
CHAPTER I: FINANCES OF THE STATE GOVERNMENT

Profile of State

The State of Tripura is located in the North Eastern Region of India. It is the third smallest State of the country in terms of geographical area (10,491.69 sq. km) and second most populous State after Assam of North East India. The State is categorised as a Special Category State on account of which certain special privileges are given by Government of India (GoI) viz. 90 *per cent* grants and 10 *per cent* State share against 70 *per cent* grants and 30 *per cent* State share to General Category States in all the Centrally Sponsored Schemes (CSS). The State stands 18th in terms of population density in the country. As indicated in **Appendix - 1.1 (Part-D)** the State's population increased from 31.99 lakh (2001) to 36.74 lakh (2011) recording a decadal growth rate of 14.85 *per cent* and 10.98 *per cent* growth during 2006 to 2015 from population of 34 lakh to 38 lakh during the period. The State's literacy rate increased from 73.20 *per cent* (as per 2001 census) to 87.22 *per cent* against the All India Average of 73.00 *per cent* (as per 2011 census). The per capita income of the State was ₹ 87,133 in 2015-16 while it was ₹ 31,801 in 2006-07 recording a Compound Annual Growth Rate of 11.85 *per cent* during 2006-07 to 2015-16.

Gross State Domestic Product

Gross State Domestic Product (GSDP) is the 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 as it indicates the standard of living of the State's population. The trends in the annual growth of India's Gross Domestic Product (GDP) at factor cost at current market price and the State GSDP at factor cost at current prices are indicated below:

Annual growth rate of GDP and GSDP at factor cost at current prices

Year	2011-12	2012-13	2013-14	2014-15	2015-16
India's GDP (₹ in crore)*	87,36,039	99,51,344	1,12,72,764	1,24,88,205	1,35,76,086
Growth rate of GDP (percentage)	- [@]	13.91	13.28	10.78	8.71
State's GSDP (₹ in crore) [#]	19,208	21,663	25,593	29,667	33,189 (A)
Growth rate of GSDP	- [@]	12.78	18.14	15.92	11.87

* Central Statistical Office, Ministry of Statistics and Programme Implementation.

[#] Quarterly review report of the State Finance Minister for the third Quarter 2015-16 and the Directorate of Economic & Statistics, Government of Tripura. (A) Advance Estimate.

[@] Growth rate of GDP and GSDP not indicated, since comparison with the year 2010-11 could not be made as the base year has been revised to 2011-12.

1.1 Introduction

1.1.1 Summary of Fiscal Transactions in 2015-16

Table 1.1 presents the summary of the State Government's fiscal transactions while Appendix - 1.2 provides details of receipts and disbursements as well as the overall fiscal position during the current year (2015-16) *vis-à-vis* the previous year (2014-15).

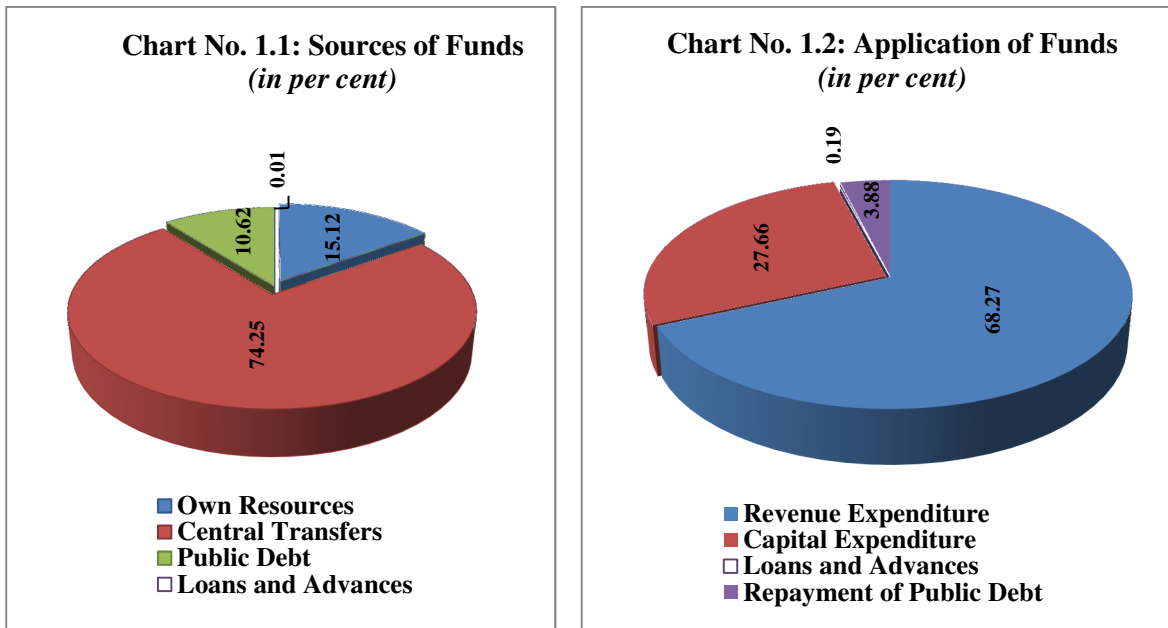
Table No. 1.1: Summary of Fiscal operations in 2015-16

(₹ in crore)

Receipts			Disbursements				
Particulars	2014-15	2015-16	Particulars	2014-15	2015-16		
Section-A: Revenue					Non-plan	Plan	Total
Revenue Receipts	9,239.73	9,426.74	Revenue Expenditure	7,442.91	6,001.95	1,866.52	7,868.47
Tax Revenue	1,174.26	1,332.25	General Services	2,676.01	3,032.57	12.61	3,045.18
Non-tax Revenue	195.64	262.60	Social Services	3,184.34	1,803.39	1,507.50	3,310.89
State's Share of Union Taxes and Duties	1,730.13	3,266.02	Economic Services	1,402.74	968.06	346.41	1314.47
Grants-in-aid from GoI	6,139.70	4,565.87	Grants-in-aid and Contributions	179.82	197.93	0.00	197.93
Section-B: Capital and Others							
Misc. Capital Receipts	0.00	0.00	Capital Outlay	2,832.29	11.71	3,176.31	3,188.02
Recoveries of Loans and Advances	2.18	1.14	Loans and Advances Disbursed	15.74	1.15	20.69	21.84
Public Debt Receipts	537.27	1,119.79	Repayment of Public Debt	300.00	447.29	0.00	447.29
Contingency Fund	0.00	0.00	Contingency Fund	0.00	0.00	0.00	0.00
Public Account Receipts	2,985.73	3324.03	Public Account Disbursements	2,580.42	0.00	0.00	2,964.47
Opening Cash Balance	3,787.19	3,380.74	Closing Cash Balance	3,380.74	0.00	0.00	2,762.35
Total:	16,552.10	17,252.44	Total:	16,552.10			17,252.44

Source: Finance Accounts

Sources and application of the consolidated fund during the year 2015-16 are given in **Chart No. 1.1** and **Chart No. 1.2** respectively.



The following are the major changes in fiscal transactions during the year 2015-16:-

Revenue Receipts	<ul style="list-style-type: none"> ➤ Revenue Receipts increased by 2.02 per cent ➤ Tax Revenue increased by 13.45 per cent ➤ State's Share of Union Taxes and Duties increased by 88.77 per cent ➤ Grants-in-aid from GoI decreased by 25.63 per cent ➤ Overall central transfer decreased by 0.48 per cent
Revenue Expenditure	<ul style="list-style-type: none"> ➤ Revenue Expenditure increased by 5.72 per cent ➤ Revenue Expenditure on General Services increased by 13.80 per cent ➤ Revenue Expenditure on Social Services increased by 3.97 per cent ➤ Revenue Expenditure on Economic Services decreased by 6.29 per cent ➤ Grants in-aid increased by 10.07 per cent
Capital Expenditure	<ul style="list-style-type: none"> ➤ Capital Expenditure increased by 12.56 per cent ➤ Capital Expenditure on General Services decreased by 55.91 per cent ➤ Capital Expenditure on Social Services decreased by 16.68 per cent ➤ Capital Expenditure on Economic Services increased by 41.13 per cent
Loans and Advances	<ul style="list-style-type: none"> ➤ Disbursement of Loans and Advances increased by 38.75 per cent ➤ Recoveries of Loans and Advances decreased by 47.71 per cent
Public Debt	<ul style="list-style-type: none"> ➤ Public Debt Receipts increased by 108.42 per cent ➤ Repayment of Public Debt increased by 49.10 per cent

1.1.2 Review of the Fiscal Situation

Tripura Fiscal Responsibility and Budget Management Act, 2005

As per recommendations of the XIII Finance Commission (XIII FC), State Government had amended the Tripura Fiscal Responsibility and Budget Management (TFRBM) Act and had revised the Medium Term Fiscal Policy Statement (MTFPS) targets since 2010-11 for the XIII FC award period (2014-15).

Major fiscal variables provided in the budget based on the recommendations of the XIV Finance Commission (XIV FC) and the actual *vis-a-vis* the target in the TFRBM Act of the State are depicted in **Table No. 1.2** below:

Table No. 1.2: Trends in major fiscal variations *vis-à-vis* projections for 2015-16

Fiscal variables	2015-16			
	XIV FC targets for the State	Targets as prescribed in TFRBM Act	Projections made in MTFPS	Achievement
Revenue Deficit (-)/Surplus (+) (₹ in crore)	To maintain Revenue surplus			1,558.27
Fiscal Deficit(-)/Surplus (+) to GSDP ratio (in per cent)	(-) 3.25	(-) 3.25	(-) 3.25	(-) 4.97
Ratio of outstanding debt to GSDP (in per cent)	35.00	35.00	35.00	31.32

Source: XIV FC, MTFPS, Finance Accounts.

The State has maintained Revenue Surplus during the current year 2015-16. The State Government was not able to achieve the Fiscal Deficit-GSDP ratio of 3.25 *per cent* set in the TFRBM Act and MTFPS. The Debt-GSDP ratio has also been maintained within the target of 35 *per cent* as prescribed in TFRBM Act and MTFPS and also projection made by XIV FC for the year 2015-16 for the State.

During the year 2015-16, Fiscal Deficit stood at ₹ 1,650.45 crore as against the deficit of ₹ 1,049.03 crore in 2014-15.

1.1.3 Budget Estimates and Actual

The Budget Estimates of the State Government provides an estimate of Revenue Receipts and Expenditure thereof for a particular financial year. Government has set various parameters to come out with these estimates based on past experience on various fiscal variables. The projected estimates are important as they guide the State Government's fiscal policy for a financial year. The accuracy in the estimates of receipt and expenditure reflects the fiscal marksmanship and effective implementation of fiscal policies for the overall socio-economic development of the State. Deviation from the estimates on the other hand indicates poor planning and implementation of fiscal objectives. The following table shows the Budget Estimates and Actual for selected parameters.

Table No. 1.3: Budget and Actual of selected fiscal parameters (2015-16)*(₹ in crore)*

Sl. No.	Particulars	Revised Estimates	Actual
1	Tax Revenue	1,322.40	1,332.25
2	Non-tax Revenue	284.08	262.60
3	State's Share of Union Taxes and Duties	3,436.79	3,266.02
4	Capital Receipts (Borrowings)	1,090.00	1,119.79
5	Revenue Expenditure	8,546.32	7,868.47
6	Capital Expenditure	4,446.78	3,188.02
7	Revenue Deficit (-)/Surplus (+)	2274.78	1,558.27
8	Fiscal Surplus (+)/Deficit (-)	(-) 1,715.42	(-) 1,650.45
9	Primary Deficit (-)/Surplus (+)	(-) 873.81	(-) 921.06

It was seen that the collection of State's Tax Revenue during the year 2015-16 was achieved while State's Non-tax Revenue slipped by 7.56 per cent during the year due to less collection from General Education by 67 per cent as compared to previous year. Borrowings from Public Debt during the year 2015-16 was higher than the Budget Estimates by ₹ 29.79 crore. However, Revenue Expenditure was lower by ₹ 677.85 crore (7.93 per cent) than the estimates made for the year. There was a shortfall of ₹ 1,258.76 crore (28.31 per cent) in Capital Expenditure against the Revised Estimates. The actual Fiscal Deficit during the year stood at ₹ 1,650.45 crore against the Revised Estimates of ₹ 1,715.42 crore.

Mode of Financing Fiscal Deficit

According to the Budget at a Glance 2015-16, the Fiscal Deficit for 2015-16 was anticipated to be ₹ 1,937.82 crore. The Finance Minister stated in the Budget Speech (2015-16) that this deficit would be met by means of implementing austerity measures and mobilising additional revenue and by means of better tax compliance during the year. The Fiscal Deficit for the year 2015-16, however, was projected in the Revised Estimates as ₹ 1,715.42 crore but the actual deficit was ₹ 1,650.45 crore due to less Capital Expenditure against the Budget Estimates.

1.1.4 Gender Budget

In order to create a positive environment through economic and social policies for development of women and children to enable them to realise their full potential and to ensure equal rights and opportunities to them in their social and economic life and for their protection, the State Government introduced Gender Budget with ₹ 149.82 crore in the year 2005-06 out of total budget of ₹ 3,689.15 crore for the year. The State Government allocates funds for women fully or partly on schemes within the overall budget. An amount of ₹ 1,239.52 crore (29 per cent) was allocated to 18 departments in the Revised Estimates for the year 2015-16, out of total plan outlay of ₹ 4,298.57 crore.

Scrutiny of budget records revealed that out of total provision for plan outlay, 13 to 29 *per cent* was allocated for women during 2011-12 to 2015-16 of which the financial achievement ranged between 47 and 71 *per cent*. Details are given in table below:

Table No. 1.4: Provision and achievement of Gender Budget during 2011-16

(₹ in crore)

Year	Total budget for plan outlay	Provision for gender budget (percentage of total plan provision)	Financial achievement (percentage of achievement)
2011-12	1,302.36	304.64 (23)	142.86 (47)
2012-13	1,864.55	421.44 (23)	289.93 (69)
2013-14	2,039.96	360.25 (18)	254.56 (71)
2014-15	4,326.02	551.71 (13)	336.63 (61)
2015-16	4,298.57	1,239.52 (29)	734.40 (59)

Analysis of the plan outlay and financial achievement of the various departments under Gender Budget revealed that during 2015-16, the achievement in respect of Secondary Education was 86 *per cent* followed by 83 *per cent* in the Rural Development Department. The financial achievement for the Gender Budget in respect of Urban Development Department was 100 *per cent* during the year 2015-16.

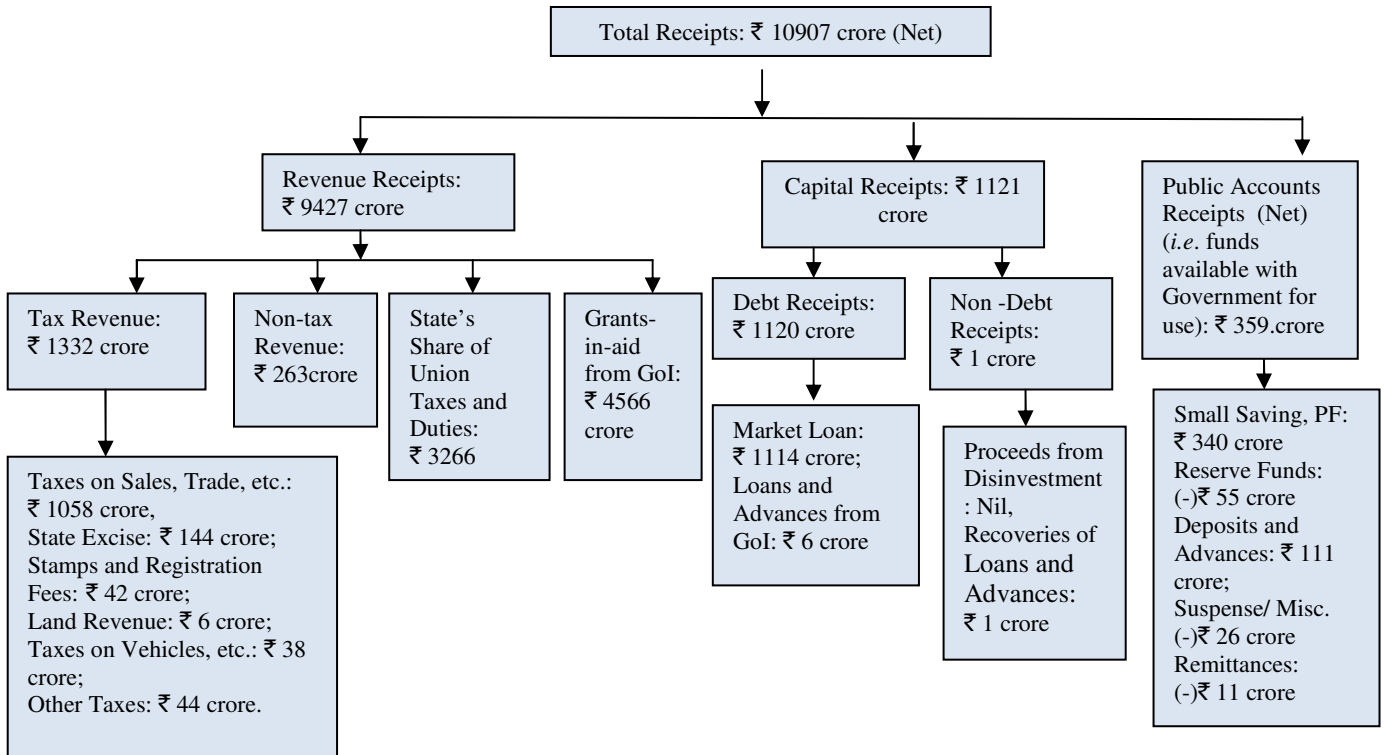
1.2 Resources of the State

1.2.1 Resources of the State as per the Annual Finance Accounts

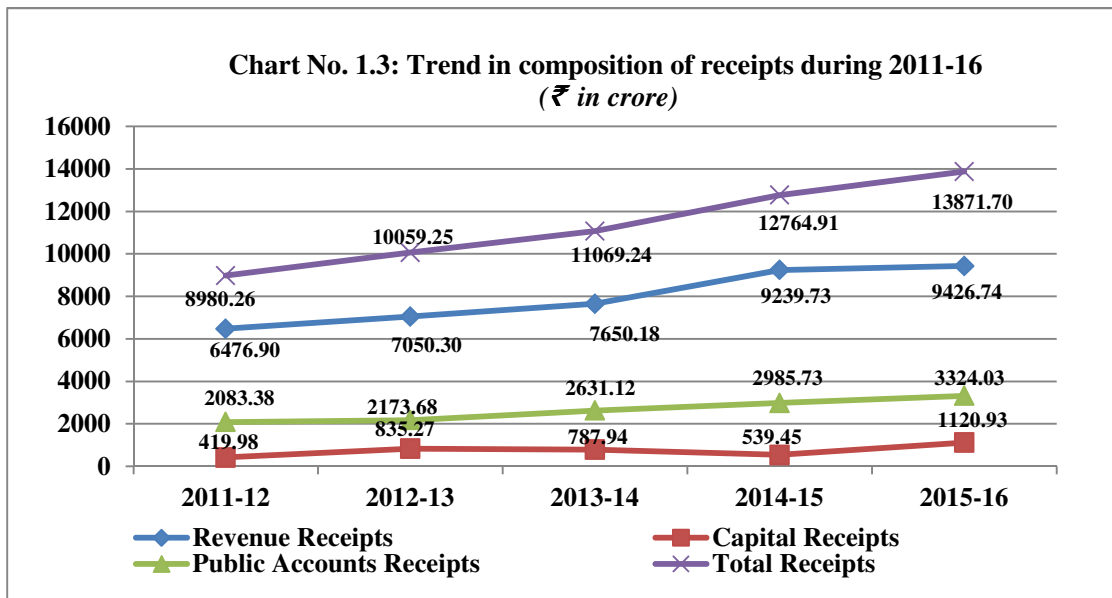
Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of Tax Revenues, Non-tax Revenues, State's share of Union Taxes and Duties and Grants-in-aid from GoI. Capital Receipts comprises of Miscellaneous Capital Receipts such as proceeds from Disinvestments, Recoveries of Loans and Advances, Debt Receipts from internal sources (Market Loans, Borrowings from Financial Institutions/Commercial Banks) and Loans and Advances from GoI. Besides, the funds available in the Public Accounts after disbursement is also utilised by the Government to finance its requirement. **Table No. 1.1** and **Appendix - 1.2** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart No. 1.1** depicts the percentage of fund receipts from various components during 2015-16.

Following flowchart shows the components and sub-components of resources of the State during 2015-16:

Resources of the State during 2015-16



The trend in composition of receipts during 2011-16 is detailed in the chart below:



Revenue Receipts of the State increased from ₹ 6,476.90 crore in 2011-12 to ₹ 9,426.74 crore in 2015-16 which represented an increase of about 45.54 per cent over a period of five years. The contribution of Tax Revenue, Non-Tax Revenue, State's Share of Union Taxes and Duties and Grants-in-aid from GoI to the total

Revenue Receipts during 2015-16 were 14.13 per cent, 2.79 per cent, 34.65 per cent and 48.43 per cent respectively.

On the other hand, though the Capital Receipts inclusive of recoveries from Loans and Advances of the State had increased from ₹ 539.45 crore in 2014-15 to ₹ 1,120.93 crore in 2015-16, there have been fluctuation in the trendline over the last five years due to increase and decrease in Public Debt Receipts during the period. The increase in 2015-16 was mainly due to more borrowing from the market during the year as compared to the previous year.

1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

As per GoI decision all assistance to CSS and Additional Central Assistance (ACA) under various schemes would be released directly to the State Government and not to the State Implementing Agencies and hence these funds would be routed through the State budget from the year 2015-16 onwards. But as per records of the Public Financial Management System (PFMS) portal of Controller General of Accounts, it was seen that an approximate amount of ₹ 121.22 crore under 38 schemes (**Appendix - 1.3**) was released directly to the State Implementing Agencies and the Non-Government Organisations during the year which were not routed through the budget of the State Government.

Table No. 1.5: Funds transferred by Central Government directly to the State Implementing Agencies outside the State Budget

(₹ in crore)

Particulars	Funds transferred				
	2011-12	2012-13	2013-14	2014-15	2015-16
Number of Programmes / Schemes under which funds were transferred	68	63	57	43	38
Total Funds transferred by Central Government	1,753.28	1,618.36	1,763.55	110.90	121.22

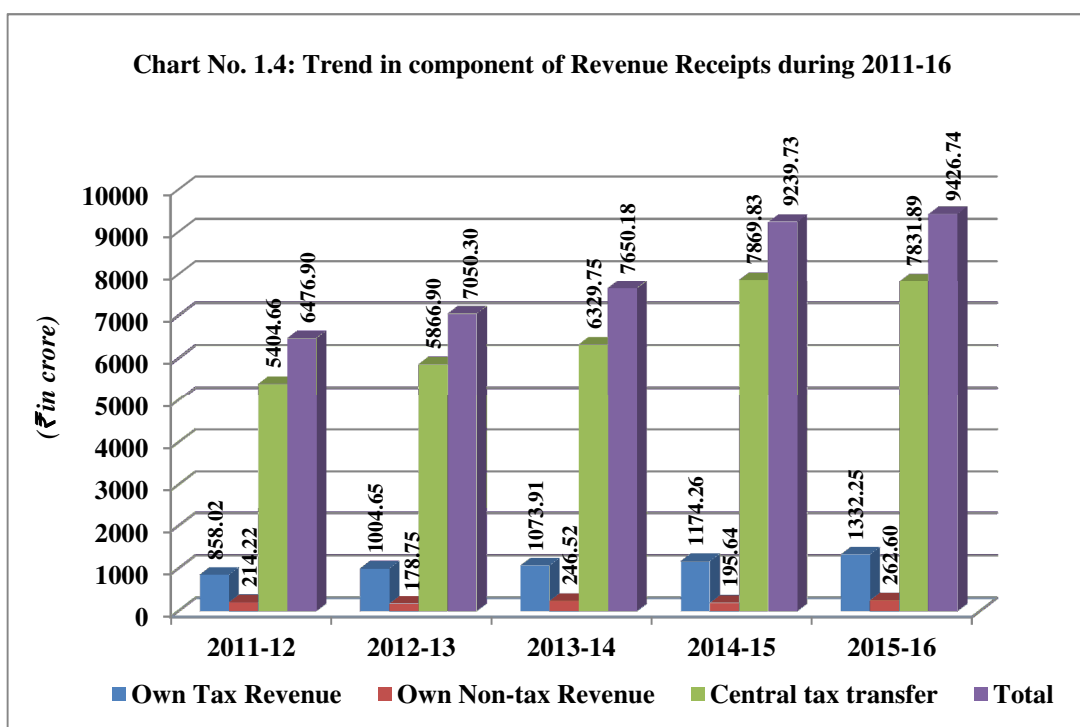
Source: Public Financial Management System portal of Controller General of Accounts.

Out of ₹ 121.22 crore released during the year 2015-16, ₹ 25.10 crore was for Member of Parliaments Local Area Development Scheme of Dhalai and West Tripura Districts while ₹ 24.04 crore was released to the Tripura Industrial Development Corporation Ltd. for Industrial Infrastructure and upgradation scheme including capacity building. With the release of these funds directly to the Implementing Agencies in the State, the resources of the State during the year stood at ₹ 11,028 crore (including the net receipts of ₹ 10,907 crore in the State) as on 31 March 2016.

1.3 Revenue Receipts

The Revenue Receipts of the State Government consist of its Own Tax Revenue and Non-tax Revenue and Central tax transfer including Grants-in-aid from GoI. Details of the Revenue Receipts of the Government are in Statement-14 of the Finance Accounts (2015-16). The trends and composition of Revenue Receipts for the last five years period (2011-16) are presented in **Chart No. 1.4:**

Audit Report on State Finances for the year 2015-16



Revenue Receipts of the State increased from ₹ 6,476.90 crore in 2011-12 to ₹ 9,426.74 crore in 2015-16 which represented an increase of about 46 per cent over a period of five years. The contribution of Tax Revenue to the Revenue Receipts during 2015-16 was 14 per cent, whereas Non-tax Revenue constituted about 3 per cent of Revenue Receipts, net proceeds of State's Share of Union Taxes and Duties constitute about 35 per cent and Grants-in-aid from the GoI constituted about 48 per cent.

Over the last five year period, the trend and growth of Revenue Receipts and its buoyancy with respect to GSDP at current prices (base year 2011-12) are shown in **Table No. 1.6**.

Table No. 1.6: Trends in Revenue Receipts and Buoyancy Ratios relative to GSDP

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Receipts (RR) (₹ in crore)	6476.90	7050.30	7650.18	9239.73	9426.74
Rate of growth of RR (<i>per cent</i>)	25.31	8.85	8.51	20.78	2.02
R R/GSDP (<i>per cent</i>)	33.72	32.54	29.89	31.14	28.40
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t GSDP	3.37	0.69	0.46	1.30	0.15
State's Own Tax Buoyancy w.r.t GSDP	5.05	1.34	0.38	0.59	1.13
Revenue Buoyancy with reference to State's Own Taxes	0.67	0.52	1.24	2.22	0.15

It was noticed that though the Revenue Receipts increased from ₹ 6,476.90 crore in 2011-12 to ₹ 9,426.74 crore in 2015-16, its ratio relative to GSDP came down to 28.40 per cent in 2015-16 from 33.72 per cent in 2011-12. The growth rate of

¹ 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 at 0.15 implies that revenue receipts tend to increase by 0.15 percentage points if the GSDP increases by one per cent.

Revenue Receipts in 2015-16 over the previous year was 2.02 *per cent*. Revenue Buoyancy during 2015-16 was lower than the previous year. However, State's Own Tax Buoyancy with respect to GSDP was better in 2015-16 than the previous year.

The growth rate of Revenue Receipts (2.02 per cent) of the State was lower than the growth rate of the eight Special Category States (11.45 per cent) in 2015-16 as compared to the previous year.

1.3.1 State's Own Resources

State's Share in Central Taxes and Grants-in-aid are determined on the basis of recommendations of the Finance Commission and the State's performance in mobilisation of resources is assessed in terms of its own resources comprising Own Tax and Non-tax sources. Though the Tax and Non-Tax Revenue formed a minor part of the States's resources, the performances of the State in mobilisation of Tax and Non-tax Revenue is important in the long run for attaining self sufficiency or reduced dependency on Central Government. The State had adopted various fiscal policy measures *viz*; TFRBM Act, MTFPS to achieve this goal.

The projections of the Finance Commission, MTFPS and actual collections in respect of Tax and Non-tax Revenue for the year 2015-16 are given in **Table No. 1.7**.

Table No. 1.7: Projection of XIV FC, MTFPS, Revised Estimates *vis-a-vis* the Actual in respect of Tax and Non-tax Revenue for 2015-16

	XIV FC Projections	MTFPS Projection	Revised Estimates	Actual
Tax Revenue	1,662.00	1,322.40	1,322.40	1,332.25
Non-tax Revenue	360.00	284.08	284.08	262.60

(₹ in crore)

Actual collection of Tax Revenue and Non-tax Revenue were lower than the XIV FC projection for the year 2015-16. However, the Tax Revenue collection was higher than the MTFPS projection made by the State while Non-tax Revenue was lower than the projection made in MTFPS for the year. During the year 2014-15, the terminal period of XIII FC, the Tax and Non-tax Revenue collection were higher by ₹ 280.09 crore and ₹ 7.71 crore respectively than the projections made by the XIII FC for the year 2014-15.

i) Tax Revenue

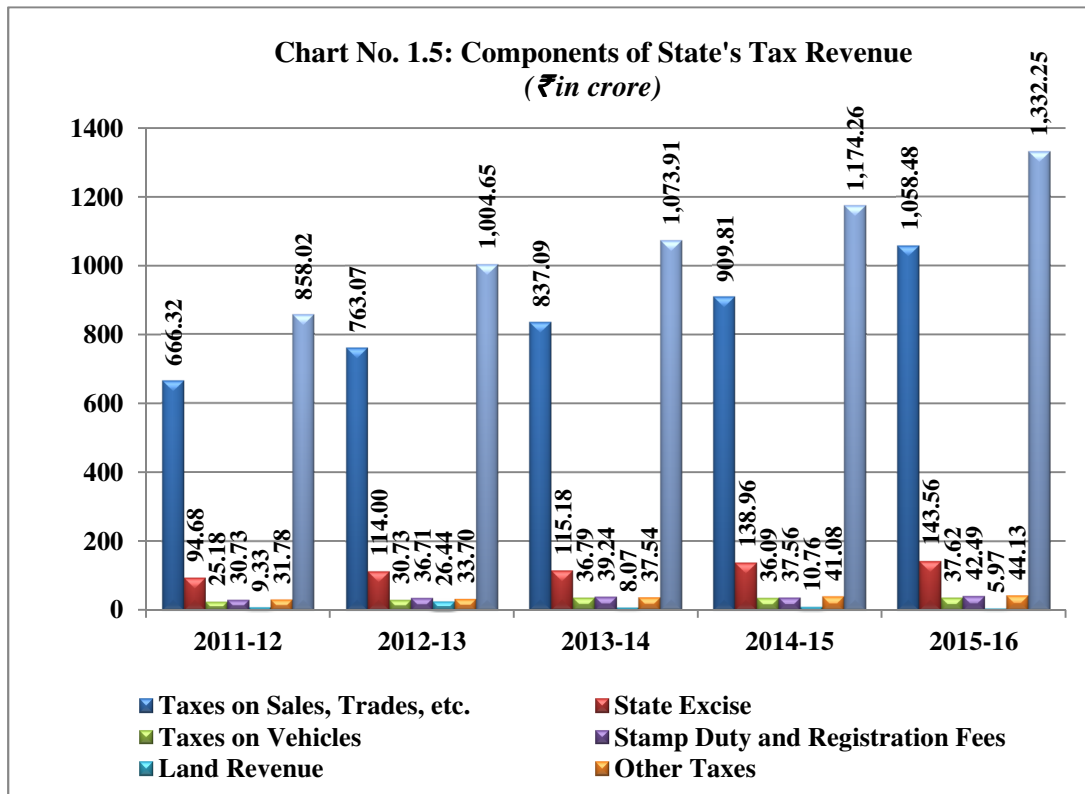
Overall increase of Tax Revenue of the State during the year 2015-16 was 13.45 *per cent* over the previous year. The increase was mainly due to increase in collection of Sales Tax and Taxes on Stamps and Registration Fees. A major part of Sales Tax contributed from Value Added Tax (VAT) during 2015-16 increased by 29 *per cent* from ₹ 715.86 crore in 2014-15 to ₹ 921.49 crore in 2015-16. The component-wise trends of State's Tax Revenue during 2011-16 are shown in **Chart No. 1.5**.

Table No. 1.8: Components of State’s Tax Revenue

(₹ in crore)

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage increase (+)/ decrease (-) in 2015-16 over 2014-15
Taxes on Sales, Trades, etc.	666.32	763.07	837.09	909.81	1,058.48	16.34
State Excise	94.68	114.00	115.18	138.96	143.56	3.10
Taxes on Vehicles	25.18	30.73	36.79	36.09	37.62	4.24
Stamp Duty and Registration Fees	30.73	36.71	39.24	37.56	42.49	13.13
Land Revenue	9.33	26.44	8.07	10.76	5.97	(-) 44.52
Other Taxes ²	31.78	33.70	37.54	41.08	44.13	7.42
Total:	858.02	1,004.65	1,073.91	1,174.26	1,332.25	13.45

Source: Finance Accounts for the respective years



The growth rate of Tax Revenue of the State was 13.45 per cent whereas it was 19.80 per cent in respect of the eight Special Category States for the year 2015-16 as compared to the previous year.

ii) Non-tax Revenue

Overall increase in Non-tax Revenue receipts during 2015-16 was 34.23 per cent over the previous year. This increase was mainly driven by increase in collection from Economic Services and Interest Receipts. The sector-wise collection of Non-tax

² Other Taxes include Other Taxes on Commodities & Services; Taxes and Duties on Electricity; Agricultural Income; and Taxes on Profession, Trade, Callings & Employment.

Revenue for the five year period from 2011-12 to 2015-16 are shown in **Table No. 1.9**.

Table No. 1.9: Sector-wise Non-tax Revenue Receipts

(₹ in crore)

Name of Sector	2011-12	2012-13	2013-14	2014-15	2015-16
General Service	64.35 (30.04)	44.55 (24.93)	70.80 (28.72)	57.90 (29.60)	64.74 (24.65)
Social Service	10.82 (5.05)	11.98 (6.70)	14.30 (5.80)	8.90 (4.55)	12.60 (4.80)
Economic Service	62.44 (29.15)	53.66 (30.02)	74.95 (30.40)	82.31 (42.07)	116.61 (44.41)
Interest Receipts, Dividends, etc.	76.61 (35.76)	68.55 (38.35)	86.47 (35.08)	46.53 (23.78)	68.65 (26.14)
Total:	214.22	178.75	246.52	195.64	262.60

Scrutiny of the Finance Accounts of the State for the year 2015-16 revealed that the Non-tax Revenue collection under General Services increased by 12 *per cent* during the year mainly due to increase in collection under Major Heads 0055-Police and 0071-Contributions and Recoveries towards pension and other retirement benefits.

Non-tax Revenue collection under Economic Services increased by 42 *per cent* fuelled by major increase in collection under Major Heads 0852-Industries (by 48 *per cent*), 0401-Crop Husbandry (by 29 *per cent*) and 0406-Forestry and wild life (by 21 *per cent*) during 2015-16 over the previous year.

Interest Receipts and Dividend increased by 48 *per cent* during 2015-16 over the previous year due to realisation of more Interest from Cash Balance Investment by 17 *per cent* and Dividend by 2529 *per cent* from the public undertakings over the previous year.

During the year 2015-16, ₹ 13.41 crore was received as Dividend from the Public Sector Undertakings. The trend of Interest Receipts and Dividend during the last five years are shown in **Table No. 1.10**.

Table No. 1.10: Trends of Interest Receipts and Dividend during 2011-16

(₹ in crore)

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16
Interest Receipts	50.66	67.88	86.47	46.02	55.24
Dividends & Profits	25.95	0.67	-	0.51	13.41
Total:	76.61	68.55	86.47	46.53	68.65

The growth rate of Non-tax Revenue of the State during the year 2015-16 was 34.23 per cent whereas it was (-) 18.75 per cent in respect of the eight Special Category States as compared to the previous year.

1.3.2 Grants-in-aid from Government of India

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 GoI released funds as grants under different schemes to the State for the last five year period as shown in **Table No. 1.11**.

Table No. 1.11: Grants-in-aid received from GoI

(*₹ in crore*)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Non-plan Grants	1,230.57	1,289.76	1,150.62	1,086.53	1,249.14
Grants for State Plan Schemes	2,450.06	2,691.59	3,004.78	4,720.17	2,867.77
Grants for Central Plan Schemes	46.79	33.34	35.21	32.74	376.11
Grants for Centrally Sponsored Schemes	312.25	321.04	424.04	235.49	36.28
Grants for Special Plan Schemes	57.43	37.99	84.85	64.77	36.57
Total:	4,097.10	4,373.72	4,699.50	6,139.70	4,565.87
Percentage of increase/decrease over previous year	24.45	6.75	7.45	30.64	(-) 25.63
Total grants as a percentage of Revenue Receipts	63	62	61	66	48

During the year 2015-16, Grants-in-aid released by GoI decreased by 25.64 *per cent* to ₹ 4,565.87 crore from ₹ 6,139.70 crore in 2014-15. This had resulted in decrease of the share of Grants-in-aid in Revenue Receipts which had decreased from 66 *per cent* in 2014-15 to 48 *per cent* in 2015-16. Decrease in grants for State Plan Schemes by 39.24 *per cent* and grants for Centrally Sponsored Schemes by 85 *per cent* were the main factors behind the overall decrease. This was on account of reduction in number of Centrally Sponsored Schemes by the GoI. Non-plan grants during the year however, increased by 14.97 *per cent* of which a major part was Revenue Deficit Grant (₹ 1,089.00 crore) for 2015-16. An amount of ₹ 27.90 crore was released towards the State Disaster Response Fund (SDRF) by GoI during the year 2015-16 as per recommendations of the XIV FC. Grants for Centrally Sponsored Schemes during 2014-15 was overstated by ₹ 13.60 crore under Urban Development Department due to misclassification of loan from GoI as grant.

1.3.3 Debt waiver under the Debt Consolidation and Relief Facilities

The State Government enacted the TFRBM Act, 2005 and the rules for carrying out the provisions of the Act were published in October 2006.

As per recommendation of the XIII FC, the State Government had amended the TFRBM Act, 2005 in April 2011 and renamed it as TFRBM (3rd Amendment) Act, 2011. Accordingly, the State had also revised its MTFPS targets since 2010-11 for the XIII FC award period.

On the recommendation of XIII FC, Central loan under Central Plan Schemes and Centrally Sponsored Schemes advanced to the State Government by the different Ministries other than the Ministry of Finance (MoF) and outstanding as on 31 March 2010, had been written off.

The MoF permitted the State Government to adjust the excess repayment of Principal and Interest made by the State after 31 March 2010 against repayment to the MoF. The State Government made excess payment of loans of ₹ 6.88 crore after the effective date out of which only ₹ 2.56 crore had been adjusted by MoF leaving a balance of ₹ 4.32 crore (Principal: ₹ 2.01 crore and Interest: ₹ 2.31 crore) unadjusted as of March 2016. This resulted in over statement of outstanding Public Debt of the State Government to that extent.

1.3.4 State's Share of Central Taxes

As per recommendation of the XIV FC, 42 *per cent* of State's Share of Union Taxes and Duties should be released to the State during the XIV FC award period from 2015-16 to 2019-20. The percentage of State's Share of Union Taxes and Duties was 32 *per cent* during the award period of XIII FC upto 2014-15. As a result, State's Share of Union Taxes and Duties increased substantially by 88.77 *per cent* to 9.84 *per cent* of GSDP during 2015-16 from 5.94 *per cent* in 2014-15.

The devolution of different component of State's Share of Union Taxes and Duties during the last five year period from 2011-12 to 2015-16, are shown in **Table No. 1.12:**

Table No. 1.12: Trends in components of State's Share of Union Taxes and Duties

(₹ in crore)

Component of State's Share of Union Taxes and Duties	2011-12	2012-13	2013-14	2014-15	2015-16
Corporation Tax	514.68	536.36	548.28	604.18	1,031.98
Income Tax	261.43	321.11	361.03	431.44	720.42
Taxes on Wealth	1.98	0.91	1.51	1.63	0.18
Union Excise & Customs	373.42	416.75	453.86	437.82	953.32
Service Tax & Others	156.05	218.05	265.57	255.06	560.12
Total:	1,307.56	1,493.18	1,630.25	1,730.13	3,266.02
Percentage of GSDP	6.96	7.01	6.51	5.94	9.84

There was an increasing trend of devolution in absolute terms in the components of the State's Share of Union Taxes and Duties during the last five years. Corporation Tax, Union Excise & Customs and Income Tax were major contributors to State's Share of Union Taxes and Duties during the year 2015-16.

1.3.5 Optimisation of XIV Finance Commission Grants during 2015-16

The XIV FC was constituted by the President under Article 280 of the Constitution of India on 02 January 2013 to give recommendations on specified aspects of Centre-State fiscal relations during the period 2015-20. As per the terms of reference, the XIV FC had three constitutionally mandated tasks, *namely*, the distribution of net proceeds of taxes between Union and States, Grants-in-aid to the needy States and measures for supplementing the States resources for devolution to the Panchayats and Municipalities in the State. The Commission submitted its Report to the President on 15 December 2014.

The previous Finance Commissions had recommended quantum of Grants-in-aid to States for five purposes – Revenue Deficit, Disaster Relief, Local Bodies, Sector-Specific Schemes and State Specific Schemes. The XIII FC had made recommendations for ₹ 500 crore towards the State Specific needs other than various grants during its award period (2010-15) out of which GoI had released ₹ 303.09 crore upto 31 March 2015. However, the XIV FC departed significantly from previous Finance Commissions by taking into consideration the requirement of the

State's entire Revenue Expenditure without making a distinction between Plan and Non-plan. The XIV FC has not considered the grants for State Specific projects or Schemes which were to be identified, prioritised or financed by the State Government. The XIV FC has recommended three components of grants similar to the XIII FC as given in the table below.

Table No. 1.13: Recommendations of FCs and actual release of funds by GoI
(₹ in crore)

Sl. No.	Purpose for which grants is released	Recommended by the Finance Commissions		Actual released by GoI	
		XIII FC (2014-15)	XIV FC (2015-16)	XIII FC (2014-15)	XIV FC (2015-16)
1.	Revenue Deficit Grants	600.00	1,089.00	600.00	1,089.00
2.	Grants for Local Bodies	108.70	57.65	75.52	57.65
3.	Grants towards SDRF	22.12	28.00	22.12	27.90
Total:		730.82	1,174.65	697.64	1,174.55

Source: FCs recommendations, Finance Accounts.

The XIV FC had assessed the revenue and expenditure of the State for the period 2015-20 and had projected the Revenue Deficit after taking into account the amount of share in Central Taxes of the State. Accordingly, the Commission had recommended ₹ 5,103 crore as Revenue Deficit Grant for Tripura for the entire award period. For the first year of the XIV FC, i.e, 2015-16, an amount of ₹ 1,089 crore was recommended as Revenue Deficit Grant against ₹ 600 crore recommended by the XIII FC for the terminal year 2014-15 of its award period. The increase in Revenue Deficit Grant in the first year of XIV FC over the terminal year of XIII FC was 81.50 per cent.

As per the XIV FC recommendation, the contribution to the SDRF between the Centre and State Government is to be in the ratio of 90:10 during the award period (2015-20). According to the guidelines, the contributions towards the SDRF are required to be transferred to the Public Account under MH-8121 along with the States Share. During the year 2015-16, GoI released ₹ 27.90 crore towards the SDRF as recommended by the XIV FC and the State Government released an amount of ₹ 30.63 crore to SDRF including its share of ₹ 2.73 crore (₹ 1.17 crore for 2014-15 and ₹ 1.56 crore for 2015-16).

As per guidelines, the State Government should have released ₹ 2.79 crore for 2015-16 against which only ₹ 1.56 crore was released by the State as its share during the year. Thus, there was a short release of State Share of ₹ 1.23 crore for the year 2015-16. There was also a short release of ₹ 10 lakh by GoI in respect of grants for SDRF during the year.

As of March 2015, there was a balance of ₹ 144.14 crore in the SDRF under Public Account. During the year 2015-16, an expenditure of ₹ 12.84 crore was incurred by the State Government on natural calamities and ₹ 73 crore invested in Banks. There was a balance fund of ₹ 88.91 crore under MH-8121 as on 31 March 2016 which are required to be invested as per guidelines of the SDRF.

1.4 Capital Receipts

All Government receipts which either create liabilities (e.g. Market Borrowings, Public Account Receipts) or reduce assets (e.g. Disinvestment, Recovery of Loans and Advances) are treated as Capital Receipts. Thus, when Government raises funds either by incurring a liability or by disposing off its assets, it is called Capital Receipts.

The growth and composition of Capital Receipts during the last five year period are shown in **Table No. 1.14**. The Capital Receipts during the year 2015-16 was much higher than the trend of last four years (2011-12 to 2014-15). About 99 *per cent* of Capital Receipts during the year 2015-16 was from Public Debt which constituted 3.37 *per cent* of GSDP for the year. A major constituent of Public Debt during the year 2015-16 was the Market Borrowings (₹ 1,113.86 crore) at interest rates ranging between 8.11 *per cent* and 8.65 *per cent* per annum.

Table No. 1.14: Trends in growth and composition of receipts

(₹ in crore)					
Sources of State's Receipts	2011-12	2012-13	2013-14	2014-15	2015-16
Capital Receipts (CR)	419.98	835.27	787.94	539.45	1,120.93
Miscellaneous Capital Receipts	0.00	0.00	0.00	0.0	0.00
Recovery of Loans and Advances	2.10	1.26	0.96	2.18	1.14
Public Debt Receipts	417.88	834.01	786.98	537.27	1,119.79
Rate of growth of Debt Capital Receipts (%)	(-) 24.83	99.58	(-) 5.64	(-) 31.73	(+) 108.42
Rate of growth of Non-Debt Capital Receipts (%)	(-) 25.00	(-) 40.00	(-) 23.81	(+) 127.08	(-) 47.71
Rate of growth of GSDP (%)	--	12.78	18.14	15.92	11.87
Rate of growth of Capital Receipts (<i>per cent</i>)	(-) 24.83	98.88	(-) 5.67	(-) 31.54	(+) 107.79

1.4.1 Recoveries of Loans and Advances

Non-Debt Capital Receipts i.e. Recovery of Loans and Advances by the State during the period 2011-16 was below one *per cent* of Public Debt Receipts. The State Government had given loans to the Government Servants and other Social and Economic Sectors for various developmental activities amounting to ₹ 21.84 crore during the year 2015-16. Maximum amount was given for Medical and Public Health amounting to ₹ 20.00 crore. Outstanding loan as on 31 March 2016 stood at ₹ 64.50 crore. The total outstanding Loans and Advances as on 31 March 2016 was ₹ 161.30 crore, of which ₹ 43.50 crore pertained to Power Sector. Interest Receipts from Loans and Advances during the year was ₹ 2.55 crore on outstanding Loans and Advances of ₹ 140.60 crore.

During 2015-16, only ₹ 1.14 crore was recovered, of which ₹ 0.51 crore was recovered from Government Servants and ₹ 0.50 crore from Medical and Public Health Sector. Recovery of loans decreased by ₹ 1.04 crore in 2015-16 as compared to the previous year.

Public Debt Receipts

Public Debt Receipts comprise of Internal Debt Receipts and Loans and Advances from GoI.

A time series data on Public Debt Receipts during the last five year period 2011-16 is shown in **Table No. 1.15**.

Table No.1.15: Time series data on Public Debt Receipts 2011-16

Source of Public Debt	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Market Loans	300.00 (71.79)	645.00 (77.34)	550.03 (69.89)	150.00 (27.92)	575.00 (51.35)	2,220.03 (60.07)
National Small Savings Fund	12.52 (0.30)	41.28 (4.95)	74.41 (9.46)	182.07 (33.89)	254.88 (22.76)	565.16 (15.29)
Loans from other Financial Institutions	99.29 (23.76)	144.25 (17.30)	158.82 (20.18)	200.00 (37.23)	283.98 (25.36)	886.34 (23.98)
Total Internal Debt	411.81 (98.55)	830.53 (99.58)	783.26 (99.52)	532.07 (99.03)	1,113.86 (99.47)	3,671.53 (99.34)
Loans and Advances from GoI	6.07 (1.45)	3.48 (0.42)	3.73 (0.47)	5.20 (0.97)	5.93 (0.53)	24.41 (0.66)
Public Debt Receipts	417.88	834.01	786.99	537.27	1,119.79	3,695.94
Public Debt Repayment	217.52	312.49	219.91	300.00	447.29	1,497.21
Balance of Public Debt	200.36	521.52	567.08	237.27	672.50	2,198.73

Note: Figures in parenthesis indicates percentage to Public Debt Receipts.

Source: Finance Accounts.

The table above shows that more than 51 *per cent* share of Public Debt was from open market while 25 *per cent* share was from other Financial Institutions during the year 2015-16. The borrowings from open market during the last five years ranged between 27 and 77 *per cent* and it increased by 283 *per cent* during 2015-16 as compared to the previous year. During the year 2015-16, Government borrowed funds from the open market to the tune of ₹ 575 crore at interest rates ranging from 8.11 *per cent* to 8.65 *per cent* redeemable by 2026. Loans from National Small Savings Funds (NSSF) increased by 40 *per cent* during 2015-16 over the previous year.

Loans and Advances from GoI during the year increased by 14 *per cent* as compared to previous year and repayment of Public Debt was ₹ 447.29 crore. The outstanding Public Debt of the State Government at the end of 31 March 2016 stood at ₹ 5,976.43 crore with an addition of ₹ 672.50 crore.

1.5 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, 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 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. Details of Public Account balances for five years are shown in **Table No. 1.16**.

Table No. 1.16: Public Account Balances

(₹ in crore)

Resources under Public Account Balances	2011-12	2012-13	2013-14	2014-15	2015-16
a. Small Savings, Provident Fund, etc.	2146.29	2385.57	2712.56	3014.96	3355.00
b. Reserve Funds	506.75	582.56	651.54	679.57	625.03
c. Deposits and Advances	241.41	215.37	309.06	334.70	438.73
Total:	2894.45	3183.50	3673.16	4029.23	4418.76

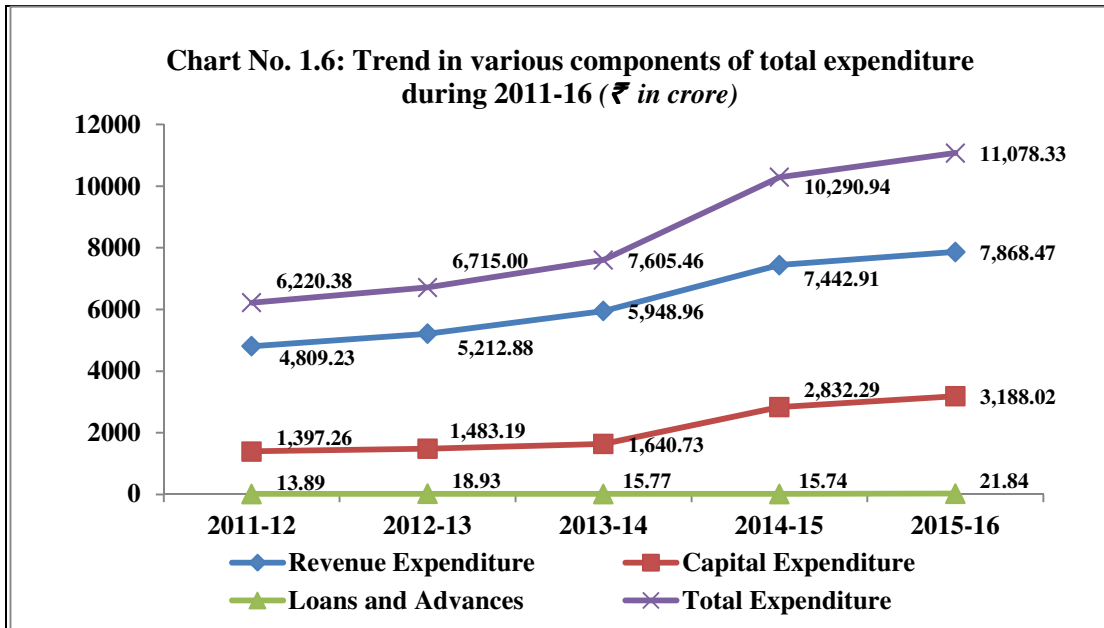
There has been an increasing trend in the balances of funds relating to Public Account Receipts during the last five years. After disbursement of the funds under various heads of Public Account, the balance at the end of 31 March 2016 stood at ₹ 4,418.76 crore of which ₹ 3,355.00 crore (76 per cent) was in respect of Small Savings, Provident Funds, etc. which the State Government could use for various development activities of the State. Out of ₹ 625.03 crore under Reserve Funds, the Government had invested an amount of ₹ 529.21 crore in earmarked fund (Sinking Fund) during 2015-16. Out of the balance amount of ₹ 95.82 crore, ₹ 88.91 crore pertained to SDRF which remained un-invested as on 31 March 2016.

1.6 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance as it is an important aspect of fiscal policy to achieve developmental goals. 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 Service.

1.6.1 Trend and Composition of Expenditure

Chart No. 1.6 presents the trends and composition of total expenditure during last five year period from 2011-12 to 2015-16.



During the period 2011-12 to 2015-16, the total expenditure of the State was on an increasing trend and stood at ₹ 11,078.33 crore in 2015-16 from ₹ 6,220.38 crore in 2011-12 with an increase of 78.10 per cent over the period of five years. However, the total expenditure during 2015-16 increased by 7.65 per cent over the previous year. Revenue Expenditure increased by 63.61 per cent during the last five year period and 5.72 per cent during 2015-16 as compared to previous year. Capital Expenditure increased by 12.56 per cent during 2015-16 as compared to previous year. Disbursement of Loans and Advances increased by ₹ 6.10 crore (38.75 per cent) from previous year and stood at ₹ 21.84 crore during 2015-16.

Out of the total Revenue Expenditure of ₹ 7,868.47 crore during 2015-16, 76 per cent was in Non-plan and 24 per cent on Plan activities. The trend in composition of Revenue and Capital Expenditure (both Plan and Non-plan) is depicted in **Table No. 1.17**.

Table No. 1.17: Trends in composition of Revenue and Capital Expenditure (Non-plan and Plan) during 2011-16

(₹ in crore)

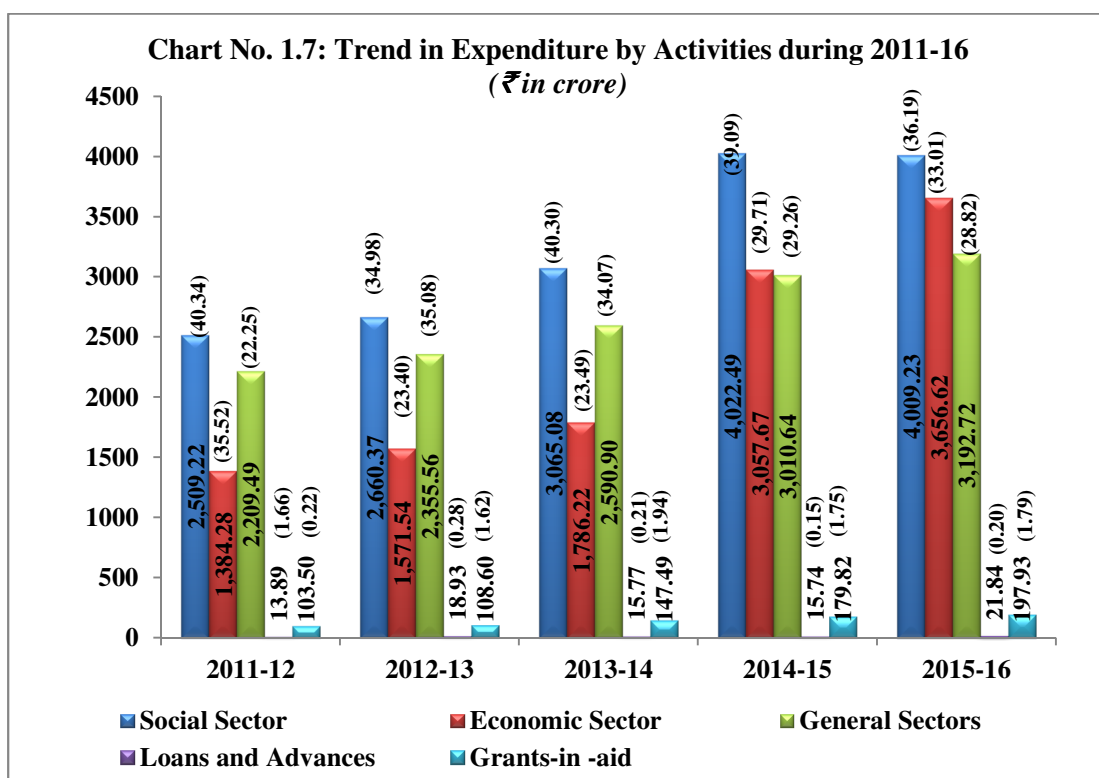
Revenue Expenditure					
	2011-12	2012-13	2013-14	2014-15	2015-16
Non-plan	3747.31 (78)	3993.61 (77)	4549.02 (76)	5,476.45 (74)	6,001.95 (76)
Plan	1061.92 (22)	1219.27 (23)	1399.94 (24)	1,966.46 (26)	1,866.52 (24)
Total:	4,809.23 (77)	5,212.88 (78)	5,948.96 (78)	7,442.91 (72)	7,868.47 (71)
Capital Expenditure					
Non-plan	76.12 (5)	32.52 (2)	(-) 6.21 (-)	10.88 (1)	11.71 (1)
Plan	1,321.14 (95)	1,450.67 (98)	1,646.94 (100)	2,821.41 (99)	3,176.31 (99)
Total:	1,397.26 (23)	1,483.19 (22)	1,640.73 (22)	2,832.29 (28)	3,188.02 (29)
Grand Total:	6,206.49	6,696.07	7,589.69	10,275.20	11,056.49

Note: Figures in bracket indicate percentage of total expenditure

The Non-plan Revenue Expenditure (NPRE) of the State increased by ₹ 2,254.64 crore (60.17 per cent) from ₹ 3,747.31 crore in 2011-12 to ₹ 6,001.95 crore in 2015-16. The percentage of Plan Revenue Expenditure to total expenditure decreased during 2015-16 and stood at 17 per cent in 2015-16 against 19 per cent in 2014-15. The NPRE as a percentage of the total Revenue Expenditure however, decreased from 78 per cent in 2011-12 to 76 per cent in 2015-16 though there was an increase of 2 per cent over the previous year. The ratio of Revenue Expenditure to total expenditure was 71.02 per cent during the year.

1.6.2 Trend and Composition of Expenditure by Activities

The trends in composition of total expenditure by activities as depicted in **Chart No. 1.7** shows that the share of General Services to total expenditure ranged between 28.82 and 35.52 per cent and the share of Social Services to total expenditure decreased gradually from 40.30 per cent in 2013-14 to 36.19 per cent in 2015-16. The expenditure on Economic Services however, showed an increasing trend over the years from 22.25 per cent in 2011-12 to 33.01 per cent in 2015-16. During 2011-12 to 2015-16, payment of Grants-in-aid remained below 2 per cent while repayment of Loans and Advances was below 1 per cent of the total expenditure.



1.6.3 Revenue Expenditure

Revenue Expenditure during 2015-16 increased by ₹ 425.57 crore (5.72 per cent) while Revenue Receipts increased by ₹ 187.01 crore (2.02 per cent) over the previous year. The ratio of Revenue Expenditure and the Revenue Receipts during the year

with respect to GSDP at current price was 23.71 *per cent* and 28.40 *per cent* respectively.

The trend of Revenue Receipts *vis-a-vis* Revenue Expenditure and their percentage with respect to GSDP are given in **Table No. 1.18**.

Table No. 1.18: Revenue Receipts *vis-a-vis* Revenue Expenditure and their percentage with the GSDP during 2011-16

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Receipts	6,476.90	7,050.30	7,650.18	9,239.73	9,426.74
As percentage of GSDP	33.72	32.54	29.89	31.15	28.40
Revenue Expenditure	4,809.23	5,212.88	5,948.96	7,442.91	7,868.47
As percentage of GSDP	25.04	24.06	23.24	25.09	23.71
Revenue Surplus	1,667.67	1,837.42	1,701.22	1,796.82	1,558.27
As percentage of GSDP	8.68	8.48	6.65	6.06	4.69

(₹ in crore)

Trend of some important basic components of Revenue Expenditure under Social and Economic Sectors during 2011-16 are shown in **Table No. 1.19**:

Table 1.19: Trends in Revenue Expenditure on some important component in Social and Economic Sectors during 2011-16.

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
a	General Education	861.79	929.23	1,073.56	1,441.30	1,591.92
b	Medical, Public, Health and Family Welfare	220.83	230.49	303.71	355.57	498.42
c	Water Supply and Sanitation	73.55	32.32	87.73	98.96	175.42
d	Urban Development	75.67	177.08	119.94	131.66	78.62
e	Fisheries	25.92	31.63	38.36	42.78	58.42
f	Forestry and Wild Life	57.02	67.61	71.90	89.98	94.40
g	Minor Irrigation	31.10	36.79	34.94	41.83	37.93
h	Power	40.93	41.12	41.63	73.90	84.63
i	Roads and Bridges	134.67	139.80	213.21	255.64	221.98

(₹ in crore)

Though the XIV FC has not recommended any specific grants for any specific sectors, it considered the services in Health, Education, Drinking Water and Sanitation as public services of national importance, having significant inter State externalities. The XIV FC opined that the grants to these sectors should be carefully designed and implemented and effective monitoring mechanism put in place with the involvement of Union, States and domain expertise.

It would be seen from the above table that there was an increasing trend in expenditure on most of the components under Social and Economic Sectors particularly in General Education, Public Health, Forestry and Wild Life, etc. during the period 2011-16 which indicates that the State Government had given priority to these sectors. There was decrease in expenditure under Urban Development, Roads & Bridges and Minor Irrigation by 40 *per cent*, 13 *per cent* and 9 *per cent* respectively during 2015-16 over the previous year.

1.6.4 Committed Expenditure

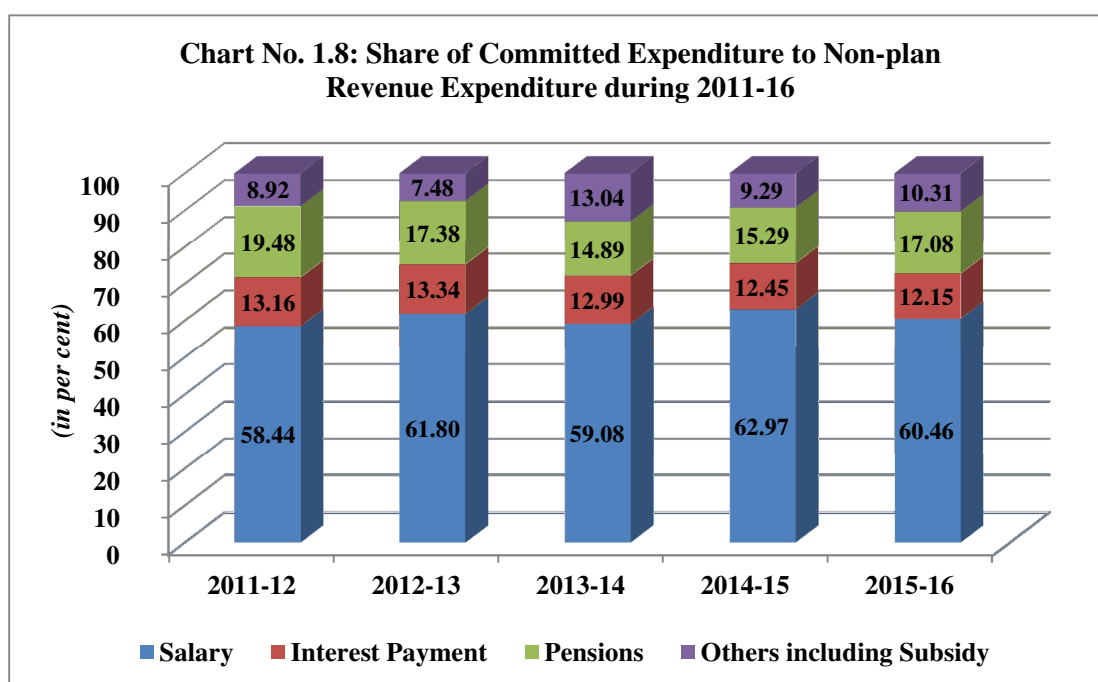
The Committed Expenditure of the State Government on revenue account mainly consists of Salaries and Wages, Interest Payments, Pension and Subsidies. The trend of Committed Expenditure on these components during 2011-12 to 2015-16 and Budget Estimates and the actuals there-against are presented in **Table No. 1.20**.

Table No. 1.20: Components of Committed Expenditure

Components of Committed Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16	
					BE	Actuals
Salaries* & Wages , of which	2,189.77	2,467.90	2,687.68	3,448.43	3,980.49	3,628.51
Non-plan Head	1,875.95	2,003.83	2,307.23	2,676.68	3,474.01	3,059.91
Plan Head	313.82	464.07	380.45	446.45	506.48	568.60
Interest Payments	493.27	532.81	590.96	681.68	841.61	729.39
Expenditure on Pensions	730.02	694.19	677.25	837.18	1,013.58	1,025.31
Subsidies	12.62	37.57	104.18	145.50	51.64	133.93
Total:	3,425.68	3,732.47	4,060.07	5,112.79	5,887.32	5,517.14

*excluding Grants-in-aid ₹ 183.87 crore and Wages: ₹ 32.47 crore during 2015-16.

The share of Committed Expenditure to NPRE during 2011-16 is depicted in **Chart No. 1.8**.



Expenditure on Salary

A significant part of the Committed Expenditure (**Table No. 1.20**) of the State was on Salary and Wages.

During 2015-16, the expenditure on Salary and Wages constituted 59.35 per cent of Revenue Expenditure net of Interest Payments and Pensions which was higher than the ceiling of 35 per cent recommended by the XIII FC during the award period upto 2014-15. The XIV FC has not fixed any ceiling for award period 2015-20 in respect

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of Salary and Wage Expenditure but reiterated the views of the XI FC for a consultative mechanism between the Union and States, through a forum such as the Inter-State Council, to evolve a national policy for salaries and emoluments. However, the XIV FC recommended the linking of pay with the productivity, with a simultaneous focus on technology, skill and incentives.

Expenditure on Pension Payments

The expenditure on payment of Pensions and other retirement benefits of the retired employees and Family Pensioners including Member of Legislative Assembly (MLA) during the year 2015-16 was ₹ 1,025.31 crore which was about 17 *per cent* of the NPPE. The expenditure on Pension increased by ₹ 188.13 crore (by 22.47 *per cent*) during 2015-16 as compared to previous year. The expenditure on Pension was also higher by ₹ 145.31 crore than the projected amount (₹ 880 crore) of XIV FC for 2015-16.

Besides, as per information furnished by the State Government an expenditure of ₹ 141.46 crore was incurred towards 2,86,336 Social Pensioners under different Social Welfare Schemes during the year 2015-16. Total expenditure on Pension including Social Pension stood at ₹ 1,166.77 crore (15 *per cent* of Revenue Expenditure) during 2015-16. As per retirement profile given in the Budget at a Glance 2016-17, 3,085 employees will retire during 2016-17 and provision for Pension liability on these employees has been made in the budget for 2016-17. Hence, the committed liability on Pension would increase in the coming years as the State Government had not implemented the New Pension Scheme (NPS) in the State.

The XIV FC had suggested that the State Governments which had not implemented the NPS may consider doing so for new recruits to reduce their future burden from Pension liability. However, the NPS has not been introduced in the State.

As on 31 March 2016, there were 57,532 Pensioners including 69 MLA Pensioners and 57 MLA Family Pensioners in the State.

Interest Payments

The expenditure on Interest Payments was on an increasing trend during the last five years as shown in **Table No. 1.20**. During 2015-16, the expenditure for Interest Payments was ₹ 729.39 crore (12.15 *per cent* of NPPE) which was higher by ₹ 47.71 crore (about 6.54 *per cent*) over the previous year. However, it was lower than the Budget Estimates of the State though slightly higher than the projection (₹ 729.00 crore) made by the XIV FC for the year 2015-16.

Out of total expenditure of ₹ 729.39 crore as Interest Payments, ₹ 441.68 crore was paid on borrowings from Market and other Financial Institutions, of which ₹ 249.96 crore was paid on Market Loan. An amount of ₹ 25.05 crore was paid as Interest on past Loan from GoI and ₹ 262.66 crore was paid on Small Savings, Provident Funds, etc. during the year.

Subsidies

Subsidies provided by the State Government include both implicit and explicit subsidies which were utilised to bridge the gap between income and expenditure to certain selected Departments/Corporations/Government Companies.

During the year 2015-16, the State Government paid ₹ 133.93 crore as subsidy to various Departments and Government Companies/Corporations. The Department-wise explicit subsidies given by the State along with the trend from 2011-12 to 2015-16 are presented in **Table No. 1.21**.

Table No. 1.21: Department-wise explicit subsidies given by the Government during 2011-16

Sl. No.	Name of Department	Amount of subsidies given				
		2011-12	2012-13	2013-14	2014-15	2015-16
1	Tribal Welfare Department	2.63	4.28	4.75	4.16	4.11
2	Welfare of SC, OBC & Minorities Department	3.13	3.66	3.45	2.50	2.39
3	Agriculture Department	6.86	3.86	6.90	9.05	6.85
4	Food, Civil Supplies & Consumers Affairs Department	0.00	25.32	48.08	66.81	51.58
5	Industries & Commerce Department	0.00	0.45	0.00	0.00	0.00
6	Co-operation Department	0.00	0.00	40.00	0.18	0.00
7	Horticulture Department	0.00	0.00	1.00	0.80	0.00
8	Power Department	0.00	0.00	0.00	62.00	69.00
Total:		12.62	35.57	104.18	145.50	133.93

It is seen from the above table that the State Government provided ₹ 69.00 crore to the Tripura State Electricity Corporation Limited (TSECL), Power Department during 2015-16 which was an increase of ₹ 7.00 crore as compared to the previous year. As mentioned in the 3rd quarterly Review Report of the State Finance Minister for the year 2015-16, the subsidy was provided as Consumer subsidy to TSECL. During the year 2015-16, subsidy provided to the Food, Civil Supply and Consumer Affairs Department was mainly for the consumers of Public Distribution System (PDS) under Below Poverty Line and Antyodaya Anna Yojana families (₹ 29.13 crore) and also direct cash transfer to PDS beneficiaries in lieu of supply of Mustard Oil and Dal (₹ 19.84 crore). However, the subsidy under Food, Civil Supply and Consumer Affairs Department decreased by ₹ 15.23 crore (23 per cent) during 2015-16 as compared to the previous year.

1.6.5 Financial Assistance by State Government to Local Bodies and other Institutions

Local Bodies

Post 73rd and 74th Constitutional Amendments, the Government of Tripura (GoT) 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.

Classification of Local Bodies

Panchayati Raj Institutions: Consequent upon the 73rd Constitutional Amendment, the Tripura Panchayats Act, 1993 was enacted and three tiers of Panchayati Raj system was established in the State comprising of Gram Panchayats (GPs) at village level, Panchayat Samitis (PSs) at block level and Zilla Parishads (ZPs) at district level. All the PRIs are governed by Tripura Panchayats Act, 1993. As of March 2016 there were 8 ZPs, 35 PSs and 591 GPs in the State. In the Tripura Tribal Areas Autonomous District Council (TTAADC) areas, there were 587 Village Development Committees (VDCs) and 40 Block Advisory Committees (BACs) which were synonymous to GPs and PSs respectively.

Urban Local Bodies: Consequent upon the 74th Constitutional Amendment, the GoT had enacted the Tripura Municipal Act, 1994. There were three categories of ULBs in the State *e.g.* Municipal Corporation, Municipal Councils (MCs) and Nagar Panchayats (NPs). All the ULBs were governed by the Tripura Municipal Act, 1994. There was one Municipal Corporation, 10 MCs and nine NPs in the State as of March 2016.

Financial Profile

The quantum of assistance provided by way of grants and loans to Local Bodies and other institutions during the last five years from 2011-12 to 2015-16 are presented in **Table No. 1.22.**

Table No. 1.22: Financial assistance to Local Bodies, etc.

(₹ in crore)					
Financial assistance to Institutions	2011-12	2012-13	2013-14	2014-15	2015-16
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	34.70	37.51	34.92	71.80	Not Available
Municipal Councils and Nagar Panchayats	132.93	241.52	170.76	242.51	186.10
Zilla Parishads and Other Panchayati Raj Institutions	45.04	45.36	37.12	69.88	70.77
Other Institutions	5.16	6.09	Nil	Nil	187.93
Total:	217.83	330.48	242.80	384.19	444.80
Assistance as percentage of Revenue Expenditure	4.53	6.34	4.08	5.16	5.65

Source: Finance Accounts.

During the year 2015-16, the quantum of financial assistance to the Local Bodies increased substantially by ₹ 60.61 crore (15.78 *per cent*) over the previous year which was 5.65 *per cent* of Revenue Expenditure. Out of financial assistance of ₹ 444.80 crore, ₹ 186.10 crore (about 42 *per cent*) was given to the Municipalities and NPs to facilitate their functioning as vibrant institutions of Local Self Government as per the policy of State Government. Only 15.91 *per cent* assistance was given to ZPs and other PRIs during the year.

Besides, the State Government provided ₹ 55.21 crore as assistance to the Non-Government Primary and Secondary Schools during 2015-16 which was booked as Revenue Expenditure under Social Services.

Devolution of Functions, Functionaries and Funds (3Fs) to Panchayati Raj Institutions and Urban Local Bodies

The 73rd and 74th Constitutional Amendments gave the constitutional status to PRIs and ULBs and established a system of uniform structure, holding of regular elections, regular flow of funds through Central and State Finance Commission (SFC) allocations, etc. As a follow up, the State was required to entrust these bodies such power, functions and funds so as to enable them to function as Institutions of Self Government. In particular, the PRIs and ULBs were 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 had provision for transfer of subjects to different tiers of PRIs. The State Government had devolved five subjects³ to PRIs out of 29 subjects listed in the Eleventh Schedule of the Constitution (August, 2006 & August, 2007). The remaining 24 subjects had not been transferred (September 2016). Out of these five subjects, only funds for payment of wages of pump operators and power consumption charges under Water Resources had been transferred to the PRIs.

Besides, the transfer of functionaries to PRIs was not done which was a prerequisite for successful working of Local Self Government at the grass-root level. The works of the PRIs were being performed by the State Government functionaries.

The XIV FC recommended that, GPs being directly responsible for the delivery of basic services, the basic grants earmarked should go directly to them without any share for other levels. The earmarked basic grants will be distributed among them on the basis of the formula prescribed by the SFC.

The State Government received ₹ 36.24 crore as basic grant for Rural Local Bodies during 2015-16 from GoI as per recommendations of the XIV FC. The State allocated ₹ 65.00 crore in the Revised Estimates to the PRIs to facilitate their functioning during the year 2015-16.

Urban Local Bodies

- 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 had been transferred by the State Government to the ULBs. But in practice, functions like Fire Service, Roads and Bridges were controlled by the State Government departments.
- ULBs receive funds by way of grants both from Central and State Government. The State Government allocated ₹ 65.00 crore as grants in the Revised Estimates for the ULBs to perform their basic functions during the year 2015-16 as a

³ (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 under Rural Development Department.

vibrant institution of the Local Self Government. Further, during the year 2015-16, the GoI released ₹ 21.41 crore as basic grants to the ULBs as per recommendation of the XIV FC for the year.

The XIV FC recommended that the Local Bodies should be required to spend the grants only on the basic services within the functions assigned to them under relevant legislations. It also recommended that the basic grant for ULBs be divided into tier-wise share and distributed across each tier, namely the Municipal Corporations, Municipalities (the tier-II ULBs) and the Nagar Panchayats (the tier-III ULBs) using the formula given by the respective SFC. The State Government should apply the distribution formula of the most recent SFC, whose recommendation have been accepted.

Accounting and Auditing Arrangement of PRIs and ULBs

Panchayati Raj Institutions: Rural Development (Panchayats) Department, GoT 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, GoI in consultation with the Comptroller and Auditor General of India (CAG). In practice, the PRIs started maintaining their accounts as per the new Accounting Structure from the year 2011-12. The State Government had engaged Chartered Accountant firms to introduce Double Entry Accounting System in the PRIs and they were to train the GP staff in the software implementation and ensure preparation of accounts in the 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 (DLFA) and a gazette notification was issued on 12 January 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 DLFA.

The XIV FC recommended that the books of accounts prepared by the Local Bodies should distinctly capture income on account of Own Taxes and Non-taxes, Assigned Taxes, Devolution and grants from the State, grants from the Finance Commission and grants for any other agency functions assigned by the Union and State Government. In addition, it also recommended that the Technical Guidance and Support (TGS) arrangement by the CAG should be continued and the States should take action to facilitate Local Bodies to compile accounts and have them audited in time.

The CAG conducts audit of accounts of PRIs as entrusted by the State Government under standard terms and conditions of TGS module under Section 20(1) of the CAG's DPC Act, 1971.

Urban Local Bodies: Based on the recommendations of the Eleventh Finance Commission, the Ministry of Urban Development, GoI in consultation with the CAG developed the National Municipal Accounts Manual (NMAM) based on double entry accrual system of accounting. The Urban Development Department, GoT had drafted

(June 2010) the 'Tripura Municipal Accounting Manual' based on the NMAM. The Manual was finalised in June 2011. The State Government adopted the manual for implementation but the MCs and NPs had not implemented the same.

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 this regard 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.

The CAG conducts audit of accounts of ULBs as entrusted by the State Government under standard terms and conditions of TGS module under Section 20 (1) of the CAG's DPC Act, 1971.

Reporting Arrangement

As per the TGS arrangement, the CAG or his representative will have the right to report to the State Legislature, through the State Government, the results of audit at his discretion. Accordingly, audit findings on 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 placement before the State Legislature. ATIR for the years 2011-12, 2012-13 and 2013-14 were submitted to the State Government. Information on placement in the State Legislature of these Reports had not been received (October 2016).

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 provision 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 development heads from the point of view of social and economic development, it is important for the Government to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods⁴ like, delivery of health services to improve quality of

⁴ Core public goods are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no 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 subsidised 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 subsidised 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.

life and reduce morbidity, providing basic education to all, drinking water and sanitation, etc. Expenditure on Social and Economic Services together constitute the Development Expenditure while the expenditure on General Services is treated as Non-Development Expenditure. The trend of Development and Non-Development Expenditure on Revenue Heads along with the rate of growth during the period 2011-16 are as under:

Table No. 1.23: Development and Non-Development Revenue Expenditure

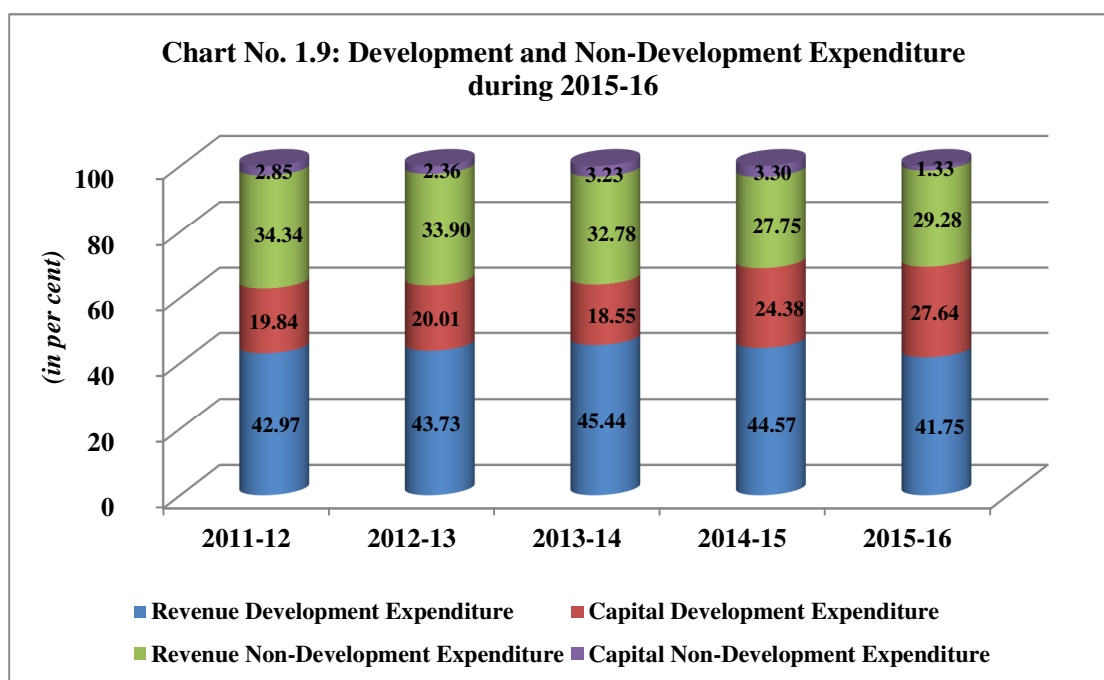
(₹ in crore)

Nature of expenditure	2011-12	2012-13	2013-14	2014-15	2015-16
Development Expenditure (% to total Revenue Expenditure)	2,672.97 (55.58)	2,936.80 (56.34)	3,456.18 (58.10)	4,587.08 (61.63)	4,625.36 (58.78)
Rate of growth (in per cent)	13.94	9.87	17.69	32.72	0.83
Non-Development Expenditure (% to total Revenue Expenditure)	2,136.26 (44.42)	2,276.08 (43.66)	2,492.78 (41.90)	2,855.83 (38.37)	3,243.11 (41.22)
Rate of growth (in per cent)	6.09	6.54	9.52	14.56	13.56
Total Revenue Expenditure	4,809.23	5,212.88	5,948.96	7,442.91	7,868.47
Rate of growth (in per cent)	10.32	8.39	14.12	25.11	5.72

During last five years, Development Expenditure had increased steadily though the growth slowed down in 2015-16, and its share of total Revenue Expenditure fell from 61.63 per cent in 2014-15 to 58.78 per cent in 2015-16. Conversely, it was also observed that Non-Development Expenditure as a percentage of total Revenue Expenditure increased from 38.37 per cent in 2014-15 to 41.22 per cent in 2015-16.

The Development Expenditure under revenue account increased by ₹ 38.28 crore (0.83 per cent) and Non-Development Expenditure increased by ₹ 387.28 crore (13.56 per cent) in 2015-16 as compared to the previous year. The Development Expenditure increased mainly on account of Education, Water Supply and Sanitation under Social Sector and Agriculture and Allied activities and Power under Economic Sector. Increase in Non-Development Revenue Expenditure was driven by increase in Interest Payments and Pensions by ₹ 47.71 crore (7 per cent) and ₹ 188.13 crore (22.47 per cent) respectively over the previous year.

Chart No. 1.9 shows the trend of Development and Non-Development Expenditure under both Revenue and Capital Heads during last five year period (2011-16).



The overall percentage of Development Expenditure including the expenditure on Loans and Advances was increasing during the last five year period. During the year 2015-16, Development Expenditure continued to increase its share of total expenditure and stood at 69.39 *per cent* of which 27.64 *per cent* was on Capital Head. The percentage of Capital Expenditure on development purposes had also increased steadily during the period.

Table No. 1.24 shows the fiscal priorities given by the Government under various heads of expenditure with reference to GSDP and Aggregate Expenditure during 2015-16 as compared to 2012-13.

Table No. 1.24: Fiscal priority of the State

Fiscal priority by the State	(in per cent)					
	AE/GSDP	DE/AE	SSE/AE	CE/AE	Education/AE	Health / AE
Special Category States Average (Ratio) 2012-13	22.23	69.92	38.42	15.53	20.86	5.58
Tripura Average 2012-13	31.54	63.30	39.62	22.09	16.68	4.64
⁵ Special Category States Average (Ratio) 2015-16	21.66	70.41	39.78	13.95	20.63	6.41
Tripura Average 2015-16	33.38	69.39	36.39	28.78	16.07	5.51

AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Service Expenditure
 CE: Capital Expenditure
 # Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.
Source: For GSDP, Information furnished by Directorate of Economics and Statistics, Government of Tripura.

It can be seen that during 2015-16 Development Expenditure as percentage of Aggregate Expenditure increased by 6.09 *per cent* as compared to 2012-13. In respect of Social Service, the expenditure decreased by 3.23 *per cent*. The Capital Expenditure as percentage of Aggregate Expenditure increased by 6.69 *per cent* in 2015-16 as compared to that of 2012-13. Further, the expenditure on Education as

⁵ Exclude Jammu & Kashmir.

ratio of Aggregate Expenditure decreased from 16.68 per cent in 2012-13 to 16.07 per cent in 2015-16. The expenditure on Health as a ratio of Aggregate Expenditure however, marginally increased to 5.51 per cent during 2015-16 from 4.64 per cent in 2012-13.

From the data adopted in the table above it can be seen that ratio of Development Expenditure to Aggregate Expenditure of the State during 2015-16 was lower than the average ratio of the eight Special Category States for the year. The ratio of Capital Expenditure to Aggregate Expenditure in Tripura was higher than that of Special Category States during the year 2015-16. The ratio of Education and Health however, remained below the average ratio of the eight Special Category States during 2015-16.

The growth rate of the State in respect of Revenue Expenditure on Education was 10.77 per cent which was higher than the growth rate of eight Special Category States (1.24 per cent) during 2015-16 and the growth rate of the State in respect of Revenue Expenditure on Health was (-) 8.31 per cent which was lower than the growth rate of eight Special Category States (20.65 per cent) during 2015-16 as compared to the previous year.

The adequacy of Government expenditure both under Revenue and Capital account and also Plan and Non-plan components are reflected in the table below:

Table No. 1.25: Expenditure on Revenue and Capital (Plan and Non-plan)

(₹ in crore)

Expenditure	Plan					Non-plan				
	2011-12	2012-13	2013-14	2014-15	2015-16	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue	1,061.92	1,219.27	1,399.94	1,966.46	1,866.52	3,747.31	3,993.61	4,549.02	5,476.45	6,001.95
Capital	1,321.14	1,450.67	1,646.94	2,821.41	3,176.31	76.12	32.52	(-) 6.21	10.88	11.71
Total :	2,383.06	2,669.94	3,046.88	4,787.87	5,042.83	3,823.41	4,026.13	4,542.81	5,487.33	6,013.66

It can be seen from **Table No. 1.25** that under the Plan head, the total expenditure (both Revenue and Capital) increased from ₹ 4,787.87 crore in 2014-15 to ₹ 5,042.83 crore in 2015-16 with an increase of 5.33 per cent. The Non-plan Expenditure (both Revenue and Capital) increased by 9.59 per cent in 2015-16 as compared to 2014-15.

Under Non-plan head, the Revenue Expenditure constituted a major portion (99.80 per cent) which stood at ₹ 6,001.95 crore in 2015-16. The NPRE (₹ 6,001.95 crore) during 2015-16 exceeded the Projection made by the State in the Budget Estimate for the year while the PRE decreased by 5.08 per cent during the year as compared to previous year.

1.7.2 Efficiency of Expenditure Use

Apart from improving the allocation towards Development Expenditure⁶, 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

⁶ The analysis of the expenditure data is disaggregated into Development Expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances are categorised into Social Services and Economic Services which together constitute Development Expenditure, while expenditure on General Services is treated as Non-Development Expenditure.

Expenditure to total expenditure (and/or GSDP) and proportion of Revenue Expenditure being spent on Operation and Maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table No. 1.26** presents the trends in Development Expenditure relative to the Aggregate Expenditure of the State during the current year *vis-à-vis* the previous years, **Table No. 1.27** provides the ratio of Capital Expenditure and the component of Revenue Expenditure incurred on the maintenance of the selected Social and Economic Services.

Table No. 1.26: Development Expenditure
(₹ in crore)

Components of Development Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16
Development Expenditure (a to c)	3,907.31 (62.81)	4,250.56 (63.30)	4,866.80 (63.98)	7,095.90 (68.95)	7,687.68 (69.39)
a. Development Revenue Expenditure	2,672.97 (42.97)	2,936.80 (43.73)	3,456.18 (45.44)	4,587.08 (44.57)	4,625.36 (41.75)
b. Development Capital Expenditure	1,220.53 (19.62)	1,295.11 (19.29)	1,395.12 (18.34)	2,493.08 (24.22)	3,040.48 (27.45)
c. Development Loans and Advances	13.81 (0.22)	18.65 (0.28)	15.50 (0.20)	15.74 (0.15)	21.84 (0.20)

Figures in the parentheses indicate *per cent* to Aggregate Expenditure

Source: Finance Accounts

Table above shows that the Development Expenditure on Social and Economic Services increased by 8 *per cent* from ₹ 7,095.90 crore in 2014-15 to ₹ 7,687.68 crore in 2015-16. The relative share of the Revenue Development Expenditure was 42 *per cent* of the total expenditure while the share in respect of Development Capital Expenditure was 27 *per cent* which increased by 22 *per cent* over the previous year. Out of total amount of ₹ 21.84 crore disbursed as development loans during the year, ₹ 20.00 crore was disbursed towards loan for Medical and Public Health under Social Services during the year 2015-16.

The efficiency of Government expenditure on selected parameters in some major areas under Social and Economic Services is depicted in the following table.

Table No. 1.27: Efficiency of expenditure use in selected Social and Economic Services
(in per cent)

Social/Economic Infrastructure	2014-15			2015-16		
	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	8.40	72.61	27.39	6.49	76.93	23.07
Health & Family Welfare	15.90	47.23	52.77	18.34	60.45	39.55
Water Supply, Sanitation, and Housing & Urban Development	67.18	38.38	61.62	62.07	43.29	56.71
Other Social Services	11.71	17.10	82.90	5.46	19.33	80.67
Total (SS)	20.84	50.00	50.00	17.42	56.33	43.67

Table No. 1.27: Efficiency of expenditure use in selected Social and Economic Services (cont.)

(in per cent)

Social/Economic Infrastructure	2014-15			2015-16		
	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
Economic Services (ES)						
Agriculture & Allied Activities	12.96	37.13	62.87	15.27	53.78	46.22
Irrigation & Flood Control	37.81	80.15	19.85	40.30	93.09	6.91
Power & Energy	37.46	2.97	97.03	46.90	11.06	88.94
Transport	67.66	-	100.00	71.47	-	100
Other Economic Services	68.82	65.07	34.93	80.71	76.55	23.45
Total (ES)	54.19	38.52	61.48	64.05	48.86	51.14
Total (SS+ES)	35.25	46.51	53.49	39.66	54.24	45.76

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 percentage of Revenue and Capital Expenditure, percentage of expenditure on Salary and Wages, and Operation and Maintenance cost in relation to Revenue Expenditure in Social and Economic Services for the year 2014-15 and 2015-16 respectively.

The ratio of Capital Expenditure to total expenditure under Social Services decreased marginally during 2015-16 as compared to 2014-15 mainly due to decrease in expenditure in Education, Water Supply, Sanitation, Housing and Urban Development, etc. The share of Salary and Wage expenditure in Social Services under Revenue increased by 6.33 *per cent* during the year 2015-16 mainly due to increase in expenditure in Health and Family Welfare Sectors by 13.22 *per cent*.

Ratio of Capital Expenditure to total expenditure in Economic Services substantially increased to 64.05 *per cent* mainly due to incurring of more expenditure in Transport and other Economic Services while 100 *per cent* Revenue Expenditure was incurred by the State Government for Operations and Maintenance purpose in respect of Transport Sector. The ratio of Salary and Wage expenditure in relation to Revenue Expenditure also increased substantially to 48.86 *per cent* in 2015-16 from 38.52 *per cent* in 2014-15 under Economic Sector. As a percentage of Revenue Expenditure, the share of Operation and Maintenance expenditure fell by 7.73 *per cent* from 53.49 *per cent* in 2014-15 to 45.76 *per cent* in 2015-16.

1.8 Financial Analysis of Government Expenditure and Investments

1.8.1 Financial Results of Irrigation Projects

During the year 2015-16, Revenue Expenditure on Minor and Medium Irrigation Projects was ₹ 38.01 crore (Non-plan: ₹ 37.35 crore, Plan: ₹ 0.66 crore) out of which the cost of maintenance on these projects was ₹ 1.07 crore. There was no commercial irrigation project in the State of Tripura.

1.8.2 Incomplete Projects

As per information furnished by the State Public Works Department, there were 77 ongoing/incomplete projects as on 31 March 2016 with initial budgeted cost of

₹ 5 crore and above in each case. Category-wise details of ongoing works/projects with initial budgeted cost and their cumulative expenditure incurred up to 31 March 2016 are given in **Table No. 1.28**.

Table No. 1.28: Category-wise profile of incomplete projects

(₹ in crore)

Category of works/projects	No. of incomplete works/projects	Initial budgeted cost	Actual expenditure incurred during 2015-16	Cumulative expenditure as on 31.3.2016 (percentage over approved cost)
1	2	3	4	5
Building Works	44	466.46	56.99	279.96 (60)
Bridge Works	11	81.05	8.80	44.08 (54)
Road Woks	13	344.93	33.04	277.75 (80)
Water Resource Works	7	158.27	6.69	136.07 (86)
Drinking Water Works	2	10.25	Nil	5.33 (52)
Total:	77	1060.96	105.52	743.19 (70)

Source: Finance Accounts 2015-16.

Out of 44 ongoing Building Works indicated above, 18 works pertained to Health Sector and 9 works related to Education Department.

Further, detailed information pertaining to incomplete projects whose scheduled date of completion was 31 March 2016 are given in (**Appendix - 1.5**).

It was seen that, there were 35 projects (17 related to Building Works, 5 Bridge Works, 5 Road Works, 6 Water Resource Works and 2 Drinking Water Scheme) which were to be completed by 31 March 2016 but these remained incomplete. The cumulative expenditure upto 31 March 2016 was ₹ 301.84 crore on these works/projects against budgeted cost of ₹ 383.15 crore.

The category-wise incomplete works along with their total cumulative expenditure upto 31 March 2016 are given in **Table No. 1.29**.

Table No. 1.29: Category-wise profile of incomplete projects which were scheduled to be completed by 31 March 2016

(₹ in crore)

Name of projects	No. of incomplete projects	Initial budgeted cost	Cumulative actual expenditure as on 31.3.2016 (Percentage)
Building Works	17	168.77	110.66 (66)
Bridge Works	5	31.79	16.28 (51)
Road Works	5	42.44	33.49 (79)
Water Resource Works	6	129.91	136.07 (105)
Drinking Water Scheme	2	10.24	5.34 (52)
Total:	35	383.15	301.84 (79)

Source: Finance Accounts 2015-16.

Delay in completion of work runs the risk of escalation in the cost of the work. Further, due to delays in completion of the projects/work, the beneficiaries were deprived of the intended benefits from the projects/works.

1.8.3 Investment and Returns

As on 31 March 2016, Government's investment was ₹ 1,355.70 crore in 2 Statutory Corporations, 12 Government Companies, 27 Co-operatives and one Rural Bank (Table No. 1.30).

Table No. 1.30: Return on investment

Investment/Return/Cost of borrowings	2013-14	2014-15	2015-16
Investment at the end of the year (₹ in crore)	1,199.55	1,303.73	1,355.70
Return on investment (₹ in crore)	0.00	0.51	13.41
Return on investment (per cent)	0.00	0.04	0.97
Average rate of interest on Government borrowings (per cent)	12.39	13.18	12.95
Difference between cost of funds and return (per cent)	12.39	13.14	11.98

Source: Finance Accounts

Out of ₹ 1,355.70 crore, ₹ 1,029.18 crore was invested in 12 Government Companies, ₹ 157.28 crore in 2 Statutory Corporations, ₹ 131.52 crore in 26 Co-operative Societies and ₹ 37.72 crore in one Rural Bank upto the end of 31 March 2016.

During the year 2015-16, the Government invested ₹ 51.97 crore in seven Government Companies (₹ 38.73 crore), one Statutory Corporation (Tripura Road Transport Corporation; ₹ 0.50 crore) and in nine Co-operative Banks and Societies (₹ 12.74 crore).

Out of an investment of ₹ 38.73 crore in seven Government Companies during the year, ₹ 20.00 crore was invested in the Tripura Jute Mills Ltd. followed by investment of ₹ 10.00 crore in the Tripura Handloom, Handicraft Development Corporation Limited and ₹ 8.73 crore in the other five Government Companies. During the year 2015-16, dividend amounting to ₹ 13.41 crore (₹ 12.34 crore from North East Transmission Company Limited. and ₹ 1.07 crore from ONGC Tripura Power Company Limited) was received by the Government.

1.8.4 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 those Institutions/Organisations. The Government further provides loans to its employees for construction of houses and other miscellaneous purposes. **Table No. 1.31** presents the outstanding Loans and Advances as on 31 March 2016, Interest Receipts *vis-a-vis* Interest Payments during the last five year period.

Table No. 1.31: Average Interest Receipts on Loans advanced by the State Government
(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of borrowings	2011-12	2012-13	2013-14	2014-15	2015-16	
					RE	Actual
Opening Balance	82.78	94.57	112.24	127.05	140.61	140.61
Amount advanced during the year	13.89	18.93	15.77	15.74	21.94	21.84
Amount repaid during the year	2.10	1.26	0.96	2.18	2.00	1.14
Closing Balance	94.57	112.24	127.05	140.61	164.55	161.31
Net addition of Loans	11.79	(-) 17.67	14.81	13.56	19.94	20.70
Interest Receipts	0.91	1.39	1.27	1.08	NA	2.55
Interest Receipts as <i>per cent</i> to outstanding Loans and Advances	0.96	1.24	0.99	0.76	NA	1.58
Interest Payments as <i>per cent</i> to outstanding Fiscal Liabilities of the State Government.	7.18	6.93	6.77	7.31	NA	7.02
Difference between Interest Payments and Interest Receipts (<i>per cent</i>)	6.22	5.69	5.79	6.55	NA	5.44

NA: Not available

As on 31 March 2016, the balance of Loans and Advances given by the State Government to various organisations for development purposes was ₹ 161.31 crore, of which an amount of ₹ 64.50 crore pertained to the Society for Tripura Medical College and Dr. BRAM Teaching Hospital, Agartala. An amount of ₹ 43.50 crore remained outstanding with TSECL as on 31 March 2016 which was given in 2014-15 and no loan had been disbursed to TSECL during the year 2015-16. During 2015-16, an amount of ₹ 21.84 crore was given as Loans to the Government Servants by the State Government but only ₹ 2.55 crore was received as interest from the Government servants.

1.8.5 Cash Balances and Investment of Cash Balances

It is desirable that the flow of State's 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 ₹ 150 crore for the State with effect from 1 November 2013 and the operative limit for special WMAs had been revised by the Bank from time to time.

Under the agreement with the RBI, the State Government has to maintain a minimum cash balance of ₹ 29.00 lakh with the Bank. If the balance falls below the agreed minimum balance on any day, the deficiency is to be made by taking WMAs overdrafts. However, the State had not availed any WMAs (ordinary or special) during the year 2015-16. **Table No. 1.32** depicts the Cash Balances and investments made by the State Government out of Cash Balances during the year 2014-15 and 2015-16.

Table No. 1.32: Cash Balances and Investments of Cash Balances

Particulars	(₹ in crore)	
	Opening balance on 1-4-2015	Closing balance on 31-3-2016
(a) General Cash Balance -		
Cash in Treasuries	0.00	0.00
Deposits with Reserve Bank	(-) 542.81	6.76
Deposits with other Banks	0.00	0.00
Remittances in transit - Local	(-) 1.13	(-) 1.13
Total:	(-) 543.94	5.63
Investments held in Cash Balance Investment Account	3,371.25	2,207.79
Total (a):	2,827.31	2,213.42
(b) Other Cash Balances and Investments		
Cash with departmental officers viz ,Public Works Department Officers, Forest Department officers, District Collectors	24.27	19.72
Permanent advances for contingent expenditure with departmental officers	(-) 0.05	0.00
Investment of Earmarked Funds	529.21	529.21
Total (b):	553.43	548.93
Grand total (a)+ (b):	3,380.74	2,762.35

The above table shows that ₹ 2,207.79 crore had been held in Cash Balance Investment Account while ₹ 529.21 crore was in earmarked (Sinking Fund) fund as on 1st April 2016. The funds in Cash Balance Investment Account decreased by ₹ 1,163.46 crore (about 35 per cent) as compared to previous year which resulted in total cash balance of ₹ 2,762.35 crore at the end of 31 March 2016. The entire balance of ₹ 2,707.79 crore under Cash Balance Investment Account was invested in GoI's 14 days Treasury bills as on 31 March 2016. Interest of ₹ 55.24 crore was realised on the investment of Cash Balance during 2015-16.

Fresh Borrowings by the State

The XIII FC suggested that there should be a directed effort by States with large balances to utilise existing cash balances before resorting to fresh borrowings. Further, it also suggested considering utilising surplus Cash Balances for lump-sum repayment of market borrowings raised for debt swap during the period 2002-05 which was likely to become due during the next few years. RBI had also reiterated the fact and advised the States to manage their Cash Balance more efficiently.

The XIV FC recommended that it would be appropriate to exclude the State from the operation of the Scheme in future to borrow from the National Small Savings Funds with effect from 1 April 2015. The XIV FC also recommended that involvement of the States in the NSSF may be limited solely to discharging the debt obligations already incurred by them prior to 1 April 2015, since the scheme has been administered almost in its entirety by the Union Government.

During the year 2015-16, the State Government resorted to fresh borrowings to the tune of ₹ 1,113.86 crore (3.56 per cent of GSDP) of which ₹ 575.00 crore was from Open Market Borrowings, ₹ 254.88 crore from NSSF and ₹ 283.98 crore from other Financial Institutions. The repayment of borrowings during the year was

₹ 415.65 crore (1.25 per cent of GSDP). On the other hand, as pointed out in **Paragraph No. 1.8.5**, the balance in Cash Balance Investment Account at the beginning of the year 2015-16 was ₹ 3,371.25 crore. Thus, despite the huge balance in Cash Balance Investment Accounts, the State Government resorted to fresh borrowings. Loans raised from the NSSF during the year was ₹ 254.88 crore at an interest rate of 9.50 per cent and the outstanding balance from this source at the end of 31 March 2016 stood at ₹ 1,538.39 crore. The overall interest payment during 2015-16 was ₹ 729.39 crore.

The XIV FC however, recommended that if a State Government is not able to fully utilise its sanctioned borrowings limit of 3 per cent of GSDP in any particular year during the first four years of the award period i.e 2015-16 to 2019-20, it will have the option of availing the unutilised borrowing amount only in the following year but within the award period.

The following table shows the receipts and repayments of the borrowings from Market Borrowings by the State Government for the last five year period from 2011-12 to 2015-16:

Table No. 1.33: Trend in Market Borrowings during 2011-16.

(₹ in crore)

Year	Receipts during the year	Repayment during the year	Addition during the year	Balance as on 31 March	Amount of investment account as on 31 March
2011-12	411.81	172.63	239.18	3,558.87	1,104.30
2012-13	830.53	281.28	549.25	4,108.13	2,305.70
2013-14	783.25	172.14	611.11	4,719.24	3,460.88
2014-15	532.07	268.78	263.29	4,982.50	3,371.25
2015-16	1,113.86	415.65	698.21	5,680.71	2,207.79
Total:	3,671.52	1,310.48	2,361.04		

During the last five year period, an amount of ₹ 2,361.04 crore had been added to the total liabilities from the Market Borrowings which increased the net balance to ₹ 5,680.71 crore at the end of 31 March 2016, while ₹ 2,207.79 crore was lying in the Cash Balance Investment Account. Huge balance in Cash Balance Investment Account indicated the need for better cash management. The State Government should adopt the policy of need based borrowing and maintenance of minimum Cash Balance.

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 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 - 1.6** gives an abstract of such liabilities and the assets as on 31 March 2016 compared with the corresponding position on 31 March 2015. While the liabilities in the Appendix consist mainly of

Internal Borrowings, Loans and Advances from the GoI, receipts from the Public Account and Reserve Funds, the assets comprise mainly of the Capital Outlay, Loans and Advances given by the State Government and Cash Balances.

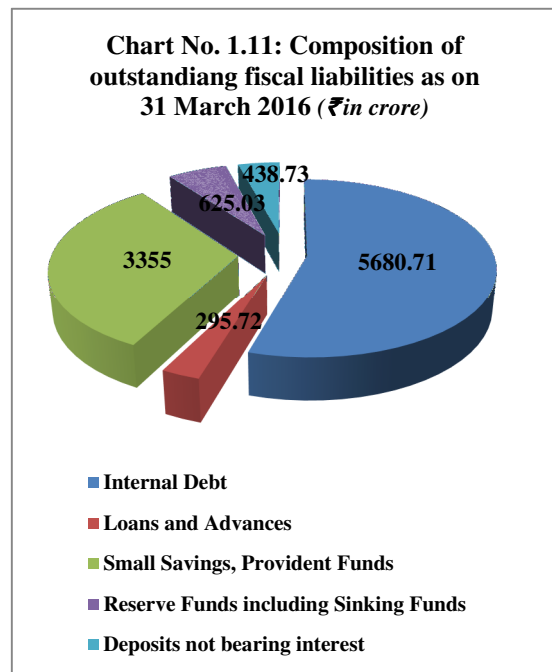
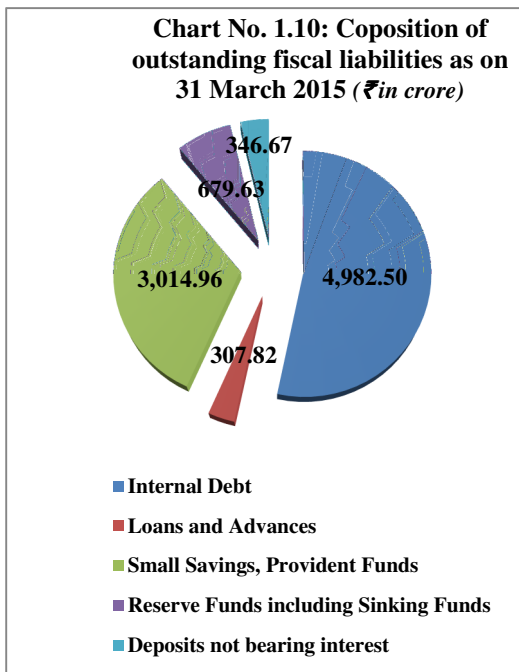
The FRBM Act of the State had defined the total liabilities as follows: “The total liabilities means the liabilities under the Consolidated Fund and the Public Account of the State and shall also include borrowings by the Public Sector Undertakings and the special purpose vehicles and other equivalent instruments including guarantees where principal and/or interest are to be serviced out of the State budget”.

As per statement of the Finance Accounts the liabilities of the State Government comprise of the following:

- Market Loans
- Loans from Financial Institutions
- Special Securities issued to NSSF
- Loans from GoI
- Small Savings, Provident Funds, etc.
- Reserve Funds
- Deposits, etc.

1.9.2 Fiscal Liabilities

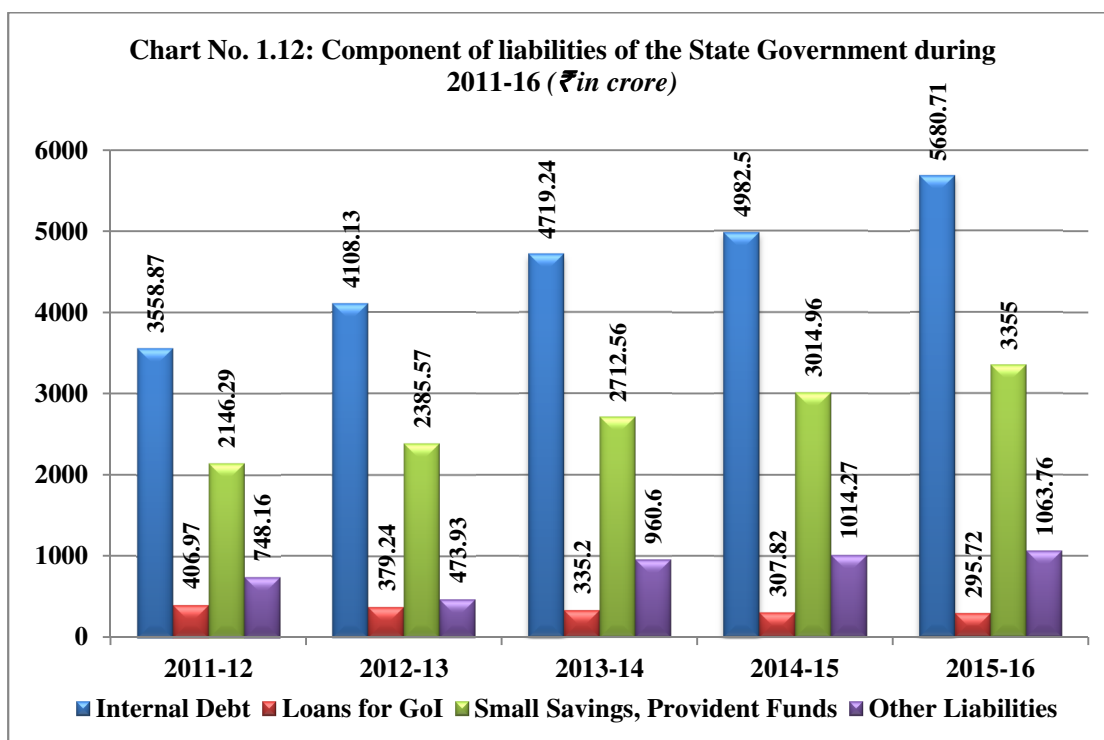
The trends in outstanding fiscal liabilities of the State are presented in **Appendix - 1.6**. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year are presented in **Chart Nos. 1.10** and **1.11** respectively.



The outstanding fiscal liabilities of the State as on 31 March 2015 was ₹ 9,331.58 crore which stood at ₹ 10,395.19 crore at the end of March 2016 with an increase of 11.40 per cent during the year. Outstanding liabilities on account of Internal Debt increased by ₹ 698.21 crore (14.01 per cent) and Public Account by ₹ 377.50 crore (9.34 per cent) offset by decrease in Loans and Advances from GoI by ₹ 12.10 crore (4 per cent) over the previous year. However, actual liability in respect of loans from GoI decreased by 8 per cent due to rectification of misclassification of previous year outstanding balance by pro-forma transfer of ₹ 13.60 crore from grants to loan from GoI. The State had contained the outstanding liabilities within the target fixed by TFRBM Act and also the XIV FC projection of 35 per cent of GSDP.

During the last five year period of 2011-16, the outstanding liabilities consistently increased from ₹ 6,873.63 crore in 2011-12 to ₹ 10,395.19 crore in 2015-16. The percentage of outstanding liabilities to GSDP during 2015-16 was 31.32 against the projection in the MTFPS (35 per cent) and was also within the projection (35 per cent) made in the XIV FC.

The liabilities of the State Government during 2011-16 are shown in **Chart No. 1.12**.



1.9.3 Transactions under Reserve Funds

As on 31 March 2016, two types of Reserve Funds viz; (i) Interest bearing and (ii) Non-Interest bearing Reserve Funds were operated by the State Government:

i) Interest Bearing Reserve Funds

According to the recommendations of the Finance Commissions, the State Government constituted the SDRF under the Major Head-8121 as Interest bearing Reserve Fund during the year 2010-11. As per the guidelines of the fund, the share of

contribution between the Central and State Government to the fund was 90:10. During the year 2015-16, GoI released ₹ 27.90 crore as Central Share as recommended by the XIV FC for the year.

During the year 2015-16, the State Government transferred an amount of ₹ 30.63 crore towards SDRF including State Share of ₹ 2.73 crore. Out of State share of ₹ 2.73 crore released during 2015-16, ₹ 1.17 crore pertained to 2014-15 and ₹ 1.56 crore for 2015-16. There was short release of ₹ 1.24 crore to SDRF for the year 2015-16. After incurring an expenditure of ₹ 12.84 crore towards relief for natural calamity and after investing ₹ 73.00 crore in Bank, there was a balance of ₹ 88.91 crore at the end of March 2016.

ii) Reserve Funds not Bearing Interest

Two major heads 8222 – Sinking Funds and 8235 – General and Other Reserve Funds, had been operated by the Government in this category of Reserve Funds. Sinking Fund is an earmarked fund under the Non-Interest bearing Reserve Funds created by the Government as per the recommendation of the FC. The accumulated balance in the Sinking Fund at the end of 31 March 2016 was ₹ 529.21 crore.

Under the Major Head 8235 – General and other Reserve Funds, an amount of ₹ 0.67 crore was credited during the year 2015-16 as Guarantee Redemption Fee/Commission received during the year from three Co-operative Societies. The closing balance in this fund stood at ₹ 6.92 crore at the end of 31 March 2016, compared with ₹ 6.25 crore at the end of March 2015.

1.9.4 Contingent Liabilities

Status of Guarantees

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. Under Article 293 of the Constitution of India the State Legislature passed the limits of annual incremental risk weighted guarantees to 1 *per cent* of the GSDP of that year within which Government may give guarantee on the security of the Consolidated Fund of the State.

The State Government also introduced ‘The Tripura Government Guarantee Redemption Fund Scheme’ in July 2007 and the scheme was implemented with effect from the financial year 2007-08. It was decided by the Government to charge 1 *per cent* Guarantee Redemption Fee on the fresh guarantee to cover the risk of the liabilities which may arise on invocation of the guarantees. The scheme was revised as Guarantees Redemption Fund Scheme by the Government and notified in the Tripura Gazette on 29 January 2016, effective from the financial year 2015-16.

According to the revised guidelines, the State Government shall contribute minimum 0.5 *per cent* of outstanding guarantee every year to achieve a minimum level of 3 *per cent* of GSDP in the next five years. The fund shall be gradually increased to a desirable level of 5 *per cent*. If guarantees have been invoked or are likely to be invoked, additional funds (over and above 5 *per cent*) shall be maintained. Further, it

states that in order to enable the transfer of total contribution amount to the fund, the Government would make suitable budget provision under Major Head “2075-Miscellaneous General Services, 797-Transfer to Reserve Fund and Deposit Accounts – Guarantees Redemption Fund”. But the State Government did not make any budget provision for the financial year 2015-16 for contribution of this fund though the scheme had been effective from the financial year 2015-16. The details of outstanding position of guarantees are given in **Table No. 1.34**.

Table No. 1.34: Status of Guarantees – Contingent Liabilities

Particulars	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Maximum amount guaranteed during the year	99.99	121.42	25.00	79.00	67.00
Outstanding amount of guarantees, of which	115.72	193.27	187.80	241.48	287.78
<i>i) Principal</i>	115.64	193.19	187.72	241.40	287.70
<i>ii) Interest</i>	0.08	0.08	0.08	0.08	0.08
Ceiling fixed by the State Government Act, if any	1 % of GSDP	1 % of GSDP	1 % of GSDP	1 % of GSDP	1 % of GSDP
Outstanding amount of guarantee to Revenue Receipts (<i>per cent</i>)	1.79	2.74	2.45	2.61	3.05

During the year 2015-16, the State Government had given fresh guarantees amounting to ₹ 67.00 crore for repayment of loans raised by three⁷ Co-operative Societies. The Government received ₹ 0.67 crore as guarantee commission/fee from the three Co-operative Societies and credited to Major Head 8235-00-117 during the year. As on 31 March 2016, outstanding guarantees stood at ₹ 287.78 crore including interest of ₹ 0.08 crore against ₹ 241.48 crore at the end of March 2015. Maximum outstanding guarantee amounting to ₹ 165.87 crore was in respect of the three Co-operative Societies followed by TSECL amounting to ₹ 121.91 crore as on 31 March 2016. However, the incremental guarantee liability of the State had decreased which was within the limit fixed by the Legislature for the year. The outstanding guarantee was 0.87 *per cent* of GSDP and 3.05 *per cent* of Revenue Receipts for the year 2015-16.

Off Budget Borrowings

There was no off-budget borrowing for the year 2015-16. 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.

⁷ 1. Tripura SC Cooperative Development Corporation = ₹ 17 crore
 2. Tripura OBC Cooperative Development Corporation = ₹ 20 crore
 3. Tripura ST Cooperative Development Corporation = ₹ 30 crore

1.10 Analysis of Borrowings of Government

(i) Debt Management

Table No. 1.35: Public Debt Management

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
i) Total Public Debt received	417.88	834.01	786.98	537.27	1119.79
ii) Less : Debt Repayment	549.64	653.05	219.91	300.00	447.29
iii) Less: Net disbursement of Loans and Advances by the State	(+) 11.79	(+) 17.67	(+) 14.81	(+) 13.56	(+) 20.70
Net Debt utilised (i) – (ii) - (iii)	(-) 143.55	(+) 163.29	(+) 552.26	(+) 223.71	(+) 651.80
Ratio of Net Debt utilised to total Debt received (<i>per cent</i>)	(-) 34	20	70	42	58

Fiscal Deficit is usually financed by way of borrowings by the State. The table shows that during 2015-16 the State Government borrowed funds from the Open Market and GoI amounting to ₹ 1,119.79 crore and repaid ₹ 447.29 crore. During the year 2015-16, ₹ 466.73 crore was paid as interest on outstanding debt, of which ₹ 441.68 crore pertained to Internal Debt and ₹ 25.05 crore was paid as interest to GoI on Loans and Advances during the year.

(ii) Debt Profile

A time series analysis of Public Debt for the previous five years and per capita debt are given in **Table No. 1.36**.

Table No. 1.36: Per capita debt

Year	2011-12	2012-13	2013-14	2014-15	2015-16
Total Debt (₹ in crore)	3,965.84	4,487.37	5,054.45	5,290.32	5976.43
Population*	36,73,917	36,83,000	37,25,000	37,67,000	38,81,000 (A)
Per capita Debt (in ₹)	10,794.58	12,184.00	13,568.99	14,043.85	15,399.20

Source: *Information furnished by Directorate of Economic & Statistics, Government of Tripura.

Note: (A) = Advance Estimate

The per capita debt of the State increased steadily from ₹ 10,794.58 in 2011-12 to ₹ 15,399.20 in 2015-16 registering an increase of 42.66 *per cent* during the period of five years. During the same period, the outstanding Public Debt increased by 50.70 *per cent* and constituted 6.06 *per cent* of GSDP during the year 2015-16.

Table No. 1.37: Maturity Profile of Outstanding Debt

(₹ in crore)

Amount of Debt Maturing	Between 2016-17 & 2017-18	Between 2018-19 & 2019-20	Between 2020-21 & 2021-22	2022-23 onwards	Total
Particulars					
(A) Internal Debt, of which	509.74	789.31	836.52	3537.15	5672.72
(i) Market Loans	236.94	506.00	585.00	1920.00	3247.94
(ii) Loans from Financial Institutions	159.06	169.57	137.78	423.97	890.38
(iii) NSSF Loans	113.74	113.74	113.74	1193.18	1534.40
(B) Loans from GoI, of which	62.82	62.60	62.53	107.59	295.54
(i) Plan Loans	61.71	61.56	61.55	105.70	287.44
(ii) Non-plan Loans	1.11	1.04	0.98	1.89	5.02
(C) Average interest rate	NA	NA	NA	NA	NA

Source: Finance Account 2015-16

During the year 2015-16, an amount of ₹ 415.65 crore (Market Loan: ₹ 219.53 crore; NSSF: ₹ 78.62 crore and loans from other Financial Institutions: ₹ 117.50 crore) was due and paid by the State Government. As of 31 March 2016, the outstanding Internal Debt stood at ₹ 5,680.71 crore which would mature for repayment upto the year 2042-43. During 2015-16, Central Loan of ₹ 31.64 crore was due and repaid to the Central Government, leaving a balance of ₹ 295.54 crore which would mature for repayment till end of the year 2054-55 at an interest rate of 6 to 15 *per cent* per annum. Information for loan amounting to ₹ 0.18 crore prior to 1984-85 had not been received from the State Government. Total outstanding debts of the Government are shown in **Appendix 1.6**.

(iii) Debt Sustainability

Debt sustainability refers to the state's ability to maintain a constant Debt-GDP ratio over a period of time. Thus, it implies State's ability to service its debt.

It is important to analyse various indicators that determine the debt sustainability of the State. If the rate of growth of economy (GSDP) exceeds the interest rate of public borrowings, the Debt-GSDP ratio of the State is likely to be stable. The indicators of debt sustainability of the State for the period of last five years beginning from 2011-12 are given in the **Table No. 1.38**:

Table No. 1.38: Debt Sustainability, Indicators and Trends

Indicators of Debt Sustainability	2011-12	2012-13	2013-14	2014-15	2015-16
Outstanding Public Debt (₹ in crore)	3965.84	4487.37	5054.45	5290.32	5976.43
Rate of growth	5.32	13.15	12.64	4.67	12.97
Rate of growth of GSDP	--	12.78	18.14	15.92	11.87
Average interest rate of outstanding Public Debt (in <i>per cent</i>)	12.76	12.61	12.39	13.18	12.95
Net Debt available	(+) 352.76	(+) 180.97	(+) 190.48	(-) 142.00	(+) 205.78
Burden of Interest Payments (IP/RR) (<i>per cent</i>)	7.62	7.56	7.72	7.44	7.74

The above table shows that the growth of outstanding Public Debt during 2011-16 ranged between 5 and 13 *per cent* while the growth of GSDP ranged between 12 and 18 *per cent* respectively. On the other hand, the average interest rate of the outstanding Public Debt ranged between 12 and 13 *per cent* during the same period. The rate of growth of GSDP exceeded the average rate of interest paid on the outstanding debt except in 2015-16, which indicated that the State was quite stable during 2012-15 to 2014-15. There was sufficient debt after redemption of debt with the State Government during the period except in 2014-15 when the net balance of debt was negative.

Market Borrowings

To augment the resources of the State for undertaking development activities the State Government may borrow funds from the open market. The limit of borrowing for a particular financial year is fixed by the Planning Commission of GoI under Article 293 of the Constitution of India.

The position of funds raised from open markets and repayment are given in Table No. 1.39.

Table No. 1.39: Market Borrowings during 2011-16

(₹ in crore)					
Year	Opening balance	Amount raised	Amount repaid	Closing balance	Increase (+)/ decrease (-)
2011-12	1,636.05	300.00	73.47	1,862.58	226.53
2012-13	1,862.58	645.00	119.43	2,388.15	525.57
2013-14	2,388.15	550.03	77.67	2,860.51	472.36
2014-15	2,860.51	150.00	118.02	2,892.49	31.98
2015-16	2,892.43	575.00	219.53	3,247.90	355.47
Total		2,220.03	608.12		1,611.91

Source: Finance Accounts.

It would be seen from Table No. 1.39 that during the period 2011-16, the State Government borrowed ₹ 2,220.03 crore from the open market and repaid ₹ 608.12 crore resulting in net addition of ₹ 1,611.91 crore to the total Internal Debt liability of the State Government. Average interest rates on the market borrowings ranged between 12.39 and 12.95 per cent during the five years up to 2015-16. The State Government raised Market Loan of ₹ 575.00 crore during 2015-16 which was redeemable by 2026 at an annual interest rate ranging between 8.11 and 8.65 per cent. Total Internal Debt of the State as on 31 March 2016 stood at ₹ 5,680.71 crore including Interest bearing Market Loan of ₹ 3,247.94 crore (Appendix- 1.6).

(iv) Cash Balance Investment

The position of the Cash Balance Investment Account during the last five year period upto 2015-16 are detailed in Table No. 1.40.

Table No. 1.40: Year-wise position of Cash Balance Investment Account 2011-16

(₹ in crore)				
Year	Opening balance	Closing balance	Interest receipts on investment	Interest paid on market loan
2011-12	657.41	1,104.30	48.91	131.13
2012-13	1,104.30	2,305.70	66.49	148.40
2013-14	2,305.70	3,460.88	85.20	185.51
2014-15	3,460.88	3,380.74	44.94	242.19
2015-16	3,380.74	2,207.79	52.69	249.96

From the balances of Cash Balance Investment Account it was seen that while the balance had substantially increased from ₹ 1104.30 crore in 2011-12 to ₹ 3,460.88 crore in 2013-14, it came down to ₹ 2,207.79 crore in 2015-16. As on 31 March 2016, the entire balance was invested in GoI 14 days Treasury Bills with RBI. During the year 2015-16, the Government received ₹ 52.69 crore as interest on the investment while it paid ₹ 249.96 crore as interest on Market Loan.

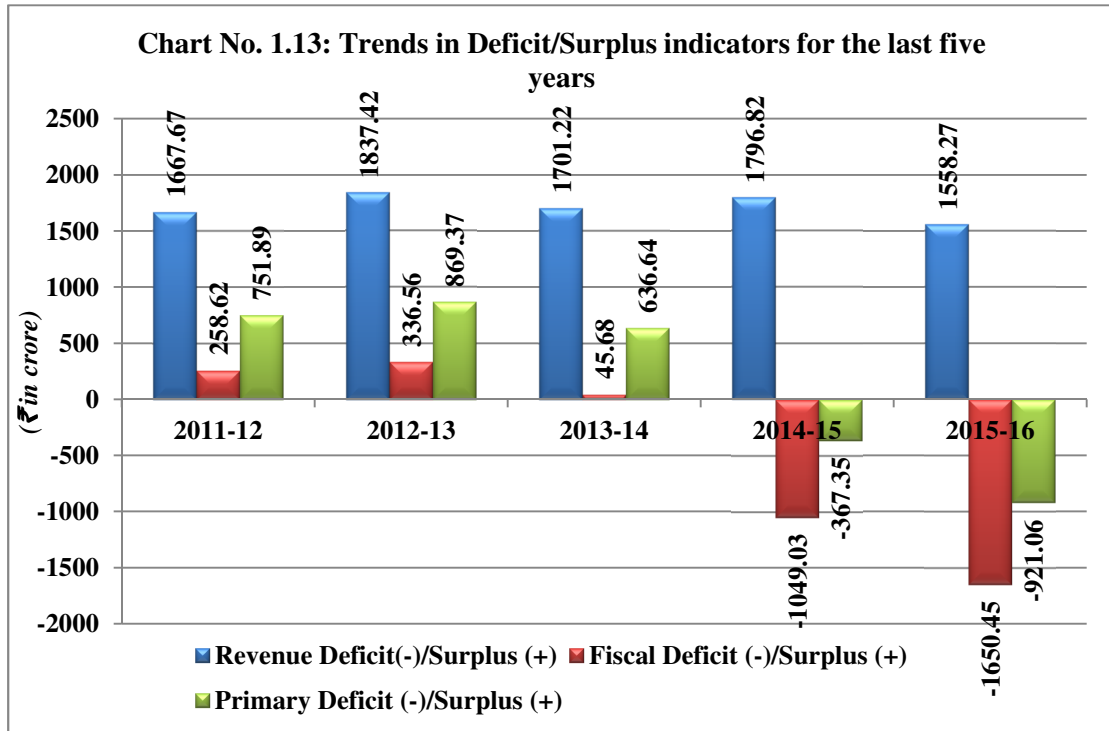
1.11 Fiscal Imbalances

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 also 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 2015-16.

1.11.1 Trends in Deficits

Chart 1.13 presents the trends in Deficit/Surplus indicators over the period 2011-16.



The State was able to achieve Revenue Surplus during 2011-16 and it ranged between 4.69 and 8.87 *per cent* of GSDP during the period. During 2015-16 the Revenue Surplus was 4.69 *per cent* of GSDP. The State had witnessed Primary Deficit and Fiscal Deficit during the last two years. During the year 2015-16 the Fiscal Deficit of the State was ₹ 1,650.45 crore while it was ₹ 1,049.03 crore in 2014-15, an increase of 57 *per cent* during the year.

1.11.2 Composition of Fiscal Deficit/Surplus and its Financing Pattern

The financing pattern of the Fiscal Deficit/Surplus had undergone a compositional shift as reflected in the table below:

Table No. 1.41: Decomposition and financing pattern of Fiscal Deficit

(₹ in crore)

Particulars	2013-14	2014-15	2015-16
1	2	3	4
Decomposition of Fiscal Deficit (-) / Surplus (+)	(+) 45.68	(-) 1,049.03	(-) 1,650.45
Fiscal Deficit/Surplus as percentage to GSDP	(+) 0.18	(-) 3.39	(-) 4.97
Revenue Deficit (-) / Surplus (+)	(+) 1,701.22	(+) 1,796.82	(+) 1,558.27
Capital Expenditure	1,640.73	2,832.29	3,188.02
Net Loans and Advances	14.81	13.56	20.70
Financing Pattern of Fiscal Deficit (-) / Surplus (+)			
Market Borrowings (Net)	(+) 472.36	(+) 31.98	(+) 355.51
Loans from GoI (Net)	(-) 44.04	(+) 13.56	(-) 25.71
Special Securities Issued to NSSF (Net)	(+) 17.53	(+) 125.07	(+) 176.26
Loans from Financial Institutions (Net)	(+) 121.22	(+) 202.69	(+) 183.83
Small Savings, Provident Fund, etc. (Net)	(+) 326.99	(+) 302.40	(+) 340.04
Deposits and Advances (Net)	(-) 14.81	(+) 37.61	(+) 111.39
Suspense and Misc. (Net)	(+) 19.68	(+) 33.36	(-) 25.98
Remittances (Net)	(-) 45.97	(-) 47.61	(-) 11.35
Others (Reserve Funds) (Net)	(+) 18.65	(+) 28.09	(-) 54.54
Increase (+) / decrease (-) in cash balance	(+) 1,127.74	(-) 406.45	(-) 618.39

Source: Finance Accounts

The source of funds of the State Government comprises of Revenue Receipts, Non-Debt Capital Receipts, Public Debt Receipts and net receipts from Public Accounts. The State Government received a substantial amount of ₹ 4,565.87 crore from Central Government as grants during the year 2015-16 and with this amount the total Revenue Receipts stood at ₹ 9,426.74 crore. The Revenue Expenditure was only ₹ 7,868.47 crore thereby resulting in a Revenue Surplus of ₹ 1,558.27 crore during 2015-16. The State had been enjoying Revenue Surplus since 2005-06 and with gradual improvement in its fiscal policy implementation, the State had also begun to have Fiscal Surplus from 2011-12 and stood at ₹ 45.68 crore during 2013-14. But in 2014-15 and 2015-16 the State witnessed a Fiscal Deficit of ₹ 1,049.03 crore and ₹ 1,650.45 crore respectively due to incurring of more Capital Expenditure during the years.

Overall fiscal position of the State Government for the years 2011-16 are given in **Appendix - 1.6**.

1.11.3 Quality of Deficit/Surplus

Table No. 1.42 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 No. 1.42: Primary Deficit/Surplus – Bifurcation of factors

(₹ 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)
2011-12	6,479.00	4,315.96	1,397.26	13.89	5,727.11	2,163.04	(+) 751.89
2012-13	7,051.56	4,680.07	1,483.19	18.93	6,182.19	2,371.49	(+) 869.37
2013-14	7,651.14	5,358.00	1,640.73	15.57	7,014.50	2,293.14	(+) 636.64
2014-15	9,241.91	6,761.23	2,832.29	15.74	9,609.26	2,480.68	(-) 367.35
2015-16	9,427.88	7,139.08	3,188.02	21.84	10,348.94	2,288.79	(-) 921.06

Source: Finance Accounts

Non-Debt Receipts of the State during 2011-16 were sufficient to meet the Primary Revenue Expenditure. The Non-Debt Receipts during the period 2011-16 increased by 45.51 *per cent*. The Primary Revenue Expenditure increased by 65.41 *per cent* during the same period due to increase in expenditure in Social and General Services. During the period (2011-16) Capital Expenditure grew by 128.16 *per cent*. The State had a Primary Deficit of ₹ 921.06 crore during 2015-16 against the Primary Deficit of ₹ 367.35 crore in 2014-15, an increase by ₹ 553.71 crore within a year.

1.12 Conclusion and Recommendations

Surplus/Deficit

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 Surplus during the last five year period while the State had witnessed Primary Deficit in the last two years of the last five years. During the current year, Revenue Surplus of the State decreased by ₹ 238.55 crore as compared to the previous year. Fiscal Deficit during 2015-16 stood at ₹ 1,650.45 crore.

Revenue Receipts

During 2015-16, 83 *per cent* of the Revenue Receipts (₹ 7,831.89 crore) was from GoI as Central transfer while only 17 *per cent* revenue was collected from State's own sources (i.e. Tax and Own Non-tax). The collection of Own Tax (₹ 1,332.25 crore) and Non-tax Revenue (₹ 262.60 crore) during the year 2015-16 were much below the XIV FC projection for the year.

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

Expenditure of the State Government

During 2015-16, 71 *per cent* of total expenditure was on revenue account (₹ 7,868.47 crore) of which 76 *per cent* of Revenue Expenditure was on Non-plan head. On the other hand, Capital Expenditure (₹ 3,188.02 crore) was 29 *per cent* of total expenditure for the year 2015-16 which increased by only one *per cent* as compared to previous year.

Development Expenditure during the year 2015-16 was ₹ 7,687.69 crore of which about 42 *per cent* was on Revenue Development Expenditure. Development Expenditure however, increased by 8 *per cent* over the previous year.

Expenditure on Salary and Wages during 2015-16 was ₹ 3,628.51 crore which was 32 *per cent* of total expenditure and 59 *per cent* of Revenue Expenditure net of Interest Payments and Pensions.

Fiscal Correction Path

During 2015-16, the State had Revenue Surplus which was 4.69 *per cent* of GSDP against the projection of Revenue Deficit of 1.07 *per cent* as recommended by the

XIV FC. During the year, Fiscal Deficit was 4.97 *per cent* of GSDP against the projection of 2.76 *per cent* by XIV FC.

Keeping in view the XIV FC projections, the State should reduce the Fiscal Deficit gap in the ensuing years of FC award period.

Fiscal Liabilities

The percentage of outstanding liabilities to GSDP during 2015-16 was 31.32 *per cent*, which was lower than the projection (35 *per cent*) in the MTFPS and the projection made by the XIV FC for the year. During 2015-16, Interest Receipts as percentage of outstanding Loans and Advances by the Government was 1.58 *per cent* while interest paid by the Government as a percentage of outstanding liabilities was 12.95 *per cent* which stood at ₹ 10,385.19 crore at the end of March 2016.

Investment and Returns

Investment of Government money in Government Companies and Statutory Corporations is increasing year after year. The Government received an amount of ₹ 13.41 crore as Dividend during 2015-16. The average rate of interest on Government borrowings was 12.95 *per cent* during the year.

The State Government may review the functioning of the Companies and Statutory Corporations to improve their efficiency.

