
CHAPTER II

FINANCES OF THE STATE

Chapter II: Finances of the State

Introduction

This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to 2022-23, overall trends during the five-year period from 2019-20 to 2023-24, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State and the information provided by the State Government.

2.1 Major changes in Key fiscal aggregates during 2023-24 vis-à-vis 2022-23

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

Table 2.1: Changes in key fiscal aggregates in 2023-24 compared to 2022-23

Revenue Receipts	<ul style="list-style-type: none"> ➤ Revenue receipts of the State increased by 14.58 <i>per cent</i> ➤ Own Tax receipts of the State increased by 9.32 <i>per cent</i> ➤ Non-tax receipts increased by 41.69 <i>per cent</i> ➤ State's Share of Union taxes/duties increased by 19.01 <i>per cent</i> ➤ Grants-in-Aid from Government of India decreased by 10.26 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none"> ➤ Revenue Expenditure increased by 10.51 <i>per cent</i> ➤ Revenue Expenditure on General Services increased by 5.83 <i>per cent</i> ➤ Revenue Expenditure on Social Services increased by 15.26 <i>per cent</i> ➤ Revenue Expenditure on Economic Services increased by 15.47 <i>per cent</i>
Capital Receipts	<ul style="list-style-type: none"> ➤ Debt Capital receipts increased by 47.31 <i>per cent</i> ➤ Non-Debt Capital receipts decreased by 1.64 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none"> ➤ Capital Expenditure increased by 15.47 <i>per cent</i> ➤ Capital Expenditure on General Services increased by 18.17 <i>per cent</i> ➤ Capital Expenditure on Social Services decreased by 3.60 <i>per cent</i> ➤ Capital Expenditure on Economic Services increased by 32.37 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none"> ➤ Disbursement of Loans and Advances remains the same from the previous year ➤ Recoveries of Loans and Advances decreased by 1.64 <i>per cent</i>
Public Debt	<ul style="list-style-type: none"> ➤ Public Debt Receipts decreased by 15.09 <i>per cent</i> ➤ Repayment of Public Debt decreased by 36.58 <i>per cent</i>
Public Account	<ul style="list-style-type: none"> ➤ Public Account Receipts increased by 21.68 <i>per cent</i> ➤ Disbursement of Public Account increased by 8.87 <i>per cent</i>
Cash Balance	<ul style="list-style-type: none"> ➤ Cash balance increased by ₹991.53 crore (35.99 <i>per cent</i>) during 2023-24 compared to previous year

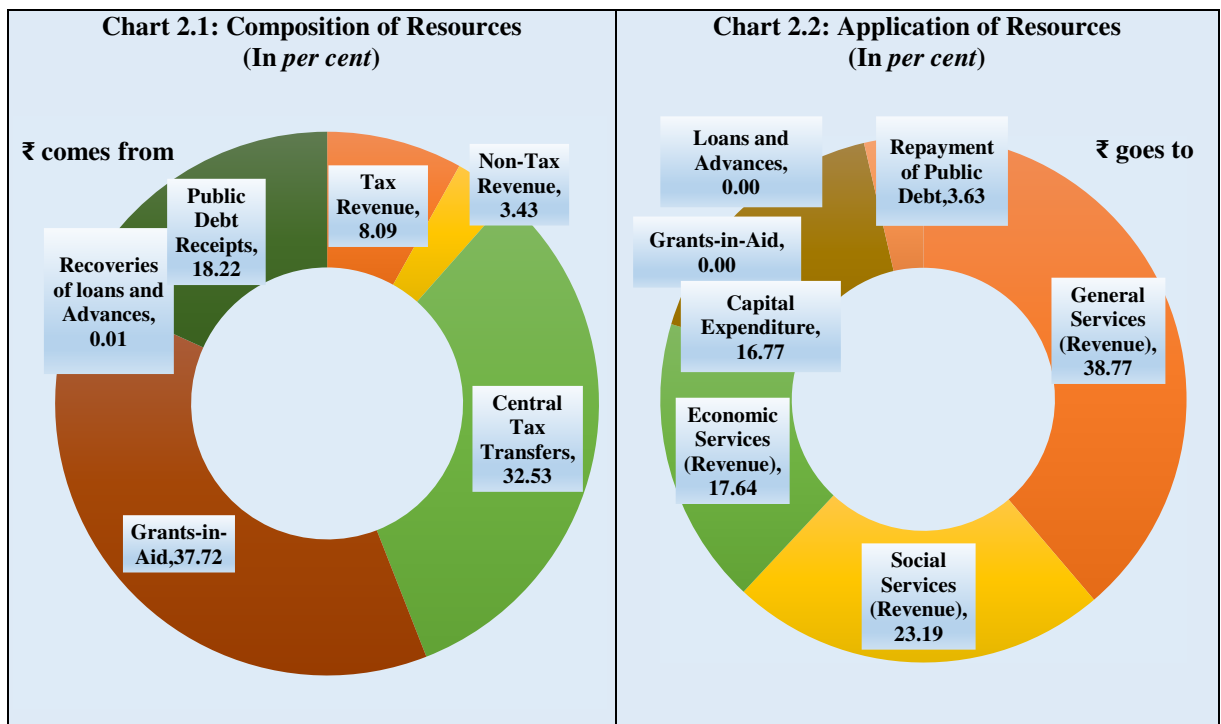
2.2 Sources and Application of Funds

Table 2.2 compares the sources and application of funds of the State during 2023-24 with 2022-23 in figures, while **Charts 2.1** and **2.2** give the details of receipts and expenditure from the Consolidated Fund during 2023-24 in terms of percentages.

Table 2.2: Details of Sources and Application of funds during 2022-23 and 2023-24

		(₹ in crore)		
Particulars		2022-23	2023-24	Increase/Decrease
Sources	Opening Cash Balance with RBI	2,909.32	2,755.04	(-)154.28
	Revenue Receipts	14,099.26	16,155.13	2,055.87
	Capital Receipt	450.00	0.00	(-)450.00
	Recoveries of Loans and Advances	3.04	2.99	(-)0.05
	Public Debt (Net)	1,834.40	2,702.25	867.85
	Public Account (Net)	(-)426.05	73.71	499.76
	Total	18,869.97	21,689.12	2,819.15
Application	Revenue Expenditure	13,410.36	1,4819.70	1,409.34
	Capital Expenditure	2,704.22	3,122.52	418.30
	Disbursement of Loans and Advances	0.35	0.35	0.00
	Closing Cash Balance with RBI	2,755.04	3,746.55	991.51
	Total	18,869.97	21,689.12	2,819.15

Source: Finance Accounts of respective years



Source: Finance Accounts, 2023-24

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/duties), non-tax revenue, and Grants-in-Aid (GIA) from the Government of India (GoI).
- Capital Receipts** (debt and non-debt capital receipts) comprise miscellaneous capital receipts such as proceeds from dis-investments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks) and loans and advances from GoI.

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

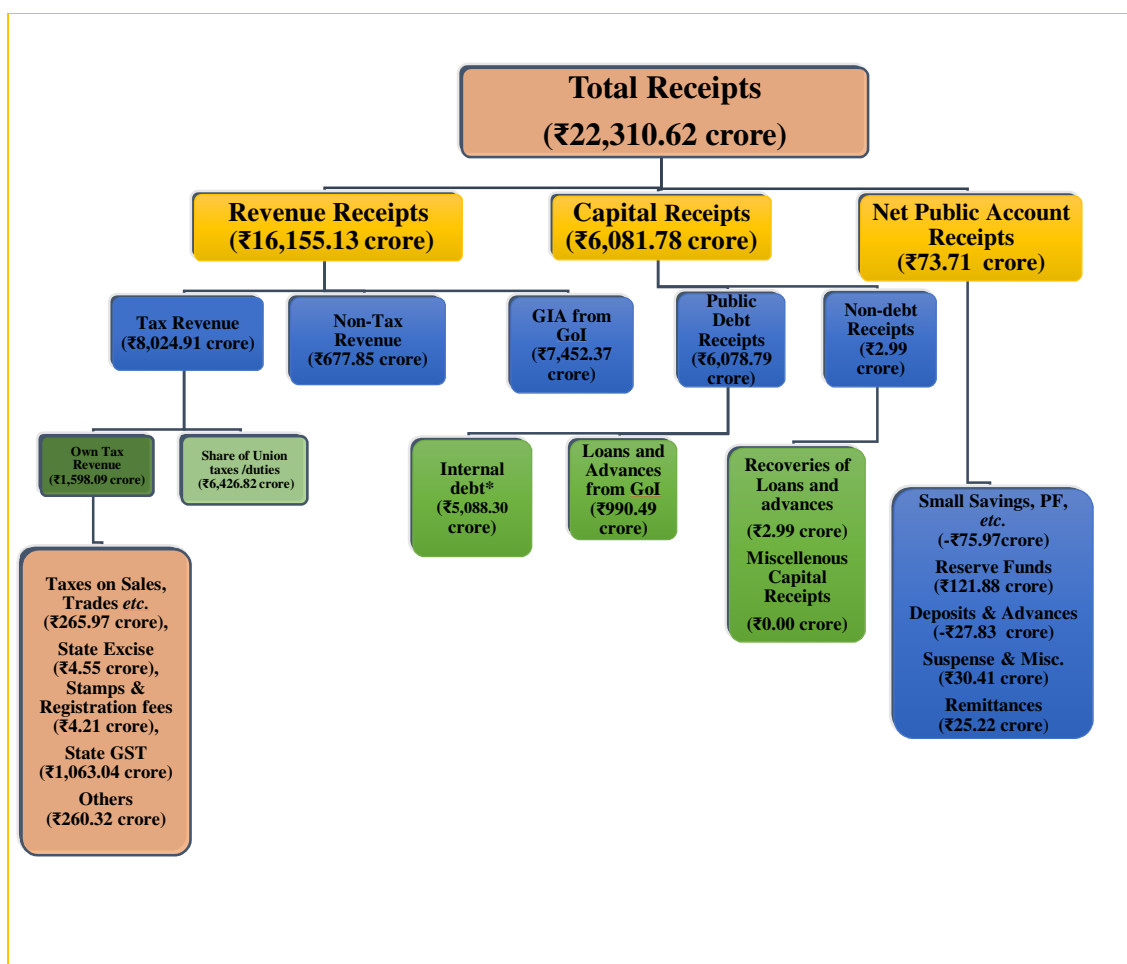
3. **Net Public Account Receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.*, which do not form part of the Consolidated Fund.

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

2.3.1 Receipts of the State

This paragraph provides the composition of the overall receipts. Besides, the Revenue and Capital Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit. The composition of receipts of the State during 2023-24 is given in **Chart 2.3**.

Chart 2.3: Composition of receipts of the State during 2023-24



Source: Finance Accounts, 2023-24

*Including Ways and Means Advances (WMA) amounting to ₹2,479.00 crore availed during the year.

As can be seen from **Chart 2.3**, out of the total resources of ₹22,310.62 crore of the State Government during the year 2023-24, Revenue Receipts (₹16,155.13 crore) constituted 72.41 *per cent*. Capital Receipts (₹6,081.78 crore) and net Public Account Receipts (₹73.71 crore) constituted 27.26 and 0.33 *per cent* of the total resources respectively.

2.3.2 State's Revenue Receipts

This paragraph gives the trends in total Revenue Receipts and its components. It is followed by trends in the receipts bifurcated into receipts from the Central Government and State's own receipts. All the States except Kerala have registered growth in their Revenue Receipts in 2023-24 over 2022-23 and Nagaland ranked fifth highest amongst all India States/UTs in terms of growth of Revenue Receipts in the current year.

2.3.2.1 Trends and growth of Revenue Receipts

Table 2.3 provides the trends and growth of Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2019-24. Further, trends in Revenue Receipts relative to GSDP and composition of Revenue Receipts are given in **Charts 2.4** and **2.5** respectively.

Table 2.3: Trends in Revenue Receipts

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Receipts (RR) (₹ in crore)	11,423.29	11,427.43	13,451.14	14,099.26	16,155.13
Rate of growth of RR (per cent)	-0.12	0.04	17.71	4.82	14.58
Tax Revenue	4,225.31	4,431.99	6,176.54	6,862.07	8,024.91
<i>Own Tax Revenue (₹ in crore)</i>	958.23	1,022.74	1,301.08	1,461.88	1,598.09
<i>Share of Union taxes/duties</i>	3,267.08	3,409.25	4,875.46	5,400.19	6,426.82
Non-Tax Revenue (₹ in crore)	339.29	242.60	303.58	478.41	677.85
GIA from GoI	6,858.69	6,752.84	6,971.21	6,758.78	7,452.37
Rate of growth of GIA from GoI	4.82	-1.54	3.23	-3.05	10.26
Rate of growth of Own Resources (Own Tax and Non-tax Revenue) (per cent)	17.78	-2.48	26.82	20.92	17.30
Gross State Domestic Product (₹ in crore)	29,715.87	29,832.00	32,265.40	37,150.09	41,886.96
Rate of growth of GSDP (per cent)	12.02	0.39	8.16	15.14	12.75
RR/GSDP (per cent)	38.44	38.31	41.69	37.95	38.57
Buoyancy Ratios⁴					
State's Own Revenue buoyancy w.r.t. GSDP	1.48	-- *	3.29	1.38	1.36

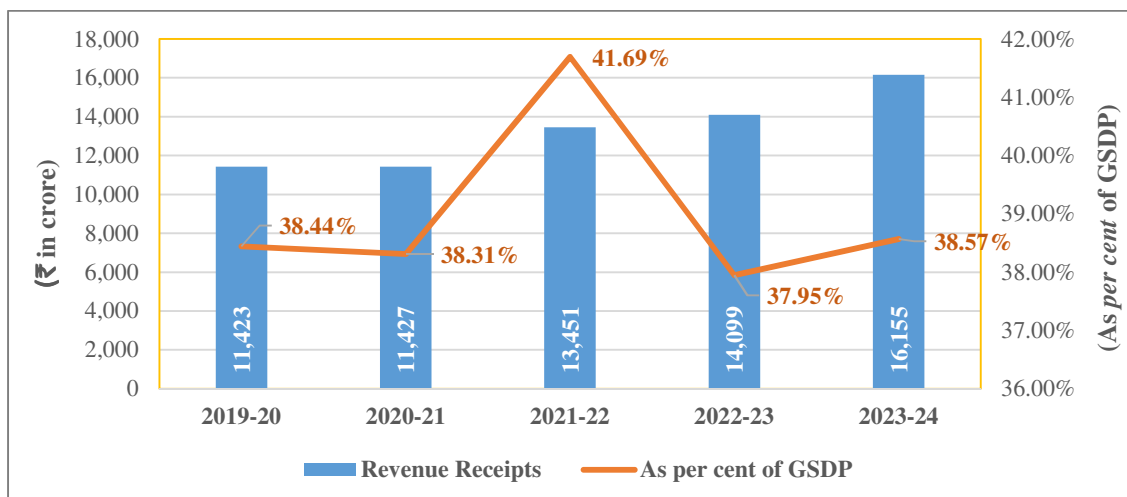
Source: Finance Accounts of respective years, GSDP- Directorate of Economics and Statistic, GoN

*Buoyancy ratio was not calculated as RR/Own Resources growth was negative.

4 Buoyancy indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, State's Own Revenue buoyancy with respect to GSDP at 1.48 implies that Own Tax Revenue tend to increase by 1.48 percentage points, if the GSDP increased by one per cent.

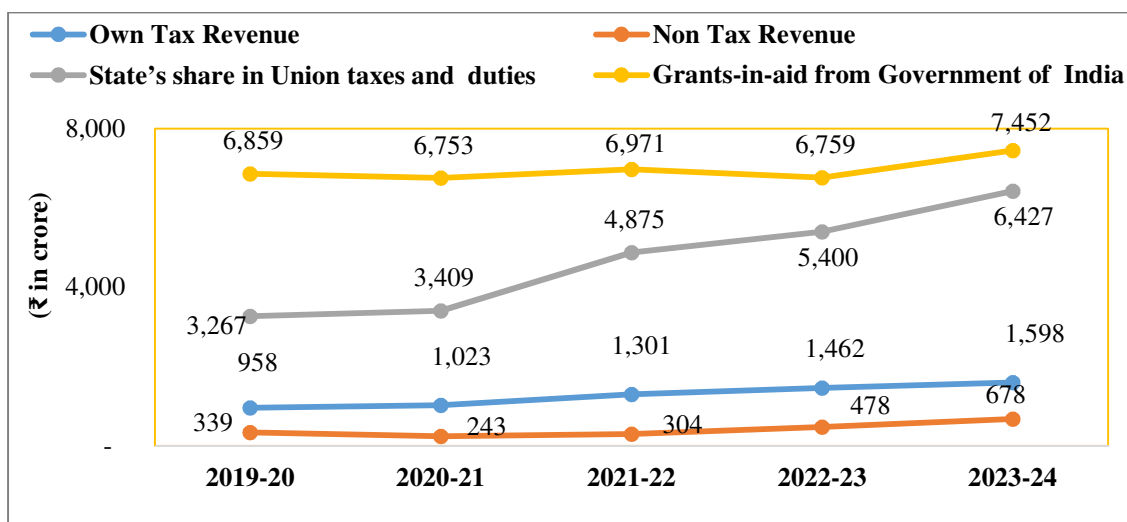
The increase in transfer from the Centre (State share in Union taxes/duties and Grants-in-Aid) does not give the outcome of the efforts made by the State to increase its revenue corresponding to the incremental change in its income. Therefore, the buoyancy ratio is calculated for the State's Own Tax Revenue.

Chart 2.4: Trends of Revenue Receipts



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

Chart 2.5: Trends of components of Revenue Receipts



Source: Finance Accounts of respective years

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

- During the period from 2019-20 to 2023-24, Revenue Receipts as a percentage of GSDP showed a fluctuating trend.
- Revenue Receipts increased by ₹4,731.84 crore from ₹11,423.29 crore in 2019-20 to ₹16,155.13 crore in 2023-24 at a CAGR of 9.05 *per cent*. During 2023-24, Revenue Receipts increased by ₹2,055.87 crore (14.58 *per cent*) over the previous year.
- During 2023-24, 14.09 *per cent* of the Revenue Receipts was contributed by the State's own resources, while Central Tax Transfers and Grants-in-Aid together contributed 85.91 *per cent*. This is indicative of the fact that Nagaland's fiscal position is largely dependent on the tax transfers and Grants-in-Aid from GoI.

- GIA from GoI increased by 8.66 *per cent* during the period 2019-20 to 2023-24. During 2023-24, Grants-in-Aid increased by ₹693.59 crore (10.26 *per cent*) as compared to 2022-23.
- The State's Own Tax Revenue increased by ₹136.21 crore (9.32 *per cent*) during the current year. The State's Own Tax buoyancy with respect to GSDP was 1.38 in 2022-23 which decreased to 1.36 in 2023-24, due to decrease in rate of growth of GSDP.

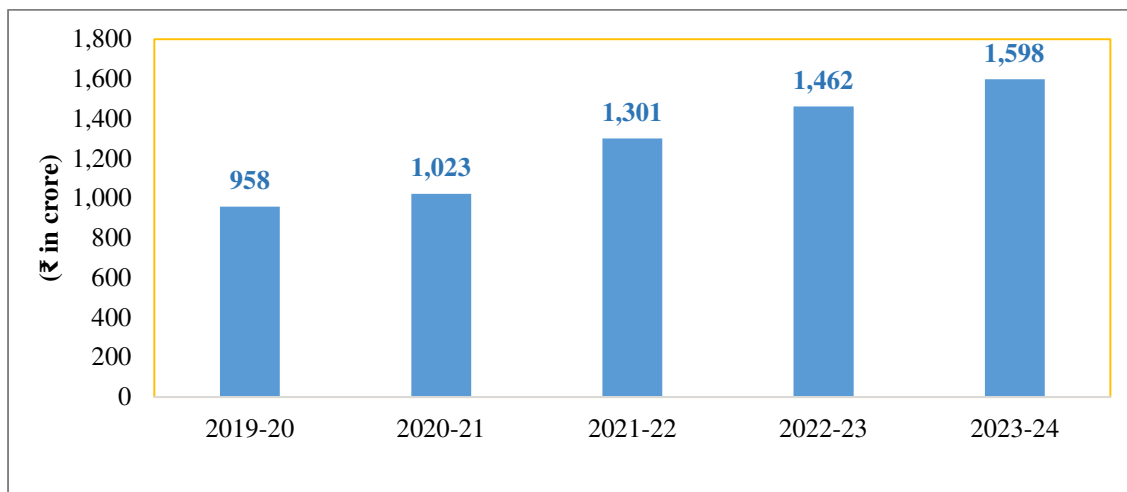
2.3.2.2 Tax Revenue

State's Tax Revenue consists of Own Tax Revenue and State's share in Central taxes, which is determined based on recommendations of the Finance Commission. The Tax Revenue for all the States taken together has declined from 15 *per cent* in 2022-23 to 13.70 *per cent* in 2023-24. Both the OTR and State's share of Union taxes/duties have contributed equally in total Tax Revenue of the States. Nagaland ranked eighth amongst 13 States, which have registered a growth of over 15 *per cent* in Tax Revenue, during the current year. Tax Revenue of the State is discussed in the succeeding Paragraphs.

Own Tax Revenue

Own tax revenues of the State consist of State GST, State excise, taxes on vehicles, Stamp duty and Registration fees, Land revenue and Taxes on goods and passengers. The gross collection of Own Tax Revenue of the State during the five-year period 2019-24 is given in **Chart 2.6**.

Chart 2.6: Growth of Own Tax Revenue during 2019-24



Source: Finance Accounts of respective years

The detail components of gross collections in respect of major Taxes and Duties collected during 2019-24 are given in **Table 2.4**.

Table 2.4: Components of State's own tax revenue

(₹ in crore)

Revenue Head	2019-20	2020-21	2021-22	2022-23	2023-24	Sparkline
Goods and Services Tax	613.22	663.81	830.34	959.09	1,063.04	
Land Revenue	1.04	1.09	1.23	1.09	1.34	
Stamps and Registration Fees	2.79	2.25	3.39	3.43	4.21	
State Excise	3.24	4.55	3.32	4.40	4.55	
Taxes on Sales, Trade, etc.,	175.15	205.50	261.87	246.55	265.97	
Taxes on Vehicles	113.93	93.29	141.04	187.64	198.48	
Taxes on Goods & Passengers	18.09	15.62	21.43	21.58	22.62	
Other Taxes*	30.77	36.63	38.46	38.10	37.88	
Total	958.23	1,022.74	1,301.08	1,461.88	1,598.09	

Source: Finance Accounts of respective years

* Other taxes include Other Taxes on Income and Expenditure and Taxes on Duties on Electricity.

State's Own Tax Revenue increased by ₹639.86 crore from ₹958.23 crore in 2019-20 to ₹1,598.09 crore in 2023-24 at a CAGR of 13.64 *per cent*. During the current year, major contributor of Tax Revenue was SGST (66.52 *per cent*). During 2023-24, the actual SGST collection was ₹1,063.04 crore which was, however, less than the Budget Estimates of ₹1,075.00 crore by ₹11.96 crore (1.13 *per cent*).

Analysis of arrears of revenue and arrears of assessment

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

The arrears of revenue as on 31 March 2024 on some principal heads of revenue was outstanding for more than five years, as detailed in **Table 2.5**.

Table 2.5: Arrears of revenue

(₹ in lakh)

Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2024	Amount outstanding for more than five years as on 31 March 2024
1.	Nagaland VAT	90.77	61.46
2.	Petroleum Tax	387.46	123.78
3.	Central Sales Tax	40.93	40.93
4.	Purchase Tax	0.45	0.45
5.	Professional Tax	3.28	2.95
6.	Nagaland Sales Tax	22.51	22.51
Total		545.40	252.08

Source: Departmental figures

It can be seen from **Table 2.5** that revenue arrears of ₹5.45 crore were outstanding as on 31 March 2024, of which ₹2.52 crore was pending for recovery for more than five years. Earnest efforts are required to be made to recover the arrears before expiry of the statutory period.

Further, the details of cases pending at the beginning of the year 2023-24, cases becoming

due for assessment, cases disposed of during the year 2023-24 and number of cases pending for finalisation at the end of the year as furnished by the office of the Commissioner of State Taxes, Nagaland in respect of Sales Tax/ VAT on Sales, Trades *etc.*, are shown in **Table 2.6**.

Table 2.6: Statement showing arrears in assessments

Head of Revenue	Balance of arrears in assessment as on 01 April 2023	New cases due for assessment during 2023-24	Total assessment due	Cases disposed off during 2023-24	Balance an on 31 March 2024	Percentage of cases disposed
1	2	3	4	5	6	7 (5 to 4)
Nagaland VAT	166	3	169	137	32	81.07
Petroleum Tax	35	45	80	64	16	80.00
Central Sales Tax	178	31	209	189	20	90.43
Professional Tax	169	31	200	165	35	82.50
Total	548	110	658	555	103	84.35

Source: Departmental figures

During the year 2023-24, there was an addition of 110 cases and disposal of 555 cases resulting in the decrease in arrears from 548 to 103 cases. The cases disposed off during 2023-24 were 84 *per cent*. It indicated an improvement from previous year where the cases disposed off was only 45 *per cent* (451 cases disposed off out of 999 cases) needs to be continued in future.

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

Details of refund cases

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

The details of the cases of claims of refund at the beginning of the year 2023-24, receipt during the year, refunds made/rejected and outstanding claims at the end of the year are shown in **Table 2.7**.

Table 2.7: Statement showing pendency of refund cases

(₹ in lakh)

Particulars	GST	
	No. of cases	Amount
Claims outstanding at the beginning of the year	44	465.24
Claims received during the year	46	701.32
Total claims during the year	90	1,166.56
Refunds made during the year	75	754.18
Refunds rejected during the year	3	101.92
Balance outstanding at the end of the year	12	310.46

Source: Departmental figures

During 2023-24, out of 90 pending claims, the Department settled 75 claims (83.33 *per cent*). The outstanding number of claims at the end of the year 2023-24 stood at 12. There were no cases of evasion of tax detected during the current year.

2.3.2.3 Non-Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, *etc.* The component-wise details of Non-Tax Revenue collected during the years 2019-24 is shown in **Table 2.8**.

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

(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24	Sparkline
Interest Receipts	5.73	4.55	5.10	7.13	15.68	
Dividends and Profits	2.80	2.47	0.49	2.47	4.94	
Other Non-Tax Receipts	330.76	235.58	297.99	468.81	657.23	
Miscellaneous General Services	22.19	21.45	19.34	28.70	31.80	
Power	159.31	171.42	211.92	286.35	282.78	
Education, Sports, Art and Culture	62.04	2.02	3.20	3.74	2.97	
Others Miscellaneous*	87.22	40.69	63.53	150.02	339.68	
Total	339.29	242.60	303.58	478.41	677.85	

Source: Finance Accounts of respective years

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

During the current year, Non-Tax Revenue increased by ₹200.00 crore (41.84 *per cent*). Non-Tax Revenue ranged between 2.12 and 4.20 *per cent* of Total Revenue Receipts of the State during the five-year period from 2019-20 to 2023-24. Non-Tax Revenue increased by ₹338.56 crore from ₹339.29 crore in 2019-20 to ₹677.85 crore in 2023-24 at a CAGR of 18.89 *per cent*. The significant increase in Non-Tax Revenue as compared to the previous year were noticed in Other Non-Tax Receipts (₹188.42 crore).

State's performance in mobilisation of resources

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

Table 2.9: State's Own Resources for 2019-24

(₹ in crore)

	2019-20	2020-21	2021-22	2022-23	2023-24
Own Tax Revenue	958.23	1,022.74	1,301.08	1,461.88	1,598.09
Non-Tax Revenue	339.29	242.60	303.58	478.41	677.85
State's Own Resources	1297.52	1,265.34	1,604.66	1,940.29	2,275.94

Source: Finance Accounts of respective years

The State's actual Tax and Non-Tax Receipts for the year 2023-24 *vis-à-vis* assessment made in the Budget and projection made by the Fifteenth Finance Commission (XV FC) is given in **Table 2.10**.

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

(₹ in crore)

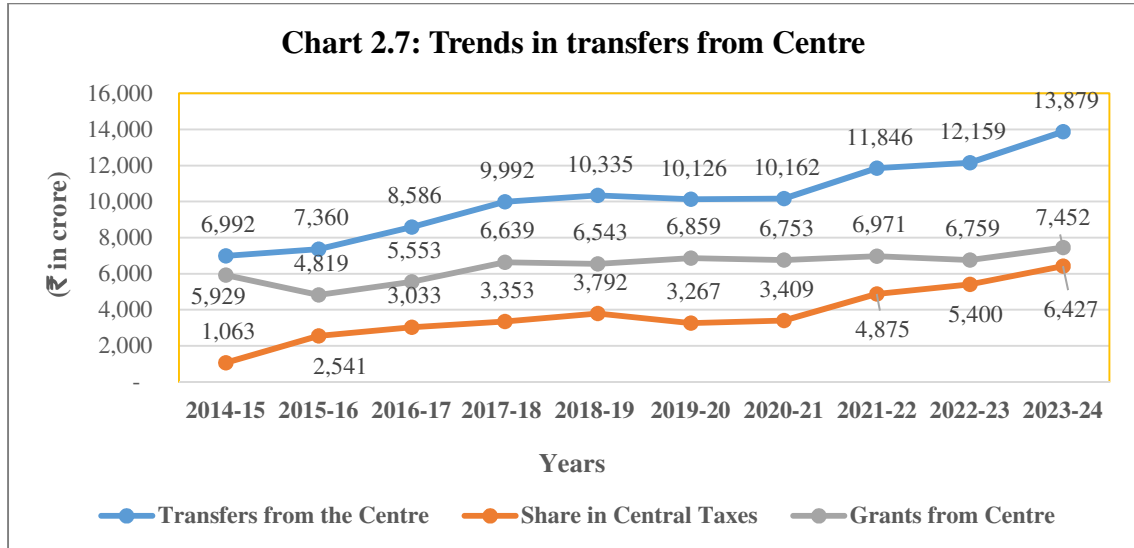
	XV FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				Budget Estimates	XV FC projections
Own Tax Revenue	1,422.00	1,569.72	1,598.09	2.25	12.38
Non-Tax Revenue	164.00	380.83	677.85	77.99	313.00

Source: XV FC report, Budget documents and Finance Accounts, 2023-24

Actual own Tax and Non-Tax Revenue realised was higher than the projections made by the XV FC/BEs. The Revenue Surplus registered by the State was a result of receipt of Revenue Deficit Grant of ₹4,447.00 crore (from April 2023 to March 2024) from the GoI.

2.3.2.4 Transfers from the Centre

Trends in transfers from the Centre for the ten years from 2014-15 to 2023-24 are shown in **Chart 2.7**



Source: Finance Accounts of respective years

(i) Central tax transfer

The actual release of share in Union taxes/duties to State Government *vis-à-vis* projections made by Fourteenth Finance Commission and Fifteenth Finance Commission during the period from 2019-20 to 2023-24 is tabulated in **Table 2.11**.

Table 2.11: State's share in Union taxes/duties-Actual devolution *vis-à-vis* FC projections
(₹ in crore)

Year	Finance Commission projections	Projections in FC	Actual tax devolution	Difference
1	2	3	4	5 (4-3)
2019-20	0.498 per cent of net proceeds of all shareable taxes excluding service tax and 0.503 per cent of net proceeds of sharable service tax {As per recommendations of Fourteenth Finance Commission (XIV FC)}	5,161.00	3,267.08	(-)1,893.92
2020-21	0.573 per cent of net proceeds of the taxes (Divisible Pool). (XV FC)	4,900.00	3,409.25	(-)1,490.75
2021-22	0.569 per cent of net proceeds of the taxes (Divisible Pool). (XV FC)	3,747.00	4,875.27	1,128.27
2022-23		4,169.00	5,400.19	1,231.19
2023-24		4,691.00	6,426.82	1,735.82

Source: Reports of the XIV FC and XV FC, Finance Accounts

The break-up of State's share of Union taxes/duties received during 2019-24 is given in **Table 2.12**.

Table 2.12: Central Tax Transfers

(₹ in crore)					
Head	2019-20	2020-21	2021-22	2022-23	2023-24
Central Goods and Services Tax	927.14	1,019.70	1,446.30	1,526.79	1,950.45
Corporation Tax	1,113.93	1,023.92	1,460.64	1,808.50	1,929.06
Taxes on Income other than Corporation Tax	872.84	1,049.12	1,467.36	1,768.56	2,227.81
Customs	207.09	185.46	314.44	212.40	225.21
Union Excise Duties	143.96	115.23	144.33	66.63	85.22
Service Tax	0.00	13.61	37.29	8.42	1.18
Other Taxes and Duties on Commodities and Services	2.12	2.21	5.1	8.89	7.89
Central Tax transfers	3,267.08	3,409.25	4,875.46	5,400.19	6,426.82
Percentage of increase over previous year	-13.85	4.35	43	10.76	19.01
Percentage of Central Tax transfers to Revenue Receipts	28.60	29.83	36.24	38.30	39.78

Source: Finance Accounts of respective years

The State's share of Union taxes/duties increased by ₹1,026.63 crore (19.01 *per cent*) from ₹5,400.19 crore in 2022-23 to ₹6,426.82 crore in 2023-24 contributing 39.78 *per cent* of the total Revenue Receipts during 2023-24. The increase in State's share of Union taxes/duties can be attributed to increase in Central Goods and Service Tax and Taxes on Income other than Corporation Tax.

(ii) Grants-in-Aid from GoI

The break-up of GIA received from Government of India during 2019-24 is given in Table 2.13.

Table 2.13: Grants-in-Aid from GoI

(₹ in crore)					
Head	2019-20	2020-21	2021-22	2022-23	2023-24
Finance Commission Grants	4,998.02	4,694.75	4,706.77	4,630.79	4,534.89
Grants for Centrally Sponsored Schemes	1,823.15	2,008.24	2,184.18	1,992.30	2,917.48
Other transfers/ Grants to States/ Union Territories with legislature	37.52	49.85	80.26	135.69	0.00
Total	6,858.69	6,752.84	6,971.21	6,758.78	7,452.37
Percentage of increased over the previous year	4.82	-1.54	3.23	-3.05	10.26
Percentage of GIA to Revenue Receipts	60.04	59.09	51.83	47.94	46.13

Source: Finance Accounts of respective years.

*It includes Finance Commission Grants/ Grants to Areas not covered by Part IX and IXA of Constitution – Local Urban Bodies and Local Rural Bodies

During 2023-24, GIA from GoI increased by ₹693.59 crore (10.26 *per cent*) as compared with the previous year. The CAGR of GIA from GoI was 2.10 *per cent* during the period from 2019-20 to 2023-24. The total GIA from GoI showed fluctuating trend during the five-year period from 2019-20 to 2023-24. The increase of GIA from GoI during the year over the previous year was mainly due to increase in Grants for Centrally Sponsored Schemes (₹925.18 crore), which was offset by decrease in Finance Commission Grants (₹95.90 crore) during the year over the previous year. The GIA from GoI constituted 46.13 *per cent* of the total Revenue Receipts of the State during 2023-24.

Grants for centrally Sponsored Schemes

Out of the Grant of ₹2,917.48 crore for 71 Centrally Sponsored Schemes (CSS) during 2023-24, the major amounts (₹1,409.12 crore, 48.30 *per cent*) were given to seven CSS, as shown under:

- Pradhan Mantri Awas Yojana (PMAY) (₹334.17 crore, 93.63 *per cent* increased over the previous year).
- Saksham Anganwadi Poshan 2.0 (ICDS) (₹262.91 crore, 31.51 *per cent* increased over the previous year).
- Samagra Shiksha (₹231.25 crore, 17.72 *per cent* decreased over the previous year).
- National Rural Employment Guarantee Scheme (NREGS) (₹218.33 crore, 18.06 *per cent* decreased over the previous year).
- Rastriya Krishi Vikash Yojana (RKVY) (₹188.33 crore, 47.14 *per cent* increased over the previous year).
- Smart City Mission (₹153.13 crore, 25 *per cent* increased over the previous year).
- Pradhan Mantri Anusuchit Jaati Abhyuday Yojana (₹21.00 crore, 1,066.67 *per cent* increased over the previous year).

Single Nodal Agency

The Government of India, Ministry of Finance, Department of Expenditure, New Delhi vide Memorandum dated 08 December 2021⁵ provided that every State Government is required to designate a Single Nodal Agency (SNA) for implementing each Centrally Sponsored Scheme (CSS). The Single Nodal Agency will open a Single Nodal Account for each CSS at the state level in the department. Further, as per the new procedure, it is the responsibility of the State Government concerned to ensure that the entire unspent amount is returned by all the Implementing Agency (IAs) to the Single Nodal Account of the Single Nodal Agency.

The State Government transferred ₹2,812.60 crore in 2023-24 to SNAs. The whole amount was transferred through fully-vouched bills. However, detailed vouchers and supporting documents of actual expenditure were not received by Principal Accountant General (A&E) office from the SNAs.

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

(₹ in crore)					
Amount released by GoI to State	Central Share released from treasury to SNA	State share released from Treasury to SNA	Total released by Treasury to SNA	Total Expenditure	Balance in the Account of SNA
2,547.95	2,471.88	340.73	2,812.60	3,301.22	1,096.65

Source: Public Finance Management System, 2023-24

⁵ Memorandum No. 1(13)/PFMS/FCD/2020 dated 08 December 2021

As on 31 March 2024, an amount of ₹1,096.65 crore, including both Central and State shares, were parked in SNA bank Account of 117 schemes as detailed in **Appendix 2.1**.

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

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

(₹ in crore)

Sl. No.	Name of CSS Scheme	Amount
1	4138- Edible Oil - Oil Palm (Krishionnati Yojna)	10.79
2	2035- National Tertiary Healthcare Programme (NPCDCS)	21.75
3	4063- Flexible Pool for RCH & Health System Strengthening, National Health Programme (NRHM)	25.21
4	9157- Human Resources for Health and Medical Education	256.90
5	9150- National Rural Drinking Water Mission - State Component	39.95
6	1989- Other Items of State/UT Component-PMAY URBAN	56.44
7	9478- Mission for development of 100 Smart Cities	18.60
8	9556- Urban Rejuvenation Mission-500 Cities	27.36
9	9757- Swachh Bharat Mission (Used Water Management)	16.11
10	9179- Pradhan Mantri Gram Sadak Yojna	76.71
11	9180- Pradhan Mantri Awaas Yojna-Gramin (PMAY-G) Rural	98.84
12	9181- National Rural Livelihood Mission	74.30
13	9183- Integrated Watershed Development Programme	10.16
14	3667- Samagra Shiksha	90.17
15	3967- Pradhan Mantri Anusuchit Jaati Abhyuday Yojana (PMAJAY)	11.36
16	3373- Post Matric Scholarship - Tribal	18.24
17	2052- Scheme for Har Khet Ko Pani (SMI)	46.42
18	3975- Saksham Anganwadi and Poshan 2.0 (Social Welfare-Scheme for Adolescent Girls)	18.03
19	3975- Saksham Anganwadi Service (General)	27.02

Source: Public Finance Management System, 2023-24

As could be seen from **Table 2.15**, a huge amount was parked in respect of Human Resources for Health and Medical Education (₹256.90 crore), Pradhan Mantri Awaas Yojna-Gramin (PMAY-G) Rural (₹98.84 crore) and Samagra Shiksha (₹90.17 crore)

Finance Commission Grants

As per recommendation of the XV FC, the GoI had released grants for Local Bodies and towards State Disaster Response Fund (SDRF) during FC Award period from 2020-21 to 2025-26. The details of release of funds to the State based on recommendations of the XV FC during the year 2023-24 and transferred by the State Government is shown in **Table 2.16**.

Table 2.16: Recommended amount, actual release and transfers of Grants-in-Aid**(₹ in crore)**

Grants		Recommendations of the XV FC for 2023-24	Actual release by GoI during the year	Release by the State Government for the year
(i) Grants to PRIs		97.00	0.00	0.00
(a) Performance/Tied Grants#		87.30	0.00	0.00
(b) Untied Grants		9.70	0.00	0.00
(ii) Grants to ULBs		50.00	37.50	15.00
(i) Performance/Tied Grant	Million Plus Cities	NA		
	Non-Million Plus Cities	30.00	28.50	15.00
(ii) General Basic/Untied Grant	Million Plus Cities	NA		
	Non-Million Plus Cities#	20.00	9.00	0.00
(iii) Grants for Health Sector		60.00	0.00	0.00
Total Grants for Local Bodies (i+ii+iii)		207.00	37.50	15.00
SDRMF	Centre share	46.00	50.30	54.60
	State share	5.00		5.50
Total SDRMF		51.00	50.30	60.10
Post Devolution Deficit Grant		4,447.00	4,447.00	4,447.00

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

For drinking water, rainwater harvesting, SWS and Sanitation

Note: NA=Not applicable

- Out of the XV FC recommendation of ₹97.00 crore for grants to Local bodies, GoI did not release any fund under this grant during the year.
- Against XV FC recommendation of ₹50.00 crore to Urban Local bodies during the year, GoI did not release any fund. However, the State received an amount of ₹37.50 crore, which pertains to previous years' recommendations viz., tied grants of (a) ₹15.00 crore for 2020-21 and (b) ₹13.50 crore for 2021-22 and untied grant of ₹9.00 crore for 2021-22. Out of ₹37.50 crore received from GoI, the State Government released an amount of ₹15.00 crore to the implementing Departments. The remaining amount of ₹22.50 crore could not be released as the grant was transferred by the GoI to the State Government on 31 March 2024.
- Similarly, against the recommendation of ₹60.00 crore for Health Sector, GoI did not release any fund under this grant during 2023-24.
- Against the recommended amount of ₹46.00 crore in respect of the State Disaster Risk Management Fund, GoI released ₹50.30 crore including a backlog of ₹4.30 crore pertaining to 2022-23.
- During 2023-24, penal interest of ₹0.31 crore was paid for delayed release of fund to the implementing departments for Urban Local Bodies.

During the Exit Conference (16 December 2024), Finance Department stated that due to non-fulfilment of conditions required for next release, the grants were not fully released by GoI during the year.

The non-release and delayed release of crucial grants highlight gaps in fiscal management, fund utilisation, and compliance. Immediate structural reforms and enhanced fiscal discipline are required to ensure optimal utilisation of Finance Commission funds for economic development and service delivery in Nagaland.

2.3.3 Capital Receipts

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

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

Table 2.17: Trends in growth and composition of capital receipts

					(₹ in crore)
Sources of State's Receipts	2019-20	2020-21	2021-22	2022-23	2023-24
Capital Receipts*	1,003.66	1,532.17	760.26	2,287.44	2705.24
Miscellaneous Capital Receipts	0.00	0.00	0.00	450.00	0.00
Recovery of Loans and Advances	1.09	1.23	1.88	3.04	2.99
Net Public Debt Receipts	1,002.57	1,530.94	758.38	1,834.40	2702.25
<i>Internal Debt</i>	1,017.78	1,344.21	463.73	1,338.59	1,730.85
<i>Growth rate</i>	209.65	32.07	-65.50	188.66	29.30
<i>Loans and advances from GoI</i>	-15.21	186.73	294.65	495.81	971.40
<i>Growth rate</i>	-14.26	1,327.68	57.79	68.27	95.92
Rate of growth of debt Capital Receipts	222.42	52.70	-50.46	141.88	47.31
Rate of growth of non-debt capital receipts	0.93	12.84	52.85	61.70	-1.64
Rate of growth of GSDP	12.02	0.39	8.16	15.14	12.75
Rate of growth of Capital Receipts (per cent)	221.65	52.66	-50.38	200.87	18.26

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

*Capital Receipts differed from **Table-1.3** due to non-capturing of (i) net (Receipts-Disbursements) of Public Account (-₹831.14 crore) and (ii) net of Opening and Closing Cash Balance (-₹991.51 crore)

During the year 2023-24, Capital Receipts increased by (₹417.80 crore) 18.26 *per cent*. Capital Receipts increased by ₹1,701.58 crore (169.54 *per cent*) from ₹1,003.66 crore in 2019-20 to ₹2,705.24 crore in 2023-24 due to increase in Net Public Debt Receipts by ₹1,699.68 crore (169.53 *per cent*).

Public debt receipts create future repayment obligation as these are taken from Market, Financial Institutions and Central Government. During 2023-24, the net Public Debt Receipts increased by ₹867.85 crore (47.31 *per cent*) from ₹1,834.40 crore in 2022-23 to ₹2,702.25 crore in 2023-24. The increase in net Public Debt Receipts was due to increase in Internal Debt and Loans and Advances from GoI by ₹392.26 crore (29.30 *per cent*) and ₹475.59 crore (95.92 *per cent*) respectively over the previous year.

Nagaland's financial position in 2023-24 reflects rising debt dependency, inefficient fund utilization, and fiscal risks which could affect long-term sustainability. While fiscal deficit as a percentage of GSDP has improved, the State's increasing reliance on borrowed funds for revenue and capital expenditure poses significant fiscal risks. Strengthening

revenue mobilisation, improving debt management, and ensuring timely fund utilisation are critical to enhancing Nagaland's financial health and reducing its reliance on borrowings.

2.4 Application of Resources

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

2.4.1 Growth and composition of expenditure

Revenue Expenditure: Charges on maintenance, repair, upkeep and working expenses are required to maintain the assets in a running order as also all other expenses incurred for the day-to-day running of the organization, 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 further 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 2.18** and **Chart 2.8**.

Table 2.18: Total expenditure and its composition

(₹ in crore)					
Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure (TE)	12,852.60	12,729.60	13,713.54	16,114.93	17,942.57
Revenue Expenditure (RE)	11,637.02	11,052.06	11,817.08	13,410.36	14,819.70
Capital Expenditure (CE)	1,206.32	1,671.93	1,893.85	2,704.22	3,122.52
Loans and Advances	9.26	5.61	2.61	0.35	0.35
As a percentage of GSDP					
TE/GSDP	43.25	42.67	42.50	43.38	42.84
RE/GSDP	39.16	37.05	36.62	36.10	35.38
CE/GSDP	4.06	5.60	5.87	7.28	7.46
Loans and Advances/GSDP	0.03	0.02	0.01	0.00	0.00

Source: Finance Accounts of respective years

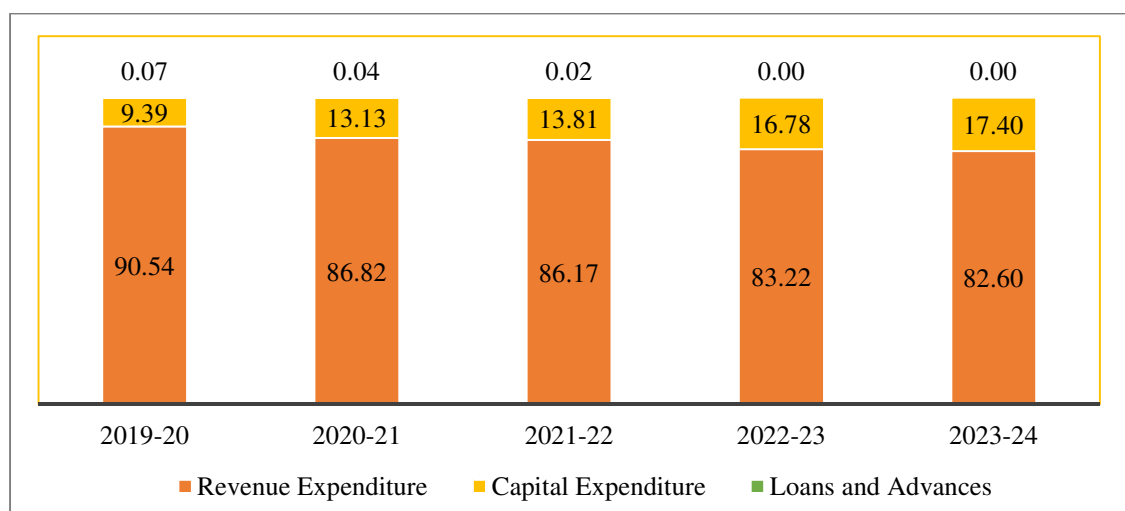
Table 2.18 shows that Total Expenditure (TE) (comprising of Revenue Expenditure, Capital Expenditure and Disbursement of Loans & Advances) of the State increased by ₹5,089.97 crore (39.60 *per cent*) from ₹12,852.60 crore in 2019-20 to ₹17,942.57 crore in 2023-24. During 2023-24, TE increased by ₹1,827.64 crore (11.34 *per cent*) over the previous year. Amongst all India States/ UTs, Chhattisgarh registered highest growth of 32.20 *per cent* in TE during 2023-24 over the previous year 2022-23. While,

Nagaland ranked *Twelfth* in the growth of TE (11.34 *per cent*) during 2023-24 over the previous year.

As a percentage of GSDP, TE remained in the range between 42.50 and 43.38 *per cent* during the period 2019-20 to 2023-24.

The share of Capital Expenditure as a percentage of GSDP increased from 4.09 *per cent* in 2019-20 to 7.46 *per cent* in 2023-24. While the share of Revenue Expenditure as a percentage of GSDP decreased from 39.16 *per cent* in 2019-20 to 35.38 *per cent* in 2023-24.

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



Source: Finance Accounts of respective years

Chart 2.8 shows that Revenue expenditure constituted dominant proportion between 82.60 and 90.54 *per cent* of TE during the period 2019-20 to 2023-24. Capital Expenditure constituted between 9.39 and 17.40 *per cent* of TE during the period from 2019-20 to 2023-24.

Relative share of various sectors of TE, comprises of General Services including Interest Payments, Social Services, Economic Services and others. Relative share of these components, during 2019-20 to 2023-24 is depicted in **Table 2.19** and **Chart 2.9**.

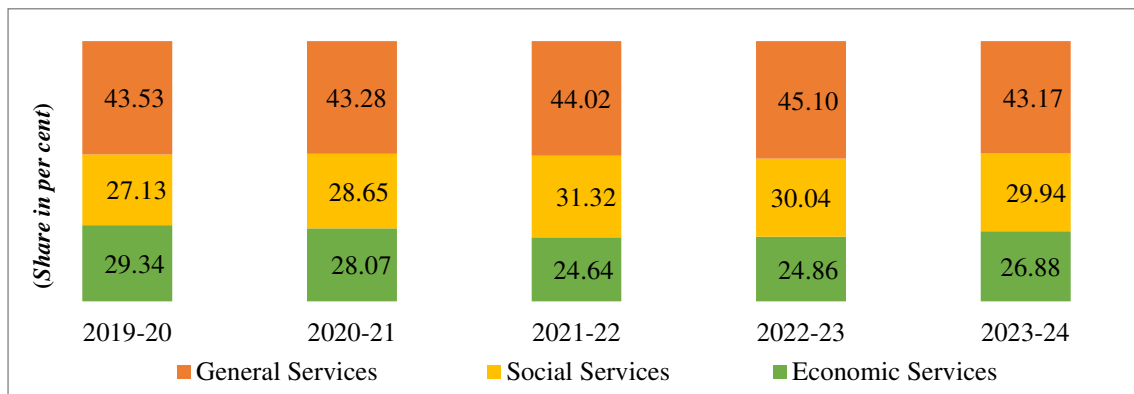
Table 2.19: Relative share of various sectors of expenditure

(In *per cent*)

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
General Services	5,594.53	5,509.64	6,036.99	7,267.61	7,746.38
Social Services	3,487.07	3,646.72	4,294.62	4,840.22	5,372.61
Economic Services	3,761.74	3,567.63	3,379.32	4,006.75	4,823.23
Others* (Grants to Local Bodies and Loans and Advances)	9.26	5.61	2.61	0.35	0.35

Source: Finance Accounts of respective years

*bifurcated from Economic Services

Chart 2.9: Total expenditure - Expenditure by activities

Source: Finance Accounts of respective years

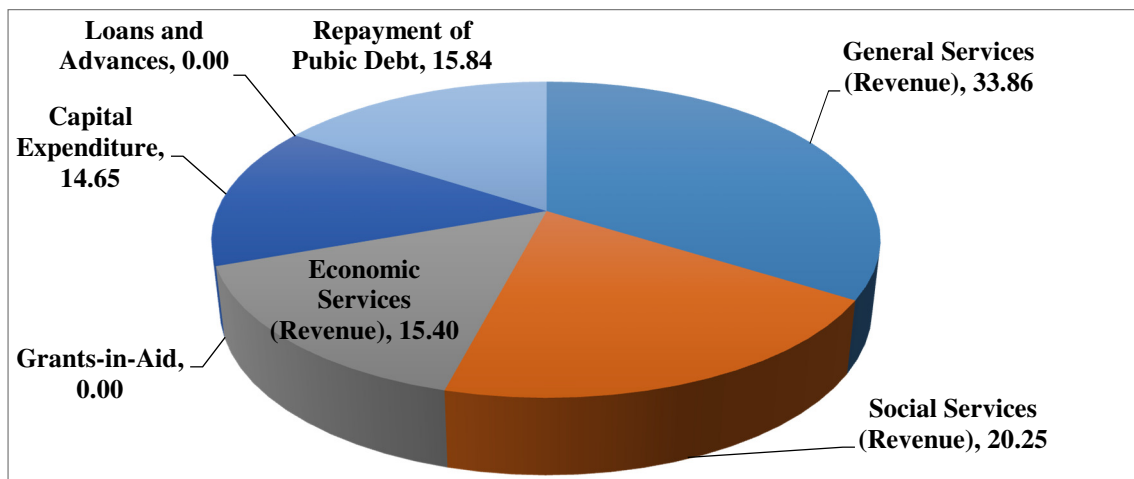
It can be seen from the **Chart 2.9** above that-

- General Services as a percentage to TE decreased from 45.10 to 43.17 *per cent* during 2023-24 as compared to 2022-23 mainly due to decrease in expenditure on Organs of State by 12.19 *per cent* which was offset by, increase in 10.13 *per cent* in Pension and Miscellaneous General Services and 5.05 *per cent* in Administrative Services over the previous year.
- Social Services as a percentage to TE decreased from 30.04 to 29.94 *per cent* during 2023-24 as compared to 2022-23 mainly due to decrease in expenditure in respect of Health and Family Welfare (decreased by 28.68 *per cent*) and Welfare of Schedule Castes, Schedule Tribes and Other Backward Classes (36.41 *per cent*).
- There was increase in expenditure in Economic services (26.88 *per cent*) during 2023-24, as compared to 24.86 *per cent* over the previous year. The increase was mainly due to increase in expenditure in respect of Irrigation and Flood Control (213.43 *per cent*).

Chart 2.10 shows the composition of expenditure by function during 2023-24.

Chart 2.10: Composition of expenditure during 2023-24

(in per cent)



Source: Finance Accounts, 2023-24

The shares (in percentage of total expenditure) in General, Social and Economic services remained stable during the five-year period from 2019-20 to 2023-24. Repayment of Public Debt constituted around 15.84 *per cent* of the total expenditure during the year, down from 24.83 *per cent* during the previous year.

Nagaland's fiscal trajectory in 2023-24 reflects a shift towards higher capital expenditure and economic services investments, which is a positive step for long-term growth. However, the persistence of high revenue expenditure, rising debt obligations, and declining allocations to critical social sectors pose serious fiscal risks. The state needs improved expenditure efficiency, better resource mobilization, and stricter debt management to maintain fiscal sustainability while ensuring inclusive economic development.

2.4.2 Revenue Expenditure

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

The overall Revenue Expenditure, its rate of growth, its ratio to TE *vis-à-vis* GSDP and Revenue Receipts is indicated in **Table 2.20**.

Table 2.20: Revenue Expenditure – Basic Parameters

Parameters	(₹ in crore)				
	2019-20	2020-21	2021-22	2022-23	2023-24
TE	12,852.60	12,729.60	13,713.54	16,114.93	17,942.57
Revenue Expenditure (RE)	11,637.02	11,052.06	11,817.08	13,410.36	14,819.70
Total Revenue Receipts	11,423.23	11,427.43	13,451.15	14,099.26	16,155.13
Rate of growth of RR (<i>per cent</i>)	-0.12	0.04	17.71	4.82	14.58
Rate of Growth of RE (<i>per cent</i>)	6.57	-5.03	6.92	13.48	10.51
Revenue Expenditure as percentage of TE	90.54	86.82	86.17	83.22	82.60
RE/GSDP (<i>per cent</i>)	39.16	37.05	36.62	36.10	35.38
RE as percentage of RR	101.87	96.72	87.85	95.11	91.73

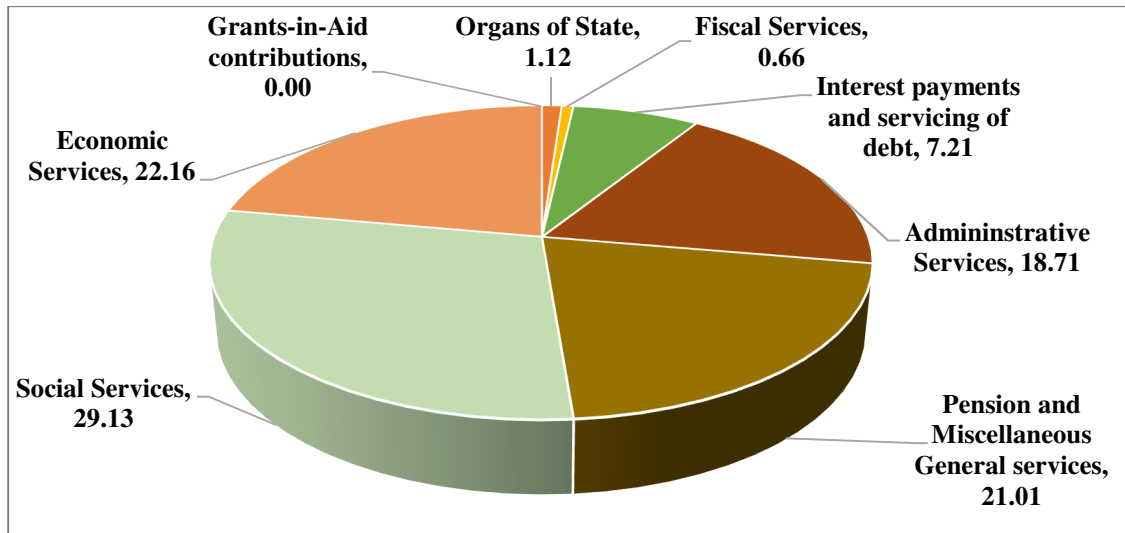
Source: Finance Accounts of respective years

Revenue Expenditure increased by ₹3,182.68 crore (27.35 *per cent*) from ₹11,637.02 crore in 2019-20 to ₹14,819.70 crore in 2023-24. Revenue Expenditure constituted on an average, 85.87 *per cent* and ranged between 82.60 (2023-24) and 90.54 *per cent* (2019-20) of TE during the period from 2019-20 to 2023-24. The percentage of Revenue Expenditure to TE was 82.60 *per cent* and Revenue Expenditure to GSDP was 35.38 *per cent* during 2023-24. Rate of growth in Revenue Expenditure fluctuated during the five-year period of 2019-24. During the five-year period of 2019-24, Revenue Expenditure as a percentage of GSDP showed a decreasing trend. Revenue Expenditure as a percentage of GSDP decreased by 0.72 *per cent* in the current year as compared to the previous year.

During 2023-24, the Revenue Expenditure on General Service, Social Service and Economic Service increased by ₹397.57 crore (5.83 *per cent*), ₹571.80 crore (15.26 *per cent*) and ₹439.97 crore (15.47 *per cent*) over the previous year respectively.

The sectoral distribution of Revenue Expenditure during 2023-24 is given in **Chart 2.11**.

Chart 2.11: Sector-wise distribution of Revenue Expenditure during 2023-24 (in per cent)



Source: Finance Accounts, 2023-24

It can be seen from **Chart 2.11** that during 2023-24, Social services (29.13 per cent) constituted maximum share of RE followed by Economic services (22.16 per cent) and Pension and Miscellaneous General services (21.01 per cent).

2.4.2.1 Major changes in Revenue Expenditure

Revenue Expenditure (₹14,819.70 crore) increased by ₹1,409.34 crore (10.51 per cent) during 2023-24 over the previous year (₹13,410.36 crore). **Table 2.21** details significant variations under various Heads of Account with regard to Revenue Expenditure of the State during the current year and the previous year.

Table 2.21: Variation in Revenue Expenditure (more than ₹ 10.00 crore) during 2023-24 compared to 2022-23

Major Heads of Account	2022-23	2023-24	(₹ in crore)
			Increase (+)/ Decrease (-)
2049 - Interest Payment	993.23	1,068.43	(+) 75.20
2052- Secretariat General Services	211.96	242.40	(+) 30.44
2055 – Police	1,838.45	1,827.71	(-) 10.74
2071 - Pension and other retirement benefits	2,819.16	3,101.92	(+) 282.76
2202 - General Education	1,971.01	2,088.59	(+) 117.58
2216- Housing	73.77	384.75	(+) 310.98
2225 - Welfare of Scheduled Castes/Scheduled Tribes and OBCs	63.73	40.58	(-) 23.15
2235 - Social Security and Welfare	175.07	326.37	(+) 151.30
2245- Relief on account of Natural calamity	153.03	72.44	(-) 80.59
2401- Crops Husbandry	318.51	427.69	(+) 109.18
2501- Special Programme for Rural Development	114.5	242.18	(+) 127.68

Source: Finance Accounts, 2023-24

Table 2.21 indicates that Revenue Expenditure increased during 2023-24 over the previous year which was mainly due to increase in Interest Payment, Pension and other retirement benefits, General Education, Housing, Social Security and Welfare, Special Programme for Rural Development and Crops Husbandry, which was offset by a decrease in Welfare of Scheduled Castes/ Scheduled Tribes and Other Backward Classes and Relief on Account of Natural Calamities.

Reasons for increase in four Major Heads of Accounts are detailed below:

- Increase of ₹310.98 crore under Housing was mainly due to increase of ₹311.04 crore in Rural Housing which was partially offset by decrease of ₹0.06 crore in General Pool Accommodation.
- Increase of ₹282.76 crore under Pension and other retirement benefits was mainly due to increase of ₹410.73 crore in Superannuation and Retirement Allowances, ₹204.77 crore in Government Contribution for Defined Contribution Pension Scheme and ₹6.83 crore in Payment of Service Charges to National Securities Depository Limited under New Pension Scheme partially offset by decrease of ₹150.48 crore in Commuted Value of Pensions, ₹126.10 crore in Family Pension and ₹60.64 crore in Gratuities.
- Increase of ₹151.30 crore Social Security and Welfare was mainly due to increase of ₹136.64 crore in Child Welfare and ₹5.68 crore in Women Welfare.
- Increase of ₹127.68 crore under Special Programme for Rural Development was mainly due to increase of ₹121.89 crore in National Rural Livelihood Mission and ₹5.79 crore in National Wasteland Development Programme.

2.4.2.2 Committed and Inflexible Expenditure

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

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

Relative to Revenue Expenditure, the States where committed expenditure as percentage of Revenue Expenditure adjudged over 70 *per cent* include Nagaland which ranked third among four States.

Table 2.22 presents the trends in the components of committed and inflexible expenditure during 2019-24.

Table 2.22: Components of Committed and Inflexible Expenditure

(₹ in crore)

Components of Committed Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24
Salaries and Wages*	5,249.81	5,578.10	6,029.85	6,152.31	6,702.79
Expenditure on Pensions	1,810.91	1,752.48	2,158.67	2,819.16	3,101.92
Interest Payments	813.74	856.77	932.09	993.23	1,068.43
Total	7,874.46	8,187.45	9,120.61	9,964.70	10,873.14
Component of Inflexible expenditure					
Statutory Devolution to Local Bodies	0.00	0.00	0.00	0.00	0.00
Contribution to Reserve Funds	151.50	5.01	4.56	4.00	5.50
Recoupment of Contingency Fund	0.00	0.00	0.00	0.00	0.00
Transfer of cess to reserve fund/other body	NA	31.39	53.38	14.35	9.39
Share contribution of CSS against the central Fund received	833.26	1,053.13	1,180.14	1,316.36	1,171.12
Payment of interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure- interest payment.	0.00	0.00	0.00	0.00	0.00
Total	984.76	1,089.53	1,238.08	1,334.71	1,186.01
As a percentage of Revenue Receipts (RR)					
Salaries and Wages	45.96	48.81	44.83	43.64	41.49
Expenditure on Pensions	15.85	15.34	16.05	20.00	19.20
Interest Payments	7.12	7.50	6.93	7.04	6.61
Total	68.93	71.65	67.81	70.68	67.30
Inflexible expenditure					
Total	8.62	9.53	9.20	9.47	7.34
As a percentage of Revenue Expenditure (RE)					
Salaries and Wages	45.11	50.47	51.03	45.88	45.23
Expenditure on Pensions	15.56	15.86	18.27	21.02	20.93
Interest Payments	6.99	7.75	7.89	7.41	7.21
Total	67.66	74.08	77.19	74.31	73.37
Inflexible expenditure					
Total	8.46	9.86	10.45	9.95	8.00

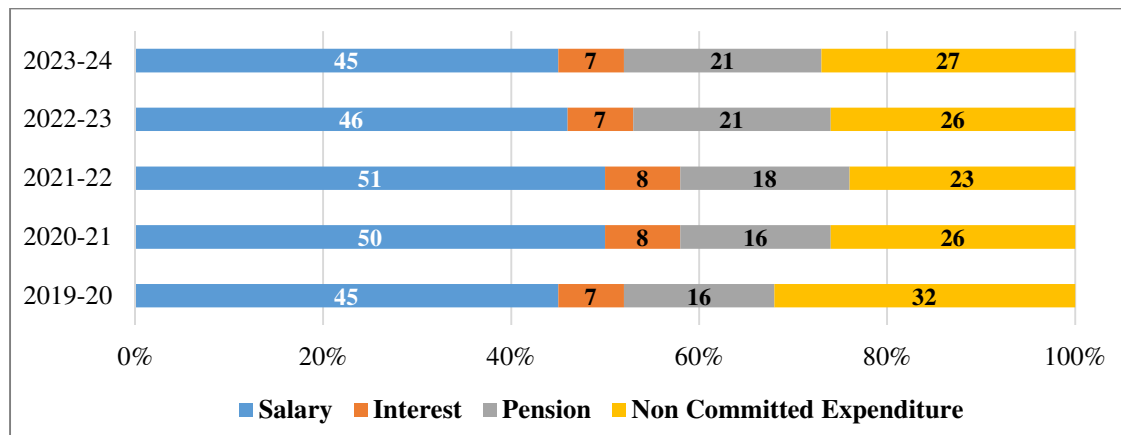
Source: Finance Accounts of respective years

* The difference in figures for 2020-21 to 2022-23 was due to addition of expenditure towards wages highlighted in Statement No. 4 (B) Expenditure by Nature of Finance Accounts of respective years.

Committed expenditure increased by ₹2,998.68 crore at a CAGR of 8.40 per cent from ₹7,874.46 crore in 2019-20 to ₹10,873.14 crore in 2023-24. During the current year, committed expenditure increased by ₹908.44 crore (9.12 per cent) over the previous year. The increase is due to increase in the expenditure on salaries and wages by ₹550.48 crore (8.95 per cent), pension by ₹282.76 crore (10.03 per cent) and interest payment ₹75.20 crore (7.57 per cent). The relative share of Committed Expenditure in Revenue Receipts showed a fluctuating trend during the five-year period from 2019-20 to 2023-24. During 2023-24, committed expenditure constituted about 67.30 per cent of Revenue Receipts and 73.37 per cent of the Revenue Expenditure.

The share of committed expenditure in total Revenue Expenditure during 2019-24 is given in **Chart 2.12**.

Chart 2.12: Share of Committed expenditure in total Revenue Expenditure



Source: Finance Accounts of respective years

As can be seen from **Chart 2.12** above, committed expenditure hovered around 67.66 to 77.18 *per cent* of Revenue Expenditure during the five-year period from 2019-20 to 2023-24 which is quite high. During the last five years, the percentage of salaries and pensions within Revenue Expenditure was highest in 2021-22 and the percentage of non-committed expenditure to Revenue Expenditure was the lowest in 2021-22. This signifies limited flexibility of the State to allocate and spend on areas of non-committed expenditure.

The components of inflexible expenditure which include among others Statutory Devolution to local bodies and contribution to Reserve Funds showed a continued increase during the period 2019-20 to 2022-23 but a decline in 2023-24. As a percentage of Revenue Expenditure, the inflexible expenditure showed fluctuating trend ranging from 8.00 to 10.45 *per cent*. Further, the inflexible expenditure (₹1,186.01 crore) decreased by 11.14 *per cent* during 2023-24 over the previous year (₹1,334.71 crore) mainly due to decrease in Share contribution of CSS against the central Fund received (₹1,316.36 crore in 2022-23 to ₹1,171.12 crore in 2023-24).

Taken together, committed and inflexible expenditure in 2023-24 was ₹12,059.15 crore; 81.37 *per cent* of the Revenue Expenditure. Upward trend on committed and inflexible expenditure leaves the Government with lesser flexibility for other priority sectors and capital creation.

Component-wise analysis is given in the succeeding paragraphs.

Salaries and Wages

Expenditure on salaries and wages (₹6,702.79 crore) increased by 8.95 *per cent* during 2023-24 over the previous year (₹6,152.31 crore). During the year, it was the prominent contributor to Committed Expenditure as it alone constituted 45.23 *per cent* of Revenue Expenditure. During the current year, the State Government projected Salaries and Wages of ₹7,186.90 crore in BEs while the actual Salaries and Wages was ₹6,702.79 crore.

Interest payment

Interest payment comprises of interest on Internal Debt, Small Savings, Provident Funds, Loans and Advances from GoI. Interest payments were to the tune of ₹1068.43 crore (7.21 *per cent* of Revenue Expenditure). Interest on Market Borrowings (₹895.37⁶ crore), Loans from the Institutes and Banks⁷ (₹47.22 crore) and Special Securities issued to National Small Savings Fund (NSSF) of Central Government (₹7.69 crore) continued to be the major components of interest payments. The position of the interest payments *vis-à-vis* the XV FC recommendations and MTFP projection during the current year is given in **Table 2.23**.

Table 2.23: Interest Payments in the year 2023-24

(₹ in crore)

XV FC recommendation	MTFP projection	Actual
1,233.00	1,142.58	1,068.43

Source: Budget document, XV FC report and Finance Account, 2023-24

Pensions

There were 71,055 pensioners including both original (48,546) and family pensioners (22,509) as on 31 March 2024.

During the year, expenditure on pension and other retirement benefits to State Government pensioners was ₹3,101.92 crore. This constituted 20.93 *per cent* of the Revenue Expenditure. During the year, the major components of pension and other retirement benefits are Superannuation and Retirement Allowances (₹1,750.78 crore), Commuted Value of Pensions (₹284.94 crore), Gratuities (₹374.06 crore) and Family Pensions (₹278.00 crore). During 2023-24, there was an increase of ₹282.76 crore on pension and other retirement benefits over the previous year. Double digit increase in pension outgo in 2023-24 over 2022-23 was been observed in nine States out of all States/UTs where Nagaland ranked ninth.

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

Table 2.24: Details of Pension Payments *vis-à-vis* XV FC recommendations and MTFP projection during year 2023-24

(₹ in crore)

XV FC recommendation	MTFP projection	Actual
2,303.00	3,082.26	3,101.92

Source: Budget document, XV FC report and Finance Account, 2023-24

2.4.2.3 Undischarged liabilities in National Pension System

State Government employees appointed on or after 01 January 2010 are covered under the National Pension System (NPS), which is a defined contributory pension scheme. All India Service officers are covered under the scheme *w.e.f.* 01 January 2004. In terms of

⁶ Including interest of ₹1.83 crore regarding management of Public Debt

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

the Scheme, employees contribute 10 *per cent* of their basic pay plus dearness allowances which the State Government is required to match with 14 *per cent* of the basic pay plus dearness allowances (with effect from 01 April 2019). Both the employees and government contributions are transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/ Trustee Bank. The subscription received from employees is credited to MH-8342-117 'Defined Contributory Pension Scheme (DCPS)' for Government servants. The State Government follows the accounting procedure while providing the employer's matching contribution towards the fund (MH-8342-117 employer contribution) by debiting to MH-2071 Pensions and Other Retirement Benefits.

The total number of employees under NPS as of 31 March 2023 was 32,760 which increased to 35,564 as of 31 March 2024. Out of these 35,564 employees under NPS, 34,645 employees have been allotted Permanent Retirement Account Number (PRAN) as of 31 March 2024.

During the year 2023-24, total subscription received was ₹577.51 crore (Employees' contribution ₹149.20 crore, Government contribution ₹407.25 crore, penal interest paid by State Government ₹13.77 crore and Service Charge to NSDL ₹7.29 crore). Against this, the State Government transferred ₹707.59 crore from the Public Account under Major Head 8342-117 Defined Contribution Pension scheme to NSDL.

As on 31 March 2024, ₹91.99 crore was outstanding under the MH-8342-117 DCPS which had not been transferred to NSDL. Thus, un-transferred amounts, with accrued interest represent outstanding liabilities under the Scheme.

As on 01 April 2023, the balance under the head 8342-117 Defined Contribution Pension Scheme for Government Employees was ₹222.07 crore. The interest to be paid for 2023-24 by the State Government works out to ₹15.77 crore⁸. However, the State Government paid only ₹13.77 crore resulting in short payment of the interest of ₹2.00 crore. This resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

During the Exit Conference (16 December 2024), Finance Department stated that timely contribution to the NPS account shall be ensured so as to avoid losses to the subscribers.

2.4.2.4 Subsidies

Table 2.25 depicts the expenditure on subsidies during the period 2019-24.

Table 2.25: Expenditure on subsidies during 2019-20 to 2023-24

	2019-20	2020-21	2021-22	2022-23	2023-24
Subsidies (₹ in crore)	0.00	25.12	25.12	33.12	41.12
Subsidies as a percentage of Revenue Receipts	0.00	0.22	0.19	0.23	0.25
Subsidies as a percentage of Revenue Expenditure	0.00	0.23	0.21	0.25	0.28

⁸ (₹222.07 crore * 7.10*1/100 = ₹15.77 crore), Interest calculated at the rate of 7.10 *per cent* notified by Government/ payable to General Provident Fund

As can be seen from **Table 2.25**, during 2023-24, an amount of ₹41.12 crore was booked as subsidy under 2408-01-001-01-39 Subsidies of ₹25.12 crore and Nagaland Civil Secretariat Chief Minister's Micro Financing Initiative, 2251-090-03-39 Subsidies of ₹16.00 crore, an increase of ₹8.00 crore as compared to the previous year.

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

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

The quantum of assistance provided by way of grants and loans to Local bodies and others during the period 2019-24 is depicted in **Table 2.26**.

Table 2.26: Financial Assistance to Local Bodies, etc.

	(₹ in crore)				
Financial Assistance to Institutions	2019-20	2020-21	2021-22	2022-23	2023-24
(A) Local Bodies					
Municipal Corporations and Municipalities	1.62	1.62	1.62	9.45	15.31
Rural Local Bodies	0.00	62.50	109.57	46.00	0.00
Total (A)	1.62	64.12	111.19	55.45	15.31
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	2.65	3.00	3.35	3.65	3.60
Development Authorities	56.72	60.02	56.68	84.88	77.91
Hospitals and Other Charitable Institutions	25.84	26.94	14.04	0.24	0.25
Other Institutions	73.87	40.77	31.20	52.37	532.69
Total (B)	159.08	130.73	105.27	141.14	614.45
Total (A + B)	160.70	194.85	216.46	196.59	629.76
GIA on Salary and non-Salary	159.61	180.53	190.87	136.01	562.45
GIA for creation of Capital Assets*	1.09	14.32	25.59	60.58	67.31
GIA given in Kind	State Government did not furnish any information				
Revenue Expenditure	11,637.02	11,052.06	11,817.08	13,410.36	14,819.70
Assistance as percentage of Revenue Expenditure	1.38	1.76	1.83	1.47	4.25

Source: Finance Accounts of respective years

*The difference in figures for 2021-22 and 2022-23 was due to adoption of the details of expenditure by nature (Statement No. 4 (B) Expenditure by Nature) in Finance Accounts, 2023-24.

The total financial assistance to Local Bodies and Other Institution showed a fluctuating trend during 2019-20 to 2023-24. The increase in financial assistance was ₹433.17 crore (220.34 per cent) from ₹196.59 crore in 2022-23 to ₹629.76 crore in 2023-24. During 2023-24, financial assistance was 4.25 per cent of Revenue Expenditure, an increase of 189.12 per cent from the previous year.

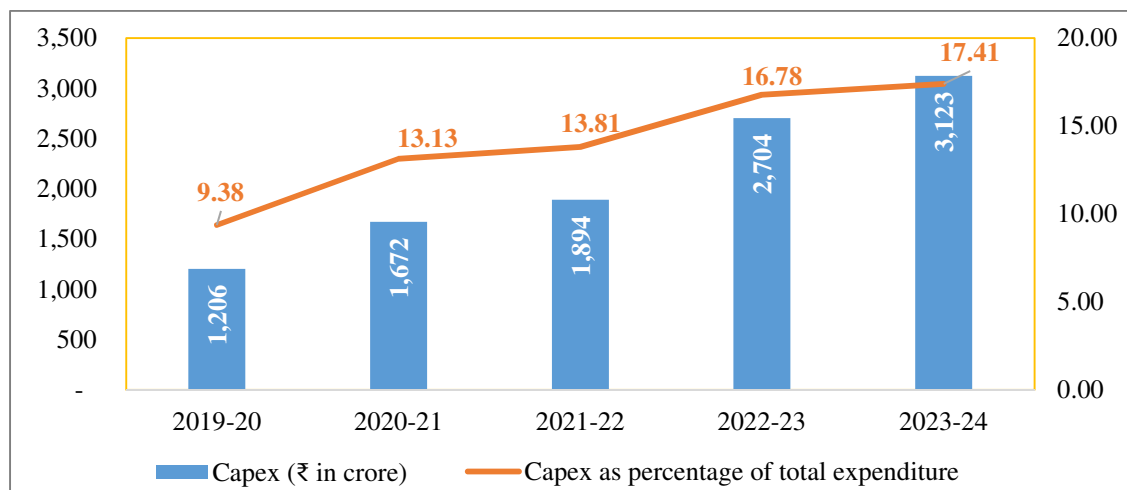
The financial assistance given for creation of Capital assets during 2023-24 increased by ₹6.73 crore over the previous year. Moreover, the financial assistance on salary and non-salary increased by ₹426.44 crore during the year. The share of financial assistance by the Government on Salary and non-salary and creation of Capital assets constituted on an average 89.31 per cent and 10.69 per cent respectively during the period 2019-24.

2.4.3 Capital Expenditure

Capital Expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings, *etc.* Capital Expenditure, both in the Centre and the State, is being met from budgetary support and extra budgetary resources. It also includes investments made by the State Government in Companies/ Corporations.

The details of the capex and its percentage of total expenditure for the period from 2019-20 to 2023-24 are given in **Chart 2.13**.

Chart 2.13: Capital Expenditure in the State



Source: Finance Accounts of respective years

It can be seen from **Chart 2.13** that the Capital Expenditure increased during the five-year period from 2019-20 to 2023-24. It increased by ₹1,916.20 crore (158.85 per cent) from ₹1,206.32 crore (9.38 per cent of TE) in 2019-20 to ₹3,122.52 crore (17.41 per cent of TE) in 2023-24. During 2023-24, CE increased by ₹418.30 crore (15.47 per cent) over the previous year (₹2,704.22 crore) and was ₹1,319.78 crore (73.21 per cent) more than the Budget Estimates (₹1,802.74 crore).

2.4.3.1 Major changes in Capital Expenditure

Table 2.27 highlights the cases of significant increase or decrease in various Heads of Account in Capital Expenditure during 2023-24 *vis-à-vis* the previous year.

Table 2.27: Capital Expenditure (increase/decrease more than ₹10 crore) during 2023-24 compared to 2022-23

Major Heads of Accounts	(₹ in crore)		
	2022-23	2023-24	Increase (+)/ Decrease (-)
4055- Capital outlay on Police	125.26	114.35	(-)10.91
4059-Capital Outlay on Public Works	320.66	413.77	93.11
4202- Capital Outlay on Education, Sports, Arts and Culture	233.29	249.11	15.82
4210-Capital Outlay on Medical and Public Health	438.22	62.04	(-)376.18
4216- Capital outlay on Housing	27.69	64.93	37.24
4217- Capital outlay on Urban Development	298.76	572.85	274.09
4406- Capital Outlay on Forestry and Wild Life	36.70	52.00	15.30

Major Heads of Accounts	2022-23	2023-24	Increase (+)/ Decrease (-)
4515- Capital Outlay on other Rural Development Programmes	16.00	30.45	14.45
4552- Capital Outlay on North Eastern Areas	14.58	2.30	(-)12.28
4575- Capital outlay on Special Area Development Programme	102.50	121.50	19.00
4702- Capital Outlay on Minor Irrigation	12.91	118.03	105.12
4801- Capital Outlay on Power Project	53.78	91.88	38.10
4810- Capital Outlay on Non-Conventional Sources of Energy	6.26	38.02	31.76
4851- Capital Outlay on Village and Small Industries	29.43	1.79	(-)27.64
5053-Capital Outlay on Civil Aviation	2.00	8.88	6.88
5054-Capital Outlay on Roads and Bridges	819.78	879.36	59.58
5452-Capital Outlay on Tourism	0.79	12.84	12.05
5453-Capital Outlay on Foreign Trade and Export Promotion	0.00	73.50	73.50

Source: Finance Accounts of respective years

Table 2.27 reveals that the increase in Capital Expenditure during 2023-24 over the previous year was mainly due to increase under Public Works, Urban Development, Minor Irrigation and Roads and Bridges, which was offset mainly by decrease under Police, Medical and Public Health, North Eastern Areas and Village and Small Industries.

Reasons for increase in four Major Heads of Accounts are detailed below:

- Increase of ₹274.09 crore under Capital outlay on Urban Development was mainly due to increase of ₹237.80 crore in Other Urban Development Schemes and increase of ₹17.90 crore in Slum Area Improvement.
- Increase of ₹105.12 crore under Capital outlay on Minor Irrigation was due to increase of ₹109.66 crore in Pradhan Mantri Krishi Sinchai Yojana – Har Khet Ko Pani partially offset by decrease of ₹4.63 crore in Irrigation Works.
- Increase of ₹93.11 crore under Capital outlay on Public Works was mainly due to increase of ₹93.02 in Office Building.
- Increase of ₹73.50 crore under Capital outlay on Foreign Trade and Export Promotion was mainly due to increase in Developing Export Infrastructure and Allied Activities.

During 2023-24, the Capital Expenditure on Economic Service and General Service increased by ₹376.51 crore (32.37 per cent), ₹81.20 crore (18.17 per cent) while Social Service decreased by ₹39.40 crore (3.60 per cent) over the previous year respectively.

While Nagaland has significantly increased its Capital Expenditure, the quality of investments, declining social sector spending and lack of financial transparency pose fiscal risks. The state must ensure efficient fund allocation, prevent wasteful investments, and improve monitoring mechanisms in order to maximise the long-term impact of its infrastructure-driven growth strategy.

2.4.3.2 Quality of Capital Expenditure

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

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

Capital expenditure in the companies, corporations and other bodies which are loss making or where net worth has completely eroded, is not sustainable. Investments made and loans given to companies and co-operatives, which are loss making and those where net worth are completely eroded, affect quality of capital expenditure. Return on investment in share capital invested in Public Sector Undertakings (PSUs) and history of repayment of loans given to various bodies are important determinants of quality of capital expenditure.

As per the latest finalised accounts, total paid up capital of five⁹ working State PSUs stood at ₹35.24 crore at the end of 2023-24, of which the State Government's investment (equity) was ₹107.73 crore in State PSUs. Five State PSUs, in which the State Government held investment of ₹15.87 crore had aggregated accumulated losses of ₹114.26 crore.

Net worth of all five PSUs with accumulated losses had completely eroded and had become negative. The net worth of these five PSUs was ₹83.42 crore against equity investment of ₹40.66 crore in the PSUs as on 31 March 2024. None of the five PSUs whose capital had eroded, had any outstanding State Government loans as on 31 March 2024.

The Government paid an average interest rate ranging between 6.33 and 7.16 *per cent* on its borrowings during the same period as detailed in **Table 2.28**.

Table 2.28: Return on Investment

Investment/return/ cost of borrowings	2019-20	2020-21	2021-22	2022-23	2023-24
Investment at the end of the year (₹ in crore)	295.17	296.17	296.16	296.16	337.09
Return (₹ in crore)	2.80	2.47	0.49	2.47	4.94
Return (<i>per cent</i>)	0.95	0.83	0.17	0.83	1.47
Average rate of interest on Government Borrowings (<i>per cent</i>)	7.16	6.68	6.81	6.73	6.33
Difference between interest rate and return (<i>per cent</i>)	(-)6.19	(-)5.85	(-)6.64	(-)5.90	(-)4.86
Difference between interest on Government borrowings and return on investment (₹ in crore) [#]	688.20	729.40	820.90	881.16	956.39

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

⁹ Nagaland Industrial Development Corporation Ltd., Nagaland State Mineral Development Corporation Ltd., Nagaland Hotels and Tourism Development Corporation Ltd., Nagaland Handloom & Handicrafts Development Corporation., Ltd. and Kohima Smart City Development Ltd.

As can be seen from **Table 2.28**, during the five-year period of 2019-24, the State Government's investments had increased by ₹41.92 crore. The average return on this investment was ₹2.80 crore during 2019-20, while the return in the remaining years of 2020-24 ranged between ₹0.49 crore and ₹4.94 crore.

The audit analysis of Nagaland's investments in Public Sector Undertakings (PSUs) and other bodies for 2023-24 highlights serious concerns regarding the sustainability and financial viability of these investments. The erosion of net worth, low returns on investment, and continued losses in state-owned enterprises indicate inefficient capital allocation and potential fiscal risks. The State Government's continued investment in loss-making PSUs with negative net worth represents a significant fiscal risk. The returns on these investments are far below borrowing costs, exacerbating financial inefficiencies.

(ii) **Reconciliation of Government Investments with Accounts of Companies**

The figures in respect of equity, loans and guarantees outstanding as per the records of PSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the Finance Department and the PSUs concerned should carry out a reconciliation of the differences. The position in this regard as on 31 March 2024 is shown in **Table 2.29**.

Table 2.29: Variation between Finance Accounts and records of PSUs

Outstanding in respect of	Amount as per		Difference
	Finance Accounts	Records of PSUs ¹⁰	
Equity	111.05	36.67	74.38
Loans ¹¹	0.48	0.27	0.21
Guarantees	59.03	88.00	28.97

Source: As per the State Finance Accounts, 2023-24 and information furnished by PSUs

As can be seen from **Table 2.29** above, as on 31 March 2024, there were unreconciled differences in the figures of equity (₹74.38 crore) and guarantees (₹28.97 crore) as per the two sets of records. The differences in the figures of equity occurred in respect of all the PSUs while differences in the figures of guarantee relate to two PSUs¹².

Though the Finance Department, Government of Nagaland as well as the PSUs concerned were apprised about the differences, impressing upon the need for early reconciliation, no progress was noticed in this regard. The Government and the PSUs concerned may take concrete steps to reconcile the differences in a time-bound manner.

(iii) **Loans and Advances given by State Government**

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

¹⁰ Information as provided by PSUs and includes only the investment made by the State Government

¹¹ In the State Finance Accounts, 2023-24, the loan figures appear sector-wise and not PSU-wise, hence, the figures of the State Government loans provided to PSUs are not available in Finance Accounts

¹² Nagaland Industrial Development Corporation Ltd. and Nagaland Handloom & Handicrafts Development Corporation, Ltd.

Table 2.30 presents the outstanding Loans and Advances as on 31 March 2024 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 2.30: Quantum of loans disbursed and recovered during five years

(₹ in crore)

Quantum of loans disbursed and recovered	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Balance of loans outstanding*	28.91	37.08	41.46	42.19	39.49
Amount advanced during the year	9.26	5.61	2.61	0.35	0.35
Amount recovered during the year	1.09	1.23	1.88	3.05	2.99
Closing Balance of the loans outstanding	37.08	41.46	42.19	39.49	36.85
Net addition	8.17	4.38	0.73	(-)2.70	(-)2.64
Interest received	3.59	3.16	3.29	4.02	0.00
Interest rate on Loans and Advances given by the Government#	10.89	8.05	7.87	9.85	0.00
Rate of Interest paid on the outstanding borrowings of the Government	7.16	6.68	6.81	6.73	6.33
Difference between the rate of interest paid and interest received (<i>per cent</i>)	3.73	1.37	1.06	3.12	(-)6.33

Source: Finance Accounts of respective years

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

#Return on Investment = Interest Receipts/Average of Loans and Advances disbursed of previous and current financial year*100

During 2023-24, the disbursement of Loans and Advances (₹0.35 crore) remains the same from the previous year. Recovery of Loans and Advances decreased by ₹0.06 crore (1.97 *per cent*) over the previous year.

At the end of March 2024, the Government had outstanding Loans and Advances of ₹36.85 crore. The amount of loans outstanding decreased by ₹2.64 crore (6.69 *per cent*) from ₹39.49 crore in 2022-23 to ₹36.85 crore in 2023-24.

(iv) Capital locked in incomplete projects

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

As per Appendix IX of the Finance Accounts of the State for the year 2023-24, there were 277 incomplete/ongoing projects in the State as on 31 March 2024. These were being executed by 34 Departments. Age profile and Department-wise profile of incomplete projects based on the year of sanction/ year of start of these projects as on 31 March 2024 is given in **Tables 2.31** and **2.32**.

Table 2.31: Age profile of incomplete projects as on 31 March 2024

(₹ in crore)

Year	No of incomplete projects	Estimated cost	Cost over-run	Expenditure (as on 31 March 2024)
Up to 2013-14	215	1,450.21	81.06	678.21
2014-15	26	35.64	0.00	21.69
2015-16	10	22.50	0.38	16.58
2016-17	5	124.71	2.05	92.60
2017-18	9	48.54	5.05	29.28
2018-19	6	229.85	0.00	0.00
2019-20	1	4.98	0.00	0.00

Year	No of incomplete projects	Estimated cost	Cost over-run	Expenditure (as on 31 March 2024)
2020-21	2	17.37	0.00	12.25
2021-22	0	0.00	0.00	0.00
2022-23	3	1.80	0.00	0.55
2023-24	0	0.00	0.00	0.00
Total	277	1,935.60	88.54	851.16

Source: Appendix-IX, Finance Accounts, 2023-24

(Note: Out of these 277 projects, 29 projects have been reported as completed. Out of 29 projects, completion certificates of 14 projects have been furnished with remaining 15 projects without completion certificates)

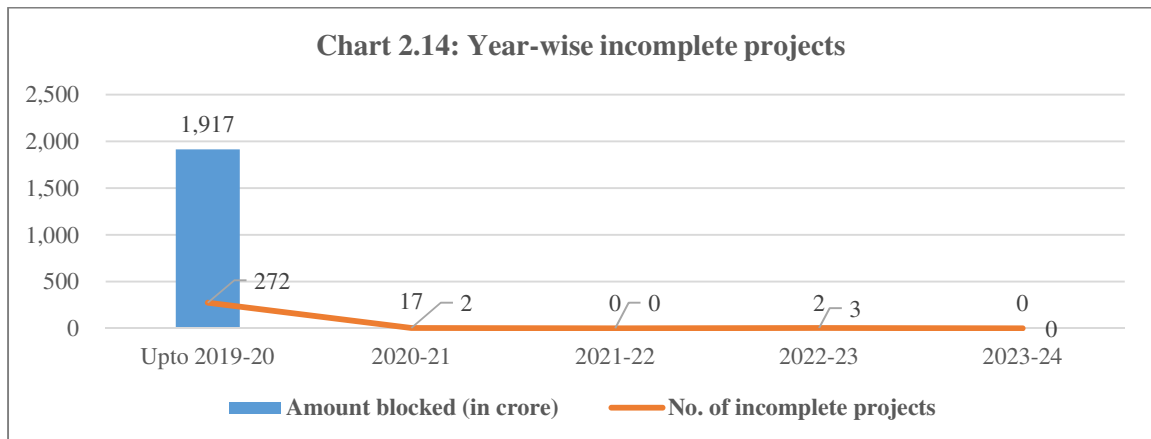
Table 2.32: Department-wise profile of incomplete projects as on 31 March 2024

(₹ in crore)

Department	No. of incomplete projects	Estimated cost	Cost overrun	Expenditure (as on 31 March 2024)
Veterinary and Animal Husbandry	53	46.92	0.14	27.82
CAWD	30	14.23	0.00	13.21
General Administration	26	9.00	0.00	8.18
PWD (Housing)	21	126.01	8.53	96.71
Police Engineering Project	19	487.35	0.00	76.76
Higher Education	18	39.46	0.00	12.45
Urban Development	10	210.16	5.33	96.77
PWD (Roads and Bridges)	8	99.52	0.00	63.57
SCERT	8	43.09	1.07	24.30
Transport Commissioner	7	48.30	0.34	28.36
Geology & Mining	4	53.08	27.41	48.95
Other 23 Departments	73	758.48	45.72	354.08
Total	277	1,935.60	88.54	851.16

Source: Appendix-IX, Finance Accounts, 2023-24

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



Analysis of the above 277 incomplete projects revealed the following:

- Out of 277 incomplete works, 271 incomplete projects were aged five years and more.
- Works in respect of a project¹³ (estimated cost ₹6.45 crore) had been suspended after incurring an expenditure of ₹6.45 crore (100 per cent of estimated cost).

¹³ Construction of 2 lane RCC Bridge over Dhansiri river

- Out of 277 incomplete projects, there was no financial progress in 272 projects, during 2023-24.
- There was 100 *per cent* financial achievement in five projects. However, 100 *per cent* physical progress was not achieved.
- No expenditure was incurred upto 2023-24 in 25 projects (year of commencement from 2012-13 to 2019-20) which had an estimated cost of ₹273.25 crore.
- In 16 projects which were incomplete since 2010-22, there was a cost overrun of ₹88.82 crore as the original costs of these projects were revised from ₹141.03 crore to ₹229.84 crore. In a project which was incomplete since 2019-20, the original cost of ₹5.59 crore was reduced to ₹5.31 crore (a decrease of ₹0.28 crore).

Thus, the Capital Expenditure of ₹851.16 crore incurred on these 277 incomplete projects remained blocked. Blocking of funds on incomplete projects/works not only impinges negatively on the quality of expenditure but also deprives the State of the intended benefits for prolonged periods and economic growth. Further, delay in completion of the projects was fraught with the risk of cost overrun.

2.4.4 Expenditure priorities

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

Table 2.33 analyses the fiscal priority of the State Government in 2019-20 and 2023-24 with regard to Social Sector Expenditure (Health and Education) and Capital Expenditure.

Table 2.33: Priority of the State with regards to Health, Education and Capital Expenditure

Fiscal priority of the State	(In <i>per cent</i>)			
	TE/ GSDP	CE/TE	Education/ TE	Health/ TE
NE&H States Average (2019-20)	26.21	14.94	17.08	6.37
Nagaland	43.25	9.46	12.19	5.20
NE&H States Average (2023-24)	25.19	17.61	15.93	6.43
Nagaland	42.84	17.40	12.52	4.89

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

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

- Total Expenditure (TE) as a proportion of GSDP decreased from 43.25 *per cent* in 2019-20 to 42.84 *per cent* in 2023-24.
- The share of Capital Expenditure (CE) as a proportion of TE of the State was less than the NE&H average in 2019-20 and 2023-24. The proportion of CE to TE increased during 2023-24 in comparison to 2019-20. This indicates that the State Government accorded appropriate fiscal priorities to enhance the productive capacity of the State.

- The share of expenditure on Education as a proportion of TE was lower than the NE&H average in 2019-20 and 2023-24. However, the ratio increased in 2023-24 as compared to 2019-20.
- The share of expenditure on Health Sector as a proportion of TE was lower than the NE&H average in 2019-20 and 2023-24. Further, it decreased in 2022-23 as compared to 2019-20.

The Expenditure on Human Capital Formation measured by Expenditure on Education and Health needs to be increased to reap the fruits of the demographic dividend that the nation is set to have. In this direction, the States including Nagaland should focus on increasing their expenditure on Education and Health in proportion to Total Expenditure.

The audit analysis of Nagaland's fiscal priorities in Education, Health, and Capital Expenditure (CE) compared to the North Eastern & Himalayan (NE&H) States' average for 2019-20 and 2023-24 highlights inadequate social sector funding, improved capital expenditure allocation, and the need for greater investment in human capital formation. Nagaland has improved its Capital Expenditure but continues to underfund critical social sectors, particularly Education and Health. The declining share of health spending and below-average education expenditure highlight a misalignment in fiscal priorities.

2.4.5 Object head-wise expenditure

The Finance Accounts of a State depicts transactions only up to the minor head level. The Government Accounting Rules provide for recording of the expenditure up to the object head level. Therefore, an attempt has been made to ascertain the extent of expenditure incurred on the actual items at the object head level from the accounts maintained in the Accounts Wing of the office of the Principal Accountant General (A&E), Nagaland. The details of items with significant percentage of expenditure are given in **Table 2.34**.

Table 2.34: Object Head wise expenditure during 2021-24

Object Head	(in per cent)		
	2021-22	2022-23	2023-24
Salary	43.43	37.91	37.12
Office Expenses	0.18	0.19	0.18
Motor Vehicles	0.29	0.44	0.65
Maintenance	1.37	1.04	1.14
Other charges	11.33	13.03	13.32
Material and supply	1.60	1.07	1.16
GIA	2.37	1.22	3.13
Wages	0.55	0.27	0.23
Scholarships	0.26	0.49	0.29
Machinery and Equipment	0.35	0.15	0.25
Travel Expenses	0.20	0.15	0.17
POL	0.23	0.24	0.21
Rent, Rates and Taxes	0.14	0.20	0.16
Minor Works	0.20	0.17	0.10
Major Works	10.14	13.93	13.95

Object Head	2021-22	2022-23	2023-24
Interest Payment	6.80	6.16	5.98
Ration	0.48	0.49	0.28
Pensions and Other Retirement Benefits	15.90	17.49	17.41
Others	4.18	5.37	4.63

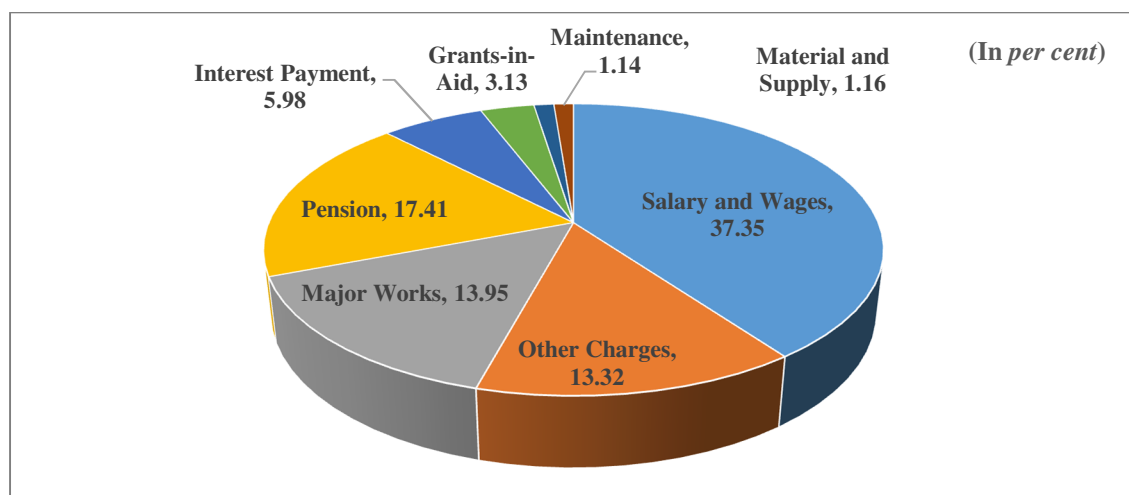
Source: Finance Accounts of respective years

The analysis of the above table reveals the following:

- With respect to the expenditure under “Others charges”, the details of the items on which the expenditure was incurred are not recorded in accounts. This has serious implication for decision making and affects the transparency in accounting. In 2023-24, the expenditure on “Others charges” constituted 13.32 *per cent* of total expenditure which should be properly classified.
- The ratio of salary to the total expenditure decreased during 2023-24 over 2022-23 and the ratio of Capital Expenditure to GSDP during the current year (7.45 *per cent*) increased over the previous year (7.28 *per cent*). This indicates that the emphasis was given to create capital assets of the State which also has a positive impact on the economic growth of the State.
- The ratio of Major works to the Total Expenditure slightly increased from 13.93 *per cent* in 2022-23 to 13.95 *per cent* in 2023-24. This indicates that the State Government is focusing on infrastructure development of the State.

The details of items with significant percentage of expenditure during 2023-24 are depicted in **Chart 2.15**.

Chart 2.15: Items with significant percentage of expenditure during 2023-24



Source: Finance Accounts, 2023-24

Chart 2.15 shows that Salary and Wages constitutes 37.35 per cent, followed by Pension (17.41 *per cent*), Major Works (13.95 *per cent*) and Other Charges (13.32 *per cent*).

2.5 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances *etc.*, which do not

form part of the Consolidated Fund, are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.5.1 Net Public Account Balances

The component-wise net balances and yearly changes in composition of balances in Public Account of the State over the period from 2019-20 to 2023-24 are depicted in **Table 2.35** and **Chart 2.16**.

Table 2.35: Component-wise net balances in Public Account as of 31 March of the year
(₹ in crore)

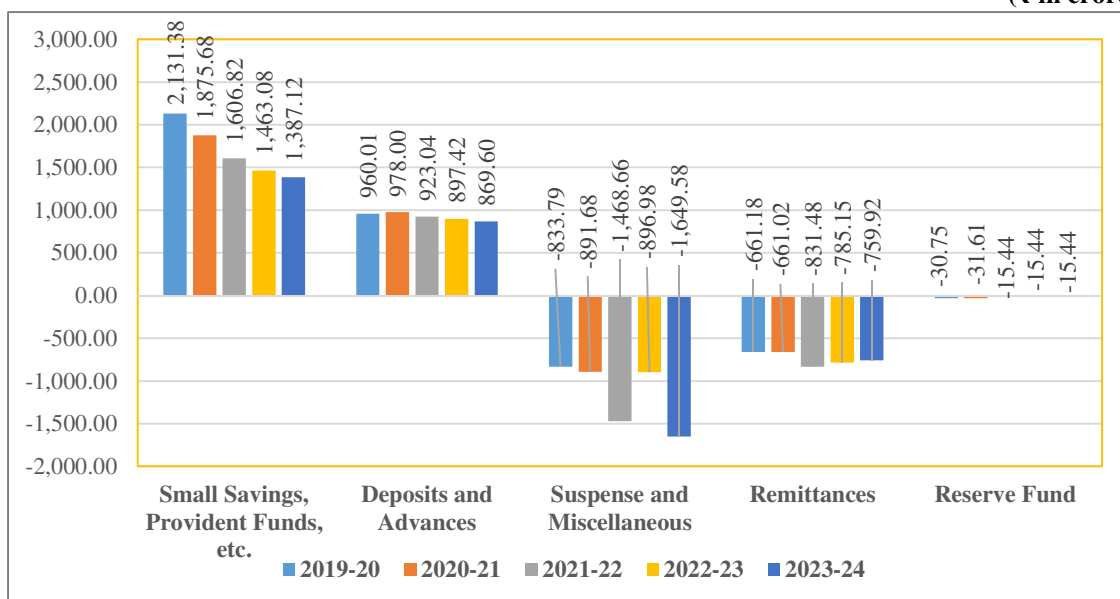
Sector	Sub Sector	2019-20	2020-21	2021-22	2022-23	2023-24
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	2,131.38	1,875.68	1,606.82	1,463.08	1,387.12
J. Reserve Funds	(a) Reserve Funds bearing Interest	(-)14.58	(-)15.43	(-)15.44	(-)15.44	(-)15.44
	(b) Reserve Funds not bearing Interest	(-)16.17	(-)16.17	0.00	0.00	0.00
K. Deposits and Advances	(a) Deposits bearing Interest	170.35	185.61	204.24	222.07	91.99
	(b) Deposits not bearing Interest	790.03	792.96	719.37	675.92	779.59
	(c) Advances	(-)0.37	(-)0.57	(-)0.57	(-)0.57	(-)1.98
L. Suspense and Miscellaneous	(b) Suspense	(-)89.02	(-)90.10	75.29	(-)80.55	(-)50.14
	(c) Other Accounts	(-)744.77	(-)801.58	(-)1,393.37	(-)816.43	(-)1,599.44
M. Remittances	(a) Money Orders, and other Remittances	(-)660.82	(-)660.74	(-)831.29	(-)785.15	(-)760.06
	(b) Inter-Governmental Adjustment Account	(-)0.36	(-)0.28	(-)0.19	0.00	0.14
Total		1,565.67	1,269.37	214.28	662.93	(-)168.22

Source: Finance Accounts of respective years

Note: (-) ve denotes credit balances

Chart 2.16: Yearly changes in composition of Public Account balances

(₹ in crore)



Source: Finance Accounts of respective years

During 2023-24, the net Public Account receipts was ₹73.71 crore, which was (-) ₹1,127.74 crore in 2022-23. The Public Account receipts increased by ₹90.65 crore (21.68 per cent) from ₹4,196.55 crore in 2022-23 to ₹5,106.20 crore in 2023-24. The Public Account disbursements also increased by ₹409.88 crore (8.87 per cent) from ₹4,622.61 crore in 2022-23 to ₹5,032.49 crore in 2023-24.

2.5.2 Reserve Funds

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

Details of Reserve Funds are available in Statements 21 and 22 of the Finance Accounts. There are three Reserve funds operated by the State Government and one Reserve fund is yet to be operated by the State Government. The fund balances lying in Reserve Funds as on 31 March 2024 are given in **Table 2.36**.

Table 2.36: Details of Reserve Funds

(₹ in crore)

Sl. No.	Name of Reserve Fund	Balance as on 31 March 2024
A	Reserve funds bearing Interest	15.44
1.	Natural Calamities Unspent Marginal Money Fund Investment Account	15.44
2.	State Disaster Response Fund	0.00
3.	State Disaster Mitigation Fund	0.00
B	Reserve fund not bearing interest	0.00
1.	Sinking Funds	0.00
2.	General and other Reserve Fund	0.00

Source: Finance Account, 2023-24

It can be seen from **Table 2.36** that the total accumulated balance at the end of 31 March 2024 in the Reserve Funds (under bearing Interest) was (Dr) ₹15.44 crore. Details of significant Reserve Funds of the State Government are discussed in the succeeding paragraphs.

2.5.2.1 Consolidated Sinking Fund

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

During the year, the State Government did not contribute to the Fund. The balance in the Consolidated Sinking Fund as on 31 March 2024 was ₹1,680.70 crore (including interest) which was entirely invested.

2.5.2.2 State Disaster Response Fund

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

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

During 2023-24, the State Government received ₹36.80 crore from the Central Government as its share towards SDRF. The State Government transferred ₹40.80 crore to the SDRF (Central share: ₹36.80 crore *i.e.*, SDRF: ₹36.80 crore, NDRF: ₹0.00 crore received in 2023-24 and State share: ₹4.00 crore). The entire fund of ₹40.80 crore was spent by the State Government on natural calamities.

Details of expenditure charged to SDRF during 2023-24 are given in **Table 2.37**.

Table 2.37: Details of expenditure charged to SDRF during 2023-24

		(₹ in crore)
Major Head of Account	Minor Head of Account	Expenditure
2245 – Relief on Account of Natural Calamities 02 – Floods, Cyclones, etc.,	101- Gratuitous Relief	27.68
	106- Repairs and Restoration of Damaged Roads and Bridges	12.24
	113- Ex-Gratia payment to Bereaved Families	0.88
Total		40.80
2245 – Relief on Account of Natural Calamities 05 – State Disaster Response Fund	901- Deduct – Amount met from State Disaster Response Fund	(-)40.80
Expenditure charged to SDRF in violation of SDRF guidelines		13.12

Source: Finance Account, 2023-24

As per the SDRF guidelines, only the amount booked under 2245-02-101 is admissible expenditure to be met from SDRF. Hence, expenditure of ₹13.12 crore, out of ₹40.80 crore met from SDRF was in contravention of the guidelines.

2.5.2.3 State Disaster Mitigation Fund

The State Disaster Mitigation Fund 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 the State Disaster Response Fund/National Disaster Response Fund Guidelines and state specific local disaster notified by the State Government from time to time. The State Government has created the SDMF vide notification no. NSDMA/ACCTS/DMF/232/2018 dated 04 March 2021 under major head 8121-130-State Disaster Mitigation Fund. The Central and State Government are required to contribute to the fund the proportion of 90:10.

During 2023-24, the State Government received ₹13.50 crore from Central Government as its share. The State Government's share was ₹1.50 crore. The State Government transferred ₹19.30 crore (Central share: ₹17.80 crore including previous year's balance of ₹4.30 crore and State's share: ₹1.50 crore) to the Fund under MH 8121-130-SDMF. The entire fund of ₹19.30 crore was spent by the State Government and no amount was invested from the Fund.

2.5.2.4 Guarantee Redemption Fund

The State Government constituted (August 2006)¹⁴, a Guarantee Redemption Fund in 2006-07, that is administered by the Reserve Bank of India (RBI). The latest amendment to the Fund notification issued by the State Government, effective from the year 2006, stipulates that the State Government shall initially contribute an amount of ₹four crore and thereafter, an amount equivalent to at least 1/5th of the outstanding invoked guarantees plus the amount of guarantee likely to be invoked. It is open to the Government to increase the contribution to the fund at its discretion. The fund shall be

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

gradually increased to reach the level deemed sufficient to meet the amount of anticipated guarantees.

During 2023-24, the State Government did not contribute to the fund and no guarantee was invoked during the current year. The entire corpus of ₹43.59 crore as on 31 March 2024 was invested by the RBI.

2.5.2.5 State Compensatory Afforestation Fund

In compliance with the instructions issued (April 2009)¹⁵ by the Ministry of Environment and Forests, GoI and Guidelines of 02 July 2009, the State Governments are required to establish the State Compensatory Afforestation Fund for amounts received from user agencies and utilisation of monies collected for undertaking compensatory afforestation, assisted natural regeneration, conservation and protection of forests, infrastructure development, wildlife conservation and protection and other related activities and for matters connected therewith or incidental thereto.

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

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

During the year 2023-24, the State Government did not receive any grants from the user agencies. However, the State Government received ₹2.57 crore from the Ministry of Environment, Forest and Climate Change (GoI) under National Afforestation Programme. However, the State Government neither operated the MH 8336-Civil Deposits-103 State Compensatory Afforestation Deposits nor followed the guidelines for establishment of State Compensatory Afforestation Fund during 2023-24.

During the Exit Conference (16 December 2024), Finance Department, while accepting the facts stated that efforts would be taken up to comply with the rules in consultation with the Forest Department.

¹⁵ Vide letter No. 5-1/2009-FC dated 28 April 2009

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

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

(i) Building and Other Construction Workers Welfare Cess (Labour Cess)

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

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

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

As per the Finance Accounts, the Departments booked the Labour cess under MH 8443-Civil Deposit-108-Public Works. During the year 2023-24, the Government collected Labour Cess amounting to ₹9.56 crore and transferred ₹9.39 crore to the NBOCWBB. This resulted in short transfer of ₹0.17 crore to NBOCWBB.

(ii) Central Road and Infrastructure Fund (CRIF)

The erstwhile Central Road Fund (CRF) has been renamed as the Central Road and Infrastructure Fund (CRIF) vide GoI's Gazette notification dated 31 March 2018. The CRIF will be used for development and maintenance of National Highways, Railway projects, improvement of safety in Railways, State and Rural roads and other infrastructure.

In terms of the extant accounting procedure, the grants received by the State from the Centre are to be initially booked as Revenue Receipts under Major Head 1601. Thereafter, the amount so received is to be transferred by the State Government to the Public Account under Major Head 8449-103-Subvention from Central Road and Infrastructure Fund through functional Major Head(s).

During 2023-24, the State Government received grants of ₹46.09 crore towards CRIF. The State Government, however, transferred only ₹30.03 crore to the Fund in the Public Accounts as on 31 March 2024. The short transfer of ₹16.06 has resulted in understatement of Revenue Expenditure and overstatement of Fiscal Deficit.

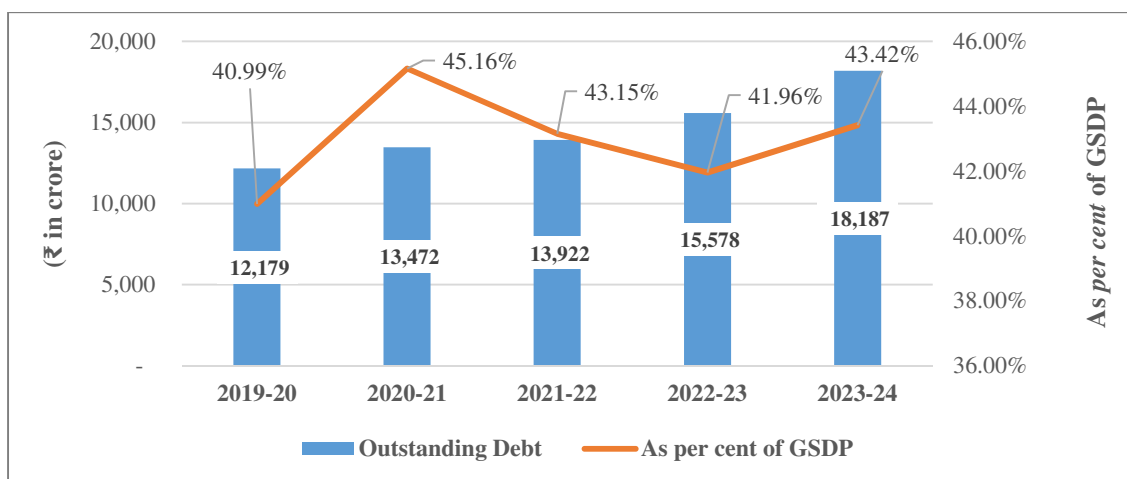
During the Exit Conference (16 December 2024), Finance Department stated that the short transfer was due to receipt of the fund from GoI at the fag end of the financial year. However, the fund for 2023-24 has been released by the State Government during 2024-25.

2.6 Public liability management

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

The details relating to outstanding liabilities (debt) and ratio of debt to GSDP during the five-year period 2019-24 are given in **Chart 2.17**.

Chart 2.17: Outstanding Debt and its percentage to GSDP



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

2.6.1 Liability profile: Components

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

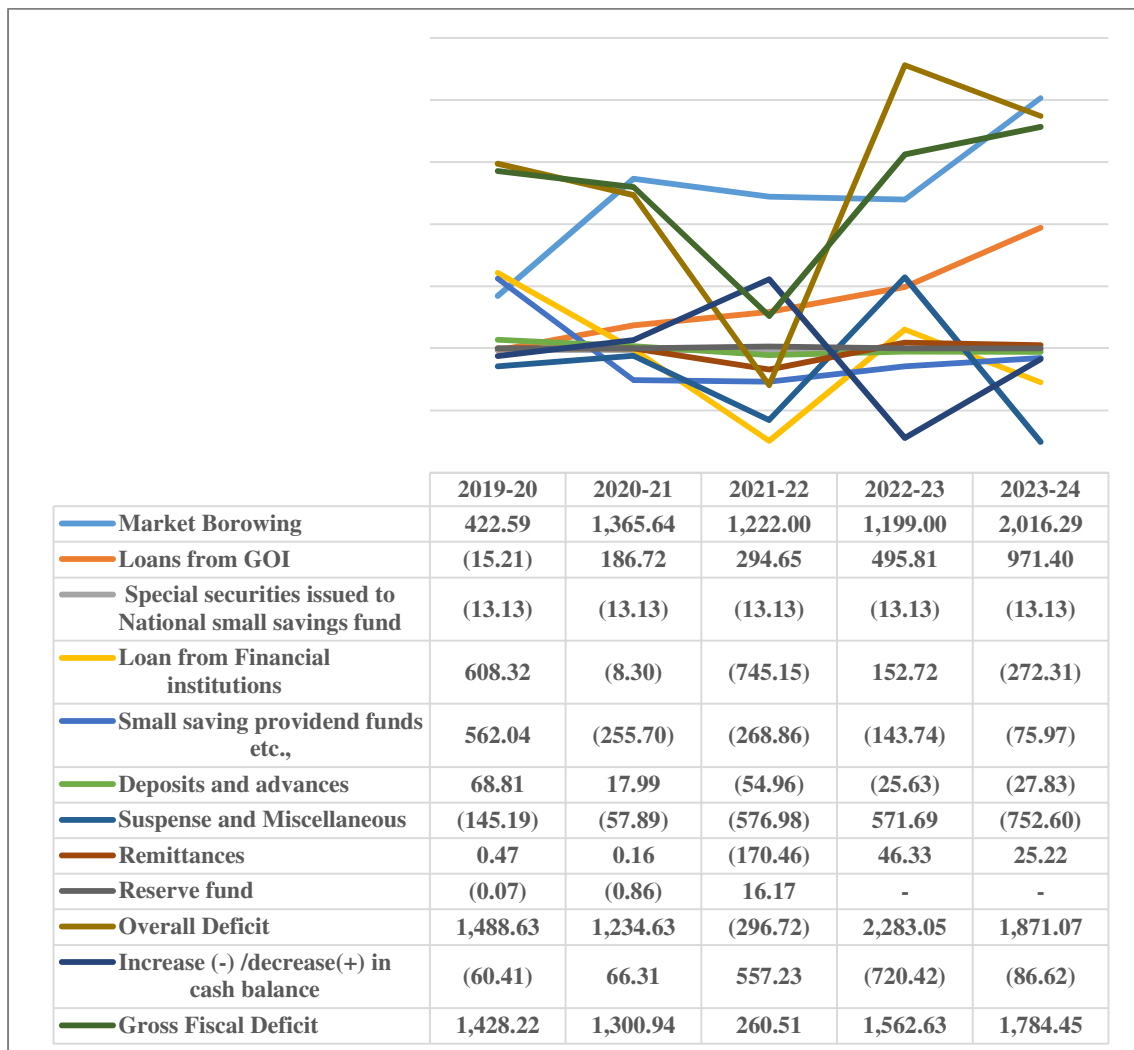
The details relating to total liability received, repayment of liability, ratio of liability to GSDP and the actual quantum of liability available to the State during the five-year period 2019-24 are shown in **Table 2.38** and **Chart 2.18**.

Table 2.38: Component-wise liability trends

		(₹ in crore)				
		2019-20	2020-21	2021-22	2022-23	2023-24
Outstanding Total Liability (A+B)		12,179.10	13,471.67	13,922.40	15,587.44	18,187.32
(A) Public Liability	Internal Debt	8,986.93	10,331.14	10,794.87	12,133.46	13,864.31
	Loans from GoI	131.16	317.89	612.54	1,108.35	2,079.75
(B) Public Account Liabilities		3,061.01	2,822.64	2,514.99	2,345.63	2,243.26
(C) Off-Budget borrowings		0.00	0.00	0.00	0.00	0.00
Rate of growth of outstanding total liability (<i>per cent</i>)		15.49	10.61	3.35	11.96	16.68
Gross State Domestic Product (GSDP)		29,715.87	29,831.64	32,265.38	37,150.09	41,886.96
Liability/GSDP (<i>per cent</i>)		40.99	45.16	43.15	41.96	43.42
Borrowings and Other Liabilities (as per Statement 6 of Finance Accounts)						
Total Receipts		10,059.01	9,370.26	10,031.91	9,139.14	7,862.50
Total Repayments including interest		8,681.42	9,462.83	10,513.26	8,467.34	6,331.05
Net funds Available		1,377.59	(-)92.57	(-)481.35	671.80	1,531.45
Repayments/ Receipts (<i>In per cent</i>)		86.30	100.99	104.80	92.65	80.52

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

Chart 2.18: Component-wise debt trends

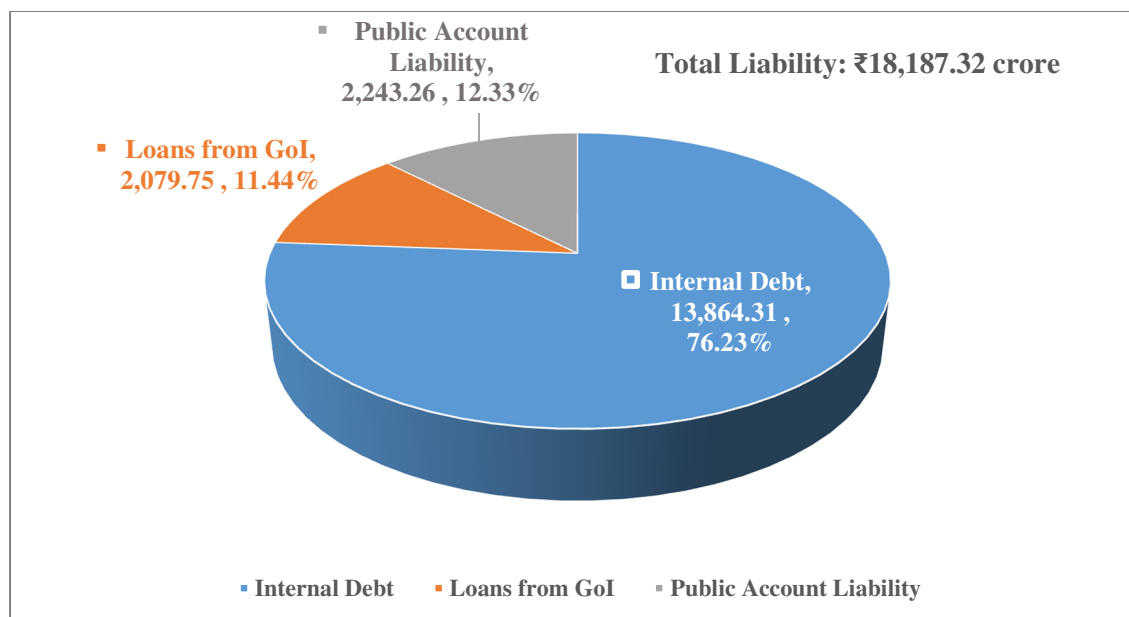


Source: Finance Accounts of respective years
(Note: Figures in parenthesis indicate -ve figures)

The total outstanding liabilities of the State Government have increased by 49.33 per cent from ₹12,179.10 crore in 2019-20 to ₹18,187.32 crore in 2023-24. The Debt/ GSDP ratio increased from 40.99 to 43.42 per cent during the same period. During 2023-24, the outstanding Public Debt (₹15,944.06 crore) increased by ₹2,702.25 crore (20.41 per cent) compared to the previous year (₹13,241.81 crore). Public Debt increased by ₹6,825.97 crore at a CAGR of 14.99 per cent from ₹9,118.09 crore in 2019-20 to ₹15,944.06 crore in 2023-24 wherein Internal debt increased by ₹4,877.38 crore at a CAGR of 11.45 per cent and loan from GoI increased by ₹1,948.59 crore at a CAGR of 99.55 per cent during the same period. As per the Debt stabilization analysis, the current debt level appears manageable in the short term, the upward trajectory and rising Debt/GSDP ratio highlight the need for proactive fiscal management to prevent long-term sustainability risks.

Component-wise break-up of liability is shown below in **Chart 2.19**.

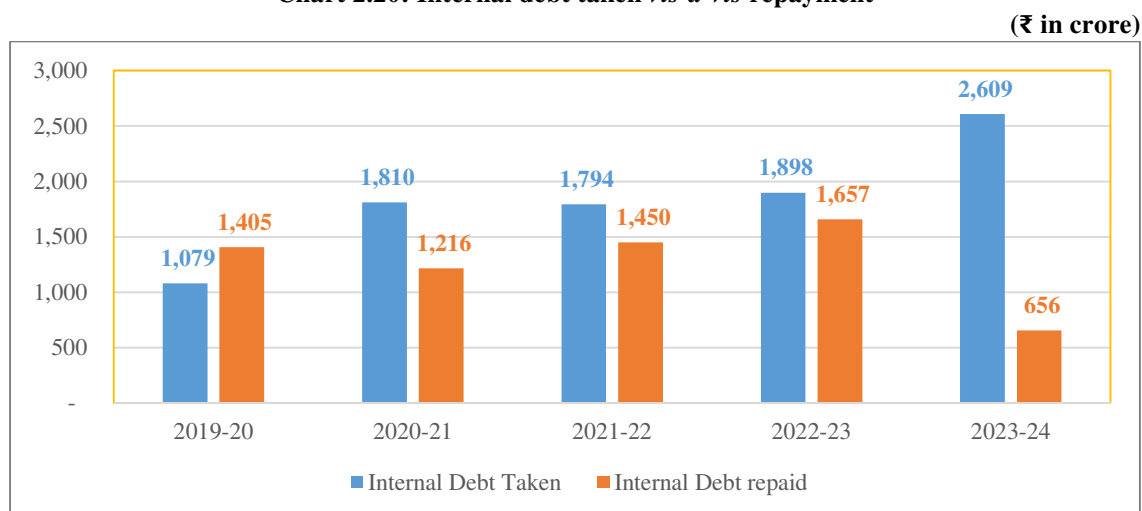
Chart 2.19: Break up of Outstanding Liability at the end of 2023-24



Source: Finance Accounts, 2023-24

The trend of internal debt taken *vis-à-vis* internal debt repaid during each year for the period of five-years from 2019-20 to 2023-24 is given in **Chart 2.20**.

Chart 2.20: Internal debt taken *vis-a-vis* repayment



Source: Finance Accounts of respective years

As can be seen from **Chart 2.20**, during 2019-20 to 2023-23, Internal Debt taken and Internal Debt repayment showed fluctuating trend. The Internal Debt repayment was more than Internal Debt taken in 2019-20 during the five-year period from 2019-20 to 2023-24.

The financing pattern of the Fiscal Deficit has undergone a compositional shift during 2019-24 as reflected in **Table 2.39**.

Table 2.39: Components of fiscal deficit and its financing pattern

(₹ in crore)

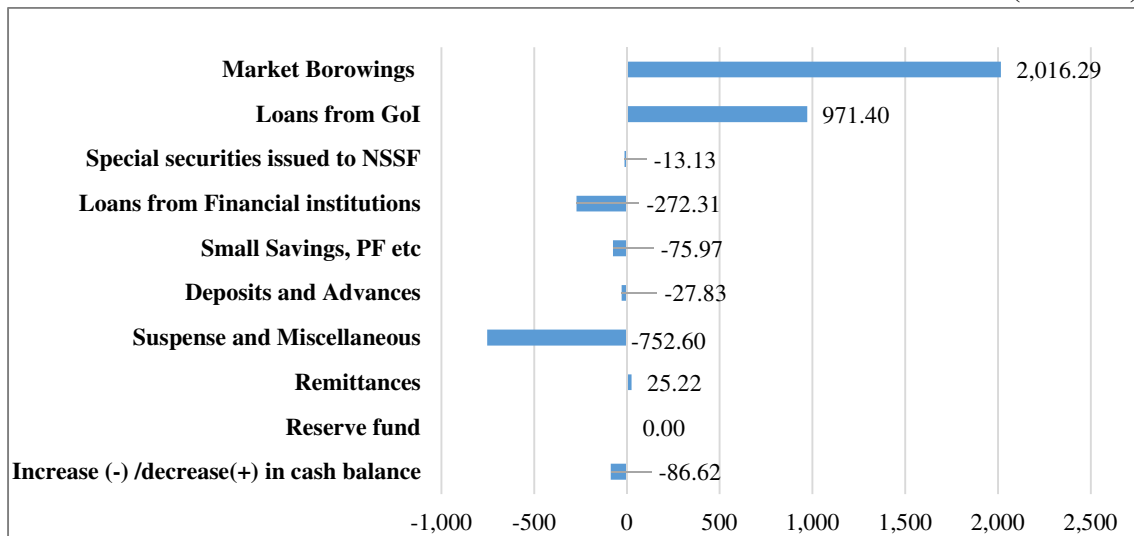
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Composition of Fiscal Deficit (-)	(-)1,428.22	(-)1,300.94	(-)260.52	(-)1,562.63	(-)1,784.45
1. Revenue Deficit (-)/ Surplus (+)	(-)213.73	375.37	1,634.06	688.90	1,335.43
2. Net Capital Expenditure	(-)1,206.32	(-)1,671.93	(-)1,893.85	(-)2,254.22	(-)3,122.52
3. Net Loans and Advances	(-)8.17	(-)4.38	(-) 0.73	2.69	2.64
Financing Pattern of Fiscal Deficit:					
1. Market Borrowings	422.59	1,365.64	1,222.00	1,199	2,016.29
2. Loans from GoI	(-)15.21	186.72	294.65	495.81	971.40
3. Special Securities issued to NSSF	(-)13.13	(-)13.13	(-)13.13	(-)13.13	(-)13.13
4. Loans from Financial Institutions	608.32	(-)8.30	(-)745.15	152.72	(-)272.31
5. Small Savings, PF, etc.	562.04	(-)255.70	(-)268.86	(-)143.74	(-)75.97
6. Deposits	68.81	17.99	(-)54.96	(-)25.63	(-)27.83
7. Suspense and Miscellaneous	(-)145.19	(-)57.89	(-)576.98	571.69	(-)752.60
8. Remittances	0.47	0.16	(-)170.46	46.33	25.22
9. Reserve Fund	(-)0.07	(-)0.86	16.17	0	0.00
10. Overall Deficit	1,488.63	1,234.63	-296.72	2,283.05	1,871.07
11. Increase/Decrease in cash balance	(-)60.41	66.31	557.23	(-)720.42	(-)86.62
12. Gross Fiscal Deficit	1,428.22	1,300.94	260.51	1,562.63	1,784.45

Source: Finance Accounts of respective years

The components of fiscal deficit consist of Revenue Surplus, Net Loans and Advances and Net Capital Expenditure. Since the State is Revenue Surplus in four years during 2019-24 except in 2019-20, the surplus on revenue account were utilised to finance Capital Expenditure. During these revenue surplus years, Revenue surplus could finance only 22.45 to 86.28 *per cent* of Capital Expenditure. The composition of financing of fiscal deficit during 2023-24 is expressed through water flow chart as shown in **Chart 2.21**.

Chart 2.21: Components of financing of fiscal deficit during 2023-24

(₹ in crore)



Source: Finance Accounts, 2023-24

The details of receipt and disbursement of the components used for financing the Fiscal Deficit for the year 2023-24 are given in **Table 2.40**.

Table 2.40: Receipts and Disbursements under components financing the fiscal deficit

(₹ in crore)

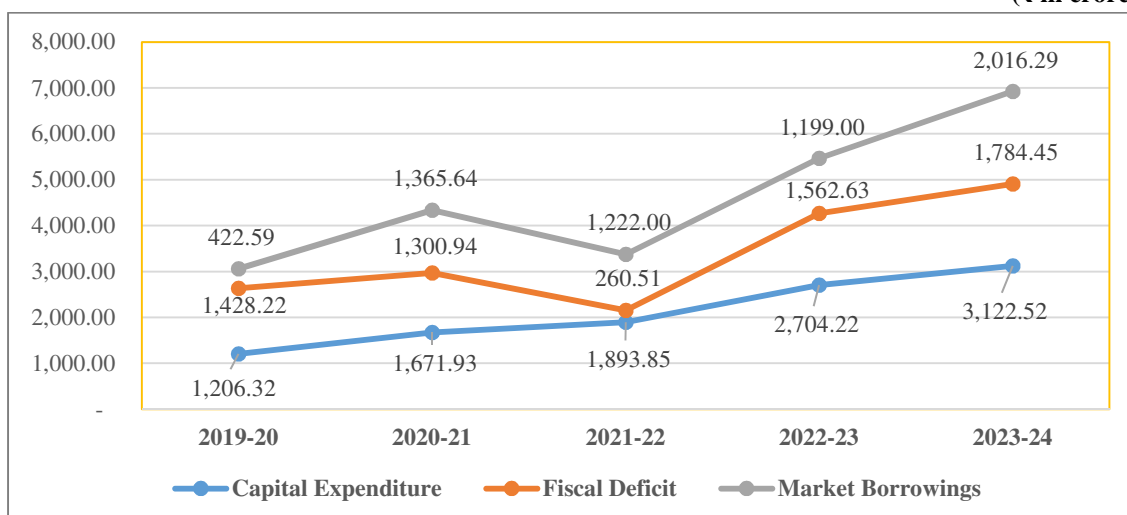
Particulars		Receipts	Disbursement	Net
1.	Market Borrowings	2,551.29	535.00	2,016.29
2.	Loans from GoI	990.49	19.09	971.40
3.	Special Securities issued to NSSF	0.00	13.13	(-)13.13
4.	Loans from Financial Institutions	2,537.01	2,809.32	(-)272.31
5.	Small Savings, PF, etc.	506.75	582.72	(-)75.97
6.	Deposits and Advances	1,108.99	1,136.82	(-)27.83
7.	Suspense and Miscellaneous	14,380.61	15,133.21	(-)752.60
8.	Remittances	3,277.57	3,252.35	25.22
9.	Reserve Fund	181.98	181.98	0.00
10.	Overall Deficit	25,534.69	23,663.62	1,871.07
11.	Increase (-)/Decrease (+) in cash balance	320.80	407.42	(-)86.62
12.	Gross Fiscal Deficit	25,855.49	24,071.04	1,784.45

Source: Finance Accounts, 2023-24

Comparative trend of Capital Expenditure, Fiscal Deficit and Market Borrowings for the period 2019-20 to 2023-24 is given in **Chart 2.22**.

Chart 2.22: Trend of Capital Expenditure, Fiscal Deficit and Market Borrowings

(₹ in crore)



Source: Finance Accounts of respective years

It can be seen from the **Chart** above, Fiscal deficits during the five-year period from 2019-20 to 2023-24, peaked at ₹1,784.45 crore in the current year. During 2023-24, fiscal deficit was primarily financed by market borrowings (net) (₹2,016.29 crore) and Loans from GoI (₹971.40 crore).

The increase in net capital outlay during the year accompanied by a revenue surplus indicated that borrowed funds were being utilised more for productive uses than in previous revenue surplus years. The Government should focus on sustaining economic growth while keeping borrowing in check to ensure long-term fiscal health.

2.6.2 Debt profile: Maturity and Repayment

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

Debt maturity profile of the State is depicted in **Table 2.41** and **Chart 2.23**.

Table 2.41: Debt Maturity profile of repayment of State debt

Period of repayment (Years)	Principal Amount	Interest Amount#	Public Debt (including interest)	Percentage (w.r.t. Public debt)
	(₹ in crore)			
0 – 2	1,556.53	183.92	1,740.45	7.74
2 – 5	3,036.67	872.24	3,908.91	17.38
5 – 10	8,871.23	4,539.23	14,310.46	63.64
10 and above	2,045.61*	46.89	2,092.50	9.31
Others**	434.02	-	434.02	1.93
Total	15,944.06	5,642.28	22,486.34	100.00

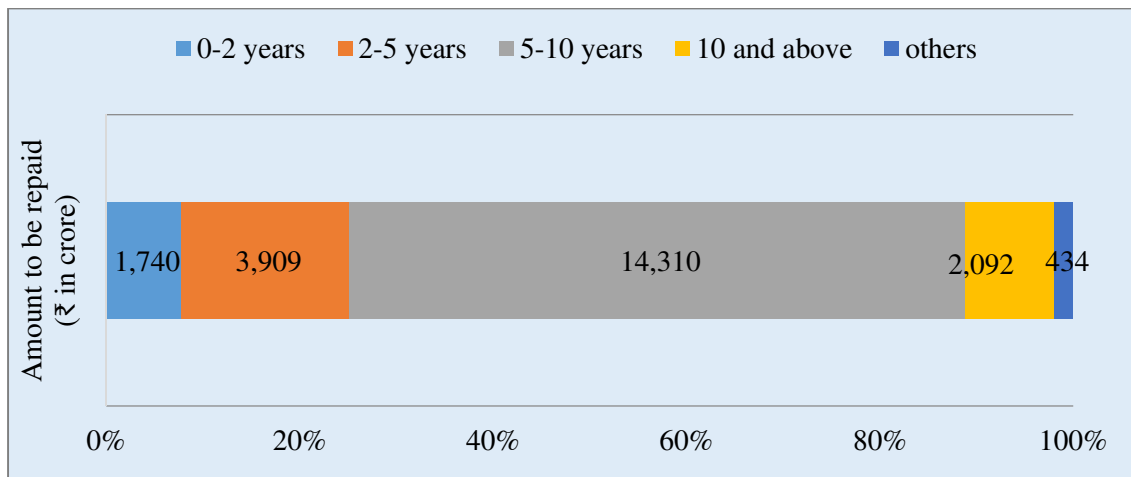
Source: Finance Accounts, 2023-24

* including 50 year interest free loan under Scheme for Special Assistance to State for Capital Expenditure (₹1,995.55 crore)

** includes miscellaneous borrowings whose maturity year not available

As the calculations of repayment of Public Debt and interest thereupon have been done based on the Outstanding Public Debt as on 31 March 2024, the repayment of Public Debt and interest thereupon is bound to increase in view of the trends of borrowings by the State Government.

Chart 2.23: Debt Maturity Profile



Source: Finance Accounts, 2023-24

It can be seen from **Table 2.41** above that out of the Outstanding Public Debt of ₹15,944.06 crore as on 31 March 2024, 28.81 per cent of debt needs to be repaid within five years while the remaining 71.19 per cent (₹11,350.86 crore) of outstanding public debt is in the maturity bracket of more than five years. Further, out of the total outstanding public debt, internal debt consisting of market borrowings, loans from LIC, GIC and NABARD constituted 86.96 per cent (₹13,864.31 crore).

Maturity profile of the outstanding public debt stock along with interest payable thereupon during the next 10 years is detailed in **Table 2.42** and **Chart 2.24**.

Table 2.42: Debt Maturity profile of repayment of public debt

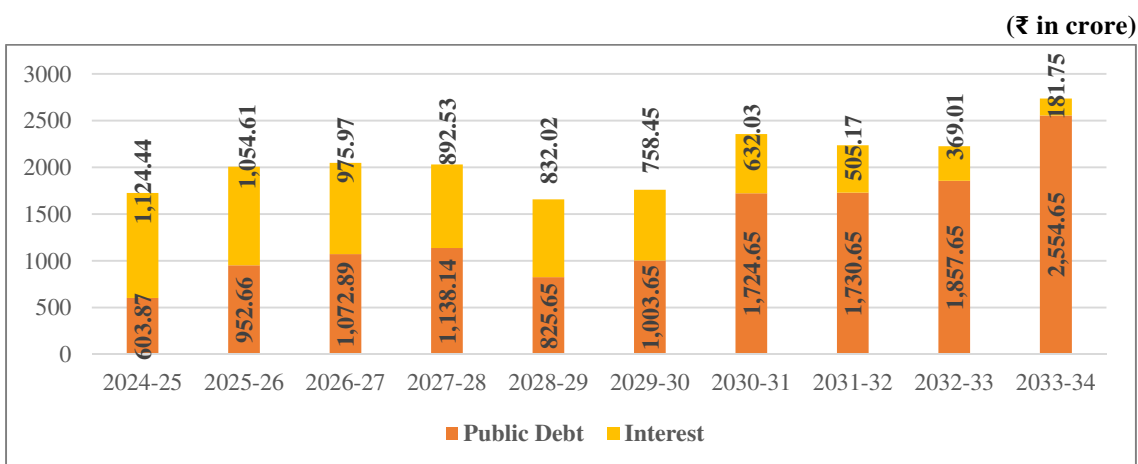
(₹ in crore)

Year	Repayment of				
	Principal			Interest [#]	Total
	Internal Debt	Loans from GoI	Total		
2024-25	600.29	3.58	603.87	1,124.44	1,728.31
2025-26	950.00	2.66	952.66	1,054.61	2,007.27
2026-27	1,070.00	2.89	1,072.89	975.97	2,048.86
2027-28	1,135.00	3.14	1,138.14	892.53	2,030.67
2028-29	822.00	3.65	825.65	832.02	1,657.67
2029-30	1,000.00	3.65	1,003.65	758.45	1,762.10
2030-31	1,721.00	3.65	1,724.65	632.03	2,356.68
2031-32	1,727.00	3.65	1,730.65	505.17	2,235.82
2032-33	1,854.00	3.65	1,857.65	369.01	2,226.66
2033-34	2,551.00	3.65	2,554.65	181.75	2,736.40
Total			13,464.46*	7,325.98	20,790.44

Source: Finance Accounts 2023-24

[#]Interest has been calculated on the basis of five years' average of 'Average Interest Rate of Outstanding Debt' (2019-20: 8.02 per cent; 2020-21: 7.40 per cent; 2021-22: 7.45 per cent, 2022-23: 7.17 per cent and 2023-24: 6.59) i.e., 7.33 per cent; on closing balances of Outstanding Debt

* Excluding Loans from GoI (₹2,045.61 crore) to be repaid after 2033-34 and ₹434.02 crore (whose payment schedule not maintained by PAG (A&E).

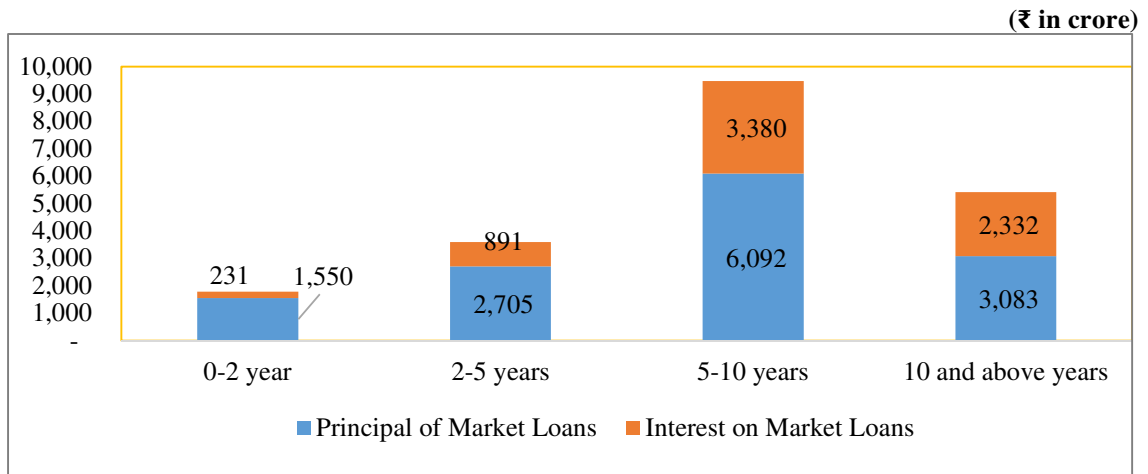
Chart 2.24: Repayment Schedule of Public Debt (including interest) during next 10 years i.e., upto 2033-34

Source: Finance Accounts, 2023-24

Based on the outstanding public debt stock as on 31 March 2024, repayment of Public Debt and Interest would increase from ₹1,728.31 crore in 2024-25 to ₹2,736.40 crore in 2033-34 (58.33 per cent).

Moreover, out of ₹15,944.06 crore, ₹13,430.28 crore was the principal amount of market loan taken by the State. The State is liable to pay an interest of ₹6,833.54 crore at the end of repayment of these loans, if the loans are repaid as per the maturity profile.

Chart 2.25 represents the repayment schedule of both the principal of market loan and interest thereof.

Chart 2.25: Repayment Schedule of market loans

Source: Finance Accounts, 2023-24

2.7 Debt Sustainability Analysis (DSA)

Analysis of Debt sustainability of the State Government has been carried out on the basis of fiscal and debt parameters in terms of debt/GSDP ratio, Fiscal Deficit, burden of interest payments (measured by ratio of Interest Payments to Revenue Receipts) and maturity profile of the State Government debt and Domar approach.

Table 2.43 shows the debt sustainability indicators of the State for the five-year period from 2019-20 to 2023-24 and **Chart 2.26** predicts the trends of debt sustainability indicators during the same period.

Table 2.43: Trends in debt Sustainability indicators

Sl. No.	Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
1	Overall Liabilities or Overall Debt	12,179.11	13,471.68	13,922.42	15,587.45	18,187.32
2	Rate of Growth of Overall Debt (<i>per cent</i>)	15.49	10.61	3.35	11.96	16.68
3	GSDP (in nominal terms)	9,715.87	29,831.64	32,265.38	37,150.09	41,886.96
4	Nominal GSDP growth (<i>per cent</i>)	12.02	0.39	8.16	15.14	12.75
5	Overall Debt/GSDP (<i>per cent</i>)	40.99	45.16	43.15	41.96	43.42
6	Maturity profile of all kinds of borrowings (<i>in per cent</i>)					
6a	0-2 years	11.57	12.00	11.99	8.48	9.76
6b	2-5 years	19.91	16.83	18.27	19.86	19.05
6c	5-10 years	53.25	56.38	59.86	58.24	55.64
6d	Over 10 years*	15.27	14.79	9.88	13.42	15.55
7	Repayment to Gross Borrowings (<i>per cent</i>)	83.76	90.01	95.51	81.78	66.93
8	Net borrowings available as a percentage of Gross Borrowings	16.24	9.99	4.49	18.22	33.07
9	Interest payments on Overall Debt	812.16	854.69	932.09	993.23	1,068.43
10	Effective rate of interest on Overall Debt (<i>per cent</i>)	7.39	7.15	7.34	7.27	6.93
11	Interest payment to Revenue Receipts (<i>per cent</i>)	7.11	7.48	6.93	7.04	6.61
12	Revenue Deficit/Surplus	-213.73	375.37	1,634.06	688.90	1,335.45
13	Primary Revenue Balance (PRB)	598.43	1,230.06	2,566.15	1,682.13	2,403.86
14	Primary Balance (PB)	-616.06	-446.25	671.57	-569.40	-716.02
15	PB/GSDP (<i>per cent</i>)	-2.07	-1.50	2.08	-1.53	-1.71
16	Difference between RoI and effective rate of interest on Overall Debt	3.50	0.90	0.53	2.57	-6.93

Sl. No.	Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
17	Liquidity Management (use of financial accommodation instruments available with RBI) (in number of occasions)	6,784.50 (139)	9,417.75 (211)	6,599.67 (164)	4,742.83 (93)	2,478.99 (70)
18	Debt Stabilisation (Quantum spread + Primary balance)	-87.96	-1,291.23	777.16	563.81	240.83
19	Domar Criteria					
a	GSDP (in constant terms)	18,476.79	17,674.00	18,292.15	20,154.30	21,430.60
b	Real Growth (in constant terms)	9.54	-4.34	3.50	10.18	6.33
c	Inflation based on CPI (<i>per cent</i>)	3.80	4.45	5.60	6.05	3.36
d	Effective Rate of interest	7.39	7.15	7.34	7.27	6.93
e	Real effective rate of interest (Effective rate of interest-Inflation)	3.59	2.70	1.74	1.22	3.57
f	Growth Interest Differential (Real growth -Real effective rate of interest)	5.95	-7.05	1.76	8.96	2.76
g	Primary Balance (PB)	-616.06	-446.25	671.57	-569.40	-716.02

Source: Finance Accounts of respective years *including miscellaneous borrowings whose maturity year not available and 50 years interest free loans for Special Assistance to States for Capital Expenditure
 PRB: Revenue Receipts - Revenue Expenditure (net of interest payments), where (-) PB implies Primary Deficit and vice-versa

PB: Total Receipts (net of borrowings) -Total Expenditure (net of interest payments), where (-) PB implies Primary Deficit and vice-versa.

Liquidity Management: Amount availed against SDF, WMA & OD

RoI : Return on Investment as measured by effective rate of interest receipts

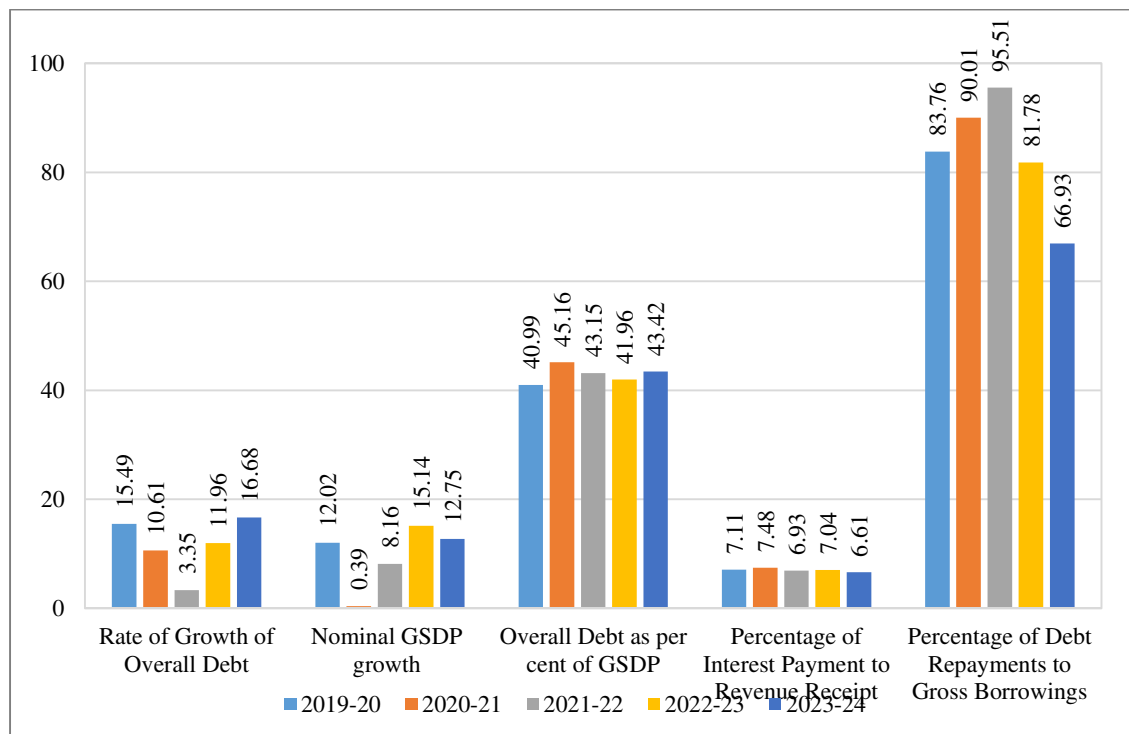
$RoI = \text{Interest Receipts} / \text{Average of Opening and Closing Stock of Loans and Advances Disbursed} * 100$

Effective Rate of Interest = Interest Payment/Average Outstanding Debt of Previous and Current Financial Year (Excluding Non-Interest Bearing Liabilities)*100

Quantum Spread: Interest Spread x Debt (Excluding non-interest bearing liabilities)

Non-Interest Bearing Liabilities include non-interest bearing Reserve funds and deposits and 50 years interest free loan for Special Assistance to State for Capital Expenditure.

Chart 2.26: Trends of Debt Sustainability indicators



Source: Finance Accounts of respective years

Based on the data against each debt sustainability indicators given in **Table 2.43** above, the debt sustainability of the State can be analysed over the fiscal years 2019-2024 as follows:

(i) Debt to GSDP Ratio

A low value of debt to GSDP ratio indicates that the State's economy is vibrant to pay the debt without incurring further debt. A high Debt to GSDP ratio signifies that the State's burden is substantial compared to its economic output and indicates financial vulnerability and reduced fiscal flexibility.

During 2019-20 to 2023-24, the Debt-to-GSDP ratio of the State fluctuated between 40.99 and 45.16 *per cent*, ending at 43.42 *per cent* in 2023-24. Although there was a reduction in the ratio from 2020-21 to 2022-23, an increase to 43.42 *per cent* (1.50 percentage points) in 2023-24 implied rising financial vulnerability. Further, it was observed from **Paragraph 1.5** that the State could not keep its debt to GSDP in line with the ceiling prescribed by the FC¹⁶/ FRBM/ MTFP in 2019-20, 2021-22 and 2023-24.

A lower ratio would provide the state with greater fiscal flexibility, allowing it to potentially handle economic shocks better without compromising on development or social spending. However, the current trend may indicate limited flexibility in meeting future debt obligations if economic growth does not keep pace with debt growth.

(ii) GSDP/Debt Growth Comparisons

When rate of nominal growth is more than the rate of growth of debt and rate of real growth is more than real rate of interest, GSDP growth is feasible for debt servicing; when these inequalities are reversed, the debt is on the sustainable path.

During 2019-20 to 2023-24, the State generally satisfied the sustainability conditions, with nominal growth rates above the growth rate of debt in most years. However, for real growth rates, especially in 2020-21, the real growth was negative (-4.34 *per cent*) due to Covid pandemic, indicating difficulties in sustaining debt through real economic growth. During 2022-23 and 2023-24 showed stronger real growth relative to the real effective interest rate, indicating a positive outlook for debt sustainability if this trend continues.

(iii) Primary Balances

A positive primary revenue balance and primary balance indicates that the debt is on the sustainable path.

During 2019-20 to 2023-24, the State experienced mostly negative primary balances (PB), with positive values in 2021-22. During the period from 2019-20 to 2023-24, Primary revenue balance (PRB) remains positive, suggesting that the State's revenue base can meet most revenue expenditure needs before interest payments. A positive PRB and

¹⁶ There are two conditions required for DSA:

- (i) Debt Sustainability Indicator (a combination of Growth Interest Differential and Primary Balance)
- (ii) To estimate the Sustainability of the debt is diversion of the actual Debt/GSDP ratio from target threshold. As there is no theory to indicate what is sustainable debt threshold, so choice of the target value of the debt is arbitrary. Therefore, indicative debt path of the State as projected as given by the FC is considered as threshold of Debt/GSDP ratio.

occasional positive PB indicate that while the debt path has had sustainable moments, persistent negative PB could add stress to debt sustainability if the trend persists.

(iv) Interest Payment Ratios

A declining trend in interest payment as percentage to revenue receipts and interest payment as *per cent* to revenue expenditure is an indication of sustainable debt whereas an increasing trend indicates an unsustainable debt trajectory.

During 2019-20 to 2023-24, Interest payment as a percentage of revenue receipts remained relatively stable, showing a slight downward trend in 2023-24 (6.93 *per cent*) as compared to the previous year (7.27 *per cent*). This declining trend indicates a more sustainable debt profile, as less of the state's revenue is being allocated toward interest payments. A sustainable trajectory here is essential as a growing portion of revenue freed from interest obligations can be redirected to critical expenditures, including development projects. This trend, if maintained, can support more stable and sustainable debt management.

(v) Maturity Profile

The longer average residual maturity period along with a small share of floating rate debt limits roll over risks and insulates interest rate volatility to maintain the debt sustainably.

The maturity profile of debt, with a significant portion (₹8,871.23 crore) maturing in the 5-10 years bracket, suggests moderate rollover risk. Debt maturing within 0-2 years (₹1,556.53 crore) and 2-5 years (₹3,036.67 crore) also adds to short-term pressures. The share of floating-rate debt is not provided explicitly but could affect the ability to withstand interest rate fluctuations if significant. Ensuring that longer-maturity debt remains a larger proportion of the total debt profile would improve sustainability by minimizing the pressure from immediate debt repayments and interest rate volatility.

(vi) Use of WMA and Overdraft Facilities

Sustainable use of Ways and Means Advances (WMA) and overdraft facility in large amount indicates poor liquidity management, which warrants poor fiscal management and hinders short-term debt sustainability.

During 2019-20 to 2023-24, the number of occasions for liquidity accommodations, such as WMA or overdrafts, declined significantly from 139 occasions in 2019-20 to 70 occasions in 2023-24, indicating better fiscal management in recent years. This decline reflects an improvement in liquidity management and a reduced reliance on short-term borrowing, thus enhancing short-term debt sustainability. Such a trend implies that the state's financial management practices are improving, allowing for a reduced dependency on temporary financial accommodation instruments.

(vii) Fiscal Imbalance (FB)

Fiscal Imbalance (FB) equals to zero indicates that Debt/GSDP ratio would remain constant. While positive FB signals fall in Debt/GSDP ratio and vice-versa.

During 2019-20 to 2023-24, the fiscal imbalance has fluctuated, with the PB-to-GSDP ratio remained negative except during 2021-22 where it was positive, suggesting some strain on fiscal sustainability. A zero or positive fiscal imbalance would indicate a stable debt-to-GSDP ratio, but the negative PB-to-GSDP ratios over the period imply that more attention is needed to achieve a balanced fiscal position. Maintaining a positive FB would contribute positively to debt sustainability.

(viii) Domar Criterion

Based on the Domar criterion, the State generally demonstrates sustainable debt practices as the growth interest differential (GID) is positive in four out of five years during 2019-20 to 2023-24. In 2022-23, a GID of 8.96 *per cent* was achieved, showing that real growth exceeded the real effective interest rate significantly. A consistently positive GID indicates that the state's economy is growing at a rate conducive to debt sustainability. A negative GID, as seen in 2020-21 (-7.05 *per cent*) mainly due to Covid pandemic, reflects an unsustainable period, likely due to lower economic output. Maintaining a positive differential through prudent fiscal policies and economic growth can foster a more sustainable debt environment.

Thus, it was observed that following a sharp deterioration in debt sustainability indicators when it hit a five-year low in 2020-21, the debt-GSDP ratio rose to a five-year high of 45.16 *per cent*. Decomposition of debt accumulation relative to GSDP shows that Growth Interest Differential (GID) was not enough to absorb entire impact of primary deficit during 2019-24. Despite a significant improvement in GID growth from 1.50 *per cent* in 2018-19 to 4.60 *per cent* in 2019-20, the debt-GSDP ratio witnessed an increase in 2019-20 due to the worsening of primary deficit and increase in debt, which exceeded the nominal growth. This trend continued in 2020-21 as well, when the debt-GSDP ratio reached a five-year high of 45.16 *per cent*. The sharp deterioration observed in the debt-GSDP ratio can be attributed to the sharp contraction seen in the GID given the steep deceleration witnessed in nominal growth, increase in debt more than nominal growth and primary balance, which continued to remain in the negative territory. However, debt-GSDP ratio observed declining trend in 2021-22 and 2022-23. The State succeeded in steadily improving the debt-GSDP ratio during 2021-22 and 2022-23 years by generating a primary surplus in 2021-22 supported by improvements in the GID and allowing the debt to grow less than nominal growth. With the worsening of the primary deficit and higher growth in debt compared with the nominal growth reversed the trend in 2023-24, debt-GSDP increased by more than one percentage point over the previous year. This shows that debt-GSDP ratio of the State witnessed a fluctuating trend during 2019-20 to 2020-24. Debt-GSDP ratio of the State except 2022-23 remained above the indicative debt path given by FC.

The Domar criterion also shows that nominal growth was not driven by inflation except in 2020-21 and 2021-22. On average, the contribution of real growth to nominal growth remained higher than inflation. In contrast, inflation measured by the CPI (combined) helped the State to keep the real cost of borrowing on a downward trajectory until 2022-23. However, due to a sharp decline in inflation from 6.05 *per cent* in 2022-23 to 3.36 *per cent* in 2023-24, real interest rates witnessed an increase in 2023-24. During the

period 2019-2024, on an average, inflation remained within the band-width of two to six *per cent* for the medium term target of CPI inflation determined by RBI, keeping real interest rates below economic growth, thereby maintaining a favourable GDP. Thus, except for the pandemic-hit year 2020-21, the growth rate has been large enough to cover the increase in interest rates.

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

2.7.1 Utilisation of borrowed funds

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

The trends of the total borrowing, repayment of earlier borrowings and utilisation during the five years from 2019-20 to 2023-24 are given in **Table 2.44**.

Table 2.44: Utilisation of borrowed funds

	(₹ in crore)				
1. Year	2019-20	2020-21	2021-22	2022-23	2023-24
2. Total Borrowings	7,869.82	11,434.86	8,708.55	7,158.69	6,078.79
3. Repayment of earlier borrowings (Principal) (In <i>per cent</i>)	6,867.25 (87.26)	9,903.92 (86.61)	7,950.16 (91.29)	5,324.29 (74.38)	3,376.54 (55.55)
4. Net Capital Expenditure (<i>per cent</i>)	1,206.32 (15.33)	1,671.93 (14.62)	1,893.85 (21.74)	2,704.22 (37.78)	3,122.52 (51.37)
5. Net loans and advances	8.18	4.38	0.73	-2.69	-2.64
6. Portion of Revenue Expenditure met out of net available borrowings (2-3-4-5)	-211.93	-145.37	-1,136.19	-867.13	-417.63

Source: Finance Accounts of respective years

As can be seen from **Table 2.44**, the borrowings were utilised for repayment of earlier borrowings which ranged between 55.55 *per cent* (2023-24) and 91.29 *per cent* (2021-22), during the five-years period of 2019-24.

2.7.2 Status of Guarantees – Contingent Liabilities

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

The details of outstanding guarantees given by the State Government including interest liability during the five-years period from 2019-20 to 2023-24 are shown in **Table 2.45**:

Table 2.45: Guarantees given by the State Government

(₹ in crore)

Guarantees	2019-20	2020-21	2021-22	2022-23	2023-24
Ceiling applicable to the outstanding amount of guarantees including interest	No law has been passed by the State Legislature under Article 293 of the Constitution laying down the limit within which the Government may give guarantee on the security of Consolidated Fund of the State.				
Outstanding amount of guarantees including interest	174.96	174.96	189.96	189.96	228.57

Source: Finance Accounts of respective years

The State Government had guaranteed loans raised by various Corporations and Others which at the end of 2023-24 stood at ₹228.57 crore. During 2023-24, the State Government did not pay any amount as no guarantee was invoked.

The Outstanding Guarantees was mainly given against repayment of principal and payment of interest on loan pertaining to Nagaland State Cooperative Bank Ltd. and repayment of principal and payment of interest on loan pertaining to Nagaland Industrial Development Corporation (₹44.24 crore). The Outstanding Guarantees of ₹228.57 crore as on 31 March 2024 was 1.41 *per cent* of the Revenue Receipts of the State during the year.

During the Exit Conference (16 December 2024), Finance Department stated that the outstanding guarantee amount was on the higher side and necessary steps would be taken to reconcile the figure with the office of PAG (A&E), Nagaland.

2.7.3 Management of Cash Balances

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

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

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

Table 2.46 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 2.46: Cash Balances and their investment

	(₹ in crore)	
	Opening balance on 1 April 2023	Closing balance on 31 March 2024
A. General Cash Balance		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank of India	320.78	407.42
Total	320.78	407.42
Investments held in Cash Balance investment account	0.00	534.83
Total (A)	320.78	942.25
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	816.40	1,064.58
Permanent advances for contingent expenditure with department officers	0.00	0.00
Investment in earmarked funds	1,617.84	1,739.72
Total (B)	2,434.24	2,804.30
Total (A + B)	2,755.02	3,746.55
Interest realised	2.29	3.23

Source: Finance Accounts, 2022-23

It was noticed that State Government's opening general Cash Balance as on 01 April 2023 was ₹320.78 crore. The closing general Cash Balance (31 March 2024) showed an increase of 193.74 *per cent* (₹621.47 crore) and stood at ₹942.25 crore. The State Government had earned ₹3.23 crore from the Cash Balance Investments during 2023-24.

However, the State Government could maintain the minimum daily cash balance with the RBI for 296 days during 2023-24 and as such WMAs/ SWMAs/ODs was availed for 70 days during the year, for which an interest of ₹3.14 crore (*Appendix 1.3*) was paid.

The Cash Balance Investments of the State of Nagaland for last five years (2019-20 to 2023-24) are given in **Table 2.47**:

Table 2.47: Cash Balance Investment Account (Major Head-8673)

	(₹ in crore)			
Year	Opening Balance	Closing Balance	Increase (+)/decrease (-)	Interest earned
2019-20	134.96	0.00	(-)134.96	1.78
2020-21	0.00	0.00	0.00	0.07
2021-22	0.00	485.37	485.37	0.77
2022-23	485.37	0.00	(-)485.37	2.29
2023-24	0.00	534.83	534.83	3.23

Source: Finance Accounts of respective years

The trend analysis of the cash balance investment of the State Government revealed that during the five year-period of 2019-24, there has been large fluctuation in cash balance at the end of each year of the State.

2.8 Conclusion

The continuous mismatch between receipts and expenditure indicates rising fiscal stress. The State has different sources of receipts such as State Own Tax Revenue, Non-tax Revenue, Devolution of State's share in taxes, Grants-in-Aid and transfers from the Union Government and non-debt capital receipts. The State Government's expenditure

includes expenditure on revenue account as well as Capital Expenditure (assets creation, loans and advances, investments *etc.*).

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

Revenue Receipts (₹16,155.13 crore) increased by 14.58 *per cent* (₹2,055.87 crore) over the previous year (₹14,099.26 crore). The State's Own Tax Revenue increased by ₹136.21 crore (9.32 *per cent*), Non-Tax Revenue increased by ₹200.00 crore (41.84 *per cent*), Grants-in-Aid from GoI increased by ₹693.59 crore (10.26 *per cent*) and State's Share of Union taxes/duties increased by ₹1,026.63 crore (19.01 *per cent*) respectively over the previous year.

The Government of India and the State Government have introduced a system of Single Nodal Agency (SNA) for implementation and fund flow for each Centrally Sponsored Scheme (CSS). The State Government transferred ₹2,812.60 crore in 2023-24. The whole amount was transferred through fully vouched bills. However, detailed vouchers and supporting documents of actual expenditure were not received by Principal Accountant General (A&E) office from the SNAs. As on 31 March 2024, an amount of ₹1,096.65 crore, including both Central and State shares, were parked in SNA bank Account of 117 schemes.

Revenue Expenditure (₹14,819.70 crore) increased by ₹1,409.34 crore (10.51 *per cent*) during 2023-24 over the previous year (₹13,410.36 crore). The percentage of Revenue Expenditure to Total Expenditure was 82.60 *per cent* and Revenue Expenditure to GSDP was 35.38 *per cent* during 2023-24.

Capital Expenditure (₹3,122.52 crore) increased by ₹418.30 crore (15.47 *per cent*) during 2023-24 compared to the previous year (₹2,704.22 crore) and stood at 17.41 *per cent* of total expenditure during the year. During the five-year period of 2019- 24, the borrowings were utilised for repayment of earlier borrowings which ranged between 55.55 *per cent* (2023-24) and 91.29 *per cent* (2021-22).

Under Revenue Expenditure, the quantum of committed expenditure constitutes the largest share. Committed expenditure has the first charge on the resources and consists of interest payments, expenditure on salaries and wages and pensions. Committed expenditure like salary and wages, pension, interest payments steadily increased by ₹2,998.68 crore at a CAGR of 8.40 *per cent* from ₹7,874.46 crore in 2019-20 to ₹10,873.14 crore in 2023-24. The Committed Expenditure during the year 2023-24 was 67.30 *per cent* of the Revenue Receipts and 73.37 *per cent* of the Revenue Expenditure.

In addition to the committed expenditure, the inflexible expenditure as a percentage of Revenue Expenditure, showed fluctuating trend ranging from 8.00 to 10.45 *per cent*.

Further, the inflexible expenditure (₹1,186.01 crore) decreased by 11.14 *per cent* during 2023-24 over the previous year (₹1,334.71 crore).

Taken together, committed and inflexible expenditure in 2023-24 was ₹12,059.15 crore; 81.37 *per cent* of the Revenue Expenditure. Upward trend on committed and inflexible expenditure leaves the Government with lesser flexibility for other priority sectors and capital creation.

At the end of 2023-24, the Government provided guarantees of ₹228.57 crore against loans various Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. During 2023-24, the Government did not pay any amount as no guarantee was invoked.

Public Debt increased by ₹6,825.97 crore at a CAGR of 14.99 *per cent* from ₹9,118.09 crore in 2019-20 to ₹15,944.06 crore in 2023-24 whereas the Debt/ GSDP ratio increased from 40.99 to 43.42 *per cent* during the same period. As per the Debt stabilization analysis, the current debt level appears manageable in the short term, the upward trajectory and rising debt-to-GSDP ratio highlight the need for proactive fiscal management to prevent long-term sustainability risks.

It was observed that following a sharp deterioration in debt sustainability indicators when it hit a five-year low in 2020-21, the debt-GSDP ratio rose to a five-year high of 45.16 *per cent*. Decomposition of debt accumulation relative to GSDP shows that GID (Growth Interest Differential) was not enough to absorb entire impact of primary deficit during 2019-2024. Despite a significant improvement in GID growth from 1.50 *per cent* in 2018-19 to 4.60 *per cent* in 2019-20, the debt-GSDP ratio witnessed an increase in 2019-20 due to the worsening of primary deficit and increase in debt, which exceeded the nominal growth. This trend continued in 2020-21 as well, when the debt-GSDP ratio reached a five-year high of 45.16 *per cent*. The sharp deterioration observed in the debt-GSDP ratio can be attributed to the sharp contraction seen in the GID given the steep deceleration witnessed in nominal growth, increase in debt more than nominal growth and primary balance, which continued to remain in the negative territory. However, debt-GSDP ratio observed declining trend in 2021-22 and 2022-23. The State succeeded in steadily improving the debt-GSDP ratio during 2021-2023 years by generating a primary surplus in 2021-22 supported by improvements in the GID and allowing the debt to grow less than nominal growth. With the worsening of the primary deficit and higher growth in debt compared with the nominal growth reversed the trend in 2023-24, debt-GSDP increased by more than one percentage point over the previous year. This shows that debt-GSDP ratio of the State witnessed a fluctuating trend during 2019-2024. Debt-GSDP ratio of the State except 2022-23 remained above the indicative debt path given by FC.

The Domar criterion also shows that nominal growth was not driven by inflation except in 2020-21 and 2021-22. On average, the contribution of real growth to nominal growth remained higher than inflation. In contrast, inflation measured by the CPI (combined) helped the State to keep the real cost of borrowing on a downward trajectory until 2022-23. However, due to a sharp decline in inflation from 6.05 *per cent* in 2022-23 to 3.36 *per cent* in 2023-24, real interest rates witnessed an increase in 2023-24. During 2019-2024, on an average, inflation remained within the band-width of 2-6 *per cent* for

the medium term target of CPI inflation determined by RBI, keeping real interest rates below economic growth, thereby maintaining a favourable GID. This concludes that except for the pandemic-hit year 2020-21, the growth rate has been large enough to cover the increase in interest rates.

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

2.9 Recommendations

- State Government needs to continue the trend of Own Tax Revenue collection by focusing on other potential areas, apart from State Goods and Services Tax to have a sustained increase in Own Tax Revenue.
- The State Government should strive to improve its non-tax revenue mobilisation efforts.
- The Government may ensure that the outstanding arrears of revenue are assessed and recovered in time by strengthening its monitoring mechanism.
- To avoid possible future liabilities under NPS, the State Government needs to fulfil its obligation by releasing arrears of its contributions and transferring the outstanding funds already accumulated including interest, to NSDL for management of the NPS.
- The State Government may ensure that mobilised debt resources are used adequately for creation of assets.
- The State Government may strengthen the local tax base for sustainable fiscal stability and development.
- The State Government may ensure time bound completion of incomplete projects without further delay to avoid time and cost overrun to accrue the desired benefit.
- The State Government may ensure transfer of the Labour cess fund to the Nagaland Building and Other Construction Workers' Welfare Board within the stipulated timeline as per the extant provision.