

Profile of Tripura

Tripura became a Union Territory on 1st July 1963 and finally got recognition for being a State in January 1972. Tripura is a land-locked State, surrounded by Bangladesh on three sides- north, south and west. The State is connected with the rest of the country by National Highway-44, which runs through hilly terrain and gets disrupted in the rainy season due to landslides. The railway link is extremely poor, although Agartala, the capital of the State has recently been connected by metre gauge railway tracks. Tripura has an area of about 10,491.69 sq. km with an estimated population of 35,74,000. The All India Average Compound Annual Growth Rate (CAGR for the period 1999-2000 to 2008-09) of population stood at 1.51 *per cent* while Tripura registered CAGR of 1.24 *per cent*. The estimated per capita income of the State stood at ₹ 28,595¹ during 2009-10 which has increased by 102.24 *per cent* over 2000-01. Against the National average per capita development expenditure of ₹ 5,225 during 2009-10, Tripura's average was ₹ 9,440 which is much above the national average.

During 2009-10 due to macroeconomic slowdown across the country coupled with the implementation of Pay Revision, Tripura had shown some incipient signs of financial stress. There has been a sharp decline in the growth rate of GSDP during 2009-10 which stood at ₹ 10,905.00 crore (9 *per cent*) against ₹ 10,008.26 crore (17.44 *per cent*) during 2008-09. The average Compound Annual Growth Rate in respect of GSDP for NE States between 1999-2000 and 2008-09 was 11.97 *per cent* which was higher than that of Tripura (10.95 *per cent*) (**Appendix 1.1 D**). Tripura, therefore, ranks sixth amongst the other NE States. The outstanding fiscal liabilities of the State as percentage to GSDP showed a persistent decline from the peak level of 60.58 *per cent* in 2005-06 to 50.63 *per cent* in 2008-09 and thereafter increased to 52.99 *per cent* in 2009-10. Nevertheless the debt-GSDP ratio fell much short of the target set out in the Twelfth Finance Commission.

This chapter provides a broad perspective of the finances of the Government of Tripura during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years.

1.1 Summary of Current Year's Fiscal Transactions

Table 1.1 presents the summary of the State Government's fiscal transactions during the current year (2009-10) *vis-a-vis* the previous year while **Appendix 1.2** provides details of receipts and disbursements as well as overall fiscal position during the current year.

¹ The Per Capita Income has been calculated on the basis of current year's GSDP with respect to the population during 2009-10 projected by the Registrar General and Census Commissioner, Ministry of Home Affairs, Government of India.

Table 1.1 Summary of the Current Year's Operations

(Rupees in crore)

2008-09	Receipts	2009-10	2008-09	Disbursements	(Rupees in crore) 2009-10		
Section A: Revenue							
					Non-Plan	Plan	Total
4,076.78	I. Revenue Receipts	4,401.35	3,129.45	I. Revenue Expenditure	3,417.16	796.63	4,213.79
442.50	Tax Revenue	527.01	1,336.94	General Services	1,843.67	11.85	1,855.52
149.04	Non-tax Revenue	125.40	1,148.17	Social Services	975.46	585.28	1,560.74
686.52	Share of Union taxes / duties	706.34	564.92	Economic Services	502.41	199.50	701.91
2,798.72	Grants from Government of India	3,042.60	79.42	Grants-in-aid / contribution	95.62	-	95.62
Section B: Capital							
-	II. Miscellaneous Capital Receipts	-	1,202.39	II. Capital outlay	68.45	1,263.77	1,332.22
3.25	III. Recoveries of Loans and Advances	3.51	18.08	III. Loans and Advances disbursed	0.63	16.93	17.56
208.69	IV. Public Debt receipts	493.81	161.12	IV. Repayment of Public Debt	193.94	-	193.94
-	V. Contingency Fund	-	-	V. Contingency Fund	-	-	-
2,082.46	VI. Public Account receipts	2,293.48	1,813.98	VI. Public Account disbursements	1,849.24	-	1,849.24
853.80	Opening balance	899.96	899.96	Closing balance	-	-	485.36
7,224.98	Total	8,092.11	7,224.98	Total	5,529.42	2,077.33	8,092.11

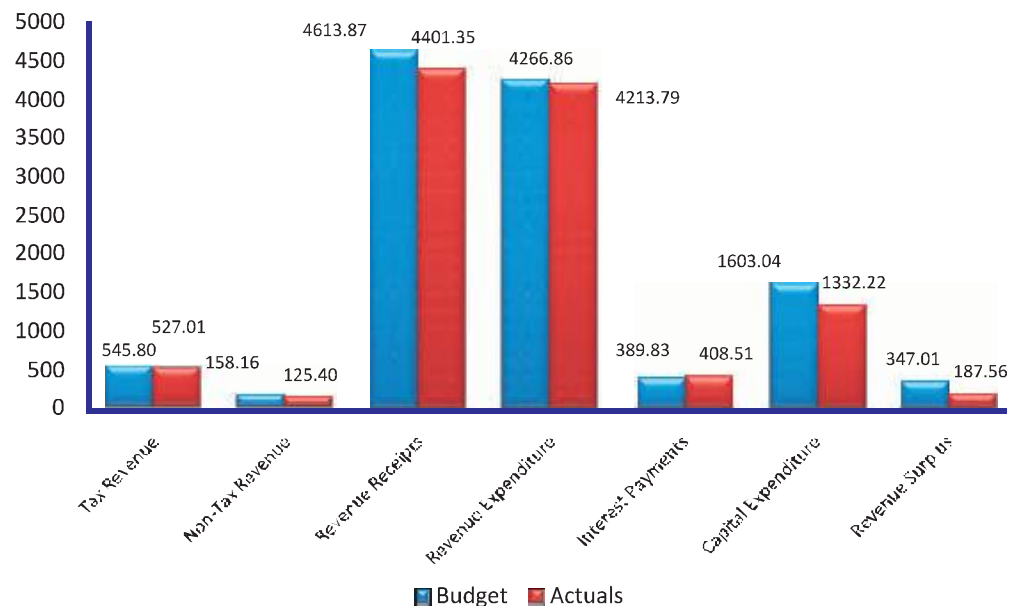
Following are the significant changes during 2009-10 over the previous year:

- Revenue receipts grew by 8 *per cent* during 2009-10 mainly due to increase in Tax Revenue by 19.10 *per cent*, Central tax transfer by 2.89 *per cent* and Grants from GOI by 8 *per cent*. However, the non-tax revenue decreased by 15.86 *per cent* during 2009-10.
- Revenue expenditure increased by 35 *per cent* during 2009-10 over the previous year mainly due to increase in General Services by 38.79 *per cent*, Social Services by 35.93 *per cent*, Economic Services by 24.25 *per cent* and Grants-in-aid and contribution by 20.40 *per cent* during 2009-10 over the previous year.
- During 2009-10 the State has continued to remain revenue surplus which as percentage to Revenue Receipts stood at 4.26 *per cent*.
- Capital expenditure increased by 10.80 *per cent* over the previous year.
- Loans and Advances of ₹ 17.56 crore was disbursed during the year 2009-10 against ₹ 18.08 crore in the previous year. During the year, ₹ 16.50 crore was disbursed for Power Projects to the State Electricity Corporation Limited. Recovery of Loans and Advances increased by ₹ 0.26 crore over the previous year.

- Total inflow during 2009-10 was ₹ 71 92.15 crore against ₹ 6,371.18 crore in 2008-09 while total outflow during 2009-10 was ₹ 7,606.75 crore as against ₹ 6,325.02 crore in 2008-09 registering an increase of 12.88 *per cent* and 20.26 *per cent* respectively leading to a decline in the cash balance by ₹ 414.60 crore at the end of the year 2009-10 (₹ 485.36 crore) from ₹ 899.96 crore at the end of 2008-09.

Chart 1.1 presents the budget estimates and actuals for some important fiscal parameters during 2009-10.

Chart 1.1 Selected Fiscal Parameters, Budget estimate *vis-à-vis* Actuals



The above chart shows that during 2009-10 there was shortfall in revenue receipts by ₹ 122.52 crore (4.61 *per cent*), revenue expenditure by ₹ 53.07 crore (1.24 *per cent*) and capital expenditure by ₹ 270.82 crore (16.89 *per cent*) over the budget estimates. The revenue surplus decreased by ₹ 159.45 crore (45.95 *per cent*) over the budget estimate of 2009-10 (₹ 347.01 crore).

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

As per recommendations of the Twelfth Finance Commission, the Tripura Fiscal Responsibility and Budget Management (TFRBM) Act, 2005, requires preparation of Medium Term Fiscal Policy Statement alongwith other documents² for being placed in the Assembly during the Budget Session.

The performance of the State during 2009-10 in terms of Fiscal targets fixed for selected variables laid down in Tripura Fiscal Responsibility and Budget Management (TFRBM) Act, 2005 *vis-à-vis* achievements is given in **Table 1.2**.

² Macroeconomic Framework Statement, Fiscal Policy Strategy Statement and eight Disclosures to be filled up in respective forms.

Table 1.2: Trends in major fiscal variations *vis-à-vis* projections for 2009-10

Fiscal Parameters	Targets as prescribed in TFRBM Act	Projections made by State Government in MTFPS*	Actual
Revenue surplus	Strive to remain revenue surplus during the entire award period	15.68 <i>per cent</i> of RR	4.26 <i>per cent</i> of RR
Fiscal Deficit (-) / surplus (+)	FD to be 3 <i>per cent</i> of GSDP	(-) 2.83 <i>per cent</i> of GSDP	(-) 10.63 <i>per cent</i> of GSDP
Consolidated debt	40 <i>per cent</i> of GSDP	36.36 <i>per cent</i> of GSDP	52.98 <i>per cent</i> of GSDP
Incremental risk Guarantee	1 <i>per cent</i> of GSDP	No projections made	-

* Medium Term Fiscal Policy Statement.

The State has achieved only one out of four TFRBM Act targets as fixed in the FRBM Act. The fiscal deficit-GSDP ratio during 2009-10 stood at 10.63 *per cent* against the FRBM target of 3 *per cent* and MTFPS target of 2.83 *per cent*. The reasons for such an increase in the ratio of fiscal deficit to GSDP were attributed mainly to shortfall in collection of Revenue and increase in revenue expenditure in both General and Social Services.

The increase in fiscal deficit during 2009-10 is fraught with the chances of being dependent on further market borrowings in order to minimize fiscal deficit. **The State Government should increase revenue receipts by initiating measures like collection of arrears of revenue, reduction in cost of recovery (Para 1.5.2) and minimizing the expenditure on collection of revenue (Para 1.5.3) to bridge the growing gap.**

The Twelfth Finance Commission has recommended growth of Tax and Non-Tax Revenue during 2005-10. The targets fixed by TFC *vis-à-vis* the actuals are given below:

Table 1.3 TFC recommendations *vis-à-vis* the actual

Year	TFC Recommendation			Actual			(Rupees in crore) Shortfall (percentage)		
	Tax	Non-Tax	Total	Tax	Non-Tax	Total	Tax	Non-Tax	Total
2005-06	392.80	94.62	487.42	296.09	63.62	359.71	96.71 (25)	31.00 (33)	127.71 (26)
2006-07	444.65	113.25	557.90	341.55	94.97	436.52	103.10 (23)	18.28 (16)	121.38 (22)
2007-08	503.35	135.09	638.44	370.70	115.41	486.11	132.65 (26)	19.68 (15)	152.33 (24)
2008-09	569.79	160.89	730.68	442.50	149.04	591.54	127.29 (22)	11.85 (7)	139.14 (19)
2009-10	645.00	191.57	836.57	527.01	125.40	652.51	117.99 (18)	66.17 (35)	184.06 (22)

Source: Twelfth Finance Commission Report and Finance Accounts.

The State could not achieve the targets fixed by the TFC in collection of revenue from own sources both in Tax and Non-Tax sectors. Though the trend in collection was gradually increasing, there was shortfall of about 22 *per cent* at the end of 2009-10. A major shortfall in respect of Non-Tax revenue (35 *per cent*) was noticed during 2009-10, the reason for which was attributed mainly to shortfall in collection of non-tax revenue in General Services which fell short by 39 *per cent* over its budget estimate.

The Twelfth Finance Commission has also recommended growth in General, Social and Economic Services during 2005-10. The targets fixed by TFC *vis-à-vis* the actuals are given below:

Table 1.4: TFC recommendations *vis-à-vis* actuals

Sectors	TFC Recommendation					Actual				
	2005-06	2006-07	2007-08	2008-09	2009-10	2005-06	2006-07	2007-08	2008-09	2009-10
General	954.60	1025.14	1110.61	1192.69	1285.15	1071.15	1151.93	1306.26	1328.09	1843.67
Social	668.48	728.98	795.11	867.45	946.59	531.69	566.98	608.26	693.01	975.46
Economic	254.02	267.12	280.90	295.41	310.67	376.41	273.60	302.73	373.95	502.41
Others	43.58	49.03	88.83	98.26	108.72	-	-	-	79.42	95.62
Total	1920.68	2070.27	2275.45	2453.84	2651.13	1979.25	1992.51	2217.25	2474.47	3417.16

Source: Twelfth Finance Commission Report and Finance Accounts.

However, the State was successfully able to contain its non-plan revenue expenditure during the entire period except in 2009-10 due to payment on account of Pay Revision. Nevertheless, the State continued to remain revenue surplus during the current year as well.

1.3 Growth and Composition of GSDP

GSDP, a major fiscal indicator is considered to be a key factor for assessing the performance of the State's economy. It is prepared based on income generating approach that measures gross income generated by factors of production physically located within the geographical boundaries of the State and also represents the volume of goods and services produced within the State. During 2009-10, the advance estimated GSDP for the State of Tripura was ₹ 10,905.00 crore, which are arrived at on the basis of constant price. The table below shows the trend of growth of GSDP for the last five years.

Table 1.5: GSDP and the rate of growth during 2005-10

	2005-06	2006-07	2007-08	2008-09	2009-10
GSDP	7,296.61	7,888.98(P)	8,521.68(P)	10,008.26 (A)	10,905.00 (A)
ROG	9.90	8.11	8.02	17.44	8.96

(P) – Provisional, (A)– Advance Estimates

Though the average compound annual growth rate of GSDP in respect of Tripura (1999-2000 to 2008-09) is 10.95 *per cent* which is just around the NE average of 11.97 *per cent* yet the State ranks sixth amongst the other NE States. It is evident from the table above that GSDP (₹ 10,905.00 crore) for 2009-10 had increased by only ₹ 896.74 crore (9 *per cent*) over previous year's ₹ 10,008.26 crore (17.44 *per cent*). Considering the GSDP growth rate of NE States, Tripura could attempt for further improvement in its growth rate by intensifying concrete income generating activities.

1.4 Resources of the State

1.4.1 Resources of the State as per Annual Finance Accounts

Revenue³ and capital⁴ are the two streams of receipts that constitute the resources of the State Government. **Table 1.1** presents the receipts and disbursements of the State during the current year as well as the previous year, as recorded in its Annual Finance Accounts while **Chart 1.2** depicts the trends in various components of the receipts of the State during 2005-10. **Chart 1.3** depicts the composition of resources of the State during the current year.

Chart 1.2: Trends in Aggregate Receipts

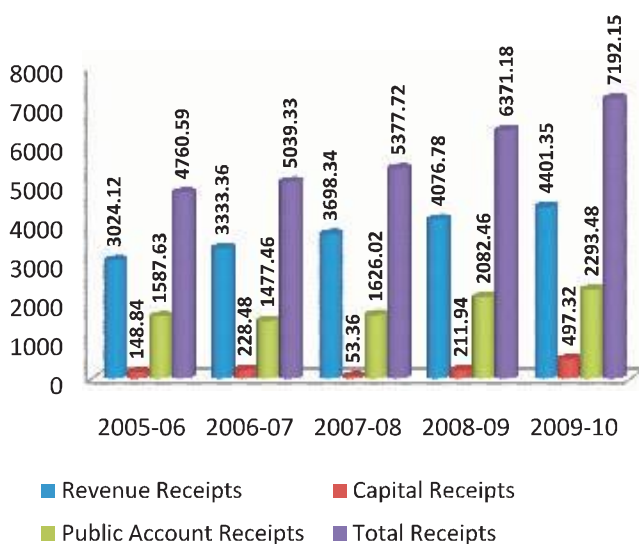
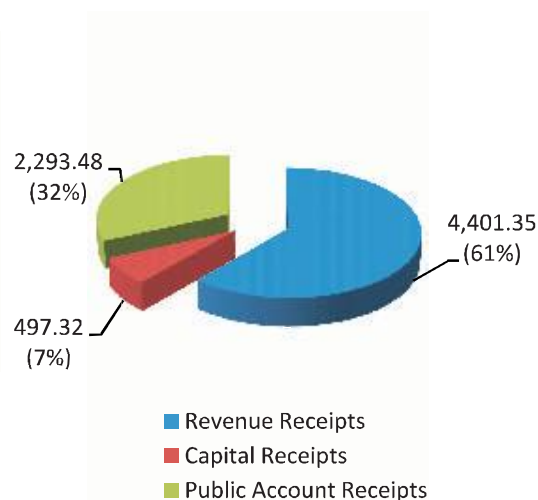


Chart 1.3: Composition of Aggregate Receipts



- Revenue Receipts of the State increased by 45.54 *per cent* from ₹ 3024.12 crore in 2005-06 to ₹ 4401.35 crore in 2009-10.
- Tax revenue increased from 10 *per cent* (2005-06) to 12 *per cent* (2009-10) of the total Revenue Receipts whereas non-tax revenue increased marginally from 2 *per cent* (2005-06) to 3 *per cent* (2009-10) of the total Revenue Receipts during the period.
- State's share of Union taxes and duties increased from 13 *per cent* (2005-06) to 16 *per cent* (2009-10) of the total Revenue receipts. The Grants-in-aid from Central Government comprises of Non-Plan grants, Grants for State/Union Territories, Central Plan Schemes and Centrally Sponsored Plan Schemes. The Grants-in-aid during 2009-10 decreased gradually from 75 *per cent* in 2005-06 of the total Revenue Receipts to 69 *per cent* in 2008-09 and remained same during 2009-10.

³ Revenue receipts consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GOI).

⁴ Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account.

Central Transfer

The State's share of central tax during 2009-10 was ₹ 706.34 crore which indicated that the growth rate of devolution during 2009-10 was 2.89 *per cent* as compared to 5.52 *per cent* during 2008-09. During 2009-10 the collection of central taxes also showed a frail buoyancy than was anticipated in the revised estimate (₹ 733.75 crore).

Grants-in-aid

Grants-in-aid from Centre to the State, a discretionary component of central transfers, is considered to be an integral element of the revenue receipts of the State which has an impact on the consolidated revenue deficit of the State. The grants-in-aid as percentage to revenue receipts had been declining from 75 *per cent* in 2005-06 to 69 *per cent* during 2007-08 and remained same till 2009-10. The table below shows the composition of the grants-in-aid and its trend over the last five years:

Table 1.6: Trends in Grants-in-aid from the GOI during 2005-10

	2005-06	2006-07	2007-08	2008-09	2009-10
□ (Rupees in crore)					
Non plan grants	1,286.88	1,171.96	1,269.61	1,319.36	1,289.09
Grants for State Plan Schemes	799.57	985.34	1,041.18	1,203.48	1,377.64
Grants for Central Plan Schemes	7.72	12.47	26.06	30.49	32.56
Grants for Centrally Sponsored Plan Schemes	140.53	189.06	192.53	200.50	266.26
Grants for Special Plan Schemes	25.33	22.23	32.23	44.89	77.05
Total :	2,260.03	2,381.06	2,561.61	2,798.72	3,042.60
Percentage of Revenue Receipts	75	71	69	69	69

1.4.2 Funds Transferred to State Implementing Agencies outside the State Budget

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies⁵ for the implementation of various schemes/programmes in social and economic sectors critical for the human and social development of population. The flow of such funds from GOI to State Implementing Agencies is also shown in State Government's Budget at a Glance for the year 2010-11. During 2009-10, the Government of India has transferred an approximate amount of ₹ 1,568.64 crore directly to the Implementing Agencies (detailed in **Appendix 1.3**). Significant amounts released for major programmes/schemes are detailed in **Table 1.7**.

⁵ State Implementing Agency includes any Organization/Institution including Non-Governmental Organization which is authorized by the State Government to receive the funds from the Government of India for implementing a specific programme in the State.

Table 1.7: Funds Transferred Directly to State Implementing Agencies*(Rupees in crore)*

Sl. No.	Name of the Programme / Scheme	Name of the Implementing Agency in the State	Total fund released by the Government of India during 2009-10
1.	National Rural Employment Guarantee Programme (NREGP)/ IAY/SGSY etc.	Project Directors, DRDA, South, West, North and Dhalai Districts, Tripura	965.98
2.	Pradhan Mantri Gram Sadak Yojana	Tripura Rural Road Development Agency, West Tripura	94.49
3.	National Rural Health Mission (NRHM)	State Health and Family Welfare Society, Tripura	91.65
4.	Sarva Shiksha Abhiyan (SSA)	SSA Rajya Mission, Tripura	74.73
5.	Accelerated Rural Water Supply Scheme and Central Rural Sanitation Scheme	SWSM, Tripura, Agartala	66.79
6.	Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	Rashtriya Madhyamik Shiksha Abhiyan Mission	9.58
Total			1,303.22

Source: 'Central Plan Scheme Monitoring System' portal in Controller General of Accounts' website.

Table 1.7 shows that an amount of ₹ 1,303.22 crore (83.08 *per cent* of the total funds transferred) was given for (i) National Rural Employment Guarantee Programme and other related programmes (61.58 *per cent*), (ii) Pradhan Mantri Gram Sadak Yojana (6.06 *per cent*), (iii) National Rural Health Mission (5.85 *per cent*), (iv) Sarva Shiksha Abhiyan (4.76 *per cent*) and (v) for Rural water supply and sanitation programme (4.26 *per cent*) during 2009-10. With the transfer of an approximate amount of ₹ 1,568.64 crore directly by GOI to the State Implementing Agencies, the total availability of State resources during 2009-10 had increased from ₹ 7,192.15 crore to ₹ 8,760.79 crore. It is evident from the above that there is no single agency monitoring the funds directly transferred by the GOI and there is no readily available data on how much is actually spent in any particular year on major flagship schemes and other important schemes which are being implemented by the State Implementing Agencies and funded directly by the GOI and therefore, utilization of these funds remain to be verified by Audit to establish accountability of the State Government for these funds.

An analysis on how these funds are being transferred and utilised for the purposes for which they are sanctioned, a test check of 2 units *viz.*, Sarva Shiksha Abhiyan (SSA) and National Rural Health Mission (NRHM) were taken up which revealed the following:

➤ **National Rural Health Mission (NRHM)**

The State Health and Family Welfare Society is registered under the Societies Registration Act, 1860. The activities of the NRH Mission in the State are carried out through the Society headed by the Chief Secretary (CS) at the State level. The Executive Committee of the Society is headed by the Principal Secretary, Health and Family Welfare Department.

A test check of records of the Society revealed that during 2009-10, ₹ 98.04 crore was received by the Society from GOI for implementation of various programmes

under NRHM against ₹ 91.65 crore actually released during the year 2009-10. Programme-wise details of receipt and expenditure are given below:

Table 1.8: Scheme-wise receipt and expenditure under NRHM for the year 2009-10

Name of the Implementing Agency	Name of Scheme/ Programme	Amount released by GOI during 2009-10	(Rupees in lakh)	
			Amount received by the Implementing Agency from GOI	Expenditure incurred during the year
Health and Family Welfare Society, Tripura	(i) Reproductive and Child Health (RCH – II)	3,953.26	4,592.00	1,406.39
	(ii) Additionalities under NRHM	4,376.00	4,376.00	11,049.00
	(iii) Routine Immunisation including Pulse Polio	247.63	247.63	140.63
	(iv) Intensified Malaria Control Project (IMCP)/ National Vector Borne Disease Control Programme (NVBDCP)	238.23	238.23	254.03
	(v) National Leprosy Eradication Programme (NLEP)	33.45	33.45	9.03
	(vi) Integrated Disease Surveillance Project (IDSP)	17.01	17.01	18.21
	(vii) Revival National Tuberculosis Control Programme (RNTCP)	98.00	98.00	88.62
	(viii) National Programme for Control of Blindness (NPCB)	201.74	201.74	214.46
Total :		9,165.32	9,804.06	13,180.37

Source: As per information at CGA (CPSMS) website on 05-04-2010 and accounts of the Society.

Scrutiny of records revealed that out of ₹ 98.04 crore received by the Society during the year 2009-10, ₹ 9.19 crore pertained to 2008-09 and ₹ 2.80 crore pertaining to 2009-10 was not received till March 2010.

It was observed that the Health and Family Welfare Society incurred an expenditure (**Table 1.8**) of ₹ 131.80 crore on the various components under NRHM during 2009-10. The excess of ₹ 33.76 crore was met from the unutilised funds of the previous years and State share for NRHM. However, the Utilisation Certificates (UCs) to the Ministry/ GOI for ₹ 131.80 crore for the year 2009-10 has not been submitted (September 2010).

The Society, stated (August 2010) that the Utilisation Certificates for the year 2009-10 was pending for want of finalisation of the accounts.

➤ **Sharva Shiksha Abhiyan (SSA)**

The SSA Programme is implemented by the Rajya Mission (Society) in 1119 Primary Schools and 931 Upper Primary Schools in 4 districts of the State.

The table below shows the component-wise funds received *vis-à-vis* releases under the SSA Programme during 2009-10:

Table 1.9: Status of funds received *vis-à-vis* releases during 2009-10 under SSA

(Rupees in crore)

Sl. No.	Name of Scheme	Approved outlay	Fund released			Fund received by the Society			Expenditure incurred
			Central	State	Total	Central	State	Total	
1.	Sarva Shiksha Abhiyan	110.77	74.02	9.70	83.72	73.78	9.70	83.48	88.97
2.	National Programme of Education for Girls at Elementary Level (NPEGEL)	0.04	0.04	-	0.04	0.04	-	0.04	0.04
3.	Kusturba Gandhi Balika Vidyalaya (KGBV)	0.91	0.67	-	0.67	0.91	-	0.91	0.91
Total :		111.72	74.73	9.70	84.43	74.73	9.70	84.43	89.92

Source: As per information at CGA (CPSMS) website on 05-04-2010 and accounts of the Society.

During 2009-10, Government of India (GOI) released ₹ 74.73 crore for implementation of various programmes under SSA in the State and the Society also received the same amount against the total approved outlay of ₹ 111.72 crore. But it was noticed that the Society accounted ₹ 73.78 crore as Central Share under SSA while GOI actually released ₹ 74.02 crore in two installments during the year. On the other hand, while GOI released ₹ 0.67 crore for KGBV, the Society booked ₹ 0.91 crore as per records furnished by the Society. However, overall receipts of the Society conforms to GOI releases for the State in respect of SSA, NPEGEL and KGBV.

During 2009-10, the Society utilised ₹ 89.92 crore (SSA: ₹ 88.97 crore; NPEGEL: ₹ 0.04 crore and KGBV: ₹ 0.91 crore) in 4 districts (Dhalai: ₹ 19.99 crore; North: ₹ 16.85 crore; South: ₹ 24.42 crore and West: ₹ 27.26 crore) including ₹ 1.40 crore in ASPD⁶ office in 4 districts.

Utilisation Certificates of the funds received are yet to be submitted. However, as per the Quarterly Progress Report for the quarter ending March 2010 submitted to the Ministry of Human Resource Development in May 2010, ₹ 223.37 crore was shown as expenditure.

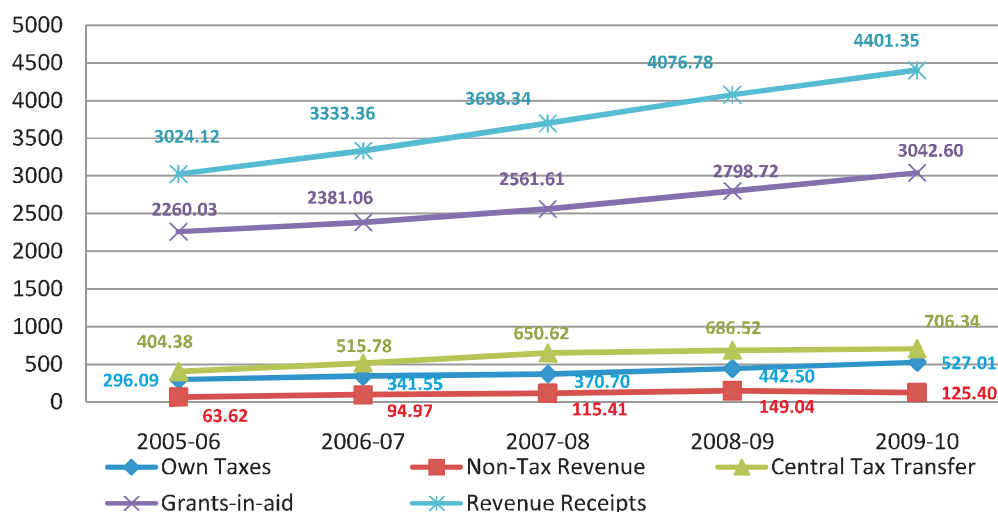
The Society stated (August 2010) that the UCs would be submitted after completion of statutory audit by the Chartered Accountants for the year 2009-10.

1.5 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts of the State consist of its own tax and non-tax revenues, Central tax transfers and grants-in-aid from GOI. The trend and composition of revenue receipts over the period 2005-10 are presented in **Appendix 1.5** and **Chart 1.4**.

⁶ Additional State Project Director

Chart 1.4: Trends in Revenue Receipts



Though the average Compound Annual Growth Rate of Revenue Receipts for NE States between 1999-2000 and 2008-09 was 14.10 *per cent* which was higher than that of Tripura (12.27 *per cent*), and hence Tripura lies far behind amongst the other NE States. This position needs improvement keeping in view the growth of GSDP in absolute value during 2008-09 and 2009-10.

The trends in revenue receipts relative to GSDP are presented in Table 1.10.

Table 1.10: Trends in Revenue Receipts relative to GSDP

	2005-06	2006-07	2007-08	2008-09	2009-10
Revenue Receipts (RR) (Rupees in crore)	3,024.12	3,333.36	3,698.34	4,076.78	4,401.35
Rate of growth of Revenue Receipts (<i>per cent</i>)	17	10	11	10	8
Revenue Receipts / GSDP (<i>per cent</i>)	41.44	42.25	43.40	40.73	40.36
Buoyancy Ratios⁷					
State's Own Tax Buoyancy with respect to GSDP	2.38	1.89	1.06	1.11	2.13

Though the State's Own Tax Buoyancy with respect to GSDP has increased from 1.11 *per cent* in 2008-09 to 2.13 *per cent* in 2009-10, it does not reveal a healthy fiscal state for Tripura as the rate of growth of revenue receipts during 2009-10 has declined to 8 *per cent* from 10 *per cent* during 2008-09. Except in 2006-07 and 2007-08, the ratio of Revenue Receipts to GSDP had also shown a declining trend over the five years period. Though the current growth rate of GSDP (9 *per cent*) is less than the previous year (17 *per cent*), the growth of GSDP during 2009-10 was attributed to increase in sectors like Agriculture, Industries and Service Sectors by 6.33 *per cent* 7.05 *per cent* and 12.10 *per cent* respectively.

⁷ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, State's own receipts buoyancy ratio with reference to its GSDP at 0.60 implies that revenue receipts tend to increase by 0.60 percentage points, if the GSDP increases by one *per cent*.

1.5.1 State's Own Resources

As the State's share in Central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of Central tax receipts and Central assistance for plan schemes etc., the State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising of revenue from its own tax and non-tax sources. The gross collection in respect of major taxes and duties and non-tax revenue and their percentage and also expenditure during the year 2005-10 are presented in **Appendix 1.5**. During 2009-10 there had been a variation in the collection of Revenue receipts between projection made by TFC, budget and the actual (**Table 1.11**).

Table 1.11: Revenue Receipts relative to TFC Projections vis-à-vis Budget and Actuals for the year 2009-10

(Rupees in crore)

	Assessment made by TFC	Budget	Actual	Variation
Tax Revenue	645.00	545.80	527.01	18.79
Non-tax Revenue	191.57	158.16	125.40	32.76

(a) Tax Revenue

The average Compound Annual Growth Rate of Tax Revenue for NE States between 1999-2000 and 2008-09 was **19.32 per cent** which was higher than that of Tripura (**17.74 per cent**). The tax revenue during 2009-10 increased by 19 per cent from ₹ 442.50 crore in 2008-09. The improvement in the collection was mainly due to improvement under the heads of major taxes viz. VAT (19 per cent), State Excise (27 per cent) and Taxes on vehicles (25 per cent).

Table 1.12: Sector-wise Component of tax revenue for the year 2005-10

(Rupees in crore)

Name of Component	Year				2009-10		
	2005-06	2006-07	2007-08	2008-09	Budget Estimate	Actuals	Variation in Actuals with reference over Budget Estimate (in percentage)
Taxes on Sales, Trade etc./VAT	203.39	233.45	264.98	314.79	396.00	374.93	(-) 5
State Excise	32.30	38.41	38.50	48.28	46.54	61.09	(+) 31
Taxes on vehicles	17.43	22.51	23.20	29.82	34.26	37.14	(+) 8
Stamps and Registration fees	14.21	16.61	14.98	17.03	22.57	18.15	(-) 20
Land Revenue	3.25	3.03	2.97	5.55	6.20	5.55	(-) 6
Other taxes on commodities and Services	3.40	5.11	2.17	0.84	-	0.95	-
Taxes on Agricultural Income	0.14	0.15	0.11	0.18	-	0.01	-
Taxes and duties on electricity	0.02	0.01	0.01	0.02	0.02	0.02	-
Other taxes	21.95	22.27	23.78	25.99	40.21	29.17	(-) 27
Total :	296.09	341.55	370.70	442.50	545.80	527.01	(-) 3

The large variations between the budget estimate and the actual in some of the major

components of own tax revenue indicate that the budget estimates were not prepared on realistic basis. *The Own Tax revenue (OTR) of the State remained below both the normative assessment made by the Twelfth Finance Commission (TFC) for the State for 2009-10 (₹ 645.00 crore) and State's own projection in BE 2009-10 (₹ 545.80 crore).*

(b) Non-tax Revenue

The non-tax revenue decreased by 16 per cent from ₹ 149.04 crore in 2008-09 to ₹ 125.40 crore in 2009-10 mainly on account of steep decline in Interest Receipts and dividends etc by 56 per cent during 2009-10 over the previous year. Maximum variation was observed in General Services which differed by 39 per cent from the budget estimate during 2009-10.

Table 1.13: Composition of non-tax revenue

Name of Component	Year				2009-10		(Rupees in crore) Percentage of variation in Actuals over Budget Estimates
	2005-06	2006-07	2007-08	2008-09	Budget Estimate	Actuals	
General Services	21.50	42.41	25.71	53.32	101.81	62.35	(-) 39
Social Services	5.47	5.58	6.91	9.06	9.26	9.47	(+) 2
Economic Services	19.75	20.65	23.60	23.72	26.79	25.70	(-) 4
Interest receipts and dividends etc.	16.89	26.33	59.19	62.93	20.30	27.88	(+) 37
Fiscal Services	0.01	-	-	0.01	-	-	-
Total :	63.62	94.97	115.41	149.04	158.16	125.40	(-) 21

The State Government, however, received during the year 2009-10 ₹ 22.25 crore under Debt Consolidation and Relief Facility (DCRF) pertaining to the year 2007-08 which formed a part of the total non-tax revenue during the year. During 2008-09, the State became ineligible for any amount under DCRF. *The non-tax revenue (NTR) was significantly lower than both the TFC projection (₹ 191.57 crore) and State's own projection made in the Budget Estimates (₹ 158.16 crore) as well as in the Revised Estimates (₹ 149.18 crore) for the year 2009-10.*

The average Compound Annual Growth Rate of Non-Tax Revenue for NE States between 1999-2000 and 2008-09 was 18.15 per cent which was much higher than that of Tripura (7.74 per cent) (Appendix 1.1 D).

1.5.2 Cost of recovery

Article 3 (b) of the Tripura Fiscal Responsibility and Budget Management (TFRBM) Act, 2005 envisaged pursuance of policies to raise non-tax revenue with due regard to cost recovery of operations and maintenance expenses and equity of selected services.

Table 1.14: Cost recovery from Socio-economic Services during 2009-10

(Rupees in crore)

Name of Services	2008-09			2009-10		
	Non-tax revenue receipts	Non-plan revenue expenditure	Cost recovery (percentage of Non-tax receipt to Non-plan expenditure)	Non-tax revenue receipts	Non-plan revenue expenditure	Cost recovery (percentage of Non-tax receipt to Non-plan expenditure)
Education, Sports, Art and Culture	1.55	533.91	0.29	1.50	766.45	0.20
Public Health and Family Welfare	4.53	80.70	0.06	4.87	110.48	4.41
Water Supply and Sanitation etc.	1.23	6.08	0.20	2.47	19.11	12.93
Irrigation	0.71	34.20	0.02	0.06	23.27	0.26

It was seen from the above that the cost recovery (ratio of NTR to NPRE) of some selected services such as Health, Water supply and sanitation and Irrigation has improved as compared to previous year whereas during 2009-10 Education fell short by 0.20 *per cent* as compared to the previous year. The cost of recovery reduced mainly due to low collection of non-tax revenue receipts in 2009-10.

1.5.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the last three years (2007-08 to 2009-10) alongwith relevant all India average percentage of expenditure on collection to gross collection for 2008-09 are mentioned in **Table 1.15**

Table 1.15: Expenditure on collection *vis-à-vis* percentage to gross collection

(Rupees in crore)

Heads of Revenue	Year	Gross collection	Expenditure on collection	Percentage of collection	All India average percentage for 2008-09
Sales Tax / VAT	2007-08	264.98	3.05	1.15	0.88
	2008-09	314.79	3.59	1.14	
	2009-10	374.93	5.19	1.38	
State Excise	2007-08	38.50	0.87	2.26	3.66
	2008-09	48.28	1.09	2.26	
	2009-10	61.09	1.62	2.65	
Stamps and Registration Fees	2007-08	14.98	1.93	12.88	2.77
	2008-09	17.03	1.68	9.86	
	2009-10	18.15	1.80	9.92	
Taxes on vehicles	2007-08	23.20	0.98	4.22	2.93
	2008-09	29.82	1.05	3.52	
	2009-10	37.14	1.60	4.31	

The table above indicates that the percentage of expenditure on collection in respect of all the components of State's Own Tax revenue except State Excise was much higher than the All India Average cost of collection which is indicative of the fact that the excess expenditure incurred on collection of revenue might impede in the path of improvement towards achieving a healthy fiscal path in the State.

1.5.4 Loss of Revenue due to Evasion of Taxes, Write Off / Waivers and Refunds

As on 31 March 2010, 258 cases of evasion in case of Sales Tax were detected. Out of which assessments / investigations were completed and demands raised in respect of 261 cases involving ₹ 5.36 crore including penalty as reported (September 2010) by the Commissioner of Taxes.

There was no write off or waiver cases during the year 2009-10 and no refund was reported to have been made in respect of Sales tax during the current year leaving 3 cases involving ₹ 0.74 lakh outstanding at the end of 31 March 2010.

Besides, test check of the records of Sales tax, Land revenue, State excise, Motor vehicles, Stamps and registration fees, other tax receipts, forest receipts conducted during 2009-10 revealed under assessment / short levy / loss of revenue amounting to ₹ 1.92 crore in 19 cases.

Due to non-realisation/short realisation of revenue, and inaction of the Department to collect arrears of revenue, the collection of OTR during the year was less than the normative projections made by the TFC (₹ 645.00 crore) and also State's own projection (₹ 545.80 crore) for the year while actual OTR was ₹ 527.01 crore during the year. This also affected the State's NTR as well as the total revenue receipts of the State during the current year.

1.5.5 Revenue Arrears

As of March 2010, the collection of Sales tax was in arrears amounting to ₹ 17.71 crore out of which, ₹ 2.00 crore was in arrears for more than five years as per information furnished by the Commissioner of Taxes (September 2010).

1.6 Application of Resources

The analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising the public expenditure financed by deficit or borrowings. It is therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially expenditure directed towards development and social sectors.

1.6.1 Growth and Composition of Expenditure

Chart 1.5 presents the trends in total expenditure over a period of five years (2005-10) and its composition both in terms of 'economic classification' and 'expenditure by activities', is depicted respectively in **Charts 1.7** and **1.8**.

Chart 1.5: Trends in various components of Total Expenditure during 2009-10

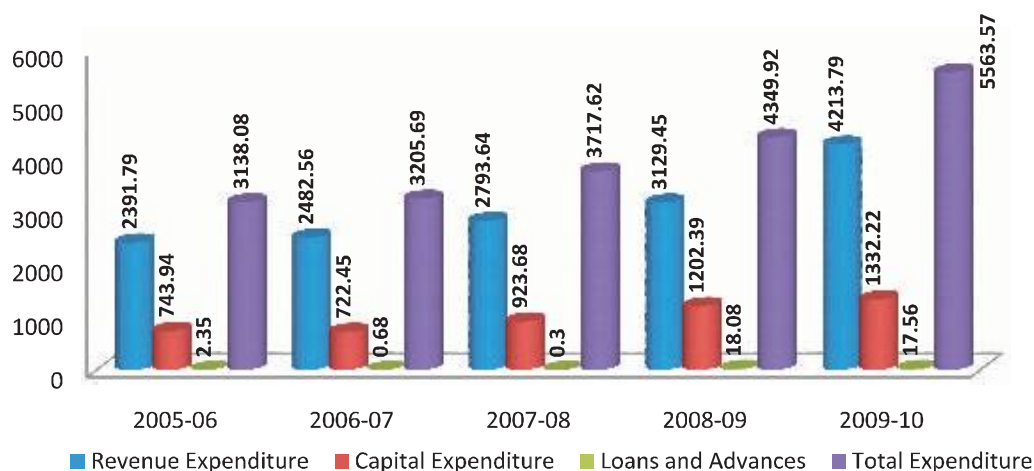


Chart 1.5 shows that during 2009-10 the total expenditure of the State grew by 27.90 *per cent* over 2008-09. The capital expenditure on the other hand was 23.95 *per cent* of the total expenditure in 2009-10 and increased by about 3.69 *per cent* over 2008-09. Loans and Advances by the State Government increased by 647.23 *per cent* during the last five year period ending 2009-10. The high increase was due to loans and advances for the Power Projects (₹ 16.50 crore) in 2009-10.

In Article 3 (c) of TFRBM Act, 2005, it was envisaged that the State Government shall lay down norms for prioritisation of Capital expenditure and pursue expenditure policies that would provide impetus for economic growth, poverty reduction and improvement in human welfare.

The budget speech 2009-10 committed to improve the standard and quality of living with particular focus on the disadvantaged and economically backward sections of the society, better education, child and mother care, housing, drinking water, urban basic services etc.

A comparative study of the plan and non-plan expenditure during 2009-10 with reference to the past years shows that there was not much shift in the ratio of plan expenditure to total expenditure as it accounted only 37 *per cent* of the total expenditure in 2009-10 compared to 35 *per cent* in 2005-06 and 41 *per cent* in 2008-09.

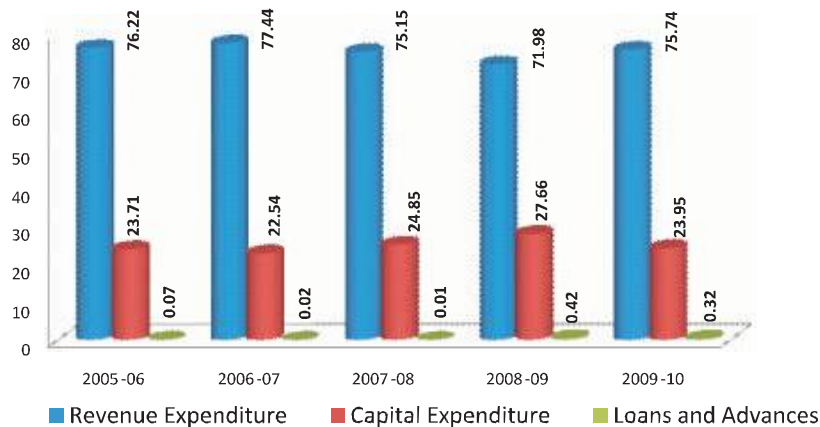
Chart 1.6: Total expenditure – Trends in share of its components

Chart 1.6 shows that as a percentage of total expenditure, Revenue expenditure was 76 per cent, of which non-plan revenue expenditure was a major component (about 61 per cent) during the year 2009-10. Only 14 per cent of total expenditure was in PRE. The trends in composition of revenue expenditure (both plan and non-plan) during 2005-10 are depicted in the table below:

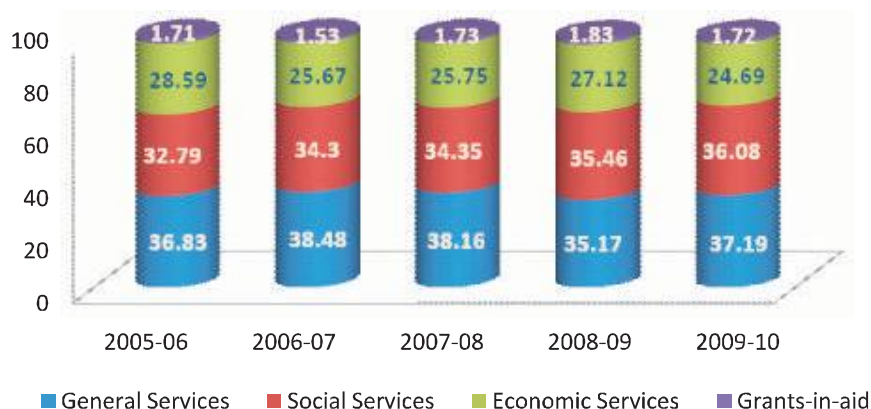
Table 1.16: Trends in Composition of revenue expenditure (Non-plan and Plan) during 2005-10

	2005-06	2006-07	2007-08	2008-09	2009-10
Non-plan	1979.25 (83)	1992.51 (80)	2217.25 (79)	2474.47 (79)	3417.16 (81)
Plan	412.54 (17)	490.05 (20)	576.39 (21)	654.98 (21)	796.63 (19)
Total :	2391.79	2482.56	2793.64	3129.45	4213.79

The non-plan revenue expenditure (₹ 3417.16 crore) was higher than the TFC projection (₹ 2651.13 crore) for the current year. Despite the increase in the amount over the years, the share of NPRE has been declining with a corresponding increase in the PRE upto 2008-09. The trend was disturbed in 2009-10 with increase in the share of NPRE with corresponding decrease in PRE. This was mainly due to increase in salary expenditure by 39 per cent (₹ 2042.75 crore) compared to ₹ 1466.30 crore in 2008-09. However, the ratio of revenue expenditure to total expenditure was static at 76 per cent in 2009-10 as was in 2005-06.

The trends in composition of total expenditure by activities as depicted in **Chart 1.7** show that while the share of General Services was almost static, (36.83 per cent to 37.19 per cent) during the last five years, the share of social services increased from 32.80 per cent in 2005-06 to 36.08 per cent in 2009-10. The economic services, however, showed a declining trend and the share was 24.69 per cent in 2009-10 as compared to 28.59 per cent in 2005-06.

Chart 1.7: Trends in composition of total expenditure by activities during 2009-10



During 2009-10, the expenditure in Social and Economic Sectors increased by 30 *per cent* and 16 *per cent* respectively over the previous year and the combined percentage of expenditure (Non-plan and Plan) in these two sectors increased by 24 *per cent* as compared to the previous year.

The non-plan revenue expenditure in Social and Economic sectors during 2009-10 were ₹ 975.46 crore and ₹ 502.41 crore respectively. *The non-plan revenue expenditure in Social Sector was higher than the TFC Projection (₹ 946.59 crore) for the year. The non-plan revenue expenditure in Economic Sector was also significantly higher than the TFC Projection (₹ 310.67 crore) mainly due to increased expenditure in Agriculture and Allied Activities (₹ 62.91 crore), Rural Development (₹ 30.74 crore) and Energy (₹ 27.27 crore). The increase in Social Sector was attributed mainly to increase in Education, Sports and Culture (₹ 232.54 crore) and Health and Family Welfare (₹ 29.78 crore).*

Revenue expenditure on some of the components in Social and Economic Sectors as provided by the TFC *vis-à-vis* actual for the TFC Award Period 2005-10 are given below:

Table 1.17: Component of expenditure in Revenue provided by TFC *vis-à-vis* actual during the Award Period – 2005-10

Name of Component	Provided / recommended by TFC		(Rupees in crore)	
	2009-10	2005-10	2009-10	2005-10
Food Subsidies	3.19	15.95	6.12	29.57
General Education	678.41	2,852.35	773.20	2,730.68
Medical, Public Health and Family Welfare	109.62	446.10	206.81	674.69
Maintenance Expenditure for Major and Medium Irrigation	0.46	2.10	NA	NA
Maintenance Expenditure for Minor Irrigation	21.76	98.94	2.80	70.51
Maintenance Expenditure for Buildings	78.88	351.79	177.50	465.04

Though actual expenditure incurred on General Education during 2009-10 was higher than what was recommended by TFC, yet the actual for 2005-10 was 4 *per cent* less than what was recommended during the TFC period. Similarly, the maintenance expenditure for minor irrigation also fell short by 29 *per cent* over the recommendations of TFC during 2005-10.

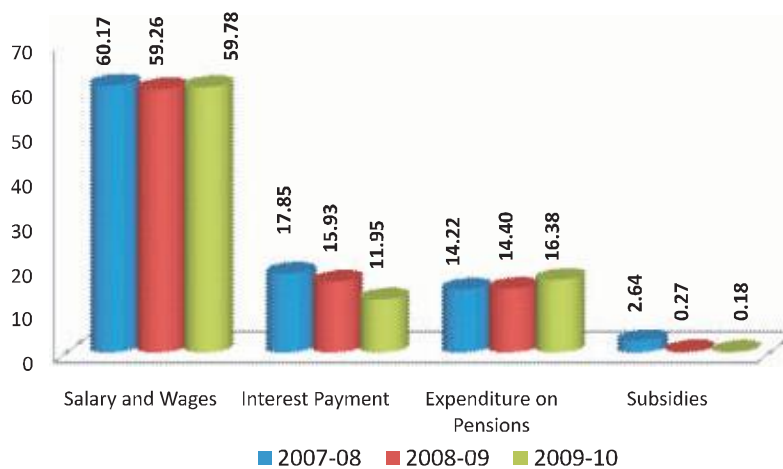
1.6.2 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Chart 1.8** presents the trends in the expenditure on these components during 2008-10.

The committed expenditure (i.e. interest payments, pensions, salaries and subsidies) of the State Government increased from ₹ 2,223.58 crore in 2008-09 to ₹ 3,017.27 crore in 2009-10. The overall percentage of committed expenditure on non-plan revenue expenditure and total Revenue Receipts was 88 *per cent* and 69 *per cent* respectively during the current year.

The committed liabilities for the State projected by the TFC was ₹ 1,324.07 crore of total non-plan revenue expenditure for 2009-10. Compared to this, there was an increase of 43.88 *per cent* in the actual expenditure during 2009-10.

Chart 1.8: Share of Committed Expenditure in Non-plan Revenue Expenditure



(a) Salary and wage expenditure

The expenditure on salaries and wages increased by 39 *per cent* from ₹ 1,466.30 crore in 2008-09 to ₹ 2,042.75 crore in 2009-10 against the TFC norms of growth rate of 6 *per cent*. Out of ₹ 2,042.75 crore on salaries and wages, ₹ 1,802.15 crore was in non-plan head while ₹ 204.56 crore was in plan head. ₹ 36.04 crore was paid as wages, the classification of which into plan and non-plan was not available. The expenditure on salary and wages increased mainly due to revision of pay structure of the employees. Amongst top five departments, the share of School Education was 28.58 *per cent* followed by Police (21.75 *per cent*), Public Works (3.68 *per cent*), Health (3.50 *per cent*), Family Welfare & Preventive Medicine (2.90 *per cent*) and Agriculture (2.77 *per cent*). Of the total increase of salary expenditure (₹ 576.45 crore) over the last year, the share of top five departments constituted 46 *per cent*.

The average Compound Annual Growth Rate of expenditure on salary and wages for the entire NE States between 1999-2000 and 2008-09 was lower (7.98 *per cent*) as compared to Tripura (8.57 *per cent*) (Appendix 1.1 D). The trend is

clearly indicative of the fact that the expenditure on salary and wages in the State is quite high.

According to recommendation of the TFC, 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 pensions does not exceed 35 per cent. In the State of Tripura, this norm was not followed and salary and wages expenditure registered 62.94 per cent during 2009-10. However, the total salary and wages expenditure (₹ 2,042.75 crore) was below the Budget Estimates (₹ 2,089.21 crore) and also Revised Estimates (₹ 2,213.04 crore) as indicated in the Macro Economic Framework Statement (MEFS) of the State Government.

(b) Interest payments

Interest payments during 2009-10 were ₹ 408.51 crore, which was much higher than the previous year (₹ 394.29 crore). Interest of ₹ 104.26 crore was paid on the borrowing from the NSS Funds, ₹ 93.26 crore on the market borrowings, ₹ 131.62 crore on the small savings fund, ₹ 40.89 crore on the outstanding loans from the GOI and ₹ 38.48 crore on other internal debt.

The expenditure on interest payments was lower than the projection (₹ 464.53 crore) of the State Government in its MEFS during the current year. *The interest payment was, however, much lower than the TFC projection (₹ 505.04 crore) which relative to revenue receipts at 9.93 per cent was well within the norm of 15 per cent recommended by TFC to be achieved during the award period.*

The average Compound Annual Growth Rate of interest payments for the entire NE States between 1999-2000 and 2008-09 was higher (334.86 per cent) as compared to Tripura (319.26 per cent). However, as a NE State, the interest payments were also relatively low as compared to the General Category States.

(c) Pension payment

Pension payment increased by 57 per cent from ₹356.43 crore in 2008-09 to ₹ 559.89 crore in 2009-10, which was about 16 per cent of the non-plan Revenue expenditure of the current year. Pension payments during 2009-10 marginally exceeded the projection made by the State Government (₹ 537.13 crore) in its MEFS for 2009-10. *Expenditure on pensions exceeded the normative projection (₹467.05 crore) made by the TFC.* The increase was mainly due to revision of pension and addition of about 2,231 pensioners to the previous year's balance of 41,583 numbers which altogether stood at 43,814 at the end of March 2010.

The average Compound Annual Growth Rate of pension payments for the entire NE States between 1999-2000 and 2008-09 was higher (14.22 per cent) as compared to Tripura (13.84 per cent) (Appendix 1.1 D).

(d) Subsidies

The State Government paid subsidies to the extent of ₹ 58.60 crore in 2007-08, ₹ 6.56 crore in 2008-09 and ₹ 6.12 crore in 2009-10 mainly on the various components like

Agriculture & Allied Activities (Crop Husbandry); subsidy of ₹ 5.05 crore was paid on Crop Husbandry and ₹ 1.07 was paid on Co-operation. The percentage of subsidy paid to total revenue expenditure during last three years was negligible and was gradually decreasing from 3 per cent in 2007-08 to 0.23 per cent in 2008-09 and further decreased to 0.15 per cent in 2009-10.

In the Fourth Quarterly Review Report 2010-11, it was stated that the Government has been providing financial support to the Tripura State Electricity Corporation Limited and Tripura Road Transport Corporation to meet the gap between income and expenditure. This financial support indirectly becomes a subsidy support. The projection of subsidy for 2009-10 made by Government in the MEFS was ₹ 63.29 crore (RE). However, the TFC provided ₹ 3.19 crore per year as subsidy on food only for the award period.

1.6.3 Financial Assistance by State Government to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous two years is presented in Table 1.18.

Table 1.18: Financial Assistance to Local Bodies etc.

Financial assistance to Institutions	(Rupees in crore)		
	2007-08	2008-09	2009-10
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	2.11	29.92	39.76
Municipal Corporations and Municipalities	22.78	59.24	78.52
Zilla Parishads and Other Panchayati Raj Institutions	55.17	60.00	27.57
Development Agencies	Nil	-	-
Hospital and Other Charitable Institutions	Nil	-	-
Other Institutions ¹	68.32	77.50	77.52
Total	148.38	226.66	223.37
Assistance as percentage of RE	5.31	7.24	5.30

The quantum of financial assistance to the Zilla Parishads and other Panchayati Raj Institutions, educational institutions and other local bodies increased during 2009-10 due to devolution of funds to Local Bodies to facilitate their functioning as vibrant institutions of Local Self Government as per the policy of the State Government. The quantum of financial assistance was almost equal to the assessment of ₹ 223.05 crore made by the State Government in Fourth Quarterly Review Report for 2009-10.

1.7 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e. adequate provisions for providing public services), efficiency of expenditure use and the effectiveness (assessment of outlay-outcome relationships for select services).

¹ Includes Tripura Tribal Areas of Autonomous District Council (TTAADC)

1.7.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to social sectors and economic infrastructure are largely assigned to the State Governments. Low fiscal priority (ratio of expenditure category to aggregate expenditure) is attached to a particular sector if it is below the respective national average. **Table 1.19** analyses the fiscal priority of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year.

Table 1.19: Fiscal Priority of the State during 2009-10

Fiscal Priority by the State	AE/GSDP	DE/AE	SSE/AE	CE/AE	Education/ AE	Health / AE
All States/National Average (Ratio) 2005-06*	18.39	61.91	30.99	14.32	15.08	4.08
All NE States Average (Ratio) 2005-06 [#]	26.08	64.59	33.76	14.86	19.54	3.77
Tripura's Average (Ratio) 2005-06	33.26	61.44	32.79	23.71	16.13	4.92
All States/National Average (Ratio) 2009-10*	19.01	66.13	35.62	15.19	16.24	4.38
All NE States Average (Ratio) 2009-10 [#]	29.44	62.80	37.26	14.39	18.41	5.93
Tripura's Average (Ratio) 2009-10	51.02	61.09	36.08	23.95	16.76	4.94

* Excludes Jharkhand, Mizoram, Meghalaya, Nagaland, Manipur, Delhi, Goa & Puduchery.

[#] Excludes Mizoram, Meghalaya, Nagaland & Manipur.

AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure

CE: Capital Expenditure

[#] Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

Source: (1) For GSDP, the information was collected from the State's Directorate of Economics and Statistics and for the year 2009-10, the GSDP figure (advanced estimate) has been taken from the Fourth Quarterly Review Report of the State Finance Minister.

Table 1.19 shows the fiscal priority given by the Tripura Government to various expenditure heads in 2005-06 (the first year of the Twelfth Finance Commission Award Period) and the current year *viz* 2009-10. The Government of Tripura had a much higher AE / GSDP ratio in both years under consideration compared to the All States Average as well as NE States average. In Social Sector Expenditure involving the major components *viz* Education and Health, the Tripura Government's expenditure as a percentage of AE was higher than the national average but is slightly lower than that of the NE States, whereas in regards to CE, the ratio is higher in both 2005-06 and 2009-10 than the National Average as well as the NE States average. In DE, however, the DE/AE ratio for Tripura was lower than the national average as well as the NE States Average in 2005-06 and this ratio was even lower in 2009-10. This indicates that the Government had been attaching low priority to economic services.

1.7.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods⁸. Apart from improving the

⁸ *Core public goods* are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc. *Merit goods* are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept or need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. The examples of such goods include the provision of free or subsidized food for the poor to support nutrition, the delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

allocation towards development expenditure⁹, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While the **Table 1.20** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted and the previous year, **Table 1.21** provides the details of capital expenditure and the component of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table 1.20: Development Expenditure

Components of Development Expenditure	(Rupees in crore)				
	2005-06	2006-07	2007-08	2008-09	2009-10
Development Expenditure (a to c)	1,928.76 (61.46)	1,923.01 (59.98)	2,234.71 (60.11)	2,740.73 (63.00)	3,398.56 (61.03)
a. Development Revenue Expenditure	1,265.31 (39.37)	1,278.24 (39.97)	1,416.82 (38.11)	1,713.09 (39.38)	2,262.65 (66.58)
b. Development Capital Expenditure	661.10 (21.06)	644.09 (20.09)	817.59 (21.99)	1,009.56 (23.21)	1,118.35 (32.90)
c. Development Loans and Advances	2.35 (0.07)	0.68 (0.02)	0.30 (0.01)	18.08 (0.41)	17.56 (0.52)

Figures in the parentheses indicate *per cent* to aggregate expenditure

Source: Finance Accounts

Table above shows that the development expenditure, combining the expenditure on Social and Economic Sectors, increased in absolute terms from ₹ 1,928.76 crore in 2005-06 to ₹ 3,398.56 crore in 2009-10. The percentage of increase in 2009-10 was 24 *per cent* over the previous year. The percentage of development expenditure to the total expenditure of the State decreased by 2 *per cent* as compared to the previous year. But the development expenditure was much below the level of Budget Estimates of ₹ 4,136.72 crore for the year. The relative share of the revenue development expenditure was 66.58 *per cent* of the total expenditure while this share in respect of development capital expenditure was only 32.90 *per cent*. This indicated lack of Government priority for capital expenditure due to ever increasing pressure on revenue expenditure over the period. *The non-plan development revenue expenditure (SS + ES) of ₹ 1,477.87 crore was also higher than the TFC Projection of ₹ 1,257.26 crore for the State during 2009-10.*

⁹ The analysis of the expenditure data is disaggregated into development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances are categorized into social services, economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

Table 1.21 –Efficiency of Expenditure Use in Selected Social and Economic Services

(In per cent)

Social/Economic Infrastructure	2008-09			(in per cent) 2009-10		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S &W	O&M		S&W	O &M
Social Services (SS)						
Education, Sports, Art & Culture	11.56	85.34	14.66	12.65	87.13	12.87
Health & Family Welfare	35.55	75.39	24.61	24.80	76.47	25.53
Water Supply, Sanitation, and Housing & Urban Development	77.48	22.98	77.02	68.60	68.95	31.05
Other Social Services	11.67	16.10	83.90	9.91	16.29	83.71
Total (SS)	25.52	58.21	41.79	22.24	63.85	36.15
Economic Services (ES)						
Agriculture & Allied Activities	23.11	53.36	46.64	20.97	54.16	45.84
Irrigation & Flood Control	55.17	61.73	38.27	65.31	131.40	-
Power & Energy	96.92	37.29	62.71	72.06	3.80	96.20
Transport	71.12	-	100.00	72.41	-	-
Other Economic Services	40.66	50.57	49.43	41.47	51.81	48.19
Total (ES)	52.17	40.84	59.16	48.91	44.46	55.54
Total (SS+ES)	37.06	52.48	47.52	33.08	57.84	42.16

TE: Total Expenditure (CE+RE of the sub-sectors); CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations and Maintenance.

Table above depicts the various component-wise percentages of Revenue and Capital expenditure, percentage of expenditure on salary and wages and operation and maintenance cost in relation to revenue expenditure in Social and Economic Services for the year 2008-09 and 2009-10.

The Table shows that the ratio of CE to TE under Social Services decreased from 25.52 *per cent* in 2008-09 to 22.24 *per cent* in 2009-10 mainly due to decrease under Health & Family Welfare and Water Supply, Sanitation, Housing & Urban Development. Ratio of Economic Services, also decreased by 3.26 *per cent* over the previous year, mainly due to decrease in Agriculture & Allied Services and Power and Energy Sector. The share of salary and wages on Education etc. under Social Services was 85.34 *per cent* of its revenue expenditure, (of which 78.03 *per cent* was for general education) and on Health & Family Welfare and Water Supply, Sanitation, Housing & Urban Development, the share was 75.39 *per cent* and 22.98 *per cent* respectively during 2008-09. The percentage of salary and wages expenditure in relation to its revenue expenditure increased in all the three components (*viz.* Education, Health and Family Welfare and Water Supply, Sanitation etc.) in social sector during 2009-10 over the previous year. The percentage of the salary expenditure in respect of Education (87.13 *per cent*), Health and Family Welfare (76.47 *per cent*) and Water Supply, Sanitation, Housing & Urban Development (68.95 *per cent*) increased by 1.79 *per cent*, 1.08 *per cent* and 45.97 *per cent* respectively over the previous year.

Under Economic Services, the salary and wage expenditure in terms of percentage of revenue expenditure was marginally higher by 3.62 *per cent* over the previous year while the operations and maintenance cost decreased to that extent due to increase in expenditure in Irrigation & Flood Control.

However, in terms of percentage in relation to revenue expenditure under Social and Economic Services taken together there was overall increase in salary and wages (5.36 *per cent*) and decrease in operations and maintenance costs to that extent during 2009-10 over the previous year.

1.7.3 Effectiveness of the Expenditure, i.e. Outlay-Outcome Relationship

During 2004-09, 24 performance reviews on the effectiveness of expenditure and the outcomes thereof were attempted and featured in the Audit Reports. Of the 24 performance reviews, only four were discussed in PAC meetings. The results of such performance reviews are summarised below:

(a) Integrated Dairy Development Project II

The implementation of the Integrated Dairy Development Project II was marred by serious deficiencies in planning and coordination. The cows / heifers were purchased and distributed to the beneficiaries much in advance of the completion of the dairy plant that was to be used for milk production. Most of these cows / heifers had died or were sold by the beneficiaries, leaving only 6 per cent of the cows / heifers distributed to the beneficiaries being available for milk production. There was delay of more than eight years in the construction of the dairy plant and, on completion, there was no assured supply of milk for processing. No effective steps had been taken to ensure adequate supply of milk for processing, which led to extremely low capacity utilisation of the plant and posed a serious threat to its financial viability. Thus, poor planning and execution of the project resulted in most of the objectives of the scheme remaining unrealised.

(Paragraph 3.4 of Audit Report 2005-06)

PAC recommendations

- ✓ The department should take effective steps to revive and strengthen the DCSs to ensure adequate supply of milk to the plant;
- ✓ The department should make effective arrangements for procurement of milk from the points of production to the storage and processing centres;
- ✓ The department should explore the possibility of increasing the capacity utilisation of the plant by effective distribution of the milk procured by the TCMFUL in other areas, until the DCS in Dharmanagar area are in a position to provide adequate supply; and
- ✓ The department should ensure that the TCMFUL gets its accounts audited in terms of the MOU, and makes all records available to Audit.

Remedial Action Taken

The Milk Producer's Cooperative Societies had been revived for procurement of milk from the point of production to the storage and processing centres, increasing the capacity utilisation of plant and auditing of accounts in consultation with TCMPUL.

(b) Bidhayak Elaka Unnayan Prakash (BEUP)

The scheme was introduced in 2001-02 for undertaking works of developmental nature, based on locally felt needs and leading to creation of durable assets. The objective of the scheme could not be achieved fully due to non-utilisation of significant amount of funds, short release of funds to the SDMs, delay in sanctioning works and incurring of expenditure on inadmissible works. There were deficiencies in the control and monitoring system and the registers of assets created were not being maintained.

(Paragraph 3.3 of Audit Report 2005-06)

PAC recommendations

- ✓ Provisions of CTR (Vol-I) should be enforced in respect of preparation and submission of DCC bill for adjustment of AC bill.
- ✓ Sanctioning of works by the SDMs within the prescribed time schedule should be ensured.
- ✓ Minutes of monitoring meetings may be maintained.
- ✓ Assembly Constituency-wise asset register in the prescribed format should be maintained and the Directorate should prepare a computerized database of all these assets for monitoring.

The remedial action taken by the Government, if any, is yet to be reported to audit.

(c) National Rural Health Mission

The overall performance of NRHM in the State at mid-course was not very satisfactory with reference to its declared objectives, despite expending ₹ 35.45 crore. Delay in planning process, outsourcing of preparation of the State and District Plans with inadequate community involvement contributed to failure in preparing a comprehensive and focused plan indicating demand based and locality specific infrastructural requirements. Besides, the Department failed to operationalise ASHA network in time, fill up vacancies of key functionaries like Doctors, Nurses, ANM etc. Adequate infrastructure was not developed within the specified time frame and Health Management Information System was also not set up despite the lapse of three years since the commencement of the programme. Thus, performance during the first half of its seven year implementation period, has thrown a major challenge for the Mission towards achieving the targeted objectives by 2012.

(Paragraph 3.3 of Audit Report 2007-08)

PAC recommendations

- ✓ A comprehensive plan should be prepared breaking down the targets into actionable items, indicating need-based, locality specific requirements of infrastructure including human resource requirement.
- ✓ Health Management Information System should be completed on a priority basis for collecting, reporting and analysing the grass-root level data relating to health care facilities.
- ✓ Steps should be taken for speedy completion of all the construction works undertaken, to provide committed benefits under the programme in a time bound manner.
- ✓ Projects taken up during the year should be widely publicised to ensure awareness, accountability and public scrutiny.
- ✓ Monitoring and supervision of the Mission activities should be strengthened by establishing monitoring and planning committees at all levels, as envisaged in the Mission Guidelines.

The remedial action taken by the Government, if any, is yet to be reported to audit.

(d) Functioning of Education (Higher) Department

The Education (Higher) Department is responsible for providing higher education to the youth in the State, in order to equip them with adequate skills for furthering their chances of success in the competitive environment ahead. A performance audit on the functioning of the Department brought out the absence of an appropriate planning process in the Department. The Department does not have vital data from the educational institutions to plan its activities effectively and the allocation of funds for higher education as a percentage of Social Services gradually declined over the years. This coupled with shortage of teaching staff and absence of monitoring mechanism affected the objective of the Department of providing quality education to the students.

(Paragraph 1.2 of Audit Report 2008-09)

PAC recommendations

- ✓ The Department should obtain inputs from the educational institutions before planning its activities and formulating its budget.
- ✓ The Department should take effective action for recruitment of teaching staff in line with UGC norms, to ensure quality education.
- ✓ An effective monitoring mechanism should be introduced.
- ✓ A well defined PPP policy should be formulated keeping in view the overall interest of the State. Documentation on PPP projects should be transparent and widely publicised to ensure accountability and public scrutiny.

The remedial action taken by the Government, if any, is yet to be reported to audit.

1.8 Financial Analysis of Government Expenditure and Investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but only to meet its capital expenditure/investment

(including loans and advances) requirements. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-a-vis* previous years.

1.8.1 Financial Results of Irrigation Works

According to Para 6 (vii) of Term of Reference (TOR) of the TFC, there is the need for ensuring the commercial viability of irrigation projects etc. in the State through various means including adjustment of user charges and relinquishing of non-priority enterprises through privatisation or disinvestment. According to Para 6.23 of TFC Report, the cost recovery (Irrigation Receipts / non-plan revenue expenditure) rate of the Irrigation Projects should be 90 *per cent* for 2009-10 in relation to the maintenance expenditure on major, medium and minor Irrigation Projects.

Though there was no commercial Irrigation Project in the State of Tripura, the number of Minor and Medium Irrigation Projects in the State under AIBP as of March 2009 was 1,112 and 3 respectively.

During 2009-10, Non-Plan revenue expenditure on Minor and Medium Irrigation Projects was ₹ 13.79 crore, out of which, ₹ 2.80 crore was maintenance expenditure against TFC projection of ₹ 21.76 crore for 2009-10.

It was stated in the Fourth Quarterly Review Report of the Finance Minister for 2009-10 placed alongwith the Budget for 2010-11 in the State Legislature that imposing of user charges as a general measure was not encouraging due to high percentage of BPL families in the State and collection of user charges on certain select services/items in a modest way had been started.

1.8.2 Incomplete projects

The department-wise information pertaining to incomplete projects of which the scheduled date of completion was already over as on 31 March 2010 are given in the Table 1.22.

Table 1.22: Department-wise Profile of Incomplete Projects

Name of Projects	No. of incomplete Projects	(Rupees in crore)	
		Initial Budgeted Cost	Cumulative actual expenditure as on 31.3.2010
Building works	7	106.90	87.24
Roads works	1	5.07	0.38
Bridges works	1	5.61	3.06
Water Resources (Irrigation) works	3	30.32	21.67
Drinking Water & Sanitation (PHE) works	1	5.81	0.53
Total	13	153.71	112.88

Source: Finance Accounts 2009-10.

As on 31 March 2010, there were 13 incomplete projects each costing rupees five crore and above, involving total budgeted cost of ₹ 153.71 crore on which expenditure

of ₹ 112.88 crore has already been incurred. The works on these projects were started between March 2001 and March 2009. Most of the incomplete projects were Building works, involving budgeted cost of ₹ 106.90 crore, out of which expenditure of ₹ 87.24 crore (81.61 *per cent*) was incurred as on 31 March 2010. Due to delay in completion of the projects, the intended benefits from these projects did not reach the beneficiaries in the State. The reasons for delay in completion of the projects were not on record. An age-wise analysis of the incomplete works revealed that the works got delayed by four months to forty five months compared to their scheduled date of completion. The above list is only indicative and not exhaustive. Among the incomplete projects, three irrigation projects are lingering from 2006-07 while out of seven, two building works viz High Court Building and Construction of Assembly Building scheduled to be completed in June 2006 and January 2009 respectively is nearing completion. Another work viz. the State Guest House which was scheduled to be completed in March 2009 has been completed and inaugurated in August 2010. The following pictures represent few of the projects lying incomplete till September 2010:



Central Prison at Bishalgarh scheduled in November 2009



Construction of Assembly building scheduled in January 2009



Seismic Retrofitting of Ujjayanta Palace scheduled in October 2008

Delay in completion of works invites the risk of escalation in the cost of the works. As the revised estimated costs were not made available, the extent of estimated cost overrun could not be assessed. The actual cost overrun would however, be available on closure of the claims of the construction agencies after completion. Thus, works need to be completed in time to contain time and cost overrun especially on high cost works.

1.8.3 Investment and returns

As on 31 March 2010, Government had invested ₹ 780.32 crore in 2 Statutory Corporations, 11 Government Companies, 24 Co-operative and local bodies and one Bank (Table 1.23).

Table-1.23: Return on Investment

Investment/Return/Cost of Borrowings	2007-08	2008-09	2009-10
Investment at the end of the year (<i>Rupees in crore</i>)	519.06	641.00	780.32
Return (<i>Rupees in crore</i>)	0.27	Nil	Nil
Return on investment (<i>per cent</i>)	0.05	Nil	Nil
Average rate of interest on Government borrowing (<i>per cent</i>)	8.27	8.00	7.98
Difference between interest rate and return (<i>per cent</i>)	8.22	8.00	7.98

Source: Finance Accounts

It was seen that upto the end of the year 2009-10, total amount of ₹ 780.32 crore was invested in 11 Government companies (₹ 537.65 crore) (one under liquidation), 2 statutory corporations (₹ 153.81 crore), 24 Co-operative societies and one Rural Bank (₹ 88.86 crore). Investment in the Government Companies, Statutory Corporations and Co-operative Societies and the Bank taken together increased to ₹ 780.32 crore upto end of the year 2009-10 from ₹ 641.00 crore in 2008-09. During 2009-10, the Government invested ₹ 139.32 crore in these companies, corporations etc. Out of total investment of ₹ 780.32 crore, ₹ 153.27 crore was invested in one statutory corporation (Tripura Road Transport Corporation) and ₹ 627.05 crore was invested in eleven Government companies, 24 co-operative societies, one rural bank (including one bank under liquidation and one corporation (Assam Financial Corporation) which is non-functional). Of ₹ 627.05 crore invested in the Government companies etc, ₹ 267.01 crore was invested as equity in the Tripura State Electricity Corporation Limited. Out of ₹ 139.32 crore invested during the year, ₹ 107.57 crore was invested in Tripura State Electricity Corporation Limited and ₹ 1 crore in TRTC. *No return on the investment was received during 2009-10.* As per the latest finalised accounts, five¹⁰ companies (including two deemed Government Companies) had been marked as profit earning while seven¹¹ had been incurring losses over the years.

¹⁰ Tripura Forest Development & Plantation Corporation Limited (TFDPCL): ₹ 30.91 crore; Tripura Rehabilitation Plantation Corporation Limited (TRPCL): ₹ 4.04 crore; Tripura State Electricity Corporation Limited (TSECL): ₹ 8.81 crore; North Eastern Industrial Consultants limited (NEICL): 0.02 crore; and Tripura Natural Gas Company Limited: ₹ 0.63 crore.

¹¹ Tripura Horticulture Corporation Limited (THCL): ₹1.04 crore; Tripura Tea Development Corporation Limited (TTDCL): ₹9.29 crore; Tripura Handloom and Handicrafts Development Corporation Limited (THHDCL): ₹18.17 crore; Tripura Industrial Development Corporation Limited (TIDCL): ₹2.31 crore; Tripura Jute Mills Limited (TJML): ₹120.92 crore; Tripura Transport Corporation (TRTC): ₹180.21 crore; Tripura Small Industries Development Corporation (TSICL): ₹15.68 crore.

1.8.4 Loans and advances by State Government

In addition to investments in Co-operative societies, corporation and companies, Government has also been providing loans and advances to many of these institutions/organisations and also to the Government employees for construction of houses and other miscellaneous purposes. **Table 1.24** presents the outstanding loans and advances as on 31 March 2010, interest receipts *vis-a-vis* interest payments during the last five years.

Table 1.24: Average Interest Received on Loans Advanced by the State Government

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2005-06	2006-07	2007-08	2008-09	(Rupees in crore) 2009-10	
					BE	Actual
Opening Balance	63.06	61.55	58.71	55.74	70.57	70.57
Amount advanced during the year	2.35	0.68	0.30	18.08	3.00	17.56
Amount repaid during the year	3.86	3.52	3.27	3.25	3.00	3.51
Closing Balance	61.55	58.71	55.74	70.57	70.57	84.62
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	(-) 1.51	NA	NA	NA	NA	NA
Net addition	0.12	(-) 2.84	(-) 2.97	(+) 14.83	Nil	14.05
Interest Receipts	0.19	0.53	0.66	0.69	NA	1.21
Interest receipts as <i>per cent</i> to outstanding Loans and advances	0.31	0.90	1.18	0.98	NA	1.43
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government.	8.37	8.39	8.34	7.78	NA	7.98
Difference between interest payments and interest receipts (<i>per cent</i>)	(-) 8.06	(-) 7.49	(-) 7.16	(-) 6.80		(-) 6.55

NA: Not available.

No budget provision for interest receipts on loans advanced was available in the Budget documents.

At the end of March 2009, the Government had outstanding loans and advances of ₹ 84.62 crore, of which loans for Economic Services, Social Services and loans to Government Servant and miscellaneous proposes were ₹ 49.21 crore, ₹ 18.69 crore and ₹ 16.72 crore respectively. Loans of ₹ 16.41 crore were outstanding from Government employees. During 2009-10, Interest receipts as percentage of outstanding loans and advances was 1.43 against interest paid by the Government as percentage of outstanding liabilities being 7.98.

1.8.5 Cash Balances and Investment of Cash balances

It is generally desirable that the State's flow of resources matches 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 and overdraft from Reserve Bank of India (RBI) has been put in place. The operative limit for normal WMA is ₹ 80 crore for the State with effect from 1 April 2005 and the operative limit for special WMAs has been fixed at ₹ 93.77 crore with effect from 17 June 2005 for the State consequent upon the revaluation of Government of India Securities held by the State Government.

The State did not avail any overdraft facility since 1999-2000. Ways and Means

Advances (ordinary or special) also were not taken by the State since 2005-06. During 2009-10, the State Government maintained the minimum cash balance with RBI without obtaining any advances. However, to make up the deficiency in the cash balance, the holding of the Government of India 14 days Treasury bills were rediscounted on 154 days during 2009-10 and ₹ 26.67 crore was realised as interest @ 5 per cent per annum on these securities.

The cash balance of the State decreased by ₹ 414.60 crore (46.29 per cent) at the end of 2009-10 over the previous year mainly due to increase in revenue expenditure in General and Social Services by 39 per cent and 36 per cent respectively.

Table 1.25 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.25: Cash Balances and Investment of Cash balances

Particulars	As on 1 April 2009	As on 31 March 2010	(Rupees in crore)
			Increase (+)/ Decrease (-) (percentage in bracket)
Cash Balances	899.96	485.36	(-) 414.60 (46)
Investments from Cash Balances (a to d)	744.35	260.05	(-) 484.30 (65)
a. GOI 91 days Treasury Bills	-	-	-
b. GOI 14 days Treasury Bills	744.35	260.05	(-) 484.30 (65)
c. Other Securities, if any specify	-	-	-
d. Other Investments	-	-	-
Funds-wise Break-up of Investment from Earmarked balances (a to b)	273.78	293.03	(+) 19.25 (7)
a. Sinking Fund	273.78	293.03	
b. Others, if any	-	-	
Interest Realised	62.24	26.67	(-) 35.57 (57)

1.9 Assets and Liabilities

1.9.1 Growth and composition of Assets and Liabilities

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the 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. **Appendix 1.4** gives an abstract of such liabilities and the assets as on 31 March 2010, compared with the corresponding position on 31 March 2009. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

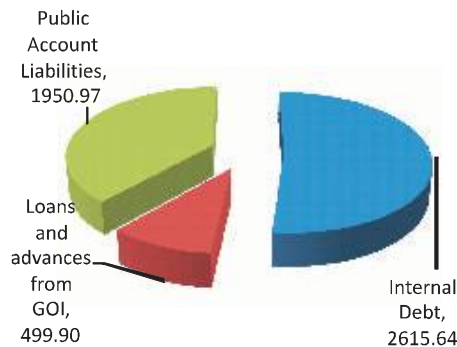
The FRBM Act of the State has defined the total liabilities as follows: “*The total liabilities means the liabilities under the Consolidated Fund of the State and the Public Account of the State and shall also include borrowings by the public sector undertakings and the special purpose vehicles and other equivalent instruments including guarantees where principal and/or interest are to be serviced out of the State budget*”.

The ratio of financial assets to liabilities was on an increasing trend during 2005-09 and declined to 1.80 during 2009-10 which is indicative of the fact that the State has resolved good fiscal policies in containing the fiscal burden.

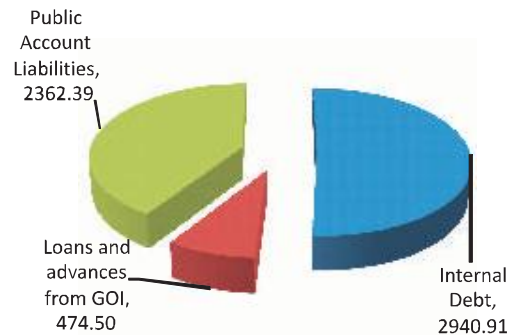
1.9.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.4**. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year are presented in **Charts 1.9 and 1.10**.

Chart 1. 9: Composition of outstanding fiscal liabilities as on 31 March 2009



rt 1.10 : Composition of outstanding fiscal liabilities as on 31 March 2010



The outstanding fiscal liabilities of the State as on 31 March 2010 was ₹ 5,777.80 crore against the liabilities of ₹ 5,066.51 crore as on 1 April 2009 with an increase of ₹ 711.29 crore (14.04 *per cent*) during the period. Outstanding liabilities increased mainly due to increase in internal debt by ₹ 325.27 crore (12 *per cent*) and Public Account by ₹ 411.42 crore (21 *per cent*) over the previous year. The State had, however, contained the outstanding liabilities well within the revised estimated liabilities of ₹ 5,756.47 crore projected in the disclosure with the Budget for 2010-11 presented in the State Legislature. During 2009-10, the percentage of Internal Debt liabilities to total revenue receipts was 66.82 while the percentage of total liabilities to revenue receipts was 131.27.

During last five year period of 2005-10, the outstanding liabilities consistently increased from ₹ 4,420.57 crore in 2005-06 to ₹ 5,778.79 crore in 2009-10. *The percentage of fiscal liabilities to GSDP during 2009-10 was 52.99, which was much higher than the projection in the Fiscal Indicator (36.36 per cent) in the MTFP statement.*

1.9.3 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 the State Government has not enacted any law or framed any rules according to Article 293 of the Constitution, for fixing the limit on the guarantees given by the Government on its Consolidated Fund, it is not possible to make observations on the maximum or outstanding guarantees of the State Government in a year. However, as per TFRBM

Act 2005, the State Government constituted (July 2007) the Guarantee Redemption Fund and decided to charge guarantee fees at the rate of one *per cent* to cover the risk in the guarantees for meeting the liabilities which may arise on invocation of the guarantees. During 2009-10, the State had not paid any guarantee and hence no guarantee fee was received during this period.

As per Statement 6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding amount of guarantees for the last three years is given in **Table 1.26**.

Table 1.26: Guarantees given by the Government of Tripura

(Rupees in crore)

Guarantees	2007-08	2008-09	2009-10	
			BE	Actual
Maximum amount guaranteed	74.66	76.66	-	76.66
Outstanding amount of guarantees (including interest)	35.64	29.53	-	29.54
Percentage of maximum amount guaranteed to total revenue receipt	2.02	1.90	-	1.74
Criteria as per FRBM Act/any other Act or Order of the State	1 <i>per cent</i> of GSDP	1 <i>per cent</i> of GSDP	1 <i>per cent</i> of GSDP	0.5 <i>per cent</i> of GSDP

During 2009-10, no fresh guarantee was given by the Government to Statutory Corporations, Government Companies and other Institutions. However, at the end of 31 March 2010, the outstanding amount of guarantee including interest stood at ₹ 29.54 crore, which was 0.5 *per cent* of GSDP.

1.9.4 Off - Budget Borrowings

From the State Finance Accounts as well as Appropriation Accounts, it appeared that there were no off-budget borrowings for the year 2009-10. *In fact, the Government has maintained the annual permissible limit of 0.5 per cent of the GSDP for off-budget borrowings according to the TFRBM Act, 2005.* According to the TFC recommendations, the State has also set up a sinking fund for amortisation of all loans but had made no investment in this fund during the year 2009-10. As on 31 March 2010, the accumulated amount in this fund was ₹ 293.03 crore including interest of ₹ 19.25 crore for 2009-10.

1.10 Debt Sustainability

Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability¹² of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation¹³; sufficiency of non-debt receipts¹⁴; net availability of borrowed funds¹⁵; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.27** analyses the debt sustainability of the State according to these indicators for the period of three years beginning from 2007-08.

Table 1.27: Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability	2007-08	2008-09	2009-10
Debt Stabilisation (Quantum Spread + Primary Deficit) (Rupees in crore)	(+) 368.18	(+) 321.66	(-) 799.85
Sufficiency of Non-debt Receipts (Resource Gap) (Rupees in crore)	(-) 147.20	(+) 9.11	(-) 759.51
Net Availability of Borrowed Funds (Rupees in crore)	(-) 390.54	(-) 216.60	(+) 283.60
Burden of Interest Payments (IP/RR Ratio) (in per cent)	10.70	9.76	9.28
Maturity Profile of State Debt (in years) (Rupees in crore) (percentage to total debt in brackets)			
0 – 1	116.93 (4)	161.12 (5)	104.36 (7)
1 – 3	508.41 (16)	563.87 (17)	306.86 (19)
Indicators of Debt Sustainability	2007-08	2008-09	2009-10
3 – 5	652.33 (20)	1,378.63 (42)	208.32 (13)
5 – 7	499.49 (16)	813.20 (25)	466.00 (29)
7 and above	1,407.74 (44)	359.84 (11)	506.00 (32)
Total	3184.90	3276.66	1,591.54

It would be seen from the above table that the Debt of the State was stable during the last two years period (2007-08 to 2008-09) since the quantum spread *plus* primary deficit remained positive but it became unstable during 2009-10 as there was primary deficit which in turn effected the Debt stabilisation. During 2009-10, the sufficiency of non-debt receipts of the State was negative (₹ 759.51 crore) against ₹ 9.11 crore in

¹² The debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.

¹³ A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

¹⁴ Adequacy of incremental non-debt receipt of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipt could meet the incremental interest burden and the incremental primary expenditure.

¹⁵ Defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

2008-09, which indicated that incremental non-debt receipts were inadequate to cover incremental interest burden. Availability of borrowed funds were negative in 2007-08 and 2008-09, but during 2009-10, it stood at positive balance (₹ 283.60 crore), which is indicative of the fact that State was unable to reduce its debt and the chances of recourse to borrowed funds are evident. During 2009-10, the State borrowed at an interest rate ranging from 8.24 *per cent* to 8.49 *per cent* while the interest earned on investment in government treasury bills was only 5 *per cent*.

Of the total debt burden of ₹ 1591.54 crore, ₹ 104.36 crore (7 *per cent*) matured and was paid during 2009-10 and rest of the debt burden (₹ 466.00 crore i.e. 29 *per cent*) would mature during the coming 5 to 7 years. The maximum debt of ₹ 506.00 crore (32 *per cent*) would mature in next seven years.

Box 1.1: Against an average growth rate of 74.17 *per cent* in respect of Public Debt Receipts during 2005-10, the growth in 2009-10 was 137 *per cent* over the previous year. The cash balance came down to ₹ 485.36 crore in 2009-10 compared to ₹ 899.96 crore in 2008-09, yet the surplus cash balances continue to pose new challenges for State governments' financial and cash management.

High level of cash surplus in recent past seems to provide some headroom to withstand pressure on finances and the State was not resorting to ways and means advances or overdrafts. The reason for cash accumulation was attributed to conservative approach in capital spending since the capital outlay as a percentage of total expenditure was almost static during the past (23.71 *per cent* in 2005-06 to 23.95 *per cent* in 2009-10).

In view of the comfortable cash balances, the State may consider to defer and/or resort to more need based borrowing programmes at opportune times in a cost effective manner. The State may consider identifying a clear shelf of projects which require capital investment and borrow only to that extent and by realistic assessment of cash needs and with effective cash management and better synchronization of cash inflows and outflows may be able to minimize their borrowing requirements. This will at the same time curb unwarranted build-up of cash surplus as well.

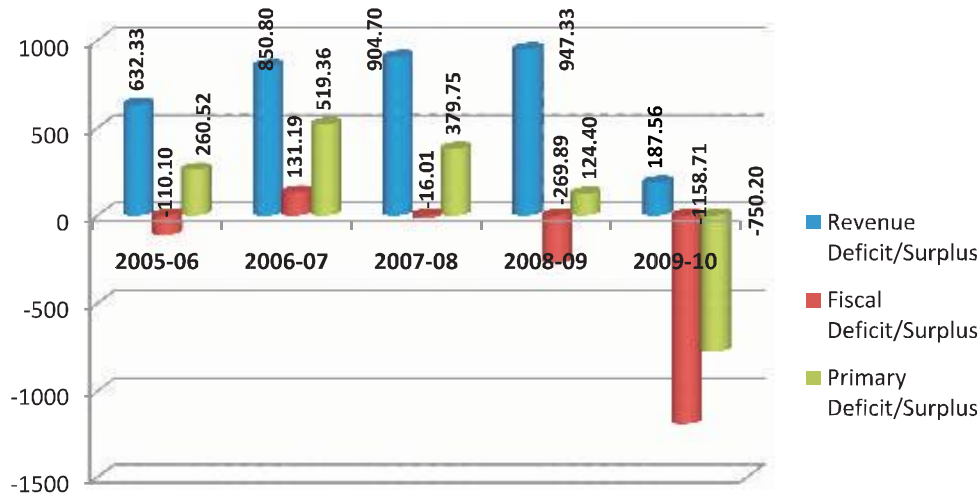
1.11 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. 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 and applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-a-vis* targets set under FRBM Act/Rules for the financial year 2009-10.

1.11.1 Trends in Deficits

Chart 1.11 presents the trends in deficit indicators over the period 2005-10.

Chart 1.11: Trends in Deficit Indicators for the last five years



Though the State had shown quite a healthy trend in revenue surplus during 2005-10, this has dropped down to a declining revenue surplus and a primary deficit in 2009-10 while there were fiscal deficit during the period except in 2006-07. However, consequent upon the recommendations of the TFC as well as the TFRBM Act, 2005 enacted by the Government, the State received more Central grants and debt waiver relief. The fiscal liabilities to GSDP as well as revenue receipts showed an increasing trend during the year 2009-10. The balance from current revenue stands at negative ₹ 769.32 crore against ₹ 142.95 crore in 2008-09.

1.11.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.28**.

Table 1.28: Decomposition and Financing Pattern of Fiscal Deficit

Particulars	(Rupees in crore)		
	2007-08	2008-09	2009-10
Decomposition of Fiscal Deficit (-) / Surplus (+)	(-) 21.95	(-) 269.57	(-) 1158.71
Fiscal Deficit as percentage to GSDP	0.19	2.70	10.63
Revenue Deficit (-) / Surplus (+)	(+) 904.70	(+) 947.33	(+) 187.56
Capital Expenditure	923.68	1202.07	1332.22
Net Loans and Advances	2.97	(-) 14.83	(-) 14.05
Financing Pattern of Fiscal Deficit (-) / Surplus (+)			
Market Borrowings (net)	(-) 45.49	(+) 78.03	(+) 252.00
Loans from GOI (net)	(-) 24.76	(-) 25.81	(-) 25.40
Special Securities Issued to NSSF (net)	(+) 4.87	(-) 18.63	(+) 34.83
Loans from Financial Institutions (net)	(-) 1.45	(+) 13.97	(+) 44.79
Small Savings, PF etc. (net)	(+) 57.18	(+) 67.44	(+) 299.09
Deposits and Advances (net)	(+) 19.54	(+) 52.80	(+) 81.59
Suspense and Misc. (net)	(-) 26.75	(-) 9.16	(+) 58.15
Remittances (net)	(-) 21.46	(+) 3.74	(-) 25.40
Others (R F) (net)	(+) 35.14	(+) 73.37	(+) 11.73
Increase (+) / decrease (-) in cash balance	(+) 70.79	(+) 40.33	(-) 414.60

The fiscal surplus achieved in 2006-07 turned into a fiscal deficit in 2007-08, 2008-09 and further increased to ₹ 1158.71 crore in the current year from ₹ 269.57 crore in 2008-09. Since increase in capital expenditure was the main reason for increasing fiscal deficit, the borrowed funds were going into productive use. Market borrowings, Small Savings, Provident Funds etc., Deposits and Advances, Special Securities issued to NSSF, Loans from financial institutions, Suspense and Miscellaneous Account and General Reserve Fund including Sinking Fund were the main sources of borrowing contributing to 66 *per cent* of the fiscal deficit in 2009-10.

1.11.3 Quality of Deficit/Surplus

Table 1.29 indicates the extent to which the deficit/surplus has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.29: Primary deficit/Surplus – Bifurcation of factors

(Rupees in crore)							
Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Non-debt receipts vis-à-vis primary revenue expenditure	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2005-06	3,027.98	2,021.17	743.94	2.35	2,767.46	1,006.81	(+) 260.52
2006-07	3,336.88	2,094.39	722.45	0.68	2,817.52	1,242.49	(+) 519.36
2007-08	3,701.61	2,397.88	923.68	0.30	3,321.86	1,303.73	(+) 379.75
2008-09	4,080.03	2,735.16	1,202.39	18.08	3,955.63	1,344.87	(+) 124.40
2009-10	4,404.86	3,805.28	1,332.22	17.56	5,155.06	599.58	(-) 750.20

The non-debt receipts of the State during 2005-10 were sufficient to meet the primary revenue expenditure. The non-debt receipts increased by 45 *per cent* from ₹ 3,027.98 crore in 2005-06 to ₹ 4,404.86 crore in 2009-10. The primary expenditure, however, increased by 86 *per cent* from ₹ 2,767.46 crore in 2005-06 to ₹ 5,155.06 crore in 2009-10. During this period (2005-10) Capital Expenditure grew by 79.08 *per cent*. The State, however, had a primary deficit of ₹ 750.20 crore during 2009-10.

1.12 Institutional Measures

Towards strengthening fiscal disciplines in the State, the Government of Tripura had taken certain institutional measures like legislation in respect of guarantees and fiscal responsibilities in the form of enactment of the Tripura Fiscal Responsibility and Budget Management Act in 2005. Since then the Government had been undertaking measures like implementation of Consolidated Sinking Fund, introduction of VAT etc.

As a measure to improve fiscal transparency, the Government of India outlined several initiatives to assist the State Governments in their developmental and social roles. The **Public Private Partnership (PPP)** is such an initiation that enables implementation of Government programmes/schemes in partnership with the private sector. Under PPP, the public sector may collaborate with their private counterpart in three forms – as a funding agency, as a buyer and as a coordinator. The potential

benefits derived from PPP are cost effectiveness of the project, higher productivity, accelerated delivery, enhanced social service and recovery of user charges. As under PPP, the Government can access the private sector funds in a non-debt creating manner, it is considered a good way of creating fiscal space for the developmental activities.

In view of the above, several State Governments across India are entering into PPP agreements in the areas of infrastructural projects, survey and exploitation of mines and minerals, development of industrial estates, development of hydro electricity projects etc.

The Government of Tripura however, has not framed a PPP policy for the State as yet and therefore, development of projects in PPP mode has not taken off in the State. However, the State Government with the objective of setting up a medical college (October 2004) entered into a PPP with a private agency which had to be abandoned mid-way due to deficiencies in agreement and injudicious selection of the firm. Hence, it is evident that this was the outcome of not framing a PPP policy which the State Government should frame at the earliest in order to enhance fiscal space for its developmental activities.

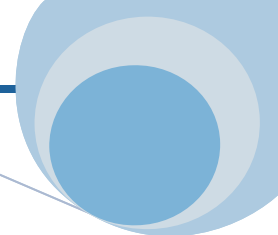
1.13 Conclusion and Recommendations

The fiscal position of the State viewed in terms of key fiscal parameters – revenue surplus, fiscal deficit, primary deficit etc. indicated that the State had maintained revenue and primary surplus during the last five years period except in 2009-10, in which, the State had witnessed primary deficit. During the current year, there was no further improvement in revenue surplus, and the State managed to minimize holding of large cash surplus.

Revenue Receipts

During 2009-10, 86 *per cent* of the total revenue came from the Government of India as Central transfers (16 *per cent*) and Grants-in-aid (69 *per cent*) while the Own Tax Revenue of the State constituted 12 *per cent* of the total revenue receipts and remained far below the normative assessment made by the Twelfth Finance Commission (TFC) for the State for 2009-10 and State's own projection in the Budget Estimates. Similarly, the non-tax revenue constituted 3 *per cent* of the revenue receipts which was also significantly lower than both the TFC projection and State's own projection in the Budget Estimates.

The State Government should mobilize additional resources both through tax and non-tax sources by expanding the tax base and rationalizing the user charges. It should also make efforts to collect revenue arrears. Efforts should also be made to increase tax compliance, reduce tax administration costs, etc. so that deficits are contained. Ensuring that the Government of India releases all grants due to the State by timely action on all conditionalities that are pre-requisites to the release will also increase the total receipts of the State. There is an urgent need to improve collection of non-tax revenue so that recourse to borrowed funds can be reduced.



Revenue Expenditure

During 2009-10, the Revenue expenditure stood at ₹ 4,213.79 crore (75.74 per cent of the total expenditure) which grew by ₹ 1084.34 crore over the previous year while the expenditure incurred under capital head was ₹ 1,332.22 crore (23.95 per cent of the total expenditure).

During 2009-10, though the development expenditure (₹ 3,398.56 crore) increased by ₹ 657.83 crore over the previous year, yet it was much below the Budget Estimate (₹ 2,212.41 crore) for 2009-10. The relative share of the revenue development expenditure was 66.58 per cent of the total expenditure while this share in respect of capital development expenditure was only 32.90 per cent. The expenditure pattern of the State, thus, reveals that there is an increasing pressure on revenue expenditure even though there is a marginal increase in capital expenditure.

The expenditure on salaries and wages increased by 39 per cent (from ₹ 1,466.30 crore in 2008-09 to ₹ 2,042.75 crore in 2009-10) against the TFC norms of growth rate of 6 per cent. According to recommendation of the TFC, the State 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 pensions does not exceed 35 per cent. This norm was not followed in the State and the salary and wages expenditure stood at 62.94 per cent during 2009-10.

Though expenditure incurred under Capital Heads had been increasing over the years, yet the State needs to prioritize spending more under this head as central grants are meant to improve services mostly in Social and Economic Sectors. A monitoring organ should be put in place to ensure effective budgetary system and keep a vigil on how prudently the Government money are being utilised so that value for money is channelised in its entirety to the intended beneficiaries. The State should initiate action to restrict the components of non-plan revenue expenditure by phasing out implicit subsidies and resort to need based borrowings to cut down interest payments.

Fiscal Correction Path

During 2009-10, there was a sudden fall in revenue surplus by ₹ 759.77 crore and consequently, the fiscal deficit increased by ₹ 915.82 crore over the previous year mainly due to increase in expenditure both in the revenue and capital heads. The State could not manage to achieve the fiscal deficit target of 3 per cent of GSDP as prescribed in the TFRBM Act, 2005 for the year 2009-10, which stood at 10.63 per cent.

There is a reasonable prospect of returning back to a fiscal correction path if efforts are made to increase tax compliance, reduce tax collection costs, collection of revenue arrears and prune unproductive expenditure so that deficits are contained.

Fiscal Priority

The State had attached low fiscal priority towards development expenditure, as the Development Expenditure/Aggregate Expenditure ratio was much lower than the national average in 2009-10. Since the population of Tripura is low, the per capita

expenditure in DE, SSE and CE was higher than the national average but if the DE/AE ratio had been as high as the national average for Tripura, the per capita expenditure would have been much higher.

The increase in the ratio of developmental expenditure to aggregate expenditure indicates that State attaches more fiscal priority towards its development. From the point of view of improving developmental expenditure, it is pertinent for Government of Tripura to take appropriate expenditure measures and lay emphasis on provision of expending more under social and economic sectors.

Fiscal liabilities

The percentage of outstanding liabilities to GSDP during 2009-10 was higher (by 16.63 *per cent*) than the projection (36.36 *per cent*) made in the Medium Term Fiscal Policy Statement (MTFPS). The committed liabilities for the State projected by the TFC was ₹ 1,324.07 crore of non-plan revenue expenditure for the year 2009-10. Compared to this, there was an increase of 43.88 *per cent* in the actual expenditure during 2009-10. During 2009-10, interest receipts, as percentage of outstanding loans and advances was 1.43 whereas interest paid by the Government as percentage to outstanding liabilities was 7.98.

The State Government retained a cash balance of ₹ 485.36 crore at the end of 2009-10, which has decreased by ₹ 414.60 crore as compared to previous year.

To match the State's flow of resources with its expenditure obligations, retention of cash balances need to be minimised. A Proper debt management taken up by the State Government through advance planning could reduce the need for holding further cash surplus.

Investment and Returns

Investment of the Government money in the Government Companies and Statutory Corporations are increasing year after year, but no returns from this investment has been received by the Government during 2009-10.

A performance-based system of accountability should be put in place in the Government Companies/Statutory Corporations so as to derive profitability and improve efficiency in service. The Government should ensure better value for money in investments by identifying the Companies/Corporations which are endowed with low financial but high socio-economic returns and justify if high cost borrowings are worth to be channelised there.

Debt sustainability

The State could hardly manage to achieve the debt-GSDP target of 40 *per cent* by 31 March 2010, as set out in TFRBM Act as well as the target fixed in the Twelfth Finance Commission, consequent upon which the position of the Consolidated Debt stood volatile during 2009-10 like the previous years. This is indicative of an adverse impact on the debt position in coming years and the State is unlikely to achieve the Debt-GSDP ratio of 25 *per cent* by 2014-15 as recommended by the Thirteenth Finance Commission.

The State should make efforts to return to primary surplus as were in the past years and continue to be revenue surplus. Maintaining a calendar of borrowings to avoid lumping towards the end of the fiscal year and a clear understanding of the maturity profile of debt payment will go a long way in prudent debt management.

Fiscal position of Tripura among NE States

This year, an attempt has been made to compare the fiscal position of the State of Tripura with that of the other NE States, the objective of which was to have an insight on where Tripura stands amongst the other NE States.

In respect of GSDP – one of the major key fiscal indicators, the Compound Annual Growth Rate for Tripura is 10.97 per cent against NE average of 11.97 per cent and it ranks sixth in the NE States. Again in respect of Per Capita Income during 2008-09, Tripura stands eighth with ₹ 28,595 against the NE average of ₹ 34,177.

To keep pace with the NE States, the Government of Tripura ought to identify the gaps and take effective measures for mobilizing its own resources so that the State can improve its ranking among the NE States.

Fiscal space

Fiscal space can be characterized as concrete policy actions for enhancing domestic resource mobilisation and the reforms necessary to secure the enabling governance, institutional and economic environment for these policy actions to be effective. The Government should create a fiscal space which would enable undertaking of large investment in both social and physical infrastructure sectors in the State.

In Tripura, raising the ratio of State's own tax and non-tax revenue to GSDP would be a possible way of creating fiscal space.