CHAPTER I

FINANCES OF THE STATE GOVERNMENT

In Summary

The year 2003-04 witnessed revenue and fiscal deficits for the fifth consecutive year indicating continued macro imbalances in the State. While the revenue deficit decreased from Rs.87 crore in 2002-03 to Rs.44 crore in 2003-04 (current year), the fiscal deficit, however, went up from Rs.249 crore in 2002-03 to Rs.286 crore in 2003-04.

Revenue of the State consisted mainly of its own tax and non-tax revenue, Central tax transfers and grants-in-aid from Government of India. Overall revenue receipts increased from Rs.1070 crore in 1999-2000 to Rs.1420 crore in 2003-04 at an average trend rate of 9.15 *per cent*. There were, however, significant inter year variations in the growth rates. During the current year, the revenue receipts grew by 6.93 *per cent.* While the revenue receipts from State's own sources declined by 3.28 *per cent*, Central tax transfers increased by 28.19 *per cent* and the grants-in-aid from Government of India increased by 4.22 *per cent* over the last year. State generated only 8.3 *per cent* of revenue receipts from its own sources and continued to remain highly dependent on transfers from the Union Government.

Total expenditure of the State increased from Rs.1577 crore in 2002-03 to Rs.1706 crore in 2003-04. The rate of growth of expenditure during the year was 8.18 *per cent* as compared to 3.88 *per cent* in the previous year.

There was an increase of 49.07 *per cent* in capital expenditure and decrease of 3.84 *per cent* in non-developmental expenditure during 2003-04 over the last year. Debt burden (fiscal liabilities) of the State at the end of 2003-04 was Rs.2300 crore, up by 3.37 *per cent* over the previous year.

High interest rates paid by the Government on its borrowings but low GSDP growth resulted in negative interest spread for the last two consecutive years, violating the cardinal rule of debt sustainability. The finances of the State continue to be dependent on the Central tax transfer and grants-in-aid from Government of India.

1.1 Introduction

The Finance Accounts of the Government of Manipur are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State Government. The lay out of the Finance Accounts is depicted in the Box 1.1.

Box 1.1: Lay out of Finance Accounts

Statement No.1 presents the summary of transactions of the State Government – receipts and expenditure, revenue and capital, public debt receipts and disbursements etc. in the Consolidated Fund, Contingency Fund and Public Account of the State.

Statement No.2 contains the summarised statement of capital outlay showing progressive expenditure to the end of current year.

Statement No.3 exhibits financial results of irrigation works.

Statement No.4 indicates the summary of debt position of the State, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.

Statement No.5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.

Statement No.6 gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, local bodies and other institutions.

Statement No.7 gives the summary of cash balances and investments made out of such balances.

Statement No.8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2004.

Statement No.9 shows the revenue and expenditure under different heads for the current year as a percentage of total revenue/expenditure.

Statement No.10 indicates the distribution between the charged and voted expenditure incurred during the year.

Statement No.11 indicates the detailed account of revenue receipts by minor heads.

Statement No.12 provides accounts of revenue expenditure by minor heads under non-plan, State plan and Centrally sponsored schemes separately and capital expenditure major head wise.

Statement No.13 depicts the detailed capital expenditure incurred during and to the end of the current year.

Statement No.14 shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies, etc. up to the end of the current year.

Statement No.15 depicts the capital and other expenditure(other than revenue account) to the end of the current year and the principal sources from which the funds were provided for that expenditure.

Statement No.16 gives the detailed account of receipts, disbursements and balances under the heads of account relating to debt, Contingency Fund and Public Account.

Statement No.17 presents the detailed account of debt and other interest bearing obligations of the Government.

Statement No.18 provides the detailed account of loans and advances given by the Government of Manipur, the amount of loans repaid during the year, the balances at the end of the year and the amount of interest received during the year.

Statement No.19 gives the details of balances of earmarked funds.

1.2 Trend of Finances with reference to previous year

Finances of the State Government during the current year compared to previous year were as under:

(Rupees in crore)

2002-03	Sl. No.	Major Aggregates	2003-04
1328	1.	Revenue Receipts (2+3+4)	1420
65	2.	Tax Revenue	68
57	3.	Non-Tax Revenue	50
1206	4.	Other Receipts: Central Tax Transfer Grants-in-aid	 241 1061
—	5.	Non-Debt Capital Receipts	—
♦	6.	Recovery of Loans and Advances	♣
1328	7.	Total Receipts (1+5)	1420
1276	8.	Non-Plan Expenditure (9+11+12)	1275
1276	9.	On Revenue Account	1259
255	10.	Of which, Interest Payments	215
—	11.	On Capital Account	16
—	12.	On Loans disbursed	—
301	13.	Plan Expenditure (14+15+16)	431
139	14.	On Revenue Account	205
161	15.	On Capital Account	224
1	16.	On Loans disbursed	2
1577	17.	Total Expenditure (8+13)	1706
249	**18.**	**Fiscal Deficit (17–7)**	**286**
87	**19.**	**Revenue Deficit (9+14–1)**	**44**
6	**20.**	**Primary Deficit (18–10)**	**71**

♦ Rs.0.47 crore.

♣ Rs.0.48 crore

1.3 Summary of Receipts and Disbursements for the year

Table-I summarises the finances of the State Government of Manipur for the year 2003-04 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and public accounts receipts and disbursements made during the year as emerging from Statement–1 of Finance Accounts and other detailed statements.

Table 1: Summary of receipts and disbursements for the year 2003-04

(Rupees in crore)

2002-03	Receipts	2003-04	2002-03	Disbursements	2003-04		
Section-A: Revenue							
					Non-Plan	Plan	Total
1327.99	**I. Revenue Receipts**	**1419.71**	**1415.11**	**I. Revenue expenditure**	**1259.09**	**204.38**	**1463.47**
65.16	*Tax revenue*	*68.24*	*650.59*	*General Services*	*622.16*	*3.94*	*626.10*
56.49	*Non-tax revenue*	*49.33*	*461.43*	*Social Services*	*359.57*	*106.34*	*465.91*
188.12	*Share of Union Taxes/Duties*	*240.89*	*303.09*	*Economic Services*	*277.36*	*94.10*	*371.46*
1018.22	*Grants from Government of India*	*1061.25*	—	*Grants-in-aid/ Contributions*	—	—	—
Section-B: Capital							
—	**II. Miscellaneous Capital Receipts**	—	**160.71**	**II. Capital Outlay**	**16.42**	**223.97**	**240.39**
0.47	**III. Recoveries of Loans and Advances**	**0.48**	**1.55**	**III. Loans and Advances disbursed**	**0.09**	**1.87**	**1.96**
1103.65	**IV. Public debt receipts***	**876.61**	**1014.84**	**IV. Repayment of Public Debt**			**787.97**
—	**V. Contingency Fund**	—	—	**V. Contingency Fund**	—	—	—
698.77	**VI. Public account receipts**	**745.71**	**707.16**	**VI. Public Account disbursements**			**736.80**
(–)159.09	Opening Balance	(–) 327.58	(–) 327.58	Closing Balance			(–) 515.66
2971.79	**Total**	**2714.93**	**2971.79**	**Total**			**2714.93**

* Excludes net ways and means advances and overdraft.

1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2003-04 and wherever necessary, show these in the light of time series data and periodic comparisons. The key indicators adopted for the purpose are (i) Resources by volumes and sources, (ii) Application of resources, (iii) Assets and Liabilities, and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

The reporting parameters are depicted in the Box 1.2

Box 1.2 : Reporting Parameters

Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The New GSDP series published by the Bureau of Economics and Statistics Department of the State Government have been used as a base.

For tax revenues, non-tax revenues, revenue expenditure *etc*. buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP.

For most series a trend growth during 1999-2004 has been indicated. The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in *Appendix–I.*

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account as defined in Box 1.3.

Box 1.3 – State Government Funds and the Public Account

Consolidated Fund	Contingency Fund	Public Account
All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund titled 'The Consolidated Fund of State' established under Article 266 (1) of the Constitution of India.	Contingency Fund of State established under Article 267 (2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.	Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, *etc*. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266 (2) of the Constitution and the related disbursements are made from it.

1.5 State finances by key indicators

1.5.1 Resources by volumes and sources: Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of Union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise miscellaneous capital receipts like proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources *viz*., market loans, borrowings from financial institutions/commercial banks *etc*., and loans and advances from Government of India as well as accruals from Public account.

Table 2 shows that the total receipts of the State Government for the year 2003-04 were Rs.3042.51 crore. Of these, the revenue receipts of the State Government were Rs.1419.71 crore only, constituting 46.66 *per cent* of the total receipts. The balance of receipts came from borrowings and public account receipts.

Table 2 – Resources of Manipur

(Rupees in crore)

I.	**Revenue Receipts**		**1419.71**
II.	**Capital Receipts**		**877.09**
	(a)	*Miscellaneous Receipts*	—
	(b)	*Recovery of Loans and Advances*	*0.48*
	(c)	*Public Debt Receipts*[*]	*876.61*
III.	**Contingency Fund Receipts**		**—**
IV.	**Public Account Receipts**		**745.71**
	(a)	*Small Savings, Provident Fund, etc.*	*121.27*
	(b)	*Reserve Fund*	*5.16*
	(c)	*Deposits and Advances*	*31.82*
	(d)	*Suspense and Miscellaneous*	*44.47*
	(e)	*Remittances*	*542.99*
		Total Receipts	**3042.51**

The source of total receipts under different heads and GSDP during 1999-2004 is indicated in Table 3.

Table 3– Sources of Receipts: Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic Product
		Non-Debt Receipts	Debt-Receipts	Accruals in Public Account		
1999-2000	1070	0.56	143	1035	2249	2740
2000-01	1045	0.52	417	963	2426	3159
2001-02	1177	0.47	655	127	1959	3591
2002-03	1328	0.47	1104	699	3131	3740
2003-04	1420	0.48	877	746	3043	4062

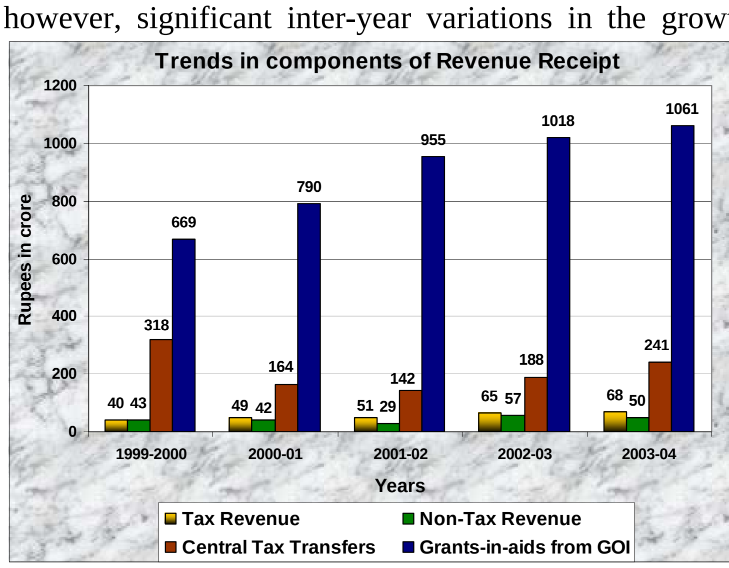
1.5.2 Revenue Receipts: Statement No.11 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts of the State consist mainly of its own tax and non-tax revenues, central tax transfers and grants-in-aid from Government of India. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and its buoyancy are indicated in Table 4.

[*] Excludes ways and means advances and overdrafts.

Table 4: Revenue Receipts – Basic Parameters (Values in Rupees crore and others in *per cent)*

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Revenue Receipts	1070.00	1045.00	1177.00	1328.00	1420.00	1208.00
Own Taxes	3.74	4.69	4.33	4.89	4.79	4.52
Non-Tax Revenue	4.02	4.02	2.46	4.29	3.52	3.66
Central Tax Transfers	29.72	15.69	12.06	14.16	16.97	17.43
Grants-in-aid	62.52	75.60	81.14	76.66	74.72	74.39
Rate of Growth	19.29	(–) 2.34	12.63	12.83	6.93	9.15
Revenue Receipts/GSDP	39.05	33.08	32.78	35.51	34.96	34.93
Revenue Buoyancy	2.336	**	0.924	3.092	0.805	0.889
GSDP Growth	8.258	15.292	13.675	4.149	8.61	10.286

The revenue receipts of the State increased from Rs.1070 crore in 1999-2000 to Rs.1420 crore in 2003-04 at an average trend rate of 9.15 *per cent*. There were, however, significant inter-year variations in the growth rates. The increase in revenue receipts during last five years was mainly due to significant increase in grants-in-aid from Government of India from Rs.669 crore in 1999-2000 to Rs.1061 crore in 2003-04. The tax revenue increased from Rs.40 crore to Rs.68 crore and non-tax revenue from Rs.43 crore to Rs.50 crore during last five years. The Central tax transfers, however, declined from Rs.318 crore in 1999-2000 to Rs.241 crore in 2003-04.



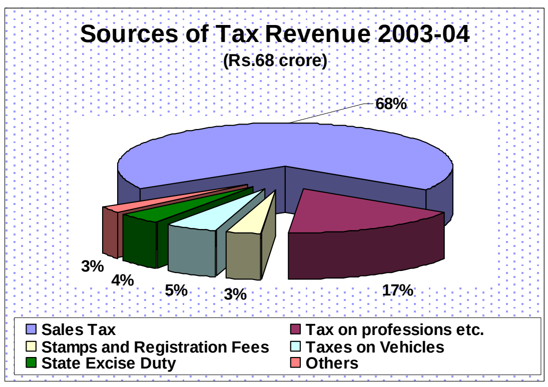
During the current year, the revenue receipts grew by 6.93 *per cent* over the previous year but State's own tax and non-tax revenue decreased by 3.28 *per cent*. The increase in revenue receipts was on account of Central tax transfers which increased by 28.19 *per cent* and grants-in-aid which also went up by 4.22 *per cent* in the current year over 2002-03.

During the five-year period 1999-2004, the State had a buoyant economy with its GSDP growth averaging 10.29 *per cent*. Revenue growth was lower than GSDP growth rate and average buoyancy of revenue receipt during this period was less than one.

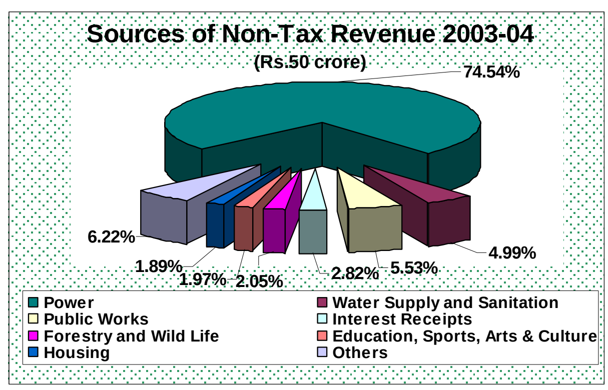
The dependency of the State on grants-in-aid from Government of India was increasing year after year. While only 8.31 *per cent* of the revenue receipts during 2003-04 came from State's own resources comprising of taxes and non-taxes, Central tax transfers and grants-in-aid together contributed 91.69 *per cent* of the total revenue. The State finances are mostly dependent on Central tax transfer and

** Rate of Growth of Revenue Receipts was negative.

grants-in-aid from Government of India. Compared to 1999-2000, the contribution of State's own tax and non-tax revenues in its total revenue receipts increased from 7.76 *per cent* to 8.31 *per cent*. The contribution of grants-in-aid from Government of India increased significantly from 62.52 *per cent* in 1999-2000 to 74.72 *per cent* in 2003-04. The Central tax transfers, however, declined contributing only 16.97 *per cent* of the total revenue receipts in 2003-04 as compared to 29.72 *per cent* in 1999-2000.



Sales Tax was the major contributor (67.58 *per cent*) of State's own tax revenue followed by taxes on Professions, Trades, Callings and Employment (17.08 *per cent*), taxes on Vehicles (4.95 *per cent*), State Excise (4.34 *per cent*), Stamps and Registration fees (3.41 *per cent*) *etc*. Overall own tax–GSDP ratio at 1.67 *per cent* in 2003-04 was very low. Low compliance and weak internal controls in the departments may be a few of the reasons for insignificant contribution of own taxes to the total revenue receipts of the State. Audit review disclosed that compliance in terms of filing Sales Tax returns was as low as 17 to 20 *per cent* (Paragraph 6.7.5) and weak internal controls gave ample scope for concealment and inaccurate furnishing of information by the dealers



The non-tax revenue of the State was only Rs.50 crore in 2003-04 as compared to Rs.57 crore in the previous year. Of non-tax revenue sources, receipts from Power (74.54 *per cent*), Public works (5.53 *per cent*), Water Supply and Sanitation (4.99 *per cent*), Forestry and Wild Life (2.05 *per cent*) and interest receipts (2.82 *per cent*) were principal contributors.

The current levels of cost recovery (revenue receipts as a percentage of revenue expenditure) in supply of merit goods and services by Government were 0.15 *per cent* for secondary education, 0.73 *per cent* for university and higher education, 2.54 *per cent* for technical education, 0.56 *per cent* for medical and public health and 34.89 *per cent* for water supply and sanitation.

1.6 Application of resources

1.6.1 Trend of growth: Statement No.12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. The total expenditure of the State decreased marginally from Rs.1714 crore in 1999-2000 to Rs.1706 crore in 2003-04.

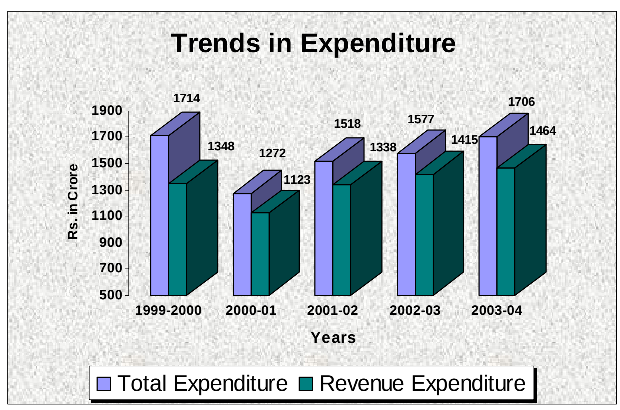
Total expenditure of the State, its trend and annual growth, ratio of expenditure to the State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table 5 below:

Table 5: Total Expenditure – Basic Parameters
(value in Rs. crore and others in *per cent*)

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average/ Trend
Total Expenditure	1714.00	1272.00	1518.00	1577.00	1706.00	1557.00
Rate of Growth	70.47	(–) 25.80	19.37	3.88	8.18	7.62
TE/GSDP Ratio	62.55	40.26	42.28	42.17	42.00	45.03
Revenue Receipts/ TE Ratio	62.43	82.17	77.53	84.21	83.24	77.57
Buoyancy of Total Expenditure with						
GSDP	8.534	[*]	1.416	0.934	0.950	0.741
Revenue Receipts	3.654	[**]	1.533	0.302	1.181	0.833

Total Expenditure includes Revenue Expenditure, Capital Expenditure and Loans & Advances.

After a sharp rise of over 70 *per cent* in total expenditure in 1999-2000 there was a drastic fall in 2000-01. In later years, however, the total expenditure increased steadily from Rs.1272 crore in 2000-01 to Rs.1518 crore (2001-02), to Rs.1577 crore (2002-03) and to Rs.1706 crore in 2003-04. The rate of growth of expenditure during the current year was 8.18 *per cent* as compared to 3.88 *per cent* in the previous year. The ratio of revenue receipt to total expenditure improved from 62.43 *per cent* in 1999-2000 to 83.24 *per cent* in 2003-04. This was mainly due to increase in revenue receipts on account of higher grants-in-aid from Government of India and slight decline in total expenditure. The rate of growth of total expenditure was 8.18 *per cent* in the current year as compared to 3.88 *per cent* in 2002-03. The ratio of total expenditure to GSDP, after a sharp fall of over 20 percentage points in 2000-01, hovered around 42 *per cent* in last three years. The increase in total expenditure in 2003-04 was due to increase in expenditure on Economic services by Rs.122 crore which was nearly 94.57 *per cent* of net increase of total expenditure over previous year.



1.6.2 In terms of the activities, total expenditure could be considered as being composed of expenditure on General services, interest payments, Social and Economic services, grants-in-aid and other contributions to institutions, and loans

[*] Rate of growth of Revenue expenditure was negative.
[**] Rate of growth of Revenue expenditure and revenue receipts were negative.

and advances. Relative share of these components in total expenditure is indicated in Table 6.

Table 6: Components of Expenditure – Relative share (in *per cent*)

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
General Services[⊕]	25.15	26.73	24.70	25.43	24.62	25.26
Interest Payments	7.70	13.92	12.58	16.17	12.60	12.46
Social Services	33.72	34.44	32.87	33.99	33.00	33.57
Economic Services	33.31	24.85	29.58	24.35	29.66	28.59
Loans and Advances	0.12	0.06	0.27	0.06	0.12	0.12

Expenditure on General services and interest payments which are considered as non-developmental, together accounted for 37.22 *per cent* in 2003-04 as against 32.85 *per cent* in 1999-2000. In the current year, however, the non-developmental expenditure decreased by 3.84 *per cent* over last year.

On the other hand, developmental expenditure *i.e.,* on Social and Economic services together accounted for only 62.66 *per cent* in 2003-04 as against 67.03 *per cent* in 1999-2000. This indicated declining priority for developmental expenditure.

1.6.3 Incidence of Revenue expenditure: In the total expenditure, revenue expenditure had the predominant share. Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and revenue receipts and its buoyancy are indicated in Table 7.

Table 7: Revenue Expenditure – Basic Parameters

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Revenue Expenditure (Rupees in crore)	1348	1123	1338	1415	1464	1338
Rate of Growth (*per cent*)	70.42	(–) 16.69	19.15	5.75	3.46	10.20
RE/GSDP	49.20	35.55	37.26	37.83	36.04	38.68
RE as percentage of TE	78.62	88.30	88.13	89.70	85.81	85.89
RE as percentage of RR	125.98	107.46	113.68	106.55	103.10	110.73
Buoyancy of Revenue Expenditure with						
GSDP	8.528	[*]	1.400	1.387	0.402	0.991
Revenue Receipts	3.651	[**]	1.516	0.449	0.500	1.115

Overall revenue expenditure of the State increased at an average trend rate of 10.20 *per cent*. Rate of growth of revenue expenditure reached a level of 70.42 *per cent* in 1999-2000 but had decelerated since then. As a result, revenue expenditure – GSDP ratio declined from 49.20 *per cent* in 1999-2000 to 36.04 *per cent* in 2003-04. On an average 85.89 *per cent* of the total expenditure was on current consumption during last five years.

[⊕] Excluding interest payments.
[*] Rate of growth of Revenue expenditure was negative.
[**] Rate of growth of Revenue expenditure and revenue receipts were negative.

(i) High expenditure on pension payments: Pension payments have increased by 14.48 *per cent* from Rs.145 crore in 1999-2000 to Rs.166 crore in 2003-04. Year-wise break-up of expenditure incurred on pension payments during the years 1999-2000 to 2003-04 was as under:

Table 8

(Rupees in crore)

Year	Expenditure on pension payments	Percentage to total revenue expenditure
1999-2000	145	10.75
2000-01	127	11.31
2001-02	140	10.46
2002-03	167	11.80
2003-04	166	11.33

With the increase in number of retirees, the pension liabilities are likely to increase further in future. The Government of Manipur has however, adopted the new restructured Defined Contribution Pension Scheme of the Government of India *mutatis mutandis* in respect of new entrants to the State's services with effect from 1st January 2005. Under the scheme, new entrants will have to contribute 10 *per cent* of the salary and DA towards Defined Contribution Pension Scheme with matching contribution being provided by the Government of Manipur. The new entrants will not be entitled to pension/family pension under the existing pension rules. The new scheme will therefore, reduce pension liabilities of the State Government in long run but will lead to increased expenditure in initial years on account of matching contributions to be provided by the Government for new entrants in addition to making pension payments to the existing pensioners.

(ii) Interest payment: The Eleventh Finance Commission (August 2000) has recommended that as a medium term objective, States should endeavour to keep interest payment, as a ratio to revenue receipts at 18 *per cent*. It was however observed that the interest payment in Manipur was more then 18 *per cent* of revenue receipts in 2002-03 as shown below:

Table 9

Year	Interest payments (Rupees in crore)	Percentage of interest payment with reference to	
		Revenue Receipts	Revenue expenditure
1999-2000	132	12.34	9.79
2000-01	177	16.94	15.76
2001-02	191	16.22	14.27
2002-03	255	19.20	18.02
2003-04	215	15.14	14.69

Interest payments increased steadily from Rs.132 crore in 1999-2000 to Rs.215 crore in 2003-04 at an average growth rate of 19.89 *per cent* primarily due to ever increasing borrowings. In comparison to previous year, however, the interest payments declined by Rs.40 crore due to less payment of interest on Internal Debt and State Provident Fund. The interest payment was on Internal Debt (Rs.54.94 crore), loans received from Central Government (Rs.124.56 crore) and Small Savings, PF, *etc*. (Rs.35.83 crore).

1.7 Expenditure by Allocative priorities

The expenditure of the State in the nature of plan expenditure, capital expenditure and development expenditure reflects its quality. Higher the ratio of these components to total expenditure, better is the quality of expenditure. Table 10 gives these ratios during 1999-2004 as follows:

Table 10: Quality of Expenditure (*per cent* to total expenditure)

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Plan Expenditure	36.16	26.20	24.83	19.04	25.18	26.45
Capital Expenditure	21.26	11.64	11.62	10.22	14.08	14.00
Developmental Expenditure	67.11	59.32	62.62	58.38	62.73	62.23

(Total expenditure does not include Loans and Advances)

All the three components of quality of expenditure indicated relative decline during 1999-2004. In the year 2003-04, share of the plan as well as capital expenditure in the total expenditure was significantly lower compared to 1999-2000. The share of developmental expenditure in total expenditure in the current year was also lower than its share in 1999-2000. However, in the current year 2003-04, the plan, capital and developmental expenditures increased by 43 *per cent*, 49.07 *per cent* and 16.19 *per cent* respectively over the previous year indicating some improvement in the allocative priorities. To assess the impact of Government policies and declining share of quality expenditure, one service (Medical and Health Services) from the social sector was selected by Audit to evaluate adequacy of Medical and Health Services in the State and their preparedness in providing prompt and quality health care services to the people of the State. Audit findings in this regard are contained in Paragraph 3.2 of this Report.

Out of the developmental expenditure of Rs.1069 crore, during the year, social services accounted for 52.67 *per cent* (Rs.563 crore). Expenditure on General Education, Health, Medical and Family Welfare, Water Supply and Sanitation constituted 75.12 *per cent* of the expenditure on Social sector.

Table 11: Social Sector Expenditure

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Education	319.75	265.29	274.45	268.47	283.73
Health, Medical and Family Welfare	75.42	66.61	72.20	62.37	74.20
Water Supply and Sanitation	72.69	35.53	46.52	96.99	65.12
Total	**467.86**	**367.43**	**393.17**	**427.83**	**423.05**
As a percentage of expenditure on Social sector	81.06	83.87	78.87	79.79	75.12

Similarly, the expenditure on Economic Services (Rs.506 crore) accounted for 47.33 *per cent* of the development expenditure. Of which, Irrigation and Flood Control, Energy and Transport accounted for 54.42 *per cent*.

Table 12: Economic Sector Expenditure

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Irrigation and Flood Control	77.39	43.38	64.95	52.48	67.60
Energy	217.14	97.91	120.90	103.00	130.73
Transport	73.44	40.94	50.25	72.05	76.70
Total	**367.97**	**182.23**	**236.10**	**227.53**	**275.03**
As a percentage of expenditure on Economic sector	54.82	57.64	52.67	59.28	54.42

1.7.1 Financial assistance to Local Bodies and other Institutions

(i) Extent of assistance: The quantum of assistance (Rs.158.21 crore) provided by way of grants (Rs.150.59 crore) and loans (Rs.7.62 crore) to different local bodies *etc*., during the period of 5 years ending 2003-04 was as follows:

Table 13

(Rupees in crore)

		1999-2000	2000-01	2001-02	2002-03	2003-04
Universities and Educational institutions	Grants	26.36	21.72	30.45	34.10	28.90
	Loans	—	—	—	—	—
Municipal Corporations/ Municipalities	Grants	0.66	0.59	2.45	0.64	1.54
	Loans	—	—	—	—	—
Cooperative Societies and other Cooperative Institutions	Grants	—	0.12	0.94	0.16	0.28
	Loans	1.74	0.06	3.26	—	1.70
Other institutions	Grants	0.36	0.14	0.24	0.53	0.41
	Loans	—	—	—	0.81	0.05
Total	**Grants**	**27.38**	**22.57**	**34.08**	**35.43**	**31.13**
	Loans	**1.74**	**0.06**	**3.26**	**0.81**	**1.75**
Grand Total		**29.12**	**22.63**	**37.34**	**36.24**	**32.88**
Percentage of increase(+)/ decrease(-) over previous year		14.64	(–) 22.28	65.00	(–) 2.95	(–) 9.27
Assistance as a percentage of revenue expenditure		2	2	3	3	2.24

The total assistance at the end of 2003-04 had grown by 12.91 *per cent* over the level of 1999-2000 but decreased by 9.27 *per cent* compared to previous year mainly as a result of decreased assistance to Universities and Educational institutions. The assistance to local bodies as a percentage of total revenue expenditure had remained between two to three *per cent* during 1999-2004.

(ii) Delay in furnishing Utilisation Certificates: Financial rules of Government require that where grants are given for specific purposes, certificates of utilisation are to be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General within one year from the date of sanction unless specified otherwise. Detailed information in this regard was not furnished by the State Government/departments though called for in June and August in 2004.

(iii) Delay in submission of accounts: In order to identify the institutions which attract audit under Section 14 and 15 of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971, Government/ Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which assistance was sanctioned and the total expenditure of the institutions. Information for the year 2003-04 called for in September 2004 had not been furnished by the departments/Government (December 2004).

The accounts of the 13 institutions/bodies which had been receiving grants of more than Rs.25 lakh continuously from the State Government and others, and the accounts due for audit under Section 14 of the Act, *ibid*, in earlier years, were in arrears. The details are given in *Appendix–II.*

The audit of accounts of Manipur State Legal Service Authority audited under Sections 19 (2) of the Comptroller and Auditor General's (DPC) Act, 1971, were in arrears for the years 2002-03 and 2003-04 due to non-receipt/late receipt of the accounts. Position regarding arrears in accounts of Autonomous District Councils audited under Section 19 (3) of the Act, is discussed in Paragraph 4.16 of this Report.

1.8 Assets and liabilities

In the Government accounting system, comprehensive accounting of the fixed assets like land and buildings *etc*., owned by 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. *Appendix–III* gives an abstract of such liabilities and the assets as on 31 March 2004 compared with the corresponding position on 31 March 2003. While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the Government of India, accumulated balances 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. *Appendix–III* shows that while the liabilities grew by 9.46 *per cent*, the assets increased only by 6.12 *per cent* reducing the assets liabilities ratio from 1.27 in 2002-03 to 1.23 in 2003-04. The liabilities of Government of Manipur depicted in the Finance Accounts, however, do not include the pension, other retirement benefits payable to retiring State employees and guarantees issued by the State Government. An abstract of receipts and disbursements of the Government of Manipur for the year 2003-04 is given in *Appendix–IV*. *Appendix–V* exhibits sources and application of funds. *Appendix–VI* depicts the Time series data on State Government Finances for the period 1999-2004.

1.8.1 Incomplete projects: There were 328 incomplete projects in the State as of 31 March 2004 involving capital of Rs.784 crore. Of these, two major and one medium projects involving Rs.421.64 crore are listed in *Appendix–VII.* A review on one major incomplete project (Thoubal Multipurpose Project) has been conducted by Audit and the findings are included in Chapter III of this Report.

1.8.2 Investments and returns: As on 31 March 2004, Government had invested Rs.144 crore in its Statutory Corporations, Government companies and Co-operative Institutions. Government's return on this investment was 0.03 *per cent* in the last five years. With an average interest rate of 9.54 *per cent* being paid by Government on its borrowings, the average annual subsidy amounted to 9.51 *per cent* and the implicit subsidy during the period 1999-2004 was Rs.52.23 crore.

Table 14: Return on Investment

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Investment at the end of the year (Rs. in crore)	87	91	108	115	144	109
Returns (Rs. in crore)	—	—	0.08	—	0.08	0.03
Percentage of returns	—	—	0.07	—	0.06	0.03
Average interest rate paid by Government	8.44	9.34	8.90	11.53	9.50	9.54
Difference between interest rates and return (in *per cent)*	8.44	9.34	8.82	11.53	9.44	9.51
Implicit subsidy (Rupees in crore)	7.34	8.50	9.53	13.26	13.60	10.37

1.8.3 Loans and advances by State Government: In addition to investments in Co-operatives, Corporations and Companies, Government has also been providing support in terms of loans and advances to many of these parastatals. Total outstanding balance as on 31 March 2004 was Rs.57.52 crore. Interest received on such loans had varied from 0.13 *per cent* to 0.63 *per cent* during 1999-2004 (Table 15). Total implicit subsidy during 1999-2004 on such loans was Rs.23.70 crore.

Table 15: Average Interest Received on Loans Advanced by the State Government

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Opening Balance	48.95	50.99	51.29	54.96	56.04	52.40
Amount advanced during the year	2.60	0.82	4.14	1.55	1.96	2.23
Amount repaid during the year	0.56	0.52	0.47	0.47	0.48	0.50
Closing Balance	50.99	51.29	54.96	56.04	57.52	54.20
Net Addition	2.04	0.30	3.67	1.08	1.48	1.73
Interest Received	0.63	0.13	0.22	0.26	0.19	0.28
Interest Received as *per cent* to Loans advanced	1.26	0.25	0.41	0.47	0.33	0.55
Average interest paid by the State (*per cent*)	8.44	9.34	8.90	11.53	9.50	9.54
Difference between interest paid and received (*per cent*)	7.18	9.08	8.49	11.06	9.17	9.00
Implicit subsidy	3.51	4.63	4.35	6.08	5.13	4.71

1.8.4 Management of cash balances**:** It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) and overdraft from Reserve Bank of India has been put in place. State has not shown any distinct improvement in management of cash balances as WMA facilities were used for 48 days during 2003-04 as against 50 days in 1999-2000. As regards overdraft, the State Government has used this facility for 212 days in 2003-04 as against 102 days in 1999-2000 signifying no improvement in cash management of the Government during 1999-2004.

Table 16: Ways and means and overdrafts of the State and Interest paid thereon

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Ways and Means Advances						
Taken in the year	169.44	209.03	70.31	101.54	247.07	159.48
Outstanding	28.21	41.83	42.40	55.70	55.31	44.69
Interest Paid	1.75	2.03	2.82	3.28	2.99	2.57
Number of Days	50	45	—	—	48	48
Overdraft						
Taken in the year	961.69	982.08	1486.13	1227.45	215.20	974.51
Outstanding	276.84	400.50	497.86	49.75	49.75	254.94
Interest Paid	2.20	5.73	9.12	18.63	1.71	7.48
Number of Days	102	108	142	135	212	140

1.8.5 Undischarged liabilities

***(i) Fiscal liabilities – Public debt and guarantees*:** Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits as may from time to time be fixed by the Act of its Legislature. Table 17 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters.

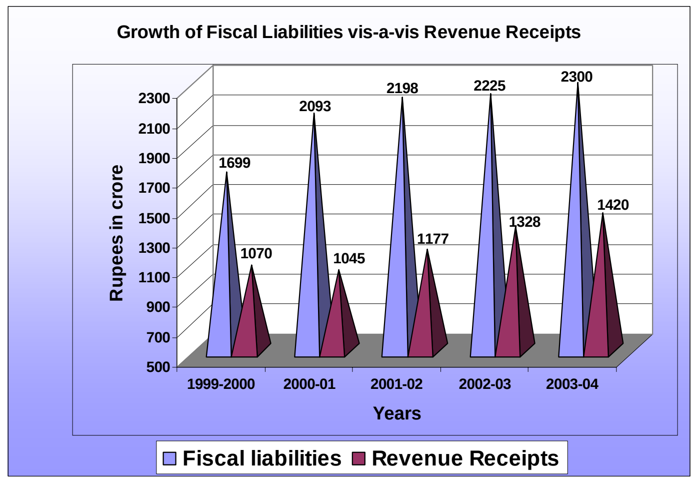
Table 17: Fiscal Liabilities – Basic Parameters (Value in Rupees in crore and ratios in *per cent*)

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Fiscal Liabilities$	1699	2093	2198	2225	2300	2103
Rate of Growth	18.81	23.19	5.02	1.23	3.37	9.68
Ratio of Fiscal Liabilities to						
GSDP	62.01	66.26	61.21	59.49	56.62	60.81
Revenue Receipt	158.79	200.29	186.75	167.55	161.97	174.09
Own Resources	2046.99	2300.00	2747.50	1823.77	1949.15	2128.54
Buoyancy of Fiscal Liabilities to						
GSDP	2.278	1.516	0.367	0.296	0.392	0.941
Revenue Receipt	0.975	*	0.397	0.096	0.487	1.058
Own Resources	0.555	2.406	*	0.023	*	0.751

$ Includes Internal Debt, Loans and Advances from GOI and other obligations.

* Revenue Receipts and Own Resources had a negative growth.

Over all fiscal liabilities of the State increased from Rs.1699 crore in 1999-2000 to Rs.2300 crore in 2003-04 on an average rate of 9.68 *per cent* during 1999-2004. The rate of growth of fiscal liabilities after reaching its peak of 23.19 *per cent* in 2000-01 decelerated in later years and stood at 3.37 *per cent* in 2003-04.The ratio of these liabilities to GSDP also decreased from 62.01 *per cent* in 1999-2000 to 56.62 *per cent* in 2003-04. The State's fiscal liabilities stood at 1.62 times of its revenue receipts and 19.49 times of its own resources.



In addition to these liabilities, Government had guaranteed loans raised by various Corporations and others, which at the end of 2003-04 stood at Rs.22 crore. The guarantees are in the nature of contingent liabilities, and the fiscal liabilities together with the contingent liabilities currently exceed 1.63 times the Revenue receipts of the State.

Sustainability of fiscal liabilities is examined in a variety of ways. One of the criteria of fiscal sustainability is the existence of a positive spread between rate of growth of GSDP and the average interest rate. In the case of Manipur, increasing interest rates compared to GSDP growth has resulted in negative interest spread in three out of five years (Table 18). The negative interest spread was as high as (–) 7.38 *per cent* in 2002-03 but came down to (–) 0.89 *per cent* in 2003-04 due to decline in interest rate paid on borrowings.

Table 18: Debt Sustainability-Interest Rate and GSDP Growth (in *per cent*)

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average/ Trend
Weighted Interest Rate	8.44	9.34	8.90	11.53	9.50	9.54
GSDP Growth	8.26	15.29	13.68	4.15	8.61	10.29
Interest spread	(–) 0.18	5.96	4.77	(–) 7.38	(–) 0.89	0.74

Another important indicator of the debt sustainability is the net availability of the borrowed funds after payment of principal and interest. Table 19 below gives the position of receipt and re-payment of internal debt and other fiscal liabilities of the State over the last five years. The net funds available from the total receipts on account of public debt, loans and advances from Government of India and other debt receipts (including public account) decreased from 8.06 *per cent* in 1999-2000 to (–) 9.44 *per cent* in 2003-04. Thus the position regarding debt sustainability worsened considerably during last five years.

Table 19 : Net Availability of Borrowed Funds (Rupees in crore)

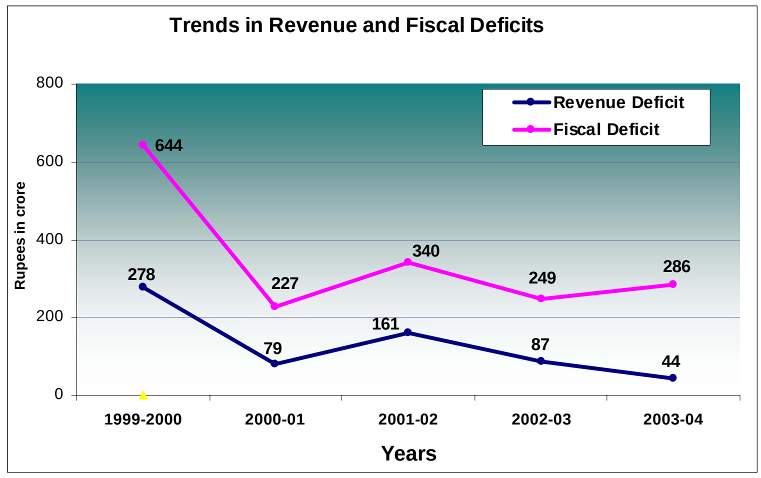
	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Internal debt						
Receipt	1181	1234	1609	1408	812	1248.80
Repayment (Principal + Interest)	1320	1145	1537	1851	706	1311.80
Net Fund Available	(–) 139	89	72	(–) 443	106	(–) 63.00
Net Fund Available (*per cent*)	(–) 11.76	7.21	4.47	(–) 31.46	13.05	(–) 3.70
Loans and Advances from Government of India						
Receipt	93	237	504	1025	527	477.20
Repayment (Principal + Interest)	68	136	663	703	724	458.80
Net Fund Available	25	101	(–) 159	322	(–) 197	18.40
Net Fund Available (*per cent*)	26.88	42.62	(–) 31.55	31.41	(–) 37.38	6.40
Other obligations						
Receipt	425	199	189	145	155	222.60
Repayment (Principal + Interest)	174	172	189	252	205	198.40
Total liabilities						
Receipt	1699	1670	2302	2578	1494	1948.60
Payments	1562	1453	2389	2806	1635	1969.00
Net receipts	137	217	(–) 87	(–) 228	(–) 141	(–) 20.40
Net Funds Available (*per cent*)	8.06	12.99	(–) 3.78	(–) 8.84	(–) 9.44	(–) 1.05

(ii) Off budget borrowings: The Constitution of India provides for State Governments to borrow from Open Market, Financial Institutions and Government of India, upon the security of the Consolidated Fund, within such limits, if any, as may from time to time be fixed by an Act of Legislature of the State. Government of Manipur raised off budget borrowings of Rs.30 crore in 1998-99 from HUDCO for construction of Khuman Lampak Sports Complex as per details furnished by the Finance Department. No off budget borrowings have been made during 1999-2000 to 2003-04.

1.9 Management of deficits

***1.9.1 Fiscal imbalances*:** The deficit in Government accounts represents the gap between its receipts and expenditure. The quantum of the deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. The revenue deficit of the State including power sector, which indicates the excess of its revenue expenditure over revenue receipts, decreased from Rs.87 crore in 2002-03 to Rs.44 crore in 2003-04 (Table 20). The revenue deficit for power sector during 2003-04 stood at Rs.65 crore and the State (excluding power sector) had a revenue surplus of Rs.21 crore. The details of revenue deficit of power sector and the State as a whole are given in *Appendix–VIII*.

The year 2003-04 witnessed revenue deficit for the fifth consecutive year. The deficit, however, showed a steep declining trend from Rs.278 crore in 1999-2000 to Rs.44 crore in 2003-04 mainly due to higher receipt of grants-in-aid from Government of India and low growth of expenditure. The existence of revenue deficit indicated that the revenue receipt of the State Government was not able to meet its revenue expenditure and the Government had to borrow funds to meet its current obligations.



The fiscal deficit which represents the need for additional resources of the Government and its total resource gap, decreased from Rs.644 crore in 1999-2000 to Rs.286 crore in 2003-04.

While the State had persistent revenue deficit, the ratio of revenue deficit to fiscal deficit had decreased from 43.17 *per cent* in 1999-2000 to 15.38 *per cent* in 2003-04. The existence of revenue deficit, however, indicated that the asset base of the State was continuously shrinking. As proportion to the State's GSDP, the revenue deficit was 1.08 *per cent* in 2003-04 as compared to 10.15 *per cent* in 1999-2000. The ratio of fiscal deficit to GSDP declined from 23.50 *per cent* in 1999-2000 to 7.04 *per cent* in 2003-04.

Table 20 : Fiscal Imbalances – Basic Parameters (Values in Rupees in crore and ratios in *per cent*)

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Revenue Deficit	(–) 278	(–) 79	(–) 161	(–) 87	(–) 44	(–) 130.00
Fiscal Deficit	(–) 644	(–) 227	(–) 340	(–) 249	(–) 286	(–) 349
Primary Deficit	(–) 512	(–) 50	(–) 149	6	(–) 71	(–) 155
RD/GSDP	(–) 10.15	(–) 2.50	(–) 4.48	(–) 2.33	(–) 1.08	(–) 3.75
FD/GSDP	(–) 23.50	(–) 7.19	(–) 9.47	(–) 6.66	(–) 7.04	(–) 10.10
PD/GSDP	(–) 18.69	(–) 1.58	(–) 4.15	0.16	(–) 1.75	(–) 4.49
RD/FD	43.17	34.80	47.35	34.94	15.38	37.17

(Negative figures indicate deficit)

1.10 Fiscal reforms programmes

1.10.1 The State Government submitted a Medium Term Fiscal Restructuring Policy (MTFRP) 2000-05 to Government of India in compliance to the recommendation of the Eleventh Finance Commission. Thereafter a Memorandum of Understanding (MOU) based on the fiscal situation of the State was signed between the Government of India and the State on 20 June 2002. Accordingly, the State Government is required to take specific and discernible measures and implement them in a structured and time bound manner to correct the fiscal imbalance in a medium term perspective.

The main objectives of the MOU were to:

(i) compress revenue expenditure,

(ii) enhance revenue and non-debt capital receipts to control debt levels, and

(iii) increase overall transparency and efficiency in governance.

Finance Department, Government of Manipur is responsible for implementation of the reform programme. The information furnished by Finance Department (February 2005) on the progress of implementation of the commitments revealed the following shortcomings:

1.10.2 Revenue Expenditure Compression

(i) The Government was to monitor steadfastly its decision to abolish 14,385 posts (Regular Establishment: 9,385 Work Charged Establishment: 5,000). But the Finance Department identified 13,132 posts of which orders for abolition of 12,012 posts (including 4,666 vacant posts) had been issued as on 31 May 2003. The Government is yet to identify/abolish remaining posts (February 2005).

(ii) The Government was to maintain a comprehensive nominal roll of State Government employees/employees of Government owned or funded organisation by 30 September 2002. Finance Department stated (February 2005) that the task of computerisation of nominal rolls entrusted to NIC had been completed however, cross-checking of entries was yet to be done.

(iii) The Government was to evolve an appropriate Voluntary Retirement Scheme (VRS) for Government employees during 2002-03, but the same was yet to be evolved (February 2005).

(iv) The Government was to issue specific order by 30 September 2002 for no fresh grant-in-aid commitments to any institution. Though no fresh commitments were given by Government during 2003-04, the specific order was yet to be issued (February 2005).

(v) A legislative cap was to be introduced by 30 September 2002 on the amount of guarantee to be provided by the State Government for loans to be taken by other entities sponsored by State Government and to exclude totally the private sector from being extended guarantee on their borrowings. Department of Finance intimated (February 2005) that in this regard Legislature had passed in November 2004 a bill which had obtained assent of the Governor.

1.10.3 Revenue Receipt Enhancement

As regards commitments made in the MOU on revenue enhancing measures, like revision of taxes and user charges, explore the possibility of lifting prohibition and a cap on announcing new tax concessions, the Government revised the rates of land revenue, hill house tax and drinking water supply during 2002-03. The Finance Department intimated (February 2005) that Government was revising their rates of user charges from time to time.

1.11 Fiscal indicators of the Government of Manipur

The finances of a State should be sustainable, flexible and non-vulnerable. Table 21 below presents a summarised position of Government finances over 1999-2004, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important facets.

Table 21: Indicators of Fiscal Health (in *per cent*)

Fiscal indicators	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
I. Resource Mobilisation						
Revenue Receipt/GSDP	39.05	33.08	32.78	35.51	34.96	34.93
Revenue Buoyancy	2.336	*	0.924	3.092	0.805	0.889
Own tax/GSDP	1.460	1.551	1.420	1.738	1.674	1.579
II. Expenditure Management						
Total Expenditure/GSDP	62.55	40.26	42.28	42.17	42.00	45.03
Revenue Receipt/Total Expenditure	62.43	82.17	77.53	84.21	83.24	77.55
Revenue Expenditure/Total Expenditure	78.65	88.30	88.13	89.73	85.81	85.89
Plan Expenditure/Total Expenditure	36.16	26.20	24.83	19.04	25.18	26.45
Capital Expenditure/Total Expenditure	21.26	11.64	11.62	10.22	14.08	14.00
Development Expenditure/Total Expenditure	67.11	59.32	62.62	58.38	62.73	62.23
Buoyancy of TE with RR	3.654	*	1.533	0.302	1.181	0.833
Buoyancy of RE with RR	3.651	*	1.516	0.449	0.500	1.115
III. Management of Fiscal Imbalances						
Revenue deficit (Rs. in crore)	(–) 278	(–) 79	(–) 161	(–) 87	(–) 44	(–) 130
Fiscal deficit (Rs. in crore)	(–) 644	(–) 227	(–) 340	(–) 249	(–) 286	(–) 349
Primary Deficit (Rs. in crore)	(–) 512	(–) 50	(–) 149	6	(–) 71	(–) 155
Revenue Deficit/Fiscal Deficit	43.17	34.80	47.35	34.94	15.38	37.11
IV. Management of Fiscal Liabilities (FL)						
Fiscal Liabilities/GSDP	62.01	66.26	61.21	59.49	56.62	60.81
Fiscal Liabilities/RR	158.79	200.29	186.75	167.55	161.97	174.09
Buoyancy of FL with RR	0.975	*	0.397	0.096	0.487	1.058
Buoyancy of FL with OR	0.555	2.406	*	0.023	(–) 1.028	0.751
Interest spread	(–) 0.18	5.96	4.77	(–) 7.38	(–) 0.89	0.74
Net Funds Available	8.06	12.99	(–) 3.78	(–) 8.84	(–) 9.44	(–) 1.05
V. Other Fiscal Health Indicators						
Return on Investment	0.00	0.00	0.07	0.00	0.06	0.03
BCR (Rs. in crore)	(–) 673	(–) 339	(–) 567	(–) 575	(–) 509	(–) 533
Financial Assets/ Liabilities	1.61	1.45	1.36	1.27	1.23	1.38

[*] Revenue Receipts, Own Resources, Total Expenditure and Revenue Expenditure had a negative growth.

These ratios indicate a mixed trend. The ratio of own taxes to GSDP had shown slight improvement in the five-year period increasing from 1.46 *per cent* in 1999-2000 to 1.67 *per cent* in 2003-04. The revenue receipt to GSDP ratio though fluctuating has declined from 39.05 *per cent* in 1999-2000 to 34.96 *per cent* in 2003-04. The buoyancy of revenue receipt indicates the nature of the tax regime and the State's increasing access to resources. The revenue buoyancy on an average was less than one and had declined steeply to 0.80 *per cent* in 2003-04.

Various ratios concerning expenditure indicate quality of expenditure and sustainability in relation to resources. All the ratios of quality expenditure showed downward trends. The ratio of plan expenditure to total expenditure declined from 36.16 *per cent* in 1999-2000 to 25.18 *per cent* in 2003-04. The capital expenditure to total expenditure ratio also came down steeply from 21.26 *per cent* in 1999-2000 to 14.08 *per cent* in 2003-04. The ratio of developmental expenditure to total expenditure also registered a downward trend sliding from 67.11 *per cent* in 1999-2000 to 62.73 *per cent* in 2003-04. On the other hand, revenue expenditure to total expenditure increased from 78.65 *per cent* in 1999-2000 to 85.91 *per cent* in 2003-04 indicating that increasingly more expenditure was incurred on establishment, maintenance and services leaving very little capital on formation of assets.

The revenue deficit is the excess of revenue expenditure over revenue receipt and represents the revenue expenditure financed by borrowings *etc*. Evidently, higher the revenue deficit 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, 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.

Revenue and fiscal deficits in Manipur have reduced significantly during last five years but continued revenue and fiscal deficits indicate that the State finances are vulnerable to sources of funding outside its control. Decrease in the ratio of revenue deficit to fiscal deficit from 43.17 *per cent* in 1999-2000 to 15.38 *per cent* in 2003-04 means comparatively lesser application of borrowed funds to meet current consumption. The fiscal deficit, however, went up from Rs.249 crore in 2002-03 to Rs.286 crore in 2003-04.

Ratios of fiscal liabilities to GSDP and revenue receipts are showing decreasing trend since 2000-01 but their levels still remain high. The State should improve the management of its fiscal liabilities and also reduce its fiscal imbalance by further reduction in revenue and fiscal deficits to avoid getting into a debt trap.

There has also been a decline in net availability of funds from its borrowings during last five years due to a larger portion of these funds being used for debt servicing. In fact during last three years, borrowings were not available at all for developmental expenditure as repayments on borrowings exceeded the receipts. In the year 2003-04 alone, repayments exceeded the borrowings by Rs.141 crore.

The State's negligible return (0.03 *per cent*) on investment indicates huge implicit subsidy and utilisation of high cost borrowing for investments that yield nothing. There has been consistent decline in State's ratio of total financial assets to liabilities indicating that asset back up of liabilities is diminishing continuously. The State has to either generate more revenue from out of its existing assets or need to provide from its current revenues for servicing its debt obligations. The balance from current revenue (BCR) which plays a critical role in determining the plan size, has been negative continuously for five years in a row. A negative BCR affects the plan size and reduces availability of funds for additional infrastructure support and other revenue generating investments.

Thus overall fiscal and financial position of the State is poor and it should speed up the process of fiscal reforms for improving its resource mobilisation, management of expenditure and management of fiscal liabilities.