Preface

This Report has been prepared for submission to the Governor of Manipur under Article 151 of the Constitution.

The State Finances Audit Report of the Government of Manipur intends to assess the financial performance of the State during the financial year 2024-25 and to provide the State Legislature with inputs, based on audit analysis of financial data. The Report contains three Chapters.

Chapter I – Overview of the Finances of the State

This Chapter describes the basis and approach to the Report and provides a broad perspective of the finances of the State. It includes a macro-fiscal analysis of key indices and State's fiscal position including deficits/ surplus, debt profile and key Public Account transactions.

Chapter II – 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 III – 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 departments of the State Government.

The Report containing the findings of performance audit, audit of transactions in various departments and observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Report containing observations on the Revenue Receipts are presented separately.

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 Accountant General (Accounts and Entitlements) compiles the annual Finance Accounts and Appropriation Accounts of the State based on vouchers, challans, and initial and subsidiary accounts submitted by treasuries, offices, and departments under the control of the State Government, as well as statements received from the Reserve Bank of India. These accounts are independently audited by the Accountant General (Audit) and certified by the Comptroller and Auditor General of India.

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 Accountant General (Audit).
- Other data with departmental authorities and treasuries (accounting as well as MIS).
- GSDP data and other State related statistics.
- State's Fiscal Responsibility and Budget Management (FRBM) Act.
- Finance Commission recommendations.
- Various audit reports of the CAG of India.
- best practices and guidelines of the Government of India (GoI).

An Exit meeting was held with Special Secretary, Finance Department on 30 January 2026 wherein Audit findings were discussed. The responses of the Government have been incorporated in the Report appropriately.

Structure of the Government Account

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)

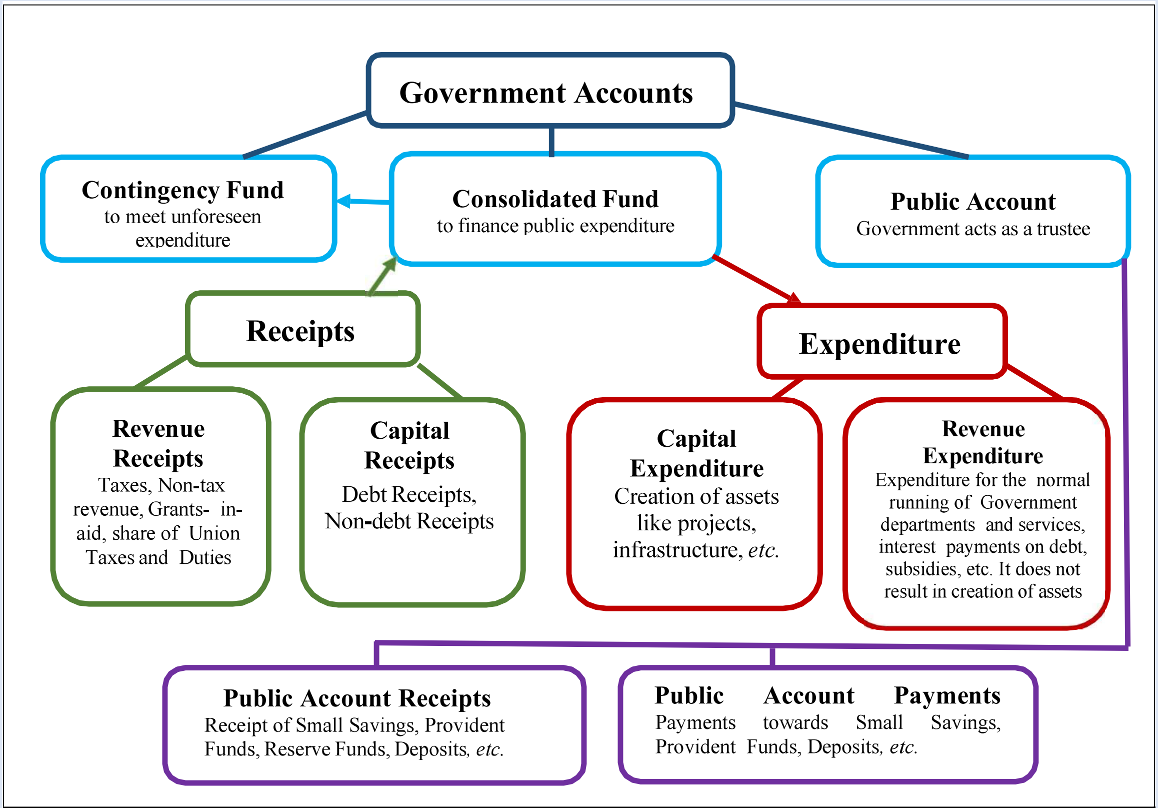
This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, *etc.*), Ways and Means advances extended by 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 Accounts 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 repayables 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 the vote of the Legislature.



Executive Summary

EXECUTIVE SUMMARY

This Report on the finances of the State of Manipur provides an independent assessment of the fiscal position of Manipur for FY 2024-25. It analyses the State's overall financial health and reviews its revenue and expenditure trends, assesses the State's debt position and borrowing patterns, evaluates its compliance with fiscal responsibility laws and compares its performance against fiscal health indicators.

Manipur's economy showed moderate growth during the FY 2024-25, with Gross State Domestic Product (GSDP) registering growth of 15.85 *per cent* as against the previous financial year. The State contributed 0.15 *per cent* to Gross Domestic Product (GDP) of India. This contribution had increased over the last three years, which is a healthy sign for the State. We observed that the revenue receipts of the State grew by 14.07 *per cent*, driven by higher tax collections, notably Sales Tax, and increased central tax devolution. The growth in non-tax revenue (127 *per cent*) was also substantial, along with the increase in Grants-in-Aid. The State's own revenue performance improved, but dependence on Central Grants-in-Aid remains substantial.

Expenditure of the state was dominated by higher growth of revenue spending (83.01 *per cent*), particularly committed costs and subsidies (68.19 *per cent* of Revenue Expenditure, 56.61 *per cent* of Total Expenditure and 68.19 *per cent* of Revenue Receipts), leaving limited fiscal space for capital investment. Capital expenditure remained volatile and below budgeted levels, reflecting constraints in infrastructure investment. Subsidies decreased marginally, mainly due to decrease in power subsidies. The State was able to generate a revenue surplus. However, the State could not arrest the fiscal deficit within the target levels of the State FRBM Act, thereby rendering little room for fiscal consolidation. Outstanding liabilities/ GSDP ratio exceeded the numerical projections set by the XV Finance Commission. Besides, the state government also carried forward significant undischarged liabilities in respect of State Disaster Response Fund (SDRF), interest liabilities, Central Road and Infrastructure Fund (CRIF), non-transfer of labour cess, off-budget borrowings *etc.*, to the tune of ₹403.60 crore and 2.14 *per cent* of Total Expenditure in the FY 2024-25.

Audit, through its various reports have already highlighted the increased efforts to be taken by the state in realising the arrears in tax revenue, reducing the compliance risks in the taxations, recycling the capital investments made in the SPSEs and rationalising the expenditure in tune with revenue growth.

The fiscal year also continued to witness large-scale savings and excess in revenue/ capital, charged and voted sections of 25 grants and one appropriation. Excess expenditure in the financial year 2024-25 requires regularisation by the legislature. Concerns also arise from delays in submission of utilisation certificates, some of which are from 2003-04 and pending proforma accounts for departmental undertakings and autonomous bodies. Resorting to off-budget borrowings hampered the maintenance of universality and unity in the budget.

The report notes positive steps like the implementation of the Single Nodal Agency (SNA) for better fund tracking in centrally sponsored schemes. However, full migration from SNA to SNA SPARSH systems is pending.

The increasing debt load, high committed expenditure, and limited capital investment raise concerns about fiscal sustainability. There's a need for revenue augmentation, better expenditure control, and structural reforms to ensure long-term fiscal health. Transparency should be enhanced in off-budget borrowings, ensuring timely accounting and reporting. Steps should be taken for more judicious budget provisioning.