

CHAPTER - I

FINANCES OF THE STATE GOVERNMENT

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

1.1 Summary of Current Year's Fiscal Transactions

Table-1.1 presents the summary of the State Government's fiscal transactions during the current year (2008-09) *vis-à-vis* the previous year while **Appendix-1.4** provides details of receipts and disbursements as well as overall fiscal position during the current year.

Table-1.1: Summary of Current Year's Fiscal Operations

(Rupees in crore)

2007-08	Receipts	2008-09	2007-08	Disbursements	2008-09		
					Non Plan	Plan	Total
Section-A: Revenue							
2039.74	Revenue receipts	2653.13	1908.39	Revenue expenditure	1573.21	740.59	2313.80
77.53 (a)	Tax revenue	94.62	645.66	General services	786.74	17.01	803.75
130.30 (b)	Non-tax revenue	158.67	696.77	Social services	455.29	442.90	898.19
363.35	Share of Union Taxes/ Duties	383.39	565.96	Economic services	331.18	280.68	611.86
1468.56	Grants from Government of India	2016.45	--	Grants-in-aid and Contributions	--	--	--
Section-B: Capital							
--	Misc. Capital Receipts	--	544.24	Capital Outlay	74.45	366.59	441.04
27.53	Recoveries of Loans and Advances	24.86	6.12	Loans and Advances disbursed	--	--	17.41
223.71	Public Debt receipts	105.77	143.96	Repayment of Public Debt	--	--	96.29
--	Contingency Fund	--	--	Contingency Fund	--	--	--
2322.67	Public Account receipts	1500.75	1780.10	Public Account disbursements	--	--	1480.05
8.93	Opening Cash Balance	239.77	239.77	Closing Cash Balance	--	--	175.69
4622.58	Total	4524.28	4622.58	Total			4524.28

- (a) Excluding share of net proceeds of taxes and duties assigned to State under various heads viz. 0020 Corporation Tax, 0021 Taxes on Income other than Corporation Tax, 0037 Customs, 0038 Union Excise duties and 0044 Service Tax.
- (b) Share of net proceeds assigned to State.

Following are the significant changes during 2008-09 over the previous year:

- Revenue receipts grew by Rs.613 crore (30 *per cent*) over the previous year. The increase was mainly attributable to increase in tax revenue (Rs.17 crore); a result of mainly increase in Sales Tax Act and sale of motor spirit and lubricants, Non-tax revenue receipts (Rs.28 crore); mainly due to increase in Interest receipts and more revenue under Major Head 0801 Power, State's share of Union Taxes and Duties (Rs.20 crore) and Grants-in-Aid from Government of India (Rs.548 crore). The revenue receipt was higher by Rs.435 crore than the assessment of the State Government in its Fiscal Correction Path (FCP) (Rs.2,218 crore).
- Revenue expenditure increased by Rs.405 crore (21 *per cent*) and capital expenditure decreased by Rs.103 crore (19 *per cent*) over the previous year. Revenue expenditure was higher by Rs.281 crore (14 *per cent*) than the assessment made by the State Government in its FCP (Rs.2,033 crore); mainly due to increase in recurring expenses like Salaries, domestic travelling expenses etc. Capital expenditure was also higher by Rs.108 crore (32 *per cent*); due to increase on General Services (by 47 *per cent*) than the projection made by the State Government in its FCP (Rs.333 crore).
- Disbursement of Loans and Advances increased by Rs.11 crore (184 *per cent*); as a result of increase in the amount of loans and advances to Government servants and loans to small scale industries, while recoveries of the same, however, decreased by rupees three crore (11 *per cent*) over the previous year.
- Public Debt receipts and repayment decreased by Rs.118 crore (53 *per cent*) and Rs.48 crore (33 *per cent*) respectively over the previous year. Thus, net receipts decreased by Rs.70 crore;
- Public Account receipts and disbursements decreased by Rs.822 crore (35 *per cent*) and Rs.300 crore (17 *per cent*) over the previous year. Thus, net receipts decreased during the year by Rs.522 crore; and
- Cash balance of the State decreased by Rs.64 crore (27 *per cent*) over the previous year, as a result, the investment from cash balances decreased by 26 *per cent* over the previous year.

Several reasons may account for the deviation of the actual realization from the budget estimates. It may be because of unanticipated and unforeseen events or under or over estimation of expenditure or revenue at the budget stage etc. Actual realization of revenue and its disbursement, however, depends on a variety of factors, some internal and others external. **Chart-1.1** presents the budget estimates and actual for some important fiscal parameters.

Chart-1.1 : Selected Fiscal Parameters : Budget Estimates vis-a-vis Actuals

The above chart depicts that revenue receipts increased by Rs.435 crore over the estimated amount of Rs.2,218 crore. Revenue expenditure was Rs.2,314 crore during 2008-09 against the estimated amount of Rs.2,033 crore. Against the estimation of revenue surplus of Rs.185 crore, there was revenue surplus of Rs.339 crore during 2008-09. There was fiscal deficit of Rs. (-) 94 crore and primary surplus of Rs. (+) 131 crore during 2008-09 against the estimated fiscal deficit of Rs. (-) 131 crore and primary surplus of Rs. (+) 72 crore respectively.

1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Government of India (GOI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account. **Table-1.1** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart-1.2** depicts the trends in various components of the receipts of the State during 2004-09. **Chart-1.3** depicts the composition of resources of the State during the current year.

Chart-1.2 : Trends in Receipts

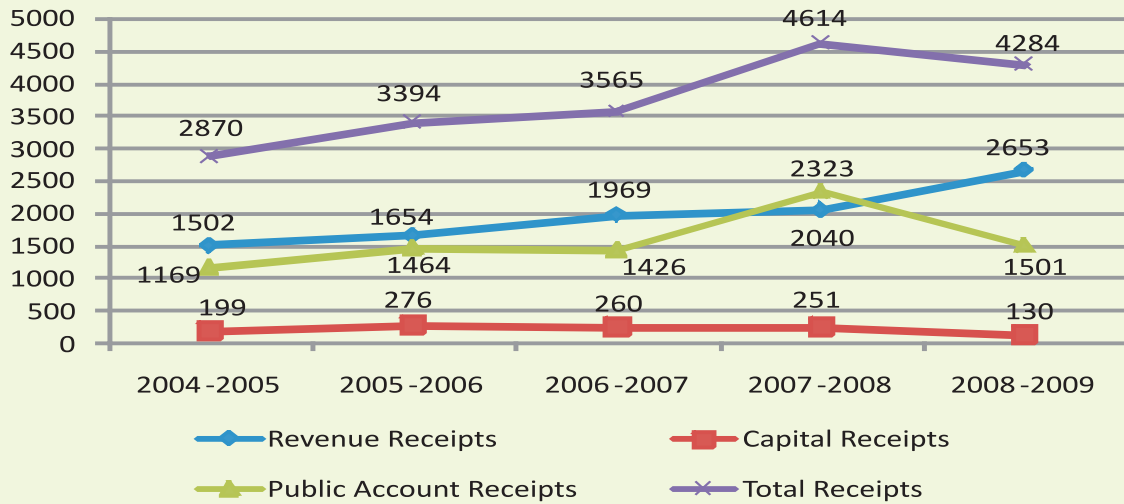
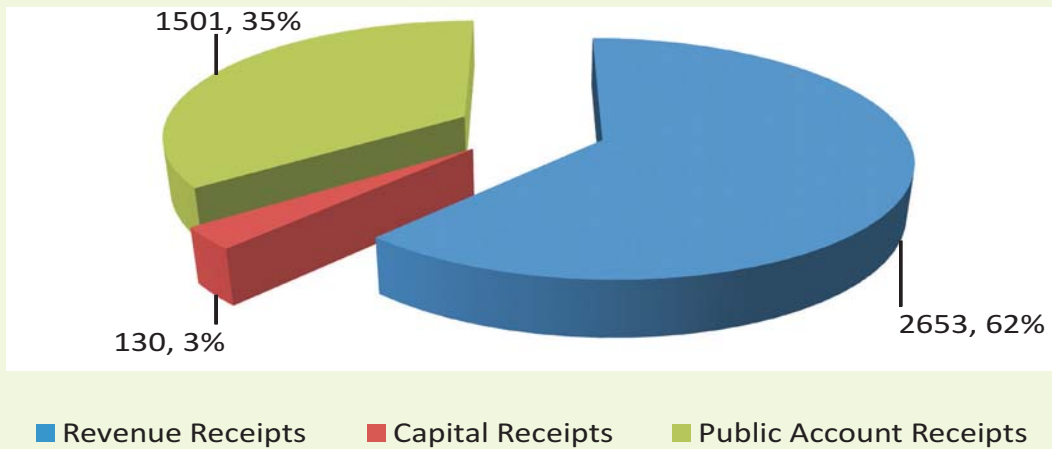


Chart-1.3: Composition of Receipts during 2008-2009



The total receipts of the State Government for 2008-09 was Rs.4,284 crore of which Rs.2,653 crore (62 per cent) came from revenue receipts and balance (38 per cent) from borrowing and Public Account. The total receipts of the State increased by Rs.1,414 crore (49 per cent) from Rs.2,870 crore in 2004-05 to Rs.4,284 crore in 2008-09.

The share of revenue receipt of the State to total receipts increased from 52 per cent in 2004-05 to 62 per cent in 2008-09. On the other hand, the Capital Receipts together with Public Account Receipts ranged between 48 per cent to 56 per cent of total receipts during 2004-08 and came down to 38 per cent in 2008-09. Revenue receipts increased steadily by 77 per cent from Rs.1,502 crore in

2004-05 to Rs.2,653 crore in 2008-09, whereas the debt Capital receipts which create future repayment obligation with inter year fluctuation decreased from Rs.199 crore (seven *per cent* of total receipts) in 2004-05 to Rs.130 crore (three *per cent* of total receipts) in 2008-09. While during the period from 2004-05 to 2007-08, the Public Account Receipts increased steadily from Rs.1,169 crore (41 *per cent* of total receipts) to Rs.2,323 crore in 2007-08 (50 *per cent* of total receipts) except in 2008-09 when the Public Account Receipts decreased to Rs.1,501 crore (35 *per cent*) over the previous year 2007-08.

The Revenue Buoyancy and Capital Buoyancy increased from 0.34 *per cent* and 0.32 *per cent* in 2007-08 to 1.97 *per cent* and 3.16 *per cent* in 2008-09 respectively, while Public Account Buoyancy¹ decreased from (-) 0.03 *per cent* in 2007-08 to (-) 0.21 *per cent* in 2008-09.

1.2.2 Funds Transferred to State Implementing Agencies outside the State Budgets

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies for the implementation of various schemes/programmes in social and economic sectors recognized as critical. As these funds are not routed through the State Budget/ State Treasury System, Annual Finance Accounts do not capture the flow of these funds and to that extent, State's receipts and expenditure as well as other fiscal variables/ parameters derived from them are underestimated. To present a holistic picture on availability of aggregate resources, an attempt was made in audit and scheme wise funds directly transferred to State Implementing Agencies were obtained from nine schemes as detailed in **Table-1.2**.

Table-1.2: Funds Transferred Directly to State Implementing Agencies

(Rupees in crore)

Sl. No.	Programme/Scheme	Implementing Agency in the State	2008-09
			Central Share
1	2	3	4
1	National Rural Health Mission (NRHM)	Mizoram Health Society NRHM; Asstt. Drug Controller Govt. of Mizoram; GFK Mode Pvt. Ltd.; Mizoram General/Tribal Area; M S Civil Hospital Lunglei and CMO Aizawl West District Hospital, Aizawl	35.52
2	National Rural Employment Guarantee Scheme (NREGS)	Project Director, DRDA, Serchipp (AIZ-S), Lawngtlai, Aizawl, Saiha (Chimtupui), Champhai, Lunglei, Mamit, Kolasib and SGO Director, Kolasib	152.26
3	Indira Awaas Yojana (IAY)	Project Director, DRDA, Serchipp(AIZ-S), Lawngtlai, Aizawl, Saiha (Chimtupui), Champhai, Lunglei, Mamit and Kolasib	12.51
4	DRDA Administration	Project Director, DRDA, Serchipp (AIZ-S), Lawngtlai, Aizawl, Saiha (Chimtupui), Champhai, Lunglei, Mamit and Kolasib	4.11
5	Pradhan Mantri Gram Sadak Yojana (PMGSY)	SGO MZ303 update Description, Aizawl	25.00
6	Swaranjayanti Gram Swarozgar Yojana (SGSY)	Project Director, DRDA, Serchipp(AIZ-S), Lawngtlai, Aizawl, Saiha (Chimtupui), Champhai, Lunglei, Mamit and Kolasib	4.33
7	Sarva Shiksha Abhiyan (SSA)	Mizoram Sarva Shiksha Abhiyan, Mission	51.13
8	National Bamboo Mission	National Bamboo Mission Society	8.25
9	National AIDS Control including STD Control	Mizoram State AIDS Control Society	4.43
Total			297.54

Source: CGA's e-lekha portal.

1 Definition included in Appendix-1.2.

The GOI directly transferred to State Implementing Agencies an amount of Rs.297.54 crore in 2008-09. Thus, with the transfer of Rs.297.54 crore by GOI to State Implementing Agencies, the total availability of State resources increased from Rs.4,284 crore to Rs.4,581.54 crore in 2008-09. Details are given in **Appendix-1.5 (Part-A)**. As per the information furnished by the State Finance Department, the direct transfers was shown as Rs.404.82 crore (**Appendix-1.5 (Part-B)**) which is much higher than what is figuring in the Controller General of Accounts (CGA)'s e-portal. There is an urgent need to reconcile these figures.

Funds transferred directly from the Union Government to the State Implementing Agencies run the risk of poor oversight and therefore, unless uniform accounting practices are followed by all these agencies and there is proper documentation and timely reporting of expenditure, it will be difficult to monitor the end use of these direct transfers. It also inhibits the Fiscal Responsibility and Budget Management (FRBM) requirement of transparency in fiscal operations and thus bypass accountability.

1.3 Revenue Receipts

Statement 11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax and non-tax revenues, central tax transfers and grants-in-aid from GOI. The trends and composition of revenue receipts over the period 2004-09 are presented in **Appendix-1.3** and also depicted in **Chart-1.4** and **1.5** respectively.

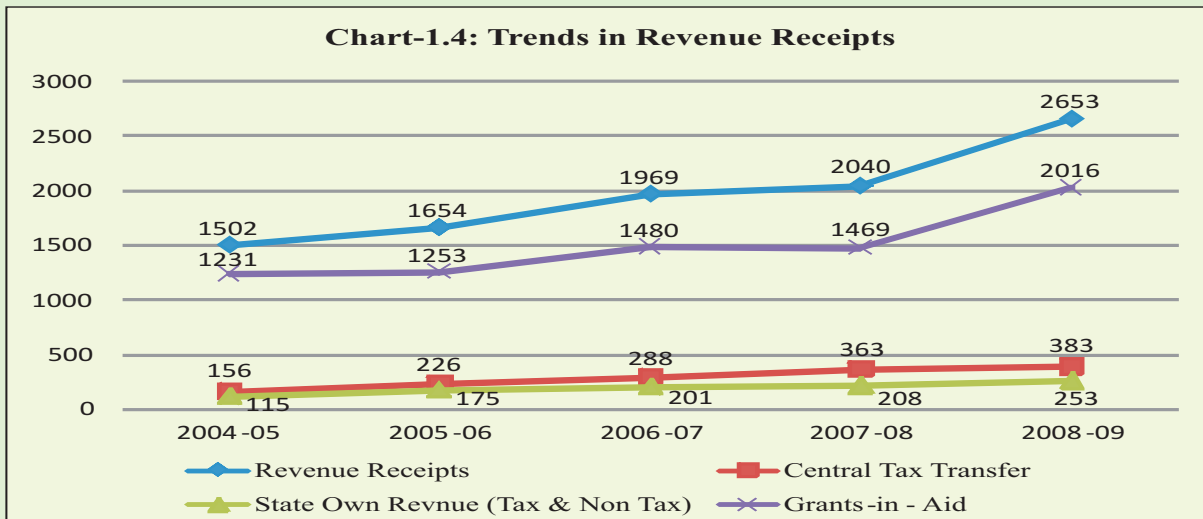
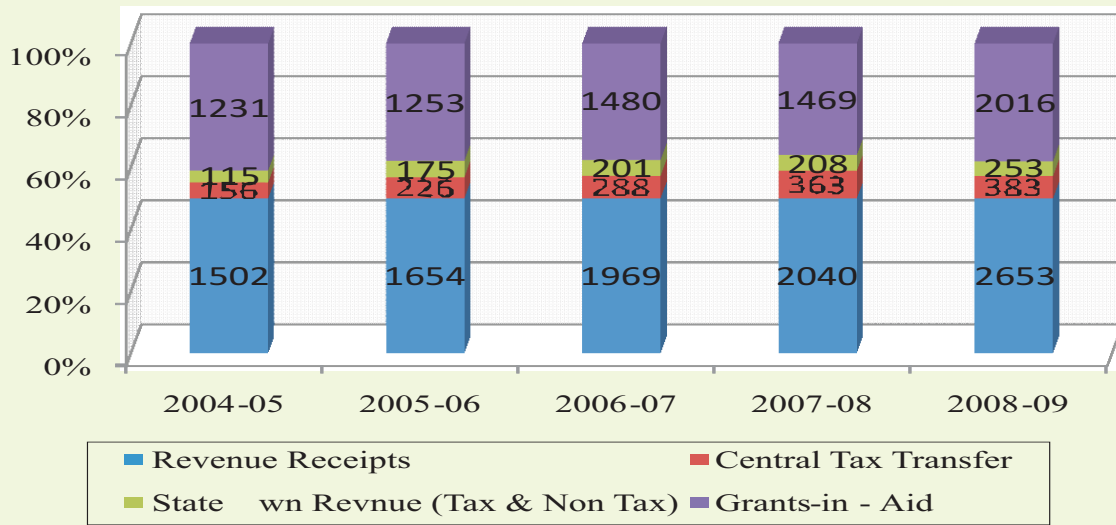


Chart-1.5: The composition of Revenue Receipts during 200 -09

The Revenue receipts of the State increased from Rs.1,502 crore in 2004-05 to Rs.2,653 crore in 2008-09 at an annual average rate of 16 *per cent*, while 10 *per cent* of the Revenue receipts (Rs.2,653 crore) during 2008-09 have come from State's own resources (Rs.253 crore), central tax transfers and grant-in-aid together contributed about 90 *per cent*.

Tax Revenue:- The percentage of tax revenue to total revenue receipts ranged between three to four *per cent* during 2004-09. The tax revenue has increased by Rs.17 crore (21.79 *per cent*) from Rs.78 crore in 2007-08 to Rs.95 crore in 2008-09. The increase in tax revenue during 2008-09 over previous year was mainly due to increase in Sales tax (Rs.15.46 crore).

Non-Tax Revenue:- Non-tax revenue constituted 6 *per cent* of total revenue receipts and increased by Rs.29 crore during 2008-09 recording a growth rate of 22.31 *per cent* over the previous year. The increase in non-tax revenue during 2008-09 over previous year was mainly due to increased realization of interest on cash balance investment (Rs.17.31 crore), other receipts (Rs.9.80 crore) like transmission and distribution under Power Department.

In terms of an incentive scheme of Twelfth Finance Commission (TFC), a reward for fiscal performance was built into the debt-write off package under Debt Consolidation Relief Fund (DCRF²). According to the

2 In pursuance of recommendations of the TFC for fiscal consolidation and elimination of revenue deficit of the States GOI formulated a scheme "the Sates DCRF (2005-06 to 2009-10)" under which general debt relief is provided by consolidating and rescheduling the Central loans granted to States at substantially reduced rates of interest, on enacting the FRBM Act and debt waiver is granted based on fiscal performance, linked to the reduction of revenue deficit of the States.

scheme, the quantum of write off of repayment of GOI loans after consolidation and reschedulement will be linked to the absolute amount by which revenue deficit is reduced in each successive year during the award period. However, the debt waiver was not received by the State Government during the current year due to deterioration in fiscal performance of the State viewed in terms of deficit indicators.

Central Tax Transfer:- Central tax revenue increased by Rs.20 crore from Rs.363 crore in 2007-08 to Rs.383 crore in 2008-09 and constituted 14.44 *per cent* of revenue receipts during the year. The increase was mainly due to increase in transfer of corporation tax (Rs.10.36 crore), customs (Rs.4.62 crore) and service tax (Rs.5.14 crore).

Grants-in-aid:- Grants-in-aid from the GOI increased by Rs.547 crore (37.24 *per cent*) from Rs.1,469 crore in 2007-08 to Rs.2,016 crore in 2008-09 mainly due to increases in grants for non-plan grants (Rs.55 crore), grants for State plan Schemes (Rs.259 crore), grants for central plan Schemes (Rs.11 crore), grants for Centrally Sponsored Scheme (CSS) (Rs.201 crore) and grants for special plan schemes (Rs.22 crore). The trends in revenue receipts relative to Gross State Domestic Product (GSDP) are presented in **Table-1.3** below:

Table-1.3 : Trends in revenue receipts relative to GSDP

	2004-05	2005-06	2006-07	2007-08	2008-09
Revenue Receipts (RR) (Rupees in crore)	1502	1654	1969	2040	2653
Rate of growth of RR (<i>per cent</i>)	9.56	10.12	19.04	3.61	30.05
RR/GSDP (<i>per cent</i>)	61.53	61.40	65.96	61.72	69.65
Buoyancy Ratios					
Revenue Buoyancy w.r.t. GSDP	0.57	0.98	1.76	0.34	1.97 ³
State's Own Tax Buoyancy w.r.t. GSDP	1.01	3.79	2.11	1.37	1.45
Revenue Buoyancy with reference to State's own taxes	0.57	0.26	0.84	0.25	1.36

The revenue receipts of the State grew by 30.05 *per cent* during 2008 09 over the previous year due to increase in tax revenue by Rs.17 crore (21.79 *per cent*), non-tax revenue by Rs.29 crore (22.31 *per cent*), central tax transfers by Rs.20 crore (5.51 *per cent*) and grants-in-aid by Rs.547 crore (37.24 *per cent*).

1.3.1 State's Own Resources

As the State's share in central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of central tax receipts and central assistance for plan schemes

³ Buoyancy ratio indicates the elasticity of degree of responsiveness of a fiscal variable with respect a given change in the base variable. For instance, revenue buoyancy at 1.97 during 2008-09 implies that revenue receipts tend to increase by 1.97 percentage points, if the GSDP increases by one *per cent*.

etc. the State's performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

The tax revenue has increased by Rs.17 crore from Rs.78 crore in 2007-08 to Rs.95 crore in 2008-09. The annual average rate increase in tax revenue was 3.40 *per cent* during 2005-06 to 2008-09. The major contributions in the State's own tax during 2008-09 are sales tax Rs.78 crore (82 *per cent* of tax revenue), taxes on vehicles Rupees six crore (six *per cent* of tax revenue) and other taxes Rupees six crore (six *per cent* of tax revenue). Collection of sales tax increased by Rs.15.44 crore in 2008-09 over previous year (due to increase of Rs.20.58 crore in lubricants/ Motor Spirit and Rs.4.71 crore in sales tax) partly offset by decrease in receipts under Surcharge on Sales Tax by Rs.0.85 crore and Rs.8.78 crore under other receipts.

Non-tax revenue on the other hand increased from Rs.76 crore in 2004-05 to Rs.159 crore in 2008-09 at an annual average rate of 6.20 *per cent*. The major contributors in State's non-tax revenue during 2008-09 are interest receipts on cash balance investment (Rs.17.31 crore) and other receipts (transmission and distribution) of Rs.9.80 crore under Power Department. The performance of State in regard to mobilization of its own resources *vis-à-vis* assessment made by the TFC and State Government in its FCP statements for 2008-09 were as under:-

(Rupees in crore)

Parameters	Assessment made by TFC	Fiscal Correction Path (FCP)	Actual
Tax Revenue	99.49	74.56	94.62
Non-Tax Revenue	71.15	117.27	158.67

The above table indicates that tax revenue fell short by five *per cent* than the assessment made in the TFC while it recorded an increase of 27 *per cent* than the assessment made in FCP. However, non-tax revenue increased by 123 *per cent* and 35 *per cent* over the assessment made in the TFC and FCP respectively.

1.3.2 Revenue Arrears

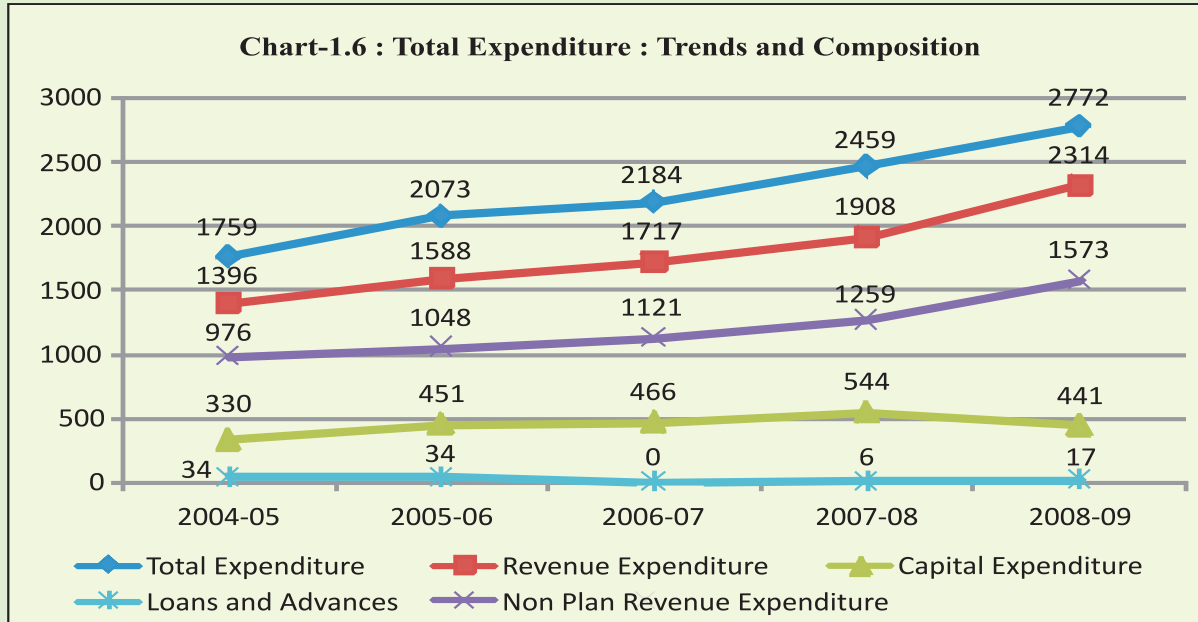
The arrears in revenue in respect of State sales tax increased from Rs.0.28 lakh in 2004-05 to Rs.179.71 lakh in 2008-09, while arrears in revenue from Mahaldars under Environment and Forest Department increased from Rs.2.77 lakh in 2004-05 to Rs.21.48 lakh in 2008-09. The Environment and Forest Department stated (August 2009) that the outstanding revenue of Rs.21.48 lakh could not be realized from the defaulting Mahaldars.

1.4 Application of Resources

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

1.4.1 Growth and Composition of Expenditure

Chart-1.6 presents the trends in total expenditure over a period of five years (2004-09) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted respectively in Charts-1.7 and 1.8.

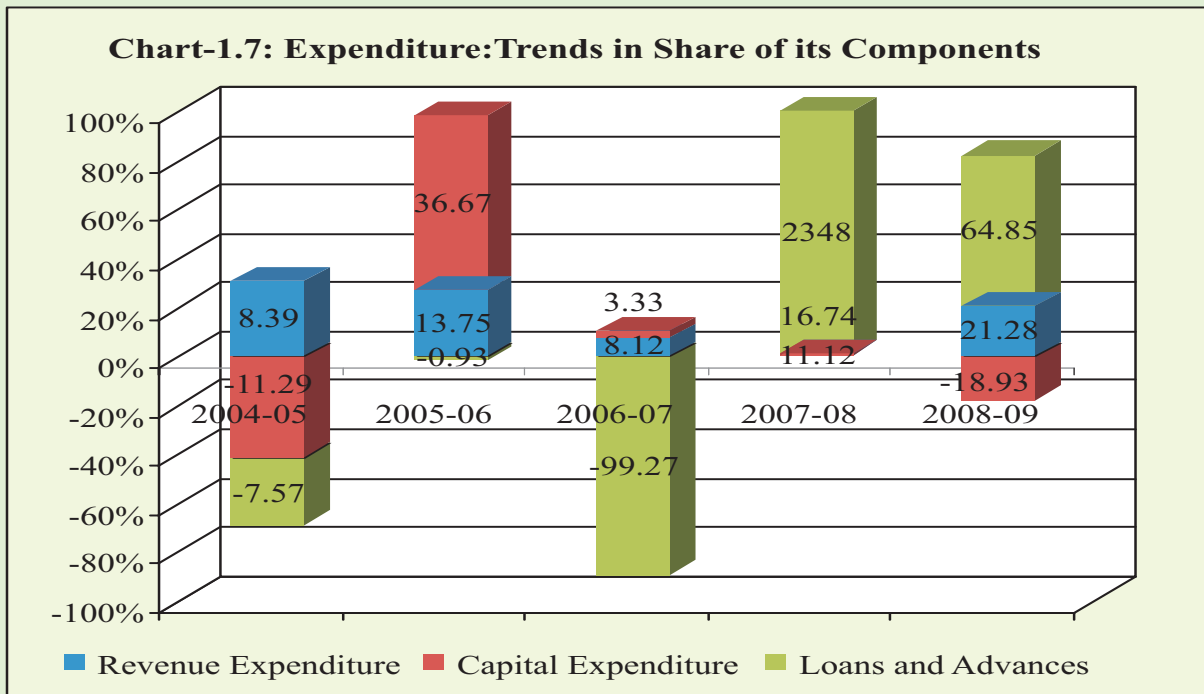


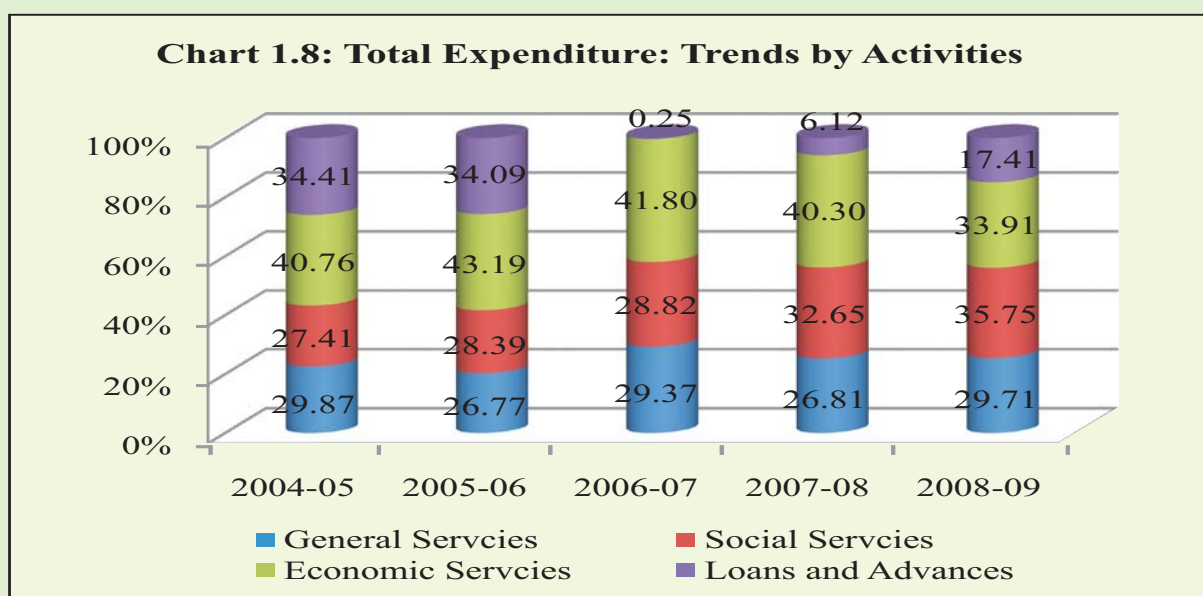
Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. States raised resources to perform their sovereign functions, maintained their existing nature of delivery of social and economic services, to extend to network of these services through capital expenditure and investments and to discharge their debt service obligations. The total expenditure of the State increased from Rs.1,759 crore in 2004-05 to Rs.2,772 crore in 2008-09 at an annual average rate of 12.13 per cent and by Rs.313 crore (12.73 per cent) increased from Rs.2,459 crore in 2007-08 to Rs.2,772 crore in 2008-09. Of the total expenditure, the revenue expenditure constituted 83.48 per cent (Rs.2,314 crore) while capital expenditure constituted 15.91 per cent (Rs.441 crore) and loan and advances formed 0.61 per cent (Rs.17 crore).

The breakup of total expenditure in terms of plan and non-plan expenditure reveals that while the share of plan expenditure constituted 39.94 per cent (Rs.1,107 crore), the remaining 60.06 per cent (Rs.1,665 crore) was non-plan expenditure. The increase in total expenditure during 2008-09 over the previous year was due to increase in revenue expenditure by Rs.405 crore (21 per cent) and loan and advances by Rs.11 crore (184 per cent) despite a decrease in capital expenditure by Rs.103 crore (19 per cent).

The increase in revenue expenditure during 2008-09 over the previous year was mainly due to increase in expenditure on Education, Sports, Art and Culture (Rs.66.17 crore), Health and Family Welfare (Rs.72.44 crore), Social Welfare (Rs.48.57 crore), Water Supply, Sanitation, Housing and Urban Development (Rs.6.36 crore), Welfare of Scheduled Castes, Scheduled Tribe and other Backward Classes (Rupees five crore), General Services (Rs.158.09 crore), Agriculture and allied activities (Rs.18.75 crore), Energy (Rs.20.68 crore), General Economic Services (Rs.6.86 crore) and Special Area Programmes (SAP) (Rs.6.11 crore), Communication (Rs.3.44 crore) which was partly offset by decrease in Rs.8.82 crore under Rural Development in Economic Sector.

The decrease in capital expenditure of Rs.103 crore over the previous year was mainly due to decrease in plan expenditure on Water Supply and Sanitation (Rs.12.14 crore), Rural Development (Rs.5.71 crore), Energy (Rs.34.14 crore), Transport (Rs.113.09 crore) partly offset by increased in expenditure on Agriculture and allied activities (Rs.16.06 crore), Irrigation and Flood Control (Rs.44.33 crore) and General Economic Services (Rs.6.66 crore) under plan capital expenditure in Economic Sector. Loans and advances constituted 0.63 per cent of the total expenditure which increased by Rs.11 crore over the previous year. The increase in loan and advances was mainly due to increase in disbursement of loans to Village and Small Scale Industries (Rs.8.72 crore) and loans to Government Servant (Rs.3.24 crore) over the previous year.





In terms of activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, Grants-in-Aid and Loans and Advances. The movement of relative share of these components of expenditure indicated that all components of expenditure had inter-year variations. But the expenditure on general services including interest payments, which are considered as non developmental, together accounted for 29.71 per cent in 2008-09 as against 26.81 per cent in 2007-08. On the other hand developmental expenditure, i.e. expenditure on Social and Economic Services together accounted for 69.66 per cent in 2008-09 as against 72.95 per cent in 2007-08. This indicates that there was increase in non developmental expenditure and decrease in developmental expenditure in comparison to previous year.

Revenue expenditure had predominant share in total expenditure. Revenue expenditure is increased to maintain the current level of services and payment for the past obligation and as such does not result in any addition to State's infrastructure and service network. The overall revenue expenditure of the State increased by 65.80 per cent from Rs.1,395.51 crore in 2004-05 to Rs.2,313.80 crore in 2008-09 at an average rate of 13.58 per cent and increased from Rs.1,908.39 crore in 2007-08 to Rs.2,313.80 crore in 2008-09. Thus, the revenue expenditure as a percentage of the total expenditure did not indicate a regular trend as it constituted 79 per cent in 2006-07, 78 per cent in 2007-08 to 83 per cent in 2008-09. A comparative position of Non Plan Revenue Expenditure (NPRE) vis-à-vis assessment made by TFC and FCP revealed that NPRE was 15 per cent (Rs.205 crore) higher than the projections made in FCP and also higher by 39 per cent (Rs.438 crore) relative to TFC assessment, as indicated below:-

(Rupees in crore)

	Assessment/Projections		Actual
	TFC	FCP	
Non Plan Revenue Expenditure	1135	1368	1573

The Plan Revenue Expenditure (PRE) increased by Rs.92 crore from Rs.649 crore in 2007-08 to Rs.741 crore in 2008-09 mainly due to increase in Education, Sports and Art & Culture (Rs.31.69 crore), Health and Family Welfare (Rs.63.20 crore), Water Supply, Sanitation, Housing and Urban Development (Rs.3.16 crore), Social Welfare and Nutrition (Rs.5.66 crore), Special Areas Programme (Rs.6.11 crore), and General Economic Services (Rs.2.27 crore) over the previous year.

The ratio of NPRE to GSDP rose from 39.99 *per cent* to 41.30 *per cent* during 2004-09. The buoyancy of NPRE to GSDP increased from 0.39 *per cent* in 2007-08 to 1.63 *per cent* in 2008-09, while with reference to Revenue Receipts (RR) it decreased by 2.43 *per cent* from 2007-08 to 2008-09 as indicated below:

	2004-05	2005-06	2006-07	2007-08	2008-09
Non Plan Revenue Expenditure	976.38	1048.07	1121.49	1259.31	1573.21
Growth of NPRE	6.45	7.34	7.01	12.29	24.93
GSDP	2441.47	2693.96	2984.99	3305.09	3809.16
Growth of GSDP	16.74	10.34	10.80	10.72	15.25
Ratio of NPRE to GSDP	39.99	38.90	37.57	38.10	41.30
Revenue Receipts (RR)	1502.00	1654.00	1969.00	2040.00	2653.00
Ratio of NPRE to RR	65.01	63.37	56.96	61.73	59.30
Buoyancy of NPRE w.r.t. GSDP	0.39	0.71	0.65	1.15	1.63

1.4.2 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table-1.4** and **Chart-1.9** present the trends in the expenditure on these components during 2004-09.

Table-1.4: Components of Committed Expenditure

(Rupees in crore)

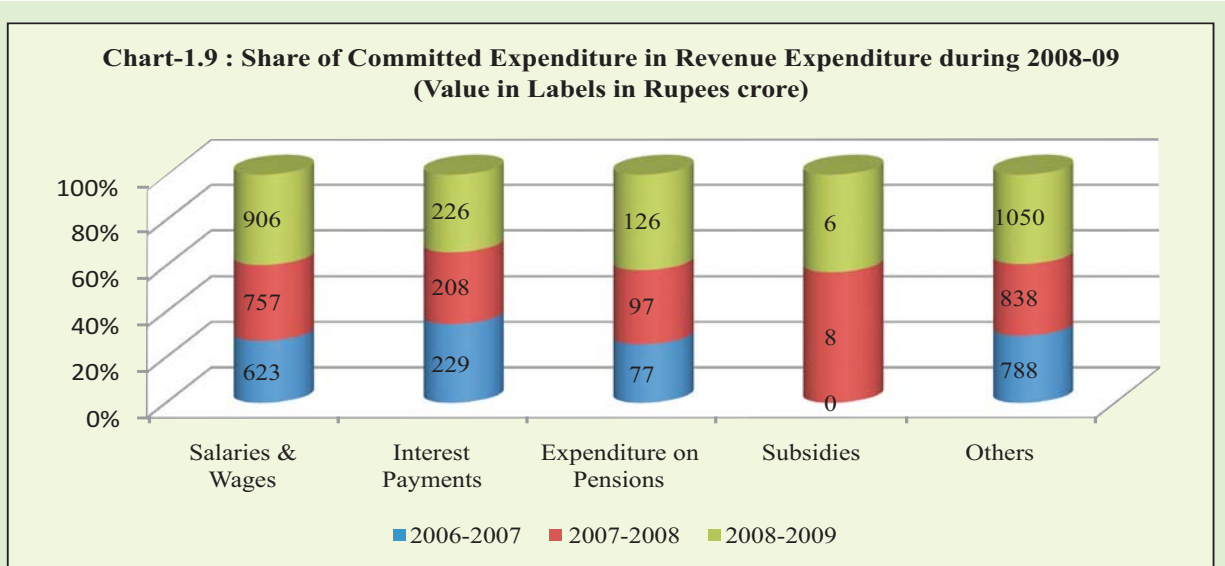
Components of Committed Expenditure	2004-05	2005-06	2006-07	2007-08	2008-09	
					BE ^(@)	Actuals ^(@)
Salaries* & Wages, of which	564 (37.55)	560 (33.86)	623 (31.64)	757 (37.11)	708.37	906 (34.15)
Non-Plan Head	461	445	473	602	--	737
Plan Head**	103	115	150	155	--	169
Interest Payments	182 (12.12)	185 (11.19)	229 (11.63)	208 (10.20)	203.13	226 (8.52)
Expenditure on Pensions	89 (5.93)	89 (5.38)	77 (3.91)	97 (4.75)	106.01	126 (4.75)
Subsidies	1 (0.07)	2 (0.12)	--	8 (0.39)	--	6 (0.23)
Other Components	560 (37.28)	752 (45.47)	788 (40.02)	838 (41.08)	1015.13	1050 (39.58)
Total Revenue Expenditure	1396	1588	1717	1908	2033	2314
Revenue Receipt	1502	1654	1969	2040		2653

Figures in the parentheses indicate percentage to Revenue Receipts

* Represents Salaries and Wages and includes spent from Grants-in-aid.

**Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes.

(@) BE figures are gross figures sourced from Annual Financial Statement, Government of Mizoram, 2008-09, while Actuals are net figures sourced from Finance Accounts, 2008-09.



Salaries (Rs.906 crore) alone accounted for more than 34 *per cent* of revenue receipts (Rs.2,653 crore) during the year. It increased by about 20 *per cent* from Rs.757 crore in 2007-08 to Rs.906 crore in 2008-09. Salary expenditure under Non-Plan head during 2008-09 increased by Rs.135 crore (22.43 *per cent*) over the previous year; whereas the salary expenditure on Plan head increased by Rs.14 crore (9.03 *per cent*) over the previous year. Non-plan salary expenditure ranged between 75.92 *per cent* to 81.35 *per cent* of total expenditure on salaries during 2006-09. Expenditure on salaries during 2008-09 was higher by Rs.198 crore (27.96 *per cent*) than assessed (Rs.708 crore) by the State Government in its FCP. The expenditure on salaries (Rs.906 crore) was 46.18 *per cent* of the revenue expenditure, net of interest payment and pension (Rs.1,962 crore) as against TFC norms of 35 *per cent* and constituted 357 *per cent* of total tax and non-tax revenue (Rs.254 crore) during 2008-09, requiring immediate attention of the Government to achieve the TFC norm.

Pension payments grew at an annual average rate of 28 *per cent* from Rs.77 crore in 2006-07 to Rs.126 crore in 2008-09. Pension payment (Rs.126 crore) alone account for nearly 4.75 *per cent* of revenue receipts (Rs.2,653 crore) of the State during the year and increased by Rs.29 crore (29.90 *per cent*) over the previous year. Pension payment was Rs.20 crore (18.87 *per cent*) higher than the projections (Rs.106.01 crore) made by the State Government in its FCP though Rs.29 crore less than the assessment made by the TFC (Rs.155.11 crore). Increase of Rs.29 crore in pension payment during 2008-09 over the previous year was mainly due to increase in expenditure under superannuation and retirement allowances (Rs.4.48 crore), commutation of pension (Rs.6.40 crore), gratuities (Rs.8.98 crore) and leave encashment (Rs.6.72 crore). A part of the increased expenditure was offset by decrease in payment of family pension (Rs.0.77 crore). Again Pensions to Legislatures increased by 355 *per cent* during 2008-09 (Rs.0.91 crore) over the previous year 2007-08 (Rs.0.20 crore) attracted immediate attention of the State Government.

Interest payments increased by 8.65 *per cent* from Rs.208 crore in 2007-08 to Rs.226 crore in 2008-09. The interest payments has increased mainly due to increase in Internal Debt (Rs.27.67 crore) partly offset by decrease in Loans and Advances from Central Government (Rs.3.61 crore) and Small Savings, Provident Fund, etc. (Rs.6.45crore). The interest payment was Rs.23 crore more than that projected (Rs.203 crore) in FCP for the year 2008-09 and also Rs.11 crore higher than projected (Rs.215 crore) by TFC. The interest payment relative to revenue receipts at 8.52 *per cent* was well within the norm of 15 *per cent* recommended by the TFC to be achieved during the award period. The major sources of borrowings of the State Government were (i) Loans from the Centre, (ii) Market loans, (iii) Loans from Banks and Financial Institutions, (iv) Loans from Small Savings Fund of the Central Government with interest rate ranging from 6.46 *per cent* to 7.57 *per cent* per annum during the period 2006-09.

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

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous years is presented in **Table-1.5**.

Table-1.5: Financial Assistance to Local Bodies etc.

(Rupees in crore)

Financial Assistance to Institutions	2004-05	2005-06	2006-07	2007-08	2008-09	
					BE	Actual
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	37.39	43.77	27.00	29.20	21.51	33.34
Zilla Parishads and Other Panchayati Raj Institutions	61.29	66.46	71.05	85.50	90.50	90.50
Consumer Co-operative Societies/MIZOFED	0.96	0.74	2.10	2.66	2.46	2.46
Other Institutions ⁴	16.97	11.45	28.22	30.42	9.45	13.44
Total	116.61	122.42	128.37	147.78	123.92	139.74
Assistance as per percentage of RE	8.36	7.71	7.48	7.74		6.04

Source : Information furnished by the Office of the Accountant General (A&E) Mizoram.

The total assistance at the end of the year 2008-09 had increased by 20 *per cent* over the level of 2004-05. Assistance to local bodies as a percentage of total revenue expenditure had decreased from 8.36 *per cent* in 2004-05 to 6.04 *per cent* in 2008-09. Financial assistance to educational institutions alone constituted 24 *per cent* of total assistance of the State Government during 2008-09.

1.5 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects,

⁴ (Figures for 2008-09) Local Administration (Rs.748.57 lakh), Social Welfare (Rs.20 lakh), Animal Husbandry (Rs.78.03 lakh), Environment and Forest (Rs.30 lakh), Rural Development (Rs.71.48 lakh) and Urban Development and Poverty Alleviation (Rs.396.42 lakh).

viz. adequacy of the expenditure (i.e. adequate provisions for providing public services); efficiency of expenditure use and the effectiveness (assessment of outlay-outcome relationships for select services).

1.5.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to social sector and economic infrastructure are largely assigned to the State Governments. Enhancing human development levels requires the States to step up their expenditure on key social services like, education and health etc. The low level of spending on any sector by a particular State may be either due to low fiscal priority attached by the State Government or on account of the low fiscal capacity of the State Government or due to both working together. The low fiscal priority (ratio of expenditure category to aggregate expenditure) is attached to a particular sector if it is below the respective national average while the low fiscal capacity would be reflected if the State's per capita expenditure is below the respective national average even after having a fiscal priority that is more than or equal to the national average. **Table-1.6** analyses the fiscal priority and fiscal capacity of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year.

Table-1.6: Fiscal Priority and Fiscal capacity of the State in 2005-06 and 2008-09

Fiscal Priority by the State	AE/GSDP	DE/AE	SSE/AE	CE/AE
All States/National Average* (Ratio) 2005-06	19.50	61.44	30.41	14.13
Mizoram's Average (Ratio) 2005-06	76.95	73.23	30.78	21.76
All States/National Average* (Ratio) 2008-09	19.16	67.68	33.90	16.87
Mizoram's Average (Ratio) 2008-09	72.78	70.10	35.75	15.91
Fiscal Capacity of the State	DE	SSE	CE	
All States Average per capita Expenditure 2005-06	3010	1490	692	
Mizoram's per capita Expenditure (Amount in Rupees) in 2005-06	15180	6380	4510	
Adjusted per capita** Expenditure (Amount in Rupees) in 2005-06	NR	NR	NR	
All States Average per capita Expenditure 2008-09	5030	2520	1254	
Mizoram's per capita Expenditure (Amount in Rupees) in 2008-09	19434	9911	4410	
Adjusted per capita** Expenditure (Amount in Rupees) in 2008-09	NR	NR	NR	

*As per cent to GSDP

**Calculated as per the methodology explained in the Appendix-1.2

AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure
Population of Mizoram 0.10 crore in 2005-06 and 0.10 crore in 2008-09.

Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

Source: (1) For GSDP, the information was collected from the State's Directorate of Economic and Statistics
(2) Population figures were taken from Projection 2001-2026 of the Registrar General & Census Commissioner, India
(Website: <http://www.censusindia.gov.in>) Population = Average of Projected Population for 2005 and 2006.

NR = No adjustment required since the State is giving adequate fiscal priority.

Data for Arunachal Pradesh has not been included in All States Average.

Table 1.6 shows that the ratio of aggregate expenditure to GSDP for Mizoram (76.95 *per cent* and 72.78 *per cent*) is higher than all the States/ National Average (19.50 *per cent* and 19.16 *per cent*) in 2005-06 and 2008-09 respectively. This means that on average, other States are spending a lower proportion of their GSDP annually. Similarly, the ratio of development expenditure and social sector expenditure as a proportion of aggregate expenditure for Mizoram is also higher than the respective national averages. This indicates that Mizoram is giving adequate fiscal priority to all these categories of expenditure compared to other States. In the case of capital expenditure, in 2005-06 it was higher than the national average, however, in 2008-09, the State has a lower expenditure than the national average and there is a need to give greater fiscal priority to capital expenditure.

The per capita expenditure in Mizoram in these three categories is higher than the national average in 2005-06 and 2008-09 as depicted in **Table-1.6**.

1.5.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods⁵. Apart from improving the allocation towards development expenditure⁶, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table-1.7** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year vis-à-vis budgeted and the previous years, **Table-1.8** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

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

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

Table-1.7: Development Expenditure

(Rupees in crore)

Components of Development Expenditure	2004-05	2005-06	2006-07	2007-08	2008-09	
					BE	Actuals
Development Expenditure (a to c)	1234 (70)	1518 (73)	1543 (71)	1798 (73)	1640	1943 (70)
Development Revenue Expenditure	881 (50)	1046 (50)	1101 (50)	1263 (51)	1312	1510 (54)
Development Capital Expenditure	319 (18)	438 (21)	442 (21)	531 (22)	319	421 (15)
Development Loans and Advances	34 (2)	34 (2)	0	4 (0)	9	12 (0)

Figures in parentheses indicate percentage to aggregate expenditure

The development expenditure was higher than the assessment made by the State Government in budget estimates by Rs.303 crore during 2008-09. The development revenue expenditure increased by 20 per cent (Rs.247 crore), while development capital expenditure decreased by 21 per cent (Rs.110 crore) over the previous year.

Table-1.8: Efficiency of Expenditure Use in Selected Social and Economic Services

Social/ Economic Infrastructure	2007-08				2008-09			
	Ratio of CE to TE	In RE, the share of		Non-Salary	Ratio of CE to TE	In RE, the share of		Non-Salary
		S & W				S & W		
		Rs. in crore	In per cent	Rs. in crore		Rs. in crore	In per cent	Rs. in crore
Social Services (SS)								
Education, Sports, Art and Culture	1.61	232.92	70.03	99.68	1.70	282.20	70.77	116.57
Health and Family Welfare	0.19	70.38	71.46	28.11	2.35	82.42	48.22	88.51
WS, Sanitation & HUD	43.19	21.15	18.94	90.50	38.14	23.37	19.80	94.64
Other Social Services	8.89	17.31	11.24	136.72	4.12	21.60	10.26	188.87
Total (SS)	53.88	341.76	49.05	355.01	46.31	409.59	45.60	488.59
Economic Services (ES)								
Agri. & Allied Activities	2.88	67.64	32.85	67.64	3.13	80.38	35.78	224.66
Irrigation and Flood Control	1.25	2.34	36.11	2.34	2.71	2.57	61.93	4.15
Power & Energy	2.80	31.98	22.03	31.98	1.25	37.99	22.91	165.84
Transport	6.33	32.65	48.09	32.65	1.54	33.67	48.59	69.29
Other Economic Services	4.01	40.09	28.53	40.09	3.21	46.52	31.45	147.92
Total (ES)	17.27	174.70	30.87	174.70	11.84	201.13	32.87	611.86
Grand Total (SS+ES)	71.15	516.46	40.90	516.46	58.15	610.72	40.44	1510.04

The ratio of salary and wage component under Social and Economic Services to revenue expenditure during the current year was 40.44 *per cent*, a marginal decrease of 0.46 *per cent* over the previous year. The salary and wage component under revenue expenditure in Social Sector increased by Rs.68 crore from Rs.342 crore in 2007-08 to Rs.410 crore in 2008-09, showing a decrease by 3.45 *per cent* over the previous year; while non-salary component increased by 38 *per cent* from Rs.355 crore in 2007-08 to Rs.489 crore in 2008-09. Again, within the revenue expenditure under economic services, the salary and wage component increased by 15 *per cent* from Rs.175 crore in 2007-08 to Rs.201 crore in 2008-09 and also non-salary component increased by five *per cent* from Rs.391 crore in 2007-08 to Rs.411 crore in 2008-09.

Expenditure under Education, Sports, Art & Culture increased by Rs.49 crore (0.74 *per cent*) from Rs.233 crore in 2007-08 to Rs.282 crore in 2008-09; while the increase in expenditure on Health and Family Welfare was Rs.12 crore from Rs.70 crore in 2007-08 to Rs.82 crore in 2008-09, showing a decrease by 23.24 *per cent* over the previous year. Recognizing the need to improve the quality of education and health services, TFC recommended that non-plan salary expenditure under Education and Health and Family Welfare department should increase by five to six *per cent* while non-salary expenditure under non-plan head should increase by 30 *per cent* during the award period. Trends in expenditure revealed that the salary and wage component and non-salary and wage component under Education, Sports, Art & Culture increased by 21 *per cent* and 17 *per cent* respectively over 2007-08.

During 2008-09, the salary & wage component under Economic Services, an increase was observed in Agri. and Allied Activities (18.83 *per cent*), Energy (18.79 *per cent*) and in Irrigation and Flood Control (9.83 *per cent*).

The trend in revenue and capital expenditure on Economic Services indicate that revenue expenditure increased by 8.13 *per cent* from Rs.566 crore in 2007-08 to Rs.612 crore in 2008-09, while capital expenditure decreased by 22.82 *per cent* from Rs.425 crore in 2007-08 to Rs.328 crore in 2008-09 (Detailed in **Appendix-1.6 Part-A & Part-B**).

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

Performance review of implementation of the Schemes viz. Bamboo Flowering and Famine Combat (BAFFACOS) and Mizoram State Transport – Departmental Undertaking was taken up during 2008-09, results of the performance review is summarized below:

Box:1 Bamboo Flowering and Famine Combat Scheme (BAFFACOS)

To combat the problem arising out of gregarious flowering of bamboo, the State Government introduced (August 2004) "Bamboo Flowering and Famine Combat Scheme (BAFFACOS)". A performance review of BAFFACOS revealed shortcomings in the planning with no approved centralized objectives for the scheme. The State Government provided Rs.125 crore for implementation of the scheme. The allocation to 15 departments was done in an ad-hoc manner without any prioritisation of activities. The entire amount was spent by the State Government without giving any importance for the core activities of the scheme. There was also no co-ordination amongst different Departments and activities were implemented in a standalone mode resulting in wastage, misuse, diversion of funds and creation of idle assets. Due to non extraction of bamboo the State Government also sustained a loss of Rs.226 crore. Test check of ten implementing Departments revealed spending of Rs.23.08 crore on creation of idle assets, misuse of funds, diversion of fund and doubtful expenditure. BAFFACOS, thus, did not address the core issue of utilization of resource and providing livelihood to affected families.

Box:2 Mizoram State Transport – Departmental Undertaking

The public road transport is primarily provided by Mizoram State Transport (MST), a Departmental Undertaking, which is to provide an efficient, adequate, economical and properly coordinated road transport. MST had fleet strength of 54 buses as on 31 March 2009 and carried an average of 353 passengers per day. MST had incurred operational losses every year varying from Rs.12.40 crore to Rs.14.72 crore and net loss ranged between Rs.13.92 crore and Rs.16.25 crore during five years ending 2008-09. MST's fleet utilization at 39 *per cent* in 2008-09 was below hill area average of 90 *per cent*. Its vehicle productivity at 61.93 kilometers per day per bus was also below the hill area average of 196 kilometers. Similarly, its load factor at 47.76 *per cent* remained below the hill area average of 63 *per cent*. All the 29 routes operated by the MST were not meeting its variable cost due to high cost of operation. Thus, on all important parameters the performance was below the all India average in respect of hill area. Manpower and fuel constitute 67.65 and 5.89 *per cent* respectively of total cost. Thus, expenditure control has to come from manpower by reducing excessive manpower. Expenditure on repairs and maintenance was Rs.2.10 crore in 2008-09. MST is incurring losses mainly due to its high cost of operations. The top management of MST is expected to demonstrate managerial capability to set realistic and progressive targets, address areas of weakness and take remedial action. However, MST lacked in these aspects and could not control the cost and increase the revenue. MST can control the losses by increasing operational efficiency. Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to increase revenue and reduce cost so as to serve its cause better.

1.6 Financial Analysis of Government Expenditure and Investments

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

1.6.1 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2009 is given in **Table-1.9** below:

Table-1.9: Department-wise Profile of Incomplete Projects

(Rupees in crore)

Department	No. of Incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects	Cost Over Runs	Cum. actual exp. as on 31.3.2009
Public Works (Roads)	4	80.28	--	--	63.07
Public Works (Buildings)	1	4.89	--	--	4.44
Public Health Engineering (PHE)	1	576.81	--	--	534.08
	2	85.51	136.17	50.66	129.19
Power and Electricity (P&E)	3	33.34	--	--	22.10
	2	138.54	197.33	58.79	178.06
Total	13	919.37	333.50	109.45	930.94

Source : Finance Account 2008-09.

As of March 2009, there were 13 incomplete projects, which were started with initial budgeted cost of Rs.919.37 crore under Public Works (Roads), Public Works (Buildings), Public Health Engineering and Power & Electricity Departments. The projects were to be completed between November 2003 to March 2009. Due to non completion of the 13 projects (March 2009), an amount of Rs.930.94 crore booked against these projects remained blocked. Out of 13 projects, four projects (PHE - two projects and P&E - two projects) which were to be completed at a cost of Rs.224.05 crore had subsequently been revised at Rs.333.50 crore due to non completion within scheduled dates of completion. The cost over-run on these projects was Rs.109.45 crore.

1.6.2 Investment and returns

As of 31 March 2009, Government had invested Rs.19 crore in Government Companies and Co-operatives. The average returns on this investment was 'nil' in the last five years while the Government paid an average interest rate ranging from 6.43 *per cent* to 7.57 *per cent* on its borrowings during 2004-2009 (**Table-1.10**).

Table-1.10: Return on Investment

(Rupees in crore)

Investment/ Return/ Cost of Borrowings	2004-05	2005-06	2006-07	2007-08	2008-09
					Actual
Investment at the end of the year (Rupees in crore)	11.68	13.68	15.37	17.21	18.73
Return (Rupees in crore)	--	--	--	--	--
Return (per cent)	--	--	--	--	--
Average rate of interest on Govt. borrowing (per cent)	7.14	6.53	7.57	6.43	6.46
Difference between interest rate and return (per cent)	7.14	6.53	7.57	6.43	6.46

During the last five years, i.e. 2004-09, the State Government's investments have increased by Rs.7.05 crore. During the current year, Government has invested Rs.2.49 crore in Government Companies and Rs.16.24 crore in Co-operative Societies. As of March 2009, five Working Government Companies have registered accumulated loss of Rs.40.23 crore.

In view of the substantial losses in all the five Working Government Companies, the Government should review their working so as to wipe out their losses in the short run and to make them self sustaining in medium to long term.

1.6.3 Loans and Advances by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organizations. **Table-1.11** presents the outstanding loans and advances as on 31 March 2009, interest receipts *vis-à-vis* interest payments during the last three years.

Table-1.11: Average Interest Received on Loans Advanced by the State Government

(Rupees in crore)

Quantum of Loans/ Interest Receipts/ Cost of Borrowings	2006-07	2007-08	2008-09
			Actual
Opening Balance	294	270	249
Amount advanced during the year	0.25	6	17
Amount repaid during the year	24	27	25
Closing Balance	270	249	241
Of which Outstanding balance for which terms and conditions have been settled			
Net addition	(-) 24	(-) 21	(-) 8
Interest Receipts	4.31	5.03	5.36
Interest receipts as per cent to outstanding Loans and advances	1.53	1.94	2.22
Interest payments as per cent to outstanding fiscal liabilities of the State Government.	7.57	6.43	6.46
Difference between interest payments and interest receipts (per cent)	6.04	4.49	4.24

Total amount of outstanding loans and advances as on 31 March 2009 was Rs.241 crore. Interest received against these loans and advances continued to be negligible which increased by 6.56 *per cent* from Rs.5.03 crore in 2007-08 to Rs.5.36 crore in 2008-09. Major recipients of loans during 2008-09 were Small Scale Industries (Rs.8.72 crore), Loans for housing (Rs.3.28 crore) and Government Servants (Rs.5.28 crore). During 2008-09, only Rs.25 crore was repaid by the Institutions/Organisations/Government Servants.

1.6.4 Cash Balances and Investment of Cash balances

Table-1.12 depicts the cash balances and investments made by the State Government out of cash balances⁷ during the year.

Table-1.12: Cash Balances and Investment of Cash balances

(Rupees in crore)

Particulars	As on 1 April 2008	As on 31 March 2009	Increase/ Decrease
Cash Balances	240	176	(-) 64
Investments from Cash Balances (a to d)	315	259	(-) 56
a. GOI Treasury Bills	267	196	(-) 71
b. GOI Securities	--	--	--
c. Other Securities, if any specify	--	--	--
d. Other Investments	48	63	(+) 15
Funds-wise Break-up of Investment from Earmarked balances (a to c)			
a. Sinking Fund	48	63	(+) 15
Interest Realized	11	27	(+) 16

Cash balance of the State Government at the end of the current year decreased from Rs.240 crore in 2007-08 to Rs.176 crore in 2008-09. Investment from cash balances decreased by 18 *per cent* from Rs.315 crore in 2007-08 to Rs.259 crore in 2008-09. The State Government has invested Rs.196 crore in GOI Treasury Bills and earned an interest of Rs.27 crore (10 *per cent*) during 2008-09. Further, the Government transferred Rs.63 crore to Sinking Fund for amortization of long term loans.

⁷ The General cash balance represents the combined balances of the Consolidated Fund of India and the Public Account. As per the agreement with the Reserve Bank of India, the State Government has to maintain with the Bank on all days a minimum balance. (Explanatory Notes on Statement No. – 7, Finance Accounts).

The efficiency of handling the cash balances by the State can also be assessed by monitoring the trends in monthly daily average of cash balances held by the State to meet its normal banking transactions. **Table-1.13** presents the trends in monthly average daily cash balances in 14 days Treasury Bills. The investment in Auction Treasury Bills for the last three years (2006-09) was 'nil'.

Table-1.13: Trends in Monthly Average Daily Cash Balances and Investment in 14 days Treasury Bills

(Rupees in crore)

Month	Monthly Average Daily Cash Balances			Investment in 14 days Treasury Bills			
	2006-07	2007-08	2008-09	2006-07	2007-08	2008-09	
April	126.18(Cr)	109.34(Cr)	121.24(Cr)	267.04(Dr)	135.82(Dr)	579.34(Dr)	(-) 86.41
				203.61(Cr)	135.82(Cr)	665.75(Cr)	
May	107.00(Cr)	132.00(Cr)	135.00(Cr)	209.73(Dr)	223.28(Dr)	633.76(Dr)	(-) 34.38
				254.04(Cr)	178.22(Cr)	668.14(Cr)	
June	150.18(Cr)	102.27(Cr)	161.22(Cr)	314.79(Dr)	308.00(Dr)	578.25(Dr)	(-) 20.60
				260.38(Cr)	277.87(Cr)	598.85(Cr)	
July	80.12(Cr)	96.00(Cr)	103.32(Cr)	206.46(Dr)	397.14(Dr)	772.03(Dr)	73.10
				281.31(Cr)	339.90(Cr)	698.93(Cr)	
August	111.00(Cr)	104.00(Cr)	182.00(Cr)	255.66(Dr)	466.76(Dr)	729.06(Dr)	29.61
				283.98(Cr)	423.24(Cr)	699.45(Cr)	
September	184.28(Cr)	87.22(Cr)	103.03(Cr)	177.36(Dr)	406.15(Dr)	785.75(Dr)	24.82
				202.60(Cr)	398.79(Cr)	760.93(Cr)	
October	94.00(Cr)	90.47(Cr)	159.24(Cr)	191.44(Dr)	740.95(Dr)	847.32(Dr)	20.96
				179.33(Cr)	672.99(Cr)	826.36(Cr)	
November	114.03(Cr)	100.21(Cr)	245.03(Cr)	215.43(Dr)	670.82(Dr)	742.66(Dr)	(-) 48.84
				189.03(Cr)	641.41(Cr)	791.50(Cr)	
December	206.00(Cr)	183.00(Cr)	101.11(Cr)	188.79(Dr)	505.68(Dr)	620.69(Dr)	(-) 89.13
				245.57(Cr)	609.06(Cr)	709.82(Cr)	
January	67.02(Cr)	205.00(Cr)	136.00(Cr)	211.03(Dr)	634.97(Dr)	856.48(Dr)	37.67
				158.60(Cr)	572.92(Cr)	818.81(Cr)	
February	123.37(Cr)	174.48(Cr)	89.00(Cr)	244.48(Dr)	698.35(Dr)	817.35(Dr)	48.30
				224.56(Cr)	625.37(Cr)	769.05(Cr)	
March	419.37(Cr)	436.00(Cr)	625.00(Cr)	407.32(Dr)	672.09(Dr)	660.36(Dr)	(-) 25.63
				491.00(Cr)	717.63(Cr)	685.99(Cr)	

Source: Accountant General (A&E).

Dr = Average Amount Invested in 14 Days Treasury Bills from Cash Balances

Cr = Amount of Treasury Bills Rediscounted

The State Government had maintained a minimum cash balance of Rs.26 lakh as per agreement with the Reserve Bank of India during the last three years.

Government of India Treasury Bills amounting to Rs.8,623.05 crore were purchased and Rs.8,693.58 crore rediscounted during 2008-09. Resultantly, investment from cash balances decreased by Rs.71 crore over the previous year.

1.7 Assets and Liabilities

1.7.1 Growth and composition of Assets and Liabilities

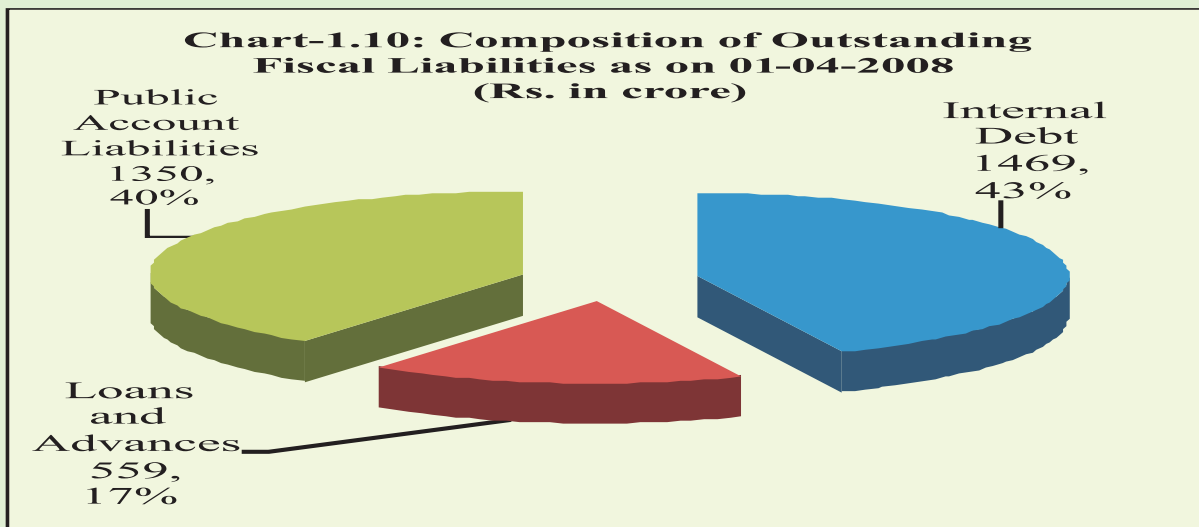
In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred.

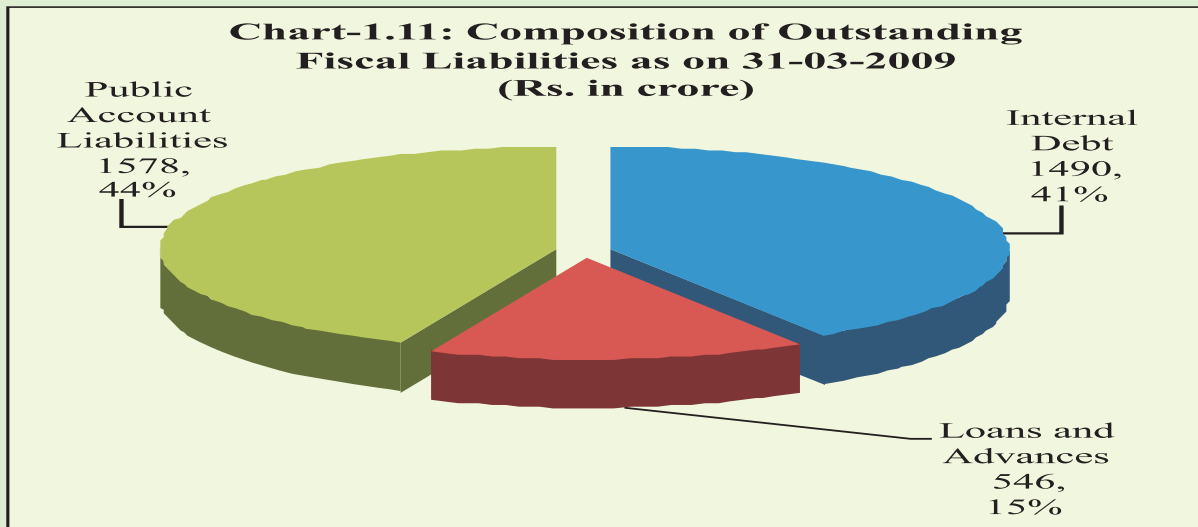
Appendix-1.4 gives an abstract of such liabilities and the assets as on 31 March 2009, compared with the corresponding position on 31 March 2008. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

1.7.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix-1.3**.

However, the compositions of fiscal liabilities during the current year *vis-à-vis* the previous year are presented in **Chart-1.10** and **1.11**.





The overall fiscal liabilities of the State Government increased by Rs.236 crore (seven *per cent*) from Rs.3,378 crore in 2007-08 to Rs.3,614 crore in 2008-09. The increase in fiscal liabilities was mainly due to increase in the Internal Debt (Rs.21 crore) and Public Account Liabilities (Rs.228 crore). The ratio of fiscal liabilities to GSDP has decreased from 102.21 *per cent* in 2007-08 to 94.88 *per cent* in 2008-09. These fiscal liabilities stood at nearly 1.36 times the Revenue receipts and 14.28 times of State's own recourses at the end of 2008-09. In line with the recommendation of the TFC the State Government set up sinking fund for amortization of market borrowings as well as other loans and debt obligations. As on 31 March 2009, the balance in the sinking fund was Rs.58.25 crore. During 2008-09, Rs.15 crore has been invested in the sinking fund.

1.7.3 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. According to Mizoram Fiscal Responsibility and Budget Management (MFRBM) Act, 2006, total outstanding debt, excluding Public Account and risk Weighted outstanding guarantees in a year shall not exceed twice the estimated receipts in the Consolidated Fund of the State at the close of the year. The State Government is yet to implement (31 March 2009) the recommendations of the TFC by setting up of guarantee redemption funds through earmarked guarantee fees.

As per Statement 6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years is given in **Table-1.14**.

Table-1.14: Guarantees given by the Government of Mizoram.*(Rupees in crore)*

Guarantees	2006-07	2007-08	2008-09
			Actual
Maximum amount guaranteed	249	232	305
Outstanding amount of guarantees	150	153	134
Revenue Receipts	1969	2040	2653
Total Receipts in Consolidated Fund of the State	2230	2291	2784
Percentage of maximum amount guaranteed to revenue receipts	12.65	11.37	11.50
Criteria as per FRBM Act/any other Act or Order of the State	As per FRBM Act, 2006 of Mizoram, total outstanding debt, excluding Public Account and risk weighted outstanding guarantees in a year shall not exceed twice the estimated receipts in the Consolidated Fund of the State at the close of the year.		

Government had guaranteed loans raised by various corporations and others which at the end of 2008-09 stood at Rs.134 crore. The outstanding guarantees decreased by 12.42 *per cent* from Rs.153 crore in 2007-08 to Rs.134 crore in 2008-09. The outstanding guarantees were five *per cent* of the revenue receipts of the Government, which were well within the ceiling limit prescribed by FRBM Act. The total outstanding debt, excluding Public Account and risk weighted outstanding guarantees (Rs.1,902 crore) during the year was 68 *per cent* of the total receipts in the consolidated fund which were well within the prescribed limit.

It is pertinent to note that if the liabilities arising out of the outstanding guarantees are added to the fiscal liabilities of the State Government at the close of the current year, the ratio of total liabilities to GSDP would increase to 98.40 *per cent* from 94.88 *per cent*.

No specific law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limit within which Government may give guarantees on the security of the Consolidated Fund of the State. The State Government is yet to implement the recommendations of the TFC by setting up a Guarantee Redemption Fund (GRF) is under through earmarked guarantee fees.

1.8 Debt Sustainability

Apart from the magnitude of debt of State Government, it is important to analyze various indicators that determine the debt sustainability⁸ of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization⁹; sufficiency of non-debt receipts¹⁰; net availability of borrowed funds¹¹; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table-1.15** analyzes the debt sustainability of the State according to these indicators for the period of five years beginning from 2004-05.

Table-1.15: Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability	2004-05	2005-06	2006-07	2007-08	2008-09
Debt Stabilization (Quantum Spread + Primary Deficit)	229+(-)54 = 175	104+(-)212 = (-) 108	95+38 = 133	133+(-)183 = (-) 50	297+132 = 429
Sufficiency of Non-debt Receipts (Resource Gap)	(+) 70	(-) 161	(+) 206	(-) 200	(+) 297
Net Availability of Borrowed Funds	40	58	(-) 74	75	11
Burden of Interest Payments (IP/RR Ratio)	12.12	11.19	11.63	10.20	8.52
Maturity Profile of State Debt (In Years)*					
0 – 1	Information not furnished by the State Government				
1 – 3					
3 – 5					
5 – 7					
7 and above					

The sum of quantum spread and primary deficit was positive during 2008-09 resulting in decrease in debt-GSDP ratio. If the positive trends persist in the succeeding years, the State would certainly move towards debt stabilization. Positive resource gap during the current year is also pointed towards fiscal and debt stability of the State. During last two years, net fund availability was also positive indicating that Rs.75 crore of 2007-08 and Rs.11 crore of 2008-09 of the total debt receipts of the respective years were utilised for other purposes rather than for discharging past obligations.

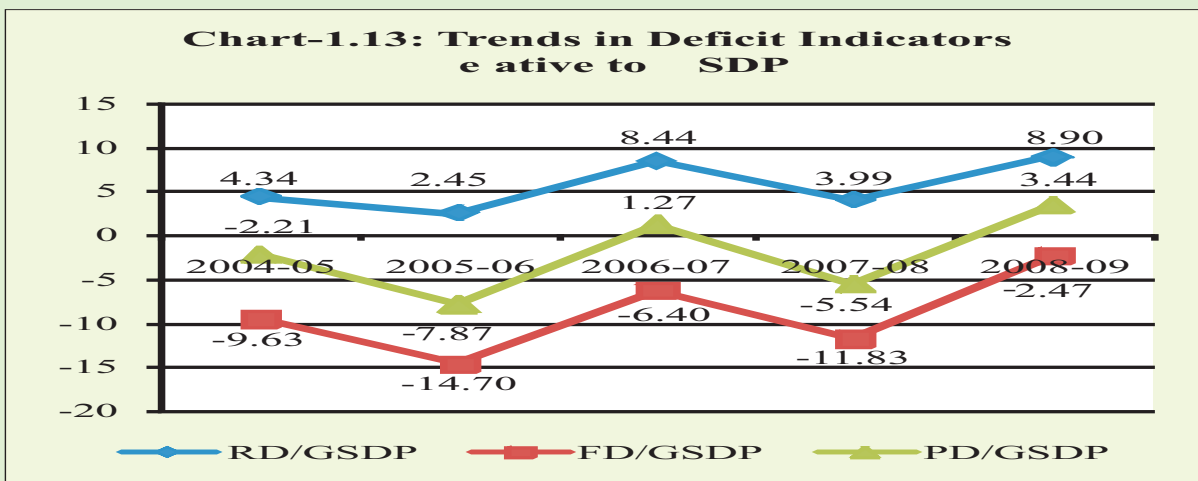
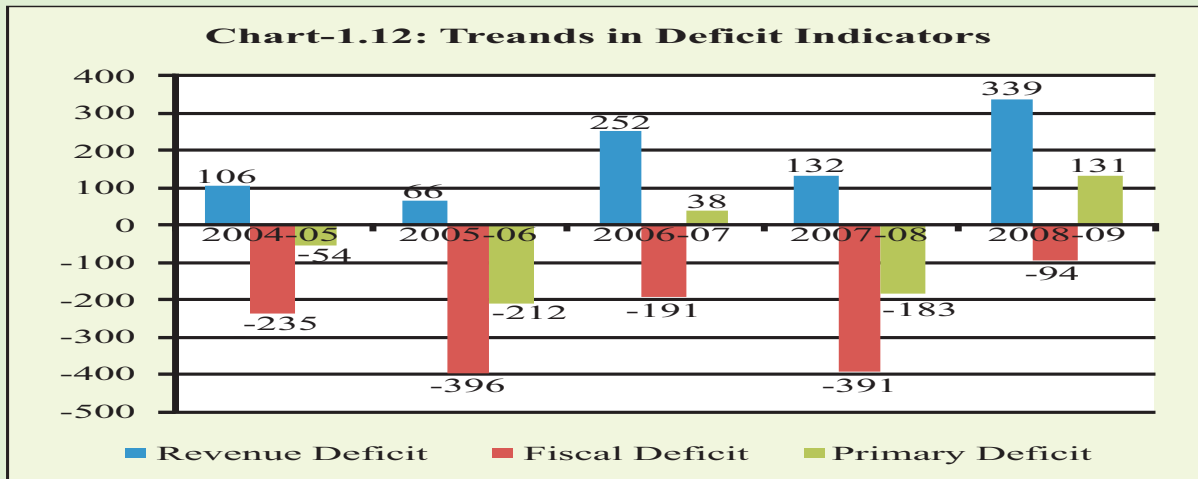
- 8 The Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.
- 9 A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.
- 10 Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.
- 11 Defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

1.9 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government Accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised and applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under FRBM Act/Rules for the financial year 2008-09.

1.9.1 Trends in Deficits

Chart-1.12 and 1.13 presents the trends in deficit indicators over the period 2004-09.



The State had continued to experience revenue surplus during the last five years. The revenue surplus has increased to Rs.339 crore in 2008-09 from Rs.132 crore in 2007-08 i.e. increased by 157 *per cent*. This improvement on revenue account during 2008-09 was mainly due to steep increase in Central Transfers by Rs.567 crore in 2008-09 over the previous year. Revenue Expenditure on the other hand increased by Rs.405 crore in 2008-09 over the previous year resulting in huge surplus on revenue account during the current year. The decrease in fiscal deficit (Rs.297 crore) accompanied by increase of Rs.18 crore in interest payments led to an increase of Rs.315 crore in primary surplus during the year.

1.9.2 Components of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the Table-1. 16.

Table-1.16: Components of Fiscal Deficit and its Financing Pattern

(Rupees in crore)

Particulars		2004-05	2005-06	2006-07	2007-08	2008-09
Decomposition of Fiscal Deficit		235	396	191	391	94
1	Revenue Deficit	(-) 106	(-) 66	(-) 252	(-) 132	(-) 339
2	Net Capital Expenditure	329	451	466	544	441
3	Net Loans and Advances	12	11	(-) 23	(-) 21	(-) 8
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	79	99	108	129	29
2	Loans from GOI	40	(-) 9	(-) 26	(-) 7	(-) 12
3	Special Securities Issued to NSSF	---	26	8	(-) 1	(-) 2
4	Loans from Financial Institutions	(-) 1	38	40	(-) 36	(-) 2
5	Small Savings, PF etc.	127	98	143	172	188
6	Deposits and Advances	68	(-) 2	(-) 128	36	37
7	Suspense and Misc	(-) 151	123	112	32	(-) 78
8	Remittances	19	71	(-) 26	26	(-) 72
9	Reserve Fund	9	(-) 9	2	(-) 6	1
10	Increase/decrease in Cash balance with RBI	45	(-) 39	(-) 38	50	8
11	Compensation and other Bonds	---	--	(-) 4	(-) 4	(-) 3
12	Overall Deficit (1 to 12)	235 (9.63)	396 (14.70)	191 (6.40)	391 (11.83)	94 (2.47)

Figures in brackets indicate the *per cent* to GSDP.

*All these figures are net of disbursements/outflows during the year

The State had fiscal deficits during the last five years (2005-09) with inter year variations. However, the deficits have decreased to Rs.94 crore in 2008-09 from Rs.391 crore in 2007-08. During 2008-09, the fiscal deficit of Rs.94 crore was mainly met out from market borrowings (Rs.29 crore) and Small Savings and Provident Funds etc. (Rs.188 crore). The net Small Savings Provident Fund increased by nine *per cent* over the previous year; thus, increasing the interest burden in future.

1.9.3 Quality of Deficit/Surplus

The ratio of RD to FD and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (**Table-1.17**) would indicate the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table-1.17: Primary deficit/Surplus – Bifurcation of factors

(Rupees in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary revenue deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2004-05	1524	1214	330	34	1578	(+) 310	(-) 54
2005-06	1677	1403	451	34	1888	(+) 274	(-) 211
2006-07	1993	1489	466	--	1955	(+) 504	(+) 38
2007-08	2067	1700	544	6	2250	(+) 367	(-) 183
2008-09	2678	2088	441	17	2546	(+) 590	(+) 132

The non-debt receipts of the State during 2004-05 to 2008-09 were sufficient to meet the primary expenditure. The non-debt receipts of the State increased by more than 75 per cent from Rs.1,524 crore in 2004-05 to Rs.2,678 crore in 2008-09. The primary expenditure, however, increased by around 62 per cent from Rs.1,578 crore in 2004-05 to Rs.2,546 crore in 2008-09.

1.9.4 State's Own Revenue and Deficit Correction

It is worthwhile to observe the extent to which the deficit correction is achieved by the State on account of improvement in its own resources which is an indicator of the durability of the correction in deficit indicators. **Table-1.18** presents the change in revenue receipts of the State and the correction of the deficit during the last three years.

Table-1.18: Change in Revenue Receipts and Correction of Deficit

(Per Cent of GSDP)

Parameters	2006-07	2007-08	2008-09	
			BE	Actual
Revenue Receipts (a to d)	65.97	61.71	51.78	69.65
a. State's Own Tax Revenue	2.27	2.35	1.96	2.48
b. State's Own Non- tax Revenue	4.47	3.94	3.08	4.17
c. State's Share in Central Taxes and Duties	9.65	10.99	11.23	10.06
d. Grants-in-Aid	49.58	44.43	35.51	52.94
Revenue Expenditure	57.53	57.74	53.36	60.74
Revenue Surplus	8.44	3.97	-1.58	8.91
Fiscal Deficit	(-)6.40	(-)11.84	(-) 3.45	(-) 2.48

Ratio of revenue receipts to GSDP increased over the previous years by 7.94 *per cent* and budget estimates for the year by 17.87 *per cent*. Ratio of revenue expenditure to GSDP also increased by three *per cent* in 2008-09 over the previous year. The revenue receipts to GSDP increased by 17.87 *per cent* in 2008-09 over the budget estimates for the year due to increase in the State's own tax revenue, own non-tax revenue and grants-in-aid by 0.52 *per cent*, 1.10 *per cent* and 10.98 *per cent* respectively.

1.10 Conclusion and Recommendations

During the current year, the revenue account increased by Rs.208 crore as the growth of revenue receipts was 30 *per cent* while the growth of revenue expenditure was 21 *per cent* over the previous year. The tax revenue of the State fell short by 5 *per cent* compared to the assessment of Twelfth Finance Commission (TFC) and was higher by 27 *per cent* of the assessment in Fiscal Correction Path (FCP). Non-tax revenue increased by 123 *per cent* and 35 *per cent* over the assessment made in the TFC and FCP respectively during the year **(Para-1.3)**.

The Non Plan Revenue Expenditure (NPRE) increased by 25 *per cent* over the previous year. The NPRE *vis-à-vis* assessment made by FCP and TFC revealed that NPRE was 15 *per cent* (Rs.205 crore) and 39 *per cent* (Rs.438 crore) higher than the projection of FCP and TFC respectively. The Plan Revenue Expenditure (PRE) increased by Rs.92 crore from Rs.649 crore in 2007-08 to Rs.741 crore in 2008-09 **(Para-1.4.1)**.

The Capital expenditure decreased by 19 *per cent* (Rs.103 crore) over the previous year **(Para-1.4.1)**.

The ratio of the fiscal liabilities to Gross State Domestic Product (GSDP) decreased from 102.21 *per cent* in 2007-08 to 94.88 *per cent* in 2008-09. These fiscal liabilities stood at nearly 1.36 times of the revenue receipts and 14.28 times of State's own resources at the end of 2008-09 **(Para-1.7.2)**.

As of 31 March 2009, there were 13 incomplete projects in which Rs.931 crore were blocked **(Para-1.6.1)**.

Fiscal Correction : Although the State has achieved the deficit targets, before the time lines prescribed in the FRBM Act, it has to initiate requisite corrective measures to contain the expenditure on salaries relative to its own resources. The expenditure on salaries was 46.18 *per cent* of the revenue expenditure, net of interest payment and pension against TFC norms of 35 *per cent* and constituted 357 *per cent* of tax and non- tax revenue during 2008-09 **(Para-1.4.2)** requiring immediate attention of the Government to achieve the TFC norms. Again, pension payment was observed as higher than the projection in FCP. The State has reasonable prospect of achieving the targets set up in the FRBM Act, 2006, provided an effort is made to increase the tax compliance, reduce tax administration cost and make efforts to collect revenue arrears **(Para-1.3.2)**.

Greater priority to Capital Expenditure : The State Government may lay greater emphasis on the rationalization of Non-Plan Revenue Expenditure (NPRE) so that resources may be diverted to plan

expenditure particularly to Capital Expenditure (CE) as well as for creation of capital assets. While there is adequate thrust for development expenditure, the CE/AE ratio in 2008-09 for Mizoram was marginally lower than the national average. Thus, the CE requires greater thrust **(Para-1.5.1)**.

Review of Government investments : The average return on this investment was 'nil' in the last five years where as average interest rates was in the range 6.43 to 7.57 *per cent* **(Para-1.6.2)**. It would be necessary for the State Government to ensure better value for money investments, otherwise high cost borrowed funds will continue to be invested in projects with low financial returns. Projects which are justified on account of low financial but high socio-economic return may be identified and prioritized with full justification on why high cost borrowings should be employed there. It would also be prudent to review the workings of those Government companies incurring substantial losses and work out either a revival strategy (for those that are strategic in nature and can be made viable) or close down (if they are not likely to be viable given current market conditions). Further, no specific law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limit within which Government may give guarantees on the security of the Consolidated Fund of the State. The State Government is yet to implement the recommendations of the TFC by setting up a Guarantee Redemption Fund (GRF) through earmarked gurantee fees **(Para-1.7.3)**.

Prudent cash management : The cost of holding surplus cash balance is high. In 2008-09, interest receipt against investment on cash balance was 10 *per cent* while Government paid interest @ 6.46 *per cent* on its borrowings during the year **(Para-1.6.4)**. Proper debt management through advance planning could minimize the need for the State Government to hold larger surpluses.

Debt sustainability : The Government of Mizoram should ideally keep the debt-GSDP ratio stable. Borrowed funds should be used as far as possible only to fund capital expenditure and revenue expenditure should be met from revenue receipts. Maintaining a regular flow of borrowing to avoid bunching towards the end of financial year and clear understanding of the maturity profile of debt payments will go a long way in prudent debt management **(Para-1.8)**.

Oversight funds transferred directly from the Government of India (GOI) to the State implementing agencies: As long as these funds remains outside the State budget, there is no single agency monitoring its use and there is no readily available data on how much is actually spent in any particular year on major flagship schemes and other important schemes which are being implemented by State implementing agencies and are funded directly by the GOI.

Moreover, some discrepancies were found in transfers of fund between the data given by the Finance Department and the data available in the Controller General of Accounts (CGA)'s portal, which needs to be reconciled immediately **(Para-1.2.2)**.

A system has to be urgently put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government as well as the Accountant General (A&E).