CHAPTER 1 FINANCES OF THE STATE GOVERNMENT

Profile of Tripura

Tripura is a land-locked border State located in the south-west extreme of North East (NE) Region. The State is connected with the rest of the country by National Highway – 44, which runs through hilly terrain. The railway link to rest of the country is very poor as the metre gauge tracks connect the capital of the State to few parts of Assam, which also gets disrupted at times because of adverse weather conditions. Tripura has an area of about 10,491.69 sq. km with a population of about 36,71,032 (estimated population of 2011). The estimated per capita income of the State stood at ₹ 50,334.37 (**Appendix 1.1 D**) during 2011-12 which is lower than the all India average of ₹ 60,972. However, during 2011-12, Tripura had registered an annual growth rate of 14.18 *per cent* in respect of per capita income as against the All India growth rate of 14.33 *per cent*.

Economy of Tripura is basically agrarian and about 60.83 *per cent* of its population depends on agriculture for earning their livelihood. The contribution of agriculture and allied activities to Gross State Domestic Product (GSDP) is about 18.12 *per cent* at the terminal year of 11th plan period i.e., 2011-12. The land available for cultivation is relatively restricted. Terrain and forest cover area is such that only 27 *per cent* of geographical area is cultivable.

During 2011-12, unlike previous years the State had achieved fiscal surplus of ₹ 258.62 crore. The percentage of increase in own-tax revenue during 2011-12 was much higher (37.87 *per cent*) as compared to previous year. The non-tax revenue also registered a significant improvement of 62.55 *per cent* as compared to 2010-11.

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 (2011-12) *vis-à-vis* the previous year while **Appendix 1.2** provides details of receipts and disbursements as well as overall fiscal position during the current year *vis-a-vis* the previous year.

Table 1.1: Summary of the Current Year's Operations

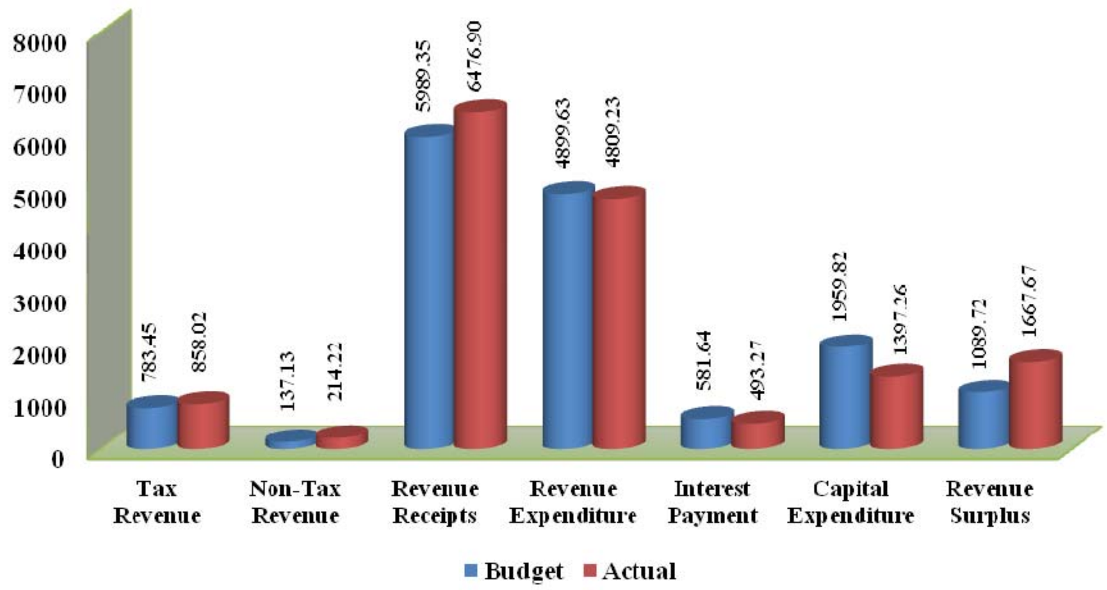
(Rupees in crore)

2010-11	Receipts	2011-12	2010-11	Disbursements	2011-12		
				Section A: Revenue			
					Non-Plan	**Plan**	**Total**
5168.60	**I. Revenue Receipts**	**6476.90**	**4359.48**	**I. Revenue Expenditure**	**3747.31**	**1061.92**	**4809.23**
622.34	Tax Revenue	858.02	1912.18	General Services	2017.56	15.20	**2032.76**
131.79	Non-tax Revenue	214.22	1667.33	Social Services	1108.15	820.91	**1929.06**
1122.36	Share of Union taxes / duties	1307.56	678.55	Economic Services	518.10	225.81	**743.91**
3292.11	Grants from Government of India	4097.10	101.42	Grants-in-aid / contribution	103.50	-	**103.50**
				Section B: Capital			
-	**II. Miscellaneous Capital Receipts**	-	1058.33	**II. Capital outlay**	76.12	1321.14	**1397.26**
2.80	**III. Recoveries of Loans and Advances**	2.10	0.96	**III. Loans and Advances disbursed**	13.89	-	**13.89**
555.91	**IV. Public Debt receipts**	417.88	205.70	**IV. Repayment of Public Debt**	217.52	-	**217.52**
-	**V. Contingency Fund**	-	-	**V. Contingency Fund**	-	-	-
1859.71	**VI. Public Account receipts**	2083.38	1608.36	**VI. Public Account disbursements**	1860.69	-	**1860.56**
485.36	**Opening balance**	839.55	839.55	**Closing balance**	-	-	**1521.35**
8072.38	**Total**	**9819.81**	**8072.38**	**Total**			**9819.81**

A detailed explanation of the current year's operations is given in the succeeding paragraphs.

Chart 1.1 presents the budget estimates and actuals in respect of the key fiscal parameters during 2011-12.

Chart 1.1: Selected Fiscal Parameters, Budget estimates *vis-a-vis* Actuals
(Rupees in crore)



The chart above shows that during 2011-12 there was a considerable achievement in collection of revenue receipts which had exceeded the budget estimate by 8.14 *per cent*. There were savings in revenue expenditure by 1.85 *per cent* and capital expenditure by 28.70 *per cent* over the budget estimates and the revenue surplus exceeded the budget estimates of 2011-12 by 53.04 *per cent*.

1.2 Tripura Fiscal Responsibility and Budget Management (FRBM) Act, 2005

As per recommendations of the Twelfth Finance Commission, the Tripura Fiscal Responsibility and Budget Management (TFRBM) Act, 2005 was enacted which required preparation of Medium Term Fiscal Policy Statement (MTFPS) alongwith other documents[1] for being placed in the Assembly during the Budget Session. The Thirteenth Finance Commission recommended that every State needs to amend the FRBM Act and work out a fiscal reform path to make credible progress towards fiscal consolidation. Accordingly, Tripura had amended the TFRBM Act and had revised the MTFPS targets since 2010-11.

The performance of the State during 2011-12 *vis-a-vis* the fiscal targets fixed for selected variables laid down in Tripura Fiscal Responsibility and Budget Management (TFRBM) Act, 2005 is given in **Table 1.2**.

Table 1.2: Trends in major fiscal variations *vis-à-vis* projections for 2011-12

Fiscal Parameters	Targets as prescribed in TFRBM Act	Projections made by State Government in MTFPS*	Actual
Revenue surplus	Strive to remain revenue surplus during the entire award period	21.47 *per cent* of Revenue Receipts	25.75 *per cent* of Revenue Receipts
Fiscal Deficit (-) / surplus (+) *per cent* of GSDP	3.0 *per cent*	(-) 1.98 *per cent*	(+) 1.31 *per cent*
Consolidated debt *per cent* of GSDP	44.90 *per cent*	34.68 *per cent*	34.84 *per cent*

*** Medium Term Fiscal Policy Statement.**

During 2011-12, the State had achieved two out of three targets fixed in the TFRBM Act. Like previous years, the State had maintained to remain revenue surplus during the current year as well, which was 25.75 *per cent* of total revenue receipts as against the MTFPS target of 21.47 *per cent*. The State Government had not been able to reach the fiscal surplus-GSDP ratio of 3.0 *per cent* as targeted in the FRBM Act, but as regards MTFPS fiscal deficit target of 1.98 *per cent* the State had rather maintained fiscal surplus which stood at 1.31 *per cent*. The debt-GSDP ratio had also been maintained within the target of 44.90 *per cent* prescribed in TFRBM but was higher than the MTFPS target of 34.68 *per cent*.

The improvement in achievements *vis-à-vis* targets prescribed by the TFRBM Act as well as

[1] Macroeconomic Framework Statement, Fiscal Policy Strategy Statement and eight Disclosures to be filled up in respective forms.

MTFPS were mainly due to increase in total revenue receipts by 25 *per cent* in 2011-12 as compared to 17 *per cent* during 2010-11. Another prime factor for such improvement was that with considerable increase in the quantum of GSDP during 2011-12, the consolidated debt had increased modestly by just 6.36 *per cent*.

During 2011-12, a significant improvement in terms of maintaining a good fiscal discipline was noticed as the fiscal deficit of 2010-11 (₹ 247.37 crore) had been reversed to a fiscal surplus of ₹ 258.62 crore. The State Government should strive to maintain fiscal surplus all throughout the XIII FC period which in turn would minimise the chances of being dependent on further market borrowings.

The Thirteenth Finance Commission had recommended growth of Tax and Non-Tax Revenue during 2011-12. The targets fixed by XIII Finance Commissions (FC) *vis-à-vis* the actuals are given below:

Table 1.3: XIII FC recommendations *vis-à-vis* the actual in respect of own-tax and non-tax revenue

(Rupees in crore)

Sectors	XIII FC Recommendations	Actuals	Excess (percentage)
Tax revenue	662.50	858.02	195.52 (30)
Non-Tax revenue	141.37	214.22	72.85 (52)
Total:	**803.87**	**1,072.24**	**268.37 (33)**

Source: Thirteenth Finance Commission Report and Finance Accounts 2011-12.

The State had successfully been able to achieve the target fixed by the XIII Finance Commission in respect of both tax and non-tax revenue during 2011-12, and the actuals were higher than that of the targets by 30 per cent in respect of own tax and 52 per cent in non-tax revenue.

The Thirteenth Finance Commission had recommended certain yardsticks in non-plan revenue expenditure during 2011-12. The actuals *vis-à-vis* targets are given below:

Table 1.4: XIII FC recommendations *vis-à-vis* actuals in respect of non-plan revenue expenditure

(Rupees in crore)

Sectors	XIII FC Recommendations	Actuals
	2011-12	2011-12
Salary	1,528.20	1,875.95
Interest payment	491.49	493.27
Pension	500.73	730.03
Other General Services	103.55	51.63
Social Services	77.79	244.77
Economic Services	167.36	239.02
Assignments to Local Bodies	90.98	112.64
Total	**2,960.10**	**3,747.31**

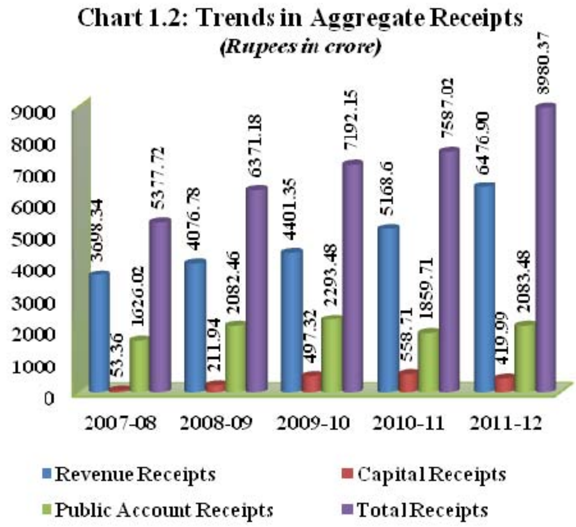
Source: Thirteenth Finance Commission Report and Finance Accounts 2011-12.

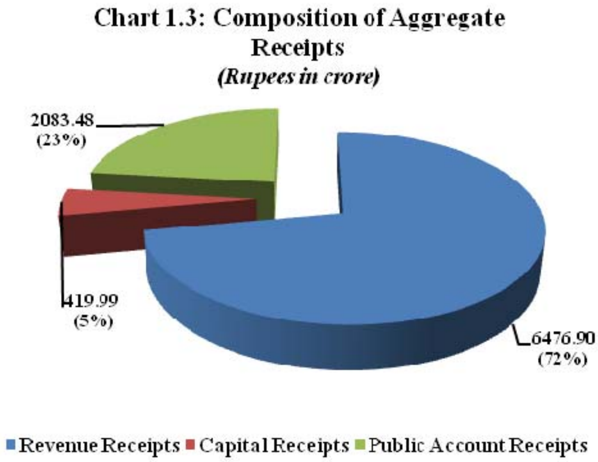
The above table shows that during 2011-12, except expenditure incurred on other General services, the actual expenditure on all the components of NPRE was much higher than the projection made by the XIII FC during the period. The total NPRE was, however, within the revised budget estimates of ₹ 3,823.20 crore made by the State Government during the period.

1.3 Resources of the State

1.3.1 Resources of the State as per Annual Finance Accounts

Revenue[2] and Capital[3] are the two classifications of receipts that constitute the main resources of the State Government. **Chart 1.2** below depicts the trends in various components of the receipts of the State during 2007-12 while **Chart 1.3** depicts the composition of resources of the State during the current year.





- Total Revenue Receipts of the State increased by 75.13 *per cent* from ₹ 3,698.34 crore in 2007-08 to ₹ 6,476.90 crore in 2011-12. Tax revenue increased from 10 *per cent* (2007-08) to 13 *per cent* (2011-12) of the total revenue receipts whereas as regards non-tax revenue to total Revenue Receipts the percentage remained constant at 3 *per cent* in 2011-12 as in 2007-08. State's share of Union taxes and duties increased from 18 *per cent* (2007-08) to 20 *per cent* (2011-12) of the total Revenue receipts.

State's Share of Union taxes and duties

The State's share of Union taxes and duties during 2011-12 was ₹ 1,307. 56 crore as compared to ₹ 1,122.36 crore (16.50 *per cent* increase) in 2010-11. These receipts were even higher than what was anticipated in the revised estimates (₹ 1,230.00 crore).

[2] 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).

[3] Capital receipts comprise miscellaneous capital receipts such as, 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.

Grants-in-aid

Grants-in-aid from Centre to the State, a discretionary component of central transfers, is considered to be an integral element of the revenue receipts of the State. The grants-in-aid increased every year in absolute terms, but as a percentage to total revenue receipts there had been a declining trend over the last five years. While the percentage was 69 in 2007-08, it slowly came down to 63 in 2011-12. The table below shows the composition of the grants-in-aid and its trend over the last five years:

Table 1.5: Trends in Grants-in-aid from the GOI during 2007-12

(Rupees in crore)

	2007-08	2008-09	2009-10	2010-11	2011-12
Non plan grants	1,269.61	1,319.36	1,289.09	1,195.43	1,230.57
Grants for State Plan Schemes	1,041.18	1,203.48	1,377.64	1,745.48	2,450.06
Grants for Central Plan Schemes	26.06	30.49	32.56	29.29	46.79
Grants for Centrally Sponsored Plan Schemes	192.53	200.50	266.26	279.81	312.25
Grants for Special Plan Schemes	32.23	44.89	77.05	42.10	57.43
Total :	**2,561.61**	**2,798.72**	**3,042.60**	**3,292.11**	**4,097.10**
Percentage of Revenue Receipts:	**69**	**69**	**69**	**64**	**63**

The XIII FC recommended that the Calamity Relief Fund should be merged into the State Disaster Response Fund (SDRF) and contribution to the SDRF should be shared between the Centre and the State in the ratio of 90:10 for special category states.

During 2011-12, the State Government received non-plan grants amounting to ₹ 1,230.57 crore which included ₹ 27.94 crore on account of SDRF. The State Government transferred an amount of ₹ 40.87 crore towards the SDRF under Public Account and booked the same as non-plan revenue expenditure. During 2011-12, the total funds available for SDRF under General and other Reserve funds was ₹ 128.56 crore (which included the spillover balance of ₹ 62.88 crore of 2010-11), of which only ₹ 30.30 crore was spent during the year leaving an unspent balance of ₹ 98.26 crore at the end of the year.

1.3.2 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[4] for the implementation of major schemes/programmes in social and economic sectors critical for the human and social development of population. During 2011-12, the Government of India had transferred an approximate amount of ₹ 1,753.28 crore directly to the Implementing Agencies (detailed in **Appendix 1.3**). Significant amounts released for major programmes/schemes are detailed in **Table 1.6**.

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

Table 1.6: 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 funds released by the Government of India during	
			2010-11	2011-12
1.	Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREG).	Project Directors, DRDA, South, West, North and Dhalai Districts, Tripura	382.61	959.32
2.	Grants for creation of Capital Assets	Tripura Rural Roads Development Agency	0	234.79
3.	Sarva Shiksha Abhiyan (SSA)	SSA Rajya Mission, Tripura	171.21	174.94
4.	Rural Housing (IAY)	Project Directors, DRDA, Dhalai, North, West and South Tripura Districts	98.77	115.31
5.	National Rural Drinking Water Programme	State Water and Sanitation Mission (SWSM), Tripura, Agartala	74.66	83.86
6.	National Rural Health Mission (NRHM)	State Health and Family Welfare Society, Tripura	56.75	46.27
7.	AAJEEVIKA	Project Directors, DRDA, Dhalai, North, West and South Tripura Districts	0	22.52
8.	Integrated Watershed Management Programme (IWMP)	State Level Nodal Agency, Agriculture	8.16	18.17
9.	Renewable Energy in Urban and Industrial Sectors	Tripura Tourism Development Corporation Limited	0	11.73
10.	National Afforestation Programme and Eco Development Board	State Forest Development Agency, Tripura	9.20	10.44
		Total	**801.36**	**1,677.35**

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

Above table shows that an amount of ₹ 1,677.35 crore (95.67 *per cent* of total funds transferred) was given to the State Implementing Agencies directly by GOI for implementation of the programmes involving more than rupees ten crore in each scheme during the year 2011-12. Out of ₹ 1,677.35 crore, ₹ 959.32 crore (57.19 *per cent*) was released towards MGNREG Scheme which increased by 151 *per cent* over the previous year and ₹ 115.31 crore (6.87 *per cent*) was released towards Rural Housing (IAY) scheme (increased by about 17 *per cent*) while funds released towards the NRDWP registered 12 *per cent* increase during the same period. With the transfer of an approximate amount of ₹ 1,753.28 crore directly by GOI to the State Implementing Agencies, the total availability of State resources during 2011-12 had increased from ₹ 8,980.37 crore to ₹ 10,733.65 crore.

In order to analyse how these funds were being transferred and utilised for the purposes for which they are sanctioned, a test check of one scheme *viz.*, Mahatma Gandhi National Rural Employment Guarantee Scheme was taken up which revealed the following:

➢ Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

According to the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) 2005, every State, by notification, shall formulate a State Rural Employment Guarantee Scheme (REGS), which should conform to the minimum features specified under the Act. In exercise of the powers conferred by the Act, the State Government notified the Tripura Rural Employment Guarantee Scheme, 2006 and the Tripura Rural employment Guarantee Rules, 2006 on 16 January 2006. After notification, the MGNREGS was introduced in Dhalai District in 2006-07 (Phase-I), South and West Tripura in 2007-08 (Phase-II) and North Tripura in 2008-09 (Phase-III), thereby covering the entire State. The main objective of the Scheme was to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment. The other objectives were to generate productive assets, protect the environment, empower rural women, reduce rural-urban migration and foster social equity, among others. The State Government designated (13 February 2008) the Principal Secretary/Secretary of the Rural Development Department as the State Rural Employment Guarantee Commissioner (SREGC) to ensure that all activities required to fulfill the objectives of the NREG Act were carried out in the State. At the district level, District Magistrates and Collectors were designated as District Programme Co-ordinators (DPC), who functioned as the nodal officers. The Block Development Officers at block level functioned as Programme Officers (POs) while Panchayat Secretaries/Gram Rozgar Sahayaks (GRS) were made responsible at Gram Panchayat (GP) level for implementation of the Scheme.

The table below shows the total funds inflow and outflow in respect of the components of the MGNREGS during 2011-12:

Table 1.7: Status of funds received *vis-à-vis* expenditure during 2011-12 under MGNREGS.

(Rupees in crore)

Opening Balance as on 01-04-2011	Funds released by		Misc. Receipts	Total funds available	Expenditure upto 31 March 2012	Unspent Balance
	GOI	State				
7.26	959.32	35.43	6.69	**1,008.70**	945.59	**63.11**

Source: Departmental records.

Scrutiny of records revealed that during 2011-12, ₹ 959.32 crore was released by the GOI and the State Government released ₹ 35.43 crore. As per guidelines, the State share of funds corresponding to the Central share were to be released within 15 days of release of the Central share, whereas the State share was released mostly on piecemeal basis without correlation to the Central share.

At the end of 2011-12, the State could spend ₹ 945.59 crore (93.74 *per cent*) out of the total available funds of ₹ 1,008.70 crore (taking into account the Central and State share of ₹ 994.75 crore, previous year's spill over funds of ₹ 7.26 crore and miscellaneous receipts of ₹ 6.69 crore), leaving behind ₹ 63.11 crore unspent.

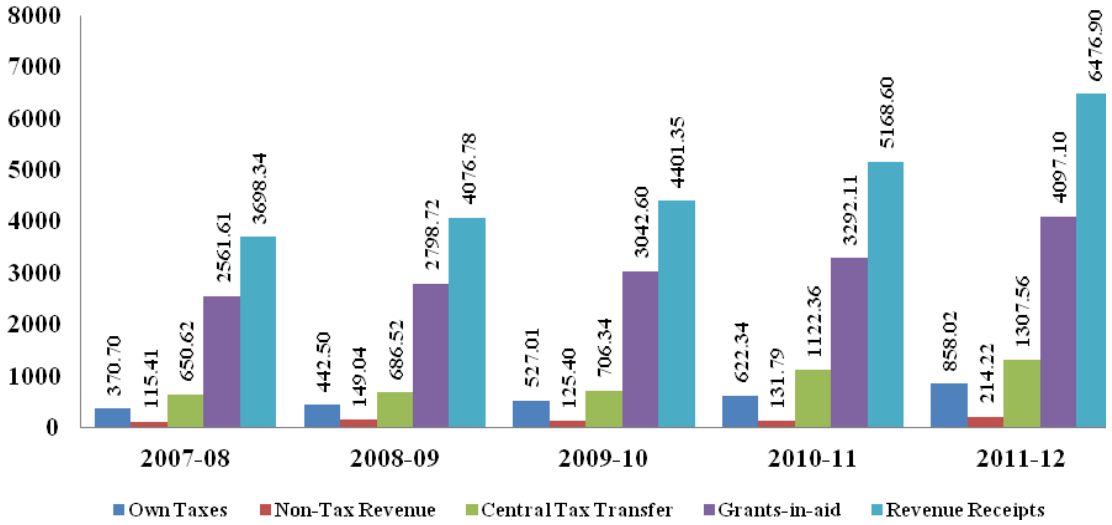
The State Government while accepting delays in release of State share stated (August 2012) that State share was being released on need basis and in some cases the State share was even released in advance.

According to the operational guidelines of MGNREGS 2008, the State Government, may by notification, establish a fund to be called the State Employment Guarantee Fund (SEGF). The SEGF was not operationalised till 2011-12 and the same was stated to be made operational from 2012-13. The delay in operationalisation posed difficulties in effective funds management.

1.4 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, State share of central taxes and grants-in-aid from GOI. The trend and composition of revenue receipts over the period 2007-12 are presented in **Appendix 1.4** and **Chart 1.4**.

Chart 1.4: Trends in Revenue Receipts
(Rupees in crore)



The growth rate of total Revenue Receipts for the current year was 25.31 *per cent* as compared to the rate of 17.43 *per cent* in 2010-11.

The trends in revenue receipts relative to GSDP are presented in **Table 1.8**.

Table 1.8: Trends in Revenue Receipts relative to GSDP

	2007-08	2008-09	2009-10	2010-11	2011-12
Revenue Receipts (RR) *(Rupees in crore)*	3,698.34	4,076.78	4,401.35	5,168.60	6,476.90
Rate of growth of Revenue Receipts (*per cent*)	10.95	10.23	7.96	17.43	25.31
Revenue Receipts / GSDP (*per cent*)	31.35	31.11	30.14	31.66	32.83
Buoyancy Ratio[5]					
State's Own Tax Buoyancy with respect to GSDP	1.05	1.75	1.67	1.53	2.81

The State's Own Tax Buoyancy with respect to GSDP showed an uneven trend during 2007-08 to 2010-11, and during 2011-12 the buoyancy ratio rose to 2.81. This improvement in 2011-12 was indicative of a healthy fiscal consolidation in Tripura as more the buoyancy of State's Own Tax to GSDP, more it adds to the State's economic health. During 2011-12, the

[5] Buoyancy ratio indicates the elasticity or degree of responsiveness 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.*

rate of growth of revenue receipts had increased to 25 *per cent* from 17 *per cent* during 2010-11. The ratio of revenue receipts to GSDP had increased from 31.66 *per cent* in 2010-11 to 32.83 *per cent* in 2011-12. The current growth rate of GSDP (13.48 *per cent*) was higher than that of the previous year (11.80 *per cent*). The growth of GSDP during 2011-12 was due to growth in sectors like Agriculture, Industries and Services by 7.19 *per cent*, 18.18 *per cent* and 13.51 *per cent* respectively.

1.4.1 State's Own Resources

The State's share in central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission. 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 during the years 2007-12 are presented in **Appendix 1.4**.

(a) Tax Revenue

The tax revenue during 2011-12 increased by 37.87 *per cent* from ₹ 622.34 crore in 2010-11 to ₹ 858.02 crore in 2011-12. The increase in the revenue was mainly under the heads of major taxes *viz.* VAT (50 *per cent*), State Excise (10 *per cent*), Stamps and Registration Fees (27 *per cent*) and Taxes on Vehicles (15 *per cent*) as shown in the table below:

Table 1.9: Sector-wise Component of tax revenue for the year 2007-12

(Rupees in crore)

Name of Component	Year				2011-12		
	2007-08	2008-09	2009-10	2010-11	Budget (Revised Estimate)	Actuals	Variation in Actuals *vis-a-vis* Budget Estimate (*in percentage*)
Taxes on Sales, Trade etc./VAT	264.98	314.79	374.93	444.93	600.00	666.32	(+) 10
State Excise	38.50	48.28	61.09	85.85	90.00	94.68	(+) 5
Taxes on vehicles	23.20	29.82	37.14	21.91	23.57	25.18	(+) 6
Stamps and Registration fees	14.98	17.03	18.15	24.23	19.97	30.73	(+) 35
Land Revenue	2.97	5.55	5.55	15.25	15.82	9.33	(-) 41
Other taxes on commodities and Services	2.17	0.84	0.95	0.91	0.72	1.42	(+) 49
Taxes on Agricultural Income	0.11	0.18	0.01	0.01	0.01	0.04	(+) 0.75
Taxes and duties on electricity	0.01	0.02	0.02	0.03	0.03	0.05	(+) 0.40
Taxes on Professions, Trades, Callings and Employment	23.78	25.99	29.17	29.22	31.50	30.27	(-) 1
Total :	**370.70**	**442.50**	**527.01**	**622.34**	**781.62**	**858.02**	**(+) 10**

During 2011-12, the variation between the budget estimates (₹ 783.45 crore) and the actual receipts of tax revenue was 9 *per cent* and the revised estimates (₹781.62 crore) scaled these projections marginally down resulting in a variation of about 10 *per cent*. *The Own Tax revenue (OTR) of the State remained higher than the normative assessment made by the Thirteenth Finance Commission for the State for 2011-12 (₹662.50 crore), and even remained much higher than the State's own projection in BE 2011-12 (₹783.45 crore).*

The growth rate of own tax revenue for the current year was 37.87 *per cent* as compared to the rate of 18.09 *per cent* in 2010-11.

(b) Non-tax Revenue

The non-tax revenue increased remarkably by 62.55 *per cent* from ₹ 131.79 crore in 2010-11 to ₹ 214.22 crore in 2011-12 mainly on account of improvement in Non-tax Revenue collection under the heads of Interest Receipts (117 *per cent*) Industries (30 *per cent*), Police (51 *per cent*) etc. The excess variation between the actuals and the budget estimates during 2011-12 in respect of non-tax revenue was 32.15 *per cent*. The improvement was noticed mainly in the Economic Services and the Interest receipts and dividends etc, which exceeded the budget estimates by 22 and 191 *per cent* respectively.

Table 1.10: Composition of non-tax revenue

(Rupees in crore)

Name of Component	Year				2011-12		Percentage of variation
	2007-08	2008-09	2009-10	2010-11	Revised Budget Estimate	Actuals	
General Services	25.71	53.32	62.35	50.75	69.89	64.35	**(-) 7.93**
Social Services	6.91	9.06	9.47	8.60	14.71	10.82	**(-) 26.44**
Economic Services	23.60	23.72	25.70	49.07	51.15	62.44	**22.09**
Interest receipts and dividends etc.	59.19	62.93	27.88	23.37	26.35	76.61	**190.74**
Fiscal Services	-	0.01	-	-	-	-	-
Total :	**115.41**	**149.04**	**125.40**	**131.79**	**162.10**	**214.22**	**32.15**

The State Government had successfully achieved the target of non-tax revenue (NTR) as prescribed by XIII Finance Commission (₹ 141.37 crore) and also the Budget Estimate. (₹ 137.10 crore). **The growth rate of non-tax revenue for the current year was 62.55 *per cent* as compared to the growth rate of 5.10 *per cent* in 2010-11, which was indicative of a significant improvement during 2011-12.**

1.4.2 Cost recovery of services

Article 3 (b) of the Tripura Fiscal Responsibility and Budget Management (TFRBM) Act, 2005 envisaged pursuance of policies to raise non-tax revenue by increase in cost recovery of operations and maintenance expenses of selected services. The status of cost recovery of different services is shown in the table below:

Table 1.11: Cost recovery from Socio-economic Services during 2011-12

(Rupees in crore)

Name of Services	2010-11			2011-12		
	Non-tax revenue receipts	Non-plan revenue expenditure	Cost recovery (percentage)	Non-tax revenue receipts	Non-plan revenue expenditure	Cost recovery (percentage)
Education, Sports, Art and Culture	1.27	777.02	0.16	2.06	804.23	0.26
Public Health and Family Welfare	4.06	112.12	3.62	5.14	115.61	4.45
Water Supply and Sanitation etc.	1.21	21.77	0.06	1.26	64.07	1.97

Irrigation	0.08	45.53	0.18	0.08	35.83	0.22

It can be seen from the above that the cost recovery (ratio of NTR to NPRE) of some selected services had improved and substantially increased on account of Public Health and Family Welfare as compared to the previous year.

1.4.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the last three years (2009-10 to 2011-12) alongwith relevant all India average percentage of expenditure on collection to gross collection for 2010-11 are mentioned in **Table 1.13**.

Table 1.12: Expenditure on collection *vis-à-vis* percentage to gross collection

(Rupees in crore)

Heads of Revenue	Year	Gross collection	Expenditure on collection	Percentage of collection	All India average percentage for 2010-11 (in percentage)
Sales Tax / VAT	2009-10	374.93	5.19	1.38	0.75
	2010-11	444.93	5.74	1.29	
	2011-12	666.32	7.84	1.18	
State Excise	2009-10	61.09	1.62	2.65	3.05
	2010-11	85.85	1.44	1.68	
	2011-12	94.68	1.41	1.49	
Stamps and Registration Fees	2009-10	18.15	1.80	9.92	1.60
	2010-11	24.23	1.32	5.45	
	2011-12	30.73	1.91	6.22	
Taxes on vehicles	2009-10	37.14	1.60	4.31	3.71
	2010-11	21.92	1.55	7.07	
	2011-12	25.18	1.37	5.44	

The table above indicates that the percentage of expenditure on collection in respect of all the components of State's Own Tax revenue except State Excise was higher than the All India Average cost of collection in all the last three years.

- The percentage of collection in respect of Stamps and Registration Fees was slightly higher than the previous year by 0.77 *per cent* during 2011-12, and also had exceeded the all Indian average collection by over 4 *per cent*.
- Though the percentage of cost of collection on Taxes on Vehicles had decreased by 1.63 *per cent* over the previous year, it was higher during 2011-12 by 1.73 *per cent* when compared to All India Average Cost of Collection.

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

As on 31 March 2012, 2156 cases of Sales Tax evasion were detected, out of which assessments/investigations were completed and demands raised in respect of 1429 cases involving ₹ 1.96 crore including penalty as reported (July 2012) by the Commissioner of Taxes, leaving 727 cases unresolved.

There were 2 cases pertaining to Sales Tax which were written off during 2011-12 involving an amount of ₹ 6.61 lakh. In addition to three refund cases involving ₹ 0.74 lakh that were outstanding at the end of the previous year, one new refund claim amounting to ₹ 1.24 lakh was received during 2011-12.

Test check of the records of Sales tax, State excise, Motor vehicles, Stamps and registration fees, other tax receipts, forest receipts conducted during 2011-12 revealed under assessment / short levy/loss of revenue/suspected misappropriation amounting to ₹ 12.59 crore in 29 cases.

1.4.5 Revenue Arrears

As of March 2012, the collection of Sales Tax was in arrears amounting to ₹ 26.32 crore out of which, ₹ 2.38 crore was in arrears for more than five years as per information furnished by the Commissioner of Taxes (July 2012).

1.5 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.

1.5.1 Growth and Composition of Expenditure

Chart 1.5 presents the trends in total expenditure over a period of five years (2007-12) and its composition both in terms of 'classification of expenditure' and 'expenditure by activities' is depicted respectively in **Charts 1.6** and **1.7**.

Chart 1.5: Trends in various components of Total Expenditure during 2011-12
(Rupees in crore)

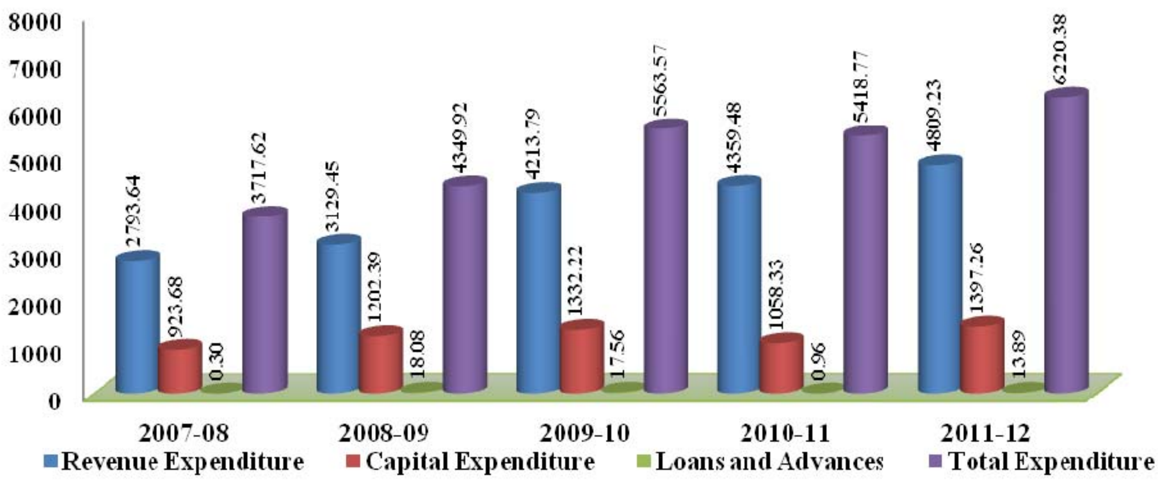


Chart 1.5 shows that during 2011-12 the total expenditure of the State increased by 14.79 *per*

cent over 2010-11. The capital expenditure as percentage of total expenditure had increased from 19.53 *per cent* in 2010-11 to 22.46 *per cent* in 2011-12 (**Chart 1.6**). The absolute figure of capital expenditure had also increased by 32.02 *per cent* over 2010-11. Loans and Advances disbursed by the State Government had also increased by ₹ 12.93 crore over 2010-11. The improvement in the amount disbursed as loans and advances during 2011-12 was attributed mainly to the Power Sector, where loans and advances disbursed was ₹ 10.00 crore as compared to nil during 2010-11.

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.

The budget speech 2011-12 of the Finance Minister, Government of Tripura had reiterated upon improvement of the standard and quality of living with particular focus on the disadvantaged and economically backward sections of the society, better education, child and mother care, housing, drinking water, urban basic services etc. Having said that, a comparative study of the plan and non-plan expenditure during 2011-12 with reference to the past years showed that while the ratio of plan expenditure to total expenditure increased from 38 *per cent* in 2007-08 to 41 *per cent* in 2008-09, the ratio started declining from 37 *per cent* in 2009-10 to 35 *per cent* in 2010-11 and then increased to 38 *per cent* in 2011-12, indicating that the State Government had not been able to increase the expenditure under plan sectors due to corresponding increase in expenditure in the non-plan sectors.

Chart 1.6: Total expenditure - Trends in share of its components
(Figures in percentage)

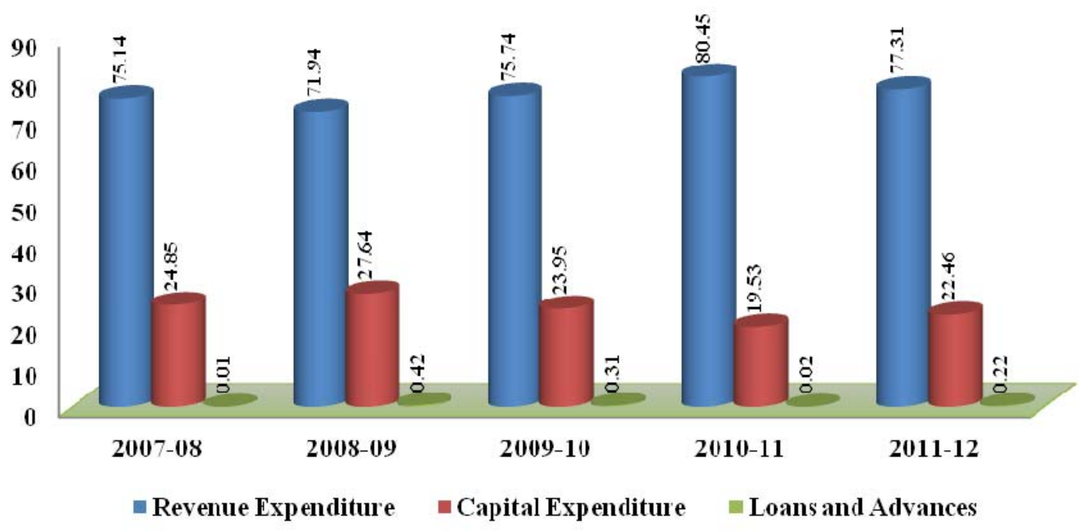


Chart 1.6 above shows that as a percentage of total expenditure, revenue expenditure was 77 *per cent*, of which non-plan revenue expenditure was a major component (about 78 *per cent*)

during the year 2011-12. Only 22 *per cent* of total revenue expenditure was on PRE. The trends in composition of revenue expenditure (both plan and non-plan) during 2007-12 are depicted in the table below:

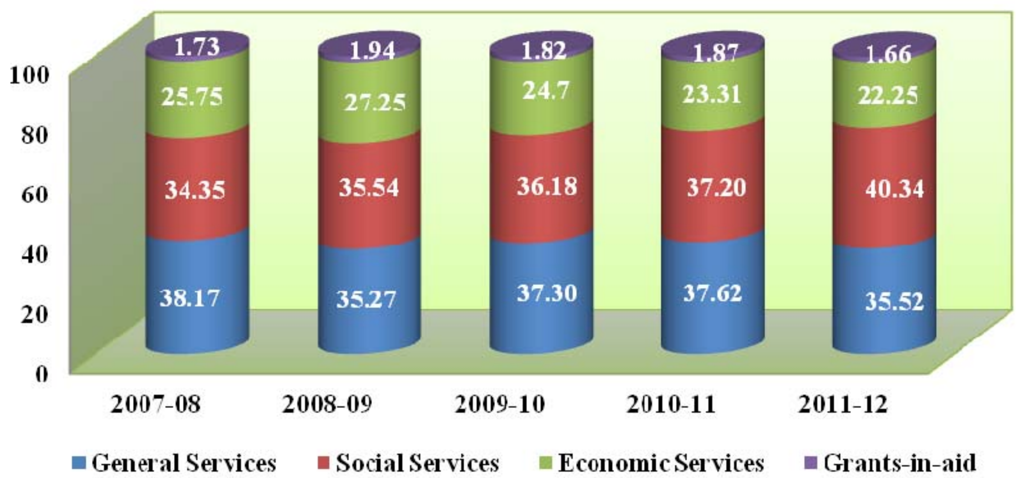
Table1.13: Trends in Composition of revenue expenditure (Non-plan and Plan) during 2007-12

	2007-08	2008-09	2009-10	2010-11	2011-12
Non-plan	2217.25 (79)	2474.47 (79)	3417.16 (81)	3479.71 (80)	3747.31 (78)
Plan	576.39 (21)	654.98 (21)	796.63 (19)	879.77 (20)	1061.92 (22)
Total	**2793.64**	**3129.45**	**4213.79**	**4359.48**	**4809.23**

The non-plan revenue expenditure (₹3,747.31 crore) was higher than the XIII FC projection (₹ 2,960.10 *crore) for the current year*. Despite the increase in the amount over the years, the percentage of PRE to total expenditure fluctuated between 19 and 22 *per cent* during the period 2007-12. The State could reduce the NPRE and increase the PRE by just two *per cent* in 2011-12 over the previous year. The ratio of revenue expenditure to total expenditure was on an increasing trend from 72 *per cent* in 2008-98 to 80 *per cent* in 2010-11 (**Chart 1.6**), but had decreased to 77 *per cent* in 2011-12.

The trends in composition of total expenditure by activities as depicted in **Chart 1.7** show that the share of General Services ranged between 38 and 36 *per cent* during the last five years and the share of social services increased gradually from 34.35 *per cent* in 2007-08 to 40.34 *per cent* in 2011-12. The economic services, however, showed a declining trend and the share was 22.25 *per cent* in 2011-12 as compared to 23.31 *per cent* in 2010-11 and 25.75 *per cent* in 2007-08.

Chart 1.7: Trends in composition of total expenditure by activities during 2007-12
(Figures in percentage)



- During 2011-12, the expenditure on General, Social and Economic Sectors increased to

₹ 2,209.49 crore, ₹ 2,509.22 crore and ₹ 1,384.28 crore i.e. by 8.39 *per cent*, 24.48 *per cent* and 9.68 *per cent* respectively over the previous year.

- The combined revenue expenditure under both plan and non-plan (Plan: ₹ 1,046.72 crore; Non-plan: ₹ 1626.25 crore) during 2011-12 in respect of Social and Economic Services increased by 14 *per cent* as compared to 2010-11.
- The non-plan revenue expenditure on Social and Economic Service sectors during 2011-12 were ₹ 1,108.15 crore and ₹ 518.10 crore respectively.

Revenue expenditure on some of the components in Social and Economic Sectors in 2010-11 and 2011-12 are given below:

Table 1.14: Actual Revenue Expenditure on different components during 2010-11 and 2011-12

(Rupees in crore)

Name of Component	Actuals	
	2010-11	2011-12
Food Subsidies	11.07	12.62
General Education	812.62	861.79
Medical, Public Health and Family Welfare	202.85	220.83
Maintenance Expenditure for Major and Medium Irrigation	NA	NA
Maintenance Expenditure for Minor Irrigation	1.45	1.38

Source: Finance Accounts 2010-11 and 2011-12.

During 2011-12, the actual expenditure incurred under General Education, Food Subsidies and Medical, Public Health and Family Welfare were higher by 6 *per cent*, 14 *per cent and* 9 *per cent* respectively over the actuals of 2010-11.

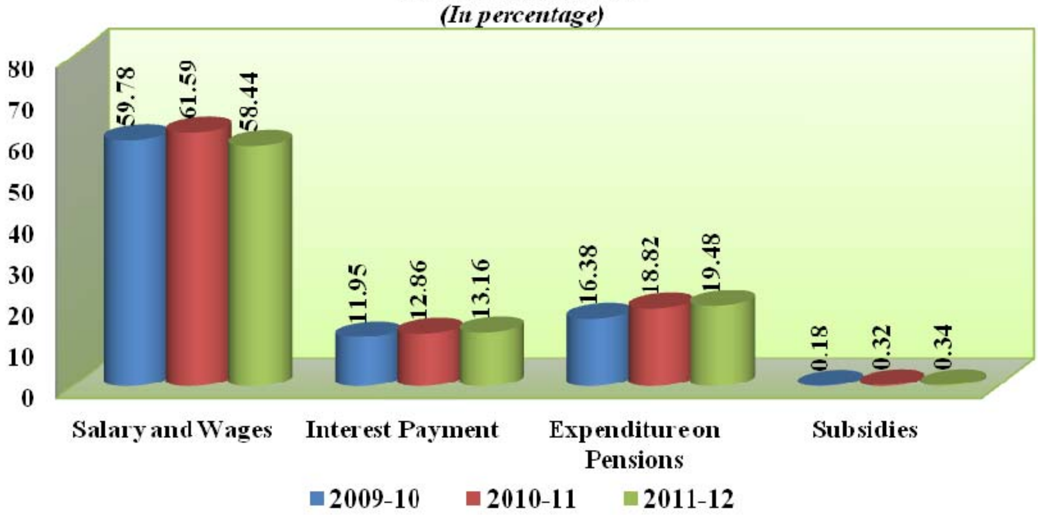
1.5.2 Committed Expenditure

The committed expenditure of the State Government mainly consists of interest payments, expenditure on salaries and wages, pension and subsidies. **Chart 1.8** presents the trends in the expenditure on these components during 2009-12.

The committed expenditure (i.e. interest payments, pensions, salaries and subsidies) of the State Government increased from ₹ 3,256.31 crore in 2010-11 to ₹ 3,425.68 crore in 2011-12. The overall percentage of committed expenditure in non-plan revenue expenditure was 91 *per cent* in 2011-12 as compared to 94 *per cent* in the previous year. The committed expenditure constituted 53 *per cent* of the total revenue receipts.

The committed expenditure for the State projected by the XIII FC was ₹ 2,520.42 crore for 2011-12 whereas the actual expenditure was ₹ 3,425.68 crore. This was higher by 35.92 *per cent* than the projections by the FC.

Chart 1.8: Components and its Share of Committed Expenditure in Non-plan Revenue Expenditure
(In percentage)



(a) Salary and wage expenditure

Salaries and wages during 2011-12 accounted for 34 *per cent* of the revenue receipts of the State during the year. Salaries and wages increased by 2 *per cent* from ₹ 2,143.15 crore in 2010-11 to ₹ 2,189.77 crore in 2011-12 and also exceeded the revised estimate for 2011-12 (₹ 2,094.72 crore). Expenditure on salaries under non-plan head during 2011-12 increased by ₹ 24.40 crore (1.32 *per cent*) over the previous year whereas this expenditure on plan head increased by ₹ 15 crore (7.54 *per cent*) over the previous year. The expenditure on non-plan salary component during 2011-12 was ₹ 1875.95 crore which was also significantly higher by ₹ 347.75 crore (around 23 *per cent*) than the assessment made by the XIII FC for the State (₹ 1,528.20 crore).

The growth rate in respect of salary and wages for the current year was 2.18 *per cent* as compared to the rate of 4.91 *per cent* in 2010-11.

(b) Interest payments

Interest payments during 2011-12 were ₹ 493.27 crore, which was higher by 10 *per cent* over the previous year (₹ 447.32 crore). Interest of ₹ 123.70 crore was paid on the borrowing from the NSS Funds, ₹ 131.13 crore on the market borrowings, ₹ 161.15 crore on the small savings fund, ₹ 36.27 crore on the outstanding loans from the GOI and ₹ 41.02 crore on other internal debts.

The expenditure on interest payments was slightly lower than the budgeted amount of ₹ 500.05 crore. *The interest payment was marginally higher than the XIII FC projection (₹ 491.49 crore). The interest payment resulted in utilisation of 7.62 per cent of revenue receipts which was well within the norm of 15 per cent recommended by XIII FC.*

(c) Pension payment

Pension payment increased by 11 *per cent* from ₹ 654.77 crore in 2010-11 to ₹ 730.02 crore in 2011-12, which was about 19 *per cent* of the non-plan revenue expenditure of the current year. Pension payments during 2011-12 was higher than the projection made by the State Government (₹ 700.00 crore), and *exceeded the normative projection (₹ 500.73 crore) made by the XIII FC.*

The growth rate of pension payment for the current year was 11 *per cent* as compared to the rate of 17 *per cent* in 2010-11.

(d) Subsidies

The subsidies provided by the State include both implicit and explicit subsidies, which were utilised to bridge the gap between income and expenditure to certain selected Departments/ Corporations. The State Government paid subsidies of ₹ 6.12 crore in 2009-10, ₹ 11.07 crore in 2010-11 and ₹ 12.62 crore in 2011-12. The main components of subsidy payments during 2011-12 were Agriculture & Allied Activities. ₹ 1.27 crore was paid on Rashtriya Krishi Vikash Yojana, ₹ 8.71 crore was paid on Macro Management in Agriculture and ₹ 1.37 crore was paid on Project for Development of infrastructure facilities. The percentage of subsidy paid to total revenue expenditure during last three years ranged between 0.15 and 0.26 *per cent*.

XIII FC recommended food subsidy at ₹ 20 per capita per year. The total food subsidies in respect of Tripura during 2011-12 were ₹ 12.62 crore for 36,71,032 inhabitants of Tripura which means that each resident of Tripura was getting a subsidy of ₹ 34.38 per capita per year which was higher than XIII FC norm by 72 per cent. The subsidies in 2011-12 had increased substantially as it was only ₹ 16.40 per capita per year during XII FC period and ₹ 30.16 in 2010-11.

The Government should take suitable measures to contain subsidies to ₹ 20 per capita per year as recommended by the XIII FC.

1.5.3 Local Bodies

Post 73rd and 74th Constitutional Amendments, the Government of Tripura enacted the Tripura Panchayats Act, 1993 and Tripura Municipal Act, 1994 empowering Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) to function as institutions of self government and to accelerate economic development in rural and urban areas which would enable them to function as local self government institutions.

1.5.4 Classification of Local Bodies

Panchayati Raj Institutions (PRIs): Consequent upon the 73rd Constitutional Amendment, the Tripura Panchayats Act, 1993 was enacted and established three tiers of Panchayati Raj system in the State comprising Gram Panchayat (GP) at village level, Panchayat Samiti (PS) at block level and Zilla Parishad (ZP) at district levels. All the PRIs are governed by Tripura Panchayats Act, 1993. As of March 2012 there are 4 ZPs, 23 PS and 511 GPs in the State. In the Tripura Tribal Areas Autonomous District Council (TTAADC) areas, there were 527 Village Development Committees (VDC) and 35 Block Advisory Committees (BAC) which were synonymous to GP and PS respectively.

Urban Local Bodies (ULBs): Consequent upon the 74th Constitutional Amendments, the Government of Tripura had enacted the Tripura Municipal Act, 1994. There were two categories of ULBs in the State e.g. Municipal Councils (MC) and Nagar Panchayats (NPs). All the ULBs were governed by the Tripura Municipal Act, 1994. As of March 2012 there were one MC and 15 NPs in the State.

1.5.5 Financial profile

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 1.15**.

Table 1.15: Financial Assistance to Local Bodies etc.

(Rupees in crore)

Financial assistance to Institutions	2009-10	2010-11	2011-12
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	39.76	33.91	34.70
Municipal Corporations and Municipalities	78.52	70.65	132.93
Zilla Parishads and Other Panchayati Raj Institutions	27.57	29.93	45.04
Other Institutions	77.52	125.31	5.16
Total:	**223.37**	**259.80**	**217.83**
Assistance as percentage of RE	**5.30**	**5.96**	**4.53**

The quantum of financial assistance to the Zilla Parishads and other Panchayati Raj Institutions, and Municipality Corporation increased during 2011-12 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 but as regards other institutions the devolution of funds was less in 2011-12, which stood at ₹ 5.16 crore as against ₹ 125.31 crore in 2010-11. The devolution of funds to Educational Institutions had increased during 2011-12 due to increase in assistance to Non-Government Secondary Schools by 4 *per cent* over previous year.

1.5.6 Devolution of functions, functionaries and funds (3Fs) to PRIs and ULBs

The 73rd and 74th Constitutional Amendment gave the constitutional status to PRIs and ULBs and established a system of uniform structure, holding of regular election, regular flow of funds through Central and State Finance Commission allocations etc. As follow up, the State is required to entrust these bodies such power, functions and funds so as to enable them to function as Institution of self- government. In particular, the PRIs and ULBs are required to prepare plans and implement schemes for economic development and social justice including those subjects enumerated in the Eleventh Schedule (related to PRIs) and Twelfth Schedule (related to ULBs) of the Constitution of India.

- The Tripura Panchayats Act, 1993 has only an enabling provision for transfer of subjects to different tiers of PRIs. The State Government has devolved five subjects[6] to PRIs out of 29 subjects listed in the Eleventh Schedule of the Constitution (August, 2006 & August, 2007). The remaining 24 subjects are yet to be transferred. Out of these five subjects, funds for payment of wages of pump operators and power consumption charges only had been transferred to the PRIs.

  Besides, the transfer of functionaries to PRIs was not done which is a prerequisite for successful working of local self government at the grass-root level. The works of the PRIs are being performed by the State Government functionaries. The position of receipts of funds by PRIs from different sources for the last five years is shown in the table below:

Table 1.16

(Rupees in crore)

Head	2007-08	2008-09	2009-10	2010-11	2011-12
State Government Grants	55.33	60.00	40.00	34.93	27.18
Central FC Grants	5.70	5.70	17.10	21.18	19.32
Own Source	0.97	0.70	0.72	1.25	-
Total:	**62.00**	**66.40**	**57.82**	**57.36**	**46.50**

Source: Information furnished by Rural Development (Panchayat) Department.

Besides, an amount of ₹ 39.85 crore (13 FC Grant: ₹ 24.25 crore; States Share: ₹ 15.60 crore) was received by the Rural Development (Panchayat) Department and released to the ADC including Block Advisory Committees and Village Committees during the year 2011-12.

- The Tripura Municipal Act 1994 envisaged transfer of functions of various departments of the State Government to ULBs. All the 18 functions listed in the XII Schedule of the Constitution have been transferred by the State Government to the ULBs. But in practice, functions like fire service, road and bridges are still controlled by the State Government departments.

1.5.7 Accounting and Auditing arrangement of PRIs and ULBs

PRIs: Rural Development (Panchayats) Department, Government of Tripura instructed PRIs to maintain the accounts in New Accounting Structure 2009 w.e.f 01.04.2010 as devised by the Ministry of Panchayati Raj, Government of India in consultation with the Comptroller and Auditor General of India. In practice, the PRIs started maintaining their accounts as per the new Accounting Structure from the year 2011-12. The State Government has engaged

[6] (1) Water Resources, (2) Primary School, (3) Adult and Non- Formal Education, (4) Social Welfare including Welfare of the Handicapped and Mentally Retarded and (5) Women and Child Development.

Chartered Accountant (CA) firms to introduce Double Entry Accounting System (DEAS) in PRIs and they were to train the GP staff in the software implementation and ensure preparation of accounts in double entry system.

Government of Tripura, Finance Department framed the 'Tripura Local Fund Audit Rules 2011' for audit of accounts of local bodies by the Director, Local Fund Audit and in this regard a gazette notification was issued on 12.01.2012 for implementation of the rules. Rule 3 (1) provides that the State Government or such authority as it may direct; shall appoint a person to be the Director, Local Fund Audit (LFA).

CAG conduct audit of accounts of PRIs as entrusted by the State Government under standard terms and conditions of Technical Guidance and Support (TG&S) module under Section 20(1) of the CAG's DPC Act vide order dated 17.08. 2011 as per recommendations of 13th Finance Commission.

ULBs: Based on the recommendations of Eleventh Finance Commission, the Ministry of Urban Development, GOI in consultation with Comptroller and Auditor General of India developed the National Municipal Accounts Manual (NMAM) which is based on double entry accrual based system of accounting. The Urban Development Department, Government of Tripura has drafted (June 2010) the 'Tripura Municipal Accounting Manual' based on the NMAM. The Manual has been finalized in June 2011 and not yet implemented.

As per Section 264, 265 and 266 of the Tripura Municipal Act, 1994, the accounts of the Municipality shall be examined and audited by an auditor appointed in that behalf by the State Government. The State Government shall, by rules, make provision with respect to the maintenance of accounts of the Municipalities and auditing of such accounts, including the power of the auditor. The auditor shall submit the audit report to the Chairperson of the Municipality and a copy thereof to the State Government.

CAG conduct audit of accounts of ULBs as entrusted by the State Government under standard terms and conditions of Technical Guidance and Support (TG&S) module under Section 20(1) of the CAG's DPC Act vide order dated 21 March 2011.

1.5.8 Reporting arrangement

Under TG&S arrangement, audit findings of test-check of accounts of PRIs and ULBs conducted by the CAG are presented in the form of Annual Technical Inspection Report (ATIR) and submitted to the State Government for necessary action.

1.6 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 and effectiveness of expenditure use (assessment of outlay-outcome relationships for select services).

1.6.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to social sectors and economic infrastructure are largely assigned to the State Governments. **Table 1.17** analyses the fiscal priority of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year as compared to 2008-09:

Table 1.17: Fiscal Priority of the State during 2011-12

Fiscal Priority by the State	AE/GSDP	DE/AE	SSE/AE	CE/AE	Education/AE	Health / AE
Tripura's Average (Ratio) 2008-09	32.05	63.01	35.44	27.64	14.91	4.97
Tripura's Average (Ratio) 2011-12	31.53	62.81	40.34	22.46	17.56	5.45

AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure
CE: Capital Expenditure
Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.
Source: (1) For GSDP, the information furnished by the State's Directorate of Economics and Statistics for the year 2011-12 and the Fourth Quarterly Review Report of the State Finance Minister for the year 2011-12.

- During 2011-12, the Government of Tripura had a low AE/GSDP ratio and CE/AE ratio as compared to 2008-09;
- Though the DE/AE ratio was in a declining trend in Social Sector Expenditure, the Tripura Government's expenditure as a percentage of AE was much higher in 2011-12 as compared to 2008-09 which is indicative of the fact that the Government of Tripura had attached low fiscal priority to the Economic Sector.

1.6.2 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[7]. Apart from improving the allocation towards development expenditure[8], 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

[7] 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 subtractions 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.

[8] 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 and economic services which together constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

quality of expenditure. While **Table 1.18** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* the previous year, **Table 1.19** provides the details of capital expenditure and the component of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table 1.18: Development Expenditure

(Rupees in crore)

Components of Development Expenditure	2007-08	2008-09	2009-10	2010-11	2011-12
Development Expenditure (a to c)	2,234.71 (60.11)	2,740.73 (63.00)	3,398.56 (61.08)	3,278.68 (60.02)	3907.31 (62.81)
a. Development Revenue Expenditure	1,416.82 (38.11)	1,713.09 (39.38)	2,262.65 (40.67)	2,345.88 (43)	2672.97 (42.97)
b. Development Capital Expenditure	817.59 (21.99)	1,009.56 (23.21)	1,118.35 (20.10)	931.96 (17)	1220.53 (19.62)
c. Development Loans and Advances	0.30 (0.01)	18.08 (0.41)	17.56 (0.31)	0.84 (0.02)	13.81 (0.22)

Figures in the parentheses indicate *per cent* to aggregate expenditure
Source: Finance Accounts

Table above shows that the development expenditure, combining the expenditure on Social and Economic Sectors, increased in absolute terms from ₹ 2,234.71 crore in 2007-08 to ₹ 3,398.56 crore in 2009-10 and then had a slight downfall in 2010-11, which stood at ₹ 3,278.68 crore and then drastically increased to ₹ 3,907.31 crore (19.17 *per cent* over the previous year). The percentage of development expenditure to the total expenditure of the State increased by 1.75 *per cent* as compared to the previous year. The development expenditure was much below the level of Budget Estimates of ₹ 4,356.57 crore for the year. The relative share of the revenue development expenditure was 43 *per cent* of the total expenditure while the share in respect of development capital expenditure was 20 *per cent* which was higher by 3 *per cent* over the previous year. This indicated though the CE/AE had increased during 2011-12, but the fact remained that attachment of priority for capital expenditure is still low due to ever increasing pressure on revenue expenditure over the period.

Table 1.19: Efficiency of Expenditure Use in Selected Social and Economic Services

(In per cent)

Social/Economic Infrastructure	2010-11			2011-12		
	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	11.57	87.20	12.80	17.40	84.99	15.01
Health & Family Welfare	18.35	79.99	20.01	34.88	75.03	24.97
Water Supply, Sanitation, and Housing & Urban Development	48.79	18.77	81.23	52.92	15.69	84.31
Other Social Services	13.92	18.13	81.87	13.38	14.87	85.13
Total (SS)	**17.28**	**61.14**	**38.86**	**23.12**	**54.61**	**45.39**
Economic Services (ES)						
Agriculture & Allied Activities	24.60	52.73	47.27	20.11	50.82	49.18
Irrigation & Flood Control	52.40	67.04	32.96	65.26	90.03	9.97
Power & Energy	77.58	3.48	96.52	34.18	3.12	96.88
Transport	68.43	-	100.00	61.85	-	100.00
Other Economic Services	40.94	63.24	36.76	55.58	62.61	37.39
Total (ES)	**46.24**	**46.61**	**53.39**	**46.26**	**42.78**	**57.22**
Total (SS+ES)	**28.43**	**56.94**	**43.06**	**31.35**	**51.32**	**48.68**

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.

Table above depicts the various component-wise percentages 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 2010-11 and 2011-12.

The Table shows that the ratio of CE to TE under Social Services increased from 17.28 *per cent* in 2010-11 to 23.12 *per cent* in 2011-12 mainly due to increase under Education, Sport, Art and Culture, Health & Family Welfare and Water Supply, Sanitation, Housing & Urban Development. Ratio of Economic Services, also increased marginally by 0.02 *per cent* over the previous year. The share of salary and wages on Education etc. under Social Services was 84.99 *per cent* (₹ 766.63 crore) of its revenue expenditure, (of which 95.38 *per cent* (₹ 730.85 crore) was for general education) and on Health & Family Welfare and Water Supply, Sanitation, Housing & Urban Development, the share was 75.03 *per cent* and 15.69 *per cent* respectively during 2011-12. The percentage of salary and wages expenditure in relation to its revenue expenditure decreased in components *viz*., Education and Health and Family Welfare in social sector during 2011-12 over the previous year and the percentage of Salaries and Wages to revenue expenditure pertaining to Water supply, Sanitation etc. also decreased from 18.77 *per cent* during 2010-11 to 15.69 *per cent* in 2011-12. The percentage of the salary expenditure in respect of Education (84.99 *per cent*) decreased by 2.21 *per cent* over the previous year, and the percentage of salary expenditure in respect of Water Supply, Sanitation, Housing and Urban Development (15.69 *per cent*) sector also decreased by 3.08 *per cent*.

Under Economic Services, the salary and wage expenditure in terms of percentage of revenue expenditure was lower by 3.83 *per cent* over the previous year while the operations and maintenance cost had increased to that extent.

Consequently, in terms of percentage in relation to revenue expenditure under Social and Economic Services taken together there was overall decrease in salary and wages (5.62 *per cent*) and increase in operations and maintenance costs to that extent during 2011-12 over the previous year which is a positive approach of the State as per guidelines of GOI.

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

During 2006-11, 24 performance reviews on the effectiveness of expenditure and the outcomes thereof were attempted and featured in the Audit Reports. Of the 24 performance reviews, only eight were discussed in PAC meetings of which the PAC recommendations on four performance reviews had already been featured in Audit Report on State Finances (Report No. 1) 2009-10 and four performance reviews were discussed in the PAC meetings after publication of the Audit Report on State Finances 2010-11. The results of such performance reviews are summerised below:

(i) Home (Police) Department

"Modernisation of State Police Force" was introduced by the GOI in 1969 initially for 10 years. It was, however, extended periodically, the latest being in February 2001, for another 10 years up to 2010. The scheme aims at improving the efficiency of the State Police Force and enhancing their striking abilities for meeting the emerging challenges. A review of the implementation of the scheme revealed several gaps in the thrust areas of the scheme that need to be addressed by the State Government.

(Paragraph 3.2 of Audit Report 2007-08)

PAC recommendations

- ✓ The State Government should prepare a road map for modernisation of its police force, taking into account the existing gaps *vis-à-vis* requirement, as per norms.
- ✓ Financial management should be streamlined to ensure timely release of funds and their utilisation for the intended purpose.
- ✓ Quantifiable targets and specific timelines should be fixed to fill the gaps in improvement of weaponry, mobility and communication.
- ✓ Civil works, especially housing for the police personnel should be taken up on a war footing to ensure 100 *per cent* satisfaction level.
- ✓ Capacity building should be accelerated and new technologies and policing methods should be assimilated.
- ✓ Monitoring mechanism should be strengthened to ensure the implementation of the programme in an effective and timebound manner.

Action taken on the above recommendations by the State Government had not been reported to Audit.

(ii) Fisheries Department

The Fisheries Department is responsible for development of inland fisheries to increase productivity of fish by imparting technical support to the fish farmers and developing infrastructure for fish farming. The Department formulated a production oriented Revised Perspective Plan (RPP 2004-2012) with the objective of increasing the productivity to 3,050 kg per hectare per year and attaining self sufficiency in production of fish by bridging the gap between demand and supply by 2011-12. An integrated audit of the functioning of the Department at the end of the 5th year of implementation of the RPP was an attempt to highlight the areas and issues, which need to be addressed for successful achievement of the objectives of the Department.

(Paragraph 3.1 of Audit Report 2008-09)

PAC recommendations

- ✓ An objective and rational method should be introduced to quantify the production of fish.
- ✓ Mid-term evaluation should be conducted to adjust the targets, which were formulated on the basis of lower average productivity.

- ✓ Post harvesting facilities need to be fully implemented to ensure higher economic returns.
- ✓ Concrete action should be taken to combat the long term adverse effects of unfavourable characteristics of water and soil.
- ✓ The training needs of officials and fish farmers should be addressed.
- ✓ Management and supervision of the fish farmers' cooperatives should be strengthened.

Remedial action taken by the Government as per 109th PAC Report and ATN thereof

While accepting all the recommendations made by Audit, Government had initiated appropriate measures for strengthening higher economic returns from fish-culture and also had ensured managerial supervision of fish farmer Co-operative Societies.

(iii) Industries and Commerce Department (Geology and Mining)

Tripura is endowed with large deposits of natural gas with an accretion of 59.423 billion cubic metres. The exploration success ratio is 1:2, which is higher than (40 per cent and 25-30 *per cent* in case of Gujarat and Assam respectively) other major natural gas sources in the country. Prospecting and mining of minerals (as of now natural gas only), assessment, levy and collection of royalty and other mining revenue are governed by the Central Act and Rules. State Government had not enacted any set of Act and Rules for regulation of receipts of mines and minerals in the State. A performance audit of the receipts from mines and minerals (comprising of application fees for mining lease/prospecting license, royalty, dead rent, surface rent, fines/penalties and interest for belated payment of dues) indicated non-realisation/ short-realisation of revenue amounting to ₹ 60.48 crore.

The Department failed to undertake surveillance of the leased mines to guarantee lawful exploration and environmental protection.

(Paragraph 4.3 of Audit Report 2008-09)

PAC recommendations

- ✓ prepare action plan for optimum exploration of the State natural resources to augment the revenue of the State;
- ✓ establish technically competent machinery to oversee the various issues in the grant of PML and PEL to guarantee the protection of the interest of the State;
- ✓ ensure strict compliance to provision of the licenses/leases;
- ✓ institute system and strengthen the mechanism to ensure correct and timely levy and collection of revenue;
- ✓ conduct periodic inspections of the leased mines to ensure lawful extraction of minerals and ensure protection of environment;
- ✓ involve the highest authorities in Government to expedite settlement of contentious issues; and

- ✓ constitute an effective and independent internal audit unit.

Remedial action taken by the Government as per 111th PAC (ATN) Report and ATN thereof

The Government had taken remedial measures to streamline realisation of surface rent, timely levy and collection of revenue and dead rent had been deposited by ONGC. Further remedial measures are yet to be reported to Audit.

(iv) Food, Civil Supplies and Consumer Affairs Department

A review on Public Distribution System was undertaken to assess the performance of various functionaries involved in identifying the targeted beneficiaries, allocation and distribution of foodgrains to various FPSs, supervision and monitoring of the activities at ground level with the ultimate objective of providing and ensuring timely availability of foodgrains to the public at affordable prices and for ensuring food security for the poor. The renewal/ revision of ration cards due in 2006-07 was taken up in 2009-10 which is yet to be completed (July 2010). There was short lifting of APL rice, sugar, wheat against the allocation made by Government of India (GOI). There were instances of diversion of rice from one programme to another. Monitoring, inspection and the activities of the vigilance Committee at State and District level were found to be inadequate. The monitoring mechanism and inspection of FPS at different levels including the performance of enforcement team needs strengthening to prevent pilferage of rationing commodities from FPS to open market.

(Paragraph 1.1 of Audit Report 2009-10)

PAC recommendations

- ✓ The Department should take effective steps to ensure proper preparation and maintenance of Cash Books under Cash Credit Account and Revolving Fund Account in all the relevant centres of PDS as per guidelines.
- ✓ Physical verification of Central Stores should be conducted at the earliest.
- ✓ Reimbursement system of transport subsidy claims should be streamlined through computerisation of the activities to ensure timely receipt of claims.
- ✓ Online monitoring mechanism in the Department should be strengthened at the State and District level in order to ensure effective implementation of the scheme.

Remedial action taken by the Government as per 112th PAC (ATN) Report and ATN thereof

The Government while accepting the recommendations, has been trying its level best to migrate the problem of Hill State Transport subsidy on consultation with the FCI. Further status on the issue is yet to be reported to Audit.

1.7 Financial Analysis of Government Expenditure and Investments

In the post-FRBM framework, the State was 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 reduce 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. 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.

1.7.1 Financial Results of Irrigation Works

During 2011-12, Non-Plan revenue expenditure on Minor and Medium Irrigation Projects was ₹ 30.64 crore. According to Para 6 (x) of Term of Reference (TOR) of the XIII FC, there was a need for ensuring the commercial viability of irrigation projects etc. in the State through various means including levy of user charges and adoption of measures to promote efficiency. There was no commercial Irrigation Project in the State of Tripura. Gumti, Khowai and Manu were the three medium irrigation projects in the State. The source of irrigation was mainly minor irrigation projects like lift irrigation, deep tube wells, diversion schemes, shallow tube wells, 5 HP pumps, water harvesting structures, tanks etc., which altogether were 1,112 in number.

Para 7.46 of the XIII Finance Commission stated that in order to ensure viability of irrigation projects, normative enhanced receipts from irrigation was fixed at 35 *per cent* of NPRE in 2011-12. Tripura had registered recovery from irrigation projects at 0.26 *per cent* of NPRE in 2011-12, which was much less than that of the XIII FC recommendations. The reasons may be attributed mainly to absence of any commercial irrigation project in the State of Tripura.

1.7.2 Incomplete projects

The department-wise information pertaining to incomplete projects of which the scheduled date of completion was already over as on 31 March 2012 are given in the **Table 1.20**.

Table 1.20: Department-wise profile of Incomplete Projects

(Rupees in crore)

Name of Projects	No. of incomplete Projects	Initial Budgeted Cost	Cumulative actual expenditure as on 31.3.2012
Building works	16	228.32	104.00
Roads works	7	69.23	29.27
Bridges works	7	138.39	70.34
Water Resources works	5	46.90	25.69
Drinking Water and Sanitation	4	39.69	20.07
Total:	**39**	**522.53**	**249.37**

Source: Finance Accounts 2011-12.

As on 31 March 2012, there were 39 incomplete projects each costing ₹ 5 crore and above, involving total budgeted cost of ₹ 522.53 crore on which expenditure of ₹ 249.37 crore had already been incurred. The works on these projects were targeted to be completed between February 2006 and March 2012. Most of the incomplete projects were building works, involving budgeted cost of ₹ 228.32 crore, whereas an amount of ₹ 104.00 crore (46 *per cent*) had already been incurred as on 31 March 2012. The revised estimates of these works were not on record. An age-wise analysis of the incomplete works revealed that the works got delayed upto seventy four months compared to their scheduled date of completion. The above list is only indicative and not exhaustive. Among the incomplete projects, the work of one Multi Storied Building at IGM Hospital, Agartala was still in progress. The work was sanctioned (December 2009) with an estimated cost of ₹ 41.34 crore and was targeted for completion in November 2011. The following picture represents the project lying incomplete till December 2012:

Incomplete Multi Storied Building at IGM Hospital, Agartala scheduled for completion in November 11

Delay in completion of works invites the risk of escalation in the cost of the works. As the revised estimated costs were not made available, the extent of estimated cost overrun could not be assessed. The actual cost overrun would however, be available on closure of the claims of the construction agencies after completion.

1.7.3 Investment and returns

As on 31 March 2012, Government's investment was ₹ 959.14 crore in 2 Statutory Corporations, 12 Government Companies, 24 Co-operative and local bodies and one bank **(Table 1.21)**.

Table-1.21: Return on Investment

Investment/Return/Cost of Borrowings	2009-10	2010-11	2011-12
Investment at the end of the year *(Rupees in crore)*	780.32	882.73	959.14
Return on investment*(Rupees in crore)*	Nil	0.13	25.95
Return on investment *(per cent)*	Nil	0.01	2.71
Average rate of interest on Government borrowing *(per cent)*	7.98	8.88	8.41
Difference between cost of funds and return *(per cent)*	7.98	8.87	5.70

Source*:* Finance Accounts

It is evident from the above that at the end of 2011-12, a total amount of ₹ 959.14 crore was invested in 12 Government companies (₹ 686.24 crore), 2 statutory corporations (₹ 154.41 crore), 24 Co-operative societies and one Rural Bank (₹ 118.49 crore). Investment in the Government Companies, Statutory Corporations and Co-operative Societies and the Bank taken together increased to ₹ 959.14 crore at the end of the year 2011-12 from ₹ 882.73 crore in 2010-11. During 2011-12, the Government invested ₹ 76.41 crore in these companies, corporations and co-operative societies. Out of total investment of ₹ 76.41 crore, ₹ 50.83 crore was invested in eight Government companies, and ₹ 25.58 crore was invested in eight co-operative societies and one bank. Of ₹ 686.24 crore invested in the Government companies, ₹ 363.06 crore was in the Tripura State Electricity Corporation Limited as equity followed by ₹ 163.29 crore in the Tripura Jute Mills Ltd. at the end of the year 2011-12.

During the year, three Government Companies *viz.*, TIDCL, TFDPCL and TSECL had paid dividend of ₹ 0.14 crore, ₹ 0.67 crore and ₹ 25.14 crore respectively. As per the latest finalised accounts, only four companies[9] had been marked as profit earning while seven[10] had been incurring losses over the years.

1.7.4 Loans and advances by State Government

In addition to investments as equity capital in Corporations, Companies and Co-operative societies, Government had also been providing loans and advances to these Institutions/Organisations. The Government further provides loans to its employees for construction of houses and other miscellaneous purposes. **Table 1.22** presents the outstanding loans and advances as on 31 March 2012, interest receipts *vis-a-vis* interest payments during

[9] Tripura Forest Development & Plantation Corporation Limited (TFDPCL): ₹ 26.26 crore; Tripura Rehabilitation Plantation Corporation Limited (TRPCL): ₹ 4.42 crore; North Eastern Industrial Consultants limited (NEICL): ₹ 0.01 crore; Tripura Industrial Development Corporation Limited (TIDCL): ₹ 2.51 crore; Tripura State Electricity Corporation Limited (TSECL): ₹ 95.79 crore and Tripura Natural Gas Company Limited **(TNGCL)**: ₹ 0.54 crore.

[10] Tripura Horticulture Corporation Limited (THCL): ₹0.16 crore; Tripura Handloom and Handicrafts Development Corporation Limited (THHDCL): ₹ 6.81 crore;; Tripura Jute Mills Limited (TJML): ₹ 13.55 crore; Tripura Road Transport Corporation (TRTC): ₹ 19.24crore. Tripura Small Industries Corporation Limited (TSICL): ₹ 0.81 crore and Tripura Tea Development Corporation Limite (TTDCL): ₹ 2.10 crore.

the last five years.

Table 1.22: Average Interest Received on Loans Advanced by the State Government

(Rupees in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2007-08	2008-09	2009-10	2010-11	2011-12	
					RE	Actual
Opening Balance	58.71	55.74	70.57	84.62		82.78
Amount advanced during the year	0.30	18.08	17.56	0.96		13.89
Amount repaid during the year	3.27	3.25	3.51	2.80		2.10
Closing Balance	**55.74**	**70.57**	**84.62**	**82.78**		**94.57**
Outstanding balance for which terms and conditions have been settled	NA	NA	NA	NA		NA
Net addition of loans	(-) 2.97	(+) 14.83	14.05	(-) 1.84		11.79
Interest Receipts	0.66	0.69	1.21	0.98		0.91
Interest receipts as *per cent* to outstanding Loans and advances	1.18	0.98	1.43	1.18		0.96
Interest payments as *per cent* to outstanding fiscal liabilities of the State Government.	8.34	7.78	7.98	6.92		7.18
Difference between interest payments and interest receipts (*per cent*)	7.16	6.80	6.55	5.74		6.22

NA: Not available.

As of March 2012, the balance of loans and advances by the State Government was ₹ 94.57 crore, of which loans for Economic Services, Social Services and loans to employees being ₹ 63.75 crore, ₹ 18.37 crore and ₹ 12.14 crore respectively remained outstanding. During 2011-12, Interest receipts as percentage of outstanding loans and advances was 0.96 against interest paid by the Government as percentage of outstanding liabilities being 7.18.

1.7.5 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 or special and overdraft from Reserve Bank of India (RBI) had been put in place. The operative limit for normal WMA was ₹ 80 crore for the State with effect from 1 April 2005 and the operative limit for special WMAs had been fixed at ₹ 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 had not availed any overdraft facility since 1999-2000. Ways and Means Advances (ordinary or special) also were not taken by the State since 2005-06. During 2011-12, the State Government maintained the minimum cash balance with RBI without obtaining any advances. However, the holding of the Government of India 14 days Treasury bills were rediscounted on 130 days during 2011-12 and ₹ 48.91 crore was realised as interest @ 5.50 *per cent* per annum on those securities.

The cash balance of the State increased by ₹ 681.80 crore (81.21 *per cent)* at the end of 2011-12 over the previous year.

Table 1.23 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.23: Cash Balances and Investment of Cash balances

(Rupees in crore)

Particulars	As on 1 April 2011	As on 31 March 2012	Increase (+)/ Decrease (-) (*percentage in bracket*)
Cash Balance Available for Investment	839.55	1,521.35	(+) 681.80 (81.21)
Investments from Cash Balances (a to d)	657.41	1,104.30	(+) 446.89 (67.98)
a. GOI 91 days Treasury Bills	-	-	-
b. GOI 14 days Treasury Bills	657.41	1,104.30	(+) 446.89
c. Other Securities, if any specify	-	-	-
d. Other Investments	-	-	-
Investment from Earmarked balances (Sinking Fund)	363.74	404.21	(+) 40.47 (11.13)
Cash Balance after Investment	(-) 181.60	12.84	194.44
Interest Realised	22.26	48.91	(+) 26.65 (119.72)

1.8 Assets and Liabilities

1.8.1 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 1.5** gives an abstract of such liabilities and the assets as on 31 March 2012, compared with the corresponding position on 31 March 2011. 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, loans and advances given by the State Government and cash balances.

The FRBM Act of the State had 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*".

The ratio of assets to liabilities was on an increasing trend during 2011-12, which increased to 2.04 from 1.84 during 2010-11. This trend should be continued, especially in terms of increasing Revenue Expenditure and meagre own source of receipts.

1.8.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.5**. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year are presented in **Charts 1.9 and 1.10.**

Chart 1.9 : Composition of outstanding fiscal liabilities as on 31 March 2011
(Rupees in crore)

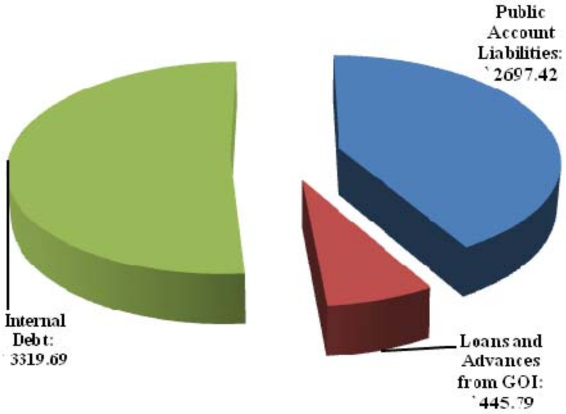
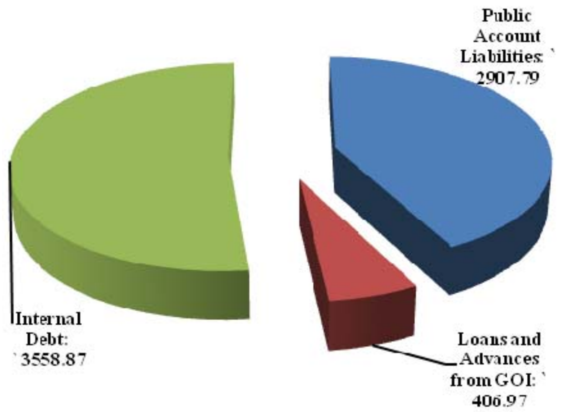


Chart 1.10 : Composition of outstanding fiscal liabilities as on 31 March 2012
(Rupees in crore)



The outstanding fiscal liabilities of the State as on 31 March 2012 was ₹ 6,873.63 crore against the liabilities of ₹ 6,462.90 crore as on 1 April 2011 with an increase of ₹ 410.73 crore (6.36 *per cent*) during the period. Outstanding liabilities increased mainly due to increase in internal debt by ₹ 239.18 crore (7 *per cent*) and Public Account by ₹ 210.37 crore (8 *per cent*) over the previous year. The State just fell short from containing the outstanding liabilities within the revised estimated liabilities of ₹ 6,843.55 crore projected in the disclosure with the Budget for 2012-13 presented in the State Legislature. During 2011-12, the percentage of Internal Debt liabilities to total revenue receipts was 54.95 while the percentage of total liabilities to revenue receipts was 106.13.

During last five year period of 2007-12, the outstanding liabilities consistently increased from ₹ 4,745.32 crore in 2007-08 to ₹ 6,873.63 crore in 2011-12. *The percentage of fiscal liabilities to GSDP during 2011-12 was 34.84, against the projection in the Fiscal Indicator (34.68 per cent) in the MTFP statement, and was also less than the projection (44.90 per cent) made in XIII FC.*

1.8.3 Status of Guarantees – Contingent liabilities

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee had been extended. As the State Government had 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 was 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. During 2011-12, the State had given guarantee of ₹ 99.99 crore against which no guarantee fee was received during the period.

As per Statement 9 of the Finance Accounts, the amount for which guarantees were given by the State and outstanding amount of guarantees for the last three years are given in **Table 1.25**.

Table 1.24: Guarantees given by the Government of Tripura

(Rupees in crore)

Guarantees	2009-10	2010-11	2011-12
Total amount of guarantees given upto	76.66	82.76	182.75
Outstanding amount of guarantees (including interest) at the end of the year	29.54	35.64	115.72
Percentage of outstanding amount of guarantee to total revenue receipt	1.74	0.69	1.79
Outstanding amount of guarantee as percentage to GSDP	0.5 *per cent*	0.22 *per cent*	0.59 *per cent*

During 2011-12, eight guarantees had been given by the Government to Power sector and Co-operative societies[11]. At the end of 31 March 2012, the outstanding amount of guarantee including interest stood at ₹ 115.72 crore, which was 0.59 *per cent* of GSDP.

1.8.4 Off - Budget Borrowings

There were no off-budget borrowings for the year 2011-12. *As such, the Government had not exceeded the annual permissible limit of 0.5 per cent of the GSDP for off-budget borrowings according to the TFRBM Act, 2005*.

1.9 Debt Sustainability

Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability[12] of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation[13]; sufficiency of non-debt receipts[14]; net availability of borrowed funds[15]; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.25** analyses the debt sustainability of the State according to these indicators for the period of three years beginning from 2009-10.

[11] Co-operative Societies (6): - Tripura Scheduled Castes Co-operative Development Corporation Department: ₹ 3.00 crore; Tripura Minorities Co-operative Development Corporation: ₹ 2.00 crore; Tripura Scheduled Tribe Co-operative Development Corporation: ₹ 13.56 crore; Tripura State Co-operative Banks Limited: ₹ 21.52 crore; Tripura Co-operative Agricultural Rural Development Bank Limited: ₹ 12.00 crore; and Tripura OBC Co-operative Development Corporation: ₹ 1.00 crore.
Power (2): - RGGVY: ₹ 4.09 crore; and RAPDRP: ₹ 42.82 crore.

[12] 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.

[13] 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.

[14] 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.

[15] 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.

Table 1.25: Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability	2009-10	2010-11	2011-12
Debt Stabilisation (Quantum Spread + Primary Deficit/Surplus) *(Rupees in crore)*	(-) 574.90	(+) 368.66	(+) 1079.55
Sufficiency of Non-debt Receipts (Resource Gap) *(Rupees in crore)*	(-) 759.51	(+) 620.85	(+) 857.77
Net Availability of Borrowed Funds *(Rupees in crore)*	(+) 283.60	(+) 403.45	(+) 352.76
Burden of Interest Payments (IP/RR Ratio) *(in per cent)*	9.28	8.65	7.62

It would be seen from the above table that the Debt of the State was unstable during 2009-10 but had been quite stable since 2010-11 as the quantum spread *plus* primary deficit remained positive. During 2011-12, the sufficiency of non-debt receipts of the State was ₹ 857.77 crore against ₹ 620.85 crore in 2010-11, which indicated that incremental non-debt receipts adequately covered incremental interest burden. Availability of borrowed funds was positive balance during the last three years.

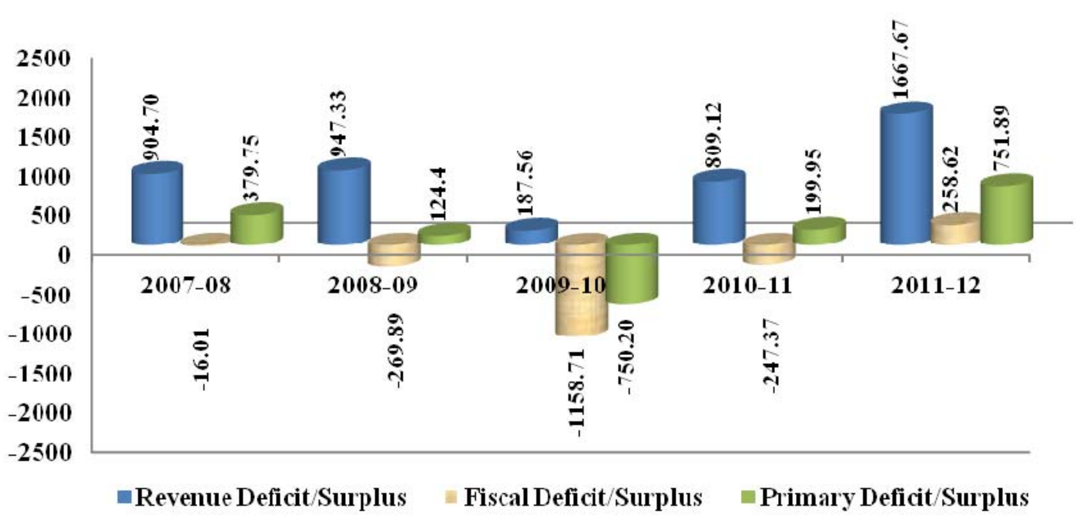
1.10 Fiscal Imbalances

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 nature and quantum of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and applied are important pointers to its fiscal management. 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 2011-12.

1.10.1 Trends in Deficits / Surplus

Chart 1.11 presents the trends in deficit/surplus indicators over the period 2007-12.

Chart 1.11: Trends in Deficit Indicators for the last five years
(Rupees in crore)



The State had shown quite a healthy trend in revenue surplus during 2007-12, which had increased in 2011-12 by 106 *per cent* over the previous year. Except 2009-10, the State had witnessed primary surplus during 2007-12. There was fiscal deficit during 2007-11, but in the current year the State had fiscal surplus which stood at ₹ 258.62 crore. The balance from current revenue stands at (-) ₹ 136.94 crore against (-) ₹ 407.79 crore in 2010-11.

1.10.2 Composition of Fiscal Surplus / Deficit

The financing pattern of the fiscal deficit had undergone a compositional shift as reflected in the table below:

Table 1.26: Decomposition and Financing Pattern of Fiscal Deficit

(Rupees in crore)

Particulars	2009-10	2010-11	2011-12
Decomposition of Fiscal Deficit (-) / Surplus (+)	(-) 1158.71	(-) 247.37	(+) 258.62
Fiscal Deficit/Surplus as percentage to GSDP	7.93	(-) 1.52	1.31
Revenue Deficit (-) / Surplus (+)	(+) 187.56	(+) 809.12	(+) 1667.67
Capital Expenditure	1332.22	1058.33	1397.26
Net Loans and Advances	(-) 14.05	(+) 1.84	(-) 11.79
Financing Pattern of Fiscal Deficit (-) / Surplus (+)			
Market Borrowings (net)	(+) 252.00	(+) 192.21	(+) 54.28
Loans from GOI (net)	(-) 25.40	(-) 28.57	(-) 75.09
Special Securities Issued to NSSF (net)	(+) 34.83	(+) 135.40	(-) 159.77
Loans from Financial Institutions (net)	(+) 44.79	(+) 57.52	(+) 24.06
Small Savings, PF etc. (net)	(+) 299.09	(+) 206.96	(-) 17.80
Deposits and Advances (net)	(+) 81.59	(+) 56.94	(-) 9.08
Suspense and Misc. (net)	(+) 58.15	(-) 48.90	(-) 32.67
Remittances (net)	(-) 25.40	(-) 33.75	(+) 45.13
Others (R F) (net)	(+) 30.74	(+) 70.08	(+) 35.40
Increase (+) / decrease (-) in cash balance	(-) 414.60	(+) 354.19	(+) 681.80

The fiscal deficit witnessed in 2007-11 turned into a fiscal surplus in 2011-12 and stood at ₹ 258.62 crore in the current year from deficit of ₹ 247.37 crore in 2010-11.

Box 1.1

During 2011-12, the Revenue Receipts of the State Government was ₹ 6,476.90 crore[16] and the Revenue Expenditure stood at ₹4809.23 crore resulting in Revenue Surplus of ₹1,667.67 crore. It was seen that this surplus resulted mainly from the receipts of Grants-in-Aid (GIA) from Central Government (63 per cent) which were mainly funds allotted for specific purposes. The rest of the revenue receipts apart from GIA amounted to ₹2,379.80 crore (i.e. about 37 per cent). It was also observed that during 2011-12, the committed expenditure/Revenue expenditure for running and maintenance of administration in Tripura stood at ₹3,571.69 crore which was ₹1,191.89 crore short of Revenue receipts (excluding GIA from GOI). A desirable financial position of State is such where committed expenditure of a State are met from receipts from Tax Revenue, Non-Tax Revenue and State Share of Union Taxes and Duties, and the resultant revenue surplus thereof can be used for financial development/capital expenditure of the State. Further, the State had been persistently maintaining Cash Balance at the end of each year which had increased to ₹1,521.35 crore during the current year as compared to ₹839.55 crore during 2010-11. This is indicative of the fact that the State had registered fiscal surplus by not spending the money allocated by the Legislature during the current year.

[16] Tax Revenue (₹ 858.02 crore i.e. 13 *per cent*), Non-tax Revenue (₹ 214.22 crore, i.e. 4 *per cent*), State share of Union Taxes and Duties (₹ 1,307.56 crore, i.e. 20 *per cent*) and Grants-in-Aid from Government of India (₹ 4,097.10 crore, i.e. 63 *per cent*).

1.10.3 Quality of Deficit/Surplus

Table 1.27 indicates the extent to which the deficit/surplus had been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.27: 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)**
2007-08	3,701.61	2,397.88	923.68	0.30	3,321.86	1,303.73	(+) 379.75
2008-09	4,080.03	2,735.16	1,202.39	18.08	3,955.63	1,344.87	(+) 124.40
2009-10	4,404.86	3,805.28	1,332.22	17.56	5,155.06	599.58	(-) 750.20
2010-11	5,171.40	3,912.16	1,058.33	0.96	4,971.45	1,259.24	(+) 199.95
2011-12	6,479.00	4,315.96	1,397.26	13.89	5,727.11	2,163.04	(+) 751.89

The non-debt receipts of the State during 2007-12 were sufficient to meet the primary revenue expenditure. The non-debt receipts increased by 75 *per cent* from ₹ 3,701.61 crore in 2007-08 to ₹ 6,479.00 crore in 2011-12. The primary expenditure, however, increased by 80 *per cent* from ₹ 2,397.88 crore in 2007-08 to ₹ 4,315.96 crore in 2011-12. During this period (2007-12) Capital Expenditure grew by 51.27 *per cent.* The State had a primary surplus of ₹ 751.89 crore during 2011-12.

1.11 Socio-economic indicators to assess the financial health of Tripura

Economy of Tripura is characterised by high rate of poverty, lower per-capita income, low level of capital formation, inadequate infrastructure facilities, geographical isolations and communication bottlenecks, inadequate exploitation and use of forest and inadequate availability of mineral resources, disadvantages to progress in industrial field as well as high un-employment problems.

(a) Growth rate of GSDP during last 5 years vis-à-vis the national growth rate

The State's economy maintained a very impressive and steady growth rate in real terms throughout the 11th Plan period despite uncertain macro-economic environment at national level due to rise in commodity prices as well as policy environment.

The growth of State GDP is an important indicator of States' economy. The GSDP for the State of Tripura during 2011-12 stood at ₹ 19,730.96 (Q) crore which grew by 13.48 *per cent* over the previous year. During 2011-12, the GSDP figure had been arrived at on the basis of current prices at factor cost with base year 2004-05. The table 1.28 shows the trend of growth of GSDP for the last five years.

Table 1.28: GSDP and rate of growth during 2007-12

	2007-08	2008-09	2009-10	2010-11	2011-12
GSDP	11,797.07	13,572.64	15,348.21 (P)	17,386.88 (A)	19,730.96 (Q)
Rate of growth	8.09	15.05	13.08	13.28	13.48
(P) = Provisional; (A) = Advance; (Q) = Quick Estimate					

Source: Directorate of Economics & Statistics, Government of Tripura.

The quantum of GDP (both State and National) is measured in terms of constant and current prices and as per their respective arithmetical calculations, these figures differ from each other **(Appendix 1.1-Part E)** every year. For comparison sake between both State and National GDPs, the GDP figure calculated on the basis of current price at factor cost with base year 2004-05 has been taken.

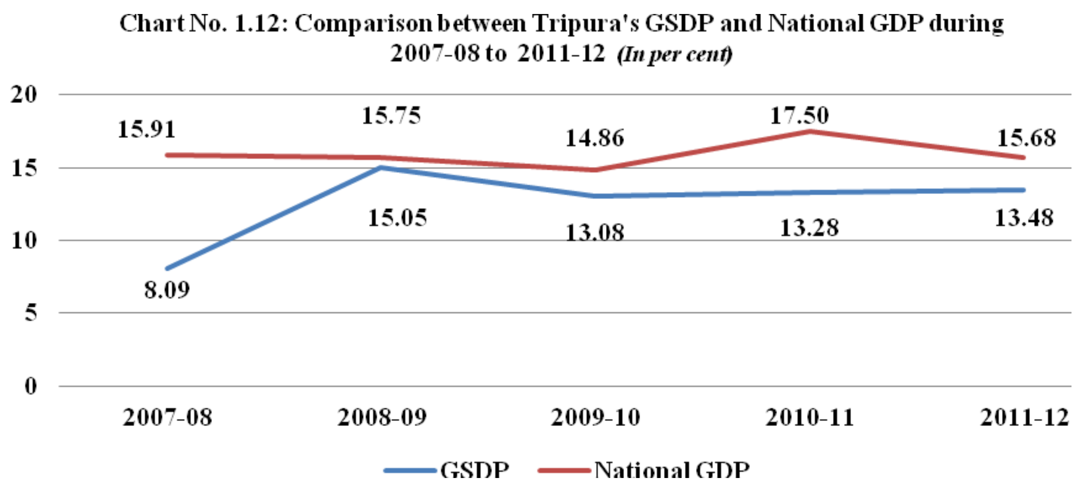
The rate of growth of National GDP during the last five years (2007-08 to 2011-12) shows a variable trend. The year-wise position of National GDP and the rate of growth over the past five years is shown in the table below and the comparison between the rate of growth of GSDP of Tripura and National GDP for the period from 2007-08 to 2011-12 is shown in the chart next below the table:

Table 1.29: National GDP and rate of growth during 2007-12 with base year 2004-05

(Rupees in crore)

	2007-08	2008-09	2009-10	2010-11 (Q)	2011-12 (A)
National GDP	45,82,086	53,03,567	60,91,485	71,57,412	82,79,975
Rate of Growth (%)	15.91	15.75	14.86	17.50	15.68
Q: Quick estimates; A: Advance estimates					

Source: Compiled from CSO Data, Economic Survey 2011-12



From the chart above, it is distinctly evident that though Tripura had shown a significant progress in improving the quantum of its GSDP over the last five years, the National GDP growth rate was higher than that of Tripura in the last five year period. While the rate of growth of the GSDP of Tripura had increased from 8.09 *per cent* in 2007-08 to 13.48 *per cent* in 2011-12, the National GDP on the other hand showed an uneven inconsistent trend ranging between 14.86 *per cent* and 17.50 *per cent*.

(b) Sectoral decomposition of GSDP in Tripura

The annual average growth rate in real terms shows that the State economy had performed better and achieved 8.7 *per cent* at the terminal year of 11th Plan, 2011-12 period as compared to 7.5 *per cent* of the terminal year of 10th Plan, 2006-07.

The following table depicts the performance growth in real terms in 10th and 11th Plan period in Tripura:

Table 1.30

Items	Xth Plan					XIth Plan				
	2002-03	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Total GDP	5.9	6.6	7.8	7.9	7.5	7.3	8.1	8.4	8.6	8.7
Agriculture & Allied	3.3	3.8	3.8	4.5	4.2	3.8	4.0	3.3	3.4	6.4
Industry	6.3	6.8	8.1	8.2	8.1	8.3	8.6	9.2	9.8	10.3
Services	5.8	6.0	7.3	7.5	7.1	5.7	7.5	8.3	8.8	9.2

Source: Directorate of Economics & Statistics.

From the table above, it is evident that Agriculture and Allied sector registered a CAGR of 4.2 *per cent* during 11th Plan period as against 3.9 *per cent* during 10th Plan. The performance of agriculture and allied sector had remained impressive at 6.4 *per cent* during 2011-12 as compared to 4.2 *per cent* in the terminal year of 10th Plan. In service sector, transport, private communications and business services had grown significantly in 11th Plan Period as compared to 10th Plan.

The table below shows sectoral performances and their contribution in real terms to the State GSDP for the 11th Plan Period, 2007-12:

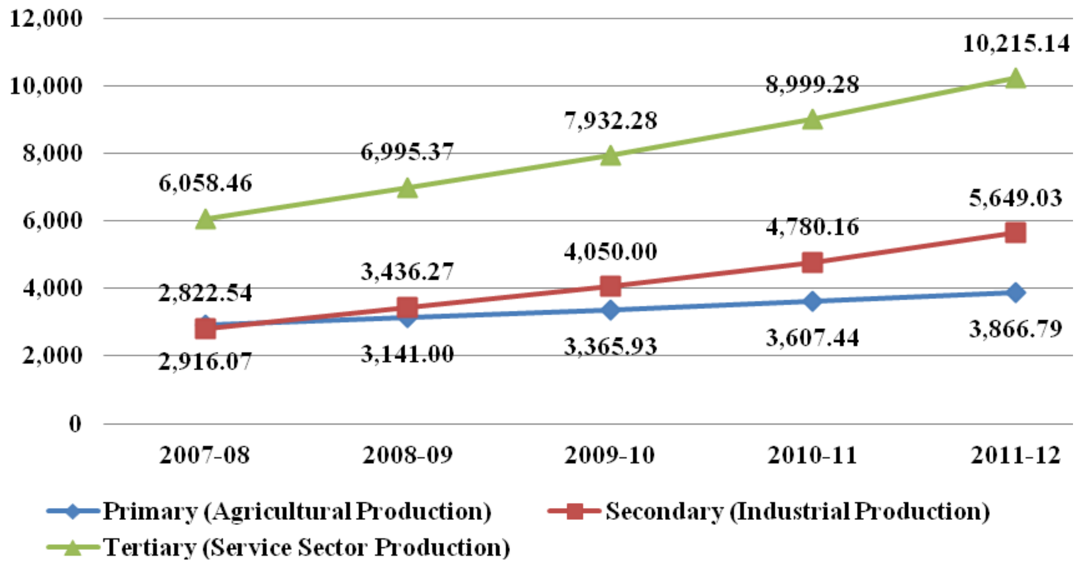
Table 1.31

(Rupees in crore)

Sectors	2007-08	2008-09	2009-10	2010-11	2011-12
Primary (Agricultural Production)	2,916.07	3,141.00	3,365.93	3,607.44	3,866.79
Secondary (Industrial Production)	2,822.54	3,436.27	4,050.00	4,780.16	5,649.03
Tertiary (Service Sector Production)	6,058.46	6,995.37	7,932.28	8,999.28	10,215.14
Total:	**11,797.07**	**13,572.64**	**15,348.21**	**17,386.88**	**19,730.96**

Source: Quarterly Review Report, 2011-12.

Chart No. 1.13: Sectoral contribution of GSDP in Tripura ***(Rupees in crore)***

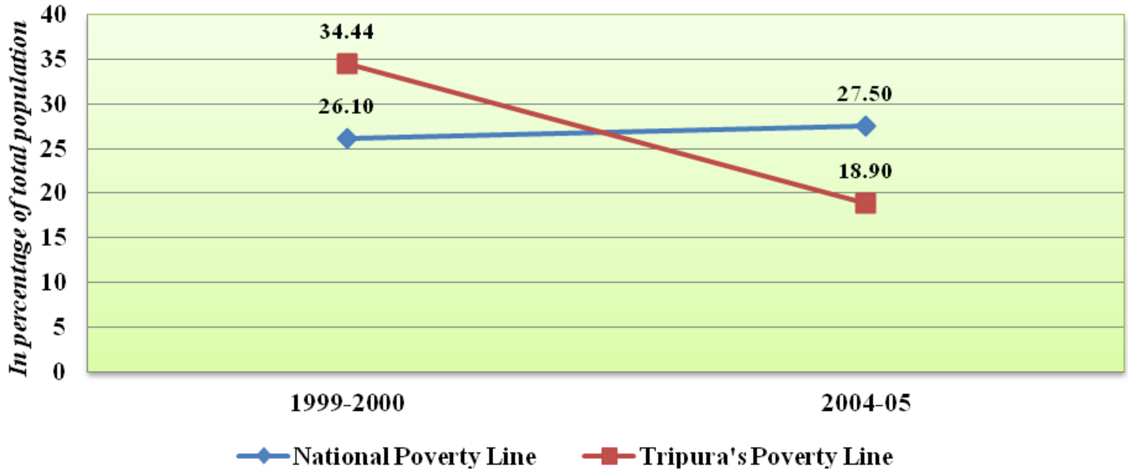


The contribution of primary sector in real term had declined from 25 *per cent* at the beginning of 11th Plan Period to 20 *per cent* in the terminal year. The State had made significant progress in Secondary Sector during 11th Plan Period mainly due to higher investment in construction sub-sector. The share of secondary sector had increased from 24 *per cent* to 29 *per cent* during the 11th Plan Period. The overall performance of the service sector (tertiary) remained quite impressive and steady during the entire period of 11th Plan. The contribution of service sector had remained steady all along the 11th Plan Period at over 51 *per cent*.

(c) Poverty analysis – per capita income, percentage of BPL population

The poverty elimination and employment generation in rural areas through Rural Development Programmes has been a priority area of the Government of Tripura. Prior to 1999-2000, Government of Tripura had not been able to sustain the momentum generated in the rate of poverty reduction, consequent upon which, Tripura suffered a major setback in rural areas, which led to poor quality of life, deprivation, malnutrition, illiteracy and low human development. But gradually after 1999-2000, the poverty in rural areas continued to show a high rate of decline. In 1999-2000, the number of people living below the poverty line was 13.02 lakh which was about 34.44 *per cent* of the then population in the State as against the All India percentage of 26.10. As per the National Sample Survey (NSS) report on States and All India poverty lines for 2004-05, Tripura registered 6.38 lakh people living below the poverty line which was 18.90 *per cent* of the total population of the State as against the All India percentage of 27.50. One of the major reasons behind such sharp decline may be attributed to decline in inequality in income distribution in both rural and urban areas of the State.

Chart 1.14



In rural areas of the State, MGNREGS had been successfully implemented for reducing the rural poverty. The State as a whole provided employment to almost all job card holders (99.63 to 99.94 *per cent*) who demanded for employment and 4.24 lakh to 5.67 lakh rural households were provided employment thereby generating 29.99 lakh mandays, which in turn had contributed much in achieving a healthy per capita income of the State. During 2011-12, the per capita income of the State stood at ₹ 50,334.37[17] which grew by 14.18 *per cent* over the previous year.

Another important key parameter towards assessing a healthy socio-economic status is Human Development Index (HDI), which is a composite index consisting of consumption expenditure (as a proxy for income), education and health. The Tripura Human Development Index, 2007 gives valuable information on the overall position of health, education and income of the State. It provides a valuable input in planning for the development of the Scheduled Tribes, Scheduled Castes, Religious Minorities and other disadvantaged segments of the society and bringing an all round development of the State in coming years.

As per HDI, 2011 NE States had done remarkably well in human development outcomes to rank 6th position in the All India level with HDI at 0.57, where Tripura's contribution to the NE HDI was 0.59 which was higher than the All India HDI by 0.12 points.

Education: Literacy rate, female literacy

Spread of literacy and education is a basic issue associated with today's civilisation, be it population control, health, hygiene, empowerment of women and weaker sections of society as well as modernisation, industrialisation, communication and trade and commerce. Since the

[17] NSDP of Tripura during 2011-12: ₹ 18,477.91 crore ÷ Population of Tripura as per 2011 census: 36,71,032 = ₹ 50,334.37 (Source: Directorate of Economic & Statistics).

education has the vital importance in the economic development as well as creation of sustainable human capital, it is, therefore, considered that literacy and education are the reasonable good indicators for ensuing the level of development in a society including construction of the HDI for the State at disaggregated level.

Literacy being an important and key indicator towards maintaining a healthy socio-economic status, Tripura had been witnessing an upward trend at 87.50 *per cent* against all India rate of 74.64 *per cent* as per 2011 population census, of which male literacy stood at 92.18 *per cent* while female literacy was at 83.15 *per cent*. As per 2001 census, the literacy rate in Tripura was 73.19 *per cent* of which male and female were 82.42 *per cent* and 64.33 *per cent* respectively.

The priority of education sector is to universalise elementary education and in order to achieve this, the State was implementing the National Programme of Sarva Shiksha Abhiyan (SSA) to enroll 100 *per cent* children of age group 6-14 years. The financial outlay under SSA for the last five years was as under:

Table 1.32

(Rupees in crore)

Year	Funds released				Expenditure incurred	Unspent balance
	Central	State	DONER/ Others	Total funds available		
2007-08	41.78	2.42	2.41	48.55	43.30	5.25
2008-09	64.64	9.41	-	79.30	70.33	8.97
2009-10	74.73	9.70	-	93.40	84.04	9.36
2010-11	171.21	12.88	4.00	197.45	194.73	2.72
2011-12	174.94	103.77	-	278.71	242.64	36.07

Source: Departmental figures.

Health indicators: Infant Mortality Rate – Maternal Mortality Rate

Health is defined as a state of complete physical, mental and social well being, and not merely the absence of disease or infirmity. Good health is a key factor for an individual in leading an economically meaningful life. The well being of a State depends to a large extent on sound health of its people and it is one of the primary functions of the Government to provide good health care facilities to its citizens.

The sole objective of the Health and Family Welfare sector in Tripura is “health for all” with reference to the poor and backward people and in such pursuit the chief target set by the State was to improve maternal and child health and in particular to reduce maternal and infant mortality. To achieve this target, the Family Welfare, Reproductive and Child Health Programme had been implemented in the State. Besides, NRHM in conjugation with the Health Department had also given the health services in the State a major boost. As a result of concerted efforts made by the State Government, there was a visible improvement in the health status of the people of Tripura, which is evident from the table below:

Table 1.33

	All India	Tripura
Birth Rate	22.1/1000	14.9/1000
Death Rate	7.2/1000	5.0/1000
Natural Growth Rate	14.9/1000	9.9/1000
Infant Mortality Rate	47/1000	27/1000
Total Fertility Rate	2.7	2.2

From the above, it is distinctly evident that the State Government had been able to deliver best possible health care services to the people especially the primary health care services.

1.12 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 TFC award period i.e. 2005-10 (in 2009-10, the State had witnessed primary deficit) and also in 2010-11 (the first year of the XIII FC period). During the current year, there was a considerable improvement in revenue surplus and primary surplus, and the State had managed to achieve fiscal surplus which was running in deficit.

Revenue Receipts

During 2011-12, 83 *per cent* of the total revenue was from the Government of India as State share of central taxes (20 *per cent*) and Grants-in-aid (63 *per cent*). The Own Tax Revenue of the State constituted 13 *per cent* of the total revenue receipts. The OTR during 2011-12 remained above the normative assessment (by 30 *per cent*) made by the Thirteenth Finance Commission (XIII FC) for the State and had also remained above (by 27 *per cent*) the State's own projections. The non-tax revenue constituted 4 *per cent* of the total revenue receipts which was higher than the projections made both by the XIII FC (by 52 *per cent*) and the State (by 66 *per cent*).

The tax compliance efforts appeared to have been enforced by the State Government as all the deficits had turned into surplus during the current year. The Government should maintain the same momentum to ensure 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 which would also increase the total receipts of the State.

Expenditure of the State Government

During 2011-12, the Revenue expenditure stood at ₹ 4,809.23 crore (77 *per cent* of the total expenditure) and grew by ₹ 449.75 crore over the previous year. In spite of the fact that capital expenditure during 2011-12 increased by ₹ 338.93 crore over the previous year, 39 projects on which an expenditure of ₹ 249.37 crore had been expended were still incomplete.

During 2011-12, the development expenditure (₹ 3,907.31 crore) increased by ₹ 628.63 crore over the previous year but was much below the Budget Estimate (₹ 4,356.57 crore) for 2011-12. The relative share of the revenue development expenditure was 43 *per cent* of the total expenditure while the share in respect of capital development expenditure was only 20 *per cent*. The expenditure pattern of the State, thus, revealed that as always there was an increasing pressure on revenue expenditure whereas in respect of capital expenditure during 2011-12, the percentage increase was only nominal.

The expenditure on non-plan salary component during 2011-12 was also significantly higher by ₹ 347.75 crore (around 23 *per cent*) than the assessment made by the XIII FC for the State (₹ 1,528.20 crore).

The high proportion of salaries to total revenue expenditure much beyond the assessment of the XIII FC may impact on the State's financial health as the State's own resources are meagre.

Fiscal Correction Path

During 2011-12, the State had witnessed a significant growth in revenue surplus which stood at ₹ 1,667.67 crore and the fiscal deficit turned into fiscal surplus during 2011-12, which stood at ₹ 258.62 crore. The State, however could not achieve the fiscal surplus target of 3.0 *per cent* of GSDP as prescribed in the TFRBM Act, 2005 for the year 2011-12, which stood at 1.31 *per cent* of GSDP.

Keeping in view the recommendations of the Thirteenth Finance Commission, the State should continue to maintain fiscal surplus in order to achieve the targets as fixed in the FRBM in the ensuing years.

Fiscal liabilities

The percentage of fiscal liabilities to GSDP during 2011-12 was 34.84, which was fractionally higher than the projection in the Fiscal Indicator (34.68 *per cent*) in the Medium Term Fiscal Policy Statement (MTFPS), but was less than the projection (44.90 *per cent*) made in the TFRBM Act. During 2011-12, interest receipts as percentage of outstanding loans and advances was 0.96 whereas interest paid by the Government as percentage to outstanding liabilities was 7.18.

Investment and Returns

Investment of Government money in Government Companies and Statutory Corporations are increasing year after year, but a meagre return of ₹ 25.95 crore from this investment had been received by the Government during 2011-12. Against the average rate of interest on Government borrowings of 8.41 *per cent*, the return on investment was only 2.71 *per cent* during 2011-12.

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 analyse whether it is justified to invest high cost borrowings in these Companies.