CHAPTER I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

This chapter discusses the financial position of the State Government, based on the analysis of the information contained in the Finance Accounts. The analysis is based on the trends in the receipts and expenditure, the quality of expenditure and the financial management of the State Government. In addition, the chapter also contains a section on the analysis of indicators of financial performance of the Government, based on certain ratios and indices developed on the basis of the information contained in the Finance Accounts and other information furnished by the State Government. Some of the terms used in this chapter are described in the *Appendix I*.

1.2 Financial position of the State

In the Government accounting system comprehensive accounting of the fixed assets like land and buildings *etc.*, owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. Following table gives an abstract of such liabilities and the assets as on 31 March 2002, compared with the corresponding position on 31 March 2001. While the liabilities in this statement consists mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. It would be seen from the table that while the liabilities grew by 5 *per cent*, the assets decreased by 2 *per cent* during 2001-02. This shows an overall deterioration in the financial condition of the Government.

Table No. 1.1
SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF MANIPUR AS ON 31 MARCH 2002

(Rupees in crore)

As on 31.03.2001	Liabilities		As on 31.03.2002
	Internal Debt —		963.66
244.94	Market Loans bearing interest	290.14	
0.04	Market Loans not bearing interest	0.04	
8.67	Loans from LIC and GIC	8.50	
123.71	Loans from other Institutions	124.72	
41.83	Ways and Means Advances	42.40	
400.50	Overdrafts from Reserve Bank of India	497.86	
	Loans and Advances from Central Government —		460.35
25.60	Pre 1984-85 Loans	23.73	
94.36	Non-Plan Loans	91.57	
277.58	Loans for State Plan Schemes	325.24	
4.05	Loans for Central Plan Schemes	3.92	
8.54	Loans for Centrally Sponsored Plan Schemes	9.55	
4.35	Loans for Special Plan Schemes	4.02	
134.16	Ways and Means advances	2.32	
559.10	Small Savings, Provident Funds, *etc*.		600.40
151.33	Deposits		159.23
13.89	Reserve Funds		13.89
952.65	Surplus on Government Account		791.47
3045.30	**Total**		**2989.00**
	Assets		
	Gross Capital Outlay on Fixed Assets —		3031.98
115.75	Investments in shares of Companies, Corporations, *etc*.	107.57	
2740.77	Other Capital Outlay	2924.41	
	Loans and Advances —		54.96
46.26	Other Development Loans	49.97	
5.03	Loans to Government servants and Miscellaneous loans	4.99	
2.22	Advances		2.22
(-)169.47	Suspense and Miscellaneous Balances		40.58
58.61	Remittances		18.35
246.13	Cash —		(-)159.09
3.66	Cash in Treasuries	4.60	
115.56	Deposits with Reserve Bank	(-)223.50	
16.18	Departmental Cash Balance	8.28	
0.02	Permanent Advance	0.02	
106.18	Remittance on transit	47.06	
4.53	Cash Balance Investments	4.45	
3045.30	**Total**		**2989.00**

(Source: Finance Accounts)

Explanatory Notes

1. The abridged accounts in the above table have to be read with comments and explanations in the Finance Accounts.

2. Government accounts being mainly on cash basis, the deficit on Government accounts, as shown in the above table indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items

payable or receivable or items like depreciation or variation in stock figures test-checked do not figure in the accounts.

3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlement *etc*.

1.3 Sources and applications of funds

1.3.1 The following table gives the position of sources and applications of funds during the current and the preceding year. The main sources of funds include the revenue receipts of the Government, recoveries of loans and advances, public debt and the receipts in the Public Account. These are applied mainly on revenue and capital expenditure and lending for development purposes.

Table No. 1.2

(Rupees in crore)

2000-01		Sources		2001-02
1044.62	1.	Revenue receipts		1176.78
0.52	2.	Recoveries of Loans and Advances		0.47
191.86	3.	Increase in Public Debt		(-)41.68
	4.	Net receipts from Public Account		(-)120.59
91.43		Increase in Small Savings	41.30	
(-)13.19		Net effect of Deposits and Advances	7.90	
0.38		Increase in Reserve Funds	—	
115.65		Net effect of Suspense and Miscellaneous transactions	(-)210.05	
76.88		Net effect of Remittance transactions	40.26	
123.66	5.	Overdraft from the Reserve Bank of India		97.36
	6.	Decrease in closing cash balance		405.22
1631.81		**Total**		**1517.56**
		Applications		
1123.44	1.	Revenue expenditure		1337.96
0.82	2.	Lending for development and other purposes		4.14
147.49	3.	Capital expenditure		175.46
360.06	4.	Increase in closing cash balance		—
1631.81		**Total**		**1517.56**

(Source: Finance Accounts)

1.3.2. It would be seen that revenue receipts constitute the most significant source of funds for the State Government. Their relative share went up from 64.01 *per cent* in 2000-01 to 77.54 *per cent* in 2001-02. The receipts from public debt went down from Rs.191.86 crore to (-)Rs.41.68 crore. Against net receipt of Rs.271.15 crore from Public Account during 2000-01, there was minus receipt of Rs.120.59 crore in 2001-02. This was mainly due to decrease in small savings and adverse effect of suspense and miscellaneous transactions during the year.

1.3.3 The funds were mainly applied for revenue expenditure and capital expenditure. The percentage of its application to revenue expenditure and capital expenditure during 2000-01 went up from 77.88 to 99.73 *per cent* and lending for development purposes from 0.05 to 0.27 *per cent* as compared to the previous year.

1.4 Financial operations of the State Government

1.4.1 Table No.1.3 gives the details of the receipts and disbursements made by the State Government. Revenue receipts (Rs.1176.78 crore) during the year were less than the revenue expenditure (Rs.1337.96 crore) resulting in revenue deficit of Rs.161.18 crore. The revenue receipts comprised tax revenue (Rs.51.01 crore), non-tax revenue (Rs.28.73 crore), State's share of Union taxes and duties (Rs.142.14 crore) and grants-in-aid from the Central Government (Rs.954.90 crore). The main sources of tax revenue were sales tax (58 *per cent)*. Non-tax revenue came mainly from Economic Services (74 *per cent*).

1.4.2 Against receipts of Rs.0.47 crore from recoveries of loans and advances and Rs.655.18 crore from public debt, the expenditure was Rs.175.46 crore on capital outlay, Rs.4.14 crore on disbursement of loans and advances and Rs.599.50 crore on repayment of public debt. The receipts in the Public Account amounted to Rs.127.26 crore, against which disbursements of Rs.247.84 crore were made. The State Government resorted to overdraft from the Reserve Bank of India and the closing overdraft at the end of the year stood at Rs.497.86 crore. The net effect of the transactions in the Consolidated Fund and Public Account was a decrease in the cash balance of Rs.405.22 crore from Rs.246.13 crore at the beginning of the year to negative balance of Rs.159.09 crore at the end of the year.

1.4.3 The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs, with reference to the information contained in Table No. 1.3 and 1.4.

Table No. 1.3

Abstract of receipts and disbursements for the year 2001-02

(Rupees in crore)

Receipts				Disbursements				
2000-01		**2001-02**		**2000-01**				**2001-02**
	Section-A: Revenue					Non-Plan	Plan	
	I. Revenue receipts		1176.78		**I. Revenue expenditure—**			
49.07	-Tax revenue	51.01		514.82	**General Services**	**560.58**	**1.77**	**562.35**
					Social Services			
41.66	-Non-tax revenue	28.73		267.91	-Education, Sports, Art and Culture	251.99	37.07	289.06
11.82	-State's share of Union Taxes	142.14		66.37	-Health and Family Welfare	52.46	16.74	69.20
151.70	-Union Excise Duties	—		10.99	-Water Supply, Sanitation, Housing and Urban Development	8.17	15.47	23.64
342.21	-Non-Plan grants	350.60		1.73	-Information and Broadcasting	1.40	0.47	1.87
370.25	-Grants for State Plan Scheme	521.89		20.21	-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	5.42	27.03	32.45
65.03	-Grants for Central and Centrally Sponsored Plan Schemes	77.23		3.19	-Labour and Labour Welfare	2.85	0.71	3.56
12.88	-Grants for Special Plan Schemes for North Eastern Council and for other purposes	5.18		23.92	-Social Welfare and Nutrition	10.34	16.05	26.38
				3.80	-Others	4.00	—	4.00
					Total	**336.63**	**113.54**	**450.17**
					Economic Services			
				75.81	-Agriculture and Allied Activities	63.51	27.67	91.18
				11.81	-Rural Development	10.87	17.16	28.03
				0.18	-Special Areas Programmes	—	0.22	0.22
				20.51	-Irrigation and Flood Control	15.68	6.14	21.82
				47.12	-Energy	98.55	0.84	99.39
				25.17	-Industry and Minerals	17.56	11.13	28.69
				18.09	-Transport	28.53	1.11	29.64
				1.09	-Science, Technology and Environment	—	1.41	1.41
				10.72	-General Economic Services	7.30	17.76	25.06
					Total	**242.00**	**83.44**	**325.44**
				1123.44	**Total**	**1139.21**	**198.75**	**1337.96**
78.82	II. Revenue deficit carried over to Section–B	161.18		—	II. Revenue Surplus carried over to Section-B.	—	—	—
1347.99	**Total (Section-A)**			**1123.44**				

Receipts			Disbursements				
2000-01		**2001-02**	**2000-01**				**2001-02**
	Section-B						
(-)113.93	III. Opening Cash balance including Permanent Advances and Cash Balance Investment	246.13		**III. Capital Outlay**	**Non-Plan**	**Plan**	
			1.91	**General Services**	**—**	**4.29**	**4.29**
				Social Services			
			11.36	-Education, Sports, Art and Culture	—	1.54	1.54
			0.25	-Health and Family Welfare	—	3.01	3.01
			28.34	-Water Supply, Sanitation, Housing and Urban Development	0.03	43.48	43.51
			—	-Information and Broadcasting	—	—	—
			—	-Social Welfare and Nutrition	—	—	—
			—	-Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes	—	0..30	0..30
			—	-Others	—	—	—
				Total	**0.03**	**48.33**	**48.36**
				Economic Services			
			2.96	-Agriculture and Allied Activities	(-)1.04	3.39	2.35
			0.14	-Rural Development	—	20.10	20.10
			1.84	-Special Areas Programmes	—	3.70	3.70
			22.87	-Irrigation and Flood Control	—	43.13	43.13
			50.79	-Energy	—	21.51	21.51
			4.13	-Industry and Minerals	—	11.48	11.48
			22.85	-Transport	—	20.61	20.61
			—	-Science, Technology and Environment	—	(-)0.10	(-)0.10
			0.05	-General Economic Services	—	0.03	0.03
				Total	**(-)1.04**	**123.85**	**122.81**
			147.49	**Total**	**(-)1.01**	**176.47**	**175.46**

(Source: Finance Accounts)

Receipts				Disbursements			
2000-01			**2001-02**	**2000-01**			**2001-02**
—	IV. Miscellaneous Capital receipts		—		IV. Loans and Advances disbursed		4.14
				0.39	-To Government Servants	0.38	
				0.43	-To Others	3.76	
	V. Recoveries of Loans and Advances		0.47	78.82	V. Revenue deficit brought down		161.18
0.49	-From Government Servants	0.43					
0.03	-From Others	0.04					
—	VI. Revenue surplus brought down		—		VI. Repayment of Public Debt		599.50
	VII. Public debt receipts		655.18	14.45	-Internal debt other than Ways and Means Advances and Overdraft	7.01	
42.88	-Internal debt other than Ways and Means Advances and Overdraft	53.05		—	-Net transactions under Ways and Means Advances including Overdraft	—	
137.28	-Net transactions under Ways and Means Advances including Overdraft	97.93		87.10	-Repayment of Loans and Advances to Central Government	592.49	
236.91	-Loans and Advances from Central Government	504.20		—	VII. Appropriation to Contingency Fund		—
—	VIII. Appropriation to Contingency Fund		—	—	VIII. Expenditure from Contingency Fund		—
—	IX. Amount transferred to Contingency Fund		—		IX. Public Account Disbursement		247.84
				62.93	-Small Savings and Provident Funds	103.96	
				0.01	- Reserve funds	—	
				362.72	-Suspense and Miscellaneous	(-)236.31	
				207.20	-Remittance	342.79	
				59.46	-Deposits and Advances	37.40	
	X. Public Account Receipts		127.25		X. Cash Balance at end-		(-)159.09
154.36	-Small Savings and Provident Funds	145.26					
0.39	-Reserve funds	—		3.36	-Cash in Treasuries	4.59	
478.37	-Suspense and Miscellaneous	(-)446.36		115.56	-Deposits with Reserve Bank	(-)223.50	
284.08	-Remittance	383.05		16.20	-Departmental Cash Balance including permanent Advances	8.31	
46.27	-Deposits and Advances	45.30		4.53	-Cash Balance Investment	4.45	
				106.18	Remittance in transit	47.06	
2390.57	**Total (Section: A+B)**		**2366.99**	**2390.57**			**2366.99**

(Source: Finance Accounts)

Explanatory Note

The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.

Table No. 1.4

TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

		1997-98	1998-99	1999-2000	2000-01	2001-02
Part A. Receipts						
I.	**Revenue Receipts**	863.01	896.78	1069.85	1044.62	1176.78
(i)	Tax Revenue	35.73 (4)	30.75 (3)	39.95 (4)	49.07 (5)	51.01(4)
	Taxes on Agriculture Income	—	—	—	—	—
	Taxes on Sales, Trade *etc*.	23.98 (67)	19.42 (63)	22.87 (57)	31.30 (64)	29.52(58)
	State Excise	1.85 (5)	1.83 (6)	1.39 (4)	1.24 (2)	1.46(3)
	Taxes on Vehicles	1.38 (4)	1.11 (4)	2.33 (6)	2.80 (6)	2.77(5)
	Stamps and Registration fees	1.44 (4)	1.23 (4)	1.46 (4)	1.80 (4)	1.48(3)
	Land Revenue	0.30 (1)	0.34 (1)	0.52 (1)	0.36 (1)	0.40(1)
	Other Taxes	6.78 (19)	6.82 (22)	11.38 (28)	11.57 (23)	15.38(30)
(ii)	Non-Tax Revenue	40.57 (5)	31.52 (4)	42.65 (4)	41.66 (4)	28.73(3)
(iii)	State's share of Union taxes and duties	310.82 (36)	331.68 (37)	317.87 (30)	163.52 (15)	142.14(12)
(iv)	Grants-in-aid from Government of India	475.89 (55)	502.83 (56)	669.38 (62)	790.37 (76)	954.90(81)
2.	**Miscellaneous Capital Receipts**	—	—	—	—	—
3.	**Total revenue and Non-debt capital receipts (1+2)**	863.01	896.78	1069.85	1044.62	1176.78
4.	**Recoveries of Loans and Advances**	0.62	0.39	0.56	0.52	0.47
5.	**Public Debt Receipts**	327.91	390.04	143.09	417.07	655.18
	Internal Debt (excluding Ways & Means Advances and Overdrafts)	45.98	44.86	50.22	42.88	53.05
	Net transactions under Ways and Means Advances and Overdrafts	148.63	198.03	—	137.28	97.93
	Loans and Advances from GOI[1]	133.30	147.15	92.87	236.91	504.20
6.	**Total receipts in the Consolidated Fund (3+4+5)**	1191.54	1287.21	1213.50	1462.21	1832.43
7.	**Contingency Fund Receipts**	—	—	—	—	—
8.	**Public Account receipts**	791.94	556.90	1034.87	963.47	127.26
9.	**Total receipts of the State (6+7+8)**	**1983.48**	**1844.11**	**2248.37**	**2425.68**	**1959.69**
Part B. Expenditure/Disbursement		1047.00	1005.02	1711.76	1270.94	1513.42
10.	**Revenue Expenditure**	792.44 (92)	790.77 (88)	1347.99 (126)	1123.44 (108)	1337.96(114)
	Plan	186.74	182.37	258.40	188.30	198.75
	Non Plan	605.70	608.40	1089.59	935.14	1139.21
	General Services (including Interest Payments)	274.97 (26)	292.44 (29)	558.10 (33)	514.82 (40)	562.35(37)
	Social Services	305.14 (29)	307.31 (31)	505.86 (30)	398.12 (31)	450.17(30)
	Economic Services	212.33 (20)	191.02 (19)	284.03 (17)	210.50 (17)	325.44(22)
	Grants-in-aid and Contributions	—	—	—	-	—
11.	**Capital Expenditure**	254.56 (24)	214.25 (21)	363.77 (21)	147.49 (12)	175.46(12)
	Plan	244.94	213.34	361.36	145.24	176.47
	Non Plan	9.62	0.91	2.41	2.25	(-)1.01
	General Services	5.20	5.09	5.24	1.91	4.29(2)
	Social Services	82.80	60.32	71.31	39.95	48.36
	Economic Services	166.56	148.84	287.22	105.63	122.81
12.	**Disbursement of Loans and Advances**	6.38	0.44	2.60	0.82	4.14
13.	**Total (10+11+12)**	1053.38	1005.46	1714.36	1271.75	1517.56
14.	**Repayment of Public Debt**	81.93	112.48	159.41	101.55	599.50
	Internal Debt (excluding Ways & Means Advances and Overdrafts)	7.27	13.89	24.59	14.45	7.01
	Net transactions under Ways and Means Advances and Overdrafts	—	105.88	—	—	—
	Loans and Advances from Government of India	74.66	98.59	28.94	87.10	592.49
15.	**Appropriation to Contingency Fund**	—	—	—	—	—
16.	**Total disbursement out of Consolidated Fund (13+14+15)**	**1135.31**	**1117.94**	**1873.77**	**1373.30**	**2117.06**
17.	**Contingency Fund disbursements**	—	—	—	—	—
18.	**Public Account disbursements**	806.14	583.73	641.01	692.32	247.84
19.	**Total disbursement by the State (16+17+18)**	1941.45	1701.67	2514.78	2065.62	2364.90
Part C. Deficits						
20.	**Revenue Surplus (+)/Deficit (–) [1–10]**	(+) 70.57	(+) 106.01	(–) 278.14	(–) 78.82	(-)161.18
21.	**Fiscal Deficit (3+4–13)**	**189.75**	**108.29**	**643.95**	**226.61**	**340.31**
22.	**Primary Deficit (21–23)**	**110.85**	**17.01**	**511.99**	**49.45**	**148.90**

[1] Includes Ways and Means Advances from GOI.

Note—Figures in bracket represent percentage.

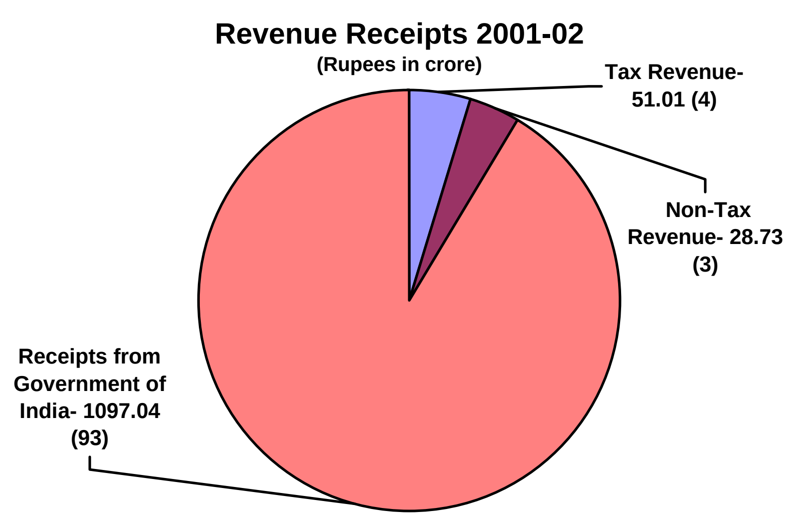
Part D. Other Data						
23.	**Interest Payments (included in revenue expenditure)**	78.90	91.28	131.96	177.16	191.41
24.	**Arrears of Revenue (percentage of Tax & Non-tax Revenue Receipts)**	24.29 (32)	35.34 (57)	NA	NA	NA
25.	**Financial Assistance to Local Bodies *etc*.**	15.94	25.16	27.38	22.57	34.08
26.	**Ways and Means Advances (days)**	82	83	50	45	—
27.	**Interest on Ways and Means Advances/Overdraft**	1.20	0.83	1.75	2.03	2.82
28.	**State Gross Domestic Product (GSDP)**	2249.68*	2530.95	2740.30	3158.63	3590.76
29.	**Outstanding Debt (year end)**	1143.27	1430.09	1698.51	2092.65	2197.53
30.	**Outstanding guarantees (year end)**	2.76	2.76	2.76	2.76[2]	9.47
31.	**Maximum amount guaranteed (year end)**	32.46	32.46	32.46	32.46	215.32
32.	**Number of incomplete projects**	348	348	323	328	328
33.	**Capital blocked in incomplete projects**	460.85	460.85	384.67	784.43	784.43

(Source: Finance Accounts)

1.5 Revenue receipts

1.5.1 The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India. Their relative shares are shown in Chart 1.1. The revenue receipts increased by 13 *per cent* during 2001-02 with reference to previous year.

Chart 1.1



Note: Figures in bracket indicate percentage.

Tax revenue

1.5.2 The tax revenue constituted only 4 *per cent* of the revenue receipts of the Government as indicated in the table in para 1.4.3. The relative contribution of Sales Tax has come down from 64 *per cent* in 2000-01 to 58 *per cent* in 2001-02.

[2] From the information made available by Government.

Non-tax revenue

1.5.3 The non-tax revenue constituted 3 *per cent* of the revenue receipts of the Government and their share in the revenue receipts declined gradually from 5 *per cent* in 1997-98 to 3 *per cent* in 2001-02. Realisation of non-tax revenue decreased by Rs.12.93 crore during 2001-02 over the previous year, its share in the revenue receipts declined from 4 *per cent* to 3 *per cent* as compared to the previous year.

1.5.4 The State's share of Union taxes (excise duty and income tax) decreased by 54 *per cent*, while the grants-in-aid from the Central Government increased by 101 *per cent* during the five years period. But the State share of Union Taxes decreased by Rs.21.38 crore as compared to the previous year. The total receipts from the Government of India during 2001-02 represented 93 *per cent* of the total revenue receipts of the Government.

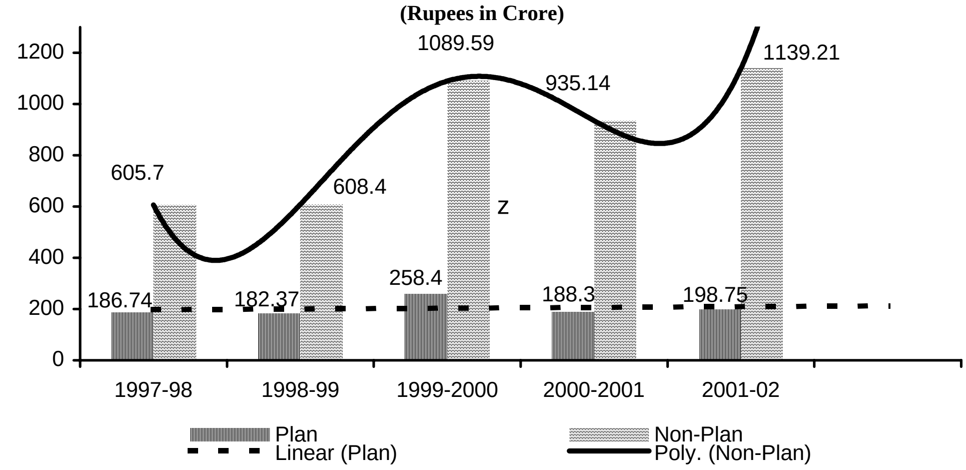
1.6 Revenue expenditure

1.6.1 Revenue expenditure represented 114 *per cent* of the total revenue receipts of the State Government and increased from Rs.792.44 crore in 1997-98 to Rs.1337.96 crore in 2001-02, representing an increase of 69 *per cent*. The expenditure during 2001-02 increased by 19 *per cent* over the previous year. The non-Plan revenue expenditure during the year increased by Rs.204.07 crore (22 *per cent*) and the Plan revenue expenditure increased by Rs.10.45 crore (6 *per cent*) during the year in comparison to the previous year. However, over the five year period ending 2001-02, the expenditure under plan increased by Rs.12.01 crore (6 *per cent*) while that under non-Plan increased by Rs.533.51 crore (88 *per cent*). A comparison shows that the rate of growth in non-Plan component of revenue expenditure surpassed the Plan expenditure as can be seen in Chart below:

Chart 1.2

Growth of Plan and Non-Plan revenue expenditure

(Rupees in Crore)



1.6.2 Sector-wise analysis shows that while the expenditure on General Services increased by 105 *per cent*, from Rs.274.97 crore in 1997-98 to Rs.562.35 crore in 2001-02, the corresponding increase in expenditure under Social Services was 48 *per cent* and that under Economic Services was only 53 *per cent* during the same period. As a proportion of total expenditure, the share of General Services increased from 26 *per cent* in 1997-98 to 37 *per cent* in 2001-02 whereas it increased from 29 to 30 *per cent* under Social Services and increased from 20 to 22 *per cent* under Economic Services during the same period.

Interest payments

1.6.3 Interest payments increased by 143 *per cent* from Rs.78.90 crore in 1997-98 to Rs.191.41 crore in 2001-02. This is further discussed in the section on financial indicators.

Financial assistance to local bodies and other institutions

1.6.4 The quantum of assistance provided to different local bodies *etc*. during the period of five years ending 2001-02 was as follows:

Table No. 1.5

(Rupees in crore)

		1997-98	1998-99	1999-2000	2000-01	2001-02
Universities and Educational Institutions	Grants	14.57	13.91	26.36	21.72	30.45
	Loans	—	—	—	—	
Municipal Corporations/ Municipalities	Grants	0.98	0.97	0.66	0.59	2.45
	Loans	—	—	—	—	
Co-operative Societies & other co-operative Institutions	Grants	0.31	0.17	—	0.12	0.94
	Loans	2.26	0.24	1.74	0.06	3.26
Other institutions	Grants	0.08	10.11	0.36	0.14	0.24
	Loans	—	—	—	—	
Total	**Grants**	**15.94**	**25.16**	**27.38**	**22.57**	**34.08**
	Loans	**2.26**	**0.24**	**1.74**	**0.06**	**3.26**
Percentage of growth over previous year	Grants	—	58	9.00	(–) 18	51
	Loans	157	—	625.00	(–) 97	5333
Grants as a percentage of revenue expenditure	Grants	2	3	2	2	3

(Source: Finance and Appropriation Accounts)

1.6.5 The financial assistance to universities and educational institutions increased by 40 *per cent* while that to municipal corporations/ municipalities increased by 315 *per cent* over the previous year. Financial assistance to other institutions also increased from Rs.0.14 crore in 2000-01 to Rs.0.24 crore in 2001-02. Grants given to other co-operative Institutions, however, increased by Rs.0.82 crore over the previous year.

Loans and Advances by the State Government

1.6.6 Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, co-operatives, non-Government institutions *etc*., for developmental and non-developmental activities. The position for the last five years given below shows that during the period, there was no improvement in repayment, as a result of which the closing balance increased by 12 *per cent*.

Table No. 1.6

(Rupees in crore)

	1997-98	1998-99	1999-2000	2000-01	2001-02
Opening balance	43.14	48.90	48.95	50.99	51.29
Amount advanced during the year	6.38	0.44	2.60	0.82	4.14
Amount repaid during the year	0.62	0.39	0.56	0.52	0.47
Closing balance	48.90	48.95	50.99	51.29	54.96
• Net addition	5.76	0.05	2.04	0.30	3.67
Interest received	0.13	0.16	0.63	0.13	0.22

(Source: Finance Accounts)

In respect of loans, the detailed accounts of which are maintained by the departmental officers, all such departmental officers are required to furnish to the Accountant General (Accounts and Entitlement) each year the detailed accounts thereof and the details of arrears (as on 31 March) in recovery of loans and interest thereon. Information about arrears as on 31 March 2002 had not been received (November 2002) from any of these officers.

1.7 Capital expenditure

Capital expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government *i.e.* Public Sector Undertakings (PSUs), corporations *etc.* and loans and advances. During 2001-02 the capital expenditure has increased by 19 *per cent* as compared to previous year. However, its share in total expenditure has decreased from 24 *per cent* in 1997-98 to 12 *per cent* in 2001-02. Table number 1.4 shows that most of the capital expenditure during the year has been on Economic Services and Social Services and on the Plan side.

1.8 Quality of Expenditure

1.8.1 Government spends money for different activities ranging from maintenance of law and order and regulatory functions to various developmental activities. Government expenditure is broadly classified into Plan and non-Plan and revenue and capital. While the Plan and capital expenditure are usually associated with asset creation, the non-Plan and revenue expenditure are identified with expenditure on establishment, maintenance and services. By definition, therefore, in general the Plan and capital expenditure can be viewed as contributing to the quality of expenditure.

1.8.2 Wastage in public expenditure, diversions of funds and funds blocked in incomplete projects would also impinge negatively on the quality of expenditure.

Similarly, funds transferred to deposit heads in the Pubic Account, after booking them as expenditure, can also be considered as a negative factor in judging the quality of expenditure. As the expenditure was not actually incurred in the concerned year it should be excluded from the figures of expenditure for that year. Another possible indicator is the increase in the expenditure on General Services, to the detriment of Economic and Social Services.

1.8.3 The following table lists out the trend in these indicators:

Table No. 1.7

		1997-98	1998-99	1999-2000	2000-01	2001-02
1.	Plan expenditure as a *percent*age of:					
	–Revenue expenditure	24	23	19	17	15
	–Capital expenditure	96	99.6	99	98	101
2.	Capital expenditure (*per cent*)	24	21	21	12	12
3.	Expenditure on General Services (*per cent*)					
	–Revenue	25	25	32	46	37
	–Capital	2	2	1	1	2
4.	Amount of wastages and diversion of funds detected during test audit (Rupees in crore)	—	—	—	9.15	0.88[3]
5.	Non-remunerative expenditure on incomplete projects (Rupees in crore)	—	460.85	NA	784.43	—
6.	Unspent balances under deposit heads, booked as expenditure at the time of their transfer to the deposit head (Rupees in crore)	4.85	5.57	---	5.06	20.29[4]

(Source: Finance Accounts)

1.8.4 It would be seen that the share of Plan expenditure on the revenue has declined in 2001-02. The share of Plan expenditure on capital has marginally increased in 2001-02 with reference to previous year. The expenditure on General Services, at the same time, has declined during 2001-02 on the Revenue side though it increased marginally on the Capital side.

1.9 Financial Management

1.9.1 The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this report deal extensively with these issues especially as they relate to the expenditure management in the Government, based on the findings of the test audit. Some other parameters, which can be segregated from the accounts and other related financial information of the Government, are discussed in this section.

Investments and returns

1.9.2 Investments are made out of the capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The sector-wise details of investments made and the number of concerns involved were as under:

[3] Paragraph Nos. 3.1.9 (Rs.0.31 crore); 3.1.11 (Rs.0.04 crore); 3.5.2 (Rs.0.08 crore); 3.5.3 (Rs.0.04 crore); 3.6.2 (Rs.0.19 crore); 3.7.3 (Rs.0.15 crore); 3.7.7 (Rs.0.07 crore).

[4] Paragraph Nos. 2.6.1 (Rs.13.77 crore); 3.4.3 (Rs.1.23 crore); 3.8.3 (Rs.0.10 crore); 3.11.2 (Rs.5.12 crore); 4.1.5 (b) (Rs.0.07 crore).

Table No.1.8

(Rupees in crore)

Sector	Number of concerns	Amount invested	
		as on 31.03.2002	**Dividend declared/ interest received during 2001-02**
1. Statutory corporations	2	28.92	—
2. Government companies	15	59.16	—
3. Co-operative Institutions	3312	19.49	—
Total		**107.57**	—

(Source: Finance Accounts)

1.9.3 The details of investments and the returns realised during the last five years by way of dividend and interest were as follows:

Table No.1.9

(Rupees in crore)

Year	Investment at the end of the year	Return	Percentage of return	Rate of interest on Government borrowing (%)
1997-98	73.91	Nil[5]	—	13.75
1998-99	80.66	0.05	0.06	12.50
1999-2000	86.65	Nil	—	12.25
2000-01	91.40	Nil	—	12.00
2001-02	107.57	0.08	0.07	10.35

(Source: Finance Accounts)

1.9.4 Thus, while the Government was raising high cost borrowings from the market, its investments in Government companies *etc*., f*etc*hed insignificant returns. As on 31 March 2002, 6 of the Government companies in which Government had invested Rs.35.50 crore, were running under loss.

Ways and means advances and overdraft

1.9.5 Under an agreement with the Reserve Bank of India, the State Government had to maintain with the Bank a minimum daily cash balance of Rs.0.24 crore. If the balance fell below the agreed minimum on any day, the deficiency had to be made good by taking Ways and Means Advances (WMA)/overdraft (OD) from the Bank. In addition, special Ways and Means Advances are also made by the Bank whenever necessary. Recourse to WMA/OD means a mismatch between the receipts and expenditure of the Government, and hence reflects poor on the financial management in Government.

1.9.6 The position of Ways and Means Advances/overdraft taken by the State Government and interest paid thereon during 1997-98 to 2001-02 is detailed below:

[5] Rs.11,480 only.

Table No. 1.10

(Rupees in crore)

	1997-98	1998-99	1999-2000	2000-01	2001-02
Ways and Means Advances					
(i) Taken during the year	208.92	224.13	169.44	209.03	70.31
(ii) Outstanding at the end of year	8.00	27.66	28.21	41.83	42.40
(iii) Interest paid	1.20	0.83	1.75	2.03	2.82
Overdraft					
(i) Taken during the year	347.55	384.50	961.69	982.08	1486.13
(ii) Outstanding at the end of year	204.90	383.27	276.84	400.50	497.86
(iii) Interest paid	0.75	0.80	2.20	5.73	9.12

(Source: Finance Accounts)

1.9.7 The position indicates poor cash management by the State Government leading to drawal of huge amount of overdrafts and Ways and Means advances and consequent payment of interest thereon. The annual interest liability has increased from Rs.1.95 crore in 1997-98 to Rs.11.94 crore in 2001-02.

Deficit

1.9.8 Deficits in Government account represent gaps between the receipts and expenditure. The nature of deficit is an important indicator of the prudence of financial management in the Government. Further, the ways of financing the deficit and the application of the funds raised in this manner are important pointers of the fiscal prudence of the Government. The discussion in this section relates to three concepts of deficit viz., revenue deficit, fiscal deficit and primary deficit.

1.9.9 Revenue deficit is the excess of revenue expenditure over revenue receipts. Fiscal deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received). Primary deficit is fiscal deficit less interest payments. The following table gives a break-up of the deficit in Government account.

Table No. 1.11

CONSOLIDATED FUND

(Rupees in crore)

Receipt	Amount		Disbursement	Amount
Revenue	1176.78	**Revenue deficit: 161.18**	Revenue	1337.96
Misc. capital receipts			Capital	175.46
Recovery of loans & advances	0.47		Loans & advances disbursement	4.14
Sub- Total	1177.25	**Gross fiscal deficit: 340.31**	Sub- Total	1517.56
Public debt receipt	655.18		Public debt repayment	599.50
Total	1832.43	**A: Deficit in Consolidated Fund: (-)284.63**		2117.06
PUBLIC ACCOUNT				
Small savings, PF *etc.*	145.26		Small savings, PF *etc.*	103.96
Deposits & advances	45.30		Deposits & advances	37.40
Reserve funds	—		Reserve funds	—
Suspense & Misc.	(-)446.36		Suspense & Misc.	(-)236.31
Remittances	383.05		Remittances	342.79
Total Public Account	**127.25**	**B: Deficit in Public Account: (-)120.59**		**247.84**
	Decrease in cash balance (A+B): 405.22			

(Source: Finance Accounts)

1.9.10 Deficit in Consolidated Fund as well as in Public Account resulted in decrease in cash balance. Table no.1.4 shows that fiscal deficit of Rs.189.75 crore in 1997-98 increased to Rs.340.31 crore in 2001-02.

Application of the borrowed funds (Fiscal Deficit)

1.9.11 The fiscal deficit represents total net borrowings of the Government. These borrowings are applied for meeting the capital expenditure (CE) and for giving loans to various bodies for developmental and other purposes. The relative proportions of these applications would indicate the financial prudence of the State Government and also the sustainability of its operations because continued borrowing for revenue expenditure would not be sustainable in the long run. The following table shows the position of the Government of Manipur for the last five years.

Table No. 1.12

Ratio	1997-98	1998-99	1999-2000	2000-01	2001-02
RD/FD	(-) 0.37	(-) 0.98	0.43	0.35	0.47
CE/FD	1.34	1.98	0.57	0.65	0.52
Net loans/FD	0.03	—	—	—	0.01
Total	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**

(Source: Finance Accounts)

1.9.12 As there was continued revenue deficit during the years from 1999-2000 to 2001-02 the revenue expenditure during these years had to be incurred from borrowed funds.

Guarantees given by the State Government

1.9.13 Guarantees are given by the State Government for discharge of certain liabilities like repayment of loans, share capital, *etc*., raised by the statutory corporations, Government companies and co-operative institutions *etc*., and payment of interest and dividend by them. They constitute contingent liability of the State. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limits within which Government may give guarantees on the security of the Consolidated Fund of the State. Table no.1.4 lists the amounts of guarantees given by the Government and the amounts outstanding at the end of each year during 1997-2002. According to the information furnished by the State Government the amount outstanding was Rs.9.47 crore.

1.10 Public debt

1.10.1 The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table. During the five year period, the total liabilities of the Government had grown by 92 *per cent*. This was on account of 91 *per cent* growth in internal debt, 61 *per cent* growth in loans and advances from Government of India and 120 *per cent* growth in other liabilities. During

2001-02 Government borrowed Rs.45.20 crore in the open market at interest rates of 8, 8.30, 9.45 and 10.35 *per cent* per annum.

Table No. 1.13

(Rupees in crore)

Year	Internal debt	Loans and advances from Central Government	Total Public debt	Other liabilities[6]	Total liabilities	Ratio of debt to GSDP
1997-98	505.23	286.34	791.57	351.80	1143.27	0.51
1998-99	734.23	334.90	1069.13	360.96	1430.09	0.57
1999-2000	653.98	398.83	1052.81	645.70	1698.51	0.62
2000-01	819.69	548.64	1368.33	724.31	2092.64	0.66
2001-02	963.66	460.35	1424.01	773.66	2197.67	0.61

(Source: Finance Accounts)

1.10.2 The amount of funds raised through public debt, the amount of repayment and net funds available are given in the following table:

Table No. 1.14

(Rupees in crore)

	1997-98	1998-99	1999-2000	2000-01	2001-02
Internal Debt					
— Receipt	602.45	653.49	1181.35	1233.99	1609.49
— Repayment (principal + interest)	428.35	463.07	1319.68	1145.22	1536.44
— Net funds available (*per cent*)	174.10(29)	190.42(29)	(–)138.33 (12)	88.77 (7)	73.05(5)
Loans & advances from Government of India					
— Receipt during the year	133.30	147.15	92.87	236.91	504.20
— Repayment	122.77	131.80	68.49	135.32	662.87
— Net funds available (*per cent*)	10.53(8)	15.35(10)	24.38 (26)	101.59 (43)	(-)18.29(4)
Other liabilities					
— Receipt during the year	198.94	126.95	424.57	198.60	188.50
— Repayment	143.02	137.17	174.17	171.97	189.41
— Net funds available (*per cent*)	55.92(28)	(–)10.22(8)	250.40(59)	26.63 (13)	(-)0.91(0.48)

(Source: Finance Accounts)

1.10.3 It would be seen that very little of the borrowings are available for investment and other expenditure after meeting the repayment obligations. Considering that the outstanding debt has been increasing year after year the net availability of funds through public borrowings is going to reduce further.

1.11 Indicators of the financial performance

1.11.1 A Government may either wish to maintain its existing level of activity or increase its level of activity. For maintaining its current level of activity it would be necessary to know how far the means of financing are sustainable. Similarly, if Government wished to increase its level of activity it would be pertinent to examine the flexibility of the means of financing. Finally, Government's vulnerability increases in the process. All the State Governments continue to

[6] Other liabilities include small savings, provident funds, reserve funds and deposits, *etc*.

increase the level of their activity principally through Five Year Plans which translate to Annual development plans and are provided for in the state budget. Broadly, it can be stated that non-Plan expenditure represents Government maintaining the existing level of activity[7], while Plan expenditure entails expansion of activity. Both these activities require resource mobilisation increasing Government's vulnerability. In short, financial health of a Government can be described in terms of sustainability, flexibility and vulnerability. These terms are defined as follows:

(i) Sustainability

Sustainability is the degree to which a Government can maintain existing programmes and meet existing creditor requirements without increasing the debt burden.

(ii) Flexibility

Flexibility is the degree to which a Government can increase its financial resources to respond to rising commitments by either expending its revenues or increasing its debt burden.

(iii) Vulnerability

Vulnerability is the degree to which a Government becomes dependent on and therefore vulnerable to sources of funding outside its control or influence, both domestic and international.

(iv) Transparency

There is also the issue of financial information provided by the Government. This consists of annual financial statement (budget) and the accounts. As regards the budget the important parameters are timely presentation indicating the efficiency of budgetary process and the accuracy of the estimates. As regards, accounts timeliness in submission, for which milestones exist and completeness of accounts would be the principal criteria.

1.11.2 Information available in Finance Accounts can be used to flesh out sustainability, flexibility and vulnerability that can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in the *Appendix I B.* Table No.1.15 indicates the behaviour of these indices/ratios over the period from 1997-98 to 2001-02. The implications of these indices/ratios for the state of the financial health of the State Government are discussed in the following paragraphs.

1.11.3 The behaviour of the indices/ ratios is discussed below:

(i) Balance from current revenues (BCR)

BCR is defined as revenue receipts minus Plan assistance grants minus non-Plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting Plan expenditure. The table shows that the

[7] There are exceptions to this, notably transfer of Plan to the Non-Plan at the end of Plan period.

State Government had negative BCRs in all the five years, suggesting that Government had to depend only on borrowings for meeting its Plan expenditure.

(ii) Interest ratio

The higher the ratio the lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. In Manipur the ratio has moved significantly from 0.09 in 1997-98 to 0.16 in 2001-02. A rising interest ratio has adverse implications on the sustainability since it points out to the rising interest burden.

(iii) Capital outlay/ capital receipts

This ratio would indicate to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term inasmuch as it indicates that a part of the capital receipt is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement in the performance. In Manipur, the ratio was steadily decreasing from 1.32 in 1997-98 to 0.30 in 2001-02 showing not only steady reduction in availability of fund from revenue surplus for capital investment but also indicated diversion of capital receipts to unproductive revenue expenditure in 2001-02.

Table No. 1.15
Financial indicators for Government of Manipur

	1997-98	1998-99	1999-2000	2000-01	2001-02
1	2	3	4	5	6
Sustainability					
BCR (Rs. in crore)	(–)161.17	(–)161.93	(–) 672.63	(–)338.68	(-)566.73
Primary Deficit (PD) (Rs. in crore)	110.85	17.01	511.99	49.45	148.90
Interest Ratio	0.09	0.10	0.12	0.17	0.16
Capital outlay/Capital receipts	1.32	1.07	0.85	0.40	0.30
Total Tax receipts/ GSDP	0.15	0.14	0.13	0.07	0.05
State Tax Receipts/ GSDP	0.02	0.01	0.01	0.02	0.01
Return on Investment ratio	—	0.0006	—	—	0.0008
Flexibility					
BCR (Rs.in crore)	(–) 161.17	(–) 161.93	(–) 672.63	(–)338.68	(-)566.73
Capital repayments/Capital borrowings	0.46	0.59	0.37	0.36	1.08
State tax receipts/ GSDP	0.02	0.01	0.01	0.02	0.01
Debt/GSDP	0.51	0.57	0.62	0.66	0.61
Vulnerability					
Revenue Surplus (RS)/Revenue Deficit (RD) (Rs.in crore)	70.57	106.01	(–)278.14	(–) 78.82	(-)161.18
Fiscal Deficit (FD) (Rs.in crore)	189.75	108.29	643.95	226.61	340.31
Primary Deficit (PD) (Rs.in crore)	110.85	17.01	511.99	49.45	148.90
PD/FD	0.58	0.16	0.80	0.22	0.44
RD/FD	(–) 0.37	(–) 0.98	0.43	0.35	0.47
Outstanding Guarantees/ Revenue receipts	0.003	0.003	0.003	0.003	0.02
Assets/ Liabilities	2.05	1.92	1.61	1.45	1.36

(Further details in *Appendix*- II)

Note :

1. Fiscal deficit has been calculated as : Revenue expenditure + Capital expenditure + Net loans and advances — Revenue receipts — Capital receipts.

2. In the ratio Capital outlay vs. Capital receipts, the denominator has been taken as Internal loans + Loans and Advances from Government of India + Net receipts from small savings, PF *etc*. + Repayments received from loans advanced by the State Government — Loans advanced by State Government.

(iv) Tax receipts vs. Gross State Domestic Product (GSDP)

The receipts consist of State taxes and State's share of Central taxes. The latter can also be viewed as Central taxes paid by people living in the state. Tax receipts suggest sustainability. But the ratio of tax receipts to GSDP would have implications for flexibility as well. While a low ratio would imply that the Government can tax more, and hence has more flexibility, a high ratio may not only point to the limits of this source of finance but also its reduced flexibility. Time series analysis shows that in Manipur this ratio has been fluctuating between

0.15 and 0.13 during 1997-98 to 1999-2000 and has declined to 0.07 in 2001-02. Similarly, the ratio of State tax receipts compared to GSDP was constant at 0.01 during 1998-99 to 1999-2000, increased to 0.02 in 2000-01 and again declined to 0.01 in 2001-02. This ratio suggests that the State Government had the option to raise more resources through taxation to generate more revenue for capital formation.

(v) Return on Investment (ROI)

The ROI is the ratio of the earnings to the capital employed. A high ROI suggests sustainability. The table presents the return on Government's investments in statutory corporations, Government companies, joint stock companies and co-operative institutions. It shows that the ROI in Manipur, was negligible during the year 2001-02.

(vi) Capital repayments vs. Capital borrowings

This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment. In Manipur Government this ratio ranged between 0.36 and 0.59 during the period from 1997-98 to 2000-01 but increased to 1.08 during the year 2001-02. This indicated lesser amount of funds being available on investment.

(vii) Debt vs. Gross State Domestic Product(GSDP)

The GSDP is the total internal resource base of the State Government, which can be used to service debt. An increasing ratio of Debt/GSDP would signify a reduction in the Government's ability to meet its debt obligations and therefore increasing risk for the lender. In Manipur, this ratio showed an upward trend and increased from 0.51 in 1997-98 to 0.66 in 2000-01 but declined to 0.61 in 2001-02. This shows that Government’s ability to meet its debt obligations slightly improved during 2001-02.

(viii) Revenue deficit/ Fiscal deficit

Revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings *etc*. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus the higher the ratio the worse of the State because that would indicate that the debt burden is increasing without adding to the repayment capacity of the State. There was revenue surplus during 1997-98 and 1998-99, but the State had gone into revenue deficits during the period from 1999-2000 to 2001-02. This indicated a steep decline in the financial position of the State.

(ix) Primary deficit vs. Fiscal deficit

Primary deficit is the fiscal deficit minus interest payments. This means that the less the value of the ratio the less the availability of funds for capital investment. In Manipur, this ratio had been in the range of 0.16 to 0.58 during the five years ending 2001-02. This suggests that funds available for capital investment after meeting interest obligations were small during the years.

(x) Guarantees vs. Revenue receipts

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of a State Government and should therefore be compared with the ability of the Government to pay *viz*., its revenue receipts. Thus, the ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. In Manipur though this ratio remained static at 0.003 during 1998-99 to 2000-01 it increased to 0.02 during 2001-02 indicating substantial improvement in the position.

(xi) Assets vs. Liabilities

This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than 1 would be a contra indicator. In Manipur the ratio was steadily declining from 2.05 in 1997-98 to 1.36 in 2001-02 indicating that the liabilities are fast overtaking the assets.

(xii) Budget

There was no delay in submission of the budget and their approval by the State Legislature. Chapter-II of this Report carries a detailed analysis of variations in the budget estimates and the actual expenditure as also of the quality of budgetary procedure and control over expenditure. It indicates defective budgeting and inadequate control over expenditure, as evidenced by persistent resumption (surrenders) of significant amounts every year *vis-à-vis* the final modified grant. Significant variations (excess/saving) between the final modified grant and actual expenditure were also persistent.

(xiii) Accounts

There was delay in the submission of accounts by the treasuries/ departments during 2001-02. Out of 103 divisions of Public Works Department, Electricity Department, Irrigation and Flood Control/Minor Irrigation Department and Public Health Engineering Department, in case of 29 divisions there were delays in submission of accounts ranging from 2 to 5 months. In the Forest Department out of 32 divisions there was delay up to 5 months resulting in exclusion from the monthly cash accounts/delay in accountal and finalisation of their accounts.

In case of treasuries/sub-treasuries out of 12, there were delay in submission of accounts up to 5 months in case of 11 treasuries.

1.12 *Conclusion*

The year 2001-02 witnessed revenue deficit for the third consecutive year during the period of five years ending 2001-02. This was due to utilisation of borrowed funds for revenue expenditure including large interest payment thus, making the financial condition of the State Government unsustainable. The borrowed funds were also inefficiently employed as would be seen from insignificant return on investment.