

Chapter II: Finances of the State

2.1 Major changes in Key fiscal aggregates during 2022-23 vis-à-vis 2021-22

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

Table 2.1: Changes in key fiscal aggregates in 2022-23 compared to 2021-22

Revenue Receipts	<ul style="list-style-type: none"> ➤ Revenue receipts of the State increased by 4.82 per cent ➤ Own Tax receipts of the State increased by 12.38 per cent ➤ Non-tax receipts increased by 57.58 per cent ➤ State's Share of Union Taxes and Duties increased by 10.76 per cent ➤ Grants-in-Aid from Government of India decreased by 3.05 per cent
Revenue Expenditure	<ul style="list-style-type: none"> ➤ Revenue Expenditure increased by 13.48 per cent ➤ Revenue Expenditure on General Services increased by 18.75 per cent ➤ Revenue Expenditure on Social Services increased by 10.89 per cent ➤ Revenue Expenditure on Economic Services increased by 5.50 per cent
Capital Receipts	<ul style="list-style-type: none"> ➤ Miscellaneous Capital Receipts increased by 100 per cent ➤ Debt Capital receipts increased by 141.88 per cent ➤ Non Debt Capital receipts increased by 61.70 per cent
Capital Expenditure	<ul style="list-style-type: none"> ➤ Capital Expenditure increased by 42.79 per cent ➤ Capital Expenditure on General Services increased by 52.37 per cent ➤ Capital Expenditure on Social Services increased by 19.38 per cent ➤ Capital Expenditure on Economic Services decreased by 70.05 per cent
Loans and Advances	<ul style="list-style-type: none"> ➤ Disbursement of Loans and Advances decreased by 86.59 per cent ➤ Recoveries of Loans and Advances increased by 61.70 per cent
Public Debt	<ul style="list-style-type: none"> ➤ Public Debt Receipts decreased by 17.80 per cent ➤ Repayment of Public Debt decreased by 33.03 per cent
Public Account	<ul style="list-style-type: none"> ➤ Public Account Receipts increased by 18.64 per cent ➤ Disbursement of Public Account increased by 19.42 per cent
Cash Balance	<ul style="list-style-type: none"> ➤ Cash balance decreased by ₹154.30 crore (5.30 per cent) during 2022-23 compared to previous year

2.2 Sources and Application of Funds

Table 2.2 compares the sources and application of funds of the State during 2022-23 with 2021-22 in figures, while **Charts 2.1** and **2.2** give the details of receipts and expenditure from the Consolidated Fund during 2022-23 in terms of percentages.

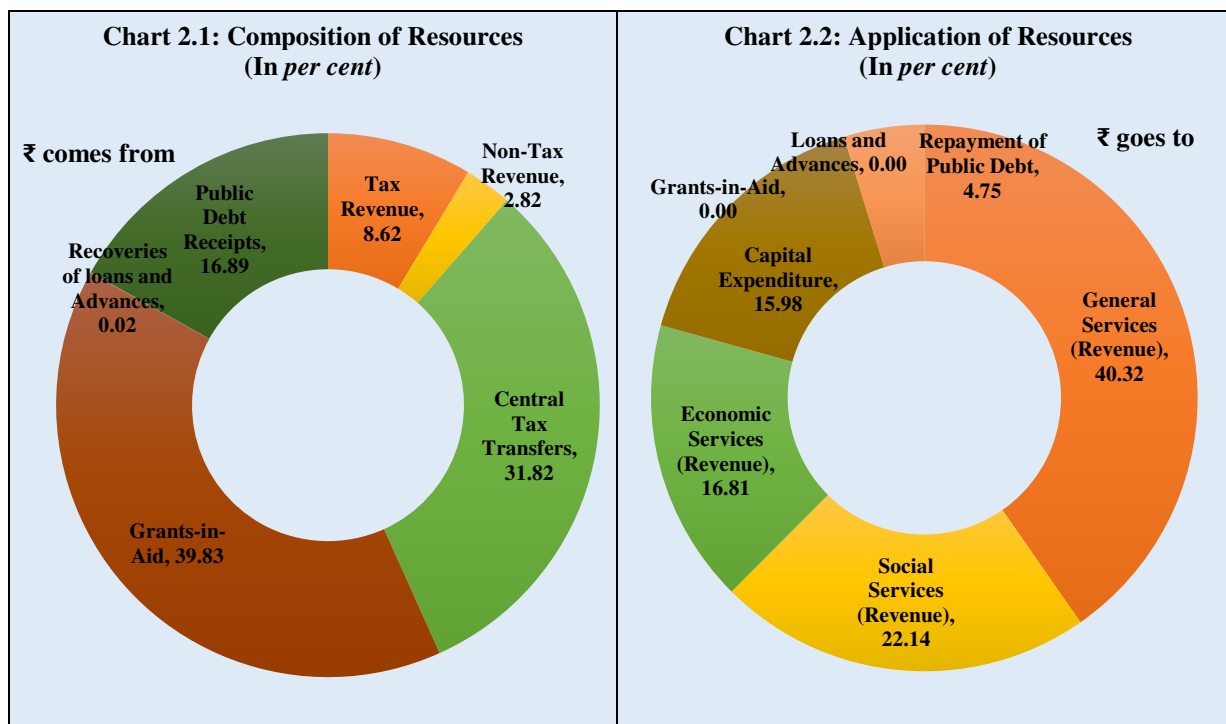
Table 2.2: Details of Sources and Application of funds during 2021-22 and 2022-23

(₹ in crore)

Particulars		2021-22	2022-23	Increase/Decrease
Sources	Opening Cash Balance with RBI	2,745.33	2,909.32	163.99
	Revenue Receipts	13,451.14	14,099.26	648.12
	Capital Receipt	0.00	450.00	450.00
	Recoveries of Loans and Advances	1.88	3.04	1.16
	Public Debt (Net)	758.38	1,834.40	1,076.02
	Public Account (Net)	-333.87	-426.05	-92.18
	Total	16,622.86	18,869.97	2,247.11

Particulars		2021-22	2022-23	Increase/Decrease
Application	Revenue Expenditure	11,817.08	13,410.36	1,593.28
	Miscellaneous Capital Expenditure	1,893.85	2,704.22	810.37
	Disbursement of Loans and Advances	2.61	0.35	-2.26
	Closing Cash Balance with RBI	2,909.32	2,755.04	-154.28
	Total	16,622.86	18,869.97	2,247.11

Source: Finance Accounts, 2022-23



Source: Finance Accounts, 2022-23

2.3 Resources of the State

The resources of the State are described below:

1. **Revenue Receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and Grants-in-Aid from Government of India (GoI).
2. **Capital Receipts** (debt and non-debt capital receipts) comprise miscellaneous capital receipts such as proceeds from dis-investments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks) and loans and advances from GoI.

Both Revenue and Capital receipts form part of the Consolidated Fund of the State.

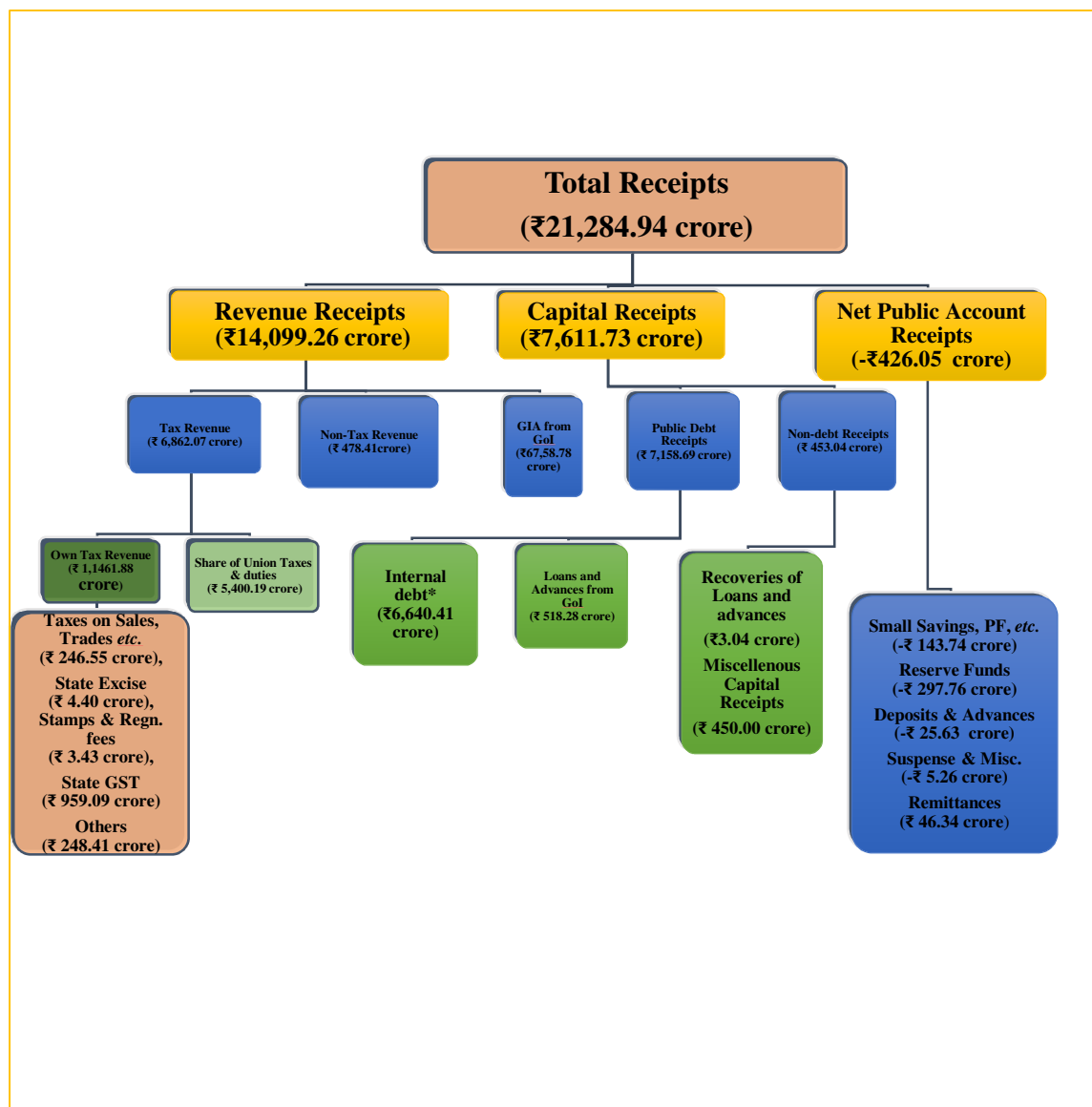
3. **Net Public Account Receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

2.3.1 Receipts of the State

This paragraph provides the composition of the overall receipts. Besides, the Revenue and Capital Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit. The composition of receipts of the State during 2022-23 is given in **Chart 2.3**.

Chart 2.3: Composition of receipts of the State during 2022-23



Source: Finance Accounts, 2022-23

*Including Ways and Means Advances (WMA) amounting to ₹4,742.83 crore availed during the year.

2.3.2 State's Revenue Receipts

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

2.3.2.1 Trends and growth of Revenue Receipts

Table 2.3 provides the trends and growth of Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2018-23. Further, trends in

Revenue Receipts relative to GSDP and composition of Revenue Receipts are given in Charts 2.4 and 2.5 respectively.

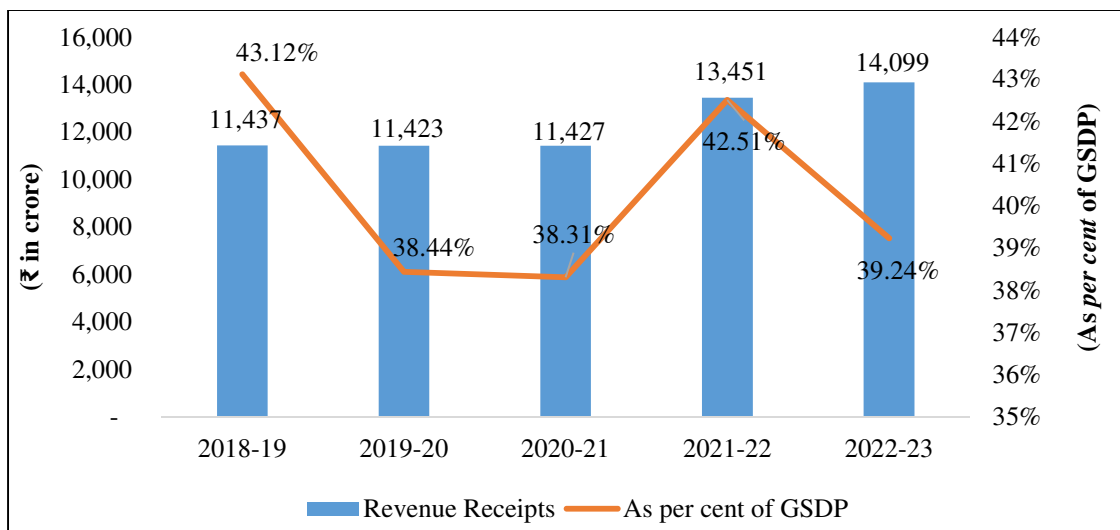
Table 2.3: Trends in Revenue Receipts

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Receipts (RR) (₹ in crore)	11,437.41	11,423.29	11,427.43	13,451.14	14,099.26
Rate of growth of RR (per cent)	3.80	-0.12	0.04	17.71	4.82
Tax Revenue	4,638.84	4,225.31	4,431.99	6,176.54	6,862.07
Own Tax Revenue (₹ in crore)	846.43	958.23	1,022.74	1,301.08	1,461.88
Share of Union Taxes & duties	3,792.41	3,267.08	3,409.25	4,875.46	5,400.19
Non-Tax Revenue (₹ in crore)	255.24	339.29	242.60	303.58	478.41
Grant-in-Aid from GoI	6,543.33	6,858.69	6,752.84	6,971.21	6,758.78
Rate of growth of GIA from GoI	-1.45	4.82	-1.54	3.23	-3.05
Rate of growth of Own Resources (Own Tax and Non-tax Revenue) (per cent)	7.29	17.78	-2.48	26.82	20.92
Gross State Domestic Product (₹ in crore)	26,527.42	29,715.87	29,831.64	31,912.54	35,933.96
Rate of growth of GSDP (per cent)	8.75	12.02	0.39	6.98	12.60
RR/GSDP (per cent)	43.12	38.44	38.31	42.15	39.24
Buoyancy Ratios ³					
Revenue Receipts buoyancy w.r.t. GSDP	0.43	--*	0.01	2.54	0.38
State's Own Revenue buoyancy w.r.t. GSDP	0.83	1.48	-- *	3.84	1.66

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

*Buoyancy ratio was not calculated as GSDP growth was negative.

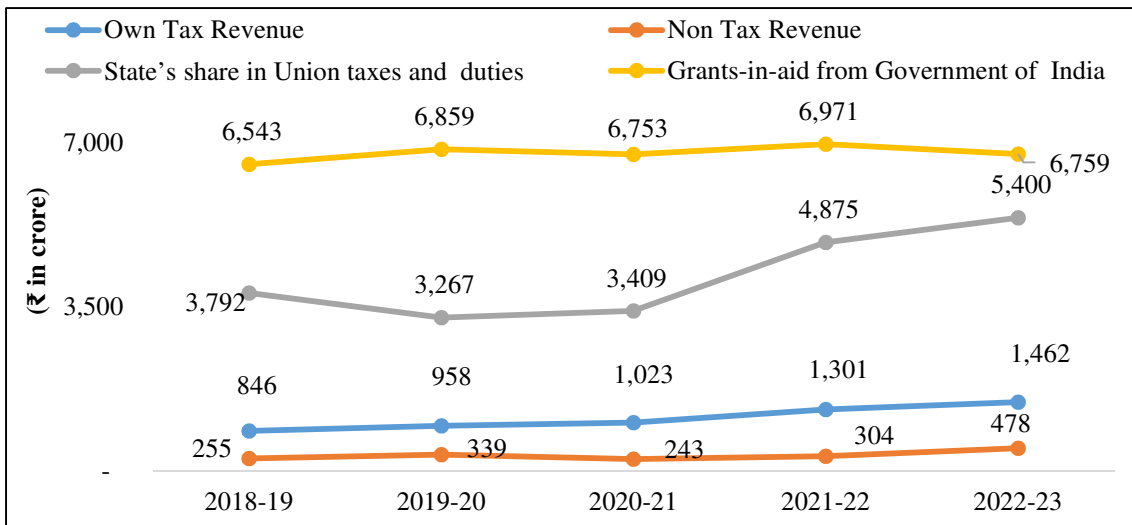
Chart 2.4: Trends of Revenue Receipts



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

3 Buoyancy indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 2.70 implies that Revenue Receipts tend to increase by 2.70 percentage points, if the GSDP increased by one per cent.

Chart 2.5: Trends of components of Revenue Receipts



Source: Finance Accounts of respective years

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

- Revenue Receipts increased by ₹2,661.85 crore (23.27 per cent) from ₹11,437.41 crore in 2018-19 to ₹14,099.26 crore in 2022-23 at a Compound Annual Growth Rate (CAGR) of 5.37 per cent. During 2022-23, Revenue Receipts increased by ₹648.12 crore (4.82 per cent) over the previous year.
- Grants-in-aid from GoI increased by 3.29 per cent during the period 2018-19 to 2022-23. During 2022-23, Grants-in-aid decreased by ₹212.43 crore (3.05 per cent) as compared to 2021-22.
- During 2022-23, 13.76 per cent of the Revenue Receipts was contributed by the State's own resources, while Central Tax Transfers and Grants-in-Aid together contributed 86.24 per cent. This is indicative of the fact that Nagaland's fiscal position is largely dependent on the tax transfers and Grants-in-Aid from GoI.
- During 2022-23, Revenue Expenditure increased by 13.48 per cent (₹1,593.28 crore) over the previous year.
- The Revenue Receipts buoyancy with respect to GSDP was 2.54 in 2021-22 which decreased to 0.38 in 2022-23 mainly due to low growth rate of Revenue Receipts.
- The State's Own Tax Revenue increased by ₹160.80 crore (12.36 per cent) during the current year. The State's Own Tax buoyancy with respect to GSDP was 3.84 in 2021-22 which decreased to 1.66 in 2022-23, due to decrease in rate of growth of GSDP. During the period 2018-19 to 2022-23, the buoyancy of Grants-in-aid and Revenue Receipts with respect to GSDP decreased while the buoyancy of State's own Tax with respect to GSDP was increased during the period.

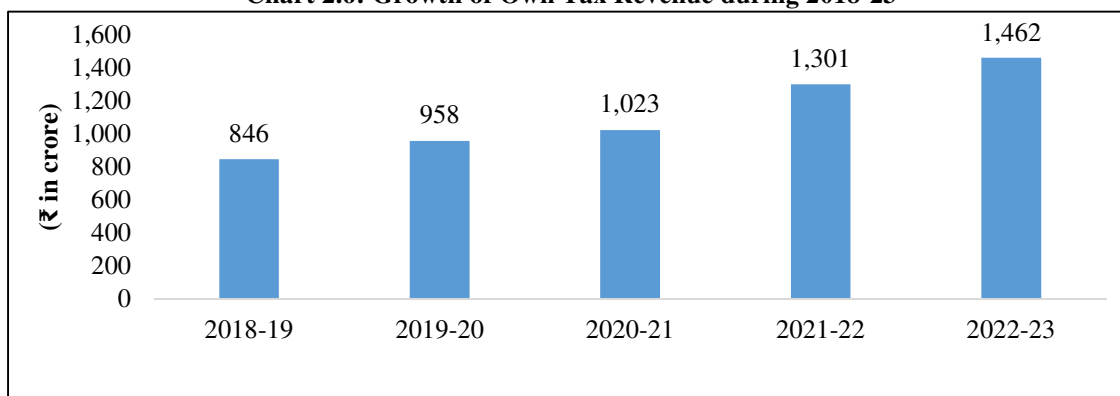
2.3.2.2 Tax Revenue

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

Own Tax Revenue

Own tax revenues of the State consist of State GST, State excise, taxes on vehicles, Stamp duty and Registration fees, Land revenue, Taxes on goods and passengers, *etc.* The gross collection of Own Tax Revenue of the State during the five-year period 2018-23 is given in **Chart 2.6**.

Chart 2.6: Growth of Own Tax Revenue during 2018-23



Source: Finance Accounts of respective years

The detail components of gross collections in respect of major Taxes and Duties collected during 2018-23 are given in **Table 2.4**.

Table 2.4: Components of State's own tax revenue

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	
					BE	Actual
Taxes on Sales, Trades, <i>etc.</i>	187	175	206	262	280	247
State Goods & Services Tax (SGST)	470	613	664	830	958	959
State Excise	5	3	5	3	3	4
Taxes on Vehicles	126	114	93	141	115	188
Stamp duty and Registration fees	2	3	2	3	3	3
Land Revenue	1	1	1	1	1	1
Taxes on goods and passengers	20	18	16	21	20	22
Other taxes	35	31	37	38	38	38
Total	846	958	1,023	1,301	1418	1462

Source: Finance Accounts of respective years

State's Own Tax Revenue increased by ₹616 crore from ₹846 crore in 2018-19 to ₹1,462 crore in 2022-23 at a Compounded Annual Growth Rate (CAGR) of 14.66 *per cent*. During the current year, major contributor of Tax Revenue was SGST (65.60 *per cent*). During 2022-23, the actual SGST collection was ₹959.00 crore which was more than Budget Estimates of ₹958.00 crore by ₹one crore.

Analysis of arrears of revenue and arrears of assessment

The arrear of revenue indicates delayed realisation of revenue that is due to the Government. Similarly, arrear of assessment indicates potential revenue which is

blocked due to delayed assessment. Both deprive the State of potential revenue receipts and ultimately affect the revenue deficit.

The arrears of revenue as on 31 March 2023 on some principal heads of revenue was outstanding for more than five years, as detailed in **Table 2.5**.

Table 2.5: Arrears of revenue

(₹ in lakh)

Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2023	Amount outstanding for more than five years as on 31 March 2023
1.	Nagaland VAT	311.29	143.09
2.	Petroleum Tax	484.06	128.50
3.	Central Sales Tax	1.18	1.10
4.	Purchase Tax	0.45	0.45
5.	Professional Tax	3.82	3.01
6.	Nagaland Sales Tax	8.83	8.83
Total		809.63	284.98

Source: Departmental figures

It can be seen from **Table 2.5** that revenue arrears of ₹8.10 crore were outstanding as on 31 March 2023, of which ₹2.85 crore was pending for recovery for more than five years. Reasons for arrear and steps taken to recover the arrear were not intimated by the State Government (March 2023). Earnest efforts are required to be made to recover the arrears before expiry of the statutory period.

Further, the details of cases pending at the beginning of the year 2022-23, cases becoming due for assessment, cases disposed of during the year 2022-23 and number of cases pending for finalisation at the end of the year as furnished by the office of the Commissioner of State Taxes, Nagaland in respect of Sales Tax/ VAT on Sales, Trades *etc.*, are shown in **Table 2.6**.

Table 2.6: Statement showing arrears in assessments

Head of Revenue	Balance of arrears in assessment as on 01 April 2022	New cases due for assessment during 2022-23	Total assessment due	Cases disposed-of during 2022-23	Balance an on 31 March 2023	Percentage of cases disposed
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7 (5 to 4)</i>
Nagaland VAT	237	71	308	142	166	46.10
Petroleum Tax	33	34	67	32	35	47.76
Central Sales Tax	263	21	284	106	178	37.32
Professional Tax	250	90	340	171	169	50.29
Total	783	216	999	451	548	45.15

Source: Departmental figures

During the year 2022-23, there was an addition of 216 cases and disposal of 451 cases resulting in the decrease in arrears from 783 to 548 cases. The cases disposed of during 2022-23 were only 45 per cent which needs to be improved.

The outstanding arrears deprived the State of potential revenue receipts and thus, impacted the revenue surplus to that extent.

Details of refund cases

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

The details of the cases of claims of refund at the beginning of the year 2022-23, receipt during the year, refunds made/ rejected and outstanding claims at the end of the year are shown in **Table 2.7**.

Table 2.7: Statement showing pendency of refund cases

Particulars	GST (₹ in lakh)	
	No. of cases	Amount
Claims outstanding at the beginning of the year	34	141.44
Claims received during the year	31	345.95
Total claims during the year	65	487.39
Refunds made during the year	19	35.51
Refunds rejected during the year	7	13.28
Balance outstanding at the end of the year	39	438.59

Source: Departmental figures

During 2022-23, out of 31 claims received, the Department settled 19 claims (61 per cent). The outstanding number of claims at the end of the year 2022-23 stood at 39. There were no cases of evasion of tax detected during the current year.

2.3.2.3 Non Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. The component-wise details of Non-Tax Revenue collected during the years 2018-23 is shown in **Table 2.8**.

Table 2.8: Components of State's non-tax revenue

Revenue Head	₹ in crore				
	2018-19	2019-20	2020-21	2021-22	2022-23
Interest Receipts	12	5	5	5	7
Dividends and Profits	1	3	2	0	2
Other Non- Tax Receipts	242	331	236	298	469
Misc. General Services	24	22	21	19	29
Power	148	159	171	212	286
Education, Sports, Arts and Culture	4	62	2	3	4
Other Misc. ⁴	66	87	41	64	150
Total	255	339	243	303	478

Source: Finance Accounts of respective years

During the current year, Non-Tax Revenue increased by ₹174.82 crore (57.59 per cent). Non-Tax Revenue ranged between 2.12 and 3.39 per cent of Total Revenue Receipts of the State during the five-year period from 2018-19 to 2022-23. Non-Tax Revenue increased by ₹223 crore from ₹255 crore in 2018-19 to ₹478 crore in 2022-23 at a CAGR of 17.01 per cent. The significant increase in Non-Tax Revenue as compared to the

⁴ Other Misc. include Public Service Commission, Police, Stationery and Printing, Public Works, Other Administrative Services, Elections, Education, Sports, Medical and Public Health, Housing etc.

previous year were noticed in Other Non-Tax Receipts (₹171 crore), Power (₹74 crore) and Other Miscellaneous (₹86 crore).

State's performance in mobilisation of resources

State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. The trend of State's Own Resources for the last five years is given in **Table 2.9**.

Table 2.9: State's Own Resources for 2018-23

	2018-19	2019-20	2020-21	2021-22	2022-23
Own Tax Revenue	846.43	958.23	1,022.74	1,301.08	1,461.88
Non-Tax Revenue	255.24	339.29	242.60	303.58	478.41
State's Own Resources	1101.67	1297.52	1,265.34	1,604.66	1,940.29

Source: Finance Accounts of respective years

The State's actual Tax and Non-Tax Receipts for the year 2022-23 *vis-à-vis* assessment made in the Budget and projection made by the Fifteenth Finance Commission (XV FC) is given in **Table 2.10**.

Table 2.10: Tax and Non-Tax receipts *vis-à-vis* projections

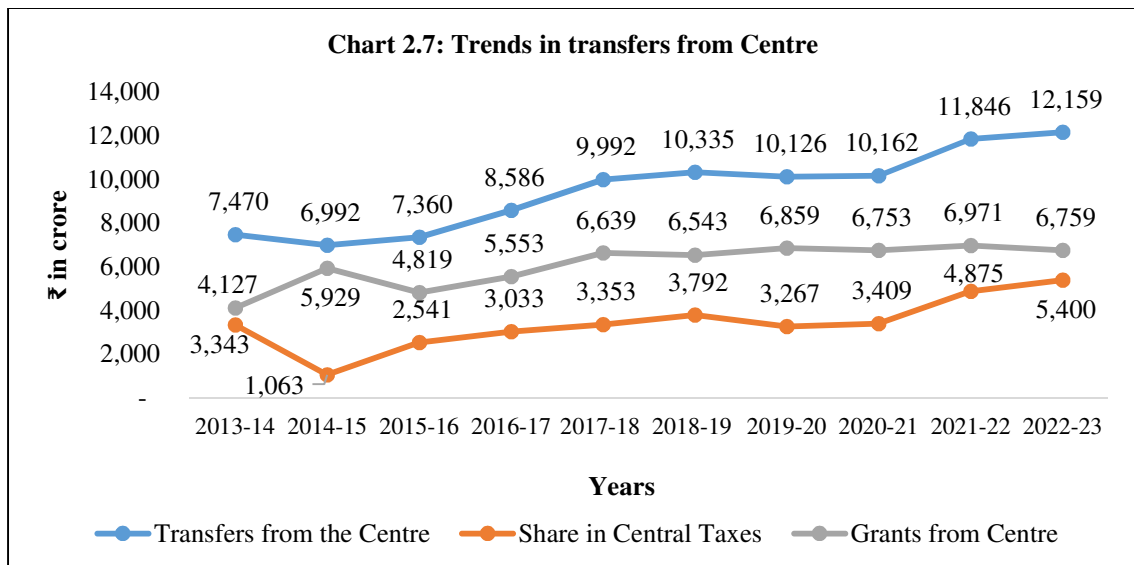
	XV FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				Budget Estimates	XV FC projections
Own Tax Revenue	1,227.00	1,417.49	1,461.88	3.13	19.14
Non-Tax Revenue	142.00	290.67	478.41	64.58	236.90

Source: XV FC report, Budget documents and Finance Accounts, 2022-23

Actual own Tax and Non-Tax Revenue realised was higher than the projections made by the XV FC/ BEs. The Revenue Surplus registered by the State was a result of receipt of Revenue Deficit Grant of ₹4,530.00 crore (from April 2022 to March 2023) from the GoI.

2.3.2.4 Transfers from the Centre

Trends in transfers from the Centre for the ten years are shown in **Chart 2.7**.



Source: Finance Accounts of respective years

(i) Central tax transfer

The actual release of share in Union taxes and duties to State Government *vis-à-vis* projections made by Thirteenth Finance Commission, Fourteenth Finance Commission and Fifteenth Finance Commission during the period from 2013-14 to 2022-23 is tabulated in **Table 2.11**.

Table 2.11: State's share in Union taxes and duties-Actual devolution *vis-à-vis* FC/ FCR projections

(₹ in crore)				
Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1	2	3	4	5 (4-3)
2013-14	0.314 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 0.318 <i>per cent</i> of net proceeds of sharable service tax {As per recommendations of Thirteenth Finance Commission (XIII FC)}	1,192.71	1,001.27	-191.44
2014-15		1,431.25	1,062.68	-368.57
2015-16	0.498 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 0.503 <i>per cent</i> of net proceeds of sharable service tax {As per recommendations of Fourteenth Finance Commission (XIV FC)}	2,889.00	2,540.72	-348.28
2016-17		3,334.00	3,032.63	-301.37
2017-18		3,852.00	3,353.13	-498.87
2018-19		4,456.00	3,792.41	-663.59
2019-20		5,161.00	3,267.08	-1,893.92
2020-21	0.573 <i>per cent</i> of net proceeds of the taxes (Divisible Pool). (XV FC)	3,409.25	3,409.25	0.00
2021-22	0.569 <i>per cent</i> of net proceeds of the taxes (Divisible Pool). (XV FC)	4,875.28	4,875.27	0.01
2022-23		4,646.75	5,400.19	753.44

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

The State's share of Union Taxes and Duties increased by ₹524.92 crore (10.77 *per cent*) from ₹4,875.27 crore in 2021-22 to ₹5,400.19 crore in 2022-23 contributing 38.30 *per cent* of the total Revenue Receipts during 2022-23. The break-up of State's share of Union Taxes and Duties received during 2018-23 is given in **Table 2.12**.

Table 2.12: Central Tax Transfers

(₹ in crore)					
Head	2018-19	2019-20	2020-21	2021-22	2022-23
Central Goods and Services Tax	936.07	927.14	1,019.70	1,446.30	1,526.79
Integrated Goods and Services Tax	74.70	0.00	0.00	0.00	0.00
Corporation Tax	1,318.92	1,113.93	1,023.92	1,460.64	1,808.50
Taxes on Income other than Corporation Tax	971.32	872.84	1,049.12	1,467.36	1,768.56
Customs	268.83	207.09	185.46	314.44	212.40
Union Excise Duties	178.66	143.96	115.23	144.33	66.63
Service Tax	34.60	0.00	13.61	37.29	8.42
Other Taxes ⁵	9.31	2.12	2.21	5.1	8.89
Central Tax transfers	3,792.41	3,267.08	3,409.25	4,875.46	5,400.19
Percentage of increase over previous year	43.010	-13.85	4.35	43	10.76
Percentage of Central Tax transfers to Revenue Receipts	33.16	28.60	29.83	36.24	38.30

Source: Finance Accounts of respective years

⁵ Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

Central Tax transfers during the year (₹5,400.19 crore) increased by ₹524.73 crore (10.76 per cent) over the previous year. The State's share of Union Taxes and Duties increased during the current year over the previous year mainly due to increase under Central Goods and Service Tax (5.57 per cent), Taxes on Income other than Corporation Tax (20.53 per cent) and Corporation Tax (23.82 per cent).

(ii) Grants-in-Aid from GoI

The break-up of Grants-in-Aid (GIA) received from Government of India during 2018-23 is given in **Table 2.13**.

Table 2.13: Grants-in-Aid from GoI

(₹ in crore)					
Head	2018-19	2019-20	2020-21	2021-22	2022-23
Finance Commission Grants	5058.57	4,998.02	4,694.75	4,706.77	4,630.79*
Grants for Centrally Sponsored Schemes	1,439.73	1,823.15	2,008.24	2,184.18	1,992.30
Other transfers/ Grants to States/ Union Territories with legislature	45.03	37.52	49.85	80.26	135.69
Total	6,543.33	6,858.69	6,752.84	6,971.21	6,758.78
Percentage of increased over the previous year	-1.45	4.82	-1.54	3.23	-3.05
Percentage of GIA to Revenue Receipts	57.21	60.04	59.09	51.83	47.94

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

During 2022-23, GIA from GoI decreased by ₹212.43 crore (3.05 per cent) as compared with the previous year. The CAGR of GIA from GoI is 0.81 per cent during the period from 2018-19 to 2022-23. The total GIA from GoI showed fluctuating trend during the five-year period from 2018-19 to 2022-23. The decrease of GIA from GoI during the year over the previous year was mainly due to decrease in Grants for Centrally Sponsored Schemes (₹191.88 crore) and Finance Commission Grants (₹75.98 crore). The major Centrally Sponsored Schemes where there was substantial decrease are NE Special Infrastructure Development Scheme (₹63.75 crore), Urban Rejuvenation Mission (AMRUT) (₹47.96 crore) and Modernisation of Police Force (₹75.49 crore). The GIA from GoI constituted 47.94 per cent of the total Revenue Receipts of the State during 2022-23.

Grants for Centrally Sponsored Schemes

Out of the Grant of ₹1,992.30 crore for Centrally Sponsored schemes during 2022-23, the major amounts were given to:

- Pradhan Mantri Gram Sadak Yojana (PMGSY) (₹183.15 crore, 26.04 per cent increased over the previous year).
- National Rural Employment Guarantee Scheme (NREGS) (₹266.45 crore, 0.60 per cent increased over the previous year).
- Smart City Mission (₹122.50 crore, 100 per cent increased over the previous year).
- Rastriya Krishi Vikash Yojana (RKVY) (₹128.00 crore, 374.94 per cent increased over the previous year).

- Saksham Anganwadi Poshan 2.0 (ICDS) (₹199.91 crore, 25.58 per cent increased over the previous year).
- Samagra Shiksha (₹281.05 crore, 57.18 per cent increased over the previous year).

Single Nodal Agency

The Government of India, Ministry of Finance, Department of Expenditure, New Delhi vide office Memorandum No. 1 (13)/PFMS/FCD/2020 dated 8 December 2021 provided that every State Government is required to designate a Single Nodal Agency (SNA) for implementing each Centrally Sponsored Scheme (CSS). The Single Nodal Agency will open a Single Nodal Account for each CSS at the state level in the department. Further, as per the new procedure, it is the responsibility of the State Government concerned to ensure that the entire unspent amount is returned by all the Implementing Agency (IAs) to the Single Nodal Account of the Single Nodal Agency.

State Government transferred ₹2,358.92 crore in 2022-23. The whole amount was transferred through fully vouched bills. However, detailed vouchers and supporting documents of actual expenditure were not received by AG (A&E) office from the SNAs.

Table 2.14: Details of release of fund to Single Nodal Agency

(₹ in crore)

Amount released by GoI to State	Central Share released from treasury to SNA	State share released from Treasury to SNA	Total released by Treasury to SNA	Total Expenditure	Balance in the Account of SNA
2,822.11	1,979.60	379.32	2,358.92	2,629.01	990.75

Source: Public Finance Management System, 2022-23

As on 31 March 2023, an amount of ₹990.75 crore, including both Central and State shares, were parked in SNA bank Account of 74 schemes as detailed in **Appendix 2.1**.

Details of schemes where ₹10.00 crore and above were lying unspent in SNA bank accounts are given below in **Table 2.15**.

Table 2.15: Details of schemes ₹10.00 crore and above parked in SNA bank account

(₹ in crore)

Sl. No.	Particulars	Amount
1.	9120- Integrated Development of Horticulture	10.35
2.	9145- Rashtriya Krishi Vikas Yojana	44.66
3.	3887- PM formalization of Micro Food Processing enterprises PM-FME	10.21
4.	2035- Tertiary care programs	21.56
5.	4063- Flexible pool for RCH & Health System Strengthening, National Health programme and National Urban Health Mission	24.46
6.	9157- Human Resources for Health and Medical Education	309.61
7.	9150- Jal Jeevan Mission (JJM)/ National Rural Drinking Water Mission	20.28
8.	9151- SBM-Rural (DWS)	10.11
9.	1989- other Items of State/UT component- PMAY Urban	22.30
10.	9478- Mission for Development of 100 Smart Cities	48.21
11.	3674- Pradhan Mantri Jan Vikas Karyakaram	20.27
12.	9179- Pradhan Mantri Gram Sadak Yojana	132.83

Sl. No.	Particulars	Amount
13.	9180- Pradhan Mantri Awas Yojana (PMAY)- Rural	53.49
14.	9181- National Rural Livelihood Mission	40.12
15.	9219- Mahatma Gandhi National Rural Guarantee Programme	29.85
16.	3667- Samagra Shiksha	57.87
17.	3373- Post Matric Scholarship-Tribal	23.92
18.	3380- Pradhan Mantri Adi Adarsh Gram Yojana	20.62

Source: Public Finance Management System, 2022-23

As could be seen from **Table 2.15**, the huge amount was parked in respect of Human Resources for Health and Medical Education (₹309.61 crore) and Pradhan Mantri Gram Sadak Yojana (₹132.83 crore).

Finance Commission Grants

As per recommendation of the XV FC, the GoI had released grants for Local Bodies and towards State Disaster Response Fund (SDRF) during FC Award period from 2020-21 to 2025-26. The details of release of funds to the State based on recommendations of the XV FC during the year 2022-23 and transferred by the State Government is shown in **Table 2.16**.

Table 2.16: Recommended amount, actual release and transfers of Grants-in-Aid

(₹ in crore)

Grants		Recommendations of the XV FC for 2022-23	Actual release by GoI during the year	Release by the State Government for the year
(i) Grants to PRIs		96.00	46.00	46.00
(a)	Performance/Tied Grants#	57.60	27.60	27.60
(b)	Untied Grants	38.40	18.40	18.40
(ii) Grants to ULBs		47.00	0.00	0.00*
(i)	Performance/ Tied Grant	NA		
	Million Plus Cities	28.20	0.00	0.00
(ii)	General Basic/Untied Grant	NA		
	Non-Million Plus Cities#	18.80	0.00	15.00
(iii) Grants for Health Sector		57.00	0.00	0.00
Total Grants for Local Bodies (i+ii+iii)		200.00	46.00	46.00
SDRF	Centre share	43.00	38.70	34.40
	State share	5.00	4.30	4.00
Total SDRF		48.00	43.00	38.40
Post Devolution Deficit Grant		4,530.00	4,530.00	4,530.00

Source: XIV/XV-FC Report and Information furnished by Finance Department, GoN

*Excludes the release of ₹15.00 crore as it pertained to 2021-22.

For drinking water, rainwater harvesting, SWS and Sanitation

Note: NA=Not applicable

- Out of the XV FC recommendation of ₹96.00 crore for grants to Local bodies, the State received an amount of ₹46.00 crore (23 per cent) and the same amount was released by the State Government to the implementing Departments.
- XV FC recommended ₹47.00 crore to Urban Local bodies while GoI did not release any fund under this grant.

- With respect to the State Disaster Response Fund, the recommended amount to be released by GoI was ₹43.00 crore. Out of ₹43.00 crore, GoI released ₹38.70 crore only due to late release (31 March 2023) of state's matching share of ₹4.30 crore.

2.3.3 Capital Receipts

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

Table 2.17 shows the trends in growth and composition of Capital Receipts and net Public Debt Receipts.

Table 2.17: Trends in growth and composition of capital receipts

Sources of State's Receipts	2018-19	2019-20	2020-21	2021-22	2022-23
Capital Receipts	312.03	1,003.66	1,532.17	760.26	2,287.44
Miscellaneous Capital Receipts	0.00	0.00	0.00	0.00	450.00
Recovery of Loans and Advances	1.08	1.09	1.23	1.88	3.04
Net Public Debt Receipts	310.95	1,002.57	1,530.94	758.38	1,834.40
<i>Internal Debt</i>	328.69	1,017.78	1,344.21	463.73	1,338.59
<i>Growth rate</i>	-53.73	209.65	32.07	-65.50	188.66
<i>Loans and advances from GoI</i>	-17.74	-15.21	186.73	294.65	495.81
<i>Growth rate</i>	-17.06	-14.26	1,327.68	57.79	68.27
Rate of growth of debt Capital Receipts	-54.87	222.42	52.70	-50.46	141.88
Rate of growth of non-debt capital receipts	-0.92	0.93	12.84	52.85	61.70
Rate of growth of GSDP	8.75	12.02	0.39	6.98	12.60
Rate of growth of Capital Receipts (<i>per cent</i>)	-54.78	221.65	52.66	-50.38	200.87

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

During the year 2022-23, Capital Receipts increased by (₹1,527.18 crore) 200.88 *per cent*. Capital Receipts increased by 633.08 *per cent* from ₹312.03 crore in 2018-19 to ₹2,287.44 crore in 2022-23 due to increase in Miscellaneous Capital Receipts (₹450.00 crore) and recovery of Loans and Advances (₹1.16 crore).

Public debt receipts create future repayment obligation and these are taken from Market, Financial Institutions and Central Government. During 2022-23, the net Public Debt Receipts increased by ₹1076.01 crore from ₹758.39 crore in 2021-22 to ₹1,834.40 crore in 2022-23. The major sources of Public Debt receipts for the State are Internal Debt which consists of 72.97 *per cent* and Loans and advance from GoI which consists of 27.03 *per cent* of Public Debt.

It was observed that the Government has been opting for Market Borrowing year after year as the share of Market Borrowing (Market loans and Loans from financial institutions) in Internal Debt during 2022-23 was 97.61 *per cent*. This is because Market Borrowings are in the nature of untied fund giving freedom to the State Government to spend the money as per their priorities, while negotiated loans from institutions like NABARD etc. are to be spent on identified schemes in specified sectors. Internal Debt

consisted of Market loans (₹11,414.03 crore during 2022-23 against ₹10,215.03 crore during 2021-22), loans from financial Institutions (₹150.08 crore during 2022-23 against ₹161.29 crore during 2021-22) and loans from other Institutions (₹279.95 crore during 2022-23 against ₹338.05 crore during 2021-22). The State Government received ₹518.28 crore loans from GoI during the year 2022-23 as against ₹315.21 crore in 2021-22 which is ₹203.07 crore more than the previous year.

2.4 Application of Resources

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

2.4.1 Growth and composition of expenditure

The component of Total Expenditure consists of Revenue Expenditure, Capital Expenditure and expenditure on Loans and Advances.

The Total Expenditure, its composition and relative share in Total Budget and GSDP during the years 2018-19 to 2022-23 is presented in **Table 2.18**.

Table 2.18: Total expenditure and its composition

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Budget (TB)	20,469.97	22,496.42	26,895.64	25,644.46	26,092.48
Total Expenditure (TE)	12,520.81	12,852.60	12,729.60	13,713.54	16,114.93
Revenue Expenditure (RE)	10,919.98	11,637.02	11,052.06	11,817.08	13,410.36
Capital Expenditure (CE)	1,595.56	1,206.32	1,671.93	1,893.85	2,704.22
Loans and Advances	5.27	9.26	5.61	2.61	0.35
CE/TB	7.79	5.36	6.22	7.39	10.36
As a percentage of GSDP					
TE/GSDP	47.20	43.25	42.67	42.97	44.85
RE/GSDP	41.16	39.16	37.05	37.03	37.32
CE/GSDP	6.01	4.09	5.62	5.94	7.53
Loans and Advances/GSDP	0.02	0.03	0.02	0.01	0.00

Source: Finance Accounts of respective years

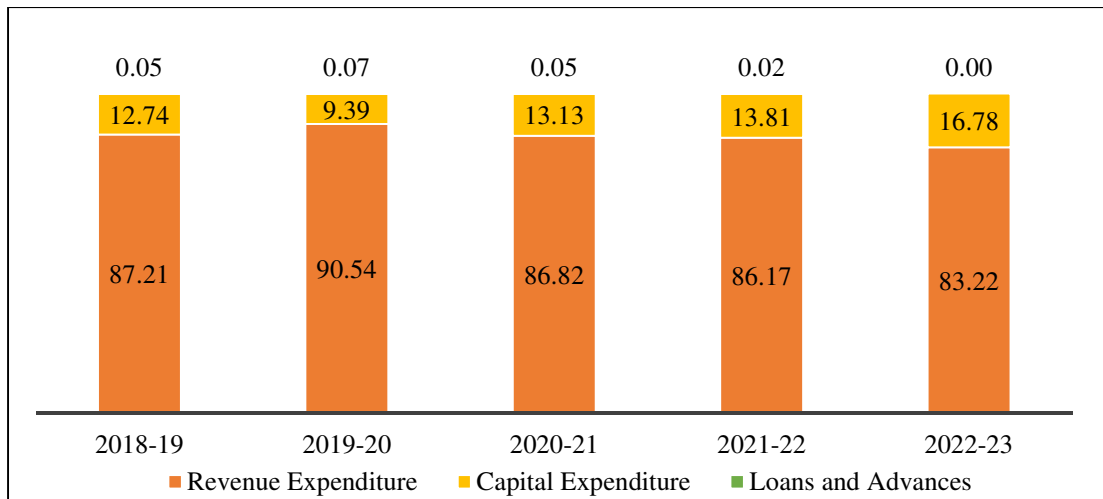
Table 2.18 shows that Total Expenditure of the State increased by 28.71 per cent from ₹12,520.81 crore in 2018-19 to ₹16,114.93 crore in 2022-23. During the year, Revenue expenditure constituted 83.22 per cent and Capital Expenditure 16.78 per cent of total expenditure. Total expenditure increased by 17.51 per cent over the previous year. As a percentage of GSDP, the Total Expenditure remained in the range between 42.67 and 47.20 per cent during 2018-23.

It could be seen from **Table 2.18** that Capital Expenditure has shown an increasing trend in the last four years from ₹1,206.32 crore in 2019-20 to ₹2,704.22 crore in 2022-23. The share of Capital Expenditure as a percentage of Total Budget increased from 7.79 in 2018-19 to 10.36 in 2022-23. The share of Capital Expenditure as a

percentage of GSDP increased from 6.01 *per cent* in 2018-19 to 7.53 *per cent* in 2022-23.

Trends of overall expenditure and relative share of various expenditure during 2018-19 to 2022-23 are depicted in **Chart 2.8**.

Chart 2.8: Total Expenditure: Trends in share of its components



Source: Finance Accounts of respective years

In terms of activities, the Total Expenditure is composed of expenditure on General Services including Interest Payments, Social Services, Economic Services and others. Relative share of these components in the Total Expenditure of ₹16,114.93 crore during 2022-23 (*Appendix 1.1 Part C*) is given in **Table 2.19**.

Table 2.19: Relative share of various sectors of expenditure

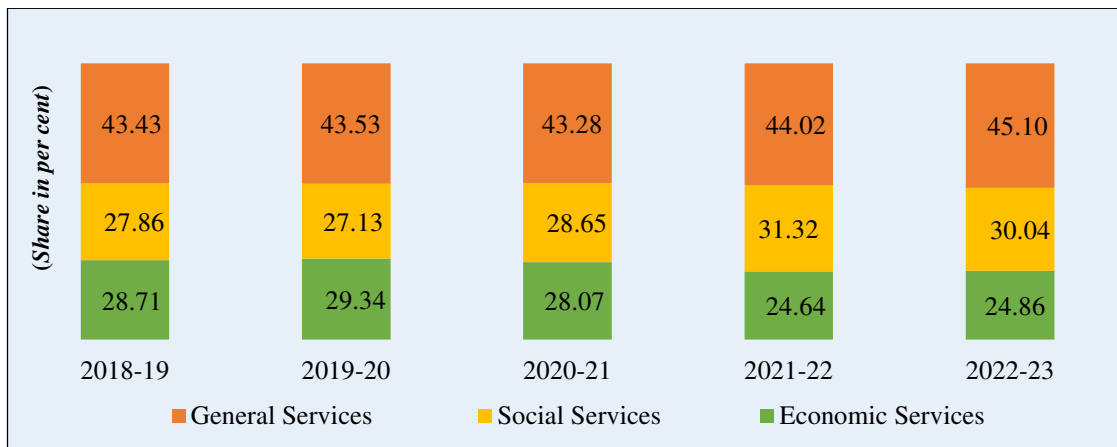
Parameters	(In per cent)				
	2018-19	2019-20	2020-21	2021-22	2022-23
General Services	43.43	43.53	43.28	44.02	45.10
Social Services	27.86	27.13	28.65	31.32	30.04
Economic Services	28.67	29.27	28.03	24.64	24.86
Others (Grants to Local Bodies and Loans and Advances)	0.04	0.07	0.04	0.02	0.00

Source: Finance Accounts of respective years

- General Services as a percentage to the Total Expenditure increased from 44.02 to 45.10 *per cent* during 2022-23 as compared to 2021-22 mainly due to increase in expenditure on Organs of State by 58.09 *per cent*, Interest payment & servicing of Debt by 6.56 *per cent*, 11.46 *per cent* in Administrative Services and 30.60 *per cent* in Pension and Miscellaneous General Services under Revenue account during the year.
- Social Services as a percentage to Total Expenditure decreased from 31.32 to 30.04 *per cent* during 2022-23 as compared to 2021-22 mainly due to decrease in expenditure in respect of Labour and Labour Welfare (decreased by 27.18 *per cent*).
- There was increase in Expenditure in Economic services (24.86 *per cent*) during 2022-23, as compared to 24.64 *per cent* in the previous year.

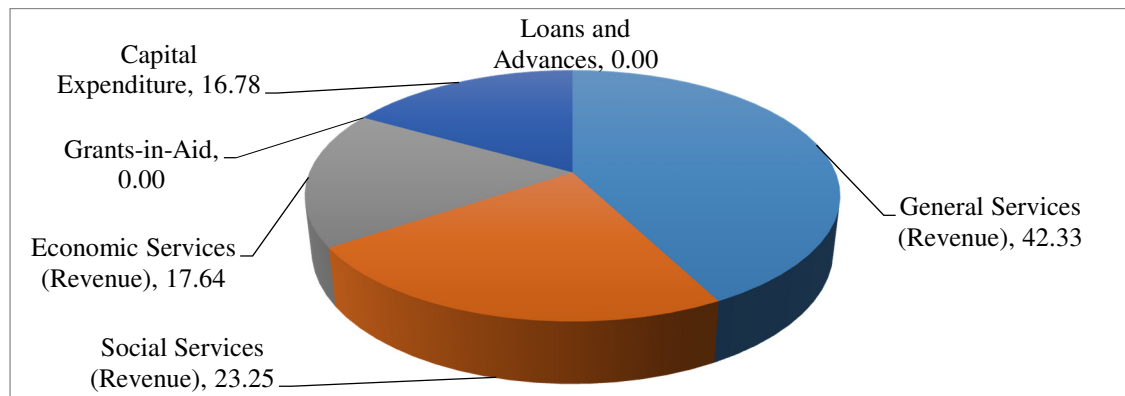
Charts 2.9 and 2.10 depicts the expenditure by activities and composition of expenditure during 2018-19 to 2022-23.

Chart 2.9: Total expenditure - Expenditure by activities



Source: Finance Accounts of respective years

Chart 2.10: Pie Chart for the composition of expenditure during 2022-23 (in per cent)



Source: Finance Accounts, 2022-23

The shares (in percentage of total expenditure) in General, Social and Economic services remained stable during the five-year period 2018-23. Repayment of Public Debt constituted around 24.83 per cent of the total expenditure during the year, down from 36.70 per cent during the previous year.

2.4.2 Revenue Expenditure

Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day-to-day running of the organisation, including establishment and administrative expenses shall be classified as Revenue Expenditure. As such, it does not result in any addition to the State's infrastructure and service network.

Revenue Expenditure constituted on an average, 86.79 per cent and ranged between 86.17 (2021-22) and 90.54 per cent (2019-20) of the Total Expenditure during the period 2018-23. The percentage of Revenue Expenditure to Total Expenditure was 83.22 per cent and Revenue Expenditure to GSDP was 37.32 per cent during 2022-23.

Rate of growth in Revenue Expenditure has shown fluctuation during the five-year period of 2018-23.

Thus, the lesser rate of growth of Revenue Receipts as compared to the Revenue expenditure and the increase in Revenue Expenditure as *per cent* of Revenue Receipt in 2022-23 from 87.85 to 95.11 *per cent* indicates that the State would not be able to finance its Capital Expenditure as discussed in **Paragraph 2.4.3**.

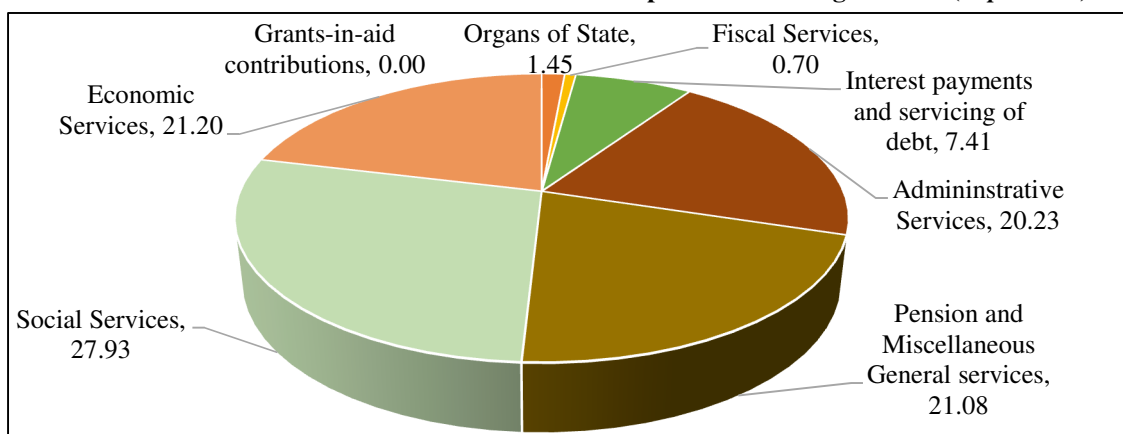
The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-à-vis* GSDP and Revenue Receipts is indicated in **Table 2.20** while the sectoral distribution of Revenue Expenditure during 2022-23 is given in **Chart 2.11**.

Table 2.20: Revenue Expenditure – Basic Parameters

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	12,520.81	12,852.60	12,729.60	13,713.54	16,114.93
Revenue Expenditure (RE)	10,919.98	11,637.02	11,052.06	11,817.08	13,410.36
Total Revenue Receipts	11,437.41	11,423.23	11,427.43	13,451.15	14,099.26
Rate of growth of RR (<i>Per cent</i>)	3.80	-0.12	0.04	17.71	4.82
Rate of Growth of RE (<i>per cent</i>)	7.15	6.57	-5.03	6.92	13.48
Revenue Expenditure as percentage of TE	87.21	90.54	86.82	86.17	83.22
RE/GSDP (<i>per cent</i>)	41.16	39.16	37.05	37.03	37.32
RE as percentage of RR	95.48	101.87	96.72	87.85	95.11
Buoyancy of Revenue Expenditure with:					
GSDP (ratio)	0.82	0.55	--	0.99	1.07
Revenue Receipts (ratio)	1.88	--	--	0.39	2.80

Source: Finance Accounts of respective years

Chart 2.11: Sector-wise distribution of Revenue Expenditure during 2022-23 (in per cent)



Source: Finance Accounts, 2022-23

During the five-year period of 2018-23, Revenue Expenditure as a percentage of GSDP showed a decreasing trend from 2018-22. However, in the year 2022-23 Revenue Expenditure as a percentage of GSDP increased by 0.29 *per cent* compared to the previous year.

2.4.2.1 Major changes in Revenue Expenditure

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

Table 2.21: Variation in Revenue Expenditure during 2022-23 compared to 2021-22**(₹ in crore)**

Major Heads of Account	2021-22	2022-23	Increase (+)/ Decrease (-)
2049 - Interest Payment	932.09	993.23	(+) 61.14
2055 - Police	1,652.08	1,838.45	(+) 186.37
2071 - Pension and other retirement benefits	2,158.67	2,819.16	(+) 660.49
2202 - General Education	1,810.76	1,971.01	(+) 160.25
2216- Housing	31.60	73.77	(+) 42.17
2245- Relief on account of Natural calamity	50.69	153.03	(+) 102.34
2401- Crops Husbandry	235.71	318.51	(+) 82.80
2505- Rural Employment	307.88	285.53	(-) 22.35
2801- Power	631.77	757.86	(+) 126.09
3451- Secretariat Economic Services	89.57	65.81	(-) 23.76

Source: Finance Accounts, 2022-23

Table 2.21 indicates that Revenue Expenditure increased during 2022-23 over the previous year which was mainly due to increase in Interest Payment, Police, Pension and other retirement benefits, General Education and power, which was offset mainly by a decrease in Rural Employment and Secretariat Economic Services.

During 2022-23, the Revenue Expenditure on General Service, Social Service and Economic Service increased by ₹1,077.01 crore (18.75 per cent), ₹368.01 crore (10.89 per cent) and ₹148.26 crore (5.50 per cent) over the previous year respectively.

2.4.2.2 Committed and Inflexible Expenditure

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

Apart from Committed Expenditure, there are certain items of inflexible expenditure which cannot be ordinarily altered or varied or are statutorily required on an annual basis, unlike for variable transactions such as capital expenditure *etc.* The inflexible expenditure is consists of: (i) Devolution to local bodies, (ii) Statutory requirements of contribution to Reserve Funds, (iii) Recoupment of Contingency Fund, (iv) Transfer of cess to reserve fund/ other body, which are statutorily required, (v) Share contribution of CSS against the Central Fund received and (vi) Payment of interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure - Interest Payment.

Table 2.22 presents the trends in the components of committed and inflexible expenditure during 2018-23.

Table 2.22: Components of Committed and Inflexible Expenditure**(₹ in crore)**

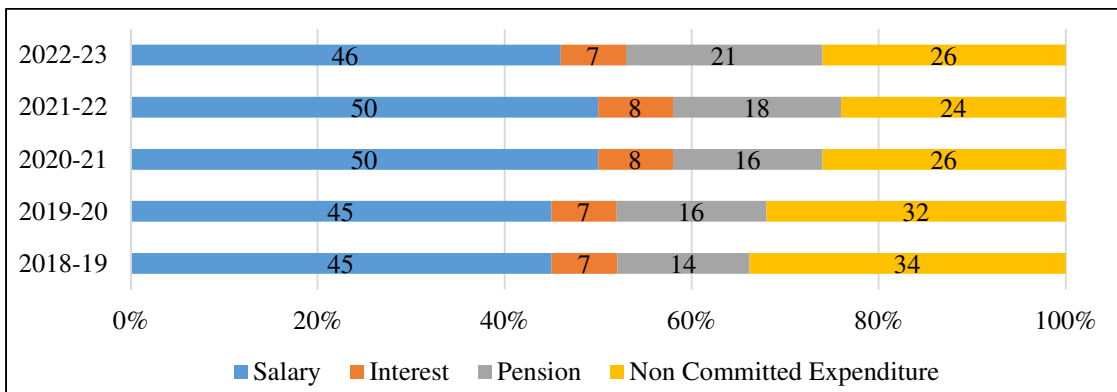
Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries and Wages	4,944.95	5,249.81	5,495.56	5,954.31	6,109.15
Expenditure on Pensions	1,552.79	1,810.91	1,752.48	2,158.67	2,819.16
Interest Payments	771.74	813.74	856.77	932.09	993.23
Total	7,269.48	7,874.46	8,104.81	9,045.07	9,921.54

Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Component of Inflexible expenditure					
Statutory Devolution to local bodies	0.00	0.00	0.00	0.00	0.00
Contribution to Reserve Funds	225.50	151.50	5.01	4.56	4.00
Recoupment of Contingency Fund	0.00	0.00	0.00	0.00	0.00
Transfer of cess to reserve fund/other body	NA	NA	31.39	53.38	14.35
Share contribution of CSS against the central Fund received	1,247.96	833.26	1,053.13	1,180.14	1,316.36
Payment of interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure- interest payment.	0.00	0.00	0.00	0.00	0.00
Total	1,473.46	984.76	1,089.53	1,238.08	1,334.71
As a percentage of Revenue Receipts (RR)					
Salaries and Wages	43.23	45.96	48.09	44.27	43.33
<i>Expenditure on Pensions</i>	<i>13.58</i>	<i>15.85</i>	<i>15.34</i>	<i>16.05</i>	<i>20</i>
Interest Payments	6.75	7.12	7.50	6.93	7.04
Total	63.56	68.93	70.92	67.25	70.37
Inflexible expenditure					
Total	12.88	8.62	9.53	9.20	9.47
As a percentage of Revenue Expenditure (RE)					
Salaries and Wages	45.28	45.11	49.72	50.39	45.56
Expenditure on Pensions	14.22	15.56	15.86	18.27	21.02
Interest Payments	7.07	6.99	7.75	7.89	7.41
Total	66.57	67.66	73.33	76.55	73.99
Inflexible expenditure					
Total	13.49	8.46	9.86	10.45	9.95

Source: Finance Accounts of respective years

Committed expenditure increased by ₹2,652.06 crore at a CAGR of 8.09 per cent from ₹7,269.48 crore in 2018-19 to ₹9,921.54 crore in 2022-23. During the current year, committed expenditure increased by ₹876.47 crore (9.69 per cent) over the previous year. The increase is due to increase in the expenditure on salaries and wages by ₹154.84 crore (2.60 per cent), pension by ₹660.49 crore (30.60 per cent) and interest payment ₹61.14 crore (6.56 per cent). The relative share of Committed Expenditure in Revenue Receipts showed a fluctuating trend during the five-year period (2018-19 to 2022-23). During 2022-23, committed expenditure constituted about 70.37 per cent of Revenue Receipts and 73.99 per cent of the Revenue Expenditure.

The share of committed expenditure in total Revenue Expenditure during 2018-23 is given in **Chart 2.12**.

Chart 2.12: Share of Committed expenditure in total Revenue Expenditure

Source: Finance Accounts of respective years

As can be seen from the table above, the committed expenditure hovered around 66.57 to 76.55 *per cent* of Revenue Expenditure during the five-year period from 2018-19 to 2022-23 which is quite high. During the last five years, the percentage of salaries and pensions within Revenue Expenditure was highest in 2021-22 and the percentage of non-committed expenditure to Revenue Expenditure was the lowest in 2021-22. This signifies limited flexibility of the State to allocate and spend on areas of non-committed expenditure.

The components of inflexible expenditure which include among others Statutory Devolution to local bodies and contribution to Reserve Funds showed a continued increase during the period 2019-20 to 2022-23. As a percentage of Revenue Expenditure, the inflexible expenditure showed fluctuating trend ranging from 8.46 to 13.49 *per cent*. Further, the inflexible expenditure (₹1,316.36 crore) increased by 11.54 *per cent* during 2022-23 over the previous year (₹1,238.08 crore) mainly due to increase in Share contribution of CSS against the central Fund received (₹1,180.14 crore in 2021-22 to ₹1,334.71 crore in 2022-23).

Taken together, the committed and inflexible expenditure in 2022-23 was ₹11,256.25 crore; 83.94 *per cent* of the Revenue Expenditure. Upward trend on committed and inflexible expenditure leaves the Government with lesser flexibility for other priority sectors and capital creation.

Component-wise analysis is given in the succeeding paragraphs.

Salaries and Wages

Expenditure on salaries and wages (₹6,109.15 crore) increased by 2.60 *per cent* during 2022-23 over the previous year (₹5,954.31 crore). During the year, it was the prominent contributor to Committed Expenditure as it alone constituted 45.56 *per cent* of Revenue Expenditure. During the current year, the State Government projected Salaries and Wages of ₹7,090.49 crore in BEs while the actual Salaries and Wages was ₹6,109.15 crore.

Interest payment

Interest payment comprise of interest on Internal Debt, Small Savings, Provident Funds, Loans and Advances from GoI. Interest payments were to the tune of ₹993.23 crore (7.04 per cent of Revenue Expenditure). Interest on Market Borrowings (₹812.93 crore⁶), Loans from the Institutes and Banks⁷ (₹50.08 crore) and Special Securities issued to National Small Savings Fund (NSSF) of Central Government (₹8.96 crore) continued to be the major components of interest payments. The position of the interest payments *vis-à-vis* the XV FC recommendations and MTFP projection during the current year is given in **Table 2.23**.

Table 2.23: Interest Payments in the year 2022-23

(₹ in crore)

XV FC recommendation	MTFP projection	Actual
1,144.00	1,028.26	993.23

Source: Budget document, XV FC report and Finance Account, 2022-23

Pensions

There were 66,101 pensioners including both original and family pensioners as on 31 March 2023.

During the year, expenditure on pension and other retirement benefits to State Government pensioners was ₹2,819.16 crore. This constituted 21.02 per cent of the Revenue Expenditure. The major components of pension and other retirement benefits are Superannuation and Retirement Allowances (₹1,340.05 crore) which increased by ₹542.91 crore, Commuted Value of Pensions (₹437.41 crore) which increased by ₹19.50 crore, Gratuities (₹434.70 crore) which increased by ₹40.65 crore and Family Pensions (₹404.10 crore) which increased by ₹12.50 crore, from those in 2021-22.

The position of the Pension payments *vis-à-vis* the XV FC recommendations and MTFP projection during the current year is given in **Table 2.24**.

Table 2.24: Details of Pension Payments *vis-à-vis* XV FC recommendations and MTFP projection during year 2022-23

(₹ in crore)

XV FC recommendation	MTFP projection	Actual
2,182.00	2,587.71	2,819.16

Source: Budget document, XV FC report and Finance Account, 2022-23

2.4.2.3 Undischarged liabilities in National Pension System

State Government employees appointed on or after 01 January 2010 are covered under the National Pension System (NPS), which is a defined contributory pension scheme. All India Service officers are covered under the scheme *w.e.f.* 01 January 2004. In terms of the Scheme, employees contribute 10 per cent of their basic pay plus dearness allowances which the State Government is required to match with 14 per cent of the basic

⁶ Including interest of ₹2.56 crore regarding management of Public Debt

⁷ These include Life Insurance Corporation of India, General Insurance Corporation of India, National Bank for Agriculture and Rural Development, National Cooperative Development Corporation and other Institutions

pay plus dearness allowances (with effect from 01 April 2019). Both the employees and government contributions are transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/ Trustee Bank. The subscription received from employees is credited to MH-8342-117 'Defined Contributory Pension Scheme (DCPS)' for Government servants. The State Government follows the accounting procedure while providing the employer's matching contribution towards the fund (MH-8342-117 employer contribution) by debiting to MH-2071 Pensions and Other Retirement Benefits.

Total number of employees under NPS as of 31 March 2022 was 30,753 which increased to 32,760 as of 31 March 2023. Out of these 32,760 employees under NPS, 32,010 employees have been allotted Permanent Retirement Account Number (PRAN) as of 31 March 2023.

During the year 2022-23, total subscription received was ₹350.65 crore (Employees' contribution ₹137.00 crore, Government contribution ₹202.48 crore, interest paid by State Government ₹10.62 crore and Service Charge to NSDL ₹0.46 crore). Against this, the State Government transferred ₹332.82 crore from the Public Account under Major Head 8342-117 Defined Contribution Pension scheme to NSDL.

As on 31 March 2023, ₹222.07 crore was outstanding under the MH-8342-117 DCPS which had not been transferred to NSDL. Thus, un-transferred amounts, with accrued interest represent outstanding liabilities under the Scheme.

As on 01 April 2022, the balance under the head 8342-117 Defined Contribution Pension Scheme for Government Employees was ₹204.24 crore. The interest to be paid for 2022-23 by the State Government works out to ₹14.50 crore⁸. However, the State Government paid only ₹10.62 crore resulting in short payment of the interest of ₹3.88 crore. This resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

During the Exit Conference (06.12.2023), Finance Department stated that accumulation of huge amount under the head was due to non-furnishing of details by DDOs without which these funds could not be transferred. It was also stated that Finance Department has already acted against defaulting DDOs.

2.4.2.4 Subsidies

During 2022-23, an amount of ₹33.12 crore was booked as subsidy under levy sugar under Target Public Distribution System (subsidies) of ₹25.12 crore and Nagaland Civil Secretariat Chief Minister's Micro Financing Initiative 39- Subsidies of ₹Eight crore. Nagaland (31.9 per cent increase over the previous year), though lowest, is amongst nine States which have made steep hike in subsidies outgo in 2022-23. A consistent and significant increase in subsidies is a matter of concern.

⁸ (₹204.24 crore *7.10*1/100 = ₹14.50 crore), Interest calculated at the rate of 7.10 per cent notified by Government/ payable to General Provident Fund

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

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

The quantum of assistance provided by way of grants and loans to Local bodies and others during the period 2018-23 is presented in **Table 2.25**.

Table 2.25: Financial Assistance to Local Bodies, etc.

(₹ in crore)					
Financial Assistance to Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
(A) Local Bodies					
Municipal Corporations and Municipalities	1.62	1.62	1.62	1.62	9.45
Rural Local Bodies	0.00	0.00	62.50	109.57	46.00
Total (A)	1.62	1.62	64.12	111.19	55.45
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	3.00	2.65	3.00	3.35	3.65
Development Authorities	53.92	56.72	60.02	56.68	84.88
Hospitals and Other Charitable Institutions	21.77	25.84	26.94	14.04	0.24
Other Institutions	86.75	73.87	40.77	31.20	52.37
Total (B)	165.44	159.08	130.73	105.27	141.14
Total (A + B)	167.06	160.70	194.85	216.46	196.59
GIA on Salary and non-Salary	164.56	159.61	180.53	211.44	175.57
GIA for creation of Capital Assets	2.50	1.09	14.32	5.02	21.02
GIA given in Kind	Information not available				
Revenue Expenditure	10,919.98	11,637.02	11,052.06	11,817.08	13,410.36
Assistance as percentage of Revenue Expenditure	1.53	1.38	1.76	1.83	1.47

Source: Finance Accounts of respective years

The total financial assistance to Local Bodies and Other Institution showed a fluctuating trend during 2018-19 to 2022-23. The decrease in financial assistance was ₹19.87 crore (9.18 per cent) from ₹216.46 crore in 2021-22 to ₹196.59 crore in 2022-23. During 2022-23, financial assistance was 1.47 per cent of Revenue Expenditure, a decrease of 19.67 per cent from the previous year.

The financial assistance given for creation of Capital assets during 2022-23 increased by ₹16.00 crore over the previous year. Meanwhile, the financial assistance on salary and non-salary decreased by ₹19.87 crore during the year. The share of financial assistance by the Government on Salary and non-salary and creation of Capital assets constituted on an average 89.31 per cent and 10.69 per cent respectively during the period 2018-23.

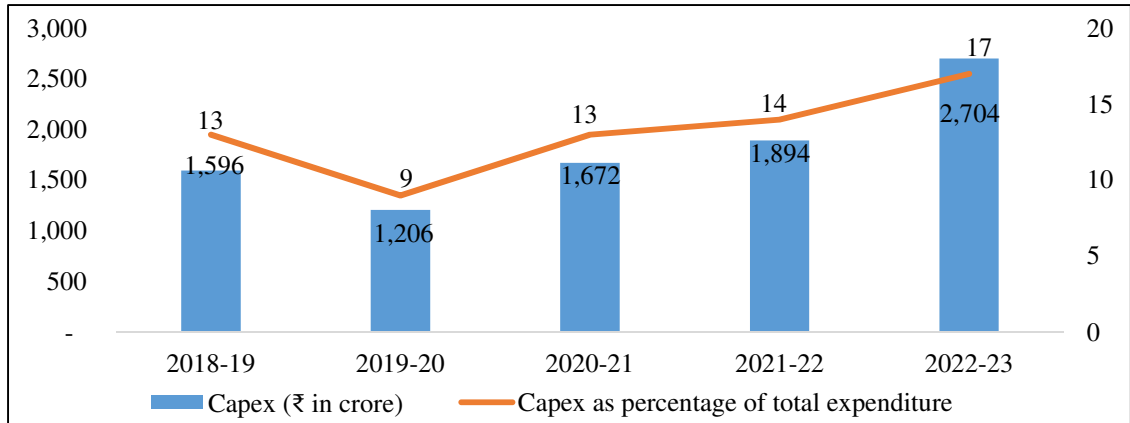
2.4.3 Capital Expenditure

All charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also charges for such further additions and improvements as may be sanctioned under the rules made by competent authority shall be classified as Capital Expenditure. Capital Expenditure (capex) is

primarily expenditure on creation of fixed infrastructure assets such as roads, buildings, etc.

The details of the capex and its percentage of total expenditure for the period from 2018-19 to 2022-23 are given in **Chart 2.13**.

Chart 2.13: Capital Expenditure in the State



Source: Finance Accounts of respective years

Capital Expenditure (₹2,704.22 crore) during the current year (2022-23) increased by ₹810.37 crore (42.79 per cent) over the previous year (₹1,893.85 crore) and was ₹325.41 crore (10.74 per cent) less than the Budget Estimates (₹3,029.63 crore). As compared to the total expenditure, the capital outlay showed a fluctuating trend (between nine and 17 per cent) over the period 2018-19 to 2022-23. Percentage of capex to total expenditure during the period was the highest in 2022-23.

During 2022-23, the Capital Expenditure on Economic Service, General Service and Social Service increased by ₹479.17 crore (70.05 per cent), ₹153.61 crore (52.37 per cent) and ₹177.59 crore (19.38 per cent) over the previous year respectively.

2.4.3.1 Major changes in Capital Expenditure

Table 2.26 highlights the cases of significant increase or decrease in various Heads of Account in Capital Expenditure during 2022-23 vis-à-vis the previous year.

Table 2.26: Capital Expenditure during 2022-23 compared to 2021-22

Major Heads of Accounts	2021-22	2022-23	Increase (+)/ Decrease (-)
4055-Capital Outlay on Police	75.03	125.26	50.23
4059-Capital Outlay on Public Works	217.36	320.66	103.30
4210-Capital Outlay on Medical and Public Health	155.64	438.22	282.58
4215-Capital Outlay on Water Supply and Sanitation	216.00	80.95	-135.05
4217-Capital Outlay on Urban Development	260.40	298.76	38.36
4225-Capital Outlay on Welfare of SCs, STs, OBCs and Minorities	76.88	4.24	-72.64
4401- Capital Outlay on Crop Husbandry	8.48	27.66	19.18
4406- Capital Outlay on Forest and Wildlife	14.00	36.70	22.70
4515- Capital Outlay on other Rural Development Programmes	1.60	16.00	14.40
4575- Capital Outlay on Special Area Development Programme	64.02	102.50	38.48

Major Heads of Accounts	2021-22	2022-23	Increase (+)/ Decrease (-)
4801- Capital Outlay on Power Projects	85.42	53.78	-31.64
4851- Capital Outlay on Village and Small Industries	1.78	29.43	27.65
5054- Capital Outlay on Roads and Bridges	385.43	819.78	434.35

Source: Finance Accounts of respective years

Table 2.26 reveals that the increase in Capital Expenditure during 2022-23 over the previous year was mainly due to increase under Police, Public Works, Medical and Public Health, Urban Development and Roads and Bridges, which was offset mainly by decrease under Water supply and sanitation and welfare of SCs, STs, OBCs and Minorities.

2.4.3.2 Quality of Capital Expenditure

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

Quality of investments in the companies, corporations and other bodies

The Government had invested ₹296.16 crore in Government Companies, Statutory Corporations, Joint Stock Companies and Co-operatives, as on 31 March 2023. Out of this, ₹28.87 crore had been invested in three SPSEs.

During the five-year period of 2018-23, the State Government's investments had increased by ₹1.99 crore. The average return on this investment was ₹0.66 crore during 2018-19, while the return in the remaining years of 2019-23 ranged between ₹0.49 crore and ₹2.80 crore. The Government paid an average interest rate ranging between 5.85 and 7.15 per cent on its borrowings during the same period as detailed in **Table 2.27**.

Table 2.27: Return on Investment

Investment/return/ cost of borrowings	2018-19	2019-20	2020-21	2021-22	2022-23
Investment at the end of the year (₹ in crore)	294.17	295.17	296.17	296.16	296.16
Return (₹ in crore)	0.66	2.80	2.47	0.49	2.47
Return (per cent)	0.22	0.95	0.83	0.17	0.83
Average rate of interest on Government Borrowings (per cent)	7.37	7.16	6.68	6.81	6.73
Difference between interest rate and return (per cent)	(-)7.15	(-)6.19	(-)5.85	(-)6.64	(-)5.90
Difference between interest on Government borrowings and return on investment (₹ in crore) [#]	667.92	688.20	729.40	820.90	881.16

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

In addition to investments in Co-operative Societies, Corporations and Companies, the Government has also been providing Loans and Advances to many Institutions/ Organisations.

Table 2.28 presents the outstanding Loans and Advances as on 31 March 2023 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 2.28: Quantum of loans disbursed and recovered during five years

(₹ in crore)					
Quantum of loans disbursed and recovered	2018-19	2019-20	2020-21	2021-22	2022-23
Opening Balance of loans outstanding*	24.72	28.91	37.08	41.46	42.19
Amount advanced during the year	5.27	9.26	5.61	2.61	0.35
Amount recovered during the year	1.08	1.09	1.23	1.88	3.05
Closing Balance of the loans outstanding	28.91	37.08	41.46	42.19	39.49
Net addition	4.19	8.17	4.38	0.73	-2.70
Interest received	2.23	3.59	3.16	3.29	4.02
Interest rate on Loans and Advances given by the Government.	8.32	10.89	8.05	7.87	9.85
Rate of Interest paid on the outstanding borrowings of the Government	7.37	7.16	6.68	6.81	6.73
Difference between the rate of interest paid and interest received (<i>per cent</i>)	0.95	3.73	1.37	1.06	3.12

Source: Finance Accounts of respective years

*Error in figures due to rounding off corrected as per actual Finance Accounts

At the end of March 2023, the Government had outstanding Loans and Advances of ₹39.49 crore. The amount of loans outstanding decreased by ₹2.70 crore (6.40 *per cent*) from ₹42.19 crore in 2021-22 to ₹39.49 crore in 2022-23. Out of the total outstanding loans of ₹39.49 crore, ₹38.96 crore (98.66 *per cent*) pertains to Agriculture and Allied Activities and ₹2.17 crore (5.50 *per cent*) for Industry and Minerals and (-) ₹1.64 crore due to recovery more than actual outstanding balance.

Capital locked in incomplete projects.

An assessment of trends in capital blocked in incomplete capital works would also indicate quality of Capital Expenditure. Blocking of funds on incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods.

As per Appendix IX of the Finance Accounts of the State for the year 2022-23, there were 311 incomplete/ongoing projects in the State as on 31 March 2023. These were being executed by 36 Departments. Age profile of incomplete projects based on the year of sanction/ year of start of these projects as on 31 March 2023 is given in **Tables 2.29** and **2.30**.

Table 2.29: Age profile of incomplete projects as on 31 March 2023

(₹ in crore)				
Year	No of incomplete projects	Estimated cost	Cost over-run	Expenditure (as on 31 March 2023)
Up to 2012-13	95	1,421.06	81.05	688.19
2013-14	132	160.90	0.00	90.65
2014-15	27	42.19	0.00	26.24
2015-16	10	22.50	0.38	15.19
2016-17	6	136.71	2.06	96.09

Year	No of incomplete projects	Estimated cost	Cost over-run	Expenditure (as on 31 March 2023)									
2017-18	24	53.87	0.00	29.28									
2018-19	6	229.85	0.00	0.00									
2019-20	1	4.98	0.00	0.00									
2020-21	1	13.87	0.00	11.32									
2021-22	0	0.00	0.00	0.00									
2022-23	0	0.00	0.00 </tr <tr> <td>Others*</td> <td>9</td> <td>11.36</td> <td>0.00</td> <td>6.14</td> </tr> <tr> <td>Total</td> <td>311</td> <td>677.711</td> <td>83.49</td> <td>963.10</td> </tr>	Others*	9	11.36	0.00	6.14	Total	311	677.711	83.49	963.10
Others*	9	11.36	0.00	6.14									
Total	311	677.711	83.49	963.10									

Source: Appendix-IX, Finance Accounts, 2022-23

* Projects whose year of commencement is not known.

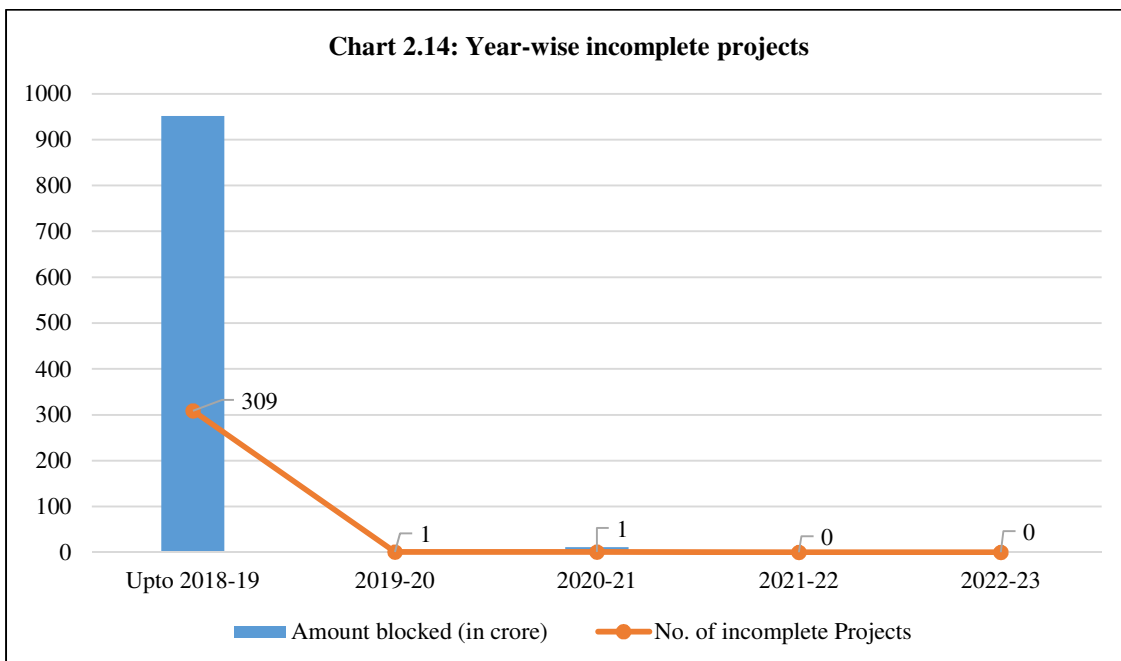
Table 2.30: Department-wise profile of incomplete projects as on 31 March 2023

(₹ in crore)

Department	No. of incomplete projects	Estimated cost	Cost over-run	Expenditure (as on 31 March 2023)
Veterinary and Animal Husbandry	52	46.77	0.14	27.69
Police Engineering Project	31	615.29	0.00	176.61
Youth Resources	4	174.60	12.02	109.28
PWD (Housing)	19	121.71	8.53	95.69
PWD (Roads and Bridges)	9	111.52	0.00	67.05
Urban Development	25	215.49	0.00	96.77
Water Resources Department	3	210.24	0.00	1.79
Other 29 Departments	168	601.67	62.80	388.22
Total	311	2,097.29	83.49	963.10

Source: Appendix-IX, Finance Accounts, 2022-23

The year-wise detail of incomplete projects is shown in the **Chart 2.14**.



Analysis of the above 311 incomplete projects showed the following:

- In 14 out of 311 projects, target year of completion was not furnished by the Departments (March 2023);

- Works in respect of a project (estimated cost ₹6.45 crore) had been suspended after incurring an expenditure of ₹6.45 crore (100 *per cent* of estimated cost);
- Out of 311 incomplete projects, there was no financial progress in 310 projects, during 2022-23;
- There was 100 *per cent* financial achievement in five projects. However, 100 *per cent* physical progress was not achieved. No expenditure was incurred in 28 projects which had an estimated cost of ₹276.27 crore;
- In 98 projects which were incomplete since 2003-13, there was a cost overrun of ₹83.49 crore as the original costs of these projects were revised from ₹544.19 crore to ₹627.68 crore.

Thus, the Capital Expenditure of ₹963.10 crore incurred on these 311 incomplete projects remained blocked. Blocking of funds on incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, delay in completion of the projects was fraught with the risk of cost overrun.

2.4.4 Expenditure priorities

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

Table 2.31 analyses the fiscal priority of the State Government in 2018-19 and 2022-23 with regard to Social Sector Expenditure (Health and Education) and Capital Expenditure.

Table 2.31: Priority of the State with regard to Health, Education and Capital Expenditure

(In per cent)				
Fiscal priority of the State	TE/ GSDP	CE/TE	Education/ TE	Health/ TE
NE&H States Average (2018-19)	27.30	16.11	17.70	6.48
State	47.20	12.79	14.40	4.98
NE&H States Average (2022-23)	27.24	15.52	15.77	6.95
State	44.85	16.78	13.80	7.63

Source: Fiscal Priority of State (circulated by the Economic Advisor) and Finance Accounts of respective years, TE: Total Expenditure; CE: Capital Expenditure (including loans and advances)

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

- Total Expenditure (TE) as a proportion of GSDP decreased from 47.20 *per cent* in 2017-18 to 44.85 *per cent* in 2022-23.
- The share of Capital Expenditure (CE) as a proportion of TE of the State was less than the NE&H average in 2018-19. In 2022-23, it was however more than the NE&H average. The proportion of CE to TE increased during 2022-23 in

comparison to 2018-19. This indicates that the State Government accorded appropriate fiscal priorities to enhance the productive capacity of the State.

- The share of expenditure on Education as a proportion of TE was lower than the NE&H average in 2018-19 and 2022-23. Further, the ratio decreased in 2022-23 as compared to 2018-19.
- The share of expenditure on Health Sector as a proportion of TE was lower than the NE&H average in 2018-19, however, it was higher than that of NE&H average in 2022-23.

2.4.5 Object head-wise expenditure

The Finance Accounts of a State depicts transactions only up to the minor head level. The Government Accounting Rules provide for recording of the expenditure up to the object head level. Therefore, an attempt has been made to ascertain the extent of expenditure incurred on the actual items at the object head level from the accounts maintained in the Accounts Wing of the office of the Principal Accountant General (A&E), Nagaland. The details of items with significant percentage of expenditure are given in **Table 2.32**.

Table 2.32: Object Head wise expenditure during 2022-23

Object Head	(in per cent)		
	2020-21	2021-22	2022-23
Salary	43.19	43.43	37.91
Office Expenses	0.21	0.18	0.19
Motor Vehicles	0.26	0.29	0.44
Maintenance	0.85	1.37	1.04
Other charges	12.10	11.33	13.03
Material and supply	1.35	1.60	1.07
GIA	1.53	2.37	1.22
Wages	0.65	0.55	0.27
Scholarships	0.52	0.26	0.49
Machinery and Equipment	0.50	0.35	0.15
Travel Expenses	0.18	0.20	0.15
POL	0.26	0.23	0.24
Rent, Rates and Taxes	0.13	0.14	0.20
Minor Works	0.40	0.20	0.17
Major Works	10.39	10.14	13.93
Interest Payment	6.73	6.80	6.16
Ration	0.36	0.48	0.49
Pensions and Other Retirement Benefits	13.77	15.90	17.49
RKVY	0.45	0.08	0.00
Others	6.16	4.10	5.37

Source: Finance Accounts of respective years

The analysis of the above table reveals the following:

- With respect to the expenditure under “Others charges”, the details of the items on which the expenditure was incurred are not recorded in accounts. This has serious implication for decision making and affects the transparency in accounting. In 2022-23, the expenditure on “Others charges” constituted 13.03 per cent of total expenditure which should be properly classified.

- The ratio of salary to the total expenditure decreased during 2022-23 over 2021-22 and the ratio of Capital Expenditure to GSDP during the current year increased. This indicates that the emphasis was given to create capital assets of the State which also has a positive impact on the economic growth of the State.
- The ratio of Major works to the Total Expenditure increased from 10.14 *per cent* in 2021-22 to 13.93 *per cent* in 2022-23. This indicates that the State Government is focusing on infrastructure development of the State.

2.5 Public Account

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

2.5.1 Net Public Account Balances

The component-wise net balances in Public Account of the State are given as follows.

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

(₹ in crore)

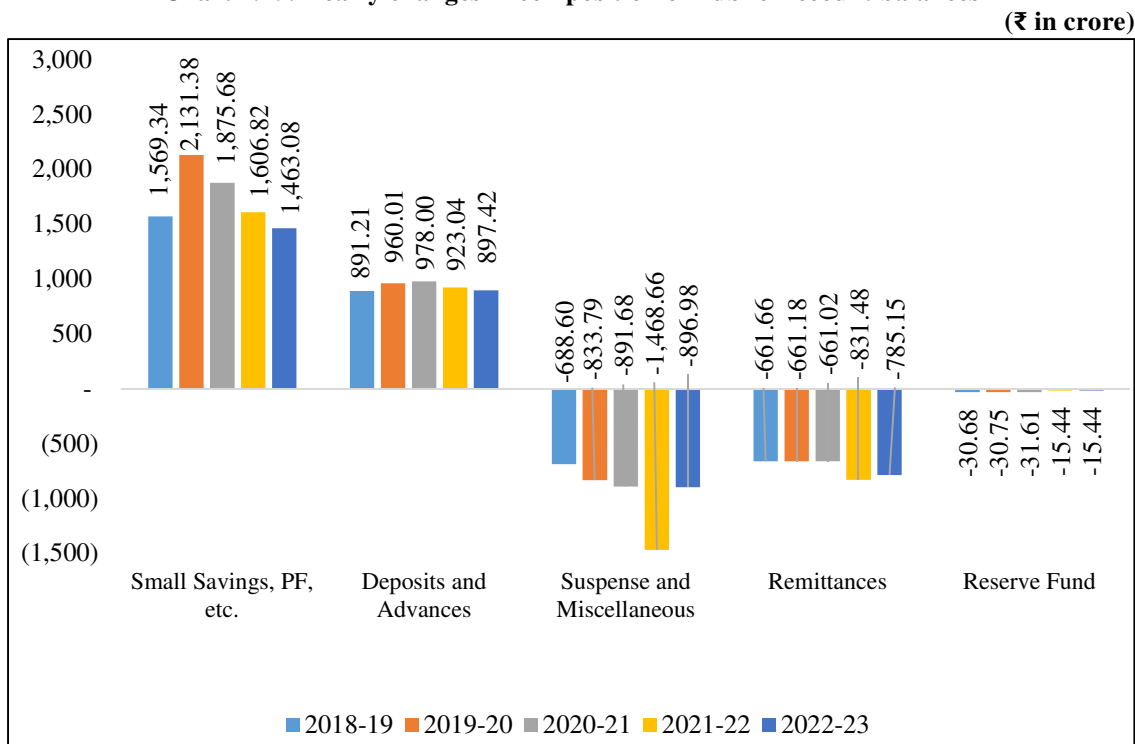
Sector	Sub Sector	2018-19	2019-20	2020-21	2021-22	2022-23
I. Small Savings, Provident Funds, <i>etc.</i>	Small Savings, Provident Funds, <i>etc.</i>	1,569.34	2,131.38	1,875.68	1,606.82	1,463.08
J. Reserve Funds	(a) Reserve Funds bearing Interest	-14.58	-14.58	-15.43	-15.44	-15.44
	(b) Reserve Funds not bearing Interest	-16.10	-16.17	-16.17	0.00	0.00
K. Deposits and Advances	(a) Deposits bearing Interest	137.13	170.35	185.61	204.24	222.07
	(b) Deposits not bearing Interest	754.45	790.03	792.96	719.37	675.92
	(c) Advances	-0.37	-0.37	-0.57	-0.57	-0.57
L. Suspense and Miscellaneous	(b) Suspense	-99.34	-89.02	-90.10	75.29	-80.55
	(c) Other Accounts	-589.26	-744.77	-801.58	-1393.37	-816.43
M. Remittances	(a) Money Orders, and other Remittances	-661.23	-660.82	-660.74	-831.29	-785.15
	(b) Inter-Governmental Adjustment Account	-0.43	-0.36	-0.28	-0.19	0.00
Total		1,079.61	1,565.67	1,269.37	214.28	662.93

Source: Finance Accounts of respective years

Note: (+)ve denotes debit balance and (-)ve denotes credit balances

The yearly changes in composition of balances in the Public Account over the five year period 2018-23 are given in **Chart 2.15**.

Chart 2.15: Yearly changes in composition of Public Account balances



Source: Finance Accounts of respective years

2.5.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State. It comprises of both reserve funds bearing interest and reserve funds not bearing interest.

Details of Reserve Funds are available in Statements 21 and 22 of the Finance Accounts. There are three Reserve funds operated by the State Government and one Reserve fund was yet to be operated by the State Government. The total accumulated balance at the end of 31 March 2023 in the Reserve Funds was (Dr) ₹15.44 crore, all of which was under Reserve funds bearing interest. The fund balances lying in Reserve Funds as on 31 March 2023 are given in **Table 2.34**.

Table 2.34: Details of Reserve Funds

(₹ in crore)

Sl. No.	Name of Reserve Fund	Balance as on 31 March 2023
A	Reserve funds bearing Interest	15.44
1.	<i>Natural Calamities Unspent Marginal Money Fund Investment Account</i>	15.44
2.	<i>State Disaster Response Fund</i>	0.00
3.	<i>State Disaster Mitigation Fund</i>	0.00
B	Reserve fund not bearing interest	0.00
1.	<i>Sinking Funds</i>	0.00
2.	<i>General and other Reserve Fund</i>	0.00

Source: Finance Account, 2022-23

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

2.5.2.1 Consolidated Sinking Fund

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

During the year, the State Government did not contribute any fund against the minimum requirement of ₹66.55 crore to the Fund. The balance in the Consolidated Sinking Fund as on 31 March 2023 was ₹1,561.87 crore (including interest) and the same was invested by RBI.

2.5.2.2 State Disaster Response Fund

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

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

During 2022-23, the State Government received ₹34.40 crore from the Central Government as its share towards SDRF. The State Government transferred ₹145.70 crore to the SDRF (Central share: ₹141.70 crore *i.e.*, SDRF: ₹34.40 crore, NDRF: ₹107.30 crore received in 2022-23 and State share: ₹4.00 crore). The entire fund of ₹145.70 crore was spent by the State Government on natural calamities.

Apart from the SDRF, the State Government received ₹4.30 crore from Central Government as State Disaster Mitigation Fund (SDMF). The State Government did not transfer its share of funds towards SDMF during 2022-23.

2.5.2.3 Guarantee Redemption Fund

The State Government constituted (August 2006)⁹, a Guarantee Redemption Fund in 2006-07, that is administered by Reserve Bank of India (RBI). The latest amendment to the Fund notification issued by the State Government, effective from the year 2006, stipulates that the State Government shall initially contribute an amount of ₹ four crore and thereafter, an amount equivalent to at least 1/5th of the outstanding invoked guarantees plus the amount of guarantee likely to be invoked. It is open to the Government to increase the contribution to the fund at its discretion. The fund shall be gradually increased to reach the level deemed sufficient to meet the amount of anticipated guarantees.

During 2022-23, the State Government did not contribute any fund against required contribution of ₹0.35 crore and no guarantee was invoked during the current year. The entire corpus of ₹40.54 crore as on 31 March 2023 was invested by the RBI.

2.5.2.4 State Compensatory Afforestation Fund

In compliance with the instructions issued (April 2009)¹⁰ by the Ministry of Environment and Forests, GoI and Guidelines of 02 July 2009, the State Governments are required to establish the State Compensatory Afforestation Fund for amounts received from user agencies and utilisation of monies collected for undertaking compensatory afforestation, assisted natural regeneration, conservation and protection of forests, infrastructure development, wildlife conservation and protection and other related activities and for matters connected therewith or incidental thereto.

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

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

During the year 2022-23, the State Government did not receive any grants from the Ministry of Environment, Forest and Climate Change (GOI) under National Afforestation Programme. However, the State Government incurred expenditure of

⁹ Vide notification No. BUD/1-14/2005-06 dated 29 August 2006.

¹⁰ Vide letter No. 5-1/2009-FC dated 28 April 2009.

₹1.72 crore under the Major Head 2406-04-101 National Afforestation and Ecology Development Programme.

2.5.2.5 Funds outside Consolidated Fund/ Public Account of the State and dedicated Funds

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

Collection of Labour Cess

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

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

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

As per the Finance Accounts, the Departments booked the Labour cess under MH 8443-Civil Deposit-108-Public Works. During the year 2022-23, the Government

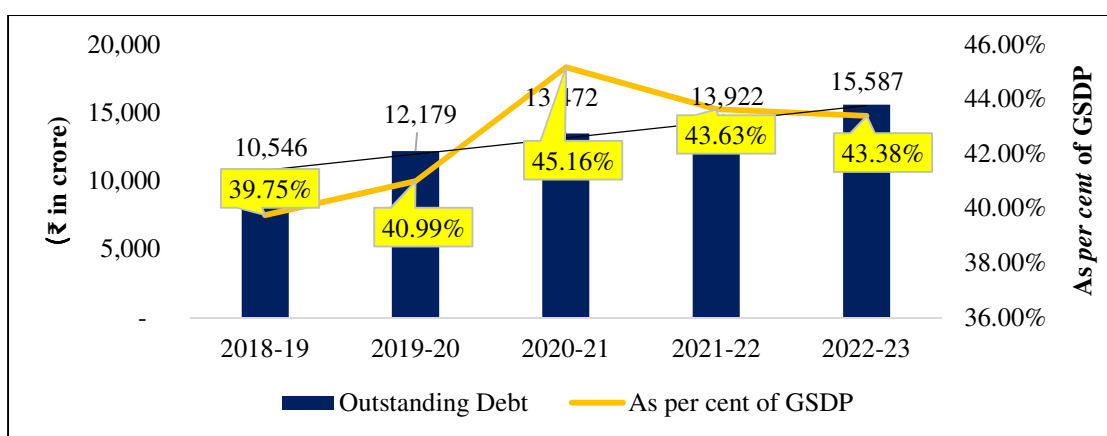
collected Labour Cess amounting to ₹14.81 crore and transferred ₹14.35 crore to the NBOCWBB. This resulted in short transfer of ₹0.46 crore to NBOCWBB.

2.6 Public liability management

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

The details relating to outstanding liabilities and ratio of debt to GSDP during the five-year period 2018-23 are given in **Chart 1.16**.

Chart 2.16: Outstanding Public Liability and its percentage to GSDP



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

2.6.1 Liability profile: Components

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

The details relating to total liability received, repayment of liability, ratio of liability to GSDP and the actual quantum of liability available to the State during the five-year period 2018-23 are shown in **Table 2.35** and **Chart 2.17**.

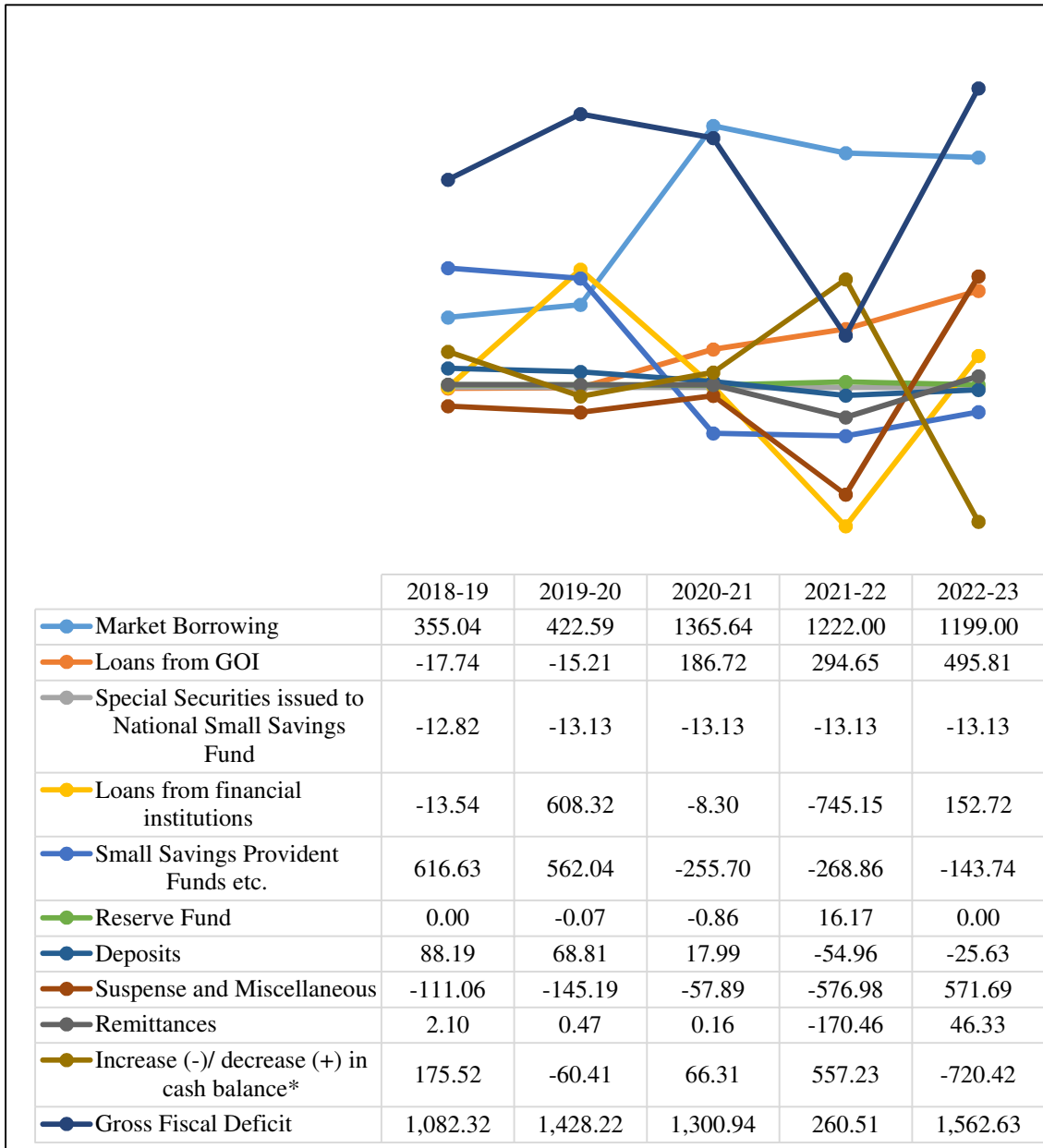
Table 2.35: Component-wise liability trends

		(₹ in crore)				
		2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Total Liability (A+B)		10,545.76	12,179.10	13,471.67	13,922.40	15,587.44
(A) Public Liability	Internal Debt	7,969.15	8,986.93	10,331.14	10,794.87	12,133.46
	Loans from GoI	146.37	131.16	317.89	612.54	1,108.35
(B) Public Account Liabilities		2,604.58	3,061.01	2,822.64	2,514.99	2,345.63
(C) Off-Budget borrowings		0.00	0.00	0.00	0.00	0.00
Rate of growth of outstanding total liability (per cent)		1.31	15.49	10.61	3.35	11.96
Gross State Domestic Product (GSDP)		26,527.42	29,715.87	29,831.64	31,912.54	35,933.96
Liability/GSDP (per cent)		39.75	40.99	45.16	43.63	43.38
Borrowings and Other Liabilities (as per Statement 6 of Finance Accounts)						

	2018-19	2019-20	2020-21	2021-22	2022-23
Total Receipts	4,758.32	10,059.01	9,370.26	10,031.91	9,139.14
Total Repayments including interest	4,289.24	8,681.42	9,462.83	10,513.26	8,467.34
Net funds Available	469.08	1,377.59	(-)92.57	(-)481.35	671.80
Repayments/ Receipts (In per cent)	90.14	86.30	100.99	104.80	92.65

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

Chart 2.17: Component-wise debt trends



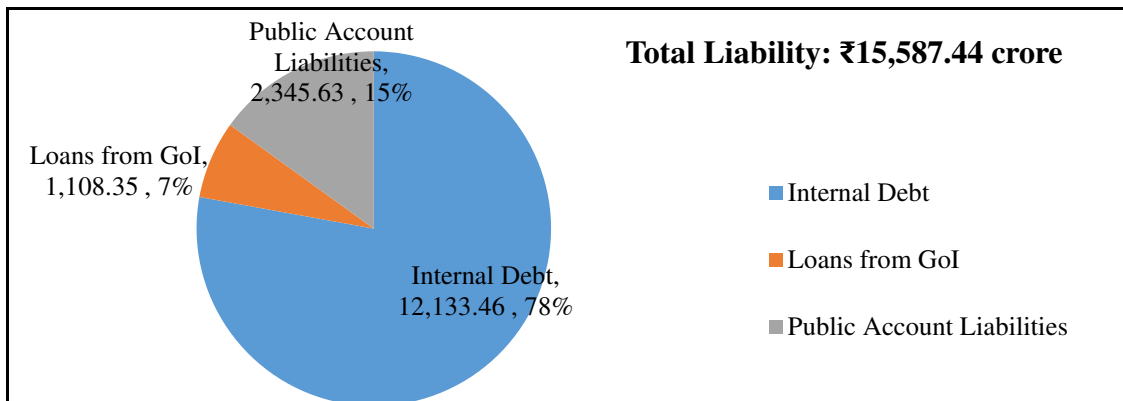
Source: Finance Accounts of respective years

The total outstanding liabilities of the State Government has increased by 47.81 per cent from ₹10,545.76 crore in 2018-19 to ₹15,587.44 crore in 2022-23. The Debt/ GSDP ratio increased from 39.75 to 43.38 per cent during the same period. During 2022-23, the outstanding Public Debt (₹13,241.81 crore) increased by ₹1,834.40 crore (16.08 per cent) compared to the previous year (₹11,407.41 crore). Public Debt increased by ₹5,126.29 crore at a CAGR of 13.02 per cent from ₹8,115.52 crore in 2018-19 to ₹13,241.81 crore in 2022-23 wherein Internal debt increased by

₹4,164.31 crore at a CAGR of 11.08 per cent and loan from GoI increased by ₹961.98 crore at a CAGR of 65.88 per cent during the same period. As per the Debt stabilization analysis, the debt stabilization may not be possible in near future.

Component-wise break-up of liability is shown below in **Chart 2.18**.

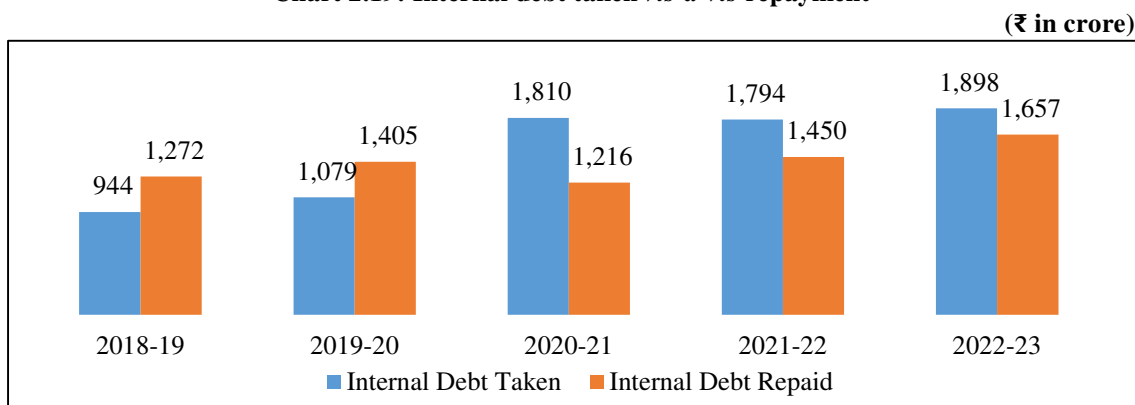
Chart 2.18: Break up of Outstanding Liability at the end of 2022-23



Source: Finance Accounts, 2022-23

The trend of internal debt taken *vis-à-vis* internal debt repaid during each year for the period of five-years from 2018-19 to 2022-23 is given in **Chart 2.19**.

Chart 2.19: Internal debt taken *vis-a-vis* repayment



Source: Finance Accounts of respective years

The financing pattern of the Fiscal Deficit has undergone a compositional shift during 2018-23 as reflected in **Table 2.36**.

Table 2.36: Components of fiscal deficit and its financing pattern

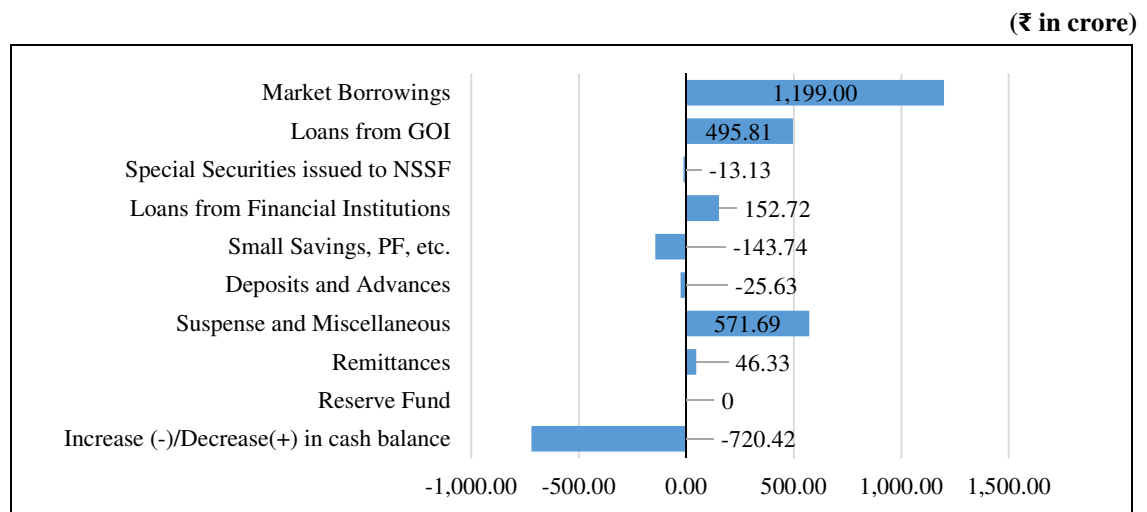
Particulars		(₹ in crore)				
		2018-19	2019-20	2020-21	2021-22	2022-23
Composition of Fiscal Deficit (-)		(-1,082.32)	(-1,428.22)	(-1,300.94)	(-260.52)	(-1,562.63)
1.	Revenue Deficit (-)/ Surplus (+)	517.43	(-213.73)	375.37	1,634.06	688.90
2.	Net Capital Expenditure	(-1,595.56)	(-1,206.32)	(-1,671.93)	(-1,893.85)	(-2,254.22)
3.	Net Loans and Advances	(-4.19)	(-8.17)	(-4.38)	(-) 0.73	2.69
Financing Pattern of Fiscal Deficit:						
1.	Market Borrowings	355.04	422.59	1,365.64	1,222.00	1,199
2.	Loans from GoI	-17.74	-15.21	186.72	294.65	495.81
3.	Special Securities issued to NSSF	-12.82	-13.13	-13.13	-13.13	-13.13
4.	Loans from Financial Institutions	-13.54	608.32	-8.30	-745.15	152.72
5.	Small Savings, PF, etc.	616.63	562.04	-255.70	-268.86	-143.74

Particulars		2018-19	2019-20	2020-21	2021-22	2022-23
6.	Deposits	88.19	68.81	17.99	-54.96	-25.63
7.	Suspense and Miscellaneous	-111.06	-145.19	-57.89	-576.98	571.69
8.	Remittances	2.10	0.47	0.16	-170.46	46.33
9.	Reserve Fund	0.00	-0.07	-0.86	16.17	0
10.	Overall Deficit	906.8	1,488.63	1,234.63	-296.72	2,283.05
11.	Increase/Decrease in cash balance	175.52	-60.41	66.31	557.23	-720.42
12.	Gross Fiscal Deficit	1,082.32	1,428.22	1,300.94	260.51	1,562.63

Source: Finance Accounts of respective years

The components of fiscal deficit consist of Revenue Surplus, Net Loans and Advances and Net Capital Expenditure. Since the State is Revenue Surplus in four years during 2018-23 except in 2019-20, the surplus on revenue account were utilised to finance Capital Expenditure. During these revenue surplus years, Revenue surplus could finance only 22.45 to 86.28 *per cent* of Capital Expenditure. The composition of financing of fiscal deficit during 2022-23 is expressed through water flow chart as shown in **Chart 2.20**.

Chart 2.20: Components of financing of fiscal deficit during 2022-23



Source: Finance Accounts, 2022-23

The details of receipt and disbursement of the components used for financing the Fiscal Deficit for the year 2022-23 are given in **Table 2.37**.

Table 2.37: Receipts and Disbursements under components financing the fiscal deficit

(₹ in crore)

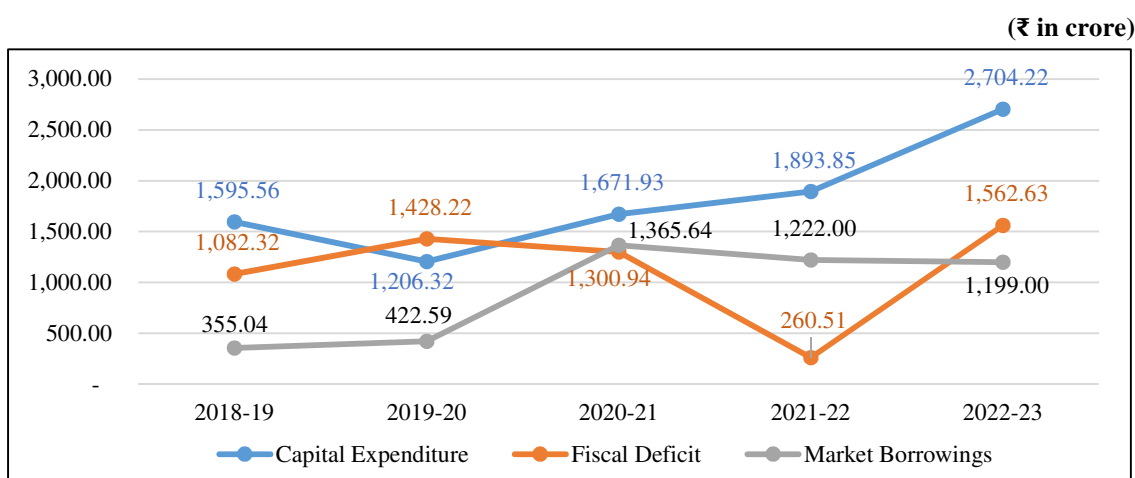
Particulars		Receipts	Disbursement	Net
1.	Market Borrowings	1,854.00	655.00	1,199.00
2.	Loans from GoI	518.28	22.47	495.81
3.	Special Securities issued to NSSF	0.00	13.13	-13.13
4.	Loans from Financial Institutions	4,786.41	4,633.69	152.72
5.	Small Savings, PF, etc.	480.89	624.63	-143.74
6.	Deposits and Advances	763.82	789.45	-25.63
7.	Suspense and Miscellaneous	10,659.40	10,087.71	571.69
8.	Remittances	2,642.70	2,596.37	46.33
9.	Reserve Fund	747.94	747.94	0.00

Particulars		Receipts	Disbursement	Net
10.	Overall Deficit	22,453.44	20,170.39	2,283.05
11.	Increase (-)/Decrease (+) in cash balance	-399.64	-320.78	-720.42
12.	Gross Fiscal Deficit	22,053.80	20,491.17	1,562.63

Source: Finance Accounts, 2023

Fiscal deficits during the five-year period from 2018-19 to 2022-23, peaked at ₹1,562.63 crore in the current year. During 2022-23, fiscal deficit was primarily financed by Loan from GoI (₹495.81 crore), market borrowings (net) (₹1,199.00 crore) and Loans from Financial Institution (₹152.72 crore). Comparative trend of Capital Expenditure, Fiscal Deficit and Market Borrowings for the period 2018-19 to 2022-23 is given in **Chart 2.21**.

Chart 2.21: Trend of Capital Expenditure, Fiscal Deficit and Market Borrowings



Source: Finance Accounts of respective years

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

2.6.2 Debt profile: Maturity and Repayment

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

As per Annexure to Statement 17 of the Finance Accounts for the year 2022-23, the outstanding debt of the State was ₹13,241.81 crore as on 31 March 2023. The maturity profile of the outstanding public debt stock is as indicated in **Table 2.38** and **Chart 2.22**.

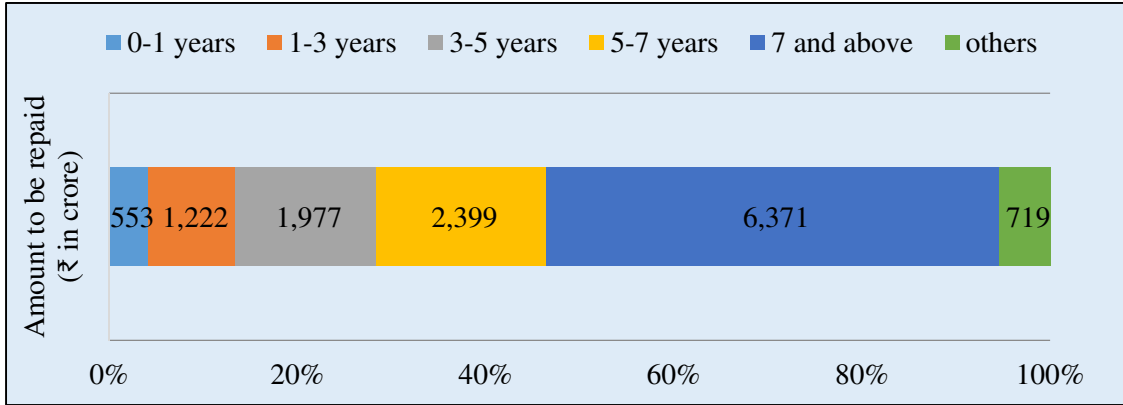
Table 2.38: Debt Maturity profile of repayment of State debt

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	553.34	4.21
1 – 3	1,222.24	9.30
3 – 5	1,976.79	15.04

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
5 – 7	2,399.29	18.26
7 and above	6,370.69	47.72
Others	719.46	5.47
Total	13,241.81	100.00

Source: Finance Accounts, 2022-23

Chart 2.22: Debt Maturity Profile



Source: Finance Accounts, 2022-23

From **Table 2.38** above it can be seen that out of the Outstanding Public Debt of ₹13,241.81 crore as on 31 March 2023, 46.46 per cent of debt needs to be repaid within seven years while the remaining 53.54 per cent (₹7,090.14 crore) of outstanding public debt is in the maturity bracket of more than seven years. Further, out of the total outstanding public debt, internal debt consisting of market borrowings, loans from LIC, GIC, NABARD, etc. constituted 97.63 per cent (₹12,133.46 crore).

Further, the maturity profile of the outstanding public debt stock (₹11,464.63 crore¹¹) along with interest payable thereupon during the next 10 years is detailed in **Table 2.39** and **Chart 2.23**.

Table 2.39: Debt Maturity profile of repayment of public debt

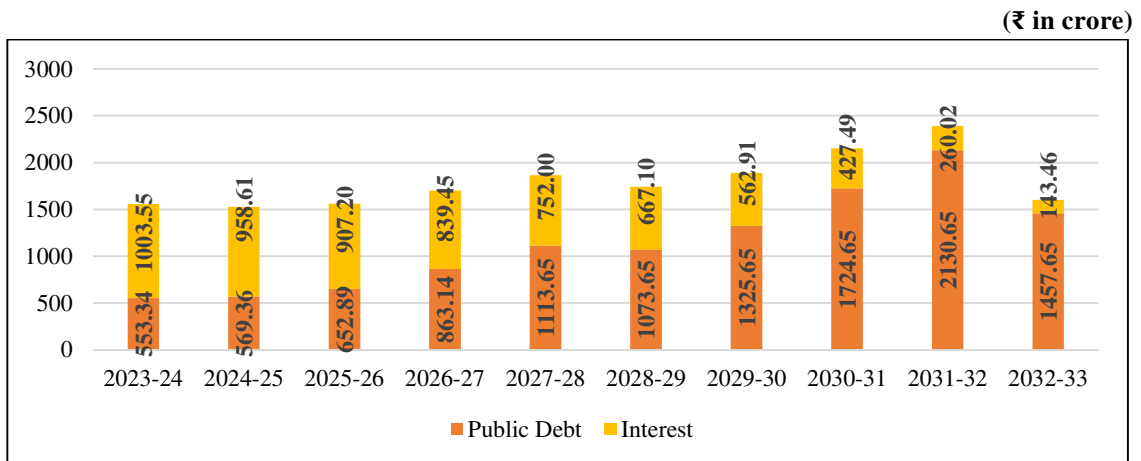
Year	Repayment of				
	Principal			Interest [#]	Total
	Internal Debt	Loans from GoI	Total		
2023-24	535.00	18.34	553.34	1,003.55	1,556.89
2024-25	565.00	4.36	569.36	958.61	1,527.97
2025-26	650.00	2.89	652.89	907.20	1,560.09
2026-27	860.00	3.14	863.14	839.45	1,702.59
2027-28	1,110.00	3.65	1,113.65	752.00	1,865.65
2028-29	1,070.00	3.65	1,073.65	667.10	1,740.75
2029-30	1,322.00	3.65	1,325.65	562.91	1,888.56
2030-31	1,721.00	3.65	1,724.65	427.49	2,152.14
2031-32	2,127.00	3.65	2,130.65	260.02	2,390.67
2032-33	1,454.00	3.65	1,457.65	143.46	1,601.11
Total			11,464.63	6,521.79	17,986.42

Source: Finance Accounts 2022-23

[#]Interest has been calculated on the basis of five years' average of 'Average Interest Rate of Outstanding Debt' (2018-19: 8.40 per cent; 2019-20: 8.02 per cent; 2020-21: 7.40 per cent; 2021-22: 7.45 per cent and 2022-23: 7.17 per cent), i.e., 7.69 per cent; on closing balances of Outstanding Debt.

¹¹ Excluding Loans from GoI (₹1057.79 crore) to be repaid after 2032-33 and ₹719.46 crore (whose payment schedule not maintained by AG (A&E)).

Chart 2.23: Debt Maturity Profile



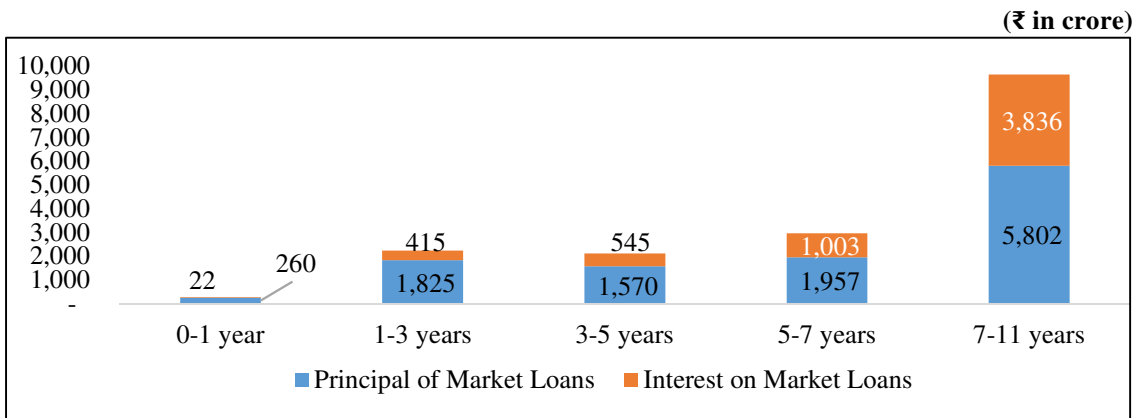
Source: Finance Accounts, 2022-23

Further, based on the outstanding public debt stock as on 31 March 2023, repayment of Public Debt and Interest would increase from ₹1,556.89 crore in 2023-24 to ₹1,601.11 crore in 2032-33 (2.84 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 2023, the repayment of Public Debt and interest thereupon is bound to increase in view of the trends of borrowings by the State Government.

Moreover, out of ₹13,241.81 crore, ₹11,414.03 crore was the principal amount of market loan taken by the State. The State is liable to pay an interest of ₹5,820.36 crore at the end of repayment of these loans, if the loans are repaid as per the maturity profile.

Chart 2.24 represents the repayment schedule of both the principal of market loan and interest thereof.

Chart 2.24: Repayment Schedule of market loans



Source: Finance Accounts, 2022-23

2.7 Debt Sustainability Analysis (DSA)

Debt sustainability analysis has been carried out on the basis of fiscal and debt parameters; Domar approach and compliance of macro-fiscal parameters to the respective FRBM targets. The results of the analysis are given in the following paragraphs:

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

Table 2.40 shows the debt sustainability of the State according to these indicators for the five-year period from 2018-19 to 2022-23 and **Chart 2.25** predicts the trends of debt sustainability indicators during the same period.

Table 2.40: Trends in debt Sustainability indicators

Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt* (₹ in crore) (as on 31 st March of that year)	8,115.52	9,118.09	10,649.03	11,407.41	13,241.81
Rate of Growth of Outstanding Public Debt	3.98	12.35	16.79	7.12	16.08
GSDP (₹ in crore)	26,527.42	29,715.87	29,831.64	31,912.54	35,933.96
Rate of Growth of GSDP	8.75	12.02	0.39	6.98	12.60
Debt/GSDP	30.59	30.68	35.70	35.75	36.85
Debt Maturity profile of repayment of State debt – including default history, if any (₹ in crore)	636.89	746.08	514.74	658.6	803.49
Average interest Rate of Outstanding Public Debt (per cent)**	8.40	8.02	7.40	7.45	7.17
Rate Spread	1.38	4.86	(-)6.29	0.17	5.87
Interest payment on Public Debt	668.58	691.00	731.87	821.39	883.63
Revenue deficit/surplus without Interest payment	1,186.01	477.27	1,107.24	2,455.46	1,572.53
Interest payment/Revenue deficit or surplus	129.21	(-)323.31	194.97	50.27	128.27
Percentage of Interest payment to Revenue Receipt	6.75	7.12	7.50	6.93	7.04
Percentage of Debt Repayment to Debt Receipt	67.19	68.74	25.52	31.23	33.26
Net Debt available to the State# (₹ in crore)	310.95	339.24	1,502.37	1,450.28	1,612.37
Net Debt available as per cent to Debt Receipts	7.09	6.33	1.27	1.48	1.38
Primary deficit (-)/ Primary surplus (+)	(-)310.58	(-)614.48	(-)444.17	671.57	(-)569.40
Debt Stabilisation (Quantum spread + Primary Deficit) [§]	(-)165.05	(-)22.59	(-)1,291.54	695.24	345.58

Source Finance Accounts of respective years

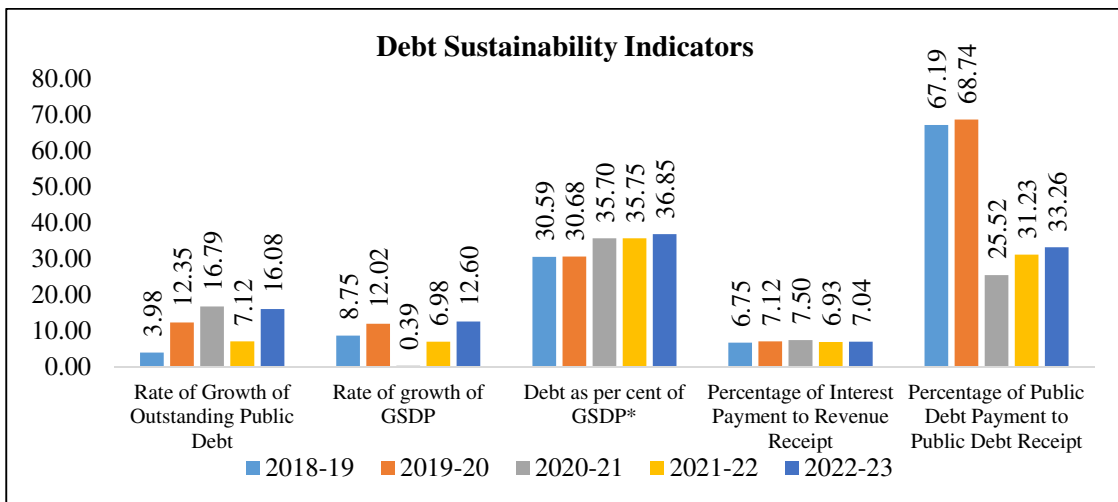
*Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government.

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

**interest paid (OB of Public Debt + CB of Public Debt/2) (in per cent)

§ Quantum Spread= Debt *(GSDP growth rate – Interest rate)

Chart 2.25: Trends of Debt Sustainability indicators



Source: Finance Accounts of respective years

*excluding Public Account Liabilities

- A falling debt-GSDP ratio can be considered as leading towards stability. Debt-GSDP ratio rose from 30.59 per cent in 2018-19 to 36.85 per cent in 2022-23 which cannot be considered as leading towards stability. Further, in 2022-23, it went up marginally to 36.85 per cent from 35.75 per cent compared to the previous year. The debt stabilisation condition states that, if quantum spread together with primary deficit is zero, debt-GSDP ratio would tend to be constant, or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and if it is positive, debt-GSDP ratio would eventually be falling. **Table 2.40** shows that this trend had been negative from 2018-19 to 2020-21 and positive since 2021-22 which indicates that debt-GSDP ratio would eventually be falling.
 - The ratio of interest payments to revenue receipts is also a good measure of debt sustainability. This ratio ranged between 6.75 per cent and 7.50 per cent during the period 2018-23 which was substantially high. The average rate of interest ranged between 7.17 and 8.40 per cent during last five-years period from 2018-19 to 2022-23.
 - The higher the percentage of public debt repayments to public debt receipts, the greater the proportion of debt utilised for debt servicing. The ratio of public debt repayments to public debt receipts ranged between 25.52 per cent and 67.19 per cent during the period 2018-23, which means that most of the public borrowings were used for repayment of earlier borrowings leaving less scope to use the same for other productive activities.
- (B) An analysis on debt sustainability was carried out based on a study by E.D Domar (Domar, 1944). The Domar model states that the necessary premise for ensuring stability of public indebtedness is that the interest rates for government loans should not exceed the growth rate of GDP.

The dynamics of public debt depending on the interest rate, growth rate of GSDP and the primary budget balance are as follows:

g-r (g- real economic growth rate; r- real interest rate)	S<0 (Primary Deficit)	S>0 (Primary surplus)
g-r> 0 (Strong economic growth)	Public debt as percentage of GSDP should converge to a stable level greater than Zero	Public debt as percentage of GSDP should converge to a stable level less than zero leading to public savings.
g-r< 0 (slow economic growth)	Public debt as percentage of GSDP should increase indefinitely, without converging to a stable level.	Undefined situation.

The results of applying the above parameters in the case of Nagaland, are shown in **Table 2.41**.

Table 2.41: Debt sustainability analysis based on Domar Model

Year	Real Growth rate (g)	Real Interest rate (r)	g-r (Domar gap)	Primary Deficit (-)/ Surplus (+) (₹ in crore)	Remarks
2018-19	2.60	2.81	(-)0.21	(-)310.58	g-r< 0 and S<0 , Public debt as percentage of GSDP should increase indefinitely, without converging to a stable level
2019-20	9.54	4.22	5.32	(-)614.48	g-r> 0 and S<0 , Public debt as percentage of GSDP should converge to a stable level greater than Zero
2020-21	-4.35	2.95	(-)7.30	(-)444.17	g-r< 0 and S<0 , Public debt as percentage of GSDP should increase indefinitely, without converging to a stable level.
2021-22	3.91	1.85	2.06	671.58	g-r> 0 and S>0 , Public debt as percentage of GSDP should converge to a stable level less than zero leading to public savings.
2022-23	10.37	1.12	9.25	(-)569.40	g-r> 0 and S<0 , Public debt as percentage of GSDP should converge to a stable level greater than Zero

Note: Real growth rate calculated for GSDP at constant prices

During the years 2021-22 and 2022-23, though the Domar gap (expressed as g-r) was positive and its value also increased from the preceding years, the primary surplus in 2021-22 turned into primary deficit in 2022-23. Therefore, the trends of strong economic growth (expressed as g-r>0) by only observing the Domar gap in 2021-22 and 2022-23 cannot be conclusively generalized due to low base in the post Covid year. Further, substantial proportion of public debt receipts was being used for repayment for borrowings, which ranged between 86.30 and 104.80 *per cent* during the period 2018-2023 (refer **Paragraph 2.6.1 (Table 2.35)**). Thus, it becomes evident that

depending solely on economic growth (expressed as $g-r > 0$ from 2021-2023) would not suffice to cover the debt obligations of the State.

(C) Details of the achievement *vis-à-vis* targets set in the FCR are shown in **Table 2.42**.

Table 2.42: Achievement *vis-à-vis* targets set in the FCR

Fiscal Parameters		Achievement <i>vis-à-vis</i> targets set in the FCR				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (-) Surplus (+)/ GSDP	T	2.02	-2.11	-2.63	1.38	3.00
	A	1.95	-0.72	1.26	5.12	1.92
Fiscal Deficit (-) Surplus (+)/ GSDP	T	-5.13	-9.09	-9.58	-5.94	-5.73
	A	-4.08	-4.81	-4.36	-0.82	-4.35
Ratio of total outstanding liability to GSDP (<i>in per cent</i>)	T	40.25	40.09	39.73	38.69	41.70
	A	30.59	30.68	35.70	35.75	36.85
Guarantees in terms of percentage of Revenue Receipts of previous year	T	1.13	0.96	2.08	1.46	1.17
	A	1.10	1.53	1.53	1.66	1.41

Source: Finance Accounts, Budget documents

The ratio of revenue Deficit/ GSDP was 0.72 (2019-20) and revenue Surplus/ GSDP ranged between 1.26 to 5.12 in the remaining years during 2018-23. The ratio of fiscal deficit/GSDP fluctuated between 0.82 to 4.81 and outstanding liability/ GSDP ranged from 30.59 to 36.85. Although the outstanding liability/GSDP ratio and FD/GSDP remain within the targets fixed in the Fiscal Consolidation Roadmap during 2022-23, the State was unable to meet the targets of RD/GSDP during 2022-23. Further, there has been an increase in the committed expenditure as a percentage of the Revenue Receipts from 63.56 to 70.37 *per cent* as pointed out in **Paragraph 2.4.2.2**.

Breaching the levels of the fiscal indicators continuously may lead to the risk of the fiscal situation becoming unmanageable especially when the State Government is yet to contribute to the mandatory reserve funds like Guarantee Redemption Fund, payment of implicit subsidies, *etc.*

Fiscal sustainability risk:

- i) As per various fiscal and debt parameters depicted in **Table 2.42** above, debt stabilization trend is improving.
- ii) As per the Domar model analysis, the growth of rate of interest is generally higher/ lower than the rate of growth of the GSDP. This indicates that the GSDP rate and the interest rate would converge in the medium term/ would not converge in the short to medium term.
- iii) As per the macro fiscal parameters, such as ceiling on public debt, revenue and fiscal deficit and ceiling on guarantees given by the State Government in a particular year and as on 31st March of that year, the government's fiscal sustainability is a concern as indicated by the rising ratios of fiscal deficit-GSDP. Although the outstanding liability-GSDP ratio and fiscal deficit-GSDP remained within targets, the Government failed to meet the target for RD-GSDP. These trends highlight the need for the Government to address fiscal imbalance and work towards sustainable financial management.

2.7.1 Utilisation of borrowed funds

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

The trends of the total borrowing, repayment of earlier borrowings and utilisation during the five years from 2018-19 to 2022-23 are given in **Table 2.43**.

Table 2.43: Utilisation of borrowed funds

(₹ in crore)					
1. Year	2018-19	2019-20	2020-21	2021-22	2022-23
2. Total Borrowings	2,907.22	7,869.82	11,434.86	8,708.55	7,158.69
3. Repayment of earlier borrowings (Principal) (In per cent)	2,596.27 (89.30)	6,867.25 (87.26)	9,903.92 (86.61)	7,950.16 (91.29)	5,324.29 (74.38)
4. Net Capital Expenditure (per cent)	1,595.56 (54.88)	1,206.32 (15.33)	1,671.93 (14.62)	1,893.85 (21.74)	2,704.22 (37.78)
5. Net loans and advances	4.19	8.18	4.38	0.73	-2.69
6. Portion of Revenue Expenditure met out of net available borrowings (2-3-4-5)	-1,288.8	-211.93	-145.37	-1,136.19	-867.13

Source: Finance Accounts of respective years

As can be seen from **Table 2.43**, the borrowings were utilised for repayment of earlier borrowings which ranged between 74.38 per cent (2022-23) and 89.30 per cent (2018-19), during the five-year period of 2018-23.

As per the Finance Commission, States are being given revenue deficit grants to reduce and ultimately eliminate revenue deficit and to enable all borrowings to be used for Capital Expenditure. In 2022-23, which is the second year of the Finance Commission period, the State Government has not been able to reduce the revenue deficit but has borrowed to meet its revenue deficit.

2.7.2 Status of Guarantees – Contingent Liabilities

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

The details of outstanding guarantees given by the State Government including interest liability during the five-year period from 2018-19 to 2022-23 are shown in **Table 2.44**:

Table 2.44: Guarantees given by the State Government

(₹ in crore)					
Guarantees	2018-19	2019-20	2020-21	2021-22	2022-23
Ceiling applicable to the outstanding amount of guarantees including interest	No law has been passed by the State Legislature under Article 293 of the Constitution laying down the limit within which the Government may give guarantee on the security of Consolidated Fund of the State.				
Outstanding amount of guarantees including interest	120.96	174.96	174.96	189.96	189.96

Source: Finance Accounts of respective years

Government had guaranteed loans raised by various Corporations and Others which at the end of 2022-23 stood at ₹189.96 crore. During 2022-23, the Government did not pay any amount as no guarantee was invoked.

The Outstanding Guarantees was mainly given against repayment of principal and payment of interest on loan pertaining to Nagaland State Cooperative Bank Ltd. (₹45.24 crore). The Outstanding Guarantees of ₹189.96 crore as on 31 March 2023 was 1.35 per cent of the Revenue Receipts of the State during the year.

2.7.3 Management of Cash Balances

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

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

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

Table 2.45 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 2.45: Cash Balances and their investment

	(₹ in crore)	
	Opening balance on 1 April 2022	Closing balance on 31 March 2023
A. General Cash Balance		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank of India	-399.64	320.78
Total	-399.64	320.78
Investments held in Cash Balance investment account	485.37	0.00
Total (A)	85.73	320.78
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	907.98	816.40
Permanent advances for contingent expenditure with department officers	0.00	0.00
Investment in earmarked funds	1,915.61	1,617.84
Total (B)	2,823.59	2,434.24
Total (A + B)	2,909.32	2,755.02
Interest realised	0.77	2.29

Source: Finance Accounts, 2022-23

It was noticed that State Government's opening general Cash Balance as on 01 April 2022 was ₹85.73 crore. The closing general Cash Balance (31 March 2023)

showed an increase of 274.17 *per cent* (₹235.05 crore) and stood at ₹320.78 crore. The State Government had earned ₹2.29 crore from the Cash Balance Investments during 2022-23.

However, the State Government could maintain the minimum daily cash balance with the RBI for 272 days during 2022-23 and as such WMAs/ SWMAs/ ODs was availed for 93 days during the year, for which an interest of ₹3.96 crore (*Appendix 1.1 Part C*) was paid.

The Cash Balance Investments of the State of Nagaland for last five years (2018-19 to 2022-23) are given in **Table 2.46**:

Table 2.46: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)				
Year	Opening Balance	Closing Balance	Increase (+)/decrease (-)	Interest earned
2018-19	63.16	134.96	71.80	9.57
2019-20	134.96	0.00	(-)134.96	1.78
2020-21	0.00	0.00	0.00	0.07
2021-22	0.00	485.37	485.37	0.77
2022-23	485.37	0.00	(-)485.37	2.29

Source: Finance Accounts of respective years

The trend analysis of the cash balance investment of the State Government revealed that during the five year-period of 2018-23, there has been large fluctuation in cash balance at the end of each year of the State.

2.8 Conclusion

The continuous mismatch between receipts and expenditure indicates rising fiscal stress. The State has different sources of receipts such as State Own Tax Revenue, Non-tax Revenue, Devolution of State's share in taxes, Grants-in-aid and transfers from the Union Government and non-debt capital receipts. The State Government's expenditure includes expenditure on revenue account as well as Capital Expenditure (assets creation, loans and advances, investments *etc.*).

Fiscal sustainability is examined in terms of macro-fiscal parameters such as deficits, level of debt and liabilities, commitments on account of guarantees, subsidies, *etc.* So far as revenue and expenditure mismatch is concerned, one of the most important constraints is committed and inflexible expenditure, which includes salaries and wages, pension payments, interests, *etc.* and also other inflexible expenditure such as those arising out of commitment for centrally sponsored schemes, transfer to reserve funds *etc.*

Revenue Receipts (₹14,099.26 crore) increased by 4.82 *per cent* (₹648.12 crore) over the previous year (₹13,451.14 crore). The State's Own Tax Revenue increased by ₹160.80 crore (12.36 *per cent*), Non-Tax Revenue increased by ₹174.82 crore (57.59 *per cent*), Grants-in-Aid from GoI decreased by ₹212.43 crore (3.05 *per cent*) and State's Share of Union Taxes and Duties increased by ₹524.92 crore (10.77 *per cent*) respectively over the previous year.

Revenue Surplus decreased from ₹1,634.06 crore in 2021-22 to ₹688.90 crore in 2022-23, mainly due to a significant increase in Revenue Expenditure (13.48 *per cent*).

Fiscal Deficit (₹1,562.63 crore) increased by ₹1,302.11 crore (499.81 *per cent*) as compared to previous year (₹260.52 crore). Based on the result of examination of misclassification during post audit, the Revenue Surplus will reduce from ₹688.90 crore to ₹593.04 crore and Fiscal Deficit will increase from ₹1,562.63 crore to ₹1,637.82 crore.

Capital Expenditure (₹2,704.22 crore) increased by ₹810.37 crore (42.79 *per cent*) during 2022-23 compared to the previous year (₹1,893.85 crore) and stood at 16.78 *per cent* of total expenditure during the year. During the five-year period of 2018-23, the borrowings were utilised for repayment of earlier borrowings which ranged between 74.38 *per cent* (2022-23) and 89.30 *per cent* (2018-19).

The Government of India and the State Government have introduced system of Single Nodal Agency (SNA) for implementation and fund flow for each Centrally Sponsored Scheme (CSS). State Government transferred ₹2,358.92 crore in 2022-23. The whole amount was transferred through fully vouched bills. However, detailed vouchers and supporting documents of actual expenditure were not received by AG (A&E) office from the SNAs. As on 31 March 2023, an amount of ₹990.75 crore, including both Central and State shares, were parked in SNA bank Account of 74 schemes.

Under the Revenue Expenditure, the quantum of committed expenditure constitutes the largest share. Committed expenditure has the first charge on the resources and consists of interest payments, expenditure on salaries and wages and pensions. Committed expenditure (₹9,921.54 crore) like salary and wages, pension, interest payments steadily increased by ₹2,652.06 crore at a CAGR of 8.09 *per cent* from ₹7,269.48 crore in 2018-19 to ₹9,921.54 crore in 2022-23. The Committed Expenditure during the year 2022-23 was 70.37 *per cent* of the Revenue Receipts and 73.99 *per cent* of the Revenue Expenditure.

In addition to the committed expenditure, the inflexible expenditure as a percentage of Revenue Expenditure, showed fluctuating trend ranging from 8.46 to 13.49 *per cent*. Further, the inflexible expenditure (₹1,316.36 crore) increased by 11.54 *per cent* during 2022-23 over the previous year (₹1,238.08 crore).

Taken together, the committed and inflexible expenditure in 2022-23 was ₹11,256.25 crore; 83.94 *per cent* of the Revenue Expenditure. Upward trend on committed and inflexible expenditure leaves the Government with lesser flexibility for other priority sectors and capital creation.

At the end of 2022-23, the Government provided guarantees of ₹189.96 crore against loans various Corporations and Others. During 2022-23, the Government did not pay any amount as no guarantee was invoked.

As per the debt stabilisation analysis, the outstanding Public Debt liability rapidly increased by ₹5,126.29 crore at a CAGR of 13.02 *per cent* from ₹8,115.52 crore in 2018-19 to ₹13,241.81 crore in 2022-23 whereas the Debt/ GSDP ratio increased from 39.75 to 43.38 *per cent*, which indicates that debt stabilisation may not be possible in near future.

During the years 2021-22 and 2022-23, though the Domar gap (expressed as $g-r$) was positive and its value also increased from the preceding years, the primary surplus in 2021-22 turned into primary deficit in 2022-23. Therefore, the trends of strong economic growth (expressed as $g-r > 0$) by only observing the Domar gap in 2021-22 and 2022-23 cannot be conclusively generalized due to low base in the post Covid year. Further, substantial proportion of public debt receipts was being used for repayment for borrowings, which ranged between 86.30 and 104.80 *per cent* during the period 2018-2023. Thus, it becomes evident that depending solely on economic growth (expressed as $g-r > 0$ from 2021-2023) would not suffice to cover the debt obligations of the State.

Going by the analysis and results as discussed above, the finances of the State of Nagaland is marked by increasing trend of liabilities, which pose risk to the target of debt stabilisation and debt sustainability.

2.9 Recommendations

- To avoid possible future liabilities under NPS, the State Government needs to fulfil its obligation by releasing arrears of its contributions and transferring the outstanding funds already accumulated, to NSDL for management of the NPS.
- The State Government may ensure that mobilised debt resources are used adequately for incurring Capital Expenditure for creation of assets. Further, corrective measures like identifying potential wasteful expenditure and adopting economy measures across Departments must be taken to check the increasing trend in Revenue Expenditure. Steps may be taken to raise own non tax revenues to meet the interest on debt liabilities.
- Diversifying revenue and strengthening the local tax base are essential for sustainable fiscal stability and development.
- The Government may ensure that the outstanding arrears of revenue are assessed and recovered in time by strengthening its monitoring mechanism.
- State Government needs to keep up the trend of Own Tax Revenue collection achieved during 2022-23 by focusing on other potential areas, apart from State Goods and Services Tax to have a sustained increase in Own Tax Revenue.
- The State Government should undertake adequate measures to increase own resources of revenue including recovery of arrears of revenue.
- The State Government should strive to improve its non-tax revenue mobilisation efforts.
- The State Government may plan to complete the oldest projects without further delay to avoid time and cost overrun and to accrue the desired benefit.
- The State Government may ensure transfer of the fund to the Nagaland Building and Other Construction Workers' Welfare Board within the stipulated timeline as per the extent provision.