

**CHAPTER-I: FINANCES OF THE STATE
GOVERNMENT**

Chapter I: Finances of the State Government

1.1 Profile of the State

Tripura is the third smallest State in the North Eastern Region of India and shares a 53 km border with Bangladesh on three sides - South, West and North (*i.e.*, about 84 *per cent* of its total border). It also shares border with Assam and Mizoram. The State is spread over a geographical area of 10,491.69 sq.km. (0.32 *per cent* of the country's total geographical area) and is home to around 36,73,917 persons (0.30 *per cent* of the total population of the country) as per Census 2011. The decadal (2011-2019) growth rate of population of the State was 8.87 *per cent*, which was lower than the 11.91 *per cent* rate of growth of Special Category States (SCS), and the all India growth rate of 12.84 *per cent*.

The State has eight districts and one Autonomous District Council. It was designated as a SCS in 1969 in terms of the Gadgil formula, which ensured that 90 *per cent* of funding for centrally sponsored schemes is received as a grant from the Central Government. The per capita GSDP of the State at current prices was ₹ 1,25,639 (Advance) in 2018-19, which was lower than the all India average of ₹ 1,42,719 as well as the average of the SCS of ₹ 1,37,174.

General and financial data relating to the State are given in **Appendix-1.1**

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) of the Government of Tripura for the year ended 31 March 2019 has been prepared by the CAG for submission to the Governor of Tripura under Article 151 (2) of the Constitution of India.

Accountant General (A&E) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for the keeping of such accounts functioning under the control of the State Government, and the statements received from the Reserve Bank of India. These accounts are audited independently by the Accountant General (Audit), and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State for the year 2018-19 constitute the core data for this report. Other sources include the following:

- a) Budget of the State for the year 2018-19 forms an important source of data – both for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;

- b) Results of audit carried out by the Office of the Accountant General (Audit), both at the Secretariat offices as well as at field level;
- c) Information furnished by the State Government and other data obtained from the departmental authorities and Treasuries (accounting as well as MIS);
- d) GSDP data and other State related statistics from the Directorate of Economics and Statistics of Government of Tripura; and
- e) Various audit reports of the CAG of India during 2014-19 have also been used to prepare this analysis/commentary as appropriate.

The analysis has been carried out in the context of recommendations of the Fourteenth Finance Commission, Tripura FRBM Act, best practices and guidelines of the Government of India.

Most of the audit observations contained in the Report were discussed with the Chief Secretary, Government of Tripura, in September 2019 while finalizing the annual accounts of the State wherein the Chief Secretary has assured that appropriate steps would be taken with regard to the issues flagged by the CAG. The draft Report was forwarded to the State Finance Department on 13 May 2020 for comments. Reply from the Government is awaited (31 May 2020).

1.3 Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of Tripura caused to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2018-19, in the form of an Annual Financial Statement (referred to as Budget) with estimates of expenditure charged upon the Consolidated Fund of the State; the sums required to meet other expenditure proposed to be made from the Consolidated Fund of the State; and distinguishing expenditure on revenue account from other expenditure.

In terms of Article 203, the above was submitted to the State Legislature in the form of 63 Demands for Grants/Appropriations and after approval of these, the Appropriation Bill was passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

As mentioned in **Paragraph No. 1.2**, Finance Accounts and Appropriation Accounts encompass the core data for preparation of the SFAR. These accounts are based on actual receipts and expenditure of the State during the year 2018-19 including various inter-governmental and other adjustments carried out by the Reserve Bank of India (RBI). Considering that these receipts and expenditure are estimated in the budget and the expenditure has been approved by the State Legislature, it is important to study the budget of the State for 2018-19 closely and analyse the actual receipts and expenditure during the year with reference to the projections made in the budget.

The Government of Tripura had prepared its Budget Manual in 1998. While formulating its Budget for 2018-19, the State Government introduced several significant policy and legislative reforms for the development of the State, with a thrust on the following areas;

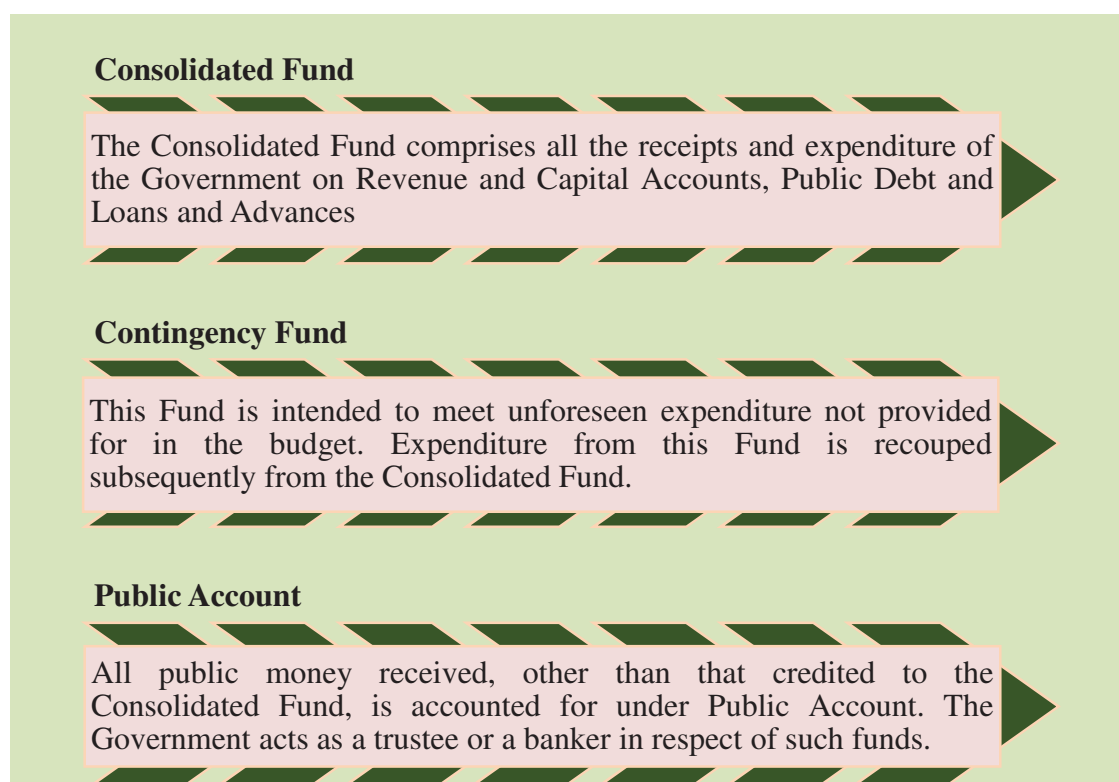
- Ensure transparency in public spending through governance reform
- Sustainable economic development
- Infrastructure development
- Improved health care
- Improving the quality of education and skill development.

Results of audit scrutiny of Budget and implementation of other budgetary initiatives of the State Government are detailed in Chapter 2 of this report.

1.4 Structure of Government Accounts

It is necessary to understand the structure of Government accounts in order to appreciate the analysis of the finances of the State Government given in this Chapter.

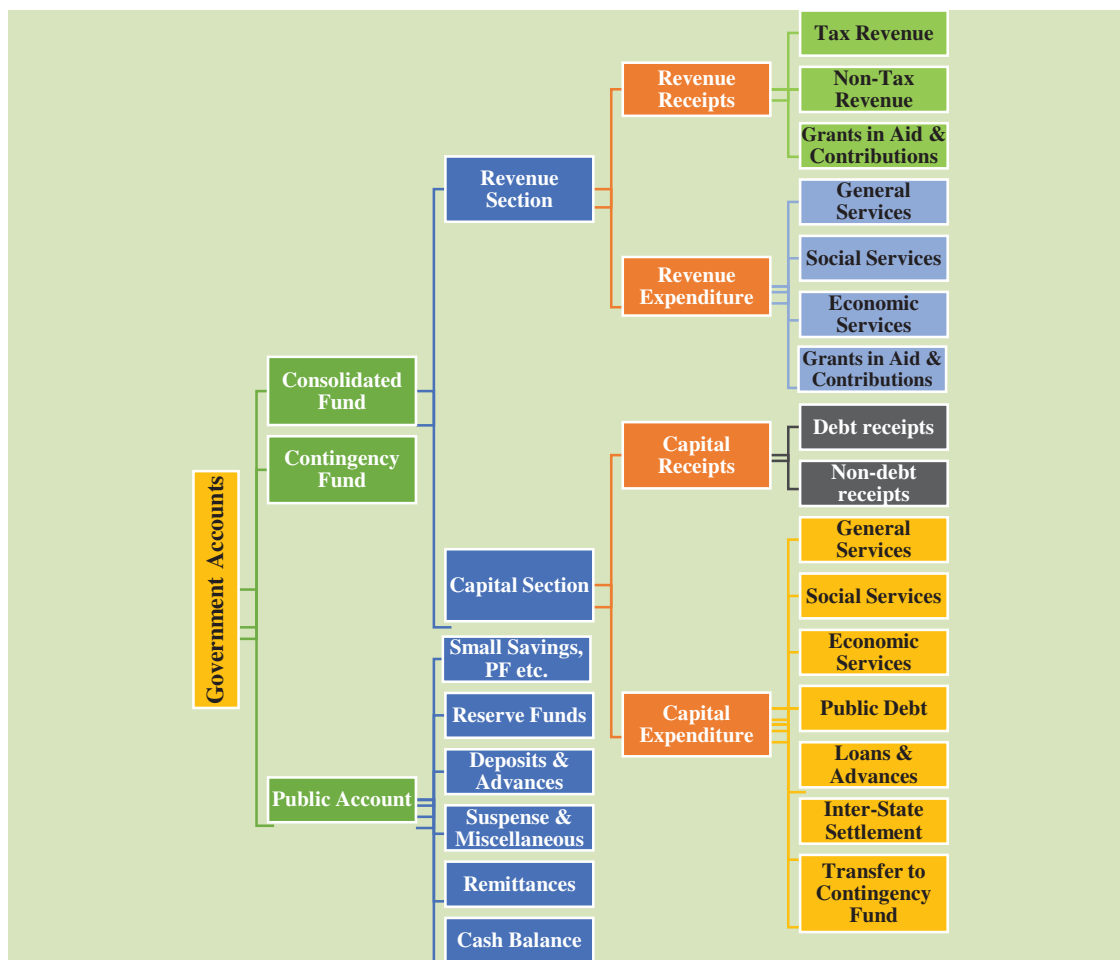
Government accounts are defined by the twin principles of Fund based accounting and functional classification of transactions of the Government. Fund based accounting system involves sourcing and allocating all receipts and disbursements to one of the three Funds, viz., Consolidated Fund, Contingency Fund and Public Account. These Funds are created by the Constitution and function as instruments of public accountability. The details and purpose of each of these Funds are given below.



Functional classification involves arranging the receipts and expenditure by economic categories, distinguishing the Government transactions in to Sections like revenue and capital (including public debt, loans and advances), Sectors like tax revenue and other revenue and grants-in-aid, Sub-sectors like taxes on income and expenditure, fiscal services etc. On the expenditure side also, the transactions are classified in to sectors viz., general services, economic services, social services and grants-in-aid and contributions and sub-divided into Major Heads of account below these sectors.

Major Heads of account falling within the Consolidated Fund generally correspond to 'Functions' of Government such as 'Agriculture', while Minor Heads subordinate to them identify the 'Programme' undertaken to achieve the objectives of the function represented by the Major Head. A programme may consist of a number of schemes or activities and these generally, correspond to 'Sub-heads' below the Minor Head. 'Detailed Head' below the Sub-head, primarily denotes the name of individual schemes and activities of the Government. 'Object Head' below the 'Detailed Head', is primarily meant for item wise control over expenditure and indicates the object or nature of expenditure in terms of inputs such as 'Salaries', 'Office Expenses', 'Grants-in-aid', *etc.*

A pictorial depiction of the structure of Government Accounts is given below.



1.5 Gross State Domestic Product of Tripura

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

Trends in annual growth of Tripura's GSDP vis-à-vis that of the country is given in **Table No. 1.1.**

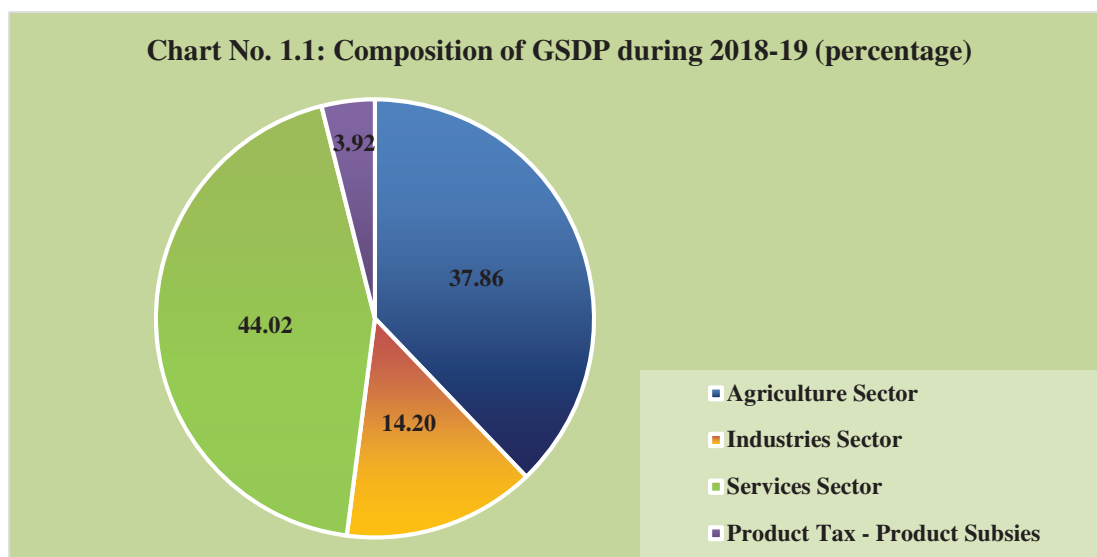
Table No. 1.1: Trends in growth of GDP and GSDP

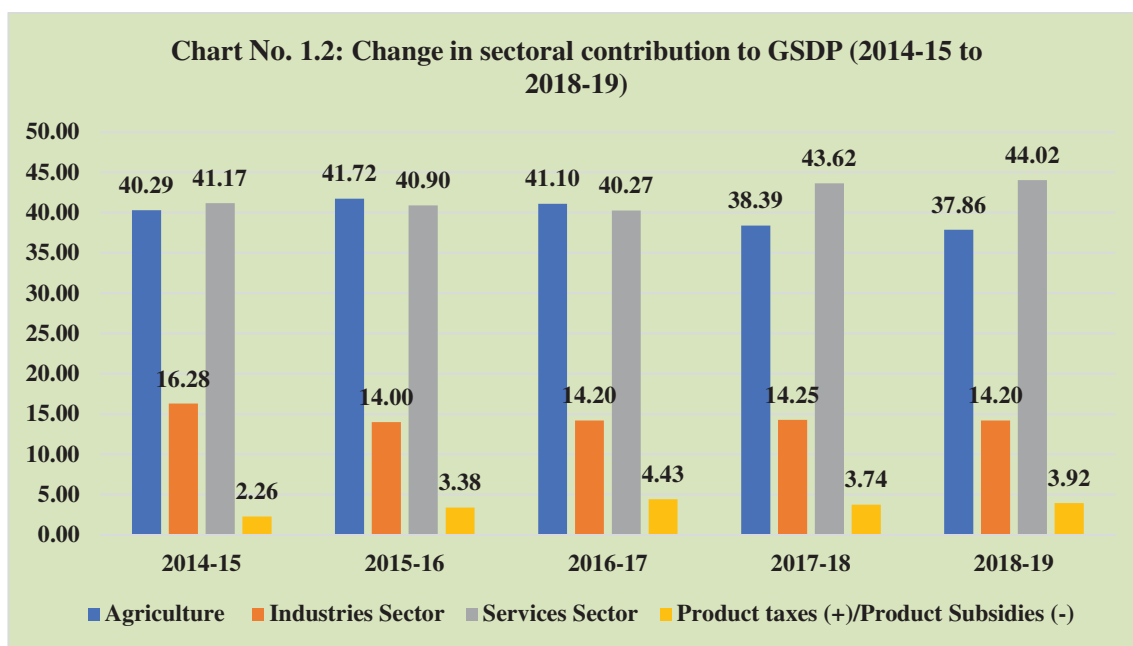
| Year | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|--------------------|--------------------|--|--|----------------------------|
| National GDP (2011-12 Series) | 1,24,67,959 | 1,37,71,874 | 1,53,62,386 (2 nd RE) | 1,70,95,005 (1 st RE) | 1,90,10,164 (PE) |
| Growth rate of GDP over previous year (in per cent) | 10.99 | 10.46 | 11.55 | 11.29 | 11.20 |
| State's GSDP (2011-12 Series) | 29,533.46 | 35,937.73 | 39,514.28 | 44,161.08 | 50,544.52(AE) |
| Growth rate of GSDP over previous year (per cent) | 15.40 | 21.68 | 9.95 | 11.76 | 14.45 |

Source: GoI's Economic Survey (2018-19) and Department of Statistics, Government of Tripura, RE: Revised Estimates, AE: Advance Estimates; PE. - Provisional Estimates.

As can be seen from the details tabulated above, the GSDP of Tripura grew at a higher rate during the period 2014-15 to 2018-19 compared to the national growth rate, except during 2016-17.

Sectoral contribution to GSDP of the State during 2018-19 is given below.

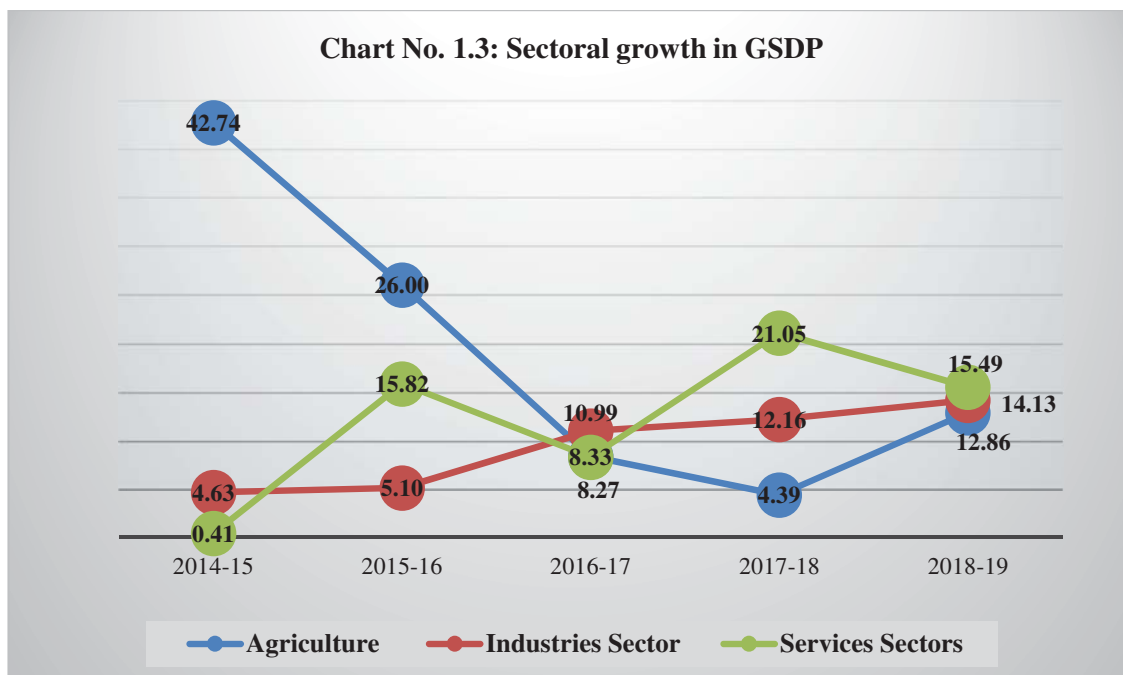




Source: Department of Statistics, Tripura

Chart No. 1.2 reveals that during the last five years, there has been a significant decrease in the relative share of Agriculture to GSDP, from 40.29 per cent in 2014-15 to 37.86 per cent in 2018-19. Decrease was also seen in Industries sector, with a marginal increase in the relative share of Services sector.

During 2018-19, there was a decline in the growth rate of the Services sector from 21.05 per cent in 2017-18 to 15.49 per cent while the rate of growth of Agriculture and Industries sectors displayed a marginal increase over the previous years as can be seen from **Chart No. 1.3**.



1.6 Fiscal Correction Path

State Government enacted the Tripura Fiscal Responsibility and Budget Management (TFRBM) Act, 2005 to ensure fiscal stability and sustainability, improve efficiency and transparency in management of public finances, enhance the availability of resources by achieving sufficient revenue surplus, reduce fiscal deficit and remove the impediments to effective conduct of fiscal policy and prudent debt management.

The Act was subsequently amended thrice, with the latest amendment being in April 2011.

1.6.1 TFRBM targets on key Fiscal Parameters and Achievements thereon

The State Government has been on the path of fiscal consolidation and fiscal discipline as mandated by the FRBM Act. Revenue augmentation and expenditure prioritization and rationalization continue to be integral to fiscal reforms. Broadening and deepening the direct tax base and stabilisation of Goods and Services Tax are the other key priorities along with improving the quality of expenditure. Meeting allocational priorities without diverting attention from various fiscal reforms targets remains the foremost challenge of the Government.

As per the amendment to the TFRBM Act in 2011, the State Government was to achieve revenue surplus every year up to 31 March 2015 and maintain it thereafter; reduce fiscal deficit to three *per cent* of the estimated GSDP by 2014-15 and maintain the same level thereafter. Further, the Act also envisaged that the State Government would limit the total outstanding debt to GSDP to 43.80 *per cent* in 2014-15. With effect from 2014-15, this ratio was within the Medium Term Fiscal Policy (MTFP) projections. The 14th Finance Commission had also recommended limiting the fiscal deficit of the State during its award period (2015-16 to 2019-20).

Key fiscal variables provided in the budget based on the recommendations of the Finance Commissions (FCs), TFRBM Act, Medium Term Fiscal Policy Statement (MTFPS) and the actuals *vis-à-vis* targets in the TFRBM Act of the State are depicted below.

Table No. 1.2: Compliance with provisions of TFRBM Act

| Fiscal Variables | Target | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|--|-----------------------|-----------------------------|---------------|---------------|-----------------|---------------|
| Revenue Deficit (-)/ Surplus (+) (₹ in crore) | FCs TFRBM MTFPS | To maintain Revenue Surplus | | | | |
| | Achievement | 1796.82 ✓ | 1558.27 ✓ | 790.32 ✓ | (-) 289.27 ✗ | 141.69 ✓ |
| Fiscal Deficit(-)/ Surplus (+) to GSDP ratio (<i>per cent</i>) | FCs TFRBM MTFPS | (-) 3.00 | (-) 3.25 | (-) 3.25 | (-) 3.25 | (-)3.25 |
| | Achievement | (-) 3.55 ✗ | (-) 4.59 ✗ | (-) 6.40 ✗ | (-) 4.69 ✗ | (-) 2.65 ✓ |
| Ratio of outstanding liabilities to GSDP (<i>per cent</i>) | FCs | | | 35.00 | 34.53 | 34.33 |
| | TFRBM | 44.20 | 35.00 | 35.00 | 34.53 | 34.33 |
| | MTFPS | | | 34.75 | 34.53 | 34.33 |
| | Achievement | 31.57 ✓ | 27.45 ✓ | 28.49 ✓ | 29.22 ✓ | 29.24 ✓ |

Source: XIV FC, MTFPS, Finance Accounts

As can be seen from **Table No. 1.2**, the State has achieved Revenue Surplus target set under the FCs, TFRBM Act, MTFPS for the respective years except during 2017-18 where there was a revenue deficit. Similarly, the State has done fairly in limiting the outstanding liabilities to GSDP ratio within the prescribed limits in the respective years. The challenge lies in reining in the Fiscal Deficit to GSDP ratio, as the State has not been able to contain it within the limit set by the FCs, TFRBM Act, MTFPS during four years out of the five- year period 2014-19, except during 2018-19. A beginning was made with 2018-19 where the State brought down the Fiscal Deficit to 2.65 *per cent* against the target of 3.25 *per cent*.

1.6.2 Medium Term Fiscal Plan

As per the TFRBM Act, the State Government has to lay before the State Legislature, a Five Year Fiscal Plan along with the Annual Budget. The Medium Term Fiscal Plan (MTFP) has to set forth a five-year rolling target for the prescribed fiscal indicators.

Table No. 1.3 indicates the variation between the projections made for 2018-19 in MTFP presented to the State Legislature along with the Annual Budget for 2018-19 and Actuals of the year.

Table No. 1.3: Actuals vis-à-vis projection in MTFP for 2018-19

(₹ in crore)

| Sl. No | Fiscal Variables | Projection as per MTFP | Actuals (2018-19) | Variation (<i>per cent</i>) |
|--------|--|------------------------|-------------------|-------------------------------|
| 1 | Own Tax Revenue | 1790.63 | 1765.91 | (-)24.72 |
| 2 | Non-Tax Revenue | 344.22 | 372.20 | 27.90 |
| 3 | Share of Central Taxes | 5455.48 | 4888.95 | (-) 566.53 |
| 4 | Grants -in-aid from GoI | 7050.70 | 5003.83 | (-)2046.87 |
| 5 | Revenue Receipts (1+2+3+4) | 14641.03 | 12030.89 | (-)2610.14 |
| 6 | Revenue Expenditure | 12801.14 | 11889.20 | (-)911.94 |
| 7 | Revenue Deficit (-)/ Surplus (+) (5-6) | 1839.89 | 141.69 | (-)1698.20 |
| 8 | Fiscal Deficit (-)/ Surplus (+) | (-)1232.44 | (-) 1339.70 | 107.26 |
| 9 | Outstanding liabilities (GSDP ratio (<i>per cent</i>)) | 34.33 | 29.24 | (-)5.09 |
| 10 | GSDP growth rate at current prices (<i>per cent</i>) | 12.00 | 14.45 | 2.45 |

As can be seen from the above table, the State's achievement of the key fiscal projections of MTFP showed a mixed bag. While it could not achieve the projections with regard to its own tax revenue and central transfers, which had a significant impact on overall revenue receipts projected in MTFP, central transfers are not under the control of the State. However, three key parameters like, non-tax revenue, outstanding liabilities to GSDP ratio and growth of GSDP significantly improved as compared to the projections made in the MTFP, as the non-tax collection and growth rate of GSDP were higher than the projections and outstanding liabilities to GSDP ratio was lower than the MTFP projection during the year.

1.7 Trends in key Fiscal Parameters

Deficit is an indicator of fiscal management of the Government. Further, the ways in which the deficit is financed, and the resources raised are applied, are important pointers to its fiscal health. This Section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under TFRBM Act/Rules for the financial year 2018-19.

1.7.1 What are deficit and surplus?

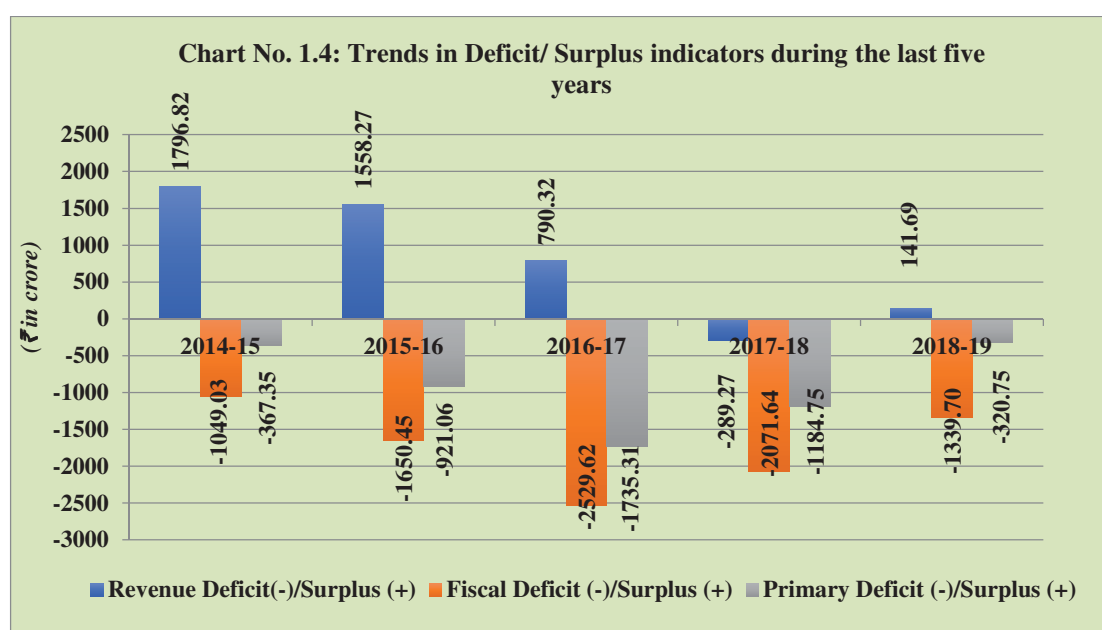
The terms of deficits/surplus are described in **Table 1.4**.

Table No. 1.4: Terms of deficits/surplus

| | |
|-------------------------------------|--|
| Revenue Deficit/ Surplus | Refers to the gap between Revenue Receipts and Revenue Expenditure. |
| Fiscal Deficit/ Surplus | This is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the total expenditure. |
| Primary Deficit/ Surplus | Primary Deficit is measured as Fiscal Deficit less interest payments. |

1.7.2 Trend of Deficit/Surplus

The State is well within the targets specified by the 14th Finance Commission during 2018-19 with regard to the key fiscal parameters, compared to the previous year. It had a fiscal deficit of ₹ 1339.70 crore during the year 2018-19, representing 2.65 *per cent* of the GSDP, constituting 10.02 *per cent* of the total expenditure. The primary deficit of ₹ 1184.75 crore during 2017-18 was reduced to ₹ 320.75 crore during the current year and the revenue deficit of ₹ 289.27 crore in 2017-18 turned to a surplus of ₹ 141.69 crore during 2018-19. The trend of these surplus and deficits over the five year period 2014-15 to 2018-19 is depicted in **Chart No. 1.4**.



Significant surplus on revenue account was mainly due to the fact that the State could not utilise the available resources, with the actual revenue expenditure falling short of Budget Estimates by 9.30 *per cent* during the year. Revenue receipts increased significantly by 19.50 *per cent* (₹ 1962.94 crore) during the year over the previous year, while revenue expenditure increased by 14.79 *per cent* (₹ 1531.98 crore) during the same period.

Further, the State Government had given a Grants-in-Aid amounting to ₹ 2,401.39 crore to Local Bodies and other Autonomous Bodies during 2018-19, of which ₹ 661.74 crore was given for creation of Capital assets. Out of an expenditure of ₹ 661.74 crore incurred of these grants, a major portion of the amount was booked under various central schemes like, Indira Awas Yojna (₹ 17.02 crore), Mahatma Gandhi National Rural Employment Guarantee Scheme (₹ 116.52 crore), Pradhan Mantri Awas Yojna (₹ 159.00 crore), NER Urban Development Programme (₹ 72.69 crore), Smart Cities Mission (₹ 75.00 crore), *etc.* under Object Head-57 of Capital Account instead of under Revenue Account during the year 2018-19. The owner(s) of the assets created were mainly either individuals or Local Bodies and the list of the assets created was not furnished by the Government.

As per the Indian Government Accounting Standard (IGAS)-2, expenditure on Grants-in-Aid is to be classified as Revenue Expenditure. As in the previous years, the Government incorrectly classified the expenditure of ₹ 661.74 crore as Capital Expenditure in violation of the Accounting Standards. This led to overstatement of Capital Expenditure for the year 2018-19 to that extent. Further, this misclassification has resulted in showing a Revenue Surplus of ₹ 141.69 crore in the Finance Accounts of the State instead of a Revenue Deficit of ₹ 520.05 crore during the year as detailed in **Table No. 1.5**.

Table No. 1.5: Impact of misclassification

(₹ in crore)

| Particulars | Revenue receipts | Revenue expenditure | Capital expenditure | Revenue surplus(+) /Deficit (-) |
|-------------------|------------------|---------------------|---------------------|------------------------------------|
| As per Accounts | 12030.89 | 11,889.20 | 1480.87 | 141.69 |
| As per IGAS-2 | | 661.74 | (-) 661.74 | |
| Net impact | 12030.89 | 12,550.94 | 819.13 | (-) 520.05 |

1.7.3 Components of Fiscal Deficit and its Financing Pattern

The financing pattern of fiscal deficit has undergone a compositional shift as reflected in **Table No. 1.6**.

Table No. 1.6: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

| Particulars | | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|--|--|----------------|----------------|----------------|----------------|----------------|
| Fiscal Deficit (-)/Surplus (+) | | (-) 1049.03 | (-) 1650.45 | (-) 2529.62 | (-) 2071.64 | (-) 1339.70 |
| (FD/GSDP) | | (-3.55) | (-4.59) | (- 6.40) | (-4.69) | (-2.65) |
| Composition of Fiscal Deficit/Surplus | | | | | | |
| 1 | Revenue Deficit (-) /Surplus(+) | 1796.82 | 1558.27 | 790.32 | (-)289.27 | 141.69 |
| 2 | Net Capital Expenditure | 2832.29 | 3188.02 | 3293.57 | 1777.05 | 1480.87 |
| 3 | Net Loans & Advances | 13.56 | 20.70 | 26.37 | 5.32 | 0.52 |
| Financing Pattern of Fiscal Deficit* | | | | | | |
| 1 | Public Debt | 237.27 | 672.50 | 626.93 | 1032.59 | 1209.52 |
| 2 | Small Savings, Provident Fund & Others | 302.41 | 340.04 | 396.01 | 520.75 | 462.47 |
| 3 | Reserves & Sinking Funds | 28.03 | (-) 54.54 | 47.34 | (-)174.19 | (-)26.27 |
| 4 | Deposits and Advances | 37.54 | 111.39 | 354.29 | 105.62 | 56.87 |
| 5 | Suspense and Miscellaneous Account | (-) 44.19 | (-) 25.98 | (-) 7.48 | 30.92 | (-)314.73 |
| 6 | Remittances | 81.52 | (-) 11.35 | 6.41 | (-) 31.91 | (-)221.02 |
| 7 | Decrease in Cash balance | 406.45 | 618.39 | 1106.12 | 587.86 | 172.86 |
| 8 | Contingency Fund | 0 | 0 | 0 | 0 | 0 |
| Total | | 1049.03 | 1650.45 | 2529.62 | 2071.64 | 1339.70 |
| *All the figures are net of disbursements/outflows during the year | | | | | | |

The share of revenue deficit/surplus in fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State is continuously being eroded and a part of borrowings (fiscal liabilities) does not have any asset backup.

1.7.4 Actual Revenue and Fiscal Deficit

Excessive focus on short-term objectives for overcoming budget deficit, encourages creative accounting and recourse to one-off deficit-reducing measures. **Table No. 1.7** assesses actual deficit after taking into account short/ non-contribution to funds and incorrect classifications/ booking by the State Government during 2018-19.

Table No. 1.7: Actual Revenue and Fiscal Deficit

(₹ in crore)

| Particulars | Impact on Revenue Surplus (Understated (-)/ overstated(+)) | Impact on Fiscal Deficit (Understated) |
|---|--|--|
| Grants-in-Aid booked under Capital section instead of Revenue | (+) 661.74 | 0 |
| Non discharge of Interest liabilities on Reserve Fund | (+) 7.03 | 7.03 |
| Shortfall in State Government contribution to Consolidated Sinking Fund | (+) 64.51 | 64.51 |
| Total | (+) 733.28 | 71.54 |

Source: Finance Accounts

1.8 Major changes in key fiscal aggregates vis-à-vis 2017-18

Table No. 1.8 gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2018-19, compared to the previous year.

Table No. 1.8: Changes in key fiscal aggregates in 2018-19 compared to 2017-18

| | |
|---------------------|--|
| Revenue Receipts | <ul style="list-style-type: none"> ➤ Revenue receipts of the State increased by 19.50 per cent ➤ Own Tax receipts of the State increased by 24.18 per cent ➤ Own Non-tax receipts decreased by 24.58 per cent ➤ State's Share of Union Taxes and Duties increased by 13.12 per cent ➤ Grants-in-Aid from Government of India increased by 30.64 per cent |
| Revenue Expenditure | <ul style="list-style-type: none"> ➤ Revenue expenditure increased by 14.79 per cent ➤ Revenue expenditure on General Services increased by 16.25 per cent ➤ Revenue expenditure on Social Services increased by 17.47 per cent ➤ Revenue expenditure on Economic Services increased by 4.64 per cent ➤ Expenditure on Grants-in-Aid increased by 2.49 per cent |
| Capital Expenditure | <ul style="list-style-type: none"> ➤ Capital expenditure decreased by 16.67 per cent ➤ Capital expenditure on General Services decreased by 20.40 per cent ➤ Capital expenditure on Social Services decreased by 14.91 per cent ➤ Capital expenditure on Economic Services decreased by 18.42 per cent |
| Loans and Advances | <ul style="list-style-type: none"> ➤ Disbursement of Loans and Advances decreased by 84.02 per cent ➤ Recoveries of Loans and Advances decreased by 64.50 per cent |
| Public Debt | <ul style="list-style-type: none"> ➤ Public Debt Receipts increased by 28.05 per cent ➤ Repayment of Public Debt increased by 65.56 per cent |
| Public Account | <ul style="list-style-type: none"> ➤ Public Account Receipts increased by 6.32 per cent ➤ Public Account Disbursements increased by 24.20 per cent |
| Cash Balance | <ul style="list-style-type: none"> ➤ Cash balance decreased by ₹ 172.85 crore (15.14 per cent) during 2018-19 compared to the previous year |

Each of the above indicators are analysed in the succeeding paragraphs.

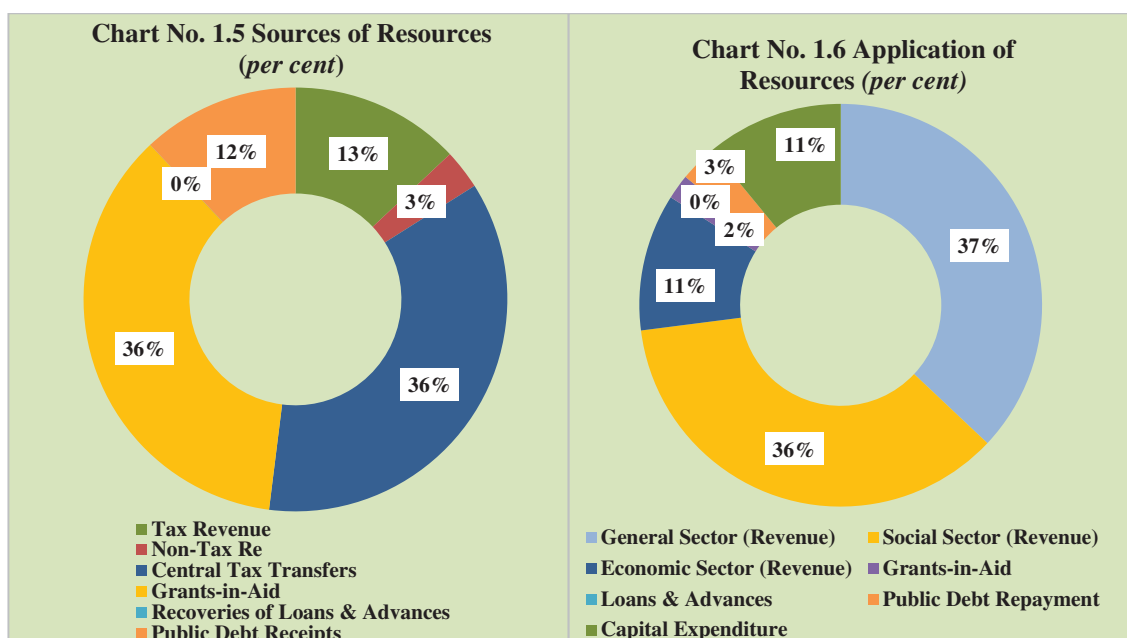
1.9 Sources and Application of Funds

Table No. 1.9 Compares the sources and application of funds of the State during 2018-19 with 2017-18 in figures (details in **Appendix-1.2**), while **Chart Nos. 1.5** and **1.6** give these in terms of percentage.

Table No. 1.9: Details of Sources and Application of Funds during 2017-18 and 2018-19

(₹ in crore)

| | Particulars | 2017-18 | 2018-19 | Increase (+)/ Decrease (-) |
|--------------------|------------------------------------|------------------|------------------|-------------------------------|
| Sources | Opening Cash Balance with RBI | 1,729.23 | 1,141.37 | (-) 587.86 |
| | Revenue Receipts | 10,067.95 | 12,030.89 | 1962.94 |
| | Recoveries of Loans & Advances | 1.69 | 0.60 | (-) 1.09 |
| | Public Debt Receipts (Net) | 1032.59 | 1209.52 | 176.93 |
| | Public Account Receipts (Net) | 451.19 | (-) 42.67 | (-) 493.86 |
| | Total | 13,282.65 | 14,339.71 | 1,057.06 |
| Application | Revenue Expenditure | 10,357.22 | 11,889.20 | 1531.98 |
| | Capital Expenditure | 1,777.05 | 1,480.87 | (-) 296.18 |
| | Disbursement of Loans and Advances | 7.01 | 1.12 | (-) 5.89 |
| | Closing Cash balance with RBI | 1141.37 | 968.52 | (-) 172.85 |
| | Total | 13,282.65 | 14,339.71 | 1,057.06 |



The following table shows the comparative position of key fiscal parameters during 2018-19 vis-à-vis 2017-18 along with the budget and actuals for 2018-19.

Table No. 1.10: Comparative position of key fiscal parameters during 2018-19 vis-à-vis 2017-18 along with the budget and actuals for 2018-19

(₹ in crore)

| Actuals for 2017-18 | Particulars | Budget Estimates (BE) | Actual | Percentage of Actual to BEs |
|---------------------|---|-----------------------|------------------|-----------------------------|
| 10,067.95 | Revenue Receipts | 14,013.21 | 12,030.89 | 85.85 |
| 1,422.02 | Tax Revenue | 1,709.00 | 1,765.91 | 103.33 |
| 493.48 | Non-tax Revenue | 281.36 | 372.20 | 132.29 |
| 4,322.08 | State's Share of Union Taxes and Duties | 5,747.00 | 4,888.95 | 85.07 |
| 3,830.37 | Grants-in-Aid | 6,275.85 | 5,003.83 | 79.73 |
| 10,357.22 | Revenue Expenditure | 13,108.97 | 11,889.20 | 90.70 |
| 1,786.29 | Capital Receipts, of which | 1,995.00 | 1,665.50 | 83.48 |
| 1.69 | Recovery of Loans and Advances | 2.00 | 0.60 | 30.00 |
| 1,333.41 | Borrowings | 1,543.00 | 1,707.57 | 110.67 |
| 451.19 | Net Public Account | 450.00 | (-) 42.67 | (-) 9.48 |
| 2,084.88 | Capital Expenditure, of which | 3,278.24 | 1,980.04 | 60.40 |
| 1,777.05 | Capital Outlay | 1,107.36 | 1,480.87 | 133.73 |
| 300.82 | Repayment of Public Debt | 520.50 | 498.05 | 95.69 |
| 7.01 | Loans and Advances | 5.65 | 1.12 | 19.82 |
| (-) 289.27 | Revenue Surplus (+)/ Deficit (-) | 904.24 | 141.69 | 15.67 |
| (-) 2,071.64 | Fiscal Surplus (+)/ Deficit (-) | (-) 1,851.50 | (-) 1,339.70 | 72.36 |
| (-) 1,184.75 | Primary Surplus (+)/ Deficit (-) | (-) 704.68 | (-) 320.75 | 45.52 |

Source: Budget at a Glance and Finance Accounts

Revenue collected during 2018-19 was only 85.85 per cent of the BE. Collection of the Non-tax Revenue against the BE was 132.29 per cent, while achievement in respect of Tax Revenue was 103.33 per cent during 2018-19. However, State's Share of Union Taxes and Duties and Grants-in-Aid from Central Government were lower than the BE for the year.

The Revenue Expenditure against BE during 2018-19 was 90.70 per cent while Capital Expenditure was only 60.40 per cent of BE.

The State witnessed a Revenue Surplus of ₹ 141.69 crore against the budgeted Revenue Surplus of ₹ 904.24 crore and Fiscal Deficit of ₹ 1,339.70 crore against the budgeted Fiscal Deficit of ₹ 1,851.50 crore for the year 2018-19. Revenue Surplus and the quantum of Fiscal Deficit during the current year may be viewed in conjunction with Paragraph No. 1.7.4.

1.10 Buoyancy ratios

The trend and growth of revenue receipts and the buoyancy ratios with reference to GSDP at current prices (base year 2011-12) are shown in Table No. 1.11.

Table No. 1.11: Trends in Revenue Receipts and Buoyancy Ratios relative to GSDP

| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|-----------|-----------|-----------|-----------|-----------|
| GSDP (₹ in crore) | 29,533 | 35,938 | 39,514 | 44,161 | 50,545 |
| Growth rate of GSDP (<i>per cent</i>) | 15.40 | 21.68 | 9.95 | 11.76 | 14.45 |
| Revenue Receipts (RR) (₹ in crore) | 9,239.73 | 9,426.74 | 9,645.46 | 10,067.95 | 12,030.89 |
| Rate of growth of RR (<i>per cent</i>) | 20.78 | 2.02 | 2.32 | 4.38 | 19.50 |
| Buoyancy of RR with respect to GSDP | 1.34 | 0.09 | 0.23 | 0.37 | 1.35 |
| State's Own Tax revenue (OTR) | 1,174.26 | 1,332.25 | 1,422.01 | 1422.02 | 1765.91 |
| Growth rate of OTR | 9.34 | 13.45 | 6.74 | 0.00 | 24.18 |
| Buoyancy of OTR with respect to GSDP | 0.61 | 0.62 | 0.67 | 0.00 | 1.67 |
| Total Expenditure (TE) | 10,290.94 | 11,078.33 | 12,175.99 | 12,141.28 | 13,371.19 |
| Growth rate of TE (<i>per cent</i>) | 35.31 | 7.65 | 9.91 | 0.29 | 10.13 |
| Buoyancy of TE with respect to GSDP | 2.29 | 0.35 | 1.00 | 0.02 | 0.70 |
| Fiscal Liabilities (₹ in crore) | 9,331.58 | 10,395.19 | 11,891.21 | 13,376.10 | 15,078.81 |
| Growth rate of Fiscal Liabilities | 6.80 | 11.40 | 14.39 | 12.49 | 12.73 |
| Buoyancy of Fiscal Liabilities with respect to GSDP | 0.44 | 0.52 | 1.45 | 1.06 | 0.88 |

Source: Finance Accounts of the respective years

Tax buoyancy indicates the measure of efficiency or responsiveness in tax collection in response to growth in GSDP. Tax revenues are considered buoyant when they increase more than proportionately in response to the increase in GSDP, even when the rates of taxes remain unchanged. The State's own tax revenue buoyancy ratio ranged between 0.61 and 0.67 during 2014-15 to 2016-17. It was 'Nil' during the year 2017-18 and sharply increased to 1.67 in 2018-19.

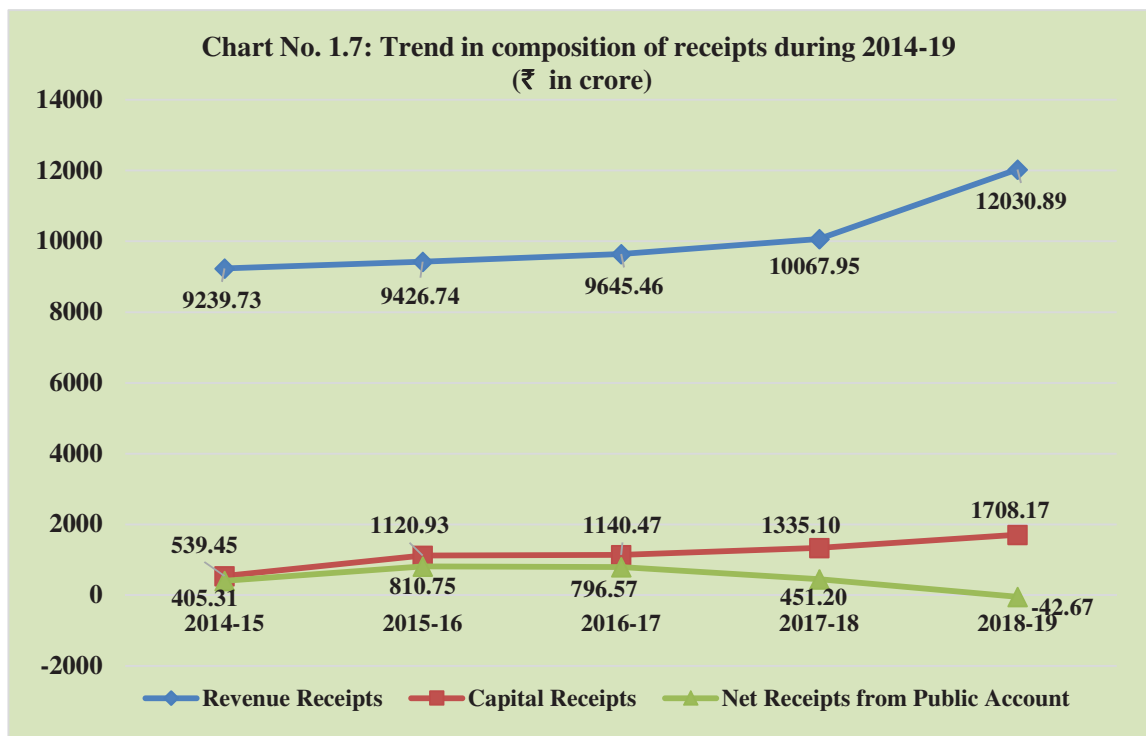
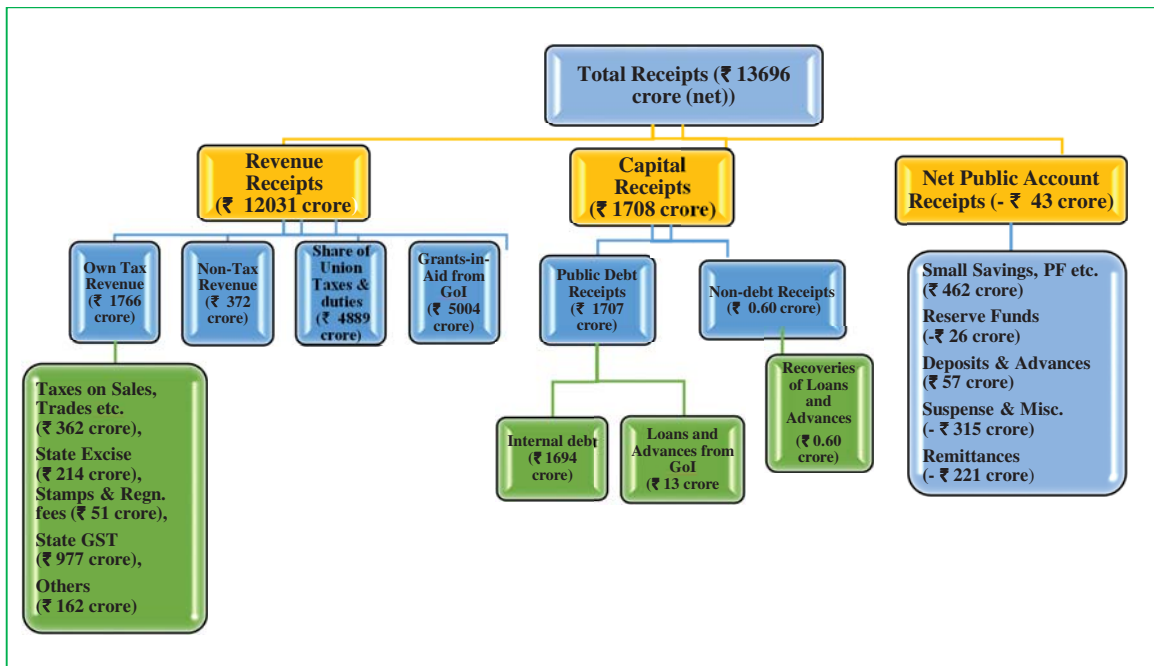
The buoyancy ratio of Revenue Receipts to GSDP increased due to significant increase in the rate of growth of Revenue Receipts during 2018-19 over the previous year compared with the growth of GSDP during the same period. This is partly due to increase in receipts from the Government of India. The buoyancy ratio of the State's Own Tax Revenue with reference to GSDP also indicates the increased growth rate in State's Own Tax Revenue in 2018-19 as compared to the growth rate of GSDP in 2018-19.

1.11 Resources of the State

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of Own Tax Revenue, Non-tax Revenue, State's Share of Union Taxes and Duties and Grants-in-Aid from GoI. Capital Receipts comprise Miscellaneous Capital Receipts such as proceeds from Disinvestments, Recoveries of Loans and Advances, Debt Receipts from internal sources (Market Loans, Borrowings from Financial Institutions/Commercial Banks) and Loans and Advances from GoI. Besides, the funds available in the Public Account after disbursement are also utilised by the Government to finance its requirement. **Table No. 1.10** and **Appendix-1.2** present the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts.

Following flowchart shows the components and sub-components of resources of the State during 2018-19:

Resources of the State



Revenue Receipts of the State increased by 30 per cent during the last five years from ₹ 9,239.73 crore in 2014-15 to ₹ 12,030.89 crore in 2018-19 while Capital Receipts increased by 216.65 per cent during this period from ₹ 539.45 crore in 2014-15 to ₹ 1708.17 crore in 2018-19. Net Receipts from Public Account decreased from ₹ 405.31 crore in 2014-15 to (-) ₹ 42.67 crore in 2018-19. Total Receipts of the State increased by 34.48 per cent in 2018-19 over 2014-15.

1.11.1 Funds transferred to State Implementing Agencies outside the State Budget

As per GoI decision, with effect from 2015-16, funds for implementation of Centrally Sponsored Schemes (CSS) and Additional Central Assistance (ACA) under various schemes were to be released to the State Government and not directly to the State Implementing Agencies. However, as per the Public Financial Management System (PFMS) portal of the Controller General of Accounts, ₹ 442.79 crore was released directly by the GoI to the State Implementing Agencies and Non-Government Organisations during 2018-19 for implementation of nine schemes (**Appendix-1.3**). The total quantum of funds released directly to the implementing agencies during the five-year period 2014-19 is given below.

Table No. 1.12: Funds released by GoI directly to the State Implementing Agencies during 2014-19
(₹ in crore)

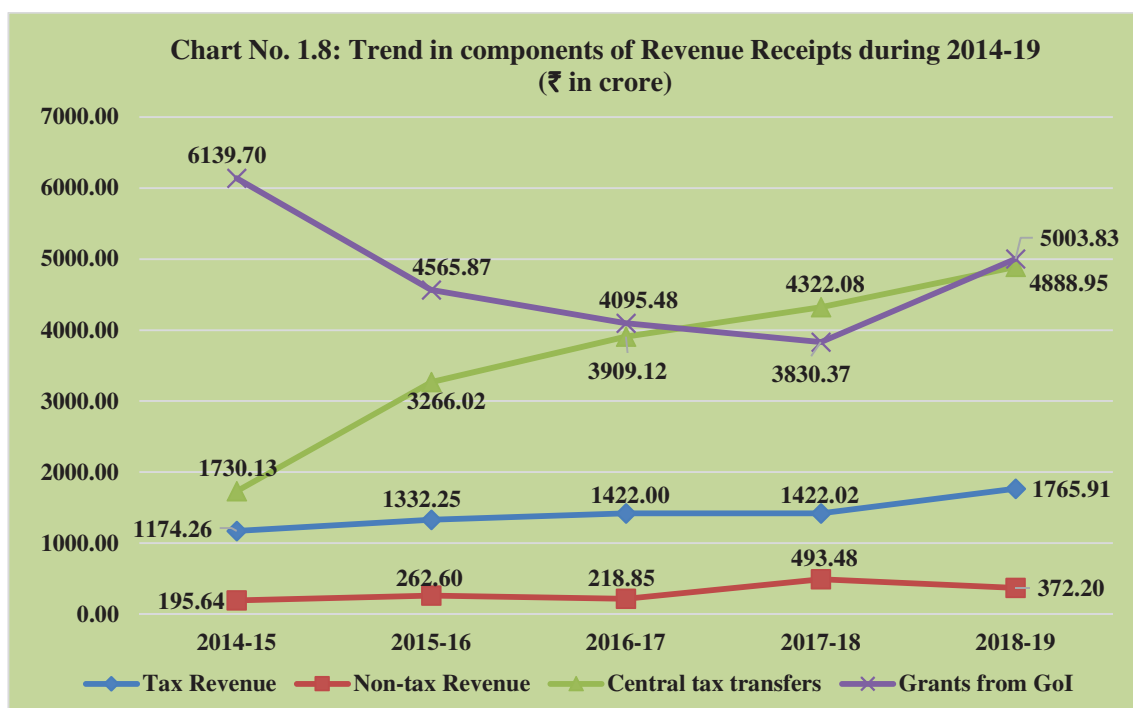
| Sl. No. | Particulars | Funds transferred | | | | |
|---------|---|-------------------|---------|---------|---------|---------|
| | | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| 1. | Number of Programmes/ Schemes for which funds were provided | 43 | 38 | 57 | 51 | 9 |
| 2. | Funds transferred directly by Central Government | 110.90 | 121.22 | 830.68 | 426.74 | 442.79 |

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

Out of ₹ 442.79 crore released during 2018-19, ₹ 401.52 crore was released for Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), ₹ 19.97 crore for organic value chain development of NER to State Agriculture Department and ₹ 13.37 crore was released to the Gomati Milk Producers Union Limited for National Dairy Development. Besides, ₹ 4.73 crore was released towards Rastriya Gokul Mission to the Tripura Livestock Development Agency for the year 2018-19.

1.11.2 Revenue Receipts

Revenue Receipts consist of State's Own Resources (Tax Revenue and Non-tax Revenue), State Share of Union Taxes & Duties and Grants-in-Aid from GoI. Details of the Revenue Receipts of the State are given in Statement-14 of the Finance Accounts (2018-19). The trends and composition of Revenue Receipts for the five-year period 2014-19 are presented in **Appendix-1.4** and **Chart No. 1.8**.



The Share of Own Tax Revenue to the total Revenue Receipts was 14.68 per cent (₹ 1,765.91 crore) while Non-tax Revenue was about three per cent (₹ 372.20 crore) during 2018-19. Total funds received from the GoI were 82.23 per cent (₹ 9,892.78 crore), of which, 41.59 per cent (₹ 5,003.83 crore) was as Grants-in-Aid and 40.64 per cent (₹ 4,888.95 crore) was as State's Share of Union Taxes and Duties. There was an increasing trend in respect of State's Share of Union Taxes and Duties from 2014-15 to 2018-19.

1.11.2.1 State's Own Resources

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

The projections of the XIV Finance Commission, MTFPS, BE and the actual collection of Tax and Non-tax Revenues for the year 2018-19 are shown in **Table No. 1.13**.

Table No. 1.13: Projection of XIVFC, BE and Actuals of Tax and Non-tax Revenue during 2018-19

(₹ in crore)

| Nature of tax | XIV FC Projections | Budget Estimates | Actual collection | Percentage of Actual to BE |
|-----------------------|--------------------|------------------|-------------------|----------------------------|
| Own Tax Revenue (OTR) | 2,637.00 | 1,709.00 | 1,765.91 | 103.33 |
| Non-tax Revenue (NTR) | 531.00 | 281.36 | 372.20 | 132.29 |
| Total | 3,168.00 | 1,990.36 | 2,138.11 | 107.42 |

Source: XIV FC, Budget at a glance and Finance Accounts.

It can be seen from **Table No. 1.13** that the State's own resources (OTR + NTR) during the year 2018-19 accounted for ₹ 2,138.11 crore with a major part coming from OTR (82.59 *per cent*). Revenue collection was higher than the State's own projections (BE) but fell short of the projections of XIV FC (₹ 3,168 crore) for the year.

1.11.2.2 Own Tax Revenue

The Own Tax Revenue receipts of the State displayed an increasing trend during the last five years from ₹ 1,174.26 crore in 2014-15 to ₹ 1,765.91 crore in 2018-19. The percentage of OTR to total Revenue Receipts increased marginally from 14.12 *per cent* in 2017-18 to 14.68 *per cent* in 2018-19.

The revenue on State Excise, Stamps and Registration fees and Vehicles increased by ₹ 27.39 crore, ₹ 11.16 crore and ₹ 29.12 crore respectively, while it decreased by ₹ 249 crore in respect of Sales Tax during 2018-19 as compared to the previous year due to introduction of GST in the State during 2017-18.

The trend and composition of Tax Revenue of the State during 2014-15 to 2018-19 are shown in **Table No. 1.14**.

Table No. 1.14: Trend and Composition of Tax Revenue for the year from 2014-19

(₹ in crore)

| Revenue Head | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|----------------------------------|-----------------|-----------------|-----------------|------------------|------------------|
| Taxes on Sales, Trades, etc. | 909.81 | 1,058.48 | 1,112.89 | 611.88 | 361.95 |
| State Goods and Service Tax | NA | NA | NA | 479.71 | 977.44 |
| State Excise | 138.96 | 143.56 | 163.19 | 186.96 | 214.35 |
| Taxes on Vehicles | 36.09 | 37.62 | 43.60 | 54.38 | 83.50 |
| Stamp Duty and Registration Fees | 37.56 | 42.49 | 41.83 | 40.16 | 51.32 |
| Land Revenue | 10.76 | 5.97 | 13.32 | 4.46 | 5.29 |
| Other Taxes ¹ | 41.08 | 44.13 | 47.18 | 44.47 | 72.06 |
| Total Tax Revenue | 1,174.26 | 1,332.25 | 1,422.01 | 1,422.02 | 1,765.91 |
| Total Revenue Receipts | 9,239.73 | 9,426.74 | 9,645.46 | 10,067.95 | 12,030.89 |
| Percentage of TR to RR | 12.70 | 14.13 | 14.74 | 14.12 | 14.68 |

Source: Finance Accounts of the respective years

As can be seen from **Table No. 1.14**, a major part of the OTR was from State GST (₹ 977.44 crore) which represented 55.35 *per cent* of the OTR during 2018-19 followed by Sales Tax, Trade, etc. (VAT ₹ 361.95 crore) which was 20.50 *per cent* of the OTR during the year. The total contribution of Sales Tax, Trades, etc., and SGST increased by 22.70 *per cent* during 2018-19 (₹ 1,339.39 crore) over the previous year (₹ 1,091.59 crore).

As per the records furnished by the Dy. Commissioner of Taxes and Excise (October 2019) ₹ 18.51 crore was yet to be collected under sales tax. Of this, ₹ 15.51 crore was in arrears for more than five years as on 31 March 2019.

Receipts from State Excise Duties and Taxes on Vehicles displayed an increasing trend from 2014-15 to 2018-19 by 54.25 *per cent* and 131.37 *per cent* respectively, and it increased by 14.65 *per cent* and 53.55 *per cent* respectively, during 2018-19 over the previous year (2017-18). Tax collection on Stamps and Registration Fees, also increased

¹ Other Taxes include Other Taxes on Commodities & Services; Taxes and Duties on Electricity; Agricultural Income; and Taxes on Profession, Trade, Callings & Employment.

in 2018-19 by 27.79 per cent over the previous year. Receipts from Other taxes increased by ₹ 27.59 crore (62.04 per cent) mainly due to tax collection from Professions, Trades, Callings and Employment during the year.

Goods and Services Tax (GST)

Goods and Services Tax (GST) Act, 2017 was passed in the Parliament on 29 March 2017 and came into effect on 01 July 2017. It has three components - (i) Central Goods and Services Tax Act (Central Goods and Services Tax (Amendment) Act, 2018.), (ii) State Goods and Services Tax Act (The Tripura Goods and Services Tax (GST) Act, 2017) and (iii) Integrated Goods and Services Tax Act (The Integrated Goods and Services Tax Act, 2017).

Besides, the Goods and Services Tax (Compensation to States) Act, 2017 was enacted in April 2017. Section 6 of the Act envisages that there shall be protected revenue for any year in a State which shall be calculated by applying the projected growth rate (14 per cent) over the base year revenue of that State. Accordingly, the States will receive compensation (Section 7 (3) (c)) which will be calculated on the basis of difference of the projected revenue *minus* actual revenue collection. Further, Section 7 (2) provides that the compensation payable to any 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.

The Tripura Goods and Services Tax (GST) Act, 2017 was implemented in the State in July 2017. The protected revenue of the State for the year 2018-19 was fixed at ₹ 1,168.53 crore as per Section 6 of GST (Compensation to States) Act, 2017, with a monthly average protected revenue of ₹ 97.38 crore for the period.

During 2018-19, the actual revenue receipts under State Goods and Services Tax (SGST) were ₹ 977.44 crore, including an amount of ₹ 40.73 crore on account of apportionment of IGST and other tax collection as detailed below in **Table No. 1.15**.

Table No. 1.15: Details of revenue received under GST during 2018-19

| (₹ in crore) | |
|--|---------------|
| Particulars | Amount |
| State Goods and Services Tax (SGST) | |
| (a) Tax | 288.43 |
| (b) Apportionment of Taxes from IGST | 40.73 |
| (c) Advance apportionment of Taxes from IGST | 128.07 |
| (d) Other collection including interest ² | 520.21 |
| Sub-Total | 977.44 |

Source: Finance Accounts 2018-19

The total receipts of the State under SGST, CGST and IGST during 2018-19 was ₹ 2,280.48 crore. The State also received ₹ 155 crore during the year from GoI as compensation for loss of revenue, including ₹ 20 crore relating to the year 2017-18.

² Interest: ₹ 1.42 crore, Penalty: ₹ 0.29 crore, Fees: ₹ 5.39 crore, Input Tax Credit cross utilisation of SGST and IGST: ₹ 513.08 crore and Other receipts: ₹ 0.03 crore) = ₹ 520.21 crore.

With automation of the collection of GST having taken place, it is essential for Audit to transition from sample checks to a comprehensive check of all transactions, to fulfil the CAG's Constitutional mandate of certifying the Accounts. The required access to data is yet to be provided by the State Government. Not having access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST receipts. The accounts for the year 2018-19 are, therefore, certified on the basis of test audit, as was done when records were manually maintained, as a one-time exception.

1.11.2.3 Non-tax Revenue

The Non-Tax Revenue (NTR) of the State decreased by 24.58 per cent from ₹ 493.48 crore in 2017-18 to ₹ 372.20 crore in 2018-19. This decrease was mainly due to drastic fall in receipts from Interest and Dividends – Other Receipts and from Power companies and Public Works during 2018-19 as compared to the previous year. The collection of NTR was below the XIV FC projections (₹ 531 crore) for the State during 2018-19. Details of NTR during the five-year period 2014-19 are shown in **Table No. 1.16**.

Table No. 1.16: Non-tax Revenue Receipts

| | | (₹ in crore) | | | | |
|---|--|---------------|---------------|---------------|---------------|---------------|
| | | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Total Non-Tax Revenue collection | | 195.64 | 262.60 | 218.85 | 493.48 | 372.20 |
| a) Fiscal Services | Other Fiscal Services³ | 0.00 | 0.00 | 0.00 | 0.01 | 0.03 |
| b) Interest Receipts Dividends and Profits | Interest Receipts: | 46.02 | 55.24 | 37.07 | 276.99 | 146.12 |
| | <i>Interest on investment of Cash balances</i> | 44.94 | 52.69 | 35.66 | 37.41 | 37.86 |
| | <i>Other receipts</i> | 1.08 | 2.55 | 1.41 | 239.58 | 108.26 |
| | Dividends and Profits | 0.51 | 13.41 | 0.05 | 14.68 | 2.15 |
| | <i>Dividends from power companies</i> | 0.51 | 13.41 | 0.05 | 14.68 | 2.15 |
| c) Other Non-Tax Revenue | General Services | 57.90 | 64.74 | 71.41 | 85.14 | 91.39 |
| | <i>Police</i> | 34.34 | 40.50 | 48.07 | 60.11 | 71.77 |
| | <i>Public Works</i> | 8.92 | 8.15 | 8.08 | 8.51 | 5.06 |
| | <i>Others⁴</i> | 14.64 | 16.09 | 15.26 | 16.52 | 14.56 |
| | Social Services | 8.90 | 12.60 | 10.10 | 8.42 | 11.28 |
| | <i>Education, Sports, Art and Culture</i> | 1.45 | 2.30 | 2.29 | 1.48 | 1.78 |
| | <i>Medical and Public Health</i> | 3.00 | 6.01 | 2.42 | 1.51 | 3.97 |
| | <i>Others⁵</i> | 4.45 | 4.29 | 5.39 | 5.43 | 5.53 |
| | Economic Services | 82.31 | 116.61 | 100.22 | 108.24 | 121.23 |
| | <i>Crop Husbandry</i> | 2.79 | 3.61 | 2.60 | 2.71 | 3.56 |
| | <i>Animal Husbandry</i> | 2.47 | 2.42 | 1.84 | 1.79 | 2.07 |
| | <i>Forestry and Wild Life</i> | 9.83 | 11.86 | 11.01 | 9.76 | 11.96 |
| | <i>Industries</i> | 65.01 | 96.41 | 80.36 | 87.36 | 92.81 |
| | <i>Others⁶</i> | 2.21 | 2.31 | 4.41 | 6.62 | 10.83 |

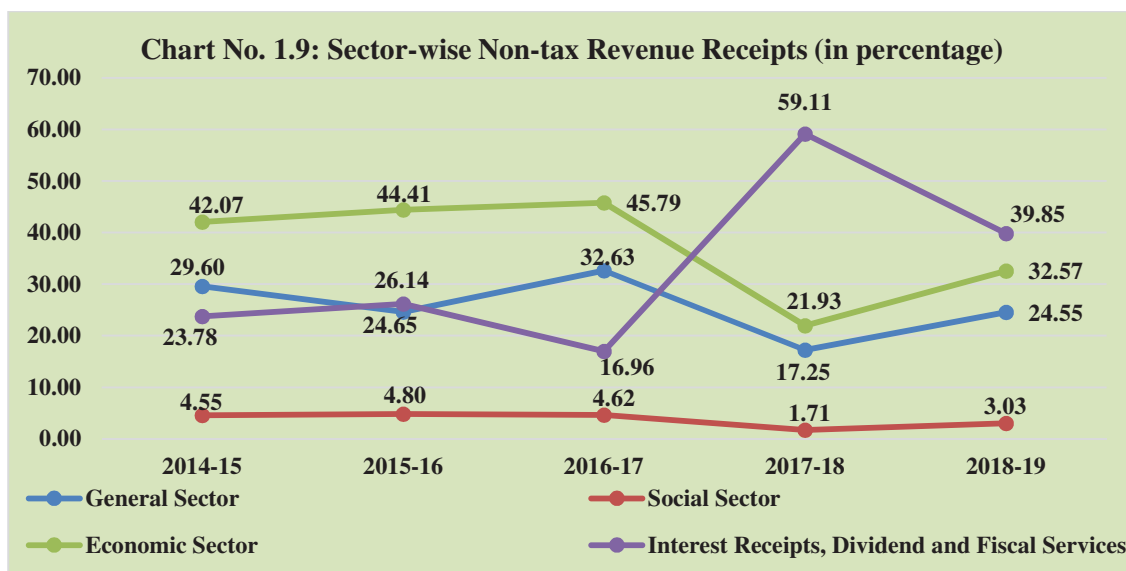
Source: Finance Accounts

³ 2014-15: 0.13, 2015-16: 0.02, 2016-17: 0.06, 2017-18: 0.92, 2018-19: 3.23 (₹ in lakh)

⁴ Public Service Commission, Jails, Stationery and Printing, Contributions and Recoveries towards Pension and Other Retirement Benefits, Miscellaneous General Services, Other Administrative Services

⁵ Urban Development, Information and Publicity, Labour and Employment, Social Security and Welfare, Other Social Services, Water Supply and Sanitation, Housing

⁶ Dairy Development, Fisheries, Food Storage and Warehousing, Agricultural Research and Education, Co-operation, Other Agricultural Programmes, Land reform, Other Rural Development Programmes, Minor Irrigation, Power, Petroleum, Other Transport Services, Village and Small Industries, Other Scientific research, Civil Supplies, Other General Economic Services, Roads and Bridges



Audit scrutiny of Finance Accounts of the State for the year 2018-19 revealed that the major contribution to NTR was from Interest and Dividends (39.85 *per cent*). These, coupled with receipts from Fiscal services accounted for ₹ 148.30 crore, of which, ₹ 106.95 crore was interest accrued on Sinking Fund Investment Account, ₹ 37.86 crore on investment of Cash balances and ₹ 2.15 crore as dividend from two Central Power Companies Ltd. (OTPCCL)⁷ as equity share and ₹ 1.34 crore from fiscal services and other receipts.

Non-tax revenue from Police under General Services displayed an increasing trend during the five-year period 2014-15 to 2018-19. During 2018-19, the increased revenue under Police by ₹ 11.66 crore (19.39 *per cent*) as compared to 2017-18, was primarily on account of receipts from deployment of Police to other States (₹ 59.53 crore); deployment of Police to other parties (₹ 5.20 crore), higher receipts under Arms Act (₹ 2.63 crore) and other receipts (₹ 3.57 crore).

Non-tax collection under Forestry and Wild Life in Economic Services increased by ₹ 2.20 crore in 2018-19 mainly due to more collection from Zoological Park by ₹ 4.95 crore offset by decrease of ₹ 2.76 crore under Forestry during the year.

The Non Tax Revenue of the State decreased by 24.58 *per cent* in 2018-19 as against the average increase of 19.16 *per cent* of 11 SCSs during the year. The CAGR of the State during 2013-14 to 2017-18, however, was higher (18.95 *per cent*) than the average rate of growth of 8.88 *per cent* in 11 SCSs during the period.

1.11.2.4 Central Tax transfers

During 2018-19, the State's Share of Union Taxes and Duties was ₹ 4,888.95 crore, which constituted 40.64 *per cent* of the revenue receipts of the State. The State's Share of

⁷ North East Transmission Company Limited : ₹ 164.56 lakh
 ONGC Tripura Power Company Limited : ₹ 50.40 lakh
 Total : ₹ 214.96 lakh

Union Taxes and Duties increased by ₹ 566.87 crore (13.12 per cent) as compared to the previous year.

The composition of the State's Share of Union Taxes and Duties during the five-year period 2014-15 to 2018-19 is shown in **Table No. 1.17**.

Table No. 1.17: Composition of State's Share of Union Taxes and Duties during 2014-19

| (₹ in crore) | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Components | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Corporation Tax | 604.18 | 1,031.98 | 1,254.73 | 1,324.23 | 1,700.27 |
| Income Tax | 431.44 | 720.42 | 872.03 | 1,117.74 | 1,252.18 |
| Taxes on Wealth | 1.63 | 0.18 | 2.87 | (-) 0.04 | 0.62 |
| Union Excise & Customs | 437.82 | 953.32 | 1,156.05 | 892.60 | 576.88 |
| Service Tax & Others | 255.06 | 560.12 | 623.44 | 489.35 | 55.96 |
| Central GST | Nil | Nil | Nil | 61.64 | 1,206.74 |
| Integrated GST | Nil | Nil | Nil | 436.56 | 96.30 |
| Total | 1,730.13 | 3,266.02 | 3,909.12 | 4,322.08 | 4,888.95 |
| Percentage of increase of State's Share | 6.13 | 88.77 | 19.69 | 10.56 | 13.12 |

Source: Finance Accounts

As can be seen from the above table, major part of the central taxes assigned to the State during the year 2018-19 comprised Corporation Tax (34.78 per cent) followed by Income Tax (25.61 per cent) and Central GST (24.68 per cent). While the assignment of CGST increased substantially during 2018-19, the IGST decreased from ₹ 436.56 crore in 2017-18 to ₹ 96.30 crore in 2018-19. The quantum share of Union Excise and Custom Duties also decreased by ₹ 315.72 crore in 2018-19 over the previous year (Union Excise Duties by ₹ 225.88 crore (49.51 per cent) and Customs by ₹ 89.84 crore (20.59 per cent)).

1.11.2.5 Grants-in-Aid from Government of India

Grants-in-Aid (GIA) from Centre to the State, a discretionary component of Central transfers, is considered to be an integral element of the Revenue Receipts of the State. The release of funds by GoI as grants under different schemes to the State during the last five years is shown in **Table No. 1.18**.

Table No. 1.18: Grants-in-Aid received from GoI during 2014-15 to 2018-19

| (₹ in crore) | | | | | |
|---|-----------------|-----------------|-----------------|-----------------------|-----------------|
| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Non-plan Grants ⁸ | 1,086.53 | 1,249.14 | 1,309.10 | Nil | Nil |
| Grants for State Plan Schemes | 4,720.17 | 2,867.77 | 2,401.04 | (-) 1.57 ⁹ | Nil |
| Grants for Central Plan Schemes | 32.74 | 376.11 | 186.49 | Nil | Nil |
| Grants for Centrally Sponsored Schemes | 235.49 | 36.28 | 136.71 | 1,988.32 | 1,861.03 |
| Grants for Special Plan Schemes | 64.77 | 36.57 | 62.14 | Nil | Nil |
| Finance Commission Grants | Nil | Nil | Nil | 1,191.20 | 1,131.10 |
| Others | Nil | Nil | Nil | 652.42 | 2,011.70 |
| Total | 6,139.70 | 4,565.87 | 4,095.48 | 3,830.37 | 5,003.83 |
| Percentage of (+) increase/ (-) decrease over previous year | 30.64 | (-) 25.63 | (-) 10.30 | (-) 6.47 | 30.64 |
| Total grants as a percentage of Revenue Receipts | 66 | 48 | 42 | 38 | 42 |

Source: Finance Accounts

⁸ Non-plan grants includes Finance Commission grants upto 2016-17.

⁹ Minus due to refund of the un-utilised fund to the Ministry of Social Justice and Empowerment, Government of India during the year.

Grants-in-Aid from the GoI increased significantly from ₹ 3,830.37 crore in 2017-18 to ₹ 5,003.83 crore in 2018-19 (₹ 1,173.46 crore) primarily due to transfer of major part of grants for Centrally Sponsored Schemes (CSS) through the State budget rather than direct release to the implementing agencies. Grants for CSS during 2018-19 also include ₹ 2.72 crore for Externally Aided Projects.

Major part of the funds under CSS were released towards (i) Sarva Shiksha Abhiyan (SSA) (₹ 202.85 crore); (ii) Pradhan Mantri Awas Yojana (PMAY-Rural Mission) (₹ 7.66 crore); (iii) Pradhan Mantri Gram Sadak Yojana (PMGSY) (₹ 73.31 crore); (iv) Anganwadi Services (ICDS) (₹ 187.14 crore); (v) National Rural Health Mission (₹ 154.79 crore); (vi) Border Area Development Programme (₹ 49.70 crore); (vii) Swachh Bharat Abhiyan (₹ 116.93 crore); (viii) Mahatama Gandhi National Rural Employment Guarantee Scheme (MGNREGS) (₹ 43.36 crore) and (ix) PMAY-Urban Mission (₹ 144.21 crore) during 2018-19. Besides, the State Government received an amount of ₹ 1,612.60 crore as Special Assistance, of which, ₹ 1,500 crore was a one-time Special Assistance for the year 2018-19 for investment in capital works.

Grants under 'Others' increased substantially during 2018-19 over the previous year mainly due to increase in Special Assistance by ₹ 1,280.92 crore (386.19 per cent) and ₹ 171.74 crore as contribution to National Disaster Response Fund (NDRF). The Finance Commission Grants include Revenue Deficit Grants (₹ 992 crore), grants for Rural Local Bodies (₹ 67.07 crore), grants for ULBs (₹ 39.63 crore) and grants for SDRF (₹ 32.40 crore) for the year. The Finance Commission grants decreased by ₹ 60.10 crore due to less receipt of Revenue Deficit Grants of ₹ 67 crore during 2018-19.

1.11.3 Capital Receipts

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

The growth and composition of Capital Receipts during the last five year period are shown in **Table No. 1.19**.

Table No. 1.19: Trends in growth and composition of capital receipts during 2014-19
(₹ in crore)

| Sources of State's Receipts | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|---------------|-----------------|-----------------|-----------------|-----------------|
| Capital Receipts (CR) | 539.45 | 1,120.93 | 1,140.47 | 1,335.10 | 1,708.17 |
| Miscellaneous Capital Receipts | 0.0 | 0.00 | 0.00 | 0.00 | 0.00 |
| Recovery of Loans and Advances | 2.18 | 1.14 | 0.91 | 1.69 | 0.60 |
| Public Debt Receipts | 537.27 | 1,119.79 | 1,139.56 | 1,333.41 | 1,707.57 |
| Rate of growth of Debt Capital Receipts (%) | (-) 31.73 | 108.42 | 1.76 | 17.01 | 28.06 |
| Rate of growth of Non-Debt Capital Receipts (%) | 127.08 | (-) 47.71 | (-) 20.18 | 85.71 | (-) 64.50 |
| Rate of growth of GSDP (%) | 15.40 | 21.68 | 9.95 | 11.76 | 14.45 |
| Rate of growth of Capital Receipts (per cent) | (-) 31.54 | 107.79 | 1.74 | 17.07 | 27.94 |

Source: Finance Accounts

Capital Receipts increased by 27.94 per cent from ₹ 1,335.10 crore in 2017-18 to ₹ 1,708.17 crore in 2018-19. The major part of the Capital Receipts (₹ 1,694.53 crore)

during 2018-19 was from market borrowings (99.20 *per cent*), of which, ₹ 1,542.83 crore was market loans bearing an interest rate ranging between 8.09 *per cent* and 8.82 *per cent* per annum. During 2018-19, the non-debt receipts were very low and decreased by 64.50 *per cent* as compared to the previous year.

1.11.3.1 Recovery of Loans and Advances

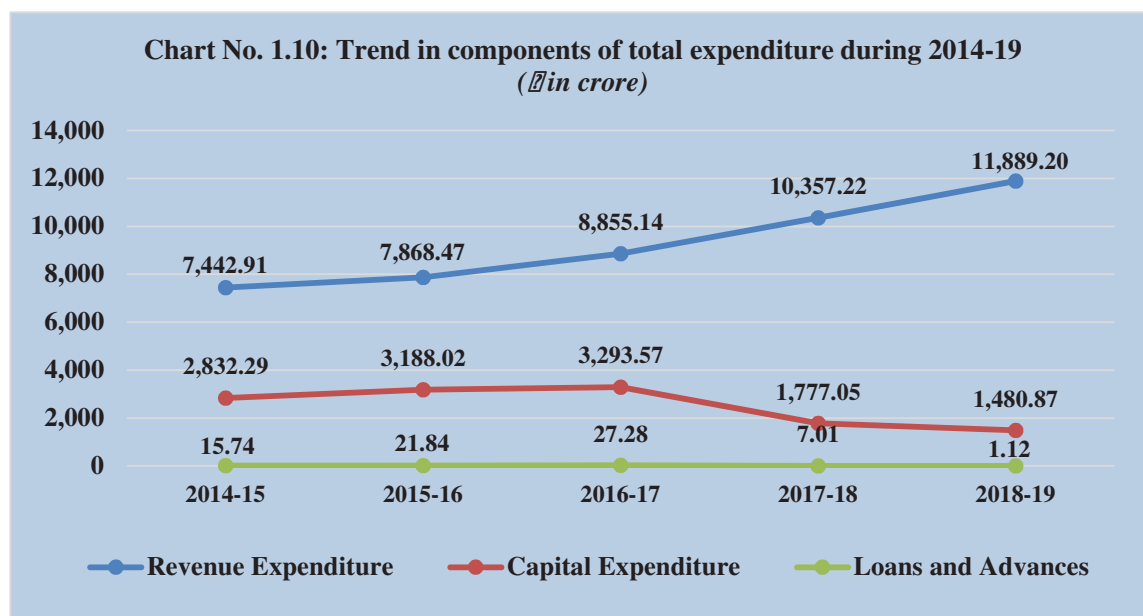
Recovery of loans and advances were essentially from Government servants (₹ 0.28 crore), Housing (₹ 0.01 crore) and from Co-operation (₹ 0.31 crore) although due to short recovery from the latter, the recovery of Loans and Advances decreased from ₹ 1.69 crore in 2017-18 to ₹ 0.60 crore in 2018-19. Recovery of Loans and advances from Government servants decreased from ₹ 0.53 crore in 2017-18 to ₹ 0.28 crore in 2018-19.

1.12 Application of Resources

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

1.12.1 Trend and Composition of Expenditure

Chart No. 1.10 presents the trends and composition of total expenditure during the five-year period 2014-15 to 2018-19.



During the last five years, the total expenditure increased by ₹ 3,080.25 crore (29.93 *per cent*). While the Revenue Expenditure increased steadily from year to year (an increase of ₹ 4,446.29 crore (59.73 *per cent*) from 2014-15 to 2018-19), Capital Expenditure and disbursement of Loans and Advances showed an increase from 2014-15

to 2016-17, and declined progressively during the last two years. Capital Expenditure decreased by 17 per cent and disbursement of Loans and Advances decreased by 84 per cent respectively in 2018-19 over the previous year.

The total expenditure of the State increased by 10.13 per cent during 2018-19 over the previous year compared to the average increase of 13.97 per cent in the eleven Special Category States during the year. The CAGR of the total expenditure of the State during 2013-14 to 2017-18 was 12.40 per cent, while it averaged 13.53 per cent in respect of the eleven SCS during the same period.

1.12.2 Trend and Composition of Expenditure by Activities

The composition of total expenditure by activities during the period from 2014-15 to 2018-19 is depicted in **Chart No. 1.11**.

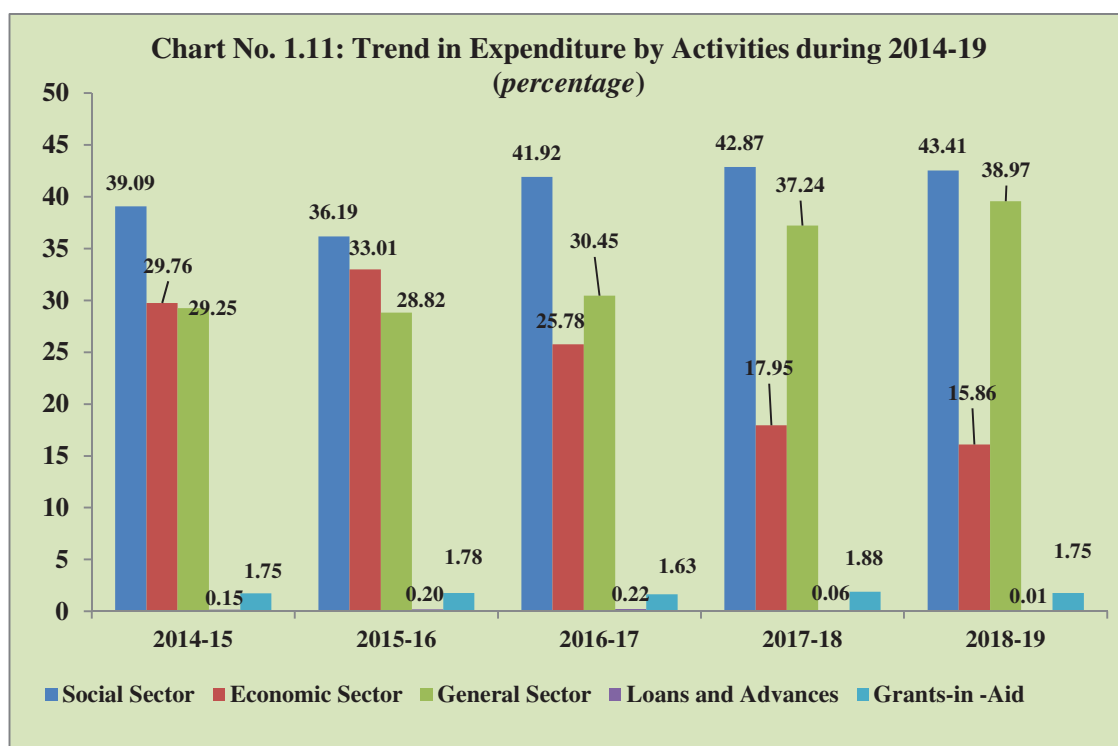


Chart No. 1.11 shows that the expenditure on General Services increased steadily during 2014-15 to 2018-19 and ranged between 28.82 per cent and 38.97 per cent during the period. During 2018-19, the percentage of expenditure on General Services to Total Expenditure was 38.97 per cent. This was primarily due to increase in expenditure on Administrative Services by ₹ 162.40 crore (10 per cent), Interest payments by ₹ 132.06 crore (15 per cent) and pensions and other retirement benefits by ₹ 431.26 crore (27 per cent) over the previous year. Expenditure on Social Services increased by 11.53 per cent while it decreased by 3 per cent in respect of Economic Services during 2018-19 as compared to the previous year. Grants-in-aid increased by about 3 per cent during 2018-19 as compared to 2017-18.

1.12.3 Revenue Expenditure

Revenue Expenditure (RE) is incurred to maintain the current level of services and make payments for past obligations and as such, does not result in any addition to the State's infrastructure and services network. Revenue Expenditure as a *percentage* of Total Expenditure ranged between 71 *per cent* and 89 *per cent* during the five-year period 2014-15 to 2018-19. It increased by ₹ 1,531.98 crore (15 *per cent*) from ₹ 10,357.22 crore in 2017-18 to ₹ 11,889.20 crore during 2018-19 mainly due to increased expenditure on Interest payments, Pensions, Salary, etc. in General Services, and Education, Health and other welfare activities in Social Services during the year.

1.12.3.1 Committed Expenditure

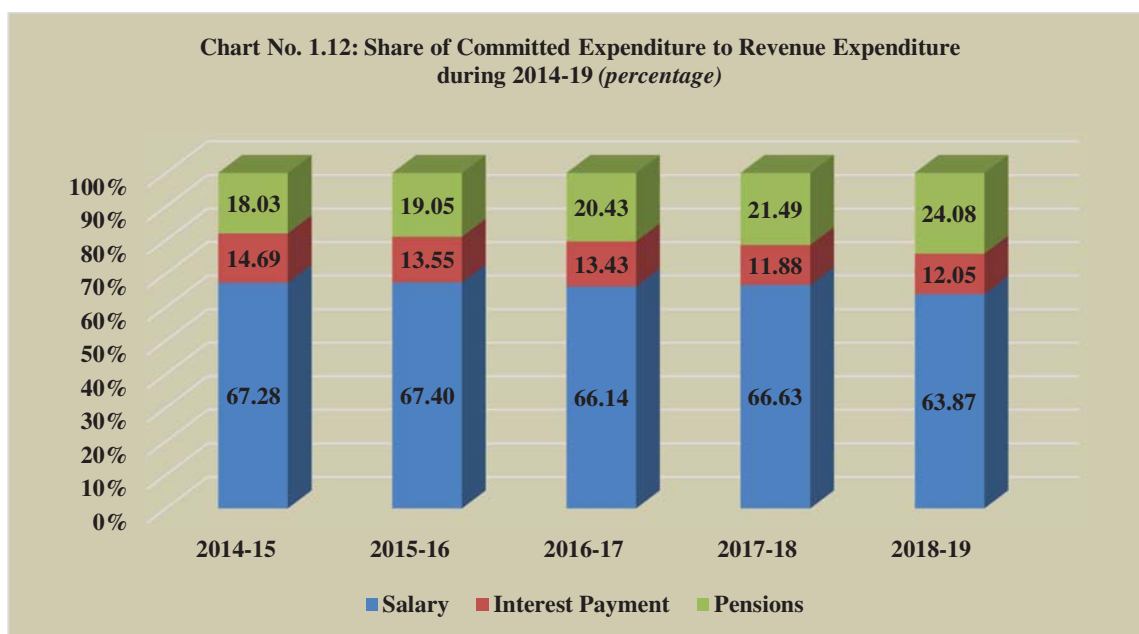
Committed Expenditure of the State Government on revenue account consists mainly of Salaries and Wages, Interest Payments and Pension. The trend of components of Committed Expenditure are presented in **Table No. 1.20**. As can be seen from the table, Committed Expenditure has displayed a rising trend driven by salaries and wages, interest and pension payments. During the year 2018-19, Committed Expenditure increased by ₹ 986.51 crore (13.21 *per cent*) compared to the previous year; it constituted 71.12 *per cent* of Revenue Expenditure and 70.28 *per cent* of Revenue Receipts during 2018-19.

Table No. 1.20: Components of Committed Expenditure during last five years 2014-19
(₹ in crore)

| Components of Committed Expenditure (CE) | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| | | | | | BEs | Actuals |
| Salaries & Wages | 3,123.13 (67.28) | 3,628.51 (67.40) | 3,911.88 (66.14) | 4,976.79 (66.63) | 6,287.94 (66.46) | 5,399.98* (63.87) |
| Interest Payments | 681.68 (14.69) | 729.39 (13.55) | 794.31 (13.43) | 886.89 (11.88) | 1,146.82 (12.12) | 1,018.95 (12.05) |
| Expenditure on Pensions | 837.18 (18.03) | 1,025.31 (19.05) | 1,208.67 (20.43) | 1,605.23 (21.49) | 2,026.00 (21.42) | 2,036.49 (24.08) |
| Total CE | 4,641.99 | 5,383.21 | 5,914.86 | 7,468.91 | 9,460.76 | 8,455.42 |
| Total Revenue Exp. (RE) | 7,442.91 | 7,868.47 | 8,855.14 | 10,357.22 | 13,108.97 | 11,889.20 |
| Percentage of CE to RE | 62.37 | 68.41 | 66.80 | 72.11 | 72.17 | 71.12 |
| Total Revenue Receipts (RR) | 9,239.73 | 9,426.74 | 9,645.46 | 10,067.95 | 14,013.21 | 12,030.89 |
| Percentage of CE to RR | 50.24 | 57.11 | 61.32 | 74.19 | 67.51 | 70.28 |

*Note: *Excluding Grants-in-aid of ₹ 275.73 crore and wages of ₹ 45.25 crore.*

The share of Committed Expenditure to Revenue Expenditure during the five-year period 2014-19 is depicted in **Chart No. 1.12**.



The components of committed expenditure are discussed below:

(i) Salaries and Wages

A significant chunk of Committed Expenditure during 2018-19 was on Salaries and Wages as can be seen from **Table No. 1.20**. During 2018-19, the expenditure of Salaries and Wages was 63.87 per cent of the committed expenditure and constituted 71.12 per cent of the Revenue expenditure during the year. Salary expenditure increased by ₹ 423.19 crore (8.50 per cent) in 2018-19 as compared to the previous year. The increase was mainly due to pay revision of the State Government employees during 2018-19. A comparative status on the salary expenditure against the budget estimates during last three years from 2016-17 to 2018-19 are shown in **Chart No. 1.13**.

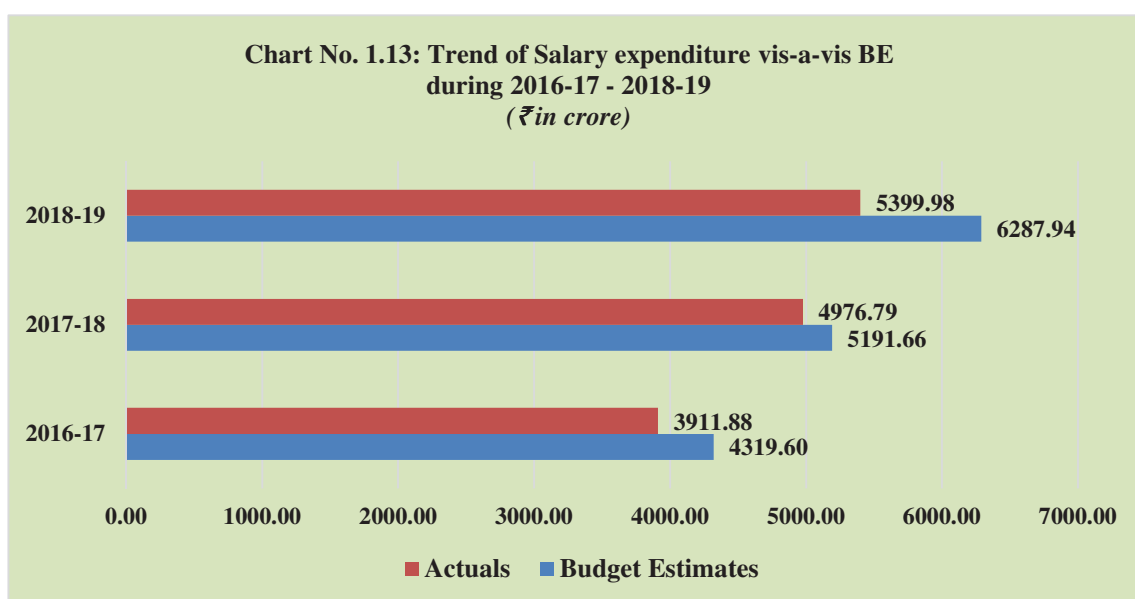


Table No. 1.21: Comparison of ratio of Salary & Wages expenditure to Revenue Receipts of NER States

| State Name | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|-------------------|--------------|--------------|--------------|--------------|--------------|
| Assam | 46.69 | 44.18 | 39.61 | 48.09 | 41.93 |
| Arunachal Pradesh | 31.23 | 29.36 | 28.58 | 32.20 | 26.99 |
| Meghalaya | 31.70 | 30.98 | 25.79 | 28.79 | 34.51 |
| Manipur | 33.08 | 33.49 | 32.68 | 34.03 | 33.50 |
| Mizoram | 37.22 | 32.97 | 31.40 | 28.68 | 34.78 |
| Nagaland | 40.80 | 45.85 | 39.73 | 37.72 | 43.24 |
| Sikkim | 30.25 | 35.88 | 30.89 | 28.37 | 32.84 |
| Tripura | 34.23 | 38.84 | 40.87 | 49.75 | 45.26 |

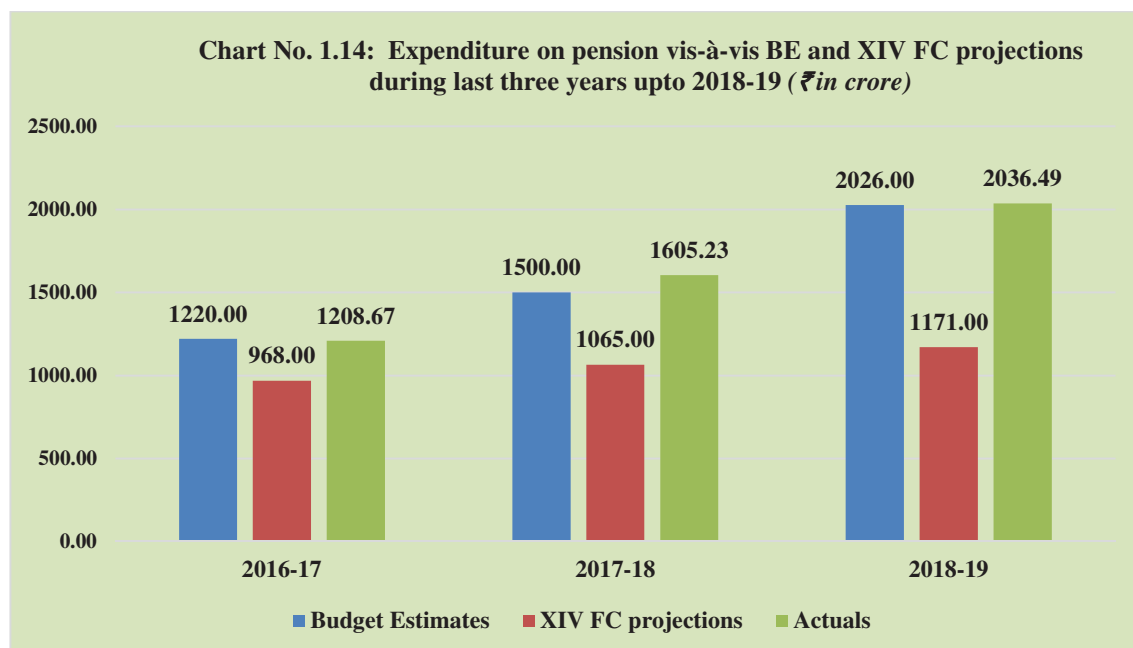
Source: Finance Accounts of the respective States.

The percentage of expenditure on Salaries & Wages with reference to Revenue Receipts, was highest in Tripura compared to the other NER States during last three years from 2016-17 to 2018-19 with 49.75 per cent of RR going to salaries and wages in 2017-18.

(ii) Expenditure on Pension Payments

The expenditure on Pension payments and other retirement benefits increased by ₹ 431.26 crore (26.87 per cent) in 2018-19 as compared to the previous year. The expenditure on Pension payments was 24.09 per cent of the committed expenditure and also constituted 17.13 per cent of the Revenue Expenditure of the State during 2018-19. The expenditure was higher than the Budget Estimates as well as the normative assessment (₹ 1,171 crore) made by the XIV FC for the year.

A comparative status on the expenditure on Pension payment during 2016-17 to 2018-19 is shown in **Chart No. 1.14**.



As on 31 March 2019, there were 67,954 Pensioners including 89 MLA Pensioners and 56 MLA Family Pensioners in the State as per information furnished by the State Government.

Government of Tripura introduced National Pension Scheme (NPS) in the State with effect from 1 July 2018 for its employees who were recruited on or after 1 July 2018. In

terms of NPS, an employee contributes 10 *per cent* of monthly salary and Dearness Allowance and the State Government contributes a matching amount. As on 31 March 2019, the State Government has contributed ₹ 0.40 crore to the Pension Fund against the contribution of ₹ 0.41 crore from its employees. However, instead of ₹ 0.81 crore required to be transferred to the National Securities Depository Ltd (NSDL), the State Government has transferred only ₹ 0.57 crore during the year 2018-19. The State Government thus created an interest liability on the amount not transferred to NSDL, incorrectly used the funds that belong to its employees and created uncertainty in respect of benefit due to employees effected/avoidable financial liability to Government in future, and, thus leading to possible failure of the scheme itself.

The State Finance Minister, in his Budget Speech 2018-19 stated that with the introduction of New Pension Scheme, pension liabilities of the State could be contained and more resources could be spared for development of the State.

(iii) Interest Payments

Interest payment during 2018-19 was ₹ 1,018.95 crore, which was an increase of ₹ 132.06 crore (14.89 *per cent*) over the previous year and constituted about 12.05 *per cent* of total committed expenditure of the year and 8.57 *per cent* of the total Revenue Expenditure for the year 2018-19. Interest payments were mainly on Small Savings, Provident Fund including Pension Fund (₹ 350.96 crore); interest on internal debt (₹ 649.55 crore) and on Loans and Advances from GoI (₹ 18.44 crore). Out of interest payments of ₹ 649.55 crore on internal debt; ₹ 457.79 crore was paid on market loan during the year. The Interest Payment was higher than the Budget Estimates as well as the XIV FC projections (₹ 970.00 crore) for the year.

1.12.3.2 Subsidies provided by the State

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

During 2018-19, total subsidies paid was ₹ 133.19 crore which was an increase of ₹ 16.62 crore (14.26 *per cent*) over that of 2017-18. Subsidies constituted 1.12 *per cent* of Revenue expenditure for the year. Details of subsidies in various departments are given in **Table No. 1.22**.

Table No. 1.22: Department-wise explicit subsidies given by the Government during 2014-19
(₹ in crore)

| Sl. No. | Name of Department | Amount of subsidies given | | | | |
|--------------|--|---------------------------|---------------|---------------|---------------|---------------|
| | | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| 1 | Tribal Welfare | 4.16 | 4.11 | 6.17 | 6.99 | 0.00 |
| 2 | Welfare of SC, OBC & Minorities | 2.50 | 2.39 | 5.16 | 5.95 | 0.00 |
| 3 | Agriculture Department | 9.05 | 6.85 | 1.00 | 7.60 | 59.80 |
| 4 | Food, Civil Supplies & Consumers Affairs | 66.81 | 51.58 | 49.63 | 65.75 | 53.14 |
| 5 | Co-operation | 0.18 | 0.00 | 0.17 | 0.28 | 0.25 |
| 6 | Horticulture | 0.80 | 0.00 | 0.00 | Nil | 0.00 |
| 7 | Power (TSECL) | 62.00 | 69.00 | 40.00 | 30.00 | 20.00 |
| Total | | 145.50 | 133.93 | 102.13 | 116.57 | 133.19 |

Source: Finance Accounts

The quantum of subsidies to the Agriculture department has surged during the year 2018-19 (686.84 *per cent*). These were mainly for developmental activities concerning implementation of CSS under Sub-mission of Agricultural Mechanisation (₹ 45.43 crore) and for Agriculture Development (₹ 5.08 crore). Moreover, the subsidy of ₹ 4.48 crore was given as State Share for the National Mission for Agricultural Extension Technology Scheme (NMAET) in 2018-19 while it was ₹ 0.64 crore in 2017-18. The ‘Pradhan Mantri Fasal Bima Yojana’, a CCS scheme, was implemented in the State for which an amount of ₹ 0.10 crore was given as subsidy as State share during 2018-19. Further, scrutiny of records revealed that subsidy of ₹ 0.28 crore was given as the cost of green gram seeds procured by the Office of the Deputy Director of Agriculture, Agartala and ₹ 0.18 crore was given being the cost of pump sets and power tillers procured under NMAET scheme by the Dy. Director of Agriculture, Dharmanagar during 2018-19.

The State Government provided subsidy amounting to ₹ 53.14 crore (39.90 *per cent*) to the consumers under Public Distribution System during 2018-19 which was a reduction of ₹ 12.61 crore (19.18 *per cent*) from 2017-18. Rupees 20 crore (15.02 *per cent* of total subsidy) was given as consumer subsidy to the State Electricity Corporation Ltd. during the year 2018-19. The State government was yet to release an amount of ₹ 100.73 crore to State power utility company (TSECL) despite notifying it.

The details of the departments, nature of subsidy provided and the total number of beneficiaries there-under during 2018-19 are given in **Table No. 1.23**.

Table No. 1.23: Subsidy provided during 2018-19

| Sl. No | Department | Nature of Subsidy | Total No. of beneficiaries |
|--------|---------------------------------|---|----------------------------|
| 1 | Agriculture Department | Cost of Pump Set and Power Tiller under NMAET | 8,681 |
| | | Cost of green Gram Seeds (280 Quintal) | |
| | | M/s J Deep Chemical and Fertiliser | |
| | | M/s Dutta Chemical | |
| | | Agriculture | |
| | | Horticulture | |
| | | Others | |
| 2 | Food, Civil & Consumers Affairs | Subsidy in lieu of Mustard Oil and Masur Dal | 2,18,401* |
| | | Providing Rice @ ₹ 2/Kg under AAY & PG Ration Card Holders under NFSM | 2,94,903* |
| | | Procurement of paddy from farmers during KMS 2018-19 (20,808 MT) | Not readily available |
| 3 | Power (TSECL) | Consumer subsidy | Not readily available |
| 4 | Co-operation | Assistance to credit co-operatives, others | Not readily available |

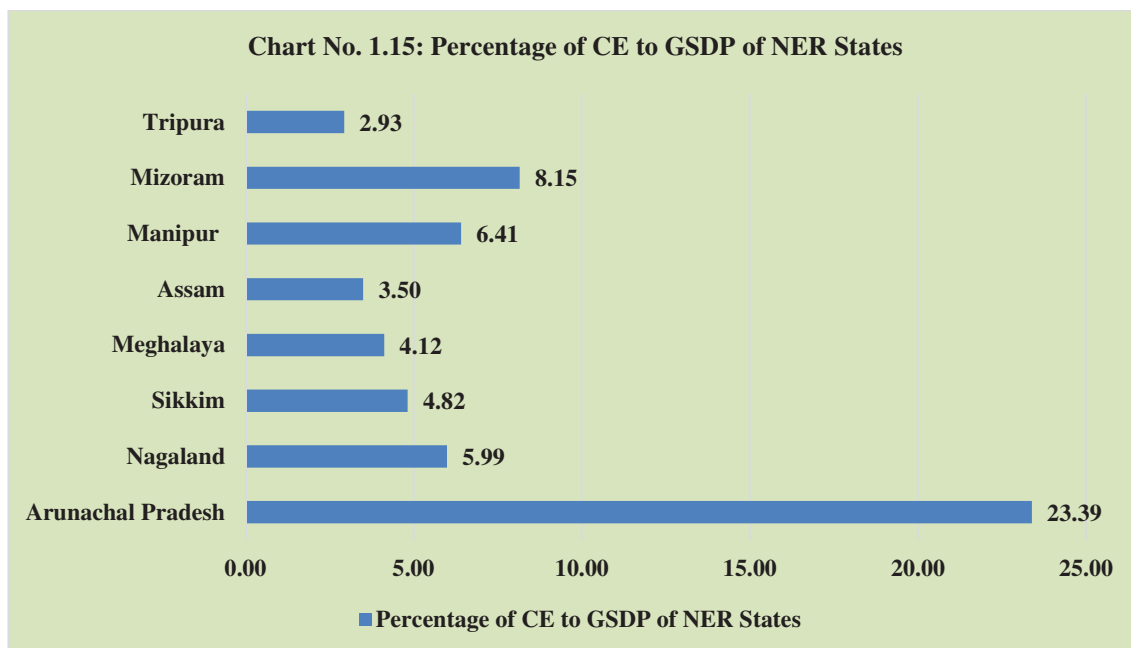
* Total beneficiaries are calculated based on the subsidy provided during the four quarter of the year.

1.12.4 Capital Expenditure

According to Rule 84 of GFR 2017, significant expenditure incurred with the objective of acquiring tangible assets of a permanent nature (for use in the organisation and not for sale in the ordinary course of business) or enhancing the utility of existing assets, shall broadly be defined as Capital expenditure.

1.12.4.1 Comparison of capital expenditure to GSDP with the neighbouring States for the year 2018-19

A comparison of the capital expenditure to GSDP of eight neighbouring states in NER for the year 2018-19 are given in **Chart No. 1.15**.



Source: Finance Accounts of the respective NER States.

Capital expenditure to GSDP for the year 2018-19 in respect of Tripura was lowest (2.93 per cent) as compared to the seven other neighbouring States in NER. Further, if the misclassification of revenue expenditure of ₹ 661.74 crore booked under capital during 2018-19 is taken into consideration, the percentage of capital expenditure to GSDP will be only 1.62 per cent of the GSDP. It indicates that the State Government has given less priority for utilising funds for creation of assets of a permanent nature.

1.12.4.2 Expenditure on State Plan Schemes /Centrally Sponsored Schemes

The State Government has been incurring expenditure on various State Plan Schemes/CSS on Capital Account. The Government had also used funds for investments under Capital Account. The trend of capital expenditure under various heads and the amount of investment under Capital Account during the last three years from 2016-17 to 2018-19 are shown in **Table No. 1.24**.

Table No. 1.24: Capital Expenditure

| Particulars | (₹ in crore) | | |
|--|----------------|----------------|----------------|
| | 2016-17 | 2017-18 | 2018-19 |
| Expenditure on Centrally Sponsored Schemes | 2140.30 | 1048.58 | 909.81 |
| Expenditure on State Plan Scheme | 1062.07 | 652.46 | 512.36 |
| Expenditure on Non-Plan Heads | 18.92 | 18.19 | 0.00 |
| Investment by the Government | 72.28 | 57.82 | 58.70 |
| Total Capital Expenditure | 3293.57 | 1777.05 | 1480.87 |
| Receipts under CSS from the GoI | 2724.24 | 1988.32 | 1861.03 |

The State Government received grants from GoI for implementation of various Plan/CSS schemes in the State. It was observed that out of the grants of ₹ 1,861.03 crore received

from the GoI during 2018-19 for implementation of CSS, only ₹ 909.81 crore (48.89 per cent) was utilised on the CSS under Capital Account during the year.

Further, it was noticed that out of the total Capital Expenditure of ₹ 1,480.87 crore during 2018-19, ₹ 661.74 crore was given as Grants-in-aid for creation of capital assets to the Local Bodies under Object Head - 57 for which the owner of the assets were either individuals or local bodies. This was in violation of IGAS-2 resulting in overstatement of capital expenditure to that extent during the year. This constituted 44.69 per cent and 20.19 per cent of the total actual and Budgeted State's Capital Expenditure respectively and 72.73 per cent of the CSS.

As per the recommendations of the XIV Finance Commission, the net proceed of States' share of Union Taxes and Duties increased from 32 to 42 per cent. Subsequently, the number of schemes fully sponsored by the Union Government was revised, some schemes were delinked from support of the Centre and similarly the sharing patterns of centrally sponsored schemes were also changed. With the increase in net proceeds, the State have greater fiscal space and flexibility to meaningfully contribute to the overall growth and development of the State, thereby adding to the aggregate growth of the nation.

The pattern of State Government expenditure on Centrally Sponsored Schemes (CSS) and State Plan Schemes during the last five years from 2014-15 to 2018-19 are given in **Table No. 1.25**.

Table No. 1.25: Composition of Expenditure under State Plan Schemes and Central Plan Schemes during 2014-15 to 2018-19

| (₹ in crore) | | | | | |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Centrally Sponsored Schemes | 1,963.97 | 2,477.36 | 2,572.37 | 1,769.98 | 1,938.78 |
| <i>State share</i> | <i>142.17</i> | <i>184.68</i> | <i>290.00</i> | <i>234.75</i> | <i>277.54</i> |
| <i>GoI Share</i> | <i>1,821.80</i> | <i>2,292.68</i> | <i>2,282.37</i> | <i>1,535.23</i> | <i>1,661.24</i> |
| State Plan Schemes | 160.38 | 176.87 | 283.63 | 194.03 | 220.33 |
| Total | 2124.35 | 2654.23 | 2856.00 | 1964.01 | 2159.11 |

Source: Finance Accounts

Table No. 1.25 shows the pattern of Expenditure out of the State budget and GoI on CSS related projects or schemes. It can be seen that, there was not much improvement on the quantum of expenditure of the State on State Plan Schemes over the years, although the increased tax devolution to the States was with this purpose. In other words, State has not compensated for loss of SPA/ACA with increased fiscal devolution under XIV FC and the GoI has continued funding the capital expenditure of the State.

1.13 Quality of Expenditure

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

1.13.1 Adequacy of Public Expenditure

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the Government to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods¹⁰ like, delivery of health services to improve quality of life and reduce morbidity, provide basic education to all, drinking water and sanitation, *etc.* Expenditure on Social and Economic Services together constitute Development Expenditure while the expenditure on General Services is treated as Non-Development Expenditure. Fiscal priority (ratio of expenditure category to Aggregate Expenditure (AE)) refers to the priority given to a particular category of expenditure by the State. Low fiscal priority can be stated to have been attached to a particular head of expenditure if it is below the NER State's average for the year.

Table No. 1.26 analyses the fiscal priorities of the State Government with regard to Development Expenditure (DE), Social Sector Expenditure (SSE), Economic Sector Expenditure (ESE), Capital Expenditure (CE), Expenditure on Education and Health relative to the 11 Special Category States (SCS) during three years 2014-15, 2017-18 and 2018-19.

Table No. 1.26: Fiscal priority of the State

| Fiscal priority by the State | <i>(in per cent)</i> | | | | | | |
|--|----------------------|--------|---------|---------|--------|---------------|------------|
| | AE/GS DP | DE/ AE | SSE/ AE | ESE/ AE | CE/ AE | Education/ AE | Health/ AE |
| Special Category States' Average (ratio) 2014-15 | 26.00 | 66.76 | 36.27 | 30.49 | 14.46 | 18.52 | 5.60 |
| Tripura Average 2014-15 | 33.28 | 68.95 | 39.09 | 29.72 | 27.52 | 15.94 | 6.28 |
| Special Category States' Average (ratio) 2017-18 | 25.80 | 58.90 | 34.90 | 28.90 | 15.50 | 18.20 | 6.20 |
| Tripura Average 2017-18 | 30.60 | 60.88 | 42.91 | 17.97 | 14.64 | 19.37 | 6.50 |
| Special Category States' Average (ratio) 2018-19 | 26.73 | 64.82 | 35.75 | 29.08 | 15.69 | 18.21 | 6.48 |
| Tripura Average 2018-19 | 26.45 | 59.27 | 43.41 | 15.86 | 11.08 | 18.35 | 6.95 |

Source: Based on the data in the Finance Accounts of the respective States

A comparative study of average expenditure of Tripura in 2014-15, 2017-18 and 2018-19 with that of the average of 11 SCS showed the following:

During 2018-19, the percentage of expenditure to Aggregate Expenditure (AE) in respect of Social Sector and Health in Tripura were higher than the previous year.

- The AE of the State as a proportion of its GSDP in 2014-15 and 2017-18 was higher than the average of 11 SCS for the years, but was lower in 2018-19.
- DE as a proportion of AE of the State during 2014-15 and 2017-18 was higher than the average of SCS; however, ratio of DE to AE in Tripura matched the average of SCS in 2018-19.

¹⁰ Core public goods are those which all citizens enjoy in common like enforcement of law and order, security and protection of rights; pollution free air and other environmental goods and infrastructure, *etc.* Merit goods are commodities that the public sector provides free or at subsidised rates like free or subsidised food for the poor, delivery of health services to improve quality of life and reduce morbidity, basic education to all, drinking water and sanitation, *etc.*

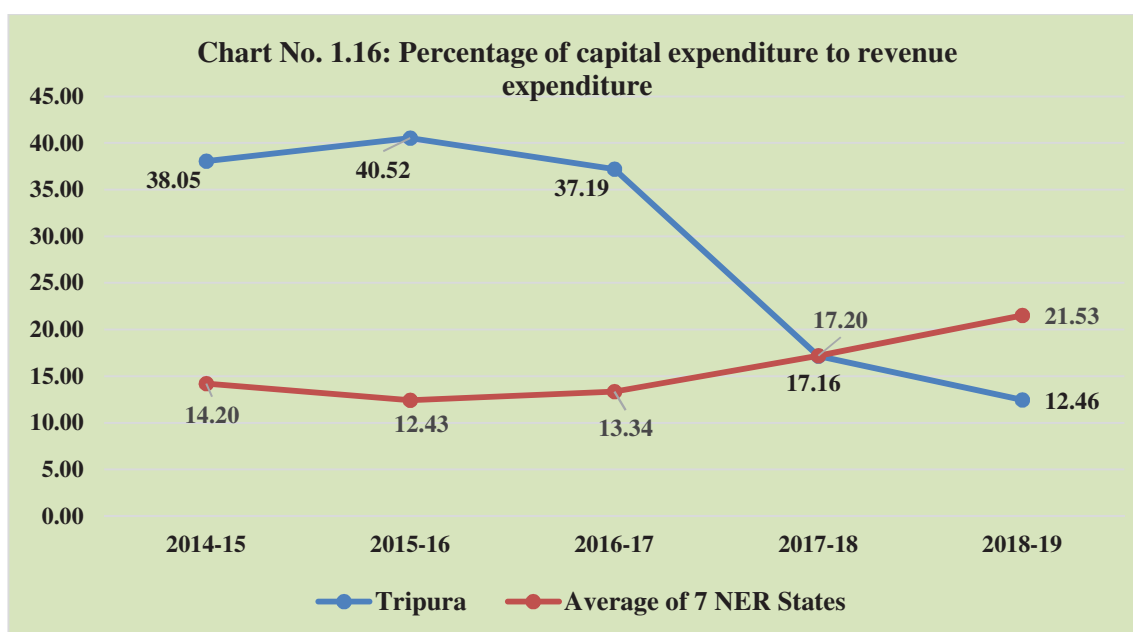
- CE of the State as a proportion of the AE was higher in 2014-15 than the average of SCS; however, during 2017-18 and 2018-19, it was lower compared to the SCSs for the years.

1.13.2 Trend in ratio of Capital expenditure to Revenue expenditure

The ratio of Capital Expenditure (CE) to Revenue Expenditure (RE) (a proxy for quality of expenditure) measures a State Government's investment in creation of property, plant, equipment and other capital assets. The ratio shows how aggressively the Government is investing its revenue into productive assets.

A high ratio potentially indicates that a Government is investing heavily, which could be a positive or a negative sign depending on how effectively it uses those assets to produce new income.

Percentage of capital expenditure to revenue expenditure of Tripura with reference to the average of the seven neighbouring NER States for the five-year period 2014-15 to 2018-19 is given in **Chart No. 1.16**.



Source: Based on the Finance Accounts of the respective NER States.

During 2014-15 to 2016-17, the percentage of CE to RE in respect of Tripura was higher than the average of the seven neighbouring States. It petered off during 2017-18 and 2018-19, implying that the Government is according less priority to expenditure on capital heads.

1.13.3 Efficiency of Expenditure

Apart from improving the allocation towards Development Expenditure (DE)¹¹, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure is also reflected by the ratio of

¹¹ The analysis of the expenditure data is dis-aggregated into Development Expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances are categorised into Social Services and Economic Services, which together constitute Development Expenditure, while expenditure on General Services is treated as Non-Development Expenditure.

Capital Expenditure to Total Expenditure (and/or GSDP) and proportion of Revenue Expenditure being spent on Operation and Maintenance of the existing Social and Economic Services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. **Table No. 1.27** presents the trends in DE relative to the Aggregate Expenditure (AE) of the State during the five-year period 2014-15 to 2018-19.

Table No. 1.27: Trend of Development expenditure during 2014-19

| (₹ in crore) | | | | | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Components of Development Expenditure | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| a. Development Revenue Expenditure (percentage of total RE) | 4,587.08 (61.63) | 4,625.36 (58.78) | 5,154.04 (58.20) | 5,730.38 (55.33) | 6,541.72 (55.02) |
| b. Development Capital Expenditure (percentage of total CE) | 2,493.08 (88.02) | 3,040.48 (95.37) | 3,089.02 (93.79) | 1,654.38 (93.10) | 1,383.22 (93.41) |
| c. Development Loans and Advances (percentage of total L&A) | 15.74 (100) | 21.84 (100) | 26.58 (97.36) | 6.65 (94.72) | 0.62 (55.36) |
| Total Development Expenditure (a to c) (percentage of Aggregate Expenditure) | 7,095.90 (68.95) | 7,687.68 (69.39) | 8,269.64 (67.92) | 7,391.41 (60.88) | 7,925.56 (59.27) |
| Aggregate Expenditure | 10,290.94 | 11,078.33 | 12,175.99 | 12,141.28 | 13,371.19 |

Source: Finance Accounts of respective years.

It can be seen from the above table that the Development Expenditure comprising Revenue and Capital Expenditure, and Loans and Advances for Social and Economic Services increased by ₹ 534.15 crore (7.23 per cent) from ₹ 7,391.41 crore in 2017-18 to ₹ 7,925.56 crore in 2018-19. However, after displaying an increasing trend during 2014-15 to 2016-17, the overall DE decreased by 10.61 per cent in 2017-18 over the previous year due to decrease in Development Capital Expenditure. The DE further increased by 7.23 per cent in 2018-19.

- DE as a percentage of AE (Revenue plus Capital plus Loans and Advances) ranged between 59.27 per cent and 69.39 per cent during the five-year period 2014-19.
- While Revenue Development Expenditure as a percentage of total Revenue Expenditure ranged between 55.02 per cent and 61.63 per cent, Capital Development Expenditure as a percentage of total Capital Expenditure, ranged between 88.02 per cent and 95.37 per cent during the five-year period 2014-19.
- DE on Loans and Advances was more or less constant and ranged between 94.72 per cent and 100 per cent during the period 2014-19. During 2018-19, the Development loan under Economic Services was given for Agriculture and allied activities through various cooperatives and for implementation of Special Sub-plan schemes for SC/ST in the State.

1.13.4 Efficiency of expenditure on selected Social and Economic Services

The efficiency of Government expenditure on selected parameters in some major areas under Social and Economic Services during 2018-19 as compared to 2017-18 are depicted in **Table No. 1.28**.

Table No. 1.28: Efficiency of expenditure use in selected Social and Economic Services during 2018-19 as compared to 2017-18

(per cent)

| Social/Economic Infrastructure | 2017-18 | | | 2018-19 | | |
|---|-------------------|---------------------|--------------|-------------------|---------------------|--------------|
| | Ratio of CE to TE | In RE, the share of | | Ratio of CE to TE | In RE, the share of | |
| | | S & W | O&M | | S&W | O & M |
| Social Services (SS) | | | | | | |
| Education, Sports, Art & Culture | 7.17 | 77.67 | 22.33 | 0.69 | 84.23 | 15.77 |
| Health & Family Welfare | 17.92 | 68.88 | 31.12 | 14.12 | 61.62 | 38.38 |
| Water Supply, Sanitation, and Housing & Urban Development | 67.91 | 38.30 | 61.70 | 58.49 | 37.09 | 62.91 |
| Other Social Services | 5.16 | 23.50 | 76.50 | 14.24 | 5.88 | 94.12 |
| Total (SS) | 18.35 | 59.17 | 40.83 | 14.00 | 54.91 | 45.09 |
| Economic Services (ES) | | | | | | |
| Agriculture & Allied Activities | 3.94 | 65.04 | 34.96 | 3.99 | 57.19 | 42.81 |
| Irrigation & Flood Control | 26.43 | 100 | - | 25.33 | 103.52 | - |
| Power & Energy | 8.67 | 19.59 | 80.41 | 59.52 | 27.46 | 72.54 |
| Transport | 72.80 | - | 100 | 69.58 | 3.31 | 96.69 |
| Other Economic Services | 32.98 | 50.15 | 49.85 | 25.76 | 54.59 | 45.41 |
| Total (ES) | 32.09 | 52.63 | 47.37 | 26.92 | 53.30 | 46.70 |
| Total (SS + ES) | 22.40 | 57.48 | 42.52 | 17.45 | 54.53 | 45.47 |

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

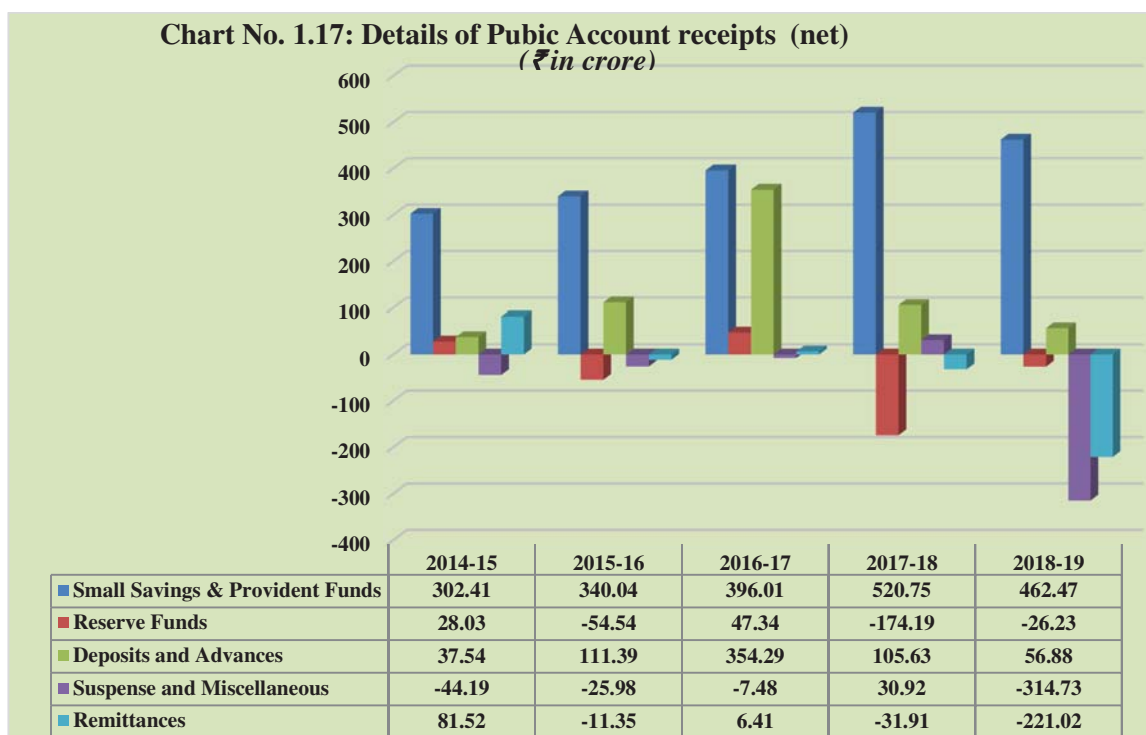
As is evident from the above table, the percentage of capital expenditure to total expenditure both in Social and Economic Services decreased substantially during 2018-19 (17.45 per cent) as compared to the previous year (22.40 per cent). This was primarily due to decrease in expenditure on Education, Sports, Art & Culture, Health and Family Welfare, Water Supply, etc. under Social Services and in Irrigation & Flood Control, Transport and Other Economic Services under both Social and Economic Services.

The share of salary expenditure with respect to revenue expenditure in social services, however, decreased by 4.26 per cent during 2018-19 as compared to the previous year, while it has increased marginally with regard to economic services during the year.

1.14 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Fund, 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 and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

The net availability of funds under various components of Public Account during the five-year period 2014-19 is depicted in **Chart No. 1.17**.



The net availability of funds from Public Account during last five year period from 2014-15 to 2018-19 displayed a fluctuating trend which ranged between ₹ 359.56 crore and ₹ 796.57 crore. During 2018-19, the net availability of fund from Public Account was (-) ₹ 42.64 crore.

The State Government had withdrawn an amount of ₹ 106.95 crore being the interest accrued on investment from Sinking Fund Investment Account during the year 2018-19. In addition, the State Government had utilised ₹ 172.86 crore from the cash balances to cover Fiscal Deficit during the year.

1.14.1 Reserve Funds

Reserve Funds are created for specific and well defined purposes. These funds are augmented by contributions or grants from the Consolidated Fund of India or State. The contributions are treated as expenditure and accounted for under the Consolidated Fund for which the vote of the legislature is obtained. At the end of the financial year, the expenditure relating to the funds is transferred to the Public Account.

As on 31 March 2019, there were two types of Reserve Funds in the State viz. (i) Interest Bearing and (ii) Non-Interest Bearing Reserve Funds.

1.14.1.1 Interest Bearing Reserve Funds

As per the recommendations of FCs, the State Government constituted the State Disaster Response fund (SDRF) in 2010-11 under Major Head-8121 as an Interest Bearing Reserve Fund. As per the guidelines of the Fund, the GoI and the State Governments are to contribute to the Fund in the proportion of 90:10. During 2018-19, GoI released ₹ 32.40 crore as its share towards SDRF against ₹ 32.00 crore recommended by the XIVFC for the year and the State contributed its share of ₹ 3.60 crore to the Fund.

Further, the State Government received ₹ 171.74 crore towards the NDRF and transferred it to SDRF under Public Account during 2018-19. The total receipts in the Fund during the year were ₹ 217.94 crore, including interest of ₹ 10.20 crore earned on the investment.

The State Government disinvested the matured amount of ₹ 100 crore from the SDRF Investment Account during 2018-19. An expenditure of ₹ 170.60 crore was incurred by the State Government during the year, of which, ₹ 79.97 crore was met from SDRF, ₹ 71.49 crore from NDRF and ₹ 19.14 crore was met from the disinvested amount of ₹ 100 crore. Overall corpus of SDRF at the end of 31 March 2019 stood at ₹ 241.13 crore including the balance amount of disinvestment of ₹ 80.86 crore. No amount was invested from the SDRF at the end of March 2019. The Government was likely to lose ₹ 18.08 crore¹² on account of interest on the un-invested amount, which will lead to understatement of Revenue as well as Fiscal Deficit.

(a) Consolidated Sinking Fund

The State Government constituted a Sinking Fund in 1999-2000 for redemption of outstanding liabilities, with an initial investment of ₹ 10 crore. As per the recommendations of the XII FC, the State Government constituted a revised Consolidated Sinking Fund (CSF) scheme in 2006-07 for redemption of outstanding liabilities.

The Scheme guidelines were further revised and notified in Tripura Gazette on 16 January 2018 and came into effect from the financial year 2017-18.

As per Rule 5 of the Scheme guidelines, the State Government may contribute to the Fund at least 0.5 *per cent* of the outstanding liabilities as at the end of the previous year. The State is to make efforts to raise the minimum contribution every year. During 2018-19, as against the minimum required contribution of ₹ 64.51 crore (0.50 *per cent* of outstanding liabilities of ₹ 12,902.73 crore at the beginning of the year), the State Government did not make any contribution towards the Fund. In doing so, apart from violating the extant rules, the Government has deferred its current year's liability to future years, which has the impact of understating the fiscal deficit by an equivalent amount. However, during the year, ₹ 32.72 crore was received as interest on Sinking Fund Investment Account which was reinvested by the RBI. During 2018-19, the State Government withdrew the accrued interest of ₹ 106.95 crore from the Sinking Fund Investment Account and credited it to Revenue Receipts for clearing its internal debt. The balance of ₹ 294.79 crore (2.28 *per cent* of the outstanding liabilities at the beginning of the year) in the Account was invested by the State at the end of the year 2018-19.

(b) General and Other Reserve Funds – Guarantee Redemption Fund

The State Government constituted a Guarantee Redemption Fund (GRF) on 12 July 2007 for meeting its obligations arising out of the Guarantees issued on behalf of State Government Companies and Corporation. This Fund is classified under the Head of

¹² Calculated at the rate of 7.50 *per cent* as applicable to WMAs

Account 8235–General and Other Reserve Funds –117–Guarantees Redemption Fund in the Public Account. As on 31 March 2019, there was a balance of ₹ 9.00 crore (₹ 8.38 crore as of 31 March 2018) in this Reserve Fund, out of which, ₹ 4.50 crore was invested. During 2018-19, ₹ 0.62 crore was credited to this account of which, ₹ 0.30 crore was on account of guarantee redemption fee and the balance ₹ 0.32 crore was interest accrued on investment of the Fund.

1.15 Investments and Returns

1.15.1 Cash Balances and Investment of Cash Balances

It is desirable that the in-flow of State's resources matches its expenditure obligations. However, to take care of any temporary mismatches in flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA) - Ordinary or Special and Overdraft from RBI has been put in place. The operative limit for normal WMA was ₹ 150 crore for the State with effect from 01 November 2013 and the operative limit for special WMA had been revised by the RBI from time to time.

Under the agreement with the RBI, the State Government had to maintain a minimum cash balance of ₹ 29 lakh with the Bank. If the balance fell below the agreed minimum balance on any day, the deficiency was to be made good by taking WMA/Overdrafts. However, the State had not availed of any WMA (Ordinary or Special) since 1999-2000.

Table No. 1.29 depicts the Cash Balances and investment of these by the State Government during 2018-19.

Table No. 1.29: Investment of Cash Balances during 2018-19

(₹ in crore)

| Particulars | Opening balance as on 1-4-2018 | Closing balance as on 31-3-2019 |
|--|--------------------------------|---------------------------------|
| (a) General Cash Balance - | | |
| Cash in Treasuries | 0.00 | 0.00 |
| Deposits with Reserve Bank of India | (-) 6.93 | (-) 14.02 |
| Deposits with other Banks | 0.00 | 0.00 |
| Remittances in transit-Local | (-) 1.13 | (-) 1.13 |
| Total | (-) 8.06 | (-) 15.15 |
| Investments held in Cash Balance Investment Account | 639.54 | 652.34 |
| Total (a) | 631.48 | 637.18 |
| (b) Other Cash Balances and Investments | | |
| Cash with departmental officers viz. Public Works Department Officers, Forest Department Officers, District Collectors | 37.88 | 32.05 |
| Permanent advances for contingent expenditure with Departmental officers | 0.00 | 0.00 |
| Investment of Earmarked Funds | 472.01 | 299.28 |
| Total (b) | 509.89 | 331.33 |
| Grand total (a) plus (b) | 1,141.37 | 968.52 |

The cash balance of the State at the end of 2018-19 decreased by ₹ 172.85 crore (15 per cent) from ₹ 1,141.37 crore at the beginning of the year, although the funds in Cash Balance Investment Account increased by ₹ 12.80 crore (2 per cent). The

investment of Earmarked Funds decreased by ₹172.73 crore (36.59 per cent) from ₹ 472.01 crore as on 31 March 2018 to ₹ 299.28 crore as on 31 March 2019.

During 2018-19, out of the investment of ₹ 299.28 crore under Earmarked Funds, ₹ 294.79 crore was from Sinking Fund and ₹ 4.50 crore was from Guarantee Redemption Fund. No investment was made from the SDRF.

1.15.2 Cash Balance Investment Account

The position of the Cash Balance Investment Account during the last five years is shown in **Table No. 1.30**.

Table No. 1.30: Year-wise position of Cash Balance Investment Account 2014-19
(₹ in crore)

| Year | Opening balance | Closing balance | Interest received on investment | Interest paid on market loans |
|---------|-----------------|-----------------|---------------------------------|-------------------------------|
| 2014-15 | 3,460.88 | 3,380.74 | 44.94 | 242.19 |
| 2015-16 | 3,380.74 | 2,207.79 | 52.69 | 249.96 |
| 2016-17 | 2,207.79 | 1,356.72 | 35.66 | 294.17 |
| 2017-18 | 1,356.72 | 639.54 | 37.41 | 365.53 |
| 2018-19 | 639.54 | 652.34 | 37.86 | 649.55 |

As can be seen from **Table No. 1.30** the balance in Cash Balance Investment Account improved marginally during 2018-19 over 2017-18. The entire balance of ₹ 652.34 crore as on 31 March 2019 was invested in 14 days Treasury Bills of GoI. The State Government received ₹ 37.86 crore as interest on investment of Cash balances and paid ₹ 649.55 crore on its borrowings from the market during 2018-19.

1.15.3 Investment and Returns in State Public Sector Undertakings

As on 31 March 2019, Government invested ₹ 1,562.57 crore in two Statutory Corporations, 14 Government Companies, 25 Co-operatives Societies and one Rural Bank. The details of investment over the five-year period 2014-19 and the returns earned on the investment are given in **Table No. 1.31**.

Table No. 1.31: Return on investment

| Investment/Return/Cost of borrowings | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|--|----------|----------|----------|----------|----------|
| Investment at the end of the year (₹ in crore) | 1,303.73 | 1,385.69 | 1,446.06 | 1,503.88 | 1,562.57 |
| Return on investment (₹ in crore) | 0.51 | 13.41 | 0.05 | 14.69 | Nil |
| Return on investment (per cent) | 0.04 | 0.97 | # | 0.95 | Nil |
| Average rate of interest on Government borrowings (per cent) | 13.18 | 12.95 | 7.50 | 7.50 | 7.16 |
| Difference between cost of funds and return (per cent) | 13.14 | 11.98 | 7.50 | 6.55 | 7.16 |

Source: Finance Accounts

Note: # negligible

During 2018-19, the State Government made a total investment of ₹ 58.70 crore, of which, ₹ 53.11 crore was invested in six Government working Companies and ₹ 5.59 crore in 10 Co-operative Societies. However, no return was received. As on 31 March 2019, the total investment was ₹ 1,562.57 crore in 14 Government Companies (₹ 1,226.69 crore), two Statutory Corporations (₹ 148.53 crore), 25 Co-operative

(₹ 153.72 crore) and in one Bank (₹ 37.72 crore) which is under liquidation.

Audit scrutiny revealed that in two¹³PSUs (out of the total 14 PSUs), the Government had invested ₹ 44.77 crore during 2018-19. However, these PSUs spent the amount for payment of salaries and other benefits of their employees under revenue account. Consequently, the investment of the State Government was overstated to that extent during the year. However, one PSU (Tripura Handloom and Handicraft Corporation Ltd.) had incurred an expenditure of ₹ 3.37 crore, out of ₹ 14.12 crore received from the State Government, as working capital during 2018-19.

1.15.4 Incomplete Projects

As per the information furnished by the State Public Works Department, there were 78 incomplete works/ongoing projects as on 31 March 2019 with an initial budgeted cost of ₹ five crore and above in each case. The cumulative expenditure incurred on these works as on 31 March 2019 was ₹ 774.50 crore, of which, ₹ 200.72 crore was incurred on 56 projects during 2018-19. Out of these 56, 43 were Building works in which ₹ 98.95 crore was incurred during the year, while 14 were Road works involving an expenditure of ₹ 65.42 crore during 2018-19.

Since the projects remained incomplete, the capital expenditure of ₹ 774.50 crore remained blocked without any productive output as on 31 March 2019.

As on 31 March 2019, there were 26 incomplete works/projects which were scheduled to be completed by 31 March 2019. The cumulative expenditure on these incomplete projects up to 31 March 2019 was ₹ 176.70 crore against the budgeted cost of ₹ 250.11 crore. The summarised position of the incomplete works along with their total cumulative expenditure as on 31 March 2019 are given in **Table No. 1.32**.

Table No. 1.32: Profile of incomplete projects which were scheduled for completion by 31 March 2019

(₹ in crore)

| Type of works/projects | No. of incomplete projects | Initial budgeted cost | Cumulative expenditure as on 31 March 2019(Percent) |
|-----------------------------|----------------------------|-----------------------|---|
| Building Works | 16 | 153.94 | 110.12 (72) |
| Bridge Works | 3 | 21.05 | 21.14 (100) |
| Road Works | 4 | 40.39 | 17.92 (20) |
| Water Resource Works | 2 | 23.37 | 19.25 (82) |
| Drinking Water Supply Works | 1 | 11.36 | 8.27 (73) |
| Total: | 26 | 250.11 | 176.70 (71) |

Source: Finance Accounts 2018-19.

Out of the 16 incomplete building works, which were scheduled to be completed by 31 March 2019, there was time overrun ranging from 6 months to 5 years in case of 12 works as on 31 March 2019. It was seen that construction work of 100 Bedded Sub-Divisional Hospital at Sabroom commenced on 30 March 2017 at an estimated cost of ₹ 12.09 crore; however, remained incomplete (more than 50 per cent) after incurring an expenditure of ₹ 2.28 crore as on 31 March 2019. Construction works of MLA Hostel at Capital Complex, Agartala commenced on 5 February 2016 has also remained

¹³ Tripura Jute Mills Limited: ₹ 30.65 crore and Tripura Handloom and Handicrafts Development Corporation Limited: ₹ 14.12 crore.

incomplete after incurring an expenditure of ₹ 18.72 crore as on 31 March 2019 against the estimated cost of ₹ 28.37 crore. Three bridge works remained incomplete after incurring a cumulative expenditure of ₹ 21.14 crore with a time overrun of 2 to 3 years as of 31 March 2019. Details of the incomplete works are given in **Appendix 1.5**. Due to non-completion of the works on time, the envisaged benefits could not accrue to the intended beneficiaries.

Audit analysis of the civil projects undertaken by the Law Department on a sample basis revealed that, projects were delayed for various reasons like changes to scope of work, delays in providing drawings and designs, delays in providing clear site, delays in obtaining administrative approval etc. The delay is systemic in nature and found across all the State departments.

1.16 Loans and Advances by State Government

Non-Debt Capital Receipts *i.e.* Recovery of Loans and Advances by the State during the period 2014-19 was below one *per cent* of Public Debt receipts. The outstanding loans and advances disbursed by the State Government stood at ₹ 193.51 crore at the end of 31 March 2019 as detailed in the **Table No. 1.33**.

Table No. 1.33: Loans & Advances given by the State Government during 2018-19

(₹ in crore)

| Particulars | Balance as on 31 March 2018 | Advance during 2018-19 | Total | Recovery | Balance as on 31 March 2019 |
|--|-----------------------------|------------------------|---------------|-------------|-----------------------------|
| Tripura State Electricity Corporation Limited | 56.75 | 0.00 | 56.75 | 0.00 | 56.75 |
| Society for Tripura Medical College & Dr. BRAM Teaching Hospital, Agartala | 81.00 | 0.00 | 81.00 | 0.00 | 81.00 |
| Loans to Government Servants | 10.95 | 0.50 | 11.45 | 0.28 | 11.17 |
| Loans to Co-operation | 21.42 | 0.62 | 22.04 | 0.31 | 21.73 |
| Others | 22.87 | 0.00 | 22.87 | 0.01 | 22.86 |
| Total | 192.99 | 1.12 | 194.11 | 0.60 | 193.51 |

Source: Finance Accounts

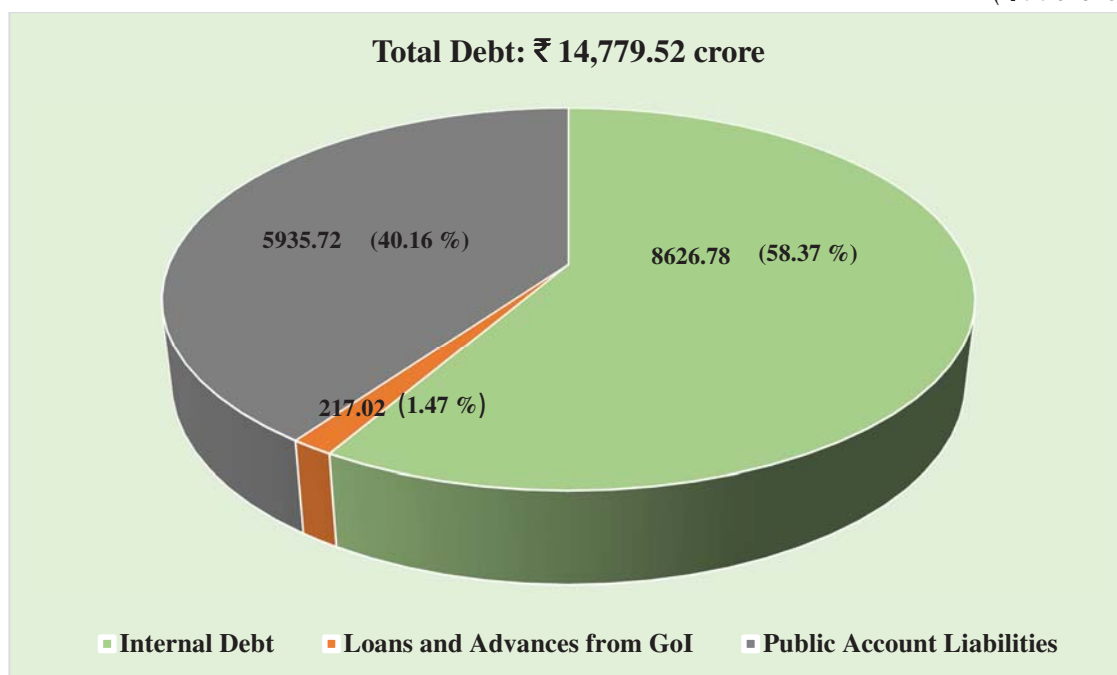
During 2018-19, the State Government disbursed an amount of ₹ 1.12 crore as Loans and Advances to Government Servants (₹ 0.50 crore) and Cooperative Societies (₹ 0.62 crore) for development purposes and recovered ₹ 0.60 crore from the loanees during the year.

1.17 Debt Management and Sustainability

The total outstanding debt of the State Government at the end of 2018-19 was ₹ 14,779.52 crore. Component-wise break-up of debt is shown in **Chart No. 1.18**.

Chart No. 1.18: Composition of Outstanding Debt at the end of March 2019

(₹ in crore)



Internal debt, which is primarily market borrowings, accounted for 58.37 per cent of the total outstanding debt of the State at the end of March 2019.

1.17.1 Trend of Debt

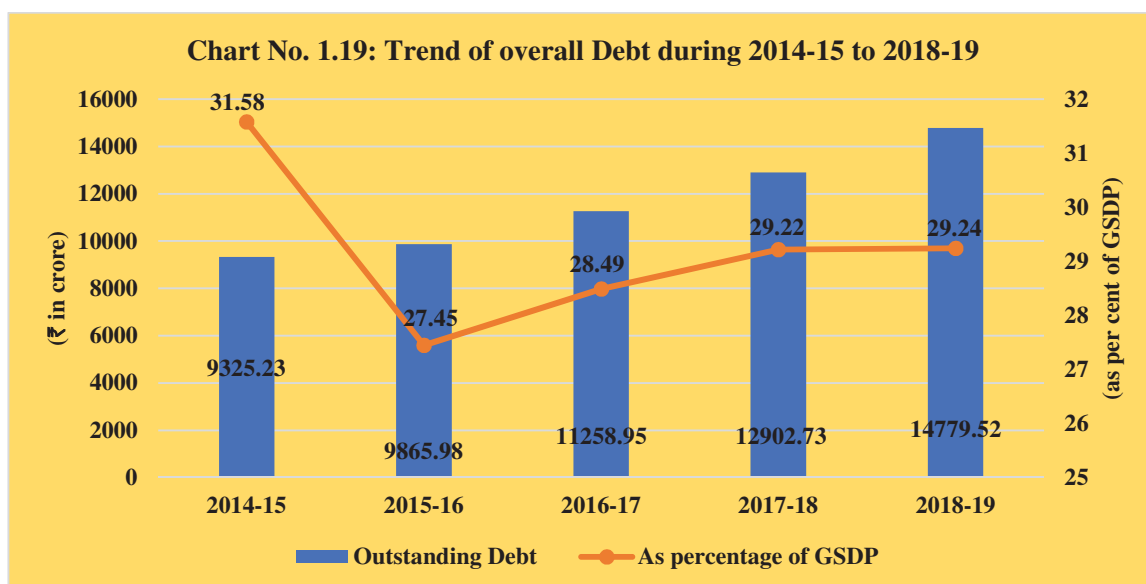
The details relating to total debt received, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2014-15 to 2018-19 are given in **Table No. 1.34** and in **Chart No. 1.19**.

Table No. 1.34: Trend of Debt

(₹ in crore)

| Particulars | | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|----------------|----------|----------|----------|----------|-------------|
| Outstanding Debt ¹⁴ | | 9325.23 | 9865.98 | 11258.95 | 12902.73 | 14779.52 |
| Public Debt | Internal Debt | 4982.49 | 5680.71 | 6335.33 | 7398.46 | 8626.78 |
| | Loans from GoI | 321.43 | 295.72 | 267.70 | 235.82 | 217.02 |
| Public Account Liabilities | | 4021.31 | 3889.55 | 4655.93 | 5268.45 | 5935.72 |
| Rate of growth of outstanding debt (percentage) | | 6.95 | 5.86 | 14.12 | 14.60 | 14.55 |
| Gross State Domestic Product (GSDP) | | 29533.46 | 35937.73 | 39514.28 | 44161.08 | 50544.52(A) |
| Debt/GSDP (per cent) | | 31.58 | 27.45 | 28.49 | 29.22 | 29.24 |
| Total Debt Receipts | | 1677.41 | 2625.41 | 3008.74 | 3367.94 | 3961.23 |
| Total Debt Repayments | | 1072.02 | 1555.45 | 1615.44 | 1722.82 | 2084.44 |
| Total Debt Available | | 605.39 | 1069.96 | 1393.30 | 1645.12 | 1876.79 |

¹⁴ As on 1 April of subsequent years up to 2017-18.



The details of transactions relating to Public Debt during 2018-19 are presented in **Table No. 1.35**.

Table No. 1.35: Details of transactions of Public Debt during 2018-19

(₹ in crore)

| Name of borrowing | Opening Balance as on 01-04-2018 | Receipts | Repayments | Closing Balance as on 31-03-2019 | Net increase (+)/ decrease (-) |
|---|----------------------------------|-----------------|---------------|----------------------------------|--------------------------------|
| Internal Debt | | | | | |
| Market loans | 5,138.00 | 1,542.83 | 156.00 | 6,524.83 | (+) 1,386.83 |
| Loans from LIC of India | 35.77 | 0.00 | 15.27 | 20.50 | (-) 15.27 |
| Loans from GIC | 0.81 | 0.00 | 0.20 | 0.61 | (-) 0.20 |
| Loans from NABARD | 909.55 | 151.70 | 177.56 | 883.69 | (-) 25.86 |
| Loans from National Cooperative Development Corporation | 4.52 | 0.00 | 1.92 | 2.60 | (-) 1.92 |
| Special Securities issued to NSSF of the Central Government | 1,308.62 | 0.00 | 115.26 | 1,193.36 | (-) 115.26 |
| Loans from other institutions | 1.19 | 0.00 | 0.00 | 1.19 | 0.00 |
| Total Internal Debt | 7398.46 | 1,694.53 | 466.21 | 8,626.78 | 1228.32 |
| Loans and Advances from the GoI | 235.82* | 13.04 | 31.84 | 217.02 | (-) 18.80 |
| Total Public Debt | 7,634.29 | 1,707.57 | 498.05 | 8,843.81 | (+) 1,209.52 |

Source: Finance Accounts 2018-19

*Decreased by ₹ 1.34 crore due to writing off the outstanding loan by the GoI during 2018-19 and transferring it to appropriate Minor Head under Revenue Sector.

Out of ₹ 1,694.53 crore Internal Debt, ₹ 1,542.83 crore (91 per cent) was on account of long term loans from open market at an average interest rate of 8.36 per cent re-payable at par in the year 2029. The market loans increased by 35.69 per cent in 2018-19 over the previous year. Loans from other Financial Institutions (NABARD), however, decreased by ₹ 43.44 crore (22.26 per cent) during the year. Loans from GoI increased from ₹ 1.27 crore in 2017-18 to ₹ 13.04 crore in 2018-19. Overall receipts of Public Debt in 2018-19 increased by 28.06 per cent while repayment of Public Debt increased by 65.56 per cent during the year. As a result, the outstanding Public Debt increased by ₹ 374.16 crore

(17.13 *per cent*) during 2018-19 compared to the increase of ₹ 193.85 crore (17.01 *per cent*) in 2017-18.

Public Debt receipts of the State Government constituted 3.37 *per cent* of GSDP during 2018-19. The repayment of debt during 2018-19 was ₹ 498.05 crore, of which, ₹ 466.21 crore was on account of Internal Debt including repayment of ₹ 115.26 crore towards special securities issued to National Small Savings Fund (NSSF). No fresh loan was taken from NSSF by the State during 2018-19.

1.17.2 Debt Sustainability

Debt is considered sustainable if the borrower, in this case the State, is in a position to service its debt now, and in future. Debt sustainability indicators accordingly seek to assess the credit worthiness and the liquidity position of the borrower by examining their ability to service the debt through timely interest payments and repay debt out of current and regular sources of revenue.

This section assesses the sustainability of debt of the State Government in terms of debt/GSDP ratio, Fiscal Deficit and burden of interest payments (measured by ratio of interest payments to Revenue Receipts) of the State Government.

The fiscal deficit targets and annual borrowing limits of the State during the XIV FC period for fiscal consolidation roadmap are enunciated as follows:

1. Fiscal deficit of all States will be anchored to an annual limit of 3 *per cent* of GSDP. The States will be eligible for flexibility of 0.25 *per cent* over and above this for any given year for which the borrowing limits are to be fixed, if their debt-GSDP ratio is less than or equal to 25 *per cent* in the preceding year.
2. States will be further eligible for an additional borrowings limit of 0.25 *per cent* of GSDP in a given year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10 *per cent* of the revenue receipts in the preceding year.
3. The two options under these flexibility provisions can be availed of by a State either separately, if any of the above criteria is fulfilled, or simultaneously, if both the above stated criteria are fulfilled. Thus, a State can have a maximum fiscal deficit-GSDP limit of 3.5 *per cent* in any given year.
4. The flexibility in availing the additional limit under either of the two options or both will be available to a State only if there is no revenue deficit in the year in which borrowing limits are to be fixed and the immediately preceding year.

The debt sustainability of the State according to these indicators for the five-year period beginning from 2014-15 to 2018-19 is shown in **Table No. 1.36**.

Table No. 1.36: Debt Sustainability: Indicators and Trends

| Indicators of Debt sustainability | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|--|--------------|--------------|------------|------------|------------|
| Public Debt and other liabilities/GSDP (<i>per cent</i>) | 31.57 | 27.45 | 28.49 | 29.22 | 29.24 |
| Fiscal Deficit/GSDP (<i>per cent</i>) | (-) 3.55 | (-) 4.59 | (-) 6.40 | (-) 4.69 | (-) 2.65 |
| Ratio of Interest Payments/ Revenue Receipts | 7.44 | 7.74 | 8.23 | 8.81 | 8.47 |
| Growth rate of Revenue Receipts | 20.78 | 2.02 | 2.32 | 4.38 | 19.50 |
| Revenue Deficit (-)/Surplus (+) (₹ in crore) | (+) 1,796.82 | (+) 1,558.27 | (+) 790.32 | (-) 289.27 | (+) 141.69 |
| Growth rate of Public Debt and other liabilities (<i>percentage</i>) | 6.95 | 5.86 | 14.12 | 14.60 | 14.55 |
| Growth rate of GSDP (<i>percentage</i>) | 15.40 | 21.68 | 9.95 | 11.76 | 14.45 |
| Interest payment | 681.68 | 729.39 | 794.31 | 886.89 | 1018.95 |
| Average interest rate on Outstanding debt (<i>per cent</i>) | 8.45 | 8.51 | 8.36 | 8.15 | 8.20 |
| Available Debt as a percentage of Debt Receipts | 36.09 | 40.75 | 46.31 | 48.85 | 47.38 |

As can be seen from the above table, during the last five years, the ratio of debt to GSDP of Tripura ranged between 27.45 and 31.56 *per cent*, which is above the 25 *per cent* recommended by the XIV FC for being eligible for flexibility of borrowing by 0.25 above the annual limit of 3 *per cent* of GSDP. During the last five years, the State Government has breached the fiscal deficit/GSDP ratio of 3 *per cent* recommended by the XIV FC except in 2018-19 as the ratio of fiscal deficit/GSDP however, between 6.40 in 2016-17 and 2.65 in 2018-19. However, the State Government informed (March 2020) that it had maintained the annual borrowing limits as prescribed by the GoI from time to time. The growth rate of outstanding debt has generally outpaced the growth rate of revenue receipts during three years out of the five-year period 2014-19. During 2014-15 and 2018-19, the revenue receipts grew at a significantly higher rate than the outstanding debt.

During 2018-19, the fiscal deficit/GSDP ratio of the State at 2.65 *per cent* was within the 3 *per cent* fixed by the XIV FC. As the State had Revenue Deficit of ₹ 289.27 crore in 2017-18, the State was not eligible for availing of additional borrowing limit beyond 3 *per cent* as prescribed by the XIV FC.

During the last five years from 2014-15 to 2018-19, the ratio of interest payment/revenue receipt ranged between 7.44 and 8.81 *per cent*, which is well within the 10 *per cent* recommended by the XIV FC. This indicates the debt sustainability of the State.

Also, during the last five-year period 2014-19, the CAGR of outstanding debt and other liabilities was 9.66 *per cent*, which is lower than the 11.35 *per cent* CAGR of GSDP.

Sustainability of debt of the Government of Tripura was also assessed in terms of the Domar model in **Table No. 1.37**, where the sustainability of debt is based on the relationship between the key fiscal values - public debt, growth rate, interest rate and primary balance. As per this model, for debt to be sustainable, the rate of interest payable on the outstanding debt should be lower than the rate of growth of GSDP (Domar gap); and there should be a primary surplus.

Debt sustainability of Government of Tripura as per the Domar model is given below.

Table No. 1.37: Debt sustainability as per the Domar model

| Year | GSDP Growth Rate (g) | Interest Rate (r) | g-r (Domar gap) | Primary Deficit (s) (₹ in crore) | Remarks |
|---------|----------------------|-------------------|-----------------|----------------------------------|--|
| 2014-15 | 15.40 | 8.45 | 6.95 | 367.35 | g>r and s<0: During all five years, the rate of growth of GSDP was significantly higher than the interest rate. Although the debt would converge to a stable level, in view of the high primary deficit, there is a need for the State to exercise caution with regard to its debt. |
| 2015-16 | 21.68 | 8.51 | 13.17 | 921.06 | |
| 2016-17 | 9.95 | 8.36 | 1.59 | 1735.31 | |
| 2017-18 | 11.76 | 8.15 | 3.61 | 1184.75 | |
| 2018-19 | 14.45 | 8.2 | 6.25 | 320.75 | |

Note: The Domar model applies the real growth rate and real interest rate. Although the CPI rate for the State is available, in the absence of actual interest rate, the average interest rate on outstanding debt, as featured in the SFARs of the respective years, has been taken as 'r' rather than the real interest rate. The GSDP is nominal (at current price).

The positive Domar gap combined with reduction of primary deficit in 2018-19 is indicative of the fact that the debt of the Government of Tripura is sustainable both as per the Domar model, as well as the fiscal consolidation roadmap advocated by the XIV FC.

1.17.3 Maturity Profile of Public Debt

As per Statement 17 of the Finance Accounts for the year 2018-19, the maturity profile of public debt is given in **Table No. 1.38**.

Table No. 1.38: Maturity Profile of Public Debt

| Year of maturity | Maturity Profile | Amount | | | Percentage of total Public Debt |
|---------------------------|------------------|----------------|---------------------------|----------------|---------------------------------|
| | | Internal Debt | Loans & Advances from GoI | Total | |
| By 2019-20 | 0-1 year | 497.02 | 31.96 | 528.98 | 5.98 |
| Between 2020-21 & 2021-22 | 2-3 years | 427.94 | 64.57 | 492.51 | 5.57 |
| Between 2022-23 & 2023-24 | 4-5 years | 1421.25 | 63.45 | 1484.70 | 16.79 |
| Between 2024-25 & 2025-26 | 6-7 years | 961.67 | 25.54 | 987.21 | 11.16 |
| 2026-27 onwards | Above 7 years | 5318.90 | 31.32 | 5350.22 | 60.50 |
| Total | | 8626.78 | 216.84* | 8843.62 | |

*Note: * Excluding pre 1984-85 loans of ₹0.18 crore*

The maturity profile of outstanding stock of public debt as on 31 March 2019 indicates that out of the outstanding public debt of ₹ 8,843.62 crore, 39.50 per cent (₹ 3,493.40 crore) is payable within the next seven years, while the remaining 60.50 per cent (₹ 5,350.22 crore) will mature for payment from 2026-27 onwards. Of the total outstanding public debt, internal debt consisting of market loans (₹ 6,525.84 crore), loans from NABARD (₹ 883.69 crore) and special securities issued to NSSF of Central Government (₹ 1,193.36 crore) constituted 99.72 per cent (₹ 8,626.78 crore).

1.18 Contingent Liabilities - Guarantees

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

The State Government introduced ‘The Tripura Government Guarantee Redemption Fund Scheme’ in July 2007. It was decided by the Government to charge one *per cent* Guarantee Redemption Fee on fresh guarantees to cover the risk of the liabilities which may arise on invocation of the guarantees. The scheme was revised as Guarantees Redemption Fund Scheme by the Government and notified in the Tripura Gazette on 29th January 2016, effective from the financial year 2015-16. Further, the guidelines was revised and notified in the Tripura Gazette on 16 January 2018 effective from 2017-18.

As per the revised guidelines, the State Government was to contribute a minimum of 0.5 *per cent* of outstanding guarantees every year to achieve a minimum level of three *per cent* of GSDP in the next five years. The Fund is to be gradually increased to a desirable level of five *per cent*. If guarantees have been invoked or are likely to be invoked, additional funds (over and above five *per cent*) are to be maintained. Further, in order to enable the transfer of total contribution amount to the Fund, the Government is to make suitable budget provision under Major Head “2075-Miscellaneous General Services, 797-Transfer to Reserve Fund and Deposit Accounts –Guarantees Redemption Fund”.

However, the State Government did not make any budget provision for the financial year 2018-19 for contribution to this Fund although the scheme has been effective from the financial year 2017-18. The details of outstanding guarantees are given in **Table No. 1.39**.

Table No. 1.39: Status of Guarantees–Contingent Liabilities

| Particulars | (₹ in crore) | | | | |
|--|--------------|---------|---------|---------|---------|
| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Maximum amount guaranteed during the year | 79.00 | 67.00 | 64.00 | 54.00 | 230.00 |
| Outstanding amount of guarantees, of which | 241.48 | 287.78 | 312.53 | 327.65 | 523.67 |
| <i>i) Principal</i> | 241.40 | 287.70 | 312.45 | 327.57 | 523.59 |
| <i>ii) Interest</i> | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 |
| Outstanding amount of Guarantees to Revenue Receipts (<i>per cent</i>) | 2.61 | 3.05 | 3.24 | 3.25 | 4.35 |

During 2018-19, the State Government had given fresh guarantees of ₹ 230.00 crore for repayment of loans raised by the Agartala Smart City and five Co-operative Banks and Societies.

As on 31 March 2019, out of the outstanding guarantees of ₹ 523.67 crore (inclusive of interest of ₹ 0.08 crore) the maximum outstanding amount was with Agartala Smart City (₹ 200 crore) followed by the Power Department (₹ 117.82 crore). There was an outstanding amount of ₹ 73.89 crore with the Tripura Minorities Co-operative

Development Corporation Limited followed by Tripura Scheduled Caste, Co-operative Development Corporation Limited (₹ 48.00 crore) and Tripura OBC Co-operative Development Limited (₹ 51.68 crore) at the end of the year 2018-19.

The outstanding guarantees constituted 1.04 per cent of GSDP which exceeded the limit fixed by the State Government for the year. The outstanding guarantees, with respect to the Revenue Receipts however, increased to 4.35 per cent during 2018-19. During 2018-19, the Government received ₹ 2.30 crore¹⁵ as Guarantee Commission/Fee from two Co-operative Societies and one Government Company. However, the Government transferred only ₹ 0.30 crore to the Fund under Public Account during the year.

1.19 Conclusion

The fiscal position of the State is viewed in terms of key fiscal parameters—Revenue Surplus, Fiscal Deficit and Primary Deficit. During 2018-19, the State had a Revenue Surplus of 0.28 per cent of GSDP and Fiscal Deficit was 2.65 per cent of GSDP against the projection of 3.25 per cent by XIV FC. Revenue Surplus during the year has to be viewed in the light of the fact that expenditure met out of grants-in-aid has been classified under capital head rather than revenue head in violation of government Accounting Standards. The State would have a Revenue Deficit, if the correct accounting procedure is followed.

The State's achievement of key fiscal projections of MTFP showed a mixed bag. While it could not achieve the projections with regard to its own tax revenue, other key parameters like non-tax revenue, outstanding liabilities to GSDP ratio and growth of GSDP significantly improved as compared to the projections made in the MTFP, as the non-tax collection and growth rate of GSDP were higher than the projections and outstanding liabilities to GSDP ratio was lower than the MTFP projection during the year. The outstanding liabilities at the end of 31 March 2019 were ₹ 15,078.81 crore and constituted 29.83 per cent of GSDP, which was within the projection in the MTFPS as well as by XIV FC (34.33 per cent) for the year.

Tax and Non-Tax Receipts of the State were below the projection of XIV FC for the year 2018-19. State's Own Resources constituted only around 18 per cent of the Revenue Receipts during 2018-19 with the Central transfers constituting 82 per cent. Grants-in-Aid from the GoI increased significantly from ₹ 3,830.37 crore in 2017-18 to ₹ 5,003.83 crore in 2018-19 due to transfer of major part of grants for Centrally Sponsored Schemes (CSS) through the State budget rather than direct release to the implementing agencies.

Revenue Expenditure accounted for 89 per cent of Total Expenditure leaving only 11 per cent for creation of assets. Capital Expenditure decreased by 17 per cent during 2018-19 over the previous year and constituted 11 per cent of the Total Expenditure.

Expenditure on Salary and Wages during 2018-19 constituted 40 per cent of Total Expenditure and 45 per cent of Revenue Expenditure. Salary expenditure increased by 9

¹⁵ 1. Agartala Smart City = ₹ 2.00 crore
2. Tripura OBC Cooperative Development Corporation = ₹ 0.10 crore
3. Tripura Minorities Cooperative Development Corporation = ₹ 0.20 crore

per cent during 2018-19 over the previous year due to revision of pay of employees by the State Government.

A significant proportion of Government investment of ₹ 44.77 crore in two PSUs during 2018-19 was spent on payment of salaries and other benefits of the employees of the concerned PSUs rather than on productive assets.

1.20 Recommendations

- i) State Government needs to review the accounting treatment given to the expenditure met out of Grants-in-Aid and take necessary action expeditiously to comply with the Indian Government Accounting Standards, as it affects the transparency of accounting and has a significant impact on the computation of Revenue Surplus/Deficit;
- ii) State Government should undertake a rigorous exercise to analyse the functioning of the PSUs in the State considering that it has not been receiving any return on its investment from any of the PSUs.

