

CHAPTER I
OVERVIEW

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1.1 Profile of the State

The State of Manipur is located in the north-eastern part of India. The total geographical area of the State is 22,327 sq. km. comprising the central valley and the hills surrounding the valley. There are 16 districts in the State, of which, six districts are located in the valley and ten districts are located in the hills. As per Census of India 2011¹ and Population Projections for India and States 2011-36, the State's population is projected to increase from 28.56 lakh in 2011 to 31.65 lakh in March 2021 showing decadal population growth of 10.82 *per cent* against National Decadal Growth rate of 12.30 *per cent*. Out of the total projected population of 31.65 lakh, 31.88 *per cent* people (10.09 lakh) live in urban areas and the remaining 68.12 *per cent* (21.56 lakh) in rural areas. The density of population is 128 persons per sq. km. The details are given in **Appendix 1.1 (Part C)**.

1.1.1 Gross State Domestic Product

Gross State Domestic Product (GSDP) is the market value of all officially recognised final goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

Trends in the annual growth of the State's GSDP, All India GDP and the rate of growth during 2016-21 are indicated in **Table 1.1**:

Table 1.1: GSDP of the State, All India GDP and the rate of growth during 2016-21

Year	2016-17	2017-18	2018-19	2019-20	2020-21
All India GDP (₹ in crore)	1,53,91,669	1,70,90,042	1,88,86,957	2,03,51,013	1,97,45,670
Growth rate of GDP (<i>per cent</i>)	11.76	11.03	10.51	7.75	(-2.97)
Per capita GDP (in ₹)					1,45,680
State's GDP *(₹ in crore)	21,293.89	25,789.23	27,869.85 (Q)	31,790.30 (A)	32,852.46 (P)
Growth rate of GSDP (<i>per cent</i>)	9.03	21.11	8.07	14.07	3.34
Per capita GSDP (in ₹)					93,485

Source: Ministry of Statistics and Programme Implementation, GoI and Dept. of Economics and Statistics, Manipur *At current prices, Q – Quick Estimates, A – Advance Estimates, P-Projected Estimates

The State's GSDP increased by ₹ 1,062.16 crore (3.34 *per cent*) from ₹ 31,790.30 crore in 2019-20 to ₹ 32,852.46 crore in 2020-21. During the last five years, there was a steady increase in GSDP from ₹ 21,293.89 crore in 2016-17 to ₹ 32,852.46 crore in 2020-21. As compared to 2019-20, growth rate has decreased from 14.07 *per cent* in 2019-20 to 3.34 *per cent* in 2020-21.

¹ Data for Census of 2021 yet to be released.

The growth rate of GSDP was higher than the all India GDP growth rate in 2020-21. The per capita GSDP of the state was lower than the all India per capita GDP in 2020-21. As compared with the neighbouring States, Manipur's GSDP (2020-21) was more than that of Sikkim, Nagaland, Mizoram and Arunachal Pradesh as shown in **Table 1.2**. The Compounded Annual Growth Rate (CAGR) of Manipur during 2011-12 to 2020-21 was 10.93 per cent. As compared with the CAGR of the neighbouring states during 2011-12 to 2020-21, four states viz. Mizoram, Sikkim, Tripura and Arunachal Pradesh had CAGR higher than Manipur while the CAGR of three states viz. Assam, Nagaland and Meghalaya had CAGR lower than that of Manipur. This indicates that during 2011-12 to 2020-21, the economic growth of the state as compared to all the neighbouring states stood at 5th position and was on a growth trajectory.

Table 1.2: Regional comparisons of GSDP of 2020-21 and CAGR (2011-12 to 2020-21)

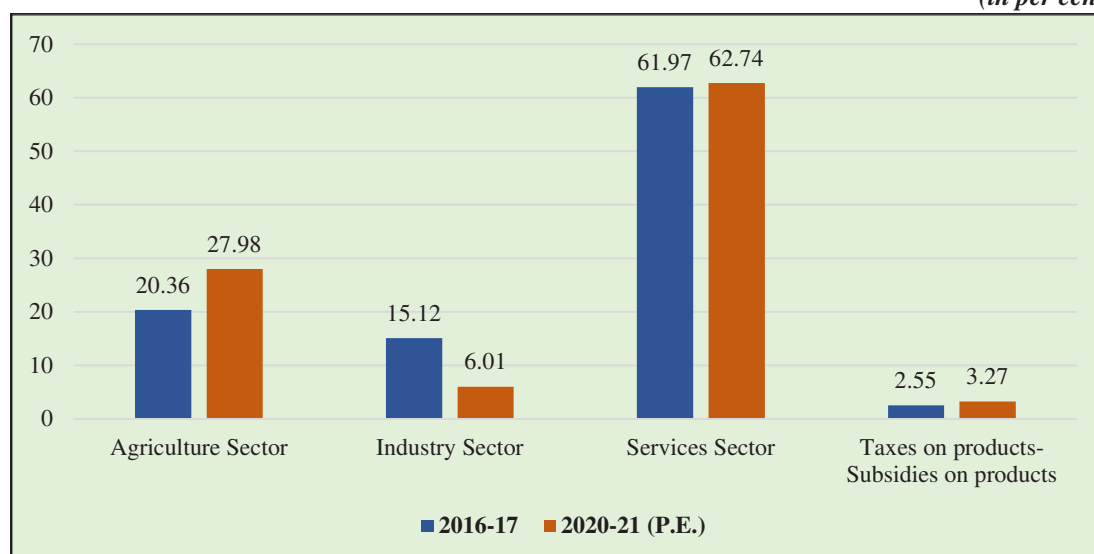
(₹ in crore)

State	GSDP	CAGR (2011-12 to 2020-21)
Assam	3,48,277.17	10.38
Tripura	58,879.53	13.25
Meghalaya	33,436.00	5.92
Manipur	32,852.46	10.93
Sikkim	32,724.47	12.69
Nagaland	29,312.83	10.25
Mizoram	29,076.42	16.67
Arunachal Pradesh	28,721.36	11.18

Changes in sectoral contribution to the GSDP is also important to understand the changing structure of economy. The economic activity is generally divided into Primary, Secondary and Tertiary sectors, which corresponds to the Agriculture, Industry and Services sectors respectively. A sectoral analysis of State's GSDP for the period 2016-21 is given in **Charts 1.1** and **1.2**.

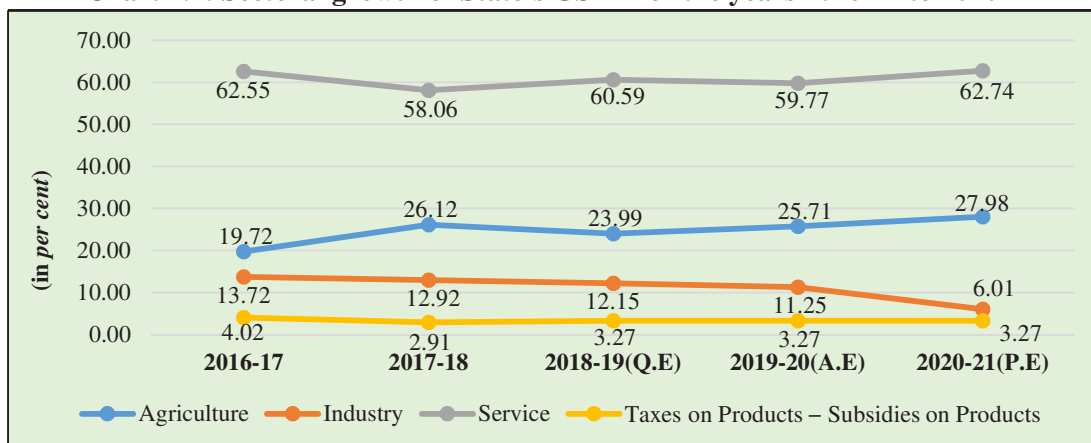
Chart 1.1: Sectoral Contribution to GSDP for the years 2016-17 and 2020-21

(in per cent)



Source: Department of Economics and Statistics, Manipur; P.E. – Projected Estimates.

Chart 1.2: Sectoral growth of State's GSDP for the years 2016-17 to 2020-21



Source: Department of Economics and Statistics, Manipur; Q.E. – Quick Estimates, A.E.–Advance Estimates, P.E.–Projected Estimates.

As can be seen from the charts above, Services Sector was the major contributor to GSDP during the period 2016-21 which ranged from 58.06 to 62.74 per cent. Agriculture was the second largest contributor ranging from 19.72 - 27.98 per cent during the period. The contribution of Agriculture Sector in GSDP increased from 19.72 per cent in 2016-17 to 27.98 per cent in 2020-21 while there was a significant decrease (7.71 per cent) in the Industry Sector in 2020-21, as compared to 2016-17.

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the Reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

Principal Accountant General (Accounts & Entitlements), Manipur prepares Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the Treasuries, State Government offices and departments responsible for keeping of such accounts, and statements received from the Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit) and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State for the year 2020-21 constitute the core data for this Report. Other sources include budget of the State, results of audit carried out by the Office of the Principal Accountant General (Audit), other data with Departmental Authorities and Treasuries (accounting as well as MIS), GSDP data and other State related statistics, and various audit reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the Fourteenth Finance Commission (XIV FC), Fifteenth Finance Commission (XV FC), Manipur Fiscal Responsibility and Budgetary Management (MFRBM) Act, 2005, and best practices and guidelines of the Government of India (GoI).

This Chapter provides a broad perspective of the finances of the State of Manipur during 2020-21 and an analysis of critical changes in the major fiscal aggregates in comparison to the previous years, keeping in view the overall trends during the last five years (2016-21). The layout of Finance Accounts, methodology adopted for assessment of fiscal position, profile of the State, *etc.*, are given in **Appendix 1.1 (Part A to D)**.

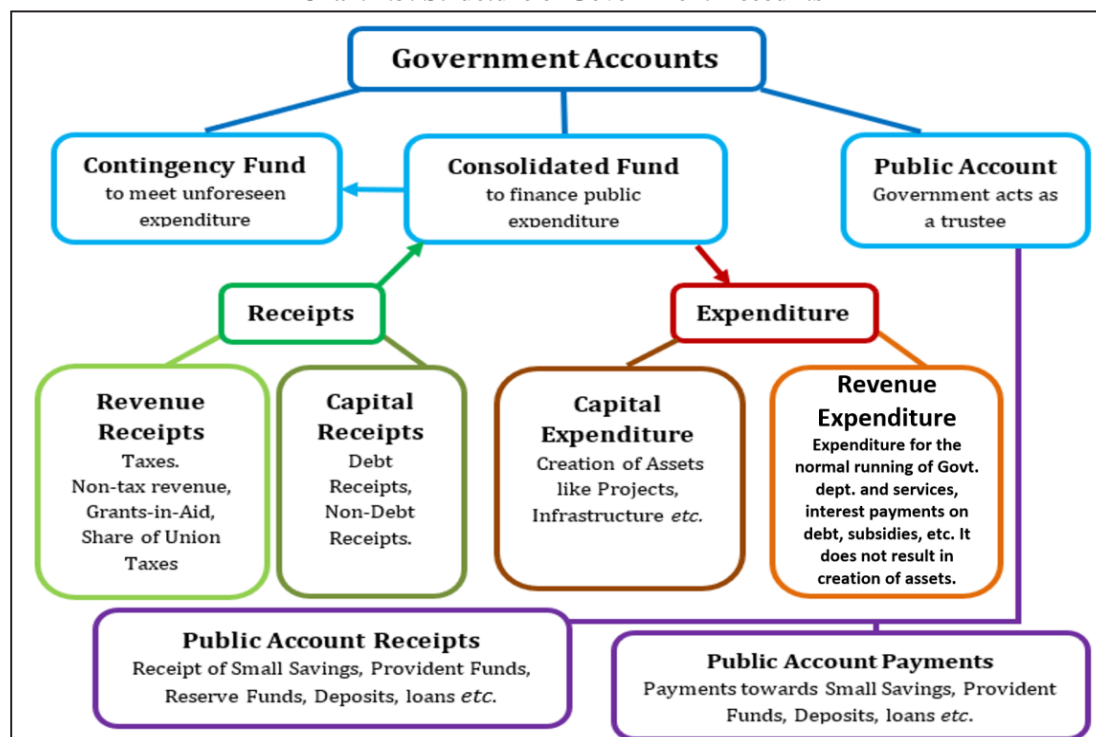
1.3 Structure of Government Accounts and Budgetary Processes

1.3.1 Structure of Government Accounts

Government Accounts are maintained in three parts for maintaining the records of all sorts of financial transactions *viz.* Consolidated Fund, Contingency Fund and Public Account. ‘Consolidated Fund of the State’ includes Revenue Receipts and Expenditure; Capital Receipts and Disbursements; Debts, and Loans and Advances. The ‘Contingency Fund of the State’ is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature, under appropriation made by law. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State. All other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayables like Small Savings and Provident Funds, Deposits, Advances, Reserve Funds, Remittances and Suspense heads. The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to vote of the Legislature.

The structure of Government Accounts is given in **Chart 1.3**.

Chart 1.3: Structure of Government Accounts



1.3.2 Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State shall cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year, in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in Chapter 3 of this Report.

1.4 Snapshot of Finances

The following **Table 1.3** presents summary of the State's fiscal transactions during the year 2020-21 *vis-à-vis* Budget Estimates of 2020-21 and Actuals of the previous year 2019-20, while **Appendix 1.2** provides details of receipts and disbursement as well as the overall fiscal position during 2020-21.

Table 1.3: Summary of Fiscal Transactions during 2020-21

(₹ in crore)

Sl. No.	Components	2019-20 (Actuals)	2020-21 (Budget Estimates)	2020-21 (Actuals)	Percentage of Actuals to BEs	Percentage of Actuals to GSDP
1	Own Tax Revenue	1,201.12	1,324.65	1,294.49	97.72	3.94
2	Non-Tax Revenue	134.53	256.62	148.07	57.70	0.45
3	Share of Union Taxes/Duties	4,047.77	5,630.42	4,271.97	75.87	13.00
4	Grants-in-Aid and Contributions	5,300.74	10,871.47	7,268.12	66.85	22.12
5	Revenue Receipts (1+2+3+4)	10,684.16	18,083.16	12,982.65	71.79	39.52
6	Recovery of Loans and Advances	0.80	3.79	3.30	87.07	0.01
7	Other Receipts	0.00	0.00	0.00	0.00	0.00
8	Borrowings and other Liabilities*	1,182.26	1,363.31	1,650.00	121.03	5.02
9	Capital Receipts (6+7+8)	1,183.06	1,367.10	1,653.30	120.93	5.03
10	Total Receipts (5+9)	11,867.22	19,450.26	14,635.95	75.25	44.55
11	Revenue Expenditure	10,238.63	16,091.08	12,428.47	77.24	37.83
12	Interest payments	663.54	576.47	831.60	144.26	2.53
13	Capital Expenditure	1,155.24	3,359.18	2,449.38	412.68	7.46
14	Capital outlay	1,155.24	3,356.18	2,439.18	72.68	7.42
15	Loan and advances	0.00	3.00	10.20	340.00	0.03

Sl. No.	Components	2019-20 (Actuals)	2020-21 (Budget Estimates)	2020-21 (Actuals)	Percentage of Actuals to BEs	Percentage of Actuals to GSDP
16	Total Expenditure (11+13)	11,393.87	19,450.26	14,877.85	76.49	45.29
17	Revenue Deficit (-) /Surplus (+) (5-11)	445.53	1,992.08	554.18	27.82	1.69
18	Fiscal Deficit {16-(5+6+7)}	708.91	1,363.31	1,891.90	138.77	5.76
19	Primary Deficit (18-12)	45.37	786.84	1,060.30	134.75	3.23

Source: Finance Accounts, Annual Financial Statement.

*Sum of Net Public Debt, Net Contingency Fund, Net Public Account and Net Cash Balance.

The following are the significant changes noticed during 2020-21 over the previous year:

- Revenue Receipts increased by 21.51 *per cent* (₹ 2,298.49 crore) over the previous year. The increase was mainly due to increase in Grants-in-Aid (GIA) and Contributions (₹ 1,967.38 crore), State's Share of Union Taxes/Duties (₹ 224.20 crore) and Own Tax Revenue (₹ 93.37 crore). However, the State could not achieve the projections of Budget Estimates.
- State's Share of Union Taxes/Duties increased by ₹ 224.20 crore (5.54 *per cent*) in comparison to the previous year. It was due to increase in Taxes on Income Other than Corporation Tax (₹ 232.42 crore), Central Goods & Services Tax (₹ 130.01 crore), and Service Tax (₹ 16.92 crore).
- Revenue Expenditure increased by 21.39 *per cent* (₹ 2,189.84 crore) over the previous year. The increase was mainly due to increase in General Services (₹ 610.40 crore), Social Services (₹ 411.62 crore), and Economic Services (₹ 1099.55 crore).
- Revenue Surplus increased by 24.39 *per cent* (₹ 108.65 crore) over the previous year mainly due to increase in Grants-in-Aid (GIA) and Contributions (₹ 1,967.38 crore) and State's Share of Union Taxes/Duties (₹ 224.20 crore) partly offset by increase in Revenue Expenditure on Rural Employment programme (₹ 642.70 crore), Police (₹ 310.99 crore), Medical and Public Health (₹ 202.62 crore) and Interest Payment (₹ 168.06 crore).
- Capital Expenditure increased by 112.02 *per cent* (₹ 1,294.14 crore) over the previous year expenditure. It was mainly due to increase in Capital Outlay on Water Supply and Sanitation (₹ 342.22 crore), Capital Outlay of Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (₹ 206.25 crore) and Capital Outlay on Roads and Bridges (₹ 152.85 crore)

- Total Expenditure increased by 30.58 *per cent* (₹ 3,483.98 crore) over the previous year. It was due to increase in both Revenue Expenditure (₹ 2,189.84 crore) and Capital Expenditure (₹ 1,294.14 crore).
- Fiscal Deficit increased by 166.87 *per cent* (₹ 1,182.99 crore) as compared to previous year. It was mainly due to increase in Capital Expenditure by ₹ 1,294.14 crore.

1.5 Snapshot of Assets and liabilities of the Government

1.5.1 Composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditures incurred. *Appendix 1.3* gives an abstract of such liabilities and assets as on 31 March 2021, compared with the corresponding position on 31 March 2020. Liabilities consist mainly of internal borrowings, Loans and Advances from Central Government, and receipts from Public Account (Small Savings, Provident Funds *etc.*). The assets comprise mainly Capital outlay, Loans and Advances given by the State Government and Cash Balance.

A summarised position of Assets and Liabilities for the years 2019-20 and 2020-21 is shown in **Table 1.4**:

Table 1.4: Summarised position of Assets and Liabilities for the years 2019-20 and 2020-21.

(₹ in crore)

Liabilities					Assets				
		2019-20	2020-21	Per cent increase			2019-20	2020-21	Per cent increase
Consolidated Fund									
A	Internal Debt	7,004.00	8,430.65	20.37	a	Gross Capital Outlay	24,384.54	26,823.72	10.00
B	Loans and Advances from GoI	251.64	571.08	126.95	b	Loans and Advances	198.31	205.21	3.48
Contingency Fund		0	0		0		0	0	0
Public Account									
A	Small Savings, Provident Funds, <i>etc.</i>	1,479.29	1,508.83	2.00	a	Advances	2.60	2.60	0.00
B	Deposits	1,461.77	1,402.57	(-4.05)	b	Remittance	637.84	654.15	2.56
C	Reserve Funds	1,210.76	1,270.51	4.93	c	Suspense and Miscellaneous	212.97	201.90	(-5.20)
D	Remittances	0.00	0.00	0.00	Cash Balance (including investment in Earmarked Fund)		881.70	760.74	(-13.72)
					Total		26,317.97	28,648.32	8.85
					Deficit in Revenue Account		14,910.50	15,464.68	3.72
Total		11,407.47	13,183.64	15.57	Total		11,407.47	13,183.64	15.57

Reference: Statement 1 of Finance Accounts

As could be seen from the table above, liabilities of the State Government increased by ₹ 1,776.18 crore (15.57 per cent) over the previous year. The increase was mainly due to increase in Internal Debt (₹ 1,426.65 crore) and Loans and Advances from GoI (₹ 319.45 crore) constituting 80.32 per cent and 17.99 per cent of the increase in fiscal liabilities in 2020-21.

The increase in assets during 2020-21 was mainly due to increase in Gross Capital Outlay (₹ 2,439.17 crore) over the previous year by 10.00 per cent.

1.6 Achievements against Targets prescribed under FRBM Act and Rules

The State Government enacted Manipur Fiscal Responsibility and Budget Management (MFRBM) Act in August 2005 to ensure prudence in fiscal management and fiscal stability by achieving sufficient Revenue surplus, reduction in Fiscal deficit, prudent debt management consistent with fiscal sustainability and greater transparency in fiscal operations of the State. As per Manipur FRBM Rules, 2005 (framed in December 2005 and modified thereafter) framed under the Act, fiscal targets of Revenue Surplus and Fiscal Deficit, etc. were fixed.

The targets under the Act and the Rules are given in **Appendix 1.1 (Part D)**. The yearly targets are also set out in the Medium Term Fiscal Policy Statements (MTFPS) placed in the State Legislative Assembly. The targets for major fiscal variables provided in MFRBM Act and Rules, MTFPS and actual achievements there against are depicted in **Tables 1.5 and 1.6**:

Table 1.5: Trends in Major fiscal parameters/variables vis-à-vis targets for the years 2016-21

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Deficit (-)/ Surplus (+) (₹ in crore)	Revenue Surplus	944.36	1,083.83	812.99	445.53	554.18
		✓	✓	✓	✓	✓
Fiscal Deficit (as percent of GSDP)	3 per cent	548.31 (2.57)	339.86 (1.32)	917.19 (3.29)	708.91 (2.23)	1,891.90 (5.76)
		✓	✓	X	✓	X
Ratio of total outstanding debt to GSDP (in per cent)	MFRBM Act has not provided the targets after the year 2014-15	41.36 [45.42]	37.09 [43.43]	37.55 [41.66]	35.88 [40.11]	40.13 [42.8]
		✓	✓	✓	✓	✓

Figures in the parenthesis [] for Outstanding Debt-GSDP Ratio is the XIV FC/XV FC projections.

Source: Finance Department, GoM and Finance Accounts.

Table 1.6: Actuals vis-à-vis projection in MTFPS during 2020-21

(₹ in crore)

Sl. No.	Fiscal Variables	Projection as per MTFPS	Actuals (2020-2021)	Variation (in per cent)
1	Own Tax Revenue	1,324.65	1,294.49	(-)2.28
2	Non-Tax Revenue	256.62	148.07	(-)42.30
3	Share of Central Taxes/Duties	5,630.42	4,271.97	(-)24.13
4	Grants-in-Aid from GoI	10,871.47	7,268.12	(-)33.15

Sl. No.	Fiscal Variables	Projection as per MTFPS	Actuals	Variation
			(2020-21)	(in per cent)
5	Revenue Receipts (1+2+3+4)	18,083.16	12,982.65	(-)28.21
6	Revenue Expenditure	16,091.08	12,428.47	(-)22.76
7	Revenue Deficit (-)/ Surplus (+) (5-6)	1,992.08	554.18	(-)72.18
8	Fiscal Deficit (-)/ Surplus (+)	(-)1,363.31	(-)1,891.90	38.77
9	Debt-GSDP ratio (per cent)	35.91	40.13	11.75
10	GSDP growth rate at Current prices (per cent)	11.00	3.34	(-)69.64

Source: Finance Department, GoM and Finance Accounts.

During the year 2020-21, the State Government could achieve the target fixed under MFRBM Act² for maintaining Revenue Surplus. However, the State Government could not achieve the targets fixed for Fiscal Deficit-GSDP ratio. Further, the State Government did not fix targets for Outstanding Debt-GSDP ratio in the MFRBM Act after the year 2014-15.

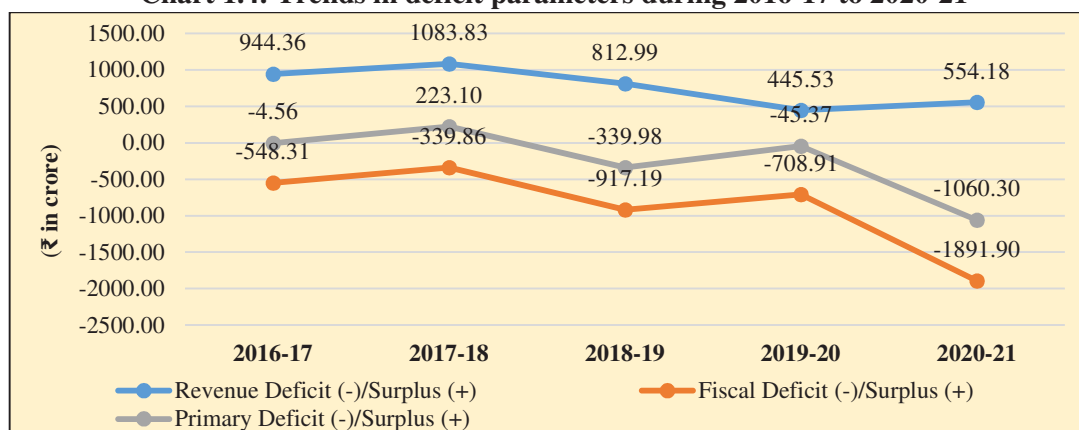
The State Government could not achieve the projection of MTFPS in respect of Revenue Receipts by ₹ 5,100.51 crore (28.21 per cent) mainly due to underachievement of projection in Grants-in-Aid from GoI (₹ 3,603.35 crore), Share of Central Taxes/Duties (₹ 1,358.45 crore) and Non-Tax Revenue (₹ 108.55 crore).

1.7 Fiscal Balance: Achievement of deficit and total debt targets

When a government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture government deficit. Three key fiscal parameters *i.e.* Revenue, Fiscal and Primary deficit are usually used to indicate the extent of overall fiscal imbalance in the finances of the State during a specified period. The deficit/ surplus in the Government accounts represents gap between its receipts and expenditures. The nature of deficit/surplus is an indicator of the fiscal prudence of the Government. Further, the ways in which the deficit is financed and the resources mobilised are applied, are important pointers to its fiscal health.

The following **Charts 1.4** and **1.5** present the trends in deficit parameters *i.e.* Revenue, Fiscal and Primary and trends in relation to GSDP during the period 2016-21.

Chart 1.4: Trends in deficit parameters during 2016-17 to 2020-21



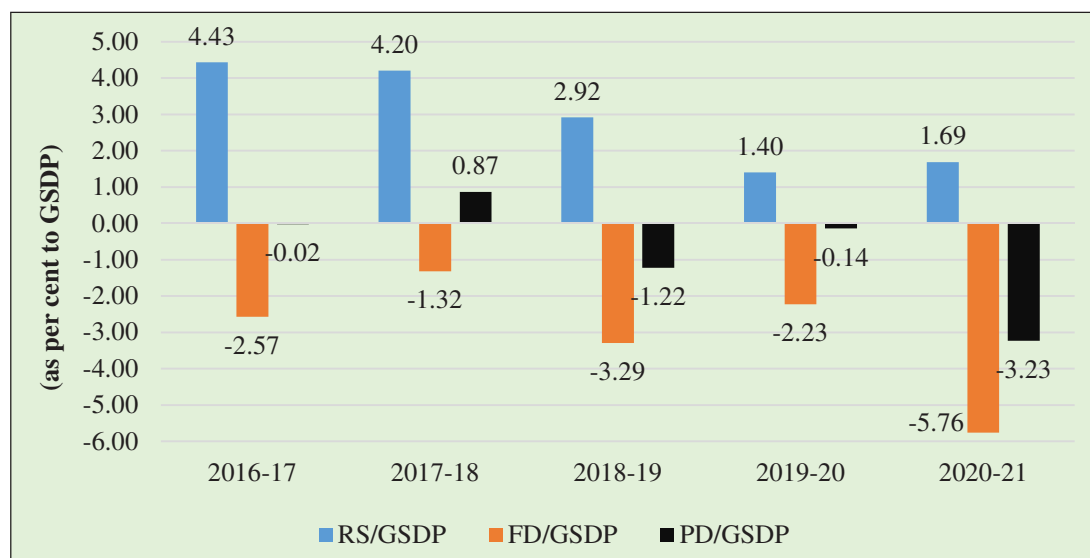
² Government of Manipur did not amend MFRBM Act unlike all other states.

As can be seen from above chart, the state was able to maintain Revenue Surplus during the last five years 2016-21, ranging from ₹ 445.53 crore to ₹ 1,083.83 crore. As compared to 2019-20, Revenue Surplus increased by ₹ 108.65 crore in 2020-21 mainly due to increase in Grants-in-Aid (GIA) and Contributions (₹ 1,967.38 crore) and State's Share of Union Taxes/Duties (₹ 224.20 crore).

During 2020-21, Fiscal Deficit sharply increased by ₹ 1,182.99 crore, mainly due to increase of Capital Expenditure on Capital Outlay on Water Supply and Sanitation (₹ 342.22 crore), Capital Outlay of Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (₹ 206.25 crore) and Capital Outlay on Roads and Bridges (₹ 152.85 crore).

Though the Interest Payment increased marginally by ₹ 168.06 crore (from ₹ 663.54 crore in 2019-20 to ₹ 831.60 crore in 2020-21), the Primary Deficit during the year 2020-21 increased sharply by ₹ 1,014.93 crore mainly due to the increase of Fiscal Deficit by ₹ 1,182.99 crore. If this trend continues in future, it may possibly put the fiscal path of the State under strain.

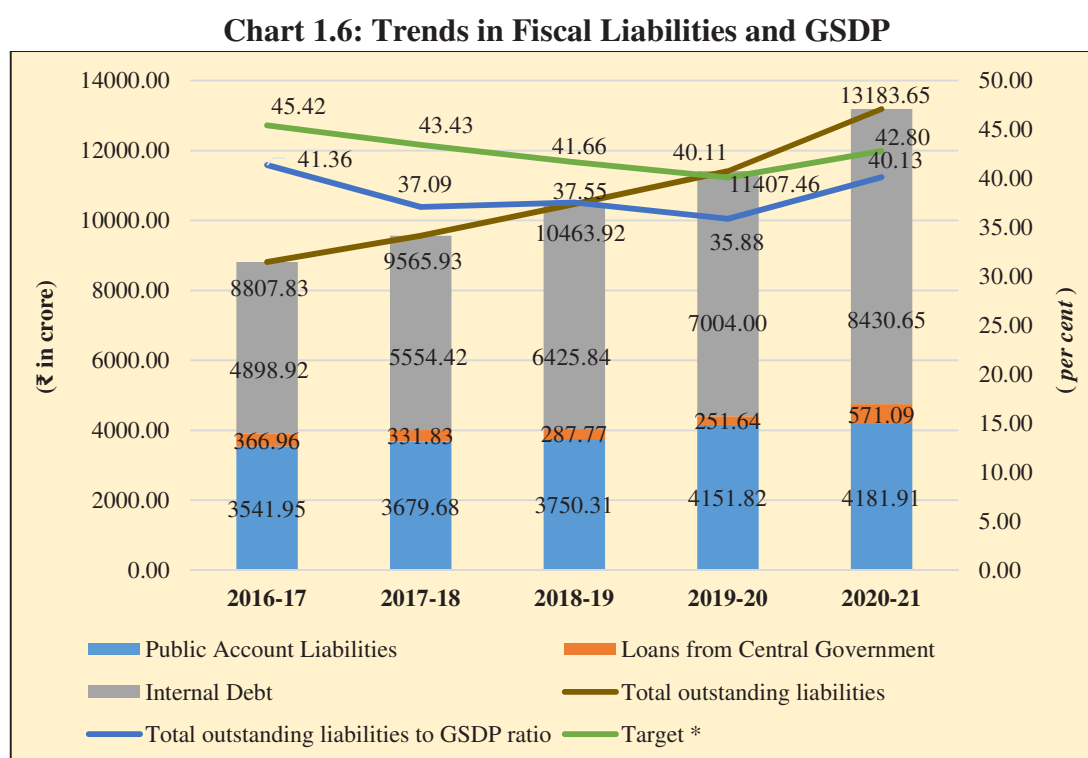
Chart 1.5: Trends in Surplus/Deficit relative to GSDP during 2016-17 to 2020-21



As can be seen from the above chart, the Revenue Surplus-GSDP ratio depicted a decreasing trend. This means that the state was not able to generate commensurate Revenue Surplus despite the increasing trend of GSDP. Both Fiscal Deficit-GSDP ratio and Primary Deficit-GSDP ratio depicted a fluctuating trend. However, the ratios sharply increased in 2020-21 as compared to previous year, indicating that the expenditure of the state increased more sharply as compared to the increase of GSDP of the State.

Fiscal Deficit is usually financed by way of borrowings by the State giving rise to government debt. If the government continues to borrow year after year, it leads to the accumulation of debt. Government debt is mainly composed of internal borrowings (Market loans, Ways and Means Advances *etc.*), Loans and Advances from GoI and receipts on public account (Small savings, Provident fund, *etc.*).

Chart 1.6 depicts the trends in the components of liabilities.



*As per XIV/XV FC projections.

The overall fiscal liabilities of the State increased steadily during 2016-17 to 2020-21, from ₹ 8,807.83 crore in 2016-17 to ₹ 13,183.65 crore in 2020-21. Fiscal liabilities increased by 15.57 per cent (₹ 1776.19 crore) in 2020-21 over the previous year which was mainly due to increase in Internal Debt (₹ 1426.65 crore) and Loans from Central Government (₹ 319.45 crore). Such a trend puts pressure on the State Government for meeting the burden on repayment of debt and interest thereon.

1.8 Impact on Revenue and Fiscal Deficit, Post Audit

Certain operations such as Non-payment of interest in Defined Contribution Pension Scheme for Government Employees, Non-adjustment of interest on balances in State Compensatory Afforestation Fund, Short Transfer of Employer's share to Defined Contribution Pension Scheme, Non-transfer of Central share of SDRF to Public Account under MH 8121, Non-transfer of NDRF grant MH 8235 etc. also impact the revenue surplus and fiscal deficit figures resulting in inaccurate surplus/deficit figure. **Table 1.7** shows the operation of the State which impacted Revenue Surplus and Fiscal Deficit during the year 2020-21.

Table 1.7: Impact on Revenue Surplus and Fiscal Deficit

(₹ in crore)

Particulars	Impact on Revenue Surplus		Impact on Fiscal Deficit	
	Overstated (-)/ Understated(+)		Overstated (-)/ Understated(+)	
Non-payment of interest in Defined Contribution Pension Scheme for Government Employees	(-) 14.67	Nil	Nil	14.67
Non-adjustment of interest on balances in State Compensatory Afforestation Fund	(-) 9.50	Nil	Nil	9.50
Non-payment of interest in 8336-Civil Deposits/ 800 Other Deposit	(-) 0.09	Nil	Nil	0.09
Non-payment of interest in State Disaster Response Fund	(-) 2.22	Nil	Nil	2.22
Major works budgeted/booked under Revenue section instead of Capital	Nil	0.46	Nil	Nil
Minor works budgeted/booked under Capital section instead of Revenue	(-) 2.15	Nil	Nil	Nil
Short Transfer of Employer's share to Defined Contribution Pension Scheme	(-) 7.80	Nil	Nil	7.80
Non-contribution of State matching share in State Disaster Response Fund (SDRF)	(-) 4.67	Nil	Nil	4.67
Non-transfer of Central share of SDRF to Public account under MH 8121	(-) 21.00	Nil	Nil	21.00
Non transfer of NDRF grant to MH 8235	(-) 26.53	Nil	Nil	26.53
Excess expenditure under Central Road Fund	Nil	0.25	(-) 0.25	Nil
Non-Transfer of the Manipur Building and Other Construction Workers' Welfare Cess	(-) 0.70	Nil	Nil	0.70
Total (Net) Impact		Overstated 88.62		Understated 86.93

(Source: Finance Accounts)

It is evident from the table above that Revenue Surplus was overstated by ₹ 88.62 crore and Fiscal Deficit was understated by ₹ 86.93 crore. If the figures are adopted, the correct figure of Revenue Surplus and Fiscal Deficit for 2020-21 would be ₹ 465.56 crore³ and ₹ 1,978.83 crore⁴ respectively.

1.9 Conclusion

- The State's GSDP increased by ₹ 1,062.16 crore (3.34 per cent) from ₹ 31,790.30 crore in 2019-20 to ₹ 32,852.46 crore in 2020-21. During the last five years, there was a steady increase in GSDP from ₹ 21,293.89 crore in 2016-17 to ₹ 32,852.46 crore in 2020-21.
- The GSDP growth rate for Manipur (3.34 per cent) was higher than the all India GDP growth rate (-2.97 per cent) in 2020-21. Services Sector was the major contributor of GSDP during the year with 62.74 per cent. Agriculture was the second largest contributor with 27.98 per cent while Industry and Taxes on products were the third and fourth respectively.

³ ₹ 554.18 – ₹ 88.62 = ₹ 465.56.

⁴ ₹ 1,891.90 + ₹ 86.93 = ₹ 1,978.83.

- The State's Revenue Receipts increased by 21.51 *per cent* (₹ 2,298.49 crore) over the previous year, mainly due to increase in Grants-in-Aid (GIA) and Contributions (₹ 1,967.38 crore), State's Share of Union Taxes/Duties (₹ 224.20 crore) and Own Tax Revenue (₹ 93.37 crore). However, the State could not achieve the targets of Budget Estimates.
- The State's Own Tax Revenue increased by 7.77 *per cent* over the previous year 2019-20. State's share of Union Taxes/Duties in comparison to the previous year increased by ₹ 224.20 crore (5.54 *per cent*).
- The State's Total Expenditure for the year, which was ₹ 14,877.85 crore, increased by 30.58 *per cent* (₹ 3,483.98 crore) over the previous year due to increase in both Revenue Expenditure (₹ 2,189.84 crore) and Capital Expenditure (₹ 1,294.14 crore).
- Revenue Expenditure increased by 21.39 *per cent* (₹ 2,189.84 crore) over the previous year. The increase was mainly due to increase in General Services (₹ 610.40 crore), Social Services (₹ 411.62 crore), and Economic Services (₹ 1,099.55 crore).
- Capital Expenditure increased by 112.02 *per cent* (₹ 1,294.14 crore) over the previous year expenditure. It was mainly due to increase in Capital Outlay on Water Supply and Sanitation (₹ 342.22 crore), Capital Outlay of Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (₹ 206.25 crore) and Capital Outlay on Roads and Bridges (₹ 152.85 crore).
- The State's Revenue Surplus which was ₹ 554.18 crore for the year, increased by 24.39 *per cent* (₹ 108.65 crore) over the previous year mainly due to increase in Grants-in-Aid (GIA) and Contributions (₹ 1,967.38 crore) and State's share of Union Taxes/Duties (₹ 224.20 crore).
- Fiscal Deficit increased by 166.87 *per cent* (₹ 1,182.99 crore) as compared to the previous year. The Government was able to meet the target fixed by Manipur FRBM Act during the year for maintaining Revenue Surplus. As compared to 2019-20, Revenue Surplus increased by ₹ 108.65 crore in 2020-21 mainly due to increase in Grants-in-Aid (GIA) and Contributions (₹ 1,967.38 crore) and State's Share of Union Taxes/Duties (₹ 224.20 crore).
- Post audit, the Revenue Surplus was overstated by ₹ 88.62 crore and Fiscal Deficit was understated by ₹ 86.93 crore, due to certain transactions such as non-payment of interest in Defined Contribution Pension Scheme for Government Employees, non-adjustment of interest on balances in State Compensatory Afforestation Fund, Short Transfer of Employer's share to Defined Contribution Pension Scheme, non-transfer of Central share of SDRF to Public Account under MH 8121, non-transfer of NDRF grant to MH 8235 *etc.*

1.10 Recommendations

- *The State Government needs to keep up the trend of Own Tax Revenue collection achieved during 2020-21 by focusing on other potential areas, apart from SGST to have a sustained increase in Own Tax Revenue collection.*
- *The State Government needs to keep up the trend of increasing its Capital Expenditure and give more impetus to asset creation for sustained economic growth.*
- *They need to keep up the trend of achieving the projections on major fiscal parameters, made in the Manipur FRBM Act through prudent financial management and increase their Revenue surplus.*