

**State Finances Audit Report of the
Comptroller and Auditor General of India
for the year ended 31 March 2022**



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



GOVERNMENT OF NAGALAND
Report No. 1 of the year 2023

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LEGISLATURE ON 28-03-2023

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PREFACE

PREFACE

1. The State Finances Audit Report has been prepared for submission to the Governor of Nagaland under Article 151(2) of the Constitution of India for being laid before the Legislative Assembly of the State of Nagaland.
2. Chapter I of this Report contains the basis and approach to State Finances Audit Report, structure of the Report, structure of Government Accounts, budgetary processes, snapshot of finances, assets and liabilities, and trends in key fiscal parameters like revenue surplus/ deficit, fiscal surplus/ deficit, *etc.*
3. Chapter II of this Report deals with the State's Budget and Expenditure as per accounts of the State Government for the year ended 31 March 2022. Some information has also been obtained from Government of Nagaland for inclusion in this Report.
4. Chapter III of this Report contains audit observations on matters arising from the examination of Appropriation Accounts of the State Government for the year ended 31 March 2022.
5. Chapter IV on 'Quality of Accounts & Financial Reporting Practices' provides an overview and status of the State Government's compliance during the year 2021-22 with financial rules, procedures and directives.
6. The Report containing audit findings of Performance Audit; Compliance Audit of transactions in various departments and audit findings arising out of the audit of Statutory Corporations, Boards and Government Companies and Revenue Sector is presented separately.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

The Report

This Report provides an analytical review of the finances of the State Government based on the audited accounts of the Government of Nagaland for the year ending 31 March 2022. The Report is structured in four Chapters.

Chapter I-Overview of the State Finances

This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/surplus.

Chapter II-Finances of the State Government

This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the last five years, debt management of the State and key Public Account transactions, based on the Finance Accounts of the State.

Chapter III- Budgetary Management

This Chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.

Chapter IV- Quality of Accounts and Financial Reporting Practices

This Chapter provides an overview on the quality of accounts and compliance of the State Government in its financial reporting practices, with prescribed financial rules, procedures and directives with regard to completeness, transparency, measurement and disclosure.

The Report has eight appendices containing additional data collated from several sources in support of the audit observations.

Audit Findings:

Overview of State Finances

The fiscal position of the State is viewed in terms of three key fiscal parameters—Revenue Deficit/ Surplus, Fiscal Deficit/ Surplus and primary deficit/surplus.

GSDP increased by ₹ 1,998.63 crore (6.57 *per cent*) from ₹ 30425.11 crore in 2020-21 to ₹ 32,423.74 crore in 2021-22. During the last five years, there was a steady increase in GSDP from ₹ 24,392.96 crore in 2017-18 to ₹ 32,423.74 crore in 2021-22. GSDP positive growth rate for Nagaland (6.57 *per cent*) was lower than the all India GDP growth rate (16.85 *per cent*) in 2021-22. Service Sector was the major contributor of GSDP during the year with 59.67 *per cent*. Agriculture Sector was the second largest

contributor with 26.81 *per cent* while Industry Sector (11.21 *per cent*) and Taxes on products–Subsidies on products (two *per cent*) were third and fourth respectively.

During 2021-22, the State had a Revenue surplus of ₹ 1,634.06 crore which was 5.04 *per cent* of GSDP. Fiscal deficit was ₹ 260.52 crore during 2021-22 which was 0.80 *per cent* of GSDP and primary surplus was ₹ 671.57 crore, 2.07 *per cent* of GSDP.

Revenue Surplus increased from ₹ 375.37 crore in 2020-21 to ₹ 1634.06 crore in 2021-22, mainly due to a significant increase in Revenue Receipts (17.71 *per cent*).

Revenue Receipts (₹ 13,451.14 crore) increased by 17.71 *per cent* (₹ 2,023.71 crore) over the previous year (₹ 11,427.43 crore), mainly due to increase in Own Tax Revenue (27.22 *per cent*) and State's share in Union Taxes and Duties (43 *per cent*).

Own Tax Revenue (₹ 1,301.08 crore) increased by 27.22 *per cent* over the previous year (₹ 1,022.74 crore). State's share of Union Taxes and Duties (₹ 4,875.27 crore) in comparison to the previous year (₹ 3,409.25 crore) increased by ₹ 1,466.02 crore (43 *per cent*).

Revenue Expenditure was ₹ 11,817.08 crore and it increased by 6.92 *per cent* (₹ 765.02 crore) over the previous year (₹ 11,052.06 crore).

Capital Expenditure which was ₹ 1,893.85 crore for the year, increased by 13.27 *per cent* (₹ 221.92 crore) over the previous year's expenditure of ₹ 1,671.93 crore. It was mainly due to increase in capital outlay under Social Services (80 *per cent*).

Total Expenditure for the year, which was ₹ 13,713.54 crore, increased by 7.73 *per cent* (₹ 983.94 crore) over the previous year (₹ 12,729.60 crore). It was mainly due to increase in both Revenue Expenditure (₹ 765.02 crore) and Capital Expenditure (₹ 221.92 crore).

Fiscal Deficit (₹ 260.52 crore) decreased by 79.97 *per cent* (₹ 1,040.42 crore) as compared to previous year (₹ 1,300.94 crore). The Government was successful in maintaining Revenue Surplus as projected in FRBM Act during the year and the Fiscal Deficit-GSDP ratio and Outstanding Debt-GSDP ratio were below the ceilings prescribed under the Act.

Based on the result of examination of misclassification during post audit, the Revenue Surplus would reduce from ₹ 1,634.06 crore to ₹ 1,524.82 crore and Fiscal Deficit would increase from ₹ 260.52 crore to ₹ 343.78 crore.

(Chapter I)

Recommendations

State Government needs to keep up the trend of Own Tax Revenue collection achieved during 2021-22 by focusing on other potential areas, apart from State Goods and Services Tax to have a sustained increase in Own Tax Revenue.

State Government needs continued efforts to achieve the projections on deficit and debt parameters, made in the Nagaland FRBM Act in the coming years.

Finances of the State Government

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 ₹ 1466.02 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 Revenue Receipts of the State (for the year) as on 31st 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.

(Chapter II)

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.

Budgetary Management

During 2021-22, against the total budget approved by the State Legislature of ₹ 25,644.46 crore (Original: ₹ 22,816.61 crore *plus* Supplementary: ₹ 2,827.84 crore), Departments incurred an expenditure of ₹ 21,690.85 crore, leaving a savings of ₹ 3,953.61 crore (15.42 *per cent* of the total budget).

It is indicative that the Supplementary Grant of ₹ 2,827.84 crore was not required as the gross expenditure was ₹ 1,125.76 crore less than the Original Provisions. It is pertinent to mention that Supplementary Grant was taken on 22nd March 2022 and total expenditure as on February 2022 was only ₹ 18,504.22 crore as per monthly civil accounts submitted by the Treasuries, leaving ₹ 4,312.39 crore with the State Government for the remaining 31 days. With the Supplementary Grant, total funds available with the State Government were ₹ 7,140.23 crore. This was indicative of over estimation and poor financial

management. During the year, an expenditure of ₹ 0.35 crore was incurred without budget provision which is violative of financial regulations as well as the will of the Legislature.

Thus, the Supplementary Grants/ Appropriations were obtained without adequate justification, and funds were expended without budgetary provision. Despite flagging this issue every year over the last several years, the State Government had failed to take corrective measures in this regard.

There was an overall savings ₹ 3,953.61 crore which was 15 *per cent* of total Grants/ Appropriations and 18 *per cent* of the expenditure. These savings may be seen in context of estimation of Receipts of ₹ 22,451.28 crore by the State Government and estimation on the expenditure side being ₹ 25,644.46 crore during the year 2021-22. This implied that the savings were notional, as the funds were not actually available for expenditure.

At the beginning of the year 2021-22, there was an outstanding excess expenditure of ₹ 2,13.95 crore under 22 Grants (pertaining to the year 2017-18 to 2020-21) which requires regularisation as per the Article 205 of the Constitution of India.

Review of Higher Education Department (Grant No. 32) revealed persistent savings, unexplained Re-appropriation and substantial surrenders.

(Chapter III)

Recommendations

Departments, which had incurred excess expenditure persistently should be identified to closely monitor their progressive expenditure and advised to seek supplementary grants/ re-appropriations in time.

The Finance Department may provide supplementary grants only after proper scrutiny and realistic assessment of requirements of the concerned Departments, to avoid under or over spending by them.

Excess expenditure pending regularisation, may be regularised by obtaining legislative approval.

Quality of Accounts and Financial Reporting Practices

During the year 2021-22, 61 grants involving ₹ 81.80 crore were provided to 16 Departments for which Utilisation Certificates (UCs) are due for submission during the year 2022-23. As on March 2022, there are 149 UCs worth ₹ 316.34 crore, which are due for submission for periods pertaining up to 2020-21. Pending UCs violate prescribed financial rules and directives, and reflects poor monitoring mechanism of the State Government. Moreover, high pendency of UCs is fraught with risk of misappropriation of funds. The State would also lose out on central funds for want of UCs not submitted.

There were 335 Abstract Contingent (AC) Bills involving ₹ 532.83 crore pending for adjustment by submission of Detailed Countersigned Contingent (DCC) Bills, as of March 2022. Out of these, 28 AC bills amounting to ₹ 22.83 crore pertained to the year 2021-22. The non-adjustment of AC Bills is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of Detailed

Countersigned Contingent (DCC) bills. Further, there is no assurance that the expenditure of the State Government reflected in the Finance Accounts is correct or final due to non-receipt of DCC bills to that extent.

During the year, expenditure of ₹ 1,415.60 crore under 47 Revenue and Capital Major Heads, constituting about 10.32 *per cent* of total expenditure of ₹ 13,713.54 crore was booked under Minor head 800-Other Expenditure. Similarly, receipts of ₹ 283.98 crore under 40 Revenue Major Heads, constituting about 2.31 *per cent* of the total Revenue receipts of ₹ 13,451.14 crore was booked under Minor Heads 800-Other Receipts under concerned Major Heads. During 2021-22, there were 43 Major Heads (MHs) under Receipts where Minor Head 800 was operated. Out of these 43 MHs, there were 32 MHs where other specific Minor Heads were already operated. Similarly, 58 MHs under Expenditure where Minor Head 800 was operated. Out of these 58 MHs, there were 45 MHs where other specific Minor Heads were already operated. Thus, MH 800 was still operated where there was specific Minor Heads already available. Indiscriminate operation of omnibus Minor Head 800 – Other Expenditure affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.

The State Government notified (August 2011) the enforcement of Levy and Collection of Cess for the purpose of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. At the end of 2021-22, a total of 14,437 workers were registered with the Nagaland Building and Other Construction Workers' Welfare Board (NBOCW WB). Out of the total available fund of ₹ 98.55 crore during the year, the NBOCW WB expended ₹ 24.22 crore. Out of total expenditure of ₹ 24.22 crore, administrative expenses were ₹ 0.95 crore, which was 3.92 *per cent* of the total expenditure and remains within the prescribed limit under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. Remaining expenditure of ₹ 23.27 crore was incurred mainly on Educational Scholarship (₹ 15.65 crore), Covid-19 Aid (₹ 3.73 crore), Tool Grant (₹ 0.67 crore) and Death Insurance (₹ 0.84 crore).

There were huge pendency in submission of accounts in respect of Autonomous Bodies/ other Authorities as well as State Public Sector Enterprises.

During the year 2021-22, Public Works and Forests Divisions were the major units that delayed the rendition of monthly accounts. Delayed rendering of accounts by the account rendering units/ authorities distorted the accurate depiction of monthly transactions of the State and impacted effective budgetary management.

(Chapter IV)

Recommendations

State Government may ensure timely submission of all utilisation certificates due by the recipients of grants and of DCC Bills within the prescribed timeline as required under the Rules.

The Finance Department should, in consultation with the Principal Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate detailed/ object heads of account.

Finance Department should consider evolving a system to expedite the process of compilation and submission of annual accounts by Autonomous Bodies and departmentally run undertakings in order to assess their financial position. Persistently defaulting bodies may be given further financial assistance by the State Government only on submission of final accounts.

The State Government may take appropriate steps either to revive the two non-functional SPSEs or to wind up these SPSEs.

CHAPTER I

OVERVIEW OF THE STATE

FINANCES

Chapter I: Overview of the State Finances

1.1 Profile of the State

Nagaland is situated in the North-Eastern Region of India, bordering three States viz., Assam in North and West, Arunachal Pradesh in East and Manipur in the South. It has an international border with Myanmar in the East (215 km) which runs parallel to the bank of Brahmaputra. With a geographical area of 16,579 sq. kms. *i.e.*, about 0.50 *per cent* of country's total geographical area, Nagaland population in 2022 is 22.13 lakh which is 0.15 *per cent* population of the Country. Nagaland has a lower density of population, population below poverty line, infant mortality rate and decadal population growth (2012 to 2022) as compared to the All India average figures. It has a higher literacy rate as compared to the All India Average figures. At present, Nagaland has 16 districts. The per capita GSDP in respect of Nagaland for the year 2021-22 is ₹ 1,45,856 as compared to ₹ 1,46,087 for the Nation.

General and financial data relating to the State are given in *Appendix 1.1*.

1.1.1 Gross State Domestic Product of the State

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time. These estimates of economy, over a period of time, reveal the extent and direction of the changes in the levels of economic development. The Gross State Domestic Product is classified under three broad Sectors such as Primary, Secondary and Tertiary and is compiled economic activity-wise as per the methodology prescribed by Central Statistics Office (CSO), Government of India (GoI) and furnished to Ministry of Statistics and Programme Implementation. Moreover, GSDP is the sum total of value added by different economic sectors (Agriculture, Industry and Services), which form three broad sectors, produced within the boundaries of the State calculated without duplication, during a year. It is one of the measures of economic growth for a State's economy.

The growth rate for the period from 2017-18 to 2021-22 compared with India's GDP is presented in **Table 1.1**.

Table 1.1: Trends in GSDP compared to the GDP

Year	2017-18	2018-19	2019-20	2020-21	2021-22
GDP (2011-12 Series)	1,70,90,042	1,88,99,668 (3 rd RE)	2,00,74,857 (2 nd RE)	1,98,00,915 (1 st RE)	2,36,64,638 (PE)
Growth rate of GDP over previous year (in <i>per cent</i>)	11.03	10.59	6.22	-1.36	19.51
State's GSDP (2011-12 Series)	24,393	26,527	29,716	30,425 (PE)	32,424 (AE)
Growth rate of GSDP over previous year (in <i>per cent</i>)	12.29	8.75	12.02	2.39	6.57

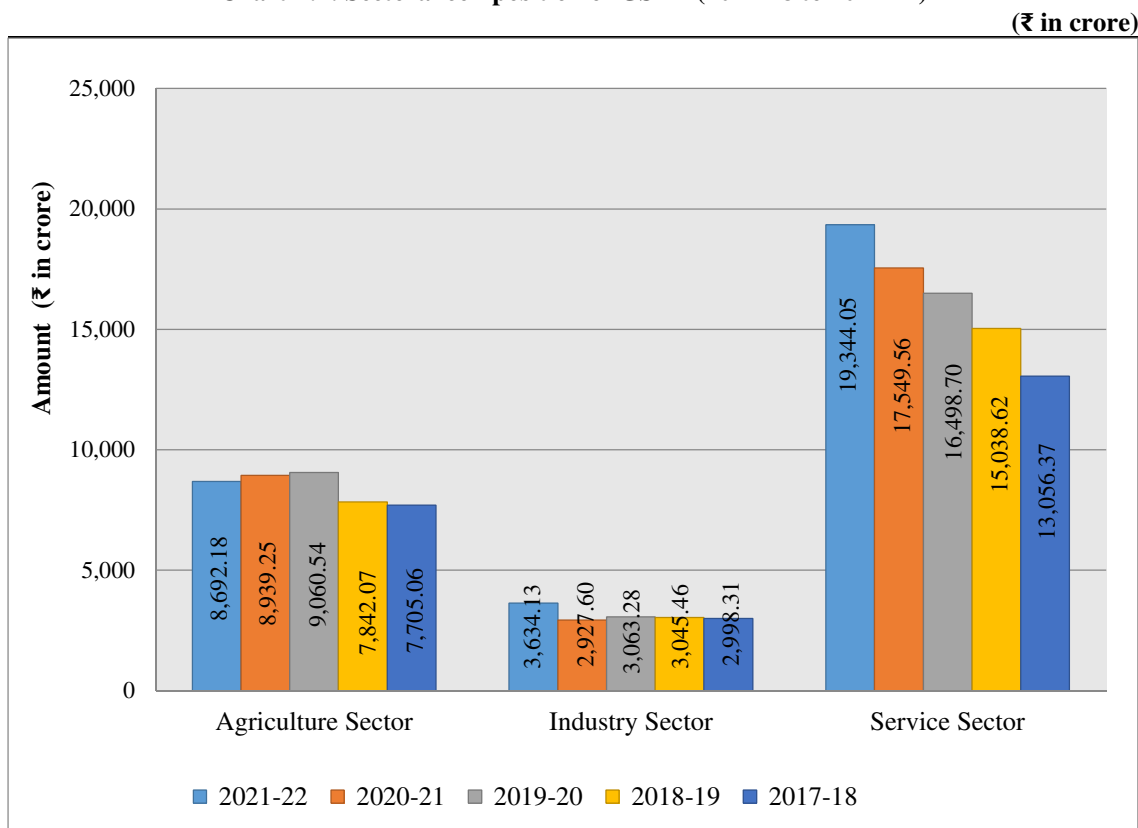
Sources: GDP- Central Statistical Office (CSO), Ministry of Statistics and Programme Implementation GSDP- Directorate of Economics and Statistics, Government of Nagaland
RE: Revised Estimates; PE: - Provisional Estimates; A.E: - Advance Estimates

As can be seen from **Table 1.1**, during the five-year period 2017-22, the growth rate of GSDP of the State showed fluctuating trend as compared to trend of the GDP. However, the growth rate for 2017-18 and 2019-21 for the State was higher compared to the National growth rate. The CAGR of GSDP for Nagaland (9.68 per cent) in the decade was lower than the CAGR of Arunachal Pradesh (11.51 per cent), Assam (11.97 per cent), Manipur (11.89 per cent), Mizoram (13.33 per cent), Sikkim (12.92 per cent), Tripura (12.94 per cent), Jammu & Kashmir (9.37 per cent) and all India CAGR (10.11 per cent) and was higher than the CAGR of the other North Eastern and Himalayan (NE&H) States¹.

The GSDP fell short of the assessment made by the XV Finance Commission (FC) during 2021-22. The actual GSDP during 2021-22 was ₹ 32,423.74 crore i.e., 8.32 per cent (₹ 2,942.26 crore) less than the assessment made by the XV FC (₹ 35,366.00 crore). While the XV FC projected an annual growth rate of GSDP for the 2021-22 as 7.50 per cent, the annual growth rate of GSDP stood at 6.57 per cent during 2021-22.

Charts 1.1 and 1.2 depict the details of shift in sectoral contribution to GSDP and sectoral growth of the GSDP during the period 2017-22.

Chart-1.1: Sectoral composition of GSDP (2017-18 to 2021-22)



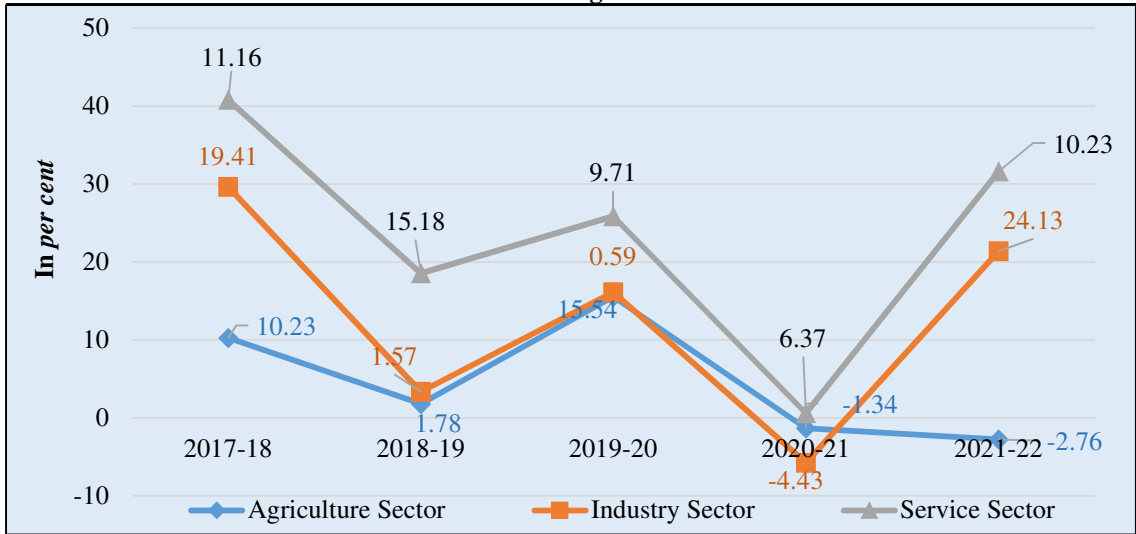
Source: Information furnished by the Directorate of Economics and Statistics, GoN

¹ Total 11 North Eastern and Himalayan States:

Eight North Eastern States: (i) Arunachal Pradesh, (ii) Assam, (iii) Manipur, (iv) Meghalaya, (v) Mizoram, (vi) Nagaland, (vii) Sikkim and (viii) Tripura

Three Himalayan States: (i) Himachal Pradesh, (ii) Jammu and Kashmir and (iii) Uttarakhand

Chart 1.2: Sectoral growth in GSDP



Source: Information furnished by Directorate of Economics and Statistics, Government of Nagaland

The GSDP increased by ₹ 8,030.78 crore during the period 2017-18 (₹ 24,392.96 crore) to 2021-22 (₹ 32,423.74 crore) at a Compounded Annual Growth Rate (CAGR) of 7.37 per cent. During the current year, GSDP increased by ₹ 1,998.62 crore (6.57 per cent) over the previous year mainly due to increase in contribution under Industry and Service sectors.

During the five-year period from 2017-18 to 2021-22, Service sector was the major contributor to the GSDP contributing over 50 per cent. During 2021-22, the Service sector contributed 59.66 per cent followed by Agriculture sector with 26.81 per cent and Industry sector with 11.21 per cent. Taxes on products - Subsidies on products formed 2.32 per cent of GSDP.

The sector-wise trend is discussed below:

- (i) Agriculture Sector increased by ₹ 987.12 crore during the period 2017-18 (₹ 7,705.06 crore) to 2021-22 (₹ 8,692.18 crore) at a CAGR of 3.06 per cent. During 2021-22, the major contributor in this sector was Agriculture, Forestry and Fishing (97.29 per cent). The decrease of ₹ 247.07 crore (2.76 per cent) over the previous year was primarily due to decrease in activities under 'Forestry and Logging' and 'Mining and Quarrying' by 29.83 and 21.42 per cent respectively, over the previous year.
- (ii) Industry Sector increased by ₹ 635.82 crore during the period 2017-18 (₹ 2,998.31 crore) to 2021-22 (₹ 3,634.13 crore) at a CAGR of 4.93 per cent. During 2021-22, major contributors in this sector were construction (71.57 per cent) and electricity, gas, water supply and other utility services (18.12 per cent). The increase of ₹ 706.53 crore (24.13 per cent) during 2021-22 over the previous year was primarily due to increase in contribution under construction by 28.50 per cent.
- (iii) Service Sector increased by ₹ 6,287.86 crore during the period 2017-18 to 2021-22 at a CAGR of 10.33 per cent. During 2021-22, major contributors in this sector

were public administration (34.21 *per cent*), other services (26.42 *per cent*), and trade, repair, hotels and restaurants (17.07 *per cent*). During 2021-22, increase of ₹ 1,794.49 crore (10.23 *per cent*) over the previous year was primarily due to increase under Trade, Hotels and Restaurant, Public Administration and Other Services by 8.79 *per cent*.

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, Reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature. State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

Principal Accountant General (Accounts and Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government, and the statements received from Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit), and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this Report. Other sources include the following:

- Budget of the State: for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Pr. Accountant General (Audit);
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP data and other State related statistics; and
- Various Audit Reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the XV FC, State Fiscal Responsibility and Budget Management Act, best practices and guidelines of GoI.

1.3 Report Structure

The SFAR is structured into the following four Chapters:

Chapter – 1	Overview of the State Finances This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State’s fiscal position including the deficits/ surplus.
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Chapter – 2	Finances of the State This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2017-2018 to 2021-22, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
Chapter – 3	Budgetary Management This Chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
Chapter – 4	Quality of Accounts and Financial Reporting Practices This Chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

1.4 Overview of Government Accounts Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

Consolidated Fund of the State (Article 266 (1) of the Constitution of India)

This Fund comprises all revenues received by the State Government, all loans raised (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, *etc.*), Ways and Means Advances extended by Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.*, salaries of Constitutional authorities, loan repayments, *etc.*), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

Contingency Fund of the State (Article 267 (2) of the Constitution of India)

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional Major Head relating to the Consolidated Fund of State.

Public Account of the State (Article 266 (2) of the Constitution of India)

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to Public Account. Public Account includes repayables like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is

also included under Public Account. Public Account is not subject to the vote of the Legislature.

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the Government in respect of every financial year. This ‘Annual Financial Statement’ constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

Revenue Receipts consist of Tax Revenue, Non-Tax Revenue, share of Union Taxes/Duties, and grants from Government of India.

Revenue Expenditure consists of all those expenditure of the Government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

The capital receipts consist of:

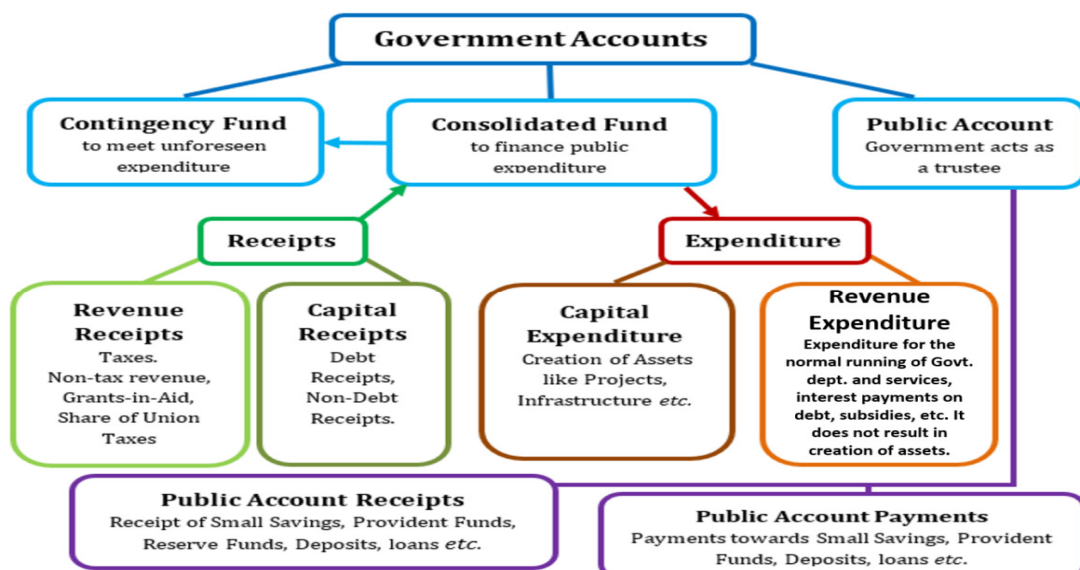
Debt Receipts include Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, *etc.*;

Non-debt Receipts include proceeds from disinvestment, recoveries of loans and advances;

Capital Expenditure includes expenditure incurred with the objective of increasing concrete assets of a material and permanent character *viz.*, on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to PSUs and other parties.

The layout of the Finance Accounts has been shown in **Appendix 1.1, Part A** and pictorial depiction of the structure of Government Accounts is given in **Chart 1.3**.

Chart 1.3: Pictorial depiction of the structure of Government Accounts



At present, we have an accounting classification system in Government that is both functional and economic as shown in **Table 1.2**.

Table 1.2: Accounting classification system in Government

	Attribute of transaction	Classification
Standardised in LMMH by CGA	Function- Education, Health, <i>etc.</i> / Department	Major Head under Grants (4-digits)
	Sub-Function	Sub Major head (2-digits)
	Programme	Minor Head (3-digits)
Flexibility left for States	Scheme	Sub-Head (2 or 3 digits)
	Sub-scheme	Detailed Head (2 or 3 digits)
	Economic nature/Activity	Object Head-salary, minor works, <i>etc.</i> (2-digits)

The functional classification lets us know the Department, Function, Scheme or Programme, and object of the expenditure. Economic classification helps organise these payments as revenue, capital, debt, *etc.* Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, *etc.* Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, while “salary” object head is revenue expenditure, “construction” object head is capital expenditure. Object Head is the primary unit of appropriation in the budget documents.

Budgetary Processes

In terms of Article 202 of Constitution of India, the Governor of State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year, in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. Some States have more than one consolidated Budget—there could be sub-budgets like Gender Budget, Agriculture Budget, Weaker sections (SCs/ STs) Budget, Disability Budget, *etc.*

Government of Nagaland (GoN) has not prepared its Budget manual so far. While formulating its Budget for 2021-22, the State Government introduced several significant and proactive policies to promote the overall development of the State and its people. However, no separate sub-budgets were prepared during 2021-22. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

Summarised position of Finances

Details of actual financial results *vis-à-vis* Budget Estimates (BEs) for the year 2021-22 *vis-à-vis* actual of 2020-21 are shown in **Table 1.3**.

Table 1.3: Financial results vis-à-vis BEs

Sl. No.	Components	2020-21 Actuals	2021-22		Percentage of Actuals to BEs	Percentage of Actuals to GSDP
			BEs	Actuals		
1.	Tax Revenue	4,431.99	5,056.26	6,176.35	122.15	19.05
	Own Tax Revenue	1,022.74	1,271.62	1,301.08	102.23	4.01
	Share of Union taxes/ duties	3,409.25	3,784.64	4,875.27	128.82	15.04
2.	Non-Tax Revenue	242.60	283.41	303.58	107.12	0.94
3.	Grants-in-aid and Contributions	6,752.84	9,317.15	6,971.21	74.82	21.50
4.	Revenue Receipts (1+2+3)	11,427.43	14,656.82	13,451.14	91.77	41.49
5.	Recovery of Loans and Advances	1.23	1.51	1.88	124.50	0.01
6.	Other Receipts	0.00	0.00	0.00	NA	0.00
7.	Borrowings and other Liabilities (a)	1,175.92	1,426.30	1,045.13	73.28	3.22
8.	Capital Receipts (5+6+7)	1,176.29	1,427.81	1,047.01	73.33	3.23
9.	Total Receipts (4+8)	12,603.72	16,084.63	14,498.15	90.14	44.71
10.	Revenue Expenditure	11,052.06	13,694.88	11,817.08	86.29	36.45
11.	Interest payments	856.77	1,061.12	932.09	87.84	2.87
12.	Capital Expenditure	1,671.93	2,285.14	1,893.85	82.88	5.84
13.	Loan and advances	5.61	2.68	2.61	97.39	0.01
14.	Total Expenditure (10+12+13)	12,729.60	15,982.70	13,713.54	85.80	42.29
15.	Revenue Deficit/ Surplus (4-10)	375.37	961.94	1,634.06	169.87	5.04
16.	Fiscal Deficit {14-(4+5+6)}	1,300.94	1,324.37	260.52	19.67	0.80
17.	Primary Surplus (16-11)	444.17	263.25	671.57	255.11	2.07

Source: Finance Accounts, 2021-22 and Annual Financial Statement, 2021-22

(a) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt+Net of Contingency Fund+Net (Receipts-Disbursements) of Public Account+Net of Opening and Closing Cash Balance.

(b) Expenditure on Capital Account includes Capital Expenditure and Loans and Advances disbursed.

- Own Tax Revenue collections and Non-Tax Revenue exceeded the BEs while Grants-in-Aid (GIA) from GoI fell short over the budget estimates. Overall Revenue Receipts of the State fell short of the BEs mainly due to overestimation of GIA from GoI.
- During 2021-22, the State continued as a Revenue Surplus State due to significant growth in Revenue Receipts. Revenue Receipts increased by ₹ 2,023.71 crore (17.71 per cent) from ₹ 11,427.43 crore in 2020-21 to ₹ 13,451.14 crore in 2021-22, while Revenue Expenditure decreased by ₹ 765.02 crore (6.92 per cent) from ₹ 11,052.06 crore in 2020-21 to ₹ 11,817.08 crore in 2021-22.
- Fiscal Deficit decreased over the previous year by ₹ 1,040.42 crore (79.97 per cent) from ₹ 1,300.94 crore in 2020-21 to ₹ 260.52 crore in 2021-22. The Government's Capital Expenditure increased by ₹ 218.92 crore (13.05 per cent) from ₹ 1,677.54 crore in 2020-21 to ₹ 1,896.46 crore in 2021-22.

Summarised position of Assets and liabilities of the Government

Government accounts capture the financial liabilities of the Government and assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve

funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

Financial position of Government of Nagaland as on 31 March 2022 is given in **Appendix 1.2**. Summarised position of Assets and Liabilities of the State for the year 2021-22 as compared to the previous year 2020-21 is shown in **Table 1.4**.

Table 1.4: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
		2020-21	2021-22	Increase (per cent)			2020-21	2021-22	Increase (per cent)
Consolidated Fund									
A	Internal Debt	10,331.14	10,794.87	4	A	Gross Capital Outlay	20,973.99	22,867.84	9
B	Loans and Advances from GoI	317.88	612.54	93	B	Loans and Advances	41.45	42.17	2
Contingency Fund		0.35	0.35	0					
Public Account									
A	Small Savings, Provident Funds, etc.	1,875.68	1,606.81	-14	A	Advances	0.58	0.58	0
B	Deposits	978.57	923.61	-6	B	Remittance	-	-	
C	Reserve Funds	1,754.57	1,900.16	8	C	Suspense and Miscellaneous	90.10	75.29	-16
D	Remittances	-661.02	-831.48	26	Cash balance (incl. investment in Earmarked Fund)		2,745.33	2,909.32	6
					Total		23,851.45	25,895.20	9
					Deficit in Revenue Account		9,254.28	10,888.34	18
Total		14,597.17	15,006.86	3	Total		14,597.17	15,006.86	3

Source: Finance Accounts, 2021-22

As can be seen from **Table 1.4**, Assets and Liabilities of the State during 2021-22 showed an increase of three *per cent* over the previous year. The increase in Liabilities was mainly due to increase in Reserve Funds (eight *per cent*) and Loans & Advances from GoI (93 *per cent*), which was offset by decrease in Small Savings, Provident funds, etc. (14 *per cent*) over the previous year. Similarly, increase in Assets was mainly due to increase in Cash balance (including investment in Earmarked Fund) (six *per cent*) and Gross Capital Outlay (nine *per cent*).

1.5 Fiscal Balance: Achievement of deficit and total debt targets

When a government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture government deficit.

Deficits must be financed by borrowing giving rise to government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow which adds to the stock of debt. If the government continues to borrow year after year, it leads to the accumulation of debt and the government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

By borrowing, the Government transfers the burden of reduced consumption on future generations. This is because it borrows by issuing bonds to the people living at present but may decide to pay off the bonds some twenty years later by raising taxes or reducing expenditure. Also, Government borrowing from the people reduces the savings available to the private sector. To the extent, this reduces capital formation and growth, debt acts as a 'burden' on future generations.

However, if government deficits succeed in their goal of raising production, there will be more income and, therefore, more savings. In this case, both government and industry can borrow more. Also, if the Government invests in infrastructure, future generations may be better off, provided the return on such investments is greater than the rate of interest. The actual debt could be paid off by the growth in output. The debt should not then be considered burdensome. The growth in debt will have to be judged by the growth of the economy (State GDP) as a whole.

Government deficit can be reduced by an increase in taxes or reduction in expenditure. There has also been an attempt to raise receipts through the sale of shares in PSUs. However, the major thrust has been towards reduction in Government expenditure. This could be achieved through making government activities more efficient through better planning of programmes and better administration.

The Central and individual State Governments have passed Fiscal Responsibility and Budget Management Act (FRBM) with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium term framework. In this context the Act provides quantitative targets to be adhered by the state with regard to deficit measures and debt level.

Government of Nagaland enacted the Nagaland Fiscal Responsibility and Budget Management (NFRBM) Act, 2005 in line with the Union FRBM Act, 2003, to ensure stability and sustainability, improve efficiency and transparency in management of public finances, enhance the availability of resources by achieving sufficient revenue surplus, reduce fiscal deficit and remove impediments to effective conduct of fiscal policy and prudent debt management.

In line with the recommendations of Central Finance Commissions, the NFRBM Act was subsequently amended *i.e.*, July 2009, March 2011, March 2021 and March 2022.

In addition to the Fiscal Correction Path (FCP), the State Government is required to prepare every year, as per the provisions of the NFRBM Act, 2005, a Medium Term Fiscal Policy Statement (MTFPS) showing the rolling fiscal targets. The State Government had prepared MTFPS every year.

Status of achievement *vis-à-vis* projections made in the Act, based on the information furnished by Finance Department, Government of Nagaland during the period 2017-18 to 2021-22 is given in **Table 1.5**:

Table 1.5: Compliance with the projections of FRBM Act

Fiscal Parameters	Projections	Achievement				
		2017-18	2018-19	2019-20	2020-21	2021-22
Revenue		827.86	517.43	(-)213.73	375.37	1,634.06
Deficit (-)/ Surplus (+) (₹ in crore)	Maintain Revenue Surplus	✓	✓	✗	✓	✓
Fiscal Deficit	2017-20: Three per cent of GSDP	446.09 (1.83)	1,082.32 (4.08)	1,428.22 (4.84)	1,300.94 (4.44)	260.52 (0.80)
	2020-21: 3.92 2021-22 : 4.00	✓	✗	✗	✗	✓
Ratio of total outstanding debt to GSDP (per cent)	2017-18: 31.00 2018-19: 42.00 2019-20: 40.00 2020-21: 45.20 2021-22: 43.00	42.67	39.75	41.23	45.96	42.94
		✗	✓	✗	✗	✓

Source: Finance Department, GoN and Finance Accounts of respective years

State Government was successful in maintaining Revenue Surplus in four out of the five years, during the five-year period from 2017-18 to 2021-22.

The State was successful in achieving the respective Fiscal Deficit as per cent of GSDP and outstanding debt to GSDP ratio projections made in two out of the last five years during 2017-22. The position of projections made by the State Government in its MTFPS *vis-à-vis* achievements during the year 2021-22 is depicted in **Table 1.6**.

Table 1.6: Actuals *vis-à-vis* projection in MTFPS for 2021-22

(₹ in crore)

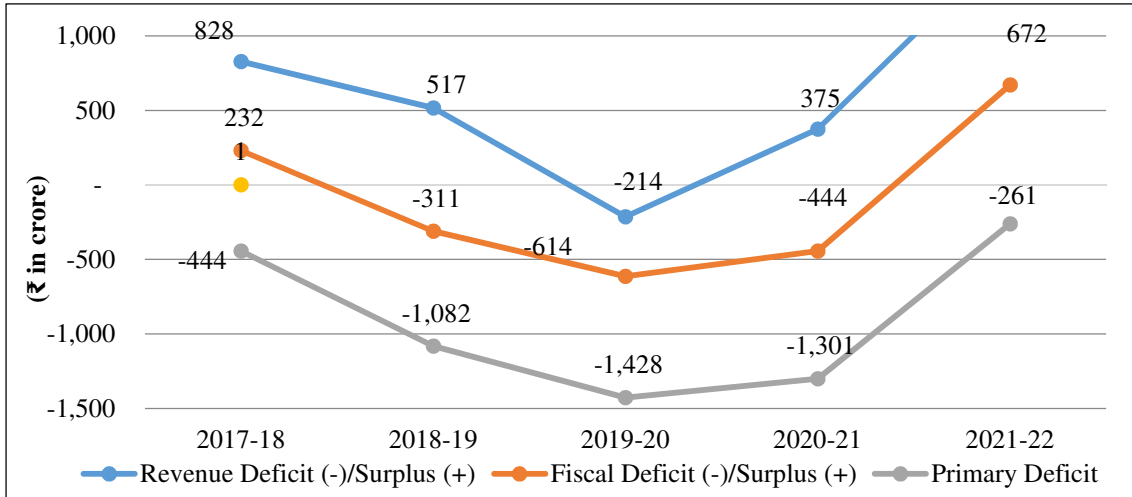
Sl. No.	Fiscal Variables	Projection as per MTFPS	Actuals (2021-22)	Variation (Excess (+)/ Short(-)) (in per cent)
1.	Own Tax Revenue	1,330.11	1,301.08	-2.18
2.	Non-Tax Revenue	264.78	303.58	14.65
3.	Share of Central Taxes	4,334.33	4,875.27	12.48
4.	Grants-in-Aid from GoI	6,870.35	6,971.21	1.47
5.	Revenue Receipts (1 + 2 + 3 + 4)	12,799.57	13,451.14	5.09
6.	Revenue Expenditure	12,302.43	11,817.08	-3.95
7.	Revenue Surplus (5 - 6)	497.14	1,634.06	228.69
8.	Fiscal Deficit	2,120.84	260.52	714.08
9.	Debt-GSDP ratio (per cent)	38.93	42.94	10.30
10.	GSDP growth rate at current prices (per cent)	13.39	6.57	-20.76

Source: MTFP Statement and Finance Accounts, 2021-22

As can be seen from **Table 1.6**, the projections made in MTFPS relating to two key fiscal parameters *i.e.*, Revenue Surplus and Fiscal Deficit was achieved during 2021-22. The projections relating to growth rate of GSDP and that of Debt-GSDP ratio was not met, with the year ending at a higher Debt to GSDP ratio.

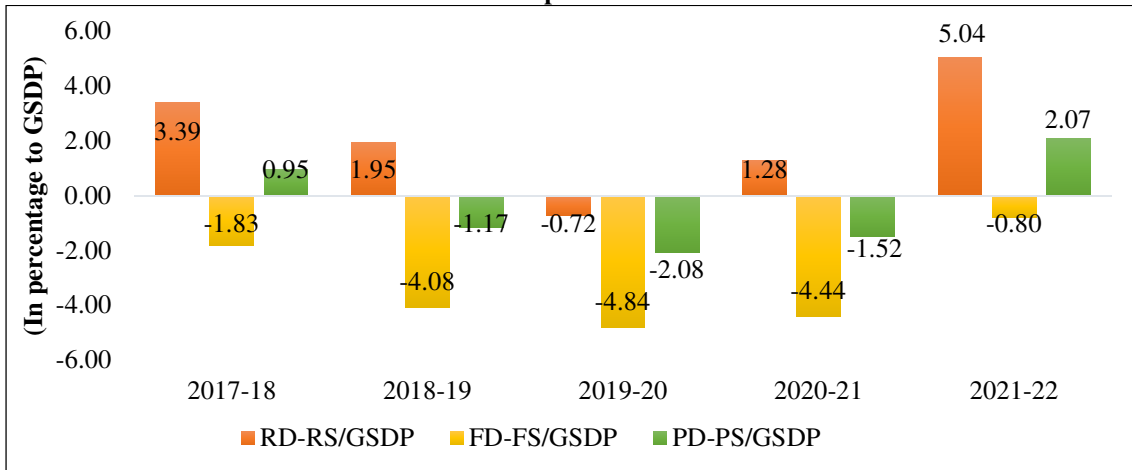
Charts 1.4 and 1.5 present the trends in deficit indicators and **Chart 1.6** presents the trends in Fiscal Liabilities and GSDP *vis-à-vis* target set by the State Government in its MTFP statement over the period 2017-18 to 2021-22.

Chart 1.4: Trends in deficit parameters



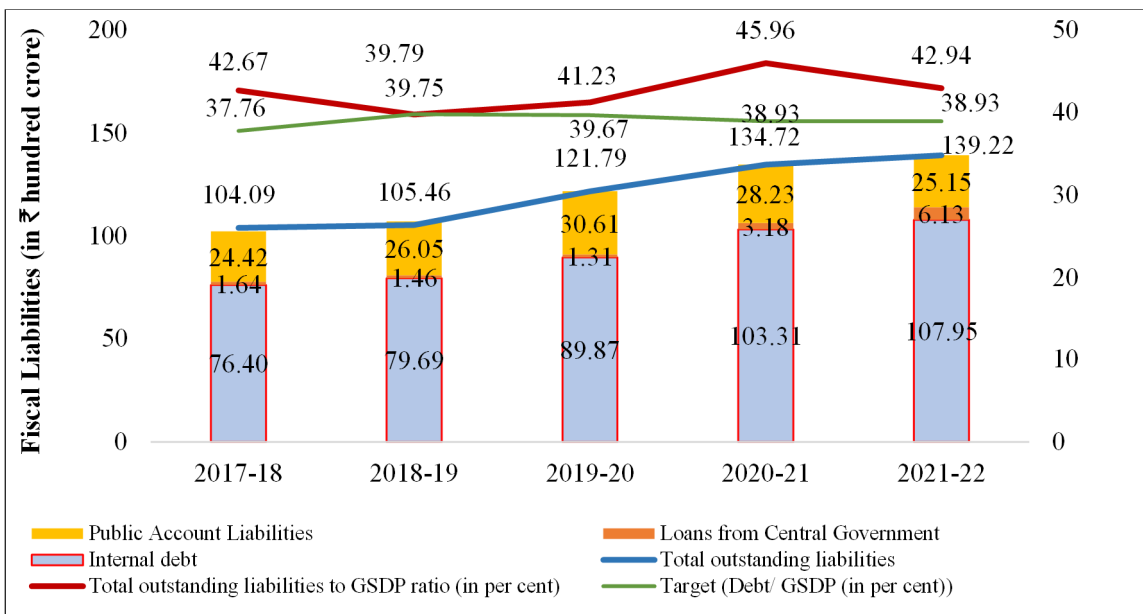
Source: Finance Accounts for respective years and GSDP-Directorate of Economics and Statistics, GoN

Chart 1.5: Trends in Surplus/ Deficit relative to GSDP



Source: Finance Accounts for respective years and GSDP-Directorate of Economics and Statistics, GoN
RD: Revenue Deficit, FD: Fiscal Deficit; PD: Primary Deficit

Chart 1.6: Trends in Fiscal Liabilities and GSDP



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

As can be seen from **Charts 1.4 to 1.6**, Surplus on Revenue Account was witnessed during 2021-22 and it was mainly due to the fact that the State witnessed increase in Revenue Receipts during the year over the previous year. During 2021-22, Revenue Receipts increased by 17.71 *per cent* (₹ 2,023.14 crore) during the same period.

The total fiscal liabilities showed increasing trend during the five-year period 2017-22. The increasing trend was mainly due to increase in Loans from Central Government and Internal Debt. During this period, the total outstanding liabilities to GSDP ratio was above the norm set by the State Government in its MTFPS in four years.

1.6 Deficits and Total Debt after examination in audit

In order to present a better picture of State Finances, there is a tendency to classify revenue expenditure as capital expenditure and to conduct off budget financial activities.

Post audit - Deficits

Misclassification of Revenue Expenditure as capital and off budget financial activities impact deficit figures. Besides, deferment of clear cut liabilities, not depositing cess/royalty to Consolidated Fund, short contribution to National Pension Scheme, Sinking and Redemption funds, *etc.* also impacts the revenue surplus and fiscal deficit figures.

Audit noticed overstatement of Revenue Surplus by ₹ 109.24 crore and understatement of Fiscal Deficit by ₹ 83.26 crore for 2021-22, as detailed in **Table 1.7**.

Table 1.7: Revenue and Fiscal Deficit, post examination by Audit

Particulars	Impact on (₹ in crore) {Understated (+)/ overstated (-)}		Paragraph Reference
	Revenue Surplus	Fiscal Deficit	
Non- Contribution to Consolidated Sinking fund	(-) 65.77	(+) 65.77	Para 2.5.2.1
Minor works budgeted/ booked under Capital Section instead of Revenue	(-) 23.48	-	Para 3.3.2
Major works budgeted/ booked under Revenue Section instead of Capital	(+) 2.50	-	Para 3.3.2
Interest adjustment on Defined Contribution Pension Scheme	(-) 6.84	(+) 6.84	Para 4.2
State Compensatory Afforestation Fund	(-) 10.65	(+) 10.65	Para 2.5.2.4
Total	(-)109.24	(+) 83.26	

Source: Finance Accounts, 2021-22

Based on the result of examination of misclassification during post audit, the Revenue Surplus would reduce from ₹ 1,634.06 crore to ₹ 1,524.82 crore and Fiscal Deficit would increase from ₹ 260.52 crore to ₹ 343.78 crore.

1.7 Conclusion

The fiscal position of the State is viewed in terms of three key fiscal parameters—Revenue Deficit/ Surplus, Fiscal Deficit/ Surplus and primary deficit/surplus.

GSDP increased by ₹ 1,998.63 crore (6.57 *per cent*) from ₹ 30,425.11 crore in 2020-21 to ₹ 32,423.74 crore in 2021-22. During the last five years, there was a steady increase in GSDP from ₹ 24,392.96 crore in 2017-18 to ₹ 32,423.74 crore in 2021-22. GSDP

positive growth rate for Nagaland (6.57 per cent) was lower than the all India GDP growth rate (16.85 per cent) in 2021-22. Service Sector was the major contributor of GSDP during the year with 59.67 per cent. Agriculture Sector was the second largest contributor with 26.81 per cent while Industry Sector (11.21 per cent) and Taxes on products–Subsidies on products (two per cent) were third and fourth respectively.

During 2021-22, the State had a Revenue surplus of ₹ 1,634.06 crore which was 5.04 per cent of GSDP. Fiscal deficit was ₹ 260.52 crore during 2021-22 which was 0.80 per cent of GSDP and primary surplus was ₹ 671.57 crore, 2.07 per cent of GSDP.

Revenue Surplus increased from ₹ 375.37 crore in 2020-21 to ₹ 1,634.06 crore in 2021-22, mainly due to a significant increase in Revenue Receipts (17.71 per cent).

Revenue Receipts (₹ 13,451.14 crore) increased by 17.71 per cent (₹ 2,023.71 crore) over the previous year (₹ 11,427.43 crore), mainly due to increase in Own Tax Revenue (27.22 per cent) and State's share in Union Taxes and Duties (43 per cent).

Own Tax Revenue (₹ 1,301.08 crore) increased by 27.22 per cent over the previous year (₹ 1,022.74 crore). State's share of Union Taxes and Duties (₹ 4,875.27 crore) in comparison to the previous year (₹ 3,409.25 crore) increased by ₹ 1,466.02 crore (43 per cent).

Revenue Expenditure was ₹ 11,817.08 crore and it increased by 6.92 per cent (₹ 765.02 crore) over the previous year (₹ 11,052.06 crore).

Capital Expenditure which was ₹ 1,893.85 crore for the year, increased by 13.27 per cent (₹ 221.92 crore) over the previous year's expenditure of ₹ 1,671.93 crore. It was mainly due to increase in capital outlay under Social Services (80 per cent).

Total Expenditure for the year, which was ₹ 13,713.54 crore, increased by 7.73 per cent (₹ 983.94 crore) over the previous year (₹ 12,729.60 crore). It was mainly due to increase in both Revenue Expenditure (₹ 765.02 crore) and Capital Expenditure (₹ 221.92 crore).

Fiscal Deficit (₹ 260.52 crore) decreased by 79.97 per cent (₹ 1,040.42 crore) as compared to previous year (₹ 1,300.94 crore). The Government was successful in maintaining Revenue Surplus as projected in FRBM Act during the year and the Fiscal Deficit-GSDP ratio and Outstanding Debt-GSDP ratio were below the ceilings prescribed under the Act.

Based on the result of examination of misclassification during post audit, the Revenue Surplus would reduce from ₹ 1,634.06 crore to ₹ 1,524.82 crore and Fiscal Deficit would increase from ₹ 260.52 crore to ₹ 343.78 crore.

1.8 Recommendations

- State Government needs to keep up the trend of Own Tax Revenue collection achieved during 2021-22 by focusing on other potential areas, apart from State Goods and Services Tax to have a sustained increase in Own Tax Revenue.
- State Government needs continued efforts to achieve the projections on deficit and debt parameters, made in the Nagaland FRBM Act in the coming years.

CHAPTER II

FINANCES OF THE STATE

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

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

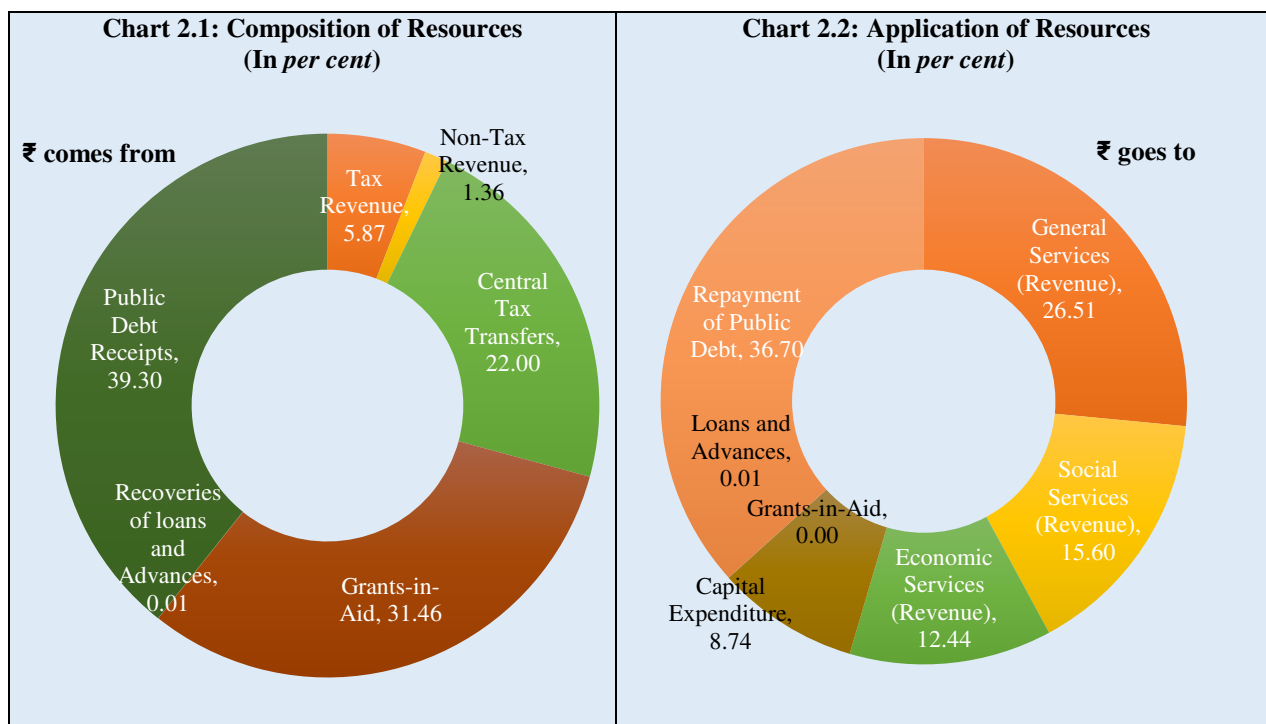
Table 2.2 compares the sources and application of funds of the State during 2021-22 with 2020-21 in figures, while **Charts 2.1** and **2.2** give the details of receipts and expenditure from the Consolidated Fund during 2021-22 in terms of percentages.

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
Sources	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
	Total	15,474.93	16,622.86	1,147.93
Application	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
	Total	15,474.93	16,622.86	1,147.93

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.

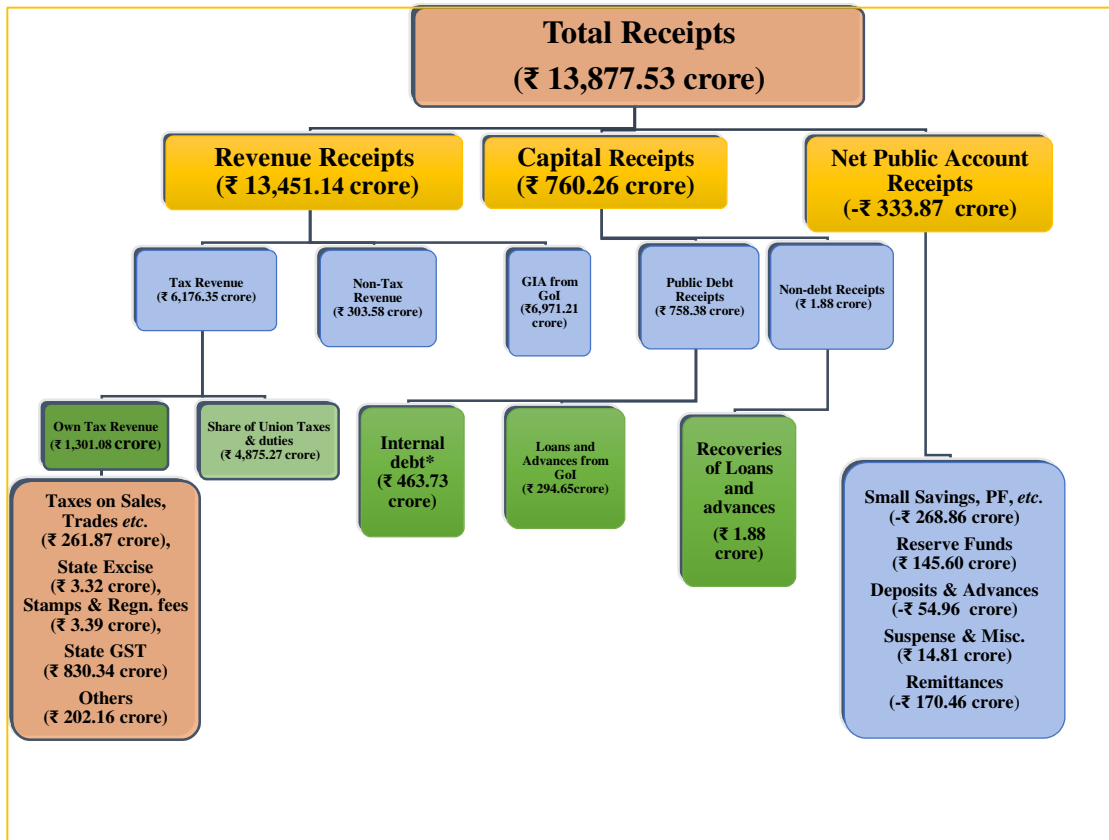
3. **Net Public Account Receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.* which do not form part of the Consolidated Fund.

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.

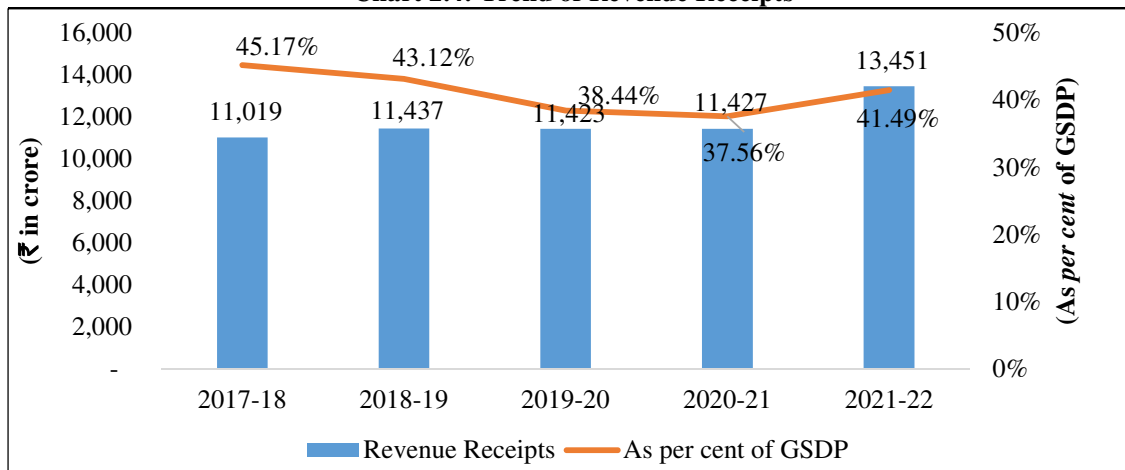
Table 2.3: Trend in Revenue Receipts

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
Buoyancy Ratios²					
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

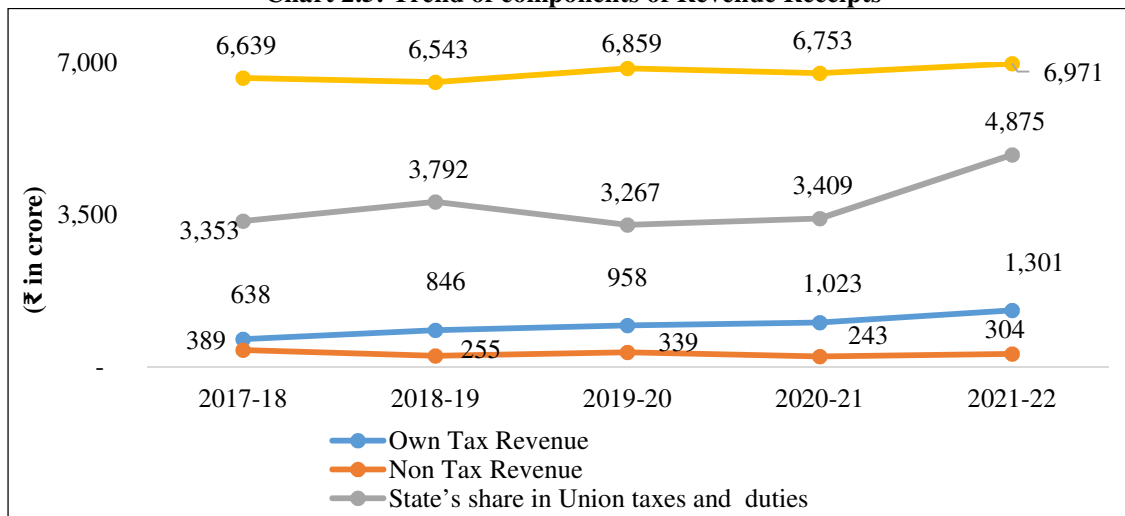
Source of GSDP figures: Directorate of Economics and Statistics, GoN

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.

² 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.

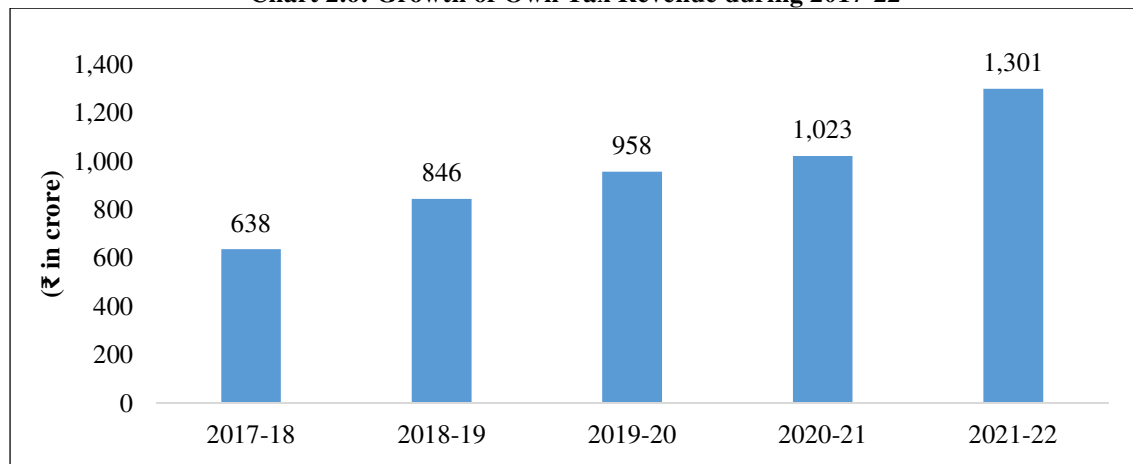
2.3.2.2 Tax Revenue

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
Total	638	846	958	1,023	1,301

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 revenue³ 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 crore⁴.

The actual revenue received by the State under Goods and Services Tax (SGST) was ₹ 830.34 crore⁵ 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 ⁶
2.	State Goods and Services Tax (SGST)	
	(a) Tax	187.47
	(b) Apportionment of Taxes from IGST	617.57
	(c) Advance apportionment of Taxes from IGST	25.30
	Total GST Collection	830.34

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

³ 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.

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

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

⁶ Calculated at ₹ 256.10 crore X (1+14/100)² crore for subsequent year taking ₹ 256.10 crore as base year revenue of 2015-16 { ₹ 256.10 crore x 1.14⁶ = ₹ 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
Total		728.75	293.46

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
Total	909	238	1,147	364	783	32

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
Total claims during the year	99	1,060.81
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	993.92	917.14	-76.78
2013-14	of net proceeds of sharable service tax {As per recommendations of Thirteenth Finance Commission (XIII FC)}	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	2,889.00	2,540.72	-348.28
2016-17	of net proceeds of sharable service tax {As per recommendations of Fourteenth Finance Commission (XIV FC)}	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 ⁷	-0.03	9.31	2.12	2.21	4.91
Central Tax transfers	3,353.13	3,792.41	3,267.08	3,409.25	4,875.27
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).

⁷ 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
Total	389	255	339	243	303

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
State's Own Resources	1,026.81	1,101.67	1,297.52	1,267.56	1,604.66

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
Total	6,639.27	6,543.33	6,858.69	6,752.84	6,971.21
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
(A) Local Bodies:										
(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
Total for Local Bodies	317.58	149.74	137	286.74	131.97	108.50	240.47	131.97	108.50	240.47 (100.00)
(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
Grand Total (A+B)	439.18	230.34	178.00	408.34	212.57	149.50	362.07	221.97	154.06	376.03

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
Capital Receipts	690.10	312.03	1,003.66	1,532.17	760.27
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
Net Public Debt Receipts	689.01	310.95	1,002.57	1,530.94	758.39
<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
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
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
As a percentage of GSDP					
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

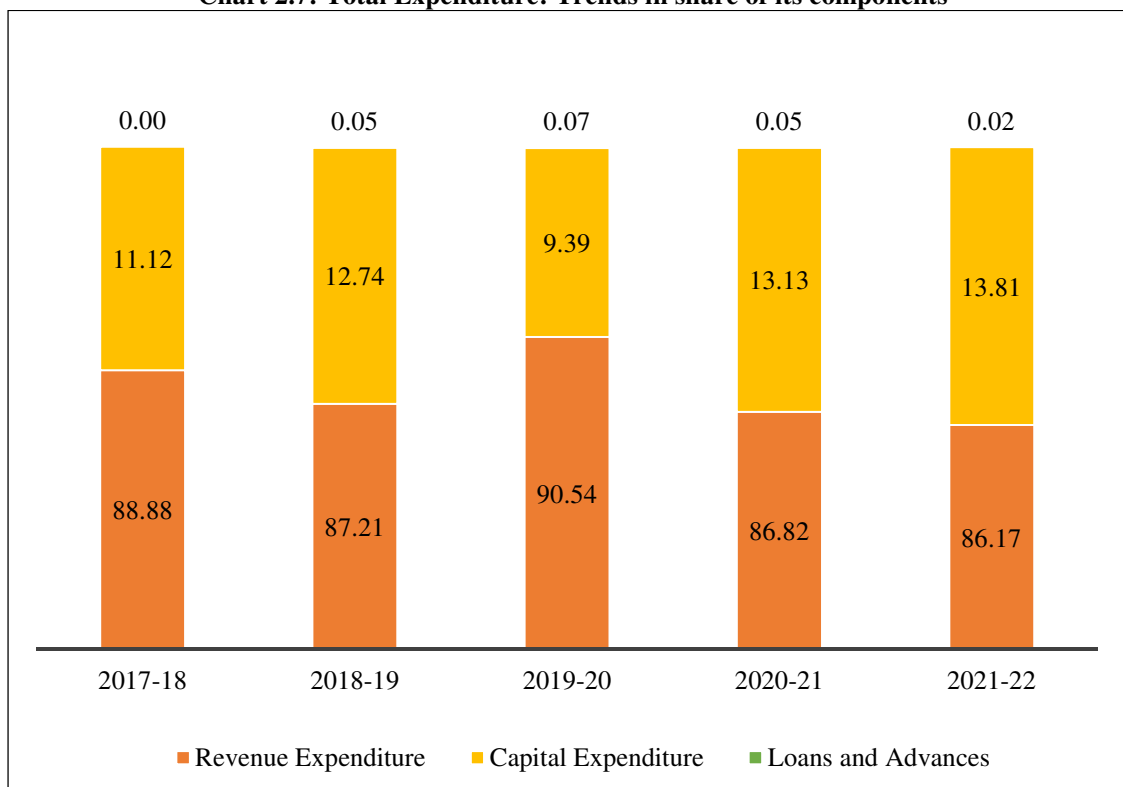
Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
General Services	40.00	43.43	43.53	43.28	44.02
Social Services	26.55	27.86	27.13	28.65	31.32
Economic Services	33.45	28.67	29.27	28.03	24.64
Others (Grants to Local Bodies and Loans and Advances)	0.00	0.04	0.07	0.04	0.02

Source: Finance Accounts of respective years

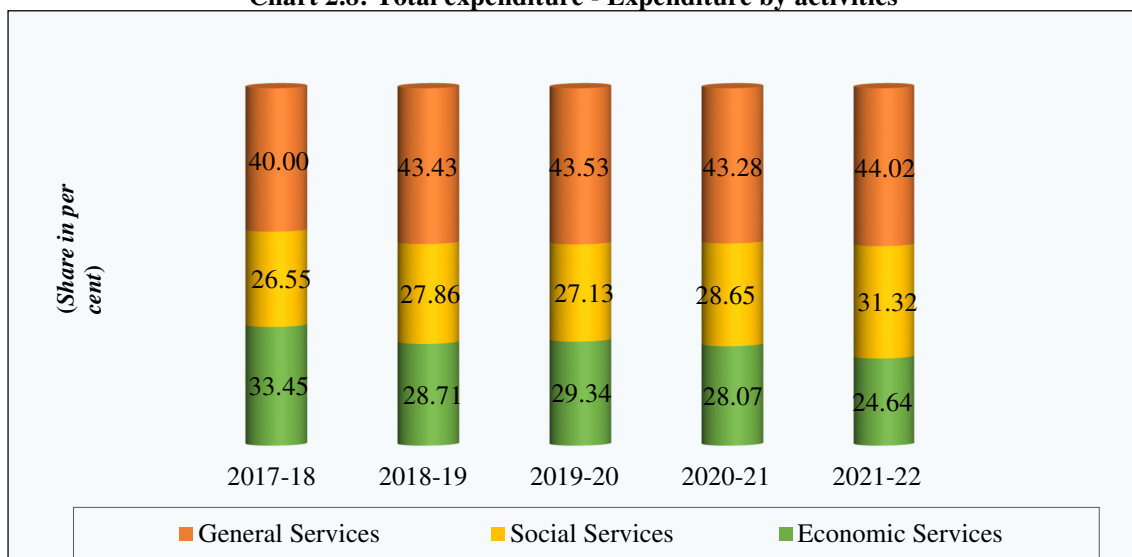
- The percentage to the Total Expenditure in General Services increased from 43.28 to 44.02 *per cent* during 2021-22 as compared to 2020-21 mainly due to increase in expenditure on Interest payment & servicing of Debt by 8.79 *per cent*, 6.25 *per cent* in Administrative Services and 23.14 *per cent* 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.

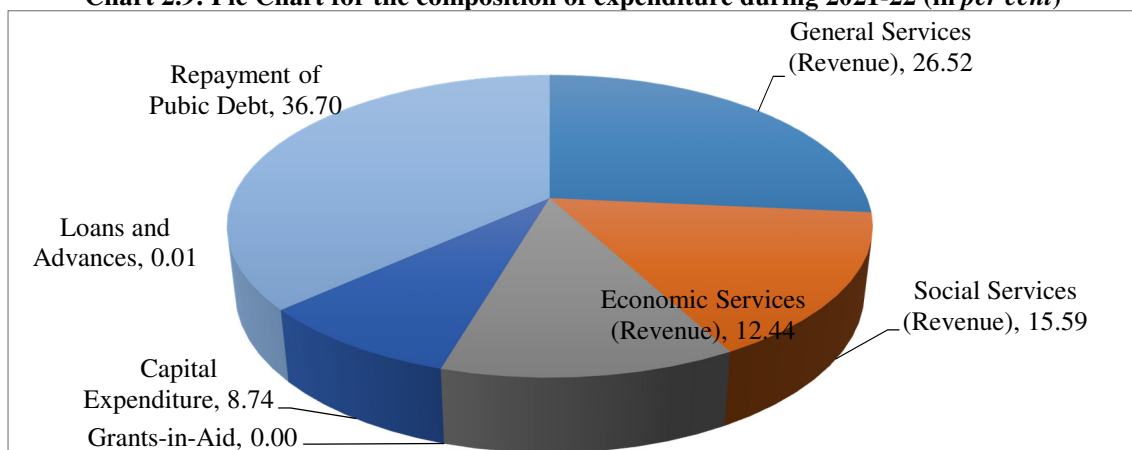
Chart 2.7: Total Expenditure: Trends in share of its components



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.

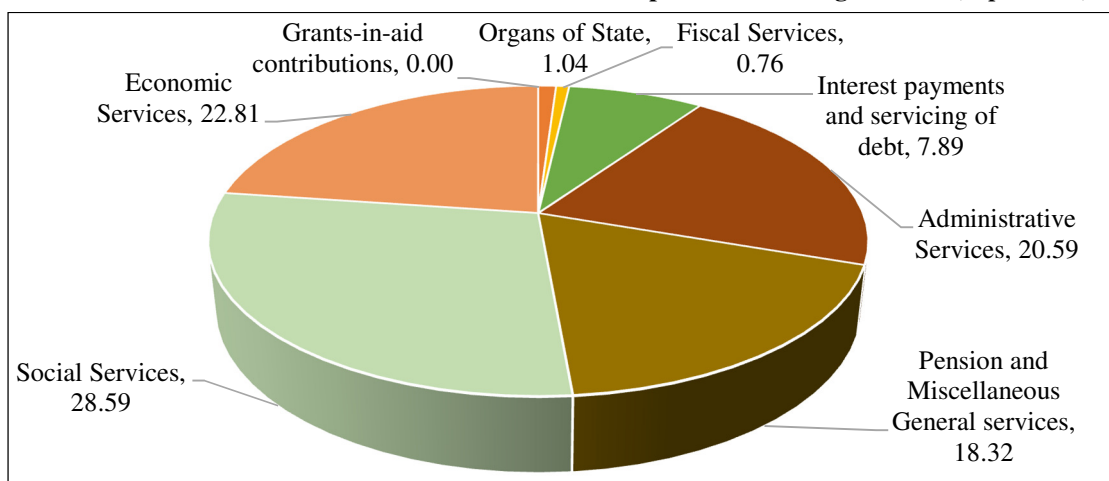
Revenue Expenditure constituted on an average 87.92 per cent ranged between 86.17 (2021-22) and 90.54 per cent (2019-20) of the Total Expenditure during the period

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
Buoyancy of Revenue Expenditure with:					
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

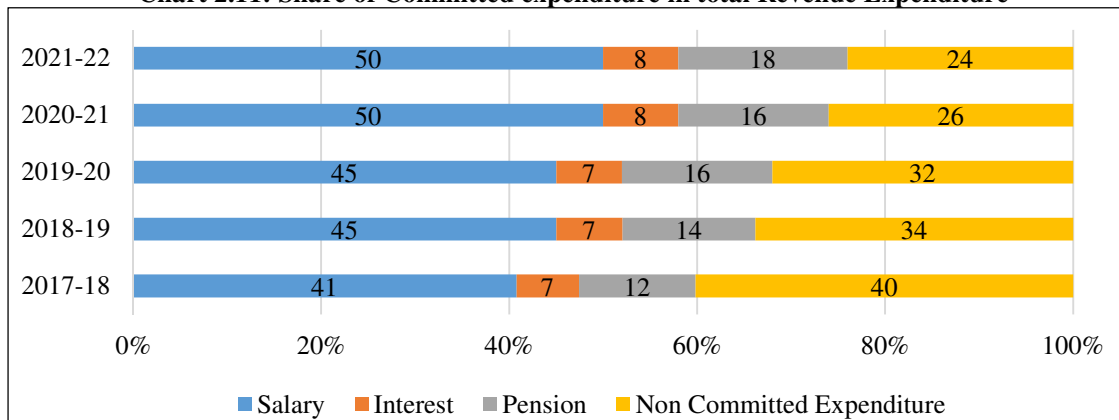
The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. It has first charge on Government resources. Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector.

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
Total	6,097.57	7,269.48	7,874.46	8,104.81	9,045.07
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
Total	55.33	63.56	68.93	70.92	67.25
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
Total	59.83	66.57	67.66	73.33	76.55

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.

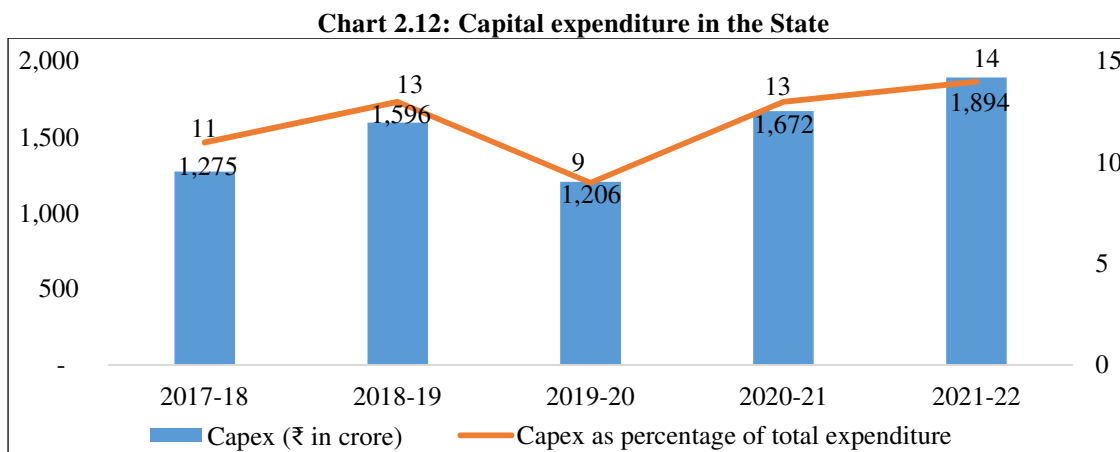
(₹ in crore)					
Financial Assistance to Institutions	2017-18	2018-19	2019-20	2020-21	2021-22
(A) Local Bodies					
Municipal Corporations and Municipalities	1.62	1.62	1.62	1.62	1.62
Rural Local Bodies	0.00	0.00	0.00	62.50	109.57
Total (A)	1.62	1.62	1.62	64.12	111.19
(B) Others					
Educational Institutions (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
Total (B)	326.77	165.44	159.08	130.73	105.27
Total (A + B)	328.39	167.06	160.70	194.85	216.46
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
Total	383	2,727.75	144.95	1,546.15

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
Total	383	2,727.75	144.95	1,546.15

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 tender⁸ (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 crore⁹ 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 crore¹⁰ 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.

⁸ Construction of lower and upper basement, ground floor, first floor, second floor, third floor and terrace

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

¹⁰ 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 Committee¹¹ (SLEC) and MDoNER, the implementing Department deviated from the original DPR and reduced the plinth area from 4791.032 Sqm to 1527.57 Sqm¹² (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
	Total	983.12		983.12

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.

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

¹² 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 Committee¹³ (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 lakh¹⁴ to the implementing Department. Out of ₹ 21.74 lakh released by GoN, an amount of ₹ 17.95 lakh¹⁵ 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

¹³ 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

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

¹⁵ 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 lakh¹⁶, 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
NE&H States Average (2017-18)	26.07	16.10	17.56	6.22
State	47.01	11.12	19.57	9.01
NE&H States Average (2021-22)	27.56	17.46	15.95	7.25
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:

¹⁶ 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

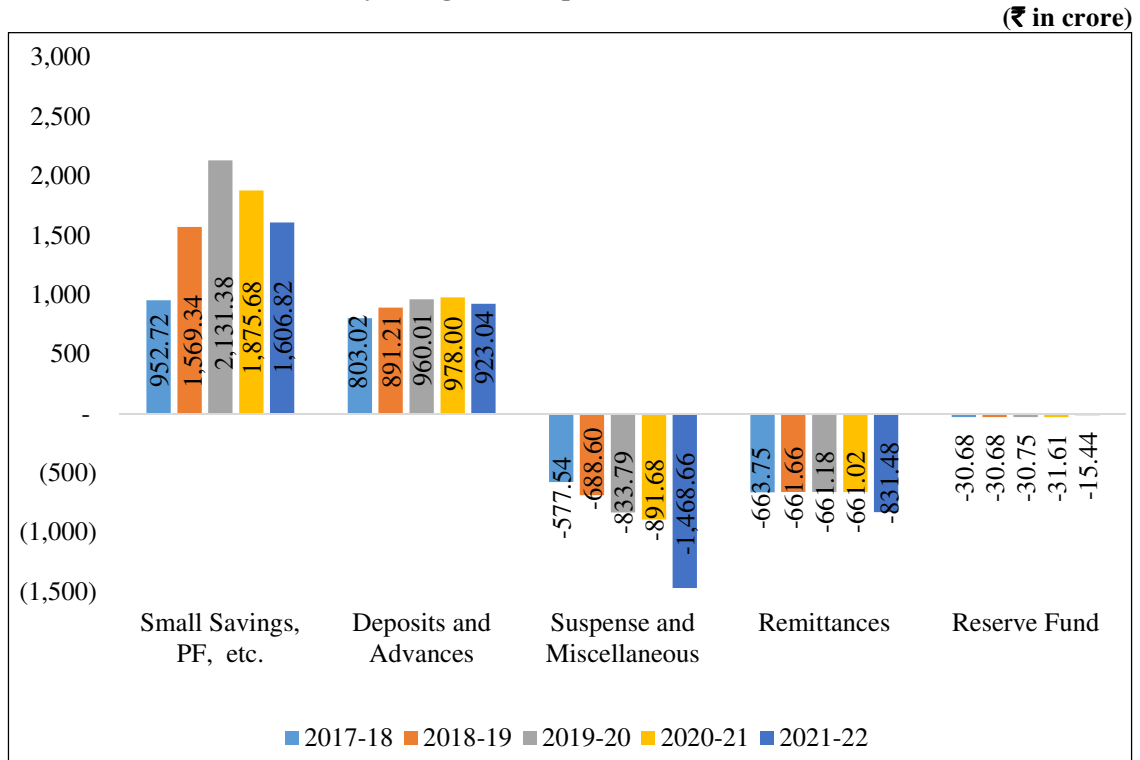
		(₹ in crore)				
Sector	Sub Sector	2017-18	2018-19	2019-20	2020-21	2021-22
I. Small Savings, Provident Funds, <i>etc.</i>	Small Savings, Provident Funds, <i>etc.</i>	952.72	1,569.34	2,131.38	1,875.68	1,606.82
J. Reserve Funds	(a) Reserve Funds bearing Interest	-14.58	-14.58	-14.58	-15.43	-15.44
	(b) 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
Total		483.77	1,079.61	1,565.67	1,269.37	214.28

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)¹⁷, 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 1/5th 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.

¹⁷ 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)¹⁸ 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.

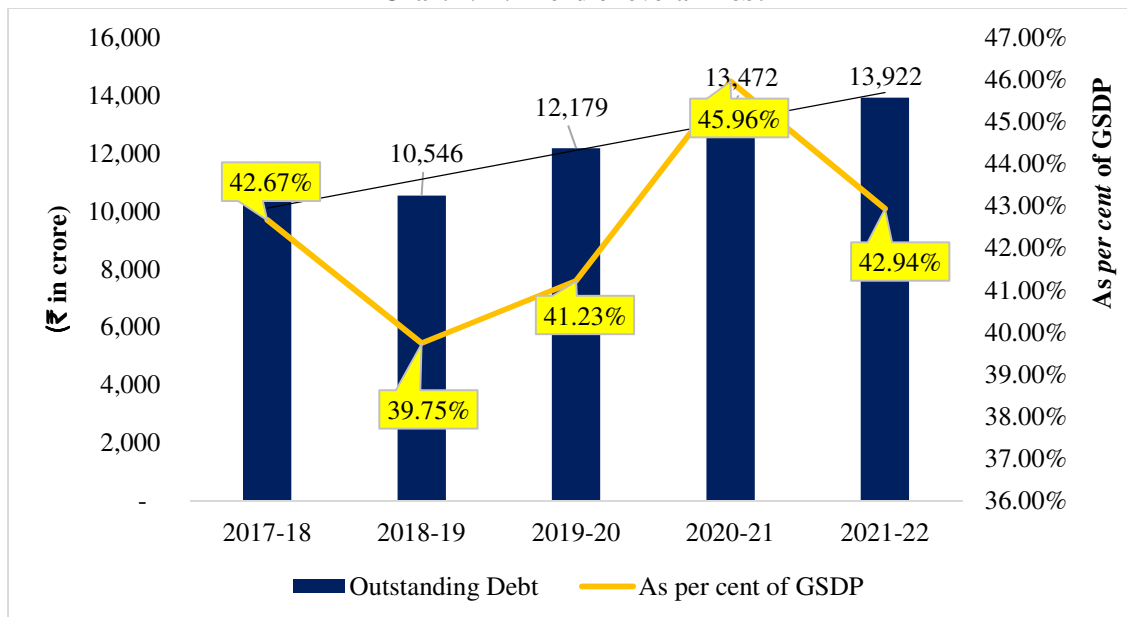
2.6 Debt management

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**.

¹⁸ 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

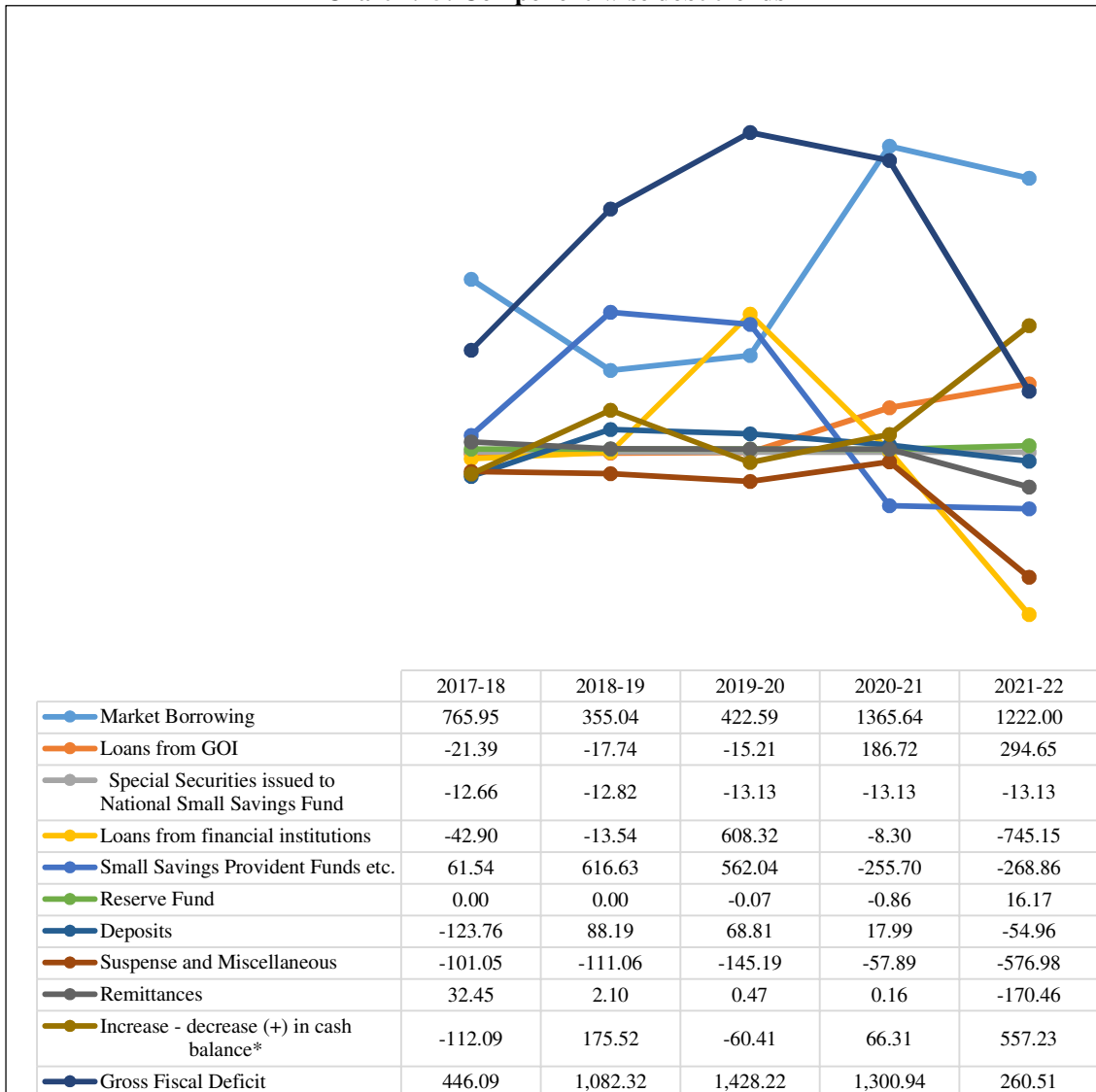
Total debt of the State Government constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), and loans and advances from the Central Government.

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

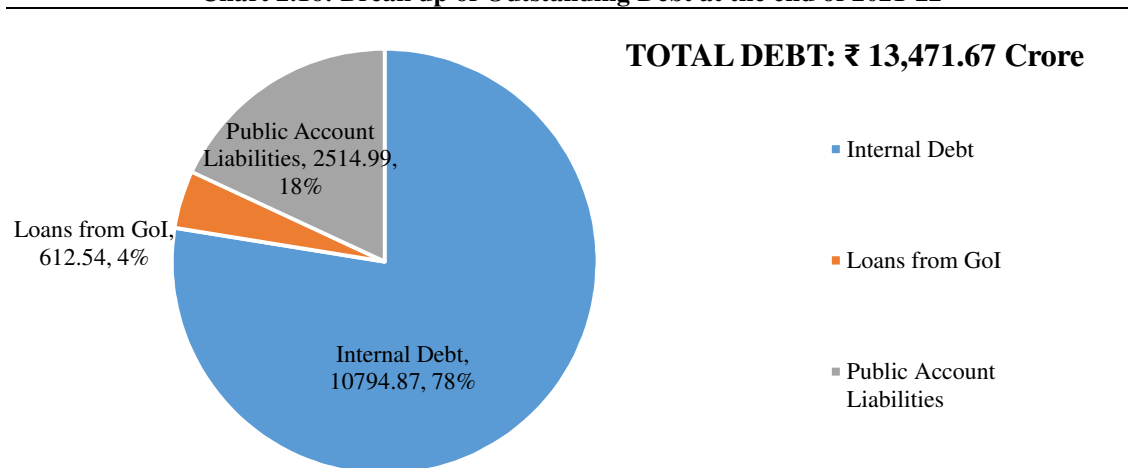
		(₹ in crore)				
		2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Debt (A+B)		10,409.15	10,545.76	12,179.10	13,471.67	13,922.40
(A) Public Debt	Internal Debt	7,640.46	7,969.15	8,986.93	10,331.14	10,794.87
	Loans from GoI	164.11	146.37	131.16	317.89	612.54
(B) Public Account Liabilities		2,441.79	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

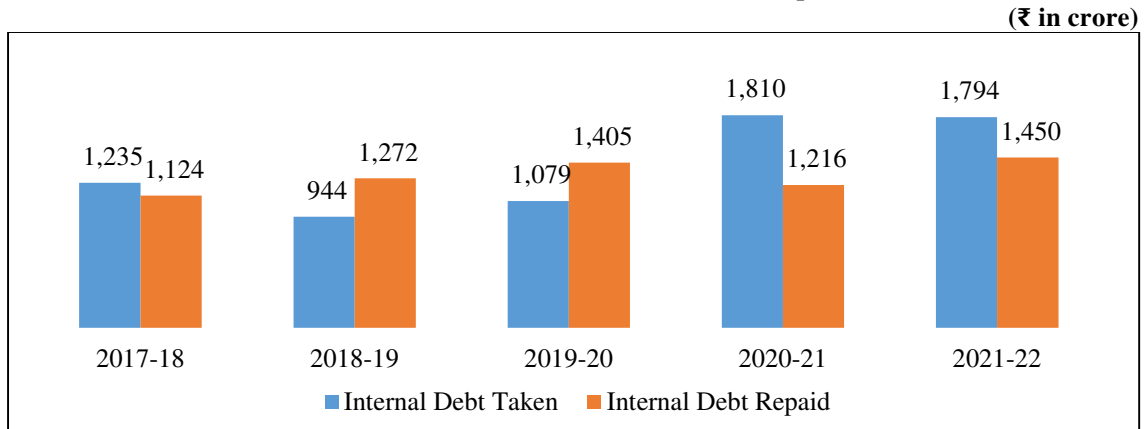
The total outstanding debt of the State Government at the end of 2021-22 was ₹ 13,922.40 crore. Component-wise break-up of debt is shown below in **Chart 2.16**.

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
Composition of Fiscal Deficit (-)	(-446.09)	(-1,082.32)	(-1,428.22)	(-1,300.94)	-260.52
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
Financing Pattern of Fiscal Deficit:					
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
10. Overall Deficit	558.18	906.8	1,488.63	1,234.63	-296.72
11. Increase/Decrease in cash balance	-112.09	175.52	-60.41	66.31	557.23
12. Gross Fiscal Deficit	446.09	1,082.32	1,428.22	1,300.94	260.51

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
10.	Overall Deficit	17,028.22	17,324.94	-296.72
11.	Increase/Decrease in cash balance	157.59	-399.64	557.23
12.	Gross Fiscal Deficit	17,185.81	16,925.30	260.51

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

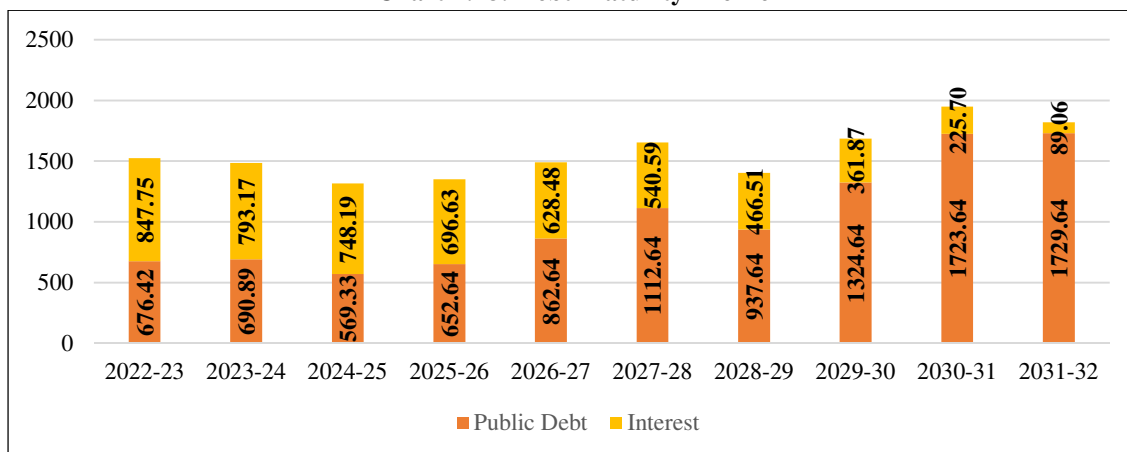
(₹ in crore)

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

Source:-Finance Accounts 2021-22

[#]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



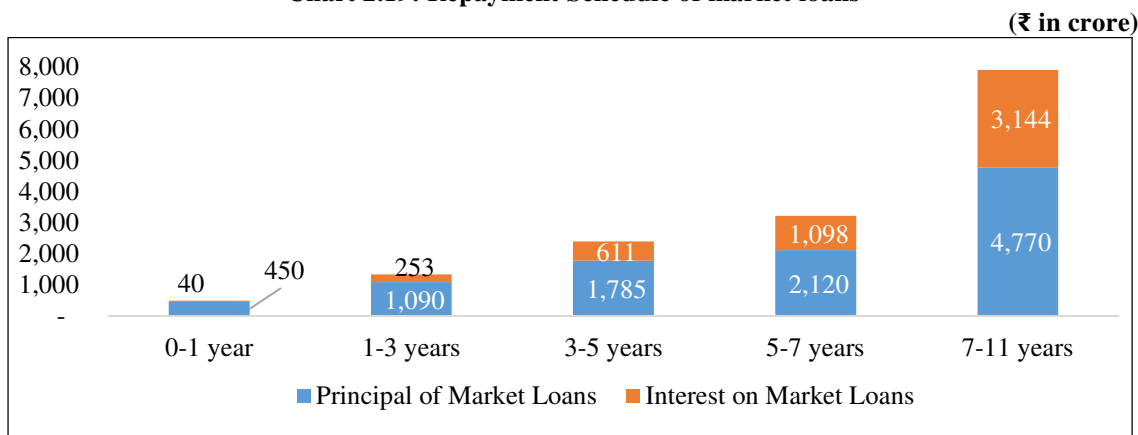
Source: Finance Accounts, 2020-21

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

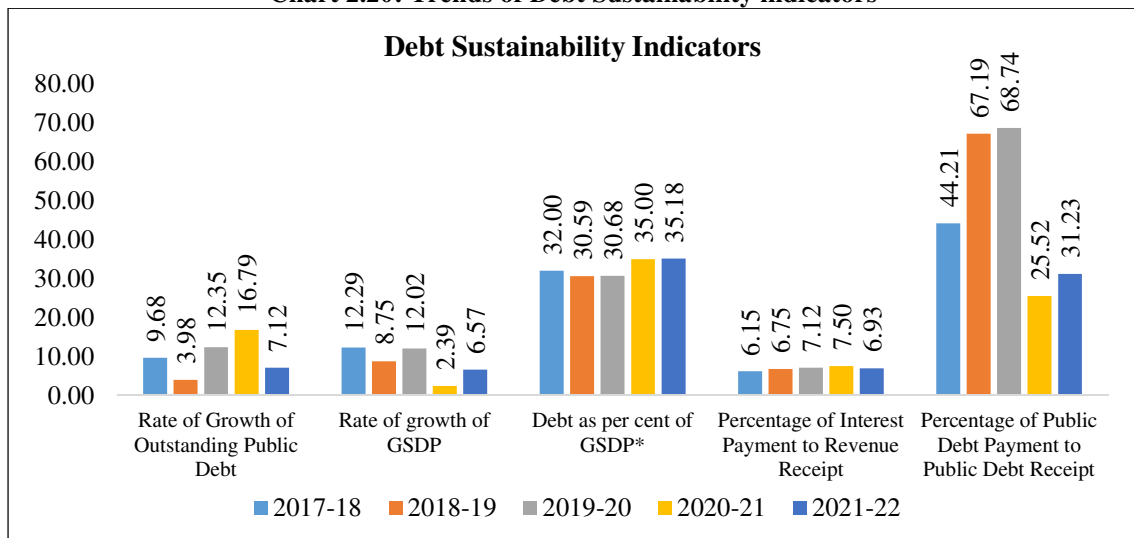
Debt Sustainability Indicators	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Public Debt* (₹ in crore)	7,804.57	8,115.52	9,118.09	10,649.03	11,407.41
Rate of Growth of Outstanding Public Debt	9.68	3.98	12.35	16.79	7.12
GSDP (₹ in crore)	24,392.96	26,527.42	29,715.87	30,425.11	32,423.73
Rate of 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
A. General Cash Balance		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank of India	157.59	-399.64
Total	157.59	-399.64
Investments held in Cash Balance investment account	0.00	0.00
Total (A)	157.59	-399.64
B. Other Cash Balances and Investments		
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
Total (B)	2,587.74	1,834.04
Total (A + B)	2,745.33	2,434.40
Interest realised	0.07	0.77

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.

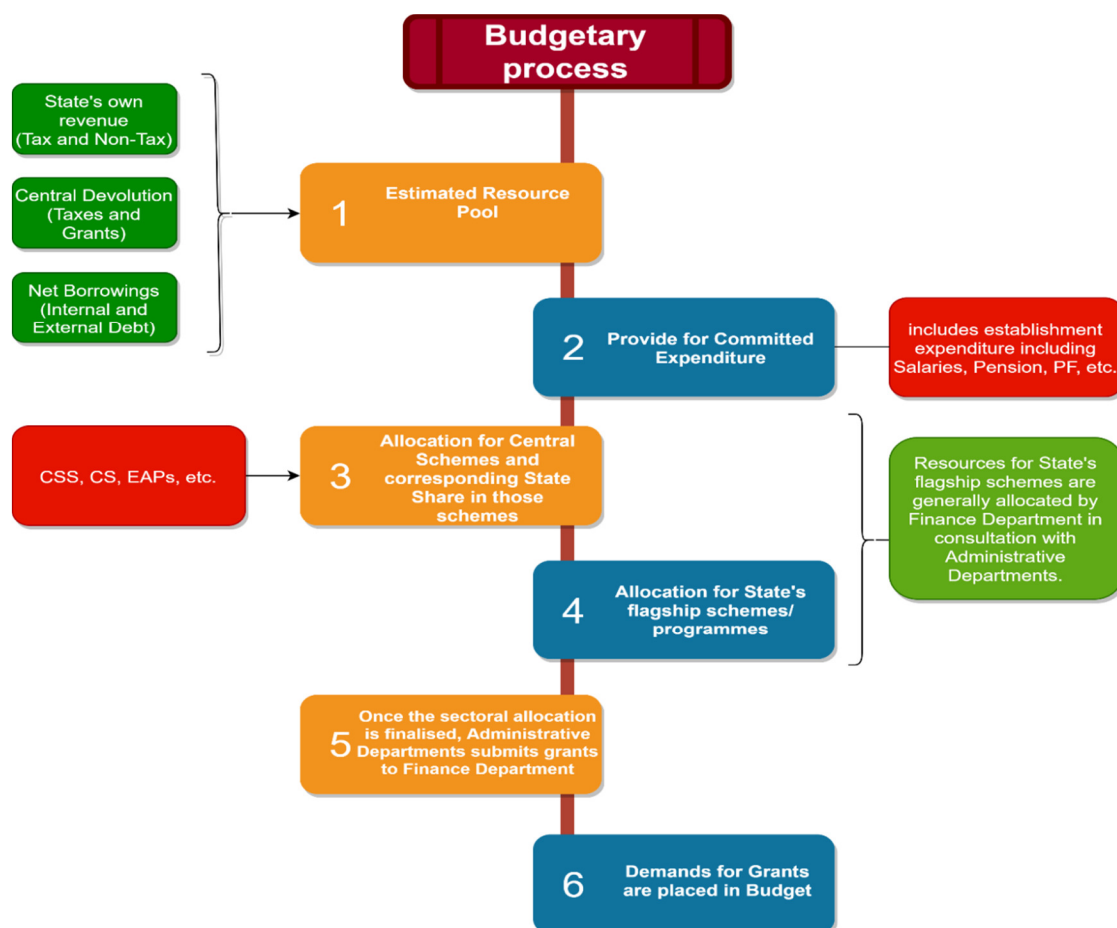
CHAPTER III

BUDGETARY MANAGEMENT

Chapter III: Budgetary Management

3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. Budget glossary is given in *Appendix 1.1 Part A*. The Budget process commences with the issue of the Budget Circular, normally in August each year, providing guidance to the Departments in framing their estimates, for the next financial year. A typical budget preparation process in a State is shown as under:



CSS: Centrally Sponsored Schemes; CS: Central Schemes, EAP: Externally Aided Projects.

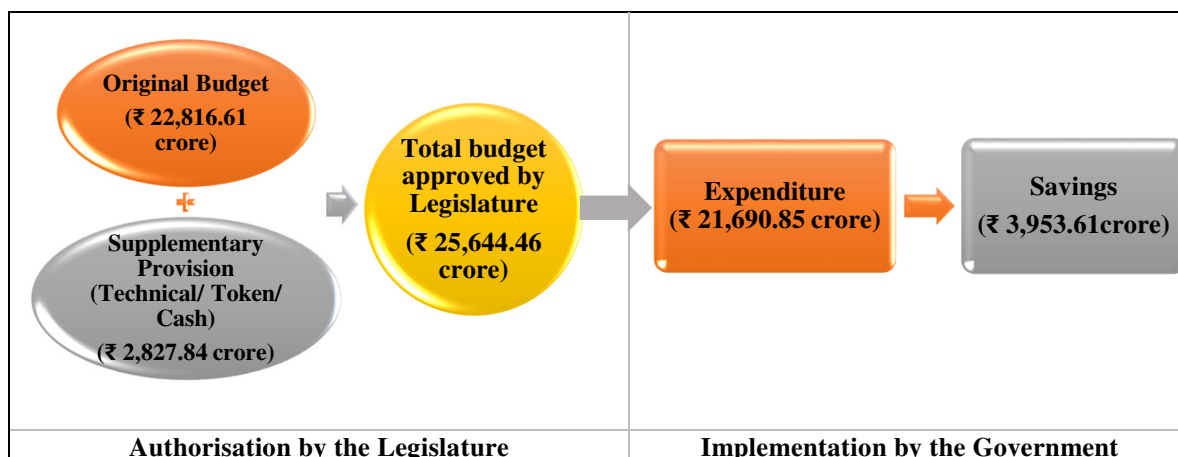
Government of Nagaland has not yet prepared a Budget Manual, detailing the processes involved in budget formulation exercise, roles and responsibilities of the persons entrusted with the preparation and implementation of budget, timelines for preparation and submission of budgetary estimates, requirements of supplementary budget, mode of seeking re-appropriations within Grants, assessment of savings, surrenders, *etc.* and monitoring and controls to be exercised by the Controlling Officers at all stages of budget preparation and implementation.

In the absence of a Budget Manual, the Government has been following General Financial Rules, various provisions of the Constitution of India and guidelines issued by the Central and State Governments.

Legislative authorisation is the *sine qua non* for incurrence of all expenditure by the State Government. To guide individual Government Departments, the State Government framed financial rules and provided for delegation of financial powers. These delegations establish the limits for incurrence of expenditure and the levels authorised to sanction such expenditure together with restrictions on appropriation and re-appropriations.

The State Government secures legislative approval for expenditure out of the Consolidated Fund of State by presenting its annual Budget and 82 Demands for Grants. Normally, every Department has one Demand for Grant, to ensure that Head of the Department takes responsibility for implementing the policy decisions and expending public funds for the intended purposes.

Apart from supplementary grant, re-appropriation can also be used to re-allocate funds within a Grant. Re-appropriation is the transfer, by competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same section (Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged) of the Grant or Charged Appropriation. Various components of budget are depicted in the Chart below:



Source: Appropriation Accounts, 2021-22

The above Chart indicates that Supplementary Grant of ₹ 2,827.84 crore was not required as the gross expenditure was ₹ 1,125.76 crore less than the Original Provisions. It is pertinent to mention that Supplementary Grant was taken on 22 March 2022 and total expenditure as on February 2022 was only ₹ 18,504.22 crore as per monthly civil accounts submitted by the Treasuries, leaving ₹ 4,312.39 crore with the State Government for the remaining 31 days. With the Supplementary Grant, total funds available with the State Government were ₹ 7,140.23 crore, which was 38 per cent of the total expenditure in the first eleven months of 2021-22. This was indicative of over estimation and poor financial management.

3.1.1 Summary of total provisions, actual disbursements and savings during 2021-22

A summarised position of total budget provision, disbursement and saving/ excess with its further bifurcation into voted/ charged may be included as under:

Table 3.1: Budget provision, disbursement and savings/excess during 2021-22

(₹ in crore)

Total Budget provision		Disbursements		Savings		Excess	
Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
16,377.75	9,266.70	12,768.59	8,922.26	3,609.17	344.44	0.00	0.00

Source: Appropriation Accounts, 2021-22

There was an overall savings of ₹ 3,953.61 crore during the year 2021-22 which was 15 per cent of total Grants/ Appropriations and 18.23 per cent of the expenditure.

These savings may be seen in context of estimation of Receipts of ₹ 22,451.28 crore by the State Government and estimation on the expenditure side being ₹ 25,644.45 crore during the year 2021-22. This implied that the savings were notional, as the funds were not actually available for expenditure.

3.1.1.1 Charged and voted disbursements

The break-up of total disbursement into charged and voted during the last five-year (2017-22) is given in **Table 3.2**.

Table 3.2: Break-up of total disbursement into charged and voted during 2017-22

(₹ in crore)

Year	Disbursements		Saving (-)/ Excess (+)	
	Voted	Charged	Voted	Charged
2017-18	10,563.94	5,378.33	(-) 1,742.90	(-) 764.74
2018-19	11,538.47	3,619.72	(-) 2,992.08	(-) 2,319.70
2019-20	11,869.85	7,863.79	(-) 2,726.39	(-) 36.39
2020-21	11,843.76	10,801.26	(-) 3,784.94	(-) 465.69
2021-22	12,768.59	8,922.26	(-) 3,609.17	(-) 344.44

Source: Appropriation Accounts of respective years

As can be seen from **Table 3.2**, there were savings under Voted and Charged head in all the years during the five-year period of 2017-22.

3.2 Appropriation Accounts

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.3 Comments on integrity of budgetary and accounting process

3.3.1 Expenditure incurred without authority of law

Audit scrutiny revealed that in one Grant (one case), expenditure of ₹ 10 lakh and above was incurred (total expenditure was ₹ 0.35 crore), without budget provision as detailed in **Appendix 3.1**. Grant-wise summary of the cases where expenditure was incurred without budget provision is given in **Table 3.3**.

Table 3.3: Summary of Expenditure without Budget Provision

Grant No.	Description	Expenditure (₹ in crore)	Number of Schemes/ Sub-Heads
23	Loans to Government Servants	0.35	1
Total		0.35	1

Source: Appropriation Accounts, 2021-22

Expenditure without budget is violative of financial regulations as well as the will of the Legislature. This is also indicative of lack of financial discipline in Government Departments.

3.3.2 Capital expenditure as revenue expenditure and vice versa

Misclassification of expenditure of revenue nature as capital expenditure or *vice-versa*, results in overstatement/understatement of revenue expenditure and revenue deficit/surplus.

Examination of the accounts and Voucher Level Computerisation (VLC) data showed that -

1. During the year, an expenditure of ₹ 2.50 crore related to major works was booked under revenue expenditure as minor works/ Maintenance and repairs. This ultimately leads to understatement of Capital Expenditure and overstatement of Revenue Expenditure.
2. During the year, an expenditure of ₹ 23.48 crore related to minor works was booked under capital expenditure. This leads to overstatement of Capital Expenditure and understatement of Revenue Expenditure.

3.3.3 Unnecessary or excessive supplementary grants

The existence of likely or actual savings in the budget should never be seized upon as an opportunity to introduce fresh items of expenditure which ought to wait till next year. Known savings in the budget should not be left un-surrendered for fear of the next year's budget allotment being reduced.

Considerable Re-Appropriation from one Sub-Head to another must always be avoided. That fresh expenditure is unavoidable or imperatively necessary or that it will produce consequential economics or that it is essential for preserving the revenue or the public safety are reasonable justifications for introducing fresh expenditure during the course of the year, but in such circumstances, it must be shown that the requirements could not have been foreseen and provided for in the budget. The process of Re-Appropriation is not designed merely to rectify omissions and lack of foresight.

Supplementary Provision of ₹ 230.05 crore obtained by nine Departments during the year proved unnecessary as the expenditure either did not come up to the level of Original Provision or the subsequent Supplementary Provision was not utilised by the Departments concerned as detailed in **Appendix 3.2**. Cases where supplementary provision (₹ 50 lakh or more in each case) proved unnecessary are given in **Table 3.4**.

Table 3.4: Details of cases where supplementary provision proved unnecessary

(₹ in crore)

Sl. No.	Name of the Grant	Original	Supplementary	Actual Expenditure	Savings out of Original Provisions
(A) Revenue (Voted)					
1.	37- Municipal Administration	51.17	38.68	44.84	6.33
2.	43- Social Security and Welfare	306.89	13.89	288.23	18.66
3.	49- Soil and Water Conservation	67.91	2.25	65.85	2.06

Sl. No.	Name of the Grant	Original	Supplementary	Actual Expenditure	Savings out of Original Provisions
4.	67- Home Guards	37.01	0.51	36.14	0.87
Total A		462.98	55.33	435.06	27.92
(B) Capital (Voted)					
5.	12- Treasury and Accounts Administration	1.50	0.65	1.50	0.00
6.	35- Medical, Public Health and Family Welfare	247.40	158.82	155.64	91.76
7.	37- Municipal Administration	169.70	12.41	151.99	17.71
8.	54- Mineral Development	2.00	0.84	1.84	0.16
9.	73- State Institute of Rural Development	1.40	2.00	1.40	0.00
Total B		422.00	174.72	309.13	109.47
Grand Total (A + B)		884.98	230.05	744.19	137.39

Source: Appropriation Accounts, 2021-22

3.3.4 Unnecessary Re-appropriation

According to Financial Rules, reasons for additional expenditure and savings should be explained in the Re-appropriation statement and specific reasons should be given and expressions such as “based on actual requirements”, “based on trend of expenditure”, *etc.*, should be avoided. However, scrutiny of Re-appropriation orders issued by the Finance Department revealed that out of a total of 82 grants, Re-appropriation was done in 62 grants (75 per cent) on the last day without stating specific reasons for withdrawal of provision or additional provision by way of Re-appropriation of funds. This Re-appropriation on last day of the financial year resulted in savings in nine Grants, which was avoidable, as discussed in **Paragraph 3.3.3**.

Injudicious (excess/ unnecessary/ insufficient re-appropriation) re-appropriation of Funds made during the year 2021-22 proved excessive (by 10 lakh or more and less than or equal to savings/ excess) resulting in savings of ₹ 195.64 crore in eight Sub-heads as detailed in **Table 3.5**.

Table 3.5: Excess/ unnecessary/ insufficient re-appropriation

(₹ in lakh)

Sl. No.	Grant	Head of Account	Original	Supplementary	Re-appropriation	Final	
						Savings	Excess
1.	28	2055-00-001-01 Police Headquarter	14,957.10	0.00	8,651.96	15.00	-
2.	28	2055-00-001-05 Repair of Vehicle	3,500.00	0	3,178.98	268.63	-
3.	31	2202-01-101-02 Middle School	26,824	0.00	3,201.87	15.00	-
4.	31	2202-01-111-01 Sarva Shiksha Abhiyan	9,993.19	0.00	1,376.01	378.88	-
5.	52	4406-01-101-01 Nagaland Forest	0.00	34.00	-290.00	1,710.00	-

Sl. No.	Grant	Head of Account	Original	Supplementary	Re-appropriation	Final	
						Savings	Excess
		Management Project					
6.	55	4801-06-800-01 Rural Electrification Scheme	520.00	785.00	-2.70	1,302.30	-
7.	58	5054-04-337-02 Major District Roads	3,500.00	23,127.88	-9,950.00	7,772.26	-
8.	58	5054-04-337-01 PMGSY	8,998.00	21,790.69	-12,613.10	8,102.25	-
Total						19,564.32	

Source: Detailed Appropriation Accounts, 2021-22

Substantial savings of more than ₹ 0.10 crore in respect of Heads of Account where re-appropriation was resorted to or not made, reflects poorly on planning and monitoring of budget allocation and its utilisation by the State Government.

3.3.5 Unspent amount and surrendered appropriations and/ or Large Savings/ Surrenders

Complete accuracy of estimates may not always be possible; but where the omission or inaccuracy is the result of lack of forethought, neglect of the obvious or slipshod estimating, it is not readily excusable. The golden rule for all Estimating Officers should be to provide in the budget for everything that can be foreseen and to provide only as much as is necessary. The Administrative and Finance Departments should, in checking the estimates, apply unrelentingly the proven and well-tried check of average of previous actuals with known or reasonably foreseeable facts which may modify that average.

No object is served by keeping back savings which should ideally be surrendered in time. For this reason, appropriations which are likely to remain unspent must be reported for surrender as early as possible. If this is not done, other spending Departments are deprived of the funds which they could have utilised and thus avoidable demands for Supplementary Grants are preferred. Surrenders are being made generally in the month of March, and a careful study of figures of expenditure incurred and watch over the progress of last month's expenditure should enable a Controlling Officer to fix upon his final requirements with a reasonable degree of exactness.

When the need for surrender manifests itself, the Controlling Officers should carefully estimate the amounts that they can surrender. The aim should be to surrender as much as they can so as to keep the expenditure just within the modified Grant.

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls promote release of funds towards the end of the financial year, and increase the propensity of the Departments to retain huge balances outside the Government account in Bank Accounts. Excessive savings also deprives other Departments of the funds which they could have utilised.

The audit of Grants revealed that there was a total Savings of ₹ 3,953.16 crore, out of which Savings of ₹ 3,941.02 crore occurred in 42 Grants (*Appendix 3.3*) which exceeded ₹ one crore in each case or by more than 20 per cent of the Grant. Further, there were savings of ₹ 3,450.90 crore (savings were ₹ 50 crore and above in each case) in 13 Grants as shown in **Table 3.6**.

Table 3.6: List of Grants having large savings (savings above ₹ 50 crore) during the year
(₹ in crore)

Sl. No.	Number and name of the Grant	Total provision (O+S)	Expenditure	Saving/ Excess	Surrender
Revenue (Voted)					
1.	18-Pensions and Other Retirement Benefits	2,333.93	2,158.67	175.26	175.26
2.	21-Relief of Distress caused by Natural calamities	350.25	50.44	299.81	299.81
3.	26-Civil Secretariat	349.95	226.46	123.49	123.46
4.	27-Planning Machinery	140.34	42.31	98.03	98.03
5.	42-Rural Development	1,213.10	611.76	601.34	601.33
6.	48-Agriculture	364.78	178.45	186.33	186.26
7.	52-Forest, Environment and Wildlife	154.17	95.88	58.29	46.35
8.	72-Land Resources Development	88.38	20.97	67.41	67.39
Capital (Voted)					
1.	26-Civil Secretariat	141.47	25.07	116.40	116.40
2.	27-Planning Machinery	781.25	218.06	563.19	563.19
3.	32-Higher Education	92.83	5.71	87.12	87.12
4.	35-Medical, Public Health & Family Welfare	406.22	155.64	250.58	250.58
5.	58-Road and Bridges	723.72	379.18	344.54	185.79
6.	59-Water Resources	183.50	47.82	135.68	135.68
Revenue (Charged)					
1.	75-Servicing of Debt	1,061.37	932.09	129.28	129.28
Capital (Charged)					
1.	75-Servicing of Debt	8,164.31	7,950.16	214.15	214.15
Grand Total		16,549.57	13,098.67	3,450.90	3,280.08

Source: Appropriation Accounts, 2021-22 O-Original; S-Supplementary

It was observed that out of the above 13 Grants, in two Grants, there was persistent low utilisation (less than 50 per cent) in the last five years from 2017-18 to 2021-22. Details of utilisation of budgetary allocation in these two Grants are shown in **Table 3.7**.

Table 3.7: Budget utilisation less than 50 per cent (in 2021-22)

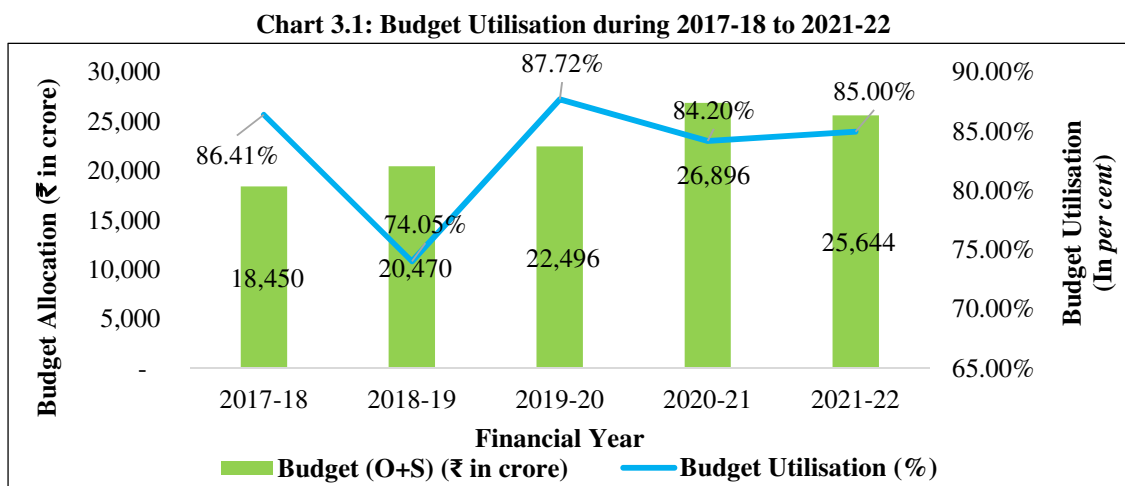
Grant	Budget utilisation during the years: (in per cent)					Number of years*	Budget 2021-22 (₹ in crore)	Total Budget for five years
	2017-18	2018-19	2019-20	2020-21	2021-22			
27-Planning Machinery	28.72	27.89	37.37	27.17	28.25	05	921.59	4,386.23
59-Water Resources	33.82	30.45	58.39	39.84	36.55	04	221.14	936.70

Source: Appropriation Accounts of respective years

* Number of years with utilisation below 50 per cent

It can be seen from **Table 3.7** that in Grant 59, low utilisation (less than 50 per cent) was in four out of five years. While in Grant 27, low utilisation (less than 50 per cent) was in all the five years. This is indicative of systemic issues that warrant a close review by the Government to enable initiation of corrective measures.

Utilisation of budgeted funds by the State has been sub optimal every year during the past few years. The extent of utilisation of budget during the five-year period from 2017-18 to 2021-22 is in **Chart 3.1**.

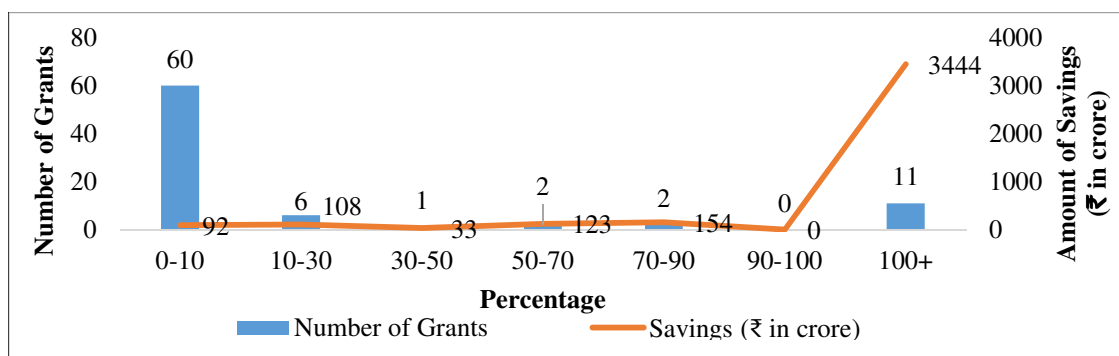


Source: Appropriation Accounts of the respective years

As can be seen from the **Chart 3.1**, utilisation of budget has been around 85 per cent during four of the last five years and has shown fluctuating trend, though it was minimum at around 74 per cent in 2018-19. Large amount of savings in allocated funds indicate both poor budget management/ estimation/ inaccurate assessment of requirement as well as inadequate capacity to utilise the funds for intended purposes.

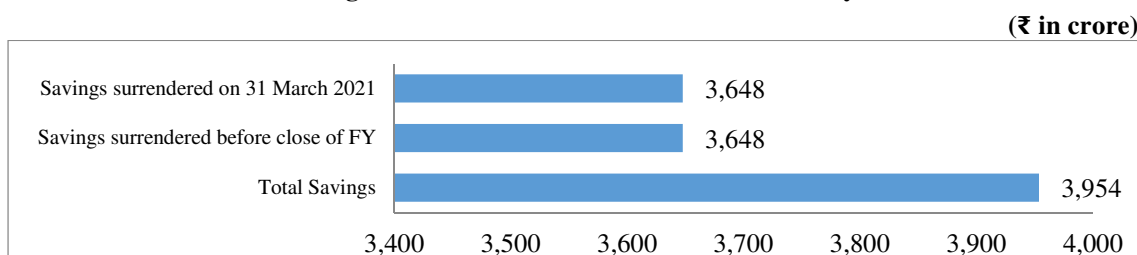
The distribution of number of Grants grouped by the percentage of savings for 2021-22 and the overall savings and surrenders before close of the financial year 2021-22, are depicted in **Chart 3.2** and **Chart 3.2**.

Chart 3.2: The distribution of the number of Grants grouped by the percentage of savings along with total savings in ₹ one crore in each group



Source: Appropriation Accounts, 2021-22

Chart 3.3: Savings and surrenders before close of financial year 2020-21



Source: Appropriation Accounts, 2021-22 and Surrender/ Re-appropriation orders for 2021-22

3.3.6 Excess expenditure and its regularisation

Article 205(1) (b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess. This implies that, it is mandatory for a State Government to get excesses over grants/ appropriations regularised by the State Legislature for the Financial Year.

3.3.6.1 Excess expenditure relating to 2021-22

During 2021-22, there was no excess disbursement over grants.

3.3.6.2 Persistent excesses in certain Grants

Examination of records revealed that there was no grant having persistent excesses during four out of five years during the five-year period of 2017-22, though excess during two years (2017-18 and 2019-20) was noticed in Grant No. 28 (Civil Police).

3.3.6.3 Regularisation of excess expenditure of previous financial years

Article 205 of the Constitution of India mandates the State Government to get the excess expenditure over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation was prescribed under this Article, excess expenditure was to be regularised after discussion of the Appropriation Accounts by the PAC. Administrative departments concerned are required to submit Explanatory Notes for excess expenditure to PAC through Finance Department.

Excess expenditure remaining un-regularised for extended periods dilutes legislative control over the executive. The details of the grant-wise excess expenditure relating to previous years requiring regularisation are given in **Table 3.8**.

Table 3.8: Excess expenditure relating to previous years (2017-21) requiring regularisation

(₹ in crore)

Year	Total Number of Grants	Amount of excess required to be regularised
2017-18	09	14.51
2018-19	01	0.01
2019-20	10	197.95
2020-21	3	1.48
Total		213.95

Source: Appropriation Accounts of respective years

During the period 2017-21, there was an excess expenditure of ₹ 213.95 crore under 22 Grants. This is in violation of Article 204 (3) of the Constitution, which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

3.4 Comments on effectiveness of budgetary and accounting process

3.4.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/ other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds which they could have utilised.

The summarised position of actual expenditure during 2021-22 against 82 Grants is given in **Table 3.9**.

Table 3.9: Summarised position of Actual Expenditure vis-à-vis Budget (Original/ Supplementary) provisions during the financial year

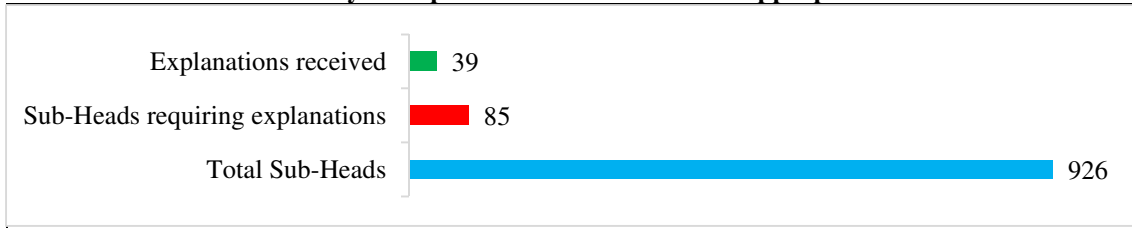
(₹ in crore)

	Nature of expenditure	Original Grant	Supplementary Grant	Total	Actual expenditure	Net of Savings (-)	Surrender during March	
							Amount	per cent
Voted	I. Revenue	12,595.87	262.82	12,858.69	10,872.54	(-)1,986.16	1,964.91	98.93
	II. Capital	2,360.29	1,155.65	3,515.94	1,893.14	(-)1,622.80	1,429.32	88.08
	III. Loans and Advances	2.98	0.14	3.12	2.91	(-) 0.22	0.22	100
	Total	14,959.14	1,418.62	16,377.75	12,768.59	(-) 3,609.17	3,394.45	94.05
Charged	IV. Revenue	1,099.01	2.97	1,101.98	971.69	(-) 130.30	130.30	100
	V. Capital	0.00	0.41	0.41	0.41	0.00	0.00	0
	VI. Public Debt- Repayment	6,758.46	1,405.85	8,164.31	7,950.16	(-)214.14	122.93	57.41
	Total	7,857.47	1,409.23	9,266.70	8,922.26	(-) 344.44	253.23	78.70
Appropriation to Contingency Fund		--	--	--	--	--	--	--
Grand Total		22,816.61	2,827.85	25,644.45	21,690.85	(-)3,953.61	3647.68	92.26

Source: Appropriation Accounts, 2021-22

Overall Savings of ₹ 3,953.61 crore (15.42 per cent of Total Allocation) was the result of Savings in 78 Grants under Revenue Section and 30 Grants under Capital Section. During the year, the amount surrendered was 92.26 per cent of overall Savings.

The Savings/ Excess (Detailed Appropriation Accounts for the year 2021-22) were intimated to all the 82 Controlling Officers requesting them to explain the significant variations. The Controlling Officers of 21 Departments of the State furnished their replies before finalisation of the Appropriation Accounts 2020-21. However, no valid reasons for the Savings/ Excess were explained or explicitly stated by any of the Departments. The status is given in **Chart 3.4**.

Chart 3.4: Summary of Explanation for Variation in Appropriation Accounts

Source: VLC data of AG (A&E)

The trend in percentage of overall saving/excess against overall provision in the budget for the last five years from 2017-18 to 2021-22 is detailed in **Table 3.10**.

Table 3.10: Original Budget, Revised Estimates and Actual Expenditure during 2017-22

	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Original Budget	16,375.43	18,315.76	18,026.11	21,068.85	22,816.61
Supplementary Budget	2,074.48	2,154.21	4,470.31	5,826.79	2,827.84
Revised Estimates	18,849.91	20,469.97	22,496.42	26,895.64	25,644.46
Actual Expenditure	15,942.27	15,158.19	19,733.64	22,645.88	21,690.85
Saving /excess	(-)2,507.64	(-)5,311.78	(-)2,762.78	(-) 4,249.76	-3,953.61
Percentage of Savings	13.30	25.95	12.28	15.80	-15.42

Source: Appropriation Accounts of respective years

It could be seen from the table above that there was overall savings in all the years during the five-year period of 2017-22. The percentage of savings with respect to the revised estimates ranged between 12.28 and 25.95 during the period.

3.4.2 Supplementary budget and opportunity cost

At times, while obtaining supplementary provision, the Departments report to legislature large additional requirement for different purposes under various schemes/ activities; but finally they are unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. As a result, the un-utilised funds could not be made use of. At the same time, some of the schemes remained incomplete due to want of funds. Thus, the intended benefit of the unfinished schemes could not be extended to the public at large in such cases. Further, this leads to escalation of project cost.

The Government also announces several new policies/schemes for implementation through the Finance Minister (FM) Budget Speech and other budget documents which is either for that Financial Year *i.e.*, one-time activity or is of recurring nature. Broadly, all the schemes, budget allocation thereon, timeframe of their completion and intended benefit announced by Government can be gathered from the Budget Speech of the FM. Actual figures related to expenditure with funding pattern *i.e.*, from the State's own resources or from Central Government assistance or through debt may be gathered from the Finance Accounts of the State. Of these, several schemes/ programmes declared by the Government do not typically get operationalised due to lack of preparatory work and/or lack of adequate allocation of budget.

During the year, it was noticed that in 14 major grants (savings of more than one crore or more than 20 *per cent* of the total provisions), the total budget provisions of ₹ 2,829.10 crore (Capital/ voted) proved unnecessary/ excessive as the actual expenditure

of ₹ 1,501.22 crore did not come up to the total budget provisions resulting in ₹ 1,327.89 crore un-utilised funds under these grants as detailed in **Table 3.11**.

Table 3.11: List of grants with un-utilised fund during 2021-22

(₹ in crore)						
Sl. No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Un-utilised funds
Capital (Voted)						
1.	12-Treasury and Accounts Administration	1.50	0.65	2.15	1.50	0.65
2.	26-Civil Secretariat	141.47	0.00	141.47	25.07	116.40
3.	27-Planning Machinery	781.25	0.00	781.25	218.06	563.19
4.	32-Higher Education	92.83	0.00	92.83	5.71	87.12
5.	35- Municipal, Public Health and Family welfare	795.31	0.00	795.31	766.86	28.46
6.	39-Tourism	0.50	10.65	11.15	2.19	8.96
7.	47-Legal Metrology and Consumer Protection	2.80	0.00	2.80	1.00	1.80
8.	52-Forest, Ecology, Environment and Wildlife	0.00	34.36	34.36	14.00	20.36
9.	54-Mineral Development	2.00	0.84	2.84	1.84	1.00
10.	58-Road and Bridges	171.98	551.74	723.72	379.18	344.54
11.	59-Water Resources	183.50	0.00	183.50	47.82	135.68
12.	65-State Council of Education Research and Training	16.00	0.00	16.00	8.76	7.24
13.	73-State Institute of Rural Development	1.40	2.00	3.40	1.40	2.00
14.	77-Development of Underdeveloped Areas	38.32	0.00	38.32	27.83	10.49
Total		2,228.86	600.24	2,829.1	1,501.22	1,327.89

Source: Appropriation Accounts, 2021-22

Further, as per Finance Accounts, there were 16 incomplete scheme/ projects which require further allocation of funds for their completion. The details of such schemes/ projects having estimated cost more than ₹ 50 crore are shown in **Table 3.12**.

Table 3.12: List of incomplete scheme/projects at the end of 2021-22

(₹ in crore)							
Sl. No.	Name of Scheme/ Project (having estimated cost of ₹ 50 crore or more)	Estimated cost of scheme/ project	Year wise funds allocated up to 2022	Scheduled date of completion	Expenditure as of 31 March 2021	Physical progress of the work	Funds required for completion of remaining work (as per revised estimates)
1.	Construction of Road	83.99	53.62	NA	53.62	NA	30.37
2.	Construction and upgradation of Longleng-Ladaigarh Road	79.49	73.63	NA	73.63	96	5.86
3.	Staff Quarter at Dwarka phase-I	62.29	38.10	2020-21	38.10	90	24.19
4.	Staff Quarter at Dwarka phase-II	54.09	41.12	2020-21	41.12	90	12.97

Sl. No.	Name of Scheme/ Project (having estimated cost of ₹ 50 crore or more)	Estimated cost of scheme/ project	Year wise funds allocated up to 2022	Scheduled date of completion	Expenditure as of 31 March 2021	Physical progress of the work	Funds required for completion of remaining work (as per revised estimates)
5.	Integrated Road & Multilevel Parking Project in Kohima	50.42	10.20	2011-12	10.20	20.22	40.22
6.	Housing for Urban Poor in Dimapur under IHSDP	87.74	36.63	2011-12	36.63	41.75	51.11
7.	220kv D/C T/L from Dimapur to Zhadima	108.16	87.83	2020-21	87.83	92	20.33
8.	Permanent Hqrs for 9 th NAP(IR) Bn at Saijang under HUDCO	72.99	68.43	NA	68.43	94	4.56
9.	Permanent Hqrs for 10 th NAP (IR) Bn at Zhadima under HUDCO	68.63	38.76	2009-10	38.76	98	29.87
10.	Permanent Hqrs for 11 th NAP (IR) Bn at Aboi under HUDCO	93.88	8.00	2014-15	8.00	26	85.88
11.	Permanent Hqrs for 12 th NAP (IR) Bn at Chingtok Under HUDCO	97.88	8.00	2014-15	8.00	26	89.88
12.	Permanent Hqrs for 13 th NAP (IR) Bn at Yachang Under HUDCO	98.43	14.00	2014-15	14.00	15	84.43
13.	Permanent Hqrs for 14 th NAP (IR) Bn at Okhezong Under HUDCO	121.19	8.00	2014-15	8.00	15	113.19
14.	Permanent Hqrs for 15 th NAP (IR) Bn Mahila at Mpetsa Under HUDCO	109.31	87.79	2009-10	87.79	22	21.52
15.	Multi Disciplinary Sports Complex, Dimapur	134.99	81.99	2011-12	81.99	60	53.00
16.	270 Nos of Surface Minor Irrigation Project under PMKSY- Har Khet ko Pani	206.85	0.00	2021-22	0.00	0.00	206.85
Total		1530.33	656.10		656.10		874.23

Source: Appendix IX, Finance Accounts – Vol. II, 2021-22

As can be seen from **Table 3.12**, out of the total estimated/ revised cost of ₹ 1,530.33 crore in respect of 16 projects/ schemes, an amount of ₹ 656.10 crore (43 per cent) was required for completion of these projects/ schemes. The State

Government may devise a mechanism to avoid savings in certain grants which could be utilised for completion of these incomplete projects/ schemes on time.

3.4.3 Re-appropriation of Grants

The various provisions related to the re-appropriation are given in *Paragraph 3.3.5*. Scrutiny of re-appropriation orders and Detailed Appropriation Accounts showed that:

- i. Out of 82 grants, re-appropriation was done in 60 grants during 2021-22. The re-appropriation orders were issued (March 2022) by the Finance Department, GoN, without specifying the reasons for re-appropriations.
- ii. In 29 Grants, there was no budget provision (both original grant and supplementary) in 81 Sub Heads and the final provision/ grant was due to re-appropriations within the respective grants only. However, expenditure was incurred in all Sub Heads.
- iii. All the re-appropriation orders were issued on the last working day of the year (31 March 2022).
- iv. In 18 Grants, re-appropriations were made from Supplementary Grants in 23 Sub-Heads as there was no original provision in these Sub-Heads. In five cases, the entire fund under supplementary grants was re-appropriated. This ultimately resulted in defeating the objective of supplementary grant which was voted for a definite purpose.

3.4.4 Review of selected Grant

Review of a selected Grant (Grant No. 32 – Higher Education) was done to ascertain compliance with budgeting processes, monitoring of funds, control mechanisms and implementation of the schemes within the grant, persistent diversion of funds for other purposes, etc.

Summarised position of Budget Provision and Actual Expenditure during 2021-22 in respect of the Grant is given in **Table 3.13**.

Table 3.13: Summarised position of Budget Provision and Actual Expenditure

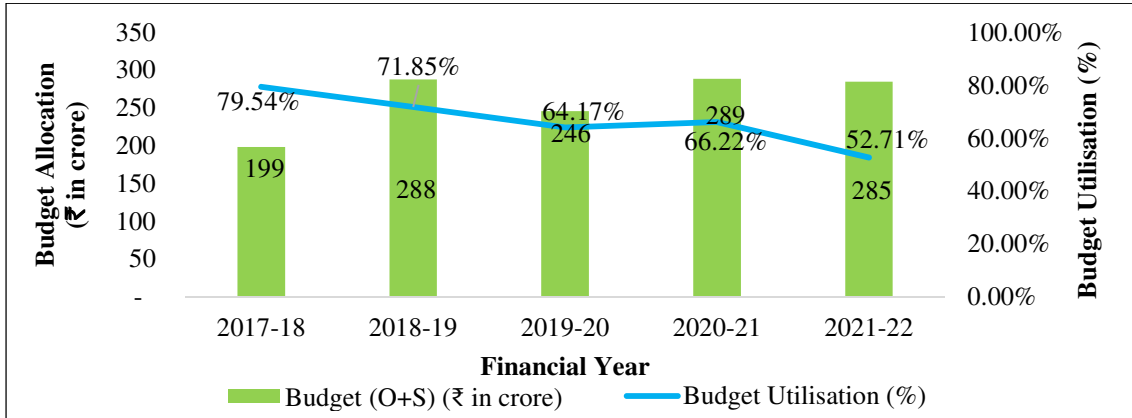
Nature of Expenditure	Budget Provision			Actual Expenditure	Saving(-) / Excess(+)
	Original	Supplementary	Total		
Revenue	192.16	0.00	192.16	144.52	(-) 47.64
Capital	92.83	0.00	92.83	5.71	(-) 87.12
Total	284.99	0.00	284.99	150.23	(-) 134.76

Source: Appropriation Accounts of respective years

Table 3.13 shows that during the year 2021-22, there was overall savings of ₹ 134.76 crore representing 47.29 per cent of the total Budget Provision as a result of savings under both Revenue (₹ 47.64 crore) and Capital (₹ 87.12 crore) heads.

Utilisation of budgeted funds by the Department has been minimal every year during the past few years. The extent of utilisation of budget during the five-year period from 2017-18 to 2021-22 is shown in **Chart 3.5**.

Chart 3.5: Budget Utilisation during 2017-18 to 2021-22



Source: Appropriation Accounts of the respective years

As can be seen from **Chart 3.5**, utilisation of budget has decreased during the last five years and has shown fluctuating trend, though it was maximum at around 80 per cent in 2017-18. Large amount of savings in allocated funds indicate both inaccurate assessment of requirement as well as inadequate capacity to utilise the funds for intended purposes.

Budget provision sought and obtained by the Department far in excess of actual requirement and inability to utilise, deprives allocation of resources to priority sectors and also leads to poor legislative control over public finances.

3.4.4.1 Transfers not mandated by the Appropriation Act/ Detailed Demands for Grants (into Public Account/ Bank Accounts)

The Appropriation Act authorises incurrence of expenditure under specified Grants, during the financial year. Hence transfer of amounts from the Consolidated Fund of the State into Public Account heads or into bank accounts is not authorised through the Appropriation Act.

During 2021-22, an amount of ₹ 3.40 crore was drawn by the Department for implementation of scheme and kept in Civil Deposits. The Department did not incur any expenditure from the amount drawn during the year. The balance funds of ₹ 20.83 crore (including the amount of ₹ 17.43 crore pertaining to previous year) was still lying in Civil Deposits as on 31 March 2022.

The funds drawn and kept in Civil Deposits and in bank accounts were shown as utilised by the respective DDOs and thus, the expenditure was artificially inflated to that extent, without actual expenditure having been incurred under the programme/ scheme, in contravention of the financial rules.

3.4.4.2 Persistent Savings

Persistent savings over a period of five years or more indicated that the basic assumptions behind the overall budget formulation process were not realistic and there was lack of proper assessment as well as prudent utilisation of the allocated budgetary provision.

There was persistent Savings of more than ₹ 50 lakh in both Revenue and Capital head and also 50 per cent or more in Capital head of the total Grant during the last five years (**Table 3.14**):

Table 3.14: Details of Savings during 2017-22

(₹ in crore)

No. and Name of the Grant	Amount of Savings					
	2017-18	2018-19	2019-20	2020-21	2021-22	
32- Higher Education						
Revenue-Voted	Amount	35.63	7.24	74.04	42.92	47.64
	Percentage	18.89	3.58	36.51	20.62	24.79
Capital-Voted	Amount	5.00	73.87	14.05	54.59	87.12
	Percentage	50.00	85.89	32.64	67.79	93.85

Source: Appropriation Accounts of respective years

During the five-year period of 2017-22, there were persistent Savings in the reviewed Grant, which indicates poor budgeting, shortfall in performance or both, as funds could not be utilised as estimated on activities planned by the Department concerned.

Reason for persistent Savings had not been intimated (March 2022) by the Department.

3.4.4.3 Unexplained Re-Appropriations

According to Financial Rules, reasons for additional expenditure and savings should be explained in the re-appropriation statement and specific reasons should be given and expressions such as “based on actual requirements”, “based on trend of expenditure”, etc., should be avoided.

However, scrutiny of re-appropriation orders issued by the Finance Department revealed that re-appropriation of ₹ 3.03 crore under Revenue head and ₹ 2.51 crore under Capital head was done on the last day of the financial year without stating specific reasons for withdrawal of provision or additional provision by way of re-appropriation of funds.

3.4.4.4 Substantial Surrenders

Substantial surrenders (more than 50 per cent of total provision was surrendered) were made in respect of three Sub-Heads. Out of the total provision amounting to ₹ 158.04 crore in those Sub-Heads, ₹ 133.82 crore (84.68 per cent) was surrendered, which included 100 per cent surrender under three Sub-Heads as detailed in **Table 3.15**.

Table 3.15: Details of Sub-Heads with substantial surrenders during 2021-22

(₹ in crore)

Sl. No.	Head of Account	Total Grant/ Appropriation	Amount Surrendered	Percentage of surrender
1.	2202-03-001-01 (Direction)	3.00	2.00	66.67
2.	2202-03-800-01 (Rashtriya Uchchattar Siksha Abhiyan)	17.41	17.41	100.00
3.	2225-02-277-01-01 (Post Matric Scholarships)	48.00	24.78	51.63
4.	4202-01-203-01 (Building)	4.63	4.63	100
5.	4202-01-203-02 (Rashtriya Uchchattar Siksha Abhiyan /CSS)	85.00	85.00	100
Total		158.04	133.82	63.74

Source: Detailed Appropriation Accounts, 2021-22

The circumstances prompting the Department to surrender the funds were neither stated nor on record.

3.5 Conclusion

During 2021-22, against the total budget approved by the State Legislature of ₹ 25,644.46 crore (Original: ₹ 22,816.61 crore *plus* Supplementary: ₹ 2,827.84 crore), Departments incurred an expenditure of ₹ 21,690.85 crore, leaving a savings of ₹ 3,953.61 crore (15.42 *per cent* of the total budget).

It is indicative that the Supplementary Grant of ₹ 2,827.84 crore was not required as the gross expenditure was ₹ 1,125.76 crore less than the Original Provisions. It is pertinent to mention that Supplementary Grant was taken on 22nd March 2022 and total expenditure as on February 2022 was only ₹ 18,504.22 crore as per monthly civil accounts submitted by the Treasuries, leaving ₹ 4,312.39 crore with the State Government for the remaining 31 days. With the Supplementary Grant, total funds available with the State Government were ₹ 7,140.23 crore. This was indicative of over estimation and poor financial management. During the year, an expenditure of ₹ 0.35 crore was incurred without budget provision which is violative of financial regulations as well as the will of the Legislature.

Thus, the Supplementary Grants/ Appropriations were obtained without adequate justification, and funds were expended without budgetary provision. Despite flagging this issue every year over the last several years, the State Government had failed to take corrective measures in this regard.

There was an overall savings ₹ 3,953.61 crore which was 15 *per cent* of total Grants/ Appropriations and 18 *per cent* of the expenditure. These savings may be seen in context of estimation of Receipts of ₹ 22,451.28 crore by the State Government and estimation on the expenditure side being ₹ 25,644.46 crore during the year 2021-22. This implied that the savings were notional, as the funds were not actually available for expenditure.

At the beginning of the year 2021-22, there was an outstanding excess expenditure of ₹ 2,13.95 crore under 22 Grants (pertaining to the year 2017-18 to 2020-21) which requires regularisation as per the Article 205 of the Constitution of India.

Review of Higher Education Department (Grant No. 32) revealed persistent savings, unexplained Re-appropriation and substantial surrenders.

3.6 Recommendations

- Departments, which had incurred excess expenditure persistently should be identified to closely monitor their progressive expenditure and advised to seek supplementary grants/ re-appropriations in time.
- The Finance Department may provide supplementary grants only after proper scrutiny and realistic assessment of requirements of the concerned Departments, to avoid under or over spending by them.
- Excess expenditure pending regularisation, may be regularised by obtaining legislative approval.

CHAPTER IV

*QUALITY OF ACCOUNTS AND
FINANCIAL REPORTING
PRACTICES*

Chapter IV: Quality of Accounts and Financial Reporting Practices

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

Issues related to completeness of accounts

4.1 Funds outside Consolidated Fund or Public Account of the State

Article 266 (1) subject to the provisions of Article 267, provides that all revenues received by the Government of a State, all loans raised by issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one Consolidated Fund of the State. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to Public Account of the State, as the case may be.

It was observed that funds meant to be credited to consolidated fund or public account are not credited or credited to bank accounts. The instances are discussed below:

4.1.2 Funds of regulators outside Government Account

The Regulatory Authorities, are 'State' within the meaning of Article 12 of the Constitution. Money being received by them are on account of discharge of functions 'on behalf of the Government'. Hence, their Funds need to be housed in the Public Account of India/ States. This is the settled position of the CAG, Ministry of Finance and Ministry of Law for the GoI.

The status of funds of Nagaland State Electricity Regulatory Commission (NSERC) is shown in **Table 4.1**.

Table 4.1: Details of Regulator and the Funds

Name of the Regulatory Authority	Constitution of Fund under Nagaland Electricity Regulatory Commission Fund Rules, 2008	Amount outstanding towards Government
NSERC	The Fund shall be maintained with the State Bank of India, Kohima as the main accounts and subsidiary accounts at such other branches of said bank. The Fund shall comprise of all revenues including the grants and loans from the State Government, the fees and other sum.	As per the latest finalised accounts for the year 2017-18, total amount of the Fund was ₹ 13.53 lakh, which remained outside Government Account.

Source: Latest finalised accounts

4.2 Non-discharge of interest liability

The State Government is liable to pay/ adjust interest of balances under category J-Reserve Funds (a. Reserve Funds bearing interest) and K-Deposits and Advances

(a. Deposits bearing interest), and for this purpose, specific Sub-Major Heads are provided in the List of Major and Minor Heads of Account issued by Controller General of Accounts, Department of Expenditure, Ministry of Finance, GoI.

As on 01 April 2021, the balance under K-Deposits (8342-117 Defined Contribution Pension Scheme for Government Employees) was ₹ 185.61 crore. The interest to be paid for 2021-22 by the State Government works out to ₹ 13.18 crore¹⁹. However, the State Government paid only ₹ 6.34 crore resulting in short payment of the interest of ₹ 6.84 crore. This resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent besides creating uncertainty on the returns to be accrued to the deductees.

4.3 Funds transferred directly to State implementing agencies

Government of India transfers substantial funds directly to State Implementing Agencies/ Non-Governmental Organisations for implementation of various schemes and Programmes. These transfers are exhibited in Appendix VI of Volume II of the Finance Accounts.

During the year 2021-22, GoI funds amounting to ₹ 1,075.95 crore were directly transferred to the Implementing Agencies. Details of major amount of funds transferred directly to Implementing Agencies are shown in **Table 4.2**.

Table 4.2: Funds transferred by GoI directly to State implementing agencies during 2021-22
(₹ in crore)

Name of the Schemes/ Programme	Name of the Implementing Agencies	Fund released
Pradhan Mantri Kishan Samman Nidhi	Department of Agriculture, Nagaland	121.66
National AIDS and STD Control Programme (NACO)	Nagaland State AIDS Control Society	43.64
Jal Jeevan Mission (JIM)/ National Rural Drinking Water Mission	State Water & Sanitation Mission	222.41
Organic Value Chain Development for North East Region	Nagaland Organic Mission	21.14
North East Road Sector Development Scheme	Chief Engineer PWD (R&B), Nagaland	172.75
Mahatma Gandhi National Rural Guarantee Programme	NREGA Commissionate of Nagaland	310.64
Total		892.24

Source: Public Financial Management System (PFMS) portal of Controller General of Accounts for State Accounts (2021-22).

It can be seen from **Table 4.2** that out of ₹ 1,075.95 crore transferred directly by GoI during 2021-22, ₹ 892.24 crore (82.93 per cent) was given for implementation of six major Schemes.

However, audit scrutiny showed that out of ₹ 1,075.95 crore, an amount of ₹ 876.04 crore was transferred to Government Departments and some of those schemes/ programmes were Direct Benefit Transfer schemes/ programmes. Thus, during the year, an amount of ₹ 199.91 crore was directly transferred to the implementing agencies and the same was routed outside State Budget.

¹⁹ Interest calculated at the rate of 7.10 per cent notified by Government/ payable to General Provident Fund

Issues related to transparency

4.4 Delay in submission of Utilisation Certificates

The General Financial Rules provide that every order sanctioning a grant would specify its objective clearly and time limit within which the grant is to be spent. The Departmental officers drawing the Grants-in-Aid would be primarily responsible for certifying to the Accountant General, where necessary, the fulfillment of the conditions attached to the grant and submission of certificate (Utilisation Certificate) in such form and at such interval as may be agreed between the Accountant General (Accounts and Entitlements) and the Head of the Department concerned.

Rule 238 (1) of General Financial Rules, 2017 stipulates that a grantee Organisation or Institution getting non-recurring grants is required to submit a certificate of actual utilisation of the grants received for the purpose for which it was sanctioned in Form GFR 12-A within twelve months.

Non-submission of the Utilisation Certificates (UCs) means that the authorities have not explained as to whether the funds were spent and if it has been spent, whether it has been spent for the intended purpose. This assumes greater importance if such UCs are pending against Grants-in-Aid meant for capital expenditure. Since non-submission of UCs is fraught with the risk of misappropriation, it is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

During the year 2021-22, 61 grants involving ₹ 81.80 crore were provided to 16 Departments for which UCs are due for submission during the year 2022-23. As on March 2022, there were 149 UCs worth ₹ 316.34 crore, which were due for submission for periods pertaining up to 2021-22.

Tables 4.3 and **4.4** present the age-wise arrears and department-wise break-up of outstanding UCs. Outstanding UCs in respect of 10 major Departments is also given in **Chart 4.1**. Details of Department-wise outstanding UCs up to 2021-22 is shown in **Appendix 4.1**.

Table 4.3: Age-wise arrears in submission of UCs

Year	Opening Balance		Addition		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Upto 2019-20	187	760.72	91	77.61	83	382.13	195	456.20
2020-21	195	456.20	78	212.60	22	59.73	251	609.07
2021-22	251	609.07	61*	81.80	102	292.73	149#	316.34

Source: Finance Accounts, 2021-22

*UCs for GIA disbursed during 2021-22 become due only during 2022-23.

excluding the GIA given during 2021-22

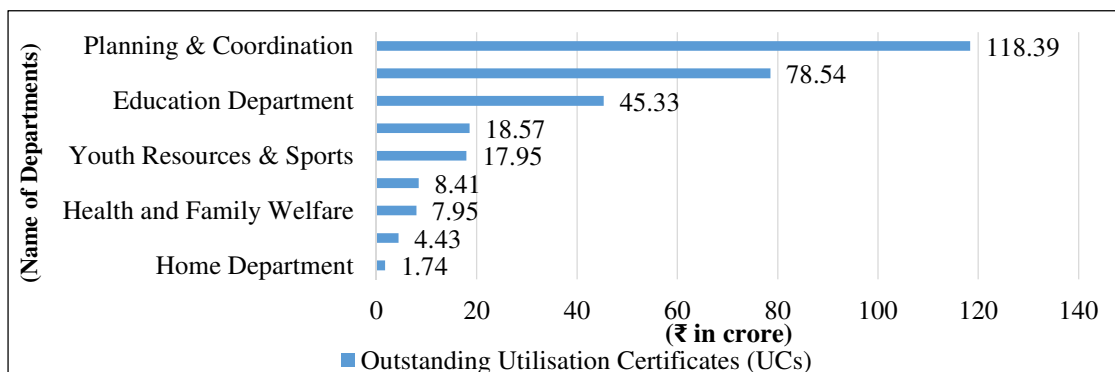
Table 4.4: Year-wise break up of outstanding UCs

Year	Number of UCs	Amount
2011-12	3	5.15
2012-13	5	9.65
2013-14	7	99.16
2014-15	14	75.23

Year	Number of UCs	Amount
2015-16	12	22.8
2016-17	7	4.5
2017-18	12	9.72
2018-19	9	16.83
2019-20	40	28.99
2020-21	40	44.31
Total	149	316.34

Source: Information furnished by PAG (A&E)

Chart 4.1: Outstanding UCs in respect of 10 major Departments for grants paid up to 2021-22



Source: Information furnished by Office of the PAG (A&E), Nagaland

As can be seen from **Chart 4.1**, major defaulting departments, which had not submitted the UCs, were Planning and Coordination, Rural Development, Education Department and Social Security & Welfare.

Thus, pending UCs violate prescribed financial rules and directives, and reflects poorly on monitoring mechanism of the State Government. Moreover, high pendency of UCs is fraught with risk of misappropriation of funds. The State would also lose out on central funds for want of UCs in due time.

4.5 Abstract Contingent Bills

The drawal of contingent charges on items of expenditure by a State Government, for which final classification and supporting vouchers is not available at the time of drawal are made on 'Abstract Contingent' (AC) Bills. Initially made as advance, its subsequent adjustments are ensured through submission of Detailed Countersigned Contingent (DCC) bills within a stipulated period of drawal of AC bill. DCC bill consists of abstract of expenditure along with sub-vouchers for amount drawn through AC bill. DDOs are required to present DCC bills duly countersigned by the Controlling Officer in all these cases within period prescribed in State Treasury Rules.

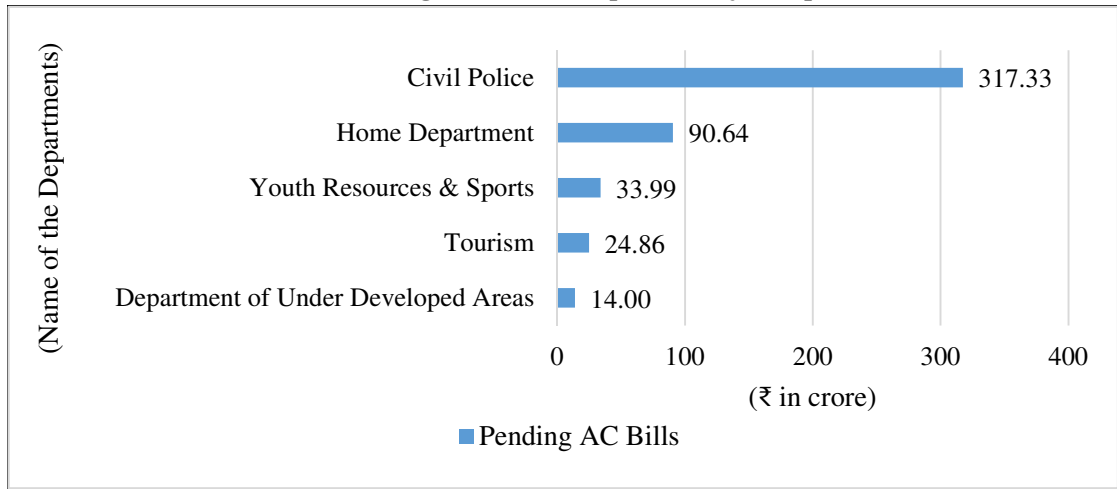
Expenditure against AC bills at the end of the year indicates poor public expenditure management and may point to the drawal being done primarily to exhaust the budget provision. Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DCC bills. Further, to the extent of non-receipt of DCC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final.

During 2021-22, 28 AC bills amounting to ₹ 22.83 crore were drawn and no DCC bills against the drawal of these bills has been submitted before the closing of the accounts

for the financial year 2021-22 and, therefore, there is no assurance that the expenditure of ₹ 22.83 crore has actually been incurred during the financial year for the purpose for which it was authorised by the Legislature. In addition to this, 307 AC bills amounting to ₹ 510 crore drawn up to 2020-21 were also outstanding as on 31 March 2022. Thus, 335 AC bills involving ₹ 532.83 crore were outstanding as of March 2022. Advances drawn and not accounted for increases the possibility of wastage/ misappropriation/ malfeasance, etc.

Department-wise pending AC bills for the years up to 2021-22 is detailed in **Appendix 4.2**. Status of pending AC bills (amount above ₹10 crore) in respect of five major departments is given in **Chart 4.2**.

Chart 4.2: Pending AC Bills in respect of major Departments



Source: Information furnished by PAG (A&E)

Year-wise details of pendency of AC bills for the years up to 2021-22 are shown in **Table 4.5**.

Table 4.5: Year wise progress in submission of DCC bills against the outstanding AC bills

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2019-20	291	526.77	125	96.22	37	74.30	379	548.69
2020-21	379	548.69	23	43.48	29	29.87	373	562.30
2021-22	373	562.30	28	22.83	66	52.53	335	532.83

Source: Finance Accounts, 2021-22 and information furnished by PAG (A&E)

The above details clearly indicate that the Drawing and Disbursing Officers and Treasury Officers concerned failed to ensure compliance with the extant Central Treasury Rules and that AC Bills were drawn without adjustment of previously drawn AC Bills. Thus, there was an environment of financial indiscipline, which calls for action against the officers responsible for the lapse in this regard.

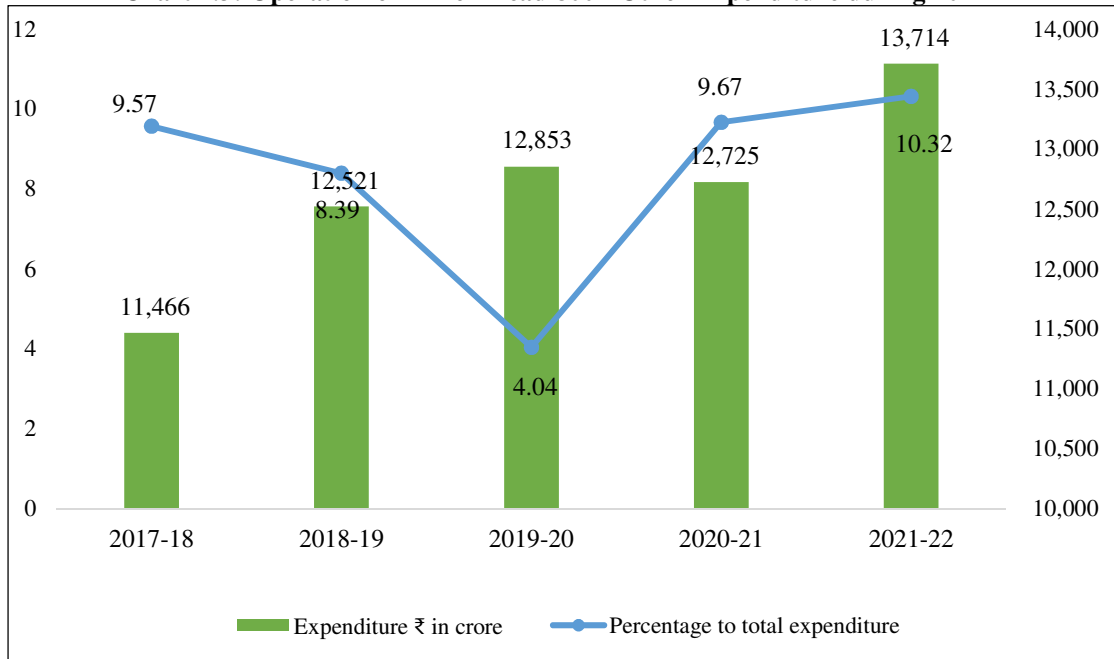
4.6 Indiscriminate use of Minor Head 800

Minor Head 800- Other Expenditure/ Other Receipts is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head-800 is to be discouraged, since it renders the accounts opaque. During the

year, expenditure of ₹ 1,415.60 crore under 47 Revenue and Capital Major Heads, constituting 10.32 per cent of Total Expenditure of ₹ 13,713.54 crore was booked under Minor head 800-Other Expenditure. Similarly, receipts of ₹ 283.98 crore under 40 Revenue Major Heads, constituting about 2.11 per cent of Revenue Receipts of ₹ 13,451.14 crore was booked under Minor Heads 800-Other Receipts under concerned Major Heads.

The quantum of expenditure booked under Minor Head 800 showed mixed trend during the five-year period 2017-22. The extent of operation of Minor Head 800 for Other Expenditure, as a percentage of Total Expenditure during 2017-22 is given in **Chart 4.3**.

Chart 4.3: Operation of Minor Head 800 - Other Expenditure during 2017-22



Source: Finance Accounts of respective years

Chart 4.3 shows that the share of operation of Minor Head 800-Other Expenditure in Total Expenditure ranged from 4.04 to 10.32 per cent during the five-year period. Instances of substantial proportion (50 per cent or more) of the expenditure within a given Major Head, classified under the Minor Head 800 – ‘Other Expenditure’, are given in **Table 4.6**.

Table 4.6: Significant expenditure booked under Minor Head 800–Other Expenditure during financial year

(₹ in lakh)

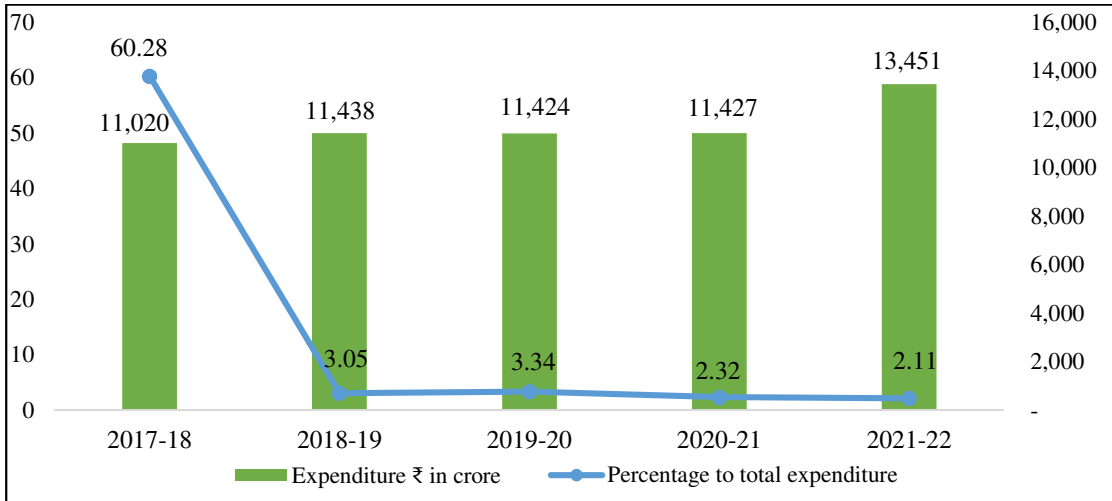
Major Head	Description	Expenditure under Minor Head 800	Total Expenditure	Per cent
2216	Housing	3,159.82	3,159.82	100.00
2552	North Eastern Areas	195.20	195.20	100.00
4070	Capital Outlay on Other Administrative Services	40.82	40.82	100.00
4220	Capital Outlay on Information and Publicity	8.40	8.40	100.00
4235	Capital Outlay on Social Security and Welfare	751.11	751.11	100.00
4401	Capital Outlay on Crop Husbandry	848.34	848.34	100.00
4408	Capital Outlay on Food, Storage & Warehousing	492.68	492.68	100.00
4552	Capital Outlay on North Eastern Areas	617.50	617.50	100.00
4575	Capital Outlay on Other Special Areas Programme	6,402.14	6,402.14	100.00

Major Head	Description	Expenditure under Minor Head 800	Total Expenditure	Per cent
4702	Capital Outlay on Minor Irrigation	4,709.37	4,709.37	100.00
4853	Capital Outlay on Non-Ferrous Mining & Metallurgical Industries	184.00	184.00	100.00
5053	Capital Outlay on Civil Aviation	1,149.70	1,149.70	100.00
5055	Capital Outlay on Road Transport	736.35	848.51	86.78
4215	Capital Outlay on Water Supply and Sanitation	18,506.66	21,599.70	85.68
4801	Capital Outlay on Power Project	7,050.77	8,541.77	82.54
3055	Road Transport	5,932.77	7,365.50	80.55
2501	Special Programmes for Rural Development	7,284.99	9,381.70	77.65
4210	Capital Outlay on Medical and Public Health	10,000.00	15,563.69	64.25
2515	Other Rural Development Programme	13,367.75	21,772.34	61.40
4059	Capital Outlay on Public Works	11,810.00	21,736.28	54.33
Total		93,248.37	1,25,368.57	74.38

Source: Finance Accounts, 2021-22

The extent of operation of Minor Head 800 for Other Receipts, as a percentage of Total Expenditure during 2017-22 is given in **Chart 4.4**.

Chart 4.4: Operation of Minor Head 800 - Other Receipts during 2017-22



Source: Finance Accounts of the respective years

Similarly, the quantum of receipts booked under Minor Head 800 was higher compared to expenditure, and ranged between 2.11 per cent in 2021-22 and 60.28 per cent in 2017-18. Instances of substantial proportion (50 per cent or more) of the expenditure within a given Major Head, classified under the Minor Head 800-‘Other Receipts’, are given in **Table 4.7**.

Table 4.7: Significant receipts booked under Minor Head 800 – Other Receipts during 2021-22
(₹ in lakh)

Major Head	Receipt under Minor Head- 800	Total Receipt under Major Head concerned	Per cent
0047- Other Fiscal Service	0.34	0.34	100
0217- Urban Development	1.19	1.19	100
0235- Social Security and Welfare	628.33	628.33	100
0250- Other Social Service	3.88	3.88	100
0405- Fisheries	1.77	1.77	100
0552- North Eastern Areas	0.33	0.33	100
0801- Power	21,192.03	21,192.03	100

Major Head	Receipt under Minor Head- 800	Total Receipt under Major Head concerned	Per cent
1425- Other Scientific Research	2.54	2.54	100
1452- Tourism	38.64	38.64	100
0042- Taxes on Goods and Passengers	2,120.11	2,143.37	98.91
1053- Civil Aviation	602.04	611.89	98.39
0425- Co- Operation	176.52	179.60	98.29
1055- Road Transport	516.44	544.94	94.77
0403- Animal Husbandry	51.35	58.37	87.97
0406- Forestry and Wildlife	1,672.30	1,906.79	87.70
0435- Ecology and Environment	4.57	5.26	86.88
0401- Crop Husbandry	7.45	9.26	80.45
0059- Public Works	14.43	20.47	70.49
0043- Taxes and Duties on Electricity	495.38	777.45	63.72
0055- Police	102.56	185.97	55.15
Total	27,632.20	28,312.42	97.60

Source: Finance Accounts, 2021-22

It was observed that during 2021-22, there were 43 Major Heads under Receipts where Minor Head 800 was operated. Out of these 43 MHs, there were 32 MHs where other specific Minor Heads already existed.

Similarly, it was noticed that there were 58 Major Heads under Expenditure where Minor Head 800 was operated. Out of these 58 MHs, there were 45 MHs where other specific Minor Heads already existed.

Audit examined selected cases of booking under Minor Head 800, and noted that in some instances, a valid Minor Head, other than 800, was available in the List of Major and Minor Head (LMMH), for booking these transactions. This includes the expenditure under Development Authority of Nagaland and Urban water supply, where an expenditure of ₹ 10.00 crore (0.71 per cent of total expenditure under 800) was booked in State Finance Accounts (2021-22), as given in **Table 4.8**.

Table 4.8: Incorrect depiction of Minor Heads in the State Accounts (2021-22)

(₹ in crore)

Specified Heads in the LMMH	Actual Heads in the State Accounts	
	Finance Accounts (Classification up to Minor Head)	Expenditure (₹ in crore)
2217-80-191 Assistance to Local Bodies, Corporations, Urban Development Authorities, Town Improvement Boards etc.	2217-80-800-02 Development Authority of Nagaland	7.98
4215-01-101 Urban water supply	4215-01-800-02 Urban water Supply	2.02
Total		10.00

Thus, it is imperative that the State Government should review all classifications of schemes being made under 800-Other Expenditure in the light of their depiction in the LMMH and after consultation with the Accountant General (A&E), classify them appropriately as per existing LMMH, or seek addition of new Minor Head, to bring transparency in Accounts.

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

4.7 Collection of Labour Cess

As per Rule 5 of “The Building and Other Construction Workers’ Welfare Cess Rules, 1998”, proceeds of the cess collected under Rule 4 shall be transferred by such government office, public sector undertakings, local authority, or cess collector, to the Board along with the form of challan prescribed (and in the head of account of the Board) under the accounting procedures of the State, by whatever name they are known.

The State Government, in exercise of the powers conferred under Section 62 and 40 of the Building and Other Construction Workers’ (Regulation of Employment and Conditions of Service) Act, 1996 has framed (June 2011) the Nagaland Building and Other Construction Workers’ (Regulation of Employment and Conditions of Service) Rules 2010. As per Rule 249, the State Government was to constitute the Nagaland Building and Other Construction Workers’ Welfare Board and accordingly the State had constituted the Board to provide social security to the section of workers engaged in building and other construction works by implementing different welfare schemes *viz.*, Grant for purchase of tools, Medical assistance, Children Education Allowance and Maternity benefit for the women beneficiaries.

The State Government notified (August 2011) enforcement of Levy and Collection of cess for the purpose of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. The levy and collection of such cess is at the rate of one *per cent* of the cost of construction incurred by an employer. In compliance with this notification, Finance Department instructed (February 2012) the DDOs to ensure that deduction of the cess as prescribed is made against all civil construction works involving employment of labour and to deposit the same into the account of the Nagaland Building and Other Construction Workers’ Welfare Board (NBOCW WB) by Demand Draft/ Cheque. As such, the Board had been receiving the cess from 2011-12 onwards.

As per Finance Accounts, the Departments booked the Labour cess under MH 8443-Civil Deposit-108-Public Works. During the year 2021-22, the Government collected Labour Cess amounting to ₹ 53.38 crore and transferred the entire amount to the NBOCW WB.

As of end of 2021-22, a total of 14,437 workers were registered with the Board. Details of amount collected by the NBOCW WB and expenditure incurred during the period from 2017-18 to 2021-22 are shown in **Table 4.9**.

Table 4.9: Statement of Cess Collection and Expenditure incurred (2017-18 to 2021-22)

(₹ in crore)					
Year	Opening Balance	Receipts	Available Fund	Expenditure	Closing Balance
2017-18	25.93	9.45	35.38	7.56	27.82
2018-19	27.82	18.30	46.12	9.84	36.28
2019-20	36.28	23.46	59.74	12.66	47.08
2020-21	47.08	31.39	78.47	18.24	60.23
2021-22	60.23	38.32	98.55	24.22	74.33

Source: Information furnished by NBOCW Welfare Board.

There has been a difference in the amount shown to have been transferred to the Board out of MH 8443 and the amount actually received by the Board during the year. Office

of the Pr. AG (A&E) and Secretary, NBOCWWB has been requested to reconcile the receipt figures.

As can be seen from **Table 4.9**, out of the total available fund of ₹ 98.55 crore during 2021-22, the NBOCWWB expended ₹ 24.22 crore (24.58 per cent) leaving a balance of ₹ 74.33 crore.

Section 24(3) of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 states that no Board shall, in any financial year, incur expenses towards salaries, allowances and other remuneration to its members, officers and other employees and for meeting the other administrative expenses exceeding five per cent of its total expenses during the financial year. Scrutiny of the details of expenditure of NBOCWWB for 2020-21 revealed that out of the total expenditure of ₹ 24.22 crore, an expenditure of ₹ 0.95 crore (3.92 per cent of the total expenditure) was incurred towards administrative expenses and remains within the prescribed limit under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.

The remaining expenditure of ₹ 23.27 crore was incurred by the Board mainly on Educational Scholarship (₹ 15.65 crore), Covid-19 Aid (₹ 3.73 crore), Tool Grant (₹ 0.67 crore), and Death Insurance (₹ 0.84 crore).

4.7.1 Non-preparation of Accounts and non-submission of audited statement in the State Legislature

As per Section 27 of the Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996, the Board has to maintain proper accounts and other relevant records and prepare an Annual Statement of Accounts. Further, the Board has to furnish the audited copy of accounts together with the auditor's report to the State Government, who shall cause it to be laid before the State Legislature. The Board had not prepared annual accounts for the year 2021-22.

4.8 Outstanding balance under major Suspense and DDR heads

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads.

Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Works and Forest Divisions, etc. The position of gross figures under major suspense and remittance heads for the last three years is given in **Table 4.10**.

Table 4.10: Balances under Suspense and Remittance Heads

Minor Head	2019-20		2020-21		2021-22	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 - Suspense						
101 - PAO suspense	156.44	141.10	179.91	163.54	191.51	189.98
Net	Dr. 15.34		Dr. 16.37		Dr. 1.53	
102 - Suspense Account-Civil	18.94	1.69	18.94	1.69	18.95	1.70
Net	Dr. 17.25		Dr. 17.25		Dr. 17.25	
107 - Cash Settlement Suspense Account	34.87	0.00	34.87	0.00	34.87	0.00
Net	Dr. 34.87		Dr. 34.87		Dr. 34.87	

Minor Head	2019-20		2020-21		2021-22	
109 - Reserve Bank Suspense - Headquarters	12.14	14.16	12.14	14.16	12.14	14.16
Net	Dr. 2.02		Cr. 2.02		Cr. 2.02	
110 - Reserve Bank Suspense - CAO	50.63	10.01	50.66	10.04	50.66	10.04
Net	Cr. 40.62		Dr. 40.62		Dr. 40.62	
129 - Material Purchase Settlement Suspense Account	209.30	223.15	235.85	249.70	235.85	249.70
Net	Cr. 13.85		Cr. 13.85		Cr. 13.85	
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	16,253.73	16,170.20	18,169.50	18,086.08	20,325.84	20,040.94
Net	Dr. 83.53		Dr. 83.42		Dr. 284.90	
103 - Forest Remittances	2,084.33	1,708.73	2,227.12	1,851.50	2,411.15	2,066.45
Net	Dr. 375.60		Dr. 375.62		Dr. 344.70	
105 - R.B.I Remittances	6.26	0.00	6.26	0.00	6.26	0.00
Net	Dr. 6.26		Dr. 6.26		Dr. 6.26	
112 - Nagaland and Manipur Remittances	0.00	0.70	0.70	0.00	0.70	0.00
Net	Cr. 0.70		Cr. 0.70		Cr. 0.70	

Source: Finance Accounts of respective years

As can be seen from **Table 4.10**, there was significant increase in closing balance under 101 - PAO suspense. These balances impacted on cash balance of the State. On clearance of these balances, cash balance of the State would increase.

4.9 Reconciliation of Departmental figures

To enable Controlling Officers (COs) of Departments to exercise effective control over spending to keep it within the budget grants and to ensure accuracy of their accounts, the State Financial Rules stipulate that receipts and expenditure during the financial year recorded in their books be reconciled by them every month with that recorded in the books of the Accountant General (A&E).

Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/ adhere to the codal provisions and executive instructions in this regard not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the very objective of budgetary process.

The details of receipts and expenditure for the State during the last three years are shown in **Table 4.11**.

Table 4.11: Status of Reconciliation of Receipts and Expenditure figures

(₹ in crore)

Year	No. of COs	Receipts	Expenditure	Remarks
2019-20	82	25,501.48	25,654.57	Fully Reconciled
2020-21		27,641.80	27,708.97	
2021-22		30,481.25	31,038.48	

Source: Finance Accounts, 2021-22

During the past three years, all the 82 COs had reconciled their figures (both Receipts and Expenditure) in full with the books of Principal Accountant General (A&E) of the State.

4.10 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Principal Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India.

The difference in cash balances for the previous five years from 2017-18 to 2021-22 is shown in **Table 4.12**.

Table 4.12: Difference in cash balances from 2017-18 to 2021-22

Year	Cash Balance		Adjustment by RBI	Difference in cash balance
	RBI figures	AG figures		
2017-18	5.96 (Dr)	339.01 (Cr)	2.06 (Dr)	330.99 (Cr)
2018-19	93.36 (Dr)	163.49 (Cr)	18.99 (Dr)	51.14 (Cr)
2019-20	115.13 (Dr)	223.90 (Cr)	1.49 (Dr)	107.28 (Cr)
2020-21	47.80 (Dr)	157.59 (Cr)	19.09 (Cr)	90.70 (Cr)
2021-22	544.40 (Dr)	399.64 (Cr)	44.30 (Cr)	100.46 (Dr)

Source: Information furnished by the Office of PAG (A&E), Nagaland

It can be seen from **Table 4.12** that there was a net difference of ₹ 144.76 crore (Debit) between the Cash Balance of ₹ 399.64 crore as determined by the Principal Accountant General (A&E) and the figures of ₹ 544.40 crore reported by the Reserve Bank of India as on 31 March 2022. This was mainly due to incorrect reporting by Agency Banks to the RBI and misclassification by Banks/ Treasuries. After reconciliation, the difference is reduced and stands at ₹ 100.46 crore (Debit) due to adjustment of ₹ 44.30 crore (net Credit) from previous year balance.

Issues related to disclosure

4.11 Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. Further, the Comptroller and Auditor General of India set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. On the advice of the Comptroller and Auditor General of India, the President of India has so far notified three Indian Government Accounting Standards (IGAS).

The details of three standards and the extent of compliance with these by Government of Nagaland in its financial statements for the year 2021-22 are given in **Table 4.13**.

Table 4.13: Compliance to Accounting Standards

Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
IGAS-1: <i>Guarantees Given by the Government – Disclosure requirements</i>	This standard requires the government to disclose the maximum amount of guarantees given during the year in its financial	Not complied	While the Government has disclosed the maximum amount of guarantees given during the year along with additions, deletions,

Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
	statements along with additions, deletions, invoked, discharged and outstanding at the end of the year.		invoked, discharged and outstanding at the end of the year, however, information concerning class or sector of Guarantees on other material details was not furnished.
IGAS-2: Accounting and Classification of Grants-in- Aid	Grants-in-Aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use.	Complied	
IGAS-3: Loans and Advances made by Government	This Standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial Statements to ensure complete, accurate and uniform accounting practices.	Not complied. While the State Government complied with the format prescribed by the Standard, the details of recoveries in arrears, interest received, written off loans <i>etc.</i> , in respect of loans and advances have not been provided to Pr. Accountant General (A&E).	Due to absence of information on interest received, the Revenue receipt may be understated.

4.12 Submission of Accounts of Autonomous Bodies

Fourteen Autonomous Bodies²⁰ (AB) have been set up by the State Government, of which, only five ABs are required to submit their accounts and prepare Separate Audit Report (SAR) annually to be placed in the State Legislature as per their respective Acts. The audit of these ABs are taken up under Section 19 (3) of the Comptroller and Auditor General of India' DPC Act, 1971. However, the annual accounts of these ABs are not furnished to Principal Accountant General (Audit) on time. The status of submission of accounts is indicated in **Table 4.14**.

²⁰ (1) The Nagaland Khadi and Village Industries Board (2) Nagaland State Electricity Regulatory Commission (3) Nagaland State Legal Services Authority, Kohima (4) Nagaland Pollution Control Board (5) Nagaland Building & Other Construction Workers' Board (6) Development Authority of Nagaland (7) Nagaland Board of School Education (8) Nagaland State Agriculture Marketing Board (9) Nagaland Bamboo Development Agency (10) Naga Hospital Authority (11) Nagaland State Social Welfare Advisory Board (12) Nagaland Livestock Development Board (13) State Institute of Rural Development (14) Nagaland Bee-keeping & Honey Mission. The first five are required to prepare SARs.

Table 4.14: Delay in Submission of Accounts

Sl. No.	Name of Autonomous Body	Accounts pending since	No. of accounts pending up to FY 2021-22
1.	The Nagaland Khadi and Village Industries Board (NKVIB)	2020-21	02
2.	Nagaland State Electricity Regulatory Commission (NSERC)	2018-19	03
3.	Nagaland State Legal Services Authority, Kohima (NSLSA)	2021-22	01
4.	Nagaland State Pollution Control Board (NSPCB)	1991-92	31
5.	Nagaland Building & Other Construction Workers' Welfare Board (NBOCWVB)	2011-12	11

Source: Information furnished by the O/o the PAG (Audit), Commercial Wing, Nagaland

Although the Annual Accounts of these Bodies were due for submission to the Accountant General (Audit) every year, none of the State ABs submitted their Accounts during 2021-22. The Accounts of two ABs *i.e.*, NSPCB and NBOCWVB have not been submitted since their inception (1991 and 2011 respectively). The delay in submission/non-submission of Annual Accounts dilutes accountability as such inaction was also indicative of the failures of the management at the level of such Bodies/ Authorities and proper monitoring at Government's level, which is a matter of concern.

4.13 Submission of Accounts by SPSEs

According to Section 394 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation, laid before the State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. This mechanism provides the necessary Legislative control over the utilisation of public funds invested in the companies from the State budget.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite above provisions, annual accounts of various SPSEs were pending as on 30 September 2022, as per the following details:

Table 4.15: Delay in submission of Accounts of SPSEs

Sl. No.	Name of Government Companies	Accounts pending Since	No of accounts pending up to FY 2021-22
1	Nagaland State Mineral Development Corporation Limited	2020-21	02
2	Nagaland Industrial Development Corporation Limited	2021-22	01

Sl. No.	Name of Government Companies	Accounts pending Since	No of accounts pending up to FY 2021-22
3	Nagaland Handloom & Handicrafts Development Corporation Limited	2020-21	02
4.	Nagaland Hotels Limited	2018-19	04
5.	Kohima Smart City Development Corporation Limited	2017-18	05
6.	Nagaland Industrial Raw Materials & Supply Corporation Limited*	2019-20	03
7	Nagaland Sugar Mill Limited**	2001-02	21

Source: As per latest finalised accounts of SPSEs

*Non-Functional since 2020-21; **Non-Functional since 2000-01

As could be seen from **Table 4.15**, none of the working SPSE had its account finalised upto date with total arrear of 38 Accounts ranging from one to five years. Remaining two non-working SPSEs namely Nagaland Industrial Raw Materials Supply Corporation Limited and Nagaland Sugar Mill Limited had a backlog of accounts for 03 and 21 years respectively. Further, Kohima Smart City Development Limited which was incorporated in March 2017 had not submitted any accounts since inception.

The Principal Accountant General (Audit), Nagaland had been regularly pursuing with the administrative departments and concerned SPSEs for liquidating the arrears of accounts of SPSEs. However, the State Government and the SPSEs concerned could not address the issue to clear pendency of accounts of the SPSEs in a time bound manner.

4.14 Grants / loans given to bodies and authorities

In order to identify institutions/ organisations which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971 (CAG's DPC Act), the Government/ Head of the Departments (HoDs) are required to furnish to Audit every year.

- detailed information about the financial assistance given to various institutions;
- the purpose for which the assistance is granted; and
- total expenditure of the institutions.

Further, Regulation on Audit and Accounts, 2007 (Regulation 84) provides that Governments and HODs, who sanction grants and/or loans to bodies or authorities, shall furnish to Audit by the end of July every year, a statement of such bodies and authorities to which grants and/ or loans aggregating ₹ 10 lakh or more were paid during the preceding year indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority.

As per Finance Accounts, grants/ assistances were given to Urban bodies, Public Sector Undertakings, Autonomous Bodies, Non-Government Organisations every year. The details of such grants/ assistance (₹ 10 lakh or more in each case) given during 2020-21 and 2021-22 are shown in **Table 4.16**.

Table 4.16: List of Recipient of grants/ assistance from the State Government during 2020-22
(₹ in crore)

Recipient	2020-21		2021-22	
	No of Recipients	Amount	No of Recipients	Amount
Urban Local Bodies	Not specified	1.62	Not specified	1.62
Rural Local Bodies	Not specified	62.50	Not specified	109.57
Public Sector Undertakings	07	26.54	07	28.95
Autonomous Bodies	06	60.12	06	41.47
Non-Government Organisations	03	3.30	04	3.65
Others*	42	40.77	40	31.20
Total		194.85		216.46

Source: Finance Accounts of respective years *The Recipients who were not categorised under the above mentioned nomenclatures, kept under others

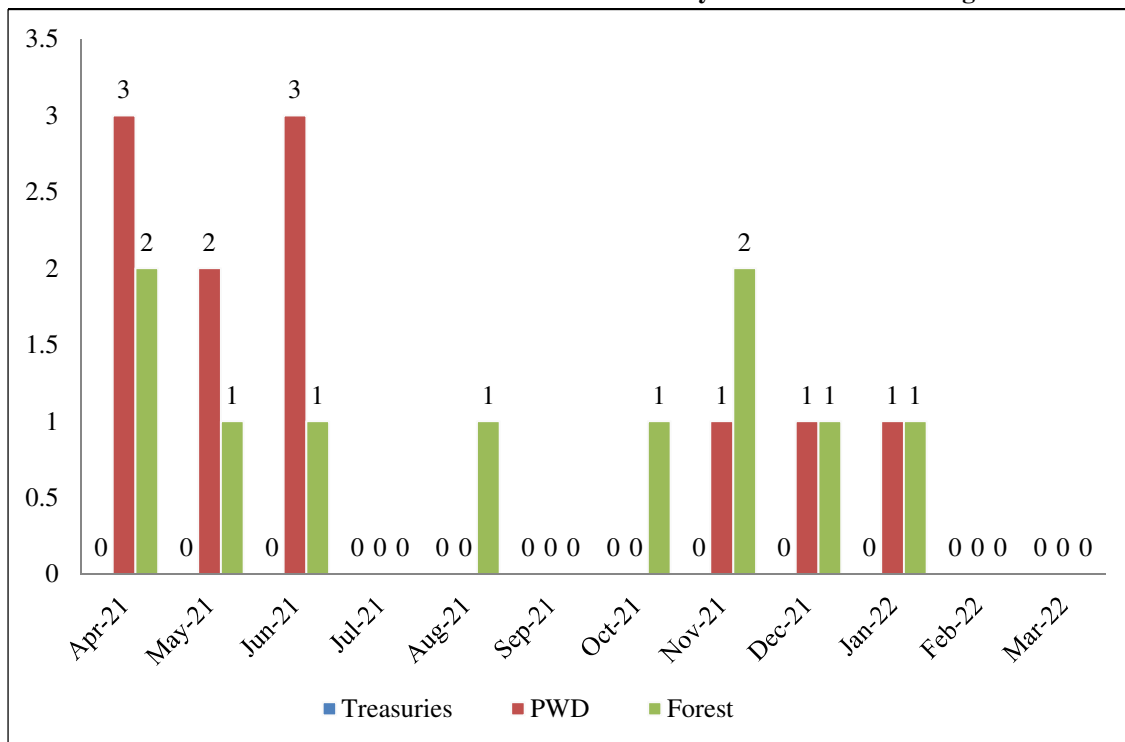
As can be seen from **Table 4.16** that an amount of ₹ 194.85 crore and ₹ 216.46 crore were given as grants/ assistance during the years 2020-21 and 2021-22 respectively by the State Government to various bodies and authorities. However, the name of the bodies and authorities to whom grants and/ or loans aggregating ₹ 10 lakh or more were paid during the years, indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned and (c) the total expenditure incurred by the body or authority, who receive the grants/ assistances during the years 2020-22 was not disclosed by the State Government.

4.15 Timeliness and Quality of Accounts

The accounts of the State Government are compiled by the Principal Accountant General (A&E) from the initial accounts rendered by district treasuries, sub-treasuries, Resident Commissioners, cyber treasury, public works divisions and forest divisions, apart from the RBI advices. There are often delays in rendition of monthly accounts. Due to the failure of the account rendering units to furnish accounts on time, some accounts are excluded from the monthly Civil Accounts by the Principal Accountant General (A&E).

In Nagaland, the Principal Accountant General (A&E) is required to compile the accounts of the State Government, from the initial accounts rendered by the 11 District Treasuries, nine Sub-Treasuries, 88 Public Works Divisions (74 Building and Roads, 14 Water Supply and Sanitation/ Public Health Engineering), 26 Forest Divisions and 25 Pay and Accounts Offices, apart from RBI advices.

During the financial year 2021-22, there were delays in rendition of monthly accounts that resulted in accounts excluded from the monthly Civil Accounts. Details of accounts excluded from the monthly Civil Accounts of works divisions are given below:

Chart 4.5: Number of accounts excluded from monthly Civil Accounts during 2021-22

Source: Information furnished by the Office of the PAG (A&E), Nagaland

As can be seen from the **Chart 4.5**, during the year 2021-22, Public Works and Forests Divisions were the major units that delayed the rendition of monthly accounts. Consequently, receipts and expenditure relating to these divisions/ units could not be incorporated in Civil Accounts in the month of occurrence of the transaction. Due to the failure of the accounts rendering units to furnish accounts on time, these accounts were excluded from the Monthly Civil Accounts by the Principal Accountant General (A&E) throughout the year 2021-22, except for July 2021, September 2021, February and March 2022. Therefore, the monthly accounts indicating the receipts and disbursements of the State during the month, rendered by the PAG (A&E) to the State Government were incomplete in all the months, except for the month of July 2021, September 2021, February and March 2022. However, no accounts have been excluded at the end of the year.

Exclusion of accounts not only distorts the budgetary position of the Government, but also impacts its monitoring of fund flow to the last mile of implementation, its planned pacing of expenditure on developmental programmes, providing intended benefits to the targeted beneficiaries, functioning of departments, *etc.* during the year. In short, the State Government needs to monitor closely and ensure the rendition of accounts by all the account rendering authorities to the Principal Accountant General (A&E) on a timely basis, to manage its own budget more effectively.

4.16 Misappropriations, losses, thefts, *etc.*

State Financial Rules lay down detailed instructions regarding responsibility for losses sustained through fraud or negligence of individuals, loss or destruction of Government property and report thereof to the Police/ Principal Accountant General.

There were 35 cases of misappropriation, losses, *etc.*, involving Government money of ₹ 371.54 crore up to the period ending 31 March 2022 on which final action was pending. Out of these 35 cases, four cases involving ₹ 25.76 crore were reportedly pending in the court of law.

Department-wise break up of pending cases and age wise analysis is given in **Appendix 4.3**. The Department-wise break up of pending cases and the reasons for delay in final disposal are summarised in **Table 4.17**.

Table 4.17: Pending cases of misappropriation, losses, theft, *etc.*

(₹ in crore)

Name of the Department	Cases of Misappropriation/ Defalcation/ Losses/ Theft of Government materials/ Pending in the court of law (under investigation/trial)		Reasons for delay in final disposal	
			Awaiting departmental and criminal investigation	
	No. of cases	Amount	No. of cases	Amount
School Education	2	82.80	1	70.00
D.C, Dimapur	1	10.63	1	10.64
Industries & Commerce	1	1.54	1	1.54
Rural Development	2	0.88	2	0.88
Tourism	1	5.00	1	5.00
Public Works Department (R&B and Mechanical)	4	58.23	4	58.23
Health and Family Welfare	4	13.70	3	3.57
Soil & Water Conservation	1	1.81	1	1.81
Public Health Engineering	1	2.67	1	2.67
Planning and Co-ordination	1	20.23	1	20.23
Land Records and Survey	1	1.24	1	1.24
Municipal Affairs	1	1.11	0	0.00
Taxes	4	33.23	4	33.23
Water Resources	1	28.60	1	28.60
Forest	1	0.54	1	0.54
Various Departments	7	35.29	6	33.57
Disaster Management	2	74.04	2	74.04
Total	35	371.54	31	345.78

Source: Nagaland Lokayukta, Directorate of Investigation, Nagaland)

Further, as per the information furnished by Nagaland Lokayukta, Directorate of Investigation, Nagaland, there are 13 cases of loss to Government due to theft, misappropriations, loss of Government materials, *etc.* involving ₹ 176.32 crore, out of which an amount of ₹ 7.29 crore has been recovered.

4.17 Follow up action on State Finances Audit Report

In Nagaland, the Departments concerned are required to furnish a *suo moto* Explanatory Note (EN) on the paragraphs featuring in the Audit Reports within one month of placing the Reports in the Legislature. The Government should without waiting for any notice or call from the Public Accounts Committee submit a *suo moto* Explanatory Note (EN) on the paragraphs featuring in the Audit Reports indicating the action taken or proposed to be taken within a period of three months from the date of laying of the Audit Reports.

Government Departments shall invariably submit action taken notes (ATNs) on the recommendation of the PAC within a period of six months from the date of receipt of the PAC's report from the Secretary/ Commissioner Secretary, Assembly. This timeframe was further reduced by the PAC to two months.

The Audit Reports on State Finances for the years from 2009-10 to 2019-20 were placed before the State Legislature and that for the year 2020-21 was placed on 22-09-2022 are shown in **Table 4.18**.

Table 4.18: Follow up status of State Finances Audit Reports for 2009-10 to 2020-21

Year of State Finances Audit Report	Date of placement in State Legislature	Remarks
2009-10	28.03.2011	The ATNs, on the recommendations of the Public Accounts Committee on the Report of State Finances, for the year 2013-14 have been received and ATNs for the years from 2014-15 to 2020-21 were yet to be received (December 2022).
2010-11	22.03.2012	
2011-12	18.03.2013	
2012-13	25.07.2014	
2013-14	17.03.2015	
2014-15	19.03.2016	
2015-16	28.03.2017	
2016-17	20.09.2018	
2017-18	15.02.2020	
2018-19	19.02.2021	
2019-20	22.03.2022	
2020-21	22.09.2022	

Source: Information furnished by the Nagaland State Legislative Assembly Secretariat

4.18 Conclusion

During the year 2021-22, 61 grants involving ₹ 81.80 crore were provided to 16 Departments for which Utilisation Certificates (UCs) are due for submission during the year 2022-23. As on March 2022, there are 149 UCs worth ₹ 316.34 crore, which are due for submission for periods pertaining up to 2020-21. Pending UCs violate prescribed financial rules and directives, and reflects poor monitoring mechanism of the State Government. Moreover, high pendency of UCs is fraught with risk of misappropriation of funds. The State would also lose out on central funds for want of UCs not submitted.

There were 335 Abstract Contingent (AC) Bills involving ₹ 532.83 crore pending for adjustment by submission of Detailed Countersigned Contingent (DCC) Bills, as of March 2022. Out of these, 28 AC bills amounting to ₹ 22.83 crore pertained to the year 2021-22.

The non-adjustment of AC Bills is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of Detailed Countersigned Contingent (DCC) bills. Further, there is no assurance that the expenditure of the State Government reflected in the Finance Accounts is correct or final due to non-receipt of DCC bills to that extent.

During the year, expenditure of ₹ 1,415.60 crore under 47 Revenue and Capital Major Heads, constituting about 10.32 *per cent* of total expenditure of ₹ 13,713.54 crore was booked under Minor head 800-Other Expenditure. Similarly, receipts of ₹ 283.98 crore under 40 Revenue Major Heads, constituting about 2.31 *per cent* of the total Revenue receipts of ₹ 13,451.14 crore was booked under Minor Heads 800-Other Receipts under concerned Major Heads. During 2021-22, there were 43 Major Heads (MHs) under Receipts where Minor Head 800 was operated. Out of these 43 MHs, there were 32 MHs where other specific Minor Heads were already operated. Similarly, 58 MHs under Expenditure where Minor Head 800 was operated. Out of these 58 MHs, there were 45 MHs where other specific Minor Heads were already operated. Thus, MH 800 was still operated where there was specific Minor Heads already available. Indiscriminate operation of omnibus Minor Head 800 – Other Expenditure affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.

The State Government notified (August 2011) the enforcement of Levy and Collection of Cess for the purpose of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. At the end of 2021-22, a total of 14,437 workers were registered with the Nagaland Building and Other Construction Workers' Welfare Board (NBOCWWB). Out of the total available fund of ₹ 98.55 crore during the year, the NBOCWWB expended ₹ 24.22 crore. Out of total expenditure of ₹ 24.22 crore, administrative expenses were ₹ 0.95 crore, which was 3.92 *per cent* of the total expenditure and remains within the prescribed limit under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. Remaining expenditure of ₹ 23.27 crore was incurred mainly on Educational Scholarship (₹ 15.65 crore), Covid-19 Aid (₹ 3.73 crore), Tool Grant (₹ 0.67 crore) and Death Insurance (₹ 0.84 crore).

There were huge pendency in submission of accounts in respect of Autonomous Bodies/ other Authorities as well as State Public Sector Enterprises.


During the year 2021-22, Public Works and Forests Divisions were the major units that delayed the rendition of monthly accounts. Delayed rendering of accounts by the account rendering units/ authorities distorted the accurate depiction of monthly transactions of the State and impacted effective budgetary management.

4.19 Recommendations

- State Government may ensure timely submission of all utilisation certificates due by the recipients of grants and of DCC Bills within the prescribed timeline as required under the Rules.

- The Finance Department should, in consultation with the Principal Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate detailed/ object heads of account.
- Finance Department should consider evolving a system to expedite the process of compilation and submission of annual accounts by Autonomous Bodies and departmentally run undertakings in order to assess their financial position. Persistently defaulting bodies may be given further financial assistance by the State Government only on submission of final accounts.
- The State Government may take appropriate steps either to revive the two non-functional SPSEs or wind up these SPSEs.


Kohima
Date: 21 FEBRUARY 2023



(FREDERICK SYIEMLIEH)
Principal Accountant General (Audit)

Countersigned

New Delhi
Date: 22 FEBRUARY 2023



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

APPENDICES

Appendix 1.1

Part A: Glossary of important Budget related terms

(Reference: Paragraphs-1.1; 1.4 and 3.1)

1. **‘Accounts’ or ‘actuals’ of a year.** - are the amounts of receipts and disbursements for the financial year beginning on *April 1st* and ending on *March 31st* following, as finally recorded in the Accounting authority’s books (as audited by C&AG). Provisional Accounts refers to the unaudited accounts.
2. **‘Administrative approval’ of a scheme, proposal or work.** - is the formal acceptance thereof by the competent authority for the purpose of incurring expenditure. Taken with the provision of funds in the budget, it operates as a financial sanction to the work during that particular year in which the Administrative Approval is issued.
3. **‘Annual financial statement’** – Also referred to as Budget means the statement of estimated receipts and expenditure of the Central/State Government for each financial year, laid before the Parliament/State Legislature.
4. **‘Appropriation’** - means the amount authorized by the Parliament/State Legislature for expenditure under different primary unit of appropriation or part thereof placed at the disposal of a disbursing officer.
5. **‘Charged Expenditure’** - means such expenditure as is not to be submitted to the vote of the Legislature under the provisions of the Constitution.
6. **‘Consolidated Fund of India/ State-** All revenues of the Union/State Government, loans raised by it and all moneys received in repayment of loans form the Consolidated Fund of India/ State. No moneys out of this Fund can be appropriated except in accordance with the law and for the purposes and in the manner provided in the Constitution.
7. **‘Contingency Fund’** is in the nature of an imprest. The Contingency Fund is intended to provide advances to the executive/Government to meet unforeseen expenditure arising in the course of a year pending its authorisation by the Parliament/ State Legislature. The amounts drawn from the Contingency Fund are recouped after the Parliament/State Legislature approves it through the Supplementary Demands.
8. **‘Controlling Officer (budget)’** - means an officer entrusted by a Department with the responsibility of controlling the incurring of expenditure and/ or the collection of revenue. The term includes the Heads of Department and also the Administrators.
9. **‘Drawing and Disbursing Officer’ (DDO)** – means a Head of Office and also any other Officer so designated by the Finance Department of the State Government, to draw bills and make payments on behalf of the State Government. The term shall also include a Head of Department where he himself discharges such function
10. **‘Excess Grant’** – Excess grant means the amount of expenditure over and above the provision allowed through the original/supplementary grant, that requires

regularisation by obtaining excess grant from the Parliament/State Legislature under Article 115/205 of the Constitution.

11. **'New Service'** – As appearing in Article 115(1)(a)/205(1)(a) of the Constitution, New Service means expenditure arising out of a new policy decision, not brought to the notice of Parliament/ State Legislature earlier, including a new activity or a new form of investment.
12. **'New Instrument of Service'**- means relatively large expenditure arising out of important expansion of an existing activity.
13. **'Public Accounts'**- means the Public Account referred to in Article 266(2) of the Constitution. The receipts and disbursements such as deposits, reserve funds, remittances, *etc.* which do not form part of the Consolidated Fund are included in the Public Account. Disbursements from the Public Account are not subject to vote by the Parliament/ State Legislature, as they are not moneys issued out of the Consolidated Fund of India/State.
14. **'Re-appropriation'** - means the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation.
15. **'Revised Estimates'** - is an estimate of the probable receipts or expenditure for a financial year, framed in the course of that year, with reference to the transactions already recorded and anticipation for the remainder of the year in the light of the orders already issued.
16. **'Supplementary Demands for Grants'**- means the statement of supplementary demands laid before the legislature, showing the estimated amount of further expenditure necessary in respect of a financial year over and above the expenditure authorized in the Annual Financial Statement for that year. The demand for supplementary may be token, technical or substantive/cash.
 - a) **Cash Supplementary** is over and above the original budget provisions and results in enhancement of the allocation for the Demand/Grant. It should be obtained as a last resort and after proper due diligence. Presently, this method is followed by the State.
 - b) There are four Sections in each Demand *i.e.*, Revenue Voted, Revenue Charged, Capital Voted and Capital Charged. **Technical Supplementary**, after obtaining the approval of the State Legislature, allows to utilize the savings of one of the Sections for any other Section.
 - c) **Token Supplementary** allows to utilise the savings within the same section of the grant.
17. **'Major Head'** - means a Major Head of account for the purpose of recording and classifying the receipts and disbursements of the State. A Major Head, particularly the one falling within the Consolidated Fund, generally corresponds to a 'function' of Government such as Agriculture, Education, Health, *etc.*

18. **'Sub-Major Head'** - means an intermediate head of account introduced between a Major Head and the Minor Heads under it, when the Minor Heads are numerous and can conveniently be grouped together under such intermediate Head.
19. **'Minor Head'** - means a head subordinate to a Major Head or a Sub-Major Head. A Minor Head subordinate to a Major Head identifies a "programme" undertaken to achieve the objectives of the function represented by the Major Head.
20. **'Sub-Head'** - means a unit of account next subordinate to a Minor Head which normally denotes the scheme or organisation under that Minor Head or programme.
21. **'Major Work'** - means an original work, the estimated cost of which exclusive of departmental charges exceeds the amount as notified by the Government from time to time.
22. **'Minor Work'** - means an original work, the estimated cost of which exclusive of departmental charges does not exceed the amount as notified by the Government from time to time.
23. **'Modified Grant or Appropriation'** - means the sum allotted to any Sub-Head of Appropriation as it stands after Re-Appropriation or the sanction of an Additional or Supplementary Grant by competent authority.
24. **'Supplementary or Additional Grant or Appropriation'** - means a provision included in an Appropriation Act, during the course of a financial year, to meet expenditure in excess of the amount previously included in an Appropriation Act for that year.
25. **'Schedule of New Expenditure'** - means a statement of items of new expenditure proposed for inclusion in the Budget for the ensuing year.
26. **'Token demand'** - means a demand made to the Assembly for a nominal or token sum when, for example, it is proposed to meet the entire expenditure on a new service from savings out of the sanctioned budget grant.

The definition of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given below:

Term	Basis of calculation
Buoyancy of a parameter	Rate of Growth of the parameter/GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of parameter (X)/ Rate of Growth of parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount}/\text{Previous year Amount})-1]*100$
Development Expenditure	Social Services + Economic Services
Average interest paid by the State	$\text{Interest Payment}/[(\text{Amount of previous year's Fiscal liabilities} + \text{Current year's Fiscal Liabilities})/2]*100$
Interest received as <i>per cent</i> to Loans Outstanding	$\text{Interest Received}/[(\text{Opening balance} + \text{Closing balance of Loans and Advances})/2]*100$
Average interest rate of Outstanding Debt	$\text{Interest Paid}/[(\text{Opening Balance of Public Debt} + \text{Closing Balance of Public Debt})/2]$
Revenue Deficit	Revenue Receipt – Revenue Expenditure

Term	Basis of calculation
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts.
Primary Deficit	Fiscal Deficit – Interest Payments
Compound Annual Growth Rate (CAGR)	The Compound Annual Growth Rate is calculated by taking the n^{th} root of the total percentage growth rate, where n is the number of years in the period being considered. $\text{CAGR} = \left[\frac{\text{ending value}}{\text{beginning value}} \right]^{1/\text{no of years}} - 1$
GSDP	GSDP is defined as the total income of the State or the Market Value of Goods and Services produced using Labour and all other factors of production at Current Prices.
Buoyancy Ratio	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 at 0.70 implies that Revenue Receipts tend to increase by 0.70 percentage points, if the GSDP increases by one <i>per cent</i> .
Core Public and Merit Goods	Core public goods are which all citizens enjoy in common in the sense that each individual's consumption of such goods lead to no subtractions from any other individual's consumption of the goods, <i>e.g.</i> enforcement of law and order, security and protection of our rights; pollution free air, other environmental good, road infrastructure <i>etc.</i> Merit goods are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the Government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidised food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation, <i>etc.</i>
Debt Sustainability	Debt Sustainability is defined as the ability of the State to maintain a constant Debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its Debt. Sustainability of Debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in Fiscal Deficit should match with the increase in capacity to service the Debt.
Non-debt receipts	Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.
Net Availability of Borrowed Funds	Defined as the ratio of the debt redemption (Principal + Interest payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the Net Availability of Borrowed Funds.
Misappropriation	Dishonestly misappropriating or converting to own use any property, or dishonestly using or disposing of that property in violation of any direction of law prescribing the mode in which such trust is to be discharged, or of any legal contract, express or implied.
Defalcation	Defalcation is misappropriation of funds by a person trusted with its charge; also, the act of misappropriation, or an instance thereof.

Appendix 1.1

Part B: State Profile

(Reference: Paragraph-1.1)

General information pertaining to the State for the year 2021-22					
Sl. No.	Particulars		Unit	India	Nagaland
1.	Area		Sq. km	32,87,263	16,579
2.	Population (in lakhs)	(a) 2010	In lakh	11,767	19.52
		(b) 2011	In lakh	122,02	19.79
		(c) 2022	In lakh	141,72	22.13**
3.	Density of population persons (projected)		Per square km	418.43*	133.00**
4.	Population below Poverty line (2011-12)		Per cent	21.92^	N.A
5.	Literacy rate (2011 census)		Per cent	73.00\$	79.55**
6.	Infant mortality rate (National Family Health Survey 2015-16)		Per 1000 live births	28.00\$\$	23.4**
7.	Life expectancy at birth in years		Year	69.70@	NA
8.	Decadal population growth (2012 to 2022)		Per cent	12.12#	11.85**
9.	GDP/GSDP (2021-22) at current prices (2011-12 Series)		(₹ in crore)	2,36,64,638#	32,423.73**
10.	Per Capita GSDP		(in ₹)	1,46,087.25#	1,45,855.74#
11.	Growth rate of GSDP for 2021-22 from the previous year		Per cent	16.85#	6.57

Sources: *: Projected population as on 01st March by Ministry of Health & Family Welfare, ^: Ministry of Statistics and Programme Implementation, \$: Economic survey 2021-22, \$\$: SRS Bulletin, @: SRS based Abridged life Table 2015-19, Register General of India, **Directorate of Economic & Statistic Department, #: State Finance Audit Report, 2021-22 (Economic Division)

B. Financial Data								
Particulars	Figures (in per cent)							
	2012-13 to 2015-16		2016-17 to 2019-20		2019-20 to 2020-21		2020-21 to 2021-22	
	NE&H*	Nagaland	NE&H	Nagaland	NE&H	Nagaland	NE&H	Nagaland
Revenue Receipts	11.51	9.04	7.21	6.56	6.95	0.04	18.08	17.71
Own Tax Revenue	10.22	7.90	7.75	23.34	2.92	6.96	19.62	27.07
Non Tax Revenue	7.16	7.31	10.88	-0.36	-14.65	-28.50	2.90	25.14
Total Expenditure	11.47	8.02	9.40	9.74	10.37	-0.95	28.31	7.72
Capital Expenditure	7.70	-5.50	7.10	4.14	4.58	38.00	16.14	13.05
Revenue Expenditure on								
(i) Education	12.98	12.79	10.63	7.17	3.13	8.25	8.28	10.39
(ii) Health	18.35	19.06	14.10	11.03	15.46	3.56	18.04	12.03
(iii) Salary and Wages	10.67	12.31	12.41	11.87	0.24	4.68	7.53	8.35
(iv) Pension	16.34	14.97	16.28	18.31	11.38	-3.23	25.75	23.18

* NE&H: North Eastern and Himalayan States

Appendix 1.1

Part C: Time Series Data on the State Government Finances

(Reference: Paragraphs-1.1; 2.4.1 and 2.7.3)

(₹ in crore)

	2017-18	2018-19	2019-20	2020-21	2021-22
Part A. Receipts					
I. Revenue Receipts	11,019.21	11,437.41	11,423.29	11,427.43	13,451.14
(i) Tax Revenue	638.28(6)	846.43(8)	958.23(8)	1022.74(9)	1301.08(10)
Taxes on Agricultural Income	-	-	-	-	-
Goods and Service Tax	187.57(29)	469.64(55)	613.22(64)	663.81(65)	830.34(64)
Taxes on Sales, Trade, etc.	287.55(45)	186.69(22)	175.15(18)	205.50(20)	261.87(20)
State Excise	4.20(1)	4.65(1)	3.24(1)	4.55(0)	3.32(0)
Taxes on Vehicles	101.53(16)	126.22(15)	113.93(12)	93.29(9)	141.04(11)
Stamps and Registration Fees	2.62(0)	2.53(1)	2.79(0)	2.25(0)	3.39(0)
Land Revenue	0.90(0)	1.13(0)	1.04(0)	1.09(0)	1.23(0)
Taxes on Goods and Passengers	17.59(3)	20.16(2)	18.09(2)	15.62(2)	21.43(2)
Other Taxes	36.32(6)	35.41(4)	30.77(3)	36.63(4)	38.46(3)
(ii) Non Tax Revenue	388.53(4)	255.24(2)	339.29(3)	242.60(2)	303.58(2)
(iii) State's share of Union taxes and Duties	3,353.13 (30)	3,792.41 (33)	3,267.08 (29)	3,409.25 (30)	4,875.27 (36)
(iv) Grants in Aid from Government of India	6,639.27 (60)	6,543.33 (57)	6,858.69 (60)	6,752.84 (59)	6,971.21 (52)
2. Miscellaneous Capital Receipts	0.00	0.00	0.00	0.00	0.00
3. Recoveries of Loans and Advances	1.09	1.08	1.09	1.23	1.88
4. Total Revenue and Non Debt Capital Receipts (1+2+3)	11,020.30	11,438.49	11,424.38	11,428.66	13,453.02
5. Public Debt Receipts	5,141.02	2,907.22	7,869.83	11,434.87	8,708.55
Internal Debt (excluding Ways and Means Advances and Overdrafts)	1,234.69	943.86	1,078.64	1,809.50	1,793.67
Net transactions under Ways and Means Advances and Overdrafts	3,906.00	1,959.38	6,784.50	9,417.75	6,599.67
Loans and Advances from Government of India	0.33	3.98	6.69	207.62	315.21
6. Total Receipts in the Consolidated Fund (4+5)	16,161.32	14,345.71	19,294.21	22,863.53	22,161.57
7. Contingency Fund Receipts	0.00	0.00	0.00	0.00	0.00
8. Public Account Receipts	3,319.54	4,114.23	4,078.25	3,599.70	3,537.07
9. Total Receipts of the State (6+7+8)	19,480.86	18,459.94	23,372.46	26,463.23	25,698.64
Part B. Expenditure/ Disbursement					
10 Revenue Expenditure	10,191.35	10,919.98	11,637.02	11,052.06	11,817.08
General Services (including interest payments)	4,319.41 (42)	5,018.12 (46)	5,428.80 (47)	5,100.03 (46)	5,743.69 (49)
Social Services	2,558.56 (25)	3,158.58 (29)	3,030.05 (26)	3,138.51 (29)	3,378.12 (29)
Economic Services	3,313.38 (33)	2,743.28 (25)	3,178.17 (27)	2,813.52 (25)	2,695.27 (22)
Grants-in-Aid and contributions#	0.00	0.00	0.00	0.00	0.00

	2017-18	2018-19	2019-20	2020-21	2021-22
11. Capital Expenditure	1,274.85	1,595.56	1,206.32	1,671.93	1,893.85
General Services	267.10(21)	419.49(26)	165.73(14)	409.61(25)	293.30 (16)
Social Services	485.68(38)	329.89(21)	457.02(38)	508.21(30)	916.50 (48)
Economic Services	522.07(41)	846.18(53)	583.57(48)	754.11(45)	684.05 (36)
12. Disbursement of Loans and Advances	0.19	5.27	9.26	5.61	2.61
13. Total Expenditure (10+11+12)	11,466.39	12,520.81	12,852.60	12,729.60	13,713.54
14. Repayments of Public Debt	4,452.01	2,596.27	6,867.25	9,903.92	7,950.12
Internal Debt (excluding Ways and Means Advances and Overdrafts)	524.29	615.17	724.18	493.85	638.00
Net transactions under Ways and Means Advances and Overdraft	3,906.00	1,959.38	6,121.17	9,389.18	7,291.56
Loans and Advances from Government of India	21.72	21.72	21.90	20.89	20.56
15. Appropriation to Contingency Fund	0.00	0.00	0.00	0.00	0.00
16. Total disbursement out of Consolidated Fund (13+14+15)	15,918.40	15,117.08	19,719.85	22,633.52	21,663.66
17. Contingency Fund disbursements	0.00	0.00	0.00	0.00	0.00
18. Public Account disbursements	3,124.67	3,184.11	2,881.70	3,712.20	3,870.95
19. Total disbursement by the State (16+17+18)	19,043.07	18,301.19	22,601.55	26,345.72	25,534.61
Part C. Deficits					
20. Revenue Deficit(-)/ Revenue Surplus(+)^{(1-10)*}	827.86	517.43	-213.73	375.37	1634.06
21. Fiscal Deficit(-)/ Fiscal Surplus (+)⁽⁴⁻¹³⁾	-446.09	-1,082.32	-1,428.22	-13,00.94	-260.52
22. Primary Deficit (-)/ Surplus(+)⁽²¹⁺²³⁾	231.66	-310.58	-614.48	-444.17	671.57
Part D. Other Data					
23. Interest Payments (included in Revenue Expenditure)	677.75	771.74	813.74	856.77	932.09
24. Financial Assistance to Local Bodies etc.	328.40	167.06	160.70	194.85	216.46
25. Ways and Means Advances/ Overdraft Availed (days)	3,906.00 (104)	1,959.38 (100)	6,784.50 (139)	9,417.75 (211)	6599.67 (164)
Ways and Means Advances Availed (days)	3,646.77 (95)	1,910.85 (98)	6,628.33 (113)	7,765.31 (177)	5900.14 (139)
Overdraft Availed (days)	259.23 (9)	48.53 (2)	156.17 (6)	16,52.44 (34)	699.53 (25)
26. Interest on Ways and Means Advances/ Overdraft	6.17	0.92	5.16	10.35	4.42
27. Gross State Domestic Product (GSDP)	24,392.96	26,527.42	29,715.87	30,425.11	32,423.74
28. Outstanding Fiscal Liabilities (year-end)	104,09.15	10,545.76	12,179.10	13,471.67	13,922.40
29. Outstanding Guarantees (year-end) (including Interest)	110.46	120.96	174.96	174.96	189.96

	2017-18	2018-19	2019-20	2020-21	2021-22
30. Maximum Amount Guaranteed (year-end)	51.50	0.00	0.00	0.00	0.00
31. Number of Incomplete Projects	311	390	399	416	383
32. Capital Blocked in Incomplete Projects	1,737.68	1,252.87	1,309.30	1,380.04	1,309.30
Part E. Fiscal Health Indicators					
I Resource Mobilization					
Own Tax Revenue/GSDP	2.62	3.19	3.22	3.36	4.01
Own Non-Tax Revenue/GSDP	1.59	0.96	1.14	0.80	0.94
Central Transfer/GSDP	13.75	14.30	10.99	11.21	15.04
II Expenditure Management					
Total Expenditure/GSDP	47.01	47.20	43.25	41.84	42.29
Total Expenditure/Revenue Receipts	104.06	109.47	112.51	111.40	101.95
Revenue Expenditure/Total Expenditure	88.88	87.21	90.54	86.82	86.17
Expenditure on Social Services/ Total Expenditure	26.55	27.86	27.13	28.65	31.32
Expenditure on Economic Services/ Total Expenditure	33.45	28.71	29.34	28.07	24.66
Capital Expenditure/Total Expenditure	11.12	12.74	9.39	13.13	13.81
Capital Expenditure on Social and Economic Services/Total Expenditure.	8.79	9.39	8.10	9.92	11.67
III Management of Fiscal Imbalances					
Revenue Deficit (Surplus)/GSDP	3.39	1.95	-0.72	1.23	5.04
Fiscal Deficit/GSDP	(-) 1.83	(-) 4.08	(-)4.81	(-)4.28	(-)0.80
Primary Deficit (Surplus)/GSDP	0.95	(-) 1.17	(-)2.07	(-)1.46	2.07
Revenue Deficit/Fiscal Deficit	*	*	0.15	*	*
Primary Revenue Balance/GSDP	4.16	3.99	4.37	4.30	4.30
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	42.67	39.75	40.99	44.28	42.94
Fiscal Liabilities/RR	94.49	92.20	106.62	117.89	103.50
Debt Redemption (Principal + Interest)/ Total Debt Receipts	93.90	137.73	132.56	61.90	70.18
V Other Fiscal Health Indicators					
Return on Investment	0.00	0.66	2.80	2.47	0.49
Balance from Current Revenue (₹ in crore)	979.34	744.63	(-)84.40	(-)342.92	(-)1118.07
Financial Assets/Liabilities	1.76	1.90	1.81	1.77	1.86

Figures in brackets represent percentages (rounded) to total of each sub-heading

GIA is already included under General Services, Social Services and Economic Services

*The State experienced Revenue Surplus during these years

Appendix 1.2

Summarised Financial Position of the Government of Nagaland as on 31 March 2022

(Reference: Paragraph 1.4)

(₹ in crore)

As on 31.03.2021		Liabilities	As on 31.03.2022	
10,331.14		Internal Debt -		10,794.87
	8,993.00	Market Loans Bearing Interest	10,215.00	
	0.03	Market Loans Not Bearing Interest	0.03	
	3.60	Loans from Life Insurance Corporation of India	1.80	
	642.61	Loans from Other Institutions	578.04	
	691.90	Ways and Means Advances	0.00	
	0.00	Overdrafts from Reserve Bank of India		
317.88		Loans and Advances from Central Government-		612.54
	0.35	Pre 1984-85 Loans	0.35	
	10.80	Non- Plan Loans	10.12	
	272.10	Loans for State Plan Schemes	568.04	
	0.18	Loans for Central Plan Schemes	0.18	
	27.14	Loans for Centrally Sponsored Schemes	26.71	
	0.00	Ways and Means Advances	0.00	
	7.31	Loans for Special Scheme	7.14	
0.35		Contingency Fund		0.35
1,875.68		Small Savings, Provident Funds, etc.		1,606.81
978.57		Deposits		923.61
1,754.57		Reserve Funds		1,900.16
0.00		Suspense and Miscellaneous Balances		0.00
(-)661.02		Remittance Balances		(-)831.48
14,597.17		Total		15,006.86
Assets				
20,973.94		Gross Capital Outlay on Fixed Assets -		22,867.79
	296.17	Investments in shares of Companies, Corporations, etc.	296.17	
	20,677.77	Other Capital Outlay	22,571.62	
41.45		Loans and Advances -		42.17
	0.00	Loans for Power Projects	0.00	
	41.05	Other Development Loans	42.61	
	0.40	Loans to Government Servants and Miscellaneous Loans	(-)0.43	
0.00		Reserve Fund Investments		0.00
0.57		Advances		0.57
90.09		Suspense and Miscellaneous Balances		75.28
2,745.33		Cash -		2,909.32
	0.00	Cash in Treasuries and Local Remittances	0.00	
	157.59	Deposits with Reserve Bank	(-)399.64	
	801.56	Departmental Cash Balance	907.98	
	0.00	Permanent Advances	0.00	
	1,786.18	Investment on Earmarked Funds	1,915.61	
	0.00	Cash Balance Investments	485.37	
(-)9,254.21		Deficit on Government account -		(-)10,888.27
	(-)375.37	(i) Less Revenue Surplus of the current year	(-)1,634.06	
	0.00	(ii) Miscellaneous Deficit		
	(-)8,878.84	Accumulated Deficit at the beginning of the year	(-)9,254.21	
14,597.17		Total		15,006.86

Explanatory Notes: The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.

Suspense and Miscellaneous Balances include cheques issued but not paid, Inter-Departmental and Inter-Government payments and others awaiting settlement.

Appendix 3.1

Expenditure in excess of ₹ 10 lakh without provision at Sub-Head level

(Reference: Paragraph-3.3.1)

(₹ in lakh)

Sl. No.	Grant No.	Head of Account	Description	Expenditure
Revenue				
1.	23	7610-00-800-01	Advance for purchase of personal computer	35.00
Total				35.00

Source: Appropriation Accounts, 2021-22

Appendix 3.2

Cases where Supplementary Provision proved unnecessary

(Reference: Paragraph-3.3.3)

(₹ in crore)

Sl. No.	Number and Name of the Grant	Original Provision	Actual Expenditure	Savings out of Original provision	Supplementary provision
(A) Revenue (Voted)					
1.	37- Municipal Administration	51.17	44.84	6.33	38.68
2.	43- Social Security and Welfare	306.89	288.23	18.66	13.89
3.	49- Soil and water Conservation	67.91	65.85	2.06	2.25
4.	67- Home Guards	37.01	36.14	0.87	0.51
Sub-Total Revenue (Voted)		462.98	435.06	27.92	55.33
(B) Capital (Voted)					
6.	12- Treasuries and Accounts Administration	1.50	1.50	0.00	0.65
7.	35- Medical, Public Health & Family welfare	247.40	155.64	91.76	158.82
8.	37- Municipal Administration	169.70	151.99	17.71	12.41
9.	54- Mineral Development	2.00	1.84	0.16	0.84
10.	73- State Institute of Rural Development	1.40	1.40	0.00	2.00
Sub-Total Revenue (Charged)		422.00	312.37	109.63	174.72
Grand Total (Revenue + Capital)		884.98	747.43	137.55	230.05

Source: Appropriation Accounts, 2021-22

Appendix 3.3

Statement of various Grants/ Appropriations where Savings were more than ₹ one crore each or more than 20 per cent of the Total Provision

(Reference: Paragraph-3.3.5)

(₹ in crore)

Sl. No.	Grant No.	Name of the Grant/ Appropriation	Total Grant/ Appropriation	Savings	Percentage
Revenue (Charged)					
1.	75	Servicing of Debt	1,061.37	129.28	12.18
Capital (Charged)					
2.	75	Servicing of Debt	8,164.31	214.14	2.62
Revenue (Voted)					
3.	11	District Administration & Special Welfare Schemes	179.48	7.38	4.11
4.	12	Treasury and Accounts Administration	63.8	25.28	39.62
5.	18	Pensions and Other Retirement Benefits	2,333.93	175.26	7.51
6.	21	Relief of Distress caused by Natural Calamities	350.25	299.81	85.60
7.	22	Civil Supplies	92.189	10.13	10.99
8.	26	Civil Secretariat	349.95	123.49	35.29
9.	27	Planning Machinery	140.34	98.03	69.85
10.	28	Civil Police	1,581.81	6.38	0.40
11.	31	School Education	1,700.42	43.03	2.53
12.	32	Higher Education	192.16	47.64	24.79
13.	35	Medical, Public Health and Family Welfare	795.31	28.46	3.58
14.	37	Municipal Administration	89.85	45.01	50.09
15.	40	Employment and Training	51.95	2.21	4.25
16.	42	Rural Development	1213.1	601.35	49.57
17.	43	social security and Welfare	320.78	32.55	10.15
18.	45	Co- Operation	23.66	1.28	5.41
19.	48	Agriculture	364.78	186.32	51.08
20.	49	Soil & Water Conservation	70.16	4.32	6.16
21.	50	Animal Husbandry and Dairy Development	114.02	8.04	7.05
22.	51	Fisheries	45.19	8.37	18.52
23.	52	Forest, Ecology, Environment and Wild life	154.17	58.29	37.81
24.	53	Industries	102.89	4.33	4.21
25.	56	Road Transport	88.69	1.04	1.17
26.	58	Roads and Bridges	359.99	38.14	10.59
27.	59	Water Resources	37.64	4.65	12.35
28.	64	Housing	154.17	9.73	6.31
29.	67	Home Guards	37.52	1.37	3.65
30.	70	Horticulture	93.48	28.17	30.13
31.	72	Land Resources Development	88.38	67.42	76.28
32.	74	Mechanical Engineering	51.87	1.05	2.02
33.	77	Development of Underdeveloped Areas	22.81	5.85	25.65
34.	78	Technical Education	25.15	1.58	6.28
Capital (Voted)					
35.	12	Treasury and Accounts Administration	2.15	0.65	30.23
36.	26	Civil Secretariat	141.47	116.4	82.28
37.	27	Planning Machinery	781.25	563.19	72.09
38.	31	School Education	76.96	12.84	16.68
39.	32	Higher Education	92.83	87.12	93.85
40.	33	Youth Resources and Sports	62.47	4.9	7.84

Sl. No.	Grant No.	Name of the Grant/ Appropriation	Total Grant/ Appropriation	Savings	Percentage
41.	35	Medical, Public Health and Family Welfare	406.22	250.58	61.69
42.	36	Urban Development	112.59	4.18	3.71
43.	37	Municipal Administration	182.11	30.12	16.54
44.	39	Tourism	11.15	8.96	80.36
45.	47	Legal Metrology and Consumer Protection	2.8	1.8	64.29
46.	52	Forest, Ecology, Environment and Wild life	34.36	20.36	59.25
47.	54	Mineral Development	2.84	1	35.21
48.	55	Power	98.19	13.05	13.29
49.	56	Road Transport	21.26	1.28	6.02
50.	58	Roads and Bridges	723.72	344.54	47.61
51.	59	Water Resources	183.5	135.68	73.94
52.	64	Housing	29.61	4	13.51
53.	65	SCERT	16	7.24	45.25
54.	73	State Institute of Rural Development	3.4	2	58.82
55.	77	Development of Underdeveloped Areas	38.32	10.49	27.37
56.	78	Technical Education	14.5	1.26	8.69
Total			23,553.27	3,941.02	16.73

Source: Appropriation Accounts, 2021-22

Appendix 4.1

Department-wise list of Outstanding Utilisation Certificates (UCs) for the Grants provided up to the year 2021-22

(Reference: Paragraph-4.4)

(₹ in crore)

Sl. No.	Name of the Department	No. of UCs	Amount
1.	Rural Development	06	78.54
2.	Planning and Co-ordination	19	118.39
3.	Education department	17	45.33
4.	Social Security and Welfare	29	18.57
5.	Women Development	9	5.17
6.	Youth Resource & Sports	16	17.95
7.	Municipal Affairs	3	8.41
8.	Health and Family Welfare	7	7.95
9.	Geology and Mining	4	4.43
10.	Law & Justice	4	0.92
11.	Home	24	1.74
12.	Other Departments#	11	8.94
Total		149	316.34

Source: Note to Accounts/Finance Accounts, 2021-22

Other Departments include (i) Cooperative Society, (ii) Commissioner, (iii) Department of Under Developed Area, (iv) Information and Public Relations, (v) Legal Metrology (vi) Fisheries, (vii) Horticulture, and (viii) Information and Technology.

Appendix 4.2

Outstanding Detailed Countersigned Contingent (DCC) Bills against the drawal of Abstract Contingent (AC) Bills up to the year 2021-22

(Reference: Paragraph-4.5)

(₹ in crore)

Sl. No.	Name of Department	No. of AC bills for which DCC Bills were outstanding	Amount
1.	Civil Police	105	317.33
2.	Home	130	90.64
3.	Youth Resources and Sports	37	33.99
4.	Tourism	7	24.86
5.	Director of Under Development Areas	6	14.00
6.	Social Security and Welfare	8	6.87
7.	Border Affairs	8	3.88
8.	Chief Election Officer	6	4.16
9.	Other Departments*	28	37.10
Total		335	532.83

Source: Note to Accounts/Finance Accounts, 2021-22 and VLC data

* Other Departments include ATI, Animal Husbandry, Planning & Coordination, Industries and Commerce, SCERT, Governor Secretariat, Health and Family welfare, Tribal Affairs and Higher Education.

Appendix 4.3

**Department-wise/ Duration -wise Break-up of the Cases of Misappropriation, Defalcation etc.,
(Cases where Final Action was pending at the end of March 2022)**

(Reference: Paragraph-4.15)

Sl. No	Name of the Department	Up to 5 Years	5-10 years	Total No. of Cases
1.	School Education	0	2	2
2.	D C Dimapur	1	0	1
3.	Industries & Commerce	1	0	1
4.	Rural Development	2	0	2
5.	Tourism	0	1	1
6.	PWD (R & B & Mechanical)	3	1	4
7.	Health & Family Welfare	0	4	4
8.	Soil & Water Conservation	1	0	1
9.	PHE	1	0	1
10.	Planning & Co-Ordination	1	0	1
11.	Land Records & Survey	0	1	1
12.	Municipal Affairs	0	1	1
13.	Taxes	3	1	4
14.	Water Resources	1	0	1
15.	Forest	1	0	1
16.	Various Department	7	0	7
17.	Disaster Management	2	0	2
Total		24	11	35

Source: Information furnished by Lokayukta, Government of Nagaland

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