An Evaluation of the State Finances of Tripura (2006-07 to 2016-17)

A Report Submitted
to
Fifteenth Finance Commission
Government of India

Submitted by
DR. SALIM SHAH
Lead Researcher, State Finances of Tripura
(XV Finance Commission, Govt. of India)
Department of Economics
Tripura University

An Evaluation of the State Finances of Tripura

A Report on the Health of State Finances of Tripura

2006-07 to 2016-17

FIFTEENTH FINANCE COMMISSION
GOVERNMENT OF INDIA

An Evaluation of the State Finances of Tripura, 2006-07 to 2016-17

Funded by: Fifteenth Finance Commission, Govt. of India

Research Team

Lead Research/Principal Author
Dr. Salim Shah, Assistant Professor, Deptt. of Economics, Tripura University

Research Assistant
Mr. Niranjan Debnath, Guest Faculty in Economics, Tripura University

Research Assistant-cum-Field Investigator
Ms. Priyanka Bhowmik, Research Scholar in Economics, Tripura University

Research Assistant-cum-Data Tabulator
Ms. Chandra Saha Roy, M. Sc. in Economics, Tripura University

Cover Design**:** Priyanka Bhowmik

Design and Composed by: Niranjan Debnath

PREFACE

Tripura, a tiny hilly state in the North Eastern Region of Indian Union, is the third smallest state (10,491.69 Sq. Km.) in the country and the second most populous state of the North Eastern Region after Assam (and also stands 18^{th} in terms of population density in the country). The population of Tripura increased from 31.99 lakh in 2001 to 36.74 lakh in 2011 with a decadal growth rate of 14.85 per cent. Tripura has been identified as a 'special category state' due to its backwardness and geographical isolation by Planning Commission, Government of India. The state is predominantly rural and agrarian, inhabited by a heterogeneous mix of tribes mostly living in the hills and non-tribes living in the plains. The tribes (comprising of 19 sub-tribes) have been shifting cultivators for ages. The non-tribes (Bengali speaking majority of the state comprising of SC, OBC and Others including Muslims) are mostly migrants or their descendants from the erstwhile East Pakistan. The altered demographic profile and its consequent declining land-man ratio led to ethnic conflict in the state for more than twenty five years. The industrially backward state is heavily dependent upon central assistance in all the sectors for real macroeconomic growth. The disparity in per capita income between Tripura and the nation has grown with time. Geographical isolation, lack of communication and shortage of power have the major barrier in the way of industrialization in the state. However, the state got well connected with the main land through railway network and also becomes a power surplus state in recent past which may be conducive for future industrialization by using its huge natural resource base.

Agriculture and allied sector has been playing the pivotal role in the state economy. About 70 per cent of its population depends on agriculture and allied activities. Primary sector is contributing about 45 per cent of NSDP. However, horizontal expansion of this sector is constrained by limited availability of cultivable lands (only 27 per cent of the total geographical area of the state). There has been a continuously declining relative share of the industry/secondary sector over the years. The constrained industrial ventures and compulsory expansion of agro-based allied and alternative activities, especially through SHG, Rubber etc. may be the cause of such an adverse process of development. The State Finances were in deep crisis during the Thirteenth Finance Commission award period and the state government had published a white paper entitled, '*13^{th} Finance Commission Report:*

A Review' pointing to the adverse award by the 13th FC and the resulted increase in negative Balances from Current Revenues (BCR). It is also fact that in spite of many difficulties, the state of Tripura is credited to be a good performer in terms of many of the social development parameters such as literacy rates, birth rate, death rate, infant mortality rate, maternal mortality rate, sex ratio etc. in comparison to the national average. However, high rates of poverty, low capital formation, inadequate infrastructure, lack of industrialization and deficiency of manufacturing sector, higher rates of unemployment among the educated youth are matters of great concern for the state. Therefore, evaluation of state finances for a state like Tripura is very challenging but essential for its future resource allocation and development.

The entire responsibility of the evaluation report goes to Salim Shah, Assistant Professor, Department of Economics, Tripura University. Indeed, Salim Shah, the Lead Researcher & Principal Investigator is extremely indebted to the whole research team which includes Niranjan Debnath, Priyanka Bhowmik and Chandra Saha Roy. Without their sincere and tireless effort, it would have been really difficult for me to complete the work at this form within such a short span of time. A special thanks to all of them. Thanks also to my student Mandip Singha for his sincere cooperation in many respects, especially during our visit to the Government offices.

Of course, a very special gratitude goes out to the Fifteenth Finance Commission, Government of India for providing the necessary funds for the research work. Heartfelt thanks to Shri M. Nagaraju, the then Principal Secretary, Department of Finance, Government of Tripura for all his valuable comments, suggestions and cooperation during the research work. Thanks also go to Mr. Akinchan Sarkar, Joint Secretary, Department of Finance, Government of Tripura and other staff of the Department for their kind cooperation and help whenever necessary. The documentation and maintenance of the departmental library by the Department of Finance, Government of Tripura prove to be very useful to us in completion of the research work. A special thanks to the people involved in the up gradation of the library.

Special mention must be made of the respondents of the various departments as well as Public Sector Undertakings of the Government of Tripura namely, Director, Department of Economics & Statistics; Director, Department of Industries & Commerce; Director, RD (Panchayat) Department; Director, Tribal Welfare Department; Director, Urban

Development Department; Chief Executive Member, Tripura Tribal Areas Autonomous District Council; Commissioner of Taxes; Chairman, Agartala Municipal Corporation; Managing Director, Tripura Forest Development & Corporation Limited; Managing Director, Tripura Industrial Development Corporation Limited; Managing Director, Tripura Small Industries Corporation Limited; Managing Director, Tripura Tea Development Corporation Limited; Managing Director, Tripura Road Transport Corporation Limited; Managing Director, Tripura Rehabilitation Plantation Corporation Limited; Managing Director, Tripura Urban Transport Company Limited; Managing Director, Tripura Natural Gas Corporation Limited; Managing Director, Tripura Jute Mills Limited; Managing Director, Tripura Tourism Development Corporation Limited; Managing Director, Tripura Handloom & Handicrafts Corporation Limited; Chairman, Tripura State Electricity Corporation Limited, Managing Director, Tripura Horticulture Corporation Limited for extending their hands of cooperation all through the work. It was a learning experience for us to interact with them.

And finally, last but by no means least, the Lead Researcher is highly indebted to the Authorities of Tripura University for giving permission and providing all the required facilities to carry out the research work. A special thanks to Sankar Roychoudhury, Debashish Roychoudhury and other staff of the R & D Section of the University.

Dr. Salim Shah
Lead Researcher & PI
State Finances of Tripura
(XV Finance Commission, Govt. of India)
Department of Economics, Tripura University

CONTENTS

CONTENTS	**vii**
LIST OF TABLES	**x**
LIST OF BOXES	**xi**
LIST OF FIGURES	**xii**
LIST OF ABBREVIATIONS	**xiii**
EXECUTIVE SUMMARY	**xv**
INTRODUCTION	**1 – 10**
Status of Revenue Capacities of the State	**11 – 40**
1.1 Sources of State Revenues: The Constitutional Provisions	11
1.2 An Overall Trend of Revenues: Tripura	14
1.3 Revenue Elasticity of GSDP	18
1.4 State of Tax Revenue	20
1.4.1 Own Tax Revenue Elasticity of GSDP	27
1.5 State of Non-Tax Revenues	27
1.5.1 Own Non-Tax Revenue Elasticity of GSDP	32
1.5.2 GST and Own Revenue Receipt of the State	33
1.6 Central Dependency of the State	34
1.6.1 Impact of Discontinuation of Plan Grants on State Finances	36
1.7 Major Observations	39
1.8 Looking at the Future	40
Components, Pattern and Trends of Public Expenditure	**43 – 67**
2.1 Public Expenditure: Meaning and Nature	43
2.2 Components of State Expenditure	44
2.3 Pattern of Developmental Expenditure	48
2.4 Pattern of Committed Expenditure	53
2.5 Public Expenditure Trends of the State	55
2.5.1 Budgetary Allocation to Social Sector: A Comparison	61
2.6 An Analysis of Public Expenditure Buoyancies	63
2.7 Major Observations	64
2.8 Looking at the Future	67
Analysis of Deficits	**69 – 80**
3.1 State Deficits: Types and Nature	69
3.2 Pattern and Trend of Revenue Deficit	70
3.3 Pattern and Trend of Fiscal Deficit	72
3.4 Trend of Primary Deficit	74
3.5 The Burden of Deficits for the State	74
3.5.1 Financial Implications of the 7th CPC Award	75

3.5.2 The Pre-devolution Revenue Deficit for the State 76
3.5.3 Steps towards Reducing the Burden of Committed Expenditure 77
3.6 Major Observations 78
3.7 Looking at the Future 80

Analysis of Debts **81 – 94**

4.1 Public Debts of the State: The Constitutional Provisions 81
4.2 Sources of Public Debt of the State 81
4.3 Composition of State Internal Debts 84
4.4 Trends of State Public Debts 89
4.5 Present Burden of Public Debts 90
4.6 Fiscal Consolidation Path (2020-21 to 2024-25) 92
4.7 Major Observations 92
4.8 Looking at the Future 94

Contingent Liabilities of the State **95 – 100**

5.1 Contingent Liabilities: Meaning and Nature 95
5.2 Major Types of Contingent Liabilities 95
5.3 Trend of Contingent Liabilities of Tripura 96
5.4 Pattern of Contingent Liabilities 97
5.5 Major Observations 98
5.6 Looking at the Future 100

Implementation of TFRBM Act, 2005 **101 –111**

6.1 The Mandate of FRBM 101
6.2 The FRBM Act in Tripura (TFRBM Act, 2005) 102
6.3 Implementation of TFRBM Act, 2005 103
6.4 Impact of FRBM Act, Special Category States 107
6.5 Major Observations 109
6.6 Looking at the Future 111

PSUs and Power Sector Reforms **113 – 134**

7.1 PSUs in the State of Tripura 113
7.2 Performance of the State PSUs 114
7.2.1 Agriculture & Allied 114
7.2.2 Financing 118
7.2.3 Manufacturing 119
7.2.4 Services 120
7.2.5 Miscellaneous 124
7.2.6 Non-Working 126
7.3 The Power Sector Reforms 126
7.3.1 Major Initiatives at the National Level 126
7.3.2 Major Initiatives at the State Level 127
7.3.3 Performance of TSECL 129

7.3.4 Impact of Power Sector Reforms 130
7.3.5 Hydro Power Potential of Tripura 131
7.4 Major Observations 132
7.5 Looking at the Future 133

Decentralisation Initiatives of the State Finances **135 – 155**
8.1 Decentralisation of the State Finances 135
8.2 Rationale of Decentralisation for State Finances 136
8.3 Pattern and Nature of Decentralisation Initiatives in Tripura 136
8.3.1 Major Decentralisation Initiatives of the Govt. of Tripura 137
8.3.2 Major Recommendations of the Fourth SFC 139
8.3.3 Mechanism of Audit and Accounts of PRIs 140
8.4 Sources of Funds for the Local Bodies 141
8.5 Transfer of Resources to the Local Bodies 142
8.6 Major Observations 153
8.7 Looking at the Future 154

Analysis of State Subsidies **157 – 161**
9.1 Rationale of Subsidy in Public Finances 157
9.2 A Glimpse of the State Subsidies in Tripura 157
9.3 Composition and Pattern of Subsidy in Tripura 158
9.4 Trend of Subsidy in Tripura 159
9.5 Major Observations 160
9.6 Looking at the Future 161

Sustainable Debt Road Map **163 – 172**
10.1 The Debt Sustainability Framework 163
10.2 State of Debt Sustainability for Tripura 164
10.3 Public Debt and Repayment Capacity of Tripura 165
10.4 Growth of Debt and State's Own Capacity 166
10.5 GST and Sustainable Debt Road Map 167
10.6 Major Observations 171
10.7 Looking at the Future 172

CONCLUSION **173 – 177**

REFERENCES **179 - 180**

LIST OF TABLES

Table 1: NSDP at Factor Cost by Industry of Origin, Tripura 2
Table:2 Sector-wise compositions of GSDP of Tripura 3
Table 1.1: Total Receipts of the Government of Tripura 13
Table 1.2: Composition of Revenue Appropriation, Tripura 14
Table 1.3: CAGR of Total and Own Revenues, Special Category States 15
Table 1.4: Ratios of State's Own Revenue to Total Revenue Receipts, Special Category States 16
Table 1.5: Composition of Capital Receipts, Tripura 18
Table 1.6: Year wise breakup of Revenue Buoyancy to GSDP, Tripura 19
Table 1.7: CAGR of Own Tax Revenue, Special Category States 21
Table 1.8: Sources of State's Own Tax Revenue, Tripura 22
Table 1.9: Composition of State's Own Tax Revenue 23
Table 1.10: Own Tax Revenue as a Percentage of GSDP, Special Category States, 26
Table 1.11: Composition of Own Non-Tax Revenue, Tripura 29
Table 1.12: Own Non-Tax Revenue as a Percentage of GSDP, Special Category States 31
Table 1.13: Grants-in-Aids for Tripura, 2006-07 to 2016-17 33
Table 1.14: Grants-in-Aids for Tripura, 2006-07 to 2016-17 36
Table 1.15: Overall Position of Transfers from the Centre to Tripura 36
Table 1.16: Net Shortfall of Central Transfers to Tripura During the 14th FC Award Period 38
Table 2.1: Composition of Total Expenditure, Tripura 44
Table 2.2: Components of Revenue Expenditure, Tripura 46
Table 2.3: Components of Capital Outlay, Tripura 47
Table 2.4: Development Expenditure: Revenue & Capital 49
Table 2.5: Components of Development Expenditure Tripura 50
Table 2.6: Trend of Development Expenditure Tripura 52
Table 2.7: Components of Committed Expenditure 53
Table 2.8: Share and Growth of Non-plan and Plan Expenditure, Tripura 56
Table 2.9(a) Revenue Expenditure under Plan and Non Plan Heads 57
Table 2.9(b) Capital Expenditure under Plan and Non-Plan Heads 57
Table 2.10 Indicators of Efficiency in Public Expenditure, Tripura 59
Table 2.10(a) Ratios of Expenditure on Education and Health to the Total Revenue Expenditure 62
Table 2.11 Buoyancy of Different Heads of Public Expenditure to GSDP 63
Table 2.12 Buoyancy of the Expenditure Components to their respective Total 64
Table 3.1: Revenue Deficit of Tripura 71
Table 3.2: Component-wise Breakup of Fiscal Deficit, Tripura 73
Table 3.3: Pattern of Primary Deficit of Tripura 74
Table 3.4: Projections for Financial Implications of the 7th Pay Commission, Tripura 76
Table 3.5: Projections of Pre-devolution Revenue Deficit, Tripura 77
Table 4.1: Sources of Debt and Year wise Actual Debt Burden 82
Table 4.2:State of Public Borrowing and Liabilities, Tripura 83
Table 4.3: Composition of Internal Debts, Tripura 86
Table 4.4: Composition of Actual Receipts in Public Account 87
Table 4.5: State of Public Account 88
Table 4.6: Debt-GSDP Ratio and Ratios of Interest Payments, Revenue Expenditure and Revenue Receipts 89
Table 4.7: Comparison of Debt Servicing Capacity for NER States 91
Table 4.8: Projected Debt and fiscal Deficit and the Fiscal Consolidation Path 92
Table 5.1: Contingent Liabilities of Tripura, 2006-07 to 2016-17 96
Table 5.2: Sector wise Guarantees given by the State Government 99
Table 6.1: Key Outcome Indicators of the State's Own Fiscal Correction Path 102

Table 6.2 (A): Trends in major fiscal variations vis-a-vis projections for 2007-08 to 2011-12 104
Table 6.2(B): Trends in major fiscal variations vis-a-vis projections for 2012-13 to 2016-17 105
Table 6.4: Implementation of FRBM and the Special Category States 108
Table 7.1: Total Number of PSUs, Tripura 113
Table 7.2: Performance of TFDPC 114
Table 7.3: Performance of THCL 115
Table 7.4: Performance of TTDCL 116
Table 7.5: Performance of TRPCL 117
Table 7.6: Performance of TIDCL 118
Table 7.7: Performance of TJML 119
Table 7.8: Performance of TSICL 120
Table 7.9: Performance of THHDCL 121
Table 7.10: Performance of TUTCL 122
Table 7.11: Performance of Tripura Tourism Development Corporation Limited 123
Table 7.12: Financial Performance of the TRTC 123
Table 7.13: Performance of TNGCL 124
Table 7.13(a) Year wise Growth in Number of PNG 125
Table 7.13(b) Growth in Number of CNG Vehicles 125
Table 7.14: Performance of TSECL 129
Table 7.15: State of Electricity Connections in Tripura 131
Table 7.16: Power sold to ultimate consumers in the State 131
Table 7.17: Hydro Power Potential of the State of Tripura 132
Table 8.1: Transfer of Resources from State to Local Bodies &other Institutions, Tripura 142
Table 8.2: Fund for PRIs and Its Composition 143
Table 8.3: Resources of AMC 146
Table 8.4: Different Heads and composition of Resources of AMC 147
Table 8.5: Expenditure incurred by AMC 148
Table 8.6: Receipts Funds from different sources 150
Table 8.7: Expenditures incurred by TTAADC in different heads 152
Table 9.1: Subsidy by the State Government 158
Table 9.2: Department-wise Explicit Subsidies given by the Government 159
Table 9.3: Trend of Total Subsidy in Tripura 160
Table 10.1: Debt Sustainability Condition of Tripura 164
Table 10.2: Debt Condition and Repaying Capacity of Tripura 165
Table 10.3: Outstanding Liabilities and Capacity of the State 167
Table 10.4: State of Tax Revenue for Tripura: Sales Tax vs. GST Regime 170

LIST OF BOXES

Box 1.1 State's Own Tax Revenue 20
Box 1.2 State's Own Non-Tax Revenue 28
Box 1.3 Transfer from the Centre 34
Box 7.1: Sector-wise State Public Sector Undertakings 113
Box 7.2: Chronology of Main Events of Indian Power Sector Reforms 127
Box 8.1 Major Recommendations of the Fourth SFC, Tripura 139
Box 8.2 Eleventh Schedule of the Constitution of India 144
Box 8.3 Twelfth Schedule of the Constitution of India 145
Box 8.4 Power allotted under Sixth Schedule of the Constitution of India 153
Box 10.1 Debt Sustainability Indicators: Measures, Notions and Interpretations 164

LIST OF FIGURES

Figure 1.1 Composition of Total Receipts 13
Figure 1.2 Revenue Sources of Tripura 15
Figure 1.3 Composition of State's Total Receipts, Tripura 17
Figure 1.3(a) Composition of Revenue Receipts, Tripura 17
Figure 1.3(b) Major Composition of Capital Receipts, Tripura 18
Figure 1.4 Relative Shares of ONTR Components over the years, Tripura 30
Figure 1.5 Growth (CAGR) of Own Non-Tax Revenue, SCSs 31
Figure 1.6 Percentage Share of Own Non-Tax Revenue to Total Revenue 31
Figure 2.1 Composition of Total Expenditure, Tripura 45
Figure 2.2 Proportion of Different Components of Revenue Expenditure 47
Figure 2.3 Proportion of Different Components of Capital Outlay 48
Figure 2.4 Pattern of Development Expenditure as a percentage of GSDP 50
Figure 2.5(a) Proportion of Development Expenditure in Revenue Account 51
Figure 2.5(b) Proportion of Development Expenditure in Capital Account 51
Figure 2.6 Trend of Development & Non-development Expenditure in Tripura 52
Figure 2.7 Trend of Committed Expenditure & Its Components 54
Figure 2.9 Trend of Plan and Non-Plan Expenditures in Tripura 56
Figure 2.10 Efficiency of Public Expenditure 60
Figure 3.1 Trend of Fiscal and Revenue Deficits, Tripura 73
Figure 3.2 Trend of Primary Deficits, Tripura 74
Figure 3.3 The Trends in Deficit/Surplus Indicators over the period 2006-07 to 2016-17 75
Figure 4.1 Trend of Debt across Different Sources 82
Figure 4.2(a) Trend of Debt-GSDP Ratio 89
Figure 4.2(b) Trend of Ratios 90
Figure 7.1 Tripura Industrial Development Corporation Limited 118
Figure 7.2 Tripura Jute Mills limited 119
Figure 7.3 Trend of Income and Expenditure for TNGCL 124
Figure 7.4 TNGCL's Sales of PNG and CNG 125
Figure 7.5 Financial Health of TSECL 129
Figure 8.1 Trend of Revenue and Capital Receipts of AMC 147
Figure 8.2 Components of Revenue Receipts of AMC 148
Figure 8.3 Components of Capital Receipts of AMC 148
Figure 8.4 Expenditure Incurred by AMC 149
Figure 8.5 Type of Expenditure by AMC 149
Figure 8.6 Trend of Expenditure by TTAADC 152
Figure 9.1 Subsidy to Own Tax Revenue 160
Figure 9.2 Subsidy to TE, RE & GSDP 160
Figure 10.1 Outstanding Liabilities and Repayment Capacity 166
Figure 10.2 Actual Debt Burden and Repayment Capacity 166

LIST OF ABBREVIATIONS

AAY	Antyodaya Anna Yojana
ADLs	State Development Loans
ADP	Asian Development Bank
AMC	Agartala Municipal Corporation
BPL	Below Poverty Line
BRTC	Bangladesh Road Transport Corporation
CAG	Comptroller and Auditor General
CAGR	Compound Annual Growth Rate
CASP	Central Assistance to State Plan
CBG	Competitive Bedding Guidelines
CFC	Central Finance Commission
CGST	Central Goods and Services Tax
CMNAP	Common Minimum National Action Program
CNG	Compressed Natural Gas
CO	Capital Outlays
CSS	Centrally Sponsored Scheme
CST	Central Sales Tax
CTPF	Central Tea Processing Factory
CVD	Countervailing Duty
DDUGJY	Deendayal Upadhayaya Gram-Jyoti Yojana
DSA	Debt Sustainability Analysis
DSP	Debt Sustainability Framework
EES	Expenditure on Economic Services
ES	Economics Services
ESS	Expenditure on Social Services
FC	Finance Commission
FD	Fiscal Deficit
FRBM	Fiscal Responsibility and Budget Management
GDP	Gross Domestic Product
GIC	Guaranteed Investment Contract
GoI	Government of India
GSDP	Gross State Domestic Product
GST	Goods and Services Tax
HSR	High Security Registration Plates
ICAT	Information, Cultural Affairs and Tourism
IGST	Integrated Goods and Services Tax
IPDS	Integrated Power Development Scheme
ISO	International Organisation for Standardisation
KV	Kilo-volt
KW	Kilo Watt
LIC	Life Insurance Corporation
LPG	Liberalisation Privatisation Globalisation
MDPE	Medium-density polyethylene
MIDH	Mission of Integrated Development of Horticulture
MTFPS	Medium-term Fiscal Policy Statements
MTFS	Medium-term Fiscal Statements
MW	Mega Watt
NABRD	National Bank for Agriculture and Rural Development
NACF	National Agricultural Credit Fund
NCDC	National Co-operative Development Corporation
NEC	North Eastern Council

NEIIPP	North East Industrial & Investment Promotion Policy
NEP	National Electricity Policy
NSDP	Net State Domestic Product
NSSF	National Small Saving Fund
OGs	Outstanding Guarantees
OLs	Outstanding Liabilities
ONGC	Oil and Natural Gas Corporation
ONTR	Own Non Tax Revenue
OTR	Own Tax Revenue
PD	Primary Deficit
PDF	Panchayat Development Fund
PDS	Public Distribution System
PPP	Public-Private Partnership
PRIs	Panchayati Raj Institutions
PSU	Public Sector Undertaking
RAPDRP	Restructured Accelerated Power Development and Reforms Program
RBI	Reserve Bank of India
RD	Revenue Deficit
REP	Rural Electrification Policy
RGGVY	Rajiv Gandhi Grameen Vidyutikaran Yojana
RR	Revenue Receipts
SBI	State Bank of India
SDRF	State Disaster Response Fund
SGST	State Goods and Services Tax
SPS	State Plan Scheme
SPSU	State Public Sector Undertaking
SS	Social Services
TE	Total Expenditure
TFDCL	Tripura Forest Development & Corporation Limited
TFDPCL	Tripura Forest Development &Plantation Corporation Limited
TFRBM	Tripura Fiscal Responsibility and Budget Management
THCL	Tripura Horticulture Corporation Limited
THHDCL	Tripura Handloom & Handicrafts Development Corporation Limited
TIDCL	Tripura Industrial Development Corporation Limited
TJML	Tripura Jute Mills Limited
TNGCL	Tripura Natural Gas Corporation Limited
TR	Total Revenue
TRPCL	Tripura Rehabilitation Plantation Corporation Limited
TRTCL	Tripura Road Transport Corporation Limited
TSBL	Tripura State Bank Limited
TSECL	Tripura State Electricity Corporation Limited
TSICL	Tripura Small Industries Corporation Limited
TTAADC	Tripura Tribal Areas Autonomous District Council
TTDCL	Tripura Tea Development Corporation Limited
TTDCOL	Tripura Tourism Development Corporation Limited
TUTCL	Tripura Urban Transport Company Limited
ULBs	Urban Local Bodies
VAT	Value-added Tax
WMA	Ways and Means Advances

Executive Summary

The economic performance of any government is considered to be a function of its management of finances, particularly in mobilization and utilization of the resources available to her. In true sense, finances are the backbone of politico-economic strength of the government (Where, 1968) and sound government depends upon sound finances (Porwal, 1971). State finances as well as the fiscal condition of the Indian states in general, and, of the special category states like Tripura in particular are characterised by low revenue generating capacities, uncontrolled administrative expenses, cumulative pension liabilities, mounting debt servicing burden, contingent liabilities, accumulated losses by PSUs, etc. leading to widening fiscal gap. The threefold classification regarding activities and jurisdiction of the level of governments including their authority to raise revenues has led to a situation where the state governments are sometime not in a position to meet their committed expenditures on their own.

States are assumed to be equal partners to the Centre in the overall development process of the country and a balanced economic development of the nation calls for accelerating the process of economic development of the relatively backward states. This insists the mandate for transfer of resources from the Centre to the States through the Finance Commission, the Planning Commission and from various ministries through the Centrally Sponsored Schemes and also through an auxiliary fund under Special Plan Schemes, particularly for the states of the North Eastern Region (NER). On the other hand, a judicious public expenditure taking into account both of the technical and allocative efficiencies appears to be the utmost requirements of the individual states to reach the desired goals at the sub-national as well as national levels.

Tripura, a tiny hilly state in the North Eastern Region of Indian Union, is the third smallest state (10,491.69 Sq. Km.) in the country and the second most populous state of the North Eastern Region after Assam (and also stands 18^{th} in terms of population density in the country). The population of Tripura increased from 31.99 lakh in 2001 to 36.74 lakh in 2011 with a decadal growth rate of 14.85 per cent. Tripura has been identified as a 'special category state' due to its backwardness and geographical isolation by Planning Commission, Government of India. The state is predominantly rural and agrarian, inhabited by a heterogeneous mix of tribes mostly living in the hills and non-tribes living in the plains. The tribes (comprising of 19 sub-tribes) have been shifting cultivators for ages. The non-tribes (Bengali speaking majority of the state comprising of SC, OBC and Others including Muslims) are mostly migrants or their descendents from the erstwhile East Pakistan. The altered demographic profile and its consequent declining land-man ratio led to ethnic conflict in the state for more than twenty five years. The industrially backward state is heavily dependent upon central assistance in all the sectors for real macroeconomic growth. Geographical isolation, lack of communication and shortage of power have the major barrier in the way of industrialisation in the state. However, the state got well connected to the main land through railway network and also becomes a power surplus state in recent past which may be conducive for future industrialisation. The disparity in per capita income between Tripura and the nation has grown with time. Presently, the state stands first in literacy performance in the country with an increase in per capita income from Rs. 52,434 in 2012-13 to Rs.71,666 in 2014-15 (2011-12 as base year), much lower than the national average of Rs. 71,050 in 2012-13 to Rs.86,879 in 2014-15 (Economic Review of Tripura, 2015-16).

NSDP at Factor Cost by Industry of Origin, Tripura (at Current Prices, base year 2011-12) [Rs. In Lakh]

Year	Primary	Secondary	Tertiary	NSDP
2006-07	235911 (25.7)	220729 (24.1)	459942 (50.2)	916582
2007-08	250508 (25.2)	227630 (22.9)	514437 (51.8)	992575
2008-09	272651 (23.7)	278483 (24.2)	597647 (52.0)	1148780
2009-10	308109 (23.7)	273414 (21.0)	719094 (55.3)	1300617
2010-11	391351 (25.7)	276347 (18.2)	854344 (56.1)	1522042
2011-12	430681 (25.3)	334054 (19.6)	935882 (55.0)	1700617
2012-13	657539 (34.1)	289848 (15.1)	978345 (50.8)	1925732
2013-14	785273 (34.5)	317102 (13.9)	1175180 (51.6)	2277555
2014-15	922891 (38.7)	365636 (15.3)	1097857 (46.0)	2386384
2015-16	1361560 (45.5)	383543 (12.8)	1249861 (41.7)	2994964
CAGR (%)	**21.50**	**6.33**	**11.75**	**14.06**

Sources: Directorate of Economics & Statistics, Government of Tripura

Agriculture and allied sector has been playing the pivotal role in the state economy. There has been a continuously declining relative share of the industry/secondary sector over the years. Relative share of the secondary sector to the state's Net State Domestic Product (NSDP) has come down to 12.8 per cent from 24.1 per cent during the period from 2006-07 to 2015-16. On the contrary, relative share of the agricultural sector has increased from 25.7 per cent to 45.5 per cent during the period. The constrained industrial ventures and compulsory expansion of agro-based allied and alternative activities, especially through SHG, Rubber etc. may be the cause of such an adverse process of development. The composition and dynamics of Gross State Domestic Product (GSDP) also reveal the concern of employment generation and accommodation of the educated youth in gainful economic activities. The adverse process of development for the state is well reflected through the respective compound annual growth rate of the various sectors viz. 18.7 per cent for the primary sector, 10.6 per cent for the tertiary sector and 5.3 per cent only for the industrial sector during 2006-07 to 2015-16.

The state of Tripura has undergone fiscal restructuring in 2005 with setting up of new objectives and priorities for the state finances (the Tripura Fiscal Responsibility and Budget Management - TFRBM Act, 2005) in accordance with the imposed conditions of the 12th Finance commission. However, the State Finances were in deep crisis as that has been admitted by the then Finance Minister himself (The Shillong Times, 2011) and as also has been reflected through the pressing demand for financial emergency under Article 360 by the then opposition in the State Assembly (The Times of India, 2011). The state government also published a white paper entitled, '*13th Finance Commission Report: A Review*' regarding the situation to elucidate that the crisis ascended because of the adverse award by the 13th FC, much lower than the state's requirements and the resulting increase in negative Balances from Current Revenues (BCR).

It is also fact that in spite of many difficulties, the state of Tripura is credited to be a good performer in terms of many of the social development parameters such as literacy rates, birth rate, death rate, infant mortality rate, maternal mortality rate, sex ratio etc. in comparison to the national average. However, high rates of poverty, low capital formation, inadequate infrastructure, lack of industrialization and deficiency of manufacturing sector, higher rates of unemployment among the educated youth are matters of great concern for the state.

In this backdrop, the present study aims to evaluate the financial health of the state comprising of a critical analysis of the state finances during the period from 2006-07 to 2016-17. The recommendations of the 14th Finance Commission are the bases of outcome evaluation of State Finances of Tripura and the study encompasses the State's Revenue Capacity; Components, Pattern and Trends of Public Expenditure; Fiscal and Revenue Deficits; Debt and Other Liabilities; Decentralization Initiatives; Performance of the State Public Sector Undertakings (PSUs); State of Subsidies; and Sustainable Debt Roadmap under GST. The evaluation study is exclusively based on secondary data from various official sources of the Government of Tripura and Government of India such as the

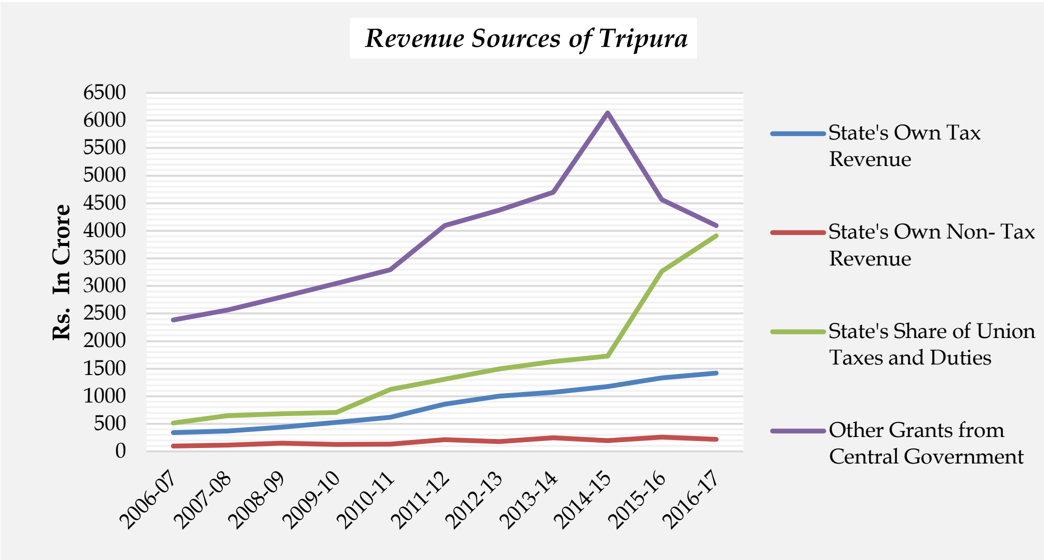
Finance Department, Government of Tripura; Directorate of Economics and Statistics, Government of Tripura; State Audit Reports; CAG of India; State Budgets, Government of Tripura; Office of the Tripura Tribal Areas Autonomous District Council; Bulletins of the RBI on State Finances and so on.

The present study plans to follow a mix methodology viz. describing the facts and observations using tabular texts, charts and diagrams etc. along with applications of some mathematical tools such as rates, ratios and percentages to make the arguments comprehensive and to validate the observations. Some of the important analytical techniques are

- *State's Revenue Capacity* – measured in terms of State's own revenues, State's share of union taxes and duties, Grants-in-Aid as a percentage of GSDP; individual heads of tax and non-tax revenues as a percentage of GSDP; rate of growth of Tax Revenue/Non-Tax Revenue or individual components of them; Buoyancy or responsiveness (elasticity) of individual components of tax revenues/non-tax revenues; Buoyancy of revenue to state income.
- *Public Expenditure Pattern of the State* – measured in terms of State's public expenditure on revenue and capital account, their individual heads as a percentage of GSDP; rate of growth public expenditure and their individual heads; Responsiveness (buoyancy) of individual components of public expenditures to total public expenditures; responsiveness (buoyancy) of public expenditures/individual components of public expenditures to state income.
- *Fiscal performance indices* – measured in terms of Revenue Deficit, Fiscal Deficit and Primary Deficit as a percentage of GSDP; Composition and Trends of Public Debt; Outstanding Liabilities to GSDP ratio; Interest Payment to Revenue Expenditure/Revenue Receipts; Trend of Contingent Liabilities; Outstanding Guarantees as a percentage of GSDP; State of Revenue Deficit, Fiscal Deficit, Primary Deficit, Outstanding Guarantees before and after FRBM and achieving the targets set out by the 13^{th} & 14^{th} Finance Commissions; Trend and Pattern of Transfer of Resources to Local Bodies including TTAADC; Trend and Composition of State Subsidy; Subsidy as percentage of Own Tax Revenue, Total expenditure and GSDP; Debt Sustainability in terms of Growth Rate of GSDP vis-à-vis Growth Rate of Debt, Growth Rate of Primary Deficit vis-à-vis Growth Rate of GSDP etc.; One Year's Tax Revenue Collection before and after GST.

- *Performance of the State PSUs and Effectiveness of the Power Sector Reforms* – measured in terms of their annual profits/losses as reported in their respective Annual Reports. Also their respective growth rates over the study period in business expansion.

Tripura's total revenue receipt has grown at a Compound Annual Growth Rate (CAGR) of 14.48 per cent over the study period. State's receipt in the form of *State's Own Taxes* has gone up at the rate of 15.48 per cent. State's *Non-Tax Revenue* has increased at a compound rate of 12.01 per cent. *State's Share of Union Taxes and Duties* has increased with a CAGR of 23.62 per cent and *Other Grants from Central Government* at 11.15 per cent. Central sources appear to be a major source of State's revenue ranging from 85 – 88 per cent.



Revenue receipts of the state of Tripura do not exhibit that much of buoyancy/sensitivity to GSDP during the study period, however, tend to be buoyant (0.975). Sales Tax contributes more than two-third of the State's Own Tax Revenue, but does not have a buoyant character.

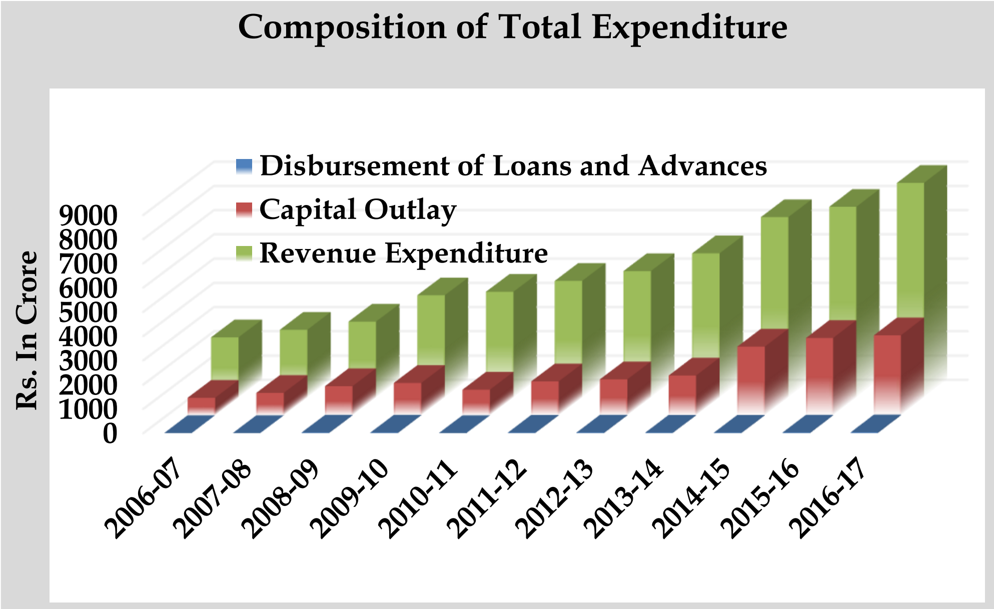
There has been a declining trend of relative shares of *Taxes on Vehicles* and *Taxes on Professions, Trades, Calling and Employment* to State's Own Tax Revenue (relative shares ranging from 6.6 per cent in 2006-07 to 2.8 per cent in 2016-17). However, both of the taxes are considerably buoyant in character with a statistically significant buoyancy of 2.482 and 1.574 respectively. *Stamp and Registration Fees* also reveal a declining trend in relative shares from 4.9 per cent to 2.6 per cent over the study period. Though, it has a buoyancy of 1.290 at *one* per cent level of significance. So, there is enough scope of reforms in tax structure and tax administration, particularly for *Taxes on Vehicles; Taxes on Professions, Trades, Calling and Employment*, and *Stamp and Registration Fees*. For example, there has been explosive growth of the transport sector in Tripura during the last 14-15 years, both in terms of private and commercial vehicles. The motor vehicles tax is one of the increasing sources of revenue at present but the state receives no revenue from taxes on goods and passengers.

State's Own Tax Revenue-GSDP ratio ranges from 3.25 to 4.64 per cent over the last eleven year period. Again, the buoyancy of Own Tax Revenue (OTR) to GSDP is 0.816 and statically significant at 0.01 levels indicating non-sensitivity of OTR to GSDP. Revenue generating capacity of the state in terms of non-tax revenue has been very poor though Own Non-Tax Revenue (ONTR) to GSDP is buoyant in nature with buoyancy value of 1.143 and significant at 0.01 levels. Regarding relative share of the individual components of ONTR to total ONTR, the highest proportion of share has been represented by interest receipts followed by general services, economic services and social services. However, none of the individual components of non-tax revenue are buoyant in nature except *social services* where the government cannot go for that much cost realization due to public goods nature of many of the services under this head. *Dividends and Profits* has been a very low relative shares over the period mainly due to the poor performance of the state PSUs. The relative shares of Non-Plan Grants, the second largest contributor to Grants-in-Aids as well as total Grants-in-aids from Centre have been declining throughout the period. This may be a cause of the stringent condition of state finances in recent times.

There is no doubt that the state of Tripura has a higher Central dependency as a special category state. However, as per the CAG Report of Tripura, 2015-16, there has been a decline in Grants-in-aids by 25.63 per cent and overall transfer decreased by 0.48 per cent during the year 2015-16. Moreover, the centre to state transfer process is generally considered to be moderately progressive but the 'implicit' transfer mechanism in the form of interstate tax exportation is against the poorer states. For example, a source of hidden transfer takes place in the form of procurement of food grains at a higher rate than the prevailing market price. This makes the advanced agricultural states like Punjab and Haryana more benefited where, the subsidies accounts to more than what they receive as formal transfer (World Bank, 2004).

The existing mechanism of fiscal devolution in India is very complex in nature characterized by a high degree of vertical imbalance. Tripura being a backward state needs to explore some additional sources of revenues as well as strengthening of the existing sources of revenues for the sake of her self reliance and sustainability despite of her physical barriers and bottlenecks. There are scopes for improvement of the tax and non-tax capacity of the state by broadening of the tax base. For the purpose, the state government can follow some constructive measures to improve the revenue productivity of the tax system of the state. ***First***, the aspects of *Taxes on Vehicles; Taxes on Professions, Trades, Calling and Employment*, and *Stamp & Registration Fees* may be reviewed targeting identification of new possibilities within the ambit of GST. ***Second***, procedural revision and administrative monitoring may be strengthened for products having inelastic demand like liquor, tobacco and allied items, luxury commodities etc. It is important to mention in this context that some sorts of ineffectiveness to monitor and control from the part of tax administration might be the cause of poor tax revenue collection. For example, there was a short payment of Rs. 6.83 lakh (25 per cent of government revenue derivable from space rent of HSRP project) as user charge from the vendor which was in charge of implementing the High Security Registration Plates (HSRP) in the state. In addition, there was a non-payment of Rs. 3.34 lakh owing to less disclosure of Learner Licenses (LL) printed by the vendor. Moreover, 82 per cent of the existing vehicles in the state are without High Security Registration Plates (HSRP) even after a lapse of three years of the conversion deadline of the HSRP project (*CAG Audit Report*, 2015-16). So, effective measures and administration can lead to more revenue collection for the state. ***Third***, new areas of tax imposition need to be explored. As for example, luxury tax on premises or space let out for commercial purposes including marriage, birthday party, other gatherings and similar activities may be imposed. Even, some of the public premises may be let out for such purposes beyond office hours. ***Fourth***, Tripura, along with other north eastern states, depends heavily on central assistance and central taxes and duties for its revenue generation. The geographical isolation of the state along with severe infrastructural bottlenecks made it handicapped in terms of revenue enhancement and productivity. Further, limited scope of alternative feasible employment especially in rural areas has fuelled the informal trade along the border areas both in terms of composition and value between Tripura and Bangladesh. However, the recently expanded railway network to Tripura and inside the state as well as the proposed railway network through Bangladesh may be utilized for establishment of industries based on the comparative advantage. Some of the pre-requisites like an improved bilateral trade relations with Bangladesh, favourable laws and effective business window system will help mainstreaming the informal trade and industrialization in Tripura. ***Fifth***, a restructuring of the state tourism sector can be made keeping in consideration its rich and diversified indigenous cultural heritage, geographical location, landscape, cultural and historical places, hills and hilltops. Special emphasis on health tourism with a focus to the needs of the patients from adjacent Bangladesh may be really helpful for the state revenues. ***Sixth***, keeping in consideration the heavily increasing privately owned car population of the state during the last 14-15 years, the government may exercise a discriminating surcharge system where private vehicles need to pay a higher surcharge. For successful implementation of the programme, a rationing and monthly ceiling of fuel consumption should be imposed on public and commercial vehicles. This will also help in environmental conservation as well as traffic control. ***Seventh***, in order to enhance revenues from user charges and profits from departmental enterprises and dividends from non-departmental commercial enterprises, the loss making enterprises should be closed or effectively restructured with PPP models or joint ventures; government can rationalize the structure for profit earning departments so that dividends can be paid from these enterprises; Industry and Commerce department can earn royalty on mineral and other natural resource deposits; Forest department may earn royalty on minor forest products. ***Eighth***, the government may consider imposing user charges on all public utilities. However, a discriminating approach may be taken in levying user charges on the basis of location, quality of services, social merit and essentiality of the particular public utility. User charges can be revised in case of public health and engineering services, water supply, park etc. Of course, maintenance of minimum required quality for such public utilities is an absolute must. Further, the public utilities which are public merit goods in nature, like water, the minimum required quantum/slab should be provided to all at free of cost. Beyond this lowest slab, higher consumption will lead to higher billing in a progressive fashion. In tune with this, the state government should expedite and extend the process of water meter installation and billing system to all over the state. This will not only help enhancing the revenue capacity of the state but also to water preservation and sustainable development.

Above all, the tax revenue capacity of the state can be enhanced by expanding tax payers' base through existing acts and rules, ensuring better compliance, strengthening of infrastructure and making tax administration more vibrant and efficient.



Regarding composition and pattern of public expenditure of the State, state expenditure comprises of revenue expenditure, capital expenditure and disbursement of loan and advances. Of the three components, revenue expenditure constitutes the major part in Tripura accounting for more than 70 per cent of the total expenditure over the study period. Disbursement of loan and advances is limited by less than *one* per cent of the total public expenditure of the State. Total expenditure as a percentage of GSDP reveals to be more or less constant within the range of 30-33 per cent. In case of revenue expenditure, the relative share of general services declines from 46.53 per cent to 39.56 per cent over the period whereas, that of social services increases from 35.01 per cent to 41.59 per cent. The share of economic services remains relatively constant with 16-18 per cent.

In case of capital expenditure, relative share of social services has increased from 31.9 per cent to 43.1 per cent during the study period whereas, that of general services has declined from 10.8 per cent to 6.2 per cent. Relative share of economic services has a fluctuating trend revolving around 50 per cent of the total capital outlays.

Development expenditures as a percentage of GSDP both on revenue and capital accounts have an increasing trend over the study period. Revenue development expenditure to GSDP has increased from 12.2 to 14.0 per cent and capital development expenditure to GSDP has increased from 6.1 to 8.4 per cent. Again, they registered a CAGR of 14.96 and 16.97 per cent respectively. Capital development expenditure as a percentage of total capital expenditure ranges from 83 to 95 per cent. For Tripura, development expenditure rises faster than non-development expenditure so far as the study period is concerned. Further, social services constitute the larger proportion of revenue development expenditure (with a share of 66 to 71 per cent of the total revenue development expenditure) mainly owing to education, water supply and sanitation under social sector. Higher allocation to agriculture and allied activities, power under economic services can also be considered as the cause of increasing development expenditure of the state.

It seems that Tripura narrates a different story of allocating a significantly higher proportion of revenue development expenditure to social services than to economic services. It is mainly due to the higher allocation towards the major heads of social services like education, sports, arts and culture (52.56 per cent), medical and public health (11.03 per cent), social security and welfare (15.39 per cent), welfare of SC, ST and OBC (6.06 per cent) as in 2016-17. This may well be considered as gaining allocative efficiency since social sector has a direct link with commons welfare. However, achieving technical efficiency out of such resource allocation largely depends on the expansion of the economic sector, particularly expansion of the secondary sector. This is because, there must have a matching between social services led educational expansion and creation of employment opportunity for the educated youth. So, the constrained industrial activities of the state call for special policy attention.

In this context, committed expenditure comprising of wages & salaries, pensions, interest payments etc. is downward rigid by nature and its higher proportion to revenue expenditure reduces the capacity of public expenditure on maintenance and developmental activities leading to allocative inefficiency. There have been increasing trends of the relative shares of Salaries & Wages and Pension liabilities to total committed expenditure of the state. However, the proportions of liabilities to interest payments and subsidy to committed expenditure are declining over the study period. As a whole, liabilities to committed expenditure as a percentage of total revenue expenditure have declined from 77.0 to 67.9 per cent during the study period. This is a good sign for the state economy.

In disagreement to the Classical School of thought, J. M. Keynes considered public expenditure as an exogenous factor to be utilized as a policy instrument to stimulate economic growth. Again, adoption of economic planning divides public expenditure into Plan and Non-plan heads. For Tripura, there has been increasing share of plan expenditure to total public expenditure as well as to GSDP over the study period which may be considered as an indication of allocative efficiency for the state economy. This is also good that the proportion of plan expenditure on both revenue and capital heads has been increasing over the years. Moreover, plan expenditure constitutes more than 90 per cent of total capital expenditure. However, a majority of the plan expenditure is directed towards social services. In a developing economy, access to basic education, health services, drinking water and sanitation facilities etc. have a strong linkage with eradication of poverty and lays the foundation of economic progress. Likewise, expenditure which promotes directly or indirectly the productive capacity of an economy needs to be encouraged. This is particularly important for a state like Tripura where growing unemployment is a serious problem. The government sectors are getting over burdened. However, public expenditure in Tripura is characterised by increasing trend of social service expenditure to total expenditure (ranges from 34 to 42 per cent) and a relatively constant trend of expenditure in economic services to total expenditure revolving around 25 per cent.

In a nutshell, public expenditure in Tripura has been more or less focused on meeting the developmental needs as well as people welfare of the state, which is a good sign. However, a detailed and in-depth look into the components of public expenditure point out to the fact that there exists enormous scope of reallocating resources, particularly towards economic services considering its present human capital base, and this could lead to a balanced development of all the important sectors of the state economy by accruing technical efficiency i.e. maximum benefit out of public expenditure.

It is also important to point out that the economy of Tripura is primary sector dominated. About 70 per cent of its population depends on agriculture and allied activities. Primary sector is contributing about 45 per cent of NSDP. However, horizontal expansion of this sector is constrained by limited availability of cultivable lands (only 27 per cent of the total geographical area of the state). Moreover, allocation to this sector and its sub-sectors both under revenue and capital account remains low over the years to less than 10 per cent. Again, secondary sector is getting narrow down over the years.

Under the circumstances and given the expenditure pattern and trends for non-plan and plan both on revenue and capital account, the state government can think of certain conducive measures in public expenditure management to enhance allocative and technical efficiency. ***First***, allocation of public expenditure needs to be reoriented towards economic sector looking into the present education base and future employment generation capacity of the state. Keeping in consideration the geographical isolation and communication bottlenecks of the state, soft skill oriented economic activities such as hotel, hospitality and tourism development, indigenous health tourism, cultural tourism based on rich and diversified cultural heritage of the state, computer software and programming, present day job oriented and hands on training programme in the existing educational institutions can be thought of. The recently expanded railway network into the state, the proposed internet gateway and up gradation of the Agartala Air Port indeed will provide a forward linkage for the purpose. ***Second,*** this is high time to consider the vertical expansion of the primary sector of the state. Plantation being engine of growth of the state economy can be given priority. However, identification of the key cash crops in the plantation sector is necessary. So, more allocation to agricultural Research and Development with effective links to other sectors should be emphasised. At this downswing stage of natural rubber, alternative cash crops like cashew nuts, betel nuts, mushrooms, pineapples, jackfruits or any other fruits and plantations suitable to the land of the state may be tried. This is the need of the hour to reorient the allocation of the sectors with competitive advantage in production and potential for export. ***Third,*** identification of one or two priority sectors among all the potential sectors for the state may lead the growth process of the state. Therefore, substantial budgetary allocation should be made towards Research & Development in agriculture and allied sectors. The present state of allocation for the purpose is not only insufficient but nil in many of the years. ***Fourth,*** some rationale and austerity measures may be considered by the government in rationalizing expenses in government offices such as use of cars, seminar and symposium, official tours, other office expenses. Of course, a thorough review of the present position of office expenses needs to be exercise before implementation of the rationalizing measures.

The state of Tripura confronted some serious fiscal crisis fuelled by consistently high fiscal deficit prior to 2006-07. It was mainly due to huge charged expenditure in the form of salary & wages, pension and interest liabilities. Subsequently, there was deliberate shift in public policy with the adoption of a strategy aimed at fiscal consolidation (TFRBM, 2005). The implementation of TFRBM significantly checked the secular deterioration of the state finances as observed in the present study. Revenue deficit in public budget leads to public borrowing. Fiscal forethought demands revenue surplus or at least zero revenue deficit in the public budget. FRBM also calls for maintaining revenue deficit at 3 per cent level of GSDP. Prior to the Tripura FRBM Act, 2005, the state experienced revenue deficit in many of the years with a tendency of financing revenue expenditure by capital receipt pushing the state to a potential position of financial insolvency. However, the implementation of FRBM leads the state to a better condition of financial management so far as revenue account is concerned.

The state has been constantly maintaining revenue surplus throughout the study period from 2006-07 to 2016-17. So, the FRBM restriction of maintaining revenue deficit at 3 per cent level of GSDP is not applicable to the state. However, the ratio of revenue surplus to GSDP has been declining during the initial phase of the 14th Finance Commission (2015 - 2017). On the other hand, fiscal deficit is a critical indicator of the status of state finances as it is financed through debt creating capital receipts. It is observed that the state of Tripura is in a weak state of fiscal management during the study period from 2006-07 to 2016-17. Regarding fiscal deficit as a percentage of GSDP, there has been an increasing trend of deficit for the state over the years. The highest ratio of fiscal deficit to GSDP has been registered in 2009-10 of 7.82 per cent followed by 2016-17 of 6.88 per cent, 2015-16 of 5.02 per cent and 2014-15 of 3.54 per cent. Again, the state is in a critical state of fiscal management particularly during the initial period of the 14th Finance Commission.

During the eleven-year study period from 2006-07 to 2016-17, the state of Tripura has experienced primary surplus for 7 of the financial years viz. 2006-07 to 2008-09 and 2010-11 to 2013-14. However, the years of primary deficit for the state are 2009-10 and 2014-15 to 2016-17. So far as primary deficit is concerned, the state is appeared to be a well-managed economy. Here also the initial phase of the 14th Finance Commission (2015 - 2017) again comes out to be a stage of critical financial management.

As a whole, the state finances of Tripura exhibits a good state of financial management over the study period. The state had been able to finance its recurring expenditures with recurring receipts as reflected through her constant revenue surplus generation. The state could also earn primary surplus in many of the years during the study period. However, some sorts of critical health condition of the state finances are revealed through its growing fiscal deficit to GSDP, particularly at the initial phase of the 14th Finance Commission. Therefore, a careful and prudent fiscal management is required for the coming days to overcome the fiscal instability.

In case of Tripura, Internal Debt and Small Savings & Provident Funds appear to be the major sources of debt (net of outflows). Each of them holds a share of 37 per cent to total public debt for the year 2016-17. Deposit and advances also comes out as a vital source of debt ranging from 8 to 30 per cent over the years. In terms of compound annual growth rate, internal debt shows the highest growth of 17.9 per cent followed by Deposit & Advances (13.1 per cent). Loans and advances from centre are almost stagnant at less than *one* per cent of the actual debt burden.

It is in this context, public debt refers to all financial liabilities of the government i.e. the outstanding liabilities, irrespective of to whom they are owed (Lahiri and Kannon, 2004). In absolute term, the outstanding liabilities of the state have increased from Rs. 4656.46 crore as per March, 2007 to Rs. 11901.21 crore as per the end of 2017 exhibiting a CAGR of 9.84 per cent. Again, Internal Debt appears to be the biggest source of outstanding liabilities for Tripura comprising about 50 per cent or more, Small Savings & Provident Funds have come out as the second largest source with around one-third share of outstanding liabilities. Most important is the secular declining of the share of Loans and Advances from Centre from 550.46 crore in 2007 to Rs. 267.71 crore in 2017 with a CAGR of (-) 6.95 per cent.

Out of the actual receipts in public account (prior to disbursement), Cash Balance Investment Account (CBIA) constitutes about 90 per cent of the total receipts. However, after disbursement (closing balance at the end of each year) the CBI Account comprises of 9 to 47 per cent of the total public account. Thus, the state has been unutilized disbursement capacity over the years.

Regarding the possibility of ***ponzi*** game i.e. borrow more to service its past debt as well as to cover ongoing imbalances (as reflected in the time path of debt-GSDP Ratio), the state of Tripura is maintaining a desirably low debt-GSDP ratio indicating debt sustainability. However, the state is yet to achieve the Twelfth Finance Commission's recommendation of 28 per cent of Debt-GSDP ratio (the actual ratio revolves around 30 per cent at present). It is also true that the debt-GSDP ratios for Tripura are lower than the respective targets (of 42.2, 44.9 and 44.6 for the years 2010-11, 2011-12 and 2012-13 respectively) as recommended by the Thirteenth Finance Commission.

Key Outcome Indicators of the State's Own Fiscal Correction Path (Rs. in Crore)					
Years	*Revenue Receipts*	*Revenue Expenditure*	*Revenue Deficit (+)/Surplus(-) as a Percentage of GSDP*	*Fiscal Deficit (+)/Surplus (-) as a Percentage of GSDP*	*Outstanding Liabilities as a Percentage of GSDP*
2006-07	3333.36	2482.56	-8.11	-1.25	44.36
2007-08	3698.34	2793.64	-7.97	0.14	41.83
2008-09	4076.78	3129.79	-7.26	2.07	38.82
2009-10	4401.35	4213.79	-1.27	7.82	39.01
2010-11	5168.60	4359.48	-4.71	1.44	37.61
2011-12	6476.90	4809.23	-8.68	-1.35	35.78
2012-13	7050.30	5212.88	-8.48	-1.55	35.47
2013-14	7650.18	5948.96	-6.65	-0.18	34.14
2014-15	9239.73	7442.91	-6.06	3.54	31.45
2015-16	9426.74	7868.47	-4.74	5.02	31.66
2016-17	9645.46	8855.14	-2.14	6.86	32.27

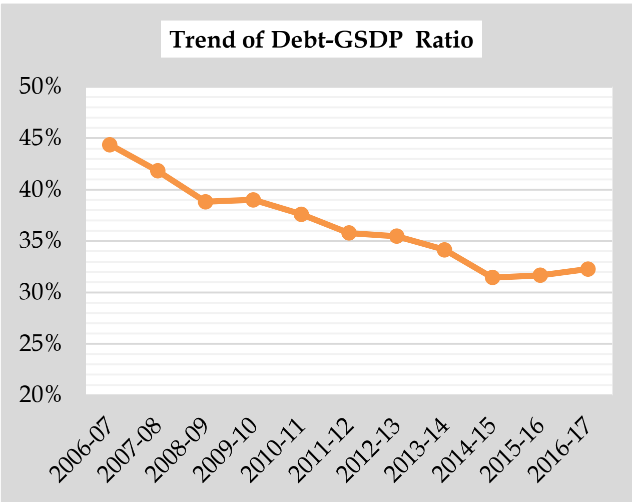
Source: Various Reports of the Comptroller and Auditor General of India, Government of Tripura

Moreover, the interest payment to revenue receipt ratio has been declining throughout the study period and remains much below the target of 15 per cent as recommended by the Twelfth Finance Commission. So, it can be said that Tripura is in a condition of debt sustainability and there is no possibility of ***ponzi*** game.

Regarding public debt service management, the state of Tripura can be considered as a good performer and in the stage of sustainability. The higher proportion of cash in balance may be justified for a small economy like Tripura looking at exigency. However, the timely and regular disbursement of funds (not at the end of the year) may be conducive for gaining allocative and technical efficiency of public expenditure. The resources generated through public debts need to be mobilized towards effective economic services looking at the future investment and sustainable industrial development of the state.

Debt-GSDP Ratio and Ratios of Interest Payments, Revenue Expenditure and Revenue Receipts			
Year	**Debt-GSDP Ratio**	**Interest payment & Revenue Expenditure Ratio**	**Interest payment & Revenue Receipts Ratio**
2006-07	44.36	15.64	11.65
2007-08	41.83	14.17	10.70
2008-09	38.82	12.60	9.67
2009-10	39.01	9.69	9.28
2010-11	37.61	10.26	8.65
2011-12	35.78	10.26	7.62
2012-13	35.47	10.22	7.56
2013-14	34.14	9.93	7.72
2014-15	31.45	9.16	7.38
2015-16	31.66	9.27	7.74
2016-17	32.27	8.97	8.24

Source: Finance accounts & CAG of India on State Finance, Govt. of Tripura.



Under Article 293 of the Constitution of India, the State Legislature passed the limits of annual incremental risk weighted guarantees to *one* per cent of the GSDP of that year. The State Government of Tripura has also introduced 'The Tripura Government Guarantee Redemption Fund Scheme' in 2007 and its revision as "Guarantee Redemption Fund Scheme" in 2016. According to the revised guidelines, the state government shall contribute minimum 0.5 per cent of outstanding guarantee every year to achieve a minimum level of 3 per cent of GSDP in the next five years.

Outstanding Guarantees of the state of Tripura have been quite low in the initial stage of the study period and follow an increasing trend over the study period. Particularly, the Outstanding Guarantees including interest has taken a sharp increase since the year 2011-12 i.e. from the first part of the 13th Finance Commission. For the year 2012-13, contingent liabilities constituted the highest of 25.6 per cent of own state revenue and since then, Outstanding Guarantees to State's Own Revenue Receipts follows an increasing trend. This is mainly due to the consequences of public sector enterprises insolvency owing to their inability to meet financial requirements by means of user cost and other revenue collections. However, this is good that though the incremental outstanding guarantees of the state increasing but still remain within the limit fixed by the legislature at *one* per cent level of GSDP. Further, the proportion of maximum amount guaranteed by the state to its revenue receipts has been declining over the years. As a whole, the state is within the limit of control and sustainability so far as contingent liabilities are concerned.

A major portion of the guarantees of the state government has been given to the state power sector during the period under study. Regarding contingent liabilities to the SPSUs, particular concern lies with the State Co-operative Banks and Societies, and the Power Sector. The Government Companies and Municipal Corporation & Other Local Bodies are better performer in this regard in terms of repayments and non-issuing of fresh guarantees. Taking into consideration the present position of Contingent Liabilities of the state, there has been urgent need of structural reforms of the State Co-operative Banks and Societies, and of the Power Sector so that they can be made vibrant in meeting their financial requirements through user costs and other revenue collection.

Following the FRBM Act, 2003 of the Govt. of India and as adopted/enacted by the State Governments, the "***Tripura Fiscal Responsibility and Budget Management Act, 2005***" (TFRBM Act, 2005) was notified for formal enforcement w.e.f. 4th October, 2006 and under Section 12 of the Act, "***The Tripura Fiscal Responsibility and Budget Management Rules, 2006***" have been framed and notified in the official Gazette on 5th October, 2006 (Quarterly Review Report, Govt. of Tripura, 2009-10). As per the 3rd Amendment (April,

2011) of the TFRBM Act, 2005, the State targets to achieve nil revenue deficit in every year up to the end of March, 2015 and to reduce fiscal deficit as a percentage of GSDP to 3.5 per cent by the end of March, 2010 and to 3.0 per cent for each of the years from 2011-12 to 2014-15. Similarly, public debt (outstanding liabilities) was targeted not to exceed 40 per cent of GSDP by 2010.

The present study reveals that the state of Tripura has been maintaining Revenue Surplus continuously throughout the study period. In case of Outstanding Liabilities to GSDP, the state is within the limits of its correction path and constantly fulfilling of the targets as stipulated by the FRBM Act and MTFPS. However, in spite of utmost effort, the state is not in a position to control its Fiscal Deficit within the prescribed limit in all the times and fiscal deficit is a real concern for the state. Fiscal Deficit-GSDP ratio reaches to the highest in the year 2009-10 (7.82 per cent). There has been a critical situation of fiscal deficit to GSDP ratio for the state since the year 2014-15. The ratio has been continuously increasing and reaches to 6.86 per cent in 2016-17. Thus, the State Government could not maintain fiscal deficit within the specified limits of the FRBM and that of the Thirteen and Fourteenth Finance Commissions. The situation becomes more critical during the initial phase of the Fourteenth Finance Commission (2015 – 2017).

To be more specific, in terms of its achievements in fulfillment of the stipulated targets by the Finance Commissions, TFRBM Act, and MTFPS Projections for the fiscal parameters of Revenue Deficit, Fiscal Deficit, Outstanding Liabilities and Incremental Risk Guarantee for each of the financial years after the implementation of the TFRBM Act, 2005, the state of Tripura has well achieved three out of four of the TFRBM targets much before the timelines fixed in the Act and its subsequent amendments. The State could strive to remain revenue surplus even earlier than the implementation of TFRBM Act, 2005. The ratio of Incremental Risk Guarantee to GSDP for Tripura as reported is 0.02 per cent for the year 2008-09 which is much lower than the general FRBM target of 0.5 per cent and TFRBM target of *1.00* per cent. The State could achieve the FRBM target of maintaining the Debt-GSDP ratio below 40 per cent from the year 2010-11. However, the State is still struggling in limiting its Fiscal Deficit to the level of 3 per cent of GSDP as mandated by the FRBM Act and Finance Commissions.

The significant reduction in revenue surplus of the state during the regime of Fourteenth Finance Commission (the revenue surplus for the year 2016-17 appears to be only Rs. 790.32 Crore) might be due to the reason of non-releasing of a substantial amount of Gap-grant from the Centre to the State during the award period of the 13th Finance Commission. Further, fiscal deficit even after FRBM is still an area of real concern for the health of the state economy. It is worthy to mention in this context that Grants-in-aid released from Centre have decreased by 25.64 per cent from Rs. 6139.70 Crore in 2014-15 to Rs. 4565.87 Crore in 2015-16. Out of which, grants for state plan schemes have decreased by 39.24 per cent and that of Centrally Sponsored Plan Schemes have decreased by 85 per cent (Report of the CAG of India, 2015-16). These may be the reasons why, there has been increasing fiscal deficit for the state, in spite of enhanced State's Share of Union Taxes and Duties from 32 to 42 per cent by recommendations of the 14th Finance Commission.

It is clearly revealed that there has been a favourable impact of the implementation of FRBM for the state of Tripura. Its annual average revenue surplus as a percentage of GSDP has increased from 0.8 per cent to 5.51 per cent over the pre-FRBM period (1998-99 to 2004-05) to post-FRBM period (2006-07 to 2016-17). Gross fiscal deficit per annum has reduced from 5.4 per cent of GSDP to 1.05 per cent of GSDP over the periods. The pre-FRBM period's annual average primary deficit of 1.7 per cent of GSDP has transformed into an annual average primary surplus of 1.68 per cent of GSDP in the FRBM period. As a whole, Tripura's performance is good among the special category states. However, some prudent fiscal management policies need to be implemented by the Government of Tripura to limit its growing fiscal deficit in recent times. Keeping into account the huge shortfall of Gap-grants and Grants-in-aids both under State Plan Schemes and Centrally Sponsored Schemes during the Thirteenth Finance Commission, the Fifteenth Finance Commission may consider some special grants for the state of Tripura and the other affected states in this regard.

Moreover, the Government of Tripura has recently given the 7th Pay Commission to its employees. The overall positions of the expected additional financial implications for the 7th Pay Commission are:

Projections for Financial Implications of the 7th Pay Commission, Tripura (Rs. in Crore)

Year	*Salaries &Wages*	*Pensions*	*Projected Salaries and Pensions (With 7th CPC)$*	*Projected Salaries and Pensions (Without 7th CPC)#*	*Additional Implications of the 7th CPC*
	1	2	3 = (1 + 2)	4	5 = (3 – 4)
2017-18	5277.00*	1605.00*	6882.00	5880.36	1001.64
2018-19	5639.84*	2067.80*	7707.64	6645.47	1062.17
2019-20	6138.67	2062.93	8201.60	7510.78	690.82
2020-21	6958.11	2399.66	9357.77	8489.47	868.30
2021-22	7886.94	2791.35	10678.29	9596.53	1081.76
2022-23	8939.75	3246.98	12186.73	10848.89	1337.85
2023-24	10133.11	3776.98	13910.09	12265.77	1644.32
2024-25	11485.76	4393.50	15879.26	13868.92	2010.33
Total Additional Implications for 7th CPC (2017-18 to 2024-2025)					9697.19

***Source:** Projections based on data from various Reports of the Comptroller and Auditor General of India, Government of Tripura*

***Note:** * Actual Values received from the Department of Finance, Government of Tripura.*

$ Projections based on the realised additional implications of 7th CPC for the years 2017-18 with multiplication factor of 2.25 and 2018-19 with further addition of 0.32 with 2.25, the previous multiplication factor.

 # Based on past trend of growth of Salaries & Pensions for the period 2006-07 to 2016-17.

Thus, the implementation of the 7th Pay Commission for State Government employees of Tripura will lead to an additional financial implication of Rs. 9697.19 crore for the period from 2017-18 to 2024-25. Only for the 15th Finance Commission Award period (2020-21 to 2024-25), the additional financial implication of the 7th CPC would be Rs. 6942.56 crore.

The additional implications of the 7th Pay Commission will induce the Pre-devolution Deficit for the State. Considering the CAGR of Own Revenue Receipts and Revenue Expenditure as well as the implication of the introduction of GST and awarding of 7th CPC to the State Government employees, the expected Pre-devolution Revenue Deficit for the State of Tripura during the 15th Finance Commission award period (2020-21 to 2024-25) is projected in the below:

Projections of Pre-devolution Revenue Deficit, Tripura (2020-21 to 2024-25) (Rs. in Crore)

Year	*State's Own Tax Revenue@*	*State's Own Non- Tax Revenue*	*State's Own Revenue*	*Revenue Expenditure*	*Additional Implication for 7th CPC*	*Projected Revenue Expenditure#*	*Pre-Devolution Revenue Deficit*
	1	2	3 = (1 + 2)	4	5	6 = (4 + 5)	7 = (6 – 3)
2020-21	1977.92	373.41	2351.33	15040.52	868.30	15908.82	13557.49
2021-22	2104.21	394.09	2498.30	17077.26	1081.76	18159.03	15660.73
2022-23	2230.50	414.77	2645.27	19389.81	1337.85	20727.66	18082.39
2023-24	2356.79	435.46	2792.24	22015.53	1644.32	23659.85	20867.61
2024-25	2483.08	456.14	2939.22	24996.80	2010.33	27007.14	24067.92
Total	11152.50	2073.87	13226.36	98519.93	6942.56	105462.49	92236.13

Source: Projections based on data from Budget at a Glance, 2018-19 and various Reports of the Comptroller and Auditor General of India, Government of Tripura

Note: Projections of values for state's own tax and non-tax revenue as well as revenue expenditure are based on trend forecasting on realisation of past up to the year 2018-19.

@ Projections of own tax revenue also include actual trend realisation of GST based on data for the years 2017-18 and 2018-19.

 # Projected values of revenue expenditure in each year include the additional financial implications of the implementation of the 7th Pay Commission.

Thus, the Pre-devolution Revenue Deficit is expected to be of the amount of Rs. 92236.13 crore for the State of Tripura during the 15th Finance Commission Award period.

The State Public Sector Undertakings (SPSUs) have utmost importance for an industrially backward state like Tripura. Regarding the performance of the State Public Sector Understandings, the enterprises which are in a sound state of economic viability are Tripura Forest Development & Corporation Limited (TFDPCL), Tripura Industrial Development Corporation Limited (TIDCL), Tripura Urban Transport Company Limited (TUTCL) and Tripura Natural Gas Corporation Limited (TNGCL). In overall terms, TUTCL appears to be a successful joint venture. TNGCL appears to be a promising PSU in the state with increasing rate of profit during the entire study period. However, the initiatives of diversified use of natural rubber and establishment of natural rubber based small scale manufacturing units in conformity with the local and outside market demands may be useful for sustainable development of Tripura Rehabilitation Plantation Corporation Limited (TRPCL). Some sorts of managerial and administrative efficiency, adequate marketing mix, processing and quality improvement may be useful for revival of the Tripura Tea Development Corporation Limited (TTDCL) in near future. A rigorous administrative and structural reform in the line of market demand and effective supervision can help in revival of the Tripura Small Industries Corporation Limited (TSICL) and Tripura Tourism Development Corporation Limited.

The overall financial position of Tripura Jute Mills Limited (TJML) clearly indicates that it is not in state of economic viability at present. Moreover, the revival of TJML seems to be very difficult taking into account the almost non-availability of raw jute in the state and the existing stiff competition from available alternative produces in the market replacing jute. Thus, the continuously loss making PSU like Tripura Jute Mills Limited have limited chance of revival and therefore suggested to put up the shutters. Further, the huge land area of the Jute Mill can be used for some other effective economic purposes looking at the job security of the existing employees and creation of future employments. For example, a mass scale multi-towered housing project can be considered in this land area. The TJML had 72.240 acres of land in its possession. However, after sub-allotment of lands to Amtali Police Station, ONGC, International Fair Ground etc., now it has 32.091 acres of land to its possession. So, a housing project of near about 2000 households' accommodation with shopping malls and other modern amenities is possible in this land. This will be helpful for effective extension of the city Agartala as well as protection of job security of the existing employees, creation of new employment and alternative livelihoods for many.

However, looking at the importance of the Tripura Handloom & Handicrafts Corporation Limited (THHDCL) in promotion of traditional creativity, cultural diversity and heritage as well as rural employment, its revival is utmost important for a state like Tripura where large scale industries are typically absent. A Public-Private Partnership (PPP) kind joint venture may be thought of considering the marketing prospects of this type of products. A state joint venture like the profit making TUTCL (Tripura Urban Transport Corporation Limited) or PPP kind of ventures may be thought of for the long run sustainability of the Tripura Road Transport Corporation Limited (TRTC). The State Government may expedite the process of winding up of the non-working SPSU viz. Tripura State Bank Limited (TSBL).

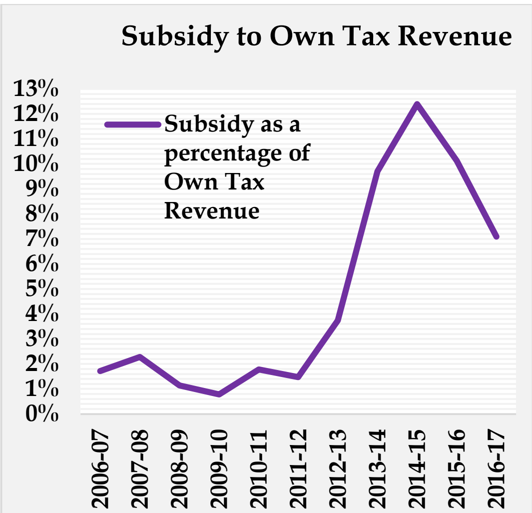
Poor and traditional transmission system, interim losses of power, poor management, growing capital expenditure in recent times, lack of effective administrative monitoring and supervision, absence of appropriate pricing method may be considered as some of the reasons for unbounded losses for Tripura State Electricity Corporation Limited (TSECL). There has been declining trend in electricity consumption for industrial activities, irrigation, public water and sewage which does not indicate a good sign for a power surplus economy. The TSECL which have monopoly in rendering services may provide the service at market determined prices and this will not only increase profit but efficiency as well. Of course, a system of greater monitoring and supervision will make the sector more efficient.

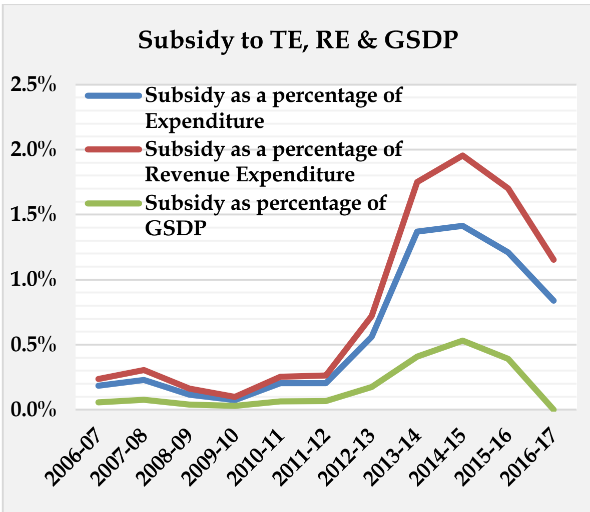
Now coming to the question of the decentralisation initiatives of the state government, a tendency of urban centrism in disbursement of funds has been noticed during the study period. So, disbursement of funds needs to be reoriented with more focus to the rural areas. There has been lack in preparation of annual budgets and finalisation of accounts therein on a regular basis for all the three tiers of the Panchayati Raj Institutions (PRIs) in the state. Thus, enforcement of financial modalities, assessment of the financial management procedures and mid-term reviews of activities of the local bodies are need of the hour.

For the Urban Local Bodies (ULBs), Agartala Municipal Corporation (AMC) has been studied and it is observed that proportion of capital receipts has been significantly higher than that of revenue receipts. Again, share of taxes from the state government has been the major source of revenue receipts for the corporation and grants & subsidies from centre and the state have also been the major sources of capital receipts. Regarding trends of disbursement, there has been a sharp increase in developmental (plan) expenditure of the AMC ranging from 36.61 to 81.84 per cent which may be treated as a good initiative of financial management for the corporation. However, taking into account the developmental activities by the corporation, there may be rational approach of raising the user charges for provisioning of better services such as substantial charges for long hours of private car parking at municipal parking zones and public places, charges and fines for private uses of public places for amusements, keeping of building materials etc. A discriminating progressive price system may be introduced for providing of water supply keeping the minimum requisite water slab free of cost for all. These are applicable to other ULBs also. These may help in water conservation as well as increasing financial resources of the ULBs.

As per the constitutional provision, the Tripura Tribal Areas Autonomous District Council (TTAADC) has been receiving its financial resources through plan head, share of taxes and transferred fund from the state government. However, declining trend of developmental expenditure for the TTAADC has been a real concern. The prospective sources of TTAADC's own resource generation may need to be rigorously studied. This is applicable to other Local Bodies also.

In case of State Subsidy, there has been an increasing trend of subsidy for the state of Tripura though the state is maintaining its subsidy to a limited level. Total subsidy of the state has been limited to less than 0.5 per cent of GSDP and less than *one* per cent of the state's total expenditure for most of the years under study. During the period of study, plan subsidy has increased at a compound annual growth rate of 43.80 per cent. However, non-plan subsidy exceeds plan subsidy manifold during the years 2012-13 to 2015-16. During the period, highest quantum of subsidy has been directed to the Power Department (Tripura State Electricity Corporation Limited) followed by the Food, Civil Supplies and Consumer Affairs Department. Allocation of subsidy to Power Sector ranges from 39.2 per cent to 95.4 per cent and that of Food, Civil Supplies ranges from 32.6 to 48.6 per cent of the total subsidy. There have been fluctuating and declining trends of subsidies for Agriculture and Welfare of SC, OBC and Minorities. Again, the relative share of subsidy to total subsidy for Tribal welfare has a fluctuating trend. There has been an increasing trend of subsidy for the state with respect to its total expenditure, revenue expenditure, GSDP, and own tax revenue and the respective trends exhibit a sharp declining since the year 2014-15.





A reorganisation of subsidies, of course, keeping into consideration the balance between needs and constructive uses of subsidies may be more useful for the development of the state. Agricultural subsidy may be given some special emphasis for the development of the agrarian based economy of Tripura.

Owing to the issues of public debt management, Tripura has been maintaining macroeconomic stability and debt sustainability so far as Debt-GSDP ratio and growth rate of GSDP vis-à-vis that of Outstanding Liabilities and Primary Deficits are concerned. The State keeps itself within the framework of the FRBM as well as of the Thirteenth and Fourteenth Finance Commissions. Its sustainable debt management is also indicated by her debt servicing capacity in terms of declining ratios of Interest Payment to GSDP, Interest Payment to Revenue Receipts, Outstanding Liabilities to Own Tax Revenue and so on. However, the higher annual average growth rate of actual debt burden in comparison to growth of GSDP may be considered as an indication of the critical financial condition of the State where a good repayment practice coexists with a compulsion of meeting emergent financial requirements through internal debt.

<table>
<tr><th colspan="7">Debt Sustainability Condition of Tripura (2006-07 to 2016-17)</th></tr>
<tr><th>Sl. No.</th><th>Indicators</th><th>Annual Average Growth Rate of GSDP ($\dot{Y}$)</th><th>Annual Average Growth Rate of Outstanding Liabilities ($\dot{OL}$)</th><th>Annual Average Growth Rate of Debt ($\dot{D}$)</th><th>Annual Average Growth Rate of Primary Deficit ($\dot{PD}$)</th><th>Remarks</th></tr>
<tr><td>01</td><td>Rate of Growth of GSDP ($\dot{Y}$) should be more than Rate of Growth of Debt ($\dot{D}$)/Outstanding Liabilities ($\dot{OL}$)</td><td rowspan="2">13.42</td><td rowspan="2">9.91</td><td rowspan="2">16.04</td><td rowspan="2">-57.91</td><td rowspan="2">The growth rates of both outstanding liabilities and primary deficit are lower than that of GSDP. However, growth rate of actual debt burden exceeds that of GSDP.</td></tr>
<tr><td>02</td><td>Growth Rate of Primary Deficit ($\dot{PD}$) should be less than Growth Rate of GSDP ($\dot{Y}$)</td></tr>
<tr><td colspan="7">Source: Author's estimates using data from CAG of India on State Finances, Govt. of Tripura</td></tr>
<tr><td colspan="7">Note: The growth rates are in percentage term per annum</td></tr>
</table>

During the study period, actual debt burden of the State has grown at a compound annual rate of 13.84 per cent, whereas State's capacity measured in terms of Own Revenue (Tax and Non-Tax) and Share of Tax Revenue from Centre has grown at the compound annual rate of 19.2 per cent. Thus, the State of Tripura may be considered to be in a long run sustainable debt management condition.

However, the debt sustainability condition of Tripura may get hampered owing to the introduction of GST. With limited data availability on Tax Revenue collection under GST, it is observed that collection of Sales Tax during GST regime has come down to Rs. 682.24 crore (Rs. 480.23 crore sales tax + Rs. 202.01 crore SGST) from Rs. 1133.67 crore of the Sales Tax regime. There has been a reduction of sales tax collection by 39.82 per cent under GST. The information as received in the Lok Sabha (January 18, 2017), the Tax Revenue collection of Tripura for the first five months of GST implementation (July to November, 2017-18) has been Rs. 159 crore. Comparing to this, only Sales Tax collection for the period from July to November, 2016-17 i.e. five months of the Sales Tax regime was Rs. 430.45 crore. That is, collection of the State only through Sales Tax for the same period of Sales Tax regime was more than 2.5 times than the collection through GST. The simple inference leads to the fact that there is every chance of a huge reduction in Tax Revenue collection for this Special Category State during the GST regime.

It can be concluded that in spite of several macroeconomic hurdles and fiscal challenges, the economy of Tripura has been maintaining stability and debt sustainability. However, care needs to be taken to the concern of reduction in Tax Revenue collection for the state in the coming days owing to GST implementation. Otherwise, it will be very difficult for the state like Tripura to maintain her macroeconomic stability and debt sustainability.

Introduction

The economic performance of any government is considered to be a function of its management of finances, particularly in mobilization and utilization of the resources available to her. In true sense, finances are the backbone of politico-economic strength of the government (Where, 1968) and sound government depends upon sound finances (Porwal, 1971).

State finances as well as the fiscal condition of the Indian states in general, and, of the special category states like Tripura in particular are an important area of concern and interest for the Indian federalism owing to their low revenue generating capacities. A host of factors such as uncontrolled administrative expenses, cumulative pension liabilities, mounting debt servicing burden, contingent liabilities, accumulated losses by PSUs, etc. have resulted to a huge disparity in the receipts and expenditures of the states which is manifested in the widening fiscal gap of the state government.

The threefold classification regarding activities and jurisdiction of the level of governments including their authority to raise revenues has led to a situation where the state governments are not in a position to meet their committed expenditures on their own. Thus, a vicious cycle of deficit, debt and debt service payments is visible for most of the Indian states and the weaker states are heavily constrained in meeting their requisites for developing social and physical infrastructure.

In the context of the Indian federalism, it is worthy to note that the States are assumed to be equal partners to the Centre in the overall development process of the country. A balanced economic development of the Indian federation calls for accelerating the process of economic development of the relatively backward states. All these lead to the mandate for transfer of resources from the Centre to the States through the Finance Commission, the Planning Commission and from various ministries through the Centrally Sponsored Schemes and also through an auxiliary fund under Special Plan Schemes, particularly for the states of the North Eastern Region (NER). However, a judicious public expenditure taking into account both of the technical and allocative efficiencies appears to be the utmost requirements of the individual states to reach the desired goals at the sub-national as well as national levels.

State Finances of Tripura

Tripura, a tiny hilly state in the North Eastern Region of Indian Union, is the third smallest state (10,491.69 Sq. Km.) in the country and the second most populous state of the North Eastern Region after Assam (and also stands 18th in terms of population density in the country). The population of Tripura increased from 31.99 lakh in 2001 to 36.74 lakh in 2011 with a decadal growth rate of 14.85 per cent. Presently, the state stands first in literacy performance in the country with an increase in per capita income from Rs. 52,434 in 2012-13 to Rs.71, 666 in 2014-15 (2011-12 as base year), much lower than the national average of Rs. 71,050 in 2012-13 to Rs.86,879 in 2014-15 (Economic Review of Tripura, 2015-16).

Table 1: NSDP at Factor Cost by Industry of Origin, Tripura (at Current Prices, base year 2011-12)
[Rs. In Lakh]

Year	Primary	Secondary	Tertiary	NSDP
2006-07	235911 (25.7)	220729 (24.1)	459942 (50.2)	916582
2007-08	250508 (25.2)	227630 (22.9)	514437 (51.8)	992575
2008-09	272651 (23.7)	278483 (24.2)	597647 (52.0)	1148780
2009-10	308109 (23.7)	273414 (21.0)	719094 (55.3)	1300617
2010-11	391351 (25.7)	276347 (18.2)	854344 (56.1)	1522042
2011-12	430681 (25.3)	334054 (19.6)	935882 (55.0)	1700617
2012-13	657539 (34.1)	289848 (15.1)	978345 (50.8)	1925732
2013-14	785273 (34.5)	317102 (13.9)	1175180 (51.6)	2277555
2014-15	922891 (38.7)	365636 (15.3)	1097857 (46.0)	2386384
2015-16	1361560 (45.5)	383543 (12.8)	1249861 (41.7)	2994964

Sources: Directorate of Economics & Statistics, Government of Tripura
Note: The relative shares of individual sector are given in the parentheses

Regarding sectoral composition of NSDP for the state of Tripura, it is observed that agriculture and allied sector is still playing the pivotal role. What is important to note that there has been a continuously declining relative share of the industry/secondary sector over the study period for the economy of the Tripura. Relative share of the secondary sector to the state's Net State Domestic Product (NSDP) has come down to 12.8 per cent from 24.1 per cent during the period from 2006-07 to 2015-16. The relative share of tertiary sector also has a slightly declining trend (from 50.2 to 41.7 per cent) over the period. However, relative share of the agricultural sector has increased from 25.7 per cent to 45.5 per cent during the period. This kind of development is not to be in parity with the proper development process and also not with the development process of the nation. The constrained industrial ventures and compulsory expansion of agro-based allied and alternative activities, especially through SHG, Rubber etc. may be the cause of such an adverse process of development.

Table:2	Sector-wise compositions of GSDP of Tripura at current price for the years 2006-07 to 2015-16 with base year 2011-12 (Rs. in Lakh)										
		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 (P)
1	Agri. And Allied	246218	262683	281956	321903	398081	436236	567087	702979	831809	1106465
1.1	Agriculture	192647	201659	216364	217937	285194	307474	381287	445627	534500	687039
1.2	Forestry & Logging	35865	36467	36955	51105	71534	81808	119262	133116	147358	245287
1.3	Fishing	17706	24557	28637	33628	41352	46954	66538	124236	149951	174139
2	Mining & Quarrying	17418	17748	20106	20492	37079	43926	128413	130634	147017	351081
A	***Primary Sector***	263636	280431	302062	342396	435160	480162	695500	833613	978826	1457546
3	Manufacturing	30842	35200	38927	45300	60019	57095	117529	125869	153164	160639
4	Construction	205697	206080	256113	243630	233545	301804	151630	174411	150174	185398
5	Electricity, gas , Water Supply & other Utility Services	24911	30156	35418	40723	31232	31349	55855	55022	129811	90516
B	***Secondary Sector***	261450	271437	330457	329653	324796	390248	325014	355302	433149	436553
6	Transport, storage & communication	32094	40777	45897	58869	72092	83261	108895	121265	125743	145811
6.1	Railways	260	269	228	274	286	215	261	261	1119	1231
6.2	Transport by other means	19959	28520	33084	44012	55368	66122	63696	65236	60660	69135
6.3	Storage	227	271	332	512	617	759	187	205	234	217
6.4	Communication	11649	11716	12254	14071	15821	16165	44751	55563	63730	75228
7	Trade, hotel & restaurants	129314	141487	159045	178109	240040	256469	265292	333695	327682	355036
8	Banking & insurance	21895	24434	27640	34205	46545	54929	67963	72348	85950	96658
9	Real estate, ownership of dwellings, business services	58899	69529	78448	86380	96297	110786	135500	168765	166248	186237
10	Public administration	141632	131753	160011	200536	214483	231086	270564	302004	305548	374948
11	Other services	140676	174646	201687	251092	288881	313900	260210	316948	252249	273174
C	***Tertiary Sector***	524509	582627	672727	809191	958339	1050431	1108424	1315025	1263420	1431864
	State Domestic Product	1049594	1134495	1305247	1481239	1718295	1920841	2166320	2559283	2742239	3436832
	Population ('000)	3432	3474	3515	3557	3599	3700	3744	3789	3835	3881
	State Per Capita Income (in Rs.)	30583	32657	37134	41643	47744	51915	57861	67545	71506	88555

Sources: Directorate of Economics & Statistics, Government of Tripura.

Note: Some misspecifications of data for sectoral composition of GSDP are noticed in the data set provided by the Directorate of Economics & Statistics for the period from 2012-13 to 2015-16. The aggregate GSDP is not in conformity with the sum of the sectoral composition. However, such problems are not found for the period from 2006-07 to 2011-12.

From the sectoral composition and dynamics of gross state domestic product (GSDP), it is also clearly revealed that there has been increasing role of primary sector in terms of it relative share to GSDP from 25.1 per cent to 42.4 per cent of the total economy. Thus, agriculture and allied activities have been predominant for the economy of Tripura for the period under consideration. The declining relative share of the secondary sector by 24.9 to 12.7 per cent over the period is a matter of great concern. Particularly, the concern is of employment generation and accommodation of the educated youth of the state in economic activities. This also indicates to lack of technical efficiency in public policies for industrial development in the state. In spite of isolation and connectivity bottlenecks, the state could think of small and medium scale ventures tied to its tradition and rural base as well as in conformity with the region. The adverse process of development for the state is well reflected through the respective compound annual growth rate of the various sectors viz. 18.7 per cent for the primary sector, 10.6 per cent for the tertiary sector and 5.3 per cent only for the industrial sector.

It is important to note that as per CSO data, real growth rate of Tripura was higher than nominal growth rate in the year 2014-15 implying a negative inflation in the State. However, this may particularly be happened due to inconsistency in estimation of constant prices for fishing sub-sector in 2014-15; methodological issues in using CPI-combined as deflator for mining and quarrying sub-sector, improper use of CPI as deflator for the electricity, gas and water supply in 2014-15, and also inappropriate use of current prices in estimation of the GSDP of 2014-15 for the communication sub-sector.

The state of Tripura has undergone fiscal restructuring in 2005 with setting up of new objectives and priorities for the state finances (the Tripura Fiscal Responsibility and Budget Management - TFRBM Act, 2005 in accordance to the imposed conditions of the 12th Finance commission). However, the State Finances were in deep crisis as that has been admitted by the then Finance Minister himself (The Shillong Times, 2011) and as also has been reflected through the pressing demand for financial emergency under Article 360 by the then Congress-led opposition (The Times of India, 2011). The state government also published a white paper entitled, '*13th Finance Commission Report: A Review*' regarding the situation to elucidate that the crisis ascended because of the adverse award by the 13th FC, much lower than the state's requirements and the resulting increasing negative Balances from Current Revenues (BCR).

In spite of the difficulties faced by the state, Tripura is still credited to be a good performer in terms of many of the social development parameters such as literacy rates, birth rate, death rate, infant mortality rate, maternal mortality rate, sex ratio etc. in comparison to the national average. However, high rates of poverty, low capital formation, inadequate infrastructure, lack of industrialization, deficiency of manufacturing sector and higher rates of unemployment for educated youth are the matters of great concern for the state.

For the last couple of years, the revenue trends of the state reveal an increasing share of Own-Tax Revenue, while Non-Tax Revenues illustrate a relatively declining trend. The revenue expenditure patterns are in conformity with growing share of Social Sector spending. The Revenue as well as Fiscal Surplus for few of the previous years might be for implementation of the TFRBM Act, 2005. In terms of GFD/GSDP, Tripura is one of the two states of the country to have enjoyed Fiscal Surplus in 2006-07, 2011-12, 2012-13and 2013-14 along with Orissa. The debt burden has reduced and the state is in a better position so far as liabilities are concerned. The containment of Revenue and Fiscal Deficits as a percentage of GSDP and a rising Revenue Receipts as a percentage of GSDP are visible for some of the Indian states including Tripura (RBI, 2014). However, the state presently generates only around 15-16 percent of its total revenue within its premises and the consequent dependence on the Central Grants remains vital and inevitable.

Basis, Objectives and Coverage

The present study plans to evaluate the financial health of the state of Tripura comprising of critical analyses of the overall position of the State Finances over an eleven year period from 2006-07 to 2016-17. The recommendations of the 14th Finance Commission are the bases of outcome evaluation of State Finances of Tripura. The major objectives of the present study, though not limited too, are listed as below:

- Estimation of revenue capacities of the state and measures to enhance revenue productivity both from tax and non-tax sources.
- Evaluation of the components, pattern and trends of public expenditures, both revenue and capital and measures to enhance technical and allocative efficiencies in this regard.
- Critical analysis of the fiscal and revenue deficits, debt and other liabilities of the Government of Tripura.

- Analysis of the major decentralization initiatives from the part of the state government to transfer funds to the various rural and urban local bodies.
- Evaluation of the performance of the state Public Sector Undertakings (PSUs) including the Power Sector Reforms and their impact on the financial health of the state.
- Analysis of different subsidies given by the State, other than Central subsidies, their targets and beneficiaries.
- Determination of a sustainable debt roadmap considering the impact of introducing GST and other tax/non-tax trend forecasts.

Thus, the present evaluation study has a wide coverage of the general health of the State Finances of Tripura encompassing its revenue structure and capacity, public expenditure pattern, level of debts, efficiency of financial administration and so on for a period of 11 years from 2006-07 to 2016-17.

Significance of The Study

Evaluation of State Finances is important for the purposes of pragmatic policy initiatives and for target-based future resource allocation, aiming to proper development of the concerned state. This is more crucial for a backward state like Tripura which ranked 23rd out of 25 states as per the Backwardness Index prepared by University of Delhi and as accepted by the 11th Finance Commission, Government of India. This evaluation report expected to be useful to the 15th Finance Commission for framing its recommendations related to the development of the state of Tripura.

Data Sources

The evaluation study is exclusively based on secondary data from various official sources of the Government of Tripura and Government of India. The prime sources for the purpose are the Finance Department, Government of Tripura; Planning and Coordination Department, Government of Tripura; various issues of the Economic Review of Tripura, Directorate of Economics and Statistics, Government of Tripura; various issues of the State Audit Reports, CAG of India, Government of India; various issues of the State Budget, Government of Tripura; Quarterly Review Report: Fiscal Policy Statements and Disclosures, Government of Tripura; Annual Reports of the respective Public Sector Undertakings, Government of Tripura; Office of the Tripura Tribal Areas Autonomous District Council; Bulletins of the RBI on State Finance: A Study of Budgets; Reports of RBI on Currency and Finance; Central Statistical

Organization; Centre for Monitoring Indian Economy; Finance Accounts and Appropriation Accounts, Government of Tripura; Five Year and Annual Plan Documents, Government of Tripura; Reports of Various Finance Commissions; Memorandums submitted by the Government of Tripura to different Finance Commissions; Publications of National Institute of Public Finance and Policy and so on.

Methodology of the Study

The present study plans to follow a mix methodology viz. describing the facts and observations using tabular texts, charts and diagrams etc. along with applications of some mathematical tools such as rates, ratios and percentages to make the arguments comprehensive and to validate the observations. Some of the important analytical techniques are presented below as for examples:

- *State's Revenue Capacity*: State's own revenues (both tax and non-tax), State's share of union taxes and duties, Grants-in-Aid to be expressed as a percentage of GSDP at current prices. The individual heads of tax and non-tax revenues of the state have been expressed as a percentage of GSDP at current prices. The *rate of growth of Tax Revenue/Non-Tax Revenue or individual components of them* have been calculated by using the Exponential Model as under:

$$Y_t = \alpha\beta^t$$

Where, $\beta = (1 + r)$, r = Percentage change in revenues (nominal) of tax/non-tax or their individual components in year t.

Y_t = revenues (nominal) of tax/non-tax or their individualcomponents in year t.

Buoyancy or responsiveness (elasticity) of individual components of tax revenues/non-tax revenues i.e. percentage change in revenue to a one percent change in particular component of revenues along with their respective 't' values for the level of significance has been calculated by using the log-log model as under:

$$ln(R_t) = \beta_0 + \beta_1 * ln\,(X_t) + u_t$$

Where, $ln(R_t)$= natural log of (nominal) revenue in year t.

$ln(X_t)$= natural log of (nominal) revenue of tax/non-tax or their individual components in year t.

β_0= intercept, β_1 = buoyancy estimate and u_t= error term in year t.

Buoyancy of revenue to state income along with its level of significance has been calculated by using the following log-log model:

$$ln(R_t) = \beta_0 + \beta_1 * ln(G_t) + u_t$$

Where, $ln(R_t)$ = natural log of (nominal) revenue in year t.

$ln(G_t)$ = natural log of (nominal) GSDP in year t.

β_0= intercept, β_1 = buoyancy estimate and u_t= error term in year t.

- *Public Expenditure Pattern of the State*: State's public expenditure (both revenue and capital), various heads of public expenditure such as development and non-development expenditures and their individual heads like salary, pension, interest payments etc. for committed expenditure to be expressed as a percentage of GSDP at current prices and *their rate of growth* have been calculated by using the Exponential Model as under:

$$Z_t = ab^t$$

Where, $b = (1 + r)$, r = Percentage change in expenditure (nominal) of revenue/capital or individual components of public expenditure in year t.

$Z_t =$ Expenditure (nominal) of revenue/capital or individual components of public expenditure in year t.

Responsiveness (buoyancy) of individual components of public expenditures to total public expenditures along with their respective't' values for the level of significance has been calculated by using the log-log model as under:

$$ln(E_t) = b_0 + b_1 * ln(Z_t) + u_t$$

Where, $ln(E_t)$ = natural log of (nominal) public expenditures in year t.

$ln(Z_t)$ =natural log of (nominal) public expenditures towards individual components in year t.

b_0= intercept, b_1 = buoyancy estimate and u_t= error term in year t.

Again, *responsiveness (buoyancy) of public expenditures/individual components of public expenditures to state income* along with its level of significance has been calculated by using the following log-log model:

$$ln(E_t) = b_0 + b_1 * ln(G_t) + u_t$$

Where, $ln(E_t)$ = natural log of (nominal) public expenditure/expenditure towards individual components of public expenditure in year t.

$ln(G_t)$ = natural log of (nominal) GSDP in year t.

b_0= intercept, b_1 = buoyancy estimate and u_t= error term in year t.

- *Performance of the State PSUs and Effectiveness of the Power Sector Reforms in the State*: the performance of the Public Sector Undertakings (PSUs) of the Government of Tripura along with the Tripura State Electricity Corporation Limited (TSECL) has been evaluated in terms of their annual profits/losses as reported in their respective Annual Reports. Also their respective growth rates over the study period have been considered for assessing their economic viability.

- *Fiscal performance indices*: measured in terms of Revenue Deficit, Fiscal Deficit and Primary Deficit as a percentage of GSDP; Composition and Trends of Public Debt; Outstanding Liabilities to GSDP ratio; Interest Payment to Revenue Expenditure/Revenue Receipts; Trend of Contingent Liabilities; Outstanding Guarantees as a percentage of GSDP; State of Revenue Deficit, Fiscal Deficit, Primary Deficit, Outstanding Guarantees before and after FRBM and achieving the targets set out by the 13th & 14th Finance Commissions; Trend and Pattern of Transfer of Resources to Local Bodies including TTAADC; Trend and Composition of State Subsidy; Subsidy as percentage of Own Tax Revenue, Total expenditure and GSDP; Debt Sustainability in terms of Growth Rate of GSDP vis-à-vis Growth Rate of Debt, Growth Rate of Primary Deficit vis-à-vis Growth Rate of GSDP etc.; One Year's Tax Revenue Collection before and after GST.

The similar kind of methodological tools to be followed throughout the evaluation study depending upon the suitability of the individual technique in the particular section.

Structure of the Report

Other than the essential components of a report like Preface, List of Tables and Figures, Introduction, Conclusion, the report of the proposed evaluation study may be organized into 10 chapters as detailed out below:

Chapters	Contents
	Introduction
Chapter: I	Status of Revenue Capacity of the State
Chapter: II	Component, Pattern and Trends of Public Expenditures
Chapter: III	Analysis of Deficits
Chapter: IV	Analysis of Debts
Chapter: V	Contingent Liabilities of the State
Chapter: VI	Implementation of TFRBM Act, 2005
Chapter: VII	PSUs and Power Sector Reforms
Chapter: VIII	Decentralization Initiatives in the State Finances
Chapter: IX	Analysis of State Subsidies
Chapter: X	Sustainable Debt Road Map
	Conclusion
	References

Status of Revenue Capacity of the State

1

1.1 Sources of State Revenues: The Constitutional Provisions

The Constitution of India makes elaborate arrangements relating to the distribution, between the Centre and the States, of taxes, the power of borrowing and provision for grant-in-aid by the Centre to the State. The Constitution of India clearly defines the role of Central and State Governments in the federal structure. As per the constitutional provision, all activities in Government area are categorised as falling in Central List, State List or Concurrent List. Articles 268 to 300 of the Constitution of India deal with financial matters.

Article 246 and Seventh Schedule of the Constitution distribute powers to the Union and the States with a threefold classification of subjects as under:

(i) List I invests the Union with all functions of national importance such as defence, external affairs, communications, constitution, organization of the Supreme Court and the High Courts, elections etc.

(ii) List II invests the states with a number of important functions touching on the life and welfare of the people such as public order, police, local government, public health, agriculture, water land etc.

(iii) List III is the Concurrent list, which includes administration of justice (excluding Supreme Court and High Courts), economic and social planning, trade and commerce, etc. It is of interest to note that higher education; forests and population control were all added to this list in 1977 during the emergency when it was felt that the states were not doing justice to these subjects of national importance.

The Constitution of India under Article 265 clearly states that no taxes shall be levied or collected except by the authority of law. Entries 82 to 92B of List I of the VII Schedule describe the taxation powers of the Union Government. Entries 45 to 63 of List II of the VII Schedule specify the taxation powers of the state governments. List III does not contain any head of taxation which means the Union and the states have no concurrent powers of taxation. This provision has been made in the constitution so as to avoid duplication in tax administration, and to minimize tax rivalry between the Union and States; and among the States.

The Union and State lists include the powers of taxation as well. The enumeration of taxation powers placed in the Union List includes: tax on income other than agricultural income, excise duties, customs and corporate tax. Recently service tax had been included in view of diminishing importance of customs. The State List contains land revenue, excise on alcoholic liquor, tax on agricultural income, estate duty, tax on sale or purchase of goods, tax on vehicles, tax on professions, luxuries, entertainment, stamp duties etc. The Concurrent List does not include any tax power. The distribution of revenues between the Union and the States and approaches for determining grants as per various Articles of the Indian Constitution is given at Box:

DISTRIBUTION OF REVENUES BETWEEN UNION AND STATES: CONSTITUTIONAL PROVISIONS

Article 268: Duties levied by the Union but collected and appropriated by the States.

Article 268 (A): Taxes on services shall be levied by the GoI and such tax can be collected and appropriated by GoI and the States (88th Amendment).

Article 269: Taxes levied and collected by the Union but assigned to the States.

Article 270: Taxes levied and collected by the Union and distributed between the Union and the States.

Article 271: Surcharge on certain duties and taxes for purposes of the Union.

Article 272: Taxes which are levied and collected by the Union and may be distributed between the Union and the States.

Article 275: Grants from the Union to certain States.

Article 276: Taxes on professions, trades, callings and employments.

APPROACHES FOR DETERMINING GRANTS

Article 280 (3) (b): Finance Commission to make recommendations as to the "principles" which should govern such grants in aid.

Article 275 (1): Specific "sums" to be paid to the states which are assessed to be in "need of assistance".

Source: The Constitution of India

Originally the Constitution of India provided for two levels of government, one at the centre and the other for the states. But by the 73rd and 74th Constitutional Amendments, the states were obliged to create local bodies in the form of *Panchayats* at the rural areas and *Municipalities* in urban centres. The local bodies are subject to the respective state governments for their creation, allocation of functions and devolution of funds. In this context, it is important to note that adequacy and elasticity are the essential elements of federal finance. Adequacy implies sufficient resources for discharging constitutional responsibilities and elasticity implies an expansion of resources in response to the growing needs of the Government. A vertical imbalance between the Centre and States is built into the Constitution by the provisions relating to powers of taxation. The vertical imbalance is further accentuated by the assignment of several responsibilities involving the public expenditure to the states on the grounds that tiers of government nearer to the people would be more sensitive to their needs and thus be better able to discharge such responsibilities.

In the Indian federation, the states substantially differ in their resource endowments, levels of development and standards of delivery of public services, thereby leading to horizontal imbalances among the states. This is also worthy to note that in the federal government system, once the fundamentals of the government are spelt out, it becomes equally important that each of the government (whether Centre or State) should be provided with sources of raising adequate revenues to discharge the functions entrusted to them. Financial independence and adequacy of resources are the backbones for successful operation of the federal form of government.

Table 1.1: Total Receipts of the Government of Tripura (Rs. in Lakh)

Year	*Revenue Receipts*	*Capital Receipts*	*Total Receipts*
1	2	3	4 =(2+3)
2006-07	333336	28667	362003
2007-08	369834	11054	380888
2008-09	407678	28208	435886
2009-10	440135	78776	518911
2010-11	516860	75945	592805
2011-12	647690	56030	703720
2012-13	705030	106868	811898
2013-14	765018	110711	875729
2014-15	923973	83828	1007801
2015-16	942674	146097	1088771
2016-17	964546	142047	1106593
CAGR (%)	**11.21**	**17.36**	**11.82**

Source: Various Issues of Budget at Glance, Government of Tripura

Figure 1.1 Composition of Total Receipts

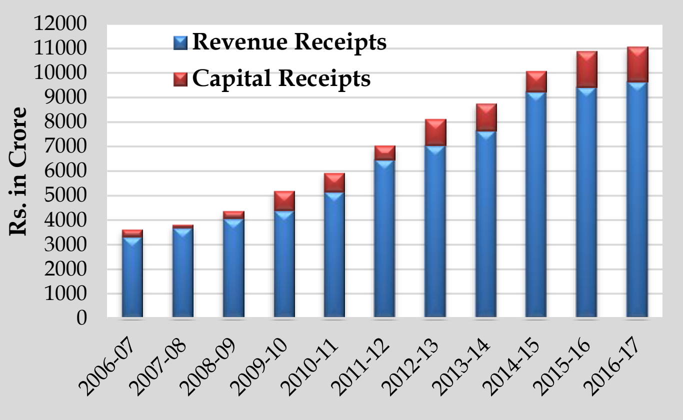


Table 1.1 above reveals that revenue receipts constitute of more than 85 per cent of the total receipts of the Government of Tripura. However, it is important to point out that there has been an increasing rate of capital receipts in recent times for the state as reflected through its compound annual growth rate of 17.36 per cent during the study period.

1.2 An Overall Trend of Revenues: Tripura

The revenue capacity of the state of Tripura can be discussed in the light of the above arguments. **Total Revenue Receipt of the State** is constituted by **State's Own Revenue Receipt (***State's Own Taxes* plus *State's Own Non-Tax Revenues)* and **Transfer from the Centre** (*State's Share in Central Taxes* plus *Grants-In-Aid)*. The state of Revenue Receipts for the state of Tripura during the study period is presented below:

Table 1.2: Composition of Revenue Appropriation, Tripura 2006-07 to 2016-17 ***(Rs. in Lakh)***

Year	*State's Own Tax Revenue*	*State's Own Non-Tax Revenue*	*Total own Revenue*	*State's Share of Union Taxes and Duties*	*Other Grants from Central Government*	*Total Central Transfer*	*Total Revenue Receipts*
1	**2**	**3**	***4 = (2+3)***	*5*	*6*	***7 = (5+6)***	***8 = (4+7)***
2006-07	34155 (10.2)	9497 (2.8)	43652 (13.1)	51578 (15.5)	238106 (71.4)	289684 (86.9)	333336
2007-08	37070 (10.0)	11541 (3.1)	48611 (13.1)	65062 (17.6)	256161 (69.3)	321223 (86.9)	369834
2008-09	44250 (10.9)	14904 (3.7)	59154 (14.5)	68652 (16.8)	279872 (68.7)	348524 (85.5)	407678
2009-10	52701 (12.0)	12540 (2.8)	65241 (14.8)	70634 (16.0)	304260 (69.1)	374894 (85.2)	440135
2010-11	62234 (12.0)	13179 (2.5)	75413 (14.6)	112236 (21.7)	329211 (63.7)	441447 (85.4)	516860
2011-12	85802 (13.2)	21422 (3.3)	107224 (16.6)	130756 (20.2)	409710 (63.3)	540466 (83.4)	647690
2012-13	100465 (14.2)	17875 (2.5)	118340 (16.8)	149318 (21.2)	437372 (62.0)	586690 (83.2)	705030
2013-14	107391 (14.0)	24652 (3.2)	132043 (17.3)	163025 (21.3)	469950 (61.4)	632975 (82.7)	765018
2014-15	117426 (12.7)	19564 (2.1)	136990 (14.8)	173013 (18.7)	613970 (66.4)	786983 (85.2)	923973
2015-16	133225 (14.1)	26260 (2.8)	159485 (16.9)	326602 (34.6)	456587 (48.4)	783189 (83.1)	942674
2016-17	142201 (14.7)	21885 (2.3)	164086 (17.0)	390912 (40.5)	409548 (42.5)	800460 (83.0)	964546
CAGR (%)	**15.3**	**8.7**	**14.2**	**22.5**	**5.6**	**10.7**	**11.2**

Source: Various Reports of the Comptroller and Auditor General of India, Government of Tripura
Note: the values given in the parenthesis indicate the corresponding percentages to the total revenue receipts

It is observed that Own Revenue Receipts for the state of Tripura has grown at a Compound Annual Growth Rate (CAGR) of 14.2 percent against total revenue growth rate of 11.2 per cent over the study period. In absolute term, State's receipt in the form of *State's Own Taxes* has gone up from Rs. 34,155 lakh in 2006-07 to Rs. 142,201 lakh in 2016-17 exhibiting a CAGR of 15.30percent. State's own *Non-Tax Revenue* has increased from Rs. 9,497 lakh in 2006-07 to Rs. 21,885lakh in 2016-17showing a CAGR of 8.70 per cent. *State's Share of Union Taxes and Duties* has increased from Rs. 51,578lakh in 2006-07 to Rs. 390,912lakh in 2016-17with a CAGR of 22.50 per cent. *Other Grants from Central Govt.* exhibits a CAGR of 5.60 per cent. Thus, Central sources still appear to be a major source of State's revenue though there has been a declining trend of dependency in terms of the relative share of Central Grants to total Central transfer. The overall trends of the various sources of State's revenue for the State are shown in the following diagram:

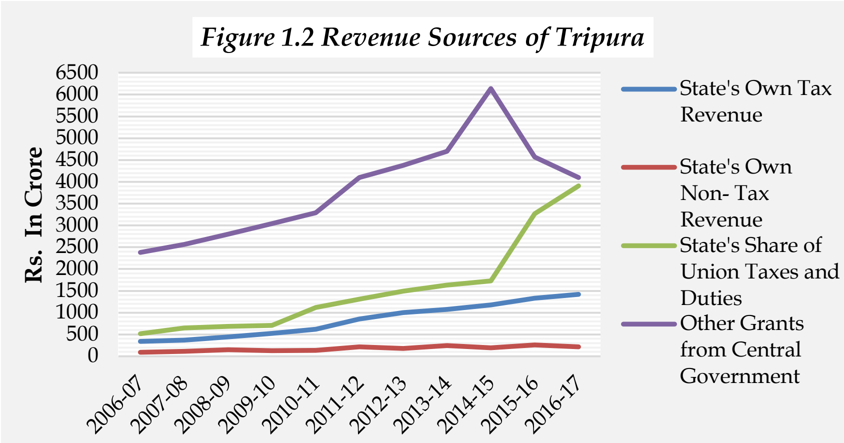


Figure 1.2 reveals that *State's Own Non-Tax Revenue* is more or less stable over the years. The State has a larger Central dependency in its total revenue receipt as a special category state. However, a declining trend of Central Grants is noticed from the year 2014-15. This is also clear from Table 1.1 that the share of State's self-generated revenue (*State Taxes+ Non-Tax Revenue=Total Own Revenue*) in total revenue receipts of Tripura exhibits an increasing trend over the study period, except a few years. This is mainly due to increasing share of State's own tax revenue. State taxes contribute a significant share to the total own revenue of the state. In case of total revenue receipt of the state of Tripura, share of *State's Own Tax Revenue* ranges from 10.00 – 14.70per cent and that of State's *Non-Tax Revenue* ranges from 2.10 – 3.70 per cent. Thus, State's own share in total revenue receipts is about 16-17 per cent. The study period also notices an increasing trend of the *State's Share of Union Taxes and Duties* but a declining share of *Other Grants from Central Government.*

Table 1.3: CAGR of Total and Own Revenues, Special Category States, 2006-07 to 2016-17

States	**CAGR (In Percentage)**		**CAGR GAP**
	Total Revenues (TR)	**Own Revenues (OR)**	**(OR – TR)**
Assam	17.09	14.93	-2.16
Arunachal Pradesh	17.29	12.32	-4.97
Himachal Pradesh	12.86	11.81	-1.05
Jammu and Kashmir	15.46	18.11	2.64
Manipur	12.59	10.99	-1.59
Meghalaya	15.41	13.50	-1.91
Mizoram	14.57	11.75	-2.82
Nagaland	14.32	13.97	-0.35
Sikkim	8.72	-2.19	-10.91
Tripura	**11.21**	**14.16**	**2.95**
Uttarakhand	15.91	4.94	-10.97

Source: Calculation based on State Finance- A Study of Budgets, Various Issues, RBI

Table 1.3 represents the relative revenue performance of the state of Tripura in comparison to the other Special Category States. Total revenue of Tripura increases at a compound annual growth rate (CAGR) of 11.21 percent over the period from 2006-07 to 2016-17 and the state ranks 10thout of 11 Special Category States in terms of growth of its total revenue receipts from above. More interestingly, *State's Own Revenue* increases at a CAGR of 14.16 percent over the study period and Tripura ranks 3rdout of 11 states in terms of own revenue growth in spite of its own resource limitations. Again, Tripura is the only Special Category State with a positive gap (2.95) of own revenue growth over total revenue growth. A comparison of the special category states in terms of their respective own share to total revenue receipt over the study period is expected to provide a better picture of their relative performances. This is shown in Table 1.4 below:

Table 1.4: Ratios of State's Own Revenue to Total Revenue Receipts, Special Category States

Sates	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Assam	*39.1*	*35.9*	*35.5*	*38.9*	*36.1*	*38.3*	*34.9*	*36.3*	*31.1*	*33.1*	*32.5*
Arunachal Pradesh	*14.5*	20.6	23.6	15.9	13.7	12.3	6.0	14.4	10.1	9.2	9.4
Himachal Pradesh	*38.2*	41.4	43.0	42.1	42.0	41.4	38.5	44.0	45.0	35.2	34.8
Jammu & Kashmir	*20.9*	23.6	24.2	22.4	20.6	27.2	30.5	33.7	28.7	28.0	26.2
Manipur	*10.6*	8.9	10.9	11.3	9.7	12.0	8.3	10.1	8.8	9.0	9.2
Meghalaya	*22.8*	21.2	21.2	20.9	20.5	22.9	24.1	24.7	20.0	16.0	19.3
Mizoram	*10.2*	10.2	9.6	7.9	8.2	10.2	9.6	8.9	9.2	7.7	8.0
Nagaland	*7.6*	8.4	9.9	8.3	8.2	9.6	8.8	8.5	8.6	7.6	7.4
Sikkim	*59.5*	59.7	52.0	48.5	176.1	36.5	32.8	30.5	27.5	19.7	20.6
Tripura	***13.1***	**13.1**	**14.5**	**14.8**	**14.6**	**16.6**	**16.8**	**17.3**	**14.8**	**16.9**	**17.0**
Uttarakhand	*42.9*	43.2	43.4	44.2	43.8	49.3	50.9	50.1	46.7	45.5	46.2

Source: Calculation based on State Finance- A study of Budgets, Various Issues, RBI

Table 1.4 above depicts that majority of the Special Category States exhibits a declining trend in their *State's Own Revenue* to *Total Revenue Receipts* over the study period except the states of Uttarakhand, Jammu & Kashmir and Tripura. Nagaland has been maintaining a relative stagnancy in this regard. Uttarakhand reveals a relatively sound performance in terms of its own revenue to total revenue receipts. Both the states of Jammu & Kashmir and Tripura have an increasing trend of the ratio of *State's Own Revenue* to *Total Revenue Receipts* throughout the study period. Tripura's rank is 7th among the Special Category States in terms of its own share to total revenue receipts at present (2016-17).

In absolute terms, total revenue receipt of the state of Tripura was Rs. 3,33,336 lakh during the year 2006-07, which is expected to be increased to Rs. 9,64,546 lakh during the year 2016-17 as per the budget estimate of the Government of Tripura. This is also important to note that the total receipts consisting of *Revenue Receipts* and *Capital Receipts* for the state of Tripura was Rs. 3,62,003 lakh in the year 2006-07, which increased to Rs.

11,06,593 lakh during the year 2016-17 exhibiting a compound annual growth rate (CAGR) of 11.82 per cent over the study period.

It may be referred that Revenue Receipts comprise of State's own tax and non-tax revenues, State's share of Union taxes and other grants from central government; whereas, Capital Receipts consist of Recovery of loans, Borrowings and Loans from public account. A detail breakup of the composition of State's *Total Receipts* as well as the individual components of *Revenue Receipts* and those of *Capital Receipts* over the study period are presented in Figure – 1.3, Figure – 1.3(a) and in Figure – 1.3(b) respectively. The figures are indeed to provide a clear picture of the revenue capacity of the state during the study period.

Figure 1.3 reveals that capital receipts share about 10-15 per cent of the total receipts of the state. On the other hand, on an average 90-85 per cent of the total receipts are revenue receipts. In terms of CAGR, *Revenue Receipts* has increased by 11.21 per cent and *Capital Receipts* has increased by 17.36 per cent during the study period. There has been an increasing trend of capital receipts, particularly from the year 2014-15. The increasing trend of capital receipts may be considered as an indication of growing liabilities or declining asset position of the government.

Figure 1.3 Composition of State's Total Receipts, Tripura

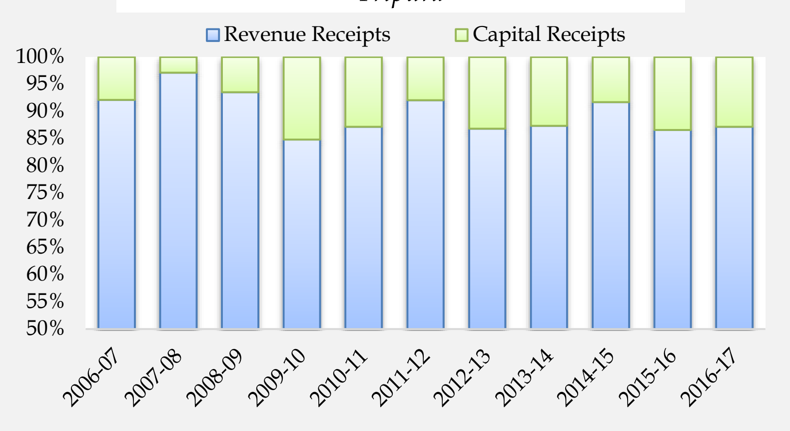
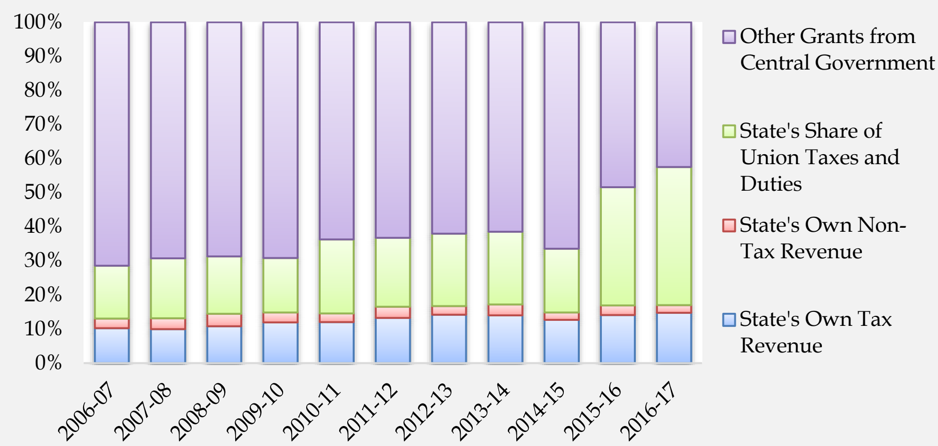


Figure 1.3(a) Composition of Revenue Receipts, Tripura



Regarding composition of Revenue Receipts, major contribution is being constituted by other grants from the Centre, though the rate of total grants has been declining over the study period. On the other hand, the state's share of Union Taxes & Duties, and Own Tax Revenue have been increasing over the study period.

In case of composition of Capital Receipts, internal debt constitutes the lion share of total capital receipts of about 80 per cent in recent years. The remaining share is mostly constituted by loans from public account.

Table 1.5: Composition of Capital Receipts, Tripura 2006-07 to 2016-17 ***(Rs. in Lakh)***

Year	Recovery of Loans & Advances	Internal Debt	Loans & Advances from Central	Loans from Public Account *	Capital Receipts @
1	*2*	*3*	*4*	*5*	*6 = (2+3+4+5)*
2006-07	352 (1.2)	21913 (76.4)	583 (2.0)	5819 (20.3)	28667
2007-08	327 (3.0)	4680 (42.3)	329 (3.0)	5718 (51.7)	11054
2008-09	325 (1.2)	20617 (73.1)	252 (0.9)	7014 (24.9)	28208
2009-10	351 (0.4)	49051 (62.3)	330 (0.4)	29044 (36.9)	78776
2010-11	280 (0.4)	55255 (72.8)	336 (0.4)	20074 (26.4)	75945
2011-12	210 (0.4)	41181 (73.5)	607 (1.1)	14032 (25.0)	56030
2012-13	126 (0.1)	83053 (77.7)	348 (0.3)	23341 (21.8)	106868
2013-14	96 (0.1)	78325 (70.7)	373 (0.3)	31917 (28.8)	110711
2014-15	218 (0.3)	53207 (63.5)	520 (0.6)	29883 (35.6)	83828
2015-16	114 (0.1)	111386 (76.2)	593 (0.4)	34004 (23.3)	146097
2016-17	91 (0.1)	113594 (80.0)	362 (0.3)	28000 (19.7)	142047

Source: Various Reports of the Comptroller and Auditor General of India, Government of Tripura.
**Various Issues of Budget at a Glance, Government of Tripura*
Note: @ As mentioned in ***Budget At a Glance,*** *Government of Tripura. However,* Borrowing *head includes the sum of* Internal Debt and Loans & Advances from central.

In case of capital receipts, loans and advances from Centre has been declining over the study period for the state of Tripura.

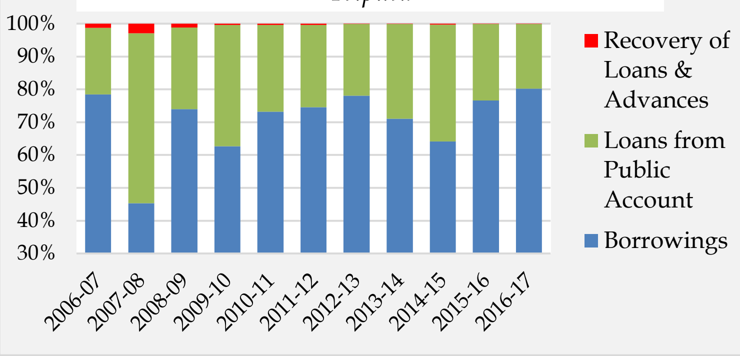


Figure 1.3(b) Major Composition of Capital Receipts, Tripura

1.3 Revenue Elasticity of GSDP

The buoyancy (or elasticity) of revenue receipts with respect to GSDP examines whether revenue receipts exhibit sensitivity to the performance of the economy (measured in terms of GSDP at current prices, base year 2011-12). The estimated revenue buoyancy using the formula as reported in methodology part of the Introduction, is illustrated below:

$$\ln(R_t) = 0.234 + 0.902\ln(GSDP_t)$$

S.E.(0.631) (0.044)

p-value (0.720) (0.000)

$R^2$0.979

F 428.51 (p-value= 0.000)

From the above, this is observed that the buoyancy of revenue to GSDP is 0.902 for Tripura. This implies that revenue receipts tend to increase by 0.902 percent if GSDP increases by one per cent. So, revenue receipts of the state of Tripura do not exhibit that much of buoyancy/sensitivity to GSDP during the study period, however, tend to be buoyant. Further, the year wise estimates of revenue buoyancy to GSDP as reported below provide a clearer picture of revenue movement with respect to GSDP of the state.

Table 1.6: Year wise breakup of Revenue Buoyancy to GSDP, Tripura 2006-07 to 2016-17

Year	Buoyancy of Revenue Receipts with respect to GSDP
2006-07	--
2007-08	1.35
2008-09	0.68
2009-10	0.59
2010-11	1.09
2011-12	2.15
2012-13	0.69
2013-14	0.47
2014-15	1.31
2015-16	0.19
2016-17	0.19

Source: Calculation based on State Finance- A Study of Budgets, Various Issues, RBI and CSO data

From above, buoyant revenue behaviour is noticed for the years 2007-08, 2010-11, 2011-12 and 2014-15 for the state of Tripura over the study period. However, revenue of the state revealed to be non-buoyant to GSDP changes for other years.

The reasons of such volatility in buoyancy of revenue receipt can be attributed to the factors such as (i) ONGC Tripura Power Company Ltd. (OTPC) has become functional during 2014-15 and as such natural gas production has increased considerably to cater the demand of OTPC. This sudden increase in production of natural gas led to increase in GSDP by about 25 per cent in 2015-16 over the previous year. But there was no such corresponding increase in tax collections as VAT has been exempted for gas supply to OTPC. (ii) Further, the capacity of the State to raise tax revenues is relatively very low due to various constraints. Apart from natural gas for which VAT is exempted for major consumer OTPC, there is no major mineral endowment in the state unlike other states of Northeast. (iii) The non-tax revenue mainly comprises of royalty from natural gas, revenue from police services (including recovery of security cost from various agencies for providing police/security personnel) and interest receipts. The non-tax revenues of the State have been stagnating over the years, since the State has very limited capacity to levy user charges on various services due to their social service nature and high level of poverty.

However, despite the constraints, the State has been making serious efforts to raise its revenues in the areas of

- **Value Added Tax**: Revision of rates of taxes on Petrol and Diesel.
- **Cess on Turnover**: Imposition of 3 per cent Cess on Turnover on Petrol, Diesel and Natural Gas.
- **State Excise**: First Point Taxation introduced.
- **Stamps and Registration**: e-Stamping, e-Payment for registration through e-GRAS being introduced.
- **Tax on Vehicles**: Revision of Rates of Road Tax on Vehicles.
- **Rationalisation** of excise duty structure on liquor.
- **Royalties on Forest Produce**: Revision of Rates; e-auction of seized timber etc.

1.4 State of Tax Revenue

The Indian Constitution mandates the States to mobilize resources from earmarked taxes which are enshrined in the State List. The sources of tax revenues for the Indian states are indicated in Box-1.

Box 1.1State's Own Tax Revenue

I. Taxes on Commodities & Services	II. Taxes on Income
i) Sales Tax	
a) Sales Tax/VAT	i) Agricultural Income Tax
b) Central Sales Tax	ii) Taxes on Professions, Trades, Callings and Employment
c) Other Receipts	
ii) State Excise	
iii) Taxes on Vehicles	III. Taxes on Property and Capital Transactions
iv) Taxes on Goods & Passengers	i) Land Revenue
v) Taxes & Duties on Electricity	ii) Stamps & Registration Fees
vi) Entertainment Tax	iii) Urban Immovable Property Tax
vii) Other Taxes & Duties	

Source: State Finance- A Study of Budgets, Various Issues, RBI

Own tax revenue is undoubtedly the most important source of revenue for a state government. The fiscal performance of a state is best judged by its performance in generating own tax revenue as this source of revenue gives the individual states the maximum flexibility in generating revenue and allocating expenditure. In case of Tripura, its own tax revenue has increased at a Compound Annual Growth Rate (CAGR) of 15.33 percent over the study period and the state is only ahead of Sikkim and at par with Meghalaya in this regard taking into consideration all of the special category states. The relative performance of the Special Category States in terms of their own tax revenue enhancement capacity (measured in terms of compound annual growth rate of own tax revenue) is presented below:

Table 1.7: CAGR of Own Tax Revenue, Special Category States, 2006-07 to 2016-17

States	*CAGR of Own Tax Revenue (OTR)*
Assam	16.20
Arunachal Pradesh	23.97
Himachal Pradesh	16.26
Jammu and Kashmir	17.09
Manipur	18.57
Meghalaya	15.33
Mizoram	17.22
Nagaland	15.78
Sikkim	14.07
Tripura	**15.33**
Uttarakhand	17.03

Source: Calculation based on State Finance- A study of Budgets, Various Issues, RBI

Table 1.7 reveals that Arunachal Pradesh has the highest compound annual growth rate (CAGR) of own tax revenue, 23.97 per cent over the study period and Tripura's rank is 9th out of the 11 Special Category States.

Major Heads of State's Own Tax Revenue

The three major heads of State's own tax revenue are *Taxes on Commodities and Services*, *Taxes on Income* and *Taxes on Property and Capital Transactions*. Taxes on Commodities and Services comprise of Sales Tax, State Excise, Taxes on Vehicles, Taxes and Duties on Electricity, Entertainment Tax and Other Taxes and Duties imposed and levied by the State. Taxes on Commodities and Services are the largest contributor to State's Own Tax Revenue (OTR). The relative share of Taxes on Commodities and Services in OTR has increased from 87.70 percent in 2006-07 to 93.16 percent in 2016-17 with a compound annual growth rate of 16.03 percent during the study period. The overall situation of the major heads of State's own tax revenue during the period of study is shown in Table 1.8 below:

Table 1.8: Sources of State's Own Tax Revenue, Tripura (Rs. in Lakh)

Year	Taxes on Income	Taxes on Property and Capital Transactions	Taxes on Commodities and Services	State's Own Tax Revenue
2006-07	2,237 (6.55)	1,965 (5.75)	29,953 (87.70)	34,155
2007-08	2,385 (6.43)	1,797 (4.85)	32,887 (88.72)	37,070
2008-09	2,615 (5.91)	2,261 (5.11)	39,375 (88.98)	44,250
2009-10	2,915 (5.54)	2,369 (4.49)	47,417 (89.97)	52,701
2010-11	2,923 (4.70)	3,948 (6.34)	55,363 (88.96)	62,234
2011-12	3,031 (3.53)	4,006 (4.67)	78,765 (91.80)	85,802
2012-13	3,227 (3.21)	6,318 (6.29)	90,921 (90.50)	100,465
2013-14	3,586 (3.34)	4,734 (4.41)	99,072 (92.25)	107,391
2014-15	3,912 (3.33)	4,838 (4.12)	108,676 (92.55)	117,426
2015-16	3,979 (3.00)	4,850 (3.64)	124,396 (93.36)	133,225
2016-17	4,205 (2.96)	5,517 (3.88)	132,478 (93.16)	142,200
CAGR	***6.52***	***10.88***	***16.03***	***15.33***

Source: State Finance A study of Budgets, Various Issues, RBI
Note: Figures in parentheses give the respective percentages to the total Own Tax Revenue of the State.

Taxes on Income for the State which covers Agricultural Income Tax and Taxes on Professions, Trades, Callings and Employment has been contributing a very lower proportion of revenue to total OTR of the State. Moreover, its share has declined from 6.55 per cent in 2006-07 to 2.96 per cent in 2016-17 with a compound annual growth rate of 6.52 per cent in absolute term. It may be due to the failure of revenue generation from Agricultural Income Tax from the part of the State Government.

The proportional revenue shares of *Taxes on Property and Capital Transactions* (comprising of Land Revenue, Stamp and Registration fees, Urban Immovable Property Tax) to State's OTR has also shown a downward trend from 5.75 per cent in 2006-07 to 3.88 percent in 2016-17. However, in absolute term, its compound annual growth rate is 10.88 percent during the study period.

State's Own Tax Revenue exhibits an increase of Rs. 1, 08,045 lakh from Rs. 34,155 lakh in 2006-07 to Rs. 1, 42,200lakh in 2016-17 with a CAGR of 15.33 percent. However, the highest percentage of increase was 37.87 per cent in the year 2011-12 and the lowest percentage of increase was 6.74 per cent in the year 2016-17 compared to the respective previous year.

Composition of State's Own Tax Revenue

The various components of State's own tax revenue are Taxes on Professions, Trades, Callings and Employment; Land Revenue; Stamps and Registration Fees; Sales Tax; State Excise; Taxes on Vehicles; Other Taxes and Duties. Of them, Sales Tax has been the largest component of revenue generation (with a relative share of more than 70 per cent) for the State and has the highest compound annual growth rate of 16.90 per cent over the study period.

Table 1.9: Composition of State's Own Tax Revenue (Rs. in Lakh)

Year	Taxes on Professions, Trades, Callings & Employment	Land Revenue	Stamp and Registration Fees	Sales Tax	State Excise	Taxes on Vehicles	Other Taxes and Duties	State's Own Tax Revenue
2006-07	2219 (6.5)	303 (0.9)	1661 (4.9)	23345 (68.4)	3841 (11.2)	2251 (6.6)	535 (1.6)	34155
2007-08	2373 (6.4)	297 (0.8)	1498 (4.0)	26498 (71.5)	3850 (10.4)	2320 (6.3)	234 (0.6)	37070
2008-09	2598 (5.9)	555 (1.3)	1703 (3.8)	31479 (71.1)	4828 (10.9)	2982 (6.7)	106 (0.2)	44250
2009-10	2917 (5.5)	554 (1.1)	1815 (3.4)	37493 (71.1)	6109 (11.6)	3714 (7.0)	102 (0.2)	52704
2010-11	2922 (4.7)	1525 (2.5)	2423 (3.9)	44493 (71.5)	8585 (13.8)	2192 (3.5)	94 (0.2)	62234
2011-12	3027 (3.5)	933 (1.1)	3073 (3.6)	66632 (77.7)	9468 (11.0)	2518 (2.9)	151 (0.2)	85802
2012-13	3216 (3.2)	2644 (2.6)	3671 (3.7)	76307 (76.0)	11400 (11.3)	3073 (3.1)	154 (0.2)	100465
2013-14	3503 (3.3)	807 (0.8)	3924 (3.7)	83709 (77.9)	11518 (10.7)	3679 (3.4)	251 (0.2)	107391
2014-15	3891 (3.3)	1076 (0.9)	3756 (3.2)	90981 (77.5)	13896 (11.8)	3609 (3.1)	217 (0.2)	117426
2015-16	3967 (3.0)	597 (0.4)	4249 (3.2)	105848 (79.5)	14356 (10.8)	3762 (2.8)	446 (0.3)	133225
2016-17	4196 (3.0)	1332 (0.9)	4183 (2.9)	111289 (78.3)	16319 (11.5)	4360 (3.1)	522 (0.4)	142201
CAGR (%)	**6.58**	**15.96**	**9.68**	**16.90**	**15.56**	**6.83**	**– 0.25**	**15.33**
Buoyancy	**2.408***	**0.518****	**1.237***	**0.913***	**0.973***	**1.539****	**0.220**	**--**

Source: Various Reports of the Comptroller and Auditor General of India, Government of Tripura

Note: Figures in parentheses give the percentages of the share of particular component to State's Own Tax Revenue.

Buoyancy estimates for each of the components with respect to state's own tax revenue.

** at one per cent level of significance; ** at five per cent level of significance*

Table 1.9 provides a clear idea about the relative share of the individual components of OTR to State's Own Tax Revenue year wise along with their annual compound growth rate and buoyancy. *Sales tax*, levied by the government on the sale of a commodity either at the last point or at the first point of sale, has been the most important state level tax in India. At the operational level, sales tax is constituted by VAT, levied for intra-state sales and Central Sales Tax (CST), levied by the Centre but collected by the State for inter-state sales. Besides, the State also levies additional taxes on selected commodities such as entry tax on selected interstate imports, luxury tax on tobacco products and selected textiles, entertainment tax and other surcharges. For Tripura, the relative contribution of sales tax to State's own tax revenue ranges from 68.4 to 79.5 percent over the study period. Total Sales Tax collection of Tripura in absolute terms has increased from Rs. 23,345 lakh in 2006-07to Rs.1,11,289 lakh in 2016-17 with a CAGR of 16.90 percent. A better check in evasion of taxes, increasing vigilance, intensive checking at Churaibari Check-Post (the only highway entry point to Tripura at the border of Assam and Tripura), monitoring of tax collection may be the causes for higher rate of compound annual growth of sales tax collection in the State. However, sales tax does not show a buoyant character in case of Tripura.

The *State Excise Duty* appears to be the second largest contributor to State's OTR with a relative share ranges from 10.4 to 13.8 per cent of the total OTR during the study period. In absolute term, it has increased from Rs. 3,841lakh in 2006-07 to Rs. 16,319lakh in 2016-17. The State Excise reveals a CAGR of 15.56 percent and a buoyancy of 0.973 with 1 per cent level of significance. The State Excise Department operates under the purview of the Tripura Excise Act, 1987 (Tripura Act No. 12 of 1987) and the Tripura Excise Rules, 1990 along with various administrative amendment issued from time to time. The department assumes the responsibility of collecting excise tax on Country Spirits, Extra Neutral Alcohol, and other spirits which are imported from outside the State besides enforcing the excise laws on prohibition. Excise duties are also imposed on Liquor and Beer which are manufactured and bottled in the State as well as are imported from outside.

Taxes on Vehicles and *Taxes on Professions, Trades, Calling and Employment* come out as the next contributors to the State's Own Tax Revenue with their respective relative shares ranging from 6.6 per cent in 2006-07 to 2.8 per cent in 2016-17. Both of them exhibit a declining relative shares over the study period. However, both of the taxes are considerably buoyant in character with a buoyancy of 2.408 and 1.539 respectively and statistically significant at *one* and *five* per cent level respectively. Likewise, *Stamp and Registration Fees* also reveal a declining trend in relative share from 4.9 per cent to 2.9 per cent over the study period. However, in absolute term, its CAGR is 9.68 per cent over the period and shows a buoyant behaviour with a buoyancy value of 1.237 at *one* per cent level of significance. Therefore, it appears that there is enough scope of reforms in the tax structure in case of *Taxes on Vehicles; Taxes on Professions, Trades, Calling and Employment*, and *Stamp and Registration Fees* for Tripura. Relative contributions of *Land Revenue* and *Other Taxes and Duties* to State's OTR appear to be negligible, remaining at less than 1 percent of the total OTR excepting a few years. Again, Land revenue exhibits a CAGR of 15.96 percent over the study period indicating an increasing trend in absolute term. However, Other Taxes and Duties reveal a negative growth rate with declining trend of collection over the study period. Other Taxes & Duties comprises of Agricultural Income Tax, Urban Immovable Property Tax, Taxes & Duties on Electricity, Entertainment Tax etc. Both of the Land Revenue and Other Taxes & Duties are non-buoyant in nature.

This is to be noted that the State Government levies two types of vehicles tax - *Motor Vehicles Tax* and *Tax on Goods and Passengers*. Motor Vehicles Tax [Tripura Motor Vehicles Tax Act, 1972 (Tripura Act No. 7 of 1972) and Tripura Motor Vehicles Rules, 1991]is levied on the ownership of motor vehicles, accessed at the point of registration, realized once in every fifteen years for private vehicles and annually for commercial vehicles. For commercial vehicles from outside the state, a composite fee is imposed in lieu of motor vehicle tax. The motor vehicles tax is one of the increasing sources of revenue for the state of Tripura. However, Tripura receipts no revenue from taxes on goods and passengers.

There has been explosive growth of the transport sector in Tripura during the last 14-15 years. Both the private and commercial vehicles have increased manifold in member. However, there has been lack of effective mechanism to monitor and control the activities of the vendors in the transportation department. For example, there was a short payment of Rs. 6.83 lakh as user charge from the vendor which was in charge of implementing the High Security Registration Plates (HSRP) in the state. This short payment of Rs. 6.83 lakh represents about 25 per cent of Government revenue derivable from space rent for HSRP project in addition to the non-payment of Rs. 3.34 lakh owing to less disclosure of Learner Licenses(LL) printed by the vendor. Moreover, 82 per cent of the existing vehicles in the state are without High Security Registration Plates (HSRP) even after a lapse of three years of the conversion deadline of the HSRP project (*CAG Audit Report*, 2015-16). However, despite the high collection cost, administrative lapses and violation of rules, there has been spectacular increase in revenues from taxes on vehicles due to the explosive growth of the transport sector in the state. Therefore, improved governance with greater accountability, necessary structural reforms, imposition of taxes on goods and passengers will indeed make the revenue performance of this sector much more productive.

Revenue Generating Capacity of the State

A comparative analysis of the tax efforts of the similar level of governments (say, tax effort of the Special Category States at their individual level) may provide a clearer picture of the *efficiency of revenue generating performance* of an individual state. The tax effort of a state is defined as the ratio of its actual tax revenue to its taxable capacity. Again, taxable capacity of a state is generally measured in terms of its GSDP with an implicit assumption that GSDP is the closest possible proxy for the tax base of an economy. For a country, this is measured in terms of tax to GDP ratio. Finance Commission of India also uses Tax-GSDP ratio as the most important indicator in analysing the revenue generating capacity of a state. Following this, the present study also estimates the OTR-GSDP ratios of the Special Category States over the study period to evaluate their relative revenue generating capacities. GSDP at comparable current prices (base year, 2011-12) has been considered to make the OTR-GSDP ratios comparable over time. Table 1.10 presents the tax-GSDP ratios of the Special Category States including Tripura for the period from 2006-07 to 2015-16.

Table 1.10: Own Tax Revenue as a Percentage of GSDP, Special Category States, 2006-07 to 2015-16

States	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Assam	4.73	4.16	4.50	4.57	4.63	5.33	5.26	5.06	4.83	5.23
Arunachal Pradesh	1.85	1.99	2.33	2.26	2.32	2.87	2.52	2.98	2.57	2.72
Himachal Pradesh	4.89	5.15	4.83	4.77	5.66	5.65	5.59	5.40	5.73	5.67
Jammu & Kashmir	4.99	5.40	5.55	5.54	5.23	6.06	6.69	6.56	6.44	6.71
Manipur	1.70	1.87	1.97	2.04	2.51	2.85	2.42	2.92	2.85	3.09
Meghalaya	3.05	2.83	2.75	3.02	3.38	3.50	3.88	4.14	4.04	3.99
Mizoram	1.95	1.93	1.96	1.94	1.93	2.46	2.67	2.23	1.97	--
Nagaland	1.87	1.85	1.88	1.95	2.20	2.50	2.41	2.01	2.11	2.25
Sikkim	6.39	6.30	4.56	2.90	3.00	2.63	3.53	3.79	3.42	3.49
Tripura	**3.25**	**3.27**	**3.39**	**3.56**	**3.62**	**4.47**	**4.64**	**4.20**	**3.96**	**4.05**
Uttrakhand	5.80	5.07	4.61	4.27	4.45	4.87	4.87	4.93	5.17	5.49

Source: Calculation based on State Finance- A Study of Budgets, Various Issues, RBI and CSO data

The OTR-GSDP ratio for Tripura ranges from 3.25 to 4.64 over the last eleven-year period. A declining OTR-GSDP ratio is noticed from 2013-14 and the highest OTR-GSDP ratio for the state was 4.64 in the year 2012-13. In terms of OTR-GSDP ratio, the revenue generating capacity of the state of Tripura is comparably lower than that of the states of Jammu & Kashmir, Himachal Pradesh, Uttarakhand and Assam but higher than that of Mizoram, Nagaland, Arunachal Pradesh, Manipur, Sikkim and Meghalaya. Sikkim is a state which shows a declining trend of revenue generating capacity over the period. Mizoram reveals a constantly low and stagnant revenue generating capacity.

1.4.1 Own Tax Revenue Elasticity of GSDP

For measuring the performance of a developing economy, the response of tax revenue to its income changes is considered to be as a vital parameter of development. This response is measured by tax elasticity and tax buoyancy (Charles, 1972). Tax buoyancy measures the responsiveness as the percentage change in tax revenue to one percent change in the tax base usually proxies by Gross State Domestic Product (GSDP). A tax is said to be buoyant if the tax revenue increases more than proportionately in response to a rise in national income or GSDP. Thus, the buoyancy (or elasticity) of own tax revenue with respect to GSDP examines whether revenue receipts exhibit sensitivity to the performance of the economy (measured in terms of GSDP at current prices, base year 2011-12 for Tripura). The estimated revenue buoyancy using the formula as reported in the methodology part of the Introduction is illustrated below:

$$\ln(OTR_t) = 5.331 + 0.816 \ln(GSDP_t)$$

$$\begin{array}{lll} \textit{S.E.} & (0.816) & (0.048) \\ \textit{p-value} & (0.000) & (0.000) \\ R^2 & 0.970 & \\ F & 293.156\ (\textit{p-value}= 0.000) & \end{array}$$

From the above, this is observed that the buoyancy of Own Tax Revenue (OTR) to GSDP is 0.816 for Tripura and is statically significant at 0.01 levels. This implies that revenue receipts tend to increase by 0.816 per cent if GSDP increases by one per cent. So, revenue receipts of the state of Tripura do not exhibit buoyancy/sensitivity to GSDP during the study period.

1.5 State of Non-Tax Revenues

Non-tax revenue is one of the constituents of the revenue receipts of the Indian States. In Tripura, the State's Own Non-Tax Revenue consists of interest receipts, dividends &profits, revenue from general services, social services and also from economic services. Different components of State's Own Non-Tax Revenue are given in BOX-1.2.

A sizable portion of the Own Non-Tax Revenue (ONTR) of the state of Tripura comes from *interest receipts* on loans forwarded by the State government mainly to different government departments and state public sector undertakings. The relative share of *dividends and profits* to State's total ONTR in Tripura is very low owing to the poor performances of the State Public Sector Undertakings (PSUs) over a long period of time. Revenues under *general services* comprising of the services such as Police, Jails, Supplies and Disposals, Stationery and Printing, Public Works and Other Administrative Miscellaneous Services reveal a downward trend in collection over the study period.

Box 1.2 State's Own Non-Tax Revenue	
1. Interest Receipts	***5. Economic Services***
2. Dividends & Profits	i. Crop Husbandry
3. General Services	ii. Animal husbandry
4. Social Services	iii. Fisheries
i. Education, Sports, Arts & Culture	iv. Forestry & Wild Life
ii. Medical & Public Health	v. Co-operation
iii. Family Welfare	vi. Other Agricultural Programmes
iv. Housing	vii. Major & Medium irrigation Projects
v. Urban Development	viii. Minor Irrigation
vi. Labour& Employment	ix. Power
vii. Social Security & Welfare	x. Petroleum
viii. Water Supply & Sanitation	xi. Village & Small Industries
ix. Others	xii. Industries
	xiii. Tourism
	xiv. Others

Source: State Finance- A Study of Budgets, Various Issues, RBI

On the other hand, *social services* comprising of health, education, social security etc. are characterized by positive externalities and most of them are usually termed as quasi-public services. Therefore, it is difficult for a welfare government to charge substantially to cover its cost on the question of political acceptability. A greater portion of the State's ONTR is being collected from *economic services* which comprises of crop husbandry, animal husbandry, fisheries, forestry and wild life, co-operation, village and small scale industries and so on (as the detail is given in Box 1.2 above). A detail breakup of the relative share of the various components of ONTR to total ONTR along with their respective growth rate and buoyancy is given in Table 1.11 below:

Table 1.11: Composition of Own Non-Tax Revenue, Tripura, 2006-07 to 2016-17 *(Rs. in Lakh)*

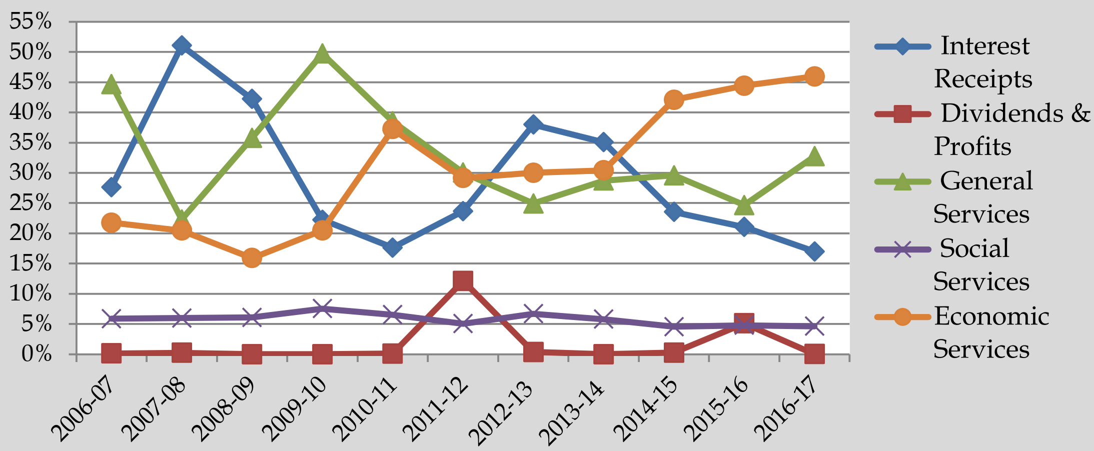
Year	Interest Receipts	Dividends & Profits	General Services	Social Services	Fiscal Services	Economic Services	Own Non-Tax Revenue
2006-07	2623 (27.62)	11 (0.12)	4241 (44.66)	558 (5.88)	--	2065 (21.74)	9497
2007-08	5893 (51.06)	27 (0.23)	2571 (22.27)	691 (5.99)	--	2360 (20.45)	11541
2008-09	6293 (42.22)	--	5332 (35.78)	906 (6.08)	1.0 (0.01)	2372 (15.92)	14904
2009-10	2788 (22.23)	--	6235 (49.72)	947 (7.55)	--	2570 (20.49)	12540
2010-11	2324 (17.63)	13 (0.10)	5075 (38.51)	860 (6.53)	--	4907 (37.23)	13179
2011-12	5066 (23.65)	2595 (12.11)	6435 (30.04)	1083 (5.06)	--	6244 (29.15)	21422
2012-13	6788 (37.97)	67 (0.37)	4455 (24.92)	1198 (6.70)	--	5366 (30.02)	17875
2013-14	8647 (35.08)	--	7080 (28.72)	1430 (5.80)	--	7495 (30.40)	24652
2014-15	4602 (23.52)	51 (0.26)	5790 (29.60)	890 (4.55)	--	8231 (42.07)	19564
2015-16	5524 (21.04)	1341 (5.11)	6474 (24.65)	1260 (4.80)	--	11661 (44.41)	26260
2016-17	3707 (16.99)	5 (0.02)	7141 (32.73)	1010 (4.63)	--	10022 (45.94)	21815
CAGR	**3.52**	**– 7.58**	**5.35**	**6.11**	**--**	**17.11**	**8.67**
Buoyancy	**0.446*** **	**--**	**0.776** **	**1.093***	**--**	**0.480**	**--**

Source: Various Reports of the Comptroller and Auditor General of India, Government of Tripura
Note: Figures in parentheses give the percentage of the State's Own Tax Revenue
Buoyancy estimates for each component with respect to state's own tax revenue.
** statistically significant at 0.01 levels; ** significant at 0.05 levels; *** significant at 0.10 levels*

For the state of Tripura, the Non-Tax Revenue (ONTR) receipts increases from Rs. 9,497lakh in 2006-07 to Rs. 21,815lakh in 2016-17 in absolute term, which exhibits a CAGR of 8.67 percent over the study period. The overall increase in ONTR shows a fluctuating trend with negative growth rate of 15.86 per cent in 2009-10, 16.56 per cent in 2012-13, 20.64 per cent in 2014-15 and 16.93 per cent in 2016-17 corresponding to their previous year. The highest percentage of increase is in the year 2011-12 of62.55 percent.

Regarding relative share of the individual components of ONTR to total ONTR of the state, the highest proportion of share has been represented by interest receipts, followed by general services, economic services and social services respectively over the study period. The relative shares of *interest receipts* to total ONTR ranges from 16.99 to 51.06 per cent, with a compound annual growth rate of 3.52 percent during the study period. For *general services*, its relative shares to total ONTR reveal a declining trend ranging from 44.66 per cent to 22.27 per cent. Probably, the sluggishness in collection of user charges by the administrative departments has caused a poor CAGR of 5.35 percent in absolute term for general services revenue during the study period. The relative shares of *economic services* to total ONTR exhibit an increasing trend over the study period from 21.74 percent in 2006-07 to 45.94 percent in 2016-17 with a CAGR of 17.11 percent. However, the State Government should look at full cost revenue realization of the economic services not just for revenue generation but for sustainable quality services as well. The relative shares of *social services* reveal a fluctuating trend over the study period ranging from 4.55 per cent to 7.55 percent in 2016-17 with a CAGR of 6.11 percent in absolute term. Major portion of receipts under social services has come from Water supply and Sanitation (41.72 percent of the total receipt under this head), Medical and Public Health (25.13 percent) and Housing (13.79 percent) in the year 2016-17. *Dividends and Profits* has been a very low relative shares over the period mainly due to the poor performance of the state PSUs. Only 30 PSUs out of 90 State PSUs (of which 72 are working) have reported profits aggregating to Rs. 550.58 crore during 2010-11 where their total employed capital was of Rs. 39535.91 crore as on 31st March, 2011(CAG Report of Tripura, 2015-16). Among all the individual components of ONTR, only social services exhibit a buoyant character where, government cannot go for that much cost realization due to public goods nature of many of the services under this head. The trend of the individual components of ONTR for Tripura over the study period is illustrated in Figure 1.4.

Figure 1.4 Relative Shares of ONTR Components over the years, Tripura



Revenue (Non-Tax) Generating Capacity of the State

A comparative analysis of the non-tax revenue efforts of the similar level of governments (say, non-tax revenue efforts of the Special Category States at their individual level) may provide a clearer picture of the *efficiency of non-tax revenue generating performance* of an individual state. The non-tax revenue effort of a state is defined as the ratio of its actual non-tax revenue to its GSDP (base year, 2011-12). Table 1.12 represents the Non-tax revenue-GSDP ratios of the Special Category States including Tripura for the period from 2006-07 to 2017-17.

Table 1.12: Own Non-Tax Revenue as a Percentage of GSDP, Special Category States

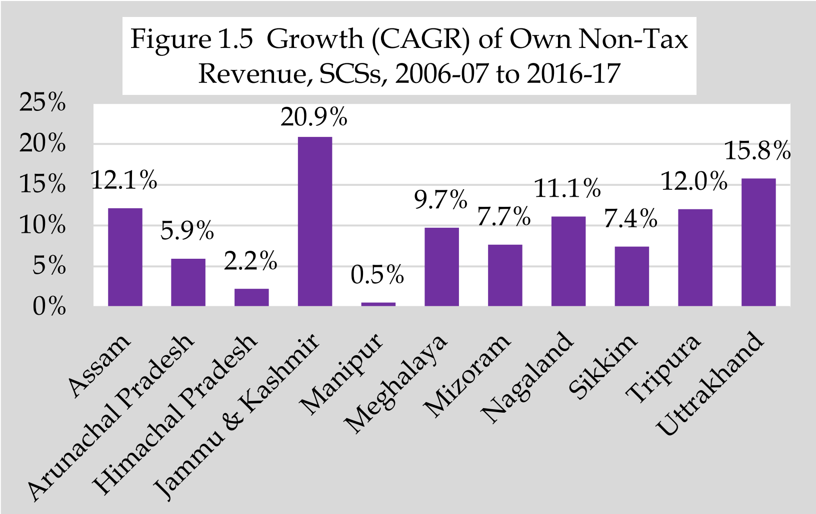
Year	Assam	AP	HP	J&K	MN	MG	MZ	NL	SK	Tripura	UK
2006-07	2.53	7.05	3.94	1.58	2.53	1.85	3.85	1.43	40.05	**0.90**	1.49
2007-08	2.64	13.30	4.79	2.31	2.08	1.77	3.24	1.68	45.00	**1.02**	1.24
2008-09	2.46	13.22	3.78	2.32	2.94	1.67	3.29	2.18	29.78	**1.14**	1.06
2009-10	2.52	6.66	3.31	2.33	2.49	1.87	2.28	1.37	17.64	**0.85**	0.76
2010-11	1.85	5.72	2.64	1.64	2.44	1.79	2.18	1.77	12.25	**0.77**	0.69
2011-12	2.00	3.26	2.63	2.56	2.41	1.85	2.32	1.91	9.36	**1.12**	0.99
2012-13	1.58	2.27	1.66	2.48	1.69	2.22	2.54	1.47	6.54	**0.83**	1.22
2013-14	1.52	2.78	1.88	3.00	1.61	2.61	1.89	1.30	5.73	**0.96**	0.88
2014-15	1.23	2.55	2.01	2.01	1.01	1.48	1.79	1.47	4.53	**0.66**	0.69
2015-16	1.24	2.41	1.98	2.90	0.99	1.20	1.76	1.20	2.15	**0.80**	1.24
2016-17	--	--	--	--	--	--	--	--	--	**0.59**	--

Source: Calculation based on State Finance- A study of Budgets, Various Issues, RBI and CSO data

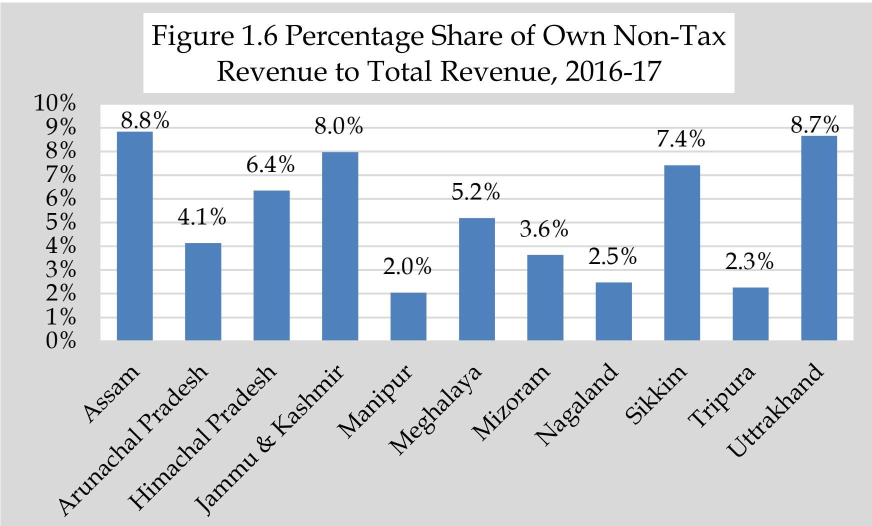
Note: Arunachal Pradesh (AP), Himachal Pradesh (HP), Jammu & Kashmir (J&K), Manipur (MN), Meghalaya (MG), Mizoram (MZ), Nagaland (NL), Sikkim (SK), and Uttarakhand (UK).

In terms of Own Non-Tax Revenue as a percentage of GSDP, Tripura performs the least throughout the period followed by Uttarakhand, Nagaland, Meghalaya, Manipur, Assam, Mizoram, Jammu & Kashmir, Himachal Pradesh, Arunachal Pradesh and Sikkim. It is primarily owing to the poor capacity of the State to raise non-tax revenues for various constraints. It is pertinent to note that unlike Tripura, the other North-Eastern States are endowed with metallurgical resources, petroleum resources, forest and wild life resources which form the major components of their non-tax revenues. However, the non-tax revenue in Tripura mainly comprises of royalty from natural gas, revenue from police services (including recovery of security cost from various agencies for providing police/ security personnel) and interest receipts as mentioned earlier. The non-tax revenues of the State have been stagnating over the years, since the State has very limited scope to levy user charges on various services due to high level of poverty and unemployment in the state. Further, there has been limited scope for deployment of TSR Battalions and earning revenue from that as barring ONGC and GAIL, there is no major company either in public or private sector. Despite all these limitations, the State has been making serious efforts to raise non-tax revenue collections as pointed out in Section 1.3.

Moreover, there has been a decreasing trend of non-tax revenue performance for all most all the special category states. However, in terms of compound annual growth rate of absolute non-tax revenue over the study period, Manipur has the lowest growth rate of only 0.50 per cent, Himachal Pradesh has the second lowest growth rate of 2.20 per cent and Jammu & Kashmir has the highest growth rate of 20.90 per cent over the period. The state of Tripura has a growth rate of 12.00 per cent (***Figure 1.5***).



Regarding Own Non-Tax Revenue to Total Revenue Receipts of the state for the year 2016-17, Assam is the best performer followed by Uttarakhand, Jammu & Kashmir, Sikkim, Himachal Pradesh, Meghalaya, Arunachal Pradesh, Mizoram, Nagaland, Tripura and Manipur (Figure 1.6).



1.5.1 Own Non-Tax Revenue Elasticity of GSDP

A major part of ONTR is being raised through the collection of user charges, which are administratively determined for the goods and services provided by the Government. The measure of non-tax buoyancy (or elasticity) with respect to the GSDP of the respective state is also an indicator of the state's financial performances. Here also, more than proportional increase in non-tax revenue in response to an increase in GSDP (base year, 2011-12 for the present case) is being considered as buoyant. The estimated non-tax revenue buoyancy using the formula as reported in the methodology part of the Introduction is illustrated below:

$$\ln(ONTR_t) = 3.370 + 1.143\ln(GSDP_t)$$

$$\begin{array}{lll} S.E. & (1.932) & (0.199) \\ p\text{-value} & (0.115) & (0.000) \\ R^2 & 0.786 & \\ F & 33.102 (p\text{-value} = 0.000) & \end{array}$$

This is observed that the buoyancy of Own Non-Tax Revenue (ONTR) to GSDP is 1.143 for the state of Tripura and is statically significant at 0.01 levels. So, the non-tax revenue receipt of the state of Tripura reveals a buoyant character to GSDP during the study period. In other words, the buoyancy value of more than one indicates that ONTR is a significant source of generating revenue for the State.

1.5.2 GST and Own Revenue Receipt of the State

It is clear from the above discussions that own revenue generating capacity of the state of Tripura in very limited by several constraints. For the study period from 2006-07 to 2016-17, the CAGR of State's receipt in the form of *State's Own Taxes* has been 15.33 per cent and that of State's *Non-Tax Revenue* has been 8.67 per cent. Again, the buoyancy of Own Tax Revenue (OTR) to GSDP is 0.816 and that of Own Non-Tax Revenue (ONTR) to GSDP is 1.143 and both are significant at 0.01 levels. So, it is observed that Own Tax Revenue does not reveal any buoyant character to GSDP and that limits the revenue capacity of the State. However, Goods and Service Taxes (GST) has been introduced by the Government of India since July 2017 and there have been some changes in Own Tax Revenue receipt for the industrially backward states like Tripura. Table 1.13 below summarises the potential revenue receipts of the state of Tripura in terms of its Own Tax Revenue as well as Own Non-Tax Revenue during the 15th Finance Commission award period based on the assumptions of usual business conditions of the 14th Finance Commission period:

Table 1.13: Projection of State's Revenue Receipts, Tripura (2020-21 to 2024-25) (Rs. in Crore)

Year	State's Own Tax Revenue@	State's Own Non- Tax Revenue	Total own Revenue
2020-21	1977.92	373.41	2351.33
2021-22	2104.21	394.09	2498.30
2022-23	2230.50	414.77	2645.27
2023-24	2356.79	435.46	2792.24
2024-25	2483.08	456.14	2939.22
Total	**11152.50**	**2073.87**	**13226.36**
CAGR (%)	**13.8**	**9.8**	**13.2**

***Source:** Projections based on data from Budget at a Glance, 2018-19 and various Reports of the Comptroller and Auditor General of India, Government of Tripura*

***Note:** Projections of values for state's own tax and non-tax revenue as well as revenue expenditure are based on trend forecasting on realisation of past up to the year 2018-19.*

@ Projections of own tax revenue also include actual trend of realisation of GST based on the data for the years 2017-18 and 2018-19.

1.6 Central Dependency of the State

As discussed earlier that India has a federal structure which has strong unitary elements. In Indian federal finance, the existing imbalance is sought to be corrected through a series of centre-states transfers comprising of tax sharing, grants and loans. *Grants-In-Aid*, as the name suggests, are payments made by a Federal or Central government to the federating units or State governments, either according to the provisions of the Constitution or by legislative decision. Besides, grants-in-aid to the states are also extended at the recommendation of the Finance Commission along with its recommendations of allocation of taxes between the Centre and the States. On the other hand, the Planning Commission was there to propose the allocation of resources among states in the form of additional grants and loans.

Tripura, being a Special Category State has always been a larger dependency on Central transfers for its sustenance. As stated earlier that the share of total Central transfer to State's total revenue receipt has been consistently ranging from 83-87 percent. Within the central transfers, the State's *share in central taxes* has risen significantly from 15.50 percent in2006-07 to 40.5 percent in 2016-17. However, State's *share of grants-in–aids* has fallen from 71.4 per cent to 42.5 percent over the study period. The CAGRs of the State's own tax revenue, non-tax revenue and share of central taxes are 15.33 percent, 8.70 percent and 22.5 percent respectively.

Box 1.3 Transfer from the Centre

Share in Central Taxes	**Grants from Centre**
i. Corporation Tax	i. State Plan Schemes
ii. Income Tax	ii. Central Plan Schemes
iii. Taxes on Wealth	iii. Centrally Sponsored Schemes
iv. Customs	iv. NEC/ Special Plan schemes
v. Union Excise Duties	v. Non-Plan Grants
vi. Service tax	*a. Statutory Grants*
vii. Other Taxes and Duties on Commodities & Services	*b. Grants for relief on account of Natural Calamities*
	c. *Others*

Source: State Finance- A study of Budgets, Various Issues, RBI

Among the Central taxes devolved by the Centre to Tripura, the *share of Corporation Tax* was the highest amounting to Rs. 125672lakh in 2015-16 (revised estimate), followed by the shares of *Income Tax* (Rs. 70113 lakh), *Customs* (Rs. 60917 lakh), *Service Tax* (Rs. 44095 lakh), and *Union Excise Duties* (Rs.39282 lakh). During the year 2015-16, *Grants-in-aid* released by the Centre to Tripura has decreased by 25.64 per cent, from Rs. 6,139.70 crore in 2014-15to Rs. 4,565.87 crore in 2015-16. As a result, the share of Grants-in-aid to total Revenue Receipts of the State's has declined from 66 per cent in 2014-15 to 48 per cent in

2015-16. Such a decline in the share of grants-in-aids to State's revenue receipts is mainly due to the reduction in *Grants for State Plan Schemes* by39.24 per cent and *Grants for Centrally Sponsored Schemes* by 85 per cent during the period. However, *Non-plan grants* have increased by 14.97 per cent during the period with a major part as *Revenue Deficit Grant* of Rs. 1,089.00 crore for the year 2015-16. An amount of Rs. 27.90 crore was released towards the *State Disaster Response Fund* (SDRF) during the year 2015-16 asper recommendations of the XIV FC (Audit Report, Govt. of Tripura, 2015-16).

The Finance Commission allocates the Central taxes between the Centre and States and also among the states for every five years as per a predetermined formula based on certain criteria capturing both the *needs* as well as *fiscal performance* of the states. The criteria also vary from Commission to Commission. The XIV FC recommends the States' Share of 42 per cent of Union Taxes and Duties to the States during the XIV FC award period of2015-16 to 2019-20. It is to be noted that the percentage of States' Share of Union Taxes and Duties was 32 per cent up to XIII FC. For Tripura, the XIII FC has recommended a special grant of Rs. 500 crore towards the State Specific needs other than various grants during its award period (2010-15) of which the Centre has released only Rs. 303.09 crore up to 31 March 2015(Audit Report, Govt. of Tripura, 2015-16).

Table 1.13 reveals that among the various schemes of grants-in-aids, the larger share of grants comes under the State Plan Schemes (SPS) and the relative share of the SPS to total grant-in-aids has been increasing over the study period and the relative share of Non-Plan Grants, the second largest contributor to Grants-in-Aids has been declining throughout the period except the last two years. The ratio of Grants-in-aids to Revenue Receipts of the State exhibits a downward trend from 71.43 percent in 2006-07 to 42.50percent in 2016-17. A declining trend of Grants-in-aids to Revenue Receipts may be considered as a good indication for the state finances towards self-reliance.

Table 1.14: Grants-in-Aids for Tripura, 2006-07 to 2016-17 (Rs. in Lakh)

Year	State Plan Schemes	Central Plan Schemes	Centrally Sponsored Schemes	NEC/ Special Plan Scheme	Non-Plan Grants	Total Grants-in-aid	Grants-in-aid/ RR (%)
	1	**2**	**3**	**4**	**5**	**(1 to 5)= 6**	**7**
2006-07	98534 (41.4)	1247 (0.5)	18906 (7.9)	2223 (0.9)	117196 (49.2)	238106	71.4
2007-08	104118 (40.6)	2606 (1.0)	19253 (7.5)	3223 (1.3)	126961 (49.6)	256161	69.3
2008-09	120348 (43.0)	3049 (1.1)	20050 (7.2)	4489 (1.6)	131936 (47.1)	279872	68.7
2009-10	137764 (45.3)	3256 (1.1)	26626 (8.8)	7705 (2.5)	128909 (42.4)	304260	69.1
2010-11	174548 (53.0)	2929 (0.9)	27981 (8.5)	4210 (1.3)	119543 (36.3)	329211	63.7
2011-12	245006 (59.8)	4679 (1.1)	31225 (7.6)	5743 (1.4)	123057 (30.0)	409710	63.3
2012-13	269158 (61.5)	3334 (0.8)	32104 (7.3)	3799 (0.9)	128976 (29.5)	437372	62.0
2013-14	300478 (63.9)	3520 (0.7)	42404 (9.0)	8485 (1.8)	115062 (24.5)	469950	61.4
2014-15	472017 (76.9)	3274 (0.5)	23549 (3.8)	6477 (1.1)	108653 (17.7)	613970	66.4
2015-16	286777 (62.8)	37611 (8.2)	3628 (0.8)	3657 (0.8)	124914 (27.4)	456587	48.4
2016-17	240104 (58.6)	18649 (4.6)	13671 (3.3)	6214 (1.5)	130910 (32.0)	409548	42.5
CAGR (%)	**9.32**	**31.06**	**-3.19**	**10.83**	**1.11**	**5.57**	**--**

Source: State Finance- A study of Budgets, Various Issues, RBI

Note: Figures in parentheses represent percentage contribution of total transfers through above schemes to total Grants-in-Aid; RR implies Revenue Receipts.

1.6.1 Impact of Discontinuation of Plan Grants on State Finances

The 14th Finance Commission has raised the Share of Central Taxes to the states from 32 per cent to 42 percent. This has undoubtable benefited the states in receiving higher amount of Central taxes in absolute terms. However, the discontinuation of Plan Grants like Special Central Assistance (SCA), Normal Central Assistance (NCA) and Special Plan Assistance (SPA) has severely impacted the State Finances of the Special Category States as seen in case of the state of Tripura. A comparative analysis of Central Transfers to the State between the 13th and 14th Finance Commissions' Award period will make the picture clear.

Table 1.15: Overall Position of Transfers from the Centre to Tripura (Rs. in crores)

Year	Grants from the Centre			Share of Central Taxes	Total Transfers
	FC Grants	**Other Grants**	**Total**		
2010-11	1122	2170	3292	1122	4414
2011-12	1135	2962	4097	1308	5405
2012-13	1246	3128	4374	1493	5867
2013-14	1071	3628	4700	1630	6330
2014-15	1002	5138	6140	1730	**7870**
2015-16	1175	3391	4566	3266	**7832**
2016-17	1205	2890	4095	3909	8005
2017-18 (RE)	1191	2970	4161	4200	8361

Source: Various reports of the Comptroller and Auditor General of India, Government of Tripura

It is observed from Table 1.15 that while the Share of Central Taxes has increased during the first three years of the 14th FC period over 13th FC period (2010-11 to 2014-15) because of increase in percentage of devolution from 32 per cent to 42 per cent, there has been drastic fall in the Transfers by way of Grant-in-aid, mainly Plan Grants. In overall terms, there was about 78 per cent increase in total Central Transfers during the 13th Finance Commission award period. However, the increase in total Central Transfers to Tripura comes down to only 6.75 per cent during the first three years (2015-16 to 2017-18) of the 14th Finance Commission award period. In fact, the Central Transfers have declined in absolute terms during the first year of the 14th Finance Commission over the last year of the 13th FC. Thus, the State Finances got very adversely affected by the discontinuation of the Plan Grants by the 14th Finance Commission.

During the first four years (2015-16 to 2018-19) of the 14th Finance Commission, there has been an estimated net shortfall of Rs. 3030 Crore due to discontinuation of Plan Grants, despite having higher share of Central Taxes as calculated by the Department of Finance, Government of Tripura. The detail of the shortfall is given in Table 1.16.

Thus, it is observed that if the old dispensation (prior to 14th FC Award) had been continued, the State would have received additional Rs.3030 crores during last 4 years up to 2018-19. This is mainly because the State used to receive substantial amount of Plan Grants in the form of Normal Central Assistance (NCA), Special Plan Assistance (SPA) and Special Central Assistance (SCA), which were discontinued with the implementation of 14th Finance Commission Award.

Table 1.16: Net Shortfall of Central Transfers to Tripura During the 14th FC Award Period (Rs. in crores)												
	2015-16			**2016-17**			**2017-18**			**2018-19**		
Items of Receipt	*Actual Receipts*	*As per old formula*	*Short-fall (-)/ Excess (+)*	*Actual Receipts*	*As per old formula*	*Short-fall*	*Actual Receipts*	*As per old formula*	*Short-fall (-)/ Excess (+)*	*Actual Receipts*	*As per old formula*	*Short- fall (-)/ Excess (+)*
State's Share of Central Taxes	3266	1903	1363	3909	2093	1816	4323	2303	2020	4889	2533	2356
One Time Special Assistance	116	0	116	150	0	150	300	0	300	1500	0	1500
Normal Central Assistance (NCA)	0	1323	-1323	0	1456	-1456	0	1601	-1601	0	1761	-1761
Special Plan Assistance (SPA)	0	523	-523	0	575	-575	0	632	-632	0	695	-695
Special Central Assistance (SCA)	0	880	-880	0	968	-968	0	1065	-1065	0	1172	-1172
TOTAL	**3382**	**4629**	**-1247**	**4059**	**5092**	**-1033**	**4623**	**5601**	**-978**	**6389**	**6161**	**228**
Net Shortfall during 2015-16 to 2018-19 (4-year period of 14th FC)										***-3030***		

Source: Memorandum to the 15th FC, Government of Tripura

1.7 **Major Observations**

- Tripura's total revenue receipt has grown at a Compound Annual Growth Rate (CAGR) of 14.48 percent over the study period. State's receipt in the form of *State's Own Taxes* has gone up at the rate of 15.33 percent. Whereas, State's *Non-Tax Revenue* has increased at a compound rate of 8.67 per cent. *State's Share of Union Taxes and Duties* has increased with a CAGR of 23.62 per cent and *Other Grants from Central Govt.* at 11.15 per cent. Central sources appear to be a major source of State's revenue (85 – 88 per cent).
- Revenue receipts of the state of Tripura do not exhibit that much of buoyancy/sensitivity to GSDP during the study period, however, tend to be buoyant (0.975). Sales Tax which contributes more than two-third of the State's Own Tax Revenue is the largest contributor but does not have a buoyant character.
- There has been a declining trend of relative shares of *Taxes on Vehicles* and *Taxes on Professions, Trades, Calling and Employment* to State's Own Tax Revenue (relative shares ranging from 6.6 per cent in 2006-07 to 2.8 per cent in 2016-17). However, both of the taxes are considerably buoyant in character with a statistically significant buoyancy of 2.482 and 1.574 respectively. *Stamp and Registration Fees* also reveal a declining trend in relative shares from 4.9 per cent to 2.6 per cent over the study period. Though, it has a buoyancy of 1.290 at *one* per cent level of significance. So, there is enough scope of reforms in tax structure and tax administration, particularly for *Taxes on Vehicles; Taxes on Professions, Trades, Calling and Employment*, and *Stamp and Registration Fees*. For example, there has been explosive growth of the transport sector in Tripura during the last 14-15 years, both in terms of private and commercial vehicles. The motor vehicles tax is one of the increasing sources of revenue at present but the state receives no revenue from taxes on goods and passengers.
- Regarding revenue generating capacity of the State, the Own Tax Revenue-GSDP ratio ranges from 3.25 to 4.64 over the last eleven-year period. Again, the buoyancy of Own Tax Revenue (OTR) to GSDP is 0.816 and statically significant at 0.01 levels indicating non-sensitivity of OTR to GSDP.
- Revenue generating capacity of the state in terms of non-tax revenue has been very poor though Own Non-Tax Revenue (ONTR) to GSDP is buoyant in nature

with buoyancy value of 1.143 and significant at 0.01 levels. Regarding relative share of the individual components of ONTR to total ONTR of the state, the highest proportion of share has been represented by interest receipts, followed by general services, economic services and social services. However, none of the individual components of non-tax revenue are buoyant in nature except *social services* where, government cannot go for that much cost realization due to public goods nature of many of the services under this head. *Dividends and Profits* has been a very low relative shares over the period mainly due to the poor performance of the state PSUs.

- The relative shares of Non-Plan Grants, the second largest contributor to Grants-in-Aids as well as total Grants-in-aids from Centre have been declining throughout the period. This may be a cause of the stringent condition of state finances in recent times.
- It is observed that if the old dispensation (prior to 14th FC Award) had been continued, the State would have received additional amount of Rs.3030 crores during the last 4 years i.e., 2015-16 to 2018-19. This is mainly because the State used to receive substantial amount of Plan Grants in the form of Normal Central Assistance (NCA), Special Plan Assistance (SPA) and Special Central Assistance (SCA), which were discontinued with the implementation of 14th Finance Commission Award. The discontinuation of Plan Grants has huge adverse effect on the state economy of a special category state like, Tripura.

1.8 **Looking at the Future**

There is no doubt that the state of Tripura has a higher Central dependency as a special category state. However, as per the CAG Report of Tripura, 2015-16, there has been a decline in Grants-in-aids by 25.63 per cent and overall transfer decreased by 0.48 per cent during the year 2015-16. Moreover, the centre to state transfer process is generally considered to be moderately progressive but the 'implicit' transfer mechanism in the form of interstate tax exportation is against the poorer states. For example, a source of hidden transfer takes place in the form of procurement of food grains at a higher rate than the prevailing market price. This makes the advanced agricultural states like Punjab and Haryana more benefited where, the subsidies accounts to more than what they receive as formal transfer (World Bank, 2004).

The existing mechanism of fiscal devolution in India is very complex in nature characterized by a high degree of vertical imbalance. Tripura being a backward state needs to explore some additional sources of revenues as well as strengthening of the existing sources of revenues for the sake of her self-reliance and sustainability despite of her physical barriers and bottlenecks. There are scopes for improvement of the tax and non-tax capacity of the state by broadening of the tax base. For the purpose, the state government can follow some constructive measures to improve the revenue productivity of the tax system of the state. ***First***, the aspects of *Taxes on Vehicles; Taxes on Professions, Trades, Calling and Employment*, and *Stamp & Registration Fees* may be reviewed targeting identification of new possibilities within the ambit of GST. ***Second***, procedural revision and administrative monitoring may be strengthened for products having inelastic demand like liquor, tobacco and allied items, luxury commodities etc. It is important to mention in this context that some sorts of ineffectiveness to monitor and control from the part of tax administration might be the cause of poor tax revenue collection. For example, there was a short payment of Rs. 6.83 lakh (25 per cent of government revenue derivable from space rent of HSRP project) as user charge from the vendor which was in charge of implementing the High Security Registration Plates (HSRP) in the state. In addition, there was a non-payment of Rs. 3.34 lakh owing to less disclosure of Learner Licenses (LL) printed by the vendor. Moreover, 82 per cent of the existing vehicles in the state are without High Security Registration Plates (HSRP) even after a lapse of three years of the conversion deadline of the HSRP project (*CAG Audit Report*, 2015-16). So, effective measures and administration can lead to more revenue collection for the state. ***Third***, new areas of tax imposition need to be explored. As for example, luxury tax on premises or space let out for commercial purposes including marriage, birthday party, other gatherings and similar activities may be imposed. Even, some of the public premises may be let out for such purposes beyond office hours. ***Fourth***, Tripura, along with other north eastern states, depends heavily on central assistance and central taxes and duties for its revenue generation. The geographical isolation of the state along with severe infrastructural bottlenecks made it handicapped in terms of revenue enhancement and productivity. Further, limited scope of alternative feasible employment especially in rural areas has fuelled the informal trade along the border areas both in terms of composition and value between Tripura and Bangladesh. However, the recently expanded railway network to Tripura and inside the state as well as the proposed railway network through Bangladesh may be utilized for establishment of industries based on the comparative advantage. Some of the pre-requisites like an improved bilateral trade relation with Bangladesh, favourable laws and effective business window system will help mainstreaming the informal trade and industrialization in Tripura. ***Fifth***, a restructuring of the state tourism sector can be made keeping in consideration its rich and diversified indigenous cultural heritage, geographical location, landscape, cultural and historical places, hills and hilltops. Special emphasis on health tourism with a focus to the needs of the patients from adjacent Bangladesh may be really helpful for the state revenues. ***Sixth***, keeping in consideration the heavily increasing privately owned car population of the state during the last 14-15 years, the government may exercise a discriminating surcharge system where private vehicles need to pay a higher surcharge. For successful implementation of the programme, a rationing and monthly ceiling of fuel consumption should be imposed on public and commercial vehicles. This will help in environmental conservation as well as traffic control. ***Seventh***, in order to enhance revenues from user charges and profits from departmental enterprises and dividends from non-departmental commercial enterprises, the loss making enterprises should be closed or effectively restructured with PPP models or joint ventures; government can rationalize the structure for profit earning departments so that dividends can be paid from these enterprises; Industry and Commerce department can earn royalty on mineral and other natural resource deposits; Forest department may earn royalty on minor forest products. ***Eighth***, the government may consider imposing user charges on all public utilities. However, a discriminating approach may be taken in levying user charges on the basis of location, quality of services, social merit and essentiality of the particular public utility. User charges can be revised in case of public health and engineering services, water supply, park etc. Of course, maintenance of minimum required quality for such public utilities is an absolute must. Further, the public utilities which are public merit goods in nature, like water, the minimum required quantum/slab should be provided to all at free of cost. Beyond this lowest slab, higher consumption will lead to higher billing in a progressive fashion. In tune with this, the state government should expedite and extend the process of water meter installation and billing system to all over the state. This will not only help enhancing the revenue capacity of the state but also to water preservation and sustainable development.

Above all, the tax revenue capacity of the state can be enhanced by expanding tax payers' base through existing acts and rules, ensuring better compliance, strengthening of infrastructure and making tax administration more vibrant and efficient.

Components, Pattern and Trends of Public Expenditure 2

2.1 Public Expenditure: Meaning and Nature

Expenditure incurred by the government for its own maintenance as well as for the development of the concerned society and economy is referred to as public expenditure. Public expenditure is guided by the principle of common interests and social justice, whereas private expenditure is mostly governed by own interests. Public expenditure involves economic growth and social development and therefore, it has far reaching consequences. Moreover, to satisfy multiple needs of the society, there has been a rapid growth of public expenditure all over the world. Theoretically, there is a functional relationship between state activities and growth of the economy (Wagner's Law,1883) leading to increasing public expenditure. Though, public expenditure does not increase in a smooth and continuous fashion but in a step like fashion following social emergencies (Wiseman and Peacock,). Also growing demand for private goods results in corresponding demand for public goods as well.

In a federal form of government like India, the states as sub-national entities play a vital role by incurring different kinds of expenditure to satisfy the collective needs as well as promoting economic and social welfare of the citizens. The Constitution of India has assigned specific expenditure responsibilities to each tier of the Governments under separate lists. The Seventh Schedule (Article, 246) of the Constitution lays down the respective financial resources and responsibilities of the Union and States. Most of the developmental as well as normal administrative functions such as public order, police, local government, public health and sanitation, hospitals and dispensaries, agriculture, water, fisheries, public debt etc. are assigned to the States whereas, the responsibility of provisioning of public goods of national characters has been relegated to the Central Government. Therefore, the States have to shoulder multiple responsibilities such as maintaining of law and order, ensuring of the provision of most of the economic and social infrastructure. The proper allocation of national income and resources in between the Centre and the Sates is utmost important in this regard. Allocation of resources and public expenditure therein are more important for an economically backward state like Tripura, where private investment is timid in view of difficult geographical terrain and poor infrastructure and communication. So, public investment needs to play a significant role for the State's economic progress. Under this backdrop, the present chapter explores the component, pattern and efficacy of public expenditure in Tripura for the study period, 2006-07 to 2016-2017.

2.2 Components of State Expenditure

The state expenditure has three main components viz. revenue expenditure, capital expenditure and disbursement of loans and advances. Revenue expenditure is required to maintain the current level of services and payment for past obligations and as such does not result in any addition to state's physical assets or financial claims. Capital expenditure, on the other hand, includes expenditure made on various physical assets as well as on financial claims, and to that extent is regarded as being productive compared to revenue expenditure.

Table 2.1: ***Composition of Total Expenditure, Tripura 2006-07 to 2016-17*** **(Rs. in Lakh)**

Year	*Revenue Expenditure*	*Capital Outlay*	*Disbursement of Loans and Advances*	*Total Expenditure*	*Annual growth rate of total expenditure (%)*	*Total Expenditure as a percentage of GSDP (%)*
2006-07	248256 (77.44)	72245 (22.54)	68 (0.02)	320569	--	30.54
2007-08	279364 (75.15)	92368 (24.85)	30 (0.01)	371762	15.97	32.77
2008-09	312945 (71.94)	120239 (27.64)	1808 (0.42)	434992	17.01	33.33
2009-10	421379 (75.74)	133222 (23.95)	1756 (0.32)	556357	27.90	37.56
2010-11	435948 (80.45)	105833 (19.53)	96 (0.02)	541877	-2.60	31.54
2011-12	480923 (77.31)	139726 (22.46)	1389 (0.22)	622038	14.79	32.38
2012-13	521288 (77.63)	148319 (22.09)	1893 (0.28)	671500	7.95	31.00
2013-14	594896 (78.22)	164073 (21.57)	1577 (0.21)	760546	13.26	29.72
2014-15	744291 (72.33)	283229 (27.52)	1574 (15)	1029094	35.31	34.69
2015-16	786847 (71.03)	318802 (28.78)	2184 (0.20)	1107833	7.65	33.71
2016-17	885514 (72.73)	329357 (27.05)	2728 (0.22)	1217599	9.91	33.02
CAGR(%)	**13.56**	**16.38**	**44.66**	**14.28**	**--**	**--**

Source: Reports of the Comptroller and Auditor General of India, Government of Tripura
Note: Figures in parentheses represent the respective percentages to total expenditure

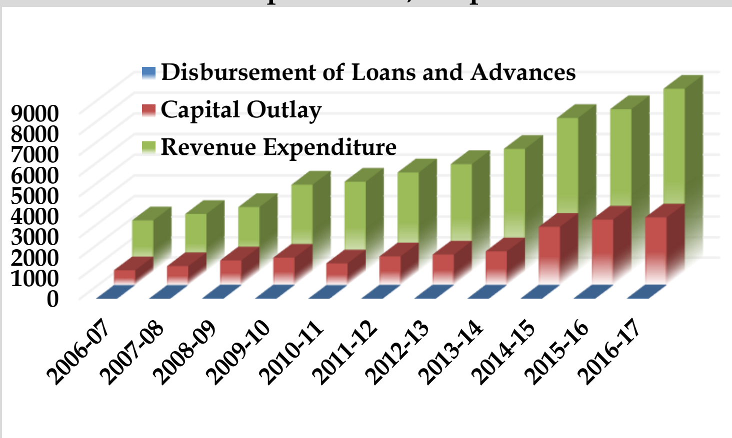
As seen from Table 2.1, of these three components, revenue expenditure is the major expenditure accounting for more than70 per cent of the total expenditure of the state for the entire eleven-year period. A slight fall in the share of the revenue expenditure was observed as it was 77.44 percent in 2006-07 and fall to only 72.73 percent in the year 2016-17. The share of capital outlay in total expenditure has ups and down percentage share but slowly been increases from 22.54 per cent in 2006-07 to 27.05 per cent in 2016-17. The share of the third component, i.e. disbursement of loans and advances is minimal and accounted for less than *one* per cent of the total expenditure during the entire period of study.

In terms of absolute value, all the three components of total expenditure have been increasing over the years. Revenue expenditure has been increasing over the years, with a CAGR of 13.56 percent, but the growth has not been even. The annual growth rate of total expenditure was less than 10 per cent in three years viz. 2012-13, 2015-16 and 2016-17. It was negative in the year 2010-11. However, exceptional high growth of total expenditure occurred in 2014-15 recording a growth of 35.31 per cent.

Capital outlay on the other hand increased from Rs. 72,245 lakh in 2006-07 to Rs.3,29,357lakh in 2016-17, recording a CAGR of 16.38 per cent. It shares in total expenditure was highest in 2015-16 when it constituted 28.78 per cent. Otherwise, capital outlays' share remained between 22 to 27 per cent of the total expenditure.

Disbursement of loans and advances had the lowest share in the total expenditure accounting for less than *one* per cent of it for almost all the years. But the CAGR of this component come out as 44.66 per cent which is the highest CAGR among all three components. Disbursement of loans and advances was Rs.68lakh in 2006-07 which increased to Rs. 2,728 lakh in 2016-17.

Figure 2.1 Composition of Total Expenditure, Tripura



Taking into account the total expenditure of the state as a percentage of GSDP, the ratio reveals to be constant with the range of 30-33 per cent over the study period, excepting the 2009-10 and 2014-15. The respective percentages for 2009-10 and 2014-15 were 37.56 and 34.69.

REVENUE EXPENDITURE

Although revenue expenditure does not add to the physical assets or financial claims of the state, yet it is not always regarded as being unproductive in nature. Revenue expenditure has four main components viz. general services, social services, economic services and grant-in-aid. General services include organs of state (i.e. state legislature, governor, council of ministers, administration of justice, plain areas, hill areas and elections), fiscal services (collection of taxes and duties and other fiscal services), interest payments and servicing of debt, administrative services and pensions. Social services include education, sports, art and culture, medical, family plan, public health, sanitation and others (such as urban development, welfare of Schedule Caste, Schedule Tribe and Other Backward Caste, labour welfare, social security and welfare, nutrition). Economic services include Agriculture and Allied Activities, Rural Development, Special Area Programme, Irrigation and Flood Control, Energy, Industry and Minerals, Transport and Communication, General Economic Services and Science, Technology and Environment.

The pattern of revenue expenditure and its components are shown in Table 2. 2. It reveals that expenditure on general services increased from Rs. 1,15,520 lakh in 2006-07 to Rs. 3,50,317lakh in 2016-17, showing a CAGR of 11.73 per cent, on social services from Rs.86,925 lakh in 2006-07 to Rs.3,68,278 lakh in 2016-17 with a CAGR of 15.53 per cent, on economic services from Rs 40,899 lakh in 2006-07 to 1,47,126 lakh in 2016-17 with a CAGR of 13.66 per cent. The expenditure on grants-in-aid increased from Rs 4,912 lakh in 2006-07 to Rs 19,793 lakh in 2016-17 showing a greater CAGR of 14.95 per cent. The total revenue expenditure grows at the rate of 13.50 per cent over the study period.

Table 2.2: Components of Revenue Expenditure, Tripura 2006-07 to 2016-17 (Rs. in Lakh)

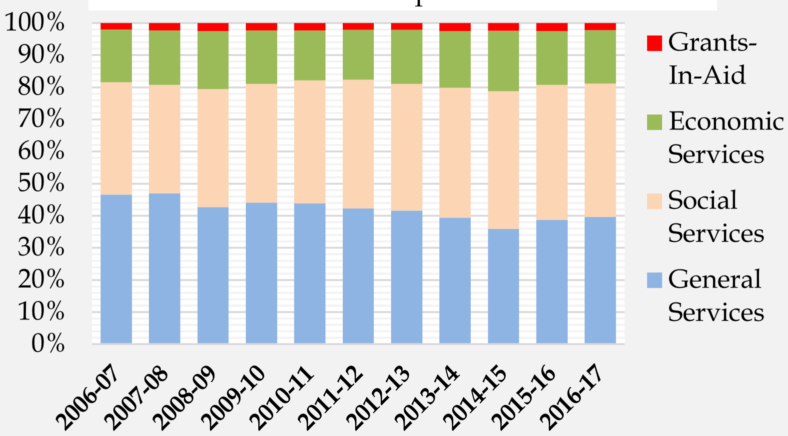
Year	*General Services*	*Social Services*	*Economic Services*	*Grants-In-Aid*	*Total Revenue Expenditure*	*Annual Growth Rate of RE (%)*
2006-07	115520 (46.53)	86925 (35.01)	40899 (16.47)	4912 (1.98)	248256	
2007-08	131265 (46.99)	94300 (33.76)	47382 (16.96)	6417 (2.30)	279364	12.53
2008-09	133694 (42.72)	114817 (36.69)	56492 (18.05)	7942 (2.54)	312945	12.02
2009-10	185552 (44.03)	156074 (37.04)	70191 (16.66)	9562 (2.27)	421379	34.65
2010-11	191218 (43.86)	166733 (38.25)	67855 (15.56)	10142 (2.33)	435948	3.46
2011-12	203276 (42.27)	192906 (40.11)	74391 (15.47)	10350 (2.15)	480923	10.32
2012-13	216748 (41.58)	205537 (39.43)	88143 (16.91)	10860 (2.08)	521288	8.39
2013-14	234529 (39.42)	240789 (40.48)	104829 (17.62)	14749 (2.48)	594896	14.12
2014-15	267601 (35.95)	318434 (42.78)	140274 (18.85)	17982 (2.42)	744291	25.11
2015-16	304518 (38.70)	331089 (42.08)	131447 (16.71)	19793 (2.52)	786847	5.72
2016-17	350317 (39.56)	368278 (41.59)	147126 (16.61)	19793 (2.24)	885514	12.54
CAGR(%)	***11.73***	***15.53***	***13.66***	***14.95***	***13.56***	**--**

Source: Reports of the Comptroller and Auditor General of India, Government of Tripura
Note: Figures in the parentheses represent the respective percentages to Total Revenue Expenditure

In terms of the relative shares of each of the components, general services accounted for 46.53 per cent of the total revenue expenditure followed by social services (35.01 per cent), economic services (16.47 per cent) and grants-in-aid (1.98 per cent) in the year 2006-07. However, a shift in the relative share of the components has been observed with social services constituting the largest share of 41.59 per cent followed by general services (39.56 per cent), economic services (16.61 per cent) and grant-in-aid (2.24 per cent).

The annual growth rate of revenue expenditure has been fluctuating throughout the study period. It was highest in the year 2009-10 with 34.65 percent which has been recorded as 12.54 percent in the year 2016-17. Among the four components, the average annual growth rate of social services appeared to be highest (15.53 percent) which can be considered as a good sign. But Grants-in-Aid exhibits an average annual growth rate of 15.95 percent (the second highest) is not a good sign as PSUs are getting seeks over time.

Figure 2.2 Proportion of Different Components of Revenue Expenditure



CAPITAL OUTLAY

This section discusses the different aspects of the second component of total expenditure, viz. capital outlays. As seen from Table 2.1, expenditure on capital outlays in Tripura has increased from Rs. 72245 lakh in 2006-07 to Rs. 329357 lakh in 2016-17, registering a CAGR of 16.38 per cent which is higher than that of revenue expenditure as well as total expenditure.

Table 2.3: Components of Capital Outlay, Tripura 2006-07 to 2016-17 (Rs. in Lakh)

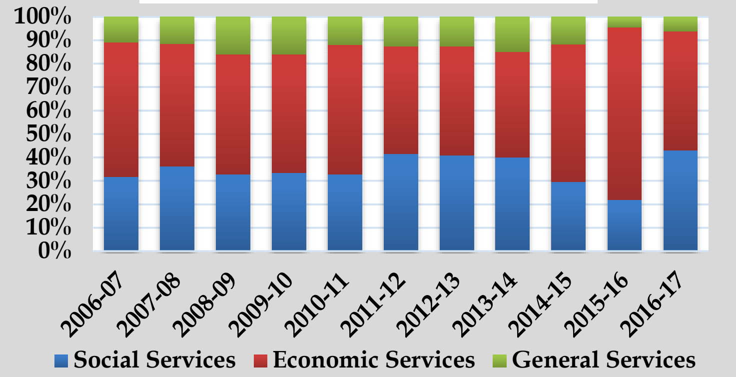
Year	*Social Services*	*Economic Services*	*General Services*	*Total Capital Outlays*	*Annual Growth rate of CO (%)*
2006-07	23020 (31.9)	41389 (57.3)	7836 (10.8)	72245	
2007-08	33415 (36.2)	48344 (52.3)	10609 (11.5)	92368	27.85
2008-09	39344 (32.7)	61612 (51.2)	19283 (16.0)	120239	30.17
2009-10	44642 (33.5)	67193 (50.4)	21387 (16.1)	133222	10.80
2010-11	34839 (32.9)	58357 (55.1)	12637 (11.9)	105833	-20.56
2011-12	58016 (41.5)	64037 (45.8)	17673 (12.6)	139726	32.02
2012-13	60500 (40.8)	69011 (46.5)	18808 (12.7)	148319	6.15
2013-14	65719 (40.1)	73793 (45.0)	24561 (15.0)	164073	10.62
2014-15	83815 (29.6)	165951 (58.6)	33463 (11.8)	283229	72.62
2015-16	69834 (21.9)	234214 (73.5)	14754 (4.6)	318802	12.56
2016-17	142096 (43.1)	166806 (50.6)	20455 (6.2)	329357	3.31
CAGR(%)	19.96	14.96	10.07	16.38	--

Source: Reports of the Comptroller and Auditor General of India, Government of Tripura
Note: Figures in the parentheses represent the respective percentages to Total Capital Outlays

Like revenue expenditure, expenditure on capital outlays too is divided into general, social and economic services. Table 2.3 gives the breakup of expenditure on capital outlays and its various components over the eleven-year period of study. Over the eleven-year period, it is seen that expenditure on general services increased from Rs.7836 lakh in 2006-07 to Rs. 20,455 lakh in 2016-17, registering a CAGR of 10.07per cent. Capital outlays on social services increased from Rs. 23,020 lakh in 2006-07 to Rs.1,42,096 lakh in 2016-17, at a CAGR of 19.96 per cent and on economic services from Rs. 41,389 lakh in 2006-07 to Rs.1,66,806 lakh in 2016-17 at a CAGR of 14.96 per cent. Thus, expenditure on capital outlays grew at the highest rate for social services followed by that of economic services.

The share of economic services was the highest amounting to50.6 per cent of the total expenditure on capital outlays followed by that of social services (43.1 per cent) and general services (6.2 per cent) in 2016-17. The same trend of the proportion share has been more or less followed over the study period. However, the annual growth rate of capital outlay (CO) significantly varies throughout the study period. It declined from 27.85 percent in 2007-08 to 3.31 percent in 2016-17. It was highest in the year 2014-15 with 72.62 per cent growth over the previous year. A constantly larger share of economic services in total capital outlays is indeed a good sign. Though, the increasing share of social services as well as its highest annual growth rate clearly indicates that Tripura's economy is a social service driven economy which may provide a long-term benefit to the state in the form of human capital formation. Figure 2.3 describes the respective proportion of the three components of capital outlays over the study period.

Figure 2.3 Proportion of Different Components of Capital Outlay



2.3 Pattern of Developmental Expenditure

While increasing public expenditure is the necessity for a growing economy, it is equally important to see whether expenditure has been moving towards fulfilling the developmental goals of the economy, keeping in mind the welfare of the public. It is worthy to note that expenditure on Social and Economic Services together constitute the developmental expenditure while expenditure on General Services is treated as non-developmental expenditure. Increased priority to developmental expenditure results in better human and physical asset formation, which in turn increases the growth prospects of the concerned economy. A detail breakup of the developmental expenditure both in terms of revenue and capital is given in the Table 2.4.

Table 2.4: Development Expenditure: Revenue & Capital, Tripura 2006-07 To 2016-17 (Rs. In Lakh)

YEAR	Revenue expenditure		Capital expenditure		Development Expenditure as percentage of GSDP	
	Development Expenditure	Other Expenditure	Development Expenditure	Other Expenditure	Revenue Expenditure (%)	Capital Expenditure (%)
2006-07	127824 (51.5)	120432 (48.5)	64409 (89.2)	7836 (10.8)	12.2	6.1
2007-08	141682 (50.7)	137682 (49.3)	81759 (88.5)	10609 (11.5)	12.5	7.2
2008-09	171309 (54.7)	141636 (45.3)	100956 (84.0)	19283 (16.0)	13.1	7.7
2009-10	226265 (53.7)	195114 (46.3)	111835 (83.9)	21387 (16.1)	15.3	7.6
2010-11	234588 (53.8)	201360 (46.2)	93196 (88.1)	12637 (11.9)	13.7	5.4
2011-12	267297 (55.6)	213626 (44.4)	122053 (87.4)	17673 (12.6)	13.9	6.4
2012-13	293680 (56.3)	227608 (43.7)	129511 (87.3)	18808 (12.7)	13.6	6.0
2013-14	345618 (58.1)	249278 (41.9)	139512 (85.0)	24561 (15.0)	13.5	5.5
2014-15	458708 (61.6)	285583 (38.4)	249308 (88.0)	333921 (12.0)	15.5	8.4
2015-16	462536 (58.8)	324311 (41.2)	304048 (95.4)	14754 (4.6)	14.1	9.3
2016-17	515404(58.2)	370110 (41.8)	308902 (93.8)	20455 (6.2)	14.0	8.4
CAGR(%)	14.96	11.88	16.97	10.07	--	--

Source: Reports of the Comptroller and Auditor General of India, Government of Tripura
Note: Figures in the parentheses represent the respective percentages to Total Revenue Expenditure and Total Capital Outlays

In absolute terms, the development expenditure on revenue account increases from Rs. 1,27,824 lakh in 2006-07 to Rs. 5,15,404 lakh in 2016-17 exhibiting a CAGR of 14.96 percent along with its percentage share in total revenue expenditure increases from 51.5 per cent in 2006-07 to 58.2 percent in 2016-17. The development expenditure in revenue account as a percentage of GSDP slightly swells from 12.2 per cent in 2006-07 to 14.0 per cent in 2016-17. Again, the development expenditure on capital account increases from Rs. 64,409 lakh in 2006-07 to Rs. 3,08,902 lakh in 2016-17 exhibiting a CAGR of 16.97 percent. The percentage of capital developmental expenditure to total capital outlays increases from 89.2 percent in 2006-07 to 93.8 percent in 2016-17. Further, capital development expenditure as percentage of GSDP increases from 6.1 percent in 2006-07 to 8.4 per cent in 2016-17.

Figure 2.4 Pattern of Development Expenditure as a percentage of GSDP

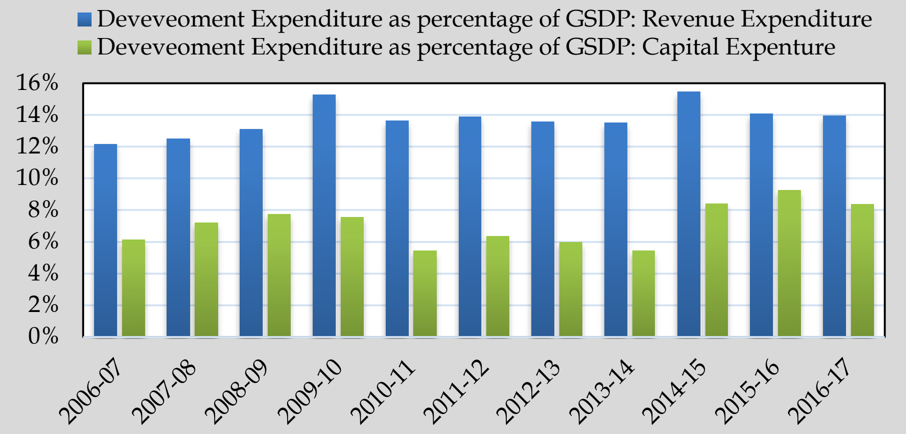


Figure 2.4 shows the pattern of development expenditure on both revenue and capital account as a percentage of GSDP. It observed that the percentage share of development expenditure on both revenue and capital account to the state GSDP has a fluctuating trend over the study period. However, their larger share in respective heads may be considered as good for the economy.

Again, both of the revenue and capital development expenditure can be divided into expenditures for social and economic services as shown in Table 2.5.

Table 2.5: Components of Development Expenditure Tripura, 2006-07 to 2016-17 (Rs. in Lakh)

Year	*Revenue Development Expenditure*			*Capital Development Outlay*		
	Social Services	*Economic Services*	*RE-Dev. Exp.*	*Social Services*	*Economic Services*	*Capital-Dev. Exp.*
1	*2*	*3*	*4 = (2+3)*	*5*	*6*	*7 = (5+6)*
2006-07	86925 (68.0)	40899 (32.0)	127824	23020 (35.7)	41389 (64.3)	64409
2007-08	94300 (66.6)	47382 (33.4)	141682	33415 (40.9)	48344 (59.1)	81759
2008-09	114817 (67.0)	56492 (33.0)	171309	39344 (39.0)	61612 (61.0)	100956
2009-10	156074 (69.0)	70191 (31.0)	226265	44642 (39.9)	67193 (60.1)	111835
2010-11	166733 (71.1)	67855(28.9)	234588	34839 (37.4)	58357 (62.6)	93196
2011-12	192906 (72.2)	74391 (27.8)	267297	58016 (47.5)	64037 (52.5)	122053
2012-13	205537 (70.0)	88143 (30.0)	293680	60500 (46.7)	69011 (53.3)	129511
2013-14	240789 (69.7)	104829 (30.3)	345618	65719 (47.1)	73793 (52.9)	139512
2014-15	318434 (69.4)	140274 (30.6)	458708	83815 (33.6)	165493 (66.4)	249308
2015-16	331089 (71.6)	131447 (28.4)	462536	69834 (23.0)	234214 (77.0)	304048
2016-17	368278 (71.5)	147126 (28.5)	515404	142096 (46.0)	166806 (54.0)	308902
CAGR(%)	15.53	13.66	14.96	19.96	14.96	16.97

Source: Reports of the Comptroller and Auditor General of India, Government of Tripura
Note: Figures in the parentheses represent the respective percentages to Total Revenue Development Expenditure and Total Capital Development Outlays

Table 2.5 reveals that revenue development expenditure in social services has increased from Rs. 86925 lakh to Rs. 368278 lakh during 2006-07 to 2016-17 with a CAGR of 15.53

per cent. On the other hand, revenue development expenditure in economic services has increased from Rs. 40899 lakh to Rs. 147126 lakh during the same period with a CAGR of 13.66 per cent. Again, capital development expenditure in social services has increased from Rs. 23020 lakh to Rs. 142096 lakh with a CAGR of 19.96 per cent and that in economic services has increased from Rs. 41389 lakh to Rs. 166806 lakh during the study period with a CAGR of 14.96 per cent. Furthermore, economic services constitute the larger proportion of capital development expenditure, whereas social services constitute the larger proportion in revenue development expenditure. Revenue development expenditure has increased mainly on account of education, water supply and sanitation under social sector and agriculture allied activities power under economic services.

Figure 2.5(a) Proportion of Development Expenditure in Revenue Account

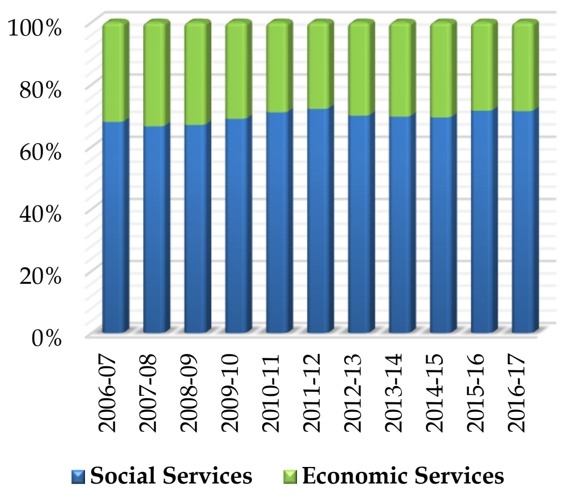
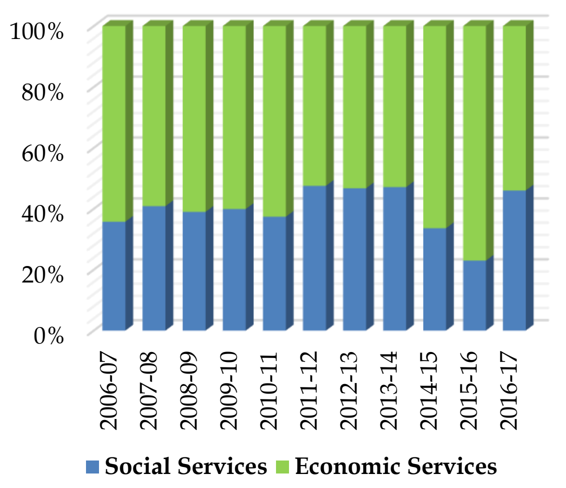


Figure 2.5(b) Proportion of Development Expenditure in Capital Account



It is important to note that economic service is expected to be the large component in revenue development expenditure in general. However, Tripura narrates a different picture in this regard. For example, social services comprise 71.5 per cent of the total revenue development expenditure for the year 2016-17 and economic services hold the remaining 28.5 per cent. It is mainly due to the major heads of social services like education, sports, arts and culture (52.56 per cent), medical and public health (11.03 per cent), social security and welfare (15.39 per cent), welfare of SC, ST and OBC (6.06 per cent). However, expenditure on agriculture and allied activities in economic services under revenue development expenditure has decreased from 43.26 per cent to 38.16 per cent during 2006-07 to 2016-17. An overall trend of developmental expenditure over the study period is illustrates in Table 2.6:

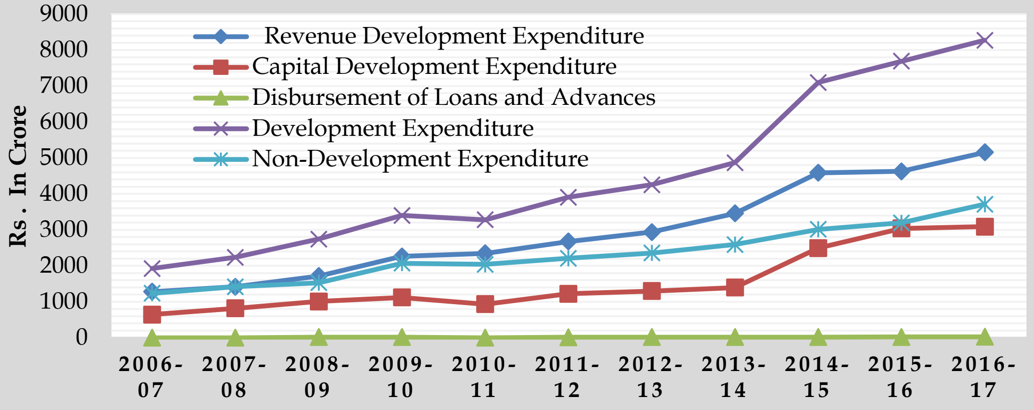
Table 2.6: Trend of Development Expenditure Tripura, 2006-07 to 2016-17 (Rs. in Lakh)

Year	Total Rev-Dev. Expenditure	Total Capital-Dev. Expenditure	Disbursement of Loans and Advances	Total Development Expenditure	Annual Growth rate of Dev. Exp. (%)	Total Dev. Expenditure as percentage of GSDP
1	2	3	4	5 = (2+3+4)	6	7
2006-07	127824	64409	68	192301	--	18.32
2007-08	141682	81759	30	223471	16.21	19.70
2008-09	171309	100956	1808	274073	22.64	21.00
2009-10	226265	111835	1756	339856	24.00	22.94
2010-11	234588	93196	96	327880	-3.52	19.08
2011-12	267297	122053	1389	390739	19.17	20.34
2012-13	293680	129511	1893	425084	8.79	19.62
2013-14	345618	139512	1577	486707	14.50	19.02
2014-15	458708	249308	1574	709590	45.79	23.92
2015-16	462536	304048	2184	768768	8.34	23.39
2016-17	515404	308902	2728	827034	7.58	22.43
CAGR(%)	14.96	16.97	44.66	15.71	--	--

Source: Reports of the Comptroller and Auditor General of India, Government of Tripura

Table 2.6 exemplifies that total development expenditure for Tripura has increased from Rs. 1,92,301 lakh to Rs. 8,27,034 lakh from 2006-07 to 2016-17. The annual compound growth rate of total development expenditure is registered to be 15.71 per cent. Disbursement of loans and advances exhibits the highest CAGR of 44.66 per cent over the study period. Again, development expenditure has a negative growth rate during the year 2010-11 and has the highest annual growth rate during 2014-15. As a percentage of GSDP, development expenditure reveals an increasing trend over the study period.

Figure 2.6 Trend of Development & Non-development Expenditure In Tripura



There is a positive trend of development expenditure as well as non-development expenditure for Tripura. However, development expenditure increases faster than the non-development expenditure indicating a good health of the state economy.

2.4 Pattern of Committed Expenditure

Efficiency of resource use is basically related to reduction of structural rigidities. There may exist certain inherent structural rigidities for a state, which may be difficult for the government to control. This in turn is likely to affect the quality of expenditure and could lead to misallocation of resources. This happens particularly during the time of fiscal imbalances when government fails to control the expenditure on those unproductive components such as guarantees, interest payments, pension, wages and salaries etc. Thus, to have a proper idea about efficiency of public expenditure, it is also necessary to observe the expenditure on interest payments, pension, salary and wages which are popularly known as committed expenditure. The higher proportion of committed expenditure to revenue expenditure reduces the capacity of expenditure on maintenance activities which in turn may deteriorate the existing infrastructure of a state. Due to the nature of downward rigidity of these components of expenditure, the government fails to reduce committed expenditure particularly during the time of fiscal imbalances. The factors which normally contribute towards enhancement of these expenditures are revision of pay scale of the government employees and increase in high cost public debt etc. Table 2.7 gives the detail breakup of the different components of committed expenditure in Tripura during the study period.

Table 2.7: Components of Committed Expenditure (Rs. in Lakh)

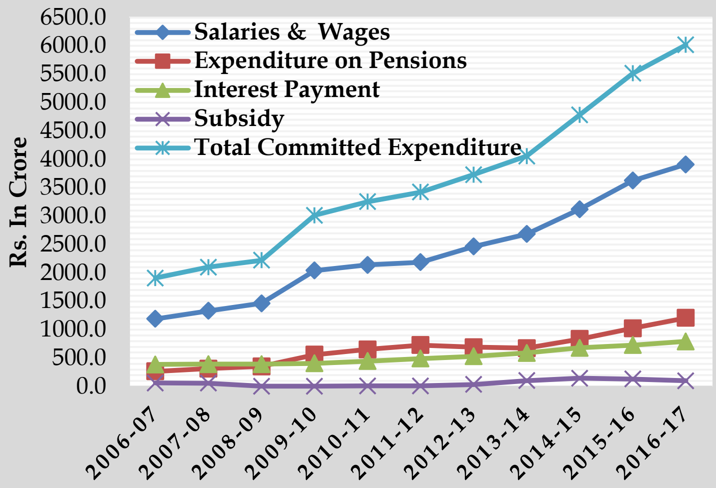
Year	*Salaries &Wages*	*Expenditure on Pensions*	*Interest Payment*	*Subsidy*	*Total Committed Expenditure*	*Committed Expenditure to Revenue Expenditure (%)*
1	2	3	4	5	6 =(2+3+4+5)	7
2006-07	119353 (62.5)	26735 (14.0)	38817 (20.3)	6136 (3.2)	191041	77.0
2007-08	133412 (63.4)	31530 (15.0)	39576 (18.8)	5860 (2.8)	210378	75.3
2008-09	146630 (65.9)	35643 (16.0)	39429 (17.7)	656 (0.3)	222358	71.1
2009-10	204275 (67.7)	55989 (18.6)	40851 (13.5)	612 (0.2)	301727	71.6
2010-11	214315 (65.8)	65477 (20.1)	44732 (13.7)	1107 (0.3)	325631	74.7
2011-12	218977 (63.9)	73002 (21.3)	49327 (14.4)	1262 (0.4)	342568	71.2
2012-13	246790 (66.1)	69419 (18.6)	53281 (14.3)	3757 (1.0)	373247	71.6
2013-14	268768 (66.2)	67725 (16.7)	59096 (14.6)	10418 (2.6)	406007	68.2
2014-15	312313 (65.2)	83718 (17.5)	68168 (14.2)	14550 (3.0)	478749	64.3
2015-16	362851 (65.8)	102531 (18.6)	72939 (13.2)	13393 (2.4)	551714	70.1
2016-17	391188 (65.0)	120867 (20.1)	79431 (13.2)	10213 (1.7)	601699	67.9
CAGR(%)	**12.60**	**16.28**	**7.42**	**5.23**	**12.16**	**--**

Source: Reports of the Comptroller and Auditor General of India, Government of Tripura
Note: Figures in the parentheses represent the respective percentages to Total *Committed* Expenditure

From Table 2.7, it is clearly observed that committed expenditure has increased from Rs.191,041 lakh to Rs.601,699 lakh registering a CAGR of 12.16 per cent during the period of study. A major jump in committed expenditure is noticed in 2009-10 when it increased by 35.69 per cent compared to its previous year. This increase is likely to be on account of the pay revision of the government which affects two main components of committed expenditure viz. salaries and wages, and pensions. Looking at the individual components of committed expenditure, salaries and wages constitute the major part of committed expenditure followed by pensions. These two components display downward rigidity and hence are the major determinants of committed expenditure.

For individual components, salaries and wages has increased from Rs. 119,353 lakh in 2006-07 to Rs. 391,188 lakh in 2016-17, registering a CAGR of 12.60 per cent over the study period. Further, salaries and wages appear to be the major component of committed expenditure having an increasing trend over the study period.

Figure 2.7 Trend of Committed Expenditure & Its Components



Pension, on the other hand, has increased from Rs. 26,735 lakh in 2006-07 to Rs. 120,867 lakh in 2016-17 registering a CAGR of 16.28 per cent. Just like salaries and wages, pensions too swing over the years. Salaries and wages, and pensions, together constitute 80-85 per cent of the total committed expenditure for the state.

The third largest component of committed expenditure, viz. interest payments, has increased from Rs. 38,817 lakh in 2006-07 to Rs. 79,431 lakh in 2016-17 at a CAGR of 7.42 per cent. Subsidy, the fourth component of the committed expenditure is limited to only 3 per cent of the total committed expenditure. Again, both of the interest payment and subsidy are declining committed liabilities of the state over the study period indicating good health of the state economy.

It is worthy to note that committed as a percentage of revenue expenditure has been declining trend and reduced from 77 per cent to 67.9 per cent over the study period. However, throughout the study period committed expenditure formed a very high percentage of the state's revenue receipts of approximately above 70percent, i.e. a very little (less than 30 per cent) of the revenue receipts could be used for other forms of revenue expenditure in the state. The declining share of committed expenditure to revenue expenditure may be considered as a hope for the economy.

2.5 Public Expenditure Trends of the State

Public expenditure is an intrinsic instrument of the fiscal system of a federal nation. The size, pattern and efficiency of such expenditures results in reduction of economic disparity, leading to growth and development of the country. The study of public spending was neglected till 1920s by classical economists like Adam Smith, J B Say, David Ricardo who considered it as a waste and adversely affecting the private capital formation. Disagreeing to the classical school of thinking, Keynes considered public expenditure as an exogenous factor to be utilized as a policy instrument to stimulate economic growth. According to the Keynesian economists, private sector decisions sometimes lead to incompetent macroeconomic outcomes requiring intervention by the government (through fiscal policy instruments) and the central bank (via monetary policy instruments) to stabilize output. Economists such as John Taylor, R.A. Musgrave, to name a few, also opined in favour of government spending.

The Indian Constitution provides for the separation of expenditure into revenue expenditure and capital expenditure through Article 112 (2) as well as Article 202. However, the adoption of economic planning shifted emphasize on the division of expenditure into Plan and Non-Plan. The trends of growth the various components of total expenditure are shown in Figure 2.8.

Figure 2.8 Trend of the Different Components of Total Expenditure

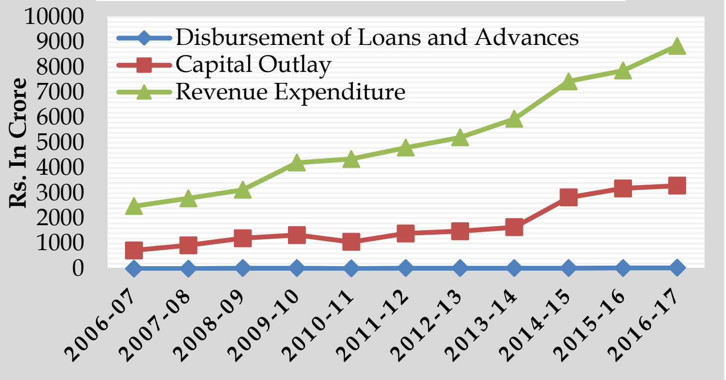


Figure 2.8 clearly demonstrates that revenue expenditure forms the bulk of public expenditure for Tripura and this is a common feature for most of the Indian states. The trend of total expenditure is therefore, largely dictated by the trend of revenue

expenditure, itself. Further, revenue expenditure in Tripura also exhibits a high growth rate over the study period. Again, total expenditure can be classified into plan and non-plan heads (Table 2.8) along with their components viz. social, economic and general services as part of plan and non-plan expenditures [Table 2.9(a) and 2.9(b)] excluding expenditure on loans & disbursement and grants-in-aid.

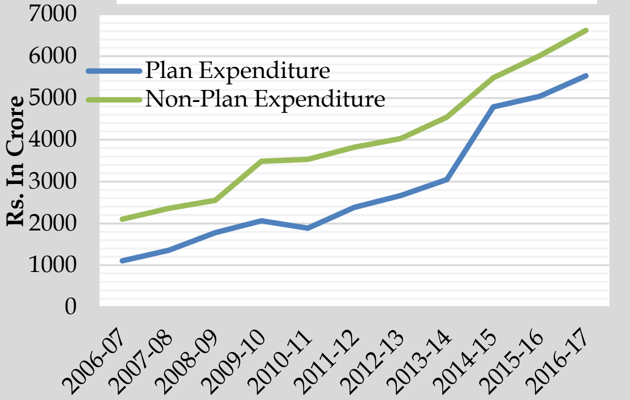
Table 2.8: Share and Growth of Non-plan and Plan Expenditure, Tripura 2006-07 to 2016-17 (Rs. in Lakh)

Year	*Plan Expenditure*	*Non-Plan Expenditure*	*Total Expenditure*	*Growth Rate (%)*		*Share to GSDP (%)*	
				Plan Expenditure	*Non-Plan Expenditure*	*Plan Expenditure*	*Non-Plan Expenditure*
2006-07	110289 (34.4)	210212 (65.6)	320501	--	--	10.5	20.0
2007-08	136000 (36.6)	235731 (63.4)	371731	23.3	12.1	12.0	20.8
2008-09	177871 (41.1)	255312 (58.9)	433184	30.8	8.3	13.6	19.6
2009-10	206040 (37.2)	348560 (62.8)	554600	15.8	36.5	13.9	23.5
2010-11	188546 (34.8)	353235 (65.2)	541781	-8.5	1.3	11.0	20.6
2011-12	238305 (38.4)	382343 (61.6)	620648	26.4	8.2	12.4	19.9
2012-13	266994 (39.9)	402614 (60.1)	669608	12.0	5.3	12.3	18.6
2013-14	304689 (40.1)	454280 (59.9)	758969	14.1	12.8	11.9	17.8
2014-15	478787 (46.6)	548733 (53.4)	1027520	57.1	20.8	16.1	18.5
2015-16	504284 (45.6)	601366 (54.4)	1105650	5.3	9.6	15.3	18.3
2016-17	553321 (45.5)	661549 (54.5)	1214870	9.7	10.0	15.0	17.9
CAGR(%)	17.50%	12.15%	14.25%	--	--	--	--

Source: Various issues on Finance Accounts, Government of Tripura
Note: Figures in the parentheses represent the respective percentages of total expenditure

Table 2.8reveals that non-plan expenditure increased from Rs. 210,212 lakh in 2006-07 to Rs. 661,549 lakh in 2016-17 registering a CAGR of 12.15 per cent while plan expenditure increased from Rs. 110,289 lakh in 2006-07 to Rs. 553,321 lakh in 2016-17 with a CAGR of 17.50 per cent. Further, non-plan expenditure constitutes the larger share of total expenditure than plan expenditure. However, declining share of non-plan expenditure and increasing share of the plan expenditure over the study period appear to be a good sign for the state economy.

Figure 2.9 Trend of Plan and Non- Plan Expenditures in Tripura



As a share of the state's GSDP, it is seen that proportion of non-plan expenditure to GSDP has decreased from 20.0 per cent in 2006-07 to 17.2 per cent in 2016-17. On the other hand, proportion of expenditure to GSDP has increased from 10.5 per cent to 15.8 per cent during the period indicating improvement in state's financial health.

Table 2.9(a) Revenue Expenditure under Plan and Non Plan Heads (Rs. in Lakh)

Year	Plan Expenditure				Non- Plan Expenditure				Share to Revenue Expenditure	
	Social Services	Economic Services	General Services	Total	Social Services	Economic Services	General Services	Total#	Plan (%)	Non-plan (%)
2006-07	30226 (68.6)	13539 (30.7)	327 (0.7)	44092	56699 (27.8)	27360 (13.4)	115193 (56.4)	204164	17.8	82.2
2007-08	33474 (65.4)	17109 (33.4)	638 (1.2)	51222	60826 (26.7)	30272 (13.3)	130626 (57.3)	228141	18.3	81.7
2008-09	45515 (69.5)	19097 (29.2)	885 (1.4)	65497	69301 (28.0)	37395 (15.1)	132809 (53.7)	247448	20.9	79.1
2009-10	58528 (73.5)	19950 (25.0)	1185 (1.5)	79662	97546 (28.5)	50241 (14.7)	184367 (54.0)	341716	18.9	81.1
2010-11	67314 (76.5)	20135 (22.9)	529 (0.6)	87977	99419 (28.6)	47721 (13.7)	190689 (54.8)	347971	20.2	79.8
2011-12	82091 (77.3)	22581 (21.3)	1520 (1.4)	106192	110814 (29.6)	51810 (13.8)	201756 (53.8)	374731	22.1	77.9
2012-13	97245 (79.8)	23770 (19.5)	912 (0.7)	121927	108292 (27.1)	64373 (16.1)	215836 (54.0)	399362	23.4	76.6
2013-14	110122 (78.7)	28391 (20.3)	1481 (1.1)	139994	130667 (28.7)	76438 (16.8)	233048 (51.2)	454902	23.5	76.5
2014-15	153995 (78.3)	41031 (20.9)	1621 (0.8)	196646	164440 (30.0)	99243 (18.1)	265980 (48.6)	547645	26.4	73.6
2015-16	150750 (80.8)	34641 (18.6)	1261 (0.7)	186652	180339 (30.0)	96806 (16.1)	303257 (50.5)	600195	23.7	76.3
2016-17	174858 (77.4)	48939 (21.7)	2059 (0.9)	225856	193420 (29.3)	98187 (14.9)	348257 (52.8)	659658	25.5	74.5
CAGR(%)	**19.19**	**13.71**	**20.19**	**17.75**	**13.06**	**13.63**	**11.70**	**12.44**	**--**	**--**

Source: Various issues on Finance Accounts, Government of Tripura
Note: Figures in the parentheses represent the respective percentages of Total
 # includes ***Grants-In-Aid and Contributions***

Table 2.9(b) Capital Expenditure under Plan and Non-Plan Heads (Rs. in Lakh)

Year	Plan Expenditure				Non- Plan Expenditure				Share to Capital Expenditure	
	Social Services	Economic Services	General Services	Total	Social Services	Economic Services	General Services	Total	Plan (%)	Non-plan (%)
2006-07	22802 (34.4)	36653 (55.4)	6743 (10.2)	66197	218 (3.6)	4737 (78.3)	1093 (18.1)	6048	91.63	8.37
2007-08	33044 (39.0)	42889 (50.6)	8846 (10.4)	84778	370 (4.9)	5457 (71.9)	1763 (23.2)	7590	91.78	8.22
2008-09	39243 (34.9)	57329 (51.0)	15802 (14.1)	112375	101 (1.3)	4282 (54.4)	3481 (44.3)	7864	93.46	6.54
2009-10	42430 (33.6)	65203 (51.6)	18744 (14.8)	126378	2212 (32.3)	1990 (29.1)	2643 (38.6)	6844	94.86	5.14
2010-11	33297 (33.1)	56419 (56.1)	10853 (10.8)	100569	1542 (29.3)	1937 (36.8)	1784 (33.9)	5264	95.03	4.97
2011-12	57506 (43.5)	59311 (44.9)	15297 (11.6)	132114	510 (6.7)	4726 (62.1)	2376 (31.2)	7612	94.55	5.45
2012-13	59740 (41.2)	68404 (47.2)	16923 (11.7)	145067	759 (23.4)	608 (18.7)	1885 (58.0)	3252	97.81	2.19
2013-14	66122 (40.1)	74255 (45.1)	24317 (14.8)	164695	-403 (--)	-462 (--)	243 (--)	-622	100.38	-0.38
2014-15	83815 (29.7)	165493 (58.7)	32833 (11.6)	282141	0 (0.0)	458 (42.1)	630 (57.9)	1088	99.62	0.38
2015-16	68564 (21.6)	234530 (73.8)	14537 (4.6)	317631	1270 (--)	-316 (--)	217 (--)	1171	99.63	0.37
2016-17	141514 (43.2)	166267 (50.8)	19684 (6.0)	327465	582 (30.8)	539 (28.5)	771 (40.8)	1892	99.43	0.57
CAGR (%)	**20.0**	**16.3**	**11.3**	**17.3**	**10.3**	**-19.5**	**-3.4**	**-11.0**	**--**	**--**

Source: Various issues on Finance Accounts, Government of Tripura
Note: Figures in the parentheses represent the respective percentages of Total

Table 2.9(a) and 2.9(b) depict that non-plan expenditure holds the larger share (of more than 70 per cent) revenue expenditure, whereas plan expenditure has larger share (of more than 90 per cent) in case of capital expenditure. Again, there has been declining share of non-plan expenditure and consequent increasing share of the plane expenditure on revenue head over the study period. On capital head, share of non-plan expenditure has been declining very sharp and plan expenditure gradually taking over more than 90 per cent of the total capital expenditure.

In case of plan expenditure under revenue head, expenditure on social services constitutes 65-80 per cent of the total plan expenditure with a CAGR of 19.19 per cent over the study period. Again, share of expenditure on social services has been increasing during the period. Next to the social services is expenditure on economic services holing a share of 19-33 per cent of the total plan revenue expenditure with a declining trend of relative share over the years. Expenditure share of general services is meager in this regard. On the other hand, non-plan expenditure under revenue head has the highest share in the general services of more than 50 per cent. Expenditure on social services and that of economic services under revenue head revolve around 30 per cent and 15 per cent respectively.

In case of plan expenditure under capital head, economic services constitute the larger share revolving around 50 per cent or more. Share of expenditure on social services ranges from 33-43 per cent of the total plan capital expenditure with an increasing trend of share over the study period and that of the general services has been 10 per cent around. For non-plane capital expenditure, economic service has the larger share with a significantly declining trend followed by general services with an increasing trend. Share of expenditure on social services under capital head also has increasing trend mainly owing to education, health and water supply infrastructure.

In a nut shell, plan expenditure on capital outlays was significantly higher than non-plan expenditure. Capital expenditure is considered to be enhancing the productive capacity of a state, thereby increasing the pace of development. A major portion of Tripura's expenditure goes as revenue expenditure leaving approximately 30 per cent of the total expenditure for capital expenditure. Of this capital expenditure, the major part comes under plan head implying that most of the capital expenditure in Tripura comes as per the allocation stipulated under central and state plans.

EFFICIENCY OF THE PUBLIC EXPENDITURE

The size of public expenditure is not a single indicator of the development goals pursued by a government. The quality of expenditure, which is more important, needs to be addressed as this alone can ensure efficient utilization of public expenditure. Rising public expenditure can have detrimental effects if it does not go in the right direction. Accordingly, State Governments have to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods.

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. In a developing economy, access to basic education, health services and drinking water and sanitation facilities etc. have a strong linkage with eradication of poverty and lays the foundation of economic progress. Hence, it is important for the government to ensure the expansion and efficient provision of such services in the State. Likewise, expenditure which promotes directly or indirectly the productive capacity of a state's economy needs to be encouraged. Thus, expenditure (both revenue and capital) incurred on social and economic services, which are developmental in nature, is considered to be an indicator of the quality of public expenditure.

In the light of above, following are some of the indicators of the quality of public expenditure as represented in Table 2.10 to get an idea whether there is efficiency in the expenditure pattern of the state of Tripura.

Table 2.10 Indicators of Efficiency in Public Expenditure, Tripura

Years	TE/GSDP	TE/RR	RE/TE	ESS/TE	EES/TE	CO/TE	CO on [SS & ES]
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*
2006-07	30.54	96.2	77.44	34.30	25.67	22.54	89.15
2007-08	32.77	100.5	75.15	34.35	25.75	24.85	88.51
2008-09	33.33	106.7	71.94	35.44	27.15	27.64	83.96
2009-10	37.56	126.4	75.74	36.08	24.69	23.95	83.95
2010-11	31.54	104.8	80.45	37.20	23.29	19.53	88.06
2011-12	32.38	96.0	77.31	40.34	22.25	22.46	87.35
2012-13	31.00	95.2	77.63	39.62	23.40	22.09	87.32
2013-14	29.72	99.4	78.22	40.30	23.49	21.57	85.03
2014-15	34.69	111.4	72.32	39.09	29.71	27.52	88.19
2015-16	33.71	117.5	71.03	36.19	33.01	28.78	95.37
2016-17	33.02	126.2	72.73	41.92	25.78	27.05	93.79

Source: Report of the Comptroller and Auditor General of India, Government of Tripura

Note: TE includes RE, CO and Loans and Advances; TE: Total Expenditure; GSDP: Gross State Domestic Product; RR: Revenue Receipt; RE: Revenue Expenditure; CO: Capital Outlay; ESS: Expenditure on Social Services; EES: Expenditure on Economic Services

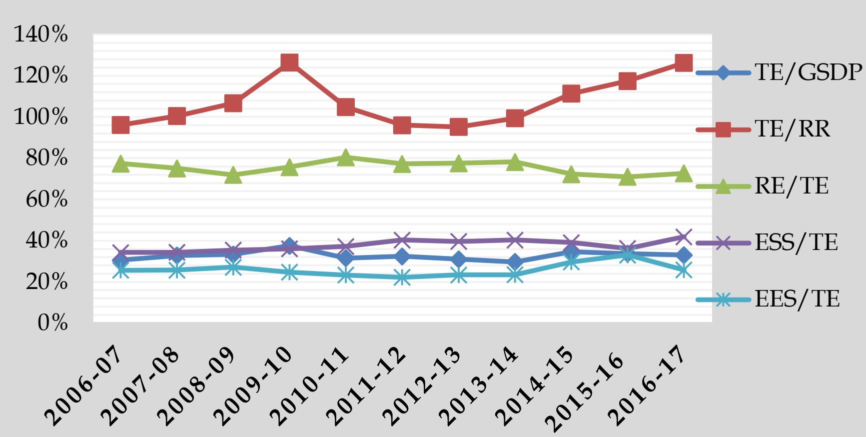
Column 2 of the Table2.10 shows that total expenditure as a percentage of the state's GSDP has remained almost stable over the period from 2006-07 to 2016-17. This indicates a relatively stable position of the state economy.

Column 3 depicts total expenditure as a ratio of revenue receipts of the state. This gives an idea about the extent to which total expenditure can be met from internally generated resources. It is observed from the column 3 that, total expenditure exceeded revenue receipts for five years of the study period viz. 2007-08, 2008-09, 2009-10, 2010-11, 2014-15, 2015-16, 2016-17. This indicate that that is not in a position to maintain its expenditure through initially generated resources. The situation becomes worsen especially during the 14th Finance Commission period.

The fourth column shows revenue expenditure as a ratio of total expenditure and the seventh column represents capital outlays as a ratio of total expenditure. The declining share of revenue expenditure to total expenditure and the corresponding rise in share of capital expenditure to the total expenditure is an indicator of good health and future asset base of the economy of Tripura.

Column 5 and 6 take into account the ratio of the expenditure on social services and expenditure on economic services to total expenditure of the economy of Tripura. The ratio of expenditure on economic services to total expenditure appears to be a roughly constant over the study period excepting a few years. However, the increasing share of expenditure on social services to total expenditure is a sign of the future prospect of the state economy taking at the state of human capital formation.

Figure 2.10 Efficiency of Public Expenditure



Column 8 indicates whether capital expenditure has gone into meeting the developmental needs of Tripura. And it can be said that almost all of the state's capital expenditure has been directed towards the social and economic services, which is a good sign.

To conclude, public expenditure in Tripura has been more or less focused on meeting the developmental needs of the state, which is a good sign. However, a detailed and in-depth look into the components of public expenditure point out to the fact that there exists enormous scope of reallocation of resources particularly towards economic services considering its present human capital base, and this could lead to a balanced development of all-important sectors of the state's economy. Moreover, higher social sector orientation of the public expenditure pattern of Tripura can be considered as a remarkable feature of the State's economy. Expenditure on social services as a percentage of total expenditure varies from 34.30 to 41.92 during the study period. Whereas, expenditure on economic services as a percentage of total expenditure revolves around 25 per cent during the period and proportion of capital outlay varies from 22.54 to 28.78. This is also reflected in the budgetary allocation of the State to social sector as discussed below.

2.5.1 Budgetary Allocation to Social Sector: A Comparison

Because of higher social sector allocation, the state of Tripura exemplifies a better position in social indicators as compared to other North-eastern States and many of the major states. As per National Health Profile 2018 (13th Issue) of the Central Bureau of Health Intelligence, Government of India, Tripura ranks 14th from above among the States and Union Territories in terms of Sex Ratio. Its Sex Ratio of 960 is above the national average of 943. In terms of Birth Rate per 1000 Mid-Year Population, Tripura has a Birth Rate of 13.7 which is much higher than the national average of 20.4. Even, Tripura's present Birth Rate is lower than the prevailing Birth Rate of Assam (21.7), Arunachal Pradesh (18.9), Meghalaya (23.7), Bihar (26.8), Odisha (18.6), Chhattisgarh (22.8), Gujrat (20.1) and of many other states. Again, this is true for Infant Mortality Rate (IMR), an indicator of primary health achievement. At present, Tripura has an IMR of 20 per 1000 live births, whereas the national average is 37 per 1000 live births. Further, Tripura ranks 13th among all the States and Union Territories in terms of primary health achievement or lowering infant mortality. So far as reduction in IMR is concerned, Tripura is ahead of all the major states except Kerala and Tamil Nadu. Considering the Northeast, Tripura is only lacking behind Manipur, Nagaland and Sikkim. Now coming to education, Tripura has a combined Literacy Rate of 87.2 per cent and a female Literacy Rate of 82.7 per cent both of which are much higher than the national average of 73.0 per cent and 64.6 per cent respectively (Census, 2011). Moreover, Tripura ranks 5th in terms of both overall and female literacy in the country just after Kerala, Mizoram, Goa and Lakshadweep. In the Northeast, its rank is 2nd after Mizoram. The state also reveals a better position in educational enrolment at all levels of education, particularly in higher education. A comparative picture of social sector budgetary allocation in terms of public expenses in health and education for Tripura and some select states is presented below:

Table 2.10(a) Ratios of Expenditure on Education and Health to the Total Revenue Expenditure

	State	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Education Expenditure	Tripura	20.09	18.72	18.33	19.33	19.62	18.76	18.73	19.11	20.19	21.15	20.72
	Assam	NA	23.91	23.72	21.32	28.02	25.98	26.66	29.45	28.57	28.94	25.64
	Manipur	NA	17.83	15.96	15.00	13.95	13.10	14.95	15.37	15.29	14.39	14.49
	Mizoram	17.53	17.43	17.23	18.07	18.08	18.88	18.44	19.04	20.20	20.25	18.65
	Meghalaya	17.07	18.76	16.16	17.71	18.89	21.15	19.22	19.97	20.75	20.21	19.29
	Arunachal Pradesh	13.09	13.15	14.09	16.39	13.05	13.35	14.58	13.58	14.40	15.26	15.00
	Nagaland	NA	NA	13.70	14.17	15.74	13.87	15.53	17.91	15.73	16.21	14.93
	Sikkim	11.21	10.18	12.44	14.93	19.05	15.16	17.54	18.68	19.53	21.20	20.31
	Orissa	15.69	18.40	21.23	21.91	21.88	19.65	18.99	18.16	19.21	18.80	18.16
Health Expenditure	Tripura	4.53	4.22	4.45	4.91	4.65	4.59	4.42	5.11	7.30	6.33	6.05
	Assam	NA	5.13	6.39	7.05	6.45	6.04	5.77	5.83	4.89	7.72	6.41
	Manipur	NA	4.04	4.09	4.20	5.13	5.03	4.93	5.18	5.75	6.00	5.20
	Mizoram	4.77	5.16	7.39	9.32	5.35	5.05	4.89	5.04	5.80	6.59	5.95
	Meghalaya	5.20	5.02	4.89	6.56	6.90	5.91	6.67	6.37	7.73	8.08	7.25
	Arunachal Pradesh	4.88	4.57	5.92	5.69	5.53	5.46	5.42	5.44	7.63	5.85	7.37
	Nagaland	NA	NA	4.66	4.85	4.82	4.86	4.84	5.01	5.83	6.03	5.58
	Sikkim	2.91	3.02	3.59	4.42	4.08	3.94	4.73	4.67	5.32	5.34	5.52
	Orissa	3.65	4.10	4.35	4.53	4.24	3.82	4.40	3.97	5.42	5.36	6.24

Source: Various issues of Finance Accounts of the respective States,
Note: Values are given in percentage

The better position of Tripura in achieving education and health sectors is also well reflected in terms of its budgetary expenses to education and health with respect to total revenue expenditure during the period from 2006-07 to 2016-17. Over the period, Tripura stands 2nd in allocation to education as a percentage of total revenue expenditure in the Northeast and a general category state viz. Odisha. Tripura spends about 20 per cent of its total revenue expenditure to education sector, whereas Assam spends at about 25 per cent on an average of its total revenue expenditure to education. Regarding public allocation to health sector, Tripura holds a relatively better position among the select states just after Meghalaya and Assam. The State spends at about 4-6 per cent in health sector of its total revenue expenditure. The relatively poor allocation to health sector is noticed for the states of Sikkim and Odisha.

2.6 An Analysis of Public Expenditure Buoyancies

Buoyancy is an indicator to measure efficiency in revenue mobilization in response to growth in GSDP. It is related to the expansion of tax base. Tax base refers to that legally defined object on which tax is imposed. Thus, buoyancy is a crude measure to judge the efficiency of Public Expenditure.

To calculate the buoyancy of Public Expenditure and its components of Public Expenditure for the state, the study has gone through a double log-regression model as outlined in the introduction part.

Table 2.11 Buoyancy of Different Heads of Public Expenditure to GSDP

Heads	Buoyancy	r^2
Public Expenditure	0.970*	0.978
Revenue Expenditure	1.011*	0.984
General Services	1.199*	0.966
Economic Services	0.976*	0.973
Social Services	0.861*	0.984
Grants-In-Aid	0.925*	0.959
Capital Outlay	0.810*	0.896
Social Services	0.798*	0.863
Economic Services	0.682*	0.794
General Services	0.670**	0.393
Disbursement of Loans and Advances	0.181**	0.473

Source: CSO Data & Report of the Comptroller and Auditor General of India, Government of Tripura
*Note: * statistically significant at one percent levels*
*** statistically significant at five percent levels*

In case of Tripura, public expenditure trends to be buoyant with respect to its GSDP with buoyancy value of 0.970 which implies that *one* per cent increase in state's GSDP leads to 0.97 per cent increase in public expenditure of the state. For individual components and sub-components, revenue expenditure and disbursement of loans and advances appear to be buoyant in character. General as well as economic services under revenue expenditure head also reveal a buoyant character to GSDP.

Table 2.12 represents the buoyancy of the various components of public expenditure to their respective total expenditure:

Table 2.12 Buoyancy of the Expenditure Components to their respective Total

Heads	Buoyancy	r^2
Public Expenditure		
Revenue Expenditure	1.035*	0.993
Capital Outlay	0.850*	0.949
Disbursement of Loans and Advances	0.193**	0.519
Revenue Expenditure		
General Services	1.191*	0.99
Economic Services	0.963*	0.98
Social Services	0.851*	0.99
Grants-In-Aid	0.915*	0.97
Capital Outlay		
General Services	0.817**	0.430
Economic Services	0.870*	0.945
Social Services	0.929*	0.857

Source: CSO Data & Report of the Comptroller and Auditor General of India, Government of Tripura

*Note: * statistically significant at one percent levels*
*** statistically significant at five percent levels*

The components of public expenditure namely, revenue expenditure and disbursement of loans and advances appears to be buoyant to total public expenditure. Expenditure on general services to revenue expenditure also comes out as buoyant. But other components do not come out to be buoyant to their respective total.

2.7 Major Observations

- State expenditure comprises of revenue expenditure, capital expenditure and disbursement of loan and advances. Of the three components, revenue expenditure constitutes the major part in Tripura accounting for more than 70 per cent of the total expenditure over the study period. Disbursement of loan and advances is limited by less than *one* per cent of the total public expenditure of the State. Total expenditure as a percentage of GSDP reveals to be more or less constant within the range of 30-33 per cent.
- In case of revenue expenditure, the relative share of general services declines from 46.53 per cent to 39.56 per cent over the period whereas, that of social services increases from 35.01 per cent to 41.59 per cent. The share of economic services remains relatively constant with 16-18 per cent.
- In case of capital expenditure, relative share of social services has increased from 31.9 per cent to 43.1 per cent during the study period whereas, that of general services has declined from 10.8 per cent to 6.2 per cent. Relative share of economic services has a fluctuating trend revolving around 50 per cent of the total capital outlays.

- Development expenditures as a percentage of GSDP both on revenue and capital accounts have an increasing trend over the study period. Revenue development expenditure to GSDP has increased from 12.2 to 14.0 per cent and capital development expenditure to GSDP has increased from 6.1 to 8.4 per cent. Again, they registered a CAGR of 14.96 and 16.97 per cent respectively. Capital development expenditure as a percentage of total capital expenditure ranges from 83 to 95 per cent.
- For Tripura, development expenditure rises faster than non-development expenditure so far as the study period is concerned. Further, social services constitute the larger proportion of revenue development expenditure (with a share of 66 to 71 per cent of the total revenue development expenditure) mainly owing to education, water supply and sanitation under social sector. Higher allocation to agriculture and allied activities, power under economic services can also be considered as the cause of increasing development expenditure of the state.
- It seems that Tripura narrates a different story of allocating a significantly higher proportion of revenue development expenditure to social services than to economic services. It is mainly due to the higher allocation towards the major heads of social services like education, sports, arts and culture (52.56 per cent), medical and public health (11.03 per cent), social security and welfare (15.39 per cent), welfare of SC, ST and OBC (6.06 per cent) as in 2016-17. This may well be considered as gaining allocative efficiency since social sector has a direct link with commons welfare. However, achieving technical efficiency out of such resource allocation largely depends on the expansion of the economic sector, particularly expansion of the secondary sector. This is because, there must have a matching between social services led educational expansion and creation of employment opportunity for the educated youth. So, the constrained industrial activities of the state call for special policy attention.
- Committed expenditure comprising of wages & salaries, pensions, interest payments etc. is downward rigid by nature. Its higher proportion to revenue expenditure reduces the capacity of public expenditure on maintenance and developmental activities leading to allocative inefficiency. There have been increasing trends of the relative shares of Salaries & Wages and Pension liabilities to total committed expenditure of the state. However, the proportions of liabilities to interest payments and subsidy to committed expenditure are

declining over the study period. As a whole, liabilities to committed expenditure as a percentage of total revenue expenditure have declined from 77.0 to 67.9 per cent during the study period. This is a good sign for the state economy.

- In disagreement to the Classical School of thought, J. M. Keynes considered public expenditure as an exogenous factor to be utilized as a policy instrument to stimulate economic growth. Again, adoption of economic planning divides public expenditure into Plan and Non-plan heads. For Tripura, there has been increasing share of plan expenditure to total public expenditure as well as to GSDP over the study period which may be considered as an indication of allocative efficiency for the state economy. This is also good that the proportion of plan expenditure on both revenue and capital heads has been increasing. Moreover, plan expenditure constitutes more than 90 per cent of total capital expenditure. However, a majority of the plan expenditure is directed towards social services.
- In a developing economy, access to basic education, health services, drinking water and sanitation facilities etc. have a strong linkage with eradication of poverty and lays the foundation of economic progress. Likewise, expenditure which promotes directly or indirectly the productive capacity of an economy needs to be encouraged. This is particularly important for a state like Tripura where growing unemployment is a serious problem. The government sectors are getting overburdened. However, public expenditure in Tripura is characterised by increasing trend of social service expenditure to total expenditure (ranges from 34 to 42 per cent) and a relatively constant trend of expenditure in economic services to total expenditure revolving around 25 per cent (Table 2.10).
- In a nutshell, public expenditure in Tripura has been more or less focused on meeting the developmental needs as well as people welfare of the state, which is a good sign. However, a detailed and in-depth look into the components of public expenditure point out to the fact that there exists enormous scope of reallocating resources, particularly towards economic services considering its present human capital base, and this could lead to a balanced development of all-important sectors of the state's economy by accruing technical efficiency i.e. maximum benefit out of public expenditure.

2.8 Looking at the Future

The economy of Tripura is primary sector dominated. About 70 per cent of its population depends on agriculture and allied activities. Primary sector is contributing about 45 per cent of NSDP. However, horizontal expansion of this sector is constrained by limited availability of cultivable lands (only 27 per cent of the total geographical area of the state). Moreover, allocation to this sector and its sub-sectors both under revenue and capital account remains low over the years to less than 10 per cent. Again, secondary sector is getting narrow down over the years. Under the circumstances and given the expenditure pattern and trends for non-plan and plan both on revenue and capital account, the state government can think of certain conducive measures in public expenditure management to enhance allocative and technical efficiency. ***First***, allocation of public expenditure needs to be reoriented towards economic sector looking into the present education base and future employment generation capacity of the state. Keeping in consideration the geographical isolation and communication bottlenecks of the state, soft skill oriented economic activities such as hotel, hospitality and tourism development, indigenous health tourism, cultural tourism based on rich and diversified cultural heritage of the state, computer software and programming, present day job oriented and hands on training programme in the existing educational institutions can be thought of. The recently expanded railway network into the state, proposed internet gateway and up gradation of the Agartala Air Port indeed will provide a forward linkage for the purpose. ***Second***, this is high time to consider the vertical expansion of the primary sector of the state. Plantation being engine of growth of the state economy can be given priority. However, identification of the key cash crops in the plantation sector is necessary. So, more allocation to agricultural Research and Development with effective links to other sectors should be emphasised. At this downswing stage of natural rubber, alternative cash crops like cashew nuts, betel nuts, mushrooms, pineapples, jackfruits or any other fruits and plantations suitable to the land of the state may be tried. This is the need of the hour to reorient the allocation of the sectors with competitive advantage in production and potential for export. ***Third***, identification of one or two priority sectors among all the potential sectors for the state may lead the growth process of the state. ***Fourth,*** some rationale and austerity measures may be considered by the government in rationalizing expenses in government offices such as use of cars, seminar and symposium, official tours, other office expenses. Of course, a thorough review of the present position of office expenses needs to be exercise before implementation of the rationalizing measures.

Analysis of Deficits

3

3.1 State Deficits: Types and Nature

Until the Keynesian revolution, prudent fiscal policy advocated a balanced budget and any deficit in public accounts were considered wasteful. With the advent of economists like Keynes, Hansen, Dalton and others the concept of Compensatory Finance which advocated deliberate unbalancing of the budget to maintain economic stability gained universal acceptance.

In India, throughout the sixties, there was a deliberate strategy to finance capital formation and infrastructure development through deficit financing. However, with revenue expenditure consistently exceeding revenue receipt and alarmingly low returns from earlier capital expenditures, the nation was confronted with a structural deficit in its budget that had serious implication for its fiscal sustainability. As was the case with most of the Indian states, Tripura too confronted serious fiscal crisis fuelled by consistently high fiscal deficit that was aggravated by huge charged expenditure in the form of salary & wages, pension and interest liabilities. Subsequently, there was deliberate shift in policy with the adoption of a strategy aimed at fiscal consolidation which significantly checked the secular deterioration of the state finance.

Three key fiscal parameters - Revenue, Fiscal and Primary Deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The nature and quantum of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and applied are also important pointers to its fiscal management.

Revenue Expenditure which is synonymous with consumption and maintenance in the form of *wages and salaries, consumption of goods and services, interest payment, subsidies* etc., are recurring in nature and do not result in the creation of assets. Similarly, revenue receipts are recurring and accrue in the form of tax and non-tax revenue including transfer from the centre. Thus, a deficit in the revenue account indicates an inability on part of the government to finance its recurring expenditure with its recurring receipts.

Revenue Deficit/Surplus = Revenue Expenditure – Revenue Receipt

Fiscal Deficit, on the other hand, is the difference between total expenditure (net of debt repayment) and total receipt (excluding debt creating capital receipt). Thus, on the receipt side only non-debt capital receipt (recoveries of loans plus disinvestment proceeds) are incorporated while debt creating capital receipts are left out. The actual state of public account is reflected by fiscal deficit as it indicates the liabilities created in the receipt and disbursement process of the government.

Fiscal Deficit (FD) = [{Revenue Expenditure (RE) + Capital Expenditure (CE) + Net Lending} – {Revenue Receipts (RR) + Miscellaneous Capital Receipts (MCR)}]

Where, Net Lending = Disbursement of Loans and Advances – Recovery of Loans and Advances

Finally, the primary deficit is calculated as the difference between the fiscal deficit and interest payment.

Primary Deficit/Surplus= Fiscal Deficit/Surplus – Interest payments

All the deficits in the government account represent gaps between expenditure and receipt. The significance of analysing the deficits stems from the fact that the nature and origin of the gaps and procedure adopted to finance them has great impact on government finance and immense consequences for the overall economy.

3.2 Pattern and Trend of Revenue Deficit

Fiscal forethought demands revenue surplus or at least zero revenue deficit in the public budget. This is so because the presence of revenue deficit point to a government that is consuming beyond its means. Revenue deficit signifies that government's own earning is insufficient to meet normal functioning of government departments and provisioning of services. Revenue deficit results in borrowing. Simply put, when government spends more than what it collects by way of revenue, it incurs revenue deficit. It is important to mention that; revenue deficit includes only such transactions which affect current income and expenditure of the government.

The maxim that "you cannot spend your way to prosperity" is now widely accepted. Fiscal policies must therefore be embedded in caution than exuberance. This goal has been preserved by the Tripura Fiscal Responsibility and Budget Management Act

(FRBM), 2005 which had set the state to the objective of eliminating its revenue deficit. The FRBM Act proposed that the central and state deficit would each be progressively reduced to reach 3 per cent of GDP.

Prior to the present study period, revenue deficit in Tripura exhibited considerable fluctuation with some with exhibiting revenue surplus followed by some years of deficit in the account. The deficit persisted for a number of years until 2005-06 when the Tripura FRBM Act was enacted and adopted. The adverse imbalances in the revenue account prior to 2005 were mostly aggravated by the increase in committed expenditure in the forms of salaries and pension and also debt service obligation due to public borrowing by the state. There was a growing tendency of financing revenue expenditure by capital receipt which pushed the state to a potential position of financial insolvency. However, the position of financial management for state of Tripura appears to be better in the current study period (2006-07 to 2016-17) so far as revenue account is concerned.

Table 3.1: Revenue Deficit of Tripura, 2006-07 to 2016-17 (Rs. in Lakh)

Year	Revenue Receipts	Revenue Expenditure	Revenue Deficit (+) / Surplus (-)	GSDP*	Revenue Deficit/Surplus as a percent of GSDP
2006-07	333336 (--)	248256 (--)	-85080	1049594	-8.11
2007-08	369834 (10.95)	279364 (12.53)	-90470	1134495	-7.97
2008-09	407678 (10.23)	312979 (12.03)	-94699	1305247	-7.26
2009-10	440135 (7.96)	421379 (34.63)	-18756	1481239	-1.27
2010-11	516860 (17.43)	435948 (3.46)	-80912	1718295	-4.71
2011-12	647690 (25.31)	480923 (10.32)	-166767	1920841	-8.68
2012-13	705030 (8.85)	521288 (8.39)	-183742	2166320	-8.48
2013-14	765018 (8.51)	594896 (14.12)	-170122	2559283	-6.65
2014-15	923973 (20.78)	744291 (25.11)	-179682	2966662	-6.06
2015-16	942674 (2.02)	786847 (5.72)	-155827	3286170	-4.74
2016-17	964546 (2.32)	885514 (12.54)	-79032	3687970	-2.14

Source: Various issues of CAG Reports on State Finances of Tripura, Government of Tripura.
Central Statistics Office, Ministry of Statistics and Programme Implementation, Government of India.
*Note: * GSDP at Factor Cost (Current Prices) base year 2011-12*
Figures in parentheses represent annual growth rate of the variables.

With the adoption of the state FRBM Act and the subsequent implementation of measures aimed at fiscal consolidation there was marked improvement in state finance which gets reflected in the revenue surplus position of Tripura (Table 3.1). Fiscal discipline by the state government enabled the state to maintain a state of revenue surplus over the study period.

Table 3.1 clearly reveals that the state of Tripura has been constantly maintaining revenue surplus throughout the study period of 2006-07 to 2016-17. In absolute term, total revenue receipts of the state have increased from Rs. 333,336 lakh in 2006-07 to Rs. 964546 lakh in 2016-17 with a CAGR of 11.2 per cent. On the other hand, total expenditure of the state has increased from Rs. 248,256 lakh in 2006-07 to Rs. 885,514 lakh in 2016-17 registering a CAGR of 13.56 per cent. Thus, growth rate of expenditure appears to more than that of revenue receipts though expenditure in absolute term for each of the financial years during the study period in less than receipts of the corresponding year generating a revenue surplus. The highest growth rates of revenue are noticed in the years 2010-11 (17.43 per cent), 2011-12 (25.31 per cent) and 2014-15 (20.78 per cent) with respect to their previous year. On the other, the higher growth rates of revenue expenditure are noticed in the years 2009-10 (34.63 per cent), 2014-15 (25.11 per cent).

For Tripura, the ratio of revenue surplus to GSDP has a fluctuating trend over the study period. A higher ratio has been observed for the financial years 2006-07 of 8.11 per cent, 2007-08 of 7.97 per cent, 2011-12 of 8.68 per cent and 2012-13 of 8.48 per cent. It can be said that, the FRBM restriction of maintaining revenue deficit at 3 per cent level of GSDP is not applicable for Tripura. However, the ratio of surplus is getting reduced during the 14th Finance Commission period.

3.3 Pattern and Trend of Fiscal Deficit

Fiscal deficit, the difference between total expenditure (net of debt repayment) and total receipt (excluding debt creating capital receipt), is a critical indicator of the status of state finances. Usually, fiscal deficit is financed through debt creating capital receipts of the government, therefore, an increasing fiscal deficit along with deteriorating debt-GSDP ratio leading to unsustainable increase in the committed expenditure in the form of debt repayment and interest obligation. However, the utilisation of the resources mobilised through fiscal deficit also has a bearing on the sustainability of the state finance. The use of borrowed funds for committed expenditure on salaries and pension payment does not augur well for of the long term fiscal sustainability of the state whereas restriction of the fund to capital outlay and other productive loans and advances may make the deficit much more viable by enhancing the state's future income and its ability to bear the debt burden.

Table 3.2 provides the state of fiscal deficit as well as component wise detail breakup of fiscal deficit for the state of Tripura:

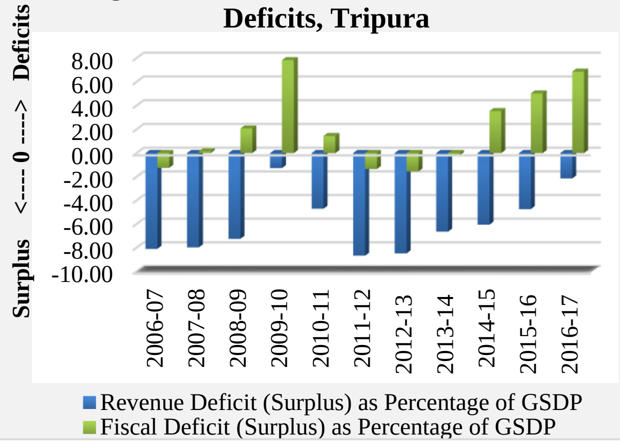
Table 3.2: Component-wise Breakup of Fiscal Deficit, Tripura 2006-07 to 2016-17 (Rs. in Lakh)

Year	*Revenue Expenditure*	*Capital Expenditure*	*Net Lending*	*Fiscal Expenditure*	*Revenue Receipts*	*Miscellaneous Capital Receipts*	*Fiscal Receipts*	*Fiscal Deficit (+) / Surplus (-)*	*Fiscal Deficit / Surplus as percentage of GSDP*
1	*2*	*3*	*4*	*5 = 2+3+4*	*6*	*7*	*8 = 6+7*	*9 = 5-8*	*10*
2006-07	248256	72245	-284	320217	333336	0.00	333336	-13119	-1.25
2007-08	279364	92368	-297	371435	369834	0.00	369834	1601	0.14
2008-09	312979	120239	1483	434701	407678	0.00	407678	27023	2.07
2009-10	421379	133222	1405	556006	440135	0.00	440135	115871	7.82
2010-11	435948	105833	-184	541597	516860	0.00	516860	24737	1.44
2011-12	480923	139726	1179	621828	647690	0.00	647690	-25862	-1.35
2012-13	521288	148319	1767	671374	705030	0.00	705030	-33656	-1.55
2013-14	594896	164073	1481	760450	765018	0.00	765018	-4568	-0.18
2014-15	744291	283229	1356	1028876	923973	0.00	923973	104903	3.54
2015-16	786847	318802	2070	1107719	942674	0.00	942674	165045	5.02
2016-17	885514	329357	2637	1217508	964546	0.00	964546	252962	6.86

Source: Various ***Reports of the Comptroller and Auditor General of India, Government of Tripura***

Table 3.2 clearly exemplifies that the state of Tripura is in a weak state of fiscal management during the study period of 2006-07 to 2016-17. Its revenue expenditure in absolute term has increased from Rs. 248,256 lakh to Rs. 885,514 lakh during 2006-07 to 2016-17. Capital expenditure in absolute term has increased from Rs. 72,245 lakh to Rs. 329,357 lakh and net lending from Rs. (-)284 lakh to Rs. 2637 lakh during the same period. The state has no miscellaneous capital receipt during the same period. Further, fiscal receipts of the state fall short of fiscal expenditure in in majority of the financial years under study. If fact, the state has earned fiscal surplus only in the years 2007-08, 2011-12 to 2013-14 (only four financial years) during the eleven-year period of study. The huge amount of fiscal deficit has been registered in the financial years 2009-10 (of Rs. 115,871 lakh), 2014-15 (of Rs. 104,903 lakh), 2015-16 (of Rs. 165,045 lakh) and 2016-17 (of Rs. 252,962 lakh).

Figure 3.1 Trend of Fiscal and Revenue Deficits, Tripura



Regarding fiscal deficit as a percentage of GSDP, there has been an increasing trend of deficit for the state. The highest ratio of fiscal deficit to GSDP has been registered in

2009-10 of 7.82 per cent followed by 2016-17 of 6.88 per cent, 2015-16 of 5.02 per cent and 2014-15 of 3.54 per cent. The state is in a critical state of fiscal management particularly during the initial period of the 14th Finance Commission.

3.4 Trend of Primary Deficit

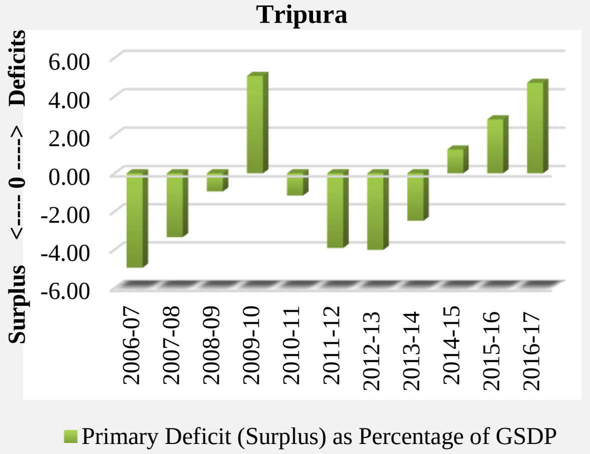
Primary Deficit is defined as the Fiscal Deficit net of interest payment and represents the debt creating receipts necessary to meet the current expenditures of the state. In that sense, a critical analysis of the trend of primary deficit is more crucial to judge the stability and sustainability of financial management of an economy. Table 3.3 represents the pattern and trend of primary deficit for the state of Tripura:

Table 3.3: Pattern of Primary Deficit of Tripura (Rs. in Lakh)

Year	Primary Deficit (+)/ Surplus (-)	Primary Deficit /Surplus as a percent of GSDP
2006-07	-51936	-4.95
2007-08	-37975	-3.35
2008-09	-12406	-0.95
2009-10	75020	5.06
2010-11	-19995	-1.16
2011-12	-75189	-3.91
2012-13	-86937	-4.01
2013-14	-63664	-2.49
2014-15	36735	1.24
2015-16	92106	2.80
2016-17	173631	4.71

Source: Reports of the Comptroller and Auditor General of India, Government of Tripura

Figure 3.2 Trend of Primary Deficits, Tripura



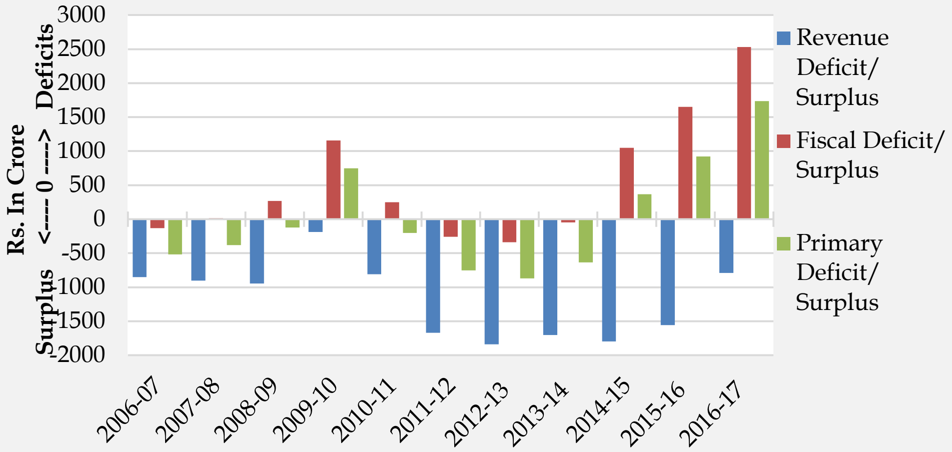
During the eleven-year study period from 2006-07 to 2016-17, the state of Tripura has experienced primary surplus for 7 of the financial years viz. 2006-07 to 2008-09 and 2010-11 to 2013-14. However, the years of primary deficit for the state are 2009-10 and 2014-15 to 2016-17. The highest amount of primary deficit is noticed in the year 2016-17 of the quantum of Rs. 173631 lakh followed by 2015-16 of Rs. 92106 lakh, 2009-10 of Rs. 75020 lakh and 2014-15 of Rs. 36735 lakh.

So far as primary deficit is concerned, the state is appeared to be a well-managed economy. However, the initial phase of the 14th Finance Commission again comes out to be a stage of critical financial management state for Tripura.

3.5 The Burden of Deficits for the State

As discussed earlier that the nature and quantum of deficits are the important indicators of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and applied are also important pointers to its fiscal management. Thus, in order to study the fiscal policy of the government of Tripura and its impact on the state economy, the nature, trend and ratios of revenue deficit to GSDP, fiscal deficit to GSDP and primary deficit to GSDP has been analysed. The overall picture of thee financial management for the state of Tripura is presented in Figure 3.3:

Figure 3.3 The Trends in Deficit/Surplus Indicators over the period 2006-07 to 2016-17



The state of Tripura has been able to maintain revenue surplus throughout the study period. However, for fiscal and primary deficit, the state is having a mixed experience of both deficit and surplus. The question of sustainability and financial management burden are more serious in case of fiscal deficit and a critical state of fiscal management is found particularly during 2014-15 to 2016-17.

3.5.1 Financial Implications of the 7th CPC Award

A careful examination of the financial implications of the 7th Pay Commission as implemented by the State Government of Tripura reveals that with usual annual increments of 3 per cent and without other allowances and DA, the additional financial implications for the State would be Rs. 1212.15 Crore on an average per year for the period from 2017-18 to 2024-25. After taking into consideration the relevant factors such as past trend of growth of salaries, realised additional financial burden owing to implementation of 7th CPC etc., the Salary Expenditure including Pensions for the State has been projected for the period from 2019-20 to 2024-25. In this connection, it is important to note that the State Government has given a multiplication factor of 2.25 to its employees from 1st April 2017-18 and the additional multiplication factor of 0.32 has been added with 2.25 since 1st October 2018-19. Therefore, the projections of the financial implications of 7th Pay Commission are based on the realised additional implications of the same for the years 2017-18 and 2018-19. The overall positions of the expected additional financial implications of the 7th Pay Commission is summarized in the Table below.

Table 3.4: Projections for Financial Implications of the 7th Pay Commission, Tripura (Rs. in Crore)

Year	*Salaries &Wages*	*Pensions*	*Projected Salaries and Pensions (With 7th CPC)$*	*Projected Salaries and Pensions (Without 7th CPC)#*	*Additional Implications of the 7th CPC*
	1	*2*	3 = (1 + 2)	4	5 = (3 – 4)
2017-18	5277.00*	1605.00*	6882.00	5880.36	1001.64
2018-19	5639.84*	2067.80*	7707.64	6645.47	1062.17
2019-20	6138.67	2062.93	8201.60	7510.78	690.82
2020-21	6958.11	2399.66	9357.77	8489.47	868.30
2021-22	7886.94	2791.35	10678.29	9596.53	1081.76
2022-23	8939.75	3246.98	12186.73	10848.89	1337.85
2023-24	10133.11	3776.98	13910.09	12265.77	1644.32
2024-25	11485.76	4393.50	15879.26	13868.92	2010.33
Total Additional Implications for 7th CPC (2017-18 to 2024-2025)					9697.19

Source: Projections based on data from various Reports of the Comptroller and Auditor General of India, Government of Tripura

Note: * Actual Values received from the Department of Finance, Government of Tripura.

$ Projections based on the realised additional implications of 7th CPC for the years 2017-18 with multiplication factor of 2.25 and 2018-19 with further addition of 0.32 with 2.25, the previous multiplication factor.

 # Based on past trend of growth of Salaries & Pensions for the period 2006-07 to 2016-17.

It is appeared from Table 3.4 that the implementation of the 7th Pay Commission for State Government employees of Tripura will lead to an additional financial implication of Rs. 9697.19 crore for the period from 2017-18 to 2024-25. Only for the 15th Finance Commission Award period (2020-21 to 2024-25), the additional financial implication of the 7th CPC would be Rs. 6942.56 crore. However, the State Government is to bear an additional implication of Rs. 2754.63 crore for the period from 2017-18 to 2019-20 fall under the 14th FC for the implementation of the 7th Pay Commission. Again, the financial implication of the 7th CPC may further increase subject to provisions of the allowances and DA at the Central rates, revision of HRA, Government contribution to NPS, addition in workforce, added implication for autonomous bodies and PSUs, and so on.

3.5.2 The Pre-devolution Revenue Deficit for the State

Considering the CAGR of Own Revenue Receipts and Revenue Expenditure as well as the implication of the introduction of GST and awarding of 7th CPC to the State Government employees, the expected Pre-devolution Revenue Deficit for the State of Tripura during the 15th Finance Commission award period (2020-21 to 2024-25) is projected in Table 3.5 below based on the assumption of usual business scenario of the 14th Finance Commission.

Table 3.5: Projections of Pre-devolution Revenue Deficit, Tripura (2020-21 to 2024-25) (Rs. in Crore)

Year	*State's Own Tax Revenue@*	*State's Own Non- Tax Revenue*	*State's Own Revenue*	*Revenue Expenditure*	*Additional Implication for 7th CPC*	*Projected Revenue Expenditure#*	*Pre-Devolution Revenue Deficit*
	1	*2*	3 = (1 + 2)	4	5	6 = (4 + 5)	7 = (6 – 3)
2020-21	1977.92	373.41	2351.33	15040.52	868.30	15908.82	13557.49
2021-22	2104.21	394.09	2498.30	17077.26	1081.76	18159.03	15660.73
2022-23	2230.50	414.77	2645.27	19389.81	1337.85	20727.66	18082.39
2023-24	2356.79	435.46	2792.24	22015.53	1644.32	23659.85	20867.61
2024-25	2483.08	456.14	2939.22	24996.80	2010.33	27007.14	24067.92
Total	11152.50	2073.87	13226.36	98519.93	6942.56	105462.49	92236.13

Source: Projections based on data from Budget at a Glance, 2018-19 and various Reports of the Comptroller and Auditor General of India, Government of Tripura

Note: Projections of values for state's own tax and non-tax revenue as well as revenue expenditure are based on trend forecasting on realisation of past up to the year 2018-19.

@ Projections of own tax revenue also include actual trend realisation of GST based on data for the years 2017-18 and 2018-19.

 # Projected values of revenue expenditure in each year include the additional financial implications of the implementation of the 7th Pay Commission.

Table 3.5 reveals the Pre-devolution Revenue Deficit of the amount of Rs. 92236.13 crore for the State of Tripura during the 15th Finance Commission Award period. This Pre-devolution includes the year on year additional financial implications of the implementation of the 7th Pay Commission to the State government employees along with the usual trend of the 14th FC. However, there is every possibility of upward revision of the Pre-devolution Revenue Deficit subject to the backlog of deficit owing to additional financial implication of the implementation of the 7th Pay Commission for the period 2017-18 to 2019-20 with an amount of Rs. 2754.63 crore, additional expenditure for full-fledged implementation of the 7th CPC, additional implication for autonomous bodies, other organisations and PSUs, increase in workforce etc.

3.5.3 Steps towards Reducing the Burden of Committed Expenditure

Tripura is located in the extreme South-West corner of the North-East with geographical isolation from the main land for a long. Owing to this geographical isolation, private sector investments and employment opportunities are still absent in the State. As a result of which, the State Government has to invest heavily in Social Sector infrastructure like schools and hospitals in the absence of private institutions. So, larger number of employees had to be engaged to run these institutions. The state is small but it has to maintain large administrative infrastructure like state level departments & directorates, large number of district and other field units in addition to local bodies like ULBs, Panchayats, TTAADC and their field units. The State also had to maintain significant amount of security forces (including 12 IR Battalions) in order to combat insurgency in near past. Due to all of these and other similar demands on administration, especially in social sector, higher level of employment becomes inevitable for the State. However, in recent times, the State Government has taken some reformative steps to reduce salary expenditure as a percentage of TRE as well as to reduce its committed expenditure (as reflected in various recent circulars issued by the *Finance Department, Govt. of Tripura*) as pointed out below:

- Implementation of NPS for all State Government staff.
- Restrictions in Die-in-Harness Scheme to give employment to only 5 per cent of vacancies.
- Regularisation of DRWs/PTW/Contingent workers etc. has been stopped. Ban on hiring of new DRWs/PTW/Contingent workers etc.
- Efforts are made to restrict new recruitment to vacancies arising on account of retirement.
- Engagement of staff on fixed pay for 5 years to cut down expenditure.
- Creation of new post only on surrendering of existing posts.
- The state has also proposed annual review of work force.

3.6 Major Observations

- The state of Tripura confronted some serious fiscal crisis fuelled by consistently high fiscal deficit prior to 2006-07. It was mainly due to huge charged expenditure in the form of salary & wages, pension and interest liabilities. Subsequently, there was deliberate shift in public policy with the adoption of a strategy aimed at fiscal consolidation (TFRBM, 2005). The implementation of TFRBM significantly checked the secular deterioration of the state finances as observed in the present study.
- Revenue deficit in public budget leads to public borrowing. Fiscal forethought demands revenue surplus or at least zero revenue deficit in the public budget. FRBM also calls for maintaining revenue deficit at 3 per cent level of GSDP. Prior to the Tripura FRBM Act, 2005, the state experienced revenue deficit in many of the years with a tendency of financing revenue expenditure by capital receipt pushing the state to a potential position of financial insolvency. However, the

implementation of FRBM leads the state to a condition of financial management so far as revenue account is concerned.

- The state of Tripura has been constantly maintaining revenue surplus throughout the study period from 2006-07 to 2016-17. So, the FRBM restriction of maintaining revenue deficit at 3 per cent level of GSDP is not applicable to the state. However, the ratio of revenue surplus to GSDP has been declining during the initial phase of the 14th Finance Commission (2015 - 2017).
- However, fiscal deficit is a critical indicator of the status of state finances as it is financed through debt creating capital receipts. It is observed that the state of Tripura is in a weak state of fiscal management during the study period from 2006-07 to 2016-17. Regarding fiscal deficit as a percentage of GSDP, there has been an increasing trend of deficit for the state over the years. The highest ratio of fiscal deficit to GSDP has been registered in 2009-10 of 7.82 per cent followed by 2016-17 of 6.88 per cent, 2015-16 of 5.02 per cent and 2014-15 of 3.54 per cent. Again, the state is in a critical state of fiscal management particularly during the initial period of the 14th Finance Commission.
- During the eleven-year study period from 2006-07 to 2016-17, the state of Tripura has experienced primary surplus for 7 of the financial years viz. 2006-07 to 2008-09 and 2010-11 to 2013-14. However, the years of primary deficit for the state are 2009-10 and 2014-15 to 2016-17. So far as primary deficit is concerned, the state is appeared to be a well-managed economy. Here also the initial phase of the 14th Finance Commission again comes out to be a stage of critical financial management.
- The implementation of the 7th Pay Commission for State Government employees of Tripura will lead to an additional financial implication of Rs. 9697.19 crore for the period from 2017-18 to 2024-25 i.e. Rs. 1212.15 crore per year. Only for the 15th Finance Commission Award period (2020-21 to 2024-25), the additional financial implication of the 7th CPC would be Rs. 6942.56 crore. However, the State Government is to bear an additional implication of Rs. 2754.63 crore for the period from 2017-18 to 2019-20 fall under the 14th FC for the implementation of the 7th Pay Commission.
- The Pre-devolution Revenue Deficit of the amount of Rs. 92236.13 crore for the State of Tripura during the 15th Finance Commission Award period. However, in recent times, the State Government has taken some reformative steps to reduce

salary expenditure as a percentage of TRE as well as to reduce its committed expenditure.

3.7 Looking at the Future

As a whole, the state finances of Tripura exhibits a good state of financial management over the study period. The state had been able to finance its recurring expenditures with recurring receipts as reflected through her constant revenue surplus generation. The state could also earn primary surplus in many of the years during the study period. However, some sorts of critical health condition of the state finances are revealed through its growing fiscal deficit to GSDP, particularly at the initial phase of the 14^{th} Finance Commission. Therefore, a careful and prudent fiscal management is required for the coming days to overcome the fiscal instability.

Analysis of Debts

4

4.1 Public Debts of the State: The Constitutional Provisions

The Constitution of India confers the power of borrowing on both the Centre and the States though they are not placed on equal footing. Articles 292 and 293 of the Constitution cover Public Debt. Article 292 of the Indian Constitution states that the Government of India can borrow amounts as specified by the Parliament from time to time. On the contrary, Article 293 of the Indian Constitution mandates that the State Governments in India can borrow only from internal sources upon the security of Consolidated Fund of the State within such limits, if any, as may be from time to time, be fixed by an act of legislature of the State. Thus, the Government of India incurs both external and internal debt, while State Governments incur only internal debt.

As per the recommendations of the 12thFinance Commission, access to external financing by the States for various projects is facilitated by the Central Government, which provides the sovereign guarantee for these borrowings. From 1st April, 2005, all general category states borrow from multi-lateral and bilateral agencies (World Bank, ADB etc.) on a back-to-back basis viz. the interest cost and the risk emanating from currency and exchange rate fluctuations are passed on to States. In the case of special category states (North-eastern states, Himachal Pradesh, Uttarakhand and Jammu &Kashmir), external borrowings of state governments are given by the Union Government as 90 per cent loan and 10 per cent grant.

Within India, a State may raise loans from the Government of India or float public loans. However, a State cannot raise a public loan without the consent of the Government of India if there is still outstanding any part of a loan which has been advanced to it by the Government of India or in respect of which a guarantee has been given by the Government of India. The borrowing powers to the States had also been defined in the Government of India Acts, 1919 and 1935.

4.2 Sources of Public Debt of the State

The portion of total debt which has a direct charge on government revenues is taken as public debt and is a measure of government indebtedness. It includes debt denominated in rupee as well as foreign currency. Major sources of borrowing of the State Governments in India consist of (i) Internal Debt, (ii) Loans and Advances from Central

Government, (iii) Small Savings and Provident Funds, Trusts and Endowments, Insurance and Pension funds.

Table 4.1: Sources of Debt and Year wise Actual Debt Burden (Rs. in Crore)

Year	Total Internal Debt	Loans and Advances from Centre	Small Savings & Provident Funds etc.	Reserve Fund	Deposit & Advances	Public Borrowing
	1	2	3	4	5	6
2006-07	219.13 (26.6)	5.83 (0.7)	379.74 (46.2)	18.54 (2.3)	199.45 (24.2)	822.69
2007-08	46.80 (6.4)	3.29 (0.4)	399.60 (54.5)	58.07 (7.9)	225.40 (30.7)	733.16
2008-09	206.17 (21.3)	2.51 (0.3)	428.57 (44.2)	155.88 (16.1)	176.88 (18.2)	970.01
2009-10	490.52 (34.8)	3.30 (0.2)	620.53 (44.1)	35.26 (2.5)	258.97 (18.4)	1408.58
2010-11	552.55 (38.9)	3.36 (0.2)	609.27 (42.9)	78.38 (5.5)	176.83 (12.4)	1420.39
2011-12	411.82 (30.0)	6.07 (0.4)	645.05 (47.0)	106.45 (7.8)	202.08 (14.7)	1371.47
2012-13	830.54 (46.5)	3.48 (0.2)	709.93 (39.8)	86.58 (4.9)	154.04 (8.6)	1784.57
2013-14	783.25 (40.3)	3.73 (0.2)	812.95 (41.9)	72.15 (3.7)	269.94 (13.9)	1942.02
2014-15	532.07 (31.7)	5.20 (0.3)	920.32 (54.9)	34.26 (2.0)	185.57 (11.1)	1677.42
2015-16	1113.87 (42.4)	5.93 (0.2)	1017.07 (38.7)	31.30 (1.2)	457.26 (17.4)	2625.43
2016-17	1135.94 (37.8)	3.61 (0.1)	1122.46 (37.3)	62.08 (2.1)	684.66 (22.8)	3008.75
CAGR (%)	**17.9**	**-4.7**	**11.4**	**12.8**	**13.1**	**13.9**

Source: Source: Various issues on Finance Accounts, Government of Tripura

Sources of debt (net of outflows) in Tripura reveal that the two sources of borrowing are internal debt and small saving & provident funds which comprise of 37 per cent each in total debt. Though, their relative shares have a fluctuating trend over the study period. Deposit and advances also comes out as a vital source of debt ranging from 8 to 30 per cent. In terms of compound annual growth rate, internal debt shows the highest growth (17.9 per cent) followed by Deposit & Advances (13.1 per cent), reserved fund (12.8 per cent) and small saving and provident fund (11.4 per cent). Total public borrowing has increased at a CAGR of 13.9 per cent.

Figure 4.1 Trend of Debt across Different Sources

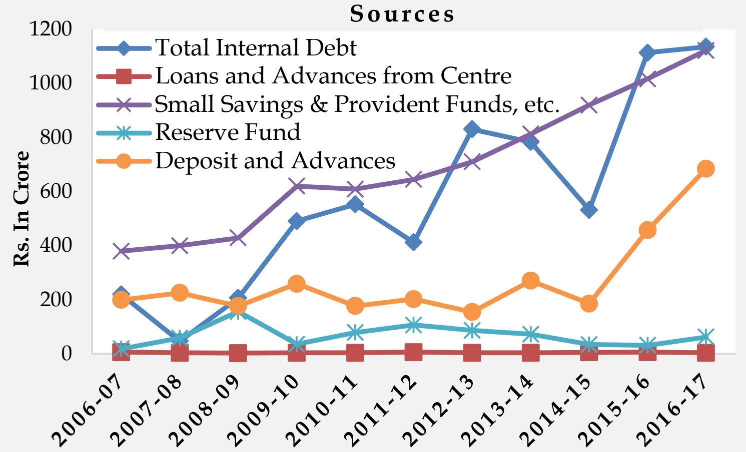


Figure 4.1 depicts that loans and advances from centre are almost stagnant at less than *one* per cent of the actual debt burden of the state of Tripura over the study period. Reserve fund as a source of state's actual debt burden is having a declining trend and mostly limited to 3 per cent of the total actual debt burden. In absolute term, there has been a steady increase in debt of the state from small saving and provident funds. Actual debt from deposit and advances is also increasing over time. A rising trend for total internal debt is also observed.

Public debt is considered to be the accumulated stock of government financial liabilities which is measured by summing up the face value of that stock (Rajaraman et al. 2005). In the Indian context, public debt refers to all financial liabilities of the government i.e. the outstanding liabilities, irrespective of to whom they are owed (Lahiri and Kannon, 2004). This is important to note that a large accumulation of public debt may create problems for the state government in terms of repayment of the principal and interest payments along with the issue of sustainability of the current stock of debt. In the context of public debt, sustainability embodies the concern about the ability of the government to its debt services i.e. the capacity to endure the burden of public debt without a financial breakdown.

The analysis of the sources of financing of the total public debt has two implications for a state viz. identification of the sources of finance (certainty about availability of funds) essential for framing the developmental plan and finding out of the relative burden on individual source for future implications. Table 4.2 explains the addition in debt burden for the state of Tripura taking into consideration the carry forwarding of the previous debt burden as reflected in the closing balance on the 31st March of the respective years.

Table 4.2: State of Public Borrowing and Liabilities, Tripura [Closing Balance as on 31st March] (Rs. in Crore)

Year$	*Total Internal Debt*	*Loans and Advances from Centre*	*Provident Funds, etc.*	*Reserve Fund*	*Deposit and Advances*	*Contingency Fund*	*Outstanding Liabilities*
	1	*2*	*3*	*4*	*5*	*6*	*7 = 1 to 6*
2007	2584.35 (55.5)	550.46 (11.8)	1372.27 (29.5)	20.98 (0.5)	118.40 (2.5)	10.00 (0.2)	4656.46
2008	2542.27 (53.6)	525.71 (11.1)	1429.45 (30.1)	176.12 (3.7)	61.77 (1.3)	10.00 (0.2)	4745.32
2009	2615.64 (51.6)	499.90 (9.9)	1496.89 (29.5)	329.79 (6.5)	114.29 (2.3)	10.00 (0.2)	5066.51
2010	2940.91 (50.9)	474.50 (8.2)	1795.99 (31.1)	360.52 (6.2)	195.88 (3.4)	10.00 (0.2)	5777.80
2011	3319.69 (51.4)	445.79 (6.9)	2002.94 (31.0)	430.60 (6.7)	253.88 (3.9)	10.00 (0.2)	6462.90
2012	3558.87 (51.8)	406.97 (5.9)	2146.29 (31.2)	506.75 (7.4)	244.75 (3.6)	10.00 (0.1)	6873.63
2013	4108.13 (53.5)	379.24 (4.9)	2385.57 (31.0)	582.56 (7.6)	217.57 (2.8)	10.00 (0.1)	7683.07
2014	4719.24 (54.0)	335.21 (3.8)	2712.56 (31.0)	651.54 (7.5)	309.06 (3.5)	10.00 (0.1)	8737.61
2015	4982.50 (53.4)	307.82 (3.3)	3014.96 (32.3)	679.57 (7.3)	334.70 (3.6)	10.00 (0.1)	9329.55
2016	5680.71 (54.6)	295.72 (2.8)	3355.00 (32.2)	625.03 (6.0)	438.73 (4.2)	10.00 (0.1)	10405.19
2017	6335.65 (53.2)	267.71 (2.2)	3751.00 (31.5)	745.37 (6.3)	791.48 (6.7)	10.00 (0.1)	11901.21
CAGR(%)	**9.38**	**-6.95**	**10.58**	**42.91**	**20.92**	**0.00**	**9.84**

Source: Finance accounts & CAG of India on State Finance, Govt. of Tripura.
*Note: $ Amounts taken a*s on 31st March

In absolute term, the outstanding liabilities of the state have increased from Rs. 4656.46 crore as per March, 2007to Rs. 11901.21 crore as per the end of 2017 exhibiting a Compound Annual Growth Rate (CAGR) of 9.84 per cent. Internal Debt appears to be the most important source of public debt for the state of Tripura comprising of 50 per cent or more of the outstanding liabilities, with a growth rate of 9.38 per cent over the period. Provident Funds have come out as the second largest source of the State's public debt representing a share of almost one-third of the total liabilities and a growth rate of 10.58 per cent. Reserve Fund, Deposit and Advances have an increasing trend of share for Tripura's Public Debt. However, this is important to note that there has been a secular trend of declining of the share of Loans and Advances from Centre to the State's Outstanding Liabilities over the period. It absolute term, it has reduced to Rs. 267.71 crore in 2017(2.2 per cent of the outstanding liabilities) from Rs. 550.46 crore in 2007 (11.8 per cent of the outstanding liabilities). The annual compound rate of declining for Loans and Advances from Centre to the State's Outstanding Liabilities reveals to be 6.95 per cent. Loans and Advances from the Centre are given for plan and non-plan purposes. Under the Plan, funds are given for State plan schemes including plan assistance for natural calamities, Central plan schemes and centrally sponsored schemes. The non-plan loans include share of small savings, loans for non-plan Central Government Schemes, Ways and Means Advances etc. So, a declining amount of Loans and Advances from Centre implies self-reliance of the State in internally managing of Public Debt.

4.3 Composition of State Internal Debts

The various components of Internal Debt of the State Governments are Market Loans and Bonds, Ways and Means Advances from the RBI and negotiated loans from Banks and Other Financial Institutions such as(1) National Agricultural Credit Fund of RBI, (2) National Co-operative Development Corporation, (3) Khadi and Village Industries Commission, (4) Central Warehousing Corporation etc. Again, Market Loans and Bonds include SDLs, Power Bonds, Compensation and Other Bonds, and NSSF. Negotiated loans from Banks and Other Financial Institutions cover Loans from LIC, GIC, NABARD, SBI and Other Banks, NCDC and from Other Institutions.

SDLs (State Development Loans) are dated securities issued by the States to meet their market borrowing requirements to fulfil their budgetary needs, like Central Governments. Each state can borrow up to a set limit through SDLs. Public Power Bonds are issued by a publicly-owned utility company (say, State Electricity Board) to meet the large capital expenditure. Compensation and Other Bonds include various types of special purpose bonds issued in the past by the State Government with fixed rates of interest and some of them are open for retail subscription. However, the importance of this component has been declining over the years. The National Small Savings Fund (NSSF) credits all collections under small savings schemes, established in the Public Account of India since April 1999. Liabilities under National Small Savings Fund (NSSF) are the accumulated balance in NSSF (collections net of withdrawals) which is invested in special securities issued by State Government as per prevailing norms. This borrowing from NSSF by the State Government for financing of its deficit is shown under the head 'Public Debt'.

On the other hand, the Reserve Bank of India gives temporary loan facilities to the Centre and State governments as a banker to government. This temporary loan facility is called Ways and Means Advances (WMA). There are two types of WMA for the State Governments viz. Special WMA and Normal WMA. The Special WMA is extended to the State Governments against the collateral or mortgage of the government securities. After exhaustion of the Special WMA limit, the Normal WMA is provided to the State Governments. The limits of Normal WMA are based on three-year average of actual revenue and capital expenditure of the concerned state. The withdrawal above the WMA limit is considered as an overdraft.

In case of loans from Banks and Financial Institutions, the State Government can barrow from LIC, GIC, NABARD, SBI and Other Banks, NCDC, and Other Institutions. Of them, GIC (Guaranteed Investment Contract) is a debt instrument issued by an insurance company, usually in a large denomination. The detail breakup of the internal debt for the state of Tripura is shown in Table 4.3. It is evident from Table 4.3 that total internal debt of the state government has increased from Rs.2584.35crorein 2007 to Rs.6335.65 crore in 2017as per the closing balance of the respective year. The striking features of Tripura's internal debt during the study period are (i) the state does not go for any overdraft during the period nor

Table 4.3: Composition of Internal Debts, Tripura - March, 2006 to March, 2016 (Rs. in Crore)

Year$	Market Loans	Loans from LIC	Loans from GIC	Loans from NABARD	Compensation and other Bonds	Loans from NCDC	Loans from other Institutions	***Special Securities****	Other Loans	*Total Internal Debt*
	1	2	3	4	5	6	7	*8*	9	*10*
2007	1159.40 (44.9)	210.46 (8.1)	4.72 (0.2)	35.85 (1.4)	57.06 (2.2)	0.26 (0.0)	4.12 (0.2)	1109.91 (42.9)	2.56 (0.1)	2584.35
2008	1113.91 (43.8)	194.76 (7.7)	4.24 (0.2)	56.98 (2.2)	50.71 (2.0)	0.26 (0.0)	4.06 (0.2)	1114.79 (43.9)	2.56 (0.1)	2542.27
2009	1191.94 (45.6)	176.77 (6.8)	4.13 (0.2)	94.59 (3.6)	47.63 (1.8)	0.37 (0.0)	1.46 (0.1)	1096.16 (41.9)	2.59 (0.1)	2615.64
2010	1443.94 (49.1)	160.55 (5.5)	3.69 (0.1)	156.16 (5.3)	41.28 (1.4)	0.31 (0.0)	1.40 (0.0)	1130.99 (38.5)	2.59 (0.1)	2940.91
2011	1636.15 (49.3)	144.38 (4.3)	3.25 (0.1)	230.41 (6.9)	34.93 (1.1)	0.25 (0.0)	1.34 (0.0)	1266.39 (38.1)	2.59 (0.1)	3319.69
2012	1862.58 (52.3)	128.25 (3.6)	2.83 (0.1)	304.94 (8.6)	28.58 (0.8)	0.19 (0.0)	0.69 (0.0)	1230.32 (34.6)	0.50 (0.0)	3558.87
2013	2388.15 (58.1)	112.30 (2.7)	2.43 (0.1)	366.26 (8.9)	22.23 (0.5)	0.05 (0.0)	0.69 (0.0)	1215.53 (29.6)	0.50 (0.0)	4108.13
2014	2860.48 (60.6)	96.47 (2.0)	2.03 (0.0)	504.69 (10.7)	12.70 (0.3)	8.58 (0.2)	0.69 (0.0)	1233.06 (26.1)	0.50 (0.0)	4719.21
2015	2892.48 (58.1)	80.94 (1.6)	1.67 (0.0)	633.59 (12.7)	6.35 (0.1)	8.14 (0.2)	0.69 (0.0)	1358.13 (27.3)	0.50 (0.0)	4982.50
2016	3247.95 (57.1)	65.65 (1.2)	1.34 (0.0)	823.39 (14.5)	0.00 (0.0)	6.81 (0.1)	0.69 (0.0)	1534.39 (27.0)	0.50 (0.0)	5680.72
2017	4001.33 (63.2)	50.56 (0.8)	1.06 (0.0)	853.26 (13.5)	0.00 (0.0)	6.43 (0.1)	0.69 (0.0)	1421.82 (22.4)	0.50 (0.0)	6335.65

Source: Finance accounts & CAG of India on State Finance, Govt. of Tripura.

*Note: $ Amounts taken a*s on 31st March as per closing balance

** Special Securities issued to National Small Savings Fund of the Central Government*

LIC indicates Life Insurance Corporation of India; GIC indicates General Insurance Corporation of India; NABARD indicates National Bank for Agricultural and Rural Development; NCDC indicates National Co-operative Development Corporation any temporary loan facilities in the form of WMA, (ii) there have been declining trends of the both in absolute as well as relative terms from LIC, GIC, Compensation and other bonds, loans from other institution and other loans, (iii) However, there has been continuously addition in internal debt burden under market loans, loans from NABARD and special securities. As a whole, the state records a good repaying position for loans and advances from centre, LIC, GIC, Compensation and other bonds, loans from other institution and other loans.

Public Account of the State

Public Account includes the transactions relating to the debt other than those included in the Consolidated Fund. Deposits, Advances, Remittances and Suspense shall be recorded. The transactions under Debt, Deposit and Advances in this part are those in respect of which Government incurs a liability to repay the money received or has a claim to recover the amounts paid together with the repayments of the former and the recoveries of the latter. Thus, Public Account includes State Provident Funds, Small Savings, Insurance and Pension Funds, Trusts & Endowments, Sinking Funds, Reserve Funds and Deposit and Advances in respect of which the Government incurs liability to repay the money received in the form of deposits. As total liabilities of the state also include receipt from public account of the state, it constitutes a financial obligation for the state. Table 4.4 provides a detail breakup of the composition of public account in terms of actual receipts of the account in each of the years during the study period.

Table 4.4: Composition of Actual Receipts in Public Account (Rs. In Crore)

Year	Small Savings & Provident Funds	Reserve Funds	Deposit & Advance	Suspense & miscellaneous			Remittances	Total
				Suspense	Cash Balance Investment Account	Other account		
2006-07	379.74	18.54	199.45	72.28	14592.66	0.99	806.70	16070.36
2007-08	399.60	58.07	427.05	58.49	14498.40	0.48	883.99	16232.99
2008-09	428.57	155.88	176.88	89.05	15741.01	1.08	1231.06	17823.54
2009-10	620.53	35.26	25.90	179.44	15156.61	1.11	1198.19	17217.03
2010-11	609.27	78.38	176.83	63.15	11422.48	0.15	932.05	13282.30
2011-12	645.05	10.64	202.08	57.30	22292.70	0.25	1072.51	24280.54
2012-13	709.93	86.58	154.04	77.26	33782.98	50.89	1145.85	36007.55
2013-14	812.95	72.15	294.37	80.06	48510.59	25.69	1371.58	51167.40
2014-15	920.32	34.26	218.25	57.56	39254.72	42.05	1755.35	42282.50
2015-16	1017.07	31.30	490.65	75.20	40217.17	64.92	1709.81	43606.13
2016-17	1122.46	62.08	699.11	78.42	30055.56	13.01	1969.46	34000.10
CAGR (%)	**11.5**	**12.9**	**13.4**	**0.8**	**7.5**	**29.4**	**9.3**	**7.8**

Source: Finance accounts & CAG of India on State Finance, Govt. of Tripura.

As mentioned above, Table 4.4 records the actual receipts in public account (prior to disbursement) for the state of Tripura for each of the years under study period. During the study period, actual receipt has increased from Rs. 16070.36 crore to Rs. 34000.10 crore. Of which cash balance investment account holds the prime position by constituting about 90 per cent of the total actual receipts of the public account. The second largest share of the public account actual receipts come from remittances of around 5 per cent followed by small saving and provident funds, deposit and advances.

Table 4.5 explains the addition in public account (along with carry forwarded of the previous) for each of the years after the disbursement as reflected in the closing balance of the respective years:

Table 4.5: State of Public Account (Closing Balance as on 31st March) (Rs. In Crore)

Year	Small Savings & Provident Funds	Reserve Funds	Deposit & Advance	Suspense & miscellaneous			Remittances	Total in Public Account
				Suspense	Cash Balance Investment Account	Other account		
	1	2	3	4	5	6	7	8 (= 1 to 7)
2007	1372.27 (52.8)	140.98 (5.4)	115.78 (4.5)	14.76 (0.6)	820.19 (31.5)	-3.48 (-0.1)	140.11 (5.4)	2600.61
2008	1429.44 (53.5)	176.12 (6.6)	58.94 (2.2)	66.80 (2.5)	859.63 (32.1)	-27.19 (-1.0)	110.57 (4.1)	2674.32
2009	1496.89 (52.0)	329.79 (11.5)	111.74 (3.9)	75.93 (2.6)	744.35 (25.9)	10.51 (0.4)	106.83 (3.7)	2876.04
2010	1795.98 (64.6)	360.52 (13.0)	193.54 (7.0)	17.79 (0.6)	260.05 (9.4)	19.04 (0.7)	132.23 (4.8)	2779.15
2011	2002.94 (56.0)	430.60 (12.0)	250.48 (7.0)	66.61 (1.9)	657.41 (18.4)	3.11 (0.1)	165.98 (4.6)	3577.13
2012	2146.29 (50.7)	506.75 (12.0)	241.41 (5.7)	99.32 (2.3)	1104.30 (26.1)	17.12 (0.4)	120.85 (2.9)	4236.04
2013	2385.56 (41.7)	582.56 (10.2)	215.37 (3.8)	118.67 (2.1)	2305.70 (40.3)	0.47 (0.0)	110.54 (1.9)	5718.87
2014	2712.56 (36.9)	651.54 (8.9)	308.09 (4.2)	138.21 (1.9)	3460.88 (47.1)	5.63 (0.1)	64.57 (0.9)	7341.47
2015	3014.96 (39.6)	679.57 (8.9)	333.59 (4.4)	169.26 (2.2)	3371.25 (44.3)	24.23 (0.3)	16.96 (0.2)	7609.81
2016	3355.00 (49.1)	625.03 (9.1)	437.05 (6.4)	187.31 (2.7)	2207.79 (32.3)	19.72 (0.3)	5.60 (0.1)	6837.50
2017	3751.00 (54.4)	745.37 (10.8)	791.34 (11.5)	194.79 (2.8)	1356.72 (19.7)	41.59 (0.6)	12.02 (0.2)	6892.84

Source: Finance accounts & CAG of India on State Finance, Govt. of Tripura.

It appears from Table 4.5 that small saving and provident funds is the biggest sources of public account for Tripura with a relative share of roughly 50 per cent of the total followed by cash balance investment account under suspense and miscellaneous head, reserve funds and deposit and advance. Remittances have a declining share over years. As a whole, there has been growing trend of non-disbursement in public account for the state.

4.4 Trends of State Public Debts

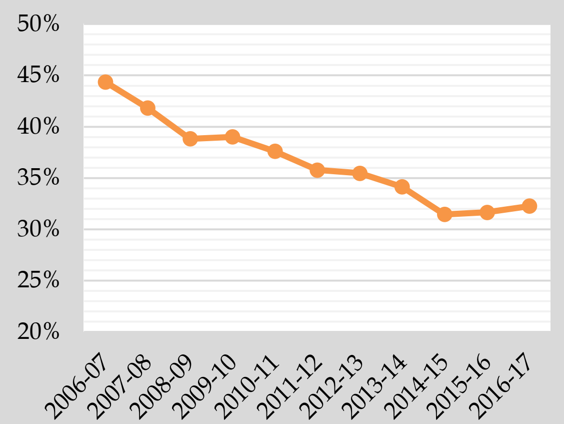
A government which is not capable of generating enough current revenues for debt service must either default on its obligations or borrow more to service its past debt as well as to cover ongoing imbalances. Continual borrowings of this kind are known as ***ponzi*** game which is reflected in the time path of debt-GSDP Ratio, a measurement of sustainability. Generally, a low debt-GSDP ratio is desirable; however, there is no universally prudent target value of debt-GSDP ratio (Chelliah, 2002; Buiter and Patel, 1992).The simplest way of determining the appropriate level of debt for the state is to arrive at the endurable level of debt-GSDP ratio and the ratio of interest payments to total revenue receipts. It is in this context that the Twelfth Finance Commission has recommended 28 percent and 15 percent of the debt-GSDP ratio and the ratio of interest payments to total revenue receipts respectively as the acceptable level. In the light of the Twelfth Finance Commission targets, Table 4.6 examines the debt sustainability condition of Tripura.

Table 4.6: Debt-GSDP Ratio and Ratios of Interest Payments, Revenue Expenditure and Revenue Receipts

Year	Debt-GSDP Ratio	Interest payment & Revenue Expenditure Ratio	Interest payment & Revenue Receipts Ratio
2006-07	44.36	15.64	11.65
2007-08	41.83	14.17	10.70
2008-09	38.82	12.60	9.67
2009-10	39.01	9.69	9.28
2010-11	37.61	10.26	8.65
2011-12	35.78	10.26	7.62
2012-13	35.47	10.22	7.56
2013-14	34.14	9.93	7.72
2014-15	31.45	9.16	7.38
2015-16	31.66	9.27	7.74
2016-17	32.27	8.97	8.24

Source: Finance accounts & CAG of India on State Finance, Govt. of Tripura.

Figure 4.2(a) Trend of Debt-GSDP Ratio



It is evident from Table 4.6 that the debt-GSDP ratio of the state has been found to decrease from 44.36 percent in 2006-07 to 32.27 per cent in 2016-17. The debt-GSDP ratio has been declined throughout the study period. However, the targeted debt-GSDP ratio as specified by the Twelfth Finance Commission is yet to be achieved. Again, the Thirteenth Finance Commission has recommended a target of 42.2, 44.9 and 44.6 for the debt-GSDP ratio for the year 2010-11, 2011-12 and 2012-13, respectively. Thus, the debt-GSDP ratios for Tripura are lower than the respective targets as recommended by the Thirteenth Finance Commission.

Further, the interest payment to revenue receipt ratios has been declining throughout the study period and remains much below the target of 15 per cent as recommended by the Twelfth Finance Commission. The interest payment to revenue expenditure ratio also shows a declining trend and remains to be low. It can be said that Tripura is in a condition of debt sustainability.

4.5 Present Burden of Public Debts

Public borrowing may at times be preferred to tax financing to meet governmental expenditure because apart from the adverse political fallout, heavy taxation adversely affects the incentive to work and invest in many cases. However, the problem of debt servicing becomes a serious issue when the ratio of interest payment to revenue expenditure rises continuously leading to diversion of resources on account of interest payment. This may set limits on the governments' ability to incur other expenditures and may hamper economic growth as well as revenue mobilization for the state. So, a sort of vicious circle develops, whereby the ratio of the interest payments to revenue receipts becomes larger. Governments are thus compelled to borrow more just to meet their debt servicing obligations. On the other side, the debt servicing capacity of the state may improve only if the borrowings by a government are used for investment purposes which are expected to yield high enough returns to meet the interest and repayment obligations.

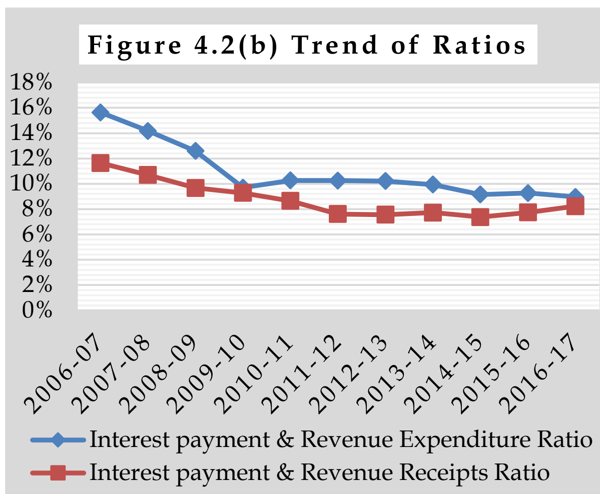


Table 4.7 gives an idea of relative debt burden for the NER Special Category States during the period from 2006-07 to 2016-17. It is clear that outstanding liability as a percentage of GSDP has been declining for all the states except Meghalaya with a relatively stagnant proportion. The Interest Payment to Revenue Expenditure Ratio decreases for all the states except Sikkim.

Table 4.7: Comparison of Debt Servicing Capacity for NER States, 2006-07 to 2016-17

State	*Indicator*	*2006-07*	*2007-08*	*2008-09*	*2009-10*	*2010-11*	*2011-12*	*2012-13*	*2013-14*	*2014-15*	*2015-16*	*2016-17*
Arunachal Pradesh	OLs/GSDP	62.73	61.07	57.04	41.18	37.14	35.07	34.03	28.67	24.44	27.99	--
	IP/ RE	9.90	6.90	7.50	6.10	10.70	6.40	5.70	5.50	4.90	5.00	4.5
	IP/RR	--	--	--	--	--	5.10	4.70	5.40	3.80	3.90	3.7
Assam	OLs/GSDP	0.26	0.25	0.23	23.47	21.33	21.69	18.90	17.27	17.91	18.54	--
	IP/ RE	13.20	11.90	11.20	8.60	8.30	7.80	7.30	6.90	6.00	7.10	4.9
	IP/RR	--	--	--	--	--	7.60	6.90	6.80	6.10	6.20	5.4
Manipur	OLs/GSDP	62.03	57.80	55.74	58.02	57.76	54.67	49.61	43.21	40.49	42.37	--
	IP/ RE	12.00	13.00	12.00	10.70	8.90	7.90	8.10	7.80	6.50	7.00	5.1
	IP/RR	--	--	--	--	--	7.00	6.30	6.10	5.90	6.20	5.0
Meghalaya	OLs/GSDP	28.22	26.67	24.36	26.77	25.52	24.30	24.05	25.46	27.98	28.96	--
	IP/ RE	10.60	8.40	7.90	7.40	6.40	5.90	6.30	6.70	6.50	7.30	6.4
	IP/RR	--	--	--	--	--	6.10	5.70	5.90	6.30	6.60	6.1
Mizoram	OLs/GSDP	95.58	85.73	75.36	68.21	64.04	63.37	66.01	55.47	44.64	46.16	--
	IP/ RE	13.30	10.90	9.80	9.40	7.40	7.40	6.40	5.80	5.40	6.60	7.3
	IP/RR	--	--	--	--	--	6.80	6.40	6.00	5.50	5.50	7.0
Nagaland	OLs/GSDP	52.57	51.43	46.27	59.47	50.52	46.32	52.69	46.65	40.22	45.01	--
	IP/ RE	12.60	10.50	10.90	11.10	9.40	8.60	8.00	8.60	8.20	7.70	8.4
	IP/RR	--	--	--	--	--	7.50	7.30	7.60	7.30	7.30	8.5
Sikkim	OLs/GSDP	51.79	52.81	50.30	32.26	27.66	24.27	24.23	23.59	23.69	25.60	--
	IP/ RE	6.10	5.00	6.20	5.60	6.40	5.90	6.60	6.00	6.40	7.20	7.2
	IP/RR	--	--	--	--	--	5.20	5.20	4.80	5.40	6.90	6.3
Tripura	**OLs/GSDP**	**44.36**	**41.83**	**38.82**	**39.01**	**37.61**	**35.78**	**35.47**	**34.14**	**31.45**	**31.66**	**32.27**
	IP/ RE	**15.64**	**14.17**	**12.60**	**9.69**	**10.26**	**10.26**	**10.22**	**9.93**	**9.16**	**9.27**	**8.97**
	IP/RR	**11.65**	**10.70**	**9.67**	**9.28**	**8.65**	**7.62**	**7.56**	**7.72**	**7.38**	**7.74**	**8.24**

Source: State Finance- A study of Budgets, Various Issues, RBI;
Finance accounts & CAG of India on State Finance, Govt. of Tripura.

Note: OLs indicates Outstanding Liabilities; IP indicates Interest Payments, RE implies Revenue Expenditures; RR implies Revenue Receipts and GSDP indicates Gross State Domestic Product at Factor Cost (Current Prices) base year 2011-12

4.6 Fiscal Consolidation Path (2020-21 to 2024-25)

Taking into account the trend of growth of public debt and fiscal deficit as well as GSDP of the period under study, a fiscal consolidation path for the State of Tripura during the 15th Finance Commission award period is prescribed in Table 4.8 below based on the assumption of usual business scenario of the 14th Finance Commission.

Table 4.8: Projected Debt and fiscal Deficit and the Fiscal Consolidation Path (Rs. In Crore)

Year	Projected Debt	Projected *Fiscal Deficit*	Projected GSDP	Debt/GSDP Ratio (%)	FD/GSDP Ratio (%)
2020-21	16921.87	3631.31	62795.44	26.95	5.78
2021-22	18643.68	4415.98	71527.53	26.07	6.17
2022-23	20540.67	5345.17	81473.87	25.21	6.56
2023-24	22630.69	6443.47	92803.32	24.39	6.94
2024-25	24933.37	7739.44	105708.19	23.59	7.32
CAGR (%)	9.96	--	13.02	--	--

Source: Projections are based on the Data from Various Reports of the Comptroller and Auditor General of India, Government of Tripura

This is clear from the above projections that public debt in terms of outstanding liabilities are expected to be in a manageable state for Tripura. The expected Debt-GSDP ratios for the 15th FC Award period are well below the targeted Debt-GSDP ratio as specified by the 12th Finance Commission. Moreover, the expected growth rate of public debt is also much lower than the expected growth rate of GSDP. However, the State is likely to experience considerable amount of fiscal deficit in each of the years of the 15th FC Award period. The expected ratios of Fiscal Deficit (FD) to GSDP during 2020-21 to 2024-25 ranges from 5.78 to 7.32 per cent which is much higher than the FRBM targets. Therefore, the State Government must follow some reformative fiscal measures to make the situation favourable. The detail of the fiscal consolidation and debt sustainability conditions of the State is given in Chapter -10.

4.7 Major Observations

- In case of Tripura, Internal Debt and Small Savings & Provident Funds appear to be the major sources of debt (net of outflows). Each of them holds a share of 37 per cent to total public debt for the year 2016-17. Deposit and advances also comes out as a vital source of debt ranging from 8 to 30 per cent over the years. In terms of compound annual growth rate, internal debt shows the highest growth of 17.9 per cent followed by Deposit & Advances (13.1 per cent). Loans and advances from centre are almost stagnant at less than *one* per cent of the actual debt burden.

- Public debt refers to all financial liabilities of the government i.e. the outstanding liabilities, irrespective of to whom they are owed (Lahiri and Kannon, 2004). In absolute term, the outstanding liabilities of the state have increased from Rs. 4656.46 crore as per March, 2007to Rs. 11901.21 crore as per the end of 2017 exhibiting a CAGR of 9.84 per cent. Again, Internal Debt appears to be the biggest source of outstanding liabilities for Tripura comprising about 50 per cent or more, Small Savings & Provident Funds have come out as the second largest source with around one-third share of outstanding liabilities. Most important is the secular declining of the share of Loans and Advances from Centre from 550.46 crore in 2007 to Rs. 267.71 crore in 2017with a CAGR of (-) 6.95 per cent.
- Out of the actual receipts in public account (prior to disbursement), Cash Balance Investment Account (CBIA) constitutes about 90 per cent of the total receipts. However, after disbursement (closing balance at the end of each year) the CBI Account comprises of 9 to 47 per cent of the total public account. Thus, the state has been unutilized disbursement capacity over the years.
- Regarding the possibility of ***ponzi*** game i.e. borrow more to service its past debt as well as to cover ongoing imbalances (as reflected in the time path of debt-GSDP Ratio), the state of Tripura is maintaining a desirably low debt-GSDP ratio indicating debt sustainability. However, the state is yet to achieve the Twelfth Finance Commission's recommendation of 28 percent of Debt-GSDP ratio (the actual ratio revolves around 30 per cent at present). It is also true that the debt-GSDP ratios for Tripura are lower than the respective targets (of 42.2, 44.9 and 44.6 for the years 2010-11, 2011-12 and 2012-13 respectively) as recommended by the Thirteenth Finance Commission. Moreover, the interest payment to revenue receipt ratio has been declining throughout the study period and remains much below the target of 15 per cent as recommended by the Twelfth Finance Commission. So, it can be said that Tripura is in a condition of debt sustainability and there is no possibility of ***ponzi*** game.

4.8 Looking at the Future

Regarding public debt service management, the state of Tripura can be considered as a good performer and in the stage of sustainability. The higher proportion of cash in balance may be justified for a small economy like Tripura looking at exigency. However, the timely and regular disbursement of funds (not at the end of the year) may be conducive for gaining allocative and technical efficiency of public expenditure. The resources generated through public debts need to be mobilized towards effective economic services looking at the future investment and sustainable industrial development of the state.

Contingent Liabilities of the State

5

5.1 Contingent Liabilities: Meaning and Nature

Contingent liabilities refer to liabilities that are conditional losses occurring in the future depending on predefined events or circumstances. These mainly include the state government guarantees in respect of bond or certificate issued and other borrowings by the State Level Public Sector Undertakings or other public bodies. In case of any default by the borrowing entity, the responsibility directly falls on the government to redeem the borrowed amount. Therefore, it can be defined as obligations generated by a distinct event that may or may not occur.

5.2 Major Types of Contingent Liabilities

Contingent liabilities may be both explicit and implicit in nature. Contingent explicit liabilities are legal obligations taken by the government to make payments on behalf of borrowing entity such as public and private sector entities in case of any default by the borrowing entity. Trade and exchange rate guarantees issued by the state, state insurance schemes such as for deposits, floods, crops etc. also fall in the explicit contingent liabilities category. Various types of loan guarantees (student loans, agriculture loans, small business loans) offered by states also fall in explicit contingent liabilities. Thus, explicit contingent liabilities are the contractual liabilities of the government in case of any evasion by the borrower either on principal amount or on interest payment or on both. Since their fiscal cost remain invisible until they come unpaid, they represent a hidden subsidy and a drain on future government finances, and making a complicated fiscal analysis.

Contingent implicit liabilities are not officially recognized until after a failure occurs. Thus, contingent implicit liabilities of the government mainly reflect expectation of the future liabilities and the amount of government outlay also uncertain until the event occurs. It includes nonguaranteed debt and other obligations due to the defaulter of public and private entities, bank failures (support beyond state insurance), failure of non-guaranteed pension funds and other security funds, default of public entities on non-guaranteed debts, environmental recovery, disaster relief etc. Hence, governments take on contingent implicit liabilities during periods of economic and financial distress by bailing out banks, sub-national governments, and public or even private enterprises.

Together these two types of contingent liabilities make a major form of obligation on the part of the government on behalf of other semi-government or non-government entities. However, implicit contingent liabilities have more serious effect on the financial sector, macroeconomic policies, regulatory and supervisory system as it tends to raise high amount depending on the uncertain future.

5.3 Trend of Contingent Liabilities of Tripura

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by borrower for whom the guarantee had been extended. Under Article 293 of the Constitution of India, the State Legislature passed the limits of annual incremental risk weighted guarantees to *one* per cent of the GSDP of that year within which Government may give guarantee on the security of the Consolidated Fund of the State.

The State Government of Tripura has also introduced 'The Tripura Government Guarantee Redemption Fund Scheme' in 2007 and decided to charge 1 per cent Guarantee Redemption Fee on the fresh guarantee to cover the risk of the liabilities which may arise on invocation of the guarantees (Audit Report on State Finances, 2016). However, this scheme was revised as "Guarantee Redemption Fund Scheme" by the state government in the Tripura Gazette on 29th January, 2016 and has been effected from 2015-16. According to the revised guidelines, the state government shall contribute minimum 0.5 per cent of outstanding guarantee every year to achieve a minimum level of 3 per cent of GSDP in the next five years. The details of Contingent liabilities of the state of Tripura are given in Table 5.1.

Table 5.1: Contingent Liabilities of Tripura, 2006-07 to 2016-17

Year	Maximum amount Guaranteed*	Outstanding Guarantees (OGs) (including Interest)*	OGs as a Percentage of State's Own Revenue of second preceding year	OGs as a percentage of Revenue Receipts	OG as a percentage of GSDP	Maximum amount as a percentage of Revenue Receipts
2006-07	67.96	40.89	9.8	2.04	0.39	2.0
2007-08	74.66	35.64	9.9	2.02	0.31	2.0
2008-09	76.66	29.53	6.8	0.72	0.23	1.9
2009-10	76.66	29.54	6.1	0.67	0.20	1.4
2010-11	6.10	35.64	6.0	0.69	0.21	0.1
2011-12	99.99	115.72	17.7	1.79	0.60	1.5
2012-13	121.42	193.27	25.6	2.74	0.89	1.7
2013-14	25.00	187.80	17.5	2.45	0.73	0.3
2014-15	79.00	241.48	20.4	2.61	0.88	0.9
2015-16	67.00	287.78	21.8	3.05	0.84	0.6
2016-17	64.00	312.53	22.8	3.24	0.85	0.5

Source: Comptroller and Auditor General of India, "Audit Report on State Finances" various Issues (2006 -2017)
*Note: * Values are given in Crore*

Outstanding Guarantees of the state of Tripura have been quite low in the initial stage of the study period and follow an increasing trend over the study period. Particularly, the Outstanding Guarantees including interest has taken a sharp increase since the year 2011-12i.e. from the first part of the 13th Finance Commission. For the year 2012-13, contingent liabilities constituted 25.6 per cent of own state revenue, which is highest during the study period. Outstanding Guarantees to State's Own Revenue Receipts follows an increasing trend over the study period and outstanding guarantees to the state's total revenue receipts also reveals an increasing trend over the study period. This may not be treated as a healthy sign for the state economy of Tripura. This may lead to the consequences of public sector enterprises insolvency due to their inability to meet financial requirements by means of user cost and other revenue collections. This is fact that the liability of insolvency of the public sector enterprises has been continuously falling upon the State Government. The incremental outstanding guarantees of the state though increasing but still remain within the limit fixed by the legislature at *one* per cent level of GSDP. Further, the proportion of maximum amount guaranteed by the state to the revenue receipts year to year has been declining over time in the study period. Therefore, the state of Tripura is within the limit of control and sustainability so far as contingent liabilities are concerned. It is also relevant here to note that, a major portion of the guarantees of the state government are given to the state power sector during the study period.

5.4 Pattern of Contingent Liabilities

Composition of guarantees consists of loans raised by different government companies, co-operative banks and societies under the public sector undertaking, power sector as well as the municipal corporation and other local bodies. The Reports on the State Finance Accounts consider Tripura Handloom & Handicrafts Development Corporation Ltd. as Government Company. As per the Finance Account Reports, seven co-operative societies namely, Tripura State Co-operative Bank Ltd.; Tripura Co-operative Agricultural Rural Development Bank Ltd.; Tripura Scheduled Castes Co-operative Development Corporation Ltd.; Tripura OBC Co-operative Development Corporation; Tripura Minorities Co-operative Development Corporation; Fisherman Co-operative Societies of Tripura and Tripura Scheduled Tribe Co-operative Development Corporation are mentioned under the Co-operative Banks and Societies. Guarantees given to the Urban Local Bodies and Other Local Bodies are mentioned under the major heads of Municipal Corporation and Other Local Bodies. The state government also provides guarantee to the Power Sector to run the Restructured Accelerated Power Development and Reforms Programme (RAPDRP) and the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) for electrification of all villages and rural households. Composition of Contingent liabilities of the state government across the study period is presented in Table 5.2.

This is clear from Table 5.2 that maximum amount of guarantee given by the state government was Rs. 121.42 crore in 2012-13, of which Rs. 75 crore was given to the power sector only. The contingent liabilities of the state to the power sector alone stand to Rs. 121.91 crore by two years viz. 2011-12 and 2012-13 only. Moreover, the power sector is showing a very poor repaying capacity and the outstanding guarantees remain at a constant level for the last five years. Only a small amount of Rs. 4.09 crore has been repaid during 2015-16.

The Government Companies and Municipal Corporation & Other Local Bodies are better performer in this regard in terms of repayments and non-issuing of fresh guarantees. However, the Co-operative Banks and Societies are another critical entity which is in need of fresh guarantee every year (except 2010-11) resulting to an outstanding guarantees of Rs. 194.71 crore in 2016-17 from Rs. 35.71 crore in 2006-07.

5.5 Major Observations

- Under Article 293 of the Constitution of India, the State Legislature passed the limits of annual incremental risk weighted guarantees to *one* per cent of the GSDP of that year. The State Government of Tripura has also introduced 'The Tripura Government Guarantee Redemption Fund Scheme' in 2007 and its revision as "Guarantee Redemption Fund Scheme" in 2016. According to the revised guidelines, the state government shall contribute minimum 0.5 per cent of outstanding guarantee every year to achieve a minimum level of 3 per cent of GSDP in the next five years.
- Outstanding Guarantees of the state of Tripura have been quite low in the initial stage of the study period and follow an increasing trend over the study period. Particularly, the Outstanding Guarantees including interest has taken a sharp increase since the year 2011-12i.e. from the first part of the 13th Finance Commission. For the year 2012-13, contingent liabilities constituted the highest of

Table 5.2: Sector wise Guarantees given by the State Government (Rs. In crore)

Years	Government Companies		Co-operative Banks and Societies		Municipal Corporation and Other Local Bodies		Power Sector		Grand Total	
	Maximum Amount Guaranteed	Outstanding Guarantees (OGs)*	Maximum Amount Guaranteed	Outstanding Guarantees (OGs)*	Maximum Amount Guaranteed	Outstanding Guarantees (OGs)*	Maximum Amount Guaranteed	Outstanding Guarantees (OGs)*	Maximum Amount Guaranteed	Outstanding Guarantees (OGs)*
2006-07	**0.90**	1.78	**56.57**	35.71	**10.49**	3.40			**67.96**	40.89
2007-08	**0.50**	1.23	**63.67**	31.30	**10.49**	3.11			**74.66**	35.64
2008-09	**0.50**	2.68	**65.67**	20.13	**10.49**	6.72			**76.66**	29.53
2009-10	**0.50**	2.68	**65.67**	20.13	**10.49**	6.73			**76.66**	29.54
2010-11	**0.00**	2.68	**0.00**	26.23	**6.10**	6.73			**6.10**	35.64
2011-12	**0.00**	2.68	**53.08**	66.07	**0.00**	0.06	**46.91**	46.91	**99.99**	115.72
2012-13			**46.42**	71.36			**75.00**	121.91	**121.42**	193.27
2013-14			**25.00**	65.89			**0.00**	121.91	**25.00**	187.80
2014-15			**79.00**	119.57			**0.00**	121.91	**79.00**	241.48
2015-16			**67.00**	165.87			**0.00**	121.91	**67.00**	287.78
2016-17			**64.00**	194.71			**0.00**	117.82	**64.00**	312.53

Source: Reports on State Finance Accounts 2006-2017

*Note: * Including interest payment*

25.6 per cent of own state revenue and since then, Outstanding Guarantees to State's Own Revenue Receipts follows an increasing trend. This is mainly due to the consequences of public sector enterprises insolvency owing to their inability to meet financial requirements by means of user cost and other revenue collections. However, this is good that though the incremental outstanding guarantees of the state increasing but still remain within the limit fixed by the legislature at *one* per cent level of GSDP. Further, the proportion of maximum amount guaranteed by the state to its revenue receipts has been declining over the years. As a whole, the state is within the limit of control and sustainability so far as contingent liabilities are concerned.

- A major portion of the guarantees of the state government has been given to the state power sector during the study period. Regarding contingent liabilities to the SPSUs, particular concern lies with the State Co-operative Banks and Societies, and the Power Sector. The Government Companies and Municipal Corporation & Other Local Bodies are better performer in this regard in terms of repayments and non-issuing of fresh guarantees.

5.6 Looking at the Future

Taking into consideration the present position of Contingent Liabilities of the state, there is urgent need of structural reforms of the State Co-operative Banks and Societies, and of the Power Sector so that they can be made vibrant in meeting their financial requirements through user costs and other revenue collection.

Implementation of TFRBM Act, 2005

6

6.1 The Mandate of FRBM

The Fiscal Responsibility and Budget Management Act, 2003 (FRBM Act, 2003) was adopted by the Central Government in 2003 in recognition of the importance of sustainability of government accounts and also to curb the adverse effects of various deficits of both Central and State Governments on the overall economy. The primary objectives behind having an FRBM, as highlighted by the Act, were (a) to maintain transparency in fiscal management systems in the country, (b) to bring inter-generational equity in debt management, and (c) to bring long term fiscal stability in the economy. The main purpose was to eliminate revenue deficit of the country, building revenue surplus thereafter and bring down the fiscal deficit to a level of 3 per cent of the GDP by March 2008. Accordingly, the act provided for three statements to be presented by the government namely; (a) the Medium Term Fiscal Policy Statement, (b) Fiscal Policy Strategy Statement, and (c) Macroeconomic Framework Statement with the targets of

- Limiting the fiscal deficit to the level of 3 per cent of GDP at the end of each financial year, beginning with 2004-05;
- Controlling revenue deficit to the level of 0.5 per cent of GDP at the end of each financial year, beginning with 2004-05;
- Eliminating revenue deficit by March, 2009;
- No assumption of additional liabilities in excess of 3 per cent of GDP and progressive reduction of this limit by at least *one* percentage point of GDP in each subsequent year;
- No guarantees in excess of 0.5 per cent of GDP in any financial year, beginning with 2004-05.

The four fiscal indicators to be projected in the Medium-term Fiscal Policy Statement are revenue deficit as a percentage of GDP, fiscal deficit as a percentage of GDP, tax revenue as percentage of GDP and total outstanding liabilities as percentage of GDP. The Twelfth Finance Commission recommends that the states which will introduce the FRBM Act will be awarded a substantial debt relief of Rs. 32,000 crore across all the implementing states. At the first phase, five states namely, Karnataka, Kerala, Punjab, Tamil Nadu, and Uttar Pradesh have implemented the FRBM Act. Karnataka was the first state to implement the FRBM Act. In the line of the FRBM Act, 2003 of the Govt. of India and as adopted/enacted by the other State Governments, the "Tripura Fiscal Responsibility and Budget Management Act, 2005" (TFRBM Act, 2005) was notified for formal enforcement w.e.f. the 4th October, 2006 and under Section 12 of the Act, "The Tripura Fiscal Responsibility and Budget Management Rules, 2006" have been framed and notified in the official Gazette on the 5thOctober, 2006 (Quarterly Review Report, Govt. of Tripura, 2009-10).

6.2 The FRBM Act in Tripura (TFRBM Act, 2005)

Following the mandates of the TFRBM Act, 2005 and as per the recommendations of the Twelfth Finance Commission, the State requires to prepare the Medium-term Fiscal Policy Statement along with other documents on a regular basis. As per the 3rd Amendment (April, 2011) of the TFRBM Act, 2005, the state targets to achieve nil revenue deficit in every year up to the end of March, 2015 and to reduce fiscal deficit as a percentage of GSDP to 3.5 per cent by the end of March, 2010 and to 3.0 percent for each of the years from 2011-12 to 2014-15. Similarly, public debt (outstanding liabilities) was targeted not to exceed 40 per cent of GSDP by 2010. However, it was further amended that the total debt stock as a percentage of estimated GSDP not to exceed45.2 per cent in the year 2010-11 and 43.8 per cent in the year 2014-15. The actual position of Revenue Deficit, Fiscal Deficit and Outstanding Liabilities for the state of Tripura over the study period is presented below:

Table 6.1: Key Outcome Indicators of the State's Own Fiscal Correction Path (Rs. in Crore)

Years	*Revenue Receipts*	*Revenue Expenditure*	*Revenue Deficit (+)/Surplus(-) as a Percentage of GSDP*	*Fiscal Deficit (+)/Surplus (-) as a Percentage of GSDP*	*Outstanding Liabilities as a Percentage of GSDP*
2006-07	3333.36	2482.56	-8.11	-1.25	44.36
2007-08	3698.34	2793.64	-7.97	0.14	41.83
2008-09	4076.78	3129.79	-7.26	2.07	38.82
2009-10	4401.35	4213.79	-1.27	7.82	39.01
2010-11	5168.60	4359.48	-4.71	1.44	37.61
2011-12	6476.90	4809.23	-8.68	-1.35	35.78
2012-13	7050.30	5212.88	-8.48	-1.55	35.47
2013-14	7650.18	5948.96	-6.65	-0.18	34.14
2014-15	9239.73	7442.91	-6.06	3.54	31.45
2015-16	9426.74	7868.47	-4.74	5.02	31.66
2016-17	9645.46	8855.14	-2.14	6.86	32.27

Source: Various Reports of the Comptroller and Auditor General of India, Government of Tripura

It is clearly observed from Table 6.1 that Tripura is maintaining Revenue Surplus continuously throughout the study period. In fact, the state started gaining revenue surplus from the year 2004-05. In case of Outstanding Liabilities to GSDP, the state is within the limits of its correction path and constantly fulfilling of the targets as stipulated by the FRBM Act and MTFPS. However, in spite of utmost effort, the state is not in a position to control its Fiscal Deficit within the prescribed limit in all the times and fiscal deficit is a real concern for the state. Fiscal Deficit-GSDP ratio reaches to the highest in the year 2009-10 (7.82 per cent). After 2009-10, there has been a declining trend of fiscal deficit-GSDP ratio and the state could earn fiscal surplus for the years 2011-12 to 2013-14. However, the deficit again started increasing from 2014-15 and the ratio reaches to 6.86 per cent in 2016-17. So, the State Government is not in a position to control the fiscal deficit within the specified limit of the FRBM and that of the Thirteen and Fourteenth Finance Commissions. The last year of the Thirteen and beginning of the Fourteenth Finance Commissions are really critical so far as fiscal deficits are concerned.

6.3 Implementation of TFRBM Act, 2005

The Tripura FRBM Act, 2005 sets out fiscal targets for the state over a period of time. These targets are regularly monitored by the Finance Department by analysing the trends in receipts and expenditure of the state. The Government of Tripura releases Medium-term Expenditure Framework as per the TFRMB Act, 2005 from time to time. To have a clear understanding of the implementation of TFRBM Act, 2005, the Medium-term Fiscal Policy Statements of the Government of Tripura for various years are checked and presented in Table 6.2(A) and Table 6.2(B).

Table 6.2 (A) and 6.2 (B) exemplify the financial health of Tripura in terms of its achievements in fulfilment of the stipulated targets by the Finance Commissions, TFRBM Act, and MTFPS Projections for the fiscal parameters of Revenue Deficit, Fiscal Deficit, Outstanding Liabilities and Incremental Risk Guarantee for each of the financial years after the implementation of the TFRBM Act, 2005. It is in this context that the state of Tripura has achieved three out of four of the TFRBM Act targets much before the timelines fixed in the Act and its subsequent amendments. More specifically, the State could strive to remain revenue surplus even earlier than the implementation of TFRBM Act, 2005. The ratio of Incremental Risk Guarantee to GSDP for Tripura as reported is 0.02 per cent for the year 2008-09 which is much lower than the general FRBM target of 0.5 per cent and TFRBM target of *1.00* per cent. Again, the State could achieve the FRBM target of maintaining the Debt-GSDP ratio at less than 40 per cent from the year 2010-11. However, the State is still struggling in limiting its Fiscal Deficit to the level of 3 per cent of GSDP as mandated by the FRBM Act and Finance Commission.

Table 6.2 (A): Trends in major fiscal variations vis-a-vis projections for 2007-08 to 2011-12

Financial Year	Fiscal Parameters	Revenue Surplus as a Percentage of Revenue Receipts	Fiscal Deficit/Surplus as a Percentage of GSDP	Consolidated Debt	Incremental Risk Guarantee as a Percentage of GSDP
2007-08	**Targets as prescribed in TFRBM Act**	Strive to remain revenue surplus during the entire award period	3	40	1
	Projections made by State Government in MTFS	(+)17.47	2.69	42.11	Outstanding Guarantees declined during 2007-08
	Actual	(+)24.46	(-)0.19	55.68	-
2008-09	**Targets as prescribed in TFRBM Act**	Strive to remain revenue surplus during the entire award period	3	40	1
	Projections made by State Government in MTFS	(+)17.71	(-)6.13	37.24	
	Actual	(+)23.23	(-)2.70	50.62	0.02
2009-10	**Targets as prescribed in TFRBM Act**	Strive to remain revenue surplus during the entire award period	3	40	1
	Projections made by State Government in MTFS	15.68	(-)2.38	36.36	-
	Actual	4.26	(-)10.63	52.98	-
2010-11	**Targets as prescribed in TFRBM Act**	Strive to remain revenue surplus during the entire award period	(-)3.5	45.2	1
	Projections made by State Government in MTFS	14.34	(-)6.75	42.37	-
	Actual	15.65	(-)1.52	39.58	-
2011-12	**Targets as prescribed in TFRBM Act**	-	3	44.9	-
	Projections made by State Government in MTFS	21.47	(-)1.98	34.68	-
	Actual	25.75	(-)1.31	34.84	-

Source: Comptroller and Auditor General of India

Note: Here, (+)/(-) signs represent Deficit/ Surplus respectively.

Table 6.2(B): Trends in major fiscal variations vis-a-vis projections for 2012-13 to 2016-17

Financial Year	Fiscal Parameters	Revenue Deficit (+) /Surplus (–) (Rs. in Crore)	Fiscal Deficit (+) /Surplus (–) to GSDP Ratio (%)	Ratio of Outstanding Debt to GSDP (%)
2012-13	**XIII FC targets for the State**	To maintain Revenue surplus	(-)3.00	40.70
	Targets as prescribed in TFRBM Act		(-)3.00	44.60
	Projections made MTFPS		(-)3.00	44.60
	Actual	(+)1837.42	(+)1.41	32.21
2013-14	**XIII FC targets for the State**	To maintain Revenue surplus	(-)3.00	44.00
	Targets as prescribed in TFRBM Act		(-)3.00	44.20
	Projections made MTFPS		(-)3.00	44.20
	Actual	(+)1701.22	(+)0.18	33.51
2014-15	**XIII FC targets for the State**	To maintain Revenue surplus	(-)3.00	44.00
	Targets as prescribed in TFRBM Act		(-)3.00	44.20
	Projections made MTFPS		(-)3.00	44.20
	Actual	(+)1796.82	(+)3.39	30.14
2015-16	**XIV FC targets for the State**	To maintain Revenue surplus	(-)3.25	35.00
	Targets as prescribed in TFRBM Act		(-)3.25	35.00
	Projections made MTFPS		(-)3.25	35.00
	Actual	(+)1558.27	(-)4.97	31.32
2016-17	**XIV FC targets for the State**	To maintain Revenue surplus	(-)3.25	35.00
	Targets as prescribed in TFRBM Act		(-)3.25	35.00
	Projections made in MTFPS		(-)3.25	34.75
	Actual	(+)790.32	(-)6.86	32.24

Source: Comptroller and Auditor General of India

The Debt-GSDP ratios were substantially high during the years 2007-08 (55.68 per cent), 2008-09 (50.62 per cent) and 2009-10 (52.98 per cent) and it appeared that the State was unlikely to achieve the target of 40 per cent by 31 March, 2010.However, the requisite initiatives by the State Government to contain the Debt-GSDP ratio made it possible. At present the Debt-GSDP ratio revolves around 30 per cent (30.14 per cent for 2014-15; 31.32 per cent for 2015-16; 32.24 per cent for 2016-17) against the Fourteenth Finance Commission's target of 35 per cent.

In case of Revenue Deficit, the TFRBM Act set the target of achieving Revenue Surplus throughout the award period. In the first year of TFRBM (2007-08), the projected revenue surplus of the state government as per its Medium-term Fiscal Statements was 17.47 per cent of the total Revenue Receipts and the actual achievement of revenue surplus was 24.46 per cent of the revenue receipts i.e. much higher than projections. The State could achieve higher revenue surplus constantly than the MTFPS targets in each of the financial years except the year 2009-10. During 2009-10, the actual achievement of 4.26 per cent was much lower than the MTFS target of 15.68 per cent. There has been a revenue surplus of the quantum of more than Rs. 1700 Crore in each of the financial years during the entire award period of the Thirteenth Finance Commission for the state. However, there has been significant reduction in the revenue surplus of the state during the regime of Fourteenth Finance Commission (the revenue surplus for the year 2016-17 appears to be only Rs. 790.32 Crore), might be due to the reason of non-releasing of a substantial amount of Gap-grant from the Centre to the State during the award period of the 13th Finance Commission.

Even after rigorous implementation of the TFRBM Act, 2005, fiscal deficit is still an area of real concern for the health of the state economy. The Fiscal Deficit-GSDP ratio during 2009-10 stood at 10.63 per cent against the TFRBM target of 3 per cent fiscal surplus and MTFPS projection of containing fiscal deficit at 2.38 percent of GSDP. The reasons for such an increase in the ratio of fiscal deficit to GSDP were attributed mainly to shortfall of revenue collection and increase in revenue expenditure in both General and Social Services. This much increase in fiscal deficit is burdened with the chances of being dependent on further market borrowings in order to minimize fiscal deficit. The State has failed to limit its fiscal deficit within the specified limits of the TFRBM Act, MTFPS Projections and Finance Commission targets for the financial years 2007-08, 2008-09, 2009-10, 2011-12, 2015-16, and 2016-17. Of which, the State had been able to maintain its fiscal deficit to the limit of 3 per cent of GSDP for the years 2007-08, 2008-09, 2010-11, and 2011-12. The State could achieve fiscal surplus for the financial years 2012-13, 2013-14, 2014-15 and fulfilled the targets set out by the Thirteenth Finance Commission and TFRBM Act, 2005. However, the State Government could not be able to achieve the targeted fiscal deficit limits of 3.25 per cent of GSDP set by the Fourteenth Finance Commission and TFRBM Act for the years 2015-16 and 2016-17. The fiscal deficit-GSDP ratios stood at 4.97 per cent and 6.86 per cent for the financial years 2015-16 and 2016-17 respectively.

The State Government had been able to contain the fiscal deficit-GSDP ratio within the TFRBM target of 3.5 per cent as well as the MTFPS projections of 6.75 per cent with actual deficit of 1.52 per cent during 2010-11 and 1.31 per cent during 2011-12 mainly due to increase in total revenue receipts by 25 per cent in2011-12 and 17 per cent in2010-11 over the respective previous years as well as considerable increase in the quantum of GSDP during 2011-12 with modest increase in consolidated debt by just 6.36 per cent. Again, the State Government had been able to achieve the fiscal surplus-GSDP ratio of 1.41 per cent in 2012-13 and 3.39 per cent in 2014-15 as against the fiscal deficit–GSDP ratio of 3.00 per cent targeted by Thirteenth Finance Commission, TFRBM Act and MTFPS Projections mainly due to increase in total revenue receipts for the years. However, the State Government could not be able to achieve the Fiscal Deficit-GSDP ratio of 3.25 per cent set by the Fourteenth Finance Commission, TFRBM Act and MTFPS projections during 2015-16 and 2016-17 with absolute quantum of fiscal deficit of more than Rs. 1500 Crore due to its shortfall of revenues owing to lower transfer in Gap-grants. Moreover, Grants-in-aid released from Government of India decreased by 25.64 per cent to Rs. 4565.87 Crore in 2015-16 from Rs. 6139.70 Crore in 2014-15. In overall decrease in Grants-in-aid, grants for state plan schemes have decreased by 39.24 per cent and that of Centrally Sponsored Plan Schemes have decreased by 85 per cent (Report of the CAG of India, 2015-16). These may be the reasons why, there has been increasing fiscal deficit for the state, in spite of enhanced State's Share of Union Taxes and Duties from 32 to 42 per cent by recommendations of the 14th Finance Commission.

6.4 Impact of FRBM Act, Special Category States

Table 6.4 takes into account an overall comparison of the impact of Fiscal Responsibility and Budget Management Act on the Special Category States with the fiscal indicators of revenue, fiscal and primary deficits to GSDP.

Table 6.4: Implementation of FRBM and the Special Category States

Special Category States	Month of FRBM	Period before FRBM	Period after FRBM	Revenue Deficit(+)/ Surplus(-)		Gross Fiscal Deficit(+)/ Surplus(-)		Primary Deficit(+)/ Surplus(-)	
				Avg. before FRBM	**Avg. after FRBM**	**Avg. before FRBM**	**Avg. after FRBM**	**Avg. before FRBM**	**Avg. after FRBM**
Arunachal Pradesh	Mar-06	1998-99 to 2004-05	2006-07 to 2016-17	-4.6	-9.93	7.8	2.51	3.2	-0.34
Assam	Sep-05	1998-99 to 2004-05	2006-07 to 2016-17	1.4	-1.54	3.2	0.75	0.6	-0.77
Himachal Pradesh	Apr-05	1998-99 to 2004-05	2006-07 to 2016-17	5.9	0.00	9.2	3.39	3.7	0.05
Jammu & Kashmir	Aug-06	2001-02 to 2005-06	2007-08 to 2016-17	-3.2	-1.43	4.9	5.03	0.3	1.57
Manipur	Aug-05	1998-99 to 2004-05	2006-07 to 2016-17	1.8	-7.42	8.3	3.24	3.6	0.31
Meghalaya	Mar-06	1998-99 to 2004-05	2006-07 to 2016-17	-0.5	-1.29	4.3	2.56	1.8	0.89
Mizoram	Oct-06	2001-02 to 2005-06	2007-08 to 2016-17	2.9	-1.58	14.5	5.45	8.3	1.82
Nagaland	Jan-10	2006-07 to 2009-10	2010-11 to 2016-17	-6.1	-4.93	3.6	3.09	0.0	-0.14
Sikkim	Sep-10	2008-09 to 2009-10	2011-12 to 2016-17	-10.1	-4.27	5.0	1.72	1.5	0.11
Tripura	Jun-05	1998-99 to 2004-05	2006-07 to 2016-17	-0.8	-5.51	5.4	1.05	1.7	-1.68
Uttarakhand	Oct-05	1998-99 to 2004-05	2006-07 to 2016-17	2.1	-0.55	4.7	2.47	2.2	0.78

Source: RBI, State Finances: A Study of Budgets of 2014-15 &Fiscal Consolidation: Assessment and Medium Term Prospects
Note: (i) The fiscal indicators are as a percentage of GSDP of the respective states; (ii) (-)/+) signs represent the Surplus/Deficit respectively.

Table 6.4 clearly reveals that there has been positive impact of FRBM for most of the Special Category States regarding all the three fiscal indicators. Improvements have been noticed for almost all the respective states during the post-FRBM period of 6-11 years over the pre-FRBM period of 5-7 years. The states of Arunachal Pradesh, Jammu & Kashmir, Meghalaya, Nagaland, Sikkim and Tripura had Revenue Surplus before implementation of the FRBM. After FRBM, there has been increase in revenue surplus for Arunachal Pradesh, Meghalaya and Tripura. For Jammu & Kashmir, Nagaland and Sikkim, the post FRBM period witnessed a declining revenue surplus. The states of Assam, Mizoram, Manipur and Uttarakhand have a shift from revenue deficit to revenue surplus state after FRBM. Himachal Pradesh has shifted from a revenue deficit state to a 'zero' revenue deficit state from pre to post FRBM.

There has been reduction in gross fiscal deficit for all the special category states over pre to post FRBM period except the state of Jammu & Kashmir. Regarding primary deficit, the states of Arunachal Pradesh, Assam and Tripura have shifted from a deficit state to surplus state. Nagaland has shifted from a 'zero' primary deficit state to a primary surplus state. There has been reduction in primary deficit for other special category states over pre to post FRBM period. The reductions are substantial for the states of Himachal Pradesh and Mizoram.

For Tripura, annual average revenue surplus as a percentage of GSDP has increased from 0.8 per cent to 5.51 per cent over the pre-FRBM period (1998-99 to 2004-05) to post-FRBM period (2006-07 to 2016-17). Gross fiscal deficit has reduced from 5.4 per cent of GSDP to 1.05 per cent of GSDP over the periods. The pre-FRBM period's annual average primary deficit of 1.7 per cent of GSDP has transformed into an annual average primary surplus of 1.68 per cent of GSDP in the FRBM period. So, the state has a favourable impact of the implementation of TFRBM, 2005.

6.5 Major Observations

- Following the FRBM Act, 2003 of the Govt. of India and as adopted/enacted by the State Governments, the "***Tripura Fiscal Responsibility and Budget Management Act, 2005***" (TFRBM Act, 2005) was notified for formal enforcement w.e.f. 4thOctober, 2006 and under Section 12 of the Act, "***The Tripura Fiscal Responsibility and Budget Management Rules, 2006***" have been framed and notified in the official Gazette on 5thOctober, 2006 (Quarterly Review Report, Govt. of Tripura, 2009-10).As per the 3rd Amendment (April, 2011) of the TFRBM Act, 2005, the State targets to achieve nil revenue deficit in every year up to the end of March, 2015 and to reduce fiscal deficit as a percentage of GSDP to 3.5 per cent by the end of March, 2010 and to 3.0 percent for each of the years from 2011-12 to 2014-15. Similarly, public debt (outstanding liabilities) was targeted not to exceed 40 per cent of GSDP by 2010.

- The study reveals that the state of Tripura has been maintaining Revenue Surplus continuously throughout the study period. In case of Outstanding Liabilities to GSDP, the state is within the limits of its correction path and constantly fulfilling of the targets as stipulated by the FRBM Act and MTFPS. However, in spite of utmost effort, the state is not in a position to control its Fiscal Deficit within the prescribed limit in all the times and fiscal deficit is a real concern for the state. Fiscal Deficit-GSDP ratio reaches to the highest in the year 2009-10 (7.82 per cent). There has been a critical situation of fiscal deficit to GSDP ratio for the state since the year 2014-15. The ration has been continuously increasing and reaches to 6.86 per cent in 2016-17. Thus, the State Government could not maintain fiscal deficit within the specified limits of the FRBM and that of the Thirteen and Fourteenth Finance Commissions. The situation becomes more critical during the initial phase of the Fourteenth Finance Commission (2015 – 2017).
- To be more specific, in terms of its achievements in fulfilment of the stipulated targets by the Finance Commissions, TFRBM Act, and MTFPS Projections for the fiscal parameters of Revenue Deficit, Fiscal Deficit, Outstanding Liabilities and Incremental Risk Guarantee for each of the financial years after the implementation of the TFRBM Act, 2005, the state of Tripura has well achieved three out of four of the TFRBM targets much before the timelines fixed in the Act and its subsequent amendments. The State could strive to remain revenue surplus even earlier than the implementation of TFRBM Act, 2005. The ratio of Incremental Risk Guarantee to GSDP for Tripura as reported is 0.02 per cent for the year 2008-09 which is much lower than the general FRBM target of 0.5 per cent and TFRBM target of *1.00* per cent. The State could achieve the FRBM target of maintaining the Debt-GSDP ratio below 40 per cent from the year 2010-11. However, the State is still struggling in limiting its Fiscal Deficit to the level of 3 per cent of GSDP as mandated by the FRBM Act and Finance Commissions.

- The significant reduction in revenue surplus of the state during the regime of Fourteenth Finance Commission (the revenue surplus for the year 2016-17 appears to be only Rs. 790.32 Crore) might be due to the reason of non-releasing of a substantial amount of Gap-grant from the Centre to the State during the award period of the 13th Finance Commission. Further, fiscal deficit even after FRBM is still an area of real concern for the health of the state economy. It is worthy to mention in this context that Grants-in-aid released from Centre has decreased by 25.64 per cent from Rs. 6139.70 Crore in 2014-15to Rs. 4565.87 Crore in 2015-16.Of which grants for state plan schemes have decreased by 39.24 per cent and that of Centrally Sponsored Plan Schemes have decreased by 85 per cent (Report of the CAG of India, 2015-16). These may be the reasons why, there has been increasing fiscal deficit for the state, in spite of enhanced State's Share of Union Taxes and Duties from 32 to 42 per cent by recommendations of the 14th Finance Commission.
- It is clearly revealed that there has been a favourable impact of the implementation of FRBM for the state of Tripura. Its annual average revenue surplus as a percentage of GSDP has increased from 0.8 per cent to 5.51 per cent over the pre-FRBM period (1998-99 to 2004-05) to post-FRBM period (2006-07 to 2016-17). Gross fiscal deficit per annum has reduced from 5.4 per cent of GSDP to 1.05 per cent of GSDP over the periods. The pre-FRBM period's annual average primary deficit of 1.7 per cent of GSDP has transformed into an annual average primary surplus of 1.68 per cent of GSDP in the FRBM period. As a whole Tripura's performance is good among the special category states.

6.6 Looking at the Future

Some prudent fiscal management policies need to be implemented by the Government of Tripura to limit its growing fiscal deficit in recent times. Keeping into account the huge shortfall of Gap-grants and Grants-in-aids both under State Plan Schemes and Centrally Sponsored Schemes during the Thirteenth Finance Commission, the Fifteenth Finance Commission may consider some special grants for the state of Tripura and the other affected states in this regard.

PSUs and Power Sector Reforms 7

7.1 PSUs in the State of Tripura

The State Public Sector Undertakings (PSUs) consist of State Government Companies [Government Companies also include other Companies referred to Section 139(5) and 139(7) of the Companies Act, 2013] and Statutory Corporations. In general, the State PSUs are established to carry out activities of commercial nature, keeping in view the welfare of the people. There are 14 (fourteen) Public Sector Undertakings in Tripura as on March, 2018 of which one is non-working PSU, namely, Tripura State Bank Limited.

Table 7.1: Total Number of PSUs, Tripura

Type of SPSUs	Working SPSUs	Non-working SPSUs	Total
Government Companies (A)	**12**	**1**	13
Statutory Corporation (B)	**1**	**-**	1
Total	**13**	**1**	**14**

Source : Audit Report - 2016-17, Government of Tripura

As per the Audit Report-2016-2017, Tripura State Bank Limited, a non-working PSU exists for the last 45 years with an initial investment of Rs.4 lakh but holding no contribution to the state economy. The detail of the State Public Sector Undertakings (SPSUs) along with their type and areas of operation is presented in Box 7.1:

Box 7.1: Sector-wise State Public Sector Undertakings

Public Sectors	**Sl. No.**	**Company Name**	**Abbreviation**
		Sector (A)	
Agriculture & Allied	1	Tripura Forest Development &Plantation Corporation Limited	**TFDPCL**
	2	Tripura Horticulture Corporation Limited	**THCL**
	3	Tripura Tea Development Corporation Limited	**TTDCL**
	4	Tripura Rehabilitation Plantation Corporation Limited	**TRPCL**
Financing	5	Tripura Industrial Development Corporation Limited	**TIDCL**
Manufacturing	6	Tripura Jute Mills Limited	**TJML**
	7	Tripura Small Industries Corporation Limited	**TSICL**
Power	8	Tripura State Electricity Corporation Limited	**TSECL**
Services	9	Tripura Handloom & Handicrafts Development Corporation Limited	**THHDCL**
	10	Tripura Urban Transport Company Limited	**TUTCL**
	11	Tripura Tourism Development Corporation Limited	**TTDCOL**
Miscellaneous	12	Tripura Natural Gas Company Limited	**TNGCL**
		Sector (B)	
Service	13	Tripura Road Transport Corporation	**TRTC**
Non-working SPSUs	14	Tripura State Bank Limited	**TSBL**

Source : Audit Report - 2015-16, Government Of Tripura

The State Government of Tripura has a large financial stake in all these SPSUs. The stake of the government is of three types as under:

- ***Share capital and loans:*** In addition to share capital contribution, the State Government also provides financial assistance by way of loans to the SPSUs from time to time.
- ***Special financial support:*** The State Government provides budgetary support by way of grants and subsidies to the SPSUs as and when required.
- ***Guarantees:*** The State Government also guarantees the repayment of loans (with interest) availed by the SPSUs from Financial Institutions. Guarantees constitute the Contingent Liabilities of the Government.

7.2 Performance of the State PSUs

This section examines the performance of the Public Sector Undertakings of Tripura taking into account their revenue incomes, income from other sources, expenditures and the resultant profits/losses over the study period. The State PSUs are broadly divided into two viz. Government Companies and Statutory Corporation. Again, the PSUs can effectively be classified into Agriculture & Allied, Financing, Manufacturing, Power, Services etc. according to their economic activities.

7.2.1 Agriculture & Allied

For the state of Tripura, the PSUs which belong to the category of agriculture and allied sector are ***Tripura Forest Development and Plantation Corporation Limited*** (TFDPCL), ***Tripura Horticulture Corporation Limited***(THCL), ***Tripura Tea Development Corporation Limited***(TTDCL), ***Tripura Rehabilitation Plantation Corporation Limited***(TRPCL).

- **Tripura Forest Development &Plantation Corporation Limited (TFDPCL):**

TFDPCL was incorporated on March, 1976 as a State Government Company.

Table 7.2: Performance of TFDPC, 2006-07 to 2016-17 ***(Rs. in Lakh)***

Financial Year	Revenues	Other Incomes	Total Income	Expenditure	Profit/Loss
1	2	3	*4 = (2+3)*	5	*(4-5) = 6*
2006-07	2691.21	411.90	3103.11	1606.00	1497.10
2007-08	2590.89	434.67	3025.56	1813.81	1211.75
2008-09	3267.39	528.73	3796.12	2092.75	1703.37
2009-10	4217.39	-63.44	4153.95	2267.30	1886.66
2010-11	4310.79	706.33	5017.11	2838.23	2178.89
2011-12	4131.02	837.06	4968.07	2969.67	1998.40
2012-13	4065.22	1251.04	5316.26	4069.51	1246.75
2013-14	4119.07	1408.88	5527.96	4352.36	1175.59
2014-15	4087.53	1145.12	5232.65	4771.42	461.23
2015-16	3707.54	1257.42	4964.96	4906.72	58.25
2016-17	3870.25	883.69	4753.94	5247.30	-493.36

Source: Annual Report, Various Issues, TFDPC

Note:1. Expenditure also includes Tax; 2. (-) sign indicates the Loss; 3. For the period 2006-07 to 2010-11, Income heads consist of Sales, Other Income & Increase/decrease in Closing Stock} & for 2011-12 to 2016-17, it includes Revenue from Operations & Other income.

The Tripura Forest Development and Plantation Corporation Limited was incorporated mainly with the intention of rehabilitating degraded forest lands, settling of the tribal shifting cultivators and generation of employment in the rural areas by raising commercial plantations and dealing with products there from. It is observed during the study period that the objectives of incorporating TFDPCL reveal to be successful in terms of its operations and market capturing as indicated by the quantum of profits throughout. It is fact that there has been an increasing demand for wooden furniture of TFDPCL in the local market. It is important to note that there has been an increasing trend of profits for TFDPCL for the period from 2006-07 to 2010-11. However, its profits started to be continuously declining since the year 2011-12. This is primarily due to the increasing expenditure over decreasing income/revenue in recent times. Moreover, it reported an abnormal losses amounting to Rs.493.36 lakh i.e. about Rs.5 crore in the year 2016-17. As a whole, the TFDPCL seems to be in a viable state of business.

- **Tripura Horticulture Corporation Limited (THCL):** THCL was incorporated on 07 April, 1987 as a State Government Company. Tripura Horticulture Corporation Limited has been started with the Mission of Integrated Development of Horticulture (MIDH) as a Centrally Sponsored Scheme (CSS) for the holistic growth of the horticulture sector covering fruits, vegetables, root and tuber crops, mushrooms, spices, flower, aromatic plants, coconut, cashew nut etc. with 90 per cent contribution from Central and 10 per cent by the State Government.

Table 7.3: Performance of THCL, 2006-07 to 2016-17 ***(Rs. in Lakh)***

Year	**Total Income (Revenues + Others)**	**Expenditure**	**Profit/Loss**	**Accumulated Loss**
1	**2**	**3**	**4**	**5**
2005-06	38.84	55.38	-16.55	-123.23
2006-07	53.53	56.55	-3.02	-126.25
2007-08	59.39	59.45	-0.06	-126.32
2008-09	53.25	67.11	-13.86	-140.18
2009-10	65.50	73.40	-7.89	-148.07
2010-11	74.54	103.44	-28.90	-176.98
2011-12	2294.56	2296.96	-2.39	-179.37
2012-13	685.22	754.65	-69.43	-248.80
2013-14	888.95	990.14	-101.19	-349.99
2014-15	2598.94	2631.46	-32.53	-382.52

Source: Annual Report, Various Issues, THCL
Note: [1]For the period from 2005-06 to 2010-11, Income heads consisted of Gross Profit, Interest Received & Accrued, Misc. Income; for 2011-12 to 2014-15, Income heads covered Revenue from operation, other Income. [2]Again, for the period from 2005-06 to 2010-11, Expenditure heads included Expenditures on Man Power, Administrative Expenditure, Repairs & Maintenance, Plantation Expenditure, Selling Expenditure, Fees & Other Charges, Depreciation on Fixed Assets but for 2011-12 to 2014-15, Expenditure heads appeared to be different by covering Cost of materials consumed, Purchase of Stock–in-Trade, Changes in Stock-in-Trade, Employee Benefit Expense, Financial Costs, Depreciation and Amortization Expense, Other Administrative Expenses, F. Charge, Plantation Expenses.
(-) sign indicates the Loss

Table 7.3 reveals that there has been huge operational expansion for Tripura Horticulture Corporation Limited (THCL) since the year 2011-12 in terms of its total income jumped to about Rs. 23 crore from just Rs. 74.54 lakh in the previous year and also its expenditure to about 23 crore from Rs. 103.44 lakh. However, the methodological modifications in calculating income by incorporating revenues from operations and expenditure by taking into account cost of materials and purchase of stock in trade are also reasons for such enhancement. The highest loss for THCL has been reported for the year 2013-14 of about Rs. 1 crore and the loss came down to Rs. 32.53 lakh in the next year i.e. 2014-15. The highest income has also been reported in the year 2014-15 of the quantum of about Rs. 26 crore. Till date, the accumulated loss for THCL stands to less than Rs. 4 crore. So, effective administrative and operational reforms can make the corporation economically viable.

- **Tripura Tea Development Corporation Limited (TTDCL):** TTDCL was set up in 1980 as a company under the Companies Act, 1956 with the management of 3 Tea Gardens, namely Kamalasagar, Machmara and Brahmakunda. Total area under these three Tea Gardens is about 657.33 hectares, out of which only about 260.00 hectares are under plantation. The TTDCL is presently running a Central Tea Processing Factory (CTPF) at Durgabari, West Tripura.

Table 7.4: Performance of TTDCL, 2006-07 to 2016-17 (Rs. in Lakh)

Year	***Revenues***	***Other Income***	***Total Income***	***Expenditure***	***Net Profit/Loss***
1	**2**	**3**	**4 = (2+3)**	**5**	**(4-5) = 6**
2005-06	194.64	9.88	222.36	327.35	-104.98
2006-07	290.10	16.16	285.35	349.34	-63.98
2007-08	317.59	41.09	351.56	391.77	-40.21
2008-09	443.83	39.08	392.51	440.69	-48.18
2009-10	443.68	37.81	482.34	574.32	-91.99
2010-11	525.12	51.98	577.10	813.52	-236.42
2011-12	454.62	78.58	533.19	609.48	-76.28
2012-13	520.54	133.76	654.29	696.20	-41.90
2013-14	382.17	139.32	521.49	738.84	-217.35
2014-15	443.36	88.59	531.95	797.13	-265.18
2015-16	443.61	143.26	586.87	794.84	-207.97
2016-17	409.95	242.65	652.60	835.30	-182.70
CAGR(%)	**7.00**	**33.77**	**10.28**	**8.88**	**5.16**

Source: Annual Report, Various Issues, TTDCL
Note: (-) sign indicates the Loss

The Tripura Tea Development Corporation Limited is a workers' cooperative by nature. The tea garden workers are managing the three tea estates along with the tea processing factory. Therefore, sustainability of the TTDCL is immensely linked to the survival of hundreds of workers' family. The question of economic viability needs to be properly investigated for the TTDCL. Throughout the study period, there has been continuously increasing revenues for TTDCL. Its revenue has increased at a compound annual growth rate of 7 per cent and other income (mainly from the tea processing unit) has increased at the rate of 33.77 per cent per annum. As a whole, total income (revenue plus other income) has increased by a compound annual growth rate of 10.28 per cent. However, TTDCL's expenditure remains to be higher than income in each of the years leading to a constant loss in every year. The yearly loss of TTDCL is within the limit of Rs. 1-2 crore. The growth rates of expenditure (8.88 per cent) and yearly loss (5.16 per cent) happened to be lower than that of total income. Thus, some sort of managerial and administrative efficiency, adequate marketing mix, processing and quality improvement may be useful for revival of the TTDCL in near future.

- **Tripura Rehabilitation Plantation Corporation Limited (TRPCL):** TRPCL is a State Owned Public Company incorporated on 3rd February, 1983 and is registered at Registrar of Companies, Shillong. Tripura Rehabilitation Plantation Corporation Limited is actively involved in Agriculture and Allied Activities and having significant contribution to the rural economic base of Tripura.

Table 7.5: Performance of TRPCL, 2006-07 to 2016-17 (Rs. in Lakh)

Year	***Revenue***	***Other Income***	***Total Income***	***Expenditure***	***Profit/Loss***
1	2	3	4 = (2+3)	5	(4-5) = 6
2005-06	930.37	148.86	1079.22	789.16	290.06
2006-07	1175.69	97.03	1272.72	1145.28	127.44
2007-08	1422.49	199.64	1622.13	1453.44	168.69
2008-09	1394.74	227.20	1621.95	1546.07	75.88
2009-10	1846.19	223.67	2069.86	1628.37	441.48
2010-11	2989.28	247.95	3237.22	2422.91	814.31
2011-12	3506.30	254.65	3760.95	3731.13	29.81
2012-13	3549.12	332.36	3881.49	3871.69	9.80
2013-14	3344.79	471.14	3815.93	3689.98	125.95
2014-15	2515.29	453.65	2968.95	3233.38	-264.44
2015-16	2466.05	615.92	3081.98	3226.23	-144.25
2016-17	3204.08	709.50	3913.57	3935.09	-21.52

Source: Annual Report, Various Issues, TRPCL
Note: For 2005-06 to 2010-11, Sale of Rubber = Revenue (1), Other Income + Grants-in-Aid (TRP & PTG) = Other Income (2)
(-) sign indicates the Loss

Table 7.5 describes that income of the TRPCL from the sale of rubber is increasing year after year, particularly up to 2013-14. The Natural Rubber based corporation, TRPCL appears to be a profit making company till 2013-14. However, the fall in rubber price in the international market and a stiff competition from non-rubber alternatives to rubber in recent times leading the TRPCL to a loss making zone since the year 2014-15.

Therefore, the initiatives of diversified use of natural rubber and establishment of natural rubber based small scale manufacturing units in conformity with the local and outside market demands may be useful for sustainable development of TRPCL.

7.2.2 Financing

The PSU which belongs to the financing sector is ***Tripura Industrial Development Corporation Limited*** (TIDCL).

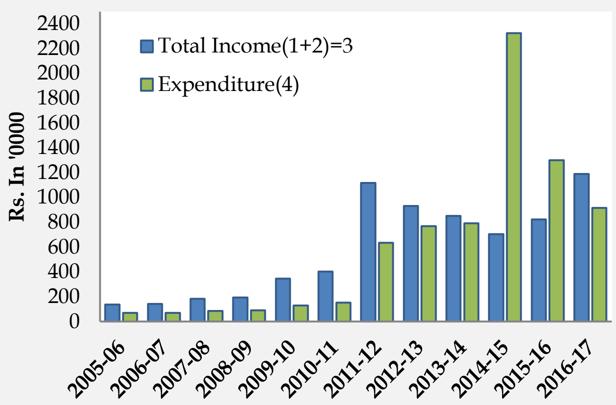
- **Tripura Industrial Development Corporation Limited (TIDCL):** The TIDC was set up in 1974 as a company under the Companies Act, 1956. Presently, TIDCL is an ISO 9001:2008 certified organization. Providing terms loans to small/medium-scale projects and joint sector projects, equity participation etc. along with development and maintenance of industrial infrastructure.

Table 7.6: Performance of TIDCL, 2005-06 to 2016-17 (Rs. in Lakh)

Year	*Earnings from Sale of Power*	*Other Income*	*Total Income*	*Expenditure*	*Profit/Loss (before Tax)*
	1	*2*	*3 = (1+2)*	*4*	*5 = (3 – 4)*
2005-06	33.66	102.82	136.48	71.39	65.09
2006-07	23.92	118.81	142.73	70.30	72.42
2007-08	24.70	158.10	182.80	86.18	96.62
2008-09	33.73	160.33	194.05	91.53	102.52
2009-10	48.85	298.35	347.20	129.96	217.23
2010-11	36.74	366.72	403.46	152.28	251.18
2011-12	729.51	388.23	1117.74	636.27	481.47
2012-13	436.52	496.41	932.93	769.77	163.16
2013-14	383.28	469.01	852.29	792.78	59.51
2014-15	411.02	293.94	704.96	2327.39	-1622.43
2015-16	497.89	326.43	824.32	1302.17	-477.85
2016-17	718.55	471.60	1190.15	917.57	272.58

Source: Annual Report, Various Issues, TIDCL
Note: (-) sign indicates the Loss

Figure 7.1 Tripura Industrial Development Corporation Limited



The TIDCL appears to be a profit making enterprise till the financial year 2013-14. However, the corporation reports a loss during the years 2014-15 and 2015-16. Again, it reports a profit of more than Rs. 272 lakh in the year 2016-17. The substantial amount of loss of this profit earning enterprise for the years 2014-15 and 2015-16 is mainly due to the huge capital expenditure support to the power sector for installation of two new natural gas based power plants viz. Palatana and Monarchak. As a whole, TIDCL is an economically viable corporation.

7.2.3 Manufacturing

The PSUs under manufacturing sector consist of ***Tripura Jute Mills Limited*** (TJML) and ***Tripura Small Industries Corporation Limited***(TSICL).

- **Tripura Jute Mills Limited (TJML):** TJML is a State Government Company incorporated on 10 October, 1974 and started commercial production since the year 1981.

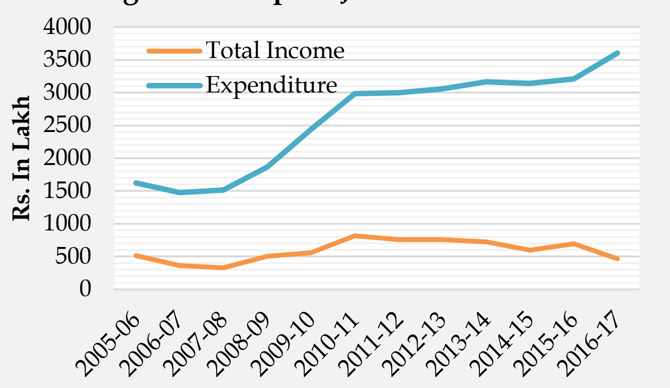
Table 7.7: Performance of TJML, 2005-06 to 2016-17 (Rs. in Lakh)

Year	*Net Sales*	*Other Income*	*Total Income*	*Expenditure*	*Net Profit/Loss*
1	*2*	*3*	*4= (2+3)*	*5*	*(4-5) = 6*
2005-06	396.69	117.17	513.86	1106.38	-592.52
2006-07	335.21	29.40	364.61	1108.64	-744.04
2007-08	259.92	67.00	326.92	1187.50	-860.58
2008-09	440.43	62.73	503.16	1364.62	-861.46
2009-10	460.45	98.22	558.67	1879.55	-1320.89
2010-11	710.39	104.77	815.16	2169.97	-1354.81
2011-12	678.35	81.73	760.08	2238.53	-1478.45
2012-13	741.65	17.61	759.26	2295.89	-1536.63
2013-14	685.92	39.97	725.88	2438.26	-1712.38
2014-15	533.24	65.67	598.92	2542.73	-1943.82
2015-16	659.04	36.87	695.91	2509.80	-1813.89
2016-17	436.03	27.29	463.32	3142.31	-2679.00
CAGR(%)	***0.86***	***-12.41***	***-0.94***	***9.95***	***14.70***

Source: Annual Report, Various Issues, TJML
Note: (-) sign indicates the Loss

Table 7.7 represents the state of financial health of the Tripura Jute Mills Limited. It reveals that the TJML is a constantly loss making business enterprise throughout the study period. Moreover, it has a declining trend in total income with a negative compound annual growth rate of (-) 0.94 per cent. However, TJML's yearly expenditure has been heavily increasing at the annual rate of 9.95 per cent and the resultant annual loss has been growing at the rate of 14.70 per cent. The TJML has incurred a loss of more than Rs. 26 crore in the last reporting year i.e. 2016-17. The overall financial position of TJML clearly indicates that it is not in a state of economic viability at present. Moreover, the revival of TJML seems to be very difficult taking into account the almost non-availability of raw jute in

Figure 7.2 Tripura Jute Mills limited



the state and the existing stiff competition from available alternative produces in the market replacing jute.

- **Tripura Small Industries Corporation Limited (TSICL):** The TSICL was incorporated in April, 1965 under the Company Act of 1956 with the aims to finance, protect and promote small enterprises in the state of Tripura. At present, the activities of the company include production of bricks, blending and sale of rectified spirit, marketing of miscellaneous items, marketing / trading of items like furniture, auto etc.

Table 7.8: Performance of TSICL, 2005-06 to 2016-17 (Rs. in Lakh)

Financial Year	**Total Income**	**Expenditure**	**Net Profit/Loss**	**Accumulated Profit/Loss**
1	*2*	*3*	*4 = (2-3)*	*5*
2005-06	3.93	144.59	-140.66	-1814.00
2006-07	38.09	253.38	-215.30	-2029.30
2007-08	111.79	171.50	-59.70	-2089.00
2008-09	260.51	237.42	23.08	-2065.92
2009-10	212.61	293.58	-80.97	-2146.88
2010-11	94.27	246.43	-152.16	-2299.05
2011-12	2729.14	3051.59	-322.45	-2621.49
2012-13	2366.54	2736.95	-370.41	-2991.90
2013-14	1951.24	2269.87	-318.63	-3310.54
2014-15	1794.66	2142.21	-347.55	-3658.08
CAGR(%)	***97.47***	***34.92***	***10.57***	***8.11***

Source: Annual Report, Various Issues, TSICL

Note: [1]For the period from 2005-06 to 2010-11, Income heads consisted of Gross Profit, Interest Received & Accrued, Misc. Income; for 2011-12 to 2014-15, Income heads covered Revenue from operation, other Income. [2]Again, for the period from 2005-06 to 2010-11, Expenditure heads included Expenditures on Man Power, Administrative Expenditure, Repairs & Maintenance, Plantation Expenditure, Selling Expenditure, Fees & Other Charges, Depreciation on Fixed Assets but for 2011-12 to 2014-15, Expenditure heads appeared to be different by covering Cost of materials consumed, Purchase of Stock–in-Trade, Changes in Stock-in-Trade, Employee Benefit Expense, Financial Costs, Depreciation and Amortization Expense, Other Administrative Expenses, F. Charge, Plantation Expenses.

(-) sign indicates the Loss

The Tripura Small Industries Corporation Limited is a loss making business enterprise throughout the period except the year 2008-09. There has been a huge jump in both income and expenditure of the corporation from the year 2010-11 to 2011-12 mainly owing to methodological changes in calculating income and expenditure. The present accumulated loss for the TSICL is about Rs. 37 crore. However, its income growth rate is 97.47 per cent over the point which is much higher than that of expenditure growth of 34.92 per cent indicating a chance of revival in future. A rigorous administrative and structural reform in the line of market demand and effective supervision can help in revival of the corporation.

7.2.4 Services

PSUs of Tripura under the category of services are ***Tripura Handloom and Handicrafts Development Corporation Limited*** (THHDCL), ***Tripura Urban Transport Company***

Limited (TUTCL), ***Tripura Tourism Development Corporation Limited***(TTDCOL), ***Tripura Road Transport Corporation*** (TRTC).

- **Tripura Handloom & Handicrafts Development Corporation Limited (THHDCL):** Handlooms and handicrafts play a dominant role in the rural economy of Tripura by providing gainful employment, particularly to the tribal people having rich and diversified cultural heritage. Towards the fulfilment of that objective, the THHDCL was incorporated in September, 1974primarily for promotion and strengthening of this sector on a commercial footing by supplying raw materials, marketing of the finished products and running of the production centers. However, the activities of the Company are now mainly confined to marketing of finished products procured by the weavers and artisans. The Company has 43 sales outlets named as emporia under the brand name of 'Purbasha' spread across four states viz. Tripura, Assam, West Bengal, and New Delhi. Besides, the Company has two Power Loom Units at Indranagar and Badharghat, one Common Facility Centre and two Central Procurement Stores.

Table 7.9: Performance of THHDCL, 2005-06 to 2016-17 (Rs. in Lakh)

Year	**Sales**	**Other Income**	**Total Income**	**Expenditure**	**Net Profit/Loss**	**Accumulated Profit/Loss**
1	*2*	*3*	*4 = (2+3)*	*5*	*(4-5) = 6*	*7*
2005-06	297.13	17.67	314.80	626.91	-312.10	-2615.18
2006-07	343.06	57.74	400.80	480.71	-79.91	-2695.10
2007-08	430.67	36.76	467.43	776.43	-308.99	-3004.09
2008-09	295.92	22.72	318.64	616.59	-297.95	-3302.04
2009-10	323.31	64.92	388.23	550.07	-161.84	-3463.87
2010-11	375.15	36.27	411.42	1092.73	-681.31	-4145.19
2011-12	268.08	142.22	410.30	1024.05	-613.75	-4758.94
2012-13	261.52	63.10	324.61	1946.85	-1622.23	-6381.17
2013-14	394.67	68.42	463.09	1502.11	-1039.02	-7420.19
2014-15	427.80	194.44	622.24	1534.15	-911.91	-8332.10
CAGR(%)	**4.13**	**30.54**	**7.86**	**10.45**	**12.65**	**13.74**

Source: Annual Report, Various Issues, THHDCL
Note: (-) sign indicates the Loss

The THHDCL appears to be a loss making enterprise over the entire study period. Table 7.9 reveals that the quantum of sales for THHDCL has been fluctuating over the years. Moreover, its income growth rate of 7.86 per cent is much lower than the growth rate of expenditure, 10.45 per cent leading to an even higher growth rate of yearly loss at 12.65 per cen. At present accumulated loss of the company is more than Rs. 83 crore. So, it is needless to say that the THHDCL is in severe financial crisis regarding its future prospect. However, looking at the importance of the corporation in promotion of traditional creativity, cultural diversity and heritage as well as rural employment, its revival is utmost important for a state like Tripura where large scale industries are typically absent. A Public-Private Partnership (PPP) kind joint venture may be thought of considering the marketing prospects of this type of products.

- **Tripura Urban Transport Company Limited (TUTCL):** The TUTCL was incorporated on 23rd October, 2010 as a State Public Venture (SPV) to be jointly operated by the Agartala Municipal Corporation (AMC), Tripura Road Transport Corporation (TRTC)and the State Government of Tripura on the basis of equity share capital of 40:30:30 respectively. Presently, the company has the fixed asset of 173 numbers of buses of which 98 are CNG buses and 75 are diesel buses. Again, out of 173 buses, TUTCL is operating 10 number of AC buses.

Table 7.10: Performance of TUTCL, 2005-06 to 2016-17 (Rs. in Lakh)

Year	**Revenue**	**Other Income**	**Income**	**Expenditure**	**Profit/Loss**
1	*2*	*3*	*4 = (2+3)*	*5*	*(4-5) = 6*
2010-11	4.33	0.31	4.64	6.19	-1.55
2011-12	24.23	0.67	24.9	15.23	9.67
2012-13	29.63	3.21	32.84	18.59	14.25
2013-14	34.47	8.78	43.25	33.89	9.36
2014-15	59.06	7.41	66.47	53.24	13.24
2015-16	122.94	19	141.94	105.74	36.19
2016-17	128.42	24.44	152.87	138.67	14.2

Source: Financial Statements, TUTCL
Note: (-) sign indicates the Loss

The report on the Financial Statements of TUTCL depicts that the Company is a profit making business enterprise throughout its period of operation except the initial year. Again, its revenue has been continuously increasing for the period from 2010-11 to 2016-17. TUTCL earned highest profit of the quantum of Rs.36.19 lakh during the year 2015-16. In overall terms, this particular joint venture appears to be a successful one.

- **Tripura Tourism Development Corporation Limited (TTDCOL):** Tourism has been declared as an industry in Tripura since 1987. The State Government has set up the Tourism Development Corporation Limited in November, 2009, registered under the Companies Act, 1956 on 3rd June, 2009 for professional management of the sector. Earlier to that it was under the Information, Cultural Affairs and Tourism (ICAT) Department of the State.

Since inception, the Tourism Corporation earned profit only in the years 2009-10 and 2014-15 of the amount of Rs. 30.03 and Rs. 68.29 lakh. The income heads include recurring grant, rent and revenue, car hiring charges, entry fees, bank interest and so on. For the rest of the years the corporation failed to earn any profit. Till 2016-17, the accumulated losses stand at about Rs. 59 lakh.

Table 7.11: Performance of Tripura Tourism Development Corporation Limited (Rs. in Lakh)

Year	Revenue	Other Income	Total Income	Expenditure	Profit/Loss	Accumulated Profit/Loss
1	2	3	4 = (2+3)	5	(4-5) = 6	7
2009-10	142.31	0.00	142.31	106.91	30.03	30.03
2010-11	202.48	0.07	218.45	243.58	-25.12	4.91
2011-12	209.15	0.04	218.52	291.29	-72.77	-67.86
2012-13	182.91	0.24	239.89	254.97	-15.07	-82.93
2013-14	188.33	0.24	248.58	251.88	-3.30	-86.24
2014-15	202.46	0.55	454.33	364.13	68.29	-17.94
2015-16	211.50	0.39	344.68	354.50	-9.82	-27.76
2016-17	268.64	0.13	307.47	339.02	-31.55	-59.31

Source: Annual Report, Various Issues, TTDCL
Note: (-) sign indicates the Loss

However, tourism seems to have a bright prospect in the State owing to its rich heritage, cultural diversities and many of the religious and historical places. The State has historical, cultural and trade relation with the neighbouring country Bangladesh. So, requisite initiatives from the part of the State government would indeed help expanding this sector and revival of the corporation.

- **Tripura Road Transport Corporation (TRTC):** The TRTC was established in October, 1969 under the Road Transport Corporation Act, 1950. The Corporation has 47 numbers of buses and 7 numbers of trucks as on March, 2016. Besides, the TRTC conducts an international bus service in the Agartala-Dhaka-Kolkata route, where the TRTC bus operates on Wednesday and Friday and the Bangladesh Road Transport Corporation's (BRTC) bus operates on Tuesday and Saturday. TRTC bus services were the major means of transportation for the people of Tripura at the initial stage of the corporation.

Table 7.12: Financial Performance of the TRTC, 2005-06 to 2016-17 (Rs. in Lakh)

Year	Total Income	Expenditure	Profit/Loss
1	2	3	(2-3) = 4
2005-06	468.17	2092.99	-1624.82
2006-07	555.27	2253.10	-1697.83
2007-08	436.55	2229.02	-1792.47
2008-09	439.72	2364.12	-1924.41
2009-10	1345.11	2054.84	-709.73
2010-11	1630.35	2544.28	-913.93
2011-12	1210.10	2754.36	-1544.26
2012-13	4815.18	4930.00	-114.82
2013-14	1617.05	1663.26	-46.21
2014-15	1987.99	2048.93	-60.95
2015-16	2007.41	2143.53	-136.12
CAGR(%)	**15.67**	**0.24**	**-21.96**

Source: Financial Reports of the TRTC
Note: (-) sign indicates the Loss

Table 7.12 reveals that the TRTC failed to earn any profit during the study period of 2005-06 to 2015-16. However, its amount of losses started declining since the year 2012-

13. So, it may be expected that the corporation will rejuvenate itself in due course of time. Otherwise, a state joint venture like the profit making TUTCL (Tripura Urban Transport Corporation Limited) or PPP kind of ventures may be thought of for the long run sustainability of the TRTC.

7.2.5 Miscellaneous

Tripura Natural Gas Company Limited (TNGCL) falls under the miscellaneous category of PSUs of Tripura.

- **Tripura Natural Gas Company Limited (TNGCL):** The TNGCL, one of the Eastern India's fastest growing natural gas distribution companies was established on 10th July, 1990 as a joint venture of GAIL (India) Ltd, Tripura Industrial Development Corporation Ltd (A Govt. of Tripura Undertaking) and Assam Gas Company Ltd (A Govt. of Assam Undertaking). TNGCL supplies eco-friendly and cost effective Natural Gas to Domestic, Commercial and Industrial Units across the city of Agartala and surroundings.

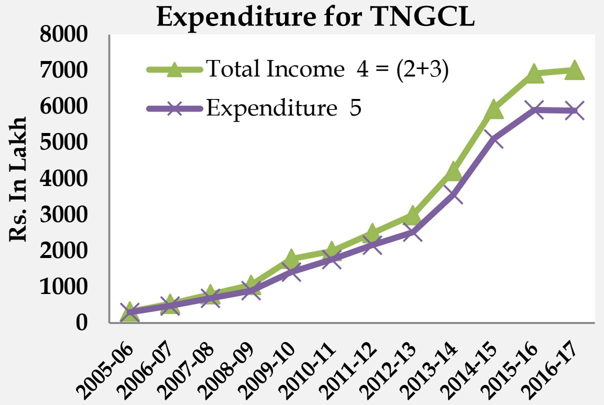
Table 7.13: Performance of TNGCL, 2005-06 to 2016-17 (Rs. in Lakh)

Year	**Revenue**	**Other Income**	**Total Income**	**Expenditure**	**Profit/Loss**
1	*2*	*3*	*4 = (2+3)*	*5*	*(4-5) = 6*
2005-06	279.75	39.59	319.34	299.32	20.01
2006-07	484.56	47.44	532.01	477.63	54.38
2007-08	740.67	56.75	797.42	688.74	108.68
2008-09	982.89	72.98	1055.88	898.71	157.16
2009-10	1721.92	63.00	1784.92	1415.45	369.47
2010-11	1927.01	69.84	1996.85	1763.14	233.71
2011-12	2443.32	52.30	2495.62	2162.43	333.19
2012-13	2859.82	134.69	2994.51	2522.40	472.10
2013-14	4071.21	147.98	4219.19	3561.77	657.41
2014-15	5760.87	180.78	5941.66	5106.62	835.04
2015-16	6584.90	339.49	6924.40	5910.81	1013.59
2016-17	6698.01	324.67	7022.68	5892.65	1130.03

Source: Annual Report, Various Issues, TNGCL

The TNGCL is doing a very good business as reported during the period from 2005-06 to 2016-17. During the period, its income is increasing at a higher rate than expenditure throughout leading to increasing rates of profit over the period.

Figure 7.3 Trend of Income and Expenditure for TNGCL



The TNGCL is doing well with PNG (Pipeline Natural Gas) Network within Agartala Greater Area by covering almost 85 per cent of the city through 747.47 KM of MDPE pipeline till 2016-17. The company is supplying round the clock PNG services to 50 industrial units including 9 major industrial units at Bodhjungnagarand366 commercial connections.

Table 7.13(a) Year wise Growth in Number of PNG

Year	No. of Domestic Connections	No. of Commercial Connections	Total Length of MDPE Pipeline	
			Length in KM	Increase YOY
2008-09	7213	115	271.59	--
2009-10	7429	133	278.01	6.42
2010-11	8472	159	293.48	15.47
2011-12	9748	175	309.066	15.586
2012-13	11431	214	334.12	25.054
2013-14	14896	254	383.92	49.8
2014-15	17996	294	480.27	96.35
2015-16	22615	322	622.00	141.73
2016-17	28669	366	747.47	125.47

Source: Annual Report, Various Issues, TNGCL

In 2007, TNGCL unveiled its first CNG station at Arundhati Nagar, Agartala. In 2011, the company came up with its second CNG station near Radhanagar, Agartala and in the subsequent phases, at TRTC Complex, Krishnanagar (2012), a Daughter Booster Station at Udaipur (2013-14). Now, TNGCL has initiated the necessary steps to develop CNG Daughter Booster Stations at Bishalgarh, Melagarh, Santir Bazaar, Belonia, Amarpur in South Tripura and CNG DBS at Khowai and Teliamura in North Tripura Region.

Table 7.13(b) Growth in Number of CNG Vehicles

Year	Total No. of CNG Vehicles	Increase YOY
2008-09	853	-
2009-10	1445	592
2010-11	2067	622
2011-12	4026	1959
2012-13	4682	656
2013-14	6148	1466
2014-15	6986	838
2015-16	9438	1375

Source: Annual Report, Various Issues, TNGC

Figure 7.4 TNGCL's Sales of PNG and CNG

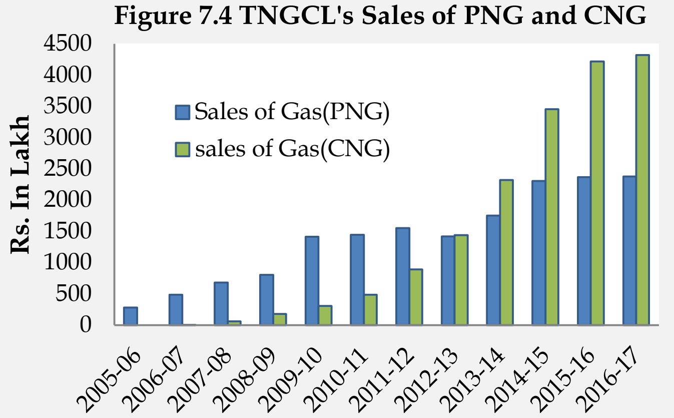


Table 7.13 (b) shows that there has been huge increase in the numbers of CNG vehicles mostly in Agartala area during a period of only 7 years. The highest (CNG) sales value wasRs.4321 lakh. in 2016-17. Thus, TNGCL is a promising PSU in the state.

7.2.6 Non-Working

Tripura State Bank Limited (TSBL) is the only non-working PSU of Tripura.

- **Tripura State Bank Limited (TSBL):** There is one non-working SPSUs viz., Tripura State Bank Limited as on 31 March, 2016.The said SPSU was in the process of liquidation under Section 560 of the Companies Act, 1956 which had been non-functional since 1971.The State Government may expedite the process of winding up of the non-working SPSU.

7.3 The Power Sector Reforms

With the advent of the Policy of LPG, the Power Policy of the nation also got amended in 1991 through opening up of the sector for private participation. In the policy statements of early 1990's, it was projected that the foremost ailment affecting the power sector is power shortage and the slogan was 'power at any cost is preferable to no power' for the nation as well as for the individual states. This section proceeds with the power sector reforms at the state level in Tripura along with the financial position of the Tripura State Electricity Corporation Limited.

7.3.1 Major Initiatives at the National Level

Supply of electricity began in India with a small hydroelectric plant in Darjeeling, operated by a private party during the year 1880. The Electricity Supply Act was enacted by the Government of India leading to establishment of State Electricity Boards during the year 1948. The Central Government instituted policy to attract private sector to participate in generation, transmission, and distribution of electricity under license from State Governments in the year 1991. The major objectives behind such policy changes emphasis on Energy Security, Reliability, Comparative Prices and meeting of the life time energy needs in a technically efficient, economically viable and environmentally sustainable manner. In this regard, National Electricity Policy (NEP) has notified the Competitive Bidding Guidelines(CBG) in 2005, tariff policy has notified in 2006 and Rural Electrification Policy (REP) has notified in 2006 as per Electricity Act 2003.For a comprehensive understanding of the policy issues involved in the power sector reforms, the major reforms measure as well as goals to be achieved taken into consideration in the reformative policy statements of 1991 and its subsequent policies as outlined in Box 7.2.

Box 7.2: Chronology of Main Events of Indian Power Sector Reforms

Phase	Year	Milestones
I Phase	**1991**	• India Electricity Act and Electricity Supply Act amended to attract IPPs • Opening up of Private Investment in Power Generation
	1992 -95	• Mega Power Policy • Capacity addition in Generation through Mega Projects (1000 MW) • Competitive bidding introduced
II Phase	**1996**	• Common Minimum National Action Programme (CMNAP) • Guidelines for establishment of Regulatory Commission • Promoting Private Partnership • Reforms in the State of Orissa /Setting up of OERC
	1998-99	• Electricity Regulatory Commission Act • Electricity Law (Amend) Act to allow private participation in Transmission • Creation of CERC at Central Level • Creation of ERCs in many States
	2002	• Energy Conservation Act • APDRP (Accelerate Power Development and Reform Programme • Conference of Chief Minister: Electricity Bill introduced in Parliament
III Phase	**2003-04**	• Electricity Act, 2003 • Focus on laws relating to Generation, Transmission, Distribution, Trading • Create liberal framework for development of Power Sector • Benefits if Mega Power Policy Extended • Open Access

Source: Power Sector Reforms, Sodhganga

7.3.2 Major Initiatives at the State Level

The Government of India launched the Kutir Jyoti programme with the objective of extending single point light connections to the households of rural BPL families in the late 1980s. Later on, it has been modified to Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) in the year of 2005 by incorporating Kutir Jyoti programme in it under the Bharat Nirman Programme. Government of India has approved the RGGVY Schemes for Tripura with a total cost of Rs.316.22 Crore during the 12th plan to achieve 100 per cent intensification/electrification of Villages/Habitations/Households with privileges to the rural BPL households and also to have suitable back stream infrastructure and connectivity to provide sustainable electricity in the rural area.

In 2010, the Centre proposed a Rs. 11,411 crore programme to modernise the outdated electricity transmission and distribution system in the eight North-Eastern States under World Bank's assistance. Out of the total amount, Rs.1372 Crore was sanctioned for Tripura under the North Eastern Region Power System Improvement Project (NERSIP). This project provides scope for strengthening Intra-state Transmission and Sub-Transmission System of NER for improving power network in the NE States and to improve reliability, service delivery and reduce system losses under the supervision of Power Grid Corporation. It is important to mention that about 1, 05,057 service connections have been provided at free of cost to the BPL families in the rural areas of Tripura till March, 2014 under the Rajiv Gandhi Garmin Vidyutikaran Yojana (RGGVY).

Again, the Union Government has launched the Deendayal Upadhayaya Gram Jyoti Yojana (DDUGJY) on 25th July, 2015 with the aim to provide 24×7 uninterrupted electricity supply to each rural households across the country by 2022. However, the major components of the scheme are feeder separation; strengthening of sub-transmission and distribution network; metering at all levels (input points, feeders and distribution transformers); micro grid and off grid distribution network and rural electrification along with the sanctioned projects under RGGVY to be completed. Government of India has approved Integrated Power Development Scheme (IPDS) for Tripura for a total project value of Rs. 73.87 Crore for 20 towns and another project of Rs. 74.12 Crore under DDUGJY for all the 8 districts to strengthen sub-transmission and distribution network; metering at all levels and rural electrification so on. As per the scheme guidelines, the project management agency has already been appointed and Tripartite Agreement has been signed on 28th October, 2016.Thus, the State Government of Tripura is going through the implementation of various schemes and policies in tune with the national power reform policies.

Tripura is one of the few states in India which have adequate gas and hydro potential for power generation. As per Census - 2011, approximately 69 per cent of domestic households (of which 60 per cent in rural and 92 per cent in urban) have been electrified. Presently the inter-state transmission network in Tripura consists of 822 ckm of 400 kV Transmission lines, 407 ckm of 132 kV transmission lines and 2 numbers of substations/switchyard with 255 MVA transformation capacity at Palatana and Kumarghat. The State has envisaged a planned capacity addition of 450.55 MVA at 33/11 kV level, 162.21 MVA at DT level and creation of additional network of 1,400 CKM, 3,860 CKM and 3,777 CKM of 33 kV, 11 kV and LT lines respectively by financial year2018-19. Tripura has been supplying 100 MW of electricity to Bangladesh since 23rdMarch, 2016 after starting of its Palatana Power Plant. Moreover, Tripura became the pioneer in the NER to implement the power grid modernization.

7.3.3 Performance of TSECL

Tripura State Electricity Corporation Limited (TSECL) carries out all the works of power generation, transmission, distribution and trading activities in the State. As part of power sector reforms, the erstwhile Department of Power under the Government of Tripura has been corporatised on 9thJune, 2004 by constituting the Tripura State Electricity Corporation Limited (TSECL) under the Companies Act, 1956. So, TSECL is a state government company under the administrative control of the Department of Power, Government of Tripura.

Figure 7.5 Financial Health of TSECL

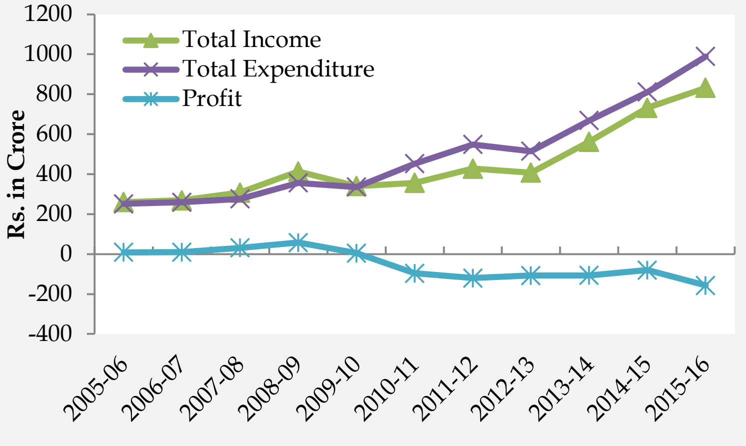


Table 7.14: Performance of TSECL, 2005-06 to 2016-17 (Rs. in Crore)

Year	Earnings from Sale of power	Other Incomes	Total Income	Expenditure	Net Profit/Loss
1	2	3	4 = (2+3)	5	(4-5) = 6
2005-06	211.09	49.25	260.34	251.53	8.81
2006-07	234.93	34.23	269.16	259.29	9.87
2007-08	264.65	42.83	307.48	276.06	31.42
2008-09	350.87	62.43	413.3	356.02	57.28
2009-10	273.68	66.46	340.15	335.40	4.75
2010-11	305.94	50.68	356.62	452.41	-95.79
2011-12	348.22	79.78	428.00	548.33	-120.33
2012-13	359.78	47.49	407.27	514.71	-107.44
2013-14	520.45	41.89	562.35	669.07	-106.72
2014-15	688.31	43.32	731.63	811.59	-79.96
2015-16	798.73	33.06	831.79	988.75	-156.96

Source: Annual Reports of TSECL

Note: (-) sign indicates the Loss

Table 7.14 states the financial position of the TSECL for the period from 2005-06 to 2015-16. It is clearly observed that after the formation of state electricity corporation, the TSECL could earn profit up to the financial year 2009-10. However, the corporation has turned to be a constant loss making enterprise since the year 2010-11. Its average annual loss during the period from 2010-11 to 2015-16 comes out to be more than Rs. 110.00 crore. Poor and traditional transmission system, interim losses of power, poor management, growing capital expenditure in recent times, lack of effective administrative monitoring and supervision, absence of appropriate pricing method may be considered as some of the reasons for such unbounded losses.

7.3.4 Impact of Power Sector Reforms

The state of Tripura has two sources of power generation viz. hydro and thermal, whereas huge endowment of natural gas for the state enhances its potentiality for thermal power generation. Consequently, thermal power accounts for 96 percent of total power generation of the state and the remaining 4 percent is generated from Gumti Hydro Power Project. Peak demand for electricity for the state stands to 272 MW during FY 2015-16 and estimated to be 290 MW including RGGVY during FY 2016-17. The availability of power for distribution in the state is estimated to be 240-250 MW. As a whole, the state needs to import 130-140 MW at the maximum during peak load hours from North Eastern Grid including the share of Palatana Project (Report on Nineteenth Electric Power Survey of India, Vol. I, 2017).

After the establishment of Palatana Power Plant (a joint venture of the Government of Tripura and the ONGC) and installation of its first thermal unit in January, 2013 and the second in November, 2014, the State has become a power surplus state with 50 MW of surplus production during peak hours and about 100 MW of surplus production during off season. Each of the units of Palatana has an installed power generation capacity of more than 300 MW. Thus, Tripura has a total installed power generation capacity of 727.24 MW as of October, 2017 (185.51 MW for state utilities). Presently, the state is supplying 100 MW of power to Bangladesh through a 400 kv transmission line between Surjyamaninagar, Tripura and South Komilla, Bangladesh. During October, 2015, ONGC has announced to export power from Palatana project to Tamu town in Myanmar.

As a part of power sector reforms, the State Government has undertaken a number of corrective measures such as providing mass electricity connection both in urban and rural areas, modernisation of transmission lines and grid, provision for uninterrupted power supply, optimal public consumption of electricity and so on. For reduction in public consumption, US$ 2.74 million has been allotted to install the energy-efficient street light (LED)across 23 towns of the state through Energy Efficiency Services Ltd.

Table 7.15: State of Electricity Connections in Tripura

Particulars	Total Domestic Households			Rural Households			Urban Households		
	Electrified	Un-electrified	Total	Electrified	Un-electrified	Total	Electrified	Un-electrified	Total
2001	277015 (41.84)	385008 (58.16)	662023 (100)	171357 (31.75)	368323 (68.25)	539680 (81.52)	105658 (86.36)	16685 (13.64)	122343 (18.48)
2011	576787 (68.44)	265994 (31.56)	842781 (100)	361573 (59.49)	246206 (40.51)	607779 (72.12)	215214 (91.58)	19788 (8.42)	235002 (27.88)
CAGR	7.61%	-3.63%	2.44%	7.75%	-3.95%	1.20%	7.37%	1.72%	6.75%

Source: 27X7 Power for all, Tripura (Collected from Census Report 2001 & 2011)
Note: Percentages are Given in Parenthesis

Table 7.15 depicts that about 60 per cent of the rural households and about 92 per cent of the urban households are electrified as on 2011 on account of the reform agenda. In overall terms, 68.44 per cent households have official electricity connections in Tripura as per Census, 2011. The rates of growth of household level electric connectivity in the state reveal to be 7.61 per cent in overall, 7.75 per cent for the rural and 7.37 per cent for urban.

Table 7.16: Power sold to ultimate consumers in the State (in MU)

Year	Sold to ultimate consumer	Domestic light & fan	Commercial	Industrial power	Public lighting	Irrigation, public water & sewage	Tea Garden bulk &Mobile Tower
2000-01	388.00	103.75	46.52	74.69	7.72	143.56	11.64
2001-02	350.69	132.21	30.86	47.34	7.01	119.23	14.03
2002-03	354.28	94.73	42.48	68.20	7.05	131.08	10.63
2003-04	423.38	113.21	50.76	81.50	8.43	156.65	12.70
2004-05	380.00	146.26	33.44	51.30	7.60	129.20	15.20
2005-06	370.69	208.65	34.20	21.26	18.31	21.15	67.13
2006-07	394.60	222.10	36.40	22.63	19.49	22.51	71.46
2007-08	397.81	223.91	36.70	22.82	19.65	22.70	72.04
2008-09	450.85	241.85	41.02	31.80	22.27	68.67	45.25
2009-10	494.56	262.24	46.65	30.21	24.43	84.12	46.92
2010-11	568.83	308.82	54.23	30.76	28.10	85.64	61.29
2011-12	624.17	341.06	60.35	31.39	30.85	76.52	84.03
2012-13	683.05	365.48	67.18	37.99	33.74	98.81	79.85
2013-14	712.27	390.40	64.66	37.07	34.75	97.06	88.34
2014-15	786.11	430.87	71.36	40.91	38.35	107.12	97.50
2015-16	813.06	439.79	74.92	43.01	39.71	113.26	102.37

Source: Economic Review of Tripura, 2015-16

In terms of power sold to ultimate consumers (Table 7.16), there has been huge increase in aggregate power consumption in the state. However, majority of the share of this increase is mainly due to increase in domestic consumption, public lighting, mobile tower connectivity, and some of the commercial uses. There has been declining trend in electricity consumption for industrial activities, irrigation, public water and sewage which does not indicate a good sign for a power surplus economy.

7.3.5 Hydro Power Potential of Tripura

At present, the Gumti Hydroelectric Power Project at Dumbur (Thirthmukh) in Tripura is in operation since 1976 with a capacity of 15 MW power generation. In addition, there are about 30.85 MW Hydroelectric Power potential in the State comprising of various Micro and Mini potential Hydroelectric Power Project as per the study made by Alternate Hydro Energy Centre, Indian Institute of Technology, Roorkee. The detail of the untapped Hydroelectric Power potential is given below:

Table 7.17: Hydro Power Potential of the State of Tripura (in MW)

Sl. No.	Name of Project	Category of the Project	Capacity (in KW)
1	Chailengta Cherra	Canal	200
2	Chhamanu	Dam	2500
3	Deo	ROR	6000
4	Dwaritilla	Canal	1000
5	Khowai	Dam	3000
6	Manu	ROR	15000
7	Muhari	Canal	2000
8	Pati Cherra	Canal	50
9	Rambhadra	ROR	1000
10	Sonai Cherra	Canal	100
	Total Potential		**30850**

Source: A Study of the Alternate Hydro Energy Centre, IIT, Roorkee *(AHEC-IITR/SHP Data Base/July 2016)*

7.4 Major Observations

- As a whole, the TFDPCL seems to be in a viable state of business, the TIDCL is an economically viable corporation and TUTCL earned highest profit of the quantum of Rs.36.19 lakh during the year 2015-16. In overall terms, TUTCL appears to be a successful joint venture. TNGCL appears to be a promising PSU in the state. During the entire study period, its income has been increasing at a higher rate than expenditure leading to increasing rates of profit over the years.
- The initiatives of diversified use of natural rubber and establishment of natural rubber based small scale manufacturing units in conformity with the local and outside market demands may be useful for sustainable development of TRPCL.
- Some sorts of managerial and administrative efficiency, adequate marketing mix, processing and quality improvement may be useful for revival of the TTDCL in near future. A rigorous administrative and structural reform in the line of market demand and effective supervision can help in revival of the TSICL. The State has historical, cultural and trade relation with the neighbouring country Bangladesh. So, requisite initiatives from the part of the State Government would indeed help expanding this sector and revival of the Tripura Tourism Development Corporation Limited.
- The overall financial position of TJML clearly indicates that it is not in state of economic viability at present. Moreover, the revival of TJML seems to be very

difficult taking into account the almost non-availability of raw jute in the state and the existing stiff competition from available alternative produces in the market replacing jute.

- Looking at the importance of the THHDCL in promotion of traditional creativity, cultural diversity and heritage as well as rural employment, its revival is utmost important for a state like Tripura where large scale industries are typically absent. A Public-Private Partnership (PPP) kind joint venture may be thought of considering the marketing prospects of this type of products.
- A state joint venture like the profit making TUTCL (Tripura Urban Transport Corporation Limited) or PPP kind of ventures may be thought of for the long run sustainability of the TRTC.
- The State Government may expedite the process of winding up of the non-working SPSU viz. TSBL.
- Poor and traditional transmission system, interim losses of power, poor management, growing capital expenditure in recent times, lack of effective administrative monitoring and supervision, absence of appropriate pricing method may be considered as some of the reasons for unbounded losses for TSECL. There has been declining trend in electricity consumption for industrial activities, irrigation, public water and sewage which does not indicate a good sign for a power surplus economy.

7.5 Looking at the Future

For industrial development of the state of Tripura in general and to earn dividend from the State Public Sector Undertakings in particular, the government may think of all the possible measures as outlined in the previous section i.e. major observations. More specifically, the state government may go for some rigorous steps in this regard. ***First***, closing of the continuously loss making PSUs like Tripura Jute Mills Limited which have limited chance of revival. Further, the huge land area of the Jute Mill can be used for some other effective economic purposes looking at the job security of the existing employees and creation of future employments. For example, a mass scale multi-towered housing project can be considered in this land area. The TJML had 72.240 acres of land in its possession. However, after sub-allotment of lands to Amtali Police Station, ONGC, International Fair Ground etc., now it has 32.091 acres of land to its possession. So, a housing project of near about 5000 households' accommodation with shopping malls and other modern amenities is possible in this land. This will be helpful for effective extension of the city Agartala as well as protection of job security of the existing employees, creation of new employment and alternative livelihoods for many. **Second**, the government should proceed with structural and administrative reforms for the critical PSUs like Tripura Handlooms and Handicrafts Development Corporation Limited (THHDCL), Tripura Road Transport Corporation Limited (TRTC) through PPP models or Joint Venture. ***Third***, the state needs to speed up of the process of modernisation of the Power Sector. Moreover, the Tripura State Electricity Corporation Ltd. (TSECL), which have monopoly in rendering services may provide the service at market determined prices and this will not only increase profit but efficiency as well. Of course, a system of greater monitoring and supervision will make the sector more efficient. ***Fourth***, enterprises like Tripura Industrial Development Corporation Ltd. (TIDCL) should only finance the industries which have competitive advantage as laid down by Vision Document, 2020 prepared by NIPFP.

Decentralisation Initiatives of the State Finances 8

8.1 Decentralisation of the State Finances

The Constitution of India has recognised and declared that the State has the responsibility to improve the wellbeing and prosperity of the common people. According to Article 12 of the Indian Constitution, 'State' includes Central, State and Local Governments. To ensure the welfare of the common people, local self-governments should have adequate financial resources, like central government and state government. The 73rd Constitutional Amendment Act, 1992 (came into force from 24thApril, 1993) plays a vital role in this regard to provide constitutional status to the Panchayati Raj Institutions. The Amendment declares the power for devolution of funds, functions and functionaries to the Panchayat Raj Institutions to make them financially competent and autonomous. Devolution of powers to the local bodies including fiscal powers is considered to be a substantial process of democratic decentralisation. The 73rd and 74th Amendments of the Constitution incorporated two respective schedules of which the Eleventh Schedule contains a list of 29 subjects for rural bodies while the Twelfth Schedule contains a list of 18 subjects for urban local bodies.

Following the Amendments, like other states of India, the Government of Tripura has also enacted the Tripura Panchayats Act, 1993 and the Tripura Municipal Act, 1994 for empowering Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) to function as institutions of self-government and to accelerate the process of economic development in the rural and urban areas.

Besides, the Tripura Tribal Areas Autonomous District Council (TTAADC) was set up in January, 1982 under the Seventh Schedule of the Constitution of India aiming at gradual transfer of powers with adequate financial resources to the Tribal people for their welfare. Later, the council was brought under the provisions of the Sixth Schedule of the Constitution since 1st April, 1985 to entrust more responsibilities and power with them. This provides the TTAADC more administrative and legal authority towards cultural, social and economic development of the tribal people of Tripura.

Thus, through administrative decentralisation and process of empowerment of the local bodies, there have been various decentralisation initiative in the state finance of Tripura for the last few decades

8.2 Rationale of Decentralisation for State Finances

In modern era, the function of the states has enormously increased and it is impossible to perform all the functions effectively and efficiently by a single unit of government. The aim of any government (whether central or state) is to satisfy the needs of local people in a balanced and co-ordinated way for the purpose of proper well-being of the society. The local self-governments can play a pivotal role in developmental planning and plan implementations ensuring effective people participation at the local level. The devolution of powers, functions and funds is more important for the reason that, without substantial powers and funds, decentralised institutions cannot be successful. Thus, the central and state governments are forced to delegate some of their function to local bodies through the aforesaid Constitutional Amendments. This is also helpful for maintaining social cohesiveness in a diversified society.

8.3 Pattern and Nature of Decentralisation Initiatives in Tripura

The three-tier Panchayati Raj system (other than the areas of TTAADC) enacted by the Tripura Panchayats Act, 1993 is conducive for accelerating economic development of rural Tripura through self-governance. Similarly, empowering of the Urban Local Bodies (ULBs) through the Tripura Municipal Act, 1994 has been expected to be effective for accelerating economic development of the urban areas of Tripura. Also, providing greater autonomy to the Tribal people through the establishment of the Tripura Tribal Areas Autonomous District Council (TTAADC) under the Sixth Schedule of the Constitution of India is a way forward towards the development of the rural tribal people of the state.

At present, there are 8 Zilla Parishads, 35 Panchayat Samities and 591 Gram Panchayats under the Panchayati Raj system of Tripura after the recent demarcation of 2014 owing to the expansion of population size. Till date, the Government of Tripura has devolved only *five* subjects[1] (out of 29 subjects listed in the Eleventh Schedule of the Constitution) to the Panchayati Raj Institutions (PRIs) for effective decentralisation of the Local Self-Governments. This is also important to point out that as per the Tripura Panchayats Act, 1993, the powers and functions of 12-line departments viz. Rural Development, Food, Agriculture & Horticulture, Education, Social Welfare & Social Education, Fisheries,

[1] (i) Water Resources, (ii) Primary School, (iii) Adult and Non-Formal Education, (iv) Social Welfare including Welfare of the Handicapped and Mentally Retarded and (v) Women and Child Development.

Health & Family Welfare, IFC & PHE, Revenue, Animal Resources, Industries and Forest have been assigned to the PRIs.

The Urban Local Bodies (ULBs) of Tripura consist of 1 Municipal Corporation, 13 Municipal Councils and 6 Nagar Panchayats with the devolution of 17 subjects (except Fire Service) out of 18 subjects listed in the Twelfth Schedule of the Constitution of India for economic development and social justice by local and self-governance.

For the Tripura Tribal Areas Autonomous District Council (TTAADC), there are 587 Village Committees (VCs) constituted in accordance with the provision of paragraph 3(1)(e) of the Sixth Schedule of the Constitution of India. The activities range from primary education to maintenance of roads and bridges etc. The rehabilitation of the landless tribal, creation of employment opportunities, agricultural development, soil conservation, flood control, supply of drinking water, education, transport and communication, setting up of village industries are some of the important functions devolved to the TTAADC.

8.3.1 Major Decentralisation Initiatives of the Govt. of Tripura

In addition to the enactment of the Tripura Panchayats Act, 1993, Tripura Municipal Act, 1994 as well as establishment of the Tripura Tribal Areas Autonomous District Council (TTAADC) under the Sixth Schedule of the Constitution and devolution of power and functions to the local bodies under Eleventh and Twelfth Schedules of the Constitution of India, the State Government of Tripura has been constituting the State Finance Commissions since the year 1994 under Section 214 of the Tripura Panchayats Act, 1993 for devolution of funds and improving the health of finances of the rural and urban local bodies. So far, the State Government has constituted 4 State Finance Commissions (SFCs) viz. the First SFC was constituted in 1994 and the report of the commission was received in 1996, the Second SFC was constituted in 1999 and the report was received in 2003, the Third SFC was constituted in March, 2009 and the report was received in October, 2009, the Fourth SFC was constituted in 2013 and the report was received in 2016.

In accordance with Section 214(8) of the Tripura Panchayats Act, 1993, the report of the First SFC along with an Explanatory Memorandum as to the actions taken (ATR) has been placed before the State Legislature. The First SFC has given 25 major recommendations towards devolution of power and funds to the local bodies and improving the financial health of the PRIs. The State Government in its Actions Taken

Report (ATR) accepts 21 of the major recommendations as they were placed. However, for 2 of the recommendations related to devolution of revenues collected from sales tax, additional sales tax, purchase tax etc. and their uses, the government gone for downward modifications of the devolution rates and subjective conditions of their uses. The remaining 2 recommendations related to performance-based incentives to the local bodies and grants for construction of office building of the local bodies, the government turned down both of them on the grounds that performance-based award would not be appropriate at the initial stage and office building grants to the Panchayat Raj Bodies are available in Tenth Finance Commission award. Again, this is also important to point out that the First SFC was primarily meant for PRIs, but the government has extended its recommendations to the TTAADC also targeting an altogether harmonious development of the rural areas. Accordingly, the State Government ensured that an amount of money equal to the devolution of the PRIs because of the report of the SFC will also be made available to the TTAADC.

Regarding the Second SFC report, the Explanatory Memorandum has been placed before the State Legislature. However, meanwhile the Finance Department after reviewing of the recommendations clears its stand that further devolution of funds is not feasible under present financial position of the State. Then, the Council of Ministers in its meeting held on 12.10.2007 has decided to continue the implementation of the recommendations of the First Tripura State Finance Commission.

After receiving the Report of the Third SFC in October 2009, the report along with its Explanatory Memorandum as to the action taken (ATR) was laid on the table of the House i.e. the State Legislature at the early part of 2010. The Government accepts majority of the recommendations except a few. The major decentralisation measures for PRIs and RLBs as proposed by the Third SFC enlist (i) proper delegation of financial powers, administrative accountability and resource mobilisation; (ii) enhancement of own revenue generation capacity of the RLBs, asset management and control, implementation of service charges by the RLBs and provision of incentive grants in addition to normal devolution; (iii) revision of honorarium of the Office Bearers of RLBs, favourable revision of devolution of fund from shares of taxes to the RLBs under Panchayat and TTAADC areas, maintaining of the per capita ratio of 4:5 between Panchayat areas and Sixth Schedule Areas (ADC) for devolution of development fund; (iv) modification of the guidelines for PDF, more transparency in maintaining the beneficiary accounts through online Family Card system; (v) providing adequate training to the representatives and functionaries of the RLBs both in Panchayat and ADC areas, revision of the RR for recruitment of Panchayat Secretaries with higher qualification; (vi) proper guidelines for framing of development planning and maintenance of records for the RLBs; (vii) framing of necessary Rules for maintenance of accounts at every level of the Panchayats on an urgent basis. The State Government in principle accepted majority of the recommendations and started implementing them in a phase manner. However, levying of service charges by the RLBs from their beneficiaries was not accepted by the Government. The recommendation of providing matching grant equal to the amount of revenue collection by the RLBs was placed under review by the Government.

8.3.2 Major Recommendations of the Fourth SFC

It is mentioned in the previous section that the latest i.e. the Fourth SFC was constituted in the year 2013 and the report of the SFC was received in 2016. However, the Explanatory Memorandum as to the action taken (ATR) on the report is yet to be tabled of the State Legislature. The recommendations of the Fourth SFC both for RLBs (under areas of Panchayats and TTAADC) and ULBs received separately are still under review and consideration. The major recommendations of the Fourth SFC are presented below:

Box 8.1 Major Recommendations of the Fourth SFC, Tripura

General Recommendations	Particular Recommendations for RLBs	Particular Recommendations for ULBs
Constitution of a permanent Cell of SFC in the State	Horizontal distribution of fund from 14th CFC based on population and area in the ratio of 9:1	Introduction of own town/city plan for ULBs, Master plan by using GIS, Delivery of core services like water supply, drainage and solid waste management, housing facilities for poor and slum dwellers, street lighting, sewerage as per standard norms
Creation of a Data Bank through preservation of relevant and reliable data in the Cell	Allowing more fund in the form of Grant-in-aids namely, PDF, in addition to share of taxes	Systematic collection of property tax, Upward revision of taxes on advertisements, non-motorised vehicles, more focus on vacant land tax, congestion tax etc.
More focus on enhancement of own revenue collection of the Local Bodies (LBs)	Upward revision of honorarium of the Office Bearers for PRIs and TTAADC	Upward revision of honorarium of the Office Bearers for ULBs

Performance-based incentive grants to the LBs on revenue collection and auditing	Vertical reallocation of state share of taxes in the ratio of 2:5:3 for Gram Panchayats, Panchayat Samities & Zilla Parishad and in the ratio of 12:5:3 for Village Committees, Block Advisory Committees & TTAADC	Financial Resource Gap and Devolution has been assessed for Rs. 951.63 crore and shown up to 2020-21 for releasing the amount from share of taxes considering 2016 population as base
Capacity building of the LBs, better qualified and efficient staff, preparation of GPDP	Realisation of user charges for O & M cost for water supply, micro irrigation and sanitation etc.	All the budgeting and accounting system be made computerised
State received Rs. 13950.14 crore less from 14th FC. The amount may be considered as special Gap Grant.	Maintenance of Asset Register for the RLBs under PRIs and TTAADC, Maintenance of Family Benefit Card for beneficiaries, and Social Audit	Single window system be followed for approval of building plan, mutation certificate, trade license etc.
Regular audit of the LBs both from AG and Audit Directorate	Adequate training and capacity building for representatives and functionaries	Transfer policy for Group – C and Group – D posts should be considered
The GoI should consider for a consistent flow of the rate of share of central taxes from year to year to the State of Tripura otherwise it will have a negative impact on the finances of LBs	The existing 2343 vacancies and creation of 539 positions should immediately be taken for smooth functioning of the PRIs	Adequate focus be given for improving the infrastructure for the ULBs

8.3.3 Mechanism of Audit and Accounts of PRIs

The PRIs and ULBs generally follow the procedure of Internal Auditing as well as conduct auditing and accounting by Chartered Accounts and CAG. However, some of the crucial shortfalls of the prevailing mechanism of auditing and accounts of the PRIs and ULBs have been pointed out time to time by the various State Finance Commissions and Annual Technical Inspection Reports of the Government of Tripura. For example, 'internal control and monitoring mechanism was not adequate' as reported in the Annual Technical Inspection Report for the year ended 31 March 2010. Again, the Annual Technical Inspection Report, 2011 pointed out that the PRIs have not prepared the annual budget nor finalized the accounts. The Fourth State Finance Commission of Tripura also recommends that "Officials of RD (Panchayat) Department may be assigned only to conduct internal audit for accounts maintain by Rural Local Bodies. Only auditors of AG, Tripura and Directorate of Audit may be assigned to conduct statutory audit, as it is very crucial in view of the 14th CFC recommendations to avail of performance grant. ...... The Directorate of Audit may be requested accordingly to ensure audit of accounts for all PRIs and 6th Scheduled Area Bodies every year."

Regarding auditing and accounts of the PRIs and ULBs, the major drawbacks for many of the Local Bodies are:

- A number of cases of accumulation of unutilised balances of funds;
- Annual accounts were not prepared;
- Idle investments on construction of market stalls for some of the Panchayat Samities;
- Unauthorised expenditure and diversion of funds;
- Poor implementation of schemes;
- Non-imposition of property tax for some of the ULBs in spite of having clear guidelines and also non-realisation of revenues in some cases;
- Non-adjustment of advances etc.

So, preparation of annual budget and finalisation of accounts be made mandatory for every LBs under the three tier PRIs as well as for the ULBs. More focus should be given on approved work plan for implementation of schemes. To ensure accountability towards audit, the Government has to undertake follow-up actions to furnish early reply of audit observations. With these, a vibrant internal control mechanism along with proper monitoring may improve the financial efficiency of the Local Bodies and expected to strengthen the decentralisation process.

8.4 Sources of Funds for the Local Bodies

The major sources of funds for the local bodies are tax and non-tax revenues statutorily allocated to them, transfer of resources from the State, grants-in-aid from Government of India under the Central Finance Commissions and other grants from GOI for implementation of various Centrally Sponsored Schemes relating to their development.

The taxation powers of each tier of PRIs have been mentioned separately in the Tripura Panchayats Act, 1993. Sections 59, 114 and 168 of the Tripura Panchayats Act, 1993 prescribe these taxation powers of Gram Panchayats, Panchayat Samities and Zilla Parishads respectively. The other levies that the PRIs are allowed to collect are toll fees, user charges, fines etc. which can be clubbed under the category of non-tax revenue. However, the resource base of PRIs mainly consists of Panchayat Development Fund (PDF), Central Finance Commission (CFC) grants and Own Revenue. Resources also released to the Gram Panchayats from the Central/State for the implementation of various schemes or programmes.

The major sources of funds for the Urban Local Bodies (ULBs) are own tax and non-tax revenues statutorily allocated to them, transfer of resources from the State Government under the grant of State Finance Commissions, grants-in-aid from Central Government under the award of Central Finance Commission and grants from GOI for implementation of different Centrally Sponsored Schemes. Property tax on land and buildings is the main contributor of ULBs own tax revenue. Along with the holding tax, other levies like water tax, lighting tax etc. also collected by the ULBs as a certain percentage of the annual value. The non-tax revenue of ULBs are derived mainly from trade licence fees, market fees, fees on slow moving vehicles, sale of water, parking fees, fines and penalties etc. While power to collect certain taxes is vested with the ULBs, powers pertaining to the rates and revision thereof, procedure of collection, method of assessment, exemption, concessions, etc. are vested with the State Government.

The sources of funds and revenues for the Autonomous Council has been given in the respective section of Tripura Tribal Areas Autonomous District Council (TTAADC).

8.5 Transfer of Resources to the Local Bodies

Keeping in consideration the state of the local bodies, their sources of funds along with the Constitutional Directives to that effect, let us have a look at the pattern of fund transfer to the local bodies in Tripura for the period from 2006-07to 2016-17. The substantial amount of financial assistance provided in terms of grants and advances to local bodies and other institutions during the last *eleven* years from 2006-07 to 2016-17 as illustrated in Table 8.1.

Table 8.1: Transfer of Resources from State to Local Bodies &other Institutions, Tripura (Rs. in Crore)

Year	Panchayati Raj Institutions	Urban Local Bodies	Autonomous Bodies	Total
2006-07	52.00 (2.09)	37.17 (1.50)	55.33 (2.23)	144.50 (5.82)
2007-08	55.17 (1.97)	22.79 (0.82)	68.32 (2.45)	146.27 (5.24)
2008-09	60.00 (1.92)	59.24 (1.89)	77.50 (2.48)	196.74 (6.29)
2009-10	27.57 (0.65)	78.52 (1.86)	117.28 (2.78)	223.37 (5.30)
2010-11	29.93 (0.69)	99.27 (2.28)	130.60 (3.00)	259.80 (5.96)
2011-12	45.04 (0.94)	132.93 (2.76)	39.86 (0.83)	217.83 (4.53)
2012-13	45.36 (0.87)	241.52 (4.63)	43.60 (0.84)	330.48 (6.34)
2013-14	37.12 (0.62)	170.76 (2.78)	34.92 (0.59)	242.80 (4.08)
2014-15	69.88 (0.94)	242.51 (3.26)	71.80 (0.96)	384.19 (5.16)
2015-16	70.77 (0.90)	186.10 (2.37)	187.93 (2.39)	444.80 (5.65)
2016-17	90.98 (1.03)	404.57 (4.57)	192.93 (2.18)	688.48 (7.78)
CAGR(%)	***5.75***	***26.96***	***13.30***	***16.90***

Sources: Finance Accounts, Govt. of Tripura

Note: The ratio of fund disbursement to Local Bodies to State's Revenue Expenditure are given in Parentheses.

The quantum of financial assistance to the local bodies and other institutions have increased substantially by Rs. 543.98 crore along with a compound annual growth rate of 16.90 per cent for the study period. Out of total financial assistance of Rs. 688.48 crore (which is 7.77 per cent of Revenue Expenditure of the state) in 2016-17, Rs. 404.57 crore (58.76 per cent of Total Disbursement of fund) has been given to the Urban Local Bodies (ULBs). Only Rs. 90.98 crore, which is 1.03 per cent of state revenue expenditure (and13.21 per cent of Total Disbursement of fund), has been given to the Panchayati Raj Institutions (PRIs) during the year 2016-17. The financial assistance to the PRIs has increased by a quantum of Rs. 38.98 crore (i.e. from Rs. 52.00 crore in 2006-07 to Rs. 90.98 crore in 2016-17), with a compound annual growth rate of 5.75 per cent only. Financial assistance to the autonomous bodies has increased to Rs. 192.93 crore in 2016-17 from the amount of Rs. 55.33 crore in 2006-07, following an irregular trend of disbursement and with a CAGR of 13.30 per cent. Thus, there has been tendency of urban centrism in disbursement of funds for the state during the study period.

Panchayati Raj Institutions of Tripura

It is mentioned earlier that the sources of funds for the PRIs consist of Panchayat Development Fund (State Govt. Grants), Central Finance Commission Grants and Own Revenues. The receipt of funds under the mentioned heads during the study period is shown in Table 8.2.

Table 8.2: Fund for PRIs and Its Composition (Rs. in Crore)

Year	State Govt. Grants	Central FC Grants	Own Sources	Total
2006-07	52.00	5.70	1.02	58.72
2007-08	55.33	5.70	0.97	62.00
2008-09	60.00	5.70	0.70	66.40
2009-10	40.00	17.10	0.72	57.82
2010-11	34.93	21.18	1.25	57.36
2011-12	34.92	51.43	1.34	87.69
2012-13	34.00	54.97	1.91	90.88
2013-14	55.03	17.01	na	72.04
2014-15	60.82	80.87	3.68	145.37
2015-16	65.00	36.42	na	101.42
2016-17	65.00	56.76	na	121.76
CAGR (%)	***2.26***	***25.84***	***--***	***7.57***

Sources: Annual Technical Inspection Report on PRIs & ULBs, 2010-11, 2014-15

Total Receipts of PRIs has increased from Rs. 58.72 crore in 2006-07 to Rs. 121.76 crore in 2016-17 exhibiting a CAGR of 7.57 percent. However, the receipt under the State Govt. Grants or Panchayat Development Fund exhibits a nominal increase of Rs. 13 crore only (from Rs. 52.00 crore in 2006-07 to Rs. 65.00 crore in 2016-17) with a CAGR of 2.26 percent. Again, there have been huge fluctuations in State Govt. Grants during the study period. The receipt from Central FC Grants have increased from Rs. 5.70 crore in 2006-07 to Rs. 56.76 crore in 2016-17 showing a CAGR of 25.84 percent. The receipt of PRIs from its Own Sources has been negligible in amount over the study period.

Box 8.2 Eleventh Schedule of the Constitution of India

The 11th Schedule of Indian Constitution was added in 1992 by the 73rd Constitution Amendment Act (which effected from 24th April 1993). This schedule contains 29 subjects. This schedule covers 29 items to provide power to Panchayat Raj Institution to perform independently and effectively for the improvement of the rural peoples.

List of 29 items covered under the Eleventh Schedule of the Indian Constitution are as follows;

1. Agriculture, including agricultural extension.
2. Land improvement, implementation of land reforms, land consolidation and soil conservation.
3. Minor irrigation, water management and watershed development.
4. Animal husbandry, dairying and poultry.
5. Fisheries.
6. Social forestry and farm forestry.
7. Minor forest produce.
8. Small scale industries, including food processing industries.
9. Khadi, village and cottage industries.
10. Rural housing.
11. Drinking water.
12. Fuel and fodder.
13. Roads, culverts, bridges, ferries, waterways and other means of communication.
14. Rural electrification, including distribution of electricity.
15. Non-conventional energy sources.
16. Poverty alleviation programme.
17. Education, including primary and secondary schools.
18. Technical training and vocational education.
19. Adult and non-formal education.
20. Libraries.
21. Cultural activities.
22. Markets and fairs.
23. Health and sanitation, including hospitals, primary health centres and dispensaries.
24. Family welfare.
25. Women and child development.
26. Social welfare, including welfare of the handicapped and mentally retarded.
27. Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.
28. Public distribution system.
29. Maintenance of community assets.

The Annual Technical Inspection Report, 2011pointed out that "All the three tiers of PRIs have neither prepared the annual budget nor finalized the accounts. In the absence of Annual Accounts, the actual financial position could not be ascertained and making expenditure without preparation of budget estimates is violation of the respective provision of the Tripura Panchayats Act". This may be the probable reason of inconsistency in financial statement for Finance Accounts and that of the Technical Inspection Report.

Urban Local Bodies

For Urban Local Bodies (ULBs) of the state, the present study only concentrates to Agartala Municipal Corporation (AMC) owing to data scarcity for others.

Box 8.3 Twelfth Schedule of the Constitution of India

The system of urban government was constitutionalised through the 74th constitutional amendment act of 1992. This act provides the constitutional status to the municipalities in India. The act aims at the uplifting and strengthening the urban local bodies so that they can function independently and effectively for economic development and social justice of the commons as units of local government. Twelfth Schedule was added by the 74th Amendment Act of 1992.Twelfth Schedule of the Indian constitution contains 18 subjects, to allowing powers, authority and responsibilities of Municipalities

List of 18 items covered under the Twelfth Schedule of the Indian Constitution are as follows;

1. Regulation of land use and construction of land buildings.
2. Urban planning including the town planning.
3. Planning for economic and social development
4. Urban poverty alleviation
5. Water supply for domestic, industrial and commercial purposes
6. Fire services
7. Public health sanitation, conservancy and solid waste management
8. Slum improvement and up-gradation
9. Safeguarding the interests of the weaker sections of society, including the physically handicapped and mentally unsound
10. Urban forestry, protection of environment and promotion of ecological aspects
11. Construction of roads and bridges
12. Provision of urban amenities and facilities such as parks, gardens and playgrounds
13. Promotion of cultural, educational and aesthetic aspects
14. Burials and burials grounds, cremation and cremation grounds and electric crematoriums
15. Cattle ponds, prevention of cruelty to animals
16. Regulation of slaughter houses and tanneries
17. Public amenities including street lighting, parking spaces, bus stops and public conveniences
18. Vital statistics including registration of births and deaths

Agartala Municipal Corporation (AMC)

The finances of ULBs comprise of receipts from own sources, grants and assistance from Government of India (GOI) and the State Government. State Government Grants are received through decentralization of net proceeds of the total tax revenue under the formula prescribed by State Finance Commission. Property tax on land and buildings is the main contributor of ULBs own tax revenue. While power to collect certain taxes is vested with the ULBs, powers pertaining to the rates and revision thereof, procedure of collection, method of assessment, exemption, concessions, etc. are vested with the State Government. The own non-tax revenue of ULBs comprise of fee for sanction of plans/mutations, water charges, etc. Grants and assistance released by the Governments are utilised for developmental activities and execution of various schemes. Income receipts by the AMC from the different sources are given in Table 8.3.

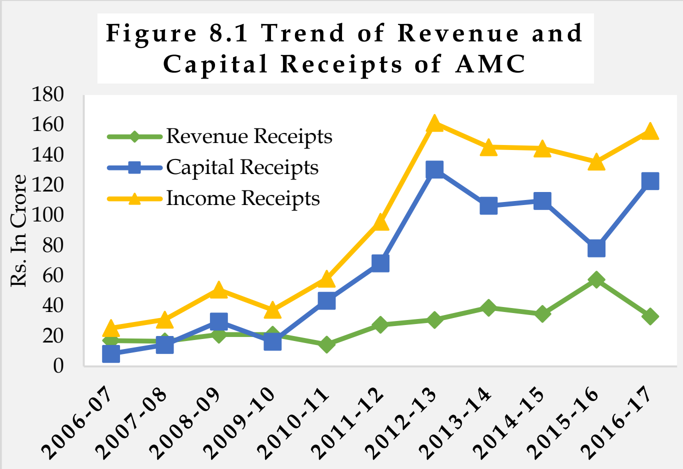
Table 8.3: Resources of AMC (Rs. in Crore)

Year	**Revenue Receipts**	**Capital Receipts**	**Income Receipts**
2006-07	17.16 (67.25)	8.36 (32.75)	25.52
2007-08	16.67 (53.86)	14.39 (46.32)	31.06
2008-09	21.12 (41.52)	29.75 (58.48)	50.88
2009-10	21.09 (56.19)	16.44 (43.81)	37.53
2010-11	14.58 (25.05)	43.60 (74.95)	58.18
2011-12	27.62 (28.76)	68.41 (71.24)	96.03
2012-13	30.93 (19.16)	130.52 (80.84)	161.45
2013-14	38.94 (26.78)	106.50 (73.22)	145.45
2014-15	34.77 (24.06)	109.76 (75.94)	144.53
2015-16	57.52 (42.36)	78.28 (57.64)	135.80
2016-17	33.24 (21.29)	122.90 (78.71)	156.14
CAGR (%)	**6.84**	**30.74**	**19.86**

Source: Budgets of Agartala Municipal Corporation

Note: Percentage of Income Receipts is given in Parentheses.

Table 8.3 represents income receipts by AMC in terms of Revenue and Capital receipts over the study periods. Revenue receipts of the AMC has been followed an increasing trend with a CAGR of 6.8 per cent following a fluctuating trend over the study period. The large difference in the amount of revenue receipts in 2014-15 and 2015-16 may be the results of collection of own tax revenue of the AMC along with the share of taxes receipts from the state government. On the other hand, Capital Receipts of the AMC has by increased more than 14 times of during the study period with CAGR a 30.74 per cent. A huge jump in capital receipt for AMC is noticed since the year 2012-13. In majority of the years under study, proportion of capital receipt is significantly higher than that of revenue receipt. Figure 8.1 gives a clear picture of increasing trends of Revenue Receipts and Capital Receipts of the Agartala Municipal Corporation (AMC). It reveals that capital receipt rises at a much higher rate that of revenue receipts at the 2009-10.



A detail and in-depth idea of the trends of revenue and capital receipts for the AMC may be obtained from the 8.4, which capture the different components of revenue and capital receipts along with their respective proportionate share to the total income of the AMC.

Table 8.4: Different Heads and composition of Resources of AMC (Rs. in Crore)

Year	Revenue Receipts			Capital Receipts				Total Income Receipts
	Own Tax Income	*Other Income*	*State Government (Share of Taxes)*	*State Government (Grant & Subsidy)*	*Central Government (Grant & Subsidy)*	*Deposit Work*	*Others*	
2006-07	2.25 (8.81	3.98 (15.56)	10.93 (42.85)	2.19 (8.59)	1.53 (5.98)	3.87 (15.18)	0.77 (3.00)	25.52
2007-08	2.43 (7.81)	3.12 (10.05)	11.12 (35.82)	4.38 (14.10)	5.23 (16.84)	3.89 (12.52)	0.89 (2.86)	31.06
2008-09	3.32 (6.52)	4.17 (8.20)	13.64 (26.80)	2.31 (4.53)	21.91 (43.07)	3.24 (6.38)	2.29 (4.50)	50.88
2009-10	3.30 (8.80)	3.78 (10.06)	14.01 (37.32)	6.68 (17.81)	2.57 (6.84)	5.42 (14.45)	1.77 (4.72)	37.53
2010-11	2.18 (3.75)	3.73 (6.41)	8.67 (14.90)	5.00 (8.59)	36.52 (62.77)	0.81 (1.40)	1.27 (2.19)	58.18
2011-12	4.80 (5.00)	5.39 (5.61)	17.43 (18.15)	7.70 (8.02)	56.36 (58.69)	1.55 (1.62)	2.80 (2.92)	96.03
2012-13	4.85 (3.01)	5.19 (3.21)	20.89 (12.94)	22.20 (13.75)	101.16 (62.66)	2.27 (1.40)	4.89 (3.03)	161.45
2013-14	6.17 (4.24)	6.09 (4.19)	26.69 (18.35)	29.85 (20.52)	62.59 (43.03)	3.07 (2.11)	10.99 (7.56)	145.45
2014-15	6.19 (4.29)	6.38 (4.42)	22.19 (15.35)	24.49 (16.95)	73.25 (50.68)	1.32 (0.91)	10.70 (7.40)	144.53
2015-16	8.03 (5.91)	8.98 (6.61)	40.51 (29.83)	26.40 (19.44)	25.78 (18.98)	12.75 (9.39)	13.35 (9.83)	135.80
2016-17	6.70 (4.29)	6.40 (4.10)	20.15 (12.90)	36.00 (23.06)	71.85 (46.01)	11.08 (7.10)	3.79 (2.43)	156.14
CAGR (%)	**11.53**	**4.87**	**6.31**	**32.31**	**46.95**	**11.09**	**17.28**	**19.86**

Source: Budgets of Agartala Municipal Corporation
Note: Percentages of Income Receipts are given in Parentheses.

Table 8.4 clearly reveals that share of taxes from the state government has been the major component of revenue receipts and grant & subsidy both from state and central have been the major components of capital receipts for the Agartala Municipal Corporation (AMC). Again, grant and subsidy from centre gradually turns out to be the major component of all heads will a CAGR of 46.95 per cent.

Figure 8.2 Components of Revenue Receipts of AMC

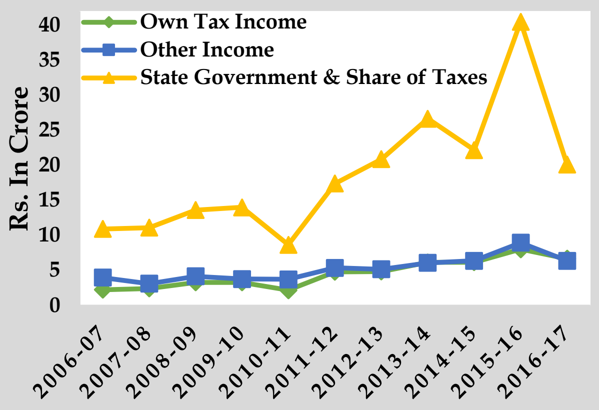
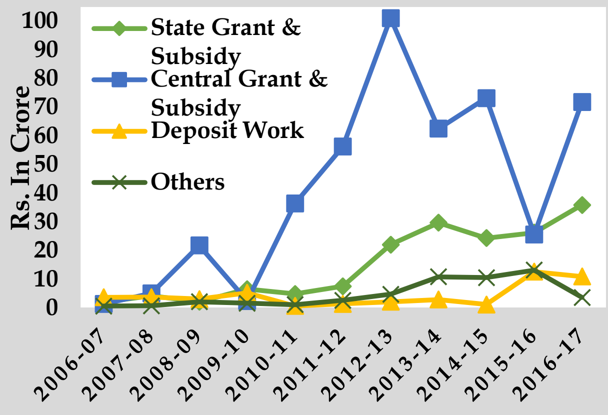


Figure 8.3 Components of Capital Receipts of AMC



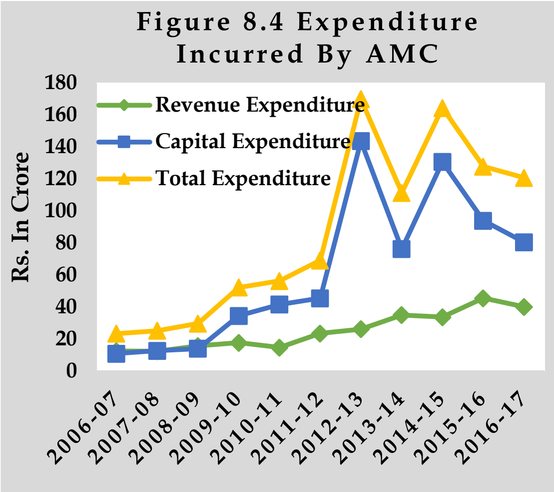
In fact, there has been a marked increase in grands and subsidy both from centre and state governments to the AMC during the study period as reflected in their respective CAGR of 46.95 per cent and 32.31 per cent. However, the rate of increase in grands and subsidy by the centre has been much higher than that by the state as represented by Figure 8.3. In case of revenue receipt, the rate of increase in the share of taxes from the state much higher than other component (Figure 8.2). Regarding expenditure pattern of the Agartala Municipal Corporation (AMC), it is observed that capital expenditure exceeded revenue expenditure for the 2008-09 and thereafter increases at a much higher rate than revenue expenditure. A detail of the pattern of expenditure is presented in Table 8.5.

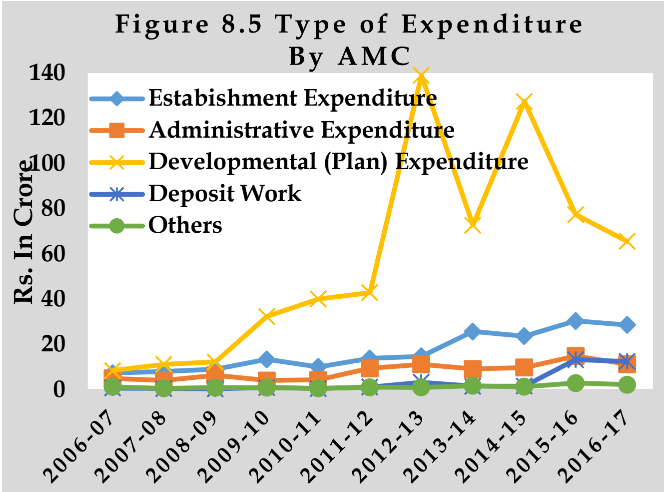
Table 8.5: Expenditure incurred by AMC (Rs. in Crore)

	Revenue Expenditure		*Capital Expenditure*			*Total*
Year	*Establishment*	*Administrative*	*Developmental (Plan)*	*Deposit Work*	*Others*	***Expenditure***
2006-07	7.44 (31.63)	5.12 (21.77)	8.61 (36.61)	0.90 (3.83)	1.45 (6.16)	**23.52**
2007-08	8.26 (32.71)	4.22 (16.71)	11.36 (44.99)	0.65 (2.57)	0.75 (2.97)	**25.25**
2008-09	9.23 (30.95)	6.55 (21.97)	12.43 (41.68)	0.51 (1.71)	1.10 (3.69)	**29.82**
2009-10	13.54 (25.88)	4.23 (8.09)	32.48 (62.09)	1.07 (2.05)	0.99 (1.89)	**52.31**
2010-11	10.25 (18.18)	4.50 (7.98)	40.27 (71.41)	0.65 (2.25)	0.73 (1.29)	**56.39**
2011-12	13.99 (20.22)	9.55 (13.80)	43.09 (62.29)	1.30 (2.88)	1.25 (1.81)	**69.18**
2012-13	14.87 (8.75)	11.38 (6.70)	139.09 (81.84)	3.44 (2.02)	1.17 (0.69)	**169.96**
2013-14	25.83 (23.89)	9.26 (8.31)	72.86 (65.40)	1.61 (1.45)	1.84 (1.65)	**111.41**
2014-15	23.81 (14.48)	9.95 (6.05)	127.52 (77.53)	1.72 (1.05)	1.46 (0.89)	**164.47**
2015-16	30.53 (23.89)	15.04 (11.77)	77.55 (60.68)	13.40 (10.48)	3.10 (2.43)	**127.81**
2016-17	28.75 (23.79)	11.44 (9.47)	65.69 (54.36)	12.63 (10.45)	2.34 (1.94)	**120.85**

Source: Budgets of Agartala Municipal Corporation
Note: Percentage of Total Expenditure are given in Parentheses.

Table 8.5 clearly reveals that there has been a sharp increase in the development expenditure ranging from 36.61 to 81.84 per cent of the total for the AMC. On the other hand, non-plan expenditure consisting of establishment and administrative has a declining relative share in total expenditure over the study period. This may be considered as a good sign for financial management by AMC.





Tripura Tribal Areas Autonomous District Council (TTAADC)

Financial support to the Autonomous District Councils has been given as per paragraph 13 of the Sixth Schedule of the Constitution of India. The size of the budget of the Council is approved by the State Government and voted in the State Legislature. Tripura Tribal Areas Autonomous District Council (TTAADC) gets funding from the State Government from the following sources:

1. ***Plan Fund Assistance***: Plan fund is an important source of funding for TTAADC.
2. ***Share of Taxes as Non-Plan grant:*** District Council does not collect revenue by itself except trade license, rent from market stall, royalty of Dumbbur water body and sale proceed of Farms etc. which generate a negligible amount of revenue. But stipulated percentage of taxes collected by the State Government is transferred to TTAADC as Non-Plan grant at the following rates
   (a) Forest revenue (75 per cent),
   (b) Agriculture income tax (50 per cent),
   (c) Land revenue (40 per cent),
   (d) Professional tax (25 per cent),
   (e) Motor vehicle tax (25 per cent) and
   (f) Royalty from natural Gas (30 per cent).
3. ***Transferred Fund:*** District Council also receives Transferred Fund from various Departments of the State Government for salary of deputed staff/officials and against some transferred schemes.

The total fund received by TTAADC from various sources for the year starting from 2006-07 to 2016-17 is given in Table 8.6.

Table 8.6: Receipts Funds from different sources (Rs. in Crore)									
Year	From State Govt.		Transferred Fund (RE)	13th FC/ 14th FC/ NITI Aayog	Other Receipts (RE)	Own Sources			Total
	Plan Fund	Share of Taxes				Revenue Receipts	Interest Receipts	Miscellaneous Stock Suspense and Loan & Advances	
2006-07	35.00	19.00	29.20		13.27*	0.00	0.00	0.00	96.47
2007-08	45.00	23.32	56.80			0.00	0.00	0.00	125.12
2008-09	55.00	22.50	74.68			0.00	0.00	0.00	152.18
2009-10	82.28	35.00	74.25			0.00	0.00	0.00	191.53
2010-11	70.00	35.00	80.94		29.78	0.00	0.00	0.00	215.72
2011-12	70.00	35.00	78.63	13.97	63.12	0.51	0.80	0.00	262.03
2012-13	90.00	35.00	149.88	19.06	11.73	0.89	1.89	0.00	308.45
2013-14	105.00	40.00	154.39	14.38	32.73	0.89	1.89	0.00	349.28
2014-15	105.00	44.00	223.85	21.78	0.00	1.30	2.59	0.00	398.52
2015-16	120.00	67.92	275.40		0.00	1.57	8.83	1.94	475.66
2016-17	125.00	67.93	249.57	175.95	0.00	1.57	8.83	1.94	630.79
CAGR (%)	***13.58***	***13.59***	***23.93***	--	--	--	--	--	***20.66***

Source: Budgets of TTAADC

*Note: * Sum of Spill over fund and Spill over transferred fund*

Table 8.6depictsthe picture of Actual receipts of TTAADC under different heads. For TTAADC, total receipt has increased from Rs. 96.47 crore in 2006-07 to Rs. 630.79 crore in 2016-17 with a CAGR of 20.66 percent. The fund come from the State Govt. to TTAADC were divided into two segments – Plan Fund and Share of Taxes. The receipts under Plan Fund increases from Rs. 35 crore in 2006-07 to Rs. 125 crore in 2016-17 with a CAGR of 13.58 percent. Share of Taxes from the state government also shows an increasing trend over the study period. Share of Taxes increased from Rs. 19 crore in 2006-07 to Rs. 67.93 crore in 2016-17 with a CAGR of 13.59 percent. The Revised Estimated Transfer Fund reveals slow increase from 2006-07 to 2011-12 and a sudden jump thereafter. It exhibits a CAGR of 23.93 percent, the highest CAGR compared to other fund. Plan fund from state government also has been sudden jump from the year 2013-14.

The fund which TTAADC receipts from its own source is divided into three parts viz. Revenue Receipts, Interest Receipts and Miscellaneous Stock Suspense and Loan & Advances for which data were not available for the period 2006-07 to 2010-11. There has been increasing trends of revenue and interest receipts for own resources of TTAADC from 2011-12 to 2016-17. Further, rate of growth of interest receipts is higher than the rate of growth of revenue. However, TTAADC's own resources are considered to be negligible. Plan fund share of taxes from state government to be the larger sources of resources for the Tripura Tribal Areas Autonomous District Council (TTAADC).

Regarding very low own revenues of TTAADC, it is important to note that there is limited scope of revenue enhancement for the TTAADC owing to its adverse topographical features (mostly hilly terrain in nature), communication bottlenecks and serious lack in major revenue collection sources like industry and larger commercial activities in the areas. The TTAADC consists of about 85 per cent Tribal population whose primary stay is agriculture along with shifting cultivation. At present, the TTAADC is collecting revenues mostly from proceeds of farm produces, sale of planting materials, rent from market stall and auctions, trade licence, levies and fees. These constitute a meagre portion of its total revenues. Again, agricultural income tax, land revenues, professional taxes, motor vehicle taxes, royalty from natural gas etc. are collected by the State Government from the ADC areas and are shared with the TTAADC as per devolution formula set by the State. Under the given circumstances, the TTAADC may proceed for exploring newer revenue collection opportunities through rigorous action plan in consultation with the line departments within the ambit of The Tripura Panchayats (Taxes, Fees, Rates and Tolls) Rules 2011 and The Tripura Municipal (Assessment and Collection of Property Tax) Rules 2016. In this regard, the TTAADC may consider effective public initiatives in medicinal and cash crop plantation taking into account its huge unutilised land resources in the reserved and unreserved forest areas. Especially, cash crops like pineapples, cashew nuts, jackfruits, bamboo and canes etc. may be very lucrative and suitable to the local soil and climate. Based on these cash crops, agro-based local industries may be set up under PPP ventures. The Tribes of Tripura has a rich heritage of weaving which may be systematically promoted as industrial ventures targeting outside markets. These will indeed help increasing the revenue capacity of the TTAADC.

Now regarding decentralisation initiatives of the TTAADC itself, its expenditure pattern over the study period across the different heads are considered in Table 8.7. It evident from Table 8.7 that higher proportion of total expenditure has been disbursed to School Education & Social Education. The expenditure under School Education & Social Education has increased from Rs. 31.01 crore (48.2 per cent of total expenditure) in 2006-07 to Rs. 118.16 crore (58.8 per cent of total expenditure) are indicating increasing trend of disbursement towards education sector. Disbursement next to education has been to the Zonal Developmental Officers & Executive Officers.

Table 8.7: Expenditures incurred by TTAADC in different heads (Rs. in Crore)

Year	District Council Legislature & Executive Officers	Public Work Department	Zonal Developmental Officers & Executive Officers	School Education & Social Education	Principal Officer & Staffs	Development Expenditure	Total
2006-07	1.02 (1.6)	3.49 (5.4)	16.74 (26.0)	31.01 (48.2)	1.04 (1.6)	10.99 (17.1)	64.30
2007-08	1.68 (2.2)	4.90 (6.5)	19.28 (25.6)	35.71 (47.4)	2.02 (2.7)	11.77 (15.6)	75.34
2008-09	1.60 (1.9)	6.47 (7.7)	21.81 (26.1)	38.10 (45.6)	2.62 (3.1)	13.02 (15.6)	83.63
2009-10	8.70 (7.8)	7.93 (7.1)	14.59 (13.0)	62.03 (55.3)	4.81 (4.3)	14.18 (12.6)	112.24
2010-11	8.99 (8.5)	10.63(10.0)	16.79 (15.8)	58.54 (55.1)	4.29 (4.0)	6.91 (6.5)	106.16
2011-12	10.68 (8.8)	12.39 (10.2)	18.70 (15.4)	63.55 (52.4)	4.29 (3.5)	11.74 (9.7)	121.35
2012-13	10.19 (8.1)	8.30 (6.6)	19.24 (15.3)	67.83 (54.1)	7.54 (6.0)	12.36 (9.9)	125.46
2013-14	11.85 (8.1)	10.33 (7.1)	20.46 (14.1)	78.91 (54.3)	9.30 (6.4)	14.60 (10.0)	145.43
2014-15	12.23 (7.7)	8.04 (5.0)	24.90 (15.6)	90.67 (56.9)	10.04 (6.3)	13.46 (8.5)	159.34
2015-16	13.58 (7.1)	11.64 (6.1)	29.65 (15.6)	107.39 (56.3)	11.69 (6.1)	16.70 (8.8)	190.65
2016-17	15.64 (7.8)	9.12 (4.5)	35.39 (17.6)	118.16 (58.8)	11.39 (5.7)	11.16 (5.6)	200.86

Source: Budgets of TTAADC
Note: Percentages of Total Expenditure are given in parenthesis

However, there has been a declining trend of disbursement from 26 percent in 2006-07 to 17.6 percent in 2016-17. The disbursement to Public Work Department has been remaining stable over the study period excepting 2010-11 and 2011-12. The expenditure on the heads of Principal Officer & Staffs and District Council Legislature & Executive Officers has been increasing over the years. However, disbursement towards the developmental expenditure appears to be a major area of concern for the TTAADC where proportional disbursement has declined from 17.1 per cent in 2006-07 to 5.6 per cent in 2016-17.

Figure 8.6 Trend of Expenditure by TTAADC

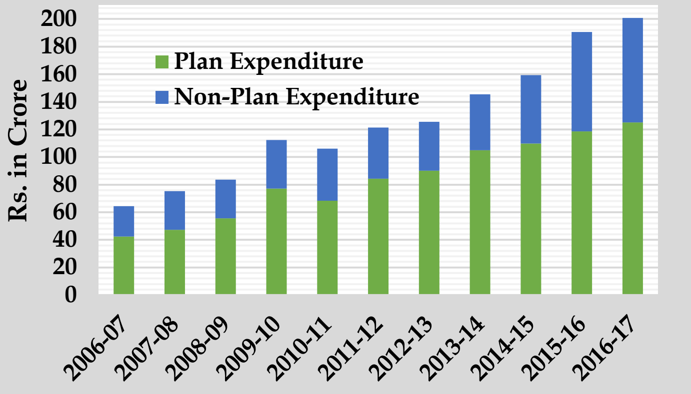


Figure 8.6 reveals that total expenditure of TTAADC has been raising over time. Of the total expenditure, plan expenditure has been rising faster than the non-plan expenditure which may be considered as a good indication for the TTAADC.

Box 8.4 Power allotted under Sixth Schedule of the Constitution of India

Article 244 and 275 of the Constitution of India given the provision for creation of the District Councils and regional councils to the states.

Legislative Powers of the Sixth Schedule Councils

The district councils and regional councils have powers to make laws on certain issues of local importance but all such laws require the assent of the governor. The subjects on which these councils can make laws include:

1. Roads, bridges, ferries etc. modes of transport
2. Animal husbandry, veterinary training & practice
3. Primary and Secondary Education
4. Agriculture including farm research and education
5. Fisheries
6. Social security and social insurance
7. employment and unemployment
8. Flood control
9. Entertainment including Cinemas and Theatres
10. Public health, sanitation, hospitals and dispensaries
11. Minor irrigation
12. Trade and commerce in certain products such as food, cattle fodder, raw cotton, raw jute etc.
13. Libraries, museums, monuments etc.
14. Alienation of land

Judicial Powers of the Sixth Schedule Council

The laws made by the state legislature on any subject that comes within the jurisdiction of the council, would not extend within the jurisdiction of the autonomous council unless the council so directs by public notification. The President in regard to a Central Act and the Governor in regard to a State Act may direct that the Central Act or State Act shall not apply to an autonomous district or shall apply with such modifications as may be specified. The Councils have also been endowed with wide civil and criminal judicial powers, for example establishing village courts etc. However, jurisdiction of these councils is subject to jurisdiction of the concerned High Court.

8.6 Major Observations

- In the decentralisation initiatives of the state government, a tendency of urban centrism in disbursement of the funds has been noticed during the study period.
- There has been lack in preparation of annual budgets and finalisation of accounts therein on a regular basis for all the three tiers of the Panchayati Raj Institutions (PRIs) in the state.
- For the Urban Local Bodies (ULBs), Agartala Municipal Corporation (AMC) has been studied and it is observed that proportion of capital receipts has been significantly higher than that of revenue receipts. Again, share of taxes from the state government has been the major source of revenue receipts for the corporation

and grants & subsidies from centre and the state have also been the major sources of capital receipts.

- For the mechanism of auditing and accounts of the PRIs and ULBs, a number of cases of accumulation of unutilised balances of funds; non-preparation of annual accounts, unauthorised expenditure and diversion of funds, poor implementation of schemes, non-realisation of revenues in some cases, non-adjustment of advances are the major areas of concern.
- Regarding trends of disbursement, there has been a sharp increase in developmental (plan) expenditure for the AMC ranging from 36.61 to 81.84 per cent which may be treated as a good initiative of financial management for the corporation. However, taking into account the developmental activities by the corporation, there may be rational for raising of user charges for provisioning of better services such as sustainable charges for long hours of private car parking at municipal parking zones and public places, charges and fines for private uses of public places for amusements, keeping of building materials etc., providing of water supply and discriminating progressive price system for water use keeping the first lowers lab free of cost and so on. These are applicable to other ULBs also. These may help increasing the financial resources of the ULBs.
- As per the constitutional provision, the TTAADC has been receiving its financial resources through plan head, share of taxes and transferred fund from the state government. However, declining trend of developmental expenditure for the TTAADC has been a real concern. Further, the prospective sources of TTAADC's own resource generation may need to be rigorously studied.

8.7 Looking at the Future

The State Government needs to exercise some constructive measures for making the decentralisation process of the government more effective. ***First***, enforcement of financial modalities, assessment of the financial management procedures and mid-term reviews of activities of the local bodies and other institution may be helpful for making the decentralisation initiatives of the state government more effective. As a part of financial modalities, preparation of annual budgets and finalisation of accounts therein need to be a regular practice for all the three tiers of the Panchayati Raj Institutions (PRIs) in the state. ***Second***, disbursement of funds needs to be reoriented with more focus to the rural areas. ***Third***, taking into account the developmental activities of the AMC and other ULBs, a rational approach of raising the user charges for provisioning of better services such as substantial charges for long hours of private car parking at municipal parking zones and other public places, charges and fines for private uses of public places for amusements, keeping of building materials etc., providing of water supply. For water supply, a discriminating progressive price system may be thought of keeping the first lower slab free of cost. This will help in enhancing revenues as well as water conservation. ***Fourth***, the prospective sources of resources for the TTAADC and other local bodies may rigorously be studied for their own resource generation. ***Lastly***, preparation of annual budget and finalisation of accounts be made mandatory for every Local Bodies under the three tier PRIs as well as for the ULBs. To ensure accountability towards audit, the Government has to undertake follow-up actions to furnish early reply of audit observations. And a vibrant internal control mechanism along with proper monitoring be in place for financial efficiency of the Local Bodies and to strengthen the decentralisation process.

Analysis of State Subsidies

9

9.1 Rationale of Subsidy in Public Finances

The word, subsidy word is usually used as the inverse of an Indirect Tax. Subsidies play an important role in the economy as fiscal instrument of the government for modifying market determined outcomes. Generally, imposition of taxes reduces the disposable income of an individual which lead to reduction in demand for goods and services whereas subsidies inject money into circulation. Subsidies affect in the commodity market of an economy by lowering the prices of the subsided goods and services and stimulate their demand for the economy.

Usually, subsidies are given to modify market inequalities and correction of externalities in the economy. The State Government gives subsidy to the different sectors, which have a strong linkage and positive externalities to the economy. The State also provides subsidy to the loss-making enterprises having larger employment potentials. There are two types of subsidy such as explicit subsidy and implicit subsidy. Again, explicit subsidy is easily observable in the budget documents of the government whereas implicit subsidy is invisible. This is worthy to note that subsidies have favourable impact on welfare of the society but may have adverse effect if it is poorly designed and ineffectively administered.

9.2 A Glimpse of the State Subsidies in Tripura

Subsidies given by the state include both implicit and explicit subsidies which are essential in nature to bridge the gap between income and expenditure of the concerned departments and government companies or corporations. The State Government of Tripura provides financial support to the Tripura State Electricity Corporation Limited (TSECL), Tripura Road Transport Corporation Limited (TRTC) and other PSUs as per the Fiscal Policy Statements and Disclosures under TFRBM Act, 2005 and Rules 2006. On account of certain fertilizers, marketed through department of Agriculture, government of Tripura, a small amount of subsidy is given. Subsidies also provided to Food, Civil Supply and Consumer Affairs Department, Government of Tripura for the consumers living Below the Poverty Line (BPL) and for the households under Antyodaya Anna Yojana (AAY). Besides, direct cash transfer to Public Distribution System (PDS) beneficiaries.

Table 9.1: Subsidy by the State Government (Rs. in Crore)

Year	*Non-Plan*	*Plan*	*CSS/ CASP (including CP)*	*Total*
2006-07	0	2.37	3.49	5.86
2007-08	0	6.24	2.23	8.47
2008-09	0	4.98	0.06	5.04
2009-10	0	2.18	1.94	4.12
2010-11	0	7.82	3.25	11.07
2011-12	0	3.90	8.73	12.62
2012-13	25.32	6.10	6.15	37.57
2013-14	89.08	15.04	0.07	104.18
2014-15	129.51	12.44	3.56	145.50
2015-16	120.58	12.33	1.02	133.93
2016-17	12.50	89.63	0.00	102.13
CAGR	**--**	***43.80***	**--**	***33.08***

Source: Various issues of Finance Accounts, Government of Tripura

Table 9.1 represents the subsidy given by the state government in the area of plan and non-plan expenditure head along with Central Sponsored Scheme (CSS) or Central Assistance to State Plan (CASP). Total Subsidy for the year 2006-07 was Rs. 5.86crore which has increased to Rs. 102.13crore in the year 2016-17. Total subsidy of the state has been an increasing trend over the study periods with a compound annual growth rate (CAGR) of 33.08 percent. In terms of yearly growth rate, negative growth has been recorded for the years 2008-09 (– 40.5 per cent), 2009-10 (– 18.3 per cent), 2015-16 (– 8.0 per cent) and 2016-17 (– 33.1 per cent). Again, there has been a more or less continuous increase in plan subsidy from Rs. 2.37 crore to Rs. 89.63 crore during the study period with a CAGR of 43.80 per cent. However, non-plan subsidy as recorded for the years 2013-14 to 2015-16 are much higher than plan subsidy for the corresponding years.

9.3 Composition and Pattern of Subsidy in Tripura

The amount of explicit subsidies given by the state government to the Tribal Welfare Department, Welfare of SC, OBC & Minorities Department, Agriculture Department, Food, Civil Supplies & Consumers Affairs Department, Industries & Commerce Department, Co-operation Department, Horticulture Department and Power Department (particularly Tripura State Electricity Corporation Limited) have been furnished in the various reports of the Comptroller and Auditor General of India, viz. "Audit Report on State Finances of Tripura". At glimpse of composition of subsidies to various department clearly indicates the pattern of subsidy in the state over the study period.

Table 9.2 categorically depicts that highest proportion of subsidy ranging from 39.2 per cent to 95.4 per cent of the total subsidy has been allocated to the Power Department (TSECL) over the study period. The highest amount of subsidy of Rs. 126.77 crore (95.4 per cent of the state total subsidy) has been given to the TSECL in the year 2009-10 followed by a subsidy of Rs. 93.05 crore to TSECL in the year 2010-11. This obviously owing to the reason of initiating the power sector reforms of the state during that time.

Table 9.2: Department-wise Explicit Subsidies given by the Government (Rs. in Crore)

Year	Tribal Welfare Department	Welfare of SC, OBC & Minorities Department	Agriculture Department	Food, Civil Supplies & Consumer Affairs Department	Industries & Commerce Department	Co-operation Department	Horticulture Department	Power Department (TSECL)
2008-09	1.95 (6.2)	2.21 (7.0)	2.38 (7.5)	0	0	0	NA	25.00 (79.3)
2009-10	1.78 (1.3)	1.06 (0.8)	2.64(2.0)	0	0	0.64 (0.5)	NA	126.77 (95.4)
2010-11	3.31 (3.2)	1.99 (1.9)	5.77 (5.5)	0	0	0	NA	93.05 (89.4)
2011-12	2.63 (5.0)	3.13 (5.9)	6.86 (13.0)	0	0	0	0	40.00 (76.0)
2012-13	4.28 (5.5)	3.66 (4.7)	3.86 (5.0)	25.32 (32.6)	0.45 (0.6)	0	0	40.00 (51.6)
2013-14	4.75 (4.6)	3.45 (3.3)	6.90 (6.6)	48.08 (42.2)	0	40.00 (38.4*)	1.00 (1.0)	NA
2014-15	4.16 (2.9)	2.50 (1.7)	9.05 (6.2)	66.81 (45.9)	0	0.18 (0.1)	0.80 (0.5)	62.00 (42.6)
2015-16	4.11 (3.1)	2.39 (1.8)	6.85 (5.1)	51.58 (38.5)	0	0	0	69.00 (51.5)
2016-17	6.17 (6.0)	5.16 (5.1)	1.00 (1.0)	49.63 (48.6)	0	0.17 (0.2)	0	40.00 (39.2)
CAGR (%)	***15.49***	***11.18***						

Source: Comptroller and Auditor General of India, "Audit Report on State Finances" various Issues (2006 -2017)
Note: NA implies Not Available

The Food, Civil Supplies and Consumer Affairs Department has been the second highest receiver of subsidy ranging from 32.6 per cent to 48.6 per cent of the total subsidy during the period from 2012-13 to 2016-17. Subsidy allocated to the Tribal welfare, Welfare of SC, OBC and Minorities and Agriculture Department are limited by 7 per cent of the total subsidy except the year 2008-09 and 2011-12 for Agriculture Department. For these two years Agriculture got 7.5 and 13 per cent of total subsidy. Further, there have been declining trends of subsidy over the study period for Agriculture and Welfare of SC, OBC and Minorities. As a whole, power, Food and Civil Supplies occupy the major portion of the state subsidy.

9.4 Trend of Subsidy in Tripura

To capture the trend of total subsidy for the state during the study period from 2006-07 to 2016-17, the present study proceeds through estimation of the ratios of total subsidy to total expenditure, revenue expenditure, Gross State Domestic Product and own tax revenue as reported in Table 9.3.

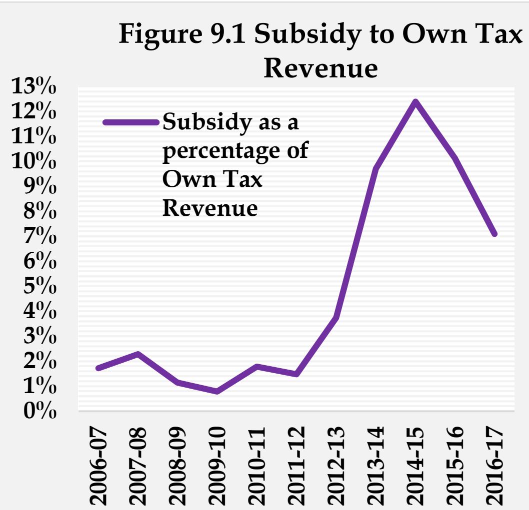
Table 9.3: Trend of Total Subsidy in Tripura (*in Percentage*)

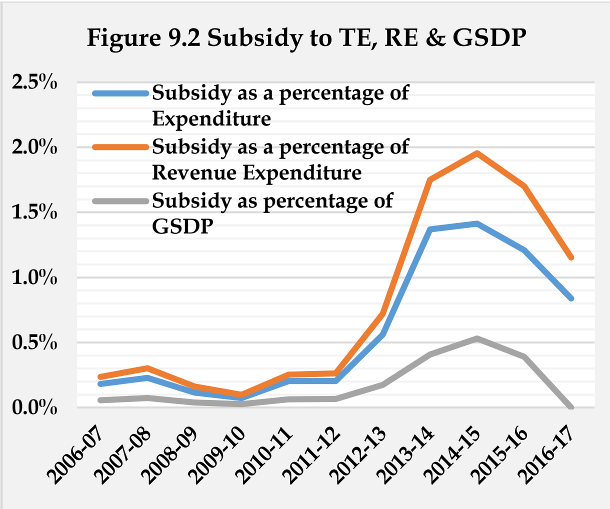
Year	*TS : TE*	*TS : RE*	*TS : GSDP*	*TS : OTR*
2006-07	0.18	0.24	0.06	1.72
2007-08	0.23	0.30	0.07	2.28
2008-09	0.12	0.16	0.04	1.14
2009-10	0.07	0.10	0.03	0.78
2010-11	0.20	0.25	0.06	1.78
2011-12	0.20	0.26	0.07	1.47
2012-13	0.56	0.72	0.17	3.74
2013-14	1.37	1.75	0.41	9.70
2014-15	1.41	1.95	0.53	12.39
2015-16	1.21	1.70	0.41	10.13
2016-17	0.84	1.15	0.28	7.09

Source: Estimated using data from various issues of Finance Accounts, Govt. of Tripura

Note: TS indicates Total Subsidy; TE indicates Total Expenditure; RE indicates Revenue Expenditure; GSDP indicates Gross State Domestic Product; OTR indicates Own Tax Revenue

It is clear from Table 9.3 and Figures 9.1 & 9.2 that there has been an increasing trend of subsidy for the state of Tripura with respect to its revenue expenditure (RE), total expenditure (TE), GSDP and own tax revenue (OTR). However, this increasing trend is observed up to the year 2014-15 and afterwards there has been a declining trend.





9.5 Major Observations

- There has been an increasing trend of subsidy for the state of Tripura. Plan subsidy has been increased at a compound annual growth rate of 43.80 per cent over the study period. However, non-plan subsidy exceeds plan subsidy manifold during the years 2012-13 to 2015-16.
- During the period of study from 2006-07 to 2016-17, the highest quantum of subsidy has been directed to the Power Department (Tripura State Electricity

Corporation Limited) followed by the Food, Civil Supplies and Consumer Affairs Department. Allocation of subsidy to Power Sector ranges from 39.2 per cent to 95.4 per cent and that of Food, Civil Supplies ranges from 32.6 to 48.6 per cent of the total subsidy.

- There have been fluctuating and declining trends of subsidies for Agriculture and Welfare of SC, OBC and Minorities. Again, the relative share of subsidy to total subsidy for Tribal welfare has a fluctuating trend. However, agricultural subsidy may be given some special emphasis for the development of the agrarian based economy of Tripura.
- There has been an increasing trend of subsidy for the state with respect to its total expenditure, revenue expenditure, GSDP, and own tax revenue. However, total subsidy of the state has been limited to less than 0.5 per cent of GSDP and less than *one* per cent of the state's total expenditure for most of the years under study. So, seems that the state is maintaining its subsidy to a limited level.

9.6 Looking at the Future

A reorganisation of subsidies, of course, keeping into consideration the balance between needs and constructive uses of subsidies may be more useful for the development of the state.

Sustainable Debt Roadmap 10

10.1 The Debt Sustainability Framework

The Debt Sustainability Framework (DSF) of the World Bank and IMF is being considered as the most elaborated and widely used framework to monitor public debt sustainability all over the world. DSF is a standard framework for conducting public and external Debt Sustainability Analyses (DSAs). The IMF's Debt Sustainability Analyses (DSAs) usually assess the sustainability of countries' debt by looking at solvency (debt stock indicators) and liquidity ratios (debt service indicators) taking into account composition of debts and different proxies of repayment capacity (revenue, GDP). Historically, there have been some attempts to analyse fiscal and public debt sustainability. One of the major attempts is that of Domar (1944) which has tried to define all the necessary conditions for fiscal sustainability by following the Keynes' approach to public debt. Nowadays, Debt Sustainability Analyses (DSAs) generally follow three commonly used approaches viz. Domar Sustainability Condition, Sustainability Indicators Analysis, and Present Value Budget Constraints Approach.

In the light of the above theoretical framework and in consultation with the RBI's 'Status Paper on Government Debt' (2016), some of the specific indicators of debt sustainability have been developed to examine the debt sustainability condition of a backward state like Tripura which have limited own resources and largely depends on the Centre as well as managing of finances through public debt and central grants. For assessing the solvency of the state regarding aggregate debt management, a comparison of the dynamics of GSDP, actual debt burden, outstanding liabilities and primary deficit has been considered. On the other hand, for measuring the status of liquidity ratios i.e. debt servicing capacity of the state, the long run trend of debt repayment with respect to actual debt burden and outstanding liabilities, interest payment i.e. cost of debt to GSDP, revenue expenditure, total expenditure of the state etc. have been taken into consideration. The indicators are aiming to address the issues of aggregate debt sustainability, chances of debt trap, repaying capacity, internal capacity and macroeconomic stability of the state of Tripura in long run management of its public debt. The details of the indicators along with their interpretations are given in Box 10.1.

Box 10.1 Debt Sustainability Indicators: Measures, Notions and Interpretations			
Sl. No	***Indicators***	***Notation***	***Interpretation***
1	Rate of Growth of GSDP ($\dot{Y}$) should be more than Rate of Growth of Debt ($\dot{D}$)/Outstanding Liabilities ($\dot{OL}$)	$\dot{Y} > \dot{D}$	Sustainability in aggregate terms
2	Growth Rate of Primary Deficit ($\dot{PD}$) should be less than the Growth Rate of GSDP ($\dot{Y}$)	$\dot{PD} < \dot{Y}$	Sustainability from the view point of revenue account
3	The ratio of Debt (D) to GSDP (Y) should be falling over time	(D/Y)↓	A measure of macroeconomic stability. A secular decline of the ratio is an assessment of sustainability of public debt.
4	Interest Cost defined by Interest Payments (IP) to GSDP (Y) ratio should decline over time	(IP/Y) ↓	A measure of the debt repaying capacity of the economy
5	Interest Payments as a percentage of Revenue Expenditure (RE) should decline over time	(IP/RE) ↓	
6	Interest Payments as a percentage of Revenue Receipts (RR) should decline over time	(IP/RR) ↓	
7	The ratio of Debt (D) to Revenue Receipts (RR) should decline over time	(D/RR) ↓	A measure of the internal capacity of the economy
8	The ratio of Debt (D) to Tax Revenue (TR) should decline over time	(D/TR) ↓	
9	Debt (D) to Own Tax Revenue (OTR) should decline over time	(D/OTR) ↓	

10.2 State of Debt Sustainability for Tripura

It is important to examine the debt sustainability condition of an economy from aggregative point of view. The macroeconomic conditions of long run sustainable debt management primarily focus on growth of income, growth of public debt, trend of primary deficit, repayment capacity of the economy and so on. The debt sustainability position of Tripura in terms of its income, debt and primary deficit is presented in Table 10.1:

Table 10.1: Debt Sustainability Condition of Tripura (2006-07 to 2016-17)

Sl. No.	*Indicators*	*Annual Average Growth Rate of GSDP ($\dot{Y}$)*	*Annual Average Growth Rate of Outstanding Liabilities ($\dot{OL}$)*	*Annual Average Growth Rate of Debt ($\dot{D}$)*	*Annual Average Growth Rate of Primary Deficit ($\dot{PD}$)*	*Remarks*
01	Rate of Growth of GSDP ($\dot{Y}$) should be more than Rate of Growth of Debt ($\dot{D}$)/Outstanding Liabilities ($\dot{OL}$)	13.42	9.91	16.04	-57.91	The growth rates of both outstanding liabilities and primary deficit are lower than that of GSDP. However, growth rate of actual debt burden exceeds that of GSDP.
02	Growth Rate of Primary Deficit ($\dot{PD}$) should be less than Growth Rate of GSDP ($\dot{Y}$)					

Source: Author's estimates using data from CAG of India on State Finances, Govt. of Tripura

Note: The growth rates are in percentage term per annum

Table 10.1 illustrates that the annual average growth rate of outstanding liabilities is 9.91 per cent and that of primary deficit is (-) 57.91 per cent for the state of Tripura over the study period. On the other hand, the annual average growth rate of GSDP for the state is 13.42 per cent during the same period. Thus, income growth rate is significantly higher than the growth rates of outstanding liabilities and primary deficit which clearly indicates the macroeconomic sustainability of debt management for the state. However, the annual average growth rate of actual debt burden during the period exceeds that of GSDP indicating some critical state of managing finance through debt. It seems that the state has a good repayment practice together with a tendency of meeting emergency financial requirements through internal debt.

10.3 Public Debt and Repayment Capacity of Tripura

Public debt is an important instrument for economic development, especially for the developing economies. During financial crunch, the developing economies are compelled to go for higher market borrowing for financing their growing needs of capital and social expenditures i.e. to fill the budgetary gaps. However, the extent of debt must be supported by the capacity of the economy and also by its repaying capacity. Public debt by its nature and gainful use may be good for the economy but excessive outstanding liabilities beyond the capacity of the economy may act as over burden leading to a situation of debt trap. The extent of public debt in Tripura over the study period and the internal capacity of the state along with its capacity of repayment are presented in Table 10.2:

Table 10.2: Debt Condition and Repaying Capacity of Tripura

Year	*Ratio of Repayment to Total Debt (%)*	*Ratio of Repayment to Outstanding Liabilities (%)*	*Ratio of Interest Payment to GSDP (%)*	*Ratio of Interest Payment to Revenue Expenditure (%)*	*Ratio of Interest Payment to Revenue Receipts (%)*	*Debt to Revenue Receipts Ratio*	*Debt to Total Tax Revenue Ratio*	*Debt to Own Tax Revenue Ratio*
	(REP/D)	***(REP/OL)***	***(IP/Y)***	***(IP/RE)***	***(IP/RR)***	***(D/RR)***	***(D/TR)***	***(D/OTR)***
2006-07	11.64	2.06	3.7	15.64	11.65	0.25	0.96	2.41
2007-08	15.95	2.46	3.49	14.17	10.7	0.2	0.72	1.98
2008-09	16.61	3.18	3.02	12.6	9.67	0.24	0.86	2.19
2009-10	13.77	3.36	2.76	9.69	9.28	0.32	1.14	2.67
2010-11	14.48	3.18	2.6	10.26	8.65	0.27	0.81	2.28
2011-12	15.86	3.16	2.57	10.26	7.62	0.21	0.63	1.6
2012-13	17.51	4.07	2.46	10.22	7.56	0.25	0.71	1.78
2013-14	11.32	2.52	2.31	9.93	7.72	0.25	0.72	1.81
2014-15	17.88	3.22	2.49	9.16	7.38	0.18	0.58	1.43
2015-16	17.04	4.3	2.22	9.27	7.74	0.28	0.57	1.97
2016-17	NA	NA	2.15	8.97	8.24	0.31	0.56	2.12

Source: Author's estimates using data from CAG of India on State Finances, Govt. of Tripura

In case of Tripura, the State appears to be managing its public debt in a sustainable manner as indicated by the steady declining trends of the debt sustainability indicators namely, Interest Payment as a percentage of GSDP, Interest Payment as a percentage of Revenue Expenditure, Interest Payment as a percentage of Revenue Receipt, Outstanding Liabilities as a percentage of Revenue Receipts, Outstanding Liabilities as percentage of Tax Revenue and Outstanding Liabilities as a parentage of Own Tax Revenue. Again, though not secular but the ratios of debt to revenue receipts, debt to tax revenue and debt to own tax revenue are falling over time in overall terms. The increasing trend of repayment of debt over total debt/outstanding liabilities also indicates a better repayment capacity of the state. As a whole, the economy of Tripura is comfortably placed on the debt sustainability path over the study period.

Figure 10.1 Outstanding Liabilities and Repayment Capacity

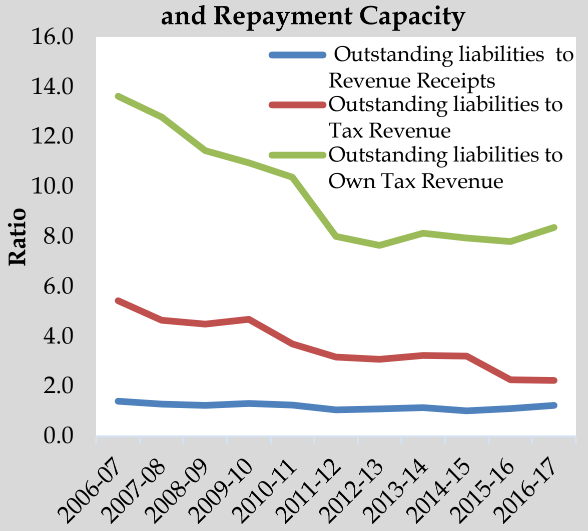
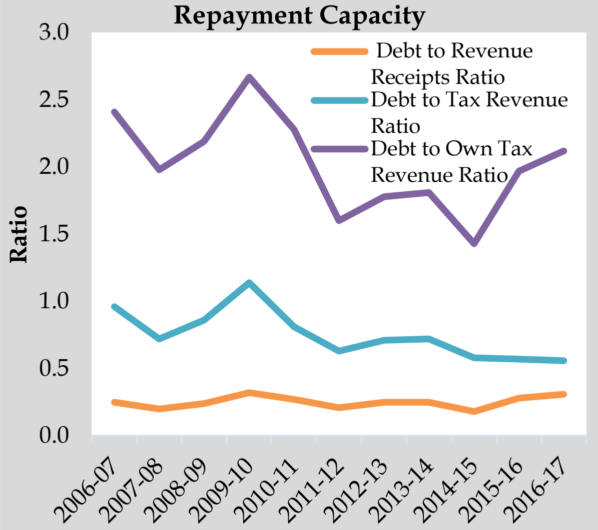


Figure 10.2 Actual Debt Burden and Repayment Capacity



Moreover, there has been a continuous declining trend of Debt-GSDP ratio for the state and Liabilities to GSDP remains within the specified target limit of the FRBM as well as of the Thirteenth and Fourteenth Finance Commissions as discussed before. The year wise actual debt burden of Tripura ranges from 8 to 6 per cent of her GSDP. Thus, a secular decline in Debt-GSDP ratio ensures macroeconomic stability and sustainability of public debt for the state of Tripura.

10.4 Growth of Debt and State's Own Capacity

For examining the condition of debt for a particular economy, it is important to look at the own capacity of the economy. Specifically, investigation of the trend of its debt burden and the trend of its internal capacity represented by own resource generation is utmost important implying the future repayment capacity of the economy. Table 10.3

outlines the relative trends of public debt as well as the internal capacity of the state of Tripura taking into consideration the issues of sustainable debt management for the State.

Table 10.3: Outstanding Liabilities and Capacity of the State *(Rs. in Crore)*

Year	*Debt*	*State's Share of union Taxes and Duties*	*Own Tax Revenue*	*Own Non-Tax Revenue*	*Capacity of the State*	*Gap*
1	*2*	*3*	*4*	*5*	*(3+4+5) = 6*	*(6 – 2)*
2006-07	822.69	515.78	341.55	94.97	952.30	129.61
2007-08	733.16	650.62	370.7	115.41	1136.73	403.57
2008-09	970.01	686.52	442.5	149.04	1278.06	308.05
2009-10	1408.58	706.34	527.01	125.4	1358.75	- 49.83
2010-11	1420.39	1122.36	622.34	131.79	1876.49	456.10
2011-12	1371.47	1307.56	858.02	214.22	2379.8	1008.33
2012-13	1784.57	1493.18	1004.65	178.75	2676.58	892.01
2013-14	1942.02	1630.25	1073.91	246.52	2950.68	1008.66
2014-15	1677.42	1730.13	1174.26	195.64	3100.03	1422.61
2015-16	2625.43	3266.02	1332.25	262.6	4860.87	2235.44
2016-17	3008.75	3909.12	1422.01	218.85	5549.98	2541.23
CAGR (%)	**13.84**	**22.45**	**15.3**	**8.7**	**19.28**	**--**

Source: Author's estimates using data from CAG of India on State Finances, Govt. of Tripura

It is important to note that actual debt burden of the State has grown at a compound annual rate of 13.84 per cent, whereas State's capacity measured in terms of Own Revenue (Tax and Non-Tax) and Share of Tax Revenue from Centre has grown at the compound annual rate of 19.2 per cent. Further, the gap between capacity and debt has always been positive over the study period except the year 2009-10 and the capacity over debt has been continuously increasing over time. Thus, the State of Tripura may be considered to be in a long run sustainable debt management condition.

10.5 GST and Sustainable Debt Road Map

There is no doubt that GST (Goods and Services Tax) has become a standard for the global business today and India being a part of the global competition had to embrace a uniform, sophisticated tax system like GST. The GST has rolled out in India on July 1, 2017through122nd Amendment of the Constitution. Given the cross-country experience, it is expected that implementation of GST is likely to ensure higher tax buoyancy and an improvement in government finances over the medium term. GST, a destination-based single tax on the supply of goods and services for the entire country is likely to remove the *cascading tax effect* (tax on tax) of the earlier system. India has been following a dual GST imposed simultaneously by the Centre and States. In the earlier tax system, the Centre was imposing excise duty, service tax, ADE, surcharge/cess, CVD and SAD. On the other hand, the States were entitled to impose VAT, CST, purchase tax, luxury tax, surcharge/cess, entry tax. Under the new tax system, there will be Central GST (CGST), State GST (SGST) and Dual or Integrated GST (IGST - to be levied by both). The CGST covers service tax, excise duty, ADE, surcharge/cess. SGST takes into account VAT, luxury tax, entry tax, purchase tax, and surcharge/cess. IGST consists of CST and CVD/SAD. Despite various reservations about GST, the revenue collection of the first five months (1st July – 30th Nov. 2017) for the country was not that much low as anticipated. In the earlier tax system, there were about 7.5 to 8 lakh registered traders whereas, there has been an influx of 3 lakh traders, taking into account the total numbers of registered traders to over 10 lakh in the GST regime.

Now coming to the question of the Tax Revenue position of the States under GST regime, States may have got less than what they should have in the distribution of taxes under GST (Y. V. Reddy, Former Governor of RBI and Chairman of the Fourteenth Finance Commission, The Economic Times, 26th November, 2017). The prime reasons behind may be outlined as under:

- Before GST, the States were getting a share of 60 per cent and the Centre was getting 40 per cent, taking into account the pool of indirect taxes. Now it works out to be 50:50 but the Centre is foregoing the cesses.
- The residual tax power left to the States is very low. However, the residual tax power left with the Centre like income tax and others is quite large.
- According to the Constitution, earlier the States have had autonomy over levying of sales taxes which accounted for 80 per cent of their revenue on an average, for the Non-Special Category States. However, with the GST mandates of a uniform rate, the task of designing GST is assigned to the GST Council (a collective forum of state and central government). The council will be deciding on all important aspects of the tax, including the base, rates, allocation of tax base among the states and so on.
- For the Special Category States, for example, there were 4,284 eligible industrial units granted excise duty exemption for the first 10 years after commencement of commercial production under NEIIPP, 2007 (North East Industrial and Investment Promotion Package) and package for Special Category States of Jammu & Kashmir, Uttarakhand and Himachal Pradesh to promote industrialisation. But such scopes are difficult under GST.

- The updating of the business software, processes like accounting and ERP software seems to be time taking for many of the backward states. The small businesses and traders may require longer time to afford this transition.

The Fourteenth Finance Commission had raised the share of States in net Central taxes to 42 per cent from 32 per cent. However, this enhancement may be diluted to some extent owing to the above reasons. More positive steps like transfer of the amount collected through cess during the first five month of GST into compensation fund for providing compensation to the States for revenue losses on account of GST implementation, Central Government's sharing of excise duty exemption to 4284 eligible industrial units of NER and other special category states for the residual period etc. may be helpful for the States in the post-GST scenario.

In the background of the above, a projection of the state of Tax Revenue for Tripura can be made on the basis of limited data as available. The Tripura State Goods and Service Tax Act, 2017, an Act to make a provision for levy and collection of tax on intra-state supply of goods or services or both by the State of Tripura and the matters connected therewith has been notified by the State Government on 16th June, 2017.A comparative picture of the position of Tripura in tax collection before and after GST is presented below:
It is important to note that like many of the other states, the state of Tripura is still in the process of full-fledged implementation of GST for a number of practical reasons. So, it is very difficult to have a clear comparison between Sales Tax and GST at this juncture as distinctive data on tax revenue solely owing to GST is not available. However, the present study takes into account a rough comparison of tax revenue between sales tax regime and GST regime by considering 12 months' data for the sales tax regime (July to March, 2016-17 *plus* April to June, 2017-18) and also 12 months' data for the GST regime (July to March, 2017-18 *plus* April to June, 2018-19). The basis of such consideration is the starting point of GST in July, 2017-18.

Table 10.4 clearly reveals that the quantum of total tax revenue of Rs. 5899.73 crore during GST regime is higher than the quantum of total tax revenue of Rs. 5499.86 crore during the Sales Tax regime. However, this amount of extra collection of about Rs. 400 crore is mainly due to substantial additional collection in Other Taxes and Duties. In fact, collection of Sales Tax during GST regime has come down to Rs. 682.24 crore (Rs. 480.23

crore sales tax + Rs. 202.01 crore SGST) from Rs. 1133.67 crore of the Sales Tax regime. Thus, there has been a reduction of sales tax collection by 39.82 per cent. Again, Land Revenue during the GST period has been reduced to Rs. 4.16 crore from Rs. 13.28 crore of the Sales Tax regimes. So, the concern remains.

Table 10.4: State of Tax Revenue for Tripura: Sales Tax vs. GST Regime (Rs. in Crore)

Particulars			*State Goods & Service Taxes (SGST)*	*Stamps & Registration Fees*	*Land Revenue*	*Sales Tax*	*State Excise Duties*	*Other Taxes & duties*	*Tax Revenue*
Sales Tax Regime	2016-2017: July – March	July	--	3.91	0.44	86.66	13.86	311.54	416.41
		Aug	--	3.73	5.14	76.28	14.93	224.66	324.74
		Sept	--	3.63	4.41	77.62	17.3	270.57	373.53
		Oct	--	2.42	0.15	99.59	12.53	268.37	383.06
		Nov	--	3.01	0.25	90.3	12.55	152.63	258.74
		Dec	--	2.91	0.37	75.68	14.77	486.33	580.06
		Jan	--	2.65	0.35	97.57	16.95	267.29	384.81
		Feb*	--	NA	NA	NA	NA	NA	NA
		March	--	7.02	0.79	332.81	29.85	1205.48	1575.95
	2017-18: April – June	April	--	3.33	0.37	35.19	12.46	316.98	368.33
		May	--	3.07	0	72.63	12.82	324.97	407.73
		June	--	4.13	1.01	89.34	13.28	312.98	426.5
Total of 12 Months			--	**39.81**	**13.28**	**1133.67**	**171.3**	**4141.8**	**5499.86**
GST Regime	2017-2018: July – March	July	--	3.69	0.42	110.62	13.45	315.87	444.05
		Aug	--	2.28	0.22	39.72	14.14	349.97	391.48
		Sept	--	4.09	0.28	35.53	16.83	363.56	435.14
		Oct	--	3.01	0.31	37.56	16	383.16	440.04
		Nov	--	4.03	0.23	32.05	13.59	371.76	421.66
		Dec	--	3.87	0.75	28.07	15.84	378.54	427.17
		Jan	--	4.19	0.36	32.42	18.58	378.26	433.71
		Feb	--	1.94	0.02	38.21	11.56	413.67	465.4
		Mar	--	2.53	0.49	60.54	28.41	990.92	1082.89
	2018-19: April – June	April	--	4.51	0.34	9.86	7.52	437.19	459.42
		May	139.66	4.39	0.37	28.72	11.1	296.85	481.09
		June	62.35	4.15	0.37	26.93	18.38	305.5	417.68
Total of 12 Months			**202.01**	**42.68**	**4.16**	**480.23**	**185.4**	**4985.25**	**5899.73**

Source: Report of the CAG of India on State Finances, Government of Tripura (Accounts at a Glance)
Note: * February, 2016-17 is included in March

As per the information provided by the Minister of State for Finance, Shri Shiv Pratap Shukla in the Lok Sabha on January 18,2017, the CGST collection of Tripura was 59 crore, IGST was 88 crore and SGST was 12 crore and collection of cess was 5 crore in the first five month after the implementation of GST. Thus, Tax Revenue collection of Tripura for the first five months of GST implementation (July to November, 2017-18)has been Rs. 159 crore. Now, comparing to the period of July to November, 2016-17 i.e. five months of the Sales Tax regime, total tax collection of the State was Rs. 1756.48 crore and only Sales Tax collection during the five months was Rs. 430.45 crore. That is, collection of the State only through Sales Tax for the same period of Sales Tax regime was more than 2.5 times than the collection through GST of the GST regime. The simple inference leads to the fact that there is every chance of a huge reduction in Tax Revenue collection for the State during the GST regime.

10.6 Major Observations

- For public debt management, the state of Tripura has been maintaining macroeconomic stability and debt sustainability so far as the Debt-GSDP ratio and growth rates of GSDP, Outstanding Liabilities and Primary Deficits are concerned. Regarding debt management, the State keeps itself within the framework of the FRBM as well as of the Thirteenth and Fourteenth Finance Commissions. Sustainable debt management by the State is also well indicated by her debt servicing capacity in terms of declining ratios of Interest Payment to GSDP, Interest Payment to Revenue Receipts, Outstanding Liabilities to Own Tax Revenue and so on. However, the higher annual average growth rate of actual debt burden in comparison to growth of GSDP may be considered as an indication of a critical financial condition of the State where a good repayment practice coexists with a compulsion of meeting emergent financial requirements through internal debt.
- During the study period, actual debt burden of the State has grown at a compound annual rate of 13.84 per cent, whereas State's capacity measured in terms of Own Revenue (Tax and Non-Tax) and Share of Tax Revenue from Centre has grown at the compound annual rate of 19.2 per cent. Thus, the State of Tripura may be considered to be in a long run sustainable debt management condition.

- With limited data availability on Tax Revenue collection under GST, it is observed that collection of Sales Tax during GST regime has come down to Rs. 682.24 crore (Rs. 480.23 crore sales tax + Rs. 202.01 crore SGST) from Rs. 1133.67 crore of the Sales Tax regime. There has been a reduction of sales tax collection by 39.82 per cent under GST. So, the concern regarding the requisite Tax Revenue collection of a backward Special Category State remains.

- The information as received in the Lok Sabha (January 18,2017), the Tax Revenue collection of Tripura for the first five months of GST implementation (July to November, 2017-18) has been Rs. 159 crore. Comparing to this, only Sales Tax collection for the period from July to November, 2016-17 i.e. five months of the

Sales Tax regime was Rs. 430.45 crore. That is, collection of the State only through Sales Tax for the same period of Sales Tax regime was more than 2.5 times than the collection through GST. The simple inference leads to the fact that there is every chance of a huge reduction in Tax Revenue collection for the State during the GST regime.

10.7 Looking at the Future

Care needs to be taken to the concern of reduction in Tax Revenue collection for the state in the coming days owing to GST implementation. Otherwise, it will be very difficult for the state like Tripura to maintain her macroeconomic stability and debt sustainability.

CONCLUSION

Health of the State Finances of Tripura (2006-07 to 2016-17)			
Chapter	**Fiscal Parameters**	**Their Movements and Health of State Finances**	**Policy Suggestions**
Ch. – 1: Status of Revenue Capacity of the State	Relative share of the individual components of Revenue appropriation, State's Own Revenue to Total Revenue, Relative share of the components of Capital Receipts, Revenue Elasticity of GSDP, Own Tax Revenue to GSDP, Own Tax Revenue Elasticity of GSDP, Own Non-tax Revenue Elasticity of GSDP	Central sources appear to be a major source of State's revenue ranging from 88 – 85 per cent. Revenue receipts do not exhibit that much of buoyancy/sensitivity to GSDP though tends to be buoyant (0.975). Sales Tax contributes more than two-third of the State's Own Tax Revenue but does not have a buoyant character. A declining trend of relative shares of *Taxes on Vehicles* and *Taxes on Professions, Trades, Calling and Employment* to State's Own Tax Revenue. However, both of the taxes are considerably buoyant in character. *Stamp and Registration Fees* also reveal a declining trend in relative shares though significantly buoyant. Revenue generating capacity of the state in terms of non-tax revenue has been very poor though Own Non-Tax Revenue (ONTR) to GSDP is significantly buoyant. However, none of the individual components of non-tax revenue are buoyant in nature except *social services* where the government cannot go for that much cost realization due to its public goods nature. *Dividends and Profits* has been a very low relative shares over the period mainly due to the poor performance of the state PSUs. The relative shares of Non-Plan Grants have been declining throughout the period. This may be a cause of the stringent condition of state finances in recent times.	Required reforms in the tax administration, particularly for *Taxes on Vehicles; Taxes on Professions, Trades, Calling and Employment*, and *Stamp and Registration Fees*. Procedural revision and administrative monitoring may be strengthened, particularly for products having inelastic demand. New areas of tax imposition like luxury tax on private/public premises or spaces let out for commercial purposes including marriage, birthday party, other gatherings and similar activities, discriminating surcharge in petroleum products, tourism with special emphasis on health tourism focusing to the needs of the patients from adjacent Bangladesh. User charges on all public utilities ensuring quality. A discriminating approach may be taken in levying user charges on the basis of location, quality of services, social merit.

Chapter	Fiscal Parameters	Their Movements and Health of State Finances	Policy Suggestions
Ch. – 2: Components, Pattern and Trends of Public Expenditure	Relative share of the individual components of Public Expenditure, Relative share of the individual components of Revenue Expenditure/Capital Expenditure/ Committed Expenditure/ Plan & Non-plan on revenue and capital heads, Efficiency of Public Expenditure – Total Expenditure to GSDP/RR, Expenditure on Social Services/ Economic Services to Total Expenditure, Capital Outlays to Total Expenditure, Buoyancy of Public Expenditure and its components	State expenditure comprises of revenue expenditure, capital expenditure and disbursement of loan and advances. Of the three components, revenue expenditure constitutes the major part of collection with more than 70 per cent of the total. Disbursement of loan and advances is limited by less than *one* per cent. Total expenditure as a percentage of GSDP reveals to be more or less constant within the range of 30-33 per cent. Development expenditures as a percentage of GSDP both on revenue and capital accounts have an increasing trend over the study period. Social services constitute the larger proportion of revenue development expenditure (66 to 71 per cent) mainly owing to education, water supply and sanitation under social sector. An increasing trend of the relative shares of Salaries & Wages and Pension liabilities to total committed expenditure. However, the proportions of liabilities to interest payments and subsidy to committed expenditure are declining over the years. Liabilities to committed expenditure as a percentage of total revenue expenditure have declined from 77.0 to 67.9 per cent during the study period, a good sign for the state economy. Public expenditure in Tripura is characterised by increasing trend of social service expenditure to total expenditure (ranges from 34 to 42 per cent) and a relatively constant trend of expenditure in economic services (around 25 per cent). Economic services call for more allocation targeting sustainable progress.	Greater allocation to social sector viz. education, health, sanitation, water supply may be considered as gaining allocative efficiency as the services have direct link with commons welfare and poverty reduction. However, achieving technical efficiency out of such resource allocation largely depends on the expansion of the economic sector, particularly expansion of the secondary sector for creation of employment opportunity of the educated youth. So, the constrained industrial activities of the state call for special policy attention. Public expenditure in Tripura has been more or less focused on meeting the developmental needs. However, there is scope of reallocation, particularly towards economic services considering its present human capital base and balanced development. This will ensure technical efficiency too. The state has only 27 per cent of cultivable land along with constrained secondary sector owing to location. So, soft skill oriented economic activities such as hotel, hospitality and tourism, computer software and programming, present day job oriented and hands on training programme in the existing educational institutions are better for the state looking into its recently expanded railway network, proposed internet gateway and up gradation of the Agartala Air Port. Also identification of priority sector through R & D, particularly in agriculture is an absolute must for Tripura.

Chapter	Fiscal Parameters	Their Movements and Health of State Finances	Policy Suggestions
Ch. -3: Analysis of Deficits	Revenue Deficit, Fiscal Deficit and Primary Deficit to GSDP	The state exhibits revenue surplus over the years. Primary deficit has been in a good state of management. However, fiscal deficit appears to be a real concern for the state, especially during 2015-2017.	Prudent fiscal management is required for correction of the increasing fiscal deficit.
Ch. – 4 Analysis of Debts	Composition and Trend of Public Debt and Public Account, Debt to GSDP, Interest Payment to RE/RR	Internal Debt and Small Savings & Provident Funds appear to be the major sources of debt (net of outflows). Loans and advances from centre are almost stagnant at less than *one* per cent of the actual debt burden. The state has been unutilized disbursement capacity over the years. Debt-GSDP ratios for Tripura are lower than the respective targets (of 42.2, 44.9 and 44.6 for the years 2010-11, 2011-12 and 2012-13 respectively) as recommended by the Thirteenth Finance Commission. Interest payment to revenue receipt ratio has been declining throughout the study period and remains much below the target of 15 per cent as recommended by the Twelfth Finance Commission. The state is in a sustainability condition of debt management.	Timely and regular disbursement of funds (not at the end of the year) may be conducive for gaining allocative and technical efficiency of public expenditure.
Ch. – 5: Contingent Liabilities of the State	OGs (Outstanding Guarantees) to State's Own Revenue of second preceding year, OGs to Total Revenue Receipts, OGs to GSDP	Outstanding Guarantees including interest has taken a sharp increase since the year 2011-12 i.e. from the first part of the 13th Finance Commission. Outstanding Guarantees to State's Own Revenue Receipts follows an increasing trend. This is mainly due to the consequences of public sector enterprises insolvency. This is good that though the incremental outstanding guarantees of the state increasing but still remain within the limit fixed by the legislature at *one* per cent level of GSDP. Regarding contingent liabilities to the SPSUs, particular concern lies with the State Co-operative Banks and Societies, and the Power Sector.	There is an urgent need of structural reforms of the State Co-operative Banks and Societies, and of the Power Sector.

Chapter	Fiscal Parameters	Their Movements and Health of State Finances	Policy Suggestions
Ch. – 6: Implementation of FRBM Act, 2005	Revenue Deficit, Fiscal Deficit, Outstanding Liabilities and Incremental Risk Guarantee	The state of Tripura has achieved three out of four of the TFRBM Act targets much before the timelines fixed in the Act and its subsequent amendments.	Some prudent fiscal management policies are required to limit its growing fiscal deficit in recent times. Considering the shortfall of Gap-grants and Grants-in-aids during the Thirteenth Finance Commission award period, the Fifteenth Finance Commission may consider some special grants for the state of Tripura and the other affected states in this regard.
Ch. – 7: PSUs and Power Sector Reforms	Loss/Profit of the PSUs and their business expansion	Economic viability and in good state of business - Tripura Forest Development & Corporation Ltd., Tripura Industrial Development Corporation Ltd., Tripura Urban Transport Company Ltd. and Tripura Natural Gas Corporation Ltd. In a critical state with chance of revival - Tripura Handloom & Handicrafts Corporation Ltd., Tripura Road Transport Corporation Ltd., Tripura State Electricity Corporation Ltd., Tripura Tea Development Corporation Ltd., Tripura Rehabilitation Plantation Corporation Ltd., Tripura Small Industries Corporation Ltd. etc. Not at all economically viable – Tripura Jute Mills Ltd. Non-working – Tripura State Bank Ltd.	Managerial and administrative reforms, adequate marketing mix, processing and quality improvement for the critical PSUs. Put up the shutters for the TJML and alternative sustainable use of the land. Speedy winding up of the TSBL.
Ch. – 8: Decentralisation Initiatives of the State Finances	Pattern and Trend of Resource Transfer from State Government to the Local Bodies	A tendency of urban centrism in disbursement of the funds. Lack in preparation of annual budgets and finalisation of accounts for all the three tiers of the PRIs. A sharp increase in developmental (plan) expenditure for the AMC ranging from 36.61 to 81.84 per cent, a good initiative of financial management. Declining trend of developmental expenditure for the TTAADC has been a real concern.	Enforcement of financial modalities, assessment of the financial management procedures and mid-term reviews of activities of the local bodies. Rigorous study of the prospective sources of resources for the TTAADC and other local bodies. Judicious user charges for quality public utilities provided by the Local Bodies

Chapter	Fiscal Parameters	Their Movements and Health of State Finances	Policy Suggestions
Ch. – 9: Analysis of State Subsidies	Composition & Dynamics of Explicit Subsidies, State Subsidies to TE/RE/GSDP/OTR	During the period, highest quantum of subsidy has been given to the Power Department followed by Food, Civil Supplies and Consumer Affairs. There has been a declining trend of subsidies for Agriculture and welfare of SC, OBC & Minorities. Non-plan subsidy exceeds plan subsidy manifold during 2012-13 to 2015-16. An increasing trend of subsidy to its total expenditure, revenue expenditure, GSDP, and own tax revenue. However, total subsidy is within the limits of 0.5 per cent of GSDP and *one* per cent of total expenditure for most of the years.	A reorganisation of subsidies keeping into consideration the balance between needs and constructive uses of subsidies. Agricultural subsidy may be given some special emphasis for the development of the agrarian based economy of Tripura.
Ch. – 10: Sustainable Debt Roadmap	Rate of Growth of GSDP ($\dot{Y}$) vis-à-vis Rate of Growth of Debt($\dot{D}$) and Growth Rate of Primary Deficit ($\dot{PD}$), Interest Cost/Interest Payments (IP) to GSDP (Y)/RE/RR, Debt (D) to Revenue Receipts (RR)/Tax Revenue (TR)/ Own Tax Revenue (OTR)	The state has been maintaining macroeconomic stability and debt sustainability within the framework of the FRBM, Thirteenth and Fourteenth Finance Commissions so far as Debt-GSDP ratio and growth rate of GSDP vis-à-vis that of Outstanding Liabilities and Primary Deficits are concerned. Sustainable debt management is also indicated by her debt servicing capacity in terms of declining ratios of Interest Payment to GSDP, Interest Payment to Revenue Receipts, Outstanding Liabilities to Own Tax Revenue. However, the higher annual average growth rate of actual debt burden in comparison to growth of GSDP may be an indication of the critical financial condition of the State where a good repayment practice coexists with a compulsion of meeting emergent financial requirements through internal debt. Moreover, the debt sustainability condition of Tripura may get hampered owing to the introduction of GST and the resultant reduction in Tax revenue collection of the State.	In spite of several macroeconomic hurdles and fiscal challenges, the economy of Tripura has been maintaining stability and debt sustainability. However, care needs to be taken to the concern of reduction in Tax Revenue collection for the state in the coming days owing to GST implementation. Otherwise, it will be very difficult for the state like Tripura to maintain her macroeconomic stability and debt sustainability.

References

1. Economic Review of Tripura (2006-07 to 2016-17), Directorate of Economics and Statistics, Government of Tripura
2. Porwal, L.S. (1971): *State Finances in India: A Case Study*, Sultan Chand & Sons, Delhi
3. RBI (2006-07 to 2016-17): *State Finances: A Study of Budgets*, available at https://rbi.org.in/Scripts/AnnualPublications.aspx?head=State+Finances+%3a+A+Study+of+Budgets
4. Where, K.C. (1968): Federal Government, Oxford University Press
5. https://timesofindia.indiatimes.com/city/guwahati/Declare-financial-emergency-in-Tripura-demands/articleshow/7363699.cms accessed on 06.04.2018
6. http://www.theshillongtimes.com/2011/08/31/finance-minister-admits-tripura-plunges-into-fiscal-crisis accessed on 06.04.2018
7. Comptroller and Auditor General of India (2006-07 to 2016-17), ***Audit Report (State Finances)***, Various Issues, Government of Tripura
8. Chelliah, Raja J. (1996), ***Towards Sustainable growth: Essays in Fiscal and Financial Sector Reforms in India***, Oxford University Press, New Delhi.
9. Domar, Evsey D. (1944), "The Burden of Debt and the National Income", ***American Economic Review***, Vol. 34, No 4, pp. 798-827
10. Hamilton, James D. and Marjorie A. Flavin (1986), "On the Limitations of Government Borrowing: A Framework for Empirical Testing", ***The American Economic Review***, Vol. 76, No. 4, pp. 808-819.
11. Lahiri, Ashok K. (2000), "Sub-National Public Finance in India", ***Economic and Political Weekly**,* Vol. 35, No.16, pp. 1539-1549.
12. Lahiri, Ashok K. and R. Kannan (2004), "India's Fiscal Deficit and Their Sustainability Perspective" in Edgardo M. Favoro, Ashok K. Lahiri (Eds.), ***Fiscal Policies and Sustainable Growth in India***, Oxford University Press, New Delhi
13. Rao, Govinda M. (2002), "State Finances in India: Issues and Challenges", ***Economic and Political Weekly**,* Vol. 38, No. 29, pp. 3261-3271.

24. World Bank (2005) ***State Fiscal Reforms in India***. New Delhi; Macmillan India Ltd.
25. Govt. of India (2009): *Thirteenth Finance Commission 2010-2015 Volume I: Report*, New Delhi: Finance Commission of India [online] available: https://www.prsindia.org/uploads/media/13financecommissionfullreport.pdf
27. Govt. of India (2014): *Fourteenth Finance Commission 2015-2020 Volume I: Report*, New Delhi: Finance Commission of India [online] available: https://www.prsindia.org/uploads/media/Constitution%20122nd/14th%20FC%20Report.pdf
28. Government of India (2011): *Report on the Performance of State Power Utilities for the years 2007-08 to 2009-10*, Power Finance Corporations Limited.
30. Government of India (2011): *Annual Report on the Working on State Power Utilities & Electricity Department; 2011-12*; Power & Energy Division, Planning Commission.
31. Government of India (2013): *Report on the Performance of State Power Utilities for the years 2009-10 to 2011-12*; Power Finance Corporations Limited.
32. Govt. of Tripura (2009): *Quarterly Review Report of Finance Minister for the 3rd Quarter 2008-09,* Department of Finance, Government of Tripura
33. Reddy (2017): *States may've got little less tax share under GST*, The Economic Times, Nov 26, 2017 [online] available: https://economictimes.indiatimes.com /news/economy/policy/states-mayve-got-little-less-tax-share-under-gst-reddy/articleshow/61802525.cms

34. Allam A. S. (2016): GST and the States: Tax Administration, Economic & Political Weekly, Vol. 51 and Issue No. 31 [online] available: https://www.epw.in/journal/2016/31/web-exclusives/gst-and-states-sharing-tax-administration.html?0=ip_login_no_cache%3D8a28696b5110a21e918dfa1919a7db34

35. Govt. of Tripura (2006-07 to 2016-17): *Finance Accounts,* Various Issues, Government of Tripura

36. TTAADC (2006-07 to 2016-17): *Budget Estimates*, Various Issues, Government of Tripura

37. Govt. of Tripura (2014-15): *Annual Technical Inspection Report on PRIs and ULBs*, Government of Tripura

38. Govt. of Tripura (2011): '*13th Finance Commission Report: A Review*', Government of Tripura