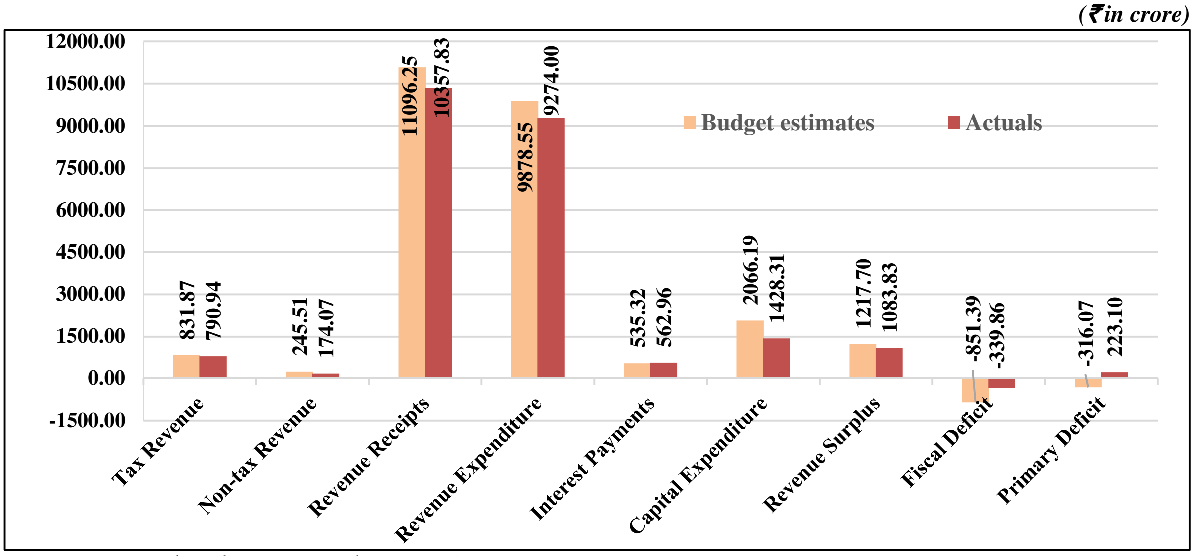
(₹in crore)

Particulars	Budget estimates (BE)	Revised estimates (RE)	Actual	Percentage of increase / decrease w.r.t BE
Tax Revenue	831.87	879.57	790.94	(-) 4.92
Non-tax Revenue	245.51	245.51	174.07	(-) 29.10
Revenue Receipts	11096.25	12025.33	10357.83	(-) 6.65
Revenue Expenditure	9878.55	10294.11	9274.00	(-) 6.12
Interest Payments	535.32	566.43	562.96	(+) 5.16
Capital Expenditure	2066.19	2556.89	1428.31	(-) 30.87
Disbursement of Loans and Advances	6.70	4.85	3.40	(-) 49.25
Revenue surplus	1217.70	1731.22	1083.83	(-) 10.99
Fiscal deficit (-)/ surplus (+)	(-)851.39	(-)826.72	(-)339.86	(+) 60.08
Primary deficit (-)/surplus (+)	(-)316.07	(-)260.29	(+)223.10	(+) 170.59
Recoveries of Loans and Advances	3.80	3.80	8.02	(+) 111.05

(Source: Budget documents and Finance Accounts)

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

(₹in crore)



(Source: Budget documents and Finance Accounts)

It can also be seen from the preceding table that there was a variation between Budget estimates (BE) and Actuals for Non-Tax Revenue collection by 29.10 *per cent* (₹ 71.44 crore). The variation was mainly from Other Non-Tax Revenue (₹ 50.16 crore) and General Services (₹ 36.33 crore) offset by increase under other heads. In case of Capital Expenditure, the projection of BE and Actuals varied by 30.87 *per cent* (₹ 637.88 crore). The variation in Capital expenditure was mainly from Economic Services (₹ 761.37 crore) and Social Services (₹ 188.18 crore). The margin of variation in Disbursement of Loans and Advances was 49.25 *per cent* (₹ 3.30 crore) while it was 111.05 *per cent* (₹ 4.22 crore) in case of Recoveries of Loans and Advances.

The variation between BE and Actuals in Fiscal deficit was 60.08 *per cent* (₹ 511.53 crore) and 170.59 *per cent* (₹ 539.17 crore) in Primary surplus. Thus, the budgetary projection was unrealistic in case of Primary surplus as there was huge variation.

Large variation between Budget estimates and Actual figures could be unfavourable for overall fiscal and budgetary management of the State.

1.1.5 Major policy initiatives in the budget

The Deputy Chief Minister (in-charge Finance), Government of Manipur while giving the Budget speech (July 2017) during budget session, highlighted the uphill and challenging task the State was facing on the fiscal management front. In view of the existing difficult financial position of the State, priority would be to exercise fiscal prudence and maintain financial discipline so as to maximise revenue in various sectors. The CM's aim of continuing commitment to fiscal management was largely achieved. The State continued with Revenue surplus in 2017-18, Fiscal deficit-GSDP ratio was confined at 1.47 *per cent* as against the target of below three *per cent* set in the FRBM Act. The total outstanding Debt-GSDP ratio was 38.36 *per cent*.

The Total Receipts[13] under the Consolidated Fund of the State were estimated at ₹ 12,510.61 crore in 2017-18 of which ₹ 11,096.25 crore was targeted from the Revenue Receipts. Against this, the Actual Receipts was ₹ 11,661.76 crore[14], of which ₹ 10,357.83 crore was from Revenue Receipts.

The Total Expenditure of the State was estimated at ₹ 12,420.65 crore out of the Consolidated Fund of the State, of which ₹ 9,952.35 crore was under Revenue account and ₹ 2,468.30 crore under Capital account. Against this, the Actual Total Expenditure was ₹ 11,381.24 crore, of which ₹ 9,274.00 crore was from Revenue account and ₹ 1,428.31 crore was from Capital account.

The Capital expenditure, if spent efficiently, could enhance productivity of the economy and increase Government's net worth from augmented revenues. As such, the variation indicates non-attainment and non-optimisation of the desired fiscal objectives.

[13] In budget speech, the gross amount was mentioned.

[14] ₹ 10357.83 crore (Revenue Receipt) + ₹ 1303.93 crore (Capital Receipt).

1.2 Resources of the State

1.2.1 Resources of the State as per the Annual Finance Accounts

Revenue and Capital are the two streams of receipt that constitute the main resources of the State Government. Revenue Receipts consists of Tax revenues, Non-tax revenues, State's share of Union Taxes and Duties and GIA from GoI. Capital Receipts comprise miscellaneous Capital Receipts, recoveries of Loans and Advances, Debt Receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and Loans and Advances from GoI. Besides, the funds available in the Public Accounts after disbursement is also utilised by the State Government to finance its deficit. **Table1.2** presents the receipt and disbursements of the State during the current year (2017-18) as recorded in the Finance Accounts of the State Government.

The components and major sub-components of revenue are shown in **Chart 1.2** as a flow diagram. **Chart 1.3** depicts the trends in various components of the receipt of the State during 2013-18. **Chart 1.4** depicts the composition of resources of the State during 2017-18.

Chart 1.2: Components and Major sub-components of Revenue during 2017-18

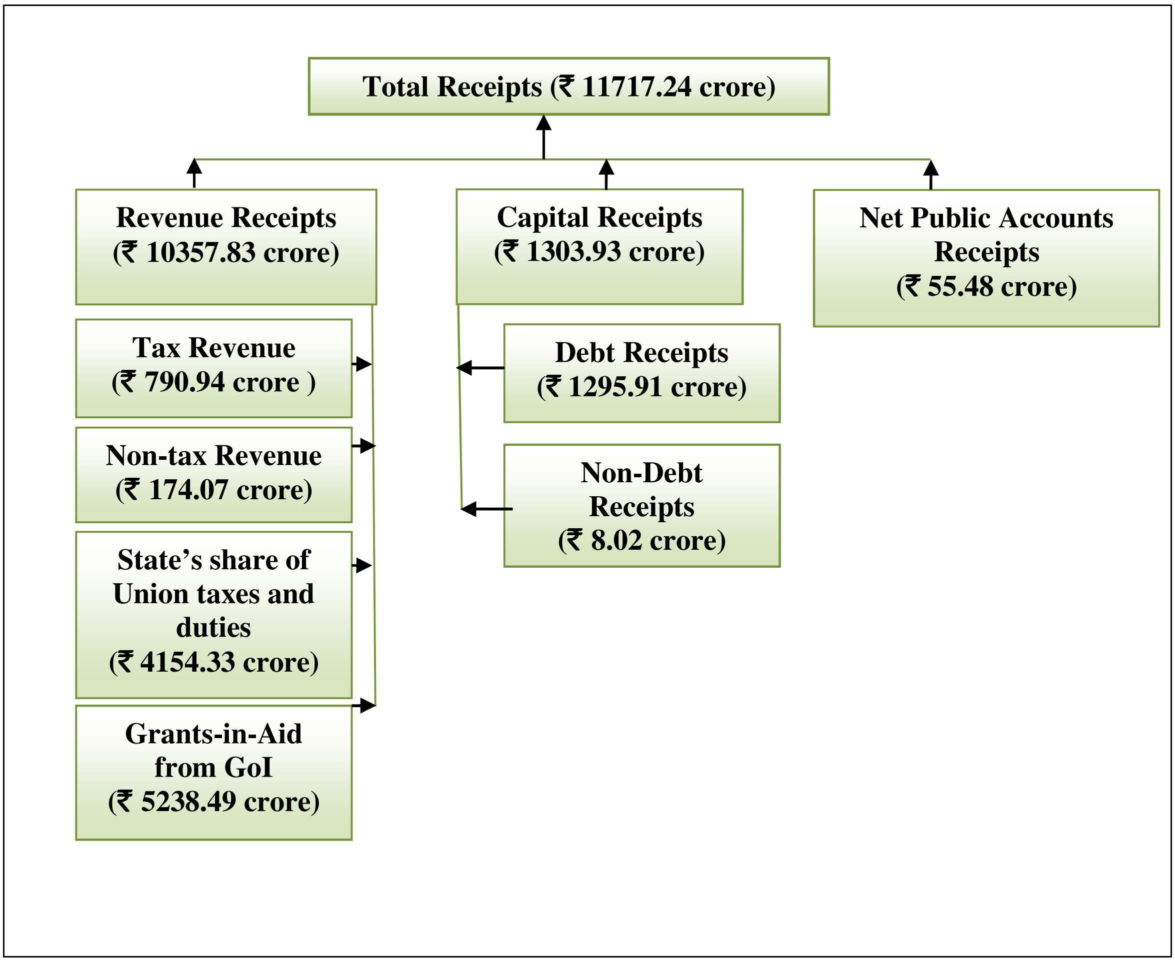


Chart 1.3: Trends in Receipts

(₹in crore)

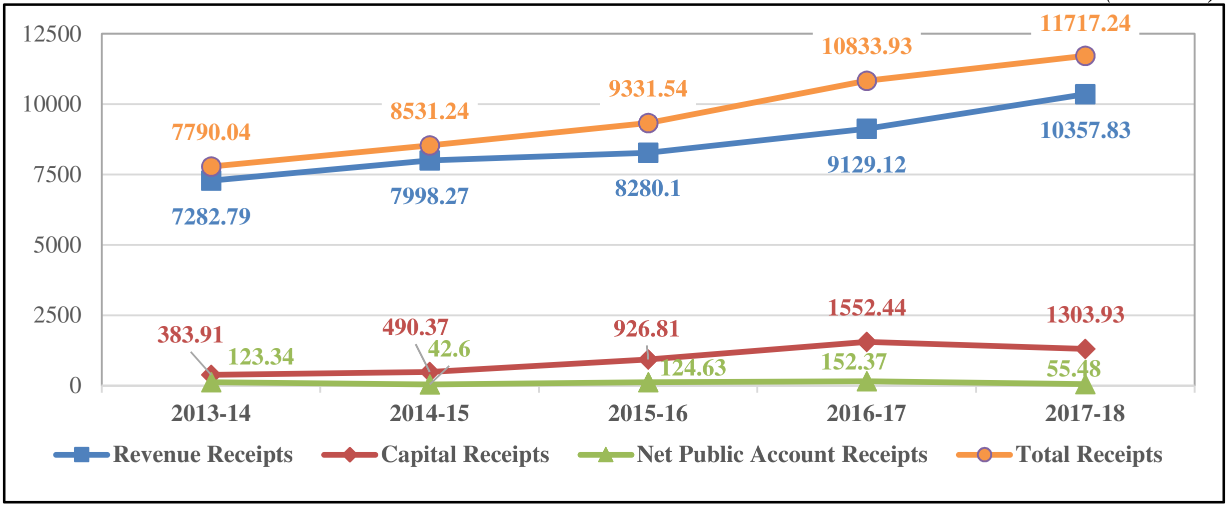
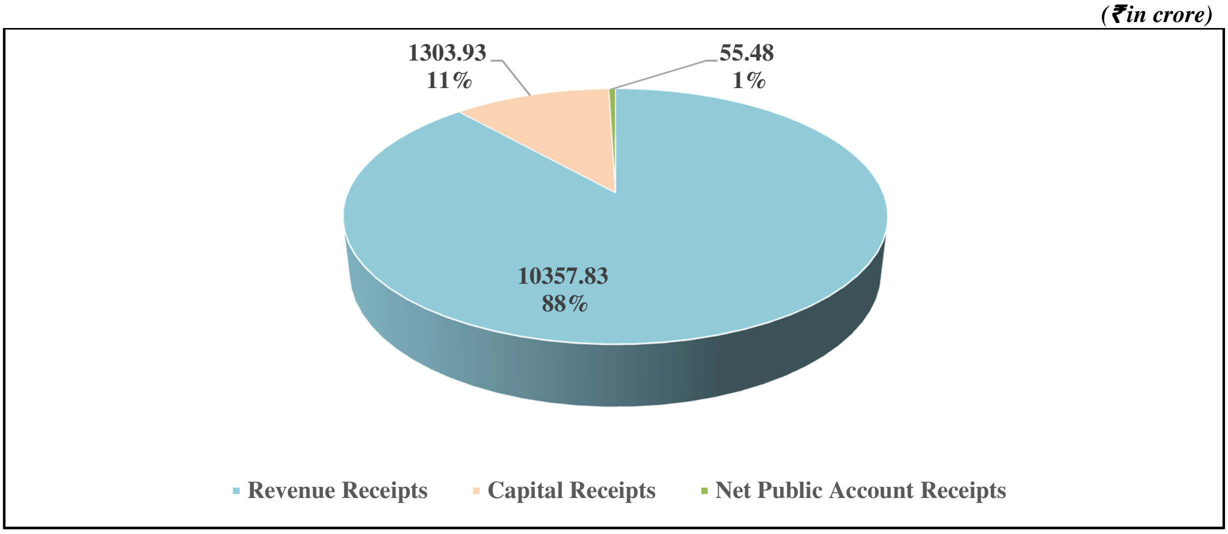


Chart 1.4: Composition of Receipts during 2017-18

(₹in crore)



Total Receipts of the State increased by ₹ 3,927.20 crore from ₹ 7,790.04 crore in 2013-14 to ₹ 11,717.24 crore in 2017-18. The increase in Total Receipts was mainly due to increase in Revenue Receipts (₹ 3,075.04 crore). Net Public Accounts Receipts decreased from ₹ 123.34 crore in 2013-14 to ₹ 55.48 crore in 2017-18. Public Debt Receipts, which comprised the major portion of Capital Receipts increased from ₹ 382.68 crore in 2013-14 to ₹ 1,295.91 crore in 2017-18.

1.2.2 Funds directly transferred to State Implementing Agencies

As per Government of India (GoI) decision, all assistance to Centrally Sponsored Scheme and Additional Central Assistance under various schemes would be released directly to the State Government and not to the State Implementing Agencies[15]. These funds would be routed through the State budget from the year 2015-16 onwards.

[15] State Implementing Agencies include any organisation/institution including Non-Governmental organisations, which are authorised by the State Government to receive funds from the GoI for implementing specific programmes in the State.

As per records of Public Financial Management System (PFMS) portal of the Controller General of Accounts, GoI has been transferring funds directly to the State Implementing Agencies in violation of the above GoI decision for implementation of various critical schemes/programmes in Social and Economic services. In the present mechanism, these funds are not routed through the State Budget/State Treasury system and hence do not find mention in the Finance Accounts of the State. As such, the Annual Finance Accounts of the State does not include the quantum of receipt and expenditure of this category.

During the year 2017-18, Central funds of ₹ 54.68 crore were transferred directly to the State Implementing Agencies. The programmes assisted by GoI where funds were transferred are presented in **Appendix 1.3.** Amounts released for implementation of some major programmes/schemes are detailed in the following table:

Table 1.5: Funds transferred directly to State Implementing Agencies for major Schemes/Programmes

(₹in crore)

Sl. No.	Programme/Scheme	Implementing Agency	Funds transferred directly by the GoI during 2017-18
1	Organic Value Chain Development for North East Region	Manipur Organic Mission Agency (MOMA)	17.88
2	Pradhan Mantri Matritva Vandana Yojana	Department of Social Welfare Manipur	12.63
3	National Programme for Dairy Development	Manipur Milk Producers co-operative union	2.97
4	Rashtriya Gokul Mission	Manipur Livestock Development Board	2.00
5	Boys and Girls Hostel (CS)	Society for Rural Development Agency	1.17
6	Boys and Girls Hostel (CS)	Council for Development of Poor & Labourers	1.02
Total			**37.67**

(Source: Appendix VI of Finance Accounts Vol -II)

The six schemes/programmes as shown above constituted 69 *per cent* of the total funds of ₹ 54.68 crore directly transferred to the State Implementing Agencies. An amount of ₹ 17.88 crore (about 33 *per cent* of the total funds of ₹ 54.68 crore directly transferred) was for Organic Value Chain Development for North Eastern Region and ₹ 12.63 crore (23 *per cent*) for Pradhan Mantri Matritva Vandana Yojana schemes.

As compared to ₹ 330.54 crore transferred directly in 2016-17, only ₹ 54.68 crore was transferred directly in 2017-18, resulting in decrease of ₹ 275.86 crore. Thus, transfer of funds outside the State Budget had substantially reduced in 2017-18. As there is no central monitoring mechanism for utilisation of funds under this category, reliable data on quantum of expenditure was not readily available to Audit.

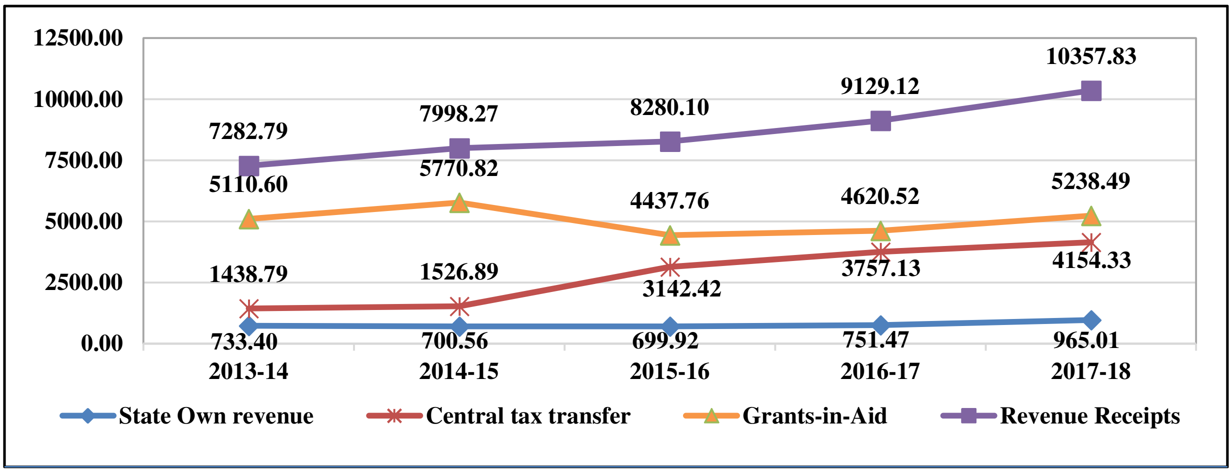
During discussion of the audit findings in Exit Conference held on 08 January 2019 with the Finance Department, Government of Manipur, the Department stated (January 2019) that funds directly transferred to State Implementing Agencies were reduced drastically over the years. However, it did not offer any comments on further action to be adopted.

1.3 Revenue Receipts

The Revenue Receipts of the State Government consist of the State's Own Tax revenue and Non-tax revenues, Central tax transfers and GIA from the GoI. The trends and composition of Revenue Receipts over the period 2013-18 are presented in **Appendix 1.4** and are also depicted in the following chart:

Chart 1.5: Trends in Revenue Receipts

(₹in crore)



During 2013-14 to 2017-18, Revenue Receipts increased by ₹ 3,075.04 crore. During these years (2013-18), Central share of Union taxes and duties maintained an increasing trend. Both State's Own revenue and GIA presented an increasing trend from 2015-16.

As compared to the previous year (2016-17), Revenue Receipts increased by 13.46 *per cent* (₹ 1,228.71 crore). The increase was mainly due to increase in GIA (₹ 617.97 crore) and State's share of Union taxes and duties (₹ 397.20 crore).

Contribution of the State's Own revenue to the Revenue Receipts was in the range of eight *per cent* to 10 *per cent* for the period 2013-18. The State's share of Union taxes and duties and GIA from GoI contributed in the range of 90 *per cent* to 92 *per cent* to the Revenue Receipts during 2013-18 and remained the main contributor to Revenue Receipts of the State.

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

Table 1.6: Trends of Revenue Receipts relative to GSDP

(₹in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Receipts (RR)	7282.79	7998.27	8280.10	9129.12	10357.83
Rate of growth of RR (*per cent*)	6.79	9.82	3.52	10.25	13.46
GSDP	16198.43	18129.05	19530.67	21065.85 (Q)	23167.02 (A)
Rate of growth of GSDP (*per cent*)	17.83	11.92	7.73	7.86	9.97
RR/GSDP (*per cent*)	44.96	44.12	42.40	43.34	44.71
Buoyancy Ratios[16]					
Revenue Buoyancy w.r.t GSDP	0.38	0.82	0.46	1.30	1.35
State's Own Revenue	733.40	700.56	699.92	751.47	965.01

[16] Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy of 0.6 implies that Revenue Receipts tend to increase by 0.6 percentage points if the GSDP increases by one *per cent*.

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Rate of growth of State's Own Revenue	29.89	(-)4.48	(-)0.09	7.37	28.42
State's Own Revenue Buoyancy w.r.t GSDP	1.68	(-)0.38	(-)0.01	0.94	2.85
Revenue Buoyancy with reference to State's Own Tax	0.23	(-)2.19	(-)38.53	1.39	0.47

Q – Quick & A –Advance estimates

(Source: Finance Accounts & Information furnished by the Department of Economic and Statistics, Government of Manipur)

In 2017-18, Revenue Receipts grew by 13.46 *per cent* as compared to 10.25 *per cent* in 2016-17, which was mainly due to increase in GIA (₹ 617.97 crore) and State's share of Union taxes and duties (₹ 397.20 crore). Whereas, increase in Revenue Receipts from the State's Own Resources in 2017-18 as compared to 2016-17 was ₹ 213.54 crore which was mainly due to collection under State Goods and Services Tax (SGST) and Taxes on Sales, Trade, *etc.* (₹ 187.46 crore). In the year 2013-18, the GSDP growth rate was in the range of 7.73 *per cent* to 17.83 *per cent* while the growth rate of Revenue Receipts was in the range of 3.52 *per cent* to 13.46 *per cent*.

Increase in GIA indicates increased dependence of the State on funds from Government of India (GoI). The Public Account Committee expressed its concern over the State's dependence on Central grants (as mentioned in Appendix 3.5). The revenue surplus registered by the State was mainly due to receipt of huge Revenue Deficit Grant[17] from the GoI and not owing to its Own Tax mobilisation efforts. Thus, the State Government should, therefore, consider improving its Tax mobilisation resources in view of XIV FC projections.

1.3.1 State's Own Resources

As the quantum of the State's share of Union taxes and duties and GIA from GoI are determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources was assessed in terms of its own resources comprising Own Tax and Non-tax sources.

The State's Own Tax and Non-tax Receipts during 2013-14 to 2017-18 *vis-a-vis* assessment made by the XIII FC/XIV FC and Budget estimates are shown in the following table:

Table 1.7: Own Revenue Receipts *vis-à-vis* targets

(₹in crore)

Particular	2013-14	2014-15	2015-16	2016-17	2017-18
Own Revenue Receipts					
XIII FC projections/ XIV FC	557.65	622.43	864.00	1014.00	1193.00
Budget estimates	921.64	904.89	890.57	858.42	1077.38
Actual	733.40	700.56	699.92	751.47	965.01
Own Tax revenue					
XIII FC projections/ XIV FC	326.27	370.16	689.00	824.00	985.00
Budget estimates	491.87	620.83	671.15	667.20	831.87
Actual	472.73	516.83	550.44	586.67	790.94

[17] Non-plan/ Post-Devolution Revenue Deficit Grant (XIII and XIV FC Grant) received: (₹ in crore)

2013-14	2014-15	2015-16	2016-17	2017-18
1,271.87 (17)	1,114.00 (14)	2,066.00 (25)	2,096.00 (23)	2,091.00 (20)

Source: Finance Accounts (Figures in brackets indicate *per cent* w.r.t Revenue Receipts)

Particular	2013-14	2014-15	2015-16	2016-17	2017-18
Own Non-tax revenue					
XIII FC projections/ XIV FC	231.38	252.27	175.00	190.00	208.00
Budget estimates	429.77	284.06	219.42	191.22	245.51
Actual	260.67	183.73	149.48	164.80	174.07

XIII FC Projection for 2013-14 and 2014-15 & XIV FC from the year 2015-16 to 2017-18

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

In 2013-14 and 2014-15, Own Revenue Receipts was more than the assessment of the XIII FC, but during 2015-16 to 2017-18, it was less than the assessment of XIV FC. As compared to Budget estimates, the Actual was less than the assessment during 2013-14 to 2017-18.

As can be seen from the above table, Own Revenue Receipts could not achieve the targets/assessment of XIV FC and Budget estimates during 2017-18.

In 2013-14 and 2014-15, Own Tax revenue was more than the assessment of the XIII FC, but during 2015-16 to 2017-18, it was less than the assessment of XIV FC. As compared to Budget estimates, the Actual was less than the assessment during 2013-14 to 2017-18.

Non-tax revenue was more than the assessment of the XIII FC in 2013-14, but from 2014-15 it was less than the assessment of the FC recommendations. As compared to Budget estimates, it was less than the assessment during 2013-14 to 2017-18.

As can be seen from the above table, both Own Tax revenue and Non-tax revenue could not achieve the targets/assessment of XIV FC and Budget estimates during 2017-18.

Failure to achieve the targets of the State Own Revenue Receipts would result in increased dependence on GIA from the Government of India.

Recommendation: The State Government should take measures to increase its own resources of revenue.

1.3.1.1 Tax revenue

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

Table 1.8: Components of State's own resources

(₹in crore)

Revenue Head	2013-14	2014-15	2015-16	2016-17	2017-18	% increase over previous year
State Goods & Services Tax (SGST)	-	-	-	-	301.53[18]	(100)
Taxes on sales, trades *etc*.	395.74	433.33	466.51	499.65	385.58	(-) 22.83
State excise	9.20	9.32	8.78	9.32	9.37	0.54
Taxes on vehicles	18.73	20.77	23.29	25.04	36.14	44.33
Stamp duty and Registration fees	7.90	7.76	10.45	10.03	13.98	39.38
Land revenue	1.12	1.42	2.59	1.91	1.44	(-) 24.61
Taxes on goods and passengers	1.24	1.20	1.02	1.00	1.13	13
Other taxes[19]	38.80	43.03	37.80	39.72	41.77	5.13
Total	**472.73**	**516.83**	**550.44**	**586.67**	**790.94**	**34.82**

(Source: Finance Accounts)

[18] During July 2017 to March 2018.

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

With the introduction of the Goods and Service Tax (GST) from July 2017, there was a new component in Tax Revenue of the State Goods & Service Tax (SGST) which was ₹ 301.53 crore. During the year 2017-18, the collection of State's Own Tax was ₹ 790.94 crore. Sales tax (₹ 385.58 crore) and SGST (₹ 301.53 crore) were the main contributors to the State's Own Tax revenue and accounted for 87 *per cent* of the Tax revenue. The Tax revenue during 2017-18 increased by ₹ 204.26 crore (34.82 *per cent*) over the previous year (2016-17). Other than Sales tax, SGST and Taxes on vehicles, revenue collection from other sources was not significant

Growth rate in respect of Tax Revenue of Manipur for the period 2017-18 was 34.82 *per cent.* It was 12.2 *per cent* for General Category States and 49.3 *per cent* for Special Category States. Therefore, growth of Tax Revenue in Manipur was lower than that of Special Category States and higher than that of General Category States.

Further, comparison of ratio of Own Tax revenue to GSDP with neighbouring States is also given in the following table:

Table 1.9: Comparison of Own Tax revenue to GSDP with neighbouring States

(₹in crore)

Particular	2013-14	2014-15	2015-16	2016-17	2017-18
Manipur					
Own Tax revenue	473	517	550	587	791
GSDP	16198	18129	19531	21066 (Q)	23167 (A)
Percentage of Own Tax revenue to GSDP	*2.92*	*2.85*	*2.82*	*2.79*	*3.41*
Nagaland					
Own Tax revenue	333	389	427	511	638
GSDP	16612	18414	20524	21119	23623
Percentage of Own Tax revenue to GSDP	*2.00*	*2.11*	*2.08*	*2.42*	*2.70*
Mizoram					
Own Tax revenue	230	266	358	442	546
GSDP	10293	13509	15339	16366	17739
Percentage of Own Tax revenue to GSDP	*2.23*	*1.97*	*2.33*	*2.70*	*3.08*
Sikkim					
Own Tax revenue	525	527	567	653	688
GSDP	13862	15407	18034	20020	22248
Percentage of Own Tax revenue to GSDP	*3.79*	*3.42*	*3.14*	*3.26*	*3.09*

(Source: Finance Accounts)

As can be seen in the above table, the collection of Own Tax revenue of Manipur was more than that of the neighbouring States (Nagaland, Mizoram and Sikkim) during 2017-18. The percentage of Own Tax revenue to GSDP of Manipur during 2017-18 stood at 3.41 *per cent* compared to Nagaland (2.70 *per cent*), Mizoram (3.08 *per cent*) and Sikkim (3.09 *per cent*). During 2013-14 to 2016-17, the State's collection of Own Tax revenue was lesser than Sikkim but more than Nagaland and Mizoram.

1.3.1.2 Position of protected revenue to actual collection after implementation of GST

The Manipur Goods and Services Tax (GST) Act, 2017 was passed by the State Legislature in June 2017 and made effective from 01 July 2017 in the State. The Protected revenue[20] of the State for the year 2017-18 in accordance with Section 6 of GST (Compensation to States) Act, 2017, was fixed at ₹ 451.04 crore with a monthly average[21] protected revenue amounting to ₹ 37.59 crore per month for the period.

Accordingly, the revenue of the State to be protected during the period from July 2017 to March 2018 was worked out to ₹ 338.31 crore (₹ 37.59 crore x nine months). The actual revenue received by the State under Goods and Services Tax (SGST) was ₹ 368.04 crore including an amount of ₹ 28.27 crore on account of apportionment of Integrated Goods and Services Tax (IGST) and pre- GST arrear of VAT collection of ₹ 66.52 crore. Details of different components of SGST including arrears of VAT received by the State during the corresponding period are shown in **Table 1.10**:

Table 1.10: Details of SGST receipt including apportionment of IGST and pre GST arrears of VAT during July 2017 to March 2018

Sl. No	Components	Amount[22] *(₹in crore)*
1.	***Revenue to be protected***	***338.31***
2.	***State Goods and Services Tax (SGST)***	***301.52***
	(a) Tax	75.61
	(b) Input Tax Credit Cross utilisation of SGST and IGST	182.64
	(c) Apportionment of Taxes from IGST	28.27
	(d) Advance apportionment of Taxes from IGST	15.00
3.	***Collection of Taxes subsumed in GST (Arrears pre-GST)***	***66.52***
	Total	**368.04**

{Source: Finance Accounts of the Government of Manipur and Ministry of Finance, Department of Revenue (State Taxes Section) OM dated 7 November, 2017}

Thus, the revenue collection of the Government of Manipur was more than the protected revenue of the State during the period (July 2017 to March 2018).

Further, as per Section 7(2) of the GST (Compensation to state) Act, 2017, the compensation payable to a State shall be provisionally calculated and released at the end of every two months' period, and shall be finally calculated for every financial year after the receipt of final revenue figures, as audited by the Comptroller and Auditor-General of India.

During 2017-18, for the bi-monthly period of July-August, the collection under SGST and pre-GST VAT was ₹ 52 crore against revenue to be protected of ₹ 75 crore, and accordingly, the State Government had received a compensation of ₹ 24 crore as GST compensation.

[20] The GST (Compensation to state) Act, 2017 provides that Union shall compensate the states for loss of revenue due to implementation of GST. Base year for calculating the compensation shall be the revenue collection of the State for 2015-16. Protected revenue is calculated/arrived at, by taking into consideration the revenue collection of base year *plus* 14 *per cent* increase for every following year.

[21] Ministry of Finance, GoI Office Memorandum No. S-31011/03/2014-SO (ST)-Pt-I dated 29 August 2017.

[22] Figures mentioned in the column are provisional.

1.3.1.3 Non-tax revenue

The trends in Non-tax revenue during 2013-18 is given in the following table:

Table1.11: Trends of Non-tax revenue during 2013-18

(₹in crore)

Revenue Head	2013-14	2014-15	2015-16	2016-17	2017-18	% increase over previous year
Interest Receipts	33.10	30.60	27.43	19.73	19.27	(-) 2.33
Miscellaneous General Service	110.83	132.48	106.09	118.61	114.39	(-) 3.56
Power	96.23	0.10	0.01	0.13	0	(-) 100
Others	20.51	20.55	15.95	26.33	40.41	53.47
Total	**260.67**	**183.73**	**149.48**	**164.80**	**174.07**	**5.62**

(Source: Finance Accounts)

As seen from the table, receipt from the Miscellaneous General Service depicted a fluctuating trend ranging from ₹ 106.09 crore in 2015-16 to ₹ 132.48 crore in 2014-15. Collection from Miscellaneous General Service remained the main contributor to Non-tax revenue during 2013-14 to 2017-18. Interest Receipts decreased steadily from ₹ 33.10 crore in 2013-14 to ₹ 19.73 crore in 2017-18.

Non-tax revenue increased by ₹ 9.27 crore in 2017-2018 over the previous year (2016-17) mainly due to increase in collection under Forestry and Wildlife (₹ 17.16 crore) offset by decrease in collections under Miscellaneous General Services (₹ 4.22 crore) and Other Administrative Services (₹ 4.09 crore).

Cost of recovery in socio-economic services

The ratio of Non-Tax Revenue to Revenue Expenditure is considered as an indicator of cost of recovery of revenue from Socio-Economic services. The cost of recovery of Non-tax Revenue Receipts (NTR) as a percentage of Revenue Expenditure (RE) in supply of merit goods and services of two selected socio-economic services by Government is shown in the following table:

Table 1.12: Cost of recovery of socio-economic services during 2016-18

(₹in crore)

Name of Services	2016-17			2017-18		
	Non-tax revenue (NTR) receipt	Revenue Expenditure (RE)	NTR as percentage of RE	NTR receipts	RE	NTR as percentage of RE
Water Supply and Sanitation	2.42	55.30	4.38	2.68	62.57	4.28
Irrigation	1.75	31.41	5.57	0.28	51.27	0.55

(Source: Finance Accounts)

NTR as a percentage of RE in respect of Water Supply and Sanitation remained largely similar at about four *per cent* in 2016-17 and in 2017-18. In case of Irrigation, NTR as a percentage of RE decreased from 5.57 *per cent* to 0.55 *per cent*. This depicts that NTR collection vis-à-vis Irrigation had declined to a large extent in 2017-18.

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

The details of GIA from GoI during 2013-18 are shown in the following table:

Table 1.13: Grants-in-Aid from Government of India during 2013-18

(₹in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Non-Plan Grants	1769.87	1899.17	2218.18	2234.72	**
Grants for State Plan Schemes	2588.52	2929.12	1758.39	1858.43	**
Grants for Central Plan Schemes	13.64	14.05	83.13	160.52	**
Grants for Centrally Sponsored Plan Schemes	652.68	836.14	178.36	184.07	**
Grants for Special Plan Schemes	85.89	92.34	199.70	182.78	**
Centrally Sponsored Schemes*	-	-	-	-	2322.71
Finance Commission Grants*	-	-	-	-	2288.82[23]
Other transfer/Grants to State*	-	-	-	-	626.96
Total	**5110.60**	**5770.82**	**4437.76**	**4620.52**	**5238.49**
Percentage of increase over previous year	3.51	12.92	(-)23.10	4.12	13.37
Total grants as a percentage of Revenue receipts	70.17	72.15	53.60	50.61	50.58

(Source: Finance Accounts)
** Since Plan/Non-Plan categorization was done away with, GIA from GoI was booked under these heads.*
*** During 2017-18, no Plan & Non Plan Head of accounts were operated.*

GIA from GoI increased by ₹ 617.97 crore from ₹ 4,620.52 crore in 2016-17 to ₹ 5,238.49 crore in 2017-18. As a percentage of Revenue Receipts, GIA was in the range of 50.58 *per cent* to 72.15 *per cent,* and thus remained a major contributor to Revenue Receipts of the State during 2013-18.

1.3.3 Central tax transfers

There was an increase in the State's Share of Union taxes and duties in share of net proceeds on corporation tax and taxes on income other than corporation tax, as compared to the previous year. However, there was decrease in the State's Share of Union taxes and duties on customs, Union excise duties, service tax, wealth tax and other taxes and duties on commodities. There was new inclusion of Share of net proceeds on Central Goods and Service Tax (CGST) and Integrated Goods and Service Tax (IGST) with the implementation of GST.

Table 1.14: Central tax transfers

(₹in crore)

Share of net proceeds of taxes	2013-14	2014-15	2015-16	2016-17	2017-18
Central Goods and Service Tax (CGST)	-	-	-	-	59.32
Integrated Goods and Service Tax (IGST)	-	-	-	-	419.56
Corporation tax	483.90	533.24	993.78	1205.86	1272.66
Taxes on income other than corporation tax	318.64	380.79	694.88	838.08	1074.66
Wealth tax	1.33	1.43	0.08	2.76	(-) 0.04
Customs	234.77	246.96	501.73	518.71	419.40
Union excise duties	165.80	139.45	413.53	592.33	438.40
Service tax	234.35	225.01	536.63	599.38	470.37
Other taxes and duties on commodities and services	--	--	1.69	0.01	--
TOTAL	**1438.79**	**1526.89**	**3142.42**	**3757.13**	**4154.33**

Source: Finance Accounts.

State's share of union taxes and Duties increased by ₹ 397.20 crore (10.57 *per cent*) from ₹3757.13 crore in 2016-17 to ₹ 4154.33 crore in 2017-18 contributing 40.11 per cent of the

[23] It includes: Post-Devolution Revenue Deficit Grant -₹ 2091 crore, Grants for Rural Local Bodies - ₹166.13 crore, Grants for Urban Local Bodies - ₹12.79 crore and Grants for State Disaster Response Fund- ₹ 18.90 crore.

total Revenue Receipts during 2017-18. This increase was mainly due to new inclusion of Share of net proceeds on Central Goods and Service Tax (₹ 59.32 crore) and Integrated Goods and Service Tax (₹ 419.56 crore).

1.4 Capital Receipts

The details of Capital Receipts during 2013-14 to 2017-18 are shown in the following table:

Table 1.15: Trends in growth and composition of Capital receipts

(₹in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Capital Receipts (CR)	383.91	490.37	926.81	1,552.44	1,303.93
Miscellaneous Capital Receipts	-	-	-	-	-
Recovery of Loans and Advances	1.23	0.97	1.02	1.15	8.02
Public Debt Receipts	382.68	489.40	925.79	1551.29	1295.91
Rate of growth of Public Debt Receipts *(per cent)*	12.47	27.88	89.17	67.56	(-)16.46
Rate of growth of Non-Debt Capital Receipts *(per cent)*	108.47	(-) 21.13	5.15	12.75	597.39
Rate of growth of CR *(per cent)*	12.64	27.73	89.00	67.50	(-)16.01
Rate of growth of GSDP	17.82	11.92	7.73	7.86	9.97

(Source: Finance Accounts)

As can be seen from above table, Capital Receipts was almost entirely contributed by Public Debt Receipts. Public Debt Receipts decreased by ₹ 255.38 crore (16.46 *per cent*) from ₹ 1,551.29 crore in 2016-17 to ₹ 1,295.91 crore in 2017-18. Decrease in Market borrowings (₹ 105.00 crore[24]) and Ways and Means Advance (WMA) from RBI (₹ 141.86[25] crore) mainly contributed to the decrease in Public Debt Receipts. During 2017-18, the State Government raised Market Loan of ₹ 525.00 crore through two instruments[26] which accounted for 41 *per cent* of the Total Public Debt Receipt (₹ 1,295.91 crore). This was made at interest rates 7.15 *per cent* and 8.02 *per cent*.

1.4.1 Recoveries of Loans and Advances

Recovery of Loans and Advances increased to ₹ 8.02 crore in 2017-18 from ₹ 1.15 crore in 2016-17. Recovery was made mostly from Social Security and Welfare Programmes (₹ 7.37 crore) and Loans to Government Servants *etc.* (₹ 60.24 lakh). At the end of the year, there was a closing outstanding Loan of ₹ 199.57 crore, mostly under Social Security and Welfare Programmes (₹ 120.98 crore), Loans for Village & Small Industries (₹ 22.25 crore) and Loans for Housing (₹ 18.11 crore). Outstanding Loans under these Heads constituted 80.84 *per cent* of the Total Outstanding Loan. The Government needs to give attention to recover the outstanding Loans and Advances.

The Finance Department stated (January 2019) that loans and advances were given to only Government Servants and MLAs and recovery would be made as per the extant provisions.

Recommendation: The State Government needs to ensure realisation of commensurate receipts of interest from the outstanding Loans and Advances.

[24] Against Market Loans, repayment of ₹ 247.23 crore was made during 2017-18.
[25] Repayment of ₹ 279.88 crore against WMA was also made.
[26] (i) 8.02 *per cent* Manipur SDL, 2028 = ₹ 225.00 crore & (ii) 7.15 *per cent* Manipur SDL, 2027 = ₹ 300.00 crore

1.4.2 Loans and Advances from Government of India

The opening balance of the Loans and Advances from GoI to the State were ₹ 366.96 crore as on 1 April 2017. The State received an amount of ₹ 8.96 crore and repaid an amount of ₹ 44.09 crore of the Central Loans during 2017-18. Thus, an amount of ₹ 331.83 crore remained as outstanding Loans and Advances from GoI as on 31 March 2018.

1.5 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances *etc.* which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution of India and are not subjected to vote by the State Legislature. Here the Government acts as a banker. The balance after disbursements is the fund available with the Government for use for its various activities. The details of Net Public Account receipts are shown in the following table:

Table 1.16: Net Public Account Receipts

(₹in crore)

Resources under various heads	2013-14	2014-15	2015-16	2016-17	2017-18
Small Savings, Provident Fund *etc.*	103.12	86.29	60.74	49.54	(-)3.48
Reserve Fund	48.45	64.55	110.71	127.76	165.53
Deposits and Advances	(-) 14.43	(-) 70.88	116.85	98.82	(-)24.38
Suspense and Miscellaneous	1.90	(-) 15.56	(-) 19.13	(-) 21.62	(-)21.66
Remittances	(-) 15.70	(-) 21.80	(-) 144.54	(-) 102.13	(-)60.53
Total	**123.34**	**42.60**	**124.63**	**152.37**	**55.48**

(Source: Finance Accounts)

As may be seen from the above table, Net Public Account Receipts decreased by ₹ 96.89 crore (63.59 *per cent*) in 2017-18 over the previous year (2016-17). The decrease in Net Public Account Receipts was mainly due to decrease in net receipts under Deposits and Advances Head from ₹ 98.82 crore in 2016-17 to minus ₹ 24.38 crore in 2017-18 and decrease in net receipts under Small Savings, Provident Fund *etc.* from ₹ 49.54 crore to minus ₹ 3.48 crore.

1.6 Application of Resources

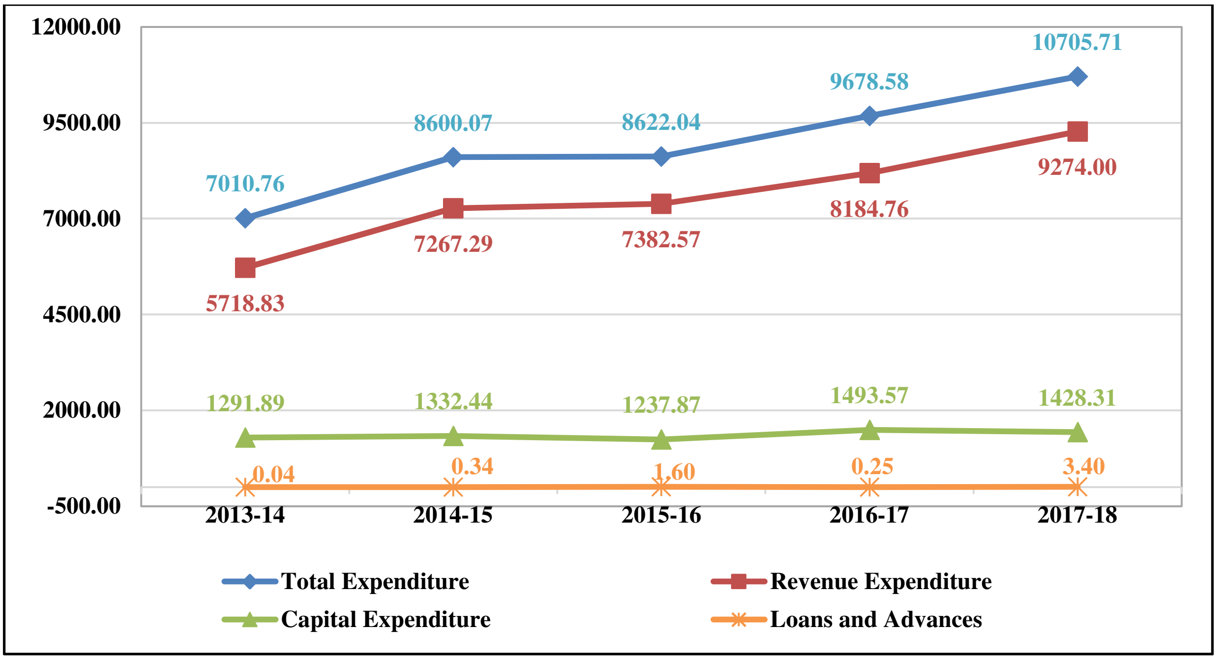
Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with the State Government. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially the expenditure directed towards development of social services.

1.6.1 Growth and Composition of expenditure

Chart 1.6 presents the trends in Total Expenditure over a period of the last five years (2013 -18). The composition of expenditure both in terms of 'economic classification' and 'expenditure by activities' is depicted respectively in **Charts 1.7and 1.8.**

Chart 1.6: Trends in various components of Total Expenditure during 2013-18

(₹ in crore)



The Total Expenditure of the State increased by ₹ 3,694.95 crore (52.70 *per cent*) from ₹ 7,010.76 crore in 2013-14 to ₹ 10,705.71 crore in 2017-18. The Revenue Expenditure of the State increased by ₹ 3,555.17 crore (62.17 *per cent*) from ₹ 5,718.83 crore in 2013-14 to ₹ 9,274.00 crore in 2017-18 and Capital Expenditure increased by ₹ 136.42 crore (10.56 *per cent*) from ₹ 1,291.89 crore in 2013-14 to ₹ 1,428.31 crore in 2017-18.

Revenue Expenditure increased by ₹ 1,089.24 crore in 2017-18 over the previous year (2016-17). The increase was mainly due to increase in expenditure under Social services (₹ 512.66 crore). Capital Expenditure decreased by ₹ 65.26 crore in 2017-18 over the previous year (2016-17). The decrease was mainly due to decrease in expenditure under Other Capital outlay on Industries and Minerals (₹ 148.69 crore) and Capital outlay on Major Irrigation (₹ 140.99 crore) offset by increase in expenditure under Capital Outlay on Urban Development (₹ 152.15 crore) and Capital outlay on Welfare of Scheduled Castes, Scheduled Tribe, Other Backward Classes and Minorities (₹ 70.96 crore).

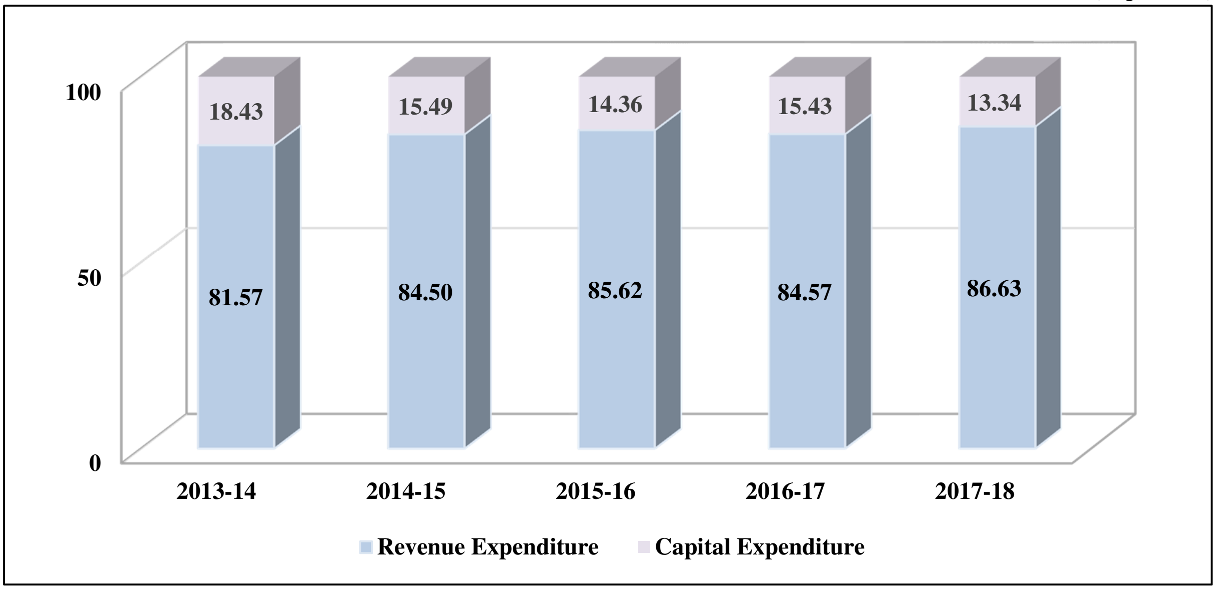
Capital Expenditure exhibited a fluctuating trend during 2013-14 to 2017-18. Revenue Expenditure, on the other hand increased steadily during 2013-18. Revenue Expenditure as a percentage of the Total Expenditure increased from 81.57 *per cent* in 2013-14 to 86.63 *per cent* in 2017-18. This shows that a bulk of the Total Expenditure has been increasingly spent to meet expenditure on maintenance, salary, *etc*.

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

The composition of Revenue Expenditure, Capital Expenditure and Loans and Advances as a percentage of Total Expenditure during 2013-14 to 2017-18 is shown in the following chart:

Chart 1.7: Trends showing share of components of Total Expenditure[27]

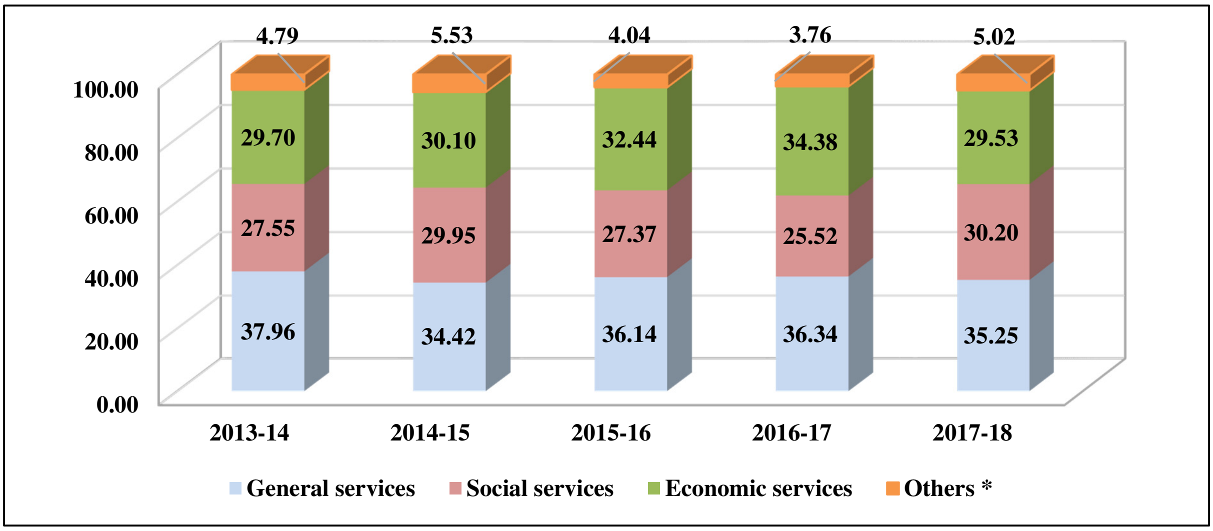
(in per cent)



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

Chart 1.8: Percentage of expenditure by activities against Total Expenditure

(in per cent)



* *Grants-in-Aid and Contributions*

The share of expenditure on account of Economic services maintained an increasing trend from 29.70 *per cent* in 2013-14 to 34.38 *per cent* in 2016-17. The trend reversed in 2017-18 and the share of Economic services stood at 29.53 *per cent*. The share of expenditure on account of Social services increased from 27.55 *per cent* in 2013-14 to 29.95 *per cent* in 2014-15 and then decreased to 27.37 *per cent* in 2015-16. From 25.52 *per cent* in 2016-17, it increased to 30.20 *per cent* in 2017-18. The share of expenditure on account of General services declined to 34.42 *per cent* in 2014-15 from 37.96 *per cent* in 2013-14. From 2014-15 it exhibited an increasing trend to 36.34 *per cent* in 2016-17. However, it decreased to

[27] Percentage of Loans & Advances component was negligible in the Total Expenditure i.e. 0.0006 (2013-14), 0.004 (2014-15), 0.0186 (2015-16), 0.0026 (2016-17) and 0.0318 (2017-18).

35.25 *per cent* during 2017-18. Thus, there is no appreciable change in the share of expenditure on account of General services during 2013-14 to 2017-18.

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

Table 1.17: Trends of Revenue Receipts and expenditure as per cent of GSDP

Particulars*	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Receipts as a percentage of GSDP	(7282.79) 44.96	(7998.28) 44.12	(8280.10) 42.40	(9129.12) 43.34	(10357.83) 44.71
Revenue Expenditure as a percentage of GSDP	(5718.83) 35.30	(7267.29) 40.09	(7382.57) 37.80	(8184.76) 38.85	(9274.00) 40.03
Revenue surplus as a percentage of GSDP	(1563.96) 9.66	(730.98) 4.03	(897.53) 4.60	(944.36) 4.48	(1083.83) 4.68

**Figure in bracket indicates Actuals (₹in crore)*
(Source: Finance Accounts and Department of Economics and Statistics, Government of Manipur)

The Revenue Receipts as a percentage of GSDP was in the range of 42.40 *per cent* to 44.96 *per cent* during 2013-18 while Revenue Expenditure as a percentage of GSDP was in the range of 35.30 *per cent* to 40.09 *per cent*. Revenue Expenditure as a percentage of GSDP increased from 35.30 *per cent* in 2013-14 to 40.09 *per cent* in 2014-15 and then decreased to 37.80 *per cent* in 2015-16. From 38.85 *per cent* in 2016-17, it increased to 40.03 *per cent* in 2017-18.

Revenue Receipts-GSDP ratio, Expenditure-GSDP ratio and Revenue surplus-GSDP ratio increased in 2017-18 as compared to previous year (2016-17).

1.6.2 Comparison of Capital expenditure to GSDP with neighbouring States

Capital Expenditure assumes importance as it has a lasting impact on growth as compared to Revenue Expenditure. If spent efficiently, it also ensures a more productive economy and enhances the Government's net worth arising from augmented revenues. The following table presents the comparison of Capital expenditure to GSDP with the neighbouring States:

Table 1.18: Comparison of Capital expenditure to GSDP with neighbouring States

(₹in crore)

Particular	2013-14	2014-15	2015-16	2016-17	2017-18
Manipur					
Capital expenditure	1292	1332	1238	1494	1428
Manipur GSDP	16198	18129	19531	21066 (Q)	23167 (A)
Percentage of Capital expenditure to GSDP	*7.98*	*7.35*	*6.34*	*7.09*	*6.16*
Nagaland					
Capital expenditure	1207	1023	1059	1076	1275
GSDP	16612	18414	20524	21119	23623
Percentage of Capital expenditure to GSDP	*7.27*	*5.56*	*5.16*	*5.09*	*5.40*
Mizoram					
Capital expenditure	599	927	711	911	1996
GSDP	10293	13509	15339	16366	17739
Percentage of Capital expenditure to GSDP	*5.82*	*6.86*	*4.64*	*5.57*	*11.25*
Sikkim					
Capital expenditure	912	981	634	720	1507
GSDP	13862	15407	18034	20020	22248
Percentage of Capital expenditure to GSDP	*6.58*	*6.37*	*3.52*	*3.60*	*6.78*

(Source: Finance Accounts and Economic & Statistics Department, GoM)

The percentage of Capital expenditure to GSDP of Manipur was more than that of Nagaland, Mizoram and Sikkim during 2013-14 to 2016-17. However, it was lesser than Mizoram (11.25 *per cent*) and Sikkim (6.78 *per cent*) but more than Nagaland (5.40 *per cent*) during 2017-18.

1.6.3 Committed expenditure

The Committed expenditure of the State Government on revenue account mainly consists of Interest Payments, expenditure on Salaries and Wages, Pensions and Subsidies. The following table presents the trends in the expenditure on these components during 2013-2018.

Table 1.19: Components of Committed expenditure

(₹in crore)

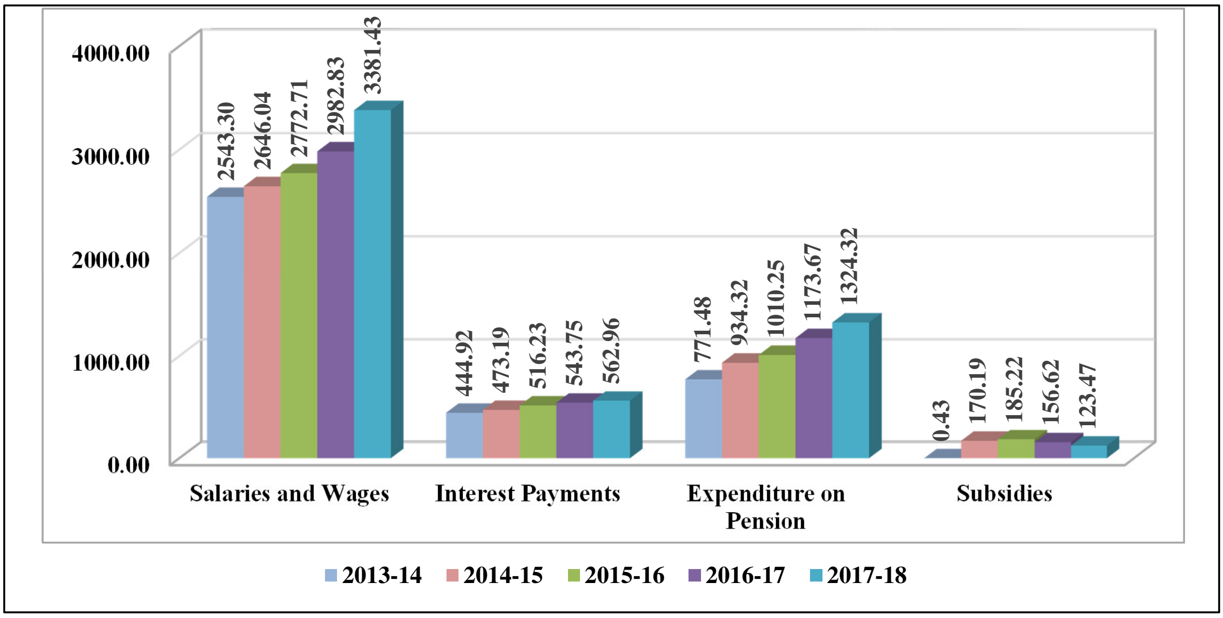
Components of Committed expenditure	2013-14	2014-15	2015-16	2016-17	2017-18	
					BE*	Actuals**
Salaries** & Wages	2543.30 (34.92)	2646.04 (33.08)	2772.71 (33.48)	2982.83 (32.67)	3673.11	3381.43 (32.65)
Interest Payments	444.92 (6.11)	473.19 (5.92)	516.23 (6.23)	543.75 (5.95)	535.32	562.96 (5.44)
Expenditure on Pensions	771.48 (10.59)	934.32 (11.68)	1010.25 (12.20)	1173.67 (12.86)	1205.31	1324.32 (12.79)
Subsidies[28]	0.43 (0.01)	170.19 (2.13)	185.22 (2.24)	156.62 (1.72)	NA	123.47 (1.19)
Total	**3760.13 (51.63)**	**4223.74 (52.81)**	**4484.41 (54.16)**	**4856.87 (53.20)**	**5534.49 (55.36)**	**5392.18 (52.06)**

** Budget estimates ** excluding Leave Encashment benefits booked under 'Major Head – 2071 – Pensions and Other Retirement Benefits'*
NA: Not Available
(Figures in the parentheses indicates percentage to Revenue Receipts)
(Source: Voucher Level Computerisation data for Salaries & Wages and Finance Accounts for others)

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

Chart 1.9: Trend of Committed expenditure for the years 2013-18

(₹in crore)



[28] The subsidy figures as featured in Statement 2 of Finance Accounts has been adopted

Salaries and Wages:- Salaries and Wages accounted for about 33 *per cent* of the Revenue Receipts of the State during 2017-18 and increased by ₹ 398.60 crore (13.36 *per cent*) over the previous year (2016-17). Against the budget estimate of ₹ 3,673.11 crore, expenditure on salary and wages was ₹ 3,381.43 crore during 2017-18.

Interest Payments:- Interest Payments increased continually from ₹ 444.92 crore in 2013-14 to ₹ 562.96 crore in 2017-18. Interest payments increased by ₹ 19.21 crore from ₹ 543.75 crore in 2016-17 to ₹ 562.96 crore in 2017-18. As in the previous year, Interest on internal debt (₹ 416.63 crore) constituted a major portion of Interest payment and accounted for 74.01 *per cent* while the remaining share was for payment of interest on Small Savings, Provident Funds *etc*., and on Loans and Advances from Central Government. Interest payments was more than the Budget estimate by ₹ 27.64 crore during 2017-18.

Pension Payment:- Pension Payment increased continually from ₹ 771.48 crore in 2013-14 to ₹ 1,324.32 crore in 2017-18. Pension Payment increased by ₹ 150.64 crore (12.83 *per cent*) from ₹ 1,173.67 crore in 2016-17 to ₹ 1,324.32 crore in 2017-18. The increase was mainly due to increase in payment on Superannuation and Retirement Allowances (₹ 74.64 crore), Leave Encashment Benefits (₹ 36.79 crore), Gratuities (₹ 36.64 crore), Family Pension (₹ 23.61 crore), *etc*.

Subsidies: - During 2013-14, State Government incurred ₹ 0.43 crore as expenditure on subsidy. In 2014-15, there was sharp increase of subsidy, which was ₹ 170.19 crore which further increased to ₹ 185.22 crore in 2015 -16. The expenditure on subsidies decreased from ₹ 156.62 crore in 2016-17 to ₹ 123.47 crore in 2017-18. Subsidy of ₹ 123.00 crore was given to Power sector during 2017-18 and constituted 99.62 *per cent* of the total subsidy.

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

The quantum of assistance provided by way of grants and loans to local bodies and other institutions during 2017-18 relative to the previous years is presented in the following table:

Table 1.20: Financial Assistance to local bodies, other institutions *etc*.

(₹ in crore)

Financial Assistance to Institutions	2013-14	2014-15	2015-16	2016-17	2017-18	
					BE*	Actual
Educational Institutions (Aided Schools, Aided Colleges, Universities *etc*.)	95.48	91.65	28.67	51.27	78.73	72.40
Municipal Corporations and Municipalities	14.72	25.05	30.94	17.12	47.84	32.14
Co-operative institutions	0.59	0.42	0.17	0	0.17	0.17
Power	-	448.23	531.42	665.43	415.21	465.19
Other Institutions	17.63	21.27	118.48	96.54	137.39	128.62
Total	**128.42**	**586.62**	**709.68**	**830.36**	**676.23**	**698.52**
Assistance as percentage of Revenue Expenditure	2.25	8.07	9.61	10.15	6.84	7.53

* *BE – Budget estimates*

(Source: Finance Accounts and Detailed Appropriation Accounts)

The total assistance (₹ 698.52 crore) provided during 2017-18 was more than the estimate made in the budget (₹ 676.23 crore) by ₹ 22.29 crore. As compared to 2016-17, the total assistance decreased by ₹ 131.84 crore in 2017-18. Financial assistance to Power alone constituted 66.60 *per cent* of the total assistance of the State Government during 2017-18.

The percentage of assistance to the total Revenue Expenditure increased from 2.25 *per cent* in 2013-14 to 10.15 *per cent* in 2016-17. In 2017-18, it decreased to 7.53 *per cent*.

1.6.5 Local Bodies

The 73rd and 74th Constitutional amendment Acts marked a new era in the federal democratic set up at the grass root level so far as it conferred constitutional status to the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) and recognized them as the third tier of Government. The Constitutional amendments provide for devolution of powers and responsibilities with respect to preparation of plans and programmes for economic development and social justice relating to 29 subjects to PRIs and 18 subjects to ULBs listed in the XI and XII Schedule of the Constitution of India respectively.

After the 73rd Constitutional amendment, the State Government enacted the Manipur Panchayati Raj (MPR) Act, 1994 and established a two-tier PRI system at the village and district levels. The State has 16 districts of which 10 districts are located in the hilly areas and six districts are in the valley. As of March 2018, there were six Zilla Parishads and 161 Gram Panchayats in the State. Consequent upon the 74th Constitutional amendment, the Government enacted the Manipur Municipality Act, 1994. The ULBs in the State are governed by this Act. As of March 2018, there is one Municipal Corporation, 21 Municipal Councils (MCs), five Nagar Panchayats (NPs) and one Small Town Committee (STC) in the State.

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

The 73rd Constitutional amendment and the Manipur Panchayati Raj Act, 1994 envisaged transfer of the functions to PRIs listed in the XI Schedule. Accordingly, the State Government through executive orders had to transfer all the 29 functions to the PRIs. For effective functioning of both the State Government and PRIs, activity mapping delineated the role and responsibility of PRIs. Out of 29 functions, the State Government devolved functions of 16 departments[29] to PRIs as of March 2018.

The 74th Constitutional amendments provide for devolution of powers and responsibilities with respect to preparation of plans and programmes for economic development and social justice and implementation relating to 18 subjects listed in the XII Schedule for ULBs. The Directorate of Municipal Administration, Housing and Urban Development (MAHUD), Government of Manipur intimated (August 2018) that out of 18 functions, 11 functions[30] were transferred to ULBs.

Out of the 16 transferred subjects, funds and functionaries were transferred to six subjects (Fisheries, Rural Development and Panchayati Raj, Horticulture, Tribal Development, Science

[29] (1) Transport, (2) Health, (3) Veterinary and Animal Husbandry, (4) Fisheries, (5) Rural Development, (6) Education (School), (7) Industries, (8) Agriculture, (9) Horticulture, (10) Tribal Development, (11) Cooperation, (12) Minor Irrigation, (13) Arts and Culture, (14) Social Welfare, (15) Science and Technology, (16) Family Welfare.

[30] (1) Urban planning including town planning, (2) Regulation of land-use and construction of the building, (3) Planning for economic and social development, (4) Public Health, Sanitation, Conservancy and Solid Waste Management (SWM), (5) Urban forestry, protection of environment and promotion of ecological aspects, (6) Safeguarding the interests of the weaker sections of the society, including the handicapped and the mentally retarded, (7) Urban poverty alleviation, (8) Provision of urban amenities and facilities such as parks, gardens, playground, (9) Cattle pounds and prevention of cruelty to animals, (10) Vital statistics including registration of births and deaths, (11) Public amenities including street lighting, bus stops, public conveniences.

and Technology, Veterinary and Animal Husbandry) for PRIs. The State Government allocated funds to PRIs and ULBs as per the recommendations of the Manipur State Finance Commission (MSFC)[31]. However there was shortage in transfer of funds. During 2017-18, as per recommendations of MSFC, ₹ 165.81 crore was to be transferred to PRIs, however, amount actually released was ₹ 27.05 crore, which resulted in short release by ₹ 138.76 crore. Similarly, in case of ULBs, ₹ 105.17 crore was required to be transferred during 2017-18 by the State Government, however, only ₹ 18.71 crore was released which resulted in short release by ₹ 86.99 crore. Such shortfall would ultimately impede the development works in the PRIs and ULBs of the State.

Accounting and auditing arrangement of PRIs and ULBs

***Panchayati Raj* Institutions (PRIs):** Sections 43 and 73 of MPR Act, 1994 stipulated that the accounts of GPs and ZPs shall be kept in such form and manner as may be prescribed. However, the PRIs did not maintain basic records like Advance Register, Cheque Issue Register, Assets Registers and Receipt and Payment Accounts. The State Government issued an order in July 2014 that the accounts of the PRIs would be maintained in the format as envisaged in the Model Accounting System as prescribed by the Ministry of *Panchayati Raj,* GoI in consultation with the Comptroller and Auditor General (CAG) of India with effect from April 2013. However, none of the PRIs in the State maintained their accounts in the prescribed format as of March 2018.

The Director, Local Fund Audit (DLFA), Government of Manipur is the Statutory Auditor and conducts audit of accounts of GPs and ZPs under Sections 44(1) and 74(1) of the MPR Act, 1994 and is to forward the audit reports to GPs and ZPs within one month from the date of completion of audit. During 2017-18, out of 57 PRIs planned for audit, 54 PRIs were audited. During 2018-19, out of 167 units, 45 units were planned for audit under PRIs out of which 31 units were audited as of December 2018. The Annual Inspection Report for the year 2016-17 was prepared and sent to the State Legislature during February 2018 for placement in the State Legislature.

Urban Local Bodies (ULBs): The Ministry of Urban Development, GoI in consultation with the CAG of India developed (December 2004) National Municipal Accounts Manual (NMAM) which is based on double entry accrual based accounting system and circulated it to the State Governments for adoption for greater transparency and control over finances. The State Government also issued an order to all ULBs in March 2011 for adoption of NMAM with immediate effect. Accordingly, the ULBs in the State were required to prepare their budget and maintain their accounts in the formats as prescribed in NMAM with appropriate codifications and classifications. It was, however, observed that none of the ULBs had adopted NMAM as of March 2018. The accounts of the ULBs were not kept as per NMAM. Due to non-maintenance of accounts in the prescribed format, the actual financial position of ULBs in the State could not be ascertained.

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[31] As per the IIIrd Manipur State Finance Commission (constituted in February 2013 and covered five years from 2013-14 to 2017-18), the State Government was required to transfer 10 *per cent* of the State's own revenue including the State's share of Central taxes to the local bodies including the Autonomous District Councils (ADCs). Out of this allocation, 35.28 *per cent* was to be transferred to PRIs, 22.49 per cent was to the ULBs and 42.23 *per cent* to the Autonomous District Councils.

The DLFA conducts audit of accounts of Municipal Corporation, MCs, NPs and STC under Sections 72(1) of the Manipur Municipalities Act, 1994. During 2017-18, out of 28 ULB units planned for audit, 15 ULB units were audited. Out of 28 ULBs units, 27 ULBs units were planned for audit during the year 2018-19 out of which 12 units were audited upto December 2018. The Annual Inspection Report for the year 2016-17 was prepared and sent to the State Legislature during February 2018 for placement in the State Legislature.

Audit of PRIs and ULBs by CAG of India

The DLFA is the statutory auditor for PRIs and ULBs in the State. The State Government has entrusted (March 2012) audit of PRIs and ULBs to the Comptroller and Auditor General of India (CAG) with the responsibility of providing Technical Guidance and Support (TG&S). Accordingly, CAG conducts supplementary audit of accounts of PRIs and ULBs under TG&S arrangement.

Reporting arrangement

Under TG&S arrangement, audit findings of test checked accounts of PRIs and ULBs conducted by the Accountant General (Audit) are presented in the form of Annual Technical Inspection Report (ATIR) and submitted to the State Government for necessary action. There is a provision in the terms and conditions of TG&S entrustment that the CAG of India or his representative will have the right to report the result of audit to the State Legislature. Accordingly, the ATIR are placed before the State Legislature. Annual Technical Inspection Reports upto the year 2015-16 had been placed in the Legislature. However, ATIR for the year 2011-12 only was discussed by PAC (December 2013). The ATIR for the year 2016-17 is yet to be placed before the State Legislature.

1.7 Quality of expenditure

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

1.7.1 Adequacy of Public expenditure

In view of the importance of Public expenditure on developmental heads from the point of view of social and economic development, it is important for the State Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods[32]. Adequacy of expenditure is also reflected by ratio of allocation towards Development expenditure[33] and Capital Expenditure to Total Expenditure (and/or GSDP) and proportion of Revenue Expenditure spent on operation and maintenance of the existing Social and Economic services. The higher the ratio of these components (Development expenditure or Capital Expenditure) to Total Expenditure (and/or GSDP), the better would be the quality of expenditure. The following table presents the trends in Development expenditure relative to

[32] Refer glossary in Appendix 1.7
[33] Refer glossary in Appendix 1.7

the Total Expenditure of the State during 2017-18 *vis-à-vis* budget estimates and the previous years' actuals.

Table 1.21: Components of Development expenditure

(₹in crore)

Components of Development expenditure	2013-14	2014-15	2015-16	2016-17	2017-18	
					BE*	Actual
Development Revenue Expenditure	2942.27 (41.97)	4040.44 (46.98)	4083.72 (47.36)	4399.73 (45.46)	6293.56 (58.79)	5073.03 (47.39)
Development Capital Expenditure	1071.57 (15.28)	1123.62 (13.07)	1072.83 (12.44)	1397.57 (14.44)	1895.00 (17.70)	1321.81 (12.35)
Development Loans and Advances	*There was no payment of Loans & Advances for development expenditure (Social & Economic Services)*					

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

While Development Revenue Expenditure increased by ₹ 673.30 crore from ₹ 4,399.73 crore in 2016-17 to ₹ 5,073.03 crore in 2017-18, Development Capital Expenditure decreased marginally by ₹ 75.76 crore during 2017-18 over the previous year (2016-17). Both Development Revenue Expenditure and Development Capital Expenditure were less than budget estimates. The Development Revenue Expenditure shows a steady increasing trend during 2013-14 to 2017-18 while Development Capital Expenditure represented a fluctuating trend.

The various parameters of Fiscal Priority of the State during 2013-14 and 2017-18 are given in the following **Table No. 1.22**:

Table 1.22: Fiscal priority in 2013-14 and 2017-18

(in per cent)

Fiscal Priority of the State	TE/ GSDP	SSE/TE	ESE/TE	DE/TE	CE/TE	Education/ TE	Health/TE
SCS Average 2013-14	23.50	37.60	29.30	64.00	13.80	18.30	5.40
Manipur 2013-14	43.28	27.55	29.70	57.25	18.43	13.11	5.85
SCS Average 2016-17	27.40	34.20	30.00	61.40	13.60	16.60	5.40
Manipur 2016-17	41.50	25.52	34.38	59.90	15.43	12.51	4.95
SCS Average 2017-18	25.80	34.90	28.90	58.90	15.50	18.20	6.20
Manipur 2017-18	46.21	30.20	29.53	59.73	13.34	12.72	5.42

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

(Source: Finance Accounts)

The Aggregate Expenditure as percentage of GSDP of Manipur was more than that of Special Category States (SCS) during 2013-14 and 2017-18. As compared to SCS, Manipur gave more Fiscal priority to Economic expenditure during 2013-14 and 2017-18. The Fiscal priority of Manipur in Social services and Education was lesser than SCS during 2013-14 and 2017-18.

As compared to 2013-14, there was reduction of Capital Expenditure *vis-a-vis* Total Expenditure in 2017-18. The State's Fiscal priority on Education and Health *vis-a-vis* Total Expenditure also depicted a declining figure. However, Social services and Development Expenditure *vis-a-vis* Total Expenditure depicted an increasing figure and Economic services remained more or less static during 2017-18 as compared to 2013-14.

Capital expenditure, if spent efficiently, could enhance productivity of the economy and increase Government's net worth from augmented revenues. As such, the reduction in the share of Capital Expenditure may indicate non-optimisation of the desired fiscal objectives.

1.7.2 Efficiency of expenditure in Social and Economic services

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

Table 1.23: Efficiency of expenditure[34] in Social and Economic Services

(*in per cent*)

Sector	2016-17			2017-18		
	Percentage of CE* to TE* of the respective sector	Percentage of RE* *vis-a-vis*		Percentage of CE to TE of the respective sector	Percentage of RE *vis-a-vis*	
		Salaries & wages	OM*		Salaries & wages	OM*
Social services	16.72	64.90	2.49	20.53	60.01	4.23
Economic services	29.59	18.30	7.22	20.81	20.49	16.01

** CE-Capital Expenditure, TE-Total Expenditure, RE-Revenue Expenditure & OM-Operation and Maintenance*
(Source: Finance Accounts)

Capital Expenditure under Social services increased by ₹ 250.71 crore from ₹ 412.99 crore in 2016-17 to ₹ 663.70 crore in 2017-18. The share of Capital Expenditure to Total Expenditure increased from 16.72 *per cent* in 2016-17 to 20.53 *per cent* in 2017-18 under Social services. This indicates that allocation of Capital Expenditure under Social services was given more priority in 2017-18 from that in 2016-17. Salaries and Wages as a percentage of Revenue Expenditure under Social services stood at 60.01 *per cent* in 2017-18. Thus, major outgo of Revenue Expenditure under Social services is for payment of Salary and Wages.

Capital Expenditure under Economic services decreased by ₹ 326.46 crore from ₹ 984.57 crore in 2016-17 to ₹ 658.11 crore in 2017-18. The outflow of Salaries and Wages as a percentage of Revenue Expenditure was much better under Economic services as compared to Social services. Under Social services 60.01 *per cent* of Revenue Expenditure was utilised as Salary and Wages whereas it was 20.49 *per cent* under Economic services. Under Economic services, Operation and maintenance cost as a percentage of Revenue Expenditure increased substantially from 7.22 *per cent* in 2016-17 to 16.01 *per cent* in 2017-18.

1.8 Financial analysis of expenditure and investments

In the post-FRBM framework, the State is expected to keep its Fiscal deficit not only at low levels but also to meet its Capital Expenditure/investment (including Loans and Advances) requirements. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover the cost of borrowed funds rather than bearing the same in its budget in the form of

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(₹ in crore)

	2016-17	2017-18
Social services	CE- ₹ 412.99, RE- ₹ 2056.76 & TE- ₹2469.75	CE- ₹ 663.70, RE- ₹ 2569.42 & TE- ₹3233.12
Economic services	CE- ₹ 984.57, RE- ₹ 2342.97 & TE- ₹3327.53	CE- ₹ 658.11, RE- ₹ 2503.61 & TE- ₹3161.72

implicit subsidy, and along with requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other Capital Expenditure undertaken by the Government during 2017-18 *vis-à-vis* previous years.

1.8.1 Incomplete projects:

The department-wise information pertaining to some major incomplete projects of which the scheduled date of completion is already over as on 31 March 2018 is given in the following table:

Table 1.24: Department-wise Profile of Incomplete Projects

(₹in crore)

Department	Year of commencement of the Projects	No. of incomplete Projects[35]	Initial Budgeted Cost	Cumulative expenditure as on 31.03.2018
Irrigation & Flood Control Department (IFCD)	2009-10 to 2015-16	13	156.98	65.63
Public Works Department (PWD)	Between October 2013 and January 2017	11	46.87	40.57
Total		**24**	**203.85**	**106.20**

(Source: Finance Accounts)

As of 31 March 2018, there were 24 incomplete projects involving a total budgeted cost of ₹ 203.85 crore on which an expenditure of ₹ 106.20 crore had already been incurred. These 24 incomplete works pertains to two Departments *viz.,* IFCD and PWD. Delay in completion of works invites the risk of escalation in cost of the works besides depriving the State of the benefits of the projects.

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

During 2013-18, investment in companies, corporations and co-operative societies ranging from ₹ 160.30 crore to ₹ 177.57 crore was made by the State Government. Against this, the State Government could earn only ₹ 16,000 during 2013-18, as shown in the following table:-

Table 1.25: Return on Investment from Companies/Corporations *etc*.

Investment/Return/Cost of Borrowings	2013-14	2014-15	2015-16	2016-17	2017-18
Investment at the end of the year (₹ in crore)	160.30	167.13	175.24	176.32	177.57
Return (in ₹)	₹ 3000	₹ 2000	₹ 3000	₹ 4000	₹ 4000*
Return (*per cent*)	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Average rate of interest on Govt. borrowing *(per cent)*	6.42	6.56	6.67	6.42	6.13
Difference between interest rate and return *(per cent)*	6.42	6.56	6.67	6.42	6.13

(Source: Finance Accounts) **From one Cooperative Society*

As of 31 March 2018, the State Government had invested ₹ 177.57 crore[36] in two statutory corporations, 18 Government companies and 3135 numbers of various types of co-operative banks and institutions. However, the return on these investments could not be calculated due to non-finalization of accounts up to the year 2017-18 except one Cooperative Society which contributed dividend of ₹ 4000 during 2017-18. The State Government paid an average rate of interest ranging from 6.13 *per cent* to 6.67 *per cent* on its borrowings. However, the rate of return from the investment was insignificant.

[35] The above list does not include projects for which the targeted dates of completion have been revised.
[36] Investment/Share as featured in Statement 1 of Finance Accounts has been adopted.

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

The Department accepted (January 2019) the audit observation that the collection of ₹ 4,000 is too low. However, Department did not mention anything about the future course of action to remedy the problem.

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

1.8.3 Loans and Advances by the State Government

In addition to investments in co-operative societies, corporations and companies, the State Government had also been providing Loans and Advances to many institutions/organizations. The following table presents the outstanding Loans and Advances as on 31 March 2018 and Interest receipt *vis-à-vis* Interest Payments during 2013-14 to 2017-18.

Table 1.26: Average Interest received on Loans and Advances by the State Government

(₹in crore)

Quantum of Loans/Interest receipt/Cost of Borrowings	2013-14	2014-15	2015-16	2016-17	2017-18	
					BE*	Actual
Opening Balance	206.32	205.13	204.51	205.09	NA	204.19
Amount advanced during the year	0.04	0.34	1.60	0.25	6.70	3.40
Amount repaid during the year	1.23	0.97	1.02	1.15	3.80	8.02
Closing Balance	**205.13**	**204.50**	**205.09**	**204.19**	**NA**	**199.57**
Of which Outstanding balance for which terms and conditions have been settled	NA	NA	NA	NA	NA	NA
Net addition	(-) 1.19	(-) 0.63	0.58	(-)0.90	NA	(-)4.62
Interest Receipts	0.35	0.55	0.32	0.37	NA	0.17
Interest Receipts as *per cent* to outstanding Loans and Advances	0.17	0.27	0.16	0.18	NA	0.09
Total Interest Payments as *per cent* to outstanding Fiscal liabilities of the State Government	6.30	6.43	6.35	6.17	NA	5.89
Difference between Interest Payments and Interest Receipts (*per cent*)	6.13	6.16	6.19	5.99	NA	5.80

** BE- Budget estimates ** Difference in opening balance & closing balance due to rounding. NA - Not available*
(Source: Budget documents and Finance Accounts)

The opening balance of outstanding Loans and Advances as on 1 April 2017 was ₹ 204.19 crore. Against repayment of Loans and Advances of ₹ 8.02 crore, an amount of ₹ 3.40 crore was disbursed during 2017-18, resulting in closing balance of outstanding Loans and Advances of ₹ 199.57 crore as on 31 March 2018. Interest Receipts decreased from ₹ 0.35 crore in 2013-14 to ₹ 0.17 crore in 2017-18. Pertinently, Interest Receipts of ₹ 0.17 crore against Loan of ₹ 204.19 crore[37] was insignificant. The State Government needs to ensure realisation of commensurate receipt of interest from the outstanding Loans and Advances.

Due to irregular recovery of loans and advances during the previous years, the outstanding loans and advances stood at ₹ 199.57 crore. As such, attention needs to be given to recover the outstanding loans and advances of the previous years.

[37] Opening balance (OB) of Loan

1.8.4 Cash Balances and Investment of Cash Balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatch in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from RBI has been put in place. The operative limit for Normal Ways and Means Advances is based on the three years average of Revenue Receipts and the operative limit for Special Ways and Means Advances/Special Drawing Facility is fixed by the RBI from time to time, depending on the holding of Government securities. The limit for Ordinary Ways and Means Advances to the State Government was ₹ 195 crore for 2017-18. The position of Ways and Means Advances and Overdraft is shown in the following table:

Table 1.27: Ways and Means Advances and Overdrafts

(₹in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Ways and Means Advance					
Availed in the year	274.52	Nil	184.75	805.26	663.40
Outstanding WMAs	Nil	Nil	184.75	102.42	485.94[38]
Interest paid	0.19	Nil	Nil	0.75	0.10
Number of days	13	Nil	1	32	8[39]
Overdraft					
Number of days	8	Nil	Nil	Nil	1

(Source: Finance Accounts) NA: Not Available

The State Government resorted to Ways and Means Advance (WMA) during 2013-14, 2015-16, 2016-17 and 2017-18. During 2014-15 the State Government did not avail any Ways and Means Advance. During 2017-18, an amount of ₹ 663.40 crore was availed as WMA for 8 days. After repayment of ₹ 279.88 crore, the balance WMA at the end of the year was ₹ 485.94 crore. There was an Overdraft of ₹ 231.20 crore during 2017-18.

Ways and Means Advances are meant to provide support for temporary difficulties that arise on account of mismatch/shortfall in flow of resources for meeting the expenditure obligations of the Government. Resorting to Ways and Means Advances in four out of the past five years indicates a difficult position of cash balances of the State Government.

The following table depicts the cash balances and investments made by the State Government out of cash balances at the beginning and at the end of 2017-18:

Table 1.28: Cash balances and investment of cash balances as on 31 March 2018

(₹in crore)

Particulars	Opening balance on 1.4.2017	Closing balance on 31.3.2018
(a) General Cash Balance -		
Cash in Treasuries	4.63	4.63
Deposits with Reserve Bank	(-)155.02	29.69
Remittances in transit - Local	Nil	Nil
Sub-total	***(-) 150.39***	***34.32***
Investments in Cash Balance investment account	Nil	Nil
Total (a)	***(-) 150.39***	***34.32***
(b) Other Cash Balances and Investments		
Cash with departmental officers[40]	63.88	38.94

[38] OB of WMA was ₹ 102.42 crore, availed ₹ 663.40 crore and repaid ₹ 279.88 crore.

[39] For 3 days, both Ordinary WMA and Special WMA was availed.

[40] Public Works Department Officers, and Forest Department Officers.

Particulars	Opening balance on 1.4.2017	Closing balance on 31.3.2018
Permanent advances for contingent expenditure with departmental officers	0.02	0.02
Investment of earmarked funds	482.07	658.30
Total (b)	***545.97***	***697.26***
Grand total (a)+ (b)	**395.58**	**731.58**

(Source: Finance Accounts)

Against opening cash balance of ₹ 395.58 crore at the beginning of 2017-18, the cash balance closed at an amount of ₹ 731.58 crore at the end of the year. This was mainly due to increase in Deposits with Reserve Bank by ₹ 184.71 crore from minus ₹ 155.02 crore in 2016-17 to ₹ 29.69 crore in 2017-18 and increase in Investment of earmarked funds by ₹ 176.23 crore from ₹ 482.07 crore in 2016-17 to ₹ 658.30 crore in 2017-18 partly offset by decrease in Cash with departmental officers (₹ 24.94 crore). However, there was no balance lying in Cash Balance investment account at the end of 2017-18.

1.9 Assets and Liabilities

1.9.1 Growth and Composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.5** gives an abstract of such liabilities and assets as on 31 March 2018, compared with the corresponding position on 31 March 2017. The liabilities in this Appendix consist mainly of internal borrowings, receipt from the Public Account, Small Savings, Provident Funds and Loans and Advances from Central Government. The assets comprise mainly Capital Expenditure, Remittance Balance and Loans and Advances given by the State Government.

1.9.2 Fiscal liabilities

The composition of Fiscal liabilities during 2017-18 *vis-à-vis* the previous year is presented in the following charts:

(₹in crore)

Chart 1.10: Composition of outstanding Fiscal liabilities as on 31 March 2017

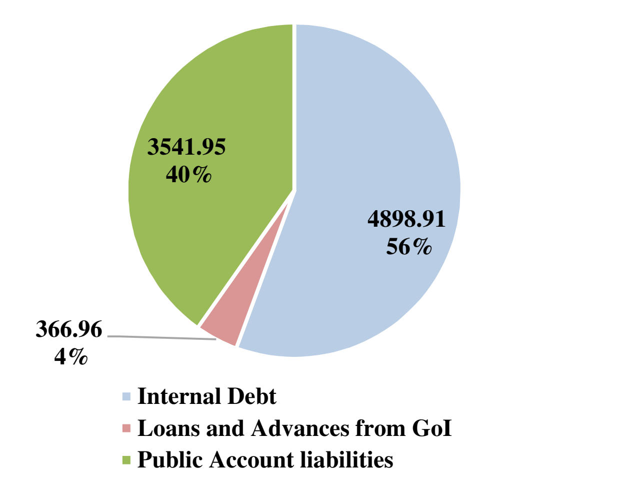
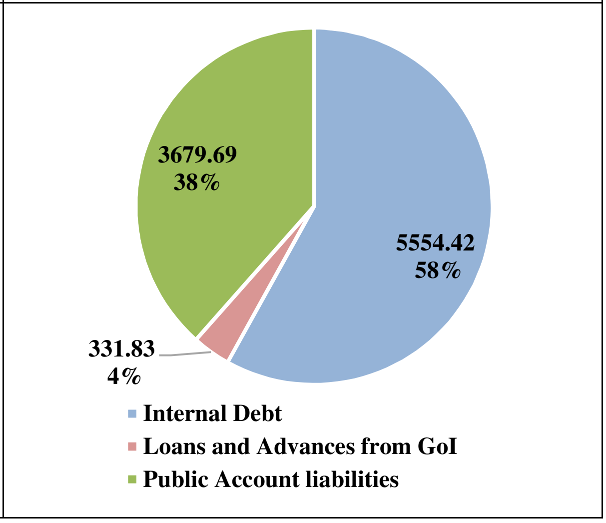


Chart 1.11: Composition of outstanding Fiscal liabilities as on 31 March 2018



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

Table 1.29: Details showing Fiscal liabilities, its growth rate and ratio to GSDP

(₹in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Fiscal liabilities [41]	7060.68	7357.38	8125.39	8807.82	9565.94
Rate of growth *(per cent)*	3.82	4.20	10.44	8.40	8.61
Percentage of Fiscal liabilities to					
GSDP (*per cent*)	43.59	40.58	41.60	41.81	41.29
Revenue Receipts *(per cent)*	96.95	91.99	98.13	96.48	92.35

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

The overall Fiscal liabilities of the State Government maintained an increasing trend during 2013-14 to 2017-18, which increased from ₹ 7,060.68 crore in 2013-14 to ₹ 9,565.94 crore in 2017-18. The Fiscal liabilities increased by 8.61 *per cent* (₹ 758.12 crore) in 2017-18 over the previous year (2016-17). This was mainly due to increase of ₹ 655.51 crore under Internal Debt, which constituted 86.47 *per cent* of the increase of the Fiscal liabilities in 2017-18. This underlines the extent of increase of Fiscal liabilities in 2017-18. Such a trend, if continued in coming years, would put pressure on the State Government in meeting the burden on re-payment of debt and interest thereon.

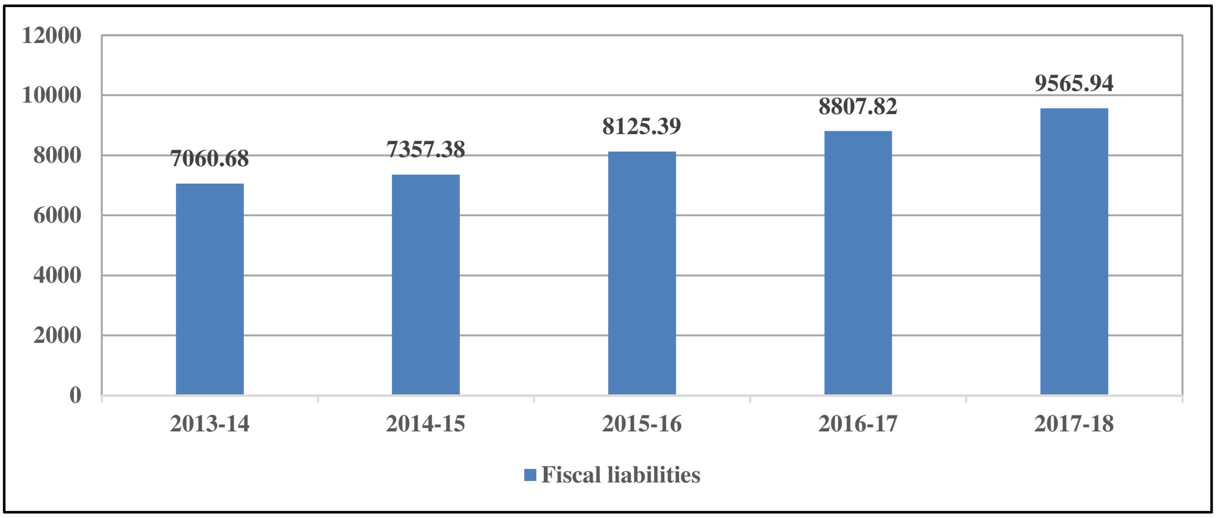
The annual growth rate of Fiscal liabilities increased from 8.40 *per cent* in 2016-17 to 8.61 *per cent* during 2017-18.

Both percentages of Fiscal liabilities to GSDP and to Revenue Receipts in 2017-18 decreased from the previous year.

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

Chart 1.12: Trend showing composition of fiscal liabilities during 2013-18

(₹in crore)



(Source: Finance Accounts)

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

The increase in Fiscal liabilities (₹ 758.12 crore) during 2017-18 as compared to 2016-17 was due to increase in Internal Debt (₹ 655.51 crore) and Public Accounts (₹ 137.74 crore) offset by decrease in Loans and Advances from GoI (₹ 35.13 crore).

The increase in Internal Debt was mainly due to two market loans totalling to ₹ 525 crore, at interest rates 7.15 *per cent* and 8.02 *per cent*. The increase in Reserve Fund was due to increase in Sinking fund (₹ 135.28 crore). Loans and Advances from GoI decreased as repayment of ₹ 44.09 crore was made and only ₹ 8.96 crore were obtained from GoI during 2017-18.

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

1.9.3 Transactions under Reserve Fund

The State has four Reserve Funds *viz*., State Disaster Response Fund, Consolidated Sinking Fund, Depreciation Reserve Funds of Government Commercial Departments/Undertakings and Guarantee Redemption Fund. The balance under these four Reserve Funds for the year ended March 2018 was ₹ 678.89 crore and the amount that has been invested from these Funds in GoI securities was ₹ 658.30.

Consolidated Sinking Fund (CSF)

The State Government created in 2008-09 a Consolidated Sinking Fund for amortization of market borrowings, other loans and debt obligation liabilities, as recommended by the XII Finance Commission. As per the guidelines, the State Government was required to contribute a minimum of 0.5 *per cent* of its outstanding liabilities (*i.e.* internal debt plus public account) at the end of the previous year. Accordingly, the contribution due from the State Government in 2017-18 was ₹ 44.04 crore (0.5 *per cent* of outstanding liabilities of ₹ 8,807.83 crore as on 31 March 2017). Against this, the State Government contributed ₹ 30.90 crore to the Fund in 2017-18 resulting in short contribution of ₹ 13.14 crore during 2017-18.

The corpus of the Fund (including accumulated interest) amounting to ₹ 513.70 crore as on 31 March 2018, was invested by the Reserve Bank of India in GoI Securities.

Short contribution to CSF may put the Government in financial difficulties to pay off a debt in the long-term if economic or financial conditions worsen.

The Finance Department acknowledged (January 2019) the audit finding but maintained silence on further action to be adopted.

State Disaster Response Fund (SDRF)

The State has commenced operation of the "State Disaster Response Fund" (SDRF) in 2010-11[42]. With an opening balance under SDRF of ₹ 16.96 crore in 2011-12 and receipt of ₹ 7.40 crore during the year, the closing balance of the fund at the end of the year was ₹ 24.36 crore. The closing balance of the erstwhile Calamity Relief Fund[43] by the end of March 2017 was to be transferred to this Head during this year.

[42] under Major Head '8121-General and Other Reserve Funds, 122-State Disaster Response Fund'

[43] Under Major Head '8235-General and Other Reserve Funds, 111- State Disaster Response Fund', operated under '(b) Reserve Fund not bearing interest'

GoI released ₹ 18.90 crore[44] towards SDRF in 2017-18. However no amount was transferred to the fund by the State Government in 2017-18. Out of the corpus of ₹ 41.24 crore as on 31 March 2018, ₹ 10.70 crore was invested. In terms of extant guidelines of the Funds, the Government is required to pay interest at 7.5 *per cent* per annum on the fund balances of the previous year. Therefore, ₹ 2.29 crore was required to be provided as interest for the un-invested balance of ₹ 30.54 crore, which was not done.

The Department stated (January 2019) that the investment from SDRF may be a setback in case of emergency as funds may not be easily liquidated. Audit suggested that the State Government may take up the matter with the Central Government.

In-operative Reserve Funds

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

In the Exit Conference, the Department accepted (January 2019) the position stated in the Report.

1.9.4 Contingent liabilities

Status of Guarantees

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

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

Table 1.30: Guarantees given by Government of Manipur

(₹in crore)

Guarantees		2013-14	2014-15	2015-16	2016-17	2017-18
Maximum amount guaranteed		197.45	197.45	588.00	588.00	738.00
Outstanding at the beginning of the year	Principal	76.69	75.57	62.96	269.96	490.19
	Interest	123.04	139.73	129.99	69.57	58.06
	Total	**199.73**	**215.30**	**192.95**	**339.53**	**548.25**
Invoked during the year (Discharge)		-	23.34	28.17	-	50.07
Outstanding at the end of the year	Principal	75.57	62.96	269.96	490.19[45]	451.04
	Interest	139.73	129.99	69.57	58.06	62.69
	Total	**215.30**	**192.95**	**339.53**	**548.25**	**513.73**
Number of guarantees		13	13	14	14	15
Percentage of maximum amount guaranteed to Total Revenue Receipts		2.71	2.47	7.10	6.44	7.12

(Source: Finance Accounts)

44 ₹ 110.82 crore was also transferred from National Disaster Response Fund (NDRF)

45 Guarantee of ,₹ 144.87 crore given to M/S Manipur State Power Company Ltd. During 2016-17 was intimated during 2017-18. Thus the earlier closing balance of 2016-17 of ₹403.38 crore is now treated as ₹548.25 crore (₹403.38+₹144.87), as featured in the Finance Accounts 2017-18.

The total outstanding guarantee (Principal and Interest) as on 1 April 2017 was ₹ 548.25 crore, which is less than ₹ 1651.32 crore[46] i.e. thrice the State's Own Tax Revenue Receipts for the year 2015-16.

During 2017-18, the State Government issued fresh guarantee of ₹ 10.92 crore to Manipur State Power Distribution Company Limited. However, guarantee fee of ₹ 0.11 crore from the PSU was not collected. The corpus available in the Guarantee Redemption Fund was ₹ 134.41 crore at the end of 2017-18.

In the Exit Conference, while accepting the audit observation, the Department assured (January 2019) Audit that it would take up necessary action for collection of the guarantee fee.

1.9.5 Liabilities towards Pensionary Benefits

During the year, ₹ 1,324.31 crore (including ₹ 149.47 crore on account of leave encashment benefits) *i.e.*14.28 *per cent* of total revenue expenditure was incurred on "Pension and Other Retirement Benefits" to the State Government employees.

National Pension System

State Government employees recruited on or after 1 January 2005 are covered under the National Pension System (NPS), which is a defined contributory pension scheme. In terms of the Scheme, such employees contribute 10 *per cent* of their basic pay and dearness allowances on monthly basis and equal share is matched by the State Government. The entire amount is to be transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/ Trustee Bank.

The position of contributions made to NPS by the employees and the Government and transfer of funds to NSDL/Trustee Bank during 2013-2018 is shown in the following table:

Table 1.31: Contribution made to NPS and transfer of funds to NSDL/Trustee Bank

Year	Opening Balance	Details of contribution				Amount transferred to NSDL	Closing Balance (2+6-7)	Interest Liability[47]
		Employee	Government	Short *(3-4)*	Total (3+4)			
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*
2013-14	84.87	41.49	38.12	3.37	79.61	82.25	82.23	7.68
2014-15	82.23	69.67	61.89	7.78	131.56	124.91	88.88	7.83
2015-16	88.88	67.07	52.11	14.96	119.18	123.21	84.85	9.03
2016-17	84.85	77.04	81.17	-4.13	158.21	118.43	124.63	6.46
2017-18	124.63	99.11	58.22	40.89	157.33	152.14	129.82	12.91
Total		**354.38**	**291.51**	**62.87***	**645.89**	**600.94**		**43.91**

** During 2006-2013, quantum of short contribution towards NPS by the Government was ₹75.06 crore.*

The actual amount paid by employees and the share matched by the Government up to the end of 2017-18 were ₹ 445.94 crore and ₹ 308.01 crore respectively, resulting in a shortfall of ₹ 137.93 crore not matched by the State Government. This short contribution resulted in overstatement of the Revenue Surplus and understatement of the Fiscal Deficit in the respective years.

46 Not to exceed thrice the State's Own Tax Revenue Receipts of the second preceding year as on 1 April of that year *i.e*,₹ 1651.32 crore (₹ 550.44 crore (in 2015-16) x 3).

47 Interest liability calculated on Opening Balance *Plus* short contribution of during 2013-18 @8.7 *per cent* for 2013-14,2014-15 and 2015-16, @8.0 *per cent* for 2016-17 and @7.8 *per cent* for 2017-18.

During 2017-18, the State Government deposited ₹ 157.33 crore (employees' contribution: ₹ 99.11 crore plus employer's share: ₹ 58.22 crore) in the Fund with the shortfall of ₹ 40.89 crore by the Government. Out of the previous year's balance of ₹ 124.63 crore and current year's deposit of ₹ 157.33 crore, the State Government transferred only ₹ 152.14 crore to NSDL. Short contributions over the years and un-transferred balances may attract interest, which may also have to be included at the time of transferring the employer's contribution to NSDL.

As on 31 March 2018, a cumulative balance of ₹ 129.82 crore contributed under the Scheme remained to be transferred to NSDL/Trustee Bank. Therefore, unmatched employers' share of ₹ 137.93 crore, un-transferred amount of ₹ 129.82 crore less by ₹ 4.23 crore (which was deposited by the Government of Manipur during 2012-13 directly with NSDL without deposit to Major Head 8342-117 concerned), *i.e.* a total of ₹ 263.52 crore *plus* uncollected amounts, represents outstanding liabilities under the Scheme. Moreover, the State Government has acquired the interest liability on the amount not transferred to NSDL.

After being pointed out by Audit, the Finance Department, Government of Manipur stated (March 2019) that due to the lack of adequate fund provision to meet Government's matching share, credit of NPS contribution to the respective Permanent Retirement Account Number (PRAN) accounts has been delayed. The Government has taken the matter seriously and has recently provided an additional fund of ₹ 39.46 crore which shall be used for crediting NPS contributions in respect of the non-credited PRAN accounts for the period from January 2018 to December 2018. The Department further stated that for streamlining the issues related to NPS, the following decisions have been taken:

a) Additional fund shall be provided for the Government Matching Share under MH: 2071 in the next financial year 2019-20.
b) Instructions have been given to the Director, Treasuries & Accounts to complete the process of crediting of non-credited/backlog NPS contribution by the next financial year 2019-20.

Audit observation on short contribution of Government's matching share and non-transfer to the NSDL/Trustee Bank was already pointed out in the C&AG's Report on State Finances 2011-12 and the matter was also discussed (July 2014) by the Public Accounts Committee. Despite this, adequate corrective measures were yet to be taken up by the State Government.

Non-compliance with statutory requirements by the Government has the impact of deferring Government liabilities to future years and also affect, accuracy and transparency of accounts. Moreover, the State Government has created interest liability on the amount not transferred to NSDL, as the above Major Head is classified as 'Deposits bearing Interest' in the Government Accounts. Further, delays in investment of NPS contributions with Fund Managers also create an atmosphere of uncertainty about:

i) the rate of return to be accrued to the employees concerned for such periods on the investment of their NPS contribution, and
ii) the amount of avoidable financial liability to be borne by the Government on account of non-deposit of the NPS contributions with the designated authorities.

Non-contribution of ₹ 137.93 crore by the Government towards NPS apart from understating liabilities of the Government, would also deprive the subscribers of their benefits on time. Thus, as a whole, ₹ 267.75 crore, which was required to be transferred to NSDL has not been transferred to NSDL, which would inevitably lead to bankruptcy of the NPS corpus and eventual failure of the Scheme itself.

***Recommendation**:*

- ***The State Government needs to ensure that Government contribution is fully matched with that of the employees' contribution and that the entire amount is transferred to NSDL in a timely manner to avoid unlimited liability on the State exchequer as well as to provide an assurance to the pensioners about the returns on their investment.***
- ***Further, amount remitted late should be remitted with a reasonable rate of interest so that the loss to the subscribers is minimised.***

1.10 Debt Management

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

1.10.1 Debt Profile

The maturity profile of debt at the end of 2017-18 is shown in the following table:

Table 1.32: Maturity Profile of debt[48]

(₹in crore)

Maturity profile (in years)	Year of maturity	Amount	Percentage to Total Public Debt
0 - 1	2018-19	241.40	4.10
1 - 3	2019-21	716.49	12.17
3 - 5	2021-23	770.74	13.09
5 – 7	2023-25	1180.45	20.05
7 – 9	2025-27	1245.17	21.15
9 -11	2027-29	530.67	9.02
11-13	2038-40	25.00	0.42
Miscellaneous[49]	-	1176.33	19.98
Total		**5886.25**	

(Source: Finance Accounts)

Maturity profile of the existing debt of the State shows that repayment burden would increase from ₹ 241.40 crore in the '0-1 year slab' to ₹ 716.49 crore in the '1-3 years slab'. In the next '3-5 years slab', this would increase to ₹ 770.74 crore. The repayment burden would substantially increase to ₹ 1,180.45 crore in the '5-7 years slab' and to ₹ 1,245.17 crore in the '7-9 years slab'. Thus, the repayment burden during the 1-7 years slab is ₹ 2,909.08 crore (49 *per cent* of total debt). The year wise details of maturity profile of debt at the end of 2017-18 is given in **Appendix 1.6.**

The maturity profile would increase substantially after '0-1 year maturity slab'. Steep increase is anticipated in the '5-9 years slab' before decreasing in the next '9-11 years slab'. The Government needs to formulate a clear road-map for servicing of the increasing debt profile.

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[48] Excluding debt under Public Accounts

[49] Year of maturity not known; clarification in this regard was sought from the Finance Department, however, their reply was awaited (March 2019).

While accepting (January 2019) the audit observation, the Department was silent over the issue of further action to be taken.

During Conference (January 2019), Audit underlined that the increasing trend of debt profile may put the economy of the State under stress. While accepting the audit observation, the Department did not give any reply about the course of action to be taken.

1.10.2 Net availability of borrowed funds

Details of net availability of borrowed funds during 2013-18 are given in the following table:

Table 1.33: Net availability of Borrowed Funds

(₹in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Receipts under public debt and other liabilities	1816.65	1577.76	1960.38	2537.90	2077.73
Repayments (Principal and interest) under public debt and other liabilities	2001.83	1754.26	1819.31	2520.40	2048.11
Net funds available	(-)185.18	(-)176.50	141.07	17.50	29.62
Percentage of net funds available to receipts under public debt	(-)10.19	(-)11.19	7.20	0.69	1.43

(Source: Finance Accounts of the respective years)

Net availability of borrowed funds was ₹ 29.62 crore in 2017-18 compared to ₹ 17.50 crore in 2016-17. This indicates that more funds were available from borrowed funds for other purpose after meeting the re-payment obligations of past debt and interest during 2017-18 as compared to 2016-17.

1.10.3 Debt sustainability

Apart from the magnitude of the debt of State Government, it is important to analyse various indicators that determine the debt sustainability[50]of the State, sufficiency of non-debt receipt[51]; net availability of borrowed funds[52]*etc*. The following table analyses the debt sustainability of the State according to these indicators during 2013-18.

Table 1.34: Debt sustainability, Indicators and Trends

Indicators of debt sustainability	2013-14	2014-15	2015-16	2016-17	2017-18
Outstanding Debt[53] (₹ in crore)	6850.34	7082.50	7739.79	8294.46	8887.05
Rate of growth of Debt *(per cent)*	3.18	3.39	9.28	7.17	7.14
Rate of growth of GSDP*(per cent)*	17.83	11.92	7.73	7.86	9.97
Average rate of interest on Govt. borrowing *(per cent)*	6.42	6.56	6.67	6.42	6.13
Net availability of borrowed funds (₹ in crore)	(-) 185.18	(-) 176.50	141.07	17.50	29.62
Outstanding Debt/GSDP*(per cent)*	42.29	39.07	39.63	39.37	38.36
Outstanding Debt/RR *(per cent)*	57.17	54.76	58.69	57.68	56.86
Burden of interest payments (IP/RR* Ratio per cent)	6.11	5.92	6.23	5.96	5.44

* *IP – Interest Payment and RR – Revenue Receipts* *(Source: Finance Accounts)*

The Outstanding Debt increased substantially by ₹ 592.58 crore from ₹ 8,294.46 crore in 2016-17 to ₹ 8,887.05 crore in 2017-18. The rate of growth of Debt remained largely the same at 7.14 *per cent* during 2017-18 compared to 7.17 *per cent* in 2016-17. The increase in Outstanding Debt was mostly due to increase in Internal Debt (₹ 655.51 crore) offset by decrease in Loans and Advances from Central Government (₹ 35.13 crore). As per the

[50] Refer glossary in Appendix 1.7
[51] Refer glossary in Appendix 1.7
[52] Refer glossary in Appendix 1.7
[53] Including Debt under Public Accounts other than Reserve Fund

recommendation of the XIV Finance Commission, Manipur was excluded from operation of National Small Saving Fund (NSSF) with effect from 1 April 2016. As such there was no receipt under Special Security issued to NSSF during 2017-18. After repayment of ₹ 53.11 crore during 2017-18, there was an outstanding balance of ₹ 684.96 crore under this account. The burden of Interest payments reduced slightly from 5.96 *per cent* in 2016-17 to 5.44 *per cent* in 2017-18.

1.10.4 Debt consolidation and relief facility

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

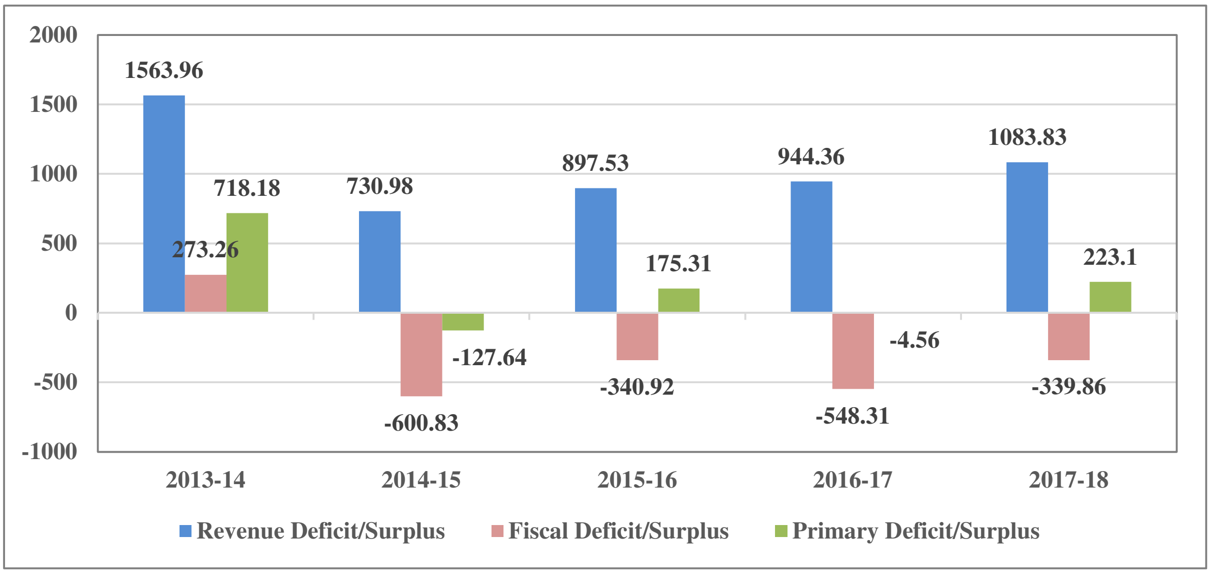
1.11 Fiscal imbalances

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

1.11.1 Trends in Deficits/Surplus

The following chart presents the trends in deficit indicators during 2013-18:

Chart 1.14: Trends of deficit/surplus indicators *(₹in crore)*



* *The Primary deficit for the year 2016-17 was negligible and hence not reflected in the above chart.*

The State was able to maintain Revenue surplus throughout 2013-14 to 2017-18, which ranged from ₹ 730.98 crore to ₹ 1,563.96 crore. As compared to 2016-17, Revenue surplus improved by ₹ 139.47 crore in 2017-18.

The Fiscal surplus of ₹ 273.26 crore in 2013-14 reversed to its peak Fiscal deficit of ₹ 600.83 crore in 2014-15, thereby maintaining a Fiscal deficit from ₹ 340.92 crore in 2015-16 to ₹ 339.86 crore in 2017-18. As compared to 2016 -17, Fiscal deficit improved by ₹ 208.45 crore in 2017-18.

The Primary surplus of ₹ 718.18 crore experienced in 2013-14 turned its trend in 2014-15 to a deficit of ₹ 127.64 crore. This reversed back to a Primary surplus of ₹ 175.31 crore in 2015-16. However, it reverted to Primary deficit of ₹ 4.56 crore again in 2016-17. In 2017-18, there was a Primary surplus of ₹ 223.10 crore. Thus, the pattern of Primary deficit/surplus during 2013-18 depicts a fluctuating trend.

1.11.2 Composition of Fiscal deficit/surplus and its Financing pattern

The financing pattern of the Fiscal deficit/surplus is shown in the following table:-

Table 1.35: Components of Fiscal deficit and its financing pattern

(₹in crore)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Decomposition of Fiscal deficit (-) /surplus (+)		(+) 273.26	(-) 600.83	(-) 340.92	(-)548.31	(-)339.86
1	Revenue surplus	1563.96	730.98	897.53	944.36	1083.83
2	Net Capital Expenditure	(-) 1291.89	(-) 1332.44	(-) 1237.87	(-)1493.57	(-)1428.31
3	Net Loans and Advances	1.19	0.63	(-) 0.58	0.90	4.62
Financing/utilisation pattern of Fiscal deficit/surplus*						
1	Market Loans	288.17	339.23	311.29	478.17	277.77
2	Loans from the GoI	(-) 47.08	(-) 44.17	(-) 44.13	(-)28.08	(-)35.13
3	Special Securities Issued to NSSF**	(-) 21.50	(-) 26.03	18.51	(-)53.11	(-)53.11
4	Loans from Financial Institutions and other loans	0.94	(-) 52.87	9.29	91.67	47.33
5	Ways and Means Advance	(-) 97.92	-	184.75	(-)82.33	383.52
6	Small Savings, PF** *etc.*	103.11	86.30	60.74	49.54	(-)3.48
7	Deposits and Advances	(-) 14.43	(-) 70.88	116.85	98.82	(-)24.38
8	Suspense and Miscellaneous	1.91	(-) 15.56	(-) 19.13	(-)21.61	(-)21.65
9	Remittances	(-) 15.71	(-) 21.81	(-) 144.54	(-)102.13	(-)60.54
10	Reserve Fund	48.46	64.55	110.71	127.76	165.53
Increase (-)/decrease (+) in cash balance		(-) 519.21	342.07	(-) 263.42	(-)10.39	(-)336.00

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

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

(Source: Finance Accounts)

The Fiscal deficit of ₹ 339.86 crore in 2017-18 was mainly due to excess of expenditure on Capital account partially reduced by the Revenue surplus. The deficit was mainly financed by Ways and Means Advance (₹ 383.52 crore), Market loans and Other Loans (₹ 277.77 crore) and Reserve Fund (₹ 165.53 crore) partially reduced by outflow of Remittances (₹ 60.54 crore) and Special securities Issued to NSSF (₹ 53.11 crore).

1.11.3 Quality of Deficit/Surplus

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

Table 1.36: Primary deficit/surplus, Bifurcation of factors

(₹in crore)

Year	Non-debt receipt	Primary revenue expendi-ture *	Capital expendi-ture	Loans and Advances	Primary expendi-ture	Primary revenue surplus	Primary deficit (-)/ surplus (+)
(1)	(2)	(3)	(4)	(5)	6 (3+4+5)	7 (2-3)	8 (2-6)
2013-14	7284.02	5273.91	1291.89	0.04	6565.84	2010.11	(+) 718.18
2014-15	7999.24	6794.10	1332.44	0.34	8126.88	1205.14	(-) 127.64
2015-16	8281.12	6866.34	1237.86	1.60	8105.81	1414.78	(+) 175.31
2016-17	9130.27	7641.01	1493.57	0.25	9134.83	1489.26	(-) 4.56
2017-18	10365.85	8711.04	1428.31	3.40	10142.75	1654.81	(+)223.10

* *Net of Revenue Expenditure and Interest Payments*
(Source: Finance Accounts)

The Non-debt Receipts of the State during 2013-18 was sufficient to meet the Primary revenue expenditure. During 2013-14, 2015-16 and 2017-18 it was more than the Primary expenditure, resulting in Primary surplus during these years. In 2014-15 and 2016-17, the Primary revenue surplus was not adequate to cover the Capital Expenditure and Loans and Advances, resulting in Primary deficit during these years. There was Primary surplus of ₹ 223.10 crore in 2017-18 reversing the trend of Primary deficit of the previous year (2016-17).

1.12 Conclusion

Revenue Receipts

Revenue Receipts increased by ₹ 1,228.71 crore (13.46 *per cent*) over the previous year. The increase was mainly due to increase in GIA from Government of India (GoI) (₹ 617.97 crore) and increase in Share of Union Taxes/duties (₹ 397.20 crore).

Contribution of the State's Own revenue to the Revenue Receipts was in the range of 8 *per cent* to 10 *per cent* for the period 2013-18. The State's share of Union taxes and duties and GIA from GoI contributed in the range of 90 *per cent* to 92 *per cent* to the Revenue Receipts during 2013-18 and remained the main contributor to Revenue Receipts of the State.

Both Own Tax revenue and Non-tax revenue could not achieve the targets/assessment of XIV FC and Budget estimates during 2017-18.

Expenditure status

The Total Expenditure of the State increased by ₹ 3,694.95 crore (52.70 *per cent*) from ₹ 7,010.76 crore in 2013-14 to ₹ 10,705.71 crore in 2017-18. The Revenue Expenditure of the

State increased by ₹ 3,555.17 crore (62.17 *per cent*) from ₹ 5,718.83 crore in 2013-14 to ₹ 9,274.00 crore in 2017-18.

Capital Expenditure exhibited a fluctuating trend during 2013-14 to 2017-18. Revenue Expenditure, on the other hand increased steadily during 2013-18. Revenue Expenditure as a percentage of the Total Expenditure increased from 81.57 *per cent* in 2013-14 to 86.63 *per cent* in 2017-18. This shows that a bulk of the total expenditure was increasingly spent to meet expenditure on maintenance, salary *etc*.

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

During 2013-18, investment in companies, corporations and co-operative societies ranging from ₹ 160.30 crore to ₹ 177.57 crore was made by the State Government. Against this, the State Government could earn only ₹ 16,000 during 2013-18. The State Government paid an average rate of interest ranging from 6.13 *per cent* to 6.67 *per cent* on its borrowings. However, the rate of return from the investment was insignificant.

Loans and Advances by the State Government

The opening balance of outstanding Loans and Advances as on 1 April 2017 was ₹ 204.19 crore. Against repayment of Loans and Advances of ₹ 8.02 crore, an amount of ₹ 3.40 crore was disbursed during 2017-18, resulting in closing balance of outstanding Loans and Advances of ₹ 199.57 crore as on 31 March 2018. Interest Receipts decreased from ₹ 0.35 crore in 2013-14 to ₹ 0.17 crore in 2017-18. Pertinently, Interest Receipts of ₹ 0.17 crore against Loan of ₹ 204.19 crore was insignificant.

Fiscal liabilities and fiscal position

The overall Fiscal liabilities of the State Government maintained an increasing trend during 2013-14 and 2017-18, which increased from ₹ 7,060.68 crore in 2013-14 to ₹ 9,565.94 crore in 2017-18. The Fiscal liabilities increased by 8.61 *per cent* (₹ 758.11 crore) in 2017-18 over the previous year (2016-17). This was mainly due to increase of ₹ 655.51 crore under Internal Debt, which constituted 86.47 *per cent* of the increase of the Fiscal liabilities in 2017-18. This underlines the extent of increase of Fiscal liabilities in 2017-18. Such a trend, if continued in coming years, would put pressure on the State Government in meeting the burden on re-payment of debt and interest thereon.