



# **EXECUTIVE SUMMARY**





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### ***About the Report***

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

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

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Gross State Domestic Product (GSDP) (at current prices) grew at an average growth rate of 9.79 *per cent* from ₹ 27,388 crore in 2018-19 to ₹ 40,662 crore in 2022-23.

There was 11.12 *per cent* growth in GSDP over 2021-22. The revenue receipts grew at 12.79 *per cent* and the percentage of revenue receipts over GSDP improved from 38.51 *per cent* in 2021-22 to 39.09 *per cent* in 2022-23. The tax revenue increased by 13.12 *per cent* during the period and the State's own tax revenue increased by 13.31 *per cent*. The total expenditure (revenue expenditure, capital expenditure and loans and advances) of the State of Manipur increased from ₹ 15,896.58 crore in 2021-22 to ₹ 17,650.80 crore increasing by 11.04 *per cent*. Of this, revenue expenditure showed 12 *per cent* increase from 2021-22. Revenue surplus increased from ₹ 1,448.85 crore to ₹ 1,734.17 crore registering 19.69 *per cent* increase over 2021-22, while fiscal deficit decreased from ₹ 1,803.18 crore in 2021-22 to ₹ 1,756.55 crore in 2022-23 decreasing by 2.59 *per cent*.

### ***Receipt-Expenditure***

The State has different sources of receipts such as State Own Tax Revenue, Non-tax Revenue, Devolution of States' share in taxes, Grants in aid and transfers from the Union Government and non-debt capital receipts. The State Government's expenditure includes expenditure on revenue account as well as capital expenditure (assets creation, loans and advances, investments, *etc*).

From 2018-19 to 2022-23, revenue receipts grew from ₹ 10,561.71 crore to ₹ 15,893.15 crore, with an average annual growth rate of 9.19 *per cent*. Capital receipts also increased from ₹ 1,900.97 crore to ₹ 2,652.09 crore during this period. The share of Grants-in-aid in revenue receipts decreased from 44.03 *per cent* in 2018-19 to 42.61 *per cent* in 2022-23, indicating decreased reliance on support from the Government of India. The State Government received ₹ 4,354 crore as Central share for the Centrally Sponsored Schemes (CSSs) in the year.

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. Between 2018-19 and 2022-23, revenue expenditure increased from ₹ 9,748.72 crore (35.59 *per cent* of GSDP) to ₹ 14,158.98 crore (34.82 *per cent* of GSDP). It consistently made up a significant portion (79.53 to 89.86 *per cent*) of the total expenditure during this period, growing at an average annual rate of 9.05 *per cent*.

#### *Result of expenditure beyond means*

During 2018-23, the State could maintain Revenue Surplus. The Revenue Surplus of the State increased to ₹ 1,734.17 crore (4.26 *per cent* of GSDP) in the current year from ₹ 812.99 crore (2.97 *per cent* of GSDP) in the year 2018-19.

The State Government spent ₹ 3,484.24 crore only on capital account. This was 19.74 *per cent* of the total expenditure in the year 2022-23. Capital expenditure was 31.35 *per cent* of the total borrowings. Thus, the borrowed funds were being used mainly for meeting current consumption and repayment of borrowings instead of capital creation/development activities.

The gap between the total expenditure and total non-debt receipt of the State results in fiscal deficit. The fiscal deficit of the State increased to ₹ 1,756.55 crore (4.32 *per cent* of GSDP) in 2022-23 from ₹ 917.19 crore (3.35 *per cent* of GSDP) in 2018-19.

Under the revenue expenditure, the quantum of committed expenditure constitutes the largest share. Committed expenditure has the first charge on the resources and consists of interest payments, expenditure on salaries and wages and pensions. Committed expenditure on interest payments, salaries and pensions constituted 56.51-64.17 *per cent* of revenue expenditure during 2018-19 (59.34 *per cent*) and 2022- 2023 (64.17 *per cent*). The Committed expenditure increased at an average rate of 11.43 *per cent* i.e. from ₹ 5,785.32 crore in 2018-19 to ₹ 9,085.51 crore in 2022-23 {an increase of ₹ 1,271.18 crore (16.27 *per cent*) over 2021-22 (₹ 7,814.33 crore)}.

In addition to the committed expenditure, inflexible expenditure as percentage of revenue Expenditure increased from 7.39 *per cent* in 2018-19 to 9.42 *per cent* in 2020-21 and then decreased to 3.81 *per cent* in 2022-23, indicating a fluctuating trend. The inflexible expenditure decreased from ₹ 919.87 crore in 2021-22 to ₹ 539.47 crore in 2022-23 registering a decrease of 41.35 *per cent*. The average growth of inflexible expenditure during the period from 2018-19 (₹ 720.90 crore) to 2022-23 (₹ 539.47 crore) was negative.

Taken together, the committed and inflexible expenditure in 2022-23 was ₹ 9,624.98 crore; 67.98 *per cent* of the revenue expenditure. Upward trend on committed and inflexible expenditure leaves the Government with lesser flexibility for other priority sectors and capital creation.

#### *Funds to Single Nodal Agency*

The Government of India and the State Government have introduced system of Single Nodal Agency (SNA) for implementation and fund flow for each Centrally Sponsored Scheme (CSS). The share of the Government of India and the State Government is transferred to the

Bank Account of the SNA lying outside the Government Account. As per information available on the Public Financial Management System (PFMS) portal, during 2022-23, the State Government transferred ₹ 3,918.79 crore to the Single Nodal Account. The whole amount was transferred through fully vouched bills. 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.

#### *Subsidies constitute major portion of the non-committed expenditure*

Within the non-committed expenditure, there is a decreasing trend of subsidies, which decreased from ₹ 120.36 crore in 2018 -2019 to ₹ 120.18 crore in 2022-23 i.e., from 1.23 *per cent* of the total revenue expenditure in 2018-19 to 0.85 *per cent* in 2022-23. Power subsidies constituted a significant portion, ranging from 99.70 *per cent* to 99.93 *per cent* of the total subsidies during this period. Implicit subsidies to the power utility of ₹ 120.00 crore on account of non-recovery of cost was also provided in the year by the State Government.

#### *Off-budget borrowings*

The State Government, through Public Sector Undertakings, raised ₹ 180.51 crore as off-budget borrowings; which did not flow into the Consolidated Fund of the State but are required to be repaid and serviced through budget. In 2022-23, the State Government provided assistance / grants in aid of ₹ 29.01 crore for repayment and servicing of the off-budget borrowings.

#### *Contingent Liabilities on account of Guarantees*

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.

#### *Fiscal sustainability*

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

#### *FRBM requirements and compliance with fiscal parameters*

The FRBM Act / Rules prescribes certain limits within which, revenue deficit, fiscal deficit, debt as a percentage of the Gross State Domestic Product (GSDP) should be, and similarly for guarantees as a percentage of revenue receipts of the previous year. (this may require change based on the parameter). In 2022-23, the State could maintain Revenue Surplus; Fiscal Deficit was 4.32 *per cent* as against the limit of 3 *per cent*; Total Liability

was 42.17 *per cent* (MFRBM Act has not provided the targets after 2014-15) and guarantees given were 5.46 *per cent* which was within the prescribed limit of 27.56 *per cent* of Revenue Receipts of previous year.

Further, if the quantum of the off-budget borrowings is included as part of debt, the overall liability (Includes Public Debt and Public Account Liabilities) of the Government would be 42.61 *per cent* of the GSDP. Going by the fiscal trends, the State finances are heavily stressed.

As per the debt stabilisation analysis, the public debt of the Government of Manipur has grown on an average at a rate of 16.31 *per cent* annually of the outstanding public debt between 2018-19 to 2022-23. Public debt-GSDP ratio of Manipur has increased from 24.51 *per cent* in 2018-19 to 30.65 *per cent* in 2022-23, which indicates that debt stabilisation may not be possible in near future.

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.

### *Budget performance*

#### *Aggregate expenditure outturn*

Budget performance in terms of budgetary intent and budget implementation is examined to assess extent to which the aggregate expenditure outturn reflects the amount originally approved both in terms of excess and saving. In the Revenue section, deviation in outturn compared with Budget Estimates (BE) was (-) 21.93 *per cent*. This was due to deviation up to  $\pm 25$  *per cent* in 17 grants and 03 Appropriation, between - 25 *per cent* and - 50 *per cent* in 19 grants; and between - 50 *per cent* and - 100 *per cent* in 14 grants. In the Capital section, deviation in outturn compared with BE was (-) 24.21 *per cent*. This was due to deviation up to - 25 *per cent* in 19 grants and 03 Appropriation, between - 25 *per cent* and - 50 *per cent* in 05 grants; and between - 50 *per cent* and - 100 *per cent* in 26 grants. No provision was made in respect of 11 Grants and 2 Appropriations of the Capital section.

#### *Expenditure composition outturn*

Budget performance also looks at the extent to which the re-allocation between the main budget categories during the execution have contributed to variance in expenditure composition. This measure indicates the extent of variation between the final budget and the actual expenditure. In the Revenue section, deviation in outturn compared with Revised Estimates (RE) was (-) 27.79 *per cent*. This was due to deviation up to  $\pm 25$  *per cent* in 16 grants and 03 Appropriations, between  $\pm 25$  *per cent* and  $\pm 50$  *per cent* in 23 grants and between  $\pm 50$  *per cent* and  $\pm 100$  *per cent* in 11 grants. In the Capital section, deviation in outturn compared with RE was (-) 20.83 *per cent*. This was due to deviation up to

± 25 per cent in 17 grants and 03 Appropriations, between - 25 per cent and - 50 per cent in 06 grants, between - 50 per cent and - 100 per cent in 27 grants and equal to 100 per cent in 09 grants.

It was noticed that supplementary provisions of ₹ 2,172.66 crore during the year 2022-23 in 46 cases (more than ₹ one crore in 31 cases) proved unnecessary, as the expenditure did not come up even to the level of original provisions.

*Overall Budget reliability assessment indicates that though the deviations between the actual expenditure and original budget as well as between the actual expenditure and the final budget were less than 5 per cent, there were deviations up to 25% and even above in different grants. Moreover, it was also noticed that in several cases, there were supplementary grants where expenditure was not even up to the original grant. A reliable budget practice should need to deal with such deviations.*

#### *Regularization of Excess over Grants/ Appropriations*

The State Government has to get excesses over grants/appropriations regularised by the State Legislature as per article 204 and 205 (1) (b) of the constitution. It was observed that in 2022-23 there was excess expenditure of ₹ 1,674.41 crore under one Appropriation which required regularization. Further, excess disbursements of ₹ 11,260.91 crore pertaining to 2018-19 to 2021-22 were yet to be regularised.

#### *Quality of Accounts and Financial Reporting*

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

#### *Reconciliation*

The State Government did not reconcile 6.22 per cent of the receipts and 30.45 per cent of the total expenditure during the year 2022-23 with the receipts and expenditure booked in the accounts of the Principal Accountant General (A&E).

#### *Compliance with IGAS*

As against the requirements of the Indian Government Accounting Standards (IGAS), the State Government partly complied with **IGAS-1:** Guarantees given by the Government-Disclosure requirements, **IGAS-2:** Accounting and Classification of Grants-in-Aid and **IGAS-3:** Loans and Advances made by the Government.

#### *Operation of Personal Deposit (PD) Accounts*

During 2022-23, State Government did not open any Personal Deposit (PD) Account. However, a negligible amount of ₹ 69,305.00 was transferred to one PD accounts which includes ₹ 464.00 transferred in the month of March 2023. At the end of the year an amount of ₹ 3.26 crore was lying in the PD Accounts.



This balance of ₹ 3.26 crore has been lying in PD Accounts which entails the risk of misuse of public fund, fraud and misappropriation. Thus, these accounts need to be reviewed and balance should be credited to Government accounts.

*Utilisation Certificates against conditional grants*

Despite the requirement of submitting Utilisation Certificates (UCs) against conditional grants within a stipulated time period, 5,595 outstanding UCs of ₹ 13,983.96 crore were pending as on 31<sup>st</sup> March 2023.

*Detailed Countersigned Contingency (DCC) bills against AC bills*

Similarly, despite the requirement of submitting Detailed Countersigned Contingency (DCC) Bills against the advance money withdrawn through Abstract Contingency (AC) Bills, 1,672 AC bills of ₹ 5,293.81 crore were pending for submission of DCC bills as on 31<sup>st</sup> March 2023, out of which 1,251 AC Bills amounting to ₹ 2,983.45 crore pertained to the period up-to 2021-22.

*Working of State Public Sector Enterprises*

As on 31 March 2023, there were 14 State Public Sector Enterprises (SPSEs) in Manipur, consisting of 11 working Government companies and three non-working companies, under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). Audit noticed that the prescribed timelines regarding submission of Financial Statements were not adhered to by all the 14 SPSEs whose 207 accounts were in arrears (114 Accounts of 11 working SPSEs and 93 Accounts of three non-working SPSEs) as on 30 September 2023.

Out of the total 11 working SPSEs, only one SPSE (Manipur Police Housing Corporation Limited) earned profit (₹ 0.29 crore) during 2022-23. Further, during the year 2022-23, around 95 *per cent* (₹ 43.28 crore) of total SPSE-losses (₹ 45.56 crore) was contributed by two Power sector SPSEs (Manipur State Power Company Limited and Manipur State Power Distribution Company Limited).

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