

CHAPTER I: FINANCES OF THE STATE GOVERNMENT

In Summary

Large revenue and fiscal deficits year after year indicate continued macro imbalances in a State. In Tripura, the fiscal deficit for the year 2004-05 was Rs. 240.31 crore against Rs. 341.39 crore in 2003-04.

The revenue of the State consists 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. 2,167.66 crore in 2003-04 to Rs. 2,576.90 crore in 2004-05 at an average trend rate of 13 per cent. There were, however, significant inter-year variations in the growth rates. During the current year the revenue receipts grew by 18.88 per cent. 84 per cent of the revenue came from Central tax transfers and grants-in-aid during the year. While Central tax transfers had increased by 19.53 per cent, the grants-in-aid from Government of India increased by 21.91 per cent over the last year. Only 16 per cent of the revenue receipts came from State's own resources.

Total expenditure of the State increased from Rs. 2,512.74 crore in 2003-04 to Rs. 2,821.18 crore in 2004-05 at an average trend rate of 11 per cent. The rate of growth of expenditure in 2004-05 was 12 per cent which was higher than the average trend rate (11 per cent) for five years.

The interest payment during 2004-05 was Rs. 355.82 crore and the same grew by 7 per cent over the last year. The average growth rate of interest payment during the period 2000-05 was 11.84 per cent. Debt burden (fiscal liabilities) of the State at the end of 2004-05 was Rs. 4,181.28 crore, up by 16.86 per cent over the previous year. The average rate of interest paid on the borrowings of the State during 2000-05 (10.11 per cent) was more than the average rate of growth of GSDP (9.59 per cent), violating the cardinal rule of debt sustainability. The finances of the State continued to be dependent on the ways and means advances from Reserve Bank of India.

Though it is not uncommon for the State to borrow for widening its infrastructure and for creating income generating assets, an ever increasing ratio of fiscal liabilities to GSDP has the adverse impact on the health of State finances.

State Government has passed a Fiscal Responsibility Act in June 2005 to ensure prudence in fiscal management and fiscal stability as committed in the Memorandum of Understanding with Government of India in March 2003.

1.1 Introduction

The Finance Accounts of the Government of Tripura 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 layout of the Finance Accounts is depicted in the **Box 1.1**.

Box 1.1

Layout 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 gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc. There is no commercial irrigation project in Tripura State.

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 2005.

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, cooperative banks and societies etc, up to the end of the current year.

Statement No. 15 depicts the capital and other expenditure 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 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 Tripura, 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. No earmarking of funds have been made in Tripura as shown in the statement.

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)

2003-04	Sl. No.	Major Aggregates	2004-05
2167.66	1.	Revenue Receipts (2+3+4)	2576.90
221.47	2.	Tax Revenue	239.63
167.78	3.	Non-tax Revenue	176.85
1778.41	4.	Other Receipts	2160.42
3.69	5.	Non-Debt Capital Receipts	3.97
2171.35	6.	Total Receipts (1+5)	2580.87
1761.77	7.	Non-Plan Expenditure (8+10)	1907.87
1731.88	8.	On Revenue Account	1841.52
332.71	9.	Of which, Interest Payments	355.82
29.89	10.	On Capital Account	66.35
750.97	11.	Plan Expenditure (12 + 13 +14)	913.31
331.05	12.	On Revenue Account	341.11
413.89	13.	On Capital Account	570.15
6.03	14.	On Loans disbursed	2.05
2512.74	15.	Total Expenditure (7 + 11)	2821.18
(-) 341.39	16.	Fiscal Deficit (15-1-5)	(-) 240.31
(+) 104.73	17.	Revenue Deficit (-)/ Surplus (+) (8 + 12 - 1)	(+) 394.27
(-) 8.68	18.	Primary Deficit (-)/Surplus (+) (16-9)	(+) 115.51

1.3 Summary of Receipts and Disbursements for the year

Table 1 summarises the finances of the Government of Tripura for the year 2004-05 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 the Finance Accounts 2004-05.

Table 1: Summary of Receipts and Disbursements for the year 2004-05

(Rupees in crore)

2003-04	Receipts	2004-05	2003-04	Disbursement	2004-05		
Section A: Revenue							
					Non-Plan	Plan	Total
2167.66	I. Revenue Receipts	2576.90	2062.93	I. Revenue Expenditure	1841.52	341.11	2182.63
221.47	Tax Revenue	239.63	876.08	General Service	926.92	0.99	927.91
167.78	Non-tax Revenue	176.85	732.65	Social Service	564.95	230.41	795.36
320.53	Share of Union taxes / duties	383.12	416.44	Economic Service	349.65	73.39	423.04
1457.88	Grants from Government of India	1777.30	37.76	Grants-in-aid / contribution	-	36.32	36.32
Section B: Capital							
-	II. Miscellaneous Capital Receipts	-	443.78	II. Capital outlay	66.35	570.15	636.50
3.69	III. Recoveries of Loans and Advances	3.97	6.03	III. Loans and Advances disbursed	-	2.05	2.05
405.32	IV. Public Debt receipts*	367.88	250.87#	IV. Repayment of Public Debt	-	-	159.73
-	V. Contingency Fund	-	-	V. Contingency Fund	-	-	-
1699.00	VI. Public Account receipts	1482.51	1615.86#	VI. Public Account disbursements	-	-	1105.65#
(-) 0.06	Opening balance	(-) 103.86	(-) 103.86	Closing balance	-	-	240.84
4275.61	Total	4327.40	4275.61	Total			4327.40

* Includes net ways and means advance also.

Bifurcation of Plan and Non-Plan not available.

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 2004-05 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 debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices.

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 2000-2005 has been indicated. The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in Annexure.

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 entitled '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 revenue, 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 2004-05 were Rs. 4431.26 crore. Of these, the revenue receipts of the State Government were Rs. 2576.90 crore only, constituting 58 *per cent* of the total receipts. The balance of receipts came from borrowings and public account receipts.

Table 2: Resources of Tripura

(Rupees in crore)

I.	Revenue Receipts		2576.90
II.	Capital Receipts		371.85
	(a) Miscellaneous Receipts	-	-
	(b) Recovery of Loans and Advances	3.97	
	(c) Public Debt Receipts	367.88	
III.	Contingency Fund Receipts		-
IV.	Public Account Receipts		1482.51
	(a) Small Savings, Provident Fund etc	643.38	
	(b) Reserve Fund	13.01	
	(c) Deposits and Advances	247.46	
	(d) Suspense and Miscellaneous	(-) 24.07	
	(e) Remittances	602.73	
	Total Receipts		4431.26

1.5.2 Revenue Receipts: 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. The details of revenue receipts of the Government are given in **Appendix I** and Statement 11 of Finance Accounts. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and its buoyancy is indicated in Table 3.

Table 3: Revenue Receipts – Basic Parameters (Values in Rupees in crore and other in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Revenue Receipts	1638.06	1867.38	1880.07	2167.66	2576.90	2026.01
Own Taxes	7.67	8.49	9.74	10.22	9.30	9.08
Non-Tax Revenue	5.77	5.22	5.25	7.74	6.86	6.17
Central Tax transfer	14.42	42.46	13.28	14.79	14.87	19.96
Grants-in-aid	72.14	73.83	71.73	67.26	68.97	70.79
Rate of Growth	13.89	14.00	0.68	15.30	18.88	12.55
Revenue Receipt/GSDP	36.20	37.76	34.35	36.18	39.25	36.75
Revenue Buoyancy	1.556	1.507	0.064	1.619	1.969	1.343
Rate of Growth of own taxes	23.43	26.21	15.51	20.96	8.20	18.86
Buoyancy of own taxes	2.624	2.821	1.451	2.218	0.855	1.994
GSDP Growth	8.93	9.29	10.69	9.45	9.59	9.59

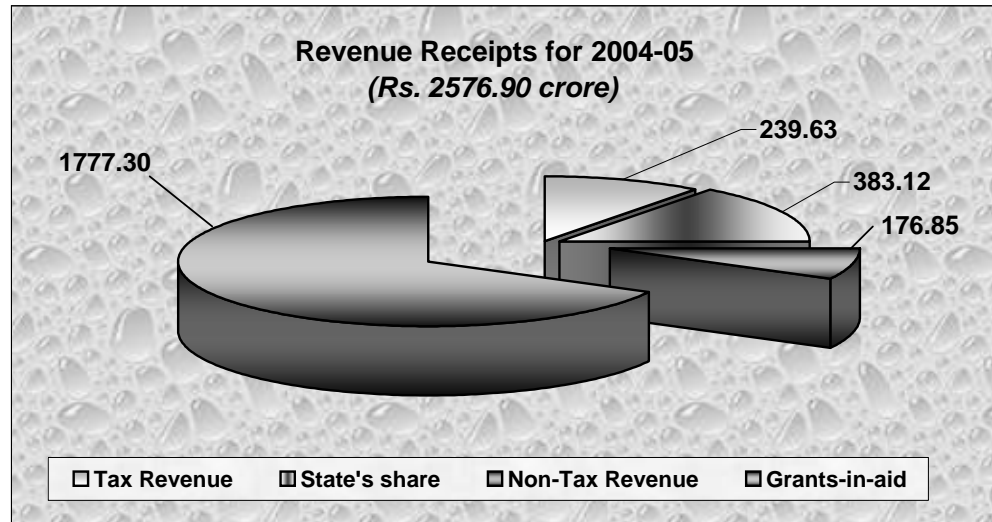
The revenue receipts of the State increased from Rs. 1638.06 crore in 2000-01 to Rs. 2576.90 crore in 2004-05 at an average trend rate of 12.55 *per cent*. There were, however, significant inter-year variations in the growth rates. During the five-year period 2000-05, the State had a buoyant economy with its GSDP growth averaging 9.59 *per cent*. Revenue growth exceeded GSDP growth rates during all the years from 2000 to 2005 except 2002-03 and

buoyancy of revenue receipt during this period was greater than one. There was sharp increase in revenue buoyancy to 1.969 due to a moderate growth in revenue receipt during 2004-05 relative to GSDP.

Though revenue growth with reference to State's own taxes exceeded GSDP growth during four years (2000-2004), it was lower (8.20 *per cent*) than GSDP growth during 2004-05 with consequential sharp decrease to 0.855 in revenue buoyancy of State's own taxes.

While 16 *per cent* of the revenue receipts during 2004-05 have come from State's own resources comprising tax and non-tax revenues, Central tax transfers and grants-in-aid together contributed 84 *per cent* of the total revenue. Sales Tax was the major contributor (67 *per cent*) of State's own tax revenue followed by State Excise (14 *per cent*), Stamps and Registration fees (5 *per cent*), and Taxes on Vehicles (4 *per cent*). Of non-tax revenue sources interest receipts (3 *per cent*), receipts from Economic Services (81 *per cent*) were principal contributors. However, 89 *per cent* of the interest receipts (Rs. 4.56 crore) was only from investment of cash balances.

Chart No. 1



The arrears of revenue was Rs. 13.45 crore at the end of 2004-05. Of these, Rs. 0.69 crore were more than five years old.

The current levels of cost recovery (revenue receipts as a percentage of revenue expenditure) in providing various social services by Government was 7.58 *per cent* for Secondary Education, 1.10 *per cent* for University and Higher Education, 0.17 *per cent* for Technical Education, 4.27 *per cent* for Health and Family Welfare, 0.55 *per cent* in Water Supply and Sanitation etc. and 0.96 *per cent* for Adult Education.

The source of total receipts under different heads and GSDP during 2000-05 is indicated in Table 4.

Table 4: 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		
2000-01	1638.06	1.87	165.48	1284.28	3089.69	4524.42
2001-02	1867.38	2.32	311.93	1389.48	3571.11	4944.73
2002-03	1880.07	3.10	211.48	1575.97	3670.62	5473.32
2003-04	2167.66	3.69	405.32	1699.00	4275.67	5990.55
2004-05	2576.90	3.97	367.88	1482.51	4431.26	6565.04

1.6 Application of resources

1.6.1 Trend of growth: Statement 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 increased from Rs. 2085.09 crore in 2000-01 to Rs. 2821.18 crore in 2004-05 at an average trend rate of 11 per cent per annum.

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 Rupees in crore and other in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average / trend
Total expenditure*	2085	2408	2420	2513	2821	2449
Rate of growth	20.45	15.48	0.51	3.84	12.27	10.51
TE/GSDP Ratio	46.09	48.70	44.22	41.95	42.97	44.79
Revenue Receipts/TE Ratio	78.56	77.55	77.68	86.26	91.34	82.28
Buoyancy of total expenditure with						
GSDP	2.291	1.666	0.048	0.406	1.279	1.138
Revenue Receipts	1.472	1.106	0.752	0.251	0.649	0.846

*Total expenditure includes Revenue Expenditure, Capital Expenditure and Loans and Advances.

Consistent increase of total expenditure over a five-year period 2000-05 was also reflected in gradual increase in percentage of total expenditure to GSDP and also revenue receipts to total expenditure (from 78.56 to 91.34 per cent). In monetary terms, total expenditure in 2004-05 has increased by Rs. 308.44 crore over previous year and its ratio as a percentage to GSDP has increased from 41.95 per cent to 42.97 per cent. The increase in total expenditure in 2004-05 was due to increase in interest payment by Rs. 23.11 crore which was 7 per cent of net increase of total expenditure over previous year.

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 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)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average / trend
General Services	20.56	22.13	23.94	23.36	22.60	22.52
Interest Payments	10.84	10.52	12.01	13.24	12.61	11.84
Social Services	37.61	35.78	36.52	35.40	35.80	36.22
Economic Services	29.85	30.17	25.45	26.26	27.63	27.87
Grants-in-aid and contributions	0.93	1.06	1.74	1.50	1.29	1.10
Loans and Advances	0.21	0.34	0.34	0.24	0.07	0.24

The movement of relative share of these components of expenditure indicated that all components of expenditure had inter-year variations. But expenditure on General Services and interest payments which were considered as non-developmental, together accounted for 35.21 per cent in 2004-05 as against 31.40 per cent in 2000-01. On the other hand, development expenditure i.e., on Social and Economic Services together accounted for only 63.43 per cent in 2004-05 as against 67.46 per cent in 2000-01. This indicated declining priority for developmental expenditure.

1.6.2 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

	2000-01	2001-02	2002-03	2003-04	2004-05	Average / trend
Revenue Expenditure (Rupees in crore)	1734.04	1812.91	1960.72	2062.93	2182.63	1950.65
Rate of Growth (per cent)	18.68	4.55	8.15	5.21	5.80	8.48
RE/GSDP	38.33	36.66	35.82	34.44	33.25	35.70
RE as percentage of TE	83.16	75.29	81.02	82.10	77.36	79.79
RE as percentage of RR	105.86	97.08	104.29	95.17	84.70	97.42
Buoyancy of Revenue expenditure with (per cent)						
GSDP	2.093	0.490	0.763	0.551	0.605	0.900
Revenue Receipts	1.345	0.325	11.998	0.340	0.307	2.863

Overall revenue expenditure of the State increased at an average trend rate of 8.48 per cent. Rate of growth of revenue expenditure reached a level of 18.68 per cent in 2000-01 but had decelerated since then though it had again increased in 2004-05 over the previous year. As a result, revenue expenditure–GSDP ratio declined from 38.33 per cent in 2000-01 to 33.25 per cent in 2004-05. On an average 79.79 per cent of the total expenditure was on current consumption.

i) High salary expenditure: During 2004-05, expenditure towards salaries accounted for 41.30 per cent of the revenue receipts and 48.76 per cent of the revenue expenditure of the State. The expenditure on salaries increased by 34 per cent from Rs. 830.49 crore in 2000-01 to Rs. 1110.98 crore in 2003-04 as

indicated in Table 8 below. During 2004-05, however, the salary expenditure decreased to Rs. 1064.34 crore and was stated by the State Government (January 2006) to be mainly due to superannuation of a large number of employees and transfer of 4500 employees of Power Department to the newly created Tripura State Electricity Corporation Limited.

Table 8: Salary Expenditure

Head	2000-01	2001-02	2002-03	2003-04	2004-05
Salary expenditure (Rupees in crore)	830.49	853.27	989.57	1110.98	1064.34
As a percentage of GSDP	18.36	17.26	18.08	18.55	16.21
As a percentage of Revenue receipts	90.60	45.69	52.63	51.25	41.30
As a percentage of Revenue expenditure	47.89	47.07	50.47	53.85	48.76

ii) Huge expenditure on pension payments: Pension payments have increased by 49.36 per cent from Rs. 147.99 crore in 2000-01 to Rs. 221.04 crore in 2004-05. Expenditure on pension and other retirement benefits of retired employees was 10.13 per cent of the revenue expenditure during 2004-05 in the State. Year-wise break-up of expenditure incurred on pension payments during the years 2000-01 to 2004-05 was as under:

Table 9: Expenditure of pension payments

Year	Expenditure (Rupees in crore)	Percentage to total revenue expenditure
2000-2001	147.99	8.53
2001-2002	175.03	9.65
2002-2003	226.53	11.55
2003-2004	201.85	9.78
2004-2005	221.04	10.13

With the increase in number of retirees, the pension liabilities are likely to increase further in future.

iii) Interest payments: The table 10 given below shows that the interest payments by the State Government increased steadily by 57.42 per cent from Rs. 226.03 crore in 2000-01 to Rs. 355.82 crore in 2004-05 primarily due to ever increasing borrowings. The interest payment was on Internal Debt (Rs.194.04 crore), loans received from Central Government (Rs. 74.78 crore) and Small Savings, Provident Funds, etc (Rs. 87 crore).

Table 10: Interest payments

Year	Interest payments (Rupees in crore)	Percentage of interest payment with reference to	
		Revenue receipts	Revenue expenditure
2000-01	226.03	13.80	13.03
2001-02	253.22	13.56	13.97
2002-03	290.73	15.46	14.83
2003-04	332.71	15.35	16.13
2004-05	355.82	13.81	16.30

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 11 gives these ratios during 2000-05 as follows:

Table 11: Quality of expenditure (per cent to total expenditure)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Plan expenditure	33.59	33.88	31.85	29.72	32.32	32.27
Capital expenditure	16.66	24.45	18.71	17.70	22.58	20.02
Development expenditure	67.59	66.18	62.18	61.81	63.47	64.25

(Total expenditure does not include Loans and Advances).

All the three components of the quality of expenditure indicated inter-year variations. In the year 2004-05, the plan as well as the development expenditure (expenditure on Economic and Social Services) were 32.32 per cent and 63.47 per cent as against 29.72 per cent and 61.81 per cent in 2003-04 respectively.

Out of the developmental expenditure of Rs. 1789.44 crore, during the year, Social Services accounted for 56 per cent (Rs. 1009.94 crore). Expenditure on General Education, Health and Family Welfare, Water Supply and Sanitation constituted 78 per cent (Rs. 787.11 crore) of the expenditure on Social sector.

Table 12: Social sector expenditure

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
General Education	387.97	434.97	460.24	504.47	595.68
Health and Family Welfare	86.28	92.40	96.08	92.75	104.69
Water Supply and Sanitation	73.46	63.47	60.71	83.85	86.74
Total	547.71	590.84	617.03	681.07	787.11
As a percentage of expenditure on Social sector	69.85	68.58	69.82	76.56	77.94

Similarly, the expenditure on Economic Services (Rs. 779.50 crore) accounted for 44 per cent of the development expenditure, of which, Irrigation and Flood Control, Energy and Transport accounted for 25 per cent.

Table 13: Economic sector expenditure

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Irrigation and Flood Control	47.15	56.28	59.06	53.47	33.67
Energy	187.06	177.97	141.50	174.39	299.69
Transport	78.98	121.44	95.66	133.20	118.91
Total	313.19	355.69	296.22	361.06	452.27
As a percentage of expenditure of Economic sector	50.32	49.09	48.08	54.73	58.02

1.7.1 Financial Assistance to Local Bodies and other Institutions

i) Extent of assistance: The quantum of assistance amounting to Rs. 838.13 crore provided by way of grants to different local bodies etc, during the period of five years ending 2004-05 was as follows:

Table 14: Financial Assistance to Local Bodies and other Institutions

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Zilla Parishads and Panchayati Raj Institutions	36.31	40.25	48.86	57.93	34.02
Municipal Corporation and Municipalities	10.24	11.07	13.84	12.72	11.65
Universities and Educational Institutions	24.27	29.21	36.51	26.34	70.88
Development Agencies	1.65	2.30	2.99	-	25.79
Hospital and other Charitable Institutions	-	-	-	-	-
Other Institutions	28.05	46.05	56.83	35.96	174.61
Total	100.52	128.68	159.03	132.95	316.95
Percentage of increase (+)/ decrease (-) over previous year	37.00	28.01	23.59	(-) 19.62	138.40
Assistance as a percentage of revenue expenditure	5.80	7.10	8.11	6.44	14.52

The total assistance at the end of 2004-05 had grown by 215.31 *per cent* over the level of 2000-01 and 138.40 *per cent* over the previous year. The assistance to local bodies as a percentage of total revenue expenditure was 14.52 *per cent*.

ii) Delay in furnishing Utilisation Certificates: Out of the 5559 utilisation certificates pending receipt in respect of grants aggregating Rs. 449.90 crore paid during 2003-05, only 232 utilisation certificates relating to Rs. 132.95 crore were furnished by the departments as of 31 August 2005. Department-wise break-up of outstanding utilisation certificates along with the amount involved are shown below:

Table: 15

Sl. No.	Department	Number of UCs outstanding	Amount (Rupees in crore)	Earliest year of pendency
1.	Panchayati Raj	449	34.02	2004-05
2.	Urban Development	557	45.66	2004-05
3.	Education	1378	70.88	2004-05
4.	Health and Family Welfare	83	2.53	2004-05
5.	Social Security and Welfare	1079	10.04	2004-05
6.	Welfare of Scheduled Castes and Other Backward Communities	1607	51.20	2004-05
7.	Rural Development Department	46	25.79	2004-05
8.	Fisheries Department	128	76.83	2004-05
	Total	5327	316.95	

iii) Delay in submission of accounts / information: In order to identify the institutions which attract audit under Section 14 of the Comptroller and Auditor General's (Duties, Powers 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 2004-05 was called for in June 2005. According to information furnished by the Department Rs. 41.49 crore were given to various institutions by way of grants during the year 2004-05.

Accounts of 16 autonomous bodies covered under Sections 19(3) and 20(1) of the Act, up to 2004-05 were due for the periods ranging from 13 to 27 years as detailed in **Appendix II**.

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 2005, compared with the corresponding position on 31 March 2004. While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the Government of India, and receipts from the Public Account, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. The liabilities grew by 16.42 *per cent* and the assets increased by 19.86 *per cent* during the year 2004-05. Details are given in **Appendix III**. The liabilities grew mainly due to increase in borrowing and small savings provident funds aggregated to 16.25 *per cent*. The liabilities of Government of Tripura depicted in the Finance Accounts, however, do not include the pension, other retirement benefits payable to serving / retired State employees, guarantees/ letters of comforts issued by the State Government. **Appendix IV** depicts the Time Series Data on State Government Finances for the period 2000-2005. The sources and applications of funds are also shown in **Appendix V**.

1.8.1 Incomplete projects: As per the information furnished by the Public Works Department, there were 25 incomplete Minor (11) and Medium (14) Irrigation projects as of March 2005 involving Rs. 28.81 crore whose benefits have not accrued. Details are given in **Appendix VI**. Besides, there were 181 incomplete projects, costing Rs. 25 lakh and above each, involving Rs. 174.80 crore as of March 2005.

1.8.2 Investments and returns: As on 31 March 2005, Government had invested Rs. 338.04 crore in its Statutory Corporations, Government Companies and Co-operative Societies. Government's returns on this investment was nil in the last five years. With an average interest rate of 10.11 *per cent* being paid by Government on its borrowings, the total implicit subsidy during the period 2000-05 was Rs. 28.48 crore as detailed in Table 16.

Table 16: Return on investment

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Investment (<i>Rupees in crore</i>)	222.85	260.14	286.27	313.13	338.04	284.09
Returns (<i>Rupees in crore</i>)	Nil	Nil	Nil	Nil	Nil	Nil
Percentage of returns	Nil	Nil	Nil	Nil	Nil	Nil
Average interest rate paid by Government	11.09	10.34	10.04	9.92	9.17	10.11
Difference between interest rate and returns	11.09	10.34	10.04	9.92	9.17	10.11
Implicit subsidy (<i>Rupees in crore</i>)	24.71	26.90	28.74	31.06	30.99	28.48

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 organisations. Total outstanding balance as on 31 March 2005 was Rs. 63.06

crore. Interest received on such loans had varied from 5.75 per cent to 36.66 per cent during 2000-2005 (Table 17). Total implicit subsidy during 2000-2005 on such loans was Rs. 5.90 crore.

Table 17: Average interest received on loans advanced by the State Government

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Opening balance	49.19	51.68	57.50	62.64	64.98
Amount advanced during the year	4.36	8.14	8.24	6.03	2.05
Amount repaid during the year	1.87	2.32	3.10	3.69	3.97
Closing balance	51.68	57.50	62.64	64.98	63.06
Net addition	2.49	5.82	5.14	2.34	(-) 1.92
Amount of interest received	18.49	3.58	5.83	3.67	4.56
Interest received as per cent to loans advanced	36.66*	6.55	9.72	5.75	7.12
Average interest paid by the State (in per cent)	10.82	10.35	7.08	9.92	9.17
Difference (percentage) between Interest paid and received.	25.84	(-) 3.80	2.63	(-) 4.17	(-) 2.05
Implicit subsidy	-	1.96	-	2.61	1.33

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 utilised 32 days as Ways and Means Advances facilities during 2004-05 as against 24 days in previous year. During the year 2004-05, the State Government has taken Rs. 86.13 crore as ways and means advances and repaid the same during the year.

Table 18: Ways and Means Advances and overdrafts of the State and interest paid thereon

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Ways and Means Advance						
Taken in the year	43.28	336.75	128.82	62.80	86.13	131.56
Outstanding	Nil	76.29	Nil	Nil	Nil	15.86
Interest paid	0.89	15.37	33.68	0.06	0.11	10.02
Number of days	1	51	27	24	32	27
Overdraft						
Taken in the year	Nil	Nil	Nil	Nil	Nil	Nil
Outstanding	Nil	Nil	Nil	Nil	Nil	Nil
Interest paid	Nil	Nil	Nil	Nil	Nil	Nil
Number of days	Nil	Nil	Nil	Nil	Nil	Nil

1.8.5 Undischarged liabilities

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. However, no such law has been passed by the State, to lay down any such limit. Table 19 below gives the fiscal

* High percentage was due to more receipt of interest on cash balance investment.

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 19: Fiscal Liabilities – Basic Parameters

(value in Rupees in crore and ratios in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Fiscal Liabilities*	2234	2666	3127	3578	4181	3157
Rate of Growth	21.24	19.35	17.31	14.40	16.86	17.83
Ratio of Fiscal Liabilities						
GSDP	49.40	53.90	57.10	59.73	63.69	56.76
Revenue Receipt	136.40	142.80	166.30	165.06	162.26	154.56
Own Resources	1014.90	1040.80	1109.70	919.19	1003.96	1017.71
Buoyancy of Fiscal Liabilities						
GSDP	2.380	2.083	1.619	1.524	1.758	1.873
Revenue Receipt	1.529	1.382	25.474	0.941	0.893	6.044
Own Resources	0.896	1.182	1.727	0.378	2.409	1.318

* Includes internal debt, loans and advances from GOI and other obligations.

Overall fiscal liabilities of the State increased from Rs. 2234 crore in 2000-01 to Rs. 4181 crore in 2004-05 on an average rate of 17.83 per cent during 2000-05. The ratio of these liabilities to GSDP also increased from 49.40 per cent in 2000-01 to 63.69 per cent in 2004-05. These liabilities stood at 1.62 times of its revenue receipts and 10.04 times of its own resources.

In addition to these liabilities, Government has guaranteed loans raised by various Corporations and others which stood at Rs. 40.18 crore at the end of 2004-05. The guarantees are in the nature of contingent liabilities. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limit within which Government may give guarantees on the security of the Consolidated Fund of the State.

Fiscal liabilities had grown faster than the revenue receipts and own resources of the State. Average buoyancy of these liabilities with respect to GSDP was 1.873.

Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP. However, in the case of Tripura, interest rate was higher than the GSDP growth resulting in negative interest spread in three out of five years (Table 20). This negative spread of interest may endanger debt sustainability.

Table 20: Debt sustainability – Interest Rate and GSDP Growth (in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Weighted Interest Rate	11.09	10.34	10.04	9.92	9.17	10.11
GSDP Growth	8.93	9.29	10.69	9.45	9.59	9.59
Interest spread	(-) 2.17	(-) 1.05	0.65	(-) 0.47	0.42	(-) 0.52

Another important indicator of the debt sustainability is the net availability of the borrowed funds after payment of principal and interest. Table 21 below gives the position of receipt and repayment 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) declined from 28.21 per cent in 2000-01 to 19.05 per cent in 2004-05 at an average rate of 20.51

per cent during the period. This is due to increased interest payments and repayment of loans from borrowed funds.

Table 21: Net availability of borrowed funds

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Internal debt						
Receipt	191.61	139.39	202.92	313.07	272.72	223.94
Repayment (Principal + Interest)	144.35	126.09	143.46	203.80	238.86	171.31
Net fund available	47.26	13.30	59.46	109.27	33.86	52.63
Net fund available (per cent)	24.66	9.54	29.30	34.90	12.42	22.16
Loans and advances from GOI						
Receipt	17.15	96.25	84.84	92.25	95.16	77.13
Repayment (Principal + Interest)	107.40	117.91	182.98	299.90	189.70	179.58
Net fund available	(-) 90.25	(-) 21.66	(-) 98.14	(-) 207.65	(-) 94.54	(-) 102.45
Net fund available (per cent)	-	-	-	-	-	-
Other obligations						
Receipt	616.47	546.01	766.58	752.48	903.85	717.08
Repayment (Principal + Interest)	340.66	367.92	480.84	536.30	600.85	465.31
Total liabilities						
Receipt	825.23	781.65	1054.34	1157.80	1271.73	1018.15
Payment	592.41	611.92	807.28	1040.00	1029.41	816.20
Net receipts	232.82	169.73	247.06	117.80	242.32	201.95
Net fund available (per cent)	28.21	21.71	23.43	10.17	19.05	20.51

1.9 Management of deficits

1.9.1 Fiscal imbalances: The deficit in Government accounts represents the gap between its receipts and expenditure. The nature 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 so raised are applied are important pointers to its fiscal health.

The fiscal deficit, represents the total borrowings of the Government and the total resource gap. In Tripura, the fiscal deficit were higher in four (2001-04) out of last five years period. During 2004-05, the fiscal deficit was Rs. 240.31 crore.

Table 22 given below shows the position of financial health of the State Government. The State had persistent fiscal deficit. The primary deficit of the State has decreased steeply from Rs. 219 crore in 2000-01 to Rs. 9 crore in 2003-04 and it stood at surplus of Rs. 116 crore in 2004-05. It indicates that interest payments were more than fiscal deficit. As proportion to the State's GSDP, the fiscal deficit had reached 3.66 per cent in 2004-05.

Table 22: Fiscal Imbalances – Basic Parameters

(value in Rupees in crore and ratios in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Revenue deficit	(-) 96	*	(-) 81	*	*	(-) 0.35
Fiscal deficit	(-) 445	(-) 538	(-) 537	(-) 341	(-) 240	(-) 420
Primary deficit	(-) 219	(-) 285	(-) 246	(-) 9	116	(-) 129
RD/GSDP	(-) 2.12	-	(-) 1.47	(+) 1.74	6.01	0.78
FD/GSDP	(-) 9.84	(-) 10.88	(-) 9.81	(-) 22.39	(-) 3.66	(-) 11.32
PD/GSDP	(-) 4.84	(-) 5.76	(-) 4.50	(-) 0.15	1.76	(-) 2.70
RD/FD	21.56	-	15.08	-	-	7.33

(Negative figures indicate deficit)

* The years 2001-02, 2003-04 and 2004-05 registered a Revenue Surplus.

1.10 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table given below presents a summarised position of Government finances over 2000-2005 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.

Indicators of Fiscal Health (in per cent)

Fiscal Indicators	2000-01	2001-02	2002-03	2003-04	2004-05
I. Resource Mobilisation					
Revenue Receipt/GSDP	36.20	37.77	34.35	36.18	39.25
Revenue Buoyancy	1.556	1.507	0.064	1.619	1.969
Own tax/GSDP	2.78	3.21	3.35	3.70	3.65
II. Expenditure Management					
Total expenditure/GSDP	46.09	48.70	44.22	41.95	42.97
Revenue Receipt/Total Expenditure	78.56	77.55	77.68	86.26	91.34
Revenue Expenditure / Total Expenditure	83.16	75.29	81.02	82.10	77.36
Plan expenditure /Total expenditure	33.59	33.88	31.85	29.72	32.32
Capital Expenditure / Total expenditure	16.66	24.45	18.71	17.70	22.58
Development Expenditure / Total Expenditure	67.59	66.18	62.18	61.81	63.47
Buoyancy of TE with RR	1.472	1.106	0.752	0.251	0.649
Buoyancy of RE with RR	1.345	0.325	11.998	0.340	0.307
III. Management of Fiscal Imbalances					
Revenue deficit (<i>Rs. in crore</i>)	96	*	81	*	*
Fiscal deficit (<i>Rs. in crore</i>)	445	538	537	341	240
Primary deficit (<i>Rs. in crore</i>)	219	285	246	165.06	*
Revenue deficit/Fiscal deficit	21.57	*	15.08	0.941	*
IV. Management of Fiscal Liabilities (FL)					
Fiscal Liabilities/GSDP	49.40	53.90	57.10	59.73	63.69
Fiscal Liabilities / RR	136.40	142.80	166.30	165.06	162.26
Buoyancy of FL with RR	1.529	1.382	25.474	0.941	0.893
Buoyancy of FL with OR	0.896	1.182	1.727	0.378	2.409
Interest spread	-2.17	-1.05	0.65	(-) 0.47	0.43
Net fund available	28.21	21.71	23.43	10.17	19.05
V. Other Fiscal Health Indicators					
Returns on Investment	Nil	Nil	Nil	Nil	Nil
BCR (<i>Rs. in crore</i>)	(-) 448.41	(-) 607.83	(-) 529.15	(-) 406.56	(-) 478.06
Financial Assets / Liabilities	1.29	1.26	1.20	1.21	1.27

*Represents surplus

The ratio of own taxes to GSDP had shown continuous improvement during the period except 2004-05. The ratio of revenue receipts to GSDP and its buoyancy also was on a rising trend from 2001-02 to 2004-05 but the revenue buoyancy sharply declined in 2002-03. Various ratios relating to expenditure indicate quality of expenditure and sustainability in relation to resources. The total expenditure to GSDP was buoyant. The revenue expenditure is on the increasing trend over the five years 2000-05 and comprises 77 per cent of total

expenditure in 2004-05. The development expenditure to total expenditure was on a declining trend and its ratio has fallen significantly in the year 2003-04 over the previous year(s) though slightly increased in 2004-05. All these indicate State's increasing dependence on borrowings for meeting its revenue expenditure and inadequate expansion of its development activity. Fiscal deficit over last years indicates growing fiscal imbalances of the State. The primary deficit was on declining trend upto 2003-04 and there was a positive trend in 2004-05.

Increasing ratio of fiscal liabilities to GSDP on account of increasing interest payment (Rs. 332 crore to Rs. 355 crore) indicate that the State is gradually getting into a debt trap. Similarly the higher buoyancy of the debt both with regard to its revenue receipts and own resources indicate its increasing unsustainability. The average interest paid by the State on its borrowing during 2000-05 has also exceeded the rate of growth of its GSDP, violating the cardinal rule of debt sustainability. There has been a decline in net availability of funds from its borrowing due to larger portion of these funds being used for debt servicing. The State's return on investment was nil. The ratio of State's total financial assets to liabilities has also deteriorated indicating that increasingly greater part of liabilities are without any asset back up. The balance from current revenue of the State has also continued to be negative indicating continued dependence on borrowing for plan and development expenditure.

1.11 Impact of Government policies

The impact of the Government policies in various sectors depicts in **Appendix VII**. It would be seen that in Education sector, the number of Primary Schools decreased by 230 during 2004-05 compared to number of schools in 2003-04. On the other hand, the number of Senior/middle schools increased by 551 during the same period. No significant development was noticed in providing health care facilities in the State except establishment of one allopathic hospital in 2004-05. Infant mortality in the State decreased from 38 to 32 per thousand from 2003-04 to 2004-05. There was a declining trend in creation of irrigation potentiality during 2004-05, which had an adverse impact on production of crops in the State.

ANNEXURE**List of terms used in the Chapter I and basis for their calculation**

Term	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter ÷ GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter	Rate of Growth of the parameter (X) ÷ Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	{(Current year Amount ÷ Previous year Amount) <i>minus</i> 1} * 100
Average	Trend of growth over a period of 5 years
Share shift/Shift rate of a parameter	Trend of percentage shares, over a period of 5 years, of the parameter in Revenue or Expenditure as the case may be
Development Expenditure	Social Services + Economic Services
Weighted Interest Rate (Average interest paid by the State)	Interest payment/ [(amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]* 100
Interest spread	GSDP growth – Weighted Interest rates
Interest received as <i>per cent</i> to loans advanced	Interest received [(opening balance + closing balance of loans and advances)/2]* 100
Revenue deficit	Revenue receipt – revenue expenditure
Fiscal deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary deficit	Fiscal deficit – Interest payments
Balance from current revenue (BCR)	Revenue receipts <i>minus</i> plan grants and non-plan revenue expenditure excluding debits under 2048 – Appropriation for reduction or avoidance of debt.