



**CHAPTER-II**

**FINANCES OF THE STATE**





## CHAPTER II

### FINANCES OF THE STATE

#### 2.1 Introduction

This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the five-year period from 2018-19 to 2022-23, 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 wherever necessary.

#### 2.2 Major changes in Key Fiscal Aggregates during 2022-23 vis-à-vis 2021-22

**Table 2.1** gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2022-23 as compared to the previous year.

**Table 2.1: Changes in Key Fiscal Aggregates in 2022-23 compared to 2021-22**

<b>Revenue Receipts</b>	<ul style="list-style-type: none"> <li>✓ Revenue receipts of the State increased by 12.79 per cent</li> <li>✓ Own Tax receipts of the State increased by 13.31 per cent</li> <li>✓ Non-Tax receipts increased by 323.19 per cent</li> <li>✓ State's Share of Union Taxes and Duties increased by 13.07 per cent</li> <li>✓ Grants-in-Aid from Government of India increased by 7.08 per cent</li> </ul>
<b>Revenue Expenditure</b>	<ul style="list-style-type: none"> <li>✓ Revenue expenditure increased by 12.00 per cent</li> <li>✓ Revenue expenditure on General Services increased by 12.70 per cent</li> <li>✓ Revenue expenditure on Social Services increased by 23.92 per cent</li> <li>✓ Revenue expenditure on Economic Services increased by 4.17 per cent</li> <li>✓ Expenditure on Grants-in-Aid decreased by 34.99 per cent</li> </ul>
<b>Capital Receipts</b>	<ul style="list-style-type: none"> <li>✓ Debt Capital Receipts increased by 11.11 per cent</li> <li>✓ Non-debt Receipts decreased by 53.97 per cent</li> </ul>
<b>Capital Expenditure</b>	<ul style="list-style-type: none"> <li>✓ Capital expenditure increased by 7.12 per cent</li> <li>✓ Capital expenditure on General Services increased by 15.06 per cent</li> <li>✓ Capital expenditure on Social Services increased by 6.35 per cent</li> <li>✓ Capital expenditure on Economic Services increased 7.30 per cent</li> </ul>
<b>Loans and Advances</b>	<ul style="list-style-type: none"> <li>✓ Recoveries of Loans and Advances decreased by 53.97 per cent</li> <li>✓ Disbursement of Loans and Advances increased by 365.03 per cent.</li> </ul>
<b>Public Debt</b>	<ul style="list-style-type: none"> <li>✓ Public Debt Receipts decreased by 12.15 per cent</li> <li>✓ Repayment of Public Debt decreased by 13.74 per cent</li> </ul>
<b>Public Account</b>	<ul style="list-style-type: none"> <li>✓ Public Account Receipts increased by 88.13 per cent</li> <li>✓ Public Account Disbursement increased by 90.83 per cent</li> </ul>
<b>Cash Balance</b>	<ul style="list-style-type: none"> <li>✓ Cash Balance decreased 6.44 per cent</li> </ul>

Source: Finance Accounts.

Analysis of the above key fiscal aggregates is given in the succeeding paragraphs.

#### 2.3 Sources and Application of Funds

Comparison of components of the sources and application of funds of the State during the current year with those of the previous year is given in **Table 2.2**.

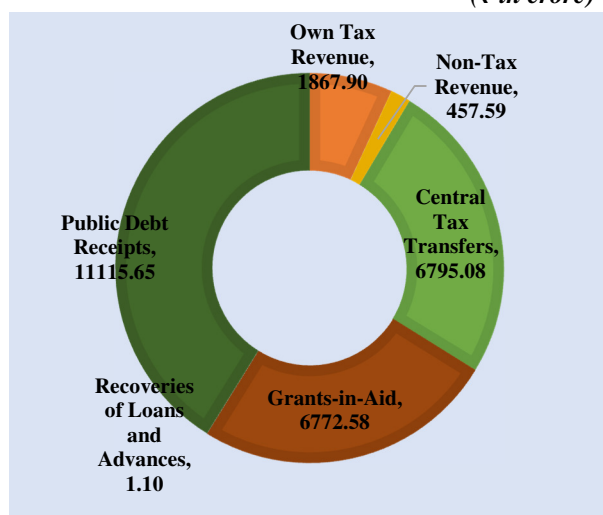
Table 2.2: Details of Sources and Application of funds during 2021-22 and 2022-23

(₹ in crore)

	Particulars	2021-22	2022-23	Increase (+)/ Decrease (-)
Sources	A. Opening Cash Balance with RBI	760.74	1,073.19	312.45
	B. Revenue Receipts	14,091.00	15,893.15	1,802.15
	C. Recoveries of Loans and Advances	2.39	1.10	-1.29
	D. Public Debt Receipts (Net)	1,750.08	1,710.93	-39.15
	E. Public Account Receipts (Net)	365.55	-23.46	-389.01
	<b>Total</b>	<b>16,969.76</b>	<b>18,654.91</b>	<b>1,685.15</b>
Application	A. Revenue Expenditure	12,642.15	14,158.98	1,516.83
	B. Capital Expenditure	3,252.79	3,484.24	231.45
	C. Disbursement of Loans and Advances	1.63	7.58	5.95
	D. Closing Cash Balance with RBI	1,073.19	1,004.11	-69.08
	<b>Total</b>	<b>16,969.76</b>	<b>18,654.91</b>	<b>1,685.15</b>

Chart 2.1: Composition of Resources

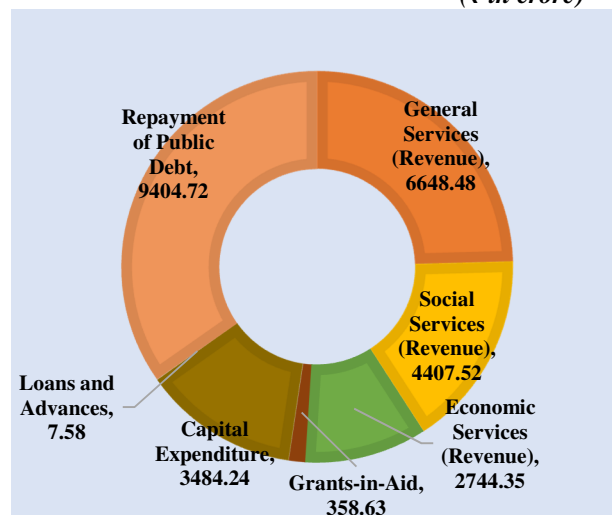
(₹ in crore)



Source: Finance Accounts.

Chart 2.2: Application of Resources

(₹ in crore)



Source: Finance Accounts.

## 2.4 Resources of the State

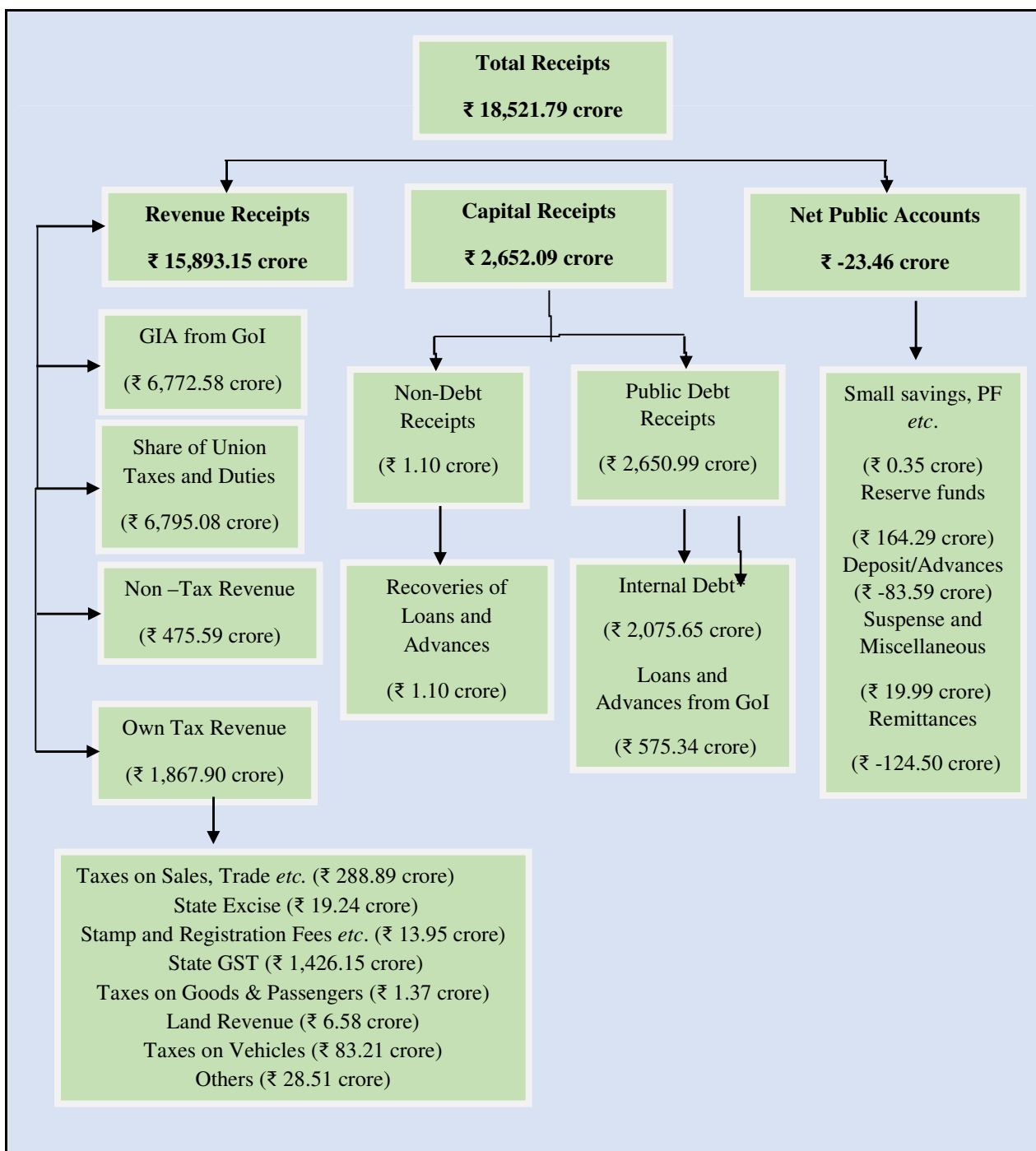
The resources of the State are described below:

- Revenue receipts** consist of tax revenue (Own Tax revenue plus share of Union taxes/duties), non-tax revenue and Grants-in-aid from the Government of India (GoI).
- Capital receipts** (debt and non-debt 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) and loans and advances from GoI. Both revenue and capital receipts form part of the Consolidated Fund of the State.
- Net Public Account receipts:** There are 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. These 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. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

### 2.4.1 Receipts of the State

This paragraph provides the composition of the overall receipts. Besides, the Revenue and Capital Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit. The composition of total receipts of the State is depicted in **Chart 2.3**.

**Chart 2.3: Composition of Receipts of the State during 2022-23**



Source: Finance Accounts.

\*Including net of Ways and Means Advances amounting to ₹ 453.65 crore {(OB ₹ 474.91 crore + WMA Receipt ₹ 8,918.31 crore) – WMA Repayment ₹ 8,939.57 crore = ₹ 453.65 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 period 2018-23. 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	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Revenue Receipts (RR)</b>	<b>10,561.71</b>	<b>10,684.16</b>	<b>12,982.65</b>	<b>14,091.00</b>	<b>15,893.15</b>
Rate of growth of RR ( <i>per cent</i> )	1.97	1.16	21.51	8.54	12.79
<b>Tax Revenue</b>	<b>5,744.64</b>	<b>5,248.89</b>	<b>5,566.46</b>	<b>7,658.15</b>	<b>8,662.98</b>
<i>Own Tax Revenue</i>	<i>1,046.05</i>	<i>1,201.12</i>	<i>1,294.49</i>	<i>1,648.50</i>	<i>1,867.90</i>
<i>State's share of Union taxes and duties</i>	<i>4,698.59</i>	<i>4,047.77</i>	<i>4,271.97</i>	<i>6,009.65</i>	<i>6,795.08</i>
<b>Non-Tax Revenue</b>	<b>166.24</b>	<b>134.53</b>	<b>148.07</b>	<b>108.13</b>	<b>457.59</b>
<b>Grants-in-aid from GoI</b>	<b>4,650.83</b>	<b>5,300.74</b>	<b>7,268.12</b>	<b>6,324.72</b>	<b>6,772.58</b>
Own Revenue (Own Tax and Non-tax Revenue)	1,212.29	1,335.65	1,442.56	1,756.63	2,325.49
Rate of growth of Own Revenue ( <i>per cent</i> )	25.62	10.18	8.00	21.77	32.38
Gross State Domestic Product (2011-12 Series)	27,388	29,813	29,776	36,594	40,662
Rate of growth of GSDP ( <i>per cent</i> )	6.20	8.85	-0.12	22.90	11.12
RR/GSDP ( <i>per cent</i> )	38.56	35.84	43.60	38.51	39.09
<b>Buoyancy Ratios<sup>5</sup></b>					
<b>Revenue Buoyancy w.r.t GSDP</b>	0.32	0.13	*	0.37	1.15
<b>State's Own Revenue Buoyancy w.r.t GSDP</b>	4.13	1.15	*	0.95	2.91

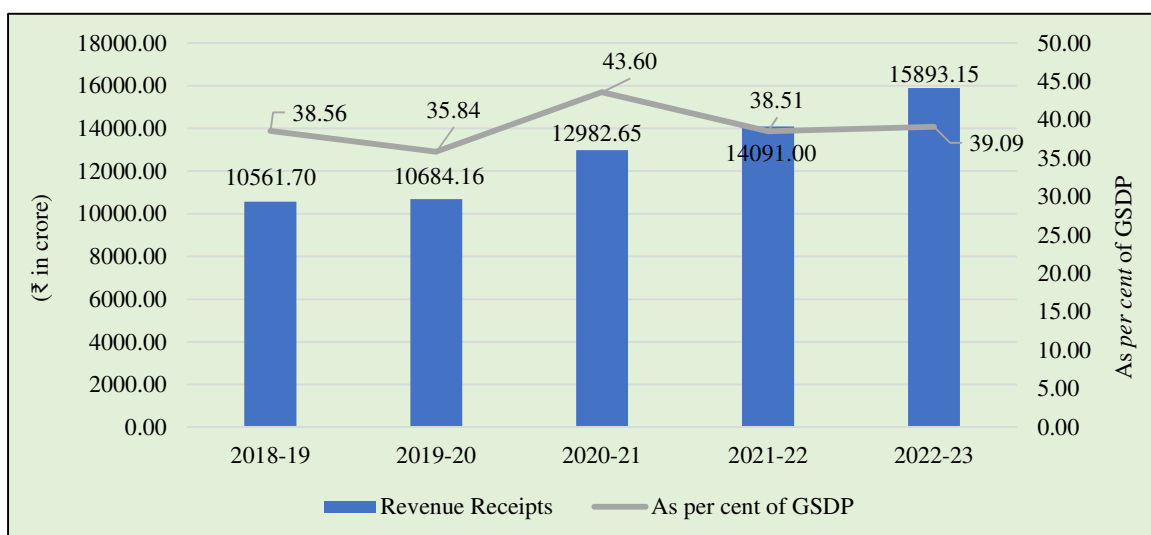
Source: Finance Accounts & Directorate of Economics and Statistics, Manipur.

Q: Quick Estimates, A: Advanced Estimates.

\* Buoyancy ratios have not been shown where growth is negative.

Chart 2.4 shows the trends of Revenue Receipts and its growth rates during 2018-19 to 2022-23.

Chart 2.4: Trends of Revenue Receipts

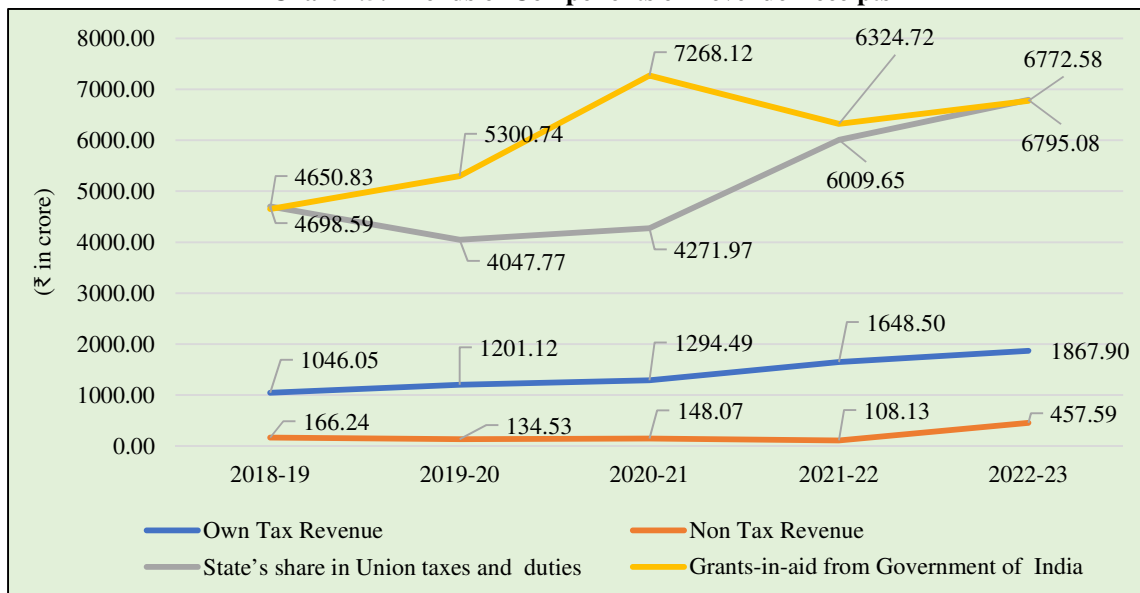


Source: Finance Accounts.

<sup>5</sup> Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

**Chart 2.5** shows the trends of components of Revenue Receipts during 2018-19 to 2022-23.

**Chart 2.5: Trends of Components of Revenue Receipts**



Source: Finance Accounts.

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

- During the period 2018-23, Revenue Receipts increased by ₹ 5,331.45 crore (50.48 per cent) from ₹ 10,561.70 crore in 2018-19 to ₹ 15,893.15 crore in 2022-23. During 2022-23, Revenue Receipts increased by ₹ 1,802.15 crore (12.79 per cent) over the previous year. The increase in Revenue Receipts was mainly due to increase in State's Share of Union Taxes/Duties (₹ 785.43 crore) and Grants-in-aid and Contributions (₹ 447.86 crore) as compared to 2021-22.

Grants-in-aid from GoI increased by ₹ 2,121.75 crore (45.62 per cent) from ₹ 4,650.83 crore in 2018-19 to ₹ 6,772.58 crore in 2022-23. During 2022-23, it increased by ₹ 447.86 crore (7.08 per cent) over the previous year.

- About 14.63 per cent of the Revenue Receipts during 2022-23 came from State's Own Resources while Central Tax Transfer and Grants-in-Aid together contributed 85.37 per cent. Contribution of State's Own Revenue to Revenue Receipts was in the range of 11.11 (2020-21) and 14.63 per cent (2022-23) during the period 2018-23, which shows that there is scope for substantial improvement. The Central Tax Transfer and GIA from GoI contributed 85.37 to 88.89 per cent to the Revenue Receipts and remained the main contributors of Revenue Receipts of the State during 2018-23.
- The Revenue Receipts buoyancy with respect to GSDP increased to 1.15 in 2022-23 against 0.37 in 2021-22 mainly due to increase in the growth rate of Revenue Receipts which was mainly due to more receipts of Grants-in-Aid and Contribution from GoI and more receipts under State's share of Union Taxes and Duties, Non-Tax Revenue and Own Tax Revenue. The spike in own revenue buoyancy in 2022-23 vis-à-vis the previous year was primarily due to increase in Non-Tax revenue and Own Tax revenue.

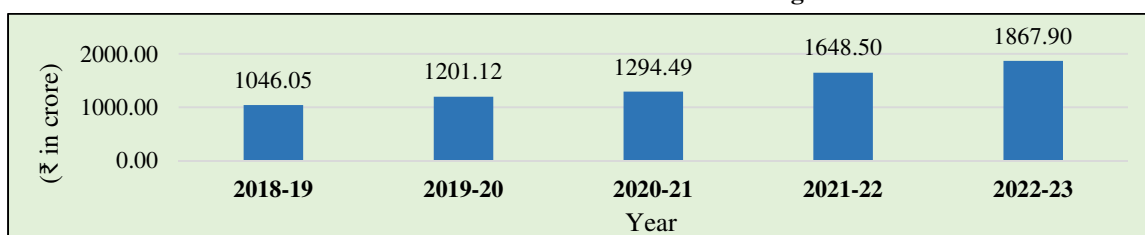
## 2.5.2 State's Own Resources

The gross collections in respect of Tax and Non-Tax Revenue during 2018-23 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 2018-23 are given in the Chart below:

Chart 2.6: Growth of Own Tax Revenue during 2018-23



Source: Finance Accounts.

The component-wise details of Own Tax Revenue collected during 2018-23 are given in the following table:

Table 2.4: Components of State's Own Tax Revenue

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	
					B.E.	Actual
Sales Tax	253.02	235.53	336.45	411.66	450.00	288.89
SGST	694.70	852.58	866.51	1,125.56	1,735.40	1,426.15
State excise	8.18	11.60	11.85	16.00	18.00	19.24
Taxes on vehicles	39.83	47.70	37.96	56.67	80.00	83.21
Stamp duty and Registration fees	17.62	16.60	8.66	7.98	24.00	13.95
Land revenue	3.54	4.10	3.81	3.36	7.00	6.58
Taxes on goods and passengers	1.19	1.60	0.42	0.47	5.00	1.37
Other taxes	27.97	31.41	28.83	26.80	80.60	28.51
<b>Total</b>	<b>1,046.05</b>	<b>1,201.12</b>	<b>1,294.49</b>	<b>1,648.50</b>	<b>2,400.00</b>	<b>1,867.90</b>

Source: Finance Accounts.

As can be seen from the table above, Own Tax Revenue of the State increased by ₹ 821.85 crore from ₹ 1,046.05 crore in 2018-19 to ₹ 1,867.90 crore in 2022-23. During the year 2022-23, State GST (₹ 1,426.15 crore) and Sales Tax (₹ 288.89 crore) were the main contributors of the State's Own Tax Revenue and these two together accounted for 91.82 per cent of the Own Tax Revenue. Further, Own Tax Revenue showed a growth rate of 13.31 per cent in 2022-23 over the previous year 2021-22. However, actual Own Tax Revenue collection was 77.83 per cent against the budget estimates during 2022-23.

### 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 2023 are detailed in the following table:

**Table 2.5: Arrears of Revenue**

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2023	Amount outstanding for more than 5 years as on 31 March 2023
1	Manipur Value Added Tax	1.57	Nil
2	Goods and Services Tax	0.87	Nil
	<b>Total</b>	<b>2.44</b>	<b>Nil</b>

Source: Department of Taxes, Manipur.

It can be seen from the table above that as on 31 March 2023, there were arrears of revenue on Manipur Value Added Tax amounting to ₹ 1.57 crore and GST amounting to ₹ 0.87 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 2.6: Evasion of Tax Detected**

(₹ in crore)

Sl. No.	Head of revenue	Cases pending as on 31 March 2022	Cases detected during 2022-23	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 2023
					No. of cases	Amount of demand	
1	Taxes/VAT on sales, Trade	6	16	22	16	1.57	6
2	GST	19	12	31	14	0.87	17

Source: Department of Taxes, Manipur.

**Table 2.7: 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	58	15.35	NIL	0.00
2	Claims received during the year	97	35.40	1	2.81
3	Refunds made during the year	45	22.29	1	1.48
4	Refunds rejected during the year	20	7.58	NIL	0.00
5	Balance outstanding at the end of year	90	20.88	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 2018-23 is given in the following table:

**Table 2.8: Components of State's Non-Tax Revenue during 2018-23**

(₹ in crore)

Revenue head	2018-19	2019-20	2020-21	2021-22	2022-23	
					B.E.	Actual
Interest Receipts	18.68	6.39	2.25	1.36	15.00	3.15
Dividends and Profits	0.00	0.00	0.00	0.00	0.00	21.62
Other Non-Tax Receipts	147.55	128.14	145.82	106.77	385.00	432.82
a) Misc. General Services	111.37	101.13	123.77	84.23	310.00	81.44
b) Forestry and Wildlife	15.26	9.70	6.65	7.76	40.00	27.52
c) Water Supply and Sanitation	3.33	3.48	4.52	3.36	4.60	31.27
d) Education, Sports, Art and Culture	2.01	2.06	0.46	0.55	2.86	98.08
e) Social Security and Welfare	0.00	0.00	0.00	0.00	0.00	166.91
f) Other or Misc.	15.59	11.77	10.42	10.87	27.54	27.60
<b>Total</b>	<b>166.24</b>	<b>134.53</b>	<b>148.07</b>	<b>108.13</b>	<b>400.00</b>	<b>457.59</b>

Source: Finance Accounts.

Non-Tax Revenue (₹ 457.59 crore), which ranged between 0.77 (2021-22) to 2.88 *per cent* (2022-23) of Revenue Receipts of the State during the period 2018-23, increased by ₹ 349.46 crore (323.19 *per cent*) during 2022-23 over the previous year. The increase was mainly due to increase in receipts under Social Security and Welfare (₹ 166.91 crore), Education, Sports, Art and Culture (₹ 97.53 crore) and Water Supply and Sanitation (₹ 27.91 crore). Collections from Miscellaneous General Services remained the main contributor to Non-Tax Revenue during 2018-23. During the current year, ₹ 166.91 crore was collected under Social Security and Welfare, followed by Education, Sports, Art and Culture (₹ 98.08 crore) and Miscellaneous General Services (₹ 81.44 crore). The actual Non-Tax Revenue collection during 2022-23 was 114.40 *per cent* against the Budget Estimates.

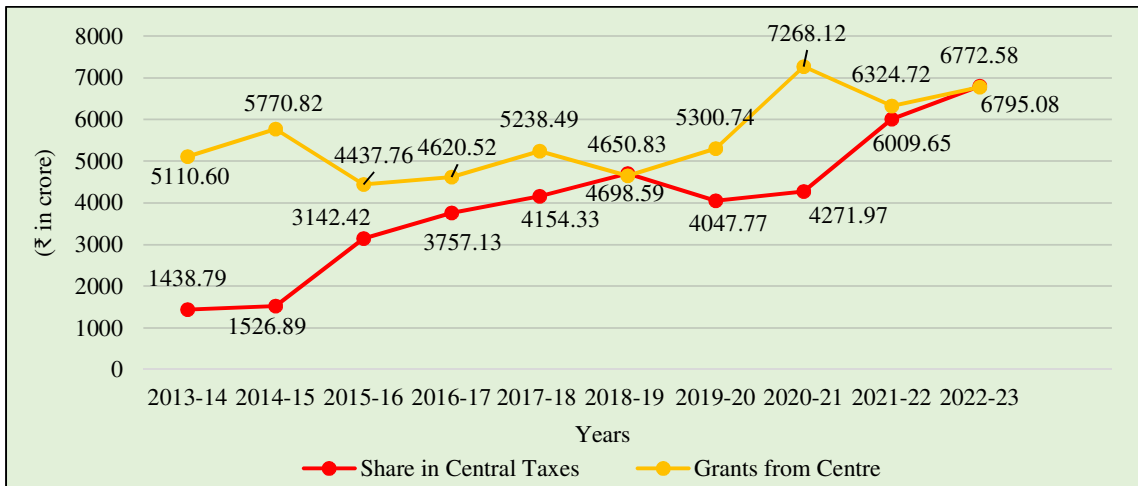
### 2.5.3 Transfers from the Centre

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 *per cent* to 32 *per cent* and 32 *per cent* to 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 2022-23.

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



Source: Finance Accounts.

During the period 2018-23, Central transfers increased by ₹ 4,218.24 crore from ₹ 9,349.42, crore in 2018-19 to ₹ 13,567.66 crore in 2022-23. During the current year, there was an increase of ₹ 1,233.29 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 2.9: 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)
2013-14	0.451 per cent of net proceeds of all shareable taxes excluding service tax and 0.458 per cent of net proceeds of shareable service tax (As per recommendations of XIII FC)	1,501.00	1,438.79	-62.21
2014-15		1,770.00	1,526.89	-243.11
2015-16	0.617 per cent of net proceeds of all shareable taxes excluding service tax and 0.623 per cent of net proceeds of sharable service tax (As per recommendations of XIV FC)	3,579.00	3,142.42	-436.58
2016-17		4,131.00	3,757.13	-373.87
2017-18		4,774.00	4,154.33	-619.67
2018-19		5,522.00	4,698.59	-823.41
2019-20		6,393.00	4,047.77	-2,345.23
2020-21	0.718 per cent of net proceeds of total shareable taxes	6,140.00	4,272.00	-1,868.00
2021-22	0.716 per cent of net proceeds of total shareable taxes	4,716.00	6,009.65	1,293.65
2022-23		5,246.00	6,795.08	1,549.08

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

The details of Central Tax transfers to the State during 2018-23 are given in the following table:

Table 2.10: Central Tax Transfers

(₹ in crore)

Head	2018-19	2019-20	2020-21	2021-22	2022-23	
					B.E.	Actual
Central Goods and Services Tax (CGST)	1,159.70	1,148.62	1,278.63	1,821.06	1,919.94	1,921.28
Integrated Goods and Services Tax (IGST)	92.60	0.00	0.00	0.00	0.00	0.00
Corporation Tax	1,634.06	1,380.12	1,282.37	1,678.44	1,825.72	2,275.34
Taxes on Income other than Corporation Tax	1,203.42	1,081.42	1,313.84	1,853.03	1,763.26	2,225.47
Customs	333.08	256.57	232.98	405.39	253.51	267.30
Union Excise Duties	221.34	178.41	144.48	192.20	78.97	83.86
Service Tax	42.85	0.00	16.92	53.01	5.87	10.64
Other Taxes	11.54	2.63	2.75	6.52	-0.07	11.19
<b>Central Tax transfers</b>	<b>4,698.59</b>	<b>4,047.77</b>	<b>4,271.97</b>	<b>6,009.65</b>	<b>5,847.20</b>	<b>6,795.08</b>
Percentage of increase over previous year	13.10	-13.85	5.54	40.68	22.70	13.07
Percentage of Central tax transfers to Revenue Receipts	44.49	37.89	32.91	42.65	24.52	42.75

Source: Finance Accounts.

Over the five-year period 2018-23, Central Tax transfers increased by 44.62 per cent (₹ 2,096.49 crore) from ₹ 4,698.59 crore in 2018-19 to ₹ 6,795.08 crore in 2022-23. During the current year, there was an increase of ₹ 785.43 crore (13.07 per cent) over the previous year. The increase was mainly due to increase in Corporation Tax (₹ 596.90 crore) and Taxes on Income other than Corporation Tax (₹ 372.44 crore). Central Tax transfers constituted 42.75 per cent of the total Revenue Receipts during 2022-23. Against the Budget Estimates for the year 2022-23, for Central Tax transfer, the actual transfer was 116.21 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 2018-23 are given in the following table:

Table 2.11: Grants-in-Aid from Government of India

(₹ in crore)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23	
					B.E.	Actual
Centrally Sponsored Schemes	2,143.19	2,769.20	3,917.27	3,459.37	12,560.13	4,354.00
Finance Commission Grants	2,103.07	2,117.13	3,085.47	2,674.37	2,600.00	2,387.70
Other transfer/Grants to State	404.57	414.41	265.39	190.98	41.43	30.88
<b>Total</b>	<b>4,650.83</b>	<b>5,300.74</b>	<b>7,268.13</b>	<b>6,324.72</b>	<b>15,201.56</b>	<b>6,772.58</b>
Percentage of increase (+)/ decrease (-) over previous year	-11.22	13.97	37.12	-12.98	6.21	7.08
Total grants as a percentage of Revenue receipts	44.03	49.61	55.98	44.88	63.74	42.61

Source: Finance Accounts.

During 2018-23, GIA from GoI showed a fluctuating trend. During 2022-23, GIA from GoI increased by ₹ 447.86 crore (7.08 per cent) from ₹ 6,324.72 crore in 2021-22 to ₹ 6,772.58 crore in 2022-23. GIA constituted 42.61 per cent of Revenue Receipts and remained the second largest component of the Revenue Receipts. However, the actual GIA was 44.55 per cent against the Budget Estimate during 2022-23.

**Single Nodal Agency**-The Government of India, Ministry of Finance, Department of Expenditure, New Delhi vide Office Memorandum No. 1(13)/PFMS/FCD/2020 dated 8 December 2021 provided that every State Government is required to designate a Single Nodal Agency (SNA) for implementing each Centrally Sponsored Scheme (CSS). The Single Nodal Agency will open Single Nodal Account for each CSS at the State level in a Scheduled Commercial Bank authorised to conduct business by the State Government. Further, as per the new procedure, it is the responsibility of State Government concerned to ensure that the entire unspent amount is returned by all the Implementing Agencies (IAs) to the SNA Account. During 2022-23, the State Government transferred ₹ 3,918.79 crore to the SNA Account. The whole amount was transferred through Fully Vouched Contingent Bills.

**Table 2.12: Details of release of fund to Single Nodal Agency**

(₹ in crore)

Amount released by GoI to State	Central Share released from treasury to SNA	State share released from Treasury to SNA	Total released by Treasury to SNA	Total Expenditure	Balance in the Account of SNA
3,262.51	3,518.33	400.47	3,918.79	3,002.54	1,193.84

Source: Public Finance Management System, 2022-23.

As on 31 March 2023, an amount of ₹ 1,193.84 crore, including both Central and State shares, were parked in SNA bank account of 79 schemes as detailed in **Appendix 2.4**.

Details of schemes where ₹ 10.00 crore and above were lying unspent in SNA bank accounts are shown in the following table:

**Table 2.13: Details of schemes where ₹ 10 crore and above were parked in SNA bank account**

(₹ in crore)

Sl. No.	Particulars of the CSS Scheme	Balance in the Bank Account of SNA
1.	9145 - Rashtriya Krishi Vikas Yojna	36.86
2.	4048 - Assistance to State Agencies for intra-state movement of foodgrains and FPS dealers margin under NFSA	25.00
3.	3095 - Conservation of Aquatic Eco System.	17.91
4.	9157 - Human Resources for Health and Medical Education	148.66
5.	9158 - National Ayush Misson (NAM)	18.91
6.	3194 - Modernisation of Police Forces	12.08
7.	9161 - Border Area Development Program	23.63
8.	9174 - Infrastructure Facilities for Judiciary	10.84
9.	9150 - Jal Jeevan Mission (JJM)/National Rural Drinking Water Mission	172.34
10.	9151 - SBM-Rural (DWS)	17.12
11.	9478 - Mission For Development of 100 Smart Cities	49.43
12.	9556 - Urban Rejuvenation Mission-500 Cities	11.69
13.	3674 - Pradhan Mantri Jan Vikas Karyakaram	77.73
14.	9179 - Pradhan Mantri Gram Sadak Yojna	159.07
15.	9180 - Pradhan Mantri Awas Yojna (PMAY)- Rural	66.00
16.	9181 - National Rural Livelihood Mission	34.52
17.	9219 - Mahatma Gandhi National Rural Guarantee Programme	47.31
18.	3667 - Samagra Shiksha	37.38
19.	2052 - Har Khet Ko Pani	19.99
20.	3993 - PMKSY-Accelerated Irrigation Benefit Programme and National/Special Projects	53.55
21.	3976 - Mission Vatsalya (Child Protection Services and Child Welfare Services)	12.94

Source: Public Finance Management System, 2022-23.

As could be seen from the above table, huge amounts were parked under MH-9150 - Jal Jeevan Mission (JJM)/National Rural Drinking Water Mission (₹ 172.34 crore) and MH-9179 - Pradhan Mantri Gram Sadak Yojna (₹ 159.07 crore).

### 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 Grants-in-aid recommended by the XV FC are shown in the following table:

Table No. 2.14: Recommended Amount and Actual Release of Grants-in-Aid

(₹ in crore)

Grants	Recommendations of the XV FC		Actual Release by GOI		Release by the State Government	
	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
<b>(i) Grants to PRIs</b>	<b>131.00</b>	<b>135.00</b>	<b>65.50</b>	<b>0.00</b>	<b>53.55</b>	<b>10.13</b>
(a) Performance/Tied Grants#	52.40	54.00	NA	NA	NA	NA
(b) Untied Grants	78.60	81.00	NA	NA	NA	NA
<b>(ii) Grants to ULBs</b>	<b>64.00</b>	<b>67.00</b>	<b>0.00</b>	<b>42.50</b>	<b>21.65</b>	<b>18.07</b>
(i) Performance/Tied Grant	38.40	40.20	NA	NA	NA	NA
(ii) General Basic/Untied Grant	25.60	26.80	NA	NA	NA	NA
<b>(iii) Grants for Health Sector</b>	<b>44.00</b>	<b>44.00</b>	<b>42.87</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Grants for Local Bodies (i+ii+iii)</b>	<b>239.00</b>	<b>246.00</b>	<b>108.37</b>	<b>42.50</b>	<b>75.20</b>	<b>28.20</b>
SDRF	42.00	44.00	33.60	35.20	60.00	20.00
<b>Post Devolution Deficit Grant</b>	<b>2,524.00</b>	<b>2,310.00</b>	<b>2,524.00</b>	<b>2,310.00</b>	<b>2,425.00</b>	<b>2,310.00</b>

NA: Not Available.

# For drinking water, rainwater harvesting, SWS and Sanitation.

Source: Report of the 15<sup>th</sup> Finance Commission.

During 2022-23, the Grants recommended by the XV FC for PRIs was ₹ 135 crore (₹ 54 crore under Performance/Tied Grants and ₹ 81 crore under Untied Grants) and for ULBs, the recommended amount was ₹ 67 crore (₹ 40.20 crore under Performance/ Tied Grants and ₹ 26.80 crore under General Basic/Untied Grants). With respect to Health Sector and SDRF, the recommended amounts to be released by the GoI was ₹ 44 crore each. The total amount recommended for Local Bodies during 2022-23 was ₹ 246 crore as against ₹ 239 crore during the previous year.

As can be seen from the table above, during the year 2022-23, out of the amount of ₹ 246 crore recommended by the XV FC for grants to Local bodies for the State, the actual amount released by the GoI was ₹ 42.50 crore (17.28 per cent) and that released by the State Government was ₹ 28.20 crore (11.46 per cent). As compared to the previous year, the total release by the State Government was lower by ₹ 47 crore. During 2022-23, the GoI released ₹ 35.20 crore (100 per cent) of the amount recommended by the XV FC (₹ 35.20 crore) for SDRF 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 2018-23 are given in the following table:



The State's actual Tax and Non-Tax Receipts for the year 2022-23 *vis-à-vis* Budget Estimates and projections made by XV FC are 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>	1,383.00	2,400.00	1,867.90	35.06	(-)22.17
<b>Non-Tax revenue</b>	221.00	399.99	457.59	107.05	14.40

(₹ in crore)

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

During 2022-23, Own Tax Revenue was higher than the XV FC projection by ₹ 484.90 crore (35.06 per cent) and lower than the Budget Estimates by ₹ 532.10 crore (22.17 per cent). Non-Tax Revenue was higher than the XV FC projection and the Budget Estimates by ₹ 236.59 crore (107.05 per cent) and ₹ 57.60 crore (14.40 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 2018-23 are given in the following table:

**Table 2.16: Trends in Growth and Composition of Capital Receipts**

Sources of State's Receipts	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Capital Receipts</b>	<b>1,282.81</b>	<b>1,209.42</b>	<b>1,854.70</b>	<b>1,954.52</b>	<b>2,652.09</b>
Miscellaneous Capital Receipts	0.00	0.00	0.00	0.00	0.00
Recovery of Loans and Advances	0.59	0.80	3.30	2.39	1.10
<b>Public Debt Receipts</b>	<b>1,282.22</b>	<b>1,208.62</b>	<b>1,851.40</b>	<b>1,952.13</b>	<b>2,650.99</b>
<i>Internal Debt*</i>	1,282.22	1,200.71	1,484.03	1,698.27	2,075.65
<i>Growth rate (per cent)</i>	105.63	-6.36	23.60	14.44	22.22
<i>Loans and advances from GoI</i>	0.00	7.91	367.37	253.86	575.34
<i>Growth rate (per cent)</i>	-100.00	#	4,544.37	-30.90	126.64
Rate of growth of Debt Capital Receipts (per cent)	14.64	-5.74	53.18	5.44	35.80
Rate of growth of non-debt Capital Receipts	-92.64	35.59	312.50	-27.58	-53.97
Rate of growth of GSDP (per cent)	6.20	8.85	-0.12	22.90	11.12
Rate of growth of Capital Receipts (per cent)	13.88	-5.72	53.35	5.38	35.69

(₹ in crore)

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

\* Including net of Ways and Means Advances (WMAs).

# Growth rate cannot be calculated as the value of the previous year was negative.

During the period 2018-23, Capital Receipts increased by ₹ 1,369.28 crore (106.74 per cent) from ₹ 1,282.81 crore in 2018-19 to ₹ 2,652.09 crore in 2022-23 (excluding off-budget borrowings of ₹ 180.51 crore). During 2022-23, Capital Receipts increased by ₹ 69.57 crore (35.69 per cent) over the previous year. The increase was mainly due to increase in Loans and Advances from Government of India (₹ 321.48 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

**Revenue Expenditure:** Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day-to-day running of the organisation, including establishment and administrative expenses shall be classified as revenue expenditure.

**Capital Expenditure:** All charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also charges for such further additions and improvements as may be sanctioned under the rules made by competent authority shall be classified as capital expenditure.

**Loans and Advances:** Loans and advances by the Government to Public Sector Undertakings (PSU) and other parties.

The Total Expenditure, its composition and relative share in GSDP during the years 2018-23 is presented in the following table:

Table 2.17: Total Expenditure and its Composition

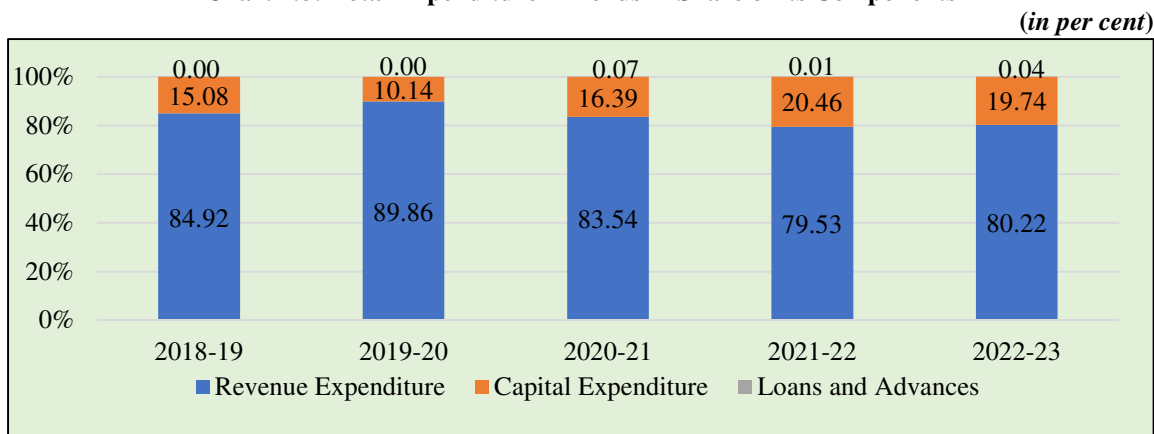
Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Total Expenditure (TE)</b>	11,479.49	11,393.87	14,877.85	15,896.58	17,650.80
<b>Revenue Expenditure (RE)</b>	9,748.72	10,238.63	12,428.47	12,642.15	14,158.98
<b>Capital Expenditure (CE)</b>	1,730.64	1,155.24	2,439.18	3,252.80	3,484.24
<b>Loans and Advances</b>	0.13	0.00	10.20	1.63	7.58
<b>As a percentage of GSDP</b>					
<b>TE/GSDP</b>	41.91	38.22	49.97	43.44	43.41
<b>RE/GSDP</b>	35.59	34.34	41.74	34.55	34.82
<b>CE/GSDP</b>	6.32	3.87	8.19	8.89	8.57

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

During the period 2018-23, Total Expenditure of the State increased by ₹ 6,171.31 crore (53.76 per cent) from ₹ 11,479.49 crore in 2018-19 to ₹ 17,650.80 crore in 2022-23. During the year 2022-23, it increased by 11.04 per cent over the previous year mainly due to increase in both Revenue Expenditure (₹ 1,516.83 crore) and Capital Expenditure (₹ 231.44 crore). Both Total Expenditure and Revenue Expenditure as per cent of GSDP showed a fluctuating trend during 2018-23. The trends in 'Share of Components' of Total Expenditure during the period 2018-23 is given in **Chart 2.8:**



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



Source: Finance Accounts.

As is evident from above, both Revenue Expenditure and Capital Expenditure exhibited a fluctuating trend during 2018-23. Capital Expenditure showed a decreasing trend during 2022-23. Capital Expenditure as a percentage of Total Expenditure decreased from 20.46 per cent in 2021-22 to 19.74 per cent in 2022-23. The Revenue Expenditure as a percentage of Total Expenditure increased from 79.53 per cent in 2021-22 to 80.22 per cent in 2022-23.

Details for the year 2022-23 are shown in *Appendix 2.1*. Relative shares of these components in the Total Expenditure during 2018-23 are given in the following table:

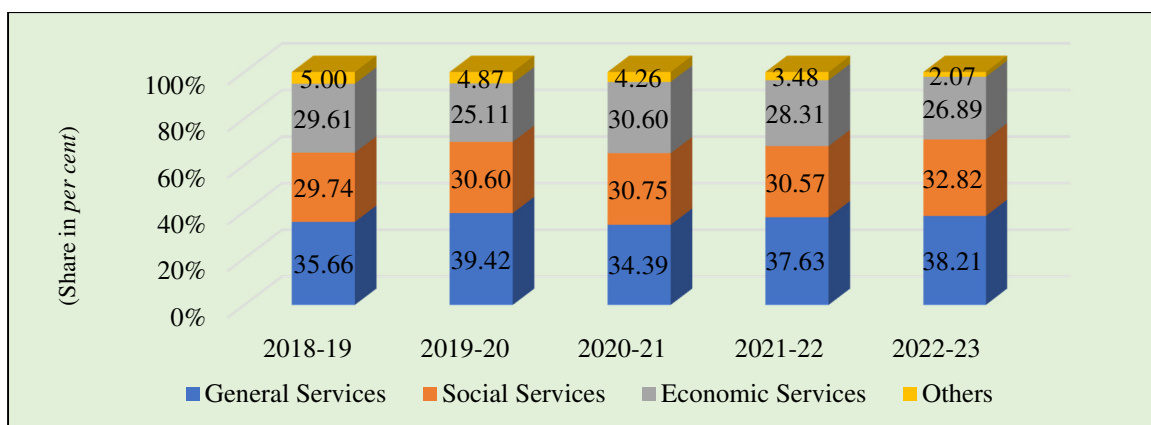
Table 2.18: Relative share of various sectors of expenditure

(in per cent)

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
General Services	35.66	39.42	34.39	37.63	38.21
Social Services	29.74	30.60	30.75	30.57	32.82
Economic Services	29.61	25.11	30.60	28.31	26.89
Others (Grants to Local Bodies and Loans and Advances)	5.00	4.87	4.26	3.48	2.07

Source: Finance Accounts.

Chart 2.9: Total Expenditure - Expenditure by activities

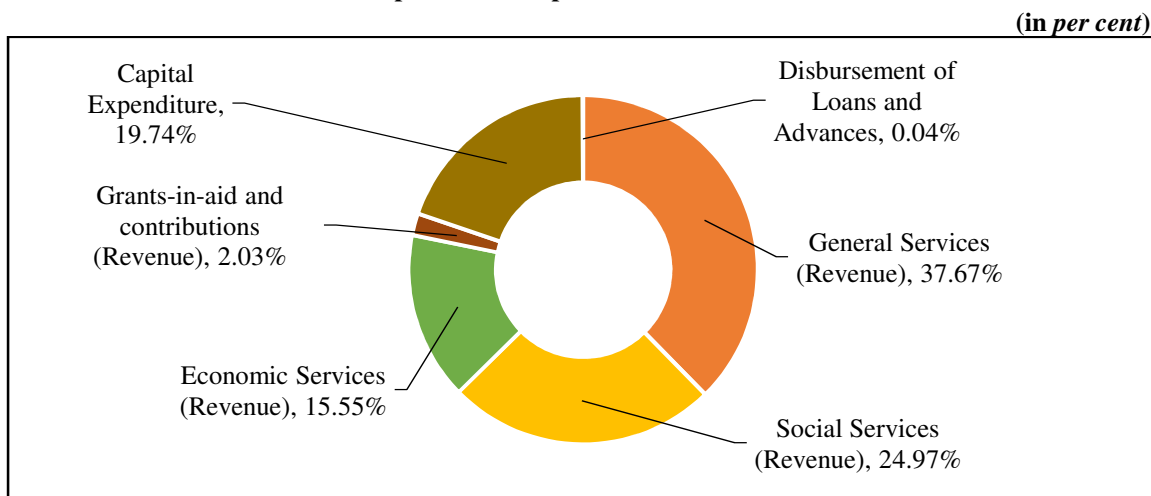


Source: Finance Accounts.

The relative shares of Economic Services and Others in the Total Expenditure decreased by 1.42 per cent and 1.41 per cent respectively during 2022-23 over the previous year. These decreases were, however, offset by increases in relative shares under Social Services by 2.25 per cent and General Services by 0.58 per cent.

The composition of Total Expenditure out of Consolidated Fund of the State during the year 2022-23 is depicted in the following chart:

**Chart 2.10: Composition of Expenditure out of Consolidated Fund**



Source: Finance Accounts.

## 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, 83.61 per cent (ranging from 79.53 per cent to 89.86 per cent) of the Total Expenditure during the period 2018-23. Rate of growth of Revenue Expenditure had wide fluctuation during the five-year period 2018-23. 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 2.20** and the sectoral distribution of Revenue Expenditure pertaining to 2022-23 is given in **Chart 2.11**.

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

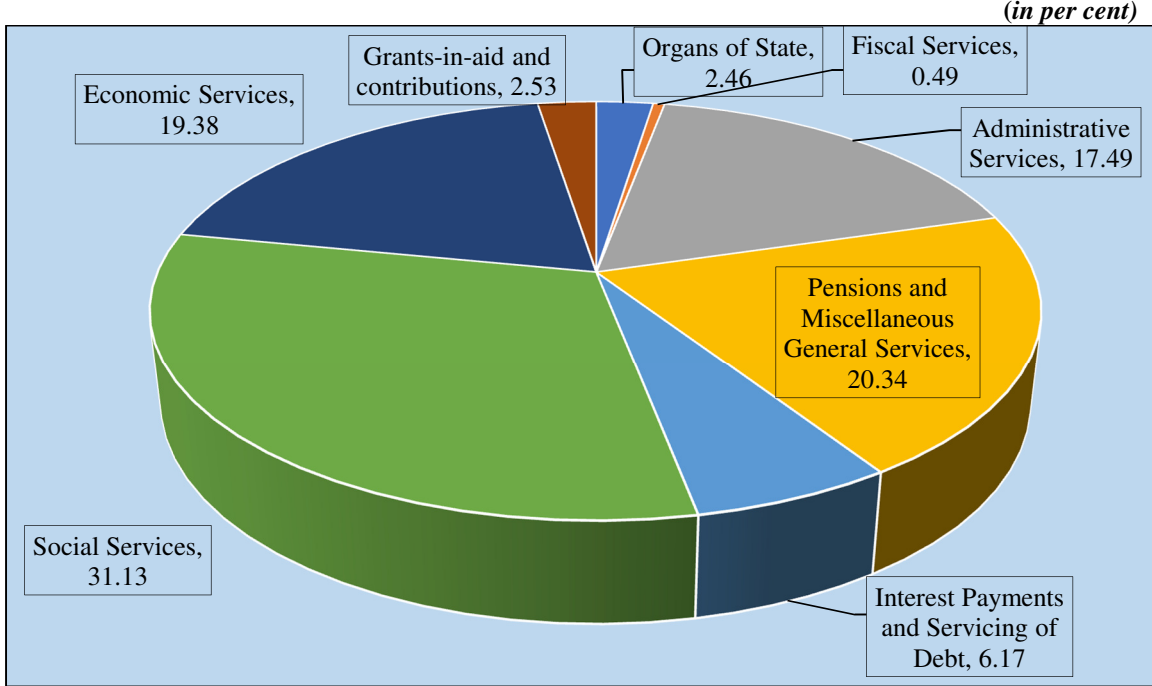
(₹ in crore)

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Total Expenditure (TE)</b>	11,479.49	11,393.87	14,877.85	15,896.58	17,650.80
<b>Revenue Expenditure (RE)</b>	9,748.72	10,238.63	12,428.47	12,642.15	14,158.98
<b>Rate of Growth of RE (per cent)</b>	5.12	5.03	21.39	1.72	12.00
<b>Revenue Expenditure as percentage of TE</b>	84.92	89.86	83.54	79.53	80.22
<b>RE/GSDP (per cent)</b>	35.59	34.34	41.74	34.55	34.82
<b>Revenue Receipts</b>	10,561.70	10,684.16	12,982.65	14,091.00	15,893.15
<b>Rate of Growth of RR (per cent)</b>	1.97	1.16	21.51	8.54	12.79
<b>RE as percentage of RR</b>	92.30	95.83	95.73	89.72	89.09
<b>Rate of Growth of GSDP (per cent)</b>	6.20	8.85	-0.12	22.90	11.12
<b>Buoyancy of Revenue Expenditure with</b>					
<b>GSDP (ratio)</b>	0.83	0.57	#	0.08	1.08
<b>Revenue Receipts (ratio)</b>	2.60	4.33	0.99	0.20	0.94

Source: Finance Accounts.

# Buoyancy ratio is not calculated where growth is negative.

Chart 2.11: Sectoral distribution of Revenue Expenditure during 2022-23



Source: Finance Accounts.

During the period 2018-23, Revenue Expenditure as a percentage of GSDP showed a fluctuating trend. During the year 2022-23, it increased by 0.27 *per cent* over the previous year. Buoyancy of Revenue Expenditure *vis-à-vis* Revenue Receipts increased from 0.20 *per cent* in 2021-22 to 0.94 *per cent* in 2022-23.

### 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 2022-23 compared to 2021-22

(₹ in crore)

Major Heads of Account	2021-22	2022-23	Increase (+)/ Decrease (-)
2071-Pensions and other Retirement Benefits	2,439.17	2,880.43	441.26
2202-General Education	1,668.62	2,043.72	375.10
2235-Social Security and Welfare	296.23	585.68	289.45
2049-Interest Payment	690.80	874.19	183.39
2515-Other Rural Development Programmes	145.25	311.90	166.65
2217-Urban Development	71.55	213.47	141.92
3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	551.66	358.63	-193.03
2801-Power	424.32	311.39	-112.93
2236-Nutrition	156.65	61.27	-95.38

Source: Finance Accounts.

The reasons for increase/decrease during 2022-23 over the previous year are shown below:

- increase of ₹ 441.26 crore (18.09 *per cent*) under 'Pensions and other Retirement Benefits', which was mainly due to increase of ₹ 293.43 crore in 'Superannuation and Retirement Allowances', ₹ 113.52 crore in 'Government Contribution for Defined Contribution Pension Scheme' and ₹ 62.20 crore in 'Pensions of Employees of Local Bodies'.

- increase of ₹ 375.10 crore (22.48 per cent) under ‘General Education’, which was mainly due to increase of ₹ 3980.21 crore in ‘Government Secondary Schools’, ₹ 364.38 crore in ‘Other Expenditure’ and ₹ 127.39 crore in ‘Government Primary Schools’.
- increase of ₹ 289.45 crore (97.71 per cent) under ‘Social Security and Welfare, which was mainly due to increase of ₹ 243.85 crore in ‘Child Welfare’, ₹ 23.89 crore in ‘National Old Age Pension Scheme’ and ₹ 16.81 crore in ‘Welfare of Handicapped’.
- increase of ₹ 183.39 crore (26.55 per cent) under ‘Interest Payment’, which was mainly due to increase of ₹ 194.12 crore in ‘Interest on Market Loan’, ₹ 2.52 crore in ‘Interest on Loans for State/Union Territory Plan Schemes’ and ₹ 2.49 crore in ‘Management of Debt’.
- increase of ₹ 166.65 crore (114.74 per cent) under ‘Other Rural Development Programmes’, which was mainly due to increase of ₹ 159.03 crore in ‘Other Expenditure’, ₹ 5.67 crore in ‘Direction and Administration’ and ₹ 4.43 crore in ‘Community Development’.
- increase of ₹ 141.92 crore (198.34 per cent) under ‘Urban Development’, which was mainly due to increase of ₹ 142.84 crore in ‘Other Expenditure’ and ₹ 3.51 crore in ‘Assistance to Local Bodies Corporations, Urban Development Authorities, Town Improvement Board, etc.’
- decrease of ₹ 193.03 crore (34.99 per cent) under ‘Compensation and Assignments to Local Bodies and Panchayati Raj Institutions’, which was due to decrease of ₹ 193.03 crore in ‘Other Miscellaneous Compensations and Assignments’.
- decrease of ₹ 112.93 crore (26.61 per cent) under ‘Power’, which was due to decrease of ₹ 113.69 crore in ‘Other Expenditure’ partially offset by increase of ₹ 76.39 crore in ‘Direction and Administration’.
- decrease of ₹ 95.38 crore (60.89 per cent) under ‘Nutrition’, which was due to decrease of ₹ 95.38 crore in ‘Special Nutrition Programmes’.

### 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. It has first charge on Government Resources.

Apart from the above, there are certain items of *inflexible expenditure* which cannot be ordinarily altered or varied or are statutorily required on an annual basis, unlike for variable transactions such as capital expenditure, etc. For example, the following items may be considered as inflexible expenditure:

- i. Devolution to local bodies-statutory devolutions to local bodies for pay and allowances (devolution/transfer for capital expenditure).

- ii. Statutory requirements of contribution to Reserve Funds - Contribution to Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF), State Disaster Mitigation/Response Fund (SDMF/SDRF), etc.
- iii. Recoupment of Contingency Fund-Amount recouped within the year.
- iv. Transfer of cess to Reserve Funds/other body, which are statutorily required.
- v. Share contribution of CSS against the Central Fund received - Amount of State share to be transferred to SNAs/spent by the State.
- vi. Payment of interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure-Interest Payment.

Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector. The trends in the components of committed and inflexible expenditure along with percentage of committed expenditure to Revenue Receipts and Revenue Expenditure during 2018-23 is given in the following table and chart:

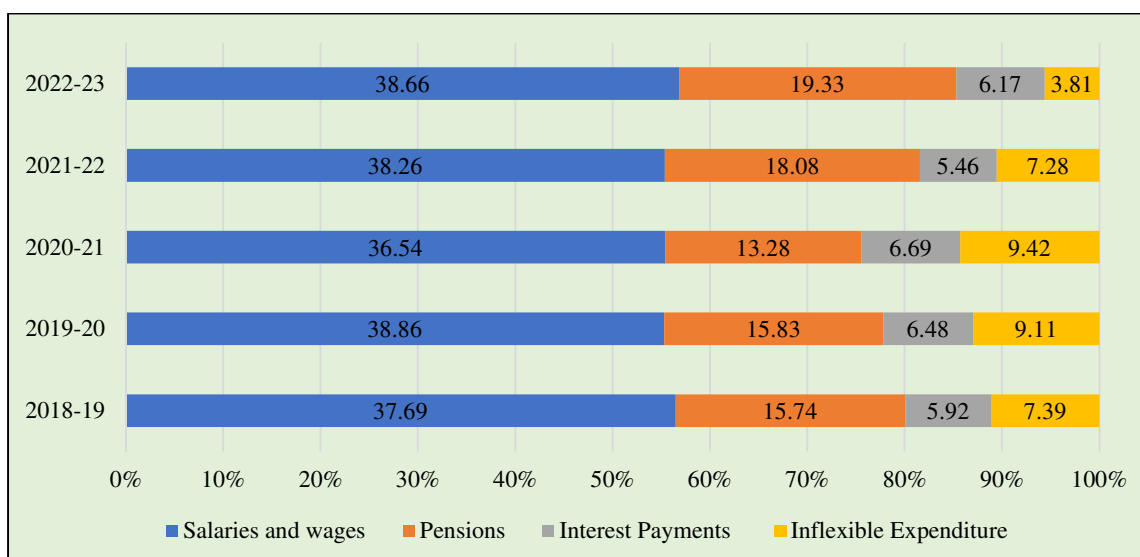
**Table 2.21: Components of Committed and Inflexible Expenditure**

(₹ in crore)					
Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries and wages	3,673.85	3,978.35	4,541.55	4,837.40	5,473.87
Expenditure on Pensions	1,534.26	1,620.80	1,650.43	2,286.13	2,737.45
Interest Payments	577.21	663.54	831.60	690.80	874.19
<b>Total</b>	<b>5,785.32</b>	<b>6,262.69</b>	<b>7,023.58</b>	<b>7,814.33</b>	<b>9,085.51</b>
Components of Inflexible Expenditure					
Statutory devolution to local bodies	572.25	555.12	623.39	551.66	358.63
<b>Contribution to Reserve Funds</b>	<b>0.00</b>	<b>2.00</b>	<b>31.13</b>	<b>2.50</b>	<b>0.00</b>
<i>SDRF (2245-05-101) Non Development</i>	0.00	2.00	0.00	2.50	0.00
<i>SDMF (2245-08-101) Non Development</i>	0.00	0.00	0.00	0.00	0.00
<i>Consolidated Sinking fund</i>	0.00	0.00	31.13	0.00	0.00
<i>Guarantee Redemption Fund</i>	0.00	0.00	0.00	0.00	0.00
<b>Recoupment of Contingency Fund</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Transfer of cess to Reserve Funds/other body</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Share contribution of CSS against the Central Fund received</b>	<b>148.65</b>	<b>375.42</b>	<b>516.29</b>	<b>365.71</b>	<b>180.84</b>
<b>Payment of interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure-Interest payment</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total</b>	<b>720.90</b>	<b>932.54</b>	<b>1,170.81</b>	<b>919.87</b>	<b>539.47</b>
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	34.78	37.24	34.98	34.33	34.44
Expenditure on Pensions	14.53	15.17	12.71	16.22	17.22
Interest Payments	5.47	6.21	6.41	4.90	5.50
<b>Total</b>	<b>54.78</b>	<b>58.62</b>	<b>54.10</b>	<b>55.46</b>	<b>57.17</b>
<b>Inflexible expenditure</b>	<b>6.83</b>	<b>8.73</b>	<b>9.02</b>	<b>6.53</b>	<b>3.39</b>
<b>Total</b>	<b>61.60</b>	<b>67.34</b>	<b>63.12</b>	<b>61.98</b>	<b>60.56</b>

As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	37.69	38.86	36.54	38.26	38.66
Expenditure on Pensions	15.74	15.83	13.28	18.08	19.33
Interest Payments	5.92	6.48	6.69	5.46	6.17
<b>Total</b>	<b>59.34</b>	<b>61.17</b>	<b>56.51</b>	<b>61.81</b>	<b>64.17</b>
Inflexible expenditure	7.39	9.11	9.42	7.28	3.81
<b>Total</b>	<b>66.74</b>	<b>70.28</b>	<b>65.93</b>	<b>69.09</b>	<b>67.98</b>
Non-committed RE	3,963.40	3,975.94	5,404.89	4,827.82	5,073.47
Percentage of RE	40.66	38.83	43.49	38.19	35.83
Percentage of TE	34.53	34.90	36.33	30.37	28.74
Subsidies	120.36	120.11	120.08	120.31	120.18
Subsidies as a percentage of non-committed expenditure	3.04	3.02	2.22	2.49	2.37

Source: Finance Accounts.

Chart 2.12: Committed Expenditure as per cent of Revenue Expenditure



Source: Finance Accounts.

Thus, the Committed Expenditure constituted 50 per cent or more of Revenue Expenditure during the five-year period from 2018-19 to 2022-23.

During the period 2018-23, the inflexible expenditure showed a continued increase from ₹ 720.90 crore (2018-19) to ₹ 1,170.81 (2020-21) and then a continued decrease to ₹ 539.47 crore (2022-23). As a percentage of Revenue Expenditure, it showed a continued increase from 7.39 per cent (2018-19) to 9.42 per cent (2020-21) and then a continued decrease to 3.81 per cent (2022-23). During the current year, there was a decrease of ₹ 380.40 crore (41.35 per cent) over the previous year mainly due to decrease in Statutory Devolution to Local Bodies (₹ 193.03 crore).

### 2.7.3.1 Salaries and Wages

Expenditure on Salaries and Wages showed an increasing trend from ₹ 3,673.85 crore in 2018-19 to ₹ 5,473.87 crore in 2022-23. During 2022-23, the Salaries and Wages component had increased by ₹ 636.47 crore (13.16 per cent) over the previous year and accounted for 38.66 per cent of Revenue Expenditure.

### 2.7.3.2 Interest Payments

Interest Payments increased steadily from ₹ 577.21 crore in 2018-19 to ₹ 831.60 crore in 2020-21 but decreased to ₹ 690.80 crore in 2021-22 and again increased to ₹ 874.19 crore. During the current year, Interest on Internal Debt (₹ 750.61 crore) constituted the major component of Interest Payments and accounted for 85.86 per cent followed by Small Savings, Provident Fund, etc. 12.32% (₹ 107.68 crore), Loans & Advances from GoI 1.80% (₹ 15.70 crore) and Other Obligations 0.02% (₹ 0.19 crore).

### 2.7.3.3 Pension Payments

During the period 2018-23, expenditure on Pension Payments increased from ₹ 1,534.26 crore in 2018-19 to ₹ 2,737.45 crore in 2022-23. During the current year, Pension Payments increased by 19.74 per cent (₹ 451.32 crore) over the previous year. The increase was mainly due to increase in payment of Superannuation and Retirement Allowances 25.35% (₹ 293.43 crore) and Government Contribution for Defined Contribution Pension Scheme 107.02% (₹ 113.52 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 2023, the total number of State Government employees eligible for NPS was 49,500 and the total number of employees to whom Permanent Retirement Account Number (PRAN) had been issued was 48,633.

The position of contribution made under NPS by the employees and the Government and transfer of funds to NSDL/Trustee Bank during 2018-23 is shown in the following table:

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

(₹ in crore)

Year	Opening Balance	Details of contribution			Short contribution by Government	Amount transferred to NSDL	Closing Balance (2+5-7)
		Employee	Government	Total			
1	2	3	4	5 (3+4)	6 (3-4)	7	8
Up to 2018-19	0.00	564.21	411.68	975.89	152.53	839.85	136.04
2019-20	136.04	141.03	180.55	321.58	-39.52	251.00	206.62
2020-21	206.62	168.34	160.54	328.88	7.80	432.00	103.50
2021-22	103.50	185.62	106.07	291.69	79.55	212.43	182.76
2022-23	182.76	230.07	219.58	449.65	10.49	440.47	191.94
<b>Total</b>		<b>1,289.27</b>	<b>1,078.42</b>	<b>2,367.69</b>	<b>210.85</b>	<b>2,175.75</b>	

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

Source: Finance Accounts.

During the year 2022-23, total contribution to the NPS which is a Defined Contribution Pension Scheme was ₹ 449.65 crore (Employees' contribution = ₹ 230.07 crore and Government's contribution = ₹ 219.58 crore). The detailed information on Government



contribution is available in Statement No. 15 of the Finance Accounts. The Government transferred ₹ 440.47 crore to the Fund. The Government's contribution to the NPS was less by ₹ 10.49 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 2022-23 was ₹ 1,289.27 crore (including ₹ 564.21 crore for the years up to 2018-19) and ₹ 1078.42 crore (including ₹ 411.68 crore for the years up to 2018-19) respectively, resulting in a shortfall of Government's matching share of ₹ 210.85 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 ₹ 182.76 crore as on 1 April 2022 attracted interest liabilities of ₹ 12.98<sup>6</sup> crore, which may also have to be included at the time of transferring the employer's contribution to NSDL. As on 31 March 2023, a cumulative balance of ₹ 191.14 crore contributed under the Scheme remained to be transferred to NSDL/Trustee Bank.

Thus, there was a short transfer of funds of ₹ 402.79 crore (short contribution of ₹ 210.85 crore plus ₹ 191.94 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 avoid creation of accumulated liabilities in the coming years.

#### 2.7.4 Subsidies

During the period 2018-23, expenditure booked under subsidies depicted a fluctuating trend. However, subsidies as a percentage of Revenue Receipts and Revenue Expenditure showed a decreasing trend during the period. Details are shown in the following table:

Table 2.23: Expenditure on subsidies during 2018-23

	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Subsidies (₹ in crore)</b>	120.36	120.11	120.08	120.31	120.18
<b>Power Subsidy (₹ in crore)</b>	120.00	120.00	120.00	120.00	120.00
<b>Subsidies as a percentage of Revenue Receipts</b>	1.14	1.12	0.92	0.85	0.76
<b>Subsidies as a percentage of Revenue Expenditure</b>	1.23	1.17	0.97	0.95	0.85
<b>Subsidies as a percentage of Total Expenditure</b>	1.05	1.05	0.81	0.76	0.68
<b>Subsidies as a percentage of Revenue Deficit/Surplus</b>	14.80	26.96	21.67	8.30	6.93
<b>Power Subsidy as percentage of Total Subsidy</b>	99.70	99.91	99.93	99.74	99.85

Source: Finance Accounts.

During the current year, the subsidies decreased by a negligible amount of ₹ 0.13 crore (0.11 per cent) over the previous year. The decrease was mainly due to decrease in subsidy of Co-operation Department (₹ 0.20 crore) on account of Misc. Co-operative Societies (₹ 0.18 crore) and Financial Assistance to Manipur Handloom Weavers Co-operative Society Limited (₹ 0.20 crore).

<sup>6</sup> Interest calculated as per the rate of interest notified by the Government to General Provident Fund @7.1 per cent.



Power subsidy constituted 99.85 *per cent* of the total subsidies and the subsidies contributed 6.93 *per cent* to 26.96 *per cent* to the revenue deficit during 2018-23.

(i) Implicit Subsidies

Implicit subsidies arise when the Government provides social and economic goods/services at a price lesser than the cost of goods and services incurred by the Government. It can be indirect or in kind or can be given as concessions.

### 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 2018-23 is presented in the table below:

Table 2.24 Financial Assistance to Local Bodies *etc.*

(₹ in crore)					
Financial Assistance to Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
<b>(A) Local Bodies</b>					
Municipal Corporations and Municipalities	42.92	45.29	117.34	25.67	17.79
Panchayati Raj Institutions	58.93	37.76	116.57	98.51	35.76
<b>Total (A)</b>	<b>101.85</b>	<b>83.05</b>	<b>233.91</b>	<b>124.18</b>	<b>53.55</b>
<b>(B) Others</b>					
Educational Institutions (Aided Schools, Aided Colleges, Universities, <i>etc.</i> )	240.44	318.59	241.03	105.73	94.09
Hospitals and Other Charitable Institutions	252.11	249.88	324.47	339.50	205.99
Other Institutions	1,911.42	2,000.64	2,947.67	2,336.22	2,281.53
<b>Total (B)</b>	<b>2,403.97</b>	<b>2,569.11</b>	<b>3,513.17</b>	<b>2,781.45</b>	<b>2,581.61</b>
<b>Total (A+B)</b>	<b>2,505.82</b>	<b>2,652.16</b>	<b>3,747.08</b>	<b>2,905.63</b>	<b>2,635.16</b>
<b>GIA for creation of Capital assets</b>	2,505.82	347.31	325.40	347.02	165.75
<b>GIA for non-salary</b>	1,003.56	1,149.94	2,090.03	1,313.11	1,373.07
<b>GIA given in kind</b>	Information not provided by the State Government				
Revenue Expenditure	9,748.72	10,238.63	12,428.47	12,642.15	14,158.98
Assistance as percentage of Revenue Expenditure	25.70	25.90	30.15	22.98	18.61

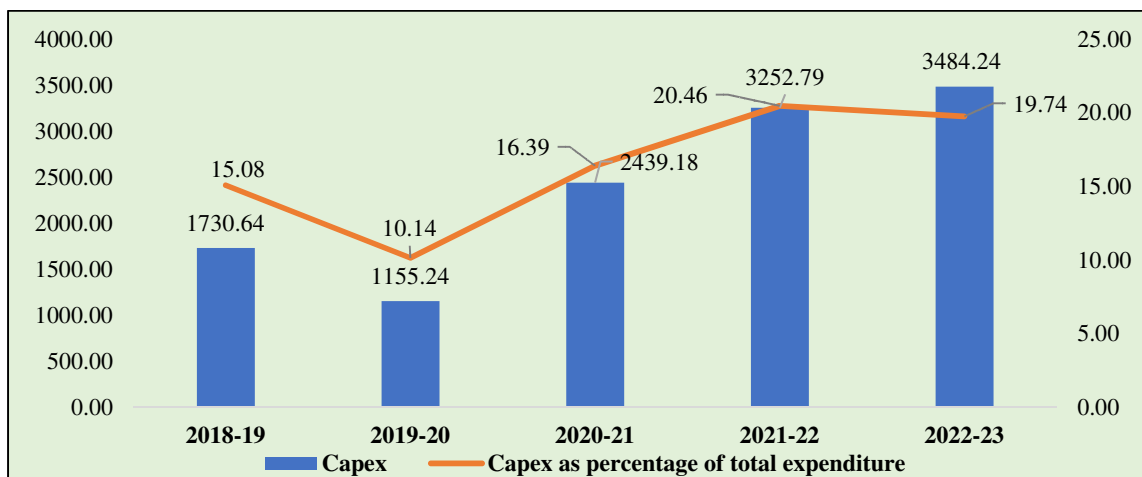
Source: Finance Accounts.

The total financial assistance to Local Bodies and Other Institutions showed a fluctuating trend during 2018-23. During 2022-23, financial assistance was decreased by ₹ 270.47 crore as compared to 2021-22 mainly due to less assistance to local bodies, hospitals and other charitable institutions. Financial assistance was 18.61 *per cent* of Revenue Expenditure as compared to 22.98 *per cent* in 2021-22.

### 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 2018-23 are given below:

Chart 2.13: Capital Expenditure in the State



Source: Finance Accounts.

During the year 2022-23, Capital Expenditure increased by ₹ 231.45 crore (7.12 per cent) from ₹ 3,252.79 crore in 2021-22 to ₹ 3,484.24 crore in 2022-23. The State could expend only 39.91 per cent (₹ 3,484.24 crore) of the budget allocation (₹ 8,729.69 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 2018-23. In terms of magnitude of expenditure, Capital Expenditure during 2022-23 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 2022-23 vis-à-vis the previous year as given in the following table:

Table 2.25: Capital Expenditure during 2022-23 compared to 2021-22

Major Heads of Accounts	2021-22	2022-23	Increase (+)/
			Decrease (-)
4575- Capital Outlay on Other Special Areas Programmes	231.85	489.82	(+)257.97
5054- Capital Outlay on Roads and Bridges	442.94	651.69	(+)208.75
4210- Capital Outlay on Medical and Public Health	72.75	194.92	(+)122.17
4711- Capital Outlay on Flood Control Projects	22.09	69.01	(+)46.92
4700 Capital Outlay on Major Irrigation	117.84	135.74	(+)17.90
4515- Capital Outlay on Other Rural Development	839.58	497.24	(-)342.34
5452- Capital Outlay on Tourism	73.73	17.97	(-)55.76
4202- Capital Outlay on Education, Sports, Art and Culture	106.06	72.55	(-)33.51
4702- Capital Outlay on Minor Irrigation	39.19	19.62	(-)19.57

Source: Finance Accounts.

The increase in Capital Expenditure during 2022-23 over the previous year was mainly due to increase in Capital Outlay on Special Areas Programmes (₹ 257.97 crore), Capital Outlay on Roads and Bridges (₹ 208.75 crore) and Capital Outlay on Medical and Public Health (₹ 122.17 crore) offset by decrease mainly in Capital Outlay on Other Rural Development (₹ 342.34 crore), Capital Outlay on Tourism (₹ 55.76 crore), Capital Outlay on Education, Sports, Art and Culture (₹ 33.51 crore) and Capital Outlay on Minor Irrigation (₹ 19.57 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 2022-23, there were 153 incomplete projects which were due to be completed by 31 March 2023. Age profile of these incomplete projects based on the year of sanction or year of start of these projects as on 31 March 2023 is given in the table below:

**Table 2.26: Age profile of incomplete projects as on 31 March 2023**

(₹ in crore)

Year	No. of incomplete projects	Estimated cost	Expenditure
2014	2	2.74	0.11
2015	1	2.10	0.86
2016	3	20.72	40.62
2017	16	161.77	58.58
2018	28	81.95	35.15
2019	33	257.07	106.79
2020	39	199.89	105.55
2021	22	924.34	69.96
2022	9	39.43	13.67
	<b>153</b>	<b>1,690.02</b>	<b>431.31</b>

Source: Finance Accounts.

**Table 2.27: Department-wise profile of incomplete projects as on 31 March 2023**

(₹ in crore)

Sl. No.	Department	No. of incomplete projects	Estimated cost/Initial budget cost	Expenditure up to 31 March 2023
1.	Education Department	3	47.50	36.18
2.	Public Works Department (PWD)	66	1,041.52	119.60
3.	Tourism Department	1	10.31	33.96
4.	Department of Information Technology (IT)	1	2.40	1.84
5.	Department of Minorities and Other Backward Classes (MOBC)	82	588.29	239.73
	<b>Total</b>	<b>153</b>	<b>1,690.02</b>	<b>431.31</b>

Source: Finance Accounts.

It was further noticed that out of the 153 incomplete projects as on 31 March 2023, the oldest incomplete projects pertain to the year 2013-14.

Project cost in respect of one incomplete project under Department of Tourism was revised from ₹ 10.31 crore to ₹ 36.27 crore, an increase of ₹ 25.96 crore from the original estimated cost.

As on 31 March 2023, there were 153 incomplete projects involving a total budgeted cost of ₹ 1,690.02 crore on which an expenditure of ₹ 431.31 crore had already been incurred. The 153 incomplete projects pertain to five Departments viz. Education Department, Public Works Department, Tourism Department, Department of Information Technology and Department of Minorities and Other Backward Classes. 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 153 projects lying incomplete, the highest number of incomplete projects pertains to the Department of Minorities and Other Backward Classes (82 cases with an estimated cost/Initial budget cost of ₹ 588.29 crore and expenditure of ₹ 239.73 crore up to 31 March 2023).

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

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

#### **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 2023, the State Government had invested ₹ 237.03 crore<sup>7</sup> in two Statutory Corporations, one Rural Bank, 18 SPSUs and 3135 Co-operative Institutions and Local Bodies.

During 2022-23, an amount of ₹ 5.00 crore was invested in one Government Company viz. Manipur Food and Distribution Corporation Limited. Against this, the State Government could earn a return of ₹ 21.62 crore as dividend in one Government Company<sup>8</sup> during 2022-23 as shown in the following table:

**Table 2.28: Return on Investment**

Investment/return/ cost of borrowings	2018-19	2019-20	2020-21	2021-22	2022-23
Investment at the end of the year (₹ in crore)	206.32	214.12	227.84	232.02	237.02
Return (₹ in crore)	0.0004	0.00	0.00	0.00	21.62
Return (per cent)	0.0	0.0	0.0	0.0	9.12
Average interest Rate of Outstanding Public Debt (per cent)	7.44	7.84	8.86	5.84	6.60
Difference between interest rate and return (per cent)	7.44	7.84	8.86	5.84	(-) 2.52
Difference between return on investment and interest on Government borrowings (₹ in crore)	(-) 468.88	(-) 547.53	(-) 720.52	(-) 576.84	(-) 744.70

Source: Finance Accounts.

During the five-year period of 2018-23, the State Government's investments had increased by ₹ 38.69<sup>9</sup> crore. Against the amount of return of ₹ 21.62 crore during 2022-23, the State Government paid an average interest rate ranging from minus 2.52 per cent to 8.86 per cent on its borrowings during the period 2018-19 to 2022-23.

<sup>7</sup> Investment/Share as featured in Statement 8 of Finance Accounts has been adopted.

<sup>8</sup> Manipur State Power Company Limited (MSPCL).

<sup>9</sup> Investment at the beginning of the year 2018-19 was ₹ 198.33 crore.

### C. 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 2023 and interest receipts *vis-à-vis* interest payments during 2018-23 is given in the following table:

**Table 2.29: Quantum of loans disbursed and recovered during 2018-23.**

(₹ in crore)					
Quantum of loans disbursed and recovered	2018-19	2019-20	2020-21	2021-22	2022-23
Opening Balance of loans outstanding	199.57	199.11	198.31	205.21	204.45
Amount advanced during the year	0.13	0.00	10.20	1.63	7.58
Amount recovered during the year	0.59	0.80	3.30	2.39	1.10
Closing Balance of the loans outstanding	199.11	198.31	205.21	204.45	210.93
<b>Net addition</b>	<b>(-) 0.46</b>	<b>(-) 0.80</b>	<b>6.90</b>	<b>(-) 0.76</b>	<b>6.48</b>
Interest received	0.11	0.06	0.17	0.04	0.02
Interest rate on Loans and Advances given by the Government.	0.06	0.03	0.08	0.02	0.01
Rate of Interest paid on the outstanding borrowings of the Government	5.52	5.82	6.31	4.50	5.10
Difference between the rate of interest paid and interest received ( <i>per cent</i> )	5.46	5.79	6.23	4.48	5.09

Source: Finance Accounts.

The opening balance of outstanding Loans and Advances as on 01 April 2022 was ₹ 204.45 crore and with the repayment of ₹ 1.10 crore and disbursement of ₹ 7.58 crore during 2022-23, the closing balance stood at ₹ 210.93 crore. The rate of interest on Loans and Advances given by the Government decreased from 0.02 *per cent* in 2021-22 to 0.01 *per cent* in 2022-23. Recovery of the outstanding Loans and Advances decreased from ₹ 2.39 crore in 2021-22 to ₹ 1.10 crore in 2022-23.

### 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 (TE), the better the quality of expenditure. Fiscal priority<sup>10</sup> given by the Manipur Government with regard to Health and Family Welfare, Education and Capital Expenditure is given in the following table:

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

(in per cent)				
Particulars	TE/GSDP	CE/TE	Education*/TE	Health & Family Welfare/TE
NE and Himalayan States Average (2018-19)	27.30	16.11	17.70	6.48
Manipur (2018-19)	41.91	15.08	12.89	5.32
NE and Himalayan States Average (2022-23)	27.24	15.52	15.77	6.95
Manipur (2022-23)	43.41	19.78	12.59	7.37

Source: Finance Accounts and Economic Advisor wing.

TE - Total Expenditure; CE - Capital Expenditure.

\* Expenditure on Education includes expenditure on Sports, Art and Culture.

<sup>10</sup> Ratio of expenditure in that category to Total Expenditure (TE).

During 2022-23, the ratios of TE to GSDP of the State stood at 43.41 *per cent*, Capital expenditure to TE at 19.78 *per cent* and Health and Family Welfare to TE at 7.37 *per cent*. These were comparatively higher than those of the averages of the North-Eastern and Himalayan (NE&H) States. However, the State did not fare well in Education Sector (12.59 *per cent*) as compared to the average of NE&H States (15.77 *per cent*).

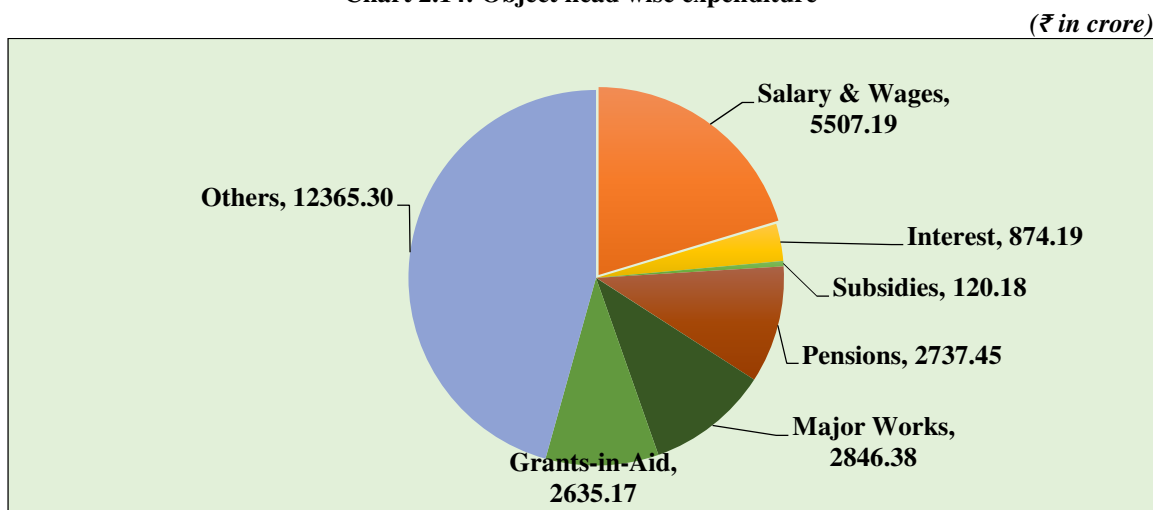
It can be seen that there was considerable improvement in the quality of Capital Expenditure during 2022-23.

### 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 2022-23 is given in the following chart:

Chart 2.14: Object head wise expenditure



Source: Finance Accounts.

## 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 2023 are given in the following table and the yearly changes in composition of balances in Public Account over the five-year period 2018-23 are given in **Chart 2.15**:

Table 2.31 Component wise net Public Account Receipts during 2018-23

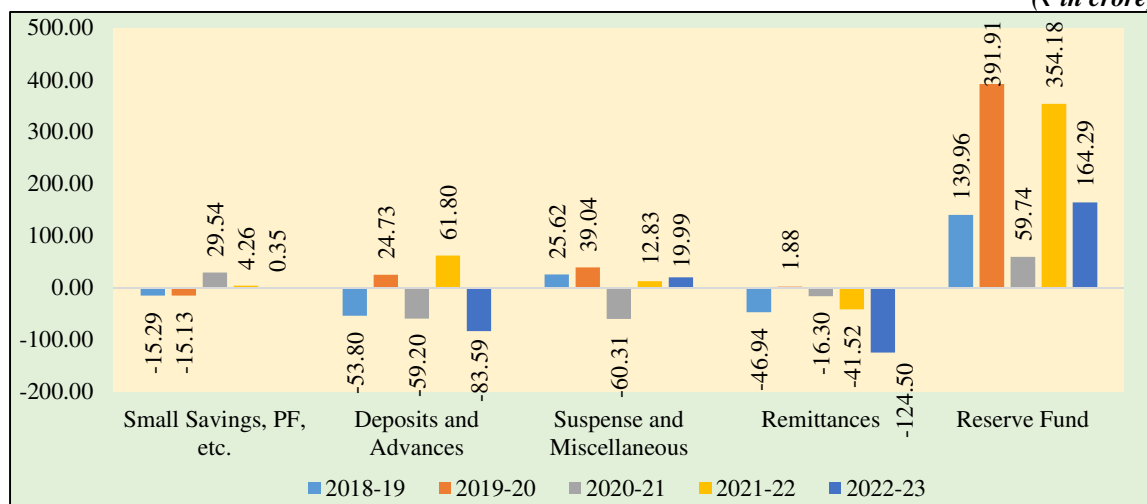
₹ in crore)

Sector	Sub Sector	2018-19	2019-20	2020-21	2021-22	2022-23
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	-15.29	-15.13	29.54	4.27	0.35
J. Reserve Funds	(a) Reserve Funds bearing Interest	-3.8	318.43	20.14	-14.73	-33.61
	(b) Reserve Funds not bearing Interest	143.76	73.48	39.59	368.91	197.90
K. Deposits and Advances	(a) Deposits bearing Interest	6.22	70.58	-103.12	79.26	9.18
	(b) Deposits not bearing Interest	-60.26	-45.85	43.93	-17.45	-92.77
	(c) Advances	-0.24	0	0	0	0
L. Suspense and Miscellaneous	(a) Suspense	-20.15	0.16	-11.08	13.19	19.99
	(b) Other Accounts	5.47	54.86	-49.22	-0.36	8.03
	(c) Accounts with Governments of Foreign Countries	0	0	0	0	0
	(d) Miscellaneous	0	0	0	0	0
M. Remittances	(a) Money Orders, and other Remittances	-46.94	1.88	-16.30	-41.52	-124.50
	(b) Inter-Governmental Adjustment Account	0	0	0	0	0
<b>Total</b>		<b>8.77</b>	<b>458.41</b>	<b>-46.52</b>	<b>365.19</b>	<b>-15.43</b>

Source: Finance Accounts.

Chart 2.15: Yearly changes in composition of Public Account balances

₹ in crore)



Source: Finance Accounts.

## 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 2023 in the four active



Reserve Funds was ₹ 1,788.98 crore out of which ₹ 316.98 crore was under Reserve Funds bearing interest and ₹ 1,472.00 crore under Reserve Funds not bearing interest. The fund balances lying in these Reserve Funds as on 31 March 2023 are given in the following table:

Table 2.32 Details of Reserve Funds

(₹ in crore)

Sl. No.	Name of Reserve Fund	Balance as on 31 March 2023
<b>A</b>	<b>Reserve Funds bearing Interest</b>	
1.	State Disaster Response Fund	62.62
3.	National Compensatory Afforestation Fund (NCAF)	1.21
4.	State Compensatory Afforestation Fund (SCAF)	250.65
5	State Disaster Mitigation Fund	2.50
<b>B</b>	<b>Reserve Funds not bearing Interest</b>	
1.	Sinking Funds	1,221.23
3.	Depreciation Reserve Funds of Government Commercial Departments/Undertakings	0.24
4.	Guarantee Redemption Fund	250.53
	<b>Grand Total</b>	<b>1,788.98</b>

Source: Finance Accounts.

### 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 Government may 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 2022-23 was ₹ 76.77 crore which was 0.50 per cent of the outstanding liabilities of ₹ 15,353.99 crore as on 31 March 2022. However, against this, the State Government did not make any contribution to the fund during 2022-23. Non-contribution of ₹ 76.77 crore by the State Government leads to overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

Further, during 2022-23, an interest of ₹ 168.86 crore was earned from the investment of balance of the Reserve Fund. Accordingly, the corpus of the Fund (including accumulated interest) amounting to ₹ 1,221.23 crore as on 31 March 2023 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>11</sup>. The flow of the Fund, during the last five-year period is given below.

<sup>11</sup> Under Major Head - '8121-General and Other Reserve Funds, 122-State Disaster Response Fund'.



Table 2.33: Flow of State Disaster Response Fund during the year 2018-23

(*₹ 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
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	28.57	73.60	0.00
2022-23	73.60	0.00	0.00	0.00	0.00	73.60	10.98	62.62	0.00

Source: Finance Accounts.

During the year 2022-23, the State received ₹ 35.20 crore from the Central Government under the Major Head 1601-07-104. However, the State Government did not transfer Central Share of ₹ 35.20 crore to the Fund. As against the mandated State share of ₹ 3.91 crore, the State Government did not transfer any amount to the fund during the current year which was in violation of the SDRF guidelines. However, the State Government incurred an expenditure of ₹ 10.98 crore on account of Natural Calamities<sup>12</sup>.

Further, opening balance of the Fund as on 01 April 2022 was ₹ 73.60 crore of which no amount was invested. The State Government was liable to provide interest of ₹ 4.75 crore at the rate of Ways and Means Advance (7.49 per cent) on the un-invested funds in terms with the SDRF guidelines, which was not done. Thus, non-transfer of Central Share of ₹ 35.20 crore, State matching share of ₹ 3.91 crore and non-payment of interest of ₹ 4.75 crore to the Fund by the State Government lead to overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

### 2.8.2.3 Guarantee Redemption Fund

The 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 of one per cent of the outstanding guarantees at the end of the previous year and thereafter a minimum of 0.50 per cent every year to achieve a minimum level of 3 per cent in the 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.

<sup>12</sup> Major Head – '2245 (Relief on account of Natural Calamities) - 02 (Floods, Cyclones, etc.) - 101 (Gratuitous Relief)'.

During the year, the opening balance of the Fund was ₹ 221.49 crore. An interest of ₹ 29.04 crore earned on investment during 2022-23 was credited to the Fund. Accordingly, the corpus of the Fund (including accumulated interest) as on 31 March 2023 was ₹ 250.53 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 ₹ 4.34 crore<sup>13</sup> to the Fund. However, the State could achieve the minimum level of 5 per cent of the outstanding guarantees<sup>14</sup> at the end of the previous year. No guarantee was invoked during the year 2022-23.

#### **2.8.2.4 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, 129- State Compensatory Afforestation Fund in Public Account and the remaining 10 per cent was to be credited into the National Fund on yearly basis.

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

During the year 2022-23, the State Government disbursed an amount of ₹ 22.63 crore under MH-8121- General and other Reserve Funds and was utilised in developmental works of State Compensatory Afforestation. The Government did not receive any amount from the user agencies and the National Compensatory Afforestation Deposit. The fund balance under Major Head 8121-129 as on 01 April 2022 was ₹ 273.27 crore. The State Government was liable to pay ₹ 9.15 crore as interest (@ 3.35 per cent<sup>15</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

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<sup>13</sup> 0.5 per cent of outstanding guarantees as on 31.03.2022 (₹ 868.55 crore) = ₹ 4.34 crore.

<sup>14</sup> 5 per cent of outstanding guarantees as on 31.03.2022 (₹ 868.55 crore) = ₹ 43.43 crore.

<sup>15</sup> As per circular issued by Ministry of Environment, Forest & Climate Change.

Compensatory Afforestation Fund as on 31 March 2023 was ₹ 250.65 crore. Non-payment of interest liability of ₹ 9.15 crore by the State Government leads to overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

## 2.9 Central Road and Infrastructure Fund (CRIF)

The erstwhile Central Road Fund (CRF) has been renamed as the Central Road and Infrastructure Fund (CRIF) vide GoI's Gazette Notification dated 31.03.2018. The CRIF will be used for development and maintenance of National Highways, Railway projects, improvement of safety in Railways, State and Rural roads and other infrastructure, *etc.* Under the accounting procedure prescribed for CRIF, the grants received are booked under Revenue Receipt Major Head '1601-Grants-in-Aid from Central Government' and simultaneously transferred to the Public Account under Major Head '8449-Other Deposits,101-Central Road and Infrastructure Fund' through functional Major Head(s). 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.

During the year 2022-23, the State Government received grants of ₹ 13.81 crore towards CRIF. The State Government did not transfer ₹ 13.81 crore to the Fund in the Public Account as this Fund has not been created as on 31 March 2023.

Further, as per the Finance Accounts, during 2022-23, the Government of Manipur has incurred expenditure of ₹ 14.76 crore under Head of Account Major Head-5054-Capital Outlay on Roads and Bridges-05- Roads -337- Road Works (Central Road and Infrastructure Fund) out of the grant which includes ₹ 13.81 crore out of ₹ 14.76 crore.

## 2.10 Building and Other Construction Workers' Welfare Cess

The GoI had levied a cess under Building and Other Construction Workers' Welfare Cess Act, 1996 at the rate of one *per cent* of the cost of construction incurred by an employer or any executing agency as the case may be. Rule 5 of the Cess Rules, 1998 provides that the proceeds of the cess collected shall be transferred by such Government office/Establishment as the case may be, to the Building and Other Construction Workers' Welfare Board (the Board) within 30 days of its collection. Further, the State Government instructed (November 2017) all the departments of the State to deduct at source and transfer the component of 1% Labour Cess collected from the construction works by challan in the bank account of the Board.

During the year 2022-23, an amount of ₹ 0.82 crore (2021-22: ₹ 0.22 crore) as Labour Cess was collected by Departments of Government of Manipur and accounted under Major Head 0045-112 and no amount was transferred to the Building and Other Construction Workers Welfare Board as required under Rule 5 of Cess Rules, 1998. The total untransferred amount as on 31 March 2023 which is lying with the State Government stands at ₹ 39.39 crore.

The details of amount collected and actual expenditures incurred during the period from 2018-19 to 2022-23 are shown in the following table:

**Table 2.34: Position of cess collection and expenditure of the Board during 2018-19 to 2022-23**

(₹ in crore)

Year	Opening balance (as per Bank Statement)	Cess collection during the year	Misc. collection during the year*	Interest credit during the year	Available fund	Expenditure			Closing Balance (as per Bank Statement)
						Administrative Expenses (as percentage of TE)	Others	Total Expenditure (TE)	
1	2	3		4	5	6	7	8	9
2018-19	22.49	35.18	0.27	1.14	59.08	1.18 (5.92)	18.76	19.94	39.14
2019-20	39.14	29.23	0.39	0.83	69.59	1.50 (2.93)	49.76	51.26	18.33
2020-21	18.33	74.74	0.59	0.67	94.33	1.08 (5.21)	19.64	20.72	73.61
2021-22	73.61	50.06	(-) 0.31 <sup>#</sup>	2.34	125.70	1.14 (1.67)	67.30	68.44	57.26
2022-23	57.26	65.97	0.36	2.45	125.68	1.26 (1.78)	69.41	70.67	55.01

Source: Information furnished by Manipur Building and Other Construction Workers' Welfare Board.

\* Registration & Renewal Fees and Refund of Cess.

<sup>#</sup> Refund of Cess exceeded total amount of Registration and Renewal fees.

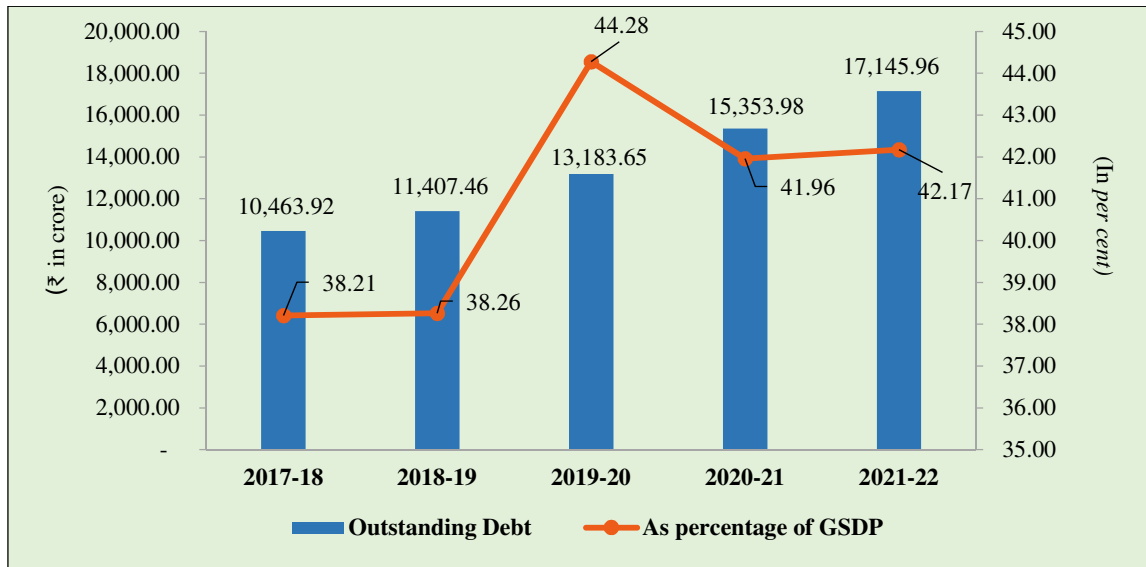
As per Section 24 (3) of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996, the administrative expenses of the Board in any financial year shall not exceed five *per cent* of its total expenses during that financial year. However, out of last five years, in two years i.e. 2018-19 and 2020-21, the administrative expenses of the Board exceeded the prescribed limit by 0.92 *per cent* and 0.21 *per cent* respectively.

Further, as per sections 26 and 27 of the Act *ibid*, the Board has to prepare its annual report, giving a full account of its activities during the previous financial year and also prepare an annual statement of accounts and submit them to the State Government. Further, the Board has to furnish to the State Government its audited copy of accounts together with the auditor's report which shall be laid before the State Legislature. The Board, however, has not prepared the annual report and annual accounts till the year 2022-23.

## 2.11 Public Liability Management

Public liability management is the process of establishing and executing a strategy for managing the Government's liability 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. Outstanding liability of the State along with its percentage of GSDP for the year 2018-19 to 2022-23 is given in the following table:

Chart 2.16: Outstanding Public Liability and its percentage to GSDP



Source: Finance Accounts.

### 2.11.1 Liability profile: Components

Total liabilities of the State Government constitute 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 2.2*.

Table 2.35: Component-wise liability trends

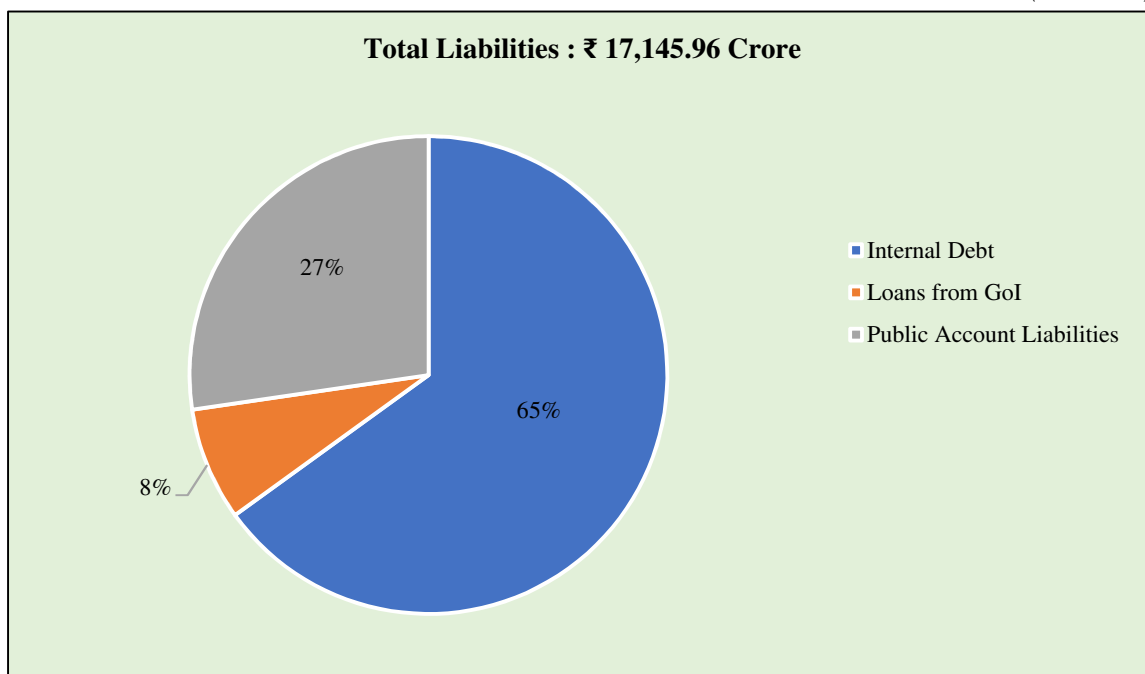
(₹ in crore)					
Components of fiscal liability	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Outstanding Total Liability</b>	<b>10,463.92</b>	<b>11,407.46</b>	<b>13,183.65</b>	<b>15,353.99</b>	<b>17,145.96</b>
<b>Public Debt</b>	<b>6,713.61</b>	<b>7,255.64</b>	<b>9,001.74</b>	<b>10,751.81</b>	<b>12,462.74</b>
Internal Debt	6,425.84	7,004.00	8,430.65	9,967.15	11,149.50
Loans from GoI	287.77	251.64	571.09	784.67	1,313.24
<b>Public Account Liabilities</b>	<b>3,750.31</b>	<b>4,151.82</b>	<b>4,181.91</b>	<b>4,602.17</b>	<b>4,683.22</b>
<i>Small Savings, Provident Funds, etc.</i>	<i>1,494.42</i>	<i>1,479.29</i>	<i>1,508.83</i>	<i>1,513.10</i>	<i>1,513.45</i>
<i>Reserve Funds bearing Interest</i>	<i>26.74</i>	<i>345.17</i>	<i>365.32</i>	<i>350.59</i>	<i>316.98</i>
<i>Reserve Funds not bearing Interest</i>	<i>792.11</i>	<i>865.59</i>	<i>905.19</i>	<i>1,274.00</i>	<i>1,472.00</i>
<i>Deposits bearing Interest</i>	<i>138.40</i>	<i>208.98</i>	<i>105.86</i>	<i>185.12</i>	<i>194.30</i>
<i>Deposits not bearing Interest</i>	<i>1,298.64</i>	<i>1,252.79</i>	<i>1,296.71</i>	<i>1,279.26</i>	<i>1,186.49</i>
Rate of growth of outstanding total liability (per cent)	9.39	9.02	15.57	16.46	11.67
Gross State Domestic Product (GSDP)	27,388	29,813	29,776	36,594	40,662
Liability/GSDP (per cent)	38.21	38.26	44.28	41.96	42.17
Borrowings and other liabilities as per statement 6 of Finance Accounts					
Total liability Receipts	3,926.54	6,313.67	9,334.05	12,652.37	11,115.65
Total liability Repayments	3,099.18	5,771.64	7,587.95	10,902.29	9,404.72
Net funds Available	827.36	542.03	1,746.10	1,750.08	1,710.93
Repayments/ Receipts (per cent)	78.93	91.41	81.29	86.17	84.61

Source: Finance Accounts & Directorate of Economics and Statistics, Manipur. Q-Quick Estimates; A-Advanced Estimates.

As can be seen from the above table, over the last five years from 2018-19 to 2022-23, Total Outstanding Liabilities increased by ₹ 6,682.04 crore in 2022-23 as compared to 2018-19. Public Debt (excluding off-budget borrowings of ₹ 180.51 crore) constituted majority share of the outstanding debt showed an increasing trend from ₹ 6,713.61 crore in 2018-19 to ₹ 12,462.74 crore in 2022-23 i.e. increase of 85.63 per cent over 2018-19. Internal Debt of the State Government during the year increased by 73.51 per cent as compared to 2018-19. Loans and Advances from GoI also increased by 356 per cent during 2022-23 as compared to 2018-19. The Public Account liabilities of the State also increased by 24.88 per cent during the year as compared to 2018-19. The total outstanding overall debt of the State Government at the end of 2022-23 was ₹ 17,145.96 crore. During 2022-23, Internal Debt and Public Account liabilities constituted 65.03 per cent and 27.31 per cent of the total liabilities respectively, as shown in **Chart 2.17**:

**Chart 2.17: Break up of Outstanding Liabilities at the end of 31 March 2023**

(₹ in crore)



Source: Finance Accounts.

### 2.11.2 Fiscal Deficit Financing

The financing pattern of the Fiscal Deficit has undergone a compositional shift during 2018-23. Details of receipt and disbursement of the components used for financing the Fiscal Deficit for the year 2022-23 are given in the following table:

Table 2.36: Components of fiscal deficit and its financing pattern

(*₹ in crore*)

Particulars		2018-19	2019-20	2020-21	2021-22	2022-23
Composition of Fiscal Deficit		-917.19	-708.91	-1,891.90	-1,803.18	-1,756.55
1	Revenue Deficit(-)/Surplus(+)	812.99	445.53	554.18	1,448.85	1,734.17
2	Net Capital Expenditure	-1,730.64	-1,155.24	-2,439.18	-3,252.79	-3,484.24
3	Net Loans and Advances	0.46	0.80	-6.90	0.76	-6.48
<b>Financing Pattern of Fiscal Deficit/Surplus</b>						
1	Market Borrowings	666.69	1,255.43	1,154.03	1,218.82	1,147.00
2	Loans and Advances from GoI	-44.06	-36.13	319.44	213.58	528.58
3	Special Securities issued to NSSF	-53.51	-54.15	-54.15	-54.16	-54.15
4	Loans from Financial Institutions & Other loans	125.99	-4.95	112.53	111.17	110.76
5	Ways and Means Advances (Net)	132.22	-618.16	214.24	260.67	-21.26
6	Small Savings, PF, etc.	-15.29	-15.13	29.54	4.27	0.35
7	Deposits and Advances	-54.28	24.73	-59.20	61.81	-83.59
8	Suspense and Miscellaneous	-20.15	0.16	11.08	-13.19	19.99
9	Remittances	-46.94	1.88	-16.31	-41.52	-124.50
10	Reserve Fund	139.96	391.91	59.74	354.18	164.29
<b>11</b>	<b>Overall Deficit</b>	<b>830.63</b>	<b>945.59</b>	<b>1,770.94</b>	<b>2,115.63</b>	<b>1,687.47</b>
12	Increase (-)/Decrease (+) in cash balance	86.56	(-)236.68	120.96	-312.45	69.08
<b>13</b>	<b>Gross Fiscal Deficit</b>	<b>917.19</b>	<b>708.91</b>	<b>1,891.90</b>	<b>1,803.18</b>	<b>1,756.55</b>

Source: Finance Accounts.

The Fiscal Deficit of ₹ 1,756.55 crore in 2022-23 was mainly due to excess of expenditure in Capital account partially reduced by the Revenue Surplus. The deficit was primarily financed by Market Borrowings (₹ 1,147.00 crore), Loans and Advances from the Government of India (₹ 528.59 crore), Reserve Fund (₹ 164.29 crore) and Loans from Financial Institutions and Other Loans (₹ 110.76 crore) and partially offset by the outflow of Remittances (₹ 124.50 crore), Deposits and Advances (₹ 83.59 crore) and Special Securities issued to NSSF (₹ 54.16 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.

### 2.11.3 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 (excluding off-budget borrowings of ₹ 180.51 crore) of the State are shown in the following table and chart:



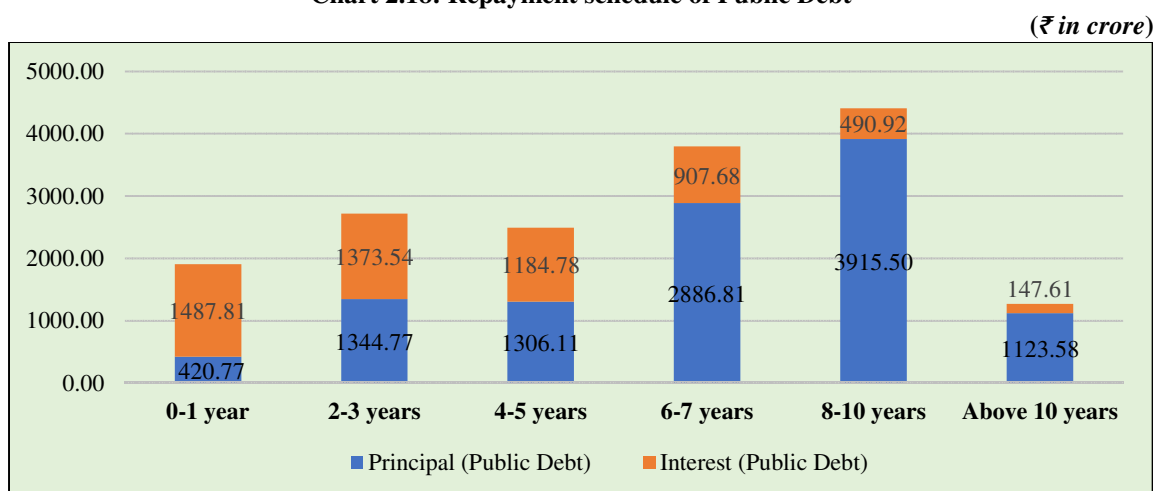
**Table 2.37: Debt Maturity profile of repayment of State debt**

	Period of repayment (Years)	Internal Debt	Loans and Advances	Principal Amount (3+4)	Interest Amount	Public Debt (including interest)	Percentage (w.r.t. total Public Debt)
		(₹ in crore)					
1	2	3	4	5	6	7	8
By 2023-24	0-1 year	420.67	0.10	420.77	1,487.81	1,908.58	11.19
Between 2024-25 & 2025-26	2-3 years	1,253.04	91.73	1,344.77	1,373.54	2,718.31	15.94
Between 2026-27 & 2027-28	4-5 years	1,304.78	1.33	1,306.11	1,184.78	2,490.89	14.60
Between 2028-29 & 2029-30	6-7 years	2,885.01	1.80	2,886.81	907.68	3,794.49	22.24
Between 2030-31 & 2032-33	8-10 years	3,915.50	0.00	3,915.50	490.92	4,406.42	25.83
2033-34 onwards	Above 10 years	903.59	219.99	1,123.58	147.61	1,271.19	7.45
Amount for which year of Maturity is not known		466.91	1.06	467.97	0.00	467.97	2.74
<b>Total</b>		<b>11,149.50</b>	<b>316.01</b>	<b>11,465.51</b>	<b>5,592.34</b>	<b>17,057.85</b>	<b>100.00</b>

Source: Finance Accounts.

\* Approximate interest calculated at Average Interest Rate (AIR) at 6.60 %. (AIR for the last five years are shown in Table 2.38).

**Chart 2.18: Repayment schedule of Public Debt**



Source: Finance Accounts.

Table 2.40 indicates that the State Government has to repay 27.12 per cent (₹ 4,626.89 crore) of its public debt (including approximate interest) within the next three years, 14.60 per cent (₹ 2,490.89 crore) between 4-5 years, 22.24 per cent (₹ 3,794.49 crore) between 6-7 years and 25.83 per cent (₹ 4,406.42 crore) between 8-10 years. It signifies that the State has to repay 89.80 per cent of its debt (₹ 15,318.69 crore) in the next ten years. The year-wise details of maturity profile of debt at the end of 31 March 2023 are given in *Appendix 2.3*.

## 2.12 Debt Sustainability Analysis

Debt sustainability analysis has been carried out on the basis of fiscal and debt parameters; Domar approach and compliance of macro-fiscal parameters to the respective FRBM targets. The results of the analysis are given in the following paragraphs:



(A) Debt sustainability refers to the ability of the State to service its debt obligation now and in future. Analysis of variations in debt sustainability indicators is given in the following table and chart:

**Table 2.38: Trends in debt Sustainability indicators**

(₹ in crore)

Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt*	6,713.61	7,255.64	9,001.74	10,751.82	12,462.74
Rate of Growth of Outstanding Public Debt	14.06	8.07	24.07	19.44	15.91
GSDP	27,388	29,813	29,776	36,594(Q)	40,662(A)
Rate of Growth of GSDP	6.20	8.85	-0.12	22.90	11.12
Debt/GSDP	24.51	24.34	30.23	29.38	30.65
Debt Maturity profile of repayment of State debt – including default history, if any	454.86	666.60	319.54	421.49	465.15
Average interest Rate** of Outstanding Public Debt (per cent)	7.44	7.84	8.86	5.84	6.60
Interest Payment on Public Debt	468.88	547.53	720.52	576.84	766.32
Revenue deficit/surplus without Interest Payment	235.78	-218.01	-277.42	758.05	859.98
Percentage of Interest payment to Revenue Receipt	4.44	5.12	5.55	4.09	4.82
Percentage of Debt Repayment to Debt Receipt	78.93	91.41	81.29	86.17	84.61
Net Debt available to the State***	358.46	-5.50	1,025.58	1,173.24	944.60
Net Debt available as per cent to Debt Receipts	9.13	-0.09	10.99	9.27	8.50
Primary Deficit (-)/Surplus (+)	(-)339.98	(-)45.37	(-)1,060.30	(-)1,112.38	(-)882.36
Debt Stabilisation (Quantum spread**** + Primary Deficit)	(-)423.22	27.91	(-) 1868.66	721.88	(-)319.04

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

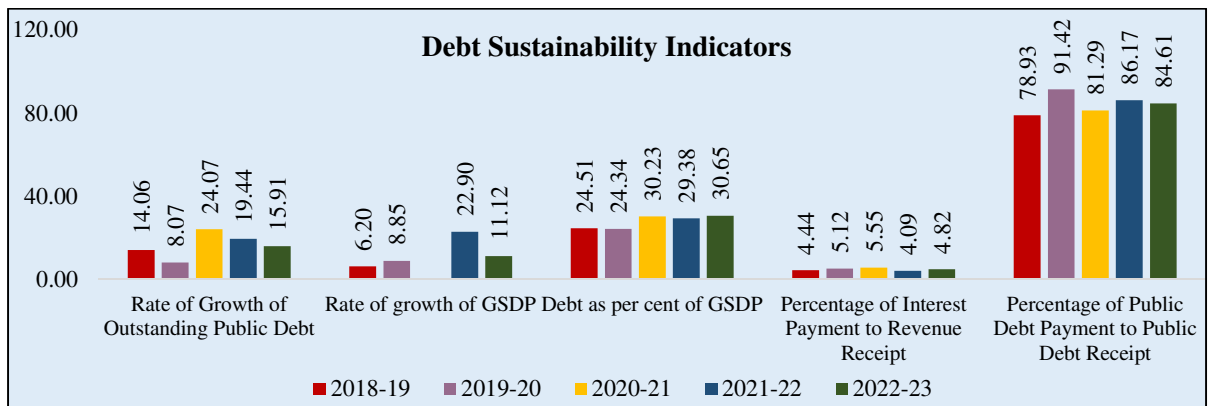
\* Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government.

\*\* Average Interest Rate = {Interest Payments on Public Debt/ [(Opening Balance of Public Debt +Closing Balance of Debt)/2]} \* 100.

\*\*\* 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.

\*\*\*\* Quantum spread= Debt\*(GSDP growth rate – interest rate)/100.

**Chart 2.19: Trends of Debt Sustainability indicators**



Source: Finance Accounts.

A falling debt-GSDP ratio can be considered as leading towards stability. During the period 2018-23, Debt-GSDP showed a fluctuating trend. During the year, however, it increased marginally by 1.27 *per cent* against that of the previous year. Also, debt stabilization condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would tend to be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

The ratio of interest payments to revenue receipts is also a good measure of debt sustainability. This ratio ranged between 4.09 *per cent* (2021-22) and 5.55 *per cent* (2020-21) during the period 2018-23, which was substantially low.

Higher the percentage of public debt repayments to public debt receipts, the greater the proportion of debt utilized for debt servicing rather than productively. Ratio of public debt repayments to public debt receipts ranged between 78.93 *per cent* (2018-19) and 91.41 *per cent* (2019-20) during the period 2018-23, which means that most of the public borrowings were used for repayment of earlier borrowings leaving less space to use productively.

(B) An analysis on debt sustainability was carried out based on a study by E.D Domar<sup>16</sup> [Domar, 1944]. The Domar model states that the necessary premise for ensuring ability of public indebtedness is that the interest rates for government loans should not exceed the growth rate of GDP.

The dynamics of public debt depending on the interest rate, growth rate of GSDP and the primary budget balance of the State are as follows:

g-r (g – real economic growth rate; r – real interest rate).	s<0 (primary deficit)	s>0 (primary surplus)
g-r>0(strong economic growth).	Public debt as percentage of GSDP should converge to a stable level greater than zero.	Public debt as percentage of GSDP should converge to a stable level less than zero leading to public savings.
g-r<0(slow economic growth).	Public debt as percentage of GSDP should increase indefinitely, without converging to a stable level.	Undefined situation.

The results of applying the above parameters in the case of Manipur, are shown in the following table:

<sup>16</sup> Domar model does not take into account maturity profile, composition, cost and risk characteristics of debt stock.

Table 2.39 Debt sustainability analysis based on Domar model

Year	Real Economic Growth (g)	Real Interest Rate (r)	Domar Gap (g-r)	Primary Deficit (-)/ Surplus (+)	Remarks
				(₹ in crore)	
2018-19	-2.61	-1.29	-1.32	-339.98	As $(g-r) < 0$ and $s < 0$ , then debt tends to increase without limitations and becomes unsustainable.
2019-20	5.06	0.89	4.17	-45.37	As $(g-r) > 0$ and $s < 0$ , the Public Debt is sustainable provided that the PD registered is stable and consistent with debt/GSDP.
2020-21*	-5.80	2.94	-8.74	-1060.30	As $(g-r) < 0$ and $s < 0$ , then debt tends to increase without limitations and becomes unsustainable.
2021-22	13.51	4.43	9.08	-1112.38	As $(g-r) > 0$ and $s < 0$ , the Public Debt is sustainable provided that the PD registered is stable and consistent with debt/GSDP.
2022-23	4.60	5.18	-0.58	-882.36	As $(g-r) < 0$ and $s < 0$ , then debt tends to increase without limitations and becomes unsustainable.

Source: Finance Accounts and Economic Advisor wing.

Note: Real Growth rate calculated for GSDP at constant prices. Real Interest rate is the nominal interest rate adjusted for inflation.

\* Average CPI Index for nine months has been taken due to unavailability of CPI data for the months of April and May 2020.

The debt stabilization indicator, after showing an improvement in 2019-20 turned negative in 2020-21. It improved in 2021-22 and further deteriorated in 2022-23. The rate of interest is lower than the rate of growth of the GSDP ( $g-r > 0$ ) in 2019-20 and 2021-22 as per the Domar model analysis. Nevertheless, when examining the Domar gap ( $g-r$ ), the real interest rate has surpassed the real economic growth rate in 2018-19, 2020-21 and 2022-23.

The real growth rate was on a declining trajectory even before the pandemic hit which is evident from the negative economic growth of (-) 2.61 per cent in 2018-19. However, in 2019-20, the State registered a positive growth of 5.06 per cent. In the year 2020-21, the economy of the State was affected badly due to the Covid-induced lockdown leading to a contraction of 5.80 per cent in real terms compared with a growth of 5.06 per cent in 2019-20. This in turn led to the shrinking of fiscal space of the State, which consequently raised the borrowing requirements of the rate by 167 per cent over the last fiscal year. A significant increase in Fiscal Deficit coupled with contraction in real growth and increase in real interest rate resulted in narrowing down the Domar Gap sharply. This has resulted in deterioration in Debt/GSDP ratio in 2020-21.

Further, a consistently primary deficit can be seen from 2018-19 to 2022-23 and hence, it becomes evident that depending solely on economic growth (expressed as  $g-r > 0$  in 2019-20 and 2021-22) would not suffice to cover the debt obligations of the State. Moreover, the deterioration in Public Debt to GSDP (except for 2021-22) suggests that the debt situation is deteriorating. Hence, it can be concluded that Debt/GSDP ratio in the past

five years was on an increasing trend. However, since the trend of debt stabilisation is mixed, it is too early to conclude that that debt is on a definite unsustainable path.

(C) Details of the achievements *vis-à-vis* targets set in the MFRBM Act and Rules and MTFPS are shown below:

**Table 2.40 Achievements *vis-à-vis* targets set in the MTFPS**

Fiscal Parameters		Achievement <i>vis-à-vis</i> targets				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (-) / Surplus (+) (₹ in crore)	T	Revenue Surplus				
	A	812.99	445.53	554.18	1,448.85	1,734.17
Fiscal Deficit (-) / Surplus (+) (as per cent of GSDP)	T	3 per cent				
	A	3.35	2.38	6.35	4.93	4.32
Ratio of total outstanding liability to GSDP (in per cent)	T	MFRBM Act has not provided the targets after 2014-15				
	A	38.21	38.26	44.28	41.96	42.17
Guarantees* in terms of percentage of Revenue Receipts of previous year	T	16.99	22.47	29.37	27.76	27.56
	A	4.27	3.84	3.17	4.25	5.46

Source: Finance Accounts & Finance Department, Manipur.

\*Thrice the State's Own Tax Revenue Receipts of the second preceding year as on 01 April of that year.

During the period 2018-23, the State could maintain Revenue Surplus. The ratios of fiscal deficit-GSDP and total outstanding liability-GSDP exhibited fluctuating trends ranging from 2.38 per cent to 6.35 per cent and from 38.21 to 44.28 per cent respectively. During 2022-23, the State Government was unable to meet the MTFPS targets of FD-GSDP and total outstanding liability-GSDP. However, the guarantees given by the State Government were within the limits of MTFPS targets during 2018-23.

Breaching the level of the fiscal indicators continuously may lead to the risk of the fiscal situation becoming unmanageable especially when the State Government is yet to contribute to the mandatory reserve funds like Guarantee Redemption fund, payment of implicit subsidies etc.

Fiscal sustainability risk:

- i) As per various fiscal and debt parameters depicted in Table 2.38, debt stabilization trend is increasing.
- ii) As per the Domar model analysis, the growth of rate of interest is generally higher than the rate of growth of the GSDP. This indicates that the GSDP rate and the interest rate would not converge in the short to medium term.
- iii) As per the macro fiscal parameters, such as ceiling on public debt, revenue and fiscal deficit and ceiling on guarantees given by the State Government in a particular year and as on 31<sup>st</sup> March of that year, the Government's fiscal sustainability is a concern as indicated by the rising ratios of revenue deficit-GSDP, fiscal deficit-GSDP, and outstanding liability-GSDP. Although Revenue Surplus was maintained and the guarantees provided by the government were within the targets fixed, the State Government failed to meet the targets for fiscal deficit-GSDP and outstanding liability-GSDP ratios. These trends highlight the need for the government to address fiscal imbalances and work towards sustainable financial management.

### 2.12.1 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 for the period 2018-23 are given in the following table:

**Table 2.41: Utilisation of borrowed funds**

(₹ in crore)

	Year	2018-19	2019-20	2020-21	2021-22	2022-23
1	<b>Total Borrowings</b>	3,926.54	6,313.66	9,334.05	12,652.37	11,115.64
2	<b>Repayment of earlier borrowings (Principal) (per cent)</b>	3,099.18 (78.93)	5,771.63 (91.41)	7,587.95 (81.29)	10,902.29 (86.17)	9,404.72 (84.61)
3	<b>Borrowings available for Capital Expenditure etc. (1-2)</b>	827.36	542.03	1,746.10	1,750.08	1,710.92
4	<b>Net Capital Expenditure</b>	1,730.64	1,155.24	2,439.18	3,252.79	3,484.24
5	<b>Net Loans and Advances</b>	-0.46	-0.80	6.90	-0.76	-6.48
6	<b>Portion of Revenue expenditure met out of net available borrowings</b>	0	0	0	0	0

Source: Finance Accounts.

It can be seen that during the period from 2018-23, the State Government utilised 91.41 per cent to 78.93 per cent as its borrowings for repayment of earlier borrowings. The balance amount of current year's borrowings was not sufficient to meet Capital expenditure in any of the last five years period. The borrowed funds were being used mainly for meeting repayment of earlier borrowings instead of Capital asset creation/development activities.

### 2.12.2 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 on 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 2018-23 are shown in the following table:

**Table 2.42: Guarantees given by the State Government**

(₹ in crore)

Guarantees	2018-19	2019-20	2020-21	2021-22	2022-23
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	1,760.01	2,372.82	3,138.15	3,603.36	3,883.47
Outstanding amount of guarantees as on 01 April of the year	451.04	410.08	411.63	598.32	868.55

Source: Finance Accounts.

The total outstanding guarantees as on 01 April 2022 was ₹ 868.55 crore, which is significantly less than the limit of ₹ 3,883.47 crore<sup>17</sup> i.e. thrice the State's Own Tax Revenue for the year 2020-21. During 2022-23, the State Government issued fresh guarantees of ₹ 308.61 crore to Urban Development and Housing (₹ 123.19 crore), Power Sector (₹ 143.92 crore) and Manipur Police Housing Corporation MPHC (₹ 41.50 crore). There was an outstanding guarantee of ₹ 1,177.16 crore as on 31 March 2023. The State Government was yet to collect ₹ 3.09 crore as guarantee commission for the additional guarantee given in 2022-23.

### 2.12.3 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 (WMA)/Special Ways and Means Advances (SWMA)/ Special Drawing Facility (SDF)/ Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government is revised by the RBI from time to time.

The State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The cash balances in the earmarked reserve funds such as State Disaster Response Fund, Consolidated Sinking Fund, Guarantee Redemption Fund, etc. are also invested in these instruments. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'.

It is not desirable that the State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use.

**Table 2.46** gives the details of cash balances and their investment during the year:

**Table 2.43: Cash Balances and their investments**

	Opening balance on 1 April 2022	Closing balance on 31 March 2023
(₹ in crore)		
<b>A. General Cash Balance</b>		
Cash in treasuries	4.63	4.63
Deposits with Reserve Bank of India	-7.06	-154.59
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
Investments held in Cash Balance Investment Accounts	0.00	0.00
<b>Total (A)</b>	<b>-2.43</b>	<b>-149.96</b>
<b>B. Other Cash Balances and Investments</b>		
Cash with departmental officers viz., Public Works, Forest Officers	49.69	57.72
Permanent advances for contingent expenditure with department officers	0.02	0.02
Investment in earmarked funds	1,025.91	1,096.33
<b>Total (B)</b>	<b>1,075.62</b>	<b>1,154.07</b>
<b>Total (A + B)</b>	<b>1,073.19</b>	<b>1,004.11</b>
<b>Interest realized</b>	<b>0.25</b>	<b>1.63</b>

Source: Finance Accounts.

<sup>17</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. ₹ 3,883.47 crore (₹ 1,294.49 crore (in 2020-21) x 3).

It was noticed that the State Government’s opening Cash Balance as on 01 April 2022 was ₹ (-)2.43 crore. The closing Cash Balance as on 31 March 2023 showed a decrease of ₹ 147.53 crore and stood at ₹ (-)149.96 crore. The State Government earned an interest of ₹ 1.63 crore from the Cash Balance Investments during 2022-23.

The Cash Balance Investments of the State of Manipur for the last five years (2018-19 to 2022-23) are given in the following table:

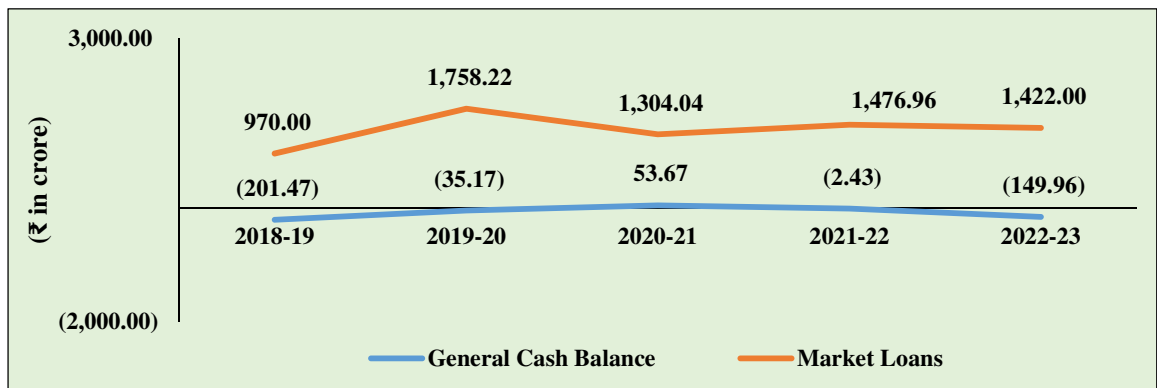
**Table 2.44: Cash Balance Investment Account (Major Head-8673)**

(₹ in crore)				
Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
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	0.25
2022-23	0	0	0	1.63

Source: Finance Accounts.

Details of market loans vis-a-vis cash balances during the last five years are shown in Chart 2.20.

**Chart 2.20: Market Loans vis-a-vis Cash Balance**



Source: Finance Accounts.

Note: Figures in brackets indicates minus balance

During the period 2018-23, closing Cash Balance of ₹ 57.97 crore was seen only during 2019-20 under Cash Balance Investment Account. The State Government earned an interest of ₹ 1.63 crore from the Cash Balance Investments during 2022-23 as against an interest of ₹ 0.25 crore earned during the previous year.

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 of the State of Manipur was ₹ 223.00 crore for 2022-23. The position of WMAs and Overdraft during 2018-23 is shown in the following table:



Table 2.45: Ways and Means Advances and Overdrafts

(₹ in crore)					
Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Ways and Means Advance</b>					
Availed in the year	2,776.55	4,486.88	7,482.66	10,741.47	8,918.31
Disbursed in the year	2,644.32	5,105.04	7,268.42	10,480.8	8,938.57
Outstanding WMAs	618.16	0	214.24	474.91	453.65
Interest paid	2.23	167.16	4.80	17.77	15.39
Number of days	21	85	113	61	69
<b>Overdraft</b>					
Number of days	34	56	29	112	93

Source: Finance Accounts.

The State Government resorted to WMAs regularly since 2018-19 onwards. During 2022-23, they availed ₹ 8,918.31 crore as WMAs for 69 days which indicated a difficult Cash Balance position of the State Government. After repayment of ₹ 8,938.57 crore, the WMA balance at the end of the year was ₹ 453.65 crore.

## 2.13 Conclusion

- During 2022-23, the State had a Revenue Surplus of ₹ 1,734.17 crore (4.26 per cent of GSDP). Fiscal Deficit during 2022-23 was ₹ 1,756.55 crore which was 4.32 per cent of GSDP and Primary Deficit was ₹ 882.36 crore (2.17 per cent of GSDP).
- Revenue Receipts during the year 2022-23 were ₹ 15,893.15 crore which increased by ₹ 1,802.15 crore (12.79 per cent) over the previous year. State's Own Tax Revenue (₹ 1,867.90 crore) increased by ₹ 219.40 crore (13.31 per cent) compared to the previous year (₹ 1,648.50 crore). During 2022-23, receipts under State Goods and Services Tax (SGST) (₹ 1,426.15 crore) increased by ₹ 300.59 crore (26.71 per cent) as compared to the previous year (₹ 1,125.16 crore). SGST (₹ 1,426.15 crore) was the main contributor of the State's Own Tax Revenue. The SGST along with Taxes on Sales, Trades accounted for 91.82 per cent of the State's total Own Tax Revenue. Non-Tax Revenue (₹ 457.59 crore) increased by ₹ 349.46 crore (323.19 per cent) during the year. The increase under Non-Tax Revenue was mainly due to more receipts under Social Security and welfare and Education, Sports, Art and Culture.
- Grants-in-Aid from GoI increased by ₹ 447.85 crore (7.08 per cent) and State's Share of Union taxes and Duties increased by ₹ 785.43 crore (13.07 per cent) during 2022-23 as compared to the previous year.
- Revenue Expenditure during the year 2022-23 was ₹ 14,158.98 crore (80.22 per cent) against the Total Expenditure of ₹ 17,650.80 crore. During the year, Committed Expenditure like salary & wages, pension, interest payments increased by ₹ 1,271.18 crore (16.2 per cent) from ₹ 7,814.33 crore during 2021-22 to ₹ 9,085.51 crore during 2022-23. The Committed Expenditure during 2022-23 was 57.17 per cent of the total Revenue Receipts (₹ 15,893.15 crore) and 64.17 per cent of the total Revenue Expenditure (₹ 14,158.98 crore). Inflexible expenditure during the year decreased by ₹ 380.40 crore from ₹ 919.87 crore in 2021-22 to ₹ 539.47 crore in 2022-23 which was 3.39 per cent of the Revenue Receipts and 3.81 per cent of Revenue Expenditure during 2022-23.

- 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 ₹ 231.44 crore (7.12 *per cent*) from ₹ 3,252.80 crore during 2021-22 to ₹ 3,484.24 crore during 2022-23.
- Under National Pension System, against contribution of ₹ 1,289.27 crore of the State Government employees up to March 2023, the State Government contributed ₹ 1,078.42 crore only, resulting in a shortfall of ₹ 210.85 crore in the matching share of the State Government. Further, the State Government was yet to transfer ₹ 191.94 crore to NSDL as on 31 March 2023.
- The Government incurred an expenditure of ₹ 431.31 crore on 153 projects which were due to be completed by 31 March 2023, remained incomplete.
- During 2022-23, the State Government invested ₹ 5.00 crore in Government Companies, Statutory Corporation, Co-operative Societies and Joint Stock Companies. As on 31 March 2023, the State Government's investment stood at ₹ 237.02 crore in those Companies/Corporations and Co-operative Societies, and the Government could earn a return of ₹ 21.62 crore during 2022-23.
- As against the mandated contribution of ₹ 3.91 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 2022-23, an amount of ₹ 0.82 crore (2021-22: ₹ 0.22 crore) as Labour Cess was collected by Departments of Government of Manipur and accounted under Major Head 0045-112 and no amount was transferred to the Building and Other Construction Workers Welfare Board as required under Rule 5 of Cess Rules, 1998. The total un-transferred amount as on 31 March 2023 is lying with the State Government stands at ₹ 39.39 crore.
- Total outstanding Liabilities increased by ₹ 6,682.04 crore in 2022-23 as compared to 2018-19. Public Debt (excluding off-budget borrowings of ₹ 180.51 crore) constituted majority share of the outstanding debt showed an increasing trend from ₹ 6,713.61 crore in 2018-19 to ₹ 12,462.74 crore in 2022-23 i.e increase of 85.63 *per cent* over 2018-19. The Liability/GSDP ratio increased from 38.21 *per cent* to 42.17 *per cent* during the same period.
- As on 31 March 2023, the maturity profile of outstanding stock of Public Debt was ₹ 11,465.51 crore out of which ₹ 9,873.96 crore (86.12 *per cent*) was to attain maturity in the coming 10 years. Interest payable on outstanding public debt will be approximately ₹ 5,592.34 crore. Out of this, interest of ₹ 5,444.73 crore (97.365 *per cent*) was payable during the next 10 years up to 2032-33.
- The State Government utilised 91.41 *per cent* to 78.93 *per cent* as its borrowings for repayment of earlier borrowings. The balance amount of current year's borrowings was not sufficient to meet Capital expenditure in any of the last five years period. The borrowed funds were being used mainly for meeting repayment of earlier borrowings instead of Capital asset creation/development activities.

- A primary deficit can be seen from 2018-19 to 2022-23 and hence, it becomes evident that depending solely on economic growth (expressed as  $g-r > 0$  in 2019-20 and 2021-22) would not suffice to cover the debt obligations of the State. In the year 2020-21, the economy of the State was affected badly due to the Covid-induced lockdown leading to a contraction of 5.80 *per cent* in real terms compared with a growth of 5.06 *per cent* in 2019-20. Moreover, the deterioration in Public Debt to GSDP (except for 2021-22) suggests that the debt situation is deteriorating. Hence, it can be concluded that Debt/GSDP ratio in the past five years was on an increasing trend. However, since the trend of debt stabilisation is mixed, it is too early to conclude that that debt is on a definite unsustainable path.
- The State Government had availed Ways and Means Advances for 69 days amounting to ₹ 8,918.31 crore and repaid ₹ 8,938.57 during the year 2022-23. The Cash Balances of the State as on 31 March 2023 was ₹ (-)149.96 crore.

## **2.14 Recommendations**

- *The State Government may take necessary steps to reduce 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.*
- *The State may ensure time bound completion of the incomplete projects.*
- *The State Government should transfer the un-transferred amount of Labour Cess to the Manipur Building and Other Construction Workers' Welfare Board as per the Act.*
- *To avoid possible future liabilities under NPS, the State Government needs to fulfil its 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 contribute to the State Disaster Response Fund as per the guidelines.*
- *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.*