

**CHAPTER I:
OVERVIEW OF STATE FINANCES**

CHAPTER-I

OVERVIEW OF STATE FINANCES

1.1 Profile of the State

Tripura is the third smallest State in the country located in the North Eastern Region of India and shares a border of 856 km with Bangladesh on three sides - South, West and North (*i.e.*, about 84 *per cent* of its total border). It also shares an internal border with Assam (53 Km) and Mizoram (109 Km). The State is spread over a geographical area of 10,486.43 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. Total population of the State in 2021-22 was 41.09 lakh. The decadal (2011-2022) growth rate of population of the State was 10.64 *per cent* which is lower than the all India average of 12.12 *per cent*.

The State has eight districts and one Autonomous District Council. It was designated as a Special Category State (SCS) in 1969 in terms of the Gadgil formula, now NER State which ensured that 90 *per cent* funding for centrally sponsored schemes is received as a grant from the Central Government. The per capita Gross State Domestic Product (GSDP) of the State at current prices was ₹ 1,58,381 (P) in 2021-22 which was lower than all India average of ₹ 1,72,912. General and financial data relating to the State is given in **Appendix 1.1**.

1.1.1 Gross State Domestic Product

Gross State Domestic Product (GSDP) is the value of all 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 the GSDP *vis-à-vis* Gross Domestic Product (GDP) in the country are given in Table 1.1

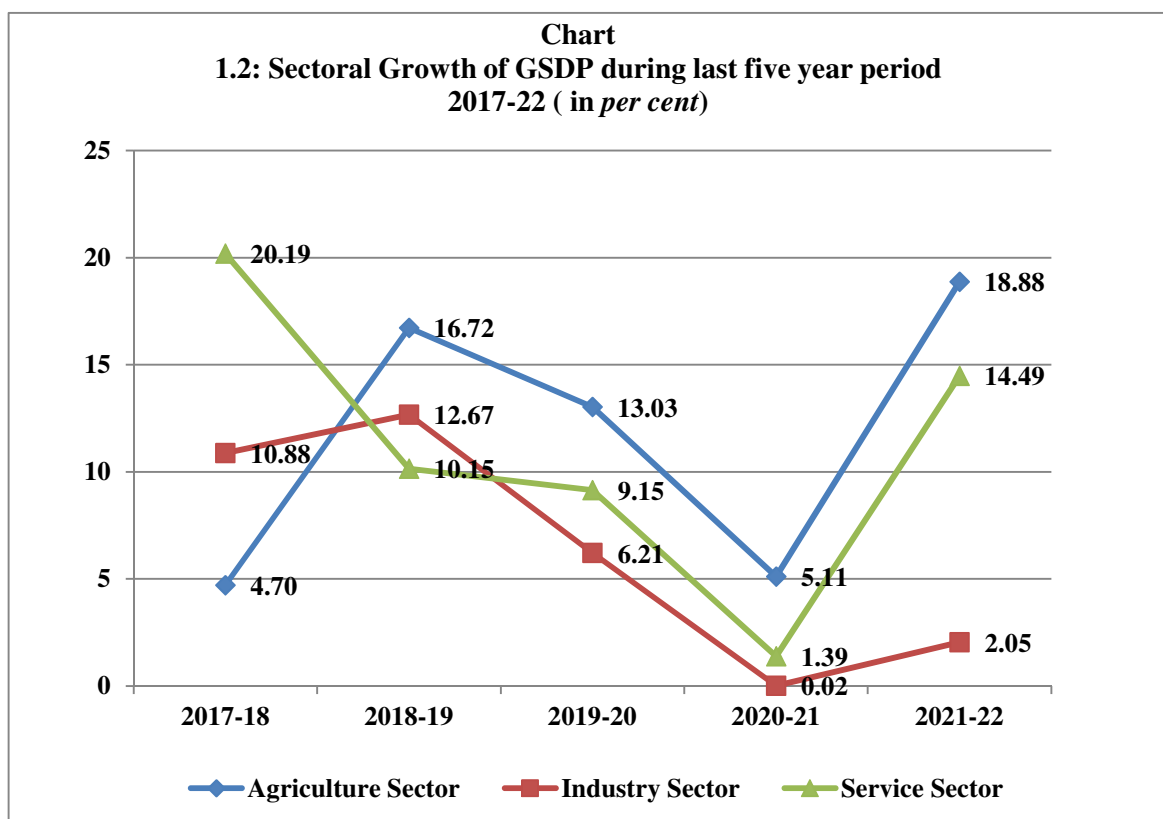
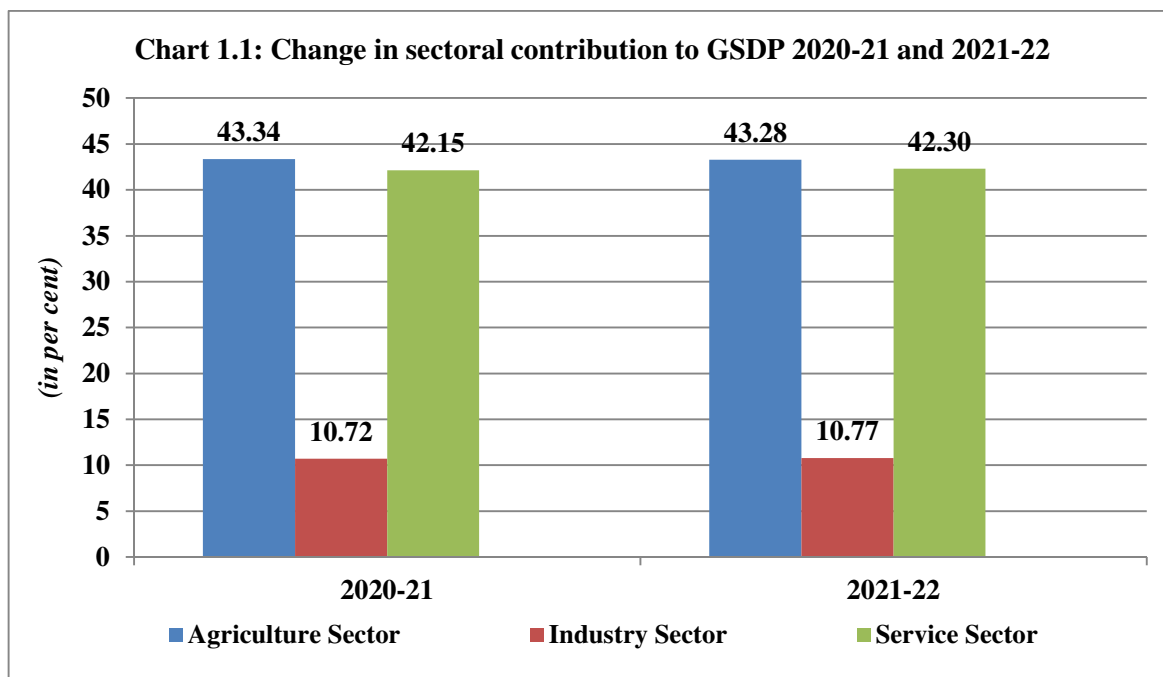
Table 1.1: Trends in GSDP compared to the national GDP

	(₹ in crore)				
Year	2017-18	2018-19	2019-20	2020-21	2021-22
GDP (2011-12 Series)	1,70,90,042.36	1,88,99,668.44	2,00,74,885.79	1,98,00,913.82	2,36,64,636.99
Growth rate of GDP over previous year (in <i>per cent</i>)	11.03	10.59	6.22	(-) 1.36	19.51
GSDP (2011-12 Series)	43,715.80	49,823.32	54,151.12	54,415.12	64,778.08 (P)
Growth rate of GSDP year over year (in <i>per cent</i>) in real terms	10.73	13.97	8.69	0.49	19.04

Source: National Statistical Office, Ministry of Statistics and Programme Implementation.

The GSDP of Tripura grew from ₹ 43,716 crore in 2017-18 to ₹ 64,778 crore (P) in 2021-22. However, there was increase in the growth rate of 19.04 *per cent* against all India GDP growth of 19.51 *per cent* in 2021-22. The CAGR of GSDP was 11.81 *per cent* against the all India average of 8.86 *per cent* during 2021-22.

Changes in sectoral contribution to the GSDP is also important to understand the changing structure of the State’s economy. The economic activity is generally divided into Primary, Secondary and Tertiary sectors, which corresponds to the Agriculture, Industry and Service sectors. The status of changing structure of economy during the year 2021-22 as compared to 2020-21 as well as last five year are shown in **Chart 1.1** and **Chart 1.2** respectively.



Source: Directorate of Economics and Statistics, Government of Tripura

Chart 1.1 shows that during 2021-22, the percentage of contribution to GSDP of the Industry and Service Sectors slightly increased as compared to the previous year. The growth rate of contribution of both Agriculture and Service Sectors of GSDP had increased substantially during 2021-22 as compared to 2020-21 as can be seen in **Chart 1.2**.

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) is prepared and submitted to the Governor of the State under Article 151 (2) of the Constitution of India.

Accountant General (Accounts & Entitlements) 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 functioning under the control of the State Government who are responsible for keeping such accounts, as also the statements received from the Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit), and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this Report. Other sources include the following:

- Budget of the State-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;
- Results of audit carried out by the Office of the Principal Accountant General (Audit);
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP data and other State related statistics; and
- Various Audit Reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the XIV and XV Finance Commissions (FCs), State Financial Responsibility and Budget Management (FRBM) Act, best practices and guidelines of the Government of India. A joint meeting was held with State Finance Department on 24 August 2022, wherein the shortcomings noticed during preparation of the Annual Accounts of the State Government for the year 2021-22 and as also pointed out by Audit were discussed. The draft Report was forwarded (25 October 2022) to the State Government for comments. ***An Exit Conference was also held with the Finance Department on 6 December 2022 on the draft State Finances Audit Report for the year 2021-22.*** Replies of the Government, wherever received, are suitably incorporated in this Report at appropriate places.

1.3 Report Structure

The SFAR is structured into the following four Chapters:

Chapter - I	Overview of State Finances This Chapter describes the basis and approach to the Report and the underlying data. It also provides an overview of the structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/ surplus.
Chapter - II	Finances of the State This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2017-18 to 2021-22, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
Chapter - III	Budgetary Management This Chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
Chapter - IV	Quality of Accounts and Financial Reporting Practices This Chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

1.4 Overview of the Government Account Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

1. Consolidated Fund of the State {Article 266(1) of the Constitution of India}

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, *etc.*), Ways and Means Advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.*, salaries of Constitutional authorities, loan repayments, *etc.*), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

2. Contingency Fund of the State {Article 267(2) of the Constitution of India}

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made

for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

3. Public Account of the State {Article 266 (2) of the Constitution}

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayable *like* Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to vote of the Legislature.

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditure of the government in respect of every financial year. This ‘Annual Financial Statement’ constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditure.

Revenue receipts consists of own Tax Revenue, non-Tax revenue, share of Union Taxes/Duties, and grants from Government of India.

Revenue expenditure consists of all those expenditure of the government, which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

The **Capital receipts** consist of:

- **Debt receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, *etc.*;
- **Non-debt receipts:** Proceeds from disinvestment, Recoveries of loans and advances;

Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the Government to State Public Sector Enterprises (SPSEs) and other parties.

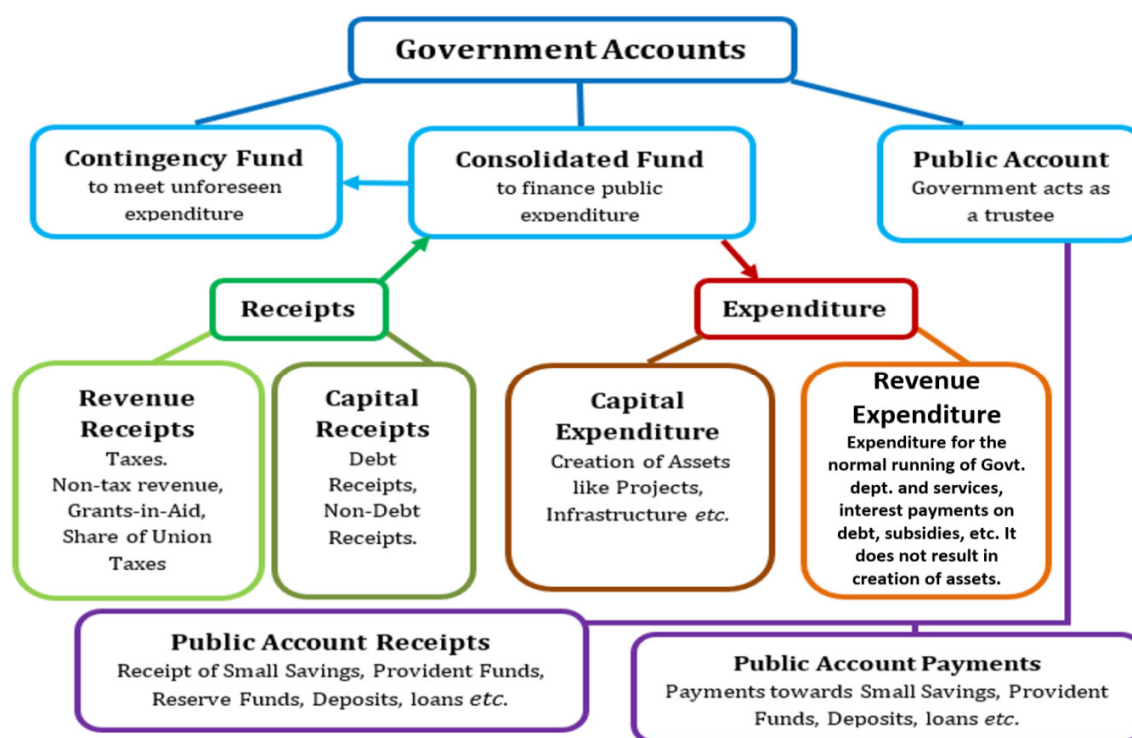
At present, we have an accounting classification system in government that is both functional and economic.

	Attribute of transaction	Classification
Standardised in List of Major and Minor Heads by CGA	Function- Education, Health, <i>etc.</i> / Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)

	Attribute of transaction	Classification
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head-salary, minor works, etc. (2-digit)

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organise these payments as revenue, capital, debt, etc. Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, etc. Economic classification is also achieved by an inherent definition and distribution of few object heads. For instance, generally “salary” object head is revenue expenditure, “construction” object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

Chart 1.3: Structure of Government Accounts



Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year, in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. Some States have more than one consolidated Budget – there could be sub-budgets like Child Budget, Agriculture Budget, Weaker sections (SC/ST) Budget, Disability Budget, Outcome budget, etc.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter-III** of this Report.

1.4.1 Summarised position of the State Finances

Table 1.2 provides the details of actual financial results *vis-à-vis* Budget Estimates for the year 2021-22 *vis-à-vis* actual of 2021-22 as compared to 2020-21.

Table 1.2: Comparison with Budget Estimates and Actuals

(₹ in crore)

Sl. No.	Components	2020-21 (Actuals)	2021-22 (Budget Estimates)	2021-22 (Actuals)	Percent-age of Actuals to BEs	Percentage of Actuals to GSDP
A	Tax Revenue	6,550.89	7,075.00	8,693.83	122.88	13.42
i)	Own Tax Revenue	2,332.44	2,412.00	2,616.31	108.47	4.04
ii)	Share of Union taxes/duties	4,218.45	4,663.00	6,077.52	130.33	9.38
B	Non-Tax Revenue	285.49	349.00	274.11	78.54	0.42
C	Grants-in-aid and Contributions	6,456.02	10,932.09	8,646.01	79.09	13.35
1.	Revenue Receipts (A+B+C)	13,292.40	18,356.09	17,613.95	95.96	27.19
2.	Recovery of Loans and Advances	1.25	1.00	0.87	87.00	0.001
3.	Borrowings and other Liabilities ¹	4,605.87	3,493.98	1,659.42 ²	47.49	2.56
4.	Capital Receipts (2+3)	4,607.12	3,494.98	1,660.29	47.50	2.56
5.	Total Receipts (1+4)	17,899.52	21,851.07	19,274.24	88.21	29.75
6.	Revenue Expenditure	14,367.82	20,073.24	16,125.24	80.33	24.89
7.	Interest payments	1284.81	1,373.60	1,398.16	24.56	2.16
8.	Capital Expenditure	832.08	1,977.43	1,368.95	69.23	2.11
9.	Loan and advances	2.89	6.35	54.08	851.65	0.08
10.	Total Expenditure (6+8+9)	15,202.79	22,057.02	17,548.27	79.56	27.09
11.	Revenue Deficit (-)/ Surplus(+) (1-6)	(-)1,075.42	(-)1,717.15	1,488.71	-	2.30
12.	Fiscal Deficit {10-(1+2)}	(-)1,909.14	(-)3,680.42	66.55	-	0.10
13.	Primary Deficit (12-7)	(-) 624.33	(-)2,306.82	1,464.71	-	2.26

¹ Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund +Net (Receipts - Disbursements) of Public Account liabilities + Net of Opening and Closing Cash Balance.

² Includes back to back loan of ₹ 401.37 crore given by the GoI during 2021-22 in lieu of compensation of GST without any repayment obligations.

1.4.2 Assets and liabilities of the State Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Table 1.3** shows the Assets and liabilities of the State at the end of 31 March 2022 as compared to the end of 31 March 2021.

Table 1.3: Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
	2020-21	2021-22	Per cent increase		2020-21	2021-22	Per cent increase		
Consolidated Fund									
A	Internal Debt	12,639.64	12,537.03	(-)0.81	A	Gross Capital Outlay	29,576.51	30,945.46	4.63
B	Loans and Advances from GoI	679.52	1,172.88 ³	72.60	B	Loans and Advances	198.17	251.38	26.85
Contingency Fund		10.00	10.00	0.00					
Public Account									
A	Small Savings, Provident Funds, etc.	5,807.92	6,110.71	5.21	A	Advances	0.07	2.33	3228.57
B	Deposits	1,404.48	1,212.41	(-) 13.68	B	Remittance	393.14	418.76	6.52
C	Reserve Funds	949.00	1,398.74	47.39	C	Suspense and Miscellaneous	113.84	93.62	(-) 17.76
D	Remittances	-	-	-	Cash balance (including investment in Earmarked Fund)		2,414.51	3,424.61	41.83
		21,490.57	22,441.77	4.43	Total		32,696.24	35,136.16	7.46
		11,205.67	12,694.39	13.29	Cumulative Excess of receipt over Expenditure		-	-	-
Total		32,696.24	35,136.16	7.46			32,696.24	35,136.16	7.46

Source: Finance Accounts

During 2021-22, the total liabilities of the State Government increased by 4.43 per cent as compared to the previous year mainly due to increase in Small Savings, Provident Funds by ₹ 302.79 crore (5.21 per cent), Loans and Advances from GoI by ₹ 493.36 crore (72.60 per cent) (Including back to back loan of ₹ 627.37 crore given by the GoI in lieu of

³ Includes back to back loan of ₹ 627.37 crore given by the GoI during 2020-21 and 2021-22 in lieu of compensation of GST without any repayment obligations.

compensation of GST without any repayment obligations) and Reserve Funds by ₹ 449.74 crore (47.39 per cent) during the year.

On the other hand, the Assets of the State Government increased by ₹ 2,439.92 crore (7.46 per cent) during 2021-22 as compared to previous year mainly due to increase in Gross Capital assets by ₹ 1,368.95 crore (4.63 per cent) and increase in cash balances including investment by ₹ 1,010.10 crore (41.83 per cent) offset by decrease of ₹ 20.22 crore (17.76 per cent) in Suspense and Miscellaneous balances during the year.

1.5 Fiscal Balance: Achievement of deficit and total debt targets

When a government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture government deficit.

<p>Revenue Surplus (Revenue Expenditure – Revenue Receipts)</p>	<p>Deficit/</p>	<p><i>Refers to the difference between revenue expenditure and revenue receipts.</i></p> <ul style="list-style-type: none"> • When the government incurs a revenue deficit, it implies that the government is dis-saving and is using up the savings of the other sectors of the economy to finance a part of its consumption expenditure. • Existence of revenue deficit is a cause of concern as revenue receipts were not able to meet even revenue expenditure. Moreover, part of capital receipts was utilised to meet revenue expenditure, reducing availability of capital resources to that extent for creation of capital assets. • This situation means that the government will have to borrow not only to finance its investment but also its consumption requirements. This leads to a build-up of stock of debt and interest liabilities and forces the government, eventually, to cut expenditure. • If major part of revenue expenditure is committed expenditure (interest liabilities, salaries, pensions), the government reduces productive expenditure or welfare expenditure. This would mean lower growth and adverse welfare implications. • <i>During 2021-22, the State Government had Revenue Surplus of ₹ 1,488.71 crore.</i>
<p>Fiscal Surplus (Total expenditure – (Revenue receipts + Non-debt capital receipts))</p>	<p>Deficit/</p>	<p><i>It is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the total expenditure. Fiscal Deficit (FD) is reflective of the total borrowing requirements of Government.</i></p> <ul style="list-style-type: none"> • Fiscal deficit is the difference between the government’s total expenditure and its total receipts excluding borrowing. • Non-debt capital receipts are those receipts, which are not borrowings, and, therefore, do not give rise to debt. Examples are recovery of loans and the proceeds from the sale of SPSEs.

	<ul style="list-style-type: none"> The fiscal deficit will have to be financed through borrowing. Thus, it indicates the total borrowing requirements of the government from all sources. <p>Governments usually run fiscal deficits and borrow funds for capital/ assets formation or for creation of economic and social infrastructure, so that assets created through borrowings could pay for themselves by generating an income stream. Thus, it is desirable to fully utilise borrowed funds for the creation of capital assets and to use revenue receipts for the repayment of principal and interest.</p> <p><i>During 2021-22, the State Government had witnessed a Fiscal Surplus of ₹ 66.55 crore.</i></p>
<p>Primary Deficit/ (Gross fiscal deficit – Net Interest liabilities)</p>	<p><i>Refers to the fiscal deficit minus the interest payments.</i></p> <p>Net interest liabilities consist of interest payments minus interest receipts by the government on net domestic lending.</p> <p>The borrowing requirement of the government includes interest obligations on accumulated debt. To obtain an estimate of borrowing because of current expenditures exceeding revenues, we need to calculate the primary deficit.</p> <p><i>During 2021-22, however, the State Government had Primary surplus of ₹ 1,464.71 crore.</i></p>

The State Government has passed Tripura Fiscal Responsibility and Budget Management Act (FRBM), 2005 with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/ outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium term framework. In this context, the Act provides quantitative targets to be adhered by the State with regard to deficit measures and debt level. **It is noticed that the State achieved surplus in all the three deficits.**

As per amendment (Fifth Amendment) to the Tripura FRBM Act, 2005 in 2022, the State Government fixed/Projected some Fiscal variables for the year 2021-22 onwards for improvement of debt arrangement and improving transparency in a medium term frameworks as detailed in **Table 1.4.**

Table 1.4: Compliance with provisions of State FRBM Act 2005

Fiscal Parameters	Fiscal targets set in the Act for 2021-22	Achievement (₹ in crore)				
		2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Deficit (-)/ Surplus (+) (₹ in crore)	(-) 1.01 per cent of GSDP for 2021-22	(-) 289.27	141.69	(-) 2,375.32	(-) 1,075.42	1,488.71
		X	✓	X	X	✓
Fiscal Deficit (-)/ Surplus (+) (as percentage of GSDP)	(-) 4.5 per cent	(-) 4.74	(-)2.69	(-) 6.02	(-) 3.51	0.10
		X	✓	X	✓	✓

Fiscal Parameters	Fiscal targets set in the Act for 2021-22	Achievement (₹ in crore)				
		2017-18	2018-19	2019-20	2020-21	2021-22
Ratio of total outstanding liabilities to GSDP (in per cent)	34.71 per cent for 2021-22	29.51	29.66	32.96	38.26	32.58 ⁴
		✓	✓	✓	✗	✓

As seen from **Table 1.4**, during 2021-22 the State witnessed revenue surplus of ₹ 1,488.71 crore which was 2.30 per cent of GSDP during the year against the target of 1.01 per cent deficit of GSDP. Revenue deficit of ₹ 1,075.42 crore during 2020-21 turned to Revenue surplus of ₹ 1,488.71 crore during 2021-22 in the State. Fiscal Deficit target as percentage to GSDP was fixed as 4.5 per cent for 2021-22 as per FRBM (Fifth Amendment) Act, 2022, in view of the upper limit of use the full borrowing space available. The State met this target as there was Fiscal surplus of ₹ 66.55 crore (0.10 per cent of GSDP) during the year. The State had also achieved the target set in the MTFP Statement under FRBM Act in respect of outstanding liabilities to GSDP for the year 2021-22, as it was 32.58 per cent (excluding the back to back loan) against the target of 34.71 per cent for the year.

The projection and actuals receipts of various components of Revenue Receipts for the year 2021-22 against the Medium Term Fiscal Priority (MTFP) are shown in **Table 1.5**.

Table 1.5: Actuals vis-à-vis projection in MTFP for 2021-22

(₹ in crore)

Sl. No.	Fiscal Variables	Projection as per MTFP(RE)	Actuals (2021-22)	Variation of actuals to projection (in per cent)
1.	Tax Revenue	8,501.92	8,693.83	2.26
	Own Tax Revenue	2,538.14	2,616.31	3.08
	(ii)Share of Central Taxes	5,963.78	6,077.52	1.91
2.	Non-Tax Revenue	350.79	274.11	(-)21.86
3.	Grants -in-aid from GoI	10,807.21	8,646.01	(-)20.00
4.	Revenue Receipts (1+2+3)	19,659.92	17,613.95	(-)10.41
5.	Revenue Expenditure	20,354.55	16,125.24	(-) 20.78
6.	Revenue Deficit (-)/ Surplus (+) (5-6)	(-)694.63	1,488.71	*
7.	Fiscal Deficit (-)/ Surplus (+)	(-)2,663.34	66.55	*
8.	Outstanding liabilities to GSDP ratio (per cent)	34.71	32.58 ⁵	*
9.	GSDP growth rate at current prices (per cent)	16.45	19.04	2.59

*Not applicable

⁴ Excludes back to back loan of ₹ 627.37 crore from total outstanding liabilities of ₹ 21,732.32 crore, given by the GoI during 2020-21 and 2021-22 in lieu of compensation of GST without any repayment obligations.

⁵ Calculated on the outstanding liabilities excluding back to back loan of ₹ 627.37 crore received from GoI during 2020-21 and 2021-22, in lieu of compensation of GST without any repayment obligation.

Chart 1.4 shows the trends of surplus/deficits during last five years.

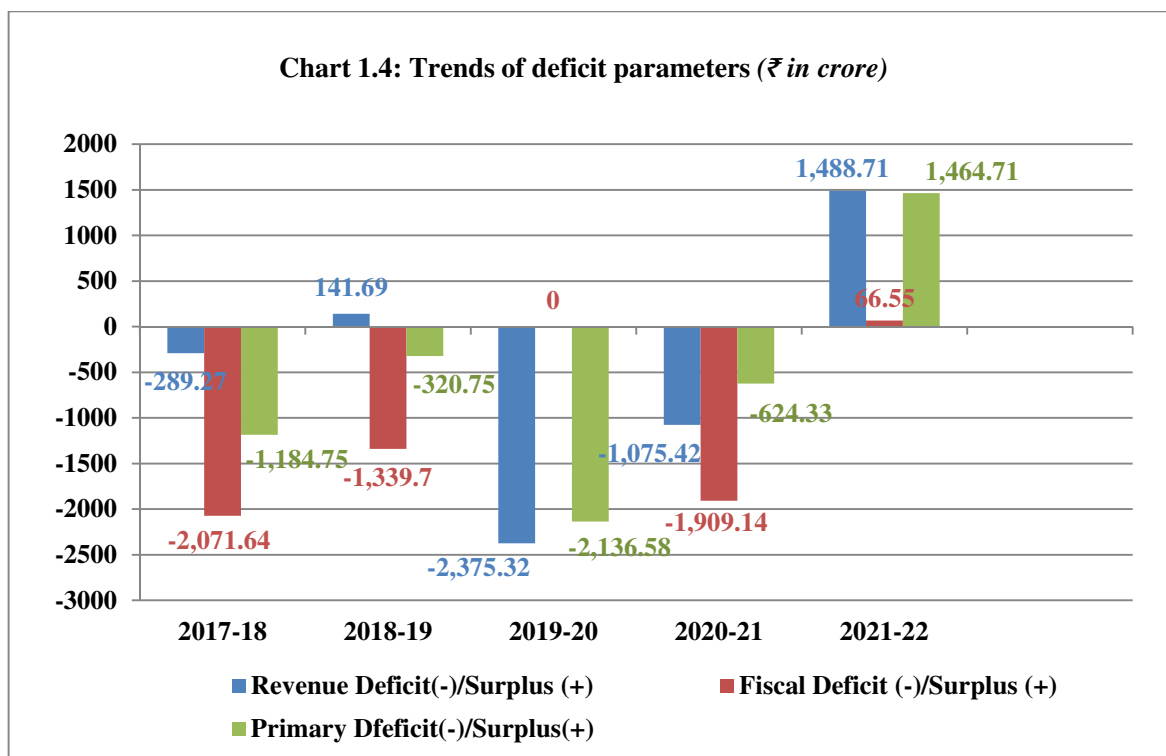


Chart 1.5 shows the trends of surplus/deficit relative to GSDP (in per cent) during last five years.

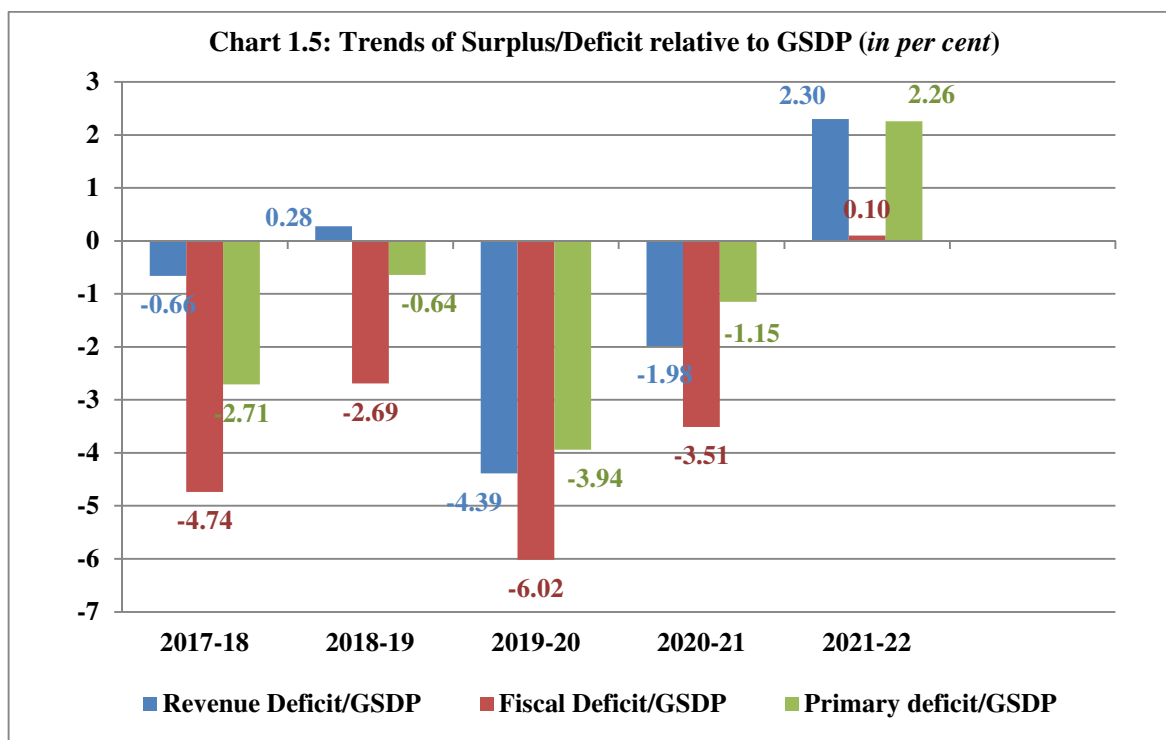
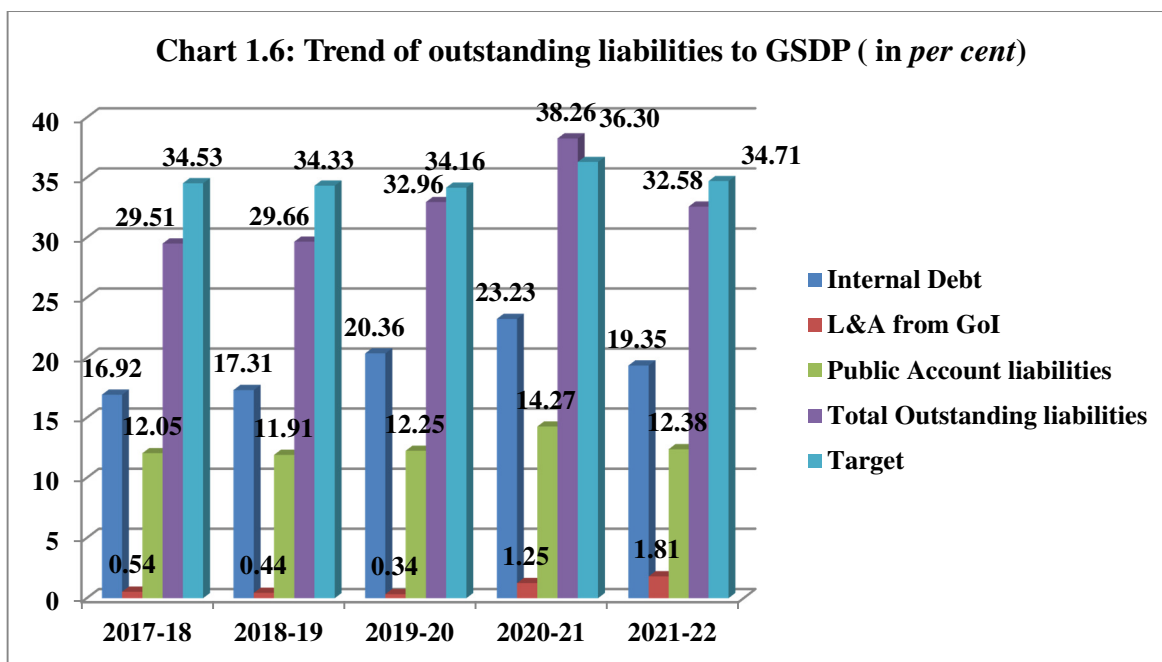


Chart 1.6 shows the trend of outstanding liabilities to GSDP (in per cent) during last five years with Target fixed by the State.



1.6 Deficits and Total Debt after examination in audit

In order to present better picture of State Finances, there is a tendency to classify revenue expenditure as capital expenditure and to conduct off budget fiscal operations.

1.6.1 Post audit - Deficits

Misclassification of revenue expenditure as capital and off budget fiscal operations impacts deficit/surplus figures. Besides, deferment of clear liabilities, non-deposit of cess/royalty to Consolidated Fund, short contribution to National Pension System (NPS), sinking and redemption funds, *etc.* also impact the revenue and fiscal deficit figures. The impact on Revenue surplus/Fiscal Deficit due to misclassification non-discharge of interest liabilities is shown in **Table 1.6**.

Table 1.6: Revenue and Fiscal Deficit, post examination by Audit

Particulars	Impact on Revenue Surplus {Understated (-)/ overstated(+)} (₹ in crore)	Impact on Fiscal surplus (overstated) (₹ in crore)	Para Reference
Grants-in-Aid booked under Capital section instead of Revenue	494.99	Nil	2.4.3.1
Non discharge of Interest liabilities	16.70	16.70	2.5.2.2(a) and 2.5.2.2(b)
Non-transferred of fund to Deposits	16.22	16.22	2.5.2.3
Total	527.91	32.92	

Source: Finance Accounts and audit analysis

As seen from **Table 1.6**, the State Government had incurred ₹ 494.99 crore as grants-in-aid under capital account instead of revenue account in 2021-22. Further, the State Government had not transferred ₹ 16.22 crore to the Deposits under Public Account during 2021-22. Further, the State had not discharged interest liabilities of ₹ 16.70 crore to the

State Disaster Response Fund/Reserve Funds during the year which overstatement of the fiscal surplus during 2021-22 to that extent. As a result, there was overstatement of ₹ 527.91 crore in revenue surplus and Fiscal surplus of ₹ 32.92 crore during the year 2021-22.

The State Government should ensure proper classification of booking of expenditure and discharging of committed liabilities as mandated to avoid accumulating liabilities for future.

1.6.2 Total outstanding liabilities

The outstanding liabilities of the State as on 31 March 2022 were as under:

Table 1.7: Outstanding liabilities of the State as on 31 March 2022

Liabilities upon the Consolidated Fund (Public Debt)	Internal Debt: ₹ 12,537.04 crore
	<ul style="list-style-type: none"> ➤ Market Loans bearing interest: ₹ 10,733.83 crore ➤ Market Loans not bearing interest: ₹ 0.01 crore ➤ Loans from Life Insurance Corporation: ₹ 10.82 crore ➤ Loans from other Institutions, <i>etc.</i>: ₹ 955.97 crore ➤ Special Securities issued to the National Small Saving Fund of the Central Government: ₹ 836.41 crore
Liabilities upon Public Account	Loans and Advances from Central Government: ₹ 1,172.88 crore
	<ul style="list-style-type: none"> ➤ Non-plan Loans: ₹ 1.90 crore ➤ Loans for State Plan Schemes: ₹ 89.63 crore ➤ Loans for Centrally Sponsored Plan Schemes: ₹ 12.37 crore ➤ Other loans including Block loans: ₹ 1,068.98 crore⁶
Borrowings by State Public Sector Companies, corporations and other bodies	Small Savings, Provident Funds, <i>etc.</i> : ₹ 6,110.71 crore
	Deposits: ₹ 1,212.41 crore
	Reserve Funds: ₹ 699.39 crore
	Suspense & Misc. Balances: Nil
Borrowing by SPVs and other equivalent instruments	Remittance balance: Nil
	Nil

1.7 Conclusion

The fiscal position of the State is viewed in terms of three key fiscal parameters – Revenue Deficit/ Surplus, Fiscal Deficit/ Surplus and the ratio of Outstanding Debt to GSDP.

⁶ Includes back to back loan of ₹ 627.37 crore given by the GoI during 2020-21 and 2021-22 in lieu of compensation of GST without any repayment obligations.

The GSDP of Tripura grew by 19.04 *per cent* from ₹ 54,415 crore in 2020-21 to ₹ 64,778 crore in 2021-22.

Against a Revenue Deficit of ₹ 1,075.42 crore during 2020-21, the State had achieved the Revenue Surplus of ₹ 1,488.71 crore during 2021-22.

The State was successful in containing the Fiscal Deficit below the target as per Tripura State Fiscal Responsibility and Budget Management (FRBM) Act, 2005 of GSDP in three out of the last five years. During the current year i.e., 2021-22, the State had Fiscal surplus of ₹ 66.55 crore which was 0.10 *per cent* of GSDP during the year.

During the five-year period 2017-22, outstanding debt of the State remained within the norms prescribed in the State FRBM Act. During 2021-22 the outstanding liabilities increased by ₹ 649.32 crore (3.08 *per cent*) from ₹ 21,083.10 crore in 2020-21 to ₹ 21,732.42 crore in 2021-22 including Back to Back loan given by the GoI in lieu of GST compensation.

During the year, Revenue Surplus was overstated by ₹ 527.91 crore due to misclassification of Grants-in-Aid under Capital Section instead of Revenue Section including non-discharging of interest liabilities to the Reserve Funds of ₹ 16.70 crore by the State Government as observed in Audit.

1.8 Recommendations

- The State Government may book grants-in-aid as revenue expenditure to present correct financial position of the State.
- The Government should discharge the interest liabilities in time.

