CHAPTER I

FINANCES OF THE STATE GOVERNMENT

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Profile of the State

Manipur is located strategically in the north-eastern corner of India. It is one of the Special Category States of India. The total geographical area of 22,327 sq. km. of the State is divided into two parts – the central valley and the hills surrounding the valley. There are nine districts in the State, of which four are in the valley and five districts are located in the hills. As per Census of 2011, the State's population increased from 21.67 lakh in 2001 to 25.70 lakh in 2011 recording a decadal growth of 12.05 *per cent*. Out of the total population, 32.45 *per cent* people (8.35 lakh) live in urban region and the remaining (17.35 lakh) in rural region. The density of population is 115 per sq. km. The percentage of population below the poverty line was 17.30 *per cent* (All India Average- 27.5 *per cent*). The State's literacy rate has increased from 70.53 *per cent* (as per 2001 census) to 79.21 *per* cent. Other related details are given in **Appendix 1.1 (Part D)**. As a Special category state, Manipur was entitled to 90 *per cent* central assistance under centrally sponsored schemes. The source of revenue receipt of the State is largely dependent on Central Government which range between 88 *per cent* to 92 *per cent* as Union taxes and duties and Grants-in-aid from the Central Government during 2009-14.

About this Chapter

This chapter provides a broad perspective of the finances of the Government of Manipur during 2013-14 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 (2009-14). The details of structure, form of Government accounts, layout of Finance Accounts, methodology adopted for assessment of fiscal position, profile of the State *etc*. are given in **Appendix 1.1 (Part C).**

1.1 Introduction

1.1.1 Gross State Domestic Product

Gross State Domestic Product (GSDP) is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of of the State's economy. The trends in the annual growth at current prices of the State's GSDP are indicated in the following table**:**

Table 1.1: GSDP and the rate of growth during 2009-14

(₹ in crore)

Year	2009-10	2010-11	2011-12	2012-13	2013-14
State's GSDP*	8254	9137	11123	12910 (Q)	15231 (A)
Growth rate of GSDP (percentage)	11.56	10.70	21.74	16.07	17.98

*At current price with base year 2004-05. (Q) - Quick estimates, (A) - Advanced estimates
(Source: Department of Economics and Statistics, Government of Manipur)

GSDP of the State grew at the rate of 17.98 *per cent* (₹ 2321 crore) at current price during 2013-14 against a growth of 16.07 *per cent* (₹ 1787crore) during 2012-13. The Compounded Annual Growth Rate (CAGR) of GSDP of the State during 2004-14 was 14.32 *per cent* (**Appendix-1.1 - Part D**).

1.1.2 Summary of fiscal transactions

The following table presents the summary of the State Government's fiscal transactions during the current year (2013-14) *vis-à-vis* the previous year (2012-13), while **Appendix 1.2** provides details of Receipts and Disbursements as well as the overall fiscal position during 2013-14.

Table 1.2: Summary of Fiscal operations

(₹ in crore)

Receipts	2012-13	2013-14	Disbursements	2012-13	2013-14		
Section-A: Revenue					Non Plan	Plan	Total
Revenue receipts	6819.76	7282.79	Revenue expenditure	5316.53	4505.89	1212.94	5718.83
Tax revenue	332.83	472.73	General Services	2281.83	2435.01	6.06	2441.07
Non-tax revenue	231.78	260.67	Social Services	1528.22	989.75	613.91	1603.66
Share of Union Taxes/ Duties	1317.83	1438.79	Economic Services	1313.26	837.06	501.55	1338.61
Grants-in-aid from the Government of India	4937.32	5110.60	Grants-in-aid and Contributions	193.22	244.07	91.42	335.49
Section-B: Capital							
Miscellaneous Capital Receipts	-	-	Capital expenditure	1501.56	(-) 0.01	1291.90	1291.89
Recoveries of Loans and Advances	0.59	1.23	Loans and Advances disbursed	3.30	0.04	-	0.04
Public Debt receipts[1]	340.25	382.68	Repayment of Public Debt	171.81			260.07
Contingency Fund	-	-	Contingency Fund	-			-
Public Account receipts	3921.37	3883.75	Public Account disbursements	3772.34			3760.41
Opening Cash Balance	(-)371.80	(-) 55.37	Closing Cash Balance	(-)55.37			463.84
Total	**10710.17**	**11495.08**	**Total**	**10710.17**			**11495.08**

(Source: Finance Accounts)

[1] Under Internal debt receipt/repayment only the Net transactions under Ways and Means Advances is taken

The following are the significant changes during 2013-14 over the previous year:

- Revenue receipts increased by ₹ 463.03 crore (6.79 *per cent*) over the previous year. The increase was mainly due to increase in Grants-in-aid from Government of India (₹ 173.28 crore), Tax revenue (₹ 139.90 crore) and Share of Union Taxes/duties (₹ 120.96 crore).

- Revenue expenditure increased by ₹ 402.30 crore (7.57 *per cent*) over the previous year. The increase was mainly due to increase in expenditure under General Services (₹ 159.24 crore) and Grants-in-aid and Contributions (₹ 142.27 crore). Capital expenditure decreased by ₹ 209.67 crore (13.96 *per cent*) over the previous year.

- Public debt receipts increased by ₹ 42.44 crore (12.47 *per cent*) over the previous year. As compared to receipts, Repayment of Public debt increased by a significant amount of ₹ 88.27 crore (51.37 *per cent*) over the previous year.

- Both Public Account receipts and Public Account disbursement decreased marginally by ₹ 37.62 crore (0.96 *per cent*) and ₹ 11.93 crore (0.32 *per cent*) respectively over the previous year.

- The total inflow during 2013-14 was ₹ 1,14,95.09 crore against ₹ 1,07,10.17 crore in 2012-13, while the total outflow during 2013-14 was ₹ 1,10,31.25 crore against ₹ 10,765.54 crore during the previous year. This resulted in closing cash balance of ₹ 463.84 crore at the end of 2013-14 as compared to negative cash balance of ₹ 55.37 crore at the end of the previous year (2012-13).

1.1.3 Review of the fiscal situation

The State Government enacted the Manipur Fiscal Responsibility and Budget Management (FRBM) Act in August 2005 to ensure prudence in fiscal management and fiscal stability by achieving sufficient revenue surplus; reduction in Fiscal deficit; prudent debt management consistent with fiscal sustainability; and greater transparency in fiscal operations of the Government. As per Manipur FRBM Rules 2005 (enacted in December 2005 and subsequent amendments thereafter) framed under the Act, various fiscal targets of revenue surplus and fiscal deficit *etc*. were set. The targets under the Act and the Rules are given in **Appendix-1.1 (Part E).** Yearly targets are also set in the Medium Term Fiscal Policy Statements (MTFPS) placed in the State Legislative Assembly. During 2013-14, targets of Revenue surplus, Fiscal deficit-GSDP ratio, *etc*. was set in the MTFPS.

Major fiscal variables provided in the recommendations of the 13th Finance Commission (FC), targeted in the FRBM Act and FRBM Rules, and MTFPS of the State is depicted in the following table:

Table 1.3: Trends in Major fiscal parameters/variables *vis-à-vis* targets for 2013-14

(₹ in crore)

Fiscal variables	Targets			
	13th FC	FRBM Act	MTFPS	Actual
Revenue Deficit (-)/ Surplus (+)	Eliminate Revenue deficit by 2011-12 and maintain revenue balance or attain a surplus thereafter	Maintain Revenue surplus	(+) 1926.12	(+) 1563.96
Fiscal Deficit/GSDP (in *per cent)*	3.5 *per cent*	Below 3.5 *per cent*	4.31	There was Fiscal surplus of ₹ 273.26 crore
State's outstanding guarantees	NA	Not to exceed thrice the State's own tax revenue receipts of the second preceding year *i.e.* ₹ 1104.21 crore [2]	NA	215.30
Salary expenditure	1380.23	35 *per cent* of Revenue expenditure net interest payment and pension *i.e.* ₹ 1575.85 crore[3]	NA	2543.30[4]
Total outstanding debt[5] /GSDP (in *per cent*)	57 *per cent*	Reduce outstanding debt to a maximum of 54.30 *per cent* of GSDP by end of 2014-15.	48.25	46.36

(NA: - Not available)
(Source: 13th FC, FRBM Act, MTFPS and Finance Accounts)

While the State could maintain Revenue surplus as envisaged in the recommendation of 13th FC and FRBM Act, the Revenue surplus (₹ 1563.96 crore) was short by ₹ 362.16 crore *vis-a-vis* the projections of MTFPS (₹ 1926.12 crore). During 2013-14, Fiscal Deficit-GSDP ratio made a significant achievement, as there was Fiscal Surplus of ₹ 273.26 crore against Fiscal deficit of ₹ 1.02 crore in 2012-13. The surplus on Revenue account was achieved mainly due to increase in Grants-in-aid from Central Government, better collection of Own Tax Revenue and significant reduction of expenditure on Capital account as compared to previous year.

The target of limiting State's outstanding guarantee as set out in the FRBM Act (₹ 1104.21 crore) was fully achieved as the outstanding guarantee was restricted at ₹ 215.30 crore. As per MTFPS, the State Government was committed to further restrict the contingent liabilities by not giving fresh guarantees and by continuing with policy of not availing of off-budget borrowings.

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2 ₹ 368.07 crore x 3
3 35 *per cent* of (₹ 5718.83 crore –₹ 444.92 crore –₹ 771.48 crore)
4 Including ₹ 5.09 crore on wages and excluding ₹ 36.96 crore (Leave Encashment benefits) booked under 'Major Head – 2071 – "Pensions and Other Retirement Benefits"
5 Fiscal Liability as per Finance Accounts

Total outstanding debt-GSDP ratio was also kept within the targets of 13th FC, FRBM Act and MTFPS. As per MTFPS, borrowings by the State Government would not exceed the cap on the quantum of borrowings made by the 13th FC and would be limited to ₹ 396.32 crore in 2013-14. Against this, the State Government borrowed ₹ 382.69 crore from Open market borrowings.

Salary expenditure emerged as an area of concern, as the actual had considerably exceeded the corresponding target figures. Against targeted amount of ₹ 1380.23 crore (13th FC) and ₹ 1575.85 crore (FRBM Act), the actual expenditure on salary was ₹ 2543.30 crore.

1.1.4 Budget estimates and actual

The budget papers presented by the State Government provide descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the Budget Estimates are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, some within the control of the Government and some beyond the control of the Government. The following table and chart present the consolidated picture of budget estimates and actuals of the State Finances during 2013-14.

Table 1.4: Statement showing budget estimates and actual

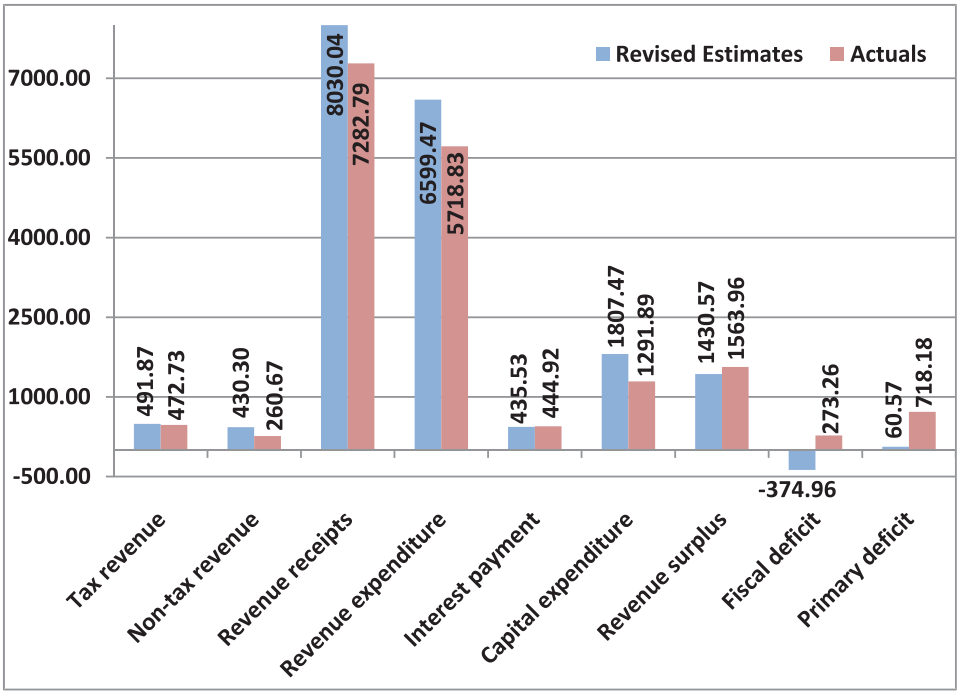
(₹ in crore)

Particulars	Budget Estimates (BE)	Revised Estimates (RE)	Actual	Percentage of excess (+)/ shortfall (-) w.r.t RE
Tax revenue	491.87	491.87	472.73	(-) 3.89
Non-tax revenue	429.77	430.30	260.67	(-) 39.42
Revenue receipts	8619.47	8030.04	7282.79	(-) 9.31
Revenue expenditure	6692.95	6599.47	5718.83	(-) 13.34
Interest payment	427.33	435.53	444.92	(+) 2.16
Capital expenditure	2526.55	1807.47	1291.89	(-) 28.53
Disbursement of Loans & Advances	4.20	1.66	0.04	(-) 97.59
Revenue surplus	1926.52	1430.57	1563.96	(+) 9.32
Fiscal deficit (-)/ surplus (+)	(-) 600.63	(-) 374.95	(+) 273.26	(+) 172.88
Primary deficit (-)/surplus (+)	(-) 173.30	(+) 60.58	(+) 718.18	(+) 1085.51
Recoveries of Loans and Advances	3.60	3.60	1.23	(-) 65.83

(Source: Budget documents and Finance Accounts)

Chart 1.1: Selected fiscal parameters, budget estimates *vis-à-vis* actual

(₹ in crore)



(Source: Budget documents and Finance Accounts)

It can also be seen from the preceding table there was a marginal variation between budget Revised Estimates (RE) and Actuals for Tax Revenue collection. However, in case of Non-Tax Revenue, the projection of RE and Actuals varied by 39.42 *per cent* (₹ 169.63 crore). The difference in shortfall was mainly on account of Power (₹ 75.46 crore), Miscellaneous General Services (₹ 56.55 crore) and Public Works (₹ 16.50 crore). As such, budgetary projection of Non-tax revenue has been unrealistic and requires greater attention in future.

Under Capital expenditure, there was a difference of ₹ 515.58 crore between RE and Actuals. This was mainly on account of Major Irrigation (₹ 233.14 crore), Power (₹ 54.65 crore) and Public Works (₹ 32.62 crore). This resulted in substantial variation in projections of Fiscal deficit and Primary deficit as made in the budget and the Actuals. Thus, there were Fiscal surplus and Primary surplus at the close of the year (2013-14).

1.1.5 Major policy initiatives in the budget

The following points were mentioned in the Budget speech of the Chief Minister, Government of Manipur.

The total receipt of the State was estimated at ₹ 8990 crore in 2013-14, of which ₹ 8619.47 crore was targeted from the Revenue receipts. Revenue collection from VAT and Power are the two largest sources of state revenue.

Collection from power was likely to increase due to number of measures being taken up for minimizing transmission and distribution losses.

New projects proposed to be funded out of Special Plan Assistance are setting up of Information Technology Special Economic Zone at Mantripukhri and construction of six children homes. A project with an estimated cost of ₹ 687 crore for utilising water from Thoubal Dam was envisaged.

Against this background, it was seen that collection of revenue from Power was short by ₹ 75.46 crore and Capital outlay on Major Irrigation projects by ₹ 26.17 crore only. No Capital outlay was made for Information Technology Special Economic Zone and construction of six children homes.

1.2 Resources of the State

1.2.1 Resources of the State as per the Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the main resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Government of India (GoI). 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 the GoI. Besides the funds available in the Public accounts after disbursement is also utilised by the State Government to finance its deficit. **Table 1.2** presents the receipts and disbursements of the State during the current year (2013-14) as recorded in its Annual Finance Accounts.

The components and major sub-components of revenue are shown in **Chart 1.2** as a flow diagram. **Chart 1.3** depicts the trends in various components of the receipts of the State during 2009-14. **Chart 1.4** depicts the composition of resources of the State during 2013-14.

Chart 1.2: Components and Major sub-components of Revenue during 2013-14

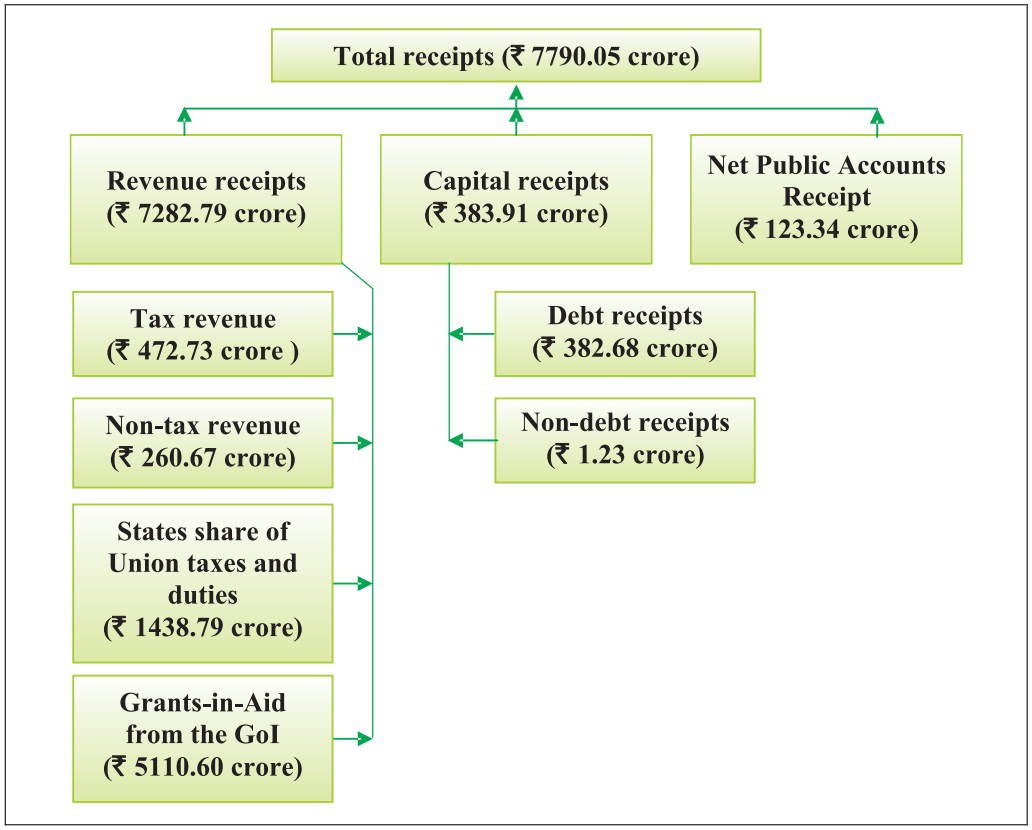


Chart 1.3: Trends in Receipts

(₹ in crore)

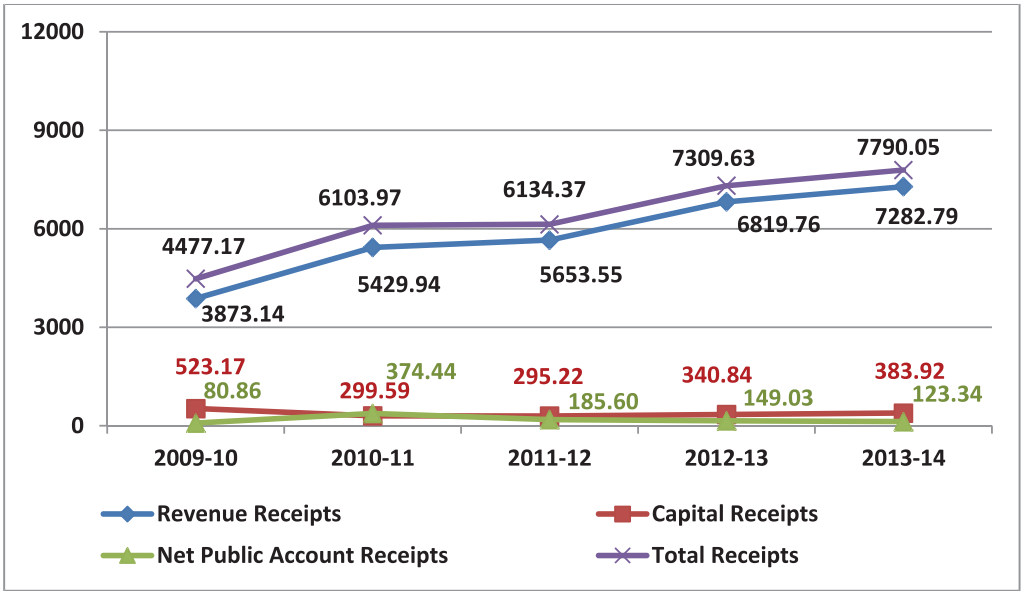
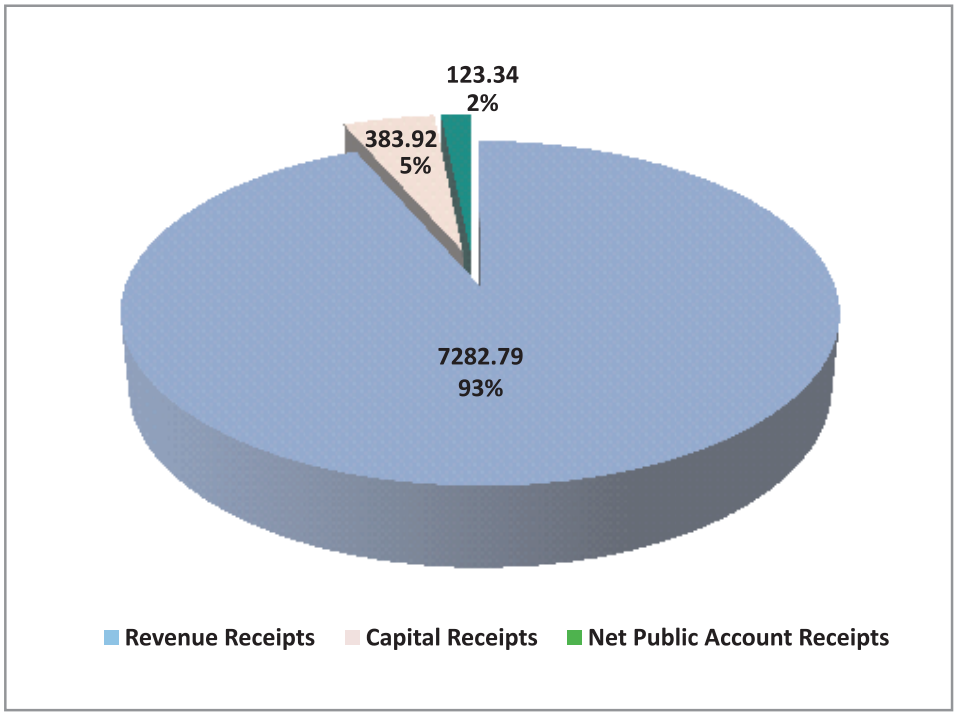


Chart 1.4: Composition of Receipts during 2013-14

(₹ in crore)



Total receipts of the State increased from ₹ 7309.63 crore in 2012-13 to ₹ 7790.05 crore in 2013-14. The increase in total receipts was mainly due to increase in Revenue receipts (₹ 463.03 crore). While Net Public accounts receipts decreased by ₹ 25.69 crore, Capital receipts increased by ₹ 43.07 crore in 2013-14 over the previous year (2012-13).

Contribution of the State's own revenue to the Revenue receipt was in the range of 8 *per cent* to 12 *per cent* for the period 2009-14. The State's share of Union taxes and duties and Grants-in-aid from GoI contributed in the range of 88 *per cent* to 92 *per cent* to the Revenue receipt during 2009-14 and remained the main contributor to Revenue receipt of the State.

1.2.2 Funds directly transferred to State Implementing Agencies

The Government of India has been transferring a sizeable quantum of funds directly to the State Implementing Agencies[6] for implementation of various schemes/programmes in Social and Economic sectors, which are recognised as critical. In the present mechanism, these funds are not routed through the State Budget/State Treasury System and hence do not find mention in the Finance Accounts of the State. As such, the Annual Finance Accounts of the State does not include the quantum of receipt and expenditure of this category. During

[6] State Implementing Agencies include any organization/institution including Non-Governmental organizations, which are authorized by the State Government to receive funds from the Government of India for implementing specific programmes in the State.

the year 2013-14 Central funds of ₹ 889.45 crore were transferred directly to the State implementing agencies. The programmes assisted by Government of India where funds were transferred are presented in **Appendix-1.3.** Amounts released for implementation of some major programmes/schemes are detailed in the following table:

Table 1.5: Funds transferred directly to State Implementing Agencies

(₹ in crore)

Programme/Scheme	Implementing Agency	Funds transferred directly by the GoI during 2013-14
Mahatma Gandhi National Rural Employment Guarantee Scheme	DRDA	231.00
Sarva Shiksha Abhiyan	State Implementation Society	131.94
National Rural Health Mission	State Health Society	68.48
National Rural Drinking Water Programme	State Water and Sanitation Mission	55.30
Rashtriya Madhyamic Shiksha Abhiyan	State Implementation Society	39.28
Indira Awaas Yojana	DRDA	36.50
Integrated Watershed Management Programme	DRDA	30.28
National AIDS Control Programme	Manipur State AIDS Control Society	19.84
Total		**612.62**

(Source: Finance Accounts)

DRDA- District Rural Development Agency

The above table shows that an amount of ₹ 231 crore (about 26 *per cent* of the total funds transferred) was for the Mahatma Gandhi National Rural Employment Guarantee Scheme, ₹ 131.94 crore (about 15 *per cent*) for Sarva Shiksha Abhiyan and ₹ 64.48 crore (8 *per cent*) for the National Rural Health Mission.

As there is no centrally monitoring mechanism for utilisation of funds under this category, reliable data on quantum of expenditure is not readily available to audit.

Audit analysis of National Rural Health Mission is as follows:

- **National Rural Health Mission**

The activities of the NRHM in the State are carried out through State Health Society, State Tuberculosis Society, State Leprosy Society, State Blindness Society, *etc*. Test check showed that a total amount of ₹ 69.13 crore was available to six health societies during 2013-14. Details are shown below:

Table 1.6: Scheme wise receipt and expenditure under NRHM

(₹ in crore)

Implementing Agency	Name of the Scheme/Project	Receipt	Expenditure (2013-14)
State Health Society	Reproduction and Child Health	28.21	24.53
	Mission Flexible Pool	31.01	28.11
	Pulse Polio Immunisation	0.97	0.90
State Leprosy Society	National Leprosy Eradication Programme (NLEP)	0.48	0.32
State Vector Borne Disease Control Society	National Vector Borne Disease Control Programme (NVBDCP)	2.88	3.21
State Integrated Diseases Surveillance Society	National Integrated Diseases Surveillance Programme (NIDSP)	0.26	0.40
State Blindness Control Society	National Programme for Control of Blindness (NPCB)	2.76	2.89
State Tuberculosis Society	National Tuberculosis control Programme (NTCP)	2.56	3.12
Total		**69.13**	**63.48**

(Source : State Health Society)

As per web site of the Controller General of Account, funds for NRHM was transferred to only three health societies *i.e.* State Health Society (₹ 63.78 crore), State Blindness Control Society (₹ 2.14 crore) and State Tuberculosis Society (₹ 2.56 crore).

However, as per test check, the funds were transferred to the six health societies. Transfer of funds for implementation of NRHM programme during 2013-14 could not be reconciled due to lack of proper documentation, except for State Blindness Control Society and State Tuberculosis Society. Out of ₹ 2.76 crore released for implementation of National Programme for Control Blindness by the Government of India to the State Blindness Control Society, only ₹ 2.14 crore were reflected in the web-site of the Controller General of Account. There was no discrepancy in figures booked by State Tuberculosis Society and web-site of the Controller General of Account.

The excess expenditure under NPCB, NTCP, NVBDCP and NIDSP was stated to have been met from unspent balance of previous year and state matching share. An amount of ₹ 0.49 lakh released vide cheque no. 013061 dated nil by the State Health Society to the District Programme Officer, Churachandpur was not reflected in the cash book/bank account statement; resulting in non-accounting of the fund amount.

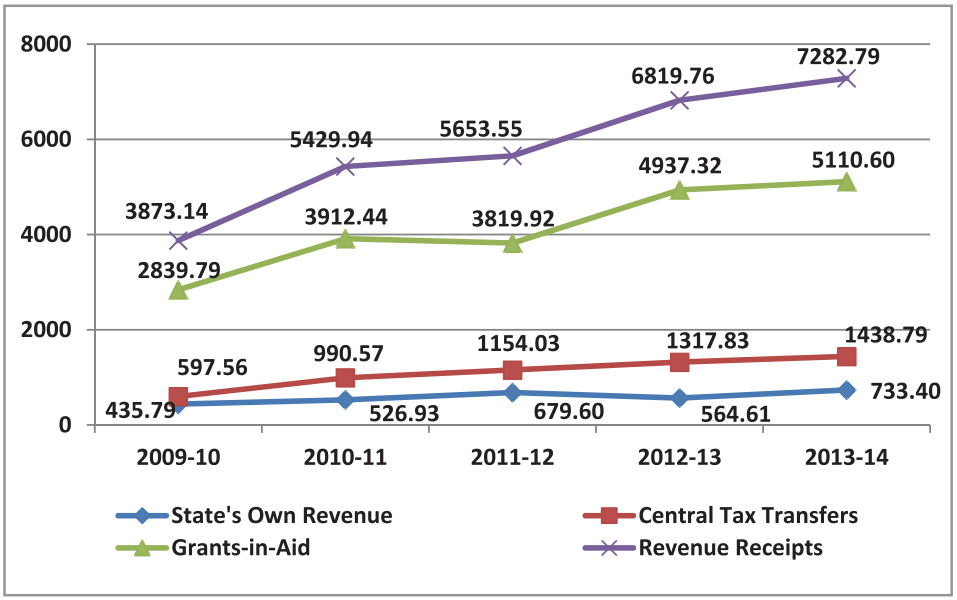
As of August 2014, utilisation certificates in respect of the State Health Society, National Leprosy Eradication Programme and National Tuberculosis Control Programme could not be furnished as audit of accounts by the Statutory Auditor was not yet completed.

1.3 Revenue Receipts

The Revenue receipts of the State Government consist of the State's own tax and non-tax revenues, central tax transfers and grants-in-aid from the GoI. The trends and composition of revenue receipts over the period 2009-14 are presented in **Appendix 1.4** and are also depicted in the following chart:

Chart 1.5: Trends in Revenue receipts

(₹ in crore)



Revenue receipt increased by ₹ 463.03 crore from ₹ 6819.76 crore in 2012-13 to ₹ 7282.79 crore in 2013-14. The increase was mainly due to increase in Grants-in-aid from Government of India (₹ 173.28 crore), Tax revenue (₹ 139.90 crore) and Share of Union Taxes/duties (₹ 120.96 crore). The increase in Grants-in-aid and Share of Union Taxes/duties constituted about 64 *per cent* of increase of Revenue receipts. The trends in revenue receipts relative to GSDP are presented in the following table:

Table 1.7: Trends in Revenue Receipts relative to GSDP

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Receipts (RR)	3873.14	5429.94	5653.55	6819.76	7282.79
Rate of growth of RR (*per cent*)	0.01	40.19	4.12	20.63	6.79
GSDP *	8254	9137	11123	12910 (Q)	15231 (A)
Rate of growth of GSDP (*per cent*)	11.56	10.70	21.74	16.07	17.98
RR/GSDP (*per cent*)	46.92	59.43	50.83	52.83	47.82
Buoyancy Ratios[7]					
Revenue Buoyancy w.r.t GSDP	0.0009	3.76	0.19	1.28	0.38
State's Own Tax Buoyancy w.r.t GSDP	0.25	1.95	1.33	(-) 1.05	1.66
Revenue Buoyancy with reference to State's own taxes	0.003	1.92	0.14	(-) 1.22	0.23

** GSDP at current price with base year 2004-05. Q – Quick estimates and A – Advance estimates*

(Source: Finance Accounts)

From the above table, it is seen that the Revenue receipts of the State increased marginally during 2011-12. However, the increase in Revenue receipts was appreciable during 2010-11 and 2012-13, which corresponds to the significant increase in Grants-in-aid from the Government of India. However, in 2013-14 Tax revenue grew by a significant amount of ₹ 139.90 crore, and contributed significantly to the growth of Revenue receipt in the current year (2013-14).

In the year 2010-11, the growth rate of Revenue receipts was more than three times that of GSDP growth rate, which came down to below half times the growth of GSDP in 2011-12 and 2013-14. These uneven trends in the growth rate illustrates that Revenue receipts collection does have not a direct relation with the growth of GSDP.

State's Own Tax buoyancy with respect to GSDP maintained a steady trend except for the year 2009-10 and 2012-13. As compared with the Revenue receipts, the State own tax grew at a faster rate during 2013-14.

1.3.1 State's Own Resources

As the State's share in Central taxes and Grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources was assessed in terms of its own resources comprising own tax and non-tax sources.

The contribution of Tax revenue to the Total Revenue Receipts of the State ranged between 5 *per cent* to 7 *per cent* during 2009-14. Tax revenue increased from ₹ 332.83 crore in 2012-13 to ₹ 472.73 crore in 2013-14 mainly

[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, revenue buoyancy of 0.6 implies that revenue receipts tend to increase by 0.6 percentage points if the GSDP increases by one *per cent*.

due to increase in Taxes on Sales, Trades etc. and Other Taxes and Duties on Commodities and services.

The State's actual Tax and Non-tax receipts for the year 2013-14 vis-a-vis assessment made by the 13th Finance Commission (FC) and MTFPS are shown in the following table:

Table 1.8: Own Tax revenue and Own Non-tax revenue vis-à-vis targets

(₹ in crore)

Particular	13th FC projections	Budget estimates	MTFPS projection	Actual
Own Tax revenue	326.27	491.87	491.87	472.73
Own Non-tax revenue	231.38	429.77	429.77	260.67

(Source: Budget documents, 13th FC Report, MTFPS and Finance Accounts)

From the above table, it is seen that the actual Own Tax revenue was more than the normative assessment of the 13th FC by ₹ 146.46 crore (45 *per cent*) but was less than the budget estimates/MTFPS projection by ₹ 19.14 crore (4 *per cent*). The Own non-Tax revenue realised during the year was more than the normative assessment made by the 13th FC projection by ₹ 29.29 crore (13 *per cent)* but less than the budget estimates/MTFPS projection by ₹ 169.10 crore (40 *per cent)*.

As stated earlier, the large variation/ shortfall in Own non-tax revenue was mainly on account of Power (₹ 75.46 crore), Miscellaneous General Services (₹ 56.55 crore) and Public Works (₹ 16.50 crore). As such, budgetary projection of Non-tax revenue was not realistic in 2013-14.

1.3.1.1 Tax revenue

The gross collection in respect of major taxes and duties are given in the following table:

Table 1.9: Components of State's own resources

(₹ in crore)

Revenue Head	2009-10	2010-11	2011-12	2012-13	2013-14	% increase over previous year
Taxes on sales, trades *etc.*	163.28	227.57	296.92	258.52	395.74	53.08
State excise	4.70	6.61	9.80	9.94	9.20	(-) 7.44
Taxes on vehicles	4.34	4.44	13.21	15.83	18.73	18.32
Stamp duty and Registration fees	4.26	3.57	4.82	5.98	7.90	32.11
Land revenue	0.81	1.29	0.84	1.24	1.12	(-) 9.68
Taxes on goods and passengers	0.81	0.90	1.40	1.43	1.24	(-) 13.29
Other taxes[8]	17.84	22.67	41.08	39.89	38.80	(-) 2.73
Total	**196.04**	**267.05**	**368.07**	**332.83**	**472.73**	**42.03**

(Source: Finance Accounts for the respective years)

[8] Other taxes include taxes on immovable property other than agricultural land, taxes and duties on electricity and agricultural income.

During the year 2013-14, the collection of State's Own Tax was ₹ 472.73 crore. Sales tax (₹ 395.74 crore) was the main contributor to the State's Own Tax revenue and accounted for 84 *per cent* of the Tax revenue. The Tax revenue during 2013-14 increased by ₹ 139.90 crore (42 *per cent*) over the previous year (₹ 332.83 crore). Other than Sales tax and Taxes on vehicles, revenue collection from other sources was negligible.

1.3.1.2 Non-tax revenue

Non-Tax revenue remained at around 3 *per cent* of Revenue receipts in 2013-14 as in the previous year. Non-tax revenue increased marginally by ₹ 28.89 crore over the previous year mainly due to increase in Miscellaneous General Services (₹ 35.54 crore), and Interest receipts (₹ 12.44 crore) partially offset by decrease in revenue collection in Power (₹ 12.07 crore). The trends in Non-Tax revenue during 2009-14 is given in the following table:

Table 1.10: Trends of Non-Tax Revenue during 2009-14

(₹ in crore)

Revenue Head	2009-10	2010-11	2011-12	2012-13	2013-14	% increase over previous year
Interest receipts	32.73	44.65	25.18	20.66	33.10	60.21
Miscellaneous General Service	61.47	76.87	138.33	75.29	110.83	47.20
Power	104.07	88.29	106.59	108.30	96.23	(-) 11.14
Others*	41.47	50.07	41.43	27.53	20.51	(-) 25.49
Total	**239.74**	**259.88**	**311.53**	**231.78**	**260.67**	**12.46**

(Source: Finance Accounts)

As seen from the table, Other non-tax receipts increased sharply in 2011-12 and then decreased significantly in 2012-13. Interest receipt decreased from ₹ 25.18 crore in 2011-12 to ₹ 20.66 crore in 2012-13, and then increased to ₹ 33.10 crore in 2013-14. The receipts from the Miscellaneous General Service which declined considerably in 2012-13 made a significant improvement in 2013-14. However, the Power sector reflects negligible/minus growth rate during 2009-14.

Cost of recovery in supply of merit goods and services

The cost of recovery of Non-Tax Revenue Receipts (NTR) as a percentage of Non-plan Revenue Expenditure (NPRE) in supply of merit goods and services of two selected socio-economic services by Government are shown in the following table:

Table 1.11: Cost of recovery of socio-economic services during 2012-14

(₹ in crore)

Name of Services	2012-13			2013-14		
	Non-tax revenue (NTR) receipts	Non-plan revenue expenditure (NPRE)	NTR as percentage of NPRE	NTR receipts	NPRE	NTR as percentage of NPRE
Water Supply and Sanitation	6.15	59.71	10	2.11	58.67	4
Irrigation	3.82	30.69	12	2.56	28.07	9

(Source: Finance Accounts)

NTR as a percentage of NPRE under Water Supply and Sanitation decreased substantially from 10 *per cent* in 2012-13 to 4 *per cent* in 2013-14. In case of Irrigation, NTR as a percentage of NPRE also decreased from 12 *per cent* to 9 *per cent*. As NTR as a percentage of NPRE is very low, the Government may take efforts to limit NPRE and increase NTR collection so as to make the provision of these important services self sufficient.

1.3.2 Grants-in-aid from the Government of India

The details of Grants-in-aid from the Government of India during 2009-14 are shown in the following table:

Table 1.12: Grants-in-aid from the Government of India during 2009-14

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Non-Plan Grants	1059.41	1302.84	1293.10	1882.87	1769.87
Grants for State Plan Schemes	1416.73	2137.55	2119.73	2659.00	2588.52
Grants for Central Plan Schemes	6.22	12.71	12.47	36.56	13.64
Grants for Centrally Sponsored Schemes	328.30	413.20	349.81	306.34	652.68
Grants for Special Plan Schemes	29.13	46.14	44.81	52.55	85.89
Total	**2839.79**	**3912.44**	**3819.92**	**4937.32**	**5110.60**
Percentage of increase over previous year	(-)0.99	37.77	(-)2.36	29.25	3.51
Total grants as a percentage of Revenue Receipts	73.32	72.05	67.57	72.40	70.17

(Source: Finance Accounts)

Grants-in-aid from Government of India increased by ₹ 173.28 crore from ₹ 4937.32 crore in 2012-13 to ₹ 5110.60 crore in 2013-14. The increase in Grants-in-aid was mainly due to increase in Centrally Sponsored Schemes (₹ 346.34 crore) partially offset due to decrease in Non-Plan Grants (₹ 113 crore) and Grants for State Plan Schemes (₹ 70.48 crore). As in the previous years, the Grants-in-aid continue to be the major contributor to the Revenue receipts of the State. The Grants-in-aid was in the range of 67.57 *per cent* to 73.32 *per cent* of the Revenue receipts of the State during 2009-14.

1.3.3 Optimisation of the 13th FC grants

The details of funds transferred to the State as recommended by the 13th FC during award period of 2010-15, and fund released and expenditure thereon as on 31 March 2014 are shown in the following table:

Table 1.13: Transfer of funds under 13th FC

(₹ in crore)

Sl. No.	Transfers/Items	Recomm-endation of the 13th FC grants	Actual release	Expenditure under relevant revenue head of account
(1)	(2)	(3)	(4)	(5)
1	Local Bodies, of which	315.90	89.58	89.58
	General Basic Grant to PRIs	*143.16*	*33.04*	*33.04*
	General Performance Grant to PRIs	*75.84*	*31.07*	*31.07*
	General Basic Grant to ULBs	*53.54*	*17.17*	*17.17*
	General Basic Performance to ULBs	*28.36*	*1.67*	*1.67*
	Special Areas Basic Grant	*8.80*	*2.68*	*2.68*
	Special Areas Performance Grant	*6.20*	*3.95*	*3.95*
2	Disaster Relief	35.90[9]	24.75	24.75
3	Elementary Education	15.00	3.00	3.00
4	Improving outcome grants	38.60	16.31	16.31
5	Environment related grants	158.30	103.36	103.36
6	Maintenance of Roads and Bridges	100.00	72.00	72.00
7	State specific grants, of which	301.00	135.75	135.75
	Development and maintenance of Kangla Fort	*8.00*	*4.00*	*4.00*
	Renovation and maintenance of Raj Bhavan	*10.00*	*2.50*	*2.50*
	Up gradation of Manipur Police Training School to Manipur Police Training College	*84.00*	*42.00*	*42.00*
	Infrastructure for Police Stations in Rural and Remote Areas	*23.00*	*11.50*	*11.50*
	Border Area Development	*25.00*	*12.50*	*12.50*
	Special Up gradation grants for Sports	*100.00*	*25.00*	*25.00*
	Infrastructures for ADCs	*51.00*	*38.25*	*38.25*
Total		**964.70**	**444.75**	**444.75**

(Source: 13th FC and State Finance Department)

The 13th FC had recommended transfer of ₹ 964.70 crore during 2010-15 for the items as mentioned in the above table. Against this, ₹ 444.75 crore (46.10 *per cent*) had been released by Government of India till 31 March 2014. The amount (₹ 444.75 crore) released by the Government of India has been spent by the State Government. There was significant shortage in release of fund in case of Local bodies as ₹ 89.58 crore (28.33 *per cent*) was released against recommended amount of ₹ 315.90 crore. The trend indicates that there is an unlikelihood that the whole amount recommended by the FC would

[9] Excluding ₹ 5 crore for Capacity building

be released by the Government of India in the award period, which ends in 2014-15.

1.4 Capital Receipts

The details of Capital receipts during 2009-10 to 2013-14 are shown in the following table:

Table 1.14: Trends in growth and composition of receipts

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Capital Receipts (CR)	523.17	299.59	295.22	340.84	383.91
Miscellaneous Capital Receipts	-	-	-	-	-
Recovery of Loans and Advances	3.28	1.19	1.89	0.59	1.23
Public Debt Receipts	519.89	298.40	293.33	340.25	382.68
Rate of growth of debt capital receipts	65.29	(-) 42.60	(-) 1.70	16.00	12.47
Rate of growth of non-debt capital receipts	396.97	(-) 63.72	58.82	(-) 68.78	108.47
Rate of growth of CR (*per cent*)	65.98	(-) 42.74	(-) 1.46	15.45	12.64
Rate of growth of GSDP	11.56	10.70	21.74	16.07	17.98

(Source: Finance Accounts)

As can be seen from above table major share of Capital receipts was contributed by Public debt receipts. Public Debt receipt increased by ₹ 42.44 crore from ₹ 340.25 crore in 2012-13 to ₹ 382.68 crore in 2013-14. The main contributors to the increase in Public Debt receipt were Market borrowings (₹ 350 crore) and Loans from National Bank for Agricultural and Rural Development (₹ 19.83 crore). The State had raised Market borrowings of ₹ 350 crore at interest rate of between 9.46 *per cent* and 9.75 *per cent*.

1.4.1 Recoveries of loans and advances

Recovery of loans and advances increased to ₹ 1.23 crore in 2013-14 from ₹ 0.59 crore in 2012-13. Recovery from Loans to Government Servants (₹ 1.18 lakh) was the only significant heads under which transactions occurred during 2013-14. At the end of the year, there was a closing outstanding Loan of ₹ 205.13 crore, especially under Social Security and Welfare Programmes. Recovery of ₹ 1.23 crore against outstanding balance of ₹ 205.13 crore was insignificant. The Government needs to give attention to recover the outstanding loans and advances.

1.4.2 Loans and advances from the Government of India

No Central loans were contracted during the year 2013-14. The opening balance of the Loans and Advances from the Government of India to the State were ₹ 530.42 crore as on 1 April 2013. The State repaid an amount of ₹ 47.08 crore of the Central Loans. Thus, an amount of ₹ 483.34 crore

remained as outstanding Loans and Advances from Government of India as on 31 March 2014.

1.5 Public Accounts Receipt

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances *etc*. which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution of India and are not subjected to vote by the State Legislature. Here the Government acts as a banker. The balance after disbursements is the fund available with the Government for use. The details of Net Public Account Receipts are shown in the following table:

Table 1.15: Net Public Account receipts

(₹ in crore)

Sl. No.	Resources under various heads	2009-10	2010-11	2011-12	2012-13	2013-14
1	Small Savings, Provident Fund *etc*.	24.94	41.30	233.68	138.01	103.12
2	Reserve Fund	24.52	27.87	38.35	48.08	48.45
3	Deposits and Advances	226.00	386.78	(-) 114.24	(-) 36.74	(-) 14.43
4	Suspense and Miscellaneous	(-) 34.37	(-) 0.29	6.23	1.78	1.90
5	Remittances	(-) 160.23	(-) 81.22	21.58	(-) 2.10	(-) 15.70
Total		**80.86**	**374.44**	**185.60**	**149.03**	**123.34**

(Source: Finance Accounts)

As may be seen from the above table, Net Public Account receipts decreased marginally by ₹ 25.69 crore in 2013-14 over the previous year. The decrease in Net Public Account receipts was mainly due to reduction in Remittances (₹ 13.60 crore) and Small Savings, Provident Fund *etc*. (₹ 34.89 crore) partially offset by increase in Deposits and Advances (₹ 22.31 crore).

1.6 Application of Resources

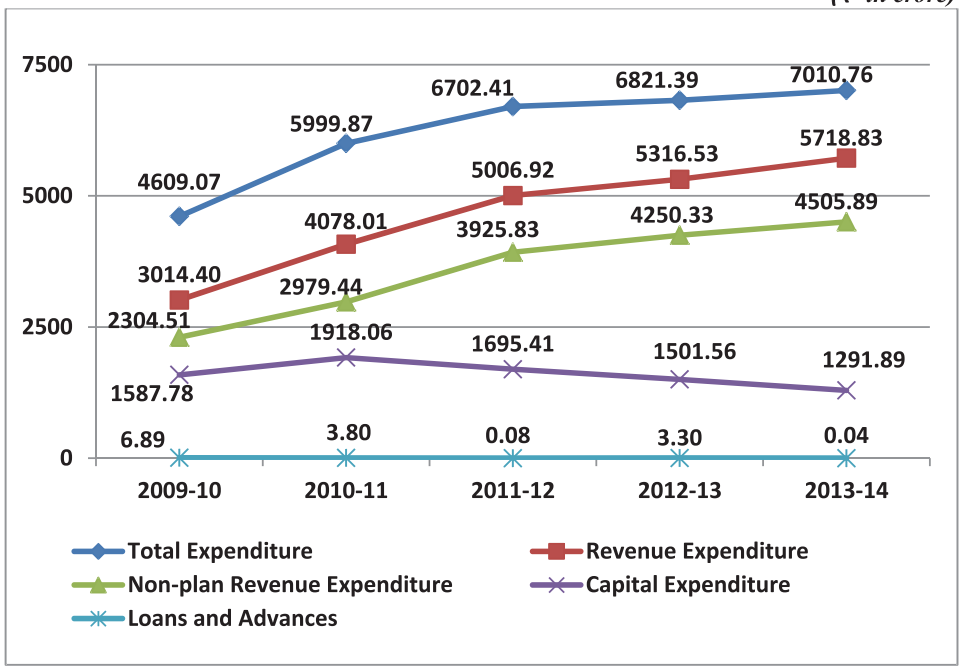
Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with the State Government. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed 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 the expenditure directed towards development of social sector.

1.6.1 Growth and Composition of Expenditure

Chart 1.6 presents the trends in total expenditure over a period of the last five years (2009-14). The composition of expenditure both in terms of 'economic classification' and 'expenditure by activities' is depicted respectively in **Charts 1.7** and **1.8.**

Chart 1.6: Trends in various components of Total Expenditure during 2009-14

(₹ in crore)



The total expenditure of the State increased by ₹ 2401.69 crore (52 *per cent*) from ₹ 4609.07 crore in 2009-10 to ₹ 7010.76 crore in 2013-14. The Revenue expenditure of the State increased by ₹ 2704.43 crore (89.72 *per cent*) from ₹ 3014.40 crore in 2009-10 to ₹ 5718.83 crore in 2013-14. A similar trend of increase was also depicted by the Non-plan Revenue Expenditure, which increased by ₹ 2201.38 crore (95.52 *per cent*) from ₹ 2304.51 crore in 2009-10 to ₹ 4505.89 crore in 2013-14. However, Capital expenditure decreased by ₹ 295.89 crore (18.64 *per cent*) from ₹ 1587.78 crore in 2009-10 to ₹ 1291.89 crore in 2013-14.

Revenue expenditure increased by ₹ 402.30 crore in 2013-14 over the previous year. The increase was mainly due to increase in expenditure under General Services (₹ 159.24 crore) and Grants-in-aid and Contributions (₹ 142.27 crore). Capital expenditure decreased by ₹ 209.67 crore in 2013-14 over the previous year. The decrease was mainly due to decrease in Major Irrigation (₹ 397.90 crore) and Sewerage and Sanitation (₹ 37.03 crore) partly

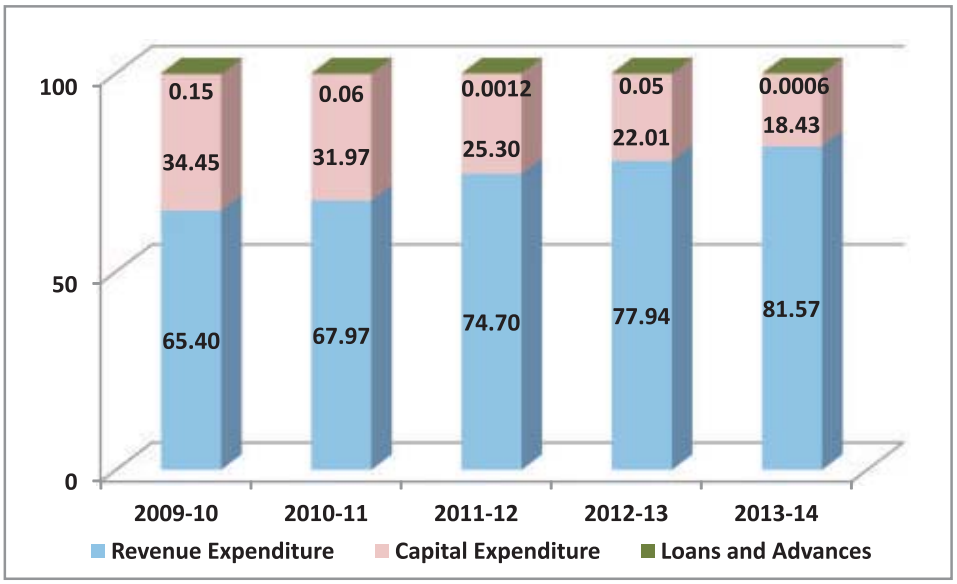
offset by increase in Roads and bridges (₹ 77.46 crore), Power (₹ 60.27 crore) and Medical and Public Health (₹ 36.54 crore).

Capital expenditure exhibited a declining trend since 2010-11. Revenue expenditure, on the other hand has increased steadily during 2009-14. Revenue expenditure as a percentage of the total expenditure increased from 65.40 *per cent* in 2009-10 to 81.57 *per cent* in 2013-14. This shows that a bulk of the total expenditure has been increasingly spent to meet expenditure on maintenance, salary, *etc*.

The composition of Revenue expenditure, Capital expenditure and Loans and Advances as a percentage of Total expenditure during 2009-10 to 2013-14 are shown in the following chart:

Chart 1.7: Trends showing share of components of Total expenditure

(in *per cent*)



The details of expenditure in terms of Plan expenditure and Non-plan expenditure are given in the following table:

Table 1.16: Trends in composition of expenditure as Plan and Non-Plan expenditure

(₹ in crore)

Types of Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14
NON-PLAN					
Revenue	2304.51	2979.44	3925.83	4250.33	4505.89
Capital	(-) 0.80	0.99	(-) 3.22	7.87	(-) 0.01
Loans and Advances	0.19	0.25	0.08	2.30	0.04
Sub-total *	**2303.90 (50)**	**2980.68 (50)**	**3922.69 (59)**	**4260.50 (62)**	**4505.92 (64)**
PLAN					
Revenue	709.89	1098.57	1081.09	1066.20	1212.94
Capital	1588.58	1917.07	1698.63	1493.69	1291.90
Loans and Advances	6.70	3.55	-	1.00	-
Sub-total *	**2305.17 (50)**	**3019.19 (50)**	**2779.72 (41)**	**2560.89 (38)**	**2504.84 (36)**
Total (Non-Plan & Plan)					
Revenue	3014.40	4078.01	5006.92	5316.53	5718.83
Capital	1587.78	1918.06	1695.41	1501.56	1291.89
Loans and Advances	6.89	3.80	0.08	3.30	0.04
Total Expenditure	**4609.07**	**5999.87**	**6702.41**	**6821.39**	**7010.76**

(Source: Finance Accounts)

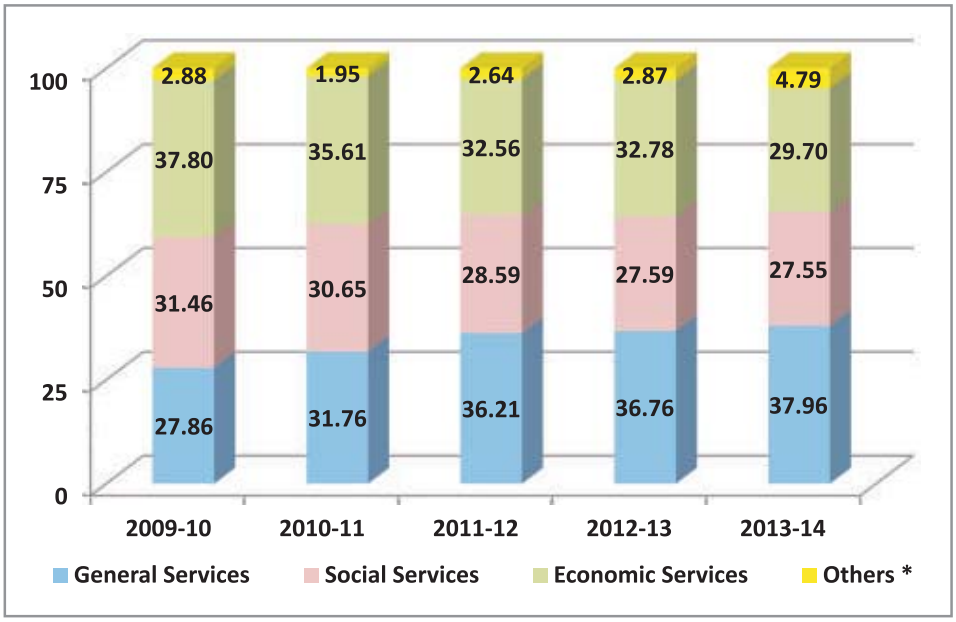
*Figures in bracket represent percentage with respect to the Total Expenditure

The table above shows that Non-plan expenditure as a percentage of total expenditure increased from 50 *per cent* in 2009-10 to 64 *per cent* in 2013-14. Correspondingly, Plan expenditure as a percentage of total expenditure decreased from 50 *per cent* in 2009-10 to 36 *per cent* in 2013-14. Under Plan expenditure, there was increase in Revenue expenditure but substantial decrease in Capital expenditure in 2013-14 over the previous year.

Expenditure is also classified by its activities like General Service, Social Service, *etc.* A chart showing the percentage of expenditure under General Services, Social Services, Economic Services, *etc.* against total expenditure is given in the following chart:

Chart 1.8: Percentage of expenditure by activities against total expenditure

(in per cent)



* *Grants-in-aids and Contributions*

The share of expenditure on account of Economic Services decreased from 37.80 *per cent* in 2009-10 to 29.70 *per cent* in 2013-14. Similarly, the share of Social Services decreased from 31.46 *per cent* in 2009-10 to 27.55 *per cent* in 2013-14. The share of expenditure on General Services, on the other hand, increased from 27.86 *per cent* in 2009-10 to 37.96 *per cent* in 2013-14. Thus, share of Development expenditure *i.e.* expenditure on Economic Services and Social Services substantially decreased during the period 2009-14.

The details of Revenue receipts, Revenue expenditure and Revenue surplus as percentage of GSDP are given in the following table:

Table 1.17: Trends of Revenue receipt and expenditure

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Receipt as a percentage of GSDP	46.92	59.43	50.83	52.83	47.82
Revenue Expenditure as a percentage of GSDP	36.52	44.63	45.01	41.18	37.55
Revenue Surplus as a percentage of GSDP	10.41	14.79	5.81	11.64	10.27

(Source: Finance Accounts and Department of Economics and Statistics, Govt. of Manipur)

The Revenue receipts as a percentage of GSDP was in the range of 46.92 *per cent* to 59.43 *per cent* during 2009-14. Revenue expenditure as a percentage of GSDP increased from 36.52 *per cent* in 2009-10 to 45.01 *per cent* in 2011-12 before it decreased to 37.55 *per cent* in 2013-14. The table indicates that in 2012-13, there was a better Revenue receipt *vis-à-vis* GSDP as compared to 2013-14 while Revenue expenditure *vis-à-vis* GSDP was reduced in 2013-14

as compared to previous year. Except for the year 2011-12, the Revenue surplus-GSDP ratio remained steady during 2009-14.

1.6.2 Committed expenditure

The Committed expenditure of the State Government on revenue account mainly consists of Interest payments, expenditure on Salaries and Wages, Pensions and subsidies. The following table presents the trends in the expenditure on these components during 2009-2014.

Table 1.18: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE*	Actuals
Salaries & Wages, *of which*	1140.77 (29.45)	1677.95 (30.90)	2215.87 (39.19)	2351.63 (34.48)	2809.03	2543.30** (34.92)
Non-Plan Head	*1077.25*	*1595.49*	*2091.56*	*2217.97*	*2565.01*	*2320.45*
Plan Head	*63.52*	*82.46*	*124.31*	*133.66*	*244.02*	*222.85*
Interest Payments	322.57 (8.33)	364.78 (6.72)	397.44 (7.03)	433.01 (6.35)	427.33	444.92 (6.11)
Expenditure on Pensions	292.79 (7.56)	400.15 (7.37)	628.15 (11.11)	760.28 (11.15)	866.04	771.48 (10.59)
Subsidies[10]	0.45 (0.01)	0.66 (0.01)	0.64 (0.01)	0.47 (0.01)	NA	0.43 (0.01)
Total	**1756.58 (45.35)**	**2443.54 (45.00)**	**3242.10 (57.35)**	**3545.39 (51.99)**	**4102.40**	**3760.13 (51.63)**

* *Budget estimates* ** *Including ₹5.09 crore on wages and excluding ₹36.96 crore (Leave Encashment benefits) booked under 'Major Head – 2071 – Pensions and Other Retirement Benefits'*

(Figures in the parentheses indicates percentage to Revenue receipts)

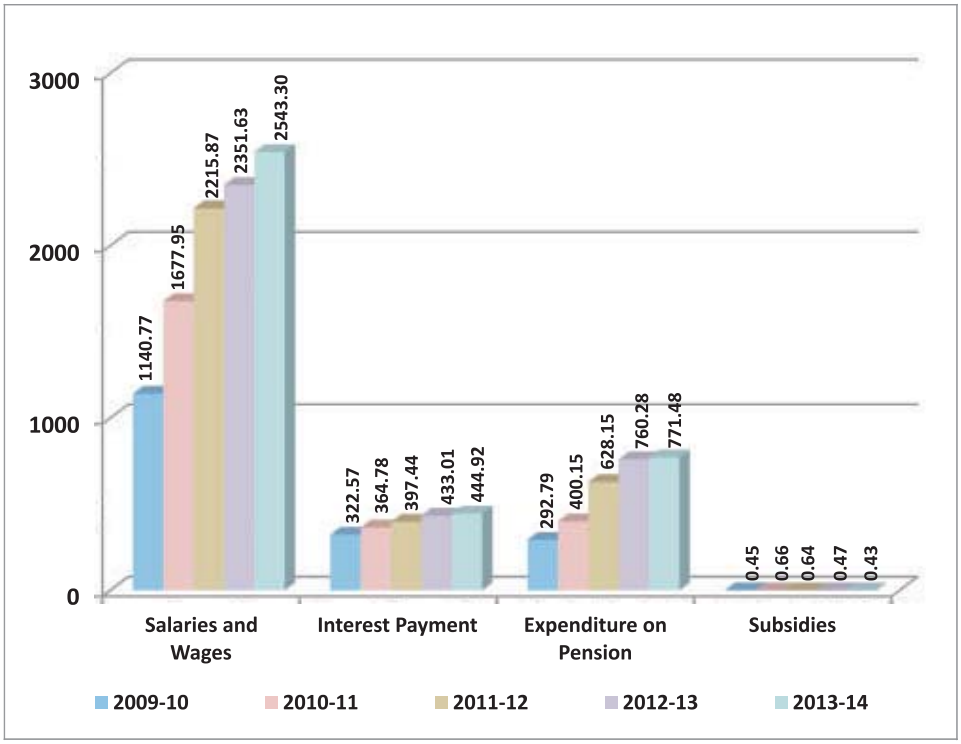
(Source: Voucher Level Computerisation of the Accountant General (A&E) for Salaries & Wages and Finance Accounts for others)

A graphical representation of the committed expenditure of the State is shown in the following chart:

[10] The subsidy figures as featured in Statement 2 of Finance Accounts has been adopted

Chart 1.9: Trend of Committed expenditure for the years 2009-14

(₹ in crore)



Salaries and Wages:- Salaries and Wages accounted for about 35 *per cent* of the Revenue receipts of the State during 2013-14 and increased by ₹ 191.67 crore (8 *per cent*) over the previous year. The outgo on Salary and Wages in 2013-14 was 123 *per cent* of that of 2009-10. Salary expenditure under non-plan head increased from ₹ 2217.97 crore in 2012-13 to ₹ 2320.45 crore in 2013-14. The Non-plan salary expenditure (₹ 2320.45 crore) was more than the projection made by the 13th Finance Commission (₹1380.23 crore) but less than the Budget figure (₹ 2565.01 crore).

Interest payment:- Interest payment increased by ₹ 11.91 crore from ₹ 433.01 crore in 2012-13 to ₹ 444.92 crore in 2013-14. Interest payment increased continually from ₹ 322.57 crore in 2009-10 to ₹ 444.92 crore in 2013-14. As in the previous year, Interest on internal debt constituted a major portion of Interest payment and accounted for 43 *per cent* while the remaining share was for payment of interest on Small Savings, Provident Funds *etc*. and on Loans and Advances from Central Government. Interest payment was more than the Budget estimate by ₹ 17.59 crore during 2013-14. Further, Interest payment exceeded the 13th Finance Commission projection (₹ 425.17 crore) by ₹ 19.75 crore.

Pension payment:- Pension payment increased by ₹ 478.69 crore (163 *per cent*) from ₹ 292.79 crore in 2009-10 to ₹ 771.48 crore in 2013-14. Pension payment increased marginally from ₹ 760.20 crore in 2012-13 to ₹ 771.48 crore in 2013-14. The increase was mainly due to increase in Gratuity (₹ 50.44 crore) and Government Contribution for Defined Contribution Pension

Scheme (₹ 25.62 crore) offset by decrease in Leave Encashment Benefits (₹ 59.20 crore) and Family Pension (₹ 5.69 crore).

The State Government had adopted (August 2010) the new Restructured Defined Contribution Pension Scheme of the GoI *mutatis mutandis* in respect of new entrants to the State's service with effect from 1 January 2005. The funds available under the head "Defined Contribution Pension Scheme for Government Employees" reduced from ₹ 84.87 crore in 2012-13 to ₹ 82.23 crore in 2013-14. During 2013-14, the State Government had deposited ₹ 79.61 crore (employees' contribution: ₹ 41.49 crore and Employer's share: ₹ 38.12 crore) in the Fund, which resulted in shortfall to the extent of ₹ 3.37 crore of Government contribution.

Subsidies: - As per Finance Accounts, amounts ranging from ₹ 0.43 crore to ₹ 0.66 crore is shown to have been given as subsidies by State Government to various departments. However, a closer look revealed that the State Government could be implicitly providing higher levels of support, particularly in the power sector, as cost of purchase of power (₹ 233.37 crore) was less than Non-tax revenue collection under Power (₹ 96.23 crore). Therefore, there is a need for proper booking of subsidies under appropriate head of account, so that the finances of the State could be depicted in a more transparent manner.

1.6.3 Non-plan Revenue expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for past obligations and as such does not result in any addition to the State's infrastructure and service network.

The targets of various components of expenditure fixed by the 13th Finance Commission *vis-à-vis* Actuals in respects of NPRE during 2013-14 and its component are as shown in the following table:-

Table 1.19: 13th FC recommendations of NPRE *vis-à-vis* Actuals

(₹ in crore)

13th FC/ Actuals	Salary	General Services (GS)	Interest Payment (under GS)	Pension (under GS)	Social Services (SS)	Economic Services (ES)	Assignment to Local Bodies etc.	Total of Non-Plan revenue expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)(2+3+6+7+8)
13th FC	1380.23	944.33	425.17	364.40	190.90	163.00	651.77	3330.23
Actuals*	2320.45	1482.85	444.92	771.48	70.67	387.85	244.07	4505.89

* Under GS, SS and ES, the salary booked under these sectors has been deducted from the NPRE of respective sectors

(Source: 13th Finance Commission Report and Finance Accounts)

All the components of expenditure except for expenditure under Social sectors and Assignment to Local Bodies *etc*. exceeded the limits set by the 13th FC of NPRE in 2013-14. Non-plan revenue expenditure (NPRE) in 2013-14 was ₹ 4505.89 crore and was nearly 64 *per cent* of the Total expenditure (₹ 7010.76 crore). The NPRE in 2013-14 was kept within the limits of projections made in the MTFPS (₹ 4732.91 crore).

1.6.4 Financial Assistance by the State Government to Local Bodies, Urban Local Bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and other institutions during 2013-14 relative to the previous years is presented in the following table:

Table 1.20: Financial Assistance to local bodies, other institutions *etc.*

(₹ in crore)

Financial Assistance to Institutions[11]	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE*	Actual
Educational Institutions (Aided Schools, Aided Colleges, Universities *etc.*)	32.04	35.17	44.81	42.24	88.04	95.48
Municipal Corporations and Municipalities	3.60	3.81	3.72	15.57	27.91	14.72
Co-operative institutions	**	**	1.39	0.63	0.84	0.59
Other Institutions	1.67	2.11	0.86	6.42	19.38	17.63
Total	**37.31**	**41.09**	**50.78**	**64.86**	**136.17**	**128.42**
Assistance as percentage of RE	1.24	1.01	1.01	1.22	2.03	2.25

* BE – Budget estimates

** included in Other Institutions

(Source: Budget documents and Finance Accounts)

The total assistance (₹ 128.42 crore) provided during 2013-14 was less than the estimates made in the budget (₹ 136.17 crore) by ₹ 7.75 crore. As compared to 2012-13, the total assistance increased by ₹ 63.56 crore in 2013-14. Financial assistance to universities and educational institutions alone constituted nearly 74 *per cent* of the total assistance of the State Government during 2013-14. Amongst education services, maximum assistance was given to Non-Government Primary School (₹ 22.21 crore). The assistance increased from 1.22 *per cent* of the Revenue expenditure in 2012-13 to 2.25 *per cent* in 2013-14.

1.6.4.1 Local Bodies and Urban Local Bodies

The 73rd and 74th Constitutional amendment Acts marked a new era in the federal democratic set up of the country so far as it conferred constitutional status to the Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) and recognized them as the third tier of Government. The Constitutional amendments provide for devolution of powers and responsibilities with respect to preparation of plans and programmes for economic development and social justice and implementation of 29 subjects to PRIs and 18 subjects to ULBs listed in XIth and XIIth Schedule of the Constitution of India respectively.

Post the 73rd Constitutional amendment, the State Government enacted the Manipur Panchayati Raj (MPR) Act, 1994 and established a two-tier PRI system at the village and district levels. The State has 9 districts of which

[11] Only minor heads relating to "Assistance" under the respective major head of accounts had been considered.

5 districts are located in the hill areas and 4 districts are spread out in the valley. As on March 2014 there were 4 Zilla Parishads and 161 Gram Panchayats in the State. Consequent upon the 74th Constitutional amendment the Government enacted the Manipur Municipality Act, 1994. There are three categories of ULBs in the State *viz.,* Municipal Councils (MCs), Nagar Panchayats (NPs) and Small Town Committee (STC). As of March 2013 there were 9 Municipal Councils (MCs), 18 Nagar Panchayats (NPs) and one Small Town Committee (STC) in the State.

Devolution of funds, functions and functionaries (3 Fs) to PRIs and ULBs

The 73rd Constitutional amendment and the Manipur Panchayati Raj Act, 1994 envisaged transfer of the functions to PRIs listed in the XIth Schedule. Accordingly, the State Government through executive orders had to transfer all the 29 functions to the PRIs. For effective functioning of both the State Government and PRIs, Activity Mapping delineated the role and responsibility of PRIs. Out of 29 functions, the State Government devolved functions of 16 departments to PRIs as of March 2014. There has been no change in the 3Fs transferred since the first time the order was issued in 2005.

The 74th Constitutional amendments provide for devolution of powers and responsibilities with respect to preparation of plans and programmes for economic development and social justice and implementation relating to 18 subjects listed in the XIIth Schedule for ULBs. The Directorate of Municipal Administration, Housing and Urban Development (MAHUD), Government of Manipur intimated (December 2013) that out of 18 functions, 7 functions are now being performed by ULBs.

Thus, transfer of funds, functions and functionaries to PRIs and ULBs was not adequate and effective to enable them to function as institutions of local self government.

Accounting and auditing arrangement of PRIs and ULBs

PRIs: Sections 43 and 73 of MPR Act, 1994 stipulated that the accounts of GPs and ZPs shall be kept in such form and manner as may be prescribed. However, the basic records like Advance Register, Cheque Issue Register, Assets Registers and Receipt and Payment Accounts were not maintained in PRIs. The State Government issued an order in July 2014 that the accounts of the State would be maintained in the format as envisaged in the Model Accounting System as prescribed by the Ministry of Panchayati Raj, Government of India in consultation with the Comptroller and Auditor General of India with effect from April 2013. However, none of the PRIs in the State had maintained their accounts in the prescribed format.

The Director, Local Fund Audit (DLFA), Government of Manipur is the Primary Auditor and conducts audit of accounts of GPs and ZPs under Sections 44(1) and 74(1) of the Manipur Panchayati Raj Act, 1994 and is to forward the audit reports to GPs and ZPs within one month from the completion of date of audit. The DLFA intimated (September 2014) that except for GPs under DRDA Imphal West, all the PRIs were covered during the audit of DRDAs during 2013-14. The Director further stated that no Audit Report for any of the years was compiled.

The Principal Accountant General (Audit), Manipur conducts the audit of the accounts of PRIs under Sections 14(1) and 20(1) of C&AG's Duties, Power and Condition of Service (DPC) Act, 1971. The State Government had entrusted audit of PRIs to the C&AG of India under Technical Guidance and Support (TGS) arrangement in March 2012 by way of Gazette notification in pursuance of the 13th Finance Commission recommendations.

ULBs: The Ministry of Urban Development, GoI and the C&AG of India developed (December 2004) National Municipal Accounts Manual (NMAM) which is based on double entry accrual based accounting system and circulated it to the State Governments for adoption for greater transparency and control over finances. The State Government also issued an order to all ULBs in March 2011 for adoption of NMAM with immediate effect. Accordingly, the ULBs in the State were required to prepare their budget and maintain their accounts in the formats as prescribed in NMAM with appropriate codifications and classifications. It was, however, observed that none of the ULBs had adopted NMAM as of March 2014. All ULBs kept their accounts in conventional method without following any acceptable accounting standards. Due to non-maintenance of accounts in prescribed format, the actual financial position of ULBs in the State could not be ascertained.

The Director, Local Fund Audit (DLFA) conducts audit of accounts of MCs, NPs and STC under Sections 72(1) of the Manipur Municipalities Act, 1994. In September 2014, the DLFA intimated that the audits of accounts of 17 units out of 28 auditable ULBs units were conducted during the year 2013-14.

The Principal Accountant General (Audit), Manipur conducts the audit of the accounts of ULBs under Section 20(1) of C&AG's DPC Act, 1971 under Technical Guidance and Support (TG&S) module, as entrusted by the State Government in pursuance of the recommendation of the 13th Finance Commission. The State Gazette notification regarding entrustment of TG&S to the C&AG of India was issued in March 2012.

Reporting arrangement

Under TG&S arrangement, audit findings of test checked accounts of PRIs and ULBs conducted by the Accountant General are presented in the form of Annual Technical Inspection Report (ATIR) and submitted to the State Government for necessary action. There is a provision in the terms and conditions of TG&S entrustment that the C&AG of India or his representative will have the right to report to the State Legislature, the result of audit. Accordingly, the ATIR for the year 2012-13 was placed before the State Legislature on 16 July 2014, and the same was discussed by the Public Accounts Committee (PAC).

1.7 Quality of Expenditure

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

of expenditure use and its effectiveness (assessment of outlay-outcome relationships for selected services).

1.7.1 Adequacy of Public expenditure

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 Government to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods[12]. Apart from improving the allocation towards development expenditure[13], 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 (Development expenditure or Capital expenditure) to total expenditure (and/or GSDP), the better would be the quality of expenditure. The following table presents the trends in development expenditure relative to the aggregate expenditure of the State during 2013-14 *vis-à-vis* budgeted and the previous years.

Table 1.21: Components of Development Expenditure

(₹ in crore)

Components of Development Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE*	Actual
Development Revenue Expenditure	1707.14 (37.04)	2322.15 (38.70)	2696.66 (40.23)	2841.48 (41.66)	4143.52	2942.27 (41.97)
Development Capital Expenditure	1484.77 (32.22)	1653.30 (27.55)	1402.00 (20.92)	1275.69 (18.70)	2303.94	1071.57 (15.28)
Development Loans and Advances	6.70 (0.15)	3.55 (0.06)	-	1.00 (0.01)	3.00	-

* BE- Budget estimates (Figures in parentheses indicate percentage to Total/Aggregate expenditure)
(Source: Budget documents and Finance Accounts)

Development Revenue expenditure increased by ₹ 100.79 crore from ₹ 2841.48 crore in 2012-13 to ₹ 2942.27 crore in 2013-14. However, Development Revenue expenditure was less by ₹ 1201.25 crore than the budget estimate. Development Capital expenditure decreased by ₹ 204.12 crore from ₹ 1275.69 crore in 2012-13 to ₹ 1071.57 crore in 2013-14. The Development Capital expenditure shows a steady declining trend since 2010-11. The trend of diminishing Capital expenditure may affect the long term economic health of the State.

1.7.2 Efficiency of expenditure in Social and Economic Services

Percentages of Capital expenditure, Salaries and Wages and expenditure on Operation and Maintenance to the Total/Aggregate expenditure of the sector/sub-sector of some selected Social and Economic Services are shown in the following table:

[12] Refer glossary in Appendix 1.7
[13] Refer glossary in Appendix 1.7

Table 1.22: Efficiency of expenditure in Social and Economic Services

(*in per cent*)

Sector	2012-13			2013-14		
	Percentage of Capital expenditure (CE) to Total expenditure (TE) of the respective sector	Percentage of Revenue expenditure[14] (RE) *vis-a-vis*		Percentage of CE to TE	Percentage of RE[15] *vis-a-vis*	
		Salaries & wages	OM*		Salaries & wages	OM*
Social Services	18.81 (CE-₹ 354.04 crore) (TE-₹ 1882.26 crore)	65.75	0.62	16.98 (CE-₹ 328.05 crore) (TE-₹ 1931.71 crore)	69.79	0.49
Economic Services	41.22 (CE-₹ 921.65 crore) (TE-₹ 2235.91 crore)	36.33	6.27	35.71 (CE-₹ 743.52 crore) (TE-₹ 2082.13 crore)	35.25	5.32

* Operation and Maintenance (Source: Finance Accounts)

Capital expenditure under Social services decreased by ₹ 25.99 crore from ₹ 354.04 crore in 2012-13 to ₹ 328.05 crore in 2013-14. The share of Capital expenditure to total expenditure decreased from in 2012-13 to 16.98 *per cent* in 2013-14. Salaries and Wages as a percentage of Revenue expenditure increased from 65.75 *per cent* in 2012-13 to 69.79 *per cent* in 2013-14. This shows that the major outgo of Revenue expenditure under Social services is for payment of Salary and Wages. The trend of diminishing Capital expenditure may affect long term economic health of the State.

Capital expenditure under Economic services decreased by ₹ 178.13 crore from ₹ 921.65 crore in 2012-13 to ₹ 743.52 crore in 2013-14. The outflow of Salaries and Wages as a percentage of Revenue expenditure was much better under Economic services as compared to Social services. Under Social services 69.79 *per cent* of Revenue Expenditure was utilised as Salary and Wages. However, it was only 35.25 *per cent* under Economic services. Under Economic services Operation and maintenance cost as a percentage of Revenue expenditure decreased from 6.27 *per cent* in 2012-13 to 5.31 *per cent* in 2013-14.

1.8 Financial analysis of expenditure and investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover the cost of borrowed funds rather than bearing the same in its budget in the form of implicit subsidy; and alongwith take requisite steps to infuse transparency in financial operations. This section presents the

[14] Revenue Expenditure - ₹ 1528.22 crore (Social Sector) and ₹ 1313.26 crore (Economic Sector)

[15] Revenue Expenditure - ₹ 1603.66 crore (Social Sector) and ₹ 1338.61 crore (Economic Sector)

broad financial analysis of investments and other capital expenditure undertaken by the Government during 2013-14 *vis-à-vis* previous years.

1.8.1 Incomplete projects:

The department-wise information pertaining to some major incomplete projects of which the scheduled date of completion is already over as on 31 March 2014 is given in the following table:

Table 1.23: Department-wise Profile of Incomplete Projects

(₹ in crore)

Department	Year of commencement of the Projects	No. of incomplete Projects	Initial Budgeted Cost	Cumulative expenditure as on 31.03.2014
Minor Irrigation	Between 2010-11 and 2011-12	4	17.44	12.71
Public Health Engineering	2011-12	2	10.98	6.30
MOBC & SC*	Between 2009-10 and 2011-12	8	18.27	11.97
Medical, Health and Family Welfare	2008-09	2	27.13	29.09
Tourism	Between 2008-09 and 2011-12	19	100.94	73.22
Veterinary and Animal Husbandry	2008-09	1	7.49	7.34
Public Works	2011-12	1	6.72	3.90
Total		**37**	**188.97**	**144.53**

* Minorities and Other Backward Classes and Scheduled Caste (Source: Finance Accounts)

As of 31 March 2014, there were 37 incomplete projects each costing ₹ 1.00 crore and above, involving a total budgeted cost of ₹ 188.97 crore on which an expenditure of ₹ 144.53 crore had already been incurred. The above list does not include projects for which the targeted dates of completion have been revised. Delay in completion of works invites the risk of escalation in cost of the works besides depriving the beneficiaries of the benefits of the projects.

1.8.2 Investment in companies, corporations and co-operative societies and returns

As of 31 March 2014, the State Government had invested ₹ 160.30 crore[16] in statutory corporations, rural banks, joint stock companies and co-operatives. Against the progressive balance of Investment ranging from ₹ 160.18 crore to ₹ 176.31 crore during 2009-14, the State Government could earn ₹ 42,000 only from the investment made on these corporations/companies *etc*. while it paid an average rate of interest ranging from 6.19 *per cent* to 6.52 *per cent* on its borrowings. Investments as on 31 March 2014 were made in two statutory corporations, 15 Government companies and various types of co-operative banks and institutions the details of which are shown in the following table:

[16] Investment/Share as featured in Statement 1 of Finance Accounts has been adopted

Table 1.24: Return on Investment from Companies/Corporations *etc.*

(₹ in crore)

Investment/Return/Cost of Borrowings	2009-10	2010-11	2011-12	2012-13	2013-14
Investment at the end of the year	176.25	176.31	160.18	160.29	160.30
Return	Δ	ΔΔ	*	ΔΔ	*
Return (*per cent*)	-	-	-	-	-
Average rate of interest on Govt. borrowing *(per cent)*	6.19	6.21	6.27	6.52	6.42
Difference between interest rate and return *(per cent)*	6.19	6.21	6.27	6.52	6.42

Δ only ₹ 28,000; ΔΔ only ₹ 4,000; * only ₹ 3,000 (Source: Finance Accounts)

To improve the financial situation of the State, it would be expedient to ensure that the investment fetches a commensurate return. Earning of return of only ₹ 3,000 against investment of ₹ 160.30 crore is negligible. The State Government may need to critically review the functioning of the corporations, companies and co-operatives to make their operations viable.

1.8.3 Investment in Public Private Partnership (PPP) projects

The State Government has not reported (September 2014) any investment through Public Private Partnership mode during 2013-14.

1.8.4 Loans and advances by the State Government

In addition to investments in co-operative societies, corporations and companies, the State Government had also been providing loans and advances to many institutions/organizations. The following table presents the outstanding loans and advances as on 31 March 2014, and Interest receipts *vis-à-vis* Interest payments during 2009-10 to 2013-14.

Table 1.25: Average Interest Received on Loans and Advances by the State Government

(₹ in crore)

Quantum of Loans/Interest Receipts/Cost of Borrowings	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE*	Actual
Opening Balance	199.20	202.81	205.42	203.61	206.32	206.32
Amount advanced during the year	6.89	3.80	0.08	3.30	4.20	0.04
Amount repaid during the year	3.28	1.19	1.89	0.59	3.60	1.23
Closing Balance	**202.81**	**205.42**	**203.61**	**206.32**	**206.92**	**205.13**
Of which Outstanding balance for which terms and conditions have been settled	NA	NA	NA	NA	NA	NA
Net addition	3.61	2.61	(-) 1.81	2.71	0.60	(-) 1.19
Interest Receipts	2.23	7.37	1.25	0.94	NA	0.35
Interest receipts as *per cent* to outstanding Loans and Advances	1.10	3.59	0.61	0.46	NA	0.17
Total Interest payments as *per cent* to outstanding fiscal liabilities of the State Government	5.81	5.89	6.13	6.37	NA	6.30
Difference between interest payments and interest receipts (*per cent*)	4.71	2.30	5.52	5.91	NA	6.13

* *BE- Budget estimates* ** *NA - Not available*
(Source: Budget documents and Finance Accounts)

The opening balance of outstanding Loans and Advances as on 31 March 2014 was ₹ 206.32 crore. Against repayment of Loans/Advances of ₹ 1.23 crore, an

amount of ₹ 0.04 crore was advanced during 2013-14. Interest receipt has decreased significantly from ₹ 7.37 crore in 2010-11 to ₹ 0.35 crore in 2013-14. Pertinently, Interest receipt of ₹ 0.35 crore against an opening balance of ₹ 206.32 crore is insignificant. The State Government may therefore need to ensure realisation of commensurate returns from the Loans and Advances.

1.8.5 Cash Balances and Investment of Cash Balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatch in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from RBI has been put in place. The operative limit for Normal Ways and Means Advances is reckoned on the three years average of revenue receipts and the operative limit for Special Ways and Means Advances is fixed by the RBI from time to time, depending on the holding of Government securities. The limit for Normal Ways and Means Advances had been fixed (April 2006) at ₹ 60 crore by the RBI. The position of Ways and Means Advances and Overdraft is shown in the following table:

Table 1.26: Ways and Means Advances and Overdrafts

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Ways and Means Advance					
Availed in the year	-	-	89.95	534.65	274.52
Outstanding WMAs	-	-	89.95	97.92	-
Interest paid	-	-	-	1.21	0.19
Number of days	-	-	1	72	13
Overdraft					
Number of days	-	-	1	31	8

(Source: Finance Accounts)

The State Government resorted to Ways and Means Advance during the last three years during 2011-12 to 2013-14. The State availed Special Ways and Means Advance (WMA) during 2013-14 for 13 days, Normal WMA for 8 days and Overdraft for 8 days. In 8 days, Special WMA, Normal WMA and Overdraft was availed. There was a Opening balance of WMA of ₹ 97.92 crore. During 2013-14, the State resorted to WMA of ₹ 274.52 crore and discharged WMA of ₹ 372.44 crore. All the WMA was cleared during the current year (2013-14). An Overdraft ranging from ₹ 20.12 crore to ₹ 114.40 crore was availed during 2013-14.

The following table depicts the cash balances and investments made by the State Government out of cash balances at the beginning and at end of 2013-14:

Table 1.27: Cash balances and investment of cash balances as on 31 March 2014

(₹ in crore)

Particulars	Opening balance on 1.4.2013	Closing balance on 31.3.2014
(a) General Cash Balance -		
Cash in Treasuries	4.62	4.62
Deposits with Reserve Bank	(-) 249.12	(-) 72.82
Deposits with other Banks	-	-
Remittances in transit - Local	1.20	0.08
Sub-total	**(-) 243.30**	**(-) 68.12**
Investments in Cash Balance investment account[17]	2.43	315.10
Total (a)	**(-) 240.87**	**246.98**
(b) Other Cash Balances and Investments		
Cash with departmental officers[18]	49.77	36.85
Permanent advances for contingent expenditure with departmental officers	0.02	0.02
Investment of earmarked funds	135.71	179.99
Total (b)	**185.50**	**216.86**
Grand total (a)+ (b)	**(-) 55.37**	**463.84**

(Source: Finance Accounts)

Against opening cash balance of minus ₹ 55.37 crore at the beginning of the year, the cash balance closed at a substantial amount of ₹ 463.84 crore at the end of the year. This was mainly due to substantial increase in balance kept in Cash Balance Investment account. There was cash balance of ₹ 36.85 crore lying with the departmental officers.

1.9 Assets and Liabilities

1.9.1 Growth and Composition of Assets and Liabilities

In the existing 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 1.5** gives an abstract of such liabilities and assets as on 31 March 2014, compared with the corresponding position on 31 March 2013. While the liabilities in this Appendix consist mainly of internal borrowings, receipts from the Public Account, Small Savings, Provident Funds and Loans and Advances from Central Government, the assets comprise mainly the capital expenditure, Remittance Balance and Loans and Advances given by the State Government.

1.9.2 Fiscal Liabilities

The composition of Fiscal liabilities during 2013-14 *vis-à-vis* the previous year are presented in the following Charts:

[17] GoI Treasury bills-₹ 315.10 crore, Long term investment- Nil, Other investment-Nil
[18] Public Works Department Officers, and Forest Department Officers

(₹in crore)

Chart 1.10: Composition of outstanding fiscal liabilities as on 31 March 2013

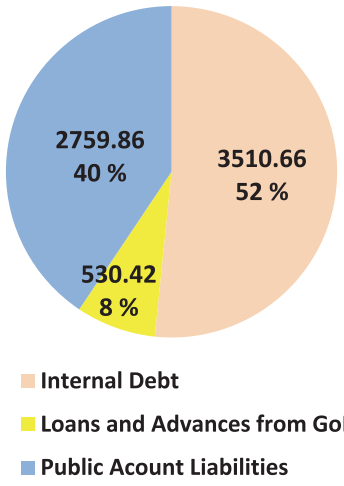
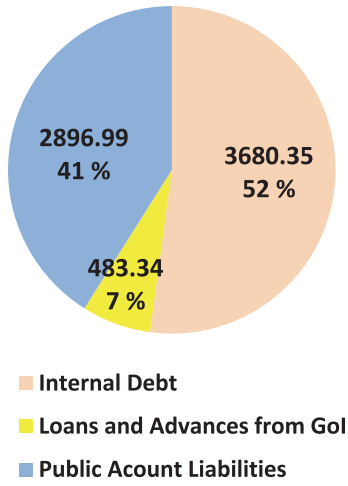


Chart 1.11: Composition of outstanding fiscal liabilities as on 31 March 2014



The following table presents the Fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP and Revenue receipts.

Table 1.28: Details showing Fiscal liabilities, its growth rate and ratio to GSDP

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Fiscal liabilities [19]	5552.92	6192.26	6483.16	6800.94	7060.68
Rate of growth *(per cent)*	13.92	11.51	4.70	4.90	3.82
Ratio of Fiscal liabilities to					
GSDP (*per cent*)	67.28	67.99	62.28	58.06	46.36
Revenue receipts *(per cent)*	143.37	114.07	114.67	99.72	96.95

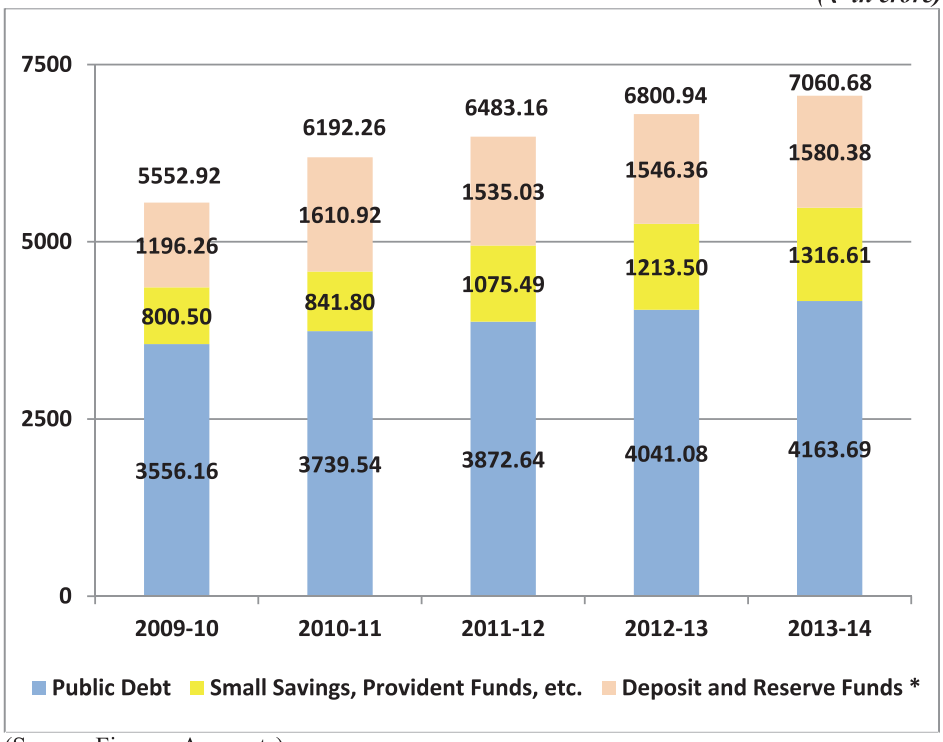
The overall Fiscal liabilities of the State Government increased by ₹ 259.74 crore from ₹ 6800.94 crore in 2012-13 to ₹ 7060.68 crore in 2013-14.

The Fiscal liabilities to GSDP ratio which maintained an increasing trend during 2009-11 has declined since 2010-11. The ratio of Fiscal liabilities to GSDP during 2009-12 remained above 60 *per cent*. The ratio of Fiscal liabilities to GSDP decreased from 62.28 *per cent* in 2011-12 to 46.36 *per cent* in 2013-14. This indicates that the rate of Fiscal liabilities has grown at a slower pace as compared to the growth of GSDP during 2012-13 and 2013-14. The ratio of Fiscal liabilities to Revenue receipts was above 100 *per cent* during 2009-12. The Fiscal liability was 96.95 *per cent* of Revenue receipts in 2013-14. The trends are further depicted in the following chart.

[19] Refer glossary in Appendix 1.7. Fiscal Liabilities as shown in the Table is inclusive of Investment out of Reserved Funds

Chart 1.12: Trend showing composition of fiscal liabilities during 2009-14

(₹ in crore)



(Source: Finance Accounts)

The increase in Fiscal liabilities (₹ 259.74 crore) was mainly due to increase in Internal Debt (₹ 169.69 crore), Small Savings, Provident Funds *etc*. (₹ 103.11 crore), Reserve Fund (₹ 48.45 crore) partially offset by decrease in Loans and Advances from the Central Government (₹ 47.08 crore).

The increase in Internal Debt was mainly due to three market loans totalling to ₹ 350 crore, borrowed with interest rate ranging from 9.46 *per cent* to 9.75 *per cent*. The increase in Small Savings, Provident Funds *etc*. was mainly due to State Provident Funds (₹ 103.70 crore). Loans and Advances from Government of India decreased as repayment of ₹ 47.08 crore was made and no further loans were obtained from Government of India.

1.9.3 Transactions under Reserve fund

The State has four Reserve Funds *viz.,* State Disaster Response Funds, Sinking Funds, Depreciation Reserve Funds of Government Commercial Departments/Undertakings and Guarantee Redemption Funds.

The State Disaster Response Fund has been set up by the State Government in 2010-11, as per the recommendations of the 13th Finance Commission (FC). The corpus of the funds is required to be contributed by the Central and the State Government in the proportion of 90:10. The Government of India had released ₹ 8.52 crore (including ₹ 1 crore released for Capacity Building Disaster Response) in 2013-14. Against this, the State Government transferred ₹ 4.18 crore (₹ 3.76 crore out of Central share and ₹ 0.42 crore as State's

share) to the Fund in 2013-14. As on 31 March 2014, the total amount under this head amounting to ₹ 30.11 crore[20] was lying idle.

The Consolidated Sinking Fund for amortization of market borrowings, other loans and debt obligations has been set up (February 2008) by the State Government, as per the recommendation of the 12th Finance Commission (FC). As per guidelines of the fund, the State Government is required to contribute a minimum of 0.5 *per cent* of its outstanding liabilities (internal debt *plus* public accounts) as at the end of the previous year. Accordingly, the contribution due from the State Government in 2013-14 was ₹ 34.00 crore (0.5 *per cent* of outstanding liabilities of ₹ 6800.94 crore as on 31 March 2013). Against this the State Government contributed ₹ 24.30 crore to the Fund in 2013-14. The Reserve Bank of India (RBI) deposited ₹ 12.24 crore during the year as interest accrued on investment of earlier year. The entire corpus of the Fund as on March 2014 amounting to ₹ 145.18 crore was invested in Government of India Securities.

The State Government has set up (February 2008) a guarantee redemption fund to meet the contingent liabilities arising from such guarantees, as per the recommendation of the 12th FC. The State Government transferred an amount of ₹ 6 crore to this fund during 2013-14. The RBI deposited ₹ 1.73 crore during 2013-14 as interest accrued on investment of earlier year. The entire corpus of the Fund as on March 2014 amounting to ₹ 24.63 crore was invested in Government of India Securities.

One reserve fund *viz.,* Depreciation Reserve Funds of Government Commercial Department/Undertakings had been inoperative for the last four years. An amount of ₹ 23.98 lakh is lying in the account, unutilised for the last four years.

1.9.4 Contingent liabilities

Status of Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee had been extended. As per the FRBM Act and the Manipur Ceiling on State Government Guarantee Act, 2004, the total outstanding guarantees as of 1 April of any year shall not exceed thrice the State's own tax revenue receipts of the second preceding year.

The maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years is given in the following table:

[20] Under Major Heads – 8121 and 8235

Table 1.29: Guarantees given by the Government of Manipur

(₹ in crore)

Guarantees		2009-10	2010-11	2011-12	2012-13	2013-14
Maximum amount guaranteed		197.24	196.04	195.55	193.98	197.45
Outstanding at the beginning of the year	Principal	189.66	110.34@	111.98	78.84	76.69
	Interest	83.90	97.10	120.62	96.51	123.04
	Total	**273.56**	**207.44**	**232.60**	**175.35**	**199.73@**
Invoked during the year (Discharge)		61.18	16.39	33.14	6.80	-
Outstanding at the end of the year	Principal	128.48@	111.98	78.84	76.69	75.57
	Interest	66.27	120.62	96.51	123.04	139.73
	Total	**194.75**	**232.60**	**175.35**	**199.73@**	**215.30**
Number of guarantees		17	15	14	13	13
Percentage of maximum amount guaranteed to Total revenue receipts		5.09	3.61	3.47	2.84	2.71

(Source: Finance Accounts) NA:-Not available

@ Closing balances of 2009-10 and 2012-13 (Audit Report 2012-13) since reconciled between concerned Departments and Finance Department

The outstanding guarantee of ₹ 215.30 crore was kept within the limit[21] of the FRBM Act *ibid.* No additional guarantee has been given by the State Government during 2013-14. There was a closing outstanding guarantee of ₹ 215.30 crore, of which ₹ 75.57 crore was the principal amount and ₹ 139.73 crore was the interest amount. As can be seen, the interest amount was about 85 *per cent* of the principal amount. As against the outstanding guarantee of ₹ 215.30 crore, the corpus available in the Guarantee Redemption Fund was only ₹ 24.63 crore.

1.10 Debt Management

Fiscal deficit is usually managed by way of borrowings by the State. The rate of growth of debt, the debt repayment liability, Public debt repayment, reliance on debt for financing current expenditure (not capital expenditure) are discussed in succeeding paragraphs.

1.10.1 Debt Profile

The maturity profile of debt at the end of 2013-14 is shown in the following table:

Table 1.30: Maturity Profile of debt

(₹ in crore)

Maturity profile (in years)	Year of maturity	Amount
0 - 1	2014-15	106.11
1 - 3	2015-17	457.25
3 - 5	2017-19	610.05
5 – 7	2019-21	647.41
7 – 9	2021-23	702.02
9 -11	2023-25	840.80
11 - 15	2025-29	26.17
Miscellaneous*	-	773.88
Total		**4163.69**

* *Year of Maturity not known* (Source: Finance Accounts)

[21] Not to exceed thrice the State's own tax revenue receipts of the second preceding year *i.e,* ₹ 1104.21 crore (368.07 x 3)

Maturity profile of the existing debt of the State shows that repayment burden will increase from ₹ 106.11 crore in the (0-1) year slab to ₹ 457.25 crore by the (1-3) years slab. In the next (3-5) years slab, this will increase to ₹ 610.05 crore. There will be higher repayment pressure in the (5-7) years slab (₹ 647.41 crore) and at (7-9) years slab (₹ 702.02 crore). The year wise details of maturity profile of debt at the end of 2013-14 is given in **Appendix 1.6.**

1.10.2 Debt sustainability

Apart from the magnitude of the debt of State Government, it is important to analyze various indicators that determine the debt sustainability[22] of the State, sufficiency of non-debt receipts[23]; net availability of borrowed funds[24]; *etc.* The following table analyzes the debt sustainability of the State according to these indicators during 2009-14.

Table 1.31: Debt sustainability, Indicators and Trends

(₹ in crore)

Indicators of debt sustainability	2009-10	2010-11	2011-12	2012-13	2013-14
Debt stabilization (Quantum spread[25] + Primary deficit)	(-) 148.33	25.93	(-) 152.29	820.96	1504.37
Sufficiency of non-debt receipts (Resource gap)	(-) 515.77	(+)164.26	(-)478.23	1045.93	274.30
Net availability of borrowed funds	335.70	240.12	(-)137.51	(-)151.56	(-) 185.18
Burden of interest payments (IP/RR* Ratio percentage)	8.33	6.72	7.03	6.35	6.11

* *IP – Interest Payment and RR – Revenue Receipts* (Source: Finance Accounts)

The above table shows that the quantum spread alongwith primary deficit turned from a negative figure in 2011-12 to a positive figure during 2012-13 and 2013-14. This indicates debt would eventually stabilise if this trend is continued. Further the sufficiency of non-debt receipts to cover incremental expenditure also turned from negative to positive figure in 2012-13 and maintained a positive trend in the current year (2013-14). However, the net availability of borrowed funds is negative for the last three years *i.e* 2011-12, 2012-13 and 2013-14, indicating greater re-payment than borrowing in the respective years. The burden of interest payment reduced from 7.03 *per cent* in 2011-12 to 6.11 *per cent* in 2013-14.

1.10.3 Debt consolidation and relief facility

The States' enactment/amendment of the FRBM Act, incorporating the targets prescribed in the 13th FC was a pre-condition for release of all State-specific grant and debt relief measures. The State Government enacted the Manipur FRBM Act in August 2005 to ensure prudence in fiscal management and fiscal stability by achieving sufficient revenue surplus, reduction in fiscal deficit,

[22] Refer glossary in Appendix 1.7
[23] Refer glossary in Appendix 1.7
[24] Refer glossary in Appendix 1.7
[25] Refer glossary in Appendix 1.7

prudent debt management consistent with fiscal sustainability, and greater transparency in fiscal operations of the Government. As per Manipur FRBM Rules 2005 (enacted in December 2005) and subsequent amendments framed under the FRBM Act of August 2005, the various fiscal targets in respect of revenue surplus and fiscal deficit were set. The targets prescribed under the Act and the Rules are given in **Appendix-1.1 Part E.**

1.10.4 Off-budget borrowings

The State Government has not reported (September 2014) any off-budget borrowings during 2013-14.

1.11 Fiscal imbalances

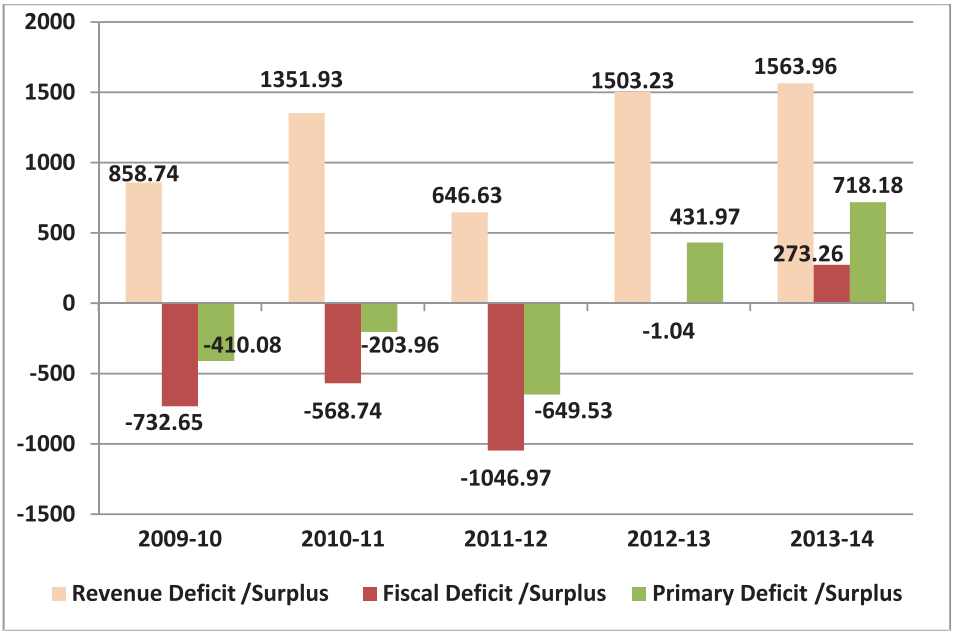
Three key fiscal parameters *i.e.* revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied, are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits.

1.11.1 Trends in Deficits/Surplus

The following chart presents the trends in deficit indicators during 2009-14:

Chart 1.13: Trends of deficit/surplus indicators

(₹ in crore)



The overall Fiscal situation of the State has improved in 2013-14. The Fiscal deficit has been continually reduced from its peak figure of ₹ 1046.97 crore in 2011-12 to ₹ 1.04 crore in 2012-13 before turning into Fiscal surplus of ₹ 273.26 crore in 2013-14. The Revenue surplus also improve considerably in 2012-13 and increased further ₹ 60.73 crore (₹ 1563.96 crore *minus* ₹ 1503.23 crore) in 2013-14. The Primary deficit experienced during 2009-10 to 2011-12 turned its trend in 2012-13 to surplus of ₹ 431.97 crore. This improved further to a Primary surplus of ₹ 718.18 crore in 2013-14. Thus, overall, the fiscal situation has improved considerably.

The success in bringing down of the deficits was achieved mainly by increase of Grants-in-aid from Government of India (₹ 173.28 crore), Tax revenue (₹ 139.90 crore) and Share of Union Taxes/duties (₹ 120.96 crore). The State Government achievement of increasing Tax revenue of ₹ 139.90 crore (42 *per cent*) in 2013-14 over previous year figure of ₹ 332.83 crore is significant.

The reduction in Fiscal deficits was also managed by reducing Capital expenditure. As in the previous year in 2012-13, this trend has continued in 2013-14, and Capital expenditure has reduced further by ₹ 209.67 crore to ₹ 1291.89 crore in 2013-14 as compared to ₹ 1501.56 crore in 2012-13.

Thus, the State Government may consider stepping up collecting more Revenues as collected in the current year (2013-14), recovering Loans, earning more Interest on investments and maintaining a proper growth of Capital expenditure so that pace of development activities and creation of concrete assets are increased.

1.11.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit is shown in the following table:-

Table 1.32: Components of fiscal deficit and its financing pattern

(₹ in crore)

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Decomposition of fiscal deficit (-) /surplus (+)		(-)216.88	(-) 732.65	(-)568.74	(-)1046.97	(-)1.04	(+) 273.26
1	Revenue surplus	1250.34	858.74	1351.93	646.63	1503.23	1563.96
2	Net capital expenditure	(-) 1466.80	(-) 1587.78	(-)1918.06	(-)1695.41	(-)1501.56	(-) 1291.89
3	Net Loans and Advances	(-) 0.42	(-) 3.61	(-)2.61	1.81	(-)2.71	1.19
Financing/utilisation pattern of fiscal deficit/surplus*							
1	Market Loans	248.79	445	206.20	76.97	182.01	288.17
2	Loans from the GoI	(-)239.96	(-) 41.97	(-) 45.27	(-)64.93	(-)44.01	(-) 47.08
3	Special Securities Issued to NSSF**	199.46	(-) 2.67	(-) 5.91	(-)12.85	(-)16.19	(-) 21.50
4	Loans from Financial Institutions	(-)4.08	2.77	28.36	43.96	38.66	0.94
5	Ways and Means Advance	-	-	-	89.95	7.97	(-) 97.92
6	Small Savings, PF** *etc.*	52.32	24.94	41.31	233.69	138.01	103.11
7	Deposits and Advances	83.72	226	386.78	(-)114.24	(-)36.74	(-) 14.43
8	Suspense and Miscellaneous	(-)4.78	(-) 34.34	(-) 0.28	6.23	1.77	1.91
9	Remittances	(-)48.16	(-) 160.23	(-) 81.22	21.57	(-)2.09	(-) 15.71
10	Reserve Fund	5.40	24.52	27.87	38.35	48.08	48.46
Increase (-)/decrease in cash balance		(-)75.83	248.65	10.92	728.28	(-)316.43	(-) 519.21

* *All these figures are net of additions and discharges during the year*

** *NSSF – National Small Saving Funds and PF – Provident Funds*

(Source: Finance Accounts)

The Fiscal deficit reduced significantly from ₹ 1046.97 crore in 2011-12 to ₹ 1.04 crore in 2012-13, and turned to Fiscal surplus of ₹ 273.26 crore in 2013-14. The surplus was mainly utilised to repay Ways and Means Advance from RBI and repayment of Loans from Government of India. Alongwith cash inflow from Market Loans, Small Savings *etc*., there was increase of ₹ 519.21 crore of cash balance at the close of 2013-14 as compared to that of previous year.

1.11.3 Quality of Deficit/Surplus

The decomposition of Primary deficit into Primary revenue deficit/surplus and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances; which would further indicate the extent to which the deficit/surplus has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy. The following table indicates decomposition of primary deficit/surplus:

Table 1.33: Primary deficit/surplus, Bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary revenue expendi-ture *	Capital expendi-ture	Loans and Advances	Primary expendi-ture	Primary revenue surplus	Primary deficit (-)/ surplus (+)
(1)	(2)	(3)	(4)	(5)	6 (3+4+5)	7 (2-3)	8 (2-6)
2009-10	3,876.42	2,692.83	1,587.78	6.89	4,286.50	1,184.59	(-) 410.08
2010-11	5,431.13	3,713.23	1,918.06	3.80	5,635.09	1,717.90	(-) 203.96
2011-12	5655.44	4609.48	1695.41	0.08	6304.97	1044.07	(-) 649.53
2012-13	6820.35	4883.52	1501.56	3.30	6388.38	1936.83	(+) 431.97
2013-14	7284.02	5273.91	1291.89	0.04	6565.84	2010.11	(+) 718.18

(Source: Finance Accounts)

* Net of Revenue expenditure and Interest payment

The Non-debt receipts of the State during 2009-14 were sufficient to meet the Primary revenue expenditure. During 2012-13 and 2013-14 it was more than the Primary expenditure, resulting in primary surplus. In the remaining three years (2009-12) the Primary surplus was not adequate to cover the Capital expenditure and Loans and Advances. The non-debt receipt of the State increased by 88 *per cent* from ₹ 3876.42 crore in 2009-10 to ₹ 7284.02 crore in 2013-14. The Primary expenditure increased by 53 *per cent* from ₹ 4286.50 crore in 2009-10 to ₹ 6565.84 crore in 2013-14. Capital expenditure, however, reduced by 19 *per cent* from ₹ 1587.78 crore to ₹ 1291.89 crore during 2009-14.

1.12 Conclusion and recommendations

Revenue receipts

Revenue receipt increased by ₹ 463.03 crore in 2013-14 over the previous year. The increase was mainly due to increase of Grants-in-aid from the GoI (₹ 173.28 crore), Tax revenue (₹ 139.90 crore), and Share of Union Taxes/duties (₹ 120.96 crore) in 2013-14 over the previous year. Increase of Grants-in-aid from the GoI and Share of Union Taxes/duties constituted 64 *per cent* of increase of Revenue receipts. Significant achievement was made by the State Government in increasing Tax revenue by ₹ 139.90 crore (42 *per cent*) in 2013-14 over the previous year. Non-tax collection, however, could increase marginally by ₹ 28.89 crore. However, the State Government made unrealistic estimates of Non-tax collection in the Budget estimates and MTFPS despite low collection of Non-tax revenue during 2009-10 to 2013-14. **(paras 1.1.1 and 1.3)**

The State Government may ensure maintenance of the trend of Tax collection in coming years also for overall positive fiscal health of the State. Non-tax revenue needs greater attention of the State Government, especially collection under Power sector. Budget estimates of Non-tax collection also needs to be made more realistic.

Expenditure Status

During 2013-14, the Total expenditure increased by ₹ 189.37 crore (3 *per cent*) from the previous year. Increase in Total expenditure was restricted mainly due to decline in Capital expenditure. It decreased by ₹ 209.67 crore in 2013-14 from the previous year. Salaries and Wages accounted for about 35 *per cent* of Revenue receipts of the State during 2013-14 and increased by ₹ 191.67 crore (8 *per cent*) over the previous year. Interest payment increased by ₹ 11.91 crore in 2013-14 from the previous year. Further, Pension payment also increased from ₹ 760.28 crore in 2012-13 to ₹ 771.48 crore in 2013-14. Capital expenditure is showing a declining trend since 2010-11. Revenue expenditure, on the other hand has increased steadily during 2009-14. Revenue expenditure as a percentage of the total expenditure increased from 65.40 *per cent* in 2009-10 to 81.57 *per cent* in 2013-14. This shows that a bulk of the total expenditure is increasingly being spent on meeting maintenance expenditure, salary *etc*. **(paras 1.6.1 and 1.6.2)**

The State Government may ensure that financial surplus is not achieved at the cost of restricting Capital expenditure, as such trend of diminishing Capital expenditure may affect adversely the long term economic health of the State by restricting investment and infrastructure creation.

Investment made in Government corporations/companies and recovery of Loans and Advances

Against the investment of ₹ 160.29 crore at the beginning of the financial year 2013-14 in statutory corporations, rural banks, joint stock companies and co-operatives, the State Government could earn only ₹ 3,000 during 2013-14.

Further, opening balance of outstanding Loans and Advances as on 31 March 2013 was ₹ 206.32 crore. Against this outstanding Loans and Advances, Interest of ₹ 0.35 crore (0.17 *per cent* of outstanding Loans and Advances) was received during 2013-14. Earning on account of such returns against Investment/ Loans and Advances is negligible. **(paras 1.8.2, 1.8.4 and 1.8.5)**

The State Government may critically review the functioning of the corporations, companies and co-operatives and may initiate appropriate actions to make their operation viable and also ensure appropriate returns from Loans and Advances.

Fiscal liabilities and fiscal position

Fiscal liabilities increased by ₹ 259.74 crore from the previous year to ₹ 7060.68 crore in 2013-14. The increase in Fiscal liabilities was mainly due to increase in Internal debt (₹ 169.69 crore) and State Provident funds (₹ 103.11 crore). Of the outstanding fiscal liability of ₹ 7060.68 crore as of 31 March 2014, liabilities with repayment obligations was ₹ 5480.30 crore[26] (77 *per cent* of Fiscal liability) comprising Public debt and Small Saving, Provident funds *etc*. Increase of devolution of Grants-in-aid from the GoI and

[26] Without taking into account the repayment obligations under Deposit heads.

significant increase in Tax revenue collection and a tightly controlled expenditure has resulted in managing Fiscal position in 2013-14. **(paras 1.9.2 and 1.11.1)**

The State Government may ensure that borrowings are channelized for asset creation and the development activities to increase growth and productivity. Otherwise, the accumulated liability may prove to be a strain to the economy of the State. The fiscal position of the State needs to be evaluated with due consideration to obtain optimal benefits out of the improved financial situation experienced by the State Government in the current year (2013-14).