CHAPTER-I

OVERVIEW OF STATE FINANCES

CHAPTER-I

OVERVIEW OF STATE FINANCES

1.1 Profile of the State

Tripura is the third smallest State in the North Eastern Region of India and shares a border of 856 km with Bangladesh on three sides - South, West and North (*i.e.*, about 84 *per cent* of its total border). It also shares an internal border with Assam and Mizoram. The State is spread over a geographical area of 10,486.43 sq.km. (0.32 *per cent* of the country's total geographical area) and is home to around 36,73,917 persons (0.30 *per cent* of the total population of the country) as per Census 2011. Total population of the State in 2020-21 was 0.41 crore. The decadal (2011-2021) growth rate of population of the State was 10.72 *per cent* against the average of North Eastern and Himalayan States (NE&H States) of 10.60 *per cent* and an all India decadal growth rate of 12.30 *per cent*.

The State has eight districts and one Autonomous District Council. It was designated as a Special Category State (SCS) in 1969 in terms of the Gadgil formula, which ensured that 90 *per cent* funding for centrally sponsored schemes is received as a grant from the Central Government. The per capita Gross State Domestic Product (GSDP) of the State at current prices was ₹ 1,45,346 (P) in 2020-21 which was lower than all India average of ₹ 1,45,680. General and financial data relating to the State is given in **Appendix 1.1**.

1.1.1 Gross State Domestic Product

Gross State Domestic Product (GSDP) is the value of all 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.

Table 1.1: Trends in GSDP compared to the national GDP

(₹ in crore)

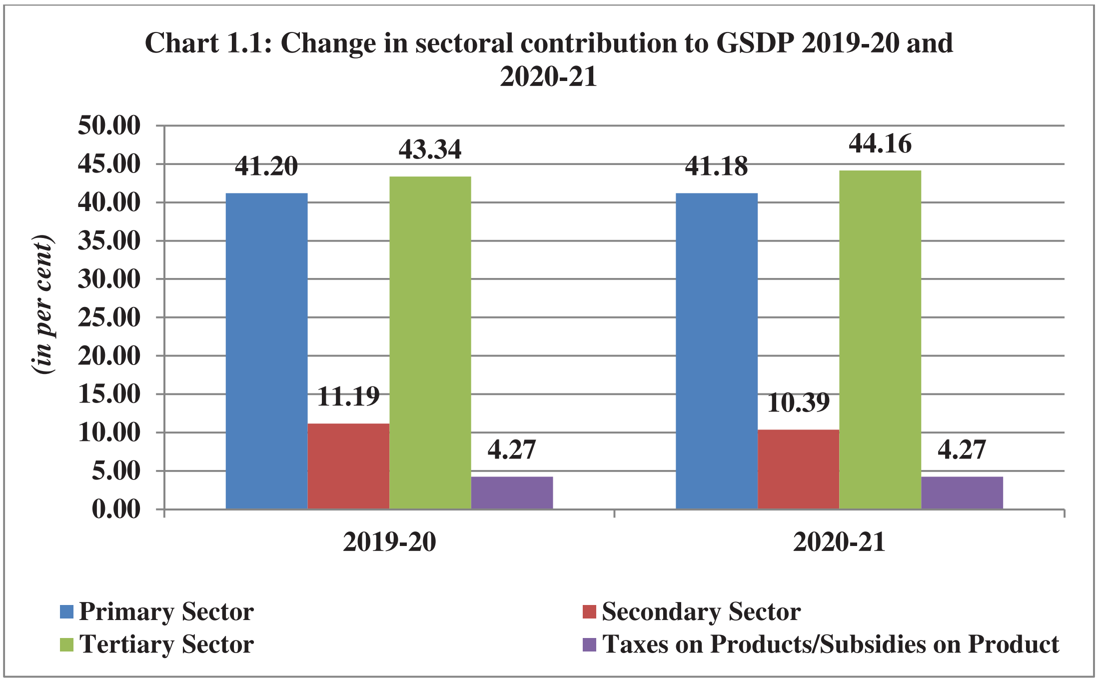
Year	2016-17	2017-18	2018-19	2019-20	2020-21
National GDP (2011-12 Series)	15391669	17090042	18886957	20351013	19745670
Growth rate of GDP over previous year (in *per cent*)	11.76	11.04	10.51	7.75	(-) 2.97
State's GSDP (2011-12 Series)	39479	43716	49823	55857	58880(A)
Growth rate of GSDP over previous year (in *per cent*)	9.85	10.73	13.97	12.11	5.41

Source*: GDP figure-MoSPI; GSDP-Department of Economics and Statistics, Government of Tripura*

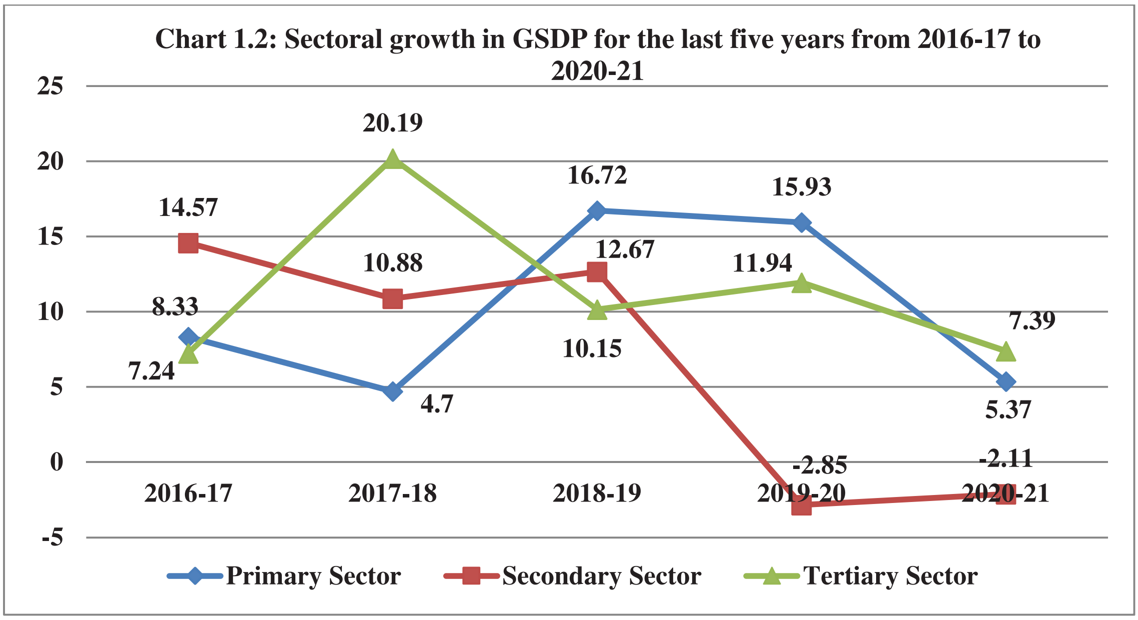
The GSDP of Tripura grew from ₹ 39,479 crore in 2016-17 to ₹ 58,880 crore (Advance Estimates) in 2020-21 with Compounded Annual Growth Rate (CAGR) of 8.32 *per cent*. However, there was a decline in the growth rate from 13.97 *per cent* in 2018-19 to 12.11 *per cent* in 2019-20 and further 5.42 *per cent* in 2020-21.

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 Service sectors.



Source*: Directorate of Economics and Statistics, Government of Tripura*



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.

Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries; offices and departments functioning under the control of the State Government who are responsible for keeping such accounts, as also the 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 constitute the core data for this Report. Other sources include the following:

- Budget of the State-for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- 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 XIV and XV Finance Commissions (FCs), State Financial Responsibility and Budget Management (FRBM) Act, best practices and guidelines of the Government of India. A joint meeting was held with State Finance Department on 20 August 2021, wherein the shortcomings noticed during preparation of the Annual Accounts of the State Government for the year 2020-21 and as also pointed out by Audit were discussed. The draft Report was forwarded (12-11-2021) to the State Government for comments. Replies of the Government, where received, are incorporated in this Report at appropriate places.

1.3 Report Structure

The SFAR is structured into the following five Chapters:

Chapter - 1	**Overview of State Finances** This Chapter describes the basis and approach to the Report and the underlying data. It also provides an overview of the structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/ surplus.
Chapter - II	**Finances of the State** 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 period from 2016-17 to 2020-21, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
Chapter - III	**Budgetary Management** This Chapter is based on the Appropriation Accounts of the State

	and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
Chapter - IV	**Quality of Accounts and Financial Reporting Practices** This Chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.
Chapter - V	**Functioning of State Public Sector Enterprises** This Chapter provides a 'bird's eye view' on the functioning of the State Public Sector Enterprises (SPSEs). The term State Public Sector Enterprises (SPSEs) encompasses the State Government owned/controlled companies set up under the Companies Act, 2013 and Statutory Corporations set up under the Statues enacted by the Parliament and State Legislature.

1.4 Overview of Government Account Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

1. **Consolidated Fund of the State {Article 266 (1) of the Constitution of India}**

   This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, *etc*.), Ways and Means Advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.*, salaries of Constitutional authorities, loan repayments, *etc*.), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

2. **Contingency Fund of the State {Article 267 (2) of the Constitution of India}**

   This Fund 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. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

3. **Public Account of the State {Article 266 (2) of the Constitution}**

   Apart from above, 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 (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). 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.

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditure of the government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditure.

Revenue receipts consists of tax revenue, non-tax revenue, share of Union Taxes/ Duties, and grants from Government of India.

Revenue expenditure consists of all those expenditure of the government, which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

The **Capital receipts** consist of:

- **Debt receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, *etc*.;
- **Non-debt receipts:** Proceeds from disinvestment, Recoveries of loans and advances;

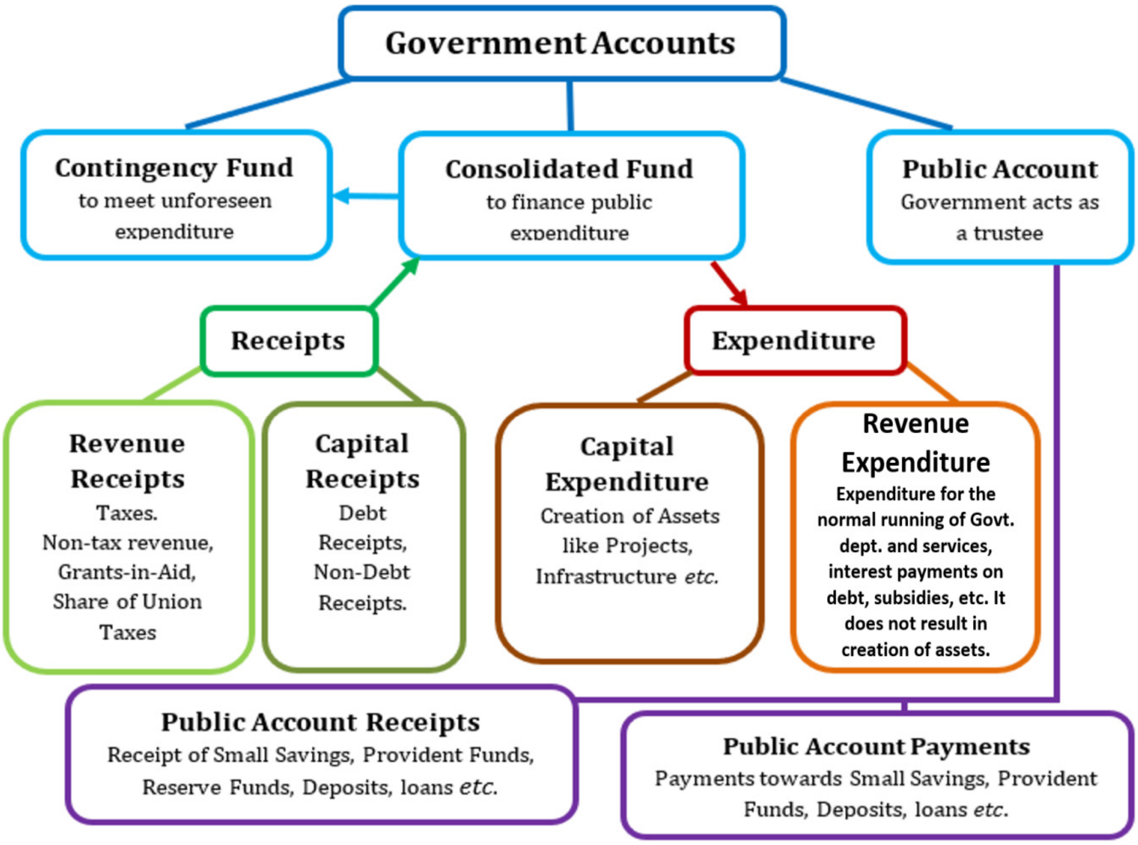
Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the Government to State Public Sector Enterprises (SPSEs) and other parties.

At present, we have an accounting classification system in government that is both functional and economic.

	Attribute of transaction	Classification
Standardised in List of Major and Minor Heads by CGA	Function- Education, Health, *etc*./ Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head-salary, minor works, *etc*. (2-digit)

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organise these payments as revenue, capital, debt, *etc*. Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, *etc*. Economic classification is also achieved by an inherent definition and distribution of few -object heads. For instance, generally "salary" object head is revenue expenditure, "construction" object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

Chart 1.3: Structure of Government Accounts



Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State causes 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. Some States have more than one consolidated Budget – there could be sub-budgets like Child Budget, Agriculture Budget, Weaker sections (SC/ST) Budget, Disability Budget, Outcome budget, *etc*.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

1.4.1 Summarised position of State Finances

Table 1.2 provides the details of actual financial results *vis-à-vis* Budget Estimates for the year 2020-21 *vis-à-vis* actuals of 2020-21 as compared to 2019-20.

Table 1.2: Comparison with Budget Estimates and Actuals

(₹ in crore)

Sl. No.	Components	2019-20 (Actuals)	2020-21 (Budget Estimates)	2020-21 (Actuals)	Percent-age of Actuals to BEs	Percentage of Actuals to GSDP
1	Tax Revenue	2101.79	2439.04	2332.44	95.63	3.96
2	Non-Tax Revenue	271.65	302.00	285.49	94.53	0.48
3	Share of Union taxes/duties	4211.78	5559.96	4218.45	75.87	7.16
4	Grants-in-aid and Contributions	4416.37	8710.19	6456.02	74.12	10.96
5	**Revenue Receipts (1+2+3+4)**	**11001.59**	**17011.19**	**13292.40**	**78.14**	**22.58**
6	Recovery of Loans and Advances	0.73	2.00	1.25	62.50	0.002
7	Other Receipts	-	-	-	-	-
8	Borrowings and other Liabilities (a)	3144.14	1814.51	4605.87(c)	253.84	7.82
9	**Capital Receipts (6+7+8)**	**3144.87**	**1816.51**	**4607.12**	**253.62**	**7.82**
10	**Total Receipts (5+9)**	**14146.46**	**18827.70**	**17899.52**	**95.07**	**30.40**
11	**Revenue Expenditure**	**13376.91**	**17252.12**	**14367.82**	**83.28**	**24.40**
12	Interest payments	1124.98	1256.93	1284.81	102.22	2.18
13	**Capital Expenditure (b) (14+15)**	**886.97**	**1910.14**	**834.97**	**43.71**	**1.42**
14	Capital outlay	883.22	**1908.12**	832.08	43.61	1.41
15	Loan and advances	3.75	**2.02**	2.89	143.07	0.005
16	**Total Expenditure (11+13)**	**14263.88**	**19162.26**	**15202.79**	**79.34**	**25.82**
17	**Revenue Deficit (5-11)**	**(-) 2375.32**	**(-) 240.93**	**(-)1075.42**	**446.36**	**1.82**
18	**Fiscal Deficit {16-(5+6+7)}**	**3261.56**	**(-)2149.07**	**(-)1909.14**	**88.84**	**3.24**
19	**Primary Deficit (18-12)**	**2136.58**	**(-) 892.14**	**(-) 624.33**	**69.98**	**1.06**

Notes: (a) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund +Net (Receipts - Disbursements) of Public Account liabilities + Net of Opening and Closing Cash Balance.

(b) Expenditure on Capital Account includes Capital Expenditure and Loans and Advances disbursed

(c) Includes back to back loan of ₹ 226.00 crore given by the GoI in lieu of compensation of GST without any repayment obligations.

1.4.2 Assets and liabilities of the State Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

Table 1.3: Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
		2019-20	**2020-21**	***Per cent* increase**			**2019-20**	**2020-21**	***Per cent* increase**
Consolidated Fund									
A	Internal Debt	11027.69	12639.64	14.62	A	Gross Capital Outlay	28744.43	29576.51	2.89
B	Loans and Advances from GoI	184.37[1]	679.52[2]	268.56	B	Loans and Advances	196.53	198.17	0.83
Contingency Fund		10.00	10.00	0.00					
Public Account									
A	Small Savings, Provident Funds, *etc*.	5169.22	5807.92	12.36	A	Advances	0.87	0.07	(-) 91.95
B	Deposits	1162.67	1404.48	20.80	B	Remittance	360.80	393.14	8.96
C	Reserve Funds	625.57	949.00	51.70	C	Suspense and Miscellaneous	111.82	113.84	1.81
D	Remittances	-	-	--	**Cash balance (including investment in Earmarked Fund)**		1046.17	2414.51	130.80
		18179.52	21490.57	18.21	**Total**		30460.62	32696.24	7.34
		12281.10[3]	11205.67	(-) 8.76	**Cumulative Excess of receipt over Expenditure**		**-**	**-**	-
Total		**30460.62**	**32696.24**				**30460.62**	**32696.24**	**7.34**

Source*: Finance Accounts*

During 2020-21, the total liabilities of the State Government increased by 18.21 *per cent* as compared to the previous year mainly due to increase in Internal Debt by ₹ 1,611.95 crore (14.62 *per cent*), Loans and Advances from GoI by ₹ 495.15 crore (268.56 *per cent*) (Including back to back loan of ₹ 226.00 crore given by the GoI in lieu of compensation of GST without any repayment obligations), Small Savings, Provident Funds by ₹ 638.70 crore (12.36 *per cent*) and Deposits by ₹ 241.81 crore (20.80 *per cent*) during the year.

---

1 Decrease by ₹ 0.14 crore due to inclusion of write off of Loans by GoI during 2020-21

2 Includes back to back loan of ₹ 226.00 crore given by the GoI in lieu of compensation of GST without any repayment obligations.

3 Increased by ₹ 0.14 crore due to inclusion of write off of Loans by GoI during 2020-21.

On the other hand, the Assets of the State Government increased by ₹ 2,235.62 crore (7.34 *per cent*) during 2020-21 as compared to previous year mainly due to increase in Gross Capital assets by ₹ 832.08 crore (2.89 *per cent*) and increase in cash balances including investment by ₹ 1,368.34 crore (130.80 *per cent*) offset by decrease of Advances of ₹ 0.80 crore (91.95 *per cent*) during the year.

1.5 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.

Revenue Deficit/ Surplus (Revenue Expenditure – Revenue Receipts)	*Refers to the difference between revenue expenditure and revenue receipts.* • When the government incurs a revenue deficit, it implies that the government is dis-saving and is using up the savings of the other sectors of the economy to finance a part of its consumption expenditure. • Existence of revenue deficit is a cause of concern as revenue receipts were not able to meet even revenue expenditure. Moreover, part of capital receipts was utilised to meet revenue expenditure, reducing availability of capital resources to that extent for creation of capital assets. • This situation means that the government will have to borrow not only to finance its investment but also its consumption requirements. This leads to a build-up of stock of debt and interest liabilities and forces the government, eventually, to cut expenditure. • If major part of revenue expenditure is committed expenditure (interest liabilities, salaries, pensions), the government reduces productive expenditure or welfare expenditure. This would mean lower growth and adverse welfare implications.
Fiscal Deficit/ Surplus (Total expenditure – (Revenue receipts + Non-debt creating capital receipts))	*It is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the total expenditure. Fiscal Deficit (FD) is reflective of the total borrowing requirements of Government.* • Fiscal deficit is the difference between the government's total expenditure and its total receipts excluding borrowing. • Non-debt capital receipts are those receipts, which are not borrowings, and, therefore, do not give rise to debt. Examples are recovery of loans and the proceeds from the sale of SPSEs. • The fiscal deficit will have to be financed through borrowing. Thus, it indicates the total borrowing

	requirements of the government from all sources. Governments usually run fiscal deficits and borrow funds for capital/ assets formation or for creation of economic and social infrastructure, so that assets created through borrowings could pay for themselves by generating an income stream. Thus, it is desirable to fully utilise borrowed funds for the creation of capital assets and to use revenue receipts for the repayment of principal and interest.
Primary Deficit/ (Gross fiscal deficit – Net Interest liabilities)	*Refers to the fiscal deficit minus the interest payments.* • Net interest liabilities consist of interest payments minus interest receipts by the government on net domestic lending. • The borrowing requirement of the government includes interest obligations on accumulated debt. To obtain an estimate of borrowing because of current expenditures exceeding revenues, we need to calculate the primary deficit.

Deficits must be financed by borrowing and this gives rise to government debt. The concepts of deficit and debt are closely related. Deficits can be thought of as a flow, which add to the stock of debt. If government continues to borrow year after year, it leads to accumulation of debt and the government has to pay more and more by way of interest. These interest payments themselves contribute to debt.

By borrowing, government transfers the burden of reduced consumption on future generations. This is because it borrows by issuing bonds to the people living at present but may decide to pay off the bonds some twenty years later by raising taxes or reducing expenditure. Also, government borrowing from the people reduces the savings available to the private sector. To the extent that this reduces capital formation and growth, debt acts as a ‘burden’ on future generations.

However, if government deficits succeed in their goal of raising production, there will be more income and, therefore, more saving. In this case, both government and industry can borrow more. Also, if the government invests in infrastructure, future generations may be better off, provided the return on such investments is greater than the rate of interest. The actual debt could be paid off by the growth in output. The debt should not then be considered burdensome. The growth in debt will have to be judged by the growth of the economy (State GDP) as a whole.

Government deficit can be reduced by an increase in taxes or reduction in expenditure. There has also been an attempt to raise receipts through the sale of shares in SPSEs. However, the major thrust has been towards reduction in government expenditure. This could be achieved through making government activities more efficient through better planning of programmes and better administration.

The State Government has passed Fiscal Responsibility and Budget Management Act (FRBM), 2005 with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/ outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium term framework. In this context, the Act provides quantitative targets to be adhered by the State with regard to deficit measures and debt level.

As per amendment (Fourth Amendment) to the Tripura FRBM Act, 2005 in 2020, the State Government fixed/Projected some Fiscal variables for improvement of debt arrangement and improving transparency in a medium term frameworks as detailed in **Table 1.4**.

Table 1.4: Compliance with provisions of State FRBM Act 2005

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)	Nil deficit	790.32	(-) 289.27	141.69	(-) 2375.32	(-) 1075.42
		✓	✗	✓	✗	✗
Fiscal Deficit (-)/ Surplus (+) (as *percentage of GSDP*)	3.25 *per cent* Up to 2019-20 and 5.00 *per cent* for 2020-21	(-) 6.41	(-) 4.74	(-)2.69	(-) 5.89	(-) 3.24
		✗	✗	✓	✗	✓
Ratio of total outstanding liabilities to GSDP (in *per cent*)	36.30 *per cent* for 2020-21	28.52	29.51	29.65	31.95	35.42[4]
		✓	✓	✓	✓	✓

As seen from **Table 1.4,** the State has not achieved the target fixed for nil Revenue Deficit during the year 2020-21. During 2020-21, the State witnessed revenue deficit of ₹ 1,075.42 crore. However, Revenue deficit decreased by ₹ 1,299.90 crore (54.73 *per cent*) during the year as compared to 2019-20. Fiscal Deficit target as percentage to GSDP was fixed as 5.00 *per cent* for 2020-21, in view of the additional admissible fiscal deficit of two *per cent* for the year 2020-21 over and above of three *per cent* of GSDP as per the amendment FRBM Act, 2005. The State, however, met this target as it was 3.24 *per cent* during the year. The State had also achieved the target set in the FRBM Act in respect of outstanding liabilities to GSDP in the last five year period 2016-21 as it was 35.42 *per cent* in 2020-21 against the target of 36.30 *per cent* for the year.

The projection and actuals receipts of various components of Revenue Receipts for the year 2020-21 against the Medium Term Fiscal Priority (MTFP) are shown in **Table 1.5**.

[4] Excludes back to back loan of ₹ 226.00 crore from total outstanding liabilities of ₹ 21083.10 crore, given by the GoI in lieu of compensation of GST without any repayment obligations.

Table 1.5: Actuals *vis-à-vis* projection in MTFP for 2020-21

(₹ in crore)

Sl. No.	Fiscal Variables	Projection as per MTFP(RE)	Actuals (2020-21)	Variation (in *per cent*)
1	Own Tax Revenue	2173.00	2332.44	7.34
2	Non-Tax Revenue	293.00	285.49	(-) 2.56
3	Share of Central Taxes	3935.00	4218.45	7.20
4	Grants -in-aid from GoI	8014.88	6456.02	(-) 19.45
5	**Revenue Receipts (1+2+3+4)**	**14415.88**	**13292.40**	**(-) 7.79**
6	**Revenue Expenditure**	**16730.75**	**14367.82**	**(-) 14.12**
7	Revenue Deficit (-)/ Surplus (+) (5-6)	(-) 2314.87	(-)1075.42	(-) 53.54
8	Fiscal Deficit (-)/ Surplus (+)	(-) 4084.96	(-) 1909.14	(-)53.26
9	Outstanding liabilities to GSDP ratio (*per cent*)	36.30	35.81	(-) 0.49
10	GSDP growth rate at current prices (*per cent*)	6.73	5.41	(-) 1.32

Chart 1.4 shows the trends of surplus/ deficits during last five years.

Chart 1.4: Trends of deficit parameters *(₹ in crore)*

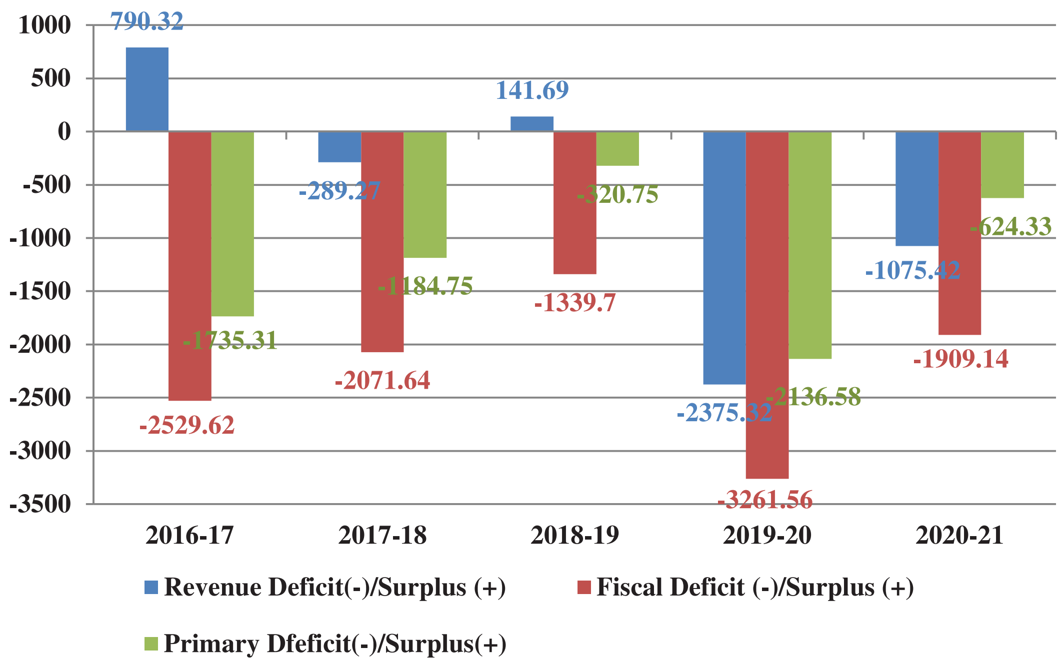


Chart 1.5 shows the trends of surplus/deficit relative to GSDP (in *per cent*) during last five years.

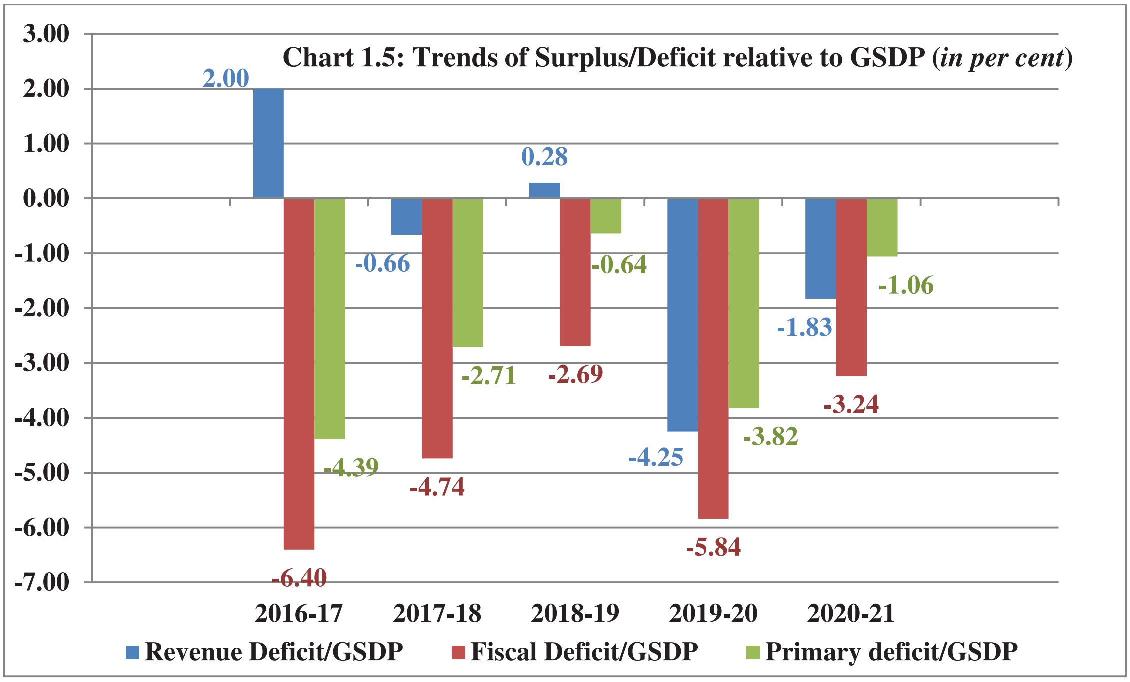
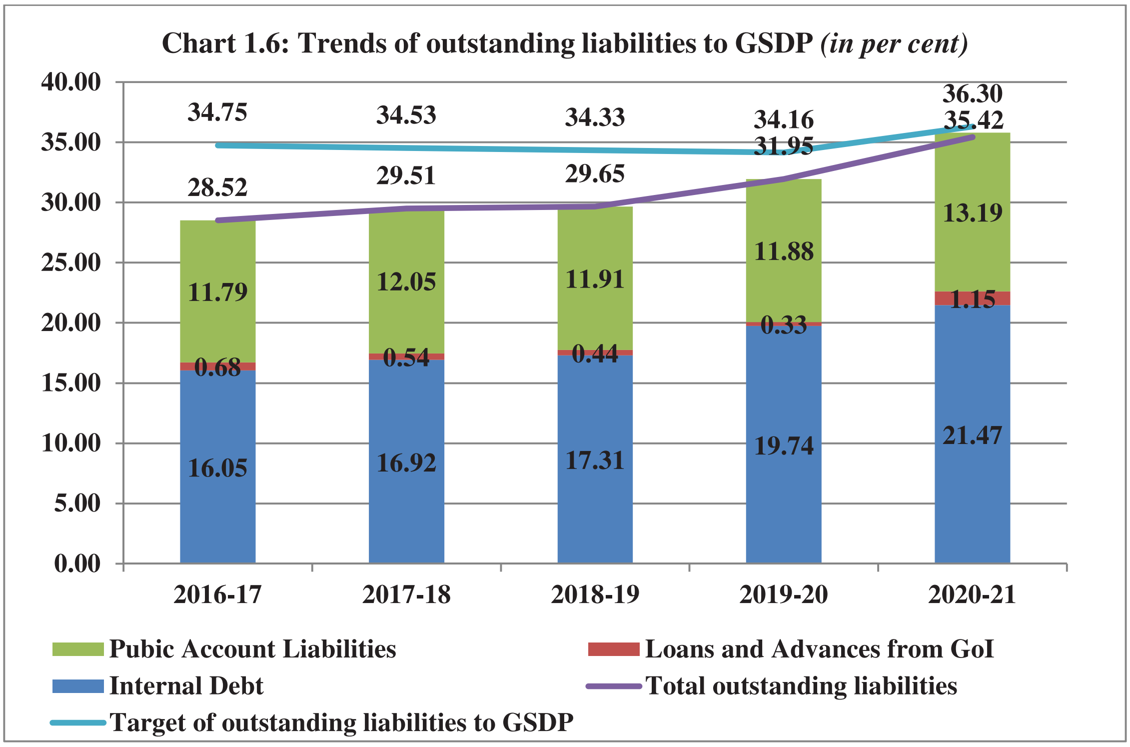


Chart 1.6 shows the trends of outstanding liabilities to GSDP (in *per cent*) during last five years.



1.6 Deficits and Total Debt after examination in audit

In order to present better picture of State Finances, there is a tendency to classify revenue expenditure as capital expenditure and to conduct off budget fiscal operations.

1.6.1 Post audit - Deficits

Misclassification of revenue expenditure as capital and off budget fiscal operations impacts deficit figures. Besides, deferment of clear liabilities, non-deposit of cess/ royalty to Consolidated Fund, short contribution to National Pension System (NPS), sinking and redemption funds, *etc*. also impact the revenue and fiscal deficit figures. The impact on Revenue Deficit/Fiscal Deficit due to misclassification, short contribution to earmarked funds and non-discharge of interest liabilities is shown in **Table 1.6**.

Table 1.6: Revenue and Fiscal Deficit, post examination by Audit

Particulars	Impact on Revenue Deficit {Understated (+)/overstated (-)} *(₹ in crore)*	Impact on Fiscal Deficit (Understated) *(₹ in crore)*	Para Reference
Short-contribution to Consolidated Sinking Fund	44.23	44.23	2.5.2.1
Less transfer to the State Disaster Response Fund	3.78	3.78	2.5.2.2
Grants-in-Aid booked under Capital section instead of Revenue	13.91	nil	2.4.3.1
Non discharge of Interest liabilities	14.66	14.66	2.5.2.2, 2.4.2.3& 4.3
Short transfer to Road and Bridges Fund (Road Development Fund)	0.14	0.14	2.5.2.3
Short contribution to Guarantee Redemption Fund	0.91	0.91	2.5.2.3
Total	**77.63**	**63.72**	

Source*: Finance Accounts and audit analysis*

As seen from **Table 1.6**, the State Government had not contributed ₹ 44.23 crore to the Consolidated Sinking fund and short contribution of Guarantee Redemption Fund of ₹ 0.91 crore during the year 2020-21. Further, the State had not discharged interest liabilities of ₹ 14.66 crore towards interest bearing Reserve Funds during 2020-21. Moreover, an expenditure of ₹ 13.91 crore was incurred as grants-in-aid under capital account instead of revenue account in 2020-21. As a result, there was understatement of ₹ 77.63 crore in revenue deficit and ₹ 63.72 crore in the fiscal deficit during the year 2020-21.

The State Government should ensure proper classification of booking of expenditure and discharging of committed liabilities as mandated to avoid accumulating liabilities for future.

1.6.2 Total outstanding liabilities

The outstanding liabilities of the State as on 31 March 2021 were as under:

Table 1.7: Outstanding liabilities of the State as on 31 March 2021

Liabilities upon the Consolidated Fund (Public Debt)	**Internal Debt: ₹ 12,639.64 crore** ➢ Market Loans bearing interest: ₹ 10,733.83 crore ➢ Market Loans not bearing interest: ₹ 0.01 crore ➢ Loans from Life Insurance Corporation: ₹ 17.69 crore ➢ Loans from other Institutions, *etc*.: ₹ 932.72 crore ➢ Special Securities issued to the National Small Saving Fund of the Central Government: ₹ 955.39 crore
	Loans and Advances from Central Government: ₹ 679.52 crore ➢ Non-plan Loans: ₹ 2.37 crore ➢ Loans for State Plan Schemes: ₹ 119.96 crore ➢ Loans for Special Plan Schemes: Nil ➢ Loans for Centrally Sponsored Plan Schemes: ₹ 13.36 crore ➢ Other loans including Block loans: ₹ 543.83 crore[5]
Liabilities upon Public Account	Small Savings, Provident Funds, *etc*.: ₹ 5,807.92 crore
	Deposits: ₹ 1,404.48 crore
	Reserve Funds: ₹ 551.52 crore
	Suspense & Misc. Balances: Nil
	Remittance balance: Nil
Borrowings by State Public Sector Companies, corporations and other bodies	Nil
Borrowing by SPVs and other equivalent instruments	

1.7 Conclusion

The fiscal position of the State is viewed in terms of three key fiscal parameters – Revenue Deficit/ Surplus, Fiscal Deficit/ Surplus and the ratio of Outstanding Debt to GSDP.

The GSDP of Tripura grew from ₹ 39,479 crore in 2016-17 to ₹ 58,880 crore (Advance Estimates) in 2020-21 with Compounded Annual Growth Rate (CAGR) of

5 Includes back to back loan of ₹ 226.00 crore given by the GoI in lieu of compensation of GST without any repayment obligations.

8.32 *per cent*. However, there was a decline in the growth rate from 13.97 *per cent* in 2018-19 to 12.11 *per cent* in 2019-20 and further 5.42 *per cent* in 2020-21.

The State could achieve Revenue Surplus only during two years out of the five-year period from 2016-17 to 2020-21. During 2020-21, the State ended up with a Revenue Deficit of ₹ 1,075.42 crore.

The State was successful in containing the Fiscal Deficit below the target as per Tripura State Fiscal Responsibility and Budget Management (FRBM) Act, 2005 of GSDP in two out of the last five years. During the current year i.e., 2020-21, Fiscal Deficit of the State stood at 3.24 *per cent* of GSDP, which was within the limit fixed by State FRBM Act.

During the five-year period 2015-20, outstanding debt of the State remained within the norms prescribed in the State FRBM Act. However, the outstanding debt during 2020-21 (₹ 13,319.17 crore) increased by ₹ 2106.97 crore (18.79 *per cent*) as compared to ₹ 11,212.20 crore during 2019-20.

During the year, Revenue Deficit was understated by ₹ 77.63 crore and Fiscal Deficit was also understated by ₹ 63.72 crore due to misclassification of Grants-in-Aid of ₹ 13.91 crore under Capital Section instead of Revenue Section, short contribution of ₹ 49.06 crore to earmarked funds and non-discharge of interest liabilities of ₹ 14.66 crore by the State Government as observed in Audit.

1.8 Recommendations

- *Considering the increasing outstanding debt of the State, the Government may take appropriate steps to rationalise its committed revenue expenditure.*
- *The State Government may book grants- in -aid as revenue expenditure to present correct financial position of the State. Similarly, it may consider discharging its interest liabilities on time, transfer money to the Consolidated Fund and reconcile the accounting discrepancies with the Reserve Bank of India/Banks as regards pension payments of the State.*