

## **EXECUTIVE SUMMARY**



# Executive Summary

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## **About the Report**

*This Report of the Comptroller and Auditor General of India is on the State Finances for the year 2023-24. It provides an overview of the finances, budgetary management and quality of accounts, financial reporting practices and other matters relevant to State Finances.*

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

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Gross State Domestic Product (GSDP) (at current prices) of Tripura grew from ₹ 54,151 crore in 2019-20 to ₹ 82,625 crore (Advanced) in 2023-24. However, there was a decrease in the growth rate of GSDP from 16.44 *per cent* in 2021-22 to 14.21 *per cent* in 2023-24 in the State.

The revenue receipts grew by 12.17 *per cent* in 2023-24 and it was 24.86 *per cent* to GSDP during the year. The percentage of revenue receipts to GSDP during 2022-23 was 25.31 *per cent* while the growth rate of revenue receipts was 3.95 *per cent* during 2022-23.

The own revenue increased by 9.00 *per cent* and the State's own tax revenue increased by 9.57 *per cent* during 2023-24 over the previous year. The total expenditure (revenue, capital and loans and advances) of the State increased by 6.56 *per cent* from ₹ 19,873.33 crore in 2022-23 to ₹ 21,176.49 crore during the year. Of this, revenue expenditure grew by 3.40 *per cent* and capital expenditure increased by 35.02 *per cent* during the period.

The State was successful in containing the Fiscal Deficit below the target as per Tripura State Fiscal Responsibility and Budget Management (FRBM) Act, 2005 and the road map indicator as *per cent* of GSDP in four out of the last five years period 2019-24. During the current year i.e., 2023-24, there was Fiscal deficit of ₹ 637.58 crore of the State and stood at 0.77 *per cent* of GSDP (Advanced) at current price.

## **Receipt-Expenditure Mismatch**

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

From 2019-20 to 2023-24, the revenue receipts grew from ₹ 11,001.59 crore to ₹ 20,538.02 crore during the period. The share of Grants-in-aid in revenue receipts rose from 40.14 *per cent* in 2019-20 to 43.01 *per cent* in 2023-24, indicating increased reliance on support from the Central Government. The State Government received ₹ 4,078.99 crore as Central share for the Centrally Sponsored Schemes (CSS) during 2023-24.

Revenue expenditure is incurred to maintain the current level of services and payment for past obligation. As such, it does not result in any addition to the State's infrastructure and service network. Between 2019-20 and 2023-24, revenue expenditure increased from ₹ 13,376.91 crore (24.70 *per cent* to GSDP) to ₹ 18,342.05 crore (22.20 *per cent* to GSDP). It consistently made up a significant portion (94 *per cent* to 87 *per cent*) of the total expenditure during the period.

### ***Result of expenditure beyond means***

The gap between the revenue receipt and revenue expenditure results revenue surplus or deficit. During 2023-24, the State ended up with a revenue surplus of ₹ 2,195.97 crore (2.66 *per cent* of GSDP) against the revenue surplus of ₹ 570.30 crore (0.78 *per cent* of GSDP) during 2022-23 which increased by ₹ 1,625.67 crore (285.06 *per cent*) during the year.

Capital expenditure is the expenditure incurred for creation of fixed infrastructure assets such as roads, building, *etc.* The State Government spent ₹ 2,734.19 crore in capital account during 2023-24. This was 12.91 *per cent* of total expenditure and 3.31 *per cent* of GSDP in the year 2023-24. Capital expenditure increased by ₹ 709.22 crore (35.02 *per cent*) from ₹ 2,024.97 crore in 2022-23. However, the State booked Grant in Aid of ₹ 1,488.52 crore under Capital section instead of revenue account.

Under the revenue expenditure, the quantum of committed expenditure constitutes the largest share. Committed expenditure has the first charge on the resources and consists of interest payments, expenditure on salaries and wages and pensions. Committed expenditure comprising salary & wages, pension, interest payments *etc.*, constituted 55.35 *per cent* to 68.47 *per cent* of revenue expenditure during last five year period 2019-24. It was 58.58 *per cent* of the revenue expenditure during the year 2023-24. However, the Committed expenditure increased from ₹ 9,158.68 crore (2019-20) to ₹ 10,745.40 crore (2023-24) with an increase of 9.44 *per cent* over ₹ 9,818.45 crore in 2022-23.

Expenditure on salary and wages was ₹ 6,346.58 crore which was 34.60 *per cent* of Revenue expenditure and 29.97 *per cent* of total expenditure during the year 2023-24. Pension payment was ₹ 3,065.40 crore (16.71 *per cent* of RE) during 2023-24.

Interest payment was ₹ 1,333.42 crore during 2023-24 which decreased by ₹ 40.10 crore as compared to 2022-23.

The committed expenditure increased, while the inflexible expenditure decreased from ₹ 3,201.88 crore in 2022-23 to ₹ 3,118.00 crore (17.00 per cent to RE) in 2023-24.

In total, the committed and inflexible expenditure for 2023-24 was ₹ 13,863.40 crore, representing 75.58 per cent of Revenue expenditure. The increase in committed expenditure and decrease in inflexible expenditure result in reduced flexibility for the Government to allocate funds to priority sectors and capital creation.

#### ***Payment of subsidy under non-committed expenditure***

The subsidy payment under non-committed expenditure ranged between 0.42 per cent and 1.01 per cent of total revenue expenditure during the period from 2019-20 to 2023-24 and it was 0.66 per cent in 2023-24. Power subsidy was the major part of the total subsidies constituted 52.28 per cent.

#### ***Contingent Liabilities on account of guarantees***

In 2023-24, the Government provided guarantees against the borrowings of ₹ 105.00 crore and the outstanding amount of guarantees as on March 2024 was ₹ 602.17 crore. The State Government received ₹ 1.05 crore as guarantee fee during the year on the fresh guarantees given by the Government, in accordance with the guidelines.

#### ***Fiscal sustainability***

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

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

The Tripura Fiscal Responsibility and Budget Management Act/Rules prescribed certain limits within which, revenue deficit/surplus, fiscal deficit/surplus, guarantees, debt as a percentage of the GSDP etc. should be. During 2023-24, the State Government maintained revenue surplus as per the TFRBM Act. The fiscal deficit was 0.77 per cent against the limit of 3.50 per cent; outstanding liabilities was 26.48 per cent as against the limit of 34.50 per cent to GSDP for the year. Outstanding Guarantee was below (0.73 per cent) the limit of one per cent of GSDP in 2023-24. However, there was no off-budget borrowing of the State during 2023-24.

The overall liability of the State showed mixed trend and the percentage of GSDP ranged between 26.48 per cent and 39.40 per cent of GSDP during last five years period. The debt-GSDP ratio in 2023-24 was 26.48 per cent in the State. As per the debt stabilization

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analysis, the rate of annual growth of outstanding public debt, a part of the overall liability, had increasing trend in the State upto 2019-20 (20.75 *per cent*), and thereafter it decreased. The annual growth of public debt in 2023-24 was 3.89 *per cent*.

During 2019-20 and 2021-22 to 2023-24, the Domar gap was positive but with primary deficit.

### ***Budget performance***

Budget performance in terms of budgetary intent and budget implementation is examined to assess extent to which the aggregate expenditure outturn reflects the amount originally approved both in terms of excess and saving. In the Revenue section (voted), deviation in outturn compared with Budget Estimates (BE) was 16.30 *per cent*. This was mainly due to 75 *per cent* deviation in two grants during 2023-24. In capital section, deviation in outturn compared to BE was 35.34 *per cent* mainly due to 90 *per cent* deviation in six grants and 100 *per cent* deviation occurred in four grants during the year.

It was noticed that supplementary provision of ₹ 1,632.62 crore was obtained in 48 grants/appropriations out of 64 grants/appropriations during 2023-24. Out of total supplementary provision of ₹ 1,632.62 crore, ₹ 1,581.37 crore obtained in 45 grants was unnecessary as their expenditure was less than actual expenditure during the year. In 20 grants, the supplementary grants was more than ₹ 10 crore which proved unnecessary.

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

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

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

### ***Compliance of IGAS***

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

### ***Operation of PD Account***

During 2023-24, ₹ 137.41 crore was credited in 38 Personal Deposit (PD) Accounts of which ₹ 26.34 crore was transferred from the Consolidated Fund of the State and the balance amount of ₹ 111.07 crore was deposited through challans during the year. There were 205 PD accounts with balance of ₹ 320.98 crore as on 31 March 2024.

### ***Funds to Single Nodal Agency***

The Government of India and the State Government have introduced system of Single Nodal Agency (SNA) for implementation and fund flow for each Centrally Sponsored Schemes (CCS). The share of the Government of India and the State Government is transferred to the Bank Account of SNA lying outside the Government Account.

As per information furnished by the State Government during 2023-24, the SNAs incurred expenditure of ₹ 4,786.29 crore from their Account and as per bank statement there was an unspent amount of ₹ 915.94 crore as on 31 March 2024. However, as per PFMS Report, the SNAs incurred expenditure of ₹ 5,690.14 crore and there was an unspent balance of ₹ 1,041.23 crore (including ₹ 125.29 crore under escrow account) as on 31 March 2024. The difference of expenditure amount of ₹ 903.85 crore requires reconciliation.

### ***Utilisation Certificates against conditional grants***

Despite the requirement of submitting Utilisation Certificates (UCs) against conditional grants within a stipulated time period, 2,867 UCs amounting to ₹ 960.87 crore were pending as on 31 March 2024. Non-submission of UCs creates uncertainty about fund usage and the achievement of objectives, increasing the risk of misappropriation.

### ***DC bills against AC bills***

Similarly, despite the requirement of submitting Detailed Counter Signed Contingency (DCC) bills against the advance money withdrawn through Abstract Contingency (AC) bills, 1,134 AC bills of ₹ 66.92 crore were pending for submission of DCC bills as on 31 March 2024. Out of 1,134 AC bills, 304 bills amounting to ₹ 22.81 crore pertained prior to 2023-24. Non submission of DCC Bills and non-adjustment of advances for a long period is fraught with the risk of misappropriation.

### ***Funds lying outside Government Account***

During 2023-24, the State Government transferred/deposited ₹ 570.86 crore into 646 DDOs Bank Account. As per information received from the State Government, in respect of 756 out of 1,482 DDOs, ₹ 550.14 crore was lying in the Current Deposit/Saving Bank Account of 674 DDOs as on 31 March 2024. The funds were meant for office expenses, liabilities, and Central/State schemes, already recorded as expenditures but remaining unused outside the Government Account.

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