

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 I.1 – Part A**). The Finance Accounts of the Government of Tripura 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 I.1 – Part B**.

1.1.1 Summary of Receipts and Disbursements

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

Table 1: Summary of Receipts and Disbursements for the year 2005-06

(Rupees in crore)

2004-05	Receipts	2005-06	2004-05	Disbursements	2005-06		
Section A: Revenue							
					Non-Plan	Plan	Total
2576.90	I. Revenue Receipts	3024.12	2182.63	I. Revenue Expenditure	1979.25	412.54	2391.79
239.63	Tax Revenue	296.09	927.91	General Services	1071.15	1.72	1072.87
176.85	Non-tax Revenue	63.62	795.36	Social Services	531.69	248.92	780.61
383.12	Share of Union taxes / duties	404.38	423.04	Economic Services	376.41	108.29	484.70
1777.30	Grants from Government of India	2260.03	36.32	Grants-in-aid / contribution	-	53.61	53.61
Section B: Capital							
-	II. Miscellaneous Capital Receipts	Nil	636.50	II. Capital outlay	46.58	697.36	743.94
3.97	III. Recoveries of Loans and Advances	3.86	2.05	III. Loans and Advances disbursed	-	2.35	2.35
367.88	IV. Public Debt receipts*	144.98	159.73	IV. Repayment of Public Debt*	-	-	163.34
-	V. Contingency Fund	Nil	-	V. Contingency Fund	-	-	-
1482.51	VI. Public Account receipts	1587.63	1105.65	VI. Public Account disbursements	-	-	1299.72
(-) 103.86	Opening balance	240.84	240.84	Closing balance	-	-	400.29
4327.40	Total	5001.43	4327.40	Total			5001.43

* Excluding ways and means advances and overdraft.

The total receipts of the Government grew by 7.43 per cent (from Rs. 4431.26 crore in 2004-05 to Rs. 4,760.59 crore in 2005-06), as against 12.60 per cent increase in the disbursements. While the tax revenue grew by 23.56 per cent, non-tax revenue declined by 64 per cent, mainly on account of decline in the revenue under the head Power, consequent on the establishment of the Tripura State Electricity Corporation Limited.

There was a noticeable increase in the Grants-in-aid from the Central Government, which increased by over 27 per cent from Rs. 1,777.30 crore in 2004-05 to Rs. 2,260.03 crore in 2005-06. Accordingly, its share in the total revenue receipts went up from 68.97 per cent in 2004-05 to 74.74 per cent in 2005-06.

Under capital receipts, the noticeable changes were a decline in public debt receipts (down by over 60 per cent, mainly on account of decline in market borrowings and borrowings from Government of India) and an increase of 7 per cent in Public Account receipts.

Of the total disbursements, revenue expenditure accounted for about 52 per cent. The expenditure on general services and economic services went up by 15.62 per cent and 14.57 per cent respectively, while the expenditure on social services declined marginally by 1.85 per cent from Rs. 795.36 crore in 2004-05 to Rs. 780.61 crore in 2005-06. Consequently, the share of expenditure on social services went down from 36.40 per cent to 32.64 per cent in 2005-06.

1.1.2 The Tripura Fiscal Responsibility and Budget Management (FRBM) Act, 2005

The State Government enacted in June 2005, the Fiscal Responsibility and Budget Management (FRBM) Act, 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 fiscal management principles, the Act prescribed the following fiscal targets for the Government:

- strive to remain revenue surplus by making a balance in revenue receipts and expenditure and build up further surplus;
- strive to bring down the fiscal deficit to 3 per cent by the year ending March 2010;
- ensure within a period of five years, beginning from the initial financial year on the 1st day of April 2005, and ending on the 31st day of March 2010, that the total debt stock do not exceed 40 per cent of the estimated GSDP for that year;
- limit the amount of annual incremental risk weighted guarantees to 1 per cent of the GSDP that year.

1.1.3 Fiscal Policy Statement(s) 2005-06

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

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

None of the above statements was laid before the legislature along with the budget for 2006-07. The Government stated that the submission of documents would commence from the ensuing session of the Assembly, since the Act comes into force from 3rd October 2006. It was mentioned in the budget speech that the Government was examining the various aspects of the

conditions relating to the scheme viz, 'The States' Debt Consolidation and Relief Facility (DCRF)', received from the Government of India. Formal declaration of implementation of the scheme was still awaited.

1.1.4 Roadmap to Achieve the Fiscal Targets as laid down in FRBM Act / Rules

The State Government had not yet developed its Own Fiscal Correction Path for the period 2004-05 to 2009-10 to achieve the fiscal targets laid down in the FRBM Act. The State had a revenue surplus in 2005-06 and the fiscal deficit showed a declining trend from (-) Rs. 240.31 crore in 2004-05 to (-) Rs. 110 crore in 2005-06, which is within 3 *per cent* of GSDP. However, the total debt stock (Rs. 4,420.57 crore) at the end of March 2006 comprised about 47 *per cent* of the projected GSDP (Rs. 9,433.91 crore) of the State, which was higher than the target of 40 *per cent* prescribed in the Act. The State has availed of debt relief under the DCRF scheme. Accordingly, loans released upto March 2004 and outstanding as on 1 April 2005 have been consolidated to Rs. 445.02 crore and repayment has been rescheduled for 20 years at a reduced interest rate of 7.5 *per cent*.

1.1.5 Mid-Term Review of Fiscal Situation

The rules for carrying out the provisions of the Act were published in October 2006. However, the outcome indicators for the Fiscal Correction Path were yet to be established. Measures to enforce compliance like presentation to the legislature, quarterly review of trends in receipts and expenditure as laid down in the FRBM Act, were yet to be put in place.

1.2 Overview of 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 the previous year is given in Table 2.

Table 2

(Rupees in crore)

2004-05	Sl. No.	Major Aggregates	2005-06
2576.90	1	Revenue Receipts (2+3+4)	3024.12
239.63	2	Tax Revenue	296.09
176.85	3	Non-tax Revenue	63.62
2160.42	4	Other Receipts	2664.41
3.97	5	Non-Debt Capital Receipts	3.86
2580.87	6	Total Receipts (1+5)	3027.98
1907.87	7	Non-Plan Expenditure (8+10)	2025.83
1841.52	8	On Revenue Account	1979.25
355.82	9	Of which, Interest Payments	370.62
66.35	10	On Capital Account	46.58
913.31	11	Plan Expenditure (12 + 13 +14)	1112.25
341.11	12	On Revenue Account	412.54
570.15	13	On Capital Account	697.36
2.05	14	On Loans disbursed	2.35
2821.18	15	Total Expenditure (7 + 11)	3138.08
(-) 240.31	16	Fiscal Deficit (15-1-5)	(-) 110.10
(+) 394.27	17	Revenue Surplus (8 + 12 - 1)	632.33
(-) 115.51	18	Primary Deficit (-)/Surplus (+) (16-9)	(-) 260.52

Table 2 indicates that the total expenditure of Rs. 3,138.08 crore from the Consolidated Fund exceeded the total receipts of Rs. 3,027.98 crore

(excluding public debt receipts) resulting in fiscal deficit of Rs. 110.10 crore. The revenue expenditure was about 76 *per cent* of the expenditure, marginally down from over 77 *per cent* in 2004-05, resulting in increase in the revenue surplus from Rs. 394.27 crore in 2004-05 to Rs. 632.33 crore in 2005-06. The plan expenditure accounted for 35.44 *per cent*, up from 32.37 *per cent* in 2004-05, while the percentage of non-plan expenditure declined from 67.63 *per cent* in 2004-05 to 64.56 *per cent* in 2005-06. The interest payments accounted for 11.81 *per cent* of the expenditure, down from 12.61 *per cent* in 2004-05, and led to a primary deficit of Rs. 260.52 crore.

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 wherever necessary analyse them, in the light of time series data (**Appendix II to V**) 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. The State Government has made available the new GSDP series, with 1993-94 as base, upto 2002-03 with provisional figures for 2003-04. Using this time series data, the annual trend growth rates in GSDP in Tripura were estimated as 14.92 *per cent* for 2004-05 and 14.56 *per cent* for 2005-06, using the log linear regression model. These estimated growth rates were used to calculate the estimated GSDPs for 2004-05 and 2005-06¹. For tax and non-tax revenues, revenue expenditure etc., buoyancy projections have also been provided for further estimation of the range of fluctuations with reference to the base represented by GSDP. 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 I.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 receipts 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

¹ The Audit Report for the year used the actual GSDP data upto 2003-04 made available by the State Government. The GSDP figures for 2004-05 and 2005-06 were prepared by using the log linear regression model. Since the previous Audit Reports used projected GSDP using the average growth rate, some of the aggregates, ratios and conclusions in this Audit Report may not agree with those in the previous Audit Reports.

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, 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. 4,760.59 crore. Of these, the revenue receipts were Rs. 3,024.12 crore, constituting 64 *per cent* of the total receipts. The balance came mainly from borrowings (Rs. 148.84 crore) and public account receipts (Rs. 1,587.63 crore).

Table 3: Resources of the Government

(Rupees in crore)

I.	Revenue Receipts		3024.12
II.	Capital Receipts		148.84
	(a) Recovery of Loans and Advances	3.86	
	(b) Public Debt Receipts	144.98	
	(c) Miscellaneous Receipts	-	-
III.	Contingency Fund Receipts		-
IV.	Public Account Receipts		1587.63
	(a) Small Savings, Provident Fund etc	570.42	
	(b) Reserve Funds	7.64	
	(c) Deposits and Advances	210.79	
	(d) Suspense and Miscellaneous	88.56	
	(e) Remittances	710.22	
Total Receipts			4760.59

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 Government of India. The details of revenue receipts are given in **Appendix II**. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and its buoyancy are indicated in Table 4.

Table 4: Revenue Receipts – Basic Parameters

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Receipts (RR)	1867.38	1880.07	2167.66	2576.90	3024.12
Own Taxes (percentage in bracket)	158.50 (9)	183.09 (10)	221.47 (10)	239.63 (9)	296.09 (10)
Non-Tax Revenue (percentage in bracket)	97.64 (5)	98.73 (5)	167.78 (8)	176.85 (7)	63.62 (2)
Central Tax transfer (percentage in bracket)	232.62 (12)	249.71 (13)	320.53 (15)	383.12 (15)	404.38 (13)
Grants-in-aid (percentage in bracket)	1378.62 (74)	1348.54 (72)	1457.88 (67)	1777.30 (69)	2260.03 (75)
Rate of Growth of RR (<i>per cent</i>)	14.00	0.68	15.30	18.88	17.35
Revenue Receipts/GSDP (<i>per cent</i>)	31.10	29.01	30.25	31.29	32.06
Revenue Buoyancy (ratio)	1.004	0.086	1.449	1.265	1.192
Rate of growth of own taxes	26.21	15.51	20.96	8.20	23.56
Own taxes / GSDP (<i>per cent</i>)	2.64	2.82	3.01	2.91	3.14
State's own taxes buoyancy (ratio)	1.880	1.953	1.985	0.550	1.618
Revenue Buoyancy with reference to State's own taxes (ratio)	0.534	0.043	0.730	2.302	0.736
GSDP Growth	13.94	7.94	10.56	14.92	14.56

Explanatory Note: (i) State's own taxes buoyancy: ROG of own taxes / ROG of GSDP.

(ii) Revenue buoyancy with reference to State's own taxes: ROG of RR / ROG of own taxes.

General trends: The revenue receipts of the State increased from Rs. 1,867.38 crore in 2001-02 to Rs. 3,024.12 crore in 2005-06 at an average rate of 13.24 *per cent*. There were, however, significant inter-year variations in the growth rates, ranging from 0.68 *per cent* (2002-03) to 18.88 *per cent* (2004-05). During the five-year period 2001-06, the State had a buoyant economy with its GSDP growth averaging 12.38 *per cent* and showing an upward trend. The rate of growth in revenue receipts exceeded GSDP growth rates in all the years from 2001 to 2006 except in 2002-03, as reflected by the revenue buoyancy of greater than one (except 2002-03).

Tax revenue: The percentage of tax revenue to total revenue receipts moved in a narrow range of 9 to 10 during the last five years, and went up slightly from 9 *per cent* in 2004-05 to 10 *per cent* in 2005-06. This was mainly due to increase in the revenue from sales tax, taxes on vehicles and service tax. Sales Tax was the major contributor (69 *per cent*) of the State's own tax revenue followed by State Excise (11 *per cent*), Taxes on Vehicles (6 *per cent*), and Stamps and Registration fees (5 *per cent*).

The own tax to GSDP ratio increased modestly from 2.91 *per cent* in 2004-05 to 3.14 *per cent* in 2005-06, which was much below the rate projected by the TFC (5.8 to 6.9 *per cent*). Against the TFC projection of Rs. 392.80 crore, the actual OTR in 2005-06 was only Rs. 296.09 crore, pointing to the need for more efforts to boost the OTR and reduce the State's dependence on borrowings and grants-in-aid.

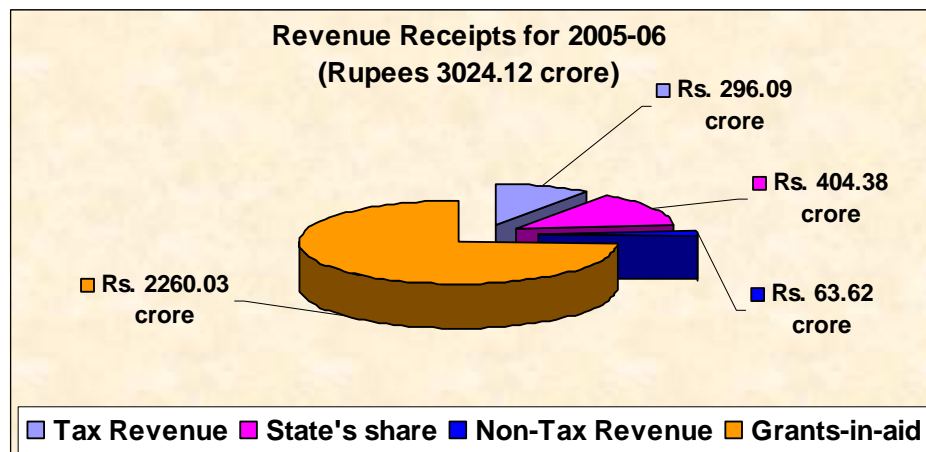
Non-tax revenue: The non-tax revenue has contributed 2.10 to 7.74 *per cent* of the revenue receipts during the last five years, its share declining sharply in 2005-06, due to incorporation of the Tripura State Electricity Corporation, as a result of which, the revenues from the Power Sector do not accrue to the Government account anymore. This led to a decrease of about Rs. 104 crore of non-tax revenue in 2005-06. The total non-tax revenue of Rs. 63.62 crore in 2005-06 came mainly from interest receipts (Rs. 16.62 crore), Police (Rs. 11.15 crore), Industries (Rs. 8.47 crore) and Forestry and Wild Life (Rs. 4.86 crore). The amount of non-tax revenue (Rs. 63.62 crore) was substantially lower than the amount projected by the TFC (Rs. 94.62 crore). Also, 95 *per cent* of the interest receipts came from investment of cash balances in RBI. The current levels of cost recovery (revenue receipts as a percentage of revenue expenditure) in providing various social services by Government was 0.10 *per cent* for General Education, 7.59 *per cent* for Technical Education, 2.49 *per cent* for Medical and Public Health and 9.77 *per cent* for water supply and sanitation.

Central tax transfers: The contribution of the Central tax transfers to the revenue receipts has ranged from 12.46 *per cent* to 14.87 *per cent* during 2001-06, its percentage registering a marginal decline to 13.37 *per cent* in 2005-06, as compared to 14.87 *per cent* in 2004-05.

Grants-in-aid: The amount of Grants-in-aid received from the Central Government has increased significantly to Rs. 2,260.03 crore in 2005-06 (up from Rs. 1,777.30 crore in 2004-05). Its relative contribution to the revenue receipts, which were declining since 2001-02, went up significantly from about 69 *per cent* in 2004-05 to about 75 *per cent* in 2005-06. This increase

was mainly on account of increase in non-plan grants and special plan schemes (NEC) of Rs. 723.02 crore and Rs. 12.21 crore respectively while the Grants-in-aid for State and Central Plan Schemes and Centrally Sponsored Schemes declined by Rs. 80.57 crore, Rs. 18.66 crore and Rs. 153.27 crore respectively.

Chart No. 1.1



Arrears of revenue: The arrears of revenue at the end of 2005-06 amounted to Rs. 12.01 crore². Of these, Rs. 0.12 crore were more than five years old. Most of the arrears (Rs. 11.99 crore) related to sales tax.

1.4.3 Sources of Receipts

The sources of total receipts under different heads and GSDP during 2001-06 is indicated in Table 5.

Table 5: Sources of Receipts: Trends

(Rupees in crore)

Year	Revenue Receipts (Percentage to total receipt in brackets)	Capital Receipts				Total Receipts	Gross State Domestic Product
		Non-debt Receipts	Debt Receipts	Contingency Funds Receipts	Accruals in Public Account (Percentage to total receipt in brackets)		
2001-02	1867.38 (52)	2.32	311.93	-	1389.48 (39)	3571.11	6004.60
2002-03	1880.07 (51)	3.10	211.48	-	1575.97 (43)	3670.62	6481.58
2003-04	2167.66 (51)	3.69	405.32	-	1699.00 (40)	4275.67	7165.78
2004-05	2576.90 (58)	3.97	367.88	-	1482.51 (33)	4431.26	8234.91
2005-06	3024.12 (64)	3.86	144.98	-	1587.63 (33)	4760.59	9433.91

The share of revenue receipts increased from 52 *per cent* in 2001-02 to about 64 *per cent* in 2005-06 with corresponding decline in the share of the capital receipts. This was mainly due to increase in Grants-in-aid from the Central Government and decrease in the borrowings of the Government. The non-debt capital receipts were not so significant (less than Rs. 4 crore in the last five years) while the accruals to the Public Account accounted for about 33 *per cent* of the total receipts in 2005-06, and their relative share in the capital receipts went up from about 82 *per cent* in 2001-02 to about 91 *per cent* in 2005-06.

² Information obtained from Commissioner of Taxes.

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. 2407.87 crore in 2001-02 to Rs. 3,138.08 crore in 2005-06 at an average rate of 8.67 *per cent* per annum. The revenue expenditure increased from Rs. 1,812.91 crore in 2001-02 to Rs. 2,391.79 crore in 2005-06 while the capital expenditure increased from Rs. 586.82 crore to Rs. 743.94 crore during this period.

Table 6 shows that the total expenditure, as a percentage of GSDP, has shown a declining trend, going down from about 40 *per cent* in 2001-02 to about 33 *per cent* in 2005-06. The buoyancy of total expenditure with respect to GSDP also shows a declining trend, implying that the rate of growth of expenditure has not been to the same extent as the rate of growth of GSDP. The buoyancy with respect to revenue receipts has also been declining, from 1.106 in 2001-02 to 0.648 in 2005-06, indicating that the total expenditure has grown at a rate lower than the rate of growth in revenue receipts. However, there was an increasing trend (from 0.325 in 2001-02 to 0.552 in 2005-06) in the buoyancy of revenue expenditure with reference to revenue receipts while a declining trend (from 4.968 in 2001-02 to 1.159 in 2005-06) was noticed in the buoyancy of capital expenditure with reference to GSDP. This indicated a qualitative shift in favour of revenue expenditure.

Table 6: Total expenditure – Basic Parameters

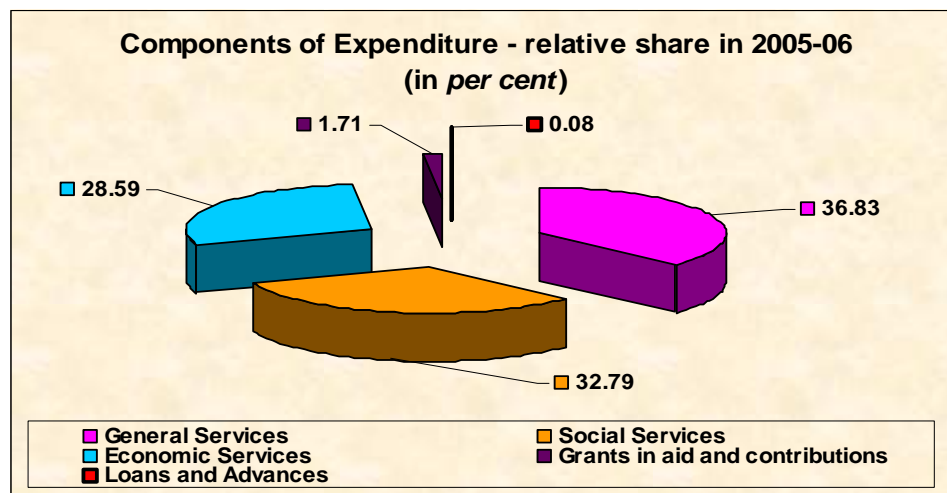
	2001-02	2002-03	2003-04	2004-05	2005-06
Total expenditure* (TE) (Rupees in crore)	2408	2420	2513	2821	3138
Rate of growth (<i>per cent</i>)	15.48	0.51	3.84	12.27	11.24
TE/GSDP Ratio (<i>per cent</i>)	40.10	37.34	35.07	34.26	33.26
Revenue Receipts/TE Ratio (<i>per cent</i>)	77.55	77.68	86.26	91.34	96.37
Buoyancy of total expenditure with reference to:					
GSDP (ratio)	1.110	0.064	0.364	0.822	0.772
Revenue Receipts (ratio)	1.106	0.752	0.251	0.649	0.648
Buoyancy of revenue expenditure with reference to Revenue Receipts	0.325	11.985	0.340	0.307	0.552
Buoyancy of capital expenditure with reference to GSDP	4.968	(-) 1.525	(-) 0.156	2.911	1.159

*Total expenditure includes Revenue Expenditure, Capital Expenditure and Loans and Advances.

In monetary terms, the total expenditure in 2005-06 has increased by Rs. 316.90 crore over the previous year, due to the increase in non-plan expenditure (Rs. 117.96 crore) and interest payments (Rs. 14.80 crore).

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.

Chart No. 1.2

**Table 7: Components of Expenditure – Relative share***(in per cent)*

	2001-02	2002-03	2003-04	2004-05	2005-06
General Services	32.65	35.90	36.60	35.21	36.83
Of which, interest Payments	10.52	12.01	13.24	12.61	11.81
Social Services	35.78	36.52	35.40	35.80	32.79
Economic Services	30.17	25.45	26.26	27.63	28.59
Grants-in-aid	1.06	1.74	1.50	1.29	1.71
Loans and Advances	0.34	0.34	0.24	0.07	0.08

Table 7 shows that over the last five years the percentage of expenditure on General Services has progressively increased, while that on Social and Economic Services has generally declined. Thus, the increase in the expenditure on general services was at the expense of the expenditure on social and economic services.

Table 7 further shows that the expenditure on General Services (considered as non-developmental) accounted for 36.83 per cent of total expenditure in 2005-06 against 35.21 per cent in 2004-05. The increase was mainly on account of expenditure on sinking fund (Rs. 40 crore), Police (up by Rs. 37 crore) and Pensions (up by Rs. 20 crore). On the other hand, development expenditure i.e., on Social and Economic Services together accounted for only 61.38 per cent in 2005-06 as against 65.95 per cent in 2001-02. The sectors that were adversely affected by this reduction in developmental expenditure were: Education, Sports, Art and Culture (down by Rs. 89.47 crore or 15 per cent) and Energy (down by Rs. 46.60 crore or 16 per cent). On the other hand, the Sectors that benefited were: Health and Family Welfare (up by Rs. 49.78 crore or 48 per cent), Agriculture and Allied Activities (up by Rs. 32.76 crore or 21 per cent) and Transport (up by Rs. 88.71 crore or 75 per cent).

The Education, Sports, Art and Culture and Energy Sectors suffered due to decrease in expenditure by Rs. 89.47 crore (15 per cent) and Rs. 46.60 crore (16 per cent) respectively.

1.5.2 Incidence of Revenue expenditure

Revenue expenditure is incurred to maintain the current level of services and pay 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 75 per cent of the total expenditure in all the five years, though its percentage declined slightly in 2005-06, as compared to 2004-05, from 77.36 to 76.22 per cent. Non-plan revenue expenditure (NPRE) accounted for the major portion of the revenue expenditure, ranging from 23 to 85 per cent, while the planned revenue expenditure (PRE), was 15 to 17 per cent of the revenue expenditure during the period 2001-06. However, as a percentage of GSDP the NPRE declined from 25.59 per cent in 2001-02 to 20.98 per cent in 2005-06.

The buoyancy of NPRE (both with reference to revenue receipts and GSDP) showed a declining trend during 2001-06 but the buoyancy of PRE showed a rising trend. In 2005-06, however, the buoyancy of both NPRE and PRE increased over the 2004-05 levels.

The revenue expenditure grew at a faster rate in 2005-06 (9.58 per cent) as compared to earlier four years, which is reflected in its increased buoyancy vis-à-vis GSDP (0.658) and Revenue Receipts (0.552) in 2005-06.

Chart No. 1.3

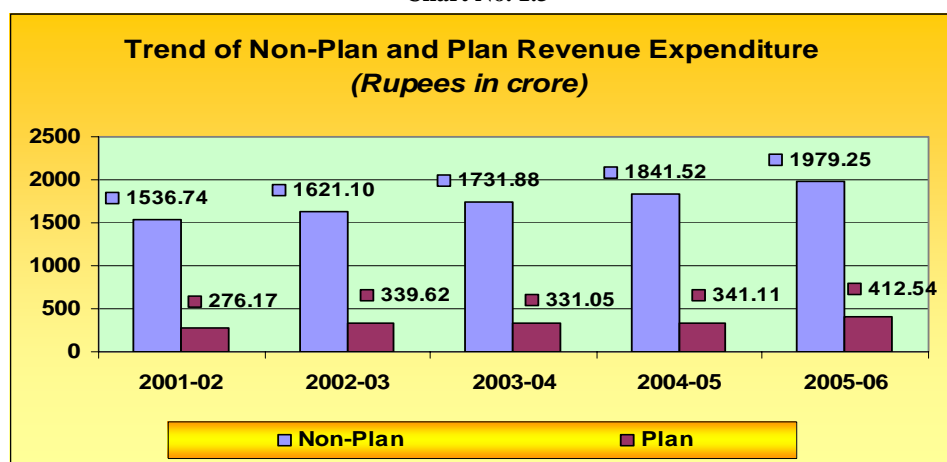


Table 8: Revenue Expenditure: Basic Parameters

	(Rupees in crore)				
	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Expenditure (RE) Of which	1812.91	1960.72	2062.93	2182.63	2391.79
Non-Plan Revenue Expenditure (NPRE)	1536.74 (85)	1621.10 (83)	1731.88 (84)	1841.52 (84)	1979.25 (83)
Plan Revenue Expenditure (PRE)	276.17 (15)	339.62 (17)	331.05 (16)	341.11 (16)	412.54 (17)
Rate of Growth (per cent) of RE	4.55	8.15	5.21	5.80	9.58
NPRE	12.40	5.49	6.83	6.33	7.48
PRE	(-) 24.72	22.97	(-) 2.52	3.04	20.94
NPRE/GSDP (per cent)	25.59	25.02	24.17	22.36	20.98
RE as per cent of TE	75.29	81.02	82.10	77.36	76.22
NPRE as per cent of TE	63.82	66.98	68.92	65.27	63.07
RE as per cent of RR	97.08	104.29	95.17	84.70	79.09
NPRE as per cent of RR	82.29	86.23	79.90	71.46	65.45

	2001-02	2002-03	2003-04	2004-05	2005-06
Buoyancy of Revenue expenditure with :					
GSDP (ratio)	0.326	1.026	0.493	0.389	0.658
Revenue Receipts (ratio)	0.325	11.985	0.340	0.307	0.552
Buoyancy of NPRE with:					
Revenue Receipts	0.885	8.073	0.446	0.335	0.431
GSDP	0.889	0.691	0.646	0.424	0.513
Buoyancy of PRE with					
Revenue Receipts	(-) 1.765	33.779	(-) 0.164	0.161	1.206
GSDP	(-) 1.773	2.892	(-) 0.238	0.203	1.438

1.5.3 Committed Expenditure

Expenditure on Salaries and Wages

Table 9: Expenditure on Salaries

(Rupees in crore)

Head	2001-02	2002-03	2003-04	2004-05	2005-06
Expenditure on salaries* & Wages	853.27	989.57	1110.98	1064.34	1085.47*
Of which,					
Non-plan Head	NA	NA	NA	NA	967.32*
Plan Head**	NA	NA	NA	NA	118.15
As a per cent of GSDP	14.21	15.27	15.50	12.92	11.51
As a per cent of RR	45.69	52.63	51.25	41.30	35.89
As a percentage of Revenue Expenditure	47.07	50.47	53.85	48.76	45.38

NA: Break-up for non-plan and plan expenditure on salaries for the years from 2001-02 to 2004-05 was not available.

* *Includes Rs. 36.49 crore as wages*

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

The Twelfth Finance Commission recommended that the States should follow a recruitment and wages policy in a manner such that the total salary bill relative to revenue expenditure, net of interest payments and pension, does not exceed 35 per cent. In the case of Tripura, however, the percentage (61 per cent) of salary expenditure exceeded the TFC norm substantially.

The expenditure on salaries and wages accounted for 35.89 per cent of the revenue receipts and 45.38 per cent of the revenue expenditure in 2005-06, which was lower than the relative shares in 2004-05. The expenditure on salaries and wages showed a declining trend as a percentage of GSDP and revenue receipts during the last three years. The non-plan component of the salaries and wages accounted for over 89 per cent in 2005-06.

Pension payments

Table 10: Expenditure on pension

(Rupees in crore)

Heads	2001-02	2002-03	2003-04	2004-05	2005-06
Expenditure on pension	175.03	226.53	201.85	221.04	241.62
As per cent of GSDP	2.91	3.49	2.82	2.68	2.56
As per cent of RR	9.37	12.05	9.31	8.58	7.99
As per cent of RE	9.65	11.55	9.78	10.13	10.10

Pension payments have increased by Rs. 20.58 crore in 2005-06. Expenditure on pension and other retirement benefits of 37,459² retired employees was

² Superannuation: 27,899, Family pensioners : 9,430 and MLA pensioners : 130.

10.10 per cent of the revenue expenditure and 7.99 per cent of revenue receipts in 2005-06. The decline in the expenditure on pension as a percentage of revenue receipts, however, has to be viewed in the light of the fact that about 75 per cent of the revenue receipts come from the Grants-in-aid from Central Government. The expenditure on pension is, however, within the limit of Rs. 319 crore projected by the TFC for the year 2005-06.

Interest payments

Table 11: Interest payments

Year	Total Revenue receipts	Interest Payments (Rate of growth in bracket)	Percentage of Interest Payment with reference to	
			Revenue Receipts	Revenue Expenditure
	<i>(Rupees in crore)</i>			
2001-02	1867.38	253.22 (12.03)	13.56	13.97
2002-03	1880.07	290.73 (14.81)	15.46	14.83
2003-04	2167.66	332.71 (14.44)	15.35	16.13
2004-05	2576.90	355.82 (6.95)	13.81	16.30
2005-06	3024.12	370.62 (4.16)	12.26	15.50

Table 11 shows that the interest payments increased by 4.16 per cent to Rs. 370.62 crore in 2005-06, which was within the limit of Rs. 378.17 crore projected by the TFC. The rate of growth in the interest payments, however, shows a declining trend, from 14.81 per cent in 2002-03 to 4.16 per cent in 2005-06, as would be expected from the progressive reduction in the borrowings (please see Table 5) since 2003-04. The main components of the interest payment were on Internal Debt (Rs. 212.60 crore), on loans received from Central Government (Rs. 58.86 crore) and on Small Savings, Provident Funds, etc (Rs. 99.16 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 the proportion of revenue expenditure spent on running the existing social and economic services, efficiently and effectively 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 shows that while the capital expenditure has grown from Rs. 586.82 crore in 2001-02 to Rs. 743.94 crore in 2005-06, the rate of growth has been lower (26.77 per cent) than that in the revenue expenditure (31.93 per cent). As a percentage of total expenditure, the capital expenditure showed overall decline, from 24.37 per cent in 2001-02 to 23.71 per cent in 2005-06, though the trend of sharp decline witnessed in 2002-03 and 2003-04, seems to have been reversed in 2004-05 onwards. Similarly, the capital expenditure as a percentage of GSDP showed an overall decline, from 9.77 per cent in 2001-02 to 7.89 per cent in 2005-06, but showed signs of rising since 2004-05, though still below the 2001-02 level.

Furthermore, the percentage of revenue expenditure on Social and Economic Services showed a secular decline from 59 per cent in 2001-02 to 52.90 per cent in 2005-06, indicating relatively less expenditure on merit goods and

services. It is also noteworthy that the major portion (56.37 per cent) of expenditure on Social and Economic Services in 2005-06 was on salaries and wages. Table 12 also shows that about 56 per cent of expenditure on Social and Economic Services was on the salary and wages component, of which 85.83 per cent was non-plan in nature.

Table 12: Indicators of Quality of Expenditure

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Capital expenditure	586.82	451.21	443.78	636.50	743.94
Revenue expenditure	1812.91	1960.72	2062.93	2182.63	2391.79
Of which					
Expenditure on Social and Economic Services	1069.87	1091.91	1149.09	1218.40	1265.31
As percentage of revenue expenditure	59.01	55.68	55.69	55.82	52.90
(i) Expenditure on Salary & Wages Component	NA	NA	NA	NA	713.28
Non-plan component	NA	NA	NA	NA	85.83%
(ii) Non-salary & Wage Component	NA	NA	NA	NA	552.03
As per cent of Total Expenditure*					
Capital Expenditure	24.37	18.64	17.66	22.56	23.71
Revenue Expenditure	75.29	81.02	82.10	77.37	76.22
As per cent of GSDP					
Capital Expenditure	9.77	6.96	6.19	7.72	7.89
Revenue Expenditure	30.19	30.25	28.79	26.50	25.35

NA: The expenditure on salaries in social and economic services were not available for the years from 2001-02 to 2004-05.

* Total expenditure include Revenue expenditure, capital expenditure and loans and advances disbursed.

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 2001-06.

Table 13: Social Services

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Education, Sports, Art and Culture					
Revenue Expenditure	425.32	460.65	480.09	503.01	463.06
(a) Salary & Wage component Non-plan component	NA	NA	NA	NA	404.34 89.15%
(b) Non-salary & Wage component	NA	NA	NA	NA	58.72
Capital Expenditure	33.93	24.58	24.38	92.67	43.15
Total	459.25	485.23	504.47	595.68	506.21
Health and Family Welfare					
Revenue Expenditure	85.04	84.13	86.43	93.19	98.35
(a) Salary & Wage component Non-plan component	NA	NA	NA	NA	79.56 71.03%
(b) Non-salary & Wage component	NA	NA	NA	NA	18.79
Capital Expenditure	7.36	11.96	6.32	11.50	56.12
Total	92.40	96.09	92.75	104.69	154.47
Water Supply, Sanitation, Housing and Urban Development					
Revenue Expenditure	23.04	17.66	20.65	27.12	25.23
(a) Salary & Wage component Non-plan component	NA	NA	NA	NA	9.16 57.42%
(b) Non-salary & Wage component	NA	NA	NA	NA	16.07
Capital Expenditure	126.26	111.76	105.46	98.87	110.91
Total	149.30	129.42	126.11	125.99	136.14
Other Social Services					
Revenue Expenditure	139.35	154.12	145.48	172.04	193.97
(a) Salary & Wage component Non-plan component	NA	NA	NA	NA	42.67 49.00%
(b) Non-salary & Wage component	NA	NA	NA	NA	151.30
Capital Expenditure	21.16	18.94	20.80	11.54	38.32
Total (Social Services)	160.51	173.06	166.28	183.58	232.29
Revenue Expenditure As percentage of total expenditure	672.75 78%	716.56 81%	732.65 82%	795.36 79%	780.61 76%
(a) Salary & Wage component Non-plan component	NA	NA	NA	NA	535.73 82.72%
(b) Non-salary & Wage component	NA	NA	NA	NA	244.88
Capital Expenditure	188.71	167.24	156.96	214.58	248.50
Grand Total (Social Services)	861.46	883.80	889.61	1009.94	1029.11

Table 13 shows that the expenditure on Social Services increased from Rs. 861.46 crore in 2001-02 to Rs. 1,029.11 crore in 2005-06. Bulk of this expenditure (over 75 per cent) was on revenue account and the percentage of revenue expenditure on Social Services increased significantly during the first three years, from 78 per cent to over 82 per cent, before it started declining

from 2004-05 and amounted to 76 per cent in 2005-06. However, about 69 per cent of the revenue expenditure on Social Services in 2005-06 was on salaries and wages, of which 82.72 per cent was non-plan in nature.

The expenditure on social services was distributed among Education, Sports, Art and Culture (49 per cent); Health and Family Welfare (15 per cent); Water Supply, Sanitation, Housing and Urban Development (13 per cent) and other social services (23 per cent). Table 13 shows that the major portion of the expenditure was revenue in nature (except Water Supply, Sanitation, Housing and Urban Development) and in case of Education, Sports and Art and Culture as well as the Health and Family Welfare Sectors, the bulk of the expenditure in 2005-06 was on the salary and wages component, which was predominantly non-plan.

The Twelfth Finance Commission recommended a growth rate of 9.5 per cent for General Education and 11.5 per cent for the Health sector. However, Table 13 shows that while the expenditure on General Education in 2005-06 declined by 15.02 per cent, that on the Health sector increased by 47.55 per cent.

1.6.3 Expenditure on Economic Services

The expenditure on Economic Services includes such expenditure as to promote directly or indirectly, productive capacity in the States' economy. In 2005-06, the expenditure on Economic Services (Rs. 897.30 crore) accounted for 28.59 per cent of the total expenditure (Table 14).

Table 14: Expenditure on Economic Sector

	2001-02	2002-03	2003-04	2004-05	2005-06
<i>(Rupees in crore)</i>					
Agriculture and Allied Activities					
Revenue Expenditure	130.16	134.77	129.46	129.01	154.23
(a) Salary & Wage component Non-plan component	NA	NA	NA	NA	104.12 97.76%
(b) Non-salary & Wage component	NA	NA	NA	NA	50.11
Capital Expenditure	20.02	20.08	13.79	25.00	32.54
Total	150.18	154.85	143.25	154.01	186.77
Irrigation and Flood Control					
Revenue Expenditure	23.55	23.30	21.33	11.42	24.29
(a) Salary & Wage component Non-plan component	NA	NA	NA	NA	15.56 98.07%
(b) Non-salary & Wage component	NA	NA	NA	NA	8.73
Capital Expenditure	32.73	35.77	32.14	22.25	40.20
Total	56.28	59.07	53.47	33.67	64.49

	2001-02	2002-03	2003-04	2004-05	2005-06
Power and Energy					
Revenue Expenditure	114.21	80.89	133.12	156.20	123.68
(a) Salary & Wage Component Non-plan component	NA	NA	NA	NA	0.70 100%
(b) Non-salary & Wage Component	NA	NA	NA	NA	122.98
Capital Expenditure	63.76	60.61	41.27	143.49	129.41
Total	177.97	141.50	174.39	299.69	253.09
Transport					
Revenue Expenditure	26.41	29.35	26.91	17.35	58.33
(a) Salary & Wage Component Non-plan component	NA	NA	NA	NA	7.60 100%
(b) Non-salary & Wage Component	NA	NA	NA	NA	50.73
Capital Expenditure	117.95	66.30	49.80	101.56	149.29
Total	144.36	95.65	76.61	118.91	207.62
Other Economic Services					
Revenue Expenditure	102.75	107.04	105.62	109.06	124.17
(a) Salary & Wage Component Non-plan component	NA	NA	NA	NA	49.58 87.80%
(b) Non-salary & Wage Component	NA	NA	NA	NA	74.59
Capital Expenditure	117.95	57.92	49.80	64.17	61.16
Total	220.70	164.96	155.42	173.23	185.33
Revenue Expenditure As percentage of total expenditure	397.08 55%	375.35 45%	416.44 48%	423.04 54%	484.70 54%
(a) Salary & Wage Component Non-plan component	NA	NA	NA	NA	177.55 95.24%
(b) Non-salary & Wage Component	NA	NA	NA	NA	307.15
Capital Expenditure	329.49	451.21	443.78	356.46	412.60
Grand Total (Economic Services)	726.57	826.56	860.22	779.50	897.30

The predominant part of the expenditure on Economic Services was revenue in nature, except in case of Irrigation and Flood Control, Transport and Power (2005-06) sectors. Also, salaries and wages were a predominant part of the revenue expenditure in case of Agriculture and Allied Activities and Irrigation and Flood Control. In all the sectors, the expenditure on salaries and wages was mostly non-plan in nature, as is evidenced by Table 14.

1.6.4 Financial Assistance to Local Bodies and other Institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the five year period 2001-06 is presented in Table 15.

Table 15: Financial Assistance*(Rupees in crore)*

	2001-02	2002-03	2003-04	2004-05	2005-06
Universities / Institutions (Aided Schools, Aided Colleges, Universities, etc.)	29.21	36.51	26.34	70.88	6.77
Zilla Parishads and Panchayati Raj Institutions	40.25	48.86	57.93	34.02	50.00
Municipal Corporation and Municipalities	11.07	13.84	12.72	11.65	21.10
Development Agencies	2.30	2.99	-	25.79	-
Other Institutions	46.05	56.83	35.96	174.61	56.75*
Total	128.68	159.03	132.95	316.95	134.62
Assistance as a percentage of revenue expenditure	7.10	8.11	6.44	14.52	5.63

*Tripura Khadi Board: Rs. 1.28 crore and Tripura Tribal Area Autonomous District Council: Rs. 55.47 crore.

The total assistance to the local bodies during 2005-06 was Rs. 134.62 crore, and registered a sharp decline of 57.53 per cent over the previous year, mainly on account of sharp decrease in the assistance to universities (down by Rs. 64.11 crore) and other institutions (down by 116.86 crore). The financial assistance to local bodies and institutions as a percentage of revenue expenditure showed a generally increasing trend (ranging between 7.10 per cent and 14.52 per cent) before declining to 5.63 per cent in 2005-06.

1.6.5 Delay in furnishing Utilisation Certificates

Of the 7754 utilisation certificates (UC) due in respect of grants and loans aggregating Rs. 451.57 crore paid upto 2005-06, 2427 UCs for Rs. 134.62 crore were in arrears. The department-wise break up of outstanding UCs is given in Table 16.

Table 16: Delay in furnishing of Utilisation Certificates

Department	Number of UCs outstanding	Amount (Rupees in crore)	Earliest year of pendency
Panchayati Raj	741	50.00	2005-06
Urban Development	94	21.10	2005-06
Education	13	6.77	2005-06
Welfare of Scheduled Castes and Other Backward Communities	1551	55.47	2005-06
Industries	28	1.28	2005-06
Total	2427	134.62	

It would be seen that the largest number of UCs were outstanding from the Welfare of Scheduled Castes and Other Backward Communities Department (1551), followed by the Panchayati Raj Department (741).

1.6.6 Non-submission of accounts

In order to identify the institutions which attract audit under Section 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government/Heads of Departments are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. As of March 2006, three departments (SC Welfare, Transport and Forest) of the Government had not furnished details for the year 2005-06.

1.6.7 Abstract of performance of the autonomous bodies

The audit of accounts of 18 Autonomous Bodies in the State has been entrusted to the Comptroller and Auditor General of India under Section 19(3) and 20(1) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature is discussed in para 4.17 of Chapter IV of this Report.

Appendix VI shows that the accounts of 12 Nagar Panchayats and the Agartala Municipal Council had not been finalised for a very long period, going back up to 1977-78.

Accounts of 16 autonomous bodies covered under Sections 19(3) and 20(1) of the Act, up to 2005-06 were due for periods ranging from nine to 28 years, as detailed in **Appendix VI**.

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 III** gives an abstract 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 III** shows that the increase in liabilities was mainly on account of small savings, provident funds etc. While there was reduction in the loans from LIC and other institutions, there was an increase in the market borrowings by Rs. 119.28 crore mainly due to Tripura Government Stock, 2015 and 2016 (Rs. 65 crore) and Tripura State Development Loan, 2015 and 2016 (Rs. 72 crore) at interest rates of 7.45 to 7.77 *per cent*.

On the assets side, there was an increase of 15.55 *per cent* in the capital outlay on fixed assets and 66.20 *per cent* in the cash balance, comprising mainly of the cash balance investment account with the RBI. The Government account started with a cash balance of Rs. 240.84 crore and ended with a cash balance of Rs. 400.29 crore. The Government needs to examine whether its market borrowings (at a cost of about 7.5 *per cent*) are justified in the light of the cash balances in its account with the RBI. The liabilities grew mainly due to increase in borrowings, small savings and provident funds. The liabilities of the Government of Tripura depicted in the Finance Accounts, however, do not include pension, other retirement benefits payable to serving / retired State employees and guarantees/ letters of comforts issued by the State Government.

1.7.1 Financial Results of Irrigation Works

According to the information furnished by the Public Works Department, there were 220 incomplete projects, each costing Rs. 25 lakh and above, on which, expenditure of Rs. 177.24 crore was incurred as of March 2006. Of these, 35 projects were minor and medium Irrigation Projects, on which Rs. 32.15 crore, as detailed in **Appendix VII**, had been spent up to March 2006. Of these, nine projects were more than five years old, with one project going back to 1986. The total expenditure incurred on these amounted to Rs. 23.54 crore.

1.7.2 Investments and returns

As on 31 March 2006, the State Government had invested Rs. 366 crore in two Statutory Corporations, nine Government Companies and 1603 Co-operative societies (Table 17).

Table 17: 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
	<i>(Rupees in crore)</i>		<i>(In per cent)</i>		
2001-02	260.14	Nil	Nil	10.34	10.34
2002-03	286.27	Nil	Nil	10.04	10.04
2003-04	313.13	Nil	Nil	9.92	9.92
2004-05	338.04	Nil	Nil	9.17	9.17
2005-06	366.00	0.27	0.0007	10.56	10.37

As on 31 March 2006, in nine Government companies and two statutory corporations³, Government had invested Rs. 309.56 crore, up from Rs. 287.11 crore as on 31 March 2005. The return on the investments in these companies was almost negligible, as most of them were loss making companies, except for the profit of Rs. 26.72 lakh made by the Tripura Forest Development and Plantation Corporation Limited. Of the six loss making companies, three had accumulated losses of Rs. 72.36 crore, which had exceeded the paid up capital by Rs. 19.12 crore, as detailed in para 7.1 of this Report.

1.7.3 Loans and advances by State 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. Total outstanding balance as on 31 March 2006 was Rs. 61.55 crore. Table 18 shows that interest received as a percentage of loans advanced by the State Government was much less than the weighted interest rate paid by the State Government on its borrowings. This shows that the cost of the Government's borrowings was much higher than the returns on its own lendings.

³ One was under winding up.

Table 18: Average interest received on loans advanced by the State Government
(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Opening balance	51.68	57.50	62.64	64.98	63.06
Amount advanced during the year	8.14	8.24	6.03	2.05	2.35
Amount repaid during the year	2.32	3.10	3.69	3.97	3.86
Closing balance	57.50	62.64	64.98	63.06	61.55
Net Addition	5.82	5.14	2.34	(-) 1.92	(-) 1.51
Interest received	0.37	0.33	0.60	0.33	0.12
Interest received as <i>per cent</i> to outstanding loans	0.68	0.55	0.94	0.52	0.19
Weighted interest rate (in <i>per cent</i>) paid on borrowings by State Government	10.35	7.08	9.92	9.17	10.56
Difference between weighted interest paid and received (<i>per cent</i>)	9.67	6.53	8.98	8.65	10.37

During 2005-06, the Government received an average interest rate of 0.19 *per cent* on outstanding loans whereas the average interest paid on its borrowings was at the rate of 10.56 *per cent*, as shown in Table 18. Only Rs. 0.12 crore was received as interest on loans in 2005-06, which was lower by Rs. 0.21 crore compared to the previous year.

1.7.4 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 19 shows that the amount and the number of days on which WMA was taken by the State Government have progressively declined since 2001-02; the Government did not take any WMA during 2005-06.

Table 19: Ways and Means Advances and Overdrafts of the State

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Ways and Means Advance					
Availed in the year	336.75	128.82	62.80	86.13	Nil
Number of Occasions	-	-	-	-	-
Outstanding WMAs, if any	76.29	Nil	Nil	Nil	Nil
Interest paid	15.37	33.68	0.06	0.11	Nil
Number of days	51	27	24	32	Nil
Overdraft					
Availed in the year	Nil	Nil	Nil	Nil	Nil
Number of Occasions	Nil	Nil	Nil	Nil	Nil
Number of days	Nil	Nil	Nil	Nil	Nil
Interest paid	Nil	Nil	Nil	Nil	Nil

1.8 Undischarged liabilities

The FRBM Act has defined the liabilities of the Government as follows:

‘Total liabilities’ means the liabilities under the consolidated fund of the State 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 the principal and / or interest are to be serviced out of the State budget.

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 scheme, provident funds and other deposits.

Apart from internal debt and loans from Government of India, fiscal liabilities include small savings, Provident Fund, Reserve Fund and deposits not bearing interest.

Table 20 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 20: Fiscal Liabilities – Basic Parameters

	2001-02	2002-03	2003-04	2004-05	2005-06
Fiscal liabilities (Rupees in crore)	2666	3127	3578	4181	4421
Rate of Growth (<i>per cent</i>)	19.35	17.31	14.40	16.86	5.74
Ratio of Fiscal Liabilities to:					
GSDP (<i>per cent</i>)	44.40	48.24	49.93	50.77	46.86
Revenue Receipt (<i>per cent</i>)	142.76	166.35	165.06	162.26	146.20
Own Resources (<i>per cent</i>)	1040.80	1109.70	919.19	1003.96	1229.04
Buoyancy of Fiscal Liabilities to:					
GSDP (ratio)	1.388	2.180	1.364	1.130	0.394
Revenue Receipt (ratio)	1.382	25.456	0.941	0.893	0.331
Own Resources (ratio)	1.182	1.727	0.378	2.409	(-) 0.421

Overall fiscal liabilities of the State increased from Rs. 2,666 crore in 2001-02 to Rs. 4,421 crore in 2005-06. The growth rate was 5.74 *per cent* during 2005-06, which was considerably less than the previous four years. As a result, the ratio of fiscal liabilities to GSDP, which was showing an increasing trend, declined to 46.86 *per cent* in 2005-06. These liabilities stood at 1.46 times the revenue receipts and 12.29 times of the State’s own resources as at the end of 2005-06. The fiscal liabilities had grown faster than the State’s GSDP, as reflected by the buoyancy ratio of more than one, but the trend was reversed in 2005-06. Similarly, the buoyancy ratio with respect to revenue receipts has

also come down to 0.331, from 0.893 in 2004-05, but this has to be seen in the light of a negative buoyancy *vis-à-vis* the State's own resources (- 0.421) in 2005-06, indicating that the favourable changes in the buoyancy were mainly on account of central funds.

1.8.2 Status of Guarantees – Contingent liabilities

As per Statement 6 of the Finance Accounts, as of March 2006, the Government had given guarantees for Rs. 65.37 crore, against which the amount of outstanding guarantees was Rs. 46.98 crore as shown in Table 21.

Table 21: Guarantees given by the Government of Tripura

(Rupees in crore)

Year	Maximum amount guaranteed	Outstanding amount of guarantees (including interest)	Percentage of maximum amount guaranteed to total revenue receipt
2001-02	218.24	107.82	11.69
2002-03	66.30	25.00	3.53
2003-04	64.83	41.42	2.99
2004-05	66.10	44.89	2.57
2005-06	65.37	46.98	2.16

Table 21 shows that the amounts of guarantees came down sharply from Rs. 218.24 crore in 2001-02 to Rs. 66.30 crore in 2002-03, having generally remained around that level in the subsequent years; as a percentage of revenue receipts the guarantees came down progressively from 3.53 *per cent* in 2002-03 to 2.16 *per cent* in 2005-06.

The principal beneficiaries of the guarantees were Government companies (Rs. 90 lakh), cooperative banks and societies (Rs. 53.98 crore), and municipal corporations and other local bodies (Rs. 10.49 crore), as detailed in statement No. 6 of the Finance Accounts.

1.8.3 Net Availability of Funds

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	139.39	202.92	313.07	272.72	136.16
Repayment (Principal + Interest)	126.09	143.46	203.80	238.86	346.99
Net Fund Available	13.30	59.46	109.27	33.86	(-) 210.83
Net Fund Available (<i>per cent</i>)	9.54	29.30	34.90	12.42	-
Loans and Advances from GOI					
Receipt	96.25	84.84	92.25	95.16	8.82
Repayment (Principal + Interest)	117.91	182.98	299.90	189.70	87.81
Net Fund Available	(-) 21.66	(-) 98.14	(-) 207.65	(-) 94.54	(-) 78.99
Net Fund Available (<i>per cent</i>)	-	-	-	-	-
Other obligations*					
Receipt	546.01	766.58	752.48	903.85	788.85
Repayment (Principal + Interest)	367.92	480.84	536.30	600.85	526.85
Net Fund Available	178.09	285.74	216.18	303.00	262.00
Net Fund Available (<i>per cent</i>)	32.62	37.27	28.73	33.52	33.21
Total liabilities					
Receipt	781.65	1054.34	1157.80	1271.73	933.83
Repayment (Principal + Interest)	611.92	807.28	1040.00	1029.41	961.65
Net Fund Available	169.73	247.06	117.80	242.32	(-) 27.82
Net Fund Available (<i>per cent</i>)	21.71	23.43	10.17	19.05	-

* Includes Small Savings, Reserve Fund and Deposit.

The receipts from internal debt decreased from Rs. 272.72 crore in 2004-05 to Rs. 136.16 crore in 2005-06. After accounting for the repayment of Rs. 346.99 crore (including interest) in 2005-06, the net availability of fund from the internal debt stood at (-) Rs. 210.83 crore.

The loan receipts from Government of India decreased sharply from Rs. 95.16 crore in 2004-05 to Rs. 8.82 crore in 2005-06. Interest on previous loans (Rs. 58.86 crore) formed a major part of the repayment of Rs. 87.81 crore (**Appendix II**), which resulted in negative net availability of fund from loan from GOI in 2005-06.

Table 22 shows that the net availability of funds from the total liabilities was only a small portion of the increase in liability, well below 25 *per cent* in all the years from 2001-02 to 2004-05, and reached a negative level in 2005-06, implying that the net accrual of funds from borrowings was negative in 2005-06. Specifically, the net availability of funds from internal debt and the loans and advances from GOI was negative in 2005-06. In other words, the fiscal indicators would have presented a different picture, but for the substantial and increasing grants-in-aid from the GOI.

1.8.4 Debt Sustainability

Debt sustainability is defined as the ability to maintain a constant debt-GDP 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.

Table 23: Debt sustainability – Interest Rate and GSDP Growth (in *per cent*)

	2001-02	2002-03	2003-04	2004-05	2005-06
Weighted Interest Rate	10.34	10.04	9.92	9.17	8.62
GSDP Growth	13.94	7.94	10.56	14.92	14.56
Interest spread	3.60	(-) 2.10	0.64	5.75	5.94

Table 23 shows that in four out of the five years the rate of growth of GSDP has been more than the weighted interest rate on Government borrowings, which is substantially lower than the projected rate of growth of GSDP (14.56 *per cent*), resulting in a favourable rate spread. However, the debt sustainability will depend substantially on the continual availability of Grants-in-aid from Government of India (which forms the major part of the State's receipts) and the ability of the State Government to maintain the growth of its own revenues at a rate higher than the interest rate on its borrowings.

1.9 Management of deficits

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

Out of the five years (2001-06) the State had revenue deficit only in 2002-03. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, decreased from Rs 538 crore in 2001-02 to Rs. 110 crore

in 2005-06 due to increase in grants-in-aid from the Central Government. However, rising interest payments have led to negative primary deficits in 2004-05 and 2005-06 (Table-24), which means that the borrowings were not available for non-interest expenditure after netting the interest expenditure in these years.

As proportion of GSDP, the fiscal deficit declined from 2.91 *per cent* in 2004-05 to 1.17 *per cent* in 2005-06, which was well within the limit of 3 *per cent* fixed in the FRBM Act.

Table 24 Fiscal Imbalances – Basic Parameters

Parameters	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue deficit (-) / Surplus (+) (Rupees in crore)	(+) 54.47	(-) 80.65	(+) 104.73	(+) 394.27	(+) 632.33
Fiscal deficit (Rupees in crore)	(-) 538.17	(-) 537.00	(-) 341.39	(-) 240.31	(-) 110.10
Primary deficit (-) / Surplus (+) (Rupees in crore)	(+) 284.95	(+) 246.31	(+) 8.68	(-) 115.51	(-) 260.52
RD/GSDP (<i>per cent</i>)	0.90	1.25	1.46	0.05	0.07
FD/GSDP (<i>per cent</i>)	8.96	8.29	4.76	2.91	1.17
PD/GSDP (<i>per cent</i>)	4.75	3.80	0.13	(-) 1.41	(-) 2.76
RD/FD(<i>per cent</i>)	*	15.02	*	*	*

* RD/FD ratio could not be calculated as the years 2001-02, 2003-04, 2004-05 and 2005-06 registered a Revenue Surplus.

1.10 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table-25 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 25 shows that while the indicators of resource mobilization showed an increasing trend over the last five years the expenditure showed a secular decline, as a percentage of both the GSDP and the revenue receipts. Significantly, however, a qualitative shift in the pattern of expenditure was discernible with revenue expenditure increasing at the expense of capital expenditure. Many of the fiscal indicators summarized in Table 25 have been discussed individually in different paragraphs of this Chapter.

The seemingly encouraging trend in the management of fiscal imbalances, as evidenced by revenue surpluses and decreasing fiscal deficits, has to be viewed in the context of substantial and increasing grants-in-aid from Government of India and less than expected (*vis-à-vis* the TFC projections) levels of State's own tax and non-tax revenues, including the almost negligible returns on investment in the public sector.

Table 25: 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	31.10	29.01	30.25	31.29	32.06
Revenue Buoyancy	1.004	0.086	1.449	1.265	1.192
Own tax/GSDP	2.64	2.82	3.09	2.91	3.14
II. Expenditure Management					
Total expenditure/GSDP	40.10	37.34	35.07	34.26	33.26
Total Expenditure /Revenue Receipt	128.94	128.73	115.92	109.48	103.77
Revenue Expenditure / Total Expenditure	75.29	81.02	82.10	77.37	76.22
Salary & Wage expenditure on Social and Economic Services / Revenue Expenditure	-	-	-	-	29.82
Non-Salary & Wage expenditure on Social and Economic Services / Revenue Expenditure	-	-	-	-	23.08
Capital Expenditure / Total expenditure	24.37	18.64	17.66	22.56	23.71
Capital Expenditure on Social and Economic Services / Total Expenditure	21.52	16.86	15.93	20.24	21.07
Buoyancy of TE with RR	1.106	0.752	0.251	0.649	0.648
Buoyancy of RE with RR	0.325	11.985	0.340	0.307	0.552
III. Management of Fiscal Imbalances					
Revenue deficit (-) / Surplus (+) (Rupees in crore)	(+) 54.47	(-) 80.65	(+) 104.73	(+) 394.27	(+) 632.33
Fiscal deficit (Rupees in crore)	(-) 538.17	(-) 537.00	(-) 341.39	(-) 240.31	(-) 110.10
Primary deficit (Rupees in crore)	(+) 284.95	(+) 246.31	(+) 8.08	(-) 115.51	(-) 260.52
Revenue deficit/Fiscal deficit (<i>in per cent</i>)	*	15.02	*	*	*
IV. Management of Fiscal Liabilities (FL)					
Fiscal Liabilities/GSDP	44.40	48.24	49.93	50.77	46.86
Fiscal Liabilities / RR	142.76	166.35	165.06	162.26	146.20
Buoyancy of FL with RR	1.382	25.456	0.941	0.893	0.331
Buoyancy of FL with Own Receipt	1.182	1.727	0.378	2.409	0.421
Primary deficit <i>vis-à-vis</i> quantum spread	5.03	3.33	0.39	0.98	2.18
Net fund available	21.71	23.43	10.17	19.05	Nil
V. Other Fiscal Health Indicators					
Return on Investment (Rupees in crore)	Nil	Nil	Nil	Nil	0.26
Balance from Current Revenue (Rupees in crore)	(-) 607.83	(-) 529.15	(-) 406.56	(-) 478.06	111.72
Financial Assets / Liabilities	1.26	1.20	1.21	1.27	1.40

* RD/FD ratio could not be calculated as the years 2001-02, 2003-04, 2004-05 and 2005-06 registered a Revenue Surplus.

1.11 Conclusion

The State finances are heavily dependent on the Central transfers, which now account for nearly 75 per cent of its revenue receipts and have helped the State Government to achieve revenue surplus and bring the fiscal deficit within the limit of 3 per cent prescribed under the FRBM Act. However, several areas of concern need to be addressed to put the State on a sound fiscal footing. Large cash balances with the RBI in the past two years indicate that the expenditure on plans and schemes has not kept pace with the inflow of funds from the Government of India. This would affect the investment-led growth of the economy. Also, prudence would require that the Government review the quantum and timing of its borrowings (the market borrowings in 2005-06 amounted to Rs. 136 crore) in the light of its cash balances with the RBI, and the associated costs and benefits.

The composition of expenditure is another area of concern, with capital expenditure being well below *25 per cent* of the total expenditure, and showing a declining trend, which in turn, has affected investment in social and economic services.

The commercial enterprises of the State Government have been a net receiver of funds, but failed to generate any appreciable rate of return on the investments, while a large number of projects remained incomplete, blocking large amounts of investments without any returns.