CHAPTER - I
AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

This Chapter discusses the financial position of the State Government. The analysis is based on the trends in the receipts and expenditure, the quality of expenditure, and the financial management of the State Government. In addition, the chapter also contains a section on the analysis of indicators of financial performance of the Government, based on certain ratios and indices developed on the basis of the information contained in the Finance Accounts and other information furnished by the State Government. Some of the terms used in this Chapter are described in *Appendix-I.*

1.2 Financial position of the State

In the Government accounting system comprehensive accounting of the fixed assets like land and buildings etc., owned by the Government is not done. However, the Government, accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by it. An abstract of such liabilities and the assets as on 31 March 2000, compared with the corresponding position on 31 March 1999 is given in the table below:-

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF NAGALAND ON 31 MARCH 2000

(Rupees in crore)

As on 31.03.1999	LIABILITIES		As on 31.03.2000
560.66	Internal Debt		681.45
	Market loans bearing interest	477.48	
	Market loans not bearing interest	0.11	
	Loans from LIC	34.26	
	Loans from other institutions	158.85	
	Ways and Means Advances	10.75	
168.83	Overdrafts from Reserve Bank of India		34.50
319.69	Loans and Advances from Central Government		430.01
	Pre-1984-85 loans	32.12	
	Non-Plan Loans	62.17	
	Loans for State Plan Schemes	242.59	
	Loans for Central Plan Schemes	3.16	
	Loans for Centrally Sponsored Plan Schemes	10.92	
	Ways & Means Advances	75.00	
	Loans for Special Schemes	4.05	

0.35	Contingency Fund		0.35
338.07	Small Savings, Provident Funds, etc.		373.04
27.38	Deposits		85.68
4.28	Reserve Funds		2.83
18.69	Remittance Balances		26.31
179.76	Surplus on Government Account-		170.42
	Accumulated surplus upto 31 March 1999	179.76	
	Less deficit of current year	(-) 9.34	
1,617.71			**1804.59**
	ASSETS		
1,586.10	Gross Capital outlay on Fixed Assets-		1765.44
	Investments in shares of Companies, Corporations, etc.	48.05	
	Other capital outlay	1717.39	
47.26	Loans and Advances		41.48
	Other Development Loans	38.61	
	Loans to Government servants' etc.	2.87	
1.86	Advances		1.89
52.01	Suspense and Miscellaneous Balances		56.11
(-) 69.52	Cash Balance		(-) 60.33
	Cash in Treasuries and Local Remittances	0.17	
	Deposits with Reserve Bank	(-) 86.34	
	Departmental Cash Balance including Permanent Advances	17.04	
	Investment of earmarked funds	8.80	
	Cash Balance Investments		---
1,617.71			**1804.59**

Minus balance (as per accounts) represents excess cash outgo of the State Government over the resources from all sources with Reserve Bank of India (RBI). This balance was arrived at after taking into account all monetary settlements as intimated by the RBI and other accounting circles.

While the liabilities consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. It would be seen from the table that while the liabilities grew by 14 *per cent* from Rs.1437.95 crore in 1998-99 to Rs.1634.17 crore during 1999-2000, the assets grew by only 12 *per cent* from Rs.1617.71 crore in 1998-99 to Rs.1804.59 crore during 1999-2000, mainly as a result of revenue deficit of Rs.9.34 crore.

1.3 Sources and applications of funds

1.3.1 The table below gives the position of sources and applications of funds during the current and the preceding year.

SOURCES AND APPLICATION OF FUNDS

(Rupees in crore)

Sources				
1998-99				**1999-2000**
989.38	1. Revenue receipts			1,131.46
13.18	2. Recoveries of Loans and Advances			15.98
123.42	3. Increase in Public debt other than overdraft			231.11
30.78	4. Net receipts from Public Account			95.32
	31.32	Increase in Small Savings	34.98	
	(-) 11.89	Increase in Deposits and Advances	58.27	
	0.77	Decrease in Reserve Funds	(-) 1.46	
	6.48	Net effect of Suspense and Miscellaneous transactions	(-) 4.09	
	4.10	Net effect of Remittance transactions	7.62	
63.49	5. Overdrafts from Reserve Bank of India (Net)			---
1,220.25	**Total**			**1,473.87**
Application				
1,012.40	1. Revenue expenditure			1,140.80
19.11	2. Lending for development and other purposes			10.21
155.78	3. Capital expenditure			179.34
*32.96	4. Increase in closing cash balance			9.19
	5. Reduction of overdraft payable to Reserve Bank of India			134.33
1,220.25	**Total:-**			**1,473.87**

* Change from previous year's figures is on account of taking negative figures under increase in closing cash balance from 'Sources' to 'Application' side.

The main sources of funds include the revenue receipts of the Government, recoveries of the loans and advances, public debt and the receipts in the Public Account. These are applied mainly on revenue and capital expenditure and for reduction of overdraft liability obtained from Reserve

Bank of India. It would be seen that the revenue receipts constitute the most significant source of funds for the State Government. While their relative share went down from 81.08 *per cent* in 1998-99 to 76.77 *per cent* during 1999-2000, the share of recoveries of loans and advances remained stagnant at 1.08 *per cent*, the net receipts from the Public Account went up from 2.52 *per cent* in 1998-99 to 6.47 *per cent* in 1999-2000. This was mainly due to increase of 490 *per cent* in deposits and advances. The share of receipts from Public Debt went up from 10.11 *per cent* to 15.68 *per cent*.

1.3.2 The funds were mainly applied for revenue expenditure, whose share went down from 82.97 *per cent* to 77.40 *per cent*, but remained marginally higher than the share of revenue receipts (76.77 *per cent*) in the total receipts of the State Government. This led to the revenue deficit of Rs.9.34 crore. While the percentage of capital expenditure went down from 12.77 *per cent* to 12.17 *per cent*, lending for development purposes both the absolute terms as also in percentage basis, went down from 1.57 *per cent* to 0.69 *per cent*. Balance funds were utilised in repayment of overdrafts from RBI (9.11 *per cent*) and increase in closing balance (0.62 *per cent*).

1.4 Financial operations of the State Government

1.4.1 Exhibit I gives the details of the receipts and disbursements made by the State Government. The revenue expenditure (Rs.1140.80 crore) during the year exceeded the revenue receipts (Rs.1131.46 crore) resulting in a revenue deficit of Rs.9.34 crore. The revenue receipts comprised Tax Revenue (Rs.39.50 crore), Non-tax Revenue (Rs.38.86 crore), State's share of Union Taxes and Duties (Rs.526.04 crore) and Grants-in-Aid from the Central Government (Rs.527.06 crore). The main sources of tax revenue were sales tax (58 *per cent*), State Excise (4 *per cent*), Taxes on vehicles (12 *per cent*) and stamps and registration fees (5 *per cent*). Non-tax revenue came mainly from interest receipts (12 *per cent*), Other Administrative Services (16 *per cent*), Housing (5 *per cent*), Forestry and Wildlife (4 *per cent*), Power (46 *per cent*) and Road Transport (10 *per cent*).

1.4.2 The capital receipts comprised Rs.15.98 crore from recoveries of loans and advances and Rs.399.24 crore from public debt. Against this, the expenditure was Rs.179.34 crore on capital outlay, Rs.10.21 crore on disbursement of loans and advances and Rs.168.13 crore on repayment of public debt. The receipts in the Public Account amounted to Rs.538.71 crore, against which the disbursements made were Rs.443.39 crore. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was an increase of Rs.9.19 crore in the cash balance which brought down the negative balance of Rs.69.52 crore at the beginning of the year to Rs.60.33 crore at the year end.

1.4.3 The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs, with reference to the information contained in table under paragraph 1.3.1 and the time series data for the five year's period from 1995-96 to 1999-2000 presented in the table given below.

TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

	1995-96	1996-97	1997-98	1998-99	1999-2000
Part A. Receipts					
I. Revenue Receipts	**733.79**	**855.13**	**860.99**	**989.38**	**1131.46**
(i) Tax Revenue	**23.28 (3)**	**32.59 (4)**	**31.57 (4)**	**30.56 (3)**	**39.50 (3)**
Sales Tax	12.32 (53)	16.15 (50)	16.52 (52)	16.10 (53)	23.04 (58)

State Excise	1.59 (7)	2.00 (6)	2.10 (7)	1.89 (6)	1.73 (4)
Taxes on vehicles	2.92 (13)	3.88 (12)	3.86 (12)	4.37 (14)	4.59 (12)
Stamps and Registration fees	1.74 (7)	5.76 (18)	3.66 (12)	1.94 (6)	1.85 (5)
Land Revenue	0.07 (*)	0.16 (*)	0.08 (*)	0.12 (*)	0.26 (*)
Other Taxes	4.64 (20)	4.64 (14)	5.35 (17)	6.14 (20)	8.03 (20)
(ii) Non Tax Revenue	**36.05 (5)**	**33.45 (4)**	**27.52 (3)**	**44.15 (5)**	**38.86 (3)**
(iii) State's share in Union taxes and duties	**186.10 (25)**	**274.75 (32)**	**380.81 (44)**	**437.19 (44)**	**526.04 (47)**
(iv) Grants in aid from GOI	**488.36 (67)**	**514.34 (60)**	**421.09 (49)**	**477.48 (48)**	**527.06 (47)**
2. Misc. Capital Receipts	**---**	**---**	**---**	**---**	**---**
3. Total revenue and Non-debt capital receipt (1+2)	**733.79**	**855.13**	**860.99**	**989.38**	**1131.46**
4. Recoveries of Loans and Advances	**8.57**	**4.08**	**4.45**	**13.18**	**15.98**
5. Public Debt Receipts	**87.74**	**99.29**	**242.57**	**394.17**	**344.23**
Internal Debt (excluding Ways & Means Advances and Overdrafts)	**61.45**	**63.54**	**83.84**	**104.65**	**167.24**
Net transactions under Ways and Means Advances and Overdraft	**---**	**---**	**122.14**	**72.69**	**---**
Loans and Advances from Government of India	**26.29**	**35.75**	**36.59**	**216.83**	**176.99**
6. Total receipts in the Consolidated Fund (3+4+5)	**830.10**	**958.50**	**1108.01**	**1396.73**	**1491.67**
7. Contingency Fund Receipts	**---**	**---**	**---**	**---**	**---**
8. Public Account receipts	**388.33**	**367.24**	**343.25**	**427.00**	**538.71**
9. Total receipts of the State (6+7+8)	**1218.43**	**1325.74**	**1451.26**	**1823.73**	**2030.38**
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	**834.48**	**847.31**	**988.18**	**1,012.40**	**1140.80**
Plan	134.07 (16)	172.44 (20)	199.68 (20)	205.94 (20)	229.38 (20)
Non-Plan	700.41 (84)	674.87 (80)	788.50 (80)	806.46 (80)	911.42 (80)
General Services (including interest payments)	336.59 (40)	352.90 (41)	417.96 (42)	460.41 (45)	544.60 (48)

Social Services	248.45 (30)	242.57 (29)	262.81 (27)	293.78 (29)	330.39 (29)
Economic Services	249.44 (30)	251.84 (30)	307.41 (31)	258.21 (26)	265.81 (23)
Grants-in-aid and contribution	---	---	---	---	---
11. Capital Expenditure	**101.41**	**134.61**	**133.69**	**155.78**	**179.34**
Plan	97.67 (96)	132.38 (98)	132.99 (99)	151.83 (97)	179.21 (100)
Non-Plan	3.74 (4)	2.23 (2)	0.70 (1)	3.95 (3)	0.13 (*)
General Services	11.94 (12)	13.13 (10)	9.88 (8)	10.63 (7)	11.80 (7)
Social Services	30.43 (30)	57.09 (42)	49.94 (37)	55.19 (35)	77.11 (43)
Economic Services	59.04 (58)	64.39 (48)	73.87 (55)	89.96 (58)	90.43 (50)
12. Disbursement of Loans and Advances	**9.20**	**14.36**	**8.27**	**19.11**	**10.21**
13. Total (10+11+12)	**945.09**	**996.28**	**1130.14**	**1187.29**	**1330.35**
14. Repayments of Public Debt	**14.13**	**30.99**	**31.12**	**207.26**	**247.45**
Internal Debt (excluding Ways & Means Advances and Overdrafts)	3.06	19.37	17.46	22.53	31.19
Net transactions under Ways and Means Advances and Overdraft	--	---	---	---	149.58
Loans and Advances from Government of India2	11.07	11.62	13.66	184.73	66.68
15. Appropriation to Contingency Fund	**---**	**---**	**---**	**---**	**---**
16. Total disbursement out of Consolidated Fund (13+14+15)	**959.22**	**1027.27**	**1161.26**	**1394.55**	**1577.80**
17. Contingency Fund disbursements	**---**	**---**	**---**	**---**	**---**
18. Public Account disbursements	**289.47**	**359.06**	**291.90**	**396.22**	**443.39**
19. Total disbursement by the State (16+17+18)	**1248.69**	**1386.33**	**1453.16**	**1790.77**	**2021.19**
Part C. Deficits					
20. Revenue Deficit (1-10)(-)/Surplus (+)	**(-) 100.69**	**(+) 7.82**	**(-) 127.19**	**(-) 23.02**	**(-) 9.34**
21. Fiscal Deficit (3+4-13)	**202.73**	**137.07**	**264.70**	**184.73**	**182.91**
22. Primary Deficit (21-23)	**117.62**	**46.87**	**152.08**	**49.90**	**30.63**
Part D. Other data					

23. Interest payments (included in revenue expenditure)	**85.11**	**90.20**	**112.62**	**134.83**	**152.28**
24. Arrears of Revenue (Percentage of Tax & Non-Tax Revenue Receipts)	**4.77 (8)**	**5.62 (9)**	**12.38 (21)**	**26.22 (35)**	@
25. Financial assistance to local bodies etc.	**8.61**	**22.50**	**23.99**	**18.30**	**31.94**
26. Ways and Means Advances/Overdrafts availed (days)	**24.24 (17)**	**13.00 (5)**	**364.94 (96)**	**402.49 (40)**	**195.29 (74)**
27. Interest on WMA/Overdraft	**0.08**	**0.03**	**0.90**	**0.94**	**1.22**
28. Gross State Domestic Product (GSDP)	**1605.51**	**1914.04**	**2324.10**	**NA**	**NA**
29. Outstanding Debt (year end)	**582.55**	**650.84**	**862.28**	**1,049.18**	**1145.96**
30. Outstanding guarantees (year end)	@	@	@	@	@
31. Maximum amount guaranteed (year end)	**NIL**	**NIL**	**NIL**	@	@
32. Number of incomplete projects	@	@	@	@	@
33. Capital blocked in incomplete projects	@	@	@	@	@

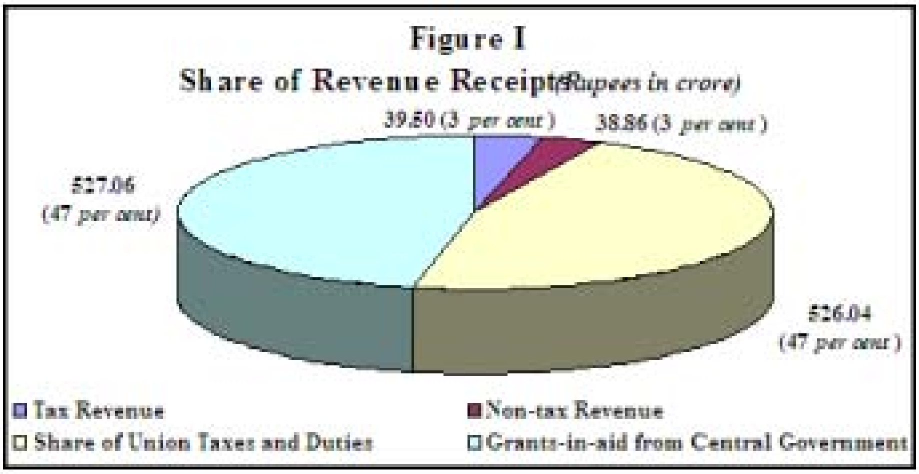
@ Information awaited from the Government (February, 2001).
Note: Figures in brackets represents percentages (rounded off) to total of each sub-heading. (*) indicates negligible percentage.

Expenditure (Rs.1320.14 crore) during the year 1999-2000 registered an increase of 13 *per cent* (Rs.151.96 crore) over that of 1998-99 (Rs.1168.18 crore), which was mainly due to repayment of overdrafts. The excess expenditure (Rs.151.96 crore) was met from funds (Rs.167.24 crore) borrowed from markets and loans and advances (Rs.51.99 crore); 69 *per cent* of the borrowed funds (Rs.219.23 crore) were utilised in repayment of overdrafts leaving little scope for developmental works.

1.5 Revenue receipts

The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India (GOI). Their relative shares are shown in figure I.

The revenue receipts grew at an average annual rate of 11.63 *per cent* during 1995-96 to 1999-2000.



1.5.2 Tax revenue

Tax revenue constituted 3 *per cent* of the revenue receipts during 1999-2000. The table under paragraph 1.4.3 shows that the relative contribution of Sales Tax went up from 53 *per cent* in 1995-96 to 58 *per cent* in 1999-2000 while that of Excise Duty declined from 7 *per cent* in 1995-96 to 4 *per cent* in 1999-2000 and Stamps and Registration Fees declined from 18 *per cent* in 1996-97 to 5 *per cent* in 1999-2000. During 1995-2000, the contribution of Land Revenue was negligible and the share of Taxes on vehicles remained constant at around 12 *per cent*.

1.5.3 Non-tax revenue

The share of non-tax revenue in total revenue receipts declined from 5 *per cent* in 1995-96 to 3 *per cent* in 1999-2000.

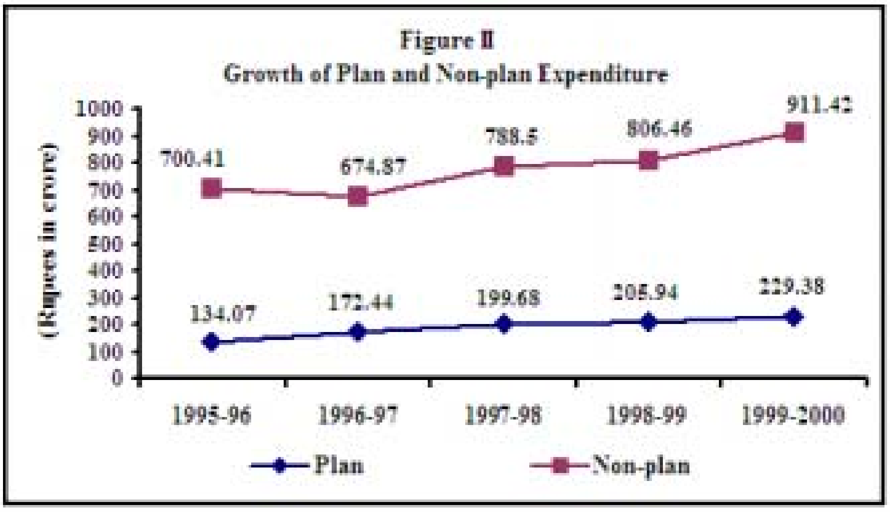
Non-tax Revenue mainly came from Power (46 *per cent*), Road Transport (10 *per cent*), Other Administrative Services- (16 *per cent*) and Housing (5 *per cent*). The share of interest receipts (Rs.4.59 crore) was 12 *per cent* of the non-tax revenue (Rs.38.86 crore) and was only 0.41 *per cent* of the total revenue receipts (Rs.1131.46 crore) as compared to share of interest payments (Rs.152.28 crore) at 13 *per cent* in the total revenue expenditure of the State (Rs.1140.80 crore).

1.5.4 State's share of Union taxes and duties, and grants-in-aid from the Central Government

The State's share of Union taxes (excise duties, and income and corporation taxes) increased by 20 *per cent* during the year, while the grants-in-aid from the Central Government increased by 10 *per cent*. However, as a percentage of revenue receipts they (both taken together) increased from 92 *per cent* in 1995-96 to 94 *per cent* during 1999-2000; this was mainly due to increase (from 25 *per cent* to 47 *per cent*) in the State's share of Union taxes.

1.6 Revenue expenditure

1.6.1 The revenue expenditure accounted for most (86 *per cent*) of the expenditure of the State Government and increased by 13 *per cent* during 1999-2000. The increase was, however, both on the Plan and Non-Plan side. A comparison shows that the rate of growth in Plan component (71 *per cent*) of revenue expenditure far surpassed the growth rate of Non-Plan expenditure (30 *per cent*) during the last five years ending March 2000 as can be seen in Figure II.



1.6.2 Sector-wise analysis shows that while the expenditure on General Services increased by 56 *per cent*, from Rs.251.48 crore in 1995-96 to Rs.392.32 crore in 1999-2000, the corresponding increases in expenditure on Social Services and Economic Services from Rs.248.45 crore to Rs.330.39 crore and Rs.249.44 crore to Rs.265.81 crore were only 33 and 7 *per cent* respectively. As a proportion of total expenditure, the share of General Services increased from 30 *per cent* in 1995-96 to 35 per cent in 1999-2000, whereas the share of Social Services remained almost static around 29 *per cent* but that of Economic Services decreased from 30 *per cent* in 1995-96 to 23 *per cent* in 1999-2000.

1.6.3 Interest payments

Interest payments increased steadily by 79 *per cent* from Rs.85.11 crore in 1995-96 to Rs.152.28 crore in 1999-2000. This is further discussed in the Section on Financial indicators.

1.6.4 Financial assistance to local bodies and other institutions

The quantum of assistance provided to different local bodies etc., during the five years ending 1999-2000 was as follows:

(Rupees in crore)

		1995-96		1996-97		1997-98		1998-99		1999-2000	
		Grants	**Loans**	**Grants**	**Loans**	**Grants**	**Loans**	**Grants**	**Loans**	**Grants**	**Loans**
(A)	Universities and Educational Institutions	0.09	---	0.25	---	0.24	---	0.42	---	0.42	---
(B)	Municipal Corporations	---	---	---	---	---	---	---	---	---	---
(C)	Zila Parishad	---	---	---	---	---	---	---	---	---	---
(D)	Development Agencies	2.87	---	16.40	---	12.53	---	12.77	---	13.57	---
(E)	Hospitals and other Charitable Institutions	---	---	0.53	---	0.03	---	2.02	---	0.02	---

(F)	Other Institutions	5.65	6.37	5.32	7.27	11.19	2.59	3.09	2.74	17.93	8.42
Total		**8.61**	**6.37**	**22.50**	**7.27**	**23.99**	**2.59**	**18.30**	**2.74**	**31.94**	**8.42**
Percentage of growth over previous year		230	182	161	14	7	(-) 64	(-) 24	6	75	207
Assistance as percentage of Revenue expenditure		1	0.76	3	0.86	2	0.26	2	0.27	3	0.74

The assistance to the local bodies and other institutions went up sharply during 1999-2000. The financial assistance to universities and educational institutions remained static and other institutions witnessed increase of 217 *per cent* from Rs.5.65 crore in 1995-96 to Rs.17.93 crore in 1999-2000. Although the loans declined sharply during 1997-98 as compared to 1996-97, they increased during 1999-2000.

1.6.5 Loans and Advances by the State Government

The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, cooperatives, non-Government institutions, etc., for developmental and non-developmental activities. The position for the last five years given below shows that, there has been improvement in repayment of loans and advances by the Government.

(Rupees in crore)

	1995-96	1996-97	1997-98	1998-99	1999-2000
Opening balance	26.61	27.24	37.52	41.34	47.26
Amount advanced during the year	9.20	14.36	8.27	19.10	10.21
Amount repaid during the year	8.57	4.08	4.45	13.18	15.98
Closing balance	27.24	37.52	41.34	47.26	41.49
Net addition	0.63	10.28	3.82	5.92	(-) 5.77
Interest received	0.58	0.19	0.49	0.54	0.65

Though the Departmental authorities and Controlling Officers were required to furnish information about the arrears in recovery (principal as well as interest) of loans as on 31 March 2000 to the Sr. Deputy Accountant General (Accounts and Entitlements) by June, the information is awaited (February, 2001) despite reminders.

1.7 Capital expenditure

1.7.1 Capital expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government i.e., Public Sector Undertakings (PSUs), Corporations, etc., and loans and advances. The share of capital expenditure (Rs.179.34 crore) to the total expenditure (Rs.1320.14 crore) increased marginally by 1 *per cent* in 1999-2000 over that of 1998-99. Capital expenditure was confined to plan works under Social Services (43 *per cent*), Economic Services (50 *per cent*) and General Services (7 *per cent*).

1.8 Quality of expenditure

1.8.1 Government spends money for different activities, ranging from maintenance of law and order and regulatory functions to various developmental activities. Government expenditure is broadly classified into Plan and Non-Plan and revenue and capital. While the Plan and Capital expenditure are usually associated with asset creation, the Non-Plan and revenue expenditure are identified with expenditure on establishment, maintenance and services. By definition, therefore, in general, the Plan and Capital expenditure can be viewed as contributing to the quality of expenditure.

1.8.2 Wastage in public expenditure, diversions of funds, and funds blocked in incomplete projects would also impinge negatively on the quality of expenditure. Similarly, funds transferred to Deposit heads in the Public Account after booking them as expenditure, can also be considered as a negative factor in judging the quality of expenditure. As the expenditure is not actually incurred in the concerned year it should be excluded from the figures of expenditure for that year. Another possible indicator is the increase in the expenditure on General services to the detriment of Economic and Social Services.

1.8.3 The following table lists out the trend in these indicators:

		1995-96	**1996-97**	**1997-98**	**1998-99**	**1999-2000**
1.	Plan expenditure as a percentage of:-					
	Revenue expenditure	16	20	20	20	20
	Capital expenditure	96	98	99	97	100
2.	Capital expenditure (*per cent*)	11	14	12	13	14
3.	Expenditure on General Services (*per cent*)					
	Revenue	30	31	31	32	35
	Capital	12	10	8	7	7
4.	Amount of wastage and diversion of funds detected during test audit (Rupees in crore)	5.16	0.75	0.65	18.99	257.43

It would be seen that, the share of Plan expenditure on the revenue side has increased (4 *per cent*) from 1995-96 to 1996-97 and remained static (20 *per cent*) thereafter, while the share of the capital sector has been increasing from 1995-96 to 1999-2000 excepting 1998-99. However, from 1995-96 onwards, the share of expenditure on General Services, has increased on the revenue side, and declined on the capital side. The substantial amounts of wastage and diversion of funds detected during test audit negatively impinged on the quality of expenditure as brought out in the succeeding paragraphs and reviews.

1.9 Financial management

The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this report deal extensively with these issues, especially as they relate to the expenditure management in the Government based on the findings of test audit. Some other parameters, which can be segregated from the accounts and other related financial information of the Government, are discussed in this section.

1.9.1 Investments and returns

Investments are made out of the capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The sector-wise details of investments made and the number of concerns involved were as under:

(Rupees in crore)

	Sector	Number of concerns	Amount invested	
			As on 31.3.2000	**During 1999-2000**
(1)	Statutory Corporations	1	0.04	---
(2)	Government Companies	5*	25.85**	0.33
(3)	Joint Stock Companies	2	6.91	---
(4)	Cooperative Institutions	@	15.25	1.02
	Total:-		**48.05**	**1.35**

* Excludes one subsidiary company, i.e. Nagaland Hotels Ltd.
** Investment shown here is as per Finance Accounts 1999-2000.
@ Information awaited from Government (February, 2001).

The details of investments and the returns realised during the last five years by way of dividend and interest were as follows:

(Rupees in crore)

Year	Investment at the beginning of the year	Return	Total interest liability	Rate of interest on Government borrowing (%)
1995-96	30.75	NIL	4.27	14.00 (May 1995)
1996-97	32.09	NIL	4.43	13.85 (May 1996) 13.75 (January 1997)
1997-98	35.61	*	4.67	13.05 (May 1997)
1998-99	41.59	NIL	5.13	12.15 (April 1998) 12.50 (October 1998)
1999-2000	46.70	NIL	5.63	12.25 (April 1999) 11.85 (September 1999)
Total:-			**24.13**	

* Rs.2,000 received as dividend.

Thus, even while the Government was raising high cost borrowings from the market, it had been increasing the investments in the above institutions by borrowing from the open market year after year without getting any return therefrom. During the last five years alone, interest liability on the investments made out of borrowed funds at the prevailing market borrowing rates worked out to Rs.24.13 crore which represents 50 *per cent* of the total investments of Rs.48.05 crore made as on March 2000.

As on 31 March 2000, five of the Government companies in which Government had invested Rs.48.05 crore had accumulated losses of Rs.4.81 crore.

1.9.2 Arrears of revenue

The arrears of revenue pending collection as of March 1999 increased by 112 *per cent*. The outstanding arrears registered a secular increase during the preceding four years (table under paragraph 1.4.3) and their percentage increased from 4 *per cent* of the revenue raised during 1994-95 to 35 *per cent* during 1998-99. Of the arrears of Rs.26.22 crore as of March 1999, Rs.4.47 crore (17 *per cent*) were pending for more than five years, and pertained mainly to Sales Tax (Rs.3.74 crore) and Central Sales Tax (Rs.0.71 crore) and Professional Tax (Rs.0.02 crore). The overall deterioration in the position of arrears of revenue showed a slackening of the revenue efforts of the State Government.

Information regarding arrears of revenue for the year 1999-2000 was not furnished by the Department (February 2001) despite repeated reminders.

1.9.3 Ways and Means Advances and Overdrafts

Under an agreement with the Reserve Bank of India, the State Government had to maintain with the Bank a minimum daily cash balance of Rs.0.10 crore. If the balance fell below the agreed minimum on any day, the deficiency had to be made good by taking Ways and Means Advances (WMA)/Overdrafts (OD) from the Bank. In addition, special WMA are also made by the Bank whenever necessary. Recourse to WMA/OD means a mismatch between the receipts and expenditure of the Government, and hence reflects poorly on the financial management of the Government. During the year 1999-2000, Government obtained Rs.55.01 crore as Ways and Means Advances on 10 days in addition to the outstanding balance of Rs.26.00 crore from the preceding year. Against this, only Rs.70.26 crore was repaid, leaving an outstanding balance of Rs.10.75 crore on 31 March 2000.

The Ways and Means Advances obtained had increased from Rs.13.24 crore in 1995-96 to Rs.55.01 crore in 1999-2000 indicating an increase of 315 *per cent*. Similarly, overdraft availed by the Government during 1999-2000 was Rs.140.28 crore in addition to the opening balance of Rs.168.83 crore at the beginning of the year. Of this, Rs.274.61 crore was repaid with interest of Rs.0.97 crore leaving an outstanding balance of Rs.34.50 crore at the end of the year. The overdrafts obtained (gross) had increased from Rs.11.00 crore in 1995-96 to Rs.140.28 crore in 1999-2000 constituting an increase of 1175 *per cent*.

The Government was increasingly depending on overdrafts/ways and means advances for meeting its financial requirements.

1.9.4 Deficit

1.9.4.1 Deficits in Government account represent gaps between the receipts and expenditure. The nature of deficit is an important indicator of the prudence of financial management of the Government. Further, the ways of financing the deficit, and the application of the funds raised in this manner, are important pointers of the fiscal prudence of the Government. The discussion in this section relates to three concepts of deficit viz., Revenue Deficit, Fiscal Deficit and Primary Deficit.

1.9.4.2 The Revenue Deficit is the excess of revenue expenditure over revenue receipts. The Fiscal Deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received and certain non-debt capital receipts). Primary Deficit is fiscal deficit less interest payments. The following exhibit gives a break-up of the deficits in Government account:

OVERALL FINANCIAL TRANSACTIONS OF GOVERNMENT

(Rupees in crore)

CONSOLIDATED FUND				
RECEIPT	**Amount**	**DISBURSEMENT**		**Amount**
Revenue	1131.46	Revenue deficit: 9.34	Revenue	1140.80
Misc. capital	---		Capital	179.34

receipts				
Recovery of loans & advances	15.98		Loans & advances disbursement	10.21
Sub-total:	1147.44	Gross fiscal deficit: 182.91	Sub-total:	1330.35
Public debt receipts	344.23		Public debt repayment	247.45
Total:	**1491.67**	**A: Deficit in Consolidated Fund: 86.13**	**Total:**	**1577.80**
PUBLIC ACCOUNT				
Small savings, PF etc.	86.03		Small savings, PF etc.	51.05
Deposits & advances	79.14		Deposits & advances	20.87
Reserve funds	0.58		Reserve funds	2.04
Suspense & Misc.	99.67		Suspense & Misc.	103.76
Remittances	273.29		Remittances	265.67
Total: Public Account	**538.71**	**B-Surplus in Public Account: 95.32 Surplus utilised as under: (i) Financed deficit in Consolidated Fund: 86.13 (ii) Increase in closing Cash Balance: 9.19**	**Total: Public Account**	**443.39**

The above table shows that gross fiscal deficit of Rs.182.91 crore was partly financed by net proceeds of Public Debt (Rs.96.78 crore) and partly by surplus in Public Account (Rs.86.13 crore). The balance surplus of Rs.9.19 crore (Rs.95.32 crore - Rs.86.13 crore) in the Public Account led to increase in the closing cash balance which brought down the negative cash balance to Rs.60.33 crore at the end of current year against the negative cash balance of Rs.69.52 crore at the end of preceding year.

Table under paragraph 1.4.3 shows that except for 1996-97, the State had a revenue deficit every year during 1995 to 2000. The fiscal deficit had decreased from Rs.202.73 crore in 1995-96 to Rs.182.91 crore in 1999-2000 registering a decrease of 10 *per cent* during the five years ending March 2000, and was highest during the year 1997-98 (Rs.264.70 crore).

1.9.4.3 Application of the borrowed funds (Fiscal Deficit)

The fiscal deficit (FD) represents total net borrowings of the Government. These borrowings are applied for meeting the Revenue Deficit (RD), for meeting Capital Expenditure (CE) and for giving loans to various bodies for developmental and other purposes. The relative proportions of these applications would indicate the financial prudence of the State Government and also the sustainability of its operations because continued borrowing for revenue expenditure would not be sustainable in the long run. The following table shows the position for the last five years:-

(Rupees in lakh)

Ratio of	1995-96	1996-97	1997-98	1998-99	1999-2000

RD/FD	0.50	(-) 0.06	0.48	0.13	0.05
CE/FD	0.50	0.98	0.51	0.84	0.98
Net loans/FD	Negligible	0.08	0.01	0.03	(-) 0.03
Total	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**

1.9.5 Guarantees given by the State Government

Guarantees given by the State Government for due discharge of certain liabilities like repayment of loans, share capital, etc., raised by the statutory corporations, Government companies and cooperative institutions etc., and payment of interest and dividend by them. They constitute contingent liability of the State. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limits within which Government may give guarantees on the security of the Consolidated Fund of the State. As indicated in the table of paragraph 1.4.3, the maximum amount of loans (principal only) guaranteed as of March 2000 was Rs.7.24 crore. The information regarding the outstanding amount of principal as well as interest thereon, and the guarantee fee payable by these institutions was not furnished by the Government (February 2001).

1.10 Public debt

1.10.1 The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table.

(Rupees in crore)

Year	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities*	Total liabilities	Ratio of debt to GSDP
1995-96	342.00	240.54	582.54	268.38	850.92	0.53
1996-97	386.16	264.68	650.84	304.12	954.96	0.50
1997-98	574.68	287.60	862.28	349.43	1211.71	0.52
1998-99	729.49	319.69	1,049.18	369.73	1418.91	#
1999-2000	715.95	430.01	1145.96	461.55	1607.51	#

* Other liabilities include small savings, provident funds, reserve funds and deposits, etc.
\# Information regarding Gross State Domestic Product (GSDP) is not available.

During the five year period, the total liabilities of the Government had grown by 89 *per cent*. This was on account of 109 *per cent* growth in internal debt, 79 *per cent* growth in loans and advances from Central Government and 72 *per cent* growth in other liabilities. During 1999-2000, Government borrowed Rs.113.65 crore in the open market at interest rates of 11.85 and 12.25 *per cent* per annum.

1.10.2 The amount of funds raised through Public debt, the amount of repayment and net funds available are given in the following table:

(Rupees in crore)

	1995-96	**1996-97**	**1997-98**	**1998-99**	**1999-2000**
Internal Debt (excluding Ways and Means Advances and Overdrafts from RBI)					
Receipt during the year	61.45	63.54	83.84	104.65	167.24
Repayment-principal	3.06	19.37	17.47	22.53	31.19
Interest	38.79	45.01	59.12	64.30	83.67
Sub-total:-	**41.85**	**64.38**	**76.59**	**86.83**	**114.86**
Net funds available (*per cent*)	19.60 (32)	(-) 0.84 (-1)	7.25 (9)	17.82 (17)	52.38 31)
Receipt during the year	26.29	35.75	36.59	46.83	51.99
Repayment-Principal	11.07	11.62	13.66	14.73	16.68
Interest	24.62	27.11	30.77	33.92	38.27
Sub-total:-	**35.69**	**38.73**	**44.43**	**48.65**	**54.95**
Net funds available (*per cent*)	(-) 9.40 (-36)	(-) 2.98 (-8)	(-) 7.84 (-21)	(-)1.82 (-0.04)	(-) 2.96 (-) 0.06
Other liabilities					
Receipt during the year	135.69	99.33	96.76	91.23	159.36
Repayment-Principal	49.42	63.59	51.44	70.93	67.54
Interest	21.69	18.08	22.73	24.89	27.03
Sub-total:-	**71.11**	**81.67**	**74.17**	**95.82**	**94.57**
Net funds available (*per cent*)	64.58 (48)	17.66 (18)	22.59 (23)	(-)4.59 (-5)	64.79 (41)

It would be seen that very little of the borrowings are available for investment and other expenditure after meeting the repayment obligations. The increase of 97 *per cent* in outstanding debt from Rs.582.54 crore in 1995-96 to Rs.1145.96 crore in 1999-2000 with its resultant repayment and interest obligations had affected the net availability of funds.

1.11 Indicators of the financial performance

1.11.1 A Government may wish to either maintain its existing level of activity or increase its level of activity. For maintaining its current level of activity it would be necessary to know how far the means of financing are sustainable. Similarly, if Government wishes to increase its level of activity it would be pertinent to examine the flexibility of the means of financing. Finally, Government's vulnerability increases in the process. State Governments increase the level of their activity principally through Five Year Plans which translate to Annual Development Plans provided for in the State Budget. Broadly, it can be stated that non-plan expenditure represents Government maintaining the existing level of activity, while plan expenditure entails expansion of activity. Both these activities require resource mobilization increasing Government's vulnerability. In short, financial health of a Government can be described in terms of sustainability, flexibility and vulnerability. These terms are defined as follows:

(i) Sustainability

Sustainability is the degree to which a Government can maintain existing programmes and meet existing creditor requirements without increasing the debt burden.

(ii) Flexibility

Flexibility is the degree to which a Government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden.

(iii) Vulnerability

Vulnerability is the degree to which a Government becomes dependent on and therefore vulnerable to sources of funding outside its control or influence, both domestic and international.

(iv) Transparency

There is also the issue of financial information provided by the Government. This consists of annual Financial Statement (Budget) and the Accounts. As regards the budget, the important parameters are, timely presentation, indicating the efficiency of budgetary process, and the accuracy of the estimates. As regards, accounts, timeliness in submission, for which milestones exist, and completeness of accounts would be the principal criteria.

1.11.2 Information available in Finance Accounts can be used to flesh out Sustainability, Flexibility and Vulnerability that can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in *Appendix-I.* Exhibit II indicates the behaviour of these indices/ratios over the period from 1995-96 to 1999-2000. The implications of these indices/ratios on the state of the financial health of the State Government are discussed in the following paragraphs.

1.11.3 The behaviour of the indices/ratios is discussed below

(i) Balance from current revenues (BCR)

BCR is defined as revenue receipts minus plan assistance grants minus non-plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting plan expenditure. The table at *Exhibit II s*hows that the State Government had negative BCRs during all the five years suggesting that Government had to depend entirely on borrowings for meeting its plan expenditure.

(ii) Interest ratio

The higher the ratio the lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. In the case of Nagaland the ratio has moved in a narrow range of 0.10 to 0.14. A rising interest ratio has adverse implications on sustainability since it indicates a rising interest burden.

(iii) Capital outlay vs capital receipts

This ratio would indicate to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term in as much as it indicates that a part of the capital receipt is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement in the performance. In the case of Nagaland the ratio has all along been less than one except during 1996-97 indicating that a part of the capital receipts is being used for unproductive revenue expenditure.

(iv) Tax receipts vs Gross State Domestic Product (GSDP)

Tax receipts consist of State taxes and State's share of Central taxes. The latter can also be viewed as central taxes paid by people living in the State. Tax receipts suggest sustainability. But the ratio of tax receipts to GSDP would imply that the Government can tax more, and hence its flexibility. A high ratio may not only point to the limits of this source of finance but also its inflexibility. Time series analysis shows that in case of Nagaland this ratio was 0.13 during 1995-96 and 0.18 in 1997-98 Similarly, the ratio of State tax receipts and GSDP was increased from 0.03 in 1995-96 to 0.14 in 1997-98. This suggests that while the State Government had the option to mobilise more resources through taxation, it chose the easier option of borrowing to meet its increasing revenue and fiscal deficits.

The GSDP data for the year 1998-99 and 1999-2000 was not made available by the Government. Hence no analysis could be made for these years.

(v) Return on Investment (ROI)

The ROI is the ratio of the earnings to the capital employed. A high ROI suggests sustainability. The table presents the return on Government's investments in statutory corporations, Government companies, joint stock companies and cooperative institutions. It shows that the ROI in case of Government of Nagaland has been nil and suggests that the investments in the Public Sector Undertakings (PSUs) were used to finance their loss, rather than generate revenue.

(vi) Capital repayments vs Capital borrowings

This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment. In the case of Nagaland, this ratio has shown mixed trends and ranged between 0.16 and 0.64 during 1995-2000. Its decrease to 0.22 in 1999-2000 from 0.64 in the previous year suggests that there was sufficient Capital available for investment during the year.

(vii) Debt vs Gross State Domestic Product (GSDP)

The GSDP is the total internal resource base of the State Government which can be used to service debt. An increasing ratio of Debt vs GSDP would signify a reduction in the Government's ability to meet its debt obligations and therefore increasing risk for the lender. In the case of Nagaland, this ratio had moved in the range between 0.51 to 0.52 during 1995-96 to 1997-98 The GSDP data for 1998-99 and 1999-2000 was not made available by the State Government. Hence, the ratio has not been worked out.

(viii) Revenue deficit vs Fiscal deficit

The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings, the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus higher the ratio the worse off the state because that would indicate that the debt burden is increasing without adding to the repayment capacity of the State. The ratio has gone down from 0.50 in 1995-96 to 0.05 in 1999-2000.

(ix) Primary deficit vs Fiscal deficit

Primary deficit is the fiscal deficit minus interest payments. This means that the less the value of the ratio the less the availability of funds for capital investment. In case of Government of Nagaland, this ratio moved from 0.58 in 1995-96 to 0.17 during 1999-2000, suggesting less availability of funds for investment during 1999-2000, relative to the position in 1995-96.

(x) Guarantees vs Revenue receipts

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of the State Government and should therefore be compared with the ability of the

Government to pay viz., its revenue receipts. Thus, the ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. In the case of Nagaland this ratio has been static.

(xi) Assets vs Liabilities

This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than 1 would be a contra indicator. In the case of Nagaland this ratio, though positive, has declined sharply from 1.38 in 1995-96 to 1.10 in 1999-2000 indicating that the liabilities have grown at a faster rate than the assets and a contra indicator to solvency.

(xii) Budget

There was no delay in submission of the budget and their approval. The details are given in the following table :

Preparation	Month of submission	Month of approval
Vote on Account	March 1999	March 1999
Budget	July 1999	July 1999
Supplementary	March 2000	March 2000

Chapter II of this Report carries a detailed analysis of variations in the budget estimates and the actual expenditure as also of the quality of budgetary procedure and control over expenditure. The analysis reveals defective budgeting and inadequate control over expenditure, as evidenced by persistent resumption (surrenders) of significant amounts every year, vis-à-vis the final modified grant. Significant variations (excess/savings) between the final modified grant and actual expenditure were also persistent.

(xiii) Accounts

There are 88 Divisions in the State, responsible for maintaining and rendering the accounts to the Sr. Deputy Accountant General (A&E), Nagaland in respect of Public Works Department (43 Divisions), Public Health Engineering Department (10 Divisions), Power Department (16 Divisions) and Forest Department (19 Divisions). All the 88 Divisions had delayed submission of their monthly accounts. The delay ranged between 1 and 400 days resulting in exclusion of the transactions of the department concerned from the monthly accounts. However, since all the transactions had to be incorporated in the annual Finance and Appropriation Accounts, the final closure of these accounts also got delayed.

1.11.4 Conclusion

State Government had a negative BCR during all the five years ending March 2000 suggesting that Government had been depending heavily on borrowings for meeting its plan and non-plan expenditure. Dependence on GOI grant is high about 40 *per cent* of total expenditure. Interest ratio of the Government increased to 0.13 during 1999-2000 as compared to 0.10 in 1996-97 indicating adverse implications on the sustainability of the State on account of increased interest burden. The capital outlay versus capital receipts ratio has all along being less than one except during 1996-97 indicating that a part of the capital receipts is being used for unproductive revenue expenditure. Decline of Assets/liabilities ratio from 1.38 in 1995-96 to 1.10 in 1999-2000 indicates adversely on the solvency of the Government. Major portion of the incremental expenditure was utilised on clearance of RBI overdraft.

The matter had been reported to Government in January 2001; reply had not been received (February 2001).

EXHIBIT - I
(Reference: paragraph 1.4.1)

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 1999-2000

(Rupees in crore)

RECEIPTS				DISBURSEMENTS					
1998-99			**1999-2000**	**1998-99**		**Non-Plan**	**Plan**	**Total**	**1999-2000**
	SECTION A: REVENUE								
989.38	**I. Revenue Receipts**		**1131.46**	**1012.40**	**I. Revenue Expenditure**				**1140.80**
30.56	Tax Revenue	39.50		460.41	General Services	530.37	14.23	544.60	
44.15	Non-tax Revenue	38.86		293.78	Social Services	241.70	88.69	330.39	
437.19	State's share of Union Excise Duties	526.04		135.83	Education, Sports, Art and Culture	141.38	21.77	163.15	
79.63	Non-plan grants	29.88		57.94	Health and Family Welfare	52.50	18.35	70.85	
341.90	Grant of State Plan Scheme	425.34		49.00	Water Supply, Sanitation, Housing and Urban Development	28.04	23.48	51.52	
14.66	Grant for Central Plan Scheme	9.78		6.34	Information and Broadcasting	5.11	1.10	6.21	
38.23	Grants for Centrally Sponsored Plan Schemes	52.96		10.05	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	---	7.79	7.79	
3.06	Grant for Special Plan Scheme (NEC)	9.10		3.34	Labour and Labour Welfare	2.13	1.74	3.87	
				26.68	Social Welfare and Nutrition	8.92	14.40	23.32	
				4.60	Others	3.62	0.06	3.68	
				258.21	**Economic Services**	**139.35**	**126.46**	**265.81**	

				82.86	Agriculture and Allied Activities	45.07	35.30	80.37	
				30.51	Rural Development	5.54	23.35	28.89	
				10.75	Special Areas Programme	1.26	5.22	6.48	
				5.85	Irrigation and Flood Control	3.66	7.24	10.90	
				34.00	Energy	33.58	0.55	34.13	
				22.84	Industry and Minerals	11.13	18.51	29.64	
				25.97	Transport	29.78	0.71	30.49	
				0.23	Science, Technology and Environment	0.02	0.15	0.17	
				45.20	General Economic Services	9.31	35.43	44.74	
23.02	**II. Revenue Deficit carried over to Section-B**		**9.34**	**---**	**II. Revenue Surplus carried over to Section-B**				**---**
1012.40	**Total: Section A-Revenue**	**1140.80**			**Total: Section A-Revenue**	**911.42**	**229.38**	**1140.80**	**1140.80**
	SECTION-B								
(-) 102.48	**III. Opening cash balance including Permanent Advances and Cash Balance Investment**		**(-) 69.52**	---	**III. Opening Overdraft from RBI**				**---**
---	**IV**		**---**	**155.78**	**IV. Capital Outlay**	**0.13**	**179.21**	**179.34**	**179.34**
				10.63	**General Services**				
				55.19	**Social Services**				
				5.43	Education, Sports Art and Culture				
				11.45	Health and Family Welfare				
				36.85	Water Supply, Sanitation				

					Housing and Urban Development				
				0.05	Information and Broadcasting				
				1.41	Social Welfare and Nutrition				
				---	Others				
				89.96	Economics Services				
				6.83	Agriculture and Allied Activities				
				7.65	Special Areas Programme				
				42.75	Energy				
				8.04	Industry and Minerals				
				24.63	Transport				
				0.06	General Economic Services				
13.18	**V. Recoveries of Loans and Advances**		**15.98**	**19.11**	**V. Loans and Advance disbursed**				**10.21**
0.35	From Government Servants	0.72		1.13	To Government Servants				
12.83				17.98	To others				
	VI. Revenue Surplus brought down		**---**	23.02	**VI. Revenue deficit brought down**				**9.34**
	VI. Revenue Surplus brought down		**---**	23.02	**VI. Revenue deficit brought down**				**9.34**
394.17	**VII. Public Debt receipts**		**344.23**	**207.26**	**VII. Repayment of Public Debt-**				**247.45**
104.65	Internal debt other than Ways and Means Advances and Overdrafts	167.24		**22.53**	Internal debt other than Ways and Means Advances and Overdrafts			**3.19**	
	Net				Net transactions				

	transactions under:-				under:-				
*72.69	Ways and Means Advances including overdrafts				Ways and Means Advances including overdrafts				*149.58
216.83	Loans and Advances from Central Government	176-99		184.73	Repayment of Loans and Advances to Central Government			66.68	
---	**VIII. Appropriation to Contingency Fund**	---	---	---	**VIII. Appropriation to Contingency Fund**			**---**	
---	**IX. Amount transferred to Contingency Fund**	---	---	---	**IX. Expenditure from Contingency Fund**			**---**	
427.00	**X. Public Account receipts-**		**538.71**	**396.22**	**X. Public Account disbursements-**				**443.39**
70.27	Small Savings And Provident Funds	86.03		38.95	Small Savings and Provident Funds			51.05	
1.88	Reserve funds	0.58		1.11	Reserve Funds			2.04	
76.25	Suspense and Miscellaneous	99.67		69.77	Suspense and Miscellaneous			103.76	
253.85	Remittance	273.29		249.75				265.67	
24.75	Deposits and Advances	79.14		36.64				20.87	
	XI. Closing Overdraft from Reserve bank of India			**(-) 69.52**	**XI. Cash Balance at end-**				**(-) 60.33**
				0.17	Cash in Treasuries and Local Remittances			0.17	
				(-) 100.75	Deposits with Reserve Bank			(-) 86.34	
				24.22	Departmental Cash balance including Permanent Advances			17.04	

				---	Cash Balance Investment			---	
				6.84	Investment in earmarked funds			8.80	
731.87	**Total:-**		**829.40**	**731.87**	**Total:-**				**829.40**

* Represents receipts: Rs.195.29 crore (and Rs.402.49 crore) and disbursements: Rs.344.87 crore (and Rs.329.80 crore) for the years 1998-99 and 1999-2000 respectively.

EXHIBIT - II

Financial Indicators for Government of Nagaland

	1995-96	1996-97	1997-98	1998-99	1999-2000
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
SUSTAINABILITY					
BCR (Rupees in crore)	(-) 219.88	(-) 135.67	(-) 272.47	(-) 210.89	(-) 277.14
Primary Deficit (PD) (Rupees in crore)	117.62	46.87	152.08	49.90	30.63
Interest Ratio	0.11	0.10	0.13	0.14	0.13
Capital outlay/Capital receipts	0.58	1.02	0.93	0.88	0.69
Total tax receipts/GSDP	0.13	0.16	0.18	NA	NA
State Tax Receipts/GSDP	0.03	0.03	0.14	NA	NA
Return on Investment ratio	NIL	NIL	NIL	NIL	NIL
FLEXIBILITY					
BCR (Rupees In crore)	(-) 219.88	(-) 135.67	(-) 272.47	(-) 210.89	(-) 277.14
Capital repayments/Capital borrowings	0.16	0.31	0.26	0.64	0.22
State Tax receipts/GSDP	0.03	0.03	0.14	NA	NA
Debt/GSDP	0.51	0.49	0.52	NA	NA
VULNERABILITY					
Revenue Surplus (+)/Revenue Deficit(-) (Rupees in crore)	(-) 100.69	(+) 7.82	(-) 127.19	(-) 23.02	(-) 9.34
Fiscal Deficit (FD) (Rupees In crore)	202.73	137.07	264.70	184.73	182.91
Primary Deficit (PD) (Rupees In crore)	117.62	46.87	152.08	49.90	30.63
PD/FD	0.58	0.34	0.57	0.27	0.17

RD/FD	0.50	(-) 0.06	0.48	0.13	0.05
Outstanding Guarantees/revenue receipts	@	@	@	@	@
Assets/Liabilities	1.38	1.34	1.17	1.13	1.10

@ Information awaited from the Government (February 2001).

Note :

1. RD-Revenue Deficit.
2. RS-Revenue Surplus.
3. Fiscal deficit has been calculated as : Revenue expenditure + Capital expenditure + Net loans and advances -Revenue receipts- Non-loan capital receipts.
4. In the ratio Capital outlay vs. capital receipts, the denominator has been taken as net additions under internal loans & Loans and Advances from Government of India plus Net receipts from small savings, PF etc. plus Repayments received from loans advanced by the State Government minus Loans advanced by State Government minus Ways & Means Advances and Overdrafts under 6003 and 6004.

EXPLANATORY NOTES

1. The summarised financial statements are based on the Finance Accounts and Appropriation Accounts of the State Government and are subject to notes and explanations contained therein.

2. Government accounts being mainly on cash basis, the revenue surplus or deficit has been worked out on cash basis. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc. do not figure in the accounts.

3. The capital outlay represents capital expenditure booked in the accounts.

4. Although a part of revenue expenditure (grants) and the loans are used by the recipients for capital formation, its classification in the Government accounts remains unaffected by end use.

5. Under the Government system of accounting, the revenue surplus or deficit is closed annually to Government account, with the result that cumulative position of such surplus or deficit was not ascertainable. The balancing figure of Rs.127.72 crore as on 31 March 1982 was, therefore, treated as cumulative surplus for drawing up the first statement of financial position for 1982-83 which took the place of balance sheet. The current figure as on 31 March 2000 was Rs.170.42 crore after accounting for the revenue deficit of Rs.9.34 crore during 1999-2000.

6. Suspense and Miscellaneous balances include cheques issued but not paid, inter-departmental and inter-Governmental payments and other pending settlements. The balance under Suspense and Miscellaneous had increased from Rs.52.01 crore as on 31 March 1999 to Rs.56.11 crore as on 31 March 2000.

7. The closing cash balance as reported by the Reserve Bank of India was Rs.77.23 crore (debit) against the general cash balance of Rs.86.34 crore (debit) shown in the accounts. The difference of Rs.9.11 crore (debit) as on 31 March 2000 was under reconciliation (February 2001).