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THE EXCESSIVE AND UNJUSTIFIED MARKET BORROWING IN THE BUDGET OF TRIPURA IS RACING THE STATE TOWARDS BANKRUPTCY

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ABSTRACT

The shortages of revenue earning compared to the committed expenditures create deficits in the yearly budget which increases the propensity to borrow or debt financing. Improper budget and planning, negligence and ignorance for creating additional sources of revenue have come to be the major reason behind these market borrowings and loans have been considered as one of the easiest, last and final options to fulfil the requirements for the yearly budget. As a result, the market borrowing and the cost of debt are rapidly increasing, and such a financial management disorder pushing the State toward bankruptcy.

KEYWORDS: Revenue; Deficit; Borrowings; Bankruptcy; Financial Management;

INTRODUCTION

A prevailing shortage of funds has hindered the timely execution of development plans across several States, particularly in the North-Eastern region of India, including Tripura. The primary source of funding for these States, as reflected in their annual budgets, has historically been the 'State Share of Fund' allocated by the Union Government of India. This financial landscape has led to a heavy reliance on market borrowing, resulting in escalating debt liabilities and interest payments per annum, and as per the trends which are projected to reach more than ₹33,000.00 crores and ₹2,500.00 crores respectively within the coming 2027-28 FY¹.

Addressing this fiscal challenge requires a paradigm shift in financial management, where effective preparation of yearly budgets, proper management and utilization of budgeted funds, and generating additional revenue become pivotal aspects of governance. But, in most of the wings of the State Government, the focus tends to be centred on utilizing allocated funds, with minimal attention given to revenue generation or efficient financial management. As a result, due to shortages of revenue

¹ FY: Financial Year

earned from its own sources the State is bound to take loans from the market and the liability of the State for repayment of loans and mitigating the cost of debt as interest is increasing day by day. Since the yearly budget is considered the footprint of steps of financial development, so, the importance and significance of managing the market borrowing is incomparable for every State and organization.

This study is based on the budget of the State of Tripura, and the rapidly increasing budget and budget estimates for the last three years i.e., 2021-22 FY, 2022-23 FY & 2023-24 FY are ₹22,724.50 crores, ₹26,892.67 crores and ₹27,654.45 crores respectively. Since, for these yearly budgeted funds Tripura is dependent on the Union Government of India, in such a financial condition proper and systematic financial and budgetary management only can provide a ray of hope for recovery and success.

OBJECTIVE OF THE STUDY:

Budget is one of the important functions of finance and the financial management process of the Government and non-Government organizations. Properly planned and effective budgets are very important for ensuring the development not only of any organization but also of the State Government. The main objectives of the study are enumerated as follows: -

- (i) To know the reason behind market borrowing in the budget of Tripura;
- (ii) To ascertain the tentative amount of total market borrowing of Tripura and its yearly growth;
- (iii) To analyse the justification for market borrowing in the budget of Tripura and its results;

This particular study on budget and finance, and the analysis of every parameter of the budget is focused on knowing about the actual financial condition and position of the State and searching the possibility to recover of the State Government of Tripura.

REVIEW OF LITERATURE

The preparation of a budget and its financial operation are very important functions of the management of any organization and institution. According to CAG², the effective management of budgeted funds ensures that decisions taken at the policy level are implemented successfully at the administrative level without wastage or diversion of funds (CAG) which has a significant impact not only assists in the proper management of funds but also ensures financial development of the States. In the process of budgetary management, budgetary controls are important in influencing performance, to enhance performance the organizations should develop a more formal practice in the development of budgetary controls (Chaudhary and Chaudhary) which also helps to ensure that approved and sanctioned funds would be utilised properly and effectively for development purpose. In the entire process of budgeting, actual budget preparation, co-ordination and implementation are almost exclusively the responsibilities of top-level management, but the heads of units and departments should be more

² CAG: Comptroller and Auditor General of India

involved in the preparation of budgets and not just the implementation (Isaac, Lawal and Okoli). However, the consequent lack of reliable and timely revenue and expenditure data for budget planning, monitoring, expenditure control, and reporting has negatively impacted budget management. The results have been a poorly controlled commitment of government resources, often resulting in a large build-up of arrears; excessive borrowing, pushing up interest rates and crowding out private sector investment; and misallocation of resources, undermining the effectiveness and efficiency of service delivery (Diamond and Khemani). There has been a marked deterioration in the fiscal health of all states in India since the early 1990s, which reached a peak in the mid-2000s in almost every state in India. While the fiscal health of the state governments has improved recently after a deterioration in the fiscal health of all states in India since the early 1990s to 2000s, the debt ratio and interest payments are still alarming and the primary causes for the growing debt ratio need to be analysed. The pattern of use of government borrowing is crucial as far as the sustainability of debt finance is concerned (Das). Public borrowing cannot be deserved to bring adequate resources in the absence of properly developed capital markets in underdeveloped economies. At the same time, public borrowing may raise interest rates and affect required investment adversely (Chakraborty). Since the impacts of excessive debt financing or market borrowing are showing its impact on the economy and financial performance of the State, financial controls are the most important for an objective measure of organizational or departmental performance. During strategic planning, management defined measurable objectives for operations (KT).

It is observed that the practice of off-budgeting has also been in so many States of India in the last few years, where the ideal regulatory framework for off-budget borrowing should incorporate with necessary required elements. It should require off-budget numbers to be added to the major fiscal indicators, while also requiring them to be disclosed separately. Union and state governments need to make full and accurate disclosures of their off-budget operations, as required under their FRLs (Gupta and James). The process of budgeting procedure in the development of any organization has to assume the development of a long-term financial plan containing an integrated plan of income and expenses, a cash flow plan, and a planned balance budget development of CFR³ activities of the organization in general for the next year; forming of financial budgets for a month on CFR activities and the organization in general (T. M. Kovaleva, O. A. Khvostenko and A. G. Glukhova).

METHODOLOGY

This study is descriptive and has been conducted on the yearly budget and its financial management by the State Government of Tripura for the period of last 06 (Six) years (from 2018-19 FY to 2023-2024 FY). This is a study based on secondary data supported by different sources of information which are collected through the review of different sources of information. These data are collected from the

³ CFR: Centres for Financial Responsibility

yearly budget and annual financial statement of the State Government of Tripura; different financial circulars and rules & regulations issued by the Ministry of Finance, Government of India; relevant books, journals, newspapers, and magazines, different e-sources and publications. For analysis of the study, descriptive statistical analysis like different measures of central tendencies and dispersions has been applied where required to explore the inherent characteristics of the data collected from the sources. Moreover, some of the popular graphs and charts are also used when necessary and an Inferential Analysis.

DISCUSSION AND RESULTS

There are three (03) main sources of funds for the budget of the State which are (i) Receipts from the Union Government of India; (ii) State's Own Sources and (iii) Market Borrowing & Loans. Almost all the components of receipts and expenditures are increased in the current year's budget, as the budget amount is increased than the last year. On the expenditure side, maximum increases of expenditure are found in the Salary & Wages (+15.17%) and negative growth of expenditure is in the Repayment of Loans (-5.98%), whereas on the receipt side, maximum growth is found in Market Loans and Other Borrowings (+46.78%) and negative growth in the Recovery and Loan and Advances (-4.08%). in compare to the 2022-23 FY. The growth of total expenditure in the budget of 2023-24 FY is +₹2,485.34 crores or +9.87% in comparison to 2022-23 FY.

The Government of Tripura collects the market borrowing and loans from the NREC⁴, NABARD⁵, NCDC⁶, NHAI⁷ and different FIs⁸ of the country including banks and insurance companies. There is no specific record of total market borrowing and loan till date in the yearly budget, annual financial statement, and in the website of the concerned department i.e. Finance Department, Government of Tripura.

The average rate of interest on loans of the State Government is @10% per annum whereas the minimum & maximum rate of interest on market borrowing and loans is @5.50% and @14.50% respectively. The Estimated Principal Amount of Loan before the budget of 2018-19 FY:

$$\begin{aligned} P &= I / K_d \\ &= ₹1,146.82 \text{ crores} / @10\% \\ &= ₹11,468.20 \text{ crores} \end{aligned}$$

Where, P = Estimated Principal Amount of Loan before the budget of 2018-19 FY; I = Total interest

⁴ NREC: National Rural Electrification Corporation

⁵ NABARD: National Bank for Agriculture & Rural Development

⁶ NCDC: National Cooperative Development Corporation

⁷ NHAI: National Highway Authority of India

⁸ FI: Financial Institution

paid in the year; and K_d = Average Rate of Interest on Loan;
Market Borrowing and Loan (d) for the budget of 2018-19 FY = ₹1,543.00 crores;
Repayment of Loan (R) in the budget of 2018-19 FY = ₹520.30 crores;

Therefore, Net Total Principal Loan Amount (D) of the State Government up to 2018-19 FY:
= (P + d - R)
= ₹11,468.20 crores (+) ₹1,543.00 crores (-) ₹520.30 crores
= ₹12,490.70 crores;

Based on the Net Total Principal Loan amount (D) of 2018-19 FY, Estimated Total Principal Loan Amount (P), Interest Paid in the Year (I) and Repayment of Loan in the Year (R) up to 2023-24 FY have been calculated in Table-01.

Table-01: Market Borrowing/ Loan of the Govt. of Tripura from 2018-19 to 2023-24 FY

Year of Budget	Interest Paid in the Year (₹ In crore)	Estimated Total Principal Loan Amount (₹ In crore)	Market Borrowing & Loan in the Year (₹ In crore)	Total Loan Amount Before Yearly Repayment (₹ In crore)	Repayment of Loan in the Year (₹ In crore)	Net Total Principal Loan Amount (₹ In crore)
n	I	P	d	P1= (P + d)	R	D=(P1-R)
2018-19	1146.82	11468.20	1543.00	13011.20	520.50	12490.70
2019-20	989.81	12490.70	2380.00	14870.70	635.54	14235.16
2020-21	1256.93	14235.16	2546.00	16781.16	729.34	16051.82
2021-22	1124.98	16051.82	3093.98	19145.80	889.07	18256.73
2022-23	1499.18	18256.73	2795.00	21051.73	1023.12	20028.61
2023-24	1501.73	20028.61	2685.60	22714.21	918.25	21795.96
∑n=6	∑I=7519.45	---	∑d=15043.58	---	∑R=4715.82	---

Source: Author's Analysis as per the Budget of the Finance Department, Govt. of Tripura

The Total Interest Paid ($\sum I$), Total Market Borrowing & Loan ($\sum d$), and Total Repayment of Loan ($\sum R$) of the State Government from 2018-19 FY to 2023-24 FY is ₹7,519.45 crores, ₹15,043.58 crores, and ₹4,715.82 crores respectively. From inception, the Net Total Principal Loan Amount (D) of the State up to 2023-24 FY is ₹21,795.96 crores (Table-01).

The average of the estimated interest rate of loan per year ($\sum I_r/\sum n$) based on the % of Interest Paid in the Year (I) on the Estimated Principal Loan Amount (P) is +8.25%; the average of the growth rate of yearly market loans ($\sum d_r/\sum n$) based on the % of Market Loan in the Year (d) on the Estimated Principal Loan Amount (P) is +16.40%; and the average of the repayment of loan percentage ($\sum R_r/\sum n$) based on the % of Repayment of Loan (R) on the Estimated Principal Loan Amount (P) is +5.08% (Table-02).

Table-02: Market Borrowing/ Loan of the Govt. of Tripura from 2018-19 to 2023-24 FY

Year of Budget	Estimated Principal Loan Amount (₹ In crore)	Interest Paid in the Year (₹ In crore)	% on Estimated Principal Amount (₹ In crore)	Market Loan in the Year (₹ In crore)	% on Estimated Principal Amount (₹ In crore)	Repayment of Loan Per Year (₹ In crore)	% on Principal Amount (₹ In crore)
n	P	I	$I_r = I/P \times 100$	d	$d_r = d/P \times 100$	R	$R_r = R/P \times 100$
2018-19	11468.20	1146.82	10%	1543.00	13.45%	520.50	4.54%
2019-20	12490.70	989.81	7.92%	2380.00	19.05%	635.54	5.09%
2020-21	14235.16	1256.93	8.83%	2546.00	17.89%	729.34	5.12%
2021-22	16051.82	1124.98	7.01%	3093.98	19.27%	889.07	5.54%
2022-23	18256.73	1499.18	8.21%	2795.00	15.31%	1023.12	5.60%
2023-24	20028.61	1501.73	7.50%	2685.60	13.41%	918.25	4.58%
Average of the '% on Estimated Principal Amount			$\sum I_r/\sum n = 8.25\%$	-----	$\sum d_r/\sum n = 16.40\%$	-----	$\sum R_r/\sum n = 5.08\%$

Source: Author's Analysis as per the Budget of the Finance Department, Govt. of Tripura

Based on the average of the estimated interest rate of a loan per year ($\sum I_r/\sum n$), the average of the growth rate of yearly market loans ($\sum d_r/\sum n$) and the average of the repayment of loan percentage ($\sum R_r/\sum n$) which are calculated in Table-02, the estimated Market Borrowings & Loan (d_e), Yearly Repayment of Loan (R_e), and Interest Payable in the Year (I_e) are also calculated for the year from 2024-25 FY to 2027-28 FY in Table-03, where the Net Total Principal Loan Amount (D) of 2023-24 FY ₹21795.96 is considered the Estimated Principal Loan Amount (P_e) of 2024-25 FY.

Table-03: Estimated Market Borrowing/ Loan of the Govt. of Tripura as per the Growth Rate from 2022-23 to 2023-24 FY

Year of Budget	Estimated Principal Loan Amount of the Year (₹ In crore)	Market Borrowings & Loans @16.40% on Principal Amount (₹ In crore)	Total Loan Position Before Yearly Repayment of Loan (₹ In crore)	Repayment of Loan @5.08% on Principal Amount (₹ In crore)	Total Estimated Loan Amount up to the FY (₹ In crore)	Interest Payable in the Year @ 8.25% on Principal Amount (₹ In crore)
n_e	P_e	$d_e = P_e / (\sum d_r / \sum n)$	$P_{e1} = P_e + d_e$	$R_e = P_e / (\sum R_r / \sum n)$	$D_e = P_{e1} \cdot R_e$	$I_e = P_e / (\sum I_r / \sum n)$
2024-25	21975.96	3604.06	25580.02	1116.38	24463.64	1813.02
2025-26	24463.64	4012.04	28475.68	1242.75	27232.93	2018.25
2026-27	27232.93	4466.20	31699.13	1383.43	30315.70	2246.72
2027-28	30315.70	4971.77	35287.47	1540.04	33747.43	2501.05
$\sum n_e = 4$	---	$\sum d_e = 17054.07$	---	$\sum R_e = 5282.60$	---	$\sum I_e = 8579.04$

Source: Author's Analysis as per the Budget of the Finance Department, Govt. of Tripura

As per calculation in Table-03 above, in the next four (04) years from 2024-25 FY to 2027-28 FY the Total Market Borrowing & Loans ($\sum d_e$) would be ₹17,054.07 crores; the Total Interest Payable ($\sum I_e$) would be ₹8,579.04 crores; the Total Repayment of Loan ($\sum R_e$) would be ₹5,282.60; and the Total Principal Loan Amount up to 2027-28 FY would be ₹33,747.43 crores.

The overall process of budgeting from the budget estimates to the final/ actual position of the budget goes through three (03) different stages i.e. Budget Estimate, Revised Estimates and Actual Budget and takes three (03) year's period. Because of changes in the budget position, the position of every component or element of the budget i.e. receipts/ sources and payments/ expenditures are also changed. For example, the estimated budget for 2018-19 FY is finalized in 2020-21 FY and for 2019-20 FY it is finalized in 2021-22 FY and so on. Accordingly, for the period of this study from 2018-19 FY to 2023-24 FY final position/ actual budget is accounted up to the budget of 2021-22 FY only (Table-04).

From the analysis in Table-04, it comes to know that the total estimated budget amount from 2018-19 FY to 2021-22 FY ₹75,248.93 crores has changed and decreased consecutively up to an actual budget of ₹65,453.28 crores. The budget amount decreased by ₹9,795.65 crores in the four (04) years, whereas in that period the changes in market borrowing and loans in Budget Estimates, Revised

Estimates and Actual Budget positions are ₹9,562.98 crores, ₹9,782.78 crores and ₹7,814.87 crores respectively.

Table-04: Changes of Budget Amount from the Budget Estimate to Budget Actuals in Compare to Market Borrowing & Loan

Financial Year (FY)	Changes of Budget Position (₹ In crore)				Changes of Market Borrowings & Loan as per Budget Position (₹ In crore)		
	Estimates	Revised Estimates	Actuals	Decreased of Budget	Estimates	Revised Estimates	Actuals
1	2	3	4	5=(2-4)	6	7	8
2018-19	16387.21	16380.80	14193.48	-2193.73	1543.00	1695.83	1707.57
2019-20	17530.46	17247.20	14679.94	-2850.52	2380.00	3081.00	3257.77
2020-21	19380.19	18357.83	17612.27	-1767.92	2546.00	2940.95	2322.35
2021-22	21951.07	23707.29	18967.59	-2983.48	3093.98	2065.00	527.18
2022-23	(26323.15)	(25169.11)	---	---	(2795.00)	(1829.62)	---
2023-24	(27043.17)	---	---	---	(2685.00)	---	---
TOTAL	75248.93	75,693.12	65453.28	-9795.65	9562.98	9782.78	7814.87

Source: Author's Analysis as per the Budget of the Finance Department, Govt. of Tripura

The changes in three basic components of loans such as Market Borrowing and Other Loans, Repayment of Loan and Interest Payment in the three (03) budget positions namely Budget Estimates, Revised Estimates and Actuals are not similar in the financial year from 2018-19 FY to 2021-22 FY (Table-05). The number of changes and differences in the loan components is analysed by comparing as per budget position. As per the total in the budget position from 2018-19 FY to 2021-22 FY, the changes in loan components are as follows: -

- (i) Market Borrowing = BE < RE; RE > AB; AB < BE;
= RE > BE > AB
- (ii) Repayment of Loan = BE < RE; RE > AB; AB > BE
= RE > AB > BE
- (iii) Interest Payments = BE < RE; RE > AB; AB > BE
= RE > AB > BE

Where, BE= Budget Estimates; RE= Revised Estimates and AB= Actual Budget.

The analysis in Table-05 below shows that high or maximum focuses are given in the process of revised estimates of market borrowing in comparison to budget estimates and the actual position of

the budget, whereas the estimation of repayment of loan and interest payment is lowest and minimum in compare to revised estimates and actual budget position. It shows that preference is given in lending in compare to the repayment of loan & market borrowing which is also clearly disclosed in the yearly budget figures in Table-02.

Table-05: Changes the Amount of Market Borrowing, Repayment of Loan and Interest Payment as per Changes of Budget Position

Financial Year (FY)	Changes of Market Borrowings & Loan as per Budget Position (₹ In crore)			Changes of Repayment of Loan as per Budget Position (₹ In crore)			Changes of Interest Payment as per Budget Position (₹ In crore)		
	Estimates	Revised Estimates	Actuals	Estimates	Revised Estimates	Actuals	Estimates	Revised Estimates	Actuals
1	2	3	4	5	6	7	8	9	10
2018-19	1543.00	1695.83	1707.57	520.50	505.33	498.05	1146.82	926.48	1018.95
2019-20	2380.00	3081.00	3257.77	635.54	886.52	889.07	989.81	1142.39	1124.98
2020-21	2546.00	2940.95	2322.35	729.34	742.31	741.24	1256.93	1340.19	1284.81
2021-22	3093.98	2065.00	527.18	686.98	681.66	656.35	1373.60	1505.26	1398.16
2022-23	(2795.00)	(1829.62)	---	(1023.12)	(976.68)	---	(1499.18)	(1453.61)	---
2023-24	(2685.00)	---	---	(918.25)	---	---	(1501.73)	---	---
TOTAL	9562.98	9782.78	7814.87	2572.36	2815.82	2784.71	4767.16	4914.32	4826.90

Source: Author's Analysis as per the Budget of the Finance Department, Govt. of Tripura

Again, the changes in revenue earnings/ income as well as capital expenditure changes as per above mentioned three (03) budget positions are not similar in the last financial year from 2018-19 FY to 2021-22 FY (Table-06). The differences in changes in revenue and capital expenditure are analysed as per changes in budget positions.

As per the budget position from 2018-19 FY to 2021-22 FY changes in Revenue Earnings/ Income

and Capital Expenditure are as follows:-

$$\begin{aligned}
 \text{(i) Revenue Earning/ Income} &= \text{BE} > \text{RE}; \quad \text{RE} < \text{AB}; \quad \text{AB} < \text{BE}; \\
 &= \text{BE} > \text{RE} < \text{AB} \\
 \text{(ii) Capital Expenditure} &= \text{BE} > \text{RE}; \quad \text{RE} > \text{AB}; \quad \text{AB} < \text{BE} \\
 &= \text{BE} > \text{RE} > \text{AB}
 \end{aligned}$$

Where, BE= Budget Estimates; RE= Revised Estimates and AB= Actual Budget;

The analysis in Table-06 below shows that high and maximum focus is given in the process of estimation of capital expenditure and estimation of revenue earnings in comparison to its revised estimates and actual budget by the State Government, where the number of budget estimates is highest in comparison to revised estimates and actuals. It is also shown that there is no consistency between the expectation as well as estimation of yearly revenue collection and yearly actual revenue collection where huge amounts of budgeted funds are invested in yearly capital expenditure with almost zero return and very minimal revenue generation.

Table-06: Changes in Revenue Surplus (+) or Deficit (-) in the Budget from Budget Estimate to Actual Budget in Compare to Market Borrowing & Loan

Financial Year (FY)	Revenue Surplus (+) or Deficit (-) in the Budget (₹ In crore)			Capital Expenditure Position in the Budget (₹ In Crore)			Actual Market Borrowings & Loan (₹ In crore)
	Estimates	Revised Estimates	Actuals	Estimates	Revised Estimates	Actuals	
2018-19	+904.24	+1839.89	+141.70	3278.24	3579.66	1980.04	1707.57
2019-20	+1037.14	-2092.72	-2375.31	3469.14	2370.32	1776.04	3257.77
2020-21	-240.93	-2314.87	-1075.42	2639.48	2513.40	1576.21	2322.35
2021-22	-1717.15	-694.63	+1488.71	2651.26	3352.74	2079.37	527.18
2022-23	(-559.74)	(+467.71)	---	(5285.78)	(4382.33)	---	(2795.00)
2023-24	(+11.81)	---	---	(5358.68)	---	---	(2685.00)
TOTAL	-16.70	-3262.33	-1820.32	12038.12	11816.12	7411.66	7814.87

Source: Author's Analysis as per the Budget of the Finance Department, Govt. of Tripura

There are fiscal and primary deficits in the actual position of the budget from 2018-19 FY to 2021-22 FY an amount of -₹5,397.93 crores and -₹571.03 crores respectively (Table-07). The total of both actual deficit amounts is less than the total actual market borrowing and loan of the State Government of ₹7,814.87 crores for that particular period.

Table-07: Changes in Fiscal Surplus (+) or Deficit (-) in the Budget from Budget Estimate to Budget Actuals in Comparison to Market Borrowing & Loan

Financial Year (FY)	Fiscal Surplus (+) or Deficit (-) in the Budget (₹ In crore)			Primary Surplus (+) or Deficit (-) in the Budget (₹ In crore)			Actual Market Borrowings & Loan (₹ In Crore)
	Estimates	Revised Estimates	Actuals	Estimates	Revised Estimates	Actuals	
2018-19	-1851.50	-1232.44	-1339.70	-704.68	-305.96	-320.75	1707.57
2019-20	-1794.45	-3574.51	-3261.56	-804.64	-2432.12	-2136.58	3257.77
2020-21	-2149.07	-4084.96	-1383.14	-892.14	-2744.77	-98.33	2322.35
2021-22	-3680.42	-2663.34	+586.47	-2306.82	-1158.08	+1984.63	527.18
2022-23	(-3841.40)	(-2252.94)	---	(-2342.22)	(-799.33)	---	(2795.00)
2023-24	(-3778.62)	---	---	(-2276.89)	---	---	(2685.00)
TOTAL	-9475.44	-11555.30	-5397.93	-4708.28	-6640.93	-571.03	7814.87

Source: Author's Analysis as per the Budget of the Finance Department, Govt. of Tripura

The probable estimated increases in financial condition and financial liabilities of the State up to 2027-28 FY are prepared in Table-08 below;

Table-08: Probable Increases of Financial Liabilities of the State up to 2027-28 FY

Sl. No.	Particulars	Financial Year (FY)		
		2018-19	2023-24	2027-28
1	Yearly Market Loan in the Budget: (₹ In crore)	1543.00	2685.60	4971.77
2	Total Loan Amount of the State: (₹ In crore)	12490.70	21795.96	33747.43
3	Total Interest Payment Per Year: (₹ In crore)	1146.82	1501.73	2501.05
4	Population of Tripura (Approx.); (In number)	3900000	4200000	4500000
5	Yearly Loan Burden/ Person (₹ In thousands) = 1/4	3956.00	6394.00	11048.38
6	Total Loan Burden/Person (₹ In thousands) = 2/4	32027.00	51895.14	74994.29
7	Interest Payable/ Month (₹ In crore) = 3/12 months	95.57	125.14	208.42
8	Interest Payable/ Day (₹ In crore) = 3/365 days	3.14	4.11	6.85
9	Interest Payable/ Hour (₹ In lakh) = 8/24 hours	1309155.25	1714303.65	2855079.91
10	Interest Payable/ Min. (₹ In thousand) = 9/60 min.	21819.25	28571.73	47584.67
11	Interest Payable/ Sec. (₹ In hundred) = 10/60 sec.	363.65	476.20	793.08

Source: Author's Analysis as per the Budget of the Finance Department, Govt. of Tripura

FINDINGS

A budget is prepared by accounting for the yearly amount of market borrowings and loans as receipts of funds. The changes (increase/ decrease) of Market Borrowing and other Loans, Repayment of Loans and Interest Payments in the three (03) different budget positions are dissimilar. The mode of changes and dissimilarities of loan components are depicted that the strategy of the loan and loan management is not getting equal important and significant part of financial management as much as focused on the market borrowings by the Government. These dissimilarities of changes in Revenue collection/ earnings and Capital Expenditure depict that the highest and maximum focus is given to the process of planning and estimation of capital expenditure as compared to revenue earnings.

During the period from 2018-19 FY to 2021-22 FY the actual budget amount decreased in comparison to the budget estimates in total of -₹9,795.65 crores (Table-04). But, when the budget amount is decreased to -₹9,795.65 crores more than the total estimate, revised estimates and actual loan amount of the budget i.e. ₹9562.98 crores, ₹9782.78 crores and ₹7,814.87 crores respectively then the reason behind the State Government borrowing those loan amounts in the budget of that particular period is unjustified. It is also found that the fiscal and primary deficit in the actual budget is also less than the total actual market borrowing and loan for that particular period. Further, the evidence of off-budgeting in the budget of Tripura in the study of Gupta & James, 2023 it clear that there are excessive market borrowing & loans of the State in comparison to the required amount in the budget. There is no specific and clear justification for such an excessive market borrowing & loan of the State by the concerned Department of the Government of Tripura. It would be direct and indirect impact on the financial condition of the State Government and financial market of the State which might not be resulting in the condition of acute financial crisis and bankruptcy of the State very recent time but its results ultimately far-reaching in development of the State. Further, as per the current financial condition the total principal loan amount would exceed the total yearly budget estimate by 2027-28 FY.

SUGGESTIONS FOR THE FUTURE STUDY

Other than any special financial assistance from the Union Govt. of India to recover from such a financial condition, the State must be focused on increasing its tax and non-tax revenue collection and maximum repayment of loans for managing its cost of debt and excess market borrowings & loans. The capital expenditures must be properly managed and controlled by avoiding excessively making these expenditures by market borrowings and loans, where such expenditures are not able to ensure maximum revenue generation as its estimation and as its borrowing. Further studies are required on the matter to mitigate such a financial condition of the State. As a primary initiative the Govt. must

focus the implementation of the PIRSA⁹ System in the probable department like other departments/ wings of the Govt. of Tripura namely the Food, Civil Supplies and Consumer Affairs (FCS&CA) Department, Department of Higher Education (DHE) and Tripura Tribal Areas Autonomous District Council (TTAADC) for maximum non-tax revenue earning for leveraging the cost of debt of the State.

LIMITATION OF THE STUDY

The study is based on the yearly budget records and other related documents available on the website of the Finance Department, Government of Tripura which is limited to the period from 2018-19 FY to 2023-24 FY.

CONCLUSIONS

Debt financing and debt capital budgeting are very important and significant when the source of funds especially sources of revenue generation are scares and shortages in revenue collection. But, when any organization and its financial management are focused and depending on such a loan or debt capital borrowings only in an excessive manner then such practice surely provides negative and unexpected results. The impacts of such a financial condition would be far-reaching in the process of development of that organization. In the process of budget preparation and budgetary control, excessive and unjustified market borrowing is required to be verified and analysed in time for the corrective measure, so that not only the State can get relief from any probable financial debacle in the future but also the proper financial and overall development of the State could be ensured as per the vision and mission of the Government.

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