

CHAPTER I: FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (**Appendix 1.1–Part A**). The Finance Accounts of the Government of Tripura are laid out in nineteen Statements, presenting the receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State. The layout of the Finance Accounts is depicted in **Appendix 1.1–Part B**.

1.1.1 Summary of Receipts and Disbursements

Table 1 summarises the finances of the State Government for the year 2007-08 covering the revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and public account receipts and disbursements, as emerging from Statement–1 of the Finance Accounts 2007-08 and other detailed Statements.

Table 1.1: Summary of Receipts and Disbursements for the year 2007-08

(Rupees in crore)

2006-07	Receipts	2007-08	2006-07	Disbursements	2007-08		
Section A: Revenue							
					Non-Plan	Plan	Total
3333.36	I. Revenue Receipts	3698.34	2482.56	I. Revenue Expenditure	2217.25	576.39	2793.64
341.55	Tax Revenue	370.70	1155.20	General Services	1306.26	6.39	1312.65
94.97	Non-tax Revenue	115.41 ¹	869.25	Social Services	608.26	334.74	943.00
515.78	Share of Union taxes / duties	650.62	408.99	Economic Services	302.73	171.09	473.82
2381.06	Grants from Government of India	2561.61	49.12	Grants-in-aid / contribution	-	64.17	64.17
Section B: Capital							
Nil	II. Miscellaneous Capital Receipts	-	722.45	II. Capital outlay	75.90	847.78	923.68
3.52	III. Recoveries of Loans and Advances	3.27	0.68	III. Loans and Advances disbursed	-	0.30	0.30
224.96	IV. Public Debt receipts	50.09	95.78	IV. Repayment of Public Debt	-	-	116.93
Nil	V. Contingency Fund	-	-	V. Contingency Fund	-	-	-
1477.49	VI. Public Account receipts	1626.02	1354.01	VI. Public Account disbursements	-	-	1562.38
399.16	Opening balance	873.01²	783.01	Closing balance	-	-	853.80¹
5438.49	Total	6250.73	5438.49	Total			6250.73

¹ Includes Rs. 36.19 crore being interest on 91 days Treasury Bills not included in Finance Accounts of Government of Tripura for the year 2007-08 due to late receipt of information from the RBI.

² Differs from the previous year due to proforma transfer of Rs. 90 crore from Public Account to cash balance.

Following are the significant changes during 2007-08 over the previous year:

- There was an increase of Rs. 365 crore (11 *per cent*) in revenue receipts during 2007-08 over the previous year. The increase was mainly on account of tax revenue (Rs. 29 crore), non-tax revenue (Rs. 20 crore), Grants from Government of India (GOI) (Rs. 181 crore) and Central tax transfers (Rs. 135 crore).
- Revenue expenditure increased by Rs. 311 crore (13 *per cent*). The increase was both in NPRE (Rs. 225 crore) and in plan revenue expenditure (Rs. 86 crore).
- Capital expenditure increased by Rs.202 crore over the previous year.
- Recoveries of loans of advances decreased by Rs.0.25 crore with a decrease in loans and advances disbursed by Rs. 0.38 crore.
- Public debt receipts decreased by Rs. 175 crore while its repayment increased by Rs. 21 crore.
- Public Account receipts increased by Rs. 149 crore and its repayment also increased by Rs. 208 crore over the previous year.
- The total outflow of the Government (Rs. 5397 crore) was more than the total inflow (Rs. 5378 crore) resulting in decrease in the cash balance of the State by Rs. 19 crore at the end of the year 2007-08.

1.1.2 Overview of Fiscal Situation of the State

The fiscal position of the State during 2007-08 compared to 2006-07 is given in Table 1.2.

Table 1.2

(Rupees in crore)

Sl. No.	2006-07	Major Aggregates	2007-08
1	3333.36	Revenue Receipts (2+3+4)	3698.34
2	341.55	Tax Revenue	370.70
3	94.97	Non-tax Revenue	115.41
4	2896.84	Other Receipts	3212.23
5	3.52	Non-Debt Capital Receipts (Recovery of loans and advances)	3.27
6	3336.88	Total Receipts (1+5)	3701.61
7	2053.05	Non-Plan Expenditure (8+10)	2293.15
8	1992.57	On Revenue Account	2217.25
9	388.17	Of which, Interest Payments	395.76
10	60.48	On Capital Account	75.90
11	1152.64	Plan Expenditure (12 + 13 +14)	1424.47
12	490.05	On Revenue Account	576.39
13	661.97	On Capital Account	847.78
14	0.68	On Loans disbursed	0.30
15	3205.69	Total Expenditure (7 + 11)	3717.62
16	(+) 850.80	Revenue Surplus {1-(8+12)}	(+) 904.70
17	(+) 131.19	Fiscal Deficit (-)/Surplus (+) {(1+5)-15}	(-) 16.01
18	(+) 519.36	Primary Deficit (-)/Surplus (+) {(1+5) - (15 - 9)}	(+) 379.75

During the current year the revenue receipts increased by 11 *per cent* (Rs. 365 crore) while the revenue expenditure increased by 13 *per cent* (Rs. 311 crore) over

the previous year resulting in an improvement in revenue surplus by Rs. 54 crore during 2007-08. The increase in revenue surplus by Rs. 54 crore and near stability in non-debt capital receipts during the year, along with an increase of Rs. 201 crore in capital expenditure turned the fiscal surplus of Rs 131 crore in 2006-07 to fiscal deficit of Rs 16 crore during the current year. The increase in fiscal deficit accompanied by an increase of rupees eight crore in interest payments during 2007-08 over the previous year led to a decrease in primary surplus by Rs. 140 crore.

1.2 Audit Methodology

The trends in the major fiscal aggregates of receipts and expenditure as emerging from the Statements of Finance Accounts were analysed wherever necessary over the period of last five years and observations have been made on their behaviour.

In its Restructuring Plan of State finances, the Twelfth Finance Commission (TFC) recommended the norms / ceiling for some fiscal aggregates and also made normative projections for others. In addition, TFC also recommended that all States enact the Fiscal Responsibility Act and draw their fiscal correction path accordingly for the five year period (2005-06 to 2009-10) so that fiscal position of the State could be improved as committed in their respective FR Acts / Rules during medium to long run. The norms / ceilings prescribed by the TFC as well as its projections for fiscal aggregates along with the commitments / projections made by the State Government in its Fiscal Responsibility Act and in other Statements laid in the Legislature under the Act were used to make qualitative assessment of the trends and pattern of major fiscal aggregates during the current year. Assuming that Gross State Domestic Product (GSDP) is a good indicator of the performance of the State's economy, major 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 price. The State Government has made available the new GSDP series, with the base year 1999-2000 with actual figures upto 2005-06³ and the provisional figure for 2006-07. The GSDP figure for the year 2007-08 arrived at on the basis of average rate of growth in the last four years.

Table 1.3: Trends in Growth and Composition of GSDP

<i>(Rupees in crore)</i>					
Estimates	2003-04	2004-05	2005-06	2006-07	2007-08
Gross State Domestic Product (GSDP) ⁴	6135.70	6639.24	7296.61	7888.98	8521.68
Rate of growth (per cent)	5.86	8.20	9.90	8.11	8.02

Source: Directorate of Economics and Statistics of the Government of Tripura.

The buoyancy coefficients for tax revenues, non-tax revenues, revenue expenditure etc, with reference to the base represented by the GSDP have also been worked out to assess as to whether the mobilisation of resources, pattern of expenditure etc, are keeping pace with the change in the base or these fiscal aggregates have also been affected by factors other than GSDP. The audit

³ Since the previous Audit Reports used projected GSDP using the average growth rate, some of the aggregates, ratios and conclusions in this Audit Report, which uses the GSDP estimates furnished by the State Government, may not agree with those in the previous Audit Reports.

⁴ GSDP is defined as the total income of the State or the market value of goods and services produced using labour and all other factors of production.

observations in this chapter bring out the trends in the major fiscal aggregates of receipts and expenditure over the time series (**Appendix 1.2 to 1.5**) of 2003-04 to 2007-08 based on the Statements in the Finance Accounts and other relevant data. The key indicators discussed in this chapter 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. The overall financial performance of the State Government has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. In addition, selected indicators of financial performance of the Government have also been listed in this chapter. Some of the terms used in this context are explained in **Appendix 1.1 Part C**.

1.2.1 The Tripura Fiscal Responsibility and Budget Management (TFRBM) Act / Rules

The State Government enacted in June 2005, the Tripura Fiscal Responsibility and Budget Management (TFRBM) Act, 2005 to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability, greater transparency in the fiscal operations of the Government and conduct of fiscal policy in a medium term framework. To give effect to fiscal management principles, the Act prescribed the following fiscal targets for the Government:

- strive to remain revenue surplus by making a balance in revenue receipts and expenditure and build up further surplus;
- strive to bring down the fiscal deficit to 3 *per cent* by the year ending March 2010;
- ensure within a period of five years, beginning from the 1st day of April 2005 and ending on the 31st day of March 2010, that the total debt stock does not exceed 40 *per cent* of the estimated GSDP for that year;
- limit the amount of annual incremental risk weighted guarantees to 1 *per cent* of the GSDP of that year.

1.2.1.1 Roadmap to achieve the fiscal targets laid down in the TFRBM Act / Rules

As the rules to carry out the provisions of the TFRBM Act were notified in the Official Gazette on 5th October 2006, more than a year after its enactment, the State Government presented the following fiscal policy statements along with the budget for the year 2007-08 before the State Legislature.

- The Macroeconomic Framework Statement;
- The Medium Term Fiscal Policy Statement; and
- The Fiscal Policy Strategy Statement.

According to rule 6(1) of the TFRBM Rules, the State Government was also required to present the following statements at the time of presenting the budget: Statement of select indicators of fiscal situation; Statement on

components of the State Government liabilities and interest cost of borrowings/mobilisation of deposits; Statement on the consolidated Sinking Fund; Statement on the guarantees given by the Government; Statement on the Guarantee Redemption Fund; Statement of assets; Statement on claims and commitments made by the State Government on revenue demands raised but not realised; and Statement on liability in respect of major works and contracts, committed liabilities in respect of land acquisition charges and claims on the State Government in respect of unpaid bills on works and supplies. Out of these statements, the State Government did not present the statements on guarantee redemption fund and statement of assets along with the budget for the year 2007-08.

The performance of the State during 2007-08 in terms of key fiscal targets fixed for selected variables laid down in FRBM Act, 2005 vis-à-vis achievements are given below:

Table 1.4: Trends in major fiscal variables vis-à-vis projections for 2007-08

Fiscal Parameters	Targets as prescribed in TFRBM Act	Projections made by State Government in MTFPS	Actual
Revenue Deficit (-) / surplus (+)	Strive to remain revenue surplus during the entire award period	(+) 17.47 per cent of RR	(+) 24.46 per cent of RR
Fiscal Deficit (-) / surplus (+)	FD to be 3 per cent	2.69 per cent of GSDP	(-) 0.19 per cent of GSDP
Consolidated debt	40 per cent of GSDP	42.11 per cent of GSDP	55.68 per cent of GSDP
Incremental risk Guarantee	1 per cent of GSDP	Outstanding Guarantees declined during 2007-08	-

The State has achieved three out of four TFRBM targets much before the time lines fixed in FRBM Act. The debt GSDP ratio at 56 per cent in 2007-08 indicates that State is unlikely to achieve the target of 40 per cent by 31st March 2010 except containing consolidated debt. The State Government needs to initiate requisite measures to contain the debt, to achieve the corresponding TFR Act within the time frame prescribed in the Act.

1.2.1.2 Mid-Term Review of Fiscal Situation

In pursuance to Section 11(1) of TFRBM Act, 2005, a quarterly review report for the 4th quarter ending March 2008 was placed before the State Legislature along with the budget for the year 2008-09. It was indicated in the report that against the budgeted total receipts of Rs. 4099.84 crore, Rs. 3725.45 crore was realised up to March 2008, which constituted 90.87 per cent of the budget provision. On expenditure side, against budget provision of Rs. 2624.06 crore in Non-plan expenditure, Rs. 2364.14 crore (90.09 per cent) was incurred up to the quarter ending March 2008. On the other hand, against budgeted provision of Rs. 1370.27 crore under State plan (Divisible and Non-divisible pool), Rs. 1074.39 crore (78.41 per cent) was incurred during the same period. However, at the end of the year 2007-08, the non-plan revenue expenditure was Rs. 2217.25 crore which was within the ceiling of the TFC projection of Rs. 2275.45 crore.

1.3 Trends and composition of Aggregate receipts

The aggregate receipts of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenue, 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 the GOI, as well as accruals from Public Account.

Table 1.5: Trends in Growth and composition of Aggregate Receipts

(Rupees in crore)

Sources of State's Receipts		2003-04	2004-05	2005-06	2006-07	2007-08
I	Revenue Receipts	2167.66	2576.90	3024.12	3333.36	3698.34
II	Capital Receipts	409.01	371.85	148.84	228.48	53.36
	(a) Recovery of Loans and Advances	3.69	3.97	3.86	3.52	3.27
	(b) Public Debt Receipts	405.32	367.88	144.98	224.96	50.09
	(c) Miscellaneous Receipts	-	-	-	-	-
III	Contingency Fund Receipts	-	-	-	-	-
IV	Public Account Receipts	1699.00	1482.51	1587.63	1477.49	1626.02
	(a) Small Savings, Provident Fund etc	526.46	643.38	570.42	379.74	399.59
	(b) Reserve Funds	20.74	13.01	7.64	18.54	58.07*
	(c) Deposits and Advances	225.07	247.46	210.79	199.45	225.40
	(d) Suspense and Miscellaneous	112.58	(-)24.07	88.56	73.06	58.97
	(e) Remittances	814.15	602.73	710.22	806.70	883.99
	Total Receipts	4275.67	4431.26	4760.59	5039.33	5377.72

* Including sinking fund of Rs. 40.00 crore.

Table 1.5 shows that the total receipts in 2007-08 consisted mainly of revenue receipts (68.77 *per cent*), which were due to more grants from the GOI and the Public Account receipts (30.24 *per cent*), mainly on account of remittances and small savings, provident fund etc. Capital receipts (Rs. 53.36 crore) accounted for only one *per cent* of the Government's resources in 2007-08. The sharp increase in remittances over the previous year was due to more receipts under Public Works remittances (Rs 108 crore). The share of revenue receipts to total receipts has steadily increased from 51 *per cent* in 2003-04 to 69 *per cent* in 2007-08, with a corresponding decline in the percentage of the second largest source (Public Account receipts) from 40 *per cent* to 30 *per cent*.

1.3.1 Revenue Receipts

Statement-11 of the Finance Accounts details the Revenue Receipts of the State, consisting mainly of its own tax and non-tax revenues, Central tax transfers and grants-in-aid from the GOI. The details of revenue receipts are given in **Appendix 1.2**, but some key indicators have been summarised in Table 1.6, which shows that the revenue receipts have consistently increased from Rs. 2167.66 crore in 2003-04 to Rs. 3698.34 crore in 2007-08.

Table 1.6: Revenue Receipts – Basic Parameters*(Rupees in crore)*

	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Receipts (RR)	2167.66	2576.90	3024.12	3333.36	3698.34
Own Taxes (percentage)	221.47 (10)	239.63 (9)	296.09 (10)	341.55 (10)	370.70 (10)
Non-tax revenue (percentage)	167.78 (8)	176.85 (7)	63.62 (2)	94.97 (3)	115.41 (3)
Central tax transfers (percentage)	320.53 (15)	383.12 (15)	404.38 (13)	515.78 (15)	650.62 (18)
Grants-in-aid (percentage)	1457.88 (67)	1777.30 (69)	2260.03 (75)	2381.06 (71)	2561.61 (70)
Rate of Growth of RR (per cent)	15.30	18.88	17.35	10.23	10.95
Revenue Receipts/GSDP (per cent)	35.33	38.80	41.44	42.25	43.40
Rate of growth of own taxes	20.96	8.20	23.56	15.35	8.53
Own taxes / GSDP (per cent)	3.60	3.60	4.05	4.32	4.35
Revenue Buoyancy (ratio)⁵	2.61	2.30	1.75	1.26	1.37
State's own taxes buoyancy (ratio)⁶	3.58	1.00	2.38	1.89	1.06
Revenue Buoyancy with reference to State's own taxes (ratio)⁷	0.73	2.30	0.74	0.67	1.28
GSDP Growth (%)	5.86	8.20	9.90	8.11	8.02

Revenue receipts have shown a progressive increase over the period 2003-08 with noticeable increase in the share of Central transfers comprising State's share in Union taxes and duties and grants-in-aid from GOI from 82 per cent in 2003-04 to 88 per cent in 2007-08 and a perceptible decline in the share of non-tax revenue while share of State's own tax revenue remained stable at 10 per cent during the same period.

Own tax revenue

The State's own taxes contributed consistently 10 per cent of the revenue receipts during the last five years (2003-08) but it constituted 57 to 83 per cent of the State's own resources during the period. The growth in the own tax revenue during 2007-08 was mainly due to increase in the revenue from sales tax (13.51 per cent) which also contributed 72 per cent of State's own tax revenue during the year. Other significant components of tax revenue in 2007-08 were State excise duties (10 per cent), Taxes on vehicles (6 per cent), stamps and registration fees (4 per cent) and other taxes (7 per cent) (Appendix 1.4).

Non-tax revenue

Table 1.7 below shows the trend in the composition of non-tax revenue of the State during 2003-08. The non-tax revenue decreased by Rs. 52.37 crore from Rs. 167.78 crore in 2003-04 to Rs. 115.41 crore in 2007-08 and contributed only 3 per cent of the total revenue receipts in 2007-08. The non-tax revenue came mainly from interest receipts (Rs. 58.93 crore), of which Rs. 58.27 crore (99 per cent) came from investment of cash balances by RBI, Forestry and Wild Life (Rs. 5.52 crore), Medical and Public Health (Rs. 3.74 crore) and Public Works (Rs. 3.98 crore).

⁵ Rate of growth (ROG) of revenue divided by the ROG of GSDP.

⁶ State's own taxes buoyancy: ROG of own taxes / ROG of GSDP.

⁷ Revenue buoyancy with reference to State's own taxes: ROG of RR / ROG of own taxes.

The actual tax and non-tax revenue *vis-à-vis* the assessments made by the TFC and the State Government in its MTFPS for 2007-08 were as under.

Table 1.7: Comparative statement

(Rupees in crore)

	Assessment made by TFC	Assessment made by State Government in MTFPS (BE)	Actuals
Own tax revenue	503.35	400.84	370.70
Non-tax revenue	135.09	79.02	115.41

The State's own tax revenue remained significantly lower than both the normative assessment made by TFC for the State for 2007-08 (26 per cent) and State's own projection in BE 2007-08 (8 per cent). Similarly, non-tax revenue was lower than the normative assessment made by TFC (15 per cent) but it exceeded the State Government's estimates (46 per cent) mainly on account of receipts of Rs. 36.19 crore as interest income on 91 days Treasury Bills towards the close of the year.

Central tax transfers

The contribution of the Central tax transfers to the total revenue receipts ranged from 13 to 18 per cent during 2003-08 and increased by Rs. 330.09 crore from Rs. 320.53 crore in 2003-04 to Rs. 650.62 crore in 2007-08. The increase during the year was mainly under corporation tax (Rs. 45.52 crore), customs duties (Rs. 22.39 crore), Union excise duties (Rs. 10.57 crore) and income other than corporation tax (Rs. 40.84 crore).

Grants-in-aid

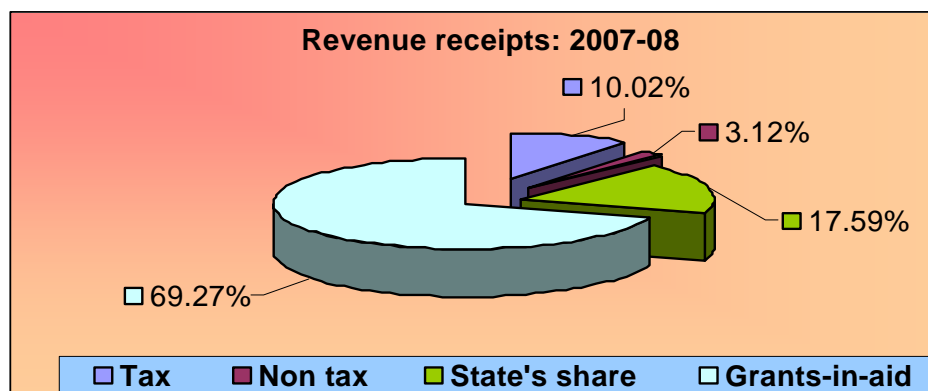
The grants-in-aid from the GOI increased by over 7 per cent to Rs. 2561.61 crore contributing 69 per cent of the total revenue receipts during 2007-08. This increase was mainly due to increase in grants, Centrally Sponsored Schemes (up by Rs. 3.47 crore) and Central Plan Schemes (up by Rs. 13.60 crore) and Special Plan Schemes (up by Rs. 10 crore). The non-plan grants from the GOI, on the other hand, increased from Rs. 1,171.96 crore in 2006-07 to Rs. 1269.61 crore in 2007-08 (**Appendix 1.2**). This was mainly on account of Rs. 1179.27 crore released under Article 275(1) of the Constitution which is inclusive of grants recommended by the TFC to cover the non-plan revenue deficit. Details of grants-in-aid from GOI during 2003-08 are given in Table 1.8 below:

Table No. 1.8: Grants-in-aid from GOI

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Non-plan grants	615.47	563.86	1286.88	1171.96	1269.61
Grants for State / Union Territory Plan schemes	742.16	880.14	799.57	985.34	1041.18
Grants for Central Plan Schemes	5.18	26.38	7.72	12.47	26.06
Grants for Centrally Sponsored Plan Schemes	91.29	293.80	140.53	189.06	192.53
Grants for Special Plan Schemes	3.78	13.12	25.33	22.23	32.23
Total	1457.88	1777.30	2260.03	2381.06	2561.61
Percentage of increase (+) / decrease (-) over previous year	(+) 8	(+) 22	(+) 27	(+) 5	(+) 8

Chart No. 1.1



Arrears of revenue: The arrears of revenue at the end of 2007-08 accumulated to Rs. 11.16 crore and related mainly to sales tax, of which, Rs.1.93 crore were more than five years old.

1.4 Application of resources

1.4.1 Growth of expenditure

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. 3,205.69 crore in 2006-07 to Rs. 3717.62 crore in 2007-08 with the growth rate of 15.97 *per cent* over the previous year. The revenue expenditure increased from Rs. 2482.56 crore in 2006-07 to Rs. 2793.64 crore in 2007-08, while the capital expenditure increased from Rs. 722.45 crore to Rs. 923.68 crore during the same period.

Table 1.9 shows that the total expenditure, as a percentage of GSDP, has shown increasing trend, moving in the range of 41 to 44 *per cent* in the period 2003-08. The buoyancy of total expenditure with reference to GSDP increased from 0.66 in 2003-04 to 1.99 in 2007-08 with inter-year variations.

Table 1.9: Total expenditure – Basic Parameters

	2003-04	2004-05	2005-06	2006-07	2007-08
Total expenditure* (TE) (Rupees in crore)	2513	2821	3138	3206	3718
– Revenue	2063	2182	2392	2483	2793
– Capital	444	637	744	722	924
– L&A	6	2	2	2	1
Rate of growth (<i>per cent</i>)	3.84	12.27	11.24	2.15	15.97
TE/GSDP Ratio (<i>per cent</i>)	40.95	42.49	43.00	40.63	43.63
Revenue Receipts/TE Ratio (<i>per cent</i>)	86.26	91.34	96.37	103.98	99.47
Buoyancy of total expenditure with reference to:					
GSDP (ratio)	0.66	1.50	1.14	0.27	1.99
Revenue Receipts (ratio)	0.25	0.65	0.65	0.21	1.46
Buoyancy of revenue expenditure with reference to Revenue Receipts	0.34	0.31	0.55	0.37	1.14
Buoyancy of capital expenditure with reference to GSDP	(-) 0.28	5.30	1.71	(-) 0.35	3.47

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

Trends in total expenditure by activities: In terms of the activities, the total expenditure could be considered as being composed of expenditure on General Services, Interest Payments, Social and Economic Services, Grants-in-aid and Loans and Advances. The relative share of these components in the total expenditure is indicated in Table 1.10.

Table 1.10: Components of Expenditure – Relative share
(in per cent)

	2003-04	2004-05	2005-06	2006-07	2007-08
General Services	36.60	35.21	36.83	38.48	38.16
Of which, Interest Payments	13.24	12.61	11.81	12.11	10.65
Social Services	35.40	35.80	32.79	34.30	34.36
Economic Services	26.26	27.63	28.59	25.67	25.75
Grants-in-aid	1.50	1.29	1.71	1.53	1.73
Loans and Advances	0.24	0.07	0.07	0.02	0.01

The movement of relative share of these components of expenditure exhibited relative stability with marginal inter-year variations. The expenditure on General Services and interest payments, which is considered as non-developmental, together increased from 36.60 *per cent* in 2003-04 to 38.16 *per cent* in 2007-08. On the other hand, developmental expenditure i.e., Social and Economic Services together accounted for 60.11 *per cent* in 2007-08 compared to 61.66 *per cent* in 2003-04.

1.4.2 Incidence of Revenue expenditure

Revenue expenditure is incurred to maintain the current level of services and pay for the past obligations and as such does not result in any addition to the State's infrastructure and service network. Table 1.11 shows that the revenue expenditure accounted for a predominant share of the total expenditure though it showed a declining trend from 82 *per cent* in 2003-04 to 75 *per cent* in 2007-08.

Table 1.11: Revenue Expenditure: Basic Parameters
(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Expenditure (RE)	2062.93	2182.63	2391.79	2482.56	2793.64
of which,					
- Non-Plan Revenue Expenditure	1731.88	1841.52	1979.25	1992.51	2217.25
(%)	(84)	(84)	(83)	(80)	(79)
- Plan Revenue Expenditure	331.05	341.11	412.54	490.05	576.39
(%)	(16)	(16)	(17)	(20)	(21)
Rate of Growth (<i>per cent</i>) of					
- RE	5.21	5.80	9.58	3.80	12.53
- NPRE	6.83	6.33	7.48	0.67	11.28
- PRE	(-) 2.52	3.04	20.94	18.77	17.62
NPRE/GSDP (<i>per cent</i>)	28.22	27.73	27.12	25.25	26.02
RE as <i>per cent</i> of TE	82.10	77.36	76.22	77.44	75.15
NPRE as <i>per cent</i> of TE	68.92	65.27	63.07	62.16	59.64
RE as <i>per cent</i> of RR	95.17	84.70	79.09	74.48	75.52
NPRE as <i>per cent</i> of RR	79.90	71.46	65.45	59.78	60.55
Buoyancy of Revenue expenditure with :					
GSDP (ratio)	0.89	0.71	0.97	0.47	1.56
Revenue Receipts (ratio)	0.34	0.31	0.55	0.37	1.14
Buoyancy of NPRE with:					
Revenue Receipts	0.45	0.34	0.43	0.07	1.03

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
GSDP	1.17	0.77	0.76	0.08	1.41
Buoyancy of PRE with					
Revenue Receipts	(-) 0.16	0.16	1.21	1.84	1.61
GSDP	(-) 0.43	0.37	2.12	2.31	2.20

Non-plan revenue expenditure (NPRE) during 2003-08 accounted for a major portion (79 to 84 *per cent*) of the revenue expenditure while the planned revenue expenditure (PRE) accounted for 16 to 21 *per cent*. Despite the increase in the amounts over the years, the share of NPRE has been declining with a corresponding increase in the PRE (Table 1.11). Notwithstanding this, the level of PRE in 2007-08 (Rs. 576.39 crore) was well below the revised estimates of Rs. 634.63 crore indicated in the Macro Economic Framework Statement prepared by the State Government. The increase in the NPRE in 2007-08 was mainly due to the increase in expenditure on interest payments (Rs. 395.76 crore), pensions and miscellaneous services (Rs. 315.30 crore) (due to increase in number of superannuation and family pension), and the sinking fund (Rs. 40 crore). The NPRE of Rs. 2217.24 crore was less than the TFC assessment of Rs. 2275.45 crore for the year 2007-08. The increase in the PRE in 2007-08 was mainly due to increase in expenditure on social welfare and nutrition (Rs. 30.84 crore), agriculture (Rs. 26.96 crore) and welfare of SC, ST and OBC (Rs. 22.72 crore).

1.4.3 Committed Expenditure

1.4.3.1 Expenditure on Salaries and Wages

The expenditure on salaries and wages relative to revenue expenditure, net of interest payments and pension, ranged from 61 to 73 *per cent* and continued to be much above the norm of 35 *per cent* set by the TFC, and registered an increase of about 12 *per cent* in 2007-08 over the previous year (Table 1.12).

Table 1.12: Expenditure on Salaries

(Rupees in crore)

Head	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on salaries & Wages, of which,	1110.98	1064.34	1085.47	1193.53	1334.12*
- Non-plan Heads	NA	NA	967.32	1025.25	1183.26
- Plan Heads	NA	NA	118.15	129.61	116.39
As a <i>per cent</i> of GSDP	18.11	16.03	14.88	15.33	15.66
As a <i>per cent</i> of RR	51.25	41.30	35.89	35.81	36.07
As a percentage of Revenue Expenditure	53.85	48.76	45.38	48.08	47.76
As a percentage of Revenue Expenditure net of interest payments and pensions	72.69	66.28	61.00	65.33	64.06

NA: Break-up for non-plan and plan expenditure on salaries for the years from 2003-04 and 2004-05 was not available.

* Includes Rs. 34.47 crore as wages. The break up of wages into plan and non plan was not available.

1.4.3.2 Pension payments

Table 1.13: Expenditure on pension

(Rupees in crore)

Heads	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on pension	201.85	221.04	241.62	267.35	315.30
As a <i>per cent</i> of GSDP	3.29	3.33	3.31	3.39	3.70
As a <i>per cent</i> of RR	9.31	8.58	7.99	8.02	8.53
As a <i>per cent</i> of RE	9.78	10.13	10.10	10.77	11.29

Table 1.13 shows that pension payments increased by 17.94 *per cent* (Rs. 47.95 crore) in 2007-08 pushing up their percentage in relation to the revenue receipts as compared to 2006-07 levels. The expenditure towards pension and other retirement benefits increased due to increase in the number of pensioners (including MLAs) to 42,355⁸ as compared to 39,925 in the year 2006-07. The expenditure exceeded the amount (Rs. 313.66 crore) projected by the State Government in its Fiscal Strategy Statement. However, the expenditure is within the ceiling of the TFC projection (Rs. 385.99 crore) for the year 2007-08.

1.4.3.3 Interest payments

Table 1.14: Interest payments

Year	Total Revenue receipts	Interest Payments (Rate of growth)	Percentage of Interest Payments with reference to	
			(Rupees in crore)	Revenue Receipts Revenue Expenditure
2003-04	2167.66	332.71 (14.44)	15.35	16.13
2004-05	2576.9	355.82 (6.95)	13.81	16.30
2005-06	3024.12	370.62 (4.16)	12.26	15.50
2006-07	3333.36	388.17 (4.74)	11.65	15.64
2007-08	3698.34	395.76 (1.96)	10.70	14.17

Table 1.14 shows that the interest payments in 2007-08 increased by 1.96 *per cent* to Rs. 395.76 crore, mainly due to interest on internal debt (Rs. 241.44 crore) and interest on State Provident Funds (Rs. 109.32 crore). However, the overall interest payment was lower than the TFC projection (Rs. 437.02 crore). The percentage of interest payments with reference to revenue receipts decreased to 10.70 in 2007-08 from 11.65 *per cent* in 2006-07 which were within the norm of 15 *per cent* prescribed by TFC for all the States.

1.4.3.4 Subsidies

Though its finances are heavily dependent on the Central grants and transfers, the State Government has been paying explicit or implicit subsidies to various corporations / sectors etc, as shown in Table 1.15.

Table 1.15: Subsidies disbursed by the Government

Sector	(Rupees in crore)	
	2006-07	2007-08
Agriculture and Allied Activities (Crop Husbandry)	5.86	8.60
Power	45.00 ⁹	50.00
Transport	10.50	Nil

Source: Finance Accounts of the State Government.

The State Government has provided Rs. 8.60 crore as subsidy to Agriculture and Allied activities (Crop Husbandry) during 2007-08 on account of certain crops and fertilisers marketed through the Agriculture Department. In its 4th quarterly review report placed before the State Legislature alongwith budget for the year 2008-09, it was stated that the State Government provides financial support to the State Electricity Corporation Limited and Tripura Road Transport Corporation Limited to meet the gap between income and expenditure; this financial support indirectly becomes a subsidy support.

⁸ Superannuation: 31,768; Family pensioners: 10,449 and MLA pensioners: 138.

⁹ As informed by Tripura State Electricity Corporation Limited.

1.5 Expenditure by Allocative Priorities

1.5.1 Quality of Expenditure

The quality of expenditure is reflected in the availability of better social and physical infrastructure. Therefore, the ratio of capital expenditure to total expenditure as well as to GSDP, and the proportion of revenue expenditure spent on running the existing social and economic services efficiently and effectively would determine the quality of expenditure. The higher the ratio of these components to total expenditure and GSDP, the better is the quality of expenditure. Table 1.16 shows that the capital expenditure has grown from 17.66 to 24.85 *per cent* of the total expenditure with a corresponding decline in the revenue expenditure from 82.10 to 75.15 *per cent* during the period 2003-08. Similar trends in the capital expenditure and revenue expenditure in relation to GSDP are also discernible from Table 1.16.

Table 1.16: Indicators of Quality of Expenditure

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Capital expenditure	443.78	636.50	743.94	722.45	923.68
Revenue expenditure	2062.93	2182.63	2391.79	2482.56	2793.64
Of which					
Expenditure on Social and Economic Services	1149.09	1218.40	1265.31	1278.24	1416.82
As percentage of revenue expenditure	55.69	55.82	52.90	51.49	50.72
(i) Expenditure on Salary & Wage Component	NA	NA	713.28	788.68	855.84
(ii) Non-salary & Wage Component	NA	NA	552.03	489.56	560.98
As per cent of Total Expenditure*					
Capital Expenditure	17.66	22.56	23.71	22.54	24.85
Revenue Expenditure	82.10	77.37	76.22	77.44	75.15
As per cent of GSDP					
Capital Expenditure	7.23	9.59	10.20	9.16	10.84
Revenue Expenditure	33.62	32.87	32.78	31.47	32.78

NA: The expenditure on salaries in social and economic services was not available for the years 2003-04 and 2004-05.

* Total expenditure includes revenue expenditure, capital expenditure and loans and advances disbursed.

Though no specific norms were laid down for prioritisation of capital expenditure, there was increase in capital expenditure by 28 *per cent* (Rs. 201.23 crore) during 2007-08 over the previous year. The major beneficiary sectors receiving capital expenditure included roads and bridges (Rs 36.41 crore), water supply, sanitation and urban development (Rs 33.66 crore); education (Rs 31.89 crore); social welfare (Rs 17.27 crore); general services (Rs 27.73 crore) and special area programmes (Rs 23.85 crore). Relative share of capital expenditure to total expenditure and GSDP increased from 17.66 to 24.85 *per cent* and 7.23 to 10.84 *per cent* respectively during 2003-08. The trends in revenue expenditure on social and economic services reveal that although it increased over the years, the share of salary component increased sharply while the share of non-salary component remained almost stable during the period.

1.5.2 Expenditure on Social Services

The expenditure on social services such as basic education, health services and drinking water and sanitation facilities etc, has a strong linkage with eradication of poverty and economic progress.

Table 1.17: Social Services

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
(a) Education, Sports, Art and Culture					
Revenue Expenditure	480.09	503.01	463.06	498.62	523.07
(a) Salary & Wage component	NA	NA	404.34	464.65	488.43
(b) Non-salary & Wage component	NA	NA	58.72	33.97	34.64
Capital Expenditure	24.38	92.67	43.15	24.74	56.62
Total (Education, Sports, Art and Culture)	504.47	595.68	506.21	523.36	579.69
(b) (Health and Family Welfare)					
Revenue Expenditure	86.43	93.19	98.35	112.36	117.96
(a) Salary & Wage component	NA	NA	79.56	85.86	94.77
(b) Non-salary & Wage component	NA	NA	18.79	26.50	23.19
Capital Expenditure	6.32	11.50	56.12	55.49	72.91
Total (Health and Family Welfare)	92.75	104.69	154.47	167.85	190.87
(c) Water Supply, Sanitation, Housing and Urban Development					
Revenue Expenditure	20.65	27.12	25.23	17.14	10.96
(a) Salary & Wage component	NA	NA	9.16	9.50	10.96
(b) Non-salary & Wage component	NA	NA	16.07	7.64	-
Capital Expenditure	105.46	98.87	110.91	119.76	153.42
Total (Water Supply, Sanitation, Housing and Urban Development)	126.11	125.99	136.14	136.90	164.38
(d) Other Social Services					
Revenue Expenditure	145.48	172.04	193.97	241.13	291.01
(a) Salary & Wage component	NA	NA	42.67	37.48	51.95
(b) Non-salary & Wage component	NA	NA	151.30	203.65	239.06
Capital Expenditure	20.80	11.54	38.32	30.21	51.19
Total (Other Social Services)	166.28	183.58	232.29	271.34	342.20
Total Social Services					
Revenue Expenditure	732.65	795.36	780.61	869.25	943.00
As percentage of total expenditure	82%	79%	76%	79%	74%
(a) Salary & Wage component	NA	NA	535.73	602.61	646.12
(b) Non-salary & Wage component	NA	NA	244.88	266.64	296.88
Capital Expenditure	156.96	214.58	248.50	230.20	334.14
Grand Total (Social Services)	889.61	1009.94	1029.11	1099.45	1277.14

Source: Finance Accounts and Departmental records

Table 1.17 shows that the expenditure on Social Services increased from Rs. 889.61 crore in 2003-04 to Rs. 1277.14 crore in 2007-08. About 69 per cent of the revenue expenditure on Social Services from 2005-06 to 2007-08 was on salaries and wages. The major thrust areas included Education, Sports, Art and Culture (Rs. 488.43 crore), Health and Family Welfare (Rs.94.77 crore) and Water Supply, Sanitation, Housing and Urban Development (Rs. 10.96 crore) during 2007-08.

TFC projected a growth rate of 9.5 per cent for education and 11.5 per cent for the health sector. The TFC also projected 5 per cent growth rate for salaries in the health sector, and a slightly higher growth rate (6 per cent) for the salaries in the education sector alongwith an annual rate of growth of 30 per cent in non-salary component in this sector. However, the growth of expenditure

(taking plan and non plan together) on salary and wage components in education and health sectors was within the limit of projection made by TFC while non-salary component decreased by about 12 *per cent* in health sector and only marginally increased in education (2 *per cent*) during 2007-08 over the previous year. This pattern of expenditure indicates that changes are required to be made in the allocative prioritisation of the State Government.

1.5.3 Expenditure on Economic Services

The expenditure on Economic Services is meant to promote, directly or indirectly, productive capacity in the economy. In 2007-08, the expenditure on Economic Services (Rs. 957.27 crore) increased by Rs. 134.39 crore and accounted for 16.33 *per cent* of the total expenditure (Table 1.18). The expenditure on Economic Services was mainly on Agriculture and Allied Activities (Rs. 258.80 crore), Irrigation and Flood Control (Rs. 57.62 crore), Power and Energy (Rs. 95.58 crore), Transport (Rs. 285.48 crore) and Other Economic Services (Rs. 259.79 crore).

Table 1.18: Expenditure on Economic Services

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Agriculture and Allied Activities					
Revenue Expenditure	129.46	129.01	154.23	176.95	217.15
(a) Salary & Wage component	NA	NA	104.12	107.99	117.67
(b) Non-salary & Wage component	NA	NA	50.11	68.96	99.48
Capital Expenditure	13.79	25.00	32.54	37.04	41.65
Total	143.25	154.01	186.77	213.99	258.80
Irrigation and Flood Control					
Revenue Expenditure	21.33	11.42	24.29	20.08	16.78
(a) Salary & Wage component	NA	NA	15.56	16.59	18.74
(b) Non-salary & Wage component	NA	NA	8.73	3.49	⁻¹⁰
Capital Expenditure	32.14	22.25	40.20	72.86	40.84
Total	53.47	33.67	64.49	92.94	57.62
Power and Energy					
Revenue Expenditure	133.12	156.20	123.68	1.08	1.29
(a) Salary & Wage component	NA	NA	0.70	0.67	0.81
(b) Non-salary & Wage component	NA	NA	122.98	0.41	0.48
Capital Expenditure	41.27	143.49	129.41	81.15	94.29
Total	174.39	299.69	253.09	82.23	95.58
Transport					
Revenue Expenditure	26.91	17.35	58.33	74.05	79.64
(a) Salary & Wage component	NA	NA	7.60	7.98	9.04
(b) Non-salary & Wage component	NA	NA	50.73	66.07	70.60
Capital Expenditure	49.80	101.56	149.29	167.58	205.84
Total	76.61	118.91	207.62	241.63	285.48
Other Economic Services					
Revenue Expenditure	105.62	109.06	124.17	136.83	158.96
(a) Salary & Wage component	NA	NA	49.58	52.94	63.46
(b) Non-salary & Wage component	NA	NA	74.59	83.89	95.50
Capital Expenditure	49.80	64.17	61.16	55.26	100.83
Total	155.42	173.23	185.33	192.09	259.79
Total Economic Services					
Revenue Expenditure	416.44	423.04	484.70	408.99	473.82

¹⁰ Total expenditure is less than salary expenditure due to more recovery than expenditure.

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
As percentage of total expenditure	48%	54%	54%	50%	49%
(a) Salary & Wage component	NA	NA	177.55	186.17	209.72
(b) Non-salary & Wage component	NA	NA	307.15	222.82	264.10
Capital Expenditure	443.78	356.46	412.60	413.89	483.45
Grand Total (Economic Services)	860.22	779.50	897.30	822.88	957.27

Source: Finance Accounts and Departmental record

The trends in revenue and capital expenditure on Economic Services indicated increase from Rs. 416.44 crore to Rs. 473.82 crore (14 per cent) and from Rs. 443.78 crore to Rs. 483.45 crore (9 per cent) respectively during 2003-08. Salary and wages constituted the predominant part of revenue expenditure in case of agriculture and allied activities and irrigation and flood control, while non-salary and wages component was the main component in case of transport sector and other economic services sector.

1.5.4 Financial Assistance to Local Bodies and other Institutions

The assistance provided to local bodies and others as grants and loans during 2003-08 is presented in Table 1.19.

Table 1.19: Financial Assistance

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Universities/Institutions (Aided Schools, Aided Colleges, Universities, etc.)	26.34	70.88	6.77	26.75	2.11
Zilla Parishads and Panchayati Raj Institutions	57.93	34.02	50.00	52.00	55.17
Municipal Corporation and Municipalities	12.72	11.65	21.10	37.17	22.78
Tripura Tribal Areas Autonomous District Council	33.75	30.80	55.46	55.33	68.32
Development Agencies	-	25.79	0.00	0.00	0.00
Other Institutions*	2.21	143.81	1.29	Nil	Nil
Total	132.95	316.95	134.62	171.25	148.38
Assistance as a percentage of revenue expenditure	8.11	6.44	14.52	6.89	5.31

*The figures in this row are different from those in the Finance Accounts of previous years, since the assistance to TTAADC was included under this head during 2003-08.

The total assistance to the local bodies in 2007-08 was Rs. 148.38 crore, 13 per cent less than the previous year. Table 1.19 shows that the assistance declined in respect of Universities/Institutions, mainly due to conversion of Tripura University into a Central University. However, financial assistance to Zilla Parishads/Panchayati Raj Institutions and TTAADC increased by Rs. 3.17 crore and Rs. 12.99 crore respectively during the year 2007-08.

1.5.5 Delay in furnishing Utilisation Certificates

Of the 660 utilisation certificates (UCs) due in respect of grants and loans aggregating Rs. 199.54 crore paid up to 2007-08, 465 UCs for Rs. 148.38 crore were in arrears as on 31 August 2008. The department-wise break up of outstanding UCs along with amount is given in Table 1.20.

Table 1.20: Delay in furnishing Utilisation Certificates

Department	Number of UCs outstanding	Amount (Rs. in crore)	Year of pendency
Panchayati Raj	98	55.17	2007-08
Urban Development	81	22.78	2007-08
Education	8	2.11	2007-08
Welfare of Scheduled Castes and Other Backward Communities	278	68.32	2007-08
Total	465	148.38	

The largest number of UCs was outstanding from the Welfare of SC/ST and OBC Department (278), followed by the Panchayati Raj (98) and the Urban Development Department (81).

1.5.6 Non-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, 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 of assistance granted and the total expenditure of the institutions. None of the departments had furnished details for the year 2007-08 (September 2008), as shown in **Appendix 1.6**.

1.5.7 Abstract of performance of the autonomous bodies

The audit of accounts of 18 Autonomous Bodies in the State has been entrusted to the Comptroller and Auditor General of India under Section 19(3) and 20(1) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Accounts of 15 autonomous bodies covered under Sections 19(3) and 20(1) of the Act, were due for five to 29 years, as detailed in **Appendix 1.7**, which included 12 Nagar Panchayats and the Agartala Municipal Council.

1.6 Assets and liabilities

The Government accounting system does not encompass comprehensive accounting of the fixed assets like land and buildings owned by Government but it does capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. **Appendix 1.3** gives an abstract of such liabilities and the assets as on 31 March 2008, compared with the corresponding position on 31 March 2007. The liabilities in this Appendix do not include pension and other retirement benefits payable to serving / retired State employees and guarantees given by the Government, and consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds. The assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. **Appendix 1.3** shows that the increase in liabilities was mainly on account of special security to National Small Savings Fund of Central Government (Rs. 1,114.79 crore); Small savings, provident funds etc (Rs. 1429.45 crore) and deposits not bearing interest (Rs.61.77 crore). Reserve fund including sinking funds (Rs.176.12 crore) was another predominant part of the liability. While there was marginal reduction in the loans from the LIC of India from Rs. 210.46 crore to Rs. 194.76 crore, the loans from other

institutions increased modestly from Rs. 79.86 crore in 2006-07 to Rs. 118.81 crore in 2007-08. On the assets side, the capital outlay on fixed assets increased by 15 per cent while the cash balances decreased by Rs.19.21 crore to Rs. 853.80 crore on 31 March 2008 from Rs.873.01 crore on 31 March 2007.

1.6.1 Incomplete Projects

There were 212 incomplete projects, each costing Rs. 25 lakh and above, on which, an expenditure of Rs. 213.05 crore had been incurred as of March 2008 against their budgeted cost of Rs. 413.07 crore (Table 1.21). These included 37 minor and medium irrigation projects (Water Resource), 64 building works, 28 bridges, 55 road works, 14 electrical works and 13 drinking water supply (PHE) works. However, out of 212 incomplete projects, revised cost (Rs. 1.76 crore) was furnished by the Government only in respect of four projects (bridge works).

Table 1.21: Sector-wise position of incomplete projects upto 31 March 2008
(Rupees in crore)

Item of works	Number of incomplete projects	Date of commencement	Budgeted cost	Cumulative expenditure as of March 2008
Building works	64	30.4.1999 to 5.8.2007	164.24	80.72
Bridge works	28	25.4.2000 to 5.9.2007	56.45	28.97
Road works	55	23.10.2002 to 29.9.2007	60.10	32.64
Electrical works	14	19.3.2005 to 1.6.2007	20.70	15.45
Gas Thermal works	1	13.3.2004	4.34	3.30
PHE works	13	18.5.2001 to 30.12.2006	31.10	17.69
Irrigation works	37	8.5.1999 to 2.3.2007	76.14	34.28
Total	212		413.07	213.05

Source: Finance Accounts of the State Government.

1.6.2 Investments and returns

As on 31 March 2008, the State Government had invested Rs. 519.06 crore (Table 1.22) in two Statutory Corporations, nine Government Companies, one bank and 1602 Co-operative societies. Of these, only two companies viz., Tripura State Electricity Corporation Limited (TSECL), where Government invested Rs. 75.48 crore during 2007-08, and Tripura Rehabilitation Plantation Corporation Limited (TRPCL) earned an accumulated profit of Rs. 11.71 crore as of March 2008. As a result, return on investment increased from Rs.0.11 crore in 2006-07 to 0.27 crore in 2007-08. The rate of return on investment continued to remain negligible in comparison to the average rate of interest (8.27 per cent) on the borrowings during 2007-08. The financial position and performance of the PSUs in general remained an area of serious concern.

Table 1.22: Return on investment

Year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on Government borrowing	Difference between interest rate and percentage of return
	(Rupees in crore)		(in per cent)		
2003-04	313.13	Nil	Nil	9.92	9.92
2004-05	338.04	Nil	Nil	9.17	9.17
2005-06	366.00	0.27	0.07	8.56	8.49
2006-07	396.25	0.11	0.03	8.46	8.43
2007-08	519.06	0.27	0.05	8.27	8.22

1.6.3 Loans and advances by State Government

In addition to investments in co-operatives, corporations and companies, Government has been providing loans and advances to many of these organisations and also to the Government employees for construction of houses and other miscellaneous purposes.

Table 1.23: Average interest received on loans advanced by the State Government
(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Opening balance	62.64	64.98	63.06	61.55	58.71
Amount advanced during the year	6.03	2.05	2.35	0.68	0.30
Amount repaid during the year	3.69	3.97	3.86	3.52	3.27
Closing balance	64.98	63.06	61.55	58.71	55.74
Net Addition	2.34	(-) 1.92	(-) 1.51	-2.84	-2.97
Interest received	0.60	0.33	0.12	0.53	0.66
Interest received as percentage of outstanding loans	0.94	0.52	0.19	0.88	1.15
Average interest rate ¹¹ (in per cent) paid on borrowings by State Government	9.92	9.17	8.56	8.58	8.27
Difference between average interest paid and received (per cent)	8.98	8.65	8.37	7.70	7.12

At the end of March 2008, the Government had outstanding loans and advances of Rs. 55.74 crore (Table 1.23) of which Rs. 34.70 crore (62.25 per cent) was outstanding from the corporations / companies and Rs. 21.04 crore (37.75 per cent) from Government employees. These loans and advances were made at interest rates ranging from 5.85 to 11.5 per cent as against the average interest rate of 8.27 to 9.92 per cent on Government borrowings over the period 2003-08. The interest received, as percentage of outstanding loans ranged from 0.19 to 1.15 per cent during this period, which was much less than the interest paid by the Government on its own borrowings.

1.6.4 Management of cash balances

It is generally desirable that the State's flow of resources should match its expenditure. To take care of any temporary mismatches, a mechanism of Ways and Means Advances (WMA) – ordinary and special - from Reserve Bank of India (RBI) has been put in place. Table 1.24 shows the cash balances maintained by the State Government and the amount and the number of days on which WMA was taken by the State Government during 2003-08.

Table: 1.24

Ways and Means Advances and Overdrafts of the State and cash balances

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Ways and Means Advances					
Availed in the year	62.80	86.13	Nil	Nil	Nil
Number of occasions	-	-	-	-	-
Outstanding WMAs, if any	Nil	Nil	Nil	Nil	Nil
Interest paid	0.06	0.11	Nil	Nil	Nil
Number of days	24	32	Nil	Nil	Nil

¹¹ Average interest rate is defined as the percentage of interest payments made to average financial liabilities of the State during the year i.e. (Average of opening and closing balances of fiscal liabilities / 2) x 100.

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Overdraft					
Availed in the year	Nil	Nil	Nil	Nil	Nil
Number of occasions	Nil	Nil	Nil	Nil	Nil
Number of days	Nil	Nil	Nil	Nil	Nil
Interest paid	Nil	Nil	Nil	Nil	Nil

The State had a negative cash balance of Rs. 103.86 crore during 2003-04. The cash balance consistently increased to Rs. 873.01 crore during 2006-07 which, marginally declined to Rs. 853.80 crore during 2007-08. The Government earned an interest of Rs. 58.27 crore from the RBI on investment of cash balances (Rs. 859.63 crore) during 2007-08.

1.7 Undischarged liabilities

The FRBM Act has defined the liabilities of the Government as follows:

'Total liabilities' means the liabilities under the consolidated fund of the State and the Public Account of the State and shall also include borrowings by the Public Sector Undertakings and the special purpose vehicles and other equivalent instruments including guarantees where the principal and / or interest are to be serviced out of the State budget.

1.7.1 Fiscal liabilities – public debt and guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt and is reported in the Annual Financial Statements under the Consolidated Fund – Capital Account. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. The 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 and give guarantees within such limits as may be fixed. Other liabilities, which are a part of Public Account, include deposits under small savings scheme, provident funds and other deposits not bearing interest.

Table 1.25 gives some key parameters related to fiscal liabilities of the State.

Table 1.25 Fiscal Liabilities – Basic Parameters

	2003-04	2004-05	2005-06	2006-07	2007-08
Fiscal liabilities (Rupees in crore)	3578	4181	4421	4626	4745
Rate of Growth (<i>per cent</i>)	14.40	16.86	5.74	4.64	2.57
Ratio of Fiscal Liabilities to:					
GSDP (<i>per cent</i>)	58.31	62.98	60.58	58.63	55.68
Revenue Receipts (<i>per cent</i>)	165.06	162.26	146.19	138.78	128.30
Own Resources (<i>per cent</i>)	919.19	1003.96	1229.05	1059.76	976.18
Buoyancy of Fiscal Liabilities to:					
GSDP (ratio)	2.46	2.06	0.58	0.57	0.32
Revenue Receipts (ratio)	0.94	0.90	0.33	0.45	0.24
Own Resources (ratio)	0.38	2.41	-0.42	0.22	0.23

The fiscal liabilities of the State increased from Rs. 3,578 crore in 2003-04 to Rs. 4,745 crore in 2007-08, with the annual growth rate ranging from 2.57 to 16.86 *per cent*. The increase during 2007-08 was mainly due to increase in

Small Savings and Provident Funds by Rs. 57.17 crore, and Reserve Fund (including Sinking Funds) by Rs. 35.14 crore, which was partly off set by decrease of loans from the GOI of Rs. 24.76 crore. The ratio of fiscal liabilities to GSDP decreased from 58.31 *per cent* in 2003-04 to 55.68 *per cent* in 2007-08 and was much above the target of 40 *per cent* to be achieved by 31st March 2010 as laid down in TFRBM Act. At the end of March 2008, these fiscal liabilities stood at 1.28 times the revenue receipts and 9.76 times the State's own resources. However, the buoyancy of fiscal liabilities to GSDP and revenue receipts has been less than one in 2005-06 to 2007-08, which shows that their rate of growth has been less than the rate of growth of the GSDP and revenue receipts.

The State had set up a Sinking Funds in 1999-2000 for amortisation of all loans. Contribution to the corpus of the fund was Rs. 130.00 crore as of March 2008, which has been invested fully by the Government.

1.7.2 Status of Guarantees – Contingent liabilities

Guarantees are contingent liabilities, which do not directly form a part of the debt burden of the States, but the States will be required to meet the debt service obligations in the event of default by the borrowing agency.

The Government had given guarantees for Rs. 74.66 crore, including for one Government company (Rs. 0.50 crore), seven Cooperative Societies (Rs. 63.67 crore) and 9 local bodies including Agartala Municipal Council (Rs. 10.49 crore) against which, the amount of outstanding guarantees was Rs. 35.64 crore (including interest of Rs. 2.89 crore) at the end of March 2008.

Table 1.26 Guarantees given by the Government of Tripura

(Rupees in crore)

Year	Maximum amount guaranteed	Outstanding amount of guarantees (including interest)	Percentage of maximum amount guaranteed to total revenue receipt
2003-04	64.83	41.42	2.99
2004-05	66.10	44.89	2.57
2005-06	65.37	46.98	2.16
2006-07	67.96	40.89	2.04
2007-08	74.66	35.64	2.02

Table 1.26 shows that the amount of guarantees has been in the range of Rs. 65-75 crore but its percentage to revenue receipts has declined consistently from 2.99 *per cent* in 2003-04 to 2.04 *per cent* in 2006-07 and declined further to 2.02 *per cent* in 2007-08 over the previous year against 1 *per cent* of GDP of that year as prescribed in the TFRBM Act. The outstanding amounts of guarantees have declined in 2007-08 by Rs. 5.25 crore over the previous year.

In the 4th quarterly review report ending March 2008, placed along with the budget for the year 2008-09, the State Government stated that it would set up a Guarantee Redemption Fund (GRF) and charge guarantee fees. The rate of guarantee fee has been fixed (May 2007) as one *per cent* for any fresh guarantee. An amount of Rs. 0.17 crore was received as guarantee fee/commission by the Government during 2007-08.

1.8 Debt sustainability

Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match the increase in capacity to service the debt. A prior condition for debt sustainability is debt stabilisation in terms of debt / GSDP ratio.

1.8.1 Debt stabilisation

A necessary condition for stability states that if the rate of growth of income exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided that the primary balance is either positive or zero. Given the rate spread (GSDP growth rate *minus* interest rate) and quantum spread (debt*rate spread), debt sustainability condition states that if the quantum spread together with primary deficit is zero, debt-GDP ratio would be constant or sustainable. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GDP ratio would be rising and in case it is positive debt-GSDP ratio would eventually be falling. Trends in fiscal variables indicating the progress towards the debt stabilisation are indicated in Table 1.27.

Table 1.27: Debt sustainability – Interest Rate and GSDP Growth (in per cent)

	2003-04	2004-05	2005-06	2006-07	2007-08
Average Interest Rate (%)	9.92	9.17	8.56	8.58	8.27
GSDP Growth (%)	5.86	8.20	9.90	8.11	8.02
Interest spread (%)	(-) 4.06	(-) 0.97	1.34	(-) 0.47	(-) 0.25
Opening balance of Fiscal Liabilities (Rupees in crore)	3127.42	3577.93	4181.28	4420.57	4626.08
Quantum Spread (Rupees in crore)	(-) 126.97	(-) 34.71	53.03	(-) 20.78	(-) 11.57
Primary Deficit (-) / Primary Surplus (+) (Rs. in crore)	(-) 8.68	(+) 115.51	(+) 260.52	(+)519.36	(+) 379.75

Table 1.27 reveals that quantum spread together with primary deficit was negative only during 2003-04 and turned positive thereafter indicating a declining trend in financial liabilities to GSDP ratio since 2004-05 from 63 *per cent* to 55.68 *per cent* in 2007-08. However, it may be stated that debt sustainability would depend substantially on the continued availability of grants-in-aid from the GOI (which forms the major part of the State's receipts) and ability of the State Government to maintain the growth of GSDP at a rate higher than the interest rate of borrowings.

1.8.2 Incremental revenue receipts and expenditure

Another indicator of debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be

significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. Table 1.28 indicates the resource gap as defined for the period 2003-08.

Table 1.28: Incremental revenue and expenditure

(Rupees in crore)

Year	Non debt receipts	Incremental			Resource gap
		Primary gap	Interest payment	Total expenditure	
2003-04	288.18	50.59	41.98	92.57	(+) 195.61
2004-05	409.52	285.33	23.11	308.44	(+) 101.08
2005-06	447.11	302.10	14.80	316.90	(+) 130.21
2006-07	308.90	50.06	17.55	67.61	(+) 241.29
2007-08	364.73	504.34	7.59	511.93	(-) 147.20

Table 1.28 shows that the persistent positive resource gap except during the current year indicates towards the increasing capacity of the State to sustain the debt. Even the resource gap of Rs 147.20 crore in 2007-08 was on account of a steep increase in capital expenditure (Rs. 201 crore) over the previous year.

1.9 Net Availability of Funds

Table 1.29 below gives the position of the receipts and repayments of internal debt and other fiscal liabilities of the State over the last five years.

Table 1.29: Net Availability of Borrowed Funds

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Internal Debt					
Receipts	313.07	272.72	136.16	219.13	46.80
Repayment (Principal + Interest)	203.80	238.86	346.99	301.64	330.32
Net Fund Available	109.27	33.86	-210.83	-82.51	-283.52
Net Fund Available (<i>per cent</i>)	34.90	12.42	Nil	Nil	Nil
Loans and Advances from GOI					
Receipts	92.25	95.16	8.82	5.83	3.29
Repayment (Principal + Interest)	299.90	189.70	87.81	78.52	73.06
Net Fund Available	(-) 207.65	(-) 94.54	-78.99	-72.69	-69.77
Net Fund Available (<i>per cent</i>)	-	-	Nil	Nil	Nil
Other obligations¹²					
Receipts	752.48	903.85	788.85	597.73	659.32
Repayment (Principal + Interest)	536.30	600.85	526.85	625.38	696.57
Net Fund Available	216.18	303.00	262.00	-27.65	-37.25
Net Fund Available (<i>per cent</i>)	28.73	33.52	33.21	Nil	Nil
Total liabilities					
Receipts	1157.80	1271.73	933.83	822.69	709.41
Repayment (Principal + Interest)	1040.00	1029.41	961.65	1005.54	1099.95
Net Fund Available	117.80	242.32	-27.82	-182.85	-390.54
Net Fund Available (<i>per cent</i>)	10.17	19.05	Nil	Nil	Nil

It would be seen that the net availability of funds from all sources in 2007-08 viz., internal debt, loans and advances from the GOI and other obligations was negative after providing for repayments including interest, indicating that repayments were much more than the receipts. During 2003-08, the focus of the Government seems to be on discharging the past debt obligations both on account of principal and interest payment on loans raised from the market as well as from the GOI.

¹² Other obligations: Small savings, Provident Funds, Reserve Funds and Deposits.

1.10 Management of deficits

Deficit in Government accounts represents the gap between its receipts and expenditure. The nature of 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.

1.10.1 Trends in deficit / surplus

The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the way in which the deficit is financed and the resources raised and applied are important pointers of its fiscal health. The trends in fiscal parameters of the State are presented in Table 1.30.

Table 1.30: Fiscal Imbalances – Basic Parameters

Parameters	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue deficit (-) / Surplus (+) (Rupees in crore)	(+) 104.73	(+) 394.27	(+) 632.33	(+) 850.80	(+) 904.70
Fiscal deficit(-)/surplus(+) (Rupees in crore)	(-) 341.39	(-) 240.31	(-) 110.10	(+) 131.19	(-) 16.01
Primary deficit (-) / Surplus (+) (Rupees in crore)	(-) 8.68	(+) 115.51	(+)260.52	(+)519.36	(+) 379.75
RD/GSDP (per cent)	*	*	*	*	*
FD/GSDP (per cent)	5.56	3.62	1.51	*	0.19
PD/GSDP (per cent)	0.14	(-) 1.73	(-) 3.57	*	4.46
RD/FD (per cent)	*	*	*	*	*

* The ratios could not be calculated as the variables of RD,FD and PD registered surplus during the relevant years.

It would be seen that the State had enjoyed a revenue surplus in all the five years during 2003-08, mainly due to more grants-in-aid from the GOI.

Even with a cushion of Rs. 54 crore in the form of incremental revenue surplus during 2007-08, an increase of Rs. 201 crore in capital expenditure turned the fiscal surplus of Rs 131 crore in 2006-07 to fiscal deficit of Rs 16 crore during the current year. The increase in fiscal deficit accompanied by an increase of rupees eight crore in interest payments during 2007-08 over the previous year led to a decrease in primary surplus by Rs. 140 crore.

1.10.2 Quality of Deficit/ Surplus

The ratio of RD and FD and the decomposition of primary deficit into primary revenue deficit¹³ and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption.

The bifurcation of the factors resulting in primary deficit or surplus of the State during the period 2003-08 reveals (Table 1.31) that in 2003-04 the primary deficit was on account of capital expenditure incurred and loans and advances

¹³ Primary revenue deficit defined as gap between non interest revenue expenditure of the State and its non-debt receipt indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account.

disbursed by the State Government. In other words, non-debt receipts of the State were enough to meet the primary expenditure required in the revenue account, and some receipts were left to meet the capital expenditure. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure, which may be desirable to improve the productive capacity of the State's economy.

Table 1.31: Primary deficit / surplus – Bifurcation of factors

(Rupees in crore)

Year	Non debt receipts ¹⁴	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure (3+4+5) ¹⁵	Primary deficit (-)/ surplus (+) with reference to revenue expenditure ¹⁶ (2-3)	Primary deficit (-)/ surplus (+) with reference to capital expenditure (2-6)
1	2	3	4	5	6	7	8
2003-04	2171.35	1730.22	443.78	6.03	2180.03	(+) 441.13	(-) 8.68
2004-05	2580.87	1826.81	636.50	2.05	2465.36	(+) 754.06	(+) 115.51
2005-06	3027.98	2021.17	743.94	2.35	2767.46	(+) 1006.81	(+) 260.52
2006-07	3336.88	2094.39	722.45	0.68	2817.52	(+) 1242.49	(+) 519.36
2007-08	3701.61	2397.88	923.68	0.30	3321.86	(+) 1303.73	(+) 379.75

1.11 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 1.32 below presents a summarised position of Government finances over the period 2003-08, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their applications and highlights areas of concern. In general, while the indicators of resource mobilisation showed an increasing trend over the last five years, the expenditure showed a decline, as a percentage of both the GSDP and the revenue receipts. Significantly, however, a qualitative shift in the pattern of expenditure was discernible with the percentage of revenue expenditure declining to the benefit of capital expenditure in 2007-08.

The seemingly encouraging trend in the management of fiscal imbalances, as evidenced by revenue and fiscal surpluses in 2007-08 has to be viewed in the context of substantial and increasing grants-in-aid from GOI and less than expected (*vis-à-vis* the TFC projections) levels of State's own tax and non-tax revenues, including the almost negligible returns on investment in the public sector.

¹⁴ Includes revenue receipts and recovery of loans and advances.

¹⁵ Primary expenditure of the State defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year.

¹⁶ Primary deficit defined as the fiscal deficit net of interest payments indicates the extent of deficit, which is an outcome of the fiscal transactions of the State during the course of the year.

Table 1.32: Indicators of Fiscal Health

(in per cent)

Fiscal Indicators	2003-04	2004-05	2005-06	2006-07	2007-08
I. Resource Mobilisation					
Revenue Receipt/GSDP	35.33	38.80	41.44	42.25	43.40
Revenue Buoyancy	2.61	2.30	1.75	1.26	1.37
Own tax/GSDP	3.60	3.60	4.05	4.32	4.35
II. Expenditure Management					
Total expenditure/GSDP	40.95	42.49	43.00	40.63	43.63
Revenue Receipts / Total Expenditure	86.26	91.34	96.37	103.98	99.48
Revenue Expenditure / Total Expenditure	82.10	77.37	76.22	77.44	75.15
Salary & Wage expenditure on Social and Economic Services / Revenue Expenditure	-	-	29.82	31.77	30.64
Non-Salary & Wage expenditure on Social and Economic Services / Revenue Expenditure	-	-	23.08	19.72	20.08
Capital Expenditure / Total expenditure	17.66	22.56	23.71	22.54	24.85
Capital Expenditure on Social and Economic Services / Total Expenditure	15.93	20.24	21.07	20.09	20.78
Buoyancy of TE with RR	0.25	0.65	0.65	0.21	1.46
Buoyancy of RE with RR	0.34	0.31	0.55	0.37	1.14
III. Management of Fiscal Imbalances					
Revenue deficit (-) / Surplus (+) (Rupees in crore)	(+) 104.73	(+) 394.27	(+) 632.33	(+)850.80	(+)904.70
Fiscal deficit (-)/ surplus (+)(Rupees in crore)	(-) 341.39	(-) 240.31	(-) 110.10	(+)131.19	(-) 16.01
Primary deficit(-)/surplus(+) (Rupees in crore)	(-) 8.68	(+) 115.51	(+)260.52	(+)519.36	(+)379.75
Revenue deficit/Fiscal deficit (in per cent)	*	*	*	*	*
IV. Management of Fiscal Liabilities (FL)					
Fiscal Liabilities/GSDP	58.31	62.98	60.58	58.63	55.68
Fiscal Liabilities / RR	165.06	162.26	146.19	138.78	128.30
Buoyancy of FL with RR	0.94	0.89	0.33	0.45	0.24
Buoyancy of FL with Own Receipt	0.37	2.41	-0.42	0.22	0.30
Primary deficit vis-à-vis quantum spread	6.84	*	*	*	*
Net fund available	10.17	19.05	Nil	Nil	Nil
V. Other Fiscal Health Indicators					
Return on Investment (Rupees in crore)	Nil	Nil	0.27	0.11	0.27
Balance from Current Revenue (Rupees in crore)	(-) 406.56	(-) 478.06	111.72	151.69	192.90
Financial Assets / Liabilities	1.21	1.27	1.40	1.57	1.73

* RD/FD and PD/QS ratios could not be calculated as these years registered a Revenue and Primary Surplus.

1.12 Conclusion

The fiscal position of the State viewed in terms of key fiscal parameters indicated a significant improvement during the last three years. The State had maintained a revenue surplus as set out in the TFRBM Act, 2005. During the current year, even though there was an increase of Rs. 53.90 crore in revenue surplus, the fiscal deficit stood at Rs. 16.01 crore against the fiscal surplus of Rs. 131.19 crore in the previous year. The recurrence of fiscal deficit in 2007-08 being mainly on account of increase in capital expenditure however, remained within the projection of the TFRBM Act. The improvement in fiscal position of the State was observed to be mainly on account of improvement in revenue receipts which was, however, mainly on account of increase in mandatory transfers comprising State share in Central taxes and grants-in-aid from GOI. Of the incremental revenue receipts during 2005-06, 2006-07 and

2007-08, these two sources contributed within the range of 75 to 113 *per cent* indicating Central transfers being the key in improving the revenue surplus during the year. The expenditure pattern of the State reveals that the revenue expenditure as a percentage of total expenditure indicated a declining trend, yet, constituted 75 *per cent* of the total expenditure during 2007-08. While the NPRE at Rs. 2,217 crore during 2007-08 was marginally lower than the normative projection of TFC at Rs. 2,275 crore for the year, expenditure on salary, pensions, interest payments and subsidies constituted 85 *per cent* of NPRE during 2007-08. These trends in expenditure indicate the need for changing allocative priorities. The Government investments including disbursement of loans and advances accompanied by negligible rate of return on investments and inadequate interest cost recovery on loans and advances continues to be a cause for concern and suitable measures need to be initiated to arrest these trends. The fiscal liabilities relative to GSDP at 56 *per cent* in 2007-08 are high, especially in view of the target laid down in Tripura FRBM Act, 2005 to contain the ratio of total liabilities to GSDP to 40 *per cent* by 2009-10.