CHAPTER I

FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account **(*Appendix 1.1–Part A*).** The Finance Accounts are laid out in nineteen statements, presenting the receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State. The layout of the Finance Accounts is depicted in ***Appendix 1.1–Part B.***

1.1.1 Summary of Receipts and Disbursements

Table-1 summarises the finances of the Government of Manipur for the year 2005-06 covering revenue receipts and expenditure, capital receipts and expenditure and public account receipts/disbursements as emerging from Statement-1 of Finance Accounts and other detailed Statements.

Table 1: Summary of Receipts and Disbursements

(Rupees in crore)

2004-05	Receipts	2005-06	2004-05	Disbursements	2005-06		
Section A: Revenue							
					Non-Plan	**Plan**	**Total**
1742.75	Revenue Receipts	2408.95	1651.19	Revenue Expenditure	1592.48	412.03	2004.51
81.39	*Tax Revenue*	*95.00*	*704.27*	*General Services*	*721.10*	*1.78*	*722.88*
69.75	*Non-Tax Revenue*	*76.46*	*523.23*	*Social Services*	*455.69*	*228.06*	*683.75*
287.02	*Share of Union taxes/duties*	*342.09*	*423.69*	*Economic Services*	*415.69*	*182.19*	*597.88*
1304.59	*Grants from Government of India*	*1895.40*	—	*Grants-in-aid/ contribution*	—	—	—
Section B: Capital							
—	Miscellaneous Capital Receipts	—	521.18	Capital outlay	(-) 0.16	615.98	615.82
0.58	Recoveries of Loans and Advances	0.64	20.27	Loans and Advances disbursed	0.13	60.46	60.59
1110.19	Public Debt receipts*	218.11	456.59	Repayment of Public Debt*			116.82
—	Contingency Fund	—	—	Contingency Fund			—
1107.96	Public Account receipts	2172.88	1028.67	Public Account disbursements			1738.99
(-) 515.66	Opening balance	(-) 232.06[1]	(-) 232.08	Closing balance			31.79
3445.82	**Total**	**4568.52**	**3445.82**	**Total**			**4568.52**

***** Excluding ways and means advances and overdraft.

The total receipts of the Government grew by 21.18 *per cent* (from Rs.3961.48 crore in 2004-05 to Rs.4800.58 crore in 2005-06), against 23.35 *per cent* increase in the disbursements.

[1] The excess of Rs.2 lakh over the closing balance of the previous year is under reconciliation.

There was a significant increase in the grants from the Central Government, which increased by over 45.28 *per cent* from Rs.1304.59 crore in 2004-05 to Rs.1895.40 crore in 2005-06. Accordingly, its share in the total revenue receipts went up from 74.86 *per cent* in 2004-05 to 78.68 *per cent* in 2005-06.

Under the capital receipts, the noticeable changes were a decline in public debt receipts (down by over 80 *per cent*, mainly on account of decline in market borrowings and borrowings from Government of India) and an increase of 96.11 *per cent* in the Public Account receipts. Of the total disbursements, revenue expenditure accounted for about 44.18 *per cent*.

1.1.2 The Fiscal Responsibility and Budget Management Act

The State Government enacted the Fiscal Responsibility and Budget Management (FRBM) Act, 2005 in August 2005, to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability, greater fiscal transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework. To give effect to the fiscal management principles, the Act prescribed the following fiscal targets for the Government to strive to:

- remain revenue surplus by making a balance in revenue receipts and expenditure and build up further surplus;
- bring down the fiscal deficit to 3 *per cent* of GSDP;
- limit the amount of outstanding Government guarantees as per provision of Manipur Ceiling on State Government Guarantee Act, 2004.
- follow a recruitment and wage policy so that the expenditure on salary does not exceed 35 *per cent* of the excess of revenue expenditure over interest and pension payments.

1.1.3 Fiscal Policy Statement(s)

As prescribed in the Act, the State Government was to lay in each year the following statement(s) of fiscal policy along with the budget before the legislature:

- The Medium Term Fiscal Policy Statement; and
- The Fiscal Policy Strategy Statement.

Though the FRBM Act was enacted in August 2005, it came into effect only from 13 November 2006. The rules for carrying out the provisions of the Act were framed in December 2005 and further amended in January and August 2006.

1.2 Overview of the Fiscal Situation of the State

1.2.1 Trend in Fiscal Aggregates

The Fiscal position of the State Government during the current year compared to that of previous year is given in Table 2.

Table 2

(Rupees in crore)

2004-05	Sl. No.	Major Aggregates	2005-06
1743	**1.**	**Revenue Receipts (2+3+4)**	**2409**
81	*2.*	*Tax Revenue*	*95*
70	*3.*	*Non-Tax Revenue*	*76*
1592	*4.*	*Other Receipts*	*2238*
1	**5.**	**Non-Debt Capital Receipts**	**1**
1	*6.*	*Of which, recovery of Loans and Advances*	*1*
1744	**7.**	**Total Receipts (1+5)**	**2410**
1397	**8.**	**Non-Plan Expenditure (9+11+12)**	**1592**
1396	*9.*	*On Revenue Account*	*1592*
266	*10.*	*Of which, Interest Payments*	*238*
1	*11.*	*On Capital Account*	—
—	*12.*	*On Loans disbursed*	—
795	**13.**	**Plan Expenditure (14+15+16)**	**1089**
255	*14.*	*On Revenue Account*	*412*
520	*15.*	*On Capital Account*	*616*
20	*16.*	*On Loans disbursed*	*61*
2192	**17.**	**Total Expenditure (8+13)**	**2681**
(+) 92	**18.**	**Revenue Surplus (+) (1–9–14)**	**(+) 405**
(–) 448	**19.**	**Fiscal Deficit (–) (17–1–5)**	**(–) 271**
(–) 182	**20.**	**Primary Deficit (–) (19–10)**	**(–) 33**

Table 2 indicates that the revenue surplus of the State rose from Rs.92 crore in 2004-05 to Rs.405 crore in 2005-06. This was mainly because of rise in Central grants and State share of Union taxes, which rose by 45 *per cent* and 19 *per cent* respectively over the previous year. The total expenditure of Rs.2681 crore exceeded the total non-debt receipts of Rs.2410 crore, resulting in fiscal deficit of Rs.271 crore. The Plan expenditure accounted for 41 *per cent* of the total expenditure, up from 36 *per cent* in 2004-05, while the Non-Plan expenditure declined from 64 *per cent* in 2004-05 to 59 *per cent* in 2005-06. A substantial improvement in revenue receipts also resulted in surplus primary revenue balance which in turn led to a decline in primary deficit from Rs.182 crore in 2004-05 to Rs.33 crore in the current year.

1.3 Audit Methodology

Audit observations on statements of the Finance Accounts for the year 2005-06 bring out the trends in the major fiscal aggregates of receipts and expenditure, and analyze them wherever necessary in the light of time series data (***Appendices 1.2 to 1.5***) and periodic comparisons. Major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as a percentage of the Gross State Domestic Product (GSDP) at current market prices. For tax and non-tax revenues, revenue expenditure *etc*., buoyancy projections have also been provided for further estimation of the range of their fluctuations. The key indicators adopted for the purpose are (i) Resources by volumes and sources, (ii) Application of resources, (iii) Assets and Liabilities, and (iv) Management of deficits. Audit observations have also taken into account, the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. In addition, selected indicators of financial performance of the Government are also listed in this section; some of the terms used in this context are explained in ***Appendix 1.1 Part C.***

1.4 State finances by key indicators

1.4.1 Resources by volumes and sources

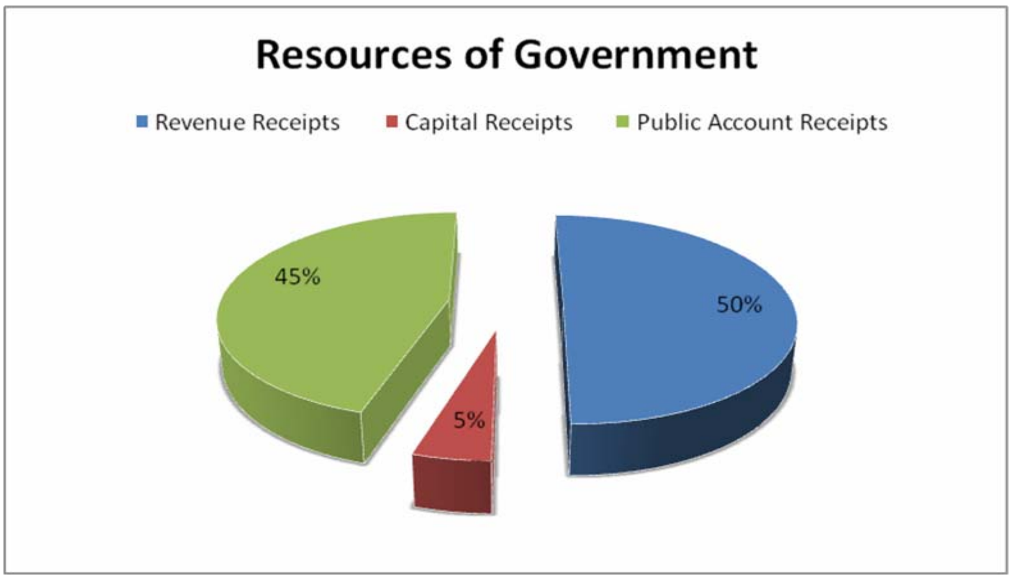
Resources of the State Government consist of revenue and capital receipts. Revenue receipts consist of tax revenue, non-tax revenue, State's share of union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise miscellaneous capital receipts like proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources *viz*., market loans, borrowings from financial institutions/commercial banks *etc*., and loans and advances from the Government of India (GOI), as well as accruals from Public Account.

Table 3 shows that the total receipts of the State Government for the year 2005-06 were Rs.4800.58 crore. Of these, the revenue receipts were Rs.2408.95 crore (50 *per cent*) while the balance came mainly from public account receipts (Rs.2172.88 crore). Remittances consisting of mainly Public Works Remittances (Rs.944.73 crore), Cash Remittances between treasuries and currency chest (Rs.85.58 crore) and Forest remittances (Rs.22.03 crore) constitute about half of public account receipts.

Table 3: Resources of the Government

(Rupees in crore)

I.	**Revenue Receipts**		**2408.95**
II.	**Capital Receipts**		**218.75**
	(a) Recovery of Loans and Advances	0.64	
	(b) Public Debt Receipts	218.11	
	(c) Miscellaneous Receipts	—	
III.	**Contingency Fund Receipts**		**—**
IV.	**Public Account Receipts**		**2172.88**
	(a) Small Savings, Provident Fund *etc.*	367.58	
	(b) Reserve Fund	10.36	
	(c) Deposits and Advances	517.72	
	(d) Suspense and Miscellaneous	225.09	
	(e) Remittances	1052.13	
Total Receipts			**4800.58**



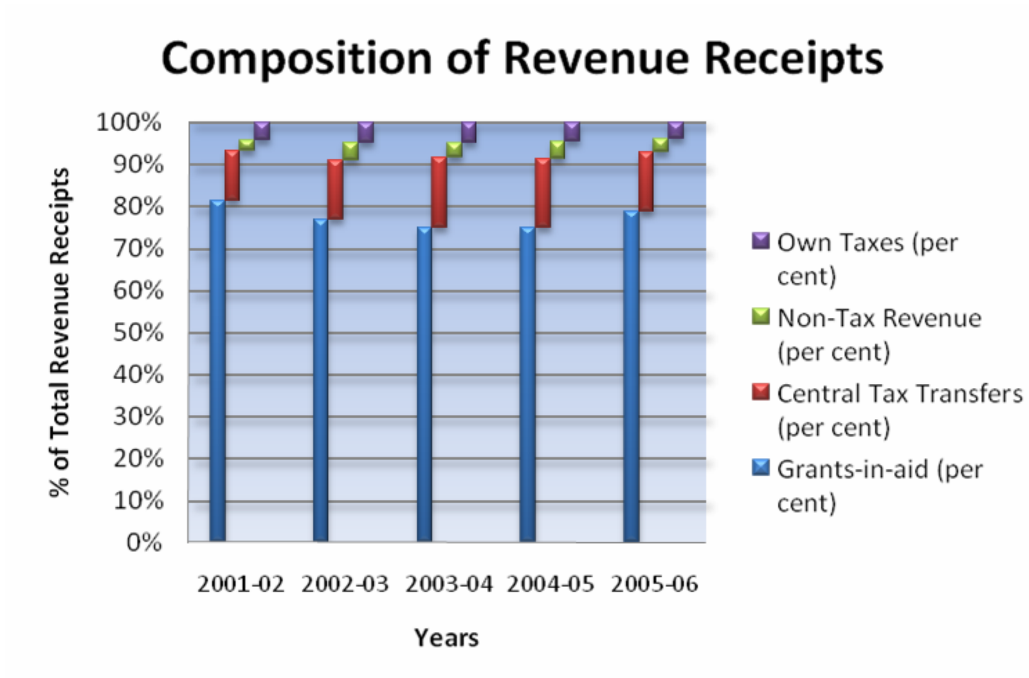
1.4.2 Revenue Receipts:

Statement-11 of the Finance Accounts details the Revenue Receipts of the State consisting mainly of its own tax and non-tax revenues, Central tax transfers and grants-in-aid from the GOI. The details of revenue receipts are given in ***Appendix 1.2***. Overall revenue receipts, their annual rate of growth, ratio to the State's Gross Domestic Product (GSDP) and buoyancy are indicated in Table 4**.**

Table 4: Revenue Receipts – Basic Parameters

	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Receipts (Rupees in crore)	1177.00	1328.00	1420.00	1743.00	2409.00
Own Taxes	51 (4.33)	65 (4.89)	68 (4.79)	81 (4.66)	95 (3.94)
Non-Tax Revenue	29 (2.46)	57 (4.29)	50 (3.52)	70 (4.02)	76 (3.16)
Central Tax Transfers	142 (12.06)	188 (14.16)	241 (16.97)	287 (16.47)	342 (14.20)
Grants-in-aid	955 (81.14)	1018(76.66)	1061 (74.72)	1305 (74.87)	1896 (78.70)
Rate of Growth of Revenue Receipts (*per cent*)	12.63	12.83	6.93	22.75	38.21
Revenue Receipts/GSDP (*per cent*)	32.78	35.51	34.96	43.32	51.33
Revenue Buoyancy (ratio)	0.924	3.09	0.80	#	2.30
States' Own Taxes buoyancy (ratio)	0.29	6.61	0.53	#	1.04
Revenue Buoyancy with reference to State's own taxes (ratio)	3.10	0.47	1.50	1.19	2.21
GSDP Growth (*per cent*)	13.67	4.14	8.61	(-) 0.93	16.63

Rate of GSDP growth was negative
Figures in brackets are in percentages



General trends: The revenue receipt of the State increased more than double during 2001-06 from Rs.1177 crore in 2001-02 to Rs.2409 crore in 2005-06 at an average rate of 26 *per cent* per year, though there were significant inter-year variations ranging from about 7 *per cent* (2003-04) to 38 *per cent* (2005-06). Revenue receipts comprised mainly (more than 90 *per cent*) of funds from the Central Government in the form of grants-in-aid and State's share in the pool of Central taxes and duties. Estimates of GSDP by the State Government shows that during the period 2001-05 the economy of the State has shown large fluctuations with its GSDP growth varying from (-) 0.94 *per cent* in 2004-05 to 16.63 *per cent* in 2005-06.

Tax revenue: Tax revenue moved in a narrow range of 3.94 to 4.89 *per cent* of the revenue receipts during the last five years. The State could generate only Rs.95 crore of tax revenue during 2005-06 as against a normative projection of Rs.151.34 crore made by the Twelfth Finance Commission (TFC). In 2005-06, Sales tax was the major contributor (74.9 *per cent*) to the State's own tax revenue.

Non-tax revenue: The non-tax revenue has contributed 2.46 to 4.29 *per cent* of the revenue receipts during the last five years. The total non-tax revenue of Rs.76.46 crore in 2005-06 came mainly from Power (Rs.49.87 crore) followed by Miscellaneous General Services (Rs.6.62 crore) and Interest Receipts (Rs.6.14 crore). The current levels of cost recovery (revenue receipts as a percentage of revenue expenditure) in providing various social services by Government was 0.25 *per cent* for General Education, 0.42 *per cent* for Medical and Public Health and 5.79 *per cent* for water supply and sanitation.

Central tax transfers: The contribution of the Central tax transfers to the revenue receipts has been increasing over the years (2001-04) and has ranged from 12.06 *per cent* to 16.97 *per cent* during 2001-06. However, the percentage declined to 14.20 *per cent* in 2005-06, as compared to 16.47 *per cent* in 2004-05.

Grants-in-aid: The amount of grants-in-aid received from the Central Government almost doubled from Rs.955 crore in 2001-02 to Rs.1895 crore in 2005-06 and together with the Central tax transfers, constitute the mainstay of the State's revenue receipts. In percentage terms, the grants-in-aid registered a sharp increase in 2005-06, reversing the declining trend in the previous three years. The major components of grants-in-aid during 2005-06 include non-plan grant (Rs.846.22 crore), grants for State plan schemes (Rs.894.27 crore), grants for Centrally Sponsored Schemes (Rs.131.49 crore), grants for Special Plan Schemes (Rs.22.34 crore) and grants for Central Plan Schemes (Rs.1.06 crore).

1.4.3 Sources of Receipts

The sources of total receipts during 2001-06 and the GSDP are indicated in Table 5.

Table 5: Sources of Receipts: Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts				Total Receipts	Gross State Domestic Product
		Non-Debt Receipts[2]	Debt-Receipts	Accruals in Public Account	Total		
2001-02	1177	0.47	655	127	782	1959	3591
2002-03	1328	0.47	1104	699	1803	3131	3740
2003-04	1420	0.48	877	746	1623	3043	4062
2004-05	1743	0.58	1110	1108	2219	3962	4024
2005-06	2409	0.64	218	2173	2392	4801	4693

The relative share of revenue receipts decreased from 60 *per cent* in 2001-02 to 50 *per cent* in 2005-06 with corresponding increase in the share of the capital receipts. The non-debt capital receipts were not significant (Rs.2.64 crore in the last five years) while the accruals to the Public Account accounted for about 45 *per cent* of the total receipts in 2005-06, and their relative share in the capital receipts went up from about 16 *per cent* in 2001-02 to about 91 *per cent* in 2005-06. Table 5 shows that, despite the revenue receipts growing by more than 100 *per cent* during 2001-06, the GSDP grew only by over 30 *per cent*. Since the revenue receipts comprise mainly of Central fund transfers, the disparity in growth rates would indicate that the increase in Central transfers has not led to a commensurate growth in the GSDP. In fact, in 2005-06 the GSDP was even less than the total receipts of the State. It seems that the central funds could not generate adequate momentum in the growth process of the State economy.

[2] This column indicates recovery of loans and advances.

1.5 Application of resources

1.5.1 Growth of expenditure

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. The States raise resources to perform their sovereign functions, to maintain their existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. The total expenditure of the State increased from Rs.1518 crore in 2001-02 to Rs.2681 crore in 2005-06 at an average rate of 19 *per cent* per annum.

Table 6 shows that the total expenditure, as a percentage of GSDP, has shown a rising trend, going up from about 42 *per cent* in 2001-02 to about 57 *per cent* in 2005-06. The revenue expenditure, as a percentage of GSDP, rose from 37 *per cent* (2001-02) to 42 *per cent* (2005-06). Similarly, capital expenditure rose from 5 *per cent* (2001-02) to 13 *per cent* (2005-06). However, the buoyancy of total expenditure both with respect to GSDP as well as revenue receipts did not exhibit the definite trend reflecting the fact that expenditure of the State is influenced by factors other than its own GSDP and revenue receipts which largely comprised of central transfers.

Table 6: Total expenditure – Basic Parameters

	2001-02	2002-03	2003-04	2004-05	2005-06
Total Expenditure (Rupees in crore)	1518.00	1577.00	1706.00	2192	2681.00
Rate of Growth (*per cent*)	19.37	3.88	8.18	28.49	22.31
TE/GSDP Ratio (*per cent*)	42.28	42.17	42.00	54.47	57.13
Revenue Receipts/ TE Ratio (*per cent*)	77.53	84.21	83.24	79.52	89.85
Buoyancy of Total Expenditure with					
GSDP (ratio)	1.41	0.93	0.95	#	1.34
Revenue Receipts (ratio)	1.53	0.30	1.18	1.25	0.58

GSDP growth was negative

Trends in total expenditure by activities: In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services, Interest Payments, Social and Economic Services, Grants-in-aid and Loans and Advances.

Table 7: Components of Expenditure – Relative share

(in ***per cent*****)**

	2001-02	2002-03	2003-04	2004-05	2005-06
General Services	37.29	41.60	37.22	32.76	33.98
Of which, interest payments	12.58	16.17	12.60	12.14	8.88
Social Services	32.87	33.99	33.00	35.63	30.36
Economic Services	29.58	24.35	29.66	30.70	33.38
Grants-in-aid	—	—	—	—	—
Loans and Advances	0.27	0.06	0.12	0.91	2.28

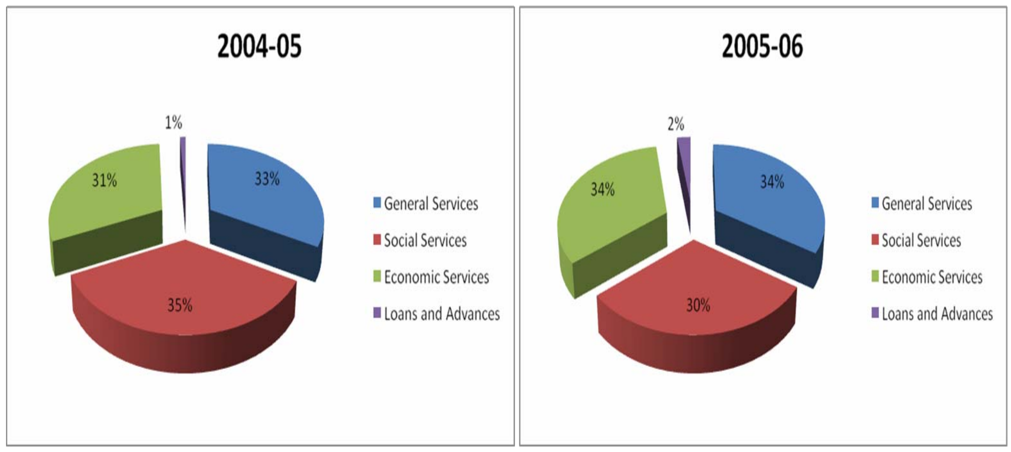


Table 7 shows that over the last five years the percentage of expenditure on General and Social Services has decreased, while that on Economic Services has increased. But inter-year comparison of the last two years shows that the expenditure on General Services (considered as non-developmental) marginally increased from 32.76 *per cent* (2004-05) to 33.98 *per cent* (2005-06). On the other hand, developmental expenditure (Social and Economic Services) decreased from 66.33 *per cent* in 2004-05 to 63.74 *per cent* in 2005-06.

1.5.2 Incidence of Revenue expenditure

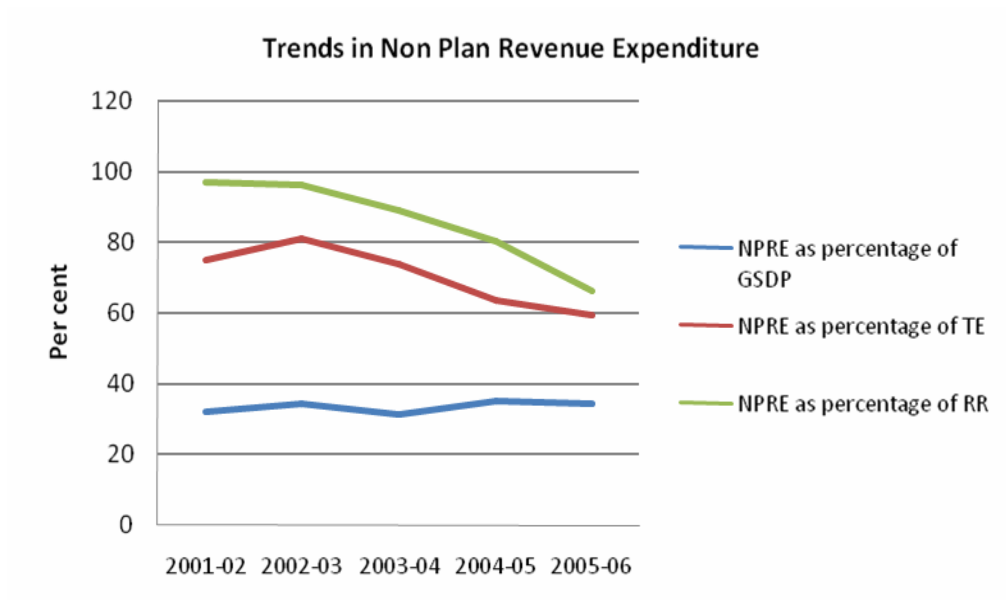
Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. Table 8 shows that the revenue expenditure accounted for more than 81 *per cent* of the total expenditure in all the five years. Non-plan revenue expenditure increased to Rs.1592 crore in 2005-06 against the normative projection of Rs.1323.15 crore made by TFC for the State for 2005-06. Non-plan revenue expenditure (NPRE) accounted for the major portion of the revenue expenditure, ranging from 79 to 90 *per cent*, while the planned revenue expenditure (PRE) was 10 to 21 *per cent* of the revenue expenditure during the period 2001-06. However, the rate of growth of NPRE has shown a declining trend, with corresponding rise in the growth rate of PRE. The buoyancy of Revenue Expenditure with reference to GSDP as well as Revenue Receipt registered a declining trend over the last five years (2001-06).

Table 8: Revenue Expenditure: Basic Parameters

(Rupees in crore)

	2001-02	**2002-03**	**2003-04**	**2004-05**	**2005-06**
Revenue Expenditure (Rupees in crore)	1338	1415	1464	1651	2004
Non-Plan Revenue Expenditure (NPRE)	1139	1276	1259	1396	1592
Plan Revenue Expenditure (PRE)	199	139	205	255	412
Rate of Growth (*per cent*)					
NPRE	21.82	12.03	(-) 1.33	10.88	14.04
PRE	5.85	30.15	47.48	24.39	61.57
NPRE/GSDP (*per cent*)	31.72	34.12	30.99	34.69	33.92
NPRE as percentage of TE	75.03	80.91	73.80	63.69	59.38
NPRE as percentage of RR	96.77	96.08	88.66	80.09	66.09
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.40	1.38	0.40	#	1.28
Revenue Receipts (ratio)	1.51	0.44	0.50	0.56	0.55

Rate of growth of GSDP was negative.



1.5.3 Committed Expenditure

Salaries and Wages

Table 9: Expenditure on Salaries and Wages

(Rupees in crore)

	2003-04	2004-05	2005-06
Expenditure on Salaries & Wages Of which,	667	731	872[3]
Non-plan Head	636	702	837
Plan Head*	31	29	35
As a *per cent* of GSDP	16.42	18.16	18.58
As a *per cent* of RR	46.97	41.94	36.20

* Plan Head also includes salaries and wages paid under Centrally Sponsored Schemes.

The expenditure on salaries and wages accounted for 36 *per cent* of the revenue receipts and 44 *per cent* of the revenue expenditure in 2005-06. The rise in salaries and wages during 2005-06 was due to release of dearness allowances of the State Government employees for the last three years at one go. The expenditure on salaries and wages showed an increasing trend as a percentage of GSDP and a decreasing trend with regard to revenue receipts during the last three years. The non-plan component of salaries and wages accounted for over 95 to 96 *per cent* during 2003-06.

The TFC recommended (November 2004) that the States should follow a recruitment and wages policy in such a manner that the total salary bill relative to revenue expenditure net of interest payments and pension does not exceed 35 *per cent*. However the State Government's expenditure on salaries and wages was 61 *per cent* of the revenue expenditure during 2004-05 and 55 *per cent* during 2005-06.

[3] Salaries: Rs.869.77 crore, Wages: Rs.2.64 crore

Pension payments

Table 10: Expenditure on pension

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Expenditure on pension	140	167	166	182	168*
As *per cent* of GSDP	3.90	4.47	4.09	4.52	3.58
As *per cent* of RR	11.89	12.57	11.60	10.44	6.97

* excluding Rs.17.29 crore booked under the Major Head 8658 – Suspense Accounts.

Pension payments increased from Rs.140 crore in 2001-02 to Rs.182 crore in 2004-05. The decline in 2005-06 was due to non-submission of pension vouchers/bank scrolls for an amount of Rs.17.29 crore by the banks to Treasuries following introduction of payment of Pensions through Public Sector Banks. During the year, expenditure on pension and other retirement benefits including Rs.17.29 crore booked under Suspense Head was 3.94 *per cent* of the GSDP and 7.69 *per cent* of revenue receipts.

Interest payments

Table 11: Interest payments

Year	Total Revenue receipts	Interest Payments	Percentage of Interest Payment with reference to	
	(Rupees in crore)		Revenue Receipts	Revenue Expenditure
2001-02	1177	191	16.22	14.27
2002-03	1328	255	19.20	18.02
2003-04	1420	215	15.14	14.69
2004-05	1743	266	15.26	16.11
2005-06	2409	238♣	9.88	11.87

♣ In 2005-06, interest of Rs.13.35 crore paid on Power Bonds was depicted under Major Head 2801 – Power.

Table 11 shows that although the quantum of interest payment has risen from Rs.191 crore in 2001-02 to Rs.238 crore (excluding Rs.13.35 crore booked under Major Head 2801 – Power), its ratio to the revenue receipts dropped from about 16 *per cent* in 2001-02 to around 10 *per cent* in 2005-06. The components of interest payment during 2005-06 were internal debt (Rs.73.73 crore), loans received from Central Government (Rs.125.07 crore), Small Savings, Provident Funds *etc*. (Rs.38.73 crore).

1.6 Expenditure by Allocative Priorities

1.6.1 Quality of Expenditure

The quality of expenditure is reflected in the availability of better social and physical infrastructure. Therefore, the ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure spent on running efficiently and effectively the existing social and economic services, would determine the quality of expenditure. The higher the ratio of these components to total expenditure and GSDP, the better is the quality of expenditure. Table 12 gives these ratios for the period 2001-06.

Table 12: Indicators of Quality of Expenditure

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Capital expenditure	**176**	**161**	**240**	**521**	**616**
Revenue expenditure	**1338**	**1415**	**1464**	**1651**	**2004**
Of which					
Social and Economic Services with	776	765	837	947	1282
(i) Salary & Wage Component	*	*	484	530	619
(ii) Non-Salary & Wage component	*	*	353	417	663
As *per cent* of Total Expenditure					
Capital Expenditure	11.62	10.22	14.08	23.99	23.51
Revenue Expenditure	88.38	89.78	85.92	76.01	76.49
As *per cent* of GSDP					
Capital Expenditure	4.90	4.30	5.91	12.95	13.13
Revenue Expenditure	37.26	37.83	36.04	41.03	42.70

* Bifurcation of salary and non-salary components not available.

The above table indicates that the percentage of capital expenditure to the total expenditure as well as to the GSDP has been steadily rising over the last five years indicating steady improvement in the quality of expenditure. The share of revenue expenditure in the total expenditure has been declining over the years (2001-06) indicating a shift towards capital expenditure. Although the salary and wage component in the Developmental Sector (Social and Economic Services) has been showing a decreasing trend over the last three years, it still forms a large chunk (48.28 *per cent* during 2005-06) of the expenditure on this sector.

1.6.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities *etc.* have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. Table 13 summarises the expenditure incurred by the State Government in expanding and strengthening Social Services in the State during 2003-06.

Table 13: Expenditure on Social Services

(Rupees in crore)

	2003-04	2004-05	2005-06
Education, Sports, Art and Culture			
Revenue Expenditure	291	325	412
Of which			
(a) Salary & Wage component	204	221	250
(b) Non-salary & Wage component	87	104	162
Capital Expenditure	14	71	10
Health and Family Welfare			
Revenue Expenditure	67	61	78
Of which			
(a) Salary & Wage component	51	54	67
(b) Non-salary & Wage component	16	7	11
Capital Expenditure	8	6	5
Water Supply, Sanitation, Housing and Urban Development			
Revenue Expenditure	20	33	73
Of which			
(a) Salary & Wage component	17	19	24
(b) Non-salary & Wage component	3	14	49
Capital Expenditure	69	167	101
Other Social Services			
Revenue Expenditure	89	104	121
Of which			
(a) Salary & Wage component	31	30	40
(b) Non-salary & Wage component	58	74	81
Capital Expenditure	6	14	14
Total (Social Services)	**564**	**781**	**814**
Revenue Expenditure	467	523	684
Of which			
(a) Salary & Wage component	303	324	381
(b) Non-salary & Wage component	164	199	303
Capital Expenditure	97	258	130

The table shows that the expenditure on Social Services increased from Rs.564 crore in 2003-04 to Rs.814 crore in 2005-06. Bulk of this expenditure was on revenue account amounting to 83 *per cent* in 2003-04, 67 *per cent* in 2004-05 and 84 *per cent* in 2005-06.

The expenditure on Social Services was distributed among four heads and their relative shares in the expenditure of the last three years were Education, Sports, Art and Culture (52 *per cent)*; Health and Family Welfare (10 *per cent)*; Water Supply, Sanitation, Housing and Urban Development (22 *per cent*) and Other Social Services (16 *per cent*). The table also shows that major portion of the expenditure was revenue in nature except in case of Water Supply, Sanitation, and Housing and Urban Development. The bulk of the expenditure was on the salary and wages component, which was predominantly Non-Plan.

1.6.3 Expenditure on Economic Services

The expenditure on Economic Services includes all such expenditure as to promote directly or indirectly, productive capacity of the State's economy. The State's total expenditure in this sector increased from Rs.505 crore (2003-04) to Rs.896 crore (2005-06) – an increase of 77 *per cent*. The capital expenditure on economic services registered an increase of 122.39 *per cent* in 2005-06 over 2003-04.

Table 14: Expenditure on Economic Sector

(Rupees in crore)

	2003-04	2004-05	2005-06
Agriculture, Allied Activities			
Revenue Expenditure	95	107	144
Of which			
(a) Salary & Wage component	65	73	90
(b) Non-salary & Wage component	30	34	54
Capital Expenditure	4	12	12
Irrigation and Flood Control			
Revenue Expenditure	37	34	44
Of which			
(a) Salary & Wage component	23	25	31
(b) Non-salary & Wage component	14	9	13
Capital Expenditure	31	39	139
Power & Energy			
Revenue Expenditure	101	127	194
Of which			
(a) Salary & Wage component	36	38	44
(b) Non-salary & Wage component	65	89	150
Capital Expenditure	29	39	29
Transport			
Revenue Expenditure	42	31	45
Of which			
(a) Salary & Wage component	16	17	22
(b) Non-salary & Wage component	26	14	23
Capital Expenditure	35	88	76
Other Economic Services			
Revenue Expenditure	96	125	171
Of which			
(a) Salary & Wage component	41	53	51
(b) Non-salary & Wage component	55	72	120
Capital Expenditure	35	71	42
Total (Economic Services)			
Revenue Expenditure	371	424	598
Of which			
(a) Salary & Wage component	181	206	238
(b) Non-salary & Wage component	190	218	360
Capital Expenditure	134	249	298

Major chunk of the expenditure on Economic Services was revenue in nature, except in case of Irrigation and Flood Control and Transport heads. Also, salaries and wages were a predominant part of the revenue expenditure in all the heads barring Power & Energy and Other Economic Services.

1.6.4 Financial Assistance to Local Bodies and other Institutions

The quantum of assistance provided by way of grants to local bodies and others during the five year period 2000-06 is presented in Table 15.

Table 15: Financial Assistance

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Educational Institutions (Aided Schools, Aided Colleges, Universities *etc*.)	30.45	34.10	28.90	45.19	75.71
Municipal Corporations and Municipalities	2.45	0.64	1.54	2.12	1.84
Other Institutions	1.18	0.69	0.69	0.78	1.03
Total:	**34.08**	**35.43**	**31.13**	**48.09**	**78.58**
Assistance as percentage of RE	2.53	2.50	2.13	2.91	3.92

The financial assistance to local bodies and institutions as a percentage of revenue expenditure showed a generally decreasing trend during the years 2001-04 before taking an increasing trend from 2004-05. The total assistance gradually declined from 2001-02 (Rs.34.08 crore) to 2003-04 (Rs.31.13 crore). The sharp rises during the last two years were because of increased assistance to educational institutes. During 2005-06, major portion of the assistance went to Manipur University (Rs.50.11 crore).

1.7 Assets and liabilities

In the Government accounting system, comprehensive accounting of the fixed assets like land and buildings owned by Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. ***Appendix 1.3*** gives a picture of such liabilities and the assets as on 31 March 2006, compared with the corresponding position on 31 March 2005. While the liabilities in this *Appendix* consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances.

Appendix 1.3 shows that the increase in liabilities was mainly on account of Non-plan loans, Small Savings, Market loans and Deposits. While there was reduction in loans for State Plan Schemes, there was an increase in Non-plan loans and Market loans. The liabilities of the Government depicted in the Finance Accounts, however, do not include pension, other retirement benefits payable to serving/retired State employees and guarantees issued by the State Government.

On the assets side there was an increase of 15.57 *per cent* in the capital outlay on fixed assets, 77.64 *per cent* in Loans and Advances and large increase in the cash balance, comprising mainly of the cash balance investment account with the RBI, which started with an opening balance of Rs.4.45 crore and had a closing balance of Rs.142.62 crore. The Government needs to examine whether its market borrowings were justified in the light of the cash balances in its account with the RBI which is indicative of its inability to spend funds available with it.

1.7.1 Investments and returns

As on 31 March 2006, the Government had invested Rs.173 crore in Statutory Corporations, Government Companies and Co-operative Institutions (Table 17). While the return on investment was negligible (only Rs.2730 during 2005-06), average cost of Government borrowing in 2005-06 amounted to 6.81 *per cent*. The summary of financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised is given at *Appendix 7.2*.

Table 16: Return on investment

Year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on Government borrowing	Difference between interest rate and return
	(Rupees in crore)		***(In per cent)***		
2001-02	108	0.08	0.07	8.90	8.82
2002-03	115	—	—	11.53	11.53
2003-04	144	0.08	0.06	9.50	9.44
2004-05	162	0.08	0.05	9.88	9.83
2005-06	173	*	—	6.81	6.81

* Only Rs.2,730

Thus, these investments were economically unviable.

1.7.2 Loans and advances by Government

In addition to investments in Co-operatives, Corporations and Companies, Government has also been providing support in terms of loans and advances to many of these organisations. The total outstanding balance as on 31 March 2006 was Rs. 137.16 crore. Table 17 shows that interest received as a percentage of outstanding loans and advances was much less than the weighted interest rate paid on Government borrowings. The table also shows that while the amounts advanced have gone up exponentially during the last two years, there is virtually no change in the repayment position.

Table 17: Average interest received on loans advanced by the Government

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Opening balance	51.29	54.96	56.04	57.52	77.21
Amount advanced during the year	4.14	1.55	1.96	20.27	60.59
Amount repaid during the year	0.47	0.47	0.48	0.58	0.64
Closing balance	54.96	56.04	57.52	77.21	137.16
Net Addition	3.67	1.08	1.48	19.69	59.95
Interest received	0.22	0.26	0.19	0.26	0.52
Interest received as *per cent* to outstanding loans and advances	0.41	0.47	0.33	0.39	0.49
Weighted interest rate (in *per cent*) paid on borrowings by State Government	8.90	11.53	9.50	9.88	8.23
Difference between weighted interest paid and received (*per cent*)	8.49	11.06	9.17	9.49	7.74

1.7.3 Management of cash balances

It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) – ordinary and special - from Reserve Bank of India has been put in place. The operative limit for Normal Ways and Means Advances is reckoned on the three year average of revenue receipts and the operative limit for Special Ways and Means Advances is fixed by Reserve Bank of India from time to time depending on the holding of Government securities.

Table 18 shows that the amount and the number of days on which WMA was taken by the State Government have been fluctuating over the last five years. It gradually increased during the years 2001-02 to 2003-04 and then gradually decreased during the last two years 2004-06. During 2005-06, the State Government had to resort to overdraft facility from the Reserve Bank of India on 44 days, the amounts of overdraft ranging from Rs.4.16 crore to Rs.227.61 crore and aggregating to Rs.6,520.20 crore for all the days taken together; the State Government had to pay an interest of Rs.1.99 crore on such overdraft.

Table 18: Ways and Means Advances and Overdrafts

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Ways and Means Advance					
Availed in the year	70.31	101.54	247.07	191.24	90.90
Outstanding WMAs	42.40	55.70	55.31	54.83	—
Interest paid	2.82	3.28	2.99	1.22	2.51
Number of days	—	—	48	35	127
Overdraft					
Availed in the year	1486.13	1227.45	215.20	50.31	6520.20
Number of days	142	135	212	119	44
Interest paid	9.12	18.63	1.71	9.16	1.99

1.8 Undischarged liabilities

1.8.1 Fiscal Liabilities – Public Debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund – Capital Accounts. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits as may from time to time be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. Other liabilities, which are a part of public account, include deposits under small savings schemes, provident funds and other deposits.

Table 19 gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table 19: Fiscal Liabilities – Basic Parameters

	2001-02	2002-03	2003-04	2004-05	2005-06
Fiscal Liabilities (Rupees in crore)	2198	2225	2300	3082	3905
Rate of Growth (*per cent*)	5.02	1.23	3.37	34.00	26.70
Ratio of Fiscal Liabilities to					
GSDP (*per cent*)	61.21	59.49	56.62	76.59	83.21
Revenue Receipt (*per cent*)	186.75	167.55	161.97	176.82	162.10
Own Resources (*per cent*)	2747.50	1823.77	1949.15	2041.06	2283.63
Buoyancy of Fiscal Liabilities to					
GSDP (ratio)	0.36	0.29	0.39	#	1.60
Revenue Receipt (ratio)	0.39	0.09	0.48	1.49	0.69
Own Resources (ratio)	*	0.02	*	1.21	2.01

* Own resources had a negative growth, # Rate of growth of GSDP was negative

Table 19 shows that the rate of growth of the fiscal liabilities has gone up significantly during the last two years, outpacing the rate of growth in the GSDP, revenue receipts and State's own resources, as is evident from the increase in the percentage of fiscal liabilities to these aggregates and their buoyancies. The sharp increase during 2005-06 was due to increase in non-interest bearing obligations of the State which rose from Rs.264.83 crore (2004-05) to Rs.709.28 (2005-06) and marked increase in small savings, provident funds *etc*. which rose from Rs.559.85 crore in 2004-05 to Rs.836.82 crore in 2005-06. This will adversely impact the future cash flows of the Government by way of servicing these liabilities, if the returns are not commensurate with the cost of these liabilities.

1.8.2 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 has been extended.

As per Statement 6 of the Finance Accounts, as of March 2006, the Government had given guarantees for Rs. 247 crore, against which the amount of outstanding guarantees was Rs. 209 crore as shown in Table 20.

Table 20: Guarantees given by the Government

(Rupees in crore)

Year	Maximum amount guaranteed	Outstanding amount of guarantees	Percentage of maximum amount guaranteed to total revenue receipts
2001-02	215	9	18.27
2002-03	215	9	16.19
2003-04	214	22	15.07
2004-05	214	22	12.28
2005-06	247	209	10.25

Table 20 shows that while the amount of guarantees went up from Rs. 214 crore in 2004-05 to Rs. 247 crore in 2005-06, as a percentage of revenue receipts, the guarantees came down progressively from 18.27 *per cent* in 2001-02 to 10.25 per *cent* in 2005-06.

The principal beneficiaries of the guarantees were Planning & Development Authority (Rs.139.95 crore), Khadi & Village Industries (Rs.23.40 crore), Manipur State Apex Long Term Co-operatives Housing Society Limited

(Rs.23.25 crore) and Manipur Tribal Development Corporation (Rs.13.09 crore), and as detailed in Statement No. 6 of the Finance Accounts.

1.8.3 Debt Stabilization and its Sustainability

Debt sustainability is defined as the ability to maintain a constant debt-GSDP ratio over a period of time. In simple terms, public debt is considered sustainable as long as the rate of growth of income exceeds the interest rate or cost of public borrowings subject to the condition that the primary balance is either positive or zero. Given the interest rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*interest rate spread), Debt sustainability condition states that if quantum spread together with primary deficit is zero, Debt–GSDP ratio would be constant or the debt would be sustainable. On the other hand, if PD persistently exceeds QS, Debt-GSDP ratio would eventually rise and if PD with QS is positive, debt-GSDP ratio would fall in coming years.

Table 21: Debt sustainability – Interest Rate and GSDP Growth (in *per cent*)

	2001-02	2002-03	2003-04	2004-05	2005-06
Weighted Interest Rate	8.90	11.53	9.50	9.88	8.23
GSDP Growth	13.68	4.15	8.61	(–) 0.94	16.63
Interest spread	4.77	(–) 7.38	(–) 0.89	(–) 10.82	8.40
Quantum Spread (Rs. in crore)	13.84	(–) 27.11	(–) 4.71	(–) 64.67	66.07
Primary Deficit (Rs. In crore)	(–) 149.00	(+) 6.00*	(–) 71.00	(–) 182.00	(–) 33.00

* The State had a primary surplus of Rs.6.00 crore during 2002-03

Sustainability embodies concern about the ability of the State to service its debt. The debt would however be sustainable only if it stabilises and the borrowings are used for adding to the productive capacity of the economy so that adequate funds are generated to service the debt. Table 21 reveals that primary deficit together with quantum spread turns out to be highly negative during the most of the years especially during the last two years indicating the increasing debt-GSDP ratio. It is only during 2005-06 that positive quantum spread exceeded the primary deficit, the impact of which might be reflected in coming years if the favourable condition continues to persist. Since the State has surplus in its revenue account, debt could be sustained in the short run but for its long term sustainability, the necessary condition would be that borrowed funds should be able to generate adequate incremental revenue receipts to service their debt obligations.

1.8.4 Net Availability of Funds

Another important indicator of debt sustainability is the net availability of funds after the payment of the principal on account of earlier contracted liabilities and interest.

Table 22 below gives the position of the receipt and repayment of internal debt and other fiscal liabilities of the State over the last five years.

Table 22: Net Availability of Borrowed Funds

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Internal debt					
Receipts	1609	1408	812	325	304
Repayment (Principal + Interest)	1537	1851	706	437	238
Net Fund Available	72	(–) 443	106	(-) 112	66
Net Fund Available (*per cent*)	4.47	(–) 31.46	13.05	(-) 34.46	21.71
Loans and Advances from Government of India					
Receipts	504	1025	527	1027	5
Repayment (Principal + Interest)	663	703	724	491	168
Net Fund Available	(–) 159	322	(–) 197	536	(-) 163
Net Fund Available (*per cent*)	(–) 31.55	31.41	(–) 37.38	52.19	(-) 3260
Other obligations					
Receipts	189	145	155	303	887
Repayment (Principal + Interest)	189	252	205	211	204
Net Fund available	—	(-) 107	(-) 50	92	683
Net Fund available (*per cent*)	—	(-) 73.79	(-) 32.26	30.36	77
Total liabilities					
Receipts	2302	2578	1494	1655	1196
Repayment (Principal + Interest)	2389	2806	1635	1139	610
Net Funds Available	(–) 87	(–) 228	(–) 141	516	586
Net Funds Available (*per cent*)	(–) 3.78	(–) 8.84	(–) 9.44	31.18	48.99

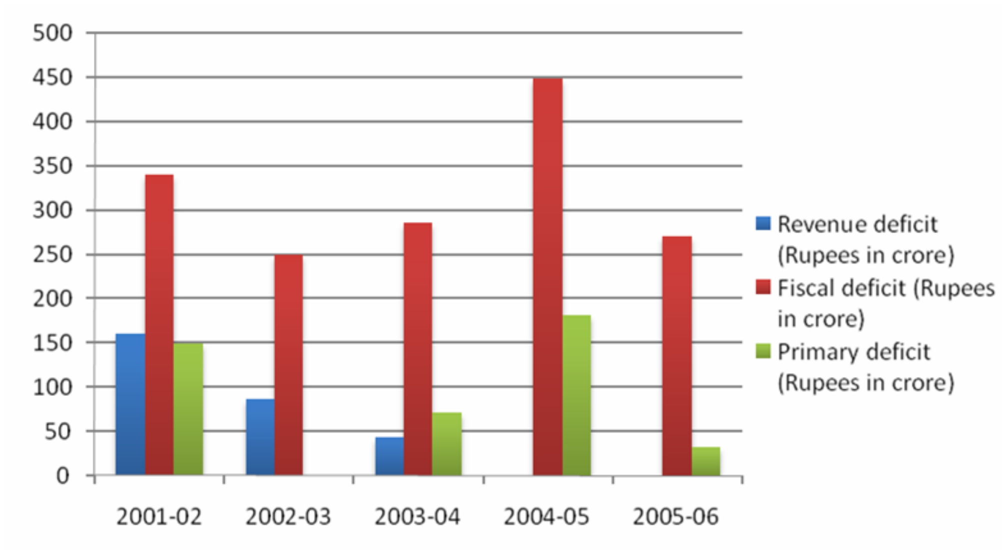
While the availability of funds has become positive during the last two years, due to increased receipts under loans & advances from Government of India (2004-05) and other obligations (2005-06), their servicing in the future will impact the future cash flows and availability of loan.

1.9 Management of deficits

Deficit in Government accounts represents the gap between its receipts and expenditure. The nature of the deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the borrowed resources are applied and used by the Government are important pointers to its fiscal health.

Table 23: Fiscal Imbalances – Basic Parameters

Parameters	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue deficit (-)/Revenue surplus(+) (Rupees in crore)	(–) 161.00	(–) 87.00	(–) 44.00	(+) 92.00	(+) 405.00
Fiscal deficit (–) (Rupees in crore)	(–) 340.00	(–) 249.00	(–) 286.00	(–) 448.00	(–) 271.00
Primary deficit (–)/Primary surplus(+) (Rupees in crore)	(–) 149.00	(+) 6.00	(–) 71.00	(–) 182.00	(–) 33.00
RD/GSDP (*per cent*)	4.48	2.33	1.08	2.29	8.63
FD/GSDP (*per cent*)	9.47	6.66	7.04	11.13	(–) 5.77
PD/GSDP (*per cent*)	4.15	0.16	1.75	4.52	(–) 0.70
RD/FD (*per cent*)	47.35	34.94	15.38	20.54	149.45



The revenue deficit of the State indicates the excess of its revenue expenditure over revenue receipts. The revenue account of the State had exhibited the consistent improvement during the period 2000-06 as revenue deficit declined during the first three years and thereafter turned into a surplus during the last two years. The substantial increase in the Central grants to the State since 2004-05 has been instrumental in maintaining the revenue surplus during the last two years. However, despite a revenue surplus in 2004-05, fiscal deficit has increased steeply over the previous year primarily on account of an increase of Rs.281 crore (117 *per cent*) in capital expenditure during 2004-05 over the previous year. The momentum in capital expenditure continued in 2005-06 as it increased by Rs.95 crore (18 *per cent*) over the already higher level of Rs.521 crore during 2004-05. As a result, despite a huge revenue surplus in 2005-06, fiscal deficit continues to persist although it declined by about 40 *per cent* from the level of 2004-05. Although the interest payments have consistently increased during the period 2000-06 with a marginal decline of Rs.28 crore during the current year, the behaviour of primary account could largely be explained by the trends in revenue receipts affecting the primary revenue balance, non-interest revenue expenditure and capital expenditure during the period.

1.10 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 24 below presents a summarized position of Government finances over the period 2001-06, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their applications, highlights areas of concern and captures its important facts.

Table 24: Indicators of Fiscal Health (*in per cent*)

Fiscal Indicators	2001-02	2002-03	2003-04	2004-05	2005-06
I. Resource Mobilisation					
Revenue Receipt/GSDP	32.78	35.51	34.96	43.32	51.33
Revenue Buoyancy	0.92	3.092	0.80	#	2.30
Own tax/GSDP	1.42	1.738	1.67	2.01	2.02
II. Expenditure Management					
Total expenditure/GSDP	42.28	42.17	42.00	54.47	57.13
Total Expenditure /Revenue Receipt	128.97	118.75	120.14	125.76	111.29
Revenue Expenditure / Total Expenditure	88.13	89.73	85.81	75.32	74.75
Salary & Wage expenditure on Social and Economic Services / Revenue Expenditure			33.06	32.10	30.89
Non-Salary & Wage expenditure on Social and Economic Services / Revenue Expenditure			24.11	25.26	33.08
Capital Expenditure / Total Expenditure	11.62	10.22	14.08	23.99	22.98
Capital Expenditure on Social and Economic Services / Total Expenditure	11.33	9.89	13.54	23.13	15.93
Buoyancy of TE with RR	1.53	0.30	1.18	1.25	0.58
Buoyancy of RE with RR	1.51	0.44	0.50	0.56	0.55
III. Management of Fiscal Imbalances					
Revenue deficit (Rupees in crore)	(–) 161.00	(–) 87.00	(–) 44.00	(+) 92.00	(+) 405.00
Fiscal deficit (Rupees in crore)	(–) 340.00	(–) 249.00	(–) 286.00	(–) 448.00	(–) 271.00
Primary deficit (Rupees in crore)	(–) 149.00	(+) 6.00	(–) 71.00	(–) 182.00	(–) 33.00
Revenue deficit/Fiscal deficit (in *per cent*)	47.35	34.94	15.38	20.54	149.45
IV. Management of Fiscal Liabilities (FL)					
Fiscal Liabilities/GSDP	61.21	59.49	56.62	76.59	83.21
Fiscal Liabilities / RR	186.75	167.55	161.97	176.82	162.10
Buoyancy of FL with RR	0.39	0.09	0.48	1.49	0.69
Buoyancy of FL with Own Resources	*	0.02	(–) 1.02	1.21	2.01
Primary deficit vis-à-vis quantum spread	PD+QS= –VE	PD+QS= –VE	PD+QS= –VE	PD+QS= –VE	PD+QS= +VE
Net Fund Available	(–) 3.78	(–) 8.84	(–) 9.44	31.18	48.99
V. Other Fiscal Health Indicators					
Return on Investment (Rupees in crore)	0.07	0.00	0.06	0.05	**0.00
Balance from Current Revenue (Rupees in crore)	(–) 567.00	(–) 575.00	(–) 509.00	(–) 532.00	(–) 232.00
Financial Assets / Liabilities	1.36	1.27	1.23	1.22	1.29

* Own Resources had a negative growth, # GSDP growth was negative.
** Negligible.

The improvement in resources mobilisation indicators in Table 24 has to be viewed in the context of (i) the dependence of the State Government, in a significant manner, on the grants from the Government of India and (ii) rate of growth of GSDP that is not commensurate with the growth rate of the total receipts of the Government. The expenditure as a percentage of receipts has come down, it has gone up when compared to GSDP. However, the revenue expenditure has shown a declining trend (with commensurate rise in capital expenditure) as has also the salary & wages component, though the latter continues increase in the Central grants the State has achieved a revenue surplus status which, in turn, has helped reduce the fiscal deficit levels. Fiscal sustainability will however demand a judicious investment of the Central funds leading to accelerated growth of GSDP which, at the moment, does not seem to be the case. While the fiscal liabilities have been going up, the increase in their ratio to GSDP points to the inherent limit on the State economy to service its liabilities and increased dependence on Central receipts.

1.11 Conclusion

The State finances are heavily dependent on Central transfers, which now account for nearly 93 *per cent* of its revenue receipts. While the revenue expenditure has shown a declining trend, it continues to be around 75 *per cent* of the total expenditure. What is significant, however, is that the rate of growth of GSDP has been significantly less than that of the receipts of the Government (of which Central transfers form the predominant part) implying that the Central transfers and other resource mobilisation measures could not stimulate adequate momentum in the growth process of the State economy. In this context, an efficient and productive use of funds would be of critical importance both from the point of view of putting the State's economy in the high growth trajectory and providing qualitative social and economic services to the people and in enhancing the ability of the Government to meet its financial liabilities that will become due in future.