

**CHAPTER I:
OVERVIEW OF STATE FINANCES**

CHAPTER-I

OVERVIEW OF STATE FINANCES

1.1 Profile of the State

Tripura is the third smallest State in the North Eastern Region of India. Tripura became a full-fledged State on 21 January 1972. Tripura shares border of 856 km with Bangladesh on three sides - South, West and North (*i.e.*, about 84 *per cent* of its total border). It also shares an internal border with Assam and Mizoram. The State is spread over a geographical area of 10,486.43 sq.km. (0.32 *per cent* of the country's total geographical area) and is home to around 36,73,917 persons (0.30 *per cent* of the total population of the country) as per Census 2011. The total population of the State in 2023-24 was 41.65 lakh¹. The decadal (2014-2024) growth rate of population of the State was 10.28 *per cent*.

The State has eight districts. The districts are further divided into 23 Sub-Divisions, 58 Blocks and one Autonomous District Council (TTAADC). It was designated as a Special Category State (SCS) in 1969 in terms of the Gadgil² formula, now NER State and hence receives 90 *per cent* funding for centrally sponsored schemes as a grant from the Central Government. General and financial data relating to the State is given in **Appendix 1.1**.

1.1.1 Gross State Domestic Product

Gross State Domestic Product (GSDP) is the value of all goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy as it denotes the extent of changes in the level of economic development of the State over a period of time.

Change in sectoral contribution to the GSDP is also important to understand the changing structure of economy. The economic activity is generally divided into Primary, Secondary and Tertiary sectors, which corresponds to the Agriculture, Industry and Service sectors.

Gross Value Added (GVA) is being used for economic analysis by Government of India (GoI) and international organisations like IMF and World Bank as GVA is considered better indicator of economic growth compared to GDP, as it ignores the impact of taxes and subsidies. While GDP can be and is also computed as the sum total of the various expenditures incurred in the economy including private consumption spending, government consumption spending and gross fixed capital formation or investment spending, reflecting essentially on the demand conditions in the economy. Both measures have difference in treatment of net taxes as a result of which the inclusion of taxes in GDP may differ from the real output situation. From a policy maker's perspective it is therefore vital to have a comparison of the GVA and GSVA data for better analysis and making policy interventions.

¹ Information provided by Directorate of Economics and Statistics, Government of Tripura in July 2024.

² Shri Dhananjay Ramchandra Gadgil, Dy. Chairman of 3rd Planning Commission of India recommended the formula for different category of States of India on the basis of economical background etc. in 1969.

Trends in annual growth of the GSDP compared to GDP and the GSVA compared to GVA of the country are shown in **Table 1.1**. The sectoral contribution of GSDP during the period 2019-20 to 2023-24 are depicted in **Chart 1.1**:

Table 1.1: Trends in GSDP compared to the GDP (at current prices)

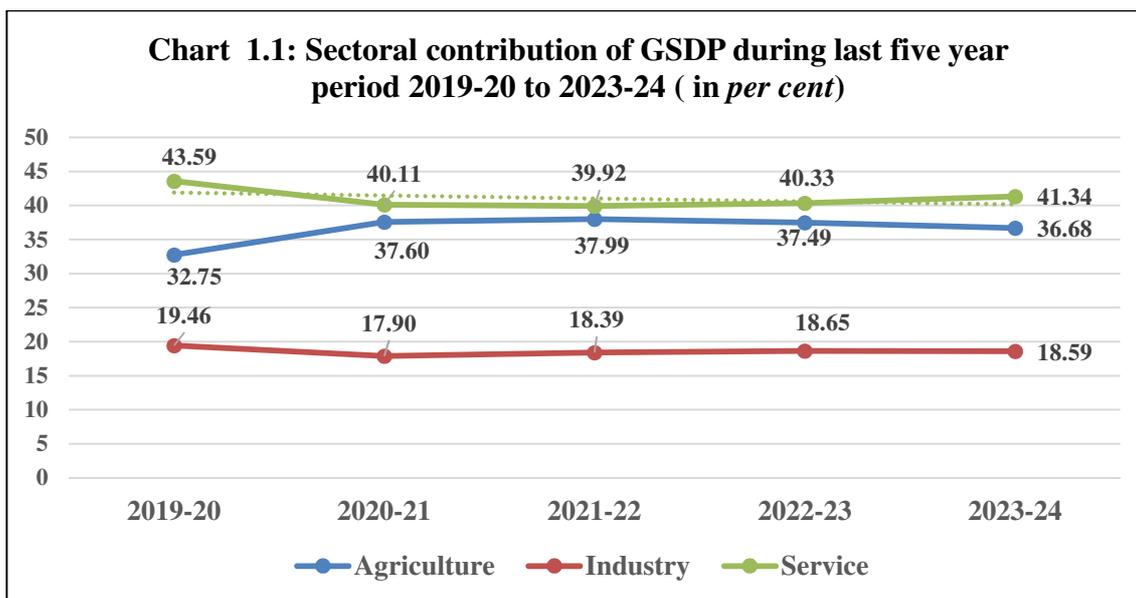
	(₹ in crore)				
Year	2019-20	2020-21	2021-22	2022-23	2023-24
INDIA					
GDP (2011-12 Series)	2,01,03,593	1,98,54,096	2,35,97,399	2,69,49,646 (1 st RE)	2,95,35,667 (PE)
GVA ³	1,83,81,117	1,82,10,997	2,16,35,584	2,46,59,041	2,67,62,147
Growth rate of GDP over previous year (in per cent)	6.37	(-) 1.24	18.85	14.21	9.60
Growth rate of GVA over previous year (in per cent)	7.02	(-) 0.93	18.81	13.97	8.53
Per Capita GDP (in ₹)	1,49,915	1,46,480	1,72,422	1,94,879	2,11,725
STATE					
GSDP (2011-12 Series)	54,151.12	53,504.12	62,302.46	72,347.54	82,624.73(A)
GSVA	51,876.33	51,155.79	59,997.61	69,789.16	79,824.86
Growth rate of GSDP year over year (in per cent) in real terms	8.70	-1.19	16.44	16.12	14.21
Growth rate of GSVA over year (in per cent)	8.27	-1.39	17.28	16.32	14.38
Per Capita GSDP (in ₹)	1,34,973	1,32,076	1,52,329	1,75,261	1,98,379

Source: Directorate of Economics and Statistics, GoT. MoSIP, GoI

The GSDP of Tripura at current prices in 2023-24 was ₹ 82,624.73 crore (Advance Estimates) whereas GDP in 2023-24 was ₹ 2,95,35,667 (PE) crore. The growth of GSDP during the year was 14.21 per cent against the growth of 16.12 per cent in 2022-23. The per capita GSDP in 2023-24 was ₹ 1,98,379 which increased by 13.19 per cent over the previous year and was lower than all India average of ₹ 2,11,725.

³ GVA- Gross Value Added.

The growth of GSDP and GSVA for the period from 2019-20 to 2023-24 is indicated in the **Chart 1.3:**



Source: Finance Accounts

Chart 1.1 shows the trend of sectoral contribution of the GSDP for the last five years period 2019-20 to 2023-24. It is seen that while the percentage of contribution of Agricultural sector ranged between 32.75 per cent and 37.99 per cent of GSDP, it was 39.92 per cent and 43.59 per cent in respect of the Service sector during the period. However, the contribution to the Service sector was marginally higher in 2023-24 then the previous year while the contribution of Agriculture sector to GSDP was almost the same during 2022-23 and 2023-24. The contribution of Industry sector was buoyant, and it was overall showing almost same during 2021-22 to 2023-24.

The sectoral contribution of GSVA during the period 2019-20 to 2023-24 are depicted in **Chart 1.2:**

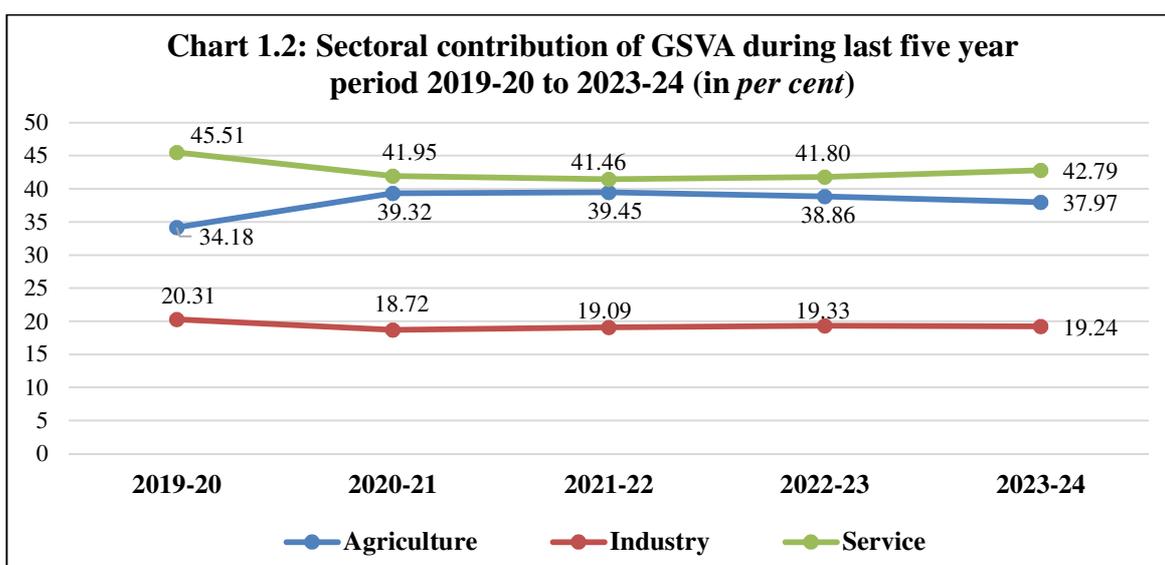
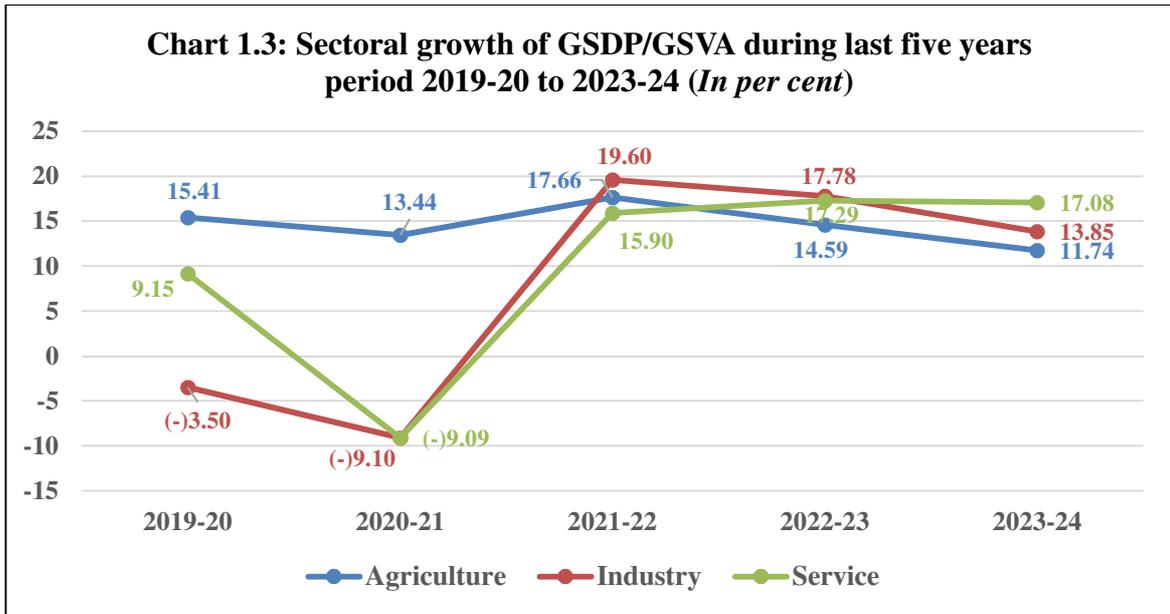


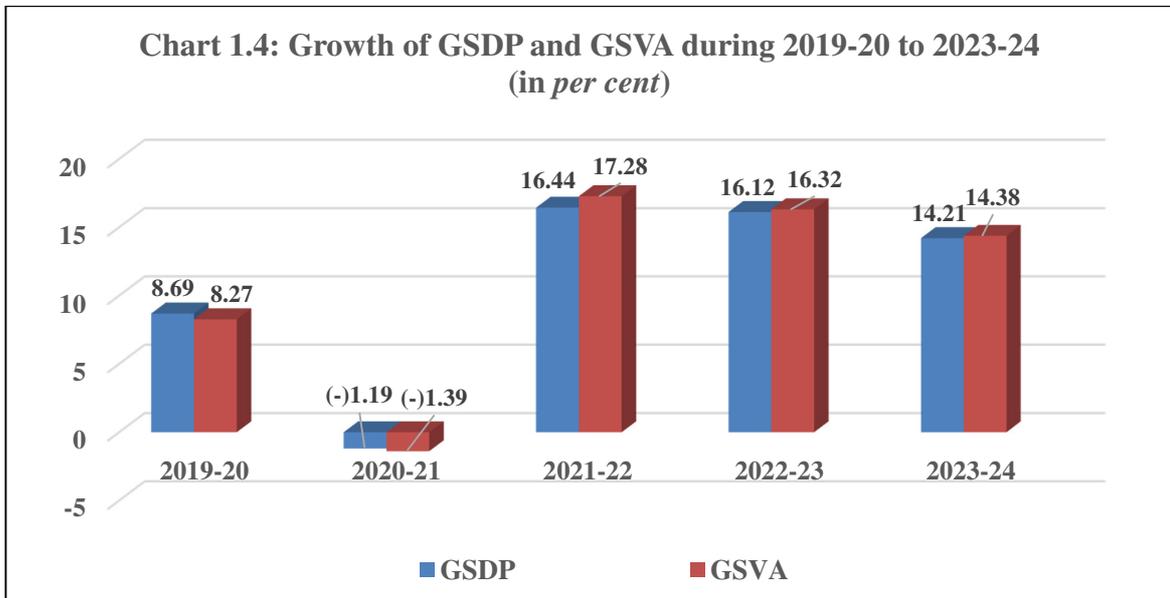
Chart 1.2 shows the trend of sectoral contribution of the GSVA for the last five years period 2019-20 to 2023-24. It is seen that while the percentage of contribution of Agricultural

sector ranged between 34.18 per cent and 39.45 per cent of GSVA, it was 41.46 per cent and 45.51 per cent in respect of the Service sector during the period. However, the contribution to the Service sector was marginally higher in 2023-24 than the previous year while the contribution of Agriculture sector to GSVA was lower than the previous year. The contribution of Industry sector was buoyant, and it was overall showing almost same during 2021-22 to 2023-24

The trend of sectoral growth of GSDP/GSVA during last five years period is shown in **Chart 1.3:**



Source: Finance Accounts



Source: Directorate of Economics and Statistics, Government of Tripura

Chart 1.4 shows the trend of growth of GSDP and GSVA during last five years period 2019-24. It was seen that during last five years period, there were negative growth rate both in GSDP and GSVA in 2020-21 as an impact of COVID-19 pandemic. However, there was significant growth of GSDP and GSVA in 2021-22 which was attributed to recovery of

economic activity post COVID-19 pandemic. The growth rate of both GSDP and GSVA were lower in 2023-24 compared to the previous year.

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the Reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted to the Governor of the State under Article 151 (2) of the Constitution of India.

Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries; offices and departments functioning under the control of the State Government who are responsible for keeping such accounts, as also the statements received from the Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit), and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this Report. Other sources include the following:

- Budget of the State—for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Accountant General (Audit);
- Other data with Departmental Authorities and Treasuries (accounting as well as Monthly Information System);
- GSDP data and other State related statistics; and
- Various Audit Reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the XV Finance Commissions (FCs), State Financial Responsibility and Budget Management (FRBM) Act, best practices and guidelines of the Government of India. A joint meeting was held with State Finance Department on 28 May 2024 and 20 August 2024, wherein the shortcomings noticed during preparation of the Annual Accounts of the State Government for the year 2023-24 and as also pointed out by Audit were discussed. The draft Report was forwarded on 17 January 2025 to the State Government for comments. An exit conference was held on 21 February 2025 with the Finance Department. Replies of the Government, where received, are incorporated in this Report at appropriate places.

1.3 Overview of Government Account Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

I. Consolidated Fund of the State {Article 266(1) of the Constitution of India}

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, *etc.*), Ways and Means Advances extended by the Reserve Bank of India and all moneys received by

the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.*, salaries of Constitutional authorities, loan repayments, *etc.*), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

II. Contingency Fund of the State {Article 267(2) of the Constitution of India}

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

III. Public Account of the State {Article 266 (2) of the Constitution}

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayable like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to vote of the Legislature.

Budget Document

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditure of the government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditure.

Revenue receipts consist of tax revenue, non-tax revenue, share of Union Taxes/ Duties, and grants from Government of India.

Revenue expenditure consists of all those expenditure of the government, which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

The **Capital receipts** consist of:

- **Public Debt receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, *etc.*; and
- **Non-debt receipts:** Proceeds from disinvestment, Recoveries of loans and advances, *etc.*

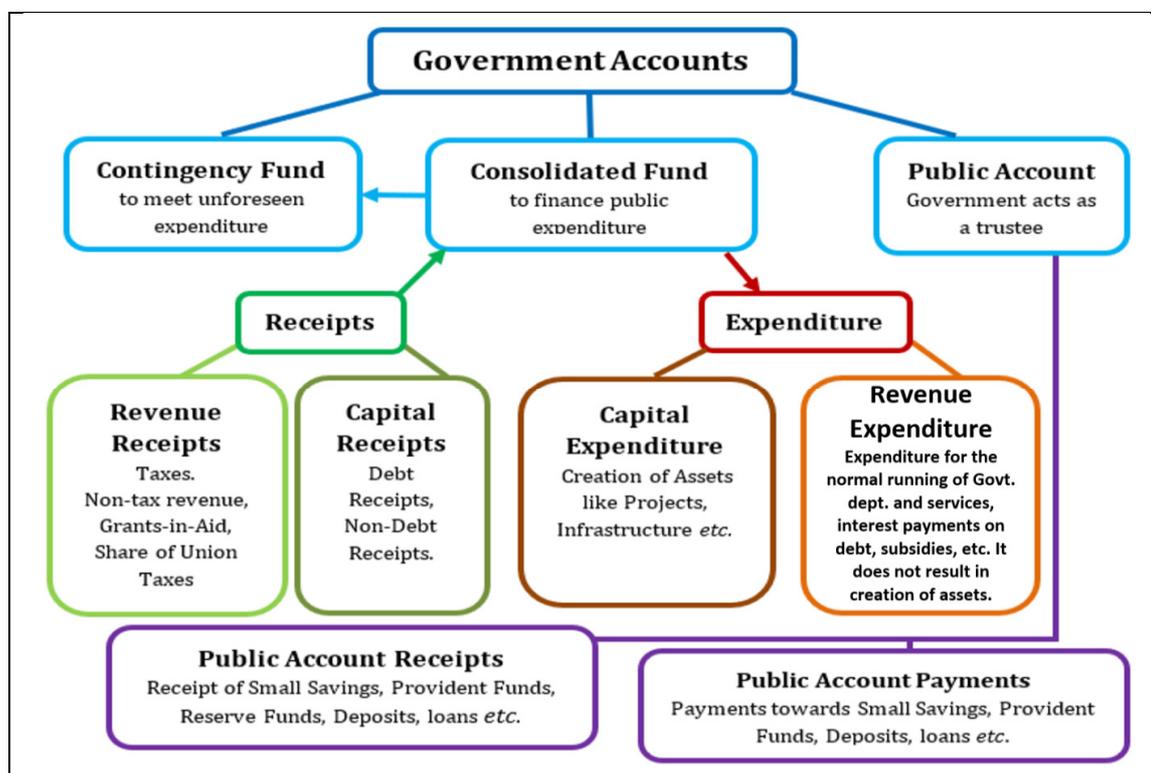
Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the Government to State Public Sector Enterprises (SPSEs) and other parties.

At present, we have an accounting classification system in government that is both functional and economic.

	Attribute of transaction	Classification
Standardised in List of Major and Minor Heads by CGA	Function- Education, Health, <i>etc.</i> / Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head-salary, minor works, <i>etc.</i> (2-digit)

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organise these payments as revenue, capital, debt, *etc.* Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, *etc.* Economic classification is also achieved by an inherent definition and distribution of few object heads. For instance, generally “salary” object head is revenue expenditure, “Construction” object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

Chart 1.5: Structure of Government Accounts



Source: Finance Accounts

Public Debt and Public Liability: In this Report, ‘Public Debt’ has been taken to comprise market borrowings, institutional loans, special securities issued to National Small Savings Fund (NSSF), loans given by the Central Government, etc. For this purpose, the major heads 6003 and 6004-Public Debt have been taken into consideration.

Further, the transactions relating to ‘Small Savings, Provident Fund, etc.’, ‘Reserve Funds’ and ‘Deposit and Advances’ under the Public Account are such that the Government incurs a liability to repay the moneys received or has a claim to recover the amount paid. The transactions relating to ‘Remittances’ and ‘Suspense’ under the Public Account, includes merely adjusting heads such as transactions as remittances of cash between treasuries and currency chests and transfer between different accounting circles.

In this Report, ‘Public Liability’ has been taken to include the transactions under major heads 8001 to 8554 relating to ‘Small Savings, Provident Fund, etc.’, ‘Reserve Funds’ and ‘Deposit and Advances’ along with the transactions under major heads 6003 and 6004.

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year, in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter-III** of this Report.

1.3.1 Snapshot of Finances

Table 1.2 provides the details of actual financial results for the year 2022-23 and 2023-24 *vis-a-vis* Budget Estimates (BE) and GSDP for the year 2023-24.

Table 1.2: Snapshot of Finances

(₹ in crore)						
Sl. No.	Components	2022-23 (Actuals)	2023-24 (Budget Estimates)	2023-24 (Actuals)	Percentage of Actuals to BEs	Percentage of Actuals to GSDP
1.	Tax Revenue	9,723.91	10,592.00	11,284.23	106.54	13.66
	Own Tax Revenue	2,999.68	3,360.00	3,287.41	97.84	3.98
	Share of Union taxes/duties	6,724.23	7,232.00	7,996.82	110.58	9.68
2.	Non-Tax Revenue	402.35	450.00	420.52	93.45	0.51
3.	Grants-in-aid and Contributions	8,182.75	11,265.58	8,833.27	78.41	10.69
4.	Revenue Receipts (1+2+3)	18,309.01	22,307.57	20,538.02	92.07	24.86
5.	Recovery of Loans and Advances	51.59	22.00	0.89	0.04	0.001

Sl. No.	Components	2022-23 (Actuals)	2023-24 (Budget Estimates)	2023-24 (Actuals)	Percentage of Actuals to BEs	Percentage of Actuals to GSDP
6.	Borrowings and other Liabilities ⁴	1,512.73 ⁵	2,685.60	1,400.68	52.16	1.70
7.	Capital Receipts (5+6)	1,564.32	4,085.60	1,401.57	34.31	1.70
8.	Total Receipts (4+7)	19,873.33	26,393.17	21,938.70	83.12	26.55
9.	Revenue Expenditure	17,738.71	22,295.77	18,342.05	82.27	22.20
10.	Interest payments	1,373.52	1,501.73	1333.42	88.79	1.61
11.	Capital Expenditure	2,024.97	5,358.68	2,734.19	51.02	3.50
12.	Loan and advances	109.65	68.88	100.25	145.54	0.12
13.	Total Expenditure (9+11+12)	19,873.33	27,654.45	21,176.49	76.58	25.63
14.	Revenue Deficit(-)/surplus(+) (4-9)	570.30	11.81	2,195.97	18,594.16	2.66
15.	Fiscal Deficit(-)/Surplus(+){(4+5)-13}	(-1,512.73)	(-) 3,778.62	(-)637.58	(-)16.87	(-)0.77
16.	Primary Deficit (15-10)	(-) 139.21	(-) 2,276.89	695.84	31.56	0.84

Source: Finance Accounts.

During 2023-24, though the Revenue Receipts increased by 12.17 per cent over the previous year, it fell short by 7.93 per cent than the budget estimates during the year.

However, Revenue Expenditure was less than the Revenue Receipts in 2023-24 resulting in there was a Revenue surplus of ₹ 2,195.97 crore during the year. Capital Expenditure increased significantly 39.97 per cent during 2023-24 over the previous year though it was only 52.89 per cent of the budget estimates for the year.

Revenue Deficit stood at ₹ 2,195.97 crore, which is significantly higher than the Budget Estimate (BE) of ₹ 11.81 crore. This was 2.66 per cent of GSDP, signalling a persistent structural imbalance. Fiscal Deficit improved significantly, reducing to ₹ 637.58 crore, far lower than the BE of ₹ 3,778.62 crore. It was only 0.77% of GSDP, showing significant improvement. Primary Deficit turned into a surplus of ₹ 695.84 crore, indicating that after excluding interest payments, the state has a positive fiscal balance.

1.3.2 Snapshot of States Assets and Liabilities

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from the GoI, receipts from the public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Table 1.3** shows the Stock and Flows of the State at the end of 31 March 2024 as compared to the end of 31 March 2023.

⁴ Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund +Net (Receipts - Disbursements) of Public Account liabilities + Net of Opening and Closing Cash Balance.

⁵ Includes back to back loan of ₹ 627.37 crore given by the GoI upto 2021-22 in lieu of compensation of GST without any repayment obligations.

Table 1.3: Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
		2022-23	2023-24	Per cent increase			2022-23	2023-24	Per cent increase
Consolidated Fund									
A	Internal Debt	12,097.70	11,929.36	(-) 1.39	A	Gross Capital Expenditure	32,970.43	35,704.61	8.29
B	Loans and Advances from GoI	1,497.97 ⁶	2,162.73	44.38	B	Loans and Advances	309.44	408.80	32.11
Contingency Fund		10.00	10.00	-					
Public Account									
A	Small Savings, Provident Funds, etc.	6,220.68	6,460.78	3.86	A	Advances	2.33	2.33	-
B	Deposits	1,152.41	1,110.37	(-)3.65	B	Remittance	418.59	418.98	0.09
C	Reserve Funds	1,745.97	2,046.46	17.21	C	Suspense and Miscellaneous	99.79	68.88	(-)30.97
D	Remittances	-	-	-	Cash balance (including investment in Earmarked Fund)		2,188.84	2,578.39	17.80
		22,724.73	23,719.70	4.39	Total		35,989.42	39,181.99	8.87
		13,264.69	15,462.29	16.55	Cumulative Excess of receipt over Expenditure		-	-	-
Total		35,989.42	39,181.99	8.87			35,989.42	39,181.99	8.87

Source: Finance Accounts.

During 2023-24, the total liabilities of the State Government increased by 4.39 per cent as compared to the previous year mainly due to increase in Loans and Advances from GoI by ₹ 664.75 crore (44.38 per cent) including Special Assistance of ₹ 768.33 crore given for Capital expenditure as loan during the year. Flow from Reserve Funds was increased by ₹ 302.13 crore (17.21 per cent) during the year.

On the other hand, the Assets of the State Government increased by ₹ 3,192.57 crore (8.87 per cent) during 2023-24 as compared to previous year mainly due to increase in Capital expenditure of ₹ 2,734.18 crore (8.29 per cent) offset by increase in cash balances including investment by ₹ 389.55 crore (17.80 per cent) during the year.

Scrutiny of the Finance Accounts for the year 2023-24 revealed that there was a net debit balance of ₹ 68.88 crore under the Major Head 8658-Suspense Account which decreased by 30.98 per cent at the end of 31 March 2024 as compared to previous year. This decrease was mainly due to increase/decrease of net debit/credit balance in the Cash Settlement Suspense Account (Dr. ₹ 109.88 crore) and PAO Suspense (Dr. ₹ 28.76 crore) offset by (Cr.) ₹ 69.33 crore under TDS Suspense Account as on 31 March 2024.

Moreover, as on 31 March 2024, there was a net debit balance of ₹ 418.76 crore under Remittances. There was a net balance of ₹ 4.51 crore under Major Head 8782-102-Public

⁶ Includes Special Assistance received as loan for Capital expenditure of ₹ 768.33 crore in 2022-23.

Works Remittances (net of Divisional Receipts and Payments) while there was a net debit balance of ₹ 18.39 crore under Forest Remittances in minor Head 103 under Major Head 8782 as 31 March 2024, though there was no impact on cash balances.

1.4 Fiscal Balance: Achievement of deficit and total debt targets

When a government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture government deficit.

Deficits are financed by borrowing giving rise to the Government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow, which add to the stock of debt. If the Government continues to borrow year after year, it leads to accumulation of debt and the Government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

By borrowing, Government transfers the burden of reduced consumption on future generations. This is because it borrows by issuing bonds to the people living at present but may decide to pay off the bonds some twenty years later by raising taxes or reducing expenditure. Also, Government borrowing from the people reduces the savings available to the private sector. To the extent that this reduces capital formation and growth, debt acts as a 'burden' on future generations.

However, if government deficits succeed in their goal of raising production, there will be more income and, therefore, more saving. In this case, both Government and industry can borrow more. Also, if the Government invests in infrastructure, future generations may be better off, provided the return on such investments is greater than the rate of interest. The actual debt could be paid off by the growth in output. The debt should not then be considered burdensome. The growth in debt will have to be judged by the growth of the economy (State GDP) as a whole.

Government deficit can be reduced by an increase in taxes or reduction in expenditure. However, the major thrust has been towards reduction in the Government expenditure. This could be achieved through making Government activities more efficient through better planning of programmes and better administration.

The State Government has passed the Fiscal Responsibility and Budget Management Act (FRBM), 2005 with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/ outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium term framework. In this context, the Act provides quantitative targets to be adhered by the State with regard to deficit measures and debt level.

As per recommendation of the XV Finance Commission (FC), the State Government further amended (Fifth Amendment) the Tripura FRBM Act, 2005 in 2022 and fixed/Projected the upper limit of fiscal deficits not exceeding the percentage of the estimated GSDP for the financial years 2021-22 to 2025-26. Some Fiscal variables for the year 2022-23 onwards for improvement of debt arrangement and improving transparency in a medium term frameworks are as detailed in **Table 1.4**:

Table 1.4: Target vis-a-vis achievements in respect of major fiscal aggregates for the year 2023-24

Fiscal variables	Target as per FRBM Act (percentage of GSDP)	Target set by State Budget (₹ in crore)	Actuals	Percentage of GSDP over	
				Budget	Actuals
Revenue Deficit (-)/ Surplus (+)	Strive to contain Surplus	11.81	2,195.97	(-) 0.01	2.66
Fiscal Deficit (-)/ Surplus (+)	(-) 3.50 per cent	(-)3,778.62	(-)637.58	(-)4.57	(-)0.77
Total outstanding liabilities	34.50 per cent	24,418 .54	21,878.26 ⁷	29.55	26.48

As seen from **Table 1.4**, during 2023-24 the State witnessed revenue surplus of ₹ 2,195.97 crore against the budget of Revenue Deficit of ₹ 11.81 crore which was 2.66 per cent of GSDP (Advance Estimates) during the year. Fiscal Deficit target as percentage to GSDP was fixed as 3.50 per cent for 2023-24 as per FRBM (Fifth Amendment) Act, 2022, in view of the upper limit the full borrowing space available. The State, however, met this target as there was Fiscal Deficit of ₹ 637.58 crore (0.77 per cent of GSDP) during the year against the budget of ₹ 3,778.62 crore (4.57 per cent) for the year 2023-24. The State had also achieved the target set in the Medium Term Fiscal Policy (MTFP) Statement under FRBM Act in respect of outstanding liabilities to GSDP for the year 2023-24, as it was 26.48 per cent (excluding the back to back loan) against the target of 34.50 per cent Fixed by the XV Finance Commission and also the MTFP statement for the year. There was no off budget borrowings during the year as informed by the State Government.

As per the Fiscal Indicators-Rolling Target/Achievements of the MTFP Statement implemented by the State, the status of achievement during last five years from 2019-20 to 2023-24 are as shown in **Table 1.5**:

Table 1.5: Fiscal indicators

Fiscal Parameters		Achievement vis-a-vis MTFP Target set in the road map				
		2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Deficit(-)/Surplus(+) as percentage of GSDP	T	0.00	0.00	0.00	0.00	0.00
	A	(-)4.39	(-)2.01	2.38	0.78	2.66
Fiscal Deficit(-)/Surplus(+) as percentage of GSDP	T	(-)3.25	(-)5.00	(-) 4.50	(-) 4.00	(-)3.50
	A	(-)6.02	(-)3.57	0.11	(-)2.08	(-)0.77
Total outstanding Liabilities as a percentage of GSDP	T	34.16	36.30	34.90	35.10	34.50
	A	32.96	39.40	34.74	29.86	26.48
Own Tax Revenue as percentage of GSDP	T	6.52	3.60	3.60	3.70	3.80
	A	3.88	4.36	4.20	4.15	3.98

The projection and actuals receipts of various components of the Revenue Receipts for the year 2023-24 against the Budget and Medium Term Fiscal Priority Statement (MTFPS) are shown in **Table 1.6**:

⁷ Excluding back to back loan of ₹ 627.37 crore given by the GoI upto 2021-22 in lieu of compensation of GST without any repayment obligations.

Table 1.6: Actuals *vis-à-vis* projection in budget and MTFP for 2023-24

(₹ in crore)

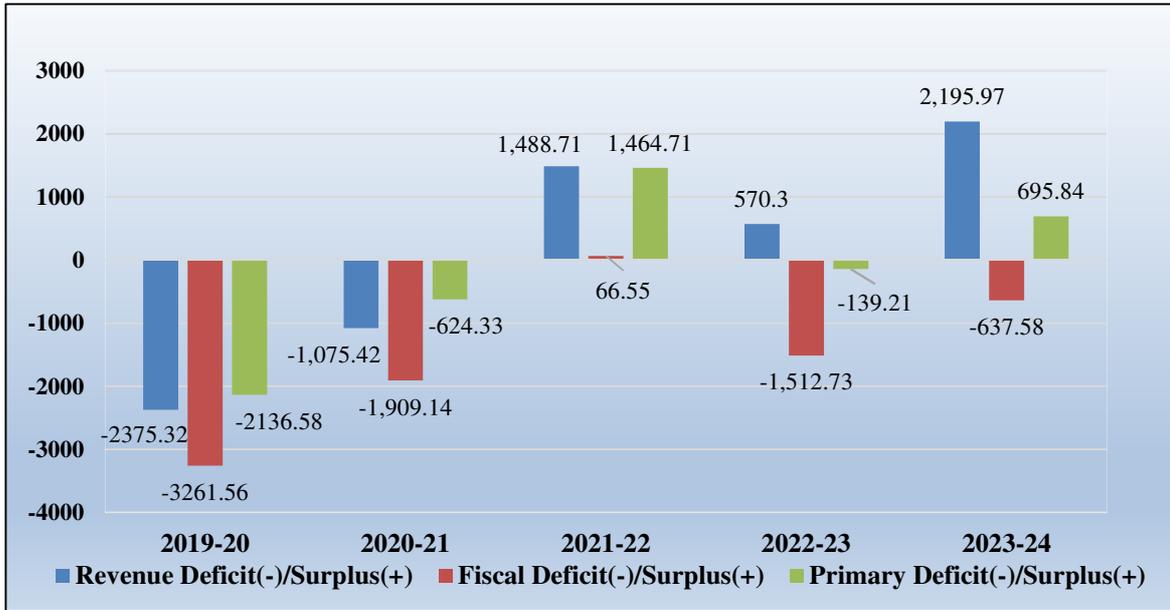
Sl. No.	Fiscal Variables	Projection in Budget	Projection as per MTFP(RE)	Actuals (2023-24)	Variation (in per cent) on	
					Budget	MTFP
1.	Tax Revenue	14,625.57	14,083.95	11,284.23	(-)22.85	(-)19.88
	(i) Own Tax Revenue	3,360.00	3,456.00	3,287.41	(-)2.16	(-)4.88
	(ii) Share of Central Taxes	11,265.57	10,627.95	7,996.82	(-)29.02	(-)24.76
2.	Non-Tax Revenue	450.00	450.00	420.52	(-)6.55	(-)6.55
3.	Grants-in-aid from GoI	11,265.57	10,627.95	8,833.27	(-)21.59	(-)16.89
4.	Revenue Receipts (1+2+3)	26,341.14	25,161.90	20,538.02	(-)22.03	(-)18.38
5.	Revenue Expenditure	22,295.77	21,320.29	18,342.05	(-)17.73	(-)13.97
6.	Revenue Deficit (-) / Surplus (+) (5-6)	11.81	1,033.49	2,195.97	18494.16	112.48
7.	Fiscal Deficit (-) / Surplus (+)	(-)3,778.62	-2,669.67	- 637.58	(-)83.13	(-)76.12
8.	Outstanding liabilities to GSDP ratio (<i>per cent</i>)	34.50	29.03	26.48	(-)23.25	(-) 8.78
9.	GSDP growth rate at current prices (<i>per cent</i>)	15.82	15.82	14.21	(-)10.18	(-)10.18

Source: Finance Accounts and 3rd Quarterly Review Report of the Finance Department as per Tripura FRBM Act, 2005

During 2023-24, the State Government was unable to contain the Revenue Receipts within the projections of Budget and MTFP Statements mainly due to short receipts of the Grants-in-aid from the GoI during the year. However, the Fiscal Deficit contained within the projections as the Revenue Expenditure was less than both the Budget Estimates and the projection in MTFP statement during 2023-24. As a result, there was a Revenue Surplus of ₹ 2,195.97 crore in the State during 2023-24.

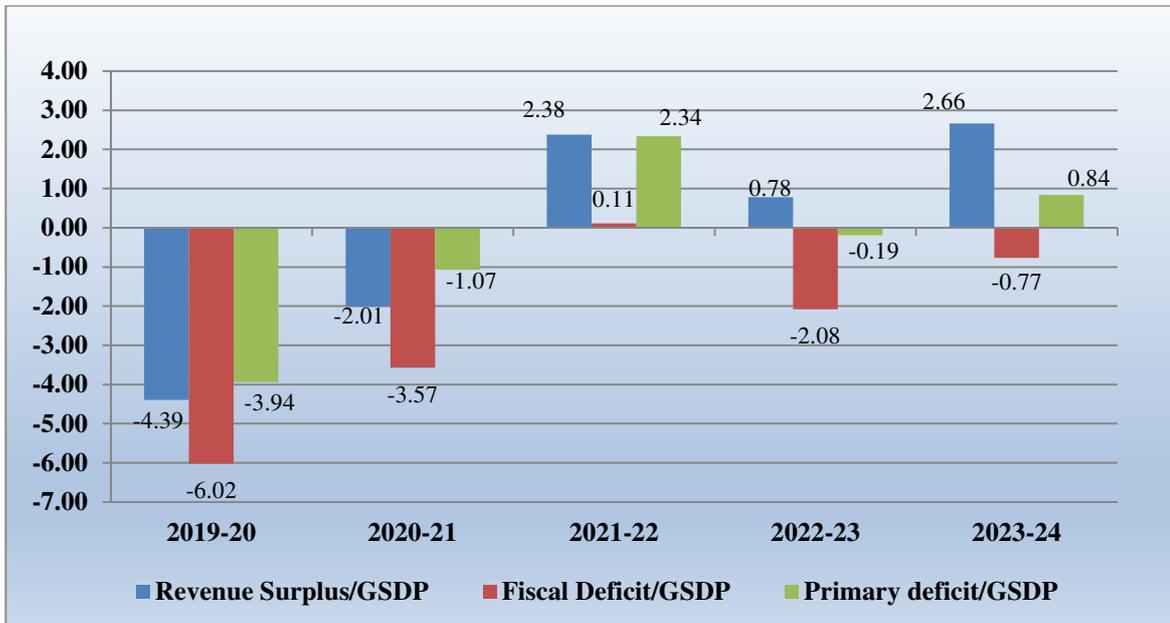
Audit concludes that the State exhibited prudent revenue expenditure management, resulting in a higher-than-projected Revenue Surplus. Lower fiscal deficit suggests improved fiscal sustainability and decrease in the Debt-to-GSDP ratio is a step towards positive long-term fiscal health. Underperformance in tax and non-tax revenues indicates a need for better revenue mobilization efforts. GSDP growth rate being lower than expected signals economic slowdown, impacting overall fiscal planning.

Chart 1.6: Trends of Surplus/Deficits (₹ in crore)



Source: Finance Accounts

Chart 1.7: Trends of surplus/deficit relative to GSDP (in per cent) during last five years



Source: Finance Accounts

Revenue surplus indicates excess of revenue receipts over revenue expenditure. During 2023-24, Revenue surplus was ₹ 2,195.97 crore (2.66 per cent of GSDP) against Revenue surplus of ₹ 570.30 crore in 2022-23.

Fiscal deficit which represents total borrowings of the State i.e its resource gap was ₹ 637.58 crore (0.77 per cent of GSDP) in 2023-24 against the Fiscal deficit of ₹ 1,512.73 crore during 2022-23.

Primary deficit indicates the excess of primary expenditure (total expenditure net of interest payments) over non-debt receipts, otherwise Fiscal deficits *minus* interest payments.

During 2023-24, there was primary surplus of ₹ 695.84 crore (0.84 *per cent* of GSDP) against primary deficit of ₹ 139.21 crore in 2022-23.

Revenue Surplus growth is a positive sign, allowing more funds for capital investment rather than funding recurring expenses through borrowing.

Fiscal Deficit remains significant but has declined as a percentage of GSDP, indicating that borrowing is being managed relative to economic growth.

The rise in Primary Deficit suggests an increasing reliance on borrowed funds to meet non-interest expenditures, requiring a reassessment of expenditure priorities.

Prudent fiscal management is needed to ensure that debt-financed spending is focused on asset creation rather than recurring expenditures. A long-term fiscal consolidation roadmap should aim at sustaining Revenue Surplus while reducing Primary and Fiscal Deficits through enhanced revenue mobilization and expenditure efficiency.

1.5 Performance of the State Government with respect to borrowings according to the limit fixed by the XV Finance Commission

Article 293 (3) of the Constitution of India, *inter alia*, provides that a State may not raise any loan without the consent of the Government of India (GoI) if any part of a loan, which has been made to the State by GoI, is still outstanding.

The XV Finance Commission recommended that the normal limit for net borrowing may be fixed at four *per cent* of GSDP in 2021-22, 3.5 *per cent* in 2022-23 and be maintained at three *per cent* from 2023-24 to 2025-26. The Commission has also recommended that an extra annual borrowing space for the States, of the magnitude of 0.50 *per cent* of their GSDP for each of the first four years of the award covering the period 2021-22 to 2024-25, based on certain performance criteria in the power sector, subject to carrying out the necessary amendment to the FRBM Act.

Accordingly, the State had amended (Fifth Amendment) the TFRBM Act, 2005 in 2022 and fixed the upper limit at four *per cent* of GSDP for full borrowing space for the year 2022-23 and thereafter 3.5 *per cent* for 2023-24 to 2024-25 and three *per cent* for 2025-26 respectively.

As per Statement 6 of the Finance Accounts *viz*, statement of borrowings and other liabilities for the year 2023-24, the State Government borrowed ₹ 1,400.68 crore (1.70 *per cent* of GSDP) as Public Debt and repaid ₹ 904.28 crore during the year. Out of borrowing of ₹ 1,400.68 crore, ₹ 703.22 crore was borrowed from the Financial institution during the year 2023-24. As a result, the Public Debt increased by ₹ 496.40 crore at the end of the 31 March 2024 which stood at ₹ 14,092.07 crore as against the balance of ₹ 13,595.67 crore at the beginning of the financial year 2023-24. The incremental other liabilities from the Public Account were ₹ 322.16 crore during the year. The overall liabilities (Public Debt + other liabilities) at the end of the year stood at ₹ 22,505.63 crore (including Back to Back loan) which was 27.24 *per cent* of GSDP. However, the effective liabilities of the State were ₹ 21,878.26 crore (26.48 *per cent* of GSDP) excluding Back to Back loan which were not to be treated as debt of the State for any norms, as per the guidelines and remained within the limit of MTFP target.

1.6 Deficits after examination in audit

As per the TFRBM Act, the State Government must ensure compliance to the target fixed for the fiscal indicators such as deficits, ceiling on debt and on guarantees, etc. The Revenue deficit and the Fiscal deficit as worked out for the State get impacted due to various circumstances such as misclassification of revenue expenditure as capital expenditure and off budget operations. Besides, deferment of clear-cut liabilities, not depositing cess/royalty to the Consolidated Fund, short contribution to the New Pension Scheme, Sinking Fund and Guarantee Redemption Fund, etc., also impact the revenue and fiscal deficit figures. In order to arrive at actual deficit figures, the misclassification of revenue expenditure/capital expenditure and/or any such misclassification needs to be included and the impact of such irregularities need to be reversed to get a better picture of State Finances. There is a tendency to classify revenue expenditure as capital expenditure and to conduct off budget fiscal operations.

Analysis of deficits after examination in audit and the impact on the Revenue surplus/Fiscal Deficit due to misclassification/non-discharge of interest liabilities are shown in **Table 1.7**:

Table 1.7: Revenue and Fiscal Deficit, post examination by Audit

Particulars	Impact on Revenue Surplus/deficit {overstated} (₹ in crore)	Impact on Fiscal deficit (understated) (₹ in crore)	Para Reference
Grants-in-Aid booked under Capital section instead of Revenue	1,488.52	Nil	2.4.3 & 3.3.8
Non discharge of Interest liabilities to deposit/Reserve Fund	27.81	27.81	2.4.2.3, 2.5.2.2 (a) to (c)
Short transfer of CRIF grants to Public Account	8.63	8.63	2.5.2.3
Short transfer of Road Development Cess	43.91	43.91	2.5.2.3
Non-transferred of CSS fund to SNA's Account	46.70	46.70	2.7.3
Total	1,615.57	127.05	

Source: Finance Accounts and audit analysis

During 2023-24, there was a Revenue surplus of ₹ 2,195.97 crore and Fiscal deficit of ₹ 637.58 crore. As can be seen from **Table 1.7**, the State Government had incurred ₹ 1,488.52 crore as grants-in-aid under capital account instead of revenue account in 2023-24, of which ₹ 1,482.43 crore was incurred for creation of capital assets during the year which resulted in the Revenue expenditure being understated and Capital Expenditure being overstated during the year. The State Government had not transfer of CRIF grants ₹ 8.63 crore to the Public Account which was received from GoI towards CRIF during 2023-24. Further, the State had not discharged interest liabilities of ₹ 27.81 crore to the State Deposit/Reserve Funds during the year. Moreover, the State Government had not transferred ₹ 46.70 crore of CSS fund to the SNA's account within the stipulated time during the year 2023-24. Resultant there was understatement of Revenue expenditure and overstatement of Revenue surplus instead of Revenue deficit of (-)₹ 583.85 crore (₹ 1,612.12 crore – ₹ 2,195.97 crore) and also understatement of ₹ 123.60 crore in fiscal deficit during 2023-24.

The State Government should ensure proper classification of booking of expenditure and discharging of committed liabilities as mandated to avoid accumulating liabilities in future.

1.6.1 Transfer of Funds to Single Nodal Agency (SNA)

During 2023-24, the State Government received ₹ 3,688.92 crore for implementation of various Centrally Sponsored Scheme in the State and monitoring of utilisation of the funds released through SNAs. As per the procedure, the State Government is to transfer the Central share received to the concerned SNAs Bank Account along with the corresponding States share within 21 days from the date of the fund received. As per information furnished by the State Government (June 2024), it was seen that the State had transferred ₹ 4,333.89 crore along with its corresponding share of ₹ 902.03 crore to the SNAs Account through GIA bills as on 31 March 2024. There was an unspent balance of ₹ 915.94 crore in the Bank Accounts of the SNAs as on 31 March 2024, as informed by the State Government (June 2024). As per the PFMS report, there was an unspent amount of ₹ 1,041.23 crore in the SNAs account as on 31 March 2024 (₹ 125.29 crore under escrow account).

Scrutiny of the PFMS Report revealed that out of the unspent amount of ₹ 915.94 crore, more than ₹ 10 crore in each were lying in the Bank Account of the following SNAs under various Centrally Sponsored Schemes as on 31 March 2024 as detailed in **Table 1.8**:

Table 1.8: Scheme-wise unspent balances in the SNAs Bank Account under CSS

(₹ in crore)

Sl. No.	Name of Controller	Name of Scheme	Amount released by GoI to State Treasury (2023-24)	State Share (2023-24)	Amount released to SNA by Treasury (2023-24)	Expenditure (2023-24)	Balance in Bank A/c of SNA as on 31-3-2024
1	PWD	PMGSY	84.16	32.42	708.69	187.99	130.93
2	UDD	PMAU(U)	94.76	10.4	84.44	101.47	17.98
		Mission for Development of 100 Smart cities	245.00	25.27	36.75	91.37	18.32
		City Investment to Innovate Inegrate and Sustain (CITIES)	25.50	0	25.50	28.77	59.81
3	Tribal Affairs	PM Adarsh Gram Yojana	27.37	0	27.37	9.3	32.17
		Post Matric Scholarship to Tribal students	40.00	5.24	40.00	74.64	13.59
4	SWSE	Pradhan Mantri Matru Vandana Yojana	10.17	0.94		3.05	10.39
		Indira Gandhi National Old Age Pension Scheme (IGNOAPS)	52.10	282.54	37.25	328.17	62.90
5	Law	Development of Infrastructure Faculties for Judiciary	40.49	4.50	40.49	27.53	25.43

Sl. No.	Name of Controller	Name of Scheme	Amount released by GoI to State Treasury (2023-24)	State Share (2023-24)	Amount released to SNA by Treasury (2023-24)	Expenditure (2023-24)	Balance in Bank A/c of SNA as on 31-3-2024
6	PWD (DWS)	Swaccha Bharat Mission	35.79	3.98	17.90	50.36	27.62
7	Agriculture	RKVY	61.26	6.81	6.79	52.82	36.71
8	Rural Development Department	DAY-NRLM	294.42	51.93	305.35	316.56	47.03
		DDU-GKY	0.45	0.05	0.17	6.65	17.06
		PMAY(G)	1,174.21	130.47	1,174.20	1,665.06	208.82
9	FW & PM	National Health Mission	190.06	31.21	190.06	241.41	21.23
Total:			2,375.74	585.76	2,694.96	3,185.15	729.99

As the detailed vouchers or supporting documents for actual expenditure were not received in the Office of the Accountant General (A&E), Tripura, the actual utilisation of the scheme funds could not be ascertained by the Audit.

Moreover, as per information furnished (June 2024) by the State Government, there were unspent balance of ₹ 550.14 crore lying in the Bank Accounts (CD/SB) of 674 DDOs in respect of 756 DDOs (out of 1482), which was already shown as expenditure from the Consolidated Fund of the State and parked as unspent balance as on 31 March 2024. The interest so earned on the unspent funds lying in the Bank Accounts should be credited to the Government Account.

1.7 Post Audit–Total outstanding liabilities

The State FRBM Act, 2005 of the State has defined the total liabilities as “The total liabilities mean the liabilities under the Consolidated Fund and the Public Account of the State and shall also include borrowings by the Public Sector undertakings and the Special Purpose Vehicles and other equivalent instruments including guarantees where principal and/or interest are to be serviced out of the State budget”.

The outstanding debt/liabilities of the State in various components as on 31 March 2024 were as given in **Table 1.9**.

Table 1.9: Outstanding liabilities of the State as on 31 March 2024

Borrowings and other liabilities as per Finance Accounts	Amount (₹ in crore)
Internal Debt (A)	11,929.36
Market Loans bearing interest	9,538.83
Loans from Financial Institutions	1,791.58
Special Securities issued to the National Small Saving Fund of the Central Government	598.45
Other Loans	0.50
Loans and Advances from Central Government(B)	2,162.71
Non-plan Loans	1.07
Loans for State Plan Schemes	29.07
Loans for Centrally Sponsored Plan Schemes	10.37

Borrowings and other liabilities as per Finance Accounts	Amount (₹ in crore)
Other loans including Block loans	2,121.61
Loans for Special Schemes	0.41
Pre-1984-85 loans	0.18
Liabilities upon Public Account (C)	8,413.56
Small Savings, Provident Funds, etc	6,460.77
Deposits	1,110.38
Reserve Funds	842.41
Total (A+B+C)	22,505.63

1.8 Conclusion

The fiscal position of the State is viewed in terms of three key fiscal parameters – Revenue Deficit/ Surplus, Fiscal Deficit/ Surplus and the ratio of Outstanding Debt to GSDP.

The GSDP of Tripura grew by 14.21 *per cent* from ₹ 72,347.54 crore in 2022-23 to ₹ 82,624.73 (Advance) in 2023-24.

The State had achieved the Revenue Surplus during 2023-24 which was 2.66 *per cent* of GSDP.

The State was successful in containing the Fiscal Deficit below the target as per Tripura State Fiscal Responsibility and Budget Management (FRBM) Act, 2005 of GSDP in four out of last five years. During the current year i.e., 2023-24, the State had Fiscal deficit of ₹ 637.58 crore which was 0.77 *per cent* of GSDP during the year.

The Government achieved the target fixed by the XV FC in respect of outstanding liabilities to GSDP during 2023-24 and it was 26.48 *per cent* against 34.50 *per cent* fixed by FC for the year.

During the five-year period 2019-24, outstanding debt of the State remained within the norms prescribed in the State FRBM Act. During 2023-24, the outstanding liabilities increased by ₹ 818.57 crore (3.77 *per cent*) from ₹ 21,687.06 crore in 2022-23 to ₹ 22,505.63 crore in 2023-24 including Back to Back loan of ₹ 627.37 crore given by the GoI in lieu of GST compensation up to 2021-22.

During the year, Revenue expenditure was understated by ₹ 1,612.12 crore and Revenue Surplus was overstated to that extent due to misclassification of Grants-in-Aid under Capital Section instead of Revenue Section and non-discharging of interest liabilities to the Reserve Funds/deposits. Fiscal deficit was also understated due to non-discharge of interest liabilities of ₹ 27.81 crore by the State Government to the Reserve Fund and deposits, as observed in Audit.

The State Government did not pay ₹ 24.36 crore as interest on interest bearing Reserve Fund/Deposits during 2023-24. Non-transfers Central fund/non-payment of interest understated the revenue surplus and overstated the fiscal deficits of the State Government.

As on 31 March 2024, there was an unspent amount of Central Scheme funds of ₹ 1,041.23 crore parked in the Bank Account of Single Nodal Agencies (SNAs). But, there was

discrepancy between the figures furnished by the State Government (₹ 915.94 crore) and that of the PFMS Report (₹ 1,041.23 crore) for the period. Moreover, as per information received from the State Government, there was an unspent funds of ₹ 550.14 crore in 674 DDOs Bank Accounts as on 31 March 2024.

1.9 Recommendations

- i. The State Government may book grants- in -aid as revenue expenditure to present correct financial position of the State.*
- ii. The Government should discharge the interest liabilities in time.*
- iii. There is a need to reconcile the difference between the unspent amount of Central Scheme funds between the figures furnished by the State Government and that of the PFMS Report.*
- iv. The State Government should monitor the utilisation of the funds lying in the DDOs Accounts and instruct to remit the unspent amount to the Government Account except scheme funds.*
- v. The State Government should consider the actual transactions/ misclassification etc. while determining the Revenue Surplus/ Fiscal Deficit.*