

CHAPTER-I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

1.1.1 This chapter discusses the financial position of the State Government, based on the information contained in the Finance Accounts. The analysis is based on trends in receipts and expenditure, quality of expenditure and 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. Some of the terms used in this chapter are explained in **Appendix-I**.

1.2 Financial position of the State

1.2.1 The Government accounting system does not attempt a comprehensive accounting of fixed assets i.e. land and buildings etc., owned by the Government. However, these accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by it. Exhibit-I present an abstract of such liabilities and the assets as on 31 March 2003 compared with the corresponding position on 31 March 2002. While the liabilities in this statement consist mainly of moneys owed by the State Government such as internal borrowings, loans and advances from the Government of India, receipts from the public account and reserve funds, the assets comprise mainly the capital expenditure and loans and advances given by the State Government. Exhibit-I shows that while the liabilities grew by 7.61 *per cent*, the assets grew by 16.70 *per cent* during 2002-03.

1.3 Sources and application of funds

1.3.1 Exhibit-II gives the position of sources and application of funds during the current and the preceding year. 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 on lending for developmental and other purposes. Revenue receipts constituted the most significant source of fund for the State Government and registered an increase of 15.13 *per cent* during the year while their relative share also increased from 94 *per cent* in 2001-02 to 96 *per cent* in 2002-03. The share of public debt receipts and net receipts from public account decreased from 3 *per cent* each to 2 *per cent* each during the period.

The revenue expenditure accounted for 87 *per cent* of total funds. Since this was lower than the share of the revenue receipts in the total receipts this led to revenue surplus. While the revenue expenditure grew by 13 *per cent* during the period capital expenditure remained at the same level. Therefore, share of the capital expenditure came down from 11 *per cent* to 10 *per cent* during the period.

1.4 Revenue Receipt

1.4.1 The revenue receipts of the State consist mainly of its own taxes and non-tax revenue, central tax transfers and grants in aid from the Government of India. Over all revenue receipts of the State increased from Rs.1440.66 crore in 1998-99 to Rs.2080.52 crore in 2002-03. Rate of growth of revenue receipts was significantly high (15.13 *per cent*) in 2002-03 due to increase in the gross receipts from online lotteries, sales tax and state income tax collections and grants-in-aid. Over all revenue receipts, its annual and trend rate of growth, ratio of its receipts to States Gross Domestic Product (GSDP) and its buoyancy are indicated in table- 1.

Table-1: Revenue Receipts- Basic Parameters (Values in Rupees crore and others in percentage)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average/ Trend
Revenue Receipts	1440.66	1511.83	862.60	1807.18	2080.52	1540.56
Rate of Growth	10.87	4.94	(-) 42.94	109.50	15.13	7.32
Revenue Receipt/ GSDP	184.27	179.97	88.35	168.52	180.49	159.70
Revenue Buoyancy	0.54	0.66	*	11.13	2.02	0.61
GSDP growth	20.09	7.44	16.23	9.84	7.49	11.96

* Rate of growth of revenue receipt was negative.

The rate of growth of revenue receipts and GSDP in the State depict diverging trend over the years. Average annual growth of revenue receipt during 1998-2003 at 7.32 *per cent* fell significantly short of GSDP growth of 11.96 *per cent* during the same period. This led to revenue buoyancy falling below one (a sharp decline in rate of growth of revenue receipt in 2000-01 and a even sharper lottery receipts, independent of GSDP growth of base change).

Composition of the revenue receipts of the State and the relative share of its four components over last five years is indicated in table-2. On an average, around 64.52 *per cent* of the revenue came from State's own resources and Central tax transfers and grants in aid together contributed only 35.48 *per cent* of total revenue. The tax revenue grew from around 3.25 *per cent* of total revenue in 1998-99 to 5.07 *per cent* in 2002-03. Central tax transfers as percentage to total revenue of the State witnessed a decline from 6.40 *per cent* in 1998-99 to 3.71 *per cent* in 2002-03 while the share of Grants-in-aid went up from 19.49 *per cent* to 27.97 *per cent*. However, after netting off the impact of gross receipt of Rs.1256.72 crore from state lotteries included under non-tax-revenue of the State, against which an expenditure of Rs.1173.48 crore was incurred during 2002-03, the picture of State's finance changes drastically. About 72.67 *per cent* of the net revenue receipts of the State were financed by Central tax transfers and Grants-in-aid. The contribution of state lotteries comprised 33.57 *per cent* of own tax and

non-tax revenue indicating vulnerability of the State’s finances to the fluctuations in receipts from lotteries (**Exhibit-IV**).

Table-2: Components of Revenue receipt- relative Share in per cent

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average /Trend
Own Taxes	3.25	3.25	7.58	4.45	5.07	4.72
Non-Tax Revenue	70.86	68.97	33.51	62.43	63.25	59.80
Central tax transfers	6.40	6.58	8.37	4.69	3.71	5.95
Grants-in-aid	19.49	21.20	50.54	28.43	27.97	29.53

Over all growth of the four components of revenue during 1998-2003 also differed significantly. While the revenue from own taxes of the State and Grant-in-aid recorded trend growth of 22.91 *per cent* and 19.66 *per cent* respectively during 1998-2003, the Central tax transfers declined by 2.10 *per cent*. The trend annual growth of the various components of State’s revenue, their buoyancy, average ratio as percentage to GSDP and average annual rate of shift in the relative contribution is indicated in table-3.

Table-3: Components of Revenue- Basic Parameters 1998-2003 (percentage)

	ROG	Buoyancy	GSDP Share	Relative Share	Shift Rate
Own Taxes	22.91	1.92	7.20	4.72	14.53
Non-Tax Revenue	2.17	0.18	99.45	59.80	(-) 4.79
Central tax Transfers	(-) 2.10	*		5.95	(-) 8.78
Grants-in-aid	19.66	1.64	44.22	29.53	11.50

* Rate of growth of Central tax transfers was negative.

State’s own taxes and grants in aid had a buoyancy greater than one.

1.5 Expenditure

1.5.1 Over all expenditure of the State comprising revenue expenditure, capital expenditure and the loans and advances increased from Rs.1588.44 crore in 1998-1999 to Rs.2091.66 crore in 2002-03, at an average annual trend rate of 6.07 *per cent*. The over all buoyancy of the total expenditure at 0.51 during 1998-2003 was significantly low. It indicated that for every one *per cent* increase in the State’s GSDP, expenditure increased by only 0.51 *per cent*. Overall expenditure,

its annual and trend growth, ratio of total expenditure to State's GSDP and the buoyancy of expenditure are indicated in table-4 below:

Table-4: Total Expenditure-Basic Parameters (Value in Rupees crore and others in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average Trend
Total Expenditure	1588.44	1605.45	914.56	1875.17	2091.66	1615.06
Rate of Growth	16.18	1.07	(-) 43.03	105.04	11.55	6.07
TE/GSDP Ratio	203.17	191.12	93.67	174.86	181.45	167.42
Revenue Receipts/TE Ratio	90.70	94.17	94.32	96.37	99.47	95.01
Buoyancy of Total expenditure with						
GSDP	0.81	0.14	(-) 2.65	10.68	1.54	0.51
Revenue Receipt	1.49	0.22	1.00	0.96	0.76	0.83

In terms of the activities, total expenditure could be considered as being composed of expenditure on general services, interest payments, social and economic services, grants in aid and loans and advances. The relative share of these components in the total expenditure is indicated in table-5.

Table 5: Components of Expenditure – Relative Share (in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
General Services	67.85	67.04	35.36	62.13	63.05	59.58
Interest Payments	3.30	4.23	8.60	4.49	4.29	4.98
Social Services	15.23	14.48	26.55	16.03	15.41	17.54
Economic Services	13.41	13.96	28.53	16.68	16.83	17.88
Loans & Advances	0.07	0.07	0.04	0.01	0.00	0.04

The movement of relative share of these components indicates that while the share of general services excluding interest payments in total expenditure declined from 67.85 per cent in 1998-99 to 63.05 per cent in 2002-03, the relative share of interest payments, economic services and social services increased. However, interest payments and expenditure on general services considered as non-developmental, together accounted for as much as 67.34 per cent of total expenditure in 2002-03 as compared to 32.24 per cent of expenditure on economic and social services.

In total expenditure, revenue expenditure had the predominant share. Revenue expenditure is incurred to maintain the current level of services and not represent any addition in the State's service network. Overall revenue expenditure of the State increased from Rs.1495.60 crore in 1998-99 to Rs.1882.62 crore in 2002-03, at an average trend rate of 4.84 per cent per annum. On an average 90.59 per cent of total expenditure for the period from 1998-99 to 2002-03 was on current consumption. Overall revenue expenditure, its rate of growth, ratio of revenue

expenditure to GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts is indicated in table 6 below:

Table 6: Revenue Expenditure- Basic Parameters (Values in Rupees crore and other in per cent)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average/ Trend
Revenue Expenditure	1495.60	1509.97	763.31	1664.25	1882.62	1463.15
Rate of Growth	18.87	0.96	(-) 49.45	118.03	13.12	4.84
RE/GSDP	191.29	171.75	78.98	144.19	163.32	151.67
RE as % of TE	94.16	94.05	83.46	88.75	90.01	90.59
RE as % to Revenue Receipt	103.81	99.88	88.49	92.09	90.49	105.69
Buoyancy of Revenue Expenditure with						
GSDP	0.94	0.13	*	12.00	1.75	0.40
Revenue Receipts	1.74	0.19	*	1.08	0.87	0.66

* Revenue Expenditure and Revenue Receipts had recorded a negative growth.

Average buoyancy of revenue expenditure to GSDP during 1998-2003 was 0.40 indicating that for each one-percentage increase in the State's GSDP, revenue expenditure increased by 0.40 per cent. However, it witnessed an increasing trend during recent years.

Within the total expenditure plan, capital and development expenditure components reflect its quality. Higher the ratio of these components to total expenditure better is the quality of expenditure. Table-7 below gives the ratio of these components to total expenditure.

Table-7: Quality of expenditure (per cent to total expenditure)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average/ Trend
Plan Expenditure	15.85	14.27	33.56	21.51	21.85	20.41
Capital Expenditure	5.78	5.88	16.51	11.24	9.99	9.37
Development Expenditure	28.66	28.46	55.10	32.71	32.24	33.49

Total expenditure do not include Loans and Advances

All the three components of expenditure showed a relative increase during 1998-2003. However, share of capital expenditure declined from 11.24 per cent in 2001-02 to 9.99 per cent in 2002-03

Activity wise expenditure also revealed that the average trend growth of various components had significant inter year variations. Interest payments was the fastest growing component with an average growth of 17.01 per cent per annum. Loans and advances of the State had a negative growth of 44.97 per cent. As percentage of GSDP, non-development expenditure comprising general service and interest payments averaged 110.60 per cent, social services 17.54 per cent

and the economic services 28.26 per cent. Activity wise trend growth, ratio to GSDP, relative share of the various activities, shift in their relative share and buoyancy with GSDP and revenue receipt are indicated in table-8.

Table-8 Activity wise Expenditure- Basic Parameters (in per cent)

	ROG	GSDP Share	Relative Share	Share Shift	Buoyancy with	
					GSDP	Revenue Receipt
General Services	1.95	102.87	64.56	(-) 2.83	0.26	0.42
Interest Payments	17.01	7.73	4.98	10.26	1.42	2.32
Social Services	11.17	27.79	17.54	4.81	0.93	1.53
Economic Services	12.94	28.26	17.88	6.48	1.08	1.77
Loans & Advances	(-) 44.97	0.06	0.04	(-) 48.12	*	*

* Loans and Advances had a negative growth.

The relative share of the expenditure on interest, social and economic services grew by an average of 17.01 per cent, 11.17 per cent and 12.94 per cent per annum respectively and witnessed a positive shift in their shares.

1.6 Fiscal Imbalances

1.6.1 The deficits in the Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed is an important pointer to its fiscal health. The fiscal deficit which represents the total borrowing of the Government and its total resource gap decreased from Rs.146.86 crore in 1998-99 to Rs.9.86 crore in 2002-03. Since 1999-2000 onwards State is having revenue surplus.

Table-9: Fiscal Imbalance Basic parameters (Values in Rupees crore and Ratios in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue deficit	(-) 54.94	1.86	99.29	142.93	197.90	2.48
Fiscal deficit	(-) 146.86	(-) 92.55	(-) 50.50	(-) 66.85	(-) 9.86	(-) 73.32
Primary Deficit	(-) 94.39	(-)24.63	28.17	17.31	79.67	1.23
RD/GSDP	(-) 7.03	0.22	10.17	13.33	17.17	0.26
FD/GSDP	(-) 18.78	(-) 11.02	(-) 5.17	(-) 6.23	(-) 0.86	(-) 7.60
PD/GSDP	(-) 12.07	(-) 2.93	2.89	1.61	6.92	0.13
RD/FD	37.41	*	*	*	*	*

* State had a revenue surplus all these years

1.7 Fiscal Liabilities- public Debt and Guarantees

1.7.1 The Constitution of India provides that state may borrow within the territory of India, upon the security of its consolidated funds, within such limits, as may from time to time, be fixed by an act of Legislature. However, no such law was passed by the State to lay down any such limit. Table 10 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP,

revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters. It would be observed that the over all fiscal liabilities of the State increased from Rs.519 crore in 1998-99 to Rs.888 crore in 2002-2003 at an average annual rate of 18.21 *per cent*. These liabilities as ratio to GSDP increased from 66.37 *per cent* in 1998-99 to 77.02 *per cent* in 2002-2003 and stood at 62.5 *per cent* 3.50 times of its own resources comprising its own tax and non-tax revenue. However, taking into account net receipt from lotteries, the ratio would be nearly three and half times of its own resources.

In addition to these liabilities, Government had guaranteed loans of its various Corporations and others, which in 2002-03 stood at Rs.95.70 crore. The guarantees are in the nature of contingent liabilities. The explicit fiscal liabilities of the State grew much faster compared to its rate of growth of GSDP and revenue receipts. On an average for each one *per cent* increase in GSDP, revenue receipts, and own resource the fiscal liabilities of the State increased by 1.52, 2.49 and 5.32 *per cent*.

Table –10: Fiscal Liabilities-Basic Parameters

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Fiscal Liabilities	519	702	750	827	888	737
Rate of Growth	40.65	35.26	6.84	10.27	7.38	18.21
Ratio of Fiscal Liabilities to						
GSDP	66.37	83.57	76.84	77.15	77.02	76.43
Revenue Receipt	36.03	46.43	86.91	45.77	42.68	47.85
Own Resources	48.61	64.30	211.26	68.46	62.47	71.66
Buoyancy of Fiscal Liabilities to						
GSDP	2.020	4.754	0.422	1.044	0.976	1.522
Revenue receipt	3.742	7.138	*	0.094	0.487	2.488
Own resources	3.876	15.588	*	0.043	0.417	5.325

* State had a negative trend.

Increasing liabilities had raised the issue of sustainability. Fiscal Liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP. In the case of Sikkim, average interest rate on fiscal liabilities at 10.99 *per cent* was below the rate of growth of GSDP by 0.97 *per cent* as indicated in table-11. However, in three out of five years more particularly in the most recent two years, average interest rate on fiscal liabilities exceeded the GSDP growth raising concerns on its debt sustainability.

Table –11: Debt Sustainability- Interest Rate and GSDP Growth (in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Weighted Interest Rate	11.82	11.13	10.84	10.65	10.50	10.99
GSDP Growth	20.12	7.42	16.19	9.84	7.56	11.96
Interest spread	8.31	(-) 3.71	5.35	(-) 0.82	(-) 2.94	0.97

Another important indication of debt sustainability is net availability of the funds after payment of the principal on account of the earlier contracted liabilities and interest. Table –12 below gives the position of the receipt and repayment of fiscal liabilities over last 5 years. The net funds available on account of the internal

debt, loans and advances from Government of India and other liabilities after providing for interest and repayments varied from 59.37 per cent to 1.15 per cent. The net funds available declined drastically to 1.15 per cent of total new liabilities in 2002-2003 from 12.10 per cent in 2001-02.

Table-12: Net Availability of Borrowed Funds

(Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Internal Debt						
Receipt	42.00	82.76	32.94	39.10	34.81	46.32
Repayment (Principal +Interest)	24.47	26.70	35.41	37.83	45.33	33.95
Loans and Advances from GOI						
Receipt	53.53	63.97	36.18	52.27	43.73	49.94
Repayment (Principal +Interest)	48.60	34.68	55.97	60.49	64.71	52.89
Other Liabilities						
Receipt	111.45	83.10	79.75	92.09	114.85	96.25
Repayment (Principal +Interest)	34.88	32.01	51.95	62.94	81.12	52.58
Total Liabilities						
Receipt	206.98	229.83	148.87	183.46	193.39	192.51
Repayment (Principal +Interest)	107.45	93.39	143.33	161.26	191.16	139.32
Net Fund Available	99.03	136.44	5.54	22.20	9.02	53.34
Net Fund Available (per cent)	47.84	59.37	3.72	12.10	1.15	24.84

1.8 Investments and returns

1.8.1 As on 31 March 2003, Government had invested Rs.69.56 crore in Statutory Corporations, Joint Stock Companies and Cooperatives. Government's return on this investment in 2002-03 was only 2.53 per cent, as against the average rate of interest on its borrowing at 10.50 per cent during the year as indicated in table –13 below:

Table-13: Return on Investment

Year	Investment at the end of the year (Rupees in crore)	Return (Rupees in crore)	Percentage or Return	Weighted interest Rate
1998-1999	41.76	1.23	3	11.82
1999-2000	44.54	0.72	2	11.13
2000-2001	52.68	0.0158	0.03	10.84
2001-2002	64.37	0.011	0.02	10.65
2002-2003	69.56	1.76	2.53	10.50

In addition to its investment, Government has also been providing loans and advances to many of these units. Total outstanding loan was Rs.6.28 crore as on

31 March 2003. Interest on these was not received in any of the years (1998-2003).

Table-14: Average Interest Received on Loans Advanced by the State Government.

(Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Opening Balance	9.72	9.88	9.95	8.45*	7.50
Amount advanced during the year	1.08	1.14	0.33	0.19	0.06
Amount repaid during the year	0.92	1.07	1.46	1.14	1.28
Closing Balance	9.88	9.95	8.82	7.50	6.28
Net addition	0.16	0.07	(-) 1.13	(-) 0.95	(-) 1.22

* The variation of opening balance for 2001-2002 is due to proforma correction in the Finance Accounts.

1.9 Incomplete Projects

1.9.1 As informed by the State Government, there were 36 incomplete projects in which Rs.13.60 crore were blocked. The delay in completion of projects ranged between 1 month to 36 months. This showed that the Government was spreading its resources thinly without prioritisation, which failed to yield any return.

1.10 Arrears of revenue

1.10.1 The arrears of revenue pending collection was Rs.2.16 crore as of March 2003. Of these Rs.0.76 crore and Rs.0.56 crore were on account of Transport Department and Urban Development & Housing Department respectively.

1.11 Financial indicators of the Government of Sikkim

1.11.1 The finances of a State should be sustainable, flexible and non-vulnerable. Table –15 below presents a summarised position of Government finances over 1998-2003, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and captures its important facts.

The ratios of revenue receipt and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipt indicates the nature of the tax regime and the State's increasing access to resources. Revenue receipts comprise not only the tax and non-tax resources of the State but the Central transfers also. It indicates the sum total of the State's access for which there is no direct service provision obligations, recovery of users' charges for the social and economic services provided by it and its entitlement from the Central Pool of Resources. These ratios show continuous improvements during 2001-03. Overall revenue buoyancy of the state has been less than one during the last five years, though witnessing significant increases during 2001-03.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in the relation to its resource mobilisation. The ratio of revenue expenditure to total expenditure has showed increasing trend from 2001-02 while its capital expenditure and development expenditure as percentage to total expenditure has declined during the same period. It indicates the State's inadequate expansion of its developmental activities during the last two year.

Table-15: Indicators of Fiscal Health (in per cent)

Fiscal Indicators	1998-99	1999-2000	2000-01	2001-02	2002-03	Average/ Trend
Resource Mobilisation						
Revenue Receipt/GSDP	184.27	179.97	88.35	168.52	180.49	159.70
Revenue Buoyancy	0.54	0.66	*	11.13	2.02	0.61
Own tax/GSDP	5.98	5.84	6.70	7.50	9.15	7.20
Expenditure Management						
Total Expenditure/GSDP	203.17	191.12	93.67	174.86	181.45	167.42
Revenue Receipts/Total Exp.	90.70	94.17	94.32	96.37	99.47	95.01
Revenue Expenditure/Total. Exp.	94.16	94.05	83.46	88.75	90.01	90.59
Capital Expenditure/Total Exp	5.78	5.88	16.51	11.24	9.99	9.37
Development Expenditure/ Total Exp.	28.66	28.46	55.10	32.71	32.24	33.49
Buoyancy of TE with RR	1.49	0.22	1.00	0.96	0.76	0.83
Buoyancy of RE with RR	1.74	0.19	1.15	1.08	0.87	0.66
Management of Fiscal Imbalances						
Revenue deficit (Rupees in crore)	(-)54.94	1.86	99.26	142.93	197.90	2.48
Fiscal deficit (Rupees in crore)	(-)146.86	(-)92.55	(-)50.50	(-)66.85	(-)9.86	(-) 73.32
Primary Deficit (Rupees in crore)	(-)94.39	(-)24.63	28.17	17.31	79.67	1.23
Revenue Deficit/Fiscal Deficit	37.41	\$	\$	\$	\$	\$
Management of Fiscal Liabilities (FL)						
Fiscal Liabilities/GSDP	66.37	83.57	76.84	77.15	77.02	76.43
Fiscal Liabilities/RR	36.03	46.43	86.91	45.77	42.68	47.85
Buoyancy of FL with RR	3.742	7.138	*	0.094	0.487	2.488
Buoyancy of FL with OR	3.876	15.588	*	0.043	0.417	5.325
Interest spread	8.31	(-)3.71	5.35	(-)0.82	(-)2.94	0.98
Net Fund Available	47.84	59.37	3.72	12.10	1.15	24.84
Other Fiscal Health Indicators						
Return on Investment	3	2	0.03	0.02	2.53	1.51
BCR (Rs in crore)	(-)153.64	(-)167.87	(-) 22.33	(-) 38.83	77.84	(-) 60.97
Financial Assets/Liabilities	1.79	1.59	1.66	1.73	1.88	1.73

* Rate of growth of Revenue Receipt and own resources was negative.

\$ State had a revenue surplus in all these years.

It is not uncommon for a State to borrow for increasing its social and economic infrastructure support and creating additional income generating assets. However, increasing ratio of fiscal liabilities to GSDP and revenue receipts indicate that the State is gradually getting into a debt trap. The average interest paid by the State on its borrowings during 2001-03 has also exceeded the rate of growth of its GSDP, violating the cardinal rule of debt sustainability. There has also been a decline in net availability of funds from its borrowings due to a larger portion of

these funds being used for debt servicing. The State's low return on investments indicates an implicit subsidy and use of high cost borrowing for investments, which yields very little to it. The BCR plays a critical role in determining its plan size and a negative BCR adversely affects the same and reduces availability of fund for additional infrastructure support and other revenue generating investment. The State Government had negative BCR during the period 1998-2002 which signifies that it was not able to generate surplus from current revenues and was dependent on borrowings and Central Plan Assistance for meeting the plan expenditure. However, BCR during the year 2002-03 was positive.

Exhibit-I

**SUMMARISED FINANCIAL POSITION OF THE
GOVERNMENT OF SIKKIM
AS ON 31 MARCH 2003**

(Rupees in crore)

As on 31.03.2002		Liabilities		As on 31.03.2003
314.21		Internal Debt		341.32
	220.81	Market Loans bearing interest	240.81	
	38.96	Loans from LIC	46.81	
	54.44	Loans from other institutions	53.70	
269.72		Loans and Advances from Central Government-		280.80
	7.14	Pre 1984-85 Loans	6.59	
	47.86	Non-Plan Loans	45.46	
	194.26	Loans for State Plan Schemes	218.04	
	11.09	Loans for Central and Centrally Sponsored Plan Schemes	10.71	
	9.37	Ways and Means Advances	-	
345.18				377.67
	1.00	Contingency Fund	0.97	
	222.12	Small Savings, Provident Funds, etc.	245.56	
	15.83	Deposits	17.28	
	30.76	Reserve Funds	39.60	
	75.47	Remittance Balances	74.26	
679.42		Surplus on Government Accounts		877.32
	536.50	Last year balance	679.42	
	142.92	Add Revenue Surplus	197.90	
1608.53		Total		1877.11
As on 31.03.2002		Assets		As on 31.03.2003
1445.74		Gross Capital Outlay on Fixed Assets-		1654.72
	64.37	Investments in shares of Companies, Corporation, etc.	69.56	
	1381.37	Other Capital Outlay	1585.16	
7.50		Loans and Advances-		6.28
	4.34	Other Development Loans	4.34	
	3.16	Loans to Government servants and Miscellaneous loans	1.94	
-	-	Reserve Fund Investments		
0.25		Advances		0.80
10.86		Suspense and Miscellaneous Balances		(-) 1.52
144.18		Cash		216.83
		Cash in Treasuries and Local Remittances		
	90.43	Deposits with other Bank	151.22	
	(-) 0.68	Departmental Cash Balance	0.18	
	29.00	Cash Balance Investments	29.00	
	25.43	Earmarked Funds Invested	36.43	
1608.53		Total		1877.11

Exhibit-II
SOURCES AND APPLICATION OF FUND

(Rupees in crore)

2001-2002	Sources	2002-03
1807.18	1. Revenue receipts	2080.52
1.14	2. Recoveries of Loans and Advances	1.28
57.17	3. Increase in Public debt other than overdraft	38.19
59.04	4. Net receipts from Public Account	44.35
	Increase in Small Savings	23.44
	Increase in Deposits and Advances	0.91
	Increase in Reserve Funds	8.84
	Net effect of Suspense and Miscellaneous transactions	12.38
	Net effect of remittance transactions	(-) 1.22
	5. Net effect of contingency fund transaction	
1924.53	Total	2164.34
2001-2002	Application	2002-03
1664.25	1. Revenue expenditure	1882.62
0.19	2. Lending for development and other purposes	0.06
210.73	3. Capital expenditure	208.98
-	4. Net effect of contingency fund transaction	0.03
49.36	5. Increase in Cash Balance	72.65
1924.53	Total	2164.34

Exhibit-III

**ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR
2002-2003**

(Rupees in crore)

Receipts				Disbursement					
Section-A : Revenue									
2001-02			2002-03	2001-02		Non-Plan	Plan	Total	2002-03
1807.18	I. Revenue Receipts		2080.52	1664.25	I. Revenue Expenditure				1882.62
	-Tax revenue	105.53			General Services	1386.60	19.15	1405.75	
	-Non-tax revenue	1315.84			Social Services				
	-State's share of Union Taxes	77.20			-Education, Sports, Art and Culture	83.68	50.34	134.02	
	-Non-Plan grants	213.86			-Health and Family Welfare	22.44	17.47	39.91	
					-Water Supply, Sanitation, Housing and Urban Development	9.64	22.23	31.86	
					-Information and Broadcasting	1.03	2.72	3.75	
	-Grants for State Plan Scheme	309.31			-Welfare of Scheduled Castes, Scheduled tribes and Other Backward Classes.	0.55	4.50	5.05	
	-Grants for Central and Centrally sponsored Plan Schemes	58.78			-Labour and Labour Welfare	0.62	0.32	0.94	
					-Social Welfare and Nutrition	9.27	12.30	21.57	
					-Others	1.64	-	1.64	
					Economic Services				
					-Agriculture and Allied Activities	34.86	36.87	71.73	
					-Rural Development	0.32	15.38	15.70	
					-Special Areas Programmes	-	1.09	1.09	
					-Irrigation and Flood Control	1.04	17.96	19.00	
					-Energy	42.56	18.11	50.67	
					-Industry and Minerals	3.44	19.02	22.46	
					-Transport	35.17	9.54	44.71	
					-Science, Technology and Environment	-	1.00	1.00	
					-General Economic Services	1.72	10.05	11.77	
-	II. Revenue Deficit carried over to Section B		-	142.93	II. Revenue Surplus carried over to Section B				197.90
1807.18	Total		2080.52	1807.18					2080.52
	Section B								
94.82	III. Opening Cash balance including Permanent Advances and Cash Balance Investment		144.18	210.73	III. Capital Outlay				
					General Services		11.49	11.49	11.49
					Social Services			83.66	83.66
					-Education, Sports, Art and Culture		27.17	27.17	
					-Health and Family Welfare		3.33	3.33	
					-Water Supply, Sanitation		48.95	48.95	
					-Housing and Urban Development				
					-Welfare of SC,ST and OBC		3.83	3.83	
					- Social Welfare		0.38	0.38	
					- Other				

CHAPTER-I – An Overview of the Finances of the State Government

Receipts				Disbursement					
2001-02	Section-B		2002-03	2001-02		Non-Plan	Plan	Total	2002-03
	IV Miscellaneous Capital receipts	-			Economic Services		113.83	113.83	113.83
					-Agriculture and Allied Activities		3.00	3.00	
					-Rural Development		2.83	2.83	
					-Special Areas Programmes		4.46	4.46	
					-Irrigation and Flood Control		2.91	2.91	
					-Energy		53.83	53.83	
					-Industry and Minerals		3.58	3.58	
					-Transport		39.62	39.62	
					-General Economic Services		3.60	3.60	
1.14	V. Recoveries of loans and Advances		1.28	0.19	IV Loans and Advances disbursed				0.06
	From Government Servants	1.18			-To Government Servants		0.06	0.06	
	From others	0.10			-To Others		-	-	
142.93	VI. Revenue surplus brought down		197.90	-	V. Revenue deficit brought down		-	-	
91.37	VII. Public debt receipts		78.53	34.19	VI. Repayment of Public Debt				40.35
	-External debt	-			-External debt				-
	-Internal debt other than Ways and Means Advances and Overdraft	34.81			-Internal debt other than Ways and Means Advances and Overdraft		7.70	7.70	
	-Ways and Means Advances	-			-Ways and Means Advances		-	-	
	-Loans and Advances from Central Government	43.72			-Repayment of Loans and advances to Central Government		32.65	32.65	
	VIII. Amount transferred to Contingency Fund				VII Expenditure from Contingency Fund				0.03
967.41	IX. Public Account Receipts		1356.15	908.38	VIII. Public Account Disbursements				1311.79
	-Small Savings and Provident funds	63.56			-Small savings and Provident Funds		40.12	40.12	
	-Reserve funds	19.12			-Reserve Funds		10.27	10.27	
	-Suspense and Miscellaneous	801.54			-Suspense and Miscellaneous		789.16	789.16	
	-Remittance	439.74			-Remittance		440.96	440.96	
	-Deposits and Advances	32.19			-Deposits and advances		31.28	31.28	
				144.18	IX. Cash Balance at end				216.83
					-Cash in Treasuries and Local Remittances			149.55	
					-Deposits with other Bank			167.00	
					-Departmental Cash Balance including permanent advances			36.61	
					-Cash Balance Investment			29.00	
1297.67	TOTAL		1778.04	1297.67	TOTAL				1778.04

Exhibit-IV
TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

	1998-99	1999-2000	2000-2001	2001-2002	2002-03
Part A. Receipts					
I. Revenue Receipts	1440.66	1511.83	862.60	1807.18	2080.52
(a) Tax Revenue	46.76 (3.25)	49.07(3.25)	65.39 (7.58)	80.39 (4.45)	105.53 (5.07)
Taxes on Income other than Corporation Tax	18.33 (39.20)	17.84 (36.36)	19.29 (29.50)	22.03 (27.40)	32.68 (30.97)
Sales Tax	13.06 (27.92)	13.64 (27.80)	24.50 (37.47)	34.97 (43.50)	41.42 (39.05)
State Excise	11.86 (25.36)	13.39 (27.29)	17.61 (26.93)	17.59 (21.88)	22.45 (21.27)
Tax on Vehicles	1.51 (3.23)	1.69 (3.44)	1.54 (2.35)	1.97(2.45)	2.35(2.23)
Stamp and Registration fees	0.51(1.09)	0.62 (1.26)	0.50 (0.76)	1.30(1.62)	3.45 (3.27)
Land Revenue	0.12(0.26)	0.54 (1.10)	0.22 (0.34)	0.51(0.63)	0.40 (0.37)
Other Taxes and Duties on Commodities and Services	1.37 (2.93)	1.35 (2.75)	1.73 (2.65)	2.02(2.51)	2.78 (2.63)
(b) Non-Tax Revenue	1020.91 (70.86)	1042.75 (68.97)	289.02 (33.51)	1128.21(62.43)	1315.84 (63.25)
(c) State's share in Union taxes	92.21 (6.40)	99.54 (6.58)	72.20 (8.37)	84.83 (4.69)	77.20 (3.71)
(d) Grants-in-aid from GOI	280.78 (19.49)	320.47 (21.20)	435.99 (50.54)	513.75(28.43)	581.95 (27.97)
II. Capital Receipts	206.99	229.38	148.87	183.46	193.38
Market Borrowing	42.00 (20.29)	82.76 (36.08)	32.94 (22.13)	39.10(21.31)	34.81 (18)
Loans and advances from GOI	53.54 (25.86)	63.97 (27.89)	36.18 (24.30)	52.27(28.49)	43.72 (22.61)
Other Receipts (Public Accounts)	111.45 (53.85)	82.65 (36.03)	79.75 (53.57)	92.09(50.20)	114.85 (59.39)
Part B. Expenditure	1587.36	1604.31	914.23	1874.98	2091.60
I. Revenue Expenditure	1495.60 (94.22)	1509.97 (94.12)	763.31 (83.49)	1664.25(88.76)	1882.62 (90)
Plan	159.77 (10.68)	134.60 (8.91)	155.93 (20.43)	192.67(11.58)	248.03 (13.17)
Non-Plan	1335.83 (89.32)	1375.37 (91.10)	607.38 (79.57)	1471.58(88.42)	1634.59 (86.83)
General Services	1127.77 (75.41)	1143.87 (75.75)	406.01 (53.19)	1254.02(75.35)	1405.75 (74.67)
Economic Services	155.63 (10.40)	169.84 (11.25)	164.81 (21.59)	183.56(11.03)	238.13 (12.65)
Social Services	212.21 (14.19)	196.26 (13.00)	192.49 (25.22)	226.67(13.62)	238.74 (12.68)
Interest Payment	52.47	67.92	78.67	84.16	89.53
Fin. Assistance to Local bodies etc.	2.17	3.49	8.39	12.07	7.80
Loans and advances given	1.08	1.14	0.33	0.19	0.06
II. Capital Expenditure	91.76 (5.78)	94.34 (5.88)	150.92 (16.51)	210.73(11.24)	208.98 (10)
Plan	91.76 (100)	94.34 (100)	150.92 (100)	210.73(100)	208.98 (100)
Non- plan	-	-	-	-	-
General Services	4.60 (5.01)	3.87 (4.10)	4.45 (2.96)	8.14(3.86)	11.49 (5.50)
Economic Services	57.44 (62.60)	54.29 (57.55)	96.15 (63.71)	129.15(61.29)	113.83 (54.47)
Social Services	29.72 (32.39)	36.18 (38.35)	50.32 (33.34)	73.44(34.85)	83.66 (40.03)
Part C. Deficits					
Revenue Deficit (-)/Surplus (+)	(-) 54.94	(+) 1.86	(+) 99.29	(+) 142.93	(+) 197.90
Fiscal Deficit	146.86	92.55	50.51	66.85	9.86
Primary Deficit (-)/Surplus (+)	(-) 94.39	(-)24.63	28.17	17.31	79.67
Part D. Other data					
Ways and Means Advances (days)	-	-	-	-	-
Interest on WMA	-	-	-	-	-
GSDP	781.84	840.03	976.34	1072.37(P)	1152.73(Q)
Outstanding Debt (year end)	503.67	676.34	729.37	806.06	867.68
Outstanding guarantees (year end)	21.07	21.57	104.61	95.70	95.70
Guarantees given during the year	-	0.50	83.04	-	-
Number of incomplete projects	69	57	95	37	36
Capital blocked in incomplete projects	96.26	20.71	12.55	24.64	13.60
Arrears of Revenue	NA	0.80	1.07	1.36	2.16

Note-I: Figures in brackets represent percentages to total of each sub heading.

Note-II: Non-tax revenue for the year 2002-2003 includes gross receipt of Rs.1256.72 crore from State Lotteries before adjustment of expenditure of Rs. 1173.48 crore.

Note-III: GSDP : (P) – Provisional Estimate, (Q) – Quick Estimate.

Note-IV: The arrears of Revenue for 2002-2003 relate to five Departments, SPWD (Building), PHE, UDHD, Printing & Stationery and SNT only.