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## **CHAPTER-II**

# **FINANCES OF THE STATE**

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## 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 2017-22, 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 2021-22 vis-à-vis 2020-21

**Table 2.1** gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2021-22 as compared to the previous year.

**Table 2.1: Changes in key Fiscal Aggregates in 2021-22 compared to 2020-21**

<b>Revenue Receipts</b>	<ul style="list-style-type: none"> <li>✓ Revenue receipts of the State increased by 8.54 <i>per cent</i></li> <li>✓ Own Tax receipts of the State increased by 27.35 <i>per cent</i></li> <li>✓ Non-Tax receipts decreased by 26.97 <i>per cent</i></li> <li>✓ State's Share of Union Taxes and Duties increased by 40.68 <i>per cent</i></li> <li>✓ Grants-in-Aid from Government of India decreased by 12.98 <i>per cent</i></li> </ul>
<b>Revenue Expenditure</b>	<ul style="list-style-type: none"> <li>✓ Revenue expenditure increased by 1.72 <i>per cent</i></li> <li>✓ Revenue expenditure on General Services increased by 16.69 <i>per cent</i></li> <li>✓ Revenue expenditure on Social Services increased by 6.86 <i>per cent</i></li> <li>✓ Revenue expenditure on Economic Services decreased by 23.00 <i>per cent</i></li> <li>✓ Expenditure on Grants-in-Aid decreased by 11.51 <i>per cent</i></li> </ul>
<b>Capital Expenditure</b>	<ul style="list-style-type: none"> <li>✓ Capital expenditure increased by 33.36 <i>per cent</i></li> <li>✓ Capital expenditure on General Services increased by 35.27 <i>per cent</i></li> <li>✓ Capital expenditure on Social Services increased by 4.51 <i>per cent</i></li> <li>✓ Capital expenditure on Economic Services increased 65.07 <i>per cent</i></li> </ul>
<b>Loans and Advances</b>	<ul style="list-style-type: none"> <li>✓ Recoveries of Loans and Advances decreased by 27.58 <i>per cent</i></li> <li>✓ Disbursement of Loans and Advances decreased by 84.02 <i>per cent</i>.</li> </ul>
<b>Public Debt</b>	<ul style="list-style-type: none"> <li>✓ Public Debt Receipts increased by 35.55 <i>per cent</i></li> <li>✓ Repayment of Public Debt increased by 43.68 <i>per cent</i></li> </ul>
<b>Public Account</b>	<ul style="list-style-type: none"> <li>✓ Public Account Receipts increased by 7.31 <i>per cent</i></li> <li>✓ Public Account Disbursement decreased by 4.67 <i>per cent</i></li> </ul>
<b>Cash Balance</b>	<ul style="list-style-type: none"> <li>✓ Cash Balance increased 41.07 <i>per cent</i></li> </ul>

Analysis of the above key fiscal aggregates 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 2021-22 with 2020-21, while **Charts 2.1** and **2.2** give the details of composition and application of resources during 2021-22 in terms of percentages.

Table 2.2: Details of Sources and Application of funds during 2020-21 and 2021-22

(₹ in crore)

	Particulars	2020-21	2021-22	Increase (+)/Decrease (-)
Sources	A. Opening Cash Balance with RBI	881.70	760.74	(-) 120.96
	B. Revenue Receipts	12,982.65	14,091.00	(+) 1,108.35
	C. Recoveries of Loans and Advances	3.30	2.39	(-) 0.91
	D. Public Debt Receipts (Net)	1,746.09	1,750.08	(+) 3.99
	E. Public Account Receipts (Net)	24.86	365.55	(+) 340.69
	<b>Total (A+B+C+D+E)</b>	<b>15,638.60</b>	<b>16,969.76</b>	<b>(+) 1,331.16</b>
Application	A. Revenue Expenditure	12,428.48	12,642.15	(+) 213.67
	B. Capital Expenditure	2,439.18	3,252.79	(+) 813.61
	C. Disbursement of Loans and Advances	10.20	1.63	(-) 8.57
	D. Closing Cash Balance with RBI	760.74	1073.19	(+) 312.45
	<b>Total (A+B+C+D)</b>	<b>15,638.60</b>	<b>16,969.76</b>	<b>(+) 1,331.16</b>

Chart 2.1: Composition of Resources

(₹ in crore)

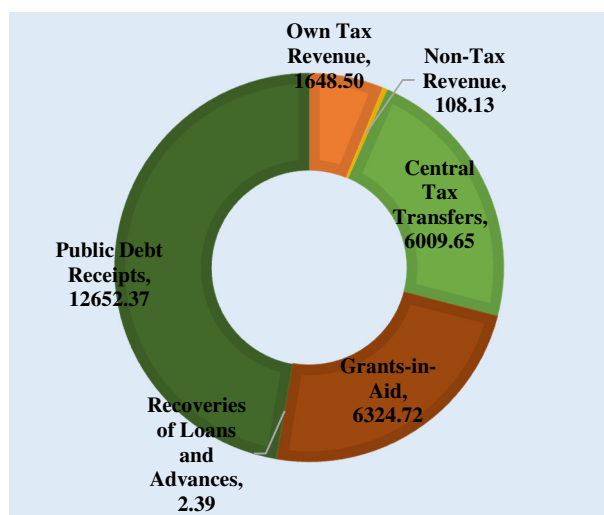
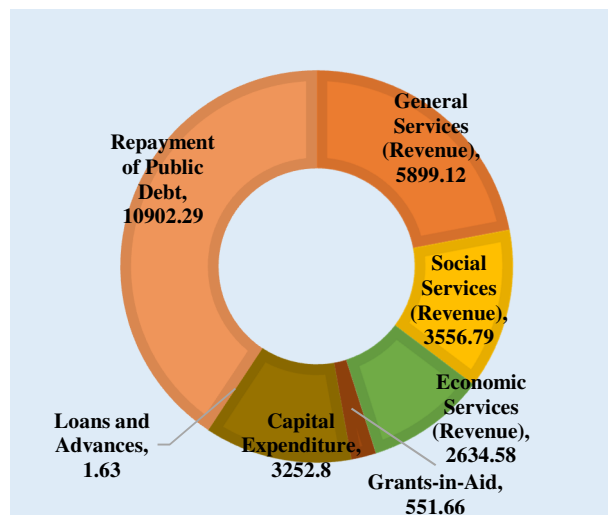


Chart 2.2: Application of Resources

(₹ in crore)

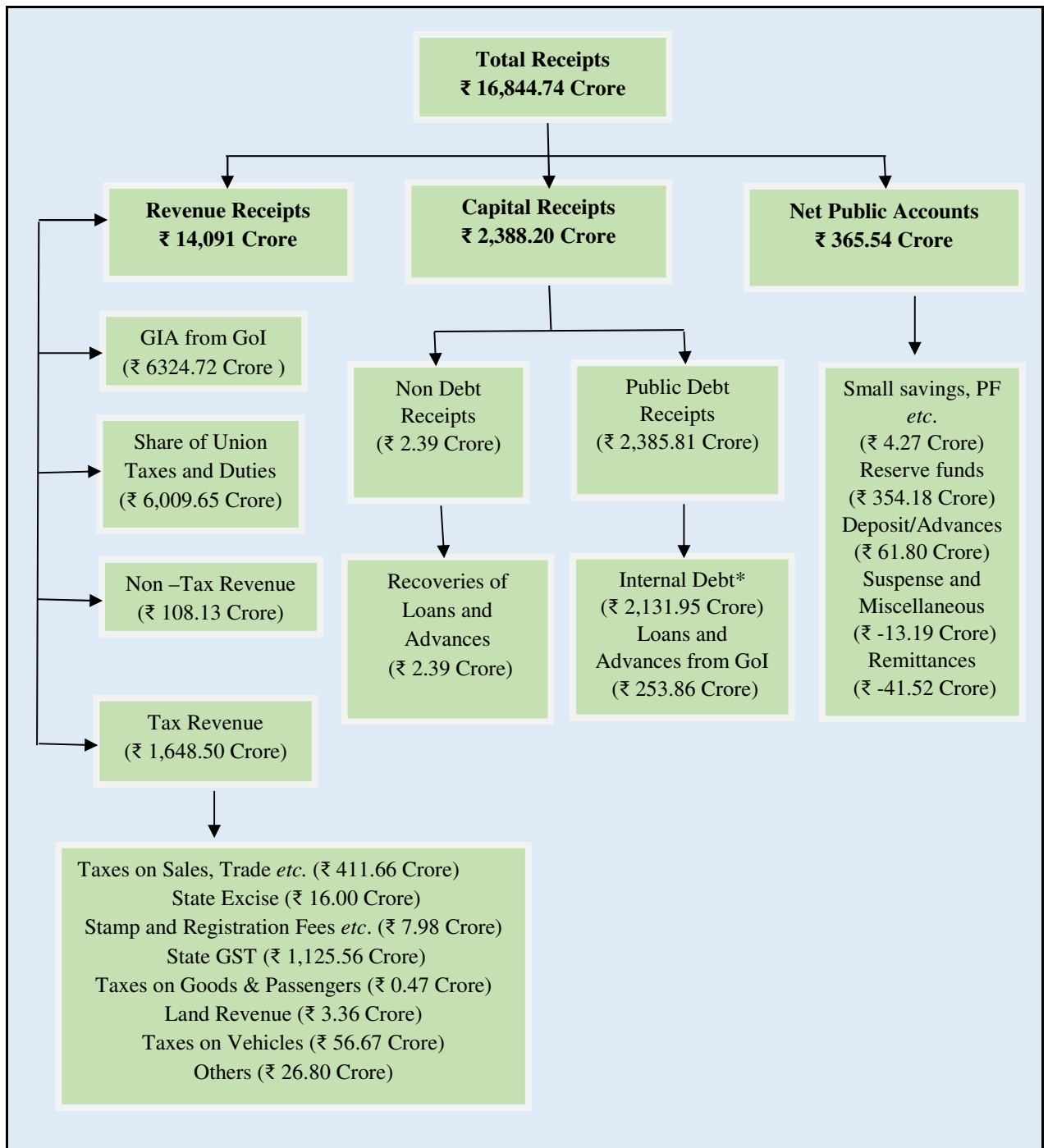


## 2.4 Resources of the State

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 2021-22 is given in **Chart 2.3**.

Chart 2.3: Composition of Receipts of the State during 2021-22



\*Including net of Ways and Means Advances amounting to ₹ 474.91 crore {(OB ₹ 214.24 crore + WMA Receipt ₹ 10,741.47 crore) – WMA Repayment ₹ 10,480.80 crore = ₹ 474.91 crore}.

## 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 2017-22. 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	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Receipts (RR) (₹ in crore)	10,357.83	10,561.71	10,684.16	12,982.65	14,091.00
Rate of growth of RR (per cent)	13.46	1.97	1.16	21.51	8.54
Own Tax Revenue	790.94	1,046.05	1,201.12	1,294.49	1,648.50
Non-Tax Revenue	174.07	166.24	134.53	148.07	108.13
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (per cent)	28.42	25.62	10.18	8.00	21.77
Gross State Domestic Product (₹ in crore) (2011-12 Series)	25,789	27,388	31,297(Q)	34,110(A)	37,761(P)
Rate of growth of GSDP (per cent)	21.11	6.20	14.27	8.99	10.70
<b>Buoyancy Ratios<sup>1</sup></b>					
RR/GSDP (per cent)	40.16	38.56	34.14	38.06	37.32
Revenue Buoyancy w.r.t GSDP	0.64	0.32	0.08	2.39	0.80
State's Own Revenue Buoyancy w.r.t GSDP	1.35	4.13	0.71	0.89	2.03

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

Q: Quick Estimates, A: Advanced Estimates, P: Projected Estimates.

Chart 2.4: Trends of Revenue Receipts

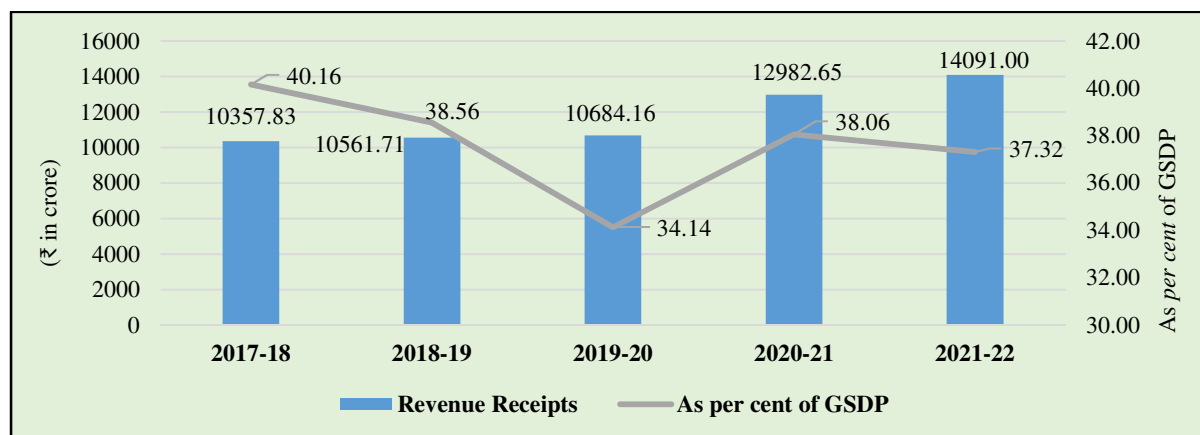
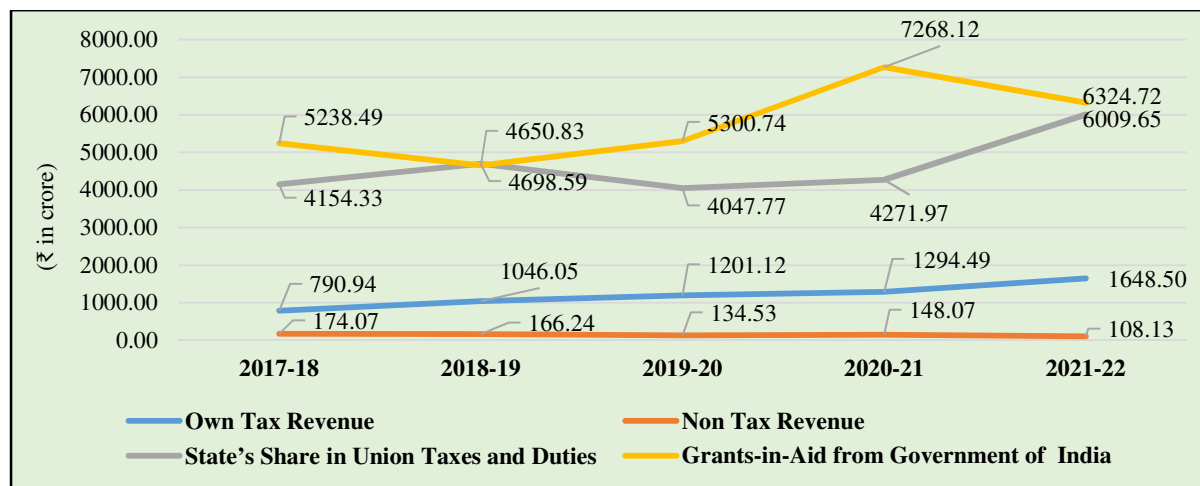


Chart 2.5: Trends of Components of Revenue Receipts



<sup>1</sup> 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.

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

- During the period 2017-22, Revenue Receipts increased by ₹ 3,733.17 crore (36.04 *per cent*) from ₹ 10,357.83 crore in 2017-18 to ₹ 14,091.00 crore in 2021-22. During 2021-22, Revenue Receipts increased by ₹ 1,108.35 crore (8.54 *per cent*) over the previous year. The increase in Revenue Receipts was the result of increase in State's Share of Union Taxes/Duties (₹ 1,737.68 crore) and Own Tax Revenue (₹ 354.01 crore) as compared to 2020-21.
- About 12.47 *per cent* of the Revenue Receipts during 2021-22 came from State's Own Resources while Central Tax Transfer and Grants-in-Aid together contributed 87.53 *per cent*. Contribution of State's Own Revenue to Revenue Receipts was in the range of 9.32 and 12.50 *per cent* during the period 2017-22, which shows that there is scope of substantial improvement. The Central Tax Transfer and GIA from GoI contributed 87.50 to 90.68 *per cent* to the Revenue Receipts and remained the main contributors of Revenue Receipts of the State during 2017-22.
- The Revenue Receipts buoyancy with respect to GSDP decreased to 0.80 in 2021-22 against 2.39 in 2020-21 mainly due to decrease in growth rate of Revenue Receipts which was mainly due to less receipts of Grants-in-Aid and Contribution from GoI and less receipts under Non-Tax Revenue. The State's Own Revenue buoyancy with respect to GSDP increased to 2.03 in 2021-22 against 0.89 in 2020-21.

### 2.5.2 State's Own Resources

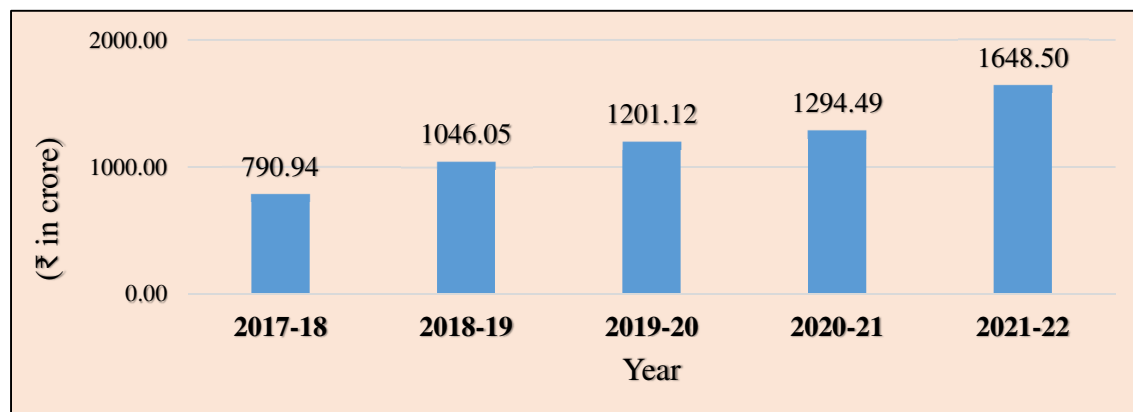
State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its Own Tax and Non-Tax sources.

The gross collections in respect of major Tax and Non-Tax Revenue and their relative share in GSDP during 2017-22 are given in **Appendix 2.1**.

#### 2.5.2.1 Own Tax Revenue

Own Tax Revenue of the State consists of State Goods and Service Tax (SGST), State Excise, Taxes on Vehicles, Stamps 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 2017-22 are given in the Chart below.

Chart 2.6: Growth of Own Tax Revenue during 2017-22



The component-wise details of Own Tax Revenue collected during 2017-22 are given in the following table:

Table 2.4: Components of State's Own Tax Revenue

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	
					Budget Estimates	Actuals
Sales Tax	385.58	253.02	235.53	336.45	350.00	411.66
SGST	301.53	694.70	852.58	866.51	1,500.00	1,125.56
State Excise	9.37	8.18	11.60	11.85	18.00	16.00
Taxes on Vehicles	36.14	39.83	47.70	37.96	70.00	56.67
Stamp and Registration fees	13.98	17.62	16.60	8.66	24.00	7.98
Land Revenue	1.44	3.54	4.10	3.81	7.00	3.36
Taxes on Goods and Passengers	1.13	1.19	1.60	0.42	5.00	0.47
Other taxes	41.77	27.97	31.41	28.83	80.60	26.80
<b>Total</b>	<b>790.94</b>	<b>1,046.05</b>	<b>1,201.12</b>	<b>1,294.49</b>	<b>2,054.60</b>	<b>1,648.50</b>

Source: Finance Accounts.

As can be seen from the table above, Own Tax Revenue of the State increased by ₹ 857.56 crore from ₹ 790.94 crore in 2017-18 to ₹ 1,648.50 crore in 2021-22. During the year 2021-22, State GST (₹ 1,125.56 crore) and Sales Tax (₹ 411.66 crore) were the main contributors of the State's Own Tax Revenue and these two together accounted for 93.25 per cent of the Own Tax Revenue. Further, Own Tax Revenue showed a growth rate of 27.35 per cent in 2021-22 over the previous year 2020-21. However, actual Own Tax Revenue collection was 80.23 per cent against the budget estimates during 2021-22.

### 2.5.2.2 State Goods and Services Tax (SGST)

Goods and Services Tax came into effect from 01 July 2017 which replaced existing multiple taxes levied by the Central and State Governments. The Central Government levies Integrated Goods and Services 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. As per the GST (Compensation to States) Act, 2017, any shortfall in revenue by the State is required to be compensated by the Central Government.



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 projected revenue<sup>2</sup> of the State under GST for the year 2021-22 in accordance with Section 6 of GST (Compensation to States) Act, 2017 was fixed at ₹ 761.82 crore. Details of SGST receipts during 2021-22 is given in the following table:

**Table 2.5: Details of SGST receipt including apportionment of IGST and pre-GST arrears of VAT during 2021-22**

Components	Amount (₹ in crore)
<b>1. The projected revenue of State for the year 2021-22</b>	<b>761.82</b>
<b>2. State Goods and Services Tax (SGST)</b>	<b>1,125.56</b>
(a) Tax	253.57
(b) Input Tax Credit Cross utilisation of SGST and IGST	664.47
(c) Apportionment of Taxes from IGST	157.04
(d) Advance apportionment of Taxes from IGST	50.48
<b>3. Collection of Taxes subsumed in GST (Arrears pre-GST)</b>	<b>33.26</b>
<b>Total (2+3)</b>	<b>1,158.82</b>

Source: Finance Accounts and Department of Taxes, Manipur.

As can be seen from the table above, the revenue collection of the State was more than the projected revenue of the State during the year 2021-22.

During 2021-22, for the bimonthly periods, the actual collections under SGST, IGST and pre-GST VAT exceeded the bimonthly amount<sup>3</sup> of revenue to be protected. As such, during 2021-22, the State Government did not receive any GST compensation.

### Analysis of arrears of revenue and arrears of assessment

The arrears of revenue indicate 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 2022 is detailed in the following table:

**Table 2.6: Arrears of Revenue**

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2022	Amount outstanding for more than five years as on 31 March 2022
1	Manipur Value Added Tax	0.73	Nil
2	Goods and Services Tax	1.57	Nil
	<b>Total</b>	<b>2.30</b>	<b>Nil</b>

Source: Department of Taxes, Manipur.

It can be seen from the table above that as on 31 March 2022, there were arrears of revenue on Manipur Value Added Tax amounting to ₹ 0.73 crore and GST amounting to ₹ 1.57 crore.

<sup>2</sup> 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.

<sup>3</sup> ₹ 126.97 crore (Revenue to be protected every two months of Financial Year 2021-22) x 6 months = ₹ 761.82 crore

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

The cases of evasion of tax detected by the 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 2021	Cases detected during 2021-22	Total	No. of cases in which assessment/investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalization as on 31 March 2022
					No. of cases	Amount of demand (₹ in crore)	
1	Taxes/ VAT on sales, Trade	3	9	12	6	0.73	6
2	GST	0	44	44	25	1.57	19

Source: Department of Taxes, Manipur.

**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	23	0.44	Nil	0.00
2	Claims received during the year	49	25.43	Nil	0.00
3	Refunds made during the year	9	7.62	Nil	0.00
4	Refunds rejected during the year	5	2.90	Nil	0.00
5	Balance outstanding at the end of year	58	15.35	Nil	0.00

Source: Department of Taxes, Manipur.

### 2.5.2.3 Non-Tax Revenue

Non-Tax Revenue consists of interest receipts, dividends and profits, etc. Component-wise details of Non-Tax Revenue collected during the period 2017-22 is given in the following table:

**Table 2.9: Components of State's Non-Tax Revenue during 2017-22**

(₹ in crore)

Revenue head	2017-18	2018-19	2019-20	2020-21	2021-22	
					B.E.	Actual
Interest Receipts	19.27	18.68	6.39	2.25	15.00	1.36
Dividends and Profits	0	0	0	0	0	0
Other Non-Tax Receipts	154.80	147.56	128.14	145.82	372.54	106.77
a) Misc. General Services	114.39	111.37	101.13	123.77	300.00	84.23
b) Forestry and Wild Life	23.62	15.26	9.70	6.65	40.00	7.76
c) Water Supply and Sanitation	2.68	3.33	3.48	4.52	3.87	3.36
d) Education, Sports, Art and Culture	2.27	2.01	2.06	0.46	2.78	0.55
e) Other or Misc.	11.84	15.59	11.77	10.42	25.89	10.87
<b>Total</b>	<b>174.07</b>	<b>166.24</b>	<b>134.53</b>	<b>148.07</b>	<b>387.54</b>	<b>108.13</b>

Source: Finance Accounts.

Non-Tax Revenue (₹ 108.13 crore), which ranged between 0.77 to 1.68 *per cent* of Revenue Receipts of the State during the five-year period from 2017-22, decreased by ₹ 39.94 crore (26.97 *per cent*) during 2021-22 over the previous year. The decrease was mainly due to decrease in receipts under Miscellaneous General Services (₹ 39.54 crore). Collections from the Miscellaneous General Services remained the main contributor to Non-Tax Revenue during 2017-22. During the current year, ₹ 84.23 crore was collected under Miscellaneous General Services, followed by Forestry and Wild Life (₹ 7.76 crore) and Water Supply and Sanitation (₹ 3.36 crore). The actual Non Tax Revenue collection during 2021-22 was only 27.90 *per cent* against the Budget Estimates.

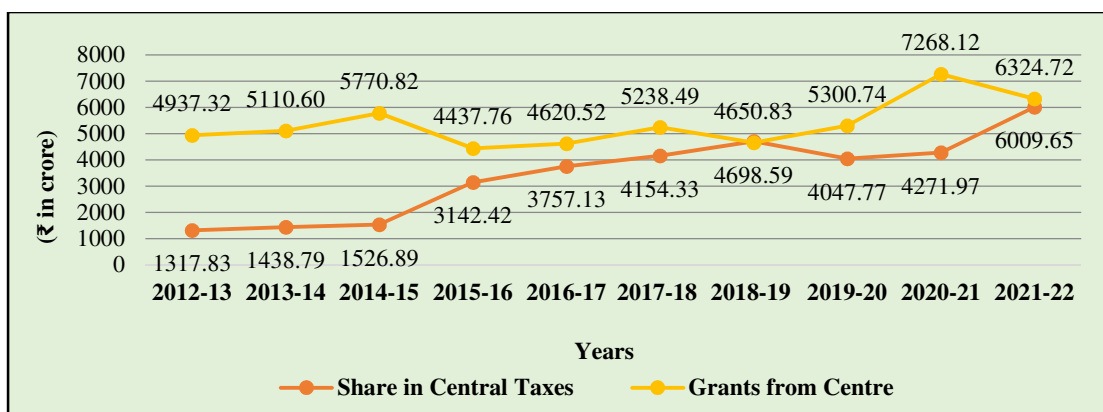
### 2.5.3 Transfers from the Centre

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.

The GoI accepted the recommendations of XIII and XIV FCs to increase the States' share in the divisible pool of taxes from 30.50 - 32 *per cent* and 32 - 42 *per cent* respectively. 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 the States. However, the XV FC recommends that aggregate share of States may be reduced by one percentage point to 41 *per cent* of the divisible pool during the year 2021-22.

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

Chart 2.7: Trends in Transfers from Centre



During the period 2017-22, Central transfers increased by ₹ 2,941.55 crore from ₹ 9,392.82 crore in 2017-18 to ₹ 12,334.37 crore in 2021-22. During the current year, there was an increase of ₹ 794.28 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

10 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
1	2	3	4	5(4-3)
2012-13	0.451 per cent of net proceeds of all shareable taxes excluding service tax and	1,272	1,318	46
2013-14	0.458 per cent of net proceeds of shareable service tax (As per recommendations of XIII FC)	1,501	1,439	(-) 62
2014-15		1,770	1,527	(-) 243
2015-16	0.617 per cent of net proceeds of all shareable taxes excluding service tax and	3,579	3,142	(-) 437
2016-17	0.623 per cent of net proceeds of sharable service tax (As per recommendations of XIV FC)	4,131	3,757	(-) 374
2017-18		4,774	4,154	(-) 620
2018-19		5,522	4,699	(-) 823
2019-20		6,393	4,048	(-) 2345
2020-21	0.718 per cent of net proceeds of total shareable taxes	6,140	4,272	(-)1,868
2021-22	0.716 per cent of net proceeds of total shareable taxes	4716	6010	1294

Source: Reports of the XIII, XIV & XV FCs, Finance Accounts and Finance Department, Manipur.

The details of Central Tax transfers to the State during 2017-22 are given in the following table:

**Table 2.11: Central Tax Transfers**

(₹ in crore)

Head	2017-18	2018-19	2019-20	2020-21	2021-22	
					B.E.	Actual
Central Goods and Services Tax (CGST)	59.32	1,159.70	1,148.62	1,278.63	1,539.74	1,821.06
Integrated Goods and Services Tax (IGST)	419.56	92.60	0.00	0.00	0.00	0.00
Corporation Tax	1,272.66	1,634.06	1,380.12	1,282.37	1,386.49	1,678.44
Taxes on Income other than Corporation Tax	1,074.66	1,203.42	1,081.42	1,313.84	1,408.93	1,853.03
Customs	419.40	333.08	256.57	232.98	287.95	405.39
Union Excise Duties	438.40	221.34	178.41	144.48	139.44	192.20
Service Tax	470.37	42.85	0.00	16.92	2.94	53.01
Other Taxes	(-)0.04	11.54	2.63	2.75	(-)0.06	6.52
<b>Central Tax transfers</b>	<b>4,154.33</b>	<b>4,698.59</b>	<b>4,047.77</b>	<b>4,271.97</b>	<b>4,765.43</b>	<b>6,009.65</b>
Percentage of increase over previous year	10.57	13.10	(-)13.85	5.54	(-)15.36	40.68
Percentage of Central tax transfers to Revenue Receipts	40.11	44.49	37.89	32.91	22.14	42.65

Source: Finance Accounts.

Over the five-year period from 2017-22, Central Tax transfers increased by 44.66 per cent (₹ 1,855.32 crore) from ₹ 4,154.33 crore in 2017-18 to ₹ 6,009.65 crore in 2021-22. During the current year, there was an increase of ₹ 1,737.68 crore (40.68 per cent) over the previous year. The increase was mainly due to increase in Central Goods and Services Tax (₹ 542.43 crore) and Corporation Tax (₹ 396.07 crore). Central tax transfers constituted 42.65 per cent of the total Revenue Receipts during 2021-22. Against the Budget Estimates for the year 2021-22 for Central Tax transfer, the actual transfer was 126.11 per cent.

### 2.5.3.2 Grants-in-Aid from Government of India

Grants-in-Aid (GIA) received by the State Government from GoI during 2017-22 are given in the following table:

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

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	
					(B.E.)	(Actual)
Centrally Sponsored Schemes	2,322.71	2,143.19	2,769.20	3,917.27	1,1437.81	3,459.37
Finance Commission Grants	2,288.82	2,103.07	2,117.13	3,085.47	2,805.00	2,674.37
Other transfer/Grants to State	626.96	404.57	414.41	265.39	69.65	190.98
<b>Total</b>	<b>5,238.49</b>	<b>4,650.83</b>	<b>5,300.74</b>	<b>7,268.13</b>	<b>14,312.46</b>	<b>6,324.72</b>
Percentage of increase(+)/decrease (-) over previous year	13.37	(-)11.22	13.97	37.12	31.65	(-)12.98
Total grants as a percentage of Revenue receipts	50.58	44.03	49.61	55.98	66.51	44.88

Source: Finance Accounts.

During 2017-22, GIA from GoI showed a fluctuating trend. During 2021-22, GIA from GoI decreased by ₹ 943.41 crore (12.98 per cent) from ₹ 7,268.13 crore in 2020-21 to ₹ 6,324.73 crore in 2021-22. GIA constituted 44.88 per cent of Revenue Receipts and remained the largest component of the Revenue Receipts. However, the actual GIA was 55.81 per cent against the Budget Estimate during 2021-22.

### 2.5.3.3 Fourteenth and Fifteenth Finance Commission Grants

XIV FC and XV 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 and XV FC during the years 2017-22 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**

Transfers	Recommendation of XV FC		Actual Release by GOI		Release by State Government	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
	(i) Grants to PRIs	177.00	131.00	177.00	65.50	88.50
(ii) Grants to ULBs	85.00	64.00	42.50	0.00	20.84	0.00
<b>Total for Local Bodies</b>	<b>262.00</b>	<b>195.00</b>	<b>219.50</b>	<b>65.50</b>	<b>109.34</b>	<b>80.06</b>
<b>State Disaster Response Fund</b>	<b>42.00</b>	<b>42.00</b>	<b>42.00</b>	<b>33.60</b>	<b>21.00</b>	<b>52.80*</b>
<b>Revenue Deficit Grant</b>	<b>2,824.00</b>	<b>2,524.00</b>	<b>2,823.97</b>	<b>2,524.00</b>	<b>**</b>	<b>***</b>

Source: XV FC Report and information furnished by Finance Department, Manipur.

\* An amount of ₹ 52.80 crore was deposited in MH:8121-122 (SDRF) as per laid down procedure of GOI.

\*\* In 2020-21, ₹ 2,824 crore was received as Post-Devolution Revenue Deficit Grant (PGRDG).

\*\*\* An amount of ₹ 2,524 crore was received from GOI as PGRDG. This amount does not require further release to any Implementing Agency and is used by the State to meet deficits in Revenue Expenditure.

As can be seen from the table above, during the year 2021-22, out of the amount of ₹ 195 crore recommended by the XV FC for grants to Local bodies for the State, the

actual amount released by the GoI was ₹ 65.50 crore (33.59 per cent) and that released by the State Government was ₹ 80.06 crore (41.06 per cent). As compared to the previous year, the release by the State Government was lower by ₹ 29.28 crore. During 2021-22, the GoI released ₹ 33.60 crore (80 per cent) of the amount recommended by the XV FC (₹ 42.00 crore) for State Disaster Response Fund while the State Government did not make any transfer to the fund.

#### **2.5.3.4 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 2017-22 are given in the following table:

**Table 2.14: State's Own Resources for 2017-22**

	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Tax Revenue	790.94	1,046.05	1,201.12	1,294.49	1,648.50
Non-Tax Revenue	174.07	166.24	134.53	148.07	108.13
State's Own Resources	965.01	1,212.29	1,335.65	1,442.56	1,756.63

Source: Finance Accounts.

The State's actual Tax and Non-Tax Receipts for the year 2021-22 vis-à-vis Budget Estimates and projections made by XV FC is given below:

**Table 2.15: Tax and Non-Tax receipts vis-à-vis projections**

	FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				FC projections	Budget Estimates
<b>Own Tax Revenue</b>	1,260.00	2,054.60	1,648.50	30.83	(-)19.77
<b>Non-Tax Revenue</b>	202.00	387.55	108.13	(-)46.47	(-)72.10

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

During 2021-22, Own Tax Revenue was higher than the XV FC projection by ₹ 388.50 crore (30.83 per cent) and lower than the Budget Estimates by ₹ 406.10 crore (19.77 per cent). Non-Tax Revenue was lower than the XV FC projection and the Budget Estimates by ₹ 93.87 crore (46.47 per cent) and ₹ 279.42 crore (72.10 per cent) respectively.

## **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 2017-22 is given in the following table:

Table 2.16: Trends in Growth and Composition of Capital Receipts

(₹ in crore)					
Sources of State's Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Capital Receipts (A+B)</b>	<b>1,126.47</b>	<b>1,768.74</b>	<b>1,827.59</b>	<b>2,068.94</b>	<b>2,388.20</b>
<b>(A) Non-Debt Capital Receipts</b>	<b>8.02</b>	<b>0.59</b>	<b>0.80</b>	<b>3.30</b>	<b>2.39</b>
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	8.02	0.59	0.8	3.3	2.39
<i>Rate of growth of non-debt capital receipts</i>	<i>597.39</i>	<i>(-)92.64</i>	<i>35.59</i>	<i>312.50</i>	<i>(-)27.58</i>
<b>(B) Debt Capital Receipts</b>	<b>1,118.45</b>	<b>1,768.15</b>	<b>1,826.79</b>	<b>2,065.64</b>	<b>2,385.81</b>
<i>Internal Debt excluding Ways and Means Advances (WMAs)</i>	<i>623.55</i>	<i>1,149.99</i>	<i>1,818.87</i>	<i>1,484.03</i>	<i>1,657.04</i>
<i>Growth rate</i>	<i>(-)14.58</i>	<i>84.43</i>	<i>58.16</i>	<i>(-)18.41</i>	<i>11.66</i>
<i>Outstanding Balance of WMAs from RBI as on 31 March</i>	<i>485.94</i>	<i>618.16</i>	<i>0</i>	<i>214.24</i>	<i>474.91</i>
<i>Growth rate</i>	<i>374.46</i>	<i>27.21</i>	<i>(-)100.00</i>	<i>*</i>	<i>121.67</i>
<i>Loans and Advances from GoI</i>	<i>8.96</i>	<i>0</i>	<i>7.91</i>	<i>367.37</i>	<i>253.86</i>
<i>Growth rate</i>	<i>(-)44.14</i>	<i>(-)100.00</i>	<i>*</i>	<i>4,544.37</i>	<i>(-)30.90</i>
<b>Rate of growth of Debt Capital Receipts</b>	<b>31.82</b>	<b>58.09</b>	<b>3.32</b>	<b>13.07</b>	<b>15.50</b>
<b>Rate of growth of GSDP</b>	<b>21.11</b>	<b>6.20</b>	<b>14.27</b>	<b>8.99</b>	<b>10.70</b>
<b>Rate of growth of Capital Receipts</b>	<b>32.59</b>	<b>57.02</b>	<b>3.33</b>	<b>13.21</b>	<b>15.43</b>

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

\*Growth rate cannot be calculated as the value of the previous year is 0.

During the period 2017-22, Capital Receipts increased by ₹ 1,261.73 crore (112.01 per cent) from ₹ 1,126.47 crore in 2017-18 to ₹ 2,388.20 crore in 2021-22. During 2021-22, Capital Receipts increased by ₹ 319.26 crore (15.43 per cent) over the previous year. The increase was mainly due to increase in Outstanding Balance of WMAs from RBI (₹ 260.67 crore) and increase in Internal Debt excluding WMAs (₹173.01 crore).

## 2.7 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.

### 2.7.1 Growth and Composition of Expenditure

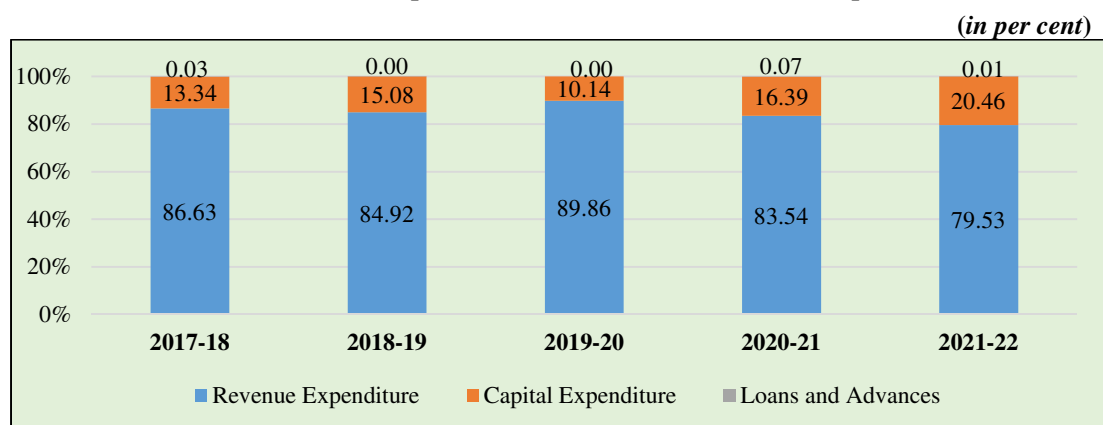
The Total Expenditure, its composition and relative share in GSDP during the years 2017-22 is presented in the following table:

Table 2.17: Total Expenditure and its Composition

(₹ in crore)					
Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Total Expenditure (TE)</b>	10,705.71	11,479.49	11,393.87	14,877.85	15,896.57
<b>Revenue Expenditure (RE)</b>	9,274	9,748.72	10,238.63	12,428.47	12,642.15
<b>Capital Expenditure (CE) (A+B)</b>	1,428.31	1,730.64	1,155.24	2,439.18	3,252.79
<b>Loans and Advances</b>	3.40	0.13	0.00	10.20	1.63
<b>As a percentage of GSDP</b>					
<b>TE/GSDP</b>	41.51	41.91	36.41	43.62	42.10
<b>RE/GSDP</b>	35.96	35.59	32.71	36.44	33.48
<b>CO/GSDP</b>	5.54	6.32	3.69	7.15	8.61
<b>Loans and Advances/GSDP</b>	0.01	0.00	0.00	0.03	0.00

During the period 2017-22, Total Expenditure of the State increased by ₹ 5,190.86 crore (48.49 per cent) from ₹ 10,705.71 crore in 2017-18 to ₹ 15,896.57 crore in 2021-22. During the year 2021-22, it increased by 6.85 per cent over the previous year mainly due to increase in both Revenue Expenditure (₹ 213.68 crore) and Capital Expenditure (₹ 805.04 crore). Both Total Expenditure and Revenue Expenditure as per cent of GSDP showed a fluctuating trend during 2017-22. The trends in ‘Share of Components’ of Total Expenditure during the period 2017-22 is given in **Chart 2.8**:

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



As is evident from above, both Revenue Expenditure and Capital Expenditure exhibited a fluctuating trend during 2017-20. Capital Expenditure showed an increasing trend during 2021-22. Capital Expenditure as a percentage of Total Expenditure increased from 16.46 per cent in 2020-21 to 20.47 per cent in 2021-22. The Revenue Expenditure as a percentage of Total Expenditure decreased from 83.54 per cent in 2020-21 to 79.53 per cent in 2021-22. During 2021-22, a bulk of the expenditure was incurred to meet expenditure on Grants-in-Aid (₹ 2,353.17 crore), salaries (₹ 4,762.48 crore), 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 2021-22 are shown in **Appendix 2.1**. Relative shares of these components in the Total Expenditure during 2017-22 are given in the following table:

**Table 2.18: Relative share of various sectors of expenditure**

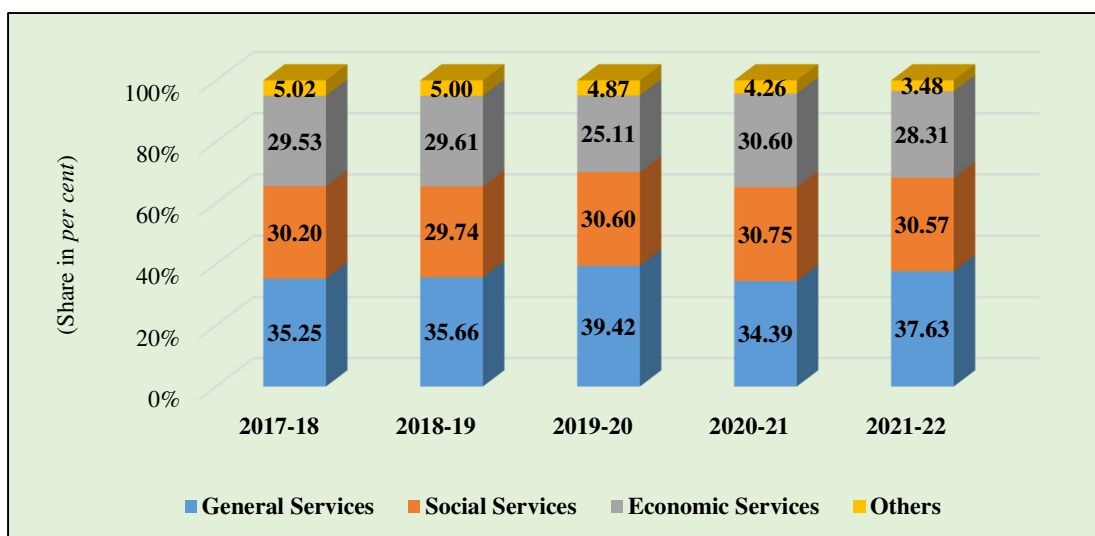
(in per cent)

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
General Services	35.25	35.66	39.42	34.39	37.63
Social Services	30.20	29.74	30.60	30.75	30.57
Economic Services	29.53	29.61	25.11	30.60	28.31
Others (Grants to Local Bodies and Loans and Advances)	5.02	5.00	4.87	4.26	3.48

Source: Finance Accounts of respective years.



Chart 2.9: Total Expenditure - Expenditure by activities

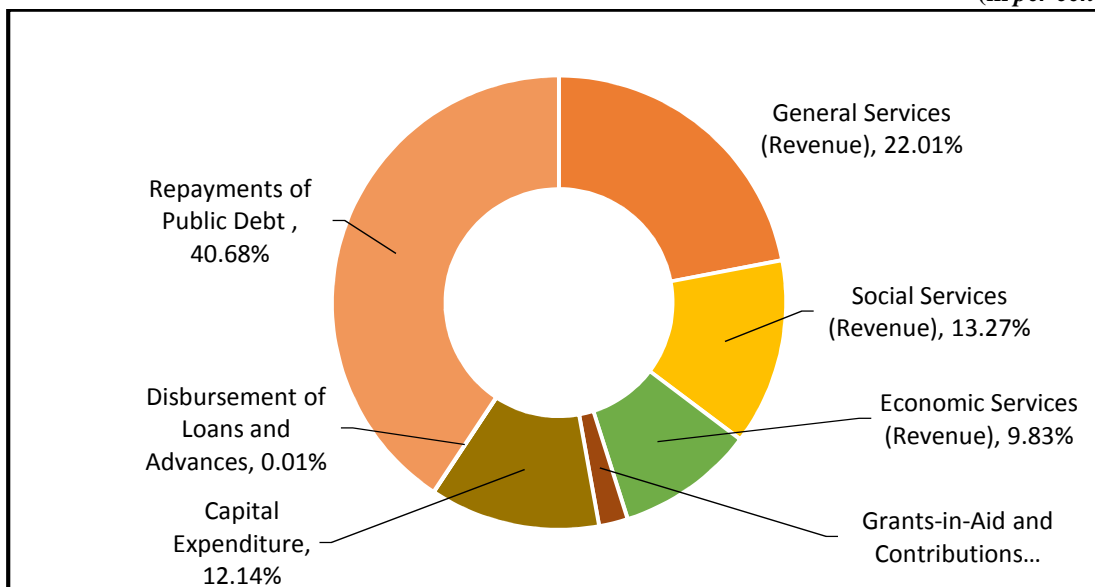


The relative shares of Social Services and Economic Services and Others in the Total Expenditure decreased by 0.18 *per cent*, 2.29 *per cent* and 0.78 *per cent* respectively during 2021-22 over the previous year. These decreases were, however, offset by increase in relative share under General Services by 3.24 *per cent*.

The composition of Total Expenditure out of Consolidated Fund of the State during the year 2021-22 is depicted in the following chart:

Chart 2.10: Composition of Expenditure out of Consolidated Fund

(in per cent)



### 2.7.2 Revenue Expenditure

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

Revenue Expenditure constitutes on an average 84.89 *per cent* (ranging from 86.63 *per cent* in 2017-18 to 79.53 *per cent* in 2021-22) of the Total Expenditure

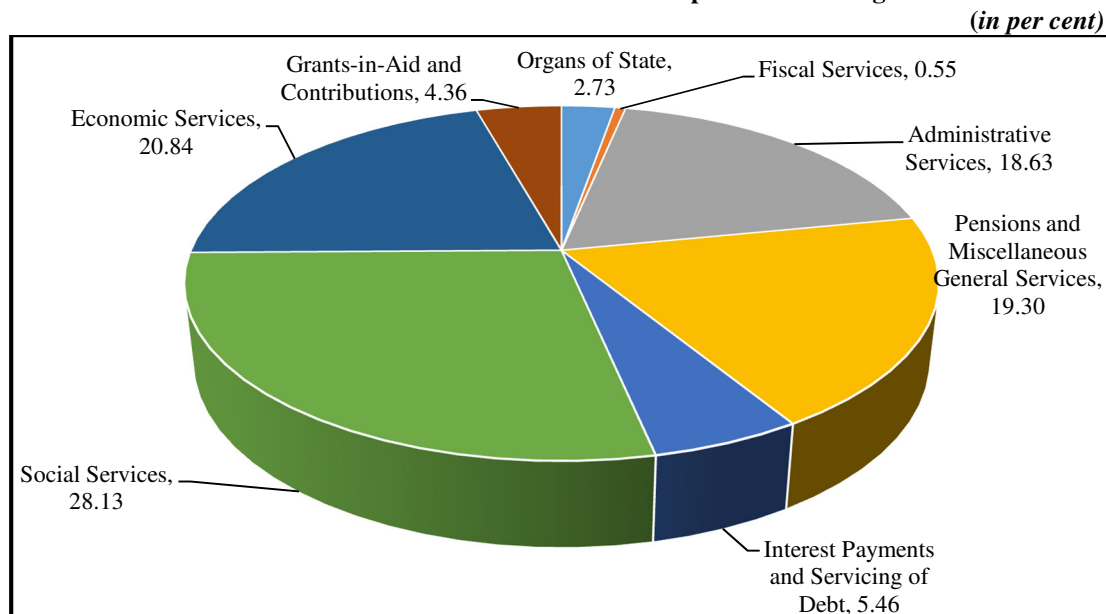
during the period 2017-22. Rate of growth of Revenue Expenditure had wide fluctuation during the five-year period 2017-22. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-à-vis* GSDP and Revenue Receipts are indicated in **Table 2.19** and the sectoral distribution of Revenue Expenditure pertaining to 2021-22 is given in **Chart 2.11**.

**Table 2.19: Revenue Expenditure – Basic Parameters**

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Total Expenditure (TE)</b>	10,705.71	11,479.49	11,393.87	14,877.85	15,896.57
<b>Revenue Expenditure (RE)</b>	9,274.00	9,748.72	10,238.63	12,428.47	12,642.15
<b>Rate of Growth of RE (per cent)</b>	13.31	5.12	5.03	21.39	1.72
<b>Revenue Expenditure as percentage of TE</b>	86.63	84.92	89.86	83.54	79.53
<b>RE/GSDP (per cent)</b>	35.96	35.59	32.71	36.44	33.48
<b>RE as percentage of RR</b>	89.54	92.30	95.83	95.73	89.72
<b>Buoyancy of Revenue Expenditure with</b>					
<b>GSDP (ratio)</b>	0.63	0.83	0.35	2.38	0.16
<b>Revenue Receipts (ratio)</b>	0.99	2.60	4.33	0.99	0.20

Source: Finance Accounts of respective years.

**Chart 2.11: Sectoral distribution of Revenue Expenditure during 2021-22**



During the period 2017-22, Revenue Expenditure as a percentage of GSDP showed a fluctuating trend. During the year 2021-22, it decreased by 2.96 *per cent* over the previous year. Buoyancy of Revenue Expenditure *vis-à-vis* Revenue Receipts decreased from 0.99 *per cent* in 2020-21 to 0.20 *per cent* in 2021-22.

### 2.7.2.1 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 2021-22 compared to 2020-21

(₹ in crore)

Major Heads of Account	2020-21	2021-22	Increase (+)/ Decrease (-)
2071-Pensions and other Retirement Benefits	1,737.73	2,439.17	(+)701.44
2202-General Education	1,475.08	1,668.62	(+)193.54
2055-Police	1,871.54	2,049.03	(+)177.49
2210-Medical and Public Health	802.97	966.71	(+)163.74
2236-Nutrition	78.34	156.65	(+)78.31
2015-Elections	26.67	80.77	(+)54.10
2501-Special Programmes for Rural Development	608.42	61.07	(-)547.35
2049-Interest Payment	831.60	690.80	(-)140.80
2217-Urban Development	188.02	71.55	(-)116.47

Source: Finance Accounts.

During 2021-22, Revenue Expenditure under Special Programmes for Rural Development decreased by ₹ 547.35 crore over the previous year. Pensions and other Retirement Benefits recorded a significant increase by ₹ 701.44 crore mainly due to increase in expenditure under Commuted value of Pensions.

### 2.7.3 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 2017-22 is given in the following table and chart:

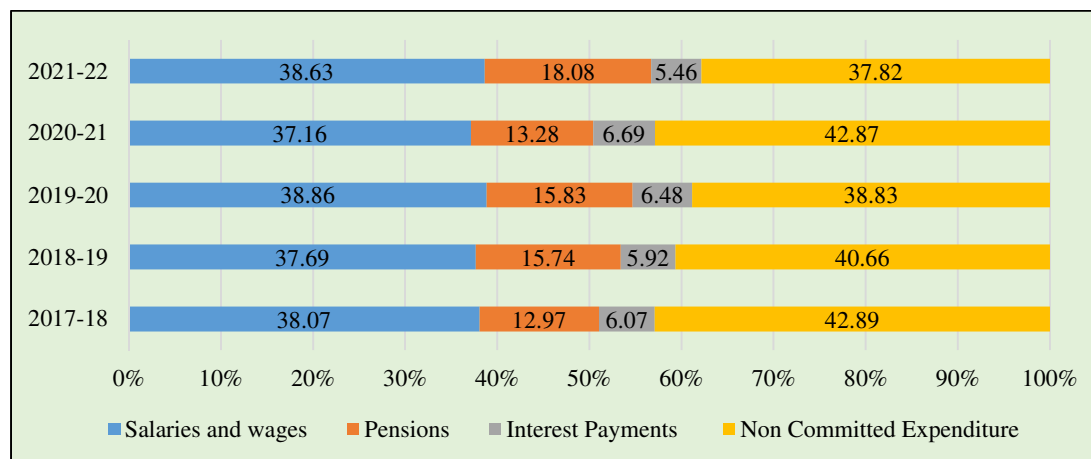
Table 2.21: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2017-18	2018-19	2019-20	2020-21	2021-22
Salaries and wages	3,530.90	3,673.85	3,978.35	4,617.89	4,884.19
Expenditure on Pensions	1,202.41	1,534.26	1,620.80	1,650.43	2,286.13
Interest Payments	562.96	577.21	663.54	831.60	690.80
<b>Total</b>	<b>5,296.27</b>	<b>5,785.32</b>	<b>6,262.69</b>	<b>7,099.92</b>	<b>7,861.12</b>
<b>As a percentage of Revenue Receipts (RR)</b>					
Salaries & Wages	34.09	34.78	37.24	35.57	34.66
Expenditure on Pensions	11.61	14.53	15.17	12.71	16.22
Interest Payments	5.44	5.47	6.21	6.41	4.90
<b>Total</b>	<b>51.13</b>	<b>54.78</b>	<b>58.62</b>	<b>54.69</b>	<b>55.79</b>
<b>As a percentage of Revenue Expenditure (RE)</b>					
Salaries & Wages	38.07	37.69	38.86	37.16	38.63
Expenditure on Pensions	12.97	15.74	15.83	13.28	18.08
Interest Payments	6.07	5.92	6.48	6.69	5.46
<b>Total</b>	<b>57.11</b>	<b>59.34</b>	<b>61.17</b>	<b>57.13</b>	<b>62.18</b>

Source: Finance Accounts

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 2017-18 to 2021-22.

### 2.7.3.1 Salaries and Wages

Expenditure on Salaries and Wages showed an increasing trend from ₹ 3,530.90 crore in 2017-18 to ₹ 4,884.19 crore in 2021-22 at compounded annual growth rate of 8.45 per cent. During 2021-22, the Salaries and Wages component had increased by ₹ 266.30 crore (5.77 per cent) over the previous year and accounted for 34.66 per cent of Revenue Receipts.

During the current year, expenditure on Salaries and Wages as a percentage of Revenue Expenditure (excluding Interest Payments and Pensions) was 50.53 per cent, which is beyond 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.

### 2.7.3.2 Interest Payments

Interest Payments increased steadily from ₹ 562.96 crore in 2017-18 to ₹ 831.60 crore in 2020-21 but decreased to ₹ 690.80 crore in 2021-22 at compounded annual growth rate of 5.25 per cent. Interest on Internal Debt (₹ 561.86 crore) constituted the major component of Interest Payments and accounted for 81.34 per cent. During the current year, Interest Payment was made on Internal Debt (₹ 561.86 crore) followed by Small Savings, Provident Fund, etc. (₹ 113.92 crore), Loans & Advances from GoI (₹ 14.98 crore) and Other Obligations (₹ 0.03 crore).

### 2.7.3.3 Pension Payments

During the period 2017-22, expenditure on Pension Payments increased from ₹ 1,202.41 crore in 2017-18 to ₹ 2,286.13 crore in 2021-22 at compounded annual growth rate of 17.43 per cent. During the current year, Pension Payments increased by ₹ 635.70 crore (38.52 per cent) over the previous year 2020-21. The increase was mainly due to increase in payment of Commuted value of Pensions (₹ 327.95 crore) and Superannuation and Retirement Allowances (₹ 216.14 crore).

### 2.7.3.4 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.

As on 31 March 2022, the total number of State Government employees eligible for NPS were 45,222 and the total number of employees to whom Permanent Retirement Account Number (PRAN) had been issued was also 45,222.

The position of contribution made under NPS by the employees and the Government and transfer of funds to NSDL/Trustee Bank during 2017-22 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
		Employee	Government	Total			
1	2	3	4	5 (3+4)	6 (3-4)	7	8 (2+5-7)
Up to 2017-18	0.00	445.94	312.24	758.18	133.70	628.36	<b>129.82</b>
2018-19	129.82	118.27	99.44	217.71	18.83	211.49	<b>136.04</b>
2019-20	136.04	141.03	180.55	321.58	(-) 39.52	251.00	<b>206.62</b>
2020-21	206.62	168.34	160.54	328.88	7.80	432.00	<b>103.50</b>
2021-22	103.50	185.62	106.07	291.69	79.55	212.43	<b>182.76</b>
<b>Total</b>		<b>1,059.20</b>	<b>858.84</b>	<b>1,918.04</b>	<b>200.36</b>	<b>1,735.28</b>	

\*Includes the amount paid to retired/deceased Government Employees.

During the year 2021-22, total contribution to the NPS which is a Defined Contribution Pension Scheme was ₹ 291.69 crore (Employees' contribution ₹ 185.62 crore and Government's contribution ₹ 106.07 crore). The detailed information on Government contribution is available in Statement No. 15 of the Finance Accounts. The Government transferred ₹ 212.43 crore to the Fund. The Government's contribution to the NPS was less by ₹ 79.55 crore, which resulted in overstatement of Revenue surplus and Fiscal surplus to that extent.

The actual employee contribution and matching share of the Government up to the end of 2021-22 was ₹ 1,059.20 crore (including ₹ 445.94 crore for the years up to 2017-18) and ₹ 858.84 crore (including ₹ 312.24 crore for the years up to 2017-18) respectively, resulting in a shortfall of Government's matching share of ₹ 200.36 crore. This short contribution of share resulted in overstatement of Revenue Surplus and understatement of the Fiscal Deficit in the respective years.

Un-transferred balances of ₹ 103.50 crore as on 1 April 2021 attracted interest liabilities of ₹ 7.35<sup>4</sup> crore, which may also have to be included at the time of transferring the employer's contribution to NSDL. As on 31 March 2022, a cumulative balance of ₹ 182.76 crore contributed under the Scheme remained to be transferred to NSDL/Trustee Bank.

Thus, there was a short transfer of funds of ₹ 383.12 crore (short contribution of ₹ 200.36 crore plus ₹ 182.76 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 2020-21 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.

#### **2.7.4 Subsidies**

During the last five-year period 2017-22, expenditure booked under subsidies decreased steadily from ₹ 123.47 crore in 2017-18 to ₹ 120.08 crore and again increased to ₹ 120.31 crore in 2021-22. Subsidies as a percentage of Revenue Receipts and Revenue Expenditure also showed a decreasing trend during the period. Details are shown in the following table:

**Table 2.23: Expenditure on subsidies during 2017-22**

	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Subsidies (₹ in crore)</b>	123.47	120.36	120.11	120.08	120.31
<b>Subsidies as a percentage of Revenue Receipts</b>	1.19	1.14	1.12	0.92	0.85
<b>Subsidies as a percentage of Revenue Expenditure</b>	1.33	1.23	1.17	0.97	0.95

Source: Finance Accounts.

#### **2.7.5 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 2017-22 is presented in the table below:

<sup>4</sup> Interest calculated as per the rate of interest notified by the Government to General Provident Fund @7.1 per cent.

Table 2.24 Financial Assistance to Local Bodies etc.

(₹ in crore)					
Financial Assistance to Institutions	2017-18	2018-19	2019-20	2020-21	2021-22
<b>(A) Local Bodies</b>					
Municipal Corporations and Municipalities	60.04	42.92	45.29	117.34	25.67
Panchayati Raj Institutions	63.43	58.93	37.76	116.57	98.51
<b>Total (A)</b>	<b>123.47</b>	<b>101.85</b>	<b>83.05</b>	<b>233.91</b>	<b>124.18</b>
<b>(B) Others</b>					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	171.59	240.44	318.59	241.03	105.73
Hospitals and Other Charitable Institutions	229.49	252.11	249.88	324.47	339.50
Other Institutions	1968.51	1911.42	2000.64	2947.67	2336.22
<b>Total (B)</b>	<b>2369.59</b>	<b>2403.97</b>	<b>2569.11</b>	<b>3513.17</b>	<b>2781.45</b>
<b>Total (A+B)</b>	<b>2493.06</b>	<b>2505.82</b>	<b>2652.16</b>	<b>3747.08</b>	<b>2905.63</b>
Revenue Expenditure	9274.00	9748.72	10238.63	12428.47	12642.15
Assistance as percentage of Revenue Expenditure	26.88	25.70	25.90	30.15	22.98

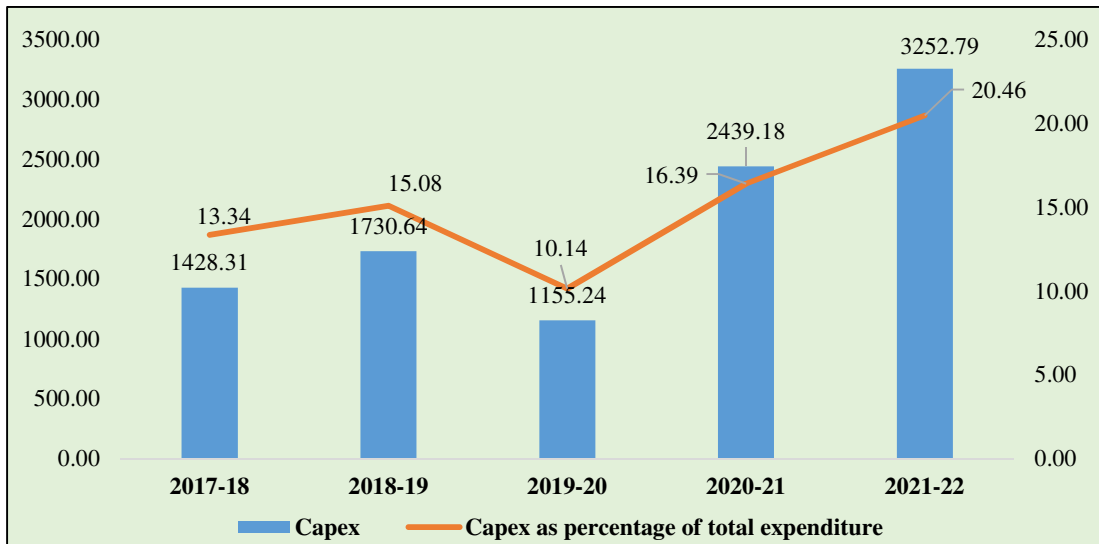
Source: Finance Accounts.

The total financial assistance to Local Bodies and Other Institutions, showed a fluctuating trend during 2017-22. During 2021-22, financial assistance was decreased by ₹ 841.45 crore as compared to 2020-21. Financial assistance was 22.98 per cent of Revenue Expenditure as compared to 30.15 per cent in 2020-21.

### 2.7.6 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 2017-22 are given below:

Chart 2.13: Capital Expenditure in the State



During the year 2021-22, Capital Expenditure increased by ₹ 813.61 crore (33.36 per cent) from ₹ 2,439.18 crore in 2020-21 to ₹ 3,252.80 crore in 2021-22. The State could expend only 58.86 per cent (₹ 3,252.79 crore) of the budget allocation (₹ 5,525.98 crore) during the current year. As compared to the Total Expenditure, the Capital Expenditure showed a fluctuating trend (10.14 per cent in 2019-20 to 20.46 per cent in 2021-22) over the period 2017-22. In terms of magnitude of

expenditure, Capital Expenditure during 2021-22 was the highest during the last five years.

### **2.7.6.1 Major changes in Capital Expenditure**

There were cases of significant changes in various Heads of Account under Capital Expenditure during 2021-22 *vis-à-vis* the previous year as given in **Table 2.25**:

**Table 2.25: Capital Expenditure during 2021-22 compared to 2020-21**

(₹ in crore)

Major Heads of Accounts	2020-21	2021-22	Increase (+)/ Decrease (-)
4515-Capital Outlay on Other Rural Development	0.00	839.58	(+)839.58
4215-Capital Outlay on Water Supply and Sanitation	608.94	784.29	(+)175.35
4575-Capital Outlay on Other Special Areas Programmes	76.28	231.85	(+)155.57
4202-Capital Outlay on Education, Sports, Arts and Culture	53.01	106.06	(+)53.05
5054-Capital Outlay on Roads and Bridges	404.37	442.94	(+)38.57
4225-Capital Outlay on Welfare of Scheduled Caste, Schedule Tribe, other Backward Classes and Minorities	280.01	175.26	(-)104.75
4210-Capital Outlay on Medical and Public Health	134.11	72.75	(-)61.37
4700-Capital Outlay on Major Irrigation	160.51	117.84	(-)42.67
4705-Capital Outlay on Command Area Development	36.10	4.20	(-)31.90

Source: Finance Accounts.

The increase in Capital Expenditure during 2021-22 over the previous year was mainly due to increase in Capital Outlay on Other Rural Development ( ₹ 839.58 crore), Capital Outlay on Water Supply and Sanitation (₹ 175.35 crore) and Capital Outlay on Other Special Areas Programmes (₹ 155.57 crore) offset by decrease in Capital Outlay mainly on Welfare of Scheduled Caste, Scheduled Tribe, Other Backward Classes and Minorities (₹ 104.75 crore), Capital Outlay on Medical and Public Health (₹ 61.37 crore), Capital Outlay on Major Irrigation (₹ 42.67 crore) and Capital Outlay on Command Area Development (₹ 31.90 crore).

### **2.7.6.2 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 2021-22, there were 115 incomplete projects which were due to be completed by 31 March 2022. Age profile of these incomplete projects based on the year of sanction or year of start of these projects as on 31 March 2022 is given in the table below:



Table 2.26: Age profile of incomplete projects as on 31 March 2022

(₹ in crore)

Year	No. of incomplete projects	Estimated cost	Expenditure
2011-12	1	2.46	1.23
2013-14	2	2.74	1.65
2015-16	1	2.10	1.05
2016-17	6	23.55	17.99
2017-18	23	217.90	103.75
2018-19	22	58.57	25.84
2019-20	24	174.90	82.73
2020-21	10	74.46	45.47
2021-22	6	14.30	5.27
@	20	121.55	61.49
<b>Total</b>	<b>115</b>	<b>692.54</b>	<b>346.45</b>

Source: Finance Accounts; @: Projects of which years of sanction were not given by the State Government.

Table 2.27: Department-wise profile of incomplete projects as on 31 March 2022

(₹ in crore)

Sl. No.	Department	No. of incomplete projects	Estimated cost/Initial budget cost	Expenditure up to 31 March 2022
1.	Public Works Department	29	83.58	43.33
2.	Minor Irrigation	2	64.23	41.56
3.	Tourism Department	1	39.48	17.36
4.	Other Backward Classes & Scheduled Caste Department	2	7.00	3.50
5.	Minorities and Other Backward Classes	84	476.49	225.21
6.	Department of Information Technology	2	6.99	2.91
7.	Education	3	14.77	12.58
	<b>TOTAL</b>	<b>115</b>	<b>692.54</b>	<b>346.45</b>

Source: Finance Accounts.

It was further noticed that out of the 115 incomplete projects as on 31 March 2022, the time overrun ranged between 2 years and 11 years and the oldest incomplete project pertain to the year 2011-12.

Project cost in respect of two incomplete projects under Department of Information Technology and Department of Tourism was revised from ₹ 43.81 crore to ₹ 30.60 crore, a decrease of ₹ 13.21 crore from the original estimated cost.

As on 31 March 2022, there were 115 incomplete projects involving a total budgeted cost of ₹ 692.54 crore on which an expenditure of ₹ 346.45 crore had already been incurred. The 115 incomplete projects pertain to seven Departments viz. Public Works Department, Minor Irrigation, Tourism Department, Other Backward Classes & Schedule Caste Department, Minorities and Other Backward Classes, Department of Information Technology and Education. Delay in completion of work invites the risk of escalation in cost of the works besides depriving the benefits of the project to the State.

Out of the 115 projects lying incomplete, the highest number of incomplete projects pertains to the Department of Minorities and Other Backward Classes (84 cases with

an estimated cost/Initial budget cost of ₹ 476.49 crore and expenditure of ₹ 225.21 crore upto 31 March 2022).

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.

For detailed analysis, Audit has selected 13 works implemented by one department viz. Minority and Other Backward Classes. It was observed that the works were commenced in 2013-14 (ten cases) and in 2015-16 (three cases) and the target year of completion for all the projects was 2022. As on 31 December 2022, the Government of India has released total fund in three works against which 48 per cent to 81.71 per cent of the fund have been utilised with physical progress of 48 per cent to 81 per cent even after a lapse of one year of release of final instalment. The last instalment was released to the Implementing Agency with a delay of six months. The completion of the projects has therefore got delayed by nine months.

However, in the remaining ten works, Central shares amounting to ₹ 9.87 lakh out of ₹ 27.42 lakh (including State's share of ₹ 2.74 lakh) for each work have not been received by the State Government. The physical progress of seven works out of ten works ranged between 39 per cent and 80 per cent with a time overrun of nine months, while the remaining three works have been physically completed.

Audit further noticed that the main reasons for delay in completion of work were delay in transfer of Central Share by the State Government to the Implementing Agency ranging between six months and four years four months, and the delay in release of State's matching share by the State Government ranged between 11 months and five years two months.

Effective steps need to be taken up to complete these works without further delay to avoid cost overrun and time overrun. Details are shown in *Appendix 2.2*.

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

#### ***2.7.6.3 Quality of investments in Companies, Corporations and other Bodies***

Investments made and loans given to companies (e.g. DISCOMs), Corporations (e.g. SC & ST Financial Corporations), and Cooperatives (e.g. Sugar mills), which are loss making and those where net worth is completely eroded, affect quality of capital expenditure. Return on Investment (RoI) in share capital invested in State Public Sector Undertakings (SPSUs) and history of repayment of loans given to various bodies are important determinants of quality of capital expenditure.

As on 31 March 2022, the State Government had invested ₹ 232.02 crore<sup>5</sup> in two statutory corporations, 17 State PSUs and 3136 Co-operative institutions and local bodies.

During 2021-22, an amount of ₹ 4.18 crore was invested in two companies/institutions viz. Manipur Handloom & Handicrafts Development Corporation Ltd (₹ 2.00 crore) and Manipur Rural Bank (₹ 2.18 crore). However, the return on these investments could not be calculated due to the non-finalisation of their financial statements up to the year 2021-22 as shown in the following table:

**Table 2.28: Return on Investment**

Investment/return/ cost of borrowings	2017-18	2018-19	2019-20	2020-21	2021-22
Investment at the end of the year (₹ in crore)	198.33	206.32	214.12	227.84	232.02
Return (in ₹)	4,000.00	4,000.00	nil	nil	nil
Return ( <i>per cent</i> )	0.0002	0.0002	0	0	0
Average interest Rate of Outstanding Public Debt ( <i>per cent</i> )	3.98	3.72	3.92	4.43	5.84
Difference between interest rate and return ( <i>per cent</i> )	3.98	3.72	3.92	4.43	5.84
Difference between return on investment and interest on Government borrowings (₹ in crore)	(-) 443.84	(-) 468.88	(-) 547.53	(-) 720.52	(-) 576.84

Source: Finance Accounts.

During the five-year period of 2017-22, the State Government's investments had increased by ₹ 34.94<sup>6</sup> crore. Against the very insignificant amount of return of ₹ 4,000 per year during the period 2017-19 and no return during the period 2019-22 was received, the State Government paid an average interest rate ranging from 3.72 to 5.84 *per cent* on its borrowings during the period 2017-18 to 2021-22.

As on 31 March, 2022, a total of ₹ 60.37 crore was invested in seven working SPSEs (₹ 52.32 crore) and two non-working SPSEs (₹ 8.05 crore) whose net worth has been completely eroded as detailed in the following table:

<sup>5</sup> Investment/ Share as featured in Statement 8 of Finance Accounts has been adopted.

<sup>6</sup> Investment at the beginning of the year 2017-18 was ₹ 197.08 crore.

Table 2.29: Erosion of net worth of SPSEs

(₹ in crore)

Sl. No	Name of SPSE	Latest year of finalised Accounts	Total paid up capital	Net profit (+)/Loss (-) after interest, tax and dividend	Accumulated Losses	Net worth	State Government Equity as on 31.03.2022	State Government Loans as on 31.03.2022
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>Working SPSEs</b>								
1	Manipur Industrial Development Corporation	2009-10	12.14	(-) 1.45	31.78	(-) 19.64	8.02	-
2	Manipur Electronics Development Corporation	2017-18	2.15	(-) 0.22	7.11	(-) 4.96	3.93	-
3	Manipur Food Industries Corporation Ltd.	2010-11	0.78	(-) 0.17	0.88	(-) 0.10	2.98	-
4	Manipur Handloom & Handicrafts Development Corporation	2009-10	12.21	(-) 0.31	16.18	(-) 3.97	22.37	-
5	Manipur State Power Company Ltd.	2020-21	10.05	(-) 11.19	83.22	(-) 73.17	13.4	-
6	Manipur State Power Distribution Company Ltd.	2021-22	10.05	(-) 11.11	156.7	(-) 146.65	-	-
7	Manipur Tribal Development Corporation	1987-88	0.01	(-) 0.12	0.22	(-) 0.21	1.62	-
<b>Non-working SPSEs</b>								
1	Manipur Agro Industries Ltd <sup>7</sup>	1988-89	0	(-) 0.04	0.45	(-) 0.45	4.21	-
2	Manipur Pulp & Allied Products Ltd.	2002-03	0.73	(-) 0.83	6.8	(-) 6.07	3.84	-
<b>Total</b>							<b>60.37</b>	

Sources:-Information in respect of 3 to 7 are as per the latest finalized accounts and those in respect of 8 & 9 are as per the State Finance Accounts 2021-22.

**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 take considered decision in public interest so that losses are minimised.**

### C. Position of State's Investment

The details of the investments made during 2021-22 and losses incurred during 2020-21 as per the latest finalised accounts of the PSUs are detailed in the following table:

<sup>7</sup> The State Government invested ₹ 0.32 crore towards share capital of the Corporation. However, the share application money is still pending for allotment.

Table 2.30: Investments made in loss making companies

(₹ in crore)

Sl. No.	Company/ Corporation	Year up to which Accounts finalised	Net worth as on 31.03.2022*	Loss during the previous year (2020-21) *	Investment made during the year (2021-22)**	Cumulative investment as on March 2022 **
<b>Working Company</b>						
1	Manipur Industrial Development Corporation Ltd.	2009-10	(-) 19.64	-1.45	NA	8.02
2	Manipur Electronics Development Corporation Ltd.	2017-18	(-) 4.96	-0.22	NA	3.93
3	Manipur Food Industries Corporation Ltd.	2010-11	(-) 0.10	(-) 0.17	NA	2.98
4	Manipur Handloom & Handicrafts Development Corporation Ltd.	2009-10	(-) 3.97	(-) 0.31	2.00	22.37
5	Manipur State Power Company Limited	2020-21	(-) 73.17	(-)11.19	NA	13.40
6	Manipur State Power Distribution Company Ltd. <sup>8</sup>	2021-22	(-) 146.65	(-) 11.11	NA	0.00
7	Manipur Tribal Development Corporation Limited	1987-88	(-) 0.21	(-) 0.12	NA	1.62
8	Cyber Corporation Manipur Ltd.	2020-21	(-) 0.24	(-) 0.01	NA	0.00
	<b>Sub-Total</b>			<b>(-) 13.47</b>	<b>2.00</b>	<b>52.32</b>
<b>Non-working company</b>						
9	Manipur Agro Industries Corporation Ltd.	1988-89	(-) 0.45	(-) 0.04	NA	4.21
10	Manipur Pulp & Allied Products Ltd	2002-03	(-) 6.07	(-) 0.83	NA	3.84
	<b>Sub-Total</b>		<b>(-) 6.01</b>	<b>(-) 0.87</b>	<b>NA</b>	<b>8.05</b>
	<b>Grand Total</b>			<b>(-) 14.34</b>	<b>2.00</b>	<b>60.37</b>

\* Figures based on the latest finalised Annual Accounts of the SPSEs.

\*\* Based on State Finance Accounts 2021-22. NA: Not available.

However, the accumulated investment for both working and non-working companies as on 31 March 2022 stood at ₹ 60.37 crore. During 2021-22, the State Government invested ₹ 2.00 crore in one Corporation viz., Manipur Handloom & Handicrafts Development Corporation Ltd. 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 2022 and interest receipts vis-à-vis interest payments during 2017-22 is given in the following table:

<sup>8</sup> Table No. 2.30, Sl. No. 6: Manipur State Power Distribution Company Limited (MSPDCL) is a Subsidiary Company of Manipur State Power Company Limited (Sl. No. 5) and the share capital is contributed by its Parent Company. As such, the investment towards equity capital of MSPDCL is not reflected in the State Finance Accounts 2021-22.

Table 2.31: Quantum of loans disbursed and recovered during 2017-22.

(₹ in crore)					
Quantum of loans disbursed and recovered	2017-18	2018-19	2019-20	2020-21	2021-22
Opening Balance of loans outstanding	204.19	199.57	199.11	198.31	205.21
Amount advanced during the year	3.40	0.13	0.00	10.20	1.63
Amount recovered during the year	8.02	0.59	0.80	3.30	2.39
Closing Balance of the loans outstanding	199.57	199.11	198.31	205.21	204.45
<b>Net addition</b>	<b>(-) 4.62</b>	<b>(-) 0.46</b>	<b>(-) 0.80</b>	<b>6.90</b>	<b>(-) 0.76</b>
Interest received	0.17	0.11	0.06	0.17	0.04
Interest rate on Loans and Advances given by the Government.	0.09	0.06	0.03	0.08	0.02
Rate of Interest paid on the outstanding borrowings of the Government	5.89	5.52	5.82	6.31	4.50
Difference between the rate of interest paid and interest received ( <i>per cent</i> )	5.80	5.46	5.79	6.23	4.48

Source: Finance Accounts.

The opening balance of outstanding Loans and Advances as on 01 April 2021 was ₹ 205.21 crore and with the repayment of ₹ 2.39 crore and disbursement of ₹ 1.63 crore during 2021-22, the closing balance stood at ₹ 204.45 crore. The rate of interest on Loans and Advances given by the Government decreased from 0.08 *per cent* in 2020-21 to 0.02 *per cent* in 2021-22. Recovery of the outstanding Loans and Advances decreased from ₹ 3.30 crore in 2020-21 to ₹ 2.39 crore in 2021-22.

### 2.7.7 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 2017-18 and 2021-22 with regard to Social Sector Expenditure (Health and Education) and Capital Expenditure is given below:

Table 2.32: Expenditure priority of the State with regard to Health, Education and Capital Expenditure

(in per cent)					
Particulars	TE/GSDP	CE/TE	Education/TE	Health & FW/TE	DE/TE
NE and Himalayan States Average (2017-18)	26.07	16.1	17.56	6.22	64.15
Manipur (2017-18)	41.51	13.34	11.78	5.42	59.73
NE and Himalayan States Average (2021-22)	27.56	17.46	15.95	7.25	62.56
Manipur (2021-22)	42.10	20.46	10.83	6.72	58.89

Source: Finance Accounts and Economic Advisor wing.

TE -Total Expenditure; CE- Capital Expenditure; DE -Development Expenditure.

A comparison of the data related to Manipur with that of the North Eastern and Himalayan (NE&H) States revealed that the State did not fare well in Education Sector during 2021-22.

During 2021-22, ratio of Capital Expenditure to Total Expenditure of the State stood at 20.46 *per cent* which was more than the average of the NE&H States (17.46 *per cent*) as well as that of the neighbouring States of Sikkim (16.66 *per cent*), Meghalaya (16.72 *per cent*) and Assam (19.58 *per cent*).

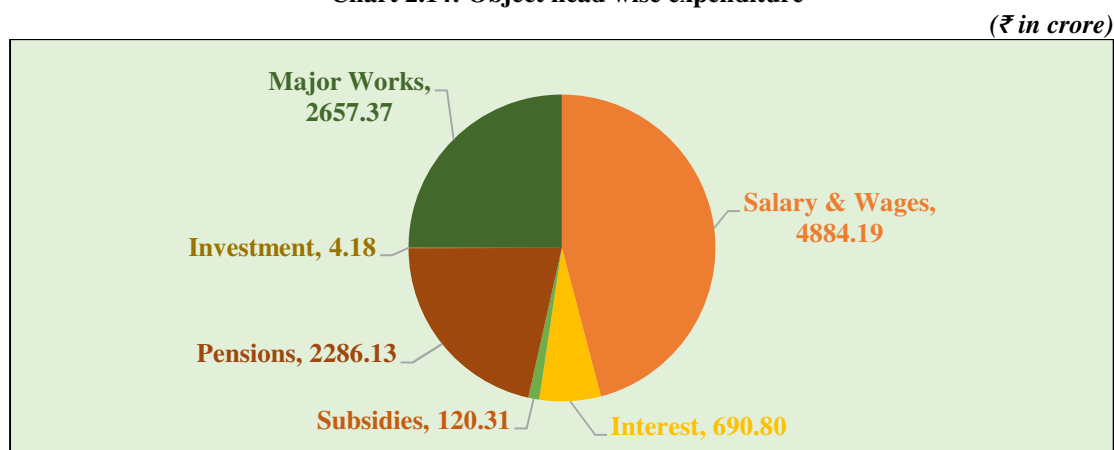
This indicates that there was considerable improvement in the quality of Capital Expenditure during 2021-22.

### 2.7.8 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 2021-22 is given in the following chart:

Chart 2.14: Object head wise expenditure



## 2.8 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.

### 2.8.1 Net Public Account Balances

The component-wise net balances in Public Account of the State as on 31 March 2022 are given in the following table and the yearly changes in composition of balances in Public Account over the five-year period 2017-22 are given in **Chart 2.15**:

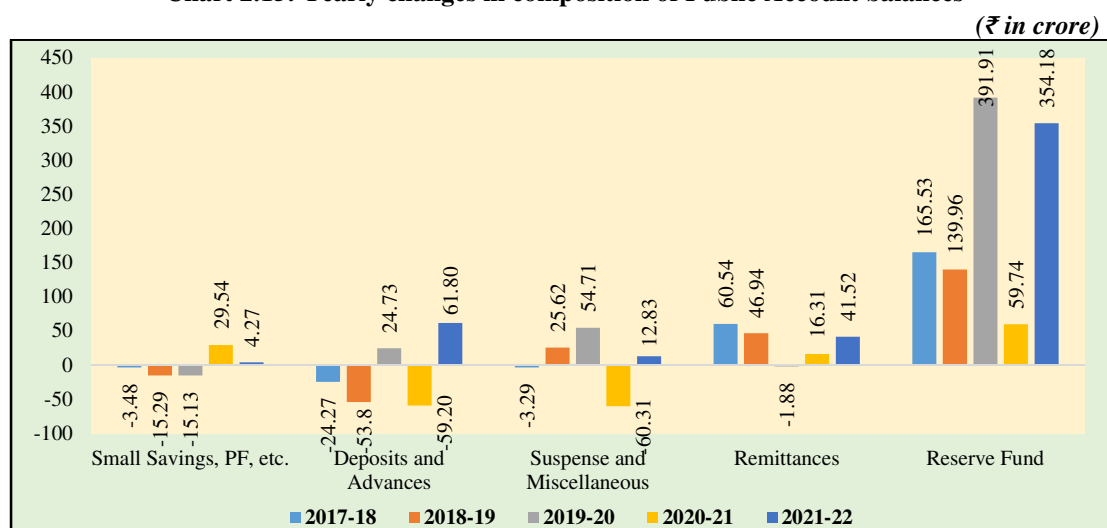
Table 2.33 Component wise net Public Account Receipts during 2017-22

(in crore)

Sector	Sub Sector	2017-18	2018-19	2019-20	2020-21	2021-22
I. Small Savings, Provident Funds, <i>etc.</i>	Small Savings, Provident Funds, <i>etc.</i>	(-) 3.48	(-) 15.29	(-)15.13	29.54	4.27
J. Reserve Funds	(a) Reserve Funds bearing Interest	(-) 10.70	(-) 3.80	318.43	20.14	(-)14.73

Sector	Sub Sector	2017-18	2018-19	2019-20	2020-21	2021-22
	(b) Reserve Funds not bearing Interest	176.23	143.76	73.48	39.59	368.91
K. Deposits and Advances	(a) Deposits bearing Interest	5.19	6.22	70.58	(-) 103.12	79.26
	(b) Deposits not bearing Interest	(-) 29.52	(-) 60.26	(-) 45.85	43.93	(-) 17.46
	(c) Advances	0.06	(-) 0.24	0.00	0.00	0.00
L. Suspense and Miscellaneous	(a) Suspense	(-) 21.65	(-) 20.15	0.16	(-) 11.08	13.19
	(b) Other Accounts*	(-) 24.94	5.47	54.86	(-) 49.22	(-) 0.36
	(c) Accounts with Governments of Foreign Countries	0.00	0.00	0.00	0.00	0
	(d) Miscellaneous	0.00	0.00	0.00	0.00	0
M. Remittances	(a) Money Orders, and other Remittances	(-) 60.54	(-) 46.94	1.88	16.31	41.52
	(b) Inter-Governmental Adjustment Account	0.00	0.00	0.00	0.00	0
<b>TOTAL</b>		<b>30.65</b>	<b>8.77</b>	<b>458.41</b>	<b>(-) 13.91</b>	<b>474.60</b>

Chart 2.15: Yearly changes in composition of Public Account balances



Source: Finance Accounts of respective years.

## 2.8.2 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 active Reserve Funds namely State Disaster Response Fund, Consolidated Sinking Fund, State Compensatory Afforestation Fund and Guarantee Redemption Fund and one inoperative Reserve Fund *i.e.* Depreciation/Renewal Reserve Fund. The total accumulated balance at the end of 31 March 2022 in the four active Reserve Funds was ₹ 1,623.43 crore out of which ₹ 349.57 crore was under Reserve Funds bearing interest and ₹ 1,273.86 crore under Reserve Funds not bearing interest. Details of significant Reserve Funds of the Government of Manipur are given below:



### 2.8.2.1 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 2021-22 was ₹ 65.92 crore which is 0.50 per cent of the outstanding liabilities of ₹ 13,183.65 crore as on 31 March 2021. However, against this, the State Government did not make any contribution to the fund during 2021-22. Non-contribution of ₹ 65.92 crore by the State Government leads to overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

Further, during 2021-22, an interest of ₹ 340.37 crore was earned from the investment of balance of the Reserve Fund. Accordingly, the corpus of the Fund (including accumulated interest) amounting to ₹ 794.23 crore as on 31 March 2022 was invested by the RBI in Government of India Securities.

### 2.8.2.2 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 2010-11<sup>9</sup>. The flow of the Fund, during the last five-year period is given below.

Table 2.34: Flow of State Disaster Response Fund during the year 2017-22

(₹ in crore)

Year	Opening balance (01 April)	Contribution by Centre	State's Share	Additional assistance from NDRF	Accrued interest (on investment of Fund)	Total availability during the year	Amount spent (MH 2245-05)	Closing balance	Investment during the year
1	2	3	4	5	6	7=(2+3+4)	8	9=7-8	10
2017-18	41.24	0.00	0.00	40.46	0.00	41.24	10.70	30.54	0.00
2018-19	30.54	0.00	0.00	55.41	0.00	30.54	3.80	26.74	0.00
2019-20	26.74	47.70	2.00	35.59	0.00	76.44	10.67	65.77	0.00
2020-21	65.77	41.70	0.00	0.00	0.00	107.47	5.30	102.17	0.00
2021-22	102.17	0.00	0.00	0.00	0.00	102.17	28.58	73.59	0.00

Source: Finance Accounts

During the year 2021-22, the State received ₹ 33.60 crore from the Central Government under the Major Head 1601-07-104 and incurred an expenditure of

<sup>9</sup> Under Major Head '8121-General and Other Reserve Funds, 122-State Disaster Response Fund'.

₹ 28.58 crore on account of Natural Calamities<sup>10</sup>. The State Government did not transfer Central share of ₹ 33.60 crore of to the Fund. As against the mandated contribution of ₹ 3.73 crore, the State Government did not make any contribution during the current year which was violative of the SDRF guidelines.

Further, opening balance of the Fund as on 01 April 2021 was ₹ 102.17 crore of which, no amount was invested. The State Government was liable to provide interest of ₹ 3.68 crore at the rate of Ways and Means Advance (4 *per cent*) on the un-invested funds in terms with the SDRF guidelines, which was not done. The unpaid interest and non-contribution of the State Government led to overstatement of Revenue Surplus to that extent during 2021-22. Thus, non-transfer of central share of ₹ 33.60 crore, non-contribution of State matching share of ₹ 3.73 crore and non-payment of interest to the Fund by the State Government leads to overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

### **2.8.2.3 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 latest amendment to the Fund notification issued by the State Government, effective from the year 2013-14, stipulates that the State Government shall initially contribute a minimum one *per cent* of outstanding guarantees at the end of the previous year and thereafter minimum 0.50 *per cent* every year to achieve a minimum level of 3 *per cent* in next five years. The fund shall be gradually increased to a desirable level of 5 *per cent*. If guarantees have been invoked or likely to be invoked, additional Funds (over and above 5 *per cent*) shall be maintained.

During the year, the opening balance of the Fund was ₹192.95 crore. An interest of ₹ 28.54 crore earned on investment during 2021-22 was credited to the Fund. Accordingly, the corpus of the Fund (including accumulated interest) as on 31 March 2022 was ₹ 221.49 crore and the amount was invested by the RBI in Government of India Securities.

During the year, the State Government did not contribute the mandated amount of ₹ 2.99 crore<sup>11</sup> to the Fund. However, the State could achieve the minimum level of

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<sup>10</sup> Major Head-2245(Relief on account of Natural Calamities)-02(Floods, Cyclones, etc.)-101 (Gratuitous Relief).

<sup>11</sup> 0.5 *per cent* of outstanding guarantees as on 31.03.2021 (₹ 598.32 crore) = ₹ 2.99 crore.

5 per cent of the outstanding guarantees<sup>12</sup> at the end of the previous year. No guarantee was invoked during the year 2021-22. Non-contribution of ₹ 2.99 crore by the State Government leads to overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

#### **2.8.2.4 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 ₹ 142.27 crore (₹ 13.43 crore in 2021-22) from GoI towards CRF during the period 2003-04 to 2021-22 and incurred an expenditure of ₹ 152.94 crore up to 2021-22 (₹ 13.08 crore in 2021-22). 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).

#### **2.8.2.5 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 3 (4) 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.

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<sup>12</sup> 5 per cent of outstanding guarantees as on 31.03.2021 (₹ 598.32 crore) = ₹ 29.92 crore.

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 2021-22, the State Government did not receive any amount from the user agencies. The Government received ₹ 36.43 crore from National Compensatory Afforestation Deposit and incurred an expenditure of ₹ 25.09 crore from the fund. The fund balance under Major Head 8121-129 as on 01 April 2021 was ₹ 261.93 crore. The State Government was liable to pay ₹ 8.77 crore as interest (@ 3.35 per cent<sup>13</sup>) to the fund as the balance amount was not invested by the State Government. However, the State Government did not provide the interest during the year. The total balance in the State Compensatory Afforestation Fund as on 31 March 2022 was ₹ 273.27 crore. Non-payment of interest liability of ₹ 8.77 crore by the State Government leads to overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

## **2.9 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.

### **2.9.1 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 2017-22 is given in **Table 2.35**:

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<sup>13</sup> As per circular issued by Ministry of Environment, Forest & Climate Change.

Table 2.35: Component wise debt trends

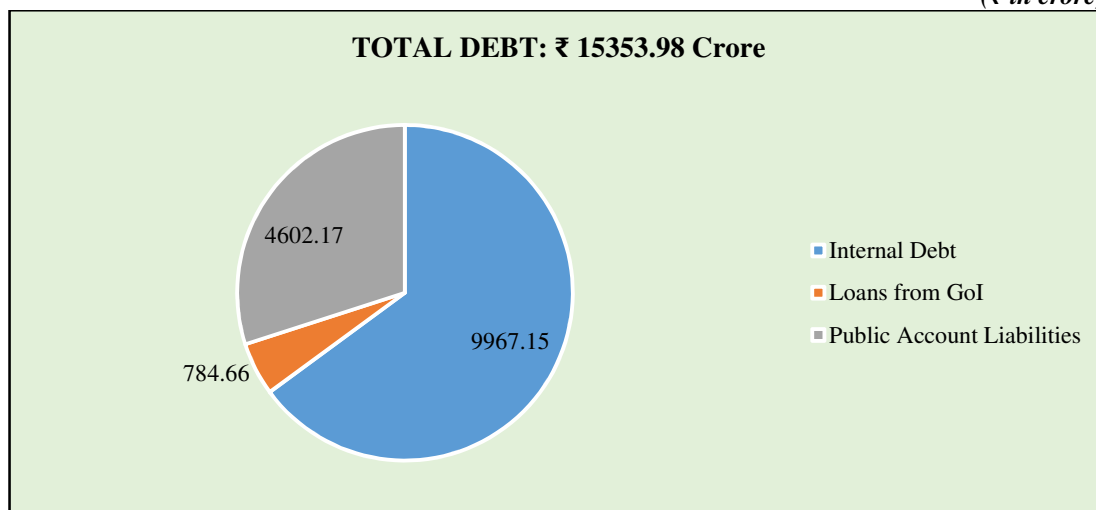
( $\text{₹}$  in crore)

Financial Year	2017-18	2018-19	2019-20	2020-21	2021-22	
<b>Outstanding Overall Debt (A+B)</b>	<b>95,65.93</b>	<b>10,463.92</b>	<b>11,407.46</b>	<b>13,183.65</b>	<b>15,353.98</b>	
<b>A. Public Debt</b>	<b>Internal Debt</b>	5,554.42	6,425.84	7,004.00	8,430.65	9,967.15
	<b>Loans from GoI</b>	331.83	287.77	251.64	571.09	784.66
<b>B. Liabilities on Public Account</b>	3,679.68	3,750.31	4,151.82	4,181.91	4,602.17	
<b>C. Off Budget Borrowings</b>	0.00	0.00	0.00	0.00	0.00	
<b>Rate of growth of outstanding Overall debt (per cent)</b>	8.61	9.39	9.02	15.57	16.46	
<b>Gross State Domestic Product (GSDP)</b>	25,789	27,388	31,297(Q)	34,110(A)	37,761(P)	
<b>Debt/GSDP (per cent)</b>	37.09	38.21	36.45	38.65	40.66	
<b>Total Debt Receipts</b>	1,295.91	3,926.54	6,313.67	9,334.05	12,652.37	
<b>Total Debt Repayments</b>	675.53	3,099.18	5,771.64	7,587.95	10,902.29	
<b>Total Debt Available</b>	620.38	827.36	542.03	1,746.10	1,750.08	
<b>Debt Repayments/Debt Receipts (per cent)</b>	52.13	78.93	91.41	81.29	86.17	

Q-Quick Estimate; A-Advanced Estimates; P-Projected Estimates.

As can be seen from the above table, over the last five years from 2017-22, Internal Debt and liabilities under Public Account, which constituted majority share of the outstanding debt showed an increasing trend from ₹ 5,554.42 crore and ₹ 3,679.68 crore in 2017-18 to ₹ 9,967.15 crore and ₹ 4,602.17 crore in 2021-22 respectively. Loans and Advances from GoI also increased from ₹ 331.83 crore to ₹ 784.66 crore during the period. The total outstanding overall debt of the State Government at the end of 2021-22 was ₹ 15,353.98 crore. During 2021-22, Internal Debt and Public Account liabilities constituted 64.92 per cent and 29.97 per cent of the total outstanding overall debt respectively, as shown in **Chart 2.16**:

Chart 2.16: Break up of Outstanding Debt at the end of 31 March 2022

( $\text{₹}$  in crore)

## 2.9.2 Fiscal Deficit Financing

The financing pattern of the Fiscal Deficit has undergone a compositional shift during 2017-2022. Details of receipt and disbursement of the components used for financing the Fiscal Deficit for the year 2021-22 are given in the following table:

**Table 2.36: Components of fiscal deficit and its financing pattern**

(₹ in crore)

Particulars		2017-18	2018-19	2019-20	2020-21	2021-22
Composition of Fiscal Deficit		(-) 339.86	(-) 917.19	(-) 708.91	(-) 1,891.90	(-) 1,803.18
1	Revenue Deficit/Surplus	1,083.83	812.99	445.53	554.18	1,448.85
2	Net Capital Expenditure	(-) 1,428.31	(-) 1,730.64	(-) 1,155.24	(-) 2,439.18	(-) 3,252.79
3	Net Loans and Advances	4.62	0.46	0.80	(-)6.90	0.76
<b>Financing Pattern of Fiscal Deficit/Surplus</b>						
1	Market Borrowings	277.77	666.69	1,255.43	1,154.03	1,218.82
2	Loans and Advances from GoI	(-) 35.13	(-) 44.06	(-) 36.13	319.44	213.58
3	Special Securities issued to NSSF	(-) 53.11	(-) 53.51	(-) 54.15	(-) 54.15	(-) 54.16
4	Loans from Financial Institutions & Other loans	47.33	125.99	(-) 4.95	112.53	111.18
5	Ways and Means Advances (Net)	383.52	132.22	(-) 618.16	214.24	260.67
6	Small Savings, PF, etc.	(-) 3.48	(-) 15.29	(-) 15.13	29.54	4.27
7	Deposits and Advances	(-) 24.32	(-) 54.28	24.73	(-) 59.20	61.81
8	Suspense and Miscellaneous	(-) 21.65	(-) 20.15	0.16	11.08	(-) 13.19
9	Remittances	(-) 60.54	(-) 46.94	1.88	(-) 16.31	(-) 41.52
10	Reserve Fund	165.53	139.96	391.91	59.74	354.18
<b>11</b>	<b>Overall Deficit</b>	<b>675.92</b>	<b>830.63</b>	<b>945.59</b>	<b>1,770.94</b>	<b>2,115.63</b>
12	Increase (-)/Decrease (+) in cash balance	(-) 336.06	86.56	(-) 236.68	120.96	(-) 312.45
<b>13</b>	<b>Gross Fiscal Deficit</b>	<b>339.86</b>	<b>917.19</b>	<b>708.91</b>	<b>1,891.90</b>	<b>1,803.18</b>

**Table 2.37: Receipts and Disbursements under components financing the fiscal deficit**

(₹ in crore)

Sl. No.	Particulars	Receipts	Disbursements	Net
1	Market Borrowings	1,476.96	258.14	1,218.82
2	Loans and Advances from GoI	253.86	40.28	213.58
3	Special Securities issued to NSSF	0.00	54.16	(-) 54.16
4	Loans from Financial Institutions & Other Loans	180.09	68.91	111.18
5	Ways and Means Advances (Net)	10,741.47	10,480.80	260.67
6	Small Savings, PF, etc.	327.59	323.32	4.27
7	Deposits and Advances	485.71	423.91	61.80
8	Suspense and Miscellaneous	158.29	171.48	(-) 13.19
9	Remittances	1,681.94	1,723.46	(-) 41.52
10	Reserve Fund	407.85	53.67	354.18
<b>11</b>	<b>Overall Deficit</b>	<b>15,713.76</b>	<b>13,598.12</b>	<b>2,115.63</b>
12	Increase (-)/Decrease (+) in cash balance	760.74	1073.19	(-) 312.45
<b>13</b>	<b>Gross Fiscal Deficit</b>	<b>16,474.50</b>	<b>14,671.31</b>	<b>1,803.18</b>

The Fiscal deficit of ₹ 1,803.18 crore in 2021-22 was mainly due to excess of expenditure in Capital account partially reduced by the Revenue surplus. The deficit was primarily financed by Market Borrowings (₹ 1,218.82 crore), Reserve Fund (₹ 354.18 crore), Ways and Means Advances (₹ 260.67 crore), Loans and Advances from the Government of India (₹ 213.58 crore), Loans from Financial Institutions and Other Loans (₹ 111.18 crore), Deposits and Advances (₹ 61.80 crore) and partially offset by the outflow of Special Securities issued to NSSF (₹ 54.16 crore), Remittances (₹ 41.52 crore) and Suspense and Miscellaneous (₹ 13.19 crore).

The increase in net capital expenditure during the year indicated that borrowed funds were being utilised more 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.

### 2.9.3 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 maturity profile of debt of the State are shown in the following table and chart.

**Table 2.38: Debt Maturity profile of repayment of State debt**

(₹ in crore)

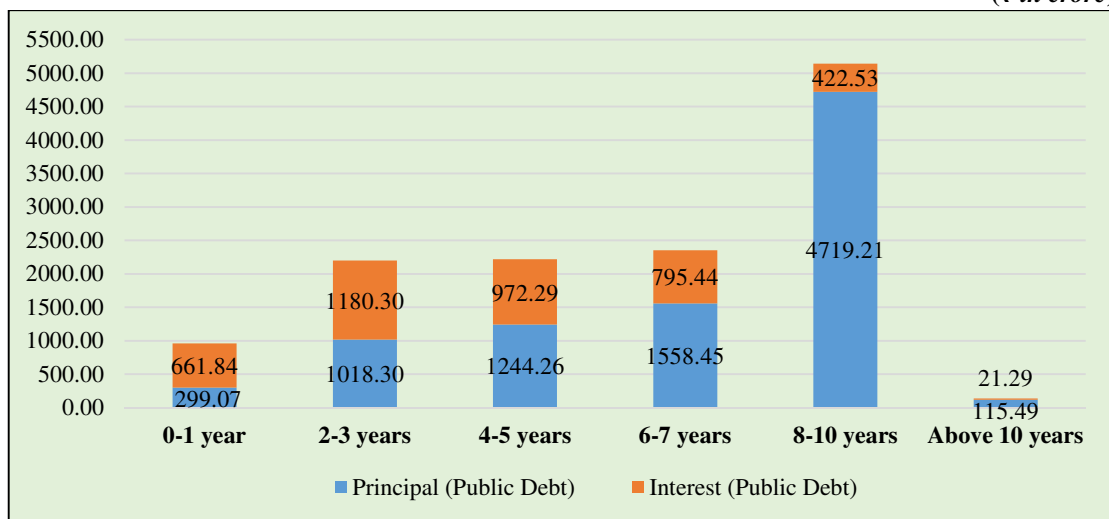
Year of Maturity	Period of repayment (Years)	Amount (₹ in crore)				
		Internal Debt	Loans and Advances	Total	Percentage (w.r.t. (Public Debt))	Interest due
By 2022-23	0-1 year	298.53	0.54	299.07	2.98	661.84
Between 2023-24 & 2024-25	2-3 years	885.16	133.14	1018.30	10.13	1180.30
Between 2025-26 & 2026-27	4-5 years	1242.62	1.64	1244.26	12.38	972.29
Between 2027-28 & 2028-29	6-7 years	1555.66	2.79	1558.45	15.50	795.44
Between 2029-30 & 2031-32	8-10 years	4719.21	0.00	4719.21	46.95	422.53
2032-33 onwards	Above 10 years	0.00	115.49	115.49	1.15	21.29
Amount for which year of Maturity is not known		1096.17	1.06	1097.23	10.92	-
<b>Total</b>		<b>9797.35</b>	<b>254.66</b>	<b>10052.01</b>	<b>100</b>	<b>4053.69</b>

Source: Finance Accounts

Repayment schedule of the outstanding public debt along with interest has been given in **Chart 2.17**.

**Chart 2.17: Repayment schedule of Public Debt**

(₹ in crore)



Source: Finance Accounts

As on 31 March 2022, the maturity profile of outstanding stock of Public Debt was ₹ 10,052.01 crore out of which ₹ 8,839.29 crore (87.94 per cent) was to attain

maturity in the coming 10 years. The maturity profile of Internal Debt of ₹ 1,096.17 crore and Loans and Advances from Government of India of ₹1.06 crore is not known. This balance amount of ₹ 115.49 crore (1.15 per cent) was in maturity bracket of more than 10 years. Interest payable on outstanding public debt will be approximately ₹ 4,053.69 crore. Out of this, interest of ₹ 4,032.40 crore was payable during the next 10 years up to 2031-32. The year-wise details of maturity profile of debt at the end of 31 March 2022 is given in **Appendix 2.4**.

## 2.10 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 2017-18 is shown below:

**Table 2.39: Trends in debt Sustainability indicators**

Debt Sustainability Indicators	₹ in crore				
	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Public Debt*	5,886.25	6,713.61	7,255.64	9,001.74	10,751.82
Rate of Growth of Outstanding Public Debt	11.78	14.06	8.07	24.07	19.44
GSDP	25,789	27,388	31,297(Q)	34,110(A)	37,761(P)
Rate of Growth of GSDP	21.11	6.20	14.27	8.99	10.70
Debt/GSDP	22.82	24.51	23.18	26.39	28.47
Debt Maturity profile of repayment of State debt – including default history, if any	395.65	454.86	666.60	319.54	421.49
Average interest Rate of Outstanding Public Debt (per cent)	3.98	3.72	3.92	4.43	5.84
Percentage of Interest payment to Revenue Receipt	4.29	4.44	5.12	5.55	4.09
Percentage of Debt Repayment to Debt Receipt	52.13	78.93	91.41	81.29	86.17
Net Debt available to the State#	176.54	358.46	(-) 5.50	1,025.58	1,173.24
Net Debt available as per cent to Debt Receipts	13.62	9.13	(-) 0.09	10.99	9.27
Debt Stabilisation (Quantum spread + Primary Deficit)	1125.14	(-)194.06	649.70	(-) 729.72	(-) 674.93

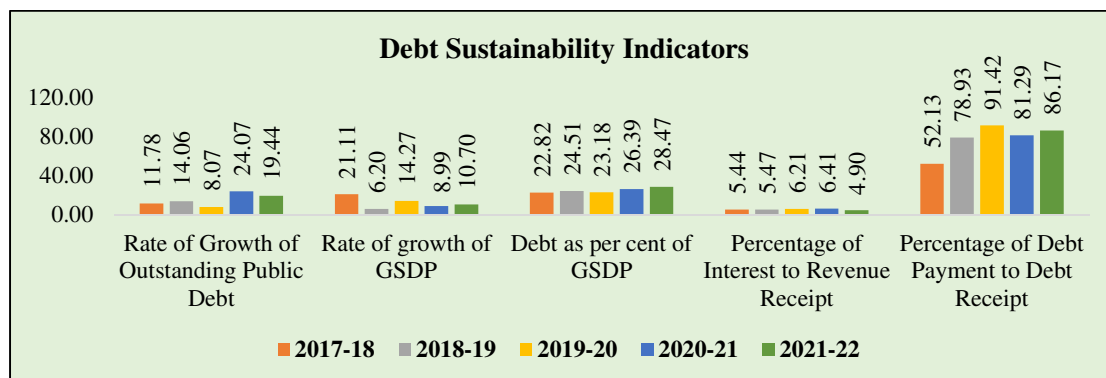
Source: Finance Accounts .Q: Quick Estimates; A: Advanced Estimates; P: Projected Estimates.

\*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



### 2.10.1 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 2017-18 to 2021-22 are given in **Table 2.40**.

Table 2.40: Utilisation of borrowed funds

		(₹ in crore)				
	Year	2017-18	2018-19	2019-20	2020-21	2021-22
1	Total Borrowings <sup>14</sup>	1,295.90	3,926.54	6,313.66	9,334.05	12,652.37
2	Repayment of earlier borrowings (Principal) (per cent)	675.53 (52.13)	3,099.18 (78.93)	5,771.63 (91.41)	7,587.95 (81.29)	10,902.29 (86.17)
3	Net Capital Expenditure	1,428.30	1,730.64	1,155.24	2,439.18	3,252.79
4	Net Loans and Advances	(-) 4.62	(-) 0.46	(-) 0.80	6.90	(-) 0.76
5=1-2-3-4	Net available borrowings	(-) 803.31	(-) 902.82	(-) 612.41	(-) 699.98	(-) 1,501.95

Source: Finance Accounts.

It can be seen from the table that during 2017-18 to 2021-22, borrowed funds were insufficient to service the Capital Expenditure and repayment of earlier borrowings (Principal).

### 2.10.2 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 during the five-year period 2017-22 are shown in the following table:

<sup>14</sup> Figures under Borrowings differ with the last year Report due to receipts under Public Debt is considered as borrowings. In the last year Report (2020-21), borrowings and other liabilities under Public Accounts were considered as total borrowings.

Table 2.41: Guarantees given by the State Government

Guarantees	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	1,651.32	1,760.01	2,372.82	3,138.15	3,603.36
Outstanding amount of guarantees as on 01 April of the year	490.19	451.04	410.08	411.63	598.32

The total outstanding guarantees as on 01 April 2021 was ₹ 598.32 crore, which is significantly less than the limit of ₹ 3,603.36 crore<sup>15</sup> i.e., thrice the State's Own Tax Revenue for the year 2019-20. During 2021-22, the State Government issued fresh guarantees of ₹ 174.27 crore to Power Sector (₹ 102.09 crore) and Manipur Police Housing Corporation MPHC (₹ 72.18 crore). There was an outstanding guarantee of ₹ 861.32 crore as on 31 March 2022. The State Government was yet to collect ₹ 1.02 crore as guarantee commission for the additional guarantee given in 2021-22.

### 2.10.3 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 2.42 gives the details of cash balances and their investment during the year:

Table 2.42: Cash Balances and their investments

Particulars	(₹ in crore)	
	Opening balance on 1 April 2021	Closing balance on 31 March 2022
<b>A. General Cash Balance</b>		
Cash in treasuries	4.63	4.63
Deposits with Reserve Bank of India	49.04	(-) 7.06
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
<b>Total</b>	<b>53.67</b>	<b>(-) 2.43</b>
Investments held in Cash Balance Investment Accounts	0.00	0.00
<b>Total (A)</b>	<b>53.67</b>	<b>(-) 2.43</b>
<b>B. Other Cash Balances and Investments</b>		
Cash with departmental officers viz., Public Works, Forest Officers	50.05	49.69
Permanent advances for contingent expenditure with department officers	0.02	0.02
Investment in earmarked funds	657.00	1,025.91
<b>Total (B)</b>	<b>707.07</b>	<b>1,075.62</b>
<b>Total (A + B)</b>	<b>760.74</b>	<b>1,073.19</b>
<b>Interest realized</b>	<b>2.08</b>	<b>0.25</b>

Source: Finance Accounts.

<sup>15</sup> 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. ₹ 3,603.36 crore (₹ 1,201.12 crore (in 2019-20) x 3).

It was noticed that State Government's opening Cash Balance as on 01 April 2021 was ₹ 53.67 crore. The closing Cash Balance as on 31 March 2022 showed a decrease of ₹ 56.10 crore and stood at ₹ (-)2.43 crore. The State Government had earned an interest of ₹ 0.25 crore from the Cash Balance Investments during 2021-22.

The Cash Balance Investments of the State of Manipur for the last five years (2017-2018 to 2021-22) are given in the following table:

**Table 2.43: Cash Balance Investment Account (Major Head-8673)**

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+)/Decrease (-)	Interest earned
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
2020-21	57.97	0	(-) 57.97	2.08
2021-22	0	0	0.00	0.25

Source: Finance Accounts.

During the period 2017-22, 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 ₹ 1.83 crore from ₹ 2.08 crore in 2020-21 to ₹ 0.25 crore in 2021-22.

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 ₹ 312.00 crore for 2021-22. The position of WMAs and Overdraft during 2017-22 is shown in the following table:

**Table 2.44: Ways and Means Advances and Overdrafts**

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Ways and Means Advance</b>					
Availed in the year	663.40	2,776.55	4,486.88	7,482.66	10,741.47
Disbursed in the year	279.88	2,644.32	5,105.04	7,268.42	10,480.80
Outstanding WMAs	485.94	618.16	0.00	214.24	474.91
Interest paid	0.10	2.23	167.16	4.80	17.77
Number of days	8	21	85	113	61
<b>Overdraft</b>					
Number of days	1	34	56	29	112

(Source: Finance Accounts).

The State Government resorted to WMAs regularly since 2017-18 onwards. During 2021-22, they availed ₹ 10,741.47 crore as WMAs for 61 days which indicated a difficult Cash Balance position of the State Government. After repayment of ₹ 10,480.80 crore, the balance WMA at the end of the year was ₹ 474.91 crore.

## 2.11 Conclusion

- During 2021-22, the State had a Revenue Surplus of ₹ 1,448.85 crore which was 3.84 *per cent* of GSDP during the year. Fiscal Deficit during 2021-22 was ₹ 1,803.18 crore which was 4.78 *per cent* of GSDP and Primary Deficit was ₹ 1,112.38 crore (2.95 *per cent* of GSDP).
- Revenue Receipts during the year 2021-22 were ₹ 14,091.00 crore which increased by ₹ 1,108.35 crore (8.54 *per cent*) over the previous year. State's Own Tax Revenue (₹ 1,648.50 crore) increased by ₹ 354.01 crore (27.35 *per cent*) compared to the previous year (₹ 1,294.49 crore), while Non-Tax Revenue (₹ 108.13 crore) decreased by ₹ 39.94 crore (26.97 *per cent*) during the year. State Goods and Services Tax (SGST) (₹ 1,125.56 crore) was the main contributor of the State's Own Tax Revenue and the SGST along with Taxes on Sales, Trades accounted for 93.25 *per cent* of the State's total Own Tax Revenue. During 2021-22, receipts under SGST (₹ 1,125.56 crore) increased by ₹ 259.05 crore (29.90 *per cent*) as compared to the previous year (₹ 866.51 crore). The SGST receipts included ₹ 156.98 crore received as 'Apportionment of Taxes from IGST'.
- Grants-in-Aid from GoI increased by ₹ 943.40 crore (12.98 *per cent*) and State's Share of Union taxes and Duties increased by ₹ 1,737.68 crore (40.68 *per cent*) during 2021-22 as compared to the previous year.
- Revenue Expenditure during the year 2021-22 was ₹ 12,642.15 crore (79.53 *per cent*) against the Total Expenditure of ₹ 15,896.57 crore. During the year, Committed Expenditure like salary & wages, pension, interest payments increased by ₹ 761.20 crore (10.72 *per cent*) from ₹ 7,099.92 crore during 2020-21 to ₹ 7,861.12 crore during 2021-22. The Committed Expenditure during 2021-22 was 55.79 *per cent* of the total Revenue Receipts (₹ 14,091.00 crore) and 62.18 *per cent* of the total Revenue Expenditure (₹ 12,642.15 crore).
- Salary and Wages expenditure constituted 34.66 *per cent* of Revenue Receipts and 38.63 *per cent* of Revenue Expenditure during the year 2021-22.
- 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 increased by ₹ 813.61 crore (33.36 *per cent*) from ₹ 2,439.18 crore during 2020-21 to ₹ 3,252.79 crore during 2021-22.
- Under National Pension System, against contribution of ₹ 1,059.20 crore of the State Government employees up to March 2022, the State Government contributed ₹ 858.84 crore only, resulting in a shortfall of ₹ 200.36 crore in the matching share of the State Government. Further, the State Government was yet to transfer ₹ 182.76 crore to NSDL as of 31 March 2022.
- The Government incurred an expenditure of ₹ 346.45 crore on 115 projects which were due to be completed by 31 March 2022, which remained incomplete and the time overrun on these projects ranged between 2 years and 11 years.

- During 2021-22, the State Government invested ₹ 4.18 crore in Government Companies, statutory corporation, co-operative societies and joint stock companies. As on 31 March 2022, the State Government's investment stood at ₹ 232.02 crore in those Companies/Corporations and Co-operative societies, whereas the returns on investment were negligible.
- As against the mandated contribution of ₹ 3.73 crore under State Disaster Response Fund (SDRF), the State Government did not make any contribution during the current year which was in violation of the SDRF guidelines. During the year State Government did not contribute mandated amount of 2.99 crore to the Guarantee Redemption Fund
- The outstanding Public Debt rapidly increased from ₹ 5,886.25 crore in 2017-18 to ₹ 10,751.82 crore (82.66 per cent) in 2021-22 and the Debt/ GSDP ratio increased from 37.00 per cent to 40.66 per cent during the same period.
- As on 31 March 2022, the maturity profile of outstanding stock of Public Debt was ₹ 10,052.01 crore out of which ₹ 8,839.29 crore (87.94 per cent) was to attain maturity in the coming 10 years. Interest payable on outstanding public debt will be approximately ₹ 4,053.69 crore. Out of this, interest of ₹ 4032.40 crore was payable during the next 10 years up to 2031-32.
- During 2021-22, ₹ 10,902.29 crore (86.17 per cent) was utilised in repayment of earlier borrowings.
- The State Government had availed Ways and Means Advances for 61 days amounting to ₹ 10,741.47 crore and repaid ₹ 10,480.80 during the year 2021-22. The Cash Balances of the State at the end of 31 March 2022 was ₹ (-)2.43 crore.

## 2.12 Recommendations

- *State Government may take necessary steps to reduce the Revenue and Fiscal deficits.*
- *The increasing trends of Revenue Expenditure be corrected by identifying potential wasteful expenditure and adopting economy measures across departments.*
- *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.*
- *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 these corporations, companies and societies to ensure finalisation of the financial statement, returns on the investments and to take considered decision in public interest so that losses are minimised.*

- *The State Government may contribute to the State Disaster Response Fund as per the guidelines and Guarantee Redemption Fund.*
- *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.*