

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

Chapter II: Finances of the State

This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the five-year period from 2017-22, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State. For this purpose, information was also obtained from the State Government where necessary.

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

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

Table 2.1 Snapshot of 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 26.27 per cent ✓ Tax Receipts of the State increased by 29.76 per cent ✓ Non-Tax Receipts increased by 2.77 per cent ✓ State's Share of Union Taxes and Duties increased by 42.79 per cent ✓ Grants-in-Aid from GoI increased by 10.83 per cent
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue Expenditure increased by 4.71 per cent ✓ Revenue Expenditure on General Services increased by 5.89 per cent ✓ Revenue Expenditure on Social Services increased by 1.64 per cent ✓ Revenue Expenditure on Economic Services increased by 7.13 per cent ✓ Expenditure on Grants-in-Aid increased by 0.17 per cent
Capital Expenditure	<ul style="list-style-type: none"> ✓ Overall Capital expenditure decreased by 13.09 per cent ✓ Capital expenditure on General Services increased by 145.92 per cent ✓ Capital expenditure on Social Services decreased by 23.93 per cent ✓ Capital expenditure on Economic Services decreased by 23.29 per cent
Loans and Advances	<ul style="list-style-type: none"> ✓ There was disbursement of ₹ 0.85 crore under Loans and Advances during 2021-22 ✓ Recoveries of Loans and Advances decreased by 61.54 per cent
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 20.32 per cent ✓ Repayment of Public Debt increased by 50.34 per cent
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts decreased by 1.58 per cent ✓ Disbursement from Public Account increased by 7.11 per cent
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance decreased by ₹ 796.95 crore (40.00 per cent)

2.2 Sources and Application of Funds

Table 2.2 presents the summary of the State Government's fiscal transactions and compares the sources and application of funds of the State during 2021-22 with 2020-21. Details of receipts and disbursements as well as overall fiscal position of current year (2021-22) vis-à-vis the previous year (2020-21) are given in **Appendix 2.1 (A) & (B)**.

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

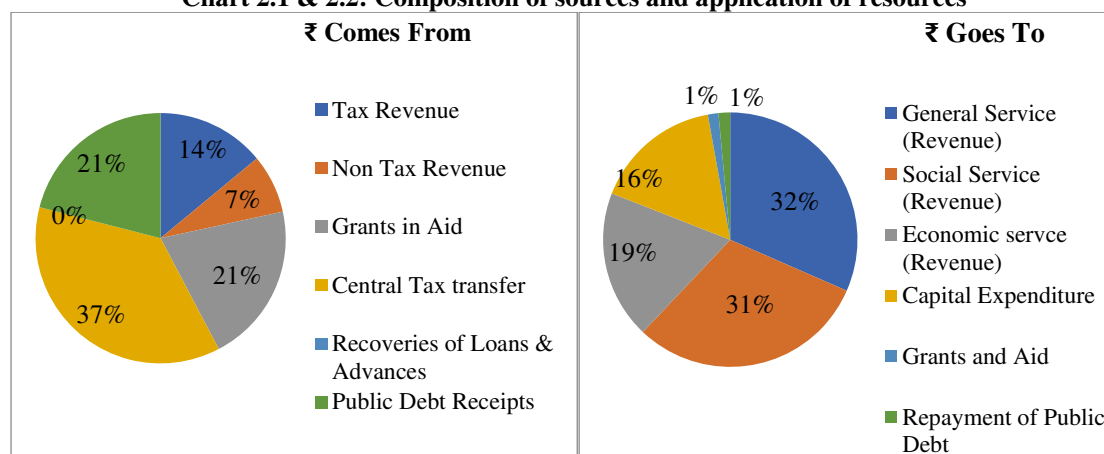
(₹ in crore)				
	Particulars	2020-21	2021-22	Increase (+)/ Decrease (-)
Sources	Opening Cash Balance	2,084.57	1,992.24	-92.33
	Revenue Receipts	5,607.82	7,080.72	1,472.90
	Recoveries of Loans and Advances	1.17	0.45	-0.72
	Public Debt Receipts	1,564.71	1,882.60	317.89
	Public Account Receipts (Gross)	9,282.40	9,135.46	-146.94
	Total	18,540.67	20,091.47	1,550.80
Application	Revenue Expenditure	6,368.65	6,668.84	300.19
	Capital Expenditure	1,513.88	1,315.78	-198.10
	Disbursement of Loans and Advances	0.00	0.85	0.85
	Repayment of Public Debt	79.75	119.90	40.15
	Contingency Fund	0.00	0.00	0.00
	Public Account Disbursements (Gross)	8,586.15	9,196.91	610.76
	Closing Cash Balance	1,992.24	2,789.19	796.95
	Total	18,540.67	20,091.47	1,550.80

Source: Finance Accounts

The total inflow and outflow of the Government after deducting the cash balances during the year 2021-22 was ₹ 18,099.23 crore (₹20,091.47–₹ 1,992.24) and ₹ 17,302.28 crore (₹ 20,091.47 crore–₹ 2,789.19 crore) respectively leading to increase in cash balance by ₹ 796.95 crore. There was increase in Revenue Receipts during 2021-22 mainly under Tax Revenue by ₹ 287.71 crore wherein there was major increase in SGST by ₹ 192.51 crore as compared to previous year. The State was able to generate a Revenue surplus of ₹ 411.18 crore during 2021-22.

Charts 2.1 and 2.2 give the details of Total Receipts into and expenditure from the Consolidated Fund during 2021-22 in terms of percentages.

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



2.3 Resources of the State

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

- Revenue Receipts** consist of Tax Revenue, State's share of Union Taxes and Duties, Non-Tax Revenue and Grants-in-Aid from GoI.
- Capital Receipts** comprise miscellaneous Capital Receipts such as proceeds from

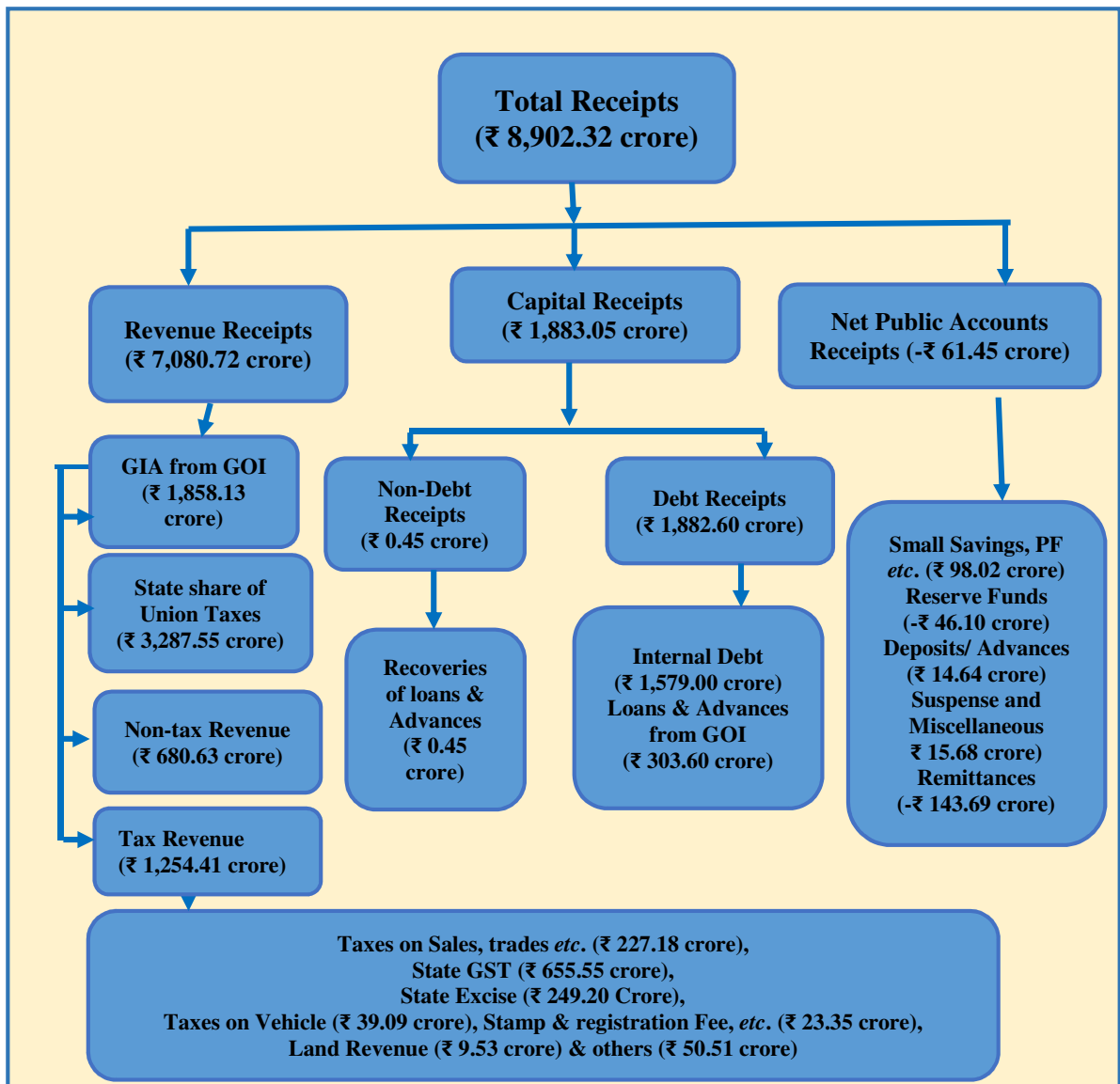
disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. Both Revenue and Capital Receipts form part of the Consolidated Fund of the State.

3. **Net Public Account Receipts:** In Government accounts, there are receipts and disbursements in respect of certain transactions such as Small Savings, Provident Fund, Reserve Funds, Deposits, Suspense, Remittances, *etc.* which do not form part of the Consolidated Fund. These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the amount available with the Government for use.

2.3.1 Components of Receipts of the State

Chart 2.3 depicts the sources of the State Government during 2021-22.

Chart 2.3: Components and sub-components of Resources



Source: Finance Accounts

2.3.2 State's Revenue Receipts

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

Table 2.3: Sources of State's Revenue

Sources of Revenue	2017-18	2018-19	2019-20	2020-21	2021-22
State's Own Revenue	1,342.71	1,550.70	1,663.81	1,628.99	1,935.04
Grants-in-Aid from GoI	1,235.42	1,574.99	881.90	1,676.56	1,858.13
Central Tax transfers	2,634.66	2,794.67	2,295.56	2,302.27	3,287.55
Total Revenue Receipt	5,212.79	5,920.36	4,841.27	5,607.82	7,080.72

(₹ in crore)

Source: Finance Accounts of Respective Years

The State's revenue during 2021-22 were higher than previous year. This was mainly due to increase in Central Tax Transfers and marginal increase in Grants-in-Aid from GoI and State's Own Revenue during 2021-22 as compared to 2020-21.

2.3.2.1 Trends and growth of Revenue Receipts

This sub para provides the trends and growth of Revenue Receipts as well as Revenue Buoyancy with respect to GSDP over the five-year period 2017-22. Further, trends in Revenue Receipts relative to GSDP and composition of Revenue Receipts are depicted in **Charts 2.4** and **2.5** respectively.

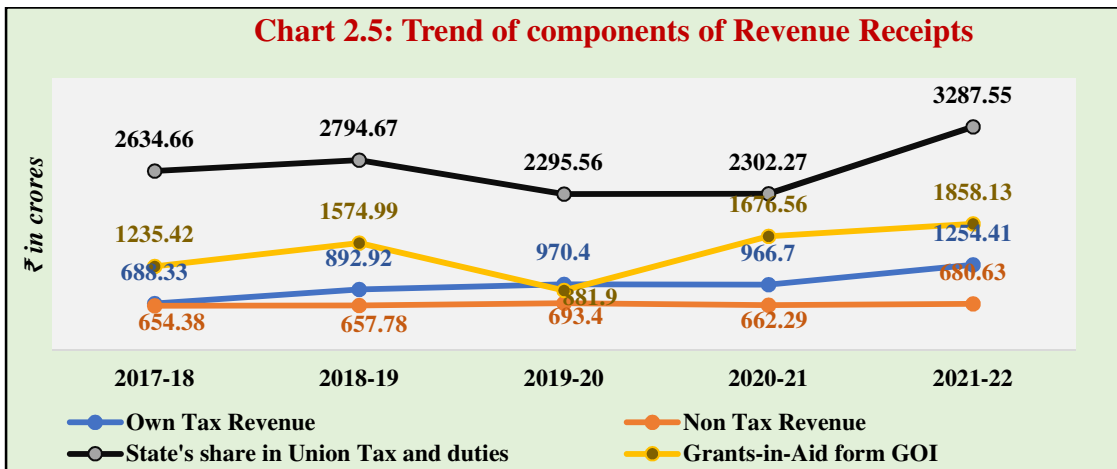
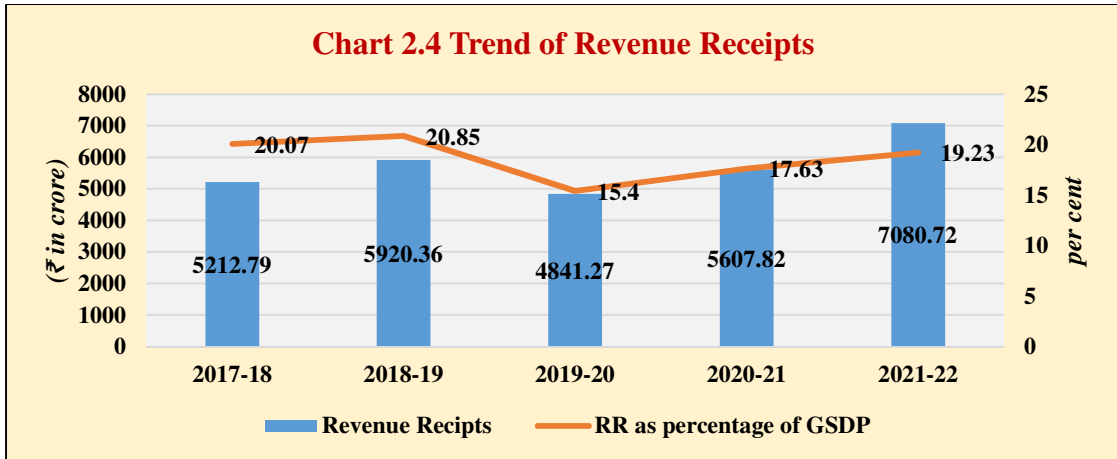
Table 2.4: Trends of growth and buoyancy of Revenue Receipts

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Receipts (RR) (₹ in crore)	5,212.79	5,920.36	4,841.27	5,607.82	7,080.72
Rate of growth of RR (per cent)	13.07	13.57	(-) 18.23	15.83	26.27
Tax Revenue (per cent of growth)	688.33 (5.48)	892.92 (29.72)	970.41 (8.68)	966.70 (-0.38)	1,254.41 (29.76)
Non-Tax Revenue (per cent of growth)	654.38 (44.89)	657.78 (0.52)	693.40 (5.42)	662.29 (-4.49)	680.63 (2.77)
Own Revenue Resources (Tax and Non-Tax Revenue) (per cent of growth)	1,342.71 (21.60)	1,550.70 (15.49)	1,663.81 (7.29)	1,628.99 (-2.09)	1,935.04 (18.79)
GSDP (₹ in crore)	25,971	28,402	31,441	31,800	36,825
Rate of growth of GSDP (per cent)	25.54	9.36	10.70	1.14	15.81
RR/GSDP (per cent)	20.07	20.85	15.40	17.63	19.23
Buoyancy Ratios³					
Revenue Buoyancy w.r.t GSDP	0.51	1.44	(-) 1.70	12.46	1.66
State's Own Revenue Buoyancy w.r.t GSDP	0.85	1.65	0.68	(-)1.65	1.19

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

During the period from 2017-22, Revenue Receipts of the State grew by 35.83 per cent. This was 4.61 per cent less than the growth of Revenue Receipts for the NE & H States (40.44 per cent) during the same period. Buoyancy ratio of the State's Revenue/ GSDP stood at 1.66 per cent and State's Tax Revenue to GSDP stood at 1.19 per cent.

³ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one per cent.



Source: Finance Accounts of Respective Years

State's own resources accounted for 27.33 per cent of Revenue Receipts during 2021-22, while Central Tax Transfers and Grants-in-Aid together contributed 72.67 per cent which is indicative of the fact that the State's fiscal position is largely dependent on Central Tax transfers and Grants-in-Aid from GoI.

2.3.2.2 State's Own Resources

State's share in Central taxes is determined based on recommendations of the Finance Commission; share of Grants-in-Aid is determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes, etc. Thus, State's performance in mobilisation of additional resources in terms of its own resources comprising revenue from its Tax and Non-Tax sources is important for generation of additional financial resources. The status of collection of State's Tax Revenue and Non-Tax Revenue during 2017-22 is given in **Table 2.5**.

Table 2.5: State's own resources

Particulars	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Tax Revenue	688.33	892.92	970.41	966.70	1,254.41
Non-tax Revenue	654.38	657.78	693.40	662.29	680.63
Total	1,342.71	1,550.70	1,663.81	1,628.99	1,935.04

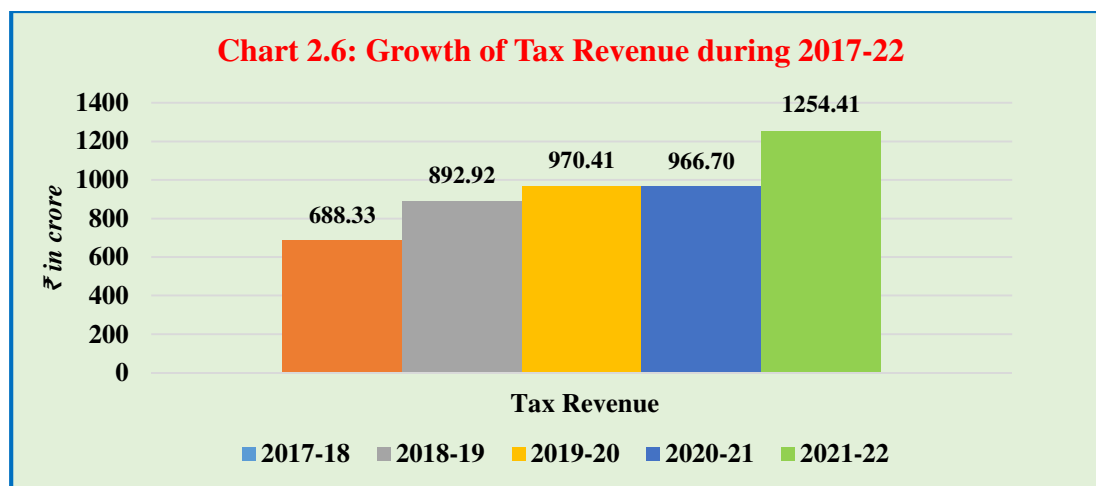
Source: Finance Accounts of Respective Years

The details of gross collections of Tax and Non-Tax Revenue and their relative share

in GSDP during 2017-22 is given in **Appendix 2.2**.

(i) Tax revenue

Tax Revenue consists of State GST, State Excise, Taxes on Vehicles, Stamp Duty and Registration Fees, Land Revenue, *etc.* The trend of collection of Tax Revenue during the five-year period 2017-22 is depicted in **Chart 2.6**.



Component-wise details of Tax Revenue collected during the period 2017-22 as well as trend of growth of individual components of revenues is depicted in **Table 2.6**.

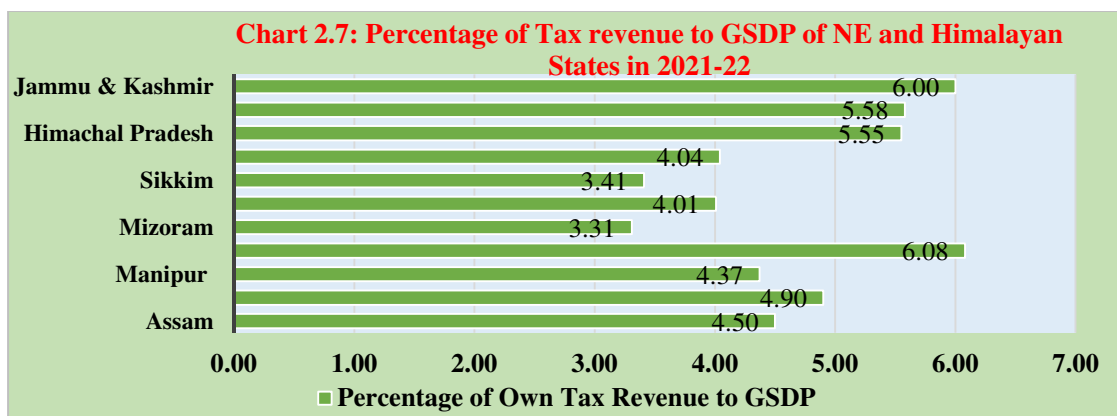
Table 2.6: Components and growth of Tax Revenue

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	
					Budget Estimates	Actuals
Sales Tax	249.66	188.20	197.63	195.25	220.00	227.18
SGST	171.39	405.72	454.89	463.04	579.00	655.55
State Excise	150.47	183.09	207.15	210.27	275.00	249.20
Taxes on Vehicles	29.37	33.11	41.08	28.96	43.50	39.09
Stamp Duty & Registration Fee	13.57	14.95	13.30	13.13	11.78	23.35
Land Revenue	7.44	9.09	4.40	13.33	8.60	9.53
Other Taxes	66.43	58.76	51.96	42.72	57.60	50.51
Total	688.33	892.92	970.41	966.70	1,195.48	1,254.41
Rate of Growth	5.48	29.72	8.68	-0.38	-3.74	29.76

Source: Finance Accounts

It can be seen that Tax Revenue increased by ₹ 566.08 crore from ₹ 688.33 crore in 2017-18 to ₹ 1,254.41 crore in 2021-22 at an annual average growth rate of 16.45 per cent. Tax Revenue increased to ₹ 1,254.41 crore in 2021-22 from ₹ 966.70 crore in 2020-21, representing an increase of 29.76 per cent. During the current year, major contributors of Tax Revenue were Goods and Services Tax (52.26 per cent) and State Excise (19.88 per cent).

State’s Tax Revenue of ₹ 1,254.41 crore at 3.41 per cent of GSDP, was higher than that of Mizoram (3.31 per cent) during 2021-22 but lower than the other NE&H States as shown in **Chart 2.7**.



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

Table 2.7: Collection of SGST

Sl. No.	Year	Tax collection (₹ in crore)
1	2017-18	171.39 ⁴
2	2018-19	405.72
3	2019-20	454.89
4	2020-21	463.04
5	2021-22	655.55

Source: Finance Accounts, Statement No. 3.

The Sikkim Goods and Service Tax (SGST) Act, 2017, came into effect from 01 July 2017. Trends in SGST collection since July 2017 is as shown in **Table 2.7**.

As per the GST Act, any shortfall in revenue to the State is required to be compensated by the Central Government. Compensation under GST (Compensation to the States) Act, 2017 is payable when the actual revenue collected by the State under GST and pre-GST arrears is less than the projected revenue. In Sikkim, the actual revenue collected was more than the projected revenue hence compensation was not payable to Sikkim during 2017-18 to 2019-20 and 2021-22, but during 2020-21, the SGST collection was less than projected revenue by ₹ 8.84 crore as detailed in **Table 2.8**.

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

Sl. No.	Year	Projected revenue ⁵ (₹ in crore)	Tax collection along with pre-GST arrears (₹ in crore)
1	2017-18	239.22	264.76
2	2018-19	363.65	425.33
3	2019-20	414.56	455.90
4	2020-21	472.60	463.76*
5	2021-22	538.76	655.55 ^{6*}

Source: Finance Accounts of respective years

*Provisional figure

Central Government has been releasing the State's share in IGST (transfer-in of tax, interest, and penalty component to SGST, etc.), but in Sikkim both SGST (Tax) and IGST⁷ are being credited under the same head 0006-101 instead of booking the IGST

under Minor Head 106 under Major Head 0006. The State Government operated only two Minor Heads 101-Tax and 800-Other Receipts under Major Head 0006- State GST.

⁴ The amount pertains to nine months only as GST was implemented from July 2017.

⁵ Projection = derived from annual increase of 14 per cent on previous year's revenue. (E.g. ₹ 472.60 crore + 14 per cent increase = ₹ 538.76 crore)

⁶ GST-₹ 655.55 crore minus refund of VAT (-₹ 0.12 crore) plus Medicinal and toilet preparation containing alcohol, opium, etc. (-₹ 0.12 crore).

⁷ As per the instruction of Controller General of Accounts, Ministry of Finance, SGST is to be credited under 0006-101 and IGST is credited under the head 0006-106

The matter has already been highlighted in the State Finances Audit Reports of 2019-20 and 2020-21. However, no corrective measure has been taken till now.

Thus, due to non-operation of other Minor Heads, correct picture of components of SGST like interest, penalty, fees, input tax credit cross utilisation of SGST and IGST, apportionment of IGST, etc., is not reflected in the accounts, which is in violation of the principles of disclosure and transparency.

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

No cases of evasion of tax was detected by the Excise and Commercial Taxes Department. The details of disposal of refund cases are given in **Table 2.9**.

Table 2.9: Details of refund cases

Sl. No.	Particulars	GST		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year*	10	0.07	Nil	Nil
2.	Claims received during the year	26	3.80	Nil	Nil
3.	Refunds made during the year	10	2.38	Nil	Nil
4.	Refunds rejected during the year	06	0.49	Nil	Nil
5.	Balance outstanding at the end of year	10	0.93	Nil	Nil

(₹ in crore)

Source: Departmental figure

*Outstanding balance of refund claims have been projected in the refund status of 2020-21, thus not carried forward for 2021-22.

(ii) Transfers from the Centre

The transfers from Centre are dependent on the Finance Commission (FC) recommendations. The trends for last 10 years are given in **Chart 2.8** and details of central tax transfers to the State during 2017-22 are mentioned in **Table 2.10**.

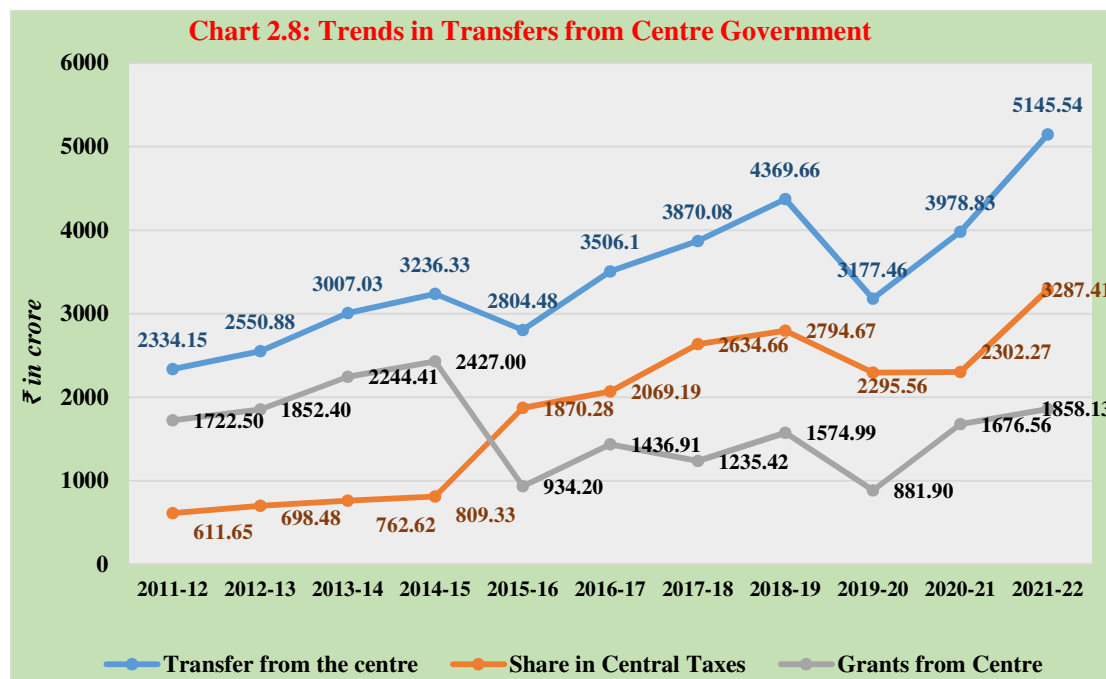


Table 2.10: Details of Central tax transfers to the State during 2017-22

(₹ in crore)

Head	2017-18	2018-19	2019-20	2020-21	2021-22	
					BEs	Actuals
Central Goods and Services Tax	35.28	689.78	645.62	686.82	834.39	964.04
Integrated Goods & Services Tax	249.56	55.10	0	0	0	0
Corporation Tax	835.64	971.97	788.90	694.10	751.34	988.33
Taxes on Income other than Corporation Tax	670.05	715.80	603.68	718.49	763.50	982.89
Other Taxes on Income and Expenditure	0	5.06	0	0	15.00	0.01
Customs	270.25	198.12	150.11	117.73	156.04	216.61
Union Excise Duties	261.34	131.66	106.08	73.44	75.56	103.14
Service Tax	311.52	25.39	0	9.67	1.59	29.03
Other Taxes ⁸	1.02	1.79	1.17	2.02	11.97	3.36
Central Tax transfers	2,634.66	2,794.67	2,295.56	2,302.27	2,582.39	3,287.41
Percentage of increase over previous year	27.33	6.07	- 17.86	0.29	-15.13	42.79
Percentage of Central tax transfers to Revenue Receipts	50.54	47.20	47.42	41.05	36.47	46.43

Source: Finance Accounts

Over the five-year period 2017-22, Central tax transfers increased by ₹ 652.75 crore (24.78 per cent), from ₹ 2,634.66 crore in 2017-18 to ₹ 3,287.41 crore in 2021-22. During 2017-22, Central tax transfers which had been increasing up to 2018-19, decreased sharply by 17.86 per cent (₹ 499.11 crore) in 2019-20 and increased marginally by 0.29 per cent (₹ 6.71 crore) in 2020-21 and by 42.79 per cent (₹ 985.14 crore) in 2021-22 over the respective previous year. Central tax transfers constituted 46.43 per cent of the Revenue Receipts during 2021-22.

Table 2.11: State's share in Union taxes and duties: Actual devolution vis-à-vis Finance Commission projections

(₹ in crore)

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1	2	3	4	5 (4-3)
XIII Finance Commission				
2011-12	0.239 per cent of net proceeds of all sharable taxes excluding Service Tax and 0.243 per cent of net proceeds of sharable Service Tax	572.00	611.65	39.65
2012-13		674.00	698.48	24.48
2013-14		796.00	762.62	-33.38
2014-15		938.00	809.32	-128.68
XIV Finance Commission				
2015-16	0.367 per cent of net proceeds of all sharable taxes excluding Service Tax and 0.369 per cent of net proceeds of sharable Service Tax	2,129.00	1,870.28	-258.72
2016-17		2,457.00	2,069.19	-387.81
2017-18		2,839.00	2,634.66	-204.34
2018-19		3,285.00	2,789.61	-495.39
2019-20		3,804.00	2,295.56	-1,508.44
XV Finance Commission				
2020-21	0.388 per cent of net proceeds of all sharable taxes -	3,318.00	2,302.27	-1,015.73
2021-22		2,555.00	3,287.55	732.00

Source: Departmental Figure and Finance Commission Report

From Table 2.11, it can be seen that except for the period 2011-2013, the actual devolution of net proceeds of all shareable taxes including Service Tax was less than

⁸ Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on Commodities and Services

the FC projections. However, the actual devolution of net proceeds of all shareable taxes including Service Tax was in excess of FC projections during 2021-22.

(iii) Non-Tax Revenue

Component-wise details of Non-Tax Revenue consisting of Interest receipts, Dividends and Profits, Power receipts, Departmental receipts, etc. collected during 2017-22 were as given in **Table 2.12**.

Table 2.12: Components of Non-Tax Revenue

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	
					BEs	Actuals
Interest Receipts	114.76	125.33	143.82	126.95	76.51	49.92
Dividends and Profits	2.92	4.38	3.21	2.78	1.00	1.45
Other Non-Tax Receipts	536.70	582.07	546.37	532.56	697.71	629.26
<i>a) Minor Irrigation</i>	0.34	0.31	0.12	0.18	0.07	3.96
<i>b) Road Transport</i>	52.08	53.96	57.10	47.87	65.00	61.78
<i>c) Urban Development</i>	2.03	5.69	4.16	2.91	2.88	3.08
<i>d) Education</i>	2.32	2.32	3.55	14.29	1.42	10.59
<i>e) Non-ferrous Mining</i>	0.18	0.22	0.19	0.16	0.15	0.25
<i>f) Power</i>	310.26	269.44	256.37	346.05	380.00	306.77
<i>g) State Lotteries</i>	55.03	57.82	40.10	22.37	55.18	6.48
<i>h) Others⁹</i>	114.46	138.31	144.68	98.73	193.01	236.35
Total	654.38	657.78	693.40	662.29	775.22	680.63
Rate of Growth	44.89	0.52	5.42	(-) 4.49	9	3

Source: Finance Accounts

Non-Tax Revenue, which ranged between 12.55 per cent and 9.61 per cent of Revenue Receipts of the State during the five-year period from 2017-22, increased marginally by ₹ 18.34 crore (2.77 per cent) during 2021-22 over the previous year.

Major factors for the increase in Non-Tax Revenue were Revenue from Road Transport (₹ 13.91 crore) and Minor Irrigation (₹ 3.78 crore). Other Non-Tax Receipts also increased from ₹ 536.70 crore in 2017-18 to ₹ 629.26 crore in 2021-22, an increase of 17.25 per cent.

However, Interest Receipts during 2021-22 have shown decrease of 60.68 per cent as compared to previous year and a decrease of 56.50 per cent compared to 2017-18. Revenue from Power, Education and Lotteries witnessed decrease of ₹ 39.28 crore (11.35 per cent), ₹ 3.70 crore (25.89 per cent) and ₹ 15.89 crore (71.03 per cent) respectively during 2021-22 as compared to previous year.

(iv) Grants-in-Aid from GoI

Grants-in-Aid (GIA) received by the State Government from GoI during 2017-22 are detailed in **Table 2.13**.

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

Table 2.13: Grants-in-Aid received from GoI

Head	2017-18	2018-19	2019-20	2020-21	2021-22	
					BEs	Actuals
Non-Plan Grants	--	--	--	--	--	--
Grants for State Plan Schemes	6.26	--	--	--	5.00	0
Grants for Central Plan Schemes	--	--	--	--	--	--
Grants for Centrally Sponsored Plan Schemes	39.50	4.19	(-) 0.48	0.30	0	-0.14 ¹⁰
Grants for Special Plan Schemes	0.52	--	--	--	--	--
Grants for Centrally Sponsored Schemes (CSS)	919.17	1,147.81	609.52	878.22	2,005.76	749.07
FC Grants	70.52	125.86	76.50	635.84	794.98	787.48
Other transfers	199.45	297.13	196.36	162.20	383.87	321.72
Total	1,235.42	1,574.99	881.90	1,676.56	3,189.61	1,858.13
Percentage of increase over the previous year	-14.02	27.49	-44.01	90.11	7.10	10.83
Percentage of GIA to Revenue Receipts	23.70	26.60	18.22	29.90	45.05	26.24

Source: Finance Accounts

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

The flow of Grants-in-Aid (GIA) from GoI depicted fluctuating trend during 2017-22. During the five-year period, the transfers on this account were the highest in 2021-22. The GIA increased by ₹ 181.57 crore (10.83 per cent) during the current year as compared to the previous year. There was substantial increase in FC Grants during 2020-21 as compared to the previous year. The increase was on account of the Post Devolution Revenue Deficit Grant of ₹ 448.00 crore received by the State Government during the year. The CSS grants had decreased, and other grants had increased during the year, as compared to the previous year. The GIA constituted 26.24 per cent of the Revenue Receipts during the year 2021-22.

The FC Grants constituted major portion (42.38 per cent) of total GIA received during the year. The FC Grants increased to ₹ 787.48 crore in 2021-22 from ₹ 635.84 crore in 2020-21 witnessing an increase of ₹ 151.64 crore (23.85 per cent).

➤ Fifteenth Finance Commission Grants

The Fifteenth FC was constituted on 27 November 2017, whose major recommendations were: 4.31 per cent of divisible pool to be given as grants to States for local bodies, grants for post devolution revenue deficit, grants for disaster risk management based on capacity, risk exposure and proneness to hazard and vulnerability. Comparative statement of transfers to the State on account of awards of XIV FC and XV FC during 2020-21 and 2021-22 respectively is given in **Table 2.14**.

¹⁰ Refund of unspent balance for the scheme Vocational Training Improvement Project (VTIP) to GoI vide Vr No 66 dated 2.6.2021. Grants in Aid was released during the financial year 2006-07 to 2017-18.

Table 2.14: Grants-in-Aid released by GoI as per recommendation of FC

(₹ in crore)				
Department	Sectors	2020-21	2021-22	Increase (+)/ Decrease (-)
Panchayat and Rural Development	Panchayati Raj Institutions	42.00	51.98	9.98
Urban Development	Urban Local Bodies	21.98	17.50	-4.48
Revenue and Disaster Management	State Disaster Response Fund	123.86	40.00	-83.86
Finance	Post Devolution Revenue Deficit Grant	448.00	678.00	230.00
Total		635.84	787.48	151.64

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

As can be seen from **Table 2.14** that there was increase (23.85 per cent) in FC grants during 2021-22 as compared to the previous year.

Based upon the projected tax revenue of the Union Government and the shares derived from the horizontal devolution formula, the share of each State is derived in absolute numbers by the FC. This has been used to derive the post-devolution revenue deficit/surplus for States. Accordingly, Sikkim was recommended for release of revenue deficit grant and an amount of ₹ 678.00 crore was released to Sikkim for the year 2021-22.

2.3.3 Capital Receipts

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

Table 2.15 shows the trends in growth and composition of net Capital Receipts.

Table 2.15: Capital Receipts of the State

(₹ in crore)					
Sources of State's Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
Capital Receipts	1,054.37	1,146.98	833.51	1,565.88	1,883.05
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	0.91	1.77	0.30	1.17	0.45
Public Debt Receipts	1,053.46	1,145.21	833.21	1,564.71	1,882.60
Internal Debt	1,050.93	1,140.09	819.36	1,361.87	1,579.00
Growth rate of Internal Debt (in per cent)	35.32	8.50	-28.13	66.21	15.94
Loans and advances from GoI	2.53	5.12	13.85	202.84	303.60
Growth rate of loans and advances from GoI (in per cent)	-62.41	102.37	170.51	1,364.55	49.67
Growth rate of debt Capital Receipts (in per cent)	34.48	8.71	-27.24	87.79	20.32
Growth rate of non-debt capital receipts (in per cent)	-33.58	94.51	-83.05	290	-61.54
Rate of growth of GSDP (in per cent)	25.54	9.36	10.70	1.27	15.81
Rate of growth of Capital Receipts (in per cent)	34.36	8.78	-27.33	87.87	20.26

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

During the last five-year period, Capital Receipts increased by 78.59 per cent (₹ 828.68 crore) from ₹ 1,054.37 crore in 2017-18 to ₹ 1,883.05 crore in 2021-22. The rate of growth of Capital Receipts which was (-)27.33 per cent in 2019-20 increased to

20.26 per cent in 2021-22. Internal debts constituting 83.85 per cent of Capital Receipts during the current year increased from ₹ 1,361.87 crore during 2020-21 to ₹ 1,579.00 crore in 2021-22. Non-debt Capital Receipts in the form of recoveries of Loans and Advances decreased by ₹ 0.72 crore (61.54 per cent) during 2021-22 over previous year.

Scheme for special assistance to States for Capital Expenditure: Government of India extended the “Scheme for Special Assistance to States for Capital expenditure” for the financial year 2021-22. Under the Scheme, State received ₹ 300.00 crore interest free loan which is to be repaid after 50 years.

Against the fund of ₹ 300.00 crore received for “Scheme for Special Assistance to States for Capital expenditure”, Government of Sikkim incurred an expenditure of ₹ 299.70 crore on various capital works during the year 2021-22.

2.3.4 State’s performance in mobilisation of resources

State’s performance in mobilisation of resources in the form of its own sources comprising own-tax and non-tax sources can be judged against the projections of XV FC and targets of budget. **Table 2.16** shows the performance of State in mobilisation of resources against the projections and targets during 2021-22.

Table 2.16: Tax and non-tax receipts vis-à-vis projections

Particulars	XV FC projections	Budget Estimates	Actuals	Percentage variation of actuals over	
				XV FC projections	Budget Estimates
Tax Revenue	1,127.00	1,195.48	1,254.41	11.31	4.93
Non-tax Revenue	518.00	775.22	680.63	31.40	(-) 12.20

Source: FC Report and Estimates of Receipts

In comparison to the assessment made by XV-FC, Tax Revenue was more by ₹ 127.41 crore and the Non-Tax Revenue was also more by ₹ 162.63 crore. Similarly, as compared to Budget Estimates, the Tax Revenue was more by ₹ 58.93 crore but Non-Tax Revenue fell short by ₹ 94.59 crore (12.20 per cent).

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 analysis of allocation of expenditure in the State.

2.4.1 Growth and composition of expenditure

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)	5,675.58	6,564.45	6,922.75	7,882.53	7,985.47
Revenue Expenditure (RE)	4,151.85	5,226.57	6,185.08	6,368.65	6,668.84
Capital Expenditure (CE)	1,506.78	1,291.31	720.61	1,513.88	1,315.78
Loans and Advances	16.95	46.57	17.06	0	0.85
GSDP	25,971	28,402	31,441	31,800	36,825
As a percentage of GSDP					
TE/GSDP	21.85	23.11	22.02	24.78	21.68
RE/GSDP	15.99	18.40	19.67	20.03	18.11
CE/GSDP	5.80	4.55	2.29	4.76	3.57
Loans and Advances/ GSDP	0.07	0.16	0.05	0	0

Source: Finance Accounts

During the period 2017-22, Total Expenditure of the State increased by 74.19 per cent (₹ 2,309.89 crore) from ₹ 5,675.58 crore in 2017-18 to ₹ 7,985.47 crore in 2021-22. During the current year, it increased by 1.31 per cent over the previous year.

The ratio of Total Expenditure of the State to GSDP fluctuated between 21.68 per cent and 24.78 per cent during 2017-22. During 2021-22, it decreased to 21.68 per cent from 24.78 per cent in previous year. This fluctuation was mainly on account of fluctuations in Capital Expenditure during the five-year period.

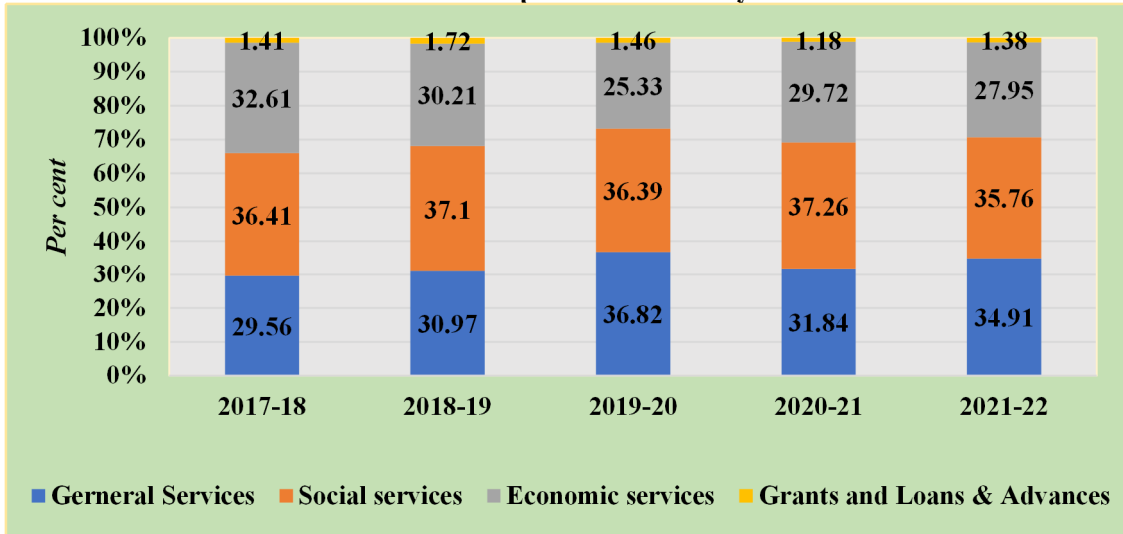
Table 2.18: Relative share of various Sectors in Total Expenditure

Sectors	2017-18	2018-19	2019-20	2020-21	2021-22
General Services	1,677.89	2,032.95	2,548.62	2,509.30	2,787.52
Social Services	2,066.68	2,435.22	2,519.45	2,936.99	2,855.83
Economic Services	1,850.74	1,983.31	1,753.76	2,342.92	2,231.77
Others (Grants to Local Bodies and Loans and Advances)	80.27	112.97	100.92	93.32	110.35
Total Expenditure	5,675.58	6,564.45	6,922.75	7,882.53	7,985.47
Sectoral share in Total Expenditure (in per cent)					
General Services	29.56	30.97	36.82	31.84	34.91
Social Services	36.41	37.10	36.39	37.26	35.76
Economic Services	32.61	30.21	25.33	29.72	27.95
Others (Grants to Local Bodies and Loans and Advances)	1.41	1.72	1.46	1.18	1.38
Total	100.00	100.00	100.00	100.00	100.00

Source: Finance Accounts

The relative share of above components of expenditure indicates that the share of General Services increased by 3.07 per cent during 2021-22 over the previous year, while relative share of Social Services and Economic Services decreased by 1.50 per cent and 1.77 per cent respectively

Chart 2.9: Total Expenditure - share by activities



Trend of Expenditure: Revenue, Capital and Loans & Advances

In the context of State Finances, the quality of expenditure has always been an important issue. Revenue Expenditure, which is in the nature of current consumption, accounted for 83.52 *per cent* of the State's aggregate expenditure, whereas Capital Expenditure, which is in the nature of asset creation, was only 16.48 *per cent* during 2021-22. During the period 2017-22, Revenue Expenditure ranged between 73.15 to 89.34 *per cent*, while Capital Expenditure has remained within the range of 10.41 to 26.55 *per cent*.

Chart 2.10: Total Expenditure: Trends in share of its components

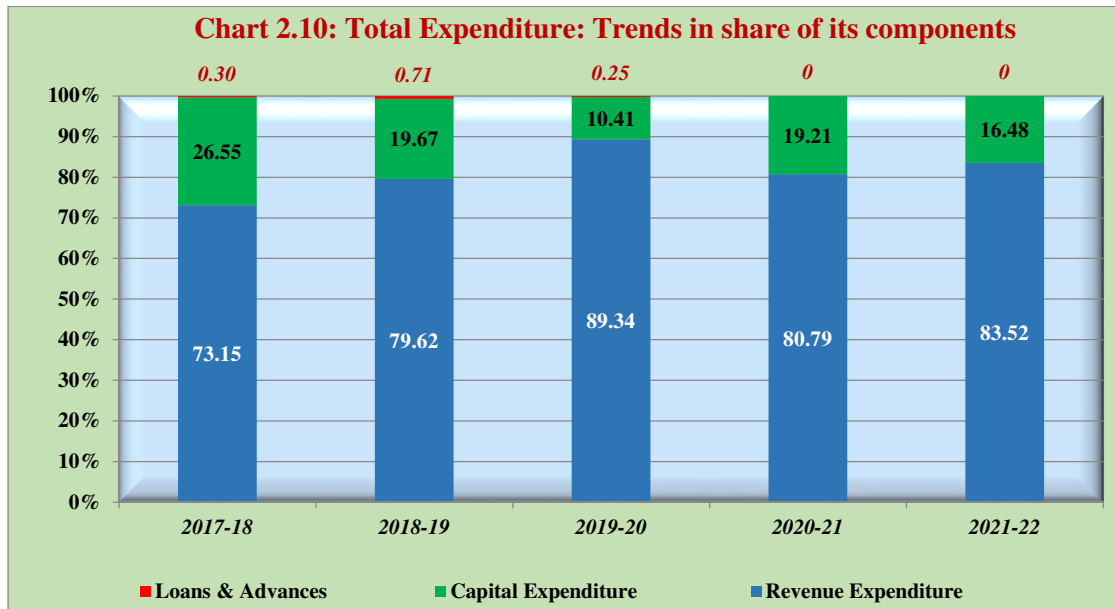
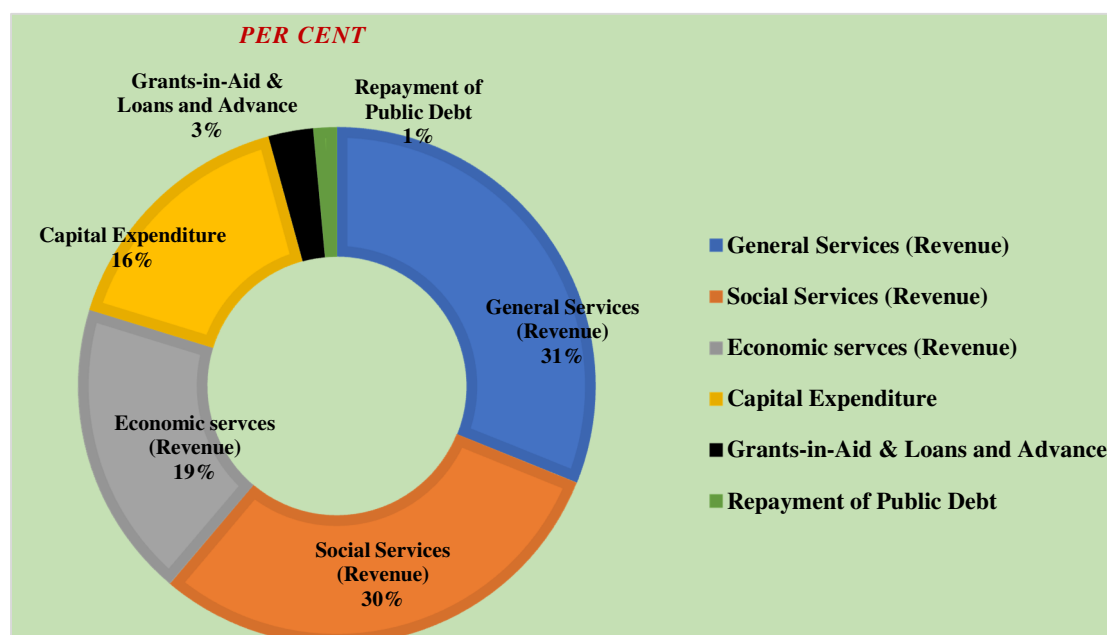


Chart 2.11: Expenditure incurred on various components during 2021-22

2.4.2 Revenue Expenditure

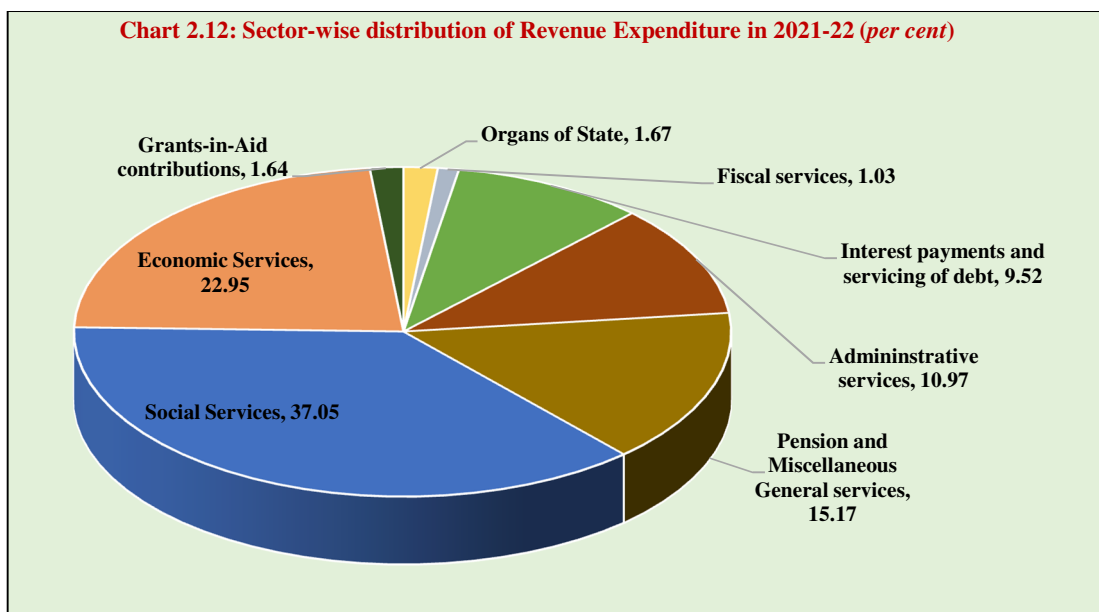
Revenue Expenditure is incurred to maintain the current level of services and payment for the past obligations. As such, it does not result in any addition to the State's infrastructure and service network.

Revenue Expenditure on an average constituted 81.28 *per cent* (ranging between 73.15 *per cent* in 2017-18 and 89.34 *per cent* in 2019-20) of the Total Expenditure during the period 2017-22. Rate of growth of Revenue Expenditure displayed wide fluctuation during the five-year period 2017-22 as during 2018-19 and 2019-20, it grew by 25.89 *per cent* and 18.34 *per cent* respectively and during 2020-21 and 2021-22 its growth was only 2.97 *per cent* and 4.71 *per cent* respectively. Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-à-vis* GSDP and Revenue Receipts are indicated in **Table 2.19** and the sectoral distribution of Revenue Expenditure pertaining to 2021-22 is given in **Chart 2.12**.

Table 2.19: Revenue Expenditure – Basic Parameters

Parameters	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	5,675.58	6,564.45	6,922.75	7,882.53	7,985.47
Revenue Expenditure (RE)	4,151.85	5,226.57	6,185.08	6,368.65	6,668.84
Rate of Growth of RE (<i>per cent</i>)	9.6	25.89	18.34	2.97	4.71
Revenue Expenditure as percentage of TE	73.15	79.62	89.34	80.79	83.52
RE/GSDP (<i>per cent</i>)	15.99	18.40	19.67	20.03	18.11
RE as percentage of RR	79.65	88.28	127.76	113.57	94.18
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.38	2.76	1.71	2.60	0.30
Revenue Receipts (ratio)	0.73	1.91	-1.00	0.19	0.18

Source: Finance Accounts



Revenue Expenditure as a percentage of GSDP showed a fluctuating trend during the period from 2017-18 to 2021-22.

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 (-)
2250-Other Social Services	9.44	40.93	334
2236-Nutrition	7.99	22.55	182
2405-Fisheries	9.49	21.37	125
2225-Welfare of SCs, STs, OBCs	73.29	113.35	55
2216-Housing	77.85	114.24	47
2217-Urban Development	178.98	53.79	-70
2045-Other Taxes and Duties on Commodities and Services	46.34	14.87	-68
2245-Relief on Account of Natural Calamities	141.71	64.36	-55
2052-Secretariat-General Services	104.42	66.40	-36
2070-Other Administrative Service	57.74	40.98	-29

Source: Finance Accounts

Table 2.20 indicates that Expenditure under Other Social Services, Nutrition, Fisheries, Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes and Housing increased significantly during the year over previous year. However, Revenue Expenditure on Urban Development, Other Taxes and Duties on Commodities, Secretariat-General Services, Relief on Account of Natural Calamities and Other Administrative Services declined during the year *vis-à-vis* previous year.

(i) Committed expenditure

Committed expenditure of Government on revenue account consists mainly of expenditure on Salaries and Wages, Interest Payments and Pensions. The SFRBM Act requires the State to be Revenue Surplus from year 2012-13. However, the State had incurred Revenue Deficit in 2019-20 and 2020-21. The target of FRBM is challenging

to achieve, given that a large proportion of the Revenue Expenditure goes into committed items like Salaries and Wages, Interest Payments and Pensions, and it is difficult to restrict these expenditures over a short period of time.

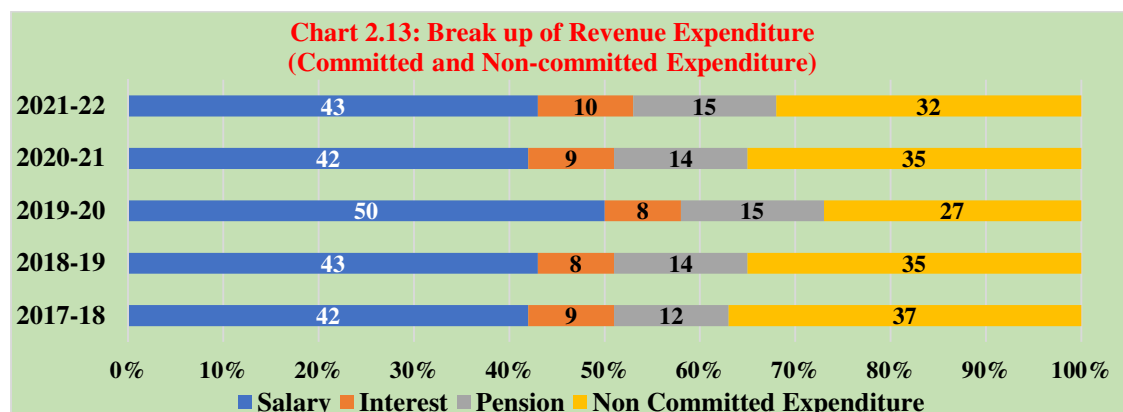
Table 2.21 presents trends in the components of committed expenditure, ratio of committed expenditure to Revenue Receipts and Revenue Expenditure during 2017-22.

Table 2.21: Components of Committed Expenditure

(₹ in crore)					
Components of Committed Expenditure	2017-18	2018-19	2019-20	2020-21	2021-22
Salaries & Wages	1,478.98	1,944.32	2,932.74	2,630.82	2,826.30
Salaries paid through GIAs	278.80	322.14	184.13	37.77	54.72
Expenditure on Pensions	505.18	737.24	910.58	908.13	983.24
Interest Payments	362.17	433.05	509.68	548.41	635.04
Total	2,625.13	3,436.75	4,537.13	4,125.13	4,499.30
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	28.37	32.84	60.58	46.91	39.92
Salaries paid through GIAs	5.35	5.44	3.80	0.67	0.77
Expenditure on Pensions	9.69	12.45	18.81	16.19	13.89
Interest Payments	6.95	7.31	10.53	9.78	8.97
Total	50.36	58.04	93.72	73.55	63.55
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	35.62	37.20	47.42	41.31	42.38
Salaries paid through GIAs	6.72	6.16	2.98	0.59	0.82
Expenditure on Pensions	12.17	14.11	14.72	14.26	14.74
Interest Payments	8.72	8.29	8.24	8.61	9.52
Total	63.23	65.76	73.36	64.77	67.46

Source: Finance Accounts

Further, **Chart 2.13** depicts percentage of committed expenditure to Revenue Expenditure during 2017-22.



As can be seen from the details given in **Table 2.21** and **Chart 2.13**, on an average, the committed expenditure constituted 66.92 per cent of Revenue Expenditure and 67.84 per cent of Revenue Receipts of the State during the five-year period 2017-22. Committed expenditure which were 93.72 per cent of Revenue Receipts in 2019-20, decreased to 63.55 per cent in 2021-22 (decrease of 32.19 per cent). Similarly, the percentage of committed expenditure to Revenue Expenditure decreased from 73.36 per cent in 2019-20 to 67.46 per cent in 2021-22.

2.4.2.2 Undischarged liabilities in National Pension System

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

As on date of Audit (July 2022), the State had 24,566 eligible employees under NPS, out of them, Permanent Retirement Account Number (PRAN) (Unique Number) were allotted to 23,758 employees, whereas 808 employees were awaiting allotment of PRAN. Details of employee's share, Government contribution, interest accrued thereon and transfer of contributions to NSDL/ trustee Bank during the period from 2017-18 to 2021-22 are given in **Table 2.22**.

Table 2.22: Details of Contribution and Transfers to NSDL under NPS

(₹ in crore)

Year	Opening Balance	Details of contribution by		Total contribution	Transfer to NSDL	Short transfer/ Closing Balance	Rate of Interest	Interest due on Opening Balance**
		Employees	Government					
2017-18	28.51	38.09	40.70	78.79	79.63	27.67	7.60	2.17
2018-19	27.67	46.94	49.48	96.42	94.54	29.55	7.60	2.10
2019-20	29.55	73.90	77.42	151.32	114.74	66.13	7.60	2.25
2020-21	66.13	87.99	88.89	176.88	159.89	83.12	7.10	4.70
2021-22	83.12	99.91	99.91	199.82	213.69	69.25	7.10	5.90
Total		346.83	356.4	703.23	662.49			17.12

Source: Notes to Finance Accounts.

** Interest has been calculated (at GPF Rate) on the Opening Balance of the respective year

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

During 2021-22, the total deposit under Major Head 8342-117 Defined Contribution Pension Scheme was ₹ 199.82 crore (Employees' contribution ₹ 99.91 crore and Government contribution ₹ 99.91 crore). However, out of the total available fund of ₹ 282.94 crore under National Pension System (NPS) up to 2021-22, State Government transferred only ₹ 213.69 crore to the NSDL, leaving a balance of ₹ 69.25 crore as on 31 March 2022. Thus, there was an un-transferred amount of ₹ 69.25 crore to the NSDL and the current liability stands deferred to future year(s). Uncollected, unmatched and un-transferred amounts, with accrued interest, represent outstanding liabilities of the Government under the Scheme.

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

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

2.4.2.3 Subsidies

There was no booking of expenditure on subsidies during the year 2019-20, but during the years 2020-21 and 2021-22, ₹ 2.86 crore and ₹ 2.75 crore was booked under expenditure on Subsidy respectively, as detailed in **Table 2.23**.

Table 2.23: Booking of Expenditure on subsidies during 2017-22

(₹ in crore)					
Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Subsidies (₹ in crore)	2.21	2.67	0.00	2.86	2.75
Subsidies as a percentage of Revenue Receipts	0.04	0.05	0.00	0.05	0.04
Subsidies as a percentage of Revenue Expenditure	0.05	0.05	0.00	0.04	0.04

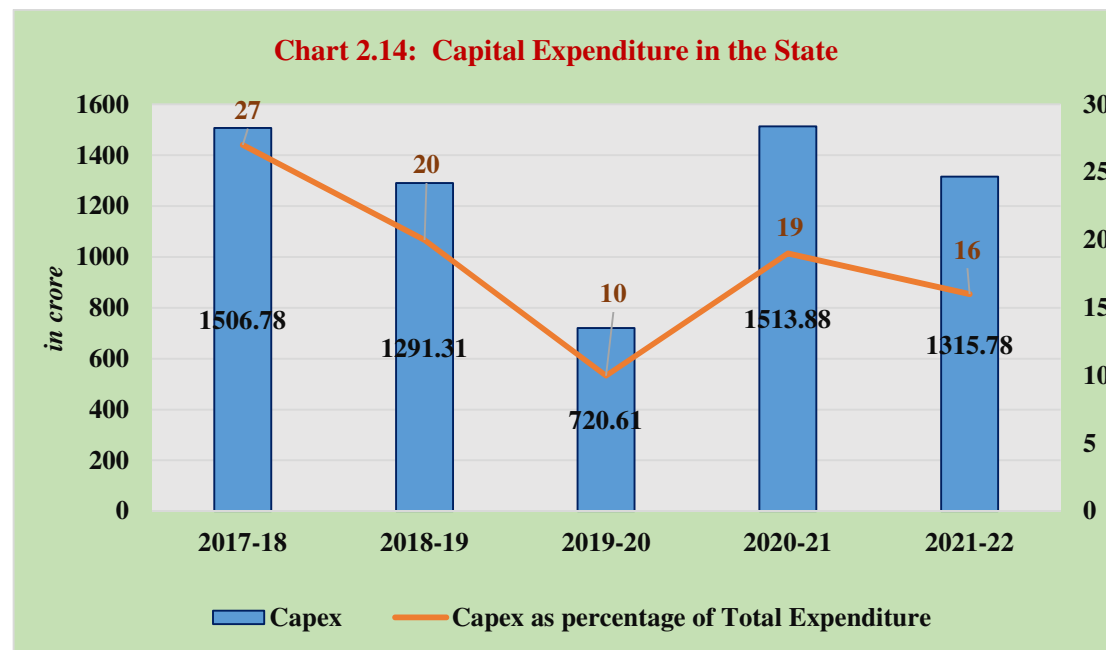
Source: Finance Accounts

The biggest component of the subsidy outgo of Government of Sikkim was the subsidy to Food, Civil Supplies and Consumer Affairs Department, which accounted for 90.91 per cent (₹ 2.50 crore) of the total subsidy during 2021-22.

2.4.3 Capital Expenditure

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

Capital Expenditure of the State had decreased from ₹ 1,506.78 crore during 2017-18 to ₹ 720.61 crore during 2019-20, but it increased to ₹ 1,513.88 crore during 2020-21 and again decreased to ₹ 1,315.78 crore during 2021-22, registering a decrease of 13.09 per cent as compared to 2020-21.



2.4.3.1 Major changes in Capital Expenditure

Table 2.24 highlights cases of significant increase or decrease of Capital Expenditure in various Heads of Account during 2021-22 vis-à-vis the previous year.

Table 2.24: Capital expenditure during 2021-22 compared to 2020-21

(*₹ in crore*)

Major Heads of Accounts	2020-21	2021-22	Percentage Increase (+)/ Decrease (-)
4055-Capital Outlay on Police	1.83	5.00	173.22
4059-Capital Outlay on Public Works	89.79	223.49	149.00
4405-Capital Outlay on Fisheries	0.30	0.66	122
4210- Capital outlay on Medical and Public Health	179.40	40.75	-77
4235-Capital Outlay on Social Security and Welfare	8.83	12.57	42
4401-Capital Account of Agriculture and Allied Activities	1.45	0.09	-94
4801- Capital outlay on Power Projects	161.90	102.63	-37
5054- Capital outlay on Roads and Bridges	529.85	338.01	-36
5452- Capital outlay on Tourism	97.01	170.32	76
4216- Capital outlay on Housing	15.00	9.84	-34

Source: Finance Accounts

Capital Expenditure on Police, Public Works, Fisheries and Tourism increased by 173 per cent, 149 per cent, 122 per cent and 76 per cent respectively in 2021-22 as compared to previous year. Agriculture and Allied Activities, Medical and Public Health, Power Projects and Roads and Bridges showed decrease of 94 per cent and 36 per cent respectively in Capital Expenditure during current year as compared to previous year.

2.4.3.2 Quality of Capital Expenditure

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

(i) Investment and Returns

As of March 2022, Government had invested ₹ 107.58 crore in Statutory Corporations, Banks, Joint Stock Companies and Co-operatives as detailed in succeeding paragraphs. The return during 2021-22 was 1.35 per cent as detailed in Table 2.25.

Table 2.25: 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)	102.43	105.46	104.18	106.68	107.58
Return (₹ in crore)	2.92	4.38	3.06	2.78	1.45
Return (per cent)	2.85	4.15	2.94	2.61	1.35
Average rate of interest on Government Borrowings (per cent) ¹¹	7.16	7.35	7.42	6.66	6.38
Difference between interest rate and return (per cent)	4.31	3.20	4.48	4.05	5.03
Difference between interest on Government borrowings and return on investment (₹ in crore) ^{#12}	4.41	3.37	4.67	4.32	5.41

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

¹¹ Example for 2021-22 Average interest rate calculation: -Total outstanding debt ₹ 9,058.84 crore (2020-21) Plus Total outstanding debt ₹ 10,862.94 crore (2021-22) = Average outstanding Debt ₹ 19,921.78 crore/ 2 = ₹ 9,960.89 crore; Interest paid during 2021-22 = ₹ 635.04 crore; Average interest rate in per cent = ₹ 635.04/₹ 9,960.89 crore= 6.38 per cent

¹² Calculation on difference between interest on government borrowings for 2021-22: -Percentage of 5.03 on investment at the end of year (₹ 107.58 crore), i.e., ₹ 107.58 crore x 5.03/100 = 5.41 crore

The Return on Investment during the current year were on account of dividend receipts from Sikkim Distilleries Limited amounting to ₹ 1.45 crore.

The details of investment of ₹ 107.58 crore up to the end of 2021-22 by the State Government in Statutory Corporations (three), Joint Stock Companies (25) and Banks and Co-operative Societies (nine) are detailed in **Appendix 2.3**.

(ii) Erosion of Net worth of SPSEs

Investment made by the State Government in the SPSEs where the net-worth has been completely eroded is shown in **Table 2.26**.

Table 2.26: Details of SPSEs whose Net worth has eroded

(₹ in crore)

Sl. No.	Name of SPSE	Latest year of finalised Accounts	Total paid up capital	Net profit(+)/ Loss(-) after interest, tax and dividend	Accumulated Losses	Net worth	Details of State Government investment as on 31 March 2022	
							Equity	Loans
1	2	3	4	5	6	7	8	9
1	SHL	2017-18	0.44	-0.14	-2.71	-2.91	Nil	Nil
2	SPICL	2020-21	0.01	-210.69	-1,210.98	-2,421.98	0.01	3.85
3	GFPF	2017-18	0	0.18	-2.30	-2.21	Nil	Nil
4	SPDCL	2017-18	0	-0.15	-1.72	-0.64	Nil	Nil
Total		0.45		1,217.71				

Source:-Column 2 to 6 as per their latest finalised accounts, Column 7 and 8 unaudited figures

SHL-Sikkim Hatcheries Limited; **SPICL**-Sikkim Power Investment Corporation Limited; **GFPF**-Government Fruit Preservation Factory; and **SPDCL**-Sikkim Poultry Development Corporation Limited

Analysis of investment and accumulated losses of these SPSEs revealed that the accumulated losses of four working SPSEs (₹ 1,217.71 crore) had completely eroded their paid-up capital (₹ 0.45 crore).

(iii) Investment in Incomplete Projects

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

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

According to the information available in Appendix IX and Statement 16 of the Finance Accounts for the year 2021-22 (details given in **Appendix 2.4 A & B**), out of 19 works executing Departments, only seven departments furnished the details of works executed, to Audit.

These Departments had 311 ongoing projects *i.e.*, projects due to be completed on or before March 2022. As the remaining 12 departments did not furnish the details, actual number of incomplete projects in the State could not be ascertained. Department-wise and age-wise information pertaining to incomplete projects of these seven departments as on 31 March 2022 is given in **Table 2.27** and **2.28**.

Table 2.27 <i>Age profile of incomplete projects as on 31 March 2022 (₹ in crore)</i>				Table 2.28 <i>Department-wise profile of incomplete projects as on 31 March 2022 (₹ in crore)</i>			
Year	No of incomplete projects	Estimated cost	Expenditure	Department	No. of incomplete projects	Estimated cost	Expenditure
Prior to 2012-13	2	12.45	7.13	Police	5	29.48	19.71
2012-13	2	8.27	4.21	Health and Family Welfare	5	10.52	1.69
2013-14	1	0.54	0.49	Building & Housing	40	1261.21	310.78
2014-15	4	19.33	15.98	Sports	45	95.00	38.68
2015-16	5	2.88	1.98	Food	13	26.08	13.05
2016-17	12	26.69	17.91	Education	185	1181.80	208.78
2017-18	13	17.11	7.77	Public Health Engineering	18	293.66	143.62
2018-19	12	151.00	32.64	Total	311	2897.75	736.31
2019-20	15	31.48	19.73				
2020-21	25	194.38	62.30				
2021-22	220	2433.62	566.17				
Total	311	2897.75	736.31				

Source: Finance Accounts Vol-II, Appendix IX

Out of these 311 projects, 26 projects (sanctioned cost-₹ 69.76 crore and expenditure-₹ 47.70 crore) were on-going for five years or more.

Further, department-wise analysis revealed that out of these 311 incomplete projects, which were scheduled to be completed by 31 March 2022, Education Department had the highest number of incomplete projects (185) followed by Sports (45); Building Department (40) and Public Health Engineering (18).

Blocking of funds on incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years were also not utilised effectively and the State had to share the extra burden in terms of servicing of debt and interest liabilities.

Capital locked in incomplete projects

Considering the capital locked in the incomplete projects with various Departments, Audit selected the capital locked in the incomplete projects with the Urban Development Department for the year 2021-22 and sampled the Project Upgradation of Melli Bazaar, South Sikkim.

Upgradation of Melli Bazaar, South Sikkim

The Project 'Upgradation of Melli Bazaar, South Sikkim' costing ₹ 36.37 crore was approved (November 2010) by Government of India (GoI) under Special Plan Assistance in the funding ratio of 90:10 (GoI: ₹ 32.73 crore and State Government: ₹ 3.64 crore).

After being approved by GoI, the State Cabinet approved (February 2011) the project to be taken up in a phased manner. The Department proposed (July 2011) to take up the project in revised phased manner in three phases as shown at **Table 2.29**.

Table 2.29: Details of work component

Work phase	Work component	Amount (₹ in lakh)
1 st phase	Development and beautification work within bazaar	475.50
2 nd phase	Infrastructure development works towards valley side of Melli Bazaar	1,958.80
3 rd phase	Infrastructure development works i.e., river front development works towards river bank.	1,202.70
Total		3,637.00

Source: Departmental records

The work under 1st phase, 2nd phase and 3rd phase was proposed (September 2014) for revision by adding one component¹³ under 1st phase, four components¹⁴ under 2nd phase and removing the 3rd phase restricting the Project cost within sanctioned amount of ₹ 36.37 crore. The removal of 3rd phase was stated to be due to the reason that Teesta river bore high flood level and construction/ development along the bank would be disastrous in near future. The revised proposal was approved (March 2016) by the Chief Minister.

Ten works under 1st phase, were executed through various Cooperative Societies and executed departmentally and the works were completed and handed over to Gram Panchayat in April 2015.

The work under 2nd phase was again revised (August 2017) and approved (November 2017) by the Minister, UD due to replacement of Construction of Truck Stand and Allied Works with Construction of Filter House and Staircase within the sanctioned amount of ₹ 36.37 crore.

Against nine works under 2nd phase, two works viz., Construction of Joggers Track at Melli and Upgradation of existing football ground including site development works at Melli were completed during August 2018 and March 2019 at the cost of ₹ 1.06 crore and ₹ 7.73 crore respectively. The status of remaining works as on date of Audit (September 2022) is shown in **Table 2.30**.

Table 2.30: Details of work status

Sl. No.	Name of work	Bill No	Expenditure till date (₹ in crore)
1	Construction of Parking cum Haat Complex including site development works at Melli	9 th RA	6.44 (as on February 2022)
2	Construction of Amphitheatre	5 th RA	1.03 (as on March 2019)
3	Construction of Volleyball Court	4 th RA	0.86 (as on March 2019)
4	Upgradation of Inner gullies	2 nd RA	0.89 (as on March 2021)
5	Construction of Parking at Entry Point of Melli Bazaar	6 th RA	3.51 (as on July 2018)
6	Provision of swimming pool cum allied structure	Work yet to be started as on June 2022 and Expenditure yet to be booked in Works Register. Records were not made available for scrutiny.	
7	Construction of Filter House and Staircase		

Source: Departmental records

¹³ Additional works Plantation, landscaping, additional railings, etc and contingency.

¹⁴ 1. Construction of Parking at Entry Point, Melli, 2. Truck Stand and Allied Works, 3. Swimming Pool cum allied Structure and 4. Upgradation of Inner Roads

Against the above five ongoing works, Audit sampled three works¹⁵ for scrutiny based on the volume of expenditure and the status of work yet to be completed.

Audit scrutiny on these three works revealed that all these three works were trailing behind the scheduled date of completion as shown in **Table 2.31**.

Table 2.31: Details on progress of work

(₹ in crore)

Sl. No.	Name of work	Original estimates	Work order/ Expected date of completion	Revised estimates	Revised expected date of completion	Expenditure as on date
1	Construction of Parking cum Haat Complex including site development works at Melli	9.43	March 2012 Feb 2014	17.46	July 2023	6.44
2	Construction of Amphitheatre	0.87	Feb 2014 -	1.10	July 2018	1.02
3	Construction of Parking at Entry Point of Melli Bazaar	2.37	Oct 2013 Sept 15	6.03	Dec 2018	3.51

Source: Departmental records

Audit analysis revealed the following

- A All these works were trailing behind the scheduled date of completion due to the fact that the work order was issued prior to the possession of land being free from all encumbrances/ dispute in original site that led to re-location and shifting of works, delay in soil stability and feasibility report.
- B The re-location, shifting of works and delayed execution led to cost escalation in material and wage component and also the inclusion of additional items of works.

As per Para 10.4 of SPW Manual, Availability of site should be ensured before approval of NIT, however, the Department's failure in confirming the availability of site free from all encumbrances leading to delay in commencement of work coupled with tardy execution of works by Contractors not only led to locking of capital fund of ₹ 30.70 crore and extra expenditure of ₹ 11.92 crore¹⁶ but also resulted in non-achievement of intended objectives despite the Project being sanctioned by GoI way back in November 2010.

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 better the quality of expenditure.

¹⁵ 2nd phase 1. Construction of Parking cum Haat Complex including site development works at Melli, 2. Construction of Amphitheatre and Construction of Parking at Entry Point of Melli Bazaar

¹⁶ ₹ 8.03 crore + ₹ 0.23 crore + ₹ 3.66 crore

Table 2.32 presents analysis of the fiscal priority of the State Government with regard to Capital Expenditure (CE), Expenditure on Education Sector and Health Sector *vis-à-vis* Aggregate Expenditure (AE) with their comparison to North Eastern and Himalayan (NE&H) States in 2017-18 and 2021-22.

Table 2.32: Expenditure priority of the State with regards to Health, Education and Capital expenditure

<i>(in per cent)</i>					
Year	Particulars	AE/GSDP	CE/AE	Education/AE	Health/AE
2017-18	NE & H States Average	26.07	16.10	17.56	6.22
	Sikkim	21.85	26.55	15.60	8.13
2021-22	NE & H States Average	27.56	17.46	15.95	7.25
	Sikkim	21.68	16.48	17.54	7.52

GSDP: Figures furnished by Department of Economics, Statistics, Monitoring and Evaluation (DESME), Government of Sikkim

AE:-Total Expenditure (Revenue + Capital + Disbursement of Loans and Advances).

The ratios of Health to AE in Sikkim was higher than the average of NE&H States in 2017-18, ratios of Education and Health to AE in Sikkim in 2021-22 was higher than the average of NE&H States. The ratio of CE to AE in Sikkim was also higher than the average of NE&H States in 2017-18, but it was lower in 2021-22. Further, the ratio of AE to GSDP in Sikkim was lower than NE&H States during 2017-18 and 2021-22.

2.5 Public Account

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

2.5.1 Net Public Account Balances

The net balance in Public Account for a year is arrived by adding opening balance with fresh addition during the year and subtracting the disbursement therefrom. The sector-wise and sub-sector-wise net balances in Public Account of the State is given in **Table 2.33**.

Table 2.33: Component-wise net balances in Public Account as of 31 March of the year

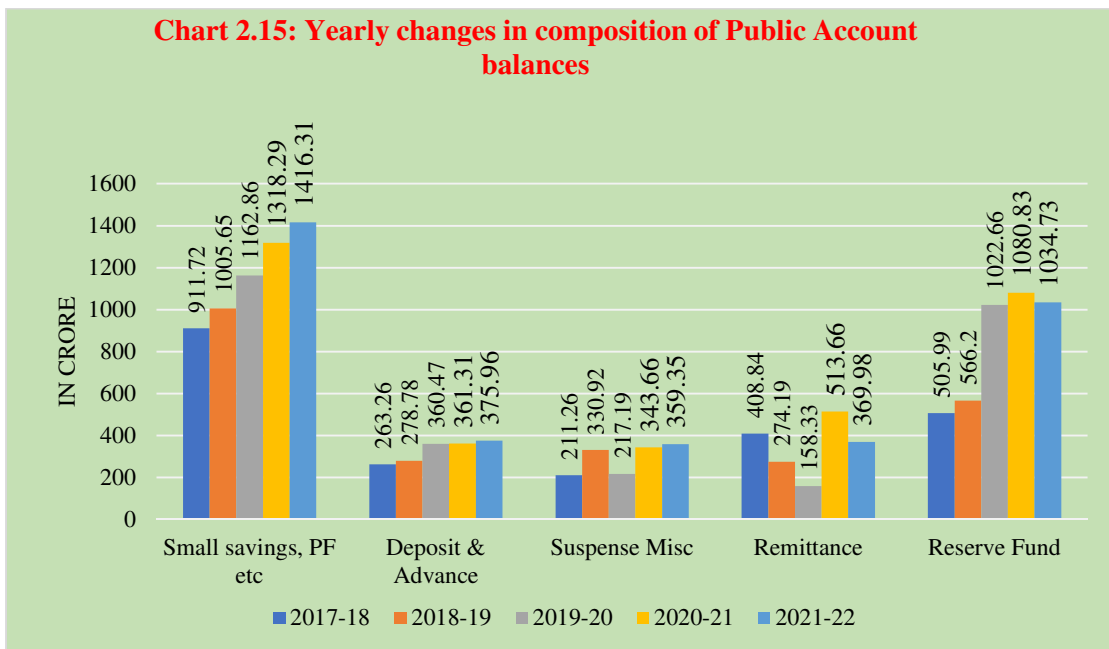
<i>(₹in crore)</i>						
Sector	Sub Sector	2017-18	2018-19	2019-20	2020-21	2021-22
I. Small Savings, Provident Funds, <i>etc.</i>	Small Savings, Provident Funds, <i>etc.</i>	911.72	1,005.65	1,162.86	1,318.29	1,416.31
J. Reserve Funds	(a) Reserve Funds bearing Interest	13.82	23.08	391.31	376.29	296.69
	(b) Reserve Funds not bearing Interest	492.17	543.12	631.35	704.54	738.03
	Sub total	505.99	566.2	1,022.66	1,080.83	1,034.73

Sector	Sub Sector	2017-18	2018-19	2019-20	2020-21	2021-22
K. Deposits and Advances	(a) Deposits bearing Interest	27.67	29.54	66.12	83.15	68.53
	(b) Deposits not bearing Interest	236.62	250.27	295.38	279.19	308.46
	(c) Advances	-1.03	-1.03	-1.03	-1.03	-1.03
	Sub total	263.26	278.78	360.47	361.31	375.96
L. Suspense and Miscellaneous	(a) Suspense	1.97	6.58	4.56	5.20	5.48
	(b) Other Accounts	209.29	324.34	212.63	338.46	353.87
	(c) Accounts with Governments of Foreign Countries	0	0	0	0	0
	(d) Miscellaneous	0	0	0	0	0
	Sub total	211.26	330.92	217.19	343.66	359.35
M. Remittances	(a) Money Orders, and other Remittances		274.19	158.33	513.66	369.98
	(a) Inter- Governmental Adjustment Account	0	0	0	0	0
	Sub total	404.84	274.19	158.33	513.66	369.98
TOTAL		2,297.07	2,455.74	2,921.51	3,617.75	3,556.33

Source: Finance Accounts

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 2.15**.



Source: Finance Accounts of respective years

2.5.2 Reserve Funds

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

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

2.5.2.1 Consolidated Sinking Fund

The State Government constituted a Consolidated Sinking Fund for redemption of the open market loans of the Government commencing from 2004-05. As per guidelines of the Fund, the Government is required to contribute to the fund at the rate of one to three *per cent* of the outstanding open market loans as at the end of the previous year. The scope of this fund has been extended to cover all outstanding liabilities of the Government through a notification by the State issued on 18 August 2007 based on recommendations of the XII FC. For the year 2021-22, the flow of Consolidated Sinking Fund is detailed in **Table 2.34**.

Table 2.34: Flow of Consolidated Sinking Fund during 2017-22

Year	Opening balance	Additions to the Fund (contribution and interest)			Payments out of the Fund	Closing balance	Amount invested
		Required contribution	Actual contribution made	Interest accrued			
2017-18	350.56	28.74	12.00	24.23	Nil	386.79	386.79
2018-19	386.79	36.21	12.00	29.96	Nil	428.75	428.75
2019-20	428.75	44.16	12.00	36.17	Nil	476.92	476.92
2020-21	476.92	48.95	12.00	29.23	Nil	518.15	518.15
2021-22	518.15	61.87	12.00	21.32	Nil	551.47	551.47
Total				140.91			

Source: Finance Accounts of respective years

The State Government had invested entire available fund in State Bank of Sikkim as per the guidelines. The investment under CSF increased from ₹ 386.79 crore in 2017-18 to ₹ 551.47 crore in 2021-22. The State Government was required to make annual contribution of ₹ 61.87 crore (at one *per cent* of outstanding open market loans of ₹ 6,187 crore) to the fund for the year 2021-22. However, the Government transferred only ₹ 12 crore to the fund leading to short contribution of ₹ 49.87 crore. This would have an effect of understatement of Revenue Deficit and Fiscal Deficit during the year. As on 31 March 2022, the fund had a balance of ₹ 551.47 crore, which had been invested in fixed deposits in banks.

2.5.2.2 State Disaster Response Fund

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

In terms of the guidelines of the Fund, the Centre and Sikkim Government (NE&H States) are required to contribute to the Fund in the proportion of 90:10. Further, if the State does not have adequate balance under SDRF, the Union Government provides additional assistance from the National Disaster Response Fund (NDRF). The flow of the Fund, during the last five-year period is given in **Table 2.35**.

Table 2.35: Flow of State Disaster Response Fund during the year 2017-22

(₹ in crore)

Year	Opening balance	Contribution by		NDRF	Accrued interest	Total	Amount spent	Closing balance	Investment out of CB
		Centre	State						
1	2	3	4	5	6	7=(2 to 6)	8	9=7-8	10
2017-18	24.95	30.60	3.40	-	1.27	60.22	46.90	13.32	12.00
2018-19	13.32	32.40	3.60	54.93	2.23	106.48	83.89	22.59	22.50
2019-20	22.59	34.20	3.80	-	2.19	62.78	34.81	27.96	17.50
2020-21	27.96	50.00	6.00	73.86	2.57	160.39	116.85	43.54	0.00
2021-22	43.54	40.00	4.80	-	2.68	91.02	78.74	12.28	0.00

Source: Finance Accounts of respective years

During the year 2021-22, the State Government transferred aggregate funds of ₹ 47.48 crore to the SDRF (Central share: ₹ 40 crore, State share: ₹ 4.80 crore, and interest of ₹ 2.68 crore on investment) and incurred an expenditure of ₹ 78.74 crore on natural calamities. As on 31 March 2022, the Fund had a closing balance of ₹ 12.28 crore as detailed in Table 2.36.

Table 2.36: Details of expenditure charged to SDRF

(₹ in crore)

Major Head of Account	Minor Head of Account	Expenditure during 2021-22
2245- Relief on Account of Natural Calamities 02- Floods, Cyclones etc.	101-Gratuitous Relief	8.44
	106-Repairs and Restoration of Damaged Roads and Bridges	0.12
	109-Repairs and Restoration of Damaged Water supply, drainage and sewerage works	0
	122-Repairs and Restoration of Damaged Irrigation and Flood Control Works	0
	193-Assistance to Local Bodies and Other Non-Government Bodies/ Institutions	0
	911- Deduct recoveries of overpayments	0
	Sub Total	8.56
2245- Relief on Account of Natural Calamities 80-General	800-Other Expenditure	70.18
	911- Deduct recoveries of overpayments	0
	Sub Total	70.18
Grand Total		78.74

Source: Finance Accounts and detailed Appropriation Accounts

It was observed that minor head 800-Other Expenditure included expenditure on ACA for CRF to calamity relief works executed under the detail Head 74 for ₹ 22.03 crore and on other works relief on account of natural calamities for ₹ 48.15 crore executed under Head 73. Thus, expenditure under minor head was overstated to that extent.

2.5.2.3 State Disaster Mitigation Fund

The State Government had established the Sikkim State Disaster Mitigation Fund (SDMF) vide Notification No.05/Adm/LRDMD dated 04 February 2018. This Fund is to be utilised for prevention and mitigation of various hazards that may turn into disaster. The SDMF had fund of ₹ 23.32 crore (opening balance of ₹ 12.12 crore and ₹ 11.20 crore received during 2021-22) during 2021-22. The State Government did not book any expenditure.

Overstatement to the extent of ₹ 11.20 crore.

Government of India released (March 2022) ₹ 10.00 crore being the 1st and 2nd Instalments of 'Central Share of the State Disaster Mitigation Fund' to the State Government for the financial year 2021-22. Government of Sikkim needs to credit ₹ 11.20 crore (including the State share of ₹ 1.20 crore) during the year 2021-22. This amount was booked under MH 8121-00-130-00-00-01.

However, during scrutiny of the records, it was observed that this amount was credited into the treasury account of the State (State Bank of Sikkim) during financial year 2022-23¹⁷. Thus, the amount could not be included as revenue receipt for the State during 2021-22. The failure of the State Government to credit the Central and State share into SDMF before end of the financial year, 2021-22 resulted in the fund balance being overstated to the extent of ₹ 11.20 crore.

2.5.2.4 Guarantee Redemption Fund

The State Government constituted Guarantee Redemption Fund in the year 2005 for meeting payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and borrowings by the State Undertakings or other bodies, in case the same are revoked. The Government is required to contribute an amount equal to at least one-fifth of the outstanding invoked guarantees plus an amount likely to be invoked as a result of the incremental guarantees issued during the year. However, it is open to the Government to increase contribution to the fund at its discretion. The detailed account of the Fund as on 31 March 2022 is given in **Table 2.37**

Table 2.37: Guarantee Redemption Fund

<i>(₹ in crore)</i>	
Particulars	Amount
Opening Balance	63.87
Addition	2.00
Interest	2.58
Total	68.45
Amount expended from the Fund	Nil
Closing Balance	68.45
Amount invested	65.00
Amount not invested	3.45

Source: Finance Accounts

During 2021-22, the State Government transferred ₹ 2.00 crore to the Guarantee Redemption Fund along with accrued interest of ₹ 2.58 crore. No guarantees were invoked during the year. The fund had a corpus of ₹ 68.45 crore at the end of the year out of which ₹ 65.00 crore stood invested. Thus, there was an un-invested amount of ₹ 3.45 crore.

2.5.2.5 Educational Cess Fund

As per the Sikkim Educational Cess on Alcoholic Beverages Act, 2007 (Act No.9 of 2007) for the purpose of promoting education in the State of Sikkim, Government is levying and collecting Educational Cess on alcoholic beverages manufactured in

¹⁷ 02 April 2022

Sikkim as well as imported from other states for consumption in Sikkim. However, the State Government has not formed any Rule for creation of Educational Cess Fund. Therefore, the utilisation of Cess was not readily ascertainable. The details of Educational Cess collected for the period 2017-22 is given in **Table 2.38**.

Table 2.38: Position of Educational Cess Fund during 2017-22

(₹ in crore)

Year	Total educational cess collected	Deposited into the Revenue Head 0045-112-03	Transferred to educational cess fund	Remarks
2017-18	4.45	4.45	Nil	Fund yet to be created
2018-19	7.37	7.37	Nil	
2019-20	7.21	7.21	Nil	
2020-21	6.09	6.09	Nil	
2021-22	7.44	7.44	Nil	

Source: Departmental Information

During the period 2017-22, total Educational Cess of ₹ 32.56 crore was collected by the Excise Department. However, the Education Department has not initiated any action to draft Rules to prescribe the modalities for utilisation of EC so collected, as required under Section 7 of the Act. Thus, ₹ 32.56 crore are not being utilised for the purpose for which it was collected.

2.5.2.6 Cess under Sikkim Transport Infrastructure Development Fund (STIDF)

The “Sikkim Transport Infrastructure Development Fund” was established to develop, maintain or improve transport infrastructure in Sikkim and for such purpose, it was decided to levy and collect cess on sale of motor spirit commonly known as petrol and high speed diesel and to provide for matters connected therewith or incidental thereto. The Act came into force since August 2004. During the year 2021-22, the total collections and transfers of the Fund is given in **Table 2.39**.

Table: 2.39: Details of Cess under STIDF

(₹ in crore)

Collections under 'MH 0045-112-01'	Amount transferred to 'Sikkim Transport Infrastructure Development Fund'	Amount yet to be transferred to 'Sikkim Transport Infrastructure Development Fund'
27.02	12.37	14.65

Source: -VLC data and Finance Accounts

It can be seen from **Table 2.39** that the State Government transferred less amount to Fund than its cess collection. The reason for less transfer was not provided.

During the year, the State Government incurred an expenditure of ₹ 22.76 crore on road works by booking under M.H. 5054-05-337-61 and debiting the Fund. As on 31 March 2022, the fund has closing balance of ₹ 24.93 crore.

2.5.2.7 Cess under Sikkim Ecology and Environment Fund

To protect and improve environment in Sikkim, Government of Sikkim established a fund known as “Sikkim Ecology and Environment Fund” in 2007 and the Cess is levied on every dealer, manufacturer, Government department, PSU, Autonomous Body or other organisation who bring non-bio-degradable materials (as specified) from outside

the State for selling, business, manufacturing, producing any products or use for whatsoever purpose in the State.

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

It was seen that the above-mentioned Cess collected during the year was not transferred to the fund by the State Government. Further, it had also not utilised the fund under M.H. 3435-03-101-61. The Cess amount of ₹ 7.95 crore collected during 2018-19 and 2019-20 was transferred to fund during 2020-21 and in 2021-22 no Cess was transferred to the fund. During the year 2021-22 total Cess collection was ₹ 0.07 crore (M.H. 0045-112-02).

The details of Sikkim Ecology Fund and Environmental Cess collected and expenditure made thereof for the last five years is given in **Table 2.40**.

Table 2.40: Details of Sikkim Ecology Fund and Environmental Cess

(₹ in crore)

Year	Receipts of CESS	Expenditure
2017-18	31.10	58.88
2018-19	6.77	1.10
2019-20	1.18	Nil
2020-21	0.21	Nil
2021-22	0.07	Nil

Source: VLC data and Finance Accounts of respective years

From **Table 2.40**, it can be seen that the State has not spent the Cess so collected under the Ecology & Environment during 2019-20 to 2021-22.

The State Government may utilise the fund amount for the purpose for which the Cess is being collected.

2.5.2.8 Sikkim Compensatory Afforestation Fund

In compliance with the instructions issued by the Ministry of Environment and Forests, Government of India, vide their letter No.5-1/2009-FC dated 28 April, 2009 and guidelines of 02 July 2009, the State Governments are required to establish the State Compensatory Afforestation Fund Management and Planning Authority (State CAMPA) which will administer the amount received and utilisation of the monies collected for undertaking compensatory afforestation, assisted natural regeneration, conservation and protection of forests, infrastructure development, wildlife conservation and protection and other related activities and matters connected therewith or incidental thereto. Accordingly, the State Government constituted State CAMPA vide notification no. 107/Home/2009 dated 12 August 2009.

During the year 2021-22, the State Government neither received any amount (₹ 5.71 crore in previous year) from the user agencies nor remitted any amount to the National

fund (₹ 0.57 crore¹⁸ in previous year). The Government also did not receive any amount (no amount in previous year) from National Compensatory Afforestation Deposit. The total balance in the State Compensatory Afforestation Fund as on 31 March 2022 was ₹ 272.29 crore.

In terms of the provisions contained in the Compensatory Afforestation Fund Act (Section 4, Central Act 38 of 2016), the State Government established “State Compensatory Afforestation Fund” under Public Account of the State Government *vide* Notification No. 03/Home/2019 dated 16 January 2019 and subsequent Notification No. Bud/Fin/13 dated 26 March 2019 and is managed by State CAMPA. The status of receipts and disbursements under the Fund as on 31 March 2022 is given in **Table 2.41**.

Table 2.41: Status of the State Compensatory Afforestation Fund

(₹ in crore)

Opening Balance as on 01 April 2020	Receipt during the year	Disbursement during the year	Closing balance as on 31 March 2022
331.83	10.46 ¹⁹	70.00	272.29

Source: Finance Accounts (Statement 21) and Notes to Finance Accounts

The State received ₹ 10.46 crore during the year 2021-22 towards State Compensatory Fund. Out of total fund, only ₹ 70.00 crore was spent and there was an unspent balance of ₹ 272.29 crore.

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

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

In addition to investments in Corporations, Companies and Co-operative societies, State Government also provided loans and advances to many institutions/ organisations. **Table 2.42** presents the outstanding loans and advances as on 31 March 2022 along with interest receipts vis-à-vis interest rates of long term loans borrowed by government during the five-year period from 2017-22.

Table 2.42: Details of Loans advanced by State Government and interest received

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Opening balance	176.46	192.49	237.30	254.06	252.89
Amount advanced during the year	16.95	46.57	17.06	0.00	0.85
Amount repaid during the year	0.92	1.77	0.30	1.17	0.45
Closing balance	192.49	237.29	254.06	252.89	253.29
Net addition	(+) 16.03	(+) 44.80	(+) 16.76	(-) 1.17	(+) 0.16
Interest receipts	*0.00	0.00	0.00	0.00	0.00
Interest receipts as <i>per cent</i> to outstanding loans and advances	*0.00	0.00	0.00	0.00	0.00
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government	6.64	6.84	6.89	6.18	5.85
Net outgo on Interest Payments as proportion of outstanding fiscal liabilities (<i>per cent</i>)	6.64	6.84	6.89	6.18	5.85

Source: Finance Accounts.

*No interest on loans & advances was received.

¹⁸ 10 *per cent* of ₹ 5.71 crore

¹⁹ Transferred from MH 2049-05-901 Interest on General and other Reserve Fund

Though the Government had not given any Loans and Advance to PSUs, but it had paid ₹ 219.21 crore to four PSUs (SHDB, STCS, SPDC and SIDICO) towards repayment of principal and interest against the loans taken by the Government through these PSUs from Financial Institutions (HUDCO, Bank of Maharashtra, Central Bank of India, NABARD and Union Bank of India).

No interest on loans and advances was received by the Government during the financial year 2021-22.

2.6 Components of Fiscal Deficit and its financing pattern

The financing pattern of Fiscal Deficit has undergone a compositional shift as reflected in **Table 2.43**. Decomposition of Fiscal Deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above Revenue and Non-Debt Receipts.

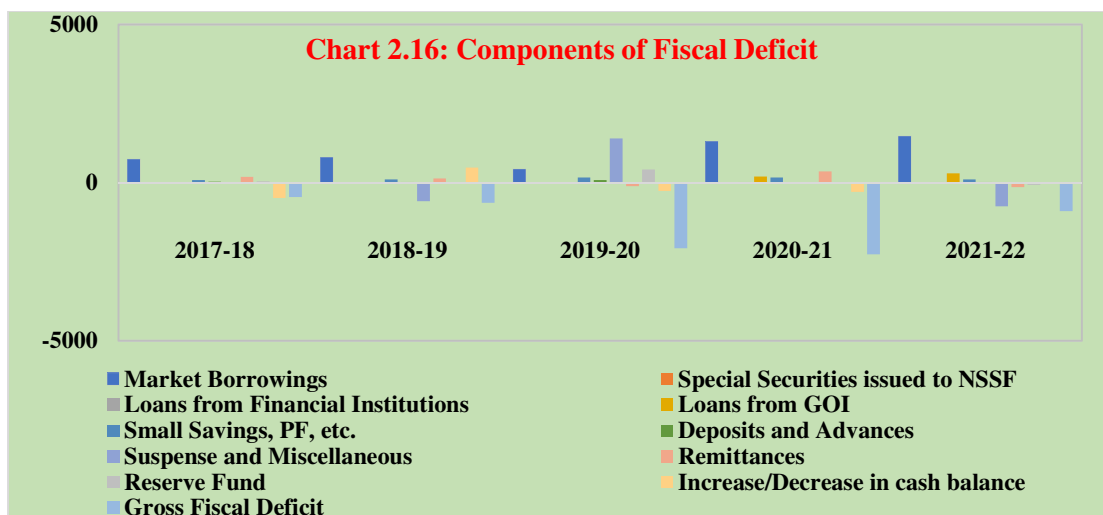
Table 2.43: Fiscal Surplus/Deficit and its financing pattern

		(₹ in crore)				
Particulars		2017-18	2018-19	2019-20	2020-21	2021-22
Fiscal Surplus (+)/ Deficit (-)		-461.88	-642.32	-2,081.18	-2,273.54	-904.30
Composition of Fiscal Deficit						
1	Revenue Surplus (+)/ Deficit (-)	+1,060.94	+ 693.79	-1,343.81	-760.83	+411.88
2	Net Capital Expenditure	-1,506.78	-1,291.31	-720.61	-1,513.88	-1,315.78
3	Net Loans and Advances	-16.04	- 44.80	-16.76	1.17	0.40
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	744.13	790.29	432.07	1,292.00	1,471.00
2	Special Securities issued to NSSF	-23.61	-15.05	-13.46	-16.10	-16.10
3	Loans from Financial Institutions	-2.1	-0.6	-2.39	17.20	15.40
4	Loans from GOI	-7.6	-5.33	3.21	191.86	292.40
5	Small Savings, PF, etc.	80.57	93.93	157.21	155.43	98.03
6	Deposits and Advances	24.17	15.53	81.69	0.84	14.64
7	Suspense and Miscellaneous	-13.18	-587.95	1392.35	-33.19	-747.83
8	Remittances	179.89	130.65	-115.86	355.33	-143.68
9	Reserve Fund	35.72	5.25	407.27	16.93	-72.01
10	Overall Deficit	946.87	165.42	2,342.09	1980.30	911.85
11	Increase (-)/ Decrease (+) in cash balance	-484.99	+476.90	-260.91	+293.24	-7.55
12	Gross Fiscal Surplus (+)/ Deficit (-)	-461.88	-642.32	-2,081.18	-2,273.54	-904.30

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

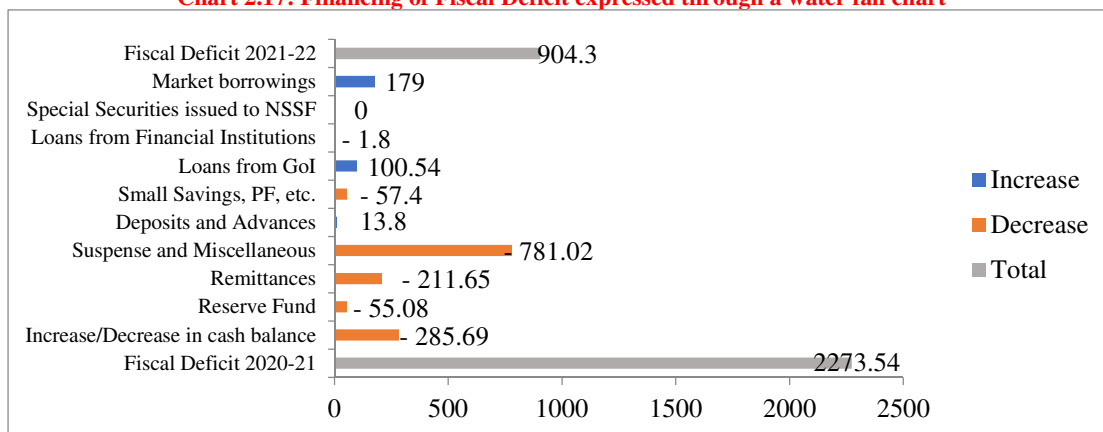
Composition of Fiscal Deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above Revenue and Non-Debt Receipts. Market Borrowings continued to finance a major portion of Fiscal Deficit. Its share in financing Fiscal Deficit increased from 56.82 per cent in 2020-21 to 162.67 per cent in 2021-22. During 2021-22, the Fiscal Deficit of ₹ 904.30 crore was mainly met from the Market Borrowings (₹ 1,471 crore).

The State enjoyed Revenue Surplus from 2017-18 to 2018-19 and 2021-22, but during the years 2019-20 and 2020-21 the State had Revenue Deficit of ₹ 1343.81 crore and ₹ 760.83 crore respectively. The State had Fiscal Deficit continuously from 2017-18 to 2021-22. During 2021-22 the State had Fiscal Deficit of ₹ 904.30 crore.



Source: Finance Accounts

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

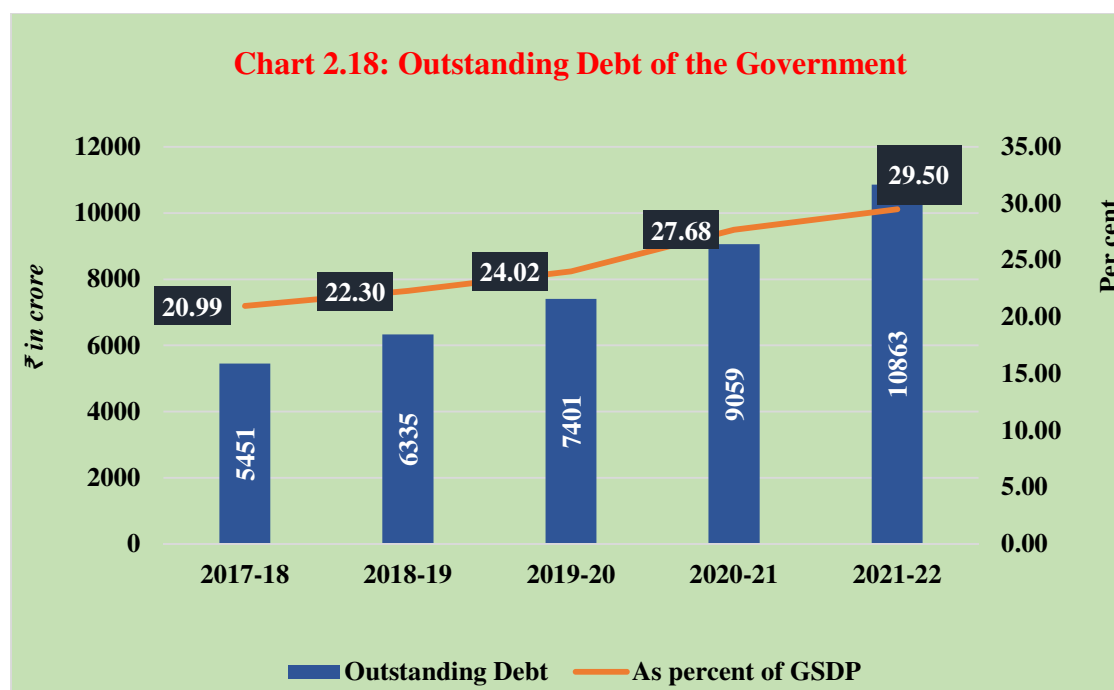


2.7 Debt management

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

Table 2.44 Total Outstanding debt during 2017-22

	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Debt	5,451.00	6,335.00	7,401.00	9,059.00	10,862.94
Rate of growth of outstanding debt (Percentage)	16.69	16.22	16.84	22.40	19.91
Gross State Domestic product	25,970.82	28,402.43	31,441.00	31,800.07	36,824.97
Debt/GSDP (per cent)	20.99	22.30	23.54	28.49	29.50



The debt/GSDP ratio of the State rose from 20.99 per cent in 2017-18 to 29.50 per cent in 2021-22. The ratio for NE&H States excluding Sikkim averagely ranged from 33.77 per cent in 2017-18 to 63.33 per cent in 2021-22. During the same period, the internal debt of State government increased from ₹ 4,114.12 crore in 2017-18 to ₹ 8,068.39 crore in 2021-22.

2.7.1 Debt profile: Components

Total debt of the State Government constitutes of Internal Debt (Market Loans, Special Securities issued to National Small Savings Fund and Loans from Financial Institutions, etc.) and Loans and Advances from the Central Government and Public Account liabilities. The status of outstanding Debt, Public Account liabilities, growth rate of debt, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2017-22 is as given in **Table 2.45**, and also in **Chart 2.19**.

Table 2.45: Component wise debit trends

Particulars		2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Debt		5,451.03	6,335.05	7,400.66	9,058.84	10,862.94
Public Debt	Internal Debt	4,114.12	4,888.77	5,304.99	6,598.09	8,068.39
	Loans from GoI	102.85	97.52	100.72	292.60	585.74
Public Account Liabilities		1,234.07	1,348.77	1,994.95	2,168.15	2,208.81
Off budget borrowings		0	504.40	245.60	278.64	453.55
Rate of growth of outstanding Debt (in per cent)		16.69	16.22	16.84	22.40	19.92
GSDP		25,970.82	28,402.43	31,441.00	31,800.07	36,824.97
Debt/GSDP (in per cent)		20.99	22.30	23.54	28.49	29.50
Percentage of Interest payment to Revenue Receipt		6.95	7.31	10.53	9.78	8.97

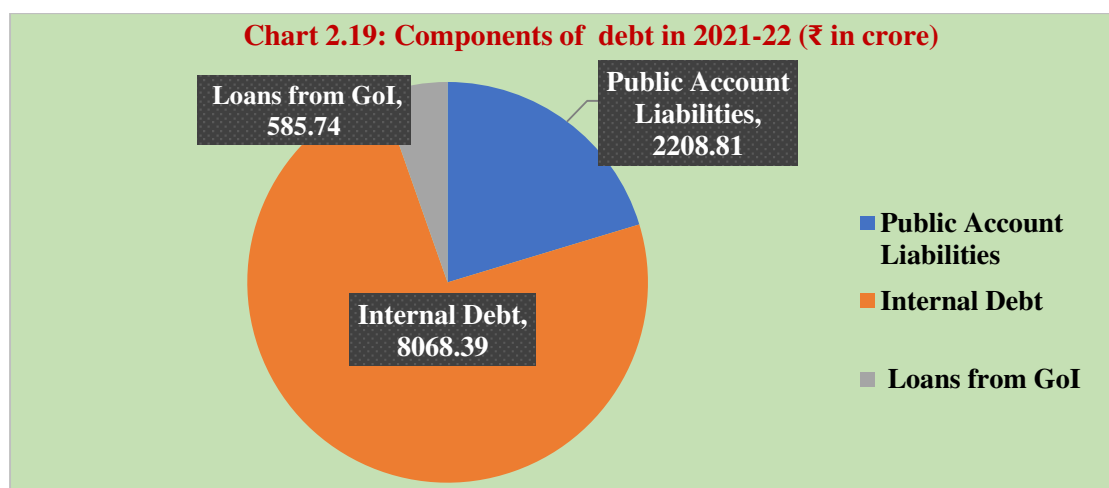
Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Total Debt Receipts	2,016.99	2,007.04	2,294.67	2,765.71	2,814.83
Total Debt Repayment	1,237.13	1,123.01	1,229.06	1,107.54	1,011.47
Total Debt available	779.86	884.03	1,065.61	1,658.17	1,803.36
Debt Repayment /Debt Receipts (in per cent)	61.34	55.95	53.54	40.04	35.93

Source: Finance Accounts

During the period 2017-22, total Outstanding Debt of the State increased by 99.28 per cent (₹ 5,411.91 crore) from ₹ 5,451.03 crore in 2017-18 to ₹ 10,862.94 crore in 2021-22. During the current year, it increased by 19.92 per cent over the previous year. The reasons for increase in Outstanding Debt were mainly due to increase in Market Loans (Internal Debt) and Loans and Advances from Central Government for State Plan Schemes under Public Debt. Further, there was a sharp increase in outstanding Public Account Liabilities during last three years. This was mainly due to increase in outstanding balances under Small savings, Provident Funds, etc., Reserve Funds and Deposits.

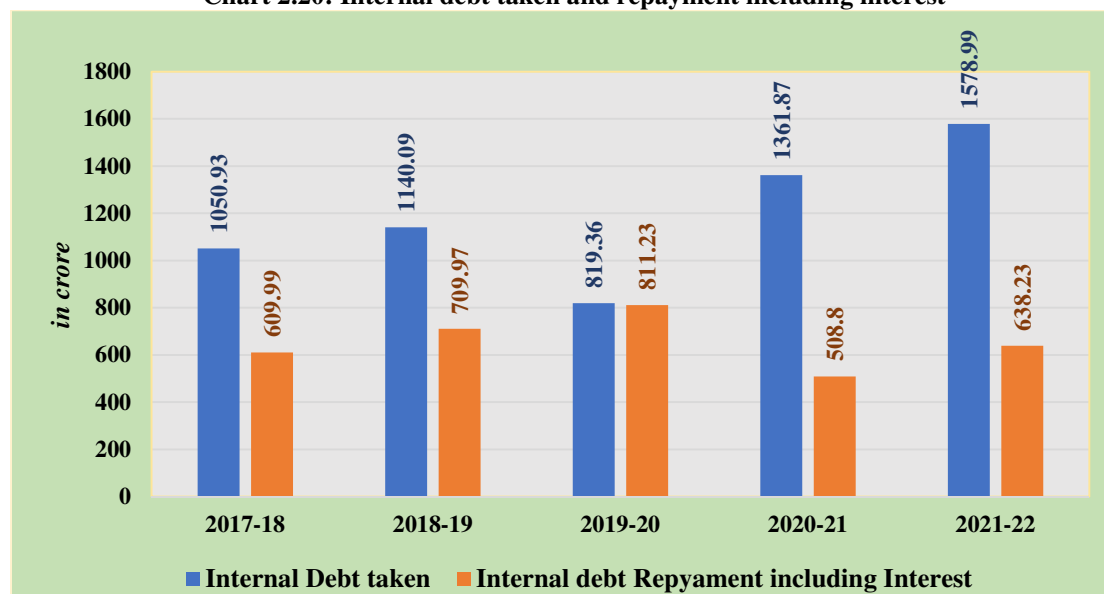
During the current year, against total debt receipts of ₹ 2,814.83 crore, the Government repaid ₹ 1,011.47 crore. As a result, a total debt of ₹ 1,803.36 crore was available to Government during the year. The debt receipts of the State increased from ₹ 2,016.99 crore in 2017-18 to ₹ 2,814.83 crore in 2021-22. The debt receipts increased during the current year by ₹ 49.12 crore (1.78 per cent) over previous year. Similarly, the debt repayment of the State showed a decreasing trend from ₹ 1,237.13 crore in 2017-18 to ₹ 1,011.47 crore in 2021-22.

The ratio of Debt- GSDP ratio ranged between 20.99 per cent in 2017-18 to 29.50 per cent in 2021-22 which is above the target fixed by SFRBM Act (27.50 per cent for 2021-22) and target fixed by XV FC (27.50 per cent for 2021-22). Further, during 2017-22, Public Debt constituted on an average 77 per cent of total debt and the growth rate of Outstanding Debt outpaced the growth rate of GSDP (except 2017-18). These all indicate that there would be increased pressure of debt repayment including interest on Public Debt in the forthcoming years.



The receipts and payments of internal debt as per the Finance Accounts during the period 2017-22 is elaborated in **Chart 2.20**.

Chart 2.20: Internal debt taken and repayment including interest



Source: Finance Accounts, Statement No 17

Internal debt of the Government, which had grown persistently during the period 2017-19, decreased by ₹ 320.73 crore in 2019-20 witnessing decrease of 28.13 per cent over previous year. There was sharp increase of ₹ 542.51 crore (66.21 per cent) during 2020-21 over previous year. The repayment of internal debt including interest increased persistently during the 2017-20, but decreased in 2020-21 by 37.28 per cent over previous year. Further, the Government had taken internal debt of ₹ 1,578.99 crore and repaid internal debt and interest amounting to ₹ 638.23 crore during 2021-22. Thus net internal debt of ₹ 940.76 crore was available for the Government.

2.7.2 Debt profile: Maturity and Repayment

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

As per Annexure to Statement 17 of the Finance Accounts for the year 2021-22, the outstanding public debt of the State was ₹ 8,654.13 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 2.46** and **Chart 2.21**.

Table 2.46: Debt Maturity profile of repayment of public debt

(₹ in crore)

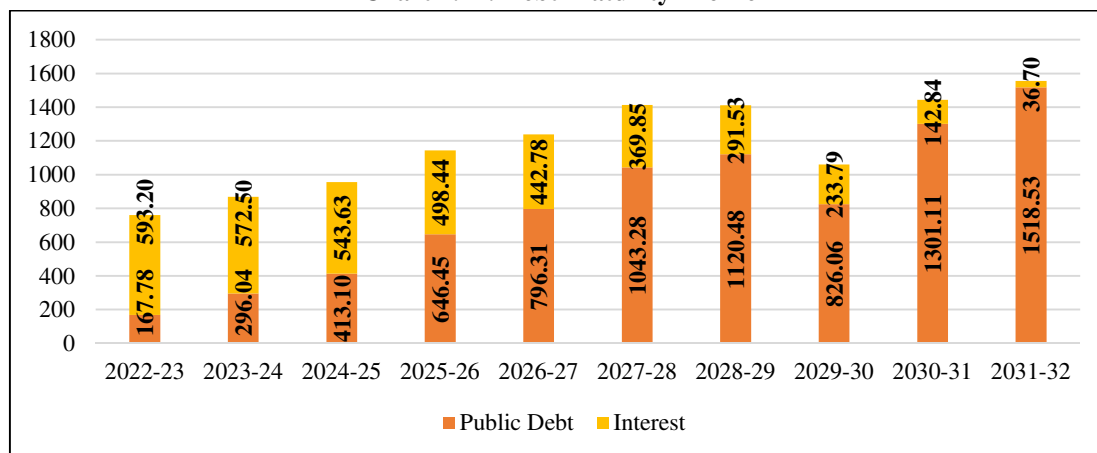
Year	Repayment of				
	Principal			Interest [#]	Total
	Internal Debt	Loans from GoI	Total		
2022-23	156.31	11.47	167.78	593.20	760.98
2023-24	284.76	11.28	296.04	572.50	868.54
2024-25	402.03	11.07	413.10	543.63	956.73
2025-26	637.18	9.27	652.64	498.44	1,144.89
2026-27	786.98	9.33	796.31	442.78	1,239.09
2027-28	1,034.03	9.25	1,043.28	369.85	1,413.13
2028-29	1,112.25	8.23	1,120.48	291.53	1,412.01

Year	Repayment of				
	Principal			Interest [#]	Total
	Internal Debt	Loans from GoI	Total		
2029-30	817.86	8.20	826.06	233.79	1,059.85
2030-31	1,298.58	2.53	1,301.11	142.84	1,443.95
2031-32	1,516.04	2.49	1,518.53	36.70	1,555.23

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: 7.16 per cent; 2018-19: 7.35 per cent; 2019-20: 7.42 per cent; 2020-21: 6.66 per cent; and 2021-22: 6.38 per cent), i.e., 6.99 per cent; on closing balances of Outstanding Debt.

Chart 2.21: Debt Maturity Profile



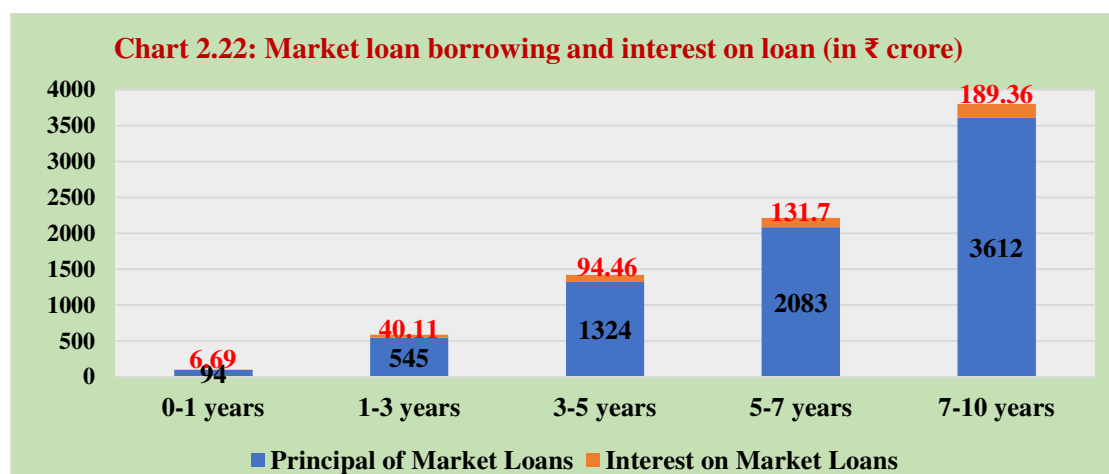
Source: Finance Accounts, 2020-21

Maturity profile of outstanding stock of public debt as on 31 March 2022 indicates that out of outstanding public debt of ₹ 8,654.13 crore, 51.77 per cent of outstanding public debt (₹ 4,480.24 crore) needs to be repaid within the next seven years while the remaining 48.23 per cent 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 NABARD and Special Securities issued to NSSF constituted 93.23 per cent (₹ 8,068.39 crore)

Further, based on the outstanding public debt stock as on 31 March 2022, repayment of Public Debt and Interest would increase from ₹ 760.98 crore in 2022-23 to ₹ 1,555.23 crore in 2031-32 (104.37 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 of the State Government.

Repayment schedule of Market Loans

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



Source: Finance Accounts and Departmental figure

From **Chart 2.22**, it could be seen that the maximum burden on State finances on account of repayment of principal and interest falls in 7 to 10 years range when principal of ₹ 3,612 crore and interest of ₹ 189.36 crore is payable.

2.8 Debt Sustainability Analysis (DSA)

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

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

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

❖ Debt Sustainability Indicators

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

Table 2.47 shows the debt sustainability of the State according to these indicators for the five-year period beginning from 2017-18.

Table 2.47: Trends in debt Sustainability indicators

Debt Sustainability Indicators	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Public Debt*	4,216.97	4,986.29	5,405.72	6,890.69	8,654.13
Rate of Growth of Outstanding Public Debt	20.27	18.24	8.41	27.47	25.59
Rate of Growth of Revenue receipts	13.07	13.57	-18.23	15.83	26.27
GSDP	25,971	28,402	31,441	31,800	36,825
Rate of Growth of GSDP	25.54	9.36	10.70	1.27	15.81
Public Debt/GSDP(percentage)	16.24	17.56	17.19	21.67	23.50
Debt Maturity profile of repayment of State debt – including default history, if any	342.63	375.88	413.78	79.75	119.90
Public Debt Receipts	1,053.46	1,145.21	833.21	1,564.71	1,882.60
Public Debt Repayment	342.63	375.88	413.78	79.75	119.90
Interest paid on outstanding Public debt	287.51	353.93	417.06	450.05	573.88
²⁰ Average interest Rate of Outstanding Public Debt (per cent)	7.45	7.69	8.03	7.16	6.81
Percentage of Interest payment (Public Debt) to Revenue Receipt	5.52	5.98	8.61	8.03	8.10
Percentage of Public Debt Repayment to Public Debt Receipt	32.52	32.82	49.66	5.10	6.37
Net Public Debt available to the State [#]	423.32	415.4	2.37	1,034.91	1,188.82
Net Debt available as per cent to Debt Receipts	20.99	20.70	0.10	66.14	63.15
²¹ Debt Stabilisation (Quantum spread + Primary Deficit)	158.37	105.86	-1295.27	-1,789.90	225.76
Total o/s Debt/Liabilities at the end of year	5,451.04	6,335.06	7,400.67	9,058.84	10,862.94
Total Debt Receipts	2,016.99	2,007.04	2,294.67	2,765.71	2,814.83
Primary Deficit(-)/Surplus(+)	-99.71	-209.27	-1,571.5	-1,725.13	-269.26

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

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

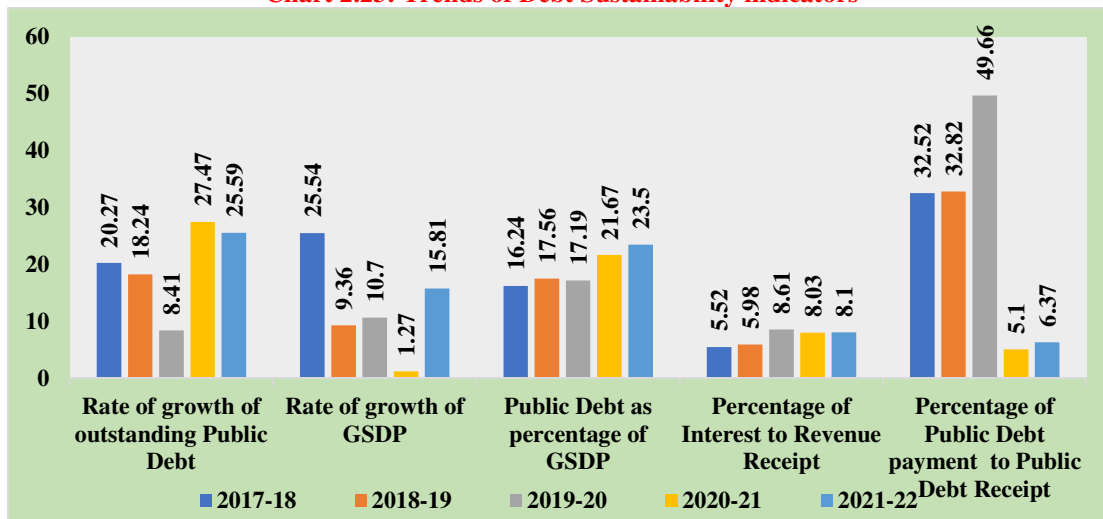
[#]Net debt available to the State Government is calculated as excess of Public Debt receipts over Public Debt repayment and interest payment on Public Debt.

The growth rate of Revenue Receipts has generally been lower than the growth rate of debt during the last five years. The burden of interest payment ranged from 5.52 per cent to 8.10 per cent of the Revenue Receipts during 2017-22. Net Public Debt available to the State was positive during the five years. This was mainly due to decrease in Public Debt repayment by 80.72 per cent and increase in Public Debt receipts by 87.79 per cent during 2020-21 as compared to the previous year. Similarly, there was an increase in Public debt receipts and not much increase in public debt repayment in 2021-22 also. The Debt-repayment/ Debt receipts ratio sharply decreased to 5.10 per cent in 2020-21 from 49.66 per cent in 2019-20. However, it increased to 6.37 per cent in 2021-22 as compared to previous year.

²⁰ Example for 2020-21 Average interest rate calculation= Total outstanding debt ₹ 6,890.69 crore (2020-21); Plus Total outstanding debt ₹ 8,654.13 crore (2021-22); Average outstanding Debt = ₹ 15,544.82 crore/ 2 = ₹ 7,772.41 crore; Interest paid during 2021-22= ₹ 529.53 crore; Average interest rate in per cent = ₹ 529.53 crore/ ₹ 7,772.41 crore x 100= 6.81 per cent

²¹ Example for 2021-22 [(Rate of growth of GSDP is 12.53 – Average Interest rate on outstanding Public Debt is ₹ 6.81 crore)/100] * Outstanding Public Debt is ₹ 8,654.13 crore] + Primary Deficit or Surplus is ₹ -269.26 crore

Chart 2.23: Trends of Debt Sustainability indicators



2.8.1 Status of Guarantees – Contingent Liabilities

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantees are extended. The Sikkim Government Guarantees Act, 2000, stipulates that the total outstanding Government guarantee as on the 1st day of April of any year shall not exceed thrice the Tax receipts of the second preceding year and that the State Government shall charge guarantee commission of minimum one *per cent* which shall not be waived under any circumstances. The details of outstanding guarantees given by the State Government including interest liability during the five-year period 2017-22 are shown in **Table 2.48**.

Table 2.48: Guarantees given by the State Government

Guarantees	2017-18	2018-19	2019-20	2020-21	2021-22
Maximum amount Guaranteed	648.71	3,849.19	3,941.97	4,527.71	4,668.47
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	1,700.46	1,957.68	2,064.99	2,678.76	2,911.23 ²²
Outstanding amount of guarantees including interest at the beginning of the year	441.49	425.45	3,455.04	3,749.32	4,107.03

Source: Finance Accounts

The total guarantees (principal *plus* interest) outstanding as on 01 April 2022 was ₹ 4,107.03 crore, which exceeded the prescribed limit of thrice the total Tax Receipts (₹ 970.41 crore) of 2019-20.

During 2021-22, State Government has issued one fresh guarantees to SIDICO (Union Bank of India) amounting to ₹ 141.00 crore. During this financial year, guarantee commission of ₹ 6.22 crore was receivable and ₹ 1.41 crore was received, resulting in short-receipt of ₹ 4.81 crore. The position of guarantees reported in Statement 9 and 20 of the Finance Accounts is based on information received from the State Government and annexure to Budget document and has been prepared as per the IGAS 1 notified by GoI.

²² Tax Receipt of 2019-20 X 3

Statement No. 9 of the Finance Accounts depicts ₹ 4,668.47 crore as loans guaranteed by the State Government. Further, the Finance Department could not provide complete details of all the loans guaranteed by the State Government. Audit tried to match this amount with the available records. It was observed that:

- a) The Teesta Stage III Project, which was implemented by Teesta Urja Limited (TUL) a State Public Sector Undertaking, was commissioned at a cost of ₹ 14,000 crore. The Project cost was financed in the ratio of 26 *per cent* Government of Sikkim equity, infused through Sikkim Power Investment Corporation Limited (SPICL) and 74 *per cent* debt. The debt portion was initially provided by a consortium of banks and was later taken over by Rural Electrification Corporation Limited (REC Ltd) and Power Finance Limited (PFC), both Public Sector Undertakings. Outstanding amount towards the loan stands at ₹ 9,595.68 crore as of March 2022.

Against the outstanding loan, Government of Sikkim had given a continuing guarantee of ₹ 375 crore till the expiry of the loan period. As per Section 129 of Indian Contract Act 1872. Continuing guarantee is defined as a guarantee which extends to a series of transactions. Thus, State Government has stood guarantee for the entire outstanding loan amount.

However, the State Government did not depict this guarantee as part of the information furnished for the purpose of Statement No 9 of Finance Accounts 2021-22 despite the fact that the details of this guarantee was submitted to the State Legislature as part of a White Paper²³. This has resulted in the understatement of the maximum amount guaranteed by the State Government to the extent of ₹ 9,595.68 crore.

- b) The Sikkim Power Development Corporation (SPDC) was incorporated by the Government of Sikkim to harness the small hydel projects in Sikkim. SPDC had availed loan from PFC & State Bank of Sikkim (SBS) in order to develop 4 hydel projects²⁴. As on March 2022, the outstanding balance of this loan is ₹ 39.99 crore (₹ 31.30 crore from PFC and ₹ 8.69 crore from SBS).

Against the loan availed from PFC, the Government of Sikkim had given a letter of comfort stating that in the event of default in payment of dues by SPDC, the State Government stands fully committed to repay the dues. Effectively, State Government has stood guarantee to the loan taken by SPDC. However, the same was not depicted in the Statement No 9 of the Finance Accounts 2021-22, Statement of guarantees given by the Government. This resulted in understatement of maximum amount guaranteed by ₹ 39.99 crore.

Audit has tried to collect the exact amount of guarantees given by the State Government. However, this was not available with the Finance Department.

²³ Submitted in December 2019

²⁴ ₹ 84.4 crore

2.8.2 Cash Balances

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

Position of cash balances and investments of cash balances of the State Government at the end of 2020-21 and 2021-22 is shown in **Table 2.49**.

Table 2.49: Cash Balances and their investments

(₹ in crore)

Particulars	Opening balance on 1 April 2021	Closing balance on 31 March 2022
A. General Cash Balance		
Cash in treasuries	--	--
Deposits with State Bank of Sikkim	34.99	43.45
Deposits with other Banks	52.95	52.03
Remittances in transit – Local	0.00	0.00
Total	87.94	95.48
Investments held in Cash Balance investment account	1,309.56	2,073.06
Total (A)	1,397.50	2,168.54
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	0.95	0.95
Permanent advances for contingent expenditure with department officers	0.48	0.48
Investment in earmarked funds	593.31	619.22
Total (B)	594.74	620.65
Total (A + B)	1,992.24	2,789.19
Interest realised	117.46	40.30

Source: Finance Accounts

There was an increase of ₹ 796.95 crore (40.00 per cent) in cash balance of Government as on 31 March 2022 as compared to the previous year's balance.

As per the Finance Accounts, Government's cash balance with banks was ₹ 95.48 crore as on 31 March 2022. Out of this, balance of ₹ 43.45 crore and ₹ 52.03 crore were with SBS and other banks respectively. However, as per the records of the SBS, the Cash Balance of the Government stood at ₹ 0.45 crore, leaving an un-reconciled balance of ₹ 43.00 crore.

During the current year, i.e., 2021-22, the cash balance stood at 26.82 per cent of the budget of the State (₹ 10,399.38 crore).

The trend analysis of the cash balance investment of the State during 2017-22 revealed that investment was growing significantly till 2018-19, but during 2019-20, the cash balance investment dipped enormously by ₹ 1,506 crore (57 per cent) as compared to previous year. In 2020-21 and 2021-22, it was again increased by ₹ 160 crore and ₹ 763 crore respectively as compared to 2019-20. The status of cash balance investment for period 2017-22 is shown in **Table 2.50**.

Table 2.50: Cash Balance Investment Account (Major Head-8673)

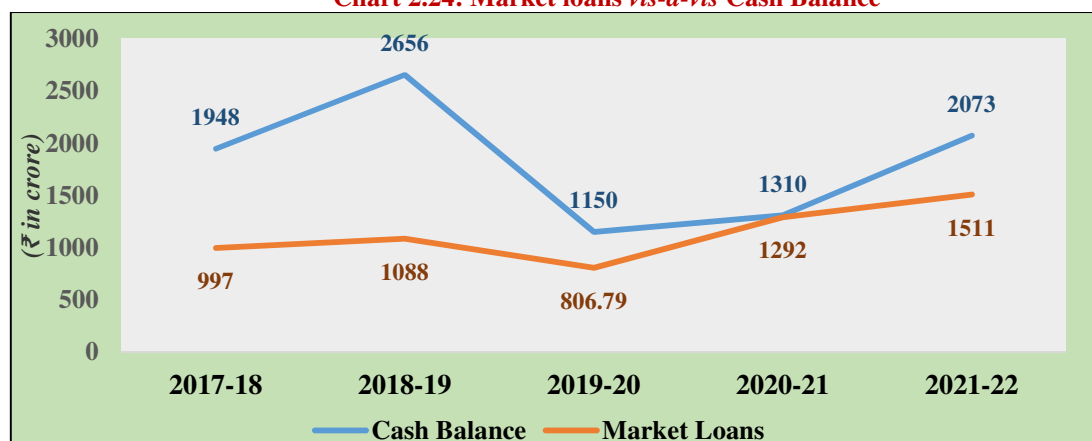
(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2017-18	1,910	1,948	38	110.68
2018-19	1,948	2,656	708	116.69
2019-20	2,656	1,150	-1,506	130.50
2020-21	1,150	1,310	160	117.46
2021-22	1,310	2,073	763	40.30

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

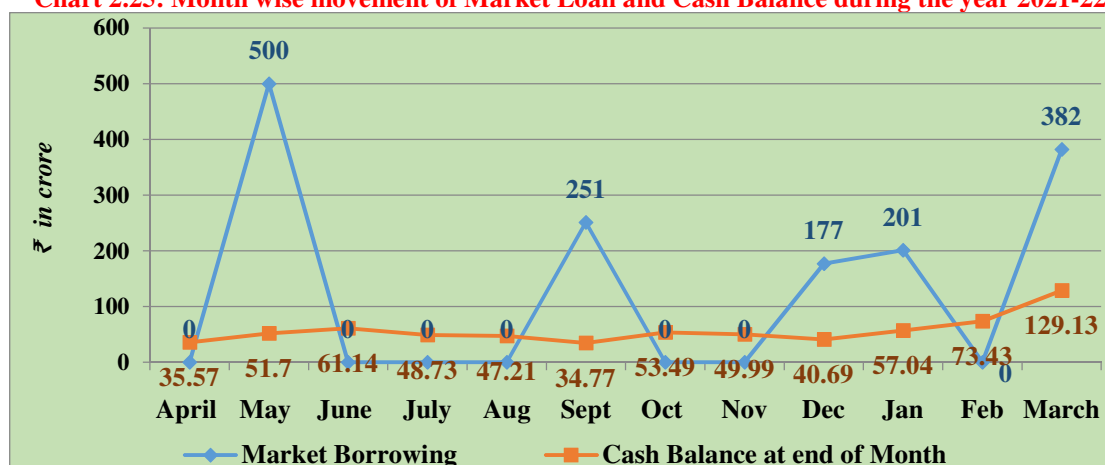
Chart 2.24 compares the Cash Balance and the Market Loans taken by the State during the period 2017-22. Market Loans were taken at higher interest rates whereas investment in Bank yielded interest at lower rates.

Chart 2.24: Market loans vis-à-vis Cash Balance



Source: Finance Accounts

Chart 2.25: Month wise movement of Market Loan and Cash Balance during the year 2021-22



Source: VLC Data of 2021-22

2.9 Conclusion

During the five-year period of 2017-22, State had maintained Revenue Surplus till 2018-19, but had Revenue Deficit of ₹ 1,343.81 crore and ₹ 760.83 crore during 2019-20 and 2020-21 respectively. However, there was Revenue Surplus of ₹ 411.88 crore during 2021-22.

Similarly, after successfully containing the Fiscal Deficit below three per cent of GSDP during 2017-19, the State's Fiscal Deficit was 6.62 per cent and 7.15 per cent of GSDP

during 2019-20 and 2020-21 respectively. However, Fiscal Deficit during 2021-22 was below three *per cent* of GSDP.

Revenue Receipts during the year 2021-22 increased (by ₹ 1472.90 crore) from ₹ 5607.82 crore in 2020-21 to ₹ 7080.92 crore in 2021-22 (by 26.27 *per cent*). State's Own Revenue (₹ 1,935.04 crore) increased by ₹ 306.05 crore (18.79 *per cent*) compared to the previous year (₹ 1,628.99 crore), while Grants-in-Aid from GoI increased by ₹ 181.56 crore (10.83 *per cent*) and State's Share of Union taxes and Duties increased by ₹ 985.28 crore (42.80 *per cent*) during 2021-22 as compared to the previous year.

About 27.33 *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 72.67 *per cent*. This is indicative of the fact that the State's fiscal position is largely dependent on Central Tax transfers and Grants-in-Aid from GoI.

During the period 2017-22, Total Expenditure of the State increased by 40.70 *per cent* (₹ 2,309.89 crore) from ₹ 5,675.58 crore in 2017-18 to ₹ 7,985.47 crore in 2021-22. During the current year, it increased by 1.31 *per cent* over the previous year. The ratio of Total Expenditure of the State to GSDP fluctuated between 22 *per cent* and 24 *per cent* during 2017-22.

Revenue Expenditure during the year 2021-22 was ₹ 6,668.84 crore (83.51 *per cent*) against the Total Expenditure of ₹ 7,985.47 crore. During the year, Committed Expenditure like salary & wages, pension, interest payments increased by ₹ 374 crore (9.07 *per cent*) from ₹ 4,125.13 crore during 2020-21 to ₹ 4,499.30 crore during 2021-22. The Committed Expenditure during 2021-22 was 63.55 *per cent* of the total Revenue Receipts and 67.46 *per cent* of the total Revenue Expenditure.

Capital Expenditure of the State had decreased from ₹ 1,506.78 crore in 2017-18 to ₹ 720.61 crore in 2019-20, but it increased to ₹ 1,513.88 crore in 2020-21. However, it again decreased to ₹ 1315.78 crore during 2021-22 registering a decrease of 13.09 *per cent* as compared to 2020-21.

Fiscal Liabilities of the State increased by 19.92 *per cent* from ₹ 9,058.84 crore in 2020-21 to ₹ 10,862.94 crore in 2021-22. During 2021-22, total Public Debt receipts was of ₹ 1,882.60 crore and the Government repaid ₹ 119.90 crore. There was an addition of ₹ 1,471 crore of Market Loans in 2021-22. The Public debt receipts of the State increased by ₹ 317.89 crore (20.32 *per cent*) over previous year.

Out of total outstanding Public Debt, 51.77 *per cent* (₹ 4,480.24 crore) of Public Debt is payable within the next seven years. Of the total outstanding Public Debt, internal debt consisting of market borrowings, loans from NABARD and Special Securities issued to NSSF constituted 93.23 *per cent* (₹ 8,068.39 crore).

The growth rate of Revenue Receipts has generally been lower than the growth rate of debt during the 2017-22 (except 2021-22). The burden of interest payment was 8.10 *per cent* of the Revenue Receipts during 2021-22. Though Net Debt available to the State was positive during the five years period ending 2021-22, there was a sharp increase in Net Debt available from ₹ 2.37 crore in 2019-20 to ₹ 1,034.91 crore and ₹ 1,188.82 crore in 2020-21 and 2021-22 respectively.

The Government had not transferred ₹ 69.25 crore under National Pension System to the NSDL as on 31 March 2022. Thus, current liability stood deferred to future year(s) and State had created an interest liability on un-transferred funds.

The return from investments made in State Public Sector Enterprises (SPSEs) was only 1.35 per cent during 2021-22 and some of the SPSEs were incurring recurring losses.

Out of 311 incomplete projects, 26 projects for which the State had spent ₹ 47.70 crore as of 31 March 2022, were pending for five years or more.

During 2021-22, the State Government received ₹ 10 crore towards State Compensatory Afforestation Fund, out of total available fund of ₹ 342.29 crore, only ₹ 70.00 crore was spent and there was an unspent balance of ₹ 272.29 crore.

Out of ₹ 0.07 crore cess collected under the Ecology & Environment Fund during 2021-22 the State Government has not transferred to the Fund. Also the State Government had not utilised the Cess for last three years.

There was un-reconciled cash balance of ₹ 43.00 crore as per accounts of the Government and the records of State Bank of Sikkim.

Huge cash balances (Month-wise) ranging between ₹ 34.77 crore and ₹ 129.13 crore, were maintained in Government account with SBS during 2021-22. No minimum cash limit had been prescribed by the Government.

The State Government did not provide complete details of the outstanding guarantees as on 31 March 2022.

2.10 Recommendations

- *Considering the increasing outstanding debt of the State, the Government may take appropriate steps to rationalise its committed revenue expenditure.*
- *To avoid liabilities under NPS, the State Government needs to transfer the outstanding funds already accumulated to NSDL, for management of the NPS. They may strictly monitor the allotment of PRAN to the employees.*
- *Accumulation of huge losses by above four SPSEs had eroded public wealth, which is a cause of serious concern and the State Government needs to review the working of these SPSEs for continuing their operations.*
- *The State Government needs to prioritise completion of incomplete projects in a planned manner with periodical review and monitoring mechanism at the highest level of administration so as to avoid time and cost inefficiencies. They need to specifically monitor those projects, which are being executed out of borrowed funds and pose a consequential extra financial burden on the Government.*
- *Increasing trend of debt maturity profile vis-à-vis the level of borrowings needs to be reviewed so as to ensure that mobilised financial resources are used adequately for incurring capital expenditure for creation of assets. The increasing trends of Revenue Expenditure be corrected by identifying potential wasteful expenditure and adopting economy measures across departments.*

- *The State Government needs to provide complete details of guarantees so that liabilities of the State Government are completely depicted in the Annual Accounts.*
- *The Government should frame a policy on prudent cash balance management and ensure reconciliation with State Bank of Sikkim.*