

CHAPTER II
FINANCES OF THE STATE

CHAPTER II

FINANCES OF THE STATE

2.1 Introduction

This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the five-year period of 2015-20, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State. Information was also obtained from the State Government where necessary.

2.2 Major changes in Key fiscal aggregates during 2019-20 vis-à-vis 2018-19

Table 2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2019-20 as compared to the previous year.

Table 2.1: Changes in key Fiscal Aggregates in 2019-20 compared to 2018-19

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the State increased by 1.16 per cent ✓ Own Tax receipts of the State increased by 14.82 per cent ✓ Own Non-Tax receipts decreased by 19.07 per cent ✓ State's Share of Union Taxes and Duties decreased by 13.85 per cent ✓ Grants-in-Aid from Government of India increased by 29.21 per cent
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure increased by 5.03 per cent ✓ Revenue expenditure on General Services increased by 11.64 per cent ✓ Revenue expenditure on Social Services increased by 9.62 per cent ✓ Revenue expenditure on Economic Services decreased by 8.69 per cent ✓ Expenditure on Grants-in-Aid decreased by 3.19 per cent
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital expenditure decreased by 33.25 per cent ✓ Capital expenditure on General Services decreased by 58.45 per cent ✓ Capital expenditure on Social Services increased by 657.07 per cent ✓ Capital expenditure on Economic Services decreased by 37.78 per cent
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances decreased by 100 per cent ✓ Recoveries of Loans and Advances increased by 35.59 per cent
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 60.80 per cent ✓ Repayment of Public Debt increased by 86.23 per cent
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts decreased by 19.09 per cent ✓ Disbursement of Public Account decreased by 32.91 per cent
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance increased by ₹ 236 crore (36.69 per cent) during 2019-20 compared to previous year

Analysis of the above indicators is given in the succeeding paragraphs.

2.3 Sources and Application of Funds

Table 2.2 compares the sources and application of funds of the State during 2019-20 with 2018-19, while Charts 2.1 and 2.2 give the details of composition and application of resources during 2019-20 in terms of percentages.

Table 2.2: Details of Sources and Application of funds during 2018-19 and 2019-20

(₹ in crore)

	Particulars	2018-19	2019-20	Increase (+)/ Decrease (-)
Sources	Opening Cash Balance with RBI	29.69	(-)206.10	(-)235.79
	Revenue Receipts	10561.71	10684.16	122.45
	Recoveries of Loans and Advances	0.59	0.80	0.21
	Public Debt Receipts (Net)	827.34	542.04	(-)285.30

	Particulars	2018-19	2019-20	Increase (+)/ Decrease (-)
	Public Account Receipts (Net)	3.24	403.55	400.31
	Total	11392.88	11622.63	237.67
Application	Revenue Expenditure	9748.72	10238.63	489.91
	Capital Expenditure	1730.64	1155.24	(-)575.40
	Disbursement of Loans and Advances	0.13	0.00	(-)0.13
	Closing Cash Balance with RBI	(-)206.10	(-)97.77	108.33
	Total	11273.39	11296.10	22.71

Chart 2.1: Composition of Resources

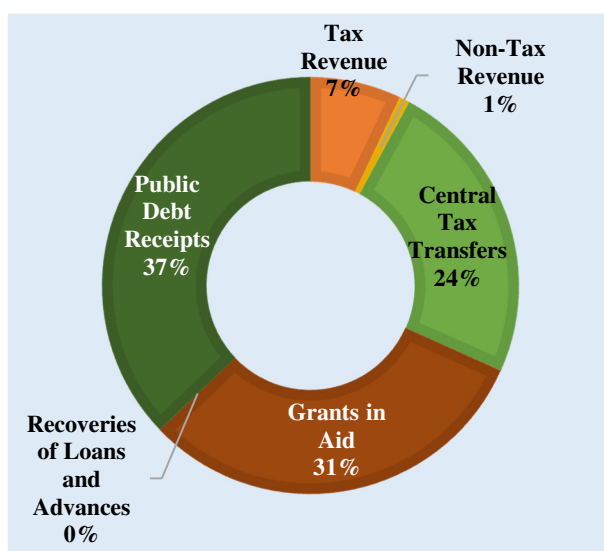
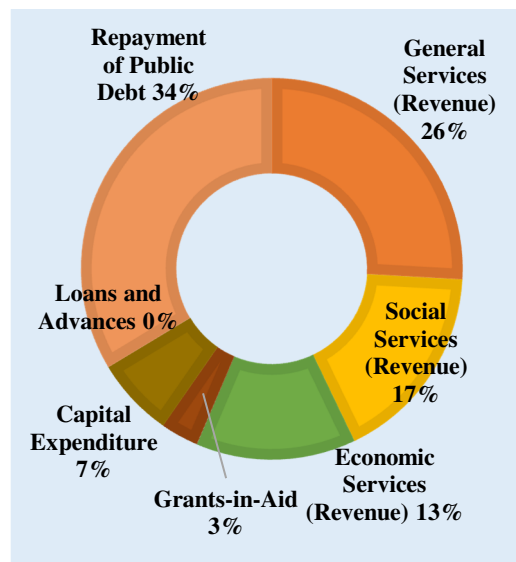


Chart 2.2: Application of Resources

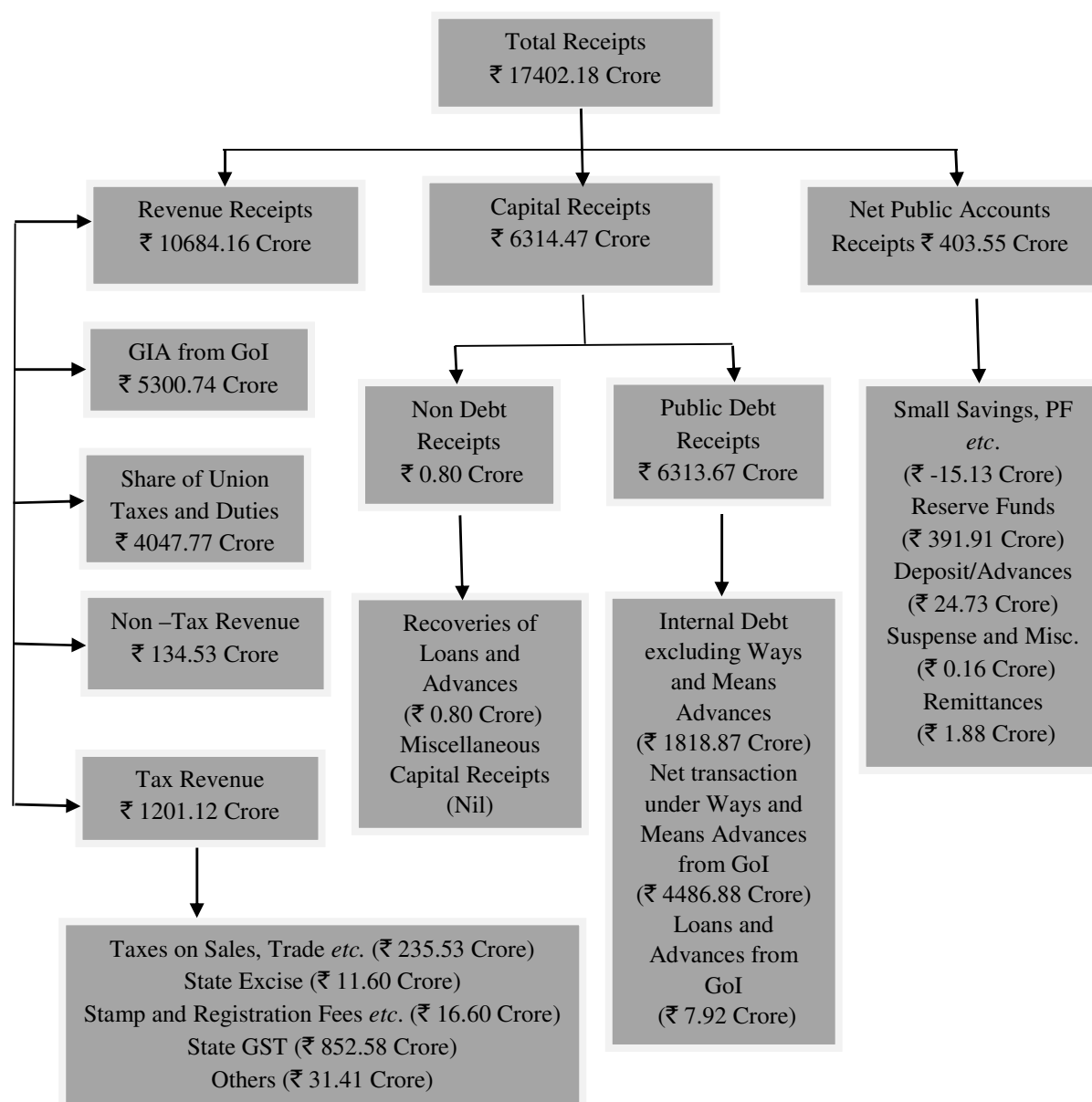


2.4 Resources of the State

Revenue Receipts and Capital Receipts are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of Tax Revenue, Non-Tax Revenue, State's share of Union Taxes and Duties and Grants-in-Aid (GIA) from the Government of India (GoI). Capital Receipts comprise miscellaneous Capital Receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks, etc.) and loans and advances from GoI. Besides, the funds available in the Public Account after disbursements, are also utilised by the Government to finance its deficit.

Composition of receipts of the State during 2019-20 is given in **Chart 2.3**.

Chart 2.3: Composition of Receipts of the State during 2019-20



2.5 Revenue Receipts

2.5.1 Trends and growth of Revenue Receipts

Table 2.3 provides the trends and growth of Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2015-20. Further, trends in Revenue Receipts relative to GSDP and composition of Revenue Receipts are given in Charts 2.4 and 2.5 respectively.

Table 2.3: Trends in Revenue Receipts

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	8280.10	9129.12	10357.83	10561.71	10684.16
Rate of growth of RR (per cent)	3.52	10.25	13.46	1.97	1.16
Own Tax Revenue	550.44	586.67	790.94	1046.05	1201.12
Non-Tax Revenue	149.48	164.80	174.07	166.24	134.53
Rate of growth of Own Revenue (Own Tax and Non-Tax Revenue) (per cent)	(-)-0.09	7.37	28.42	25.62	10.18

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Gross State Domestic Product (₹ in crore) (2011-12 Series)	19530.67	21293.89	25789.23	27868.71 (Q)	31989.49 (A)
Rate of growth of GSDP (per cent)	7.73	9.03	21.11	8.06	14.79
Buoyancy Ratios⁵					
RR/GSDP (per cent)	42.40	42.87	40.16	37.90	33.40
Revenue Buoyancy w.r.t GSDP	0.46	1.14	0.64	0.24	0.08
State's Own Revenue Buoyancy w.r.t GSDP	(-).01	0.82	1.35	3.18	0.69

Source: Finance Accounts & Directorate of Economics and Statistics, Manipur
Q: Quick Estimate and A: Advance Estimates

Chart 2.4: Trends of Revenue Receipts

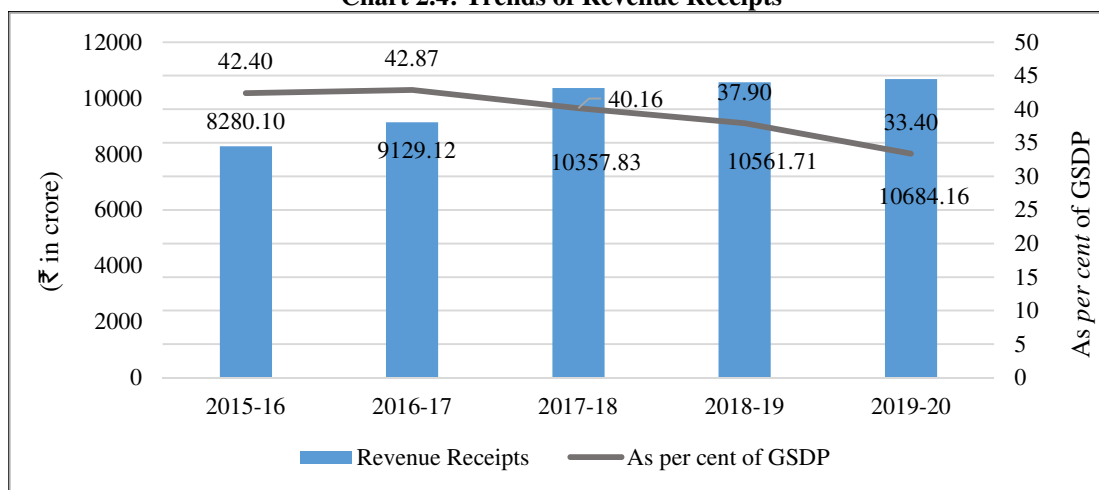
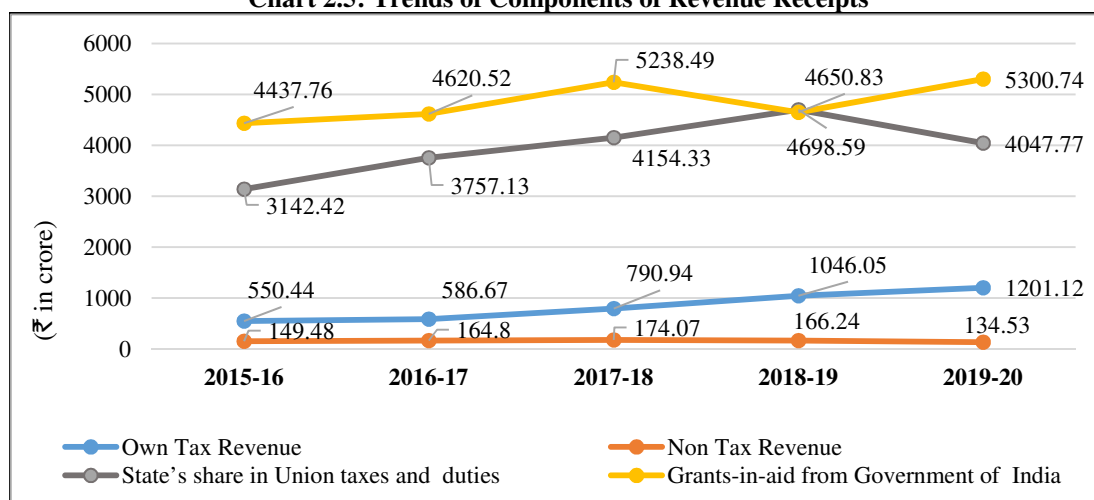


Chart 2.5: Trends of Components of Revenue Receipts



General trends relating to Revenue Receipts of the State are as follows:

- During the period 2015-20, Revenue Receipts increased by ₹ 2404.06 crore (29.04 per cent) from ₹ 8280.10 crore in 2015-16 to ₹ 10684.16 crore in 2019-20. During 2019-20, Revenue Receipts increased by ₹ 122.45 crore (1.16 per cent)

⁵ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one per cent.

over the previous year while the net effect of Central transfers⁶ was negative. As such, the increase in Revenue Receipt was the result of increase in Own Tax revenue of the State (₹ 155.07 crore), as compared to 2018-19.

- About 12.50 *per cent* of the Revenue Receipts during 2019-20 came from the State's own resources while Central tax transfer and Grants-in-Aid together contributed 87.50 *per cent*. Contribution of State's Own Revenue to Revenue Receipts was in the range of eight to 12.50 *per cent* during the period 2015-20, which shows there is scope of substantial improvement. The Central tax transfer and GIA from GoI contributed 87.50 to 92 *per cent* to the Revenue Receipts and remained the main contributors of Revenue Receipts of the State during 2015-20.
- The Revenue Receipts buoyancy with respect to GSDP decreased to 0.08 in 2019-20 against 0.24 in 2018-19 mainly due to decrease in growth rate of Revenue Receipts. The State's Own Revenue buoyancy with respect to GSDP also decreased to 0.69 in 2019-20 against 3.18 in 2018-19, which was due to decrease in growth rate of State's Own Revenue.

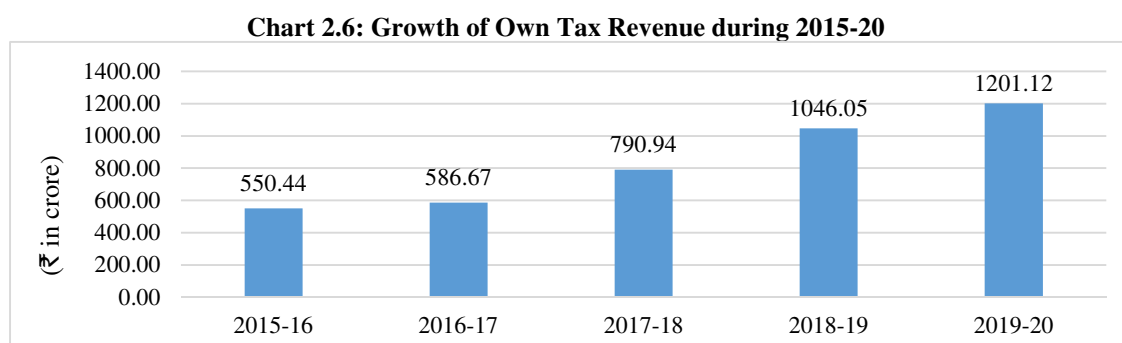
2.5.2 State's Own Resources

State's share in Central taxes is determined on the basis of recommendations of the Finance Commission. GIA from Central government is determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes. State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

The gross collections in respect of major Tax and Non-Tax Revenue and their relative share in GSDP during 2015-20 are given in *Appendix 2.1*.

2.5.2.1 Own Tax Revenue

Own Tax Revenues of the State consist of State Goods and Service Tax (SGST), State Excise, Taxes on Vehicles, Stamp Duty and Registration Fees, Land Revenue, Taxes on Goods and Passengers, *etc.* The gross collections of Own Tax Revenue of the State during the period 2015-2020 are given in the Chart below.



The component-wise details of Own Tax Revenue collected during 2015-20 are given in the following table:

⁶ Sum of net change in devolution of Taxes ₹ (-) 650.82 crore and GIA ₹ 649.91 crore = ₹ (-) 0.91 crore.

Table 2.4: Components of State's Own Tax Revenue

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Sales Tax	466.51	499.65	385.58	253.02	235.53	
SGST	0.00	0.00	301.53	694.70	852.58	
State excise	8.78	9.32	9.37	8.18	11.60	
Taxes on vehicles	23.29	25.04	36.14	39.83	47.70	
Stamp duty and Registration fees	10.45	10.03	13.98	17.62	16.60	
Land revenue	2.59	1.91	1.44	3.54	4.10	
Taxes on goods and passengers	1.02	1.00	1.13	1.19	1.60	
Other taxes	37.80	39.72	41.77	27.97	31.41	
Total	550.44	586.67	790.94	1046.05	1201.12	

Source: Finance Accounts.

As can be seen from the above table, Own Tax Revenue of the State increased by ₹ 650.68 crore from ₹ 550.44 crore in 2015-16 to ₹ 1201.12 crore in 2019-20. During the year 2019-20, Sales tax (₹ 235.53 crore) and State GST (₹ 852.58 crore) were the main contributors of the State's Own Tax Revenue and these two together accounted for 91 per cent of the total Own Tax Revenue. Further, Own Tax Revenue shows a growth rate of 14.82 per cent in 2019-20 over the previous year 2018-19.

2.5.2.2 State Goods and Services Tax (SGST)

As per the GST Act, any shortfall in revenue by the State is required to be compensated by the Central Government. The Central Government levies Integrated Goods and Service Tax (IGST) on inter-state supply of goods and services, and apportions the State's share of tax to the State where the goods or services are consumed.

The Manipur Goods and Services Tax (GST) Act, 2017 was passed (June 2017) by the State Legislature and came into effect from 01 July 2017 in the State. The Protected Revenue⁷ of the State under GST for the year 2019-20 in accordance with Section 6 of GST (Compensation to States) Act, 2017, was fixed at ₹ 588.00 crore. Details of SGST receipt during 2019-20 is given in the following table:

Table 2.5: Details of SGST receipt including apportionment of IGST and pre-GST arrears of VAT during 2019-20

Components	Amount (₹ in crore)
1. The protected revenue of State for the year 2019-20	588.00
2. State Goods and Services Tax (SGST)	852.58
(a) Tax	248.85
(b) Input Tax Credit Cross utilisation of SGST and IGST	561.32
(c) Apportionment of Taxes from IGST	71.92
(d) Advance apportionment of Taxes from IGST	(-)29.52
3. Collection of Taxes subsumed in GST (Arrears pre-GST)	17.01
Total (2+3)	869.59

Source: Finance Accounts and Department of Taxes, Manipur.

⁷ The GST (Compensation to state) Act, 2017 provides that Union shall compensate the States for loss of revenue due to implementation of GST. Base year for calculating the compensation shall be the revenue collection of the State for 2015-16. Protected revenue is calculated/arrived at, by taking into consideration the revenue collection of base year plus 14 per cent increase for every following year.

As can be seen from the above table, the revenue collection of the State was more than the protected revenue of the State during the year 2019-20.

During 2019-20, for the bimonthly periods, the actual collections under SGST, IGST and pre-GST VAT exceeded the bimonthly amount of revenue to be protected. As such, during 2019-20, the State Government did not receive any GST compensation.

With automation of the collection of Goods and Services Tax (GST) having taken place, it is essential for Audit to transition from sample checks to a comprehensive check of all transactions, to fulfil the CAG's Constitutional mandate of certifying the Accounts. The required access was given to audit on 30 January 2021. As such, the accounts for the year 2019-20 were certified on the basis of test audit, as was done when records were manually maintained, pending full implementation of the Government of India's decision to provide Audit access to GSTN data.

Analysis of arrears of revenue and arrears of assessment

The arrear of revenue indicates delayed realisation of revenue due to the Government. Similarly, arrear of assessment indicates potential revenue which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and affect ultimately the revenue deficit/ surplus.

The arrears of revenue of the State as on 31 March 2020 is detailed in the following table:

Table 2.6: Arrears of Revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2020	Amount outstanding for more than 5 years as on 31 March 2020
1	Manipur Value Added Tax	Nil	Nil
2	Petroleum Tax	1.02	Nil
3	Central Sales Tax	Nil	Nil
4	Purchase Tax	NA*	NA*
5	Professional Tax	Nil	Nil
6	Manipur Sales Tax	NA	NA
	Total	1.02	Nil

Source: Department of Taxes, Government of Manipur.

*Not Available

It can be seen from the above table that as on 31 March 2020, there were arrears of revenue on Petroleum Tax amounting to ₹ 1.02 crore. Further, as per information furnished (February 2021) by the Commissioner of Taxes, Manipur, there were no arrears of assessment of taxes pending at the end of the year 2019-20.

Details of evasion of tax detected by Department, refund cases, etc.

The cases of evasion of tax detected by the Excise & Taxation Department, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Promptness in disposal of refund cases is an important indicator of performance of the Department. Details of evasion of tax detected and Refund cases are given in the following tables:

Table 2.7: Evasion of Tax Detected

Sl. No.	Head of revenue	Cases pending as on 31 March 2019	Cases detected during 2019-20	Total	No. of cases in which assessment/investigation completed and additional demand with penalty, etc. raised		No. of cases pending for finalisation as on 31 March 2020
					No. of cases	Amount of demand	
1.	Taxes/VAT on sales, Trade	1	10	11	9*	1.02*	2**

Source: Department of Taxes, GoM.

* Pertains to 2019-20 only.

** Case(s) pending as on 31 March 2019 (1) plus case(s) pending for the year 2019-20 (1) = 2.

Table 2.8: Details of Refund cases

(₹ in crore)

Sl. No.	Particulars	GST		Sales Tax/VAT	
		No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	Nil	Nil	9	1.02
2	Claims received during the year	Nil	Nil	8	0.89
3	Refunds made during the year	7	0.17	1	0.52
4	Refunds rejected during the year	1	0.05	Nil	Nil
5	Balance outstanding at the end of year	Nil	Nil	2	0.13

Source: Department of Taxes, GoM.

2.5.2.3 Non-Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. Component-wise details of Non-Tax Revenue collected during the period 2015-20 is given in the following table:

Table 2.9: Components of State's Non-Tax Revenue during 2015-20

(₹ in crore)

Revenue head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Interest Receipts	27.43	19.73	19.27	18.68	6.39	
Dividends and Profits	0.00	0.00	0.00	0.00	0.00	
Other non-tax receipts	122.05	145.07	154.8	147.56	128.14	
a) Misc. General Services	106.09	118.61	114.39	111.37	101.13	
b) Forestry and Wild Life	3.65	6.46	23.62	15.26	9.70	
d) Education, Sports, Art and Culture	1.43	1.29	2.27	2.01	2.06	
f) Other or misc	10.88	18.71	14.52	18.92	15.25	
Total	149.48	164.80	174.07	166.24	134.53	

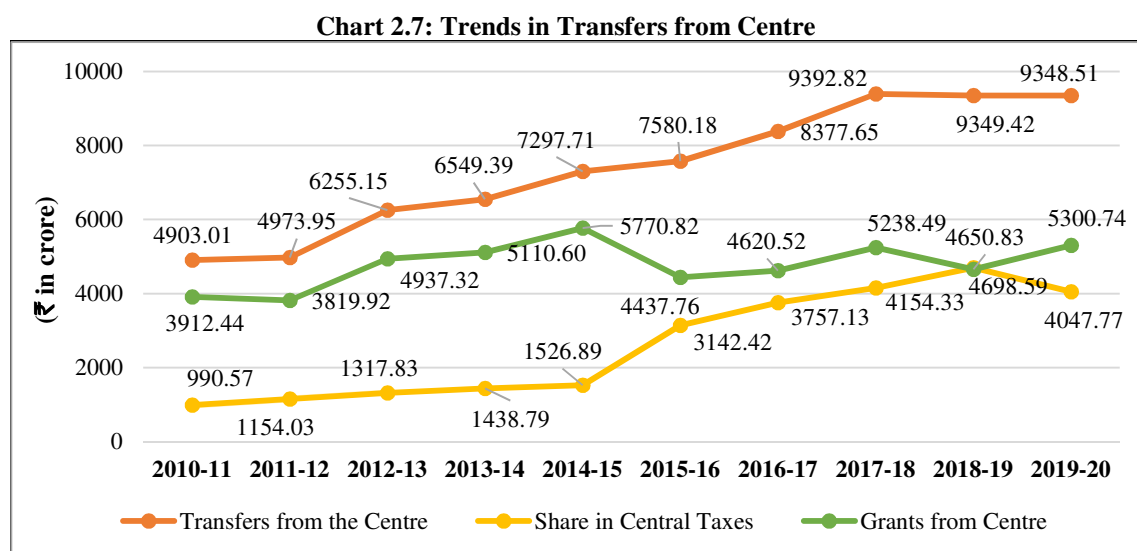
Source: Finance Accounts.

Non-Tax Revenue (₹ 134.53 crore), which ranged between 1.26 and 1.81 per cent of Total Revenue Receipts of the State during the five-year period from 2015-20, decreased by ₹ 31.71 crore (19.08 per cent) during 2019-20 over the previous year. The decrease was mainly due to decrease in Miscellaneous General Services (₹ 10.24 crore), Forestry and Wild Life (₹ 5.56 crore) and Medium Irrigation (₹ 1.92 crore). Collections from the Miscellaneous General Services remained the main contributor to Non-Tax Revenue during 2015-20. During the current year, ₹ 101.13 crore was collected under Miscellaneous General Services, followed by Forestry and Wild Life (₹ 9.70 crore) and Interest Receipts (₹ 6.39 crore).

2.5.3 Transfers from the Centre

The GoI accepted the recommendations of XIV FC to increase the States' share in the divisible pool of taxes from 32 to 42 *per cent* with effect from 2015-16 onwards. This significant increase in the State's share altered the composition of central transfers in favour of statutory transfers from discretionary transfers made earlier. It also led to greater predictability and certainty in the quantum of funds being transferred to states.

The trends in transfer from Centre for the last 10 years are given in the following chart:



During the period from 2015-2020, Central transfer increased by ₹ 4445.50 crore from ₹ 4903.01 crore in 2015-16 to ₹ 9348.51 crore in 2019-20. However, during the current year, there was a decrease of ₹ 0.91 crore over the previous year.

2.5.3.1 Central Tax transfers

The details of the Central tax transfers *vis-à-vis* Finance Commission projections and State Government's projections as per Finance Commission Report (FCR) for the last ten years are given in the table below:

Table 2.10: State's Share in Union Taxes and Duties: Actual devolution *vis-à-vis* Finance Commission projections

(₹ in crore)

Year	Finance Commission Projections	Projections in FCR	Actual Tax Devolution	Difference
2010-11	0.451 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 0.458 <i>per cent</i> of net proceeds of sharable service tax (As per recommendations of XIII FC)	920	991	71
2011-12		1079	1154	75
2012-13		1272	1318	46
2013-14		1501	1439	(-)62
2014-15		1770	1527	(-)243
2015-16	0.617 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 0.623 <i>per cent</i> of net proceeds of sharable service tax (As per recommendations of XIV FC)	3579	3142	(-)437
2016-17		4131	3757	(-)374
2017-18		4774	4154	(-)620
2018-19		5522	4699	(-)823
2019-20		6393	4048	(-)2345

Source: Reports of the XIII & XIV FC, Finance Accounts and Finance Department, GoM.

The details of Central tax transfers to the State during 2015-2020 are given in the following table:

Table 2.11: Central Tax Transfers

Head	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Central Goods and Services Tax (CGST)	-	-	59.32	1159.70	1148.62
Integrated Goods and Services Tax (IGST)	-	-	419.56	92.60	-
Corporation Tax	993.78	1205.86	1272.66	1634.06	1380.12
Taxes on Income other than Corporation Tax	694.88	838.06	1074.66	1203.42	1081.42
Customs	501.73	518.71	419.40	333.08	256.57
Union Excise Duties	413.53	592.33	438.40	221.34	178.41
Service Tax	536.63	599.38	470.37	42.85	-
Other Taxes	1.87	2.77	(-0.04)	11.54	2.63
Central Tax transfers	3142.42	3757.11	4154.33	4698.59	4047.77
Percentage of increase (+)/ decrease (-) over previous year	105.81	19.56	10.57	13.10	(-)13.85
Percentage of Central tax transfers to Revenue Receipts	37.95	41.16	40.11	44.49	37.89

Source: Finance Accounts.

Over the five-year period from 2015-2020, Central tax transfers increased by 28.81 per cent (₹ 905.35 crore) from ₹ 3142.42 crore in 2015-16 to ₹ 4047.77 crore in 2019-20. However, during the current year, there was a decrease of ₹ 650.82 crore (13.86 per cent) over the previous year. The decrease was mainly due to decrease in Corporation Tax (₹ 253.94 crore) and Taxes on Income other than Corporation Tax (₹ 122 crore). Central tax transfers constituted 37.89 per cent of the total Revenue Receipts during 2019-20.

2.5.3.2 Grants-in-Aid from Government of India

Grants-in-Aid (GIA) received by the State Government from GoI during 2015-20 are given in the following table:

Table 2.12: Grants-in-Aid from Government of India

Particulars	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants	2218.18	2234.72	**	-	-
Grants for State Plan Schemes	1758.39	1858.43	**	-	-
Grants for Central Plan Schemes	83.13	160.52	**	-	-
Grants for Centrally Sponsored Plan Schemes	178.36	184.07	**	-	-
Grants for Special Plan Schemes	199.70	182.78	**	-	-
Centrally Sponsored Schemes*	-	-	2322.71	2143.19	2769.20
Finance Commission Grants*	-	-	2288.82	2103.07	2117.13
Other transfer/Grants to State*	-	-	626.96	404.57	414.41
Total	4437.76	4620.52	5238.49	4650.83	5300.74
Percentage of increase (+)/ decrease (-) over previous year	(-)23.10	4.12	13.37	(-)11.22	13.97
Total grants as a percentage of Revenue receipts	53.60	50.61	50.58	44.03	49.61

Source: Finance Accounts.

* Since Plan/ Non-Plan categorisation was done away with, GIA from GoI was booked under these heads.

** From 2017-18, no Plan & Non Plan Head of accounts were operated.

During 2019-20, GIA from GoI increased by ₹ 649.91 crore (13.97 per cent) from ₹ 4650.83 crore in 2018-19 to ₹ 5300.74 crore in 2019-20. GIA constituted 49.61 per cent of Revenue Receipts and remained the largest component of the Revenue

Receipts. However, its share declined steadily from 53.60 per cent in 2015-16 to 44.03 per cent in 2018-19 and then increased to 49.61 per cent in 2019-20.

2.5.3.3 Fourteenth Finance Commission Grants

XIV FC grants were provided to the States for local bodies and State Disaster Response Fund (SDRF). The details of release of funds to the State on the basis of recommendations of the XIV FC during the years 2015-20 and transfer by the State Government are shown in the following table:

Table 2.13: Recommended Amount, Actual release and Transfers of Grants-in-Aid

(₹ in crore)

Transfers	Recommendation of XIV FC 2015-20	Recommendation of XIV FC			Actual Release by GoI			Release by State Government			% of column 8
		2015-19	2019-20	Total	2015-19	2019-20	Total	2015-19	2019-20	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Local Bodies											
(i) Grants to PRIs	206.04	143.61	62.43	206.04	261.61	76.22	337.83	116.17	55.63	171.80	50.85
(a) General Basic Grant	185.44	129.81	55.63	185.44	NA	76.22	NA	107.56	55.63	163.19	
(b) General Performance Grants	20.60	13.80	6.80	20.60	NA	0.00	NA	8.61	0.00	8.61	
(ii) Grants to ULBs	172.69	119.84	52.85	172.69	70.20	78.41	148.61	91.17	41.45	132.62	89.24
(a) General Basic Grant	138.16	96.71	41.45	138.16	NA	71.02	NA	77.26	41.45	118.71	
(b) General Performance Grants	34.53	23.13	11.40	34.53	NA	7.39	NA	13.91	0.00	13.91	
Total for Local Bodies	378.73	263.45	115.28	378.73	331.81	154.63	486.44	207.34	97.08	304.42	62.58
State Disaster Response Fund	106.00	82.00	24.00	106.00	28.80	30.60	59.40	0.00	49.70	49.70	83.67
Grand Total	484.73	345.45	139.28	484.73	360.61	185.23	545.84	207.34	146.78	354.12	64.88

Source: XIV FC Report and Information furnished by Finance Department, Manipur.

As can be seen from the above table, during the five-year period 2015-2020, out of the total amount of ₹ 378.73 crore recommended by the XIV FC for grants to Local bodies for the State, the actual amount released by the GoI was ₹ 486.44 crore (128.44 per cent). The State Government released ₹ 304.42 crore (62.58 per cent) out of the amount released by GoI. The GoI released 56.04 per cent (₹ 59.40 crore) of the amount recommended by the XIV FC (₹ 106.00 crore) for State Disaster Response Fund while the actual amount released by the State Government was ₹ 49.70 crore (83.67 per cent) including State matching share of ₹ 2.00 crore.

2.6 Capital Receipts

Capital receipts comprise 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. The trends in growth and composition of Capital Receipts during 2015-2020 is given in the following table:

Table 2.14: Trends in Growth and Composition of Capital Receipts

(₹ in crore)

Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Receipts*	926.81	1552.44	1303.93	3927.12	6314.47
Miscellaneous Capital Receipts	0.00	0.00	0.00	0.00	0.00
Recovery of Loans and Advances	1.02	1.15	8.02	0.59	0.80
Net Public Debt Receipts	479.71	406.32	620.38	827.35	542.03
<i>Internal Debt</i>	523.84	434.4	655.51	871.41	578.16
<i>Growth rate</i>	(-)86.71	(-)17.07	50.90	32.94	(-)33.65
<i>Loans and Advances from GoI</i>	(-)44.13	(-)28.08	(-)35.13	(-)44.06	(-)36.13
<i>Growth rate</i>	(-)110.05	36.37	(-)25.11	(-)25.42	18.00
Rate of growth of debt Capital Receipts	89.17	67.56	(-)16.46	202.99	60.80
Rate of growth of non-debt capital receipts	5.15	12.75	597.39	(-)92.64	35.59
Rate of growth of GSDP	7.73	9.03	21.11	8.06	14.79
Rate of growth of Capital Receipts (in per cent)	89	67.50	(-)16.01	201.18	60.79

Source: Finance Accounts and Directorate of Economics & Statistics, GoM.

*Including gross figure under Ways and Means Advances.

During the period 2015-2020, Capital Receipts increased by ₹ 5,387.66 crore (581.32 per cent) from ₹ 926.81 crore in 2015-16 to ₹ 6,314.47 crore in 2019-20. During 2019-20, Capital Receipts increased by ₹ 2,387.35 crore (60.80 per cent) over the previous year. The increase was mainly due to increase in Public Debt Receipts by ₹ 2387.13 crore from ₹ 3926.54 crore in 2018-19 to ₹ 6313.67 crore in 2019-20.

2.7 State's Performance in Mobilisation of Resources

State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. The trends of State's Own Resources for the last five years 2015-20 are given in the following table:

Table 2.15: State's Own Resources for 2015-20

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Tax Revenue	550.44	586.67	790.94	1046.05	1201.12
Non Tax Revenue	149.48	164.8	174.07	166.24	134.53
State's Own Resources	699.92	751.47	965.01	1212.29	1335.65

Source: Finance Accounts.

The State's actual Tax and Non-Tax Receipts for the year 2019-20 vis-à-vis Budget Estimates and projections made by XIV FC is given below:

Table 2.16: Tax and Non-Tax receipts vis-à-vis projections

(₹ in crore)

	FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				Budget estimates	FC projections
Own Tax Revenue	1408.00	1184.54	1201.12	1.40	(-)14.69
Non-tax Revenue	250.00	282.78	134.53	(-)52.43	(-)46.19

Source: XIV FC Report, Annual Financial Statement and Finance Accounts.

During 2019-20, Own Tax Revenue was lower than the XIV FC projection by ₹ 206.88 crore (14.69 per cent) but higher than the BEs by ₹ 16.58 crore (1.40 per cent).

Non-Tax Revenue was lower than the XIV FC projection and the Budget Estimates by ₹ 115.47 crore (46.19 per cent) and ₹ 148.25 crore (52.43 per cent) respectively. It was mainly due to decrease in receipts under Miscellaneous General Services (₹ 10.24 crore),

Forestry and Wild Life (₹ 5.56 crore) and Medium Irrigation (₹ 1.92 crore) during 2019-20.

2.8 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. Analysis of allocation of expenditure in the State is shown in the following paragraphs.

2.8.1 Growth and Composition of Expenditure

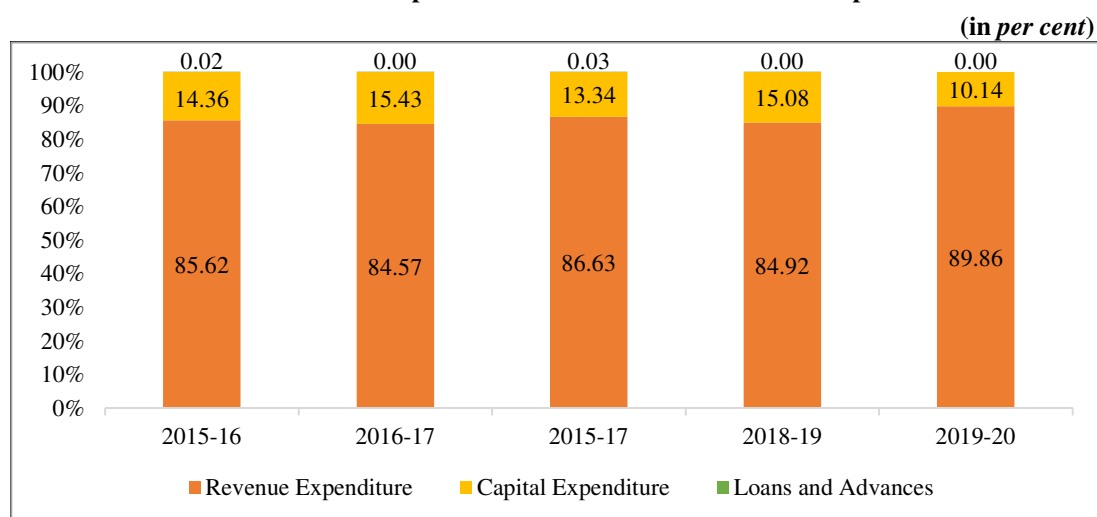
The Total Expenditure, its composition and relative share in GSDP during the years 2015-20 is presented in the following table:

Table 2.17: Total Expenditure and its Composition

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	8622.04	9678.58	10705.71	11479.49	11393.87
Revenue Expenditure (RE)	7382.57	8184.76	9274	9748.72	10238.63
Capital Expenditure (CE)	1237.87	1493.57	1428.31	1730.64	1155.24
Loans and Advances	1.60	0.25	3.40	0.13	0.00
(₹ in crore)					
As a percentage of GSDP					
TE/GSDP	44.15	45.45	41.51	41.19	35.62
RE/GSDP	37.80	38.44	35.96	34.98	32.01
CE/GSDP	6.34	7.01	5.54	6.21	3.61
Loans and Advances/GSDP	0.01	0.00	0.01	0.00	0.00

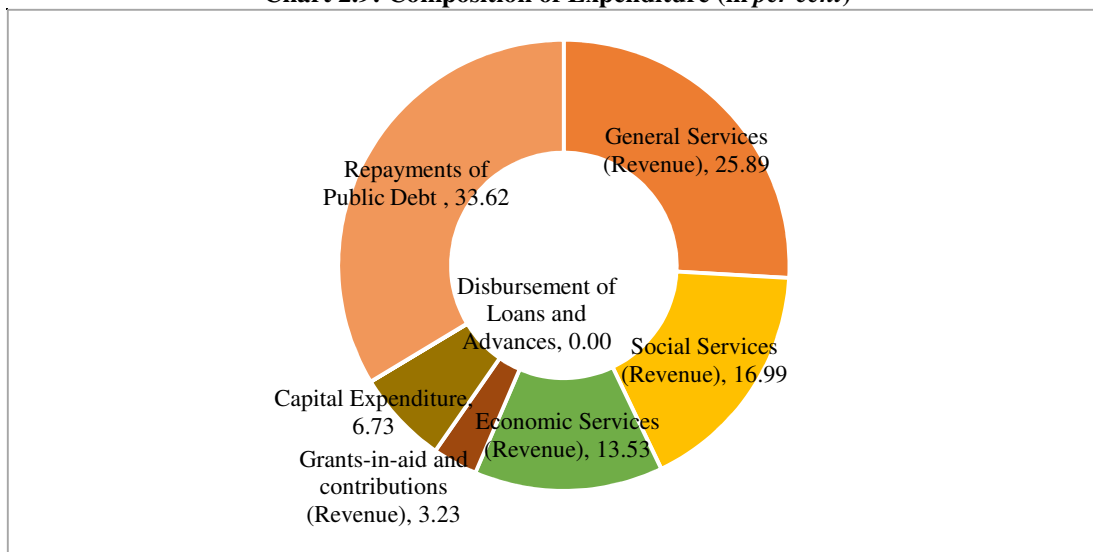
During the period 2015-20, Total Expenditure of the State increased by 32.15 per cent (₹ 2771.83 crore) from ₹ 8,622.04 crore in 2015-16 to ₹ 11,393.87 crore in 2019-20. During the year 2019-20, it decreased by 0.75 per cent over the previous year, mainly due to decrease in Capital Expenditure (₹ 575.40 crore). Total Expenditure as per cent of GSDP decreased steadily from 45.45 per cent in 2016-17 to 35.62 per cent in 2019-20. Similarly, Revenue Expenditure as per cent of GSDP decreased steadily from 38.44 per cent in 2016-17 to 32.01 per cent in 2019-20. The trends in 'Share of Components' of Total Expenditure during the period 2015-20 is given in Chart 2.8:

Chart 2.8: Total Expenditure - Trends in Share of its Components



The composition of Total Expenditure out of Consolidated Fund of the State during the year 2019-20 is depicted in the following chart:

Chart 2.9: Composition of Expenditure (in per cent)



As is evident from above, both Revenue Expenditure and Capital Expenditure exhibited a fluctuating trend during 2015-20. Capital Expenditure as a percentage of Total Expenditure decreased from 15.08 per cent in 2018-19 to 10.14 per cent in 2019-20. However, Revenue Expenditure as a percentage of Total Expenditure increased from 84.92 per cent in 2018-19 to 89.86 per cent in 2019-20. During 2019-20, a bulk of the expenditure was incurred to meet expenditure on Grants-in-Aid, salaries, pension, etc.

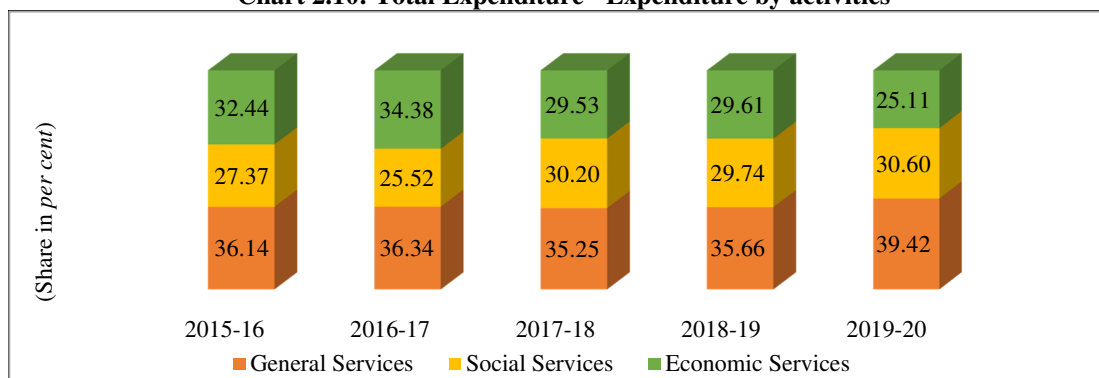
In terms of activities, Total Expenditure is composed of expenditure on General Services including Interest Payments, Social Services, Economic Services and others. Details for the year 2019-20 are shown in *Appendix 2.1*. Relative shares of these components in the Total Expenditure during 2015-20 are given in the following table:

Table 2.18: Relative share of various sectors of expenditure

Parameters	(in per cent)				
	2015-16	2016-17	2017-18	2018-19	2019-20
General Services	36.14	36.34	35.25	35.66	39.42
Social Services	27.37	25.52	30.20	29.74	30.60
Economic Services	32.44	34.38	29.53	29.61	25.11
Others (Grants to Local Bodies and Loans and Advances)	4.06	3.76	5.02	5.00	4.87

Source: Finance Accounts of respective years.

Chart 2.10: Total Expenditure - Expenditure by activities



The relative shares of General Services and Social Services in the Total Expenditure increased by 3.76 per cent and 0.86 per cent respectively during 2019-20 over the previous year. These increases were, however, offset by decrease in respective shares of Economic Services (4.50 per cent) and others (0.13 per cent).

2.8.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network.

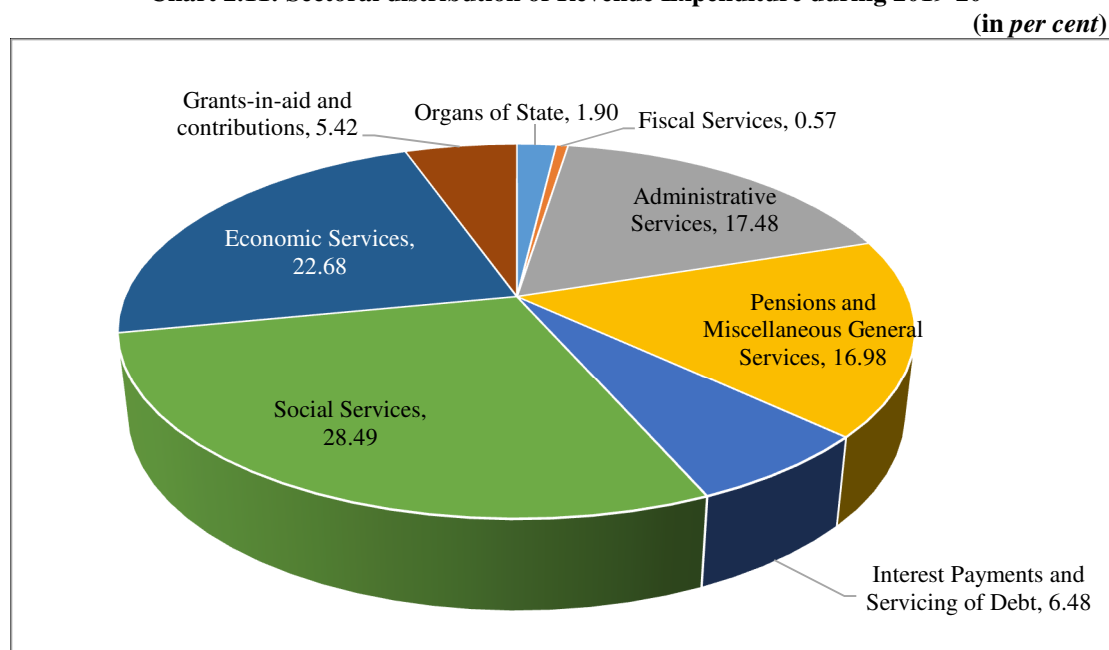
Revenue Expenditure constitutes on an average 86 per cent (ranging from 84.57 per cent in 2016-17 to 89.86 per cent in 2019-20) of the Total Expenditure during the period 2015-20. Rate of growth of Revenue Expenditure had wide fluctuation during the five-year period 2015-2020. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy vis-à-vis GSDP and Revenue Receipts are indicated in **Table 2.19** and the sectoral distribution of Revenue Expenditure pertaining to 2019-20 is given in **Chart 2.11**.

Table 2.19: Revenue Expenditure – Basic Parameters

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	8622.04	9678.58	10705.71	11479.49	11393.87
Revenue Expenditure (RE)	7382.57	8184.76	9274.00	9748.72	10238.63
Rate of Growth of RE (per cent)	1.59	10.87	13.31	5.12	5.03
Revenue Expenditure as percentage of TE	85.62	84.57	86.63	84.92	89.86
RE/GSDP (per cent)	37.80	38.44	35.96	34.98	32.01
RE as percentage of RR	89.16	89.66	89.54	92.30	95.83
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.21	1.20	0.63	0.63	0.34
Revenue Receipts (ratio)	0.45	1.06	0.99	2.60	4.33

Source: Finance Accounts of respective years.

Chart 2.11: Sectoral distribution of Revenue Expenditure during 2019-20



During the period 2015-20, Revenue Expenditure as a percentage of GSDP showed a decreasing trend from 38.44 per cent in 2016-17 to 32.01 per cent in 2019-20. Buoyancy of Revenue Expenditure vis-à-vis Revenue Receipts increased from 2.60 per cent in 2018-19 to 4.33 per cent in 2019-20.

2.8.2.1 Major changes in Revenue Expenditure

There were significant variations under various Heads of Account with regard to Revenue Expenditure of the State during the current year and the previous year as given below:

Table 2.20: Variation in Revenue Expenditure during 2019-20 compared to 2018-19

(₹in crore)

Major Heads of Account	2018-19	2019-20	Increase (+)/ Decrease (-)
2040-Taxes on Sales, Trade etc.	6.44	5.50	(-)0.94
2215-Water Supply and Sanitation	51.80	70.24	18.44
2225-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	169.60	142.00	(-)27.60
2236 Nutrition	75.98	58.31	(-)17.67
2501-Special Programmes for Rural Development	424.28	382.70	(-)41.58
2075-Miscellaneous General Services	0.00	0.00	0.00
2216-Housing	15.30	9.08	(-)6.22
2505-Rural Employment	446.38	581.38	135.00
2515-Other Rural Development Programmes	95.45	136.76	41.31
2575-Other Special Areas Programmes	39.34	1.62	(-)37.72

Source: Finance Accounts.

During 2019-20, Revenue Expenditure under Special Programmes for Rural Development declined by ₹ 41.58 crore over the previous year, primarily due to decrease in expenditure on Project Implementation. But Rural Employment recorded a significant increase by ₹ 135 crore, mainly due to increase in expenditure under National Rural Employment Guarantee Scheme.

2.8.3 Committed Expenditure

The committed expenditure of the State Government on revenue account consists of interest payments, expenditure on salaries and wages, and pensions. Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector. The trends in the components of committed expenditure along with percentage of committed expenditure to Revenue Receipts and Revenue Expenditure during 2015-20 is given in the following table and chart:

Table 2.21: Components of Committed Expenditure

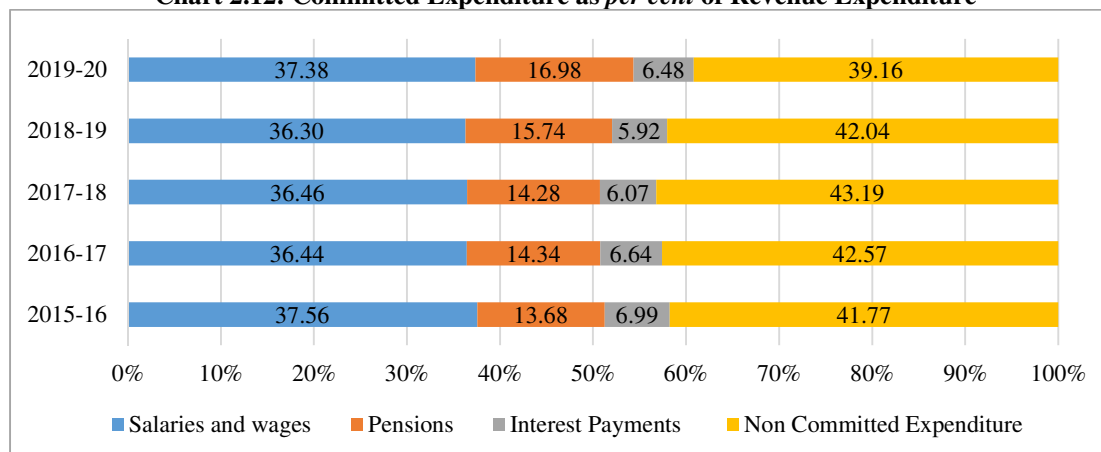
(₹in crore)

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries* & Wages	2772.71	2982.83	3381.43	3538.46	3826.70
Expenditure on Pensions	1010.25	1173.67	1324.32	1534.26	1738.47
Interest Payments	516.23	543.75	562.96	577.21	663.54
Total	4299.19	4700.25	5268.71	5649.93	6228.71
As a percentage of Revenue Receipts (RR)					
Salaries* & Wages	33.49	32.67	32.65	33.50	35.82
Expenditure on Pensions	12.20	12.86	12.79	14.53	16.27
Interest Payments	6.23	5.96	5.44	5.47	6.21
Total	51.92	51.49	50.87	53.49	58.30

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
As a percentage of Revenue Expenditure (RE)					
Salaries* & Wages	37.56	36.44	36.46	36.30	37.38
Expenditure on Pensions	13.68	14.34	14.28	15.74	16.98
Interest Payments	6.99	6.64	6.07	5.92	6.48
Total	58.23	57.43	56.81	57.96	60.84

Source: Finance Accounts & Voucher Level Computerisation (VLC) data * Excluding Leave Encashment benefits booked under 'Major Head – 2071 – Pensions and Other Retirement Benefits'

Chart 2.12: Committed Expenditure as per cent of Revenue Expenditure



Thus, the committed expenditure constituted 50 per cent or more of Revenue Expenditure during the five-year period from 2015-16 to 2019-20.

2.8.3.1 Salaries and Wages

Expenditure on Salaries and Wages had shown an increasing trend from ₹ 2772.71 crore in 2015-16 to ₹ 3826.70 crore in 2019-20 at an annual growth rate of 8.39 per cent. During 2019-20, the Salaries and Wages component had increased by ₹ 288.24 crore (8.15 per cent) over the previous year and accounted for 35.82 per cent of Revenue Receipts.

During the current year, expenditure on Salaries and Wages (excluding Interest Payment and Pensions) as a percentage of Revenue Expenditure was 37.38 per cent, which exceeded the limit of 35 per cent fixed by the Manipur FRBM Act, 2005. Thus, State Government could not achieve the target fixed by the Manipur FRBM Act, 2005.

2.8.3.2 Interest Payments

Interest Payments increased steadily from ₹ 516.23 crore in 2015-16 to ₹ 663.54 crore in 2019-20 at an annual growth rate of 6.48 per cent. Interest on internal debt (₹ 527.19 crore) constituted the major component of Interest payments and accounted for 79.46 per cent. During the current year, Interest payment was made on Internal Debt (₹ 527.19 crore) followed by Small Savings, Provident Fund, etc. (₹ 115.92 crore), Loans & Advances from GoI (₹ 20.34 crore) and Other Obligations (₹ 0.08 crore).

2.8.3.3 Pension Payments

During the period 2015-20, expenditure on Pension Payment increased from ₹ 1010.25 crore in 2015-16 to ₹ 1738.47 crore in 2019-20 at an annual growth rate of 14.53 per cent. During the current year, Pension Payments increased by ₹ 204.21 crore

(13.31 per cent) over the previous year 2018-19. The increase was mainly due to increase in payment of Pensions of Employees of Local Bodies (₹ 5.77 crore) and Superannuation and Retirement Allowances (₹ 154.87 crore).

2.8.3.4 Undischarged liabilities in National Pension System

State Government employees recruited on or after 01 January 2005 are covered under the National Pension System (NPS), which is a defined contributory pension scheme. Under this system, employees contribute 10 per cent of basic pay and dearness allowance, which is matched by the State Government and both employee's and employer's contributions are initially transferred to the Public Account and in turn to be deposited with National Securities Depository Limited (NSDL)/ trustee bank for further investment as per the guidelines of NPS.

The position of contribution made under NPS by the employees and the Government and transfer of funds to NSDL/Trustee Bank during 2015-20 is shown in **Table 2.22**:

Table 2.22: Contribution made to NPS and Transfer of Funds to NSDL/Trustee Bank

(₹ in crore)

Year	Opening Balance	Details of contribution			Short contribution by Government	Amount transferred to NSDL*	Closing Balance (2+5-7)
		Employee	Government	Total			
1	2	3	4	5 (3+4)	6 (3-4)	7	8
Up to 2015-16	0.00	269.79	172.85	442.64	96.94	357.79	84.85
2016-17	84.85	77.04	81.17	158.21	(-)4.13	118.43	124.63
2017-18	124.63	99.11	58.22	157.33	40.89	152.14	129.82
2018-19	129.82	118.27	99.44	217.71	18.83	211.49	136.04
2019-20	136.04	141.03	180.55	321.58	(-)39.52	251.00	206.62
Total		705.24	592.23	1297.47	113.01	1090.85	

*Includes the amount paid to deceased Government Employees

The actual employee contribution and matching share of the Government up to the end of 2019-20 was ₹ 705.24 crore (including ₹ 202.72 crore for the years up to 2014-15) and ₹ 592.23 crore (including ₹ 120.74 crore for the years up to 2014-15) respectively, resulting in a shortfall of Government's matching share of ₹ 113.01 crore. This short contribution of share resulted in overstatement of Revenue Surplus and understatement of the Fiscal Deficit in the respective years.

Short contributions over the years and un-transferred balances may attract interest liabilities, which may also have to be included at the time of transferring the employer's contribution to NSDL. As on 31 March 2020, a cumulative balance of ₹ 206.62 crore contributed under the Scheme remained to be transferred to NSDL/Trustee Bank.

Thus, there was a short transfer of funds of ₹ 319.63 crore (short contribution of ₹ 113.01 crore plus ₹ 206.62 crore not transferred) to the NSDL and current liability stands deferred to future year(s). Further, the State Government has created interest liability on the funds not transferred to NSDL. The matter needs to be addressed without further delay to rectify the situation.

The short contribution of Government's matching share and non-transfer to the NSDL/Trustee Bank was already commented upon in the CAG's Report on State Finances for

the years 2011-12 to 2018-19 and the matter was also discussed (July 2014) by the Public Accounts Committee. However, corrective measures are yet to be taken up by the State Government.

During the Exit Conference (March 2021), Joint Secretary (Finance) stated that the State Government has taken steps by providing adequate budgetary support and as on date, majority of funds due to be transferred to NSDL up to January 2021, have been transferred to NSDL. The Jt. Secretary further added that the State Government is examining the possibility of providing compensation for non-deposit or delayed deposit of contributions under NPS, in line with the GoI providing the same during 2019-20 and that the quantum of such liabilities is being identified.

2.8.4 Subsidies

During the last five-year period from 2015-2020, expenditure booked under subsidies decreased steadily from ₹ 185.22 crore in 2015-16 to ₹ 120.11 crore in 2019-20. Subsidies as a percentage of Revenue Receipts and Revenue Expenditure also shows a decreasing trend during the period. Details are shown in the following table:

Table 2.23: Expenditure on subsidies during 2015-20

	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies (₹ in crore)	185.22	156.62	123.47	120.36	120.11
Subsidies as a percentage of Revenue Receipts	2.24	1.72	1.19	1.14	1.12
Subsidies as a percentage of Revenue Expenditure	2.51	1.91	1.33	1.23	1.17

Source: Finance Accounts.

2.8.5 Financial assistance by the State Government to Local Bodies and Other Institutions

Financial assistance is provided by the State Government to local bodies and other institutions by way of grants and loans. The quantum of assistance provided by way of grants and loans to local bodies and others during the period 2015-20 is presented in the table below:

Table 2.24 Financial Assistance to Local Bodies etc.

(₹ in crore)

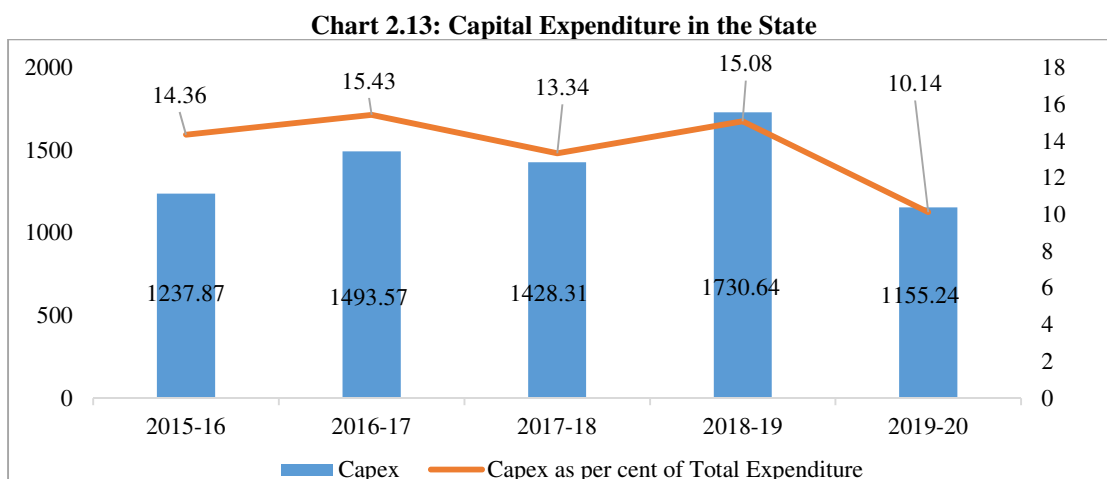
Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
(A) Local Bodies					
Municipal Corporations and Municipalities	30.94	17.12	32.14	26.71	45.34
Panchayati Raj Institutions	0.00	0.00	0.00	0.00	2.67
Total (A)	30.94	17.12	32.14	26.71	48.01
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	28.67	51.27	72.40	74.40	79.89
Hospitals and Other Charitable Institutions	0.00	0.00	0.00	0.00	103.34
Other Institutions	650.07	761.97	593.98	609.09	426.65
Total (B)	678.74	813.24	666.38	683.49	609.88
Total (A+B)	709.68	830.36	698.52	710.20	657.89
Revenue Expenditure	7382.57	8184.76	9274.00	9748.72	10238.63
Assistance as percentage of Revenue Expenditure	9.61	10.15	7.53	7.29	6.43

Source: Finance Accounts.

The total financial assistance to Local Bodies and Other Institutions, showed a fluctuating trend during 2015-20. During 2019-20, financial assistance was 6.43 per cent of Revenue Expenditure which is a decrease by ₹ 52.31 crore (7.37 per cent) from what was ₹ 710.20 crore in 2018-19 to ₹ 657.89 crore.

2.8.6 Capital Expenditure

Capital Expenditure (Capex) includes primarily expenditure on creation of fixed infrastructure assets, such as buildings, roads, bridges, etc. Details of the Capex and its percentage of total expenditure for the period from 2015-20 are given below:



During the year 2019-20, Capital Expenditure decreased by ₹ 575.40 crore (33.25 per cent) from ₹ 1730.64 crore in 2018-19 to ₹ 1155.24 crore 2019-20. State could expend only 50.90 per cent (₹ 1155.24 crore) of the budget allocation (₹ 2269.66 crore) during the current year. As compared to the total expenditure, the capital outlay showed a fluctuating trend (10.14 per cent to 15.43 per cent) over the period 2015-2020. In terms of magnitude of expenditure, Capital Expenditure during 2019-20 was the lowest during the last five years.

2.8.6.1 Major changes in Capital Expenditure

There were cases of significant increase or decrease in various Heads of Account under Capital Expenditure during 2019-20 vis-à-vis the previous year as given in **Table 2.25**:

Table 2.25: Capital Expenditure during 2019-20 compared to 2018-19

(₹ in crore)

Major Heads of Accounts	2018-19	2019-20	Increase (+)/ Decrease (-)
5054-Capital Outlay on Roads and Bridges	398.18	251.52	(-)146.66
5055-Capital Outlay on Road Transport	0.00	0.00	0.00
4702-Capital Outlay on Minor Irrigation	51.58	28.20	(-)23.38
4711-Capital Outlay on Flood Control Projects	54.91	30.30	(-)24.61
4059-Capital Outlay on Public Works	106.54	31.03	(-)75.51
4210-Capital Outlay on Medical and Public Health	15.75	41.09	25.34
4801-Capital Outlay on Power Projects	0.00	0.00	0.00

The decrease in Capital Expenditure during 2019-20 over the previous year was mainly due to decrease in Capital Expenditure on Roads and Bridges (₹ 146.66 crore), Public Works (₹ 75.51 crore), Flood Control projects (₹ 24.61 crore) and Minor Irrigation (₹ 23.38 crore).

2.8.6.2 Quality of Capital Expenditure

This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year.

A. Capital locked in incomplete projects

As per Finance Accounts of the State for the year 2019-20, there were 50 incomplete/ ongoing projects in Public Works Department alone. Age profile of these incomplete projects based on the year of sanction or year of start of these projects as on 31 March 2020 is given in the table below:

Table 2.26: Age profile of incomplete projects as on 31 March 2020

(₹ in crore)

Year	No of incomplete projects	Estimated cost	Expenditure
2015-16	100	1096.04	678.01
2016-17	87	1996.22	1434.61
2017-18	24	203.85	106.20
2018-19	50	5458.96	5783.93
2019-20	50	211.39	108.68

Source: Finance Accounts.

It was further noticed that out of the 50 incomplete projects as on 31 March 2020, the time overrun ranged between three days and more than three years.

Project cost in respect of one incomplete project was revised from ₹ 62.05 crore to ₹ 91.19 crore which led to increase of ₹ 29.14 crore from the original estimated cost.

Blocking of funds on incomplete projects/ works beyond their scheduled date of completion, adversely impinged on the quality of expenditure and deprived the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years proved ineffectual with the State having to bear additional burden in terms of servicing of debt and interest liabilities.

B. Investment and Return in Companies/Corporations, etc.

Capital expenditure in the companies, corporations, and other bodies, which are loss making or whose net worth are completely eroded is not sustainable and chances for return on investment is minimal. As on 31 March 2020, the State Government had invested ₹ 214.12 crore⁸ in two statutory corporations, 17 State PSUs and 3136 Co-operative institutions and local bodies.

During 2019-20, an amount of ₹ 6.10 crore was invested in three companies/ institutions viz. Manipur Handloom and Handicrafts Development Corporation Limited (₹ 3.60 crore), Manipur Rural Bank (₹ 0.70 crore) and Economic Empowerment of Traditional Artisans/ Craftsmen (₹ 1.80 crore). However, the return on these investments could not be calculated due to the non-finalisation of their financial statements up to the year 2019-20 as shown in the following table:

⁸ Investment/Share as featured in Statement 8 of Finance Accounts has been adopted.

Table 2.27: Return on Investment

Investment/return/ cost of borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Investment at the end of the year (₹ in crore)	196.00	197.08	198.33	206.32	214.12 ⁹
Return (in ₹)	3000	4000	4000	4000	NA
Return (per cent)	0.00	0.00	0.00	0.00	0.00
Average rate of interest on Government Borrowings (per cent)	6.67	6.42	6.13	5.76	6.78
Difference between interest rate and return (per cent)	6.67	6.42	6.13	5.76	6.78
Difference between interest on Government borrowings and return on investment (₹ in crore)	516.23	543.75	562.96	582.79	741.23

Source: Finance Accounts; NA-Not Available.

During the five-year period of 2015-20, the State Government's investments had increased by ₹ 18.12 crore. Against the very insignificant amount of return during the period 2015-19 ranging from ₹ 3,000 during the year 2015-16 to ₹ 4,000 during the year 2018-19, State Government paid an average interest rate ranging from 5.76 per cent to 6.78 per cent on its borrowings during the same period.

The State Government may seriously review the functioning of these corporations, companies and societies to ensure finalisation of the financial statement, returns on the investments and to consider closing of non-functional units.

During the Exit Conference (March 2021), the Jt. Secretary (Finance) while accepting the Audit observation, stated that the matter of investment of ₹ 1.70 crore in Manipur Spinning Mills Corporation Limited, a wound up Government Company would be closely examined.

C. Position of State's Investment

The details of the investments made during 2019-20 and losses incurred during 2018-19 as per the latest finalised accounts of the PSUs are detailed in the following table:

Table 2.28: Investments made in loss making companies and whose net worth is completely eroded

(₹ in crore)						
Sl. No.	Company/ Corporation	Year up to which Accounts finalised	Net worth as on 31 March 2020	Loss during the previous year (2018-19)*	Investment made during the year (2019-20)	Cumulative investment as on 31 March 2020 **
Working Companies						
1.	Manipur Industrial Development Corporation	2009-10	(-) 19.64	1.45	NA	8.03
2.	Manipur Electronics Development Corporation	2017-18	(-)4.37	0.22	NA	2.74
3.	Manipur Food Industries Corporation	2010-11	4.53	0.18	NA	7.41
4.	Manipur Handloom & Handicrafts Development Corporation	2009-10	(-)3.97	0.31	3.60	15.22
5.	Manipur State Power Company Limited	2015-16	(-)31.58	20.08	NA	10.05
6.	Manipur State Power Distribution Company Limited (MSPDCL)	2015-16	(-)51.99	19.50	NA	10.05

⁹ Another ₹ 1.70 crore was paid to Manipur Spinning Mills Corporation Ltd. Since this company has been wound up by the State Government, this amount has not been treated as Investment.

Sl. No.	Company/ Corporation	Year up to which Accounts finalised	Net worth as on 31 March 2020	Loss during the previous year (2018-19)*	Investment made during the year (2019-20)	Cumulative investment as on 31 March 2020 **
7.	Manipur Tribal Development Corporation Limited	1987-88	0.29	0.12	NA	0.88
8.	Manipur Police Housing Corporation	1997-98	0.61	0.00	NA	0.02
9.	Manipur IT SEZ Project Development Company	--	0.00	0.00	NA	0.05
10.	Tourism Corporation of Manipur Limited	--	0.00	0.00	NA	0.05
	Sub-total		(-106.12)	41.86		54.50
Non-working Companies						
11.	Manipur Plantation Crops Corporation Ltd.	1983-84	0.51	0.00	NA	11.62
12.	Manipur Agro Industries Corporation Ltd.	1988-89	(-)0.13	0.04	NA	3.55
13.	Manipur Pulp & Allied Products Ltd	2002-03	(-)5.91	0.83	NA	0.00
	Sub-total		(-)5.53	0.87		15.17
	Grand Total		(-)111.65	42.73		69.67

Source: Finance Accounts & Finalised accounts of the companies.

* Loss during previous year represents loss incurred by the Companies as per their latest finalised accounts.

** Cumulative Investment as on 31.03.2020 represents investment made by State Government in Equity & Loans up to 31.03.2020.

However, the accumulated investment for both working and non-working companies as on 31 March 2020 stood at ₹ 69.67 crore. During 2019-20, State Government invested ₹ 3.60 crore in one Corporation viz. Manipur Handloom & Handicrafts Development Corporation whose net worth has been completely eroded.

D. Loans and Advances by the State Government

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing Loans and Advances to many Institutions/ Organisations. The outstanding Loans and Advances as on 31 March 2020 and interest receipts vis-à-vis interest payments during 2015-20 is given in the following table:

Table 2.29: Quantum of loans disbursed and recovered during 2015-20.

(₹ in crore)

Quantum of loans disbursed and recovered	2015-16	2016-17	2017-18	2018-19	2019-20
Opening Balance of loans outstanding	204.51	205.09	204.19	199.57	199.11
Amount advanced during the year	1.60	0.25	3.40	0.13	0.00
Amount recovered during the year	1.02	1.15	8.02	0.59	0.80
Closing Balance of the loans outstanding	205.09	204.19	199.57	199.11	198.31
Net addition	0.58	(-)0.90	(-)4.62	(-)0.46	(-)0.80
Interest received	0.32	0.37	0.17	0.11	0.06
Interest rate on Loans and Advances given by the Government	0.16	0.18	0.09	0.06	0.03
Rate of Interest paid on the outstanding borrowings of the Government	6.35	6.17	5.89	5.52	5.82
Difference between the rate of interest paid and interest received (per cent)	6.19	5.99	5.80	5.46	5.79

Source: Finance Accounts.

The opening balance of outstanding Loans and Advances as on 01 April 2019 was ₹ 199.11 crore and with the repayment of ₹ 0.80 crore and no disbursement during 2019-20, the closing balance stood at ₹ 198.31 crore. The rate of interest on Loans and

Advances given by the Government decreased from 0.06 *per cent* in 2018-19 to 0.03 *per cent* in 2019-20. Recovery of the outstanding loans and advances was very insignificant.

2.8.7 Expenditure Priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health *etc.* Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better. The priority given by the Manipur Government to various expenditure heads in 2015-16 and 2019-20 with regard to Social Sector Expenditure (Health and Education) and Capital Expenditure is given below:

Table 2.30: Expenditure priority of the State with regard to Health, Education and Capital Expenditure

	(In <i>per cent</i>)			
	AE/ GSDP	CE/AE	Education/AE	Health/ AE
NE and Himalayan States Average (2015-16)	24.58	13.96	18.32	5.95
Manipur State (2015-16)	44.15	14.36	13.17	5.63
NE and Himalayan States Average (2019-20)	23.02	14.08	17.42	6.19
Manipur State (2019-20)	35.62	10.14	13.49	5.82

Source: Finance Accounts

AE -Aggregate Expenditure; CE – Capital Expenditure; SCS – Special Category States.

A comparison of the data related to Manipur with that of the NE and Himalayan States (NEHS) revealed that the State did not fare well in Education Sector, Health Sector and Capital Expenditure during 2019-20.

During 2019-20, ratio of Capital Expenditure to Aggregate Expenditure of the State stood at 10.14 *per cent* which was less than the average of the NEHS (14.08 *per cent*) as well as that of the neighbouring States of Sikkim (10.41 *per cent*), Mizoram (12.59 *per cent*), Assam (16.62 *per cent*) and Arunachal Pradesh (23.19 *per cent*).

This indicates that the State Government did not accord appropriate fiscal priorities to enhance the productive capacity of the State.

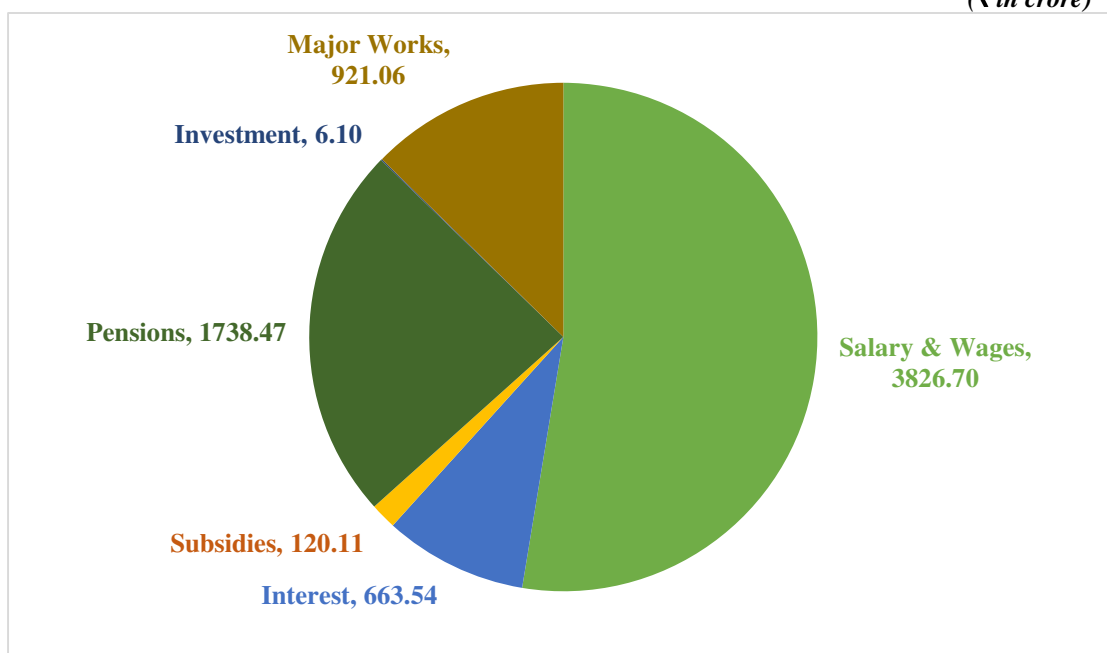
2.8.8 Object Head wise Expenditure

Finance Accounts depict transactions only up to the Minor Head level. Object head wise expenditure gives information about the object/ purpose of the expenditure.

Some of the important object head wise expenditure as depicted in the Finance Accounts for the year 2019-20 is given in the following chart:

Chart 2.14: Object head wise expenditure

₹ in crore)



2.9 Public Account

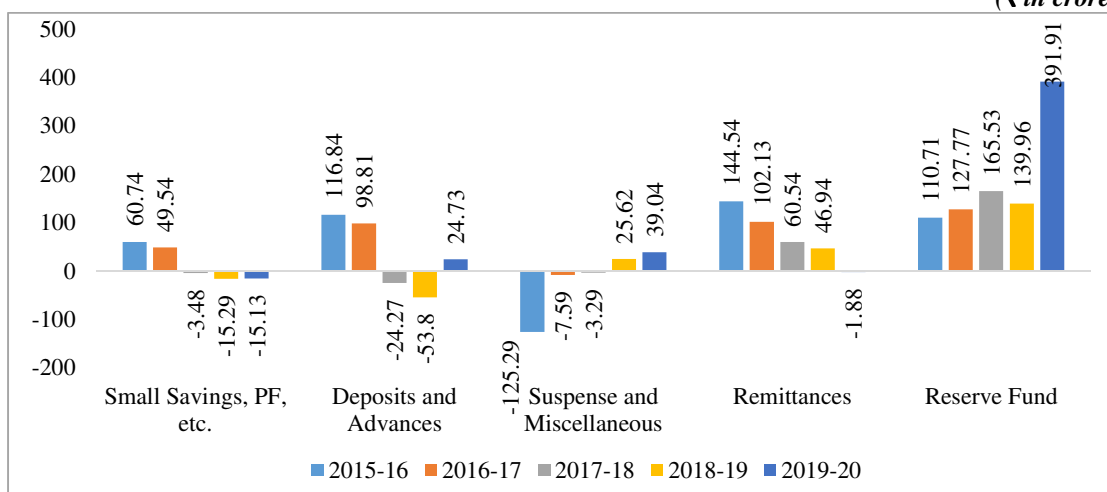
Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances, *etc.* which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The balance after disbursements during the year is the fund available with the Government for various purposes.

2.9.1 Net Public Account Balances

The component-wise net balances in Public Account of the State as on 31 March 2020 is given in *Appendix 2.2* and the yearly changes in composition of balances in Public Account over the five-year period 2015-20 are given in the following chart:

Chart 2.15: Yearly changes in composition of Public Account balances

₹ in crore)



Source: Finance Accounts of respective years.

2.9.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State.

The State has four Reserve Funds *viz.*, State Disaster Response Fund, Consolidated Sinking Fund, Depreciation Reserve Funds of Government Commercial Departments/ Undertakings and Guarantee Redemption Fund. The total closing balance under these four Reserve Funds for the year ended March 2020 was ₹ 931.36 crore of which, ₹ 875.54 crore (94.01 *per cent*) was invested in Government of India securities.

Details of significant Reserve Funds of the Government of Manipur are given below:

2.9.2.1 Consolidated Sinking Fund

The State created a Consolidated Sinking Fund in 2008-09 for amortisation of market borrowings, other loans and debt obligation liabilities, as recommended by the XII Finance Commission. As per the Fund guidelines, the State was required to contribute a minimum of 0.50 *per cent* of its outstanding liabilities (*i.e.* internal debt plus Public Account) at the end of the previous year with the condition that the Government shall not fund its contribution to the Fund out of the borrowings from the Reserve Bank.

Accordingly, the contribution due from the State in 2019-20 was ₹ 52.32 crore which is 0.50 *per cent* of the outstanding liabilities of ₹ 10,463.92 crore as on 31 March 2019. However, against this, the State Government did not make any contribution to the fund during 2019-20.

Further, during 2019-20, an interest of ₹ 58.41 crore earned from the investment of balance of the Reserve Fund was added to the Fund. Accordingly, the corpus of the Fund (including accumulated interest) amounting to ₹ 680.87 crore as on 31 March 2020, was invested by the Reserve Bank of India (RBI) in GoI Securities.

2.9.2.2 State Disaster Response Fund

Government of India (GoI) replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 01 April 2010. The State Governments are required to pay interest to the SDRF at the rate applicable to overdrafts under overdraft Regulation Guidelines of the RBI. The interest is to be credited on a half yearly basis.

In accordance with the Government of India's OM (28 September 2010), the State has commenced operation of the SDRF in 2010-11¹⁰. During the year 2019-20, the State transferred ₹ 49.70 crore (GoI share: ₹ 47.70 *plus* State's share: ₹ 2.00 crore) to the Fund and incurred an expenditure of ₹ 10.67 crore on account of Natural Calamities¹¹. As against the mandated contribution of ₹ 5.30 crore, the State Government contributed

¹⁰ under Major Head '8121-General and Other Reserve Funds, 122-State Disaster Response Fund'.

¹¹ Major Head- 2245 (Relief on account of Natural Calamities) - 02 (Floods, Cyclones, *etc.*).

₹ two crore only, a short contribution of State's share of ₹ 3.30 crore during the current year, which was violative of the SDRF guidelines.

Further, opening balance of the Fund as on 01 April 2019 was ₹ 26.74 crore; of which, only ₹ 10.19 crore was invested in the prescribed manner, leaving a balance of ₹ 16.55 crore un-invested. The State Government was liable to provide for interest of ₹ 1.24 crore on the un-invested funds in terms with the SDRF guidelines, which was not done. The unpaid interest and short contribution of State Government led to overstatement of Revenue Surplus to that extent during 2019-20. However, the procedure prescribed for operation of SDRF was followed in the State.

During the Exit Conference (March 2021), the Jt. Secretary (Finance) while accepting the Audit observation, stated that the non-payment of interest on the un-invested balances would be examined and necessary action would be initiated.

2.9.2.3 Guarantee Redemption Fund

State Government constituted 'Guarantee Redemption Fund' for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund are to be utilised only towards payment of the guarantees issued by the Government and not paid by the institutions on whose behalf guarantee was issued.

Consequent to the enactment of Manipur Ceiling on Government Guarantees Act, 2004, the State created a Guarantee Redemption Fund in 2008-09 with an initial corpus of ₹ one crore. The State was required to contribute one-fifth of the invoked outstanding guarantees at the end of the previous year. As on 31 March 2019, no guarantees were invoked, as such, the State Government was not required to contribute to the Fund.

Further, an interest of ₹ 15.07 crore earned from the investment of balance of the Reserve Fund during 2019-20, was reinvested to the Fund. Accordingly, the corpus of the Fund (including accumulated interest) amounting to ₹ 184.48 crore as on 31 March 2020, was invested by the RBI in Government of India Securities.

2.9.2.4 Central Road Fund

GoI provides grants from the Central Road Fund (CRF) to States for specific road projects. Under the accounting procedure prescribed for CRF, the grants received are booked under Revenue Receipt Major Head '1601-GIA from Central Government' and simultaneously transferred to the Public Account Head 8449-Other Deposits, 103-Subvention from Central Road Fund through the Revenue Expenditure Major Head '3054-Roads and Bridges'. Further, expenditure on prescribed road works is to be first accounted for under the relevant Revenue or Capital Section (Major Head 3054 or 5054), and then reimbursed out of the Fund and accounted for as a deduct expenditure of the concerned expenditure Major Head.

The State Government had received ₹ 115.62 crore (₹ 12.64 crore in 2019-20) from GoI towards CRF during the period 2003-04 to 2019-20 and incurred an expenditure of

₹ 126.39 crore (under Major Head 5054) up to 2019-20 (₹ 17.86 crore in 2019-20). The State Government, however, did not follow the prescribed accounting procedure. While the receipts were accounted for correctly as Revenue Receipts under GIA, the amount was not transferred to the Fund (MH 8449-103). As such, the expenditure towards CRF was not reflected as reduction of expenditure against specific road projects, thus inflating the relevant expenditure head.

2.9.2.5 State Compensatory Afforestation Fund

In compliance to the instructions issued (28 April 2009) by the Ministry of Environment and Forests, Government of India and guidelines of State Compensatory Afforestation Fund Management and Planning Authority (State CAMPA), the State Governments are required to establish the State CAMPA in the State, which will administer the funds received and utilise the monies collected for undertaking compensatory afforestation, assisted natural regeneration, conservation and protection of forests, infrastructure development, wildlife conservation and protection and other related activities and for matters connected therewith or incidental thereto. The Authority will set up the State Compensatory Afforestation Fund for this purpose under Public Account of the State.

Under this, the monies received by the State Governments from the User Agencies need to be credited in 'State Compensatory Afforestation Deposits' under interest bearing section in Public Account under MH 8336-Civil Deposits. As per Section 5 of the Compensatory Afforestation Fund Act, 2016, 90 *per cent* of the Fund was to be transferred to the MH 8121-General and Other Reserve Funds in Public Account and the remaining 10 *per cent* was to be credited into the National Fund on yearly basis.

The applicable rate of interest on balances available under 'State Compensatory Afforestation Deposits' under MH 8336-Civil Deposits and 'State Compensatory Afforestation Fund' under MH 8121-General and other Reserve Funds was to be declared by the Central Government on year to year basis. As it is an interest-bearing reserve fund, the State Government was liable to provide for interest if the balances available in the fund was not invested.

During the year 2019-20, the State Government received ₹ 309.76 crore, being State share of the CAMPA Fund, from National Compensatory Afforestation Deposits. Out of this, they utilised ₹ 30.36 crore during the year, leaving a balance of ₹ 279.40 crore in the Fund as on 31 March 2020.

2.10 Debt Management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

2.10.1 Debt profile: Components

Total debt of the State Government constitutes of Internal debt of the State (market loans, Ways and Means Advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, *etc.*), and loans and advances from the Central Government and Public Account Liabilities. Some of the important terms are explained in *Appendix 2.3*.

The details relating to total debt received, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2015-20 is given in **Table 2.31**:

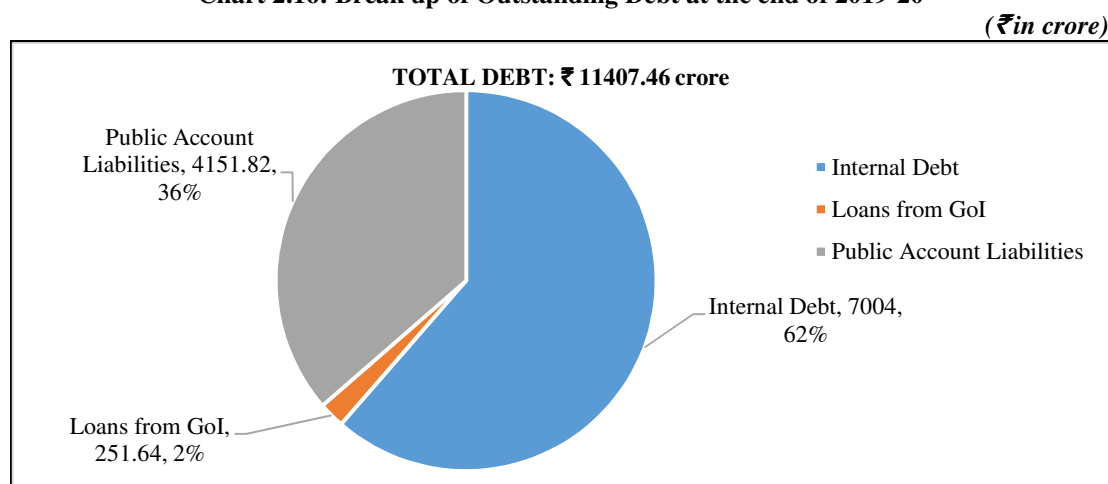
Table 2.31: Debt Indicators and trends

Financial Year		2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Overall Debt		8125.39	8807.83	9565.93	10463.92	11407.46
Public Debt	Internal Debt	4464.52	4898.92	5554.42	6425.84	7004.00
	Loans from GoI	395.04	366.96	331.83	287.77	251.64
Liabilities on Public Account		3265.83	3541.95	3679.68	3750.31	4151.82
Rate of growth of outstanding Overall debt (per cent)		10.44	8.40	8.61	9.39	9.02
Gross State Domestic Product		19530.67	21293.89	25789.23	27868.71 (Q)	31989.49 (A)
Debt/GSDP (per cent)		41.60	41.36	37.09	37.55	35.66
Total Debt Receipts		925.79	1551.29	1295.91	3926.54	6313.67
Total Debt Repayments		446.08	1144.97	675.53	3099.18	5771.64
Total Debt Available		4859.56	5265.88	5886.25	6713.60	7255.64
Debt Repayments/Debt Receipts (per cent)		48.18	73.81	52.13	78.93	91.41

Q-Quick Estimate; A-Advance Estimate

As can be seen from the above table, over the last five years from 2015-20, Internal Debt and liabilities under Public Account, which constituted majority share of the outstanding debt showed an increasing trend from ₹ 8125.39 crore and ₹ 3265.83 crore in 2015-16 to ₹ 11407.46 crore and ₹ 4151.82 crore in 2019-20 respectively. However, loans and advances from GoI decreased from ₹ 395.04 crore to ₹ 251.64 crore during the period. The total outstanding debt of the State Government at the end of 2019-20 was ₹ 11407.46 crore. During 2019-20, Internal Debt and Public Account liabilities constituted 62 and 36 per cent of the total outstanding debt respectively, as shown in **Chart 2.16**:

Chart 2.16: Break up of Outstanding Debt at the end of 2019-20



2.10.2 Fiscal Deficit Financing

The financing pattern of the Fiscal Deficit has undergone a compositional shift during 2015-2020. Details of receipt and disbursement of the components used for financing the Fiscal Deficit for the year 2019-20 are given in the following table:

Table 2.32: Components of fiscal deficit and its financing pattern

		(₹ in crore)				
Particulars		2015-16	2016-17	2017-18	2018-19	2019-20
Composition of Fiscal Deficit		(-340.92)	(-548.31)	(-339.86)	(-917.19)	(-708.91)
1	Revenue Deficit/Surplus	897.53	944.36	1083.83	812.99	445.53
2	Net Capital Expenditure	(-1237.87)	(-1493.57)	(-1428.31)	(-1730.64)	(-1155.24)
3	Net Loans and Advances	(-0.58)	0.90	4.62	0.46	0.80
Financing Pattern of Fiscal Deficit/Surplus						
1	Market Borrowings	311.29	478.17	277.77	666.69	1255.43
2	Loans from GOI	(-44.13)	(-28.08)	(-35.13)	(-44.06)	(-36.13)
3	Special Securities issued to NSSF	18.51	(-53.11)	(-53.11)	(-53.51)	(-54.15)
4	Loans from Financial Institutions & Other loans	9.29	91.67	47.33	125.99	(-4.95)
5	Ways and Means Advances (Net)	184.75	(-82.33)	383.52	132.22	(-618.16)
6	Small Savings, PF, etc.	60.74	49.54	(-3.48)	(-15.29)	(-15.13)
7	Deposits and Advances	116.85	98.82	(-24.32)	(-54.28)	24.73
8	Suspense and Miscellaneous	(-19.13)	(-21.61)	(-21.65)	(-20.15)	0.16
9	Remittances	(-144.54)	(-102.13)	(-60.54)	(-46.94)	1.88
10	Reserve Fund	110.71	127.76	165.53	139.96	391.91
11	Overall Deficit	604.34	558.70	675.92	830.63	945.59
12	Increase(-)/Decrease(+) in cash balance	(-263.42)	(-10.39)	(-336.06)	86.56	(-236.68)
13	Gross Fiscal Deficit	340.92	548.31	339.86	917.19	708.91

Table 2.33: Receipts and Disbursements under components financing the fiscal deficit

		(₹ in crore)		
Sl. No.	Particulars	Receipts	Disbursements	Net
1	Market Borrowings	1758.21	502.78	1255.43
2	Loans from GOI	7.92	44.05	(-36.13)
3	Special Securities issued to NSSF	0.00	54.15	(-54.15)
4	Loans from Financial Institutions	60.66	65.61	(-4.95)
5	Ways and Means Advances (Net)	4486.88	5105.04	(-618.16)
6	Small Savings, PF, etc.	308.87	324.00	(-15.13)
7	Deposits and Advances	433.01	408.28	24.73
8	Suspense and Miscellaneous	154.95	154.79	0.16
9	Remittances	1020.90	1019.02	1.88
10	Reserve Fund	432.94	41.03	391.91
11	Overall Deficit	8664.34	7718.75	945.59
12	Increase(-)/Decrease(+) in cash balance	(-236.68)	0.00	(-236.68)
13	Gross Fiscal Deficit	8427.66	7718.75	708.91

The Fiscal deficit of ₹ 708.91 crore in 2019-20 was mainly due to excess of expenditure in Capital account partially reduced by the Revenue surplus. The deficit was primarily financed by Market Borrowings (₹ 1255.43 crore), Reserve Fund (₹ 391.91 crore) and Deposit and Advances (₹ 24.73 crore) and partially offset by the outflow of Ways and Means Advances (₹ 618.16), Special Securities issued to NSSF (₹ 54.15 crore),

Repayment of Loans and Advances from the Government of India (₹ 36.13 crore), and Small Savings, Provident Funds, *etc.* (₹ 15.13 crore).

The decrease in net capital outlay during the year indicated that borrowed funds were being utilised less for productive uses than in the previous year. The solution to the prudential management of Government debt lies in the productive application of borrowed funds to provide returns directly or result in increased productivity of the economy. This would also result in increased government revenues in future, thereby, making debt payments easier.

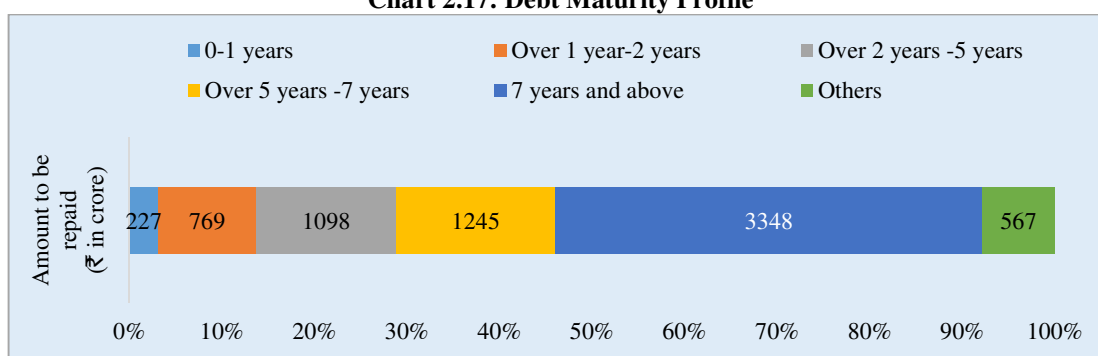
2.10.3 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. The details of the outstanding debt of the State and the maturity profile of debt of the State is shown in the following table and chart:

Table 2.34: Debt Maturity profile of repayment of State debt

Debt Maturity	Maturity Profile	Amount (₹ in crore)			
		Internal Debt	Loans and Advances	Total	Per cent
During 2020-21	0-1 year	227.36	0.04	227.40	3.13
Between 2021-23	over 1 year to 2 years	767.74	1.67	769.41	10.60
Between 2023-25	over 2 years to 5 years	885.15	212.75	1097.90	15.13
Between 2025-27	over 5 years to 7 years	1242.63	2.84	1245.47	17.17
2027-28 onwards	over 7 years and above	3313.87	34.27	3348.14	46.15
Amount for which year of Maturity is not known		567.24	0.07	567.31	7.82
Total		7003.99	251.64	7255.63	-

Chart 2.17: Debt Maturity Profile



The maturity profile of outstanding stock of public debt as on 31 March 2020 indicates that out of the outstanding Public Debt of ₹ 7255.63 crore, ₹ 3340.18 crore (46.04 per cent) needs to be repaid within seven years. Internal debt constituted 96.54 per cent (₹ 7003.99 crore) of the total outstanding public debt. The year-wise details of maturity profile of debt at the end of 2019-20 is given in *Appendix 2.4*. Out of ₹ 7255.63 crore, ₹ 5979.39 crore was the principal amount of market loan taken by the State. The State paid an interest of ₹ 263.12 crore for the year 2019-20.

During the Exit Conference (March 2021), the Jt. Secretary (Finance) stated that necessary action would be initiated to improve the debt maturity profile and ensure that the debt profile is as robust as possible in future.

2.11 Debt Sustainability Analysis

This section assesses the sustainability of debt of the State Government in terms of debt/GSDP ratio, Fiscal Deficit, burden of interest payments (measured by ratio of interest payments to Revenue Receipts) and maturity profile of the State Government debt. The State's debt sustainability according to these indicators for the five-year period beginning from 2015-16 is shown below:

Table 2.35: Trends in debt Sustainability indicators

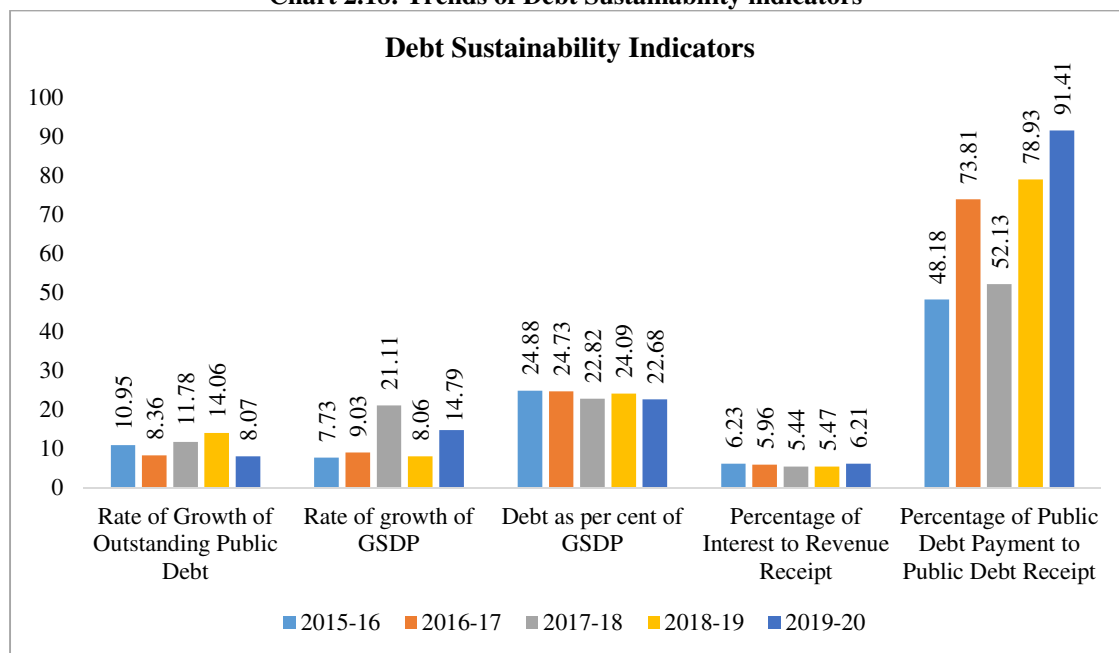
Debt Sustainability Indicators	₹ in crore				
	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Public Debt*	4859.56	5265.88	5886.25	6713.61	7255.64
Rate of Growth of Outstanding Public Debt	10.95	8.36	11.78	14.06	8.07
GSDP	19530.67	21293.89	25789.23	27868.71	31989.49
Rate of Growth of GSDP	7.73	9.03	21.11	8.06	14.79
Debt/GSDP	24.88	24.73	22.82	24.09	22.68
Debt Maturity profile of repayment of State debt – including default history, if any	446.08	257.38	395.65	454.87	666.60
Average interest Rate of Outstanding Public Debt (per cent)	5.59	5.37	5.05	4.58	4.75
Percentage of Interest payment to Revenue Receipt	6.23	5.96	5.44	5.47	6.21
Percentage of Debt Repayment to Debt Receipt	48.18	73.81	52.13	78.93	91.41
Net Debt available to the State#	(-)36.52	(-)137.43	57.42	250.13	(-)121.51
Net Debt available as per cent to Debt Receipts	(-)3.94	(-)8.86	4.43	6.37	(-)1.92
Debt Stabilisation (Quantum spread + Primary Deficit)	437.97	624.35	561.32	682.62	866.95

Source: Finance Accounts

*Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government.

#Net debt available to the State Government is calculated as excess of Public debt receipts over Public debt repayment and interest payment on Public Debt.

Chart 2.18: Trends of Debt Sustainability indicators



2.11.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable.

The trends of the total borrowing, repayment of earlier borrowings and utilisation during the five years from 2015-16 to 2019-20 are given in **Table 2.36**. **Chart 2.19** represents trends utilisation of borrowed funds for the last five years (2015-16 to 2019-20).

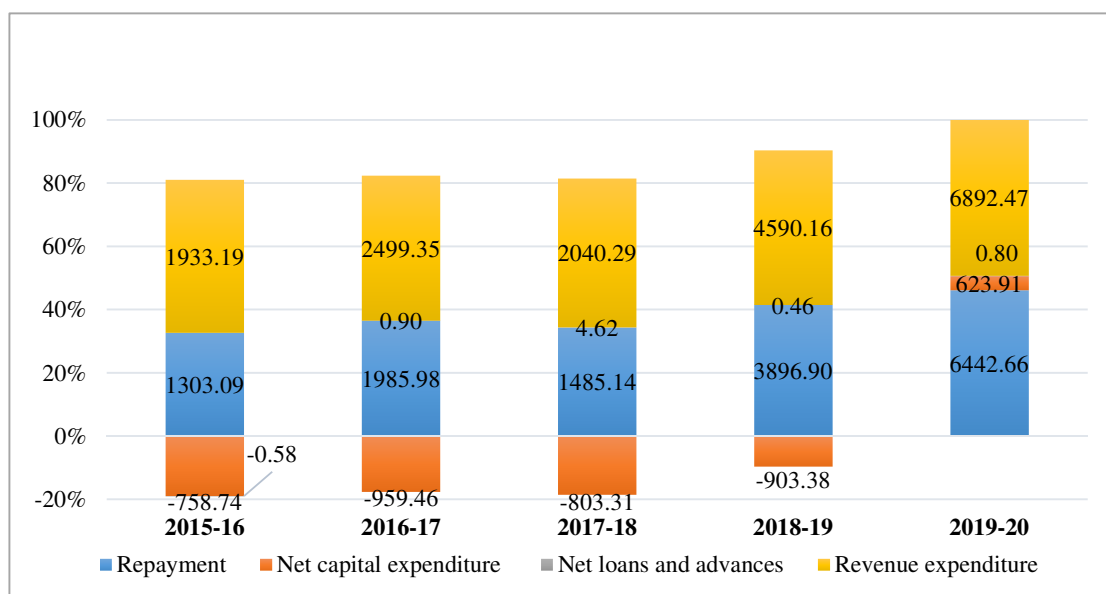
Table 2.36: Utilisation of borrowed funds

Year		2015-16	2016-17	2017-18	2018-19	2019-20
Total Borrowings	2	1960.38	2540.66	2077.73	4654.93	6994.30
Repayment of earlier borrowings (Principal) (per cent)	3	1303.09 (66.47)	1985.98 (78.17)	1485.14 (71.48)	3896.90 (83.72)	6442.66 (92.11)
Net Capital Expenditure (per cent)	4	(-)758.74 (-38.70)	(-) 959.46 (-37.76)	(-)803.31 (-38.66)	(-)903.38 (-19.41)	623.91 (8.92)
Net Loans and Advances	5	(-)0.58	0.90	4.62	0.46	0.80
Portion of Revenue Expenditure met out of net available borrowings	6=2-3-4-5	1416.61	1513.24	1391.28	1660.95	(-) 73.07

(₹in crore)

Source: Finance Accounts.

Chart 2.19: Trends in Utilisation of borrowed fund



It can be seen from the above table that during 2019-20, ₹ 6442.66 crore (92.11 per cent) was utilised in repayment of earlier borrowings.

2.11.2 Status of Guarantees–Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee had been extended. As per the Manipur FRBM Act 2005 and the Manipur Ceiling on State Government Guarantee Act, 2004, the total outstanding guarantees as of 01 April of any year shall not exceed thrice the State's Own Tax Revenue Receipts of the second preceding year.

The details of outstanding guarantees given by the State Government including interest liability during the five-year period 2015-20 are shown in the following table:

Table 2.37: Guarantees given by the State Government

	(₹ in crore)				
Guarantees	2015-16	2016-17	2017-18	2018-19	2019-20
Ceiling applicable to the outstanding amount of guarantees including interest	588.00	588.00	738.00	738.00	738.00
Outstanding amount of guarantees including interest	339.53	548.25	513.73	475.08	478.18

The total outstanding guarantees (Principal and Interest) as on 01 April 2019 was ₹ 475.08 crore, which is significantly less than the limit of ₹ 2372.82 crore¹² i.e., thrice the State's Own Tax Revenue for the year 2017-18. During 2019-20, the State Government issued fresh guarantees of ₹ 0.72 crore to MSPCL. There was an outstanding guarantee of ₹ 411.63 crore as on 31 March 2020. The State Government was yet to collect ₹ 72000 as guarantee commission for the additional guarantee given in 2019-20.

2.11.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMAs)/ Special Ways and Means Advances (SWMA)/ Overdrafts (ODs) from time to time. State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills including Consolidated Sinking Fund and Guarantee Redemption Fund.

Table 2.38 gives the details of cash balances and their investment during the year:

Table 2.38: Cash Balances and their investments

	(₹ in crore)	
	Opening balance as on 01 April 2019	Closing balance as on 31 March 2020
A. General Cash Balance		
Cash in treasuries	4.63	4.63
Deposits with Reserve Bank of India	(-)206.10	(-)97.77
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
Total	(-)201.47	(-)93.14
Investments held in Cash Balance Investment Accounts	-	57.97
Total (A)	(-)201.47	(-)35.17
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	44.41	41.31
Permanent advances for contingent expenditure with department officers	0.02	0.02
Investment in earmarked funds	802.06	875.54
Total (B)	846.49	916.87
Total (A + B)	645.02	881.70
Interest realised		6.19

Source: Finance Accounts.

¹² Not to exceed thrice the State's Own Tax Revenue Receipts of the second preceding year as on 01 April of that year i.e. ₹ 2372.82 crore (₹ 790.94 crore (in 2017-18) x 3).

It was noticed that State Government's opening Cash Balance as on 01 April 2019 was in the negative ₹ 201.47 crore. The closing Cash Balance as on 31 March 2020 showed an increase of ₹ 166.30 crore and stood at ₹ (-) 35.17 crore. The State Government had earned ₹ 6.19 crore from the Cash Balance Investments during 2019-20.

The Cash Balance Investments of the State of Manipur for the last five years (2015-16 to 2019-20) are given in the following table:

Table 2.39: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)				
Year	Opening Balance	Closing Balance	Increase (+)/ decrease (-)	Interest earned
2015-16	125.65	0.00	(-)125.65	23.66
2016-17	0.00	0.00	0.00	15.41
2017-18	0.00	0.00	0.00	17.80
2018-19	0.00	0.00	0.00	17.26
2019-20	0.00	57.97	57.97	6.19

Source: Finance Accounts.

During the period 2015-2020, closing cash balance of ₹ 57.97 crore was seen only during 2019-20 under Cash Balance Investment Account. The interest earned during the year decreased by ₹ 11.07 crore from ₹ 17.26 crore in 2018-19 to ₹ 6.19 crore in 2019-20.

Ideally, the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatch between the flow of resources and expenditure obligations, a mechanism of WMAs from RBI has been put in place. The operative limit for Ordinary WMAs is based on three years average of Revenue Receipts and the operative limit for Special WMAs/ Special Drawing Facility is fixed by the RBI from time to time, depending on the holding of Government securities. The limit for Ordinary WMAs to the State of Manipur was ₹ 195 crore for 2019-20. The position of WMAs and Overdraft during 2015-2020 is shown in the following table:

Table 2.40: Ways and Means Advances and Overdrafts

(₹ in crore)					
Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Ways and Means Advance					
Availed in the year	184.75	805.26	663.40	2776.55	4486.88
Outstanding WMAs	184.75	102.42	485.94	618.16	0.00
Interest paid	Nil	0.75	0.10	2.23	167.16
Number of days	1	32	8	21	85
Overdraft					
Number of days	Nil	Nil	1	34	56

(Source: Finance Accounts).

The State Government resorted to WMAs regularly since 2015-16 onwards. During 2019-20, they availed ₹ 4486.88 crore as WMAs for 85 days which indicated a difficult cash balance position of the State Government. After repayment of ₹ 5105.04 crore, the balance WMA at the end of the year was nil.

2.12 Conclusion

- The fiscal position of the State is viewed in terms of key fiscal parameters-Revenue deficit/ surplus, fiscal deficit/ surplus and primary deficit/ surplus.

During 2019-20, the State had a Revenue surplus of ₹ 445.53 crore which was 1.39 *per cent* of GSDP during the year. Fiscal deficit during 2019-20, was ₹ 708.91 crore which was 2.22 *per cent* of GSDP and primary deficit was ₹ 45.37 crore (0.14 *per cent* of GSDP).

- Revenue Receipts during the year 2019-20 were ₹ 10684.16 crore which increased by ₹ 122.45 crore (1.16 *per cent*) over the previous year. State's Own Tax Revenue (₹ 1201.12 crore) increased by ₹ 155.07 crore (14.82 *per cent*) compared to the previous year (₹ 1046.05 crore), while Non-Tax Revenue (₹ 134.53 crore) decreased by ₹ 31.71 crore (19.07 *per cent*) during the year. State GST (₹ 852.58 crore) was the main contributor of the State's Own Tax Revenue and the GST along with VAT receipts accounted for 91 *per cent* of the State's total Own Tax Revenue. During 2019-20, receipts under SGST (₹ 852.58 crore) increased by ₹ 157.88 crore (22.72 *per cent*) as compared to previous year (₹ 694.70 crore). The SGST receipts included ₹ 71.92 crore received as 'Apportionment of Taxes from IGST'.
- Grants-in-Aid from GoI increased by ₹ 649.91 crore (29.21 *per cent*) and State's Share of Union taxes and Duties decreased by ₹ 650.82 crore (13.85 *per cent*) during 2019-20 as compared to the previous year.
- Revenue Expenditure during the year 2019-20 was ₹ 10238.63 crore (89.86 *per cent*) against the Total Expenditure of ₹ 11393.87 crore. Committed Expenditure like salary & wages, pension, interest payments steadily increased during the last five-year period 2015-20. The Committed expenditure during 2019-20 was ₹ 6228.71 crore (58.30 *per cent* of the total Revenue Receipts of ₹ 10684.16 crore and 60.84 *per cent* of the total Revenue Expenditure of ₹ 10238.63 crore).
- Salary and Wages expenditure constituted 35.82 *per cent* of Revenue Receipts and 37.38 *per cent* of Revenue Expenditure during the year 2019-20.
- Capital Expenditure is the expenditure incurred for creation of fixed infrastructure assets such as roads, building, *etc.* It is noticed that during the year Capital Expenditure decreased by ₹ 575.40 crore (33.25 *per cent*) from ₹ 1730.64 crore during 2018-19 to ₹ 1155.24 crore during 2019-20.
- Under National Pension System, against contribution of ₹ 705.24 crore of the State Government employees up to March 2020, the State Government contributed ₹ 592.23 crore only, resulting in a shortfall of ₹ 113.01 crore in the matching share of the State Government. Further, the State Government was yet to transfer ₹ 206.62 crore to NSDL till the end of 31 March 2020. The shortfall/ non-contribution of funds are liabilities of the State Government, which need to be discharged promptly.
- The Government incurred an expenditure of ₹ 108.68 crore on 50 projects, which remained incomplete and the time overrun on these projects ranged between three days and more than three years. Further, there was cost overrun of ₹ 29.14 crore in one incomplete project.

- During 2019-20, the State Government invested ₹ 6.10 crore in Government Companies, statutory corporation, co-operative societies and joint stock companies. As on 31 March 2020, the State Government's investment stood at ₹ 214.12 crore in those Companies/ Corporations and Co-operative societies, whereas the returns on investment were negligible.
- The State Government short contributed ₹ 3.30 crore during 2019-20, in the State Disaster Response Fund, as per the Scheme guidelines, leading to overstatement of Revenue Surplus to that extent.
- The State had Outstanding guarantees of ₹ 478.18 crore including interest as on 31 March 2020.
- The outstanding Public Debt rapidly increased from ₹ 5265.88 crore (10.95 per cent) in 2016-17 to ₹ 7255.64 crore (8.07 per cent) in 2019-20 and the Debt/ GSDP ratio decreased from 24.88 per cent to 22.68 per cent during the same period due to higher growth rate of GSDP. About six per cent of the Revenue Receipts were used by the State for payment of interest on the outstanding Public Debt at an average rate of interest, which ranged between 4.58 per cent and 5.59 per cent, during last five-year period from 2015-16 to 2019-20.
- As on 31 March 2020, the State had outstanding Market loans of ₹ 7003.99 crore out of which, ₹ 995.10 crore will mature in next one to three years and ₹ 885.15 crore will be maturing during next three to five years. Maximum amount of market loan bearing interest will mature after next seven years.
- The State Government had availed ₹ 4486.88 crore as Ways and Means Advances for 85 days and repaid the same during the year 2019-20. The cash balances of the State at the end of 31 March 2020 was in negative. This indicated a difficult Cash Balance position of the State Government

2.13 Recommendations

- The increasing trends of Revenue Expenditure be corrected by identifying potential wasteful expenditure and adopting economy measures across departments.
- The State Government needs to give greater focus on development expenditure by steadily increasing its Capital expenditure on identified infrastructure gaps in a planned manner with periodical review and monitoring mechanism at the highest level of administration.
- To avoid possible future liabilities under NPS, the State Government needs to fulfil their obligation by releasing arrears of its contributions and transferring the outstanding funds already accumulated to NSDL for management of the NPS.
- The State Government may seriously review the functioning of the Corporations, Companies and Societies to ensure returns on their investments and consider closing of non-functional units in a time bound manner.
- Increasing trend of debt maturity profile *vis-à-vis* the level of borrowings needs to be reviewed so as to ensure that mobilised financial resources are used adequately for incurring capital expenditure for creation of assets.

