

CHAPTER I
FINANCES OF THE STATE GOVERNMENT

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Profile of the State

Manipur is located in the north-eastern part of India. The total geographical area of the State is 22,327 sq. km. comprising the central valley and the hills surrounding the valley. There are 16 districts in the State, of which six are in the valley and ten districts are located in the hills. As per Census of 2011, the State's population increased from 22.94 lakh in 2001 to 28.56 lakh in 2011. Out of the total population, 29.21 *per cent* people (8.34 lakh) live in urban areas and the remaining 70.79 *per cent* (20.22 lakh) in rural areas. The density of population is 128 persons per sq. km. The State's literacy rate has increased from 66.61 *per cent* (as per 2001 census) to 76.94 *per cent* in 2011. Other related details are given in **Appendix 1.1 (Part D)**. Manipur is categorised as Special Category State (SCS) and 90 *per cent* of plan assistance is given by the centre as grants and 10 *per cent* as loans against 70:30 for general category states. The primary source of Revenue Receipts of the State is the Central Government which contributed between 90 *per cent* to 92 *per cent* of the Total revenue of the State in the form of State's share of Union taxes and duties and Grants-in-Aid (GIA) during 2012-17.

About this Chapter

This chapter provides a broad perspective of the finances of the Government of Manipur during 2016-17 and analysis of critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years (2012-17). The details of structure, form of Government accounts, layout of Finance Accounts, methodology adopted for assessment of fiscal position, profile of the State *etc.* are given in **Appendix 1.1 (Part C)**.

1.1 Introduction

1.1.1 Gross State Domestic Product

Gross State Domestic Product (GSDP) is market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy. The trends in the annual growth at current prices of the State's GSDP are indicated in the following table:

Table 1.1: GSDP of the State, All India GDP and the rate of growth during 2012-17

Year	2012-13	2013-14	2014-15	2015-16	2016-17
All India GDP	99,44,013	1,12,33,522	1,24,45,128	1,36,82,035 (A)	1,51,83,709 (P)
Growth rate of GDP (<i>per cent</i>)	13.82	12.97	10.79	9.94	10.98
State's GSDP ¹	13,748	16,198	17,975	20,431(A)	23,325 (P)
Growth rate of GSDP (<i>per cent</i>)	6.45	17.82	10.97	13.67	14.16

A – Advance estimates, P – Provisional estimates

(Source: Central Statistics Office and Department of Economics and Statistics, Government of Manipur)

GSDP of the State grew at the rate of 14.16 *per cent* (₹ 2894 crore) at current price during 2016-17 against a growth of 13.67 *per cent* (₹ 2456 crore) during 2015-16.

1.1.2 Summary of fiscal transactions

The following table presents the summary of the State Government's fiscal transactions during the current year (2016-17) *vis-à-vis* the previous year (2015-16), while **Appendix 1.2** provides details of receipts and disbursements as well as the overall fiscal position during 2016-17.

¹ At current price with base year 2012-13

Table 1.2: Summary of Fiscal Operations

(*₹ in crore*)

Receipts	2015-16	2016-17	Disbursements	2015-16	2016-17		
Section-A: Revenue					Non Plan	Plan	Total
Revenue Receipts	8280.10	9129.12	Revenue Expenditure	7382.57	5650.44	2534.32	8184.76
Tax revenue	550.44	586.67	General services	2950.80	3410.00	11.18	3421.18
Non-tax revenue	149.48	164.80	Social services	1973.60	1201.47	855.29	2056.76
Share of Union Taxes/ duties	3142.42	3757.13	Economic services	2110.12	778.31	1564.65	2342.97
Grants-in-Aid from the Government of India	4437.76	4620.52	Grants-in-Aid and Contributions	348.05	260.67	103.18	363.85
Section-B: Capital							
Miscellaneous Capital Receipts	-	-	Capital Expenditure	1237.87	0.01	1493.56	1493.57
Recoveries of Loans and Advances	1.02	1.15	Loans and Advances disbursed	1.60	0.25	-	0.25
Public Debt Receipts ²	925.79	1551.29	Repayment of Public debt	446.08			1144.97
Contingency Fund			Contingency Fund	-			-
Public Account Receipts	2871.65	549.20	Public Account disbursement	2747.02			396.83
Opening Cash Balance	121.77	385.19	Closing Cash Balance	385.19			395.58
Total	12,200.33	11,615.95	Total	12200.33			11,615.95

(Source: Finance Accounts)

The following are the significant changes during 2016-17 over the previous year:

- Revenue Receipts increased by ₹ 849.02 crore (10.25 per cent) over the previous year. The increase was mainly due to increase in Share of Union Taxes/duties (₹ 614.71 crore) and increase in Grants-in-Aid (GIA) from Government of India (GoI) (₹ 182.76 crore).

The increase was mainly due to increase in allocation of GIA under State Plan Schemes (₹ 100.04 crore) and Central Plan Schemes (₹ 77.39 crore).

- Revenue Expenditure increased by ₹ 802.19 crore (10.87 per cent) over the previous year. There was increase in General services (₹ 470.38 crore), Economic services (₹ 232.85 crore) and Social services (₹ 83.16 crore), GIA (₹ 15.80 crore). Capital Expenditure increased by 20.66 per cent (₹ 255.70 crore) over the previous year.

² Under Internal debt receipts/repayment only the Net transactions under Ways and Means Advances is taken

The increase was mainly due to increase in Pensions and Other Retirement benefits (₹ 163.43 crore), Police (₹ 154.74 crore), Power (₹ 122.27 crore), Capital outlay on Roads and Bridges (₹ 211.06 crore) and Capital outlay on Major Irrigation (₹ 137.10 crore).

- Public Debt Receipts increased significantly by 67.56 per cent (₹ 625.50 crore) over the previous year. There was also significant increase in Repayment of Public debt by 156.67 per cent (₹ 698.89 crore) over the previous year.
- Both Public Account Receipts and Public Account disbursement decreased by 80.88 per cent (₹ 2322.45 crore) and 85.55 per cent (₹ 2350.19 crore) respectively over the previous year.

The decrease in receipts was mainly due to decrease in Suspense Accounts (₹ 2745.35 crore) partially offset by increase in Remittances (₹ 447.08 crore). The decrease in disbursement was mainly due to decrease in Suspense Accounts (₹ 2742.86 crore).

- The total inflow of Revenue Receipts was ₹ 11615.95 crore during 2016-17 against ₹ 12200.33 crore in 2015-16. There was closing cash balance of ₹ 395.58 crore at the end of 2016-17 as compared to cash balance of ₹ 385.19 crore at the end of the previous year (2015-16).

1.1.3 Review of the fiscal situation

The State Government enacted the Manipur Fiscal Responsibility and Budget Management (FRBM) Act in August 2005 to ensure prudence in fiscal management and fiscal stability by achieving sufficient Revenue surplus, reduction in Fiscal deficit, prudent debt management consistent with fiscal sustainability, and greater transparency in fiscal operations of the Government. As per Manipur FRBM Rules 2005 (enacted in December 2005 and amendments thereafter) framed under the Act, various fiscal targets of Revenue surplus and Fiscal deficit *etc.* were set. The targets under the Act and the Rules are given in **Appendix-1.1 (Part E)**. Yearly targets are also set in the Medium Term Fiscal Policy Statements (MTFPS) placed in the State Legislative Assembly. During 2016-17, targets of Revenue surplus, Fiscal deficit-GSDP ratio, *etc.* was set in the MTFPS.

The targets for major fiscal variables provided in the FRBM Act and Rules there under, and in the recommendations of MTFPS of the State is depicted in the following table:

Table 1.3: Trends in Major fiscal parameters/variables vis-à-vis targets for the year 2016-17

Fiscal variables	Targets		
	FRBM Act	MTFPS	Actuals
Revenue deficit (-)/ surplus (+)	Maintain Revenue surplus	920.21	944.36
Fiscal deficit/GSDP (in per cent)	Below 3 per cent	3.46	2.35
State's outstanding guarantees ³	The total outstanding guarantees as on first of April of any year shall not exceed thrice the State's Own Tax Revenue Receipts of the second preceding year i.e. ₹ 1550.49 crore ⁴	Not specified	269.96
Salary expenditure (including Wages)	35 per cent of Revenue Expenditure net Interest Payments and Pension i.e. ₹ 2263.57 crore ⁵	3191.84	2982.83
Total Outstanding Debt ⁶ /GSDP (in per cent)	Reduce Outstanding Debt to a maximum of 54.30 per cent of GSDP	39.41	35.56

(Source: FRBM Act, MTFPS and Finance Accounts)

The State could maintain Revenue surplus (₹ 944.36 crore) as envisaged in the FRBM Act which was also more than the projection made in the MTFPS (₹ 920.21 crore). The Fiscal deficit-GSDP ratio (2.35 per cent) was kept below the targets of FRBM Act (3 per cent) and MTFPS (3.46 per cent).

The target of limiting State's outstanding guarantee as set out in the FRBM Act (₹ 1550.49 crore) was fully achieved as the outstanding guarantee was restricted at ₹ 269.96 crore. While Salary⁷ expenditure (₹ 3095.51 crore) was lower than the target provided by MTFPS (₹ 3191.84 crore) it exceeded the projection made in the FRBM Act (₹ 2263.57 crore) by ₹ 719.26 crore

Total Outstanding Debt-GSDP ratio (35.56 per cent) was also kept within the targets of FRBM Act (54.30 per cent) and of MTFPS (39.41 per cent).

The Fourteenth Finance Commission (XIV FC) recommended limiting Fiscal deficit-GSDP ratio at 3 per cent⁸. Against this, the Fiscal deficit-GSDP ratio in 2016-17 was 2.35 per cent.

Off-budget borrowings

The State Government has not reported (October 2017) any off-budget borrowings during 2016-17.

³ Closing balance of outstanding guarantees at the end of the year 2016-17 i.e. as on March 2017 is taken here.

⁴ ₹ 516.83 crore (in 2014-15) x 3

⁵ 35 per cent of (₹ 8184.76 crore - ₹ 543.75 crore - ₹ 1173.67 crore)

⁶ Including Debt under Public Accounts i.e. Small Savings etc, & Deposits

⁷ Including Wages

⁸ A state can have a maximum fiscal deficit-GSDP limit of 3.5 per cent on fulfilling certain criteria

1.1.4 Budget estimates and actual

The budget papers presented by the State Government provide descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the Budget estimates are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, some within the control of the Government and some beyond the control of the Government. The following table and chart present the consolidated picture of Budget estimates and Actuals of the State Finances during 2016-17.

Table 1.4: Statement showing Budget estimates and Actuals

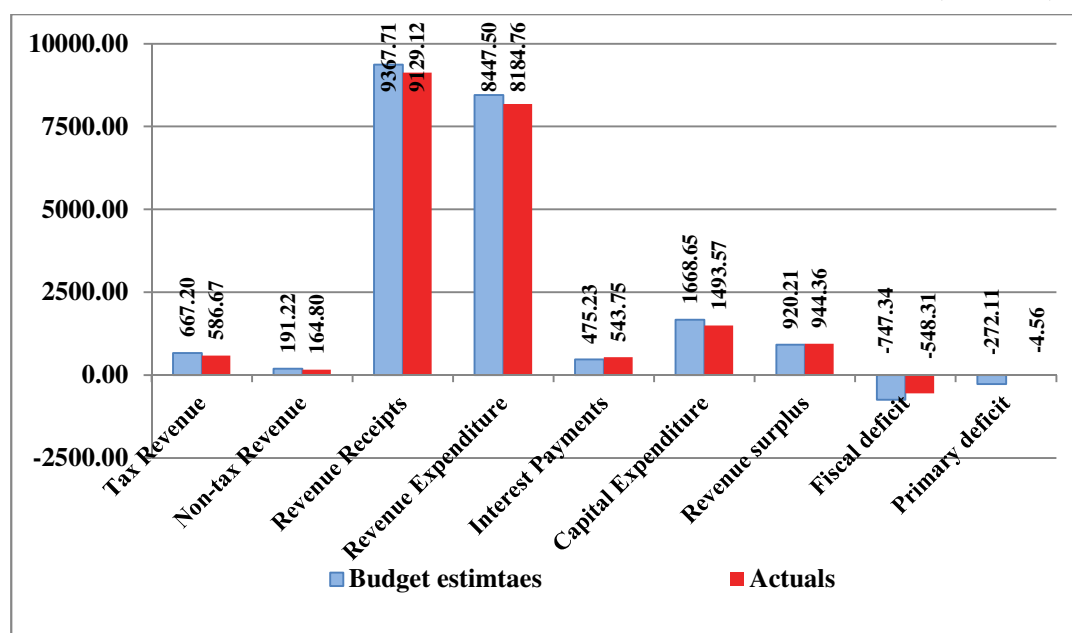
(₹ in crore)

Particulars	Budget estimates (BE)	Revised estimates (RE)	Actual	Percentage of increase (+) / decrease(-) w.r.t BE
Tax revenue	667.20	547.20	586.67	(-) 12.07
Non-tax revenue	191.22	191.22	164.80	(-) 13.82
Revenue Receipts	9367.71	9950.15	9129.12	(-) 2.55
Revenue Expenditure	8447.50	9601.02	8184.76	(-) 3.11
Interest payment	475.23	493.02	543.75	14.42
Capital Expenditure	1668.65	2419.98	1493.57	(-) 10.49
Disbursement of Loans and Advances	2.70	1.45	0.25	(-) 90.74
Revenue surplus	920.21	349.13	944.36	2.62
Fiscal deficit (-)/ surplus (+)	(-)747.34	(-)2068.50	(-) 548.31	26.63
Primary deficit (-)/surplus (+)	(-)272.11	(-)1575.48	(-) 4.56	98.32
Recoveries of Loans and Advances	3.80	3.80	1.15	(-) 69.74

(Source: Budget documents and Finance Accounts)

Chart 1.1: Selected fiscal parameters, Budget estimates vis-à-vis Actuals

(₹ in crore)



(Source: Budget documents and Finance Accounts)

It can also be seen from the preceding table that there was a variation between Budget estimates (BE) and Actuals for Tax Revenue (TR) collection by 12.07 *per cent* (₹ 80.53 crore). In case of Non-Tax Revenue (NTR), the projection of BE and Actuals varied by 13.82 *per cent* (₹ 26.42 crore). Variation under Revenue Receipts and Revenue Expenditure was negligible.

The margin of variation in Interest Payments was 14.42 *per cent* (₹ 68.52 crore) while it was 10.49 *per cent* (₹ 175.08 crore) in case of Capital Expenditure.

The variation between BE and Actuals in Revenue surplus was 2.62 *per cent* (₹ 24.15 crore), in Fiscal deficit 26.63 *per cent* (₹ 199.03 crore) and in Primary deficit 98.32 *per cent* (₹ 267.55 crore). Thus, the budgetary projection was unrealistic in case of Primary deficit, as there was huge variation.

1.1.5 Major policy initiatives in the budget

The Chief Minister⁹ (CM), Government of Manipur while introducing the Budget speech, highlighted the serious challenges the State was facing on the fiscal management front. In view of the existing difficult financial position of the State, steps were initiated to revisit rates of various tax revenues and cuts on unproductive expenditure were proposed. The State continued with Revenue surplus in 2016-17, Fiscal deficit-GSDP ratio was confined at 2.35 *per cent* and Fiscal liabilities-GSDP ratio was 37.76 *per cent*.

Against budgeted¹⁰ Revenue Expenditure of ₹ 8538.43 crore, the actual Revenue Expenditure was ₹ 8184.76 crore. Capital Expenditure was estimated at ₹ 1979.62 crore. Against this the Capital Expenditure was only ₹ 1493.57 crore.

To curb unproductive expenditure, Non-Plan Revenue Expenditure (NPRE) was projected at ₹ 5637.28 crore, which was inclusive of expenditure on account of Salary of ₹ 2838 crore, Pension of ₹ 1091.15 crore. Against this the Non-plan Salary (including Wages) was ₹ 2737.95 crore. However, the actual NPRE of ₹ 5650.45 crore, Pension expenditure of ₹ 1173.67 crore exceeded the Budget provision.

1.2 Resources of the State

1.2.1 Resources of the State as per the Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the main resources of the State Government. Revenue Receipts consists of Tax revenues, Non-tax revenues, State's share of Union Taxes and Duties and GIA from GoI. Capital Receipts comprise of miscellaneous Capital Receipts such

⁹ Holding the charge of Finance Department

¹⁰ In budget speech, the gross amount was mentioned.

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. Besides the funds available in the Public Accounts after disbursement is also utilised by the State Government to finance its deficit. **Table 1.2** presents the receipts and disbursements of the State during the current year (2016-17) as recorded in the Finance Accounts of the State Government.

The components and major sub-components of revenue in the year 2016-17 are shown in **Chart 1.2** as a flow diagram. **Chart 1.3** depicts the trends in various components of the receipts of the State during 2012-17. **Chart 1.4** depicts the composition of resources of the State during 2016-17.

Chart 1.2: Components and Major sub-components of Revenue during 2016-17

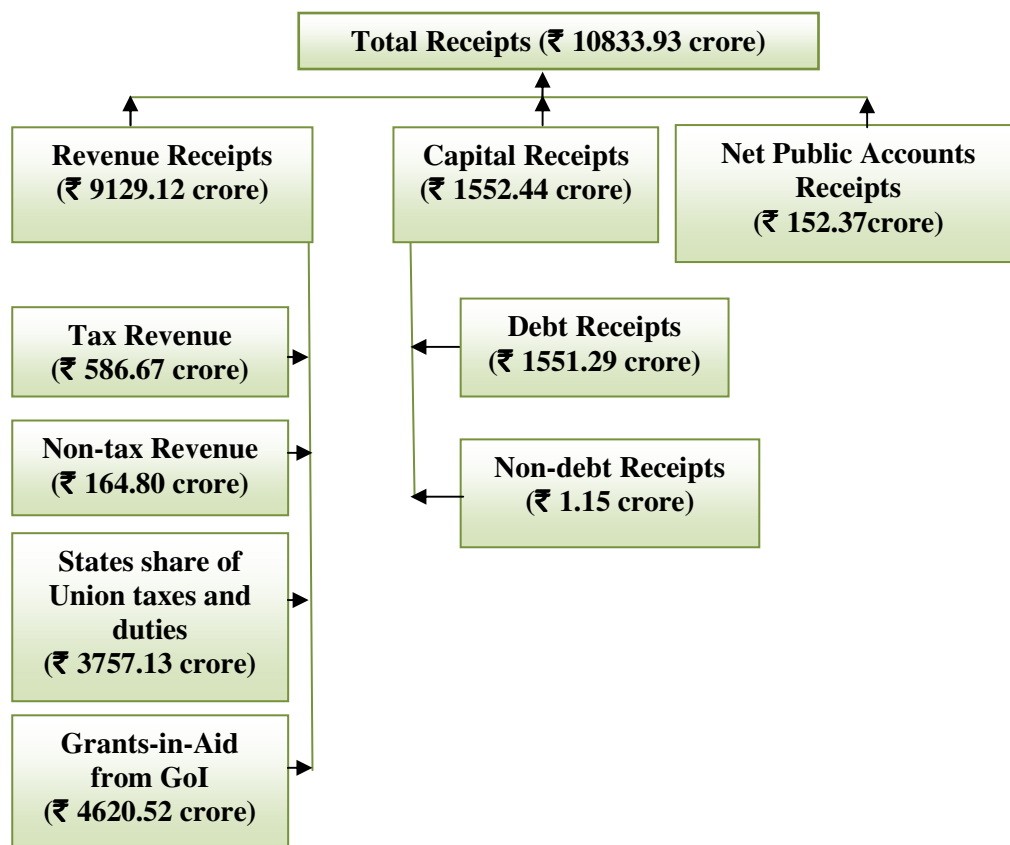


Chart 1.3: Trends in Receipts

(₹ in crore)

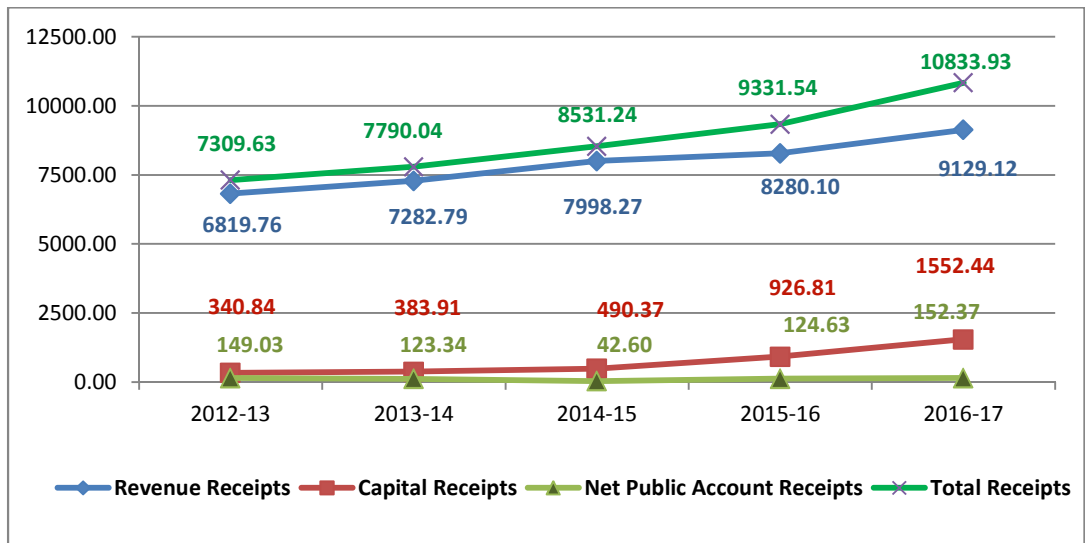
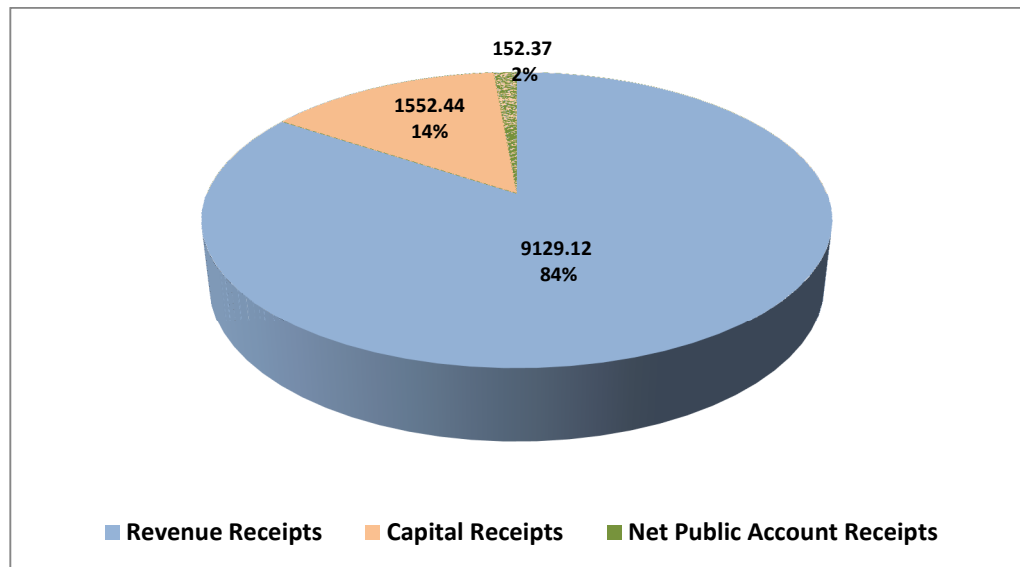


Chart 1.4: Composition of Receipts during 2016-17

(₹ in crore)



Total Receipts of the State increased by ₹ 3524.30 crore from ₹ 7309.63 crore in 2012-13 to ₹ 10,833.93 crore in 2016-17. The increase in Total Receipts over 2012-13 was mainly due to increase in Revenue Receipts (₹ 2309.36 crore). Net Public Accounts Receipts increased from ₹ 149.03 crore in 2012-13 to ₹ 152.37 crore in 2016-17. Public Debt Receipts, which comprised the major portion of Capital Receipts increased from ₹ 340.25 crore in 2012-13 to ₹ 1551.29 crore in 2016-17.

1.2.2 Funds directly transferred to State Implementing Agencies

As per Government of India (GoI) decision all assistance to Centrally Sponsored Scheme and Additional Central Assistance under various schemes would be released directly to the State Government and not to the State Implementing Agencies¹¹ and hence these funds would be routed through the State budget from the year 2015-16 onwards.

As per records of Public Financial Management System (PFMS) portal of the Controller General of Accounts, GoI has been transferring funds directly to the Implementing Agencies for implementation of various critical schemes/programmes in Social and Economic services. In the present mechanism, these funds are not routed through the State Budget/State Treasury system and hence do not find mention in the Finance Accounts of the State. As such, the Annual Finance Accounts of the State does not include the quantum of receipts and expenditure of this category.

During the year 2016-17, Central funds of ₹ 330.54 crore were transferred directly to the State Implementing Agencies. The programmes assisted by GoI where funds were transferred are presented in **Appendix 1.3**. Amounts released for implementations of some major programmes/schemes are detailed in the following table:

Table 1.5: Funds transferred directly to State Implementing Agencies

(₹ in crore)

Sl. No.	Programme/Scheme	Implementing Agency	Funds transferred directly by the GoI during 2016-17
1	North Eastern Council	Manipur Tribal Development Corporation Limited	40.25
2	Food Subsidy	Directorate of Consumer Affairs, Food & Public Distribution	39.52
3	Swadesh Darshan – Integrated Development of Theme Based Tourism Circuits	Tourism Corporation of Manipur Limited	37.66
4	National AIDS and STD Control Programme (NACO)	Manipur State AIDS Control Society	27.19
5	Grid Interactive Renewable Power MNRE	Manipur Renewable Energy Development Agency (MANIREDA)	12.53
6	Infrastructure Development Programme	Department of Commerce & Industries, Government of Manipur	11.83
Total			168.98

(Source: Finance Accounts)

¹¹ State Implementing Agencies include any organization/institution including Non-Governmental organizations, which are authorized by the State Government to receive funds from the Government of India for implementing specific programmes in the State.

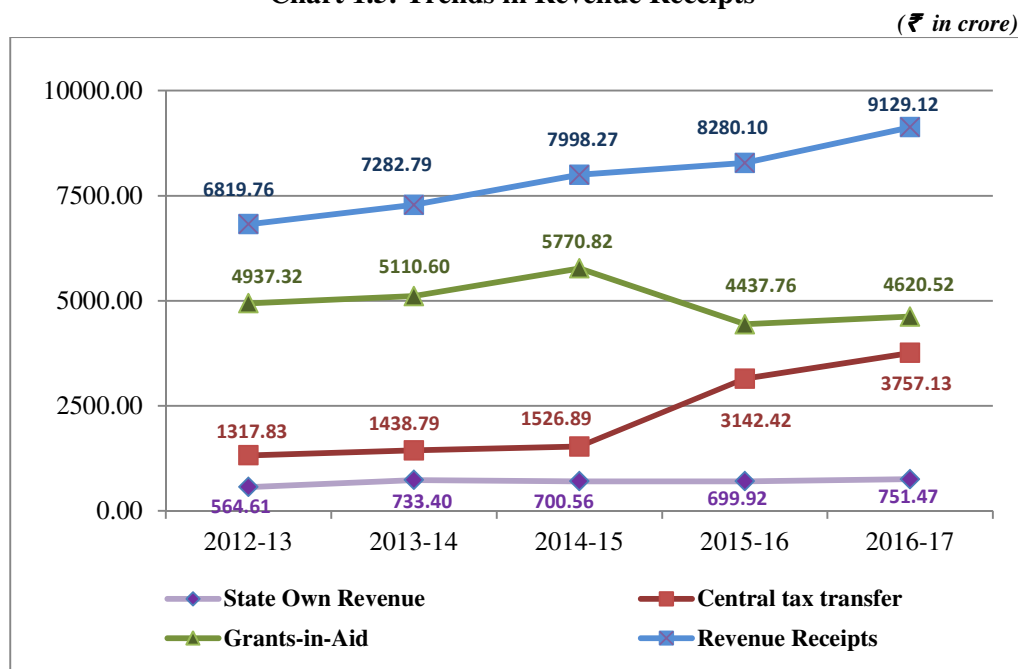
The six schemes/programmes as shown above constituted 51 *per cent* of the total funds of ₹ 330.54 crore directly transferred to the State Implementing Agencies. An amount of ₹ 40.25 crore (12 *per cent* of the total funds of ₹ 330.54 crore directly transferred) was for North Eastern Council schemes and ₹ 39.52 crore (about 12 *per cent*) for Food Subsidy.

As compared to ₹ 124.75 crore transferred directly in 2015-16, ₹ 330.54 crore was transferred directly in 2016-17, which was ₹ 205.79 crore more than the previous year. As there is no central monitoring mechanism for utilisation of funds under this category, reliable data on quantum of expenditure is not readily available to Audit.

1.3 Revenue Receipts

The Revenue Receipts of the State Government consist of the State's Own Tax revenue and Non-tax revenues, Central tax transfers and GIA from the GoI. The trends and composition of Revenue Receipts over the period 2012-17 are presented in **Appendix 1.4** and are also depicted in the following chart:

Chart 1.5: Trends in Revenue Receipts



During 2012-13 and 2016-17, Revenue Receipts increased by ₹ 2309.36 crore. During these years (2012-17), Central share of Union taxes and duties maintained an increasing trend. Both State's Own revenue and GIA presented a fluctuating trend.

As compared to previous year (2015-16), Revenue Receipts increased by 10.25 *per cent* (₹ 849.02 crore). The increase was mainly due to Central share of Union taxes and duties (₹ 614.71 crore) and GIA (₹ 182.76 crore).

Contribution of the State's Own revenue to the Revenue Receipts was in the range of 8 *per cent* to 10 *per cent* for the period 2012-17. The State's share of Union taxes and duties and GIA from GoI contributed in the range of 90 *per cent* to 92 *per cent* to the Revenue Receipts during 2012-17 and remained the main contributor to Revenue Receipts of the State.

The trends in Revenue Receipts relative to GSDP are presented in the following table:

Table 1.6: Trends of Revenue Receipts relative to GSDP

(₹ in crore)

	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue Receipts (RR)	6819.76	7282.79	7998.27	8280.10	9129.12
Rate of growth of RR (<i>per cent</i>)	20.63	6.79	9.82	3.52	10.25
GSDP	13747.79	16198.43	18042.76	19889.88(A)	23324.95 (P)
Rate of growth of GSDP (<i>per cent</i>)	6.45	17.83	11.39	10.24	14.16
RR/GSDP (<i>per cent</i>)	49.61	44.96	44.33	41.63	39.14
Buoyancy Ratios ¹²					
Revenue Buoyancy w.r.t GSDP	3.20	0.38	0.90	0.26	0.72
State's Own Tax Buoyancy w.r.t GSDP	(-) 2.62	1.68	(-) 0.41	(-) 0.01	0.52
Revenue Buoyancy with reference to State's Own Tax	(-) 1.22	0.23	(-) 2.19	(-) 39.11	1.39

A – Advance estimates & P – Provisional estimates

(Source: Finance Accounts)

In 2016-17, Revenue Receipts grew by 10.25 *per cent* as compared to 3.52 *per cent* in 2015-16, which was mainly due to increase in Central share of Union taxes and duties (₹ 614.71 crore).

In the year 2012-17, the GSDP growth rate was in the range of 6.45 *per cent* to 17.82 *per cent* while the growth rate of Revenue Receipts was in the range of 3.52 *per cent* to 20.63 *per cent*.

1.3.1 State's Own Resources

As the State's share in Central taxes and GIA is determined on the basis of recommendations of the Finance Commission (FC), the State's performance in mobilisation of resources was assessed in terms of its own resources comprising Own Tax and Non-tax sources.

The State's Own Tax and Non-tax Receipts during 2012-13 to 2016-17 *vis-a-vis* assessment made by the XIII FC/XIV FC, Budget and MTFPS are shown in the following table:

¹² 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, revenue buoyancy of 0.6 implies that revenue receipts tend to increase by 0.6 percentage points if the GSDP increases by one *per cent*.

Table 1.7: Own Tax revenue and Own Non-tax revenue vis-à-vis targets*(₹ in crore)*

Particular	2012-13	2013-14	2014-15	2015-16	2016-17
Own Tax Revenue					
XIII/ XIV FC projections	287.47	326.27	370.16	689.00	824.00
Budget estimates	325.51	491.87	620.83	671.15	667.20
MTFPS projection	325.51	491.87	620.83	671.15	667.20
Actual	332.83	472.73	516.83	550.44	586.67
Own Non-Tax Revenue					
XIII/ XIV FC projections	211.76	231.38	252.27	175.00	190.00
Budget estimates	385.84	429.77	284.06	219.42	191.22
MTFPS projection	385.84	429.77	284.06	219.42	191.22
Actual	231.78	260.67	183.73	149.48	164.80

XIII FC from 2011-12 to 2014-15 & XIV FC for the year 2015-16 and 2016-17

(Source: Budget documents, XIII/XIV FC Report, MTFPS and Finance Accounts)

During 2012-13 to 2014-15, Own Tax revenue was more than the assessment of the XIII FC, but in 2015-16 and 2016-17, it was less than the assessment of XIV FC. As compared to Budget estimates and MTFPS, the Actual was more than the assessment during 2012-13 but it was less in other years.

Non-Tax Revenue was more than the assessment of the XIII FC during 2012-13 and 2013-14, but from 2014-15 it was less than the assessment of the XIII/XIV FC recommendations. As compared to Budget estimates & MTFPS, it was less than the assessment during 2012-13 to 2016-17.

As can be seen from the above table, both Own Tax revenue and Non-tax revenue could not achieve the targets/assessment of XIV FC, Budget estimates and MTFPS during 2016-17.

The State Government should take adequate measures to increase own resources of revenue.

1.3.1.1 Tax revenue

The gross collection in respect of major taxes and duties are given in the following table:

Table 1.8: Components of State's own resources

(₹ in crore)

Revenue Head	2012-13	2013-14	2014-15	2015-16	2016-17	% increase over previous year
Taxes on sales, trades etc.	258.52	395.74	433.33	466.51	499.65	7.10
State excise	9.94	9.20	9.32	8.78	9.32	6.15
Taxes on vehicles	15.83	18.73	20.77	23.29	25.04	7.51
Stamp duty and Registration fees	5.98	7.90	7.76	10.45	10.03	(-) 4.02
Land revenue	1.24	1.12	1.42	2.59	1.91	(-) 26.25
Taxes on goods and passengers	1.43	1.24	1.20	1.02	1.00	(-) 1.96
Other taxes ¹³	39.89	38.80	43.03	37.80	39.72	5.11
Total	332.83	472.73	516.83	550.44	586.67	6.58

(Source: Finance Accounts)

During the year 2016-17, the collection of State's Own Tax was ₹ 586.67 crore. Sales tax (₹ 499.65 crore) was the main contributor to the State's Own Tax revenue and accounted for 85 per cent of the Tax revenue. The Tax revenue during 2016-17 increased by ₹ 36.23 crore (6.58 per cent) over the previous year (2015-16). Other than Sales tax and Taxes on vehicles, revenue collection from other sources was negligible.

1.3.1.2 Non-tax revenue

The trends in Non-tax revenue during 2013-17 is given in the following table:

Table 1.9: Trends of Non-tax revenue during 2012-17

(₹ in crore)

Revenue Head	2012-13	2013-14	2014-15	2015-16	2016-17	% increase over previous year
Interest Receipts	20.66	33.10	30.60	27.43	19.73	(-) 28.07
Miscellaneous General Service	75.29	110.83	132.48	106.09	118.61	11.80
Power	108.30	96.23	0.10	0.01	0.13	1200.00
Others	27.53	20.51	20.55	15.95	26.33	65.08
Total	231.78	260.67	183.73	149.48	164.80	10.25

(Source: Finance Accounts)

As seen from the table, Interest Receipts during 2012-13 to 2016-17 remained in the range between ₹ 19.73 crore to ₹ 33.10 crore. Decrease in Interest Receipts (₹ 7.70 crore) in 2016-17 over the previous year (2015-16) was mainly due to decrease of ₹ 8.25 crore under 'Interest realised on investment of Cash balances' partially offset by increase under 'Other Receipts' of ₹ 39.24 lakh. Collection from Miscellaneous General Service remained the main contributor to Non-tax revenue during 2012-13 to 2016-17.

¹³ Other taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity and agricultural income.

Non-Tax Revenue increased by ₹ 15.32 crore in 2016-2017 over the previous year (2015-16) mainly due to increase in collection of Miscellaneous General Service (₹ 12.52 crore).

Cost of recovery in supply of merit goods and services

The cost of recovery of Non-tax Revenue Receipts (NTR) as a percentage of Non-Plan Revenue Expenditure (NPRE) in supply of merit goods and services of two selected socio-economic services by Government is shown in the following table:

Table 1.10: Cost of recovery of socio-economic services during 2015-17

(₹ in crore)

Name of Services	2015-16			2016-17		
	Non-tax Revenue (NTR) Receipts	Non-Plan Revenue Expenditure (NPRE)	NTR as percentage of NPRE	NTR Receipts	NPRE	NTR as percentage of NPRE
Water Supply and Sanitation	2.27	51.67	4.39	2.42	55.30	4.38
Irrigation	0.79	33.17	2.38	1.75	31.41	5.57

(Source: Finance Accounts)

NTR as a percentage of NPRE under Water Supply and Sanitation remained same at about 4 per cent in 2015-16 and in 2016-17. In case of Irrigation, NTR as a percentage of NPRE increased from 2.38 per cent to 5.57 per cent.

1.3.2 Grants-in-Aid (GIA) from Government of India (GoI)

The details of GIA from GoI during 2012-17 are shown in the following table:

Table 1.11: Grants-in-Aid from Government of India during 2012-17

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Non-Plan Grants	1882.87	1769.87	1899.17	2218.18	2234.72
Grants for State Plan Schemes	2659.00	2588.52	2929.12	1758.39	1858.43
Grants for Central Plan Schemes	36.56	13.64	14.05	83.13	160.52
Grants for Centrally Sponsored Schemes	306.34	652.68	836.14	178.36	184.07
Grants for Special Plan Schemes	52.55	85.89	92.34	199.70	182.78
Total	4937.32	5110.60	5770.82	4437.76	4620.52
Percentage of increase over previous year	29.25	3.51	12.92	(-) 23.10	4.12
Total grants as a percentage of Revenue Receipts	72.40	70.17	72.15	53.60	50.61

(Source: Finance Accounts)

GIA from GoI increased by ₹ 182.76 crore from ₹ 4437.76 crore in 2015-16 to ₹ 4620.52 crore in 2016-17. The increase was mainly due to increase in allocation of State Plan Schemes (₹ 100.04 crore) and Central Plan Schemes (₹ 77.39 crore). As a percentage to Revenue Receipts, GIA was in the range of 50.61 per cent to 72.40 per cent, and thus remained a major contributor to Revenue Receipts of the State during 2012-17.

As per the XIV Finance Commission (FC) recommendation, the State Government received ₹ 2066.00 crore in 2015-16 and ₹ 2096.00 crore in 2016-17 as Post-Devolution Revenue Grant.

This constituted 46.55 *per cent* (2015-16) and 45.36 *per cent* (2016-17) of total GIA received by the State Government in the respective years. This component of the FC grant contributed 43.44 *per cent* (2015-16) and 45.06 *per cent* (2016-17) of the Revenue surplus of the respective years.

1.4 Capital Receipts

The details of Capital Receipts during 2012-13 to 2016-17 are shown in the following table:

Table 1.12: Trends in growth and composition of receipts

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Capital Receipts (CR)	340.84	383.91	490.37	926.81	1552.44
Miscellaneous Capital Receipts	-	-	-	-	-
Recovery of Loans and Advances	0.59	1.23	0.97	1.02	1.15
Public Debt Receipts	340.25	382.68	489.40	925.79	1551.29
Rate of growth of Public Debt Receipts (<i>per cent</i>)	16.00	12.47	27.88	89.17	67.56
Rate of growth of non-debt capital receipts (<i>per cent</i>)	(-) 68.78	108.47	(-) 21.13	5.15	12.75
Rate of growth of CR (<i>per cent</i>)	15.45	12.64	27.73	89.00	67.50
Rate of growth of GSDP	6.45	17.83	11.39	10.24	14.16

(Source: Finance Accounts)

As can be seen from above table, Capital Receipts was almost entirely contributed by Public Debt Receipts. Public Debt Receipts increased by ₹ 625.50 crore (67.56 *per cent*) from ₹ 925.79 crore in 2015-16 to ₹ 1551.29 crore in 2016-17. The main contributors to the increase in Public Debt Receipts were Market borrowings (₹ 630.00 crore¹⁴) and Ways and Means Advance (WMA) from RBI (₹ 805.26¹⁵ crore). During 2016-17, the State Government has raised ₹ 630.00 crore through six instruments at interest rates ranging from 7.09 *per cent* to 8.63 *per cent*.

¹⁴ Against Market Loans, repayment of ₹151.83 crore was made during 2016-17

¹⁵ Repayment of ₹ 887.59 crore against WMA was also made

1.4.1 Recoveries of Loans and Advances

Recovery of Loans and Advances increased to ₹ 1.15 crore in 2016-17 from ₹ 1.02 crore in 2015-16. Recovery was made mostly from Loans to Government Servants (₹ 68.83 lakh) and Co-operatives (₹ 12.88 lakh). At the end of the year, there was a closing outstanding Loan of ₹ 204.19 crore, mostly under Social Security and Welfare Programmes (₹ 128.35 crore), Loans for Village & Small Industries (₹ 22.25 crore) and Loans to Government Servants (₹ 11.04 crore). Outstanding Loans under these Heads constituted 79.16 *per cent* of the total Outstanding Loan. The Government needs to give attention to recover the outstanding Loans and Advances.

1.4.2 Loans and Advances from Government of India (GoI)

The opening balance of the Loans and Advances from GoI to the State was ₹ 395.04 crore as on 1 April 2016. The State received an amount of ₹ 16.04 crore and repaid an amount of ₹ 44.12 crore of the Central Loans during 2016-17. Thus, an amount of ₹ 366.96 crore remained as outstanding Loans and Advances from GoI as on 31 March 2017.

1.5 Public Accounts Receipts

Receipts and Disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances *etc.* which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution of India and are not subject to vote by the State Legislature. Here the Government acts as a banker. The balance after disbursements is the fund available with the Government for use. The details of Net Public Account Receipts are shown in the following table:

Table 1.13: Net Public Account Receipts

	(₹ in crore)				
Resources under various heads	2012-13	2013-14	2014-15	2015-16	2016-17
Small Savings, Provident Fund <i>etc.</i>	138.01	103.12	86.29	60.74	49.54
Reserve Fund	48.08	48.45	64.55	110.71	127.76
Deposits and Advances	(-) 36.74	(-) 14.43	(-) 70.88	116.85	98.82
Suspense Accounts	1.78	1.90	(-) 15.56	(-) 19.13	(-) 21.62
Remittances	(-) 2.10	(-) 15.70	(-) 21.80	(-) 144.54	(-) 102.13
Total	149.03	123.34	42.60	124.63	152.37

(Source: Finance Accounts)

As may be seen from the above table, Net Public Account Receipts increased by ₹ 27.74 crore (22.25 *per cent*) in 2016-17 over the previous year (2015-16). The increase in Net Public Account Receipts was mainly due to increase in Remittances Head from minus ₹ 144.54 crore in 2015-16 to ₹ 102.13 crore in 2016-17 partly offset by decrease of ₹ 18.03 crore under Deposits and Advances Head.

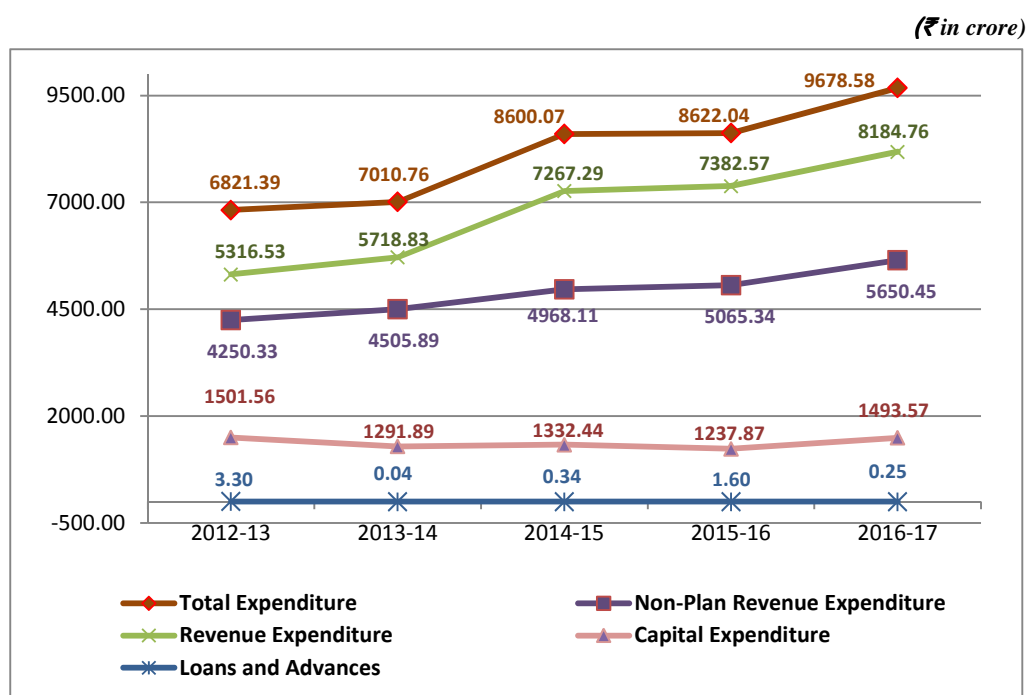
1.6 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with the State Government. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising 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 the expenditure directed towards development of social services.

1.6.1 Growth and Composition of expenditure

Chart 1.6 presents the trends in total expenditure over a period of the last five years (2012-17). The composition of expenditure both in terms of ‘economic classification’ and ‘expenditure by activities’ is depicted respectively in **Charts 1.7 and 1.8**.

Chart 1.6: Trends in various components of Total Expenditure during 2012-17



The total Expenditure of the State increased by ₹ 2857.19 crore (41.89 per cent) from ₹ 6821.39 crore in 2012-13 to ₹ 9678.58 crore in 2016-17. The Revenue Expenditure of the State increased by ₹ 2868.23 crore (53.95 per cent) from ₹ 5316.53 crore in 2012-13 to ₹ 8184.76 crore in 2016-17. Non-Plan Revenue Expenditure increased by ₹ 1400.12 crore (32.94 per cent) from ₹ 4250.33 crore in 2012-13 to ₹ 5650.45 crore in 2016-17. However, Capital Expenditure decreased by ₹ 7.99 crore (0.53 per cent) from ₹ 1501.56 crore in 2012-13 to ₹ 1493.57 crore in 2016-17.

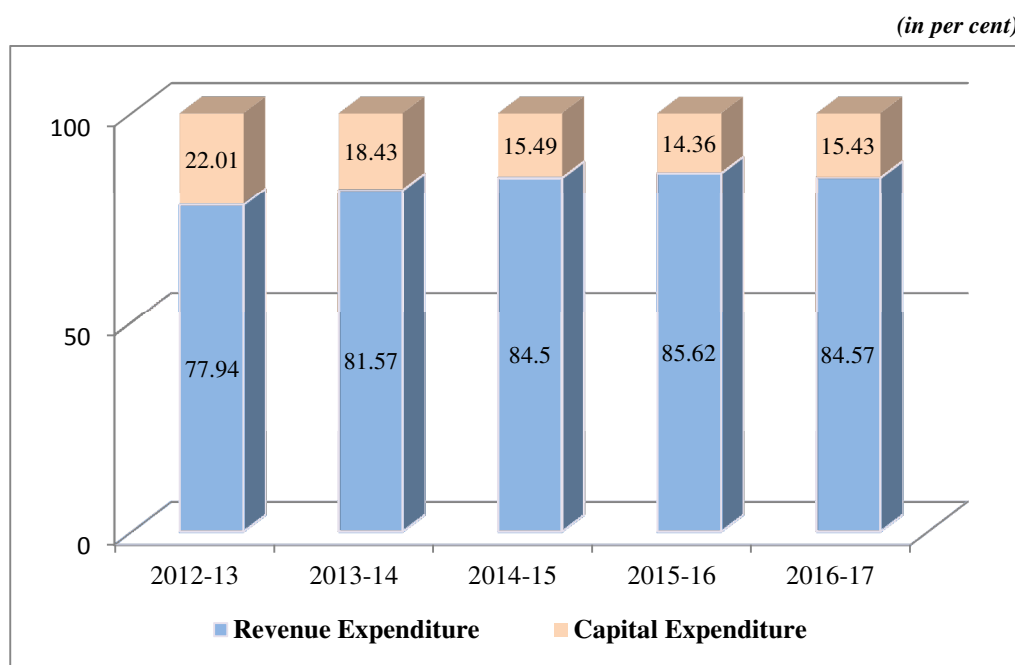
Revenue Expenditure increased by ₹ 802.19 crore in 2016-17 over the previous year (2015-16). The increase was mainly due to increase in Pensions and Other Retirement benefits (₹ 163.43 crore), Police (₹ 154.74 crore), Power (₹ 122.27 crore) and Rural Employment (₹ 105.64 crore). Capital Expenditure increased by ₹ 255.70 crore in 2016-17 over the previous year (2015-16). The increase was mainly due to increase in expenditure under Capital outlay on Roads and Bridges (₹ 211.06 crore) and Capital outlay on Major Irrigation (₹ 137.10 crore) offset by decrease in expenditure under Capital Outlay on North Eastern Areas (₹ 69.27 crore).

Capital Expenditure exhibited a fluctuating trend during 2012-13 to 2016-17. Revenue Expenditure, on the other hand has increased steadily during 2012-17. Revenue Expenditure as a percentage of the Total Expenditure increased from 77.94 per cent in 2012-13 to 84.57 per cent in 2016-17. This shows that a bulk of the Total Expenditure has been increasingly spent on maintenance, salary, etc.

As such, the State Government may give priority to increase Capital Expenditure.

The composition of Revenue Expenditure, Capital Expenditure and Loans and Advances as a percentage of Total Expenditure during 2012-13 to 2016-17 is shown in the following chart:

Chart 1.7: Trends showing share of components of Total Expenditure¹⁶



¹⁶ Percentage of Loans & Advances component was negligible in the Total Expenditure i.e. 0.05 (2012-13), 0.0006 (2013-14), 0.004 (2014-15), 0.0186 (2015-16) and 0.0026 (2016-17)

The details of expenditure in terms of Plan Expenditure and Non-Plan Expenditure are given in the following table:

Table 1.14: Trends in composition of expenditure as Plan and Non-Plan Expenditure

(₹ in crore)

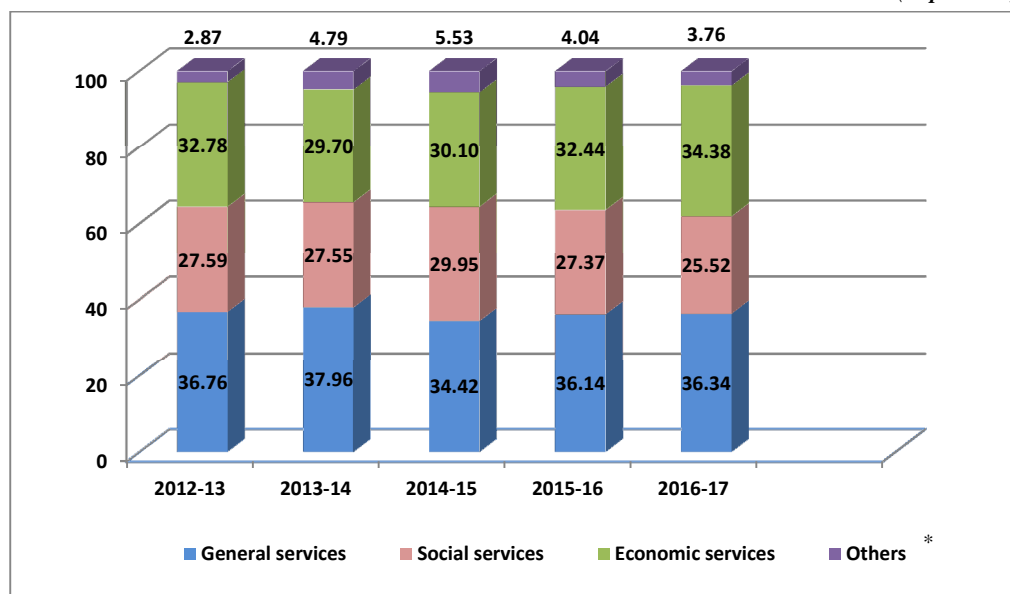
Types of expenditure	2012-13	2013-14	2014-15	2015-16	2016-17
NON-PLAN					
Revenue	4250.33	4505.89	4968.11	5065.34	5650.44
Capital	7.87	(-) 0.01	(-) 0.52	0.01	0.01
Loans and Advances	2.30	0.04	0.34	1.60	0.25
Sub-total *	4260.50 (62)	4505.92 (64)	4967.93 (58)	5066.95 (59)	5650.70 (58)
PLAN					
Revenue	1066.20	1212.94	2299.18	2317.23	2534.32
Capital	1493.69	1291.90	1332.96	1237.86	1493.56
Loans and Advances	1.00	-	-	-	-
Sub-total *	2560.89 (38)	2504.84 (36)	3632.14 (42)	3555.09 (41)	4027.88 (42)
Total (Non-Plan & Plan)					
Revenue	5316.53	5718.83	7267.29	7382.57	8184.76
Capital	1501.56	1291.89	1332.44	1237.87	1493.57
Loans and Advances	3.30	0.04	0.34	1.60	0.25
Total Expenditure	6821.39	7010.76	8600.07	8622.04	9678.58

*Figures in bracket represent percentage with respect to the Total Expenditure

(Source: Finance Accounts)

The table above shows that Non-Plan Expenditure as a percentage of Total Expenditure increased from 62 per cent in 2012-13 to 64 per cent in 2013-14 and then reduced to 58 per cent in 2016-17. Correspondingly, Plan Expenditure as a percentage of Total Expenditure decreased from 38 per cent in 2012-13 to 36 per cent in 2013-14 and then increased to 42 per cent in 2016-17. Thus, the increasing trend of Non-Plan Expenditure during 2012-13 to 2013-14 was reversed during 2015-16 and 2016-17. Both Non-Plan and Plan Expenditure presented a fluctuating trend.

Expenditure is also classified by its activities like General services, Social services, etc. Percentage of expenditure under General services, Social services, Economic services, etc. against Total Expenditure is given in the following chart:

Chart 1.8: Percentage of expenditure by activities against Total Expenditure*(in per cent)*

* Grants-in-Aid and Contributions

The share of expenditure on account of Economic services decreased from 32.78 per cent in 2012-13 to 29.70 per cent in 2013-14. The trend reversed in 2014-15 and the share of Economic services stood at 34.38 per cent in 2016-17. Except for 2014-15, the share of expenditure on account of Social services maintained a declining trend from 27.59 per cent in 2012-13 to 25.52 per cent in 2016-17. Share of expenditure on account of General services remained at about 36 per cent during the last five years except for the year 2014-15 which declined to 34.42 per cent. Thus, there was no appreciable change amongst the share of expenditure on account of General services during 2012-13 to 2016-17.

The details of Revenue Receipts, Revenue Expenditure and Revenue surplus as percentage of GSDP are given in the following table:

Table 1.15: Trends of Revenue Receipts and expenditure

Particulars*	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue Receipts as a percentage of GSDP	(6819.76) 49.61	(7282.79) 44.96	(7998.28) 44.50	(8280.10) 40.53	(9129.12) 39.14
Revenue Expenditure as a percentage of GSDP	(5316.53) 38.67	(5718.83) 35.30	(7267.29) 40.43	(7382.57) 36.13	(8184.76) 35.09
Revenue surplus as a percentage of GSDP	(1503.23) 10.93	(1563.96) 9.66	(730.98) 4.07	(897.53) 4.39	(944.36) 4.05

*Figure in bracket indicates Actuals

(Source: Finance Accounts and Department of Economics and Statistics)

The Revenue Receipts as a percentage of GSDP was in the range of 39.14 *per cent* to 49.61 *per cent* during 2012-17 while Revenue Expenditure as a percentage of GSDP was in the range of 35.09 *per cent* to 40.43 *per cent*. Revenue Expenditure as a percentage of GSDP decreased from 38.67 *per cent* in 2012-13 to 35.30 *per cent* in 2013-14 and then increased to 40.43 *per cent* in 2014-15. From 2015-16 onwards, it maintained a declining trend.

Revenue Receipts-GSDP ratio, Expenditure-GSDP ratio and Revenue surplus-GSDP ratio decreased in 2016-17 as compared to previous year (2015-16).

1.6.2 Committed expenditure

The Committed expenditure of the State Government on revenue account mainly consists of Interest payments, expenditure on Salaries and Wages, Pensions and Subsidies. The following table presents the trends in the expenditure on these components during 2012-2017.

Table 1.16: Components of Committed expenditure

Components of Committed expenditure	2012-13	2013-14	2014-15	2015-16	2016-17	
					BE*	Actuals
Salaries** & Wages, of which	2351.63 (34.48)	2543.30 (34.92)	2646.04 (33.08)	2772.71 (33.48)	3440.22	2982.83 (32.67)
Non-Plan Head	2217.97	2320.45	2412.70	2566.18	3135.27	2737.95
Plan Head	133.66	222.85	233.34	206.54	304.95	244.88
Interest Payments	433.01 (6.35)	444.92 (6.11)	473.19 (5.92)	516.23 (6.23)	475.25	543.75 (5.95)
Expenditure on Pension	760.28 (11.15)	771.48 (10.59)	934.32 (11.68)	1010.25 (12.20)	1091.15	1173.67 (12.86)
Subsidies ¹⁷	0.47 (0.01)	0.43 (0.01)	170.19 (2.13)	185.22 (2.24)	NA	156.62 (1.72)
Total	3545.39 (51.99)	3760.13 (51.63)	4223.74 (52.81)	4484.41 (54.16)		4856.87 (53.20)

* Budget estimates ** excluding Leave Encashment benefits booked under 'Major Head – 2071 – Pensions and Other Retirement Benefits'

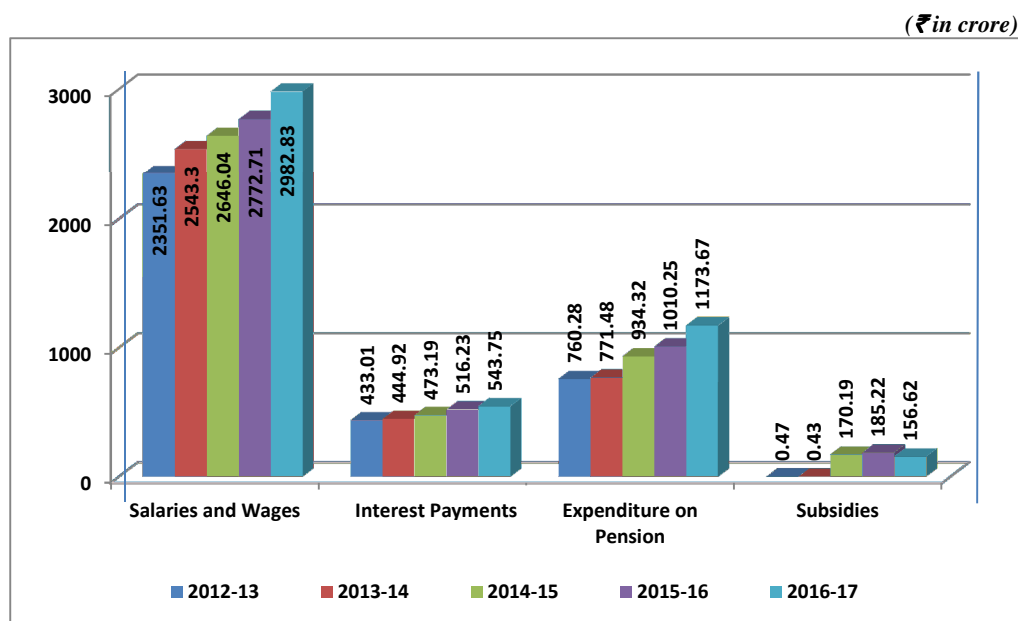
(Figures in the parentheses indicates percentage to Revenue Receipts)

(Source: Voucher Level Computerisation data for Salaries & Wages and Finance Accounts for others)

A graphical representation of the Committed expenditure of the State is shown in the following chart:

¹⁷ The subsidy figures as featured in Statement 2 of Finance Accounts has been adopted

Chart 1.9: Trend of Committed expenditure for the years 2012-17



Salaries and Wages:-Salaries and Wages accounted for 33 *per cent* of the Revenue Receipts of the State during 2016-17 and increased by ₹ 210.12 crore (7.58 *per cent*) over the previous year (2015-16). Salary expenditure under non-plan head increased from ₹ 2566.18 crore in 2015-16 to ₹ 2737.95 crore in 2016-17. Against the budget estimate of ₹ 3440.22 crore, expenditure on salary and wages was ₹ 2982.83 crore during 2016-17.

Interest Payments:-Interest Payments increased continually from ₹ 433.01 crore in 2012-13 to ₹ 543.75 crore in 2016-17. Interest Payments increased by ₹ 27.52 crore from ₹ 516.23 crore in 2015-16 to ₹ 543.75 crore in 2016-17. As in the previous year, Interest on internal debt (₹ 394.40 crore) constituted a major portion of Interest Payments and accounted for 72.53 *per cent* while the remaining share was for payment of interest on Small Savings, Provident Funds *etc.* and on Loans and Advances from Central Government. Interest Payments was more than the Budget estimate by ₹ 68.50 crore during 2016-17.

Pension Payment:-Pension Payment increased continually from ₹ 760.28 crore in 2012-13 to ₹ 1173.67 crore in 2016-17. Pension Payment increased by ₹ 163.42 crore (16.18 *per cent*) from ₹ 1010.25 crore in 2015-16 to ₹ 1173.67 crore in 2016-17. The increase was mainly due to increase in payment on Superannuation (₹ 77.20 crore), Government Contribution for Defined Contribution Pension Scheme (₹ 29.06 crore), Family Pension (₹ 26.36 crore), Leave encashment benefits (₹ 22.60 crore) *etc.*

Subsidies:-During 2012-13 to 2013-14, State Government incurred expenditure on subsidy ranging from ₹ 0.43 crore to ₹ 0.47 crore. Since 2014-15 onwards, there was sharp increase of subsidies, which was ₹ 170.19

crore in 2014-15 and ₹ 185.22 crore in 2015-16. Subsidy of ₹ 156.54 crore given to Power sector constituted 99.95 per cent of the total subsidy given during the 2016-17.

1.6.3 Financial Assistance by the State Government to Local Bodies, Urban Local Bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and other institutions during 2016-17 relative to the previous years is presented in the following table:

Table 1.17: Financial Assistance to local bodies, other institutions etc.

(₹ in crore)

Financial Assistance to Institutions	2012-13	2013-14	2014-15	2015-16	2016-17	
					BE*	Actual
Educational Institutions (Aided Schools, Aided Colleges, Universities etc.)	42.24	95.48	91.65	28.67	59.05	51.27
Municipal Corporations and Municipalities	15.57	14.72	25.05	30.94	42.68	17.12
Co-operative institutions	0.63	0.59	0.42	0.17	0.17	0
Power	-	-	448.23	531.42	571.81	665.43
Other Institutions	6.42	17.63	21.27	118.48	129.20	96.54
Total	64.86	128.42	586.62	709.68	802.91	830.36
Assistance as percentage of Revenue Expenditure	1.22	2.25	8.07	9.61		10.15

* BE – Budget estimates

(Source: Budget documents and Finance Accounts)

The total assistance (₹ 830.36 crore) provided during 2016-17 was more than the estimates made in the budget (₹ 802.91 crore) by ₹ 27.45 crore. As compared to 2015-16, the total assistance increased by ₹ 120.68 crore in 2016-17. Financial assistance to Power sector alone constituted 80.13 per cent of the total assistance of the State Government during 2016-17. The percentage of assistance to the total Revenue Expenditure increased from 1.22 per cent in 2012-13 to 10.15 per cent in 2016-17.

1.6.4 Local Bodies

The 73rd and 74th Constitutional amendment Acts marked a new era in the federal democratic set up at the grass root level so far as it conferred constitutional status to the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) and recognized them as the third tier of Government. The Constitutional amendments provide for devolution of powers and responsibilities with respect to preparation of plans and programmes for economic development and social justice relating to 29 subjects to PRIs and 18 subjects to ULBs listed in the XI and XII Schedule of the Constitution of India respectively.

After the 73rd Constitutional amendment, the State Government enacted the Manipur Panchayati Raj (MPR) Act, 1994 and established a two-tier PRI system at the village and district levels. The State has 16 districts of which 10 districts are located in the hill areas and six districts are in the valley. As of March 2017, there were four Zilla Parishads and 161 Gram Panchayats in the State. Consequent upon the 74th Constitutional amendment the Government enacted the Manipur Municipality Act, 1994. The ULBs in the State are governed by the Act. As of March 2017, there is one Municipal Corporation, 18 Municipal Councils (MCs), 8 Nagar Panchayats (NPs) and one Small Town Committee (STC) in the State.

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

The 73rd Constitutional amendment and the Manipur Panchayati Raj Act, 1994 envisaged transfer of the functions to PRIs listed in the XI Schedule. Accordingly, the State Government through executive orders had to transfer all the 29 functions to the PRIs. For effective functioning of both the State Government and PRIs, activity mapping delineated the role and responsibility of PRIs. Out of 29 functions, the State Government devolved functions of 16 departments to PRIs as of March 2017.

The 74th Constitutional amendments provide for devolution of powers and responsibilities with respect to preparation of plans and programmes for economic development and social justice and implementation relating to 18 subjects listed in the XII Schedule for ULBs. The Directorate of Municipal Administration, Housing and Urban Development (MAHUD), Government of Manipur intimated (September 2014) that out of 18 functions, seven functions are now being performed by ULBs.

However, funds and functionaries related to the transferred subjects were not transferred to PRIs and ULBs. The State Government allocated funds to PRIs and ULBs as per the recommendations of the State Finance Commission.

Accounting and auditing arrangement of PRIs and ULBs

Panchayati Raj Institutions (PRIs): Sections 43 and 73 of MPR Act, 1994 stipulated that the accounts of GPs and ZPs shall be kept in such form and manner as may be prescribed. However, the PRIs did not maintain basic records like Advance Register, Cheque Issue Register, Assets Registers and Receipts and Payment Accounts. The State Government issued an order in July 2014 that the accounts of the PRIs would be maintained in the format as envisaged in the Model Accounting System as prescribed by the Ministry of Panchayati Raj, GoI in consultation with the Comptroller and Auditor General (CAG) of India with effect from April 2013. However, none of the PRIs in the State maintained their accounts in the prescribed format as of March 2017.

The Director, Local Fund Audit (DLFA), Government of Manipur is the Statutory Auditor and conducts audit of accounts of GPs and ZPs under Sections 44(1) and 74(1) of the MPR Act, 1994 and is to forward the audit reports to GPs and ZPs within one month from the date of completion of audit. The DLFA intimated (June 2017) that out of 165 PRIs, 57 PRIs were planned for audit during the year 2017-18.

Urban Local Bodies (ULBs): The Ministry of Urban Development, GoI in consultation with the CAG of India developed (December 2004) National Municipal Accounts Manual (NMAM) which is based on double entry accrual based accounting system and circulated it to the State Governments for adoption for greater transparency and control over finances. The State Government also issued an order to all ULBs in March 2011 for adoption of NMAM with immediate effect. Accordingly, the ULBs in the State were required to prepare their budget and maintain their accounts in the formats as prescribed in NMAM with appropriate codifications and classifications. It was, however, observed that none of the ULBs had adopted NMAM as of March 2017. The accounts of all the ULBs were not kept as per NMAM. Due to non-maintenance of accounts in prescribed format, the actual financial position of ULBs in the State could not be ascertained.

The DLFA conducts audit of accounts of Municipal Corporation, MCs, NPs and STC under Sections 72(1) of the Manipur Municipalities Act, 1994. The DLFA intimated (June 2017) that, out of 28 ULBs units, 28 ULBs units were planned for audit during the year 2017-18. The inspection reports of the DLFA has not been forwarded (October 2017) to the Accountant General (Audit).

Audit of PRIs and ULBs by CAG of India

The DLFA is the statutory auditor for PRIs and ULBs in the State. The State Government has entrusted (March 2012) audit of PRIs and ULBs to the Comptroller and Auditor General of India (CAG) with the responsibility of providing Technical Guidance and Support (TG&S). Accordingly, CAG conducts supplementary audit of accounts of PRIs and ULBs under TG&S arrangement.

Reporting arrangement

Under TG&S arrangement, audit findings of test checked accounts of PRIs and ULBs conducted by the Accountant General (Audit) are presented in the form of Annual Technical Inspection Report (ATIR) and submitted to the State Government for necessary action. There is a provision in the terms and conditions of TG&S entrustment that the CAG of India or his representative will have the right to report the result of audit to the State Legislature. Accordingly, the ATIR is placed in the State Legislature. The ATIR for the year 2015-16 was placed in the State Legislature on 28 July 2017.

1.7 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 expenditure (*i.e.* adequate provisions for providing public services), efficiency of expenditure use and its effectiveness (assessment of outlay-outcome relationships for selected services).

1.7.1 Adequacy of Public expenditure

In view of the importance of Public expenditure on developmental heads from the point of view of social and economic development, it is important for the State Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods¹⁸. Efficiency of expenditure is also reflected by ratio of allocation towards Development expenditure¹⁹ and Capital Expenditure to Total Expenditure (and/or GSDP) and proportion of Revenue Expenditure spent on operation and maintenance of the existing Social and Economic services. The higher the ratio of these components (Development expenditure or Capital Expenditure) to Total Expenditure (and/or GSDP), the better would be the quality of expenditure. The following table presents the trends in Development expenditure relative to the Total Expenditure of the State during 2015-16 *vis-à-vis* budgeted and the previous years.

Table 1.18: Components of Development expenditure

(₹ in crore)

Components of Development expenditure	2012-13	2013-14	2014-15	2015-16	2016-17	
					BE*	Actual
Development Revenue Expenditure	2841.48 (41.66)	2942.27 (41.97)	4040.44 (46.98)	4083.72 (47.36)	5274.54 (54.50)	4399.73 (45.46)
Development Capital Expenditure	1275.69 (18.70)	1071.57 (15.28)	1123.62 (13.07)	1072.83 (12.44)	1578.69 (16.31)	1397.57 (14.44)
Development Loans and Advances	1.00 (0.01)	-	-	-	-	-

* BE- Budget estimates (Figures in parentheses indicate percentage to Total Expenditure)
(Source: Budget documents and Finance Accounts)

Development Revenue Expenditure increased by ₹ 316.01 crore from ₹ 4083.72 crore in 2015-16 to ₹ 4399.73 crore in 2016-17. Development Capital Expenditure increased by ₹ 324.74 crore during 2016-17 over the previous year (2015-16). However, both Development Revenue Expenditure and Development Capital Expenditure was less than budget estimate. The Development Revenue Expenditure shows a steady increasing trend during

¹⁸ Refer glossary in Appendix 1.7

¹⁹ Refer glossary in Appendix 1.7

2012-13 and 2016-17 while Development Capital Expenditure represented a fluctuating trend.

The various parameters of Fiscal Priority of the State during 2013-14 and 2016-17 are given in the following table:-

Table 1.19: Fiscal priority in 2013-14 and 2016-17

(in per cent)

Fiscal Priority of the State	AE/ GSDP	SSE/AE	ESE/AE	DE/AE	CE/AE	Education/ AE	Health/AE
SCS Average 2013-14	24.80	34.30	30.70	61.10	15.10	18.10	5.30
Manipur 2013-14	43.28	27.55	29.70	57.25	18.43	13.11	5.85
SCS Average 2016-17	27.40	34.20	30.00	61.50	13.60	16.60	5.40
Manipur 2016-17	41.50	25.52	34.38	59.90	15.43	12.51	4.95

* AE -Aggregate Expenditure, which is the Total Expenditure, DE – Developmental Expenditure; SSE – Social services Expenditure; ESE – Economic services Expenditure, CE – Capital Expenditure; SCS – Special Category States

(Source: Finance Accounts)

The Aggregate Expenditure as percentage of GSDP of Manipur was more than that of Special Category States (SCS) during 2013-14 and 2016-17. As compared to SCS, Manipur made a better Fiscal priority on Capital Expenditure during 2013-14 and 2016-17. The Fiscal priority of Manipur in Social services, Developmental expenditure and Education was lesser than SCS during 2013-14 and 2016-17.

As compared to 2013-14, the State had a substantial reduction of Capital Expenditure *vis-a-vis* Aggregate Expenditure in 2016-17. The State's Fiscal priority on Social services, Education and Health *vis-a-vis* Aggregate Expenditure also depicted a declining figure. However, Economic services and Development expenditure *vis-a-vis* Aggregate Expenditure increased in 2016-17 as compared to 2013-14.

1.7.2 Efficiency of expenditure in Social and Economic services

Percentages of Capital Expenditure, Salaries and Wages and expenditure on Operation and Maintenance to the Total Expenditure of the sector/sub-sector of some selected Social and Economic Services are shown in the following table:

Table 1.20: Efficiency of expenditure²⁰ in Social and Economic Services*(in per cent)*

Sector	2015-16			2016-17		
	Percentage of CE* to TE* of the respective sector	Percentage of RE* vis-a-vis		Percentage of CE to TE of the respective sector	Percentage of RE vis-a-vis	
		Salaries & Wages	OM*		Salaries & Wages	OM
Social services	16.35	61.98	3.08	16.72	64.90	2.49
Economic services	24.56	19.77	22.10	29.59	18.30	7.22

* CE- Capital Expenditure, TE- Total Expenditure, RE- Revenue Expenditure &
OM- Operation and Maintenance
(Source: Finance Accounts)

Capital Expenditure under Social services increased by ₹ 27.11 crore from ₹ 385.88 crore in 2015-16 to ₹ 412.99 crore in 2016-17. The share of Capital Expenditure to Total Expenditure increased from 16.35 per cent in 2015-16 to 16.72 per cent in 2016-17 under Social services. Salaries and Wages as a percentage of Revenue Expenditure increased from 61.98 per cent in 2015-16 to 64.90 per cent in 2016-17. Thus, major outgo of Revenue Expenditure under Social services was for payment of Salary and Wages.

Capital Expenditure under Economic services increased by ₹ 297.61 crore from ₹ 686.96 crore in 2015-16 to ₹ 984.57 crore in 2016-17. The outflow of Salaries and Wages as a percentage of Revenue Expenditure was much better under Economic services as compared to Social services. Under Social services 64.90 per cent of Revenue Expenditure was utilised as Salary and Wages. However, it was only 18.30 per cent under Economic services. Under Economic services, Operation and Maintenance cost as a percentage of Revenue Expenditure decreased substantially from 22.10 per cent in 2015-16 to 7.22 per cent in 2016-17.

1.8 Financial analysis of expenditure and investments

In the post-FRBM framework, the State is expected to keep its Fiscal deficit not only at low levels but also meet its Capital Expenditure/investment (including Loans and Advances) requirements. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover the cost of borrowed funds; and along with requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other Capital Expenditure undertaken by the Government during 2016-17 vis-à-vis previous years.

20

	2015-16	2016-17	(₹ in crore)
Social services	CE- ₹ 385.88, RE- ₹ 1973.60 & TE- ₹ 2359.48	CE-412.99 crore, RE- ₹ 2056.76 & TE- ₹ 2469.75	
Economic services	CE- ₹ 686.96, RE:- ₹ 2110.12 & TE- ₹ 2797.08	CE- ₹ 984.57, RE- ₹ 2342.97 & TE- ₹ 3327.53 crore	

1.8.1 Incomplete projects:

The department-wise information pertaining to some major incomplete projects of which the scheduled date of completion is already over as on 31 March 2017 is given in the following table:

Table 1.21: Department-wise Profile of Incomplete Projects

(₹ in crore)

Department	Year of commencement of the Projects	No. of incomplete Projects ²¹	Initial Budgeted Cost	Cumulative expenditure as on 31.03.2017
MSPCL	Between 2002 and 2016	45	1009.89	680.29
Public Works Department	Between 2010 to 2016	22	230.45	203.30
IFCD	Between 1983-84 to 2016-17	13	202.64	128.62
Minor Irrigation	Between 2011-12 to 2015-16	4	189.44	125.86
MSPDCL	2008-09 and 2014-15	2	137.69	184.40
LAW	2016	1	226.11	112.14
Total		87	1996.22	1434.61

(Source: Finance Accounts)

As of 31 March 2017, there were 87 incomplete projects each involving ₹ 137.00 crore and above, involving a total budgeted cost of ₹ 1996.22 crore on which an expenditure of ₹ 1434.61 crore had already been incurred. Of these, 80 incomplete works pertains to three Departments viz. Manipur State Power Company Limited, Public Works Department and IFCD. Delay in completion of works invites the risk of escalation in cost of the works besides depriving the benefits of the projects to the State.

1.8.2 Investment in companies, corporations and co-operative societies and returns

During 2012-17, the State Government had invested ₹ 160.29 crore to ₹ 176.32 crore in companies, corporations and co-operative societies. Against this, the State Government could earn only ₹ 16,000 during 2012-17, as shown in the following table:-

Table 1.22: Return on Investment from Companies/Corporations etc.

(₹ in crore)

Investment/Return/Cost of Borrowings	2012-13	2013-14	2014-15	2015-16	2016-17
Investment at the end of the year	160.29	160.30	167.13	175.24	176.32
Return	Δ	*	**	*	Δ
Return (per cent)	-	-	-	-	-
Average rate of interest on Govt. borrowing (per cent)	6.52	6.42	6.56	6.67	6.42
Difference between interest rate and return (per cent)	6.52	6.42	6.56	6.67	6.42

Δ only ₹4,000; * only ₹3,000; ** only ₹2,000

(Source: Finance Accounts)

As of 31 March 2017, the State Government had invested ₹ 176.32 crore²² in two statutory corporations, 17 Government companies and 3135 numbers of

²¹ The above list does not include projects for which the targeted dates of completion have been revised.

²² Investment/Share as featured in Statement 1 of Finance Accounts has been adopted

various types of co-operative banks and institutions. During 2016-17, the State Government could earn ₹ 4,000 against the investment. The State Government paid an average rate of interest ranging from 6.42 *per cent* to 6.67 *per cent* on its borrowings. However, the rate of return from the investment was insignificant.

The State Government may critically review the functioning of the corporations and companies to make their operations viable to ensure higher return on the investments.

1.8.3 Investment in Public Private Partnership projects

The State Government has not reported (October 2017) any investment through Public Private Partnership mode during 2016-17.

1.8.4 Loans and Advances by the State Government

In addition to investments in co-operative societies, corporations and companies, the State Government had also been providing Loans and Advances to many institutions/organizations. The following table presents the outstanding Loans and Advances as on 31 March 2017 and Interest Receipts *vis-à-vis* Interest payments during 2012-13 to 2016-17.

Table 1.23: Average Interest received on Loans and Advances by the State Government

Quantum of Loans/Interest Receipts/Cost of Borrowings	2012-13	2013-14	2014-15	2015-16	2016-17	
					BE*	Actual
Opening Balance	203.61	206.32	205.13	204.51**	NA	205.09
Amount advanced during the year	3.30	0.04	0.34	1.60	2.70	0.25
Amount repaid during the year	0.59	1.23	0.97	1.02	3.80	1.15
Closing Balance	206.32	205.13	204.50	205.09	NA	204.19
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	NA	NA	NA	NA	NA	NA
Net addition	2.71	(-) 1.19	(-) 0.63	0.58	NA	(-)0.90
Interest Receipts	0.94	0.35	0.55	0.32	NA	0.37
Interest Receipts as <i>per cent</i> to outstanding Loans and Advances	0.46	0.17	0.27	0.16	NA	0.18
Total Interest payments as <i>per cent</i> to outstanding Fiscal liabilities of the State Government	6.37	6.30	6.43	6.35	NA	6.17
Difference between Interest Payments and Interest Receipts (<i>per cent</i>)	5.91	6.13	6.16	6.19	NA	5.99

* BE- Budget estimates

** Difference due to opening balance & closing balance due to rounding

NA - Not available

(Source: Budget documents and Finance Accounts)

The opening balance of outstanding Loans and Advances as on 1 April 2016 was ₹ 205.09 crore. Against repayment of Loans and Advances of ₹ 1.15 crore, an amount of ₹ 0.25 crore was disbursed during 2016-17, resulting in closing balance of outstanding Loans and Advances of ₹ 204.19 crore as on 31 March 2017. Interest Receipts has decreased from ₹ 0.94 crore in 2012-13

to ₹ 0.37 crore in 2016-17. Pertinently, Interest Receipts of ₹ 0.37 crore against Loan of ₹ 205.09 crore²³ during 2016-17 was insignificant.

The State Government needs to ensure realisation of commensurate receipts of interest from the outstanding Loans and Advances.

1.8.5 Cash Balances and Investment of Cash Balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatch in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from RBI has been put in place. The operative limit for Normal Ways and Means Advances is based on the three years average of Revenue Receipts and the operative limit for Special Ways and Means Advances/Special Drawing Facility is fixed by the RBI from time to time, depending on the holding of Government securities. The limit for Ordinary Ways and Means Advances to the State Government was ₹ 195 crore for 2016-17. The position of Ways and Means Advances and Overdraft is shown in the following table:

Table 1.24: Ways and Means Advances and Overdrafts

	2012-13	2013-14	2014-15	2015-16	2016-17
<i>(₹ in crore)</i>					
Ways and Means Advance					
Availed in the year	534.65	274.52	-	184.75	805.26
Outstanding WMAs	97.92	-	-	184.75	102.42 ²⁴
Interest paid	1.21	0.19	-	-	0.75
Number of days	72	13	-	1	32 ²⁵
Overdraft					
Number of days	31	8	-	-	-

(Source: Finance Accounts)

The State Government resorted to Ways and Means Advance (WMA) during 2012-13, 2013-14, 2015-16 and 2016-17. During 2014-15 the State Government did not avail any Ways and Means Advance. During 2016-17, an amount of ₹ 805.26 crore was availed of as WMA for 32 days. After repayment of ₹ 887.59 crore, the balance WMA at the end of the year was ₹ 102.42 crore.

The following table depicts the cash balances and investments made by the State Government out of cash balances at the beginning and at end of 2016-17:

²³ Opening balance (OB) of Loan

²⁴ OB of WMA was ₹ 184.75 crore, availed ₹ 805.26 crore and repaid ₹ 887.59 crore.

²⁵ In 9 days, both Ordinary WMA and Special WMA was availed.

Table 1.25: Cash balances and investment of cash balances as on 31 March 2017

(₹ in crore)

Particulars	Opening balance on 1.4.2016	Closing balance on 31.3.2017
(a) General Cash Balance -		
Cash in Treasuries	4.64	4.63
Deposits with Reserve Bank	(-) 5.14	(-) 155.02
Deposits with other Banks	-	-
Remittances in transit - Local	-	-
Sub-total	(-) 0.50	(-) 150.39
Investments in Cash Balance investment account	-	-
Total (a)	(-) 0.50	(-) 150.39
(b) Other Cash Balances and Investments		
Cash with departmental officers ²⁶	34.69	63.88
Permanent advances for contingent expenditure with departmental officers	0.02	0.02
Investment of earmarked funds	350.98	482.07
Total (b)	385.69	545.97
Grand total (a)+ (b)	385.19	395.58

(Source: Finance Accounts)

Against opening cash balance of ₹ 385.19 crore at the beginning of 2016-17, the cash balance closed at an amount of ₹ 395.58 crore at the end of the year. This was mainly due to increase in Investment of earmarked fund from ₹ 350.98 crore in 2015-16 to ₹ 482.07 crore in 2016-17. Cash with departmental officers also increased from ₹ 34.69 crore in 2015-16 to ₹ 63.88 crore in 2016-17. However, there was no balance lying in Cash Balance investment account at the end of 2016-17.

1.9 Assets and Liabilities

1.9.1 Growth and Composition of Assets and Liabilities

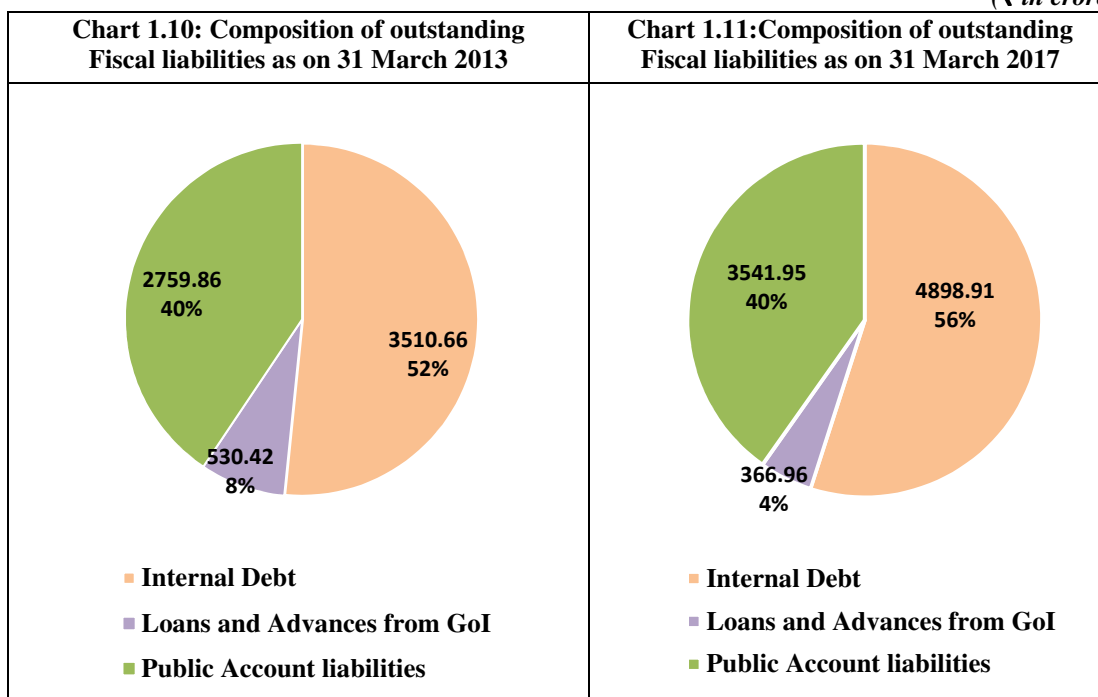
In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government was not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.5** gives an abstract of such liabilities and assets as on 31 March 2017, compared with the corresponding position on 31 March 2016. The liabilities in this Appendix consist mainly of internal borrowings, receipts from the Public Account, Small Savings, Provident Funds and Loans and Advances from Central Government. The assets comprise mainly of the Capital Expenditure, Remittance Balance and Loans and Advances given by the State Government.

²⁶ Public Works Department Officers, and Forest Department Officers

1.9.2 Fiscal liabilities

The composition of Fiscal liabilities during 2016-17 *vis-à-vis* that of 2012-13 are presented in the following charts:

(₹ in crore)



The following table presents the Fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP and Revenue Receipts.

Table 1.26: Details showing Fiscal liabilities, its growth rate and ratio to GSDP

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Fiscal liabilities ²⁷	6800.94	7060.68	7357.38	8125.39	8807.82
Rate of growth (<i>per cent</i>)	4.90	3.82	4.20	10.44	8.40
Percentage of Fiscal liabilities to					
GSDP (<i>per cent</i>)	49.47	43.59	40.78	40.85	37.76
Revenue Receipts (<i>per cent</i>)	99.72	96.95	91.99	98.13	96.48

(Source: Finance Accounts & Directorate of Economics & Statistics)

The overall Fiscal liabilities of the State Government maintained an increasing trend during 2012-13 and 2016-17, which increased from ₹ 6800.94 crore in 2012-13 to ₹ 8807.82 crore in 2016-17. The Fiscal liabilities increased by 8.40 *per cent* (₹ 682.43 crore) in 2016-17 over the previous year (2015-16). This was mainly due to increase of ₹ 434.39 crore under Internal Debt, which constituted 63.65 *per cent* of the total increase of the Fiscal liabilities in 2016-17.

²⁷ Refer glossary in Appendix 1.7. Fiscal Liabilities as shown in the Table is inclusive of Investment out of Reserved Funds

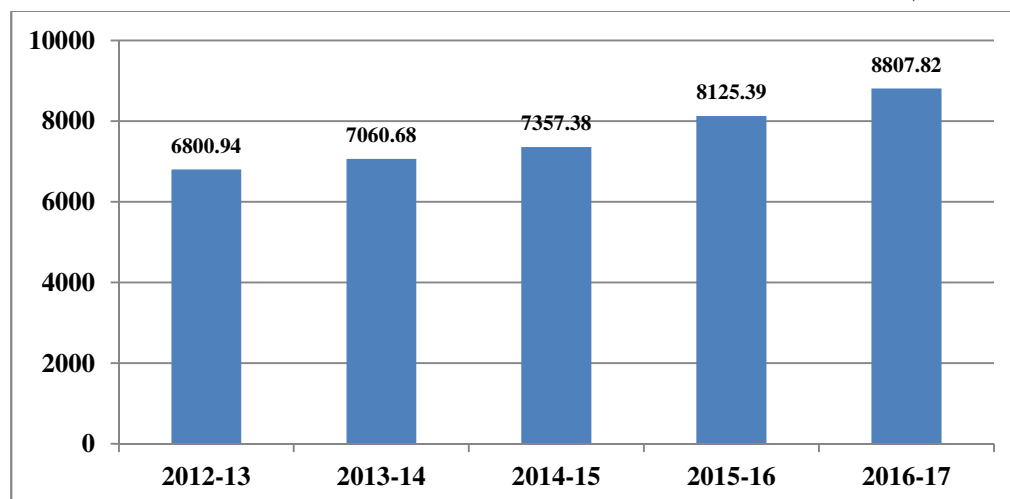
The annual growth rate of Fiscal liabilities decreased from 10.44 *per cent* in 2015-16 to 8.40 *per cent* during 2016-17.

Both percentages of Fiscal liabilities to GSDP and to Revenue Receipts in 2016-17 decreased from the previous year.

The trends showing composition of Fiscal liabilities are further depicted in the following chart:-

Chart 1.12: Trend showing composition of fiscal liabilities during 2012-17

(₹ in crore)



(Source: Finance Accounts)

The increase in Fiscal liabilities (₹ 682.43 crore) during 2016-17 as compared to 2015-16 was mainly due to increase in Internal Debt (₹ 434.39 crore) and Public Accounts (₹ 276.12 crore) offset by decrease in Loans and Advances from GoI (₹ 28.08 crore).

The increase in Internal Debt was mainly due to six market loans totalling to ₹ 630.00 crore, at interest rates ranging from 7.09 *per cent* to 8.63 *per cent*, partially offset by repayments under other heads. The increase in Deposits was mainly due to increase under the head '8443 – Civil Deposits' (₹ 88.61 crore) partially offset by decrease under the head '8449 – Other Deposit' (₹ 29.57 crore). The increase in Reserve Fund was due to increase in Sinking fund (₹ 101.81 crore). Loans and Advances from GoI decreased as repayment of ₹ 44.12 crore was made and only ₹ 16.04 crore were obtained from GoI during 2016-17.

The State Government should review the Internal Debt of the State and devise a road map to handle re-payment of principal and interest.

1.9.3 Transactions under Reserve Fund

The State has four Reserve Funds *viz.*, State Disaster Response Funds, Sinking Funds, Depreciation Reserve Funds of Government Commercial Departments/Undertakings and Guarantee Redemption Funds.

Consolidated Sinking Fund (CSF)

The State Government created in 2008-09 a Consolidated Sinking Fund for amortization of market borrowings, other loans and debt obligation liabilities, as recommended by the XII Finance Commission. As per the guidelines, the State Government was required to contribute a minimum of 0.5 per cent of its outstanding liabilities (i.e. internal debt plus public account) to the Sinking Fund at the end of the previous year. Accordingly, the contribution due from the State Government in 2016-17 was ₹ 40.63 crore (0.5 per cent of outstanding liabilities of ₹ 8125.39 crore as on 31 March 2016). Against this, the State Government contributed ₹ 28.91 crore to the Fund in 2016-17 resulting in short contribution of ₹ 11.72 crore during 2016-17.

The corpus of the Fund (including accumulated interest) amounting to ₹ 378.42 crore as on 31 March 2017, was invested by the Reserve Bank of India in GoI Securities.

State Disaster Response Fund (SDRF)

The State has commenced operation of the “State Disaster Response Fund” (SDRF) in 2010-11²⁸. The closing balance of the erstwhile Calamity Relief Fund²⁹ by the end of March 2016 was to be transferred to this Head during this year.

GoI released ₹ 18 crore³⁰ towards SDRF in 2016-17. The State Government transferred ₹ 10 crore (₹ nine crore Central share and ₹ one crore State share) to the Fund in 2016-17. Out of the corpus of ₹ 41.24 crore as on 31 March 2017, ₹ 10.19 crore was invested. In terms of guidelines applicable to the Reserve Funds, the Government is required to pay interest at 7.5 per cent per annum on the fund balances of the previous year. Therefore, ₹ 2.58 crore was required to be provided as interest for the uninvested balance of ₹ 34.38 crore³¹, which was not done.

In-operative Reserve Funds

The total amount lying under in-operative Reserve Funds was ₹ 0.24 crore at the end of the year. The fund was lying under the Major Head- ‘8226-Depreciation/Renewal Reserve Fund’, Minor Head ‘101-Depreciation Reserve Fund of Government Commercial Department’. This fund was in-operative from 1975-76.

²⁸ under Major Head ‘8121-General and Other Reserve Funds, 122-State Disaster Response Fund’

²⁹ Under Major Head ‘8235-General and Other Reserve Funds, 111- State Disaster Response Fund’, operated under ‘(b) Reserve Fund not bearing interest’

³⁰ ₹ 14.65 crore was also transferred from National Disaster Response Fund (NDRF)

1.9.4 Contingent liabilities

Status of Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee had been extended. As per the FRBM Act and the Manipur Ceiling on State Government Guarantee Act, 2004, the total outstanding guarantees as of 1 April of any year shall not exceed thrice the State's Own Tax Revenue Receipts of the second preceding year.

The maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years is given in the following table:

Table 1.27: Guarantees given by Government of Manipur

Guarantees		2012-13	2013-14	2014-15	2015-16	2016-17
Maximum amount guaranteed		193.98	197.45	197.45	588.00	588.00
Outstanding at the beginning of the year	Principal	78.84	76.69	75.57	62.96	269.96
	Interest	96.51	123.04	139.73	129.99	69.57
	Total	175.35	199.73[@]	215.30	192.95	339.53
Invoked during the year (Discharge)		6.80	-	23.34	28.17	-
Outstanding at the end of the year	Principal	76.69	75.57	62.96	269.96	345.32
	Interest	123.04	139.73	129.99	69.57	58.06
	Total	199.73[@]	215.30	192.95	339.53	403.38
Number of guarantees		13	13	13	14	14
Percentage of maximum amount guaranteed to Total Revenue Receipts		2.84	2.71	2.47	7.10	6.44

(₹ in crore)

[@] Closing balance of 2012-13 (Audit Report 2012-13) since reconciled between concerned Departments and Finance Department

(Source: Finance Accounts)

The total outstanding guarantee as on 1 April 2016 was ₹ 269.96 crore, which is less than ₹ 1550.49 crore³² i.e. thrice the State's Own Tax Revenue receipts for the year 2014-15.

During 2016-17, the State Government issued fresh guarantee of ₹ 105.92 crore for Manipur State Power Distribution Company Limited. However, guarantee fee of ₹ 1.06 crore from the PSU was not collected. The corpus available in the Guarantee Redemption Fund was only ₹ 93.46 crore at the end of 2016-17.

1.10 Debt Management

Fiscal deficit is usually managed by way of borrowings by the State. The rate of growth of debt, the debt repayment liability, Public debt repayment, reliance on debt for financing current expenditure (not Capital Expenditure) are discussed in succeeding paragraphs.

³² ₹ 516.83 crore (State's Own Tax Revenue Receipts) x 3

1.10.1 Debt Profile

The maturity profile of debt at the end of 2016-17 is shown in the following table:

Table 1.28: Maturity Profile of debt³³

(₹ in crore)		
Maturity profile (in years)	Year of maturity	Amount
0 - 1	2017-18	119.83
1 - 3	2018-20	755.32
3 - 5	2020-22	841.93
5 - 7	2022-24	637.11
7 - 9	2024-26	1423.95
9 -11	2026-28	633.13
11-13	2028-31	20.67
Miscellaneous*	-	833.92
Total		5265.87

* Year of Maturity not known

(Source: Finance Accounts)

Maturity profile of the existing debt of the State shows that repayment burden would increase from ₹ 119.83 crore in the '0-1 year slab' to ₹ 755.32 crore in the '1-3 years slab'. In the next '3-5 years slab', this would increase to ₹ 841.93 crore and would decrease to ₹ 637.11 crore in the '5-7 years slab'. During the '7-11 years slab', the repayment burden would be ₹ 2057.08³⁴ crore, which constitutes 40 per cent of the total debt. The year wise details of maturity profile of debt at the end of 2016-17 is given in **Appendix 1.6**.

The maturity profile would increase substantially after '0-1 year maturity slab'. Similarly another steep increase has been anticipated after '7-9 year maturity slab'. As the State Government has not prepared a road-map to service debt profile, the Government needs to formulate a clear road-map for servicing of the increasing debt profile.

1.10.2 Debt sustainability

Apart from the magnitude of the debt of State Government, it is important to analyze various indicators that determine the debt sustainability³⁵ of the State, sufficiency of non-debt receipts³⁶; net availability of borrowed funds³⁷ etc. The following table analyzes the debt sustainability of the State according to these indicators during 2012-17.

³³ Excluding debt under Public Accounts

³⁴ 7-9 year slab- ₹ 1423.95 crore + 9-11 year slab- ₹ 633.13 crore

³⁵ Refer glossary in Appendix 1.7

³⁶ Refer glossary in Appendix 1.7

³⁷ Refer glossary in Appendix 1.7

Table 1.29: Debt sustainability, Indicators and Trends(*₹ in crore*)

Indicators of debt sustainability	2012-13	2013-14	2014-15	2015-16	2016-17
Outstanding Debt ³⁸	6639.06	6850.34	7082.50	7739.79	8294.46
Rate of growth of Debt	4.23	3.18	3.39	9.28	7.17
Rate of growth of GSDP	6.45	17.83	10.97	13.67	14.16
Average interest rate of outstanding public debt (in <i>per cent</i>)	6.37	6.30	6.43	6.35	6.42
Net availability of borrowed funds	(-)151.56	(-) 185.18	(-) 176.50	141.07	17.50
Fiscal Liabilities/GSDP	49.46	43.59	40.93	39.77	37.76
Burden of interest payments (IP/RR* Ratio percentage)	6.35	6.11	5.92	6.23	5.96

* IP – Interest Payment and RR – Revenue Receipts

(Source: Finance Accounts)

The Outstanding Debt increased substantially by ₹ 554.67 crore from ₹ 7739.79 crore in 2015-16 to ₹ 8294.47 crore in 2016-17. However, the rate of growth of Debt decreased from 9.28 *per cent* in 2015-16 to 7.17 *per cent* during 2016-17. The increase in Outstanding Debt was mostly due to increase in Internal Debt. As per the recommendation of the XIV Finance Commission, Manipur was excluded from operation of National Small Saving Fund (NSSF) with effect from 1 April 2016. As such, there was no receipt under Special Security issued to NSSF during 2016-17. After repayment of ₹ 53.11 crore during 2016-17, there was an outstanding balance of ₹ 738.07 crore under this account.

Net availability of borrowed funds decreased from ₹ 141.07 crore in 2015-16 to ₹ 17.50 crore in 2016-17 indicating that funds from Borrowed funds were available in lesser quantum for other purpose after meeting the re-payment obligations of past debt and Interest. The burden of Interest payments reduced from 6.23 *per cent* in 2015-16 to 5.96 *per cent* in 2016-17.

1.10.3 Debt consolidation and relief facility

The States' enactment/amendment of the FRBM Act, incorporating the targets prescribed in the Finance Commission was a pre-condition for release of all State-specific grant and debt relief measures. The State Government enacted the Manipur FRBM Act in August 2005 to ensure prudence in fiscal management and fiscal stability by achieving sufficient Revenue surplus, reduction in Fiscal deficit, prudent debt management consistent with fiscal sustainability, and greater transparency in fiscal operations of the Government. As per Manipur FRBM Rules, 2005 (enacted in December 2005) and subsequent amendments framed under the FRBM Act of August, 2005, the various fiscal targets in respect of Revenue surplus and Fiscal deficit were set. The targets prescribed under the Act and the Rules are given in **Appendix-1.1 Part E**.

³⁸ Including Debt under Public Accounts other than Reserve Fund

1.11 Fiscal imbalances

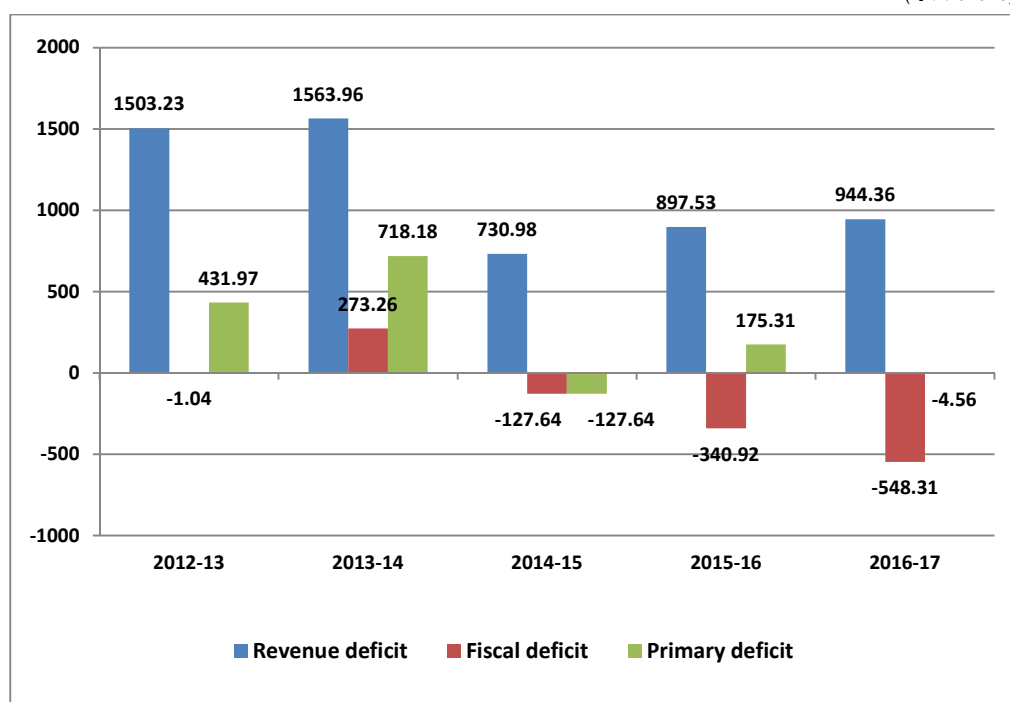
Three key fiscal parameters *i.e.* Revenue, Fiscal and Primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit/surplus in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit/surplus is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied, are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits/utilisation of surplus.

1.11.1 Trends in Deficits/Surplus

The following chart presents the trends in deficit/surplus indicators during 2012-17:

Chart 1.13: Trends of deficit/surplus indicators

(₹ in crore)



* The Fiscal deficit for the year 2012-13 and Primary deficit for the year 2016-17 were very negligible and hence not reflected in the above chart.

The State was able to maintain Revenue surplus throughout 2012-13 to 2016-17, which ranged from ₹ 730.98 crore to ₹ 1563.96 crore. As compared to 2015-16, Revenue surplus increased by ₹ 46.83 crore in 2016-17.

The Fiscal deficit of ₹ 1.04 crore in 2012-13 reversed to Fiscal surplus of ₹ 273.26 crore in 2013-14. The trend reversed again to a Fiscal deficit of ₹ 127.64 crore in 2014-15 to ₹ 548.31 crore in 2016-17.

The Primary surplus of ₹ 431.97 crore experienced in 2012-13 and ₹ 718.18 crore in 2013-14 turned its trend in 2014-15 to a deficit of ₹ 127.64 crore. This reversed back to a Primary surplus of ₹ 175.31 crore in 2015-16. However, it reverted to Primary deficit of ₹ 4.56 crore again in 2016-17.

1.11.2 Composition of Fiscal deficit and its Financing pattern

The financing pattern of the Fiscal deficit is shown in the following table:-

Table 1.30: Components of Fiscal deficit and its financing pattern

(₹ in crore)						
Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Decomposition of Fiscal deficit (-) /surplus (+)		(-)1.04	(+) 273.26	(-) 600.83	(-) 340.92	(-)548.31
1	Revenue surplus	1503.23	1563.96	730.98	897.53	944.36
2	Net capital Expenditure	(-)1501.56	(-) 1291.89	(-) 1332.44	(-) 1237.87	(-)1493.57
3	Net Loans and Advances	(-)2.71	1.19	0.63	(-) 0.58	0.90
Financing/utilisation pattern of Fiscal deficit/surplus*						
1	Market Loans	182.01	288.17	339.23	311.29	478.17
2	Loans from the GoI	(-)44.01	(-) 47.08	(-) 44.17	(-) 44.13	(-) 28.08
3	Special Securities Issued to NSSF**	(-)16.19	(-) 21.50	(-) 26.03	18.51	(-) 53.11
4	Loans from Financial Institutions and other loans	38.66	0.94	(-) 52.87	9.29	91.67
5	Ways and Means Advance	7.97	(-) 97.92	-	184.75	(-) 82.33
6	Small Savings, PF** etc.	138.01	103.11	86.30	60.74	49.54
7	Deposits and Advances	(-)36.74	(-) 14.43	(-) 70.88	116.85	98.82
8	Suspense and Miscellaneous	1.77	1.91	(-) 15.56	(-) 19.13	(-) 21.61
9	Remittances	(-)2.09	(-) 15.71	(-) 21.81	(-) 144.54	(-) 102.13
10	Reserve Fund	48.08	48.46	64.55	110.71	127.76
Increase (-)/decrease (+) in cash balance		(-)316.43	(-) 519.21	342.07	(-) 263.42	(-) 10.39

* All these figures are net of additions and discharges during the year

** NSSF – National Small Saving Funds and PF – Provident Funds

(Source: Finance Accounts)

The Fiscal deficit of ₹ 548.31 crore in 2016-17 was mainly due to excess of expenditure on Capital account partially reduced by the Revenue surplus. The deficit was mainly financed by Market loan and Other Loans (₹ 478.17 crore) and Reserve Fund (₹ 127.76 crore) partially reduced by outflow of Remittances (₹ 102.14 crore).

1.11.3 Quality of Deficit/Surplus

The decomposition of Primary deficit into Primary revenue deficit/surplus and Capital Expenditure (including loans and advances) would indicate the quality of deficit in the States' finances; which would further indicate the extent to which the deficit/surplus has been on account of enhancement in Capital Expenditure which may be desirable to improve the productive capacity of the State's economy. The following table indicates decomposition of Primary deficit/surplus:

Table 1.31: Primary deficit/surplus, Bifurcation of factors

(₹ in crore)

Year	Non-Debt Receipts	Primary revenue expenditure *	Capital expenditure	Loans and Advances	Primary expenditure	Primary revenue surplus	Primary deficit (-)/surplus (+)
(1)	(2)	(3)	(4)	(5)	6 (3+4+5)	7 (2-3)	8 (2-6)
2012-13	6820.35	4883.52	1501.56	3.30	6388.38	1936.83	(+) 431.97
2013-14	7284.02	5273.91	1291.89	0.04	6565.84	2010.11	(+) 718.18
2014-15	7999.24	6794.10	1332.44	0.34	8126.88	1205.14	(-) 127.64
2015-16	8281.12	6866.34	1237.86	1.60	8105.81	1414.78	(+) 175.31
2016-17	9130.27	7641.01	1493.57	0.25	9134.83	1489.26	(-) 4.56

* Net of Revenue Expenditure and Interest Payments
(Source: Finance Accounts)

The Non-debt Receipts of the State during 2012-17 was sufficient to meet the Primary Revenue Expenditure. During 2012-13, 2013-14 and 2015-16 it was more than the Primary Revenue Expenditure, resulting in Primary surplus. In 2014-15 and 2016-17, the Primary revenue surplus was not adequate to cover the Capital Expenditure and Loans and Advances, resulting in Primary deficit during these years. There was Primary deficit of ₹ 4.56 crore in 2016-17 reverting the trend of Primary surplus of the previous year (2015-16).

1.12 Conclusion and Recommendations

Revenue Receipts

Revenue Receipts increased by ₹ 849.02 crore (10.25 per cent) over the previous year. The increase was mainly due to increase in Share of Union Taxes/duties (₹ 614.71 crore) and increase in Grants-in-Aid (GIA) from Government of India (GoI) (₹ 182.76 crore).

Contribution of the State's Own revenue to the Revenue Receipts was in the range of 8 per cent to 10 per cent for the period 2012-17. The State's share of Union taxes and duties and GIA from GoI contributed in the range of 90 per cent to 92 per cent to the Revenue Receipts during 2012-17 and remained the main contributor to Revenue Receipts of the State.

The targets/assessment as per XIV Finance Commission, Budget estimates and Medium Term Fiscal Policy Statement relating to Own Tax revenue and Non-tax revenue receipts could not be achieved during 2016-17. (**paras 1.1.2, 1.3 and 1.3.1**)

Expenditure status

Revenue Expenditure increased by ₹ 802.19 crore in 2016-17 over the previous year (2015-16). Capital Expenditure increased by ₹ 255.70 crore in 2016-17 over the previous year (2015-16).

Capital Expenditure exhibited a fluctuating trend during 2012-13 to 2016-17. Revenue Expenditure, on the other hand has increased steadily during 2012-17. Revenue Expenditure as a percentage of the Total Expenditure increased from 77.94 *per cent* in 2012-13 to 84.57 *per cent* in 2016-17. This shows that a bulk of the Total Expenditure has been increasingly spent to meet expenditure on maintenance, salary, etc. (**para 1.6.1**)

Investment in companies, corporations and co-operative societies and returns

During 2012-17, the State Government had invested amount ranging from ₹ 160.29 crore to ₹ 176.32 crore in companies, corporations and co-operative societies. Against this, the State Government could earn only ₹ 16,000 during 2012-17. The State Government paid an average rate of interest ranging from 6.42 *per cent* to 6.67 *per cent* on its borrowings. However, the rate of return from the investment was insignificant. (**para 1.8.2**)

Loans and Advances by the State Government

The opening balance of outstanding Loans and Advances as on 1 April 2016 was ₹ 205.09 crore. Against repayment of Loans and Advances of ₹ 1.15 crore, an amount of ₹ 0.25 crore was disbursed during 2016-17, resulting in closing balance of outstanding Loans and Advances of ₹ 204.19 crore as on 31 March 2017. Interest Receipts of ₹ 0.37 crore against Loan of ₹ 205.09 crore during 2016-17 was insignificant. (**para 1.8.4**)

Recommendations

The State Government should take adequate measures to increase own resources of revenue.

The State Government may give priority to increase Capital Expenditure.

The State Government may critically review the functioning of the corporations and companies to make their operations viable to ensure higher return on the investments.

The State Government needs to ensure realisation of commensurate receipts of interest from the outstanding Loans and Advances.

