CHAPTER I

FINANCES OF THE STATE GOVERNMENT

This chapter provides a broad perspective of the finances of the Government of Tripura during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years.

1.1 Summary of Current Year's Fiscal Transactions

Table 1.1 presents the summary of the State Government's fiscal transactions during the current year (2008-09) *vis-a-vis* the previous year while **Appendix 1.2** provides details of receipts and disbursements as well as overall fiscal position during the current year.

Table 1.1 Summary of the Current Year's Operations

(Rupees in crore)

2007-08	Receipts	2008-09	2007-08	Disbursements	2008-09		
Section A: Revenue							
					Non-Plan	Plan	Total
3,698.34	**I. Revenue Receipts**	**4,076.78**	**2,793.64**	**I. Revenue Expenditure**	**2,474.47**	**654.98**	**3,129.45**
370.70	Tax Revenue	442.50	1,312.65	General Services	1328.09	8.85	1,336.94
115.41	Non-tax Revenue	149.04	943.00	Social Services	693.01	455.16	1,148.17
650.62	Share of Union taxes / duties	686.52	473.82	Economic Services	373.95	190.97	564.92
2,561.61	Grants from Government of India	2,798.72	64.17	Grants-in-aid / contribution	79.42	-	79.42
Section B: Capital							
Nil	**II. Miscellaneous Capital Receipts**	**-**	**923.68**	**II. Capital outlay**	**78.64**	**1,123.75**	**1,202.39**
3.27	**III. Recoveries of Loans and Advances**	**3.25**	**0.30**	**III. Loans and Advances disbursed**	**18.08**	**-**	**18.08**
50.09	**IV. Public Debt receipts**	**208.69**	**116.93**	**IV. Repayment of Public Debt**	**161.12**	**-**	**161.12**
-	**V. Contingency Fund**	**-**	**-**	**V. Contingency Fund**	**-**	**-**	**-**
1,626.02	**VI. Public Account receipts**	**2,082.46**	**1562.38**	**VI. Public Account disbursements**	**-**	**-**	**1,813.98**
873.01	**Opening balance**	**853.80**	**853.80**	**Closing balance**	**-**	**-**	**899.96**
6,250.73	**Total**	**7,224.98**	**6,250.73**	**Total**	**2,732.32**	**1,778.72**	**7,224.98**

Following are the significant changes during 2008-09 over the previous year:

- Revenue receipts grew by Rs.378.44 crore (10.23 *per cent*) from Rs.3,698.34 crore to Rs.4,076.78 crore against revenue expenditure which increased by Rs.335.81 crore (12 *per cent*) from Rs.2,793.64 crore to Rs.3,129.45 crore during 2008-09 over the previous year, mainly due to increase in Tax Revenue by Rs.71.80 crore, Non-Tax revenue by Rs.33.63 crore, Central tax transfer by Rs.35.90 crore and Grants from GOI by Rs.237.11 crore.

- Revenue expenditure grew from Rs.2,793.64 crore in 2007-08 to Rs.3,129.45 crore in 2008-09 mainly on increase in General Services by Rs.24.29 crore (1.85 *per cent*), Social Services by Rs.205.17 crore (21.76 *per cent*), Economic Services by Rs.91.10 crore (19.23 *per cent*) and Grants-in-aid and contribution by Rs.15.25 crore (23.76 *per cent*) during 2008-09 over the previous year.

- Capital expenditure increased by Rs. 278.71 crore (30.17 *per cent*) over the previous year.

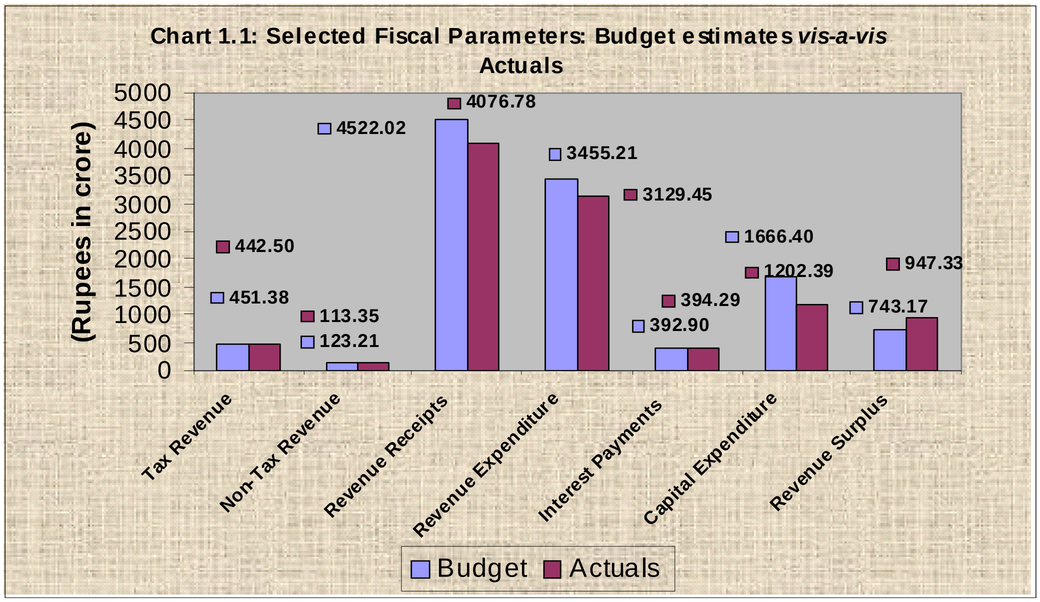
- Loans and Advances of Rs.18.08 crore was disbursed during the year 2008-09 against Rs. 0.30 crore in the previous year. Of this, Rs.17.00 crore was disbursed for Power Projects to the State Electricity Corporation Limited during the year. Recovery in Loans and Advances decreased by Rs. 0.02 crore over the previous year.

- Receipts from Public Debt were Rs.208.69 crore against disbursement of Rs.161.12 crore during the current year. Receipts from Public Debt increased by Rs.158.60 crore mainly due to increase in borrowing from market and other institutions by Rs.159.38 crore while Loans and Advances from GOI decreased by Rs.0.78 crore during the year.

- Public Account Receipts increased by 28.97 *per cent* from Rs.1,626.02 crore in 2007-08 to Rs. 2,082.46 crore in 2008-09 mainly due to more receipts from Small Savings, Provident Funds (SSPF) etc. by Rs. 28.98 crore (7.25 *per cent*), Remittance balances by Rs.347.07 crore (39.26 *per cent*) and Sinking Fund by Rs.103.80 crore (259.50 *per cent*). In the total disbursement of Public Account, there was an increase of Rs.251.60 crore (16.10 *per cent*) in 2008-09 over the previous year (Rs.1562.38 crore) due to more disbursement in SSPF by Rs.18.71 crore (5.46 *per cent*) and Remittances by Rs. 321.87 crore (35.55 *per cent*) during the same period.

- Total inflow during 2008-09 was Rs.6,371.18 crore against Rs. 5,377.72 crore in 2007-08 while total outflow was Rs. 6,325.02 crore as against Rs. 5,396.93 crore during the same period with an increase of 18.47 *per cent* and 17.20 *per cent* respectively leading to an increase in the cash balance by Rs.46.16 crore at the end of the year 2008-09 (Rs. 899.96 crore) from Rs.853.80 crore at the end of 2007-08 (including Rs.36.19 crore as interest receipts on 91 days Treasury bills invested by RBI during 2007-08).

Chart 1.1 presents the budget estimates and actuals for some important fiscal parameters during 2008-09.



The above chart shows that during 2008-09 there was shortfall in revenue receipts by Rs.445.24 crore (9.85 *per cent*), revenue expenditure by Rs.325.76 crore (9.43 *per cent*) and capital expenditure by Rs.464.01 crore (27.84 *per cent*) over the budget estimates. The revenue surplus increased by Rs.204.16 crore (27.47 *per cent*) over the budget estimate of 2008-09 (Rs.743.17 crore).

The performance of the State during 2008-09 in terms of Fiscal targets fixed for selected variables laid down in Tripura Fiscal Responsibility and Budget Management (TFRBM) Act, 2005 *vis-à-vis* achievements is given in **Table 1.2**.

Table 1.2: Trends in major fiscal variations *vis-à-vis* projections for 2008-09

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	(+) 17.71 *per cent* of RR	(+) 23.23 *per cent* of RR
Fiscal Deficit (-) / surplus (+)	FD to be 3 *per cent* of GSDP	(-) 6.13 *per cent* of GSDP	(-) 2.70 *per cent* of GSDP
Consolidated debt	40 *per cent* of GSDP	37.24 *per cent* of GSDP	50.62 *per cent* of GSDP
Incremental risk Guarantee	1 *per cent* of GSDP	No projections made	0.02 *per cent* of GSDP

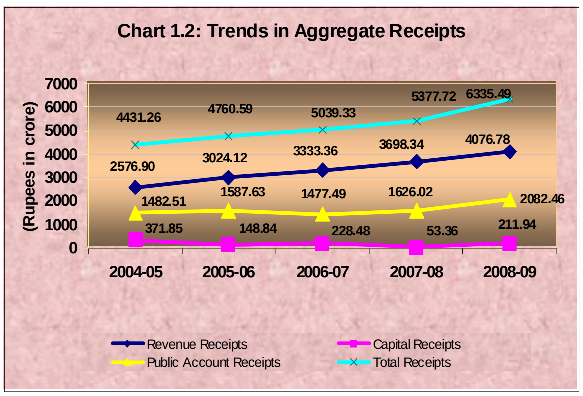
* Medium Term Fiscal Policy Statement.

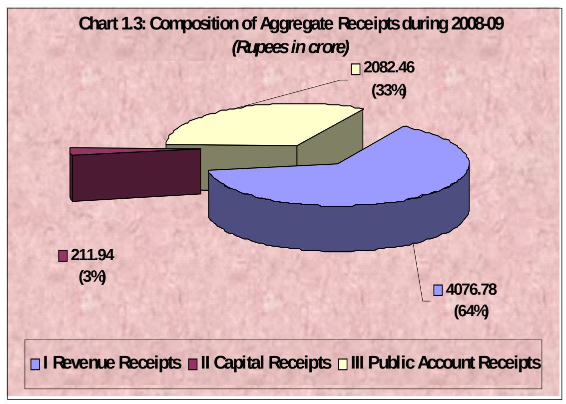
The State has achieved three out of four TFRBM Act targets much before the timelines fixed in the FRBM Act. The debt-GSDP ratio at 50.62 *per cent* in 2008-09 indicates that the State is unlikely to achieve the target of 40 *per cent* by 31 March 2010. The State Government needs to initiate requisite measures to contain the debt to achieve the corresponding TFRBM Act target within the timeframe prescribed in the Act.

1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GOI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account. **Table 1.1** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.2** depicts the trends in various components of the receipts of the State during 2004-09. **Chart 1.3** depicts the composition of resources of the State during the current year.





- Revenue Receipts of the State increased by 58.20 *per cent* from Rs. 2,576.90 crore in 2004-05 to Rs. 4,076.78 crore in 2008-09.
- Tax revenue increased from 9 *per cent* (2004-05) to 11 *per cent* (2008-09) of the total Revenue Receipts whereas non-tax revenue decreased from 7 *per cent* (2004-05) to 3 *per cent* (2008-09) of the total Revenue Receipts during the period.
- State's share of Union taxes and duties increased from 15 *per cent* (2004-05) to 17 *per cent* (2008-09) of the total Revenue receipts, whereas Grants-in-aid from GOI increased from 69 *per cent* in 2004-05 of the total Revenue Receipts to 75 *per cent* in 2005-06 and gradually decreased to 69 *per cent* in 2008-09.

1.2.2 Funds Transferred to State Implementing Agencies outside the State Budget

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies[1] for the implementation of various

[1] State Implementing Agency includes any Orginisation/Institution including Non-Governmental Orginasation which is authorized by the State Government to receive the funds from the Government of India for implementing a specific programme in the State.

schemes/programmes in social and economic sectors recognised as critical especially for the human and social development of population. As these funds are not routed through the State Budget/State Treasury System, Annual Finance Accounts do not capture the flow of these funds and to that extent State's receipts and expenditure as well as other fiscal variables/parameters derived from them are underestimated. During 2008-09, the Government of India has transferred an approximate amount of Rs.700.30 crore directly to the Implementing Agencies (detailed in **Appendix 1.3**). Significant amounts released for major programmes/schemes are detailed in **Table 1.3**.

Table 1.3: Funds Transferred Directly to State Implementing Agencies

(Rupees in crore)

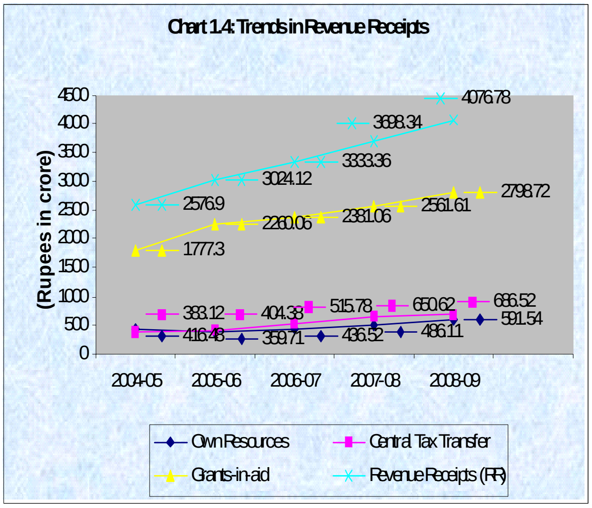
Sl. No.	Name of the Programme / Scheme	Name of the Implementing Agency in the State	Total fund released by the Government of India during 2008-09
1.	National Rural Employment Guarantee Programme (NREGP)	Project Directors, DRDA, South, West, North and Dhalai Districts, Tripura	460.50
2.	Rural Housing (Indira Awas Yojana)	-do-	66.97
3.	Sarva Shiksha Abhiyan (SSA)	SSA Rajya Mission, Tripura	64.64
4.	National Rural Health Mission (NRHM)	Health and Family Welfare Society, Tripura	42.84
5.	Swarnajayanti Gramin Swarojgar Yojana (SGSY)	Project Directors, DRDAs, South, West, North and Dhalai Districts, Tripura	20.00
6.	Renewable Energy for Rural Applications in Remote villages	Tripura Renewable Energy Development Agency	11.60
7.	Assistance to States for Developing Export Infrastructure (ASIDE)	Tripura Industrial Development Corporation Ltd.	8.01
		Total	**674.56**

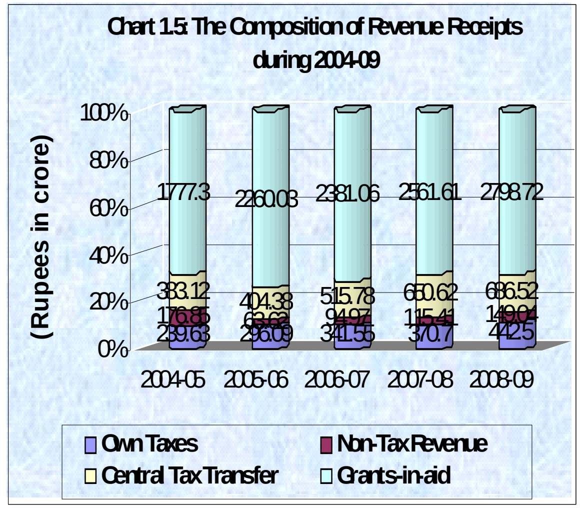
Source: 'Central Plan Scheme Monitoring System' portal in Controller General of Accounts' website.

Table 1.3 shows that an amount of Rs. 460.50 crore (65.76 *per cent* of the total funds transferred) was given for National Rural Employment Guarantee Programme, Rs. 66.97 crore (9.56 *per cent*) for Rural Housing (Indira Awas Yojana) and Rs. 64.64 crore (9.23 *per cent*) for Sarva Shiksha Abhiyan during 2008-09. With the transfer of an approximate amount of Rs. 700.30 crore directly by GOI to the State Implementing Agencies, the total availability of State resources during 2008-09 had increased from Rs. 6,371.18 crore to Rs. 7,071.48 crore.

1.3 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts of the State consist of its own tax and non-tax revenues, Central tax transfers and grants-in-aid from GOI. The trends and composition of revenue receipts over the period 2004-09 are presented in **Appendix 1.5** and also depicted in **Chart 1.4** and **1.5** respectively.





The trends in revenue receipts relative to GSDP are presented in **Table 1.4**.

Table 1.4: Trends in Revenue Receipts relative to GSDP

	2004-05	2005-06	2006-07	2007-08	2008-09
Revenue Receipts (RR) *(Rupees in crore)*	**2,576.90**	**3,024.12**	**3,333.36**	**3,698.34**	**4,076.78**
Rate of growth of Revenue Receipts (*per cent*)	**18.88**	**17.35**	**10.23**	**10.95**	**10.23**
Revenue Receipts / GSDP (*per cent*)	**38.80**	**41.44**	**42.25**	**43.40**	**40.73**
Buoyancy Ratios[2]					
Revenue Buoyancy with respect to GSDP	**2.30**	**1.75**	**1.26**	**1.37**	**0.59**
State's Own Tax Buoyancy with respect to GSDP	**1.00**	**2.38**	**1.89**	**1.06**	**1.11**
Revenue Buoyancy with reference to State's own taxes	**2.30**	**0.74**	**0.67**	**1.28**	**0.53**

1.3.1 State's Own Resources

As the State's share in Central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of Central tax receipts and Central assistance for plan schemes etc., the State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising of revenue from its own tax and non-tax sources. The gross collection in respect of major taxes and duties and non-tax revenue and their percentage and also expenditure during the year 2004-09 are presented in **Appendix 1.5**.

The contribution of tax revenue to the total Revenue Receipts of the State was 11 *per cent* during 2008-09 against 10 *per cent* in the previous year. The main contribution

[2] Buoyancy ratio indicates the elasticity or degree of reponsiveness of a fiscal variable with respect to a given change in the base variable. For instance, State's own receipts buoyancy ratio with reference to its GSDP at 0.60 implies that revenue receipts tend to increase by 0.60 percentage points, if the GSDP increases by one *per cent*.

of the own taxes were Sales Tax (71 *per cent*), State excise (11 *per cent*), Taxes on vehicles (7 *per cent*) and Stamps and Registration fees (4 *per cent*). On the other hand, only 3 *per cent* of the total Revenue Receipts came from non-tax Revenue which constituted 25 *per cent* of own Resources of the State during 2008-09.

The percentage of the non-tax Revenue to total Revenue Receipts remained stagnant at 3 *per cent* in 2008-09 since 2006-07. The non-tax Revenue (Rs.149.04 crore) came mainly from interest receipts (Rs.62.93 crore) of which Rs. 62.24 crore (99 *per cent*) came from investment of cash balances by RBI, and Rs.0.69 crore from other interest receipts (from loans and advances). Other sources of non-tax revenue were mainly: Police (Rs.19.86 crore), Public works (Rs.6.17 crore), Health and Family Welfare (Rs.4.52 crore), Industries (Rs.9.38 crore) and Forestry and Wild life (Rs.5.57 crore).

The State Government, however, received during the year 2008-09 Rs.22.25 crore under Debt Consolidation and Relief Facility (DCRF) pertaining to the year 2006-07. *The Own Tax revenue (OTR) of the State remained far below both the normative assessment made by the Twelfth Finance Commission (TFC) for the State for 2008-09 (Rs.569.79 crore) and State's own projection in BE 2008-09 (Rs.451.38 crore). Similarly, non-tax revenue (NTR) was also significantly lower than both the TFC projection (Rs.160.89 crore) and State's own projection made in the Budget Estimates (Rs. 123.21 crore) as well as in the Revised Estimates (Rs.133.03 crore) for the year 2008-09.*

Article 3 (b) of the Tripura Fiscal Responsibility and Budget Management (TFRBM) Act, 2005 envisaged pursuance of policies to raise non-tax revenue with due regard to cost recovery of operations and maintenance expenses and equity of selected services. It was seen that the cost recovery (ratio of NTR to NPRE) of some selected services such as Education, Health, Irrigation, Power and Road Transport were 0.29 *per cent*, 5.61 *per cent*, 2.08 *per cent*, 0.44 *per cent* and 0.12 *per cent* respectively during the year 2008-09. Road Transport Services (0.12 *per cent*) fared the worst followed by Education Sector (0.29 *per cent*) and Power Sector (0.44 *per cent*). While non-tax revenue of Rs.0.14 crore and Rs.1.55 crore were collected from the Road Transport and Education Sector, Non-Plan Revenue expenditure in these sectors were Rs.117.35 crore and Rs.533.91 crore respectively during 2008-09.

Due to introduction of VAT in the State in 2005, the State Government received Rs.19.81 crore in 2008-09 as compensation for loss of revenue pertaining to the year 2007-08.

1.3.2 Loss of Revenue due to Evasion of Taxes, Write Off / Waivers and Refunds

As on 31 March 2009, 91 cases of evasion in case of Sales Tax were detected. Out of which assessments / investigations were completed and demands raised in respect of 88 cases involving Rs.17.84 lakh including penalty as reported (September 2009) by the Commissioner of Taxes.

Though there was no write off or waiver cases during the year 2008-09, Rs.0.86 lakh was refunded in respect of Sales tax of 5 claims placed during the current year leaving 3 cases outstanding involving Rs.0.74 lakh.

Besides, test check of the records of Sales tax, Land revenue, State excise, Motor vehicles, Stamps and registration fees, other tax receipts, forest receipts conducted during 2008-09 revealed under assessment / short levy / loss of revenue amounting to Rs.4.45 crore in 51 cases.

Due to non-realisation/short realisation of revenue, the collection of OTR during the year was less than the normative projections made by the TFC (Rs.569.79 crore) and also State's own projection (Rs.451.38 crore) for the year while actual OTR was Rs. 442.50 crore during the year. This also affected the State's NTR as well as the total revenue receipts of the State during the current year.

1.3.3 Revenue Arrears

As of March 2009, the collection of Sales tax was in arrears amounting to Rs.18.37 crore out of which, Rs.0.16 crore was in arrears for more than five years as per information furnished by the Commissioner of Taxes (September 2009). Reasons for arrears of revenue were not on record.

1.4 Application of Resources

The analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising the public expenditure financed by deficit or borrowings. It is therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially expenditure directed towards development and social sectors.

1.4.1 Growth and Composition of Expenditure

Chart 1.6 presents the trends in total expenditure over a period of five years (2004-09) and its composition both in terms of 'economic classification' and 'expenditure by activities is depicted respectively in **Charts 1.7** and **1.8**.

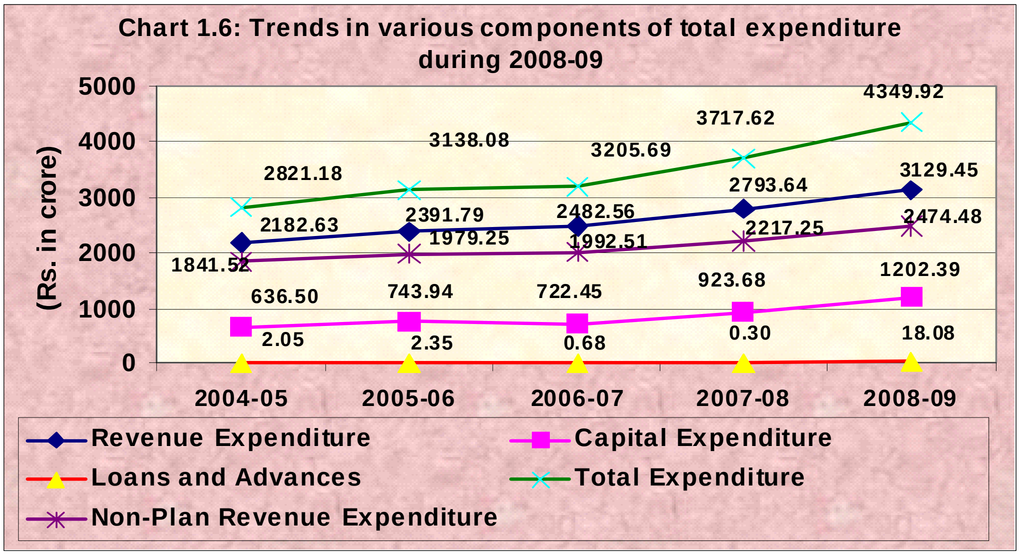


Chart 1.6: Trends in various components of total expenditure during 2008-09

Chart 1.6 shows that total expenditure of the State increased from Rs.2,821.18 crore in 2004-05 to Rs.4,349.92 crore in 2008-09 with a growth rate ranging from 2.15 *per cent* to 17.01 *per cent* during the last five years. The revenue expenditure increased from Rs. 2,182.63 crore in 2004-05 to Rs. 3,129.45 crore in 2008-09, while capital expenditure increased from Rs. 636.50 crore to Rs. 1,202.39 crore during the same period. The capital expenditure was 27.67 *per cent* of the total expenditure during 2008-09, an increase of only 3 *per cent* as compared to the previous year (24.84 *per cent*). Non Plan Revenue Expenditure (NPRE) was a major component of the total expenditure during the period. Loans and Advances by the State Government increased by 781.95 *per cent* during the last five year period and 5,926.66 *per cent* in 2008-09 over the previous year. The high increase in 2008-09 was due to loans and advances for the Power Projects (Rs.17.00 crore).

In Article 3 (c) of TFRBM Act, 2005, it was envisaged that the State Government shall lay down norms for prioritisation of Capital expenditure and pursue expenditure policies that would provide impetus for economic growth, poverty reduction and improvement in human welfare.

However, it was stated in the Third Quarterly Review Report[3] of the Finance Minister for 2008-09 presented along with the Budget for 2009-10, that several steps have been taken to augment capital expenditure during 2009-10.

[3] Under Section 11 of the Tripura Fiscal Responsilility and Budget Management Act, 2005, the Minister-in-Charge of the Finance Department is required to review every every quarter, the trends in receipts and expenditure in relation to the budget Estimates and place the outcome of such review before the Legislative assembly in its session.

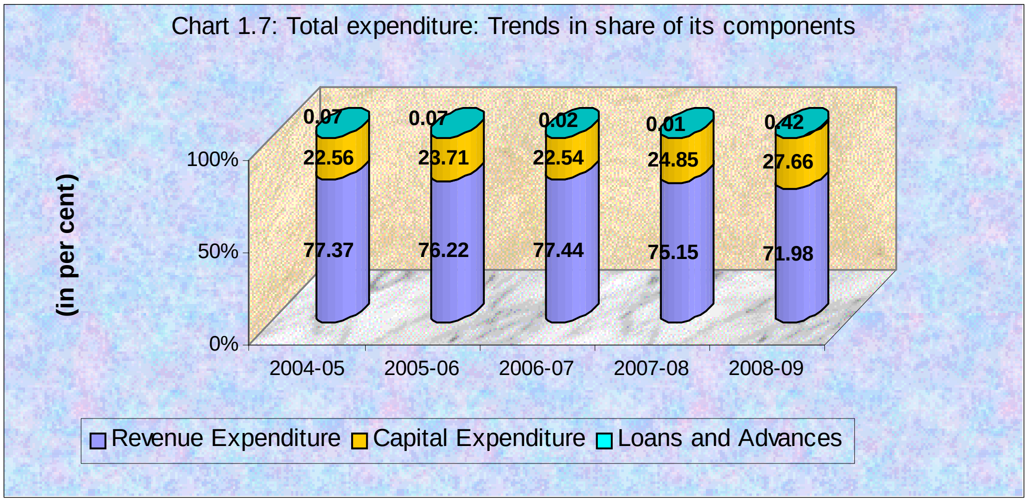
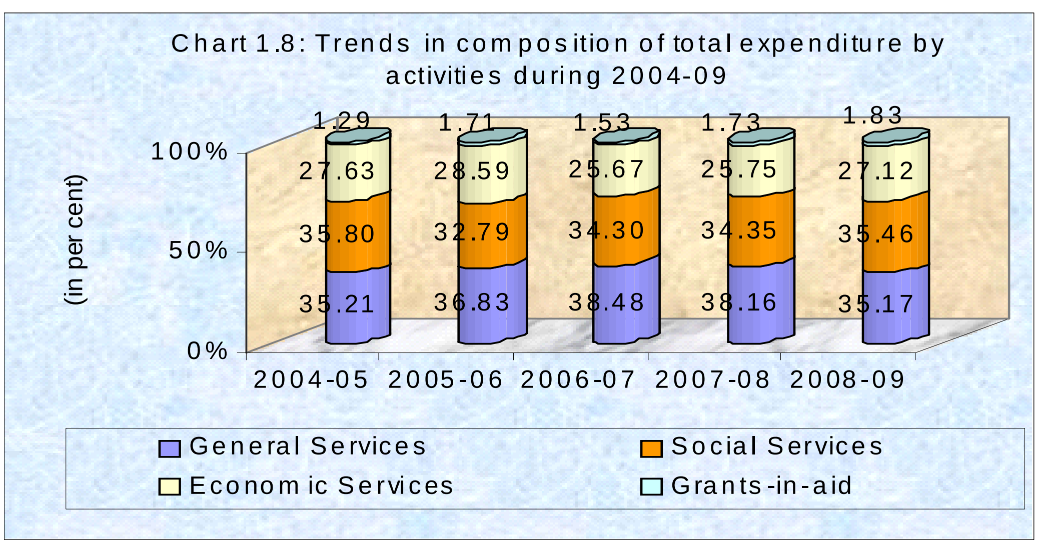


Chart 1.7 shows that as a percentage of total expenditure, Revenue expenditure was 72 *per cent*, of which non-plan revenue expenditure was a major component (about 57 *per cent*) during the year 2008-09. Only 15 *per cent* of total expenditure was in PRE.

The non-plan revenue expenditure (Rs. 2,474.47 crore) was higher than the TFC projection (Rs. 2,453.81 crore) for the current year. Despite the increase in the amount over the years, the share of NPRE has been declining with a corresponding increase in the PRE. The increase in the PRE in 2008-09 was mainly due to increase in Education (Rs. 6.72 crore), Health and Family Welfare (Rs. 12.60 crore), Welfare of SC, ST and OBC (Rs. 25.89 crore) and Social Welfare and Nutrition (Rs. 43.56 crore) in Social Sector. In Economic Sector, the increase in PRE was mainly due to increase in Agriculture and Allied Activities (Rs. 15.03 crore), Rural Development (Rs. 10.34 crore) and Transport (Rs. 0.17 crore). While total expenditure increased by 17 *per cent*, the revenue receipts increased by 10 *per cent* during 2008-09 over the previous year. Total revenue expenditure increased by 12 *per cent* during the current year against 13 *per cent* in 2007-08.



The trends in composition of total expenditure by activities as depicted in **Chart 1.8** show that during five year period from 2004-09 expenditure in General Services marginally increased from 35 *per cent* to 38 *per cent* during 2004-05 to 2007-08 and decreased to 35 *per cent* in 2008-09, while in Social Sector it decreased from 36 *per cent* in 2004-05 to 35 *per cent* in 2008-09 and in Economic Sector, the percentage remained almost static in 2004-05 and 2008-09. The percentage of expenditure on Grants-in-aid ranged between 1 and 2 *per cent* during the last five year period.

During 2008-09, the expenditure in Social and Economic Sectors increased by 21 *per cent* and 23 *per cent* respectively over the previous year and the combined percentage of expenditure (Non-plan and Plan) in these two sectors increased by 22 *per cent* as compared to the previous year.

The non-plan revenue expenditure in Social and Economic sectors during 2008-09 were Rs.693.01 crore and Rs.373.95 crore respectively. *The non-plan revenue expenditure in Social Sector was much below the TFC Projection (Rs.867.45 crore) for the year. However, the non-plan revenue expenditure in Economic Sector was significantly higher than the TFC Projection (Rs.295.41 crore) mainly due to increased expenditure in Agriculture and Allied Activities (Rs.8.90 crore) and Transport (Rs.35.92 crore).*

1.4.2 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.5** and **Chart 1.9** present the trends in the expenditure on these components during 2006-09.

Table 1.5: Components of Committed Expenditure

(Rupees in crore)

Components of Committed Expenditure	2006-07	2007-08	2008-09	
			BE	Actuals
Salaries* & Wages **,** *Of which*	1,193.53 (60%)	1,334.12 (60%)	1,473.78	1,466.30 (59%)
Non-Plan Head	1,025.25	1,183.26	1,356.72	1,231.48
Plan Head**	129.61	116.39	117.06	143.11
Interest Payments	388.17 (19%)	395.76 (18%)	390.21	394.29 (16%)
Expenditure on Pensions	267.35 (13%)	315.30 (14%)	349.29	356.43 (14%)
Subsidies	61.36 (3%)	58.60 (3%)	66.64	6.56 (1%)
Total :	**1,910.41**	**2,103.78**	**2,279.92**	**2,223.58**
As *per cent* of Revenue Receipts				
Salaries & Wages	35.81	36.07	34.52	35.96
Interest Payments	11.65	10.70	9.14	9.67
Expenditure on Pensions	8.02	8.53	8.18	8.74
Subsidies	1.84	1.58	1.56	0.16

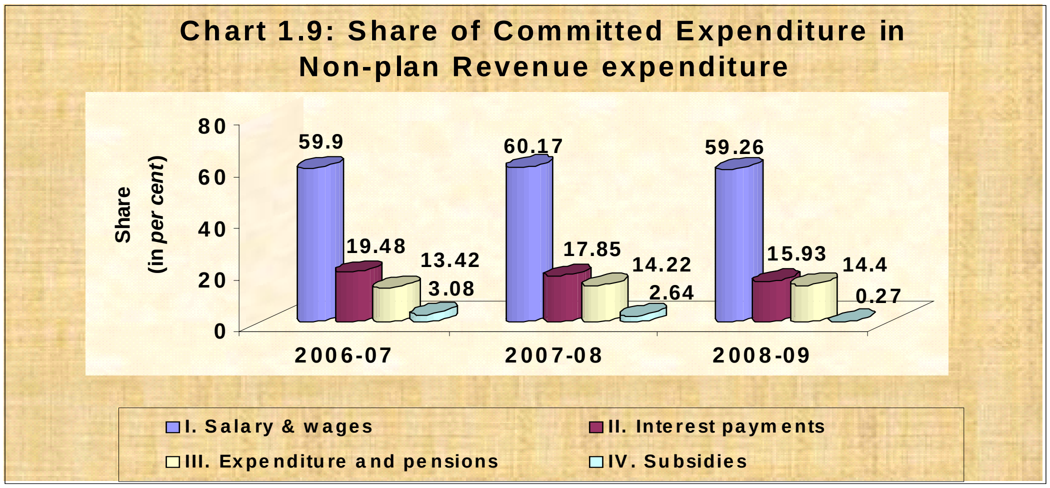
Figures in the parentheses indicate percentage to Non-plan Revenue Expenditure

**includes wages of Rs.34.47 crore in 2007-08 and Rs.33.50 crore in 2008-09. Also includes Rs.38.67 crore and Rs.58.21 crore as grants-in-aid in 2007-08 and 2008-09 respectively.*

***Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes.*

The committed expenditure (i.e. interest payments, pensions, salaries and subsidies all together) of the State Government increased from Rs. 2,103.78 crore to Rs. 2,223.58 crore during the period 2006-09. The committed expenditure during the current year however, was slightly lower than the Budget provision of Rs.2,279.92 crore. The overall percentage of committed expenditure on non-plan revenue expenditure and total Revenue Receipts was 90 *per cent* and 55 *per cent* respectively during the current year.

The committed liabilities for the State projected by the TFC was Rs.1,228.90 crore of non-plan revenue expenditure for 2008-09. Compared to this, there was an increase of 80.94 *per cent* in the actual expenditure during 2008-09.



Salary and wage expenditure

The expenditure on salaries and wages increased by 10 per cent from Rs.1,334.12 crore in 2007-08 to Rs.1,466.30 crore in 2008-09 against the TFC norms of growth rate of 6 per cent. Out of Rs.1,466.30 crore on salaries and wages, Rs.1,231.48 crore was in non-plan head while Rs.143.11 crore was in plan head. Rupees 33.50 crore was paid as wages, the classification of which into plan and non-plan was not available. Besides, Rs.58.21 crore was also paid as salary and wages out of the grants-in-aid given during 2008-09. The expenditure on salary and wages increased mainly due to increase in expenditure in Health (11 *per cent*), Water supply etc., (17 *per cent*), Agriculture (9 *per cent*), Rural Development (8 *per cent*), Irrigation (14 *per cent*) and Other Economic Services (10 *per cent*). In General Services, it increased by 8 *per cent* during the year. However, expenditure on salaries and wages in General Education decreased by Rs.0.41 crore (about 1 *per cent*) during 2008-09.

According to recommendation of the TFC, the States should follow a recruitment and wages policy, in a manner such that the total salary bill relative to revenue expenditure net of interest payments and pensions does not exceed 35 per cent. In the State of Tripura, this norm was not followed and salary and wages expenditure registered 61.64 *per cent* during 2008-09. However, the total salary and wages expenditure (Rs.1,466.30 crore) was below the Budget Estimates (Rs.1,473.78 crore) and also Revised Estimates (Rs.1,590.65 crore) as indicated in the Macro Economic Framework Statement (MEFS) of the State Government. It may be noted that the liabilities on salary expenditure would further increase due to revision of pay structure of the State Government employees, as stated in the Third Quarterly Review Report 2008-09 and also in the budget speech 2008-09.

Interest payments

Interest payments during 2008-09 were Rs.394.29 crore, which was slightly lower than the previous year (Rs.395.76 crore). Interest of Rs.109.94 crore was paid on the borrowing from the NSS Funds, Rs.93.79 crore on the market borrowings, Rs.115.29 crore on the small savings fund, Rs.39.26 crore on the outstanding loans from the GOI and Rs.36.01 crore on other internal debt.

The expenditure on interest payments was higher than the projection (Rs.392.90 crore) of the State Government in its MEFS during the current year. *The interest payment was, however, within the TFC projection (Rs. 469.80 crore). The interest payment relative to revenue receipts at 9.67 per cent was well within the norm of 15 per cent recommended by TFC to be achieved during the award period.*

Pension payment

Pension payment increased by 13 *per cent* from Rs.315.30 crore in 2007-08 to Rs.356.43 crore in 2008-09, which was about 14 *per cent* of the non-plan Revenue expenditure of the current year. Pension payments during 2008-09 exceeded the projection made by the State Government (Rs. 349.29 crore) in its MEFS for 2008-09. *Expenditure on pensions remained within the normative projection (Rs. 424.59 crore) made by the TFC.* The liabilities however, is likely to further increase to Rs. 525 crore in the TFC Award period as 2,811 employees will retire on superannuation in 2009-10 and would be included in the existing pensioners (41,583) including MLA pensioners as projected by the State Government in the quarterly Review Report as well as in the Budget at a Glance for the year 2009-10.

Subsidies

The State Government paid subsidies to the extent of Rs.61.36 crore in 2006-07, Rs.58.60 crore in 2007-08 and Rs.6.56 crore in 2008-09 on the various components like Agriculture & Allied Activities (Crop Husbandry), Power and Transport. During 2008-09, subsidy of Rs.6.56 crore was paid on Crop Husbandry which included for Direction and Administration (Rs. 4.98 crore), Agricultural Farms (Rs. 0.06 crore) and other expenditure (Rs. 1.52 crore). The percentage of subsidy paid to total expenditure during 2006-07, 2007-08 and 2008-09 was 1.91, 1.58 and 0.15 respectively.

In the Third Quarterly Review Report placed alongwith the Budget 2009-10, it was stated that the Government has been providing financial support to the Tripura State Electricity Corporation Limited and Tripura Road Transport Corporation to meet the gap between income and expenditure. This financial support indirectly becomes a subsidy support. The projection of subsidy for 2008-09 made by Government in the MEFS was Rs. 66.64 crore (RE). *However, the TFC provided Rs.3.19 crore per year as subsidy on food only for the award period.*

1.4.3 Financial Assistance by State Government to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous two years is presented in **Table 1.6**.

Table 1.6: Financial Assistance to Local Bodies etc.

(Rupees in crore)

Financial assistance to Institutions	2006-07	2007-08	2008-09	
			BE	Actuals
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	26.75	2.11	14.51	29.92
Municipal Corporations and Municipalities	37.17	22.78	-	59.24
Zilla Parishads and Other Panchayati Raj Institutions	52.00	55.17	-	60.00
Development Agencies	Nil	Nil	-	-
Hospital and Other Charitable Institutions	Nil	Nil	-	-
Other Institutions*	55.33	68.32	96.58	77.50
Total	**171.25**	**148.38**	**111.09**	**226.66**
Assistance as percentage of RE	6.89	5.31	3.19	7.24

The quantum of Financial assistance to the Zilla Parishads and other Panchayati Raj Institutions, educational institutions and other local bodies increased during 2006-09 due to devolution of funds to Local Bodies to facilitate their functioning as vibrant institutions of Local Self Government as per the policy of the State Government. The quantum of financial assistance was much higher than the assessment of Rs.111.09 crore (BE) made by the State Government in Third Quarterly Review Report placed in the Legislature alongwith the Budget for 2009-10.

1.5 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, *viz.*, adequacy of the expenditure (i.e. adequate provisions for providing public services), efficiency of expenditure use and the effectiveness (assessment of outlay-outcome relationships for select services).

1.5.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to social sectors and economic infrastructure are largely assigned to the State Governments. Enhancing human development levels requires the States to step up their expenditure on key social services like education,

* Includes Tripura Tribal Areas of Autonomous District Council (TTAADC)

health etc. The low level of spending on any sector in a particular State may be either due to low fiscal priority attached by the State Government or on account of the low fiscal capacity of the State Government or due to both working together. The low fiscal priority (ratio of expenditure category to aggregate expenditure) is attached to a particular sector if it is below the respective national average while the low fiscal capacity would be reflected if the State's per capita expenditure is below the respective national average even after having a fiscal priority that is more than or equal to the national average. **Table 1.7** analyses the fiscal priority and fiscal capacity of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year.

Table 1.7: Fiscal Priority and Fiscal capacity of the State during 2008-09

Fiscal Priority by the State	AE/GSDP	DE/AE	SSE/AE	CE/AE
All States/National Average* (Ratio) 2005-06	19.50	61.44	30.41	14.13
Tripura's Average (Ratio) 2005-06	33.26	61.44	32.79	23.71
All States/National Average (Ratio) 2008-09	19.16	67.68	33.90	16.87
Tripura's Average (Ratio) 2008-09	43.46	63.01	35.44	27.64
Fiscal Capacity of the State	**DE#**	**SSE**	**CE**	
All States Average per Capita Expenditure (Amount in rupees) 2005-06	3010	1490	692	
Tripura per Capita Expenditure (Amount in rupees) in 2005-06	5671	3026	2188	
Adjusted per Capita** Expenditure (Amount in rupees) in 2005-06	NR	NR	NR	
All States Average per Capita Expenditure (Amount in rupees) 2008-09	5030	2520	1254	
Tripura per Capita Expenditure (Amount in rupees) in 2008-09	7831	4405	3435	
Adjusted per Capita** Expenditure (Amount in rupees) in 2008-09	8411	NR	NR	

*As *per cent* to GDP

**Calculated as per the methodology explained in the Annexure. Figures of Arunachal Pradesh not included in calculating the All States Average.

AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure
CE: Capital Expenditure

Population of Tripura: 0.34 crore in 2005-06 and 0.35 crore in 2008-09

Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

Source: (1) For GSDP, the information was collected from the State's Directorate of Economics and Statistics and for the year 2008-09, the GSDP figure (advanced estimate) has been taken from the Third Quarterly Review Report of the State Finance Minister, (2) Population figures were taken from Projection 2001-2026 of the Registrar General and Census Commissioner, India (Website: http://www.censusindia.gov.in) Population = Average of Projected population for 2005 and 2006.

NR: No adjustment required since the State is giving adequate fiscal priority.

Table 1.7 shows the fiscal priority given by the Tripura Government to various expenditure heads in 2005-06 (the first year of the Twelfth Finance Commission Award Period) and the current year *viz* 2008-09. The Government of Tripura had a much higher AE / GSDP ratio in both years under consideration compared to the All States Average. In SSE and CE also, the Tripura Government's expenditure as a percentage of AE was higher than the national average. In DE, however, the DE/AE ratio for Tripura was the same as the national average in 2005-06 (compared to the all States average) and this ratio was even lower in 2008-09. This indicates that the Government gives low priority to economic services.

Since the population of Tripura is low, the per capita expenditure in DE, SSE and CE in both the years was higher than the national average. Had the DE/AE ratio been as high as the national average for Tripura, then the per capita expenditure for DE would have been much higher (as indicated in **Table 1.7** and calculated using the methodology in **Appendix 1.1**).

1.5.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods[4]. Apart from improving the allocation towards development expenditure[5], particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While the **Table 1.8** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted and the previous year, **Table 1.9** provides the details of capital expenditure and the component of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table 1.8: Development Expenditure

(Rupees in crore)

Components of Development Expenditure	2006-07	2007-08	2008-09	
			BE	Actuals
Development Expenditure (a to c)	1,923.01 (59.98)	2,234.71 (60.11)	3,055.91 (58.22)	2,740.73 (63.00)
a. Development Revenue Expenditure	1,278.24 (39.97)	1,416.82 (38.11)	1,780.98 (33.93)	1,713.09 (39.38)
b. Development Capital Expenditure	644.09 (20.09)	817.59 (21.99)	1,272.90 (24.25)	1,009.56 (23.21)
c. Development Loans and Advances	0.68 (0.02)	0.30 (0.01)	2.03 (0.04)	18.08 (0.41)

Figures in the parentheses indicate *per cent* to aggregate expenditure

Table 1.8 shows that the development expenditure, combining the expenditure on Social and Economic Sectors, increased in absolute terms from Rs.1,923.01 crore in

[4] *Core public goods* are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no substractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc. *Merit goods* are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept or need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. The examples of such goods include the provision of free or subsidized food for the poor to support nutrition, the delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

[5] The analysis of the expenditure data is disaggregated into development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances are categorized into social services, economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

2006-07 to Rs.2,740.73 crore in 2008-09. The percentage of increase in 2008-09 was 22.64 *per cent.* The percentage of development expenditure to the total expenditure of the State increased only 3 *per cent* as compared to the previous year. But the development expenditure was much below the level of Budget Estimates of Rs.3,055.91 crore for the year. The relative share of the revenue development expenditure was 39.38 *per cent* of the total expenditure while this share in respect of development capital expenditure was only 23.21 *per cent*. This indicated lack of Government priority for capital expenditure due to ever increasing pressure on revenue expenditure over the period. *However, non-plan development revenue expenditure (SS + ES) of Rs.1,066.96 crore was lower than the TFC Projection of Rs.1,168.86 crore for the State during 2008-09.*

Table 1.9 –Efficiency of Expenditure Use in Selected Social and Economic Services

(*In per cent*)

Social/Economic Infrastructure	2007-08			2008-09		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S &W	O&M		S&W	O &M
Social Services (SS)						
Education, Sports, Art & Culture	9.77	93.38	6.62	11.56	85.34	14.66
Health & Family Welfare	39.20	80.34	19.66	35.55	75.39	24.61
Water Supply, Sanitation, and Housing & Urban Development	93.33	100.00	-	77.48	22.98	77.02
Other Social Services	14.96	17.85	82.15	11.67	16.10	83.90
Total (SS)	**26.16**	**68.52**	**31.48**	**25.52**	**58.21**	**41.79**
Economic Services (ES)						
Agriculture & Allied Activities	16.09	54.19	45.81	23.11	53.36	46.64
Irrigation & Flood Control	70.88	111.68*	-	55.17	61.73	38.27
Power & Energy	98.65	62.79	37.21	96.92	37.29	62.71
Transport	79.23	11.35	88.65	71.12	-	100.00
Other Economic Services	38.81	39.92	60.08	40.66	50.57	49.43
Total (ES)	**50.50**	**44.26**	**55.74**	**52.17**	**40.84**	**59.16**
Total (SS+ES)	**36.59**	**60.41**	**39.59**	**37.06**	**52.48**	**47.52**

TE: Total Expenditure (CE+RE of the sub-sectors); CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations and Maintenance.

* Total expenditure was less than Salary and Wages expenditure due to more recovery than expenditure.

Table 1.9 depicts the various component-wise percentage of Revenue and Capital expenditure, percentage of expenditure on salary and wages and operation and maintenance cost in relation to revenue expenditure in Social and Economic Services for the year 2007-08 and 2008-09.

The Table shows that the ratio of CE to TE under Social Services decreased from 26.61 *per cent* in 2007-08 to 25.52 *per cent* in 2008-09 mainly due to decrease under Health & Family Welfare and Water Supply, Sanitation, Housing & Urban Development while under Economic Services, it had increased by 1.67 *per cent* over the previous year, mainly due to increase in Agriculture & Allied Services and Transport. The share of salary and wages on Education under Social Services was 85.34 *per cent* of its revenue expenditure, (of which 86.13 *per cent* was for general education) and on Health & Family Welfare and Water Supply, Sanitation, Housing &

Urban Development, the share was 75.39 *per cent* and 22.98 *per cent* respectively. The percentage of salary and wages expenditure in relation to its revenue expenditure was lower by 10.31 *per cent* in 2008-09 over the previous year while expenditure on operations and maintenance cost increased to the extent over the previous year. However, the percentage of the salary expenditure in respect of Health and Water Supply, Sanitation, Housing & Urban Development decreased by 4.95 *per cent* and 77.02 *per cent* respectively over the previous year.

Under Economic Services, the salary and wage expenditure in terms of percentage of revenue expenditure was lower by 3.42 *per cent* over the previous year while the operations and maintenance cost increased to that extent due to increase in expenditure in Irrigation & Flood Control, Power & Energy and Transport.

However, in terms of percentage in relation to revenue expenditure under Social and Economic Services taken together there was overall decrease in salary and wages (7.93 *per cent*) and increase in operations and maintenance costs to that extent during 2008-09 over the previous year.

1.5.3 Effectiveness of the Expenditure, i.e. Outlay-Outcome Relationship

Performance reviews pertaining to Implementation of Irrigation schemes, Functioning of Education (Higher) Department and Information technology review of e-Suvidha – an e-Governance project covering the period 2004-09 were taken up. The results of the performance reviews are summarised below:

(a) Implementation of Irrigation Schemes

The State has a total cultivable land of 2,80,000 ha with irrigation potential of 1,17,000 ha i.e. 41.79 per cent. The State does not have any major irrigation project and is dependant on three medium and several minor irrigation schemes. During 2004-09, the State had planned to create irrigation potential of 24,742 ha against which, it created a potential of only 10,466 ha i.e. 42 per cent. Performance review of implementation of irrigation schemes in the State revealed that the Public Works Department (Water Resources) has not prepared a long term perspective plan for Irrigation Project and in respect of the irrigation schemes taken up, Benefit Cost Ratio was not assessed. Implementation schedules were not adhered to and there were delays in acquisition of land and lack of coordination with other departments/corporations. Therefore the envisaged benefits of irrigation schemes could not be achieved due to inherent defects in planning, delays in acquisition of land and clearance from forest authorities. Further, even the potential created could not be utilised due to insufficient water at the source, non-laying of pipes to the full extent to cater to the targeted beneficiaries. The Department has not evolved an adequate monitoring mechanism to speed up the completion of ongoing schemes and evaluate the outcome of the completed schemes.

(Paragraph 1.1 of Audit Report 2008-09)

(b) Functioning of Education (Higher) Department

The Education (Higher) Department is responsible for providing higher education to the youth in the State, in order to equip them with adequate skills for furthering their chances of success in the competitive environment ahead. A performance audit on the functioning of the Department brought out the absence of an appropriate planning process in the Department. The Department does not have vital data from the educational institutions to plan its activities effectively and the allocation of funds for higher education as a percentage of Social Services gradually declined over the years. This coupled with shortage of teaching staff and absence of monitoring mechanism affected the objective of the Department of providing quality education to the students.

(Paragraph 1.2 of Audit Report 2008-09)

(c) Information technology review of e-Suvidha – an e-Governance project

Government launched e-Suvidha, a project to enhance the services provided to the citizens by availing benefits of IT, where it envisaged to provide a large number of services to the citizens through a single window. The project, however, suffered from lack of defined targets and uncertainty of its completion. Besides, due to improper use of application, the objective of citizens viewing the status of their applications over kiosks or internet remained unimplemented. The system is merely being utilised for data storage, typing and printing the certificates even after 9 years of its launch.

(Paragraph 1.3 of Audit Report 2008-09)

1.6 Financial Analysis of Government Expenditure and Investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but only to meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-a-vis* previous years.

1.6.1 Financial Results of Irrigation Works

According to Para 6 (vii) of Term of Reference (TOR) of the TFC, there is the need for ensuring the commercial viability of irrigation projects etc. in the State through various means including adjustment of user charges and relinquishing of non-priority enterprises through privatisation or disinvestment. According to Para 6.23 of TFC Report, the cost recovery (Irrigation Receipts / non-plan revenue expenditure) rate of the Irrigation Projects should be 80 *per cent* for 2008-09 in relation to the maintenance expenditure on major, medium and minor Irrigation Projects.

Though there was no commercial Irrigation Project in the State of Tripura, the number of Minor and Medium Irrigation Projects in the State under AIBP as of March 2009 was 1,112 and 3 respectively.

During 2008-09, Non-Plan revenue expenditure on Minor and Medium Irrigation Projects was Rs. 27.35 crore, out of which, Rs.2.89 crore was maintenance expenditure.

It was stated in the Third Quarterly Review Report of the Finance Minister placed alongwith the Budget for 2009-10 in the State Legislature that imposing of user charges as a general measure was not encouragable due to high percentage of BPL families in the State and collection of user charges on certain select services/items in a modest way had been started.

1.6.2 Incomplete projects

The department-wise information pertaining to incomplete projects of which the scheduled date of completion was already over as on 31 March 2009 are given in the **Table 1.10**.

Table 1.10: Department-wise Profile of Incomplete Projects

(Rupees in crore)

Name of Projects	No. of incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects	Cost Overruns	Cumulative actual expenditure as on 31.3.2009
Building	19	126.69	NA	NIL	85.84
Road & Bridges	46	115.82	3.19*	NIL	58.53
Irrigation and Flood Control	30	87.99	NA	NIL	45.38
Electrical and Gas Thermal Projects	7	33.73	NA	NIL	66.41
PHE (DWS) works	14	39.08	1.99	NIL	20.68
Total	**116**	**403.31**	**5.18**	**NIL**	**276.84**

Source: Finance Accounts 2008-09.

* *Indicates the Revised total cost of the three projects as per the latest revision by the State Government.*

As on 31 March 2009, there were 116 incomplete projects each costing Rs.1 crore and above, involving total budgeted cost of Rs.403.31 crore on which expenditure of Rs.276.84 crore has already been incurred. The works on these projects were started between 30 April 1999 and 2 September 2007. Most of the incomplete projects were Roads and Bridges works, involving budgeted cost of Rs.115.82 crore, out of which expenditure of Rs. 58.53 crore (51 *per cent*) was incurred as on 31 March 2009. On 30 Irrigation and Flood Control works, expenditure of Rs.45.38 crore (52 *per cent*) was incurred against the budgeted cost of Rs.87.99 crore. In respect of Electrical works, the expenditure of Rs.66.41 crore already incurred on 7 works exceeded the budgeted cost sanctioned, of which the revised cost as well as the revised date of completion was not on record. Due to delay in completion of the projects, the intended benefits from these projects did not reach the beneficiaries in the State. The reasons for delay in completion of the projects were not on record.

1.6.3 Investment and returns

As on 31 March 2009, Government had invested Rs.641.00 crore in 2 Statutory Corporations, 11 Government Companies, 1,872 Co-operatives and one Bank **(Table 1.11)**.

Table-1.11: Return on Investment

Investment/Return/Cost of Borrowings	2006-07	2007-08	2008-09
Investment at the end of the year *(Rupees in crore)*	396.25	519.06	641.00
Return *(Rupees in crore)*	0.11	0.27	Nil
Return on investment *(per cent)*	0.03	0.05	Nil
Average rate of interest on Government borrowing *(per cent)*	8.46	8.27	8.00
Difference between interest rate and return *(per cent)*	8.43	8.22	8.00

It was seen that upto the end of the year 2008-09, total amount of Rs.641.00 crore was invested in 11 Government companies (Rs. 404.69 crore) (one under liquidation), 2 statutory corporations (Rs.152.81 crore), 1872 Co-operatives societies (Rs.65.58 crore) and one Bank (Rs.17.92 crore). During 2008-09, the Government invested Rs.121.94 crore as equity in these companies, corporations etc. against budget estimates of Rs.189.74 crore for the year. Out of total amount of Rs.121.94 crore invested during the year 2008-09, Rs.116.85 crore was invested in one statutory corporation (Tripura Road Transport Corporation: Rs.13.00 crore) and eight Government companies (Rs.103.85 crore). Of Rs.103.83 crore invested in the Government companies, Rs. 83.96 crore was invested as equity in the Tripura State Electricity Corporation Limited. No return on the investment was received during 2008-09.

1.6.4 Loans and advances by State Government

In addition to investments in Co-operative societies, corporation and companies, Government has also been providing loans and advances to many of these institutions/organisations and also to the Government employees for construction of houses and other miscellaneous purposes. **Table 1.12** presents the outstanding loans and advances as on 31 March 2009, interest receipts *vis-a-vis* interest payments during the last three years**.**

Table 1.12: Average Interest Received on Loans Advanced by the State Government

(Rupees in crore)

Quantum of Loans/Interest Receipts/ Cost of Boruoungs	2006-07	2007-08	2008-09	
			BE	Actual
Opening Balance	61.55	58.71	55.74	55.74
Amount advanced during the year	0.68	0.30	2.03	18.08
Amount repaid during the year	3.52	3.27	3.00	3.25
Closing Balance	**58.71**	**55.74**	**54.77**	**70.57**
Of which Outstanding balance for which terms and conditions have been settled	NA	NA	NA	NA
Net addition	(-) 2.84	(-) 2.97	(-) 0.97	(+) 14.83
Interest Receipts	0.53	0.66	NA	0.69
Interest receipts as *per cent* to outstanding Loans and advances	0.88	1.15	NA	0.98
Interest payments as *per cent* to outstanding fiscal liabilities of the State Government.	8.39	8.34	NA	7.78
Difference between interest payments and interest receipts (*per cent*)	(-) 7.51	(-) 7.19	-	(-) 6.80

NA: Not available.

No budget provision for interest receipts on loans advanced was available in the Budget documents.

At the end of March 2009, the Government had outstanding loans and advances of Rs.70.57 crore, of which loans for Economic Services, Social Services and miscellaneous proposes were Rs. 32.30 crore, Rs. 18.95 crore and Rs. 0.31 crore respectively. Loans of Rs. 19.00 crore were outstanding from Government employees. During 2008-09, Interest receipts as percentage of outstanding loans and advances was 0.98 against interest paid by the Government as percentage of outstanding liabilities being 7.78.

1.6.5 Cash Balances and Investment of Cash balances

It is generally desirable that the State's flow of resources matches 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) - ordinary and special and overdraft from Reserve Bank of India (RBI) has been put in place. The operative limit for normal WMA is Rs.80 crore to the State with effect from 1 April 2005 and the operative limit for special WMAs has been fixed at Rs.93.77 crore with effect from 17 June 2005 for the State consequent upon the revaluation of Government of India Securities held by the State Government.

The State did not avail any overdraft facility since 1999-2000. Ways and Means Advances (ordinary or special) also were not taken by the State since 2005-06. During 2008-09, the State Government maintained the minimum cash balance with RBI without obtaining any advances. However, to make up the deficiency in the cash balance, the holding of the Government of India 14 days Treasury bills were rediscounted on 162 days during 2008-09 and Rs.26.55 crore was realised as interest @ 6 *per cent* per annum on these securities. An amount of Rs.35.69 crore was also received as interest on the investment of 91 days Treasury Bills @ 6 *per cent* per annum during 2008-09.

The cash balance of the State increased by Rs. 40.33 crore (4.69 *per cent)* at the end of the year 2008-09 over the previous year mainly due to increase in Investment Account of earmarked fund (sinking fund, which increased by Rs.143.78 crore over the previous year).

Table 1.13 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.13: Cash Balances and Investment of Cash balances

(Rupees in crore)

Particulars	As on 1 April 2008	As on 31 March 2009	Increase (+)/ Decrease (-) (percentage in bracket)
Cash Balances	859.63	899.96	(+) 40.33 (4.69)
Investments from Cash Balances (a to d)	859.63	744.35	(-) 115.28 (15.49)
a. GOI 91 days Treasury Bills	282.02	-	(-) 282.02 (100)
b. GOI 14 days Treasury Bills	577.61	744.35	(+) 166.74 (28.87)
c. Other Securities, if any specify	-	-	-
d. Other Investments	-	-	-
Funds-wise Break-up of Investment from Earmarked balances (a to b)	130.00	273.78	(+) 143.78 (110.60)
a. Sinking Fund	130.00	273.78	(+) 143.78 (110.60)
b. Others, if any	-	-	-
Interest Realised	58.27	62.24	(+) 3.97 (6.81)

The efficiency of handling the cash balances by the State can also be assessed by monitoring the trends in monthly average daily cash balances held by the State to meet its normal banking transactions. **Table 1.14** presents the trends in monthly average daily cash balances and the investments in Auction Treasury Bills for the last three years (2006-09).

Table-1.14: Trends in Monthly Average Daily Cash Balances and the Investments in Treasury Bills

(Rupees in crore)

Month	Monthly Average Daily Cash Balances			Investment in 14 days Treasury Bills			Investment in 91 days Treasury Bills			Investment in Auction Treasury Bills		
	2006-07	2007-08	2008-09	2006-07	2007-08	2008-09	2006-07	2007-08	2008-09	2006-07	2007-08	2008-09
April	1.75	0.17	0.28	987.42	822.21	1,224.30	98.65	294.35	-	-	-	-
May	0.88	0.61	1.20	1,099.37	1,285.21	1,003.04	-	200.00	294.66	-	-	-
June	1.57	0.40	2.12	952.47	770.39	825.85	98.59	294.66	294.51	-	-	-
July	1.46	0.88	0.50	1,198.24	1,098.37	784.17	98.42	197.52	-	-	-	-
August	1.35	0.78	0.38	1,236.95	970.48	926.85	195.66	196.86	391.12	35.00	-	-
September	0.57	0.32	0.20	934.06	724.04	1,209.91	196.85	196.54	-	-	-	-
October	1.44	0.65	0.53	1,053.05	1,284.03	1,196.70	98.37	196.54	392.88	-	-	-
November	1.39	0.87	0.89	953.53	1,164.64	1,099.81	98.37	196.32	196.52	-	-	-
December	0.98	0.87	0.80	1,224.21	946.68	768.19	98.30	196.42	-	-	-	-
January	0.13	1.60	0.47	1,287.38	1,055.96	1,182.04	98.23	-	-	-	-	-
February	2.25	0.79	0.86	1,350.55	1,161.62	1,470.83	196.24	294.60	-	-	-	-
March	1.55	4.80	3.95	1,577.96	1,154.21	2,364.36	100.00	-	-	-	-	-

It can be seen from the above table that average daily cash balances during the year 2008-09 was high in the month of March 2009 (Rs.3.95 crore) followed by June (Rs.2.12 crore) while the least cash balance was in the month of September 2008 (Rs.0.20 crore). However, the average daily cash balance in the month of March 2009 was significantly lower than the balance of March 2008. In respect of Investment during 2008-09, it was seen that while the daily average investment in 14 days Treasury bills was high in March 2009 (Rs.2364.36 crore), it was high in respect of 91 days Treasury bills in the month of October 2008 (Rs.392.88 crore). The investment in Auction Treasury bills in the month of August 2006 was Rs. 35.00 crore.

1.7 Assets and Liabilities

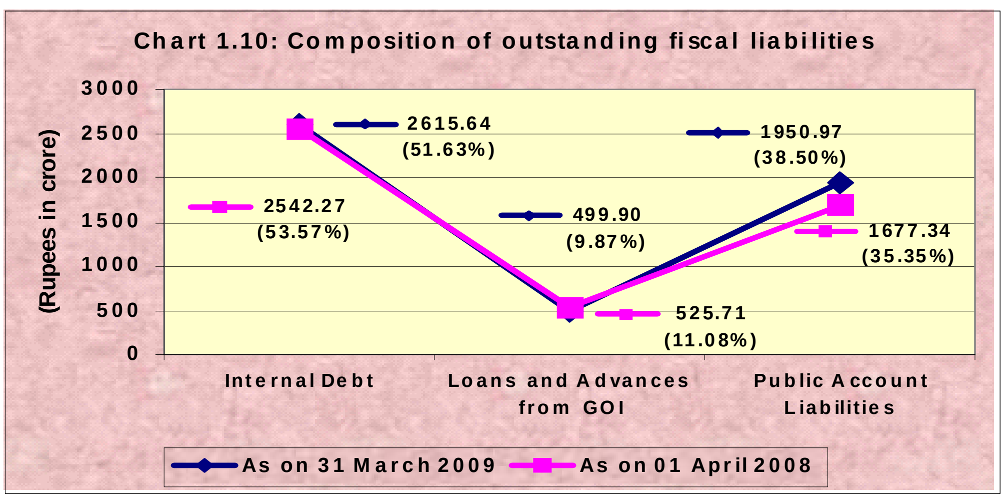
1.7.1 Growth and composition of Assets and Liabilities

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.4** gives an abstract of such liabilities and the assets as on 31 March 2009, compared with the corresponding position on 31 March 2008. While the liabilities in this Appendix 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 and loans and advances given by the State Government and cash balances.

The FRBM Act of the State has defined the total liabilities as follows: *"The 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 principal and/or interest are to be serviced out of the State budget"*

1.7.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.4**. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Chart 1.10.**



The outstanding fiscal liabilities of the State as on 31 March 2009 was Rs.5,066.51 crore against the liabilities of Rs.4,745.32 crore as on 1 April 2008 with an increase of Rs.321.19 crore (6.77 *per cent*) during the period. Outstanding liabilities increased mainly due to increase in internal debt by Rs.73.37 crore (3 *per cent*) and Public

Account by Rs.273.63 crore (16.41 *per cent*) over the previous year. Total outstanding liabilities during the year, however, exceeded the Revised estimated liabilities of Rs.4,775.37 crore projected in the disclosure with the Budget for 2009-10 presented in the State Legislature. During 2008-09, the percentage of Internal Debt liabilities to total revenue receipts was 64.16 while the percentage of total liabilities to revenue receipts was 124.28.

During last five year period of 2004-09, the outstanding liabilities consistently increased from Rs. 4,181.28 crore in 2004-05 to Rs. 5,066.51 crore in 2008-09. *The percentage of fiscal liabilities to GSDP during 2008-09 was 50.62, which was much higher than the projection in the Fiscal Indicator (37.24 per cent) in the MTFP statement.*

1.7.3 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As the State Government has not enacted any law or framed any rules according to Article 293 of the Constitution, for fixing the limit on the guarantees given by the Government on its Consolidated Fund, it is not possible to make observations on the maximum or outstanding guarantees of the State Government in a year. However, as per TFRBM Act 2005, the State Government constituted (July 2007) the Guarantee Redemption Fund and decided to charge guarantee fees at the rate of one *per cent* to cover the risk in the guarantees for meeting the liabilities which may arise on invocation of the guarantees. According to the disclosure of the Third Quarterly Review Report for 2008-09, an amount of Rs.0.11 crore was received as guarantee fee/commission during the year from the Tripura State Co-operative Development Corporation (TSCDC).

As per Statement 6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding amount of guarantees for the last three years is given in **Table 1.15**.

Table-1.15: Guarantees given by the Government of Tripura

(Rupees in crore)

Gurantees	2006-07	2007-08	2008-09	
			BE	Actual
Maximum amount guaranteed	67.96	74.66	8.57	76.66
Outstanding amount of guarantees (including interest)	40.89	35.64	37.94	29.53
Percentage of maximum amount guaranteed to total revenue receipt	2.04	2.02	0.20	1.90
Criteria as per FRBM Act/any other Act or Order of the State	1 *per cent* of GSDP	1 *per cent* of GSDP	1 *per cent* of GSDP	1 *per cent* of GSDP

At the end of 31 March 2009, the maximum amount guaranteed was Rs.76.66 crore (including Rs. 2.00 crore given to TSCDC during 2008-09), of which Rs.24.25 crore was outstanding as Principal. Besides, an amount of Rs.5.28 crore was also outstanding as interest as on 31 March 2009. However, the outstanding amount of guarantees was below the Revised Estimate of Rs.43.52 crore as projected in the FPS statement by the Government.

1.7.4 Off - Budget Borrowings

The borrowings of a State are governed under Article 293 of the Constitution of India. In addition to the liabilities, State guaranteed loans are availed of by Government companies/corporations. These companies/corporations borrowed funds from the market/financial institutions for implementation of various State plan programmes projected outside the State budget. Although the State Government projects that funds for these programmes would be met out of the resources mobilised by these companies/corporations outside the State budget, but in reality the borrowings of many of these ultimately turn out to be the liability of the State Government termed as 'off-budget borrowings'.

From the State Finance Accounts as well as Appropriation Accounts, it appeared that there were no off-budget borrowings for the year 2008-09. In fact, *it was stated in the Budget Speech for the year 2009-10 that the Government maintained the annual permissible limit of 0.5 per cent of the GSDP for off-budget borrowings according to the TFRBM Act, 2005*. According to the TFC recommendations, the State has also set up a sinking fund for amortisation of all loans and invested Rs.20.00 crore in this fund during the year 2008-09. As on 31 March 2009, the accumulated amount in this fund was Rs.273.78 crore including interest of Rs. 123.78 crore.

1.8 Debt Sustainability

Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability[6] of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation[7]; sufficiency of non-debt receipts[8]; net availability of borrowed funds[9];

[6] The debt sustainability is defined as the ability of the State to maintain a constant debt-GDP 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 with the increase in capacity to service the debt.

[7] A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

[8] Adequacy of incremental non-debt receipt of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipt could meet the incremental interest burden and the incremental primary expenditure.

[9] Defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.16** analyses the debt sustainability of the State according to these indicators for the period of three years beginning from 2006-07.

Table 1.16: Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability	2006-07	2007-08	2008-09
Debt Stabilisation (Quantum Spread + Primary Deficit) *(Rupees in crore)*	(+) 498.58	(+) 368.18	(+) 321.66
Sufficiency of Non-debt Receipts (Resource Gap) *(Rupees in crore)*	(+) 241.29	(-) 147.20	(+) 9.11
Net Availability of Borrowed Funds *(Rupees in crore)*	(-) 182.85	(-) 390.54	(-) 216.60
Burden of Interest Payments (IP/RR Ratio) (in *per cent*)	11.65	10.70	9.76
Maturity Profile of State Debt (in years) *(Rupees in crore)* (percentage to total debt in brackets)			
0 – 1	95.78	116.93 (4)	161.12 (5)
1 – 3	NA	508.41 (16)	563.87 (17)
3 – 5	NA	652.33 (20)	1,378.63 (42)
5 – 7	NA	499.49 (16)	813.20 (25)
7 and above	NA	1,407.74 (44)	359.84 (11)
Total		**3184.90**	**3276.66**

It would be seen from the above table that the Debt of the State was stable during the 3 years period under consideration since the quantum spread *plus* primary deficit remained positive throughout the years. Though the non-debt receipts of the State was positive (Rs.9.11 crore) in 2008-09 against the negative (Rs.147.20 crore) in 2007-08, the sufficiency of the non-debt receipts was not adequate to cover the interest burden (9.76 *per cent*). Availability of borrowed funds were negative in all the years from 2006-07 to 2008-09, indicating that the State could significantly reduce its debt without depending on borrowed funds.

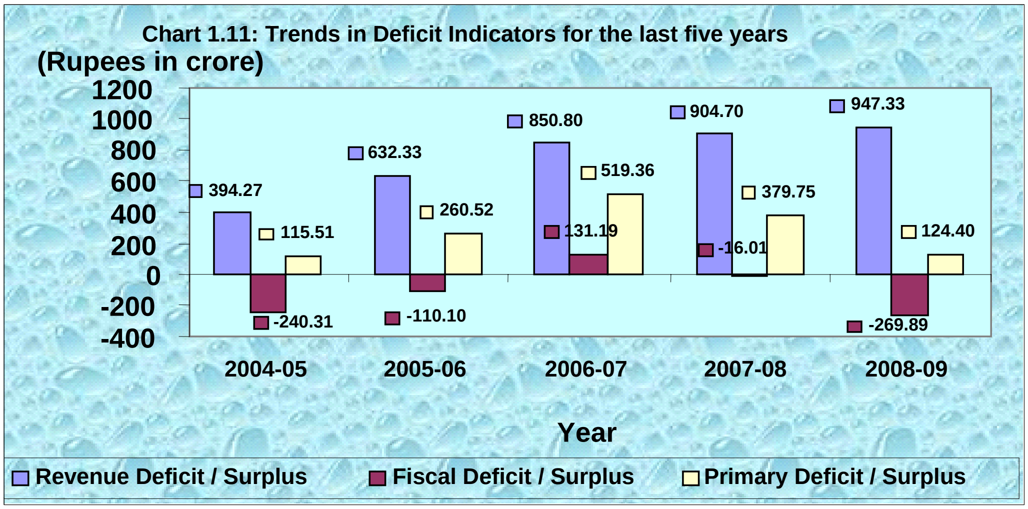
Of the total debt burden of Rs. 3276.66 crore, Rs.161.12 crore matured and was paid during 2008-09 and the maximum of the rest of the debt burden (Rs.1,378.63 crore i.e. 42 *per cent*) would mature during the coming 3 to 5 years.

1.9 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. 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 ways in which the deficit is financed and the resources raised and applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-a-vis* targets set under FRBM Act/Rules for the financial year 2008-09.

1.9.1 Trends in Deficits

Chart 1.11 presents the trends in deficit indicators over the period 2004-09.



The State had revenue and primary surplus during the last five year period of 2004-09 while there were fiscal deficit during the period except in 2006-07. However, consequent upon the recommendations of the TFC as well as the TFRBM Act, 2005 enacted by the Government, the State received more Central grants and debt waiver relief. The fiscal liabilities to GSDP as well as revenue receipts showed a decreasing trend during the year 2008-09. The balance from current revenue stands at Rs.142.95 crore against Rs.192.90 crore in 2007-08.

1.9.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.17**.

Table1.17: Decomposition and Financing Pattern of Fiscal Deficit

(Rupees in crore)

Particulars	2006-07	2007-08	2008-09
Decomposition of Fiscal Deficit (-) / Surplus (+)	(+) 125.51	(-) 21.95	(-) 269.57
Revenue Deficit (-) / Surplus (+)	(+) 850.80	(+) 904.70	(+) 947.33
Capital Expenditure	722.45	923.68	1202.07
Net Loans and Advances	2.84	2.97	14.83
Financing Pattern of Fiscal Deficit (-) / Surplus (+)			
Market Borrowings (net)	(+) 15.29	(-) 45.49	(+) 78.03
Loans from GOI (net)	(-) 21.89	(-) 24.76	(-) 25.81
Special Securities Issued to NSSF (net)	(+) 145.02	(+) 4.87	(-) 18.63
Loans from Financial Institutions (net)	(+) 9.23	(-) 1.45	(+) 13.97
Small Savings, PF etc. (net)	(+) 56.37	(+) 57.18	(+) 67.44
Deposits and Advances (net)	(+) 1.56	(+) 19.54	(+) 52.80
Suspense and Misc. (net)	(+) 25.09	(-) 26.75	(-) 9.16
Remittances (net)	(+) 22.25	(-) 21.46	(+) 3.74
Others (R F) (net)	(+) 18.21	(+) 35.14	(+) 73.37
Increase (+) / decrease (-) in cash balance	(+) 383.86	(+) 70.79	(+) 40.33

The fiscal surplus achieved in 2006-07 turned into a fiscal deficit in 2007-08 and further increased to Rs. 269.57 crore in the current year. Since increase in capital expenditure was the main reason for increasing fiscal deficit, the borrowed funds were going into productive use. Market borrowings, Small Savings, Provident Funds etc., Deposits and Advances and General Reserve Fund including Sinking Fund were the main sources of borrowing contributing to 100.77 *per cent* of the fiscal deficit in 2008-09.

1.9.3 Quality of Deficit/Surplus

Table 1.18 indicates the extent to which the deficit/surplus has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.18: Primary deficit/Surplus – Bifurcation of factors

(Rupees in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Non-debt receipts *vis-à-vis* primary revenue expenditure	Primary deficit (-) / surplus (+)
1	**2**	**3**	**4**	**5**	**6 (3+4+5)**	**7 (2-3)**	**8 (2-6)**
2004-05	2,580.87	1,826.81	636.50	2.05	2,465.36	754.06	(+) 115.51
2005-06	3,027.98	2,021.17	743.94	2.35	2,767.46	1006.81	(+) 260.52
2006-07	3,336.88	2,094.39	722.45	0.68	2,817.52	1242.49	(+) 519.36
2007-08	3,701.61	2,397.88	923.68	0.30	3,321.86	1303.73	(+) 379.75
2008-09	4,080.03	2,735.16	1,202.39	18.08	3,955.63	1344.87	(+) 124.40

The non-debt receipts of the State during 2004-09 were sufficient to meet the primary revenue expenditure. The non-debt receipts increased by 58 *per cent* from Rs. 2,580.87 crore in 2004-05 to Rs. 4,080.03 crore in 2008-09. The primary expenditure, however, increased by 50 *per cent* from Rs. 1,826.81 crore in 2004-05 to Rs. 2,735.16 crore in 2008-09. During this period (2004-09) Capital Expenditure grew by 88.91 *per cent.* The State enjoyed a primary surplus during the last five year period ending 2008-09 with Rs. 124.40 crore.

1.9.4 State's Own Revenue and Deficit Correction

It is worthwhile to observe the extent to which the deficit correction is achieved by the State on account of improvement in its own resources which is an indicator of the durability of the correction in deficit indicators. **Table 1.19** presents the change in revenue receipts of the State and the correction of the deficit during the last three years.

Table-1.19: Change in Revenue Receipts and Correction of Deficit

(Per cent of GSDP)

Parameters	2006-07	2007-08	2008-09	
			BE	Actual
Revenue Receipts (a to d)	42.25	43.40	42.68	40.73
a. State's Own Tax Revenue	4.32	4.35	4.51	4.42
b. State's Own Non- tax Revenue	1.20	1.35	1.23	1.49
c. State's Share in Central Taxes and Duties	6.55	7.64	7.50	6.86
d. Grants-in-Aid	30.18	30.06	29.44	27.96
Revenue Expenditure	31.47	32.78	34.81	31.27
Revenue Deficit (-) /Surplus (+)	(+) 10.78	(+) 10.62	(+) 7.88	(+) 9.47
Fiscal Deficit (-) /Surplus (+)	(+) 1.66	(-) 0.19	(-) 8.12	(-) 2.70

Table 1.19 shows that the percentage of revenue receipts relative to GSDP had decreased from 43.40 *per cent* in 2007-08 to 40.73 *per cent* in 2008-09, which was also lower than the Budget Estimates. The percentage of revenue expenditure relative to GSDP (31.27) was lower than the budgeted percentage (34.81) during the current year. As a result, the percentage of revenue surplus (9.47) was higher than the Budget Estimates (7.88) though it was lower than the previous year (10.62). The percentage of fiscal surplus to GSDP during 2006-07 (1.66) turned to fiscal deficit in 2007-08 (0.19) and 2008-09 (2.70).

1.10 Conclusion and Recommendations

The fiscal position of the State viewed in terms of key fiscal parameters – revenue surplus, fiscal deficit, primary deficit etc. indicated that the State had maintained revenue and primary surplus during the last five year period, as set out in Tripura Fiscal Responsibility and Budget Management (TFRBM) Act, 2005. During the current year, while there was a significant improvement in revenue surplus, the primary surplus was significantly lower than previous three years.

During 2008-09, 86 *per cent* of the total revenue came from the Government of India as Central transfers (17 *per cent*) and Grants-in-aid (69 *per cent*) while the Own Tax Revenue of the State constituted 11 *per cent* of the total revenue receipts and remained far below the normative assessment made by the Twelfth Finance Commission (TFC) for the State for 2008-09 and State's own projection in the Budget Estimates. Similarly, the non-tax revenue constituted 3 *per cent* of the revenue receipts which was also significantly lower than both the TFC projection and State's own projection in the Budget Estimates.

During 2008-09, the Revenue expenditure stood at Rs. 3,129.45 crore (43.31 *per cent* of the total expenditure) which grew by Rs. 335.81 crore over the previous year while the expenditure incurred under capital head was Rs. 1,202.39 crore (16.64 *per cent* of the total expenditure).

During 2008-09, though the development expenditure (Rs. 2,740.73 crore) increased by Rs. 506.02 crore over the previous year, yet it was much below the Budget Estimate (Rs. 3,055.91 crore) for 2008-09. The relative share of the revenue development expenditure was 39.38 *per cent* of the total expenditure while this share in respect of capital development expenditure was only 23.21 *per cent*. The expenditure pattern of the State, thus, reveals that there is an increasing pressure on revenue expenditure than capital expenditure.

During 2008-09, there was an increase in revenue surplus by Rs.42.63 crore and yet the fiscal deficit increased by Rs.253.88 crore over the previous year mainly due to increase in expenditure both in the revenue and capital heads. The State has, however, managed to achieve the fiscal deficit target of 3 *per cent* of GSDP as prescribed in the TFRBM Act, 2005 for the year 2008-09.

The State had attached low fiscal priority towards development expenditure, as the Development Expenditure/Aggregate Expenditure ratio was much lower than the national average in 2008-09. Since the population of Tripura is low, the per capita expenditure in DE, SSE and CE was higher than the national average but if the DE/AE ratio had been as high as the national average for Tripura, the per capita expenditure would have been much higher.

The percentage of outstanding liabilities to GSDP during 2008-09 was higher (by 13.38 *per cent*) than the projection (37.24 *per cent*) made in the Medium Term Fiscal Policy Statement (MTFPS). The committed liabilities for the State projected by the TFC was Rs.1,228.90 crore of non-plan revenue expenditure for the year 2008-09. Compared to this, there was an increase of 80.94 *per cent* in the actual expenditure during 2008-09.

The expenditure on salaries and wages increased by 10 *per cent* (from Rs.1,334.12 crore in 2007-08 to Rs.1,466.30 crore in 2008-09) against the TFC norms of growth rate of 6 *per cent*. According to recommendation of the TFC, the State should follow a recruitment and wages policy, in a manner such that the total salary bill relative to revenue expenditure net of interest payments and pensions does not exceed 35 *per cent*. This norm was not followed in the State and the salary and wages expenditure stood at 61.64 *per cent* during 2008-09. Interest receipts, as percentage of outstanding loans and advances was 0.98 against interest paid by the Government as percentage of outstanding liabilities at 7.78 during 2008-09.

Investment of the Government money in the Government companies and Statutory corporations are increasing year after year, but no return from this investment has been received by the Government during 2008-09.

The State Government retained a cash balance of Rs. 899.96 crore at the end of 2008-09, which indicated that there were either delay in implementation of projects in the State or the State was unable to commence implementation of projects and effectively implement schemes and programmes. This contention is also strengthened by the fact that 116 projects remained incomplete at the end of March 2009 inviting the risk of cost overrun on the projects.

Return to fiscal correction: Though the State had achieved three out of four targets as set out in the FRBM Act, 2005, the State has the reasonable prospect of achieving the TFC targets as well by making an effort to increase tax compliance, reduce tax administration costs, make efforts to collect revenue arrears and prune unproductive expenditure so that deficits are contained. Ensuring that the Government of India releases all grants due to the State by timely action on all conditionalities that are pre-requisites to the release will also increase the total receipts of the State. Efforts should be made to increase non-tax revenue so that recourse to borrowed funds from GOI can be reduced.

Greater priority to capital expenditure: There is an urgent need to prioritise spending under capital heads and contain revenue expenditure. An internal control mechanism should be put in place to watch if the Government money is expended prudently so that value for money is channelised in its entirety to the beneficiaries.

Enhancing fiscal priority: From the point of view of improving developmental expenditure, it is important for the Government of Tripura to take appropriate expenditure measures and lay emphasis on provision of expending more under social and economic sectors. The increase in the ratio of developmental expenditure to aggregate expenditure indicates fiscal priority of the State, which in turn improves its fiscal health.

Review of Government investments: A performance-based system of accountability should be put in place in the Government companies/Statutory corporations so as to derive profitability and improve efficiency in service. The Government should ensure better value for money in investments by identifying the companies/corporations which are endowed with low financial but high socio-economic returns and justify if high cost borrowings are worth to be channelised there.

Prudent cash management: To match the State's flow of resources with its expenditure obligations, retention of cash balances need to be minimised. During 2008-09, interest receipts, as percentage of outstanding loans and advances was 0.98 whereas interest paid by the Government as percentage of outstanding liabilities was 7.78. Proper debt management through advance planning could reduce the need for the State Government to hold large cash surpluses.

Debt sustainability: The State can reasonably achieve the debt-GSDP ratio of 40 *per cent* by 31 March 2010 by initiating measures like utilising the borrowed funds under capital heads and meet revenue expenditure from the revenue receipts only. To establish a prudent debt management in the State, the debt-GSDP ratio should be kept stable by following the FRBM principles all through. Efforts should be made to return to maintain primary surplus and zero revenue deficit. Maintaining a calendar of borrowings to avoid bunching towards the end of the fiscal year and a clear understanding of the maturity profile of debt payments will go a long way in prudent debt management.

Oversight of funds transferred directly from the GOI to the State implementing agencies: As long as these funds remain outside the State budget, there is no single agency monitoring its use and there is no readily available data on how much is actually spent in any particular year on major flagship schemes and other important schemes which are being implemented by State implementing agencies but are funded directly by the GOI. A system has to be put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government as well as the Accountant General.