

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

Chapter-II

Finances of the State

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

Major changes in key fiscal aggregates of the State during the financial year 2022-23, compared to the previous year, are given in **Table 2.1**.

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 14.45 per cent ✓ Own Tax Receipts of the State increased by 19.36 per cent ✓ Own Non-Tax Receipts increased by 43.41 per cent ✓ State's Share of Union Taxes and Duties increased by 17.56 per cent ✓ Grants-in-Aid from Government of India decreased by 4.98 per cent
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue Expenditure increased by 14.42 per cent ✓ Revenue Expenditure on General Services increased by 16.61 per cent ✓ Revenue Expenditure on Social Services increased by 13.87 per cent ✓ Revenue Expenditure on Economic Services increased by 13.38 per cent ✓ Expenditure on Grants-in-Aid and Contributions decreased by 9.86 per cent
Capital Receipts	<ul style="list-style-type: none"> ✓ Debt Capital Receipts increased by 8.20 per cent ✓ Non-debt Capital Receipts decreased by 2.22 per cent
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital expenditure increased by 80.62 per cent ✓ Capital outlay on General Services increased by 18.99 per cent ✓ Capital outlay on Social Services increased by 174.81 per cent ✓ Capital outlay on Economic Services increased by 49.07 per cent
Loans and Advances	<ul style="list-style-type: none"> ✓ Recoveries of Loans and Advances decreased by 2.22 per cent ✓ Disbursement of Loans and Advances decreased by 55.29 per cent
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 8.20 per cent ✓ Repayment of Public Debt increased by 39.91 per cent
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 24.87 per cent ✓ Disbursement from Public Account increased by 24.82 per cent
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance decreased by ₹106.46 crore (3.82 per cent)

Source: Finance Accounts

2.2 Sources and Application of Funds

Comparison of components of the sources and application of funds of the State during the current year with those of the previous year is given in **Table 2.2**.

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 (-) (per cent)
Sources	Opening Cash Balance	1,992.24	2,789.19	34.66
	Revenue Receipts	7,080.72	8,103.80	14.45
	Recoveries of Loans and Advances	0.45	0.44	(-2.22)
	Public Debt Receipts (Net)	1,762.70	1,869.15	6.04
	Public Account Receipts (Net)	(-61.45)	(-72.30)	(-3.01)
	Total	10,774.66	12,690.29	17.86
Application	Revenue Expenditure	6,668.84	7,630.58	14.42
	Capital Expenditure	1,315.78	2,376.60	80.62
	Disbursement of Loans and Advances	0.85	0.38	(-55.29)
	Contingency Fund	0.00	0.00	
	Closing Cash Balance	2,789.19	2,682.73	(-3.49)
	Total	10,774.66	12,690.29	17.86

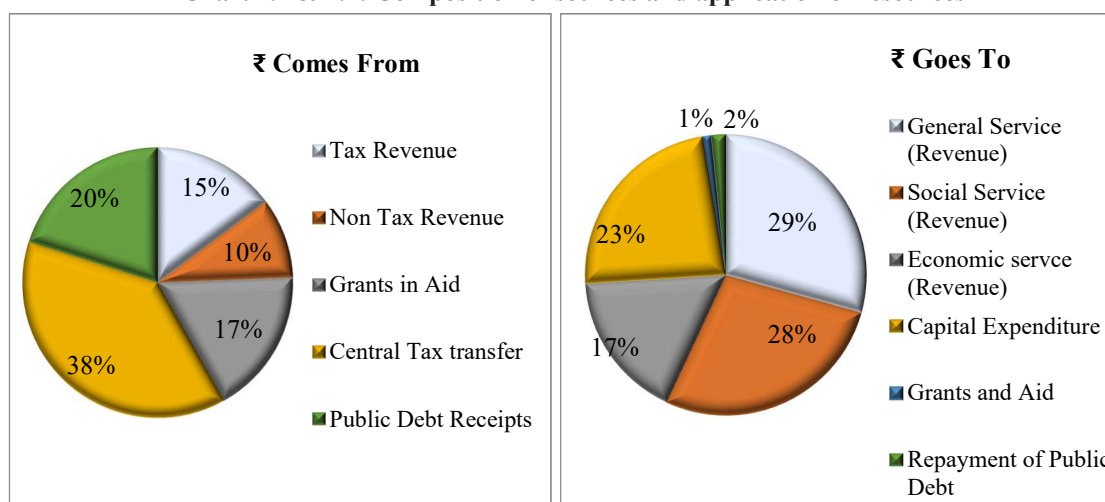
Source: Finance Accounts

Appendix 2.1 A & B provides details of receipts and disbursements and the overall fiscal position of the State during current year as well as previous year.

The total inflow and outflow of the Government after deducting the cash balances during the year 2022-23 was ₹ 9,901.10 crore (₹12,690.29 – ₹2,789.19) and ₹ 10,007.56 crore (₹ 12,690.29 crore – ₹ 2,682.73 crore) respectively leading to decrease in cash balance by ₹ 106.46 crore.

Charts 2.1 and 2.2 give the details of Total Receipts into and expenditure from the Consolidated Fund during 2022-23 in terms of percentages.

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



2.3 Resources of the State

The resources of the State are described below:

- Revenue Receipts** consist of Tax Revenue (Own Tax revenue plus share of Union Taxes and Duties), Non-Tax revenue and Grants-in-aid from the Government of India (GoI).
- Capital Receipts** (Debt and Non-debt capital receipts) comprise miscellaneous Capital Receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

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

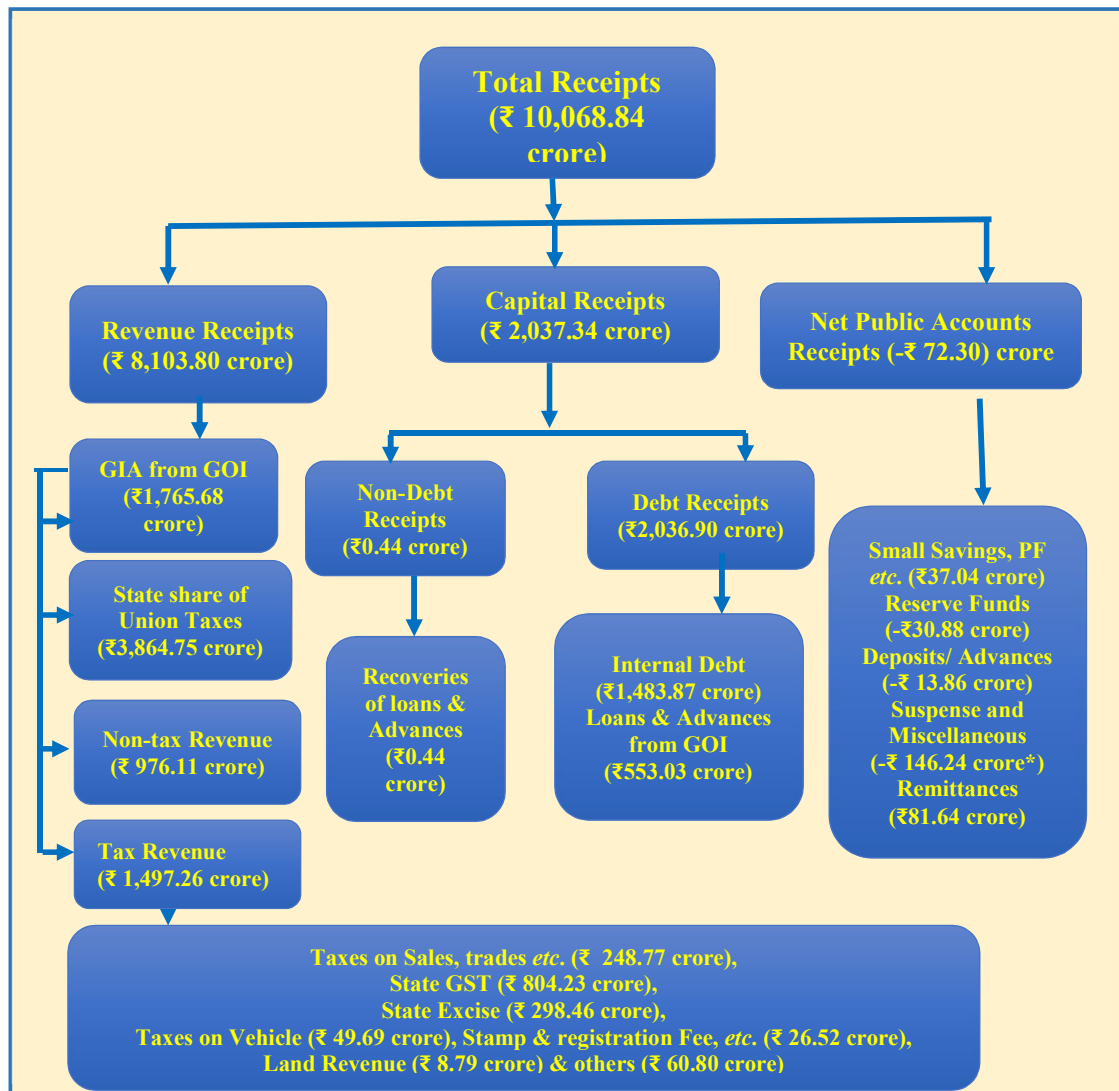
- Net Public Account Receipts:** There are receipts and disbursements in respect of certain transactions such as Small Savings, provident funds, reserve funds, deposits, suspense, remittances, *etc.* which do not form part of the Consolidated Fund.

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 total receipts of the State is depicted in **Chart 2.3**.

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



Source: Finance Accounts

*Other than amount closed to Government Account and Cash Balance Investment Account

Out of the total resources of ₹10,068.84 crore of the State Government during the year 2022-23, Revenue Receipts (₹ 8,103.80 crore) constituted 80.48 per cent, Capital Receipts (₹ 2,037.34 crore) and net Public Account Receipts (-₹72.30 crore) constituted 20.23 per cent and 0.72 per cent of the total resources respectively.

2.3.2 State's Revenue Receipts

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

Table 2.3: Sources of State's Revenue

(₹ in crore)					
Sources of Revenue	2018-19	2019-20	2020-21	2021-22	2022-23
State's Own Revenue	1,550.70	1,663.81	1,628.99	1,935.04	2,473.37
Grants-in-Aid from GoI	1,574.99	881.90	1,676.56	1,858.13	1,765.68
Central Tax transfers	2,794.67	2,295.56	2,302.27	3,287.55	3,864.75
Total Revenue Receipt	5,920.36	4,841.27	5,607.82	7,080.72	8,103.80

Source: Finance Accounts of Respective Years

The State's revenue during 2022-23 were higher than previous year. This was mainly due to increase in Central Tax Transfers and State's Own Revenue during 2022-23 as compared to 2021-22.

2.3.2.1 Trends and growth of Revenue Receipts

Trends and growth of Revenue Receipts with respect to Gross State Domestic Product GSDP over the five-year period (2018-23) are shown in Table 2.4. The trends and composition of Revenue Receipts over the same period are presented in Appendix 2.2.

Table 2.4: Trends in Revenue Receipts

(₹ in crore)					
Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Receipts (RR)	5,920.36	4,841.27	5,607.82	7,080.72	8,103.80
Rate of growth of RR (per cent)	13.57	(-) 18.23	15.83	26.27	14.45
Tax Revenue	3,687.59	3,265.97	3,268.97	4,541.96	5,362.01
Own Tax Revenue	892.92	970.41	966.70	1,254.41	1,497.26
State's share in Union taxes and duties	2,794.67	2,295.56	2,302.27	3,287.55	3,864.75
Non-Tax Revenue	657.78	693.40	662.29	680.63	976.11
Grants- in aid from GoI	1,574.99	881.90	1,676.56	1,858.13	1,765.68
Own Revenue (Own Tax and Non-Tax Revenue)	1,550.70	1,663.81	1,628.99	1,935.04	2,473.37
Rate of growth of Own Revenue (per cent)	15.49	7.29	(-)2.09	18.79	27.82
GSDP (2011-12 Series)	28,402	31,441	33,018	37,557	42,756(Q)
Rate of growth of GSDP (per cent)	9.36	10.70	5.02	13.75	13.84
RR/GSDP (per cent)	20.85	15.40	16.98	18.85	18.95
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t GSDP	1.44	-	3.15	1.91	1.04
State's Own Revenue Buoyancy w.r.t GSDP	1.65	0.68	-	1.37	2.01

Source: Finance Accounts for Revenue Receipts and Directorate of Economics and Statistics & Finance Accounts, GoS GSDP figures, Q-Quick Estimates

During the period 2022-23, Revenue Receipts of the State grew by 14.45 per cent. This was 3.52 per cent more than the growth of Revenue Receipts for the NE & H States (10.93 per cent) during the same period. Buoyancy ratio of the State's Revenue/ GSDP stood at 1.04 per cent and State's Tax Revenue to GSDP stood at 2.01 per cent.

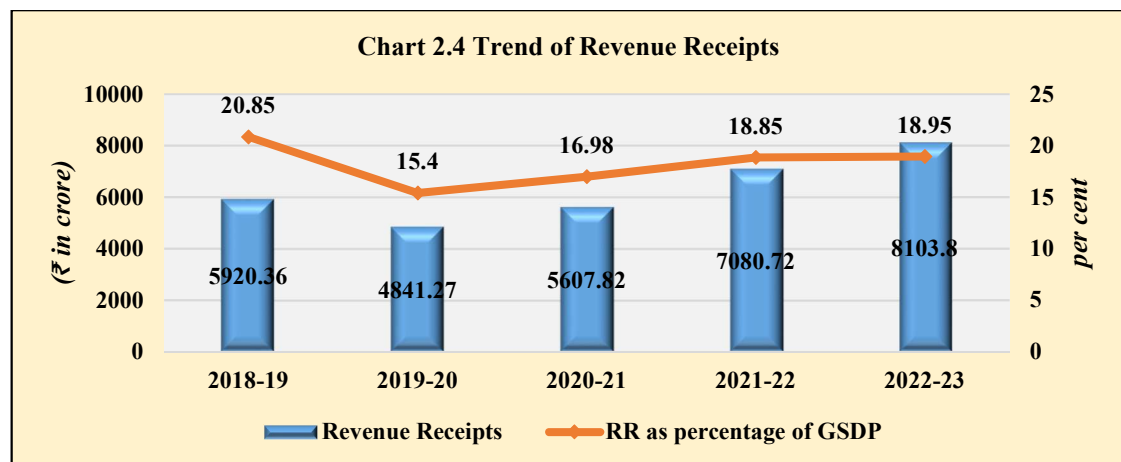
¹ Buoyancy indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one per cent.

Table 2.4 shows that the revenue receipts increased by 36.88 per cent from ₹ 5,920.36 crore in 2018-19 to ₹ 8,103.80 crore in 2022-23. During the period of five years, it increased at an annual average growth rate of 10.38 per cent. Tax revenue and non-tax revenue increased by ₹ 820.05 crore (18.05 per cent) and ₹ 295.48 crore (43.41 per cent) respectively in 2022-23 as compared to 2021-22.

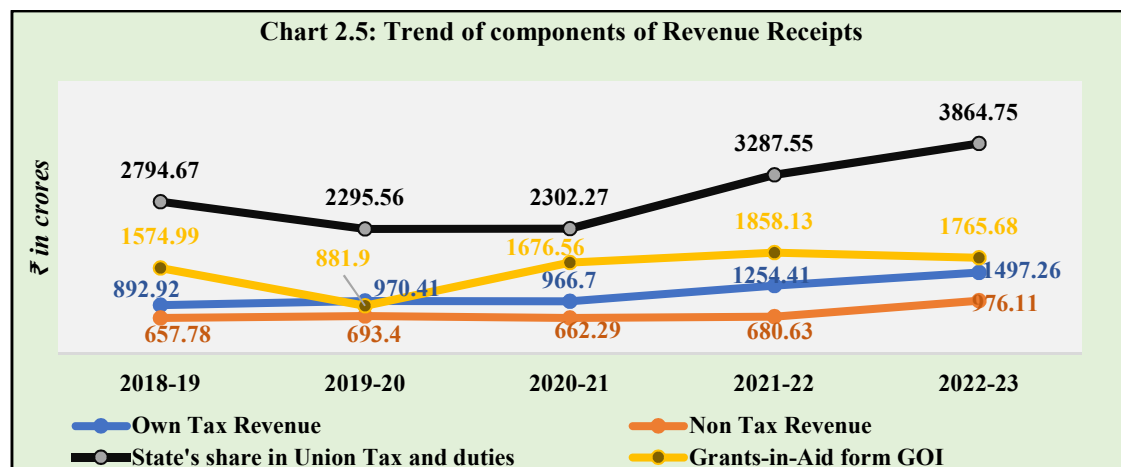
Grant-in-aid from GoI on the other hand decreased by ₹ 693.09 crore (44.01 per cent) in 2019-20 as compared to 2018-19. It, however increased by 110.70 per cent during the period 2019-20 to 2021-22 but again decreased by ₹ 92.45 crore (4.98 per cent) in 2022-23 as compared to 2021-22.

The revenue buoyancy with reference to GSDP decreased from 1.44 per cent in 2018-19 to 1.04 per cent in 2022-23. The State's own revenue buoyancy with reference to GSDP increased considerably from 1.65 per cent in 2018-19 to 2.01 per cent in 2022-23. The increased in own revenue buoyancy in 2022-23 vis-a-vis the previous years was primarily due to sharp increase in own tax revenue of the State. The major increase was in receipts under SGST, State Excise and Sales Tax. There was also an increase in non-tax revenue in the current year over the previous year. Trends in components of own tax revenue and non-tax revenue are discussed in paragraphs 2.3.2.2 (i) and 2.3.2.2 (ii) respectively.

Trends of revenue receipts are shown in **Chart 2.4** and **Chart 2.5**



Source: Finance Accounts of Respective Years



Source: Finance Accounts of Respective Years

State's own resources accounted for 30.52 per cent of Revenue Receipts during 2022-23, while Central Tax Transfers and Grants-in-Aid together contributed 69.48 per cent which is indicative of the fact that the State's fiscal position is largely dependent on Central Tax transfers and Grants-in-Aid from GoI.

2.3.2.2 State's Own Resources

The status of collection of State's Tax Revenue and Non-Tax Revenue during 2018-23 is given in **Table 2.5**.

Table 2.5: State's own resources

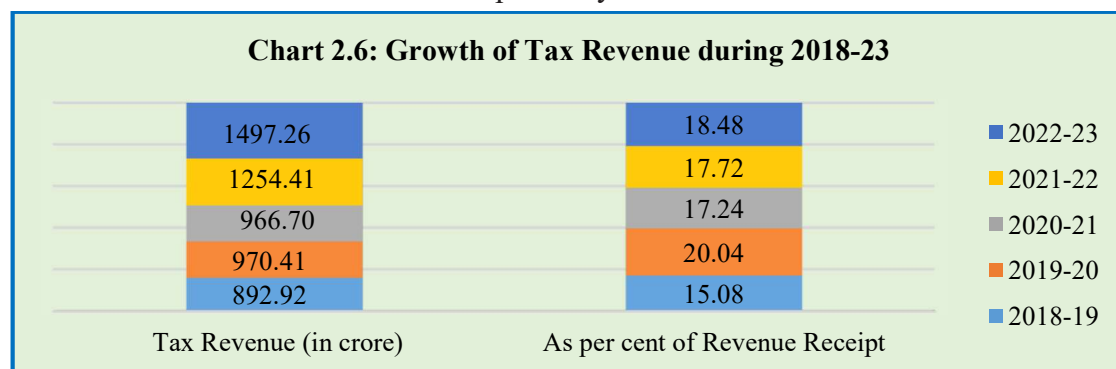
(₹ in crore)					
Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Tax Revenue	892.92	970.41	966.70	1,254.41	1,497.26
Non-tax Revenue	657.78	693.40	662.29	680.63	976.11
Total	1,550.70	1,663.81	1,628.99	1,935.04	2,473.37

Source: Finance Accounts of Respective Years

(i) Own tax revenue

Own tax revenue of the State consists of State Goods and Services Tax (SGST), State Excise, Taxes on Vehicles, Stamp Duty and Registration Fees, Land Revenue. Taxes on Goods and Passengers, etc.

Trends of own tax revenue and analysis of its components during the period 2018-23 are shown in **Chart 2.6** and **Table 2.6** respectively.



Source: Finance Accounts of Respective Years

Component-wise details of Tax Revenue collected during the period 2018-23 as well as trend of growth of individual components of revenue is depicted in **Table 2.6**.

Table 2.6: Components of State's Own Tax Revenue

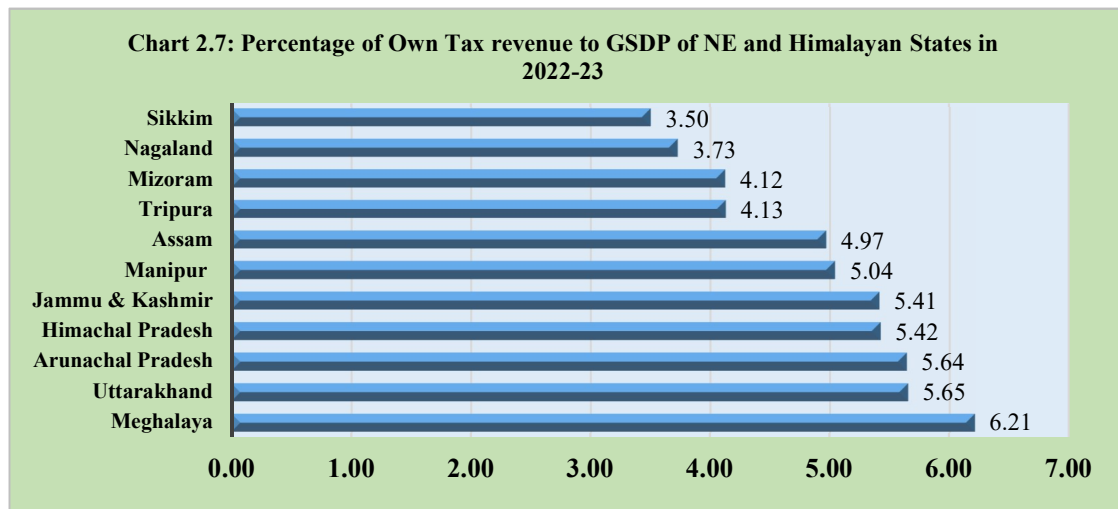
(₹ in crore)						
Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	Sparkline
Sales Tax	188.2	197.63	195.25	227.18	248.77	
SGST	405.72	454.89	463.04	655.55	804.23	
State Excise	183.09	207.15	210.27	249.2	298.46	
Taxes on Vehicles	33.11	41.08	28.96	39.09	49.69	
Stamp Duty & Registration Fee	14.95	13.3	13.13	23.35	26.52	
Land Revenue	9.09	4.4	13.33	9.53	8.79	
Other Taxes	58.76	51.96	42.72	50.51	60.8	
Total	892.92	970.41	966.7	1,254.41	1,497.26	
Rate of Growth	29.72	8.68	-0.38	29.76	19.36	

Source: Finance Accounts

It can be seen that Tax Revenue increased by ₹ 604.34 crore from ₹ 892.92 crore in 2018-19 to ₹ 1,497.26 crore in 2022-23 at an annual average growth rate of 13.54 per cent. Tax Revenue increased to ₹ 1,497.26 crore in 2022-23 from ₹ 1,254.41 crore in 2021-22, representing an increase of 19.36 per cent. During the current year, major contributors of Tax Revenue were Goods and Services Tax (53.71 per cent), State Excise (19.93 per cent) and Sales Tax (16.62 per cent).

The total own tax revenue increased by ₹242.85 crore (19.36 per cent) during the current year over the previous year. The major increase was in receipts under SGST (₹ 148.68 crore), State Excise (₹ 49.26 crore) and Sales Tax (₹ 21.59 crore).

State's Tax Revenue of ₹1,497.26 crore at 3.50 per cent of GSDP during 2022-23 was lower than the other NE&H States as shown in **Chart 2.7**.



Source: Economic Adviser Report

(a) State Goods and Services Tax (SGST)

Department stated (January 2024) that during 2022-23 SGST amount for ₹ 852.67 crore was transferred from RBI to CBI and ₹ 812.95 crore was transferred from CBI to SBS. But in Finance Account 2022-23 it is seen that the Input Tax Credit cross utilisation of SGST and IGST during 2022-23 is ₹ 804.23 crore. The difference amount is under reconciliation.

(b) Analysis of arrears of revenue and arrears of assessment

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

Arrears of revenue

As on 31 March 2023, the arrears of revenue in respect of Power Department was ₹ 417.14 crore, of which ₹ 109.72 crore was outstanding for more than five years, as depicted in **Table 2.7**. No information was furnished by other revenue earning Departments in spite of several reminders.

Table 2.7: Arrears of revenue

(₹ in crore)

Sr. No.	Head of revenue	Amount outstanding as on 31 March 2023	Amount outstanding for more than five years as on 31 March 2023
1	Power	417.14	109.72
Total		417.14	109.72

Source: Departmental Information

Arrears in assessment

As per the information furnished by the Department of Excise and Finance Department, Commercial Taxes Division in respect of Sales Tax/ VAT the number of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year was Nil.

(c) Details of evasion of tax detected by Department, refund cases, etc.

The cases of evasion of tax detected, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Promptness in disposal of refund cases is an important indicator of performance of the Department concerned.

No cases of evasion of tax was detected by the Excise Department and in Commercial Taxes Department one case each of CGST and SGST involving ₹ 0.005 crore in each case was detected for which assessment/ investigation completed and additional demand with penalty *etc.* raised. The details of disposal of refund cases during the year 2022-23, as reported by the department concerned, are depicted in **Table 2.8**.

Table 2.8: Details of refund cases

(₹ in crore)

Sl. No.	Particulars	GST		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	10	0.93	Nil	Nil
2.	Claims received during the year	51	5.15	Nil	Nil
3.	Refunds made during the year	30	1.38	Nil	Nil
4.	Refunds rejected during the year	04	1.75	Nil	Nil
5.	Balance outstanding at the end of year	27	2.95	Nil	Nil

Source: Departmental figure

(ii) Non-Tax Revenue

Component-wise details of Non-Tax Revenue consisting of Interest receipts, Dividends and Profits, Power receipts, Departmental receipts *etc.* collected during 2018-23 were as given in **Table 2.9**.

Table 2.9: Components of State's Non-Tax Revenue

(₹ in crore)

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	
					BEs	Actuals
Interest Receipts	125.33	143.82	126.95	49.92	58.30	66.13
Dividends and Profits	4.38	3.21	2.78	1.45	1.40	4.12
Other Non-Tax Receipts (total of ato h)	582.07	546.37	532.56	629.26	930.39	905.86
a) Police	46.64	86.77	26.17	112.38	70	125.55

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	
					BEs	Actuals
b) Road Transport	53.96	57.10	47.87	61.78	84.88	68.34
c) Forestry & Wild Life	17.53	15.78	14.88	24.31	23.19	180.26
d) Education	2.32	3.55	14.29	10.59	12.64	9.51
e) Tourism	6.16	11.67	3.44	4.12	4.40	9.87
f) Power	269.44	256.37	346.05	306.77	394.44	402.72
g) Other Administrative Services	5.04	12.65	12.00	19.45	9.29	15.02
h) Others ²	180.98	102.48	67.86	89.86	331.55	94.59
Total	657.78	693.40	662.29	680.63	990.09	976.11
Rate of Growth	0.52	5.42	(-) 4.49	3	45.47	43.41

Source: Finance Accounts

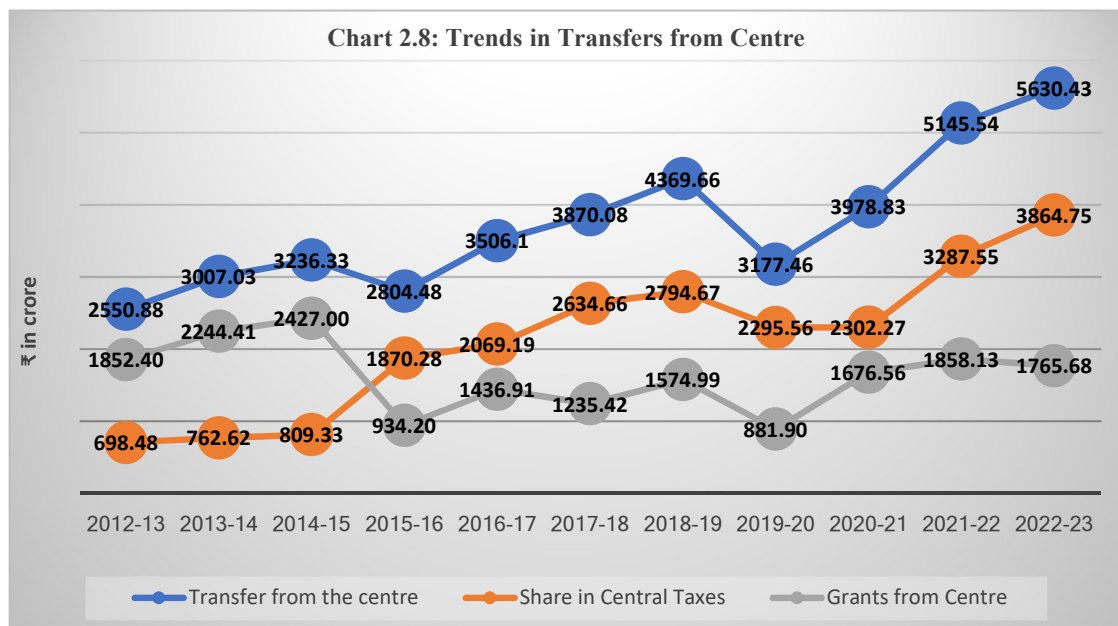
Non-Tax Revenue, which ranged between 9.61 *per cent* and 12.05 *per cent* of Revenue Receipts of the State during the five-year period from 2018-23, increased by ₹295.48 crore (43.41 *per cent*) during 2022-23 over the previous year.

During the year 2022-23, there was an increase of ₹ 295.48 crore (43.41 *per cent*) in total non-tax revenue over the previous year which was mainly due to increase of ₹ 16.21 crore in interest receipts and ₹ 279.27 crore in other non-tax receipts. The increase in other non-tax receipts was mainly under Forestry & Wildlife (₹155.95 crore) and Power (₹95.95 crore).

However, Revenue from Education and Other Administrative Services witnessed decrease of ₹1.08 crore (10.20 *per cent*) and ₹4.43 crore (22.78 *per cent*) respectively during 2022-23 as compared to previous year.

2.3.2.3 Transfers from the Centre

The transfers from Centre are dependent on the Finance Commission (FC) recommendations. The trends for last 10 years are given in **Chart 2.8**.



Source: Finance Accounts of the respective years

² Others includes revenue from Water supply & sanitation, Housing, Information & Publicity, Labour & Employment, Social Security & Welfare, Animal Husbandry, Food, Co-operation, Other Rural Dev Programme, and Industries.

(i) Central tax transfer

The actual release of share in Union taxes and duties to State Government *vis-a-vis* projections made by Thirteenth Finance Commission, Fourteenth Finance Commission and Fifteenth Finance Commission during the period from 2011-12 to 2022-23 is tabulated in **Table 2.10**.

Table 2.10: State's share in Union taxes and duties: Actual devolution *vis-à-vis* Finance Commission projections

(₹ in crore)

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1	2	3	4	5 (4-3)
XIII Finance Commission				
2011-12	0.239 per cent of net proceeds of all sharable taxes excluding Service Tax and 0.243 per cent of net proceeds of sharable Service Tax	572.00	611.65	39.65
2012-13		674.00	698.48	24.48
2013-14		796.00	762.62	(-)33.38
2014-15		938.00	809.32	(-)128.68
XIV Finance Commission				
2015-16	0.367 per cent of net proceeds of all sharable taxes excluding Service Tax and 0.369 per cent of net proceeds of sharable Service Tax	2,129.00	1,870.28	(-)258.72
2016-17		2,457.00	2,069.19	(-)387.81
2017-18		2,839.00	2,634.66	(-)204.34
2018-19		3,285.00	2,789.61	(-)495.39
2019-20		3,804.00	2,295.56	(-) 1,508.44
XV Finance Commission				
2020-21	0.388 per cent of net proceeds of all sharable taxes	3,318.00	2,302.27	(-) 1,015.73
2021-22		2,555.00	3,287.55	732.00
2022-23		2,843.00	3,864.75	1,021.755

Source: Departmental Figure and Finance Commission Report.

From **Table 2.10**, it can be seen that except for the period 2011-2013, the actual devolution of net proceeds of all shareable taxes including Service Tax was less than the FC projections. However, the actual devolution of net proceeds of all shareable taxes including Service Tax was in excess of FC projections during 2022-23.

The State Government's share in Union taxes and duties increased by ₹577.20 crore (17.56 per cent) during 2022 -23 over the previous year.

Trends in components of Central tax transfers are shown in **Table 2.11**.

Table 2.11: Central Tax transfers

(₹ in crore)

Head	2018-19	2019-20	2020-21	2021-22	2022-23	
					BEs	Actuals
Central Goods and Services Tax	689.78	645.62	686.82	964.04	1,040.41	1,100.79
Integrated Goods & Services Tax	55.10	0	0	0	0	0
Corporation Tax	971.97	788.90	694.10	988.33	989.36	1,284.66
Taxes on Income other than Corporation Tax	715.80	603.68	718.49	982.89	955.51	1,260.52
Other Taxes on Income and Expenditure	5.06	0	0	0.01	0	0
Customs	198.12	150.11	117.73	216.61	137.38	155.96
Union Excise Duties	131.66	106.08	73.44	103.14	42.79	50.87
Service Tax	25.39	0	9.67	29.03	3.18	5.89
Other Taxes ³	1.79	1.17	2.02	3.36	0	6.06

³ Include Taxes on Wealth and Other Taxes and Duties on Commodities and Services

Head	2018-19	2019-20	2020-21	2021-22	2022-23	
					BEs	Actuals
Central Tax transfers	2,794.67	2,295.56	2,302.27	3,287.41	3,168.63	3,864.75
<i>Percentage of increase over previous year</i>	6.07	(-) 17.86	0.29	42.79		17.56
<i>Percentage of Central tax transfers to Revenue Receipts</i>	47.20	47.42	41.05	46.43		47.69

Source: Finance Accounts of respective years

Over the five-year period 2018-23, Central tax transfers increased by ₹1,070.08 crore (38.29 per cent), from ₹2,794.67 crore in 2018-19 to ₹3,864.75 crore in 2022-23. During 2018-23, Central tax transfers which had decreased sharply by 17.86 per cent (₹499.11 crore) in 2019-20, increased marginally by 0.29 per cent (₹6.71 crore) in 2020-21, by 42.79 per cent (₹985.14 crore) in 2021-22 and 17.56 per cent (₹577.34 crore) in 2022-23 over the respective previous year. Central tax transfers constituted 47.69 per cent of the Revenue Receipts during 2022-23.

(ii) Grants-in-Aid from Government of India

Trend of Grants-in-Aid (GIA) from GoI and its components are shown in Table 2.12.

Table 2.12: Grants-in-Aid from Government of India

Head	2018-19	2019-20	2020-21	2021-22	2022-23	
					BEs	Actuals
Grants for Centrally Sponsored Plan Schemes	4.19	(-) 0.48	0.30	(-)0.14 ⁴	0	0
Grants for Centrally Sponsored Schemes (CSS)	1,147.81	609.52	878.22	749.07	1,756.18	1,118.22
Finance Commission Grants	125.86	76.50	635.84	787.48	562.98	532.90
<i>Of which Post devolution Revenue deficit grant</i>	-	-	448.00	678.00	440.00	440.00
Other transfers	297.13	196.36	162.20	321.72	606.34	114.56
Total	1,574.99	881.90	1,676.56	1,858.13	2,925.50	1,765.68
<i>Percentage of increase over the previous year</i>	27.49	(-)44.01	90.11	10.83		(-)4.98
<i>Percentage of GIA to Revenue Receipts</i>	26.60	18.22	29.90	26.24		21.79

Source: Finance Accounts

The flow of Grants-in-Aid (GIA) from GoI depicted fluctuating trend during 2018-23. During the five-year period, the transfers on this account were the highest in 2021-22. The GIA decreased by ₹ 92.45 crore (4.98 per cent) during the current year as compared to the previous year. The CSS grants had increased, and other grants had decreased during the year, as compared to the previous year. The GIA constituted 21.79 per cent of the Revenue Receipts during the year 2022-23.

The FC Grants constituted major portion (30.18 per cent) of total GIA received during the year. The FC Grants decreased to ₹532.90 crore in 2022-23 from ₹787.48 crore in 2021-22 witnessing a decrease of ₹254.58 crore (32.33 per cent).

⁴ Refund of unspent balance for the scheme Vocational Training Improvement Project (VTIP) to GoI vide Vr No 66 dated 2.6.2021. Grants in Aid was released during the financial year 2006-07 to 2017-18.

Table 2.12 shows that the GIA from GoI increased at an annual average rate of 15.89 *per cent* during the period 2018-19 to 2022-23. The decrease in GIA during the current year (4.98 *per cent*) over the previous year was due to substantial decrease in Other transfers/Grants to States/Union Territories with Legislature by ₹207.16 crore (64.39 *per cent*). Further, the contribution of GIA towards revenue receipts decreased from 26.60 *per cent* in 2018-19 to 21.79 *per cent* in 2022-23.

(a) Grants for Centrally Sponsored Schemes

Out of the Grants of ₹1,118.22 crore for Centrally Sponsored Schemes during 2022-23, the major amounts were given to:

- Green Revolution (Krishi Unnati Schemes and Rastriya Krishi Vikas Yojana): Rashtriya Krishi Vikas Yojana (₹104.85 crore - 1081 *per cent* increase over previous year);
- Pradhan Mantri Gram Sadak Yojana: (₹263.33 crore - 145 *per cent* increase over previous year);
- National Education Mission (NEM) – Samagra Siksha (₹139.97 crore - 86 *per cent* increase over previous year);
- Urban Rejuvenation Mission (AMRUT) and Smart Cities - (₹171.50 crore – 772 *per cent* increase over previous year) and
- National Health Mission (NHM): National Rural Health Mission - (₹62.87 crore – 176 *per cent* increase over previous year).

Ministry of Finance, Government of India vide letter No.1(13)PFMS/FCD/2020 dated 23.03.2021 had notified procedure for release of funds under Centrally Sponsored Schemes (CSS) and monitoring utilization of the funds released through SNA. For each CSS, SNA is set up with own Bank Account in scheduled Commercial Bank authorised to conduct Government business by the State Government. As per the procedure, the State Government is to transfer the Central share received in its accounts to the concerned SNA's account along with corresponding State share.

The State Government received ₹408.09 crore, being Central share during the year, in its Treasury Accounts. As on 31 March 2023, the Government transferred Central share of ₹876.65 crore received in Treasury Accounts and State share of ₹160.22 crore to the SNAs. The entire amount of ₹1,036.87 crore was transferred through Fully Vouched Contingent Bills. Detailed vouchers and supporting documents of actual expenditure were not received by AG office from the SNAs. As per information available on PFMS portal, ₹418.98 crore are lying unspent in the bank accounts of SNAs as on 31 March 2023.

(b) Fifteenth Finance Commission Grants

The Fifteenth FC constituted on 27 November 2017, had major recommendations: 4.31 *per cent* of divisible pool to be given as grants to States for local bodies, grants for post devolution revenue deficit, grants for disaster risk management based on capacity, risk exposure and proneness to hazard and vulnerability. Comparative statement of transfers to the State on account of awards of XIV FC and XV FC during 2021-22 and 2022-23 respectively is given in **Table 2.13**.

Table 2.13: Grants-in-Aid released by GoI as per recommendation of FC*(₹ in crore)*

Department	Sectors	2021-22	2022-23	Increase (+)/ Decrease (-)
Panchayat and Rural Development	Panchayati Raj Institutions	51.98	33.00	(-)18.98
Urban Development	Urban Local Bodies (ULB)	17.50	7.50	(-)10.00
Revenue and Disaster Management	State Disaster Response Fund and State Disaster Mitigation Fund	40.00	52.40	12.40
Finance	Post Devolution Revenue Deficit Grant	678.00	440.00	(-)238.00
Total		787.48	532.90	(-)254.58

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

As can be seen from **Table 2.13** that there was decrease (32.33 per cent) in FC grants during 2022-23 as compared to the previous year.

Based upon the projected tax revenue of the Union Government and the shares derived from the horizontal devolution formula, the share of each State is derived in absolute numbers by the FC. This has been used to derive the post-devolution revenue deficit/surplus for States. Accordingly, Sikkim was recommended for release of revenue deficit grant and an amount of ₹440.00 crore was released to Sikkim for the year 2022-23.

The Fifteenth Finance Commission (15th FC) grants were provided to the States for local bodies and State Disaster Response Fund (SDRF), post devolution revenue deficit and health sector. Details of grants provided by GoI are given in **Table 2.14**.

Table 2.14: Recommended amount, actual release and transfers of Grant-in-aid*(₹ in crore)*

Transfers	Recommendation of 15 th FC for 2022-23	Actual release by GoI during 2022-23	Actual release by State Government during 2022-23	Release by State Government (per cent of GoI release)
(i) Grants to PRIs (Rural Local Bodies)	33.00	33.00	33.00	33.00 (100)
(a) Tied Grant	19.80	19.80	19.80	19.80 (100)
(b) Untied Grants	13.20	13.20	13.20	13.20 (100)
(ii) Grants to ULBs	16.00	7.50	10.00	10.00 (133)
(a) Non-million plus cities (untied grants for local needs)	6.40	3		
(b) Non-million plus cities (tied grants for drinking water, rain water harvesting, SWM and Sanitation)	9.60	4.50		
Total for Local Bodies	49.00	40.50	43.00	43.00 (106)
SDRF	Centre share	42.48	42.40	42.40 (100)
	State share	4.72	4.80	4.80(100)
Total SDRF	47.20	47.20	47.20	47.20 (100)
SDMF	11.8	10.00	10.00	10.00 (100)
Total for SDRMF	59	57.20	57.20	57.20 (100)
Grants for Health Sector	21	0	0	0
Post Devolution Revenue Deficit Grant	440.00	440.00		--

Source: 15th FC Report and departmental information

PRIs-Panchayati Raj Institutions and ULBs-Urban Local Bodies.

- As against the amount of ₹ 33 crore recommended by the 15th FC in respect of PRIs, GoI released ₹ 33 crore during 2022-23. The amount released by GoI was released by GoS during the same period.
- In respect of ULBs, against the recommended amount of ₹ 16 crore, GoI released ₹ 7.50 crore during 2022-23. The State Government released ₹ 10 crore during 2022-23.
- In respect of SDRF, 15th FC recommended Centre and State share in the ratio of 90:10. As against the recommended share of ₹47.20 crore, GoI released ₹ 47.20 crore during the year 2022-23.

2.3.3 Capital Receipts

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

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

Table 2.15: 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	1,146.98	833.51	1,565.88	1,883.05	2,037.34
Miscellaneous Capital Receipts	0	0	0	0	0
Recovery of Loans and Advances	1.77	0.30	1.17	0.45	0.44
Public Debt Receipts	1,145.21	833.21	1,564.71	1,882.60	2,036.90
<i>Internal Debt</i>	<i>1,140.09</i>	<i>819.36</i>	<i>1,361.87</i>	<i>1,579.00</i>	<i>1,483.87</i>
Growth rate of Internal Debt (in per cent)	8.50	(-)28.13	66.21	15.94	(-)6.02
Loans and advances from GoI	5.12	13.85	202.84	303.60	553.03
Growth rate of loans and advances from GoI (in per cent)	102.37	170.51	1,364.55	49.67	82.16
Growth rate of debt Capital Receipts (in per cent)	8.71	(-)27.24	87.79	20.32	8.20
Growth rate of non-debt capital receipts (in per cent)	94.51	(-)83.05	290	(-)61.54	(-)2.22
Rate of growth of GSDP (in per cent)	9.36	10.70	5.02	13.75	13.84
Rate of growth of Capital Receipts (in per cent)	8.78	(-)27.33	87.87	20.26	8.19

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

During the last five-year period, Capital Receipts increased by 77.63 per cent (₹ 890.36 crore) from ₹1,146.98 crore in 2018-19 to ₹2,037.34 crore in 2022-23. The rate of growth of Capital Receipts which was (-)27.33 per cent in 2019-20 increased to 8.19 per cent in 2022-23. Internal debts constituting 72.83 per cent of Capital Receipts during the current year decreased from ₹ 1,579.00 crore during 2021-22 to ₹ 1,483.87 crore in 2022-23. Non-debt Capital Receipts in the form of recoveries of Loans and Advances decreased by ₹ 0.01 crore (2.22 per cent) during 2022-23 over previous year.

Scheme for special assistance to States for Capital Expenditure: Government of India extended the “Scheme for Special Assistance to States for Capital expenditure”

for the financial year 2022-23. Under the Scheme, State received ₹551.36 crore interest free loan which is to be repaid after 50 years.

Against the fund of ₹551.36 crore received for “Scheme for Special Assistance to States for Capital expenditure”, Government of Sikkim incurred an expenditure of ₹551.30 crore on various capital works during the year 2022-23.

2.3.4 State’s performance in mobilisation of resources

State’s performance in mobilisation of resources in the form of its own sources comprising own-tax and non-tax sources can be judged against the projections of XV FC and targets of budget. **Table 2.16** shows the performance of State in mobilisation of resources against the projections and targets during 2022-23.

The State’s actual own tax and non-tax revenue for the year 2022-23 *vis-a-vis* assessment made by Fifteenth Finance Commission (15th FC) and Budget Estimates are given in **Table 2.16**.

Table 2.16: Tax and non-tax revenue *vis-à-vis* projections during 2022-23

(₹ in crore)

Particulars	15 th FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				15 th FC projections	Budget Estimates
Own Tax Revenue	1,299.00	1,336.42	1,497.26	15.26	12.04
Non-tax Revenue	596.00	990.09	976.11	63.78	(-) 1.41

Source: FC Report and Estimates of Receipts

In comparison to the assessment made by XV-FC, Tax Revenue was more by ₹198.26 crore and the Non-Tax Revenue was also more by ₹380.11 crore. When compared to Budget Estimates, the Tax Revenue was more by ₹160.84 crore but Non-Tax Revenue fell short by ₹ 13.98 crore (1.41 *per cent*).

2.4 Application of Resources

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

Growth and composition of expenditure

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.

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.

Loans and Advances: Loans and advances by the Government to Public Sector Undertakings (PSU) and other parties.

Trends of overall expenditure and its components are shown in **Table 2.17** and **Chart 2.9**. Total Expenditure, its composition and relative share in GSDP during the years 2018-19 to 2022-23 is presented in Table 2.17.

Table 2.17: Total expenditure and its composition

(₹ in crore)					
Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	6,564.45	6,922.75	7,882.53	7,985.47	10,007.56
Revenue Expenditure (RE)	5,226.57	6,185.08	6,368.65	6,668.84	7,630.58
Capital Expenditure (CE)	1,291.31	720.61	1,513.88	1,315.78	2,376.60
Loans and Advances	46.57	17.06	0	0.85	0.38
GSDP	28,402	31,441	33,018	37,557	42,756
As a percentage of GSDP					
TE/GSDP	23.11	22.02	23.87	21.26	23.41
RE/GSDP	18.40	19.67	19.29	17.76	17.85
CE/GSDP	4.55	2.29	4.59	3.50	5.56
Loans and Advances/ GSDP	0.16	0.05	0	0	0

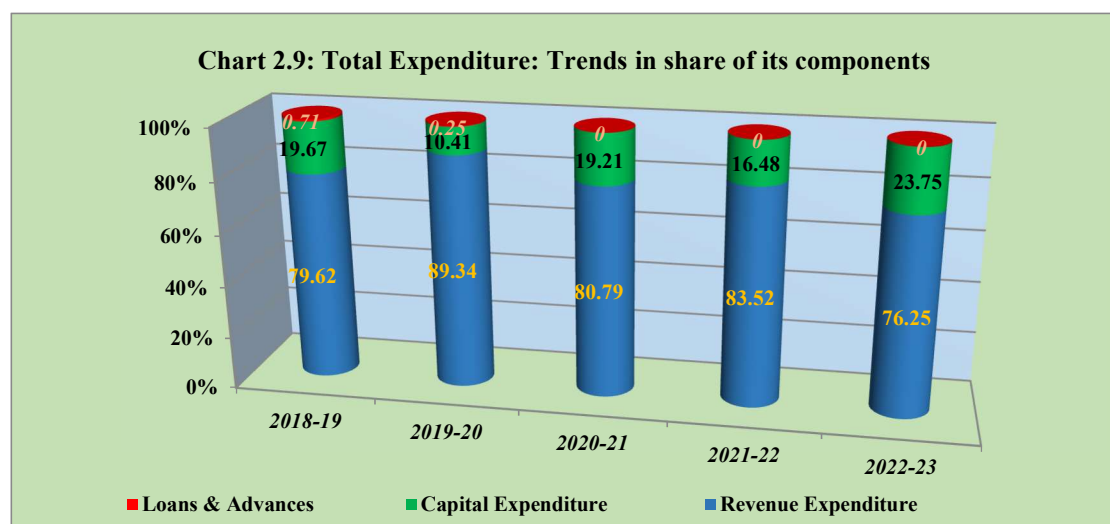
Source: Finance Accounts

During the period 2018-23, Total Expenditure of the State increased by 74.19 per cent (₹3,443.11crore) from ₹6,564.45 crore in 2018-19 to ₹10,007.56 crore in 2022-23. During the current year, it increased by 25.32 per cent over the previous year.

The ratio of Total Expenditure of the State to GSDP fluctuated between 21.26 per cent and 23.87 per cent during 2018-23. During 2022-23, it increased to 23.41 per cent from 21.26 per cent in previous year, mainly on account of fluctuations in Capital Expenditure during the five-year period.

Trend of Expenditure: Revenue, Capital and Loans & Advances

In the context of State Finances, the quality of expenditure has always been an important issue. Revenue Expenditure, which is in the nature of current consumption, accounted for 76.25 per cent of the State's aggregate expenditure, whereas Capital Expenditure, which is in the nature of asset creation, was 23.75 per cent during 2022-23. During the period 2018-23, Revenue Expenditure ranged between 76.25 to 89.34 per cent, while Capital Expenditure has remained within the range of 10.41 to 23.75 per cent, as seen in Chart 2.9:



Source: Finance Accounts

Relative share of various sectors of expenditure during 2018-23 is depicted in **Table 2.18** and **Chart 2.10**.

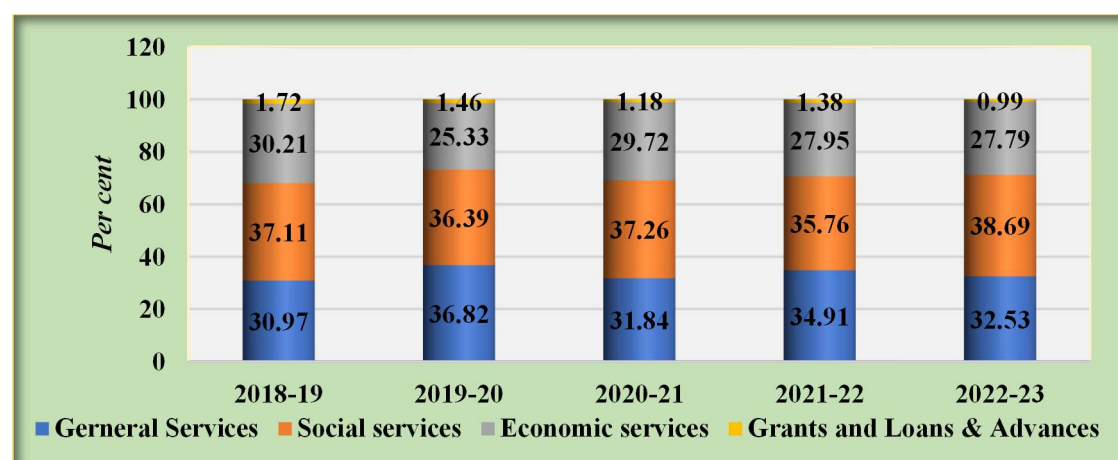
Table 2.18: Relative share of various Sectors in Total Expenditure

(₹ in crore)					
Sectors	2018-19	2019-20	2020-21	2021-22	2022-23
General Services	2,032.95	2,548.62	2,509.30	2,787.52	3,256.11
Social Services	2,437.22	2,519.45	2,936.99	2,855.83	3,871.58
Economic Services	2,027.34	1,770.10	2,342.92	2,231.77	2,780.79
Others (Grants to Local Bodies and Loans and Advances)	66.94	84.60	93.32	110.35	99.08
Total Expenditure	6,564.45	6,922.75	7,882.53	7,985.47	10,007.56
Sectoral share in Total Expenditure (in per cent)					
General Services	30.97	36.82	31.84	34.91	32.53
Social Services	37.11	36.39	37.26	35.76	38.69
Economic Services	30.21	25.33	29.72	27.95	27.79
Others (Grants to Local Bodies and Loans and Advances)	1.72	1.46	1.18	1.38	0.99
Total	100.00	100.00	100.00	100.00	100.00

Source: Finance Accounts

The relative share of above components of expenditure indicates that the share of General Services and Economic Services decreased by 2.38 per cent and 0.16 per cent respectively during 2022-23 over the previous year, while relative share of Social Services increased by 2.93 per cent.

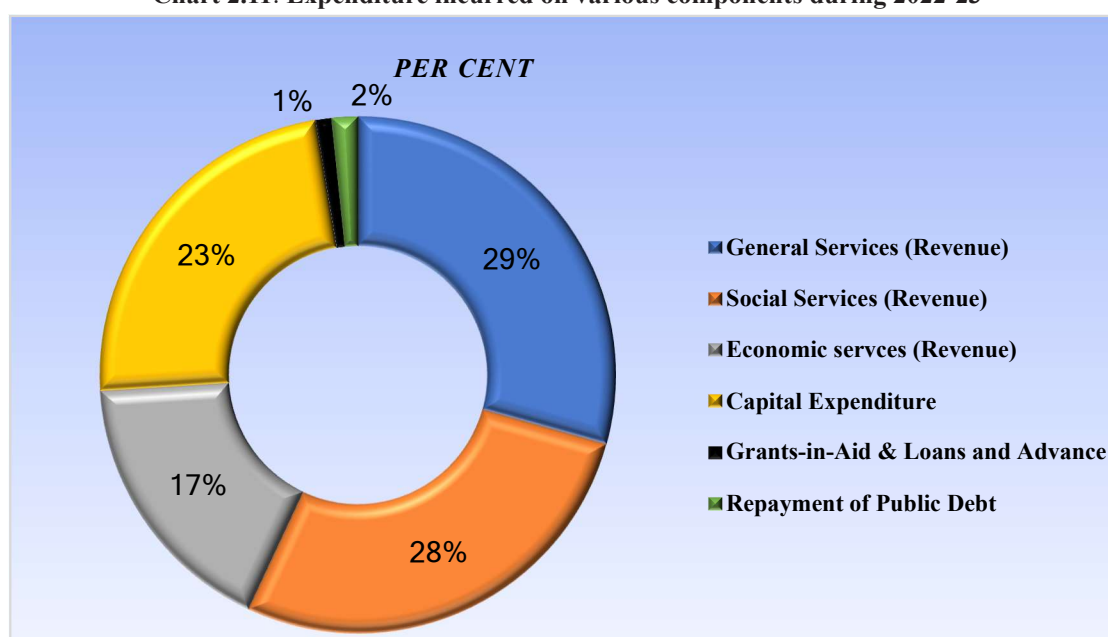
Chart 2.10: Total Expenditure - Expenditure by activities



Source: Finance Accounts

Chart 2.10 shows that the share of General Services and Social Services in total expenditure increased from 30.97 per cent and 37.11 per cent in 2018-19 to 32.53 per cent and 38.69 per cent respectively in 2022-23, while that of Economic Services and Grants to local bodies and loan and advances decreased from 30.21 per cent and 1.72 per cent in 2018-19 to 27.79 per cent and 0.99 per cent during the same period. **Chart 2.11** shows composition of expenditure by function.

Chart 2.11: Expenditure incurred on various components during 2022-23



Source: Finance Accounts

2.4.1 Revenue Expenditure

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

Revenue Expenditure on an average constituted 81.90 per cent (ranging between 76.25 per cent in 2022-23 and 89.34 per cent in 2019-20) of the Total Expenditure during the period 2018-23. Rate of growth of Revenue Expenditure displayed wide fluctuation during the five-year period 2018-23 as during 2019-20 and 2020-21, it grew by 18.34 per cent and 2.97 per cent respectively and during 2021-22 and 2022-23 its growth was 4.71 per cent and 14.42 per cent respectively. Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy vis-à-vis GSDP and Revenue Receipts are indicated in Table 2.19 and the sectoral distribution of Revenue Expenditure pertaining to 2022-23 is given in Chart 2.12.

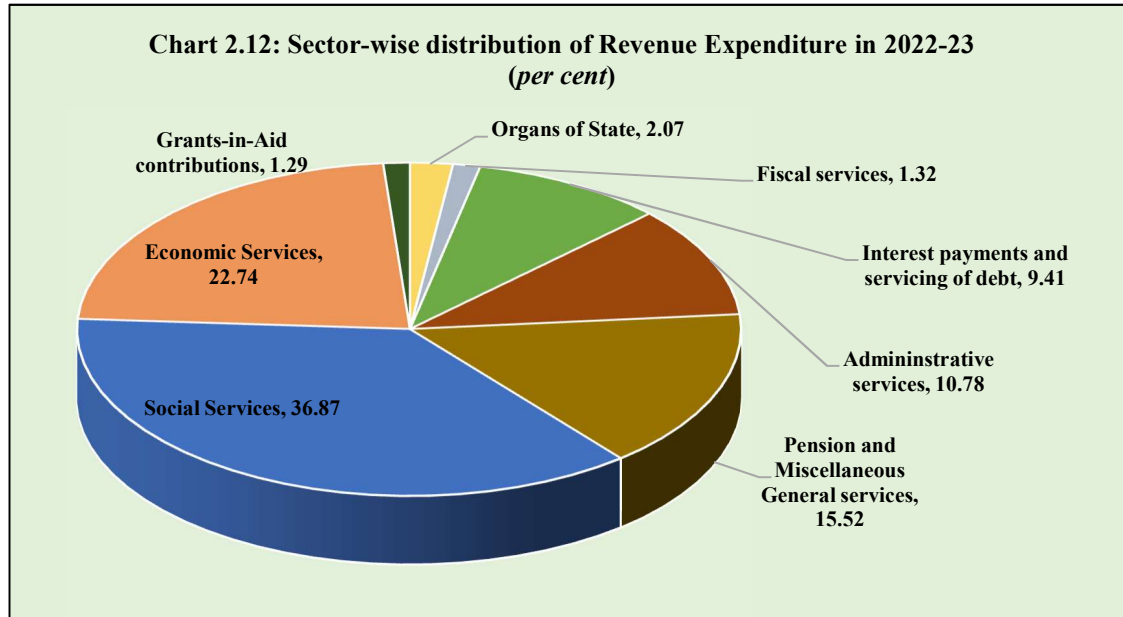
Table 2.19: Revenue Expenditure – Basic Parameters

Parameters	₹ in crore				
	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	6,564.45	6,922.75	7,882.53	7,985.47	10,007.56
Revenue Expenditure (RE)	5,226.57	6,185.08	6,368.65	6,668.84	7,630.58
Rate of Growth of RE (per cent)	25.89	18.34	2.97	4.71	14.42
Revenue Expenditure as percentage of TE	79.62	89.34	80.79	83.52	76.25
RE/GSDP (per cent)	18.40	19.67	19.29	17.76	17.85
RE as percentage of RR	88.28	127.76	113.57	94.18	94.16
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	2.76	1.71	0.59	0.34	1.04

Source: Finance Accounts

The revenue expenditure increased by ₹2,404.01 crore (46 per cent) from ₹ 5,226.57 crore in 2018-19 to ₹ 7,630.58 crore in 2022-23. It increased at an annual

average growth rate of 13.27 *per cent*, whereas as percentage of GSDP, it decreased from 18.40 *per cent* to 17.85 *per cent* during the same period. Buoyancy of revenue expenditure with reference to revenue receipts also improved in 2022-23.



2.4.1.1 Major changes in Revenue Expenditure

Table 2.20 details significant variations under various Heads of Account with regard to Revenue Expenditure of the State during the current year and the previous year.

The revenue expenditure increased substantially by ₹961.74 crore (14.42 *per cent*) from ₹ 6,668.84 crore in 2021-22 to ₹ 7,630.58 crore in 2022-23. Significant variations under various Major Heads of Accounts with regard to revenue expenditure of the State during the current year as compared to the previous year are depicted in **Table 2.20**.

Table 2.20: Variations in Revenue Expenditure during 2022-23 compared to 2021-22

(₹ in crore)

Major Heads of Account	2021-22	2022-23	Increase (+)/ Decrease (-)
2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	113.35	233.83	120.48
2245-Relief on Account of Natural Calamities	64.36	109.83	45.47
2045-Other Taxes and Duties on Commodities and Services	14.87	37.05	22.18
2013-Council of Ministers	17.76	34.94	17.18
2408-Food Storage and Warehousing	20.84	37.22	16.38
2205-Art and Culture	18.97	32.97	14.00
2015-Elections	9.39	20.54	11.15
2711-Flood Control and Drainage	24.25	10.99	(-)13.26
2405-Fisheries	21.37	9.01	(-)12.36

Source: Finance Accounts

Table 2.20 indicates that there has been:

- Increase of ₹ 120.48 crore (106.29 *per cent*) under ‘Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes’ was mainly due to increase of ₹ 155.72 crore in Welfare of Minorities Economic Development.

- Increase of ₹ 45.47 crore (70.65 per cent) under ‘Relief on Account of Natural Calamities’ and increase of ₹ 22.18 crore (149.16 per cent) under ‘Other Taxes and Duties on Commodities and Services’ was mainly due to increase of ₹ 57.63 crore and ₹ 22.32 crore in Transfer to Reserve Funds /Deposit Accounts respectively.
- Increase of ₹ 17.18 crore (96.73 per cent) under ‘Council of Ministers’ was mainly due to increase of ₹ 15.27 crore in Discretionary grants by Ministries and in tour Expenses.
- Increase of ₹ 16.38 crore (78.60 per cent) under ‘Food Storage and Warehousing’ was mainly due to increase of ₹ 11.68 crore in Food Subsidies.
- Increase of ₹ 14.00 crore (73.80 per cent) under ‘Art and Culture’ was mainly due to increase of ₹ 4.90 crore in Promotion of Arts and Culture and increase of ₹ 6.28 crore in Archives.
- Increase of ₹ 11.15 crore (118.84 per cent) under ‘Elections’ was mainly due to increase of ₹ 9.65 crore in Charges for Conduct of Election to Panchayats/Local Bodies.
- Decrease of ₹ 13.26 crore (54.68 per cent) under ‘Flood Control and Drainage’ which was mainly due to decrease of ₹ 13.26 crore in Civil Works.
- Decrease of ₹ 12.36 crore (51.84 per cent) under ‘Fisheries’ which was mainly due to decrease of ₹ 11.47 crore in Inland fisheries.

2.4.1.2 Committed expenditure

The committed expenditure of the State Government on revenue account consists of Interest Payments, expenditure on Salaries and Wages and Pensions. It has first charge on Government resources.

Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector. Trend analysis of committed and inflexible expenditure and its components is depicted in **Table 2.21** and share of committed expenditure in revenue expenditure is shown in **Chart 2.13**.

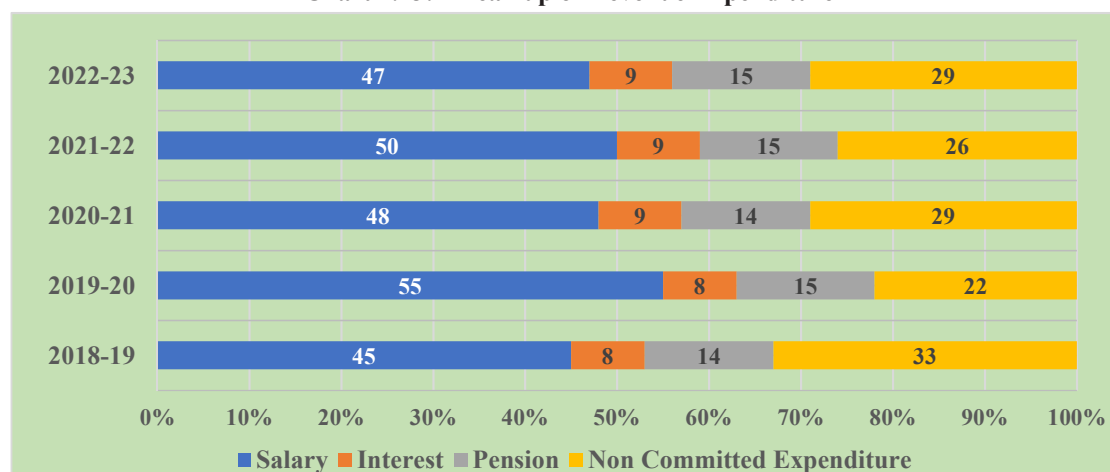
Table 2.21: Components of Committed and Inflexible – Expenditure

(₹ in crore)					
Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries & Wages	2,014.66	3,197.71	3,035.88	3,267.65	3,538.49
Salaries paid through GIAs	322.14	184.13	37.77	54.72	55.78
Total Salaries & Wages	2,336.80	3,381.84	3,073.65	3,322.37	3,594.27
Expenditure on Pensions	737.24	910.58	908.13	983.24	1,150.25
Interest Payments	433.05	509.68	548.41	635.04	718.18
Total	3,507.09	4,802.10	4,530.19	4,940.65	5,462.70
Components of Inflexible Expenditure					
Statutory devolution to local bodies	66.40	83.86	93.32	109.50	98.70
Recoupment of Contingency Fund	-	-	-	-	-
Transfer of cess to reserve fund/ other body	25.00	28.04	43.95	-	-
Share contribution of CSS against the Central Fund received	44.64	60.29	102.09	210.10	283.46

Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Payment of interest on the balances of the interest-bearing funds					
a) Small Savings, Provident Funds, etc.	79.12	80.93	86.35	86.70	86.98
b) General and Other Reserve Funds	00	11.69	12.01	10.46	7.00
Total	215.16	264.81	337.72	416.76	476.14
As a percentage of Revenue Receipts (RR)					
Committed Expenditure					
Salaries & Wages	34.03	66.05	54.14	46.15	43.66
Salaries paid through GIAs	5.44	3.80	0.67	0.77	0.69
Expenditure on Pensions	12.45	18.81	16.19	13.89	14.19
Interest Payments	7.31	10.53	9.78	8.97	8.86
Total	59.23	99.19	80.78	69.78	67.40
Inflexible Expenditure					
Total	3.63	5.47	6.02	5.89	5.88
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	38.55	51.70	47.67	49.00	46.37
Salaries paid through GIAs	6.16	2.98	0.59	0.82	0.73
Expenditure on Pensions	14.11	14.72	14.26	14.74	15.07
Interest Payments	8.29	8.24	8.61	9.52	9.41
Total	67.11	77.64	71.13	74.08	71.58
Inflexible Expenditure					
Total	4.12	4.28	5.30	6.25	6.24
Non-committed RE	1,719.48	1,382.98	1,838.46	1,728.19	2,167.88
Percentage of RE	32.90	22.36	28.87	25.91	28.41
Percentage of TE	26.19	19.98	23.32	21.64	21.66
Subsidies	2.67	0.00	2.86	2.75	4.89
Subsidies as percentage of non-committed expenditure	0.16	0.00	0.16	0.16	0.23

Source: Finance Accounts

Chart 2.13: Break up of Revenue Expenditure



Source: Finance Accounts

As can be seen from the details given in **Table 2.21** and **Chart 2.13**, on an average, the committed expenditure constituted 72.45 per cent of Revenue Expenditure and 73.66 per cent of Revenue Receipts of the State during the five-year period 2018-23. Committed expenditure which was 99.19 per cent of Revenue Receipts in 2019-20, decreased to 67.41 per cent of Revenue Receipts in 2022-23. Similarly, the percentage of committed expenditure to Revenue Expenditure decreased from 77.64 per cent in 2019-20 to 71.59 per cent in 2022-23.

Salaries and wages

Expenditure on salaries and wages (₹ 3,594.27 crore) increased by 8.19 per cent during 2022-23 over the previous year (₹3,322.37 crore) and constituted 47.10 per cent of revenue expenditure.

Interest payment

During 2022-23 interest payments were to the tune of ₹718.18 crore (9.41 per cent of revenue expenditure), interest on Market Borrowings (₹593.69 crore) and interest on State Provident Fund (₹ 80.00 crore) continued to be the major components of interest payments.

Pensions

The expenditure on pension and other retirement benefits to State Government pensioners during the year was ₹1,150.25 crore and constituted 15.07 per cent of the revenue expenditure during the year. Superannuation and Retirement Allowances (₹ 471.09 crore) increased by ₹ 71.85 crore, Family Pensions (₹129 crore) increased by ₹ 11.83 crore and Commuted Value of Pensions (₹142.78 crore) increased by ₹ 22.54 crore, Gratuities (₹170.53 crore) increased by ₹ 29.08 crore from those in 2021-22.

(i) Undischarged liabilities in National Pension System

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

As on 31.03.2023, the State had 25,294 eligible employees under NPS, out of them, Permanent Retirement Account Number (PRAN) (Unique Number) were allotted to 24,735 employees, whereas 559 employees were awaiting allotment of PRAN. Details of employee's share, Government contribution, interest accrued thereon and transfer of contributions to NSDL/ trustee Bank during the period from 2017-18 to 2022-23 are given in Table 2.22.

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

(₹ in crore)

Year	Opening Balance	Details of contribution by		Total contribution	Transfer to NSDL	Short transfer/ Closing Balance	Rate of Interest	Interest due on Opening Balance**
		Employees	Government					
2017-18	28.51	38.09	40.70	78.79	79.63	27.67	7.60	2.17
2018-19	27.67	46.94	49.48	96.42	94.54	29.55	7.60	2.10
2019-20	29.55	73.90	77.42	151.32	114.74	66.13	7.60	2.25
2020-21	66.13	87.99	88.89	176.88	159.89	83.12	7.10	4.70
2021-22	83.12	99.91	99.91	199.82	213.69	69.25	7.10	5.90
2022-23	69.25	114.57	107.79	222.36	238.64	52.97	7.10	4.92
Total		461.4	464.19	925.59	901.13	328.69		22.04

Source: Notes to Finance Accounts.

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

Audit analysis of contributions under NPS revealed that during 2022-23, the total deposit under Major Head 8342-117 Defined Contribution Pension Scheme was ₹ 222.36 crore (Employees' contribution ₹ 114.57 crore and Government contribution ₹ 107.79 crore). The State has short released of ₹6.78 crore as its contribution. However, out of the total available fund of ₹291.61 crore under National Pension System (NPS) up to 2022-23, State Government transferred only ₹238.64 crore to the NSDL, leaving a balance of ₹52.97 crore as on 31 March 2023. Thus, there was an un-transferred amount of ₹52.97 crore to the NSDL and the current liability stands deferred to future year(s). Uncollected, unmatched and un-transferred amounts, with accrued interest, represent outstanding liabilities of the Government under the Scheme.

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

From scrutiny of the State Government accounts, it was observed that the Government has not transferred its contribution towards the individual subscriber on monthly basis, and instead transferred it mostly at the end of the year, thereby affecting the overall value of the investment. Thus, there was inconsistency in transferring of NPS fund to NSDL which affects the interest of the subscribers.

The department stated (December 2023) that there are few technical hurdles as the monthly CPF/NPS contribution of only those employees who has PRAN Card can be transferred to NSDL. However, the entire CPF/NPS subscribers have not obtained PRAN Card by submitting the Common Subscriber Registration Form (CSRFF). Though the number of defaulters reduced to 107 after the stoppage of individual salary from December 2022, still the target to make it 'NIL' within the span of one year was yet to be achieved. The number of employees without PRAN now stands at 79.

Inflexible expenditure

The components of Inflexible expenditure which include among others Statutory devolution to local bodies and contribution to Reserve Fund showed a continued increase during the period 2018-19 to 2022-23. As a percentage of revenue expenditure, the inflexible expenditure increased from 4.12 - 6.24 *per cent*. Further, the inflexible expenditure (₹ 476.14 crore) increased by 14.25 *per cent* during 2022-23 over the previous year (₹ 416.76 crore).

2.4.1.3 Subsidies

There was no booking of expenditure on subsidies during the year 2019-20, but during the years 2020-21, 2021-22 and 2022-23, ₹2.86 crore, ₹2.75 crore and ₹4.89 crore was booked under expenditure on Subsidy respectively, as detailed in **Table 2.23**.

Table 2.23: Booking of Expenditure on subsidies during 2018-23

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Subsidies (₹ in crore)	2.67	0.00	2.86	2.75	4.89
Food Subsidies (₹ in crore)	2.44	0.00	2.78	2.50	4.06
Subsidies as a percentage of Revenue Receipts	0.05	0.00	0.05	0.04	0.06

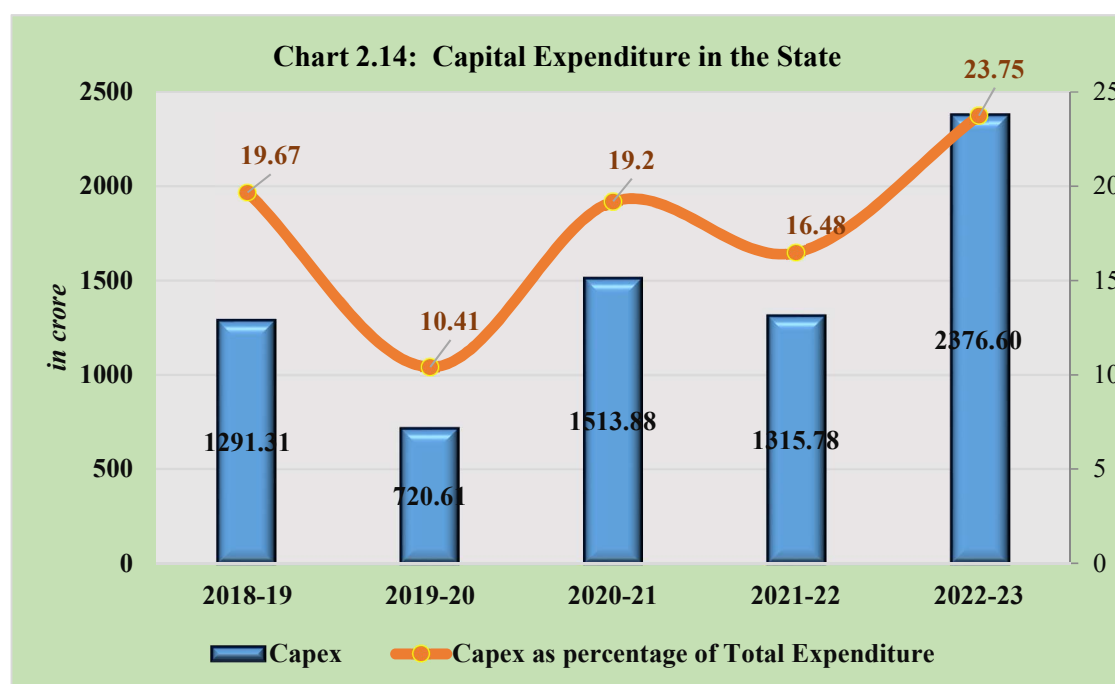
Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Subsidies as a percentage of Revenue Expenditure	0.05	0.00	0.04	0.04	0.06
Subsidies as percentage of Total Expenditure	0.04	0.00	0.04	0.03	0.05
Subsidies as percentage to Revenue Deficit/surplus	0.38	0.00	0.38	0.67	1.03
Food subsidy as percentage to total subsidy	91.39	0.00	97.20	90.91	83.03

Source: Finance Accounts

The biggest component of the subsidy outgo of Government of Sikkim was the subsidy to Food, Civil Supplies and Consumer Affairs Department, which accounted for 83.03 per cent (₹4.06 crore) of the total subsidy during 2022-23.

2.4.2 Capital Expenditure

Capital Expenditure is primarily expenditure on creation of fixed infrastructure assets, such as buildings, roads, bridges, etc. Capital expenditure, in both the Centre and the State, is being met from budgetary support and extra budgetary resources/ off-budget. It also includes investments made by the State Government in Companies/ Corporations. Trend of capital expenditure in the state over the last five years i.e. 2018-23 is given in Chart 2.14.



Source: Finance Accounts

Chart 2.14 shows that the capital expenditure fluctuated during the five years period. It increased by ₹1,085.29 crore (84.05 per cent) from ₹1,291.31 crore (19.67 per cent of total expenditure) in 2018-19 to ₹2,376.60 crore (23.75 per cent of total expenditure) in 2022-23.

2.4.2.1 Major changes in Capital Expenditure

Table 2.24 highlights cases of significant increase or decrease of Capital Expenditure in various Heads of Account during 2022-23 vis-à-vis the previous year.

Table 2.24: Capital expenditure during 2022-23 compared to 2021-22

(*₹ in crore*)

Major Heads of Accounts	2021-22	2022-23	Percentage Increase (+)/ Decrease (-)
4216- Capital outlay on Housing	9.84	451.00	4483
4515-Capital Outlay on Other Rural Development Programmes	5.33	33.93	537
4217-Capital Outlay on Urban Development	44.52	223.42	402
4711-Capital Outlay on Flood Control Projects	27.77	80.43	190
4801-Capital Outlay on Power Projects	102.64	225.46	120
4702-Capital Outlay on Minor Irrigation	0.00	19.38	100
4851-Capital Outlay on Village and Small Industries	0.00	19.00	100
4859-Capital outlay on Telecommunication and Electronic Industries	0.00	50.00	100

Source: Finance Accounts

Capital Expenditure on Housing, Other Rural Development, Urban Development and Flood Control increased by 4,483 *per cent*, 537 *per cent*, 402 *per cent* and 190 *per cent* respectively in 2022-23 as compared to previous year.

Increase in Capital Expenditure on Housing was mainly in Rural Housing under Other Expenditure for Sikkim *Garib Awas Yojana* and Sikkim *Garib Awas Yojana* (Rural) Phase II. Increase in Other Rural Development was mainly in Panchayati Raj, Community Development and Rural Development. Increase in Urban Development was in development of small and Medium Towns Smart Cities and implementation of Master Plan. Increase in Flood Control was in Flood Control Projects for implementation of various new major (JTW) and construction of mini *jhora* training works.

2.4.2.2 Quality of Capital Expenditure

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

(i) Quality of Investment in the companies, corporations and other bodies

Return on investment in share capital invested in Public Sector Undertakings (PSUs) is an important determinant of quality of capital expenditure. As of March 2023, Government had invested ₹111.08 crore in Statutory Corporations, Banks, Joint Stock Companies and Co-operatives as detailed in succeeding paragraphs. The return during 2022-23 was 3.71 *per cent* as detailed in **Table 2.25**.

Table 2.25: 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)	105.46	104.18	106.68	107.58	111.08
Return (₹ in crore)	4.38	3.06	2.78	1.45	4.12
Return (per cent)	4.15	2.94	2.61	1.35	3.71
Average rate of interest on Government Borrowings (per cent) ⁵	7.69	8.03	7.32	6.92	6.51
Difference between interest rate and return (per cent)	3.20	4.48	4.05	5.03	2.39
Difference between cost of Government borrowings and return on investment (₹ in crore) [#]	3.37	4.67	4.32	5.41	2.65

Source: Finance Accounts # Investment at the end of the year

(Investment at the end of the year X Difference between interest rate and return)/100

The Return on Investment during the current year were on account of dividend receipts from State Bank of Sikkim, Sikkim Distilleries Limited and Sikkim State Co-operative Bank (SISCO) amounting to ₹2.67 crore, ₹1.45 crore and ₹0.20 lakh respectively.

The details of investment of ₹ 111.08 crore up to the end of 2022-23 by the State Government in Statutory Corporations (three), Joint Stock Companies (25) and Banks and Co-operative Societies (nine) are detailed in **Appendix 2.3**.

As shown in the table, the return on investments was only between 1.35 per cent and 4.15 per cent during 2018-23 while the average rate of interest paid by the State Government on its borrowings was between 6.10 per cent and 7.42 per cent during the same period.

(ii) Loans and advances by State Government

In addition to the investments in co-operative societies, corporations and companies, the State Government has also been providing loans and advances to many institutions/ organisations. **Table 2.26** presents the position of outstanding loans and advances as on 31 March 2023 and interest receipts *vis-à-vis* interest payments by the State Government on its borrowings during the last five years.

Table 2.26: Quantum of loans disbursed and recovered during 2018-23

Particulars	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Opening Balance of loans outstanding	192.49	237.30	254.06	252.89	253.29
Amount advanced during the year	46.57	17.06	0.00	0.85	0.38
Amount recovered during the year	1.77	0.30	1.17	0.45	0.44
Closing Balance of the loans outstanding	237.29	254.06	252.89	253.29	253.23
Net addition	(+) 44.80	(+) 16.76	(-) 1.17	(+) 0.40	(-) 0.06
Interest received	0.00	0.00	0.00	0.00	0.00
Average Rate of Interest paid on the outstanding borrowings of the Government	7.69	8.03	7.32	6.92	6.51
Difference between the rate of interest received and interest paid (per cent)	7.69	8.03	7.32	6.92	6.51

Source: Finance Accounts

The total outstanding loans advanced by the State Government decreased by ₹ 0.06 crore from ₹ 253.29 crore in 2021-22 to ₹ 253.23 crore in the year 2022-23. State government did not receive any interest during 2018-23.

⁵ Example for 2022-23 Average interest rate calculation: -Total outstanding debt ₹ 10,862.94 crore (2021-22) Plus Total outstanding debt ₹ 12,696.89 crore (2022-23) = Average outstanding Debt ₹23,559.83 crore/ 2 = ₹ 11,779.92 crore; Interest paid during 2022-23 = ₹ 718.18 crore; Average interest rate in per cent = ₹ 718.18 crore / ₹ 11,779.92 crore = 6.10 per cent.

(iii) Capital locked in incomplete projects**Investment in Incomplete Projects**

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

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

According to the information available in Appendix IX and Statement 16 of the Finance Accounts for the year 2022-23 (details given in *Appendix 2.4 A & B*), out of 15 works executing Departments, only nine departments furnished the details of works executed, to Audit.

These Departments had 101 ongoing projects were due to be completed on or before March 2023. As the remaining 6 departments did not furnish the details, actual number of incomplete projects in the State could not be ascertained by audit. Department-wise and age-wise information pertaining to incomplete projects of these nine departments as on 31 March 2023 is given in **Table 2.27** and **2.28**.

Table 2.27: Age profile of incomplete projects as on 31 March 2023*(₹ in crore)*

To be completed	No of incomplete projects	Estimated cost	Expenditure
Upto 2013-14	3	87.22	74.45
2013-14	2	6.80	5.37
2014-15	0	0	0
2015-16	1	8.41	5.21
2016-17	1	5.89	3.56
2017-18	7	134.41	26.05
2018-19	4	27.11	11.48
2019-20	19	644.70	294.81
2020-21	15	298.11	128.64
2021-22	16	138.56	138.29
2022-23	33	327.54	134.56
Total	101	1678.75	822.42

Source: Finance Accounts Vol-II, Appendix IX

Table 2.28: Department-wise profile of incomplete projects as on 31 March 2023 (₹ in crore)

Department	No. of incomplete projects	Estimated cost	Expenditure
Food & Civil Supplies	10	19.88	13.26
Animal Husbandry & Veterinary Services	5	4.82	1.64
Building & Housing	26	606.00	265.52
Director General of Police	2	20.48	18.00
Tourism & Civil Aviation	15	670.31	289.58
Urban Development	22	157.69	113.00
Public Health Engineering	12	120.41	86.77
Sports and Youth Affairs	9	79.17	34.65
Total	101	1678.75	822.42

Source: Finance Accounts Vol-II, Appendix IX

Out of these 101 projects, 14 projects (sanctioned cost ₹242.73 crore and expenditure ₹114.64 crore) were on-going for five years or more.

Further, department-wise analysis revealed that out of these 101 incomplete projects, which were scheduled to be completed by 31 March 2023, Building & Housing Department had the highest number of incomplete projects (26) followed by Urban Development (22); Tourism & Civil Aviation (15) and Public Health Engineering (12).

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

2.4.3 Expenditure priorities

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

Table 2.29 presents analysis of the fiscal priority of the State Government about Capital Expenditure (CE), Expenditure on Education Sector and Health Sector *vis-à-vis* Total Expenditure (TE) with their comparison to North-eastern and Himalayan (NE&H) States in 2018-19 and 2022-23.

Table 2.29: Expenditure priority of the State w.r.t. Health, Education and Capital expenditure

<i>(in per cent)</i>					
Year	Particulars	TE/GSDP	CE/TE	Education/TE	Health/TE
2018-19	NE & H States Average	27.30	16.11	17.70	6.48
	Sikkim	23.11	19.67	15.75	6.20
2022-23	NE & H States Average	27.24	15.52	15.77	6.95
	Sikkim	23.41	23.75	15.28	6.28

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

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

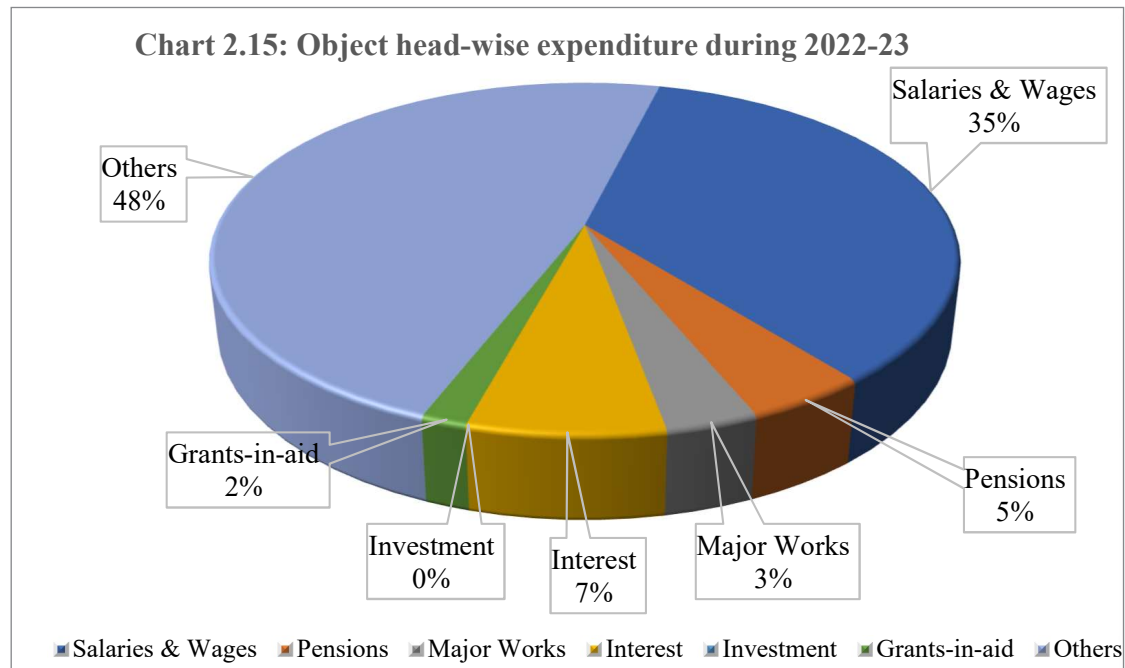
Table 2.29 shows that:

- The State Government's total expenditure as proportion of GSDP, increased from 23.11 *per cent* in 2018-19 to 23.41 *per cent* in 2022-23 whereas for NE&H States it decreased from 27.30 *per cent* to 27.24 *per cent* during the same period.
- Capital expenditure facilitates asset creation which generates opportunities for higher growth. The ratio of capital expenditure to total expenditure increased from 19.67 *per cent* in 2018-19 to 23.75 *per cent* in 2022-23. Whereas this ratio for NE&H States decreased from 16.11 *per cent* to 15.52 *per cent* during the same period.
- The ratio of expenditure on education to the total expenditure in Sikkim decreased from 15.75 *per cent* in 2018-19 to 15.28 *per cent* in 2022-23. Similarly, it also decreased from 17.70 *per cent* to 15.77 *per cent* in the case of NE&H States during the same period.

- The ratio of expenditure on health to total expenditure in Sikkim slightly increased from 6.20 per cent in 2018-19 to 6.28 per cent in 2022-23. Similarly, it also increased from 6.48 per cent to 6.95 per cent in the case of NE&H States during the same period.

2.4.4 Object head-wise expenditure

Object head-wise expenditure gives information about the object/ purpose of the expenditure. **Chart 2.15** shows object head-wise expenditure.



Source: Finance Accounts 2022-23

2.5 Public Account

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

2.5.1 Net Public Account Balances

The sector-wise and sub-sector-wise net balances in Public Account of the State is given in **Table 2.30**.

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

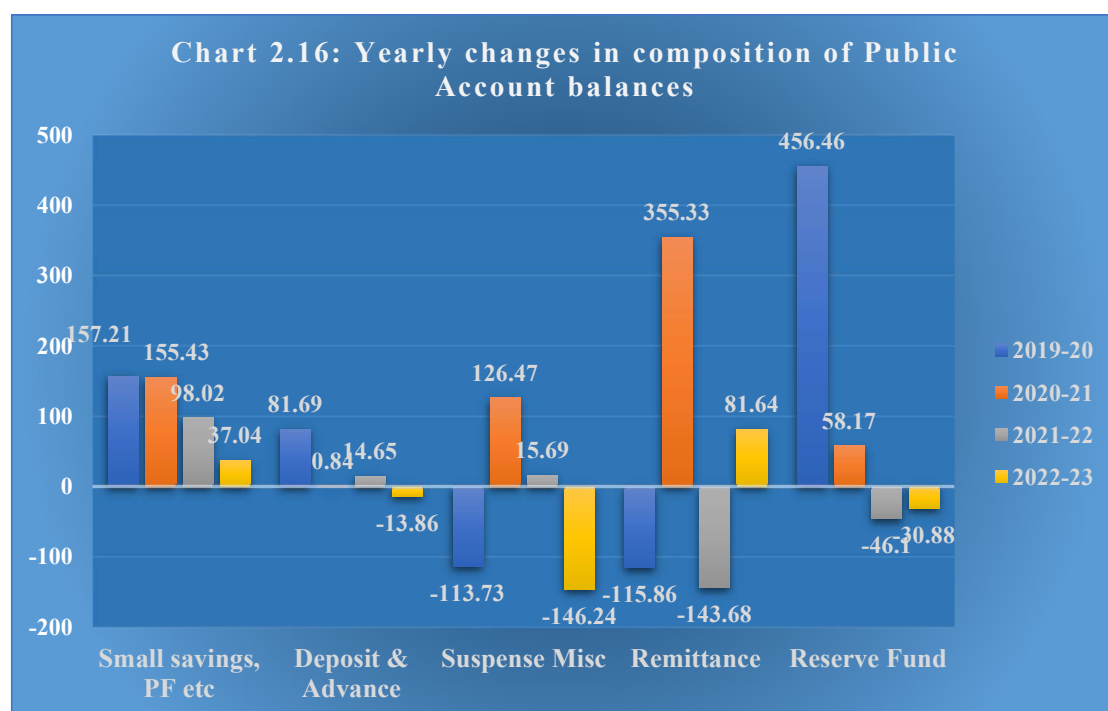
(₹ in crore)

Sector	Sub Sector	2018-19	2019-20	2020-21	2021-22	2022-23
Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	1,005.65	1,162.86	1,318.29	1,416.32	1,453.36
Reserve Funds	(a) Reserve Funds bearing Interest	23.08	391.31	376.29	296.69	234.07
	(b) Reserve Funds not bearing Interest	543.12	631.35	704.54	738.03	769.77
	Sub total	566.2	1,022.66	1,080.83	1,034.72	1,003.84
Deposits and Advances	(a) Deposits bearing Interest	29.54	66.12	83.15	68.52	52.24
	(b) Deposits not bearing Interest	250.27	295.38	279.19	308.46	310.88
	(c) Advances	(-1.03)	(-1.03)	(-1.03)	(-1.03)	(-1.03)
	Sub total	278.78	360.47	361.31	375.95	362.09
Suspense and Miscellaneous	(a) Suspense	6.58	4.56	5.20	5.48	9.38
	(b) Other Accounts	324.34	212.63	338.46	353.87	203.73
	(c) Accounts with Governments of Foreign Countries	0	0	0	0	0
	(d) Miscellaneous	0	0	0	0	0
	Sub total	330.92	217.19	343.66	359.35	213.11
Remittances	(a) Money Orders, and other Remittances	274.19	158.33	513.66	369.97	451.61
	(a) Inter- Governmental Adjustment Account	0	0	0	0	0
	Sub total	274.19	158.33	513.66	369.97	451.61
Total		2,455.74	2,921.51	3,617.75	3,556.33	3,484.01

Source: Finance Accounts of respective years

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

The yearly changes in composition of balances in Public Account over the five-year period 2018-23 are given in Chart 2.16.



Source: Finance Accounts of respective years

2.5.2 Reserve Funds

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

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

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 or from outside agencies. It comprises interest bearing reserve funds and reserve funds not bearing interest.

Details of Reserve Funds are available in Statements 21 and 22 of the Finance Accounts. There were four interest bearing funds and two Reserve Funds not bearing interest as on 31 March 2023. The fund balances lying in these Reserve Funds as on 31 March 2023 are given in **Table 2.31**.

Table 2.31: Detail of Reserve Funds

(₹ in crore)

Sr. No.	Name of Reserve Fund	Balance as on 31 March 2023
A	Reserve Funds bearing Interest	234.07
1.	State Disaster Response Fund	10.05
2.	State Compensatory Afforestation	209.49
3.	State Disaster Mitigation Fund	14.53
B	Reserve Funds not bearing Interest	769.77
1.	Sinking Funds	566.47
2.	Guarantee Redemption Fund	71.45
3.	Other Funds	131.85
	Grand Total	1,012.84

Source: Finance Accounts

2.5.2.1 Consolidated Sinking Fund

The State Government constituted a Consolidated Sinking Fund for redemption of the open market loans of the Government commencing from 2004-05. As per guidelines of the Fund, the Government is required to contribute to the fund at the rate of one to three *per cent* of the outstanding open market loans as at the end of the previous year. The scope of this fund has been extended to cover all outstanding liabilities of the Government through a notification by the State issued on 18 August 2007 based on recommendations of the XII FC. For the year 2022-23, the flow of Consolidated Sinking Fund is detailed in **Table 2.32**.

Table 2.32: Flow of Consolidated Sinking Fund during 2018-23

(₹ in crore)

Year	Opening balance	Additions to the Fund (contribution and interest)			Payments out of the Fund	Closing balance	Amount invested
		Required contribution	Actual contribution	Interest accrued			
2018-19	386.79	36.21	12.00	29.96	Nil	428.75	428.75
2019-20	428.75	44.16	12.00	36.17	Nil	476.92	476.92
2020-21	476.92	48.95	12.00	29.23	Nil	518.15	518.15
2021-22	518.15	61.87	12.00	21.32	Nil	551.47	551.47
2022-23	551.47	76.58	15.00	0.00	Nil	566.47	566.47
Total				116.68			

Source: Finance Accounts of respective years

According to the guidelines of the Fund, State may contribute a minimum of 1 to 3 per cent of their outstanding open market loan⁶ at the end of the previous year to the Consolidated Sinking Fund. However, during 2022-23, Government contributed ₹15.00 crore (which is less than minimum one per cent i.e. ₹ 76.58 crore) and closing balance stood at ₹ 566.47 crore at the end of the year.

2.5.2.2 State Disaster Response Fund

Government of India (GoI) replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 01 April 2010 as per the recommendations of the XII FC.

In terms of guidelines on constitution and administration of the State Disaster Response Fund (under Major Head- '8121 General & Other Reserve Funds' which is under interest bearing section), the Central and State Governments are required to contribute to the fund in the proportion of 90:10. During the year 2022-23, the State Government received ₹42.40 crore as Central Government's share. The State Government's share during the year is ₹4.80 crore. The State Government transferred ₹47.20 crore (Central share ₹42.40 crore, State share ₹4.80 crore) to the Fund under Major Head 8121-122 SDRF. The State received ₹55.23 crore from the Central Government towards NDRF, out of which ₹55.23 crore was transferred to the fund as on 31 March 2023. The flow of the Fund, during the last five-year period is given in **Table 2.33**.

Table 2.33: Flow of State Disaster Response Fund during the year 2018-23

(₹ in crore)

Year	Opening balance	Contribution by		NDRF	Accrued interest	Total	Amount spent	Closing balance	Investment out of CB
		Centre	State						
1	2	3	4	5	6	7=(2 to 6)	8	9=7-8	10
2018-19	13.32	32.40	3.60	54.93	2.23	106.48	83.89	22.59	22.50
2019-20	22.59	34.20	3.80	-	2.19	62.78	34.81	27.96	17.50
2020-21	27.96	50.00	6.00	73.86	2.57	160.39	116.85	43.54	0.00
2021-22	32.35*	40.00	4.80	-	2.68	79.83	78.74	1.09	0.00
2022-23	1.09	42.40	4.80	55.23	1.63	105.15	95.09	10.06	0.00

Source: Finance Accounts of respective years

*Out of ₹ 43.55 crore, proforma correction ₹ 11.20 crore to minor head 130-State Disaster Mitigation Fund as per Government of India guidelines.

During the year 2022-23, the State Government incurred an expenditure of ₹ 95.09 crore on natural calamities. As on 31 March 2023, the Fund had a closing balance of ₹10.06 crore as detailed in **Table 2.34**.

Table 2.34: Details of expenditure charged to SDRF

(₹ in crore)

Major Head of Account	Minor Head of Account	Expenditure during 2022-23
2245- Relief on Account of Natural Calamities 02- Floods, Cyclones etc.	101-Gratuitous Relief	7.44
	106-Repairs and Restoration of Damaged Roads and Bridges	7.20
	109-Repairs and Restoration of Damaged Water supply, drainage and sewerage works	0
	122-Repairs and Restoration of Damaged Irrigation and Flood Control Works	0

⁶ Market loans = ₹ 7658 crore (Finance Accounts 2022-23)

Major Head of Account	Minor Head of Account	Expenditure during 2022-23
	193-Assistance to Local Bodies and Other Non-Government Bodies/ Institutions	0
	911- Deduct recoveries of overpayments	0
	Sub Total	14.64
2245- Relief on Account of Natural Calamities 80-General	800-Other Expenditure	80.45
	911- Deduct recoveries of overpayments	0
	Sub Total	80.45
Grand Total		95.09

Source: Finance Accounts and detailed Appropriation Accounts

It was observed that minor head 800-Other Expenditure included expenditure on ACA for CRF to calamity relief works executed under the detail Head 74 for ₹53.14 crore and on other works relief on account of natural calamities for ₹27.31 crore executed under Head 73.

2.5.2.3 State Disaster Mitigation Fund

The State Disaster Mitigation Fund (SDMF) is to be constituted under section 48(1) (c) of the Disaster Management Act, 2005. This Fund is exclusively for the purpose of mitigation project in respect of disaster covered under State Disaster Response Fund (SDRF)/National Disaster Response Fund (NDRF) guidelines and the State specific local disaster notified by the State Government from time to time. The State Government has created the SDMF vide Notification No.33-02/2020-NDM-I, dated 14 January 2022 under Major Head 8121-130-State Disaster Mitigation Fund. During the year 2022-2023, the State Government received ₹10.00 crore from the Central Government, pertaining to year 2021-22, which was not transferred to the SDMF and retained by the Government resulting in understatement of Revenue Expenditure to the extent of ₹10.00 crore.

Central Government share of ₹10.60 crore for the year 2022-23 was released but was not booked in accounts during the year due to late receipt of sanction order in the State. Further, the State Government's share for 2022-23 was ₹1.20 crore which the State Government transferred to the fund as on 31 March 2023. The State Government has not invested ₹22.82 crore as on 01 April 2022 and retained the same. However, interest was not provided by the Government.

2.5.2.4 Guarantee Redemption Fund

The State Government constituted the Guarantee Redemption Fund to be administered by the State Bank of Sikkim (SBS). The notification stipulates that the State Government shall initially contribute a minimum of ₹1.72 crore. The Government is required to contribute an amount equivalent at least to 1/5th of the outstanding invoked guarantees plus an amount likely to be invoked as a result of the incremental guarantees issued during the year. However, it is open to the Government to increase contribution to the fund at its discretion. During the year, Government contributed ₹3.00 crore as against an unknown amount required to be contributed to the Fund because the State Government has not worked out the details of Guarantees likely to be invoked. The total accumulation of the Fund was ₹71.45 crore as on 31 March 2023. The detailed account of the Fund as on 31 March 2023 is given in **Table 2.35**.

Table 2.35: Guarantee Redemption Fund

(₹ in crore)

Particulars	Amount
Opening Balance	68.45
Addition	3.00
Interest	0.00
Total	71.45
Amount expended from the Fund	Nil
Closing Balance	71.45
Amount invested	68.00
Amount not invested	3.45

Source: Finance Accounts

During 2022-23, the State Government transferred ₹3.00 crore to the Guarantee Redemption Fund. No guarantees were invoked during the year. The fund had a corpus of ₹71.45 crore at the end of the year out of which ₹68.00 crore stood invested. Thus, there was an un-invested amount of ₹3.45 crore.

Department stated (December 2023) that the entire amount has been invested. However, the same has not been reflected in the Finance Accounts 2022-23.

2.5.2.5 Educational Cess Fund

As per the Sikkim Educational Cess on Alcoholic Beverages Act, 2007 (Act No.9 of 2007) for the purpose of promoting education in the State of Sikkim, Government is levying and collecting Educational Cess on alcoholic beverages manufactured in Sikkim as well as imported from other states for consumption in Sikkim. However, the State Government has not formed any Rule for creation of Educational Cess Fund. Therefore, the utilisation of Cess was not readily ascertainable. The details of Educational Cess collected for the period 2018-23 is given in **Table 2.36**.

Table 2.36: Position of Educational Cess Fund during 2018-23

(₹ in crore)

Year	Total educational cess collected	Deposited into the Revenue Head 0045-112-03	Transferred to educational cess fund	Remarks
2018-19	7.37	7.37	Nil	Fund yet to be created
2019-20	7.21	7.21	Nil	
2020-21	6.09	6.09	Nil	
2021-22	7.44	7.44	Nil	
2022-23	8.51	8.51		

Source: Departmental Information

During the period 2018-23, total Educational Cess of ₹36.62 crore was collected by the Excise Department. However, the Education Department has not initiated any action to draft Rules to prescribe the modalities for utilisation of EC so collected, as required under Section 7 of the Act. Thus, the collection ₹36.62 crore as cess without even creating the cess fund indicated that the amount collected was not being utilised for the purpose for which it was collected.

2.5.2.6 Cess under Sikkim Transport Infrastructure Development Fund (STIDF)

The “Sikkim Transport Infrastructure Development Fund” was established to develop, maintain or improve transport infrastructure in Sikkim and for such purpose, it was

decided to levy and collect cess on sale of motor spirit commonly known as petrol and high speed diesel and to provide for matters connected therewith or incidental thereto. The Act came into force since August 2004. During the year 2022-23, the total collections and transfers of the Fund is given in **Table 2.37**.

Table: 2.37: Details of Cess under STIDF

(₹ in crore)

Collections under 'MH 0045-112-01'	Amount transferred to 'Sikkim Transport Infrastructure Development Fund'	Amount yet to be transferred to 'Sikkim Transport Infrastructure Development Fund'
34.68	34.68	Nil

Source:-VLC data and Finance Accounts

It can be seen from **Table 2.37** that the State Government transferred total collected amount of ₹34.68 crore to Fund.

During the year, the State Government adjusted an expenditure of ₹ 30.94 crore from Sikkim Transport Infrastructure Development Fund.

2.5.2.7 Cess under Sikkim Ecology and Environment Fund

To protect and improve environment in Sikkim, Government of Sikkim established a fund known as "Sikkim Ecology and Environment Fund" in 2007 and the Cess is levied on every dealer, manufacturer, Government department, PSU, Autonomous Body or other organisation who bring non-bio-degradable materials (as specified) from outside the State for selling, business, manufacturing, producing any products or use for whatsoever purpose in the State.

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

The expenditure incurred by the State Government towards environment is depicted in the Finance Accounts up to the level of Minor Head under various functional head of accounts. During the year 2022-23, the Government of Sikkim incurred ₹3.79 crore against the budget allocation of ₹9.84 crore under Major Heads 3435. During the previous year 2021-22, the Government of Sikkim incurred ₹3.57 crore against the budget allocation of ₹11.81 crore under Major Heads 3435.

During the year 2022-23, total Cess collection was ₹0.08 crore (M.H. 0045-112-02) which was not transferred to the fund.

2.5.2.8 Sikkim Compensatory Afforestation Fund

In compliance with the instructions issued by the Ministry of Environment and Forests, Government of India, vide their letter No.5-1/2009-FC dated 28 April, 2009 and guidelines of 02 July 2009, the State Governments are required to establish the State Compensatory Afforestation Fund Management and Planning Authority (State CAMPA) which will administer the amount received and utilisation of the monies collected for undertaking compensatory afforestation, assisted natural regeneration,

conservation and protection of forests, infrastructure development, wildlife conservation and protection and other related activities and matters connected therewith or incidental thereto. Accordingly, the State Government constituted State CAMPA *vide* notification no. 107/Home/2009 dated 12 August 2009.

During the year 2022-23, the State Government did not receive any amount (no amount in previous year) from the user agencies and nor remitted any amount to the National fund (no amount in previous year). The Government also did not receive any amount (no amount in previous year) from National Compensatory Afforestation Deposit. The total balance in the State Compensatory Afforestation Fund as on 31 March 2023 was ₹209.49 crore. The State Government did not transfer ₹0.04 crore to the Fund under Major Head 8121-129-State Compensatory Afforestation Fund in Public Account as on 31 March 2023.

The status of receipts and disbursements under the Fund as on 31 March 2023 is given in **Table 2.38**.

Table 2.38: Status of the State Compensatory Afforestation Fund

(₹ in crore)			
Opening Balance as on 01 April 2022	Receipt during the year	Disbursement during the year	Closing balance as on 31 March 2023
272.29	17.20 ⁷	80.00	209.49

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

The State received ₹17.20 crore during the year 2022-23 towards State Compensatory Fund. Out of total fund, only ₹80.00 crore was spent and there was an unspent balance of ₹209.49 crore. The State Government paid ₹seven crore as interest out of total interest accrued of ₹ 9.12 crore⁸.

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

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

In addition to investments in Corporations, Companies and Co-operative societies, State Government also provided loans and advances to many institutions/ organisations. **Table 2.26** presents the outstanding loans and advances as on 31 March 2023 along with interest receipts *vis-à-vis* interest rates of long-term loans borrowed by government during the five-year period from 2018-23. There was opening balance of Loan and advance of ₹253.29 crore and net addition during the year was ₹ (-) 0.06 crore resulted in closing balance of ₹ 253.23 crore during 2022-23.

Though the Government had not given any Loans and Advance to PSUs during the year 2022-23, but it had paid ₹198.95 crore to three PSUs (SHDB, STCS and SIDICO) towards repayment of principal and interest against the loans taken by the Government through these PSUs from Financial Institutions (HUDCO, Bank of Maharashtra, Central Bank of India, NABARD and Union Bank of India).

⁷ Transferred from MH 2049-05-901 Interest on General and other Reserve Fund.

⁸ Interest is calculated at the rate of 3.35 per cent on ₹ 272.29 crore (as per instruction of GOI Ministry of Environment, Forest, and Climate Change)

No interest on loans and advances was received by the Government during the financial year 2022-23.

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

Assistance provided by way of grants to the local bodies and other institutions during the period 2018-19 to 2022-23 is presented in **Table 2.39**.

Table 2.39: Financial assistance to Local Bodies and other institutions

(₹ in crore)					
Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
(A) Local Bodies					
Municipal Corporations and Municipalities	16.90	0.70	0.00	0.00	0.00
Panchayati Raj Institutions	35.46	184.13	37.76	45.82	47.72
Total (A)	52.36	184.83	37.76	45.82	47.72
(B) Others					
Educational Institutions (Aided Schools, Colleges, Universities, etc.)	0.00	0.00	0.00	0.00	0.00
Development Authorities	0.00	0.00	0.00	0.00	0.00
Hospitals and Other Charitable Institutions	0.00	0.00	0.00	0.00	0.00
Other Institutions	359.03	68.14	73.05	102.37	121.00
Total (B)	359.03	68.14	73.05	102.37	121.00
Total (A+B)	411.39	252.97	110.81	148.19	168.72
GIA on Salary	322.14	184.13	37.77	54.72	55.78
GIA for creation of Capital assets	0.00	0.00	0.00	0.00	0.00
GIA for non-salary	89.25	68.84	73.04	93.47	112.94
GIA given in kind	0.00	0.00	0.00	0.00	0.00
Revenue Expenditure	5,226.57	6,185.08	6,368.65	6,668.84	7,630.58
Assistance as percentage of Revenue Expenditure	7.87	4.09	1.74	2.22	2.21

Source: Finance Accounts

During the current year, financial assistance to the local bodies and other institutions increased by ₹ 20.53 crore (13.85 per cent) over the previous year. The increase was mainly due to increase in assistance to Panchayati Raj Institutions (₹ 1.90 crore: 4.15 per cent) and other Institutions (₹ 18.63 crore: 18.20 per cent). The overall quantum of financial assistance to the local bodies and other institutions as percentage to revenue expenditure decreased to 2.21 per cent during the current year from 2.22 per cent of the previous year.

The financial assistance given for salary and for non-salary purpose during 2022-23 increased over the previous year. It was further noted that assistance on salary component had continuously showed an increasing trend during the last three years (except for the year 2020-21). Moreover, share of financial assistance on Salary and for non-salary purpose was given at an average rate of 59.94 per cent and 40.06 per cent respectively.

Major recipients of the financial assistance are shown in **Table 2.40**.

Table 2.40: Major recipients of financial assistance during the year 2022-23

(₹ in crore)		
Recipient	Scheme	Amount
Gram Panchayat	Grants-in-aid	33.38
Information and Technology Programme	Grants-in-aid	20.00
Zilla Parishads	Grants-in-aid	14.34
Monasteries, Shrines and Temples	Grants-in-aid	13.60
Other Rural Development Programme	Grants-in-aid	5.64
National Rural Health Mission	Grants-in-aid	5.50
State Health Society, Sikkim	Grants-in-aid	5.45
Institute of Hotel Management Gangtok	Grants-in-aid	5.12
Tourist Transport Service	Grants-in-aid	5.00

Source: Finance Accounts

2.6 Components of Fiscal Deficit and its financing pattern

The financing pattern of Fiscal Deficit has undergone a compositional shift as reflected in **Table 2.41**. Decomposition of Fiscal Deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above Revenue and Non-Debt Receipts.

Table 2.41: Fiscal Surplus/Deficit and its financing pattern

(₹ in crore)						
Particulars	2018-19	2019-20	2020-21	2021-22	2022-23	
Fiscal Surplus (+)/ Deficit (-)	(-)642.32	(-) 2,081.18	(-)2,273.54	(-)904.30	(-)1,903.32[^]	
Composition of Fiscal Deficit						
1 Revenue Surplus (+)/ Deficit (-)	+ 693.79	(-)1,343.81	(-)760.83	+411.88	473.22	
2 Net Capital Expenditure	(-)1,291.31	(-)720.61	(-)1,513.88	(-)1,315.78	(-)2,376.60	
3 Net Loans and Advances	(-)44.80	(-)16.76	1.17	0.40	0.06	
Financing Pattern of Fiscal Deficit						
1 Market Borrowings	790.29	432.07	1,292.00	1,471.00	1,320.00	
2 Special Securities issued to NSSF	(-)15.05	(-)13.46	(-)16.10	(-)16.10	(-)16.10	
3 Loans from Financial Institutions	(-)0.6	(-)2.39	17.20	15.40	23.67	
4 Loans from GOI	(-)5.33	3.21	191.86	292.40	541.59	
5 Small Savings, PF, etc.	93.93	157.21	155.43	98.03	37.04	
6 Deposits and Advances	15.53	81.69	0.84	14.64	(-)13.86	
7 Suspense and Miscellaneous	(-)587.95	1,392.35	(-)33.19	(-)747.83	(-)146.24	
8 Remittances	130.65	(-)115.86	355.33	(-)143.68	81.64	
9 Reserve Fund	5.25	407.27	16.93	(-)72.01	(-)30.88	
10 Overall Deficit	165.42	2,342.09	1,980.30	911.85	1,796.86	
11 Increase (-)/ Decrease (+) in cash balance	+476.90	(-)260.91	+293.24	(-)7.55	106.46	
12 Gross Fiscal Surplus (+)/ Deficit (-)	(-)642.32	(-)2,081.18	(-)2,273.54	(-)904.30	(-)1,903.32	

Source: Finance Accounts

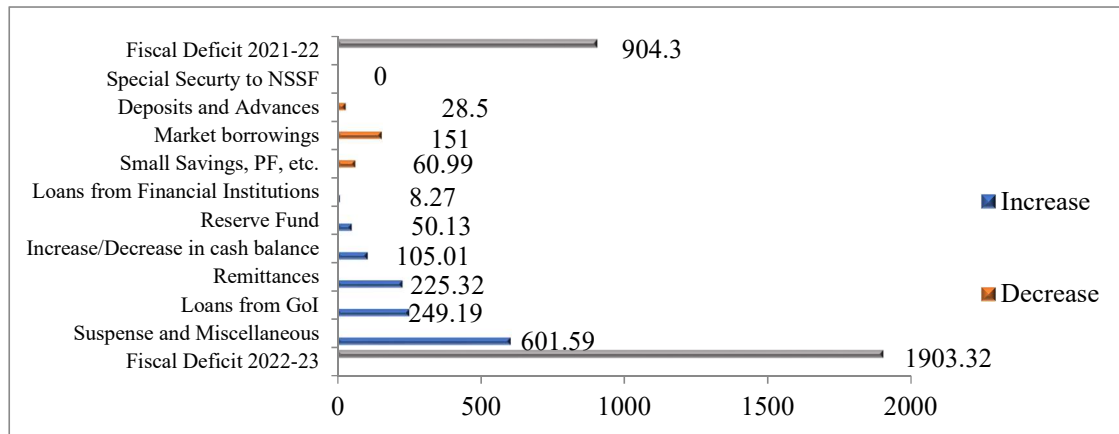
[^] Fiscal Deficit was before adjustment of understated amount of ₹30.80 crore as mentioned in para 1.5

* All these figures are net of disbursements/outflows during the year

Composition of Fiscal Deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above Revenue and Non-Debt Receipts. Market Borrowings continued to finance a major portion of Fiscal Deficit. Its share in financing Fiscal Deficit decreased from 162.67 per cent in 2021-22 to 69.35 per cent in 2022-23. During 2022-23, the Fiscal Deficit of ₹ 1,903.32 crore was mainly met from the Market Borrowings (₹1,320 crore).

The State had Fiscal Deficit continuously from 2018-19 to 2022-23. During 2022-23 the State had Fiscal Deficit of ₹1,903.32 crore.

Chart 2.17: Financing of Fiscal Deficit[^] expressed through a waterfall chart



Source: Finance Accounts

[^] Fiscal Deficit was before adjustment of understated amount of ₹30.80 crore as mentioned in para 1.5

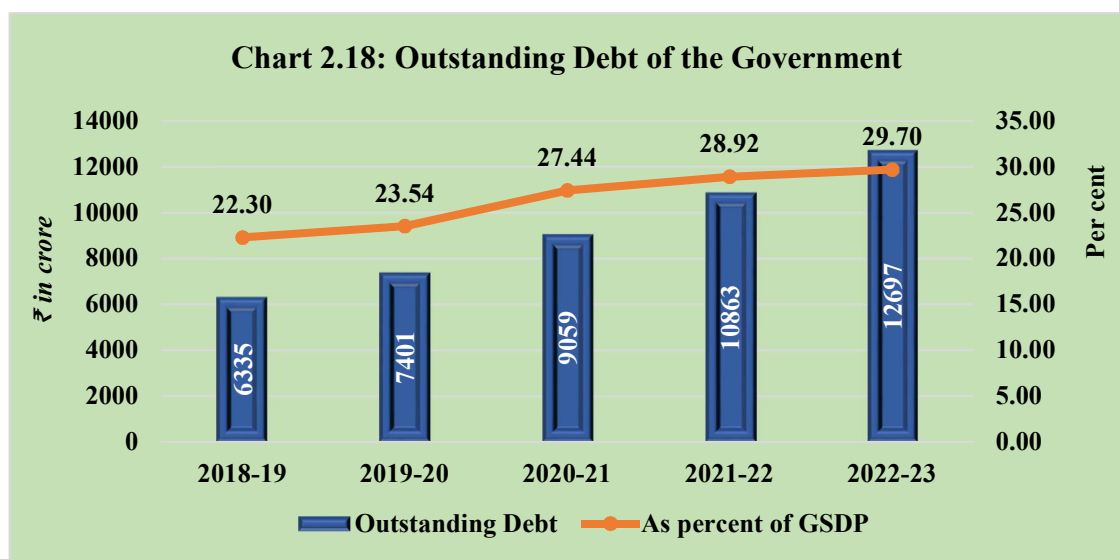
2.7 Public Liability Management

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

Table 2.42: Total Outstanding liabilities during 2018-23

	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Debt	6,335.00	7,401.00	9,059.00	10,862.94	12,696.89
Rate of growth of outstanding debt (Percentage)	16.22	16.84	22.40	19.91	16.88
Gross State Domestic product (GSDP)	28,402	31,441	33,018	37,557	42,756
Debt/GSDP (per cent)	22.30	23.54	27.44	28.92	29.70

Source: Finance Accounts



Source: Finance Accounts

The debt/GSDP ratio of the State rose from 22.30 *per cent* in 2018-19 to 29.70 *per cent* in 2022-23. The ratio for NE&H States excluding Sikkim averagely ranged from 33.84 *per cent* in 2018-19 to 38.54 *per cent* in 2022-23. During the same period, the internal debt of State government increased from ₹4,888.77 crore in 2018-19 to ₹ 9,395.95 crore in 2022-23.

2.7.1 Liabilities profile: Components

Total Liabilities of the State Government constitutes of Internal Debt (Market Loans, Special Securities issued to National Small Savings Fund and Loans from Financial Institutions, *etc.*) and Loans and Advances from the Central Government and Public Account liabilities. The status of outstanding Debt, Public Account liabilities, growth rate of debt, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2018-23 is as given in **Table 2.43**, and also in **Chart 2.19**.

Table 2.43: Component wise liabilities trends

	(₹ in crore)				
Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding liabilities	6,335.05	7,400.66	9,058.84	10,862.94	12,696.89
Public Debt					
Internal Debt	4,888.77	5,304.99	6,598.09	8,068.39	9,395.95
Loans from GoI	97.52	100.72	292.60	585.74	1,127.34
Public Account Liabilities	1,348.77	1,994.95	2,168.15	2,208.81	2,173.61
Small Savings, Provident Funds <i>etc.</i>	1,005.65	1,162.86	1,318.29	1,416.32	1,453.36
Reserve Funds bearing Interest	0.09	373.32	363.79	296.19	224.07
Reserve Funds not bearing Interest	63.22	97.27	123.73	119.32	133.06
Deposits bearing Interest	29.54	66.12	83.15	68.52	52.24
Deposits not bearing Interest	250.27	295.38	279.19	308.46	310.88
Rate of growth of outstanding liabilities (per cent)	16.22	16.84	22.40	19.92	16.88
Gross State Domestic Product (GSDP)	28,402	31,441	33,018	37,557	42,756
liabilities /GSDP (<i>per cent</i>)	22.30	23.54	27.44	28.92	29.70
Borrowings and Other Liabilities (as per Statement 6 of Finance Accounts)	6,335.05	7,400.66	9,058.84	10,862.94	12,696.89
Total Debt Receipts	2,007.04	2,294.67	2,765.71	2,814.83	3,119.24
Total Debt Repayments	1,123.01	1,229.06	1,107.54	1,011.47	1,285.29
Net Funds available	884.03	1,065.61	1,658.17	1,803.36	1,833.95
Repayments Receipts (<i>per cent</i>)	55.95	53.56	40.05	35.93	41.21
Off budget borrowings	504.40	245.60	278.64	453.55	1,000.15
Percentage of Interest payment to Revenue Receipt	7.31	10.53	9.78	8.97	8.86
Debt Repayment /Debt Receipts (in <i>per cent</i>)	55.95	53.54	40.04	35.93	41.21

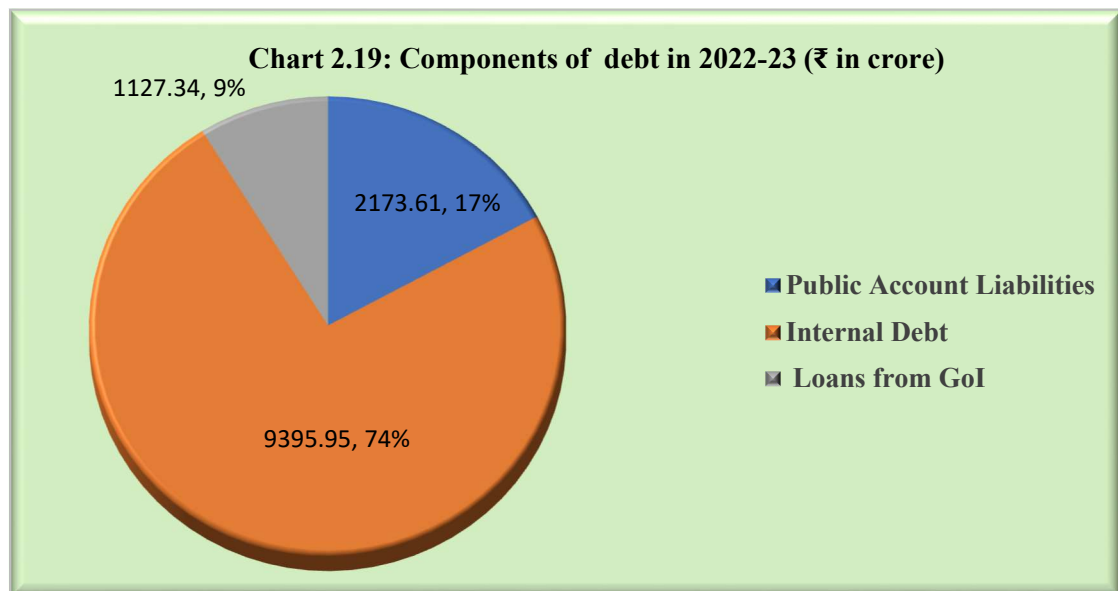
Source: Finance Accounts

During the period 2018-23, total Outstanding Debt of the State doubled from ₹6,335.06 crore in 2018-19 to ₹12,696.89 crore in 2022-23. During the current year, it increased by 16.87 *per cent* over the previous year. The reasons for increase in Outstanding Debt were mainly due to increase in Market Loans (Internal Debt) and

Loans and Advances from Central Government which was offset by decreased in Public Debt. Further, During the period 2018-23, total outstanding Public Account Liabilities of the State increased by 61.15 per cent (₹824.84 crore) from ₹1,348.77 crore in 2018-19 to ₹2,173.61 crore in 2022-23. However, it decreased by 11.59 per cent (₹35.20 crore) from ₹2,208.81 crore in 2021-22 to ₹2,173.61 crore in 2022-23 during mainly due to decrease in Reserve Funds and Deposits.

During the current year, against total debt receipts of ₹3,119.24 crore, of which the Government repaid ₹1,285.29 crore. As a result, a total debt of ₹ 1,833.95 crore was available to Government during the year. The debt receipts of the State increased from ₹2,007.04 crore in 2018-19 to ₹3,119.24 crore in 2022-23. The debt receipts increased during the current year by ₹304.41 crore (10.81 per cent) over previous year. Similarly, the debt repayment of the State increased from ₹1,123.01 crore in 2018-19 to ₹1,229.06 crore in 2019-20 thereafter continue decreased upto 2021-22 and again increased from ₹1,011.47 crore in 2021-22 to ₹1,285.29 crore in 2022-23.

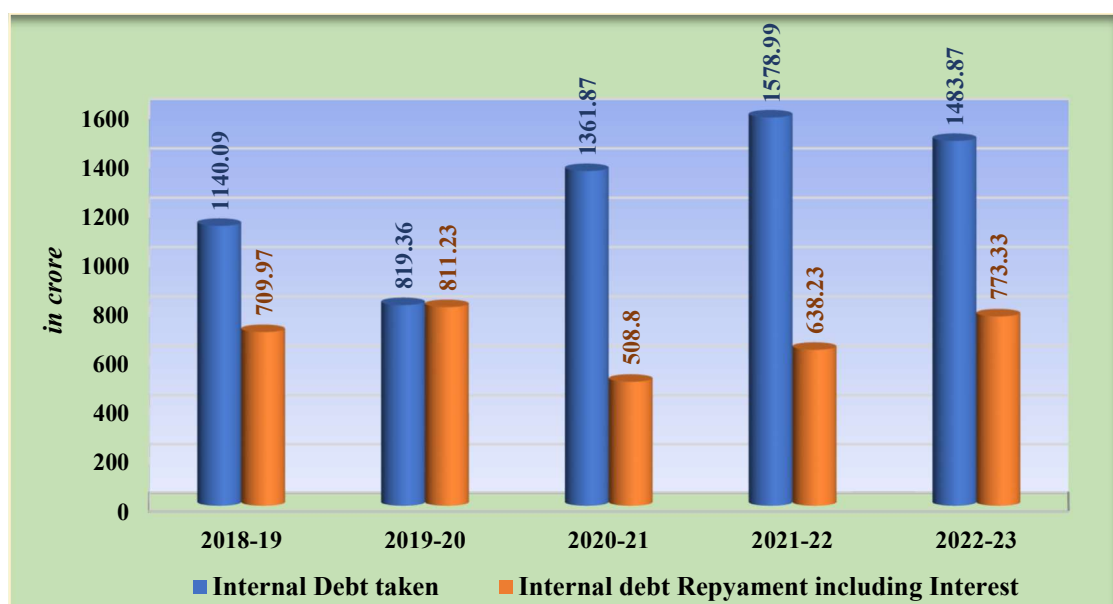
The ratio of total outstanding liability to GSDP ranged between 22.30 per cent in 2018-19 to 29.70 per cent in 2022-23 which is above the target fixed by SFRBM Act (28.10 per cent for 2022-23) and target fixed by XV FC (28.10 per cent for 2022-23). Further, during 2018-23, Public Debt constituted on an average 78 per cent of total debt and the growth rate of Outstanding Debt outpaced the growth rate of GSDP. This indicate that there would be increased pressure of debt repayment including interest on Public Debt in the forthcoming years.



Source: Finance Accounts

The receipts and payments of internal debt as per the Finance Accounts during the period 2018-23 is elaborated in **Chart 2.20**.

Chart 2.20: Internal debt taken and repayment including interest.



Source: Finance Accounts

Internal debt of the Government decreased by ₹320.73 crore in 2019-20 witnessing decrease of 28.13 per cent over previous year. There was sharp increase of ₹542.51 crore (66.21 per cent) during 2020-21 and increase of ₹217.12 crore (15.94 per cent) during 2021-22 but again decreased by ₹95.12 (6.02 per cent) crore during 2022-23 over previous year. The repayment of internal debt including interest decreased during the 2020-21 over previous year, but thereafter increased persistently and showed increase by ₹135.10 crore (21.17 per cent) in 2022-23 over previous year. Further, the Government had taken internal debt of ₹1,483.87 crore and repaid internal debt and interest amounting to ₹773.33 crore during 2022-23. Thus, net internal debt of ₹710.54 crore was available for the Government.

Public Debt increased by ₹ 5,537 crore (111.04 per cent) during the period 2018-23 wherein internal debt increased by ₹ 4,507.18 crore (92.19 per cent) and Loans from GoI increased by ₹ 1,029.82 crore (1,056.01 per cent). Public Account liabilities increased by ₹ 824.84 crore (61.15 per cent) during the period 2018- 23. Internal debt of the State Government increased by ₹343.78 crore (30.15 per cent) from ₹ 1,140.09 crore in 2018-19 to ₹1,483.87 crore in 2022-23. An amount of ₹773.33 crore was paid towards interest on internal debt during 2022-23.

Table 2.44 depicts financing pattern of the fiscal deficit during 2022-23.

Table 2.44: Receipts and Disbursements under various components financing the fiscal deficit

Particulars		Receipts	Disbursement	Net
1	Market Borrowings	1,414.00	94.00	1,320.00
2	Loans from GoI	553.03	11.44	541.59
3	Special Securities issued to National Small Savings Fund (NSSF)	0	16.10	(-)16.10
4	Loans from Financial Institutions	69.87	46.21	23.66
5	Small Savings, PF. etc.	461.21	424.17	37.04
6	Reserve Funds	188.85	219.73	(-)30.88
7	Deposits and Advances	371.78	385.64	(-)13.86

Particulars		Receipts	Disbursement	Net
8	Suspense and Miscellaneous	7,434.34	7,580.58	(-)146.24
9	Remittances	2,950.98	2,869.34	81.64
10	Overall Deficit			1,796.86
11	Increase (-)/Decrease (+) in cash balance	2,682.73	2,789.19	106.46
12	Gross Fiscal Deficit			(-)1,903.32 [^]

Source: Finance Accounts

[^] Fiscal Deficit was before adjustment of understated amount of ₹30.80 crore as mentioned in para 1.5

2.7.2 Debt profile: Maturity and Repayment

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

As per Annexure to Statement 17 of the Finance Accounts for the year 2022-23, the outstanding public debt of the State was ₹ 10,523.28 crore as on 31 March 2023. The maturity profile of the outstanding public debt stock along with interest payable thereupon during the next 10 years is as indicated in **Table 2.45** and **Chart 2.21**.

Table 2.45: Maturity Profile of repayment of Public debt of the State

(₹ in crore)

Period of repayment (years)	Principal Amount	Interest Amount	Public Debt (including interest)	Percentage (w.r.t total public debt)
0-1	296.00	21.58	317.58	2.81
1-3	1,884.71	137.40	2,022.11	17.89
3-5	3,033.26	221.13	3,254.39	28.80
5-7	4,240.48	309.13	4,549.61	40.26
7-10	17.59	1.28	18.87	0.17
Above 10	1,060.45	77.31	1,137.76	10.07
Total	10,532.49	767.83	11,300.32	100

Source: Finance Accounts

Table 2.45 indicates that the State Government has to repay 20.70 per cent (₹2,339.69 crore) of its public debt (including approximate interest) within the next three years, 28.80 per cent (₹ 3,254.39 crore) between 3-5 years, 40.26 per cent (₹4,549.61 crore) between 5-7 years and 0.17 per cent (₹ 18.87 crore) between 7-10 years. It signifies that the State has to repay 89.93 per cent of its debt (₹10,162.56 crore) in the next ten years.

Table 2.46 and **Chart 2.21** show the year-wise repayment schedule during next ten years of the Public Debt outstanding as on 31 March 2023.

Table 2.46: Repayment Schedule of Public Debt (including interest) during next 10 years i.e. up to 2032-33 debt Maturity profile of repayment of public debt

(₹ in crore)

Year	Repayment of				
	Principal			Interest	Total
	Internal Debt	Loans from Gol	Total		
2023-24	284.76	11.24	296.00	21.58	317.58
2024-25	402.03	11.22	413.25	30.13	443.38
2025-26	651.38	9.42	660.80	48.17	708.97
2026-27	801.18	9.48	810.66	59.10	869.76
2027-28	1,048.23	9.40	1,057.63	77.10	1,134.73
2028-29	1,126.44	8.70	1,135.14	82.75	1,217.89

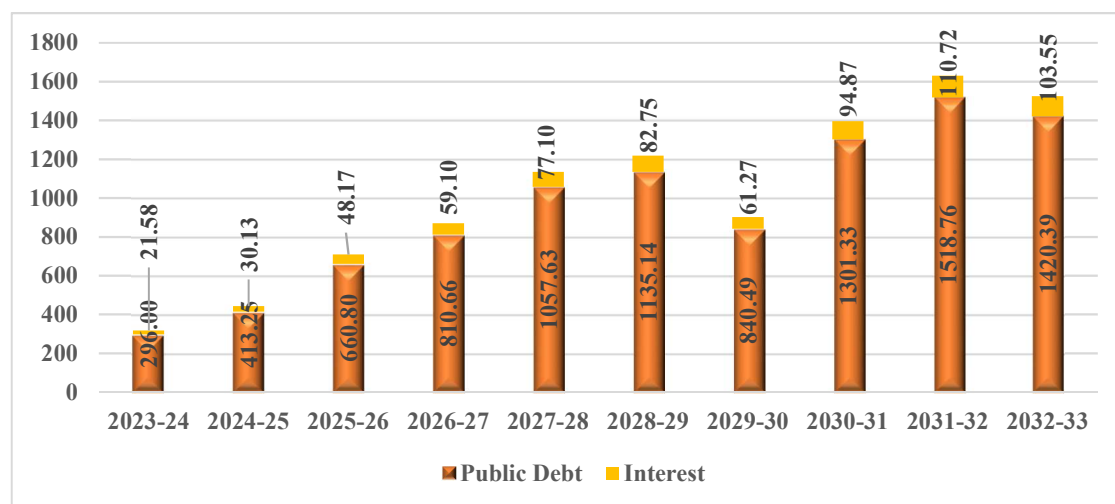
Year	Repayment of				
	Principal			Interest	Total
	Internal Debt	Loans from GoI	Total		
2029-30	832.07	8.42	840.49	61.27	901.76
2030-31	1,298.58	2.75	1,301.33	94.87	1,396.20
2031-32	1,516.04	2.72	1,518.76	110.72	1,629.48
2032-33	1,418.07	2.32	1,420.39	103.55	1,523.94
2033-73	17.16	1060.88	1078.04	78.59	1,156.63
Total	9,395.94	1,136.55*	10,532.49	767.83	11,300.32

Source:- Finance Accounts

Approximate interest calculated at an average interest rate of 7.29 per cent (average of interest rates for the last five years as given in Table 2.47)

* Difference of ₹ 9.21 crore between maturity profile and Statement No.17 of Finance Accounts is under reconciliation with Finance Department.

Chart 2.21: Repayment Schedule of Public Debt (including interest) during next 10 years i.e. upto 2032-33 Debt Maturity Profile



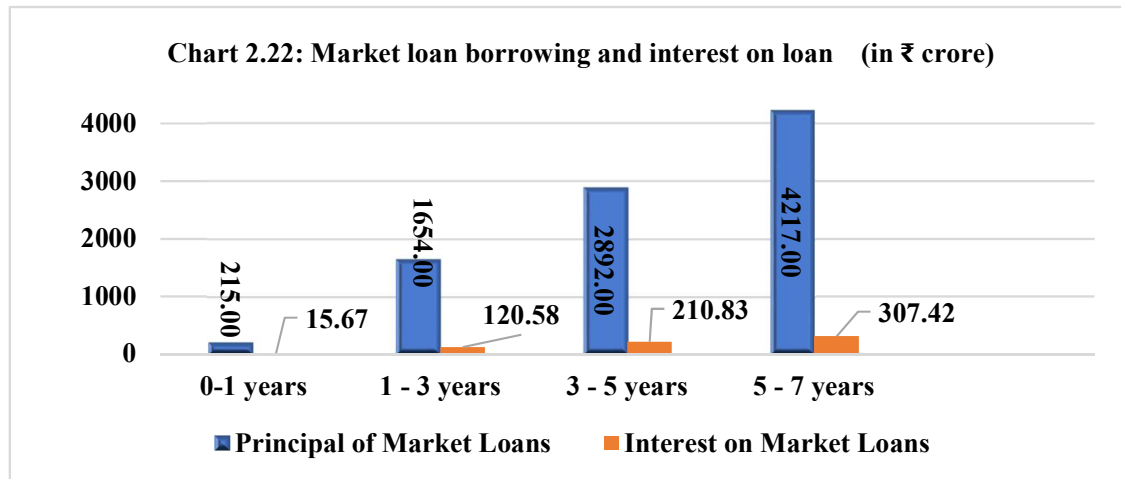
Source: Finance Accounts

Maturity profile of outstanding stock of public debt as on 31 March 2023 indicates that out of outstanding public debt of ₹ 10,532.49 crore, 89.76 per cent of outstanding public debt (₹ 9,454.45 crore) needs to be repaid within the next seven years while the remaining 10.24 per cent of outstanding public debt is in the maturity bracket of more than seven years. Of the total outstanding Public Debt, Internal Debt consisting of market borrowings, loans from NABARD and Special Securities issued to NSSF constituted 88.93 per cent (₹ 9,358.87 crore).

Further, based on the outstanding public debt stock as on 31 March 2023, repayment of Public Debt and Interest would increase from ₹ 317.58 crore in 2023-24 to ₹ 1,523.94 crore in 2032-33 (379.86 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 of the State Government.

Repayment schedule of Market Loans

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



Source: Finance Accounts and Departmental figure.

From **Chart 2.22**, it could be seen that the maximum burden on State finances on account of repayment of principal and interest falls in 5 to 7 years range when principal of ₹ 4,217 crore and interest of ₹ 307.42 crore is payable.

As on 31 March 2023, market loans amounting to ₹ 9,632.50 crore along with interest were due for repayment. The State will have to repay market loans of ₹ 3,072.79 crore (31.90 per cent) (₹ 2,864 crore as principal and ₹ 208.79 crore as interest) during the next five years *i.e.*, up to 2027-28. Market loans of 6,559.71 crore (68.10 per cent) (₹ 6,114 crore as principal and ₹ 445.71 crore as interest) will have to be repaid in subsequent five years period up to 2032-33.

2.8 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:

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

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

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

➤ **Debt Sustainability Indicators**

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

(A) Debt sustainability refers to the ability of the State to service its debt obligation now and in future. Analysis of variations in debt sustainability indicators is given in **Table 2.47** and **Chart 2.23**.

Table 2.47: Trends in debt Sustainability indicators

(₹ in crore)

Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt* (as on 31 March of the year)	4,986.29	5,405.72	6,890.69	8,654.13	10,523.28
Rate of Growth of Outstanding Public Debt	18.24	8.41	27.47	25.59	21.60
Rate of Growth of Revenue receipts	13.57	-18.23	15.83	26.27	14.45
GSDP	28,402	31,441	33,018	37,557	42,756
Rate of Growth of GSDP	9.36	10.70	5.02	13.75	13.84
Public Debt/GSDP (<i>percentage</i>)	17.56	17.19	20.87	23.04	24.61
Debt Maturity profile of repayment of State debt – including default history, if any	375.88	413.78	79.75	119.90	167.75
Public Debt Receipts	1,145.21	833.21	1,564.71	1,882.60	2,036.90
Public Debt Repayment	375.88	413.78	79.75	119.90	167.75
Interest paid on outstanding Public debt	353.93	417.06	450.05	537.88	624.19
⁹ Average interest Rate of Outstanding Public Debt (<i>per cent</i>)	7.69	8.03	7.32	6.92	6.51
Revenue deficit/ surplus without interest payment	1,047.72	(-) 926.75	(-) 310.78	985.76	1,097.41
Percentage of Interest payment (Public Debt) to Revenue Receipt	5.98	8.61	8.03	8.10	7.70
Percentage of Public Debt Repayment to Public Debt Receipt	32.82	49.66	5.10	6.37	8.24
Net Public Debt available to the State [#]	415.4	2.37	1,034.91	1,188.82	1,244.96
Net Debt available as <i>per cent</i> to Debt Receipts	20.70	0.10	66.14	63.15	61.12
Primary deficit (-)/ Primary surplus (+)	(-) 209.27	(-) 1,571.50	(-) 1,725.13	(-) 269.26	(-) 1,185.14
¹⁰ Debt Stabilisation (Quantum spread + Primary Deficit)	-324.52	-1753.49	-2206.79	-349.75	-1151.43
Total o/s Debt/Liabilities at the end of year	6,335.06	7,400.67	9,058.84	10,862.94	12,696.89
Total Debt Receipts	2,007.04	2,294.67	2,765.71	2,814.83	3,119.24

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

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

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

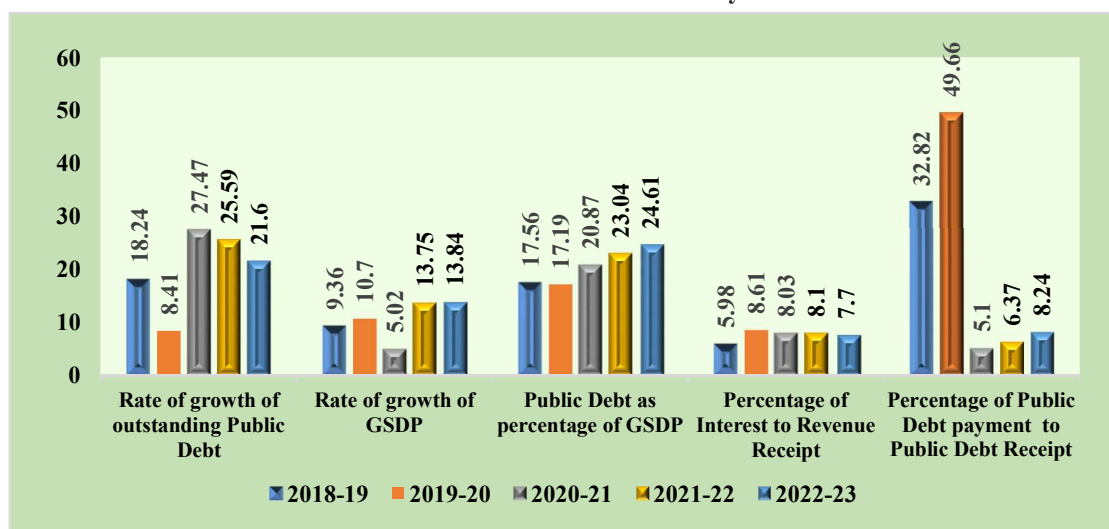
The growth rate of Revenue Receipts has been lower than the growth rate of debt during 2018-21 and 2022-23 but higher in 2021-22. The burden of interest payment ranged from 5.98 *per cent* to 8.61 *per cent* of the Revenue Receipts during 2018-23. Net Public Debt available to the State was positive during the five years. This was mainly due to decrease in Public Debt repayment by 80.72 *per cent* and increase in Public Debt receipts by 87.79 *per cent* during 2020-21 as compared to the previous year. Similarly, there was an increase in Public debt receipts and not much increase in public debt repayment in 2022-23 also. The Debt-repayment/ Debt receipts ratio sharply decreased to 5.10 *per*

⁹ Average Interest Rate = {Interest Payments on Public Debt/ [(Opening Balance of Public Debt + Closing Balance of Public Debt 2]}*100.

¹⁰ Quantum spread= Debt*(GSDP growth rate – interest rate)/100.

cent in 2020-21 from 49.66 per cent in 1919-20. However, it increased to 8.24 per cent in 2022-23 as compared to previous year.

Chart 2.23: Trends of Debt Sustainability indicators



- A falling debt-GSDP ratio can be considered as leading towards stability. Debt-GSDP ratio rose from 17.56 per cent in 2018-19 to 24.61 per cent in 2022-23 which cannot be considered as leading towards stability. Also, 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 in case it is positive, debt-GSDP ratio would eventually be falling. **Table 2.45** shows that this trend had been negative during 2022-23 which indicates that debt-GSDP ratio would eventually be rising.
- The ratio of interest payments to revenue receipts is also a good measure of debt sustainability. This ratio ranged between 5.98 per cent and 8.61 per cent during the period 2018-23, which was not much high.
- Higher the percentage of public debt repayments to public debt receipts' the greater the proportion of debt utilised for debt servicing rather than productively. Ratio of public debt repayments to public debt receipts ranged between 5.10 per cent and 49.66 per cent during the period 2018-23. During 2022-23 it was 8.74 per cent which means that most of the public borrowings were used productively.

(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)
If $g-r > 0$ (strong economic growth)	Real economic growth exceeds real interest rate provided that the PD registered is stable and consistent with debt/GSDP then the debt is sustainable.	Real economic growth exceeds real interest rate and records PS then debt/GSDP ratio shall decrease and debt tends towards stable level therefore sustainable.

g-r (g- real economic growth rate; r- real interest rate)	s<0 (primary deficit)	s>0 (primary surplus)
If g-r<0 (slow economic growth)	Real economic growth is lower than real interest rate and records PD. Then debt tends to increase without limitations and becomes unsustainable.	Real economic growth is lower than real interest rate and records PS. Then debt is no longer sustainable provided that it is not decreased in the medium or long run.

g: Real Economic growth rate; *r* : Real Interest rate

The results of applying the above parameters in the case of Sikkim, are shown in **Table 2.48**.

Table 2.48: Debt sustainability analysis based on Domar Model

Year	Growth	Average	g-r	Primary Deficit(-)/ Surplus(+)(s)	Remarks
	Rate (g) of GSDP	Interest Rate (r)		(₹ in crore)	
2018-19	5.38	3.79	1.59	(-)209.27	As $g-r > 0$ and $s < 0$; Public debt as percentage of GSDP should converge to a stable level.
2019-20	4.66	4.83	(-)0.17	(-)1571.5	As $g-r < 0$ and $s < 0$; Public debt as percentage of GSDP should increase indefinitely, without converging to a stable level.
2020-21	0.33	0.22	0.11	(-)1,725.13	As $g-r > 0$ and $s < 0$; Public debt as percentage of GSDP should converge to a stable level.
2021-22	5.99	0.78	5.21	(-)269.26	
2022-23	6.83	(-) 0.27	7.10	(-)1185.14	

Source: Ministry of Statistics & Programme Implementation, GOI

Note: Average CPI Index for ten months has been taken due to unavailability of CPI data for the months of April and May 2020. The GSDP growth rate is based on nominal price (at current price).

The State had primary deficit, during the period 2018-19 to 2022-23. The Domar gap (gr) remained positive during the year 2018-19 and 2020-21 to 2022-23, however during the year 2019-20, it was negative, showing that the Public Debt as percentage of GSDP could increase indefinitely, without converging to a stable level. As per the Domar model analysis of Debt sustainability. it may be stated that the public debt would converge to a stable level.

Further, in the pre Covid period of 2018-19 and 2019-20, the real growth rate of GSDP was an average of 5.02 *per cent* while Domar gap deteriorated in 2019-20 due to falling GSDP growth rate and increasing interest rate. In the post Covid period, the Domar gap has remained positive during 2021-22 and 2022-23 indicating that real interest rates have remained below the GSDP growth rates. However, the sustainability of public debt depends on whether the state economy maintains the real growth rate in the long run.

(C) Details of the achievements *vis-a-vis* targets set in the Finance Commission Recommendation (FCR) are shown in **Table 2.49**.

Table 2.49: Details of the achievements *vis-a-vis* targets set in the FCR

Fiscal Parameters		Achievement <i>vis-a-vis</i> target in the FCR				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (-) / Surplus (+) (as per cent of GSDP)	T	Maintain Revenue Surplus				
	A	2.44	(-4.27)	(-2.30)	1.10	1.11 [#]
Fiscal Deficit (-) / Surplus (+) (as per cent of GSDP)	T	(-3)	(-3)	(-5)	(-4)	(-4)
	A	(-2.26)	(-6.62)	(-6.89)	(-2.41)	(-4.45 [#])
Ratio of total outstanding liability to GSDP (in per cent)	T	19.32	19.04	24.64	27.50	28.10
	A	22.30	23.54	27.44	28.92	29.70
Guarantees (not exceed thrice the State's Tax Receipts of the second preceding year)	T	1,957.68	2,064.99	2,678.76	2,911.23	2,900.10
	A	425.45	3,455.04	3,749.32	4,107.03	4,533.50

[#] Revenue Surplus and Fiscal Deficit was before adjustment of understated amount of ₹393.65 crore and ₹30.80 crore respectively as mentioned in para 1.5

Moreover, the ratios of revenue deficit-GSDP decreased from 2.44 to 1.11, fiscal deficit-GSDP from 2.26 to 4.45 and outstanding liability-GSDP increased from 22.30 to 29.70 from 2018-19 to 2022-23. Although the outstanding liability-GSDP ratio exceeds the targets during 2018-19 to 2022-23, the Government maintained the targets of RD-GSDP during 2018-19 to 2022-23 except 2019-20 and 2020-21. However, during 2018-19 to 2022-23 target for FD-GSDP were achieved only during 2018-19 and 2021- 22. The outstanding guarantees of ₹4,533.50 crore as on 1 April 2023, work out to 468.97 per cent of the State's Tax Receipts of the year 2020-21 (₹966.70 crore) and are significantly more than the limits prescribed.

Further, there has been increase in the committed expenditure as a percentage of the revenue receipts from 50.36 per cent in 2018-19 to 68.04 per cent in 2022-23. This shows decreasing of availability of revenue resources for other purposes including debt servicing.

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, etc.

Fiscal sustainability risk:

- i. As per various fiscal and debt parameters depicted in Table 2.37 above, debt stabilization trend is increasing.
- 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 revenue deficit-GSDP, fiscal deficit-GSDP, and outstanding liability-GSDP. The outstanding liability-GSDP ratio exceeds the targets during 2018-19 to 2022-23, the Government maintained the targets of RD-

GSDP during 2018-19 to 2022-23 except 2019-20 and 2020-21. However, during 2018-19 to 2022-23 target for FD-GSDP were achieved only during 2018-19 and 2021-22. However, the guarantees provided by the government were within prescribed limits. These trends highlight the need for the government to address fiscal imbalances and work towards sustainable financial management.

Based on the above, it is inferred that the State fiscal sustainability has risks in the short to medium term unless remedial measures are taken to rationalize expenditure, explore further sources, expand revenue base, and invest in revenue generating assets.

2.8.1 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 a healthy trend. **Table 2.50** depicts the utilisation of borrowed funds during 2018-23.

Table 2.50: Utilisation of borrowed funds

(₹ in crore)

Sr. No.	Year	2018-19	2019-20	2020-21	2021-22	2022-23
1	Total borrowings	1,145.21	833.21	1,564.71	1,882.60	2,036.90
2	Repayment of earlier borrowings (Principal)(percentage)	375.88 (32.82)	413.78 (49.66)	79.95 (5.11)	119.90 (6.37)	167.75 (8.23)
3	Capital expenditure(percentage)	1,291.31 (112.76)	720.61 (86.49)	1,513.88 (96.75)	1,315.78 (69.89)	2,376.60 (116.67)
4	Net loans and advances (percentage)	(-44.80) (-3.92)	(-16.76) (-2.01)	1.17 (0.07)	(-0.4) (-0.02)	0.06 (0.003)
5	Portion of Revenue expenditure met out of net available borrowings (percentage)(1-2-3-4)	(-477.18) (-41.67)	(-284.42) (-34.13)	(-30.29) (-1.94)	447.32 (23.76)	(-507.51) (-24.92)

Source: Finance accounts

*Total borrowing include internal Debt and Loans and advances.

Table 2.50 shows that during the period 2018-23, the State Government utilisation ranged between 49.66 per cent and 5.11 per cent of its current borrowings for repayment of earlier borrowings. Capital expenditure ranged between 116.67 and 69.89 per cent during the period 2018-23. Thus, the borrowed funds were being used mainly for meeting capital creation/development activities and repayment of earlier borrowings.

2.8.2 Status of Guarantees – Contingent Liabilities

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantees are extended. The Sikkim Government Guarantees Act, 2000, stipulates that the total outstanding Government guarantee as on the 1st day of April of any year shall not exceed thrice the Tax receipts of the second preceding year and that the State Government shall charge guarantee commission of minimum one per cent which shall not be waived under any circumstances. The details of outstanding guarantees given by the State Government including interest liability during the five-year period 2018-23 are shown in **Table 2.51**.

Table 2.51: Guarantees given by the State Government

	(₹ in crore)				
Guarantees	2018-19	2019-20	2020-21	2021-22	2022-23
Maximum amount Guaranteed	3,849.19	3,941.97	4,527.71	4,668.47	5,043.47
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	1,957.68	2,064.99	2,678.76	2,911.23	2,900.10 ¹¹
Outstanding amount of guarantees including interest at the beginning of the year	425.45	3,455.04	3,749.32	4,107.03	4,878.29

Source: Finance Accounts

The total guarantees (principal *plus* interest) outstanding as on 01 April 2022 was ₹4,878.29 crore, which exceeded the prescribed limit of thrice the total Tax Receipts (₹966.70 crore) of 2020-21.

During 2022-23, State Government has issued one fresh guarantee to SIDICO (Housing Sector) amounting to ₹121.34 crore. However, during this financial year, instead of commission charge of minimum of one *per cent* of the guaranteed amount (₹44.44 crore), the State Government received only ₹4.81 crore which constituted 3.96 *per cent* of the guaranteed amount during the year (₹121.34 crore).

Statement No. 9 of the Finance Accounts depicts ₹4,878.29 crore and ₹4,786.06 crore as loans guaranteed by the State Government including interest at the beginning and end of the year 2022-23 respectively. The outstanding guarantees for ₹4,786.06 crore as on 31 March 2023 was in respect of SPICL (₹2,913.15 crore); SIDICO (₹ 1,006.04 crore); Sikkim Urja Limited (₹375.00 crore); SHDB (₹ 282.77 crore); and Others (₹ 209.10 crore).

Further, as brought out in Paragraph 2.8.1 of State Finances Audit Report of Government of Sikkim for the year ended 31 March 2022 (Report No. 1 of 2023), the Finance Department could not provide complete details of all the loans guaranteed by the State Government. Audit tried to match this amount with the available records. It was observed that:

- a) The Teesta Stage III Project, which was implemented by Sikkim Urja Limited (SUL) (erstwhile Teesta Urja Limited) a State Public Sector Undertaking, was commissioned at a cost of ₹14,000 crore. The Project cost was financed in the ratio of 26 *per cent* Government of Sikkim equity, infused through Sikkim Power Investment Corporation Limited (SPICL) and 74 *per cent* debt. The debt portion was initially provided by a consortium of banks and was later taken over by Rural Electrification Corporation Limited (REC) and Power Finance Limited (PFC), both Public Sector Undertakings. Outstanding amount towards the loan stands at ₹ 7,897.73 crore as of March 2023.

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

¹¹ Tax Receipts of 2020-21 ₹966.70X 3

for the entire outstanding loan amount and the repayment of the loan was being done out of the royalty received from the Project without depositing the royalty into the CFS.

However, the State Government did not depict this guarantee as a part of the information furnished for the purpose of Statement No. 9 of Finance Accounts 2022-23 despite the fact that the details of this guarantee was submitted to the State Legislature as part of a White Paper¹². This has resulted in the understatement of the maximum amount guaranteed by the State Government to the extent of ₹ 7,897.73 crore.

- b) The Sikkim Power Development Corporation (SPDC) was incorporated by the Government of Sikkim to harness small hydel projects in Sikkim. SPDC had availed loan from PFC & State Bank of Sikkim (SBS) in order to develop four Hydel projects¹³. As on March 2023, the outstanding balance of this loan is ₹ 40.40 crore (₹ 29.78 crore from PFC and ₹ 10.62 crore from SBS).

Against the loan availed from PFC, the Government of Sikkim had given a letter of comfort stating that in the event of default in payment of dues by SPDC, the State Government stands fully committed to repay the dues. Effectively, State Government has stood guarantee to the loan taken by SPDC. However, the same was not depicted in the Statement No. 9 of the Finance Account 2022-23, Statement of guarantees given by the Government. This resulted in understatement of maximum amount guaranteed by ₹ 40.40 crore.

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

On 04 October 2023, there was a Glacial Lake Outburst Flood (GLOF) in the Teesta basin (at North Sikkim, upstream of the Teesta III project) which had damaged the infrastructure (dam) of Sikkim Urja Limited and the revenue generated from this project will no longer be available for servicing the loan. Under the circumstances, GoS would have to meet its guarantee obligation through the budgetary support or explore other options to tide over the current situation.

In this regard, a letter was communicated to the Finance Department, GoS to furnish steps proposed to be taken if any.

PD in its reply (November 2023) stated that it had sought information from SPICL/SUL regarding servicing of loans and guarantee availed by SUL. The information in this regard is still awaited.

2.8.3 Management of Cash Balances

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

¹² Submitted in December 2019

¹³ ₹ 84.40 crore

Position of cash balances and investments of cash balances of the State Government at the end of 2021-22 and 2022-23 is shown in **Table 2.52**

Table 2.52: Cash Balances and their investments

(₹ in crore)

Particulars	Opening balance on 1 April 2022	Closing balance on 31 March 2023
A. General Cash Balance		
Cash in treasuries	--	--
Deposits with State Bank of Sikkim	43.45	38.24
Deposits with other Banks	52.03	38.01
Remittances in transit – Local	0.00	0.00
Total	95.48	76.25
Investments held in Cash Balance investment account	2,073.06	1,958.33
Total (A)	2,168.54	2,034.58
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	0.95	0.95
Permanent advances for contingent expenditure with department officers	0.48	0.48
Investment from earmarked funds	619.22	646.71
Total (B)	620.65	648.14
Total (A + B)	2,789.19	2682.73

Source: Finance Accounts

There was a decrease of ₹106.46 crore (3.82 per cent) in cash balance of Government as on 31 March 2023 as compared to the previous year's balance. Furthermore, interest realised during the year 2022-23 was ₹ 51.76 crore whereas interest realised during the previous year 2021-22 was ₹ 40.30 crore.

As per the Finance Accounts, Government's cash balance with banks was ₹ 76.25 crore as on 31 March 2023. Out of this, balance of ₹ 38.24 crore and ₹38.01 crore were with SBS and other banks respectively. However, as per the records of the SBS, the Cash Balance of the Government stood at ₹3.67 crore, leaving an un-reconciled balance of ₹34.57 crore.

The trend analysis of the cash balance investment of the State during 2018-23 revealed that investment was growing significantly till 2018-19, but during 2019-20, the cash balance investment dipped enormously by ₹1,506 crore (57 per cent) as compared to previous year. In 2020-21 and 2021-22, it again increased by ₹160 crore and ₹763 crore respectively as compared to 2019-20 but in 2022-23 it decreased by ₹106.46 crore as compared to previous year. The status of cash balance investment for period 2018-23 is shown in **Table 2.53**.

Table 2.53: Cash Balance Investment Account (Major Head-8673)

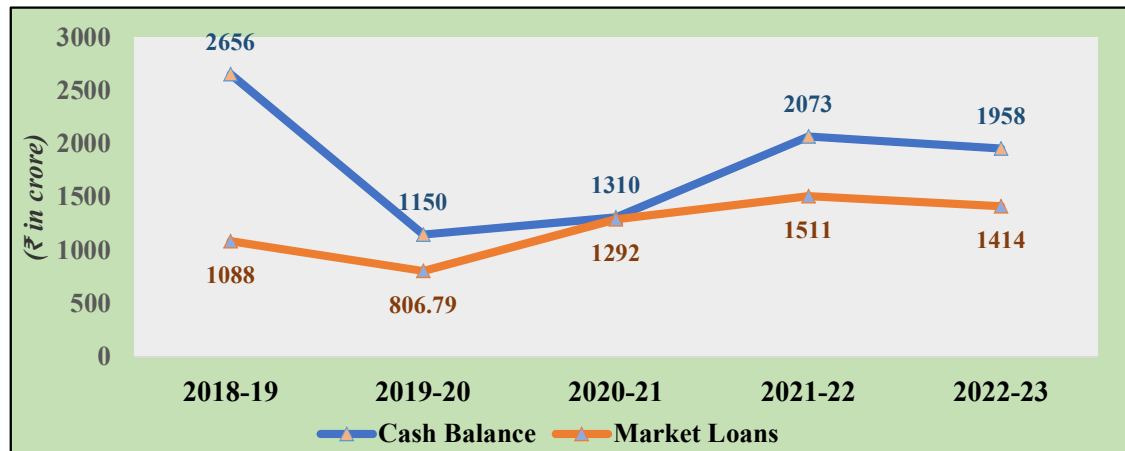
(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2018-19	1,948	2,656	708	116.69
2019-20	2,656	1,150	-1,506	130.50
2020-21	1,150	1,310	160	117.46
2021-22	1,310	2,073	763	40.30
2022-23	2,073	1,958	-115	51.76

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

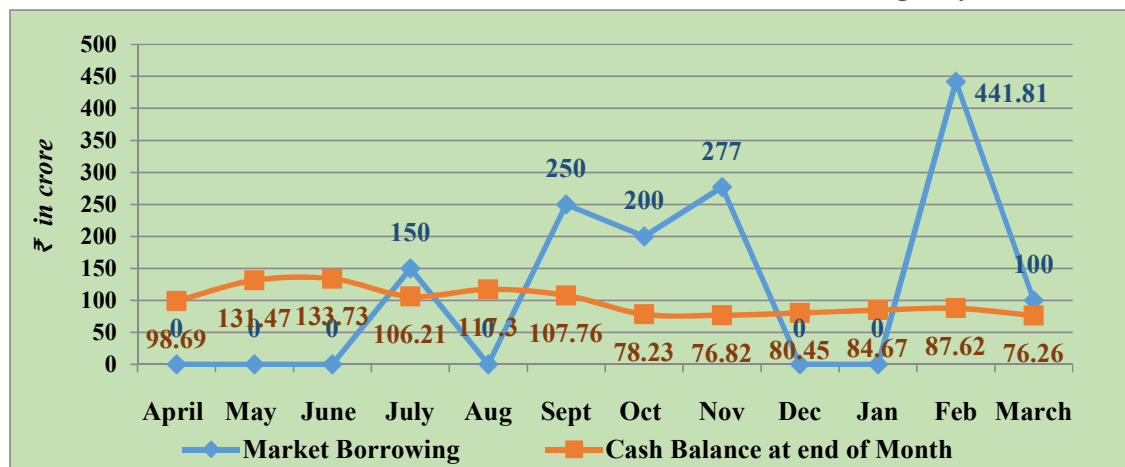
Chart 2.24 compares the Cash Balance and the Market Loans taken by the State during the period 2018-23. Market Loans were taken at higher interest rates whereas investment in Bank yielded interest at lower rates. No minimum cash limit had been prescribed by the Government.

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



Source: Finance Accounts

Chart 2.25: Month wise movement of Market Loan and Cash Balance during the year 2022-23



Source: VLC Data of 2022-23

Further, cash balance amounting to ₹62.89¹⁴ crore is lying in the bank accounts (State Bank of India and IDBI Bank) operated by the Power and Energy Department in respect of power trading and royalty received from IPPs as on 31 March 2023.

2.9 Conclusion

During the 2022-23, the state had a Revenue Surplus of ₹473.22 crore and a fiscal deficit of ₹ 1,903.32 Crores, which was 4.45 per cent of GSDP.

Revenue Receipts during the year 2022-23 increased (by ₹1,023.08 crore) from ₹ 7,080.72 crore in 2021-22 to ₹8,103.80 crore in 2022-23 (by 14.45 per cent). State's Own Revenue (₹2,473.37 crore) increased by ₹538.33 crore (27.82 per cent) compared to the previous year (₹1,935.04 crore). Grants-in-Aid from GoI decreased by ₹92.45 crore (4.98 per cent) however, the State Government's share in Union taxes and

¹⁴ SBI (FD)-₹ 52 crore; IDBI (FD)-₹8.10 crore; and IDBI (Balance)-₹1.08 crore.

duties increased by ₹ 577.20 crore (17.56 *per cent*) during 2022 -23 over the previous year.

About 30.52 *per cent* of the Revenue Receipts during 2022-23 came from the State's own resources, while Central Tax Transfers and Grants-in-aid together contributed 69.48 *per cent*. This is indicative of the fact that the State's fiscal position is largely dependent on Central Tax transfers and Grants-in-Aid from GoI.

During the period 2018-23, Total Expenditure of the State increased by 74.19 *per cent* (₹3,443.11crore) from ₹6,564.45 crore in 2018-19 to ₹10,007.56 crore in 2022-23. During the current year, it increased by 25.32 *per cent* over the previous year.

The ratio of Total Expenditure of the State to GSDP fluctuated between 21.26 *per cent* and 23.87 *per cent* during 2018-23. During 2022-23, it increased to 23.41 *per cent* from 21.26 *per cent* in previous year. This fluctuation was mainly on account of fluctuations in Capital Expenditure during the five-year period.

Revenue Expenditure during the year 2021-22 was ₹7,630.58 crore (76.25 *per cent*) against the Total Expenditure of ₹10,007.56 crore. Revenue Expenditure on an average constituted ranging between 76.25 *per cent* in 2022-23 and 89.34 *per cent* in 2019-20 of the Total Expenditure during the period 2018-23.

Committed Expenditure like salary & wages, pension, interest payments increased by ₹522.05 crore (10.57 *per cent*) from ₹4,940.65 crore during 2021-22 to ₹5,462.70 crore during 2022-23. Further, there has been an increase in the committed expenditure as a percentage of the revenue receipts from 59.23 *per cent* in 2018-19 to 67.40 *per cent* in 2022-23. This shows decreasing of availability of revenue resources for other purposes including debt servicing.

Capital Expenditure of the State had decreased from ₹1,291.31 crore during 2018-19 to ₹720.61 crore during 2019-20, but it increased to ₹1,513.88 crore during 2020-21 and again decreased to ₹1,315.88 crore during 2021-22 but increased to ₹2,376.60 crore during 2022-23, registering an increase of 80.62 *per cent* as compared to 2021-22.

Fiscal Liabilities of the State increased by 16.88 *per cent* from ₹10,862.94 crore in 2021-22 to ₹12,696.89 crore in 2022-23. During 2022-23, total Public Debt receipts was of ₹2,036.90 crore and the Government repaid ₹167.75 crore. There was an addition of ₹1,320 crore of Market Loans in 2022-23. The Public debt receipts of the State increased by ₹154.30 crore (8.20 *per cent*) over previous year.

Out of total outstanding Public Debt, 89.76 *per cent* (₹ 9,454.45 crore) of Public Debt is payable within the next seven years. Of the total outstanding Public Debt, Internal Debt consisting of market borrowings, loans from NABARD and Special Securities issued to NSSF constituted 88.93 *per cent* (₹ 9,358.87 crore).

The growth rate of Revenue Receipts has been lower than the growth rate of debt during 2018-21 and 2022-23 but higher in 2021-22. The burden of interest payment ranged from 5.98 *per cent* to 8.61 *per cent* of the Revenue Receipts during 2018-23. Though Net Public Debt available to the State was positive during the five years period ending 2022-23, there was a sharp increase in Net Debt available from ₹2.37 crore in 2019-20 to ₹1,188.82 crore and ₹1,244.96 crore in 2021-22 and 2022-23 respectively.

The Government had not transferred ₹52.97 crore under National Pension System to the NSDL as on 31 March 2023. Thus, current liability stood deferred to future year(s) and State had created an interest liability on un-transferred funds.

Out of 101 incomplete projects, 14 projects for which the State had spent ₹114.62 crore as of 31 March 2023, were pending for five years or more.

There was un-reconciled cash balance of ₹34.57 crore as per accounts of the Government and the records of State Bank of Sikkim.

2.10 Recommendations

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