

**CHAPTER-II:
FINANCES OF THE STATE**

Chapter II: Finances of the State

This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the five-year period from 2016-21, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State. For this purpose, information was also obtained from the State Government where necessary.

2.1 Major changes in Key fiscal aggregates in 2020-21 vis-à-vis 2019-20

A bird's eye view of the major changes in key fiscal aggregates of the State during the financial year 2020-21, compared to the previous year is depicted below. Each of these indicators is analysed in detail in the subsequent paragraphs.

Table 2.1 Snapshot of changes in key fiscal aggregates in 2020-21 compared to 2019-20

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the State increased by 15.83 per cent ✓ Own Tax receipts of the State decreased by 0.38 per cent ✓ Own Non-tax receipts decreased by 4.49 per cent ✓ State's Share of Union Taxes and Duties increased by 0.29 per cent ✓ Grants-in-aid from GoI increased by 90.11 per cent
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure increased by 2.97 per cent ✓ Revenue expenditure on General Services decreased by 0.15 per cent ✓ Revenue expenditure on Social Services increased by 7.86 per cent ✓ Revenue expenditure on Economic Services increased by 0.04 per cent ✓ Expenditure on Grants-in-aid increased by 11.28 per cent
Capital Expenditure	<ul style="list-style-type: none"> ✓ Overall Capital expenditure increased by 110.08 per cent ✓ Capital expenditure on General Services decreased by 27.65 per cent ✓ Capital expenditure on Social Services increased by 90.45 per cent ✓ Capital expenditure on Economic Services increased by 180.53 per cent
Loans and Advances	<ul style="list-style-type: none"> ✓ There was no disbursement under Loans and Advances during 2020-21 ✓ Recoveries of Loans and Advances increased by 290 per cent
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 87.79 per cent ✓ Repayment of Public Debt decreased by 80.73 per cent
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 3.28 per cent ✓ Disbursement of Public Account increased by 0.76 per cent
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance decreased by ₹ 92.33 crore (4.43 per cent)

2.2 Sources and Application of Funds

Table 2.2 presents the summary of the State Government's fiscal transactions and compares the sources and application of funds of the State of 2020-21 with 2019-20. The details of receipts and disbursements as well as the overall fiscal position of the current year (2020-21) *vis-à-vis* the previous year (2019-20) are given in **Appendix 2.1 (A) & (B)**.

Table 2.2: Details of Sources and Application of funds during 2019-20 and 2020-21

(₹ in crore)

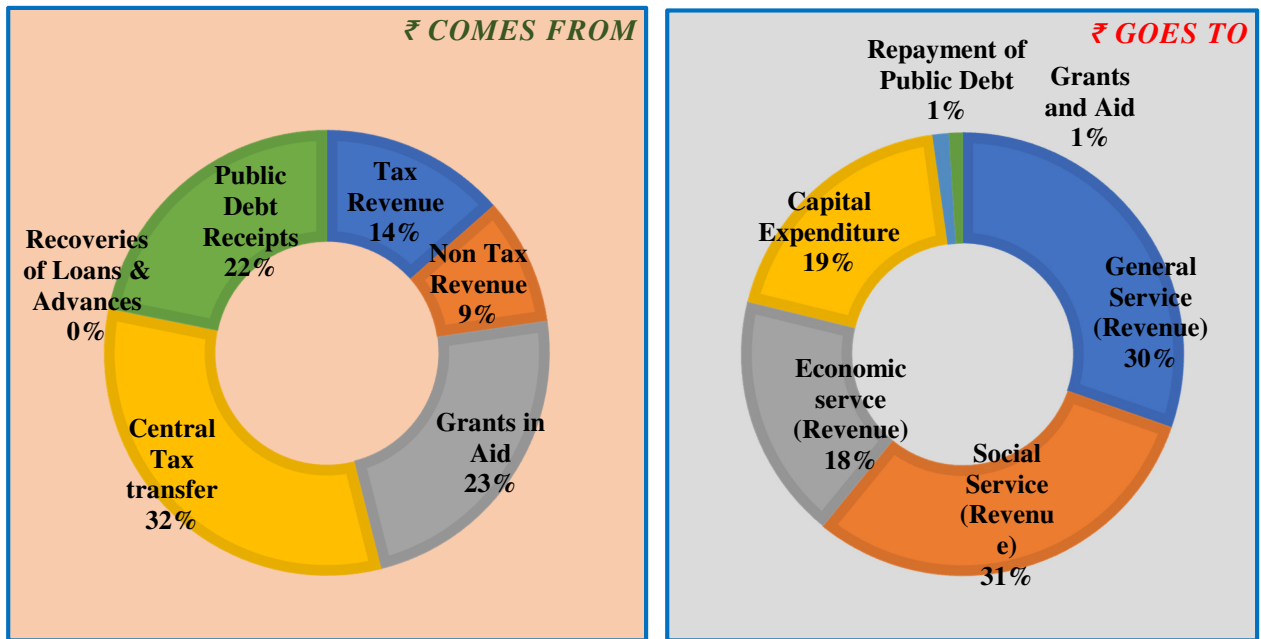
	Particulars	2019-20	2020-21	Increase (+)/ Decrease (-)
Sources	Opening Cash Balance	3,280.55	2,084.57	-1,195.98
	Revenue Receipts	4,841.27	5,607.82	766.55
	Recoveries of Loans and Advances	0.30	1.17	0.87
	Public Debt Receipts	833.21	1,564.71	731.50
	Public Account Receipts (Gross)	8,987.23	9,282.40	295.17
	Total	17,942.56	18,540.67	598.11
Application	Revenue Expenditure	6,185.08	6,368.65	183.57
	Capital Expenditure	720.61	1,513.88	793.27
	Disbursement of Loans and Advances	17.06	0.00	-17.06
	Repayment of Public Debt	413.78	79.75	-334.03
	Contingency Fund	0.00	0.00	0.00
	Public Account Disbursements (Gross)	8,521.46	8,586.15	64.69
	Closing Cash Balance	2,084.57	1,992.24	-92.33
	Total	17,942.56	18,540.67	598.11

Source : Finance Accounts

The total inflow and outflow of the Government after deducting the cash balances during the year 2020-21 was ₹16,456.10 crore (₹18,540.67 – ₹ 2,084.57) and ₹16,548.43 crore (₹18,540.67 – ₹ 1,992.24) respectively leading to decrease in cash balance by ₹ 92.33 crore. There was increase in Revenue Receipts of the Government during 2020-21 as compared to previous year but Revenue Expenditure also witnessed increase during this period, thus State had Revenue Deficit during 2020-21. Capital Expenditure as well as borrowings of the State increased in 2020-21 over the previous year. The Government had utilised the cash balance of ₹ 92.33 crore of the previous year, during 2020-21.

The **Charts 2.1** and **2.2** give the details of total receipts into and expenditure from the Consolidated Fund during 2020-21 in terms of percentages.

Chart 2.1 & 2.2: Composition of sources and application of resources



2.3 Resources of the State

The resources of the State are sourced from three sources as described below:

1. **Revenue receipts** consist of Tax revenue, Non-tax revenue, State's share of Union Taxes and Duties and Grants-in-aid from the Government of India (GoI).
2. **Capital receipts** comprise miscellaneous Capital receipts such as proceeds from dis-investments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Both revenue and capital receipts form part of the Consolidated Fund of the State.

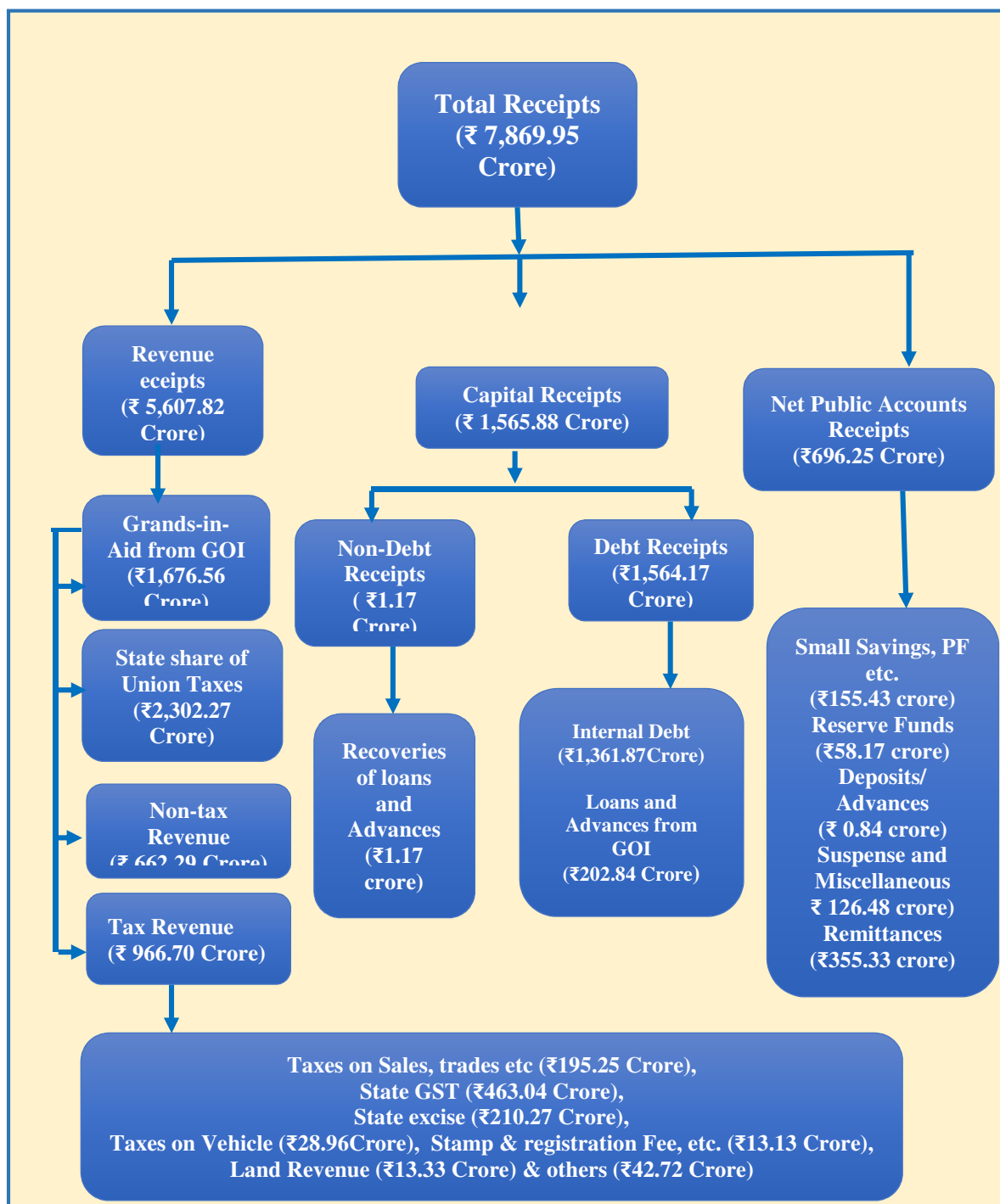
3. **Net Public Accounts receipts:** In Government accounts there are receipts and disbursements in respect of certain transactions such as Small Savings, Provident Fund, Reserve Funds, Deposits, Suspense, Remittances, etc. which do not form part of the Consolidated Fund.

These 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 amount available with the Government for use.

2.3.1 Components of Receipts of the State

The Chart 2.3 below depicts the sources of the State Government during 2020-21.

Chart 2.3: Components and sub-components of Resources



Source : Finance Account

2.3.2 State's Revenue Receipts

The Revenue Receipts of the State Government consists of Tax and Non-tax revenues raised by the State and Central Transfers, which include Grants-in-aid and share of the State in Central Taxes. The details are also shown in **Appendix 2.2**.

Table 2.3: Sources of State's Revenue(*₹ in crore*)

Sources of Revenue	2016-17	2017-18	2018-19	2019-20	2020-21
State's Own Revenue	1,104.20	1,342.71	1,550.70	1,663.81	1,628.99
Grants-in-aid from GoI	1,436.91	1,235.42	1,574.99	881.90	1,676.56
Central Tax transfers	2,069.19	2,634.66	2,794.67	2,295.56	2,302.27
Total Revenue Receipt	4,610.30	5,212.79	5,920.36	4,841.27	5,607.82

Source : Finance Account of Respective Years

The State's revenues during 2020-21 were higher than previous year. This was mainly due to increase in Grants-in-aid and marginal increase in Central Tax Transfers from GoI during 2020-21 as compared to 2019-20, though the collection of State's own revenue was slightly lower in 2020-21 vis-à-vis 2019-20.

2.3.2.1 Trends and growth of Revenue Receipts

This sub para provides the trends and growth of Revenue Receipts as well as Revenue Buoyancy with respect to GSDP over the five-year period 2016-21. Further, trends in Revenue Receipts relative to GSDP and composition of Revenue Receipts are depicted in **Charts 2.4** and **2.5** respectively.

Table 2.4: Trends of growth and buoyancy of Revenue Receipts

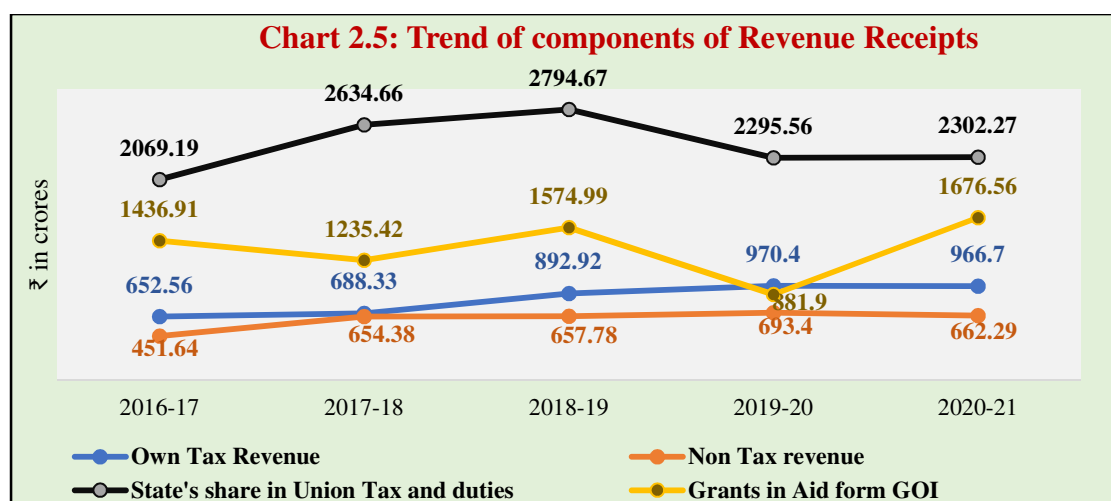
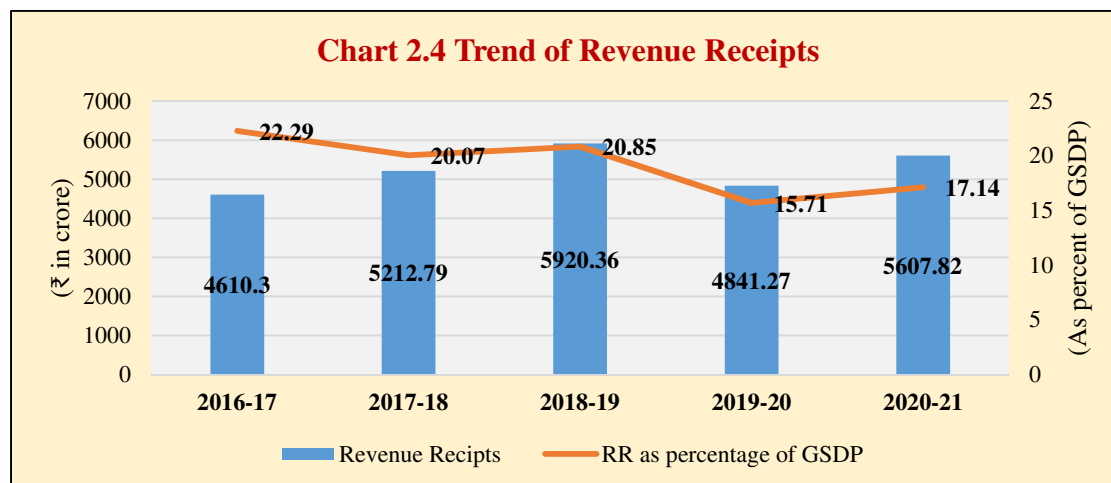
Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Receipts (RR) (₹ in crore)	4,610.30	5,212.79	5,920.36	4,841.27	5,607.82
Rate of growth of RR (<i>per cent</i>)	21.83	13.07	13.57	(-) 18.23	15.83
Own Tax Revenue (<i>per cent</i> of growth)	652.56 (15.13)	688.33 (5.48)	892.92 (29.72)	970.41 (8.68)	966.70 (-0.38)
Non-Tax Revenue (<i>per cent</i> of growth)	451.64 (9.36)	654.38 (44.89)	657.78 (0.52)	693.40 (5.42)	662.29 (-4.49)
Own Revenue Resources (Own Tax and Non-tax Revenue) (<i>per cent</i> of growth)	1,104.20 (12.70)	1,342.71 (21.60)	1,550.70 (15.49)	1,663.81 (7.29)	1,628.99 (-2.09)
Gross State Domestic Product (₹ in crore)	20,687	25,971	28,402	30,809	32,724
Rate of growth of GSDP (<i>per cent</i>)	14.71	25.54	9.36	8.47	6.22
RR/GSDP (<i>per cent</i>)	22.29	20.07	20.85	15.71	17.14
Buoyancy Ratios⁵					
Revenue Buoyancy w.r.t GSDP	1.48	0.51	1.44	(-) 2.15	2.55
State's Own Revenue Buoyancy w.r.t GSDP	0.86	0.85	1.65	0.86	(-)0.34

Source of GSDP figures: Directorate of Economics and Statistics & Finance Accounts

During the period from 2016-21, the rate of growth of Revenue Receipts declined by 18.23 *per cent* in 2019-20, while during other years it ranged between 13.07 *cent* and 21.83 *per cent*. The Revenue Receipts increased by 15.83 *per cent* in 2020-21. The Revenue Receipts of the State increased by ₹ 997.52 crore (21.64 *per cent*) from ₹ 4,610.30 crore in 2016-17 to ₹ 5,607.82 crore in 2020-21, with average annual growth

⁵ 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 with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one *per cent*.

rate of 4.33 per cent. There were, however, wide inter-year variations in the growth rates. The buoyancy ratio of Revenue Receipts in 2020-21 with reference to GSDP increased to 2.55 from (-) 2.15 during previous year. The buoyancy ratio of the State's Own Tax Revenue with reference to GSDP increased sharply till 2018-19. However, there was sharp decrease in this ratio during 2019-20 and further went down to (-)0.34 from 0.86 in 2020-21.



Source : Finance Account of Respective Years

General trends relating to Revenue Receipts of the State are as follows:

- Revenue Receipts increased by 21.64 per cent from ₹ 4,610.30 crore in 2016-17 to ₹ 5,607.82 crore in 2020-21 at an annual average growth rate of 4.33 per cent. During 2020-21, Revenue Receipts increased by ₹ 766.55 crore (15.83 per cent) as compared to previous year.
- About 29.05 per cent of the Revenue Receipts during 2020-21 came from the State's own resources, while Central Tax Transfers and Grants-in-aid together contributed 70.96 per cent. This is indicative of the small revenue base of the State and the fact that the State's fiscal position is largely dependent on Central Tax transfers and Grants-in-aid from GoI.

2.3.2.2 State's Own Resources

State's share in Central taxes is determined on the basis of recommendations of the Finance Commission; share of Grants-in-Aid is determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes, etc. Thus, State's performance in mobilisation of additional resources in terms of its own resources comprising revenue from its own Tax and Non-tax sources is important for generation of financial resources.

The status of collection of State's own tax revenue and non-tax revenue during the period 2016-21 is given in the table below:

Table 2.5: State's own resources

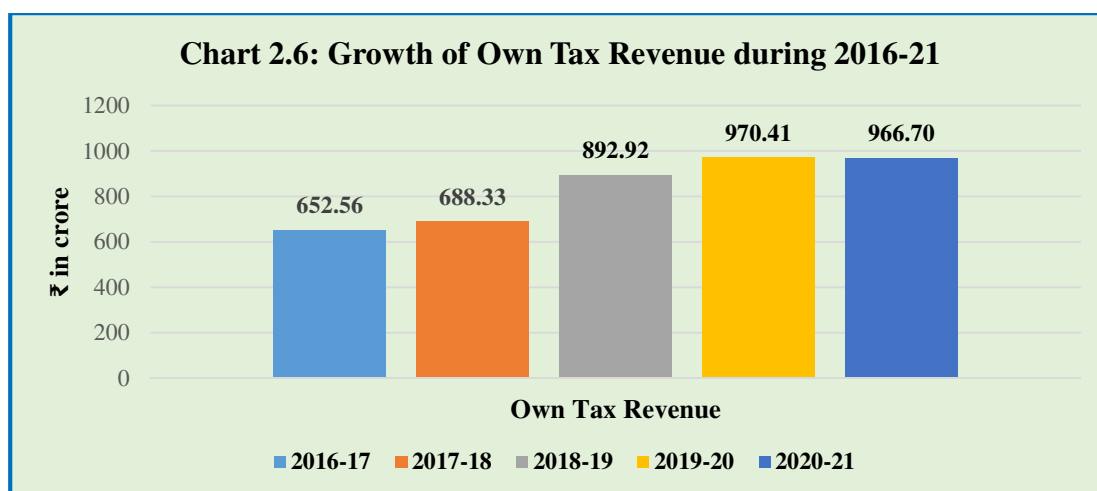
Particulars	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Tax Revenue	652.56	688.33	892.92	970.41	966.70
Non-tax Revenue	451.64	654.38	657.78	693.40	662.29
Total	1,104.20	1,342.71	1,550.70	1,663.81	1,628.99

Source : Finance Account of Respective Years

The details of gross collections of Tax and Non-Tax Revenue and their relative share in GSDP during 2016-21 is given in *Appendix 2.2*.

(i) Own Tax revenue

Own Tax revenues consist of State GST, State Excise, Taxes on Vehicles, Stamp Duty and Registration Fees, Land Revenue, etc. The trend of collection of Own Tax revenues during the five-year period 2016-21 is depicted in the Chart below:



The component-wise details of Own Tax Revenue collected during the period 2016-21 as well as trend of growth of individual components of revenues is depicted in the following table.

Table 2.6: Components and growth of State's Own Tax revenue

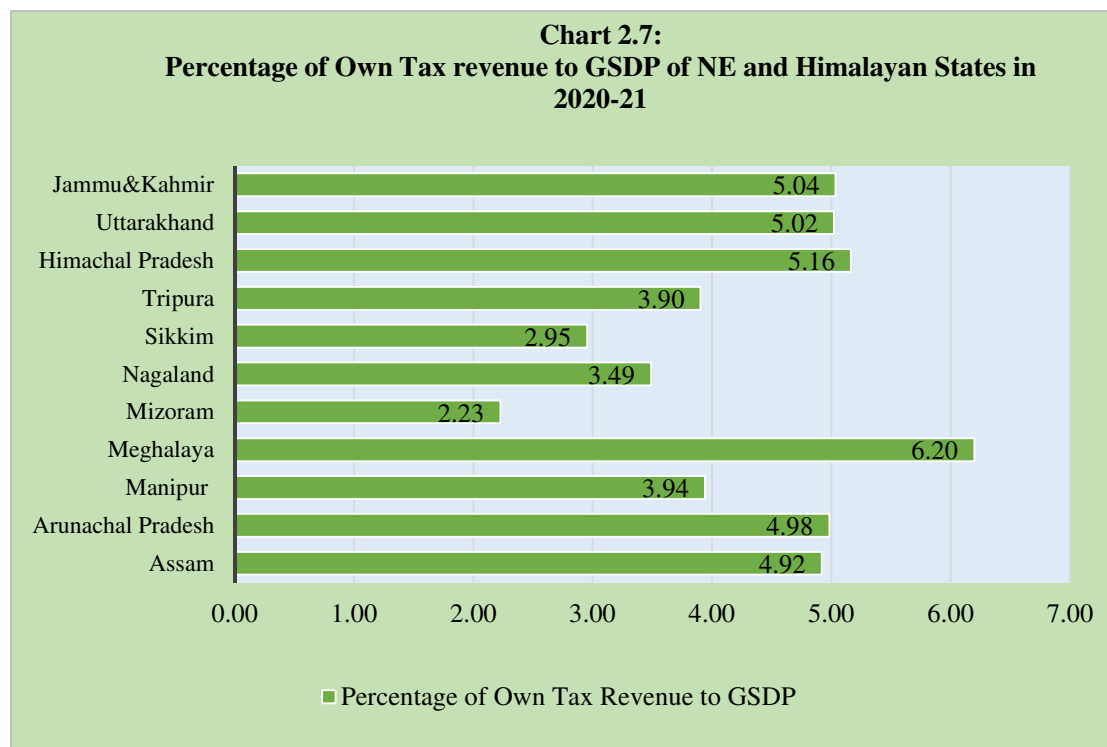
(₹ in crore)

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	
					Budget Estimates	Actuals
Sales Tax	364.82	249.66	188.20	197.63	220.00	195.25
SGST	NA	171.39	405.72	454.89	650.00	463.04
State Excise	156.24	150.47	183.09	207.15	248.13	210.27
Taxes on Vehicles	24.90	29.37	33.11	41.08	39.16	28.96
Stamp Duty and Registration Fee	12.57	13.57	14.95	13.30	16.44	13.13
Land Revenue	6.39	7.44	9.09	4.40	8.60	13.33
Other Taxes	87.64	66.43	58.76	51.96	59.57	42.72
Total	652.56	688.33	892.92	970.41	1,241.90	966.70
Rate of Growth	15.13	5.48	29.72	8.68	0.97	- 0.38

Source: Finance Accounts

It can be seen that the State's Own Tax Revenues increased by ₹ 314.14 crore from ₹ 652.56 crore in 2016-17 to ₹ 966.70 crore in 2020-21 at an annual average growth rate of 9.63 per cent. Own tax revenues decreased to ₹966.70 crore in 2020-21 from ₹970.41 crore in 2019-20, representing a decrease of 0.38 per cent. During the current year, major contributors of Tax Revenue were Goods and Services Tax (47.90 per cent), State Excise (21.25 per cent) and Taxes on Sales, Trades etc., (20.20 per cent).

State's Own Tax Revenue of ₹ 966.70 crore at 2.95 per cent of GSDP, was higher than that of Mizoram (2.23 per cent) during 2020-21 but lower than the other NE and Himalayan States as shown in **Chart 2.7**.



➤ **State Goods and Services Tax (SGST)**

The Sikkim Goods and Service Tax (SGST) Act 2017, came into effect from 01 July 2017. Trends in SGST collection since July 2017 is as shown in the following table.

Table 2.7: Collection of SGST

Sl. No.	Year	SGST collection (₹ in crore)
1	2017-18	171.39 ⁶
2	2018-19	405.72
3	2019-20	454.89
4	2020-21	463.04

As per the GST Act, any shortfall in revenue by the State is required to be compensated by the Central Government. Compensation under GST (Compensation to the States) Act 2017 is payable when the actual revenue collected by the State under GST and pre-GST arrears is less than the projected revenue. In Sikkim the actual revenue collected was more than the projected revenue hence compensation was not payable to Sikkim during 2017-18 to 2019-20, but during 2020-21 the SGST collection was less than projected revenue by ₹ 9.55 crores. Details are shown below:

Table 2.8: Projected revenue for compensation and actual collection of SGST

Sl. No.	Year	Projected revenue ⁷ (₹ in crore)	SGST collection along with pre-GST arrears (₹ in crore)
1	2017-18	239.22	264.76
2	2018-19	363.65	425.33
3	2019-20	414.56	457.00
4	2020-21	472.60	463.05*

* Provisional figure.

The Central Government has been releasing the State's share in IGST (transfer-in of tax, interest, and penalty component to SGST *etc.*), but in Sikkim both SGST (Tax) and IGST⁸ are being credited under the same head 0006-101. The State Government operated only two Minor Heads 101-Tax and 800-Other Receipts under Major Head 0006- State GST. The matter has been already highlighted in the State Finances Audit Report 2019-20. However, no corrective measure was taken. Thus, due to non-operation of other Minor Heads, correct picture of components of SGST like interest, penalty, fees, input tax credit cross utilisation of SGST and IGST, apportionment of IGST *etc.*, is not reflected in the accounts, which is in violation of the principles of disclosure and transparency.

➤ **Details of evasion of tax detected by Department, refund cases, etc.**

The cases of evasion of tax detected by the Excise & Commercial Taxes Department and the demands for additional tax raised are important indicators of revenue collection

⁶ The amount pertains to nine months only as GST was implemented from July 2017.

⁷ Projection = derived from annual increase of 14 per cent on previous year's revenue. (E.g. ₹414.56+ 14 per cent increase= ₹472.60)

⁸ As per the instruction of Controller General of Accounts, Ministry of Finance SGST is to be credited under 0006-101 and IGST is credited under the head 0006-106

efforts of the State Government. Promptness in disposal of refund cases is important indicator of performance of the Department.

Table 2.9: Evasion of Tax Detected

Sl. No.	Head of Revenue	Cases pending as on 31 March 2020	Cases detected\ during 2020-21	Total	No. of cases in which assessment / investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalization as on 31 March 2021
					No. of cases	Amount of demand (in crore)	
1.	0006	1	0	1	1*	-	0

Source: Departmental figure. *Status of the case was not provided by the Department

Table 2.10: Details of refund cases

(₹ in crore)

Sl. No.	Particulars	GST		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	19	0.07	Nil	Nil
2.	Claims received during the year	27	1.44	Nil	Nil
3.	Refunds made during the year	35	0.95	Nil	Nil
4.	Refunds rejected during the year	1	0.49	Nil	Nil
5.	Balance outstanding at the end of year	10	0.07	Nil	Nil

Source: Departmental figure

(ii) Non-Tax Revenue

The component-wise details of Non-Tax revenues consisting of Interest receipts, Dividends and Profits, Power receipts, Departmental receipts, etc. collected during the years 2016-21 were as follows.

Table 2.11: Components of State's Non-tax revenue

(₹ in crore)

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	
					Budget Estimates	Actuals
Interest Receipts	78.38	114.76	125.33	143.82	51.88	126.95
Dividends and Profits	2.01	2.92	4.38	3.21	1.00	2.78
Other Non-Tax Receipts	371.25	536.70	582.07	546.37	657.78	532.56
a) Minor Irrigation	0.30	0.34	0.31	0.12	0.07	0.18
b) Road Transport	48.71	52.08	53.96	57.10	62.00	47.87
c) Urban Development	1.40	2.03	5.69	4.16	2.75	2.91
d) Education	2.05	2.32	2.32	3.55	16.10	14.29
e) Non-ferrous Mining	0.13	0.18	0.22	0.19	0.08	0.16
f) Power	170.03	310.26	269.44	256.37	372.38	346.05
g) State Lotteries	45.00	55.03	57.82	40.10	31.96	22.37
h) Others ⁹	103.63	114.46	138.31	144.68	172.44	98.73
Total	451.64	654.38	657.78	693.40	710.66	662.29
Rate of Growth	9.36	44.89	0.52	5.42	--	(-) 4.49

Source: Finance Accounts

⁹ Others includes departments like Water supply & sanitation, Housing, Information & Publicity, Labour & Employment, Social security & welfare, Animal Husbandry, Food, Co-operation, Other Rural Dev Programme, Industries and Tourism

Non-Tax Revenue, which ranged between 9.80 *per cent* and 11.81 *per cent* of Revenue Receipts of the State during the five-year period from 2016-21, decreased marginally by ₹ 31.11 crore (-4.49 *per cent*) during 2020-21 over the previous year.

Major factors for the decrease in Non-Tax Revenue were Interest receipts (-₹ 16.87 crore) and state lotteries (-₹ 17.73 crore). Interest Receipts during 2020-21 have shown decrease of 11.73 *per cent* as compared to previous year and an increase of 62 *per cent* compared to 2016-17. Other Non-tax receipts also increased from ₹ 371.25 crore in 2016-17 to ₹ 532.56 crore in 2020-21, an increase of 43.45 *per cent*. Revenues from Power and Education witnessed increase of ₹ 89.68 crore (35 *per cent*) and ₹ 10.74 crore (302.54 *per cent*) respectively during 2020-21 as compared to previous year. However, Revenue from Road Transport witnessed decrease of ₹ 9.23 crore (16.16 *per cent*) during 2020-21 as compared to previous year.

(iii) Transfers from the Centre

Since transfers from Centre are dependent on Finance Commission recommendation, the trends for 10 years is given in Chart 2.8 and details of central tax transfers to the State during 2016-21 is mentioned in Table 2.12.

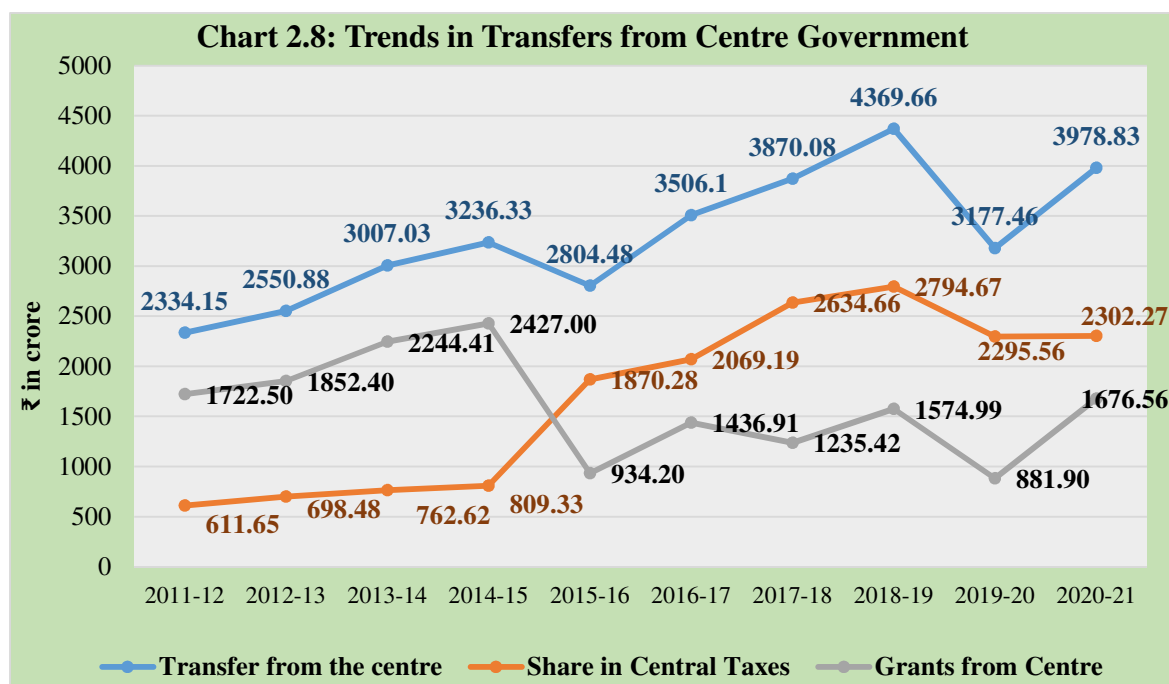


Table 2.12: Details of Central tax transfers to the State during 2016-21

(₹ in crore)

Head	2016-17	2017-18	2018-19	2019-20	2020-21	
					Budget Estimates	Actuals
Central Goods and Services Tax (CGST)	0	35.28	689.78	645.62	920.92	686.82
Integrated Goods and Services Tax (IGST)	0	249.56	55.10	0	0	0
Corporation Tax	638.61	835.64	971.97	788.90	935.90	694.10
Taxes on Income other than Corporation Tax	467.69	670.05	715.80	603.68	870.22	718.49
Other Taxes on Income and Expenditure	0	0	5.06	0	0	0
Customs	287.79	270.25	198.12	150.11	189.91	117.73
Union Excise Duties	351.79	261.34	131.66	106.08	124.08	73.44

Head	2016-17	2017-18	2018-19	2019-20	2020-21	
					Budget Estimates	Actuals
Service Tax	322.69	311.52	25.39	0	1.62	9.67
Other Taxes ¹⁰	0.62	1.02	1.79	1.17	-0.03	2.02
Central Tax transfers	2,069.19	2,634.66	2,794.67	2,295.56	3,042.62	2,302.27
Percentage of increase over previous year	10.64	27.33	6.07	- 17.86	2.46	0.29
Percentage of Central tax transfers to Revenue Receipts	44.88	50.54	47.20	47.42	54.26	41.05

Source : Finance Account

Over the five-year period 2016-21, Central tax transfers increased by ₹ 233.08 crore (11.26 per cent), from ₹ 2,069.19 crore in 2016-17 to ₹ 2,302.27 crore in 2020-21. During 2016-21, the Central tax transfers which had been increasing up to 2018-19, decreased sharply by 17.86 per cent (₹ 499.11 crore) in 2019-20 and increased marginally by 0.29 per cent (₹ 6.71 crore) in 2020-21 over the previous years. Central tax transfers constituted 41.05 per cent of the Revenue Receipts during 2020-21.

Table 2.13: State's share in Union taxes and duties: Actual devolution vis-à-vis Finance Commission projections

(₹ in crore)

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1	2	3	4	5 (4-3)
XIII Finance Commission				
2011-12	0.239 per cent of net proceeds of all sharable taxes excluding Service Tax and 0.243 per cent of net proceeds of sharable Service Tax	572.00	611.65	39.65
2012-13		674.00	698.48	24.48
2013-14		796.00	762.62	-33.38
2014-15		938.00	809.32	-128.68
XIV Finance Commission				
2015-16	0.367 per cent of net proceeds of all sharable taxes excluding Service Tax and 0.369 per cent of net proceeds of sharable Service Tax	2,129.00	1,870.28	-258.72
2016-17		2,457.00	2,069.19	-387.81
2017-18		2,839.00	2,634.66	-204.34
2018-19		3,285.00	2,789.61	-495.39
2019-20		3,804.00	2,295.56	-1,508.44
XV Finance Commission				
2020-21	0.388 per cent of net proceeds of all sharable taxes	3,318.00	2,302.27	-1,015.73

Source : Departmental Figure and Finance Commission Reports

From the table above it can be seen that the actual devolution of net proceeds of all shareable taxes including Service Tax was in excess of Finance Commission projections during the period from 2011-12 to 2012-13 (XIII FC period) and thereafter it was always less than the FC projections [(2013-14 and 2014-15 XIII FC period), (2015-16 to 2019-20 XIV FC period) and (2020-21 XV FC period)].

(iv) Grants-in-aid from GoI

Grants-in-aid (GIA) received by the State Government from GoI during 2016-21 are detailed in Table below.

¹⁰ Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

Table 2.14: Grants-in-aid (GIA) received by the State Government from GoI*(₹ in crore)*

Head	2016-17	2017-18	2018-19	2019-20	2020-21	
					Budget Estimates	Actuals
Non-Plan Grants	64.72	--	--	--	--	--
Grants for State Plan Schemes	684.64	6.26	--	--	5.00	--
Grants for Central Plan Schemes	--	--	--	--	--	--
Grants for Centrally Sponsored Plan Schemes	658.75	39.50	4.19	(-) 0.48	0.82	0.30
Grants for Special Plan Schemes	22.09	0.52	--	--	--	--
Grants for Centrally Sponsored Schemes (CSS)	0.31	919.17	1,147.81	609.52	2,045.03	878.22
Finance Commission (FC) Grants		70.52	125.86	76.50	560.00	635.84
Other transfers	6.40	199.45	297.13	196.36	367.21	162.20
Total	1,436.91	1,235.42	1,574.99	881.90	2,978.06	16,76.56
<i>Percentage of increase over the previous year</i>	<i>53.81</i>	<i>-14.02</i>	<i>27.49</i>	<i>-44.01</i>	<i>18.83</i>	<i>90.11</i>
<i>Percentage of GIA to Revenue Receipts</i>	<i>31.17</i>	<i>23.70</i>	<i>26.60</i>	<i>18.22</i>	<i>53.11</i>	<i>29.90</i>

There are no figures since the nomenclature of plan and non-plan grants was removed with effect from the year 2017-18 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States.

Source: Finance Accounts

The flow of Grants-in-aid from GoI depicted fluctuating trend during 2016-21. During the five year period, the transfers on this account were the highest in 2020-21. The Grants-in-aid from GoI increased by ₹ 794.66 crore (90.11 per cent) during the current year compared to the previous year. There was substantial increase in FC Grants during 2020-21 as compared to previous year. The increase was on account of Post Devolution Revenue Deficit Grant of ₹ 448.00 crore received by the State Government during the year. The CSS grants had increased, and other grants had decreased during the year, as compared to the previous year. The Grants-in-aid constituted 29.90 per cent of Revenue Receipts during the year 2020-21.

The grants for CSS constituted major portion (52.38 per cent) of total Grants-in-aid received during the year. The grants for CSS increased to ₹878.22 crore in 2020-21 from ₹609.52 crore in 2019-20 witnessing increase of ₹268.70 crore (44.08 per cent).

➤ *Fifteenth Finance Commission Grants*

The core mandate of the Finance Commission, as laid out in Article 280 of the Constitution, is to make recommendations on the distribution between the Union and the States of the Net Proceeds of Taxes and the principles which should govern the Grants-in-aid of the revenue to the States out of the Consolidated Fund of India. The Fifteenth Finance Commission (XV FC) was constituted on 27 November 2017, whose major recommendations were: decrease in States' share in the Net Proceeds of Union Tax revenues to 41 per cent from 42 per cent earlier; 4.31 per cent of divisible pool to be given as grants to States for local bodies, grants for post devolution revenue deficit,

grants for disaster risk management based on capacity, risk exposure and proneness to hazard and vulnerability. Comparative statement of transfers to the State on account of awards of XIV FC and XV FC during 2019-20 and 2020-21 respectively is given in **Table 2.15**.

Table 2.15: Grants-in-aid released by GoI as per recommendation of FC

(₹ in crore)

Department	Sectors	2019-20	2020-21	Increase (+)/ Decrease (-)
Panchayat and Rural Development	Panchayati Raj Institutions (PRIs)	40.09	42.00	1.91
Urban Development	Urban Local Bodies (ULBs)	2.21	21.98	19.77
Revenue and Disaster Management	State Disaster Response Fund (SDRF)	34.20	123.86	89.66
Finance	Post Devolution Revenue Deficit Grant	0	448.00	448.00
Total		76.50	635.84	559.34

Source of data: Finance Accounts (ST 14 – 1601 MH)

As can be seen from above table that there was substantial (731.16 per cent) increase in FC grants during 2020-21 as compared to previous year.

Based upon the projected tax revenue of the Union Government and the shares derived from the horizontal devolution formula, the share of each State is derived in absolute numbers by the Finance commission. This has been used to derive the post-devolution revenue deficit/surplus for States. Accordingly, Sikkim was recommended for release of revenue deficit grant and ₹448.00 crore was released to Sikkim for the year 2020-21.

2.3.3 Capital receipts

Capital Receipts consist of public debt receipts, non-debt receipts like proceeds from disinvestments (under miscellaneous capital receipts), and recoveries of loans and advances. The net public debt receipts after discharging of public debt plus other capital receipts, is the net Capital Receipts.

The following table shows the trends in growth and composition of net Capital Receipts.

Table 2.16: Capital receipts of the State

(₹ in crore)

Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Capital Receipts	784.71	1,054.37	1,146.98	833.51	1,565.88
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	1.37	0.91	1.77	0.30	1.17
Public Debt Receipts	783.34	1,053.46	1,145.21	833.21	1,564.71
Internal Debt	776.61	1,050.93	1,140.09	819.36	1,361.87
Growth rate of Internal Debt (in per cent)	19.10	35.32	8.50	-28.13	66.21
Loans and advances from GoI	6.73	2.53	5.12	13.85	202.84
Growth rate of loans and advances from GoI (in per cent)	137.81	-62.41	102.37	170.51	1,364.55
Growth rate of debt Capital Receipts (in per cent)	19.62	34.48	8.71	-27.24	87.79

Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Growth rate of non-debt capital receipts (in per cent)	-0.72	-33.58	94.51	-83.05	290
Rate of growth of GSDP (in per cent)	14.71	25.54	9.36	8.47	6.22
Rate of growth of Capital Receipts (in per cent)	19.57	34.36	8.78	-27.33	87.87

Source: Finance Accounts and for GSDP– Source: Economic & Statistical Organization

During last five-year period, Capital Receipts increased by 99.17 per cent (₹ 781.17 crore) from ₹ 784.71 crore in 2016-17 to ₹ 1,565.88 crore in 2020-21. The rate of growth of Capital Receipts which was (-) 27.33 per cent in 2019-20 increased to 87.87 per cent in 2020-21. Internal debts constituting 86.97 per cent of Capital Receipts during the current year increased from ₹ 819.36 crore during 2019-20 to ₹ 1,361.87 crore in 2020-21. Non-debt Capital Receipts in the form of recoveries of Loans and Advances increased by ₹ 0.87 crore (290 per cent) during 2020-21 over previous year.

Scheme for special assistance to states for Capital Expenditure: By considering the fact that State Governments are facing a difficult fiscal environment this year due to the shortfall in tax revenue arising from the COVID-19 pandemic, Government of India extended a special scheme of assistance to the State Governments for the financial year 2020-21 in respect of capital expenditure. Under the “Scheme for special assistance to states for Capital Expenditure” Sikkim state received ₹200.00 crores interest free loan which is to be repaid after 50 years.

2.3.3.1 Borrowings under Aatma Nirbhar Bharat Abhiyan

Under the Aatma Nirbhar Bharat Abhiyan package (ABA) (May 2020), States have been allowed to increase borrowing limit from 3.00 per cent to 5.00 per cent of GSDP for 2020-21 as follows:

Table 1.6

Sl. No.	Additional per cent borrowings allowed under ABA	Remarks/Conditions to be fulfilled
Unconditional increase		
1	0.50 per cent	Not applicable
Conditional increase		
2	0.25 per cent	Universalisation of ‘One Nation One Ration Card’
3	0.25 per cent	Urban local body reforms
4	0.25 per cent	Power distribution
5	0.25 per cent	Ease of doing business
6	0.50 per cent	Additional increase allowed, if undertaking for implementation of at least three milestones out of four reform areas are achieved

The State had availed the unconditional increase of 0.5 per cent during 2020-21, translating to ₹ 156 crore.

Out of the one *per cent* to be provided in four tranches, the State could avail 0.2 *per cent* under the power sector reforms (in two instalments at the rate of 0.15 *per cent* and 0.05 *per cent* translating to total of ₹ 61 crore).

In respect of other three conditions, the State Government did not get any sanction from Government of India during 2020-21. However, the Department did not mention the status of three milestones.

2.3.4 State's performance in mobilization of resources

State's performance in mobilization of resources in the form of its own sources comprising own-tax and non-tax sources can be judged against the projections of XV FC and targets of budget. The table below shows the performance of State in mobilization of resources against the projections and targets during 2020-21.

Table 2.17: Tax and non-tax receipts vis-à-vis projections

(₹ in crore)

	XV FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				XV FC projections	Budget Estimates
Own Tax revenue	1,053	1,241.90	966.70	(-) 8.20	(-) 22.16
Non-tax revenue	537	710.66	662.29	23.33	(-) 6.81

Source: FC Report and Estimates of Receipts

As can be seen that the State could not mobilize resources from its own sources of Tax revenue and Non-tax revenue as per targets of budget during 2020-21.

In comparison to the assessment made by XV-FC, the Receipts under Tax Revenue was less by ₹ 86.0 crore. However, the Non-tax Revenue was higher by ₹ 125.29 crore (23.33 *per cent*). But as compared with Budget Estimates, the Tax Revenue and Non-tax Revenue fell short by 22.16 *per cent* and 6.81 *per cent* respectively indicating substantial shortfall in mobilisation of resources by the State.

2.4 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. This paragraph along with sub-paragraphs gives the analysis of allocation of expenditure in the State.

2.4.1 Growth and composition of expenditure

The Total Expenditure, its composition and relative share in GSDP during the years 2016-17 to 2020-21 is presented in Table below.

Table 2.18: Total expenditure and its composition(*₹ in crore*)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	4,525.37	5,675.58	6,564.45	6,922.75	7,882.53
Revenue Expenditure (RE)	3,788.08	4,151.85	5,226.57	6,185.08	6,368.65
Capital Expenditure (CE)	720.29	1,506.78	1,291.31	720.61	1,513.88
Loans and Advances	17	16.95	46.57	17.06	0
GSDP	20,687	25,971	28,402	30,809	32,724
As a percentage of GSDP					
TE/GSDP	21.88	21.85	23.11	22.47	24.09
RE/GSDP	18.31	15.99	18.40	20.08	19.46
CE/GSDP	3.48	5.80	4.55	2.34	4.63
Loans and Advances/ GSDP	0.08	0.07	0.16	0.05	0

Source : Finance Account

During the period 2016-21, Total Expenditure of the State increased by 74.19 per cent (₹3,357.16 crore) from ₹ 4,525.37 crore in 2016-17 to ₹ 7,882.53 crore in 2020-21. During the current year, it increased by 13.86 per cent over the previous year.

The ratio of Total Expenditure of the State to GSDP fluctuated between 21.85 per cent and 24.09 per cent during 2016-21. During 2020-21 it increased to 24.09 per cent from 22.47 per cent in previous year. This fluctuation was mainly on account of fluctuations in Capital Expenditure during entire five-year period.

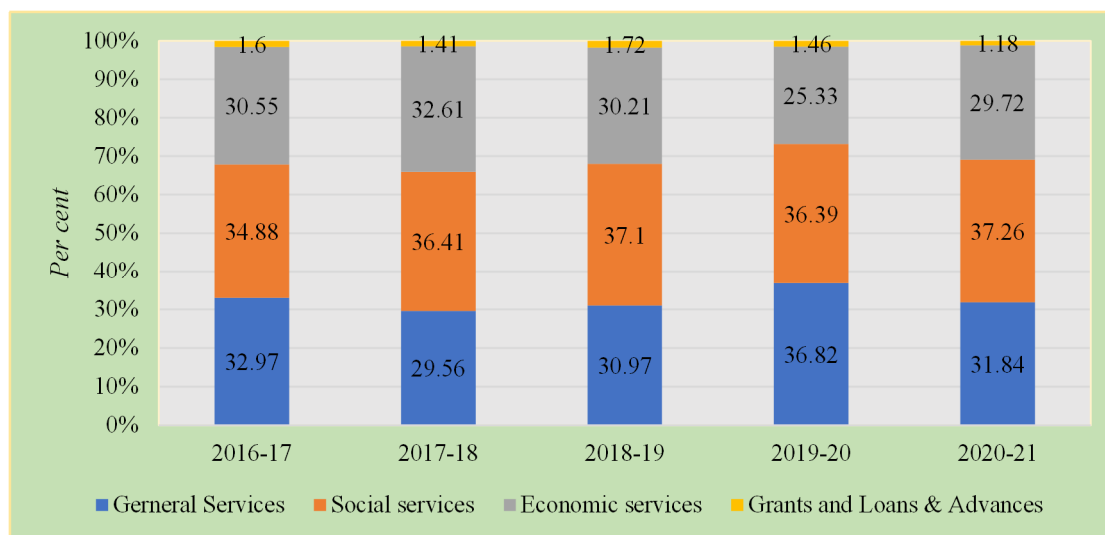
Table 2.19: Relative share of various Sectors in Total Expenditure(*₹ in crore*)

Sectors	2016-17	2017-18	2018-19	2019-20	2020-21
General Services	1,491.95	1,677.89	2,032.95	2,548.62	2,509.30
Social Services	1,578.28	2,066.68	2,435.22	2,519.45	2,936.99
Economic Services	1382.5	1,850.74	1,983.31	1,753.76	2,342.92
Others (Grants to Local Bodies and Loans and Advances)	72.63	80.27	112.97	100.92	93.32
Total Expenditure	4,525.37	5,675.58	6,564.45	6,922.75	7,882.53
Sectoral share in Total Expenditure (in per cent)					
General Services	32.97	29.56	30.97	36.82	31.84
Social Services	34.88	36.41	37.10	36.39	37.26
Economic Services	30.55	32.61	30.21	25.33	29.72
Others (Grants to Local Bodies and Loans and Advances)	1.60	1.41	1.72	1.46	1.18
Total	100.00	100.00	100.00	100.00	100.00

Source : Finance Account

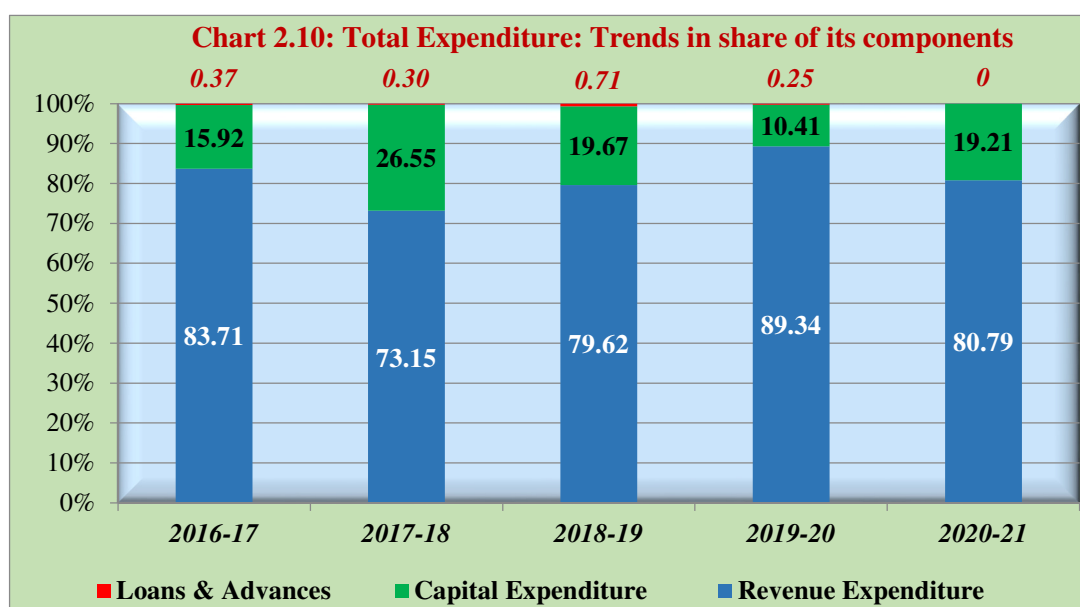
The relative share of the above components of expenditure indicates that the share of Social Services and Economic Services increased by 0.87 per cent and 4.39 per cent respectively during 2020-21 over the previous year, while relative share of General Services decreased by 4.98 per cent.

Chart 2.9: Total Expenditure - share by activities

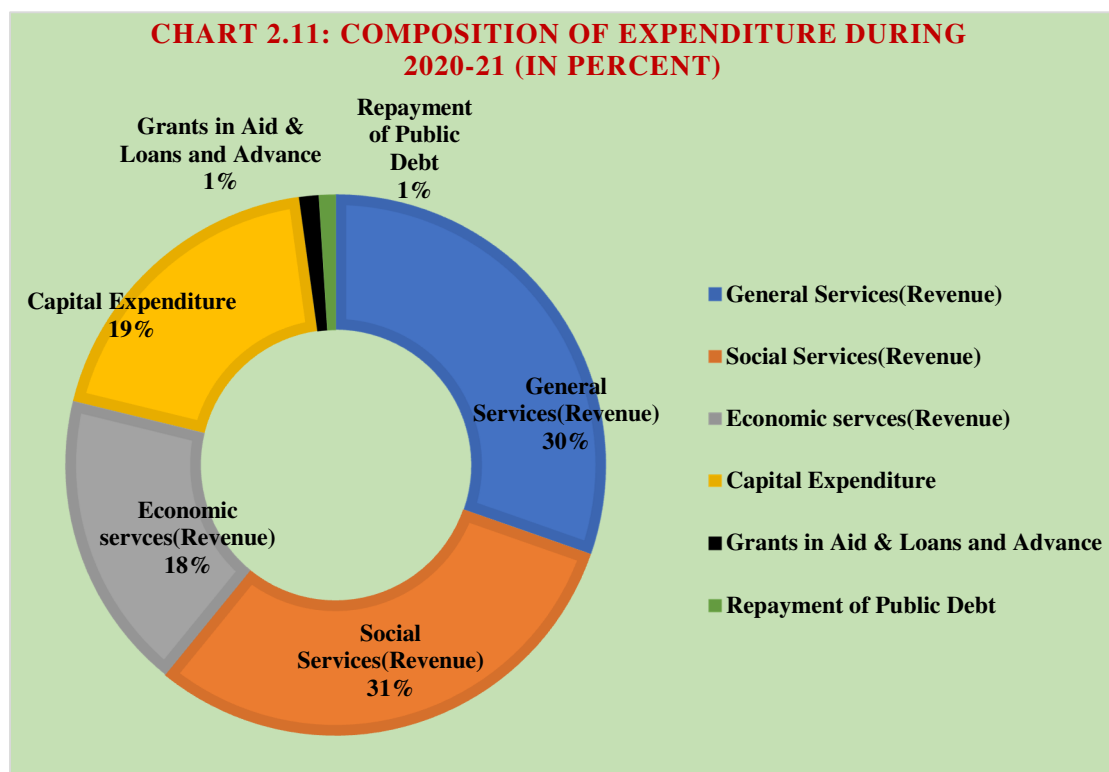


Trend of Expenditure: Revenue, Capital and Loans & Advances

In the context of State Finances, the quality of expenditure has always been an important issue. Revenue Expenditure, which is in the nature of current consumption, accounted for 80.79 per cent of the State’s aggregate expenditure, whereas Capital Expenditure, which is in the nature of asset creation, was 19.21 per cent in 2020-21. During the period 2016-21, Revenue Expenditure ranged between 73.15 to 89.34 per cent, while Capital Expenditure has remained within the range of 10.41 to 26.55 per cent.



The chart given below depicts the breakup of Total Expenditure incurred on various components during 2020-21.



2.4.2 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payment for the past obligations. As such, it does not result in any addition to the State's infrastructure and service network.

Revenue Expenditure on an average constituted 81.32 per cent (ranging between 73.15 per cent in 2017-18 and 89.34 per cent in 2019-20) of the Total Expenditure during the period 2016-21. Rate of growth of Revenue Expenditure displayed wide fluctuations during the five-year period 2016-21 as during 2018-19 and 2019-20 it grew by 25.89 per cent and 18.34 per cent respectively and during 2020-21 its growth was only 2.97 per cent. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy vis-à-vis GSDP and Revenue Receipts are indicated in **Table 2.20** and the sectoral distribution of Revenue Expenditure pertaining to 2020-21 is given in **Chart 2.12**.

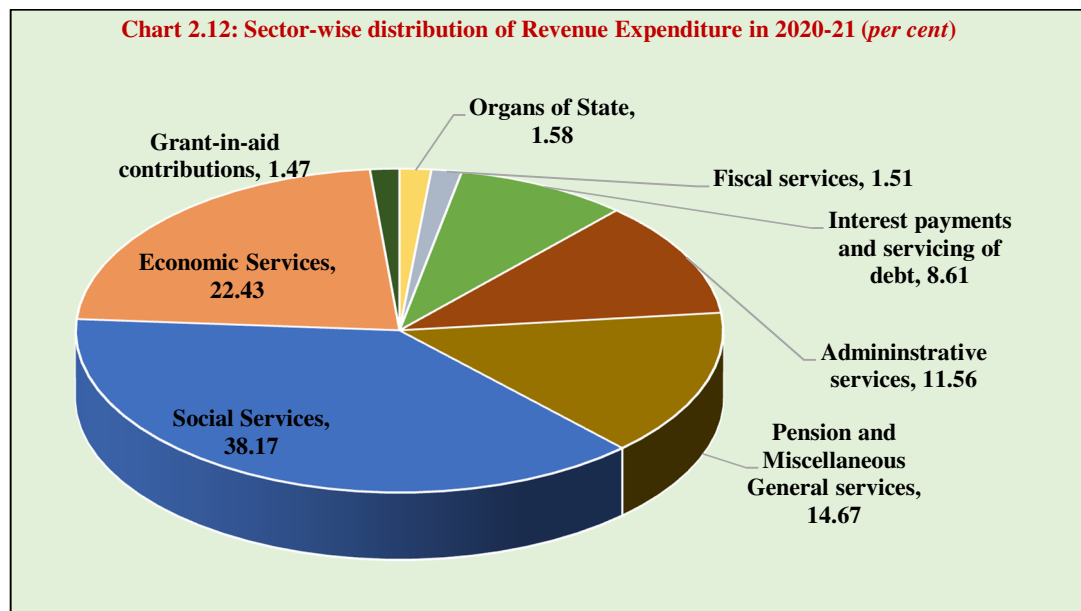
Table 2.20: Revenue Expenditure – Basic Parameters

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	4,525.37	5,675.58	6,564.45	6,922.75	7,882.53
Revenue Expenditure (RE)	3,788.08	4,151.85	5,226.57	6,185.08	6,368.65
Rate of Growth of RE (per cent)	3.94	9.6	25.89	18.34	2.97
Revenue Expenditure as percentage of TE	83.71	73.15	79.62	89.34	80.79
RE/GSDP (per cent)	18.31	15.99	18.40	20.08	19.46

(₹ in crore)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
RE as percentage of RR	82.17	79.65	88.28	127.76	113.57
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.27	0.38	1.01	2.16	0.48
Revenue Receipts (ratio)	0.18	0.73	1.91	-1.01	0.19

Source: Finance Accounts



The Revenue Expenditure as a percentage of GSDP has been fluctuating during the entire period from 2016-17 to 2020-21.

2.4.2.1 Major changes in Revenue Expenditure

Table 2.21 below details significant variations under various Heads of Account with regard to Revenue Expenditure of the State during the current year and the previous year.

Table 2.21: Variation in Revenue Expenditure during 2020-21 compared to 2019-20

(₹ in crore)

Major Heads of Account	2019-20	2020-21	Increase (+)/ Decrease (-)
2245-Relief on Account of Natural Calamities	41.14	141.71	100.57
2216-Housing	22.83	77.85	55.02
2801-Power	282.32	310.84	28.52
2711-Flood Control and Drainage	0.07	29.37	29.30
2045-Other Taxes and Duties on Commodities and Services	30.82	46.34	15.52
2236-Nutrition	18.3	7.99	-10.31
2014-Administration of Justice	53.85	43.02	-10.83
2702-Minor Irrigation	40.87	27.69	-13.18
2250-Other Social Services	23.56	9.44	-14.12
3055-Road Transport	78.13	63.84	-14.29

Source : Finance Account

Above table indicates that Revenue Expenditure under Relief on account of Natural Calamities, Housing, Power and Flood Control and Drainage increased significantly during the year over previous year. However, Revenue Expenditure on Road Transport, Other Social Services and Minor Irrigation declined during the year as compared to previous year. Similarly, other significant reduction in revenue expenditure was seen in Administration of Justice and Nutrition Programme during the current year over the previous year.

(i) Committed expenditure

Committed expenditure of Government on revenue account consists mainly of expenditure on Salaries and Wages, Interest Payments and Pensions. The FRBM Act of the State requires the State to be Revenue Surplus from year 2012-13. However, the State has been running Revenue Deficit since 2019-20. The target of FRBM is challenging to achieve, given that a large proportion of Revenue Expenditure goes into committed items like Salaries and Wages, Interest Payments, and Pensions, and it is difficult to restrict these expenditures over short period of time.

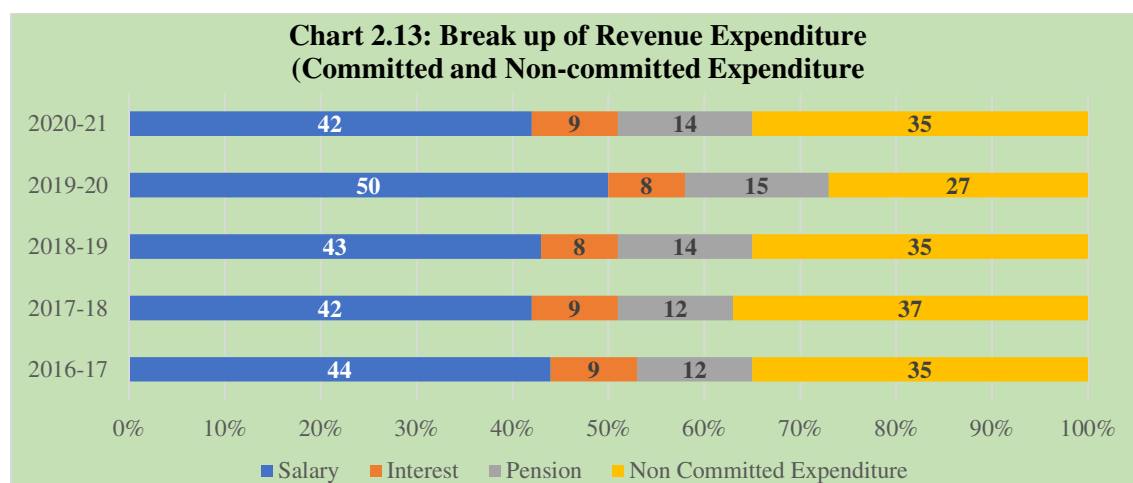
Table 2.22 presents the trends in the components of Committed expenditure, ratio of Committed expenditure to Revenue Receipt and Revenue Expenditure during 2016-21.

Table 2.22: Components of Committed Expenditure

(₹ in crore)					
Components of Committed Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Salaries & Wages	1,423.47	1,478.98	1,944.32	2,932.74	2,630.82
Salaries paid through GIAs	256.90	278.80	322.14	184.13	37.77
Expenditure on Pensions	446.43	505.18	737.24	910.58	908.13
Interest Payments	324.39	362.17	433.05	509.68	548.41
Total	2,451.19	2,625.13	3,436.75	4,537.13	4,125.13
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	30.88	28.37	32.84	60.58	46.91
Salaries paid through GIAs	5.57	5.35	5.44	3.80	0.67
Expenditure on Pensions	9.68	9.69	12.45	18.81	16.19
Interest Payments	7.04	6.95	7.31	10.53	9.78
Total	53.17	50.36	58.04	93.72	73.55
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	37.58	35.62	37.20	47.42	41.31
Salaries paid through GIAs	6.78	6.72	6.16	2.98	0.59
Expenditure on Pensions	11.79	12.17	14.11	14.72	14.26
Interest Payments	8.56	8.72	8.29	8.24	8.61
Total	64.71	63.23	65.76	73.36	64.77

Source : Finance Account

Further, **Chart 2.13** depicts percentage of Committed expenditure to Revenue Expenditure during 2016-21.



As can be seen from the details tabulated above, on an average the Committed expenditure constituted 65.77 per cent of Revenue Expenditure and 66.36 per cent of the Revenue Receipts of the State during the five-year period 2016-21. The Committed expenditures which were 93.72 per cent of Revenue Receipts in 2019-20, decreased to 73.55 per cent in 2020-21 (decrease of 20.17 per cent). Similarly, the percentage of Committed expenditure to Revenue Expenditure decreased from 73.36 per cent in 2019-20 to 64.77 per cent in 2020-21.

2.4.2.2 Undischarged liabilities in National Pension System

State Government employees recruited on and after 01 April 2006 are eligible for the National Pension System, which is a Defined Contributory Pension Scheme. In terms of the Scheme, the employee contributes 10 per cent of Basic Pay and Dearness Allowance, with a matching contribution by the State Government. The entire amount is to be transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/ Trustee Bank.

As on 31 March 2021, the State had 23,958 eligible employees under NPS, out of them valid Permanent Retirement Account Number (PRAN) (Unique Number) were allotted to 22,409 employees, whereas 1549 employees were awaiting allotment of PRAN. The details of employee's share, Government contribution, interest accrued thereon and transfer to the trustee Bank/NSDL during the period from 2016-17 to 2020-21 are given in Table 2.23.

Table 2.23: Details of Contribution and Transfers to NSDL under NPS

(₹ in crore)

Year	Opening Balance	Details of contribution by		Total contribution	Transfer to NSDL	Short transfer/ Closing Balance	Rate of Interest	Interest due on Opening Balance**
		Employees	Government					
2016-17	23.44	33.10	33.07	66.17	61.10	28.51	8.00	1.88
2017-18	28.51	38.09	40.70	78.79	79.63	27.67	7.60	2.17
2018-19	27.67	46.94	49.48	96.42	94.54	29.55	7.60	2.10
2019-20	29.55	73.90	77.42	151.32	114.74	66.13	7.60	2.25
2020-21	66.13	87.99	88.89	176.88	159.89	83.12	7.10	4.70
Total		280.02	289.56	569.58	509.90			13.10

Source: Notes to Accounts (Finance Account Vol-I). ** Interest (GPF Rate) has been calculated on the estimation that the Opening Balance was not transferred during the year

Audit analysed the overall functioning of NPS which revealed the following.

During 2020-21, the total deposit under Major Head 8342-117 Defined Contribution Pension Scheme was ₹ 176.88 crore (Employees' contribution ₹ 87.99 crore and Government contribution ₹ 88.89 crore including ₹0.90 crore pertaining to previous years). However, out of the total available fund of ₹243.01 crore under National Pension System (NPS) up to 2020-21, State Government transferred an amount of ₹ 159.89 crore to the NSDL, leaving a balance of ₹ 83.12 crore in the accounts as on 31 March 2021. Thus, there was an un-transferred amount of ₹ 83.12 crore to the NSDL and the current liability stands deferred to future year(s). Uncollected, unmatched and un-transferred amounts, with accrued interest, represent outstanding liabilities of the Government under the Scheme.

Further, delays in investment of NPS contributions with Fund Managers creates an atmosphere of uncertainty about the return to accrue to the employees concerned for such periods on the investment of their NPS contribution and affects accuracy and transparency of accounts.

From the state government accounts, it was observed that the Government has not transferred its contribution towards the individual subscriber on monthly basis but mostly transferred at last month of the year. There was inconsistency in transferring of NPS fund to NSDL which subsequently affects the interest of the subscribers.

While accepting the audit observation in Exit conference (December 2021) the Finance Department stated that the delay in transfer of fund to NSDL was mainly due to the non-submission of Common Subscriber Registration Form (CSRF) by the subscribers and delay in allotment of PRAN. The Department was making full efforts to sensitize subscribers by conducting regular workshops in all districts emphasizing the importance of PRAN and other nomination/registration forms. As soon as the PRAN are allotted/ generated, the un-transferred funds will be transferred to the NSDL.

During the meeting with the Finance Department regarding contribution and short transfers to NSDL under NPS, Director of Pension informed that some of the subscribers were not submitting the required documents for allotment of PRAN despite repeated request to do so. He further said that efforts would be continued, to spread awareness on NPS amongst the government employees.

2.4.2.3 Subsidies

There was no booking of expenditure on subsidies during the year 2019-20, but during the year 2020-21, ₹2.86 crore was booked under expenditure on Subsidy, as can be seen from the details given in **Table 2.24**.

Table 2.24: Booking of Expenditure on subsidies during 2016-21

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Subsidies (₹ in crore)	2.24	2.21	2.67	0.00	2.86
Subsidies as a percentage of Revenue Receipts	0.05	0.04	0.05	0.00	0.05
Subsidies as a percentage of Revenue Expenditure	0.06	0.05	0.05	0.00	0.04

(₹ in crore)

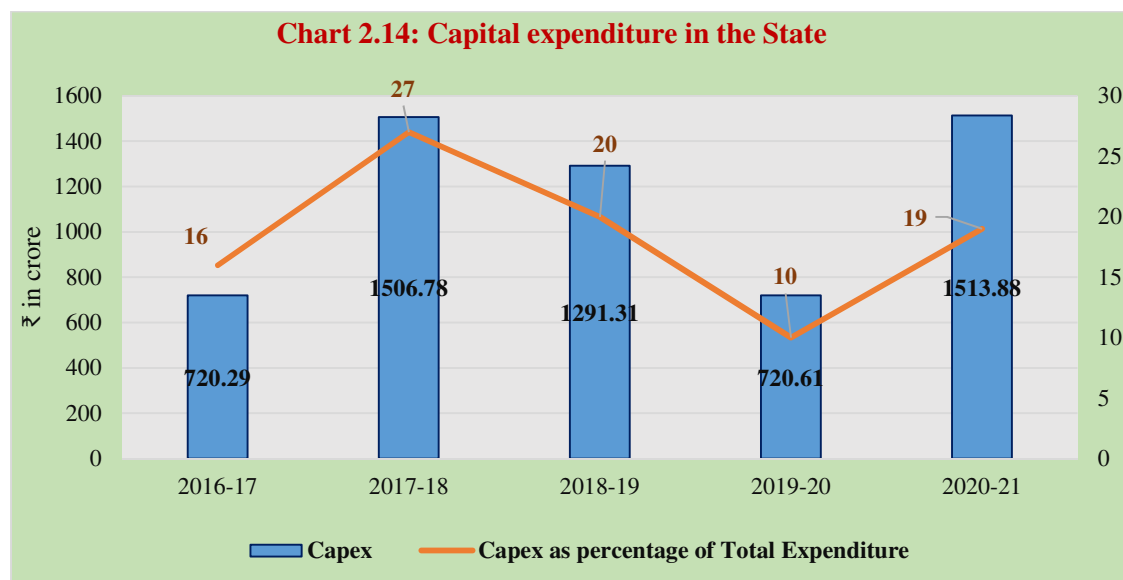
Source : Finance Account

The biggest component of the subsidy outgo of the Government of Sikkim was the subsidy to Food, Civil Supplies and Consumer affairs Department, which accounted for 97.20 percent (₹ 2.78 crore) of the total subsidy.

2.4.3 Capital Expenditure

Capital Expenditure includes primarily expenditure on creation of fixed infrastructure assets, such as buildings, roads, bridges etc.

Capital Expenditure of the State had decreased from ₹ 1,506.78 crore in 2017-18 to ₹ 720.61 crore in 2019-20, but it increased to ₹ 1513.88 crore in 2020-21, registering an increase of 110.08 per cent as compared to 2019-20.



2.4.3.1 Major changes in Capital Expenditure

Table 2.25 highlights the cases of significant increase or decrease of Capital Expenditure in various Heads of Account during 2020-21 vis-à-vis the previous year.

Table 2.25: Capital expenditure during 2020-21 compared to 2019-20

(₹ in crore)

Major Heads of Accounts	2019-20	2020-21	Increase (+)/ Decrease (-)
4202-Capital outlay on Education, Sports, Art and Culture	41.54	150.90	109.36
4210- Capital outlay on Medical and Public Health	39.07	179.40	140.33
4215- Capital outlay on Water Supply and Sanitation	82.58	109.13	26.55
4801- Capital outlay on Power Projects	20.41	161.90	141.49
5054- Capital outlay on Roads and Bridges	239.29	529.85	290.56

Major Heads of Accounts	2019-20	2020-21	Increase (+)/ Decrease (-)
5452- Capital outlay on Tourism	29.81	97.01	67.20
4711- Capital outlay on Flood Control Projects	0.82	41.35	40.53
4575- Capital outlay on other Special Area Programme	21.73	57.05	35.32
4059- Capital outlay on Public Works	128.85	89.79	-39.06
4216- Capital outlay on Housing	71.69	15.00	-56.69

Source : Finance Account

During 2020-21, 35 per cent of total Capital Expenditure was incurred on Roads and Bridges, followed by Medical and Public Health (12 per cent), Power Projects (11 per cent), Education, Sports, Art and Culture (10 per cent). Capital Expenditure on Roads & Bridges increased by 121 per cent in 2020-21 as compared to previous year, due to increase in implementation of Road Works (Permanent restoration works and surface strengthening CRF schemes). Similarly, under Power Sector there was 693 per cent increase due to increase in expenditure on transmission & distribution under NLCPR Schemes. The reason for increase in capital outlay for Medical & Public Health, which also increased by 359 per cent as compared to previous year was construction of Namchi Hospital and Drug Testing laboratory.

Housing and Public Works showed decrease of 79 per cent and 30 per cent respectively in Capital Expenditure during current year as compared to previous year, due to decrease in expenditure under constructions works.

2.4.3.2 Quality of Capital Expenditure

This Section presents an analysis of investments and other Capital Expenditure undertaken by the Government during current year.

(i) Investment and Returns

As of March 2021, Government had invested ₹ 106.68 crore in Statutory Corporations, Banks, Joint Stock Companies and Co-operatives as detailed in succeeding paragraphs. The return during 2020-21 was 2.61 per cent as detailed in **Table 2.26** below.

Table 2.26: Return on Investment

Investment/return/ cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Investment at the end of the year (₹ in crore)	97.42	102.43	105.46	104.18	106.68
Return (₹ in crore)	2.01	2.92	4.38	3.06	2.78
Return (per cent)	2.06	2.85	4.15	2.94	2.61
Average rate of interest on Government Borrowings (per cent) ¹¹	7.52	7.16	7.35	7.42	6.66
Difference between interest rate and return (per cent)	5.46	4.31	3.20	4.48	4.05

¹¹ Example for 2020-21 Average interest rate calculation=
 Total O/s debt ₹ 7400.67 cr (2019-20)
 Plus Total O/s debt ₹ 9,058.84 cr (2020-21)
 Average O/s Debt = ₹16,459.51 cr/ 2= ₹8,229.76 cr
 Interest paid during 2020-21=₹ 548.41 cr
 Average interest rate in per cent =₹548.41/₹8,229.76= 6.66 per cent

Investment/return/ cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Difference between interest on Government borrowings and return on investment (₹ in crore) ^{#12}	5.32	4.41	3.37	4.67	4.32

Source: Finance Accounts# Investment at the end of the year*Difference between interest rate and return

The Returns on investment during the current year were on account of dividend receipts from State Bank of Sikkim: ₹1.33 crore, and Sikkim Distilleries Limited: ₹1.45 crore.

The details of investment of ₹ 106.68 crore up to the end of 2020-21 by the State Government in Statutory Corporations (three), Joint Stock Companies (25) and Banks and Co-operative Societies (9) are detailed in **Appendix 2.3**.

The State Government may seriously review the functioning of its Corporations, Companies and Societies, in view of the meagre returns on their investments. They may also ensure finalisation of financial statements of these PSUs in time and consider closure of non-functional units.

(ii) Investment in Incomplete Projects

An assessment of trends in capital blocked in incomplete capital works indicates quality of capital expenditure. Blocking of funds on incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years leads to the extra burden in terms of servicing of debt and interest liabilities.

Projects remaining incomplete indicate that the benefits as envisaged in project proposals have not fructified and scarce resources remain locked without any return.

According to the information available in Appendix IX and Statement 16 of the Finance Accounts for the year 2020-21, as on 31 March 2021 (details given in **Appendix 2.4 A & B**), wherein out of 19 works executing Departments, only eight departments furnished the details of works executed and remaining 11 departments did not furnish any details to Audit.

Eight departments had 251 ongoing projects *i.e.* projects due to be completed on or before March 2021. The remaining departments did not furnish the details of incomplete projects, and thus actual number of incomplete projects could not be ascertained. The department-wise and age-wise information pertaining to incomplete projects of these eight departments as on 31 March 2021 is given in **Table 2.27** and **2.28**.

¹² Calculation on difference between interest on government borrowings for 2020-21
Percentage of 4.05 on investment at the end of year – ₹ 106.68 crore
 $₹106.68 \text{ cr} \times 4.05 / 100 = 4.32$

Table 2.27 <i>Age profile of incomplete projects as on 31 March 2021 (₹ in crore)</i>				Table 2.28 <i>Department-wise profile of incomplete projects as on 31 March 2021 (₹ in crore)</i>			
Year	No. of incomplete projects	Estimated cost	Expenditure	Department	No. of incomplete projects	Estimated cost	Expenditure
Prior to 2011-12	2	18.39	17.55	Education	100	191.54	122.62
2011-12	8	13.35	6.76	Urban Dev	52	392.42	201.40
2012-13	3	15.56	5.60	Animal Husbandry	5	7.40	2.06
2013-14	6	48.25	38.86	Sports	74	92.70	28.38
2014-15	1	2.39	2.15	Food	14	28.17	6.82
2015-16	9	40.96	28.00	Police	3	23.63	17.57
2016-17	19	28.22	23.39	Agriculture	1	0.35	0.08
2017-18	17	86.64	64.27	Power	2	42.13	30.51
2018-19	20	59.56	37.17	Total	251	778.34	409.44
2019-20	57	198.93	95.26				
2020-21	109	266.09	90.43				
Total	251	778.34	409.44				

Source: Finance Accounts Vol-II, Appendix IX

Out of these 251 projects, 60 projects (with sanctioned cost of ₹ 337.40 crore) for which the State had spent ₹ 233.26 crore were as of 31 March 2021, were pending for five years or more.

Further, department-wise analysis revealed that out of these 251 incomplete projects, which were scheduled to be completed by 31 March 2021, the Education Department had the highest number of incomplete projects (100) followed by Sports (74); Urban Development (52) and Food & Civil Supplies (14).

Blocking of funds on incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years were also not utilized effectively and the State had to share the extra burden in terms of servicing of debt and interest liabilities. Effective steps need to be taken and closely monitored at the highest levels in Government, to complete all these above projects without further delay to avoid cost and time run inefficiencies.

2.4.4 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key Social Services like Education, Health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is better.

Table 2.29 presents analysis of the fiscal priority of the State Government with regard to, Capital Expenditure, Expenditure on Education Sector and Health Sector with their comparison to North Eastern and Himalayan States in 2016-17 and the current year 2020-21 against Aggregate Expenditure.

Table 2.29: Expenditure priority of the State with regards to Health, Education and Capital expenditure

<i>(In per cent)</i>					
Year	Particulars	AE/GSDP	CE/AE	Education/AE	Health/AE
2016-17	NE and Himalayan States Average	28.50	15.97	16.67	5.67
	Sikkim	24.00	15.92	18.06	6.23
2020-21	NE and Himalayan States Average	26.92	15.67	15.22	6.15
	Sikkim	24.09	19.21	17.25	8.08

AE: Aggregate Expenditure, CE: Capital Expenditure.,
GSDP: Figures furnished by Department of Economics, Statistics, Monitoring and Evaluation (DESME), Government of Sikkim

The ratios of Education and Health to Aggregate Expenditure in Sikkim was higher than the ratios of NE and Himalayan States in 2016-17 and in 2020-21. However, the ratio of Capital Expenditure to Aggregate Expenditure in Sikkim was slightly lower than the ratios of NE and Himalayan States in 2016-17, but it was higher in 2020-21. Further, the ratio of the Aggregate Expenditure to GSDP in Sikkim was lower than NE and Himalayan States during 2016-17 and 2020-21.

2.5 Public Account

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

2.5.1 Net Public Account Balances

The net balance in Public Account for a year is arrived by adding opening balance with fresh addition during the year and subtracting the disbursement therefrom. The sector-wise and sub-sector-wise net balances in Public Account of the State is given in this sub-para.

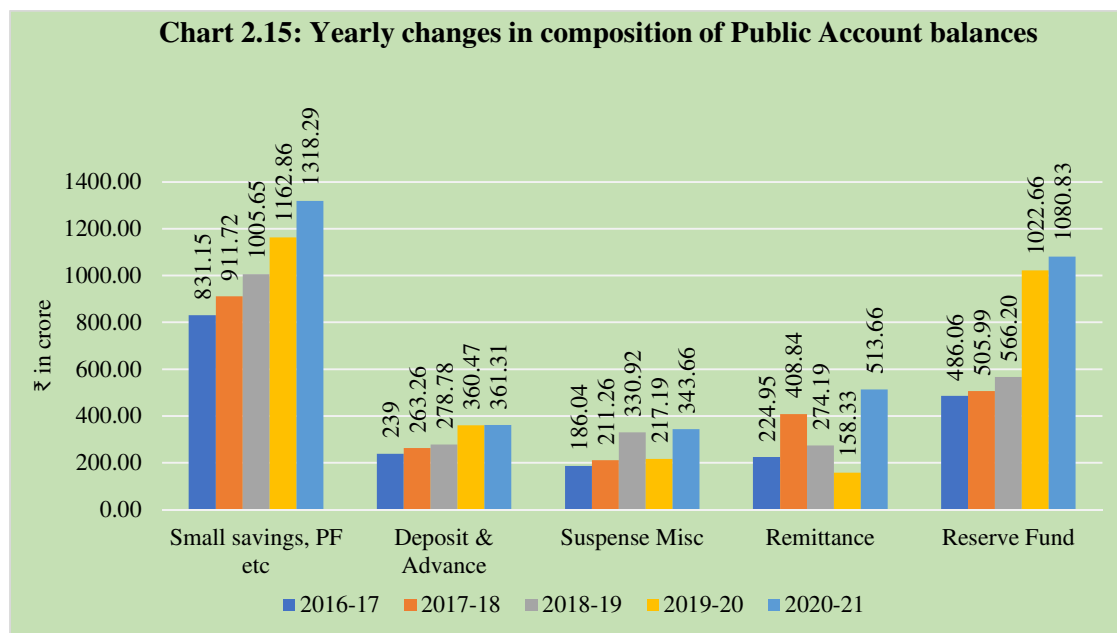
Table 2.30: Component-wise net balances in Public Account as of 31 March of the year

<i>(₹ in crore)</i>						
Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	831.15	911.72	1,005.65	1,162.86	1,318.29
J. Reserve Funds	(a) Reserve Funds bearing Interest	3.95	13.82	23.08	391.31	376.29
	(b) Reserve Funds not bearing Interest	482.11	492.17	543.12	631.35	704.54
	Sub total	486.06	505.99	566.2	1,022.66	1,080.83
K. Deposits and Advances	(a) Deposits bearing Interest	28.51	27.67	29.54	66.12	83.15
	(b) Deposits not bearing Interest	211.61	236.62	250.27	295.38	279.19
	(c) Advances	-1.03	-1.03	-1.03	-1.03	-1.03
	Sub total	239.09	263.26	278.78	360.47	361.31
	(a) Suspense	2.69	1.97	6.58	4.56	5.20

Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
L. Suspense and Miscellaneous	(b) Other Accounts	183.35	209.29	324.34	212.63	338.46
	(c) Accounts with Governments of Foreign Countries	0	0	0	0	0
	(d) Miscellaneous	0	0	0	0	0
	Sub total	186.04	211.26	330.92	217.19	343.66
M. Remittances	(a) Money Orders, and other Remittances	224.95		274.19	158.33	513.66
	(a) Inter- Governmental Adjustment Account	0	0	0	0	0
	Sub total	224.95	404.84	274.19	158.33	513.66
TOTAL		1,967.29	2,297.07	2,455.74	2,921.51	3,617.75

Source : Finance Account, Note: +ve denotes debit balance and -ve denotes credit balances

The yearly changes in composition of balances in Public Account over the five-year period 2016-21 are given in **Chart 2.15**.



Source: Finance Accounts of respective years

2.5.2 Reserve Funds

Reserve Funds are created for specific and well-defined purposes in the accounts of Government. These funds are fed by contributions or grants from the Consolidated Fund or from outside agencies.

Analysis of transactions of Reserve Funds is presented in the subsequent paragraphs.

2.5.2.1 Consolidated Sinking Fund

The State Government constituted a Consolidated Sinking Fund for redemption of the open market loans of the Government commencing from 2004-05. As per guidelines of the Fund, the Government is required to contribute to the fund at the rate of one to three *per cent* of the outstanding open market loans as at the end of the previous year. The scope of this fund has been extended to cover all outstanding liabilities of the Government through a notification by the State issued on 18 August 2007 based on

recommendations of the XII FC. For the year 2020-21, the flow of Consolidated Sinking Fund is detailed below.

Table 2.31: Flow of Consolidated Sinking Fund during 2016-21

(₹ in crore)

Year	Opening balance (01 April 2019)	Additions to the Fund (contribution and interest)			Payments out of the Fund	Closing balance (31 March, 2021)	Amount invested by SBS in Deposit
		Required contribution (one per cent of outstanding open market loans as on 31 March 2020) as per guidelines of the State Government	Actual contribution made	Interest accrued			
2016-17	309.92	23.00	12.00	28.64	Nil	350.56	350.56
2017-18	350.56	28.74	12.00	24.23	Nil	386.79	386.79
2018-19	386.79	36.21	12.00	29.96	Nil	428.75	428.75
2019-20	428.75	44.16	12.00	36.17	Nil	476.92	476.92
2020-21	476.92	48.95	12.00	29.23	Nil	518.15	518.15
Total				148.23			

Source: Finance Accounts - Vol I (Notes to Account)

The State Government had invested entire available fund in State Bank of Sikkim as per the guidelines. The investment under CSF increased from ₹ 350.56 crore in 2016-17 to ₹ 518.15 crore in 2020-21. The State Government was required to make annual contribution of ₹ 48.95 crore (at one *per cent* of outstanding open market loans of ₹ 4895 crore) to the fund for the year 2020-21 in terms of its own guidelines. However, the Government transferred only ₹ 12.00 crore to the fund leading to short contribution of ₹ 36.95 crore. This would have an effect of understatement of Revenue Deficit and Fiscal Deficit during the year. As on 31 March 2021, the fund had a balance of ₹ 518.15 crore, which had been invested in fixed deposits in banks.

2.5.2.2 State Disaster Response Fund

Government of India (GoI) replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 1 April 2010 as per the recommendations of the XII FC. In terms of the guidelines of the Fund, the Centre and States are required to contribute to the Fund in the certain proportion. The contributions are to be transferred to Major Head – 8121 under Public Account. Expenditure is incurred by operating Major Head – 2245. The balance in the Fund would be invested as per provisions stipulated in the guidelines in Central Government dated securities, auctioned treasury bills and interest-bearing deposits and certificates of deposit with scheduled commercial banks.

In terms of the guidelines of the Fund, the Centre and Sikkim Government (NE and Himalayan States) are required to contribute to the Fund in the proportion of 90:10. Further, if the State does not have adequate balance under SDRF, the Union Government provides additional assistance from the National Disaster Response Fund (NDRF). The flow of the Fund, during the last five-year period is given below.

Table 2.32: Flow of State Disaster Response Fund during the year 2016-21

(₹ in crore)

Year	Opening balance (01 April)	Contribution by Centre	State's Share	Additional assistance from NDRF	Accrued interest (on investment of Fund)	Total availability during the year	Amount spent (MH 2245-05)	Closing balance	Investment During the year
1	2	3	4	5	6	7=(1 to 6)	8	9=7-8	10
2016-17	17.26	29.70	3.30	-	2.20	52.46	27.51	24.95	21.00
2017-18	24.95	30.60	3.40	-	1.27	60.22	46.90	13.32	12.00
2018-19	13.32	32.40	3.60	54.93	2.23	106.48	83.89	22.59	22.50
2019-20	22.59	34.20	3.80	-	2.19	62.78	34.81	27.96	17.50
2020-21	27.96	50.00	6.00	73.86	2.57	160.39	116.85	43.54	0.00

Source: Finance Accounts

During the year 2020-21, the State Government transferred aggregate funds of ₹ 132.43 crore to the SDRF (Central share: ₹ 50 crore, State share of ₹ 6.00 crore, and interest of ₹ 2.57 crore on investment and NDRF assistance ₹ 73.86 crore) and incurred an expenditure of ₹ 116.85 crore on natural calamities under Head 2245-05. As on 31 March 2021, the Fund had a closing balance of ₹43.54 crore.

Table 2.33: Details of expenditure charged to SDRF

(₹ in crore)

Major Head of Account	Minor Head of Account	Expenditure during 2020-21
2245- Relief on Account of Natural Calamities 02- Floods, Cyclones etc.	101-Gratuitous Relief	11.00
	106-Repairs and Restoration of Damaged Roads and Bridges	2.57
	109-Repairs and Restoration of Damaged Water supply, drainage and sewerage works	1.58
	122-Repairs and Restoration of Damaged Irrigation and Flood Control Works	--
	193-Assistance to Local Bodies and Other Non-Government Bodies/ Institutions	--
	911- Deduct recoveries of overpayments	0
	Sub Total	15.15
2245- Relief on Account of Natural Calamities 80-General	800-Other Expenditure ¹³	101.70
	911- Deduct recoveries of overpayments	0
	Sub Total	101.70
Grand Total		116.85
05-Calamity relief Fund	901- Deduct - Amount met from State Disaster Response Fund	(-) 116.85

Source: Finance Accounts

¹³ The minor head 800- other expenditure includes expenditure on ACA for CRF to calamity relief works executed under the detail head -74 for ₹49.77 crore and on other works relief on account of natural calamities for ₹50.75 crore executed under Head 73.

2.5.2.3 State Disaster Mitigation Fund

The State Government had established the Sikkim State Disaster Mitigation Fund(SDMF) vide Notification No.05/Adm/LRDMD dated 4th February 2018. This Fund is to be utilised for prevention and mitigation of various hazards that may turn into disaster. During 2020-21 the fund had an opening balance of ₹0.92 crore and State Government did not transfer any amount to the fund and also it did not book any expenditure also.

2.5.2.4 Guarantee Redemption Fund

The State Government constituted Guarantee Redemption Fund in the year 2005 for meeting payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and borrowings by the State Undertakings or other bodies, in case the same are revoked. The Government is required to contribute an amount equal to at least one-fifth of the outstanding invoked guarantees plus an amount likely to be invoked as a result of the incremental guarantees issued during the year. However, it is open to the Government to increase contribution to the fund at its discretion. The detailed account of the Fund as on 31 March 2021 is given in following table.

Table 2.34: Guarantee Redemption Fund

(₹ in crore)

Particulars	Amount
Opening Balance	58.37
Addition	2.00
Interest	3.50
Total	63.87
Amount expended from the Fund	Nil
Closing Balance	63.87
Amount invested	60.41
Amount not invested	3.46

Source: Finance Accounts

During 2020-21, the State Government transferred ₹ two crore to the Guarantee Redemption Fund along with accrued interest of ₹ 3.50 crore. No guarantees were invoked during the year. The fund had a corpus of ₹ 63.87 crore at the end of the year out of which ₹ 60.41 crore stood invested. Thus, there was an un-invested amount of ₹ 3.46 crore.

2.5.2.5 Educational Cess Fund

As per the Sikkim Educational Cess on Alcoholic Beverages Act, 2007 (Act No.9 of 2007) for the purpose of promoting education in the State of Sikkim, Government is levying and collecting Educational Cess on alcoholic beverages manufactured in Sikkim as well as imported from other states for consumption in Sikkim. However, the State Government has not formed any rule for creation of Educational Cess Fund. Therefore, the utilisation of Cess was not readily ascertainable. The details of Educational Cess collected for the period 2016-21 is given in the table below.

Table – 2.35: Position of Educational Cess Fund during 2016-21*(₹ in crore)*

Year	Total educational cess collected	Deposited into the Revenue Head 0045-112-03	Transferred to educational cess fund	Remarks
2016-17	4.78	4.78	Nil	Fund yet to be created
2017-18	4.45	4.45	Nil	
2018-19	7.37	7.37	Nil	
2019-20	7.21	7.21	Nil	
2020-21	6.10	6.10	Nil	

Source : NTA- Finance Account-1

The total Educational Cess amounting to ₹ 29.91 crore during the period 2016-21 was collected by the Excise Department. But, neither the EC collected by the Excise Department, was transferred to the Education Department, nor did the Education Department initiate any action to draft rules to prescribe the modalities for utilisation of EC so collected, as required under Section 7 of the Act.

The Department assured during the Exit conference (December 2021) that the Fund would be created expeditiously. In response to similar observation in the SFAR (2019-20), Finance Department had accepted the observation and acceded to PAG's suggestion for early settlement of the matter.

2.5.2.6 Cess under Sikkim Transport Infrastructure Development Fund (STIDF)

The “Sikkim Transport Infrastructure Development Fund” was established to develop, maintain or improve transport infrastructure in Sikkim and for such purpose, it was decided to levy and collect cess on sale of motor spirit commonly known as petrol and high speed diesel and to provide for matters connected therewith or incidental thereto. The Act came into force since August 2004. During the year 2020-21, the total collections and transfers of the Fund is given in the table below:

Table: 2.36 – Details of Cess under STIDF*(₹ in crore)*

Collections under 'MH 0045-112-01'	Amount transferred to 'Sikkim Transport Infrastructure Development Fund'	Amount yet to be transferred to 'Sikkim Transport Infrastructure Development Fund'
21.36	36.00*	Nil

Source : Finance Accounts Vol-1 (NTA)

*The state Government transferred more amount to Fund than its cess collection. The reason for more transfer has not been provided by the Government.

During the year, the State Government incurred an expenditure of ₹ 25 crore on road works by booking under M.H. 5054-05-337-61 and debiting the Fund. As on March 31, 2021, the fund has closing balance of ₹ 32.28 crores.

2.5.2.7 Cess under Sikkim Ecology and Environment Fund

To protect and improve environment in Sikkim, Government of Sikkim established a fund known as “Sikkim Ecology and Environment Fund” in 2007 and the cess is levied on every dealer, manufacturer, Government department, PSU, Autonomous Body or

other organisation who bring non-bio-degradable materials (as specified) from outside the State for selling, business, manufacturing, producing any products or use for whatsoever purpose in the State.

As per Section 14 of the Sikkim Ecology Fund and Environmental Cess, Act 2005, the cess levied shall first be credited to the Consolidated Fund of Sikkim and the State Legislature may by appropriation made by law in this behalf credit the proceeds of this collection to this fund from time to time, for being utilized exclusively for the purpose of this Act. This Cess is being levied since April 2007.

It was seen that the above-mentioned cess collected during the year was not transferred to the fund by the State Government, it had also not utilised the fund under M.H. 3435-03-101-61. The cess collected during 2018-19 and 2019-20 amounting ₹ 7.95 crore was transferred to fund during this year only. During the year 2020-21 total cess collection was ₹0.21 crore (M.H. 0045-112-02).

The details of Sikkim Ecology Fund and Environmental Cess collected and expenditure made thereof for the last five years is given in the table below:

Table 2.37: Details of Sikkim Ecology Fund and Environmental Cess

(₹ in crore)

Year	Receipts of CESS	Expenditure	Percentage of Expenditure
2016-17	49.09	31.15	63.45
2017-18	31.10	58.88	189.32
2018-19	6.77	1.10	16.25
2019-20	1.18	Nil	0.00
2020-21	0.21	Nil	0.00

Source: VLC data and Finance Accounts Volume I –NTA

From the table above it can be seen that the State has not spent the Cess so collected under the Ecology & Environment during 2019-20 and 2020-21.

The State Government may increase its spending out of the Cess collected.

2.5.2.8 Sikkim Compensatory Afforestation Fund

In compliance with the instructions issued by the Ministry of Environment and Forests, Government of India, vide their letter No.5-1/2009-FC dated 28 April, 2009 and guidelines of 2 July 2009, the State Governments are required to establish the State Compensatory Afforestation Fund Management and Planning Authority (State CAMPA) which will administer the amount received and utilisation of the monies collected for undertaking compensatory afforestation, assisted natural regeneration, conservation and protection of forests, infrastructure development, wildlife conservation and protection and other related activities and matters connected therewith or incidental thereto. Accordingly, the State Government constituted State CAMPA vide notification no. 107/Home/2009 dated 12 August 2009.

During the year 2020-21, the State Government received ₹ 5.71 crore through the user agencies on account of Net Present Value of Forest Land, Compensatory Afforestation, Dwarf species for credit to the CAMPA Fund, out of which ₹ 0.57crore (10 per cent)

crore has been transferred to the National Fund and ₹ 5.10 crore to Major Head 8121, leaving ₹ 0.04 crore in the Deposit head 8336. The State Government credited total interest of ₹ 12.01 crore (under Major Head 8121) during the year.

In terms of the provisions contained in the Compensatory Afforestation Fund Act (Section 4, Central Act 38 of 2016), the State Government established “State Compensatory Afforestation Fund” under Public Accounts of the State Government *vide* Notification No. 03/Home/2019 dated 16 January 2019 and subsequent Notification No. Bud/Fin/13 dated 26 March 2019 and is managed by State CAMPA. The status of receipts and disbursements under the Fund as on 31 March 2021 was as follows:

Table 2.38: Status of the State Compensatory Afforestation Fund

(₹ in crore)

Opening Balance as on 01 April 2020	Receipt during the year	Disbursement during the year	Closing balance as on 31 March 2021
362.43	17.12	47.72	331.83

Source : Finance Accounts (Statement 21) and Notes to Account (Finance Accounts Vol-I)

The State received ₹17.12 crore during the year 2020-21 towards State Compensatory Fund. Out of total fund, only ₹47.72 crore was spent and there was an unspent balance of ₹ 331.83 crore.

The State Government may review the status of the Fund for appropriate action.

2.5.3 Position of loans and advances and interest received/ paid by the State Government

In addition to investments in Corporations, Companies and Co-operative societies, State Government also provided loans and advances to many institutions/ organisations. **Table 2.39** presents the outstanding loans and advances as on 31 March 2021 along with interest receipts vis-à-vis interest rates of long term loans borrowed by government during the five-year period from 2016-21.

Table 2.39: Details of Loans advanced by State Government and interest received

(₹ in crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Opening balance	160.83	176.46	192.49	237.30	254.06
Amount advanced during the year	17.00	16.95	46.57	17.06	0.00
Amount repaid during the year	1.37	0.92	1.77	0.30	1.17
Closing balance	176.46	192.49	237.29	254.06	252.89
Net addition	(+)15.63	(+) 16.03	(+) 44.80	(+) 16.76	(-)1.17
Interest receipts	*00	*0.00	0.00	0.00	0.00
Interest receipts as <i>per cent</i> to outstanding loans and advances	*00	*0.00	0.00	0.00	0.00
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government	6.94	6.64	6.84	6.89	6.18
Net outgo on Interest Payments as proportion of outstanding fiscal liabilities (<i>per cent</i>).	6.94	6.64	6.84	6.89	6.18

Source: Finance Accounts. *No interest on loans & advances was received.

Though the Government had not given any Loans and Advance to PSUs, but it had paid ₹140.85 crore to three PSUs (SHDB, STCS and SIDICO) towards repayment of principal and interest against the loans taken by the Government through these PSUs from Financial Institutions (HUDCO, Central Bank of India and NABARD).

No interest on loans and advances was received by the Government during the financial year 2020-21.

2.6 Components of Fiscal Deficit and its financing pattern

The financing pattern of Fiscal Deficit has undergone a compositional shift as reflected in **Table 2.40**. Decomposition of Fiscal Deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above Revenue and Non-Debt Receipts.

Table 2.40: Fiscal Surplus/Deficit and its financing pattern

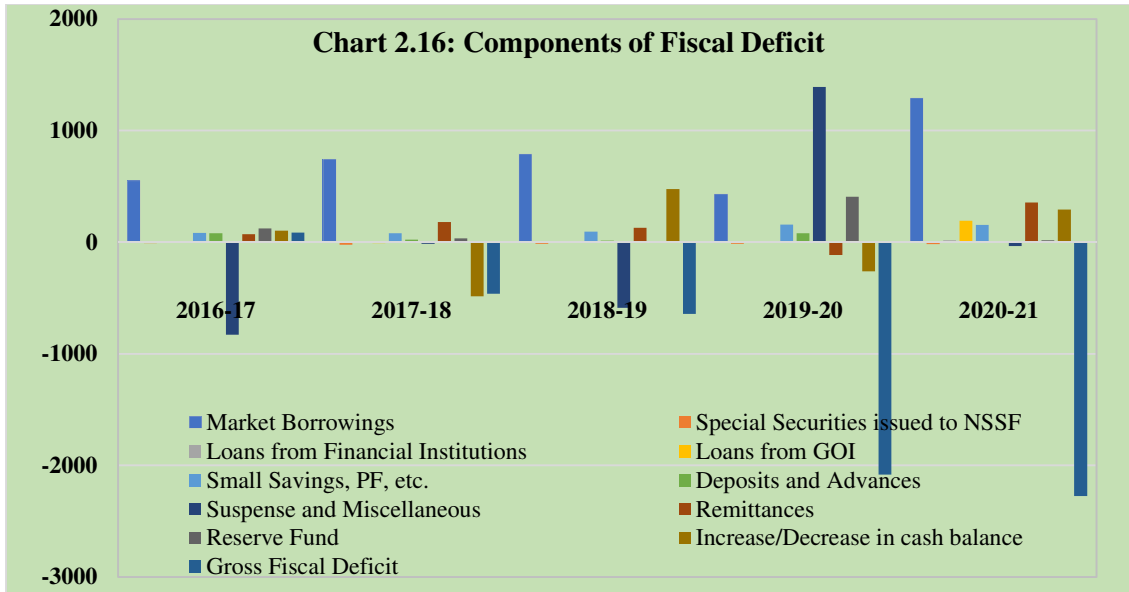
(₹ in crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Fiscal Surplus (+)/ Deficit (-)	+86.30	-461.88	-642.32	-2,081.18	-2,273.54
Composition of Fiscal Deficit					
1 Revenue Surplus (+)/Deficit (-)	+822.22	+1,060.94	+ 693.79	-1,343.81	-760.83
2 Net Capital Expenditure	-720.29	-1,506.78	-1,291.31	-720.61	-1,513.88
3 Net Loans and Advances	-15.63	-16.04	- 44.80	-16.76	1.17
Financing Pattern of Fiscal Deficit					
1 Market Borrowings	550.41	744.13	790.29	432.07	1,292.00
2 Special Securities issued to NSSF	-7.72	-23.61	-15.05	-13.46	-16.10
3 Loans from Financial Institutions	-2.12	-2.1	-0.6	-2.39	17.20
4 Loans from GOI	-3.48	-7.6	-5.33	3.21	191.86
5 Small Savings, PF, etc.	+83.30	+ 80.57	+93.93	157.21	155.43
6 Deposits and Advances	80.11	24.17	15.53	81.69	0.84
7 Suspense and Miscellaneous	-827.7	-13.18	-587.95	1392.35	-33.19
8 Remittances	70.96	179.89	130.65	-115.86	355.33
9 Reserve Fund	124.82	35.72	5.25	407.27	16.93
10 Overall Deficit					
11 Increase/Decrease in cash balance	+102.63	- 484.99	+ 476.90	- 260.91	-293.24
12 Gross Fiscal Surplus (+)/ Deficit (-)	86.30	-461.88	-642.32	-2,081.18	-2,273.54

Source: Finance Accounts*All these figures are net of disbursements/outflows during the year;

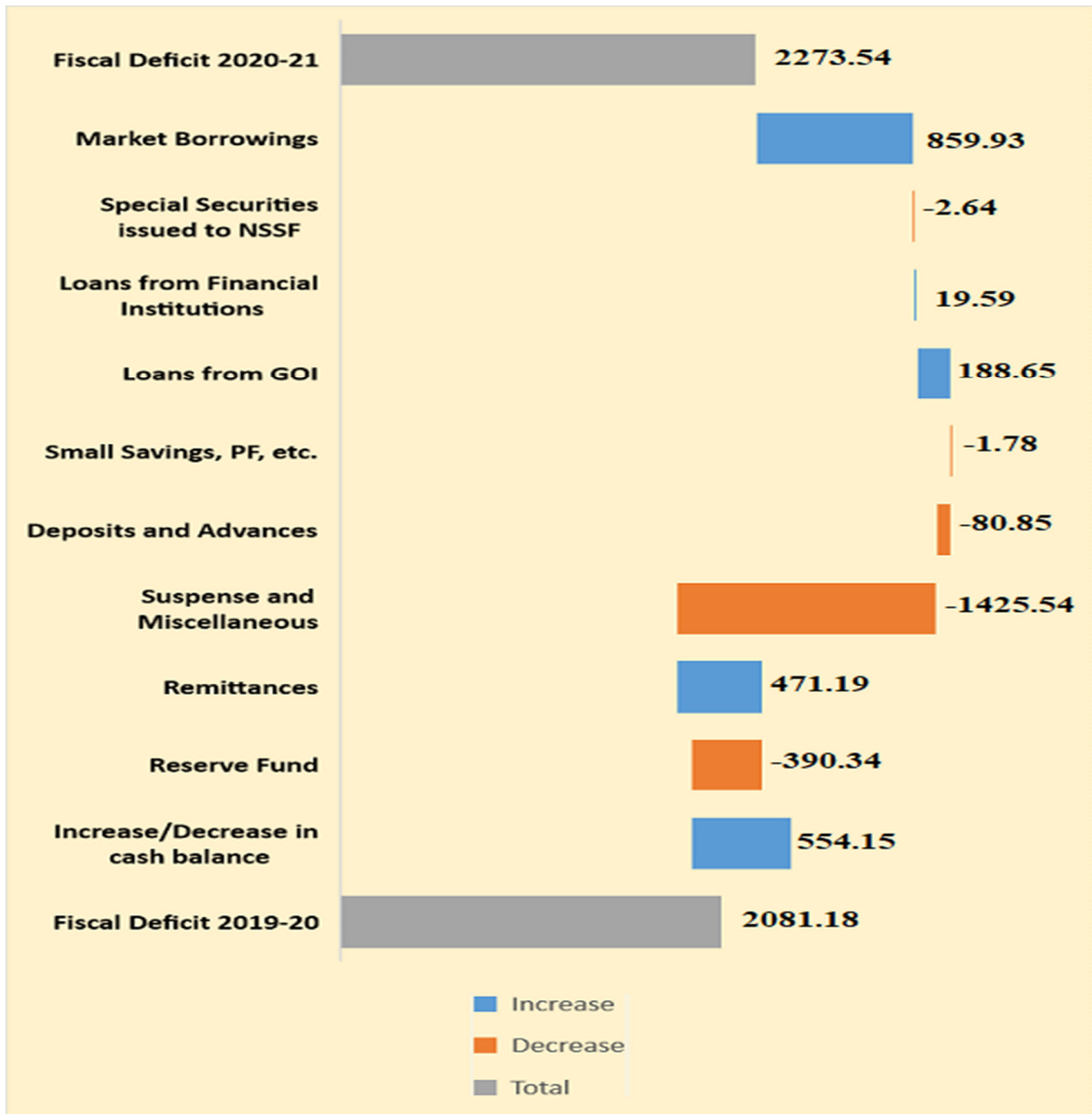
Composition of Fiscal Deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above Revenue and Non-Debt Receipts. Market Borrowings continued to finance a major portion of Fiscal Deficit. Its share in financing Fiscal Deficit increased from 20.75 per cent in 2019-20 to 56.82 per cent in 2020- 21. During 2020-21, the Fiscal Deficit of ₹ 2,273.54 crore was mainly met from Market Borrowings (₹ 1,292 crore).

The State enjoyed Revenue Surplus from 2015-16 to 2018-19, but during the years 2019-20 and 2020-21 the State had Revenue Deficit of ₹1343.81 crore and ₹ 760.83 crore respectively. The State had Fiscal Surplus last in 2016-17 of ₹ 86.30 crore and thereafter it had Fiscal Deficit continuously. During 2020-21 the State had Fiscal Deficit of ₹ 2,273.54 crore.



Source: Finance Accounts

Chart 2.17: Financing of Fiscal Deficit expressed through a water fall chart



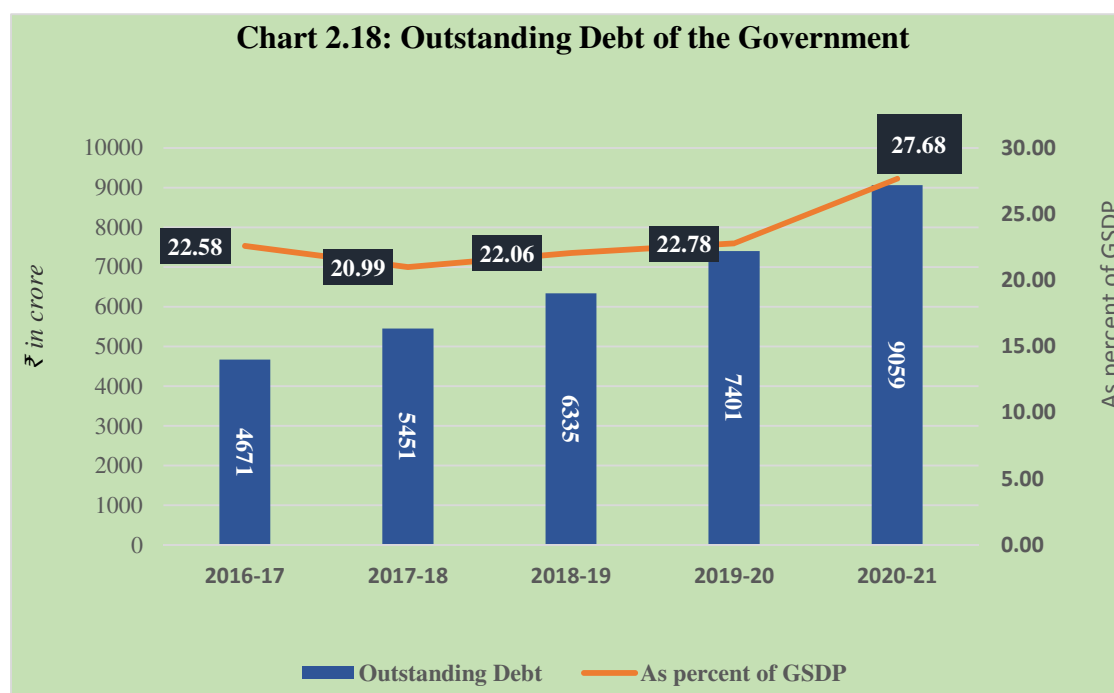
2.7 Debt management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

Table 2.41 Total Outstanding debt during 2016-21

	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding overall Debt	4,671.00	5,451.00	6,335.00	7,401.00	9,059.00
Rate of growth of outstanding debt (Percentage)	17.92	16.69	16.22	16.84	22.40
Gross State Domestic product	20,687.19	25,970.82	28,402.43	30,808.99	32,724.47
Debt/ GSDP (per cent)	22.58	20.99	22.30	24.02	27.68

(₹ in crore)



The total debt of the State government increased from ₹4,671 crore in 2016-17 to ₹ 9,059 crore in 2020-21. During 2020-21, it increased by 27.68 per cent over previous year.

2.7.1 Debt profile: Components

Total debt of the State Government constitutes of Internal Debt (Market Loans, Special Securities issued to National Small Savings Fund and Loans from Financial Institutions, etc.), and Loans and Advances from the Central Government and Public Account liabilities. The status of outstanding Debt, Public Account liabilities, growth rate of debt, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2016-21 is given in **Table 2.42**, as also in **Chart 2.19**.

Table 2.42: Component wise debt trends

(*₹ in crore*)

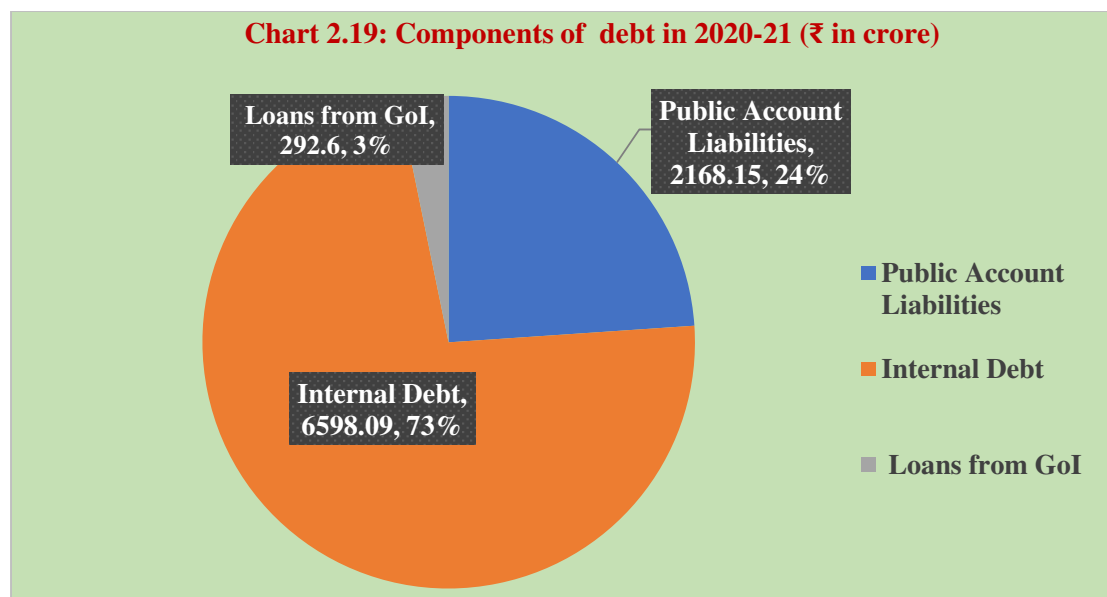
Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	
Outstanding Debt	4,671.18	5,451.03	6,335.05	7,400.66	9,058.84	
Public Debt	Internal Debt	3,395.68	4,114.12	4,888.77	5,304.99	6,598.09
	Loans from GoI	110.45	102.85	97.52	100.72	292.60
Public Account Liabilities	1,165.05	1,234.07	1,348.77	1,994.95	2,168.15	
Rate of growth of outstanding Debt (in <i>per cent</i>)	17.92	16.69	16.22	16.84	22.40	
GSDP	20,687	25,971	28,402	30,809	32,724	
Debt/GSDP (in <i>per cent</i>)	22.58	20.99	22.30	24.02	27.68	
Percentage of Interest payment to Revenue Receipt	7.04	6.95	7.31	10.53	9.78	
Total Debt Receipts	2,038.98	2,016.99	2,007.04	2,294.67	2,765.71	
Total Debt Repayment	1,328.94	1,237.13	1,123.01	1,229.06	1,107.54	
Total Debt available	710.04	779.86	884.03	1,065.61	1,658.17	
Debt Repayment /Debt Receipts (in <i>per cent</i>)	65.18	61.34	55.95	53.54	40.04	

Source: Finance Accounts

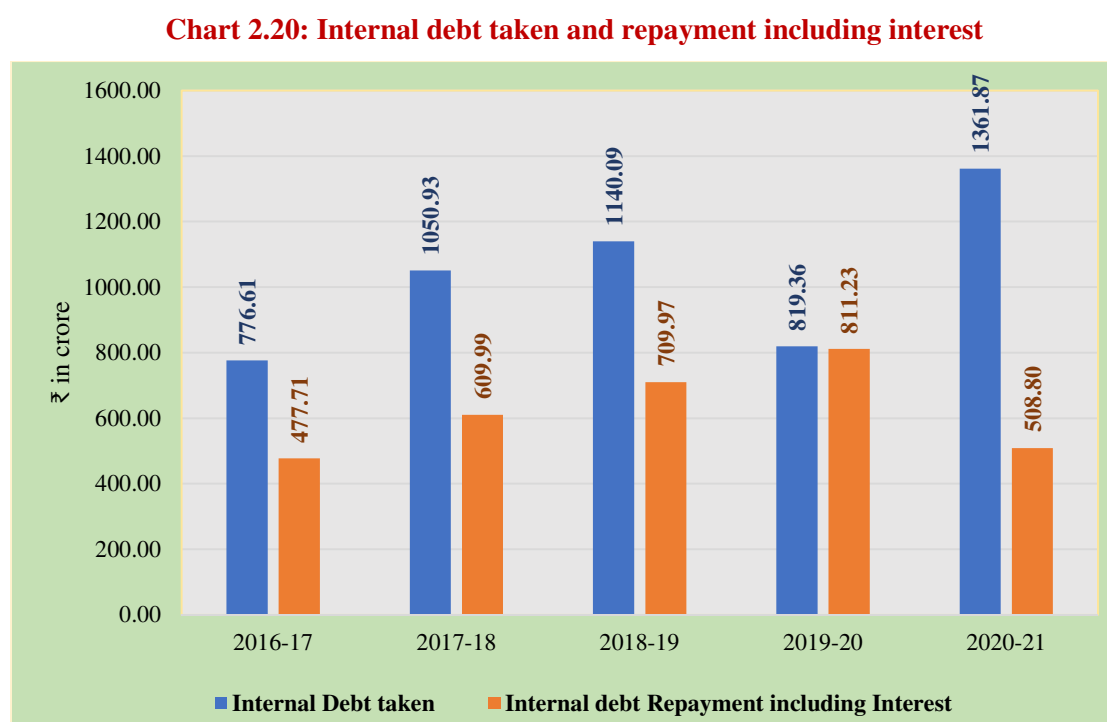
During the period 2016-21, total Outstanding Debt of the State increased by 93.93 *per cent* (₹ 4,87.66 crore) from ₹ 4,671.18 crore in 2016-17 to ₹9,058.84 crore in 2020-21. During the current year, it increased by 22.40 *per cent* over the previous year. The reasons for increase in Outstanding Debt were mainly due to increase in Market Loans (Internal Debt) and Loans and Advances from Central Government for State Plan Schemes under Public Debt. Further, there was a sharp increase in outstanding Public Account Liabilities during last two years. This was mainly due to increase in outstanding balances under Small savings, Provident Funds, etc., Reserve Funds and Deposits.

During the current year, against total debt receipts of ₹ 2,765.71 crore, the Government repaid ₹ 1107.54 crore. As a result, a total debt of ₹ 1,658.17 crore was available to Government during the year. The debt receipts of the State increased from ₹ 2,038.98 crore in 2016-17 to ₹ 2,765.71 crore in 2020-21. The debt receipts increased during the current year by ₹ 471.04 crore (20.53 *per cent*) over previous year. Similarly, the debt repayment of the State showed a decreasing trend from ₹ 1,328.94 crore in 2016-17 to ₹ 1,107.54 crore in 2020-21.

The ratio of Debt- GSDP ratio ranged between 20.99 *per cent* in 2017-18 to 27.38 *per cent* in 2020-21 which is above the target fixed by SFRBM Act (24.64 *per cent* for 2020-21) and target fixed by XV Finance Commission (24.60 *per cent* for 2020-21). Further, during 2016-21, Public Debt constituted on an average 76 *per cent* of total debt and the growth rate of Outstanding Debt outpaced the growth rate of GSDP (except 2017-18). These all indicate that there would be increased pressure of debt repayment including interest on Public Debt in forthcoming years.



The receipts and payments of internal debt as per the Finance Accounts during the period 2016-21 is elaborated in **Chart 2.20**.



Source: Finance Accounts

Internal debt of the Government, which had grown persistently during the period 2016-19, decreased by ₹ 320.73 crore in 2019-20 witnessing decrease of 28.13 per cent over previous year. There was sharp increase of ₹ 542.51 crore (66.21 per cent) during 2020-21 over previous year. The repayment of internal debt including interest increased persistently during the 2016-20, but decreased in 2020-21 by 37.28 per cent over previous year. Further, the Government had taken internal debt of ₹ 1,361.87 crore and repaid internal debt and interest amounting to ₹ 508.80 crore during 2020-21, thus net internal debt of ₹ 853.07 crore was available for the Government.

2.7.2 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing.

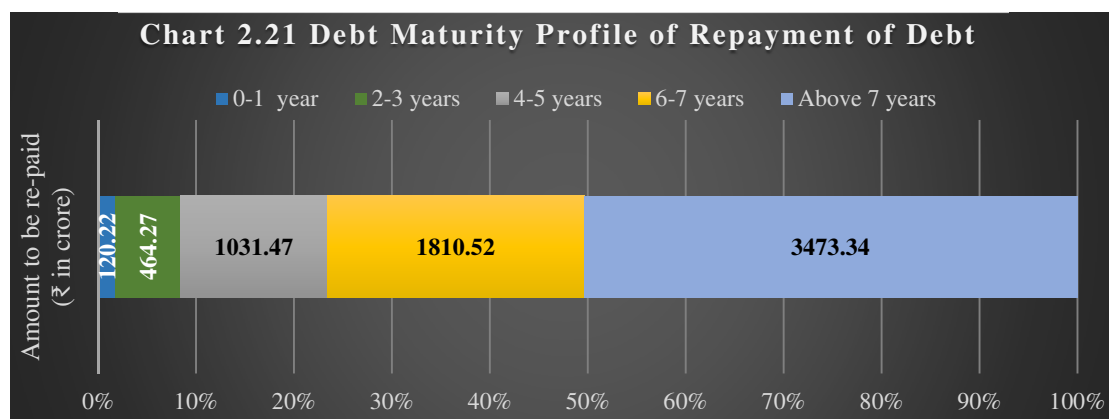
Table 2.43: Debt Maturity profile of repayment of State Debt

Period of Repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public Debt)
0 – 1	120.22	1.74
2 – 3	464.27	6.74
4 – 5	1,031.47	14.97
6 – 7	1,810.52	26.27
7 and above	3,473.34 ¹⁴	44.61
Total	6,899.82¹⁵	100.00

Source: Finance Accounts Vol-II, Annexure (b) (i) & (ii) (Maturity Profile) of Statement No. 17

Of the total outstanding Public Debt, Internal Debt consisting of market borrowings, loans from NABARD and Special Securities issued to NSSF constituted 95.75 per cent (₹ 6,598.09 crore). The maturity profile of outstanding stock of Public Debt as on 31 March 2021 indicates that out of total outstanding public debt of ₹6,899.82 crore, 49.66 per cent (₹ 3,426.48 crore) debt is payable within the next seven years which creates extra burden on the finances of the State. Considering the future financial constraint, GoS is required to augment its resources to meet the increasing debt repayment burden over the next seven years.

The year-wise maturity profile of repayment of debt is reflected in **Chart 2.21**.

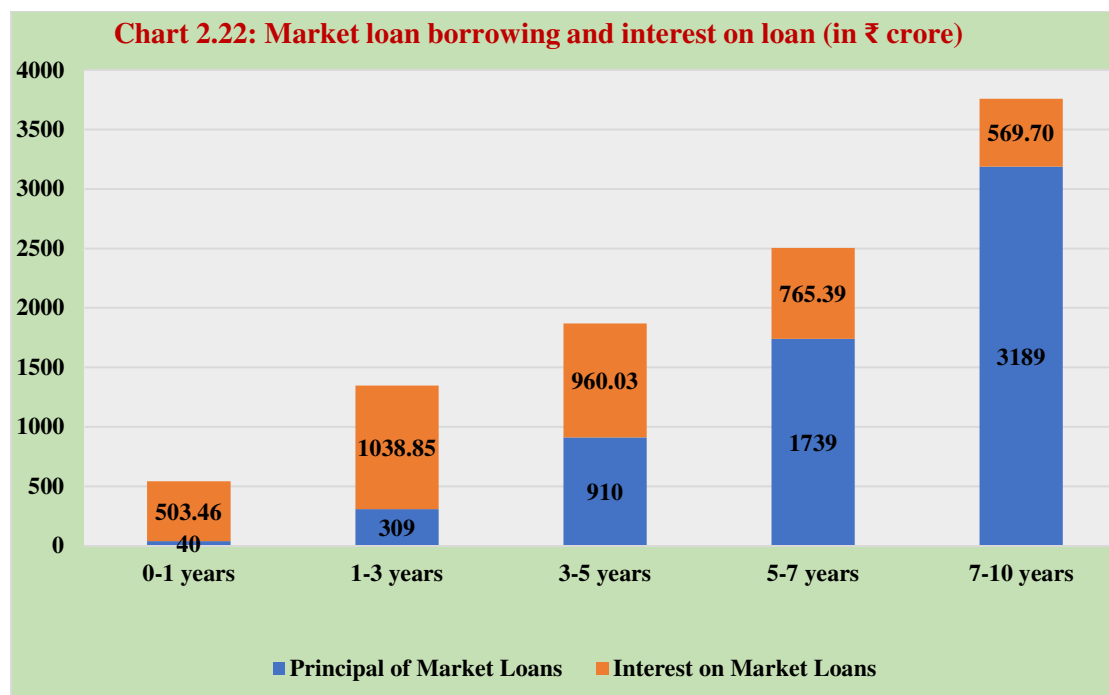


Repayment schedule of Market Loans

Debt maturity and repayment profile indicate commitment on the part of the Government for debt repayment or debt servicing. The details of maturity profile of Principal due on Market Loans and interest thereon is given in the **Chart 2.22**.

¹⁴ Scheme for Special Assistance as Loans to State for Capital Expenditure of ₹ 200 crore (interest free).

¹⁵ Difference of ₹9.13 crore is under reconciliation with Finance Department.



Source: Finance Accounts and Departmental figure

From the Chart above it could be seen that the maximum burden on State finances on account of repayment of principal and interest falls in 7 to 10 years range when principal of ₹3,189 crore and interest of ₹ 569.70 crore is payable.

2.8 Debt Sustainability Analysis (DSA)

Debt sustainability is defined as the ability of the State to service its debt now and in future. However, higher the level of public debt, the more likely it is that fiscal policy and public debt are unsustainable, as a higher debt requires a higher primary surplus to sustain it. A high level of debt raises a number of challenges:

- large primary fiscal surpluses are needed to service a high level of debt; such surpluses may be difficult to sustain, both economically and politically.
- a high level of debt heightens an economy's vulnerability to interest rate and growth shocks.
- a high debt level is generally associated with higher borrowing requirements, and therefore a higher risk of a rollover crisis (i.e., being unable to fulfill borrowing requirements from private sources or being able to do so only at very high interest rates).
- high levels of debt may be detrimental to economic growth; while lower growth is a concern in itself, it also has a direct impact on debt dynamics and debt sustainability in the long term.

Debt vulnerability is also associated with its profile. A high share of short-term debt at original maturity, increases vulnerability to rollover (re-financing risk) and interest rate risks. Sustainability of Public debt ensures that it does not explode and governments are not forced to increase taxes, or decrease spending.

❖ Debt Sustainability Indicators

Ratio of total outstanding debt to GSDP (in per cent)	The debt-to-GDP ratio is the metric comparing a state's public debt to its gross domestic product (GSDP). By comparing what a State owes with what it produces, the debt-to-GDP ratio reliably indicates that particular State's ability to pay back its debts. A falling debt/GSDP ratio can be considered as leading towards stability. If Debt/GSDP ratio is increasing rapidly and goes above a threshold, we can say that current level of the primary balance is not sufficient to stabilise the debt-to-GDP ratio, which is on an explosive path. Sufficient fiscal adjustment should be made by reducing the Fiscal Deficit (primary balance) to a level necessary to make public debt sustainable.
Ratio of revenue receipts to total outstanding debt	If the ratio is increasing, it would be easy for the government to repay its debt using revenue receipts only without resorting to additional debt.
Ratio of State's own resources to total outstanding debt	If the ratio is increasing, it would be easier for the government to repay its debt using its own resources.
Rate of Growth of Outstanding Public Debt vis-à-vis Rate of Growth of GSDP	If the growth rate of public debt is higher than the GSDP growth rate, it will lead to higher debt to GSDP ratio.
Average interest Rate of Outstanding Debt (Interest paid/OB of Public Debt + CB of Public Debt/2)	Higher interest rate means that there is scope for restructuring of debt.
Percentage of Interest payments to Revenue Receipt	Higher percentage of interest payments leaves less funds for priority areas. It measures the margin of safety a government has for paying interest on its debt during a given period. Governments need to have more than enough revenues to cover interest payments in order to survive future (and perhaps unforeseeable) financial hardships that may arise. If significant portion of borrowed funds are used for repayment of borrowings and interest thereon, the net debt available with State for development activities is curtailed.
Percentage of Public Debt Repayment to Public Debt Receipt	Higher the percentage, the greater the proportion of debt utilised for debt servicing rather than productively.
Net Debt available to the State	It is the excess of Public Debt Receipts over Public Debt repayment and Interest payment of Public Debt.
Debt Maturity profile of repayment of State debt – including default history, if any	A high share of short-term debt at original maturity, increases vulnerability to rollover (re-financing risk) and interest rate risks. The past record of repayments as per schedule in conjunction with the proportion of debt repayable in the forthcoming seven years, is indicative of debt servicing position.

Table 2.44 shows the debt sustainability of the State according to these indicators for the five-year period beginning from 2016-17.

Table 2.44: Trends in debt Sustainability indicators

(₹ in crore)

Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Public Debt*	3,506.13	4,216.97	4,986.29	5,405.72	6,890.69
Rate of Growth of Outstanding Public Debt	18.09	20.27	18.24	8.41	27.47
Rate of Growth of Revenue receipts	21.83	13.07	13.57	-18.23	15.83
GSDP	20,687	25,971	28,402	30,809	32,724
Rate of Growth of GSDP	14.71	25.54	9.36	8.47	6.22
Public Debt/GSDP(percentage)	16.95	16.24	17.56	17.55	21.06
Debt Maturity profile of repayment of State debt – including default history, if any	246.26	342.63	375.88	413.78	79.75
Public Debt Receipts	783.34	1053.46	1145.21	833.21	1564.71
Public Debt Repayment	246.26	342.63	375.88	413.78	79.75
Interest paid on outstanding Public debt	253.14	287.51	353.93	417.06	450.05
¹⁶ Average interest Rate of Outstanding Public Debt (per cent)	7.82	7.45	7.69	8.03	7.16
Percentage of Interest payment (Public Debt) to Revenue Receipt	5.49	5.52	5.98	8.61	8.03
Percentage of Public Debt Repayment to Public Debt Receipt	31.43	32.52	32.82	49.66	5.10
Net Public Debt available to the State [#]	283.94	423.32	415.4	2.37	1034.91
Net Debt available as per cent to Debt Receipts	13.93	20.99	20.70	0.10	66.14
¹⁷ Debt Stabilization (Quantum spread + Primary Deficit)	652.26	158.37	105.86	-1295.27	-1789.90
Total o/s Debt/Liabilities at the end of year	4,671.18	5,451.04	6,335.06	7,400.67	9,058.84
Total Debt Receipts	2,038.98	2,016.99	2,007.04	2,294.67	2,765.71
Primary Deficit(-)/Surplus(+)	410.69	-99.71	-209.27	-1,571.5	-1,725.13

Source: Finance Accounts of the State and GSDP by DESME/Economic Advisor;

*Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government.

[#]Net debt available to the State Government is calculated as excess of Public debt receipts over Public debt repayment and interest payment on Public Debt.

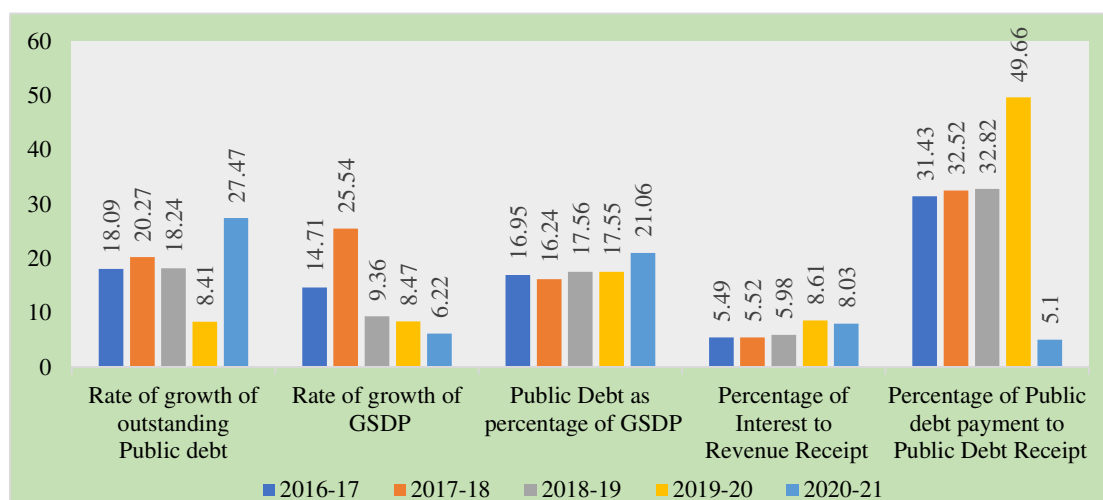
The growth rate of revenue receipts has generally been lower than the growth rate of debt during the last five years, except during 2016-17, where the debt decreased at a significantly lower rate than the Revenue Receipts. The burden of interest payment ranged from 5.49 per cent to 8.03 per cent of the Revenue Receipts during 2016-21. The Public Debt- GSDP ratio ranged between 16.95 per cent in 2016-17 to 21.06 per cent in 2020-21. Net Public Debt available to the State was positive during the five years' period ending 2020-21. Net Public Debt available sharply increased from ₹ 2.37 crore in 2019-20 to ₹1,034.91 crore in 2020-21 registering an increase of 43,567 per cent. This was mainly due to decrease in public debt repayment by 80.72 per cent and increase in Public debt receipts by 87.79 per cent during 2020-21 as

¹⁶ Example for 2020-21 Average interest rate calculation= Total O/s debt ₹ 5405.72cr (2019-20)
Plus Total O/s debt ₹6890.69 cr (2020-21)
Average O/s Debt = ₹12296.41 cr/ 2 = ₹ 6148.21 cr
Interest paid during 2020-21=₹ 440.03 cr
Average interest rate in per cent =₹ 440.03/ ₹ 6148.21 x 100= 7.16 per cent

¹⁷ Example for 2020-21[{(Rate of growth of GSDP – Average Interest rate on O/s Pub Debt)/100} * O/s Public Debt] + Primary Deficit or Surplus

compared to previous year. The Debt-repayment/ Debt receipts ratio sharply decreased to 5.10 per cent in 2020-21 from 49.66 per cent in 2019-20.

Chart 2.23: Trends of Debt Sustainability indicators



2.8.1 Utilisation of borrowed funds

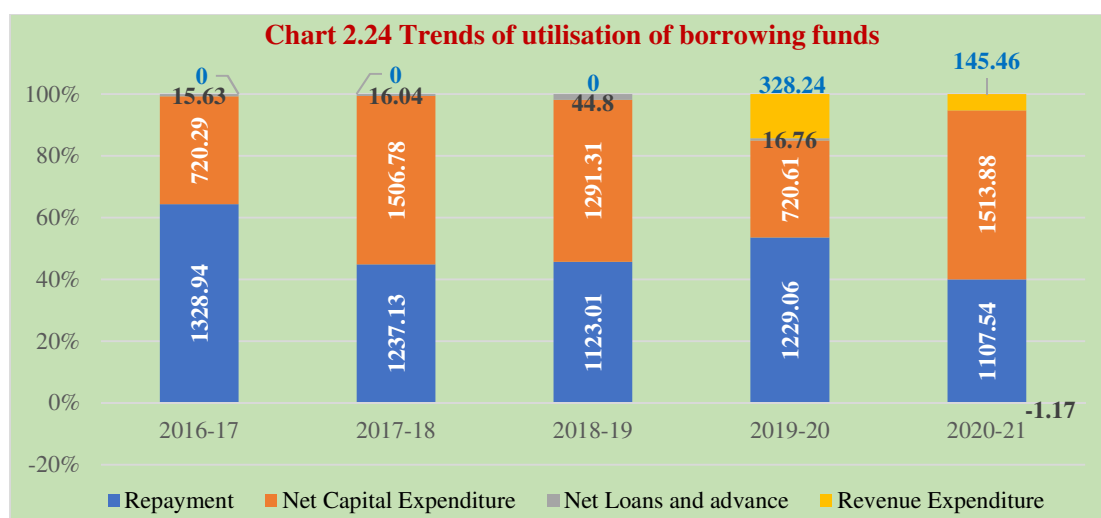
The table below shows the utilization of borrowed funds by the State.

Table 2.45: Utilisation of borrowed funds

(₹ in crore)

1	Year	2016-17	2017-18	2018-19	2019-20	2020-21
2	Total Borrowings	2,038.98	2,016.99	2,007.04	2,294.67	2,765.71
3	Repayment of earlier borrowings (Principal)	1,328.94	1,237.13	1,123.01	1,229.06	1,107.54
	(Percentage)	65.18	61.34	55.95	53.54	40.05
4	Net capital expenditure	720.29	1,506.78	1,291.31	720.61	1,513.88
	(Percentage)	35.33	74.70	64.34	31.39	54.74
5	Net loans and advances	15.63	16.04	44.80	16.76	(-)1.17
	(percentage)	0.77	0.80	2.23	0.73	-0.04
6	Portion of Revenue expenditure met out of net available borrowings	0	0	0	328.24	145.46
(2-3-4-5)	(percentage)	--	--	--	5.31	2.28

Source: Finance Accounts



During the period 2016-21, the total borrowings of the State have increased from ₹ 2,038.98 crore in 2016-17 to ₹ 2,765.71 crore in 2020-21, with an increase of ₹ 726.73 crore (36 per cent). However, the repayments of earlier borrowings had decreased from ₹ 1,328.94 crore in 2016-17 to ₹ 1,107.54 crore in 2020-21. There was a fluctuating trend in net capital expenditure. Though the net capital expenditure of the State dropped to ₹ 720.60 crore during 2019-20 as compared to 2018-19, but it sharply rose to ₹ 1,513.88 crore in 2020-21 (54.74 per cent of the total borrowings).

2.8.2 Status of Guarantees – Contingent Liabilities

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantees are extended. The Sikkim Government Guarantees Act, 2000, stipulates that the total outstanding Government guarantee as on the 1st day of April of any year shall not exceed thrice the Tax receipts of the second preceding year and that the State Government shall charge guarantee commission of minimum one per cent which shall not be waived under any circumstances. The details of outstanding guarantees given by the State Government including interest liability during the five-year period 2016-21 are shown in **Table 2.46**.

Table 2.46: Guarantees given by the State Government

Guarantees	2016-17	2017-18	2018-19	2019-20	2020-21
Maximum amount Guaranteed	517.90	648.71	3,849.19	3,941.97	4,527.71
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	1,582.62	1,700.46	1,957.68	2,064.99	2,678.76
Outstanding amount of guarantees including interest at the beginning of the year	89.17	441.49	425.45	3,455.04	3,749.32

(₹ in crore)

Source: Finance Accounts

The total guarantees (principal plus interest) outstanding as on 1 April 2020 was ₹ 3,455.04 crore, which exceeded the prescribed limit of thrice the total Tax Receipts (₹ 892.92 crore) of 2018-19.

During 2020-21, State Government has issued two fresh guarantees to SIDICO (Bank of Maharashtra and HUDCO) amounting to ₹ 584.70 crore. During this financial year, guarantee commission of ₹ 5.85 crore was receivable and ₹ 1.04 crore was received, resulting in short-receipt of ₹ 4.81 crore. The position of guarantees reported in Statement 9 and 20 of the Finance Accounts is based on information received from the State Government and annexure to Budget document and has been prepared as per the IGAS 1 notified by the GoI.

2.8.3 Cash Balances

Under a resolution passed by the State Government in the year 1968-69, the State Bank of Sikkim (SBS) is vested with the responsibility of receiving money on behalf of State Government and making all Government payments and keeping custody of the cash balances of the Government. The arrangement continued after merger of Sikkim into the Indian Union.

Position of cash balances and investments of cash balances of the State Government at the end of 2019-20 and 2020-21 is shown in **Table 2.47**.

Table 2.47: Cash Balances and their investments

(₹ in crore)

Particulars	Opening balance on 1 April 2020	Closing balance on 31 March 2021
A. General Cash Balance		
Cash in treasuries	--	--
Deposits with State Bank of Sikkim	299.96	34.99
Deposits with other Banks	81.22	52.95
Remittances in transit – Local	0.00	0.00
Total	381.18	87.94
Investments held in Cash Balance investment account	1,149.90	1,309.56
Total (A)	1,531.08	1,397.50
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	0.95	0.95
Permanent advances for contingent expenditure with department officers	0.46	0.48
Investment in earmarked funds	552.08	593.31
Total (B)	553.49	594.74
Total (A + B)	2,084.57	1992.24
Interest realized	130.50	117.46

Source: Finance Accounts

There was a decrease of ₹ 92.33 crore (4.30 per cent) in cash balance of Government as on 31 March 2021 as compared to previous years balance.

As per the Finance Accounts of 2020-21, as on 31 March 2021, Government's cash balance with banks was ₹ 87.94 crore. Out of this, balance of ₹ 34.99 crore and ₹ 52.95 crore were with SBS and other banks respectively. However, as per the records of the SBS, the Cash Balance of the Government stood at ₹ 0.28 crore, leaving an un-reconciled balance of ₹ 34.71 crore.

During the current year, *i.e.*, 2020-21, the cash balance stood at 19.08 per cent of the budget of the State (₹ 10,440.51 crore).

The trend analysis of the cash balance investment of the State during 2016-21 revealed that investment was growing significantly till 2018-19, but during 2019-20, the cash balance investment dipped enormously by ₹ 1,506 crore (57 per cent) as compared to previous year. In 2020-21, it was again increased by ₹160 crore. The status of cash balance investment for period 2016-21 is shown in **Table 2.48**.

Table 2.48: Cash Balance Investment Account (Major Head-8673)

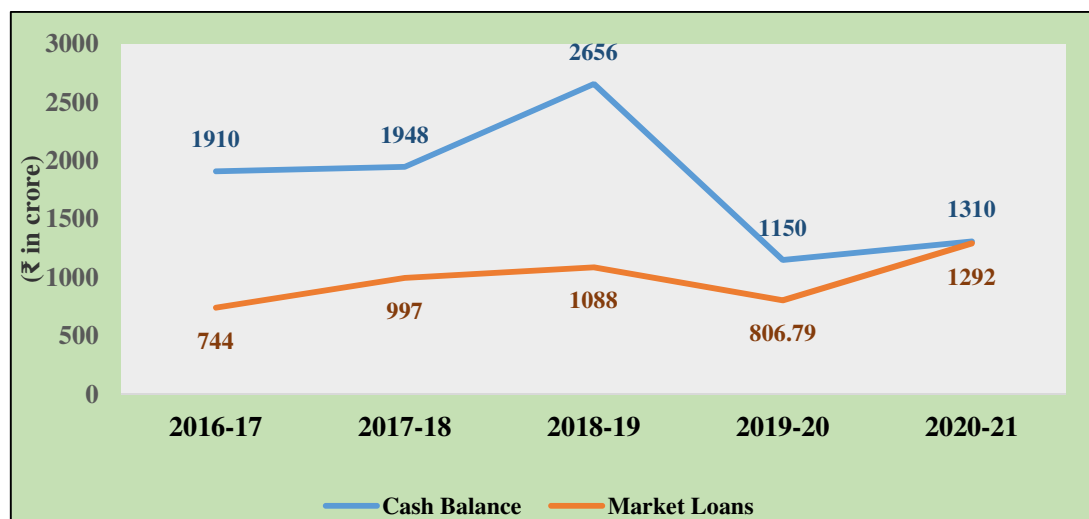
(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2016-17	1,151	1,910	759	68.79
2017-18	1,910	1,948	38	110.68
2018-19	1,948	2,656	708	116.69
2019-20	2,656	1,150	-1,506	130.50
2020-21	1,150	1,310	160	117.46

Source: St. 21 and St 14 of Finance Accounts.

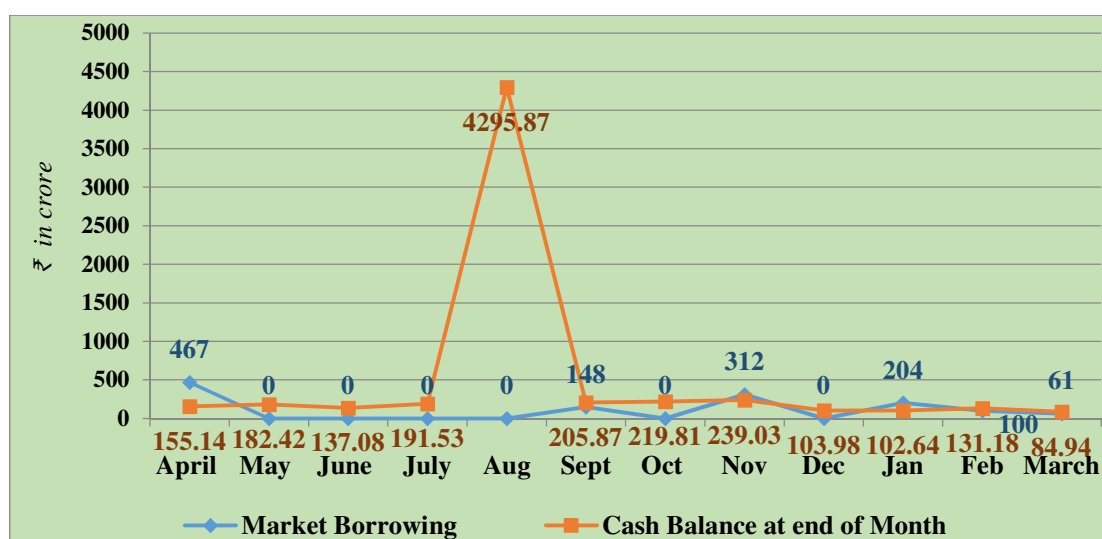
Chart 2.25 compares the Cash Balance and the Market Loans taken by the State during the period 2016-21. Market Loans were taken at higher interest rates whereas investment in Bank yielded interest at lower rates.

Chart 2.25: Market loans vis-à-vis Cash Balance



Source: Finance Accounts

Chart 2.26: Month wise movement of Market Loan and Cash Balance during the year 2020-21



Source: VLC Data of 2020-21

2.9 Conclusion

- During the five-year period of 2016-21, State had maintained Revenue Surplus till 2018-19, but had huge Revenue Deficit of ₹ 1,343.81 crore during 2019-20, though it was able to reduce the deficit to ₹ 760.83 crore during 2020-21.
- Similarly, after successfully containing the Fiscal Deficit below three *per cent* of GSDP during 2016-19, the State's Fiscal Deficit was 6.95 *per cent* of GSDP during 2020-21. Thus, the State failed to achieve targets of SFRBM Act, in respect of these two parameters during 2020-21.
- Revenue Receipts during the year 2020-21 increased (by ₹766.55 crore) from ₹4,841.27 crore in 2019-20 to ₹5,607.82 crore in 2020-21 (by 20.81 *per cent*). State's Own Revenue (₹ 1,663.81 crore) decreased by ₹ 34.82 crore (2.09 *per cent*) compared to the previous year (₹ 1,628.99 crore), while Grants-in-Aid from GoI increased by ₹ 794.66 crore (90.11 *per cent*) and State's Share of Union taxes and Duties increased by ₹ 6.71 crore (0.29 *per cent*) during 2020-21 as compared to the previous year.
- About 29.05 *per cent* of the Revenue Receipts during 2020-21 came from the State's own resources, while Central Tax Transfers and Grants-in-aid together contributed 70.96 *per cent*. This is indicative of the fact that the State's fiscal position is largely dependent on Central Tax transfers and Grants-in-aid from GoI.
- During the period 2016-21, Total Expenditure of the State increased by 74.19 *per cent* (₹3,357.16 crore) from ₹ 4,525.37 crore in 2016-17 to ₹ 7,882.53 crore in 2020-21. During the current year, it increased by 13.86 *per cent* over the previous year. The ratio of Total Expenditure of the State to GSDP fluctuated between 21.85 *per cent* and 24.09 *per cent* during 2016-21.
- Revenue Expenditure during the year 2020-21 was ₹ 6,368.65 crore (80.79 *per cent*) against the Total Expenditure of ₹ 7,882.53 crore. During the year, Committed Expenditure like salary & wages, pension, interest payments decreased by ₹ 412 crore (9.98 *per cent*) from ₹ 4,537.13 crore during 2019-20 to ₹ 4,125.13 crore during 2020-21. The Committed Expenditure during 2020-21 was 73.55 *per cent* of the total Revenue Receipts (₹ 12,982.65 crore) and 64.77 *per cent* of the total Revenue Expenditure (₹ 12,428.47 crore) .
- Capital Expenditure is the expenditure incurred for creation of fixed infrastructure assets such as roads, building, *etc*. It is noticed that Capital Expenditure of the State had decreased from ₹ 1,506.78 crore in 2017-18 to ₹ 720.61 crore in 2019-20, but it increased to ₹ 1,513.88 crore in 2020-21, registering an increase of 110.08 *per cent* as compared to 2019-20.
- Fiscal Liabilities of the State increased by 22.41 *per cent* from ₹ 7,400.67 crore in 2019-20 to ₹ 9,058.84 crore in 2020-21. During 2020-21, total Public debt receipts was of ₹ 1,564.72 crore and the Government repaid ₹ 79.75 crore. There was an addition of ₹ 1,292 crore of Market Loans in 2020-21. The Public debt receipts of the State increased by ₹ 731.51 crore (87.79 *per cent*) over previous year.

- Out of total outstanding Public Debt, 49.72 *per cent* (₹ 3,426.48 crore) of Public debt is payable within the next seven years. Of the total outstanding Public Debt, internal debt consisting of market borrowings, loans from NABARD and Special Securities issued to NSSF constituted 95.75 *per cent* (₹ 6,598.09 crore).
- The growth rate of Revenue Receipts has generally been lower than the growth rate of debt during the 2016-21 (except 2016-17). The burden of interest payment was 8.03 *per cent* of the Revenue Receipts during 2020-21. Though Net Debt available to the State was positive during the five years period ending 2020-21, there was a sharp increase in Net Debt available, from ₹ 2.37 crore in 2019-20 to ₹ 1,034.91 crore in 2020-21.
- The Government had not transferred ₹ 83.12 crore under National Pension System to the NSDL as on 31 March 2021. Thus, current liability stood deferred to future year(s) and State had created an interest liability on un-transferred funds.
- The return from investments made in State Public Sector Undertakings (SPSUs) was only 2.61 *per cent* during 2020-21 and some of the PSUs were incurring recurring losses.
- Out of 251 incomplete projects, 60 projects for which the State had spent ₹ 233.26 crore were as of 31 March 2021, were pending for five years or more.
- During 2020-21, the State Government received ₹17.12 crore towards State Compensatory Afforestation Fund, out of total fund only ₹47.72 crore was spent and there was an unspent balance of ₹ 331.83 crore. The State Government may review the status of the Fund for appropriate action.
- Out of ₹0.21 crore cess collected under the Ecology & Environment Fund during 2020-21 the State Government has not transferred to the Fund. Also the State Government had not utilized the Cess for last two years. The State Government may increase its spending out of the Cess collected.
- There was un-reconciled cash balance of ₹ 34.71 crore as per accounts of the Government and the records of State Bank of Sikkim.
- Huge cash balances (Month-wise) ranging between ₹34.90 crore and ₹4,207.96 crore, were maintained in Government account with SBS during 2020-21. No minimum cash limit had been prescribed by the Government.

2.10 Recommendations

- *The State Government may make concrete efforts to augment own resources of revenue to bridge the mismatch between revenue receipts and expenditure and reduce its fiscal deficit.*
- *Considering the increasing outstanding debt of the State, the Government may take appropriate steps to rationalise its committed revenue expenditure.*

- *To avoid liabilities under NPS, the State Government needs to transfer the outstanding funds already accumulated to NSDL, for management of the NPS. They may strictly monitor the allotment of PRAN to the employees.*
- *The State Government needs to prioritise completion of incomplete projects in a planned manner with periodical review and monitoring mechanism at the highest level of administration so as to avoid time and cost inefficiencies. They need to specifically monitor those projects, which are being executed out of borrowed funds and pose a consequential extra financial burden on the Government.*
- *Increasing trend of debt maturity profile vis-à-vis the level of borrowings needs to be reviewed so as to ensure that mobilised financial resources are used adequately for incurring capital expenditure for creation of assets. The increasing trends of Revenue Expenditure be corrected by identifying potential wasteful expenditure and adopting economy measures across departments.*
- *The Government should frame a policy on prudent cash balance management and ensure reconciliation with State Bank of Sikkim.*

