

## Chapter II: Finances of the State

### 2.1 Major changes in Key fiscal aggregates during 2021-22 vis-à-vis 2020-21

This Section gives a bird's eye view of the major changes in key fiscal aggregates of the State during the financial year, compared to the previous year.

**Table 2.1** gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2021-22, compared to the previous year. Each of these indicators are analysed in the succeeding paragraphs.

**Table 2.1: Changes in key fiscal aggregates in 2021-22 compared to 2020-21**

<b>Revenue Receipts</b>	<ul style="list-style-type: none"> <li>➤ Revenue receipts of the State increased by 17.71 per cent</li> <li>➤ Own Tax receipts of the State increased by 27.22 per cent</li> <li>➤ Non-tax receipts increased by 25.14 per cent</li> <li>➤ State's Share of Union Taxes and Duties increased by 43.00 per cent</li> <li>➤ Grants-in-Aid from Government of India increased by 3.23 per cent</li> </ul>
<b>Revenue Expenditure</b>	<ul style="list-style-type: none"> <li>➤ Revenue expenditure increased by 6.92 per cent</li> <li>➤ Revenue expenditure on General Services increased by 12.62 per cent</li> <li>➤ Revenue expenditure on Social Services increased by 7.63 per cent</li> <li>➤ Revenue expenditure on Economic Services decreased by 4.20 per cent</li> </ul>
<b>Capital Expenditure</b>	<ul style="list-style-type: none"> <li>➤ Capital expenditure increased by 13.27 per cent</li> <li>➤ Capital expenditure on General Services decreased by 28.40 per cent</li> <li>➤ Capital expenditure on Social Services increased by 80.34 per cent</li> <li>➤ Capital expenditure on Economic Services decreased by 9.29 per cent</li> </ul>
<b>Loans and Advances</b>	<ul style="list-style-type: none"> <li>➤ Disbursement of Loans and Advances decreased by 53.48 per cent</li> <li>➤ Recoveries of Loans and Advances increased by 52.85 per cent</li> </ul>
<b>Public Debt</b>	<ul style="list-style-type: none"> <li>➤ Public Debt Receipts decreased by 23.84 per cent</li> <li>➤ Repayment of Public Debt decreased by 19.73 per cent</li> </ul>
<b>Public Account</b>	<ul style="list-style-type: none"> <li>➤ Public Account Receipts decreased by 1.74 per cent</li> <li>➤ Disbursement of Public Account increased by 4.28 per cent</li> </ul>
<b>Cash Balance</b>	➤ Cash balance increased by ₹163.99 crore (5.97 per cent) during 2021-22 compared to previous year

### 2.2 Sources and Application of Funds

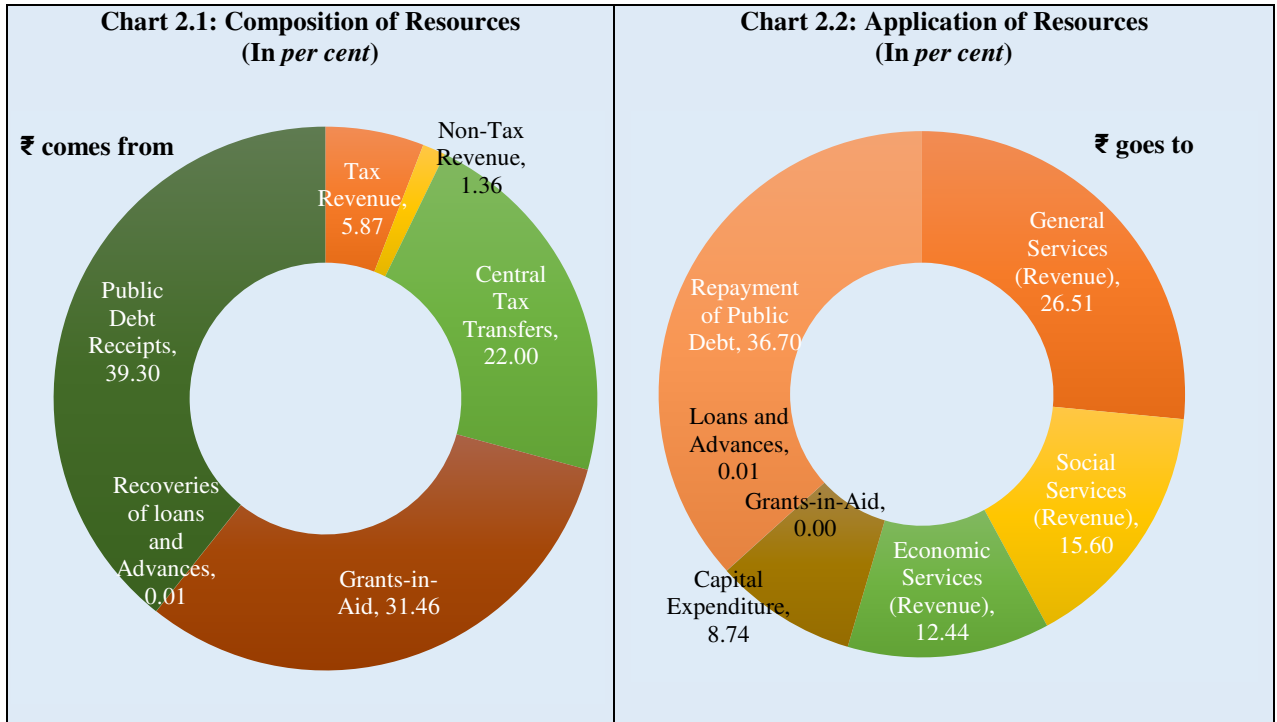
**Table 2.2** compares the sources and application of funds of the State during 2021-22 with 2020-21 in figures, while **Charts 2.1** and **2.2** give the details of receipts and expenditure from the Consolidated Fund during 2021-22 in terms of percentages.

**Table 2.2: Details of Sources and Application of funds during 2020-21 and 2021-22**

(₹ in crore)

	Particulars	2020-21	2021-22	Increase/Decrease
<b>Sources</b>	Opening Cash Balance with RBI	2,627.83	2,745.33	117.50
	Revenue Receipts	11,427.43	13,451.14	2,023.71
	Recoveries of Loans and Advances	1.23	1.88	0.65
	Public Debt Receipts (Net)	1,530.94	758.38	-772.56
	Public Account Receipts (Net)	-112.50	-333.87	-221.37
	<b>Total</b>		<b>15,474.93</b>	<b>16,622.86</b>
<b>Application</b>	Revenue Expenditure	11,052.06	11,817.08	765.02
	Capital Expenditure	1,671.93	1,893.85	221.92
	Disbursement of Loans and Advances	5.61	2.61	-3.00
	Closing Cash Balance with RBI	2,745.33	2,909.32	163.99
	<b>Total</b>		<b>15,474.93</b>	<b>16,622.86</b>

Source: Finance Accounts, 2021-22



## 2.3 Resources of the State

The resources of the State are 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 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.

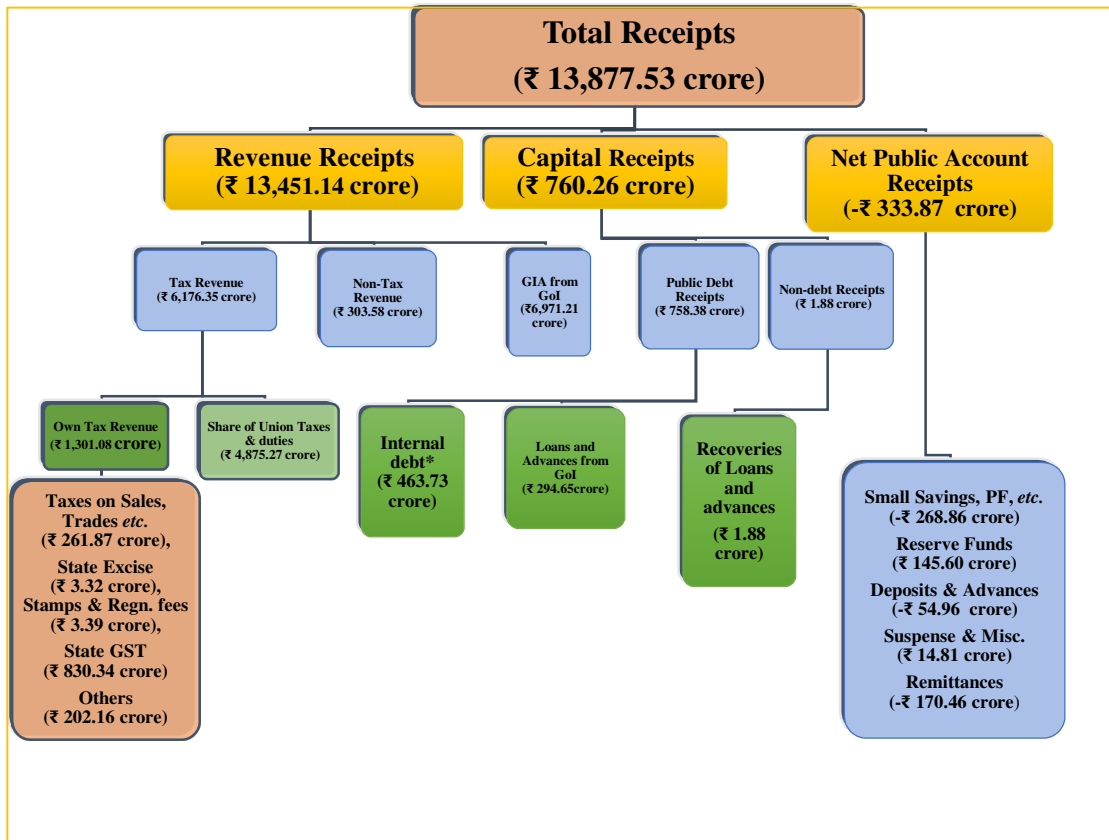
3. **Net Public Account Receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.* which do not form part of the Consolidated Fund.

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 fund available with the Government for use.

### 2.3.1 Receipts of the State

Composition of receipts of the State during 2021-22 is given in **Chart 2.3**.

Chart 2.3: Composition of receipts of the State during 2021-22



Source: Finance Accounts, 2021-22

\*including net of Ways and Means Advances (WMA) amounting to (-) ₹ 691.90 crore (WMA Receipt: ₹ 6,599.67 crore (-) WMA Repayment ₹ 7,291.57 crore)

## 2.3.2 State's Revenue Receipts

This paragraph gives the trends in total revenue receipts and its components. It is followed by trends in the receipts bifurcated into receipts from the Central Government and State's own receipts.

### 2.3.2.1 Trends and growth of Revenue Receipts

Table 2.3 provides the trends and growth of Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2017-22. Further, trends in Revenue Receipts relative to GSDP and composition of Revenue Receipts are given in Charts 2.4 and 2.5 respectively.

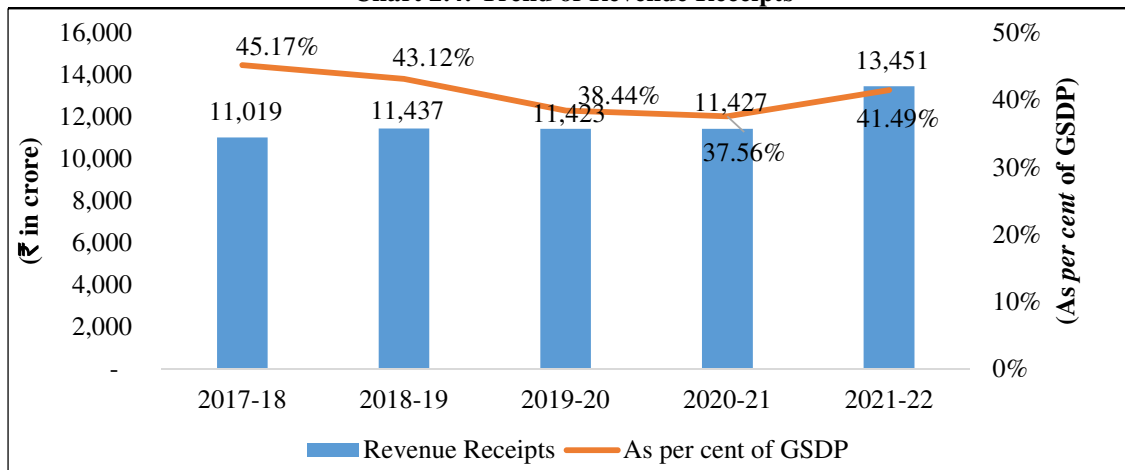
Table 2.3: Trend in Revenue Receipts

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Receipts (RR) (₹ in crore)	11,019.21	11,437.41	11,423.29	11,427.43	13,451.14
Rate of growth of RR (per cent)	16.73	3.80	-0.12	0.04	17.71
Own Tax Revenue (₹ in crore)	638.28	846.43	958.23	1,022.74	1,301.08
Non-Tax Revenue (₹ in crore)	388.53	255.24	339.29	242.60	303.58
Rate of growth of Own Resources (Own Tax and Non-tax Revenue) (per cent)	20.27	7.29	17.78	-2.48	26.82
Gross State Domestic Product (₹ in crore)	24,392.96	26,527.42	29,535.93	29,312.83	32,423.74

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Rate of growth of GSDP (per cent)	12.29	8.75	12.02	2.39	6.57
RR/GSDP (per cent)	45.17	43.12	38.44	37.56	41.49
<b>Buoyancy Ratios<sup>2</sup></b>					
Revenue Buoyancy w.r.t. GSDP	1.36	0.43	-0.01	0.02	2.70
State's Own Revenue Buoyancy w.r.t. GSDP	1.65	0.83	1.48	-1.04	4.08

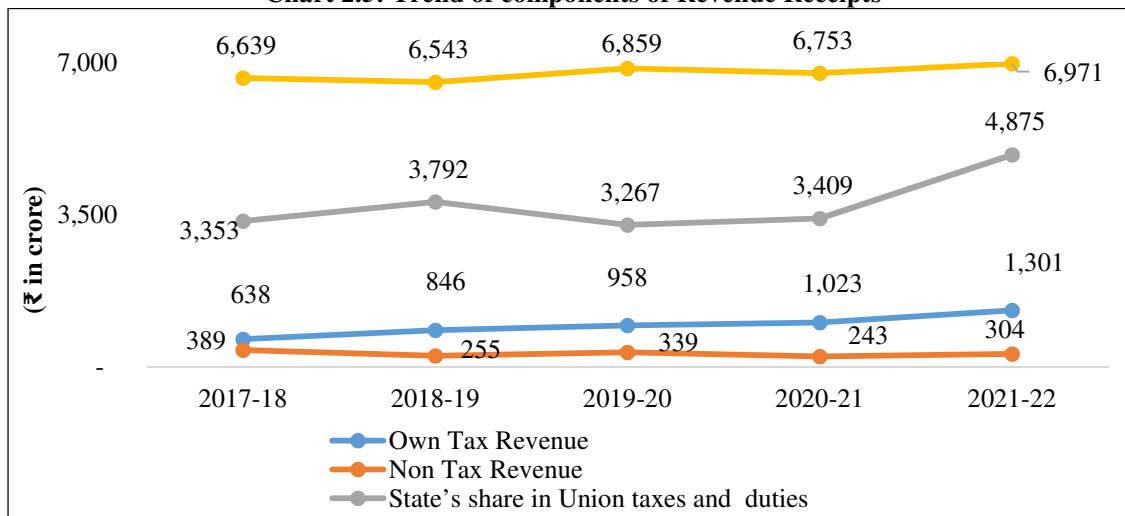
Source of GSDP figures: Directorate of Economics and Statistics, GoN

Chart 2.4: Trend of Revenue Receipts



Source: Finance Accounts and GSDP-Directorate of Economics and Statistics, GoN

Chart 2.5: Trend of components of Revenue Receipts



Source: Finance Accounts of respective years

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

- Revenue Receipts increased by ₹ 2,431.93 crore (22.07 per cent) from ₹ 11,019.21 crore in 2017-18 to ₹ 13,451.14 crore in 2021-22 at a Compound Annual Growth Rate (CAGR) of 5.11 per cent. During 2021-22, Revenue Receipts increased by ₹ 2,023.71 crore (17.71 per cent) over the previous year.

<sup>2</sup> 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 2.70 implies that Revenue Receipts tend to increased by 2.70 percentage points, if the GSDP increased by one per cent.

- 11.93 per cent of the Revenue Receipts during 2021-22 came from the State's own resources, while Central Tax Transfers and Grants-in-Aid together contributed 88.07 per cent. This is indicative of the fact that Nagaland's fiscal position is largely dependent on the tax transfers and Grants-in-Aid from GoI.
- During the current year, there was increase of 17.71 per cent (₹ 2,023.71 crore) in Revenue Receipts and increase of 6.92 per cent (₹ 765.02 crore) in Revenue Expenditure as compared to 2020-21, leading to a significant Revenue Surplus, as compared to the previous year.
- The Revenue Receipts buoyancy with respect to GSDP was 0.02 in 2020-21 which increased to 2.70 in 2021-22 mainly due to high growth rate of Revenue Receipts. The State's Own Tax buoyancy with respect to GSDP was (-) 1.04 in 2020-21 which increased to 4.08 in 2021-22, due to increase in rate of growth of GSDP.

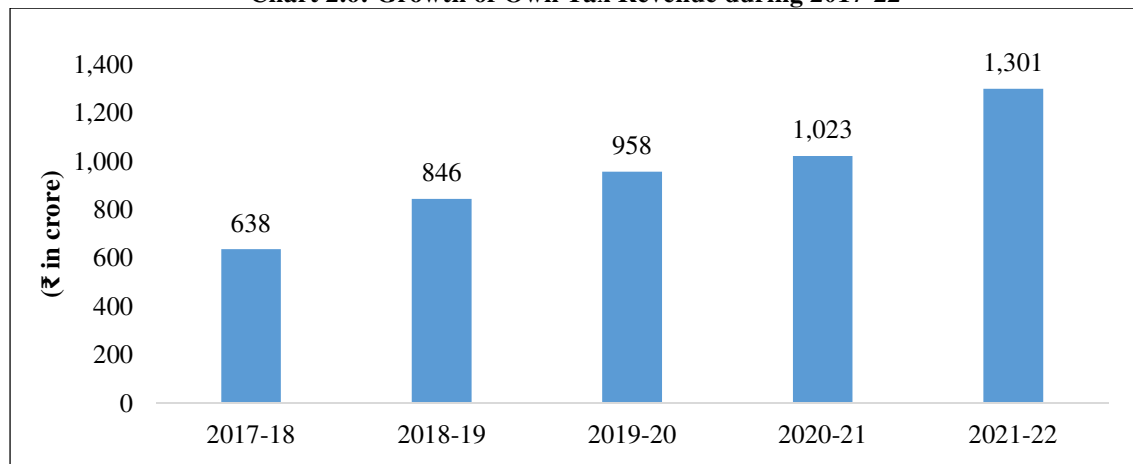
### 2.3.2.2 Tax Revenue

State's Tax Revenue consists of Own Tax Revenue and State's share in Central taxes, which is determined on the basis of recommendations of Finance Commission. Tax Revenue of the State is discussed in the following Paragraphs:

#### Own Tax Revenue

Own tax revenues of the State consist of State GST, State excise, taxes on vehicles, Stamp duty and Registration fees, Land revenue, Taxes on goods and passengers, etc. The gross collection of Own Tax Revenue of the State during the five-year period 2017-22 is given in **Chart 2.6**.

**Chart 2.6: Growth of Own Tax Revenue during 2017-22**



Source: Finance Accounts of respective years

The detail components of gross collections in respect of major Taxes and Duties collected during 2017-22 are given in **Table 2.4**.

**Table 2.4: Components of State's own tax revenue**

Revenue Head	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Taxes on Sales, Trades, etc.	287	187	175	206	262
SGST	188	470	613	664	830
State Excise	4	5	3	5	3

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22
Taxes on Vehicles	101	126	114	93	141
Stamp duty and Registration fees	3	2	3	2	3
Land Revenue	1	1	1	1	1
Taxes on goods and passengers	18	20	18	16	21
Other taxes	36	35	31	37	38
<b>Total</b>	<b>638</b>	<b>846</b>	<b>958</b>	<b>1,023</b>	<b>1,301</b>

Source: Finance Accounts of respective years

State's Own Tax Revenue increased by ₹ 663 crore from ₹ 638 crore in 2017-18 to ₹ 1,301 crore in 2021-22 at Compound Annual Growth Rate (CAGR) of 19.49 per cent. During the current year, major contributors of Tax Revenue were Goods and Services Tax (63.80 per cent), Taxes on Sales, Trades, etc., (20.14 per cent) and Taxes on vehicles (10.84 per cent).

The State Government should undertake adequate measures to increase own resources of revenue.

### State Goods and Services Tax (SGST)

As per the GST Act, any shortfall in revenue by the State is required to be compensated by the Central Government. The Centre levies Integrated GST (IGST) on inter-state supply of goods and services, and apportions the state's share of tax to the State where the goods or services are consumed.

The Nagaland Goods and Services Tax (GST) Act, 2017 was passed by the State Legislature in May 2017 and made effective from 01 July 2017 in the State. The Projected revenue<sup>3</sup> of the State for the year 2021-22 in accordance with Section 6 of GST (Compensation to States) Act, 2017, was fixed at ₹ 562.13 crore<sup>4</sup>.

The actual revenue received by the State under Goods and Services Tax (SGST) was ₹ 830.34 crore<sup>5</sup> as detailed in the following table:

**Table 2.5: Details of SGST receipt of the State including apportionment of IGST and pre-GST arrears of VAT during 2021-22**

(₹ in crore)		
Sl. No.	Components	Amount
1.	Projected Revenue of State for the year 2021-22	562.13 <sup>6</sup>
2.	<b>State Goods and Services Tax (SGST)</b>	
	(a) Tax	187.47
	(b) Apportionment of Taxes from IGST	617.57
	(c) Advance apportionment of Taxes from IGST	25.30
	<b>Total GST Collection</b>	<b>830.34</b>

Source: Finance Accounts, 2021-22 and GST (Compensation to States) Act, 2017

<sup>3</sup> The GST (Compensation to state) Act, 2017 provides that Union shall compensate the states for loss of revenue due to implementation of GST. Base year for calculating the compensation shall be the revenue collection of the State for 2015-16. Protected revenue is calculated/ arrived at, by taking into consideration the revenue collection of base year plus 14 per cent increase for every following year.

<sup>4</sup> Ministry of Finance, Office Memorandum No. S-31011/03/2014-SO (ST)-Pt-I dated 29 August 2017.

<sup>5</sup> Apportionment of Integrated Goods and Services Tax (IGST): ₹ 617.57 crore plus Tax: ₹ 187.45 crore plus advance apportionment from IGST: ₹ 25.30 crore

<sup>6</sup> Calculated at ₹ 256.10 crore X (1+14/100)<sup>2</sup> crore for subsequent year taking ₹ 256.10 crore as base year revenue of 2015-16 { ₹ 256.10 crore x 1.14<sup>6</sup> = ₹ 256.10 crore X 2.19497 = ₹ 562.13 crore (approx.)}.

As can be seen from **Table 2.5**, the revenue collection of the GoN was more than the projected revenue of the State during 2021-22. As such the State Government did not receive any compensation from the GoI during 2021-22 under Section 6 of GST (Compensation to States) Act, 2017.

### **Analysis of arrears of revenue and arrears of assessment**

The arrear of revenue indicates delayed realisation of revenue due to the Government. Similarly, arrear of assessment indicates potential revenue which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and affect ultimately the revenue deficit.

The arrears of revenue as on 31 March 2022 on some principal heads of revenue was outstanding for more than five years, as detailed in **Table 2.6**.

**Table 2.6: Arrears of revenue**

(₹ in lakh)

Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2022	Amount outstanding for more than five years as on 31 March 2022
1.	Nagaland VAT	232.20	108.35
2.	Petroleum Tax	425.76	117.89
3.	Central Sales Tax	41.96	41.06
4.	Purchase Tax	0.45	0.45
5.	Professional Tax	5.51	2.84
6.	Nagaland Sales Tax	22.87	22.87
<b>Total</b>		<b>728.75</b>	<b>293.46</b>

Source: Departmental figures

It can be seen from **Table 2.6** that revenue arrears of ₹ 7.29 crore were outstanding as on 31 March 2022, of which ₹ 2.93 crore was pending for recovery for more than five years. Reasons for arrear and steps taken to recover the arrear were not intimated by the State Government (March 2022). Earnest efforts are required to be made to recover the arrears before expiry of the statutory period.

Further, the details of cases pending at the beginning of the year 2021-22, cases becoming due for assessment, cases disposed off during the year 2021-22 and number of cases pending for finalisation at the end of the year as furnished by the office of the Commissioner of State Taxes, Nagaland in respect of Sales Tax/ VAT on Sales, Trades etc., are shown in **Table 2.7**.

**Table 2.7: Statement showing arrears in assessments**

Head of Revenue	Balance of arrears in assessment as on 01 April 2021	New cases due for assessment during 2021-22	Total assessment due	Cases disposed-off during 2021-22	Balance an on 31 March 2022	Percentage of cases disposed
1	2	3	4	5	6	7 (5 to 4)
Nagaland VAT	279	67	346	109	237	31.50
Petroleum Tax	39	45	84	51	33	60.70
Central Sales Tax	300	30	330	67	263	20
Professional Tax	291	96	387	137	250	35.4
<b>Total</b>	<b>909</b>	<b>238</b>	<b>1,147</b>	<b>364</b>	<b>783</b>	<b>32</b>

Source: Departmental figures

The arrears in assessment decreased from 909 to 783 cases with the addition of 238 cases, which became due for assessment during 2021-22 and 364 cases were disposed off during the year. The cases disposed off during 2020-21 were only 32 *per cent* and the pace needs to be improved.

Thus, the outstanding arrears had deprived of potential revenue receipts and impacted upon the extent of revenue surplus of the State to that extent.

### **Details of refund cases**

Promptness in disposal of refund cases is important indicator of performance of the Department. High pendency of refund cases may indicate red tape, vested interests, prevalence of speed money, *etc.*

The details of the cases of claims of refund at the beginning of the year 2020-21, receipt during the year, refunds made/ rejected and outstanding claims at the end of the year are shown in **Table 2.8**.

**Table 2.8: Statement showing pendency of refund cases**

Particulars	(Amount in lakh)	
	GST	
	No. of cases	Amount
Claims outstanding at the beginning of the year	14	16.98
Claims received during the year	85	1,043.83
<b>Total claims during the year</b>	<b>99</b>	<b>1,060.81</b>
Refunds made during the year	61	270.70
Refunds rejected during the year	3	29.19
Balance outstanding at the end of the year	35	760.92

Source: Departmental figures

During 2021-22, out of 85 claims received, the Department settled 61 claims (72 *per cent*). The outstanding number of claims at the end of the year 2021-22 stood at 35. There was no cases of evasion of tax detected during the current year.

### **Central tax transfers**

The GoI accepted the recommendations of XIV FC to increase the States' share in the divisible pool of taxes from 32 to 42 *per cent* with effect from 2015-16 onwards. This significant increase in the State's share altered the composition of central transfers in favour of statutory transfers from discretionary transfers made earlier. It also led to greater predictability and certainty in the quantum of funds being transferred to States. However, XV FC recommended an aggregate share of 41 *per cent* of the net proceeds of Union Taxes (Divisible pool) to be devolved to states in the year 2021-22. Out of the net proceeds of Union Taxes, the State's share was 0.569 *per cent* during 2021-22.

The details of the State's actual tax devolution *vis-à-vis* Finance Commission projections and State Government's projection in Fiscal Consolidation Roadmap (FCR) for ten years are given in **Table 2.9**.



**Table 2.9: State's share in Union taxes and duties-Actual devolution vis-à-vis FC projections**  
(₹ in crore)

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1	2	3	4	5 (4-3)
2012-13	0.314 per cent of net proceeds of all shareable taxes excluding service tax and 0.318 per cent of net proceeds of sharable service tax {As per recommendations of Thirteenth Finance Commission (XIII FC)}	993.92	917.14	-76.78
2013-14		1,192.71	1,001.27	-191.44
2014-15		1,431.25	1,062.68	-368.57
2015-16	0.498 per cent of net proceeds of all shareable taxes excluding service tax and 0.503 per cent of net proceeds of sharable service tax {As per recommendations of Fourteenth Finance Commission (XIV FC)}	2,889.00	2,540.72	-348.28
2016-17		3,334.00	3,032.63	-301.37
2017-18		3,852.00	3,353.13	-498.87
2018-19		4,456.00	3,792.41	-663.59
2019-20		5,161.00	3,267.08	-1,893.92
2020-21	0.573 per cent of net proceeds of the taxes (Divisible Pool). (XV FC)	3,409.25	3,409.25	0.00
2021-22	0.569 per cent of net proceeds of the taxes (Divisible Pool). (XV FC)	4,875.28	4,875.27	0.01

Source: Reports of the XIII FC, XIV FC and XV FC, Finance Accounts and Information furnished by the Finance Department, GoN

The break-up of State's share of Union Taxes and Duties received during 2017-22 is given in **Table 2.10**.

**Table 2.10: Central Tax Transfers**

Head	2017-18	2018-19	2019-20	2020-21	2021-22
Central Goods and Services Tax	47.80	936.07	927.14	1,019.70	1,446.30
Integrated Goods and Services Tax	338.64	74.70	0.00	0.00	0.00
Corporation Tax	1,027.20	1,318.92	1,113.93	1,023.92	1,460.64
Taxes on Income other than Corporation Tax	867.42	971.32	872.84	1,049.12	1,467.36
Customs	338.5	268.83	207.09	185.46	314.44
Union Excise Duties	353.90	178.66	143.96	115.23	144.33
Service Tax	379.70	34.60	0.00	13.61	37.29
Other Taxes <sup>7</sup>	-0.03	9.31	2.12	2.21	4.91
<b>Central Tax transfers</b>	<b>3,353.13</b>	<b>3,792.41</b>	<b>3,267.08</b>	<b>3,409.25</b>	<b>4,875.27</b>
Percentage of increase over previous year	10.57	13.10	-13.85	4.35	43
Percentage of Central Tax transfers to Revenue Receipts	30.43	33.16	28.60	29.83	36.24

Source: Finance Accounts of respective years

Central Tax transfers during the year (₹ 4,875.27 crore) were more than the assessment made in BEs (₹ 3,784.64 crore) by ₹ 1,090.63 crore (28.82 per cent). State's share of Union Taxes and Duties increased by ₹ 1,466.02 crore (43 per cent) from ₹ 3,409.25 crore in 2020-21 to ₹ 4,875.27 crore in 2021-22 contributing 36.24 per cent of the total Revenue Receipts during 2021-22. The State's share of Union Taxes and Duties increased during the current year over the previous year mainly due to increase under Central Goods and Service Tax (41.84 per cent), Taxes on Income other than Corporation Tax (39.87 per cent), Corporation Tax (42.65 per cent), Customs (69.55 per cent) and Service Tax (174 per cent).

<sup>7</sup> Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

### 2.3.2.3 Non Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. The component-wise details of Non-Tax Revenue collected during the years 2017-22 is shown in **Table 2.11**.

**Table 2.11: Components of State's non-tax revenue**

Revenue Head	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Interest Receipts	7	12	5	5	5
Dividends and Profits	0	1	3	2	0
Other Non- Tax Receipts	382	242	331	236	298
<i>Misc. General Services</i>	16	24	22	21	19
<i>Power</i>	128	148	159	171	212
<i>Education, Sports, Arts and Culture</i>	133	4	62	2	3
<i>Other Misc.</i>	105	66	87	41	64
<b>Total</b>	<b>389</b>	<b>255</b>	<b>339</b>	<b>243</b>	<b>303</b>

Non-Tax Revenue ranged between 2.12 and 3.53 *per cent* of Total Revenue Receipts of the State during the five-year period from 2017-18 to 2021-22. Non-Tax Revenue decreased by ₹ 84.95 crore from ₹ 388.53 crore in 2017-18 to ₹ 303.58 crore in 2021-22 at CAGR of (-)5.98 *per cent*. The significant increase in Non-Tax Revenue as compared to the previous year were noticed in Power (₹ 41 crore) and Other Misc. (₹ 23 crore).

### State's performance in mobilisation of resources

State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. The trends of State's Own Resources for the last five years are given in **Table 2.12**.

**Table 2.12: State's Own Resources for 2017-22**

	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Own Tax Revenue	638.28	846.43	958.23	1,022.74	1,301.08
Non-Tax Revenue	388.53	255.24	339.29	242.60	303.58
<b>State's Own Resources</b>	<b>1,026.81</b>	<b>1,101.67</b>	<b>1,297.52</b>	<b>1,267.56</b>	<b>1,604.66</b>

Source: Finance Accounts of respective years

The State's actual Tax and Non-Tax Receipts for the year 2021-22 *vis-à-vis* assessment made in the Budget and projection made by the Fifteenth Finance Commission (XV FC) is given in **Table 2.13**.

**Table 2.13: Tax and Non-Tax receipts *vis-à-vis* projections**

	(₹ in crore)				
	XV FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				Budget Estimates	XV FC projections
Own Tax Revenue	1,065.00	1,271.62	1,301.08	2.32	23.00
Non-Tax Revenue	124.00	283.41	303.58	7.12	144.82

Source: XV FC report, Budget documents and Finance Accounts, 2021-22

Actual own Tax and Non- Tax Revenue realised was higher than the projections made by the XV FC/ BEs. The Revenue Surplus registered by the State was a result of receipt of Revenue Deficit Grant of ₹ 4,557.00 crore (from April 2021 to March 2022) from the GoI. The State Government should strive to improve its non tax mobilisation efforts.

### 2.3.2.4 Grants-in-Aid from GoI

The break-up of Grants-in-Aid (GIA) received from Government of India during 2017-22 is given in **Table 2.14**.

**Table 2.14: Grants-in-Aid from GoI**

(₹ in crore)					
Head	2017-18	2018-19	2019-20	2020-21	2021-22
Non-Plan Grants/Grants for State/ Union Territory Schemes	290.01	601.16	312.57	515.40	NA
Non Development Grants/Grants for State Plan Schemes (excluding FC Grants)	276.63	341.98	401.81	178.01	NA
Finance Commission Grants	3,700.00	3,945.00	4,176.79	3,916.94	4,557.00
Grants for Central Plan Schemes	25.92	170.43	106.85	84.40	149.77
Grants for Centrally Sponsored Schemes	2,224.45	1,439.73	1,823.15	2,008.24	--
Grants for Special Plan Schemes	122.26	45.03	37.52	35.63	2,184.18
Other transfers/ Grants to States/ Union Territories with legislature	--	--	--	14.22	80.26
<b>Total</b>	<b>6,639.27</b>	<b>6,543.33</b>	<b>6,858.69</b>	<b>6,752.84</b>	<b>6,971.21</b>
Percentage of increased over the previous year	19.55	-1.45	4.82	-1.54	3.23
Percentage of GIA to Revenue Receipts	60.25	57.21	60.04	59.09	51.83

Source: Finance Accounts of respective years. \*It includes Finance Commission Grants/ Grants to Areas not covered by Part IX and IXA of Constitution – Local Urban Bodies and Local Rural Bodies

The total GIA from GoI showed fluctuating trend during the five-year period from 2017-18 to 2021-22. During 2021-22, it increased by ₹ 218.37 crore (3.23 per cent) as compared with the previous year mainly due to increase in Finance Commission Grants (₹ 640.06 crore) and grants for Special Plan Schemes. The GIA from GoI constituted 51.83 per cent of the total Revenue Receipts of the State during 2021-22.

### Finance Commission Grants

As per recommendation of the XIV/ XV FCs, the GoI had released grants for Local Bodies and towards State Disaster Response Fund (SDRF) during FC Award period from 2015-16 to 2019-20 and 2020-21 to 2025-26. The details of release of funds to the State on the basis of recommendations of the XIV/ XV FC during the Award period 2017-22 and transfer by the State Government have been shown in **Table 2.15**.

**Table 2.15: Recommended amount, actual release and transfers of Grants-in-aid**

(₹ in crore)										
Transfers	Recommendation of the XIV/XV-FC 2017-21	Recommendation of the XIV/XV-FC			Actual release by GoI			Release by State Government		
		2017-21	2021-22	Total	2017-21	2021-22	Total	2017-21	2021-22	Total (percentage of col. 8)
1	2	3	4	5	6	7	8	9	10	11
<b>(A) Local Bodies:</b>										
(i) Grants to PRIs/RLBs	0.00	0.00	92.00	92.00	0.00	108.50	108.50	0.00	108.50	108.50 (100.00)
(a) General Basic Grant	92.00	0.00	92.00	92.00	0.00	108.50	108.50	0.00	108.50	108.50
(b) General Performance Grants	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii) Grants to ULBs	225.58	149.74	45.00	194.74	131.97	0.00	131.97	131.97	0.00	131.97 (100.00)

Transfers	Recommendation of the XIV/XV-FC 2017-21	Recommendation of the XIV/XV-FC			Actual release by GoI			Release by State Government		
		2017-21	2021-22	Total	2017-21	2021-22	Total	2017-21	2021-22	Total (percentage of col. 8)
1	2	3	4	5	6	7	8	9	10	11
(a) General Basic Grant	194.74	149.74	45.00	194.74	131.97	0.00	131.97	131.97	0.00	131.97
(b) General Performance Grants	30.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total for Local Bodies</b>	<b>317.58</b>	<b>149.74</b>	<b>137</b>	<b>286.74</b>	<b>131.97</b>	<b>108.50</b>	<b>240.47</b>	<b>131.97</b>	<b>108.50</b>	<b>240.47 (100.00)</b>
(B) State Disaster Response Fund*	121.60	80.60	41.00	121.60	80.60	41.00	121.60	90.00	45.56	135.56
<b>Grand Total (A+B)</b>	<b>439.18</b>	<b>230.34</b>	<b>178.00</b>	<b>408.34</b>	<b>212.57</b>	<b>149.50</b>	<b>362.07</b>	<b>221.97</b>	<b>154.06</b>	<b>376.03</b>

Source: XIV/XV-FC Report and Information furnished by Finance Department, GoN \*including State Share

As can be seen from **Table 2.15**, out of the total XIV/ XVFC recommendation of ₹ 317.58 crore for grants to Local bodies, the State received an amount of ₹ 240.47 crore (75.72 per cent) and the same amount was released by the State Government to the implementing Departments. The State Government also received ₹ 121.60 crore under State Disaster Response Fund/ State Disaster Risk and Management Fund and the entire amount was expended during the period.

### 2.3.3 Capital Receipts

**Capital Receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks) and loans and advances from GoI.

**Table 2.16** shows the trends in growth and composition of Capital Receipts and net Public Debt Receipts.

**Table 2.16: Trends in growth and composition of capital receipts**

Sources of State's Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Capital Receipts</b>	<b>690.10</b>	<b>312.03</b>	<b>1,003.66</b>	<b>1,532.17</b>	<b>760.27</b>
Miscellaneous Capital Receipts	0.00	0.00	0.00	0.00	0.00
Recovery of Loans and Advances	1.09	1.08	1.09	1.23	1.88
<b>Net Public Debt Receipts</b>	<b>689.01</b>	<b>310.95</b>	<b>1,002.57</b>	<b>1,530.94</b>	<b>758.39</b>
<i>Internal Debt</i>	710.40	328.69	1,017.78	1,344.21	463.73
<i>Growth rate</i>	77.22	-53.73	209.65	32.07	-65.50
<i>Loans and advances from GoI</i>	-21.39	-17.74	-15.21	186.73	294.65
<i>Growth rate</i>	-0.70	-17.06	-14.26	1,327.68	57.79
Rate of growth of debt Capital Receipts	81.64	-54.87	222.42	52.70	-50.46
Rate of growth of non-debt capital receipts	0.00	-0.92	0.93	12.84	52.85
Rate of growth of GSDP	12.29	8.75	12.02	2.39	6.57
Rate of growth of Capital Receipts (per cent)	81.41	-54.78	221.65	52.66	-50.38

Source: Finance Accounts and for GSDP– Source: Directorate of Economics and Statistics, GoN.

Capital Receipts increased by 10.17 *per cent* from ₹ 690.10 crore in 2017-18 to ₹ 760.27 crore in 2021-22. Public debt receipts create future repayment obligation and these are taken from Market, Financial Institutions and Central Government. During 2021-22, the net Public Debt Receipts decreased by ₹ 772.55 crore from ₹ 1,530.94 crore in 2020-21 to ₹ 758.39 crore in 2021-22.

## 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 2017-18 to 2021-22 is presented in **Table 2.17**.

**Table 2.17: Total expenditure and its composition**

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Total Expenditure (TE)</b>	<b>11,466.39</b>	<b>12,520.81</b>	<b>12,852.60</b>	<b>12,729.60</b>	<b>13,713.54</b>
Revenue Expenditure (RE)	10,191.35	10,919.98	11,637.02	11,052.06	11,817.08
Capital Expenditure (CE)	1,274.85	1,595.56	1,206.32	1,671.93	1,893.85
Loans and Advances	0.19	5.27	9.26	5.61	2.61
<b>As a percentage of GSDP</b>					
TE/GSDP	47.01	47.20	43.25	41.84	42.29
RE/GSDP	41.78	41.16	39.16	36.33	36.45
CE/GSDP	5.23	6.01	4.06	5.50	5.84
Loans and Advances/GSDP	0.00	0.02	0.03	0.02	0.01

Source: Finance Accounts of respective years

**Table 2.17** shows that Total Expenditure of the State increased by 19.60 *per cent* from ₹ 11,466.39 crore in 2017-18 to ₹ 13,713.54 crore in 2021-22. During the year, it increased by 7.73 *per cent* over the previous year. As a percentage of GSDP, the Total Expenditure remained in the range between 41.84 and 47.20 *per cent* during 2017-22.

In terms of activities, the Total Expenditure is composed of expenditure on General Services including Interest Payments, Social Services, Economic Services and others. Relative share of these components in the Total Expenditure of ₹ 13,713.54 crore during 2021-22 (**Appendix 1.1 Part C**) is given in **Table 2.18**.

**Table 2.18: Relative share of various sectors of expenditure**

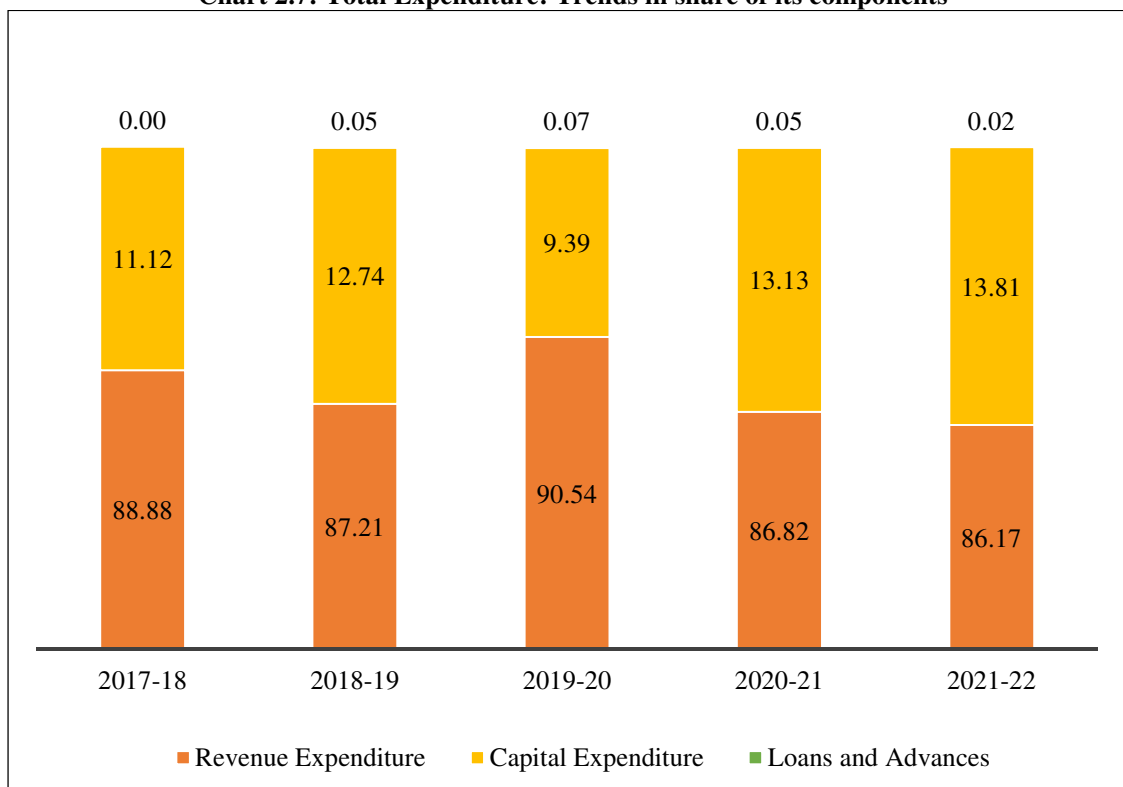
Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
General Services	40.00	43.43	43.53	43.28	44.02
Social Services	26.55	27.86	27.13	28.65	31.32
Economic Services	33.45	28.67	29.27	28.03	24.64
Others (Grants to Local Bodies and Loans and Advances)	0.00	0.04	0.07	0.04	0.02

Source: Finance Accounts of respective years

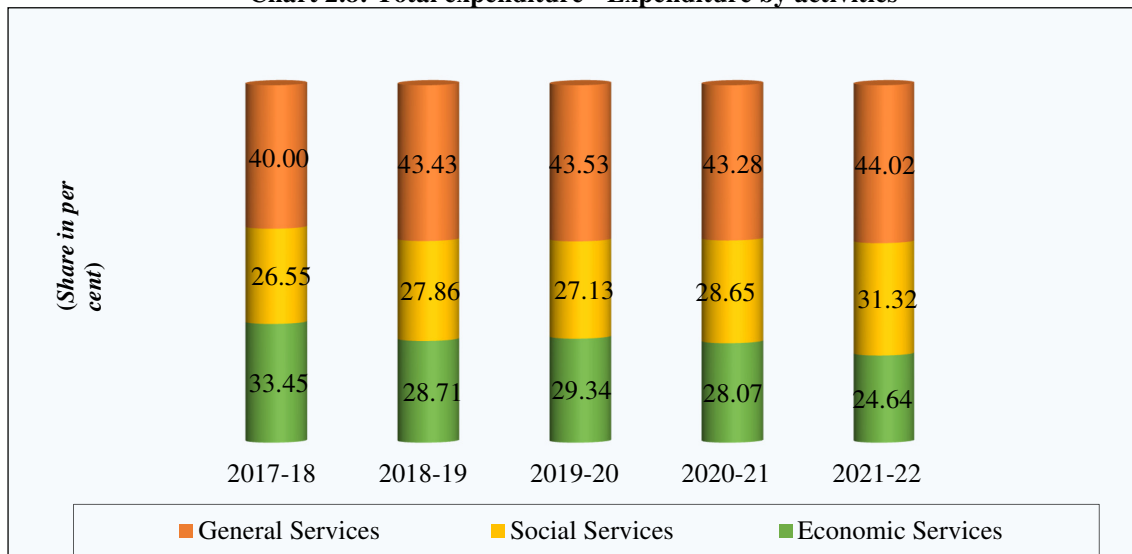
- The percentage to the Total Expenditure in General Services increased from 43.28 to 44.02 *per cent* during 2021-22 as compared to 2020-21 mainly due to increase in expenditure on Interest payment & servicing of Debt by 8.79 *per cent*, 6.25 *per cent* in Administrative Services and 23.14 *per cent* in Pension and Miscellaneous General Services under Revenue account during the year.
- The percentage to Total Expenditure in Social Services increased to 31.32 *per cent* in 2021-22 from 28.65 *per cent* in 2020-21 mainly due to increase in expenditure in respect of Education, Sports, Art & Culture 10.08 *per cent* and Labour and Labour Welfare 28 *per cent* under Revenue account during the year.
- There was decrease in Expenditure in Economic services (24.64 *per cent*) and Loans and Advances (0.02 *per cent*) during 2021-22, as compared to 28.03 and 0.04 *per cent* respectively in the previous year.

**Charts 2.7** and **2.8** present the trends in share of its components and expenditure by activities of Total Expenditure a period of five years (2017-22) whereas **Chart 2.9** depicts the composition of Total Expenditure out of the Consolidated Fund of the State during the year.

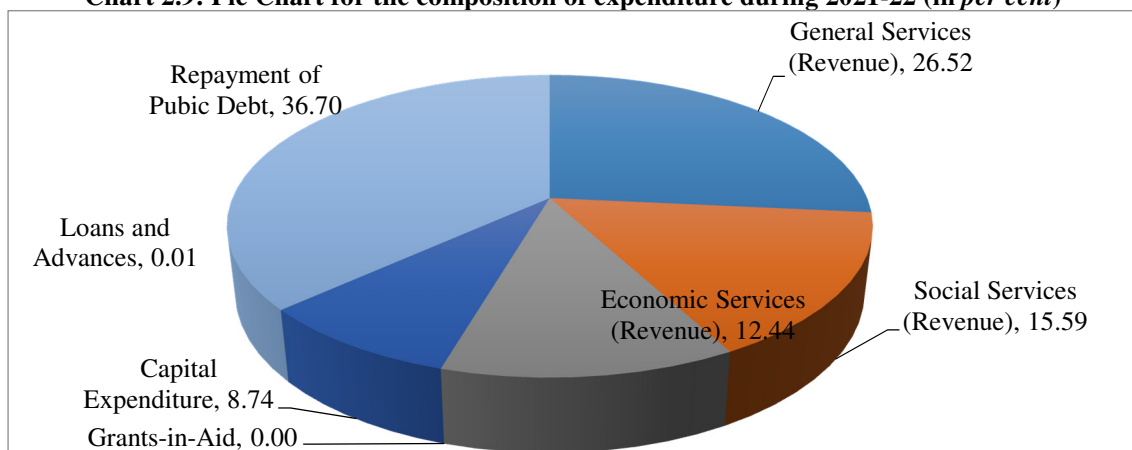
**Chart 2.7: Total Expenditure: Trends in share of its components**



Source: Finance Accounts of respective years

**Chart 2.8: Total expenditure - Expenditure by activities**

Source: Finance Accounts of respective years

**Chart 2.9: Pie Chart for the composition of expenditure during 2021-22 (in per cent)**

Source: Finance Accounts, 2021-22

It could be seen that Capital Expenditure has shown a fluctuating trend in the last five years from 2017-18 to 2021-22. However, it increased during 2021-22 as compared to the previous year. The share of Capital Expenditure as a percentage of GSDP increased from 5.23 per cent in 2017-18 to 5.84 per cent in 2021-22.

The shares (in percentage of total expenditure) in General, Social and Economic services remained stable during the five-year period 2017-22. Repayment of Public Debt constituted around 37 per cent of the total expenditure during the year, down from 44 per cent during the previous year.

#### 2.4.2 Revenue Expenditure

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

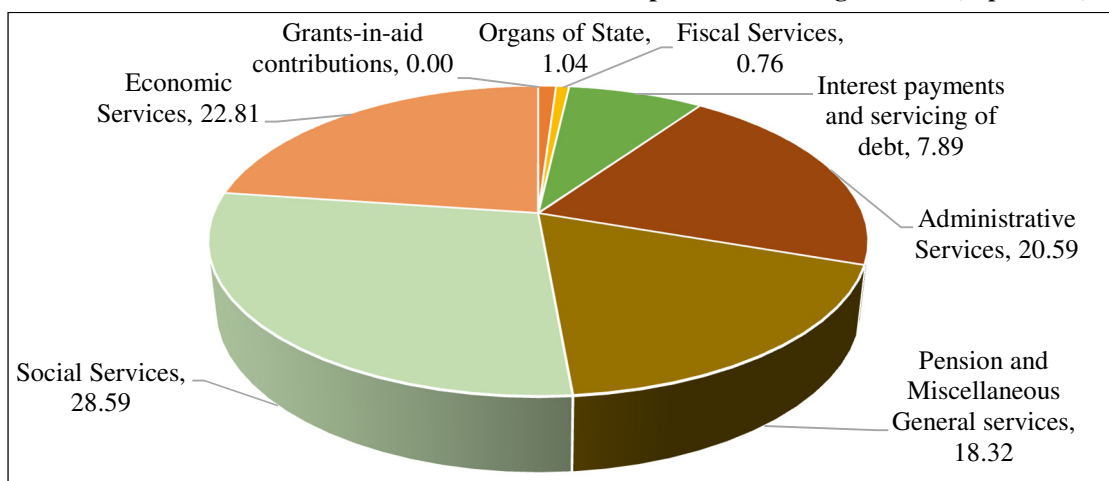
Revenue Expenditure constituted on an average 87.92 per cent ranged between 86.17 (2021-22) and 90.54 per cent (2019-20) of the Total Expenditure during the period

2017-22. The percentage of Revenue Expenditure to Total Expenditure and RE to GSDP during 2021-22 was the lowest during the last five years. Rate of growth of Revenue Expenditure has displayed wide fluctuation during the five-year period 2017-22. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-à-vis* GSDP and Revenue Receipts is indicated in **Table 2.19** and the sectoral distribution of Revenue Expenditure during 2021-22 is given in **Chart 2.10**.

**Table 2.19: Revenue Expenditure – Basic Parameters**

(₹ in crore)					
Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	11,466.39	12,520.81	12,852.60	12,729.60	13,713.54
Revenue Expenditure (RE)	10,191.35	10,919.98	11,637.02	11,052.06	11,817.08
Rate of Growth of RE ( <i>per cent</i> )	17.83	7.15	6.57	-5.03	6.92
Revenue Expenditure as percentage of TE	88.88	87.21	90.54	86.82	86.17
RE/GSDP ( <i>per cent</i> )	41.61	40.02	38.14	37.70	36.45
RE as percentage of RR	92.49	95.48	101.87	96.72	87.85
<b>Buoyancy of Revenue Expenditure with:</b>					
GSDP (ratio)	1.45	0.82	0.55	-2.1	1.05
Revenue Receipts (ratio)	1.07	1.88	-54.75	-125.75	0.39

Source: Finance Accounts of respective years

**Chart 2.10: Sector-wise distribution of Revenue Expenditure during 2021-22 (in *per cent*)**

Source: Finance Accounts, 2021-22

During the five-year period of 2017-22, Revenue Expenditure as a percentage of GSDP showed a decreasing trend and while growth rate of RE showed an increasing trend.

#### 2.4.2.1 Major changes in Revenue Expenditure

**Table 2.20** 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 2.20: Variation in Revenue Expenditure during 2021-22 compared to 2020-21**

(₹ in crore)			
Major Heads of Account	2020-21	2021-22	Increase (+)/ Decrease (-)
2049 - Interest Payment	856.77	932.09	(+)75.32
2055 - Police	1,532.34	1,652.08	(+) 119.74
2071 - Pension and other retirement benefits	1,752.47	2,158.67	(+) 406.20
2202 - General Education	1,641.93	1,810.76	(+) 168.83



Major Heads of Account	2020-21	2021-22	Increase (+)/ Decrease (-)
2210 - Medical and Public Health	644.18	724.71	(+) 80.53
2217 – Urban Development	135.02	80.07	(-) 54.95
2225 - Welfare of SCs, STs, OBCs and Minorities	55.68	25.86	(-) 29.82
2505 – Rural Employment	484.73	307.88	(-) 176.85
3054 – Roads & Bridges	334.06	299.65	(-) 34.41

Source: Finance Accounts, 2021-22

**Table 2.20** indicates that Revenue Expenditure increased during 2021-22 over the previous year which was mainly due to increase under Interest Payment, Police, Retirement and Other Benefits, General Education and Medical and Public Health, which was offset mainly by a decrease under Urban Development, Special Scheduled Castes, Schedules Tribes, Other Backward Class and Minorities and Roads and Bridges.

During 2021-22, the Revenue Expenditure on General Service and Social Service increased by ₹ 118.25 crore (12.62 per cent) and ₹ 239.61 crore (7.63 per cent) over the previous year respectively. However, Economic Services decreased by ₹ 118.25 crore (4.20 per cent) over the previous year.

#### 2.4.2.2 Committed expenditure

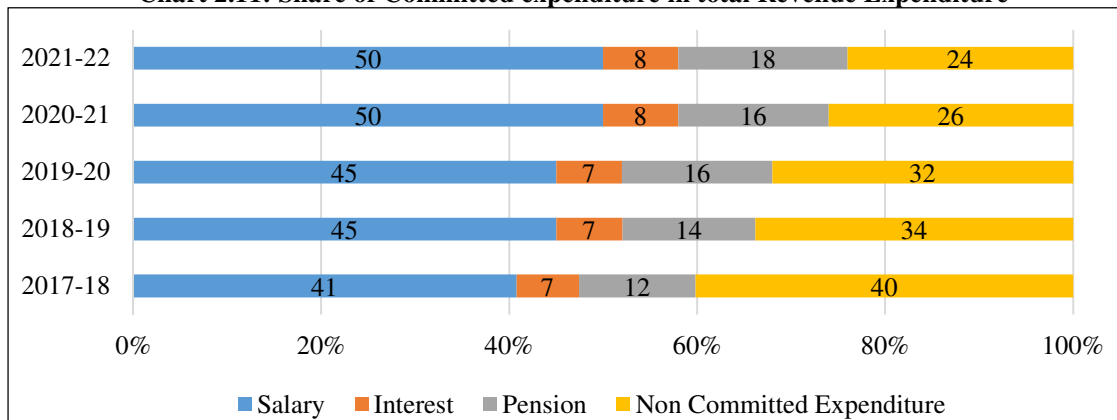
The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. It has first charge on Government resources. Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector.

**Table 2.21** presents the trends in the components of committed expenditure during 2017-22. Percentage of committed expenditure to Revenue Receipts and Revenue Expenditure during 2017-22 is given in **Chart 2.11**.

**Table 2.21: Components of Committed Expenditure**

Components of Committed Expenditure	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Salaries and Wages	4,155.72	4,944.95	5,249.81	5,495.56	5,954.31
Expenditure on Pensions	1,264.10	1,552.79	1,810.91	1,752.48	2,158.67
Interest Payments	677.75	771.74	813.74	856.77	932.09
<b>Total</b>	<b>6,097.57</b>	<b>7,269.48</b>	<b>7,874.46</b>	<b>8,104.81</b>	<b>9,045.07</b>
As a percentage of Revenue Receipts (RR)					
Salaries and Wages	37.71	43.23	45.96	48.09	44.27
Expenditure on Pensions	11.47	13.58	15.85	15.34	16.05
Interest Payments	6.15	6.75	7.12	7.50	6.93
<b>Total</b>	<b>55.33</b>	<b>63.56</b>	<b>68.93</b>	<b>70.92</b>	<b>67.25</b>
As a percentage of Revenue Expenditure (RE)					
Salaries and Wages	40.78	45.28	45.11	49.72	50.39
Expenditure on Pensions	12.40	14.22	15.56	15.86	18.27
Interest Payments	6.65	7.07	6.99	7.75	7.89
<b>Total</b>	<b>59.83</b>	<b>66.57</b>	<b>67.66</b>	<b>73.33</b>	<b>76.55</b>

Source: Finance Accounts of respective years

**Chart 2.11: Share of Committed expenditure in total Revenue Expenditure**

Source: Finance Accounts of respective years

As can be seen from above details, the committed expenditure constituted 60 *per cent* or more of Revenue Expenditure during the five-year period from 2017-18 to 2021-22. It accounted for over 60 *per cent* of the Revenue Receipts of the State during 2018-19, 2019-20, 2020-21 and 2021-22 even as the committed liabilities fell below 60 *per cent* of Revenue Receipts during 2017-18. The percentage of salaries and pensions within Revenue Expenditure was highest in 2021-22 during the last five years while the percentage of non committed expenditure to RE was the lowest in 2021-22 during the period. It signifies limited flexibility of the State to allocate and spend on areas of non committed expenditure.

#### 2.4.2.3 Undischarged liabilities in National Pension System

The expenditure during the year on “Pension and other Retirement Benefits” to State Government employees recruited on or before 31 December 2009 was ₹ 2,158.67 crore which was 18.27 *per cent* of total revenue expenditure ₹ 11,817.08 crore. State Government employees appointed on or after 01 January 2010 are covered under the National Pension System (NPS), which is a defined contributory pension scheme. All India Service officers are covered under the scheme *w.e.f.* 01 January 2004. In terms of the Scheme, employees contribute 10 *per cent* of their basic pay plus dearness allowances which the State Government is required to match with 14 *per cent* of the basic pay plus dearness allowances (with effect from 01 April 2019). Both the employees and government contributions are transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/ Trustee Bank. The subscription received from employees is credited to MH-8342-117 ‘Defined Contributory Pension Scheme (DCPS)’ for Government servants. The State Government follows the accounting procedure while providing the employer’s matching contribution towards the fund (MH-8342-117 employer contribution) by debiting to MH-2071 Pensions and Other Retirement Benefits.

Total number of employees under NPS as of 31 March 2021 was 27,432 which increased to 30,753 as of 31 March 2022. Out of these 30,753 employees under NPS, 29,926 employees have been allotted Permanent Retirement Account Number (PRAN) as of 31 March 2022.

During the year 2021-22, total subscription received from NPS Employees was ₹ 112.27 crore. Against this, the State Government contributed ₹ 164.31 crore and credited ₹ 276.58 crore (Employees' contribution ₹ 112.27 crore, Government contribution ₹ 157.18 crore, interest paid by State Government ₹ 6.34 crore and Service Charge to NSDL ₹ 0.79 crore) to MH-8342-117 DCPS. During the year there was no short contribution by the State Government towards DCPS.

State Government transferred the whole amount of ₹ 257.94 crore to NSDL/ Trustee Bank. As on 31 March 2022, ₹ 204.24 crore are outstanding under the MH-8342-117 DCPS which had not been transferred to NSDL. Thus, un-transferred amounts, with accrued interest represent outstanding liabilities under the Scheme.

#### 2.4.2.4 Subsidies

During 2020-21, an amount of ₹ 25.12 crore was booked as subsidy under levy sugar under Target Public Distribution System (subsidies). During the current year 2021-22, an equal amount was booked as subsidies under the same head.

#### 2.4.2.5 Financial assistance by the State Government to Local Bodies and Other Institutions

Financial assistance is provided by the State Government to Local bodies and other institutions by way of grants and loans.

The quantum of assistance provided by way of grants and loans to Local bodies and others during the period 2017-22 is presented in **Table 2.22**.

**Table 2.22: Financial Assistance to Local Bodies, etc.**

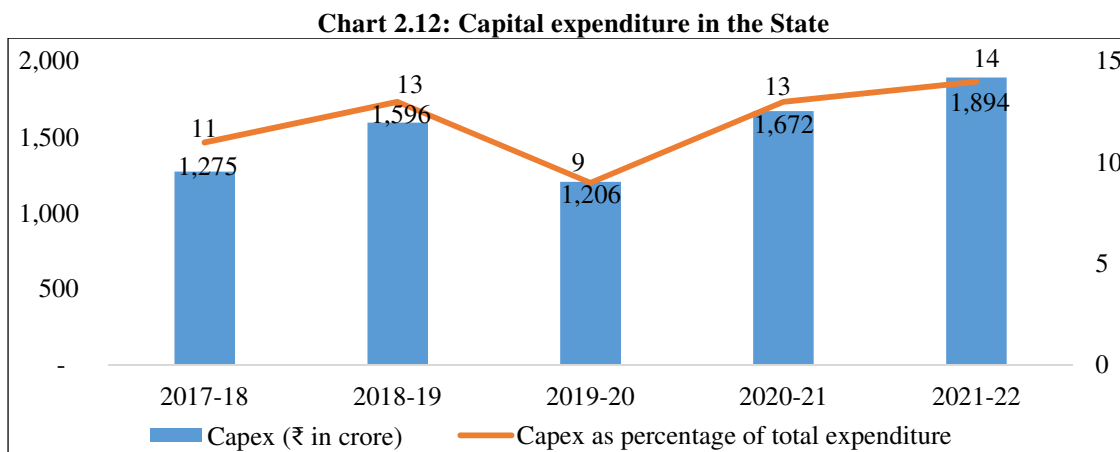
(₹ in crore)					
Financial Assistance to Institutions	2017-18	2018-19	2019-20	2020-21	2021-22
<b>(A) Local Bodies</b>					
Municipal Corporations and Municipalities	1.62	1.62	1.62	1.62	1.62
Rural Local Bodies	0.00	0.00	0.00	62.50	109.57
<b>Total (A)</b>	<b>1.62</b>	<b>1.62</b>	<b>1.62</b>	<b>64.12</b>	<b>111.19</b>
<b>(B) Others</b>					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	5.85	3.00	2.65	3.00	3.35
Development Authorities	51.55	53.92	56.72	60.02	56.68
Hospitals and Other Charitable Institutions	19.37	21.77	25.84	26.94	14.04
Other Institutions	250.00	86.75	73.87	40.77	31.20
<b>Total (B)</b>	<b>326.77</b>	<b>165.44</b>	<b>159.08</b>	<b>130.73</b>	<b>105.27</b>
<b>Total (A + B)</b>	<b>328.39</b>	<b>167.06</b>	<b>160.70</b>	<b>194.85</b>	<b>216.46</b>
Revenue Expenditure	10,191.35	10,919.98	11,637.02	11,052.06	11,817.08
Assistance as percentage of Revenue Expenditure	3.22	1.53	1.38	1.76	1.83

Source: Finance Accounts of respective years

The total financial assistance to Local Bodies and Other Institution, showed a fluctuating trend during 2017-18 to 2021-22. The increase in financial assistance was ₹ 21.61 crore (11.09 per cent) from ₹ 194.85 crore in 2020-21 to ₹ 216.46 crore in 2021-22. During 2021-22, financial assistance was 1.83 per cent of Revenue Expenditure, an increase of 3.98 per cent from the previous year.

### 2.4.3 Capital Expenditure

Capital Expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings, etc. The details of the capex and its percentage of total expenditure for the period from 2017-18 to 2021-22 are given in **Chart 2.12**.



Source: Finance Accounts of respective years

Capital Expenditure (₹ 1,896.46 crore) during the current year (2021-22) increased by ₹ 218.92 crore (13.05 per cent) over the previous year (₹ 1,677.54 crore) and was ₹ 388.68 crore (17.01 per cent) less than the Budget Estimates (₹ 2,285.14 crore). As compared to the total expenditure, the capital outlay showed a fluctuating trend (between nine and fourteen per cent) over the period 2017-18 to 2021-22. Percentage of capex to total expenditure during the period was the highest in 2021-22.

#### 2.4.3.1 Major changes in Capital Expenditure

**Table 2.23** highlights the cases of significant increase or decrease in various Heads of Account in Capital Expenditure during 2021-22 vis-à-vis the previous year.

**Table 2.23: Capital expenditure during 2021-22 compared to 2020-21**

Major Heads of Accounts	(₹ in crore)		
	2020-21	2021-22	Increase (+)/ Decrease (-)
4055-Capital Outlay on Police	218.89	75.03	-143.86
4059-Capital Outlay on Public Works	183.91	217.36	33.45
4210-Capital Outlay on Medical and Public Health	27.25	155.64	128.39
4215-Capital Outlay on Water Supply and Sanitation	149.71	216.00	66.29
4217-Capital Outlay on Urban Development	140.59	260.40	119.81
4225-Capital Outlay on Welfare of SCs, STs and OBCs and Minorities	38.72	76.88	38.16
4235-Capital Outlay on Social Security and Welfare	19.73	7.51	-12.22
4575-Capital Outlay on Other Special Area Programme	103.69	64.02	-39.67
4801-Capital Outlay on Power Projects	87.56	85.42	-2.14
5054-Capital Outlay on Roads and Bridges	402.87	385.43	-17.44

Source: Finance Accounts of respective years

**Table 2.23** reveals that the increase in Capital expenditure during 2021-22 over the previous year was mainly due to increase under Urban Development, Medical and Public Health, Water Supply and Sanitation and Public Works, which was offset mainly by decrease under Police and Special Area Programme.

### 2.4.3.2 Quality of capital expenditure

If the State Government keeps on making investments in loss making government companies, whose net worth is completely eroded, there are no chances of return on investment. Similarly, experience has shown the inevitability of write off of the loans given to loss making corporations and other bodies such as sugar mills, financial corporations, *etc.* Requisite steps have to be taken to infuse transparency in such financial operations. This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year.

#### *Quality of investments in the companies, corporations and other bodies*

Capital expenditure in the companies, corporations, and other bodies, which are loss making or where net worth is completely eroded is not sustainable.

Investments made and loan given to companies Corporations and Co-operatives (*e.g.* sugar mills), which are loss making and those where net worth is completely eroded, affect quality of capital expenditure. Return on investment in share capital invested in PSUs and history of repayment of loans given to various bodies are important determinants of quality of capital expenditure.

The Government had invested ₹ 296.16 crore in Government Companies, Statutory Corporations, Joint Stock Companies and Co-operatives, as on 31 March 2022. Out of this, ₹ 27.27 crore had been invested in three SPSEs whose net-worth has completely been eroded as detailed in **Table 2.24**:

**Table 2.24:-Erosion of net worth of SPSEs**

(₹ in crore)

Name of SPSE	Latest year of finalised accounts	Total paid up capital	Net profit (+)/ loss (-) after interest, tax and dividend	Accumulated losses	Net worth	State Government Equity as on 31 March 2022	State Government Loans as on 31 March 2022
NIDCL*	2020-21	23.20	(-) 4.80	54.49	(-) 31.29	18.47	0
NHL*	2017-18	0.82	(-) 2.84	22.09	(-) 21.27	1.95	0
NHDCL*	2019-20	0.83	(-) 0.70	6.31	(-) 5.48	6.85	0.73

Source:-Information furnished by SPSEs.

\*NIDCL:-Nagaland Industrial Development Corporation Limited; NHL:-Nagaland Hotels Limited; NHDCL:-Nagaland Handloom and Handicrafts Development Corporation Limited

During the five-year period of 2017-22, the State Government's investments had increased by ₹ 2.96 crore. The average return on this investment was 'Nil' during the 2017-18, while the return in the remaining years of 2019-22 ranged between ₹ 0.49 crore and ₹ 2.80 crore. The Government paid an average interest rate ranging between 6.68 and 7.37 per cent on its borrowings during the same period as detailed in **Table 2.24 (A)**.

**Table 2.24 (A): Return on Investment**

Investment/return/ cost of borrowings	2017-18	2018-19	2019-20	2020-21	2021-22
Investment at the end of the year (₹ in crore)	293.20	294.17	295.17	296.17	296.16
Return (₹ in crore)	0.00	0.66	2.80	2.47	0.49
Return ( <i>per cent</i> )	0.00	0.22	0.95	0.83	0.17

Investment/return/ cost of borrowings	2017-18	2018-19	2019-20	2020-21	2021-22
Average rate of interest on Government Borrowings ( <i>per cent</i> )	6.79	7.37	7.14	6.68	6.81
Difference between interest rate and return ( <i>per cent</i> )	6.79	7.15	6.19	5.85	6.64
Difference between interest on Government borrowings and return on investment (₹ in crore)#	613.63	667.92	688.20	729.40	820.90

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

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing Loans and Advances to many Institutions/ Organisations. **Table 2.25** presents the outstanding Loans and Advances as on 31 March 2022 and interest receipts *vis-à-vis* interest payments during the last five years.

**Table 2.25: Quantum of loans disbursed and recovered during five years**

Quantum of loans disbursed and recovered	2017-18	2018-19	2019-20	2020-21	2021-22
Opening Balance of loans outstanding	25.60	24.70	28.89	37.06	41.44
Amount advanced during the year	0.19	5.27	9.26	5.61	2.61
Amount recovered during the year	1.09	1.08	1.09	1.23	1.88
Closing Balance of the loans outstanding	24.70	28.89	37.06	41.44	42.17
Net addition	-0.90	4.19	8.17	4.38	0.73
Interest received	2.18	2.23	3.59	3.58	3.29
Interest rate on Loans and Advances given by the Government.	8.67	8.32	10.89	9.12	7.87
Rate of Interest paid on the outstanding borrowings of the Government	6.79	7.37	7.14	6.68	6.81
Difference between the rate of interest paid and interest received ( <i>per cent</i> )	1.88	0.95	3.75	2.44	1.06

Source: Finance Accounts of respective years

At the end of March 2022, the Government had outstanding Loans and Advances of ₹ 42.17 crore. The amount of loans outstanding during the year decreased to ₹ 0.73 crore from ₹ 4.38 crore in 2020-21. Out of the total outstanding of ₹ 42.17 crore, ₹ 30.55 crore (72.44 *per cent*) pertains to Agriculture and Allied Activities, ₹ 2.17 crore (5.15 *per cent*) for Industry and Minerals and ₹ 9.45 crore (22.41 *per cent*) for Government Servants.

### **Capital locked in incomplete projects**

An assessment of trends in capital blocked in incomplete capital works would also indicate 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.

As per the Finance Accounts of the State for the year 2021-22, there were 383 incomplete/ ongoing projects in the State as on 31 March 2022. These were being executed by 37 Departments. Age profile of incomplete projects based on the year of sanction/ year of start of these projects as on 31 March 2022 is given in **Tables 2.26** and **2.26**.

**Table 2.26: Age profile of incomplete projects as on 31 March 2022**

(₹ in crore)

Year	No of incomplete projects	Estimated cost	Cost over-run	Expenditure (as on 31 March 2022)
2003-12	88	1,587.77	118.98	947.68
2012-13	33	203.95	25.35	129.25
2013-14	134	162.45	0.90	91.93
2014-15	47	68.65	0.00	39.93
2015-16	14	33.55	0.00	22.42
2016-17	7	126.82	0.00	94.48
2017-18	30	64.35	(-)0.28	35.48
2018-19	10	278.85	0.00	41.67
2019-20	4	15.35	0.00	2.00
2020-21	1	13.87	0.00	11.32
Others*	15	172.14	0.00	129.99
<b>Total</b>	<b>383</b>	<b>2,727.75</b>	<b>144.95</b>	<b>1,546.15</b>

Source: Appendix-IX, Finance Accounts, 2021-22

\* Those projects without information on year of commencement

**Table 2.27: Department-wise profile of incomplete projects as on 31 March 2022**

(₹ in crore)

Department	No. of incomplete projects	Estimated cost	Cost over-run	Expenditure (as on 31 March 2022)
Veterinary and Animal Husbandry	54	47.31	0.14	28.06
Police Engineering Project	47	695.84	0.00	246.38
Civil Administration Works	47	56.91	0.00	40.84
PWD (Housing)	35	350.92	5.78	251.25
PWD (Roads and Bridges)	15	334.25	61.40	258.85
Urban Development	26	215.49	0.00	96.77
Water Resources Department	3	210.24	0.00	1.79
Other 30 Departments	156	816.79	77.63	622.21
<b>Total</b>	<b>383</b>	<b>2,727.75</b>	<b>144.95</b>	<b>1,546.15</b>

Source: Appendix-IX, Finance Accounts, 2021-22

Analysis of the above 383 incomplete projects showed the following:

- In 26 out of 383 projects, target year of completion was not furnished by the Departments (March 2022);
- Works in respect of two projects (estimated cost ₹ 10.93 crore) had been suspended (during 2014-15) after incurring an expenditure of ₹ 10.47 crore (95.77 per cent of estimated cost);
- In 378 projects, there was no financial progress during 2021-22;
- There was 100 per cent financial achievement in seven projects. However, 100 per cent physical progress was not achieved.
- No expenditure was incurred in 45 projects which had an estimated cost of ₹ 289.23 crore;
- There was no physical progress, despite expenditure of ₹ 2.99 crore (16.04 per cent of estimated/ revised cost of ₹ 13.4 crore) incurred on four projects up to March 2022.

Thus, the Capital Expenditure of ₹ 1,546.15 crore incurred on these 382 incomplete projects remained blocked. 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, delay in completion of the projects was fraught with the risk of cost overrun, which was evident in 120 projects which were pending since 2003-13. Therefore, effective steps need to be taken to complete all these projects without further delay to avoid time and cost inefficiencies.

### **Detailed analysis of incomplete projects**

#### **A. Extension of Hotel Japfu, Kohima**

Audit carried out detailed analysis of an incomplete project to analyse the reasons for delay and its impact. In this connection, out of 383 incomplete projects, an incomplete project “Extension of Hotel Japfu, Kohima, Nagaland” funded under Non-lapsable Central Pool of Resource (NLCPR) was analysed.

The project “Extension of Hotel Japfu, Kohima, Nagaland” funded under Non-lapsable Central Pool of Resource (NLCPR) was sanctioned (July 2013) by the Ministry of Development of North Eastern Region (MDoNER), Government of India (GoI) for ₹ 9.83 crore, stipulated to be completed by June 2015. Funding of the project was on 90:10 sharing pattern between Central (₹ 8.85 crore) and State (₹ 0.98 crore) Governments.

The Scheme guidelines and the terms and conditions of financial sanction of MDoNER states that funds should be strictly utilised for the purpose for which it was sanctioned and no diversion of fund is allowed.

Examination of records (December 2022) of the Directorate of Industries and Commerce, Nagaland, Kohima showed that the project was executed by the Executive Engineer (EE) (Housing) Division, Industries & Commerce, Kohima. It was observed that the Office of the Chief Engineer (CE) Public Works Department (Housing) Nagaland, Kohima invited tender<sup>8</sup> (September 2013) and the work was awarded (October 2013) to M/s Kazheto Kinimi, Dimapur for ₹ 7.28 crore, stipulated to be completed by October 2015. As per terms and conditions of work order, no mobilisation advance will be given and enhancement of rate will not be considered by the Government.

GoI released (July 2013) first installment of ₹ 3.54 crore to the State and Government of Nagaland (GoN) in turn released ₹ 3.93 crore<sup>9</sup> to the implementing Department. Out of GoI share of ₹ 3.54 crore released (March 2014) by GoN, an amount of ₹ 3.13 crore was kept in Civil Deposit (CD) and the remaining ₹ 0.41 crore was deducted at source as Departmental Charge. The amount kept in CD was subsequently withdrawn during September 2014 (₹ 1.57 crore) and July 2015 (₹ 1.57 crore). Out of ₹ 3.93 crore, an amount of ₹ 3.48 crore<sup>10</sup> was utilised against the project (November 2022). The work has been halted since February 2017 due to non-release of funds after receiving first instalment from both MDoNER and State Government.

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<sup>8</sup> Construction of lower and upper basement, ground floor, first floor, second floor, third floor and terrace

<sup>9</sup> GoI share ₹ 3.54 crore (27-03-2014) + GoN share ₹ 0.39 crore (21-03-2016)

<sup>10</sup> Paid to contractor in two Running Account bills (₹ 1.57 crore) + Departmental Charge deducted at Source (₹ 0.41 crore) + Mobilisation Advance paid to contractor (₹ 1.50 crore)



Further examination of records revealed that without prior approval of the State Level Empowered Committee<sup>11</sup> (SLEC) and MDoNER, the implementing Department deviated from the original DPR and reduced the plinth area from 4791.032 Sqm to 1527.57 Sqm<sup>12</sup> (31.88 per cent). The scope of work approved by GoI and implementation by the State is shown in **Table 2.28**.

**Table 2.28: Components of work as per Original and revised DPRs**

(₹ in lakh)

Sl. No	Original DPR		Revised DPR	
	Components of work	Cost	Components of work	Cost
1	Construction of lower and upper basement, ground floor, first floor, second floor, third floor and terrace (4791.032 Sqm of plinth area)	727.57	Basement-I, Basement-II, Basement-III, Ground floor and Terrace (1527.57 Sqm of plinth area)	632.67
2	Internal water supply and sanitation installation, internal electric installation, levelling and approach road, rain water harvesting, firefighting, HVAC work and landscape	255.55	Internal electrification, Water supply and sanitation, site levelling and approach road, Rain water harvesting, HVAC work, Firefighting, Dismantling and demolition works	255.55
3			Anticipated escalation of rates	94.90
	<b>Total</b>	<b>983.12</b>		<b>983.12</b>

Source: Departmental records

Officials from MDoNER inspected (November 2016) the project and pointed out the change in scope of DPR and drastic change in costing. The cost for completion of the work taken up for a plinth area of 1527.57 Sqm was estimated (on proportionate basis) at ₹ 3.13 crore. It recommended the State Government to provide justification for the changes and to submit a revised DPR for approval by MDoNER before releasing further installment as the fund already released is sufficient to complete the work for a plinth area of 1527.57 Sqm.

After delay of more than two years, the Department appraised (January 2019) the SLEC and justified that the project was initially proposed for ₹ 20.70 crore with plinth area of 4866 Sqm to be located along the west side of the existing building by demolishing part of existing building (Conference block, Generator room, Security room and Drivers quarter). However, MDoNER accorded sanction only for ₹ 9.83 crore by reducing proposed plinth area from 4866 Sqm to 4791.032 Sqm. In addition, the proposed location faced difficulties due to landslide and the need to shift water tank and main transformer which would require additional cost and also affect the functioning of the Hotel. Accordingly, a new feasible site was identified within the Hotel acquired land and the DPR was revised taking into consideration all the essential components of the building with appropriate structural design formulated as per the site condition. The SLEC after going through the clarifications recommended for consideration of release of the subsequent instalments subject to approval by MDoNER.

<sup>11</sup> The State Level Empowered Committee (SLEC) chaired by Chief Secretary recommends projects for retention/ sanction and scrutinises the techno-economic aspects of the DPRs

<sup>12</sup> It includes Basement-I (243.50 Sqm), Basement-II (243.50 Sqm), Basement-III (488.00 Sqm), Ground floor (496.47 Sqm) and Terrace (56.10 Sqm)

Inter-Ministerial Committee<sup>13</sup> (IMC), MDoNER in its meeting (October 2019) has observed that the State Government deviated from the scope and specification of the project. The location of the project is not exactly the same for which the approval was granted.

Officials from MDoNER again inspected (September 2022) the work and recommended that a revised DPR (as per recommendation of SLEC held on 17 March 2022) be placed before the SLEC for its approval and for recommendation to IMC.

Technical approval of the revised DPR has still not been accorded by the CE Public Works Department (Housing) Nagaland (November 2022).

Deviation from the original scope of work/ specification by the Department led to stoppage of further funding from MDoNER and also resulted in delay in completion of the project for more than seven years from the stipulated date of completion. Expenditure of ₹ 3.48 crore incurred so far on the project proved unfruitful and the intention of Government to provide quality accommodation through extension of Hotel Japfu, Kohima remained unachieved.

#### **B. Infrastructure Development at Kohima Orphanage Home**

The project “Infrastructure Development at Kohima Orphanage Home” was sanctioned (March 2018) by the North Eastern Council (NEC), Government of India (GoI) for ₹ 284.00 lakh, with the stipulation to completed the work before March 2020. Funding of the project was on 90:10 sharing pattern between Central (₹ 255.60 lakh) and State (₹ 28.40 lakh) Governments.

Examination of records (December 2022) of the Directorate of Social Welfare, Nagaland, Kohima showed that the project was executed by the Executive Engineer (EE) Public Works Department (Housing) Division-II, Kohima. It was observed that the Office of the Chief Engineer (CE), PWD (Housing) Nagaland, Kohima invited tender (July 2018) and the work was awarded (August 2018) to M/s Dako & Co., Kohima for ₹ 190.18 lakh, stipulated to be completed by August 2020.

NEC released (March 2018) first installment of ₹ 19.57 lakh to the State and Government of Nagaland (GoN) in turn released ₹ 21.74 lakh<sup>14</sup> to the implementing Department. Out of ₹ 21.74 lakh released by GoN, an amount of ₹ 17.95 lakh<sup>15</sup> was paid to the Contractor (November 2022).

Further scrutiny showed that NEC informed (May 2018) the State that the project sanctioned from 01 April 2017 onwards may be kept on hold and the fund released for first installment for the project should not be transferred to the Implementing Agency and if transferred, the Implementing Agency may be asked not to spend any amount till such

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<sup>13</sup> An Inter-Ministerial Committee (IMC) headed by the Secretary, MDoNER, *inter alia*, assess projects proposed by the State in terms of viability and tangible socio-economic impact, consider the recommendations of SLEC and review the progress of implementation of the projects

<sup>14</sup> GoI share ₹ 19.57 lakh (31-03-2018) + GoN share ₹ 2.17 lakh (17-04-2019)

<sup>15</sup> First Running Account Bill ₹ 15.17 lakh (13-12-2018) and Hand Receipt ₹ 2.78 lakh (29-07-2019)

time the revised procedure for sanction of project as outlined in the approval of Expenditure Finance Committee (EFC) for continuance of NEC Scheme are finalised.

The project was closed (May 2020) by NEC on “as is where is” basis and the State Government was instructed to refund unspent released fund with accrued interest to the Consolidated Fund of India.

The Chief Minister of Nagaland took up the issue (September 2021) with the Union Minister, Ministry of Development of North Eastern Region (MDoNER) to restore the project.

The matter was placed in Prioritisation Committee meeting (March 2022) held under the Chairmanship of Secretary, NEC. The Committee recommended the project for ₹ 236 lakh subject to the condition that the previous amount released is adjusted and requested the State to submit Detailed Project Report (DPR).

NEC accorded (March 2022) Administrative Approval of the project for ₹ 360.45 lakh<sup>16</sup>, with a stipulation to complete the project within two years from the date of sanction of the project.

The State Government submitted (June 2022) revised DPR to NEC and financial sanction is awaited (December 2022).

#### 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 considered to be better.

**Table 2.29** analyses the fiscal priority of the State Government in 2017-18 and 2021-22 with regard to Social Sector Expenditure (Health and Education) and Capital Expenditure.

**Table 2.29: Priority of the State with regards to Health, Education and Capital expenditure**

Fiscal priority of the State	(In per cent)			
	TE/ GSDP	CE/TE	Education/ TE	Health/ TE
<b>NE&amp;H States Average (2017-18)</b>	<b>26.07</b>	<b>16.10</b>	<b>17.56</b>	<b>6.22</b>
State	47.01	11.12	19.57	9.01
<b>NE&amp;H States Average (2021-22)</b>	<b>27.56</b>	<b>17.46</b>	<b>15.95</b>	<b>7.25</b>
State	42.29	13.81	14.04	6.72

Source: Fiscal Priority of State (circulated by the Economic Advisor) and Finance Accounts of respective years

TE: Total Expenditure; CE: Capital Expenditure (including loans and advances)

A comparison of the data related to Nagaland with that of NE&H States revealed the following:

<sup>16</sup> As per NEC General Guidelines 2020, the “Schemes of NEC” has now become a Central Sector Scheme on 100 per cent funding by GoI

- Total Expenditure (TE) as a proportion of GSDP was almost twice the NE&H States average in 2016-17 and 2020-21. However, the ratio of TE as a proportion of GSDP decreased from 47.01 *per cent* in 2016-17 to 42.29 *per cent* in 2021-22.
- The share of Capital Expenditure (CE) as a proportion of TE of the State was less than the NE&H average in 2017-18 and 2021-22. The proportion of CE to TE increased during 2021-22 in comparison to 2017-18. It indicates that the State Government accorded appropriate fiscal priorities to enhance the productive capacity of the State.
- The share of expenditure on Education as a proportion of TE was higher than the NE&H average in 2016-17 and lower in 2020-21. The ratio decreased in 2021-22 as compared to 2017-18.
- The share of expenditure on Health Sector as a proportion of TE was higher than the NE&H average in 2016-17 and lower in 2020-21. The ratio decreased during 2021-22 as compared to 2017-18.

## 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 kept 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. 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 component-wise net balances in Public Account of the State is given as follows.

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

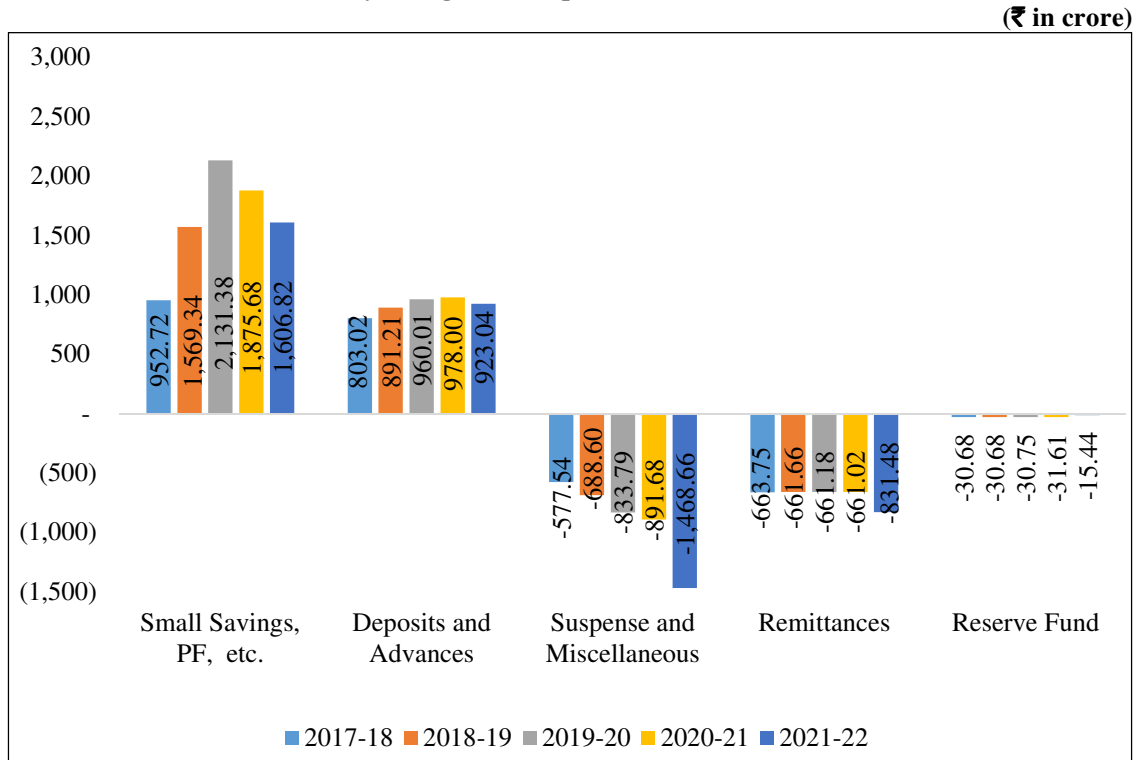
		(₹ in crore)				
Sector	Sub Sector	2017-18	2018-19	2019-20	2020-21	2021-22
I. Small Savings, Provident Funds, <i>etc.</i>	Small Savings, Provident Funds, <i>etc.</i>	952.72	1,569.34	2,131.38	1,875.68	1,606.82
J. Reserve Funds	(a) Reserve Funds bearing Interest	-14.58	-14.58	-14.58	-15.43	-15.44
	(b) Reserve Funds not bearing Interest	-16.10	-16.10	-16.17	-16.17	0.00
K. Deposits and Advances	(a) Deposits bearing Interest	103.68	137.13	170.35	185.61	204.24
	(b) Deposits not bearing Interest	699.66	754.45	790.03	792.96	719.37
	(c) Advances	-0.32	-0.37	-0.37	-0.57	-0.57
L. Suspense and Miscellaneous	(b) Suspense	-97.55	-99.34	-89.02	-90.10	75.29
	(c) Other Accounts	-479.99	-589.26	-744.77	-801.58	-1393.37
M. Remittances	(a) Money Orders, and other Remittances	-663.10	-661.23	-660.82	-660.74	-831.29
	(b) Inter-Governmental Adjustment Account	-0.65	-0.43	-0.36	-0.28	-0.19
<b>Total</b>		<b>483.77</b>	<b>1,079.61</b>	<b>1,565.67</b>	<b>1,269.37</b>	<b>214.28</b>

Source: Finance Accounts of respective years

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 2017-22 are given in **Chart 2.13**.

**Chart 2.13: Yearly changes in composition of Public Account balances**



Source: Finance Accounts of respective years

## 2.5.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State.

There are three Reserve funds operated by the State Government and one Reserve fund was yet to be operated by the State Government. The total accumulated balance at the end of 31 March 2021 in the Reserve Funds was (Dr) ₹ 15.44 crore, of which ₹ 15.44 crore (100 per cent) was under interest bearing Reserve funds.

Details of significant Reserve Funds of the GoN are given below:

### 2.5.2.1 Consolidated Sinking Fund

In terms of the recommendations of the Tenth Finance Commission, the State Government created (2006-07) Consolidated Sinking Fund to be administered by the Reserve Bank of India for the amortisation of all loans. According to guidelines of the Fund, States are required to contribute to the Fund a minimum of 0.50 per cent of their outstanding liabilities (Internal Debt + Public Account liabilities) as at the end of the previous year.

During the year, the State Government did not transfer its minimum contribution of ₹ 65.77 crore to the Fund. The balance in the Consolidated Sinking Fund as on 31 March 2022 was ₹ 1,862.64 crore and the same was invested by RBI.

### 2.5.2.2 State Disaster Response Fund

The State Government replaced the Calamity Relief Fund, with the “State Disaster Response Fund” (SDRF) as recommended by the Thirteenth Finance Commission. In terms of the guidelines, the Central and State Governments are required to contribute to the Fund in the ratio of 90:10.

As per guidelines on Constitution and Administration of SDRF (September 2010), the SDRF Fund would be constituted in the Public Account under Reserve Fund bearing interest, under MH 8121 in the accounts of the State Government. The State government shall take the amount as receipts in its budget and account under MH 1601-01-109. In order to enable transfer of the total amount of the contribution to the fund, including the State share, the State government would make suitable budget provision on the expenditure side of the budget under MH 2245-05-101 (Relief on account of natural calamities). Immediately upon receipt of GoI share, the State would transfer the amount, along with its share to the Public Account head (MH 8121-122). The actual expenditure on relief works will be booked only under respective minor head under MH 2245 and the expenditure to be charged to the SDRF will be shown as a negative entry under 2245-05-901. Direct expenditure should not be made from the Public Account. 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.

During 2021-22, the State Government received ₹ 32.80 crore from the Central Government as its share towards SDRF. The State Government transferred ₹ 37.78 crore to the SDRF (Central share: ₹ 34.14 crore *i.e.*, SDRF ₹ 32.80 crore, NDRF ₹ 1.34 crore received in 2020-21 and State share ₹ 3.64 crore). The entire fund of ₹ 37.78 crore was spent by the State Government on natural calamities.

Apart from the SDRF, the State Government received ₹ 8.20 crore from Central Government as State Disaster Mitigation Fund (SDMF). The entire fund of ₹ 9.12 crore (Central share: ₹ 8.20 crore + State share: ₹ 0.92 crore) was transferred to SDMF and the entire fund was spent by the State Government on mitigation.

### 2.5.2.3 Guarantee Redemption Fund

The State Government constituted (August 2006)<sup>17</sup>, a Guarantee Redemption Fund in 2006-07, that is administered by Reserve Bank of India (RBI). The latest amendment to the Fund notification issued by the State Government, effective from the year 2006, stipulates that the State Government shall initially contribute an amount of ₹ 4.00 crore and thereafter, an amount equivalent to at least 1/5<sup>th</sup> of the outstanding invoked guarantees plus an amount of guarantee likely to be invoked. It is open to the Government to increase the contribution to the fund at its discretion. The fund shall be gradually increased so as to reach the level deemed sufficient to meet the amount of anticipated guarantees.

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<sup>17</sup> Vide notification No. BUD/1-14/2005-06 dated 29 August 2006

During 2021-22, ₹ 2.84 crore was transferred by the State Government and the entire corpus of ₹ 37.52 crore as on 31 March 2022 was invested by the RBI.

#### 2.5.2.4 State Compensatory Afforestation Fund

In compliance with the instructions issued (April 2009)<sup>18</sup> by the Ministry of Environment and Forests, GoI and Guidelines of 02 July 2009, the State Governments are required to establish the State Compensatory Afforestation Fund for amounts received from user agencies and utilisation of 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 for matters connected therewith or incidental thereto.

The monies received by the State Governments from the user agencies need to be credited in 'State Compensatory Afforestation Deposits' under interest bearing section in Public Account of the State at Minor head level below the Major Head 8336-Civil Deposits. As per Section 3 (4) of the Compensatory Afforestation Fund Act, 2016, 90 per cent of the fund needs to be transferred to the Major Head 8121-General and Other Reserve Funds in Public Account of the State and balance 10 per cent to be credited into the National Fund on yearly basis provided that, the credit of 10 per cent Central share of funds should be ensured on monthly basis so that the same is transferred to the National Fund.

The applicable rate of interest on balances available under 'State Compensatory Afforestation Deposits' under '8336-Civil Deposits' and 'State Compensatory Afforestation Fund' under '8121-General and Other Reserve Funds' will be as per the rate declared by the Central Government on year to year basis.

During 2021-22, the State Government received ₹ 10.65 crore from the Ministry of Environment, Forest and Climate Change, GoI under National Afforestation Programme and incurred no expenditure under 2406-04-101 National Afforestation Programme. Since the State Government is yet to open the State Compensatory Afforestation Fund under MH 8336-Civil Deposits the amount received from GoI could not be transferred to the Public Account. Non expenditure/ transfer of entire amount of ₹ 10.65 crore to Public Account resulted in understatement of Revenue Expenditure.

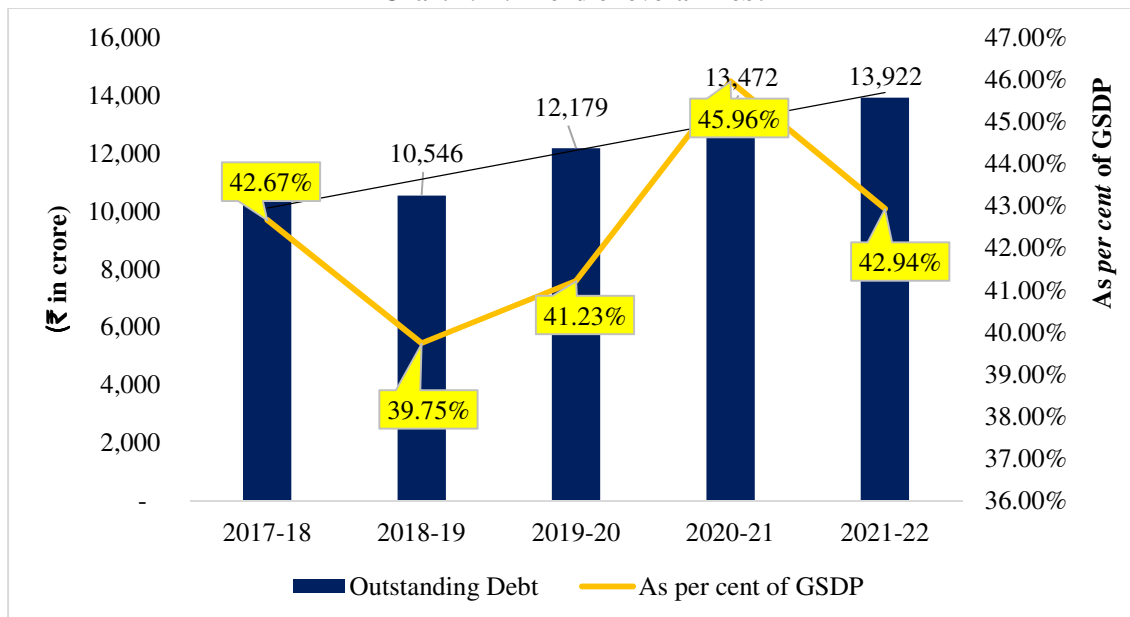
## 2.6 Debt management

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.

The details relating to outstanding debt and ratio of debt to GSDP during the five-year period 2017-22 are given in **Chart 1.14**.

<sup>18</sup> Vide letter No. 5-1/2009-FC dated 28 April 2009

Chart 2.14: Trend of overall Debt



Source:-Finance Accounts of respective years and GSDP-Directorate of Economics and Statistics, GoN

### 2.6.1 Debt profile: Components

Total debt of the State Government constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), and loans and advances from the Central Government.

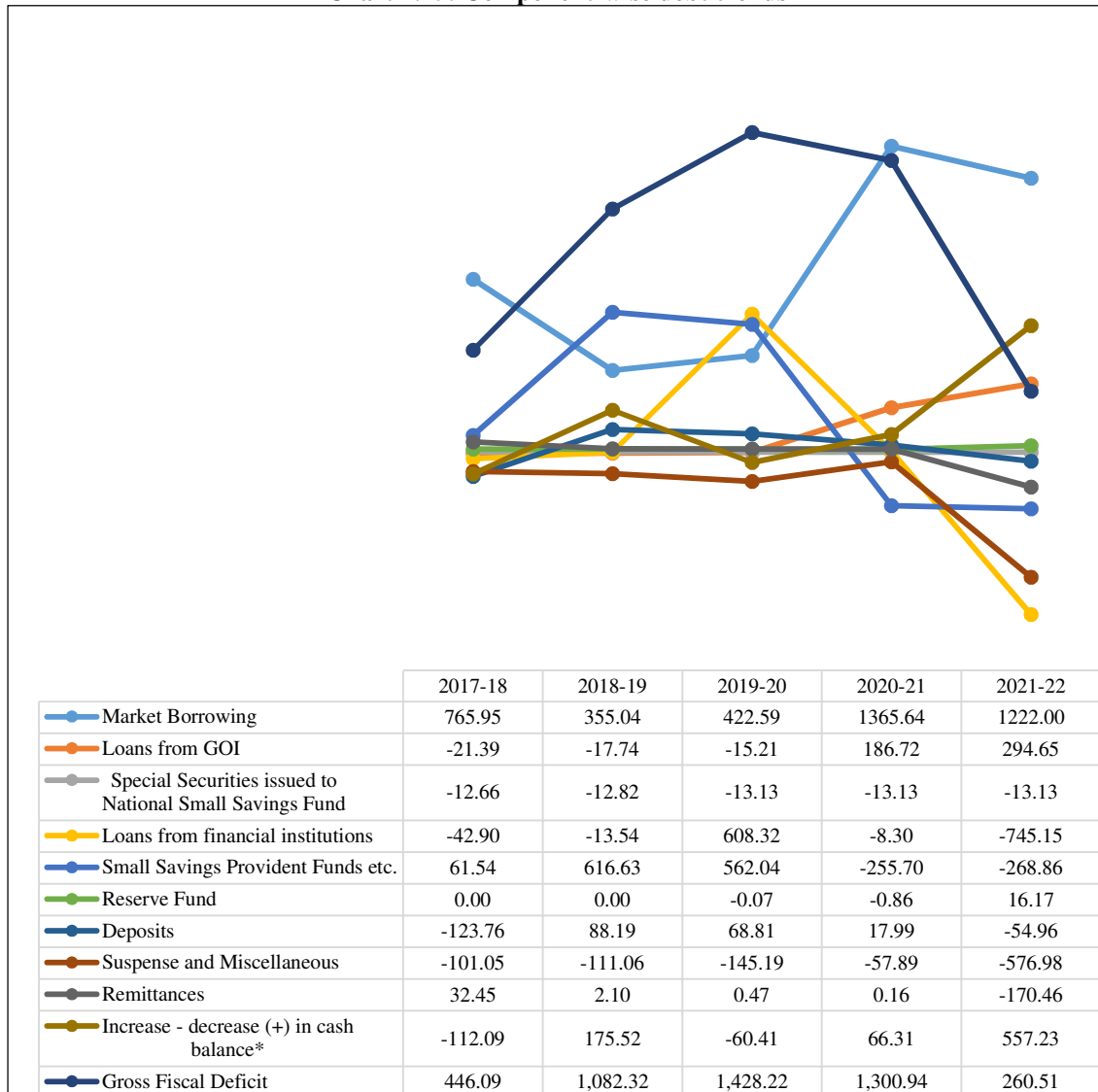
The details relating to total debt received, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2017-22 are given in **Table 2.31**, as is **Chart 2.15**.

Table 2.31: Component wise debt trends

		(₹ in crore)				
		2017-18	2018-19	2019-20	2020-21	2021-22
<b>Outstanding Debt (A+B)</b>		<b>10,409.15</b>	<b>10,545.76</b>	<b>12,179.10</b>	<b>13,471.67</b>	<b>13,922.40</b>
(A) Public Debt	Internal Debt	7,640.46	7,969.15	8,986.93	10,331.14	10,794.87
	Loans from GoI	164.11	146.37	131.16	317.89	612.54
(B) Public Account Liabilities		2,441.79	2,604.58	3,061.01	2,822.64	2,514.99
(C) Off Budget borrowings		0.00	0.00	0.00	0.00	0.00
Rate of growth of outstanding debt (per cent)		8.91	1.31	15.49	10.61	3.35
Gross State Domestic Product (GSDP)		24,392.96	26,527.42	29,535.93	29,312.83	32,423.73
Debt/GSDP (per cent)		42.67	39.75	41.23	45.96	42.94
Total Debt Receipts		6,217.03	4,758.32	10,059.01	9,370.26	10,031.91
Total Debt Repayments including interest		6,042.98	4,289.24	8,681.42	9,462.83	10,513.26
Total Debt Available		174.05	469.08	1,377.59	-92.57	-481.35
Debt Repayments/Debt Receipts (In per cent)		97.20	90.14	86.30	100.99	104.80

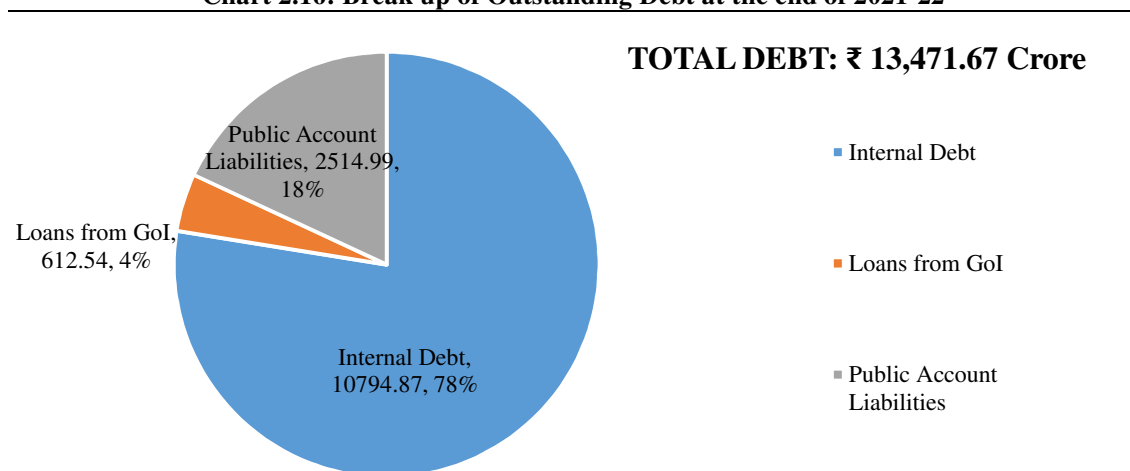
Source: Finance Accounts of respective years and GSDP- Directorate of Economics and Statistics, GoN



**Chart 2.15: Component-wise debt trends**

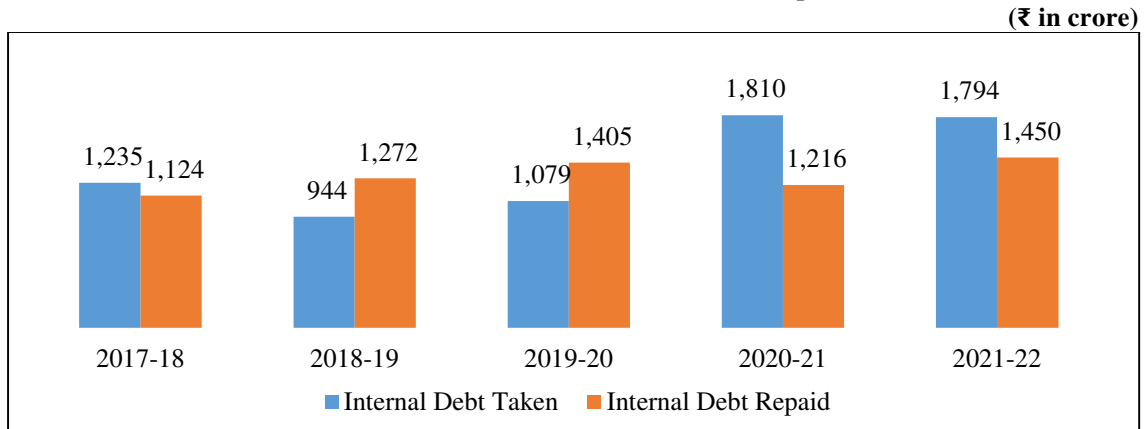
Source: Finance Accounts of respective years

The total outstanding debt of the State Government at the end of 2021-22 was ₹ 13,922.40 crore. Component-wise break-up of debt is shown below in **Chart 2.16**.

**Chart 2.16: Break up of Outstanding Debt at the end of 2021-22**

Source: Finance Accounts, 2021-22

The trend of internal debt taken *vis-à-vis* repaid during each year for the period of five-years from 2017-18 to 2021-22 is given in **Chart 2.17**.

**Chart 2.17: Internal debt taken *vis-a-vis* repaid**

Source: Finance Accounts of respective years

The financing pattern of the Fiscal Deficit has undergone a compositional shift during 2017-22 as reflected in **Table 2.32** and the details of receipt and disbursement of the components used for financing the Fiscal Deficit for the year 2021-22 are given in **Table 2.33**.

**Table 2.32: Components of fiscal deficit and its financing pattern**

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Composition of Fiscal Deficit (-)</b>	<b>(-446.09)</b>	<b>(-1,082.32)</b>	<b>(-1,428.22)</b>	<b>(-1,300.94)</b>	<b>-260.52</b>
1. Revenue Deficit (-)/ Surplus (+)	827.86	517.43	(-213.73)	375.37	1,634.06
2. Net Capital Expenditure	(-1,274.85)	(-1,595.56)	(-1,206.32)	(-1,671.93)	(-1,893.85)
3. Net Loans and Advances	0.90	(-4.19)	(-8.17)	(-4.38)	(-) 0.73
<b>Financing Pattern of Fiscal Deficit:</b>					
1. Market Borrowings	765.95	355.04	422.59	1,365.64	1,222.00
2. Loans from GoI	-21.39	-17.74	-15.21	186.72	294.65
3. Special Securities issued to NSSF	-12.66	-12.82	-13.13	-13.13	-13.13
4. Loans from Financial Institutions	-42.90	-13.54	608.32	-8.30	-745.15
5. Small Savings, PF, etc.	61.54	616.63	562.04	-255.70	-268.86
6. Deposits	-123.76	88.19	68.81	17.99	-54.96
7. Suspense and Miscellaneous	-101.05	-111.06	-145.19	-57.89	-576.98
8. Remittances	32.45	2.10	0.47	0.16	-170.46
9. Reserve Fund	0.00	0.00	-0.07	-0.86	16.17
<b>10. Overall Deficit</b>	<b>558.18</b>	<b>906.8</b>	<b>1,488.63</b>	<b>1,234.63</b>	<b>-296.72</b>
11. Increase/Decrease in cash balance	-112.09	175.52	-60.41	66.31	557.23
<b>12. Gross Fiscal Deficit</b>	<b>446.09</b>	<b>1,082.32</b>	<b>1,428.22</b>	<b>1,300.94</b>	<b>260.51</b>

Source: Finance Accounts of respective years

**Table 2.33: Receipts and Disbursements under components financing the fiscal deficit**

(₹ in crore)

Particulars	Receipts	Disbursement	Net
1. Market Borrowings	1,727.00	505.00	1,222.00
2. Loans from GOI	315.21	20.56	294.65
3. Special Securities issued to NSSF	0.00	13.13	-13.13
4. Loans from Financial Institutions	6,666.33	7,411.48	-745.15
5. Small Savings, PF, etc.	480.47	749.33	-268.86

Particulars		Receipts	Disbursement	Net
6.	Deposits and Advances	667.02	721.98	-54.96
7.	Suspense and Miscellaneous	4,809.23	5,386.21	-576.98
8.	Remittances	2,170.46	2,340.92	-170.46
9.	Reserve Fund	192.50	176.33	16.17
<b>10.</b>	<b>Overall Deficit</b>	<b>17,028.22</b>	<b>17,324.94</b>	<b>-296.72</b>
11.	Increase/Decrease in cash balance	157.59	-399.64	557.23
<b>12.</b>	<b>Gross Fiscal Deficit</b>	<b>17,185.81</b>	<b>16,925.30</b>	<b>260.51</b>

Source: Finance Accounts of respective years

Fiscal deficits during the five-year period from 2017-18 to 2021-22, peaked at ₹ 1,428.22 crore in 2019-20. During the current financial year it was downward at ₹ 260.51 crore.

During 2021-22, fiscal deficit was primarily financed by Loan from GoI (₹ 294.65 crore), market borrowings (net) (₹ 1,222.00 crore) and Reserve Fund (₹ 16.17 crore).

The increase in net capital outlay during the year indicated that borrowed funds were being more utilised for productive uses than in previous year. The Government should continue to improve this trend as the solution to the Government debt problem lies in the productive application of borrowed funds. This would either provide returns directly or result in increased productivity of the economy. It may also result in increase in government revenue in future, making debt payments more manageable.

### 2.6.2 Debt profile: Maturity and Repayment

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

As per Annexure to Statement 17 of the Finance Accounts for the year 2021-22, the outstanding debt of the State was ₹ 11,407.41 crore as on 31 March 2022. The maturity profile of the outstanding public debt stock along with interest payable thereupon during the next 10 years is as indicated in **Table 2.34** and **Chart 2.18**.

**Table 2.34: Debt Maturity profile of repayment of public debt**

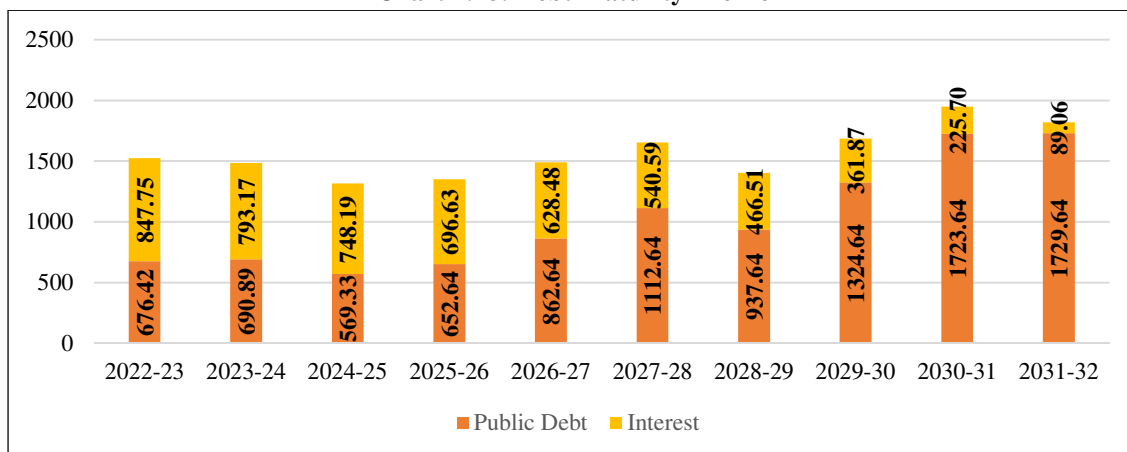
(₹ in crore)

Year	Repayment of				Interest <sup>#</sup>	Total
	Principal			Total		
	Internal Debt	Loans from GoI	Total			
2022-23	655.00	21.42	676.42	847.75	<b>1,524.17</b>	
2023-24	670.00	20.89	690.89	793.17	<b>1,484.06</b>	
2024-25	565.00	4.33	569.33	748.19	<b>1,317.52</b>	
2025-26	650.00	2.64	652.64	696.63	<b>1,349.27</b>	
2026-27	860.00	2.64	862.64	628.48	<b>1,491.12</b>	
2027-28	1,110.00	2.64	1,112.64	540.59	<b>1,653.23</b>	
2028-29	935.00	2.64	937.64	466.51	<b>1,404.15</b>	
2029-30	1,322.00	2.64	1,324.64	361.87	<b>1,686.51</b>	
2030-31	1,721.00	2.64	1,723.64	225.70	<b>1,949.34</b>	
2031-32	1,727.00	2.64	1,729.64	89.06	<b>1,818.70</b>	

Source:-Finance Accounts 2021-22

<sup>#</sup>Interest has been calculated on the basis of five years' average of 'Average Interest Rate of Outstanding Debt' (2017-18: 8.23 per cent; 2018-19: 8.40 per cent; 2019-20: 8.02 per cent; 2020-21: 7.40 per cent; and 2021-22: 7.45 per cent), i.e., 7.90 per cent; on closing balances of Outstanding Debt.

Chart 2.18: Debt Maturity Profile



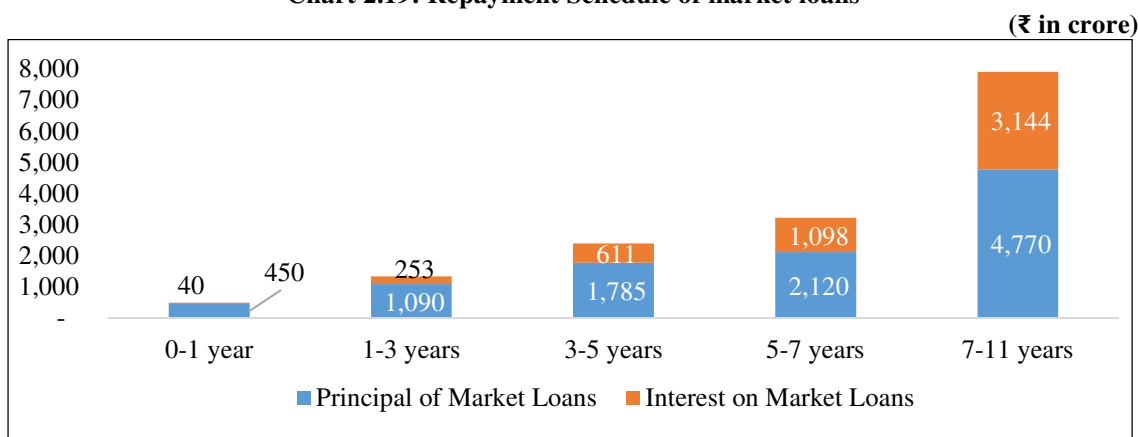
Source: Finance Accounts, 2020-21

Maturity profile of outstanding stock of public debt as on 31 March 2022 indicates that out of outstanding public debt of ₹ 11,407.41 crore, 48.23 per cent of outstanding public debt (₹ 5,502.20 crore) needs to be repaid within the next seven years while the remaining 51.77 per cent (₹ 5,905.21 crore) of outstanding public debt is in the maturity bracket of more than seven years. Of the total outstanding public debt, internal debt consisting of market borrowings, loans from LIC, GIC, NABARD, etc. constituted 94.63 per cent (₹ 10,794.87 crore).

Further, based on the outstanding public debt stock as on 31 March 2022, repayment of Public Debt and Interest would increase from ₹ 1,524.17 crore in 2022-23 to ₹ 1,818.70 crore in 2031-32 (19 per cent). Since the calculations of repayment of Public Debt and interest thereupon have been done based on the Outstanding Public Debt as on 31 March 2022, the repayment of Public Debt and interest thereupon is bound to increase in view of the trends of borrowings by the State Government.

Moreover, out of ₹ 11,407.41 crore, ₹ 10,215.03 crore was the principal amount of market loan taken by the State. The State is liable to pay an interest of ₹ 5,148.04 crore at the end of repayment of these loans, if the loans are repaid as per the maturity profile. **Chart 2.19** represents the repayment schedule of both the principal of market loan and interest thereof.

Chart 2.19: Repayment Schedule of market loans



Source: Finance Accounts, 2021-22

## 2.7 Debt Sustainability Analysis (DSA)

This section assesses the sustainability of debt of the State Government in terms of debt/GSDP ratio, Fiscal Deficit, burden of interest payments (measured by ratio of Interest Payments to Revenue Receipts) and maturity profile of the State Government debt.

**Table 2.35** shows the debt sustainability of the State according to these indicators for the five-year period beginning from 2017-18 and **Chart 2.20** predicts the trends of debt sustainability indicators for the five years.

**Table 2.35: Trends in debt Sustainability indicators**

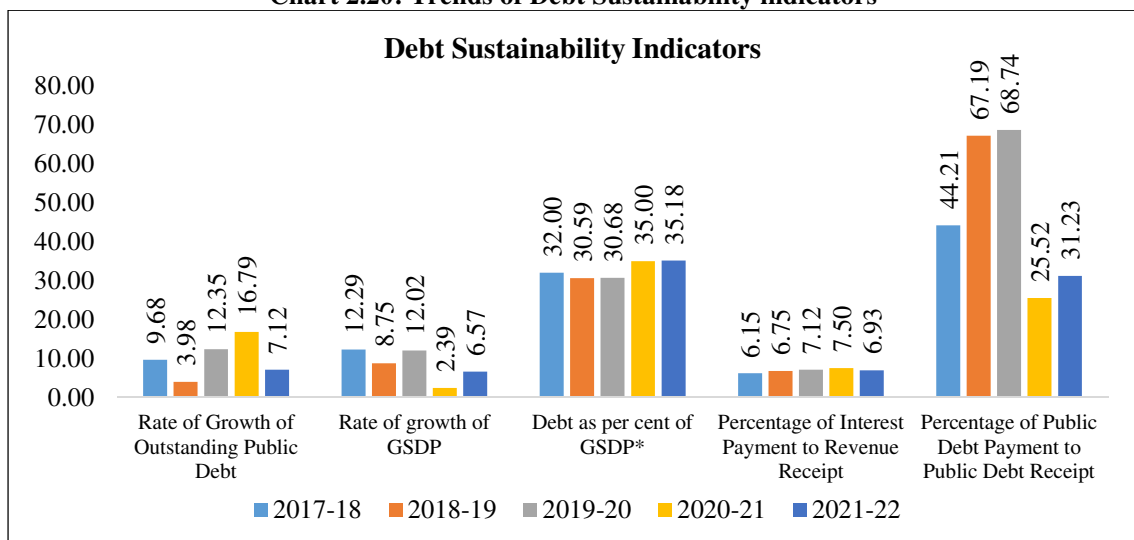
Debt Sustainability Indicators	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Public Debt* (₹ in crore)	7,804.57	8,115.52	9,118.09	10,649.03	11,407.41
Rate of Growth of Outstanding Public Debt	9.68	3.98	12.35	16.79	7.12
GSDP (₹ in crore)	24,392.96	26,527.42	29,715.87	30,425.11	32,423.73
Rate of Growth of GSDP	12.29	8.75	12.02	2.39	6.57
Debt/GSDP	32.00	30.59	30.68	35.00	35.18
Debt Maturity profile of repayment of State debt – including default history, if any (₹ in crore)	546.01	636.89	746.08	514.74	658.6
Average interest Rate of Outstanding Public Debt ( <i>per cent</i> )	8.23	8.40	8.02	7.40	7.45
Percentage of Interest payment to Revenue Receipt	6.15	6.75	7.12	7.50	6.93
Percentage of Debt Repayment to Debt Receipt	44.21	67.19	68.74	25.52	31.23
Net Debt available to the State# (₹ in crore)	689.01	310.95	339.24	1,502.37	1,450.28
Net Debt available as <i>per cent</i> to Debt Receipts	3.58	7.09	6.33	1.27	1.48
Debt Stabilisation (Quantum spread + Primary Deficit)	804.16	-165.05	-22.59	-1,022.10	638.16

Source Finance Accounts of respective years

\*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.

**Chart 2.20: Trends of Debt Sustainability indicators**



Source:-Finance Accounts of respective years

\*excluding Public Account Liabilities

### 2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable.

The trends of the total borrowing, repayment of earlier borrowings and utilisation during the five years from 2017-18 to 2021-22 are given in **Table 2.36**.

**Table 2.36: Utilisation of borrowed funds**

	(₹ in crore)				
1. Year	2017-18	2018-19	2019-20	2020-21	2021-22
2. Total Borrowings	5,141.02	2,907.22	7,869.82	11,434.86	8,708.55
3. Repayment of earlier borrowings (Principal) (In per cent)	4,452.01 (86.60)	2,596.27 (89.30)	6,867.25 (87.26)	9,903.92 (86.61)	7,950.16 (91.29)
4. Net capital expenditure (per cent)	1,274.85 (24.80)	1,595.56 (54.88)	1,206.32 (15.33)	1,671.93 (14.62)	1,893.85 (21.74)
5. Net loans and advances	-0.90	4.19	8.18	4.38	0.73
6. Portion of Revenue expenditure met out of net available borrowings (2-3-4-5)	-584.94	-1,288.8	-211.93	-145.37	-1,136.19

Source: Finance Accounts of respective years

As can be seen from **Table 2.36**, the borrowings were utilised for repayment of earlier borrowings which ranged between 91.29 per cent (2021-22) and 86.60 per cent (2017-18), during the five-year period of 2017-22.

### 2.7.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The State Governments have come out with legislations or instructions with regard to cap on the guarantees. As per NFRBM Act, 2005, the State Government decided to charge guarantee fee at the rate of one per cent to cover the risk in the guarantees.

The details of outstanding guarantees given by the State Government including interest liability during the five-year period from 2017-18 to 2021-22 are shown in **Table 2.37**:

**Table 2.37: Guarantees given by the State Government**

	(₹ in crore)				
Guarantees	2017-18	2018-19	2019-20	2020-21	2021-22
Ceiling applicable to the outstanding amount of guarantees including interest	No law has been passed by the State Legislature under Article 293 of the Constitution laying down the limit within which the Government may give guarantee on the security of Consolidated Fund of the State.				
Outstanding amount of guarantees including interest	110.46	120.96	174.96	174.96	189.96

Source: Finance Accounts of respective years

Government had guaranteed loans raised by various Corporations and Others which at the end of 2021-22 stood at ₹ 189.96 crore. During the year, the State Government gave ₹ 15.00 crore guarantees against Hornbill Finance Limited.

The Outstanding Guarantees was obtained mainly for repayment of principal and payment of interest on loan pertaining to Nagaland Industrial Development Corporation

(₹ 44.24 crore). The Outstanding Guarantees of ₹ 189.96 crore as on 31 March 2022 was 1.41 per cent of the Revenue Receipts of the State during the year.

### 2.7.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. The State Government was required to maintain a daily minimum cash balance of ₹ 0.25 crore with the RBI. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMAs)/Special Ways and Means Advances (SWMAs)/ Overdrafts (ODs) from time to time. The limit for ordinary WMA to the State Government is revised by the RBI from time to time.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund and Guarantee Redemption Fund as well.

It is not desirable that State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use.

**Table 2.38** depicts the cash balances and investments made by the State Government out of cash balances during the year.

**Table 2.38: Cash Balances and their investment**

	(₹ in crore)	
	Opening balance on 1 April 2021	Closing balance on 31 March 2022
<b>A. General Cash Balance</b>		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank of India	157.59	-399.64
<b>Total</b>	<b>157.59</b>	<b>-399.64</b>
Investments held in Cash Balance investment account	0.00	0.00
<b>Total (A)</b>	<b>157.59</b>	<b>-399.64</b>
<b>B. Other Cash Balances and Investments</b>		
Cash with departmental officers viz., Public Works, Forest Officers	801.56	907.98
Permanent advances for contingent expenditure with department officers	0.00	0.00
Investment in earmarked funds	1,786.18	1,926.06
<b>Total (B)</b>	<b>2,587.74</b>	<b>1,834.04</b>
<b>Total (A + B)</b>	<b>2,745.33</b>	<b>2,434.40</b>
<b>Interest realised</b>	<b>0.07</b>	<b>0.77</b>

Source: Finance Accounts, 2021-22

It was noticed that State Government's opening general Cash Balance as on 01 April 2021 was ₹ 157.59 crore. The closing general Cash Balance (31 March 2022) showed a decrease of 353.59 per cent (-₹ 557.23 crore) and stood at -₹ 399.64 crore. The State Government had earned ₹ 0.77 crore from the Cash Balance Investments during 2021-22.

However, the State Government could maintain the minimum daily cash balance with the RBI for 201 days during 2021-22 and as such WMAs/ SWMAs/ ODs was availed

for 164 days during the year, for which an interest of ₹ 4.42 crore (*Appendix 1.1 Part C*) was paid.

The Cash Balance Investments of the State of Nagaland for last five years (2017-18 to 2021-22) are given in **Table 2.39**:

**Table 2.39: Cash Balance Investment Account (Major Head-8673)**

(₹ in crore)				
Year	Opening Balance	Closing Balance	Increase (+)/decrease (-)	Interest earned
2017-18	35.41	63.16	27.75	3.67
2018-19	63.16	134.96	71.80	9.57
2019-20	134.96	0.00	(-)134.96	1.78
2020-21	0.00	0.00	0.00	0.07
2021-22	0.00	485.37	485.37	0.77

Source: Finance Accounts of respective years

The trend analysis of the cash balance investment of the State Government revealed that during the five year-period of 2017-22, there has been large fluctuation in cash balance at the end of each year of the State.

## 2.8 Conclusion

Revenue Receipts were ₹ 13,451.14 crore during 2021-22, which increased by ₹ 2,023.71 crore (17.71 per cent) compared to the previous year. During the current year, State's Own Tax Revenue increased by ₹ 278.34 crore (27.22 per cent), Non-Tax Revenue increased by ₹ 60.98 crore (28.50 per cent), Grants-in-Aid from GoI increased by ₹ 218.37 crore (3.20 per cent) and State's Share of Union Taxes and Duties increased by ₹ 1,466.02 crore (43 per cent) respectively over the previous year

Revenue Expenditure (₹ 11,817.08 crore) accounted for 86.17 per cent of total expenditure (₹ 13,713.54 crore) during the current year. Committed expenditure (₹ 9,045.07 crore) like salary and wages, pension, interest payments steadily increased ₹ 2,947.50 crore (48.34 per cent) during the last five-year period from ₹ 6,097.57 crore in 2017-18 to ₹ 9,045.07 crore in 2021-22. The Committed Expenditure during the year 2021-22 was 67.24 per cent of the Revenue Receipts and 76.54 per cent of the Revenue Expenditure.

As on 31 March 2022, ₹ 202.24 crore were outstanding under NPS, with the State Government and had not been transferred to NSDL, creating avoidable outstanding financial liabilities under the Scheme.

Capital Expenditure is the expenditure for creation of assets of permanent and material character. Capital Expenditure (₹ 1,893.85 crore) increased by ₹ 221.92 crore (13.27 per cent) during 2021-22 compared to the previous year (₹ 1,671.93 crore) and stood at 13.81 per cent of total expenditure during the year. There were 383 projects lying incomplete as on 31 March 2022 for which ₹ 1,546.15 crore had been expended. There was cost over-run of ₹ 144.95 crore on these incomplete projects as on 31 March 2022 and detailed analysis of "Extension of Hotel Japfu, Kohima, Nagaland" capital locked under the incomplete project. It deviation from the original scope of work/specification by the Department led to stoppage of further funding from MDoNER and also resulted in delay in completion of the project for more than seven years from the



stipulated date of completion. Expenditure of ₹ 3.48 crore incurred so far on the project proved unfruitful and the intention of Government to provide quality accommodation through extension of Hotel Japfu, Kohima remained unachieved.

The State's share of expenditure on Health (9.01 and 6.72 *per cent* during 2017-18 and 2021-22 respectively) was higher in 2017-18 and lower in 2021-22 than the averages of North Eastern & Himalayan States (6.22 and 7.25 *per cent* during 2017-18 and 2021-22 respectively). Similarly, the State's share of expenditure on Education (19.57 and 14.04 *per cent* during 2017-18 and 2021-22 respectively) as proportion of Aggregate Expenditure was higher in 2017-18 and lower in 2021-22 than the averages of North Eastern and Himalayan States (17.56 and 14.04 *per cent* during 2017-18 and 2021-22 respectively).

As per Finance Accounts 2021-22, the State Government made investment of ₹ 296.17 crore in Government Companies, Statutory Corporation, Co-operative Societies and Joint Stock Companies, the return on investments was a meagre ₹ 0.49 crore by way of dividends during the year.

The State had outstanding guarantees of ₹ 189.96 crore which was 1.41 *per cent* of the Revenue Receipts of the State (for the year) as on 31 March 2022.

The outstanding Public Debt rapidly increased by ₹ 3,602.84 crore from ₹ 7,804.57 crore in 2017-18 to ₹ 11,407.41 crore in 2021-22 whereas the Debt/ GSDP ratio increased from 32.00 to 35.18 *per cent* during the same period. During 2021-22, the outstanding Public Debt (₹ 11,407.41 crore), increased by ₹ 758.38 crore (7.12 *per cent*) compared to the previous year (₹ 10,649.03 crore). Between 6.15 and 7.50 *per cent* of the Revenue Receipts were used by the State for payment of interest on the outstanding Public Debt while the average rate of interest ranged between 7.40 and 8.40 *per cent* during last five-years period from 2017-18 to 2021-22.

Maturity profile of outstanding stock of public debt as on 31 March 2022 indicates that out of outstanding public debt of ₹ 11,407.41 crore, 48.23 *per cent* of outstanding public debt (₹ 5,502.20 crore) needs to be repaid within the next seven years while the remaining 51.77 *per cent* (₹ 5,905.21 crore) of outstanding public debt is in the maturity bracket of more than seven years.

## 2.9 Recommendations

- To avoid possible future liabilities under NPS, the State Government needs to fulfil their obligation by releasing arrears of its contributions and transferring the outstanding funds already accumulated, to NSDL for management of the NPS.
- The State Government may ensure that mobilised debt 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. Own non tax revenues need to be augmented to meet the interest on debt liabilities.