CHAPTER 1 FINANCES OF THE STATE GOVERNMENT

Profile of Tripura

Tripura is a land-locked border area State. The State is connected with the rest of the country by National Highway – 44, which runs through hilly terrain. The railway link to rest of the country is very poor as the metre gauge tracks connect the capital of the State to few parts of Assam, which also gets disrupted at times because of adverse weather conditions. Tripura has an area of about 10,491.69 sq. km with a population of about 36,71,032 (estimated population of 2011) (**Appendix 1.1 E)**. The Average Compound Annual Growth Rate (CAGR for the period 2001-02 to 2010-11) of population of Tripura stood at 1.39 *per cent*. The estimated per capita income of the State stood at ₹ 44,129 (**Appendix 1.1 E**) during 2010-11 which had increased by 135.10 *per cent* over 2001-02.

A moderate slowdown in the Indian economy was witnessed in 2009-10. This slowdown had an adverse impact upon Tripura also, one of the 11 special category States, where fiscal deficit shot up above 10 *per cent* of GSDP and primary surplus changed into primary deficit in 2009-10. There was an improvement in the situation in 2010-11, with fiscal deficit contained to 1.52 *per cent* of GSDP and a primary surplus seen at ₹ 199.95 crore. The percentage of increase in own-tax revenue during 2010-11 was lower as compared to the previous year whereas the non-tax revenue registered a slight improvement in 2010-11 (5.10 *per cent*) as compared to 2009-10.

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

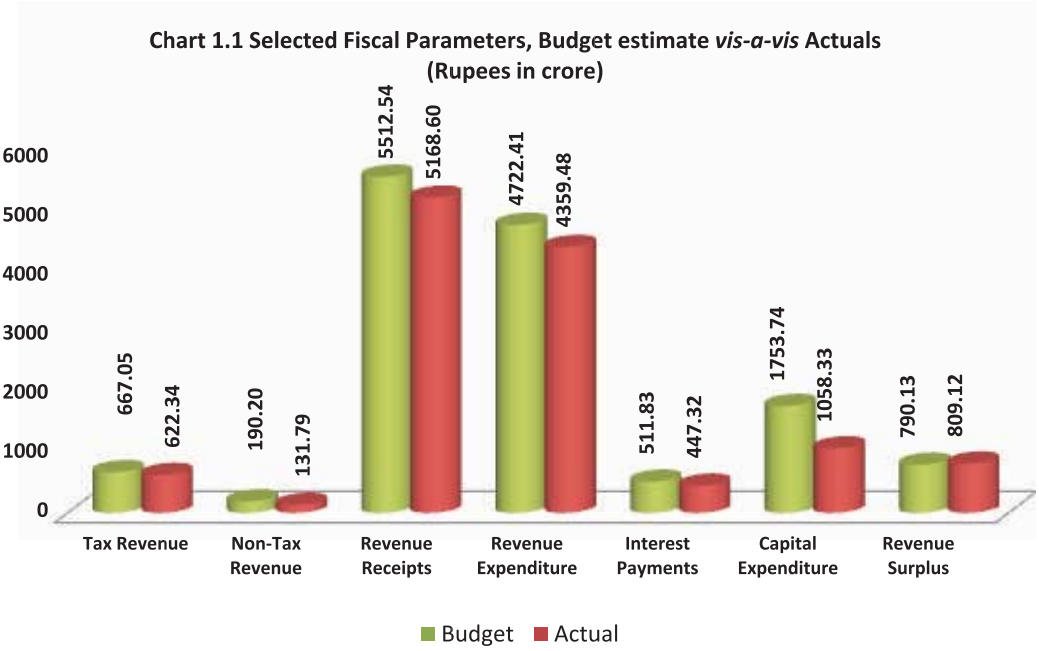
Table 1.1 presents the summary of the State Government's fiscal transactions during the current year (2010-11) *vis-à-vis* the previous year while **Appendix 1.2** provides details of receipts and disbursements as well as overall fiscal position during the current year *vis-a-vis* the previous year.

Table 1.1 Summary of the Current Year's Operations

2009-10	Receipts	2010-11	2009-10	Disbursements	2010-11		
Section A: Revenue							
					Non-Plan	Plan	Total
4,401.35	**I. Revenue Receipts**	**5168.60**	**4,213.79**	**I. Revenue Expenditure**	**3479.71**	**879.77**	**4359.48**
527.01	Tax Revenue	622.34	1,855.52	General Services	1906.89	5.29	1912.18
125.40	Non-tax Revenue	131.79	1,560.74	Social Services	994.19	673.14	1667.33
706.34	Share of Union taxes / duties	1122.36	701.91	Economic Services	477.21	201.34	678.55
3,042.60	Grants from Government of India	3292.11	95.62	Grants-in-aid / contribution	101.42	-	101.42
Section B: Capital							
-	**II. Miscellaneous Capital Receipts**	**-**	**1,332.22**	**II. Capital outlay**	**51.63**	**1006.70**	**1058.33**
3.51	**III. Recoveries of Loans and Advances**	**2.80**	**17.56**	**III. Loans and Advances disbursed**	**0.12**	**0.84**	**0.96**
493.81	**IV. Public Debt receipts**	**555.91**	**193.94**	**IV. Repayment of Public Debt**	**-**	**-**	**205.70**
-	**V. Contingency Fund**	**-**	**-**	**V. Contingency Fund**	**-**	**-**	**-**
2,293.48	**VI. Public Account receipts**	**1859.71**	**1,849.24**	**VI. Public Account disbursements**	**-**	**-**	**1608.36**
899.96	**Opening balance**	**485.36**	**485.36**	**Closing balance**			**839.55**
8,092.11	**Total**	**8072.38**	**8,092.11**	**Total**			**8072.38**

A detailed explanation of the current year's operations is given in the succeeding paragraphs.

Chart 1.1 presents the budget estimates and actuals in respect of the key fiscal parameters during 2010-11.



The chart above shows that during 2010-11 there was a shortfall in revenue receipts by 6.24 *per cent*, savings in revenue expenditure by 7.69 *per cent* and capital expenditure by 39.65 *per cent* over the budget estimates. The revenue surplus exceeded the budget estimate of 2010-11 by 2.40 *per cent*.

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 was enacted which required preparation of Medium Term Fiscal Policy Statement (MTFPS) alongwith other documents[1] for being placed in the Assembly during the Budget Session. The Thirteenth Finance Commission recommended that every State needs to amend the FRBM Act and work out a fiscal reform path to make credible progress towards fiscal consolidation.

The performance of the State during 2010-11 *vis-a-vis* the fiscal targets fixed for selected variables laid down in Tripura Fiscal Responsibility and Budget Management (TFRBM) Act, 2005 is given in **Table 1.2**.

[1] 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 2010-11

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	14.34 *per cent* of Revenue Receipts	15.65 *per cent* of Revenue Receipts
Fiscal Deficit (-) / surplus (+) *per cent* of GSDP	(-) 3.5 *per cent*	(-) 6.75 *per cent*	(-) 1.52 *per cent*
Consolidated debt *per cent* of GSDP	45.20 *per cent*	42.37 *per cent*	39.58 *per cent*
Incremental risk Guarantee	1 *per cent* of GSDP	No projections made	Nil

*** Medium Term Fiscal Policy Statement.**

During 2010-11, the State had achieved all the targets fixed in the TFRBM Act. Like previous years, the State had maintained to remain revenue surplus during the current year as well, which was 15.65 *per cent* of total revenue receipts as against the MTFPS target of 14.34 *per cent*. The State Government had been able to contain the fiscal deficit-GSDP ratio within the FRBM target of 3.5 *per cent* as well as MTFPS target of 6.75 *per cent*. The debt-GSDP ratio had also been maintained within the target of 45.20 *per cent* prescribed in FRBM and 42.37 *per cent* as prescribed in MTFPS.

The improvement in achievements *vis-à-vis* targets prescribed by the TFRBM as well as MTFPS were mainly due to increase in total revenue receipts by 17 *per cent* as compared to 8 *per cent* during 2009-10.

During 2010-11, a considerable improvement in terms of maintaining a good fiscal discipline was noticed as the fiscal deficit had been brought down to ₹ 247.37 crore from ₹ 1158.71 crore in the previous year. Nonetheless fiscal deficit (₹ 247.37 crore) always increases the chances of being dependent on further market borrowings, especially for a State with meagre percentage of own revenues and therefore, the State Government should take measures to contain the deficit.

The Thirteenth Finance Commission had recommended growth of Tax and Non-Tax Revenue during 2010-11. The targets fixed by XIII Finance Commissions (FC) *vis-à-vis* the actuals are given below:

Table 1.3: XIII FC recommendations *vis-à-vis* the actuals in respect of own-tax and non-tax revenue

(Rupees in crore)

Sectors	XIII FC Recommendations	Actuals	Excess (percentage)
Tax revenue	600.51	622.34	21.83 (4)
Non-Tax revenue	129.67	131.79	2.12 (2)
Total	**730.18**	**754.13**	**23.95 (3)**

Source: Thirteenth Finance Commission Report and Finance Accounts.

The State had been able to achieve the target fixed by the XIII Finance Commission in respect of both tax and non-tax revenue during 2010-11, and the actuals were higher than that of the targets by 3 per cent.

The Thirteenth Finance Commission had recommended certain yardsticks in non-plan revenue expenditure during 2010-11. The actuals *vis-à-vis* targets are given below:

Table 1.4: XIII FC recommendations *vis-à-vis* actuals in respect of non-plan revenue expenditure

(Rupees in crore)

Sectors	XIII FC Recommendations	Actuals
	2010-11	2010-11
Salary	1505.05	1851.54
Interest payment	458.61	447.32
Pension	455.21	654.77
Other General Services	93.94	71.72
Social Services	72.03	148.29
Economic Services	157.09	204.65
Assignments to Local Bodies	84.24	101.42
Total	**2826.17**	**3479.71**

Source: Thirteenth Finance Commission Report and Finance Accounts 2010-11.

The above table shows that during 2010-11, except for the interest payment and expenditure incurred on other General services, the actual expenditure on all the components of NPRE was much higher than the projection made by the XIII FC during the period. The total NPRE was, however, within the revised budget estimates of ₹ 3612.92 crore made by the State Government during the period.

1.3 Resources of the State

1.3.1 Resources of the State as per Annual Finance Accounts

Revenue[2] and capital[3] are the two classifications of receipts that constitute the main resources of the State Government. **Chart 1.2** below depicts the trends in various components of the receipts of the State during 2006-11 while **Chart 1.3** depicts the composition of resources of the State during the current year.

Chart 1.2: Trends in Aggregate Receipts
(Rupees in crore)

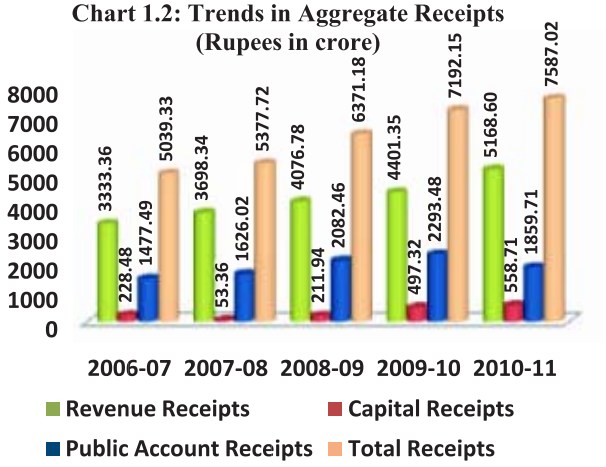
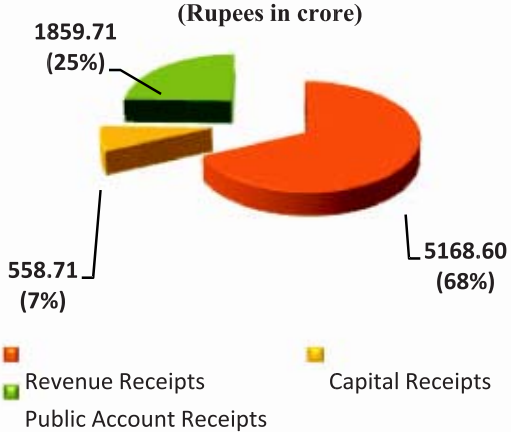


Chart 1.3: Composition of Aggregate Receipts
(Rupees in crore)



- Total Revenue Receipts of the State increased by 55.06 *per cent* from ₹ 3333.36 crore in 2006-07 to ₹ 5168.60 crore in 2010-11. Tax revenue increased from 10 *per cent* (2006-07) to 12 *per cent* (2010-11) whereas non-tax revenue decreased marginally from 2.85 *per cent* (2006-07) to 2.55 *per cent* (2010-11) of the total Revenue Receipts during the period. State's share of Union taxes and duties increased from 15 *per cent* (2006-07) to 22 *per cent* (2010-11) of the total Revenue receipts.

State's Share of Union taxes and duties

The State's share of Union taxes and duties during 2010-11 was ₹ 1,122. 36 crore as compared to ₹ 706.34 crore (58.90 *per cent* increase) in 2009-10. These receipts were even higher than what was anticipated in the revised estimate (₹ 1069.00 crore).

[2] 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).

[3] Capital receipts comprise miscellaneous capital receipts such as, 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.

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 revenue deficit of the State. The grants-in-aid increased every year in absolute terms, but as a percentage to total revenue receipts showed a declining trend over the last five years. While the percentage was 71 in 2006-07, it slowly came down to 69 in 2007-08 and remained constant for two more years before coming down to 64 in 2010-11. The table below shows the composition of the grants-in-aid and its trend over the last five years:

Table 1.5: Trends in Grants-in-aid from the GOI during 2006-11

(Rupees in crore)

	2006-07	2007-08	2008-09	2009-10	2010-11
Non plan grants	1,171.96	1,269.61	1,319.36	1,289.09	1,195.43
Grants for State Plan Schemes	985.34	1,041.18	1,203.48	1,377.64	1,745.48
Grants for Central Plan Schemes	12.47	26.06	30.49	32.56	29.29
Grants for Centrally Sponsored Plan Schemes	189.06	192.53	200.50	266.26	279.81
Grants for Special Plan Schemes	22.23	32.23	44.89	77.05	42.10
Total :	**2,381.06**	**2,561.61**	**2,798.72**	**3,042.60**	**3,292.11**
Percentage of Revenue Receipts	71	69	69	69	64

The XIII FC recommended that the Calamity Relief Fund should be merged into the State Disaster Response Fund (SDRF) and contribution to the SDRF should be shared between the Centre and the State in the ratio of 90:10 for special category states.

During 2010-11, the State Government received non-plan grants amounting to ₹ 1,195.43 crore which included ₹ 9.69 crore on account of SDRF. The amount of ₹ 9.69 crore was erroneously retained in the non-plan grants instead of transferring it to the SDRF resulting in inflating the revenue receipts for the year and understating the SDRF under Public Account to that extent.

Out of ₹ 9.69 crore, the State Government spent ₹ 7.26 crore during 2010-11 which was booked in the revenue expenditure instead of SDRF resulting in overstatement of non-plan revenue expenditure and understatement of expenditure under SDRF to that extent.

It could not be determined whether GOI would accept its share of this expenditure amounting to ₹ 6.53 crore at this point as the amount had not been incurred from SDRF.

1.3.2 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 Agencies[4] for the implementation of various schemes/programmes in social and economic sectors critical for the human and social development of population. During 2010-11, the Government of India had transferred an approximate amount of ₹ 962.59 crore directly to the Implementing Agencies (detailed in **Appendix 1.3**). Significant amounts released for major programmes/schemes are detailed in **Table 1.6**.

[4] State Implementing Agency includes any Organisation/Institution including Non-Governmental Organisation which is authorised by the State Government to receive the funds from the Government of India for implementing a specific programme in the State.

Table 1.6: 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 2010-11
1.	Mahatma Gandhi National Rural Employment Guarantee Scheme (NREGP)/ IAY/SGSY etc.	Project Directors, DRDA, South, West, North and Dhalai Districts, Tripura	504.04
2.	Sarva Shiksha Abhiyan (SSA)	SSA Rajya Mission, Tripura	171.21
3.	National Rural Drinking Water Programme	State Water and Sanitation Mission (SWSM), Tripura, Agartala	74.66
4.	National Rural Health Mission (NRHM)	State Health and Family Welfare Society, Tripura	56.75
5.	Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	Rashtriya Madhyamik Shiksha Abhiyan Rajya Mission	25.26
6.	National Afforestation Programme	State Forest Development Agency, Tripura	9.20
		Total	**841.12**

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

Table 1.6 shows that an amount of ₹ 841.12 crore (87.38 *per cent* of the total funds transferred) was given for (i) Mahatma Gandhi National Rural Employment Guarantee Scheme (NREGP) / IAY / SGSY etc. (52.36 *per cent*), (ii) Sarva Shiksha Abhiyan (17.79 *per cent*) (iii) National Rural Drinking Water Programme (7.76 *per cent*), (iv) National Rural Health Mission (5.90 *per cent*) and (v) Rashtriya Madhyamik Shiksha Abhiyan (RMSA) (2.62 *per cent*) during 2010-11. With the transfer of an approximate amount of ₹ 962.59 crore directly by GOI to the State Implementing Agencies, the total availability of State resources during 2010-11 had increased from ₹ 7,587.02 crore to ₹ 8,549.61 crore. 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, utilisation of these funds remain to be verified by Audit to establish accountability of the State Government for these funds.

In order to analyse how these funds are being transferred and utilised for the purposes for which they are sanctioned, a test check of 2 units *viz.*, National Rural Drinking Water Programme (NRDWP) and Rashtriya Madhyamik Shiksha Abhiyan (RMSA) were taken up which revealed the following:

➢ National Rural Drinking Water Programme (NRDWP)

The implementation of the National Rural Drinking Water Programme in the State is monitored and executed by State Water and Sanitation Mission (SWSM), a society which had been registered under the Societies Registration Act, 1860. The activities of NRDWP in the State are carried out through the society headed by the Chief Engineer, PWD (Drinking Water and Sanitation), at the State level who is holding a position of member secretary in the SWSM. The apex committee of the society is headed by the Chief Secretary, Government of Tripura.

The Government of India introduced the Accelerated Rural Water Supply Programme (ARWSP) in 1972-73 which had been renamed as National Rural Drinking Water Programme in April 2009.

The NRDWP has two major components – 'Programme' and 'Support' and for the implementation of the programme the funds allocated for the component 'Programme' is further sub-divided into three major categories *viz.* Coverage & Quality, Sustainability and Operation & Maintenance in the ratio of 80:10:10.

The category-wise details of receipt and expenditure are depicted in the table below:

Table 1.7: Status of funds received *vis-à-vis* expenditure during 2010-11 under NRDWP

(Rupees in lakh)

Component of the NRDWP Scheme	Fund allocation for 2010-11	Funds Released by		Balance as on 01-04-2010	Total funds available	Expenditure upto 31 March 2011	Unspent Balance
		GOI	State				
NRDWP (Programme)	**6212.75**	**7331.47**	**781.28**	**1717.90**	**9830.65**	**7348.70**	**2481.95**
Coverage and Quality	5046.83	5865.17	701.65	1557.90	8857.87	6181.72	2264.91
Sustainability	543.14	733.15				411.24	
Operation and Maintenance	622.78	733.15	79.63	160.00	972.78	755.74	217.04
NRDWP (Support)	**285.87**	**134.70**	**-**	**200.55**	**335.25**	**41.32**	**293.93**
Total	**6498.62**	**7466.17**	**781.28**	**1918.45**	**10165.90**	**7390.02**	**2775.88**

Source: As per information at CGA (CPSMS) portal and accounts of the Society.

Scrutiny of records of the society revealed that during 2010-11, ₹ 74.66 crore was released by the GOI which was received by the society during the year for implementation of the programme. Against the amount received during the year, ₹ 57.17 crore was actually allocated for the year 2010-11 and the rest (₹17.49 crore) pertained to unreleased funds of 2009-10. Scrutiny also revealed that during 2010-11, the SWSM had a balance of ₹ 19.18 crore being the unspent amount of 2009-10 which had been carried forward for incurring expenditure in 2010-11, thus increasing the available fund to ₹ 101.66 crore (₹ 74.66 crore + ₹ 19.18 crore + ₹ 7.82 crore (State share)). At the end of March 2011, the society could utilise only 72.69 *per cent* of the total fund available and had incurred expenditure of ₹ 73.90 crore against ₹ 101.66 crore (**Table 1.7**) thereby leaving ₹ 27.76 crore unspent at the end of the year.

The accounts of the SWSM are required to be audited by the empanelled Chartered Accountants of the Comptroller and Auditor General of India which would be subject to further audit by Comptroller and Auditor General of India. After the accounts being audited by the empanelled Chartered Accountant the society is liable to furnish consolidated Utilisation Certificates (UCs) for the funds released with outcomes indicating component-wise utilisation as per funding norms under both Central and State shares. It was noticed that the SWSM had

not yet got their accounts audited by Chartered Accountants, as prescribed, and therefore could not furnish any UC against the funds received pertaining to 2010-11.

The SWSM stated (September 2011) that ₹ 27.76 crore could not be utilised as part of the total funds (₹ 19.00 crore) were received at the fag end of the year. It was also stated that the accounts pertaining to the year 2010-11 would be got finalised and audited soon and then consolidated Utilisation Certificate would be furnished to GOI. However, a provisional Utilisation Certificate had been furnished for the year 2010-11 for subsequent release of funds pertaining to the year 2011-12.

➢ Rashtriya Madhyamik Shiksha Abhiyan Mission (RMSAM)

The Rashtriya Madhyamik Shiksha Abhiyan is committed to universalise quality education at Secondary and Higher levels. The focus in quality interventions would have to be on meeting the complex needs at this stage in terms of quality infrastructure, management information system, curriculum development, learning resources, teacher qualification, competency, specific development in schools, in service training of teachers and heads of the school, academic support at all levels, classroom based support and supervision issues etc. The implementation of RMSA in Tripura started in the month of April 2009. In the State 'RMSA Rajya Mission' is run by the Education (School) Department headed by Principal Secretary as Chairman assisted by Director, Education (School) Department as State Mission Director. Although the mission had started to operate since April 2009, the by-laws of RMSA had not yet been framed. However, the mission had decided to adopt the by-laws prepared by Sarva Shiksha Abhiyan (SSA).

The table below shows the total fund inflow and outflow in respect of the components of RMSA during 2010-11:

Table 1.8: Status of funds received *vis-à-vis* expenditure during 2010-11 under RMSA

(Rupees in lakh)

Component of the RMSA Scheme	Fund allocation for 2010-11	Fund Released by		Balance as on 01-04-2010	Total fund available	Expenditure upto 31 March 2011	Unspent Balance
		GOI	State				
Recurring	535.00	241.00	39.50	102.00	382.50	2261.00	1435.60
Non-Recurring	3416.89	2285.00	173.10	856.00	3314.10		
Total	**3951.89**	**2526.00**	**212.60**	**958.00**	**3696.60**	**2261.00**	**1435.60**

Source: Departmental figures

Scrutiny of records (September 2011) of the RMSA revealed that during 2010-11 the Rajya Mission received ₹ 25.26 crore against total allocation of ₹ 39.52 crore for implementation of the programme in High and Higher Secondary Schools in all four districts of the State. The expenditure had been broadly divided into two categories *viz* 'Recurring'[5] and 'Non-

[5] Recurring components:- major and minor repairing and renovation, repair/replacement of laboratory equipment, purchase of laboratory consumable articles, books, periodicals, newspapers, study tours/excursion trips, school annual grants, salary of teachers, staff and laboratory attendants, exhibitions etc.

Recurring'[6] for which, funds allocated during 2010-11 were ₹ 5.35 crore and ₹ 34.17 crore respectively. Out of the total funds released (₹ 22.85 crore) by GOI under Non-Recurring component, ₹11.97 crore pertained to unreleased share of 2009-10 which were subsequently released during 2010-11. The State share released during the year stood at ₹ 2.13 crore.

It was observed that there had been an unspent balance of ₹ 9.58 crore pertaining to 2009-10 which was carried forward in the current year for utilisation along with the amounts released under both Central and State shares during 2010-11; the cumulative fund available thus stood at ₹ 36.97 crore for utilisation.

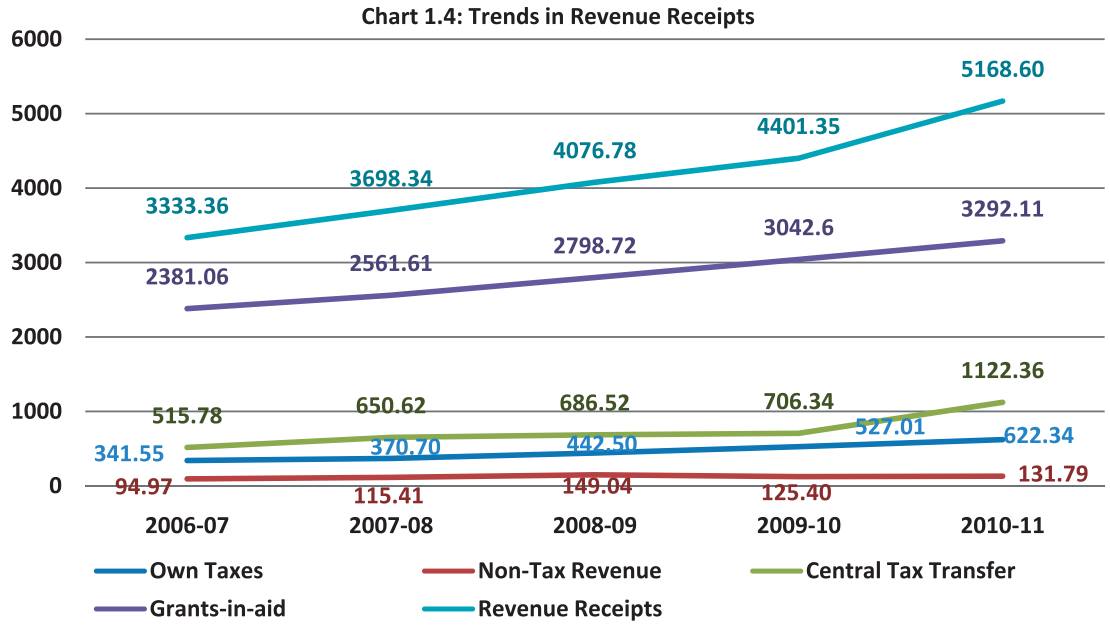
Further scrutiny revealed that at the end of March 2011, the Rajya Mission could utilise only ₹ 22.61 crore (61 *per cent*) of the total available fund leaving behind ₹ 14.36 crore unspent. The accounts of the RMSAM are required to be audited by Chartered Accountants and as soon as the audited accounts is finalized, the Mission submits the expenditure statement as well as Utilisation Certificates to GOI for further release of subsequent funds. The accounts pertaining to 2010-11 were yet to be audited (September 2011). The Mission had not received any fund since March 2011 for want of expenditure statements and utilisation certificates.

The Mission Director in his reply stated that the accounts of 2010-11 would be got audited soon and the State Mission Office was pursuing hard for utilisation certificates from the various district offices. He also stated that monthly review meetings were conducted to review the performance of the programme. However, it was seen that ₹ 14.36 crore released by GOI as well as State were remaining unutilised at the end of the year.

1.4 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, State share of central taxes and grants-in-aid from GOI. The trend and composition of revenue receipts over the period 2006-11 are presented in **Appendix 1.4** and **Chart 1.4**.

[6] Non-Recurring components:- construction of classrooms/additional classrooms, science laboratory, lavatories, computer room, art/craft/culture laboratory, library, furniture and fixtures, boundary walls, drinking water facilities etc.



The growth rate of total Revenue Receipts for the current year was 17.43 *per cent* as compared to the rate of 7.96 *per cent* in 2009-10.

The trends in revenue receipts relative to GSDP are presented in **Table 1.9**.

Table 1.9: Trends in Revenue Receipts relative to GSDP

	2006-07	2007-08	2008-09	2009-10	2010-11
Revenue Receipts (RR) *(Rupees in crore)*	3,333.36	3,698.34	4,076.78	4,401.35	5,168.60
Rate of growth of Revenue Receipts (*per cent*)	10	11	10	8	17
Revenue Receipts / GSDP (*per cent*)	30.54	31.35	31.11	30.14	31.66
Buoyancy Ratio[7]					
State's Own Tax Buoyancy with respect to GSDP	1.39	1.05	1.75	1.67	1.53

The State's Own Tax Buoyancy with respect to GSDP shows a crest and trough path over the last five years. While there was improvement in the buoyancy ratio (1.75) during 2008-09, it steadily declined to 1.53 in 2010-11. This trend is not at all indicative of a healthy fiscal consolidation in Tripura as less the buoyancy of State's Own Tax to GSDP, less it adds to the State's economic health. During 2010-11, the rate of growth of revenue receipts had increased to 17 *per cent* from 8 *per cent* during 2009-10. The ratio of revenue receipts to GSDP had increased from 30.14 *per cent* in 2009-10 to 31.66 *per cent* in 2010-11. The current growth rate of GSDP (11.80 *per cent*) is slightly higher than that of the previous year (11.44 *per cent*). The growth of GSDP during 2010-11 was due to increase in sectors like Agriculture,

[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.*

Industries and Services by 3.77 *per cent,* 6.80 *per cent* and 16.80 *per cent* respectively.

1.4.1 State's Own Resources

The State's share in central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission. 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 2006-11 are presented in **Appendix 1.5**.

(a) Tax Revenue

The tax revenue during 2010-11 increased by 18 *per cent* from ₹ 527.01 crore in 2009-10. The increase in the revenue was mainly under the heads of major taxes *viz.* VAT (19 *per cent*), State Excise (41 *per cent*), Stamps and Registration Fees (33 *per cent*) and Land Revenue (175 *per cent*) as shown in the table below:

Table 1.10: Sector-wise Component of tax revenue for the year 2006-11

(Rupees in crore)

Name of Component	Year				2010-11		
	2006-07	2007-08	2008-09	2009-10	Budget Estimate	Actuals	Variation in Actuals *vis-a-vis* Budget Estimate (*in percentage*)
Taxes on Sales, Trade etc./VAT	233.45	264.98	314.79	374.93	507.00	444.93	**12**
State Excise	38.41	38.50	48.28	61.09	70.00	85.85	-
Taxes on vehicles	22.51	23.20	29.82	37.14	45.00	21.91	**51**
Stamps and Registration fees	16.61	14.98	17.03	18.15	28.00	24.23	**13**
Land Revenue	3.03	2.97	5.55	5.55	15.00	15.25	-
Other taxes on commodities and Services	5.11	2.17	0.84	0.95	2.00	0.91	**54**
Taxes on Agricultural Income	0.15	0.11	0.18	0.01	-	0.01	-
Taxes and duties on electricity	0.01	0.01	0.02	0.02	0.05	0.02	**60**
Other taxes	22.27	23.78	25.99	29.17	-	29.23	-
Total :	**341.55**	**370.70**	**442.50**	**527.01**	**667.05**	**622.34**	**7**

During 2010-11, the variation between the budget estimate and the actual receipts of tax revenue was 7 *per cent* while the revised estimates (₹ 626.45 crore) scaled these projections down substantially resulting in a variation of only 0.66 *per cent*. *Though the Own Tax revenue (OTR) of the State remained just above the normative assessment made by the Thirteenth Finance Commission for the State for 2010-11 (₹ 600.51 crore), yet it remained below the State's own projection in BE 2010-11 (₹ 667.05 crore).*

The growth rate of own tax revenue for the current year was 18.09 *per cent* as compared to the rate of 19.09 *per cent* in 2009-10.

(b) Non-tax Revenue

The non-tax revenue increased by 5.10 *per cent* from ₹ 125.40 crore in 2009-10 to ₹ 131.79 crore in 2010-11 mainly on account of improvement in Non-tax Revenue collection under the heads of Industries (158 *per cent*), Police (47 *per cent*) etc. Maximum variation was observed in General and Social Services which was lower by 52 *per cent* and 50 *per cent* respectively from the budget estimate of 2010-11.

Table 1.11: Composition of non-tax revenue

(Rupees in crore)

Name of Component	Year				2010-11		Percentage of variation
	2006-07	2007-08	2008-09	2009-10	Budget Estimate	Actuals	
General Services	42.41	25.71	53.32	62.35	106.70	50.75	**52**
Social Services	5.58	6.91	9.06	9.47	17.22	8.60	**50**
Economic Services	20.65	23.60	23.72	25.70	41.08	49.07	**-**
Interest receipts and dividends etc.	26.33	59.19	62.93	27.88	25.20	23.37	**7**
Fiscal Services	-	-	0.01	-	-	0.11	**-**
Total :	**94.97**	**115.41**	**149.04**	**125.40**	**190.20**	**131.90**	**31**

The State Govt. had achieved the target of non-tax revenue (NTR) as prescribed by XIII Finance Commission (₹ 129.67 Crore) and also the Revised Budget Estimate. (₹ 130.55 Crore). **The growth rate of non-tax revenue for the current year was 5.10 *per cent* as compared to the growth rate of (-) 15.86 *per cent* in 2009-10, which was indicative of an improvement during 2010-11.**

1.4.2 Cost recovery of services

Article 3 (b) of the Tripura Fiscal Responsibility and Budget Management (TFRBM) Act, 2005 envisaged pursuance of policies to raise non-tax revenue by increase in cost recovery of operations and maintenance expenses of selected services. The status of cost recovery of different services is shown in the table below:

Table 1.12: Cost recovery from Socio-economic Services during 2010-11

(Rupees in crore)

Name of Services	2009-10			2010-11		
	Non-tax revenue receipts	Non-plan revenue expenditure	Cost recovery (percentage)	Non-tax revenue receipts	Non-plan revenue expenditure	Cost recovery (percentage)
Education, Sports, Art and Culture	1.50	766.45	**0.20**	1.27	777.02	**0.16**
Public Health and Family Welfare	4.87	110.48	**4.41**	4.06	112.12	**3.62**
Water Supply and Sanitation etc.	2.47	19.11	**12.93**	2.56	30.85	**8.30**
Irrigation	0.06	23.27	**0.26**	0.08	45.53	**0.18**

It can be 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 had deteriorated as compared to previous year. During 2010-11, Water Supply and Sanitation etc showed a major

deterioration which fell short by 4.63 *per cent* as compared to the previous year. The percentage of cost of recovery reduced mainly due to low collection of non-tax revenue receipts and increased non-plan revenue expenditure in 2010-11.

1.4.3 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 (2008-09 to 2010-11) alongwith relevant all India average percentage of expenditure on collection to gross collection for 2009-10 are mentioned in **Table 1.13**.

Table 1.13: 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 2009-10 (in percentage)
Sales Tax / VAT	2008-09	314.79	3.59	1.14	0.96
	2009-10	374.93	5.19	1.38	
	2010-11	444.93	5.74	1.29	
State Excise	2008-09	48.28	1.09	2.26	3.64
	2009-10	61.09	1.62	2.65	
	2010-11	85.85	1.44	1.68	
Stamps and Registration Fees	2008-09	17.03	1.68	9.86	2.47
	2009-10	18.15	1.80	9.92	
	2010-11	24.23	1.32	5.45	
Taxes on vehicles	2008-09	29.82	1.05	3.52	3.07
	2009-10	37.14	1.60	4.31	
	2010-11	21.92	1.55	7.07	

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 higher than the All India Average cost of collection.

- Though the percentage of collection in respect of Stamps and Registration Fees was less than the previous year by 4.47 *per cent* during 2010-11, the percentage of this cost of collection was higher than the all Indian average collection by almost 3 *per cent*. The Government in its reply (November 2011) stated that Tripura is a smaller State with low industrial development and 70 *per cent* of the total area is covered with forest land due to which the cost of collection of Stamps and Registration Fee was very high. However, the land valuation charts have been revised during last quarter of 2010-11, which is likely to increase revenue from stamps and registration thereby improving cost of collection ratio.
- The cost of collection on Taxes on Vehicles was higher by 4 *per cent* over the All India Average Collection which had also increased by almost 3 *per cent* over the previous year.

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

As on 31 March 2011, 2284 cases of evasion in case of Sales Tax were detected, out of which assessments / investigations were completed and demands raised in respect of 1677 cases involving ₹ 1.04 crore including penalty as reported (September 2011) by the Commissioner of Taxes, leaving 607 cases unresolved.

There was no write off or waiver cases during the year 2010-11. In addition to three refund cases involving ₹ 74 lakh that were outstanding at the end of the previous year, one new refund claim amounting to ₹ 4.99 lakh was received during 2010-11.

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 2010-11 revealed under assessment / short levy / loss of revenue amounting to ₹ 48.04 crore in 113 cases.

Due to non-realisation/short realisation of revenue, and inaction of the Department to collect arrears of revenue, the collection of OTR (₹ 622.34 crore) during the year was less than the normative projections made by the State's own projection (₹ 667.05 crore) for the year. This in turn also affected the State's total revenue receipts during the current year.

1.4.5 Revenue Arrears

As of March 2011, the collection of Sales tax was in arrears amounting to ₹ 23.23 crore out of which, ₹ 4.30 crore was in arrears for more than five years as per information furnished by the Commissioner of Taxes (September 2011).

1.5 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.

1.5.1 Growth and Composition of Expenditure

Chart 1.5 presents the trends in total expenditure over a period of five years (2006-11) and its composition both in terms of 'classification of expenditure' and 'expenditure by activities' is depicted respectively in **Charts 1.6** and **1.7**.

Chart 1.5: Trends in various components of Total Expenditure during 2010-11
(Rupees in crore)

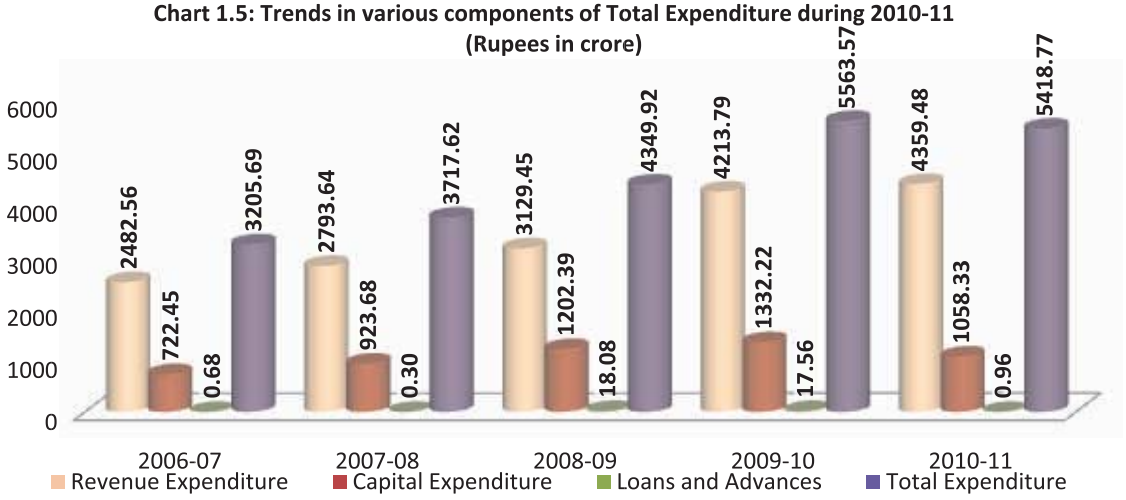


Chart 1.5 shows that during 2010-11 the total expenditure of the State decreased by 2.60 *per cent* over 2009-10. The capital expenditure as percentage of total expenditure had come down from 23.95 *per cent* in 2009-10 to 19.53 *per cent* in 2010-11 (**Chart 1.6**). The absolute figure of capital expenditure had also decreased by 20.56 *per cent* over 2009-10. Loans and Advances by the State Government had also decreased by 94.53 *per cent* over 2009-10 but had increased by over 41 *per cent* as compared to 2006-07. The reduction in the amount disbursed as loans and advances during 2010-11 was attributed mainly to the Power Sector, where loans and advances disbursed was nil as compared to ₹ 16.50 crore during 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 2010-11 had a commitment 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 2010-11 with reference to the past years showed that while the ratio of plan expenditure to total expenditure increased from 36 *per cent* in 2006-07 to 41 *per cent* in 2008-09, the ratio started declining from 37 *per cent* in 2009-10 to 35 *per cent* in 2010-11, indicating that less emphasis was given on plan expenditure and major expenditure was incurred in the non-plan sector.

Chart 1.6: Total expenditure - Trends in share of its components
(Figures in percentage)

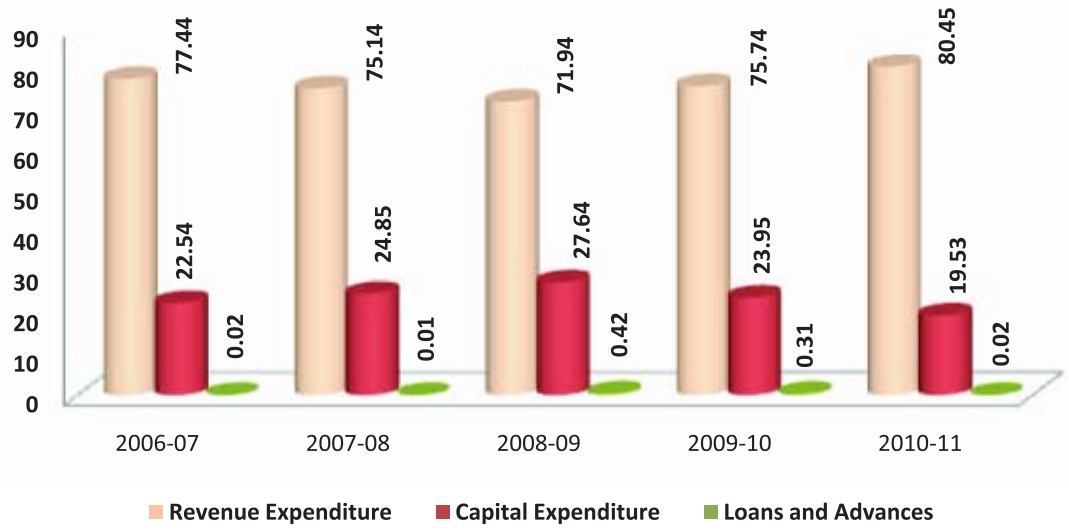


Chart 1.6 above shows that as a percentage of total expenditure, revenue expenditure was 80 *per cent*, of which non-plan revenue expenditure was a major component (about 80 *per cent*) during the year 2010-11. Only 20 *per cent* of total expenditure was on PRE. The trends in composition of revenue expenditure (both plan and non-plan) during 2006-11 are depicted in the table below:

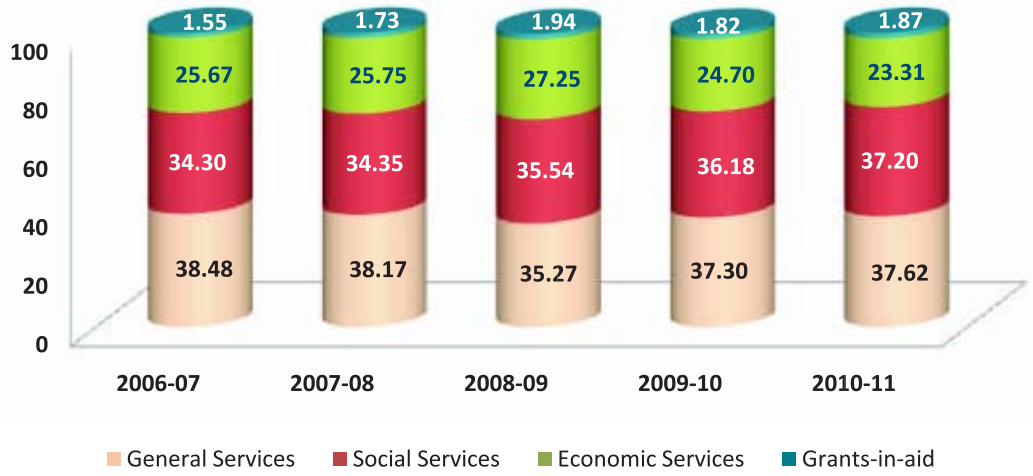
Table1.14: Trends in Composition of revenue expenditure (Non-plan and Plan) during 2006-11

	2006-07	2007-08	2008-09	2009-10	2010-11
Non-plan	1992.51 (80)	2217.25 (79)	2474.47 (79)	3417.16 (81)	3479.71 (80)
Plan	490.05 (20)	576.39 (21)	654.98 (21)	796.63 (19)	879.77 (20)
Total	**2482.56**	**2793.64**	**3129.45**	**4213.79**	**4359.48**

The non-plan revenue expenditure (₹ 3479.71 crore) was higher than the XIII FC projection (₹ 2826.17 *crore) for the current year.* Despite the increase in the amount over the years, the percentage of PRE to total expenditure fluctuated between 19 and 21 *per cent* during the period 2006-11. The State could reduce the NPRE and increase the PRE by just one *per cent* in 2010-11 over the previous year. The ratio of revenue expenditure to total expenditure was on an increasing trend from 77 *per cent* in 2006-07 to 80 *per cent* in 2010-11 (**Chart 1.6**).

The trends in composition of total expenditure by activities as depicted in **Chart 1.7** show that while the share of General Services was around 38 *per cent* during the last five years except 2008-09, the share of social services increased gradually from 34.30 *per cent* in 2006-07 to 37.20 *per cent* in 2010-11. The economic services, however, showed a declining trend and the share was 23.31 *per cent* in 2010-11 as compared to 24.70 *per cent* in 2009-10 and 25.67 *per cent* in 2006-07.

Chart 1.7: Trends in composition of total expenditure by activities during 2006-11
(Figures in percentage)



- During 2010-11, the expenditure on Social Sector increased to ₹ 2015.72 crore i.e. by 0.43 *per cent*, while the expenditure on Economic Services decreased drastically to ₹ 1262.12 crore i.e. by 8 *per cent* over the previous year.
- The combined revenue expenditure under both plan and non-plan (Plan: ₹ 874.48 crore; Non-plan: ₹ 1,471.40 crore) during 2010-11 in respect of Social and Economic Services increased by 4 *per cent* as compared to 2009-10.
- The non-plan revenue expenditure on Social and Economic service sectors during 2010-11 were ₹ 994.19 crore and ₹ 477.21 crore respectively.

Revenue expenditure on some of the components in Social and Economic Sectors in 2009-10 and 2010-11 are given below:

Table 1.15: Component of Revenue expenditure *vis-à-vis* actual during 2009-10 and 2010-11

(Rupees in crore)

Name of Component	Actuals	
	2009-10	2010-11
Food Subsidies	6.12	11.07
General Education	773.20	812.62
Medical, Public Health and Family Welfare	206.81	202.85
Maintenance Expenditure for Major and Medium Irrigation	NA	NA
Maintenance Expenditure for Minor Irrigation	2.80	1.45

Source: Finance Accounts 2009-10 and 2010-11.

The actual expenditure for the TFC award period was high as against the projections in almost all the sectors except General Education and maintenance expenditure on minor irrigation. During 2010-11, the actual expenditure incurred under General Education was higher (by 5 *per cent*) over the actual of 2009-10 whereas the expenditure on food subsidies also increased by 81 *per cent* during the current year. On the contrary, expenditure on Medical, Public Health

and Family Welfare and Minor irrigation registered a declining percentage in respect of expenditure by 2 and 48 *per cent* respectively.

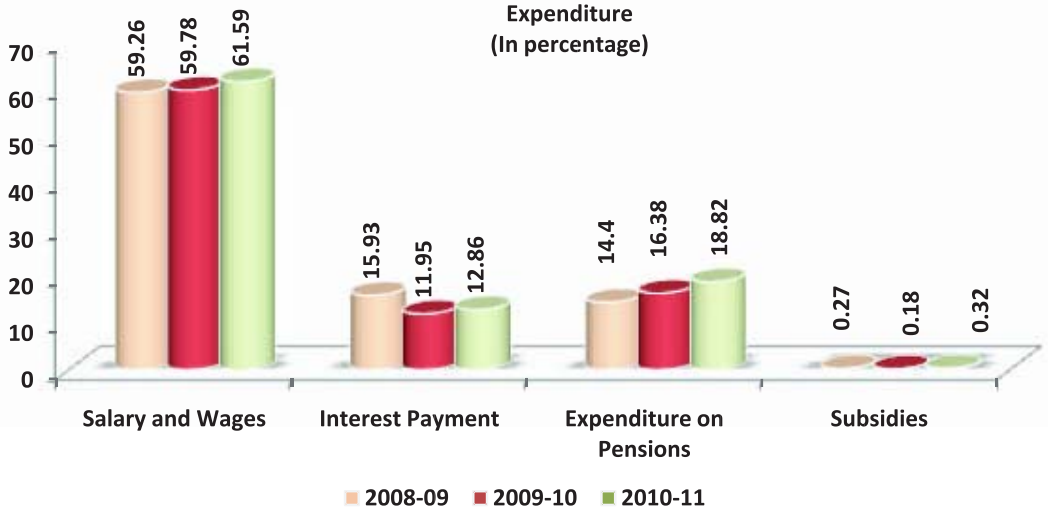
1.5.2 Committed Expenditure

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 2008-11.

The committed expenditure (i.e. interest payments, pensions, salaries and subsidies) of the State Government increased from ₹ 3017.27 crore in 2009-10 to ₹ 3256.31 crore in 2010-11. The overall percentage of committed expenditure on non-plan revenue expenditure was 94 *per cent* in 2010-11 as compared to 88 *per cent* in the previous year. The committed expenditure constituted 63 *per cent* of the total revenue receipts.

The committed expenditure for the State projected by the XIII FC was ₹ 2418.87 crore for 2010-11 whereas the actual expenditure was ₹ 3256.31 crore. This was higher by 34.65 *per cent* than the projections by the FC.

Chart 1.8: Components and its Share of Committed Expenditure in Non-plan Revenue Expenditure (In percentage)



(a) Salary and wage expenditure

Salaries and wages during 2010-11 accounted for 41 *per cent* of the revenue receipts of the State during the year. Salaries and wages increased by 5 *per cent* from ₹ 2042.75 crore in 2009-10 to ₹ 2143.15 crore in 2010-11 and also exceeded the revised estimate for 2010-11 (₹ 2027.19 crore). Expenditure on salaries and wages under non-plan head during 2010-11 increased by ₹ 49.40 crore (2.74 *per cent*) over the previous year whereas this expenditure on plan head increased by ₹ 51 crore (21.20 *per cent*) over the previous year. The expenditure on non-plan salary and wage component during 2010-11 was also significantly higher by

₹ 346.50 crore[8] (around 23 *per cent*) than the assessment made by the XIII FC for the State (₹ 1505.05 crore).

The growth rate in respect of salary and wages for the current year was 4.91 *per cent* as compared to the rate of 39 *per cent* in 2009-10.

(b) Interest payments

Interest payments during 2010-11 were ₹ 447.32 crore, which was higher than the previous year (₹ 408.51 crore). Interest of ₹ 111.05 crore was paid on the borrowing from the NSS Funds, ₹ 113.81 crore on the market borrowings, ₹ 147.09 crore on the small savings fund, ₹ 38.86 crore on the outstanding loans from the GOI and ₹ 36.51 crore on other internal debt.

The expenditure on interest payments was lower than the budgeted amount of ₹ 508.44 crore. *The interest payment was also marginally lower than the XIII FC projection (₹ 458.61 crore). The interest payment resulted in utilisation of 8.65 per cent of revenue receipts which was well within the norm of 15 per cent recommended by XIII FC.*

(c) Pension payment

Pension payment increased by 17 *per cent* from ₹ 559.89 crore in 2009-10 to ₹ 654.77 crore in 2010-11, which was about 19 *per cent* of the non-plan Revenue expenditure of the current year. Pension payments during 2010-11 was marginally lower than the projection made by the State Government (₹ 661.50 crore), but it *exceeded the normative projection (₹ 455.21 crore) made by the XIII FC.*

The growth rate of pension payment for the current year was 17 *per cent* as compared to the rate of 57 *per cent* in 2009-10.

(d) Subsidies

The subsidies provided by the State include both implicit and explicit subsidies, which were utilised to bridge the gap between income and expenditure to certain selected departments/ Corporations. The State Government paid subsidies of ₹ 6.56 crore in 2008-09, ₹ 6.12 crore in 2009-10 and ₹ 11.07 crore in 2010-11. The main components of subsidy payments during 2010-11 were Agriculture & Allied Activities. ₹ 2.50 crore was paid on Rashtriya Krishi Vikash Yojana, ₹ 1.71 crore was paid on Macro Management in Agriculture and ₹ 1.51 crore was paid on Project for Development of infrastructure facilities. The percentage of subsidy paid to total revenue expenditure during last three years ranged between 0.15 and 0.25 *per cent*.

XIII FC recommended food subsidy at ₹ 20 per capita per year The total food subsidies in respect of Tripura during 2010-11 were ₹ 11.07 crore for 36,71,032 inhabitants of Tripura which means that each resident of Tripura was getting a subsidy of ₹ 30.16 per capita per year which was higher than XIII FC norm by 51 per cent. The subsidies in 2010-11 had increased

[8] Excluding wages of ₹ 36.93 crore since the break-up of wages into plan and non-plan was not available.

substantially as it was only Rs.16.40 per capita per year during XII FC period. The Government should take suitable measures to contain it to ₹ 20 per capita per year as recommended by the XIII FC.

1.5.3 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 1.16**.

Table 1.16: Financial Assistance to Local Bodies etc.

(Rupees in crore)

Financial assistance to Institutions	2008-09	2009-10	2010-11
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	29.92	39.76	NA
Municipal Corporations and Municipalities	59.24	78.52	70.65
Zilla Parishads and Other Panchayati Raj Institutions	60.00	27.57	29.93
Other Institutions*	77.50	77.52	159.22
Total	**226.66**	**223.37**	**259.80**
Assistance as percentage of RE	7.24	5.30	5.96

The overall quantum of financial assistance to the Zilla Parishads and other Panchayati Raj Institutions, and other local bodies increased during 2010-11 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.

1.6 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 and effectiveness of expenditure use (assessment of outlay-outcome relationships for select services).

1.6.1 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 average of the north eastern states of the country. **Table 1.17** analyses the fiscal priority of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year as compared to 2007-08:

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

Table 1.17: Fiscal Priority of the State during 2010-11

Fiscal Priority by the State	AE/GSDP	DE/AE	SSE/AE	CE/AE	Education/ AE	Health / AE
Tripura's Average (Ratio) 2007-08	31.51	60.10	34.35	24.85	15.59	5.13
Tripura's Average (Ratio) 2010-11	33.19	60.51	37.20	19.53	17.85	4.58

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 2010-11, the GSDP figure (current prices) has been taken from the Third Quarterly Review Report of the State Finance Minister.

Table 1.17 shows the fiscal priority given by the Tripura Government to various expenditure heads in 2007-08 (the mid way of the Twelfth Finance Commission Award Period) and the current year *viz* 2010-11 (first year of the Thirteenth Finance Commission).

- The Government of Tripura had a higher AE / GSDP ratio in 2010-11 as compared to 2007-08. Hence, the State had increased its spending on various programmes/schemes during 2010-11.
- In Social Sector Expenditure also, the Tripura Government's expenditure as a percentage of AE was higher in 2010-11.
- With regard to CE/AE, the ratio in respect of Tripura for the year 2010-11 had reduced by 5.32 *per cent* as compared to 2007-08.

1.6.2 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 goods[9]. Apart from improving the allocation towards development expenditure[10], 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 **Table 1.18** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* the previous

[9] *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.

[10] 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 and economic services which together constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

year, **Table 1.19** provides the details of capital expenditure and the component of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table 1.18: Development Expenditure

(Rupees in crore)

Components of Development Expenditure	2006-07	2007-08	2008-09	2009-10	2010-11
Development Expenditure (a to c)	1,923.01 (59.98)	2,234.71 (60.11)	2,740.73 (63.00)	3,398.56 (61.08)	3,278.68 (60.02)
a. Development Revenue Expenditure	1,278.24 (39.87)	1,416.82 (38.11)	1,713.09 (39.38)	2,262.65 (40.67)	2,345.88 (43)
b. Development Capital Expenditure	644.09 (20.09)	817.59 (21.99)	1,009.56 (23.21)	1,118.35 (20.10)	931.96 (17)
c. Development Loans and Advances	0.68 (0.02)	0.30 (0.01)	18.08 (0.41)	17.56 (0.31)	0.84 (0.02)

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 ₹ 1,923.01 crore in 2006-07 to ₹ 3,398.56 crore in 2009-10 and then had a slight downfall in 2010-11, where it recorded ₹ 3,278.68 crore, which declined by 3.53 *per cent* over the previous year. The percentage of development expenditure to the total expenditure of the State decreased by 1.06 *per cent* as compared to the previous year and the development expenditure was much below the level of Budget Estimates of ₹ 3,703.41 crore for the year. The relative share of the revenue development expenditure was 43 *per cent* of the total expenditure while this share in respect of development capital expenditure was only 17 *per cent* which was much less than that of previous year (20.10 *per cent*). This indicated lack of priority for capital expenditure due to ever increasing pressure on revenue expenditure over the period.

Table 1.19 –Efficiency of Expenditure Use in Selected Social and Economic Services

(In per cent)

Social/Economic Infrastructure	2009-10			2010-11		
	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	12.65	87.13	12.87	11.57	87.20	12.80
Health & Family Welfare	24.80	76.47	25.53	18.35	79.99	20.01
Water Supply, Sanitation, and Housing & Urban Development	68.60	68.95	31.05	48.79	18.77	81.23
Other Social Services	9.91	16.29	83.71	13.92	18.13	81.87
Total (SS)	**22.24**	**63.85**	**36.15**	**17.28**	**61.14**	**38.86**
Economic Services (ES)						
Agriculture & Allied Activities	20.97	54.16	45.84	24.60	52.73	47.27
Irrigation & Flood Control	65.31	131.40	-	52.40	67.04	32.96
Power & Energy	72.06	3.80	96.20	77.58	3.48	96.52
Transport	72.41	-	-	68.43	-	100.00
Other Economic Services	41.47	51.81	48.19	40.94	63.24	36.76
Total (ES)	**48.91**	**44.46**	**55.54**	**46.24**	**46.61**	**53.39**
Total (SS+ES)	**33.08**	**57.84**	**42.16**	**28.43**	**56.94**	**43.06**

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 2009-10 and 2010-11.

The Table shows that the ratio of CE to TE under Social Services decreased from 22.24 *per cent* in 2009-10 to 17.28 *per cent* in 2010-11 mainly due to decrease under Education, Sport, Art and Culture, Health & Family Welfare and Water Supply, Sanitation, Housing & Urban Development. Ratio of Economic Services, also decreased by 2.67 *per cent* over the previous year, mainly due to decrease in Irrigation and Flood Control and Transport sectors. The share of salary and wages on Education etc. under Social Services was 87.20 *per cent* of its revenue expenditure, (of which 83.12 *per cent* was for general education) and on Health & Family Welfare and Water Supply, Sanitation, Housing & Urban Development, the share was 79.99 *per cent* and 18.77 *per cent* respectively during 2010-11. The percentage of salary and wages expenditure in relation to its revenue expenditure increased in components *viz*. Education and Health and Family Welfare in social sector during 2010-11 over the previous year whereas the percentage of Salaries and Wages to revenue expenditure pertaining to Water supply, Sanitation etc decreased drastically from 68.95 *per cent* during 2009-10 to 18.77 *per cent* in 2010-11. The percentage of the salary expenditure in respect of Education (87.20 *per cent*) increased by 0.07 *per cent* over the previous year, whereas the percentage of salary expenditure in respect of Water Supply, Sanitation, Housing and Urban Development (18.77 *per cent*) sector decreased by 50.18 *per cent*.

Under Economic Services, the salary and wage expenditure in terms of percentage of revenue expenditure was marginally higher by 2.15 *per cent* over the previous year while the operations and maintenance cost decreased to that extent.

However, in terms of percentage in relation to revenue expenditure under Social and Economic Services taken together there was overall decrease in salary and wages (0.90 *per cent*) and increase in operations and maintenance costs to that extent during 2010-11 over the previous year.

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

During 2005-10, 23 performance reviews on the effectiveness of expenditure and the outcomes thereof were attempted and featured in the Audit Reports. Of the 23 performance reviews, only five were discussed in PAC meetings of which the PAC recommendations of four performance reviews had already been featured in Audit Report on State Finances (Report No. 1) 2009-10. The remaining one review 'Review on Receipts from Mines and Minerals' had been discussed in January 2011.

Out of the 18 remaining reviews, summary of the major reviews where the effectiveness of expenditure was commented upon in the Audit reports are outlined below. They are yet to be taken up by the Public Accounts Committee.

1. Public Works (Water Resources) Department (Minor Irrigation Schemes)

The Minor Irrigation schemes taken up in Tripura for meeting the irrigation needs of farmers, involving an expenditure of ₹ 96.11 crore during 2003-07, suffered significantly due to defective planning, poor financial management, absence of hydrological and hydrolic data and the inability of the Department to enforce a strict implementation regime.

(Paragraph 3.4 of Audit Report 2006-07)

2. Education (School) Department (Mid-Day-Meal)

The primary objective of National Programme of Nutritional support to Primary Education (Mid-Day-Meal) was to improve the nutritional status of the children in the primary classes as well as to improve the enrollment and reduce dropout in the primary Schools in Tripura.

Though the Mid-Day-Meal Programme was extended to most of the Primary Schools incurring an expenditure of ₹ 72.38 crore during the period 2003-08, the implementation of the programme did not result in any noticeable improvement in terms of Nutritional support as well as attendance. The programme suffered due to uneven distribution of foodgrain and inability to utilise the available foodgrain and Central Assistance.

(Paragraph 3.1 of Audit Report 2007-08)

3. Home (Police) Department (Modernisation of State Police Force)

The modernisation of State Police Force scheme aimed at improving the efficiency of State Police Force and enhancing their statutory abilities for meeting the emerging challenges. Against an amount of ₹ 45.56 crore, being the fund received from GOI during 2003-08, the Department could utilise only ₹ 29.08 crore during the period for implementation of the programme. The efforts to modernise the State Police Force were impeded by lack of a well designed plan and roadmap, absence of a coherent programme of action and inability to spend even the available funds. The pace of implementation of the modernisation plan was inadequate even after the GOI had declared Tripura as 'A' category State, prone to terror attacks, and despite the declared assurance of 100 *per cent* funds for implementation of the scheme.

(Paragraph 3.2 of Audit Report 2007-08)

4. Animal Resources Development Department

Animal Resources Development Department is responsible for implementing various programmes for livestock development with a view to attaining self sufficiency in animal origin food production in the State with a budget provision of ₹ 65.82 crore during 2005-10 against which an expenditure of ₹ 59.32 crore was incurred. The Department could not implement the livestock breeding and developmental programme effectively due to lack of defective project management and inadequate follow up action for remedial measures after

investment of huge funds. The health care and veterinary services had not been sufficiently strengthened and upgraded.

(Paragraph 3.1 of Audit Report 2009-10)

1.7 Financial Analysis of Government Expenditure and Investments

In the post-FRBM framework, the State was 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 reduce 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. 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.

1.7.1 Financial Results of Irrigation Works

During 2010-11, Non-Plan revenue expenditure on Minor and Medium Irrigation Projects was ₹ 39.01 crore against XIII FC projection of ₹ 31.36 crore. According to Para 6 (x) of Term of Reference (TOR) of the XIII FC, there was a need for ensuring the commercial viability of irrigation projects etc. in the State through various means including levy of user charges and adoption of measures to promote efficiency. There was no commercial Irrigation Project in the State of Tripura. Gumti, Khowai and Manu were the three medium irrigation projects in the State. The major source of irrigation was minor irrigation projects like lift irrigation, deep tube wells, diversion schemes, shallow tube wells, 5 HP pumps, water harvesting structures, tanks etc., which altogether were 1,112 in number.

It was stated in the Third Quarterly Review Report of the Finance Minister for 2010-11 placed along with the Budget for 2011-12 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.

1.7.2 Incomplete projects

The department-wise information pertaining to incomplete projects of which the scheduled date of completion was already over as on 31 March 2011 are given in the **Table 1.20**.

Table 1.20: Department-wise profile of Incomplete Projects

(Rupees in crore)

Name of Projects	No. of incomplete Projects	Initial Budgeted Cost	Cumulative actual expenditure as on 31.3.2011
Building works	9	127.69	89.50
Roads works	3	41.22	22.22
Bridges works	1	5.52	0.37
Water Resources works	5	47.43	13.01
Total	**18**	**221.86**	**125.10**

Source: Finance Accounts 2010-11.

As on 31 March 2011, there were 18 incomplete projects each costing ₹ 5 crore and above, involving total budgeted cost of ₹ 221.86 crore on which expenditure of ₹ 125.10 crore had already been incurred. The works on these projects were targeted to be completed between June 2007 and February 2011. Most of the incomplete projects were Building works, involving budgeted cost of ₹ 127.69 crore, whereas an amount of ₹ 89.50 crore had already been incurred as on 31 March 2011. The revised estimates of these works were not on record. 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 also not on record. An age-wise analysis of the incomplete works revealed that the works got delayed upto forty seven months compared to their scheduled date of completion. The above list is only indicative and not exhaustive. Among the incomplete projects, one Teaching Block at GBP Hospital, Agartala was lingering since 2006-07 and the work was still in progress. The following picture represents a project lying incomplete till September 2011:



Incomplete teaching block at GBP Hospital, Agartala scheduled to be completed in December 2007

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.

1.7.3 Investment and returns

As on 31 March 2011, Government's investment was ₹ 882.73 crore in 2 Statutory Corporations, 11 Government Companies and 24 Co-operative and local bodies **(Table 1.21)**.

Table-1.21: Return on Investment

Investment/Return/Cost of Borrowings	2008-09	2009-10	2010-11
Investment at the end of the year *(Rupees in crore)*	641.00	780.32	882.73
Return on investment*(Rupees in crore)*	Nil	Nil	0.13
Return on investment *(per cent)*	Nil	Nil	0.01
Average rate of interest on Government borrowing *(per cent)*	8.00	7.98	8.88
Difference between cost of funds and return *(per cent)*	8.00	7.98	8.87

Source: Finance Accounts

It is evident from the above that at the end of 2010-11, a total amount of ₹ 882.73 crore was invested in 11 Government companies (₹ 635.41 crore), 2 statutory corporations (₹ 154.41 crore), and 24 Co-operative societies and one Rural Bank (₹ 92.91 crore). Investment in the Government Companies, Statutory Corporations and Co-operative Societies and the Bank taken together increased to ₹ 882.73 crore at the end of the year 2010-11 from ₹ 780.32 crore in 2009-10. During 2010-11, the Government invested ₹ 102.41 crore in these companies, corporations and co-operative societies. Out of total investment of ₹ 102.41 crore, ₹ 0.60 crore was invested in one statutory corporation (Tripura Road Transport Corporation), ₹ 97.76 crore was invested in eleven Government companies, and ₹ 4.05 crore was invested in four co-operative societies and bank. Of ₹ 635.41 crore invested in the Government companies, ₹ 340.29 crore was invested as equity in the Tripura State Electricity Corporation Limited followed by ₹ 148.29 crore in the Tripura Jute Mills Ltd. at the end of the year 2010-11.

During the year, only one Govt. Company (TIDCL) paid the dividend of Rs. 12.76 lakh on the investment of Rs. 16.91 crore. As per the latest finalised accounts, seven companies[11] had been marked as profit earning while five[12] had been incurring losses over the years.

[11] Tripura Forest Development & Plantation Corporation Limited (TFDPCL): ₹ 18.86 crore; Tripura Rehabilitation Plantation Corporation Limited (TRPCL): ₹ 0.76 crore; Tripura State Electricity Corporation Limited (TSECL): ₹ 9.87 crore; North Eastern Industrial Consultants limited (NEICL): ₹ 0.01 crore; Tripura Industrial Development Corporation Limited (TIDCL): ₹ 1.32 crore; Tripura Tea Development Corporation Limited (TTDCL): ₹ 0.92 crore and Tripura Natural Gas Company Limited (TNGCL) : ₹ 0.54 crore.

[12] Tripura Horticulture Corporation Limited (THCL): ₹0.03 crore; Tripura Handloom and Handicrafts Development Corporation Limited (THHDCL): ₹ 2.75 crore;; Tripura Jute Mills Limited (TJML): ₹ 13.21 crore; Tripura Transport Corporation (TRTC): ₹ 19.24crore. Tripura Small Industries Corporation Limited (TSICL): ₹ 1.41 crore.

1.7.4 Loans and advances by State Government

In addition to investments as equity capital in corporations companies and co-operative societies, Government had also been providing loans and advances to these institutions/organisations. The Government further provides loans to its employees for construction of houses and other miscellaneous purposes. **Table 1.22** presents the outstanding loans and advances as on 31 March 2011, interest receipts *vis-a-vis* interest payments during the last five years.

Table 1.22: Average Interest Received on Loans Advanced by the State Government

(Rupees in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2006-07	2007-08	2008-09	2009-10	2010-11	
					RE	Actual
Opening Balance	61.55	58.71	55.74	70.57	-	84.62
Amount advanced during the year	0.68	0.30	18.08	17.56	-	0.96
Amount repaid during the year	3.52	3.27	3.25	3.51	3.00	2.80
Closing Balance	**58.71**	**55.74**	**70.57**	**84.62**	**-**	**82.78**
Outstanding balance for which terms and conditions have been settled	NA	NA	NA	NA	NA	NA
Net addition of loans	(-) 2.84	(-) 2.97	(+) 14.83	14.05	-	(-) 1.84
Interest Receipts	0.53	0.66	0.69	1.21	-	0.98
Interest receipts as *per cent* to outstanding Loans and advances	0.90	1.18	0.98	1.43	-	1.18
Interest payments as *per cent* to outstanding fiscal liabilities of the State Government.	8.39	8.34	7.78	7.98	-	6.92
Difference between interest payments and interest receipts (*per cent*)	(-) 7.49	(-) 7.16	(-) 6.80	(-) 6.55	-	5.74

NA: Not available.

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

As on March 2011, the balance of loans and advances by the State Government was ₹ 82.78 crore, of which loans for Economic Services, Social Services and loans to employees were ₹ 49.96 crore, ₹ 18.58 crore and ₹ 14.24 crore respectively. During 2010-11, Interest receipts as percentage of outstanding loans and advances was 1.18 against interest paid by the Government as percentage of outstanding liabilities being 6.92.

1.7.5 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) had been put in place. The operative limit for normal WMA was ₹ 80 crore for the State with effect from 1 April 2005 and the operative limit for special WMAs had 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 had not availed any overdraft facility since 1999-2000. Ways and Means Advances

(ordinary or special) also were not taken by the State since 2005-06. During 2010-11, the State Government maintained the minimum cash balance with RBI without obtaining any advances. However, the holding of the Government of India 14 days Treasury bills were rediscounted on 130 days during 2010-11 and ₹ 22.26 crore was realised as interest @ 5.50 *per cent* per annum on those securities.

The cash balance of the State increased by ₹ 354.19 crore (72.97 *per cent)* at the end of 2010-11 over the previous year

Table 1.23 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.23: Cash Balances and Investment of Cash balances

(Rupees in crore)

Particulars	As on 1 April 2010	As on 31 March 2011	Increase (+)/ Decrease (-) (*percentage in bracket*)
Cash Balances	485.36	839.55	(+) 354.19 (73)
Investments from Cash Balances (a to d)	260.05	657.41	(+) 397.36 (153)
a. GOI 91 days Treasury Bills	-	-	-
b. GOI 14 days Treasury Bills	260.05	657.41	(+) 397.36 (153)
c. Other Securities, if any specify	-	-	-
d. Other Investments	-	-	-
Funds-wise Break-up of Investment from Earmarked balances (a to b)	293.03	363.74	(+) 70.71 (24)
a. Sinking Fund	293.03	363.74	(+) 70.71 (24)
b. Others, if any	-	-	-
Interest Realised	26.67	22.26	(-) 4.41 (17)

1.8 Assets and Liabilities

1.8.1 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 2011, compared with the corresponding position on 31 March 2010. 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, loans and advances given by the State Government and cash balances.

The FRBM Act of the State had 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 assets to liabilities was on an increasing trend during 2005-09 and declined to 1.80 during 2009-10 and then again increased to 1.84 during 2010-11, This trend should be continued, especially in the times of increasing Revenue Expenditure and meagre own source of Receipts.

1.8.2 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 2010

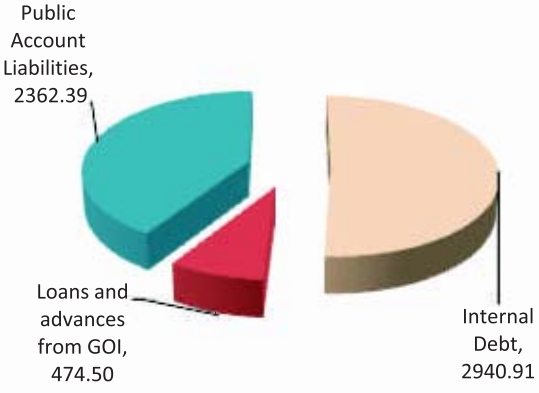
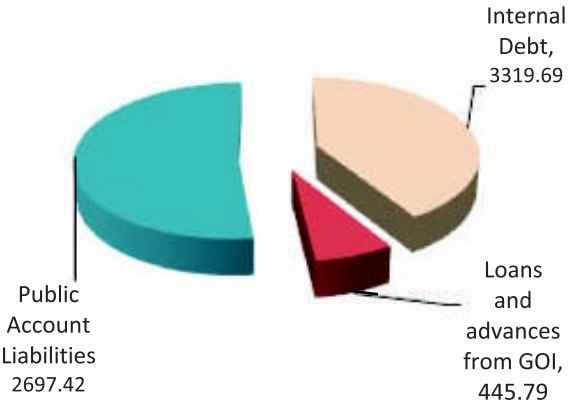


Chart 1.10 : Composition of outstanding fiscal liabilities as on 31 March 2011



The outstanding fiscal liabilities of the State as on 31 March 2011 was ₹ 6462.90 crore against the liabilities of ₹ 5777.80 crore as on 1 April 2010 with an increase of ₹ 685.10 crore (11.86 *per cent*) during the period. Outstanding liabilities increased mainly due to increase in internal debt by ₹ 378.78 crore (13 *per cent*) and Public Account by ₹ 335.03 crore (14 *per cent*) over the previous year. The State could not contain the outstanding liabilities within the revised estimated liabilities of ₹ 6189.50 crore projected in the disclosure with the Budget for 2011-12 presented in the State Legislature. During 2010-11, the percentage of Internal Debt liabilities to total revenue receipts was 64.23 while the percentage of total liabilities to revenue receipts was 125.04.

During last five year period of 2006-11, the outstanding liabilities consistently increased from ₹ 4626.08 crore in 2006-07 to ₹ 6462.90 crore in 2010-11. *The percentage of fiscal liabilities to GSDP during 2010-11 was 39.58, which was higher than the projection in the Fiscal Indicator (37.91 per cent) in the MTFP statement, but was less than the projection (45.20 per cent) made in XIII FC.*

1.8.3 Status of Guarantees – Contingent liabilities

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee had been extended. As the State Government had 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 was 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 2010-11, the State had given guarantee of ₹ 6.10 crore and guarantee fee of ₹ 0.06 crore was received during the period.

As per Statement 9 of the Finance Accounts, the amount for which guarantees were given by the State and outstanding amount of guarantees for the last three years are given in **Table 1.24**.

Table 1.24: Guarantees given by the Government of Tripura

(Rupees in crore)

Guarantees	2008-09	2009-10	2010-11
Total amount of guarantees given upto	76.66	76.66	82.76
Outstanding amount of guarantees (including interest) at the end of the year	29.53	29.54	35.64
Percentage of outstanding amount of guarantee to total revenue receipt	1.90	1.74	0.69
Outstanding amount of guarantee as percentage to GSDP	1 *per cent*	0.5 *per cent*	0.22 *per cent*

During 2010-11, three guarantees had been given by the Government to Co-operative societies[13]. At the end of 31 March 2011, the outstanding amount of guarantee including interest stood at ₹ 35.64 crore, which was 0.22 *per cent* of GSDP.

[13] Tripura Scheduled Castes Co-operative Development Corporation Department: ₹ 2.00 crore; Tripura Minorities Co-operative Development Corporation: ₹ 2.00 crore; and Tripura Scheduled Tribe Co-operative Development Corporation: ₹ 2.10 crore.

1.8.4 Off - Budget Borrowings

There were no off-budget borrowings for the year 2010-11. *As such, the Government had not exceeded the annual permissible limit of 0.5 per cent of the GSDP for off-budget borrowings according to the TFRBM Act, 2005.*

1.9 Debt Sustainability

Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability[14] of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation[15]; sufficiency of non-debt receipts[16]; net availability of borrowed funds[17]; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.25** analyses the debt sustainability of the State according to these indicators for the period of three years beginning from 2008-09.

Table 1.25: Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability	2008-09	2009-10	2010-11
Debt Stabilisation (Quantum Spread + Primary Deficit/Surplus) *(Rupees in crore)*	(+) 271.56	(-) 574.90	(+) 368.66
Sufficiency of Non-debt Receipts (Resource Gap) *(Rupees in crore)*	(+) 9.11	(-) 759.51	(+) 620.85
Net Availability of Borrowed Funds *(Rupees in crore)*	(-) 216.60	(+) 283.60	(+) 403.45
Burden of Interest Payments (IP/RR Ratio) (in *per cent*)	9.76	9.28	8.65

It would be seen from the above table that the Debt of the State was unstable during the last year since the quantum spread *plus* primary deficit remained negative. During 2010-11, the sufficiency of non-debt receipts of the State was ₹ 620.85 crore against (-) ₹ 759.51 crore in 2009-10, which indicated that incremental non-debt receipts adequately covered incremental interest burden. Availability of borrowed funds was negative in 2008-09, but stood at positive balance in both 2009-10 (₹ 283.60 crore) and 2010-11 (₹ 403.45 crore).

[14] 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.

[15] 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.

[16] 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.

[17] 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.

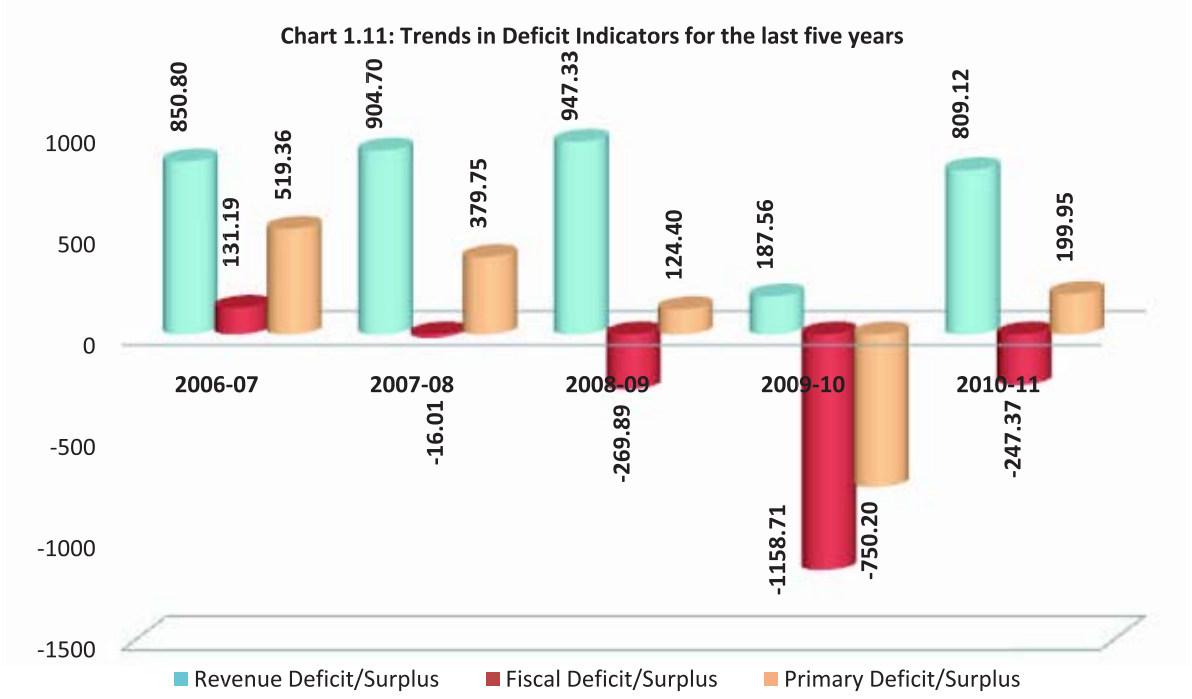
Box 1.1: Against an average growth rate of 88.65 *per cent* in respect of Public Debt Receipts during 2006-11, the growth in 2010-11 was 13 *per cent* over the previous year. The cash balance increased to ₹ 839.55 crore in 2010-11 compared to ₹ 485.36 crore in 2009-10. The State Government stated (November 2011) that certain transfers by GOI happen in March and therefore the money is retained. However, the fact remains that an increase in cash balances and debt is avoidable through proper cash management strategies.

1.10 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 nature and quantum of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and applied are important pointers to its fiscal management. 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 2010-11.

1.10.1 Trends in Deficits

Chart 1.11 presents the trends in deficit indicators over the period 2006-11.



The State had shown quite a healthy trend in revenue surplus during 2006-11, which increased by 331 *per cent* over the previous year. The primary deficit in 2009-10 changed to primary

surplus in 2010-11. There were fiscal deficit during the period except in 2006-07. The balance from current revenue stands at (-) ₹ 407.79 crore against (-) ₹ 769.32 crore in 2009-10.

1.10.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit had undergone a compositional shift as reflected in the table below:

Table 1.26: Decomposition and Financing Pattern of Fiscal Deficit

(Rupees in crore)

Particulars	2008-09	2009-10	2010-11
Decomposition of Fiscal Deficit (-) / Surplus (+)	(-) 269.89	(-) 1158.71	(-) 247.37
Fiscal Deficit as percentage to GSDP	2.06	7.93	1.52
Revenue Deficit (-) / Surplus (+)	(+) 947.33	(+) 187.56	(+) 809.12
Capital Expenditure	1202.39	1332.22	1058.33
Net Loans and Advances	(-) 14.83	(-) 14.05	(+) 1.84
Financing Pattern of Fiscal Deficit (-) / Surplus (+)			
Market Borrowings (net)	(+) 78.03	(+) 252.00	(+) 192.21
Loans from GOI (net)	(-) 25.81	(-) 25.40	(-) 28.57
Special Securities Issued to NSSF (net)	(-) 18.63	(+) 34.83	(+) 135.40
Loans from Financial Institutions (net)	(+) 13.97	(+) 44.79	(+) 57.52
Small Savings, PF etc. (net)	(+) 67.44	(+) 299.09	(+) 206.96
Deposits and Advances (net)	(+) 52.80	(+) 81.59	(+) 56.94
Suspense and Misc. (net)	(-) 9.16	(+) 58.15	(-) 48.90
Remittances (net)	(+) 3.74	(-) 25.40	(-) 33.75
Others (R F) (net)	(+) 73.37	(+) 30.74	(+) 70.08
Increase (+) / decrease (-) in cash balance	(+) 40.33	(-) 414.60	(+) 354.19

The fiscal surplus achieved in 2006-07 turned into a fiscal deficit in all subsequent years and stood at ₹ 247.37 crore in the current year from ₹ 16.01 crore in 2007-08. 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, and General Reserve Fund including Sinking Fund were the main sources of funding the fiscal deficit.

1.10.3 Quality of Deficit/Surplus

Table 1.27 indicates the extent to which the deficit/surplus had been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.27: 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)
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
2010-11	5,171.40	3,912.16	1,058.33	0.96	4,971.45	1,259.24	(+) 199.95

The non-debt receipts of the State during 2006-11 were sufficient to meet the primary revenue expenditure. The non-debt receipts increased by 55 *per cent* from ₹ 3336.88 crore in 2006-07 to ₹ 5171.40 crore in 2010-11. The primary expenditure, however, increased by 76 *per cent* from ₹ 2817.52 crore in 2006-07 to ₹ 4971.45 crore in 2010-11. During this period (2006-11) Capital Expenditure grew by 46.49 *per cent.* The State had a primary surplus of ₹ 199.95 crore during 2010-11.

1.11 Institutional measures

State-level public enterprises (SLPEs) have been an important segment of the Indian public sector system. In the past, SLPEs have been a potent tool for State government to implement public policy. SLPEs are engaged in diverse activities such as industrial development, financial promotion, trading, marketing, contract and construction services, tourism and production of consumer and engineering goods, agro, minerals and metals. Many SLPEs were set up to provide necessary support to growth and development processes in the State.

On an aggregate basis, with regard to SLPEs of Tripura, only seven Government companies out of twelve earned profits during 2010-11, while the rest showed accumulated losses over the years. On a cumulative basis the total accumulated losses incurred by all SLPEs at the end of March 2011 amounted to ₹ 347.62 crore as per their latest finalised accounts, whereas the loss incurred by these companies were ₹ 36.64 crore during 2010-11. Since the SLPEs operating in Tripura were incurring losses, they depend on budgetary support from State Government to sustain their operations. Budgetary support to SLPEs was extended in the form of equity, loans and subsidies. Despite such support, which had shown an uptrend over the years, there were no signs of any visible improvement in the performance of the loss making SLPEs. The average return on capital employed continued to be negligible in Tripura. The return to State Government on investments in SLPEs stood at ₹ 0.13 crore (0.01 *per cent* of the total investment made by the Government of Tripura). Tripura does not have a dividend policy for the SLPEs though one Government company *viz* Tripura Industrial Development Corporation Limited had paid ₹ 12.76 lakh as dividend to the Government of Tripura against

the total investment of ₹ 16.91 crore. The State should assess the socio-economic justification for the existence of such loss making SLPEs and all forms of support particularly to those loss making SLPEs whose socio-economic return is less and have significant adverse implications on State finances, must be seriously dealt with.

The power sector accounted for a major portion of total investment which unlike other SLPEs in the State had made positive contribution to the fiscal health of the State. In Tripura, the investment made by the State Government in Tripura State Electricity Corporation Limited was ₹ 73.29 crore[18] during 2010-11 and as per their latest finalised accounts, TSECL had earned a profit of ₹ 9.87 crore

As regards restructuring of SLPEs, the XIII FC recommended that there was a need to ensure that all working SLPEs, except those in the welfare and utility sectors, became financially viable. Loss making PSUs which were functioning in non-core areas after being suitably reviewed could be considered for closure and the State Government may draw up a roadmap as early as possible to close the identified loss making SLPEs whose contribution to the society as well as to the economy of the State was not significant.

1.12 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 TFC award period i.e. 2005-10 (in 2009-10, the State had witnessed primary deficit). During the current year, there was a considerable improvement in revenue surplus, and the State managed to minimise fiscal deficit and also managed to turn around the primary deficit into primary surplus.

Revenue Receipts

During 2010-11, 85 *per cent* of the total revenue was from the Government of India as State share of central taxes (21 *per cent*) and Grants-in-aid (64 *per cent*). The Own Tax Revenue of the State constituted 12 *per cent* of the total revenue receipts. The OTR during 2010-11 remained a little above the normative assessment (by 4 *per cent*) made by the Thirteenth Finance Commission (XIII FC) for the State but remained lower (by 7 *per cent*) than the State's own projections. The non-tax revenue constituted 3 *per cent* of the total revenue receipts which was higher than both the XIII FC projection (by 2 *per cent*) and State's own projections (by 1 *per cent*).

The State Government should make efforts to increase tax compliance 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 would also increase the total receipts of the State.

[18] Amount of ₹ 109.23 crore was shown in the balance sheet as on 31-03-2010 which is yet to be reconciled.

Revenue Expenditure

During 2010-11, the Revenue expenditure stood at ₹ 4,359.48 crore (80.45 *per cent* of the total expenditure) and grew by ₹ 145.69 crore over the previous year. The capital expenditure during 2010-11 was ₹ 1,058.33 crore (19.53 *per cent* of the total expenditure), a decline of ₹ 273.89 crore over the previous year.

During 2010-11, the development expenditure (₹ 3,277.84 crore) decreased by ₹ 103.16 crore over the previous year and was much below the Budget Estimate (₹ 3,703.41 crore) for 2010-11. The relative share of the revenue development expenditure was 43.29 *per cent* of the total expenditure while this share in respect of capital development expenditure was only 17.20 *per cent*. The expenditure pattern of the State, thus, revealed that there was an increasing pressure on revenue expenditure as there was a decrease in capital expenditure during 2010-11.

The expenditure on non-plan salary and wage component during 2010-11 was also significantly higher by ₹ 346.50 crore (around 23 *per cent*) than the assessment made by the XIII FC for the State (₹ 1505.05 crore).

The high proportion of salaries to total revenue expenditure much beyond the assessment of the XIII FC may impact on the State's finances as the State's own resources are meagre.

Fiscal Correction Path

During 2010-11, the State witnessed a significant growth in revenue surplus which stood at ₹ 809.12 crore and the fiscal deficit (₹ 247.37 crore) decreased by 79 *per cent* over the previous year. The State could also achieve the fiscal deficit target of 3.5 *per cent* of GSDP as prescribed in the TFRBM Act, 2005 for the year 2010-11, which stood at 1.52 *per cent* of GSDP.

Keeping in view the recommendations of the Thirteenth Finance Commission, the State should refix the targets as per the XIII FC requirements to enable the State to sustain its progress.

Fiscal liabilities

The percentage of fiscal liabilities to GSDP during 2010-11 was 39.58, which was within the projection in the Fiscal Indicator (42.37 *per cent*) in the Medium Term Fiscal Policy Statement (MTFPS), and was also less than the projection (45.20 *per cent*) made in the TFRBM Act. During 2010-11, interest receipts, as percentage of outstanding loans and advances was 1.18 whereas interest paid by the Government as percentage to outstanding liabilities was 6.92.

Investment and Returns

Investment of Government money in Government Companies and Statutory Corporations are increasing year after year, but a very negligible return of ₹ 0.13 crore from this investment had been received by the Government during 2010-11.

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 analyse whether it is justified to invest high cost borrowings in these Companies.

Debt sustainability

The State had managed to achieve the debt-GSDP ratio target of 45.20 *per cent* during 2010-11, as set out in TFRBM Act as well as the target fixed in the Thirteenth Finance Commission.

Fiscal discipline

Consequent upon the implementation of the Thirteenth Finance Commission recommendations, the fiscal discipline is assessed mainly on the amendment of the Fiscal Reforms Legislations(FRL) by the States which had already enacted their respective FRLs and adherence to parameters prescribed therein. Tripura had enacted TFRBM Act long back in 2005, and has also amended it in 2010-11 with reference to XIII Finance Commission. The pattern of transfers through the Finance Commission channel shows that the share in central taxes had persistently been the predominant component of revenue receipts. The contribution of Tripura's own tax revenue to the overall revenue account of Tripura also remained relatively low.

Tax compliance and realisation of arrears of revenue should be strengthened. The capital expenditure should be increased particularly in development sector. Tripura should also continue to strive to remain revenue surplus as it results in minimising the Fiscal Deficit-GSDP ratio.