

CHAPTER – I
FINANCES OF THE STATE GOVERNMENT

Chapter I

Finances of the State Government

Profile of Nagaland

The State is located in North-Eastern region of India. It is the twenty fifth largest State in terms of geographical area (16579 sq. km) as well as by population (1978502). As indicated in **Appendix 1.1(D)** the State's population decreased from 1990036 in 2001 to 1978502 in 2011 recording a decadal decrease of 0.58 *per cent*. The state's literacy rate increased from 66.59 *per cent* (as per 2001 census) to 79.55 *per cent* (as per 2011 census). The per capita income of the State (source: Ministry of Home Affairs) stood at ₹ 56116 against the country's average of ₹ 60972 in the year 2011-12. The general data relating to the State is given in **Appendix 1.1(D)**.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates the standard of living of the State's population. A trend analysis of growth of GDP for a period of five years at current prices indicates the performance of the Government in fiscal management of the State. The growth rate of the State GDP for the period 2010-15 compared with India's GDP is presented in the table below:

Table 1.1: Annual growth rate of GDP and GSDP at current prices

| Year | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---------------------------|---------|---------|---------|----------|-----------------------|
| State's GDP (in crore) | 11759 | 13859 | 15676 | 17749 | 20099 |
| Growth in <i>per cent</i> | 11.70 | 17.86 | 13.11 | 13.22 | 13.24 |
| India's GDP (in crore) | 7248860 | 8391691 | 9388876 | 10472807 | 11509810 [#] |
| Growth in <i>per cent</i> | 18.66 | 15.77 | 11.88 | 11.54 | - |

[#] Excluding Goa, A&N Island and Chandigarh

(Source: Central Statistical Office (CSO), Ministry of Statistics and Programme Implementation)

The quantum of GDP (both State and India) is measured in terms of constant and current prices and as per their respective arithmetical calculations; these figures differ from each other every year. For comparison between State and National GDPs, the GDP figure calculated on the basis of current price at factor cost with base year 2004-05 has been taken.

1.1 Introduction

The annual accounts of the State Government consist of Finance Accounts and Appropriation Accounts. The Finance Accounts has been divided into two Volumes: Volume I and II. Volume I represents the financial statements of the Government in a

summarised form while Volume II represents detailed financial statements, the structure and layout of which are depicted in **Appendix 1.1- Part B**.

This chapter provides a broad perspective of the finances of the Government of Nagaland during 2010-15. It analyses important changes in the major fiscal indicators compared to the previous year keeping in view the overall trends during the last five years. The analysis is based on the Finance Accounts and information obtained from the State Government. The structure of the Government Accounts and layout of the Finance Accounts have been explained in **Appendix 1.1 – Parts A and B**. **Appendix 1.2** represents the time series data on key fiscal variables/parameters and fiscal ratios relating to the State Government finances for the period 2010-15.

1.1.1 Summary of Fiscal Transactions in 2014-15

Table 1.2 presents the summary of the State Government's fiscal transactions during the current year (2014-15) vis-à-vis the previous year (2013-14) while **Appendix 1.3** provides details of receipts and disbursements as well as overall fiscal position during the same period.

Table 1.2: Summary of Fiscal Operations in 2014-15

(₹ in crore)

| Receipts | | | Disbursements | | | | |
|-------------------------------------|-----------------|-----------------|--|-----------------|----------------|----------------|-----------------|
| Section-A: Revenue | | | Description | 2013-14 | 2014-15 | | |
| Description | 2013-14 | 2014-15 | | | Non Plan | Plan | Total |
| Revenue receipts¹ | 6497.90 | 7650.94 | Revenue expenditure² | 5750.34 | 5533.11 | 1229.30 | 6762.41 |
| Tax revenue | 333.39 | 388.61 | General services | 2732.48 | 3099.88 | 33.36 | 3133.24 |
| Non-tax revenue | 216.57 | 270.61 | Social services | 1701.56 | 1321.26 | 533.91 | 1855.17 |
| Share of Union Taxes/ Duties | 1001.27 | 1062.68 | Economic services | 1316.30 | 1111.97 | 662.03 | 1774.00 |
| Grants from Government of India | 4946.67 | 5929.04 | Grants-in-aid and Contributions | 0.00 | 0.00 | 0.00 | 0.00 |
| Section-B: Capital | | | | | | | |
| Misc. Capital Receipts | 0.00 | 0.00 | Capital Outlay | 1207.06 | 0.22 | 1022.95 | 1023.17 |
| Recoveries of Loans and Advances | 1.01 | 0.71 | Loans and Advances disbursed | 0.92 | 0.19 | 0.00 | 0.19 |
| Public Debt receipts | 1976.41 | 2414.87 | Repayment of Public Debt | 1436.92 | | | 2306.08 |
| Contingency Fund | 0.00 | 0.00 | Contingency Fund | 0.00 | | | 0.00 |
| Public Account receipts* | 3130.09 | 2661.92 | Public Account disbursements* | 2796.33 | | | 2895.22 |
| Opening Cash Balance | 280.52 | 694.36** | Closing Cash Balance | 694.36** | | | 435.73 |
| Total | 11885.93 | 13422.80 | Total | 11885.93 | | | 13422.80 |

*gross figure

** The closing cash balance has been taken after rounding off.

(Source: Finance Accounts for the respective years)

¹ Revenue receipts and Non-tax revenue are inclusive of gross receipt (₹ 13.03 crore) from State Lotteries.

² Revenue expenditure and General Services (Non-Plan) are inclusive of expenditure (₹ 2.27 crore) on State Lotteries

The following are the significant changes during 2014-15 over the previous year:

- Revenue receipts increased by ₹ 1153.04 crore (17.74 per cent) from ₹ 6497.90 crore in 2013-14 to ₹ 7650.94 crore in 2014-15 due to increase in grants from Government of India (GOI) (₹ 982.37 crore), State's share of Union Taxes and duties (₹ 61.41 crore), State's Non-Tax revenue (₹ 54.04 crore) and State's Own Tax revenue (₹ 55.22 crore). The revenue receipts at ₹ 7650.94 crore was however, lower than the assessment made by the State Government in its Fiscal Consolidation Roadmap (FCR) (₹ 8480.61 crore) for the year 2014-15 by ₹ 829.67 crore.
- Revenue expenditure of the State, on the other hand increased by ₹ 1012.07 crore (17.60 per cent) from ₹ 5750.34 crore in 2013-14 to ₹ 6762.41 crore in 2014-15 under General Services (₹ 400.76 crore), Social Services (₹ 153.61 crore) and Economic Services (₹ 457.70 crore). The revenue expenditure (₹ 6762.41 crore) was lower than the assessment made by the State Government in its FCR (₹ 7057.84 crore) for the year 2014-15 by ₹ 295.43 crore.
- Capital Expenditure decreased by 15.23 per cent from ₹ 1207.06 crore in 2013-14 to ₹ 1023.17 crore in 2014-15.
- Recoveries and disbursement of Loans and Advances decreased by ₹ 0.30 crore and ₹ 0.73 crore respectively in 2014-15 over the previous year.
- During the year 2014-15 public debt receipts³ increased by ₹ 438.46 crore from ₹ 1976.41 crore in 2013-14 to ₹ 2414.87 crore in 2014-15 and repayment increased by ₹ 869.16 crore from ₹ 1436.92 crore in 2013-14 to ₹ 2306.08 crore in 2014-15.
- Public Account Receipts decreased in 2014-15 over the previous year by ₹ 468.17 crore from ₹ 3130.09 crore in 2013-14 to ₹ 2661.92 crore in 2014-15 and disbursement increased by ₹ 98.89 crore from ₹ 2796.33 crore in 2013-14 to ₹ 2895.22 crore in 2014-15.

The total inflow increased by ₹ 1123.03 crore (9.68 per cent) from ₹ 11605.41 crore in 2013-14 to ₹ 12728.44 crore in 2014-15. The total outflow also increased by ₹ 1795.50 crore (6.93 per cent) from ₹ 11191.57 crore in 2013-14 to ₹ 12987.07 crore in 2014-15. The cash balance of the State at the end of 2014-15 decreased by ₹ 258.63 crore (37.25 per cent) from ₹ 694.36 crore in 2013-14 to ₹ 435.73 crore in 2014-15.

1.1.2 Review of the fiscal situation

With the enactment of a Fiscal Responsibility and Budget Management Act (FRBM) Act, 2005 at the centre, Twelfth Finance Commission (TFC) recommended that each State enact a fiscal responsibility legislation prescribing specific annual targets with a view to

³ Public Debt Receipts includes market loans, special securities issued by RBI and loans and advances from GOI.

eliminate the revenue deficit by 2008-09 and reduce fiscal deficit based on a path for reduction of borrowings and guarantees. The targets prescribed in Nagaland Fiscal Responsibility and Budget Management (NFRBM) Act and projections made by State Government in its Medium Term Fiscal Policy Statement (MTFPS), targets proposed in the Budget, XIII FC targets for the State vis-a-vis achievements during the year 2014-15 is depicted in **Table 1.3** below:

Table: 1.3: Major fiscal variables provided in the budget, recommendations of the XIII FC, targets in the NFRBM Act vis-à-vis actuals

| Fiscal variables | 2014-15 | | | | |
|---|-------------------------------|-----------------------------------|---|---|---------|
| | XIII FC targets for the State | Targets as prescribed in FRBM Act | Targets proposed in the Budget Estimates (BE) | Projections made in Five Year Fiscal Plan/MTFPS | Actuals |
| Revenue Deficit(-)/ Surplus(+) (₹ in crore) | 0.00 | 0.00 | 1626.57 | 0.00 | 888.53 |
| Fiscal deficit/GSDP (in per cent) | 3.00 | 3.00 | 3.75 | 3.75 | 0.67 |
| Ratio of total outstanding debt of the Government to GSDP (in per cent) | 52.30 | 52.30 | 48.56 | 48.09 | 39.57 |

The XIII FC recommended zero revenue deficit for the State during 2014-15. Accordingly, the State Government also projected zero revenue deficit in NFRBM and MTFPS. The State projected a revenue surplus of ₹ 1626.57 crore in the BE for 2014-15 and actually achieved a revenue surplus of ₹ 888.53 crore.

For the year 2014-15 the ratio of Fiscal deficit to GSDP was proposed at 3.00 per cent in XIII FC and NFRBM and at 3.75 per cent in MTFPS. Actual ratio of fiscal deficit to GSDP was 0.67 per cent which was 2.33 per cent less than XIII FC and NFRBM projections and 3.08 per cent less than MTFPS projection.

During 2014-15, outstanding debt to GSDP ratio of 39.57 per cent was less than the projected figures as per XIII FC, NFRBM Act, MTFPS and budget estimates for 2014-15.

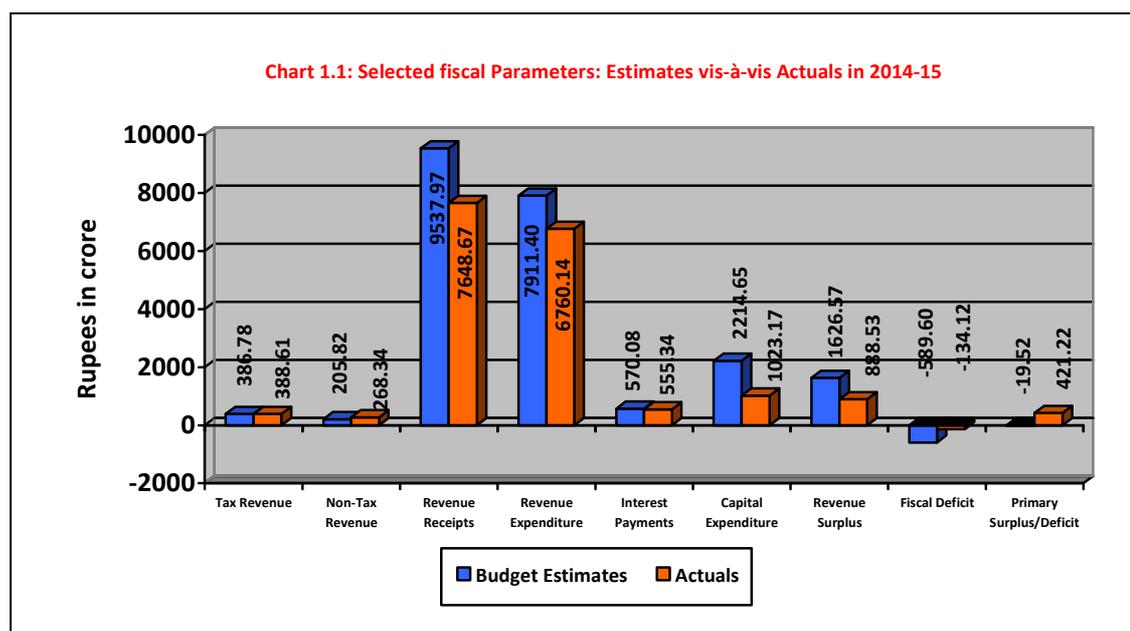
1.1.3 Budget estimates and actuals

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

Table 1.4 and Chart 1.1 representing the budget estimates and actuals for some important fiscal parameters during 2014-15 are given below:

Table 1.4: Variation in Actual Fiscal parameters over estimates*(₹ in crore)*

| Parameters | 2013-14 | 2014-15 | | |
|----------------------------------|-----------|------------------|-------------------|-----------|
| | Actuals | Budget Estimates | Revised Estimates | Actuals |
| Tax Revenue | 333.39 | 386.78 | 360.48 | 388.61 |
| Non-Tax Revenue | 214.34 | 205.82 | 317.27 | 268.34 |
| Revenue Receipts ⁴ | 6495.67 | 9537.97 | 8088.64 | 7648.67 |
| Non-debt Capital Receipts | 1.01 | 2.45 | 1.87 | 0.71 |
| Revenue Expenditure ⁵ | 5748.11 | 7911.40 | 7605.56 | 6760.14 |
| Interest Payments | 493.84 | 570.08 | 560.35 | 555.34 |
| Capital Expenditure | 1207.06 | 2214.65 | 1329.91 | 1023.17 |
| Disbursement of Loans & Advances | 0.92 | 3.97 | 4.82 | 0.19 |
| Revenue Deficit (-)/Surplus (+) | 747.56 | 1626.57 | 483.08 | 888.53 |
| Fiscal Deficit (-)/Surplus (+) | (-)459.41 | (-)589.60 | (-)849.78 | (-)134.12 |
| Primary Deficit(-)/Surplus (+) | 34.43 | (-)19.52 | (-)289.43 | 421.22 |



- During 2014-15, the actual revenue receipts was less than the budget estimates by ₹ 1889.30 crore (19.81 per cent) and actual revenue expenditure was also lesser by ₹ 1151.26 crore (14.55 per cent) than the budget estimates resulting in attaining a revenue surplus which was lower by ₹ 738.04 crore as compared to the projections made in the budget estimates.

⁴ Revenue receipts is inclusive of net of receipts and expenditure under State Lottery from this point onwards in the Report.

⁵ Revenue expenditure is exclusive of expenditure (₹ 2.27 crore) on State Lotteries from this point onwards in the Report.

- The actual collection of tax revenue during the year increased by ₹ 1.83 crore (0.47 *per cent*) over the budget estimates for the year.
- The increase in Non-Tax Revenue was ₹ 62.52 crore (30.38 *per cent*) as compared to the budget estimates for 2014-15.
- During the year 2014-15, the actual Capital expenditure was less than the budget provision by ₹ 1190.37 crore (53.78 *per cent*).
- Actual fiscal deficit decreased over the assessment made in the budget estimates by ₹ 455.48 crore (77.25 *per cent*). Against the primary deficit of ₹ 19.52 crore projected in the BE, the State witnessed primary surplus of ₹ 421.22 crore in 2014-15.

1.1.4 Gender Budgeting

The Constitution of India has mandated equality for every citizen of the country as a fundamental right. The Government of India has made international commitments in (i) The Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) in 1980; (ii) World Conference on Human Rights in Vienna in 1993; (iii) International Conference on Population and Development (ICPD) in Cairo in 1994; (iv) Fourth World Conference of Women in Beijing in 1995 and (v) Commonwealth Plan of Action on Gender and Development in 1995 about the action to be taken for improvement in the life of women.

One of the tools that can be used to promote women's equality and empowerment is gender-responsive budgeting, or Gender Budgeting, as it is more commonly known in India.

Among others, Gender Budgeting serves in (i) identifying the felt needs of women and reprioritising and/or increasing expenditure to meet these needs; (ii) Supporting gender mainstreaming in macro economics; (iii) Strengthening civil society participation in economics; (iv) Enhancing the linkages between economic and social policy outcomes; (v) Tracking public expenditure against gender and development policy commitments; and (vi) Contributing to the attainment of the Millennium Development Goals (MDGs).

Gender Budgeting in Nagaland had not been fully evolved.

1.2 Resources of the State

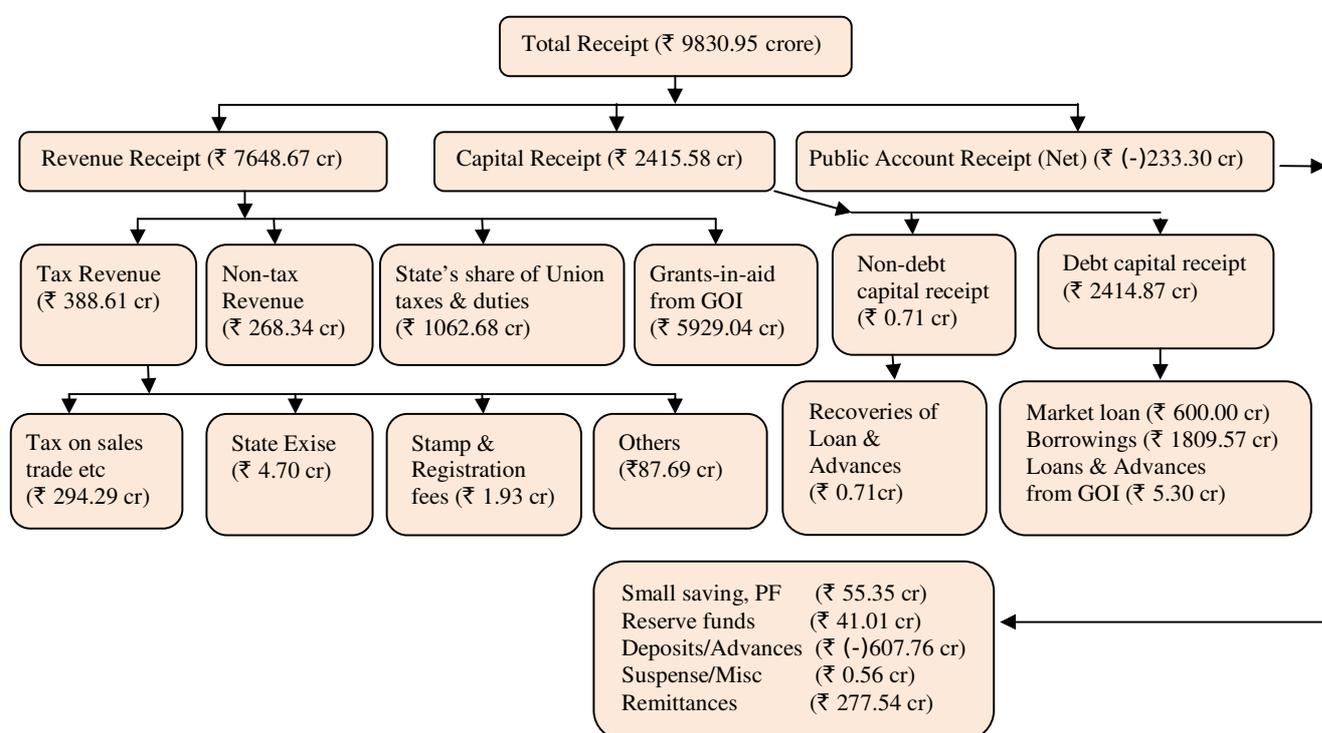
1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenue, non-tax revenue, 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. Besides the funds available in the Public Accounts after disbursement is also utilised by the Government to finance its deficit.

Table-1.2 presents the receipts and disbursements of the State during the last two years as recorded in its Annual Finance Accounts while **Chart 1.2** depicts the trends in various components of the receipts of the State during 2010-15. **Chart 1.3** depicts the composition of resources of the State during the current year and **Table 1.5** presents the trends in growth and composition of receipts for the current year 2014-15.

Following flowchart shows the components and sub-components of resources.



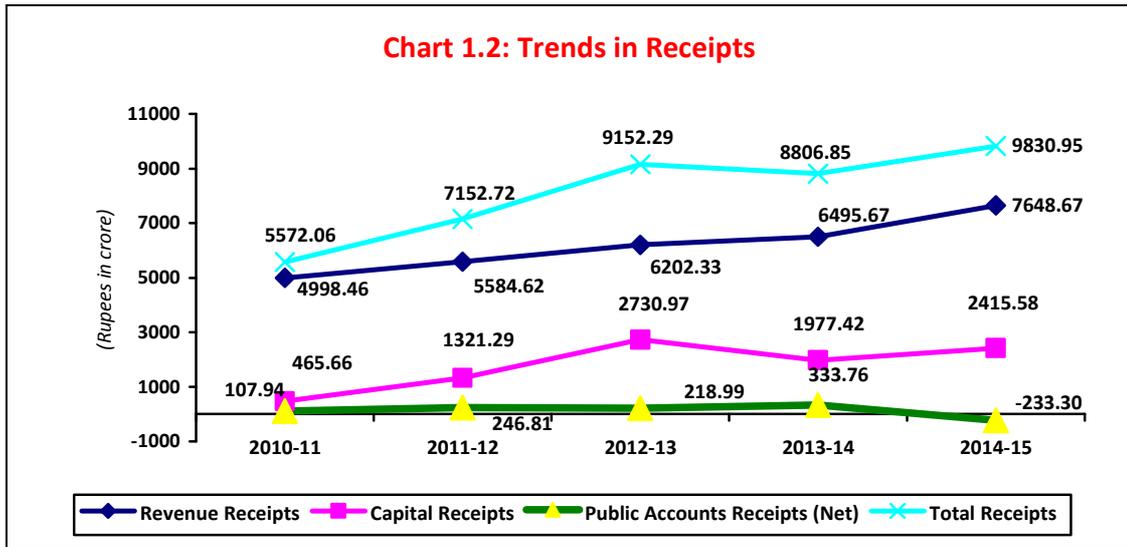


Table 1.5: Composition of receipts

(₹ in crore)

| Sources of State receipts | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|----------------|----------------|----------------|----------------|----------------|
| I Revenue Receipts | 4998.46 | 5584.62 | 6202.33 | 6495.67 | 7648.67 |
| II Capital Receipts (CR) | 465.66 | 1321.29 | 2730.97 | 1977.42 | 2415.58 |
| Miscellaneous Capital Receipts | - | - | - | - | - |
| Recovery of Loans and Advances | 2.31 | 2.44 | 0.85 | 1.01 | 0.71 |
| Public Debt Receipts | 463.35 | 1318.85 | 2730.12 | 1976.41 | 2414.87 |
| III Contingency Fund | - | - | - | - | - |
| IV Public Account Receipts (Net) | 107.94 | 246.81 | 218.99 | 333.76 | (-)233.30 |
| Total Receipts | 5572.06 | 7152.72 | 9152.29 | 8806.85 | 9830.95 |

(Source: Finance Accounts of respective years)

The total receipts of the State Government for the year 2014-15 was ₹ 9830.95 crore out of which, the revenue receipts was ₹ 7648.67 crore constituting 77.80 per cent of the total receipts.

The revenue receipts of the State increased from ₹ 6495.67 crore in 2013-14 to ₹ 7648.67 crore in 2014-15 at an annual growth rate of 17.75 per cent. The buoyancy of Revenue receipts w.r.t. GSDP during the year was 1.34 per cent.

The capital receipts registered an increase of 418.74 per cent from ₹ 465.66 crore in 2010-11 to ₹ 2415.58 crore in 2014-15.

Public Account receipts (net) decreased by ₹ 567.06 crore (169.90 per cent) from ₹ 333.76 crore in 2013-14 to ₹ (-) 233.30 crore in 2014-15.

1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

As per GOI decision, transferring of funds to the State Implementing Agencies⁶ for implementation of the Centrally Sponsored Schemes shall be through the State Consolidated Fund with effect from 2014-15 (BE). However, some fund was directly transferred to the State Implementing Agencies outside the State Budget/State Treasury System. As such, the Annual Financial Accounts of the State does not provide a complete picture of the resources under the control of the State government. To present the holistic picture on availability of aggregate resources, funds directly transferred to State Implementing Agencies are presented in **Appendix 1.5**.

During the year 2014-15 central funds of ₹ 122.99 crore were directly transferred to the State implementing agencies. The amounts released for programmes assisted by Government of India are presented in **Table 1.6**.

Table-1.6: Funds Transferred Directly to State Implementing Agencies

(₹ in crore)

| Programme/Scheme | Implementing Agency in the State | Funds transferred directly by GOI during 2014-15 |
|--|---|--|
| Support to National Institute of Technology | National Institute of Technology | 40.00 |
| Biotechnology Clusters | Nagaland State Science & Technology Council | 1.18 |
| MPLADS | DC, Dimapur | 10.00 |
| Zonal Culture Centre | North East Zone Cultural Centre | 34.32 |
| Zonal Culture Centre | Keviru Multipurpose Corporative Society | 4.16 |
| National Child Labour Project including Grants-in-aids to Voluntary Agencies | District Child Labour Project Society | 1.51 |
| GRID Interective Renewal Power MNRE | New and Renewable Energy | 4.87 |
| Others | 91 other schemes/programmes | 26.95 |
| Total | | 122.99 |

(Source: 'Central Plan Scheme Monitoring System' portal in Controller General of Account's website)

An amount of ₹ 122.99 crore was directly transferred by GOI to the State Implementing Agencies during 2014-15, a decrease of ₹ 899.94 crore (87.98 per cent) over the previous year. Out of an amount of ₹ 122.99 crore directly transferred to implementing agencies during the year, an amount of ₹ 40.00 crore (32.52 per cent) was given for Support to National Institute of Technology.

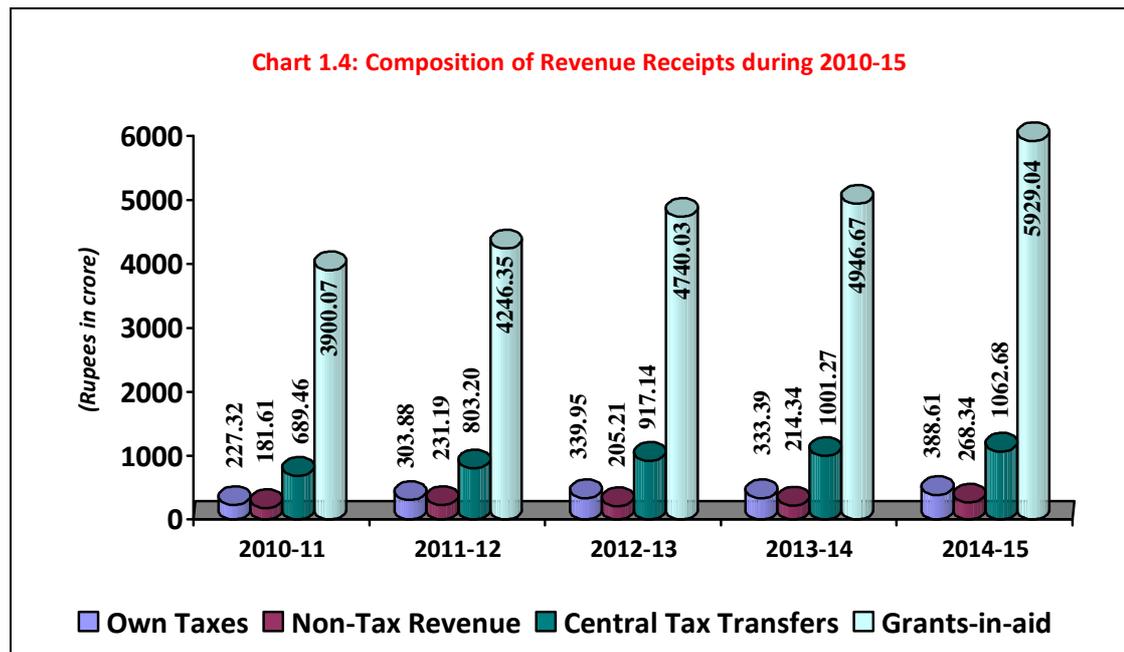
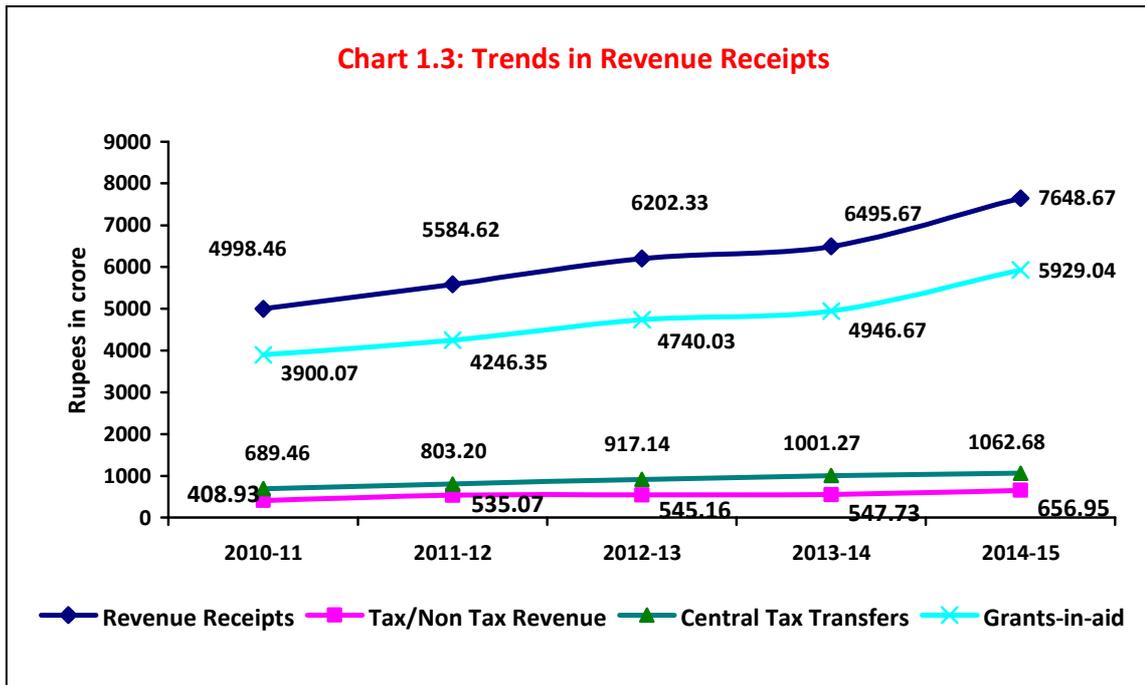
With the transfer of an approximate amount of ₹ 122.99 crore directly by GOI to the State Implementing Agencies, the total availability of State resources during 2014-15 had increased from ₹ 12728.44 crore to ₹ 12851.43 crore. There is no single agency in the State to monitor the funds directly transferred by the GOI to the implementing agencies and no data readily available as to how much money has actually been spent in a

⁶ State Implementing Agency includes any Organisation/Institution including Non-Governmental Organisation which is authorised by the State Government to receive the funds from the Government of India for implementing specific programmes in the State, e.g. State Mission Authority for SSA and State Health Mission for NRHM etc.

particular year on major flagship schemes and other important schemes which are being implemented by State implementing agencies and funded directly by the GOI.

1.3 Revenue Receipts

Statement-14 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 2010-15 are depicted in **Charts 1.3** and **1.4** respectively.



The revenue receipts have shown a progressive increase with inter-year variations and changes in its composition i.e. the share of own taxes, non-tax revenue and Central transfers during the period 2010-15.

Tax and non-tax revenue receipts together (i.e States Own Resources) increased by ₹ 248.92 crore (60.65 per cent) from ₹ 408.93 in 2010-11 to ₹ 656.95 crore in 2014-15 at a compound annual growth rate of 9.95 per cent.

The Revenue Receipts of the State increased from ₹ 4998.46 crore in 2010-11 to ₹ 7648.67 crore in 2014-15 at a compound annual growth rate of 11.80 per cent. While 8.59 per cent of the revenue receipts during 2014-15 have come from the State's Own Resources comprising taxes and non-taxes, Central Tax Transfers and Grants-in-aid together contributed 91.41 per cent. The percentage share of State's Own Resources and the Central Transfers in Revenue receipts of the State exhibited relative stability during the last five years (2010-15).

Central tax transfers to the State increased by ₹ 61.41 crore (6.13 per cent) from ₹ 1001.27 crore in 2013-14 to ₹ 1062.68 crore in 2014-15. This was due to increase in Corporation Tax (₹ 34.36 crore), Tax on Income other than Corporation Tax (₹ 43.27 crore), Customs (₹ 8.49 crore) and Tax on Wealth (₹ 0.08 crore) offset by decrease in Union Excise Duties (₹ 18.35 crore) and Service Tax (₹ 6.44 crore).

The trends in revenue receipts as well as buoyancy ratios relative to GSDP are presented in **Table 1.7** below:

Table 1.7: Trends in Revenue Receipts and buoyancy ratios relative to GSDP

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|----------------|----------------|----------------|----------------|----------------|
| Revenue Receipts (RR) (₹ in crore) | 4998.46 | 5584.62 | 6202.33 | 6495.67 | 7648.67 |
| Rate of growth of RR (<i>per cent</i>) | 34.42 | 11.73 | 11.06 | 4.73 | 17.75 |
| R R/GSDP (<i>per cent</i>) | 42.51 | 40.30 | 39.57 | 36.60 | 38.05 |
| Buoyancy Ratios | | | | | |
| Revenue receipts Buoyancy w.r.t GSDP | 2.94 | 0.66 | 0.84 | 0.36 | 1.34 |
| State's Own Tax Buoyancy w.r.t GSDP | 2.22 | 1.89 | 1.36 | (-)0.15 | 1.25 |

(Source: Finance Accounts of respective years)

The Revenue Receipts buoyancy with respect to GSDP was 0.36 in 2013-14 which increased to 1.34 in 2014-15. The State's own tax buoyancy with respect to GSDP was (-) 0.15 in 2013-14 which increased to 1.25 in 2014-15.

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, the State's performance in mobilisation of resources was assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

The States actual tax and non-tax receipts for the year 2014-15 vis-à-vis assessment made by XIII FC and Medium Term Fiscal Policy (MTFP) (latest) are given in the table below:

Table 1.8: Tax & Non-tax receipts vis-à-vis assessment made by XIII FC and MTFPS

(₹ in crore)

| | XIII FC projections | Budget estimates | MTFP projection | Actuals |
|-----------------|---------------------|------------------|-----------------|---------|
| Tax revenue | 311.06 | 386.78 | 386.78 | 388.61 |
| Non-tax revenue | 142.60 | 205.82 | NA | 268.34 |

The tax and non-tax revenue for the years 2013-14 and 2014-15 are detailed in **Charts 1.5** and **1.6** below.

1.3.1.1 Tax Revenue

The gross collection in respect of major taxes and duties are given in **Table 1.9**.

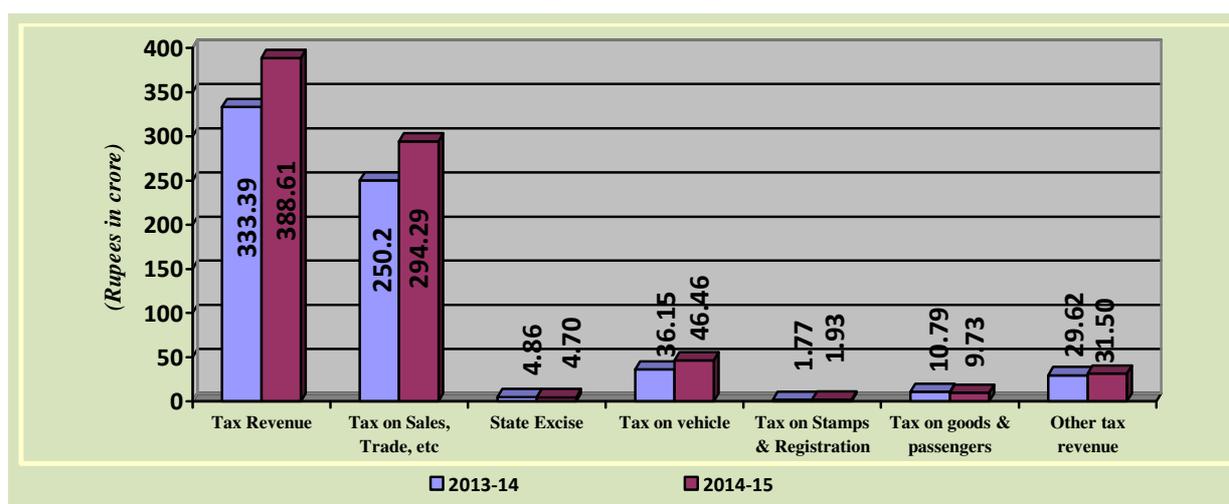
Table 1.9: Collection of Tax Revenue 2010-15

(₹ in crore)

| Heads | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | | Percentage of increase(+)/ decrease(-) in 2014-15 over 2013-14 |
|------------------------------|---------------|---------------|---------------|---------------|------------------|---------------|--|
| | | | | | Budget Estimates | Actual | |
| Taxes on Sales | 167.22 | 231.12 | 257.21 | 250.20 | 294.36 | 294.29 | 17.62 |
| State Excise | 3.00 | 3.37 | 3.73 | 4.86 | 4.47 | 4.70 | (-)3.29 |
| Taxes on Vehicle | 23.92 | 34.58 | 41.59 | 36.15 | 46.00 | 46.46 | 28.52 |
| Stamps and Registration Fees | 1.35 | 1.85 | 1.58 | 1.77 | 1.67 | 1.93 | 9.04 |
| Land Revenue | 0.59 | 0.68 | 0.72 | 0.70 | 0.81 | 0.74 | 5.71 |
| Taxes on goods & Passengers | 6.62 | 4.85 | 6.71 | 10.79 | 7.50 | 9.73 | (-)9.82 |
| Other taxes | 24.62 | 27.43 | 28.41 | 28.92 | 31.97 | 30.76 | 6.36 |
| Total | 227.32 | 303.88 | 339.95 | 333.39 | 386.78 | 388.61 | 16.56 |

(Source: Finance Accounts of respective years)

Chart 1.5 : Tax Revenue component during 2013-14 and 2014-15 (₹ in crore)



The major contributions to the State's tax revenue during the year were Tax on Sales, Trade, etc (₹ 294.29 crore), Taxes on Vehicles (₹ 46.46 crore) and Tax on Goods and Passengers (₹ 9.73 crore).

The own tax revenue increased by ₹ 55.22 crore (16.56 per cent) from ₹ 333.39 crore in 2013-14 to ₹ 388.61 crore in 2014-15 due to increase in Land Revenue (₹ 0.04 crore), Tax on Sales, Trade, etc (₹ 44.09 crore), Tax on Vehicles (₹ 10.31 crore), Stamp duty & Registration fees (₹ 0.16 crore) and other taxes (₹ 1.84 crore) offset by decrease in Tax on Goods & Passengers (₹ 1.06 crore) and State Excise (₹ 0.16 crore).

1.3.1.2 Non-tax Revenue

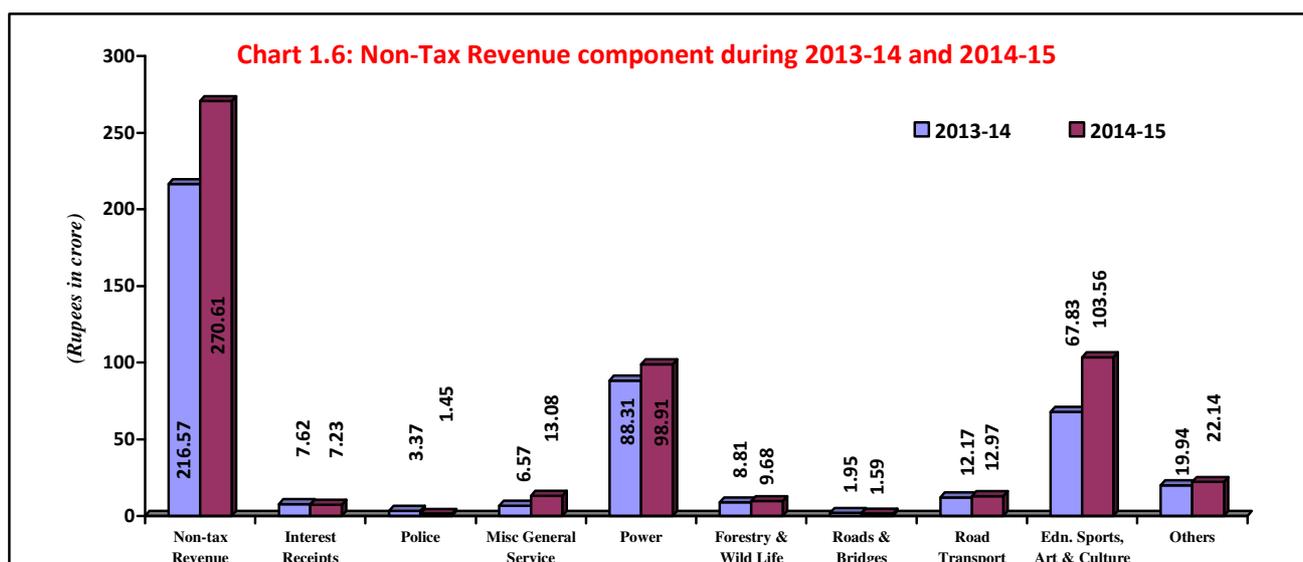
The gross collection of non-tax revenue is given in **Table 1.10** and the details of other non-tax receipts are given in **Chart 1.7**:

Table 1.10: Collection of Non-Tax Revenue 2010-15

(₹ in crore)

| Revenue Head | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | % increase 2014-15 over 2013-14 |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------------------------|
| Interest receipts | 14.35 | 9.62 | 5.90 | 7.62 | 7.23 | (-)5.12 |
| Other non-tax receipts | 167.26 | 221.57 | 199.31 | 208.95 | 263.38 | 26.05 |
| Total | 181.61 | 231.19 | 205.21 | 216.57 | 270.61 | 24.95 |

(Source: Finance Accounts of respective years)



Non-Tax Revenue (NTR) appreciated by 24.95 per cent during 2014-15 over the previous year. NTR at ₹ 270.61 crore, constituted 3.53 per cent of the Revenue Receipts.

The major contributors to NTR during the year included Power (₹ 98.91 crore), Police (₹ 1.45 crore), Miscellaneous General Services (₹ 13.08 crore), Road Transport (₹ 12.97 crore), Education, Sports, Arts & Culture (₹ 103.56 crore), Interest Receipts (₹ 7.23 crore), Forestry and Wildlife (₹ 9.68 crore) and Roads & Bridges (₹ 1.59 crore).

1.3.2 Grants-in-aid from Government of India

The break-up of Grants-in-aid received from GOI during 2010-15 is given in the **table 1.11**:

Table 1.11: Grants-in-aid from Government of India

(₹ in crore)

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|----------------|----------------|----------------|----------------|----------------|
| Grants for State Plan Schemes | 936.32 | 1858.21 | 2174.93 | 2283.84 | 2257.17 |
| Non-Plan Grants | 2658.28 | 1831.88 | 2039.07 | 2071.26 | 2068.04 |
| Grants for Central Plan Schemes | 8.83 | 39.98 | 7.78 | 26.66 | 80.93 |
| Grants for Centrally Sponsored Plan Schemes | 248.07 | 431.73 | 393.49 | 445.30 | 1428.26 |
| Grants for Special Plan Schemes | 48.57 | 84.55 | 124.76 | 119.61 | 94.64 |
| Total | 3900.07 | 4246.35 | 4740.03 | 4946.67 | 5929.04 |
| Percentage of increase/decrease over previous year | 30.92 | 8.88 | 11.63 | 4.36 | 19.86 |

(Source: Finance Accounts of respective years)

Grants-in-aid from Government of India have increased by ₹ 982.37 crore (19.86 per cent) from ₹ 4946.67 crore in 2013-14 to ₹ 5929.04 crore in 2014-15 contributing 77.52 per cent of the total Revenue Receipts during 2014-15. This increase was due to enhanced grants for Centrally Sponsored Plan Schemes (₹ 982.96 crore) and grants for Central Plan Schemes (₹ 54.26 crore) offset by decrease in non-plan grants (₹ 3.21 crore), grants for State Plan Schemes (₹ 26.67 crore) and grants for Special Plan Schemes (₹ 24.97 crore).

1.3.3 Optimisation of 13th Finance Commission grants

The details of Central transfers to the State on the basis of recommendations of the 13th FC during the entire period (2010-15) covered under the 13th FC are as follows:

Table 1.12: 13th Finance Commission Grants

(₹ in crore)

| Sl No. | Year Name of the grant/scheme | 2010-11 | | 2011-12 | | 2012-13 | | 2013-14 | | 2014-15 | | Total | | |
|--------|---|--------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|---------------|---------------|---------------|------------------|
| | | FC-XIII | Rel- ease | FC-XIII | Rel- ease | FC-XIII | Rel- ease | FC-XIII | Rel- ease | FC-XIII | Rel- ease | FC-XIII | Rel- ease | Short release |
| 1 | Local Bodies | | | | | | | | | | | | | |
| i | Grants for Rural Local Bodies | 31.65 | 15.82 | 48.98 | 17.61 | 71.37 | 0.00 | 83.19 | 7.16 | 97.18 | 17.97 | 332.37 | 58.56 | 273.81 |
| ii | Grants for Urban Local Bodies | 7.95 | 3.95 | 12.31 | 8.55 | 17.93 | 1.03 | 20.91 | 0.37 | 24.22 | 0.00 | 83.32 | 13.90 | 69.42 |
| 2 | Disaster Relief Fund | 4.47 | 2.24 | 4.70 | 0.00 | 4.93 | 11.86 | 5.18 | 5.18 | 5.44 | 5.44 | 24.72 | 24.72 | 0.00 |
| 3 | Capacity Building (Disaster Mangament) | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 5.00 | 5.00 | 0.00 |
| 4 | Elementary Education | 1.00 | 1.00 | 1.00 | 0.00 | 1.00 | 1.00 | 2.00 | 0.00 | 2.00 | 2.00 | 7.00 | 4.00 | 3.00 |
| 5 | Environment | | | | | | | | | | | | | |
| i | Maintenance of Forest (Protection of Forests) | 17.32 | 17.32 | 17.32 | 17.32 | 34.64 | 25.98 | 34.64 | 25.98 | 34.64 | 25.98 | 138.56 | 112.58 | 25.98 |
| ii | Water Sector Management | 0.00 | 0.00 | 2.00 | 2.00 | 2.00 | 0.00 | 2.00 | 0.00 | 2.00 | 0.00 | 8.00 | 2.00 | 6.00 |
| 6 | Improving Outcomes | | | | | | | | | | | | | |
| i | Improvement of Justice | 1.24 | 1.24 | 1.24 | 0.00 | 1.24 | 0.00 | 1.24 | 0.62 | 1.24 | 0.72 | 6.18 | 2.58 | 3.60 |
| ii | Incentive for Issuing UIDs | 0.80 | 0.40 | 0.80 | 0.00 | 0.80 | 0.00 | 0.80 | 0.00 | 0.80 | 0.00 | 4.00 | 0.40 | 3.60 |
| iii | District Innovation Fund | 0.00 | 0.00 | 5.50 | 0.00 | 0.00 | 5.50 | 5.50 | 0.00 | 0.00 | 5.50 | 11.00 | 11.00 | 0.00 |
| iv | Statistical improvement | 2.20 | 0.00 | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 11.00 | 8.80 | 2.20 |
| v | Employees and Pensioners Data base | 2.50 | 2.50 | 0.00 | 0.00 | 0.00 | 0.00 | 2.50 | 0.00 | 0.00 | 2.50 | 5.00 | 5.00 | 0.00 |
| 7 | Maintenance of Roads and Bridges | 0.00 | 0.00 | 34.00 | 34.00 | 38.00 | 38.00 | 42.00 | 42.00 | 45.00 | 45.00 | 159.00 | 159.00 | 0.00 |
| | Total (A) | 70.13 | 45.47 | 131.05 | 82.68 | 175.11 | 86.57 | 203.15 | 84.51 | 215.71 | 108.31 | 795.15 | 407.54 | 387.61 |

| Sl No. | Year Name of the grant/scheme | 2010-11 | | 2011-12 | | 2012-13 | | 2013-14 | | 2014-15 | | Total | | |
|--------|--|--------------|--------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|----------------|---------------|------------------|
| | | FC-XIII | Rel- ease | FC-XIII | Rel- ease | FC-XIII | Rel- ease | FC-XIII | Rel- ease | FC-XIII | Rel- ease | FC-XIII | Rel- ease | Short release |
| 8 | State Specific Needs | | | | | | | | | | | | | |
| i | Social Welfare | 0.00 | 0.00 | 7.50 | 7.50 | 7.50 | 0.00 | 7.50 | 7.50 | 7.50 | 7.50 | 30.00 | 22.50 | 7.50 |
| ii | Police Residential Accommodation | 0.00 | 0.00 | 25.00 | 25.00 | 25.00 | 0.00 | 25.00 | 25.00 | 25.00 | 25.00 | 100.00 | 75.00 | 25.00 |
| iii | Staff qr. PAC/CHC/SC | 0.00 | 0.00 | 7.50 | 7.50 | 7.50 | 0.00 | 7.50 | 0.00 | 7.50 | 7.50 | 30.00 | 15.00 | 15.00 |
| iv | Rural Tourism | 0.00 | 0.00 | 8.75 | 8.75 | 8.75 | 0.00 | 8.75 | 8.75 | 8.75 | 0.00 | 35.00 | 17.50 | 17.50 |
| v | Warehouses (Horticulture) | 0.00 | 0.00 | 5.00 | 5.00 | 5.00 | 0.00 | 5.00 | 0.00 | 5.00 | 5.00 | 20.00 | 10.00 | 10.00 |
| vi | Roads & Drinking water in Border Areas | 0.00 | 0.00 | 8.75 | 8.75 | 8.75 | 0.00 | 8.75 | 0.00 | 8.75 | 8.75 | 35.00 | 17.50 | 17.50 |
| | Total (B) | 0.00 | 0.00 | 62.50 | 62.50 | 62.50 | 0.00 | 62.50 | 41.25 | 62.50 | 53.75 | 250.00 | 157.50 | 92.50 |
| | Grand total (A+B) | 70.13 | 45.47 | 193.55 | 145.18 | 237.61 | 86.57 | 265.64 | 125.76 | 278.21 | 162.06 | 1045.15 | 565.04 | 480.11 |

From the table above, it could be seen that the State received ₹ 565.04 crore against the recommendation of ₹ 1045.15 crore leaving a short release of ₹ 480.11 crore. In case of State specific needs, the State Government has received ₹ 157.04 crore against the allocation of ₹ 250.00 crore.

1.3.4 Central Tax Transfers

The break-up of State's share of union taxes and duties received during 2010-15 is given in the **Table 1.13** below:

Table 1.13: Central Tax Transfers

| Head | (₹ in crore) | | | | |
|--|---------------|---------------|---------------|----------------|----------------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Corporation Taxes | 269.56 | 316.26 | 329.59 | 336.90 | 371.26 |
| Taxes on income other than corporation tax | 142.45 | 160.65 | 197.31 | 221.84 | 265.11 |
| Tax on wealth | 0.55 | 1.22 | 0.55 | 0.92 | 1.00 |
| Customs | 120.60 | 139.31 | 152.48 | 163.45 | 171.94 |
| Union Excise Duties | 87.74 | 90.14 | 103.63 | 115.44 | 97.09 |
| Service Tax | 68.56 | 95.62 | 133.58 | 162.72 | 156.28 |
| Total | 689.46 | 803.20 | 917.14 | 1001.27 | 1062.68 |

(Source: Finance Accounts of respective years)

State's share of union taxes and duties increased by ₹ 61.41 crore (6.13 per cent) from ₹ 1001.27 crore in 2013-14 to ₹ 1062.68 crore in 2014-15 contributing 13.89 per cent of the total Revenue Receipts during 2014-15. This increase was due to increase in Corporation tax (₹ 34.36 crore), Taxes on income other than corporation tax (₹ 43.27 crore), Customs (₹ 8.49 crore) and Tax on Wealth (₹ 0.08 crore) offset by decrease in Union Excise Duties (₹ 18.35 crore) and Service tax (₹ 6.44 crore). Central Tax Transfers during the year (₹ 1062.68 crore) was less than the assessment made in budget estimate (₹ 1202.83 crore) by ₹ 140.15 crore.

1.4 Capital Receipts

The capital receipts for the period from 2010-11 to 2014-15 is given below:

Table No. 1.14: Capital Receipts

| Source of State's Receipt | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|---------------|----------------|----------------|----------------|----------------|
| Capital Receipts (CR) | 465.66 | 1321.29 | 2730.97 | 1977.42 | 2415.58 |
| Miscellaneous Capital Receipts | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Recovery of Loans and Advances | 2.31 | 2.44 | 0.85 | 1.01 | 0.71 |
| Public Debt Receipt | 463.35 | 1318.85 | 2730.12 | 1976.41 | 2414.87 |
| Rate of growth of debt capital receipts | (-)42.46 | 184.63 | 107.01 | (-)27.61 | 22.18 |
| Rate of growth of non-debt capital receipts | (-)45.00 | 5.63 | (-)65.16 | 18.82 | (-)29.70 |
| Rate of growth of CR | (-)42.47 | 183.75 | 106.69 | (-)27.59 | 22.16 |
| Debt Capital buoyancy w.r.t GSDP | (-)3.63 | 10.34 | 8.16 | (-)2.09 | 1.68 |
| Non Debt Capital Buoyancy w.r.t GSDP | (-)3.84 | 0.32 | (-)4.97 | 1.42 | (-)2.24 |

(Source: Finance Accounts of respective years)

1.4.1 Proceeds from disinvestment

During the financial year 2014-15, the Government of Nagaland did not resort to any disinvestment.

1.4.2 Recoveries of loans and advances

The State Government in its Medium Term Fiscal Policy Statement targeted recovery of Loans and Advances of ₹ 2.45 crore which was subsequently revised to ₹ 4.82 crore. However, the actual recovery of ₹ 0.71 crore was only 15 per cent of the revised target set and showed an decreasing trend compared to 2013-14 by 29.70 per cent.

1.4.3 Debt receipts from internal sources (market loans, borrowings from financial institutions, banks)

Debt receipts from internal sources increased by ₹ 438.46 crore (22.18 per cent) from ₹ 1976.41 crore in 2013-14 to ₹ 2414.87 crore in 2014-15. Debt receipts from internal sources of ₹ 2414.87 crore comprised mainly of Market loans (₹ 600.00 crore), loans from NABARD (₹ 31.73 crore), loans from other Institutions (₹ 70.99 crore) and Ways and Means Advances from RBI (₹ 1689.87 crore). Debt receipts constituted 99.97 per cent of the total Capital receipts.

1.5 Public Accounts Receipts

Receipts and disbursements in respect of certain transactions such as small savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances, etc. which do not form part of the Consolidated Fund are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. Here the Government acts as a banker. The balance after disbursement is the fund available with the Government for use.

Table 1.15: Net transactions under Public Account

(₹ in crore)

| Resources under various heads | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-----------------------------------|---------------|---------------|---------------|---------------|------------------|
| Small Savings, Provident Fund etc | 88.47 | 36.43 | 72.49 | 112.07 | 55.35 |
| Reserve Fund | 32.64 | 29.00 | 24.13 | 12.15 | 41.01 |
| Deposits and Advances | (-)102.44 | (-)133.80 | (-)80.22 | 240.68 | (-)607.76 |
| Suspense and Miscellaneous | 80.38 | 309.64 | 209.22 | (-)0.76 | 0.56 |
| Remittances | 8.89 | 5.54 | (-)6.63 | (-)30.38 | 277.54 |
| Total | 107.94 | 246.81 | 218.99 | 333.76 | (-)233.30 |

(Source: Finance Accounts of respective years)

The net receipts from Public Account decreased by ₹ 567.06 crore (169.90 per cent) from ₹ 333.76 crore in 2013-14 to ₹ (-) 233.30 crore in 2014-15. The decrease was due to decrease in Deposit and Advances (₹ 848.44 crore) and Small Savings, Provident Funds (₹ 56.72 crore) offset by increase in Suspense and Miscellaneous (₹ 1.32 crore), Remittances (₹ 307.92 crore) and Reserve Fund (₹ 28.86 crore). The net availability of funds under Small Savings, PF etc, Reserve Fund and Remittances had a predominant share in financing the fiscal deficit.

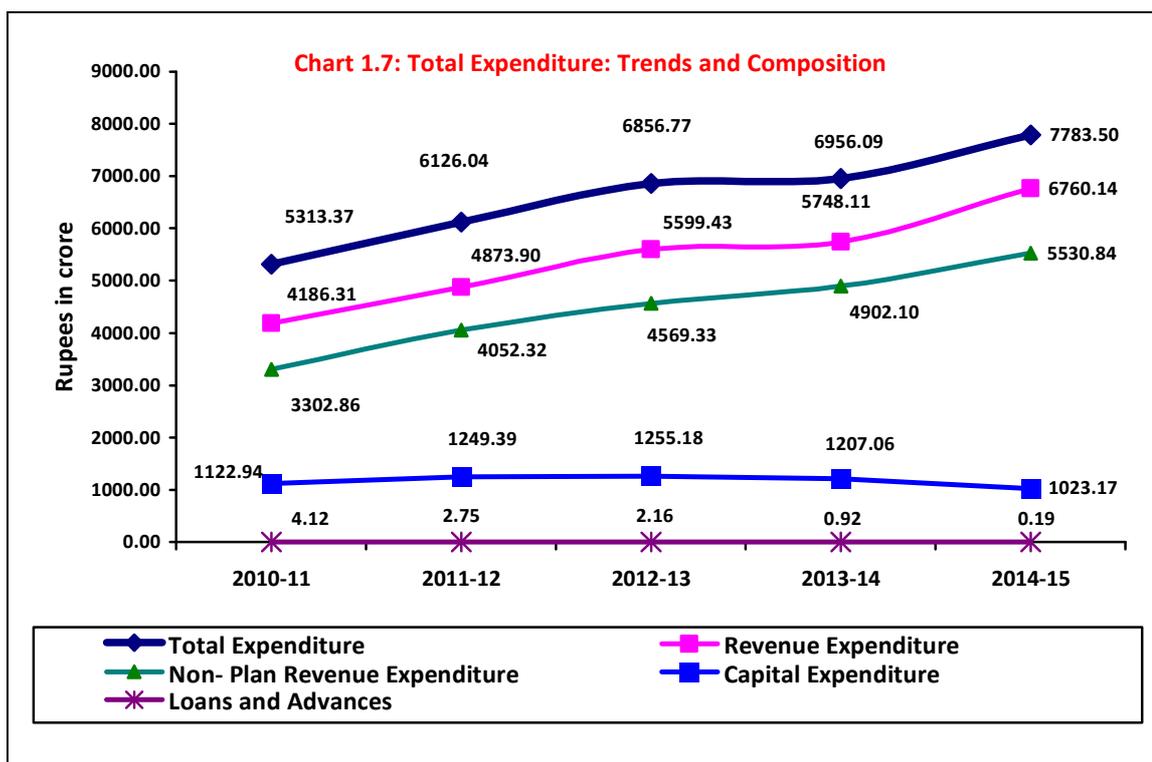
1.6 Application of resources

Analysis of the allocation of expenditure at the State Government level assumes significance since the Government is entrusted with major expenditure responsibilities.

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.

1.6.1 Growth and Composition of Expenditure

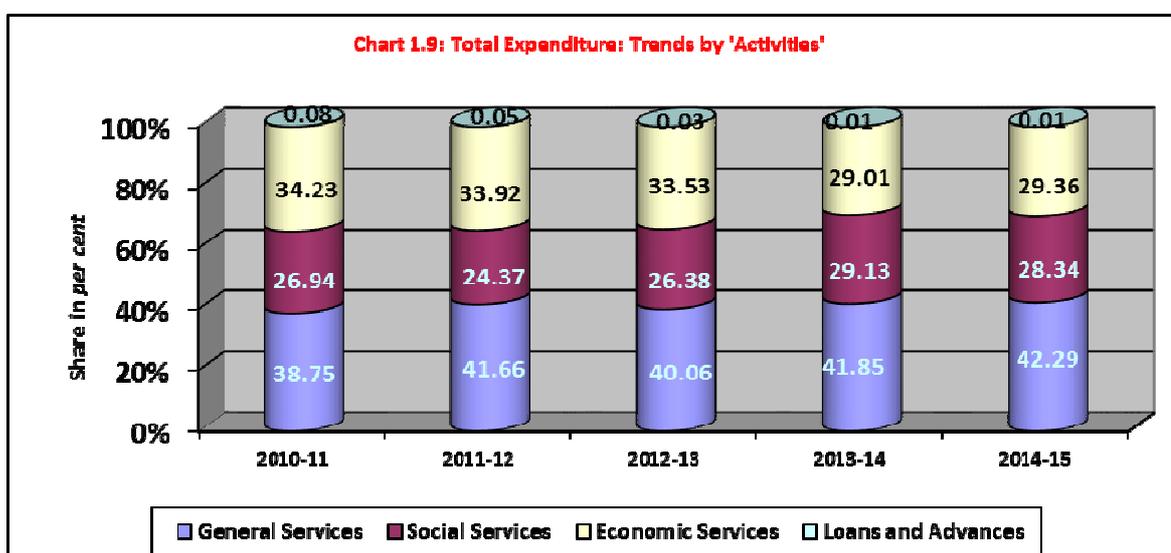
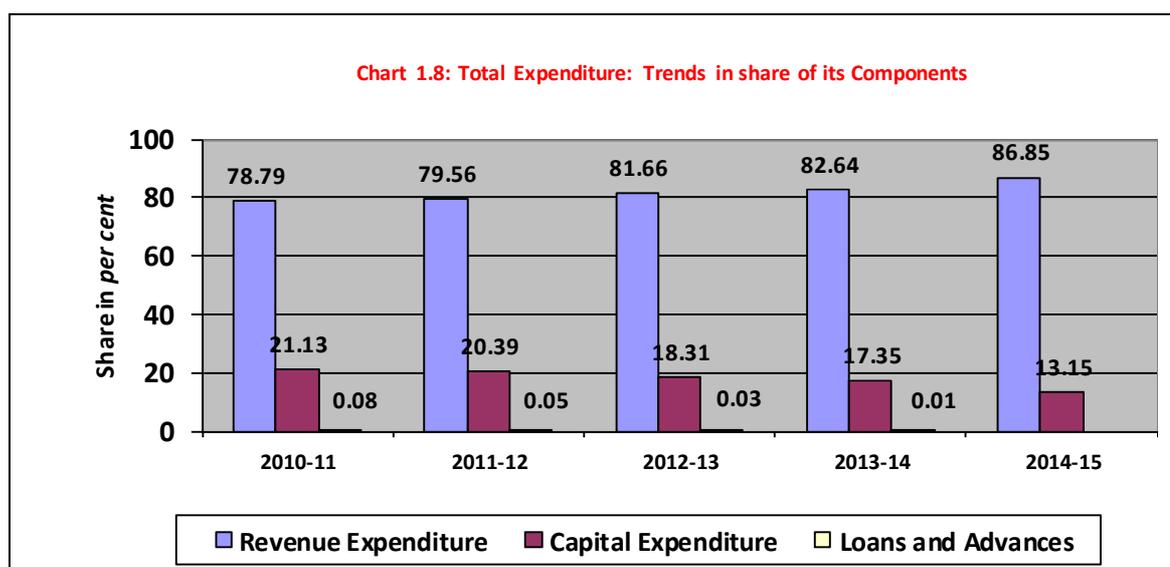
Chart 1.7 presents the trends in total expenditure over a period of five years (2010-15) and its composition both in terms of 'classification of expenditure' and 'expenditure by activities' is depicted respectively in **Charts 1.8 and 1.9**.



Statements 15 & 16 of the Finance Accounts depict the detailed revenue expenditure by minor heads and capital expenditure respectively. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services and extend the network of these services through capital expenditure and investments to discharge their debt service obligations. The total expenditure of the State increased by ₹ 2470.13 (46.49 per cent) crore from ₹ 5313.37 crore in 2010-11 to ₹ 7783.50 crore in 2014-15.

Total expenditure during 2014-15 at ₹ 7783.50 crore increased by ₹ 827.41 crore (11.89 per cent) over the previous year. Out of the total expenditure in 2014-15, revenue expenditure was ₹ 6760.14 crore (86.85 per cent) while capital expenditure was ₹ 1023.17 crore (13.15 per cent) and loans and advances was ₹ 0.19 crore. The increase in total expenditure during 2014-15 over the previous year was due to increase of revenue expenditure by ₹ 1012.03 crore offset by decrease in capital expenditure by ₹ 183.89 crore and disbursement of loans and advances by ₹ 0.73 crore.

The non-plan revenue expenditure (₹ 5530.84 crore) was short by ₹ 75.90 crore (1.35 per cent) during the year as compared to the projection made by the State Government in its Fiscal Consolidation Roadmap (FCR) for 2014-15 (₹ 5606.74 crore). The capital expenditure (₹ 1023.17 crore) was lower by ₹ 863.62 crore (45.77 per cent) as compared to the assessment made by the State Government in its FCR (₹ 1886.79 crore).



The total expenditure, its annual growth rate, the ratio of expenditure to the GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.16**.

Table 1.16: Total expenditure-basic parameters

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|---------|---------|---------|---------|---------|
| Total Expenditure (TE) (₹ in crore) | 5313.37 | 6126.04 | 6856.77 | 6956.09 | 7783.50 |
| Rate of growth of TE (<i>per cent</i>) | 25.19 | 15.29 | 11.93 | 1.45 | 11.89 |
| TE/GSDP ratio (<i>per cent</i>) | 45.19 | 44.20 | 43.74 | 39.19 | 38.73 |
| RR/TE (<i>per cent</i>) | 94.07 | 91.16 | 90.46 | 93.38 | 98.27 |
| Buoyancy of Total expenditure with reference to: | | | | | |
| GSDP (ratio) | 2.15 | 0.86 | 0.91 | 0.11 | 0.90 |
| Revenue Receipt (ratio) | 0.73 | 1.30 | 1.08 | 0.31 | 0.67 |

(Source: Finance Accounts of respective years)

During the current year, 98.27 per cent of the total expenditure was met from revenue receipts and the remaining from capital receipts and borrowed funds.

The General Service expenditure increased by ₹ 380.48 crore (13.07 per cent) from ₹ 2911.44 crore in 2013-14 to ₹ 3291.92 crore in 2014-15, Social Services expenditure increased by ₹ 180.13 crore (8.89 per cent) and Economic Services expenditure increased by ₹ 280.53 crore (13.90 per cent).

The pattern of total expenditure in the form of non-plan and plan expenditure during 2014-15 showed that they contributed 71.06 per cent (₹ 5531.25 crore) and 28.94 per cent (₹ 2252.25 crore) respectively. The non-plan expenditure increased by ₹ 609.71 crore as compared to the previous year due to increase in expenditure under General Services (₹ 384.85 crore), Social Services (₹ 60.16 crore) and Economic Services (₹ 164.70 crore).

Plan expenditure increased by ₹ 218.28 crore as compared to the previous year due to increase in expenditure under Economic Services (₹ 102.83 crore) and Social Services (₹ 119.97 crore), offset by decrease in expenditure under General Services (₹ 4.52 crore).

1.6.2 Revenue Expenditure

Revenue expenditure had predominant share varying from 78.79 per cent to 86.85 per cent of the total expenditure of the State during 2010-15. Revenue expenditure is incurred to maintain the current level of services and payments for the past obligations and as such does not result in any addition to the State's infrastructure and service network.

The revenue expenditure, its rate of growth, the ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy is indicated in **Table 1.17**.

Table 1.17: Revenue expenditure-basic parameters

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|---------|---------|---------|----------|---------|
| Revenue Expenditure (RE), of which (₹ in crore) | 4186.31 | 4873.90 | 5599.43 | 5748.11 | 6760.14 |
| Non-plan Revenue Expenditure (NPRE) (₹ in crore) | 3302.86 | 4052.32 | 4569.33 | 4902.10 | 5530.84 |
| Plan Revenue Expenditure (PRE) (₹ in crore) | 883.45 | 821.58 | 1030.10 | 846.01 | 1229.30 |
| Rate of growth of RE (per cent) | 28.75 | 16.42 | 14.89 | 2.66 | 17.61 |
| Rate of growth of NPRE (per cent) | 24.05 | 22.69 | 12.76 | 7.28 | 12.83 |
| Rate of growth of PRE (per cent) | 50.11 | (-7.00) | 25.38 | (-17.87) | 45.31 |
| RE as percentage to TE | 78.79 | 79.56 | 81.66 | 82.63 | 86.85 |
| NPRE/GSDP (per cent) | 28.09 | 29.24 | 29.15 | 27.62 | 27.52 |
| NPRE/TE (per cent) | 62.16 | 66.15 | 66.64 | 70.47 | 71.06 |
| NPRE/RR (per cent) | 66.08 | 72.56 | 73.67 | 75.47 | 72.31 |
| Buoyancy of RE with GSDP (ratio) | 2.46 | 0.92 | 1.14 | 0.20 | 1.33 |
| Buoyancy of RE with RR (ratio) | 0.84 | 1.40 | 1.35 | 0.56 | 0.99 |

(Source: Finance Accounts of respective years)

Revenue expenditure of the State had increased by ₹ 2573.83 crore (61.48 per cent) from ₹ 4186.31 crore in 2010-11 to ₹ 6760.14 crore in 2014-15 at a compound annual growth rate of 10.06 per cent. Non plan revenue expenditure (NPRE) had shown a consistent increase over the period 2010-15 while plan revenue expenditure (PRE) had shown fluctuation and has increased by ₹ 383.29 crore in 2014-15 over previous year. Of the total increase of ₹ 1012.03 crore in revenue expenditure during 2014-15 over the previous year, increase in NPRE contributed 62.13 per cent (₹ 628.74 crore) and increase in PRE accounted for 37.87 per cent (₹ 383.29 crore).

The actual non-plan revenue expenditure vis-à-vis assessment made by XIII-FC and State Government are given below:

Table 1.18: NPRE assessments made by XIII-FC and FCR

(₹ in crore)

| | Assessment made by XIII-FC | Assessment made by State Government in FCR | Actual |
|------------------------------|----------------------------|--|---------|
| Non-Plan Revenue Expenditure | 3280.69 | 5606.74 | 5530.84 |

The actual NPRE exceeded the normative assessment made by XIII-FC by ₹ 2250.15 crore (68.59 per cent). However, it was lower than assessment made by the State in FCR by ₹ 75.90 crore (1.35 per cent).

1.6.3 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pension and subsidies. **Table 1.19** and **Chart 1.10** present the trends in the expenditure on these components during 2010-15.

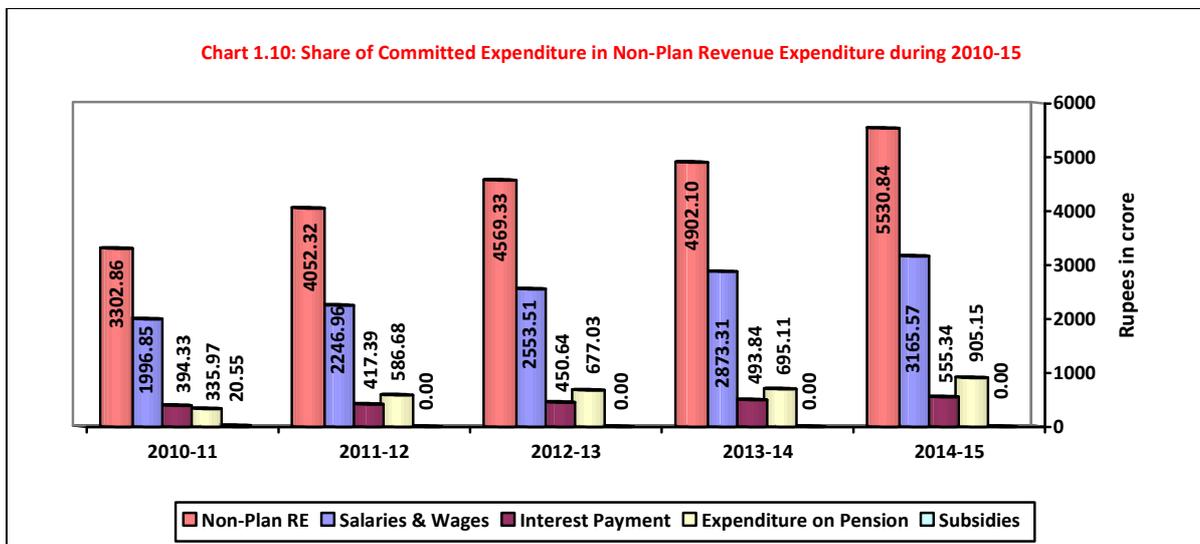
The committed expenditure (i.e., interest payment, pension, salaries and subsidies) of the State Government increased from ₹ 4129.75 crore in 2013-14 to ₹ 4734.65 crore in 2014-15. The overall percentage of committed expenditure to NPRE and Revenue Receipts was 85.60 per cent and 61.90 per cent respectively in 2014-15.

Table 1.19: Components of Committed Expenditure

(₹ in crore)

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|----------------------------|----------------|----------------|----------------|----------------|----------------|
| Salaries & Wages, of which | 2033.93 | 2283.75 | 2603.87 | 2940.80 | 3274.16 |
| (i) Non-plan | 1996.85 | 2246.96 | 2553.51 | 2873.31 | 3165.57 |
| (ii) Plan | 37.08 | 36.79 | 50.36 | 67.49 | 108.59 |
| Interest Payment | 394.33 | 417.39 | 450.64 | 493.84 | 555.34 |
| Expenditure on Pension | 335.97 | 586.68 | 677.03 | 695.11 | 905.15 |
| Subsidies | 20.55 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 2784.78 | 3287.82 | 3731.54 | 4129.75 | 4734.65 |
| As per cent of RR | | | | | |
| Salaries & Wages | 40.69 | 40.89 | 41.98 | 45.27 | 42.81 |
| Interest Payment | 7.89 | 7.47 | 7.27 | 7.60 | 7.26 |
| Expenditure on pension | 6.72 | 10.51 | 10.92 | 10.70 | 11.83 |
| Subsidies | 0.41 | 0.00 | 0.00 | 0.00 | 0.00 |

(Source: Finance Accounts of respective years)

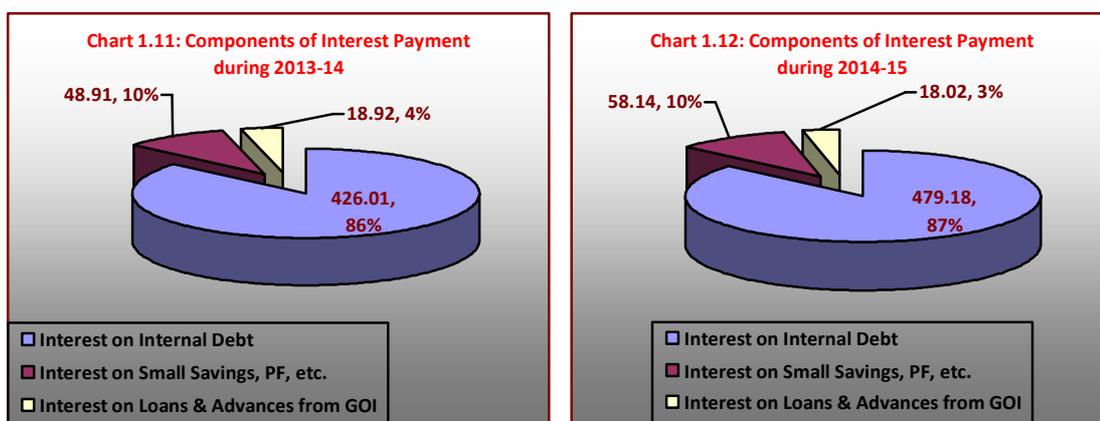


Salaries & Wages:

Expenditure on salaries under Non-Plan and Plan during the current year was ₹ 3165.57 crore and ₹ 108.58 crore respectively. The expenditure on salaries increased by ₹ 1240.23 crore (60.98 *per cent*) from ₹ 2033.93 crore in 2010-11 to ₹ 3274.16 crore in 2014-15 and was ₹ 1701.97 crore more than the projection made in XIII-FC (₹ 1572.19 crore). Expenditure on salaries and wages increased by ₹ 333.36 crore (11.34 *per cent*) over the previous year mainly due to release of dearness allowance installments and incremental benefits. Salary and wages accounted for 42.81 *per cent* of the revenue receipts during 2013-14.

Pension Payment:

The expenditure on pension had increased by ₹ 210.04 crore (30.22 *per cent*) from ₹ 695.11 crore in 2013-14 to ₹ 905.15 crore in 2014-15. The pension payment were ₹ 329.84 crore more than the assessment made by XIII-FC (₹ 575.31 crore). However, it was ₹ 90.15 crore more than the assessment made by the State Government in its MTFPS (₹ 815.00 crore) for the year 2014-15.

Interest Payments:

Interest payment increased by ₹ 161.01 crore (40.83 per cent) from ₹ 394.33 crore in 2010-11 to ₹ 555.34 crore in 2014-15. The interest payment increased by ₹ 61.50 crore (12.45 per cent) during 2014-15 over the previous year due to increase in interest payment on Internal Debt (₹ 53.17 crore) and Small Savings, Provident Fund etc. (₹ 9.23 crore) offset by decrease in Interest on Loan and Advances from Central Government (₹ 0.90 crore).

The interest payment for the year 2014-15 was lower than the projection made by the State Government in MTFPS (₹ 570.08 crore) but higher than the projections made in XIII-FC (₹ 434.61 crore).

Subsidies:

In any welfare State, it is not uncommon to provide subsidies/subventions to the disadvantaged sections of the society. Subsidies are dispensed not only explicitly but also implicitly by providing subsidised public service to the people. Budgetary support to financial institutions, inadequate returns on investments and poor recovery of user charges from social and economic services provided by the Government fall in the category of implicit subsidies. However, no subsidies were given by the State Government during the year 2011-12, 2012-13, 2013-14 and 2014-15.

1.6.4 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 1.20**.

Table 1.20: Financial Assistance to Local Bodies etc.

| Financial Assistance to Institutions | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|---------|---------|---------|---------|---------|
| Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.) | 5.50 | 6.40 | 51.17 | 30.47 | 10.51 |
| Co-Operation | 3.44 | 6.55 | 8.40 | 19.18 | 1.00 |
| Municipal councils | ... | 2.98 | 0.00 | 5.98 | 6.34 |
| Development Agencies | 26.56 | 28.29 | 29.04 | 29.18 | 103.44 |

(₹ in crore)

| Financial Assistance to Institutions | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|---------------|---------------|---------------|---------------|---------------|
| Hospitals and Other Charitable Institutions | 12.59 | 14.70 | 15.50 | 14.46 | 16.42 |
| Panchayati Raj | 0.00 | 0.55 | 16.62 | 0.09 | 6.19 |
| Special Area Programme | 0.00 | 4.75 | 0.00 | 0.00 | 60.87 |
| Other Institutions | 54.80 | 100.51 | 111.77 | 193.75 | 45.83 |
| Total | 102.89 | 164.73 | 232.50 | 293.11 | 250.60 |
| Assistance as percentage of RE | 2.46 | 3.38 | 4.15 | 5.10 | 3.71 |

(Source: Finance Accounts of respective years)

The total assistance to local bodies etc. decreased by ₹ 42.51 crore (14.50 per cent) from ₹ 293.11 crore in 2013-14 to ₹ 250.60 crore in 2014-15. **Table 1.19** shows that the assistance decreased by ₹ 19.96 crore (65.51 per cent) from ₹ 30.47 crore in 2013-14 to ₹ 10.51 crore in 2014-15 in respect of Educational Institutions whereas, it remained nil during the period except in 2011-12 and 2014-15 in respect of Special Area Programme.

1.7 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e. adequate provision for providing public services); efficiency of expenditure use and the effectiveness (assessment of outlay-outcome relationships for select services).

1.7.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to social sector and economic infrastructure are largely assigned to State Governments. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. **Table 1.21** analyses the fiscal priority given by the Nagaland Government to various expenditure heads in 2011-12 and the current year viz 2014-15 with regard to developmental expenditure, social sector expenditure and capital expenditure.

Table-1.21: Fiscal priority of the State in 2011-12 & 2014-15

| Fiscal priority by the State | AE/GSDP | DE/AE | SSE/AE | CE/AE | Education/AE | Health/AE |
|--|---------|-------|--------|-------|--------------|-----------|
| *Special Category States Average (Ratio) 2011-12 | 26.39 | 61.26 | 37.02 | 14.02 | 18.86 | 5.40 |
| Nagaland's Average (Ratio) 2011-12 | 44.22 | 58.32 | 24.36 | 20.39 | 12.74 | 4.54 |
| Special Category States Average (Ratio) 2014-15 | NA | 63.51 | 38.14 | 14.22 | 19.31 | 5.49 |
| Nagaland's Average (Ratio) 2014-15 | 38.73 | 57.71 | 28.34 | 13.15 | 14.28 | 5.34 |

(in per cent)

*Based on 8 Special Category States such as Assam, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttrakhand
 AE: Aggregate Expenditure DE: Developmental Expenditure SSE: Social Sector Expenditure
 CE: Capital Expenditure
 # Developmental expenditure includes Developmental Revenue Expenditure, Developmental Capital Expenditure and Loans and Advances disbursed.
 (Source: For GSDP, Central Statistical Office (CSO), Ministry of Statistics and Programme Implementation website as on 31 July 2015)

A comparison of the data related to Nagaland with that of the Special Category States (SCS) revealed the following:

- Development expenditure as a proportion of aggregate expenditure has been lower in the State compared to the SCS average both during 2011-12 and 2014-15.
- Expenditure on Social Sector as a proportion of aggregate expenditure was lower than the SCS average during 2011-12 and 2014-15. The share of expenditure on education as a proportion of aggregate expenditure was also lower than the SCS averages in both the years, though it improved in 2014-15. The share of expenditure on health as a proportion of aggregate expenditure was also less than the SCS averages in 2011-12 and 2014-15.
- It was observed that the share of capital expenditure of the State was higher than the SCS average in 2011-12 but lower during the year 2014-15.

1.7.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on developmental heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods⁷. Apart from improving the allocation towards developmental expenditure⁸, 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 1.22** presents the trends in developmental expenditure relative to the aggregate expenditure of the State during the current year vis-à-vis budgeted and the previous years, **Table 1.23** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

⁷ As detailed in Appendix 1.1 C

⁸ The analysis of expenditure data is disaggregated into developmental and non-developmental expenditure. All expenditure relating to Revenue Account, Capital Account and Loans and Advances are categorised into social services, economic services and general services. Broadly, the social and economic services constitute developmental expenditure, while expenditure on general services is treated as non-developmental expenditure.

Table-1.22: Developmental Expenditure

(₹ in crore)

| Components of Developmental Expenditure | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | |
|---|--------------------|--------------------|--------------------|--------------------|---------|--------------------|
| | | | | | BE | Actual |
| Developmental Expenditure (a to c) | 3254.56 (61.25) | 3573.79 (58.34) | 4109.92 (59.94) | 4044.65 (58.15) | 6160.13 | 4491.58 (57.71) |
| a. Developmental Revenue Expenditure | 2344.67 (44.13) | 2557.39 (41.74) | 3063.59 (44.68) | 3017.86 (43.38) | 4922.50 | 3629.17 (46.63) |
| b. Developmental Capital Expenditure | 905.77 (17.05) | 1013.64 (16.55) | 1044.17 (15.23) | 1025.87 (14.75) | 1233.66 | 862.22 (11.08) |
| c. Developmental Loans and Advances | 4.12 (0.08) | 2.76 (0.04) | 2.16 (0.03) | 0.92 (0.01) | 3.97 | 0.19 (0.00) |

Figures in parentheses indicate percentage to aggregate expenditure

The developmental expenditure (₹ 4491.58 crore) was lesser than the assessment made by the State Government in the budget by ₹ 1668.55 crore. The developmental revenue expenditure increased by ₹ 611.31 crore (20.26 per cent) and capital expenditure, however, decreased by ₹ 163.65 crore (15.95 per cent) respectively over the previous year.

Table 1.23 –Efficiency of Expenditure Use in Selected Social and Economic Services

(₹ in crore)

| Sector | 2013-14 | | | 2014-15 | | |
|----------------------------------|-------------------|---------------------|-------------------------|-------------------|---------------------|-------------------------|
| | Ratio of CE to TE | Revenue Expenditure | | Ratio of CE to TE | Revenue Expenditure | |
| | | Salaries & Wages | Operation & Maintenance | | Salaries & Wages | Operation & Maintenance |
| Social Services (SS) | | | | | | |
| Education, Sports, Art & Culture | 6.90 | 801.28 | 228.75 | 4.29 | 871.65 | 192.32 |
| Health and Family Welfare | 4.23 | 250.56 | 37.63 | 5.11 | 276.68 | 117.79 |
| WS, Sanitation, & HUD | 72.64 | 65.58 | 17.21 | 67.08 | 70.72 | 57.23 |
| Others | 9.59 | 78.00 | 222.55 | 9.59 | 86.12 | 182.66 |
| Total (SS) | 16.02 | 1195.42 | 506.14 | 15.91 | 1305.17 | 550.00 |
| Economic Services (ES) | | | | | | |
| Agri & Allied Activities | 20.89 | 214.66 | 126.59 | 4.03 | 246.30 | 230.77 |
| Irrigation and Flood Control | 0.76 | 20.25 | 64.33 | 19.25 | 22.37 | 39.59 |
| Power & Energy | 23.17 | 79.94 | 217.36 | 12.94 | 95.03 | 249.03 |
| Transport | 58.63 | 166.54 | 55.15 | 51.50 | 202.04 | 59.59 |
| Others | 35.76 | 120.63 | 250.85 | 18.99 | 166.38 | 462.90 |
| Total (ES) | 34.76 | 602.02 | 714.28 | 22.37 | 732.12 | 1041.88 |
| Total (SS+ES) | 25.37 | 1797.44 | 1220.42 | 19.20 | 1797.44 | 1831.73 |

Table 1.23 shows that the ratios of CE to TE under Education, Sports, Art & Culture and Water Supply, Sanitation, Housing & Urban Development decreased by 2.61 per cent and 5.56 per cent respectively over the previous year. However, it increased under Health & Family Welfare by 0.88 per cent over the previous year. The ratio of CE to TE under Social Services decreased from 16.02 per cent in 2013-14 to 15.91 per cent in 2014-15. Moreover, that in respect of Economic Services decreased from 34.76 per cent in 2013-14 to 22.37 per cent in 2014-15.

1.8 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.

1.8.1 Financial result of Irrigation Projects

According to Para 7.46 of XIII Finance Commission Report, the cost recovery rate of the receipts from irrigation should be 75 per cent of Non-plan Revenue Expenditure for 2014-15 in order to ensure viability of Irrigation Projects.

There was no commercial irrigation project in Nagaland. However, 1091 minor irrigation projects covering 43571 hectares involving a cost of ₹ 575.76 crore were taken up under Accelerated Irrigation Benefit Programme during 2000-2014. During 2014-15, another 159 minor irrigation projects at a cost of ₹ 37.17 crore were also taken up.

Further, as mentioned in para 7.138 of XIII-FC report, the Controller General of Accounts (CGA) had issued instructions that the maintenance expenditure under the head Minor Irrigation should be divided into two sub heads - Work Charged Expenditure and Other Maintenance Expenditure. These changes should be brought into the State and Union Budget and Finance Accounts immediately. Due to non-operation of these sub-heads, the State was not able to provide budget provision for maintenance expenditure under the head Minor Irrigation, hence actual expenditure incurred on maintenance of minor irrigation projects against the XIII-FC projection of ₹ 13.46 crore for 2014-15 could not be assessed.

1.8.2 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2015 is given in **Table 1.24**.

Table 1.24: Department-wise Profile of Incomplete Projects

(₹ in crore)

| Department | No. of Incomplete Projects | Initial Budgeted Cost | Revised Cost | Cumulative expenditure as on 31-03-2015 |
|---------------------|----------------------------|-----------------------|--------------|---|
| 1 | 2 | 3 | 4 | 5 |
| PHE Department | 32 | 270.38 | 278.28 | 108.38 |
| P.W.D. (R&B) | 34 | 642.85 | 675.43 | 502.77 |
| Technical Education | 4 | 51.50 | 51.50 | 37.95 |
| Geology and Mining | 3 | 52.08 | 79.48 | 48.73 |

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| Department | No. of Incomplete Projects | Initial Budgeted Cost | Revised Cost | Cumulative expenditure as on 31-03-2015 |
|--|----------------------------|-----------------------|----------------|---|
| Department of Under Developed Area | 75 | 83.69 | 83.69 | 23.82 |
| S.C.E.R.T. | 1 | 4.28 | 4.97 | 4.63 |
| Transport Commissioner | 2 | 17.35 | 17.35 | 12.05 |
| P.W.D. (Housing) | 16 | 329.56 | 329.56 | 181.35 |
| Medical Engineering Division | 2 | 26.82 | 26.82 | 4.00 |
| Veterinary and Animal Husbandry | 60 | 48.71 | 48.55 | 20.59 |
| Urban Development | 14 | 378.75 | 378.75 | 149.08 |
| C.A.W.D. | 2 | 3.90 | 3.90 | 1.22 |
| Power | 1 | 19.67 | 19.67 | 13.42 |
| Police Engineering Project | 41 | 689.90 | 689.90 | 74.88 |
| Industries and Commerce | 2 | 9.67 | 9.67 | 4.67 |
| Directorate of Evaluation | 2 | 1.39 | 1.39 | 1.39 |
| Youth Resource and Sports | 4 | 174.59 | 168.81 | 79.78 |
| Directorate of School Education | 1 | 2.51 | 2.51 | 0.85 |
| Economics and Statistics | 2 | 3.72 | 3.72 | 3.72 |
| Social Welfare | 2 | 37.92 | 37.92 | 13.92 |
| Addl. Principal Chief Conservator of Forest (Development and Planning) | 1 | 18.56 | 43.28 | 29.56 |
| Irrigation and Flood Control | 2 | 3.39 | 3.39 | 1.69 |
| Employment and Craftsmen Training | 2 | 2.63 | 2.63 | 0.00 |
| Commissioner of Excise | 2 | 7.70 | 7.70 | 1.42 |
| Total | 307 | 2881.53 | 2968.87 | 1319.87 |

(Source: Finance Accounts and Departmental records)

There were 307 incomplete projects (estimated cost ₹ 2881.53 crore and actual expenditure incurred was ₹ 1319.87 crore as of March 2015) pertaining to 24 departments. Out of the 307 incomplete projects 213 projects (estimated cost ₹ 1990.40 crore and actual expenditure ₹ 863.09 crore) were due to be completed by March 2015 but remained incomplete as of October 2015 and 2 projects (estimated cost ₹ 10.93 crore and actual expenditure ₹ 8.63 crore) taken up under P.W.D (R&B) had been suspended without completion.

Out of the 213 projects, the cost of five incomplete projects pertaining to Geology and Mining (₹ 52.08 crore), State Council of Educational Research and Training (₹ 4.28 crore) and Addl. Principal Chief Conservator of Forest (Development and Planning) (₹ 18.56 crore) had been revised and increased by ₹ 52.81 crore (70.49 per cent). The estimated cost of the five projects was ₹ 74.92 crore which was revised to ₹ 127.73 crore.

The completion in respect of 49 projects was not due as on 31 March 2015. The date of completion in respect of 43 projects could not be furnished by the departments. Hence, it could not be ascertained as to whether the 43 projects were incomplete or were in progress.

Delay in completion of works invites the risk of escalation in the cost of the works. The actual cost overrun would be available on closure of the claims of the construction agencies after completion. Besides, due to delay in completion of the projects, the intended benefits from those projects did not reach the beneficiaries in the State.

1.8.3 Investment and returns

As on 31 March 2015, Government had invested ₹ 278.44 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (Table 1.25). The return on this investment was 'Nil' during the last five years while the Government paid an average interest rate of 6.81 per cent on its borrowings during 2014-15.

Table-1.25: Return on Investment

(₹ in crore)

| Investment/Return/Cost of Borrowings | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|---------|---------|---------|---------|---------|
| Investment at the end of the year (a-e) (₹ in crore) | 213.41 | 228.01 | 242.65 | 270.01 | 278.44 |
| (a) Joint Stock Companies | 32.10 | 32.11 | 32.10 | 32.10 | 32.10 |
| (b) Government Companies | 145.60 | 160.19 | 168.69 | 182.05 | 190.48 |
| (c) Statutory Corporations | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 |
| (d) Rural Banks | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| (e) Co-operatives | 35.67 | 35.67 | 41.82 | 55.82 | 55.82 |
| Return (₹ in crore) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Return (per cent) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Average rate of interest on Govt borrowing (per cent) | 6.96 | 6.61 | 6.34 | 6.25 | 6.81 |
| Difference between interest rate and return (per cent) | 6.96 | 6.61 | 6.34 | 6.25 | 6.81 |

(Source: Finance Accounts of respective years)

Out of the total Government investment of ₹ 278.44 crore at the close of the current year, ₹ 190.48 crore was invested in five Government companies (₹ 105.57 crore), Distillery Project (₹ 0.30 crore) and Public Sector & other Undertakings (₹ 84.61 crore). The remaining amount of ₹ 87.96 crore was invested in two Joint Stock Companies (₹ 32.11 crore) and Statutory Corporations, Co-operative Bank and Co-operative Societies etc. (₹ 55.85 crore). During the current year, the Government made additional investment of ₹ 8.43 crore in State Mineral Development Corporations (₹ 6.93 crore) and Public Sector and Other Undertakings (₹ 1.50 crore).

Out of five Government companies in the State, one company viz., Nagaland Sugar Mills Ltd. (₹ 7.29 crore-investment up to 2001-02) was non-working whose accounts were in arrears for 37 years. The four working companies - Nagaland Industrial Development Corporation Ltd. (₹ 8.39 crore), Nagaland Industrial Raw Materials & Supply

Corporation Ltd., (₹ 4.05 crore), State Mineral Development Corporations (₹ 81.51 crore) and Nagaland Handloom & Handicrafts Development Corporation Ltd., (₹ 2.82 crore) were incurring losses. Except Nagaland Industrial Development Corporation Ltd. whose accounts were in arrears for one year, the accounts of the remaining three working Government Companies were in arrears for periods ranging between 2 and 5 years. Hence, the actual financial status of the companies as of March 2015 could not be assessed.

Effective steps should be taken by the Government to increase profitability in the Government Companies/Statutory Corporations. The Government should ensure better value for money in investments by identifying the Companies/Corporations which are endowed with low financial but high socio-economic returns and see if high cost borrowings need to be invested in those Companies/Corporations. Besides, as no purpose is served by keeping the non-working company in existence, the Government may expedite closing down of the non-working company.

1.8.4 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 institutions/organisations. **Table 1.26** presents the outstanding loans and advances as on 31 March 2015 and interest receipts vis-à-vis interest payments during the last three years.

Table-1.26: Average Interest Received on Loans Advanced by the State Government

(₹ in crore)

| Quantum of loans/interest receipts/ cost of borrowings | 2011-12 | 2012-13 | 2013-14 | 2014-15 | |
|---|--------------|--------------|--------------|--------------|--------------|
| | | | | BE | Actual |
| Opening Balance | 25.80 | 26.11 | 27.42 | 26.26 | 27.33 |
| Amount advanced during the year | 2.75 | 2.16 | 0.92 | 3.97 | 0.19 |
| Amount repaid during the year | 2.44 | 0.85 | 1.01 | 2.45 | 0.71 |
| Closing Balance | 26.11 | 27.42 | 27.33 | 27.78 | 26.81 |
| Net addition | 0.31 | 1.31 | (-)0.09 | - | (-)0.52 |
| Interest Receipts | 1.10 | 0.00 | 3.49 | - | 3.29 |
| Interest receipts as <i>per cent</i> to outstanding loans and advances | 4.24 | 0.00 | 12.75 | - | 12.15 |
| Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government. | 6.61 | 6.34 | 6.25 | - | 6.81 |
| Difference between interest payments and interest receipts (<i>per cent</i>) | 2.37 | 6.34 | (-)6.50 | - | (-)5.34 |

(Source: Finance Accounts of respective years)

At the end of March 2015, the Government had outstanding loans and advances of ₹ 26.81 crore. The amount of loans disbursed during the year decreased by ₹ 0.73 crore from ₹ 0.92 crore in 2013-14 to ₹ 0.19 crore in 2014-15. Out of the total amount of loans and advances of ₹ 26.81 crore as on 31 March 2015, ₹ 23.24 crore (86.68 *per cent*) were for Agriculture and Allied Activities, ₹ 1.39 crore (5.19 *per cent*) to Government Servants, ₹ 2.17 crore (8.09 *per cent*) for Industry & Minerals and ₹ 0.01 crore (0.04 *per cent*) for Water Supply, Sanitation, Housing and Urban Development.

The recovery of loans and advances decreased by ₹ 0.16 crore (15.84 per cent) from ₹ 1.01 crore in 2013-14 to ₹ 0.71 crore in 2014-15. During 2014-15, 88.73 per cent (₹ 0.63) loans were repaid by Government Servants and 11.27 per cent (₹ 0.08 crore) by Co-operatives. The interest receipts as a percentage of outstanding loans decreased from 12.75 per cent in 2013-14 to 12.15 per cent in 2014-15.

1.8.5 Cash Balances and Investment of Cash balances

A summary of the contents of Annexure A to Statement 2 of Finance Account are given below:

Table 1.27: Summary of contents of Annexure A to Statement 2 of Finance Accounts
(₹ in crore)

| | Opening balance on 01.04.2014 | Closing balance on 31.03.2015 |
|---|----------------------------------|----------------------------------|
| (a) General Cash Balance | | |
| Cash in treasuries | 0.00 | 0.00 |
| Deposits with Reserve Bank | 112.92 | (-)250.36 |
| Deposits with other Banks | 0.00 | 0.00 |
| Remittances in transit- Local | 0.00 | 0.00 |
| Total | 112.92 | (-)250.36 |
| Investments held in Cash Balance investment account | 0.00 | 141.48 |
| Total (a) | 112.92 | (-)108.88 |
| (b) Other Cash Balances and Investments | | |
| Cash with departmental officers viz. Public Works Dept/ Officers, Forest department Officers, District Collectors | 393.92 | 316.08 |
| Permanent advances for contingent expenditure with departmental officers | 0.00 | 0.00 |
| Investment of earmarked funds | 187.53 | 228.53 |
| Total (b) | 581.45 | 544.61 |
| Total (a) + (b) | 694.37 | 435.73 |

(Source: Finance Accounts)

Perusal of the table above indicate that the cash with the departmental officers viz., public works departmental officers, forest department officers and district collectors had decreased by ₹ 77.84 crore (19.76 per cent) from ₹ 393.92 crore in 2013-14 to ₹ 316.08 crore in 2014-15.

Outstanding balances under the head 'Cheques and Bills'

Major Head 8670 Cheques and Bills is an intermediary accounting head for initial record of transactions which are eventually to be cleared. There would normally be a credit balance outstanding under this head, representing unencashed cheques. The accounts of the Government of Nagaland however, show an outstanding debit balance of ₹ 0.03 crore as on 31 March 2015, which is to be reconciled by the State Government.

1.9 Assets and Liabilities

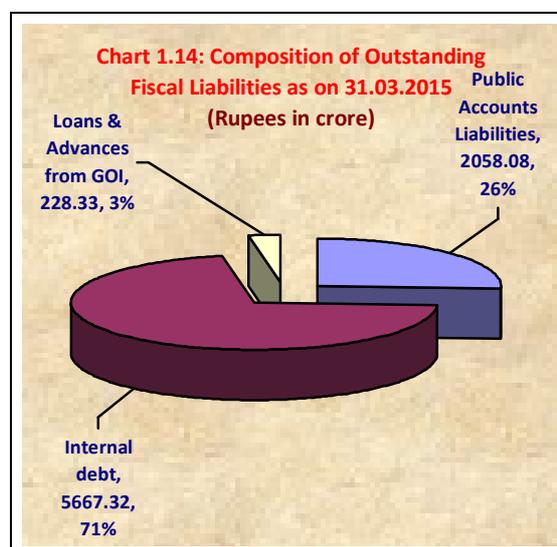
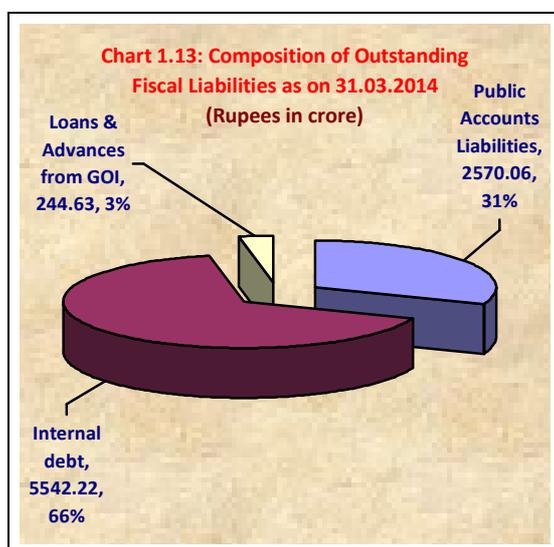
1.9.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.4** gives an abstract of such liabilities and the assets as on 31 March 2015, compared with the corresponding position on 31 March 2014. While the liabilities in the 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 expenditure, loans and advances given by the State Government and cash balances.

‘Total liabilities’ as defined in Nagaland Fiscal Responsibility and Budget Management Act, 2005 means the liabilities under the Consolidated Fund of the State and the Public Accounts of the State. Other liabilities, which are a part of the Public Accounts, include deposits under Small Savings scheme, Provident Fund and Other deposits.

1.9.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.2**. However, the composition of fiscal liabilities during the current year vis-à-vis the previous year is presented in **Charts 1.13** and **1.14**. **Chart 1.15** gives the composition of the last five years. Moreover, **Table 1.28** represents the trend of fiscal liabilities during 2010-11 to 2014-15.



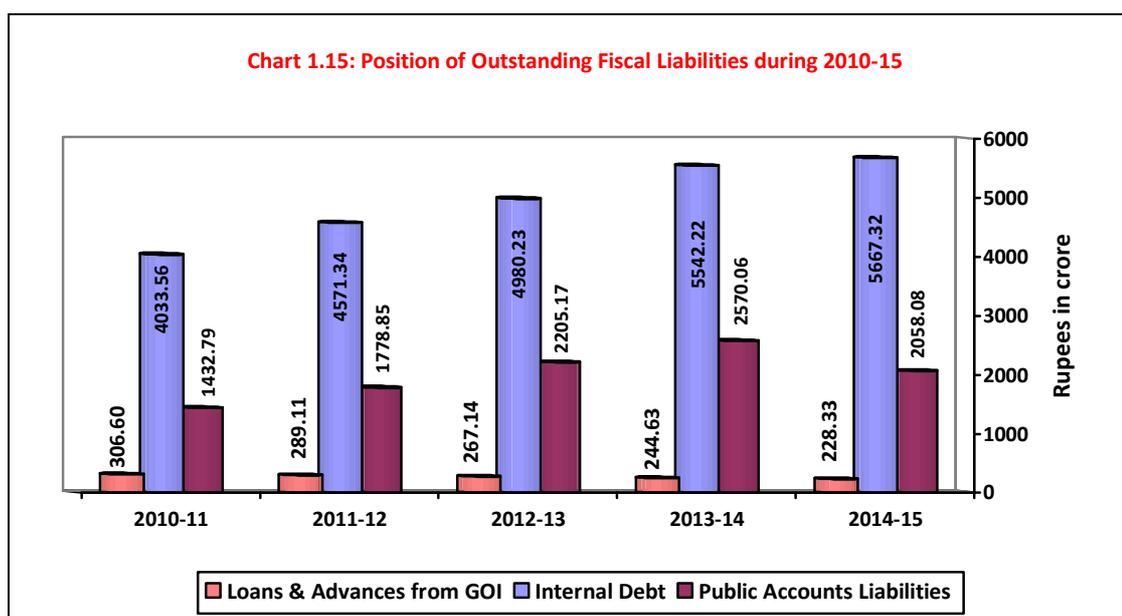


Table 1.28 Trend of Fiscal liabilities during 2010-11 to 2014-15

(₹ in crore)

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|---------|---------|---------|---------|---------|
| Fiscal Liabilities | 5864.53 | 6759.87 | 7452.54 | 8356.91 | 7953.73 |
| Revenue Receipts | 4998.46 | 5584.62 | 6202.33 | 6495.67 | 7648.67 |
| Rate of growth of Fiscal Liabilities (per cent) | 7.39 | 15.27 | 10.25 | 12.14 | (-)4.82 |
| Rate of growth Revenue Receipts (per cent) | 34.42 | 11.73 | 11.06 | 4.73 | 17.75 |
| Fiscal Liabilities/Revenue Receipts (per cent) | 117.33 | 121.04 | 120.16 | 128.65 | 103.99 |
| Buoyancy of Fiscal liabilities with Revenue Receipt (ratio) | 0.21 | 1.30 | 0.93 | 2.57 | (-)0.27 |

(Source: Finance Accounts of respective years)

Fiscal Liability

The growth rate of fiscal liability was (-) 4.82 per cent during 2014-15 over the previous year. The buoyancy of Fiscal Liabilities with reference to Revenue Receipt during the year was (-) 0.27. Fiscal Liabilities of the State comprise Consolidated Fund Liabilities and Public Account Liabilities. The Consolidated Fund Liability (₹ 5895.65 crore) comprised market loan (₹ 4764.65 crore), loans from Government of India (₹ 228.33 crore) and other loans (₹ 902.67 crore). The Public Account Liabilities (₹ 2058.08 crore) comprise Small Savings, Provident Funds (₹ 850.33 crore), interest bearing obligations (₹ 59.91 crore) and non-interest bearing obligations like deposits and other earmarked funds (₹ 1147.84 crore).

The ratio of fiscal liabilities to GSDP had decreased from 47.08 *per cent* in 2013-14 to 39.57 *per cent* in 2014-15. These fiscal liabilities stood at nearly 1.04 times the revenue receipts and 20.47 times of the State's own tax revenue at the end of 2014-15. The fiscal liabilities to GSDP (39.57 *per cent*) was 8.52 *per cent* and 12.73 *per cent* less than the assessment made by the State Government in its Medium Term Fiscal Policy Statement (MTFPS) (48.09 *per cent*) and the norm of 52.30 *per cent* recommended by the XIII-FC for the year 2014-15 respectively.

1.9.3 Transactions under Reserve fund

The Twelfth Finance Commission had recommended that States should set up (i) Sinking Funds for amortisation of all loans including loans from banks, liabilities on account of National Small Savings Funds etc., which should not be used for any other purpose, except for redemption of loans and (ii) Guarantee Redemption Funds for discharge of the States' obligations on guarantees. Out of the 4 (four) funds operated by the State Government, Depreciation/Renewal Reserve Fund (₹ 0.07 crore) was dormant. The total accumulated balance at the end of 31 March 2015 in those funds was ₹ 426.38 crore, of which ₹ 228.53 crore (54 *per cent*) had been invested. The remaining amount lying in the Fund has, however, not been invested as required under the guidelines of the Fund. Loss of interest due to such non-investment has not been estimated. Details of significant Reserve Funds of the Government of Nagaland are given below:

(a) Consolidated Sinking Fund (CSF)

The State Government created a consolidated Sinking Fund in 2006-07, for amortisation of liabilities, with an initial corpus of ₹ 12.17 crore. Though the State Government had not framed any rules regarding annual contributions to the Fund, in terms of the guidelines of the Reserve Bank of India which is responsible for management of the Fund, the State Government was required to contribute a minimum of 0.5 *per cent* of its outstanding liabilities (Internal Debt + Public Account) as at the end of the previous year. Against ₹ 40.56 crore (0.5 *per cent*) of the outstanding liabilities of ₹ 8112.27 crore as on 31 March 2014 due from the State Government in 2014-15, the State Government contributed ₹ 40.00 crore, a shortfall of ₹ 0.56 crore in contribution, which resulted in overstatement of Revenue Surplus and understatement of Revenue Deficit to that extent. The entire corpus of the Fund amounting to ₹ 205.75 crore as on 31 March 2015, was invested in Government of India Securities.

(b) Guarantee Redemption Fund (GRF)

The State Government constituted a Guarantee Redemption Fund in 2006-07 with an initial corpus of ₹ 4.00 crore determined on the basis of guarantees invoked during the preceding five years. In terms of the Guarantee Redemption Fund Scheme of the Government of Nagaland, contributions shall be made to the Fund annually or at lesser intervals so as to reach the levels deemed sufficient to meet the amount of anticipated guarantees devolving on the Government as a result of the likely invocation of outstanding guarantees in the succeeding five years. No guarantees of the State

Government were invoked from inception of the Scheme. During 2014-15, ₹ 1.00 crore was transferred by the State Government and the entire corpus of ₹ 7.34 crore as on 31 March 2015 was invested by the Reserve Bank of India in Government of India Securities.

(c) State Disaster Response Fund (SDRF)

The State Government commenced operation of the State Disaster Response Fund in 2010-11 as recommended by the Thirteenth Finance Commission. In terms of the guidelines applicable to special category States like Nagaland, the Central and State Governments are required to contribute to the fund in the proportion of 90:10. There was an opening balance of ₹ 0.86 crore in the Fund as on 01 April 2014. Following Government of India's release of ₹ 5.44 crore in 2014-15, the State Government transferred ₹ 8.92 crore to SDRF (including State's share of ₹ 0.60 crore + ₹ 2.88 crore shortfall release of previous year). During the year, the State Government adjusted expenditure of ₹ 8.92 crore on natural calamities leaving a balance of ₹ 0.86 crore in the Fund as on 31 March 2015.

Government of India may provide funds from the National Disaster Response Fund (NDRF) to meet the shortfall in the SDRF to meet expenditure on natural calamities in the State during the year. Following Government of India's release of ₹ 19.43 crore, the State Government transferred ₹ 19.43 crore to NDRF and the same was adjusted as expenditure without leaving any balance at the end of year.

1.9.4 Contingent liabilities

Status of Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantees had been extended. As per NFRBM Act 2005, the State Government set up a guarantee redemption fund in 2006-07 and decided to charge guarantee fee at the rate of 1 per cent to cover the risk in the guarantees. During the year 2014-15, the State had not extended any guarantees.

As per **Statement 20** of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years is given in **Table 1.29**.

Table-1.29: Guarantees given by the Government of Nagaland

| | (₹ in crore) | | | | |
|---|--------------|---------|---------|---------|---------|
| Guarantees | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Total amount of guarantees given up to | 55.22 | 65.22 | 70.22 | 70.22 | 70.22 |
| Outstanding amount of guarantees at the end of the year | 55.22 | 65.22 | 70.22 | 70.22 | 70.22 |
| Percentage of maximum amount guaranteed to total revenue receipts | 1.10 | 1.17 | 1.13 | 1.08 | 0.92 |
| Outstanding amount of guarantee as percentage of GSDP | 0.47 | 0.47 | 0.45 | 0.40 | 0.35 |

(Source: Finance Accounts of respective years)

The outstanding guarantees remained the same over the previous year. The outstanding guarantees of ₹ 70.22 crore mainly pertained to Nagaland Industrial Development Corporation 48.29 *per cent* (₹ 33.91 crore) for repayment of principal and payment of interest on loan obtained. The outstanding guarantees were 0.92 *per cent* of the revenue receipts of the Government.

1.10 Debt Management

Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability of the State. This section assesses the sustainability of debt of the State Government in terms of sufficiency of non-debt receipts⁹; net availability of borrowed funds; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.30** analyses the debt sustainability of the State according to these indicators for a period of five years beginning from 2010-11.

During 2014-15, Government raised internal debt of ₹ 2409.57 crore. Government repaid internal debt of ₹ 2284.46 crore and GOI loans of ₹ 21.61 crore. An amount of ₹ 555.34 crore was also paid as interest during the year.

Table 1.30: Debt Sustainability: Indicators and Trends

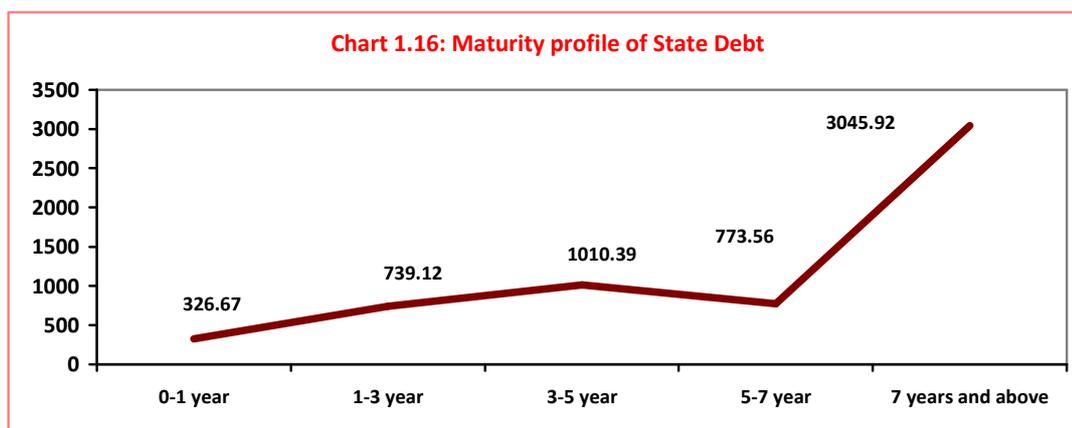
(₹ in crore)

| Indicators of Debt Sustainability | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|----------------|----------------|----------------|----------------|----------------|
| Debt/GSDP (as <i>per cent</i>) | 37.48 | 35.07 | 33.47 | 32.62 | 29.33 |
| Sufficiency of Non-debt Receipts (Resource Gap) | 209 | (-)226 | (-)114.61 | 194.66 | 324.81 |
| Net Availability of Borrowed Funds | (-)18.58 | 279.93 | 265.84 | 209.34 | (-)999.01 |
| Burden of Interest Payments (IP/RR Ratio) (<i>in per cent</i>) | 7.89 | 7.47 | 7.27 | 7.60 | 7.44 |
| Maturity Profile of State Debt (in Years) | | | | | |
| 0 – 1 | 20.56(1) | 193.31(4) | 144.56(3) | 269.59(5) | 326.67(5) |
| 1 – 3 | 392.43(9) | 303.93(6) | 471.06(9) | 618.61(11) | 739.12(11) |
| 3 – 5 | 302.41(7) | 617.90(13) | 738.14(14) | 702.51(12) | 1010.39(12) |
| 5 – 7 | 617.36(14) | 702.57(14) | 1032.56(20) | 1123.63(19) | 773.56(19) |
| 7 and above | 3007.40(69) | 3042.73(63) | 2861.05(54) | 3072.51(53) | 3045.92(53) |
| Total | 4340.16 | 4860.44 | 5247.37 | 5789.85 | 5895.66 |

Figures in the parenthesis indicate percentage to total debt.

The persistent negative non-debt receipts (Resource Gap) indicate the non-sustainability of debt while the positive resource gap strengthens the capacity of the State to sustain the debt. The resource gap remained positive during 2013-14 (₹ 194.66 crore) and 2014-15 (₹ 324.81 crore).

⁹ As detailed in Appendix-1.1 C



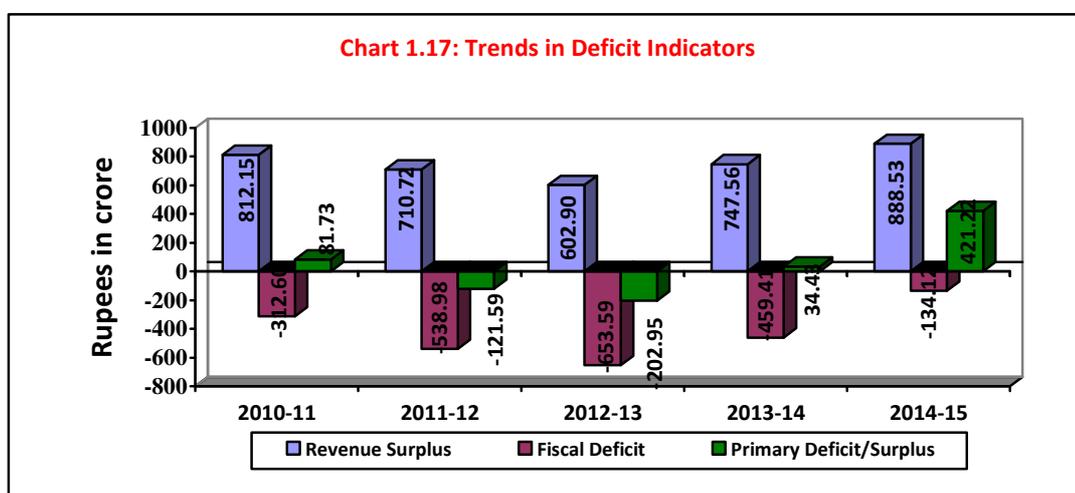
As per data shown in **Table 1.30**, out of the total debt burden of ₹ 5895.66 crore, repayments in around 1-3 years time is ₹ 739.12 crore and 3-5 years time is ₹ 1010.39 crore as well as 5-7 years time is ₹ 773.56 crore. A well thought out debt repayment strategy will ensure that no additional borrowings which mature in these critical years are undertaken.

1.11 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 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 2014-15.

1.11.1 Trends in Deficits

Charts 1.17 and 1.18 present the trends in deficit indicators over the period 2010-15.



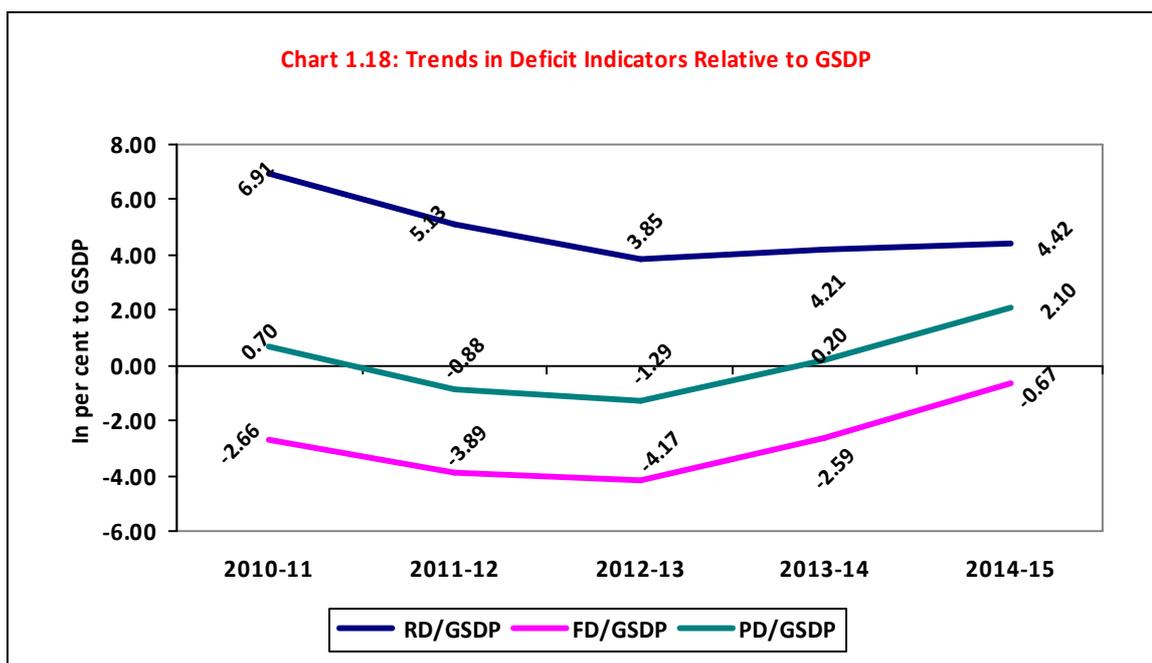


Chart 1.17 reveals that the revenue account experienced a surplus of ₹ 888.53 crore during 2014-15, an increase of ₹ 76.38 crore from ₹ 812.15 crore in 2010-11. Moreover, the Revenue surplus increased during the current year by ₹ 140.97 crore as compared to the previous year mainly on account of increase in revenue receipts by ₹ 1153.00 crore (17.75 per cent) over the previous year against an increase of revenue expenditure by ₹ 1012.03 crore (17.61 per cent).

Due to the increase in revenue surplus along with a marginal decrease of ₹ 0.30 crore in non-debt capital receipts accompanied by a decrease of ₹ 183.89 crore in capital expenditure and decrease in loans & advances disbursement of ₹ 0.73 crore during 2014-15 over the previous year, the fiscal deficit decreased by ₹ 325.29 crore during the current year from the level of ₹ 459.41 crore in 2013-14.

The primary surplus of ₹ 34.43 crore in 2013-14 increased to ₹ 421.22 crore in 2014-15. The increase in primary surplus over the previous year was due to decrease of fiscal deficit (₹ 325.29 crore) and increase in interest payment (₹ 61.50 crore) during the current year.

1.11.2 Composition of Fiscal deficit and its financing Patterns

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.31**.

Table 1.31: Components of Fiscal Deficit and its Financing Pattern

| | | (₹ in crore) | | | | |
|--|--|---------------|---------------|---------------|---------------|---------------|
| | Particulars | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Components of Fiscal Deficit | | 313 | 539 | 654 | 459 | 134 |
| | | (2.77) | (4.39) | (4.91) | (2.59) | (0.67) |
| 1 | Revenue deficit(+)/Surplus(-) | (-812) | (-711) | (-603) | (-748) | (-889) |
| 2 | Net Capital Expenditure | 1123 | 1249 | 1255 | 1207 | 1023 |
| 3 | Net Loans and Advances | 2 | 1 | 2 | 0 | 0 |
| Financing Pattern of Fiscal Deficit* | | | | | | |
| 1 | Market Borrowings | 236 | 325 | 469 | 411 | 452 |
| 2 | Loans from GOI | -23 | -18 | (-22) | (-23) | (-16) |
| 3 | Special Securities Issued to National Small Savings Fund | 17 | 3 | (-2) | (-3) | 11 |
| 4 | Loans from Financial Institutions | (-28) | 210 | (-58) | 153 | (-338) |
| 5 | Small Savings, PF etc | 89 | 36 | 72 | 112 | 55 |
| 6 | Deposits and Advances | 80 | 310 | 209 | 241 | (-608) |
| 7 | Suspense and Miscellaneous | 41 | 35 | 18 | 12 | 41 |
| 8 | Remittances | (-102) | (-134) | (-80) | (-30) | 278 |
| 9 | Increase (-) Decrease (+) in Cash Balances | 3 | -228 | 48 | (-414) | 259 |
| <i>Figures in brackets indicate the per cent to GSDP.</i> | | | | | | |
| <i>*All these figures are net of disbursements/outflows during the year.</i> | | | | | | |

(Source: Finance Accounts of respective years)

Fiscal deficit is the total borrowing of the State and is the excess of revenue expenditure and capital expenditure including loans and advances over revenue and non-debt receipts. Decomposition of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts.

It can be seen from **Table 1.31** that the revenue surplus increased by ₹ 141 crore from ₹ 748 crore in 2013-14 to ₹ 889 crore in 2014-15. The decrease in fiscal deficit was the combined effect of decrease in capital expenditure and increase in revenue surplus.

During 2014-15, the fiscal deficit stood at ₹ 134 crore which was mainly financed through borrowings from market.

The solution to the Government debt problem lies on the actual outcome of borrowed funds i.e., whether they are being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity to the economy which may result in increase in Government revenue in future, making debt payments manageable.

1.11.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit 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 State's 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 borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (**Table 1.32**) would

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

Table 1.32: Primary deficit/surplus – Bifurcation of factors

(₹ in crore)

| Year | Non-debt receipts | Primary revenue expenditure ¹⁰ | Capital expenditure | Loans and Advances | Primary expenditure ¹¹ | Primary revenue surplus | Primary deficit (-) /surplus (+) |
|---------|-------------------|---|---------------------|--------------------|-----------------------------------|-------------------------|----------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 (3+4+5) | 7 (2-3) | 8 (2-6) |
| 2010-11 | 5000.77 | 3791.98 | 1122.94 | 4.12 | 4919.04 | 1208.79 | 81.73 |
| 2011-12 | 5587.06 | 4456.51 | 1249.39 | 2.75 | 5708.65 | 1130.55 | (-)121.59 |
| 2012-13 | 6203.18 | 5148.79 | 1255.18 | 2.16 | 6406.13 | 1054.39 | (-)202.95 |
| 2013-14 | 6496.68 | 5254.27 | 1207.06 | 0.92 | 6462.25 | 1242.41 | 34.43 |
| 2014-15 | 7649.38 | 6204.80 | 1023.17 | 0.19 | 7228.16 | 1444.58 | 421.22 |

(Source: Finance Accounts of respective years)

The non-debt receipts of the State during 2010-15 were sufficient to meet the primary revenue expenditure. The non-debt receipts increased by 52.96 per cent from ₹ 5000.77 crore in 2010-11 to ₹ 7649.38 crore in 2014-15 while the primary revenue expenditure increased by 63.63 per cent from ₹ 3791.98 crore in 2010-11 to ₹ 6204.80 crore in 2014-15. During this period (2010-15) capital expenditure decreased by 8.88 per cent. The State had a primary deficit during 2011-12 and 2012-13 but maintained a primary surplus during 2010-11, 2013-14 and 2014-15.

1.12 Follow up

The preparation of Stand Alone Report of the State Finances had been started since 2008-09 onwards and no Report of the State Finances had been discussed by the Public Accounts Committee (PAC) and hence, no recommendation by the PAC/Finance Commission had been made on the Reports of the State Finances.

1.13 Conclusion and Recommendations

The fiscal position of the State viewed in terms of the key fiscal parameters during 2014-15 revealed that the State's revenue surplus had increased by ₹ 140.97 crore while the fiscal deficit had decreased by ₹ 325.29 crore and the primary surplus had increased by ₹ 421.22 crore in 2014-15 relative to the previous year.

During 2014-15, 91 per cent of the total revenue came from the Government of India as Central transfers (14 per cent) and grants-in-aid (77 per cent). The State achieved the total revenue collection targets fixed by the XIII-FC during 2014-15.

During 2014-15, non-plan revenue expenditure was ₹ 2250.15 crore (68.59 per cent) more than the XIII-FC normative assessment. The salary expenditure of ₹ 3274.16 crore during the current year exceeded the projections made in XIII-FC (₹ 1572.19 crore) and was 42.81 per cent of revenue receipts during the year.

¹⁰ Primary revenue expenditure is revenue expenditure net of the interest payments.

¹¹ Primary expenditure of the State, defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year.

GOI directly transferred ₹ 122.99 crore to the State Implementing Agencies without routing through the State budget. There is no single agency in the State to monitor the expenditure of these funds.

The overall fiscal liabilities of the State increased at a compound annual growth rate of 6.28 *per cent* during 2010-15. The fiscal liabilities decreased by ₹ 403 crore (5 *per cent*) from ₹ 8357 crore in 2013-14 to ₹ 7954 crore in 2014-15. The committed liabilities for the State projected by the XIII-FC was 52.30 *per cent* of GSDP for the year 2014-15. Against this, the committed liabilities of the State was 39.57 *per cent* which was 12.73 *per cent* below the projections.

The Government had invested ₹ 278.44 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives at the end of March 2015. The average return on this investment was NIL during the last five years. The Government should ensure better value for money in investment by identifying the Companies/Corporations which are endowed with low financial but high socio-economic returns and justify if high cost borrowings are worth being channelised there. Initiatives may be taken to revive or close down or sell out the huge loss making Corporations/Companies.

As on 31 March 2015, there were 307 incomplete projects, out of which 212 projects (estimated cost ₹ 1990.40 crore and actual expenditure ₹ 863.09 crore) were to be completed by March 2015 and 2 projects (estimated cost ₹ 10.93 crore and actual expenditure ₹ 8.63 crore) had been suspended/abandoned. Delay in completion of works invites the risk of escalation in the cost of the works. Besides, due to delay in completion of the projects, the intended benefits from those projects did not reach the beneficiaries in the State. The State needs to ensure timely and effective implementation of incomplete projects.