Executive Summary

About the Report

This Report of the Comptroller and Auditor General of India is on the State Finances for the year 2022-23. It provides an overview of the finances, budgetary management and quality of accounts, financial reporting practices and other matters relevant to State Finances.

This Executive Summary highlights the contents of this report and through snapshots of the important figures and aspects, provides insight into fiscal sustainability, performance against the budget intent, revenue and expenditure projections, the reasons for variations and its impact.

Gross State Domestic Product (GSDP) (at current prices) of Tripura grew from ₹ 49,823 crore in 2018-19 to ₹ 72,636 crore (Advanced) in 2022-23. However, there was a decrease in the growth rate of GSDP from 16.91 *per cent* in 2021-22 to 16.12 *per cent* in 2022-23 in the State.

The revenue receipts grew by 3.95 *per cent* in 2022-23 and it was 25.21 *per cent* to GSDP during the year. The percentage of revenue receipts to GSDP during 2021-22 was 28.16 *per cent* while the growth rate of revenue receipts was 32.51 *per cent* during 2021-22.

The tax revenue increased by 11.85 *per cent* and the State's own tax revenue increased by 14.65 *per cent* during 2022-23 over the previous year. The total expenditure (revenue, capital and loans and advances) of the State increased by 13.25 *per cent* from ₹ 17,548.27 crore in 2021-22 to ₹ 19,873.33 crore during the year. Of this, revenue expenditure grew by 10.01 *per cent* and capital expenditure increased by 47.92 *per cent* during the period.

The State was successful in containing the Fiscal Deficit below the target as per Tripura State Fiscal Responsibility and Budget Management (FRBM) Act, 2005 and the road map indicator as *per cent* of GSDP in four out of the last five years period 2018-23. During the current year i.e., 2022-23, there was Fiscal deficit of ₹ 1,512.73 crore of the State and stood at 2.08 *per cent* of GSDP (Advanced) at current price.

Receipt-Expenditure Mismatch

The continuous mismatch between receipts and expenditure indicates rising fiscal stress. The State has different sources of receipts such as State's own tax revenue, Non-tax revenue, Devolution of States' share in taxes, Grants-in-aid and transfers from the Central Government and non-debt receipts. The State Government's expenditure includes expenditure on revenue account as well as capital expenditure (assets creation, loans and advances, investments, *etc*.).

From 2018-19 to 2022-23, the revenue receipts grew from ₹ 12,030.89 crore to ₹ 18,309.01 crore during the period. The share of Grants-in-aid in revenue receipts rose from 41.59 *per cent* in 2018-19 to 44.69 *per cent* in 2022-23, indicating increased reliance on support from the Central Government. The State Government received ₹ 3,475.40 crore as Central share for the Centrally Sponsored Schemes (CSS) during 2022-23.

Revenue expenditure is incurred to maintain the current level of services and payment for past obligation. As such, it does not result in any addition to the State's infrastructure and service network. Between 2018-19 and 2022-23, revenue expenditure increased from ₹ 11,889.20 crore (23.86 *per cent* to GSDP) to ₹ 17,738.71 crore (24.42 *per cent* to GSDP). It consistently made up a significant portion (89 *per cent* to 92 *per cent*) of the total expenditure during the period.

Result of expenditure beyond means

The gap between the revenue receipt and revenue expenditure results revenue surplus or deficit. During 2022-23, the State ended up with a revenue surplus of ₹ 570.30 crore (0.78 *per cent* of GSDP) against the revenue surplus of ₹ 1,488.71 crore (2.38 *per cent* of GSDP) during 2021-22 which decreased by ₹ 918.41 crore (61.69 *per cent*) during the year.

Capital expenditure is the expenditure incurred for creation of fixed infrastructure assets such as roads, building, *etc*. The State Government spent ₹ 2,024.97 crore in capital account during 2022-23. This was 10.19 *per cent* of total expenditure and 2.79 *per cent* of GSDP in the year 2022-23. Capital expenditure increased by ₹ 656.02 crore (47.92 *per cent)* from ₹ 1,368.95 crore in 2021-22. However, the State booked Grant in Aid of ₹ 1,322.38 crore under Capital section instead of revenue account.

The gap between the total expenditure and total non-debt receipt of the State results in fiscal deficit or surplus. During 2022-23, the fiscal deficit of the State was ₹ 1,512.73 crore (2.08 *per cent* of GSDP) against the fiscal surplus of ₹ 66.55 crore in 2021-22.

Under the revenue expenditure, the quantum of committed expenditure constitutes the largest share. Committed expenditure has the first charge on the resources and consists of interest payments, expenditure on salaries and wages and pensions. Committed expenditure comprising salary & wages, pension, interest payments *etc.,* constituted 55.35 *per cent* to 71.50 *per cent* of revenue expenditure during last five year period 2018-2023. It was 55.35 *per cent* of the revenue expenditure during the year 2022-23. However, the Committed expenditure increased from ₹ 8,500.67 crore (2018-19) to ₹ 9,818.45 crore (2022-23) with an increase of 4.60 *per cent* over ₹ 9,387.04 crore in 2021-22.

Expenditure on salary and wages was ₹ 5,766.87 crore which was 32.51 *per cent* of Revenue expenditure and 29.02 *per cent* of total expenditure during the year 2022-23. Pension payment was ₹ 2,678.06 crore (15.10 *per cent* of RE) during 2022-23.

Interest payment was ₹ 1,373.52 crore during 2022-23 which decreased by ₹ 24.64 crore as compared to 2021-22.

In addition to the committed expenditure, inflexible expenditure increased from 12.06 *per cent* (₹1,944.11 crore) in 2021-22 to 18.05 *per cent* (₹ 3,201.02 crore) in 2022-23 of revenue expenditure.

Taken together, the committed and inflexible expenditure in 2022-23 was ₹ 13,019.47 crore, 73.40 *per cent* of Revenue expenditure. Upward trend on committed and inflexible expenditure leaves the Government with lesser flexibility for priority sectors and capital creation.

Payment of subsidy under non-committed expenditure

Under the non-committed expenditure, the payment of subsidy ranged between 0.42 *per cent* and 1.12 *per cent* of total revenue expenditure during the period from 2018-19 to 2022-23 and it was 0.91 *per cent* in 2022-23. Power subsidy was the major part of the total subsidies constituted 45.12 *per cent* followed by Food subsidy constituting 30.13 *per cent* of total subsidy payments during 2022-23.

Contingent Liabilities on account of guarantees

In 2022-23, the Government provided guarantees against the borrowings of ₹ 175.00 crore and the outstanding amount of guarantees as on March 2023 was ₹ 596.90 crore. The State Government received ₹ 1.75 crore as guarantee fee during the year on the fresh guarantees given by the Government as per guidelines.

Fiscal sustainability

Fiscal sustainability is examined in terms of macro–fiscal parameters such as deficits, level of debt and liabilities, commitments on account off-budget borrowings, guarantees, subsidies, *etc*. So far as revenue and expenditure mismatch is concerned, one of the important constraints is committed and inflexible expenditure, which includes salaries and wages, pension payments, interest payments *etc*., and also other inflexible expenditure such as those arising out of commitment for centrally sponsored schemes, transfer to reserve funds, transfer to local bodies, *etc*.

FRBM requirements and compliance with fiscal parameters

The TFRBM Act/Rules prescribed certain limits within which, revenue deficit/surplus, fiscal deficit/surplus, guarantees, debt as a percentage of the Gross Domestic Products (GSDP) *etc*. should be. During 2022-23, the State Government maintained revenue surplus as per the TFRBM Act. The fiscal deficit was 2.08 *per cent* against the limit of 4 *per cent*; outstanding liabilities was 28.99 *per cent* as against the limit of 35.10 *per cent* to GSDP for the year. Guarantee was below (0.24 *per cent*) the limit of one *per cent* of GSDP in 2022-23. However, no off-budget borrowing was there in the State during 2022-23.

The overall liability of the State showed increasing trend upto 2021-22 and the percentage of GSDP was ranged between 29.66 *per cent* and 38.98 *per cent* of GSDP during the period. The debt-GSDP ratio in 2022-23 was 28.99 *per cent* in the State. As per the debt stabilization analysis, the rate of annual growth of outstanding public debt, a part of the overall liability, had increasing trend in the State upto 2019-20 (26.78 *per cent*), thereafter decreased. The annual growth of public debt in 2022-23 was 0.87 *per cent.* The ratio of public debt to GSDP ranged between 17.75 *per cent* (2018-19) and 24.47 *per cent* (2020-21) and it was 17.85 *per cent* in 2022-23, it indicates that debt stabilization may be possible in the State.

During 2018-19 to 2022-23, in only one year i.e 2021-22 which was post Covid period, the State had primary surplus and Domar gap was positive indicating that real interest rates have remained below the GSDP growth rates. However, the sustainability of public debt depends on whether the state economy maintains the real growth rate in the long run. During 2021-22 and 2022-23, though the Domar gap (expressed as g-r) was positive and its value also increased from the preceding years, the primary deficit was not stable. Therefore, strong economic growth (expressed as g-r>0) by observing the Domar gap cannot be conclusively generalized. Further, the State used the total public debt receipts for repayment of borrowings during 2022-23 while 62.68 *per cent* public debt receipt used in 2021-22 for repayment of past borrowings. Thus, it become evident that depending solely on economic growth (expressed g-r>0 in 2021-22 and 2022-23) would not suffice to cover the debt obligation of the State.

Budget performance

Budget performance in terms of budgetary intent and budget implementation is examined to assess extent to which the aggregate expenditure outturn reflects the amount originally approved both in terms of excess and saving. In the Revenue section (voted), deviation in outturn compared with Budget Estimates (BE) was 19.58 *per cent.* This was mainly due to *75 per cent* deviation in four grants and 100 *per cent* deviation in one grant during 2022-23. In capital section, deviation in outturn compared to BE was 48.61 *per cent* mainly due to 90 *per cent* deviation in three grants and 100 *per cent* deviation occurred in seven grants during the year.

It was noticed that supplementary provision of ₹ 3,065.37 crore obtained in 55 grants/ appropriations out of 64 grants/appropriations during 2022-23. Out of total supplementary provision of ₹ 3,065.37 crore, ₹ 885.16 crore obtained in 41 grants was unnecessary as their expenditure was less than actual expenditure during the year. In three grants, the supplementary grants was more than ₹ 10 crore which proved unnecessary.

Overall Budget reliability assessment indicates that the deviations between the actual expenditure and original budget as well as between the actual expenditure and the final budget were less than 20 per cent in revenue section. In several cases, the actual expenditure could not come up in the original grant, resulted in savings.

Quality of Accounts and Financial Reporting

Quality of accounts and financial reporting covers items, transactions and events which relate to gaps in compliance, regularity weaknesses and issues relating to delay in receipts of those accounting records or adjustment records which evidence the actual expenditure. It also highlights issues pertaining to the accounts and financial reporting such as parking of funds outside the Government accounts, non or short discharging of liabilities and misclassification of transactions and data gaps.

Regularisation of Excess over Grants/Appropriations

The State Government has to get excesses over grants/appropriations regularized by the State Legislature as per Article 205 of the Constitution of India. It was observed that in 2022-23 there was excess expenditure of ₹ 85.56 crore in one grant which required regularization.

Misclassification in accounts

It was noticed that the State Government made budget provision and incurred ₹ 1,322.38 crore as grants in aid for creation of capital assets and booked in capital account during 2022-23.

Compliance of IGAS

The State Government did not make compliance with the requirement of the Indian Government Accounting Standard (IGAS-2) while partially complied with IGAS-1: Guarantees given by the Government- Disclosure requirements and IGAS-3: Loans and advances made by the Government.

Operation of PD Account

During 2022-23, ₹ 136.64 crore was credited in the Personal Deposit Account of which ₹ 25.22 crore was transferred from the Consolidated Fund of the State and rest of the amount was deposited through challan during the year. Out of 179 Administrators of Personal Deposit Account, 11 Administrators did not reconcile their balance with the Treasury as on 31 March 2023. There were 205 PD accounts with balance of ₹ 349.95 crore as on 31 March 2023.

Funds to Single Nodal Agency

The Government of India and the State Government have introduced system of Single Nodal Agency (SNA) for implementation and fund flow for each Centrally Sponsored Schemes (CCS). The share of the Government of India and the State Government is transferred to the Bank Account of SNA lying outside the Government Account. As per information available in the PFMS portal, ₹ 2,031.24 crore remained unspent in the Bank Account of SNAs as on 31 March 2023. But, there was discrepancy between the figures furnished by the State Government (₹ 1,812.84 crore) and that of the PFMS report for the period, required reconciliation.

Utilisation Certificates against conditional grants

Despite the requirement of submitting Utilisation Certificates (UCs) against conditional grants within a stipulated time period, 1,232 UCs amounting to ₹ 967.94 crore were pending as on 31 March 2023.

DC bills against AC bills

Similarly, despite the requirement of submitting Detailed Counter Signed Contingency (DCC) bills against the advance money withdrawn through Abstract Contingency (AC) bills, 421 AC bills of ₹ 24.48 crore were pending for submission of DCC bills as on 31 March 2023. Out of 421 AC bills, 172 bills for ₹ 14.71 crore pending pertained prior to 2022-23.

Funds lying outside Government Account

During 2022-23, the State Government transferred/deposited ₹ 351.90 crore into 646 DDOs Bank Account. As per information furnished by the State Government, there was an unspent balance of ₹ 499.53 crore in 574 DDOs' Bank Account as on 31 March 2023.

Compliance with prevailing rules and codal provisions are meant to ensure control and accountability in accounting and financial reporting. Non-compliance and deviations impact the quality of accounting and financial reporting adversely. Non-timely submission of UCs against conditional grants; non-submission of DCC bills against AC bills; Non-compliance of IGAS; and funds remaining unspent out the Government Account have impacted the quality of accounts adversely.

Working of State Public Sector Undertakings

As on 31 March 2023, there were 16 SPSEs (including one Statutory Corporation) in the State of Tripura under the audit purview of CAG. Out of 16 SPSEs, one SPSE (Government Company) was inactive and under liquidation. SPSEs did not adhere to the prescribed timeline regarding submission of their Financial Statements. There were 25 accounts of 12 SPSEs (11 working Companies and one Statutory Corporation) in arrears as on 30 September 2023. The net worth of four SPSEs completely eroded by accumulated losses and their net worth was either zero or negative. The accumulated loss was (-) ₹ 742.50 crore in respect of the Tripura State Electricity Corporation Ltd. as per its finalized Accounts 2022-23. The accumulated loss of Tripura Road Transport was (-) ₹ 288.04 crore as per finalized accounts for 2019-20.

The State Government may impress upon the managements of SPSEs to ensure timely submission of their financial statements. In the absence of finalised accounts, Government investments in such SPSEs remain outside the oversight of the State Legislature. The State Government may also analyse the reasons of losses in loss making SPSEs and initiate steps to make their operations efficient and profitable.