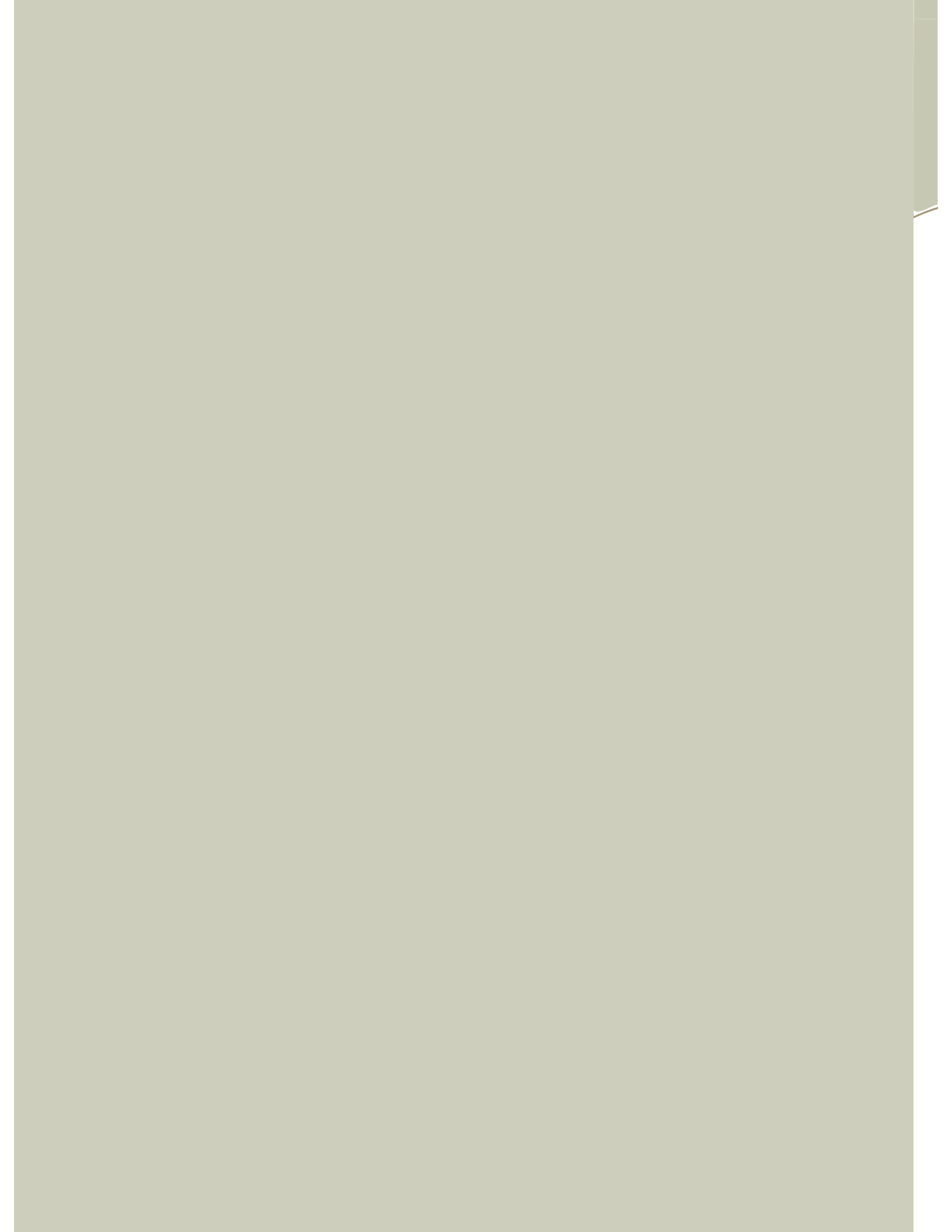


CHAPTER-I
FINANCES OF THE
STATE GOVERNMENT



Chapter Finances of the State Government

1

Profile of Mizoram

Mizoram, situated in the north-east of India, borders Assam, Manipur and Tripura in the North and has international borders with Myanmar and Bangladesh in the South. It is the 25th largest State in terms of geographical area (21,081 sq. km.) and second least populated State in the country. State's population increased from 8,88,573 in 2001 to 10,97,206 in 2011 recording a decadal growth of 23.48 *per cent*. State's literacy rate increased from 88.80 *per cent* (as per 2001 census) to 91.33 *per cent* (as per 2011 census). State's Gross State Domestic Product (GSDP) in 2017-18 at current prices was ₹ 17,739.33 crore. The projected per capita income of the State at current prices (*Source: Directorate of Economics and Statistics, Mizoram*) was ₹ 1,29,622 during 2017-18. General data relating to the State is given in **Appendix-1.1, Part 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 is an important economic indicator of State's economy as it indicates standard of living of State's population. The trends in the annual growth of India's Gross Domestic Product (GDP) and State's GSDP at current prices are given in **Table-1.1**.

Table-1.1: Trends in annual growth of GDP and GSDP (at current prices)

	(₹ in crore)				
Year	2013-14	2014-15	2015-16	2016-17	2017-18
India's GDP	112,33,522	124,679,59	137,64,037	152,53,714	167,73,145
Growth in <i>per cent</i>	12.97	10.99	10.40	10.82	9.96
State's GSDP	10,293	13,509	15,339	16,366	17,739
Growth in <i>per cent</i>	23.10	31.24	13.55	6.69	8.39 ^(A)

Source: (i) Press Release, Ministry of Statistics and Programme Implementation and (ii) Information on GSDP furnished by the Directorate of Economics and Statistics, Government of Mizoram

(A) Advance estimates

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 is calculated on the basis of current prices at factor cost with base year 2011-12.

The table above shows that the growth in the GSDP ranged between 6.70 and 31.24 *per cent* during the period 2013-14 to 2016-17. However, Advance Estimates for GSDP for 2017-18 was projecting a growth of only 8.39 *per cent*. While the growth rate of GSDP indicated a declining trend from 2014-15 to 2016-17, but there was an increase of 1.69 *per cent* in 2017-18 over the previous year growth of GSDP, at current prices, which had fluctuated during 2013-17 period between 6.70 *per cent* in 2016-17 and 23.90 *per cent* in 2013-14. Further, reasons for decline in GSDP growth rate during 2015-16 and 2016-17 in comparison with 2014-15 was attributed to pendency of Environment Clearance for various developmental projects.

Chapter-I: Finances of the State Government

1.1 Introduction

This chapter provides a broad perspective of the finances of the Government of Mizoram during 2017-18. It also analyses critical changes in the major fiscal aggregates relative to the previous year, keeping in view the overall trends during the last five years.

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (**Appendix-1.1, Part-A**). The annual accounts of State Government consist of Finance Accounts and Appropriation Accounts. The Finance Accounts are laid out in twenty-two statements, the layouts of which are depicted in **Appendix-1.1, Part-B**. The methodology of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are shown in **Appendix-1.1, Part-C**.

1.1.1 Summary of Fiscal Transactions in 2017-18

Table-1.2 presents a summary of State Government's fiscal transactions during 2017-18 *vis-à-vis* the previous year (2016-17). Details of receipts and disbursements as well as the overall fiscal position during 2017-18 are also presented at **Appendix-1.2**.

Table-1.2: Summary of fiscal transactions in 2017-18

(₹ in crore)

Receipts	2016-17	2017-18	Disbursements	2016-17	2017-18		
					State Plan	CSS	Total
Section-A: Revenue							
Revenue Receipts	7,398.30	8,580.20	Revenue Expenditure	6,230.34	5,586.00	1,294.77	6,880.77
Tax Revenue	441.81	545.91	General Services	2,097.05	2,228.90	10.24	2,239.14
Non-Tax Revenue	365.22	390.65	Social Services	2,300.85	1,924.50	682.03	2,606.53
Share of Union Taxes/ Duties	2,800.63	3,097.05	Economic Services	1,832.44	1432.60	602.50	2,035.10
Grants from Government of India	3,790.64	4,546.59	Grants-in-Aid and Contributions	---	---	---	---
Section-B: Capital							
Misc. Capital Receipts	---	---	Capital Outlay	911.41	1,349.48	646.87	1,996.35
Recoveries of Loans and Advances	22.45	21.64	Loans and Advances disbursed	27.05	---	---	44.95
Public Debt Receipts	755.51	894.14	Repayment of Public Debt	312.92	---	---	472.96
Contingency Fund	---	---	Contingency Fund	---	---	---	---
Public Account Receipts	3,017.68	4,521.83	Public Account Disbursement	3,520.83	---	---	4,211.05
Opening Cash Balance	(-) 9.23	182.16	Closing Cash Balance	182.16	---	---	593.89
Total	11,184.71	14,199.97	Total	11,184.71			14,199.97

Source: Finance Accounts for the years 2016-17 and 2017-18

* The Finance Accounts do not contain these figures

Chapter-I: Finances of the State Government

Fiscal Correction Path (FCP) is drawn up by Government of Mizoram annually as required under the Mizoram Fiscal Responsibility and Budget Management Act (MZFRBM), 2006. It is part of an effort to carry out reform and to consolidate the respective financial conditions laid down by the successive Finance Commissions (FC) in general and incentives offered for compliance of the recommendations of the XIII FC in particular. The followings are the significant changes during 2017-18 over 2016-17.

- Revenue Receipts increased by ₹ 1,181.90 crore (15.98 *per cent*) over the previous year. This was mainly due to significant increase in Share of Union Taxes/ Duties by 10.58 *per cent* (₹ 296.42 crore) and grants from Government of India (GoI) by 19.94 *per cent* (₹ 755.95 crore). Revenue Receipts (₹ 8,580.20 crore) was higher by ₹ 406.89 crore (4.97 *per cent*) than the assessment of State Government in its FCP (₹ 8,173.31 crore).
- Revenue and Capital Expenditure increased by ₹ 650.43 crore (10.44 *per cent*) and ₹ 1,084.94 crore (119.04 *per cent*) respectively over the previous year. Revenue Expenditure was higher by ₹ 494.56 crore (7.74 *per cent*) over the assessment made by the State Government in its FCP (₹ 6,386.21 crore). Further, Capital Expenditure (₹ 1996.35 crore) was marginally higher by ₹ 88.47 crore (4.63 *per cent*) over the projection made by State Government in its FCP (₹ 1,907.88 crore).
- Disbursement of Loans and Advances increased by ₹ 17.90 crore (66.17 *per cent*), while recoveries of the same decreased marginally by ₹ 0.81 crore (3.61 *per cent*) over the previous year. Disbursement as well as recoveries of Loans and Advances were lower by 11.86 *per cent* and 34.10 *per cent* respectively over the projections made by the Government in its FCP (₹ 51.00 crore and ₹ 32.84 crore respectively).
- Public Debt Receipts increased by ₹ 138.63 crore (18.35 *per cent*) which was higher by 49.78 *per cent* over the projections made by the Government in its FCP (₹ 596.95 crore). Repayment of Public Debt increased by ₹ 160.04 crore (51.14 *per cent*) which was higher (70.28 *per cent*) over the projections made by the Government in its FCP (₹ 277.74 crore).
- Public Account Receipts increased by ₹ 1,504.15 crore (49.84 *per cent*) and Disbursements increased by ₹ 690.22 crore (19.60 *per cent*) over the previous year. Public Account Receipts were higher by 69.48 *per cent* and Disbursements by 67.29 *per cent* over the projections made by the Government in its FCP (₹ 2,668.01 crore and ₹ 2,517.21 crore respectively).
- Cash balance of the State increased by ₹ 411.73 crore from ₹ 182.16 crore during 2016-17 to ₹ 593.89 crore in 2017-18. Similarly, the investments from cash balances rose by ₹ 213.60 crore from ₹ 155.53 crore in 2016-17 to ₹ 369.13 crore in 2017-18.

The total inflow of receipts increased by ₹ 2,823.87 crore (25.23 *per cent*) from ₹ 11,193.94 crore in 2016-17 to ₹ 14,017.87 crore in 2017-18. The total outflow also increased by ₹ 2,603.53 crore (23.66 *per cent*) from ₹ 11,002.55 crore in 2016-17 to ₹ 13,606.08 crore in 2017-18.

1.2 Budget Analysis

1.2.1 Budget Estimates and Actuals

Budget Estimates (BEs) provide descriptions of projections or estimates of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the BEs are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of reasons. Some of the reasons are within the control of the Government while some are beyond its control. **Table-1.3** presents the consolidated picture of BEs *vis-à-vis* Actuals of the State Finances during 2017-18.

Table-1.3: Variation in major items – Actuals over BEs (2017-18)

(₹ in crore)

Parameters	2017-18		Percentage of variation <i>w.r.t.</i> BEs
	BEs	Actuals	
Tax Revenue	397.71	545.91	37.26
Non-Tax Revenue	296.93	390.65	31.56
Revenue Receipts	8,173.31	8,580.20	4.98
Recoveries of Loans and Advances	32.84	21.64	(-) 34.10
Revenue Expenditure	6,386.21	6,880.77	7.74
Interest Payment	379.06	339.20	(-) 10.52
Capital Expenditure	1,907.88	1,996.35	4.64
Disbursement of Loans and Advances	51.00	44.95	(-) 11.86
Revenue Deficit (-)/ Surplus (+)	1,787.10	1,699.43	(-) 4.91
Fiscal Deficit (-)/ Surplus (+)	(-) 138.94	(-) 320.23	130.48
Primary Deficit (-)/ Surplus (+)	240.12	18.97	(-) 92.10

Source: Finance Accounts, 2017-18

- During 2017-18, compared to the BEs, the Revenue Receipts and Revenue Expenditure were higher by ₹ 406.89 crore (4.98 *per cent*) and ₹ 494.56 crore (7.74 *per cent*) respectively.
- Against an estimated Revenue Surplus of ₹ 1,787.10 crore, there was a Revenue Surplus of ₹ 1,699.43 crore (95.09 *per cent*) during 2017-18.
- The actual collection of Tax Revenue during the year 2017-18 increased by ₹ 148.20 crore (37.26 *per cent*) over the BEs for the year.
- The increase in Non-Tax Revenue was ₹ 93.72 crore (31.56 *per cent*) as compared to the BEs for 2017-18.
- During 2017-18, the actual Capital Expenditure was more than the BEs by ₹ 88.47 crore (4.64 *per cent*).
- There was a Fiscal Deficit of ₹ 320.23 crore (1.81 *per cent* of GSDP) in 2017-18 against the budgeted estimate on Fiscal Deficit of ₹ 138.94 crore, which was within the annual limit of three *per cent* of GSDP (₹ 17,739).

The key parameters of deficit/ surplus showed a mix trend. The State registered Revenue and Primary Surplus of ₹ 1,699.43 crore and ₹ 18.97 crore respectively, whereas, there was a Fiscal Deficit of ₹ 320.23 crore.

1.2.2 Review of the fiscal situation

In addition to the FCP, the State Government is required to prepare every year, under the provisions of the MZFRBM Act, 2006, a Medium Term Fiscal Policy Statement (MTFPS) showing the rolling fiscal targets.

1.2.2.1 Recommendations of the XIV Finance Commission

The XIV FC recommended the following fiscal targets and annual borrowing limits during 2015-16 to 2019-20:

- (1) Fiscal Deficit of all States was to be anchored to an annual limit of three *per cent* of GSDP. States would be eligible for flexibility of 0.25 *per cent* over and above this limit for any given year provided their debt-GSDP ratio is less than or equal to 25 *per cent* in the preceding year.

During 2017-18, the State registered a Fiscal Deficit of ₹ 320.23 crore (1.81 *per cent* of GSDP). The debt-GSDP ratio of the State declined slightly to 41.15 *per cent* during 2017-18 as against 41.09 *per cent* in 2016-17 which was well below the projection (49.63 *per cent*) for the State made by XIV FC.

- (2) States would be further eligible for an additional borrowing limit of 0.25 *per cent* of GSDP in a given year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10 *per cent* of the Revenue Receipts in the preceding year. Against this, the interest payment of the State Government was 3.95 *per cent* of Revenue Receipts in 2017-18.

Further, XIV FC recommended that the State Governments may amend their FRBM Acts to provide for statutory flexible limits on Fiscal Deficit. However, the MZFRBM Act was not amended in line with the XIV FC recommendation which would have enabled the State to avail the additional borrowing limit of 0.25 *per cent* of GSDP.

1.2.3 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.

Among others, Gender Budgeting serves in (i) Identifying the felt needs of women and re-prioritising 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).

Chapter-I: Finances of the State Government

Gender Budgeting was not implemented in the State, although it was noticed that GoI directly transferred an amount of ₹ 0.05 crore under the scheme 'Gender Budgeting' to two State Government departments.

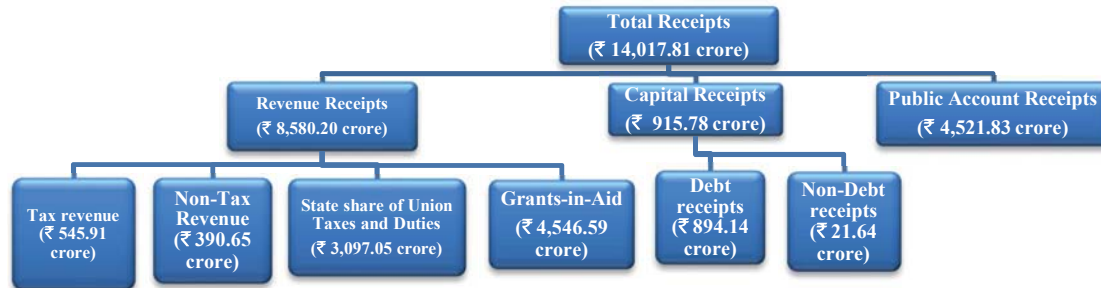
1.3 Resources of the State

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 GIA from GoI. Capital Receipts comprise of 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 the GoI as well as accruals from the Public Account.

1.3.1 Resources of the State as per Annual Finance Accounts

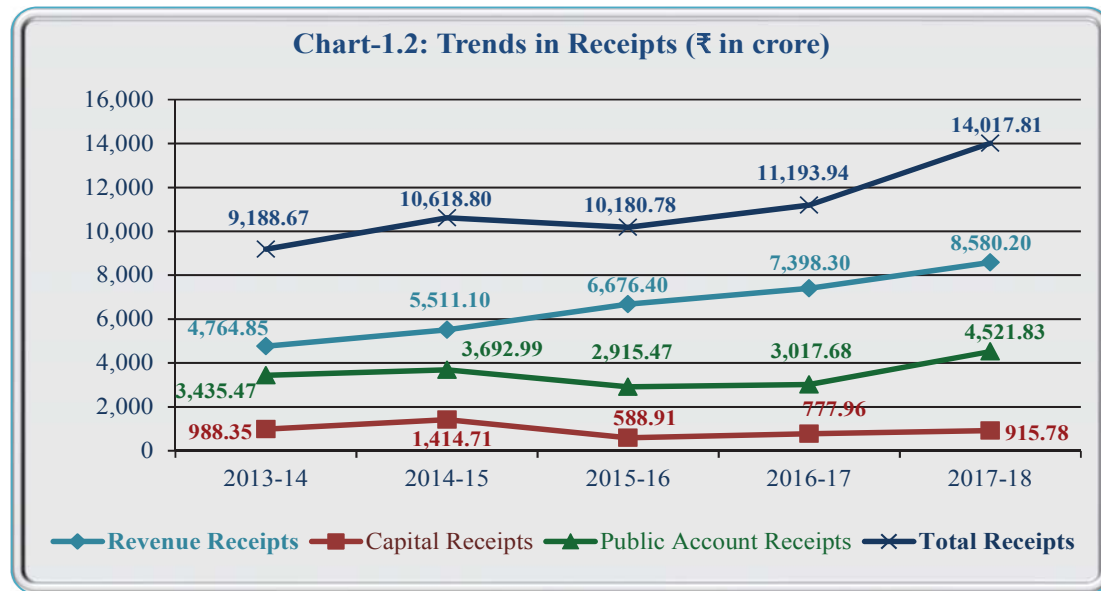
The components and sub-components of the resources during 2017-18 are shown in **Chart-1.1**:

Chart-1.1: Components and sub-components of resources



Source: Finance Accounts, 2017-18

Chart-1.2 depicts the trends of various components of receipts of State Government during 2013-18.



Source: Finance Accounts, 2017-18

Chapter-I: Finances of the State Government

The percentage share of Revenue Receipts of the State to Total Receipts showed an increasing trend since 2013-14 except for the year 2017-18 where it decreased with respect to 2016-17. It was 51.86 per cent (2013-14), 51.90 per cent (2014-15), 65.58 per cent (2015-16), 66.09 per cent (2016-17) and 61.21 per cent (2017-18).

The Capital Receipts together with Public Account Receipts (which create future repayment obligation) stood 48.14 per cent (2013-14), 48.10 per cent (2014-15), 34.42 per cent (2015-16), 33.91 per cent (2016-17) and 38.79 per cent (2017-18) of Total Receipts during 2013-18.

The Capital Receipts decreased from 10.76 per cent in 2013-14 to 6.53 per cent of Total Receipts during 2017-18.

The percentage share of Public Account Receipts to Total Receipts decreased from 37.39 per cent during 2013-14 to 32.26 per cent in 2017-18.

1.3.2 Funds Transferred to State Implementing Agencies outside the State Budget

Government of India decided that transfer of funds to the State Implementing Agencies (SIAs) for implementation of Centrally Sponsored Schemes (CSSs) would be routed through the State Consolidated Fund with effect from 2014-15 (BEs). It was, however, noticed that funds were directly transferred to the SIAs outside the State Budget/ State Treasury System contrary to the decision taken by the GoI.

During the year 2017-18, central funds amounting to ₹ 182.14 crore was directly transferred to the SIAs (**Appendix-1.5**).

Table-1.4: Funds transferred directly to State Implementing Agencies during 2017-18

(₹ in crore)		
Name of the Programme/ Scheme	Implementing Agency in the State	Funds transferred
NER Textiles Promotion Scheme	Director of Sericulture	13.53
Scheme for Usage of Geo-textiles in North East	Public Works Department	14.23
Pradhan Mantri Kisan Sampada Yojana (National Mission on Food Processing)	Zoram Mega Food Park Private Limited	14.78
	Mizoram Food and Allied Industries Corporation Limited	5.14
National Aids and STD Control Programme	State AIDS Control Society	14.97
Industrial Infrastructure Upgradation Scheme	Bamboo Development Agency	5.77
Electronic Governance	Mizoram State e-Governance Society	5.70
Action Research and Studies on Judicial Reforms, Capacity Building-Panchayat Sashaktikaran Abhiyaan, Management Support to RD Programs and Strengthening of District Planning Process and Gender Budgeting	State Institute of Rural Development	11.73
Other Renewable Energy Applications, Small Hydro Power-Grid Interactive, Solar Power-Grid Interactive and Solar Power-Off Grid	Zoram Energy Development Agency	20.92
MPs Local Area Development (MPLADS)	Deputy Commissioner, Aizawl	7.50
Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	MGNREGS Rural Employment Guarantee Council	27.11
Others (46 other Programme/ Scheme)	55 various implementing agencies	40.76
Total		182.14

Source: Finance Accounts, 2017-18 which inter-alia is taken from the "Public Financial Management System (PFMS)" Portal of the Controller General of Accounts (CGA)

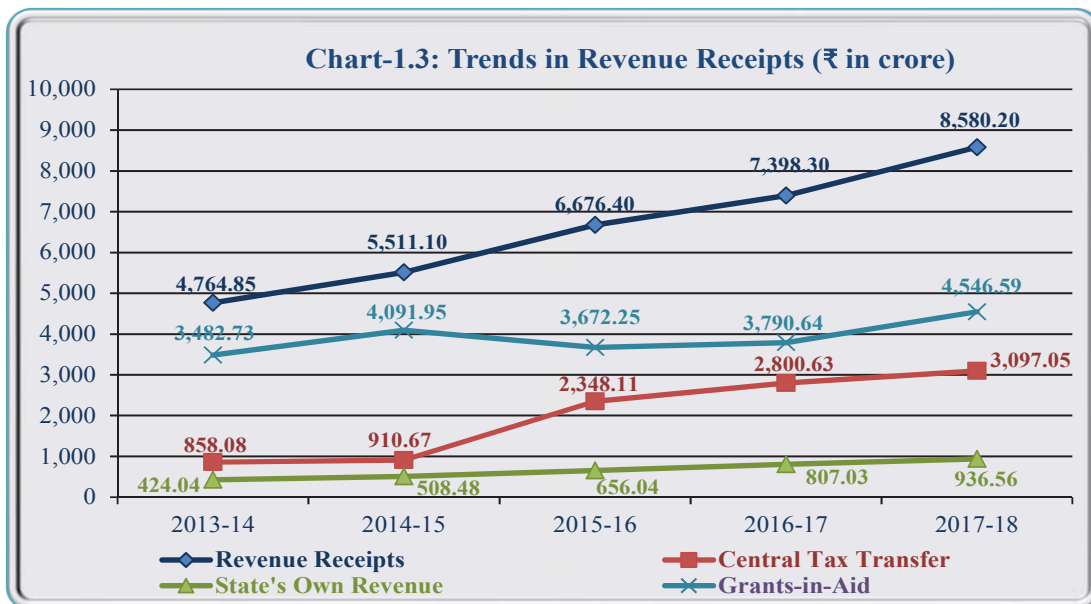
Chapter-I: Finances of the State Government

It can be seen from the above that out of an amount of ₹ 182.06 crore directly transferred to the SIAs during the year, an amount of ₹ 27.11 crore (14.89 per cent) was transferred to the MGNREGS Rural Employment Guarantee Council, Mizoram. This resulted in understatement of Revenue Receipts, Revenue Surplus, Fiscal Surplus/ Deficit and Primary Surplus to that extent.

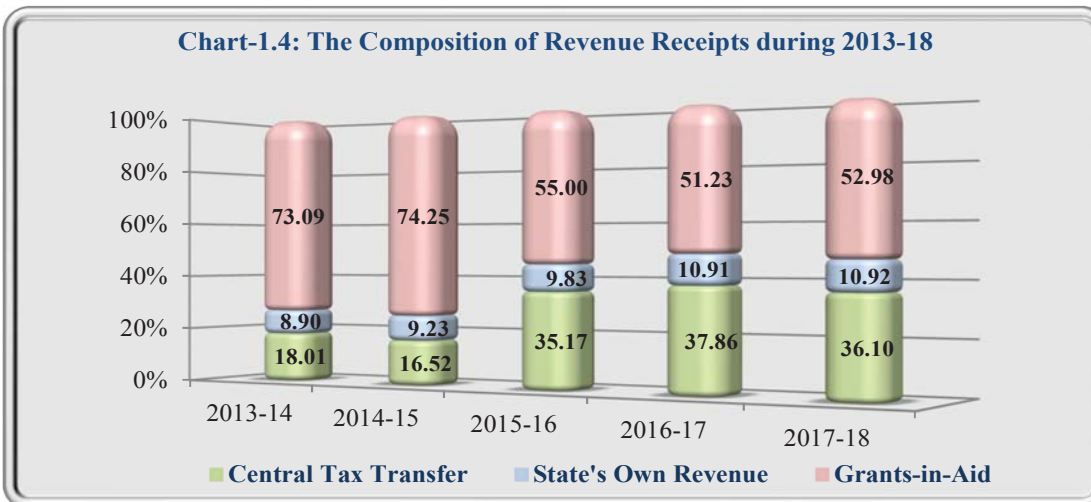
1.4 Revenue Receipts

Statement 14 of the Finance Accounts shows Revenue Receipts of the State Government. Revenue Receipts consist of Own Tax and Non-Tax Revenues, Central Tax Transfers and GIA from the GoI.

The detailed compositions of Revenue Receipts over the period 2013-18 are presented in **Appendix-1.4** and the summary thereof in **Chart-1.3** and **1.4**.



Source: Finance Accounts, 2017-18



Source: Finance Accounts, 2017-18

Chapter-I: Finances of the State Government

Revenue Receipts of the State Government have shown a progressive increase with inter-year variations and changes in its composition *i.e.*, the share of own taxes and Central transfers during the period 2013-18.

Tax and Non-Tax Revenue Receipts together (*i.e.*, State Own Resources) increased by ₹ 512.52 crore (20.87 *per cent*) from ₹ 424.04 crore in 2013-14 to ₹ 936.56 crore in 2017-18 at a Compound Annual Growth Rate (CAGR) of 21.91 *per cent*.

Revenue Receipts of the State Government progressively grew from ₹ 4,764.85 crore in 2013-14 to ₹ 8,580.20 crore in 2017-18 at a CAGR of 15.84 *per cent*. During 2017-18, Revenue Receipts of State Government increased by ₹ 1,181.90 crore (15.98 *per cent*) over the previous year. Central Tax Transfers and GIA together contributed 89.08 *per cent* (₹ 7,643.64 crore) of Revenue Receipts during 2017-18. Revenue generated from State's Own Resources was 10.92 *per cent* (₹ 936.56 crore) of Revenue Receipts during 2017-18.

The trends in Revenue Receipts as well as buoyancy ratios¹ relative to GSDP are presented in **Table-1.5**:

Table-1.5: Trends in Revenue Receipts and buoyancy ratios relative to GSDP

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Receipts (RR) (₹ in crore)	4,764.85	5,511.10	6,676.40	7,398.30	8,580.20
Rate of growth of RR (<i>per cent</i>)	5.03	15.66	21.14	10.81	15.98
RR/ GSDP (<i>per cent</i>)	46.29	40.79	43.52	45.20	48.37
Buoyancy Ratios					
Revenue Buoyancy <i>w.r.t.</i> GSDP	0.22	0.50	1.56	1.62	1.90
State's Own Tax Buoyancy <i>w.r.t.</i> GSDP	0.13	0.51	2.54	3.48	2.81
Revenue Buoyancy with reference to State's own taxes	1.69	0.98	0.61	0.46	0.68

Source: Finance Accounts, 2017-18

The rate of growth of Revenue Receipts showed significant inter year variations during the period 2013-18 and ranged from 5.03 *per cent* (2013-14) to 21.14 *per cent* (2015-16) which, however, significantly decreased to 10.81 *per cent* in 2016-17, again increased to 15.98 *per cent* in 2017-18.

The Revenue Receipts *vis-à-vis* GSDP exhibited increasing trend during the period 2013-18 whereas State's Own Tax Buoyancy *vis-à-vis* GSDP showed an increasing trend during the period 2013-17 followed by a fall in 2017-18. However, the Revenue Buoyancy *vis-à-vis* State's Own Taxes showed decreasing trend during the period 2013-17 which again increased during 2017-18. This indicated that during 2017-18, the contribution of State's Own Taxes had increased with corresponding increase in Revenue Receipts.

1.4.1 State's Own Resources

As the State's share in central taxes and GIA is determined on the basis of recommendations of FC, the State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its Own Tax and Non-Tax sources.

¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance revenue buoyancy *w.r.t.* GSDP during 2017-18 at 1.90 implies that Revenue Receipts tend to increase by 1.90 percentage points, if the GSDP increases by one *per cent*

Chapter-I: Finances of the State Government

The State's actual Tax and Non-tax receipts for the year 2017-18 *vis-à-vis* assessment made by the XIV FC and FCP for the year are given below:

(₹ in crore)			
Parameters	XIV FC Projections	FCP	Actuals
State's Own Tax Revenue	576.00	397.71	545.91
State's Non-Tax Revenue	128.00	296.93	390.65

Source: Finance Accounts (2017-18), XIV FC and FCP (2017-18)

The above table indicates that the State's Own Tax Revenue was lower by 5.22 *per cent* over the normative assessment made by the XIV FC. However, it was higher by 37.26 *per cent* over the normative assessment made in the State's FCP in 2017-18. On the other hand, the State's Non-Tax Revenue was higher by 205.20 and 31.56 *per cent* over the XIV FC assessment and FCP respectively.

1.4.1.1 Own Tax Revenue

The sector-wise components of Own Tax Revenue collected in the State are given in **Table-1.6**:

Table-1.6: Sector-wise component of Own Tax Revenue during 2013-18

Name of component	Year					Percentage of variation over previous year
	2013-14	2014-15	2015-16	2016-17	2017-18	
Taxes on Sales, Trade, etc.	183.34	211.95	247.04	307.81	242.85	(-) 21.10
State Goods and Services Tax	---	---	---	---	169.76	---
State Excise	3.11	4.91	60.60	72.26	65.83	(-) 8.90
Taxes on Vehicles	19.42	17.03	19.44	25.75	31.58	22.64
Land Revenue	4.54	11.06	8.88	8.58	8.29	(-) 3.38
Stamps and Registration fees	1.52	3.72	3.57	3.26	3.20	(-) 1.84
Taxes on Goods and Passengers	2.63	2.56	2.71	7.90	7.83	(-) 0.89
Other Taxes	15.22	15.29	16.17	16.25	16.57	1.97
Total	229.78	266.52	358.41	441.81	545.91	23.56

Source: Finance Accounts of respective years

Own Tax Revenue of the State progressively increased during 2013-18 at a CAGR of 24.15 *per cent*. In 2017-18, State's Own Tax Revenue increased by 23.56 *per cent* over the previous year. Taxes on Sales, Trades, etc. including State Goods and Services Tax (₹ 412.61 crore, 75.58 *per cent*) were the major source of State's Own Tax Revenue during 2017-18. This was followed by State Excise (₹ 65.83 crore, 12.06 *per cent*); Taxes on Vehicles (₹ 31.58 crore, 5.78 *per cent*); Other Taxes (₹ 16.57 crore, 3.04 *per cent*); Taxes on Land Revenue (₹ 8.29 crore, 1.52 *per cent*); Taxes on Goods and Passengers (₹ 7.83 crore, 1.43 *per cent*); and Stamps and Registration Fees (₹ 3.20 crore, 0.59 *per cent*).

Collection of Taxes on Sales, Trades, etc. decreased by ₹ 64.96 crore in 2017-18 over 2016-17 due to introduction of Goods and Services Tax (GST) since 01 July 2017 which was accounted for separately. The total collection of taxes on sales, inclusive of GST, was ₹ 412.61 crore, an increase of ₹ 104.80 crore over previous year. Similarly, due to introduction (August 2015) of "The Mizoram Motor Vehicles Taxation (Amendment) Act, 2015", the Taxes on Vehicles

Chapter-I: Finances of the State Government

registered an increase of 22.64 *per cent* in 2017-18 over the previous year. Receipts from State Excise witnessed a slight decrease of ₹ 6.43 crore (8.90 *per cent*) over the previous year due to less receipts under 'Foreign Liquors and Spirits' and 'Fines and confiscations'.

1.4.1.2 Goods and Services Tax

Goods and Services Tax (GST) Act, 2017 is an Indirect Tax which has replaced many Indirect Taxes in India. The GST Act was passed in the Parliament on 29 March 2017. The GST Act came into effect on 1st July 2017. It has three components- (i) Central Goods and Services Tax Act (called Central Goods and Services Tax (Amendment) Act, 2018), (ii) State Goods and Services Tax Act (called The Mizoram Goods and Services Tax Act, 2017) and (iii) Integrated Goods and Services Tax Act (The Integrated Goods and Services Tax Act, 2017).

Besides, The Goods and Services Tax (Compensation to States) Act, 2017 was enacted in April 2017. Section 6 of the Act envisages that there shall be projected revenue for any year in a State which shall be calculated by applying the projected growth rate (14 *per cent*) over the base year revenue of that State. Accordingly, the States will receive compensation {Section 7 (3) (c)} which will be calculated on the basis of difference of the projected revenue *minus* actual revenue collection. Further, Section 7 (2) provides that the compensation payable to any State shall be provisionally calculated and released at the end of every two months period, and shall be finally calculated for every financial year after the receipt of final revenue figures, as audited by the Comptroller and Auditor General of India.

In Mizoram, the GST Act was passed in the State Legislative Assembly on 26 May 2017 and came into effect with effect from July 2017. The existing Mizoram Value Added Tax was also subsumed into the GST Act (except Alcohol for human consumption, petrol and petroleum products *viz.* petroleum crude, high speed natural gas, aviation turbine fuel and Professional Tax).

Total receipts of the State Government from taxes subsumed into GST during the base year (2015-16) was ₹ 189.00 crore. As per the calculation prescribed under Section 6 of the Goods and Services Tax (Compensation to States) Act, 2017, the total revenue to be protected during the year was ₹ 245.63 crore. Accordingly, GoI was to protect ₹ 189.22 crore during the remaining months of 2017-18 (July 2017 to March 2018). During July 2017 to March 2018, actual revenue collection of the State including collection of taxes subsumed into GST *vis-à-vis* protected revenue is detailed below:

Particulars	Amount (₹ in crore)
Protected Revenue	184.22
State Goods and Services Tax	169.76
Collection of Pre-GST Taxes (July 2017 to March 2018)	69.11
Total collection	238.87
Compensation to be received during the year	0.00
Compensation received	0.00

It can be seen from the table above that the actual receipts and collection of tax of ₹ 238.87 crore exceeded the protected revenue of ₹ 184.22 crore by ₹ 54.65 crore. As such, no compensation was received for the said period.

Chapter-I: Finances of the State Government

Moreover, an increase of ₹ 104.10 crore in the overall collection of Own Tax Revenue in 2017-18 over the previous year was mainly attributable to receipts under SGST which is indicative of the fact that the State has benefitted from the implementation of GST taxation system.

1.4.1.3 Non-Tax Revenue

Non-Tax Revenue accounts for receipts from services rendered and supplies made by various Departments of Government and interest receipts. The main components of the State's Non-Tax Revenue for the year 2013-18 are given in **Table-1.7**:

Table-1.7: Composition of Non-Tax Revenue during 2013-18

(₹ in crore)						
Name of component	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage increase over previous year
General Services	18.99	22.13	26.00	26.77	32.13	20.02
Social Services	23.67	27.61	42.55	43.66	46.83	7.26
Economic Services	133.67	172.34	198.36	246.44	260.55	5.73
Interest received and dividends & profits	17.93	19.88	30.73	48.35	51.14	5.77
Total	194.26	241.96	297.63	365.22	390.65	6.96
Revenue Receipts	4,764.85	5,511.10	6,676.40	7,398.30	8,580.20	15.98

Source: Finance Accounts of respective years

Non-Tax Revenue constituted 4.08 to 4.94 *per cent* of the Total Revenue Receipts during the last five years. During 2017-18, Non-Tax Revenue recorded a growth of 6.96 *per cent* over the previous year. There was steady increase in Non-Tax Revenue from ₹ 194.26 crore in 2013-14 to ₹ 390.65 crore in 2017-18. The major contributors to the State's Non-Tax Revenue during 2017-18 were Interest Receipts (₹ 51.14 crore), Water Supply and Sanitation (₹ 39.49 crore), Roads & Bridges (₹ 22.39 crore) and State Lotteries (₹ 13.80 crore).

The State Government may explore the possibility of mobilising additional resources through Tax and Non-Tax sources.

1.4.2 Grants-in-Aid from Government of India

Table-1.8 shows GIA received from the GoI during 2013-14 to 2017-18.

Table-1.8: GIA received from the GoI during 2013-14 to 2017-18

(₹ in crore)					
Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Non-Plan Grants	1,141.61	1,095.48	2,190.37	2,356.38	0.00
Grants for State Plan Schemes	1,904.79	2,264.17	824.67	771.41	0.00
Grants for Central Plan Schemes	11.84	24.51	40.22	37.83	0.00
Grants for Centrally Sponsored Plan Schemes	369.07	662.77	520.03	545.87	0.00
Grants for Special Plan Schemes	55.42	45.02	96.96	79.15	0.00
Centrally Sponsored Schemes	---	---	---	---	1,464.80
Finance Commission Grants	---	---	---	---	2,535.51
Other Transfer/ Grants to States	---	---	---	---	546.28
Total	3,482.73	4,091.95	3,672.25	3,790.64	4,546.59
Percentage of increase over previous year	5.06	17.49	(-) 10.26	3.22	19.94
Total grants as a percentage of Revenue Receipts	73.09	74.25	55.00	51.24	52.99

Source: Finance Accounts of respective years

Chapter-I: Finances of the State Government

The GIA increased by ₹ 755.95 crore (19.94 per cent) during 2017-18 from ₹ 3,790.64 crore in 2016-17 to ₹ 4,546.59 crore in 2017-18. There was a substantial change in the pattern of devolution of funds under the recommendations of the Fourteenth Finance Commission (XIV FC) due to non-consideration of State specific projects/ schemes and reduction in grants under certain sectors viz. Health, education, drinking water and sanitation and general administration, etc. as appropriate fiscal space was provided to enable the State to meet the additional expenditure according to State's requirement. As a result, the devolution of funds decreased to ₹ 3,672.25 crore in 2015-16 from ₹ 4,091.95 crore. However, the same increased progressively to ₹ 4,546.59 crore during 2017-18.

1.4.3 Central Tax Transfers

As per the XIV FC recommendations, the share of the States in shareable Central Taxes increased from 32 per cent (XIII FC award period) to 42 per cent. The State's share during the XIII FC award period was 0.269 per cent and 0.273 per cent for all shareable taxes and Service Tax respectively which increased to 0.460 per cent and 0.464 per cent respectively during XIV FC award period. **Table-1.9** gives the position of Central Tax transfers vis-à-vis the recommendation made by the XIV FC during 2017-18.

Table-1.9: Central Tax Transfers vis-à-vis XIV FC recommendations during 2017-18

(₹ in crore)

Revenue Head	2016-17 (Actual)	2017-18		Percentage variation of Actual over	
		Recommended as per XIV FC	Actual	XIV FC	2016-17
Corporation Tax	899.01	1,240.60	948.82	(-) 23.27	5.54
Income other than Corporation Tax	624.82	774.30	801.20	3.81	28.23
Customs	386.72	489.98	312.70	(-) 35.97	(-) 19.14
Central Goods and Services Tax	---	---	44.16	*---	*---
Integrated Goods and Services Tax	---	---	312.80	*---	*---
Union Excise Duties	441.60	422.79	326.90	(-) 22.43	(-) 25.97
Service Tax	446.42	621.66	350.50	(-) 43.43	(-) 21.49
Taxes on Wealth	2.05		(-) 0.03		(-) 101.46
Other Taxes and Duties on Commodities and Services	0.01	8.63	---	(-) 100.34	*---
Other Taxes on Income and Expenditure	0.00		---		*---
Total of Central Tax Transfers	2,800.63	3,557.96	3,097.05	(-) 12.95	10.58

Source: XIV FC recommendations and Finance Accounts of respective years

* The Percentage could not be calculated as the transfers were NIL

The Central Tax transfer increased by ₹ 296.42 crore (10.58 per cent) in 2017-18 over the previous year. The increase was largely due to devolution of Integrated Goods and Services Tax (₹ 312.80 crore) and Central Goods and Services Tax (₹ 44.16 crore).

1.4.4 XIV Finance Commission grants

The details of grants transferred to the State as per recommended by XIV FC during the award period are as follows:

Chapter-I: Finances of the State Government

Table-1.10: Funds recommended by XIV FC and its actual release during 2014-18

(₹ in crore)

Sl. No.	Transfers	Actual Release			(2017-18)	
		2014-15	2015-16	2016-17	XIV FC Recommendation	Release
1.	Local Bodies, out of which	50.27	11.54	20.68	23.80	18.46
	<i>Grants to PRIs</i>	13.37	---	---	---	---
	<i>Grants to ULBs</i>	36.00	11.54	20.68	23.80	18.46
	<i>Special Areas Grant</i>	0.90	---	---	---	---
2.	Disaster Relief	9.36	15.30	16.20	17.00	17.10
3.	Environmental related grants	49.01	---	---	---	---
4.	Roads and Bridges	26.00	---	---	---	---
5.	State specific grants	88.02	---	---	---	---
6.	Rural Areas Outside the Jurisdiction of Scheduled XI areas	---	---	---	---	45.44
7.	Funds to Autonomous District Councils	---	---	---	---	8.51
8.	Post Devolution Revenue Deficit Grants	---	---	---	---	2446.00
Total		222.66	26.84	36.88	40.80	2535.51

Source: The XIV FC Report and Departmental Figures

* There were no transfers during these years

There were significant decrease of ₹ 195.82 crore (87.95 per cent), ₹ 185.78 crore (83.44 per cent) and ₹ 181.86 crore (81.68 per cent) in the funds recommended by the XIV FC in 2015-16, 2016-17 and 2017-18 respectively as compared to 2014-15 (XIII FC award period). As per the XIV FC, this lower devolution of grants was owing to the additional fiscal space provided in the form of tax devolution to meet additional expenditure needs as per requirements of the State.

1.5 Capital Receipts

The Capital Receipts include Recovery of Loans and Advances (non-debt Capital Receipts) and Public Debt Receipts (debt Capital Receipts). The details of Capital Receipts during 2013-14 to 2017-18 are given in **Table-1.11**.

Table-1.11: Trends in growth and composition of Capital Receipts

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Capital Receipts (a+b)	988.35	1,414.71	588.91	777.96	915.78
(a) Recovery of Loans and Advances	33.11	31.63	25.84	22.45	21.64
(b) Public Debt Receipts	955.24	1,383.08	563.07	755.51	894.14
<i>Of which, Market Loans raised</i>	260.06	230.04	200.05	671.95	424.37
Rate of growth of CR (per cent)	119.75	43.14	(-) 58.37	32.10	17.72
Rate of growth of non-Debt Capital Receipts	12.31	(-) 4.47	(-) 18.31	(-) 13.12	(-) 3.61
Rate of growth of Debt Capital Receipts	127.29	44.79	(-) 59.29	34.18	18.35

Source: Finance Accounts of respective years

Chapter-I: Finances of the State Government

The Public Debt Receipts (₹ 894.14 crore) represented 97.64 *per cent* of the Capital Receipts (₹ 915.78 crore) during 2017-18. The Public Debt Receipts increased by 18.35 *per cent*; whereas, recovery of the non-Debt Capital Receipts decreased by 3.61 *per cent* in 2017-18 as compared to the previous year.

1.5.1 Debt Capital Receipts from internal sources

The main contributors of Debt Capital Receipts from internal sources in 2017-18 were Market Borrowings (₹ 424.37 crore) and loans from National Bank for Agriculture and Rural Development (NABARD) (₹ 106.74 crore) and from Other Financial Institutions² (₹ 120.26 crore).

Market loans raised by the State Government showed a decreasing trend³ during 2013-14 to 2015-16. During 2016-17, it rose sharply to ₹ 671.95 crore which declined to ₹ 424.37 crore during 2017-18 registering a fall of 36.85 *per cent* over the previous year and constituted 47.46 *per cent* of Public Debt Receipts.

1.5.2 Recoveries of Loans and Advances

Recoveries of Loans and Advances progressively decreased from ₹ 33.11 crore during 2013-14 to ₹ 21.64 crore during 2017-18. The major contributor of recoveries under Loans and Advances were loan recovery from Government Servants (₹ 14.20 crore), Housing (₹ 4.47 crore) and Co-operation (₹ 2.96 crore).

1.6 Public Account Receipts

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Fund, 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 disbursements is the funds available with the Government for use. **Table-1.12** depicts Public Account Receipts of the State Government during 2013-18.

Table-1.12: Public Account Receipts for the years 2013-18

	(₹ in crore)				
Resources under various heads	2013-14	2014-15	2015-16	2016-17	2017-18
Public Account Receipts	3,435.47	3,692.99	2,915.47	3,017.68	4,521.83
Small Savings, Provident Fund, <i>etc.</i>	655.20	733.07	813.16	837.20	847.16
Reserve Funds	32.58	31.73	50.78	43.45	75.38
Deposits and Advances	1,106.20	1,346.28	667.45	701.29	1,239.35
Suspense and Miscellaneous	123.34	(-) 79.76	(-) 124.38	(-) 539.89	(-) 308.53
Remittances	1,518.15	1,661.67	1,508.46	1,975.63	2,668.47

Source: Finance Accounts of respective years

² Rural Electrification Corporation: ₹ 3.73 crore, Power Finance Corporation: ₹ 116.53 crore

³ From ₹ 260.04 crore in 2013-14 to ₹ 200.05 crore in 2015-16

Chapter-I: Finances of the State Government

During 2017-18, the Public Account Receipts increased by ₹ 1,504.15 crore (49.84 per cent) over the previous year. This was mainly due to increases in Remittances by ₹ 692.84 crore, Deposits and Advances by ₹ 538.06 crore, Reserve Funds by ₹ 31.93 crore and Suspense and Miscellaneous by ₹ 231.36 crore.

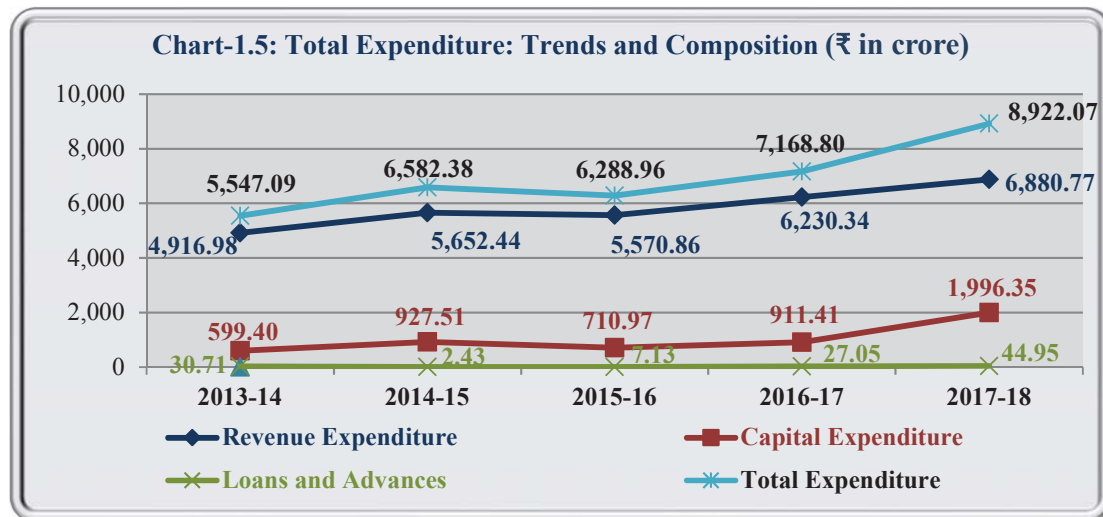
1.7 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance, since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary controls 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 of social sectors.

1.7.1 Growth and Composition of Expenditure

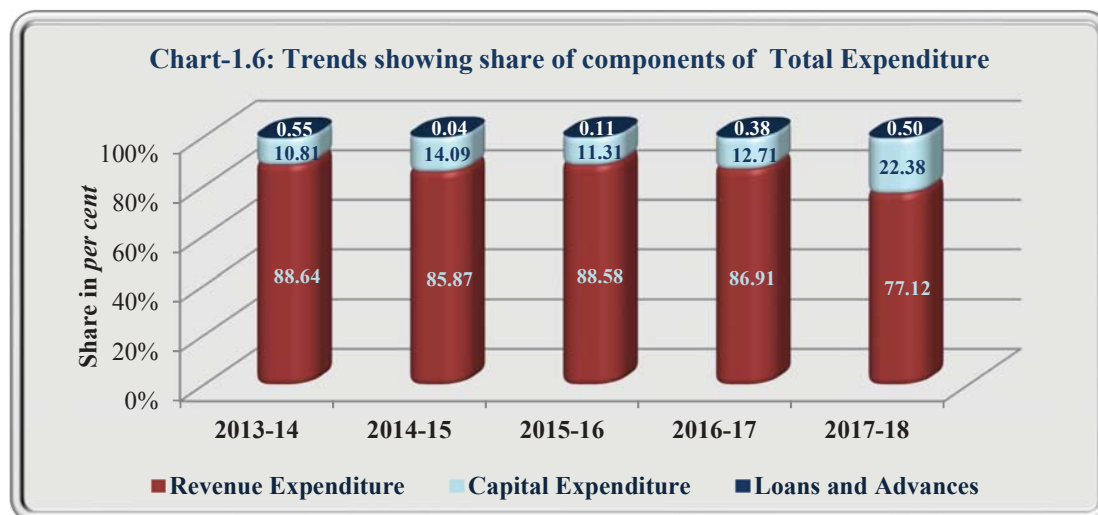
Statement 15 of the Finance Account depicts the detailed Revenue Expenditure and Statement 16 depicts Capital Expenditure. States raise resources to perform their sovereign functions to maintain their existing level of delivery of Social and Economic Services, to extend the network of these services through Capital Expenditure and investments and to discharge their debt service obligations.

Chart-1.5 presents the trends in Total Expenditure over a period of five years (2013-18) and its composition both in terms of 'economic classification' and 'activities'.



Source: Finance Accounts of respective years

The compositions of Total Expenditure during 2013-18 are shown in **Chart-1.6**:



Source: Finance Accounts of respective years

The Total Expenditure of the State Government increased progressively (except 2015-16) at a CAGR of 12.62 *per cent*. The Total Expenditure increased by 24.46 *per cent* from ₹ 7,168.80 crore in 2016-17 to ₹ 8,922.07 crore in 2017-18. Of the Total Expenditure during 2017-18, Revenue Expenditure constituted 77.12 *per cent*, while Capital Expenditure constituted 22.38 *per cent* and Loans and Advances constituted 0.50 *per cent*.

The Total Expenditure, its annual growth rate, its ratio and buoyancy with respect to GSDP and Revenue Receipts are given in **Table-1.13**.

Table-1.13: Total Expenditure – basic parameters

	2013-14	2014-15	2015-16	2016-17	2017-18
Total Expenditure (TE) (₹ in crore)	5,547.09	6,582.38	6,288.96	7,168.80	8,922.07
Rate of Growth (<i>per cent</i>)	7.78	18.66	(-) 4.46	13.99	24.46
TE/ GSDP ratio	53.89	59.73	47.02	51.61	50.30
RR/ TE ratio	85.90	83.73	106.16	103.20	96.17
Buoyancy of Total Expenditure with reference to:					
GSDP	0.34	0.60	(-) 0.33	2.09	2.92
RR	1.55	1.19	(-) 0.21	1.29	1.53

Source: Finance Accounts of respective years

Total Expenditure increased by ₹ 1,753.27 crore (24.46 *per cent*) in 2017-18 over 2016-17. This was due to increase in Revenue Expenditure by ₹ 650.43 crore (10.44 *per cent*), Capital Expenditure by ₹ 1,084.94 crore (119.04 *per cent*) and disbursement of Loans and Advances by ₹ 17.90 crore (66.17 *per cent*).

During 2017-18, 96.16 *per cent* of the Total Expenditure (₹ 8,922.07 crore) was met from Revenue Receipts (₹ 8,580.20 crore) and the remaining was met from the Capital Receipts and borrowed funds.

Chapter-I: Finances of the State Government

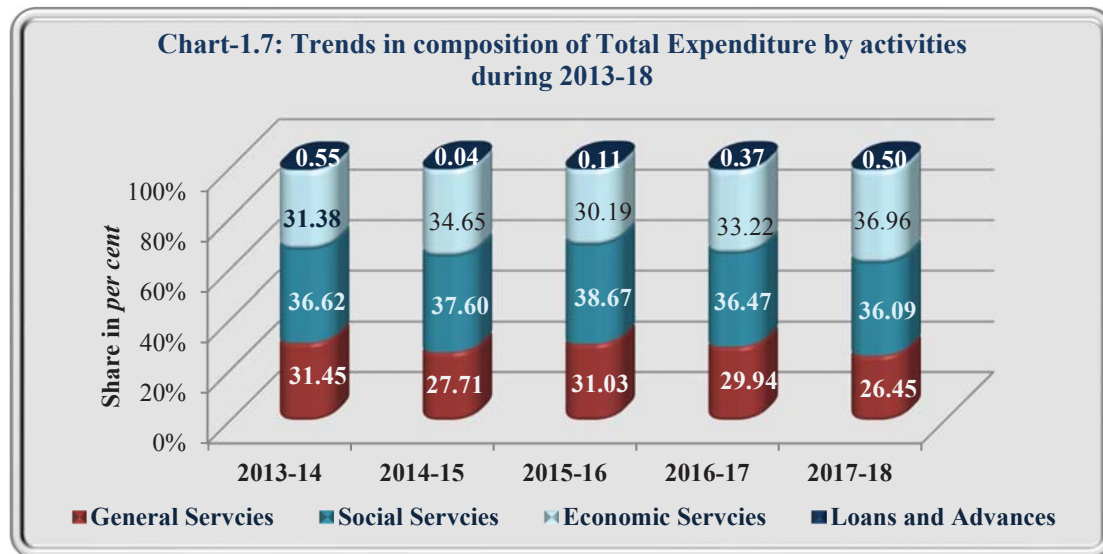
The percentage decrease of Revenue Receipts to Total Expenditure from 103.20 *per cent* in 2016-17 to 96.17 *per cent* in 2017-18 was due to increase in Revenue Expenditure, Capital Expenditure and Loans and Advances (24.45 *per cent*) which was offset by a lower growth rate in Revenue Receipts (15.98 *per cent*). The increased buoyancy of Total Expenditure with respect to GSDP during 2017-18 was due to increase in growth rate of Total Expenditure by 24.46 *per cent* and a lower estimated growth rate of GSDP by 8.39 *per cent*. Similarly, the buoyancy ratio of Total Expenditure with respect to Revenue Receipts also increased during 2017-18 due to higher growth rate of Total Expenditure (24.46 *per cent*) against Revenue Receipts (15.98 *per cent*).

In the context of State Finance, the quality of expenditure has always been an important issue. During the current year, revenue expenditure, which is in the nature of current consumption, accounted for 77 *per cent* of the State's aggregate expenditure, whereas the capital expenditure increased from 11 to 22 *per cent* during 2013-14 to 2017-18 period.

The General Services expenditure increased by ₹ 213.26 crore (9.94 *per cent*) from ₹ 2,146.23 crore in 2016-17 to ₹ 2,359.49 crore in 2017-18, Social Services expenditure increased by ₹ 606.09 crore (23.18 *per cent*) from ₹ 2,614.15 crore in 2016-17 to ₹ 3,220.24 crore in 2017-18 and Economic Services expenditure increased by ₹ 916.02 crore (38.47 *per cent*) from ₹ 2,381.37 crore in 2016-17 to ₹ 3,297.39 crore in 2017-18.

1.7.2 Trends in Total Expenditure in terms of activities

In terms of activities, Total Expenditure comprises of expenditure on General (including Interest Payments), Social and Economic Services and Loans and Advances. The trends in composition of Total Expenditure by activities during 2013-18 are shown in **Chart-1.7**:



Source: Finance Accounts of respective years

The movement of relative share of these components of expenditure in 2017-18 *vis-à-vis* 2013-14 indicated that the expenditure on General Services (including Interest Payments),

Chapter-I: Finances of the State Government

accounted for 26.45 *per cent* in 2017-18 as against 31.45 and 29.94 *per cent* in 2013-14 and 2016-17 respectively. On the other hand, expenditure on Social and Economic Services together (termed as Development Expenditure) accounted for 73.05 *per cent* in 2017-18 as against 68.00 and 69.69 *per cent* in 2013-14 and 2016-17 respectively.

1.7.3 Revenue Expenditure

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. Revenue Expenditure had a predominant share varying between 77.12 and 88.64 *per cent* of the Total Expenditure of the State during 2013-18. The growth rate of Revenue Expenditure, its buoyancy and ratio with respect to GSDP and Revenue Receipts are indicated in **Table-1.14**.

Table-1.14: Revenue Expenditure vis-à-vis GSDP and Revenue Receipts

	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Expenditure (RE) of which	4,916.98	5,652.44	5,570.86	6,230.34	6,880.77
Non-Plan Revenue Expenditure (NPRE)	3,120.14	3,500.62	3,623.00	4,078.13	0.00
Plan Revenue Expenditure (PRE)	1,796.84	2,151.82	1,947.86	2,152.21	6,880.77
Rate of growth of RE (<i>per cent</i>)	9.05	14.96	(-) 1.44	11.84	10.44
RE as percentage of TE	88.64	85.87	88.58	86.91	77.12
Buoyancy of RE with GSDP	0.39	0.48	(-) 0.11	1.77	1.24
Buoyancy of RE with RR	1.80	0.96	(-) 0.07	1.10	0.65

Source: Finance Accounts of respective years

The overall Revenue Expenditure of the State Government increased in gross terms from ₹ 4,916.98 crore in 2013-14 to ₹ 6,880.77 crore in 2017-18 at a CAGR of 8.76 *per cent*. The Revenue Expenditure significantly increased by 10.44 *per cent* from ₹ 6,230.34 crore in 2016-17 to ₹ 6,880.77 crore in 2017-18.

The actual Revenue Expenditure vis-à-vis assessment made by the XIV FC was as follows:

	(₹ in crore)	
	Assessment made by XIV FC for 2017-18	Actual
Revenue Expenditure	6,710.00	6,880.77

The actual Revenue Expenditure exceeded the normative assessment made by XIV FC by ₹ 170.77 crore (2.54 *per cent*).

1.7.4 Parking of Government Funds outside Government Account

Rule 290 of Central Treasury Rules (CTR), provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budgetary grants.

Audit scrutiny of records of 95 Drawing and Disbursing Officers (DDOs) pertaining to 33 Departments, revealed that funds amounting to ₹ 494.64 crore were withdrawn from the Treasuries and parked in 179 bank accounts of Commercial/ Nationalised Banks in

Chapter-I: Finances of the State Government

contravention of the CTR codal provision and the instructions of the Finance Department. Details are shown in **Appendix-1.6**.

This has the impact of overstating the actual expenditure of the Government to the tune of ₹ 494.64 crore and understating the Revenue Surplus by the same amount. Further, the Fiscal Deficit also stands overstated to this extent.

Drawal of money from the Consolidated Fund and parking it in the DDOs' bank accounts for future utilisation is fraught with the risk of misappropriation and fraud, which calls for fixing of responsibility of DDOs concerned as the amount is outside the books of accounts.

The issue of parking of funds in bank accounts for prolonged period is also a matter of concern, as it earns insignificant interest (three *per cent per annum* approx.). Since the State Government borrowed ₹ 894.14 crore during 2017-18 at an interest rate ranging from 7.22 *per cent* to 8.14 *per cent* for implementing various socio-economic developmental programmes, parking funds which remain idle for prolonged periods, would amount to loss to the State Government. The State could have reduced its borrowings during the year if it had utilised these funds.

1.7.5 Committed Expenditure

The Committed Expenditure of the State Government on revenue account mainly consists of Interest Payments, expenditure on Salaries and Wages, Pensions and Subsidies. **Table-1.15** presents the trends in the expenditure on these components during 2013-18.

Table-1.15: Components of Committed Expenditure

(₹ in crore)					
Components of Committed Expenditure	2013-14	2014-15	2015-16	2016-17	2017-18
Salaries and Wages*	1,908.22 (40.05)	2,051.47 (37.22)	2,201.39 (32.97)	2,323.02 (31.40)	2,400.82 (27.98)
Of which, Non-Plan Head	1,503.55	1,695.24	1,782.85	1,881.04	---
Plan Head**	404.67	356.23	418.54	4,41.98	---
Interest Payments	284.50 (5.97)	305.83 (5.55)	369.27 (5.53)	341.26 (4.61)	339.20 (3.95)
Expenditure on Pensions	524.58 (11.01)	545.26 (9.89)	616.30 (9.23)	761.40 (10.29)	837.78 (9.76)
Subsidies	0.74 (0.02)	2.08 (0.04)	4.91 (0.07)	2.17 (0.03)	13.00 (0.15)
Total Committed Expenditure	2,718.04 (53.85)	2,904.64 (50.14)	3,191.87 (64.37)	3,427.85 (62.12)	3,590.80 (61.66)
Total Revenue Expenditure	4,916.98	5,652.44	5,570.86	6,230.34	6,880.77

Figures in the parentheses indicate percentage to Revenue Receipts

* Salaries and wages also includes those spent from GIA

** Also includes the salaries and wages paid under Centrally Sponsored Schemes

Source: Finance Accounts of respective years

(A) Expenditure on Salaries

Salaries and Wages (₹ 2,400.82 crore) alone accounted for more than one fourth of the Revenue Receipts (₹ 8,580.20 crore) during 2017-18. While the share of salaries and wages w.r.t. Revenue Receipts significantly decreased from 40.05 *per cent* in 2013-14 to 27.98 *per cent*

Chapter-I: Finances of the State Government

in 2017-18, the expenditure on Salaries and Wages increased from ₹ 1,908.22 crore during 2013-14 to ₹ 2,400.82 crore in 2017-18. The expenditure on Salaries and Wages has increased by 3.35 per cent from ₹ 1,908.22 crore in 2016-17 to ₹ 2,400.82 crore in 2017-18.

(B) Interest Payments

Interest Payments increased in 2017-18 by 19.22 per cent over 2013-14 whereas, it decreased marginally by 0.60 per cent over 2016-17 mainly due to decrease in interest on Internal Debt by ₹ 1.93 crore

(C) Pension Payments

The expenditure on Pension Payments increased by 60 per cent from ₹ 524.57 crore in 2013-14 to ₹ 837.77 crore in 2017-18. During 2017-18, Pension Payments increased by ₹ 76.37 crore (10.03 per cent) over the previous year.

The State Government had introduced 'The New Defined Contribution Pension Scheme' (NPS) on 01 September 2010 which covered State Government employees recruited on or after 01 September 2010. In terms of NPS, an employee contributes 10 per cent of his monthly salary and Dearness Allowance for which matching contribution of 10 per cent is made by the State Government. The State Government adopted NPS architecture designed by the Pension Fund Regulatory Development Authority (PFRDA) and appointed the National Securities Depository Limited (NSDL) as the Central Record Keeping Agency (CRA). Bank of India is the Trustee Bank in charge of operation of Pension Funds. Accordingly, the entire amount is transferred to the National Securities Depository Limited (NSDL)/ Trustee Bank.

The Ministry of Finance notification (January 2019) envisages that if the deducted amount of employees' share or the Government's share is either not deposited or deposited late to the CRA, then the Government has to compensate to the employees at the rate applicable to GPF from time to time.

During 2013-18, the employees contribution amounted to ₹ 57.65 crore, whereas the employer contributed only ₹ 56.36 crore resulting in a short contribution of ₹ 1.29 crore. The employees' contribution, employers' contribution and the actual amount transferred to NSDL thereof are detailed in **Table-1.16** below:

Table-1.16: Transfer of NPS Fund to NSDL

Year	Opening Balance	Details of Contribution				Amount transferred to NSDL	Closing Balance (2+6-7)	Interest liability {(2+5)*Rate#}
		Employees	Government	Short (3-4)	Total (3+4)			
1	2	3	4	5	6	7	8	9
2013-14	0.73	4.73	5.30	(-) 0.57	10.03	10.60	0.16	0.01
2014-15	0.16	8.22	7.95	0.27	16.17	15.90	0.43	0.04
2015-16	0.43	11.48	11.28	0.20	22.76	22.56	0.63	0.06
2016-17	0.63	14.58	13.88	0.70	28.46	27.76	1.33	0.11
2017-18	1.33	18.64	17.95	0.69	36.59	35.90	2.02	0.15
Total		57.65	56.36	1.29	114.01	112.72		0.37

Source: Finance Accounts, 2017-18

Interest has been calculated on the prevailing interest rate of General Provident Fund

Chapter-I: Finances of the State Government

Audit analysed functioning of NPS, which revealed that the Government collected ₹ 18.64 crore from employees as contribution towards National Pension Scheme (NPS) and contributed only ₹ 17.95 crore as Government's share towards the Scheme during 2017-18. Thus, Government did not discharge its statutory liability as it failed to contribute ₹ 0.69 crore as Government's matching share under NPS during 2017-18. Further, against the total collected funds of ₹ 37.92 crore (including previous year's balance ₹ 1.33 crore), the Government transferred ₹ 35.90 crore only to designated authority (NSDL) and did not transfer ₹ 2.02 crore to NSDL for further investment as per provisions of the scheme. Thus, there was a short transfer of ₹ 2.02 crore to the NSDL and current liability stands deferred to future year(s). Further, during the period from 2013-14 to 2017-18, State Government did not contribute its matching share of ₹ 1.29 crore as against the total Employees' share of ₹ 57.65 crore, Government contributed only ₹ 56.36 crore. Moreover, against the total collected funds of ₹ 114.74 crore (including previous year's balance ₹ 0.73 crore), the Government transferred ₹ 112.72 crore only to designated authority (NSDL). As a result, the total liability of the Government on account of NPS stands at ₹ 3.31 crore (₹ 1.29 crore- Matching share not contributed *plus* ₹ 2.02 crore- short transfer to NSDL) as on 31 March 2018. Thus, the State Government created interest liability on the amount not transferred to NSDL, incorrectly used the funds that belong to its employees and created benefit uncertainty in respect of the employees affected.

As per correction slip No. 793 effective from 2015-16 issued to LMMH a new minor head '119' below the functional major head '2071 – Pension and Retirement benefits' was required to be opened for accounting the expenditure towards service charges paid to NSDL. It was observed that no such head was operated during 2017-18. During the period, ₹ 0.15 crore was paid to the NSDL as service charges through the functional major head '2071-117'. Thus, during 2017-18, the expenditure was overstated under minor head '117' due to non-operation of minor head '119'. As such, it defeated the very purpose of issuance of correction slip by the Controller General of Accounts (CGA) to operationalise the new minor head.

The State Government needs to ensure that Government contribution is fully matched with that of the employees' contribution and that the entire amount is transferred to NSDL in a timely manner to avoid unlimited liability on the State exchequer as well as to provide an assurance to the pensioners about the returns on their investment.

(D) Expenditure on Subsidies

Subsidies as a percentage of the Revenue Receipts increased from 0.03 *per cent* in 2016-17 to 0.15 *per cent* in 2017-18. During the period 2013-18, expenditure on Subsidies showed inter-year variations ranging from ₹ 0.74 crore to ₹ 13.00 crore. It increased by almost 500 *per cent* to ₹ 13.00 crore in 2017-18 compared to ₹ 2.17 crore in 2016-17.

1.7.6 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 2013-18 is shown in **Table-1.17**.

Chapter-I: Finances of the State Government

Table-1.17: Financial Assistance to Local Bodies, etc.

(₹ in crore)					
Financial Assistance to Institutions	2013-14	2014-15	2015-16	2016-17	2017-18
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	121.87	260.95	115.11	118.74	342.41
Panchayati Raj Institutions/ Urban Local Bodies	13.50	65.49	25.10	29.15	64.14
Autonomous District Councils ⁴	201.69	239.41	16.05	293.72	343.70
Other Institutions ⁵	657.31	1,065.96	1,181.98	1,003.70	928.36
Total	994.37	1,631.81	1,338.24	1,445.31	1,678.61
Assistance as percentage of RE	20.22	28.87	24.02	23.20	24.40

Source: Finance Accounts of respective years

The grants extended to local bodies and other institutions increased by 16.14 *per cent* from ₹ 1,445.31 crore in 2016-17 to ₹ 1,678.61 crore in 2017-18. Further, the share of financial assistance to Local Bodies and other Institutions as a percentage of Revenue Expenditure increased from 20.22 *per cent* in 2013-14 to 24.40 *per cent* in 2017-18. The increase of financial assistance by ₹ 233.30 crore in 2017-18 over 2016-17 was mainly due to increase in financial assistance to Educational Institutions (₹ 223.67 crore).

The Indian Government Accounting Standards (IGAS) 2 on Accounting and Classification on Grants-in-Aid issued by Ministry of Finance envisages the disclosure of value of grants given in cash as well as in kind.

Scrutiny of Finance Accounts for the year 2017-18 showed that though the Statement of Grants-in-Aid given by the Government discloses the Grants-in-Aid paid in cash as detailed in **Table-1.17**, Grants-in-Aid given in kind by the State Government was not disclosed as details could not be furnished by the State Government. Due to non-furnishing of such information as required by IGAS-2, Grants-in-Aid given in kind by the State Government could not be ascertained from the Finance Accounts for the year 2017-18.

1.8 Quality of Expenditure

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

1.8.1 Adequacy of Public Expenditure

The analysis of expenditure data is disaggregated into Developmental and Non-Developmental Expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorised into Social, Economic and General Services. Broadly, the Social and Economic Services constitute Developmental Expenditure, while expenditure on General Services is treated as Non-Developmental Expenditure. In terms of quality of expenditure, the

⁴ (Figures for 2017-18) Lai Autonomous District Council (₹ 136.17 crore), Mara Autonomous District Council (₹ 125.78 crore) and Chakma Autonomous District Council (₹ 81.75 crore)

⁵ (Figures for 2017-18) Sports Council (₹ 9.07 crore), Khadi and Village Industry (₹ 10.08 crore), Integrated Child Protection Scheme (₹ 20.41 crore) and Others (₹ 1,639.05 crore)

Chapter-I: Finances of the State Government

State was well placed compared to other Special Category States (SCS). **Table-1.18** analyses the fiscal priority and fiscal capacity of the State Government with regard to Developmental Expenditure, Social Sector Expenditure and Capital Expenditure during 2017-18.

Table-1.18: Fiscal Priority and Fiscal Capacity of the State during 2013-18

Fiscal Priority by the State (in per cent)	TE/ GSDP	DE/ TE	SSE/ TE	CE/ TE	Education/ TE	Health/ TE
SCS Average (Ratio) 2013-14	23.50	64.00	37.60	13.80	18.30	5.40
Mizoram State's Average (Ratio) 2013-14	53.89	68.08	36.62	10.81	16.63	4.73
SCS Average (Ratio) 2017-18	25.80	58.90	34.90	15.50	18.20	6.20
Mizoram State's Average (Ratio) 2017-18	50.30	73.10	36.09	22.37	14.14	6.21

TE: Total Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure
Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Development Loans and Advances disbursed

Source: Finance Accounts of respective years

A comparison of the data related to Mizoram with that of SCS showed the following:

- The Government's Total Expenditure as a proportion of GSDP in 2013-14 was more than two times the SCS average. In 2017-18, it was almost two times of the SCS average.
- Development Expenditure as a proportion of Total Expenditure was higher than the SCS average during 2013-14 and 2017-18. However, the State's Development Expenditure to Total Expenditure ratio increased marginally from 68.08 per cent in 2013-14 to 73.10 per cent in 2017-18.
- Expenditure on Social Sector as a proportion of Total Expenditure was slightly lower than the SCS average during 2013-14, however, marginally higher during 2017-18.
- The share of Capital Expenditure of the State was less than the SCS average in 2013-14 and, however, it was more than SCS average in 2017-18. However, the proportion of Capital Expenditure to Total Expenditure increased during 2017-18 in comparison to 2013-14.
- The share of expenditure on Education as a proportion of Total Expenditure was slightly lower than the SCS averages in 2013-14 and 2017-18. However, it decreased marginally in 2017-18 as compared to 2013-14.
- The share of expenditure on Health Sector as a proportion of Total Expenditure was less than the SCS average in 2013-14. The ratio, however, improved during 2017-18 and was marginally higher than the SCS average.

1.8.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public

and merit goods⁶. Apart from improving the allocation towards developmental expenditure, particularly in view of the State's fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by 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. **Table-1.19** presents the components of Development Expenditure and their share (in *per cent*) to Total Expenditure of the State during 2013-18.

Table-1.19: Development Expenditure

(₹ in crore)					
Components of Development Expenditure	2013-14	2014-15	2015-16	2016-17	2017-18
Development Expenditure (a+b+c)	3,776.33 (68.08)	4,757.89 (72.28)	4,337.65 (68.97)	5,000.51 (69.75)	6,522.18 (73.10)
a. Development Revenue Expenditure	3,230.36 (58.24)	3,902.79 (59.29)	3,653.85 (58.10)	4,133.29 (57.66)	4,641.63 (52.02)
b. Development Capital Expenditure	541.68 (9.77)	853.30 (12.96)	676.77 (10.76)	862.23 (12.03)	1,876.00 (21.03)
c. Development Loans and Advances	4.29 (0.08)	1.80 (0.03)	7.03 (0.11)	4.99 (0.07)	4.55 (0.05)
<i>Figures in parentheses indicate percentage to Total Expenditure</i>					

Source: Finance Accounts of respective years

Development Expenditure on socio-economic services increased from ₹ 3,776.33 crore in 2013-14 to ₹ 6,522.18 crore in 2017-18. It registered an increase of 30.43 *per cent* (₹ 1,521.67 crore) in 2017-18 over the previous year. During the five years' period ending 2017-18, the share of State's Development Expenditure averaged around 70 *per cent* of State's Total Expenditure.

Table-1.20 and **Table-1.21** summarise the percentage of expenditure incurred by the State Government in intensifying and sustaining Social and Economic Services in the State under different components of Economic and Social Services sector during the period 2013-18.

⁶ Core public goods are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, *e.g.*, enforcement of law and order, security and protection of our rights, pollution free air and other environmental goods and road infrastructure, *etc.* Merit goods are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept or need, rather than ability and willingness to pay the Government and therefore wishes to encourage their consumption. The examples of such goods include the provision of free or subsidised food for the poor to support nutrition, the delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation, *etc.*

Chapter-I: Finances of the State Government

Table-1.20: Efficiency of Capital Expenditure in selected Social and Economic Services

(in per cent)

Services	Ratio of Capital Expenditure to Total Expenditure [®]				
	2013-14	2014-15	2015-16	2016-17	2017-18
Social Services (SS)					
Education, Sports, Art and Culture	3.07	1.86	2.53	1.74	4.21
Health and Family Welfare	5.53	5.15	2.96	7.12	15.35
WS, Sanitation and HUD	38.93	47.37	36.21	45.20	58.47
Other Social Services	5.79	9.35	6.48	5.69	4.38
Total (SS)	10.03	12.69	8.72	11.98	19.06
Economic Services (ES)					
Agriculture and Allied Activities	16.21	17.66	24.82	8.09	32.35
Irrigation and Flood Control	0.22	4.49	41.24	36.24	62.47
Power & Energy	17.05	29.52	15.69	8.51	29.38
Transport	14.07	49.13	50.60	56.42	61.25
Other Economic Services	16.26	10.86	11.42	12.65	19.81
Total (ES)	19.18	23.64	24.48	23.05	38.28
Grand Total (SS+ES)	14.36	17.94	15.63	17.26	28.78

Source: Finance Accounts of respective years WS-Water Supply, HUD-Housing and Urban Development;

[®] Total Revenue and Capital Expenditure of the services concerned

The above table shows that:

- Development Capital Expenditure, in *per cent* terms, increased significantly from 17.26 *per cent* in 2016-17 to 28.78 *per cent* in the current year.
- The ratio of Capital Expenditure in selected Social Services ranged between 8.72 and 19.06 *per cent* during 2013-18.
- The ratio of Capital Expenditure in selected Economic Services ranged between 19.18 and 38.28 *per cent* during 2013-18.

Table-1.21: Efficiency of Revenue Expenditure in selected Social and Economic Services

(₹ in crore)

Services	Share of Salary & Wages					Non-Salary				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
Social Services (SS)										
Education, Sports, Art and Culture	640.30 (68.40)	689.94 (60.41)	743.66 (65.93)	785.82 (67.63)	821.02 (65.32)	295.78 (31.60)	452.08 (39.59)	384.26 (34.07)	376.04 (32.37)	435.85 (34.68)
Health and Family Welfare	176.73 (71.26)	190.11 (57.95)	215.05 (58.56)	226.43 (61.10)	231.75 (49.43)	71.29 (28.74)	137.95 (42.05)	152.17 (51.44)	144.18 (38.90)	237.14 (50.57)
WS, Sanitation and HUD	51.38 (23.80)	53.44 (20.96)	58.11 (23.89)	60.35 (21.17)	61.23 (19.26)	164.46 (76.20)	201.53 (79.04)	185.18 (76.11)	224.72 (78.83)	256.70 (80.74)
Other Social Services	38.34 (9.05)	39.95 (9.17)	41.47 (8.61)	42.84 (8.86)	44.78 (7.96)	385.36 (90.95)	395.93 (90.83)	440.06 (91.39)	440.47 (91.14)	518.06 (92.04)
Total (SS)	906.75 (49.72)	973.44 (45.05)	1,058.29 (47.67)	1,115.44 (48.48)	1,158.78 (44.46)	916.89 (50.28)	1,187.49 (54.95)	1,161.67 (52.33)	1,185.41 (51.52)	1,447.75 (55.54)

Chapter-I: Finances of the State Government

Services	Share of Salary & Wages					Non-Salary				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
Economic Services (ES)										
Agriculture and Allied Activities	161.47 (24.30)	173.85 (24.08)	182.09 (47.16)	190.31 (37.38)	190.24 (34.94)	503.07 (75.70)	548.02 (75.92)	203.99 (52.84)	318.76 (62.62)	354.20 (65.06)
Irrigation and Flood Control	7.34 (71.54)	8.09 (71.72)	8.49 (77.68)	8.36 (79.47)	8.27 (72.54)	2.92 (28.46)	3.19 (28.28)	2.44 (22.32)	2.16 (20.53)	3.13 (27.46)
Power & Energy	74.13 (23.38)	80.11 (23.68)	85.81 (23.71)	91.12 (19.60)	93.74 (18.33)	242.98 (76.62)	258.23 (76.32)	276.03 (76.29)	373.68 (80.40)	417.63 (81.67)
Transport	70.13 (51.29)	74.42 (39.13)	79.89 (40.78)	85.75 (29.69)	86.22 (21.65)	66.59 (48.71)	115.78 (60.87)	116.00 (59.22)	203.05 (70.31)	312.07 (78.35)
Other Economic Services	84.72 (30.46)	91.21 (19.00)	98.26 (20.51)	102.53 (18.33)	103.97 (18.25)	193.37 (69.54)	388.96 (81.00)	380.89 (79.49)	456.72 (81.67)	465.63 (81.75)
Total (ES)	397.79 (28.28)	427.68 (24.55)	454.54 (31.70)	478.07 (26.09)	482.44 (23.71)	1,008.93 (71.72)	1,314.18 (75.45)	979.35 (68.30)	1,354.37 (73.91)	1,552.66 (76.29)
Grand Total (SS+ES)	1,304.54 (40.38)	1,401.12 (35.90)	1,512.83 (41.40)	1,593.51 (38.55)	1,641.22 (35.36)	1,925.82 (59.62)	2,501.67 (64.10)	2,141.02 (58.60)	2,539.78 (61.45)	3,000.41 (64.64)

Figures in parentheses represent per cent to Total Expenditure in the respective years

Source: Finance Accounts of respective years

The above table shows that:

- The expenditure on Salary and Wages component under Social and Economic Services during 2017-18 increased by 25.81 per cent and 2.99 per cent during 2013-14 and 2016-17 respectively. The expenditure on Non-Salary component under Social and Economic Services in 2017-18 increased by 55.80 per cent and 18.14 per cent over 2013-14 and 2016-17 respectively.
- The Salary and Wages component under Revenue Expenditure in selected Social Services in 2017-18 increased by 27.79 per cent and 3.89 per cent during 2013-14 and 2016-17 respectively. The Non-Salary component in 2017-18 increased by 57.90 per cent and 22.13 per cent over 2013-14 and 2016-17 respectively.
- The Salary and Wages component under Revenue Expenditure in selected Economic Services in 2017-18 increased by 21.28 per cent and 0.91 per cent over 2013-14 and 2016-17 respectively. The Non-Salary component in 2017-18 increased by 53.89 per cent and 14.64 per cent over 2013-14 and 2016-17 respectively.

From paragraphs 1.8.1 and 1.8.2, it can be seen that the State Government was well placed in terms of Development Expenditure when compared to other SCS. However, it needs to increase its share of expenditure on Education and Health in order to match up with other SCS.

1.9 Financial Analysis of Expenditure and Investments

In the post-FRBM framework, the State is expected not only to keep its Fiscal Deficit (and borrowing) at low levels but also meets its Capital Expenditure investment (including Loans and Advances) requirements. In addition, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowings to avoid complete dependence on market borrowings.

Chapter-I: Finances of the State Government

1.9.1 Incomplete projects

Out of 189 ongoing projects⁷, 54 projects were scheduled to be completed on or before March 2018 with initial budgeted cost of ₹ 566.59 crore. The department-wise break up of these incomplete projects is as under:

Table-1.22: Department-wise Profile of Incomplete Projects

(₹ in crore)				
Department	No. of Incomplete Projects	Initial Budgeted Cost	Cost Over Runs (No. of Projects)	Cumulative expenditure as on 31 March 2018
Public Works Department (Roads)	15	243.58	24.85	146.84
Public Works Department (Buildings)	39	323.01	0.00	244.28
Total	54	566.59	24.85	391.12

Source: Appendix IX - Finance Accounts, 2017-18

As can be seen from the above table, an expenditure of ₹ 391.12 crore was incurred on 54 incomplete projects up to 31 March 2018 which remained blocked. Further, the benefits to be accrued from these projects were yet to flow. Moreover, delay in completion of the projects was fraught with the risk of cost over-run. Though, Capital Expenditure was incurred on these incomplete projects, but benefits were yet to be realised.

1.9.2 Investments and returns

As on 31 March 2018, the State Government had invested⁸ ₹ 38.67 crore in Government Companies, Co-operative Bank, Societies, etc. During 2017-18, the State Government invested ₹ 3.94 crore in Co-operative Bank, Societies, etc. The Government did not receive any dividend on these investments in 2017-18 nor in the preceding four financial years. On the other hand, the Government's future liability on market borrowings bears an interest at rates ranging from 7.41 to 9.72 per cent during 2013-18.

Moreover, as on 31 March 2018, there were six working Government Companies in the State. As per their latest finalised annual accounts, these Companies had accumulated losses of ₹ 62.09 crore⁹. The accumulated losses in four Government Companies¹⁰ had exceeded their paid-up capital and further, the Aggregate net worth¹¹ of these four Companies¹² stood at

⁷ Public Works Department (Roads and Buildings)

⁸ Government Companies- ₹ 6.99 crore; Co-operative Bank, Societies, etc.- ₹ 31.68 crore

⁹ Zoram Electronic Development Corporation Ltd.- ₹ 6.59 crore; Mizoram Food and Allied Industries Corporation Limited- ₹ 20.91 crore; Mizoram Handloom and Handicraft Development Corporation Limited- ₹ 7.32 crore; Zoram Industrial Development Corporation Limited- ₹ 20.66 crore; Mizoram Agricultural Marketing Corporation Limited- ₹ 6.43 crore; and Mizoram Mineral Development Corporation Limited- ₹ 0.18 crore

¹⁰ Zoram Industrial Development Corporation Limited, Mizoram Food and Allied Industries Corporation Limited, Mizoram Agricultural Marketing Corporation Limited and Mizoram Mineral Development Corporation Limited

¹¹ Net Worth represents Paid-up Capital plus free reserves less accumulated losses

¹² Zoram Industrial Development Corporation Limited- (-) ₹ 3.21 crore; Mizoram Food and Allied Industries Corporation Limited- (-) ₹ 0.91 crore; Mizoram Agricultural Marketing Corporation Limited- (-) ₹ 0.98 crore; and Mizoram Mineral Development Corporation Limited- (-) ₹ 0.03 lakh

(-) ₹ 5.13 crore. In the remaining two Government Companies¹³, the accumulated losses were more than 60 *per cent* of their paid-up capital.

The Government needs to consider reviewing the continuance of these loss-making companies from the perspective of their public utility.

1.9.3 Loans and Advances by the State Government

In addition to investments in Co-operative Societies, Corporations and Companies, the State Government has also been providing Loans to these institutions/ organisations and Advances to Government Servants. **Table-1.23** presents the outstanding Loans and Advances during the last three years.

Table-1.23: Loans and Advances by the State Government

	(₹ in crore)		
	2015-16	2016-17	2017-18
Opening Balance	219.92	201.21	205.81
Amount of Loans and Advances given during the year	7.13	27.05	44.95
Amount of Loans and Advances repaid during the year	25.84	22.45	21.64
Closing Balance	201.21	205.81	229.12
Net addition	(-) 18.71	4.60	23.31

Source: Finance Accounts of respective years

The amount of Loans and Advances by the State Government increased from ₹ 27.05 crore in 2016-17 to ₹ 44.95 crore in 2017-18. Out of this, ₹ 4.54 crore pertains to Economic Services (Loans for Co-operation) and ₹ 40.40 crore to Government servants. The amount of Loans and Advances repaid decreased from ₹ 22.45 crore to ₹ 21.64 crore in 2017-18. Out of this, ₹ 4.47 crore pertains to Social Services, ₹ 2.97 crore to Economic Services and ₹ 14.20 crore to Loans to Government servant.

The Finance Accounts for the year 2017-18 did not comply with the following instructions envisaged in the Indian Government Accounting Standards (IGAS) 3 on Loans and Advances made by the Governments issued by Ministry of Finance:

- Detailed Statement on Loans and Advances made by Government did not disclose interest payments in arrears;
- Major and Minor Head wise summary of Loans and Advances did not depict the Minor Head-wise loans and advances;
- No details was disclosed in section 2 - Repayment in arrears from other Loanee entities; and
- Rate of interest was not disclosed in the additional disclosure of Fresh Loans and Advances made during the year 2017-18.

The above details were not furnished by the State Government (March 2019). As such, the Finance Accounts did not ensure adequate disclosure on Loans and Advances made by the Government.

¹³ Zoram Electronic Development Corporation Ltd. and Mizoram Handloom and Handicraft Development Corporation Ltd.

Chapter-I: Finances of the State Government

1.9.4 Cash Balances and Investment of Cash Balances

It is generally expected that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatch in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMAs) from the Reserve Bank of India (RBI) has been put in place. The operative limit for Ordinary WMAs is reckoned on the three years average of Revenue Receipts. While, the operative limit for Special WMAs is fixed by the RBI from time to time depending on the holding of Government securities, the limit for Ordinary WMAs to the State Government has been fixed at ₹ 55 crore with effect from 01 April 2006. Under an agreement with the RBI, the State Government is required to maintain a minimum daily cash balance of ₹ 0.20 crore with the Bank. If the minimum cash balance falls below the agreed minimum amount of such balance on any day, the deficiency is made good by taking Ordinary and Special WMAs/ Overdrafts from time to time.

The position of Ways and Means Advances and Overdraft is shown in **Table-1.24**.

Table-1.24: Ways and Means Advances and Overdraft

	2013-14	2014-15	2015-16	2016-17	2017-18
(₹ in crore)					
Ordinary and Special Ways and Means Advances					
Availed in the year	561.73	1,013.59	217.82	0.00	0.00
Outstanding WMAs	14.11	14.11	14.11	14.11	0.00
Interest paid	0.66	1.12	0.26	0.00	0.00
Number of days	62	71	9	0	0
Overdraft					
Availed in the year	172.80	53.28	44.71	0.00	0.00
Outstanding Overdraft	(-) 31.62	(-) 31.62	(-) 31.62	(-) 31.62	0.00
Interest paid	0.00	0.00	0.00	0.00	0.00
Number of days	3	2	1	0	0

Source: Finance Accounts of respective years

The State Government availed neither Ordinary and Special WMAs nor Overdraft during the current year 2017-18. However, an amount of ₹ 203.28 crore and ₹ 31.62 crore was shown in the accounts as availed during the period was due to proforma adjustment.

The Cash Balances and Investments made by the State Government out of Cash Balances during 2017-18 are shown in **Table-1.25**.

Table-1.25: Cash Balances and Investment of Cash Balances

	(₹ in crore)	
Particulars	Closing Balance on 31 March 2017	Closing Balance on 31 March 2018
(a) General Cash Balance		
Cash in Treasuries	---	---
Remittance in transit (local)	---	---
Deposit with Reserve Bank ¹⁴	(-) 212.92	(-) 61.87
Total	(-) 212.92	(-) 61.87
Investment held in Cash Balance investment account	155.53	369.13
Total (a)	(-) 57.39	307.26

¹⁴ Balance under the head 'Deposits with Reserve Bank' is arrived after taking into account the Inter Government monetary settlements pertaining to transactions of financial year 2017-18 advised to the RBI as on 31 March 2018

Chapter-I: Finances of the State Government

Particulars	Closing Balance on 31 March 2017	Closing Balance on 31 March 2018
(b) Other Cash Balances and Investments		
Cash with Departmental Officers viz. Forest Officers and Public Work Officers	(-) 4.99	(-) 4.91
Permanent Advances for contingent expenditure with Departmental Officers	---*	---*
Investments of Earmarked Funds	244.54	291.54
Total (b)	239.55	286.63
Grand Total (a) + (b)	182.16	593.89

Source: Finance Accounts (Volume-I), 2017-18

* The Finance Accounts do not contain these figures

Cash Balances and Investments of Cash Balances of the State Government at the end of 2017-18 increased by ₹ 411.73 crore and stood at ₹ 593.89 crore in 2017-18. There was a difference of ₹ 57.77 crore (net credit) at the end of the accounting year 2017-18 between the General Cash Balance as worked out by the Principal Accountant General (₹ 61.87 crore) and as reported by the RBI (₹ 4.10 crore). This difference was mainly due to misclassification of transactions by Treasuries.

The investment held in the Cash Balances investment account increased by ₹ 213.60 crore in 2017-18 against which ₹ 24.73 crore was realised as interest. Further, during 2017-18, the State Government appropriated ₹ 40.00 crore from revenue and credited to the Consolidated Sinking Fund (CSF). The accumulated amount in CSF was ₹ 273.04 crore as on 31 March 2018. In addition, as on 31 March 2018, there was a balance of ₹ 18.50 crore in investment under the Guarantee Redemption Fund.

1.10 Assets and Liabilities

1.10.1 Growth and composition of Assets and Liabilities

The FRBM Act, 2006 of the State defines total liabilities as “The explicit liabilities under the Consolidated Fund of the State and the Public Account of the State including General Provident Fund”.

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 fiscal liabilities of the Government and the assets created out of the expenditure incurred. **Appendix-1.3** gives an abstract of such liabilities and the assets as on 31 March 2018 compared with the corresponding position on 31 March 2017. While, the liabilities in this Appendix consist mainly of Internal Debt¹⁵, Loans and Advances from GoI and receipts from the Public Accounts¹⁶, the assets comprise of mainly the Capital Outlay and Loans and Advances given by the State Government and Cash Balances.

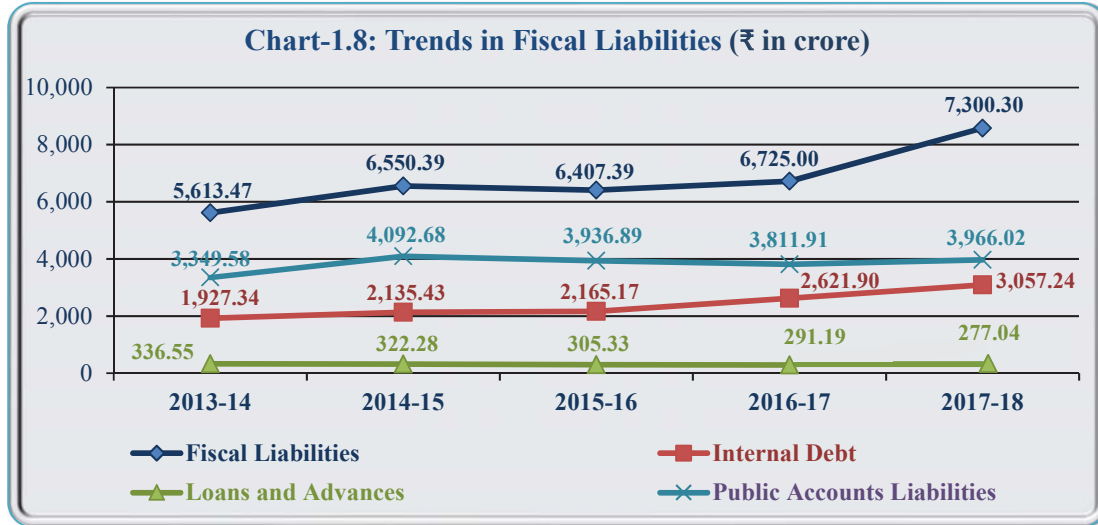
¹⁵ Market loans, Loans from Banks and Financial Institutions, WMAs from RBI, etc.

¹⁶ Small Savings, Provident Fund, etc., Reserve Funds (Gross) and Deposits

Chapter-I: Finances of the State Government

1.10.2 Fiscal Liabilities

The trend and composition of Fiscal Liabilities during the last five years are presented in Charts-1.8.



Source: Finance Accounts of respective years

Table-1.26 gives the Fiscal Liabilities of the State, their rate of growth and the ratios and buoyancy of these liabilities to GSDP, Revenue Receipts and State's own resources.

Table-1.26: Fiscal Liabilities – Basic Parameters, Indicators and Trends

	2013-14	2014-15	2015-16	2016-17	2017-18
Fiscal Liabilities (FL)	5,613.47	6,550.39	6,407.39	6,725.00	7,300.30
Rate of Growth of FL (in per cent)	9.76	16.69	(-) 2.18	4.96	8.55
GSDP	10,293	13,509	15,339	16,366	17,739
Rate of growth of GSDP (in per cent)	23.10	31.24	13.55	6.69	8.39
Ratio of Fiscal Liabilities to:					
GSDP	54.53	48.49	41.77	41.09	41.15
Revenue Receipts	117.81	118.86	95.97	90.90	85.08
Own Resources	1,323.81	1,288.23	976.68	833.30	779.48
Buoyancy of Fiscal Liabilities with reference to:					
GSDP	0.42	0.53	(-) 0.16	0.74	1.02
Revenue Receipts	1.94	1.07	(-) 0.10	0.46	0.54
Own Resources	(-) 3.58	0.84	(-) 0.08	0.22	0.53

Source: Finance Accounts of respective years and for GSDP figures: Directorate of Economics and Statistics, Government of Mizoram

The overall Fiscal Liabilities of the State increased at a CAGR of 6.79 per cent during the period 2013-18. In 2017-18, the overall Fiscal Liabilities of the State Government increased by ₹ 575.30 crore (8.55 per cent) over the previous year which was mainly due to increase in Internal Debt (₹ 535.34 crore) and Public Account liabilities (₹ 154.11 crore), offset by a decrease in Loans and Advances (₹ 14.15 crore). The ratios of Fiscal Liabilities to GSDP,

Revenue Receipts and Own Resources in 2017-18 decreased with reference to the previous year and stood at 41.15 *per cent*, 85.08 *per cent* and 779.48 *per cent* respectively. The buoyancy of Fiscal Liabilities with respect to the GSDP, Revenue Receipts and Own Resources in 2017-18 was 1.02, 0.54 and 0.53 respectively.

1.10.3 Transactions under Reserve Funds

Reserve Funds are created for specific and well defined purposes. These funds are augmented by contributions or grants from the Consolidated Fund of India or State. The contributions are treated as expenditure and accounted under the Consolidated Fund for which the vote of the legislature is obtained. At the end of the financial year, the expenditure relating to the funds is transferred to the Public Account under the concept of gross budgeting through an operation of deduct entry in accounts.

The total accumulated balance at the end of 31 March 2018 in the Reserve Funds was ₹ 300.70 crore¹⁷, out of which, ₹ 291.54 crore (96.95 *per cent*) was invested. The status of Reserve Funds is as under:

(a) Consolidated Sinking Fund

As per the recommendations of the XII FC, the State Government constituted a revised Consolidated Sinking Fund (CSF) scheme in 2006-07 for redemption of outstanding liabilities. As per the scheme guidelines of the RBI, States are required to annually contribute a minimum of 0.50 *per cent* of their outstanding liabilities as at the end of the previous year.

During 2017-18, against the requirement of ₹ 33.63 crore¹⁸, the State Government made provision of ₹ 40.00 crore under Major Head 2048 – Contribution to Consolidated Sinking Fund and accordingly an investment of ₹ 40.00 crore was made under Major Head 8222 – Sinking Funds. The balance under CSF was ₹ 273.04 crore as on 31 March 2018. However, the interest of ₹ 1.20 crore accrued (2017-18) on re-investment made by RBI from the fund did not pass through the accounts. Thus, the account was understated by the interest amount accrued for the re-investment of the Sinking Fund.

(b) Guarantee Redemption Fund

Guarantee Redemption Fund (GRF) was set up in 2009-10 with an initial corpus of ₹ 50.00 lakh to meet the possible invoking of guarantees given by the State Government to loans raised by its entities. The State Government was required to contribute an amount equivalent to at least 1/5th of the outstanding invoked guarantees plus guarantees likely to be invoked as a result of the incremental guarantees during the year. There was no outstanding invoked guarantee in 2017-18. During 2017-18, the State Government contributed ₹ seven crore to the GRF. The balance under GRF, as on 31 March 2018 was ₹ 18.50 crore which was invested in Government of India Securities.

(c) State Disaster Response Fund

The State Government replaced the existing Calamity Relief Fund (CRF) with “State Disaster Response Fund” (SDRF) in 2010-11 as per the recommendation of the XIII FC which also

¹⁷ ₹ 294.18 crore in active funds and ₹ 6.52 crore in inoperative funds

¹⁸ 0.50 *per cent* of the total outstanding liabilities of ₹ 6,725.02 crore

Chapter-I: Finances of the State Government

envisaged that the Centre and the State were to contribute to the fund in the proportion 90:10. The SDRF had an opening balance of (-) ₹ 4.79 crore at the beginning of 2017-18 and ₹ 28.38 crore was transferred to the fund during 2017-18. Against the total available funds of ₹ 23.59 crore, the State Government withdrew ₹ 20.95 crore from the funds and kept the amount in bank account which resulted in closing balance of ₹ 2.64 crore.

1.10.4 Inoperative Reserve Funds

Two reserve funds under Major Head 8235 – General and other Reserve Funds having an amount of ₹ 6.52 crore were inoperative or dormant for a period ranging from 8 to 16 years as detailed in **Table-1.27**.

Table-1.27: Inoperative Reserve Funds

(₹ in crore)

Sl. No.	Major and Minor Heads with nomenclature	No. of Reserve Funds	Balance as on 31 March 2018		Year of last transaction	Dormant since last (in years)
	8235 – General and other Reserve Funds	-	-	-	-	-
1.	101 – General Reserve Funds of Government Commercial Department/ Undertakings	01	Cr.	2.83	2002-03	16
	200 – Other Funds	01	Cr.	3.69	2010-11	08
	Total	02	Cr.	6.52	--	--

Source: Finance Accounts, 2017-18

It can be seen from the Table above that ₹ 6.52 crore was lying inoperative or dormant for the period ranging from 8 to 16 years.

The State Government stated (March 2019) that steps will be taken to close the fund. However, the steps taken by the Government to close the inoperative funds were not intimated as of May 2019.

1.10.5 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default of repayment of loan by a State entity for whom the guarantee has been extended.

The maximum amount for which guarantees were given by the State Government and outstanding guarantees for the last three years are given in **Table-1.28**.

Table-1.28: Guarantees given by Government of Mizoram

(₹ in crore)

Guarantees	2015-16	2016-17	2017-18
Maximum amount guaranteed	273.94	293.94	293.94
Outstanding amount of guarantees as on 31 March of each year	100.22	123.99	133.92
Revenue Receipts	6,676.40	7,398.30	8,580.20
Percentage of maximum amount guaranteed to Revenue Receipts	4.10	3.97	3.43

Source: Finance Accounts (Statements 9 and 20), 2017-18

Chapter-I: Finances of the State Government

The State Government guaranteed loans are raised by various corporations and other institutions. During 2017-18, ₹ 6.72 crore worth of new guarantees was added and the outstanding amount of guarantees at the end of 2017-18 stood at ₹ 133.92 crore¹⁹. The maximum amount guaranteed during 2017-18 stood at ₹ 293.94 crore. Extension of fresh guarantees in 2017-18 was given towards Mizoram Co-operative Apex Bank Ltd. The outstanding guarantees were 3.43 *per cent* of the Revenue Receipts of the State.

1.11 Debt Management

Debt sustainability is defined as the ability of the State to service its debt in future. Sustainability of debt, therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that increase in fiscal deficit should match with the increase in capacity to service the debt.

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 debt/ GSDP ratio, burden of interest payments (measured by Interest Payments to Revenue Receipts ratio) and maturity profile of State Government securities.

Table-1.29: Fiscal Liabilities – Net Debt Available to the State

	2013-14	2014-15	2015-16	2016-17	2017-18
Fiscal Liabilities (FL)	5,613.47	6,550.39	6,407.39	6,725.00	7,300.30
GSDP	10,293	13,509	15,339	16,366	17,739
Total Debt Receipts	2,714.65	3,465.20	2,086.60	2,332.40	3,048.72
Total Debt Payments	2,220.40	2,528.28	2,229.60	2,014.79	2,473.43
Net Debt available to the State	209.75	631.09	(-) 512.27	(-) 23.65	236.09
Ratio of FL to GSDP	54.53	48.49	41.77	41.09	41.15

Source: Finance Accounts of respective years and for GSDP figures: Directorate of Economics and Statistics, Government of Mizoram

Table-1.29 shows that the Debt-GSDP ratio had been on a downward trend from 54.53 *per cent* during 2013-14 to 41.15 *per cent* in 2017-18. Again, the Debt-GSDP ratio during 2017-18 was 41.15 *per cent* which was well within the projected Debt-GSDP ratio set forth by XIV FC (49.63 *per cent*) for Mizoram. The net Debt available to the State had been negative in 2016-17 and while it was positive in 2017-18 indicating that the State was in a comfortable position than last year to meet the incremental primary expenditure and interest burden.

¹⁹ ₹ 89.62 crore as Principal and ₹ 44.30 crore as Interest

Chapter-I: Finances of the State Government

The maturity profile of the State debt is shown in **Table-1.30**.

Table-1.30: Maturity profile of State Debt

Maturity Profile of State Debt (In Years)					
Debt maturity	Maturity Profile (years)	Amount (₹ in crore)			Per cent
		Internal Debt	GoI Loans & Advances	Total	
During 2018-19	0 – 1	245.64	3.42	249.06	7.47
Between 2019-20 & 2020-21	1 – 3	590.06	6.29	596.35	17.89
Between 2021-22 & 2022-23	3 – 5	619.73	4.41	624.14	18.72
Between 2023-24 & 2024-25	5 – 7	574.52	8.00	582.52	17.47
Sub-total (A)		2,029.95	22.12	2,052.07	61.54
Between 2025-26 & 2026-27	7 – 9	404.74	5.32	410.06	12.30
Between 2027-28 & 2028-29	9 – 11	453.14	4.77	457.91	13.73
Between 2029-30 & 2030-31	11 – 13	19.45	3.91	23.36	0.70
Between 2031-32 & 2032-33	13 – 15	14.78	1.82	16.60	0.50
2033-34 onwards	15 and above	135.18	239.10	374.28	11.23
Sub-total (B)		1,027.29	2,54.92	1,282.21	38.46
Total (A +B)		3,057.24	2,77.04	3,334.28	100.00

Source: Finance Accounts, 2017-18

The maturity profile of the outstanding stock of public debt as on 31 March 2018 indicates that out of the outstanding debt stock of ₹ 3,334.28 crore, around 61.54 per cent (₹ 2,052.07 crore) would be payable within the next seven years. As such, the State needs to plan for its future borrowings in such a way that there would be no bunching of repayments in any particular year.

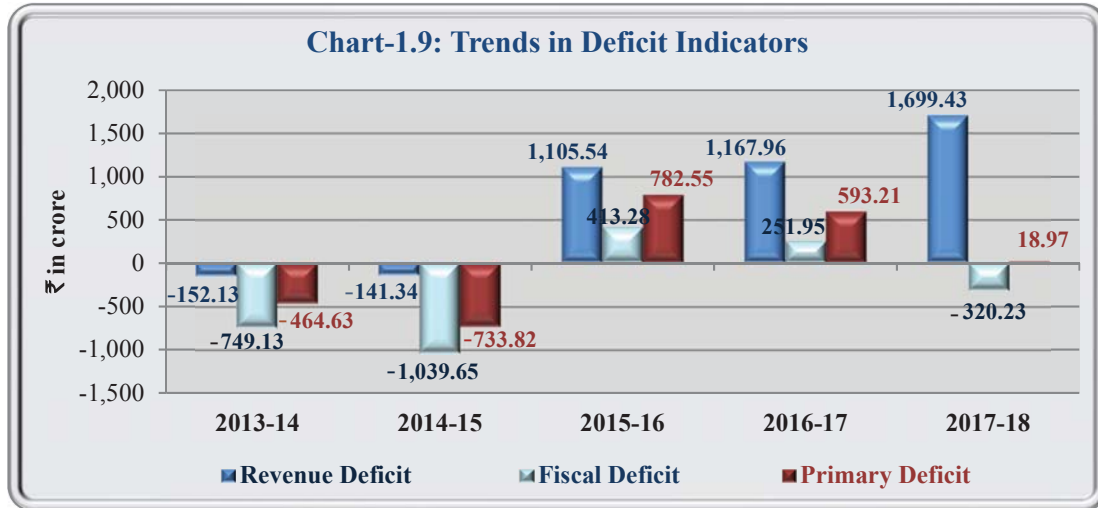
The State Government may consider need-based borrowings and utilise the existing cash balances before resorting to fresh borrowings.

1.12 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. Further, the nature of deficit is an indicator of the prudence of fiscal management of the Government and the ways in which the deficit is financed and the resources raised and applied are important pointers to its fiscal health. This section presents the trends, nature, magnitude, the manner of financing these deficits and the assessment of actual levels of deficits *vis-à-vis* targets set under FRBM Act/ Rules for the financial year 2017-18.

1.12.1 Trends in Deficits

Charts-1.9 presents the trends in deficit indicators over the period 2013-18.



Source: Finance Accounts of respective years

State's Revenue Surplus increased by ₹ 531.47 crore in 2017-18 over the previous year mainly due to increase in (i) the State's share of Union Taxes and Duties (₹ 296.42 crore), (ii) State's Own Resources (₹ 129.53 crore) and (iii) Grants-in-Aid from GoI (₹ 755.95 crore). This increase was offset by higher Revenue Expenditure of ₹ 650.43 crore over the previous year. Though, there was Fiscal Deficit of ₹ 320.23 crore in 2017-18 and Primary Surplus had decreased by ₹ 574.24 from 2016-17, the State still maintained comfortable financial position.

1.12.2 Components of Fiscal Deficit and its Financing Pattern

The financing pattern of the Fiscal Deficit is given in **Table-1.31**.

Table-1.31: Components of Fiscal Deficit and its Financing Pattern

	(₹ in crore)				
Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Decomposition of Fiscal Deficit/ Surplus	(-) 749.13	(-) 1,039.65	413.28	251.95	(-) 320.23
Revenue Surplus/ Deficit	(-) 152.13	(-) 141.34	1,105.54	1,167.96	1,699.43
Net Capital Expenditure	599.40	927.51	710.97	911.41	(-) 1,996.35
Net Loans and Advances	(-) 2.40	29.20	18.71	(-) 4.60	-23.31
Financing Pattern of Fiscal Deficit/ Fiscal Surplus*					
Market Borrowings	229.60	175.82	60.17	467.34	277.51
Loans from GOI	(-) 186.80	(-) 14.27	(-) 16.94	(-) 14.14	(-) 14.16
Special Securities Issued to NSSF	7.73	23.17	11.57	(-) 14.33	(-) 15.02
Loans from Financial Institutions	(-) 47.40	13.68	(-) 37.44	3.72	172.86
Compensation and other Bonds	(-) 4.56	(-) 4.56	(-) 4.56	0.00	0.00
Small Savings, PF, etc.	309.95	310.74	383.36	62.75	(-) 179.14
Deposits and Advances	183.78	433.51	(-) 533.74	(-) 181.80	325.82
Suspense and Misc.	206.48	(-) 80.63	(-) 86.66	(-) 799.51	(-) 34.42
Remittances	6.41	93.64	(-) 33.46	99.78	(-) 69.60
Reserve Funds	1.85	(-) 1.17	(-) 5.21	(-) 5.60	7.43
Increase/ decrease in Cash Balance with RBI	42.09	89.72	(-) 150.37	129.84	(-) 151.05
Overall Deficit/ Surplus (Percent of GSDP)	(-) 749.13 (7.28)	(-) 1,039.65 (7.70)	413.28 (2.69)	251.95 (1.54)	(-) 320.23 (1.81)

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

Source: Finance Accounts of respective years

Chapter-I: Finances of the State Government

The above table shows that the Fiscal Deficit during 2013-14 to 2014-15 had progressively increased from ₹ 749.13 crore to ₹ 1,039.65 crore respectively. The State's finances were in a comfortable position with Fiscal Surplus of ₹ 413.28 crore during 2015-16 and ₹ 251.95 crore during 2016-17. However, the State's finances were again in a Fiscal Deficit of ₹ 320.23 crore during 2017-18.

1.12.3 Quality of Deficit/ Surplus

The ratio of Revenue Deficit to Fiscal Deficit coupled with the composition of Primary Deficit into Primary Revenue Deficit and Capital Expenditure (including Loans and Advances) would indicate the quality of deficit in the States' finances. The bifurcation of Primary Deficit (**Table-1.32**) into Primary Revenue Deficit and Capital Expenditure indicates the extent to which the deficit/ surplus has been applied to augment asset creation in the State.

Table-1.32: Primary Deficit/ Surplus – Bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Expenditure		Loans and Advances	Primary Expenditure	Primary revenue deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
		Primary Revenue	Capital				
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2013-14	4,797.96	4,632.48	599.40	30.71	5,262.59	(+) 165.48	(-) 464.63
2014-15	5,542.73	5,346.61	927.51	2.43	6,276.55	(+) 196.12	(-) 733.82
2015-16	6,702.24	5,201.59	710.97	7.13	5,919.69	(+) 1,500.65	(+) 782.55
2016-17	7,420.75	5,889.08	911.41	27.05	6,827.54	(+) 1,531.67	(+) 593.21
2017-18	8,601.84	6,541.57	1,996.35	44.95	8,582.87	(+) 2,060.67	(+) 18.97

Source: Finance Accounts of respective years

The Non-Debt Receipts of the State during 2013-14 to 2017-18 were sufficient to meet the Primary Revenue Expenditure except for the years 2013-14 and 2014-15. During 2015-16, 2016-17 and 2017-18, the Non-Debt Receipts was in excess of the Primary Revenue Expenditure by ₹ 1,500.65 crore, ₹ 1,531.67 crore and ₹ 2,060.27 crore respectively. The Non-Debt Receipts of the State increased by 15.92 per cent in 2017-18 over the previous year and were more than the Primary Revenue Expenditure by ₹ 18.97 crore. The proportion of Capital Expenditure increased during 2017-18 over the previous year by ₹ 1,084.94 crore.

1.13 Conclusion

In 2016-17, the State achieved a Revenue Surplus of ₹ 1,167.96 crore for the second consecutive year. The Revenue Surplus in 2017-18 stood at ₹ 1,699.43 crore. The State had a Fiscal Deficit of ₹ 320.23 crore in 2017-18 which was well within the Fiscal Deficit limit of three per cent of GSDP recommended by XIV Finance Commission.

The Revenue Receipts of the State grew significantly from ₹ 4,764.85 crore in 2013-14 to ₹ 8,580.20 crore in 2017-18. However, the State's Own Resources (Own Tax and Non-Tax Receipts) constituted only around 10 per cent of the Revenue Receipts during 2013-18.

Revenue and Capital Expenditure increased by ₹ 650.43 crore (10.44 per cent) and ₹ 1,084.94 crore (119.04 per cent) respectively over the previous year. Revenue Expenditure

Chapter-I: Finances of the State Government

accounted for 77 *per cent* of the State's Total Expenditure during 2017-18, which was in the nature of current consumption, thereby, leaving only 23 *per cent* for Capital Expenditure. The Committed Expenditure on salaries and wages, interest payments, pension and subsidies grew from ₹ 2,718.04 crore in 2013-14 to ₹ 3,590.80 crore in 2017-18 (6.86 *per cent*).

During 2017-18, the Government had invested ₹ 38.67 crore in Government Companies, Co-operative Bank, Societies, *etc.* with Nil returns while, the Government's future liability on market borrowings bears an interest at rates ranging from 7.41 to 9.72 *per cent* during 2013-18. Out of the six working Government Companies, accumulated losses in four Companies had exceeded their paid-up capital and in the remaining two, the accumulated losses were more than 60 *per cent* of the paid-up capital.

The outstanding fiscal liabilities had shown a steady increase from ₹ 5,613.37 crore in 2013-14 to ₹ 7,300.30 crore in 2017-18. The ratio of fiscal liabilities to GSDP had decreased from 48.41 *per cent* in 2016-17 to 41.15 *per cent* in 2017-18. The maturity profile of outstanding stock of the public debt indicated that 61.54 *per cent* of the public debts would be payable within the next seven years, which was a matter of concern.